Professional Talk by the ICS Singapore

Singapore Shipping Association (Lounge)

29 January 2019, Tuesday

INSTITUTE OF CHARTERED SHIPBROKERS

M3 MARINE

Speaker: Capt. Mike Meade, AFNI MICS

A detailed look at the South East Asian OSV market and the potential commercial opportunities available in a recovering market

M3 Marine At A Glance

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M3 Marine Expertise

technical & commercial consultancy

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vessels & equipment valuation

M3 Marine Offshore Brokers

offshore ship broking

M3 Marine Remote Inspection

remote surveying & inspection

Local Presence
Global Reach

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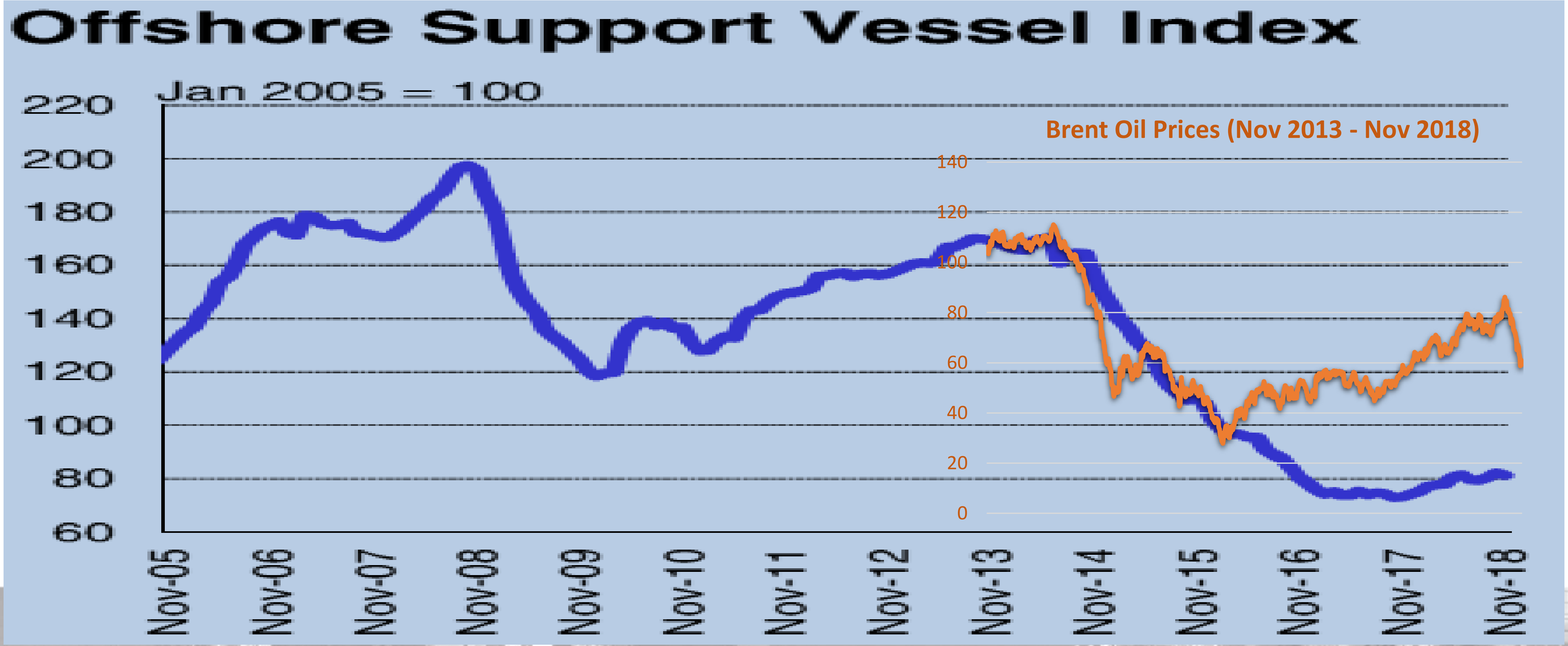
A detailed look at the South East Asian OSV market and the potential commercial opportunities available in a recovering market

- Market recovery?
- Utilisation Rates
- Charter rates
- Delivery V.S. Orderbook
- Layups and Scrapping
- Market Outlook

Decoupling



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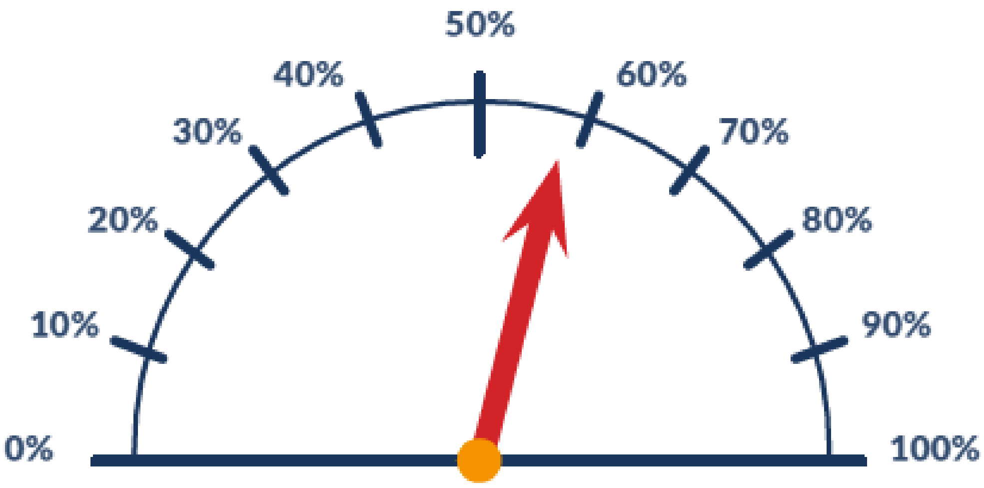
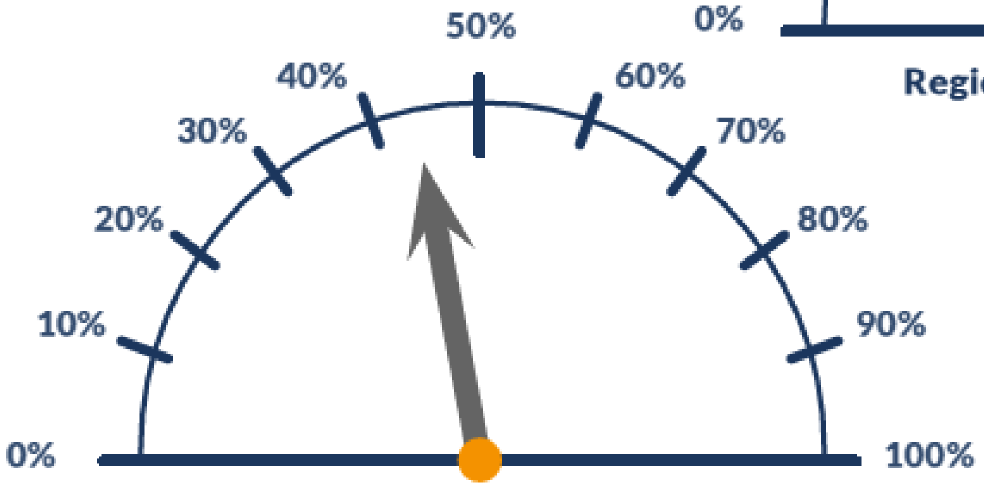
APAC Rig Fleet

