



ANALYST BRIEFING

4Q FY2019 Financial Results

18 February 2020



FINANCIAL OVERVIEW

By: Eslin Halimi | Head Financial Reporting, Governance &
Budget, Finance



Financial Performance: 4Q FY2019 vs 3Q FY2019

<i>In USD Mil</i>	Q4 FY2019	Q3 FY2019	QoQ %
Revenue	570.3	515.6	10.6
PBT from Operations	90.5	82.2	10.1
Non-recurring Items	(27.4)	(13.4)	(104.5)
PBT	63.1	68.8	(8.3)
PAT	59.2	64.8	(8.6)
EPS (cent)	1.3	1.4	(7.1)

Higher revenue:

- Petroleum – higher time charter equivalent (“TCE”)
- Offshore – one-time reimbursement cost on upgrading works
- Heavy Engineering – higher revenue from conversion works

Higher PBT from operations:

- Petroleum – higher revenue

Non-recurring items:

- Impairment of Petroleum, LNG and Offshore vessels in Q4 FY2019
- Impairment/loss on disposal of Petroleum vessels in Q3 FY2019

Financial Performance: 4Q FY2019 vs 4Q FY2018

<i>In USD Mil</i>	Q4 FY2019	Q4 FY2018	QoQ %
Revenue	570.3	573.2	(0.5)
PBT from Operations	90.5	104.6	(13.8)
Non-recurring Items	(27.4)	(19.4)	(41.2)
PBT	63.1	85.2	(25.9)
PAT	59.2	78.2	(24.3)
EPS (cent)	1.3	1.9	(31.6)

Lower revenue:

- Petroleum – Lower earning days

Lower PBT from operations:

- Offshore – gain on contract extension in Q4 FY2018

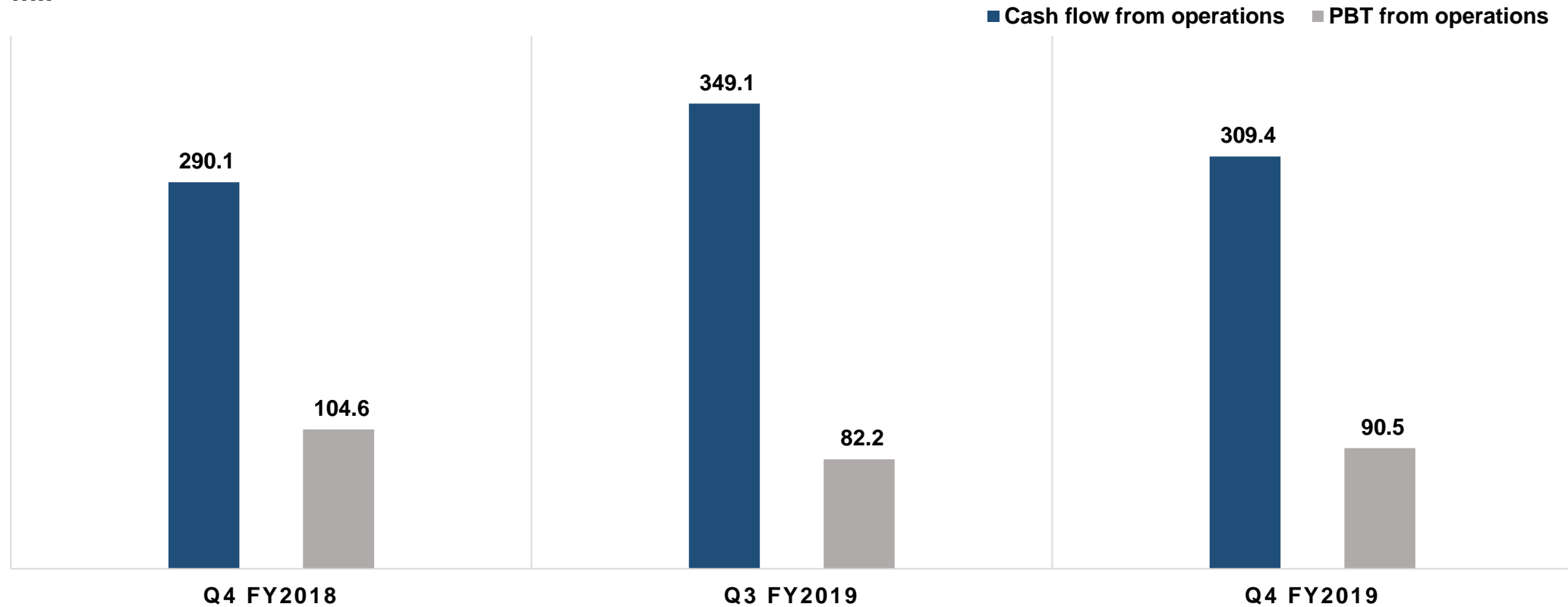
Non-recurring items:

- Impairment of Petroleum, LNG and Offshore vessels in Q4 FY2019
- Impairment of LNG and Petroleum vessels in Q4 FY2018
- Gain on acquisition of a business in Q4 FY2018

