



James Fisher and Sons plc

The UK's leading Marine Service Company

**Half year results for the
six months ended
30 June 2018**

29 August 2018

Clear, consistent strategy



- Entrepreneurially led business with leading market positions in operational niches
- Leverage UK skills to the global Marine Services market
 - targeting less mature, faster growing markets
- Integration of niche services into wider service offering
- Focus on operational excellence
 - operating margin >10%
 - cash generative
 - ROCE >15%
- Bolt-on acquisitions to broaden service offering

Operating highlights

➤ **Marine Support**

- Growth in Renewables - 1st long-term maintenance contract
- Order book growth
 - 10 year mooring services contract
 - Diving contracts in Middle East and West Africa
- Ship-to-ship strong - Brazil momentum

➤ **Specialist Technical**

- Delivery of 1st Indian Navy sub rescue system
- Swimmer delivery vehicle orders for c. £20m
- Working capital reduction as planned

➤ **Offshore Oil**

- Increased order book in artificial lift
 - Improvement in Norwegian market
 - Growth from Middle East but North Sea and well testing flat

➤ **Tankships**

- High vessel utilisation
- 2 tankers purchased for £10.6m

Financial highlights

	H1 2018	H1 2017 restated	change
revenue (£m)	260.5	232.5	+12%
underlying operating profit* (£m)	24.5	20.7	+18%
underlying operating margin	9.4%	8.9%	+50bps
underlying profit before tax* (£m)	21.7	18.1	+20%
underlying diluted eps* (p)	34.5	29.3	+18%
interim dividend per share (p)	10.3	9.4	+10%

- Good H1, weaker H1 comparative in 2017
- Strong profit growth in Marine Support (up 21%) and Specialist Technical (up 19%)
- Strong cash conversion of 120%
- Interim dividend raised by 10% to 10.3p per share

* before separately disclosed items

2017 restated for IFRS 15 (see appendix 1)

H1 revenue by division

	revenue £m		change	constant currency change
	H1 2018	H1 2017 restated	%	%
Marine Support	127.2	105.6	21	23
Specialist Technical	77.6	72.5	7	8
Offshore Oil	27.2	27.0	1	5
Tankships	28.5	27.4	4	5
Group	260.5	232.5	12	14

- All divisions ahead
- 11% organic, 3% acquired

H1 results by division

	underlying operating profit * £m		change	constant currency change
	H1 2018	H1 2017 restated	%	%
Marine Support	10.8	8.9	21	30
Specialist Technical	9.6	8.1	19	20
Offshore Oil	1.2	1.1	9	73
Tankships	4.3	3.9	10	13
central costs	(1.4)	(1.3)		
underlying operating profit *	24.5	20.7	18	25
interest	(2.8)	(2.6)		
underlying profit before tax *	21.7	18.1		

- All divisions increased profit
- Underlying operating margin increased to 9.4% (2017: £8.9%)

* before separately disclosed items

Tax and earnings per share

	H1 2018	H1 2017 restated
underlying profit before tax * (£m)	21.7	18.1
underlying tax charge (£m)	4.0	3.1
effective tax rate (ETR)	18.7%	17.1%
underlying earnings per share * (p)	34.5p	29.3p

- Tax rate rise due to
 - Increased profits in higher tax countries such as South America, Australia & Africa
 - No benefit in 2018 of tax losses from recent acquisitions
- Increase in eps, slightly below PBT increase at 18%
 - ETR and minority interest higher

* before separately disclosed items

Cash flow

	H1 2018 £m	H1 2017 restated £m
underlying operating profit *	24.5	20.7
depreciation and amortisation	13.6	13.7
underlying ebitda *	38.1	34.4
working capital	(7.5)	(25.7)
pension / other	(1.2)	(2.2)
operating cash flow	29.4	6.5
interest paid & tax	(5.5)	(5.1)
net capital expenditure	(15.4)	(11.3)
businesses acquired	(9.4)	(4.2)
dividends paid to shareholders	(9.7)	(8.8)
other	(1.6)	0.3
net increase in debt	(12.2)	(22.6)
net debt at 1 January	(132.5)	(105.7)
net debt at 30 June	(144.7)	(128.3)
net debt : ebitda	1.7	1.6

➤ cash conversion of 120% (2017: 31%)
(operating cash flow / underlying operating profit)

