Offshore Industry Leaders

24 June 2020 • 15:00-15:45 BST

Presentation & sponsor documents:
Page 2: René Kofod-Olsen, BW Offshore & Topaz/P&O
Page 7: Quintin V Kneen, Tidewater Inc
Page 12: Harry Knox, V.Ships Offshore
OSJ
Offshore Industry Leaders
Webinar
24th June 2020 - London
Setting the Scene

The hydrocarbon services Industry

1. The hydrocarbon Industry is entering it’s second structural crisis within a span of 5 years
   i. 2014-2020, supply glut with gradual recovery through 2017-2019
   ii. 2020-, Covid-19 demand glut coupled with Saudi-Russian supply war, leaving a historic imbalance in hydrocarbon markets

2. The offshore service industry has been impacted with catastrophic effects, by and large having not recovered from the latest crisis

3. Debt levels reached historic proportions across the sector

4. Rig- and Vessel fleets remain fundamentally under invested, with an ageing and largely technologically inefficient fleet as a consequence,

5. Inferior ESG adaptation and innovation.

6. An estimated quarter of all funding sources have withdrawn from hydrocarbon exposure, with remaining increasing advocating for ESG strategies.

7. Digitalization in its infancy across the industry.
Renewables will see a sharp increase in deployed capacity over the coming decades.

The reference case predicts from 2050 renewables will overtake as the single largest source.

The Covid-19 crisis will most certainly have moved the goal posts, and it should be expected that renewables and solutions to bring down emissions will move *peak oil* further forward.
Staying robust and resilient
In an accelerated shifting of the energy market

- Liquidity, and access to it, is all that really matters
- Rightsizing the portfolio to the near term needs of the market
- Adapt and Evolve – yesterdays ways are not returning
- Onboard your financial eco-systems – They know
- Partnerships beyond current knowns

Questions;
1. The Energy transition is ongoing – a broad business opportunity?
2. Do you really know your North Star – Truly?
Rightsizing your business
for a sustainable and viable future offshore industry

- Be 25% more lean than what your current thinking suggests
- Say no to marginal business – in hindsight it's almost always loss giving
- Aggressively adapt digitization across offices and assets
- Do you really have sustainable barriers to entrance
- Do you have a somewhat differentiated model and necessary critical mass

Questions;
1. *The do we really recognize what the clients need, and wish to pay for?*
2. Do we really need the current agency cost?
Reinvigorating the supply chain
Towards new standards, collaboration, contracting models

- Fast adaptation of new technologies with little evidence of cash recovery
- Moving towards broader contracting and risk onboarding
- Robustness as counterparty risk – client and contractor
- Available financial ecosystem is dwindling – 25% of funds previously available are already lost to ESG demands

Questions:
1. Is the current offshore fleet heading towards the cliff?
   - Age, Technology, Cost, Future proofing
   - 30% in layup, 50% above 15Y...

2. Is the industry ready for production returns as part of contractual agreement?
Industry Supply Dynamics are Improving

Older, Lower Spec Vessels will not Return from Cold Stack
- Stacked vessels will not be reactivated without contracts, but stacked vessels do not get contracts
- Average cold stacked vessel size is 2,306 DWT (PSV: 2,688; AHTS: 1,887)
- Average age cold stacked vessel is ~20.4 years for PSVs and AHTS
- ~55% of cold stacked PSVs are DP1 or Non-DP

Some Idle Vessels will be Cold Stacked
- Average idle vessel size is 2,134 DWT (PSV: 2,867; AHTS: 1,857)
- ~30% of idle PSVs are DP1 or non-DP
- ~109 vessels scheduled for special surveys in next two years

Some Active Vessels will be Cold Stacked
- 741 active vessels are scheduled to undergo special surveys in 2020-2021 (PSV: 331; AHTS: 410)
- 175 active vessels are 20 years of greater
- 490 active vessels are DP1 or non-DP
- ~40% of active PSVs are < 3,300 DWT

Vessels on Order Unlikely to Deliver
- +65% of newbuilds have been under construction for greater than four years
- +90% of vessels are being built in Chinese, Indian or other second tier yards
- +30% of newbuilds are low specification (DP1/Non-DP or small DP2)

Effective Fleet Supply is Set to Decrease

Source: IHS Markit, Tidewater (June 2020)
Older Cold Stacked Vessels May Not Return to Service

There are up to 700 demolition candidates due to age and length of time stacked.

