



# 2020 HALF YEAR RESULTS

Gulf Marine Services PLC

August 2020

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# H1 2020 REVIEW, CURRENT STATUS & TRADING UPDATE

# H1 2020



## Safe and Reliable Operations

- Continued strong safety performance with zero lost time injuries

## 2020 Results

- Adjusted EBITDA US\$ 31.4m (34% increase compared to H1 2019: US\$ 23.4m)
- EBITDA guidance of US\$ 57.0m – US\$ 62.0m reconfirmed with Company now guiding to upper end

## Cost Savings

- US\$ 16.5m annualised savings secured
- 27% reduction to onshore headcount in 2020
- Relocation of Head Office and Yard facilities
- Additional savings expected through Zakher Marine Framework Agreement

## Utilisation and Backlog

- H1 2020 Utilisation 78% (H1 2019: 69%) despite COVID-19 and relocation of 2 vessels
- Secured backlog at US\$ 225m, up 7% since H1 2019

## COVID-19

- Minimal impact on operations

## Debt Refinancing

- Agreement to amend and extend loan executed in June

# COVID-19

## Group

- Travel restrictions remain in UAE, Qatar and KSA.
- Crew changes allowed in NW Europe and Qatar but remain on hold in UAE and KSA
- Disruption to supplier performance minimal
- Onshore and offshore contingency plans remain in place

## Onshore

- All staff tested
- Office operating normally
- Minimal disruption to operations through virtual working

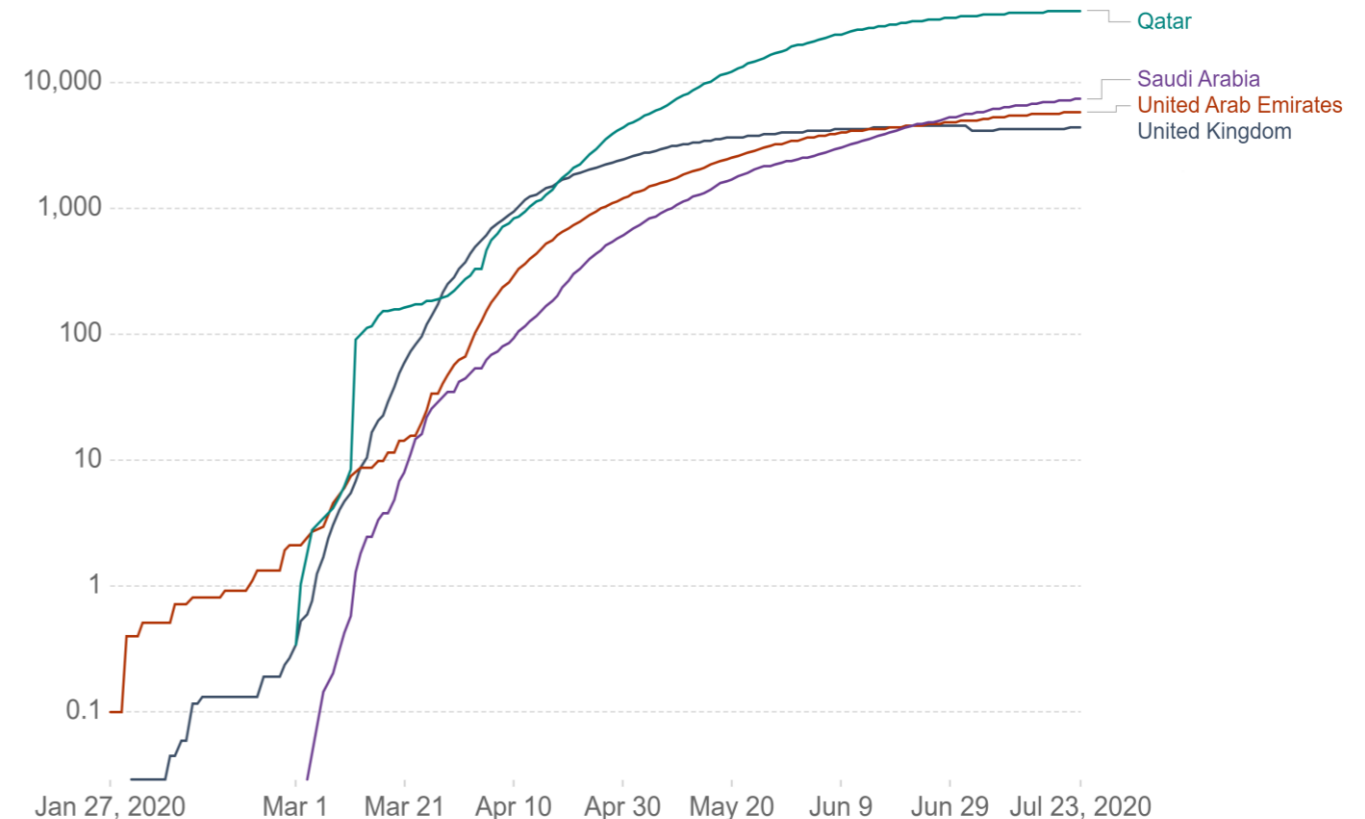
## Offshore

- Crew rotations resumed where possible
- Covid-19 cases reported on 2 vessels
- Minimal economic impact – US\$ 1.4m on revenue

## Cumulative confirmed COVID-19 cases per million people

The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.

Our World  
in Data



Source: European CDC – Situation Update Worldwide – Last updated 23 July, 12:06 (London time)

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# Current Status

## Governance

- Seafox shareholding increased overall to 29.99%
- 3 main Shareholders (including Seafox) voted against Remuneration policies and several Directors at AGM in June
- Three Directors not appointed leaving Company without functioning Audit and Risk Committee and only 1 Independent Director, later re-appointed by Board
- Seafox proposing 2 Board representatives at GM to be held on 4 August

## Market Activity

- Market conditions remain challenging but the business is well positioned to respond
- Secured utilisation for 2020 at 83%
- Cantilever secured first contract and successfully operated

## Strong Contract Backlog

Year	Secured utilisation	Secured utilisation as at 27 September 2019
2020	83%	48%
2021	54%	27%
2022	37%	29%
2023	31%	23%



# Technology

- Cantilever successfully deployed over live well for first time for NOC client in MENA
- Heavy coil tubing well intervention requiring multiple changes of bottom hole assembly carried out in a third of the time
- 90% reduction in time required to move between platforms versus a drilling rig
- Safer operations with no lifting required over live wells
- Opportunity for clients to benefit from significant time and costs savings for a well intervention programme





