



GLOBAL PERFORMANCE BENCHMARK: GCE BLUE MARITIME

Klyngekonferansen 26. september 2019

Erik Werner Jakobsen

- **The tide has turned – steady growth ahead?**
 - 10% revenue growth in 2018
 - All segments expect increasing revenues in 2019 and 2020
 - The total orderbook has grown from 14 to 19 months the last year
 - Cluster companies expect to hire at least 1000 new colleagues in 2018 and 2019
 - Across all segments, the companies expect profitability to improve in 2019

- **Møre is well-positioned in key growth markets**
 - Most yards have taken important positions in the growing **exploration cruise** market
 - High expectations for growth in **offshore wind**
 - **Offshore oil and gas** recovery

- **Some key questions:**
 - Ocean industry transformation, but still low productivity – for how long?
 - How fast will the cruise market grow? Risky specialization?
 - Offshore wind – when will it “take off”?
 - High debt – financial strain
 - High oil price and booming offshore markets – but for how long?





59 bill NOK in total revenues



+ 5 bill NOK (+9%)



**85 bill NOK in orderbooks –
19 months work**



**Up from 14 months in 2018
(8 months in 2017)**



**Oil/gas market 32% of total
revenues**



**Down from 35% in 2018
(50% in 2017)**

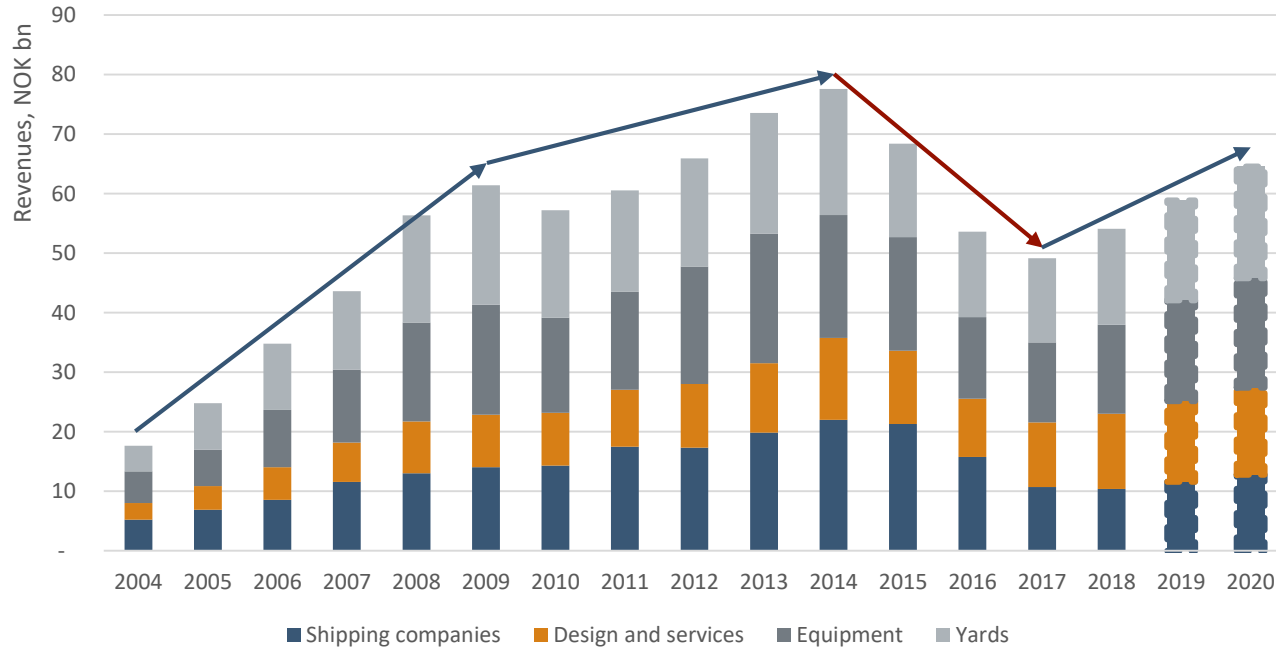


60% of total revenues



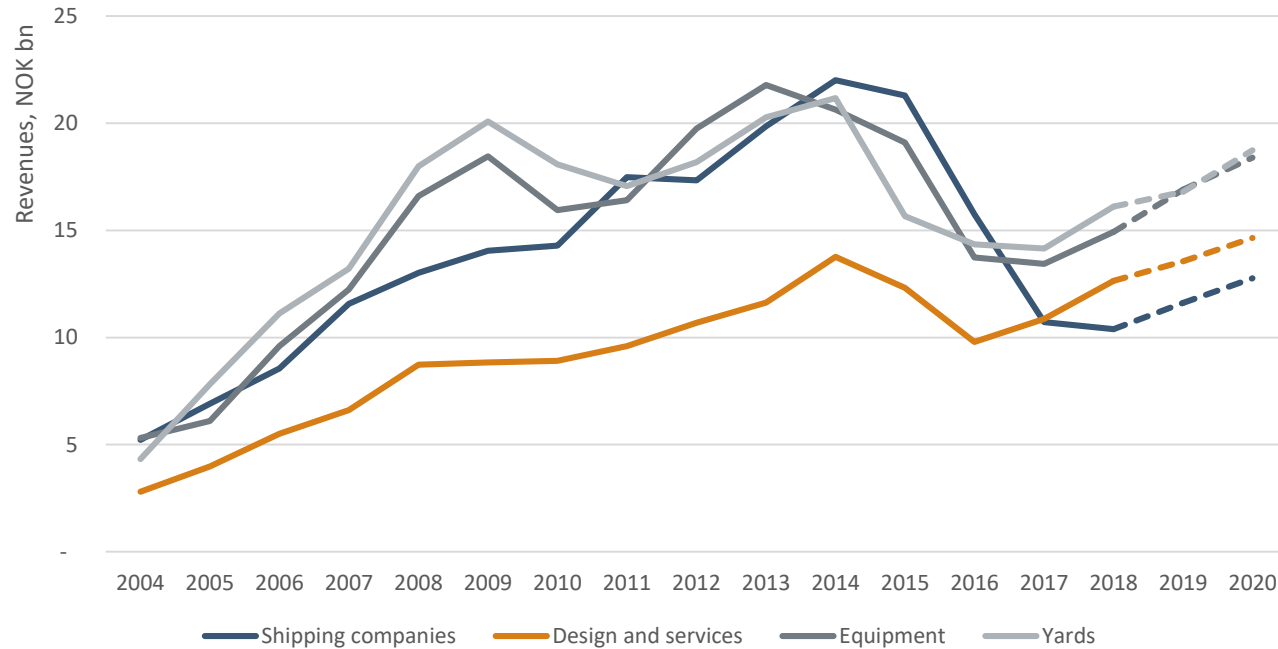
**Up from 56% in 2018
(39% in 2017)**

Stable growth ahead?



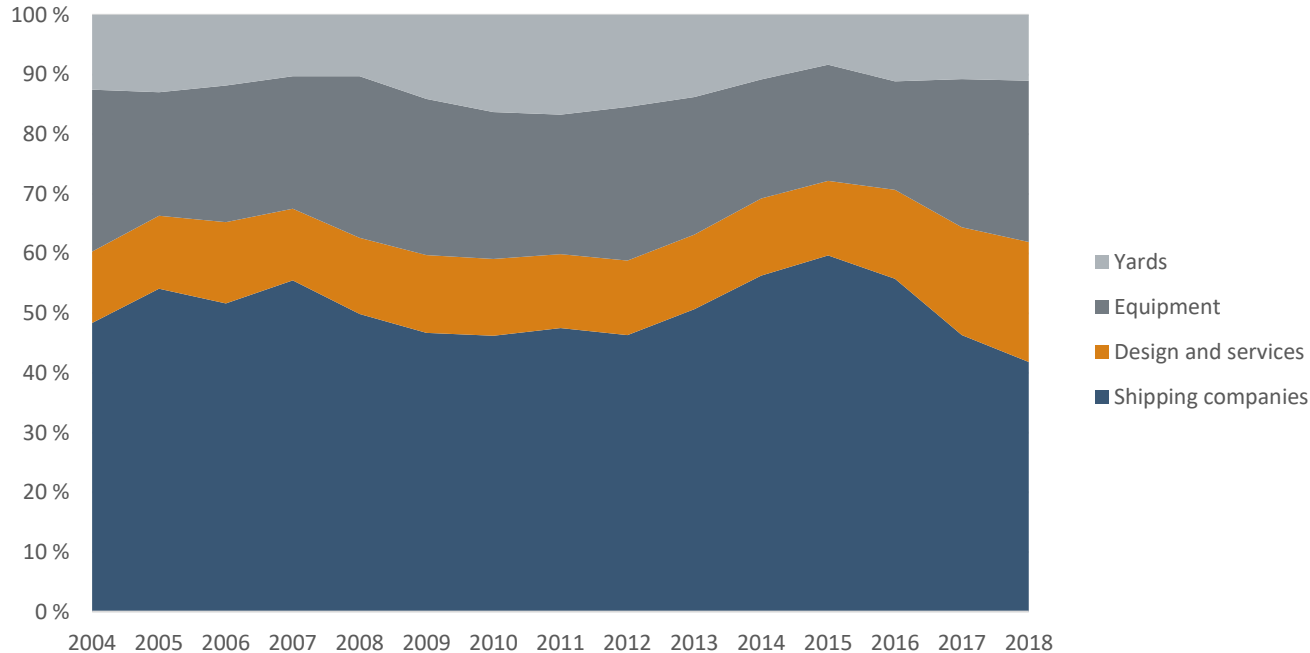
Development in revenues broken down on the four segments.
Source: Menon (2019)

Revenues expected to grow in all segments



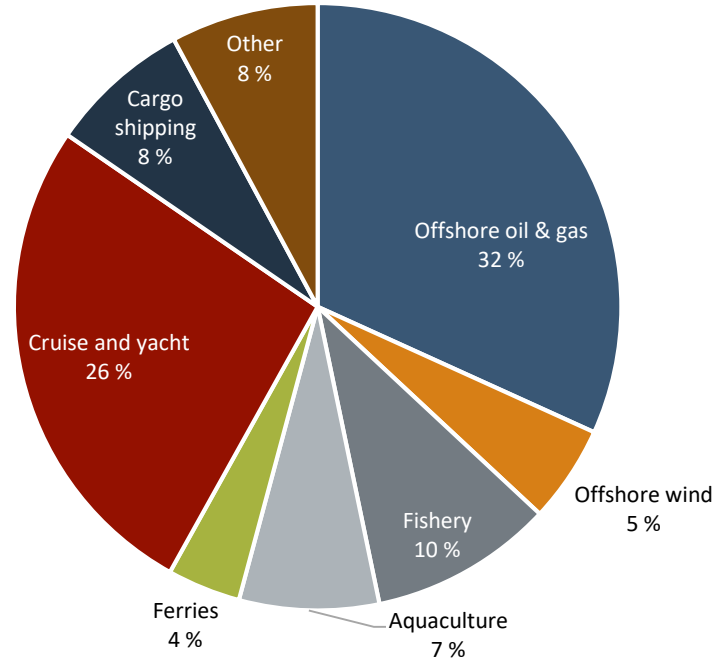
Development in revenues broken down on the four segments.
Source: Menon (2019)