Utilization Rates

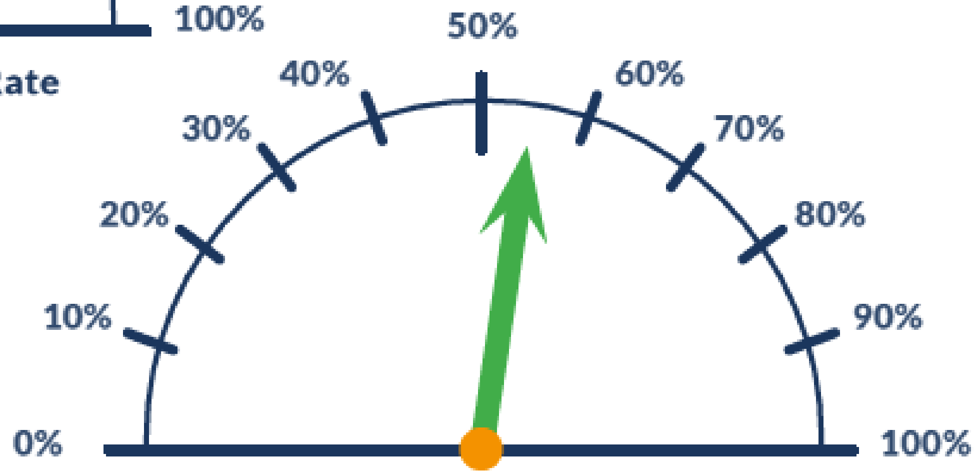
As of mid-January 2019
Source: Westwood Global Energy