Nearly 35% of all stacked vessels are 20+ years old and effectively obsolete.

Costs to repair and re-class older vessels exceeds the potential return.

**Cold Stacked Vessels by Year of Build**

<table>
<thead>
<tr>
<th>Age</th>
<th>Stacked since</th>
<th>Before</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>20+</td>
<td></td>
<td>111</td>
<td>66</td>
<td>64</td>
<td>48</td>
<td>35</td>
<td>16</td>
<td>3</td>
</tr>
<tr>
<td>16-20</td>
<td></td>
<td>11</td>
<td>27</td>
<td>26</td>
<td>27</td>
<td>29</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>11-15</td>
<td></td>
<td>6</td>
<td>32</td>
<td>41</td>
<td>24</td>
<td>56</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>6-10</td>
<td></td>
<td>3</td>
<td>39</td>
<td>81</td>
<td>27</td>
<td>25</td>
<td>27</td>
<td>36</td>
</tr>
<tr>
<td>0-5</td>
<td></td>
<td>2</td>
<td>6</td>
<td>13</td>
<td>4</td>
<td>6</td>
<td>5</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: IHS Markit, Tidewater (June 2020)
Many Vessels on Order Unlikely to Deliver

OSV Newbuild Deliveries

~60% low specification

90% under construction at second tier yards

- China, 124
- Brazil, 3
- Norway, 2
- Vietnam, 6
- U.S., 4
- Others, 7
- India, 24

Source: IHS Markit, Tidewater (June 2020)

170 Vessels under construction

+90% Under construction for more than 4 years

~6.5 Average number of years under construction (2-3 years normally)

+$+ Price expectations for newbuilds assumes near term recovery
A Highly Fragmented Market Remains a Challenge

OSV Owners by number of vessels

Source: IHS Markit, Tidewater (January 2020)
The Offshore Paradigm has shifted...

Why haven’t you?
Sources: S&P Capital IQ, AlixPartners analysis
Note: Analysis incorporates financial data of 40 OSV operators
1. HIGH COST OF DEBT

2. HIGH G&A COSTS

3. HIGH OPERATING COSTS

Vessel owners & operators have focused on financial restructuring, but have they challenged the fundamental drivers of cost within their businesses?
SCALABILITY; delivering growth with limited CAPEX

FLEXIBILITY; enabling diversification in response to market changes

OPEX REDUCTION; up to 57% reduction* in management costs alone

*Source: V.Group Benchmarks
Our industry has not exploited outsourcing

**OFFSHORE**
- Inhouse: 6%
- Outsourced: -9%

**GLOBAL FLEET**
- Inhouse: 15%
- Outsourced: -9%

Source: Clarksons Offshore Intelligence Network
We estimate OPEX Savings of $86.2M Per Annum are possible if outsourcing was adopted at the same level as the global fleet.

*Source: V.Group Benchmarks*
V.Group was founded in 1934, originating from Alexander Vlasov’ pioneering shipping activities.

By 1946 Alexandre had established shipping companies around the world in cities such as London, Buenos Aires, New York, and Milan. V.Group continued to strive for expansion, and was overseen by Alexandre until 1961, and his son Boris, until 1987. In his time as leader, Boris followed his father’s legacy of continually seeking to improve and expand through new business acquisitions.

As part of the V.Group portfolio of businesses which provides leading global ship management and marine services, the total organisation now spans across 83 nationalities and 60 offices worldwide.

The unmatched blend of technology and expertise combined with access to our broad range of ship management, crewing and other marine support services means our teams are able to tailor cost-effective solutions for our customers.

With our primary client base firmly in the commercial shipping industry, we work with a range of vessels and their owners around the world. With assets including tankers, bulk carriers, and gas carriers, to chemical tankers, containerships and vessels deployed within the offshore and renewable markets, V.Group provides a consistent service, tailored to the individual client’s needs.

We also work with asset owners in the leisure industry, providing ship management and technical services, as well as full crew management including hospitality crew, to cruise ships, ferries, and super yachts around the world.

