

# Company Update

March 2019



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- Executive Summary
- Market Dynamics
- GMS Plan of Action
  - Governance
  - Operational Review
  - Capital Structure
- Moving Forward: What to Expect in the Near Term
- Conclusion

# Executive Summary

- The Board acknowledges the need to:
  - **Strengthen leadership and provide appropriate governance and oversight (new Chair)**
  - **Develop a clear strategy to optimise operational performance**
  - **Implement a stable and appropriate long-term capital structure**
- Governance being addressed – Chair search underway, Stuart Jackson appointed as CFO and Board member and Mohammed Bississo as a Non-Executive Director – bringing expertise, insight & local UAE relationships
- Operational review ongoing – having identified an additional annualised cost saving of USD \$6M to be realised in full by 2020
- The Board expects to give further details of the operational plan following the appointment of the new Chair
- The Company is currently in active dialogue with its banking syndicate to address its near-term / longer term capital structure

**GMS is driving towards rebuilding shareholder value**

## Market Dynamics

- Day rate pressure has continued into 2019 and a market wide recovery is not expected in the near-term
  - Average charter day rates have fallen by 38% since their peak in 2015
  - However, there is a continued improvement in calendar day utilisation across the GMS fleet, reaching 69% in 2018 (2017: 58%)
  - Utilisation needs to improve across the industry peer group before there is a meaningful increase in day rates

## Look Back

- GMS is disappointed by its recent sub-par financial performance
- The Board is actively engaged in developing and implementing a Plan of Action to address the Company's governance, operational and capital structure challenges

# GMS Plan of Action

- The Board and Management proactively initiated a three pronged plan to address the current challenges in order to reposition the Company and optimise its future prospects:



- Significant actions have already been undertaken
- The Board expects to give further details of this plan following the appointment of the new Chair



## OBJECTIVE

***“Strengthen leadership and provide appropriate governance / oversight”***

- Current Chair is stepping down
  - Search for a new Chair: several high quality candidates identified and are being interviewed
- Stuart Jackson appointed as CFO and to the Board – comes with excellent market & corporate restructuring experience
- Mohammed Bississo appointed as a Non-Executive Director – brings expertise, insight & relationships in the UAE financial sector



## OBJECTIVE

*“Develop a clear strategy to ensure optimal operational performance”*

- Split across two workstreams
  - Utilisation and Revenue
  - Costs and Margins
- Maximise effective deployment of vessels at appropriate margins, utilisation already improving
- 3rd cost cutting exercise underway – savings already being realised



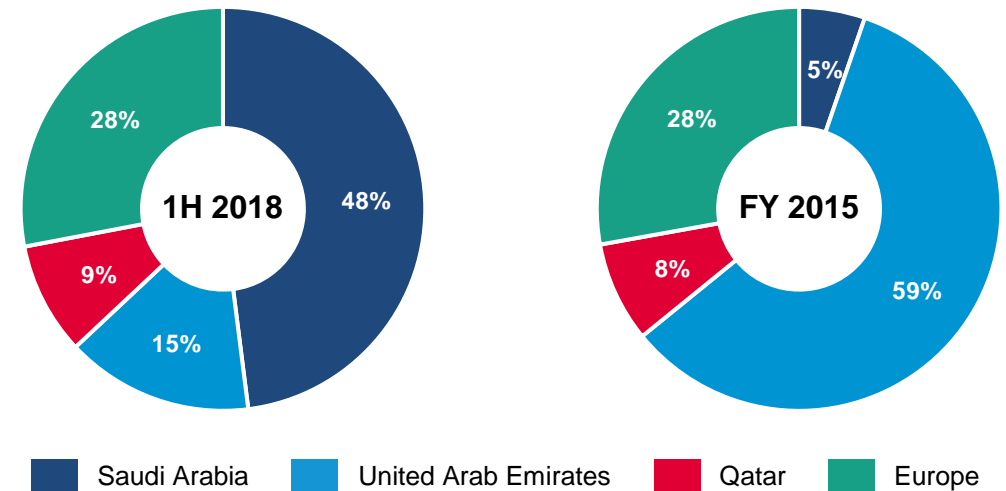


- GMS is working hard to diversify its work opportunities by region and sector
- Maximise flexibility of the fleet
  - FY 2018 revenue attributable to renewables is expected to more than double 1H 2018 make-up
  - Sector opportunities may vary over time but flexibility important
- Leverage wider capability set & technology
- Maintain excellent safety and operational record