Regional Jackup Utilization Rate
Marketed Supply

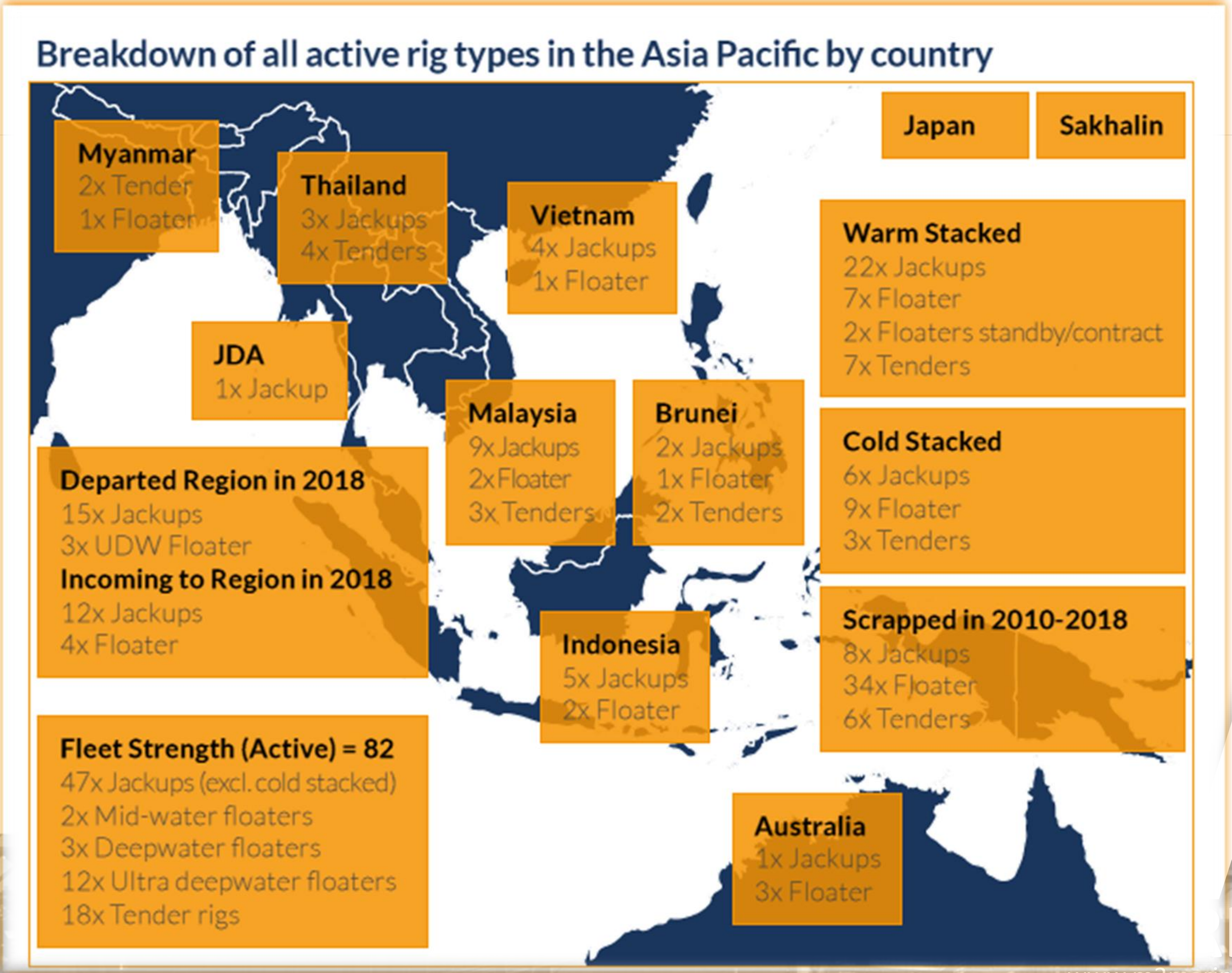


Regional Floater Utilization Rate
Marketed Supply



Regional Tender Utilization Rate
Marketed Supply

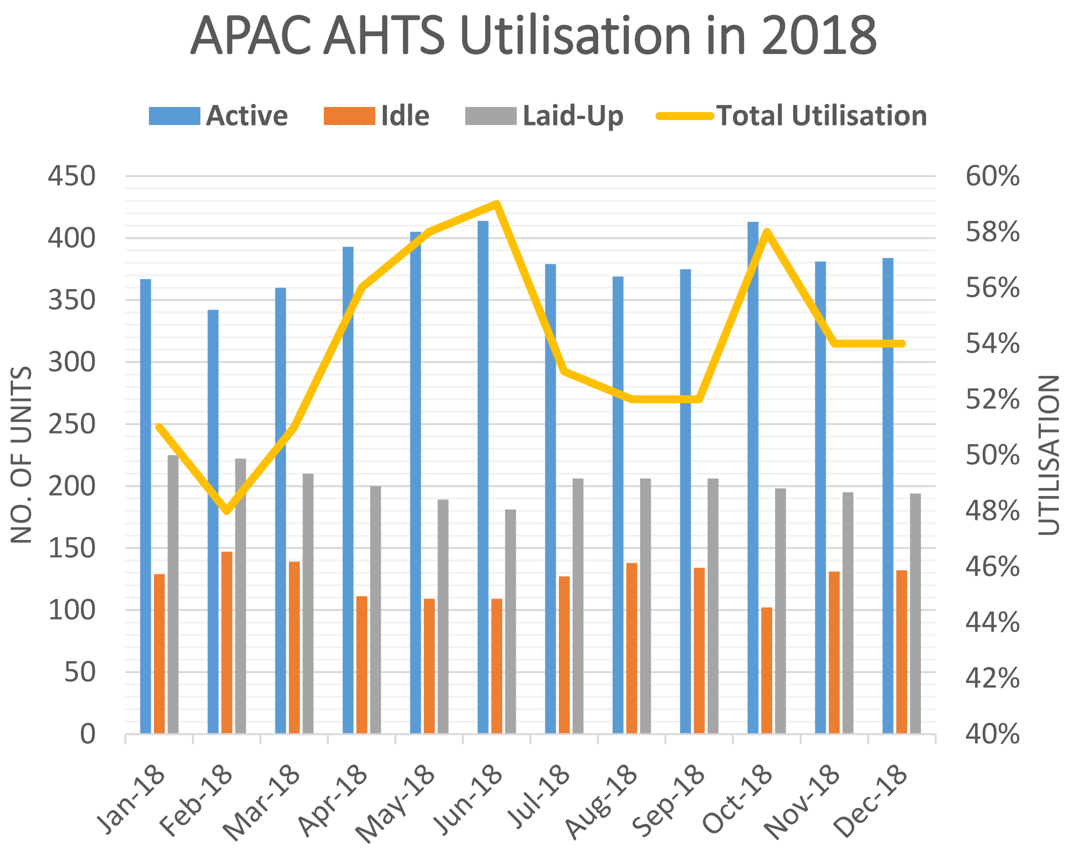
