Lamprell

Half year results 2020

1 October 2020

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Agenda

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3 **Financial review**

4 **Strategy**

5 **Appendices**

Highlights

Christopher McDonald
CEO

Lamprell

Highlights 1H 2020

Improved financial performance and strategic progress

STRATEGIC

- **New contracts** of over **$575 million** signed in 2020:
  - Two new build jackup rigs from IMI JV in Saudi Arabia
  - 30 jackets for the Seagreen offshore windfarm
  - EPIC contract for the Mahani gas field in Sharjah
- **Moray East** operationally complete
- **Advancing digital strategy:**
  - Entered partnerships with Injazat and Akselos;
  - Several digital initiatives now deployed in operations

1H 2020 FINANCIAL

- **34% y-o-y revenue growth** to $142.5 million
- **EBITDA positive** 1H 2020 $0.3 million (1H 2019: $(29.6) million)
- **Net loss $19.6 million*** (1H 2019: net loss of $51.9 million)
- **Debt-free** balance sheet
- **Net cash increased** to $71.4 million at period end (December 2019: $42.5 million; 30 September 2020: $125 million)
- **Backlog increased** to $580 million

** Excluding exceptional restructuring cost and non-cash impairments*

Operational review

Christopher McDonald
CEO

Moray East preparation for load out

COVID-19

Continue to deliver projects

Impact on operations

- Work in the yard continues, impact on cost and productivity managed well
- Continue increased health screening
- Current projects progressing in line with schedule
- Steel and other deliveries in line with project schedules

Temporary cost reduction

- Salary and fee reductions of 25%
- Reduced working hours where possible
- Anticipated saving of $10m for FY 2020

Operational review

Health and safety

- Maintaining best practice operational safety performance – TRIR* 0.16

Moray East:

- Operationally completed
- Final loadout sailed away in September 2020

IMI rigs:

- Progressing to schedule
- Steel delivered, hull laid out, cantilever fabrication commenced

Rig refurbishment and other services:

- Refurbishment segment continues to deliver steady results
- Contracting services results mildly affected by COVID-19 restrictions

Operational restructuring

- All operations consolidated within Hamriyah
- Annual cost saving of ca $20 million
- Added ca 14 ha in September 2020 to further improve efficiencies and ensure strategic delivery

** Total Recordable Injury Rate*

New contract awards

Seagreen project scope

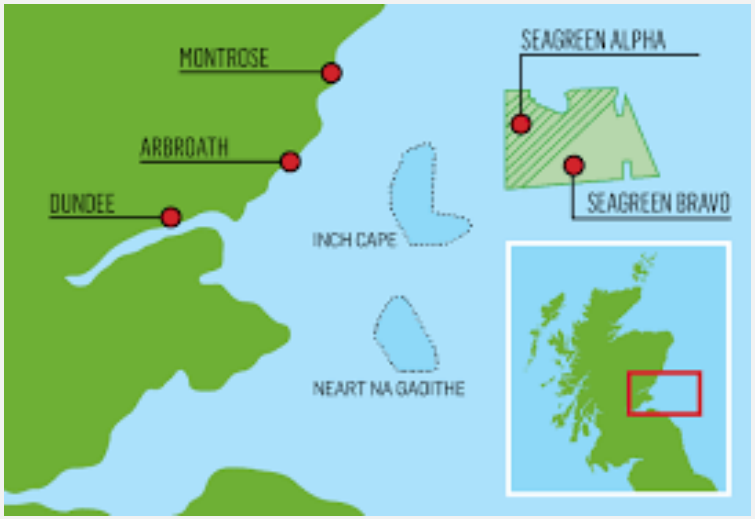
- 30 WTGs Substructures, including the jackets, transition pieces and suction caissons
- Fabrication in UAE with deliveries to client at quayside in Hamriyah
- Completion in 2H 2021
- Steel delivered and fabrication commenced

Mahani gas field

- Significant gas condensate discovery made in Sharjah in January 2020
- SNOC developing the field in JV with Eni
- Lamprell contracted for EPIC a new 25 km export pipeline, including existing systems upgrade and associated tie-ins