Cash Flow from Operations

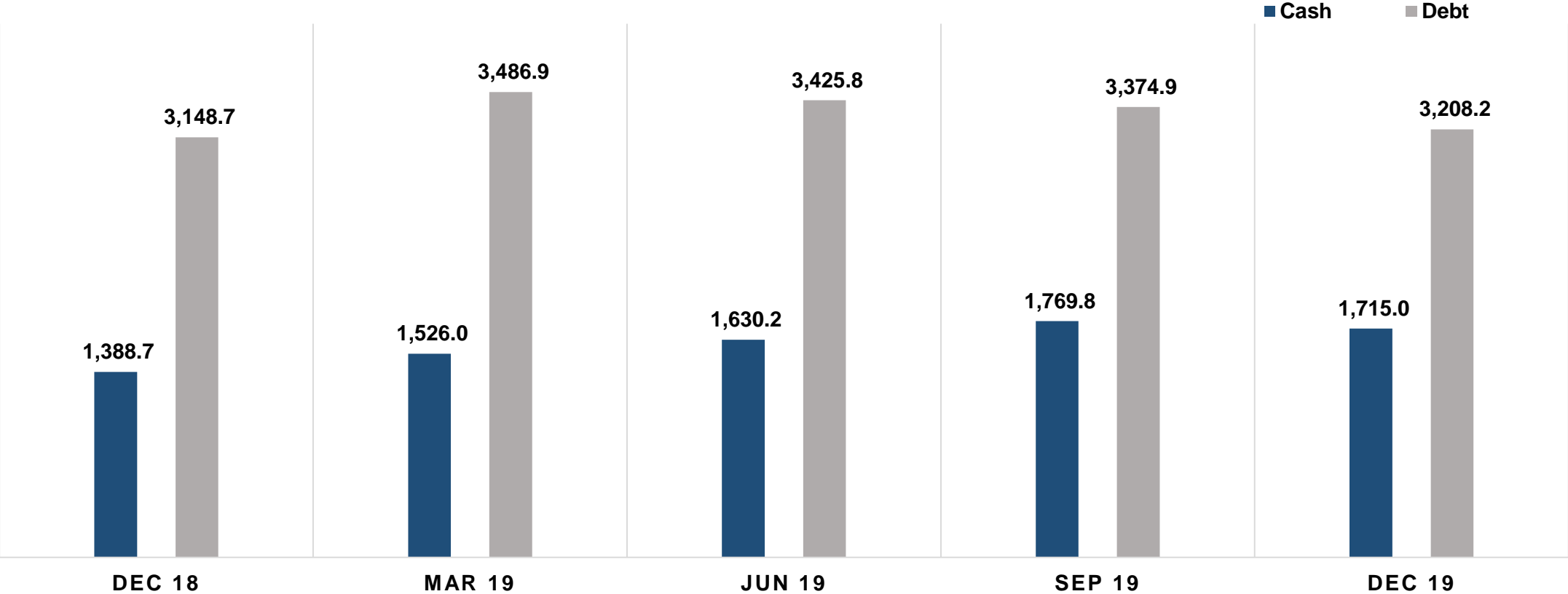
Healthy group cash flow from operations

USD mil



Cash and Debt Balances

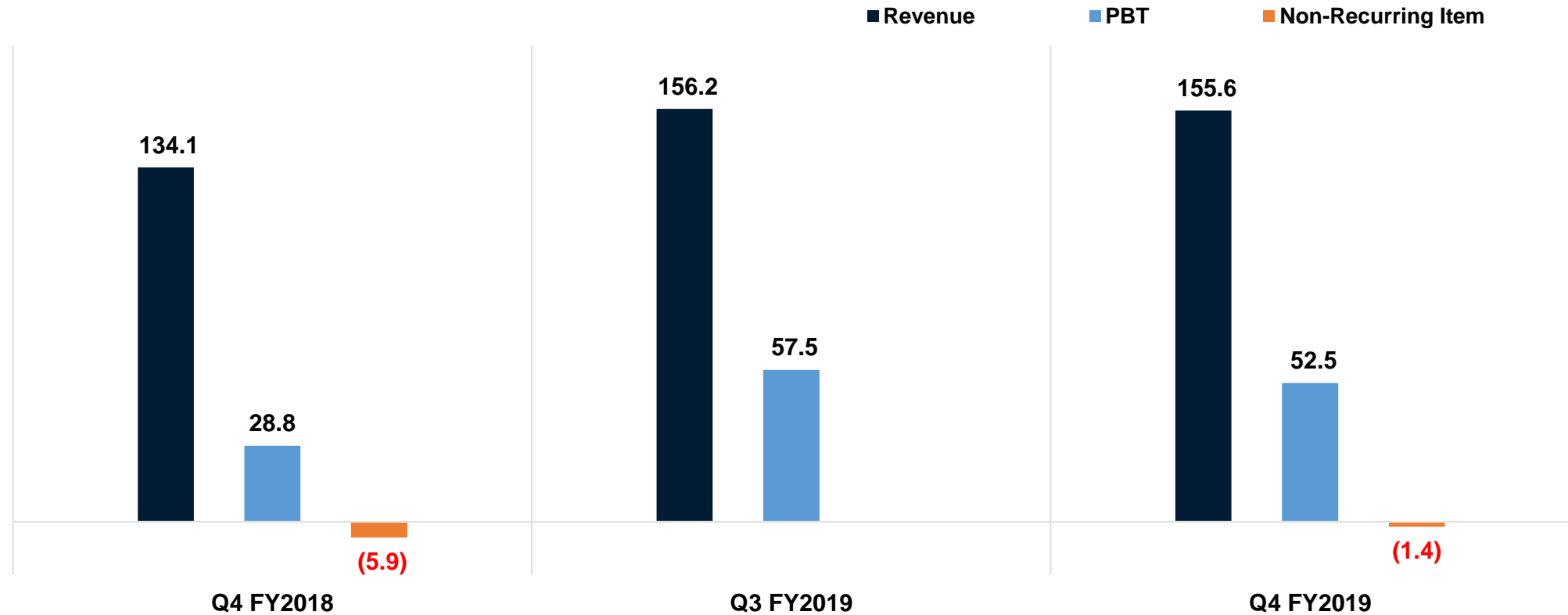
USD mil



Financial Performance by Business Segment

LNG Shipping – Vessels dry-docking

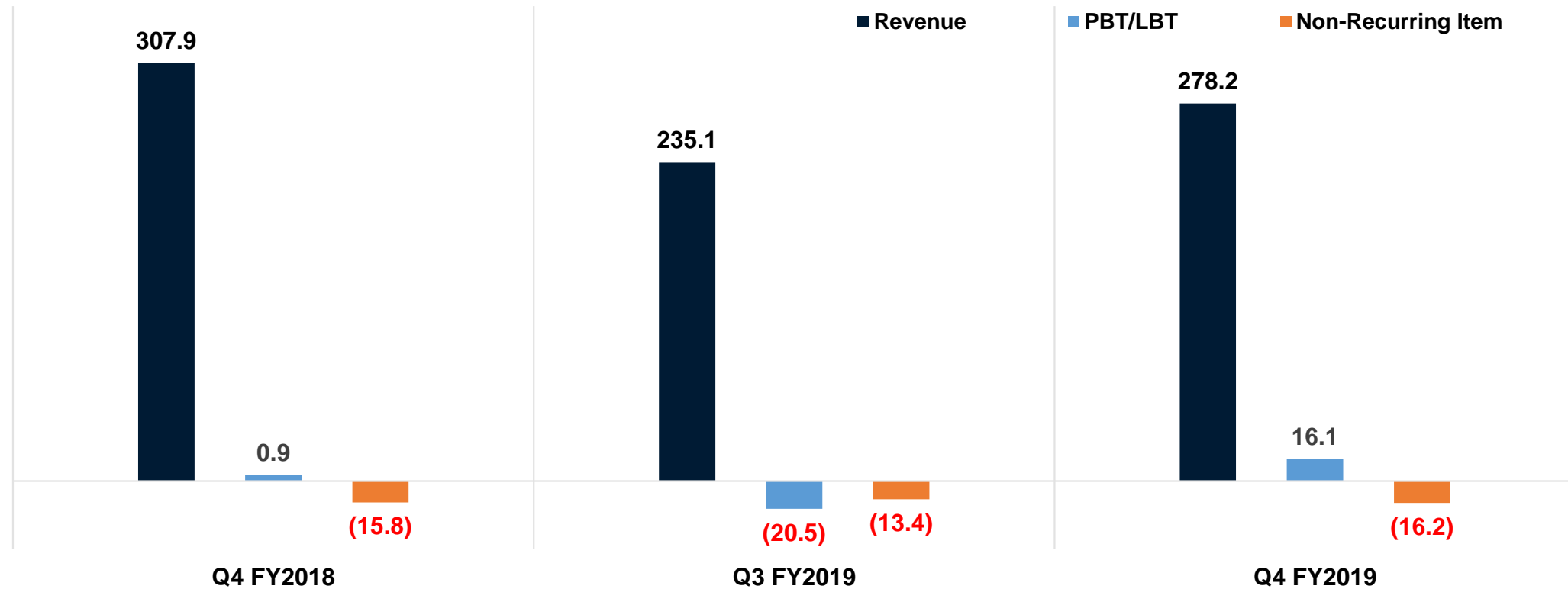
USD mil



Financial Performance by Business Segment

Petroleum Shipping – Higher TCE

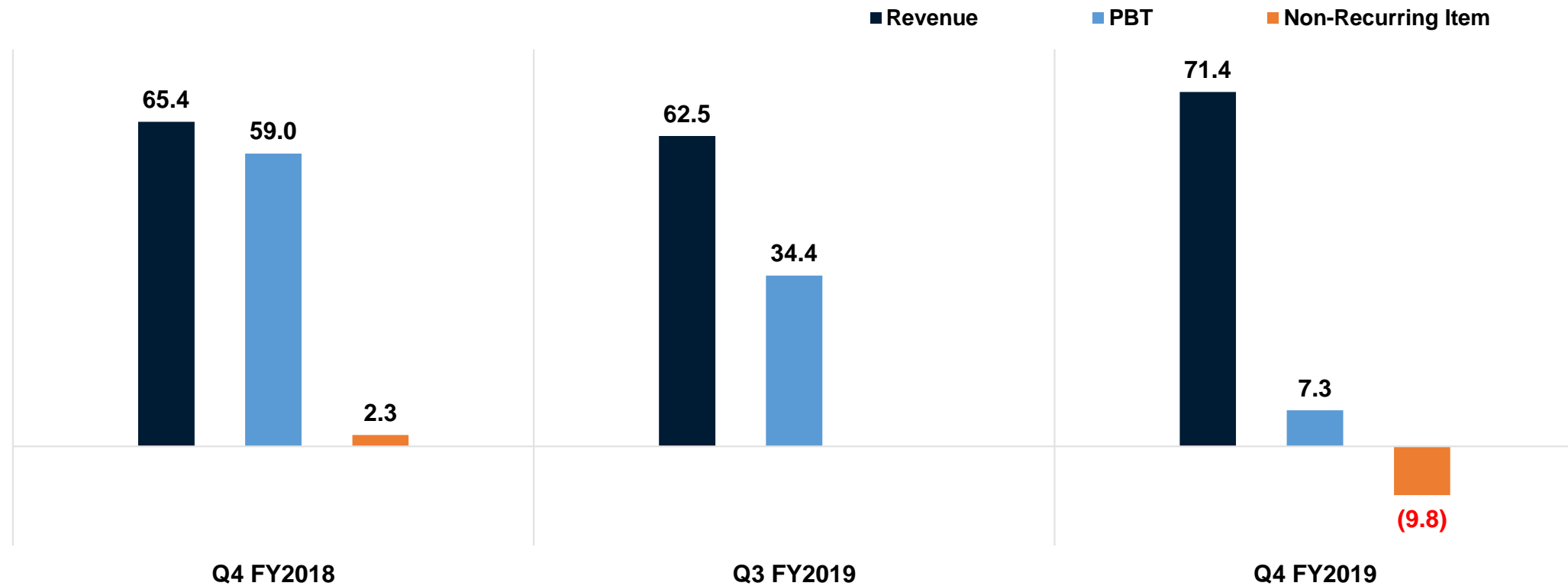
USD mil