Rigs in APAC Region

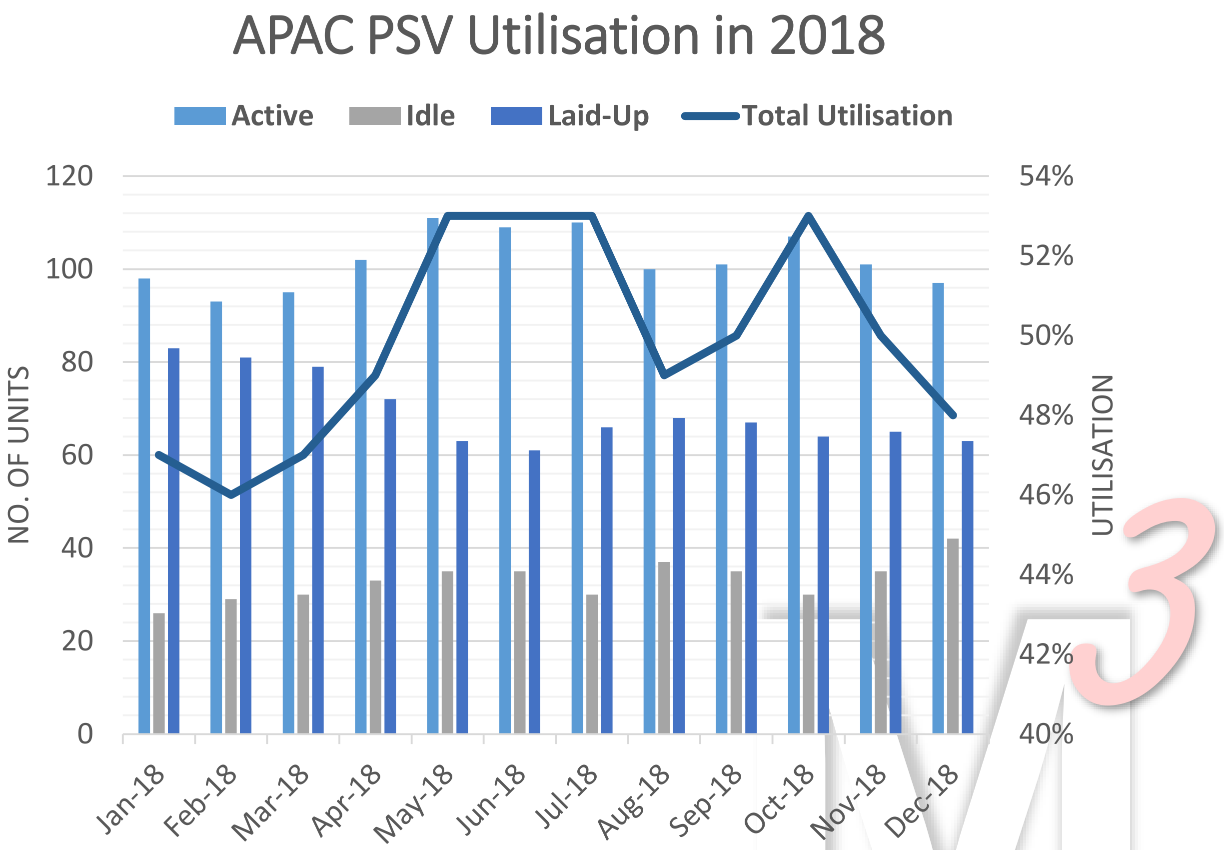


As of end 2018

Source: Westwood Global Energy

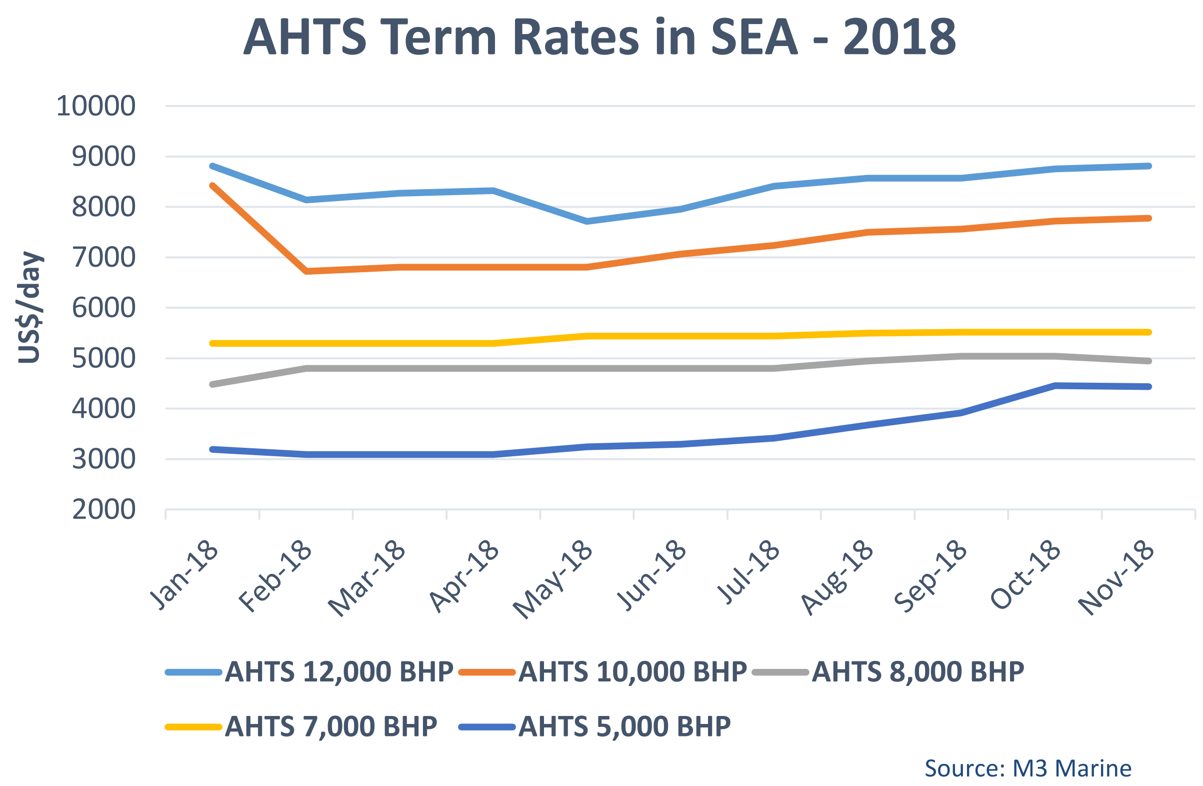
OSV Utilisation

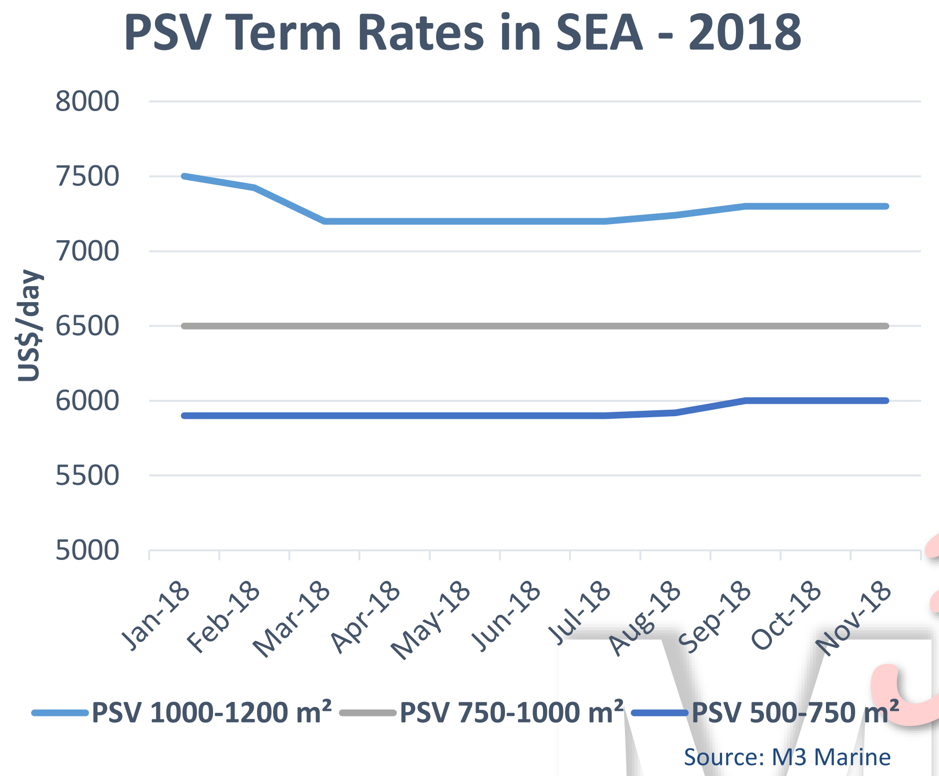