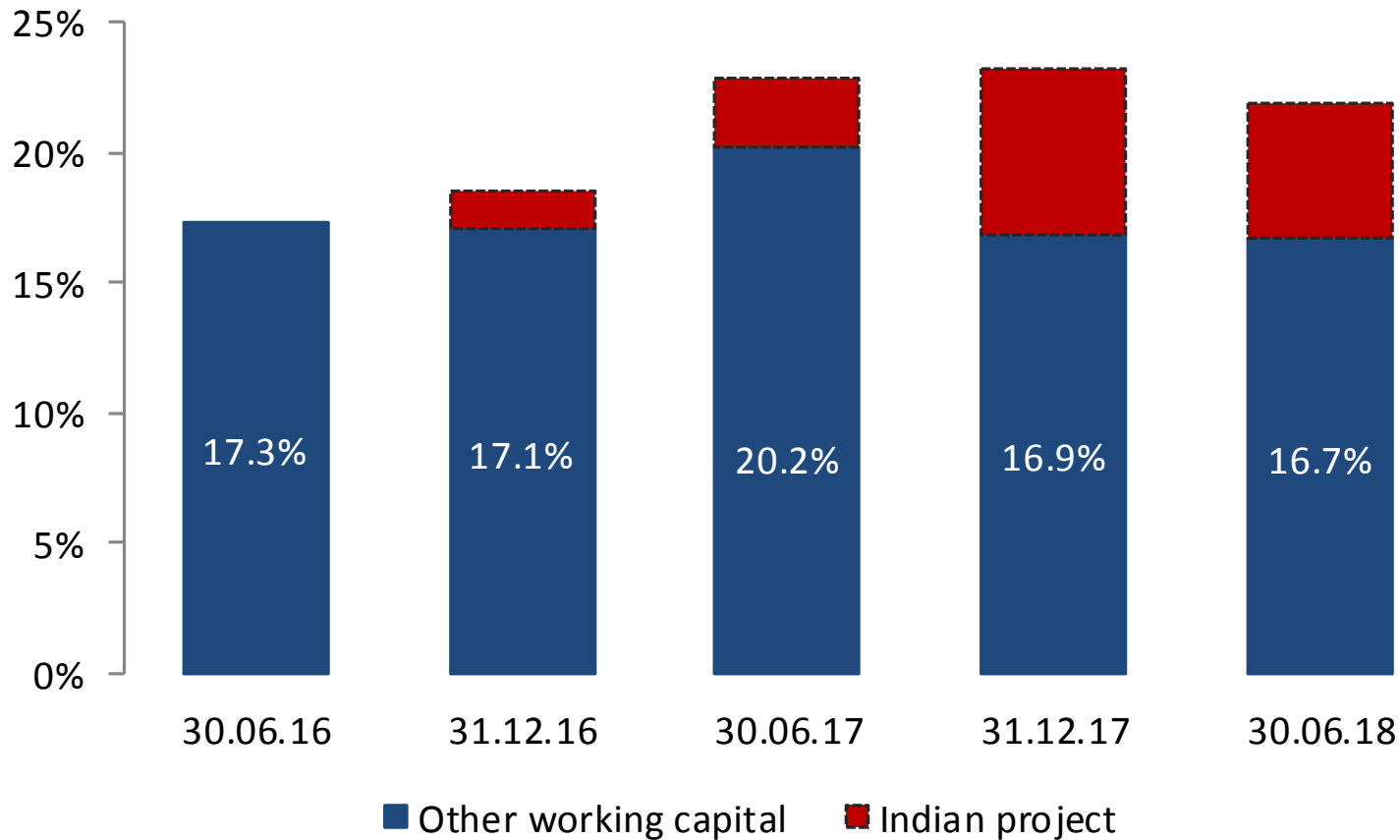
	£m	£m
working capital		
outflow		(7.5)
net of Indian contract inflow		
milestone payment	(24.5)	
second system outflow	18.7	(5.8)
underlying increase		(13.3)

➤ underlying increase due to
 ➤ seasonally strong trading in May and June
 ➤ East Anglia One UXO receivables

➤ capex includes £6.0m for fleet modernisation. A further £4.6m spent in July 2018

Effect of India submarine rescue vessels on working capital

Working capital:sales



➤ Significant working capital unwind on delivery of 2nd vessel expected in H2

Committed bank facilities at 30 June 2018

unsecured revolving credit facilities	drawn £m	available £m	Expiry
Barclays £46.5m (5yr)	26.5	21.0	2020
DBS £30m (4+1)	30.0	-	2020
HSBC £62.5m (5yr)	41.3	21.2	2022
Lloyds TSB £40m (3+1+1)	18.0	22.0	2019/2021
Handelsbanken £35m (5)	31.5	3.5	2020
Santander £10m (3+1+1)	10.0	-	2020
	157.3	67.7	

covenants		30.06.18	30.06.17
net debt* : ebitda	< 3.5	2.2	2.2
interest cover	> 3.0	12.9	13.3

➤ India contract has increased ND:Ebitda by 0.4

facilities				
expiring	2018	2019	2020	2021
£m	-	10	122.5	30

* includes bonds and guarantees of £45.3m (2017: £44.8m) within net debt

Balance sheet

	30.06.18 £m	31.12.17 restated £m	30.06.17 restated £m	
intangible assets	197.7	199.2	185.6	
property, plant and equipment	141.7	132.5	128.5	← ppe £m
investments	10.6	9.4	8.1	30.06.17 128.5
working capital	116.0	113.0	108.9	capex 36.1
other liabilities	(11.3)	(16.3)	(13.5)	depreciation (22.9)
tax	(6.5)	(6.5)	(5.9)	141.7
pensions	(19.7)	(19.8)	(25.4)	← pension liability £m
capital employed	428.5	411.5	386.3	at 30.06.17 25.4
net debt	(144.7)	(132.5)	(128.3)	paid (4.7)
equity	283.8	279.0	258.0	actuarial gain (1.7)
net debt: equity	51%	47%	50%	discount unwind 0.7
				at 30.06.18 19.7