Financial Performance by Business Segment

Offshore Business – Demobilisation costs in Q4 FY2019

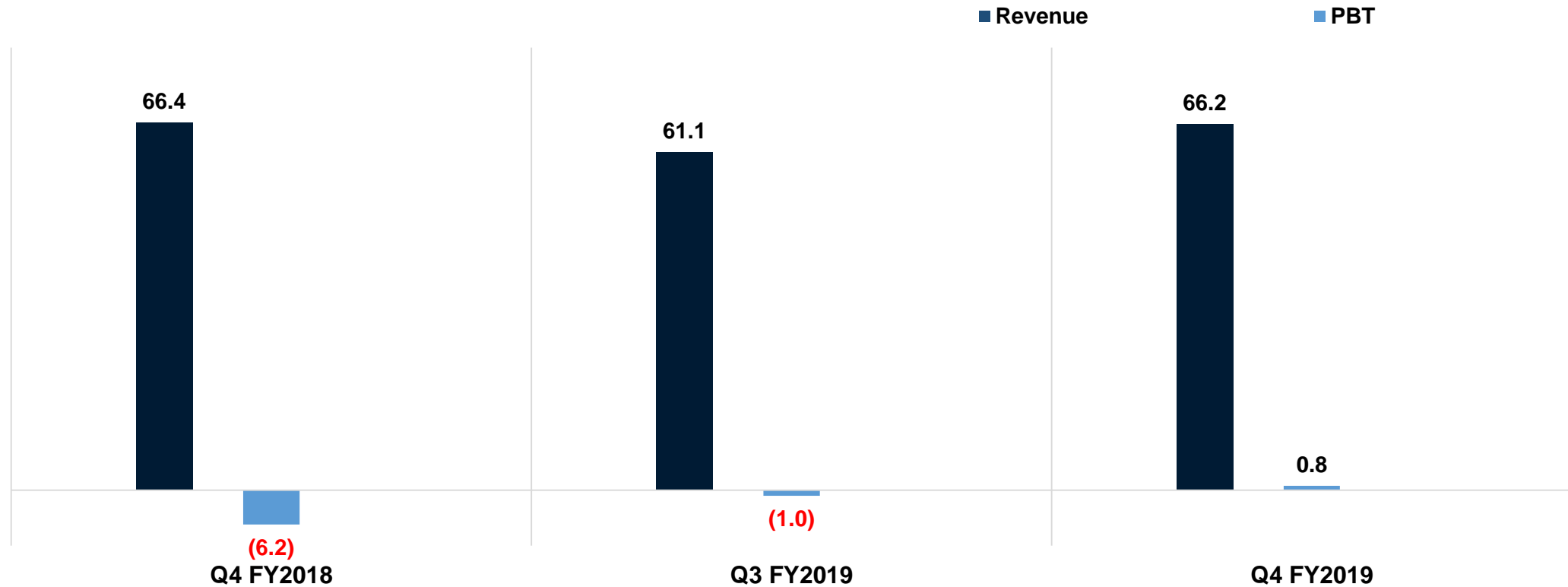
USD mil



Financial Performance by Business Segment

Heavy Engineering – Higher contribution from Marine sub-segment

USD mil



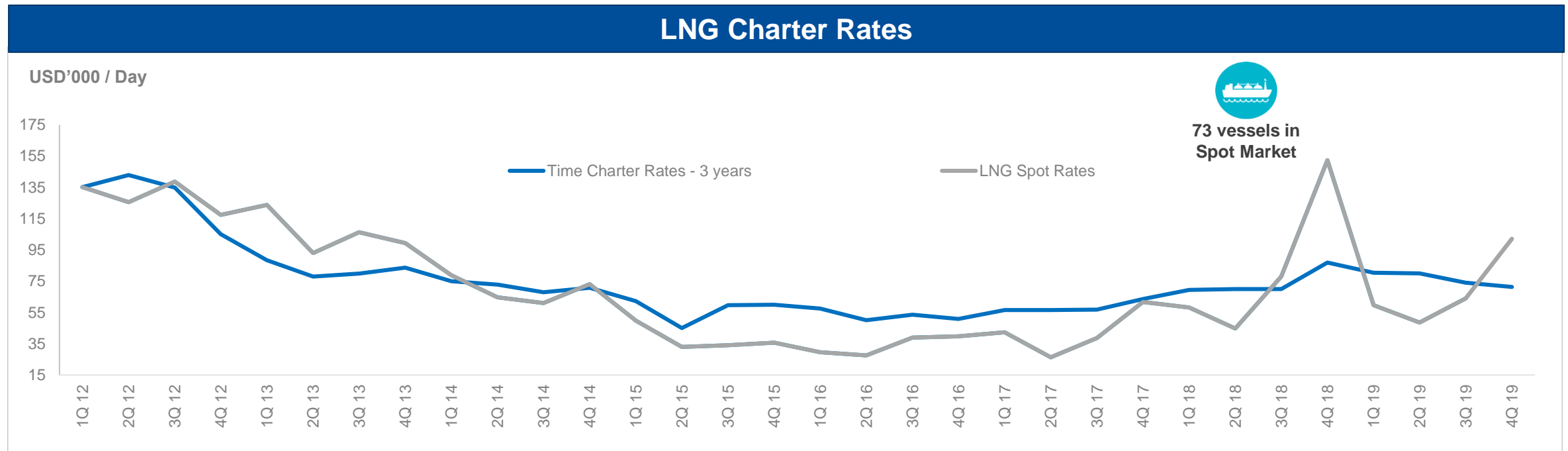
MARKET ENVIRONMENT

By: Vincent Ng | General Manager, CPD



LNG Shipping

LNG spot rates continued its rise in Q4 2019

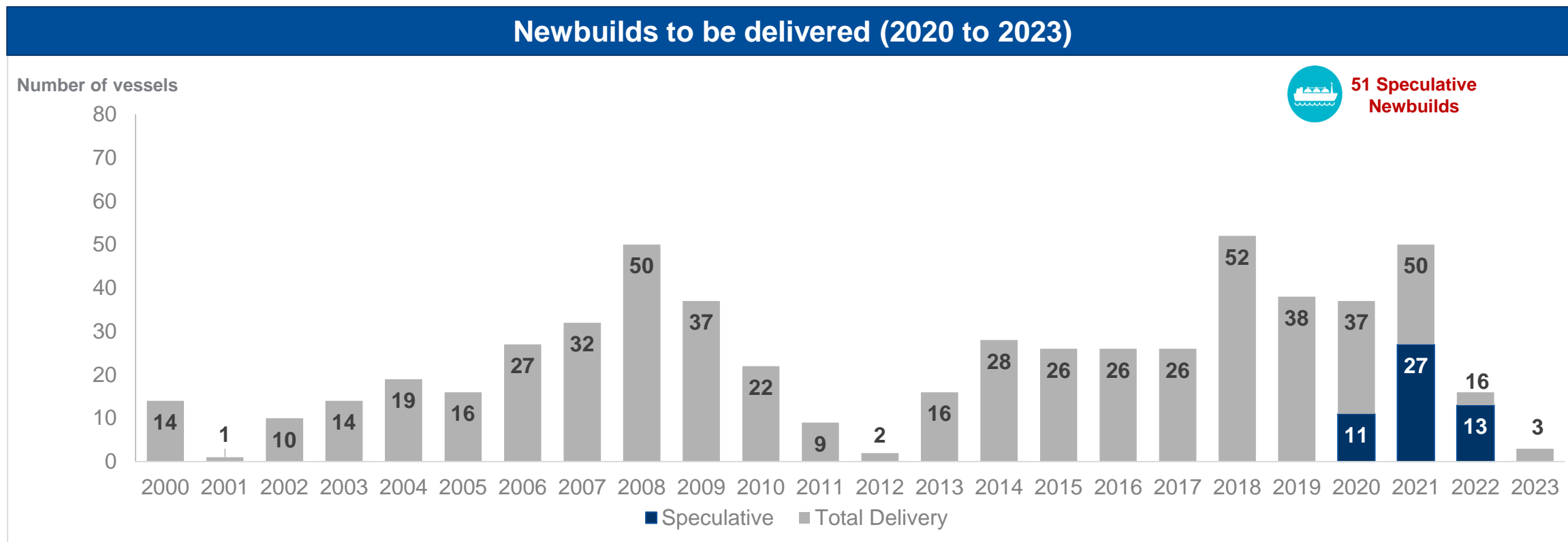


