

# **BRAEMAR**



**BRAEMAR SHIPPING SERVICES PLC**

**Preliminary Results Year ended 28 February 2015**

**May 2015**

# Agenda

- **Market Overview  
& Operating Review:**     **James Kidwell – Chief Executive**
- **Financial Results:**     **Martin Beer – Finance Director**
- **Louise Evans:**     **Finance Director designate**



# Benefits of merger already evident

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## Financial Highlights

- Revenue up 16% to £145.8m
- Underlying Operating Profit\* up 21% to £11.3m
- Year-end net cash at £7.2m as expected
- EPS from underlying operations\* at 31.3p
- Exceptional items £6.2m
- Dividend maintained at 26.0p

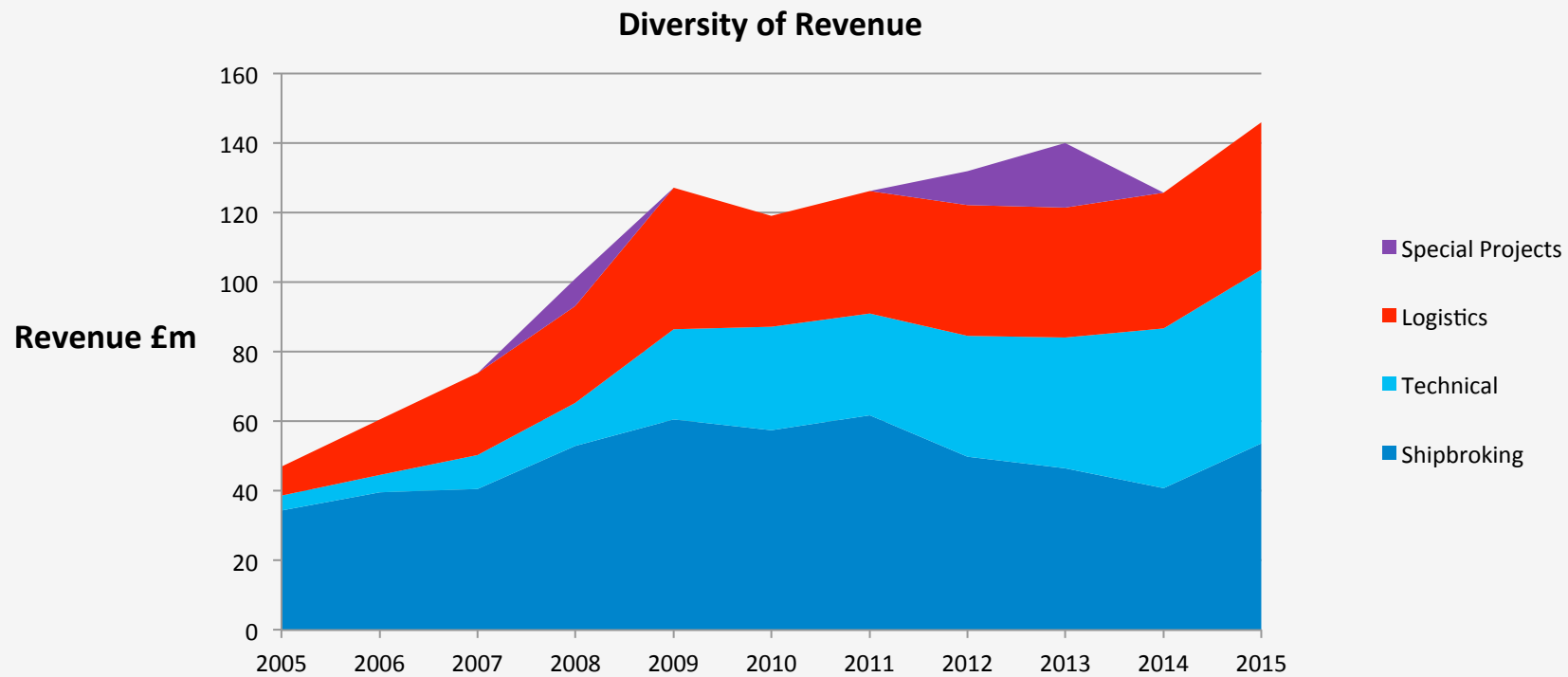
## Operational Highlights

- Merger with ACM is a step change
- 2nd half underlying shipbrokers profit up 27%
- Shipbrokers forward order book up 5% to \$58 million
- Technical division revenue up 9%, profit down 13%
- Logistics division revenue up 9%, profit up 15%

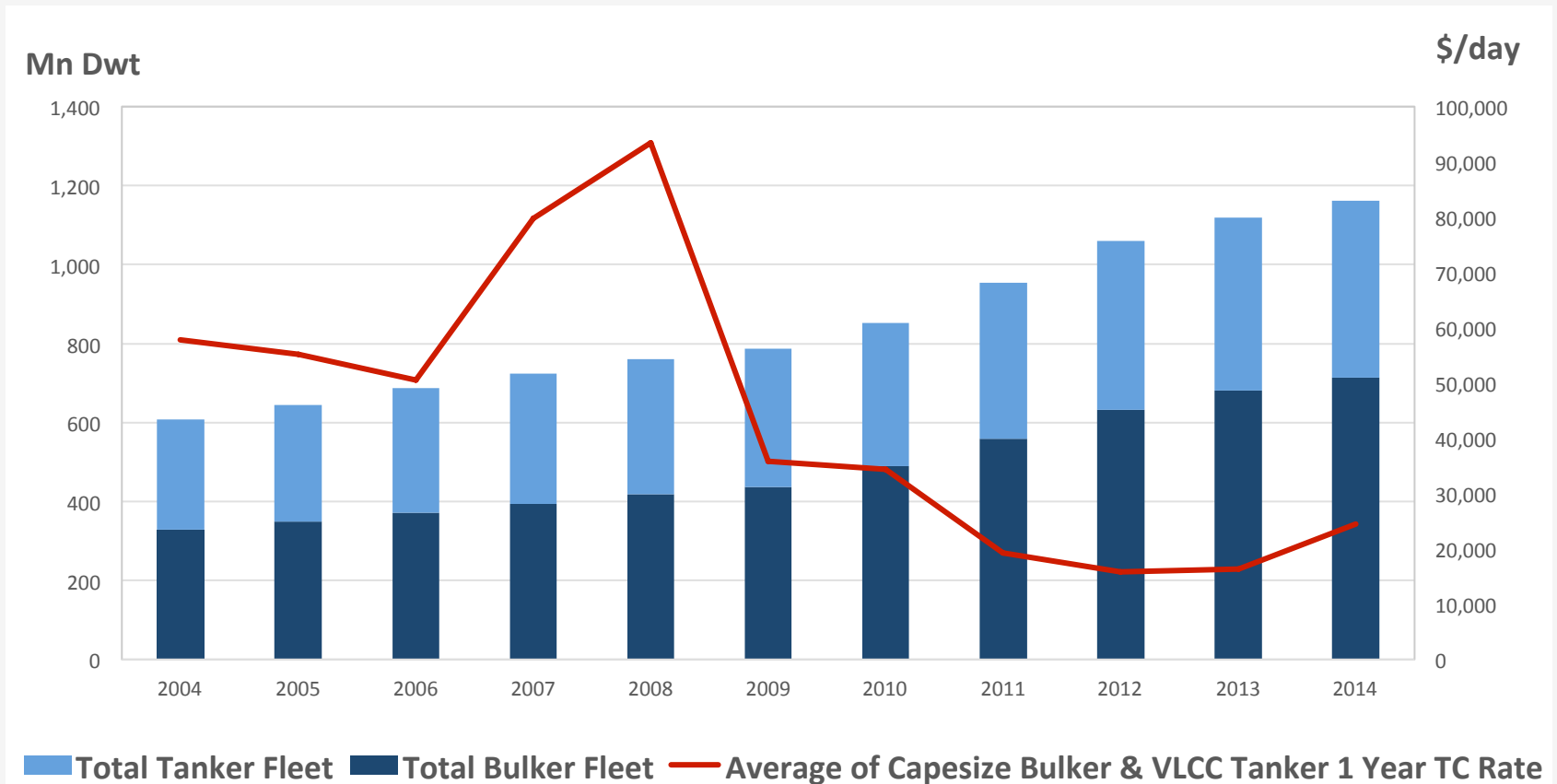
\*Underlying operations profit is defined as operating profit before exceptional and acquisition related items