# 2020 H1 FINANCIAL RESULTS



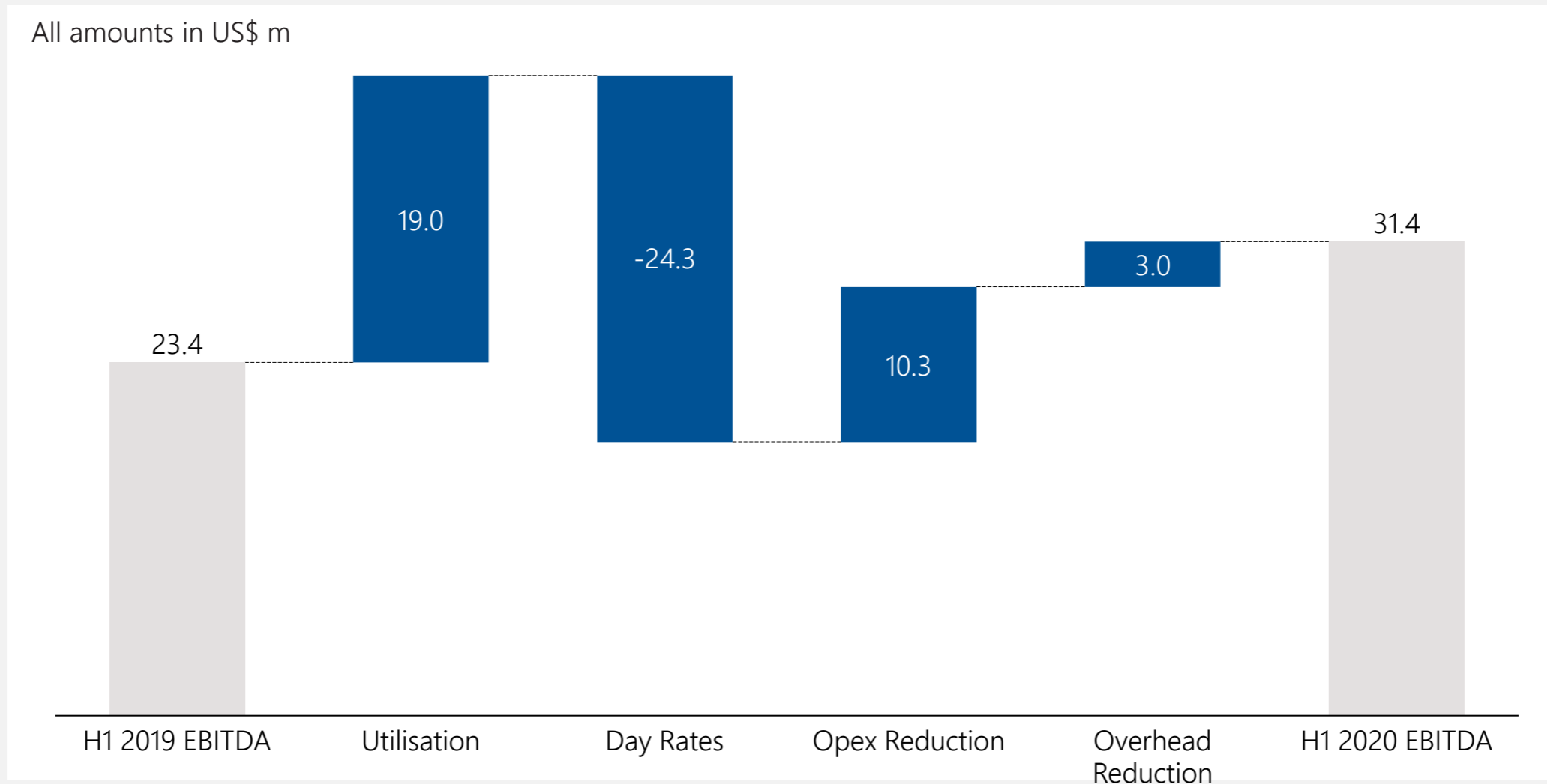
# 2020 Income Statement

US\$ m	H1 2020	H1 2019**	% Change
Revenue	49.8	55.0	
Cost of sales less impairment *	(35.4)	(40.6)	↓ 13%
Impairment charge	-	(4.6)	
General and administrative expenses *	(4.9)	(8.6)	↓ 43%
Exceptional Items	(8.5)	-	
EBITDA	22.9	18.8	↑ 22%
<b>Adjusted EBITDA</b>	<b>31.4</b>	<b>23.4</b>	↑ 34%
Loss for the period	(6.7)	(16.7)	
<b>Adjusted Profit/(Loss)</b>	<b>1.8</b>	<b>(12.2)</b>	

\* H1 2020 figures include depreciation and amortisation of US\$14.8m in cost of sales and US\$0.4m in G&A

