



# Braemar Shipping Services plc

## Interim results

Six months ended 31 August 2015

*October 2015*

# Agenda

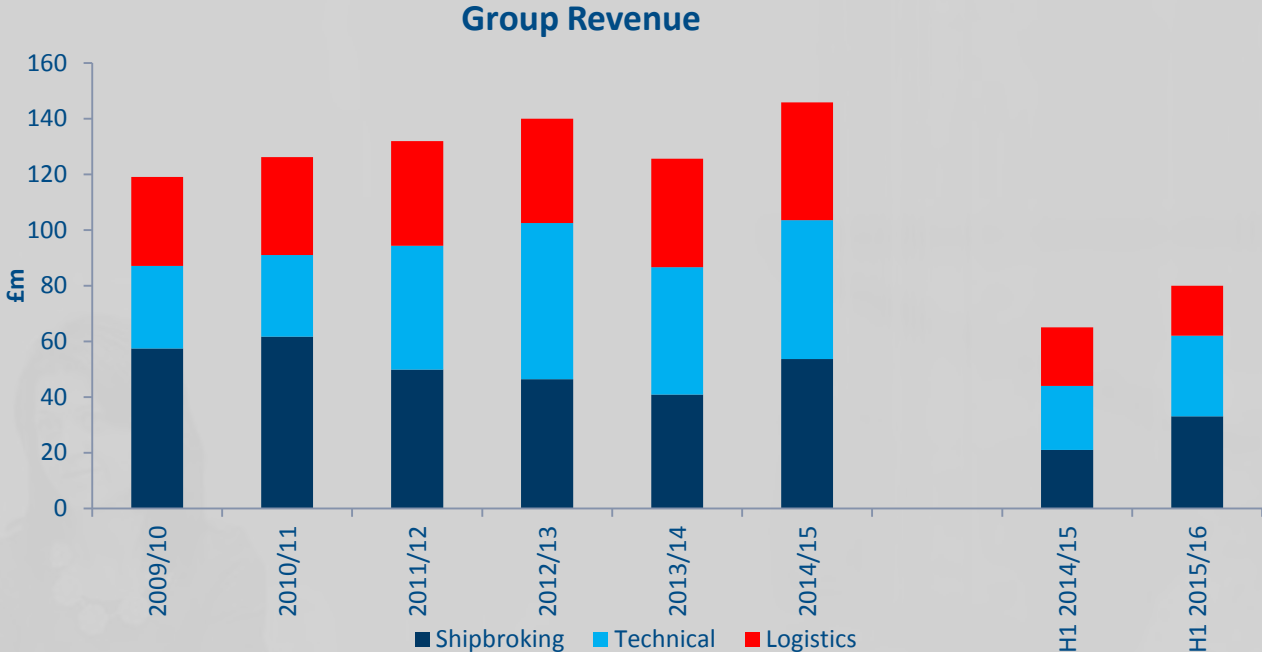
- Group Strategy
- Group Highlights
- Shipbroking Division
- Technical Services Division
- Logistics Division
- Group Financial Results
- Outlook

# Group Strategy

- To continue to build a diversified global portfolio of businesses in medium and long term growth sectors
- To continue to develop service provision to marine, energy, offshore and insurance markets
- To continue to grow our global integrated geographic footprint
- Shipbroking division to maintain its strong position in a global market with room for continuing growth
- Technical division is a blend of complementary businesses with opportunities for organic and acquisitive growth
- Logistics division capable of operational improvement and geographic expansion
- Improving profit and cash generation to deliver sustainable shareholder returns

# Successful Execution of Strategy

Long-term growth in volatile markets



Note that 2014/15 includes 7 months of ACM revenue only

# Group Highlights

## Financial Highlights

- Revenue up to £79.6m (from £64.5m)
- Underlying\* Pre-tax Profit almost doubled to £7.0m (from £3.6m)
- Basic Underlying\* EPS up to 18.6p (from 11.7p)
- Interim dividend maintained at 9.0p

## Operational Highlights

- Shipbroking showing strong growth arising from Braemar ACM merger
- Technical division profit up by 34% led by a strong performance in Braemar Engineering.
- Logistics division unchanged and well set for further growth.

