



ANALYST BRIEFING

3Q FY2020 Financial Results

17 November 2020



FINANCIAL OVERVIEW

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Financial Performance: Q3 FY2020 vs Q2 FY2020

<i>In USD Mil</i>	Q3 FY2020	Q2 FY2020	QoQ %
Revenue	490.3	504.8	(2.9)
PBT from Operations	69.6	107.4	(35.2)
Non-recurring Items	(2.3)	(66.9)	96.6
PBT	67.3	40.5	66.2
PAT	62.4	35.4	76.3
EPS (cent)	1.4	1.5	(6.7)

Lower revenue:

- Petroleum – lower time charter equivalent (“TCE”) and lower earning days
- LNG – lower earning days following dry-docking activities

Partially offset by:

- Heavy Engineering – higher revenue in current quarter due to yard suspension during MCO in the preceding quarter

Lower PBT from operations:

- Petroleum – lower margins on freight rates in the current quarter
- LNG - lower revenue

Non-recurring items:

- Impairment of an FSO in Q3 FY2020
- Impairment of an LNG vessel and Heavy Engineering property plant and equipment and right of use assets in Q2 2020
- Gain on disposal of a Petroleum vessel in Q2 FY2020

Financial Performance: Q3 FY2020 vs Q3 FY2019

<i>In USD Mil</i>	Q3 FY2020	Q3 FY2019	QoQ %
Revenue	490.3	515.6	(4.9)
PBT from Operations	69.6	82.2	(15.3)
Non-recurring Items	(2.3)	(13.4)	82.8
PBT	67.3	68.8	(2.2)
PAT	62.4	64.8	(3.7)
EPS (cent)	1.4	1.4	-

Lower revenue:

- Petroleum – lower earning days
- Offshore – reducing finance lease income and contract expiry of an FSO in December 2019
- LNG – lower earning days following dry-docking activities

Partially offset by:

- Heavy Engineering – higher revenue from increased activities in on-going projects

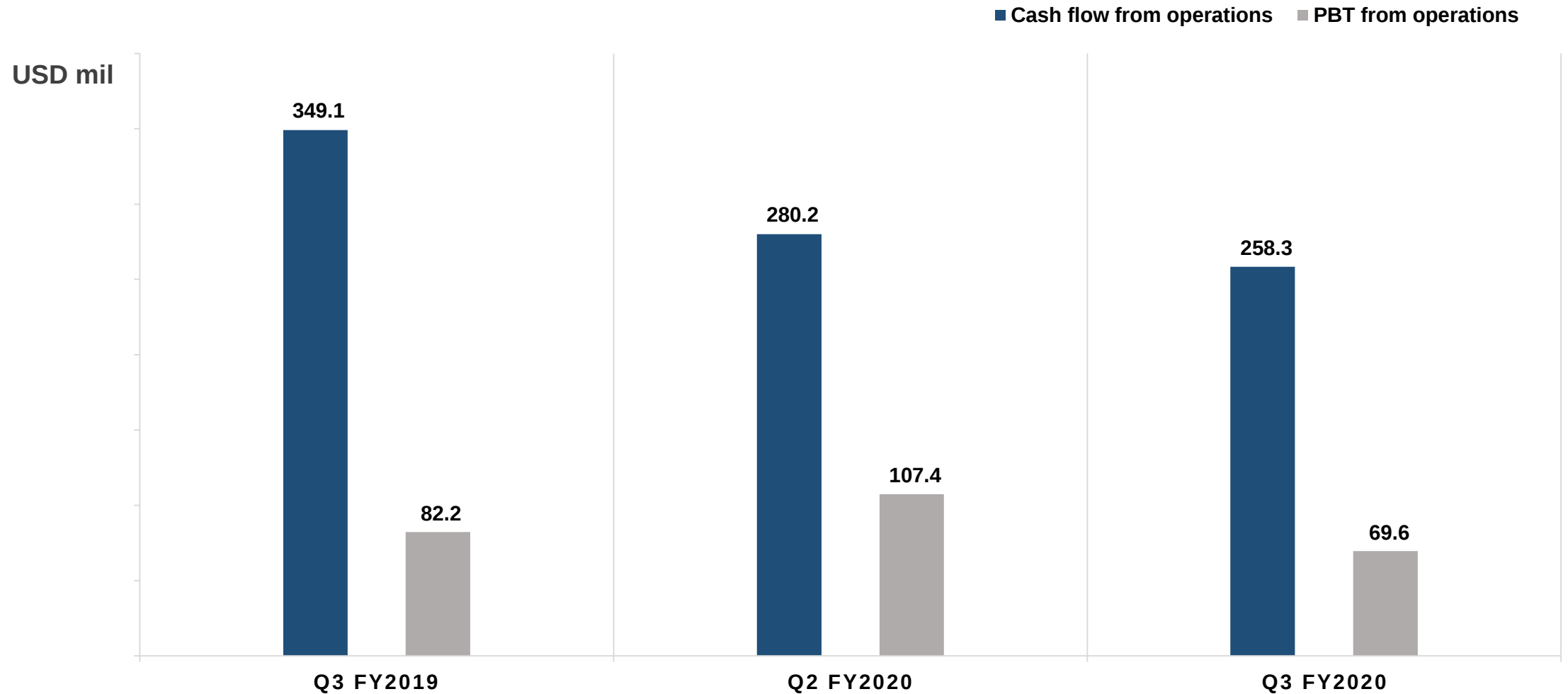
Lower PBT from operations:

- Offshore – lower revenue and share of profit from Joint Ventures
- LNG – in tandem with lower revenue

Non-recurring items:

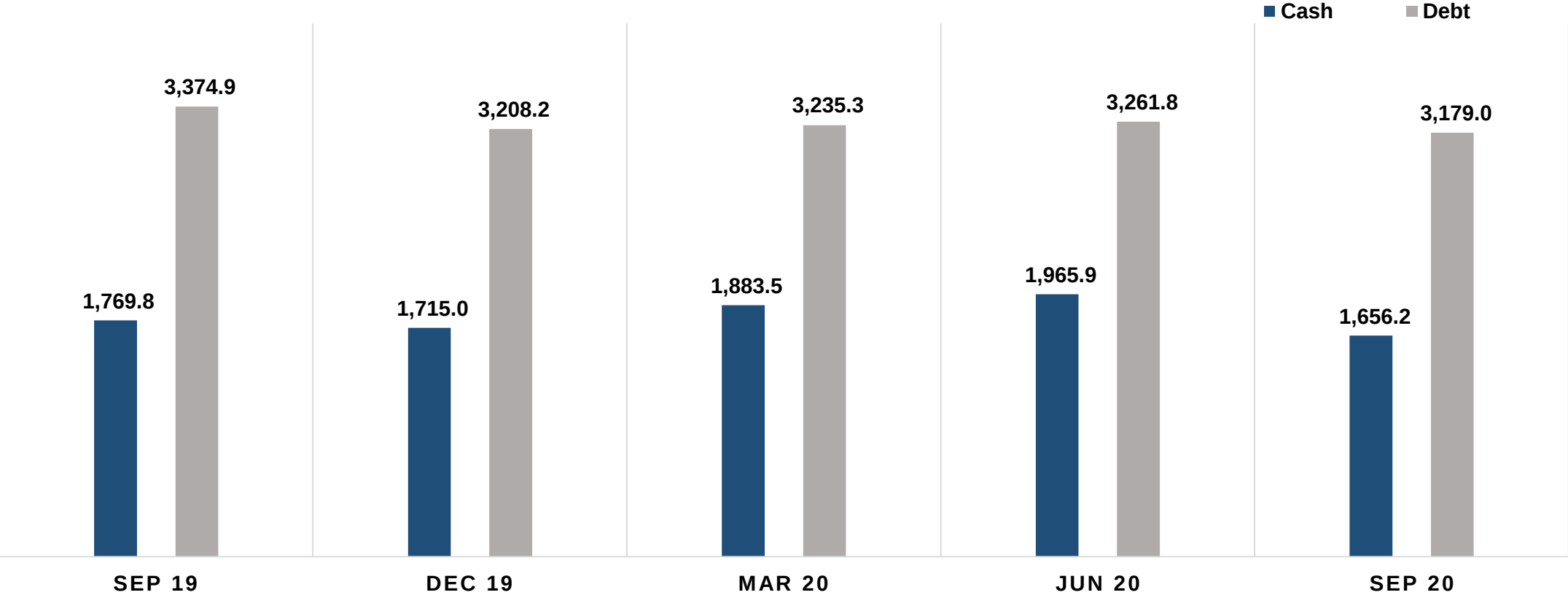
- Impairment of an FSO in Q3 FY2020
- Impairment/loss on disposal of Chemical vessels in Q3 FY2019