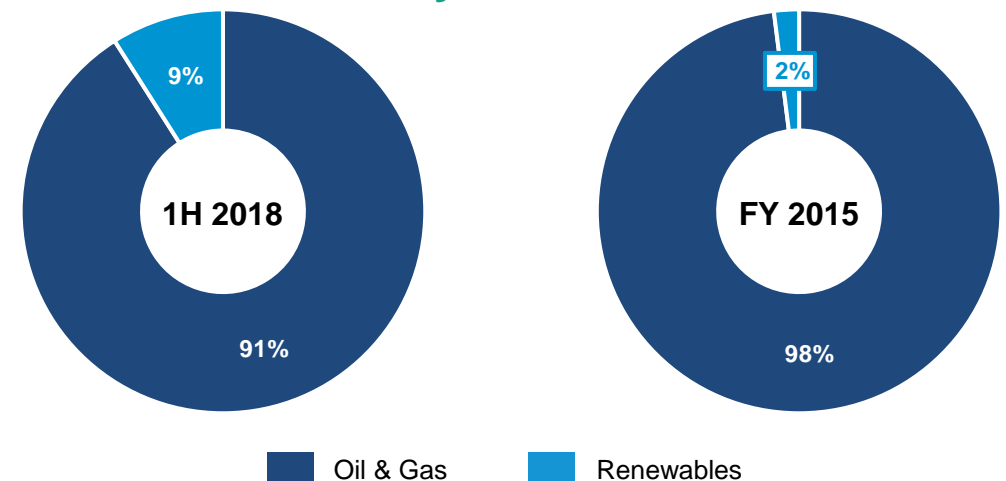
**Effectively deploy vessels at appropriate day rates**

## Revenue Diversification<sup>(1)</sup>

### By Region



### By Sector



(1) Unaudited management information

# Historic – Average Opex per Day



## US\$ per day per Vessel Class<sup>(1)</sup>

Year	Small Class	Mid-Size Class	Large Class
FY 2015	\$10,000	\$17,000	\$21,000

% Reduction



-10%



-29%



-29%

Year	Small Class	Mid-Size Class	Large Class
1H 2018	\$9,000	\$12,000	\$15,000

**Average reduction in daily opex  
in excess of 20%**

- Vessel Opex Costs are variable and very much dependant upon client requirements and scope of work (see Appendix)
- For example, we have one small class vessel operating in MENA with average daily operating costs of \$7,500 (including c. \$900 per day of costs relating to the specific contractual requirement to provide well servicing equipment and personnel)

## Primarily achieved by:

- Reduction in **crew salaries cost**
- Reduction in **well servicing cost** base through employment of in-house equipment and personnel
- Reduction in **catering costs** through renegotiation of contract (2016)
- Reduction in **daily operating costs** through other supply chain efficiencies

(1) Unaudited management information

# Historic – G&A and Newbuild Expenditure



## Gross Cash G&A Expenses<sup>(1)(2)</sup>

Year	US\$ millions
1H 2015	14.2
<div> <div>% Reduction</div> <div>↓</div> <div>-27%</div> </div>	
1H 2018	10.3

### Primarily achieved by:

- Reduction in employee headcount and salary costs
- Reduction in non-discretionary spend

## Newbuild Expenditure<sup>(2)</sup>

Year	No. of Personnel
FY 2015	221 <sup>(3)</sup>
<div> <div>% Reduction</div> <div>↓</div> <div>-91%</div> </div>	
As at 1H 2018	19

### Primarily achieved by:

- Prompt down manning of new build personnel whilst maintaining operational capability
- Reducing personnel to 4 after next round of cost cutting to maintain operational support

(1) Includes G&A costs that were capitalized

(2) Unaudited management information

(3) This does not include third party contractors who were used throughout the newbuild programme. In 2015, the total headcount working on the new build programme was circa 600