Leveraging our existing professional expertise and capabilities, we consistently strive to optimise all aspects of vessel management operations and deliver great value for our customers, whilst ensuring safe and environmentally compliant operations.

Being established across 30 countries, our colleagues at sea and on shore are at the heart of our services delivery, and safety is our number one priority. Continuing our legacy, we aim to deliver excellence in every area in which we operate.

| 44,000 Seafarers | 60 Offices | 30 Countries | 2,200 Vessels served |
We set high standards for ourselves and always work in an ethical and transparent way. We aim to be easy to do business with and wherever customers, crew or suppliers deal with us, they should experience a consistent high level of service and see that we are living our values. Our values drive everything we do.

**We care**
about our colleagues, our customers and our company

**We collaborate**
by connecting and communicating to ensure alignment

**We challenge**
by innovating to keep us and our customers ahead of the competition

**We are consistent**
always operating in a safe and regulatory compliant way

**We commit and deliver**
and always aim to keep our promises

---

We work as one global team, embracing the different cultures that we represent as individuals.
Our Strategy

V.Group puts great importance on our approach to the pursuit of excellence in all our operations around the world.

Our ongoing strategy is to strengthen our position as a global leader in ship management and marine services, and commit ourselves to continuous improvement in every area.

While we maintain our investments in innovation, technology, and long-term growth, and manage the entire group for quality, service, and sustainability, we continue our dedication to investing in people. Ensuring we recruit and retain the best talent in the world, in order to provide highest quality service to all our customers.

As leaders in our industry, we have a strong reputation for safety, environmental compliance and good governance.

In an increasingly complex and changing sector, the governing structure of V.Group is in place to protect the group’s future, ensure its growth and prosperity and maintain its professional and ethical standards, reputation and corporate responsibility.
Established across 30 countries in 60 offices, our global presence ensures we are perfectly placed to service our partners and provide consistent and reliable support all over the world.

Shipping is a global business and our broad geographic reach enables us to be responsive to our customers’ needs wherever their vessels are in the world and in any time zone. Our industry can be unpredictable and the flexibility to respond quickly and professionally when the need arises is critical.

Our **Global Footprint**

- **V.Group management offices**
  Global ship management of your fleet with an overview of safety, quality and performance.

- **Crew management offices**
  Global crew management, including seafarer selection and monitoring performance.

- **Specialist crewing offices**
  Focusing on service delivery, day-to-day crew management and administration

- **Regional crewing offices**
  Local crew recruitment and mobilisation, meeting specific regional needs.
Our Services

V.Group is focused on delivering excellent ship management and marine services. Our services offer best in class value for money, tailored to the needs of different customer groups and vessel types. By combining our services we can deliver industry-leading integrated solutions to our customers.

Ship Management

V.Group is the world’s leading independent ship management company, and a global pioneer in technology, innovation, and services for worldwide vessel owners.

Working together with more than 3,000 on-shore and 44,000 seafaring colleagues around the world, our V.Ships Technical Management team delivers unrivalled ship management services to a diverse fleet of cargo-carrying and leisure vessels.

As industry leaders with a global presence and specialist operational hubs around the world, V.Ships gives you the widest service with multi-disciplined support. We demonstrate the know-how, commitment, and drive to help all our customers achieve their goals every day, through cost-effective, safe, and performance-enhancing asset management – wherever and whenever it’s needed.

Together with access to our groundbreaking real-time ship management platform, ShipSure, our operations and full compliance commitment underpin the high standards of service we offer to each our ship owning clients, while you maximise the hassle-free return on your investment.
Technical Services

As part of V.Group’s global services, SeaTec is a leading technical service provider at the forefront of global technical maintenance.

An international market leader with full ISO9001:2015 accreditation, SeaTec offers unrivalled services to the shipping, offshore and defence industries, including on board safety training, engineering, underwater repairs management, condition based monitoring, communications and inspections.

SeaTec’s professional reputation is internationally recognised for delivering a high quality, efficient service, and project transparency, making us the number one choice for the major shipping groups around the world.

Working together with our owners, SeaTec are committed to delivering each service with our highly skilled, trained and motivated team of experts who are in operation 24hrs a day. Helping your vessel operate efficiently and profitably and with full compliance.

