

# Investor & Media Presentation

**SBI Offshore Ltd**  
Singapore | 27 Aug 2014





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## **Presentation Flow**

- 1 Updates Summary

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- 2 About SBI

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- 3 SBI's Transformation

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- 4 Recent Corporate Developments

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- 5 Business Strategy

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- 6 1H2014 Highlights

# Updates Summary

18 July

- Registered JV Company, **Axon Rig Concept & Design Asia Pte Ltd**, in Singapore (70% for SBI)

23 July

- **Completed major EPCC project** for Malaysian client worth US\$30M

18 Aug

- Signed **Rig Design & Engineering Agreement** worth US\$24M with Middle East-Chinese consortium

27 Aug

- Commenced negotiations with the consortium to **build up to 5 jack-up drilling rigs** over six years
- In talks with various yards in the region to offer drilling equipment systems and services
- Exploring opportunities for collaboration with ME energy resource players & FSU

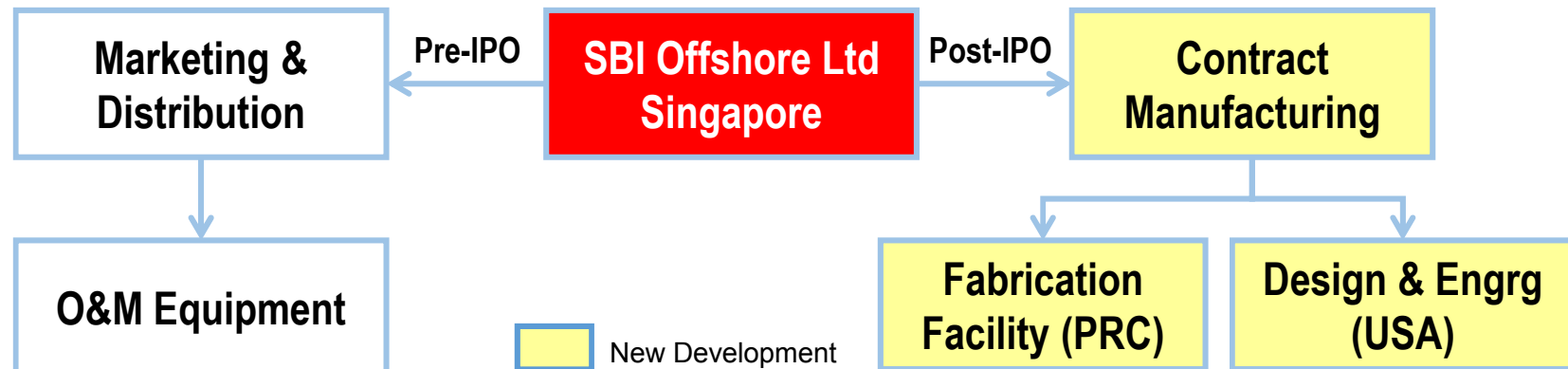


## Part 1 – About SBI

## Background : Pre-IPO

- Founded in **1994** as a marketing & distribution company for offshore & marine equipment
- Represented major offshore & drilling equipment manufacturers including ABB, NOV, Aker, Cameron, Hydralift & Hitac Marine
- Secured about **US\$6 billion** in equipment sales since inception (essentially, sales for principals)
- Listed on SGX Catalist in November **2009**
- Intent at IPO was to become a **contract manufacturer** in China for OEM

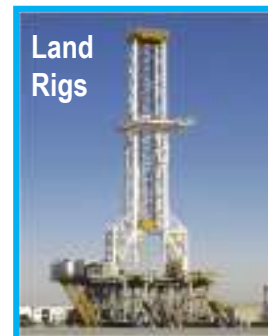
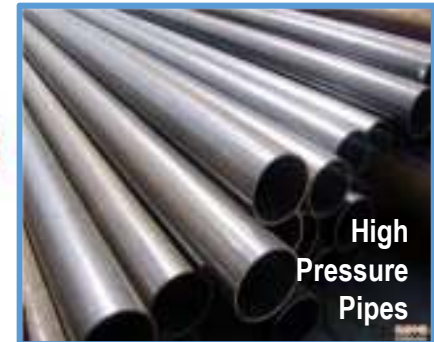
# Background : Post-IPO



- 2010** - Acquired **factory (JSBI)** in PRC for contract manufacturing
  - Acquired 35% stake in **life-boat manufacturer (NPT)** in PRC
  - Established 100% **engineering subsidiary (SRI)** in USA
- 2011** - Established **RBVS** in Singapore, a 50% JV with **RBV Energy**, UK
- 2012** - Secured **EPCC contract** for DES from KHL, Malaysia
  - Chan LT appointed Executive Chairman

