

## ASX Announcement

21<sup>st</sup> November 2019

### MMA Offshore Limited (“Company”) – 2019 Annual General Meeting – Chairman’s Address and MD/CEO’s Presentation

The Listing Manager  
Australian Securities Exchange Ltd  
Level 4, Stock Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam,

Please find **attached** a copy of the Chairman’s Address and Managing Director’s / Chief Executive Officer’s Presentation to be presented to shareholders at today’s Annual General Meeting for the Company.

The results of the 2019 AGM will be released as soon as possible after the meeting.

Kind regards,  
**MMA OFFSHORE LIMITED**



**Dylan Roberts**  
Company Secretary

## MMA Offshore Limited 2019 Annual General Meeting Chairman's Address

Since the last AGM, we have seen an improvement in MMA's financial performance with revenue for the 2019 Financial Year up 19% and EBITDA up 50% on the previous year. The returns on our assets, whilst significantly below our historical average are gradually improving as we start to see higher utilisation and increasing charter rates particularly in the multi-purpose and platform supply vessel segments. These trends support our view that the offshore vessel market is in the early stages of a recovery.

Unfortunately, the financial markets have not been kind to the offshore vessel services sector over the past 12 months with share prices down by approximately 30% across the sector. MMA's share price has traded through a range of 15 to 23 cents per share over the 12 months closing yesterday at 17.5 cents per share, similar to levels this time last year.

At a macro level, the fundamentals for a continued recovery remain positive. We are seeing a significant number of oil and gas projects being sanctioned globally, with this trend expected to continue. Importantly, a large number of projects are

scheduled for development in our key regions of operation, which will translate into increased demand for offshore services and vessels in our markets.

On the supply side, our view is that the market is tightening and that the oversupply of vessels is overstated, with many vessels which have been laid up during the downturn facing prohibitive reactivation costs and lower demand due to their age and condition. Industry experts predict that a large portion of the laid-up fleet will never return to service.

Having repositioned our business over the past two years, through rationalising our fleet and strengthening our balance sheet, we are now firmly focused on earnings growth.

Our strategy to deliver increased returns for our shareholders focuses on maximising the returns from our core vessel business as the market improves, as well as growing our subsea and project logistics businesses.

Our offshore vessel business is a high fixed cost business and any improvement in utilisation or rates has a significant impact on our bottom line. Our contracting strategy reflects the current market conditions and is designed to ensure that we maximise the operating leverage of the business as the market improves whilst maintaining an appropriate baseload of contracted revenue. We are seeing signs of

the market improving with increased tendering activity and longer contract durations, fewer available vessels and improved rates in some regions and vessel segments.

Pleasingly, we recently signed a number of new contracts and contract extensions including two back-to-back drilling support contracts off the coast of Victoria, which is a relatively new market for MMA. We also extended two of our key offtake support vessels, the Mermaid Sound and Mermaid Strait, for a further 18 months with further options to extend. These contract awards are a testament to MMA's focus on operational excellence and client relationships.

The recent acquisition of the business of Neptune Marine Services, which completed earlier this month, is a key platform in our strategy to expand our subsea business. The acquisition will enable us to package a range of subsea services on the back of our vessels, enabling us to capture additional margin as we move up the value chain. The acquisition is expected to deliver a number of strategic benefits including an improved service offering to both Neptune's and MMA's clients, increased asset utilisation, increased return on assets as well as revenue and cost synergies associated with combining the two businesses.

With the acquisition undertaken at a low point in the cycle, we expect the combined business to benefit from increased offshore and subsea investment as the market

continues to improve. With the acquisition now complete, our focus is on integrating the two businesses to ensure that we gain the maximum benefit from the acquisition.

We are also focused on growing our projects logistics business and during the year established “MMA Global Projects” - a dedicated business division focused on project management of large marine spreads for major LNG and renewables projects globally. MMA has a strong internal capability in this area having delivered a number of major logistics projects for offshore construction in Australia. We have also bolstered the team with international expertise and contacts to focus on the key growth markets of East Africa and Taiwan. With a number of large construction projects in the pipeline both in Australia and internationally, MMA Global Projects is well placed to gain a share of this market.

Operational excellence and innovation are key competencies that underpin our strategy and differentiate us from our competitors. During the year, we secured a number of important new contracts on the back of our solutions focused approach.

The Woodside Walk to Work project is a key example of our ability to innovate to deliver value-adding services to our clients. This project was the first time a walk to work and accommodation vessel had been used for platform maintenance operations in Australia. MMA collaborated with Woodside to engineer a solution which resulted in a significant improvement in both safety and productivity - due to the ability to have more people on site and a significantly reduced need for helicopter transfers. Walk to Work is becoming an increasingly important service offering for

MMA and aligns with our strategy of being a “service provider” rather than simply being a vessel provider. MMA has secured a number of long-term contracts on the back of providing a more innovative or technically sophisticated solution than our competitors and we see this as a key part of our strategy going forward.