## Successful strategy

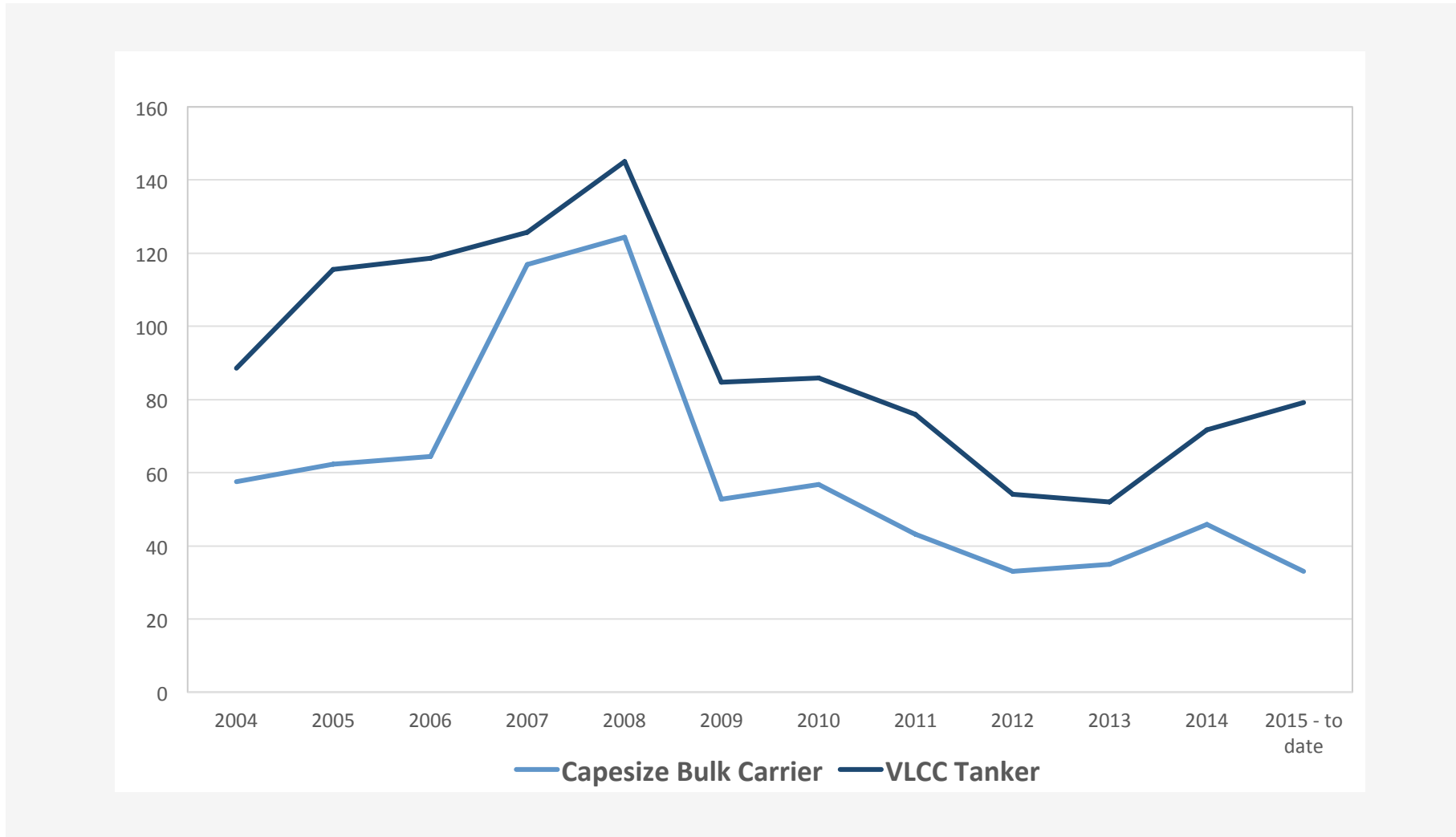
From a small shipbroking entity to a diversified shipping services group:



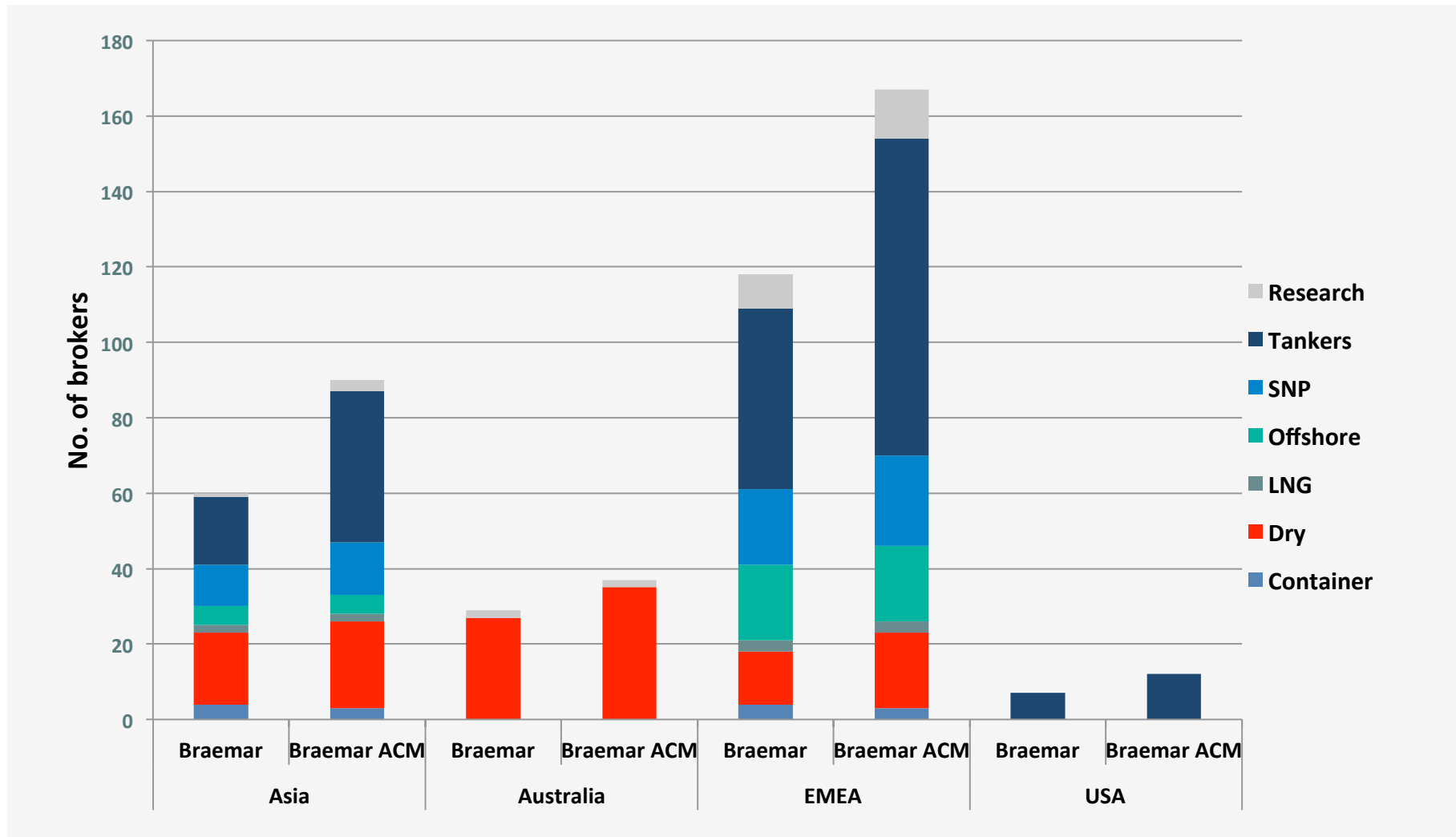
# Fleet growth & time charter rate



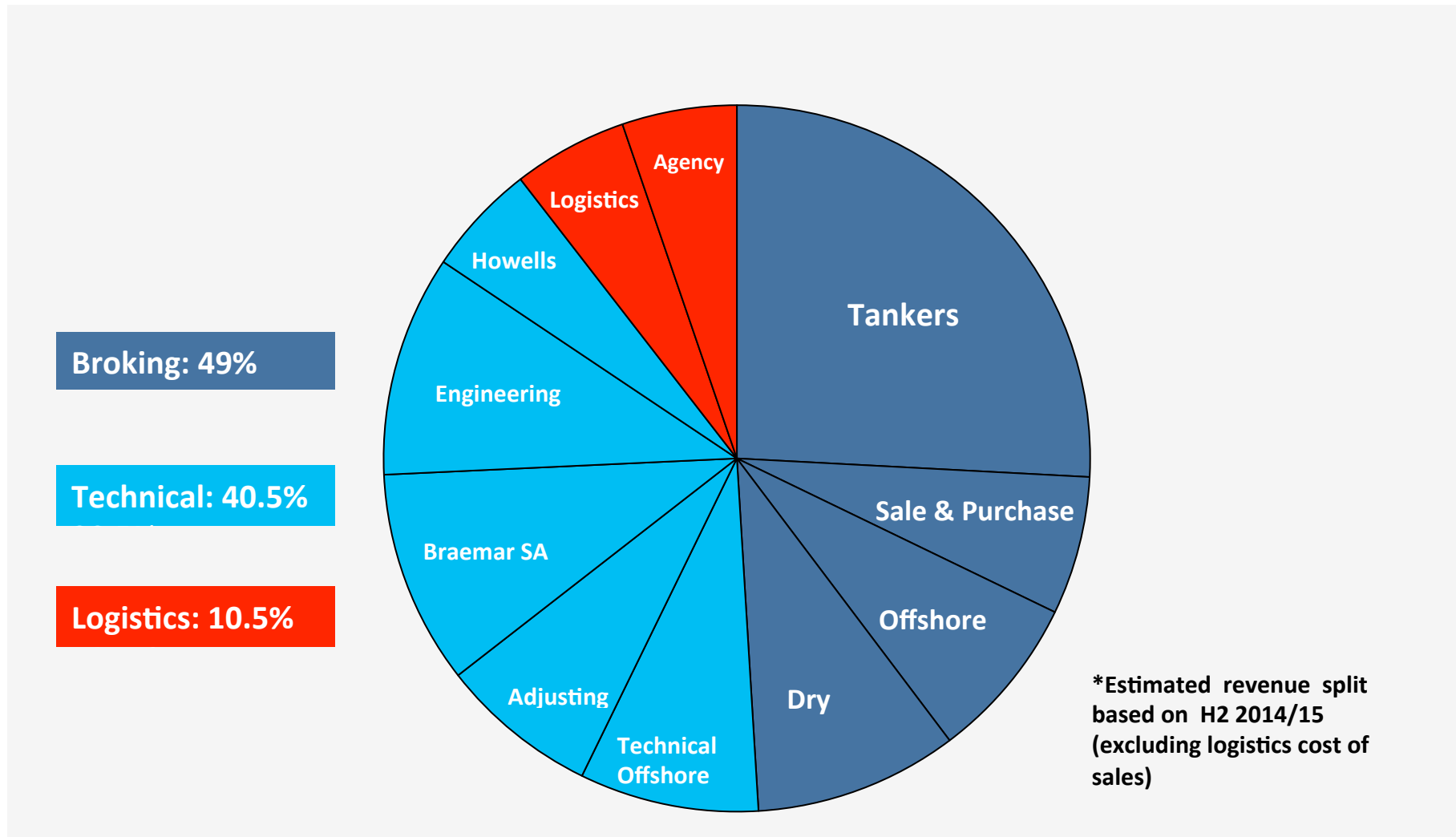
# Five year old yearly average vessel prices (\$m)



## Enhanced global broking coverage



# Portfolio balance – Revenue split





# Portfolio balance:

## Exposure to oil price & currency

	OIL PRICE DECLINE	CURRENCY INCOME/COST
Tankers	↑	US\$/£
Sale & Purchase	-	US\$/£
Dry	↓	US\$/A\$, S\$
Offshore	↓	75% £/£
Technical Offshore	↓	60% US\$/Asian currencies
Adjusting	-	Global/Global
Salvage Association	-	£/£
Engineering	-	75% US\$/£
Howells	-	£/£
Logistics	↑	75% £/£
Agency	↑	90% £/£