Source: LNG Shipping Database, Wood Mackenzie

- Spot rates continued to surge due to tight vessel availability and strong winter demand mainly from China
- Availability of LNG vessels further tightened with the US sanction on COSCO-linked vessels and Typhoon Hagibis in Japan
- Growth in the US liquefaction capacity has also increased the trade on long haul-routes which is reaching a bottleneck due to tight vessel availability

LNG Shipping

Orderbook is building up

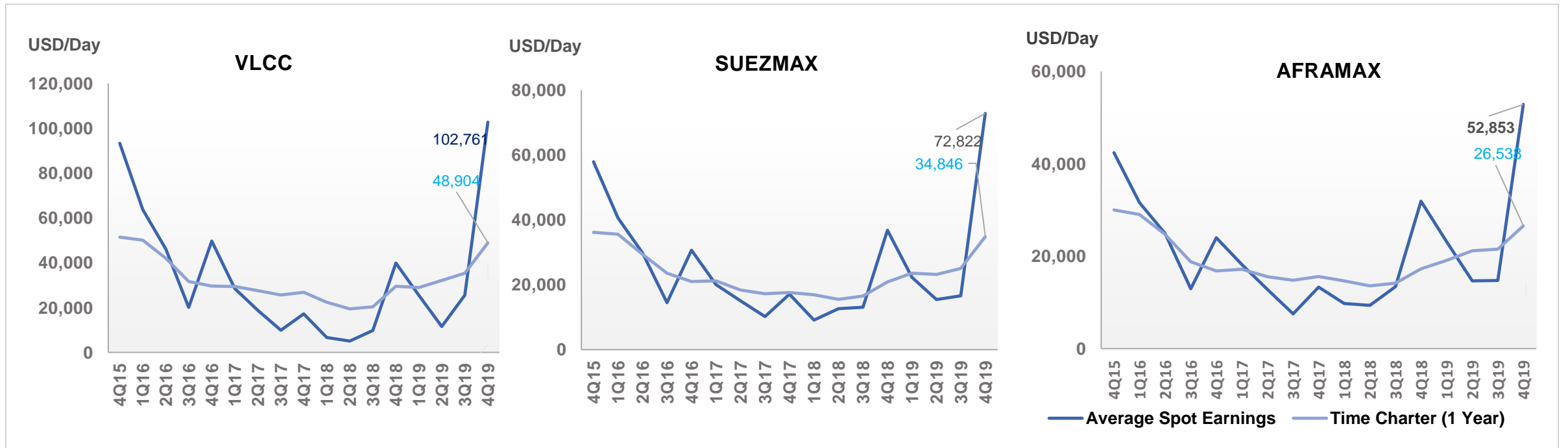


Source: LNG Shipping Database, Wood Mackenzie

- Newbuilding orders for LNG carriers are building up strongly as more liquefaction projects are expected to reach FID, resulting in an anticipated increase in new tonnage requirements
- Approximately 106 new LNG vessels are expected to be delivered from 2020 until 2023

Petroleum Shipping

Spot and time charter rates across all segments surged to the highest levels since 2016