We continue to focus on our Balance Sheet and on improving our key debt metrics. Our Loan to Valuation Ratio is well within acceptable limits at 42%, however, our Net Debt to EBITDA Ratio remains above our target range based on our current earnings. Our strategy to increase earnings will improve our debt metrics over time. However, we continue to proactively manage our debt position, with our current debt facilities due for refinancing by September 2021. Our relationship with our banking group is positive and we will continue to engage with them as well as with the wider debt markets on the range of refinancing alternatives available to the Company.

I would like to conclude by thanking my fellow Board members for their valuable contribution to the business over the past 12 months. As previously announced, as part of its succession planning, the Board is currently searching for two Non-Executive Directors for the Company. In addition, the Board intends to appoint David Ross as the Company’s new Managing Director as soon as is reasonably practicable after this AGM. Last, but certainly not least, I would also like to thank the Senior



Leadership team and all of the staff at MMA for their dedication and commitment to MMA.

As the market continues to improve, we look forward to growing the business and improving returns for you, our shareholders. MMA remains positive on the outlook for a recovery in the offshore sector and in our key markets. On this basis, we reaffirm our previous guidance of a continuing improvement in EBITDA during FY2020.

I thank you for your ongoing support of the Company.





# 2019 ANNUAL GENERAL MEETING

**21 November 2019**



# IMPORTANT NOTICES & DISCLAIMER

This document contains general information about the activities of MMA Offshore Limited (**MMA**) current at the date of this presentation. It is information in a summary form only and does not contain all the information necessary to fully evaluate any transaction or investment. It should be considered in conjunction with MMA's other periodic and continuous disclosure announcements to the Australian Securities Exchange available at [www.asx.com.au](http://www.asx.com.au).

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**Future performance:** This document contains certain forward-looking statements. The words 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of MMA, and its officers, employees, agents and associates, that may cause actual results to differ materially from those expressed or implied in such statements. Actual results, performance or outcomes may differ materially from any projections and forward-looking statements and the assumptions on which those assumptions are based. You should not place undue reliance on forward-looking statements and neither MMA nor any of its directors, officers, employees, advisors, agents or associates assumes any obligation to update such information.

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# Review of Operations

## Jeff Weber, Managing Director



# FY2019 HIGHLIGHTS



Broad consensus that the OSV market is in the early stages of a recovery

**50%**

Increase in EBITDA

**72%**

Utilisation increasing with higher weighting to larger vessels



Rates increasing in the more specialised vessel segments



Strong safety performance, well above industry average



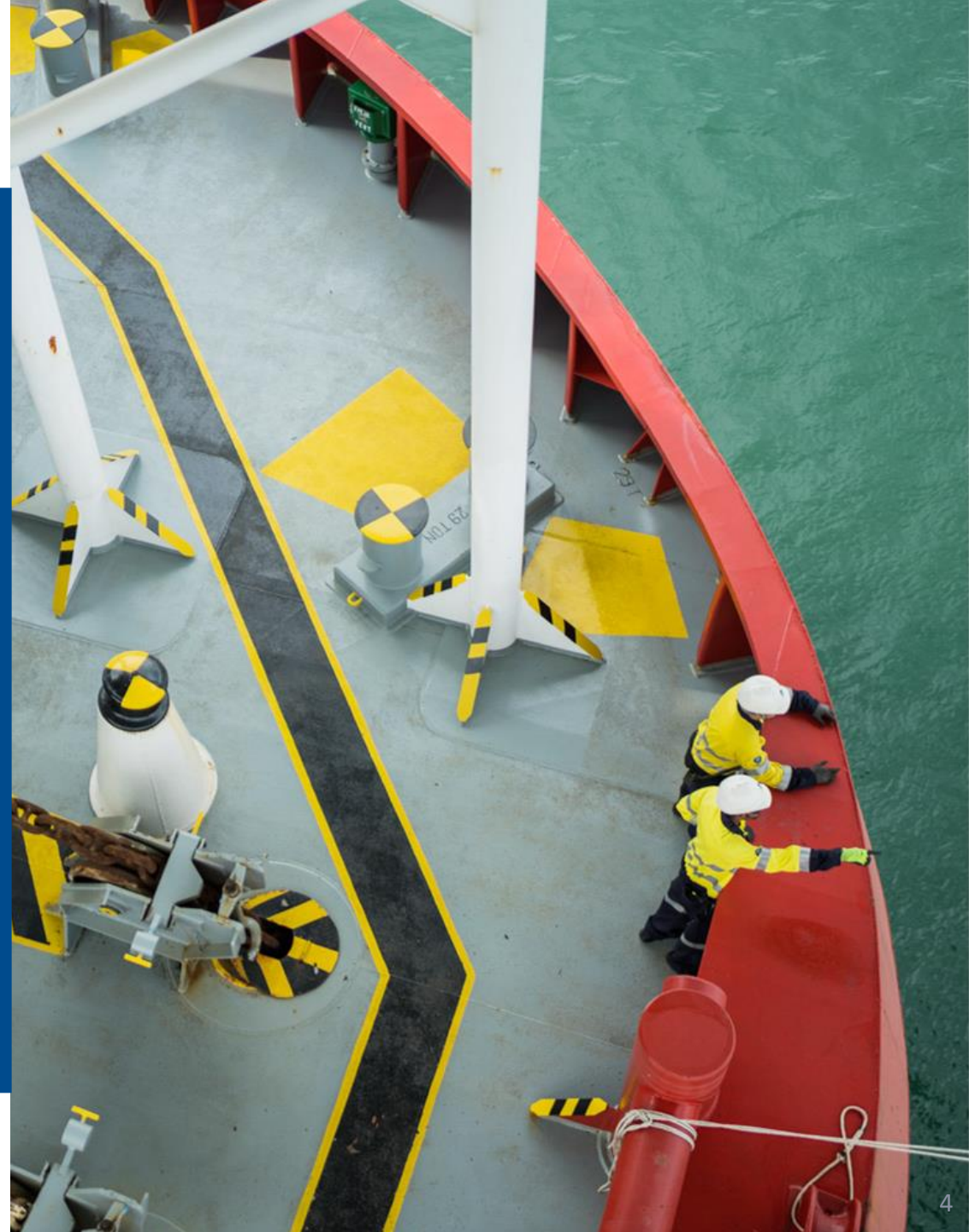
ROA and debt metrics improving and remain our key priority