\*Excluding acquisition related expenses and non-recurring items

# Group Financial Results

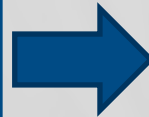
	H1 2015/16	H1 2014/15
Revenue	£79.6m	£64.5m
Underlying* Pre-Tax Profit	£7.0m	£3.6m
Underlying* EPS	18.62p	11.68p

	FY 2014/15	FY 2013/14
Revenue	£145.8m	£125.5m
Underlying* Pre-Tax Profit	£11.3m	£9.3m
Underlying* EPS	31.27p	33.51p

# Shipbroking Division - Operating Review

## WHAT WE DO

- Tanker chartering
  - Crude Oil
  - Clean Petroleum Products
  - LPG
  - LNG
  - Specialised tankers
  - FFAs
  - Projects
- Sale and Purchase
  - Second hand
  - Newbuilding
  - Recycling
  - Valuation
- Dry Bulk Chartering
- Offshore
  - Chartering
  - Sale & Purchase
- Research & Consultancy



## BUSINESS GROWTH DRIVERS

- Transaction volumes
- Freight rates
- Vessel values
- Quality and number of brokers
- Geographic presence

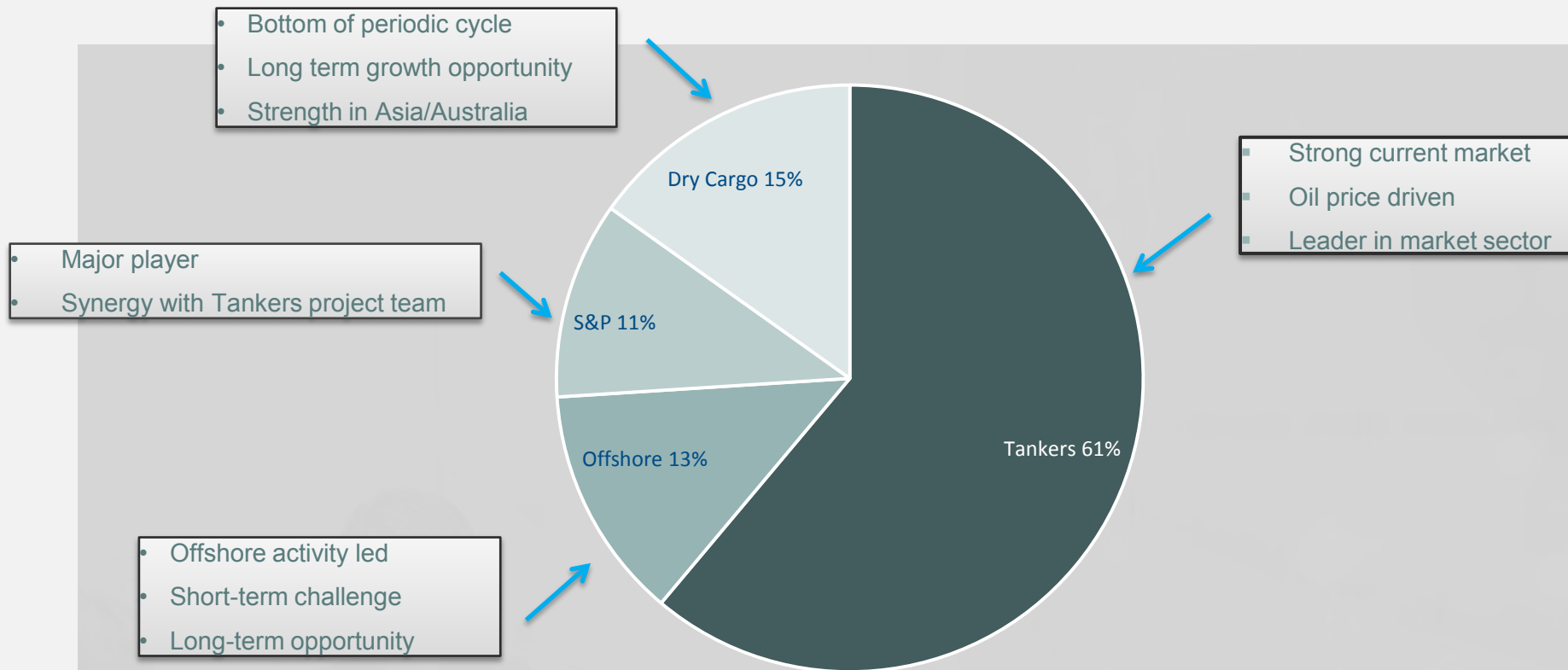
# Shipbroking Division- Operating Review

	H1 2015/16	H1 2014/15	FY 2014/15	FY 2013/14
Revenue	£33.3m	£21.0m	£53.6m	£40.9m
Underlying* Operating Profit	£4.6m	£1.4m	£5.6m	£2.6m

- Fully integrated Braemar ACM division is delivering more than we expected
- Underlying profit increased by over 200% following merger
- Desks are well managed and flexible to exploit market changes
- Forward order book holding steady at \$56m
- Diversity of shipbroking activity has provided ability to grow in volatile market

