



# ANALYST BRIEFING

## Q4 FY2020 Financial Results

18 February 2021



# FINANCIAL OVERVIEW

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



# Financial Performance: Q4 FY2020 vs Q3 FY2020

| <i>In USD Mil</i>   | Q4<br>FY2020 | Q3<br>FY2020 | QoQ<br>% |
|---------------------|--------------|--------------|----------|
| Revenue             | 641.2        | 490.3        | 30.8     |
| PBT from Operations | 119.7        | 69.6         | 72.0     |
| Non-recurring Items | 17.5         | (2.3)        | >100     |
| PBT                 | 137.2        | 67.3         | >100     |
| PAT                 | 134.8        | 62.4         | >100     |
| EPS (cent)          | 3.1          | 1.4          | >100     |

Higher revenue:

- Offshore – recognition of construction revenue for a FPSO
- Heavy Engineering – increased activities in on-going projects
- LNG – higher earning days following delivery of a Very Large Ethane Carrier (“VLEC”)

Partially offset by:

- Petroleum - lower time charter equivalent (“TCE”) and lower earning days

Higher PBT from operations:

- Offshore – Higher share of profit from a joint venture coupled with recognition of construction profit for a FPSO

Partially offset by:

- Petroleum - lower margins on freight rates in the current quarter

Non-recurring items:

- Write back of trade receivables in Q4 FY2020
- Impairment of an LNG vessel and Offshore assets in Q4 FY2020
- Impairment of an offshore asset in Q3 FY2020



# Financial Performance: Q4 FY2020 vs Q4 FY2019

| <i>In USD Mil</i>   | Q4<br>FY2020 | Q4<br>FY2019 | QoQ<br>% |
|---------------------|--------------|--------------|----------|
| Revenue             | 641.2        | 570.3        | 12.4     |
| PBT from Operations | 119.7        | 90.5         | 32.3     |
| Non-recurring Items | 17.5         | (27.4)       | >100     |
| PBT                 | 137.2        | 63.1         | >100     |
| PAT                 | 134.8        | 59.2         | >100     |
| EPS (cent)          | 3.1          | 1.3          | >100     |

Higher revenue:

- Heavy Engineering – increased activities in ongoing projects
- Offshore – recognition of construction revenue for a FPSO
- LNG – higher earning days following lower dry-docking activities and delivery of a Very Large Ethane Carrier (“VLEC”)

Partially offset by:

- Petroleum - lower time charter equivalent (“TCE”) and lower earning days

Higher PBT from operations:

- Offshore – Higher share of profit from a joint venture coupled with recognition of construction profit for a FPSO

Partially offset by:

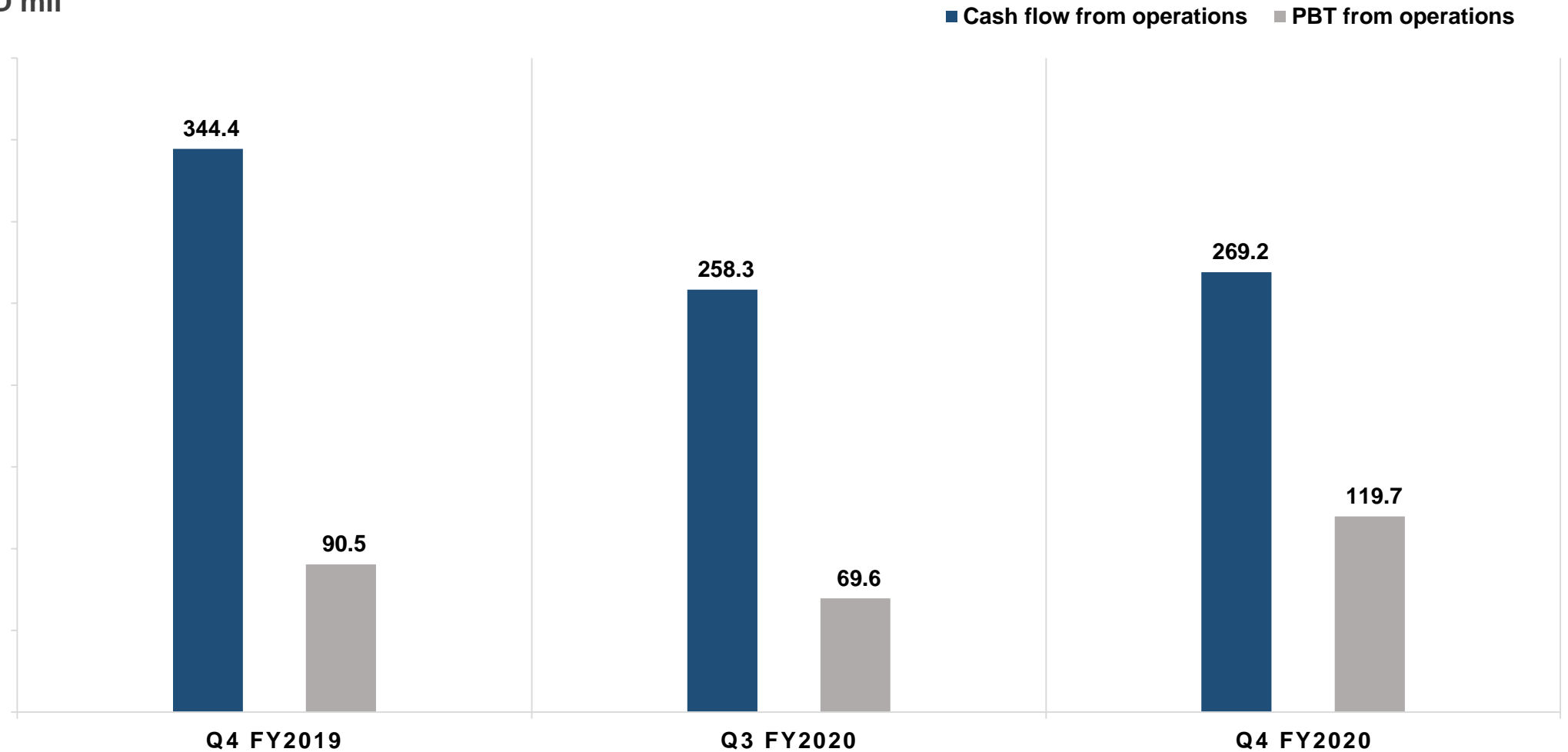
- Petroleum - lower margins on freight rates in the current quarter