Neptune acquisition to deliver subsea expansion strategy



Executing our growth strategy to deliver improved returns for shareholders



# FY2019 KEY METRICS



**\$27.8m**  
EBITDA



**72%**  
UTILISATION



**27%**  
FY20 DAYS  
CONTRACTED



**\$22.2m**  
OPERATING  
CASHFLOW



**30**  
MODERN HIGH  
QUALITY  
VESSELS



**42%**  
NET DEBT  
TO FIXED ASSETS



**\$0.35**  
NTA PER SHARE



**0.53**  
TRCF



# OPERATIONAL HIGHLIGHTS

## IMPROVING UTILISATION

- 72%**
- Utilisation up from 68% (core fleet) in FY18; higher for larger vessels
  - Starting to see some rate increases in the more specialised segments

## LONG TERM CONTRACTS UNDERPINNING EARNINGS & STRONG TRACK RECORD OF SECURING NEW CONTRACTS

- 47%**  
FY20 revenue under firm contract
- Nine vessels on long term contracts with clients such as INPEX, Woodside, ConocoPhillips, BHP and Santos
  - Secured key contracts with Woodside, Subsea 7, ConocoPhillips, Santos, Brunei Shell Petroleum, Benthic, BG Shell and Esso during FY19

## EXPANDING OUR PRESENCE IN THE SUBSEA MARKET



- MMA's subsea vessels supported a number of complex project scopes including well intervention, umbilical installation and IMR
- Long term contract for MMA Pinnacle with iTech/Subsea 7
- Acquisition of Neptune Marine Services to drive growth in subsea services

## DEMONSTRATED CAPABILITY IN WALK TO WORK OPERATIONS



- Supported Walk to Work campaigns in South East Asia, Africa, India and Australia during the year including a first of its kind use of the technology for platform maintenance in Australia

## OUTLOOK



- Positive on the overall offshore recovery and outlook for our key markets
- High quality, well maintained fleet well positioned to benefit from increased demand and higher rates as market conditions continue to improve
- Expect to see a continuing improvement in EBITDA during FY2020



# MACRO CONDITIONS

Market commentary supports the view that the fundamentals for a market recovery remain strong



“**Capital expenditure budgets are up** in 2019, for the first time since 2014, and are expected to grow another ~5% in 2020”

“**The hurdle rate for new offshore projects** amongst the participants in our E&P survey **is down ~35-40%** ... hurdle rates have now stabilised around **USD~45/bbl, well below the current oil price**”

“With an already observed increase in sanctioning/exploration activity we have already witnessed a **solid improvement in the demand for offshore drilling rigs**”

Pareto Securities, E&P Survey Sep 19



“2019 is expected to represent the low point in the cycle for the Group’s profitability ... Looking ahead, demand for offshore wind farm construction services is expected to increase and, as larger greenfield oil and gas projects are sanctioned, a **continued gradual recovery is expected for deepwater SURF activity**”

Quarterly results, Nov 2019



“**E&P cash flow generation has never looked better** .. Oil companies are stacking cash even at \$50/bbl”

“**Utilisation is improving from low levels**, especially on the high end. With higher utilisation, **high spec vessel segments are best positioned to see further pricing increases**”

“**Higher demand has been helping dayrates rise off the bottom** .. High spec PSV demand has risen 20% since bottoming in 2017”

“**Many stacked vessels have not worked for several years** .. Long-term stacked vessels face substantial costs to re-enter the market”

“**OSV stocks now reflect asset values far below indicated levels** by shipbrokers for second hand market sales .. The gap between the equity market and secondhand market has never been bigger”

Clarksons Platou Securities, Oct 2019



“Although the offshore recovery looks to be a tad slower than earlier anticipated, **we observe multiple data points of a recovery** (e.g. growing seismic activity, field sanctioning has surpassed 2018 levels, offshore E&P spending is upped, and international oil companies are resurfacing”