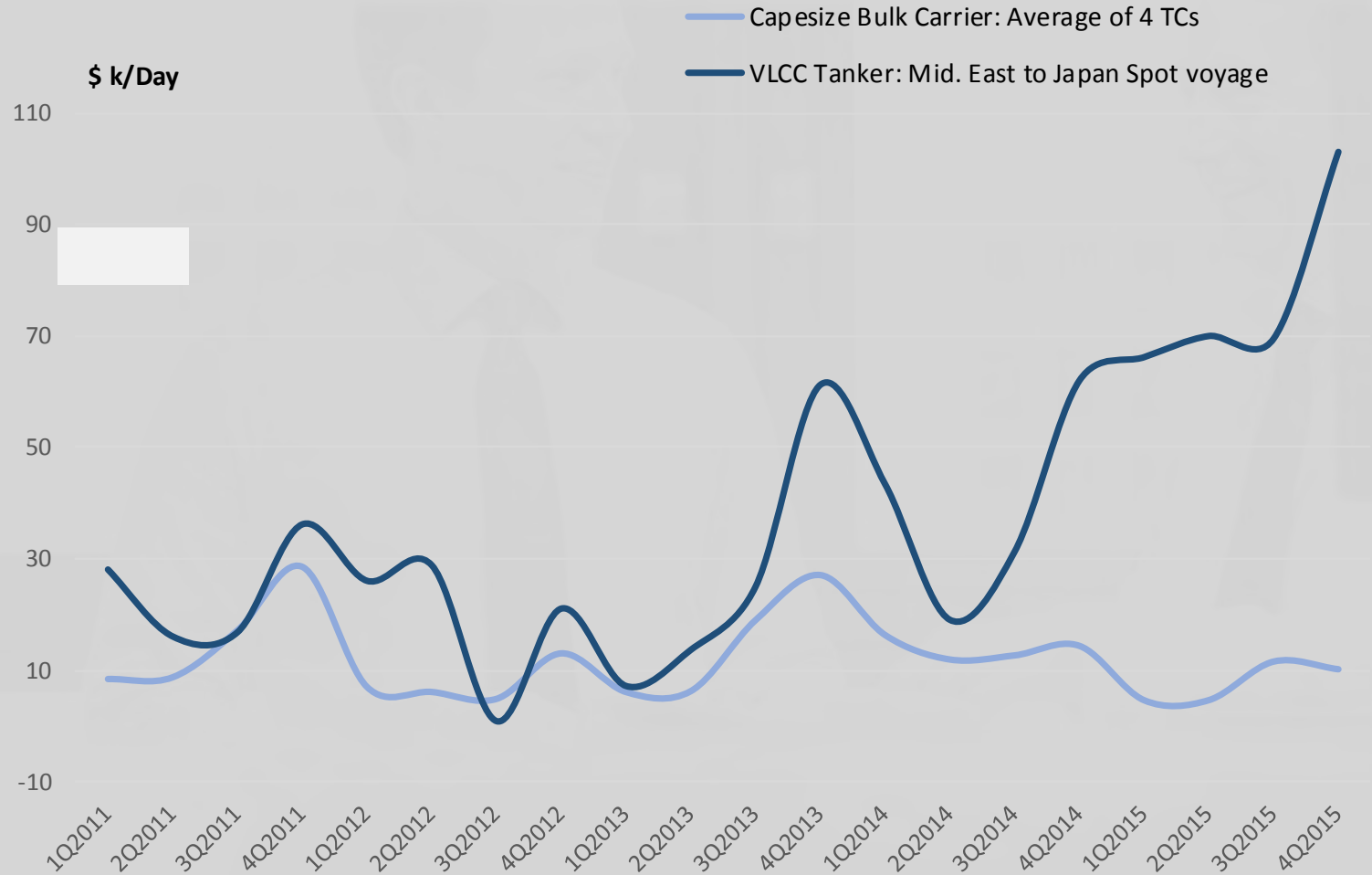


# Shipbroking Division - Operating Review

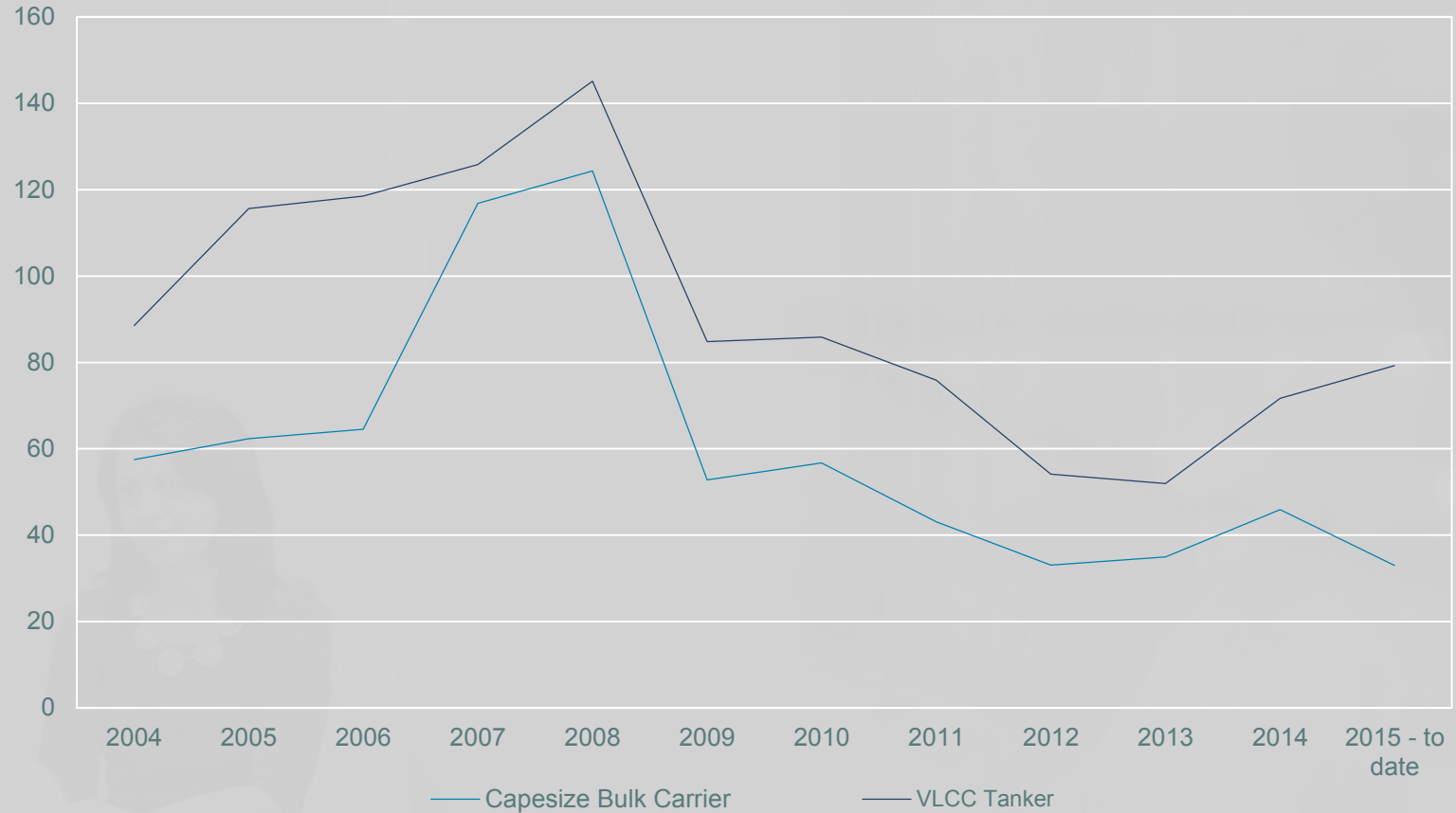


Revenue split based on H1 2015/16

# Tanker and Dry Bulk Carrier Earnings



# Five year old yearly average vessel prices (\$m)



# Technical Division- Operating Review

## WHAT WE DO

- Vessel surveys
- LNG vessel consulting
- Marine engineering
- Ship construction – supervision
- Marine warranty surveys
- Energy loss adjusting
- Incident response and pollution control
- Environmental consultancy



## KEY BUSINESS DRIVERS

- Number and scale of assignments
- Diversity and depth of knowledge and skill base
- Volume of activity in Offshore and LNG industry sectors
- Geographic presence