## Strategic positioning

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- Balanced portfolio of integrated marine and energy services
- Marine and energy markets in long term growth
- Strong position in global shipbroking with room for growth
- Delivered improved margin and step change in profitability through ACM merger
- Technical division is a blend of complementary businesses
- Logistics division capable of operational improvement and geographic expansion
- Cash generative, delivers bonus for team and dividend for shareholder
- Look to expand all three divisions

## Financial highlights

### Revenue

	2015 £m	2014 £m
Shipbroking	53.6	40.9
Technical	49.9	45.7
Logistics	42.3	38.9
<b>Total</b>	<b>145.8</b>	<b>125.5</b>

### Underlying Operating Profit\*

	2015 £m	2014 £m
Shipbroking	5.6	2.6
Operating margin	10.4%	6.4%
Technical	6.0	6.9
Operating Margin	12.6%	15.1%
Logistics	2.3	2.0
Operating Margin	5.4%	5.1%
Central costs	(2.6)	(2.2)
<b>Total</b>	<b>11.3</b>	<b>9.3</b>

\*Operating profit before exceptional items and before amortisation of intangible assets

# Income statement

	2015 £m	2014 £m	
Revenue	145.8	125.5	• Includes seven months of ACM
Underlying Operating Profit	11.3	9.3	• Profit Improvement from acquired business and early implementation of synergies
Exceptional items	<u>(6.1)</u>	<u>(0.4)</u>	• Exceptional items relate mostly to ACM merger
Operating Profit	5.2	8.9	• Finance expense increased in second half as expected
Net finance (expense) / income	(0.3)	0.2	• Effective tax worsened 26.5% (2014: 25.7%) reflecting cost of tax repatriation from India.
Share of Joint Venture	<u>(0.1)</u>	<u>(0.1)</u>	• Underlying earnings reflect the underlying performance
PBT	4.8	9.0	• Underlying EPS down as full benefit of merger not reflected in H2
Tax	<u>(2.2)</u>	<u>(2.3)</u>	
Earnings	<u>2.6</u>	<u>6.7</u>	
EPS - underlying	31.3p	33.5p	

## Merger with ACM

<b>Acquisition Price 25 July 2014</b>	£'m
Cash Paid	10.1
Shares Issued	<u>40.3</u>
	<u>50.4</u>
<b>Representing</b>	£'m
Cash and cash equivalents	2.1
Property & Investments	1.6
Receivables	6.6
Payables	(6.3)
Net tax and other liability	(0.9)
Pension Deficit	(1.4)
Forward Order Book	2.8
Goodwill	<u>45.9</u>
	<u>50.4</u>

## Exceptional items

	2015	2016*	2017*
	£'m	£'m	£'m
Cost linked to acquisition	(1.2)	-	-
Amortisation of forward order book	(1.8)	(0.9)	(0.2)
Share Retention plan linked to ACM merger	(0.8)	(1.5)	(1.6)
Restructuring costs related to ACM merger	(6.9)	-	-
Other restructuring costs	(0.8)	-	-
Profit on sale of 35 Cosway Street	5.4	-	-
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	(6.1)	(2.4)	(1.8)

\* Future acquisition related exceptional items

# Cashflow

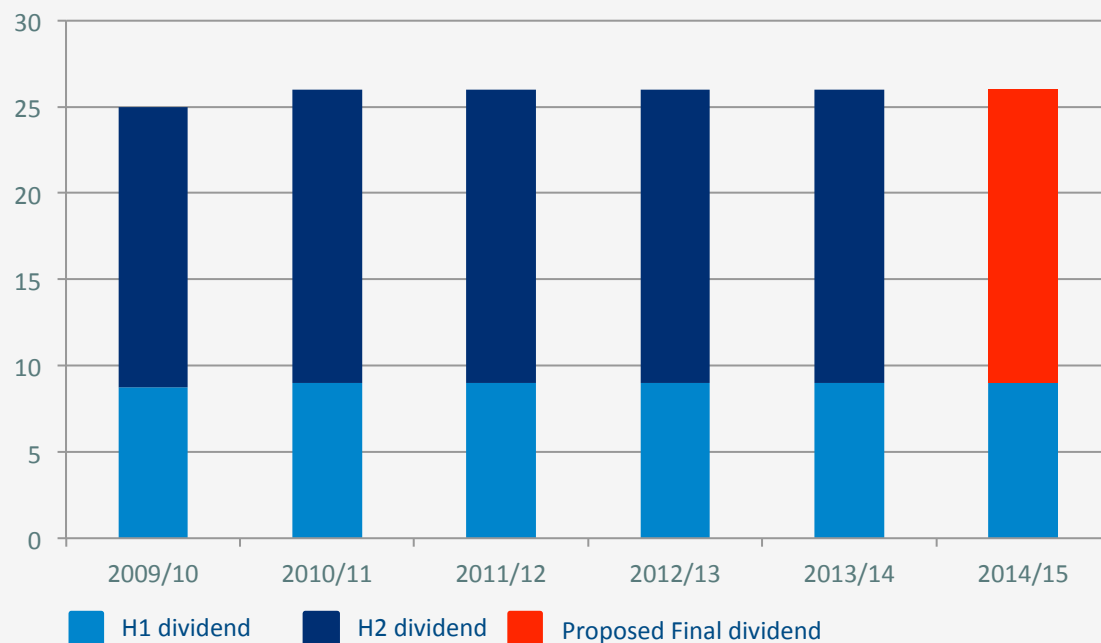
	2015 £m	2014 £m	
Underlying operating profit	11.3	9.3	– Foreign exchange variations cause negative movement in working capital
Add back depreciation	1.9	1.3	– Underlying working capital stable
Change in Working Capital	(2.3)	(7.5)	– Cash spend on exceptionals largely redundancy and double cost of rent for 7 months
Restructuring related cash spend	(3.7)	-	– Tax paid reflects improved profitability in Asia last year and repatriation of funds from India
Tax paid	(3.5)	(1.4)	– £10.1m cash portion of ACM merger consideration
Business acquisitions / disposals	(10.1)	(0.5)	– Sale of old Braemar head office: 35 Cosway Street for £9.4m
Proceeds sale of 35 Cosway Street	9.4	-	– Capital expenditure includes £3m on office relocation and fit-out
Capital Expenditure	(4.9)	(1.3)	– Increased dividend payment due to increased number of shares
Dividends paid	(6.2)	(5.4)	– Exchange gain on cash balances
Exchange	1.0	(3.2)	
Other items	0.6	(0.9)	
Movement in net cash	(6.5)	(9.6)	

## Balance sheet

	Feb 15 £m	Aug 14 £m	Feb 14 £m	
				– Increased goodwill from ACM merger representing the value of the people we took on
Goodwill and other intangibles	79.4	80.6	31.5	
Fixed asset and investments	8.2	12.4	9.5	– Fixed asset reduction since half year, due to sale of 35 Cosway Street
Current assets	57.4	57.2	47.4	
Current liabilities	(42.9)	(37.5)	(35.4)	– Other asset movement levels reflect take on of ACM balance sheet
Employee benefits	(1.5)	(1.4)	-	
Provisions / Other	(3.5)	(3.5)	(1.4)	
	9.5	14.8	10.6	– Includes a small defined benefit pension scheme with net liability of £1.5m
Net cash / (debt)	7.2	(4.9)	13.7	
Net assets	104.3	102.9	65.3	– Cash increased since half year reflecting sale of 35 Cosway Street and underlying cash generation