Shipping share of total value added peaked in 2015 – equipment and services now close to 50%

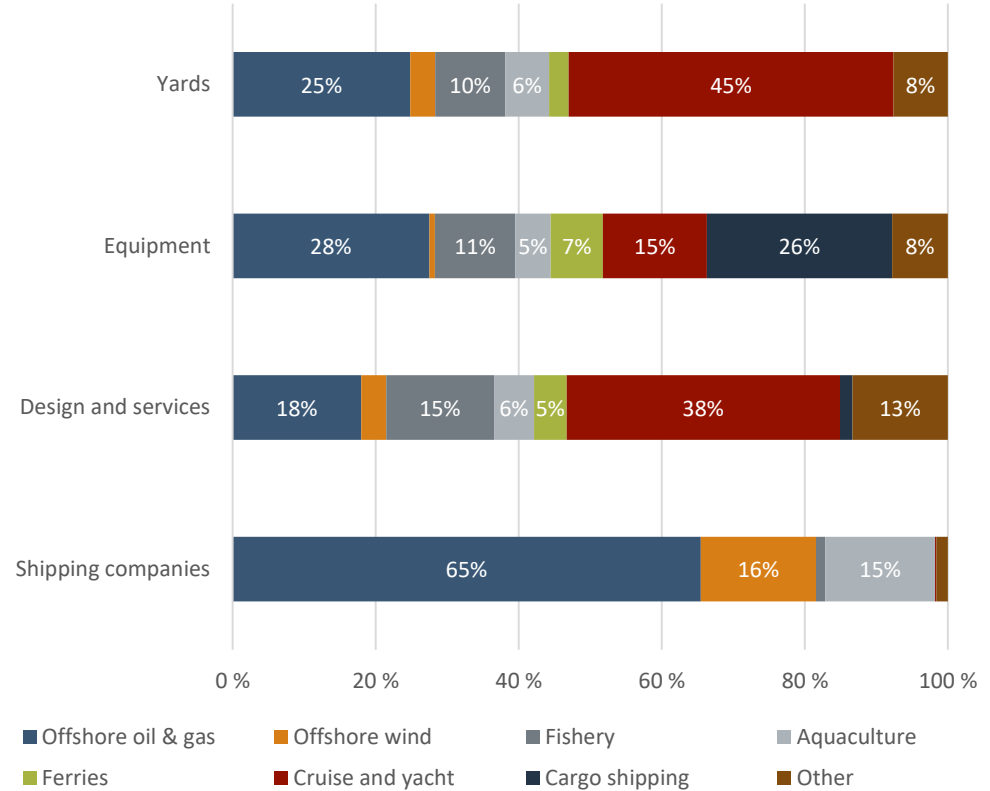
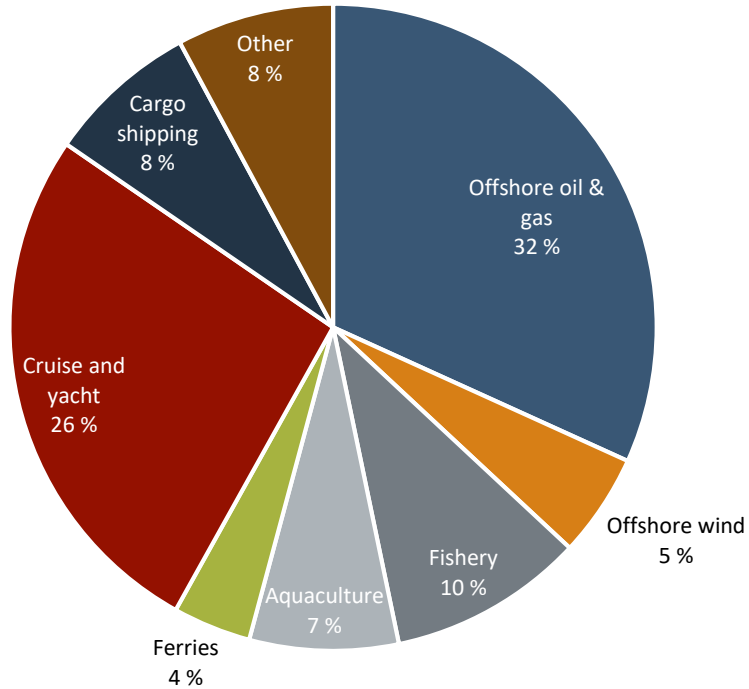


Development in value added in the cluster from 2004 to 2018.
Source: Menon (2019)

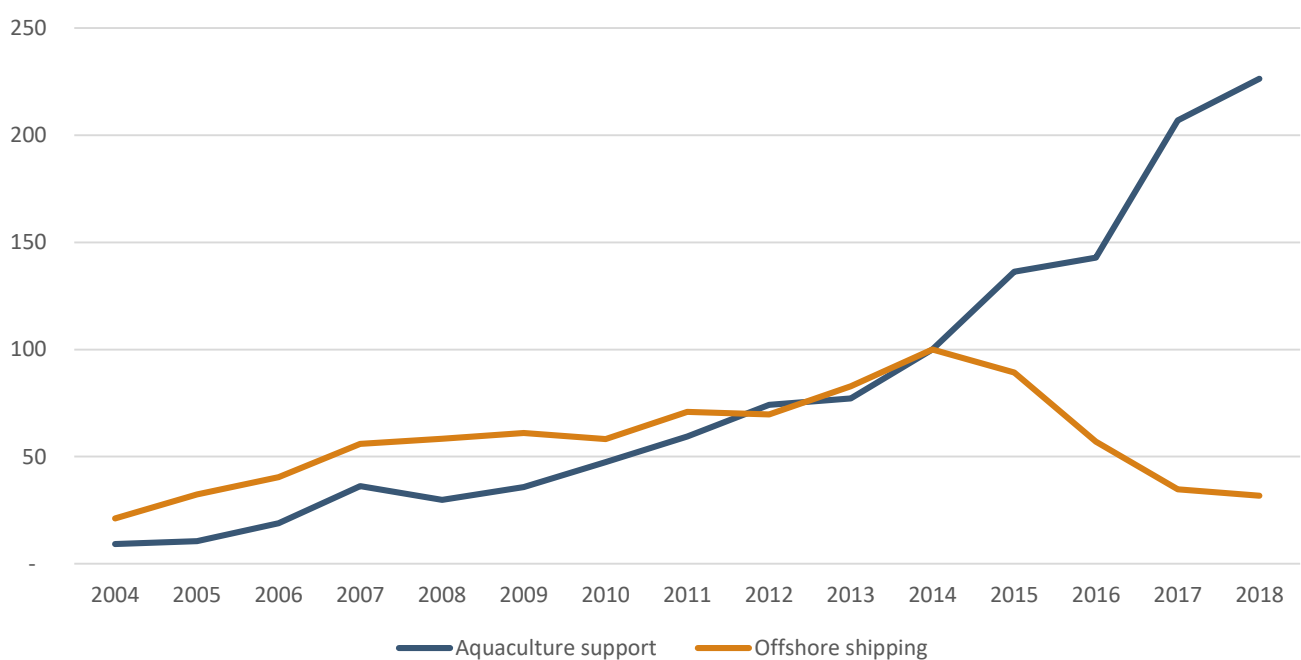
The cruise market nearly accounts for as much revenue as the offshore oil and gas markets



Distribution of the cluster's combined revenues on different ocean and land-based markets.
Source: Menon (2019)