Non-recurring items:

- Write back of trade receivables in Q4 FY2020
- Impairment of an LNG vessel and Offshore assets in Q4 FY2020
- Impairment of Petroleum and LNG vessels, as well as Offshore assets in Q4 FY2019

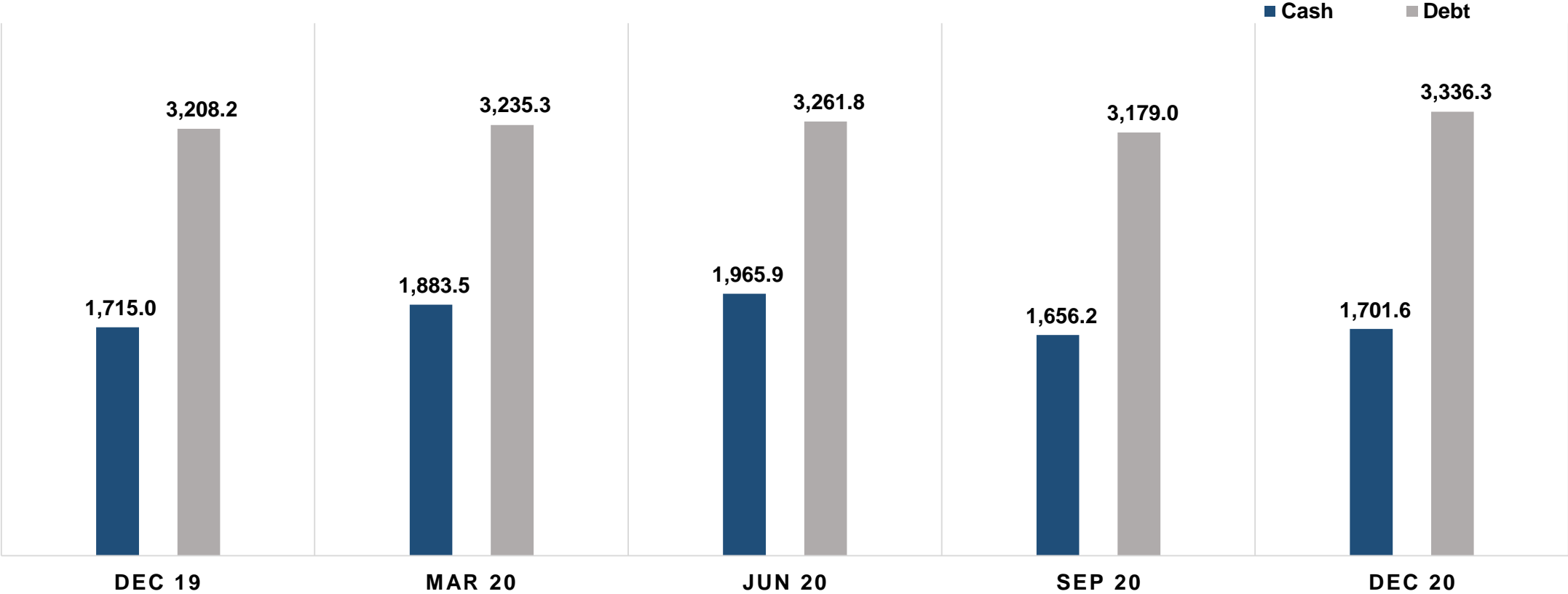
# Cash Flow from Operations

USD mil



# Cash and Debt Balances

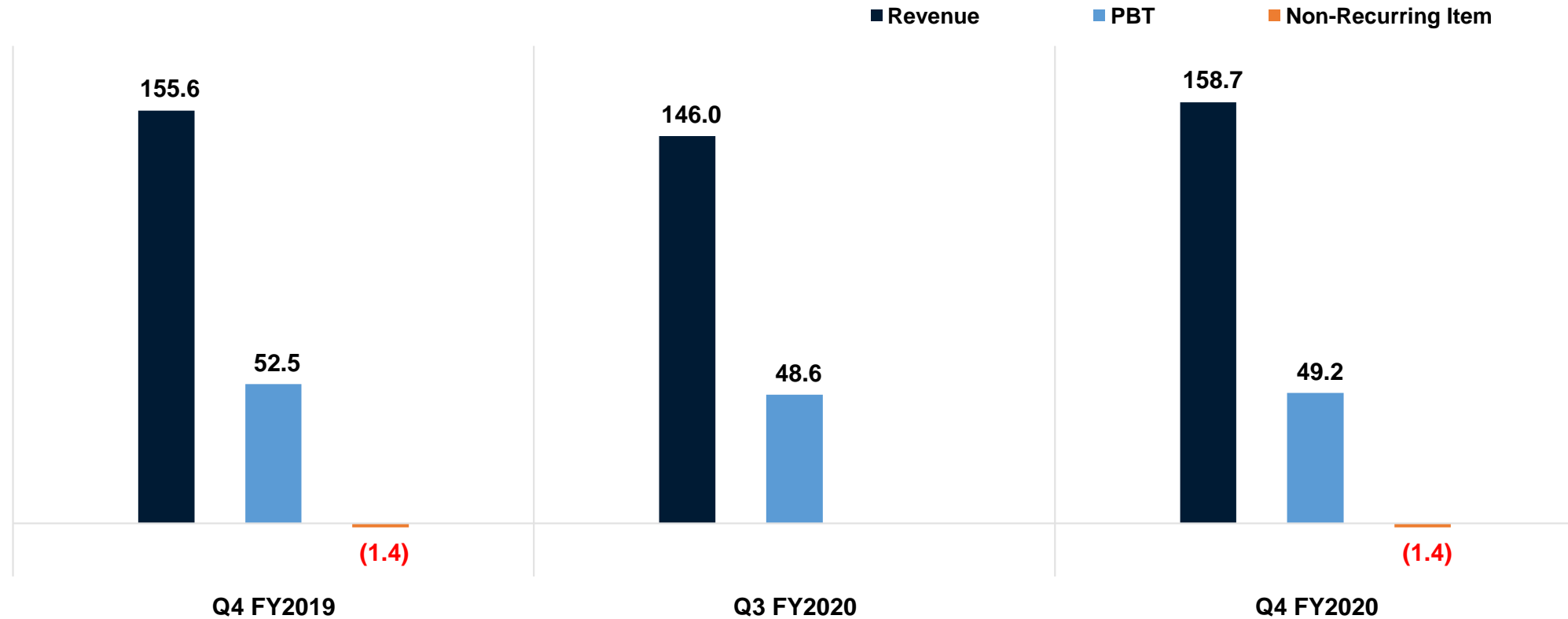
USD mil



# Financial Performance by Business Segment

LNG Shipping – Higher earning days