Arctic Securities, Aug 2019



“**Demand trending higher** – we see recovery towards c. 80% [AHTS and PSV] utilisation in 2020”

“**Bifurcation process in full swing** – older vessels struggle. More than 90% of all contracts awarded in 2018 have been to vessels less than 15 years of age”

Fearnley Market Update, Aug 2019



**MMA’s high quality modern fleet is well positioned to benefit from increased activity**

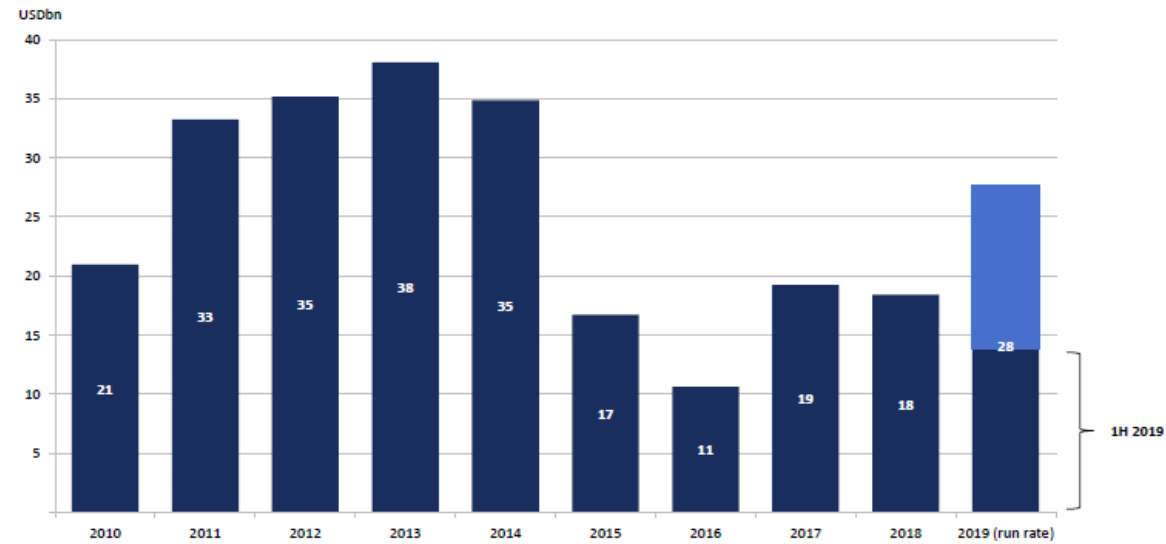


# MACRO CONDITIONS

## Strong subsea order intake and drilling outlook

### Strong Subsea Order Intake

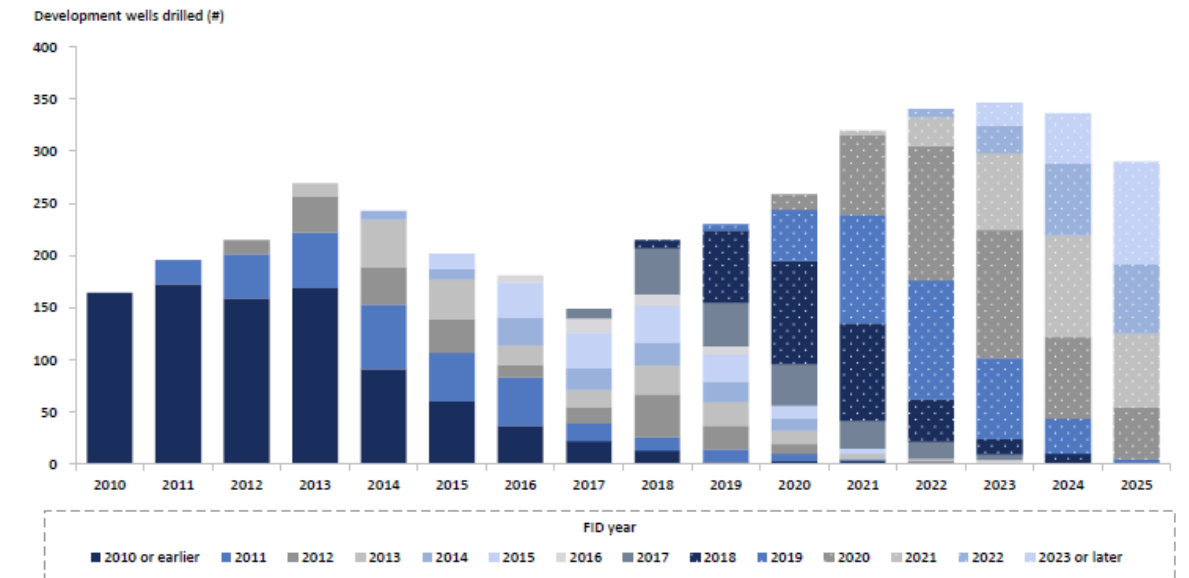
Subsea order intake 2010-2019



Source: Pareto Securities, Sep 2019

### Strong Drilling Outlook

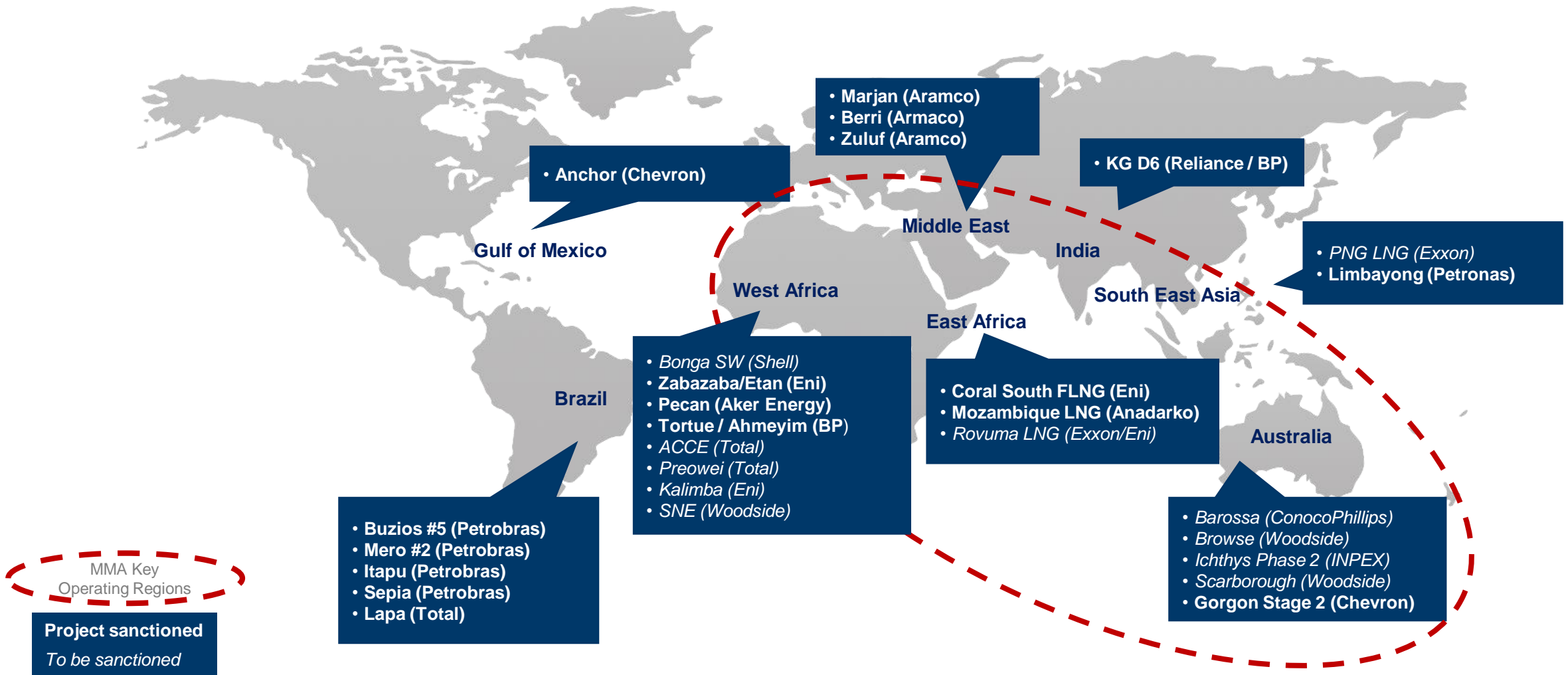
Development wells drilled



Source: Pareto Securities, Sep 2019

# STRONG PIPELINE OF MAJOR PROJECTS

Overall increase in project activity to drive global fleet utilisation



Significant number of new projects planned in MMA's operating regions





# Strategy

**David Ross, Chief Executive Officer**



# REPOSITIONED FOR GROWTH

1

## RATIONALISE AND STABILISE



- Non core assets sold
- Reduced exposure to commoditised market
- Restructured debt
- Strengthened Balance Sheet
- Reduced costs

2

## EXPAND OUR CORE CAPABILITY



- Operational excellence
- Safety leadership
- Asset reliability
- Tailored marine solutions
- Expertise and innovation

3

## GROWTH

- Focus on higher margin segments
- Differentiation through technically advanced assets
- Expand service offering in Subsea, Walk to Work, Project logistics
- Third party vessels
- Strategic M&A

# GROWTH STRATEGY

Our growth strategy is focused on delivering increased returns for our shareholders

