

# GROUP FINANCIAL REVIEW

## TURNOVER

The Group generated turnover of \$2.88 billion for FY2019, a decrease of 41%. This was mainly due to lower revenue recognition from Rigs & Floaters and Offshore Platforms projects, mitigated by higher revenue from Repairs & Upgrades.

But if the turnover comparison excludes the 2018 delivery of seven jack-up rigs to Borr Drilling, one more to BOT Lease and sale of a semi-submersible rig, as well as 2019's delivery of another jack-up rig to Borr Drilling, turnover for FY2019 would have shown a 6% increase (FY2019: \$2.67 billion vs FY2018: \$2.53 billion).

## NET LOSS

The Group recorded a net loss of \$137 million in FY2019. This was mainly due to the accelerated depreciation of \$48 million arising from Tanjong Kling Yard and continued low overall business volumes. The loss was partly offset by profit from the Repairs & Upgrades business, which rose on improved margins and better product mix.

## FINANCIAL POSITION

The Group's shareholders' funds decreased to \$2.17 billion as at Dec 31, 2019, from \$2.31 billion as at Dec 31, 2018.

On Jan 1, 2019, the Group applied SFRS(I) 16 Leases. It thus recognised land leases as right-of-use assets and lease obligations as lease liabilities in the balance sheet.

Interests in associates and joint ventures decreased, mainly due to the Group's divestment of 50% shareholding interest in Pacific Workboats Pte Ltd on Oct 23, 2019.

Cash and cash equivalents decreased in 2019, mainly due to capital expenditures and working capital for the ongoing projects.

As at Dec 31, 2019, the Group had net current liabilities totalling \$310 million, arising mainly from loans which mature in 2020. The Group is finalising with lenders to refinance and re-profile these loans with longer term maturities. The Group has adequate existing loan facilities to refinance current borrowings as they fall due.

## FIVE-YEAR \$2 BILLION SUBORDINATED LOAN FACILITY

On June 21, 2019, Sembcorp Marine announced jointly with Sembcorp Industries Ltd (SCI) that it had secured a five-year subordinated loan facility totalling \$2 billion from SCI, which will strengthen the Group's financial position. SCI is the largest shareholder of Sembcorp Marine, with a 61% stake in the Company.

Approximately \$1.5 billion of the subordinated loan was deployed to retire a majority of the Group's short-term borrowings and re-profile debt from short-term to longer term.

On Oct 23, 2019, the Group announced that it had obtained the consent of its bondholders to revise the definition of its debt covenant to exclude the \$2 billion subordinated loan facility from the Group's net debt, so as to improve its financial flexibility.

## CASH FLOW AND LIQUIDITY

As at Dec 31, 2019, the Group's cash and cash equivalents stood at \$389 million.

Cash flows generated from operating activities before changes in working capital were \$103 million in FY2019. Net cash used for operating activities in FY2019, at \$296 million, was mainly due to working capital for ongoing projects, offset by receipts from completed projects.

Net cash used for investing activities in FY2019 was \$312 million, mainly due to the installation of certain new capabilities and completion of Sembcorp Marine's corporate office building at Tuas Boulevard Yard.

Net cash generated from financing activities in FY2019 was \$164 million. This related mainly to net proceeds from borrowings.

## SHAREHOLDER RETURNS

The Group recorded a return on equity of -6.1% in FY2019. There was no dividend proposed for the financial year ended Dec 31, 2019.