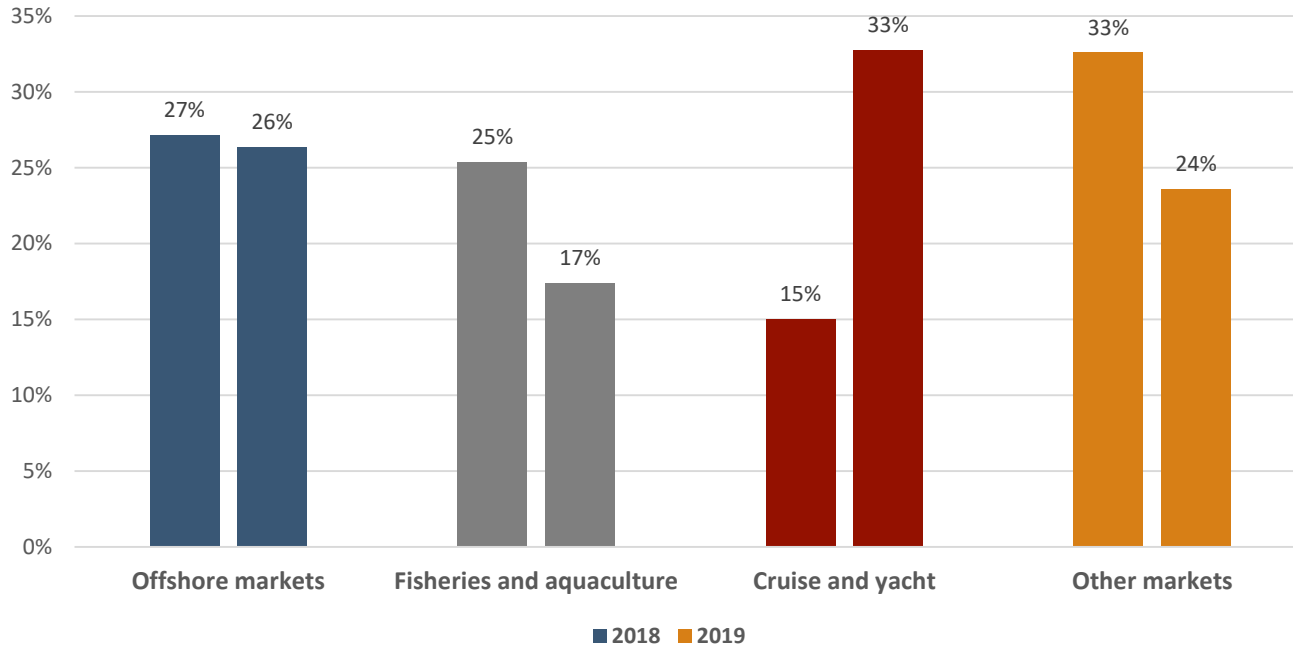


Shipping value added: Oil/gas and aquaculture in opposite directions



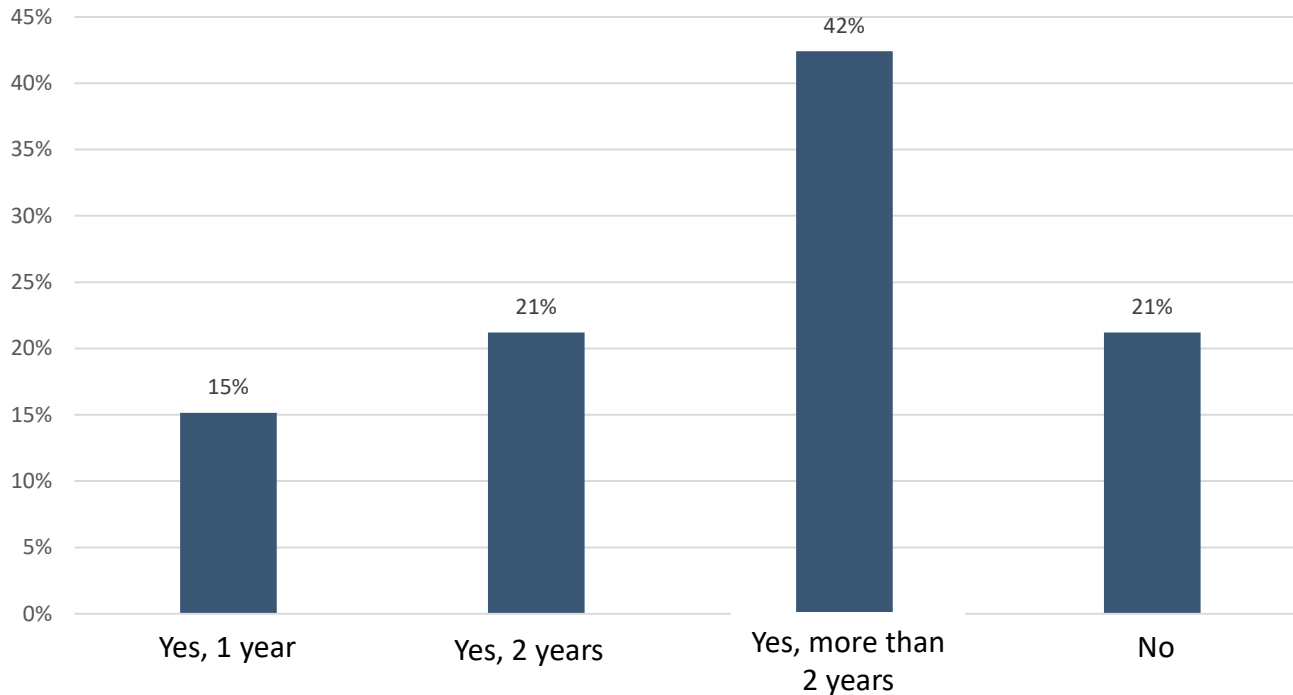
Development in value added for the aquaculture/wellboats segment vs the oil and gas-oriented shipping segment. Indexed on 2014. Source: Menon (2019)

The cruise segment has grown strongly in 2019



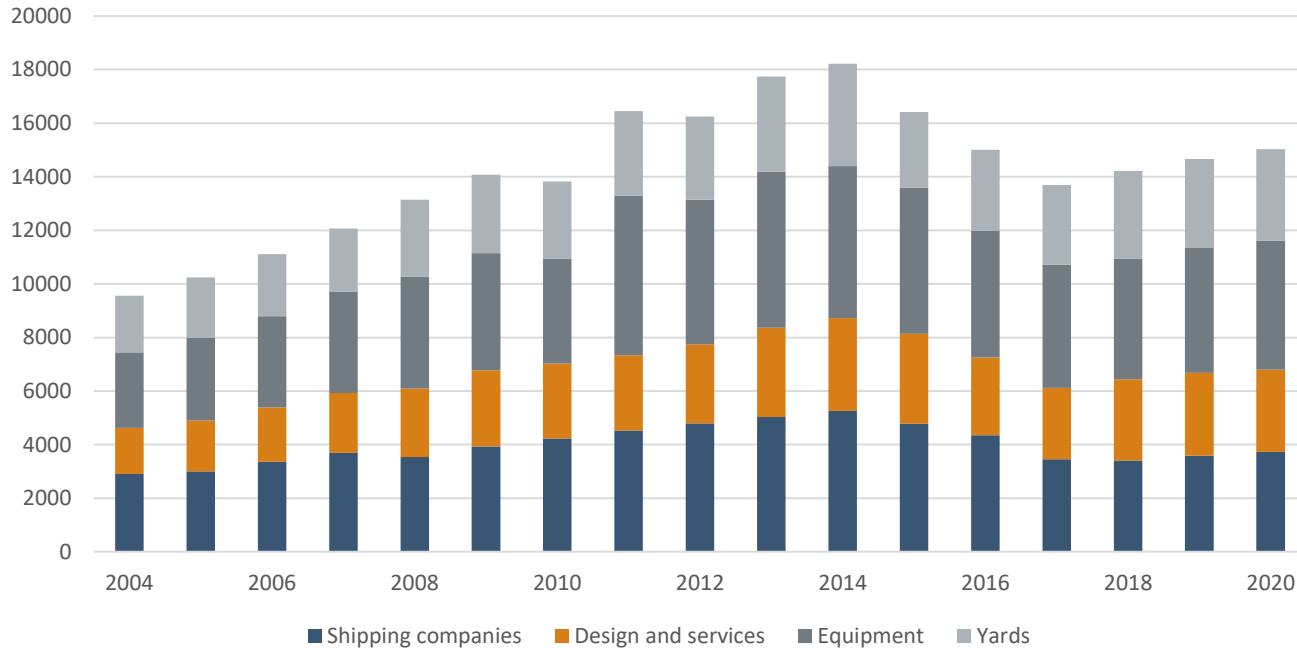
The Møre cluster share of different market segments over time. Shipping companies are not included. Menon (2019)

Deliveries to the cruise market – 35% new companies in 2018/19



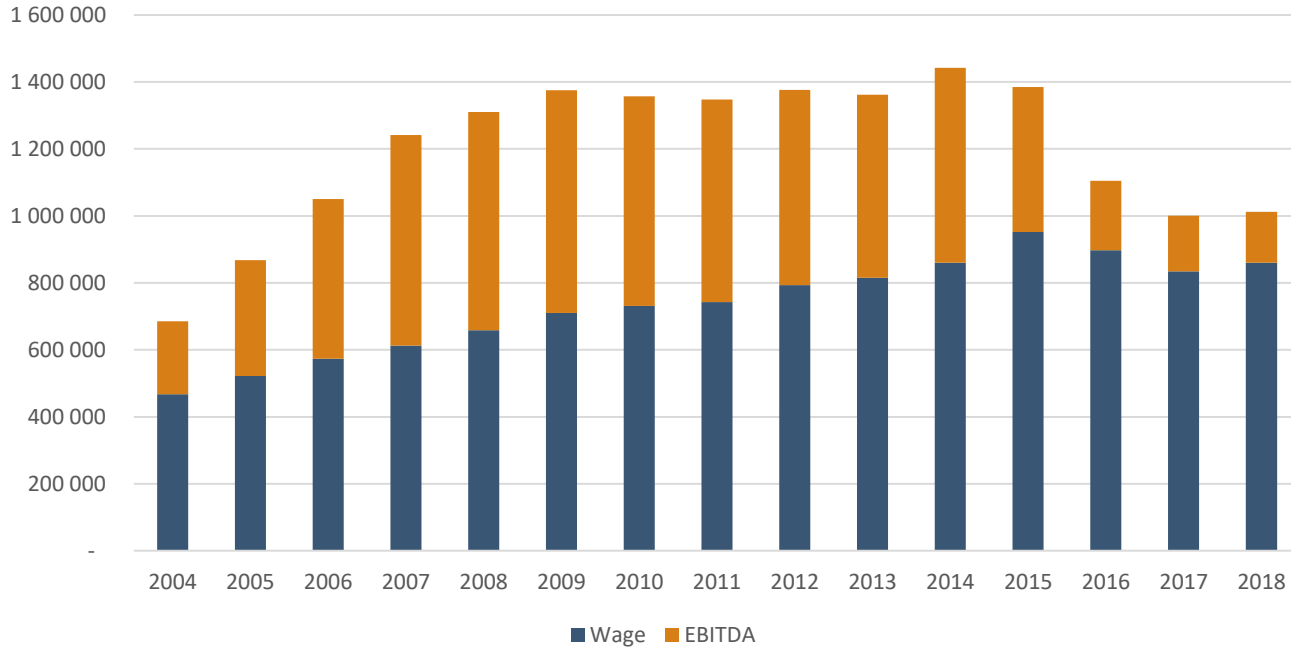
Have you made deliveries to the cruise/yacht market in previous years? Source: Menon (2019)

Growth in employment since 2017 – but still far below 2014 level



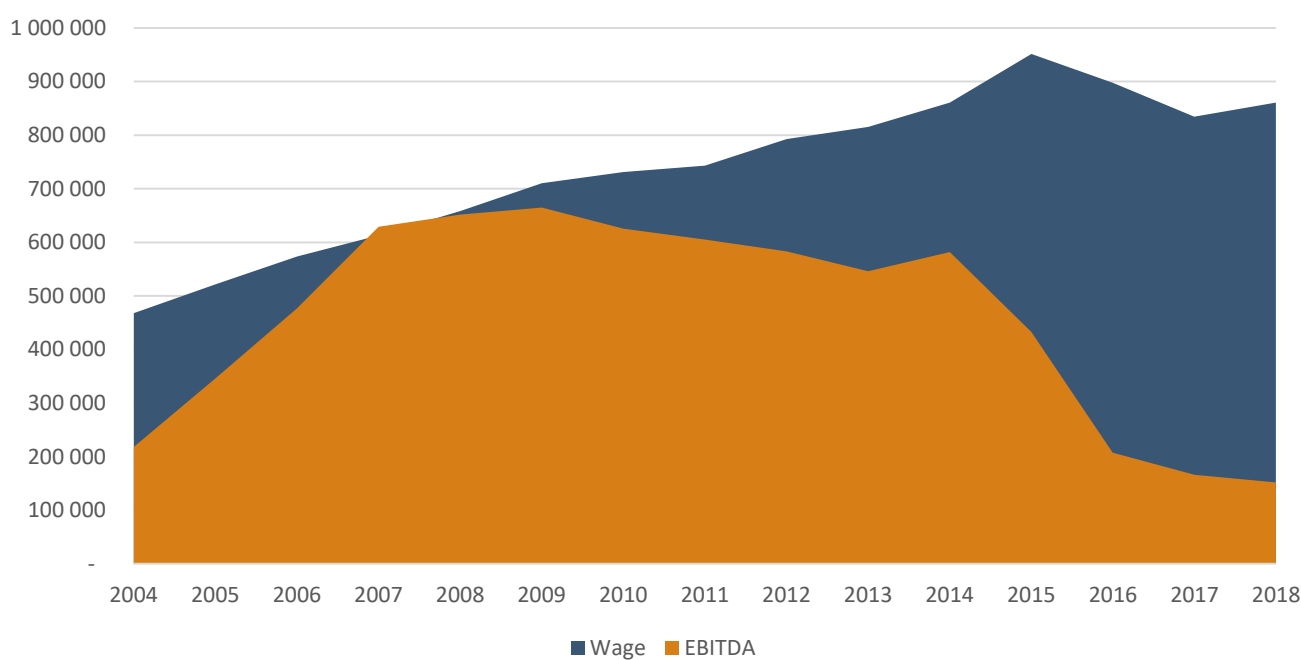
Development in employment in the Blue Maritime cluster broken down on the four segments.
Source: Menon (2019)