1 OPERATIONAL EXCELLENCE	2 OPERATIONAL LEVERAGE	3 EXPANDING OUR SERVICE OFFERING	4 BALANCE SHEET MANAGEMENT
<ul style="list-style-type: none"><li>• High quality, well maintained fleet</li><li>• Superior safety performance</li><li>• Robust environmental management</li><li>• Commitment to total compliance</li><li>• Quality service delivery</li><li>• Strong commercial management</li><li>• Cost discipline</li></ul>	<ul style="list-style-type: none"><li>• Drive Return on Assets through:<ul style="list-style-type: none"><li>– Releasing the operating leverage of the asset base as the market recovers</li><li>– Utilising operating skills and systems to extract value through the deployment of third party assets</li><li>– Building on strong client network and relationships</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Drive the OSV fleet further into <b>service focused contracts</b> such as:<ul style="list-style-type: none"><li>– Safe offshore personnel transfer via motion compensated gangway technology (Walk to Work)</li><li>– Cost efficient rig movements</li><li>– Innovative vessel modifications and contracting arrangements to deliver true cost efficiency to clients</li></ul></li><li>• <b>MMA Global Projects</b> – use our skills, in-house systems and project management experience to deliver broader marine logistics services to large scale projects using owned and third party assets</li><li>• <b>Subsea Services</b> (Neptune acquisition) increasing MMA fleet utilisation whilst building a stronger growth platform for the subsea services business</li></ul>	<ul style="list-style-type: none"><li>• Pro-active Balance Sheet management</li><li>• Focus on continuing to improve key debt metrics</li></ul>



# OPERATIONAL EXCELLENCE



A PERFECT DAY  
EVERY DAY

## STRONG SAFETY LEADERSHIP AND CULTURE

- Target 365 embedded in all aspects of the organisation
- MMA TRCF of 0.53 vs IMCA average of 1.7



## HIGH LEVEL OF COMPLIANCE

- Corporate: ASIC, ISM, Flag State
- Client: ISO, OVMSA, OVID, IMCA



## SUPERIOR SERVICE DELIVERY

- Efficient and cost effective services
- Strong asset reliability
- Innovative and service orientated approach



## COMMERCIAL MANAGEMENT

- Improving margins, ROA and cost efficiency



## INDUSTRY LEADERSHIP

- Active leader in industry forums

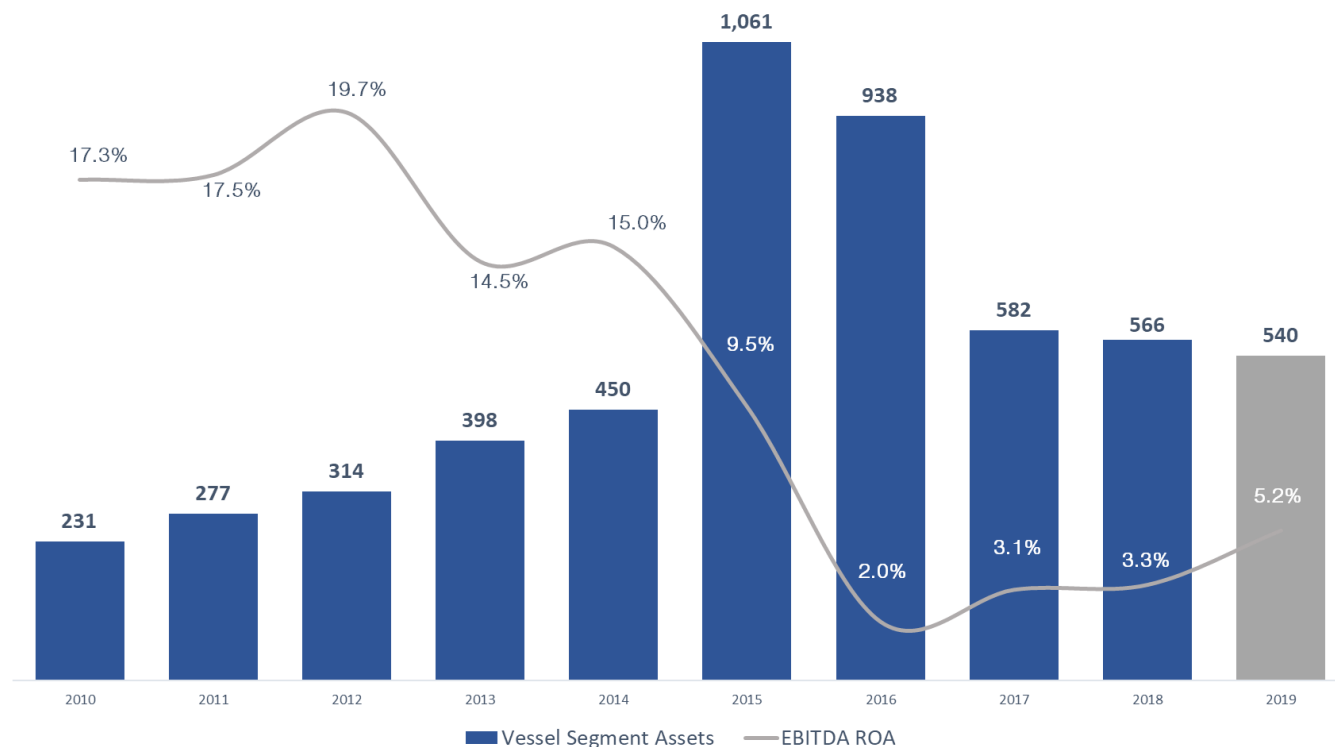




# OPERATIONAL LEVERAGE

Increasing ROA is MMA's primary focus which will also improve the Company's debt metrics