\*\* H1 2019 restated for impact of IFRS 16

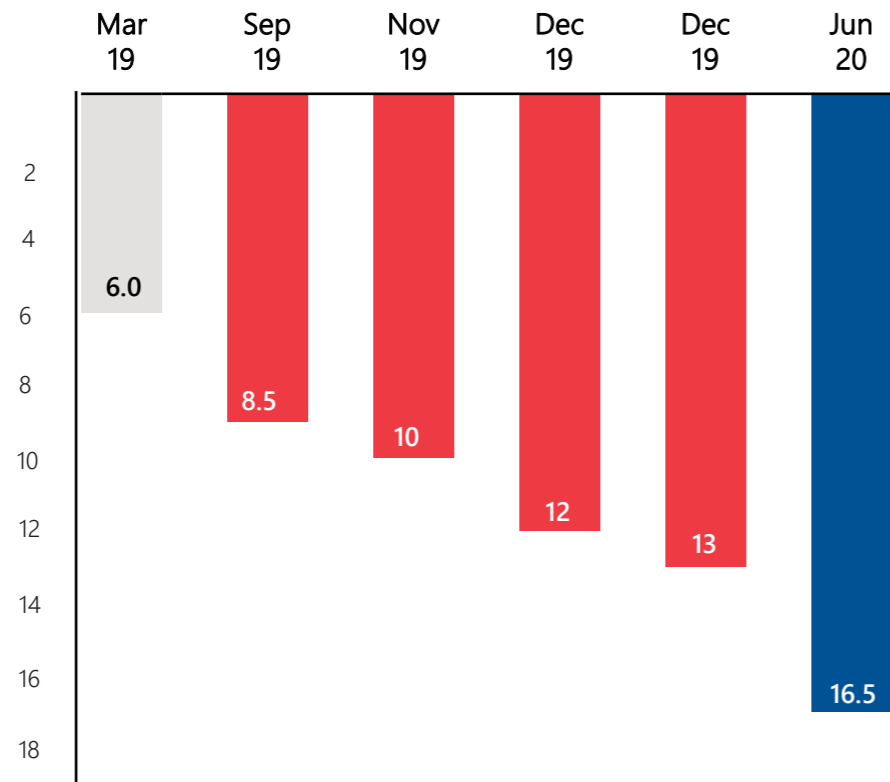
# Adjusted EBITDA



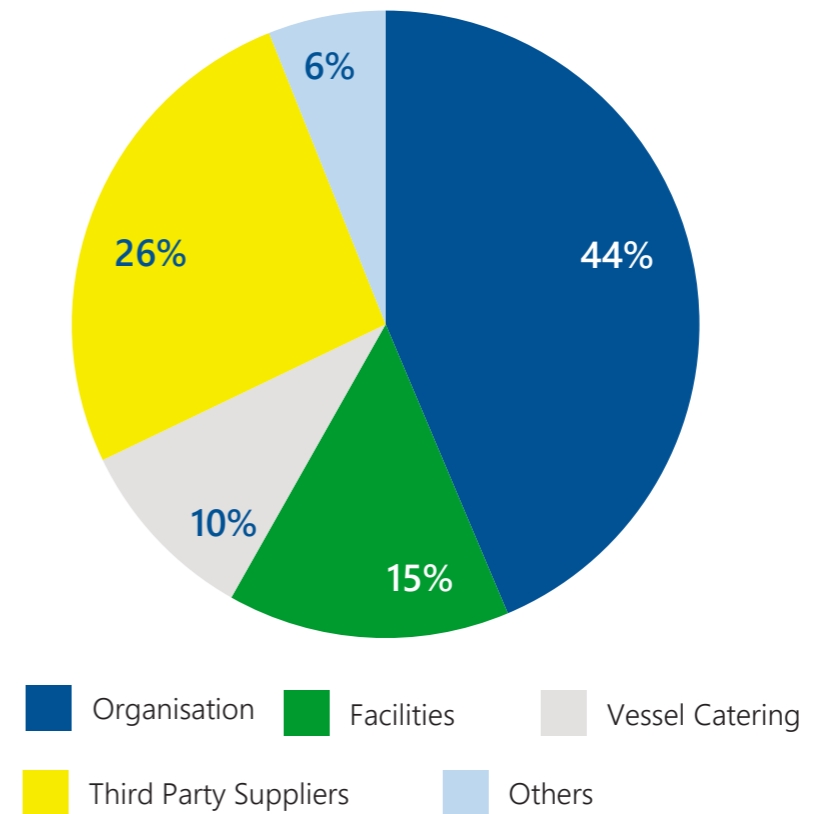
# Continuous Drive to Reduce Costs

## Cost Savings Timeline

All amounts in US\$ m

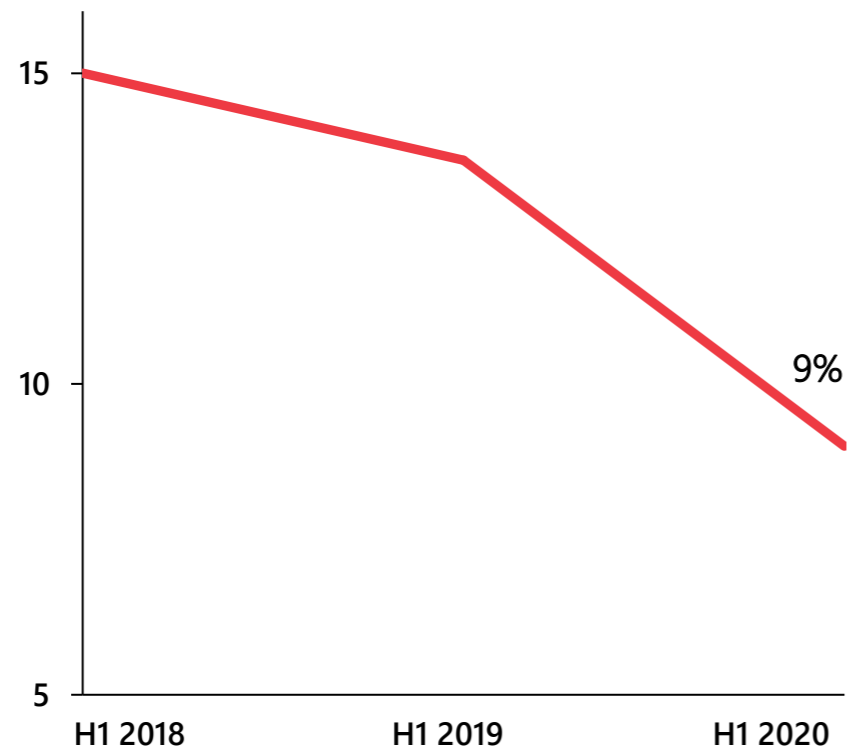


## US\$ 16.5m Annualised Savings

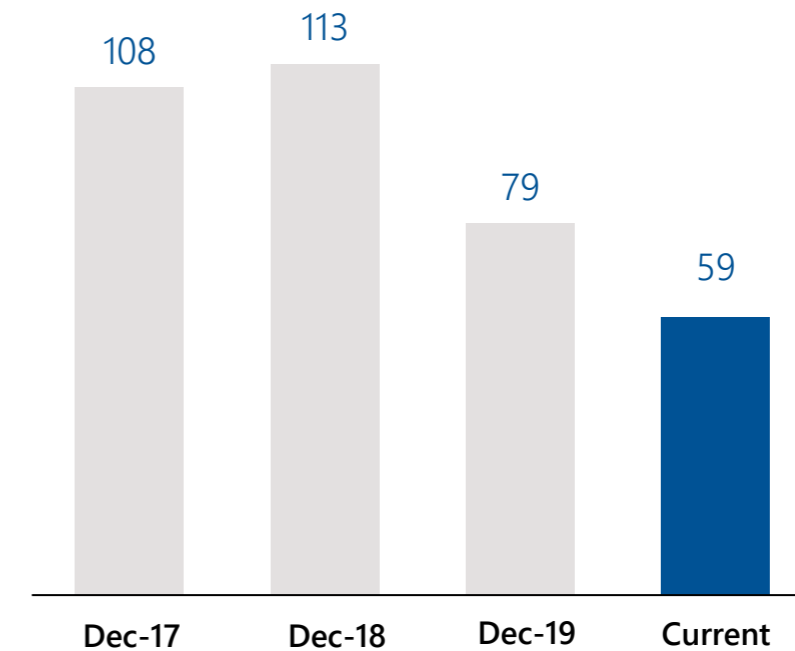


# Continued Focus on G&A Expenditure

## G&A as % of Revenue

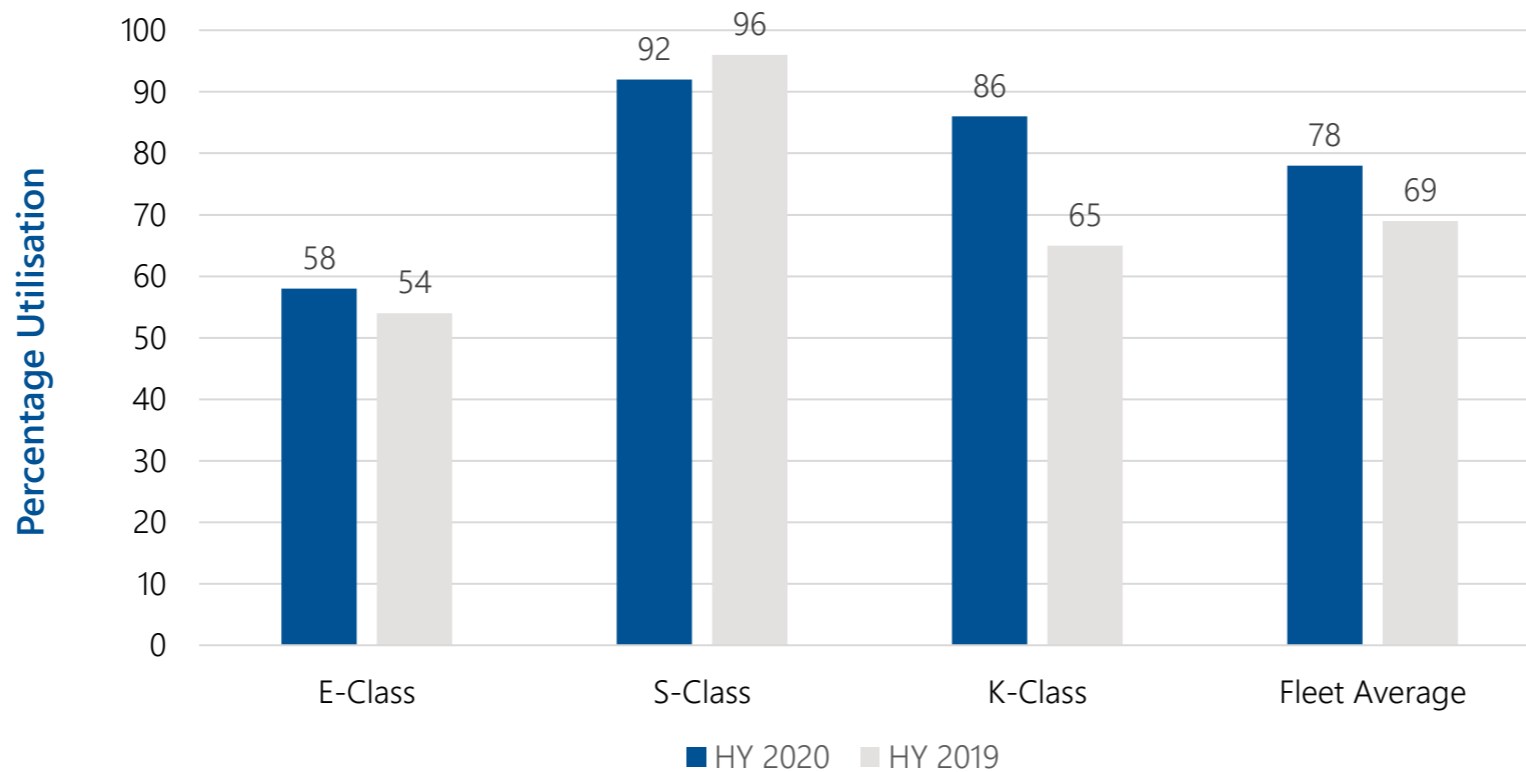


## Onshore Headcount



27% further headcount reduction in 2020