# Technical Division – Operating Review

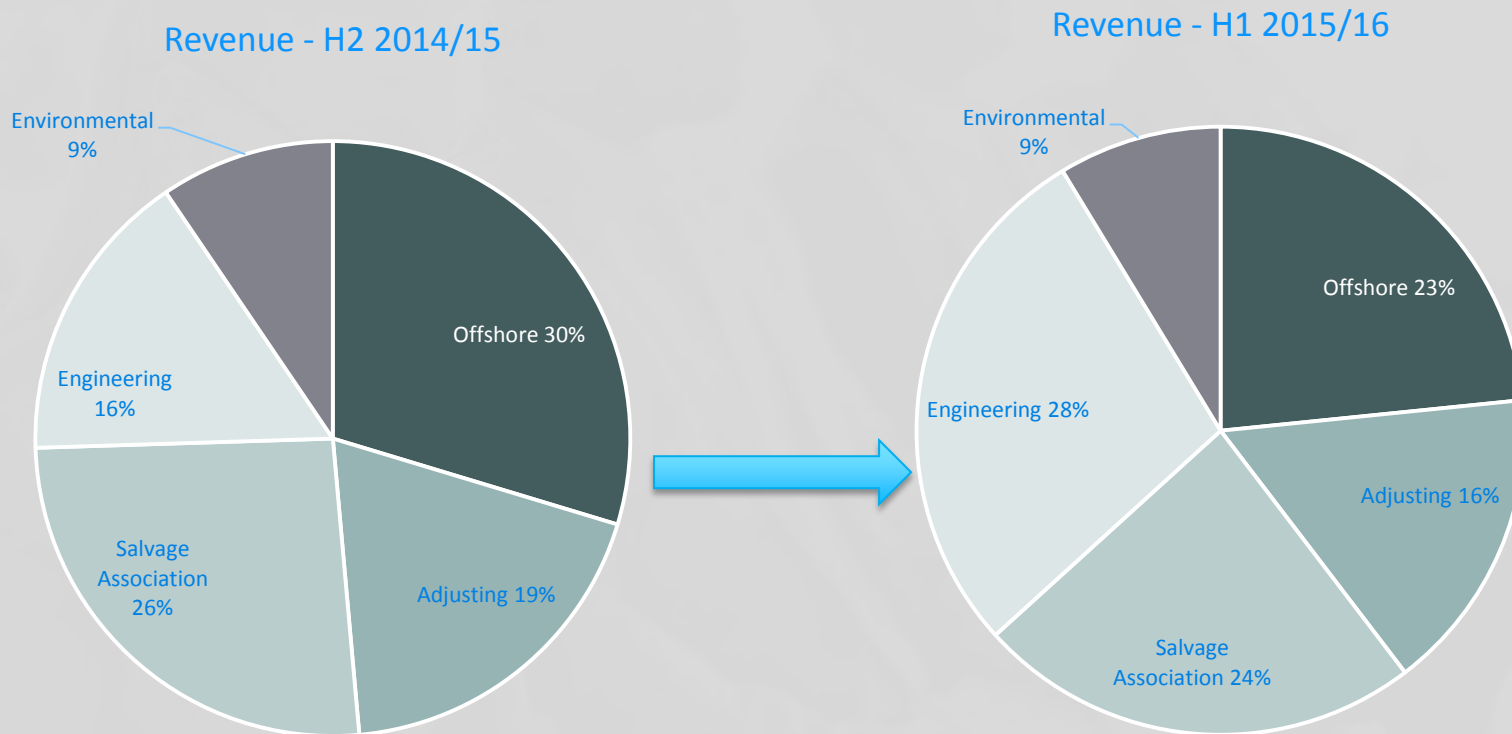
	H1 2015/16	H1 2014/15
Revenue	£28.6m	£22.9m
Underlying* Operating Profit	£3.1m	£2.3m

	FY 2014/15	FY 2013/14
Revenue	£49.9m	£45.7m
Underlying* Operating Profit	£6.0m	£6.9m

- Improved performance across Technical portfolio
- Braemar Engineering delivering strong growth in LNG vessel engineering sector
- Braemar Offshore continuing to deliver solid performance despite challenging market
- Environmental business successfully integrated into the division
- Opportunities for high quality recruitment in niche sectors

# Technical Division – Revenue Diversity

Diversified portfolio allows growth in variable market conditions



# Logistics Division- Operating Review

## WHAT WE DO

- Port & Liner Agency
- Hub Agency
- Freight Forwarding
- Project cargoes
- Customs clearance



## KEY BUSINESS DRIVERS

- Key long term client relationships
- Geographical presence
- Bespoke project management capability
- Brand recognition – “Cory Brothers”

# Logistics Division- Operating Review

	H1 2015/16	H1 2014/15
Revenue	£17.6m	£20.6m
Underlying* Operating Profit	£1.0m	£1.0m

	FY 2014/15	FY 2013/14
Revenue	£42.4m	£38.9m
Underlying* Operating Profit	£2.3m	£2.0m

- Division refocussing on higher value added projects resulting in increased margin
- Business development includes expansion of US & Singapore based activities