# Products & Services

- Distribute & service **high-pressure products & life-saving appliances**
- Design, engineer & install **drilling equipment & systems** including land drilling rigs
- Construct **mobile offshore drilling units (MODU)** & related vessels
- **Shipyard** development & operations





# Fabrication Facility in China

Jiangyin SBI Offshore Equipment Co Ltd (JSBI)

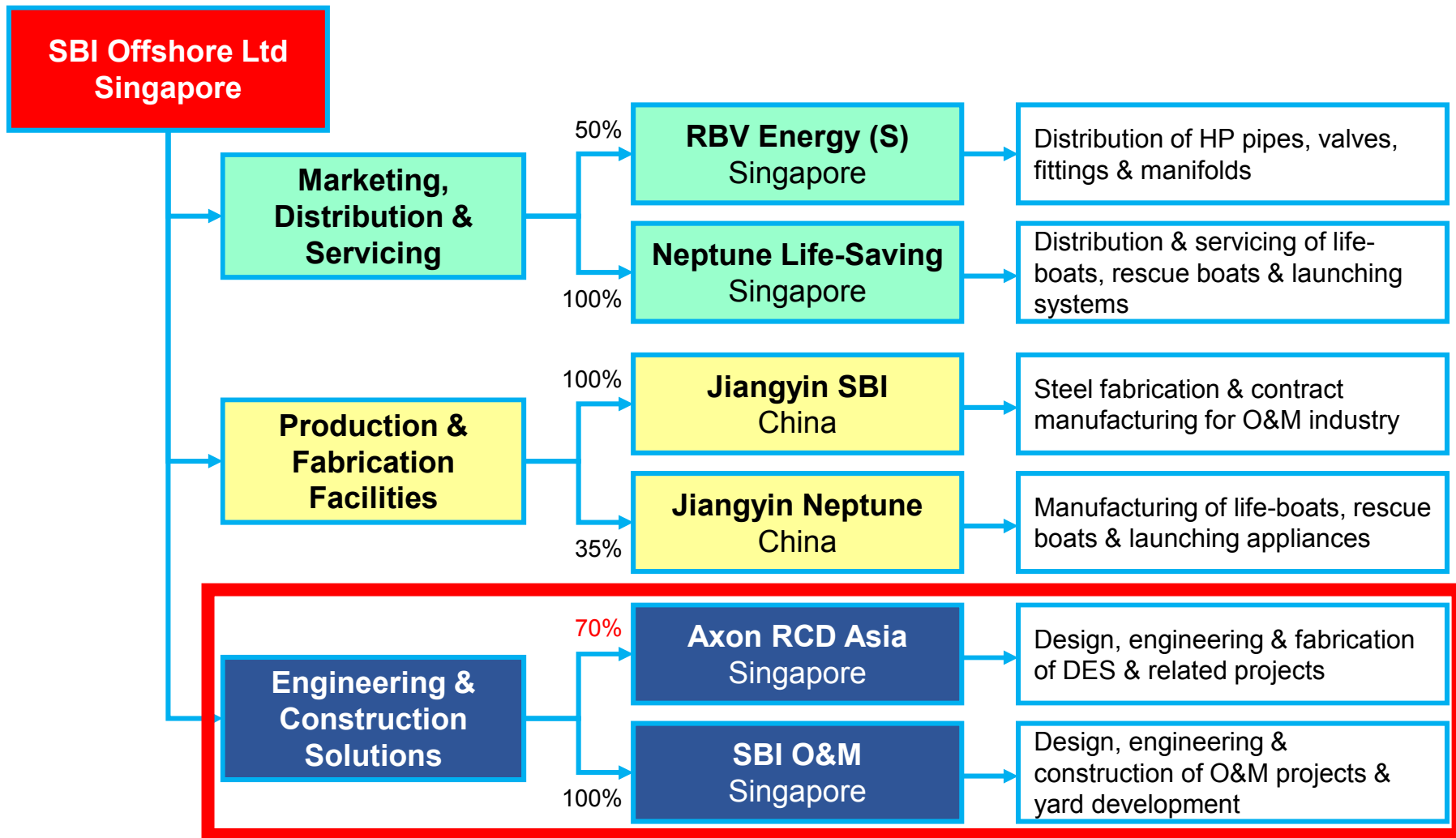


Workshop Bay #5



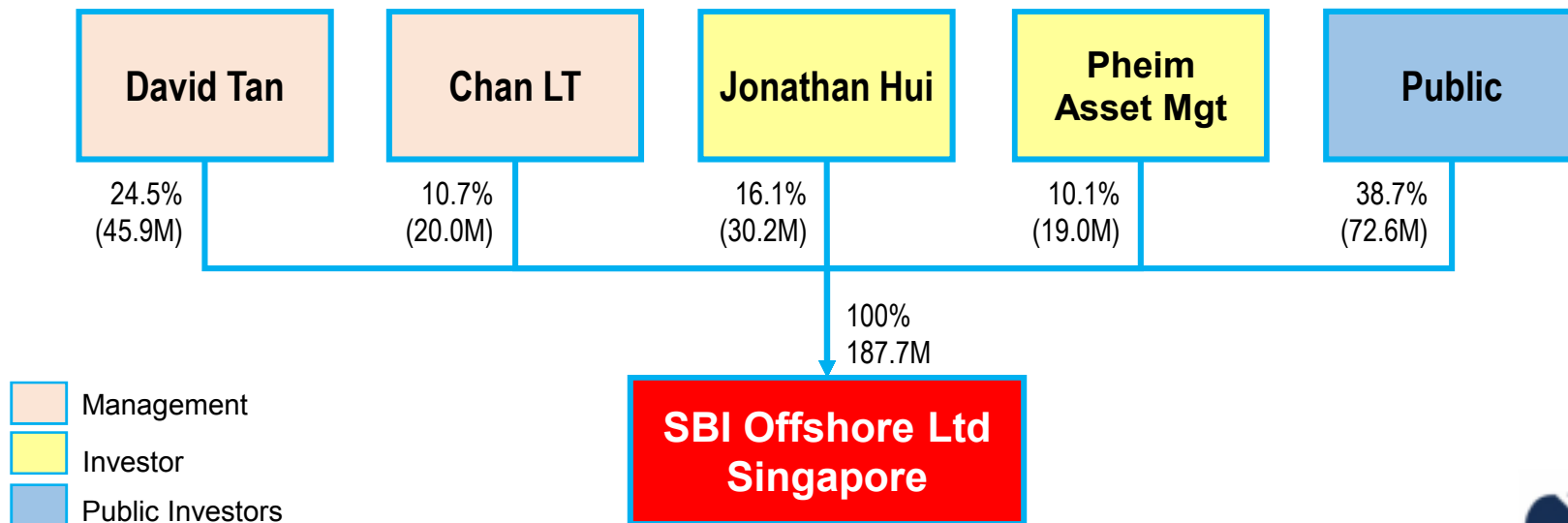
- Wholly owned subsidiary of SBI
- Located in Jiangyin Town, Jiangsu
- ~2 hrs drive from Shanghai
- ~30 mins from Jiangyin City Center
- Easy access via road, railway & river
- Land Size : ~200,000 ft<sup>2</sup>
- Office : ~100,000 ft<sup>2</sup>
- Warehouse : ~100,000 ft<sup>2</sup>
- Factory : ~170,000 ft<sup>2</sup>
- Total GFA : ~370,000 ft<sup>2</sup>

# Group Structure



# Shareholding Structure

- David Tan (Founder, CEO & largest shareholder) - **24.5% (45.9M)**