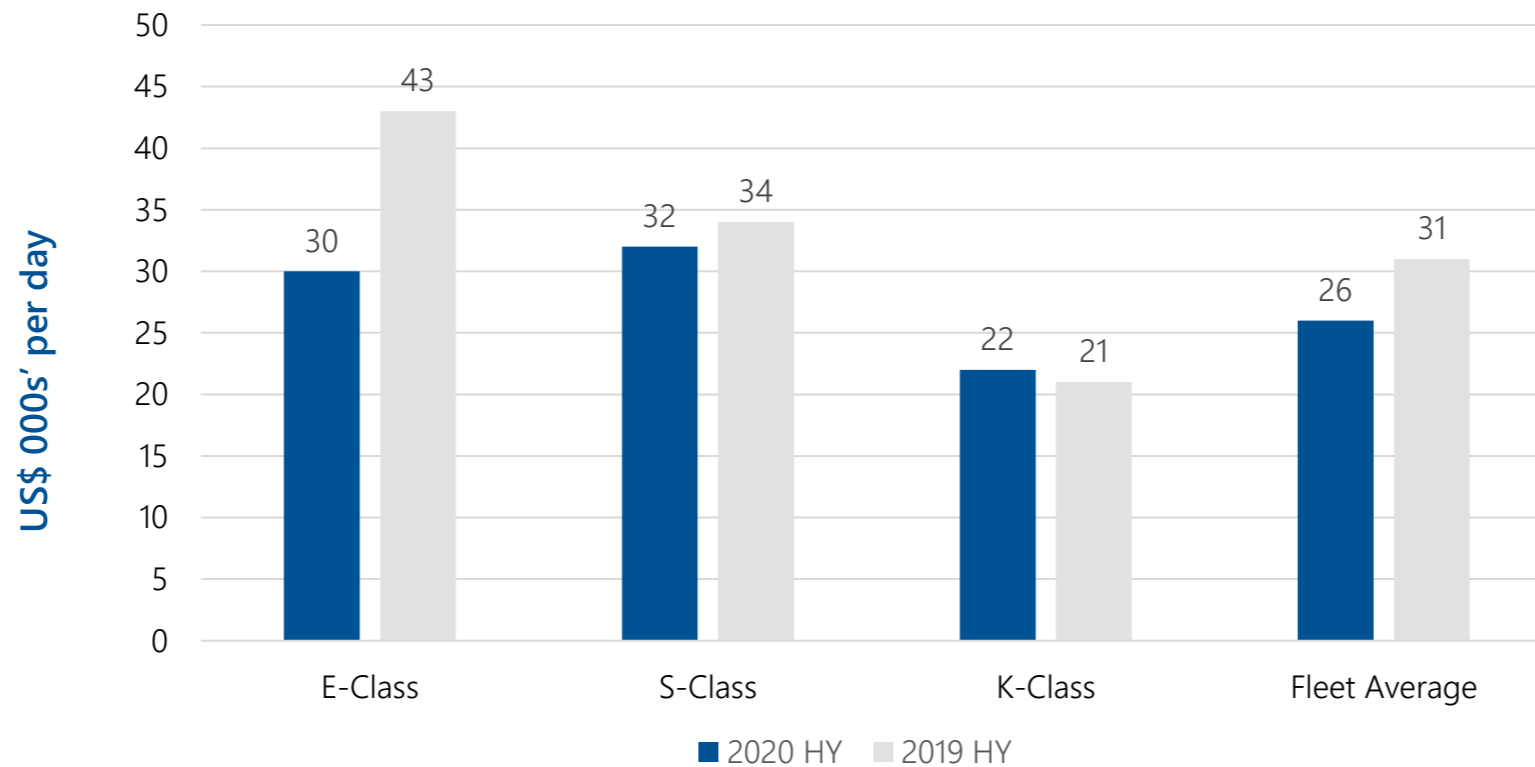
# Fleet Utilisation



K-Class utilisation rise reflects strength of activity in MENA region



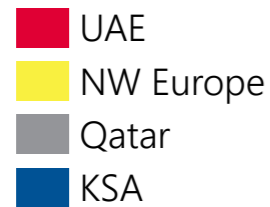
# Fleet Average Day Rates



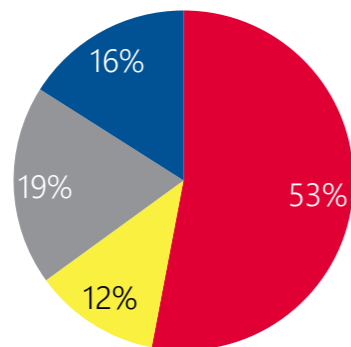
E-Class day rate reduction reflects impact of vessel relocation

# Diversified Revenue Streams

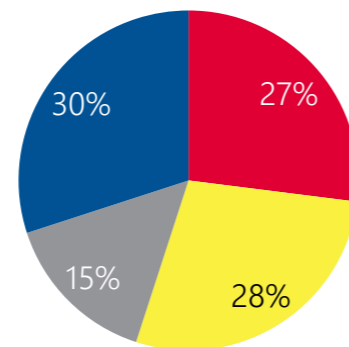
## Revenue by Geographical Location



- UAE: position continues to strengthen following relocation of vessels and 3 long term contract awards