Seagreen wind farm

- Capacity: 1.5 GW
- Commissioning in 2023
- Ownership: Total/ SSE Renewables



Bid pipeline

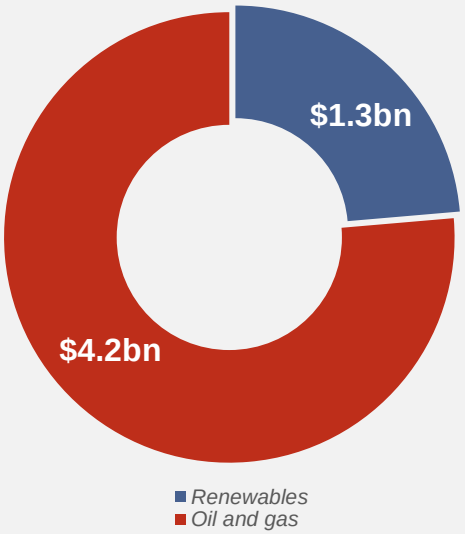
Renewables

- Bid pipeline almost doubled since 2017
- Sustaining active bidding for opportunities in Europe and Asia
- Further pipeline growth anticipated in 2021 from US foray into renewables
- COVID-19 affected timing of decisions on several projects

Oil and gas

- Discussions with regional clients continue, but progress will be slow
- Bid pipeline contribution from Saudi Aramco LTA consistently around $3 billion

Bid pipeline $5.5bn*



*Including LTA

Financial review

Tony Wright
CFO

Key Financials

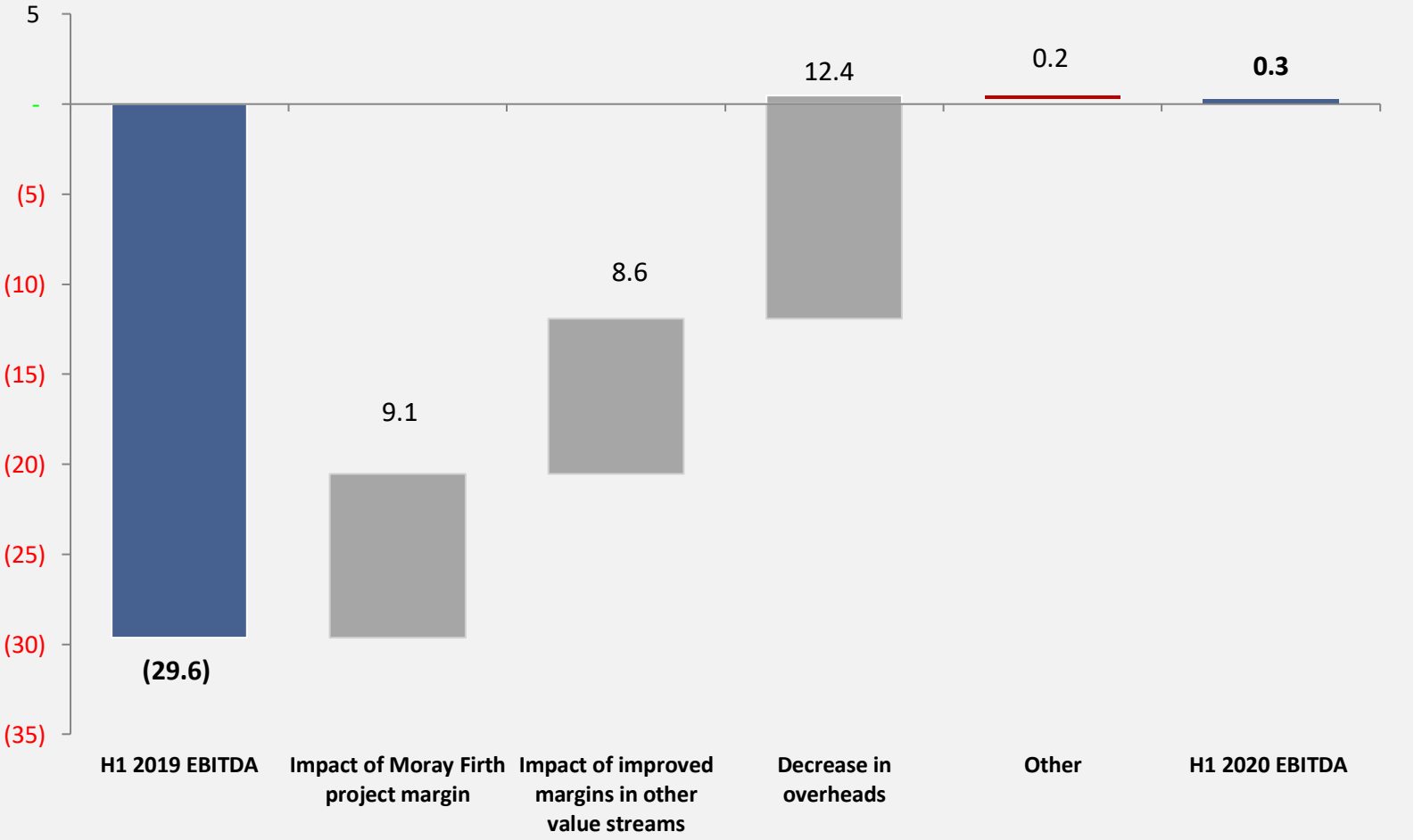
- Positive EBITDA on profitable projects and overhead reductions
- Overhead before exceptionals reduced 31% y-o-y
- 34% y-o-y revenue growth
- Net loss before exceptional items $19.6m
- Net cash increased to $71.4 m
- Debt free balance sheet; current project funding in place