- Chan Lai Thong (Executive Chairman) - **10.7% (20M)**
- Jonathan Hui (ex-Executive Chairman & CEO) - **16.1% (30.2M)**
- Public float - about **38.7% (72.6M)**
- Total Issued Share Capital - **187.68M**





## Part 2 – SBI's Transformation

# Challenges & Goals

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How to **transform** SBI and to what **level**?

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How to **evolve** from distributor to contractor?

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How to **develop & grow** - organic & Inorganic?

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What are our Goals on **Revenue & Profit**?

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What about our **Market Cap, Share Capital & Shareholder base**?

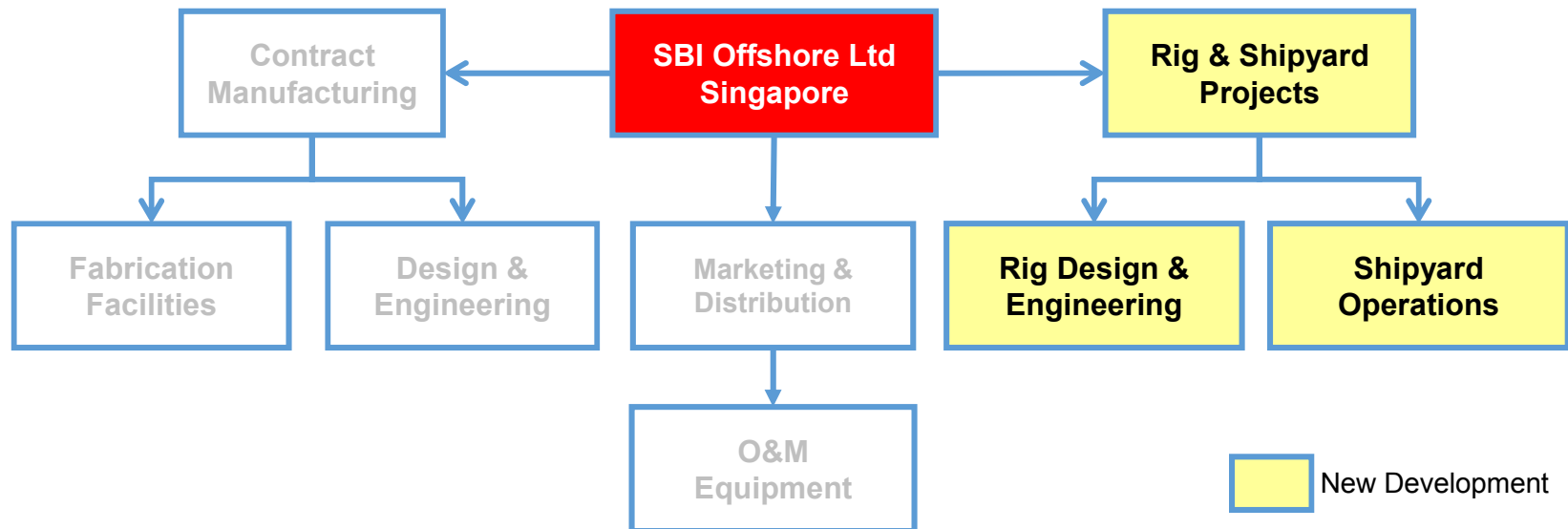
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# Re-Positioning