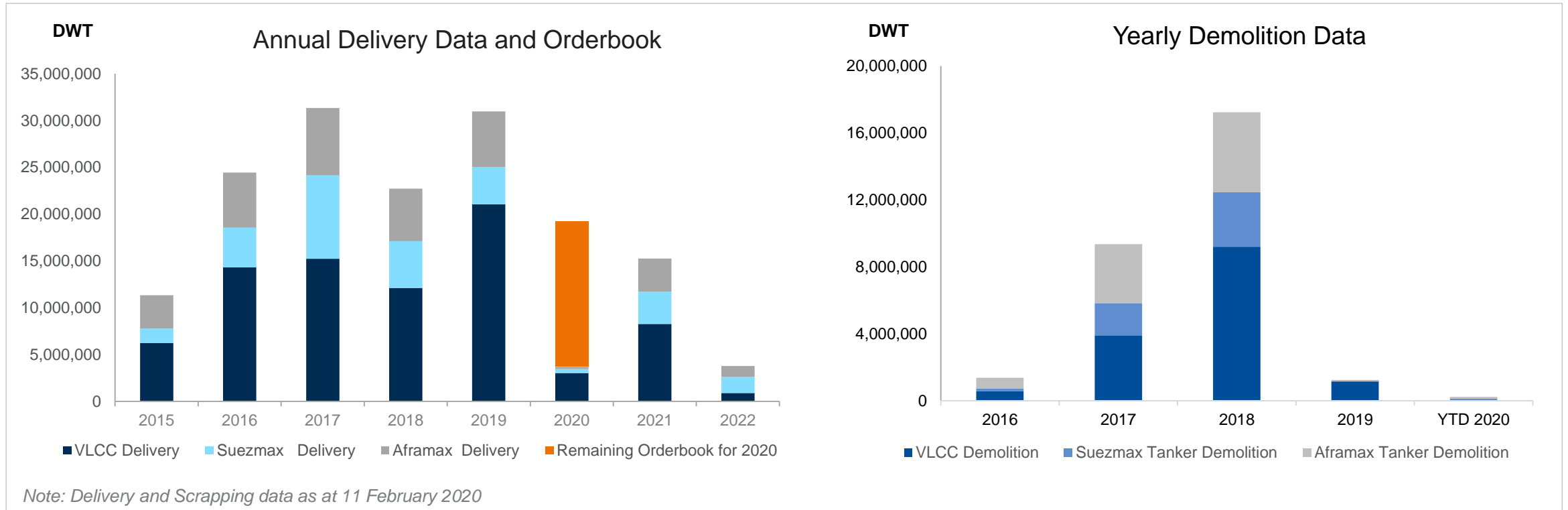


Source: Clarksons

- Rates surged strongly in all tanker segments, mainly driven by bullish sentiments in VLCC markets
- Winter peak demand coinciding with the build up of inventories relating to implementation of IMO 2020, and the imposition of US sanctions on COSCO were the key factors to the surge in freight rates

Petroleum Shipping

Global fleet expanded during 2019 on the back of strong deliveries and few demolitions during the year



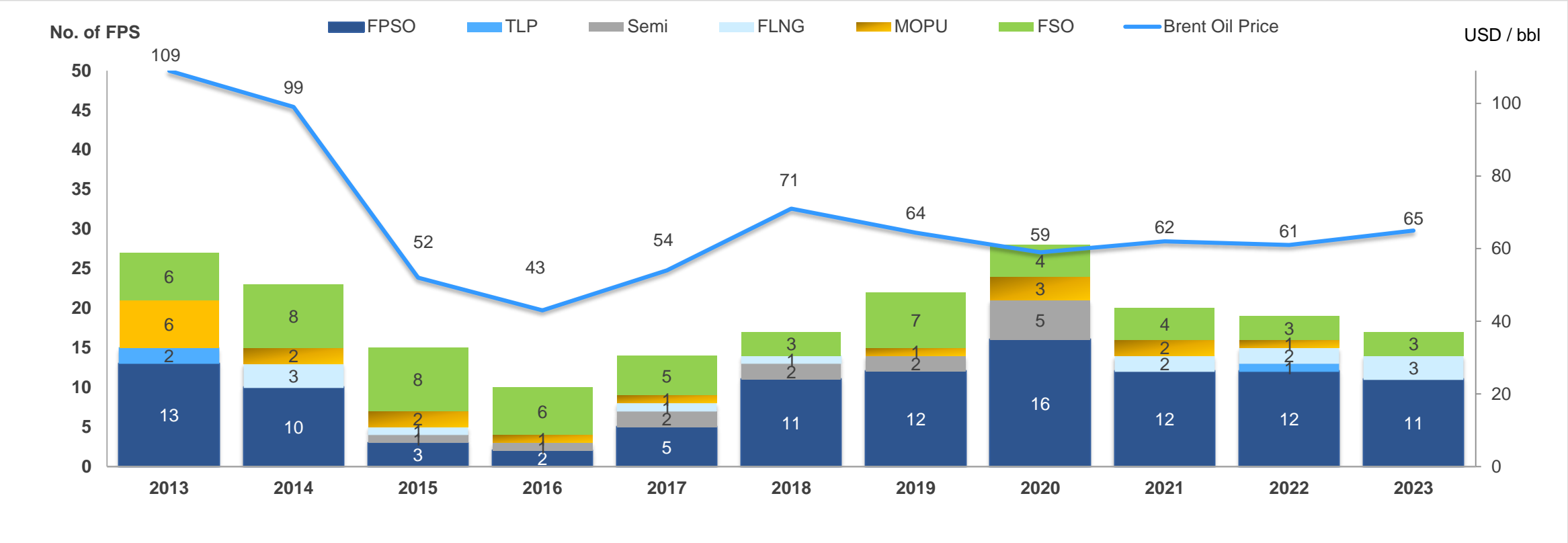
Source: Clarksons

- 2019 saw strong deliveries after a reduction in 2018. However, the forward orderbook is significantly smaller
- Following the record number of demolitions in 2018, demolitions were significantly fewer in 2019, due to high charter rates

Offshore

Recovery in global offshore production system investment is expected to continue as oil price stabilizes