Value added per employee still low



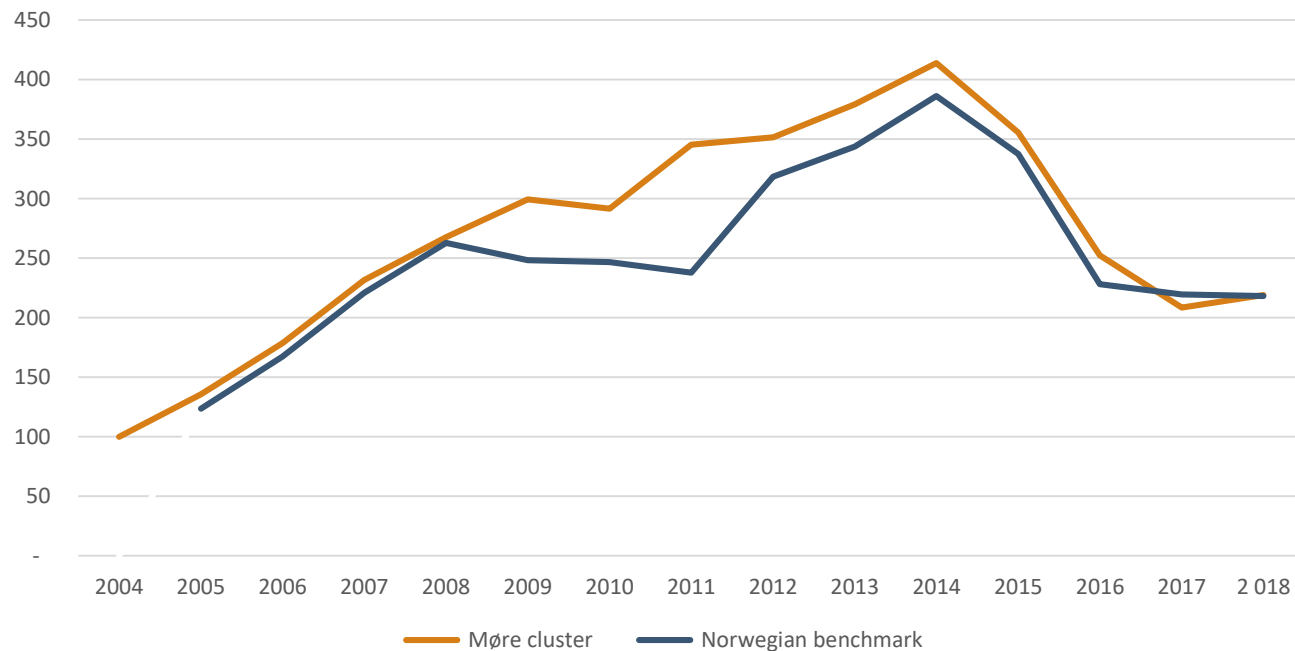
Value added per employee- in running currency – broken down to wages and EBITDA. Source: Menon (2019)

Personell cost per employee grows – EBITDA does not



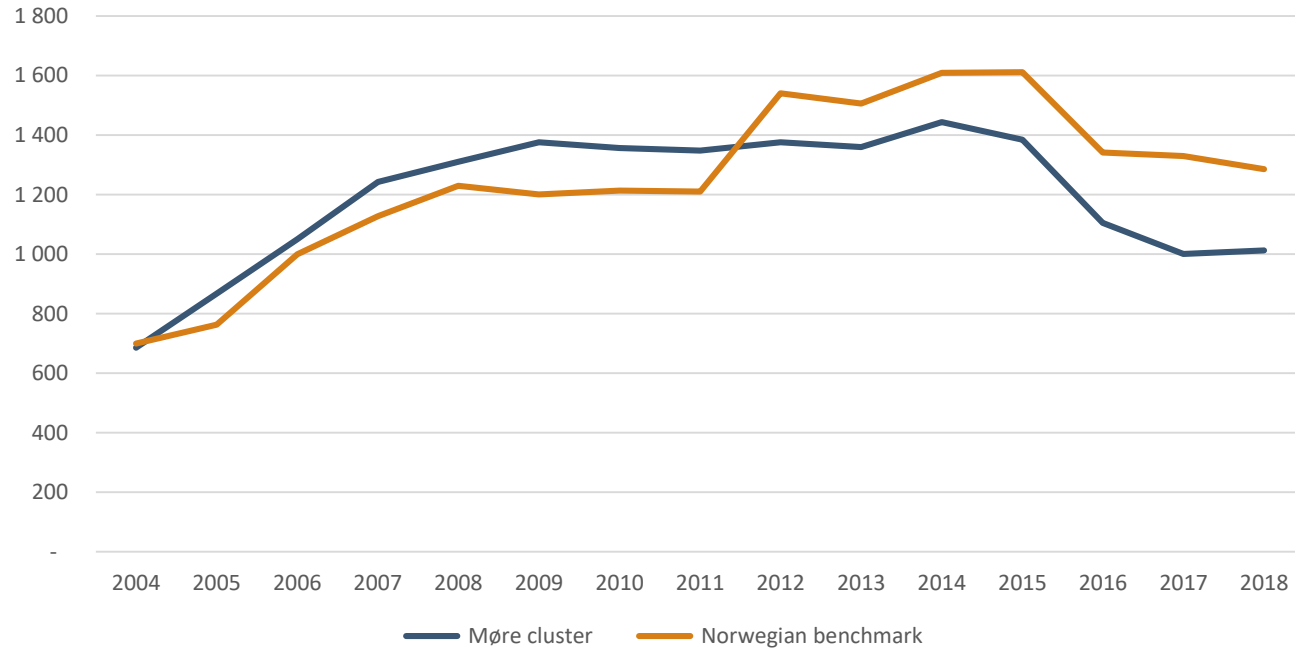
Value added per employee broken down to wages and EBITDA. Source: Menon (2019)

Møre and «the national mirror» follow the same path



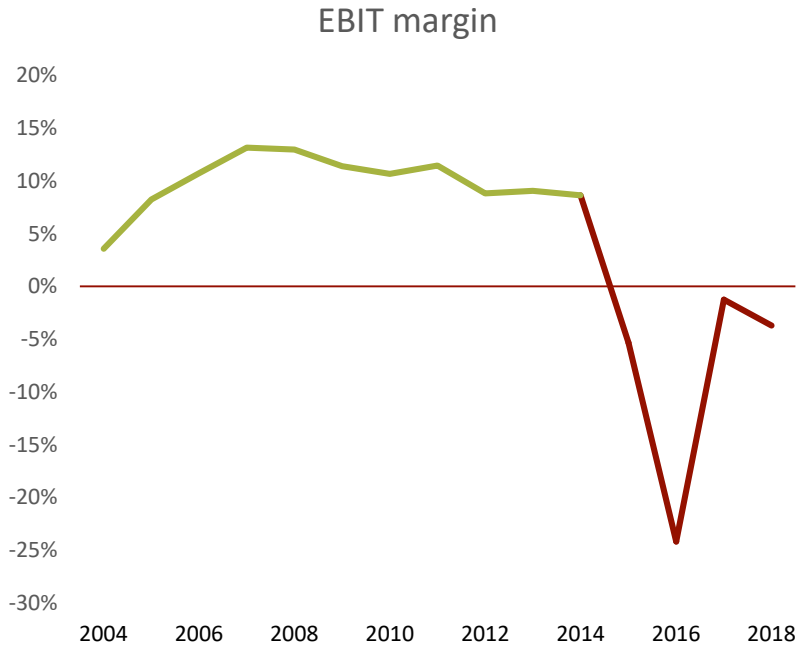
Indexed development of value added for the cluster and the Norwegian benchmark. Source: Menon (2019)

Lower productivity in Møre persisted in 2018

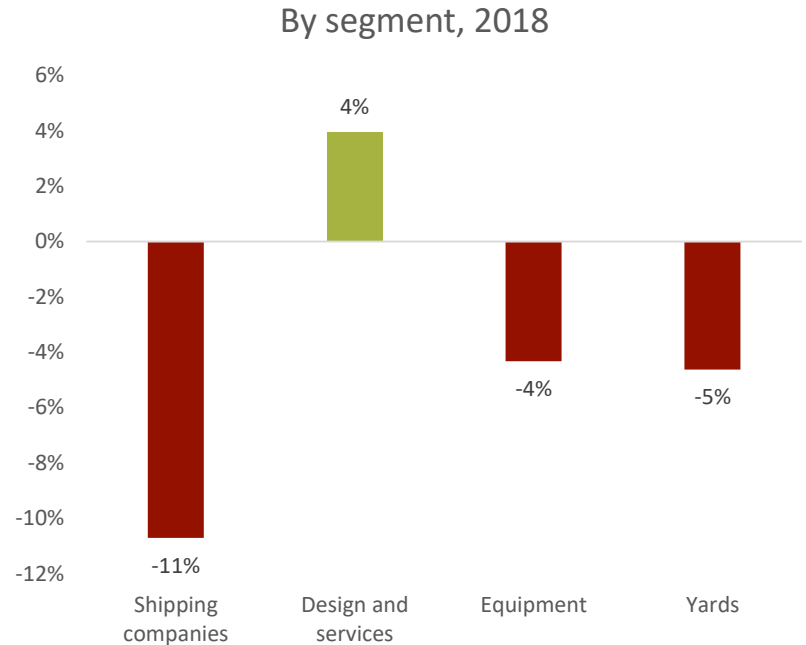


Development in productivity (value added per employee) between the cluster and the national benchmark. Weighted average based on the cluster's share of employment in each segment. Source: Menon (2019)