Crew Management

Attracting, recruiting, training, deploying and developing highly skilled seafarers for your vessels is the core purpose of our crew management business. You can be assured we will offer your fleet the right mix of crew, with the right skillsets and competence, at the right time, to optimise your vessel and commercial performance.

Operating from well-established Crew Management Centres around the world, we deal seamlessly with every aspect of crew management operations for every maritime segment, reducing your operating costs, and delivering world-class operations.

Whether you require a single specialist seafarer, or a turnkey solution for managing the full complement for every vessel in your fleet, our scale and global reach means we can offer you flexible and responsive crew management services tailored to suit your needs.

Our dedication to safety, customer care, and quality, coupled with access to the industry’s largest network of maritime talent, means that we are trusted the world over as a market leader in crew management services.
Crew Services

As one of the world’s largest maritime support providers, V.Group know a well-trained and supported crew is crucial to effective operations. All our crew services are tailored to your requirements, so we can deliver an unrivalled crew for your vessel – when you need them and wherever you are.

With a client portfolio spanning cargo-carrying, specialist offshore and leisure vessels, our crew services cover travel, training, catering as well as maintaining crew health and welfare.

As we understand the need for competence, skill and experience in every field, our training and development services ensure all our V.Group colleagues make a critical contribution aboard your ship. We’re also committed to providing quality crew support through a network of preferred partners and professionals in specialised catering, logistics and hospitality related fields.

With an unrivalled understanding of the maritime sector, and resources and experience to match, our V.Group travel services ensure we move seafarers seamlessly to destinations all over the world, getting them where they need to be on time, every time.

Supply Chain

Minimising your operational expenses is a proven practice, helping you to gain healthier margins and keep pace with your competitors. However, securing the best prices on every product and service you buy isn’t always easy. With the global buying power of V.Group helping to cut your input costs, operating an efficient and profitable service is an achievable goal.

As an independent contracting organisation, the Ship Supply Chain looks to improve the efficiency and effectiveness of all the services we offer to our customers, as well as your own. As we maximise our purchasing power, we’re able to lower the cost of service delivery for you.

The V.Group supply chain involves the thorough planning and overseeing of all activities involved with the sourcing, procurement and logistics across the group. It also includes the crucial components of coordination and collaboration between our suppliers and customers.

Our strategy ensures value is always added throughout the chain by removing unnecessary costs, focusing on increasing efficiency, and removing bottlenecks. To make this happen, our systems are responsive to changing customer requirements and measure key performance indicators. Together, they ensure continuous product improvement in every area.
Insurance Solutions

The financial and reputational risks that can occur when something goes wrong can be devastating to your business. By choosing insurance services from a company that understands the shipping and marine industry inside out, you get the support you need when the worst happens.

Each of our experienced marine insurance and claims management colleagues provide all our customers with the highest level of claims handling services, built during many years of servicing fleets managed by V.Group.

While we understand shipping and the range of cover needed, we also understand the risks of different vessels to help negotiate better prices from our underwriters. Together, they go towards making sure we provide the most appropriate protection of your maritime asset, and any liabilities that could arise.

Through our London based in-house insurance broking company, V.Scope Risk Management Ltd., V.Group’s fully integrated insurance services give all our clients the best customer service and cover they expect from the largest global provider of marine support services.

Our Marine Digital platform and insights solutions

ShipSure is the integrated information technology platform, which drives V.Group’s global ship management operations including crew management, vessel accounting and procurement.

Taking both automated and manual data feeds; the platform provides real-time data-driven insights, enabling you to make informed decisions to strengthen all aspects of business and fleet performance, be they operational, technical, or financial.

By processing crucial data from every area of your vessel’s operations, our solutions deliver clear recommendations to optimise performance and drive profitability.
Our **Strengths**

Our services are underpinned by the unique strengths of our Group:

- We are a global leader combining global presence and responsiveness with expertise delivered by our talented team of marine industry professionals.

- We are trusted to deliver combining the highest levels of customer service with agility and transparency.

- We have an innovative operating model combining efficiency and scale with the ability to shape our services into unique solutions for our customers.