Source: M3 Marine

Charter Rates





7,000 BHP units outperforms 8,000 BHP units

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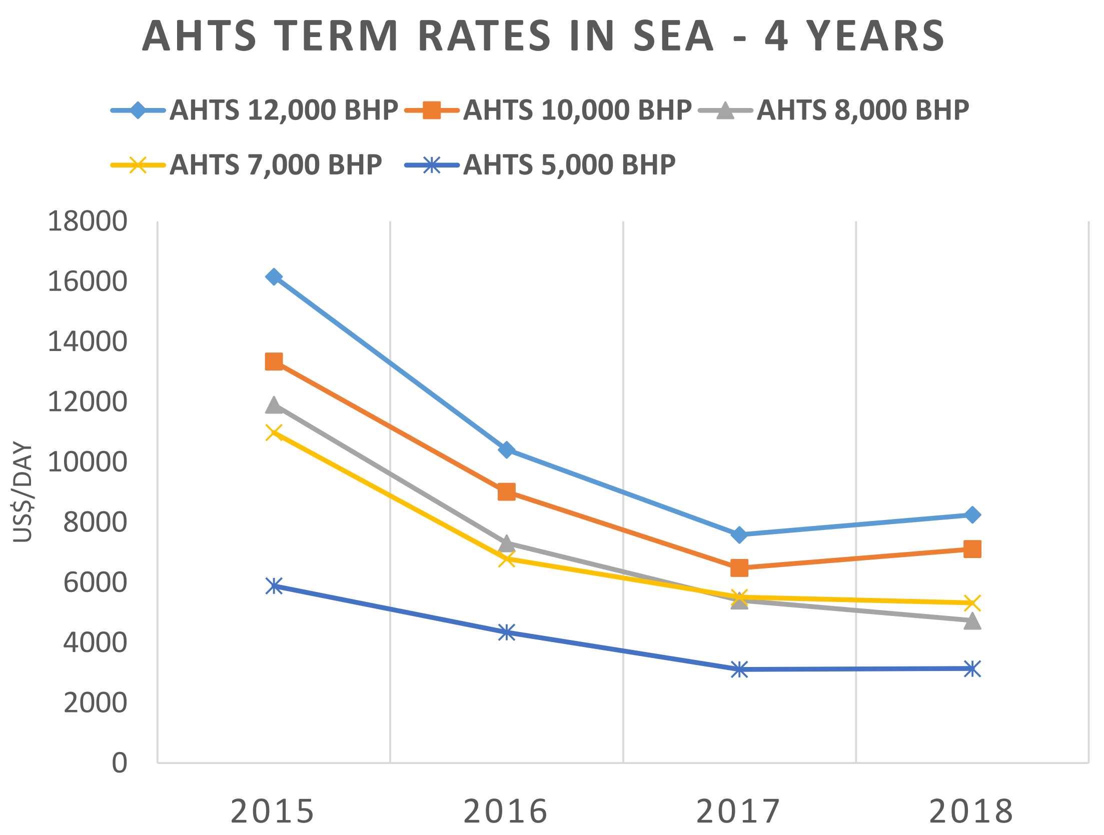
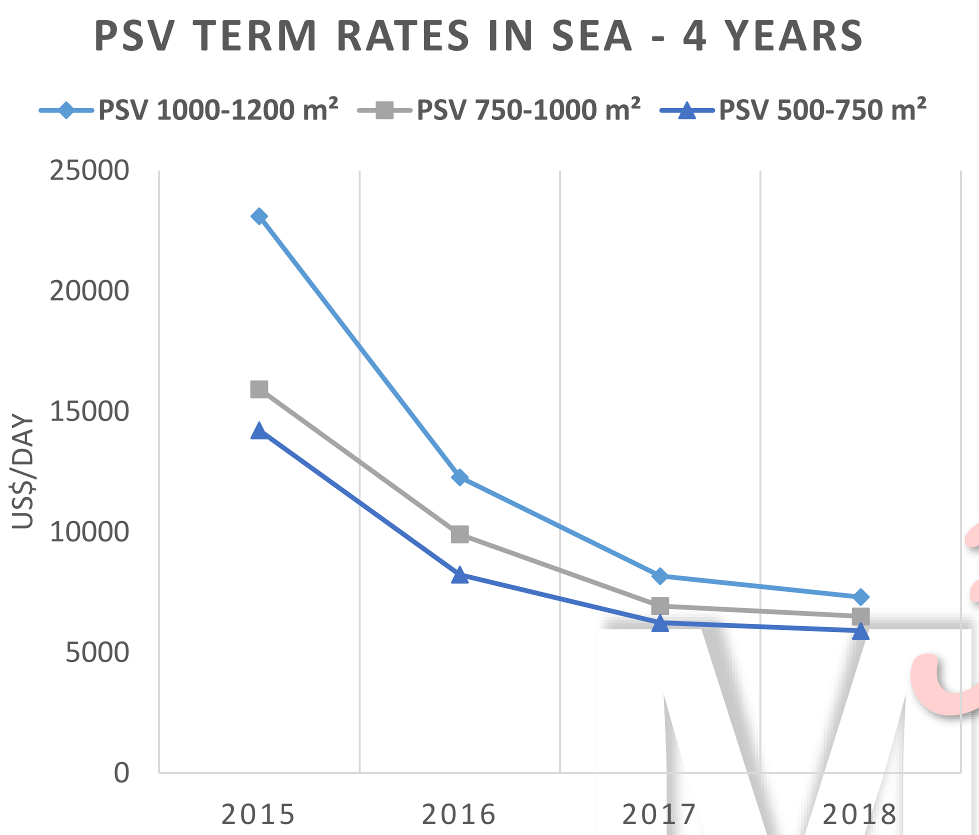
Charter Rates