Income statement ($m, unless stated otherwise)	**HY 2020**	**HY 2019**
Revenue	142.5	106.4
EBITDA	0.3	(29.6)
EBITDA margin	0.2%	(27.8)%
Loss from continuing operations after income tax	(27.1)	(51.9)
Reported diluted loss per share (US cents)	(7.93)	(15.20)
Balance sheet ($m)		
Net cash as at 30 June	71.4	42.5*
Tangible net assets	186.8	363.0

Revenue by segment	**HY2020$m**	**HY2019$m**
Rigs	31.9	13.2
EPC(I)	85.8	61.9
Contracting services	24.8	31.3

*As at 31 December 2019

Positive EBITDA

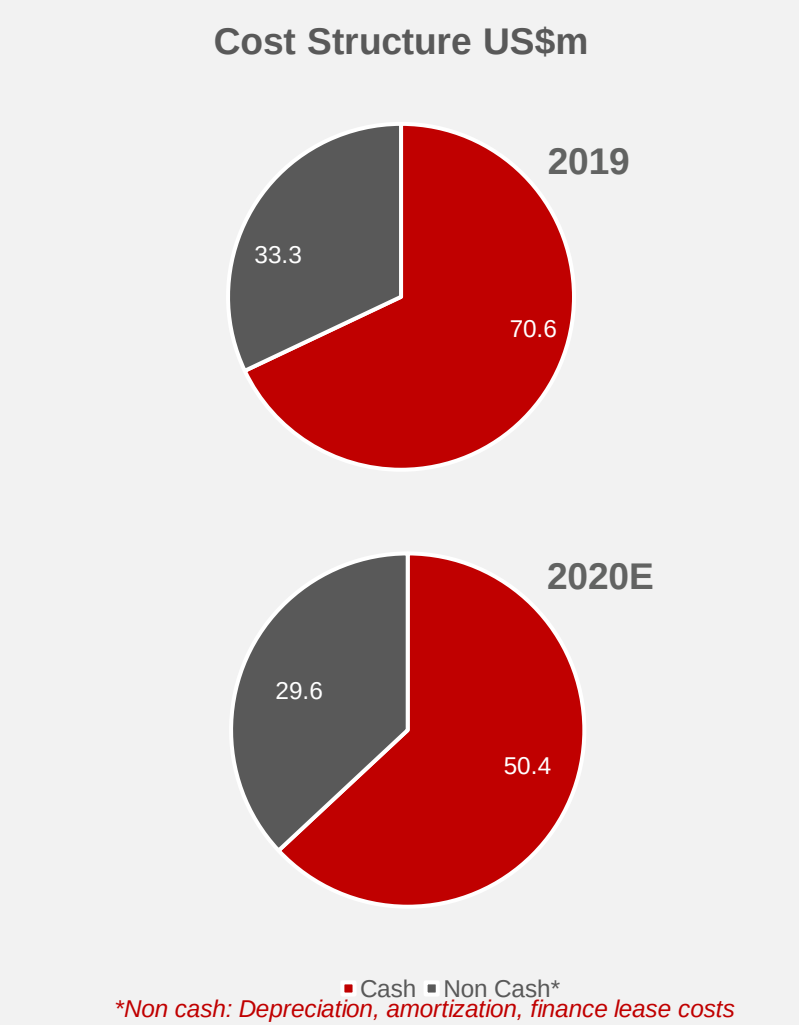


Amounts in US$m

Cost structure

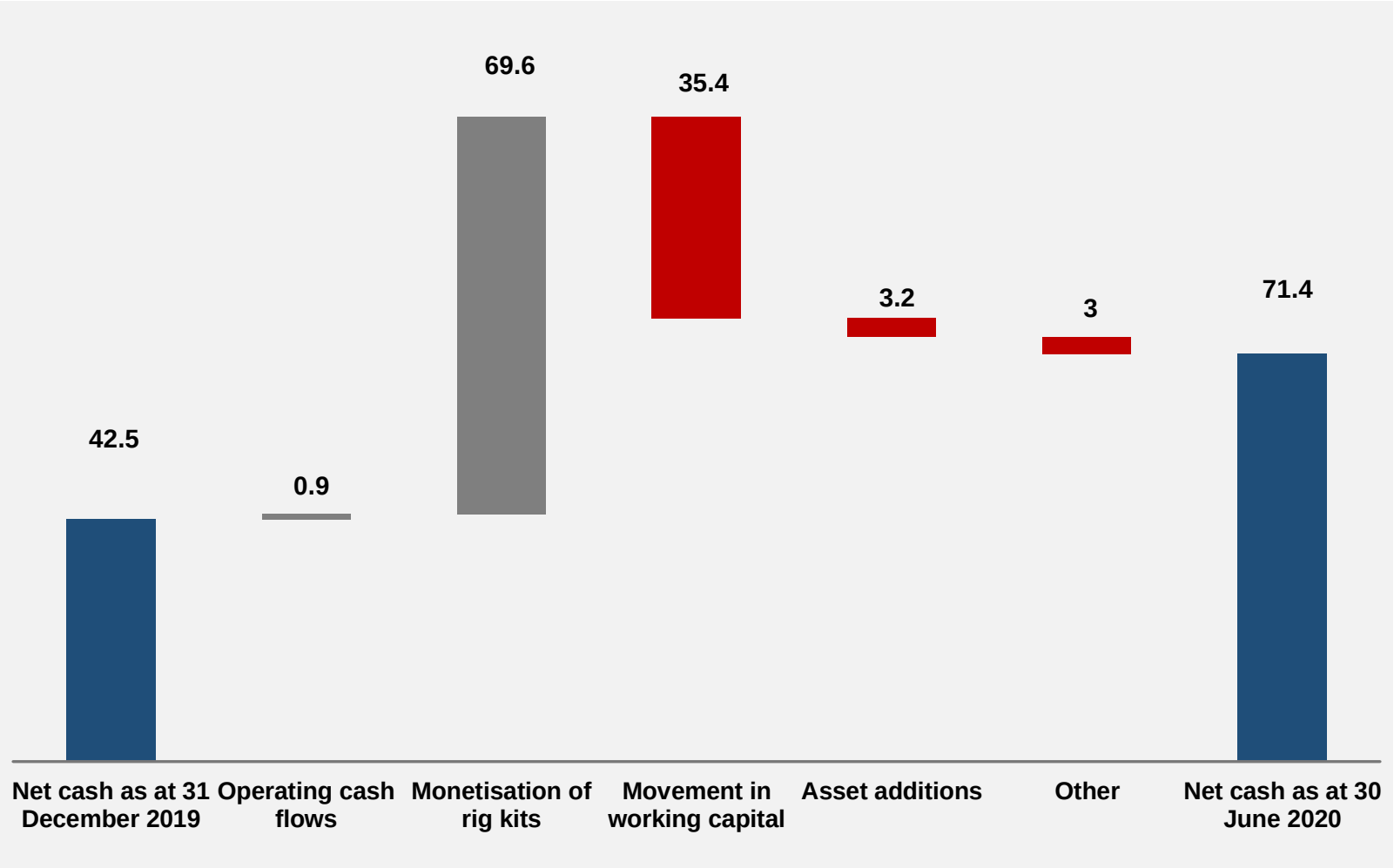
Actions taken to deliver over 20% overhead reduction for the Full Year

