



**MMA**  
OFFSHORE

# Annual General Meeting

24 November 2016



# Managing Director's Presentation

Jeff Weber





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# Summary

- Macro environment for the offshore oil and gas support industry continues to be extremely challenging
- Ongoing uncertainty regarding the oil price outlook due to oversupply
- Vessel utilisation remains under pressure globally
- Day rates are at historical lows
- Supply Base and Slipway activity continues at low levels
- Actively pursuing vessel sales programme in a very difficult market
- Cost reduction programme delivering significant savings in overhead and direct costs
- Focus on operational excellence:
  - Maintaining excellent safety performance
  - Delivering innovative marine solutions securing a number of significant contracts in FY16
- Key objective to reduce debt
- Market will continue to be challenging through FY17 and into FY18



# FY16 Financial Result



- **Revenue** \$481.1m ↓ 39.6%
- **EBITDA** \$75.5m ↓ 65.4%
- **EBIT** -\$13.5m ↓ 115.5% (pre-impairment)
- **EPS** -5.4c ↓ 136.0% (pre-impairment)
- **Non-cash impairment charge** \$139m
- **Reported Net Loss After Tax** \$(144.0)m
- **Operating Cash Flow** \$120.2m ↓ 35.2%
- **Cash at Bank** \$49.7m
- **Gearing** 53.9% (post impairment) (FY15 40.8%)



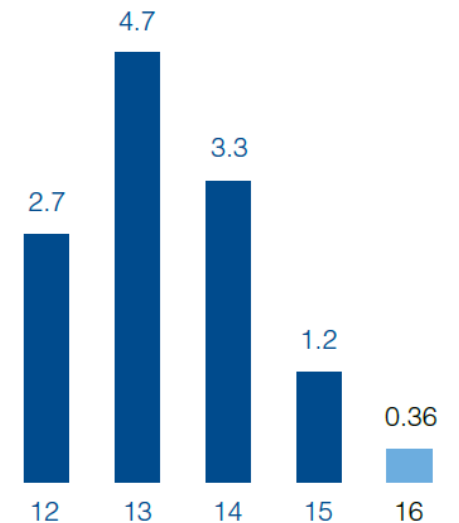
# FY16 Safety Performance

## MMA continues to achieve improvements in its safety culture and performance.

- Total Recordable Case Frequency improved by 70% to 0.36 in FY16; 89% improvement over the past 3 years
- Target 365 strategy continues to evolve and produce sustainable improvements in safety performance and culture
- Recently launched Target 365 Critical Controls programme focusing on the 8 highest risk activities across the business
- Continuing to focus on improvements to systems and processes and focus on lead indicators
- Meeting or exceeding environmental standards across the organisation