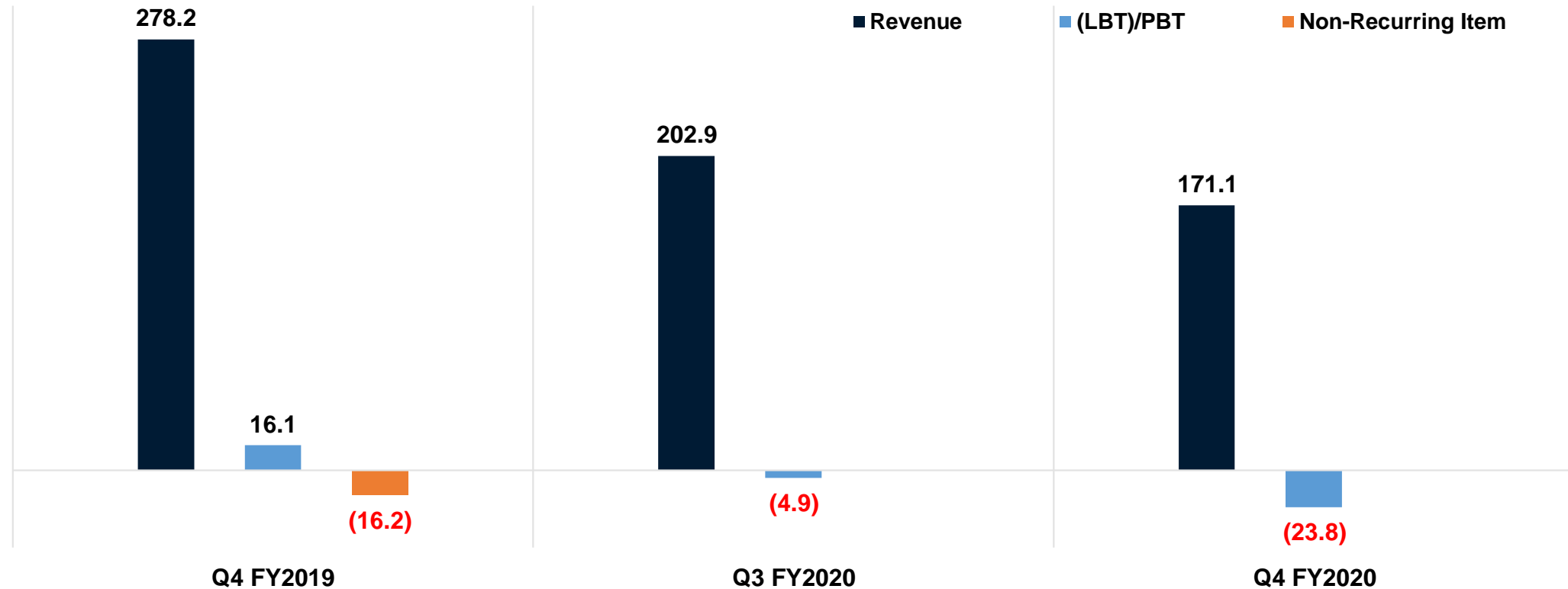
USD mil



# Financial Performance by Business Segment

## Petroleum Shipping – Lower TCE and earning days

USD mil

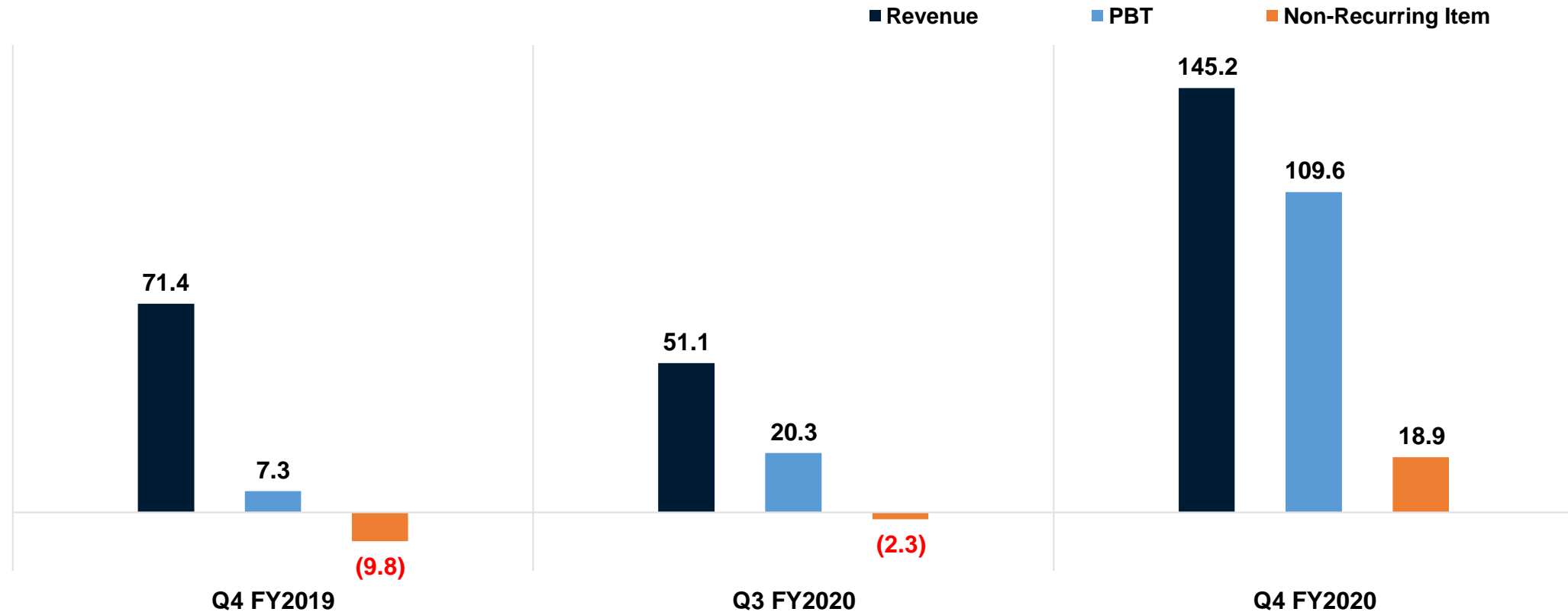




# Financial Performance by Business Segment

Offshore Business – Higher share of profit from Joint Ventures

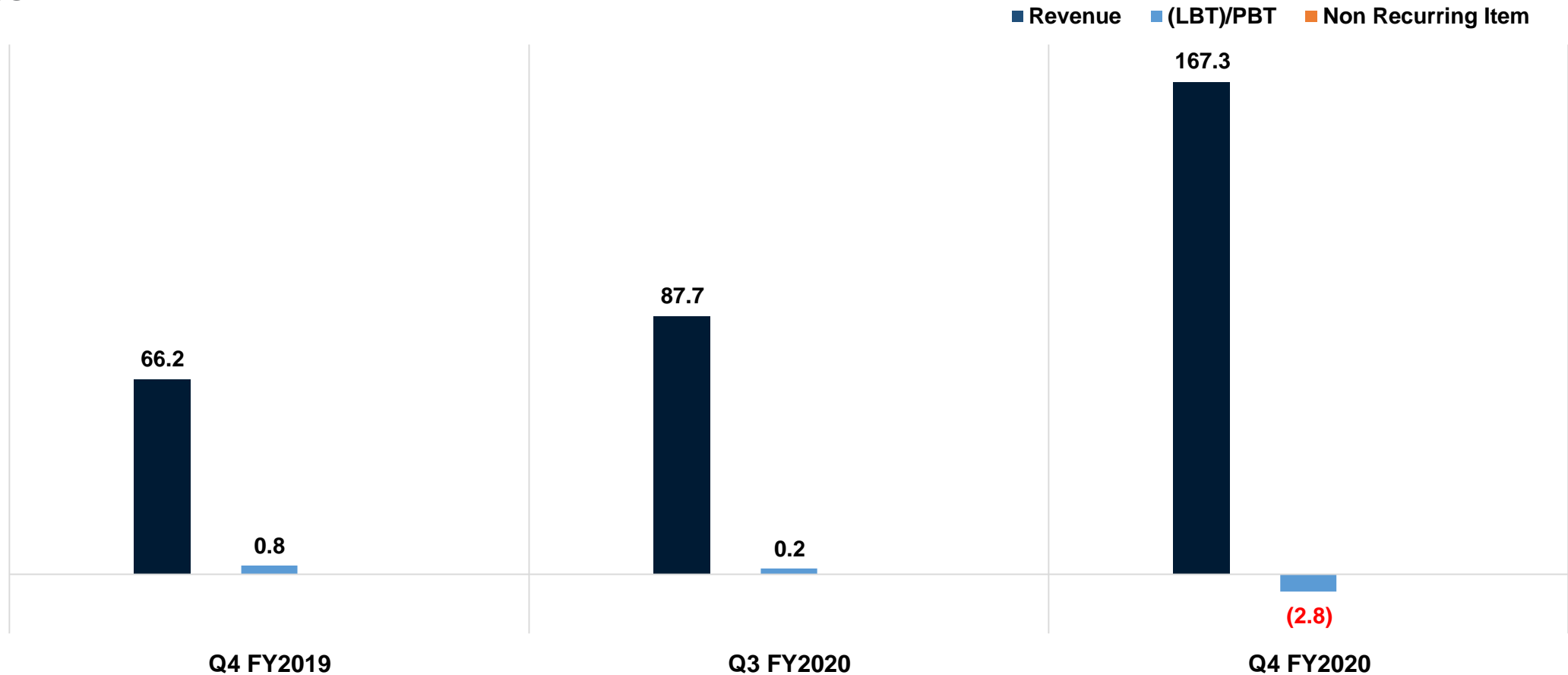
USD mil