GMS identified cost saving initiatives, delivering annualised savings of circa **US\$ 6 million**

Realised in full by 2020, delivering an approximate 10% reduction<sup>(1)</sup> in total operating costs



## Primarily achieved by:

- Competitive retendering of catering contract in 2H 2018
- Scaled back quayside facility to reduce costs
- Organisational restructuring to allow further headcount reductions

**This is the 3rd round of cost reductions in the last 4 years**

(1) Based against estimated FY 2018 total cash opex plus cash overhead (excludes DD&A)

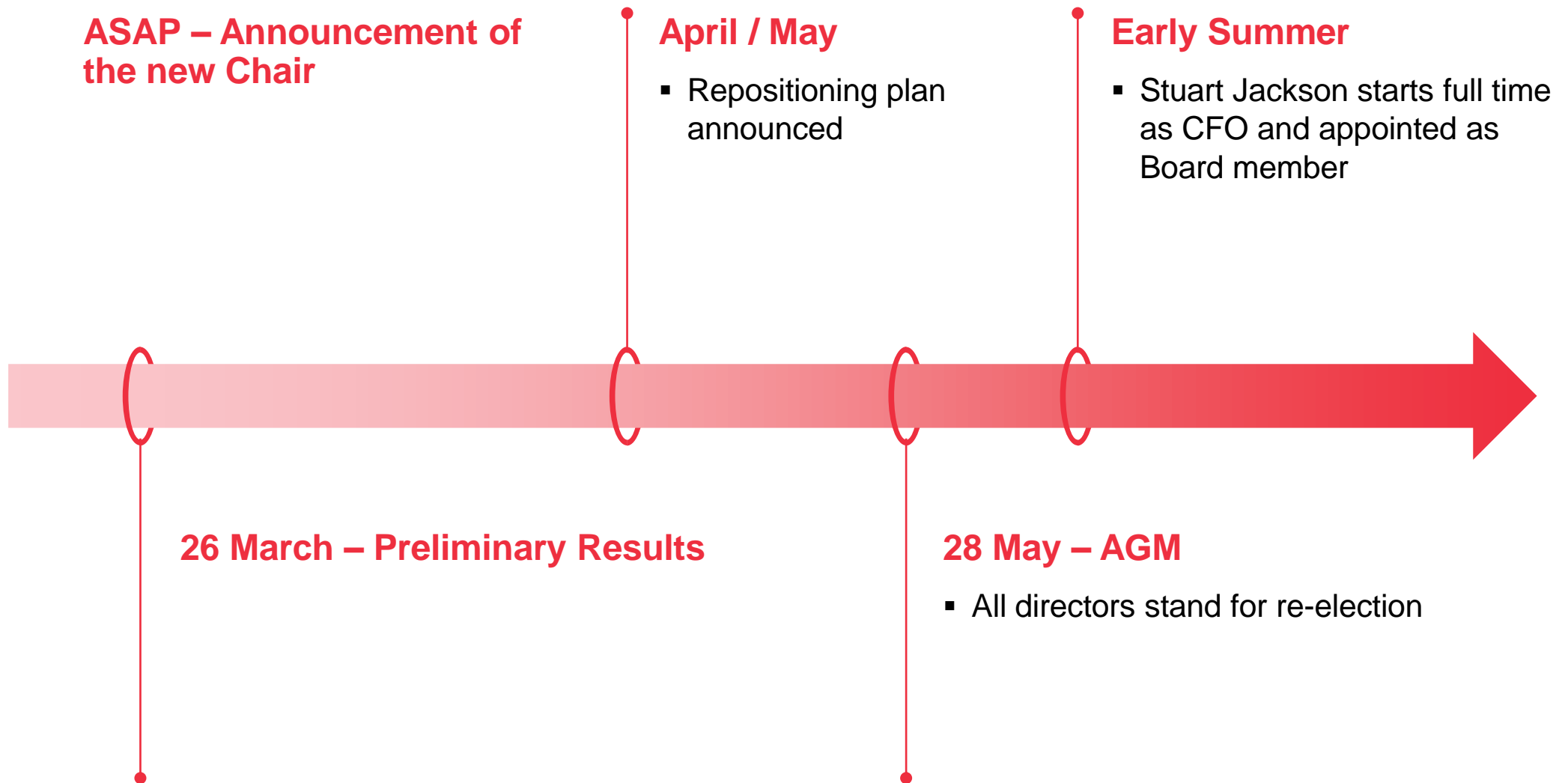


## OBJECTIVE

*“Implement a stable and appropriate long-term capital structure”*

- Initiated early engagement with the Company’s banking syndicate to address near-term covenant pressure
  - Agreed an amendment to the year-end 2018 financial covenants
  - Next covenant test reporting date is in September 2019
- Continue active dialogue with banking syndicate for a long-term capital structure solution