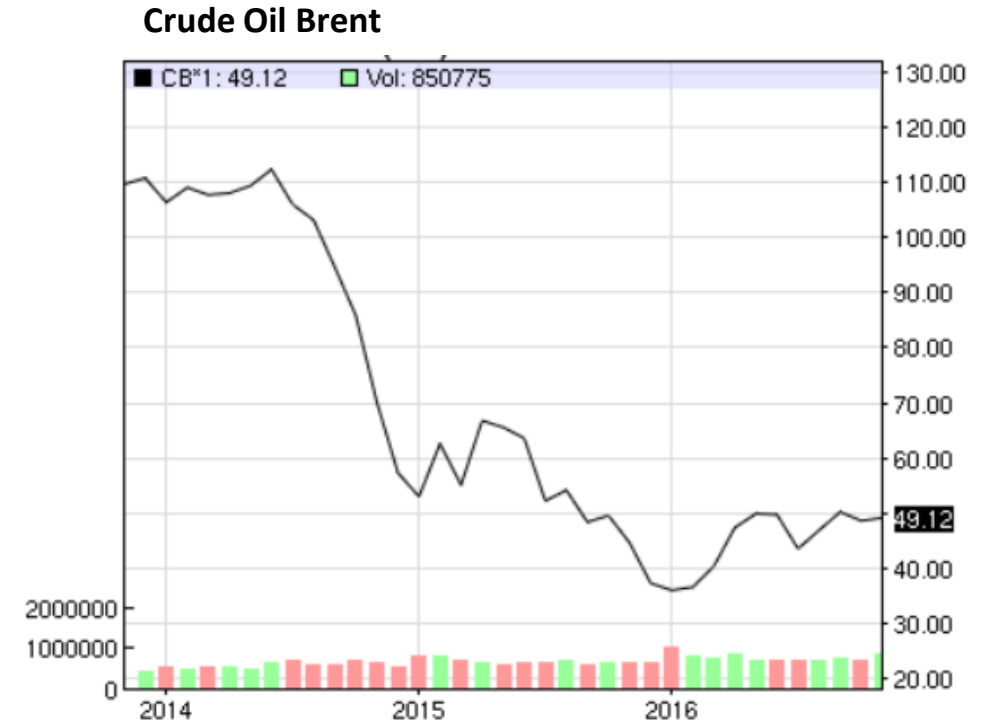


Total Recordable Case Frequency  
(per million hours)



## Challenging conditions due to ongoing low oil price.

- Oil price – Brent currently trading around US\$49 a barrel with a low of \$27 in Feb 2016
  - Recent news that OPEC may seek to cut production but uncertainty around the extent
  - Resilience of US shale oil
  - Supply outstripping demand with significant volumes in storage
- E&P spend – down 50% from 2014 levels
- OSV market – fewer opportunities and reduced rates
  - Significant overhang of vessels in the market
  - Rates down over 50%
  - Utilisation ~55% globally
  - 20% of the global fleet stacked



## **MMA has now sold 18 vessels<sup>1</sup> and continues to focus on its vessel sales programme.**

- 18 vessels have now been sold / contracted for a total of approx. A\$50m<sup>1</sup>
  - 3 Barges
  - 7 Tugs and smaller vessels
  - 7 AHT / AHTSs (4,000 – 5,150 BHP)
  - 1 Accommodation Barge
- Continuing to focus on rationalising the 5,000 bhp AHTS fleet and other selected vessels
- Vessels are being actively traded in spot market whilst being marketed for sale
- Cost control programme in place for vessels laid up between contracts
- MMA is continually reviewing its vessel sales strategy to accelerate sales, however market conditions remain extremely difficult

<sup>1</sup> Including Installer 10 Accommodation Barge which is contracted for sale and expected to settle in December



**Continuing lower demand driven by an over supply of vessels is resulting in ongoing challenging conditions for the offshore vessel market.**

## Production

- Activity related to production support remains consistent albeit at lower rates
- Opportunities relate to new facilities coming online which were sanctioned prior to the current downturn, and the retendering of existing contracts held by competitors
- MMA's focus remains on delivering innovative solutions through new vessel configurations or combinations that deliver cost savings to clients and maintain utilisation of MMA's fleet

## Construction & New Projects

- Major construction activities generally only relate to projects sanctioned prior to the market downturn
- Smaller brownfield scopes are beginning to appear which should marginally increase utilisation over time
- Activity in Australia is expected to continue at lower levels as major LNG projects move from construction to commissioning and into production

## Exploration

- The offshore operating rig count is at historically low levels in most regions throughout the world
- The Middle East is one of the few areas showing stability as the region continues to maintain production rates
- Recent rig charter enquiries in South East Asia, India and Australia are signs that operators may be looking to take advantage of current low rates



# Market Outlook – Regions

**All regions are experiencing lower rates and utilisation. Lay-up of vessels continues around the world as vessel owners look to conserve cash.**