# Financial Performance by Business Segment

## Heavy Engineering – Provision for COVID-19 Impact

USD mil



# MARKET ENVIRONMENT

By: Vincent Ng | General Manager, CPD

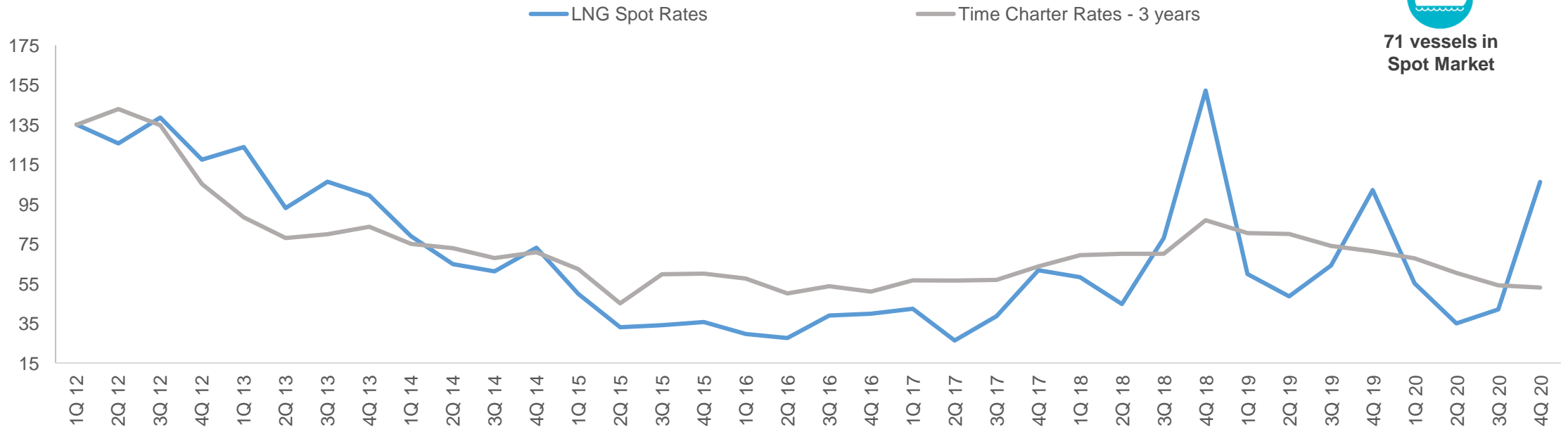


# LNG Shipping

LNG spot rates continued its rise in Q4 2020

## LNG Charter Rates

USD'000/day



71 vessels in  
Spot Market

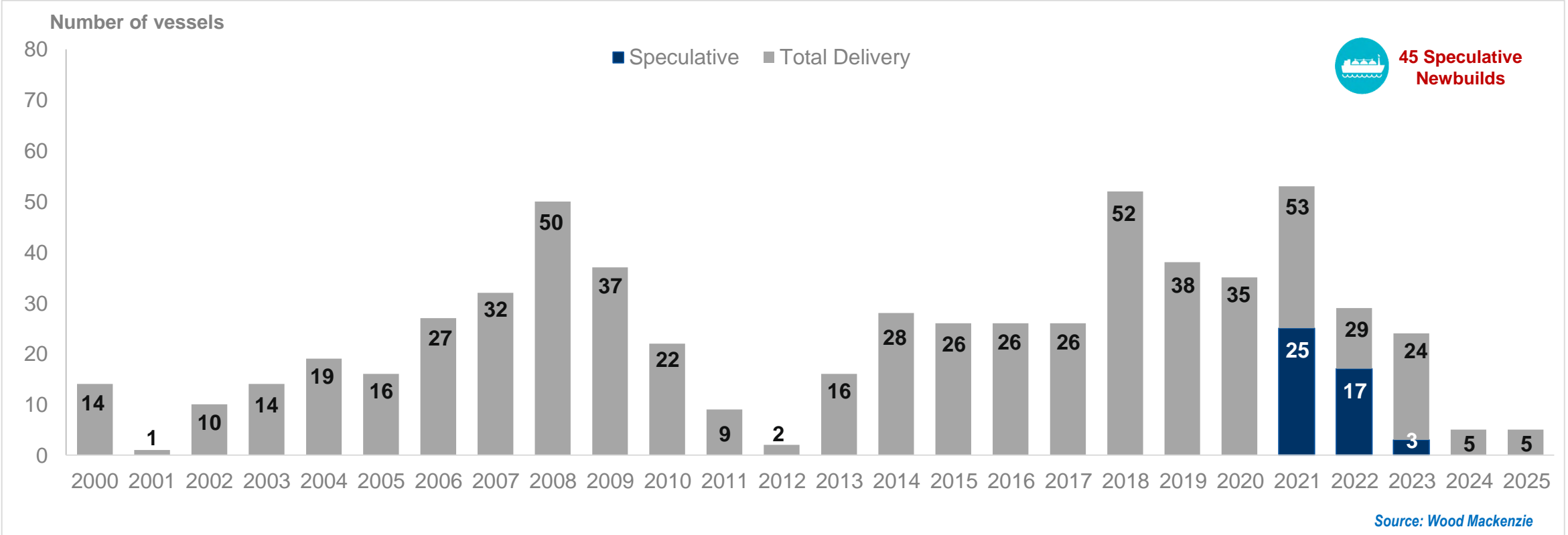
Source: IHS LNG Shipping Database, Clarksons, Braemar Seascope

- Spot charter rates have surged on the back of strong demand resulting from a colder-than-expected Asian winter coupled with production issues in Asia Pacific as well as shortage of available vessels for spot charters partly contributed by congestion at the Panama Canal
- Charter rates are expected to remain strong until Q1 2021 buoyed by the extended seasonal demand caused by the colder winter