- KSA: Remains a strong strategic market
- Qatar: Continued growth with 2 vessels on continuous hire
- NW Europe: Reduction reflects relocation of 2 vessels

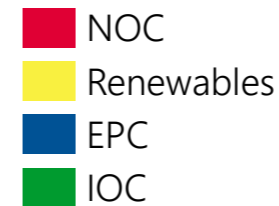


H1 2020

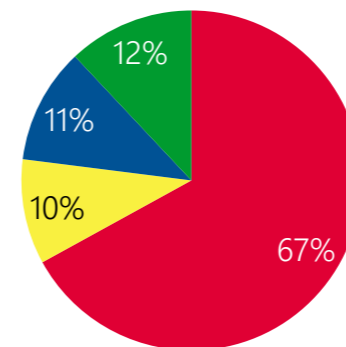


H1 2019

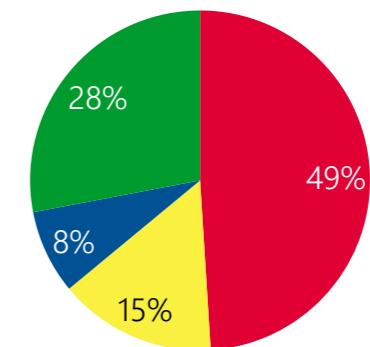
## Revenue by Customer



- Continued increase in revenue from NOCs showing their commitment to future oil production in the current market
- Renewables: Reduction reflects relocation of 2 vessels