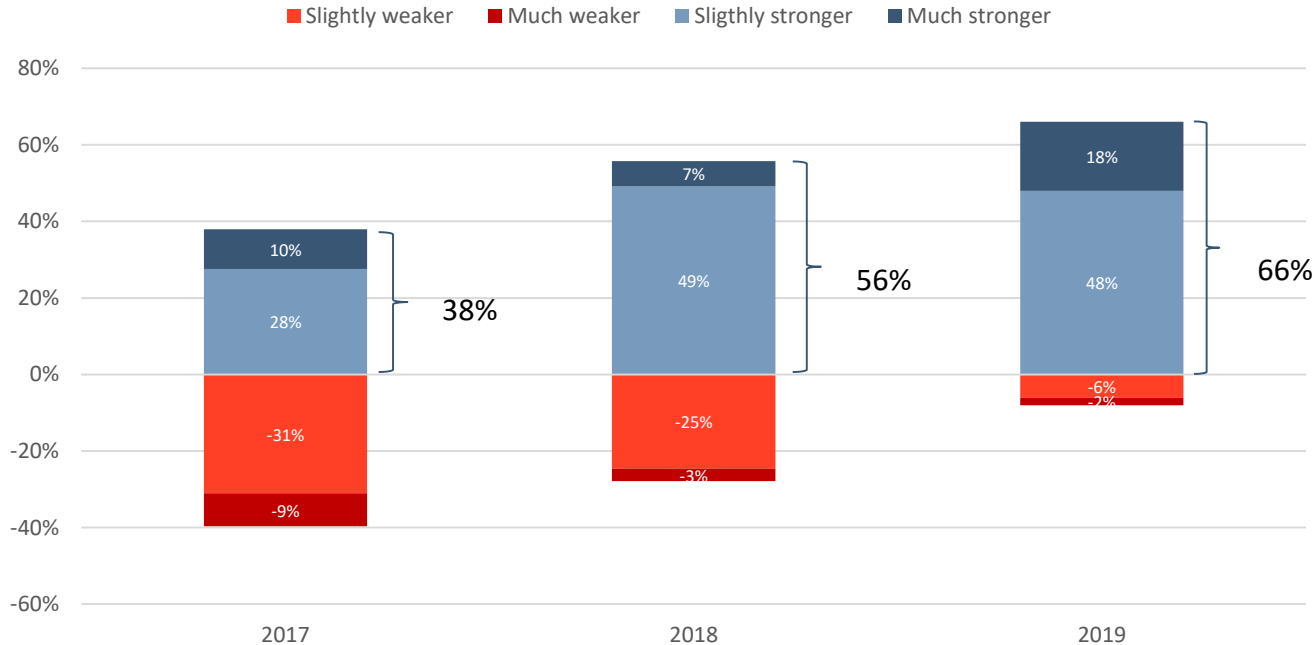
EBIT margin



EBIT margin per segment

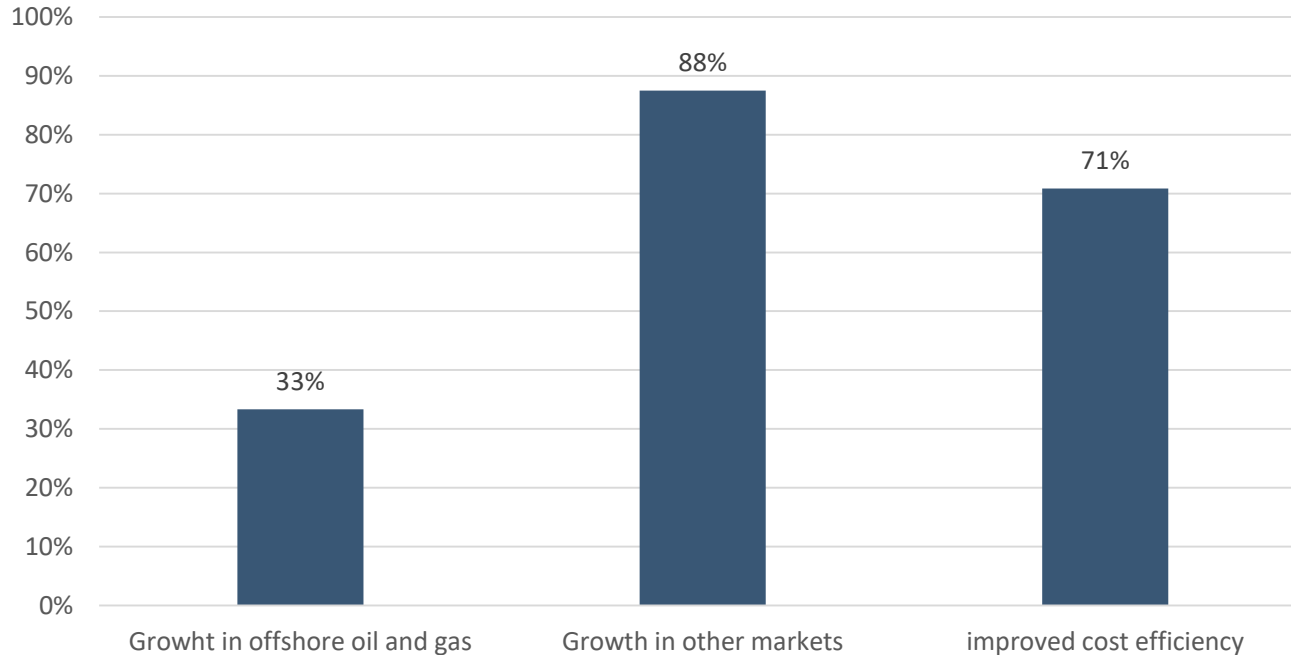


However, 2 of 3 companies expect higher profitability in 2019 than in 2018



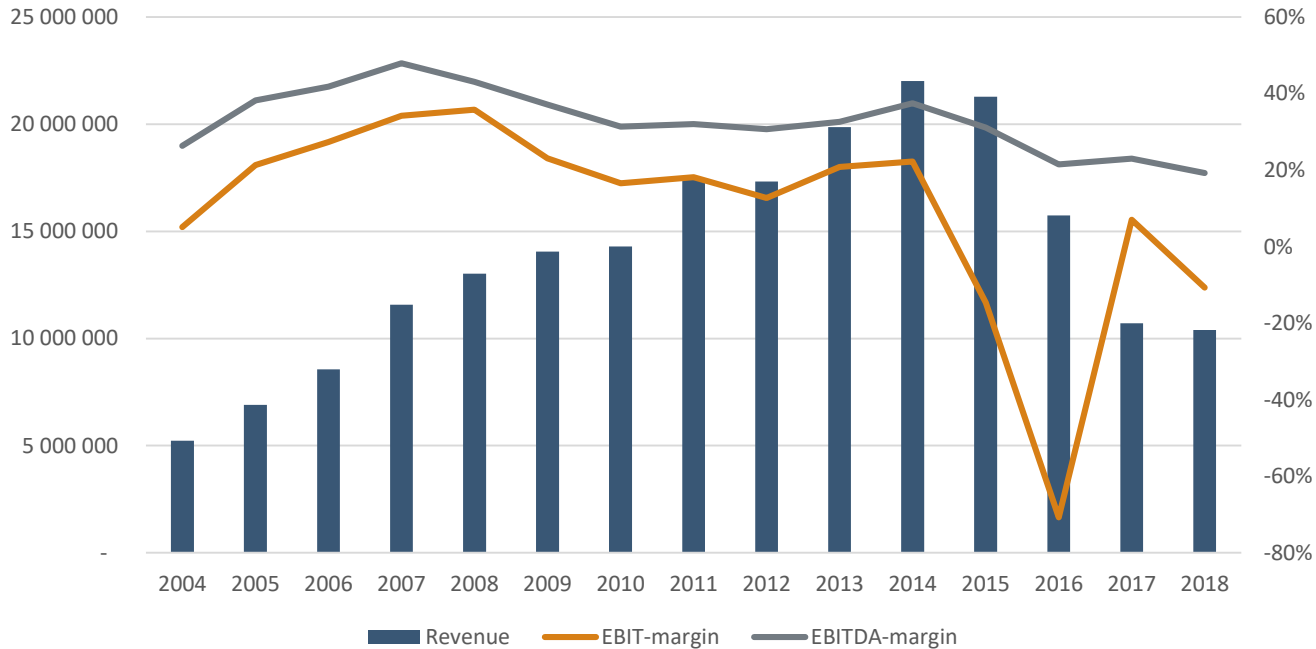
The cluster companies' profitability expectations :
How do you expect operating profits to develop this year compared to last year?
 Source: Menon Economics

What will drive the increased profitability?



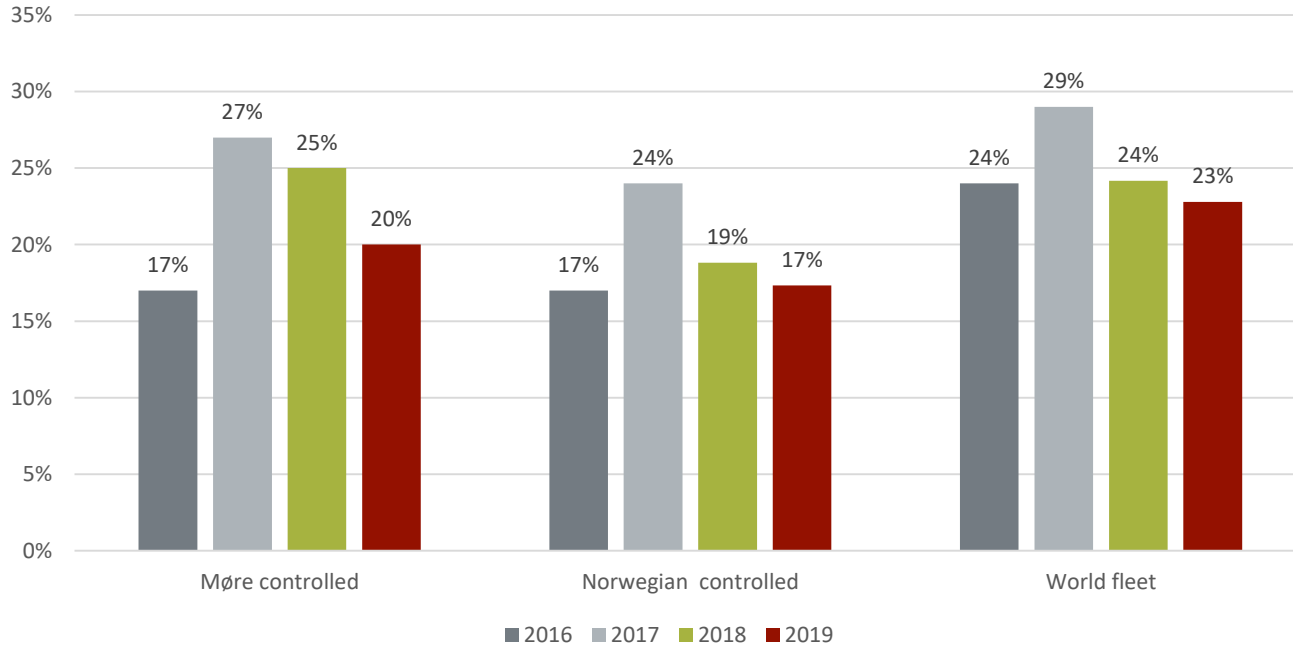
Where do the cluster expect the increased profitability. Shares do not sum to 100% due to multiple alternatives were possible.
Source: Menon (2019)