# LNG Shipping

Newbuild deliveries to inflate supply in short term

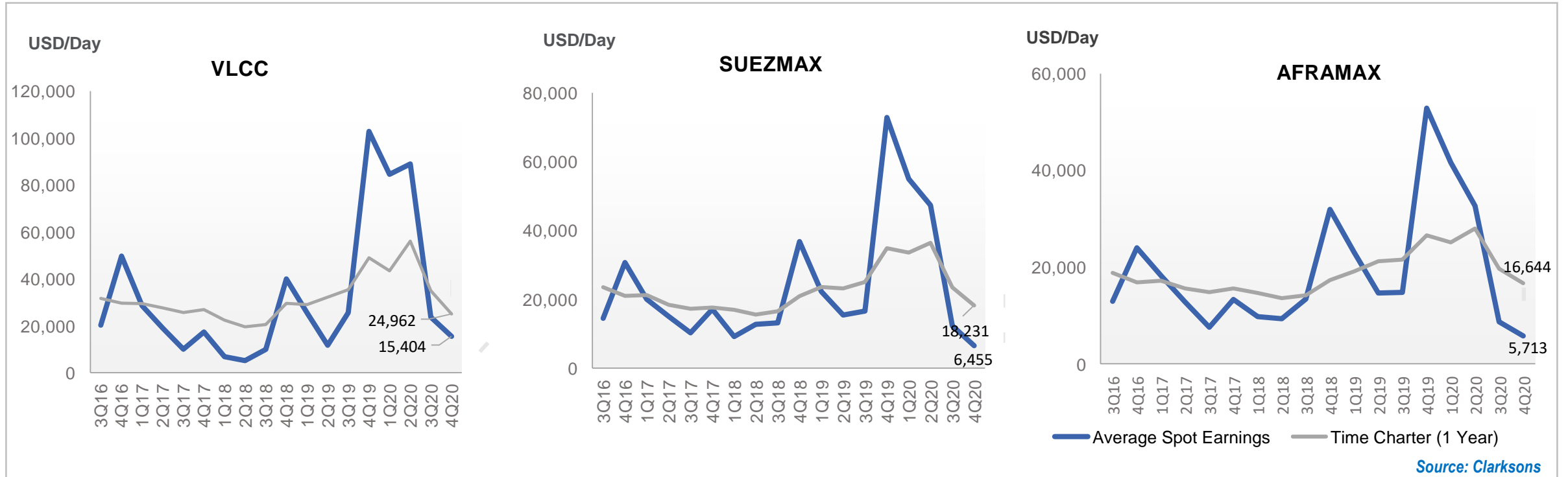
## Newbuilds to be delivered (2021 to 2025)



- The steep increase in newbuild deliveries in 2021 is expected to put a damper on the market
- There is a mismatch between the high newbuild deliveries and limited liquefaction capacity coming online in 2021

# Petroleum Shipping

Shipping rates continue to fall amid ongoing uncertainties on the economic recovery

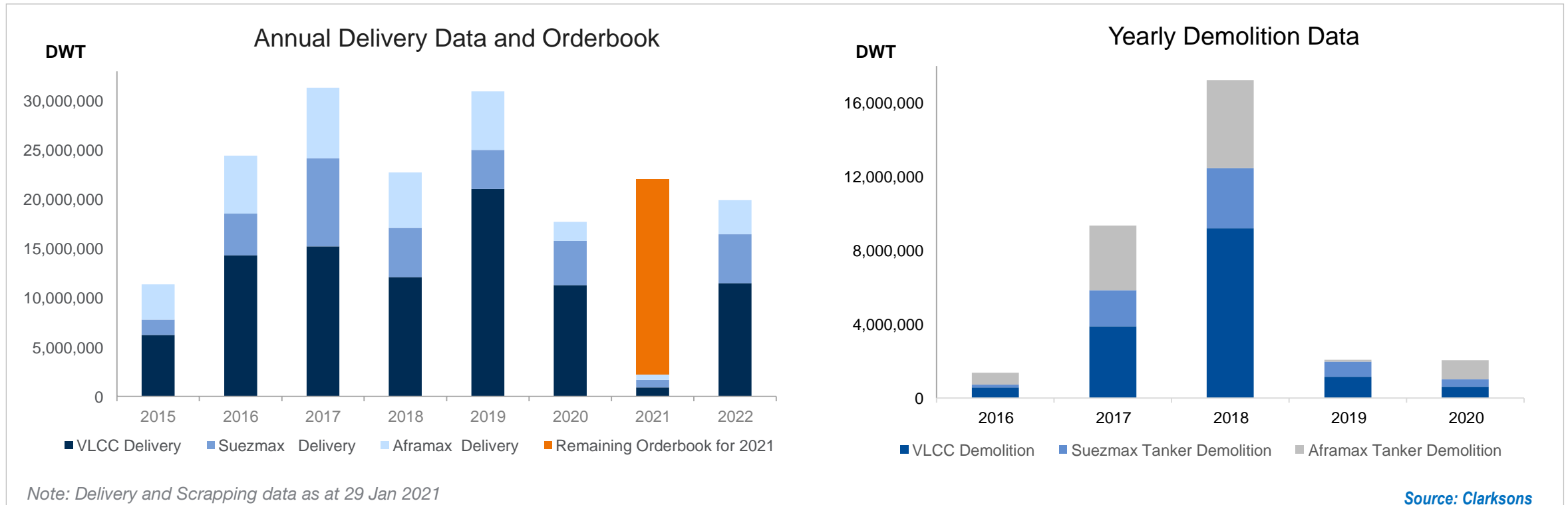


- Tanker rates continue to be depressed as compared to Q3 mainly due to lower tanker demand and excess tonnage capacity from the gradual unwinding of floating storage
- The market is expected to remain challenging amid uncertainties over the recovery of oil demand with recent reimposition of lockdowns in various countries. The recovery hinges on the effectiveness of the rollout of COVID-19 vaccines worldwide