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## Group Financial Highlights

	2019	2018	Change
	\$'000	\$'000	%
<b>Group Income Statement</b>			
Turnover	2,882,560	4,887,866	(41)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	103,678	143,123	(28)
Operating loss	(138,790)	(52,323)	n.m.
Loss before tax	(176,960)	(100,897)	75
Net loss	(137,174)	(74,131)	85

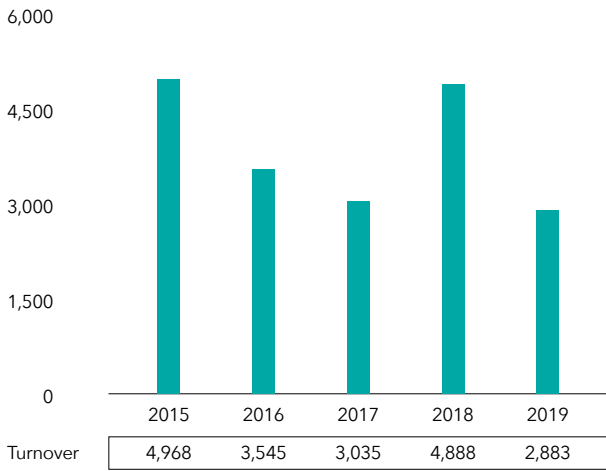
<b>Group Balance Sheet</b>			
Total assets	8,458,772	8,577,261	(1)
Total liabilities	6,251,994	6,228,826	-
Net tangible assets	1,926,967	2,102,750	(8)
Equity attributable to owners of the Company	2,173,308	2,311,684	(6)
Non-controlling interests	33,470	36,751	(9)
Total equity	2,206,778	2,348,435	(6)
Cash and cash equivalents	389,250	837,724	(54)
Interest-bearing borrowings	2,900,792	4,227,996	(31)
Subordinated loan	1,500,000	-	n.m.
Net debt	4,011,542	3,390,272	18

<b>Economic Value Added (EVA)</b>			
Net operating loss after tax (NOPAT)	(95,200)	(25,253)	n.m.
Capital charge	433,887	405,508	7
EVA	(529,087)	(430,761)	23
EVA attributable to owners of the Company	(521,575)	(422,021)	24

<b>Financial Ratios</b>			
Earnings per share (EPS)			
Basic (cents)	(6.57)	(3.55)	85
Diluted (cents)	(6.57)	(3.55)	85
Net asset value per share (cents)	103.96	110.68	(6)
Net tangible assets per share (cents)	92.18	100.68	(8)
Return on turnover (%)	(4.76)	(1.52)	n.m.
Return on total assets (%)	(0.12)	0.25	n.m.
Return on equity (%)	(6.12)	(3.12)	96

