

SMOOTH SAILING FOR MERMAID IN OFFSHORE OIL BUSINESS

EXECUTIVE Q&A

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Mermaid Maritime Plc, a provider of subsea and drilling services for the offshore oil and gas industry, is a subsidiary of Thailand-based shipping group Thoresen Thai Agencies Plc (TTA). Mermaid has been listed on the Singapore Exchange since 2007. Chalermchai Mahagitsiri, executive vice-chairman and chief executive, discusses his company's strategy and outlook.

What is Mermaid's business model?

Mermaid is a leading international subsea and offshore drilling services company incorporated in Thailand and listed on the Singapore Exchange. We provide full turnkey services to oil and gas majors through our diversified portfolio of subsea vessels, specialised diving equipment, remotely operated vehicles and drilling and accommodation rigs.

We have been in the business for over 30 years and today operate in five regions with a team of more than 1,000 professional divers, drillers, technicians, surveyors, management and support staff. Our vision is to be a premium service provider in the offshore oil and gas services industry and constantly deliver enhanced returns to our shareholders.

Who are Mermaid's target customers?

Our customers comprise three segments. In the first segment are national oil and gas companies that include Saudi Aramco, Qatar Petroleum, PTT Exploration and Production, and Pertamina. The second are international oil and gas majors such as Chevron, BP, Shell and ExxonMobil. The third are major contractors such as Saipem, LS Cable, Bibby and CUEL. All are regular customers, and we can service them in Southeast Asia, the Middle East and the North Sea. In fact, 90% of our business comes from repeat customers.

What are the average utilisation rates of Mermaid's subsea fleets and drill-

ing rigs?

Mermaid's subsea vessels have an average utilisation rate of 70%, which is within industry standards. However, our dive-support vessels, which deliver more than half our subsea revenue, enjoy average utilisation rate of above 80%, higher than the industry average. Our tender rig MTR-2 has an average utilisation rate of 98% against an industry average of only 67%. The rate for our three jack-up drilling rigs is 94%, against the industry average of 80%. However, we recognise that utilisation must also be accompanied by improved profit margins while still maintaining safety and efficiency. This is a strategy we've successfully employed over the past two years, and we're constantly seeing improved bottom-line returns.

Will Mermaid focus more on subsea or drilling services going forward?

Our earnings are generally balanced between our two businesses, and we intend to maintain this balance so that our shareholders can receive a diversified portfolio of returns. We're constantly looking for growth opportunities in both businesses that will add to our bottom-line results. To improve future earnings capability, in early 2014 we ordered two new-build tender rigs and one subsea diving construction and support vessel, which are scheduled for delivery in 2016. We are also studying other strategic options such as mergers and acquisitions.

Mermaid invested in Asia Offshore Drilling Ltd (AOD) in 2010. How is this venture progressing?

AOD is a venture with our partner Seadrill, one of the largest drilling contractors in the world, which owns and operates three high-specification jack-up rigs. All three are currently contracted in Saudi Arabia until 2016. The venture with Seadrill, which owns 66.24% with Mermaid owning 33.76%, has been successful to date. The three rigs have been customised for offshore fields in Saudi Arabia, and we expect all of them to remain on contract for the long term.

What differentiates Mermaid from its competitors?

Mermaid has a track record of successful projects with reputable clients. This is our most valuable asset next to our people. We are also fully compliant with



Mr Chalermchai says Mermaid's proven track record is his company's biggest asset.

international standards for vessels and equipment and have an excellent health, safety and environmental track record that gives us the ability to compete on an international scale. With operational bases in Thailand, Singapore, Indonesia, Qatar, the UAE and Saudi Arabia, we have the capability and resources to handle large and small projects and can respond quickly to customers at all times and in all situations. As a result, we have a contract backlog of US\$470 million, which should provide a steady flow of activity in 2015 and 2016 with room still to grow.

What are the biggest risks facing your business?

This is a highly skilled business where job mobility is very high for those with the right skills. We're fortunate to have been able to retain our key operations management team in recent years. Health, safety and care for the environment remain our first priority under our Zero Incident Programme. As a result, we've received numerous safety awards and commendations from customers. We also have a robust risk management system in place to address general business risks identified from time to time.

Where do you see Mermaid in five years?

Since I became chief executive in 2012, Mermaid has achieved a strategic turnaround in its business expansion and bottom-line results thanks to the effort of all our team. Our full-year net profit tripled in 2013 from 2012, and net profit in the first nine months of 2014 is already more than double the 2013 full-year figure.

Going forward, I would like to see Mermaid achieve its vision to be a premium service provider, adapting and

fine-tuning its strategy with the changes in the market to deliver enhanced returns to shareholders consistently. We plan to achieve this by delivering a world-class service to the region from within the region.

Personally, I would like to see Mermaid contribute more to Thailand's offshore oil and gas industry so that we can become more self-sufficient in our energy needs in the future. Bringing our international successes home is an outcome that would make me very happy.

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