Cash Flow from Operations



Cash and Debt Balances

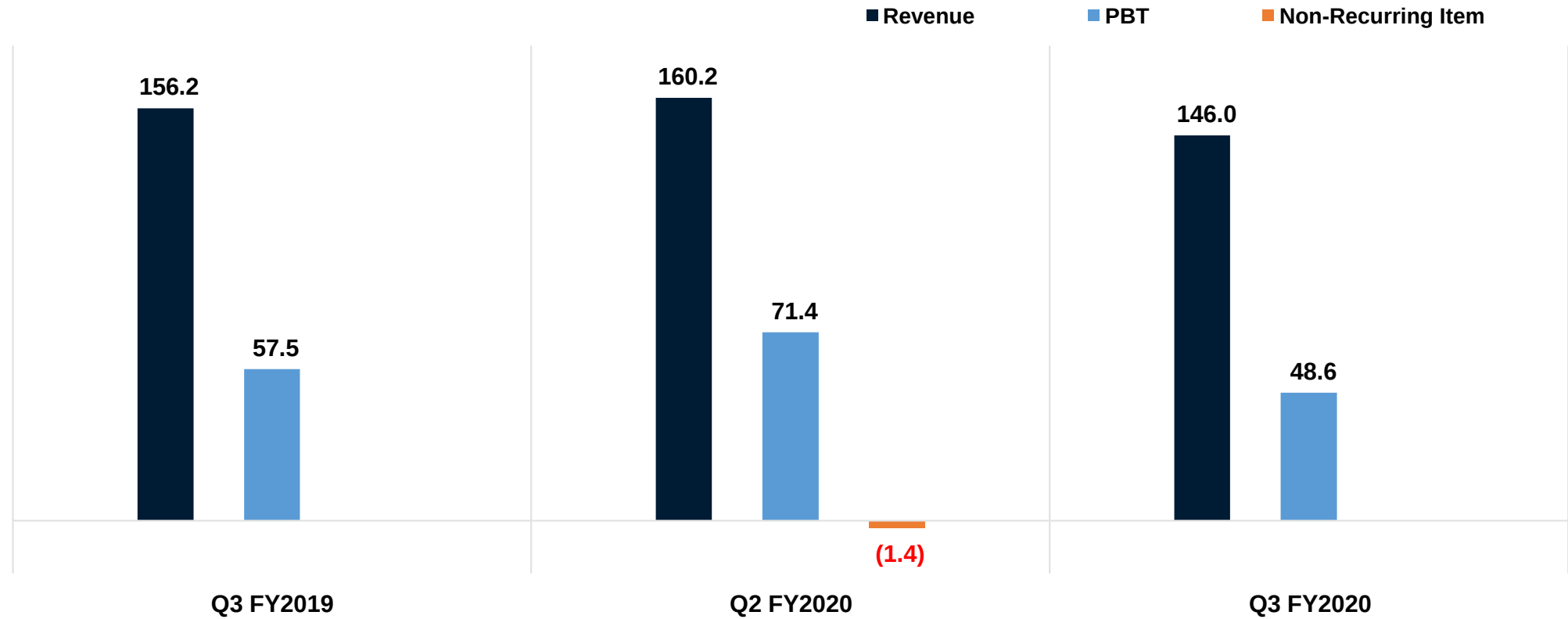
USD mil



Financial Performance by Business Segment

LNG Shipping – Lower earning days

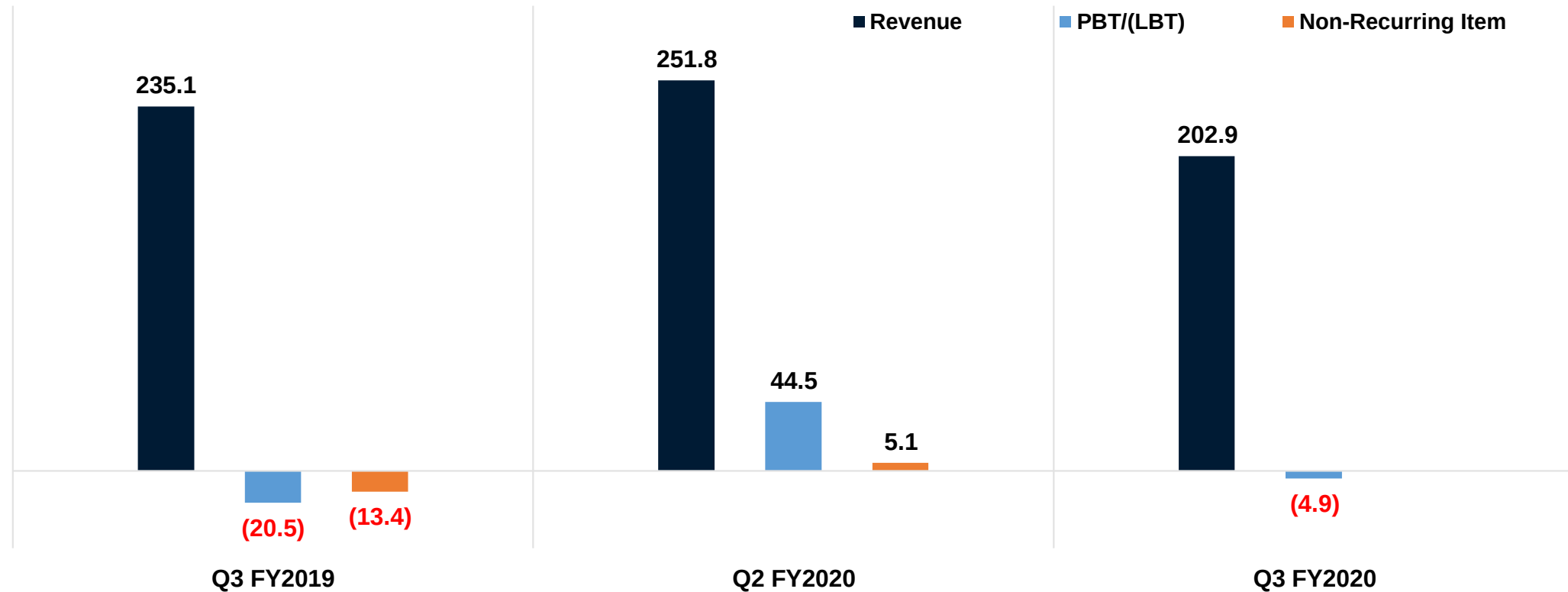
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Financial Performance by Business Segment