# Moving Forward: What to Expect in the Near Term



## Operational leverage gives significant scope to rebuild shareholder value in market recovery

### Governance

- Increased market communications and governance oversight
- Regional representation on the Board to facilitate local banking discussions

### Operational Review

- Some indication of rebalancing of market supply and demand
- GMS fleet is well invested with significant remaining economic life
- Capex requirements are minimal and fleet is generating positive operating cash flows (prior to debt service)

### Capital Structure

- Actively working on a stable and appropriate long-term capital structure

- Vessel Costs in Detail
- Biographies





- Vessel costs are very much dependant upon client requirements and scope of work
- For example, the average Small Class vessel's daily operating costs vary from \$7,500 – \$11,300 per day
- Major client specific costs that cause daily operating costs to vary include:
  - Level of client personnel on board (POB)
  - Provision of temporary accommodation (where client POB is higher than standard vessel capacity)
  - Location of operation
  - Cost of providing and operating well services equipment and personnel
  - Provision of H2S equipment
- Daily operating costs for a typical well servicing contract in the UAE is \$7,500 per day including c. \$900 per day of additional costs relating to the provision of well servicing equipment and personnel
  - If there were no well servicing costs on this contract, then daily operating costs would be \$6,600 per day
- Whilst managing cost is an important aspect of any contract, it is also important to ensure adequate spend is made on preventative maintenance, as failure to do so can lead to:
  - Vessels incurring significantly higher costs and longer downtimes when special surveys are carried out
  - Greater levels of technical downtime resulting in loss of hire – GMS's technical downtime has been less than 1% in both 2017 and 2018
  - Greater chance of safety related incidents and / or reputational damage

# Board Additions – Biographies



**Stuart Jackson**

(CFO and Board Member)

- Stuart Jackson will be appointed Chief Financial Officer of GMS, effective from early summer 2019. This appointment will also see Mr Jackson join the Board of Directors
- Mr Jackson has been Chief Financial Officer (CFO) of LSE, NASDAQ, OSE and AIM listed companies for the past 20 years
- He has more than 30 years' experience in the international energy sector covering exploration & production, power generation and offshore services, and at CFO level has led the successful capital restructuring of a number of businesses, including Bibby Offshore Holdings Limited, CEONA Pte and Acergy SA (now Subsea 7)
- In addition to his strong track record in the EPC, IMR and offshore engineering sectors, Mr Jackson has also held CFO roles in the telecommunications and pharmaceutical industries
- Mr Jackson is a Fellow of the Chartered Institute of Management Accountants and has a BSc (Hons) degree in Accounting and Financial Management from Loughborough University



**Mohammed Bississo**

(Non-Executive Director)

- Mr Mohammed (Mo) Bississo joined the board of GMS in March 2019
- He currently co-heads Kasamar Holdings, an Abu Dhabi based family office, that has a shareholding in GMS through Castro Investments Ltd
- He previously spent over six years (2008 – 2014) at Gulf Capital, one of the leading mid-market alternative investments firms, based in Abu Dhabi, UAE, as a member of the private equity group
- He managed a number of portfolio companies, including GMS in respect of which he held an observer board seat, helped lead a series of refinancings and was involved in the Company's IPO and listing on the London Stock Exchange
- Mo held numerous roles including at a technology venture capital fund, Southeast Interactive Technology Funds, based in Raleigh, NC (2007 – 2008) and in the technology sector at Raytheon in Fullerton, CA (2002 – 2006)
- Mo has a BSc in Computer Science from the University of California Irvine, and an MBA from Duke University