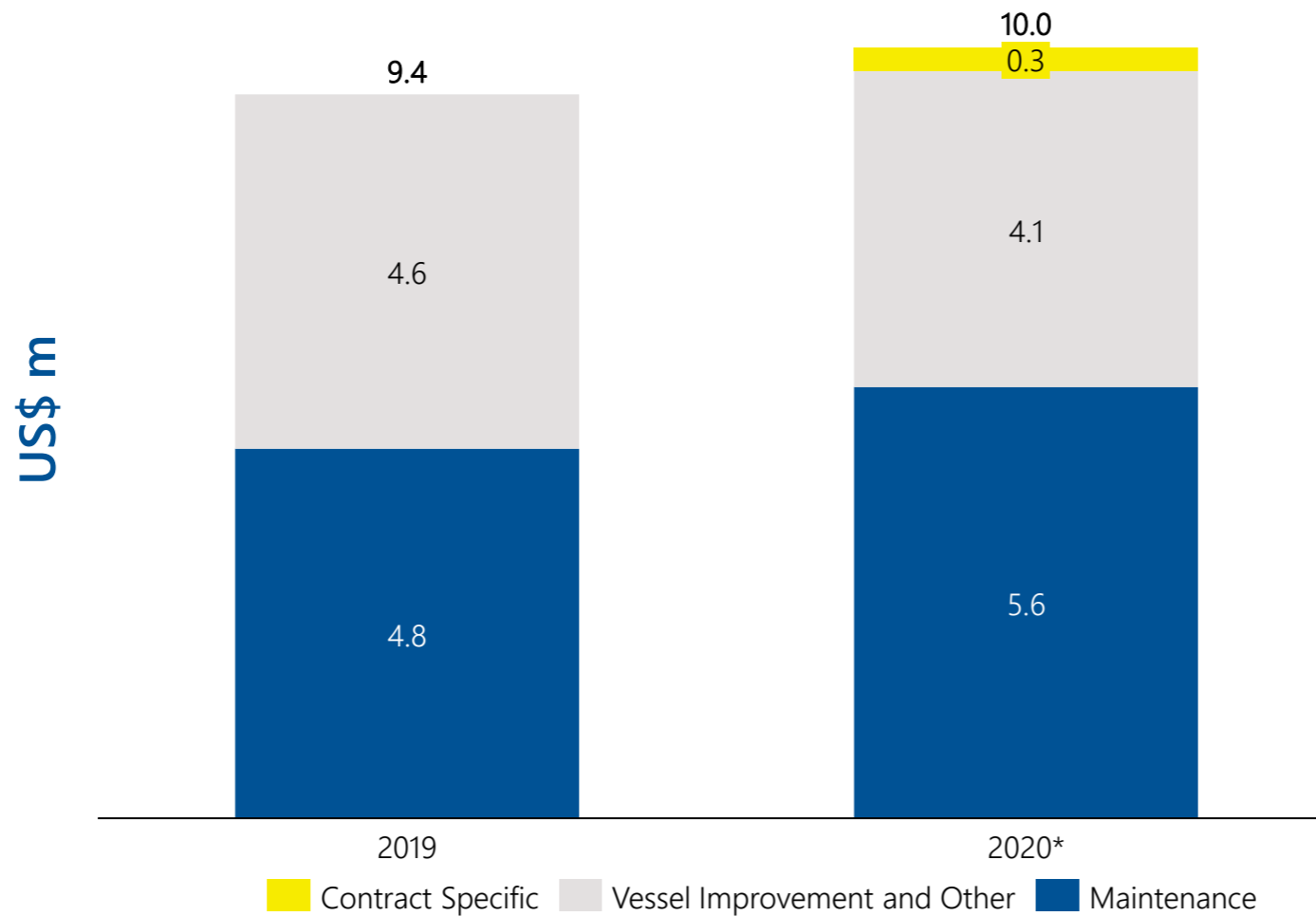


H1 2020



H1 2019

# Capex Discipline

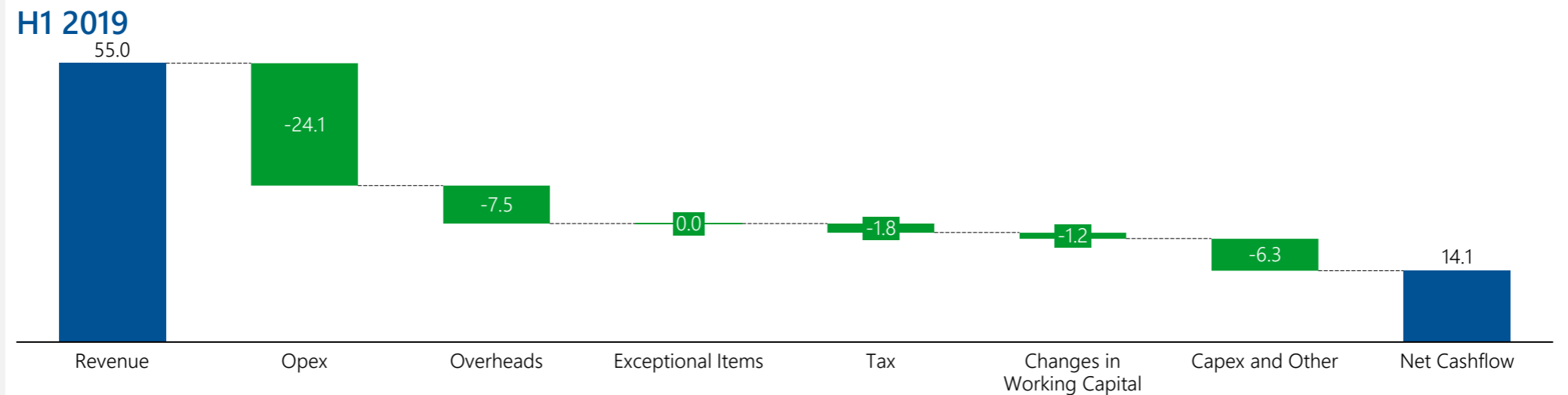
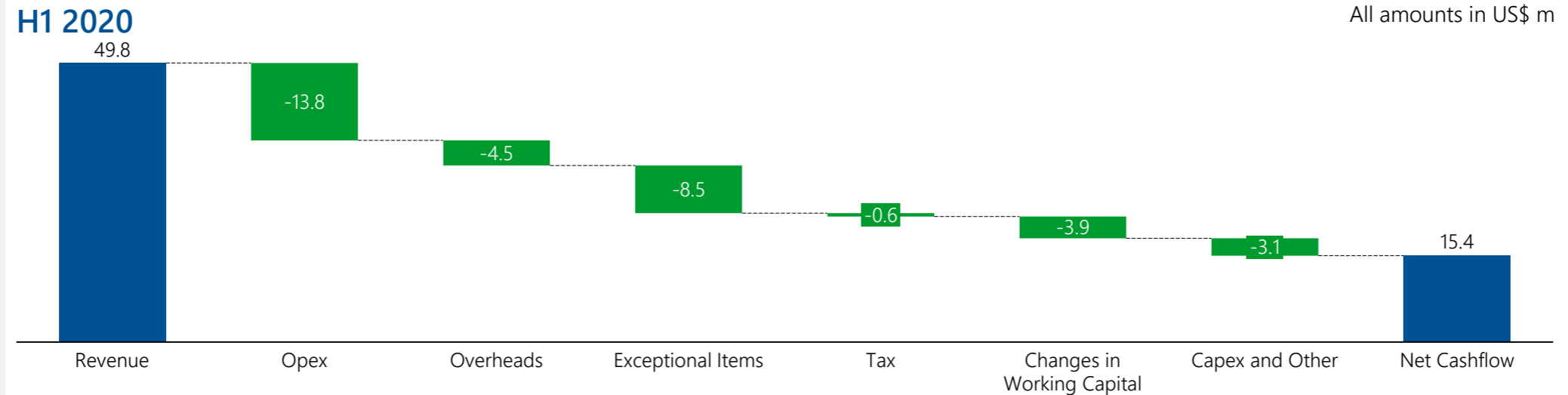


H1 2020 capex  
US\$ 4.5m

Long term  
capex spend  
sustainable at  
US\$ 10 million  
per annum

\* Latest 2020 forecast spend full year

# Focus on Cash Flow



# Summary Balance Sheet

## The Fleet

- Net book value US\$ 653.5m. Impairment indicator assessment carried out with none identified