Still huge challenges in shipping



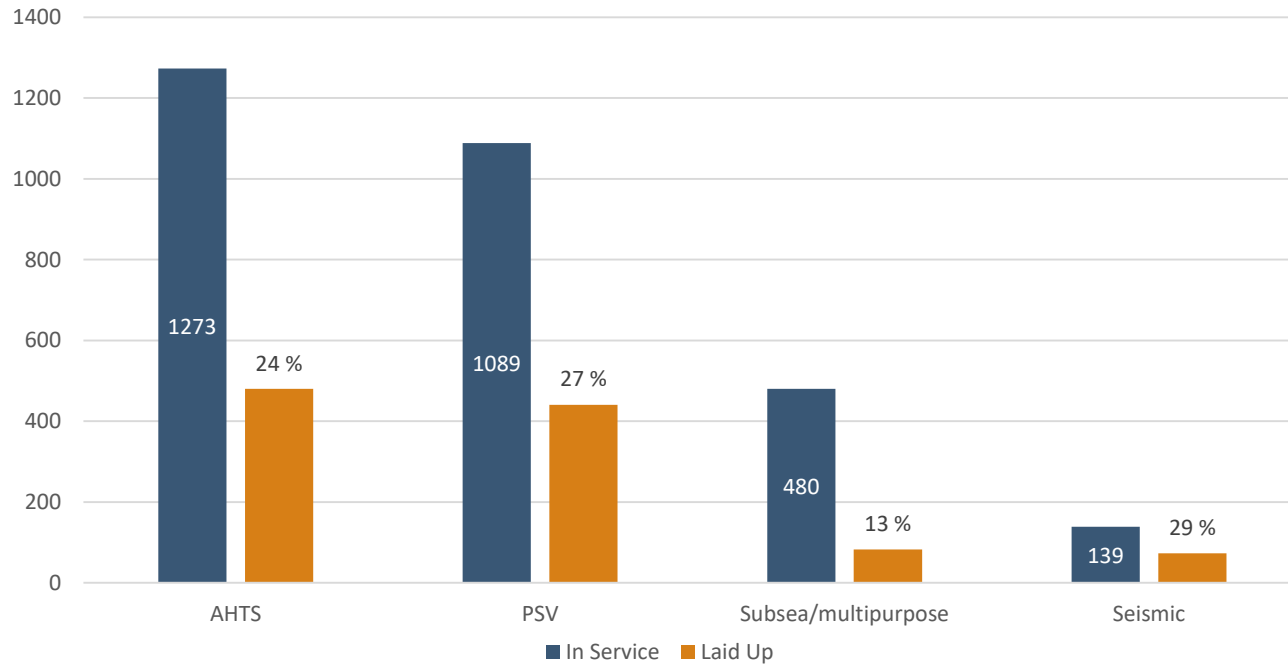
Development within the shipping segment. Turnover and EBIT-margin for the shipping companies. Source: Menon (2019)

Fewer ships laid-up



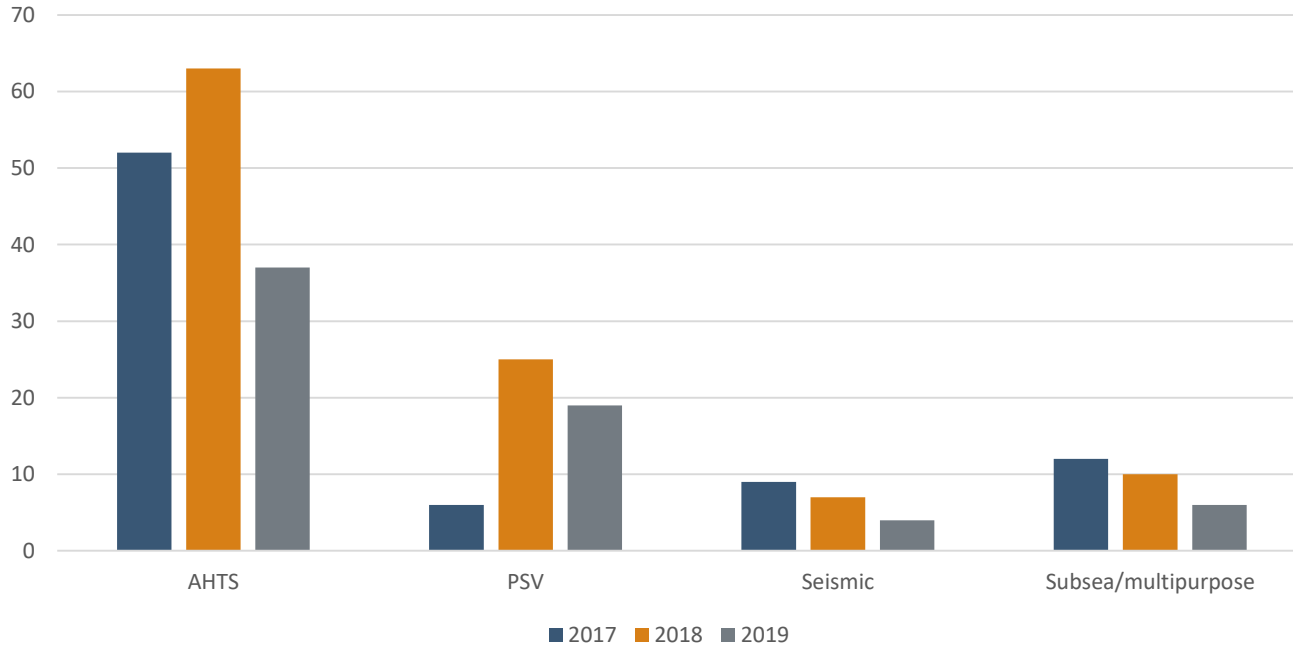
Share of the respective group's offshore fleet that is laid up.
Source: Clarkson/Menon (2019)

Still lots of laid up vessels in offshore oil/gas



The world offshore fleet broken down on vessel types and according to their service status.
Source: Clarkson/Menon (2019)

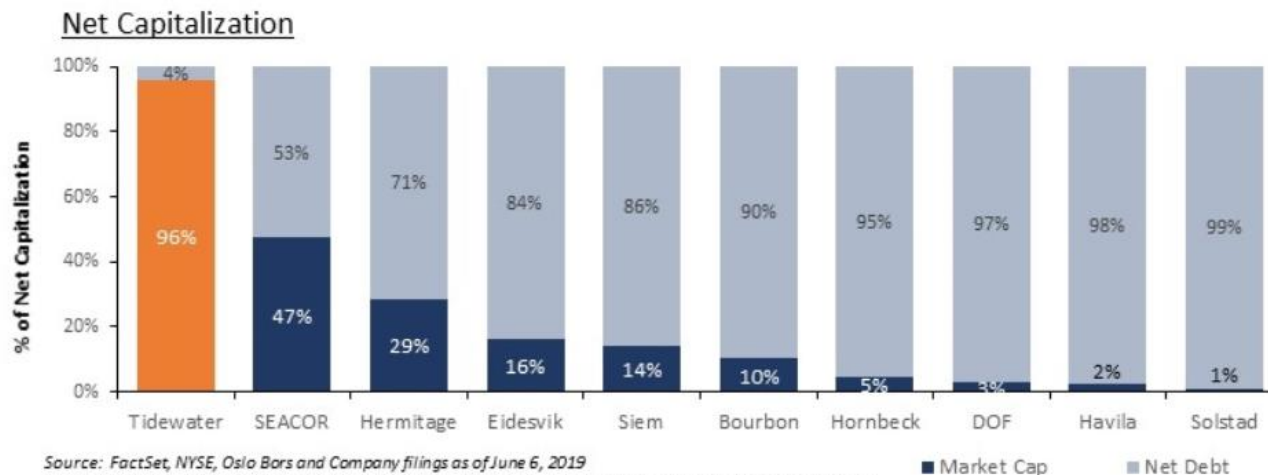
Large number of offshore oil&gas vessels scrapped every year



Scrapping of AHTS, PSV, seismic and subsea vessels (in numbers) 2017-sep. 2019. Source Clarkson/Menon (2019)

Offshore oil/gas shipping – debt challenge deepens in 2019

Market value as share of Net Capitalization. Source: Tidewater (2019)