- Since late 2012, Company has been **re-positioning & transforming** to provide offshore engineering, equipment & construction solutions
- **Strengthened team** with industry veterans in drilling, engineering & project management (“**Core Team**”)
- **Reorganized fabrication facilities** in China to provide more cost-effective (“**Cost to Market**”) & efficient (“**Time to Market**”) solutions
- **Partnership** with shipyards, engineering services companies & equipment manufacturers to undertake projects for O&G industry (“**Capability Leverage**”)

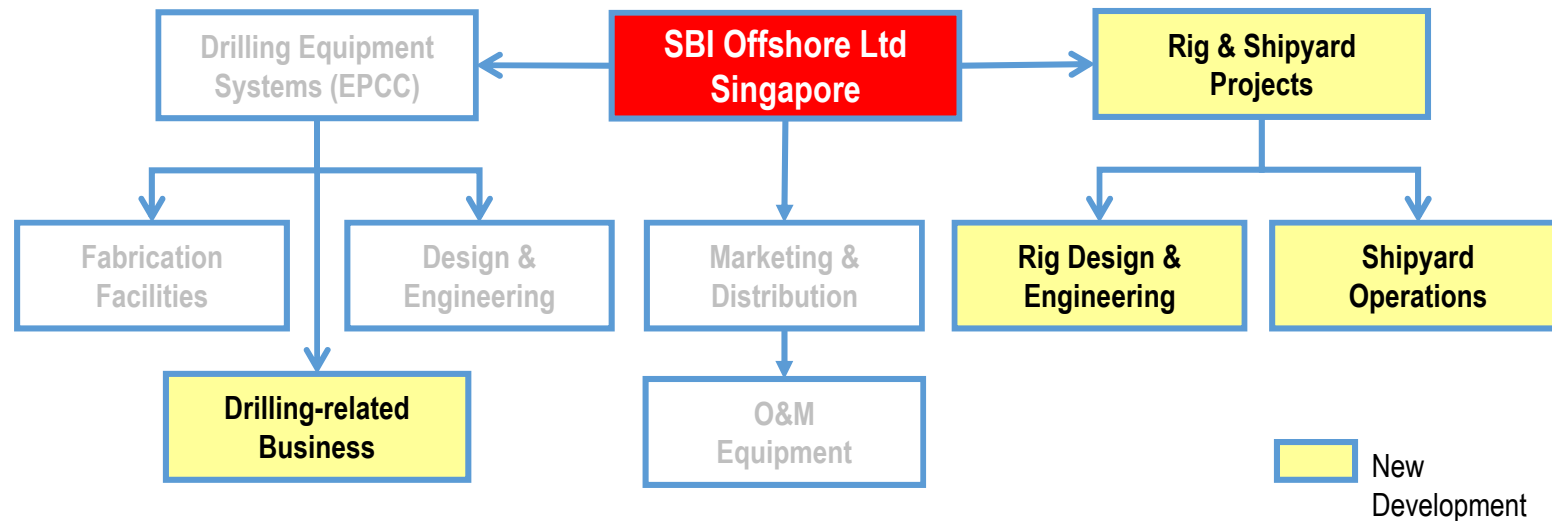


# Transformation (since 2013)



- Established **alliance with SWS** (#2 shipyard group in China)
- Secured design & engineering contract for **Topside Modular Complex** for TSO/Pemex
- Initiated discussions with various parties for various O&M projects including the engineering and construction of **5 Jack-up Drilling Rigs**
- Secured technical consultancy contract for **DSIC Mast Equipment Package** for Tender-Assist Rig