Floating Production System (FPS) Awards

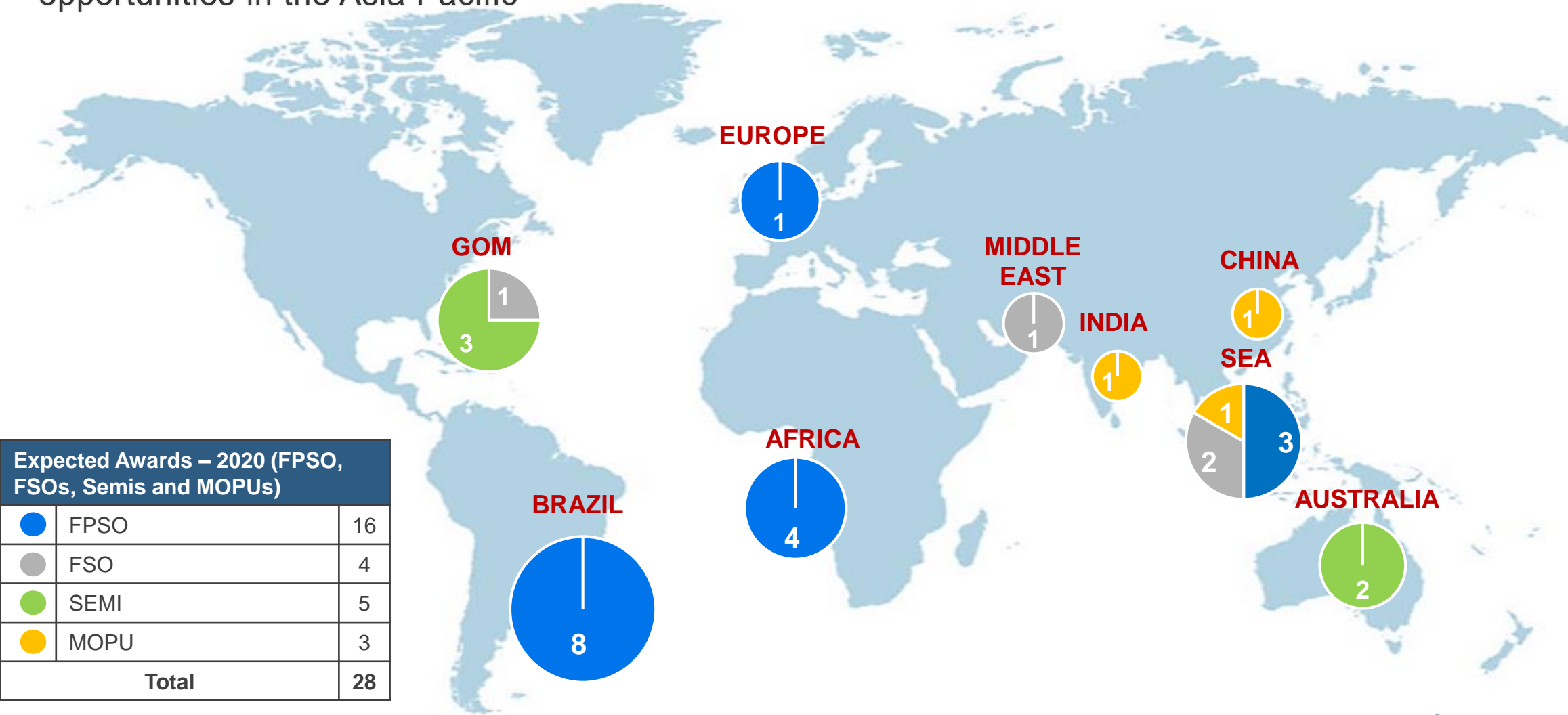


Sources: EMA, EIA and MISC analysis

- New FPSO projects over the next 12 months are expected to be mostly centered around Brazil

Offshore

In 2020, greenfield FPSO projects will mainly concentrate in the Atlantic Basin with other floater opportunities in the Asia Pacific



Source: EMA

BUSINESS UPDATES

By: Vincent Ng | General Manager, CPD



LNG Business

- Actively exploring conventional and non-conventional LNG shipping solutions to support this segment's long-term growth strategy

Petroleum & Chemical Business

- Current portfolio mix at 72:28 term to spot
- AET has been awarded long term charter contract for three (3) Suezmax class Dynamic Positioning Shuttle Tankers (DPSTs) by Shell and the charter is expected to commence in 2022
- AET has delivered four Chemical A class vessels to Maersk Tankers as per the Memorandum of Agreement that was signed in Q3 2019. The remaining two vessels will be delivered in Q1 2020
- AET has also redelivered two of its L Class vessels

Offshore Business

- Exploring both organic and inorganic growth in deep water opportunities in the Atlantic Basin as well as brown field replacement projects and shallow water asset requirements in the region
- Contract Expiry: *FSO Angsi* contract expired on 31 Dec 2019
- Scrapped: *FSO Cendor* scrapped in December 2019

- **Gumusut Kakap (GKL):**
 - ❑ **Arbitration** - No further update. GKL shall make the relevant updates should there be any developments in the matter

- **PCPP – MOMPL:**
 - ❑ **Arbitration:** MOMPL's Notice of Arbitration (for arbitration No.2 proceedings) was filed on 7 August 2018. PCPP has objected to the filing of the Notice of Arbitration on the basis that Parties have yet to commence "good faith negotiations" as per Contract requirement. In order to move the matter forward, Arbitration Notice (No.2) has been withdrawn for parties to commence good faith negotiations
 - ❑ **Adjudication**
 - Second adjudication proceedings under Construction Industry Payment and Adjudication (CIPAA) - The Federal Court ("FC") had on 16 October 2019 made a ruling that the CIPAA, which provides the basis upon which the Adjudication Proceedings were commenced, only applies prospectively to construction contracts entered into after the date CIPAA became effective i.e. 15 April 2014. The MOMPL lease agreement is dated 28 November 2008 and as such, falls outside the purview of CIPAA
 - In view of the FC decision, MOMPL has stayed its hand on moving for the enforcement of the Adjudication decisions and will focus on the Arbitration Proceedings in order to recover the monies owing by PCPP. As far as MOMPL is aware, there is no pending application to set aside the said Adjudication decisions

Offshore Business (cont'd)

- **PCPP – MOMPL (Cont'd):**

- **Proceedings in Court**

- An Originating Summons in the High Court was filed on 7 August 2018 to recover the undisputed portion of the early termination fees and demobilisation costs amounting to approximately USD42,307,000. The High Court had, on 30 May 2019, allowed PCPP's application to stay the Originating Summons pending the disposal of the arbitration proceedings. MOMPL has filed an appeal to the Court of Appeal against this decision
 - A writ action in the High Court was also filed on 13 August 2018 against PCSB, PPHE and PVEP (being the shareholders of PCPP) seeking for a declaration that the shareholders be liable for the amounts due and owing by PCPP to MOMPL under the Contract. PCSB and PCPP filed applications in the High Court to strike out and stay the proceedings pending the disposal of the arbitration proceedings which were allowed on 26 October 2018 and 11 December 2018 respectively. MOMPL appealed against both decisions to the Court of Appeal. MOMPL's appeal against PCSB's striking out application proceeded and was dismissed by the Court of Appeal on 26 September 2019. The appeal against PCPP's stay application has been fixed for hearing on 19 June 2020

Heavy Engineering

- Heavy Engineering milestones:

- Offshore

- Secured EPCC of Bergading Mercury Removal Unit (MRU) module contract for Bergading Central Processing Platform-MRU Integration Project under the 6-year PETRONAS Frame Agreement
 - Secured EPCIC contract of supply and installation of new BEDP-A and BEDP-B Wellhead platform for Bekok Oil Project

- Marine Repair milestones:

- YTD Q4 Completed repair & maintenance of 77 vessels
 - YTD Q4 Secured 86 jobs

- Orderbook backlog as of December 2019 is RM3.0 billion

- Aproximately RM12.9 billion worth of heavy engineering tenders submitted as of December 2019