Source: M3 Marine



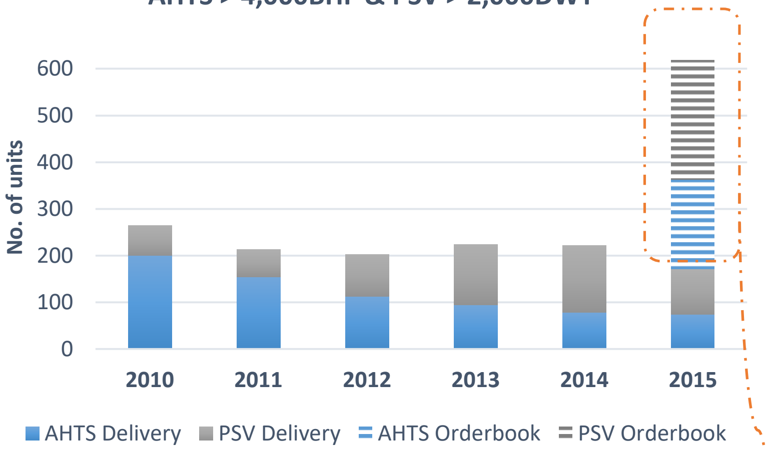
Source: M3 Marine

OSV Delivery V.S. Orderbook

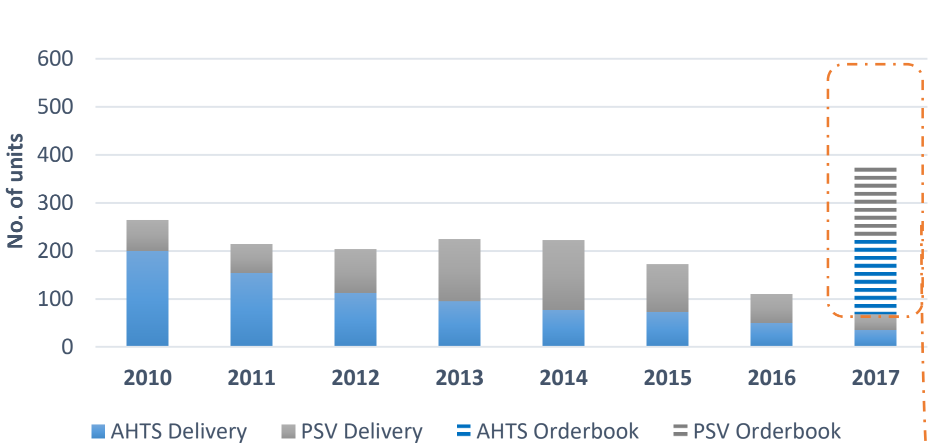
Deferred Deliveries

Minimal New Orders

Delivery V.S. Orderbook - End of 2015
AHTS > 4,000BHP & PSV > 2,000DWT

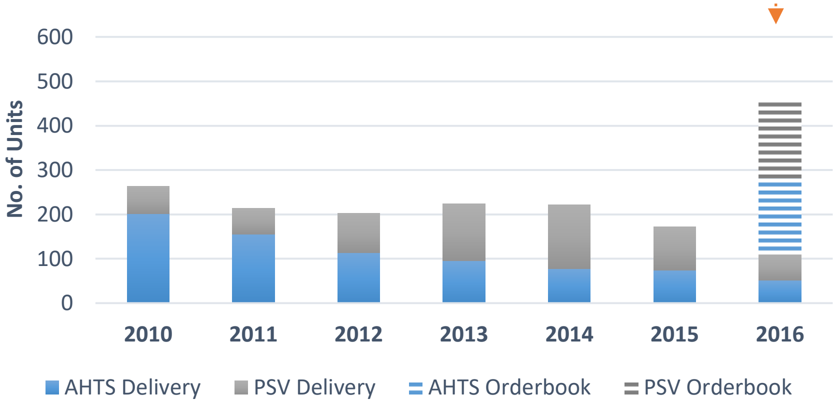


Delivery V.S. Orderbook - End of 2017
AHTS > 4,000BHP & PSV > 2,000DWT

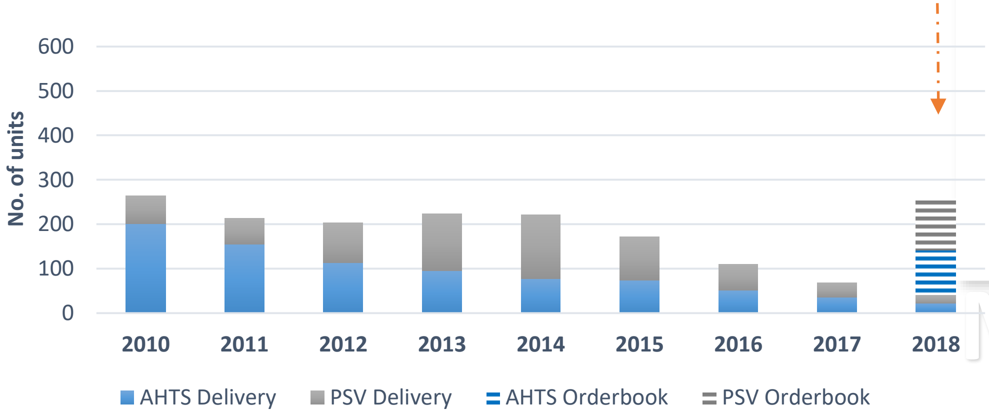


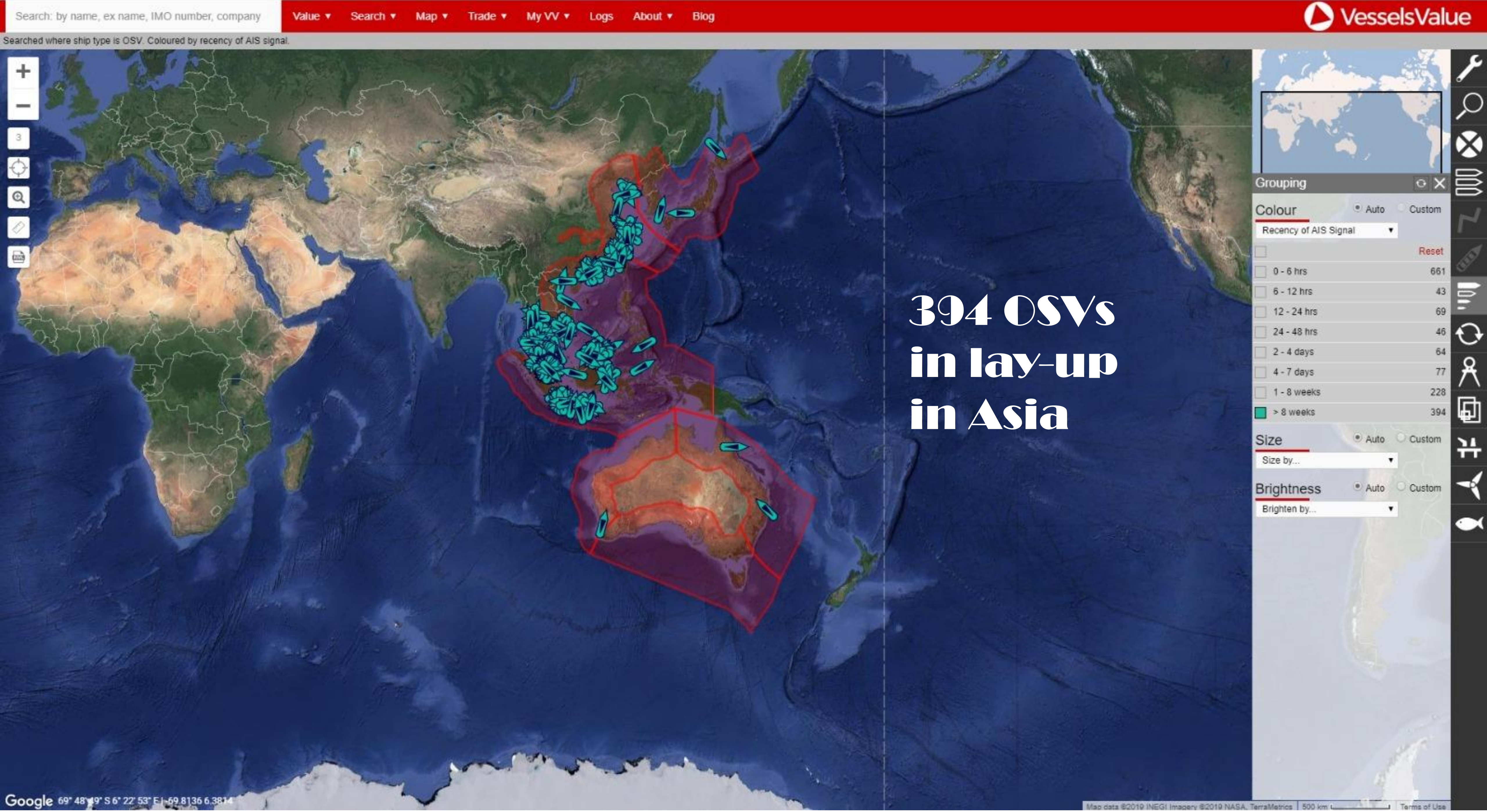
Source: M3 Marine

Delivery V.S. Orderbook - End of 2016
AHTS > 4,000BHP & PSV > 2,000DWT

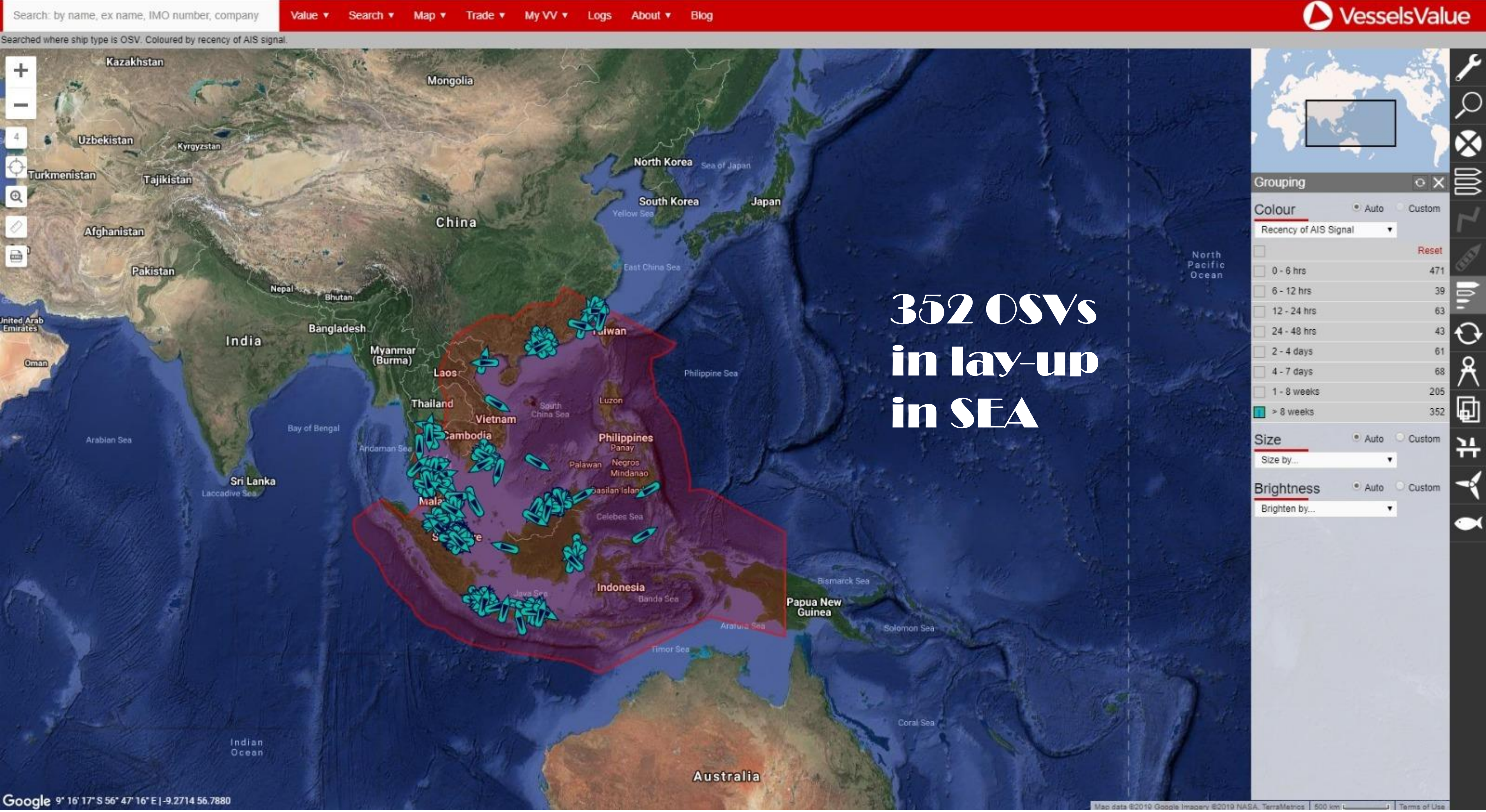


Delivery V.S. Orderbook - End of Aug 2018
AHTS > 4,000BHP & PSV > 2,000DWT





Source: VesselsValue



Source: VesselsValue

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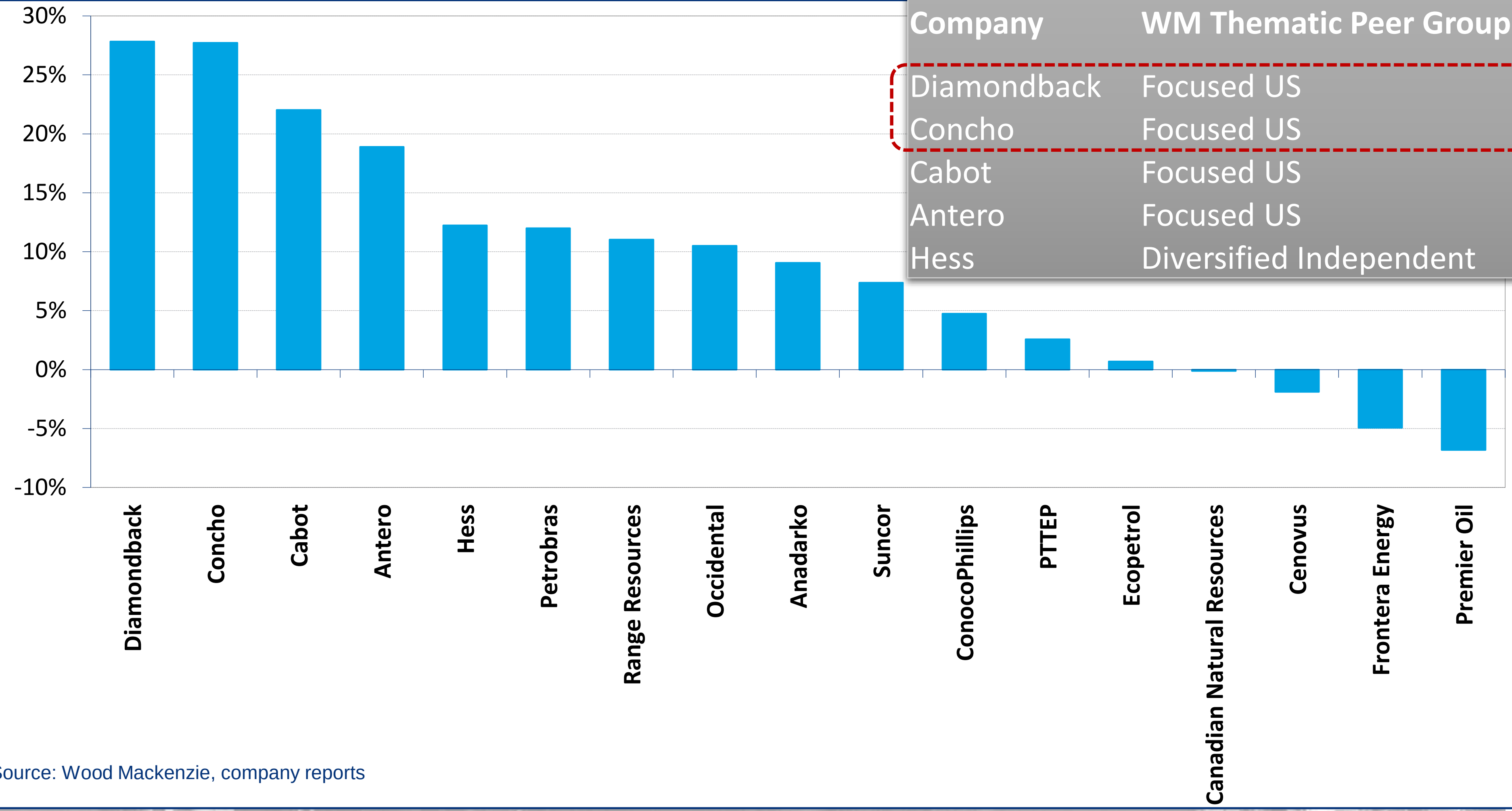
Scrapping

We are seeing **younger vessels / quality builds** getting scrapped

- Tidewater sent *5 nos. x UT755 (~3,000 DWT PSVs, built during 1998-2001 at Vard, Norway)* and *3 nos. x 24,000 BHP AHTS (built during 2005-2006 at Yantai Raffles, China)* to the scrap yard in India in March 2018

Upstream Production

Corporate Service coverage: y-o-y change in production (%)



Company	WM Thematic Peer Group	Domicile	Core operating region
Diamondback	Focused US	US	US Permian
Concho	Focused US	US	US Permian
Cabot	Focused US	US	Diversified
Antero	Focused US	US	US Northeast
Hess	Diversified Independent	US	Diversified