Petroleum Shipping – Lower TCE and earning days

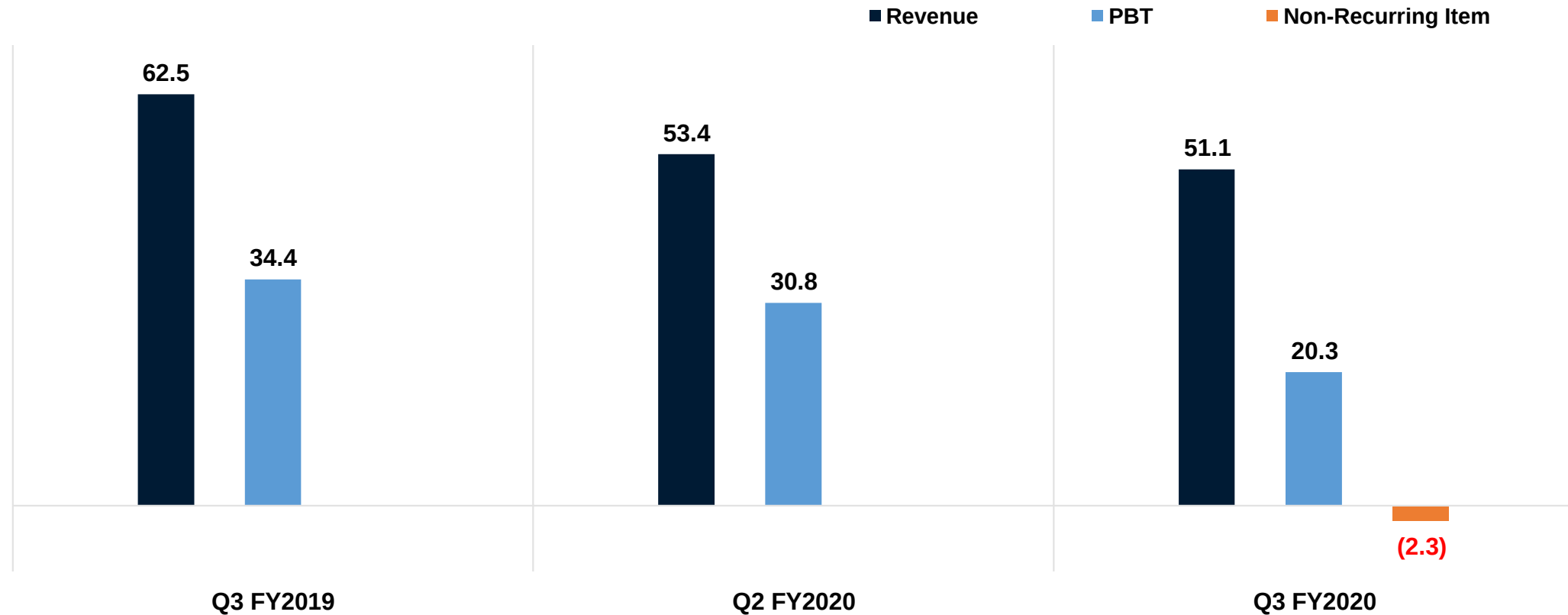
USD mil



Financial Performance by Business Segment

Offshore Business – Lower share of profit from Joint Ventures

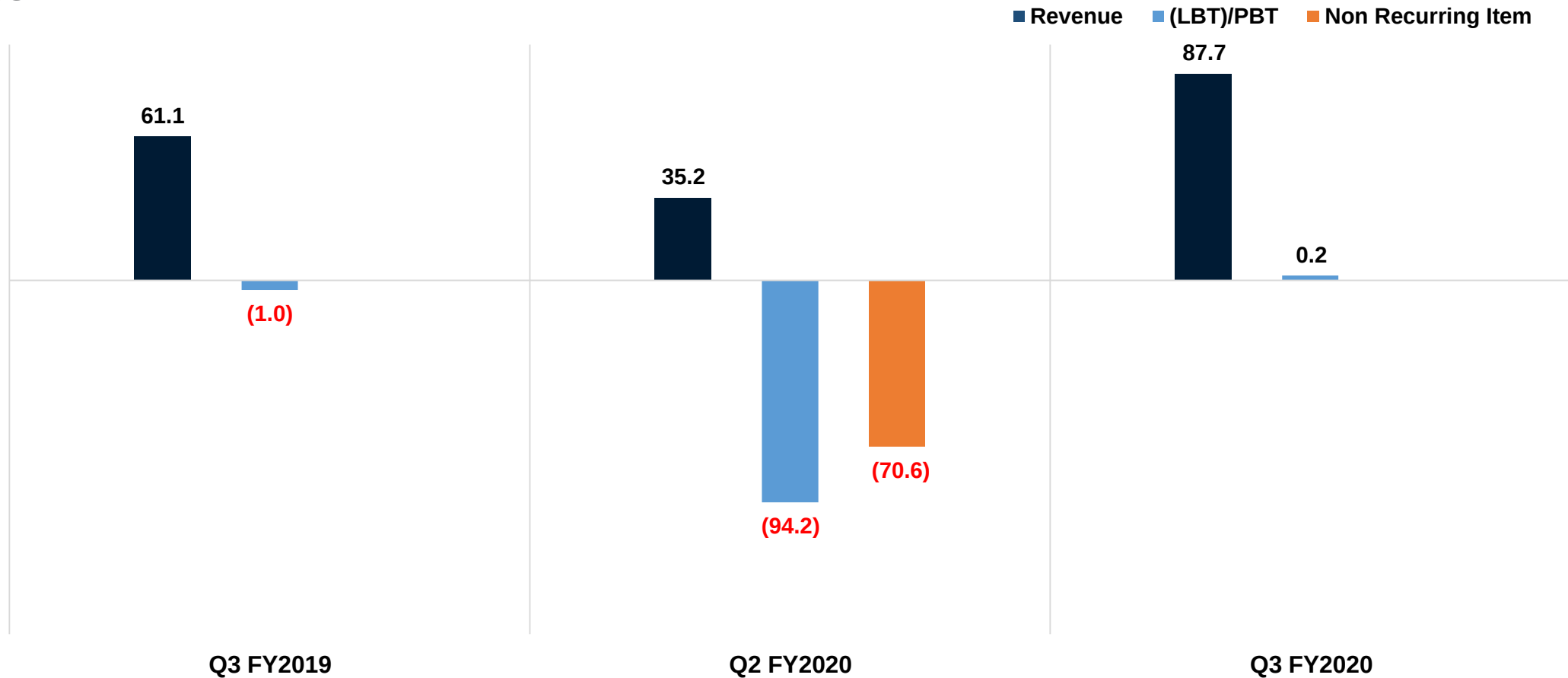
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Financial Performance by Business Segment

