

Flash Note: Kim Heng Offshore & Marine Holdings

Date: 26 April 2019

Q1 revenue jumped 139%, turned profitable for latest quarter

Kim Heng Offshore & Marine Holdings Limited (“**Kim Heng**”, and the “**Group**”) and its subsidiaries announced first quarter results that saw revenue jumped 139% on a year-on-year (“**y-y**”) basis boosted by an increase in projects being undertaken and the recognition from the completion of projects.

Group reported positive EBITDA and profit for 1Q2019

Kim Heng reported 1Q2019 revenue which increased by S\$10.3 million from the Offshore Rig Services and Supply Chain Management segment as there were more projects being undertaken by the Group in 1Q2019. During the quarter, the Group also successfully completed a Marine Civil Engineering contract valued at approximately S\$3.5 million. This was announced on 11 April 2019. They also saw an increase in revenue of S\$1.2 million in charter income.

The Group also saw gross profit margin increase by 3% from 18% in 1Q2018 to 21% for 1Q2019 mainly due to the higher margins of certain offshore rig and support services projects rendered by the Group during 1Q2019. Consequently, the Group also reported a positive earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) of S\$2.3 million or 12.8% EBITDA margin.

The recognition of tax credits in 1Q2019 due to the reversal of deferred tax liabilities after the completion of the sale of cranes of S\$4.2 million to Hup Hin Heavy Equipment Pte. Ltd. announced in February 2019 saw the Group report a profit of \$0.2 million for the period.

Management outlook positive for Group

As oil prices recovered and stabilized in the first quarter of the year, the Group has seen the gradual increase in drilling activities which lifted the demand for the offshore and marine industry. This is supported by improving visibility of contracts and, barring any unforeseen circumstances, they are cautiously optimistic for FY2019.

In order to capture the recovery in the oil price, the Group has developed its value chain and strengthened its engineering capability. In 1Q2019, the Group had successfully completed a Marine Civil Engineering contract valued at approximately S\$3.5 million awarded by a well-established customer. The Group has also secured various fabrication projects valued at an aggregate of S\$7 million from another well-established customer and these projects are scheduled to take place over six (6) months, commencing from the first quarter of 2019 which is expected to contribute positively for the current financial year ending 31 December 2019 (“**FY2019**”).

Currently, the Group is looking at new strategies and alternative businesses to complement the oil & gas sector and to expand its value chain into offshore renewable energy projects. To that end, the Group will continue to diversify and expand its business across South East Asia.

About Kim Heng

With over 40 years of experience, Kim Heng Offshore & Marine Holdings Limited and its subsidiaries (“Kim Heng” or the “Group”) is an established integrated offshore and marine value chain services provider. Strategically located in Singapore, the Group offers a one-stop comprehensive range of products and services that caters to different stages of offshore oil and gas projects from oil exploration to field development and oil production.

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