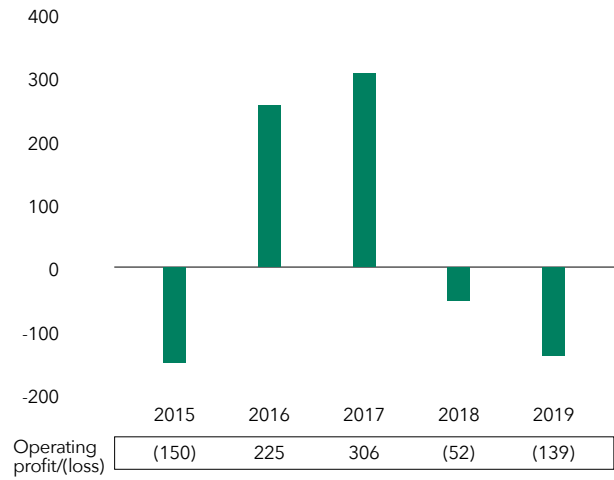
Turnover

\$ million



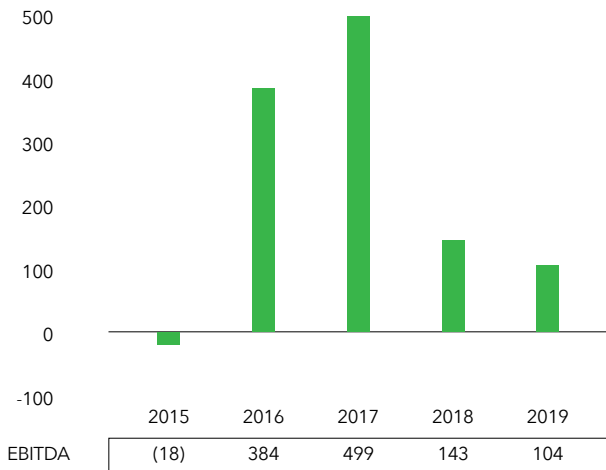
Operating Profit

\$ million



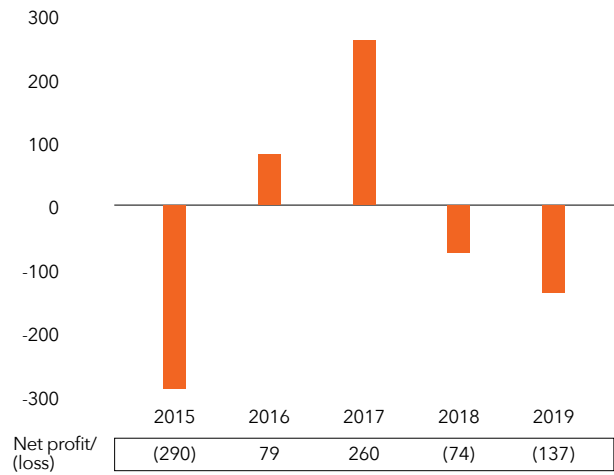
EBITDA