## Dividend



- Proposed final dividend of 17p remains unchanged
- Cover down slightly to 1.2x
- Dividend policy to rebuild cover towards 1.5 times

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
<b>Half year</b>	8.75	9.00	9.00	9.00	9.00	9.00
<b>Full year</b>	16.25	17.00	17.00	17.00	17.00	17.00
<b>Total</b>	25.0	26.0	26.0	26.0	26.0	26.0
<b>Cover (x) *</b>	2.1	2.1	1.5	1.5	1.3	1.2

\*Based on underlying earnings

# Operating Review - Shipbroking

- Established merged shipbroking division; Braemar ACM Shipbroking
- ACM fully integrated
- Merger has created one of the largest full-service shipbrokers
- Second half performance demonstrates success of merger
- Underlying profit up 27% in second half on combined profit of Braemar/ACM in same period last year
- Collective shipbroking forward order book increased 5% from the same point last year to \$58 million
- Shipbroking division significantly strengthened post merger with ACM, creating a more profitable and successful shipbroking business with enhanced market coverage
- Offices co-located in London, Singapore, Melbourne and Shanghai

## Divisional results summary

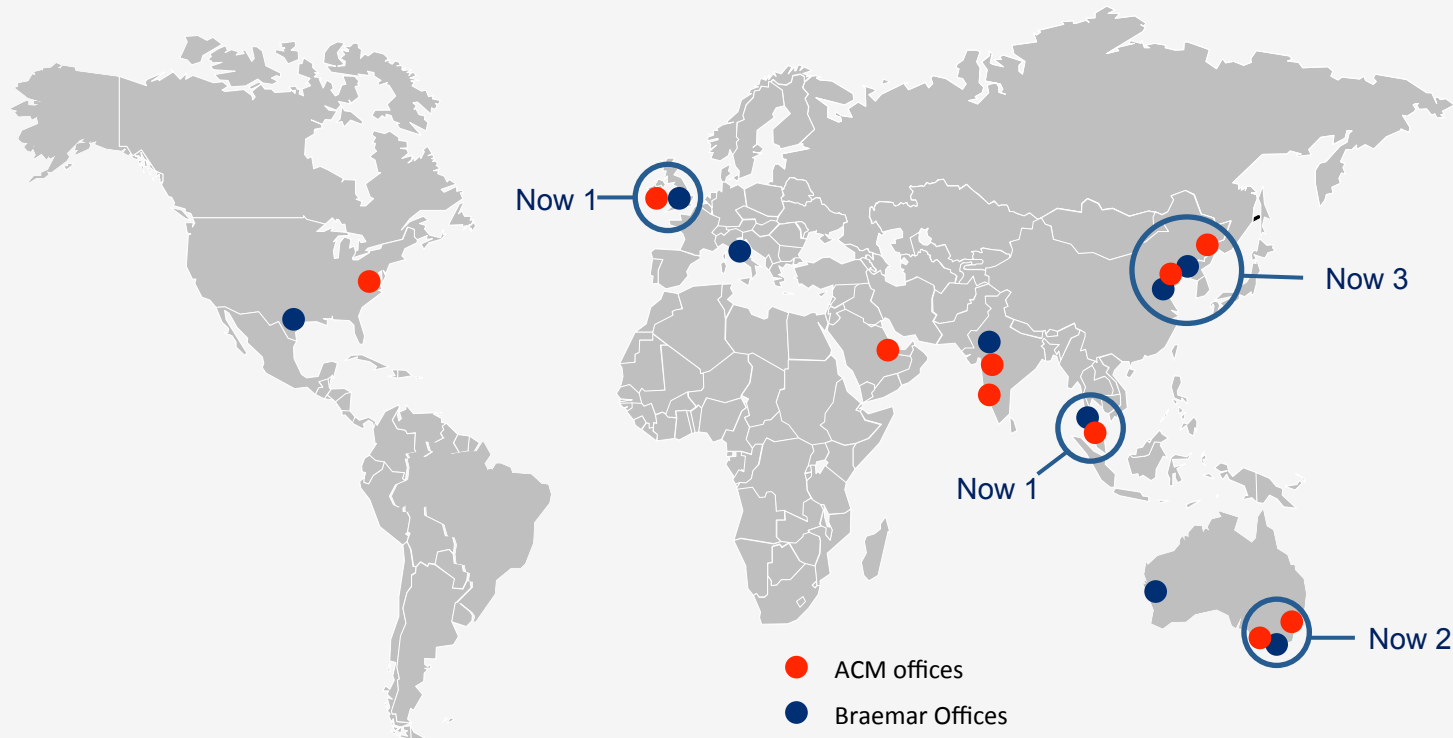
	2015 £'m	2014 £'m
Revenue	53.6	40.9
Operating profit	5.6	2.6