Source: FactSet, NYSE, Oslo Bors and Company filings as of June 6, 2019

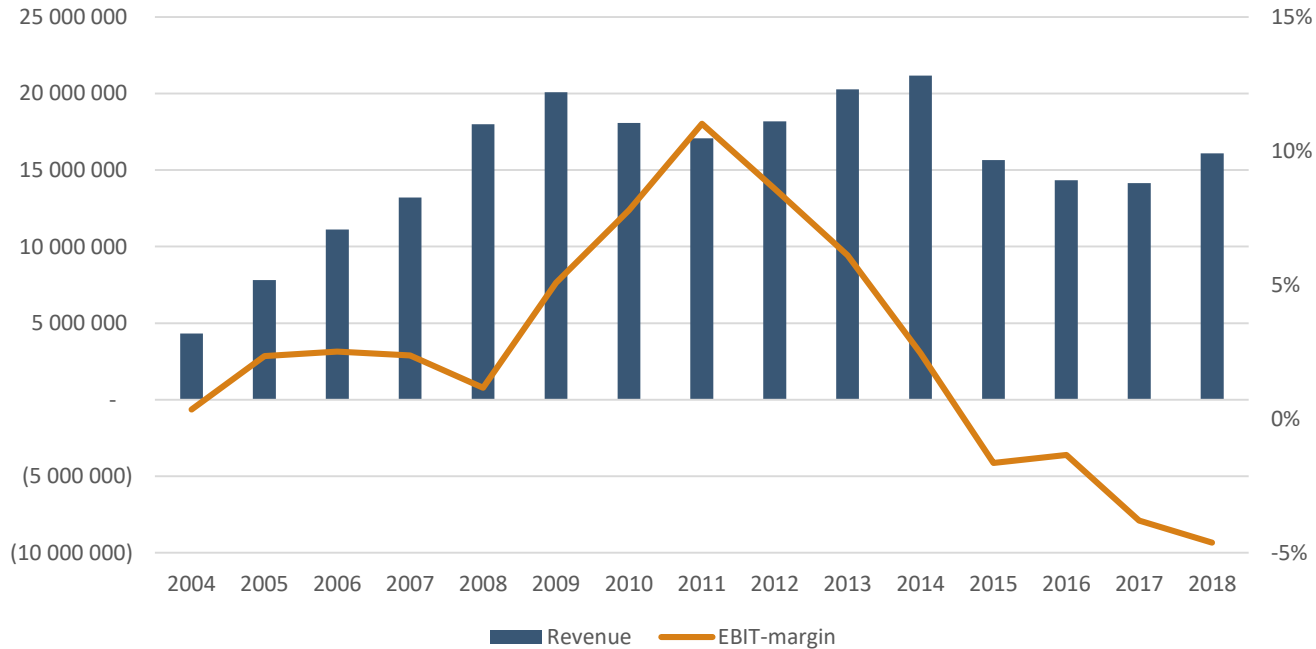
Note: Tidewater market cap based on common stock + Jones Act Warrants for total share count of 41.5 million

* YTD 2019 as of June 13, 2019 market close



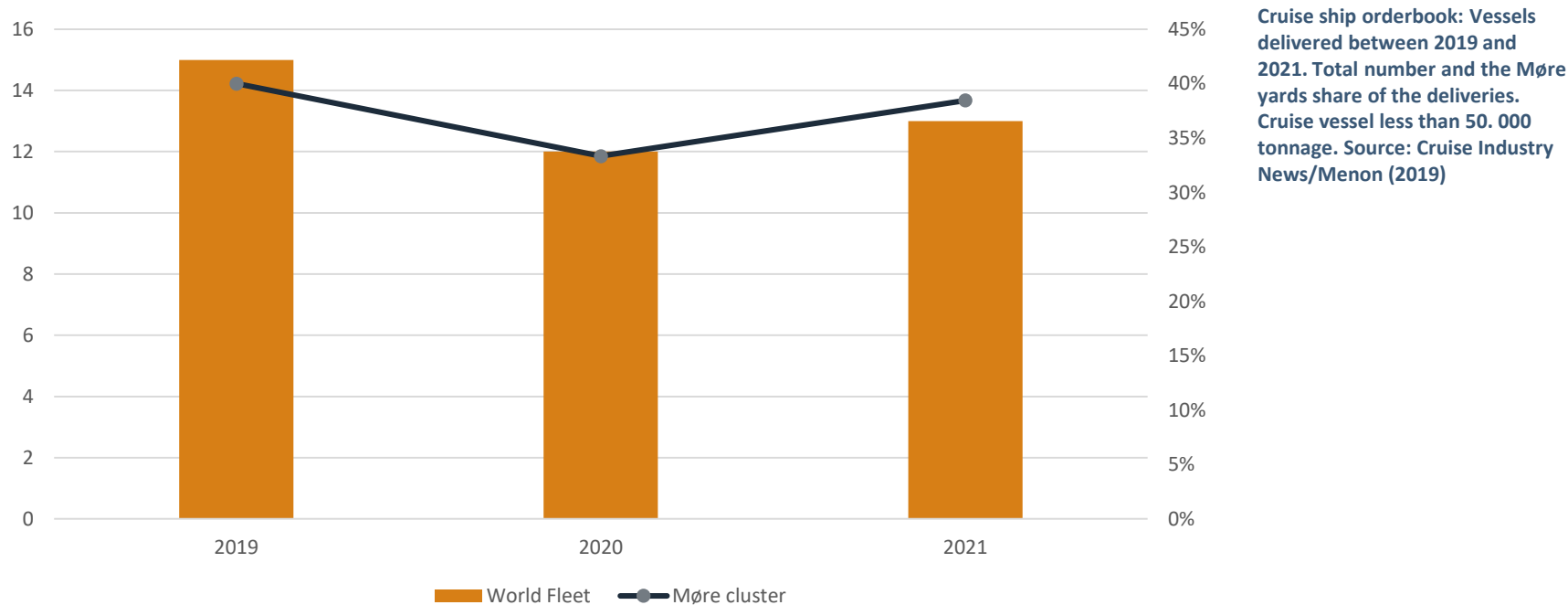
Overview June 2019 | ©Tidewater Inc

Yards: Revenues increase – profits disappear

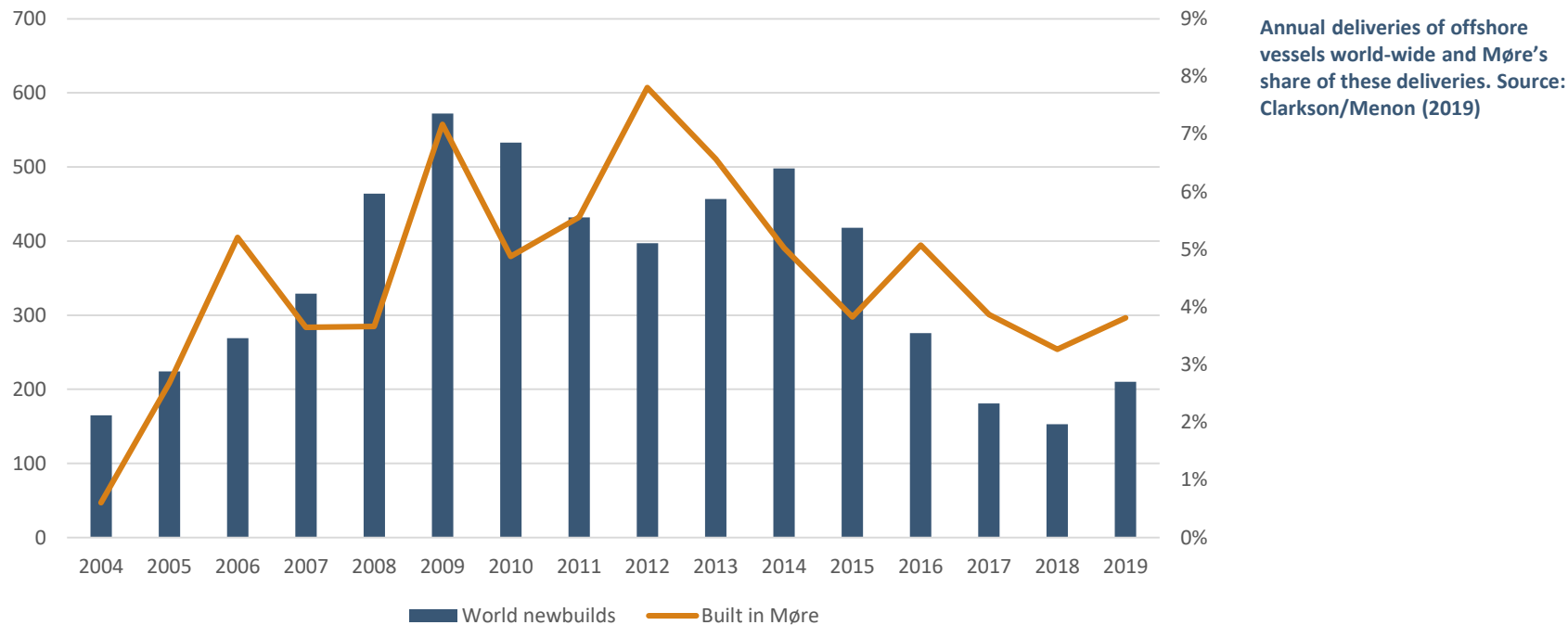


Development within the yards segment. Turnover and EBIT-margin for the yards. Source: Menon (2019)

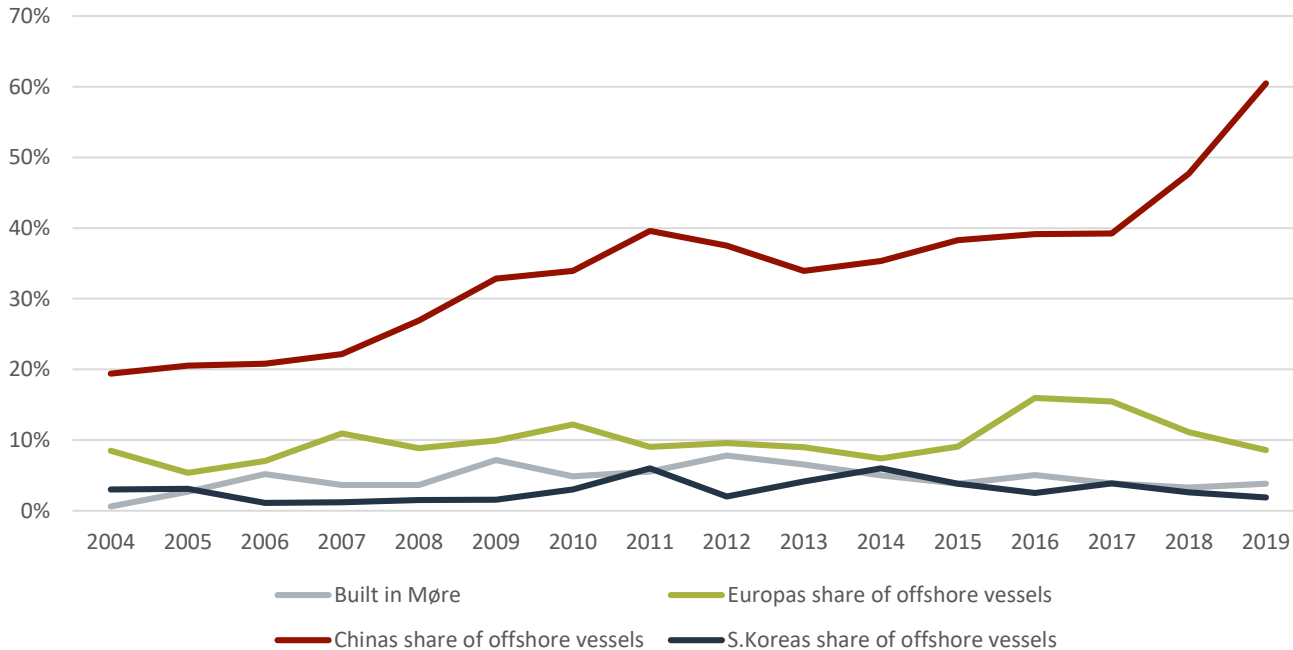
Møre yards: Well positioned in the world cruise market