\$ million



Net Profit

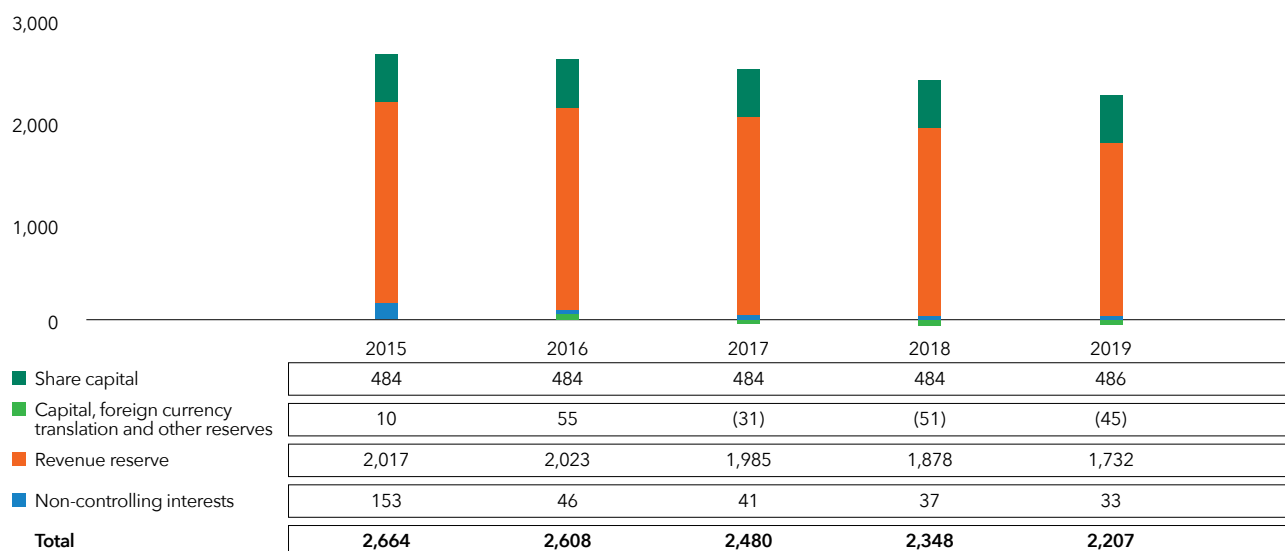
\$ million



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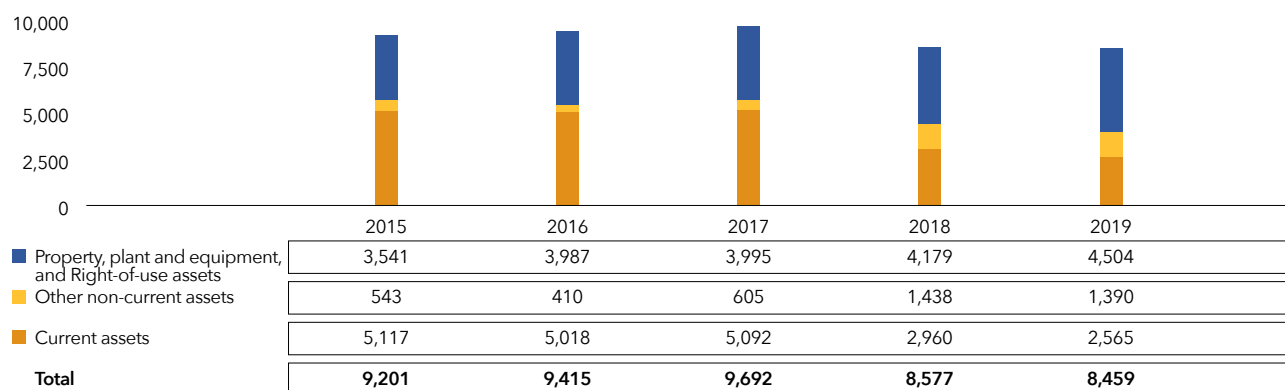
## Total Equity