Heavy Engineering – Positive contribution from on-going projects

USD mil



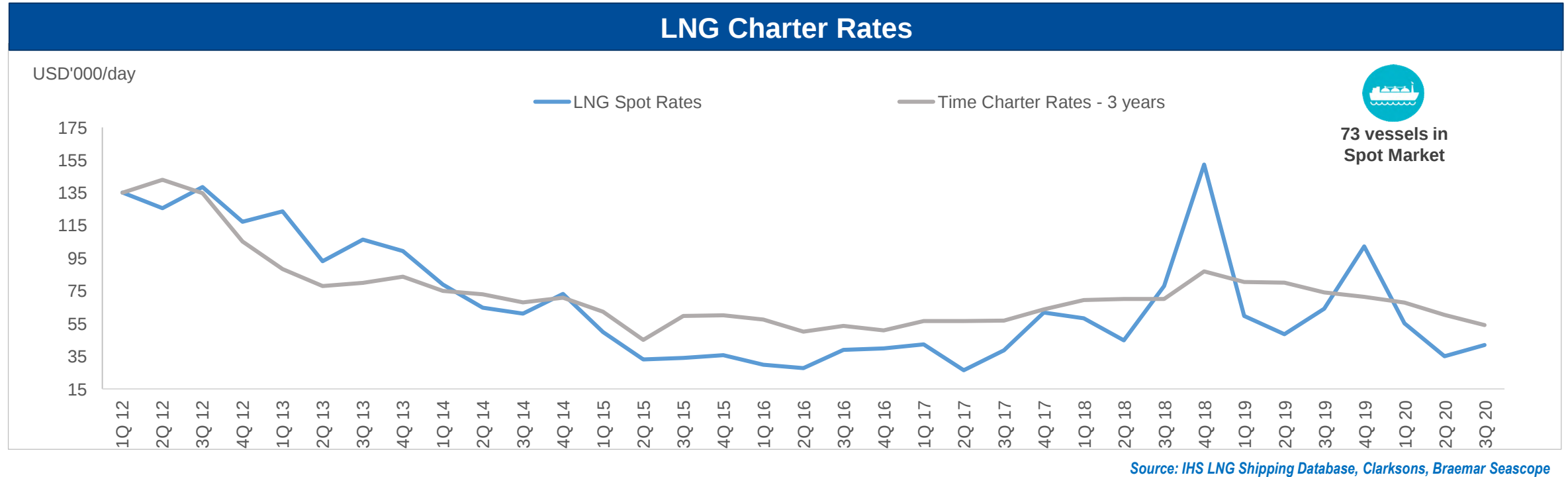
MARKET ENVIRONMENT

By: Vincent Ng | General Manager, CPD



LNG Shipping

LNG spot rates on the rise

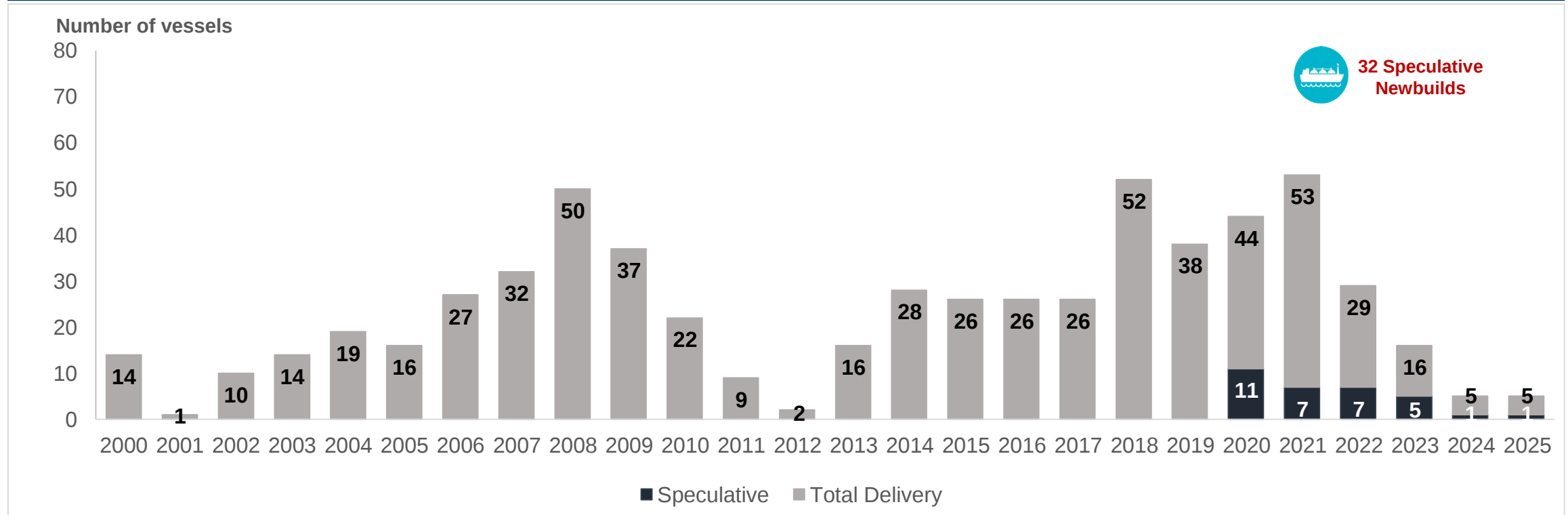


- Shipping demand picked up towards the middle of 3Q 2020 with a consistent flow of shipping requirements pushing up spot rates
- Market sentiments are buoyant as winter months near, with shipping demand rising and tonnage availability becoming scarce
- The general market expects tighter supply and increasingly bullish rates in 4Q 2020

LNG Shipping

Incoming vessel deliveries to add pressure on rates

Newbuilds to be delivered (2020 to 2025)

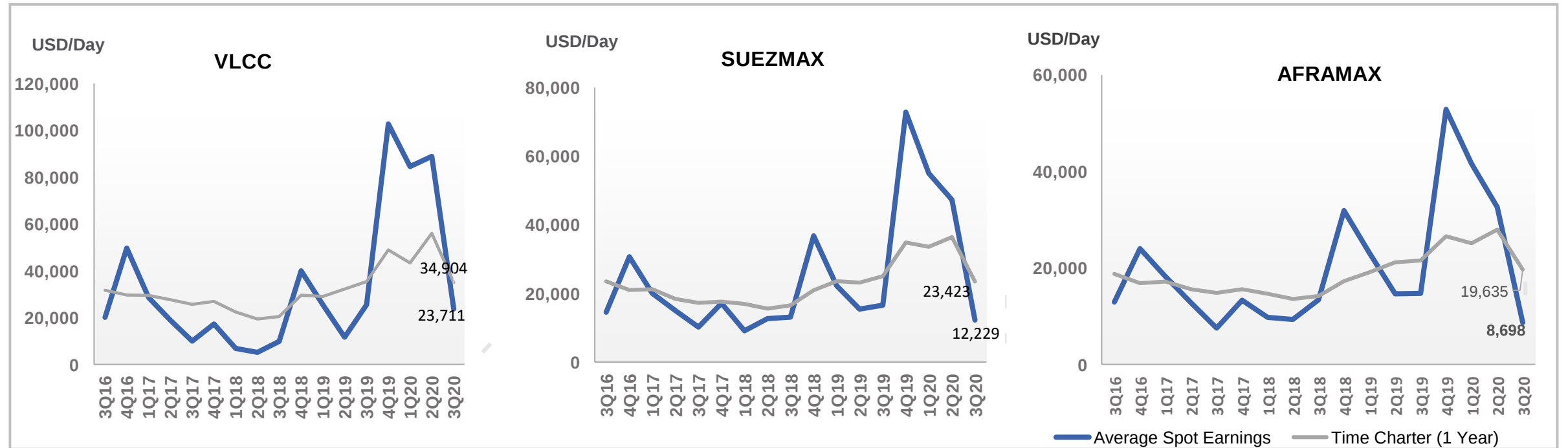


Source: Wood Mackenzie

- Approximately 82 new LNG vessels expected to be delivered in 2021-2022 which is likely to add downward pressure on charter rates in the short term
- Demand for new LNG vessels likely to remain subdued until market conditions improve and deferred LNG projects start