- 31% y-o-y overhead reduction (pre-exceptional items): 1H 2020 US$35.1 million vs 1H 2019 $51.1 million
- Overhead reduction resulting from organisational restructuring: $9 million
- Operational overheads to increase moderately in 2H with 2 major projects in the yard
- 2020 overhead (pre exceptional items) anticipated to be $80 million
- 2021 overhead expected to be similar to current levels
- Cost reduction driven by COVID-19: US$10 million in 2020



Excluding exceptional items (restructuring cost and impairment)

Increased net cash



Amounts in US$m

Financial summary

Focus on maintaining liquidity

- Tight cost control will continue as revenue levels improve
- Ongoing projects supported by balance sheet and project-specific financing
- Conventional debt market remains challenging, but project financing is open
- Net cash to trend to 1H levels at year end as projects draw working capital
- Modest capital expenditure anticipated for 2020
- Critical-only capex aimed at optimising yard efficiencies

Strategy update

Christopher McDonald
CEO

Lamprell

Moray East Batch Sail

Strategic Progress

Adapting to the evolving energy industry

Solidify position in core markets

Move up the value chain in EPC(I)

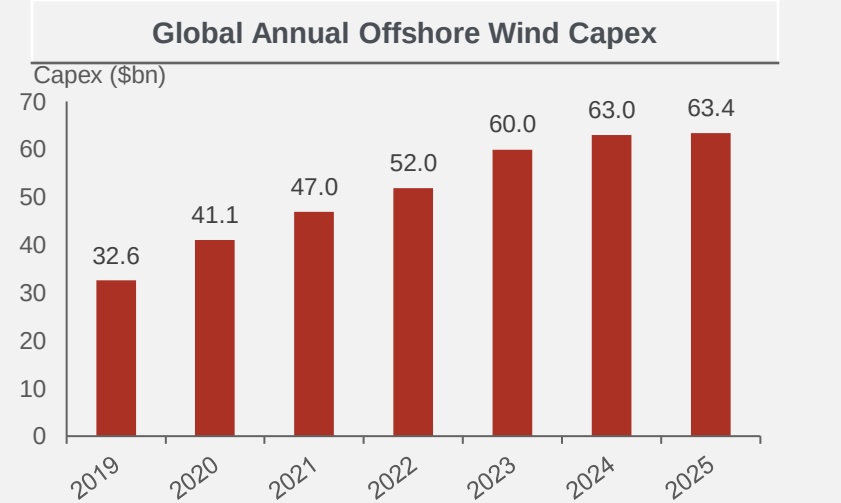
Improve our business through innovation and digital technologies