Our divisions

Marine Support	Specialist Technical	Offshore Oil	Tankships
49% of group revenue	30% of group revenue	10% of group revenue	11% of group revenue
42% of group profit*	37% of group profit*	5% of group profit*	16% of group profit*
1,000 employees	925 employees	320 employees	325 employees
			

* underlying operating profit

Marine Support

	H1 2018	H1 2017 restated	change
revenue (£m)	127.2	105.6	+21%
profit (£m)	10.8	8.9	+21%
margin (%)	8.5	8.4	+10bps
ROCE (%)	12.2	12.1	+10bps



- **Renewables**
 - Successful completion of Galloper contract
 - Commencement of East Anglia 1
 - London Array – 5 year balance plant maintenance contract
- **Ship-to-ship transfers**
 - Continued momentum in Brazil
 - Weaker market in West Africa
- **Mooring Services**
 - 10 year contract for buoy maintenance / operation UK refinery
- **Subsea**
 - Order book growth in diving services in West Africa and Middle East
 - Mass flow excavation market pick up
 - Encouraging prospects in Mozambique / Tanzania

Specialist Technical

	H1 2018	H1 2017 restated	change
revenue (£m)	77.6	72.5	+7%
profit (£m)	9.6	8.1	+19%
margin (%)	12.4	11.2	+120bps
ROCE (%)	17.3	18.8	(150)bps



- **Submarine rescue**
 - Delivery of Indian Navy 1st system in March
 - 2nd system on track for H2
 - Singapore system mid life upgrade contract
- **Diving systems**
 - Shanghai Salvage systems on track
 - Cobra rebreather sales
 - Acquisition of Cowan in Australia in February 2018 for £1.5m
- **Swimmer delivery vehicles**
 - Order book > £20m
- **Nuclear energy**
 - Winfrith 4 year reactor decommissioning project delayed
 - Instrumentation – 1st sales

Offshore Oil

	H1 2018	H1 2017	change
revenue (£m)	27.2	27.0	+1%
profit (£m)	1.2	1.1	+9%
margin (%)	4.4	4.1	+30bps
ROCE (%)	1.9	1.6	+30bps



- Limited improvement in maintenance market
 - Norway and Middle East growth
 - UK North Sea and Brazil unchanged
- Well testing market remains depressed
- Downhole tooling market recovering – Middle East growth
- Subsea market – tendering for high level of 2019/2020 projects

Tankships

	H1 2018	H1 2017	change
revenue (£m)	28.5	27.4	+4%
profit (£m)	4.3	3.9	+10%
margin (%)	15.1	14.2	+90bps
ROCE (%)	31.0	29.2	+180bps



- Strong Q1 boosted by vessel utilisation
- Fleet renewal programme
 - Dee Fisher - £5.2m – June – 12 years old
 - Corrib Fisher - £5.4m – July – 10 years old

Outlook

➤ **Marine Support**

- Contracts secured and H1 momentum continuing into H2
- More even spread of business in 2018 v 2017, with any growth in H2 modest

➤ **Specialist Technical**

- Solid order book for rest of year and good prospects for significant project awards
- However timing of contract wins remains uncertain

➤ **Offshore Oil**

- Well placed for improved maintenance activity, expected in 2019
- Industry confidence increased

➤ **Tankships**

- Should continue to perform well as 2 more modern vessels introduced



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Appendix 1a

IFRS 15 adjustments H1

	H1 2017 as reported £m	adjustments £m	H1 2017 restated £m
revenue	235.8	(3.3)	232.5
cost of sales	(168.1)	2.8	(165.3)
gross profit	67.7	(0.5)	67.2
administrative expenses	(46.5)	-	(46.5)
operating profit	21.2	(0.5)	20.7
separately disclosed items	(1.0)	-	(1.0)
interest	(2.6)	-	(2.6)
profit before taxation	17.6	(0.5)	17.1
taxation	(3.0)	0.1	(2.9)
retained profit	14.6	(0.4)	14.2

Appendix 1b

IFRS 15 adjustments 2017 full year

	2017 as reported £m	adjustments £m	2017 restated £m
revenue	505.4	(6.1)	499.3
cost of sales	(350.9)	4.3	(346.6)
gross profit	154.5	(1.8)	152.7
administrative expenses	(98.7)	0.1	(98.6)
operating profit	55.8	(1.7)	54.1
separately disclosed items	(1.3)	-	(1.3)
interest	(5.5)	-	(5.5)
profit before taxation	49.0	(1.7)	47.3
taxation	(8.3)	0.4	(7.9)
retained profit	40.7	(1.3)	39.4