# Group Income statement

	H1 2015/16 £m	H1 2014/15 £m	FY 2014/15 £m
Revenue	79.6	64.5	145.8
Underlying profit	7.1	3.6	11.3
Exceptional Items	<u>(1.8)</u>	<u>(3.3)</u>	<u>(6.0)</u>
Operating profit	5.3	0.3	5.2
Net finance expense	<u>(0.1)</u>	<u>0.1</u>	<u>(0.5)</u>
Profit before tax	5.2	0.2	4.8
Tax	<u>(1.3)</u>	<u>(0.3)</u>	<u>(2.2)</u>
Profit after tax	<u>3.9</u>	<u>0.1</u>	<u>2.6</u>
EPS – Underlying	18.6p	11.7p	31.3p

Performance improvement from acquired business and organic growth

Exceptional items relate to ACM Merger

Effective tax of 25% (2014: 25.2%) reflecting disallowed business costs and share based payments

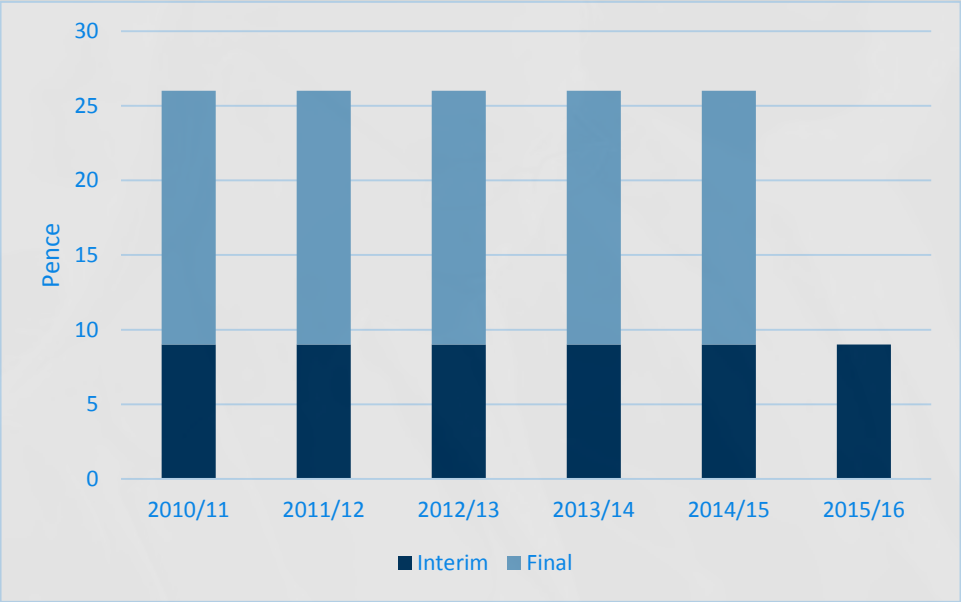
# Group Balance sheet

	H1 2015/16 £m	H1 2014/15 £m	FY 2014/15 £m	
Goodwill and other intangibles	78.8	80.6	79.4	Intangibles reducing as ACM forward order book earns out
Fixed assets and investments	7.7	12.4	8.2	
Current assets	63.0	57.2	57.4	Increased working capital due to business growth
Current liabilities	(40.0)	(37.5)	(42.9)	
Pension	(1.3)	(1.4)	(1.5)	
Provisions / Other	<u>(1.7)</u>	<u>(3.5)</u>	<u>(3.5)</u>	
	20.0	9.5	14.8	
Net Cash / (debt)	(3.1)	(4.9)	7.2	Modest net debt position
Net Assets	<u>103.3</u>	<u>104.3</u>	<u>102.9</u>	

# Group Cashflow Statement

	H1 2015/16 £m	H1 2014/15 £m	FY 2014/15 £m	
Cashflow from operations	(4.1)	(4.0)	3.4	Increased working capital to support business growth
Acquisitions (net)	-	(10.2)	(0.5)	
Capital Expenditure	(0.6)	(1.1)	(4.9)	Prior year capital expenditure for move to One Strand
Net Borrowings	1.9	14.8	9.1	
Dividends/purchase of own shares	<u>(4.9)</u>	<u>(3.5)</u>	<u>(5.8)</u>	Dividend increase following issue of shares for ACM acquisition
Movements in cash	<u>(7.7)</u>	<u>(4.0)</u>	<u>1.4</u>	
Cash at period end	<u>7.9</u>	<u>9.9</u>	<u>16.3</u>	Normal business cycle indicates that H2 will be more cash generative than H1
Net (debt)/cash	<u>(3.1)</u>	<u>(4.9)</u>	<u>7.2</u>	