## Operating profit by half year

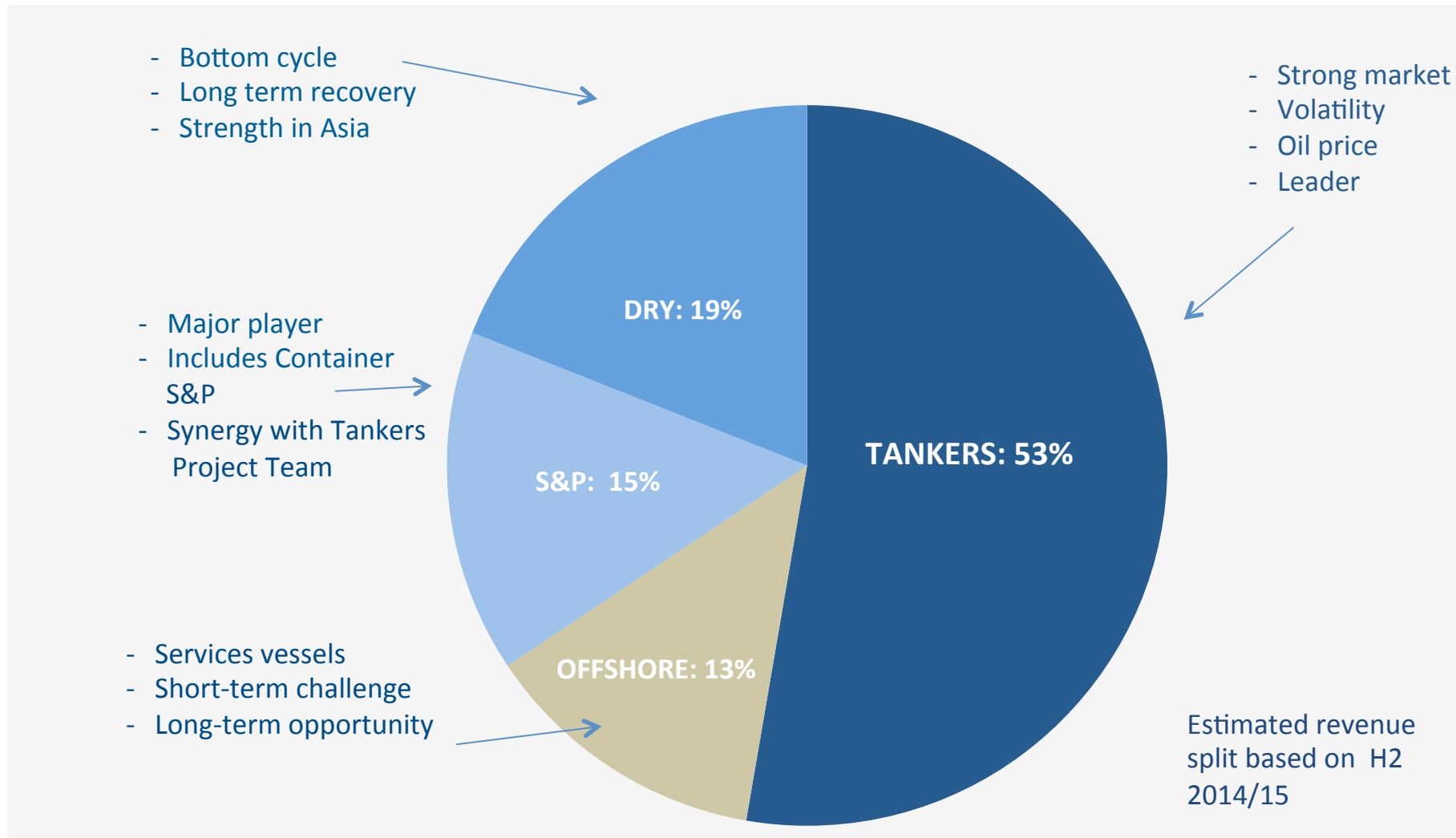
	2015 £'m	2014 £'m
1st Half	1.4	1.1
2nd Half	4.2	1.5
Total	5.6	2.6

## Shipbroking – Combined Entity

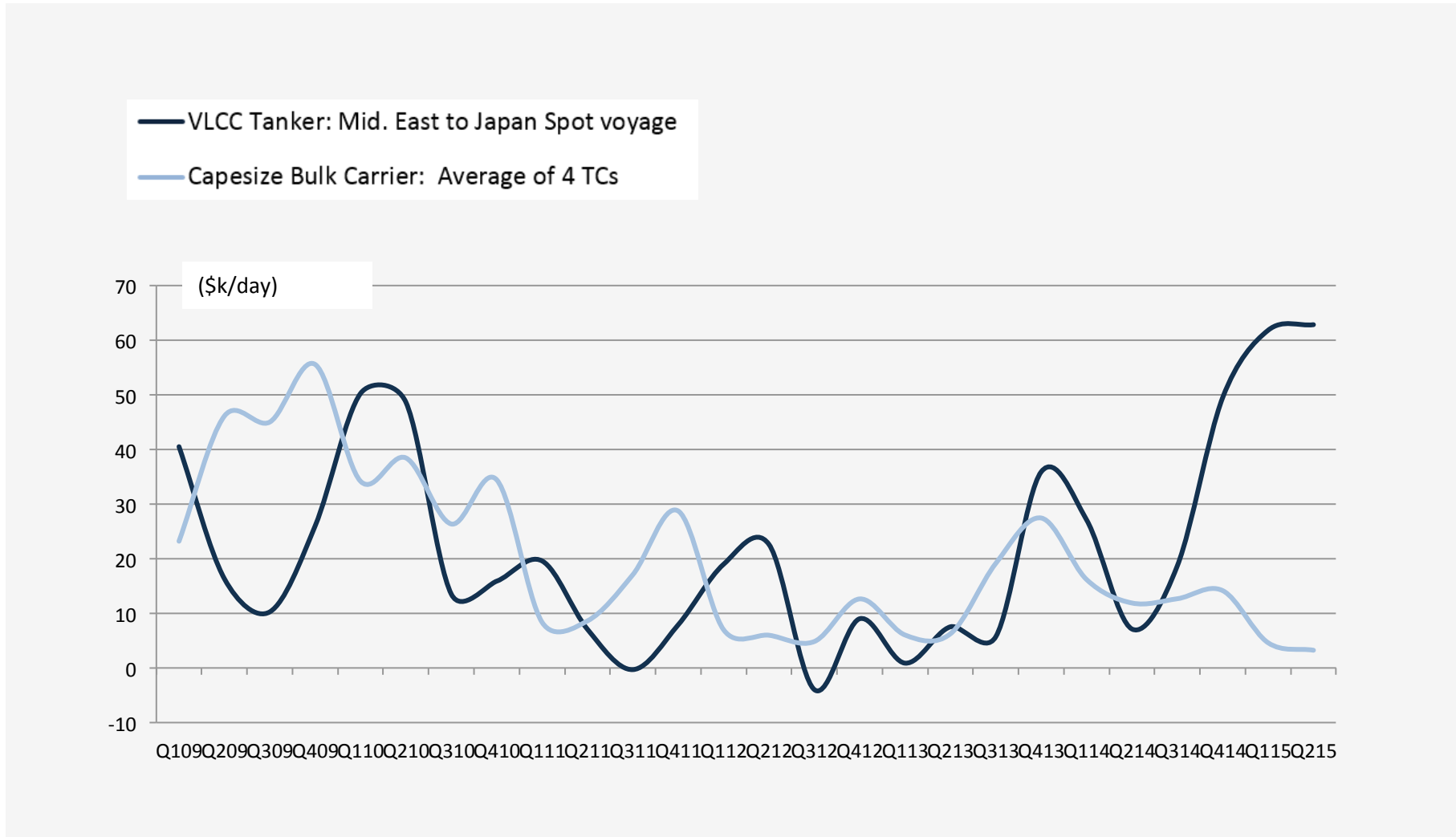
- Strengthened global presence
- Office locations in all major territories
- Strong synergy between existing teams
- Delivered office consolidation; 19 to 15 in total
- Achieved cost savings greater than £4m p.a.
- Established improved base for future growth