# Petroleum Shipping

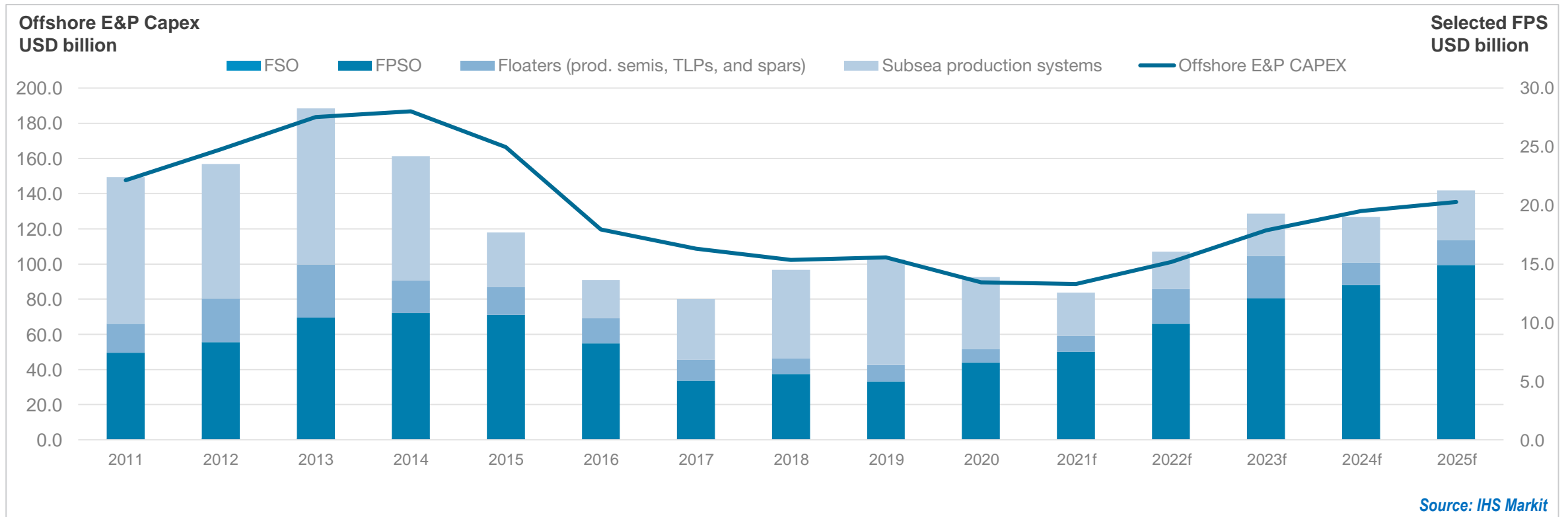
Global fleet growth slowed with fewer deliveries in 2020



- A moderate level of newbuild deliveries expected in 2021
- However, an increase in orderbook as compared to Q3 2020 may signify growing anticipation of recovery in the global economic and oil demand with the global rollout of the COVID-19 vaccines despite lingering headwinds
- Demolition activity has remained overall low for 2020 despite a slight increase in Q4 2020. Demolition activity is expected to pick up pace in 2021 as old vessels that are utilised for floating storage are likely to be scrapped once the crude has been offloaded

# Offshore

Offshore CAPEX spending expected to dip in 2021 and rise moderately thereafter



- IHS Markit is expecting offshore CAPEX spending cut in 1-2 years in all regions as compared with 2020, except for Latin America
- However, total floating production systems (FPS) CAPEX spending is expected to continue to increase going forward
- New floating production unit projects over the next 12 months are expected to be mostly centered around Latin America

Sources: IMF Markit, IHS, various news report and MISC analysis

# BUSINESS UPDATES

By: Vincent Ng | General Manager, CPD



# LNG Business

- On 7 January 2021, MISC took delivery of *Seri Erlang*, its second of six Very Large Ethane Carriers (“VLECs”) which are to be chartered to Zhejiang Satellite Petrochemical Co. Ltd. for a firm period of 15 years
- Exploring conventional and non-conventional LNG shipping solutions to support this segment’s long-term growth strategy

# Petroleum & Chemical Business

- Current portfolio mix remains at 65:35 term to spot
- AET took delivery of a new DPST from Samsung Heavy Industry (SHI) - *Eagle Passos* during the quarter. *Eagle Passos* commenced her long-term charter contract with Petrobras in Q4 2020 predominantly in the Brazilian waters
- Subsequently, another DPST, *Eagle Pilar* was delivered to AET on 6 January 2021 from SHI and delivered to Shell Brazil for its operation in the Brazilian Basin
- AET sold one VLCC (*Bunga Kasturi Tiga*) and two Aframaxes (*Eagle Tacoma* and *Eagle Trenton*) during the quarter

# Offshore Business

- *FPSO Espirito Santo's* contract on lease, operation and maintenance has been extended for five (5) years with Shell Brazil on 7 December 2020
- *FSO Golden Star* has successfully received the first condensate for the Sao Vang and Dai Nguyet (SVDN) Project offshore Vietnam on 16 November 2020
- *FSO Angsi* was scrapped in October 2020
- Concentrate on the execution of the new FPSO project in hand while continue to source for attractive opportunities in targeted markets
- **Gumusut Kakap (GKL)**

On 7 July 2020, MISC's wholly owned subsidiary, GKL has filed the following court applications:

- An Originating Summons dated 7 July 2020 for setting aside of parts of the Arbitral Award dated 8 April 2020 ("Setting Aside OS"); and
- 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 which have been duly exhausted. Parties are prepared for the hearing, pending the outcome of an interim application to transfer the proceedings to another court filed by SSPC.

# Offshore Business

- **Gumusut Kakap (GKL) (continued)**

- 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 and to transfer these proceedings to the same court hearing GKL's OS. Directions in respect of the setting aside application will be given once the transfer application has been determined.

- Hearing of the Setting Aside application is expected within 2Q 2021.