Petroleum Shipping

Charter rates plunge to 12-month low

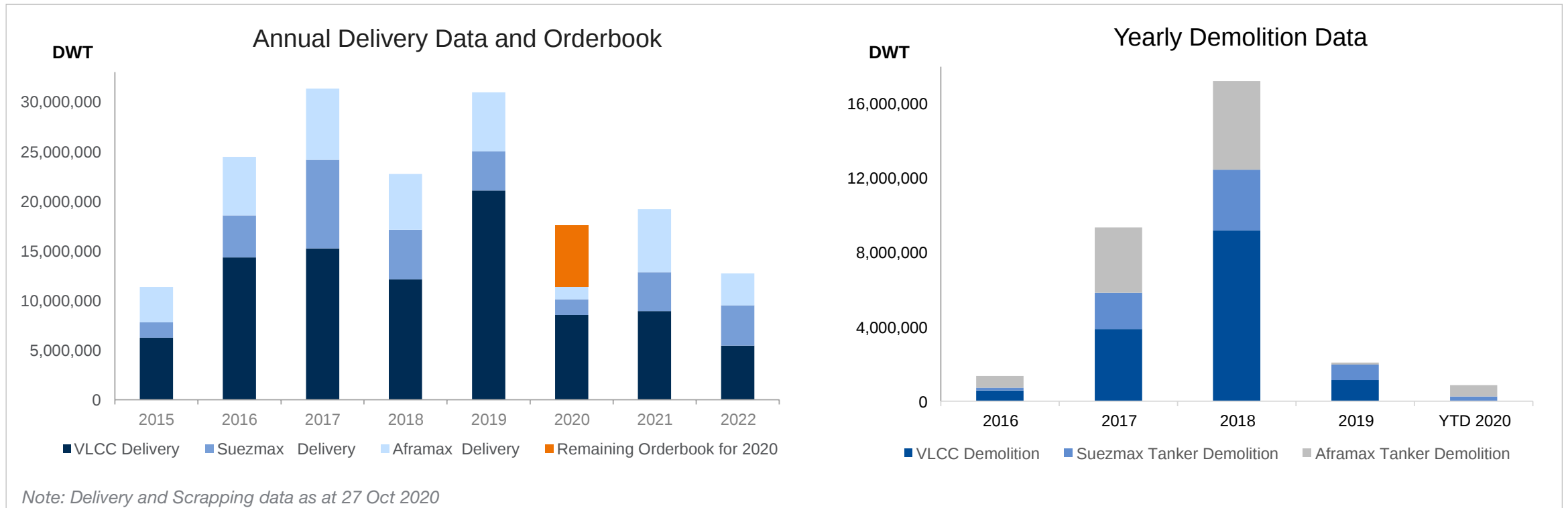


Source: Clarksons

- Tanker rates continue to be under tremendous pressure in recent months due to lower seaborne oil trade volumes and from the gradual unwinding of floating storage
- The weak market is expected to continue until end of 2020 with trade volumes unlikely to pick up quickly, and supply side pressure expected due to excess tonnage capacity