# Dividend



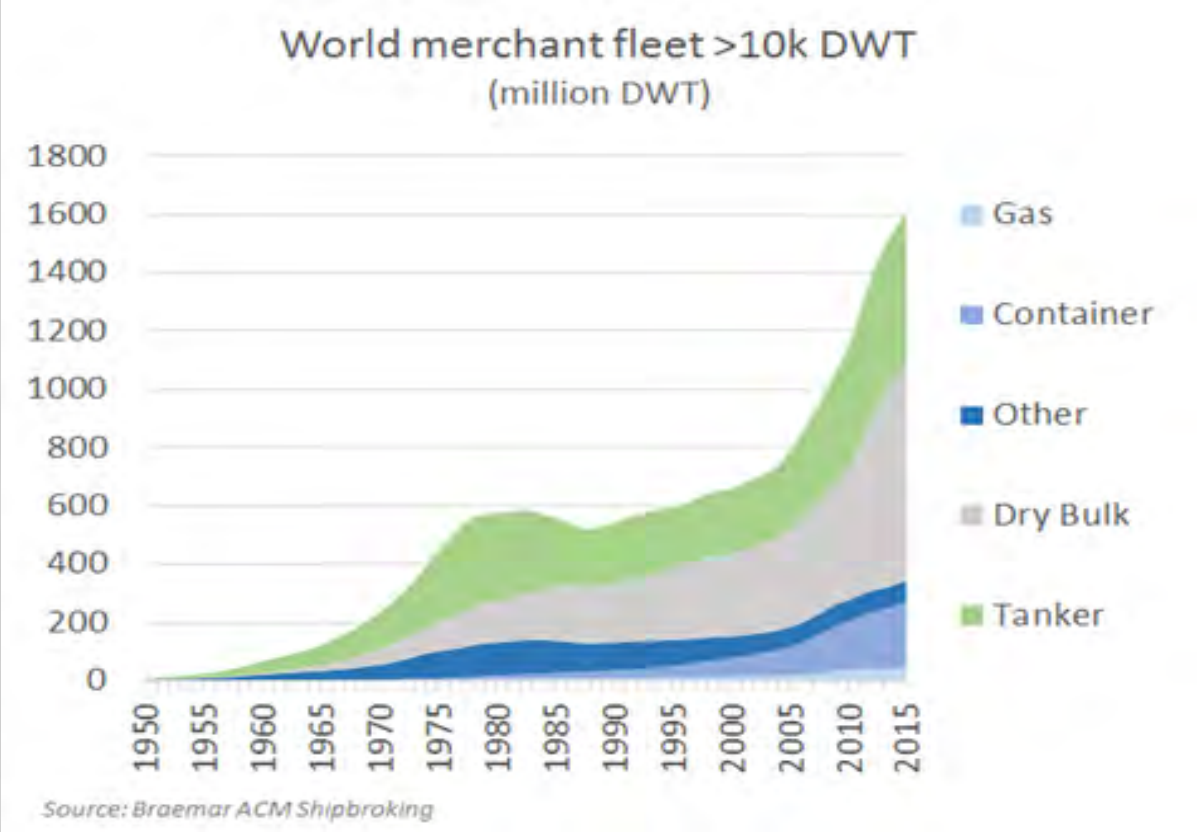
- Strong and consistent dividend yield
- Proposed interim dividend of 9p remains unchanged
- Objective to rebuild cover to 1.5 x
- Purchase of own shares equivalent to 1p on dividend during H1

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Half year	9.0	9.0	9.0	9.0	9.0	9.0
Full year	<u>17.0</u>	<u>17.0</u>	<u>17.0</u>	<u>17.0</u>	<u>17.0</u>	
Total (pence)	26.0	26.0	26.0	26.0	26.0	
EPS* (pence)	48.4	33.8	32.8	33.5	31.3	
<b>Cover</b>	<b>1.9</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.2</b>	