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

- **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



# Offshore Business

## ■ PCPP – MOMPL (continued)

### 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

- Completed construction of FSO Golden Star external turret
    - Sail away of Bokor Central Processing Platform for the Bokor Phase 3 Re-Development Project
    - Sail away of Bergading Mercury Removal Unit
    - Completion and sail away of Pluto Water Handling Module

- **Marine Repair milestones:**

- YTD Q4 Completed repair & maintenance of 64 vessels
  - YTD Q4 Secured 61 jobs
  - Completion of conversion works for FSO Golden Star

- Dry Dock 3 commenced operations on 19 December 2020
- Orderbook backlog as of December 2020 is RM1.9 billion
- Approximately RM12.0 billion worth of heavy engineering tenders submitted for 2020
- Continue pursuing existing business of Marine & Heavy Engineering
- Explore new business opportunities namely modular fabrication and offshore wind farm

# APPENDIX



# Appendix 1 : Fleet Information

As at 31 December 2020

|             | Vessel Type | Total Vessel Operated | Owned | Chartered-In | Average Age (yrs) |          | Contracted Newbuilds/ Conversions |
|-------------|-------------|-----------------------|-------|--------------|-------------------|----------|-----------------------------------|
|             |             |                       |       |              | MISC              | Industry |                                   |
| LNG         | LNG         | 29                    | 29    | --           | 15.3              | 10.7     | 4                                 |
|             | FSU         | 2                     | 2     | --           | 38.5              | --       | --                                |
|             | VLEC        | 1                     | 1     | --           | 0.2               | --       | 5                                 |
|             | LBV         | 1                     | --    | 1            | --                | --       | --                                |
| Subtotal    |             | 33                    | 32    | 1            | --                | --       | 9                                 |
| Petroleum   | VLCC        | 11                    | 9     | 2            | 10.5              | 10.0     | 2                                 |
|             | Suezmax     | 6                     | 6     | --           | 6.6               | 10.5     | --                                |
|             | Aframax     | 33                    | 28    | 5            | 11.5              | 12.3     | --                                |
|             | LR2         | 2                     | 2     | --           | 10.6              | 9.4      | --                                |
|             | DPST        | 10                    | 10    | --           | 3.2               | 9.7      | 7                                 |
| Chemical    | Chemical    | 4                     | --    | 4            | 10.0              | 11.8     | --                                |
| Subtotal    |             | 66                    | 55    | 11           | --                | --       | 9                                 |
| GRAND TOTAL |             | 99                    | 87    | 12           | --                | --       | 18                                |
| Offshore    | FPSO/FSO/SS | 12                    | 12    | --           | 8.2               | --       | 1                                 |
|             | MOPU        | --                    | 2     | --           | 10.0              | --       | --                                |

## Appendix 2 : Schedule of Future Deliveries

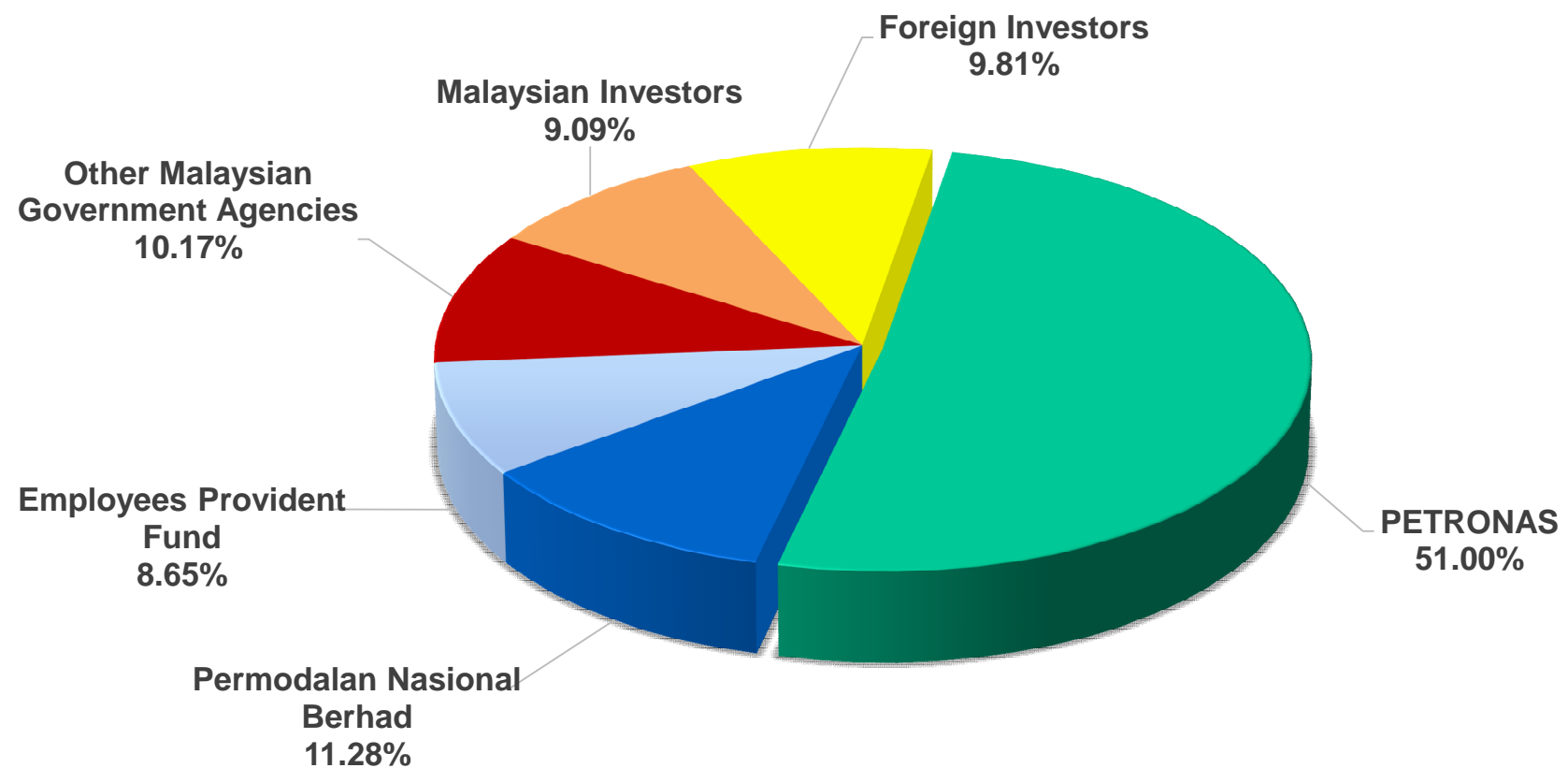
As at 31 December 2020

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



# Appendix 3 : Shareholders' Profile

As at 31 December 2020



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# Thank You