## Portfolio balance – Broking



# Tanker and Dry Bulk Carrier Earnings



## Operating review - Technical

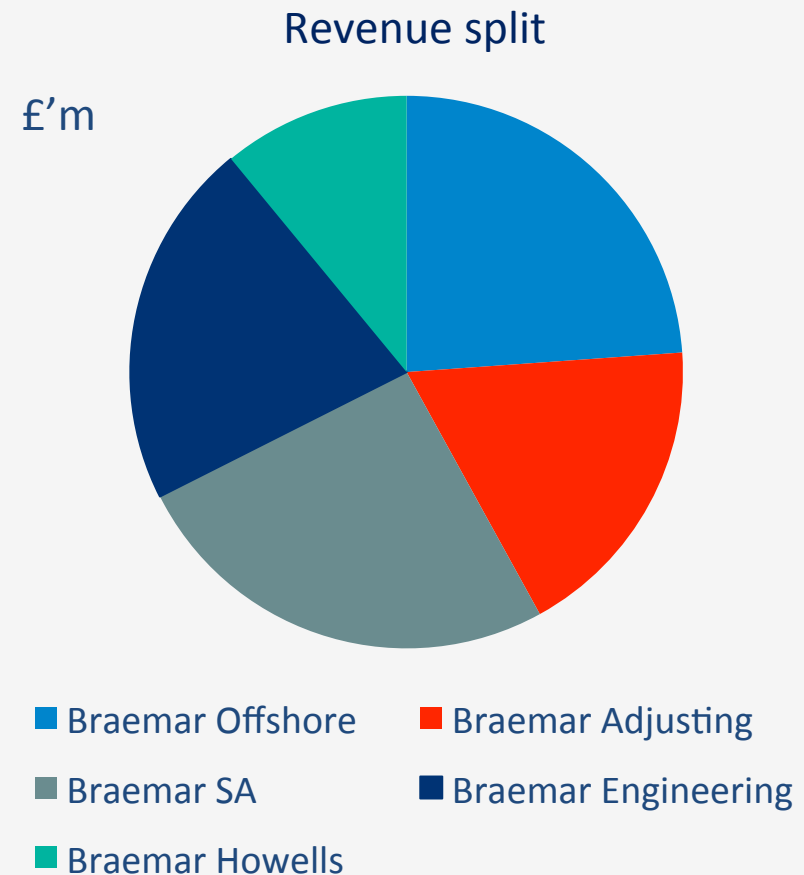
- 9% growth in revenue across the division
- Offshore activity in the Far East has returned to more normal levels after a particularly strong 2014
- Sales and profits up in Braemar Adjusting, Braemar Engineering and Braemar Salvage Association and staff numbers increased
- Substantial ongoing LNG projects underway in Braemar Engineering
- Environmental division incorporated into Technical division in order to improve synergies across the group

### Divisional results summary

	2015	2014
Revenue	49.9	45.7
Operating profit	6.0	6.9
Staff numbers	415	386

## Technical - Business overview

- Full suite of technical service solutions for the marine and energy industries
- Demonstrating broad-ranging capability with a widespread global presence
- Provision of expertise to large, long-term oil and gas projects
- World leader in the field of LNG carrier design and construction supervision
- 150 year old connection to the marine insurance market through Braemar Salvage Association



## Operating review - Logistics

- Management change has reduced cost base and improved sales and marketing focus
- Achieved a 9% growth in revenue and 15% growth in underlying profit
- Trading in European tanker agency has remained steady over the period despite challenging markets
- Restructuring delivering improvements and improved sales and marketing focus
- Opening of Houston office to maximise opportunities in North America – already covering its costs

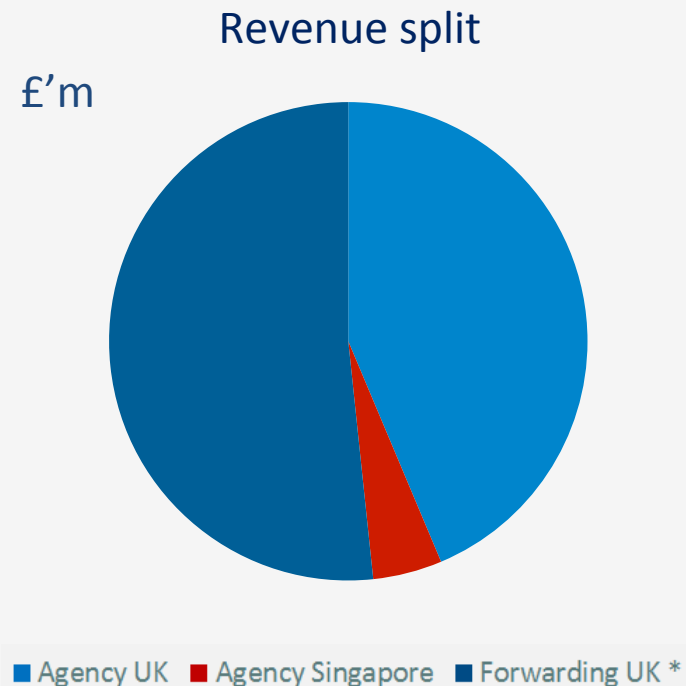
### Divisional results summary

	2015	2014
Revenue	42.4	38.9
Operating profit	2.3	2.0
Staff numbers	192	223



## Logistics – Business overview

- Worldwide services for Port Agency, Liner and Logistics
- A network of offices and trusted partners
- Leading UK player with scope to expand
- Challenger to global players
- Cory Brothers is a long-established name with over 170 years in shipping agency in the UK