# Transformation (2014)



- JV with **Axon Energy Products** of USA
- Collaboration with **DSIC** (#1 shipyard group in China)
- Collaboration with design & engineering companies (Proceanic, Tecnomar, etc.)
- Signed **Design & Engineering Agreement** for a jack-up drilling rig with a Middle East-Chinese Consortium worth US\$24M





## Part 3 – Recent Corporate Developments

# Axon JV - Overview

- JV is in line with strategy to transform SBI into integrated engineering & equipment solutions provider
- Major manufacturer of drilling & related products; owns **34 manufacturing facilities** in 8 countries
- SBI owns 70% of JV Company, **Axon Rig Concept & Design Asia Pte Ltd (“ARCDA”)**
- SBI can **consolidate** Axon Asia revenue & profits

**AXON** | ENERGY PRODUCTS

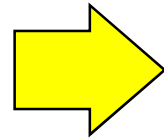


# Axon JV – Business & Revenue Model Change

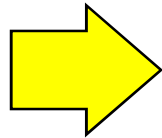
## Previous Model – Commission Income



Project (US\$220M)



DES (US\$45M)



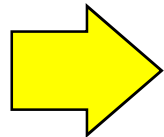
SBI Revenue  
(USD 450K)

As representative for Aker, SBI's revenue was 1% commission of the DES value

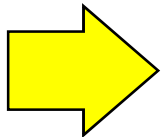
## New Model – Consolidating ARCDA's Revenue and Profits



Project (US\$220M)



DES (US\$45M)



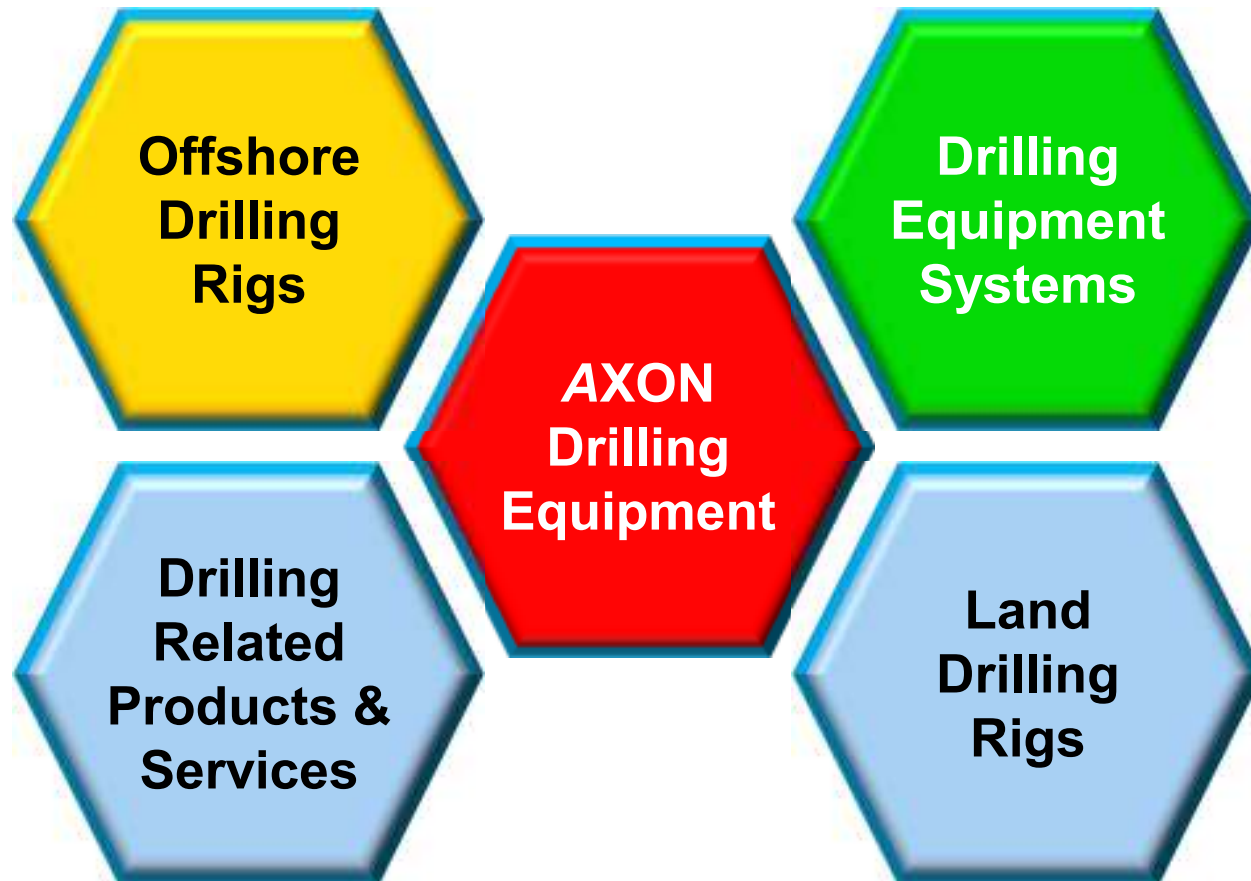
SBI Revenue  
(US\$45M)