\$ million



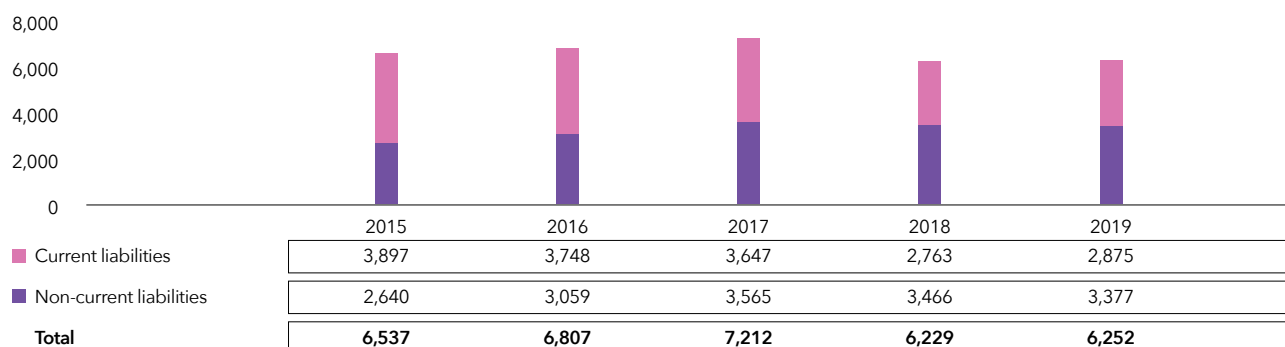
## Assets

\$ million

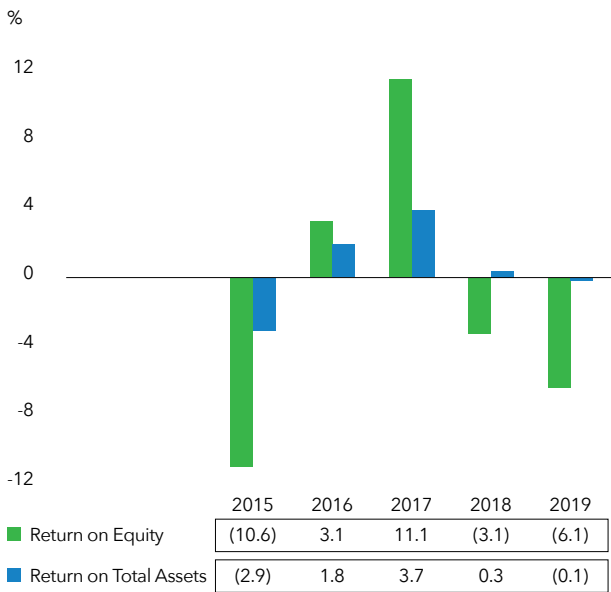


## Liabilities

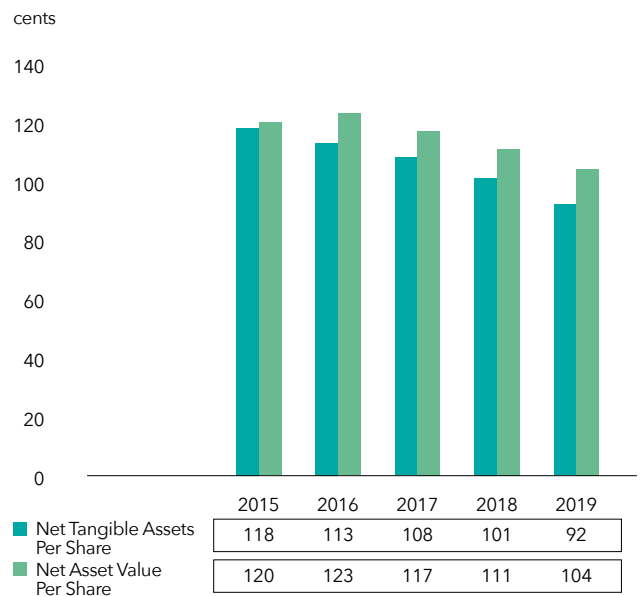
\$ million



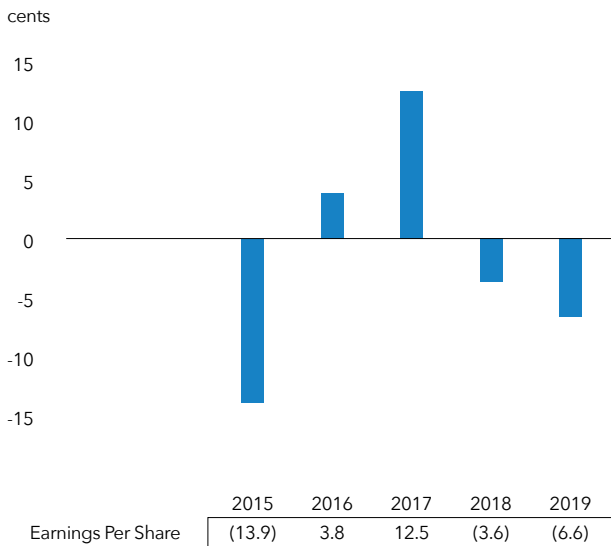
### Return on Equity and Return on Total Assets



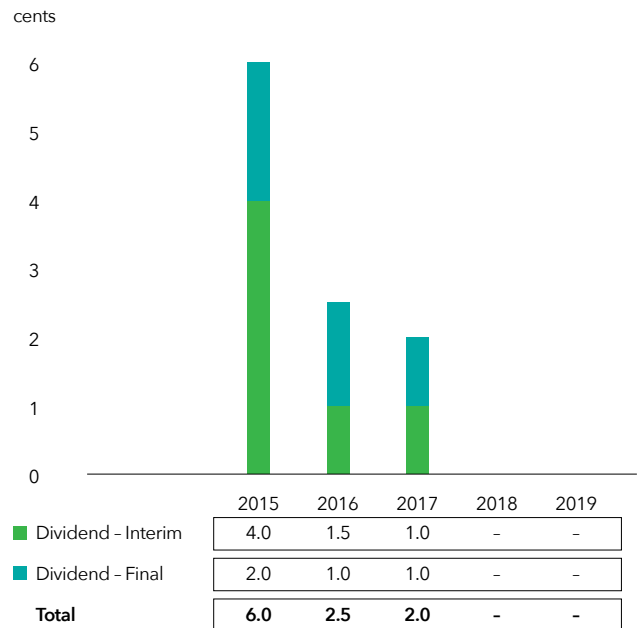
### Net Tangible Assets and Net Asset Value Per Share