Region	Vessels	Focus Areas	Market Update
South East Asia	15	Malaysia Myanmar Thailand Brunei	<ul style="list-style-type: none"> <li>Vessel charter rates have stabilised at lower levels with vessel returns now marginal in comparison to laying up</li> <li>MMA's strategy is to ensure that lay-up costs are minimised by using our Batam and Singapore yard facilities whilst ensuring reliable fleet availability at short notice</li> </ul>
Australia	20	Australia New Zealand	<ul style="list-style-type: none"> <li>The Australian market is relatively stable in terms of production support</li> <li>Construction work is available in short scopes as existing projects move into commissioning and production phases</li> <li>MMA's ability to maintain a quality spot fleet in the region at a low holding cost is key to responding to market needs. MMA can use its Dampier Slipway as a low cost storage facility</li> </ul>
Middle East	11	Saudi Arabia Qatar UAE	<ul style="list-style-type: none"> <li>The Middle Eastern market has recently come under additional pressure as operators move vessels into the region which has forced rates and utilisation lower</li> <li>MMA has increased management capability in the region to improve operating performance and support market penetration</li> </ul>
Africa	3	West Africa East Africa	<ul style="list-style-type: none"> <li>West African market remains oversupplied and rates are in most parts below break even. MMA has reduced exposure to the region over the past quarter</li> </ul>

# Newbuild Vessels

**MMA delivered 3 high specification vessels into the fleet during FY16 all of which are on term contracts. The remaining 2 vessels are effectively complete and are being tendered in the IMR market.**

Vessel	Details	Completion	Contract
	<b>MMA Privilege</b> Multi-Purpose Work Boat designed for cost effective platform commissioning, field maintenance tasks and coil tubing operations	<ul style="list-style-type: none"> <li>2H FY16</li> </ul>	<ul style="list-style-type: none"> <li>Commenced 1 + 1 year contract in Cote d'Ivoire in April 2016</li> </ul>
	<b>MMA Plover &amp; MMA Brewster</b> High specification Platform Supply Vessels with sophisticated chemical carrying capabilities unique to INPEX's Ichthys LNG project	<ul style="list-style-type: none"> <li>2H FY16</li> </ul>	<ul style="list-style-type: none"> <li>Contracted to INPEX for Ichthys production support – 5 year contract + 2 x 5 year options</li> </ul>
	<b>MMA Prestige</b> ROV Support Vessel designed to offer superior and cost effective Inspection, Maintenance and Repair ( <b>IMR</b> ) solutions to clients; 100 man accommodation with 100t AHC subsea crane	<ul style="list-style-type: none"> <li>Q1 FY17</li> </ul>	<ul style="list-style-type: none"> <li>Recently fitted with sat dive spread and collaborating with major international offshore diving company to tender for opportunities in SEA</li> </ul>
	<b>MMA Pinnacle</b> ROV Support Vessel designed to offer superior and cost effective Inspection, Maintenance and Repair solutions to clients; 100 man accommodation with 150t AHC subsea crane	<ul style="list-style-type: none"> <li>Q2 FY17</li> </ul>	<ul style="list-style-type: none"> <li>Currently being tendered for IMR opportunities in MMA's key regions</li> </ul>



Market conditions have also reduced demand at our land based facilities.



Dampier Supply Base	Broome Supply Base	Dampier Slipway	Batam Shipyard	Singapore Offshore Engineering
<ul style="list-style-type: none"> <li>• Chevron contract volumes reduced but activity has stabilised</li> <li>• Reduced vessel visits due to limited drilling in the region</li> <li>• Operation has been significantly restructured in line with reduced activity</li> </ul>	<ul style="list-style-type: none"> <li>• Continuing to support INPEX development drilling</li> <li>• Limited exploration activity in the current market</li> </ul>	<ul style="list-style-type: none"> <li>• New business model implemented with significantly reduced fixed overhead</li> <li>• Encouraging signs of external demand from towage operators</li> </ul>	<ul style="list-style-type: none"> <li>• Substantially completed internal newbuild vessels</li> <li>• Yard is now being used as a cost effective lay-up facility for vessels</li> </ul>	<ul style="list-style-type: none"> <li>• Limited demand for external services in the current environment</li> <li>• Utilising waterfront for vessel lay-ups and internal maintenance work</li> </ul>

## **MMA has taken significant steps to reduce its cost base and continues to focus on further reducing costs in the current environment.**

- Overhead costs reduced by \$20m in FY16, down 24% on the previous financial year with further savings to occur in FY17
- In addition, achieved significant reductions in direct operating costs:
  - Savings of approximately 25% on key expenditure items through supplier negotiations and re-tendering of key contracts
  - Business efficiency
  - Lay-up programme and strict control of costs on vessels between contracts
- Culture of cost control across the business
- Headcount reduced by over 50% in Australia and over 70% internationally since June 2014 (excluding crew)
- Material salary package reductions for non-marine personnel – base salaries frozen since July 2015 and no short or long term bonuses paid or vested for the past 2 years
- Ongoing focus on reducing cost in all areas of the business whilst maintaining high quality of operations and safety standards