EBITDA Return on Assets



**Notes**

<sup>1</sup> EBITDA figures are Vessel Segment EBITDA less unallocated corporate overhead adjusting for major one-off projects in 2014 and 2015

<sup>2</sup> FY14 asset base and EBITDA is based on pre Jaya acquisition numbers (Jaya transaction completed on 4 June 2014)

<sup>3</sup> All figures are in AUD

## Core Business Improvement

- ↑ UTILISATION
- ↑ RATES
- ↓ COSTS
- ↑ THIRD PARTY VESSELS

## Expanded Service Offering

- ↑ SUBSEA SERVICES
- ↑ PROJECT LOGISTICS
- ↑ WALK TO WORK

# EXPANDING OUR SERVICE OFFERING

Core OSV business with expanded service offering in Subsea and Project Logistics



- Fleet of 30+ specialised offshore support vessels
- Offtake Support, Supply Operations, Drilling Support, Construction Support, Seismic & Survey Support, Anchor Handling and Towing, Accommodation and Walk to Work Services
- Delivery of complex marine projects



- MMA currently services the subsea market predominantly as a vessel provider
- Neptune acquisition will enable MMA to provide additional services to existing and new clients (FY19 Revenue A\$84m)
- Current Neptune service offering improved with access to MMA vessels



- Project management of large marine spreads and complex marine logistics
- New entity “MMA Global Projects” established to service EPC contractors in developing energy hubs globally

# NEPTUNE ACQUISITION

Neptune acquisition completed and is expected to deliver a number of strategic benefits. Integration is progressing.