As a 70%-owned JV, SBI's revenue is up to 100% of the DES value (i.e. 100x)

DES – Drilling Equipment System



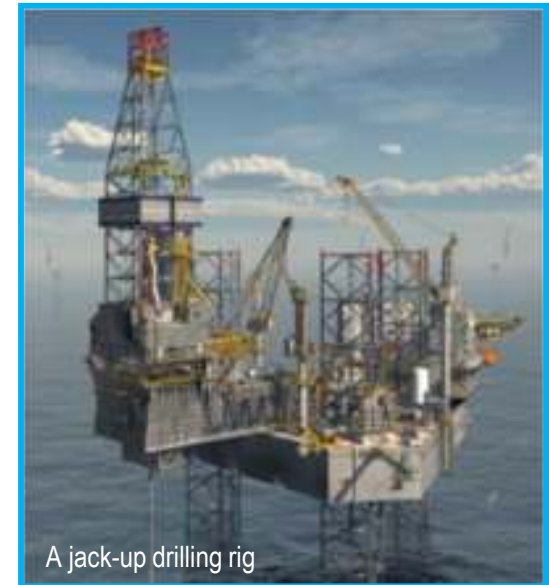
# Axon JV – Synergies & Adjacencies



-  Existing
-  In progress
-  Planned

# US\$24M D&E Contract

- Secured US\$24M contract from consortium of 6 Middle East & Chinese parties (“**Consortium**”)
- SBI Offshore to provide design & engineering of a jack-up drilling rig (“**Rig**”) for operation in the Middle-East or Asian regions in water depths of up to 110m
- In line with transformation efforts to evolve into an integrated engineering solutions provider for the O&M industry
- Work expected to commence in 2H2014; Expected to contribute positively in FY2014 and FY2015



A jack-up drilling rig

## 5 Jack-Ups – Commenced Negotiations

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- Commenced negotiations (no guarantee of success) with Consortium to build up to 5 Rigs that will meet requirements of ABS Classification or equivalent
- Price dependent on specs, equipment type and make, fabrication yard, delivery & financing terms
- Each Rig to take at least 2 years to build; all 5 Rigs expected to be completed in about 6 years
- If successful, financial contributions to SBI (from rig-building, project management services and sale of equipment) expected to start in FY2015 subject to finalization of Rig specs and construction start date



## Part 3 – Business Strategy

# Strategic Approach

## “ CAPTIVE MARKET – NICHE MARKET ”

- **Avoid competition** ... go where competitors do not want to go or cannot go.
- **Leverage** ... uneven the level playing field to enhance competitive advantage.

**“Green Ocean Strategy”**  
(Captive Position)



# Market Focus – “Captive & Niche Markets”



- Leverage on business network, experience & relationships of Chan LT (“**Region 1**”) and David Tan (“**Region 2**”)
- Focus on **unstructured markets & negotiated contracts** (“**niches**”)
- **Partnering with key end users** e.g. National Oil Companies in unstructured markets (“**captive**”)

# Market Focus – ME & Central Asia



Chan LT has over 30 years of international business experience including 17 years in the ME & Central Asia region.

- FELS Rep Office in Abu Dhabi
- FELS Baltech in Varna, Bulgaria
- FELS Baku in Azerbaijan
- Caspian Shipyard Co in Baku
- Keppel FELS in Tehran
- Keppel Kazakhstan in Aktau
- Saudi MTD Capital in Riyadh



Caspian Shipyard



Keppel Kazakhstan



Heydar Aliyev



Saturn

# Market Focus – South-East Asia



- David Tan has an established track record in the Far East & South East Asia region for about 30 years
- Established business relationship with all 7 major shipyard groups in China
- Secured sales of about **US\$6 billion** for O&M equipment across the region (essentially, sales for principals)