Petroleum Shipping

Slow fleet growth to persist

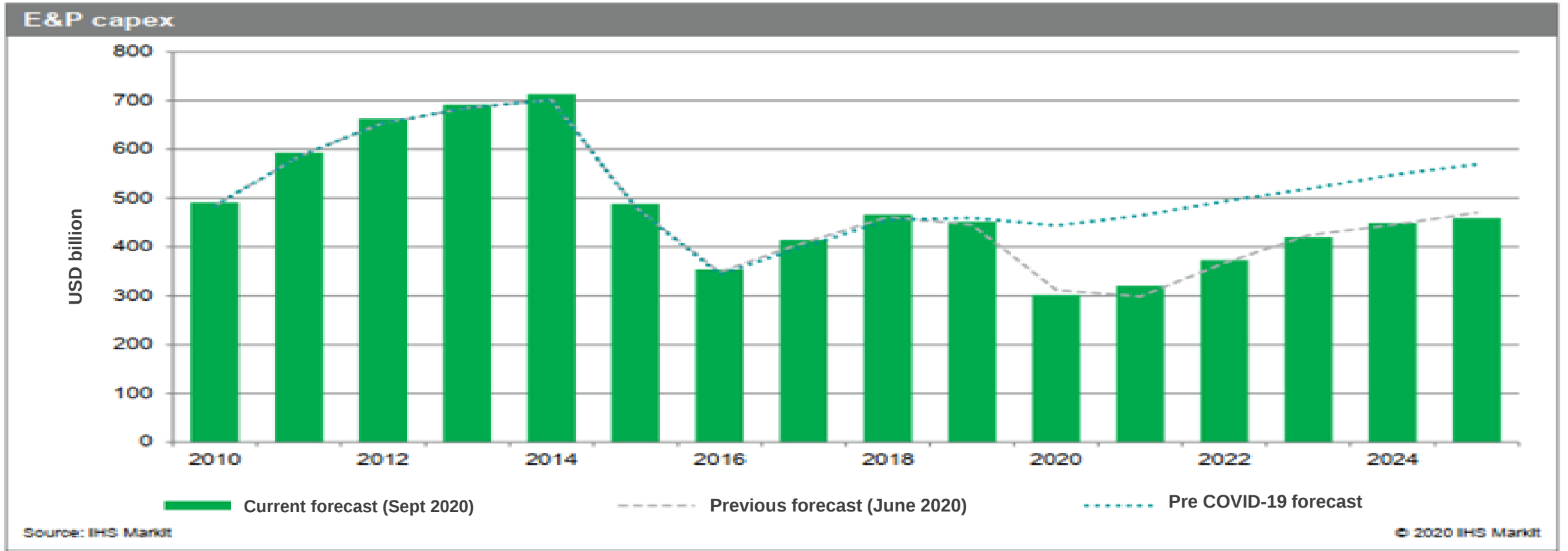


Source: Clarksons

- The COVID-19 pandemic continues to severely impact investor appetite. The low orderbook level is expected to persist with the global economic recovery remaining uncertain
- Demolition activity has been limited in 3Q 2020 despite the unwinding of floating storage during the quarter

Offshore

CAPEX cuts continue to affect the oil & gas industry



- There is a slight upgrade to the economic outlook for the US in 2020 since the June 2020 forecast. IHS forecasted a 21% increase in North American spending, which translates to a 7% CAPEX upward revision globally
- This is mainly due to the sharp rebound in economic activity when the manufacturing and service sectors resumed expansion
- New FPSO projects over the next 12 months are expected to be mostly centered around Brazil

Sources: IHS, various news report and MISC analysis

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
- On 14 October 2020, Future Horizon (L) Pte Ltd, a joint venture company of MISC and Avenir, took delivery of its first dual-purpose liquefied natural gas bunkering and supply vessel, *Avenir Advantage*
- On 30 October 2020, MISC took delivery of the first of six Very Large Ethane Carriers ("VLECs") i.e. *Seri Everest*. The VLECs will be chartered to Zhejiang Satellite Petrochemical Co. Ltd. for a firm period of 15 years

Petroleum & Chemical Business

- Current portfolio mix at 65:35 term to spot
- AET took delivery of two DPSTs from Samsung Heavy Industries (SHI) - *Eagle Paulinia* and *Eagle Paraiso* - during the quarter. Both vessels have commenced their long-term time charter contracts with Petrobras in 3Q 2020, predominantly in the Brazilian waters
- AET sold one VLCC - *Bunga Kasturi Dua* during the quarter

Offshore Business

- In August 2020, accepted Letter of Intent (“LOI”) from Petrobras for the provision of a floating production storage and offloading facility (Mero 3 FPSO) and operation and maintenance services during the charter phase of Mero 3 FPSO
- Exploring both organic and inorganic growth in deepwater opportunities in the Atlantic Basin as well as brownfield replacement projects and shallow-water asset requirements in the region
- **Gumusut Kakap (GKL):**
On 7 July 2020, MISC’s wholly owned subsidiary, GKL has filed the following court applications:
 - a) An Originating Summons dated 7 July 2020 for setting aside of parts of the Arbitral Award dated 8 April 2020 (“Setting Aside OS”); and
 - b) A Notice of Application for an injunction to restrain SSPC from setting off the sums that GKL was ordered to pay to SSPC under the Arbitral Award dated 8 April 2020 (“Injunction NOA”) which was subsequently withdrawn

On 9 October 2020, the Court gave further directions for Parties’ to exchange affidavits. Parties to exhaust exchange of affidavits for the Setting Aside OS by 17 November 2020.

SSPC’s ex-parte application for enforcement of the Award

GKL has filed its application to set aside the ex-parte Order on 27 July 2020. At case management, the Court directed parties to exhaust exchange of affidavits by 17 November 2020.

Hearing of the Setting Aside application is expected within 1Q 2021.

Further announcements on any material developments on the Legal Proceedings will be made in due course.

Offshore Business

- **PCPP – MOMPL**

- **Arbitration**

- The first arbitration proceedings seek to claim for part of the outstanding sums amounting to approximately USD18,829,000 and RM17,944,000. MOMPL's Statement of Claim was filed on 21 December 2016. MOMPL continues to pursue and progress the arbitration proceedings
- MOMPL has re-filed the Notice of Arbitration for the second arbitration proceedings for part of the outstanding sums amounting to approximately USD80,954,000 and RM4,674,000. PCPP has responded to the Notice of Arbitration on 15 July 2020. Parties are in the midst of constituting the tribunal

- **Adjudication**

- Adjudication proceedings under the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") was first commenced to recover MOMPL's claim for the completed variation works amounting to approximately USD9,949,000. On 9 January 2019, MOMPL was awarded its entire claim of USD9,949,734 plus interest and costs
- The second adjudication proceedings under CIPAA was commenced to recover the disputed demobilisation costs amounting to approximately USD4,796,000. On 7 October 2019, MOMPL received the second Adjudication decision dated 26 July 2019 where MOMPL was awarded its entire claim of USD4,752,239.11 plus interest and costs
- 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

- PCPP – MOMPL (continued)

- ☐ 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, with the hearing date fixed on 12 April 2021
- 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 was dismissed by the Court of Appeal on 26 September 2019. MOMPL has filed leave to appeal against the Court of Appeal's decision to uphold the High Court's decision to strike out the proceedings against PCSB to the Federal Court. On 18 August 2020, the Federal Court dismissed MOMPL's appeal
- The appeal against PCPP's stay application was heard on 19 June 2020. The Court of Appeal has set aside the stay against the shareholders i.e. PCSB, PERTAMINA and PETROVIETNAM, whilst the stay against PCPP is affirmed. Pursuant to this decision, MOMPL has proceeded to serve the cause papers out of jurisdiction on PERTAMINA and PETROVIETNAM

If successful, the Legal Proceedings are expected to contribute positively to the earnings per share, gearing and net assets per share of MISC in the future.