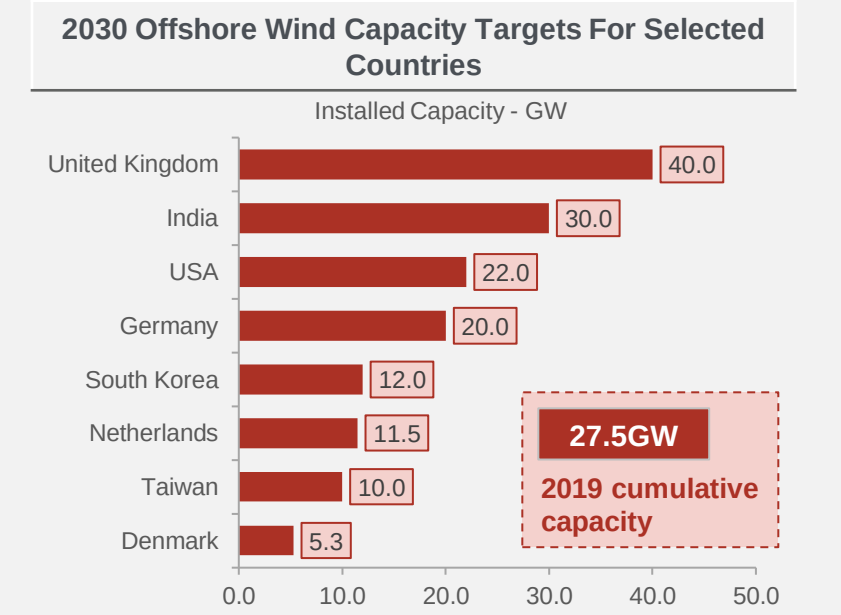
2020 progress

- ✓ Third major renewables contract awarded
- ✓ Renewables bid pipeline to grow with the emergence of US offshore wind
- ✓ IMI new build jackup rigs contract secured
- ✓ Regional client relationships supported through refurbishment work and mid-size projects
- ✓ Digital initiatives successfully deployed in operations
- ✓ Partnerships with Injazat and Akselos to accelerate value creating opportunities in digital solutions

Offshore Wind

- Over $300 billion capex in offshore wind expected in the next 5 years
- Global installations growing with Europe reporting record commissioning in 2019
- US accelerating entry into offshore wind with large scale proposals for US East Coast
- COVID-19 is not affecting commissioning of projects under development but has slowed down FIDs due to delays with permitting





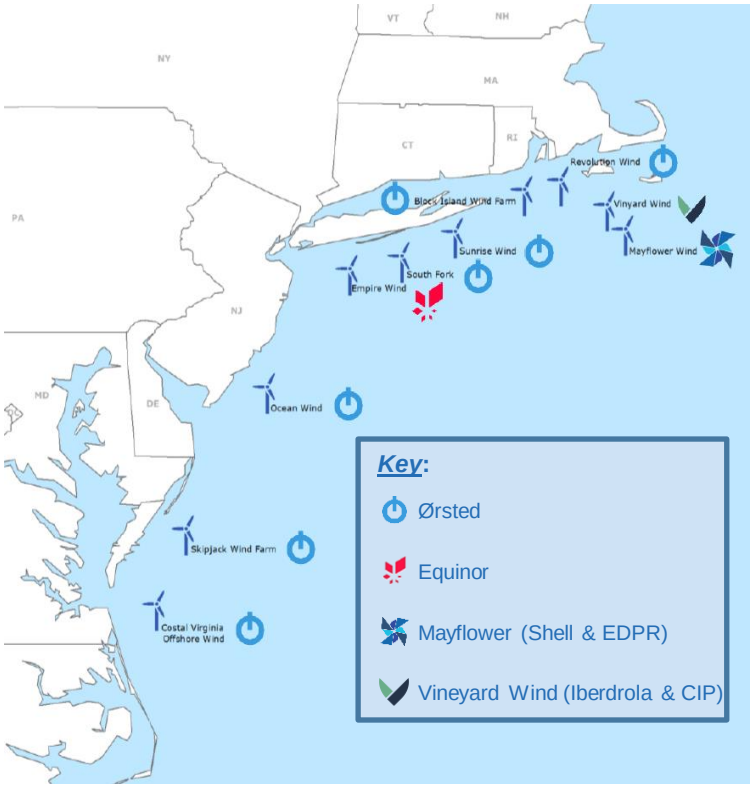
- *Source: IEA Offshore Wind Tracking Report, AWEA June status update, Rystad Energy*

Offshore Wind in the USA

Major Projects On The Eastern Seaboard

- Recent legislation and goals set in a number of Eastern states to reduce carbon emissions
- European developers are set to leverage their experience in capturing the rapidly growing US market
- US targets 22GW by 2030

20% **20% of East Coast targets awarded, with 80% remaining capacity commitments**



** Source: Rystad Energy*

Oil & Gas

Focus on MENA activity region

- LTA bidding focused on Aramco's production maintenance continues
- ADNOC embarking on rig upgrade and refurbishment programme ahead of major rig fleet expansion in support of its 2030 smart growth plan
- Mahani gas field discovery in Sharjah supports medium-term fundamentals for fossil fuels
- Lamprell maintains one of the highest local content scores in the region