DES



Jack-up Rig

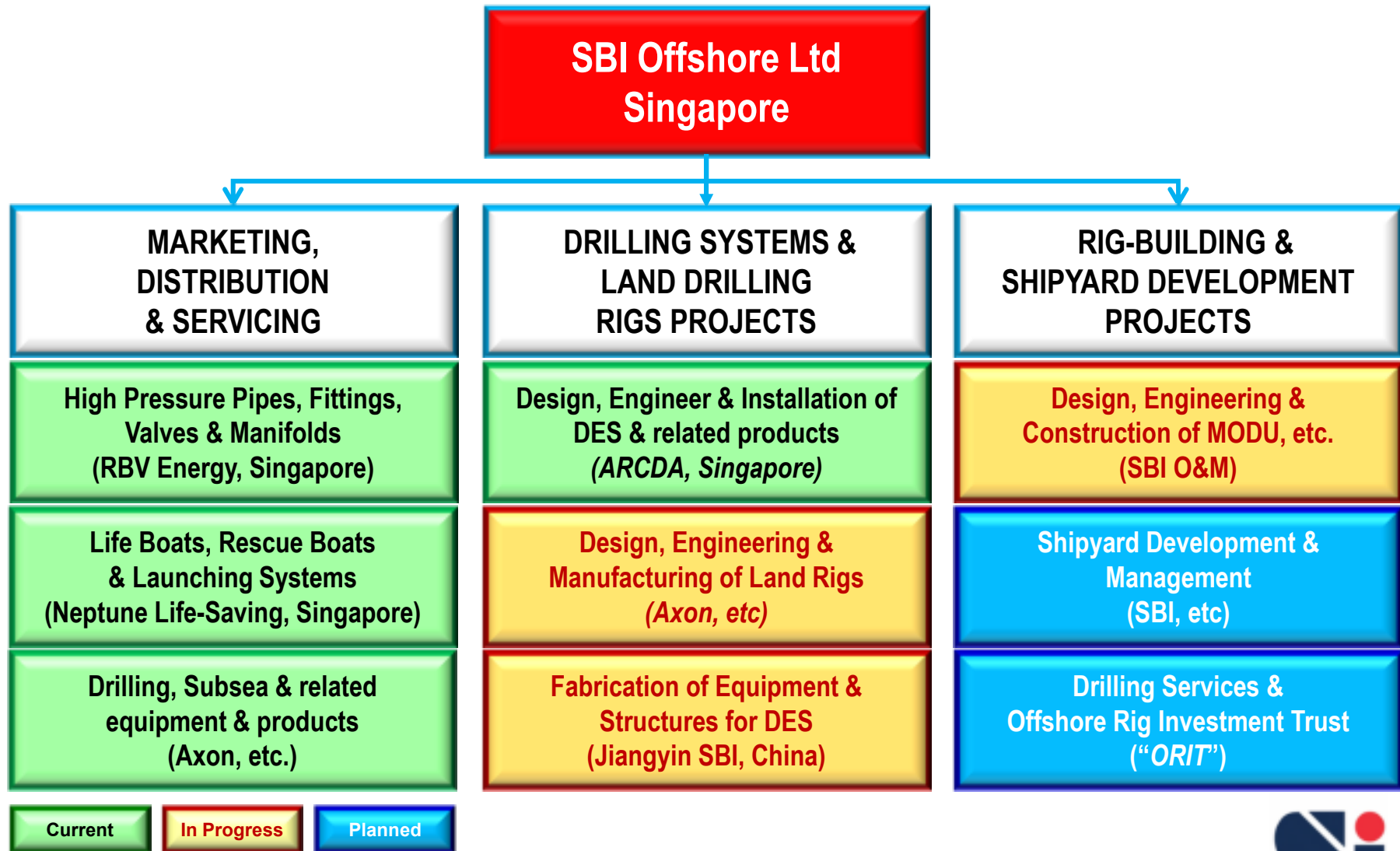


Semi-submersible Rig

# Long-Term Objectives

- To transform & re-position SBI Offshore from a marketing & distribution company into an **integrated engineering solutions provider** focusing on large-scale projects e.g. DES, mobile offshore drilling units & land rigs
- Focus on specifically the **drilling & related segment** in the offshore & marine industry
- **M&As** with engineering & manufacturing companies in drilling & related segment to raise competencies & capabilities
- To add **recurring income stream** to the Company i.e. drilling services, chartering business via a business trust

# Long-Term Objectives – “3 Pillars”



# Outlook – DES Market

- Annual global market for **DES** from 2015-2017 is likely to be stable at ~**US\$5B**. SEA, China & Korea has over **80%** share (~US\$4B)
- This is driven by:
  - Growth in **tender-assist rigs** market in Southeast Asia
  - More **stringent regulatory requirements** leading to rig owners needing to **upgrade** their drilling equipment
  - Opening up of **South China Sea** (particularly with intensified efforts by PRC)



# Outlook – Land Drilling Rig Market

- It is expected that global land rig demand will grow 23% from 2013 to 2017; about **1,300 land rigs** are necessary to be added with demand coming from the USA, China, Russia & Middle East.
- **Iraq**, especially **Kurdistan**, requires over **2,500 wells** to be drilled to meet its Government production targets of 12M bpd by 2020; substantial number of land rigs will be required.