Heavy Engineering

- Heavy Engineering milestones (YTD):

- Offshore

- Sail away of Bokor Centralised Processing Platform for the Bokor Phase 3 Re-Development Project
 - Sail away of Bergading Mercury Removal Unit

- Marine Repair milestones:

- YTD 3Q Completed repair & maintenance of 38 vessels
 - YTD 3Q Secured 44 jobs
 - Completion of conversion works for FSO Golden Star in 3Q 20

- Orderbook backlog as of September 2020 is RM2.5 billion

- Approximately RM12.3 billion worth of on-going heavy engineering tenders submitted as of September 2020

- 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 30 September 2020

	Vessel Type	Total Vessel Operated	Owned	Chartered-In	Average Age (yrs)		Contracted Newbuilds/ Conversions
					MISC	Industry	
LNG	LNG	29	29	--	15.0	11.4	4
	FSU	2	2	--	38.5	--	--
	VLEC	--	--	--	--	--	6
Subtotal		31	31	--	--	--	10
Petroleum	VLCC	12	10	2	10.5	9.9	2
	Suezmax	6	6	--	6.3	10.2	--
	Aframax	36	30	6	11.6	12.1	--
	LR2	2	2	--	10.4	9.3	--
	MR2	1	--	1	9.8	11.3	--
	DPST	9	9	--	3.3	9.8	8
Chemical	Chemical	4	--	4	9.7	11.7	--
Subtotal		70	57	13	--	--	10
GRAND TOTAL		101	88	13	--	--	20
Offshore	FPSO/FSO/SS	11	12	--	9.3	--	--
	MOPU	--	2	--	9.7	--	--

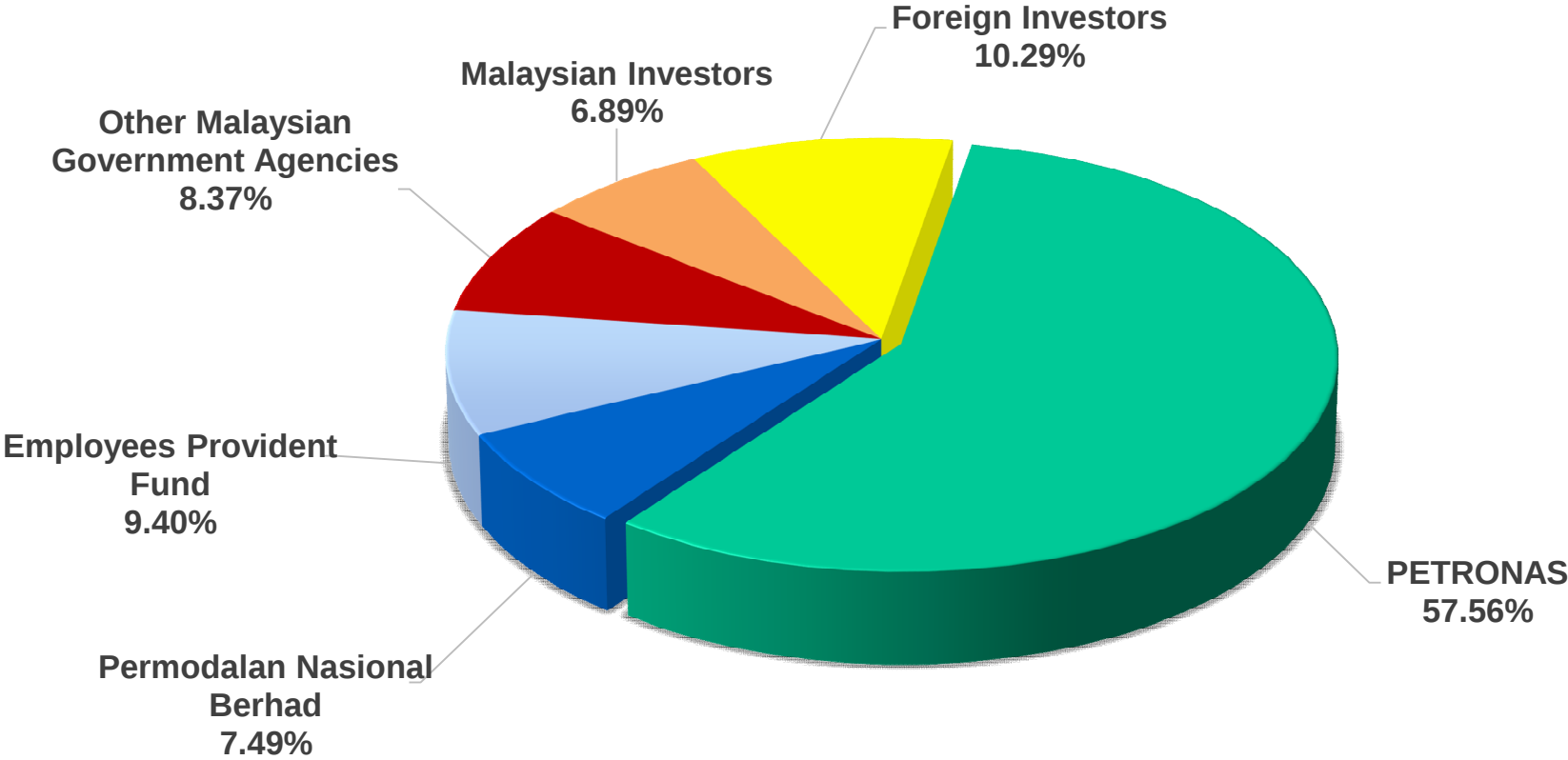
Appendix 2 : Schedule of Future Deliveries

As at 30 September 2020

	LNG		Petroleum	
	LNG Carriers	VLEC	DPST	VLCC
2H 2020	-	1	2	-
1H 2021	1	5	-	-
2H 2021	1	-	1	-
1H 2022	-	-	4	2
2H 2022	-	-	1	-
1H 2023	2	-	-	-

Appendix 3 : Shareholders' Profile

As at 30 September 2020



Disclaimer

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