\*Based on earnings before acquisition expenses and non-recurring costs

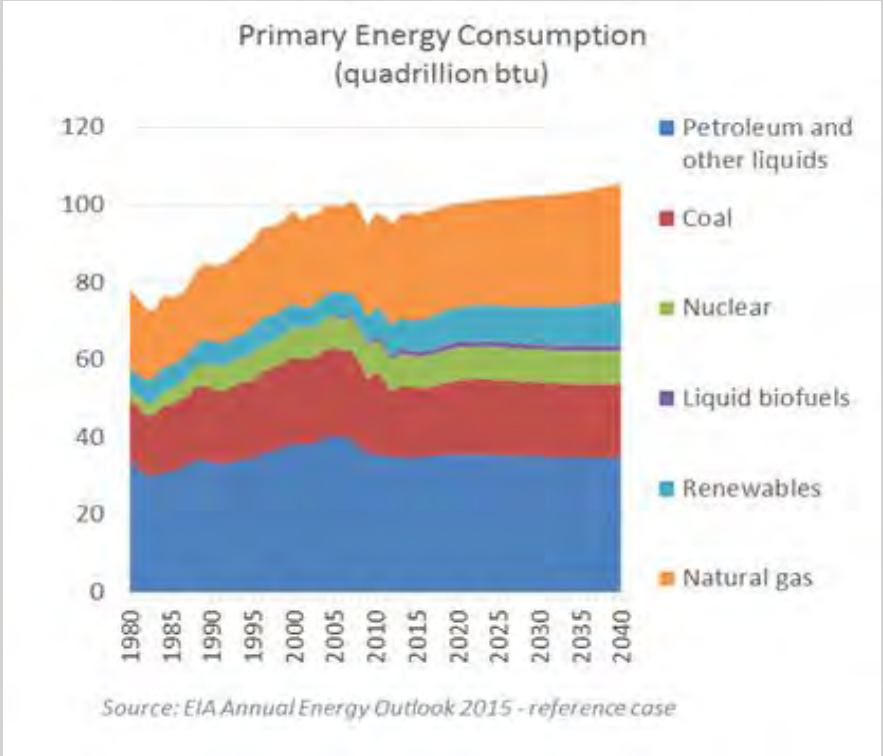
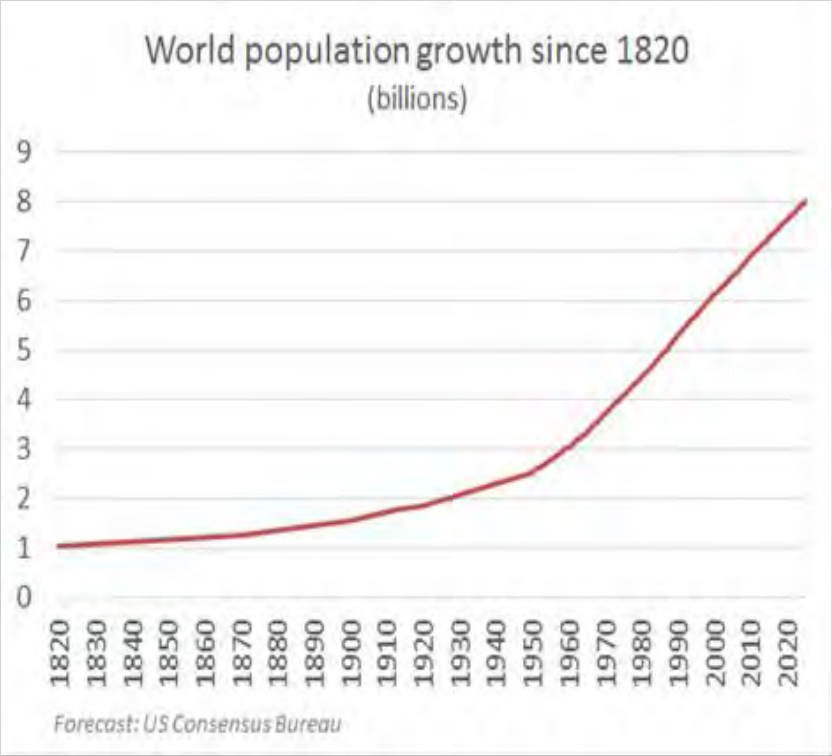
# Industry Outlook

Fleet growth indicates strong future for the marine sector



# Industry Outlook

Projected population growth and energy consumption indicate medium and long term growth in related sectors



# Braemar Outlook

Analyst	Report Issued	Underlying Operating Profit
Westhouse	19/5/15	£13.9m
Cenkos	20/5/15	£13.8m
Edison	28/5/15	£13.6m
Charles Stanley (now Panmure Gordon)	6/7/15	£13.0m
Consensus (mean)		£13.6m

- No significant changes in outlook since results for 2014/15 were issued in May 2015

# Summary

- Diversified portfolio of businesses allowing Braemar to respond to market volatility
- Strong and consistent dividend yield
- Results and outlook in line with expectations
- Opportunity for medium and long term organic growth
- Strong balance sheet offers potential to take advantage of external growth opportunities



# Board of Directors

## Executive Directors

Chief Executive Officer      James Kidwell

Finance Director      Louise Evans

## Non-Executive Directors

Chairman      David Moorhouse CBE

Non-Executive Directors      Jurgen Breuer

Alastair Farley      Senior Independent Director

Mark Tracey

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