1 IMPROVED SERVICE OFFERING

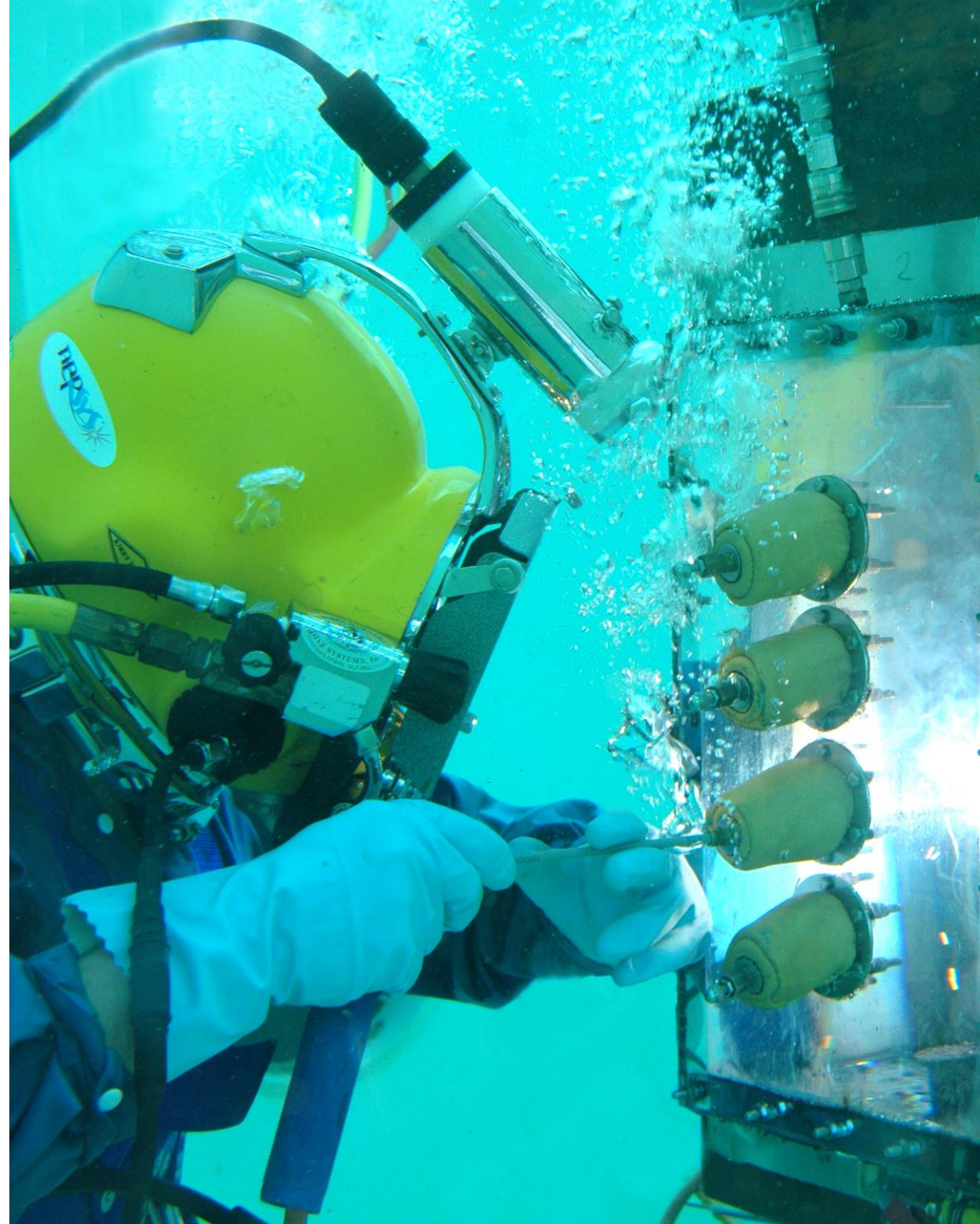
2 INCREASED ASSET UTILISATION

3 ENHANCED RETURN ON ASSETS

4 REVENUE SYNERGIES

5 COST SYNERGIES

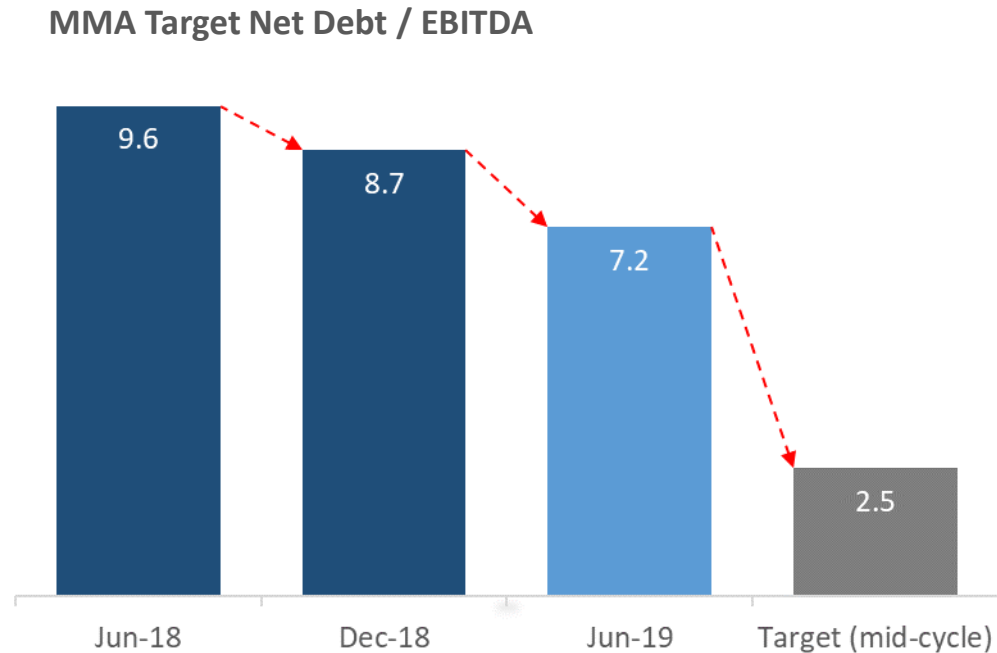
6 MARKET TIMING





# BALANCE SHEET MANAGEMENT

The Company is cash flow positive and trading within its banking covenants



1 Gross Debt A\$271m (US\$120m; A\$100m)

2 Term expiry 30 September 2021

3 Amortisation holiday until June 2020<sup>1</sup>

4 Trading within covenants<sup>2</sup>

5 Weighted average interest rate 5.99%<sup>3</sup>

6 LVR (Net Debt / PPE) 42%

<sup>1</sup> Amortisation payment of A\$5.0m due on 30 June 2020

<sup>2</sup> Covenant testing resumed 30 Jun 19 based on earnings from 1 Jan 2019

<sup>3</sup> Weighted spot interest rate at reporting date

# INVESTMENT PROPOSITION

MMA has a clear growth strategy and is well positioned to benefit from a recovery in market demand

## High quality earnings and cashflow

- Long term production support contracts underpin earnings and cash flow
- High specification and well maintained fleet positions the business well to secure higher rates and utilisation as demand increases

## Significant operating leverage

- Bottom of the cycle
- Long term fundamentals remain compelling with broad market consensus that recovery is underway
- Earnings significantly leveraged to utilisation and rate increases
- Growth in ROA through packaged services and third party charters
- Trading at discount to NTA with asset values at a low point in the cycle

## Strong operational track record

- Leading marine services company with strong operational centres in Australia and South East Asia
- Blue chip client base
- Strong services capability with proven track record in delivering complex projects
- Industry leading safety record
- Experienced leadership team with deep industry knowledge and clear strategy

## Growth strategy

- Maximise operating leverage as the market recovers
- Increase ROA through expansion of higher margin services offering:
  - Specialised offshore services
  - Subsea
  - Project Logistics
- Clear focus on strengthening Balance Sheet and improving debt metrics

**Significant opportunity to grow return on assets**

[corporate@mmaoffshore.com](mailto:corporate@mmaoffshore.com)  
[mmaoffshore.com](http://mmaoffshore.com)