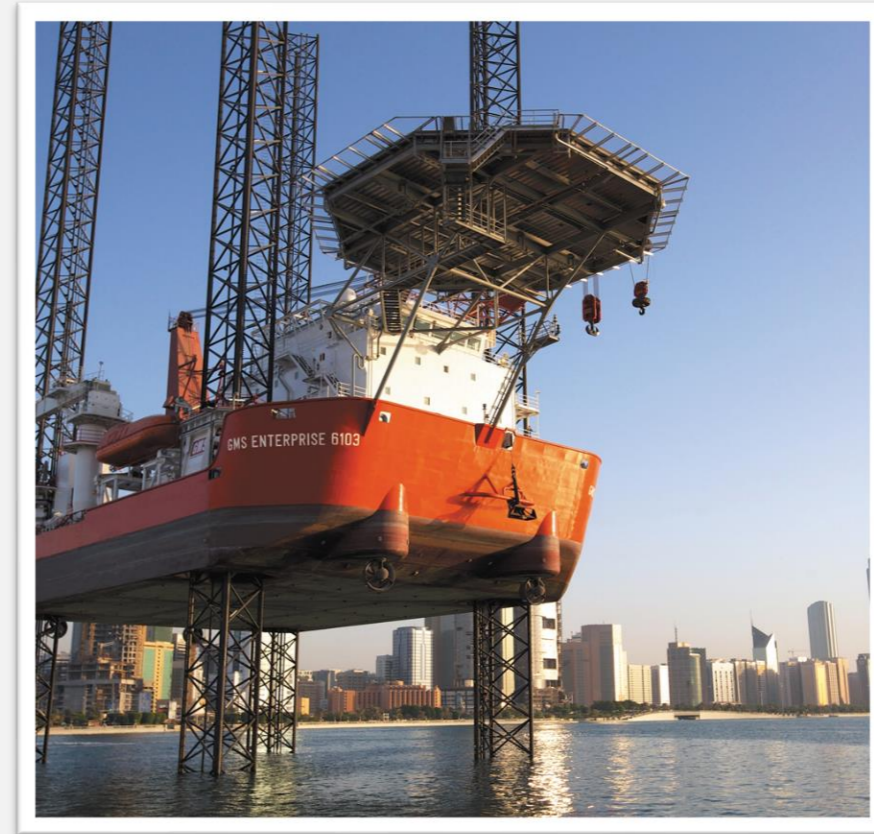
## Working Capital

US\$ m	Dec 2019	Jun 2020
Trade Receivables	25.1	23.1
Trade Payables	(11.5)	(8.5)
<b>Net Working Capital</b>	<b>13.6</b>	<b>14.1</b>

## Net Debt

US\$ m	Dec 2019	Jun 2020
Bank debt*	(398.5)	(394.4)
Cash	8.4	6.6
<b>Net debt</b>	<b>(390.1)</b>	<b>(387.8)</b>

\*Bank debt is shown net of issue costs in H1 2020





# New Loan Facilities

- Amend and Extend Agreement executed on 10 June 2020
- Enhanced liquidity through new US\$ 50m working capital facility
- Re-phased amortisation
- Increased Financial Covenant headroom
- Current coupon 5%, will reduce as debt metrics improve
- Incentives to de-lever through shareholder equity injection
  - PIK interest 5%
  - Contingent equity warrants

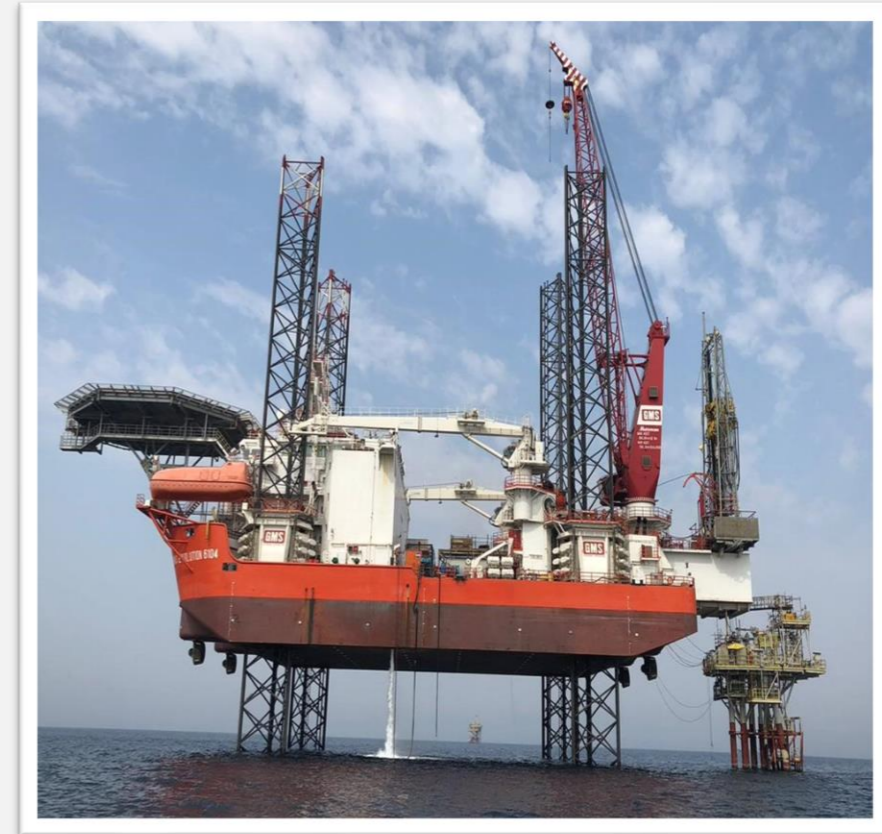




# 2020 FORWARD VIEW

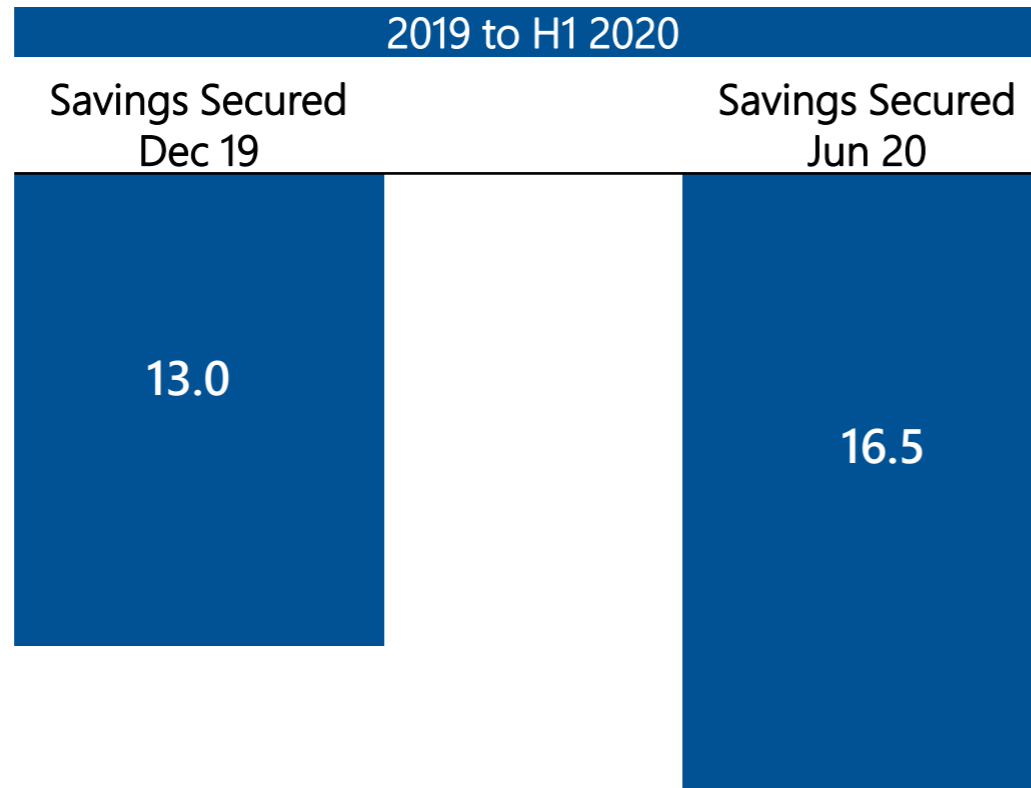
# Operations Update

- Continued vigilance on COVID-19 developments
- 83% secured utilisation for 2020 and 54% for 2021
- Cantilever successfully deployed over live well for first time for NOC client in MENA
- Commitment to sustainable maintenance programme
- Framework agreement with Zakher Marine International to secure further operational efficiencies and cost savings
  - Initial focus on crew travel, lube oil and crew training
  - 25% average savings delivered (\$200k pa)