Source: Wood Mackenzie, company reports

Changing Concepts

The industry has redefined 'What is an old vessel'

TIDEWATER

GULFMARK

TIDEWATER

Combined company owns/operates 102 Tier 1 vessels with an average age of approximately 6.5 years

Tier 1 vessels:

- *PSVs ≤10 years old, DP2 and with a clear deck area of ≥700 m²*
- *AHTSs ≤10 years old, DP2 and with bollard pull of ≥80t*

For OSVs that were awarded a long-term contract in 2018, those ***older than 15 years old*** only account for **<10%**

Country Round Up

Malaysia

- Petronas’ OSV demand is increasing, from drastic lows
- Expected an increase in shallow water drilling and IMR / Repairs / Subsea activities
- Local owners’ dilemma:
  - Existing vessels are locked in long term loss making contracts that have not commenced work but yet have been prevented from bidding on other projects
  - Lacking cash to reactivate laid up units to catch up with the opportunities
- Increasing foreign owners’ ships are working in the country on DSL (a recent contra market shift)
- Consolidation – Petronas
- Sabah / Sarawak – ‘state’ cabotage

Country Round Up

Thailand

- Thailand may issue its 21st licensing round by mid-year 2019 after the general elections?
- PTTEP have revealed plans to invest US$16bn domestically and internationally over the next five
- Expected to have more IMR works
- Chevron is proposing exiting Thailand