\*Stated as margin after deduction of direct costs of freight

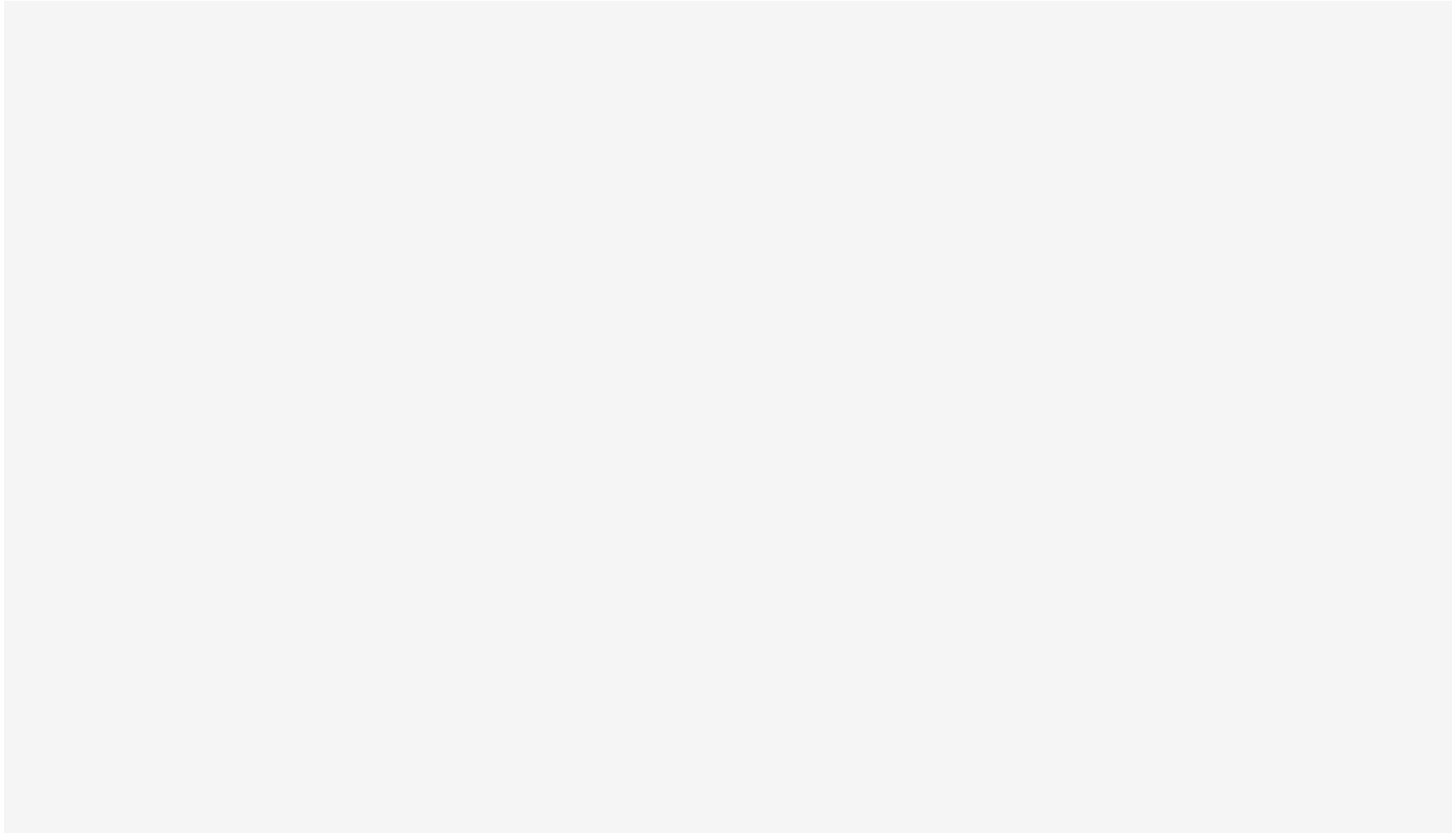
## Summary and Outlook

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- Successful merger with ACM
- Results in line with market expectations
- Strong dividend yield
- Momentum going into new year
- Opportunity for further growth and expansion
- Platform for growth with strength and breadth of services offering
- Expect to make further progress in coming year

# Appendices

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## Divisional service overview

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### Shipbroking

- Tanker chartering – Crude oil, Clean Petroleum Products, LPG, LNG, Chemicals, FFAs, Projects (time charter)
  - Sale & purchase – second hand, newbuilding, recycling, valuations
  - Dry Bulk chartering
  - Offshore – chartering and sale & purchase
  - Research and consultancy
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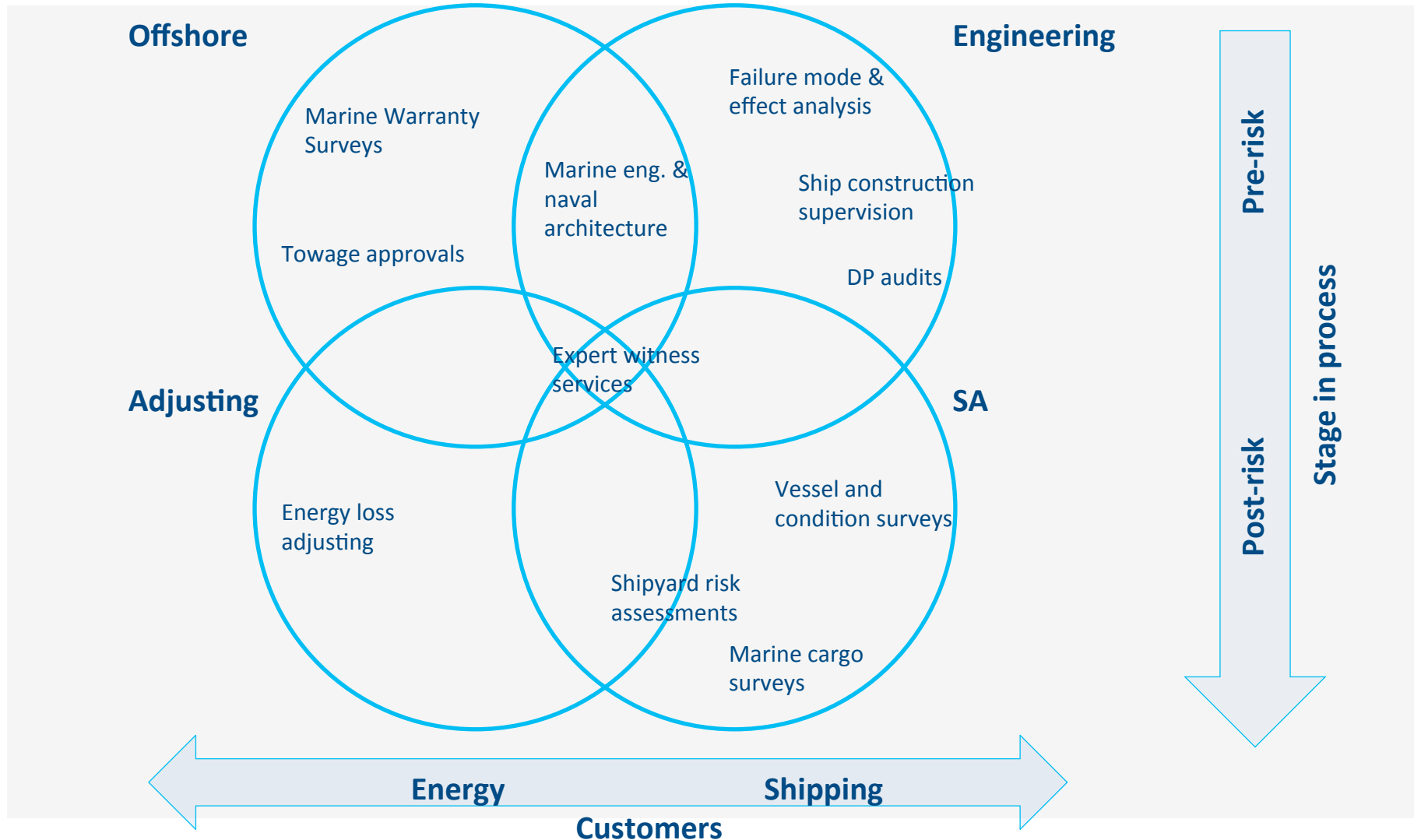
### Technical

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

- Port & Liner agency
- Hub agency
- Freight forwarding
- Project cargoes
- Customs clearance

# Technical Services



# PLC Board of directors

Role	Post AGM on 24 June 2015	Retiring from the Board
<b>Executive Directors</b>		
CEO	James Kidwell	
FD	Louise Evans	Martin Beer: <i>leave the company after the year end reporting cycle</i>
Executive Directors		Johnny Plumbe: <i>pursue independent consultancy interests</i>
		Denis Petropoulos: <i>remain as President - Braemar Asia</i>
<b>Non-executive directors</b>		
Chairman	David Moorhouse CBE*	Sir Graham Hearne CBE
Non-executive Directors	Jurgen Breuer	Tim Jaques
	Alastair Farley	
	Mark Tracey	