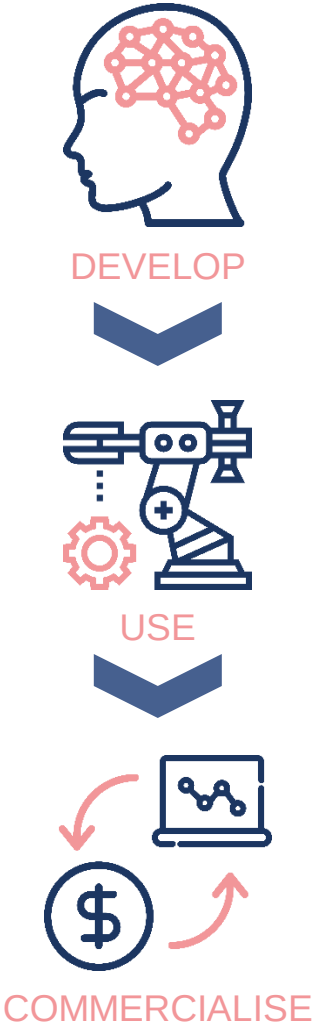
Delivering Digital Transformation

Industry status

- Use of digital solutions to improve quality, safety and productivity:
  - Adaptive robotic welding
  - Facial recognition
  - Digital quality management
  - Smart non-destructive testing

Lamprell differentiator

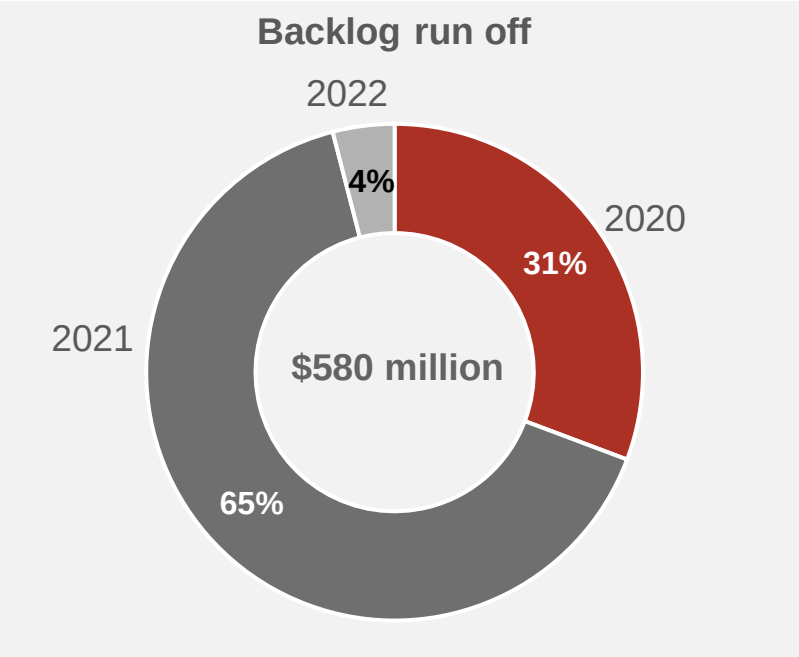
- Monetise unique experience and knowhow
- Partnership with Injazat to develop AI asset integrity solutions and operations productivity applications
- Signed distributor deal with Akselos, advanced technology provider in structural and process digital twin solutions



Outlook

Revenue growth and cost discipline

- Focus on health and wellbeing of employees as COVID-19 impact persists
- Preserve liquidity as we progress strategic initiatives
- Deliver sustained revenue growth: 2020 secured revenue of $325 million, 2021 and 2022 backlog of $400 million
- Grow the bid pipeline: strong high quality bid pipeline in both end markets, with renewables segment expected to show significant growth from 2021
- Maintain cost discipline



Appendix

Financial summary

Amounts in $m	HY 2020, $m Reported	HY 2019 $m Reported
Revenue	142.5	106.4
Cost of sales	(136.8)	(119.4)
Gross profit/(loss)	5.7	(13.0)
Gross margin %	4.0%	(12.2%)
G&A :	(22.7)	(29.3)
- Restructuring costs and impairment of PPE, intangibles and investment in associate	(7.4)	-
- Other G&A expenses	(15.3)	(29.3)
Operating loss	**(17.0)**	**(41.7)**
Finance costs - net*	(2.0)	(4.1)
Share of loss in investments accounted using the equity method	(8.1)	(6.1)
Loss before income tax	**(27.1)**	**(51.9)**
Income tax expense	(0.03)	(0.06)
Loss for the period	**(27.1)**	**(51.9)**
Total loss attributable to equity holders	**(27.1)**	**(51.9)**

** Represents the net balance of finance costs and finance income*