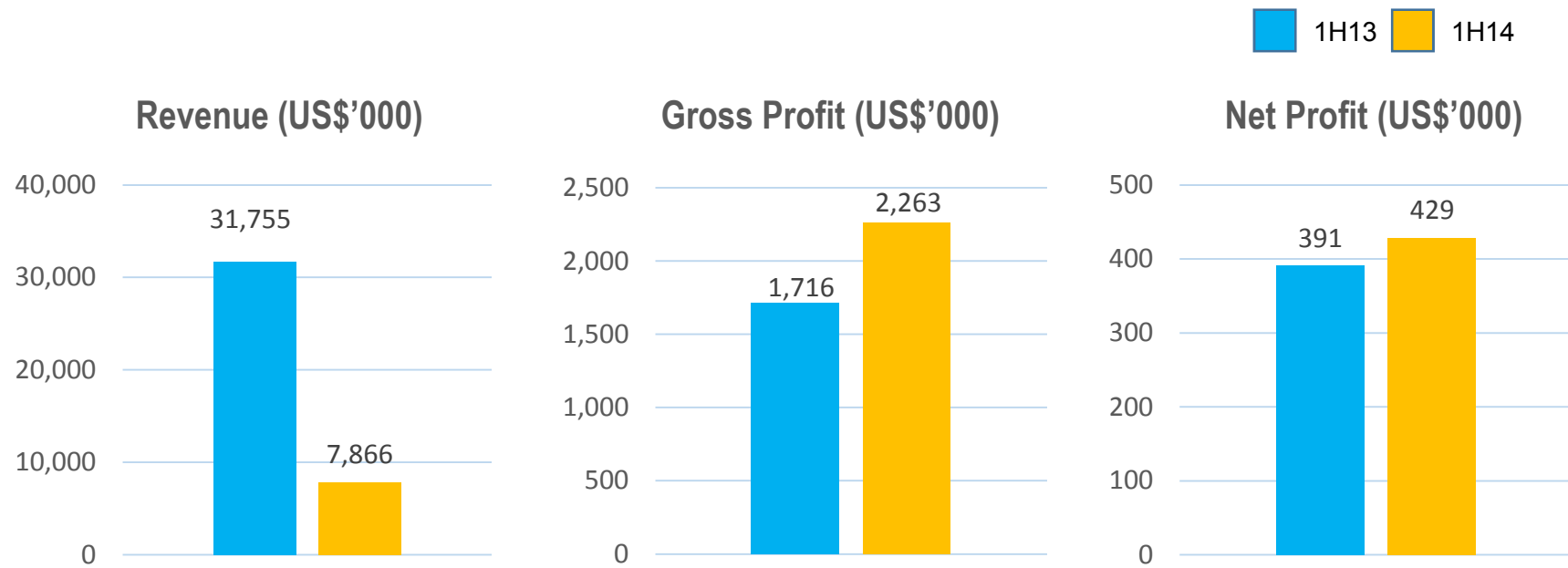




## Part 5 – 1H2014 Highlights



# 1H2014 Financial Highlights



- 1H2014 revenue decreased to **US\$7.9M** (US\$31.8M in 1H2013) due to:
  - Lower progress recognition of revenue from its EPCC project
  - Lower commission income received from Aker
- 1H2014 gross profit rose 32% to **US\$2.3M** (US\$1.7M in 1H2013)
- 1H2014 net profit rose 10% to **US\$429,000**



# 1H2014 Financial Snapshot

US\$ ('000)	1H2014	1H2013	Change (%)
<b>Revenue</b>	7,866	31,755	(75)
<b>Gross Profit</b>	2,263	1,716	32
<b>Gross Profit Margin (%)</b>	28.8	5.4	23 pt
<b>Net Profit Attributable To Shareholders</b>	429	391	10
<b>EPS On Fully Diluted Basis (US cents) #1</b>	0.22	0.26	(15)
<b>NAV per share (US cents) #2</b>	9.41	9.34#3	1

#1 EPS calculated based on weighted average number of shares in issue of 196M for 1H2014 and 150M for 1H2013

#2 NAV calculated based on total number of issued shares of 181M for 30 June 2014 and 178M for 31 Dec 2013

#3 As of 31 Dec 2013



# 1H2014 Financial Snapshot

US\$ ('000)	1H2014	1H2013	Change (%)
<b>Marketing</b>	1,125	1,472	(24)
<b>Distribution</b>	3,228	3,307	(2)
<b>Project</b>	3,513	26,976	(87)
<b>Total</b>	7,866	31,755	(75)

US\$ ('000)	30.06.2014	31.12.2013	Change (%)
<b>Total Assets</b>	26,526	27,478	(3.5)
<b>Total Liabilities</b>	9,524	10,891	(12.6)
<b>Net Current Assets</b>	6,514	6,075	7.2
<b>Cash &amp; Cash Equivalents #1</b>	6,723	7,586	(11.4)
<b>Total Equity</b>	17,002	16,587	2.5

#1 Including deposits pledged for bank facilities





# Thank You.

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