- Cabotage: its happening but is easier to manage (than say Indonesia)

Country Round Up

Indonesia

- Still Stringent cabotage further enforced by the downturn
- Deep water campaign by ENI
    - Merakes deepwater gas project; 5 + 1 wells
- Indon owned OSVs are generally not well maintained due to low rates
- Due to cabotage, foreign flagged vessels of bigger horsepower (> 12000bhp) and IMR type vessels are more likely to get work
- OSV owners had good utilisation in 2018 and expect to continue to enjoy 70-80% utilisation in 2019.
- There are a lot of smaller AHTS which are laid up but active fleet, continues to enjoy good utilization.
- Rates are still expected to stay low for smaller OSVs

Country Round Up

Vietnam

- An abundance of ‘newly acquired’ Vietnamese vessels
- Tension with China in the South China Sea will continue to negatively impact Northerly and ‘deeper ’offshore operations in 2019
- PetroVietnam has reduced production target by 11.45% for 2019

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Country Round Up

Myanmar

- Myanmar has drafted a new petroleum law to attract Foreign investment and exploration interest
- The current law is decades-old and has high taxes on profits, heavy royalty obligations and takes 77% of revenues generated
- Drilling in the Shwe, Shwe Phyu and Mya gas fields in Blocks A-1 and A-3 is expected to begin in the latter part of 2019
- No cabotage (yet)

Thank You!

Q & A