We strive to be a standard setter, shaping the future not just accepting it. We are the largest independent ship management business in the world. Each of our service businesses aims to be a leader in its field.
Value Added Services

Leveraging our scale to deliver benefits to our customers

We believe that scale is important and we seek to leverage our scale as the market leader to the benefit of our customers. Leveraging from V.Group’s network, we believe that there is genuine advantage to scale in the maritime services business, as it allows us to invest in great systems, great people, and centres of excellence to deliver outstanding and cost effective services.

We achieve this in a number of ways:

- Our scale enables us to attract and invest in the development of the best talent in our industry. We aim to be a highly reputable employer and provider of crew, as ultimately people are the most important and valuable part of our business model.

- The customers we serve aim to operate responsibly and in compliance with all laws and regulations, as do we. The complexity of the regulatory environment for ship owners and operators continues to increase and our scale enables us to invest in processes, systems and Centres of Excellence to ensure compliance and provide peace of mind.

- Scale allows us to combine our buying power with that of our customers and partners to deliver better value for money.

- The marine industry is increasingly dependent upon technology to deliver efficient, safe and environmentally friendly operations. Our operating model represents decades of investment and our scale allows us to continue to invest in the latest technology. Scale makes us an ideal technology partner driving innovation into our business to the benefit of our customers.

- Finally, our scale gives us the ability to share risk with our customers. We have a track record of creating and operating innovative commercial models which directly link our reward to the success we deliver for our customers. We are most comfortable when we are working in partnership with customers in a true ‘win-win’ relationship.
Our Brands

We are the leading marine support provider for the shipping, offshore, leisure and defence sectors. V.Group consists of many different, individual brands, each one specialising in services for our customers.

Ship Management

**V.Ships**
V.Ships is the primary market leading brand for V.Group, covering ship management and services, risk management, procurement and financial services for the tanker, bulk carrier, container, offshore and leisure sectors.

**Dania Ship Management**
Based in Copenhagen, Dania deliver a bespoke ship management service with access to V.Group’s specialised global ship management capabilities and experience in the safe operations of tankers and other shipping vessels.

**ITM**
International Tanker Management (ITM) is an experienced and comprehensive ship management company specialising in cost-effective ship management, crewing, and service packages for oil and chemical tanker owners around the world.

Crew Management

**V.Crew**
V.Crew Services provide the full range of crew needed for the safe and efficient operation of your vessel, covering the entire recruitment and deployment chain, and getting them where they need to be on time, every time, all over the world.

**BGI**
During 25 years of sustained development, Baltic Group International has become a market leader in marine personnel recruitment for employment on all cargo vessels, and continues to deliver increased growth.

Crew Services

**Oceanic Catering**
Oceanic Catering have over 20 years’ experience in world class catering services for the marine industry, delivering meals to 13 million crew, seafarers, and passengers onboard 1,400 commercial vessels every year.

**Marlins**
Marlins training and development services lead the way in language testing and e-learning, delivering a diverse range of onboard and onshore training products and services for continued seafarer compliance and safe vessel operation.

**V.Travel**
Transporting over 140,000 seafarers and crew every year, V.Travel provides a globally coordinated and comprehensive travel management service for maritime operators around the world.

**Global Marine Travel**
Global Marine Travel provides complete dedicated travel management services for all those involved in the commercial, offshore, leisure, crew, superyacht, corporate and marine support sectors.

Technical Services

**SeaTec**
SeaTec is a leading maritime technical service partner, supporting businesses worldwide in proactively managing, maintaining and improving assets’ value.

**V.Scope**
Having vast experience in all the traditional marine insurances, V.Scope Risk Management Ltd. has met all of the insurance needs of vessel owners and operators around the world since 2013.

Supply Chain

**Marcas**
Marcas have vast experience in all areas of supply chain management, delivering comprehensive logistics and procurement services for the shipping, offshore, leisure and defence sectors.

Marine Digital Platform

**ShipSure**
ShipSure is a unique marine digital platform which provides real-time data-driven insights, enabling to make informed decisions to strengthen all aspects of business and fleet performance, be they operational, technical, or financial.

**V.Group**
For more information on how V.Group can add value to your operations, please visit our website [www.vgrouplimited.com](http://www.vgrouplimited.com), contact us via email at enquiries@vgrouplimited.com, or alternatively call us on +44 (0)2380 258 381.