### Earnings Per Share

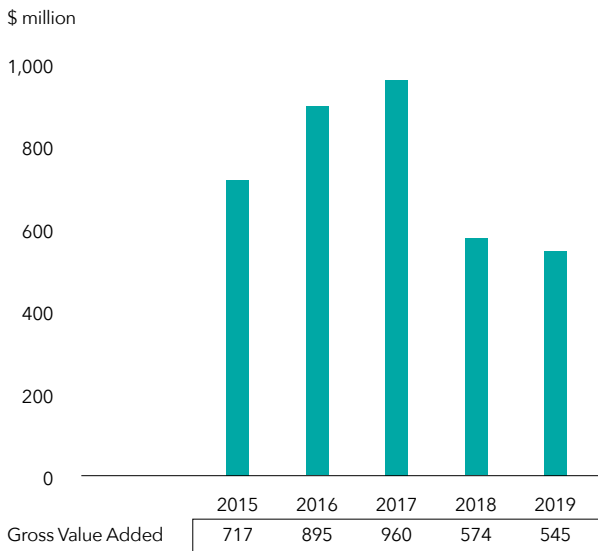


### Dividend Per Share

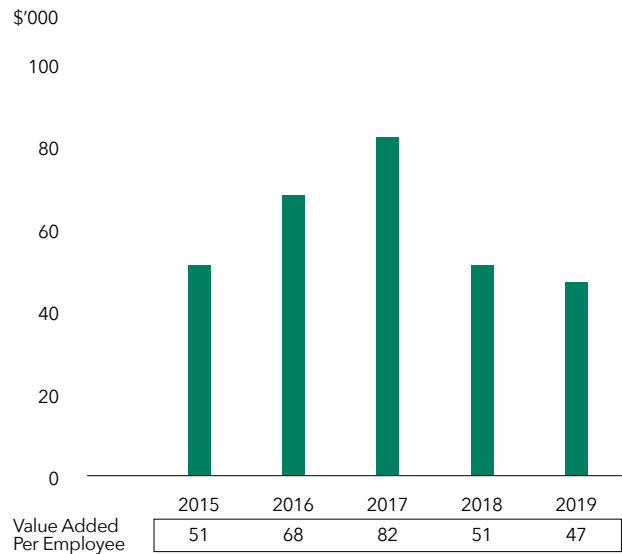


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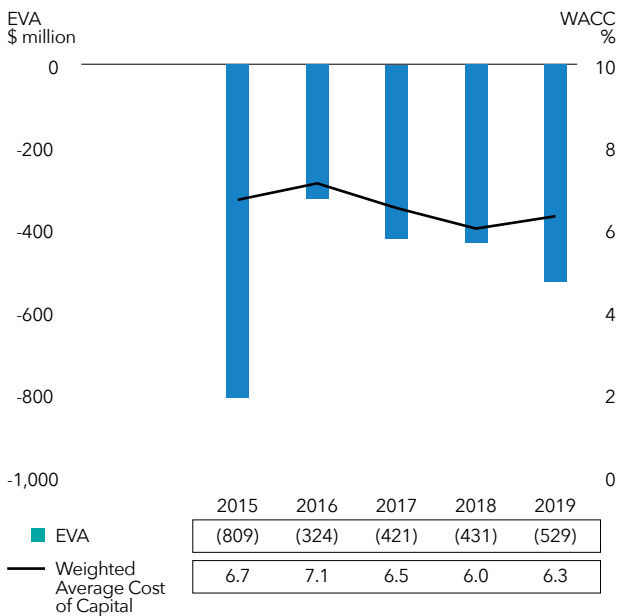
## Gross Value Added



## Value Added Per Employee



## Economic Value Added (EVA)



## Distribution of Value Added