# Further cost savings

All amounts in US\$ m



**Revised target US\$ 18.5m**

Further cost savings will be achieved from:

- Framework agreement savings
- Third party supplier contracts
- Continued focus on manpower

# Market Outlook

## Middle East

- Near term demand for vessels capable of being deployed rapidly to support EPC work
- Delays in commencement of some larger EPC projects and tender awards by NOC's. Expected to award in 2021
- NOC's in UAE, Qatar and KSA all currently tendering long term multi vessel requirements with focus on modern tonnage. Will drive a significant improvement in vessel supply dynamics
- Low oil price should encourage innovative solutions

## NW Europe

- Long term demand mainly been driven by renewables market as wind turbine capacity forecast to nearly double by 2025
- Near term Oil & Gas demand weak. Driven by recent change of operators and low oil price.
- Decommissioning likely to be main driver for demand in North Sea Oil & Gas market going forward



# Summary

## Safe and reliable

- Continue to deliver excellent safety and operational performance
- Clear procedures remain in place for COVID-19

## Low-cost operations

- Annualised cost savings target reset at US\$ 18.5m
- H1 2020 adjusted EBITDA 34% ahead of H1 2019

## Strengthening position in core markets

- 83% of 2020, 54% of 2021, 37% of 2022 utilisation secured
- Evolution secured first contract with cantilever

## Sustainable capital structure

- Amortisation, covenant tests and working capital facility restructured

## Managing an uncertain environment

- EBITDA guidance of US\$ 57.0m – US\$ 62.0m reconfirmed with Company now guiding to upper end
- Deliver shareholder alignment and recapitalisation



# APPENDICES

# Fleet Overview

## E-CLASS



- 4 units
- Avg age: 7 years
- Water Depth: 65-80m
- Accommodation for up to 300 people
- 1000m<sup>2</sup> Deck Area
- Main Crane: 300 / 400 Tonne
- Harsh weather capable
- Dynamic Positioning (DP2)

## S-CLASS



- 3 units
- Avg age: 5 years
- Water Depth: 55m
- Accommodation for up to 300 people
- 850m<sup>2</sup> Deck Area
- Main Crane: 150 Tonne
- Harsh weather capable
- Dynamic Positioning (DP2)

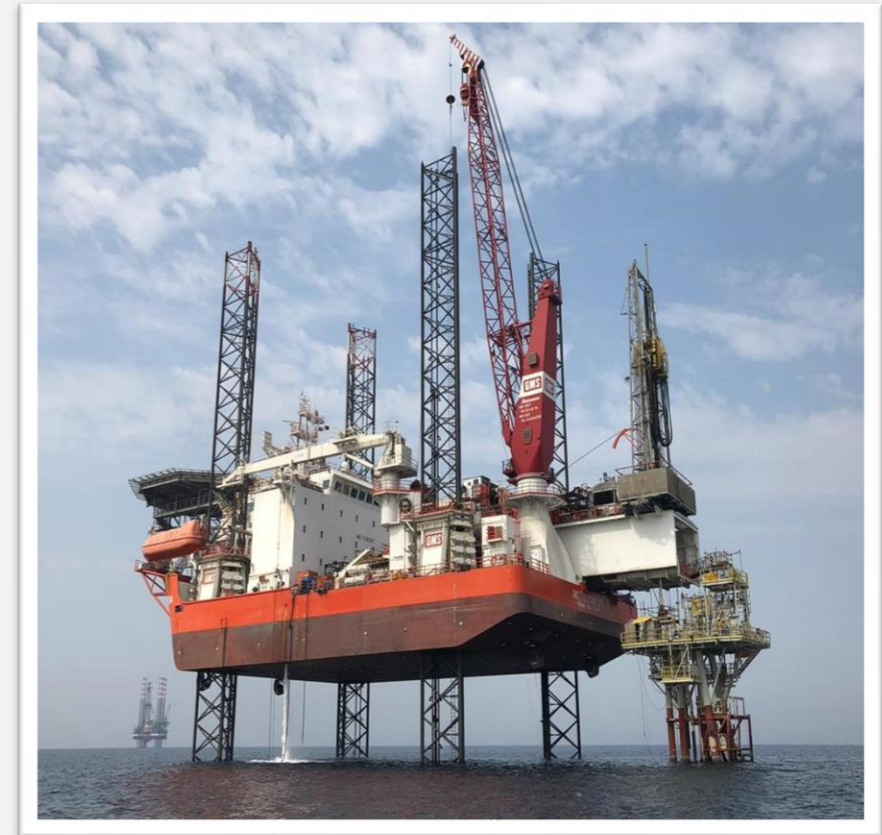
## K-CLASS



- 6 units
- Avg age: 13 years
- Water Depth: 45-55m
- Accommodation for up to 300 people
- 600-800m<sup>2</sup> Deck Area
- Main Crane: 36-75 Tonne

# Cantilever System v Drilling Rig

- GMS is the first to introduce a cantilever capability on a self-propelled SESV, allowing delivery of well intervention services previously only carried out by drilling rigs including:
  - Change out of electric submersible pumps
  - Completions
  - Running casing
  - Plugging and abandonment
  - Light drilling
- An SESV with a cantilever system can complete work in one location and be operational at a new location in less than one day, compared to around three days or more for a drilling rig due to:
  - Faster jacking capability
  - No need for costly towing tugs
  - Quicker transit time between locations
  - Less downtime waiting for clear weather window to move location
- The combination of the above capabilities and efficiencies provides up to 67% time saving on certain well intervention activities compared to the same activity performed by a drilling rig





# Key Services Provided

**Topside Maintenance**

**Well Intervention**

**Commissioning and  
Accommodation**

**Wind Turbine  
Installation,  
Maintenance and  
Accommodation**



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