- First quarter broadly in line with expectations for Australia, South East Asia and the Middle East
- West African market very challenging resulting in lower earnings and substantial redeployment costs to move vessels to alternative markets
- MMA Prestige and MMA Pinnacle substantially complete but will not contribute to earnings until 2H FY17
- MMA Plover commenced 5 year + options contract with INPEX in Aug 16 with MMA Brewster to commence in 2H FY17
- Supply Base and Slipway running broadly in line with expectations
- Overhead costs under control and the Company continues to review opportunities for further cost reductions
- Second half anticipated to be stronger with term work commencing and newbuild vessels contributing to earnings
- Whilst the market for the Company's services is extremely difficult to predict at present, expect full year operating EBITDA in the order of \$20-25m
- From an oil market perspective there has been some positive news in the media recently that OPEC may seek to cap production which would support an improvement in the underlying oil price
- Conditions in the OSV market will continue to be challenging through the FY17 but MMA expects to see an improvement in utilisation coming through next financial year as the market expects offshore drilling and construction activity to increase



# Sustaining our Competitive Advantage

**Given oversupply of vessels in the market, client focus and operational excellence are critical.**

- Excellent safety performance
- Building key client relationships – Tier 1 clients
- High level of operational capability – utilisation, reliability, productivity
- Leveraging our technical expertise internationally
- Organisational alignment
- Regional diversification – building high quality operations in all regions
- Sustainable cost reduction
- Long-term financial stability and efficiency





# 2016 AGM Resolutions



# Resolution 1 – Adoption of the Remuneration Report

*“That, for the purpose of section 250R(2) of the Corporations Act 2001 (Cth) and for all other purposes, the Remuneration Report for the financial year ended 30 June 2016 be adopted.”*



# Resolution 1 – Voting Prohibition Statement

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- a) a member of the key management personnel details of whose remuneration are included in the Remuneration Report; or
- b) a closely related party of such a member.

However, a person described above may cast a vote on Resolution 1 if the vote is not cast on behalf of a person described above and either:

- a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1; or
- b) the person is the chair of the meeting and the appointment of the chair as proxy:
  - i. does not specify the way the proxy is to vote on Resolution 1; and
  - ii. expressly authorises the chair to exercise the proxy, even if the resolution is connected directly or indirectly with the remuneration of a member of key management personnel for the Company (or its consolidated group).

Key management personnel and their closely related parties are prohibited under the *Corporations Act 2001* (Cth) from voting in a manner contrary to the above. The Chairman of the Meeting intends to vote all available undirected proxies in favour of Resolution 1.

# Resolution 1 – Proxy Votes

Proxy Votes	Number of Votes	% of voted securities
For	43,960,582	80.14%
Against	7,604,249	13.86%
Abstain	665,080	1.21%
Undirected held by Chairman	1,449,145	2.65%
Undirected – Others / Excluded	1,175,440	2.14%
<b>Total</b>	<b>54,854,496</b>	<b>100%</b>

Questions?

## Resolution 2 – Re-election of Mr Hugh Andrew Jon (Andrew) Edwards as a Director

*“That Mr Andrew Edwards, who retires as a Director in accordance with rule 3.6(a) of the Company’s Constitution, and being eligible, offers himself for re-election, be re-elected as a Director.”*



# Resolution 2 – Proxy Votes

Proxy Votes	Number of Votes	% of voted securities
For	46,779,484	85.28%
Against	5,179,747	9.44%
Abstain	400,410	0.73%
Undirected held by Chairman	1,462,644	2.67%
Undirected – Others / Excluded	1,032,211	1.88%
<b>Total</b>	<b>54,854,496</b>	<b>100%</b>

Questions?

Shareholders are invited to ask questions about or make comments on the management of the Company and to raise any other business which may lawfully be brought before the Meeting.

Questions?

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