- Continue pursuing existing business of Marine & Heavy Engineering and expanding marine capacity through additional dry dock

- Explore new business opportunities namely modular fabrication and offshore wind farm

APPENDIX



Appendix 1 : Fleet Information

As at 31 December 2019

	Vessel Type	Total Vessel Operated	Owned	Chartered-In	Average Age (yrs)		Contracted Newbuilds/ Conversions
					MISC	Industry	
LNG	LNG	29	29	--	14.3	10.7	4
	FSU	2	2	--	37.5	--	--
Subtotal		31	31	--	--	--	4
Petroleum	VLCC	14	12	2	10.7	9.5	--
	Suezmax	6	6	--	5.6	9.9	--
	Aframax	36	30	6	10.9	11.5	--
	LR2	2	2	--	9.6	8.8	--
	MR2	3	--	3	9.2	10.9	--
	Shuttle	4	4	--	6.1	10.2	10
Chemical	Chemical	6	2	4	9.3	11.3	--
Subtotal		71	56	15	--	--	10
GRAND TOTAL		102	87	15	--	--	14
Offshore	FPSO/FSO/SS	12	12	--	7.8	--	--
	MOPU	--	2	--	9.0	--	--

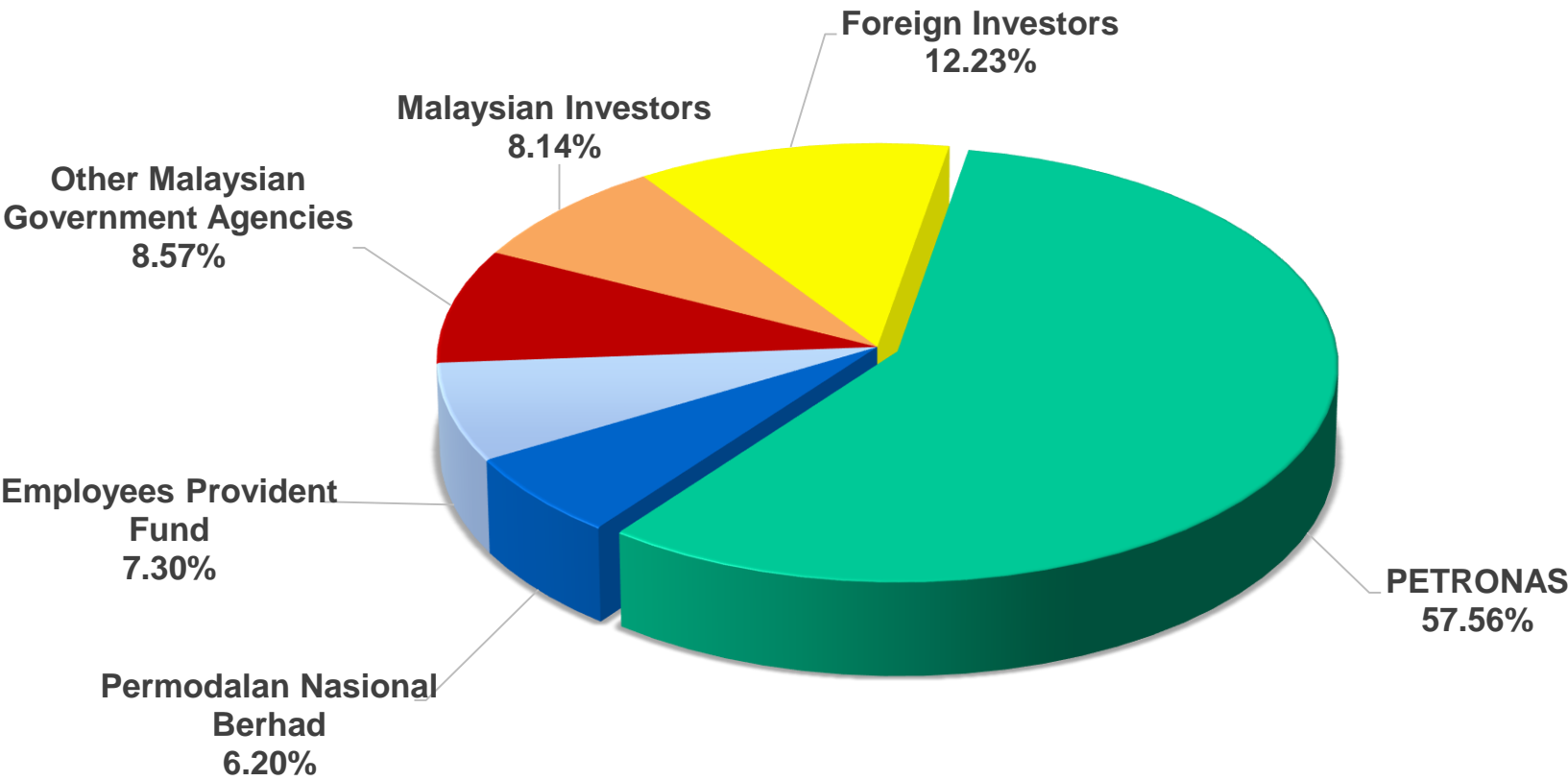
Appendix 2 : Schedule of Future Deliveries

As at 31 December 2019

	LNG	Petroleum
	LNG Carriers	DPST
2H 2019	-	
1H 2020	-	4
2H 2020	-	3
1H 2021	1	-
2H 2021	1	1
1H 2022	-	2
2H 2022	-	-
1H 2023	2	-

Appendix 3 : Shareholders' Profile

As at 31 December 2019



Disclaimer

This Presentation is not intended to form the basis of any investment decision with respect to MISC Berhad (MISC) and shall not form the basis of or be relied upon in connection with any contract or commitment whatsoever.

No representation or warranty, express or implied, is or will be made by MISC in relation to the accuracy and completeness of the information made available and any liability therefore is expressly disclaimed.

Although MISC believes that the expectations of its management as reflected by forward-looking statements contained in this Presentation are reasonable based on information currently available to it, no assurances can be given that such expectations will materialize as these are dependent on risks, uncertainties and other factors which in many cases are beyond MISC's control.

This Presentation and its contents are strictly confidential and must not be reproduced or disclosed without the prior written consent of MISC.

Thank You