Offshore service vessels: Møre yards' share up in the short run

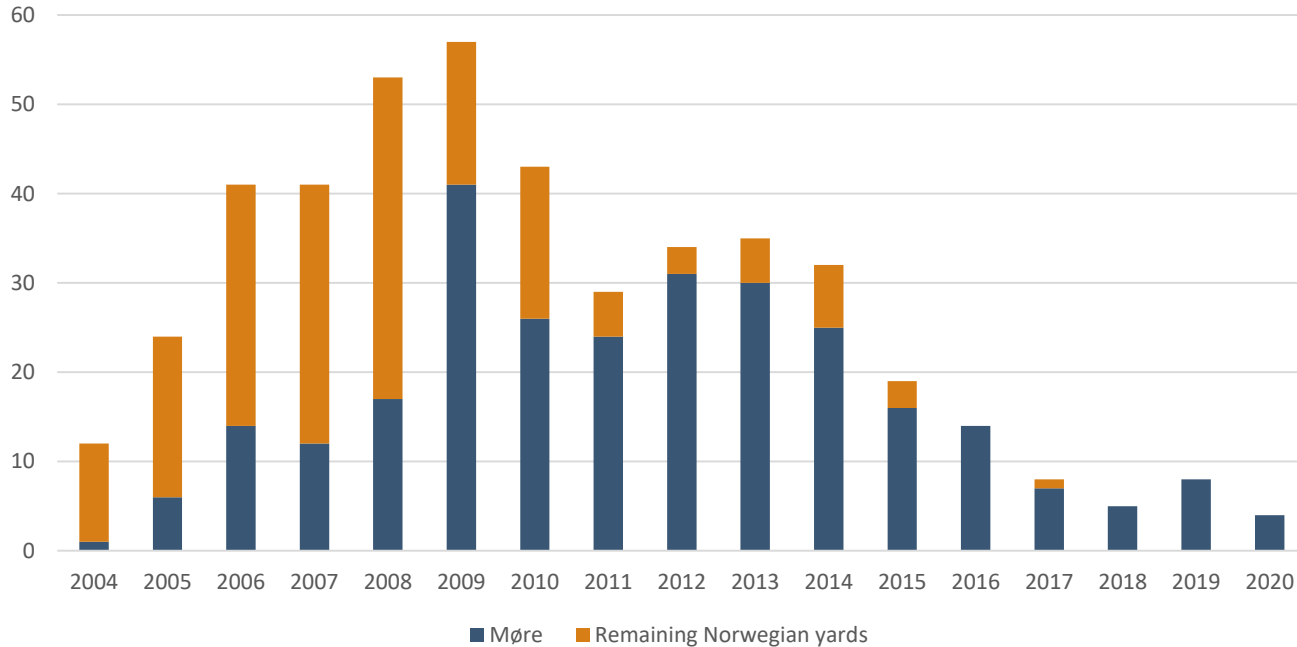


Most offshore service vessels are built in China



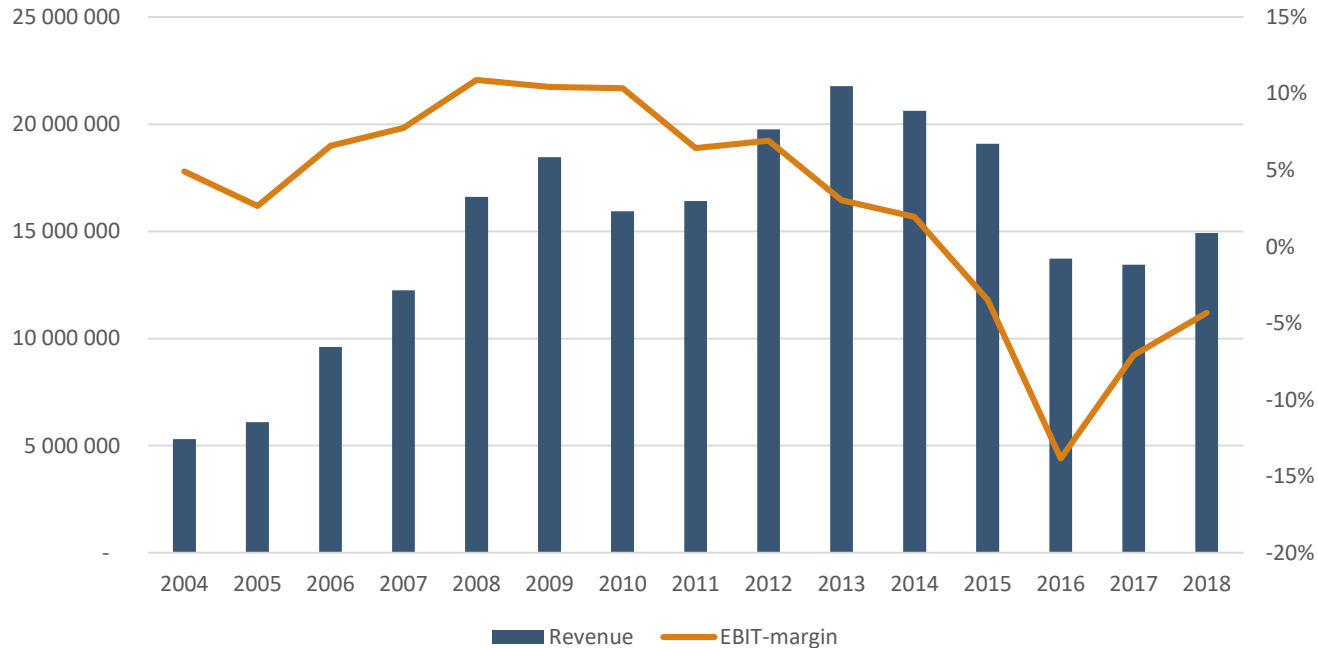
Share of world's newbuilt offshore vessels. Source Clarkson/Menon (2019)

Møre have gradually taken over all offshore deliveries in Norway



Offshore deliveries from Møre yards and remaining national yards. Source Clarkson/Menon (2019)

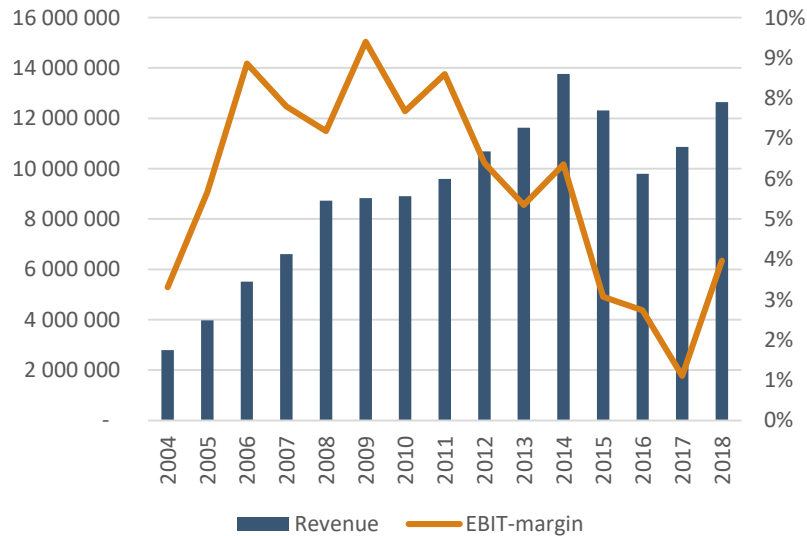
Gradual recovery in equipment



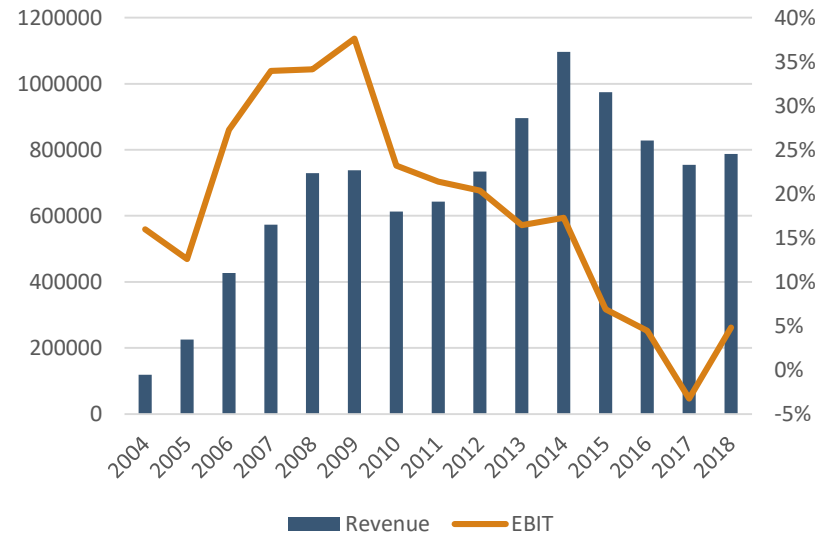
Development within the shipping segment. Turnover and EBIT-margin for the equipment manufacturers. Source Menon (2019)

Healthy development in design and services

Turnover and EBIT-margin for service companies. Source: Menon (2019)

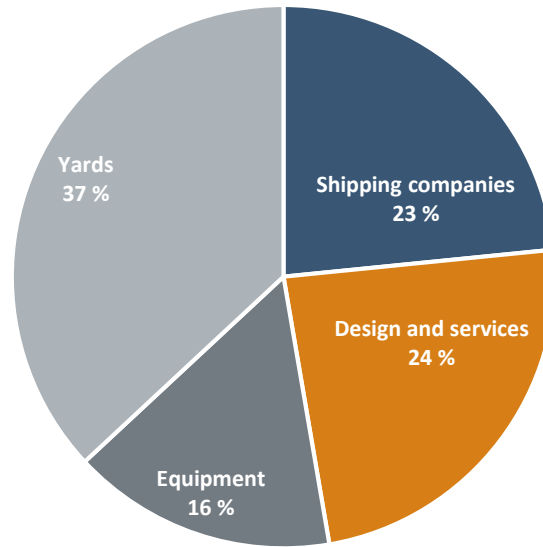


Turnover and EBIT-margin for design companies. Source: Menon (2019)

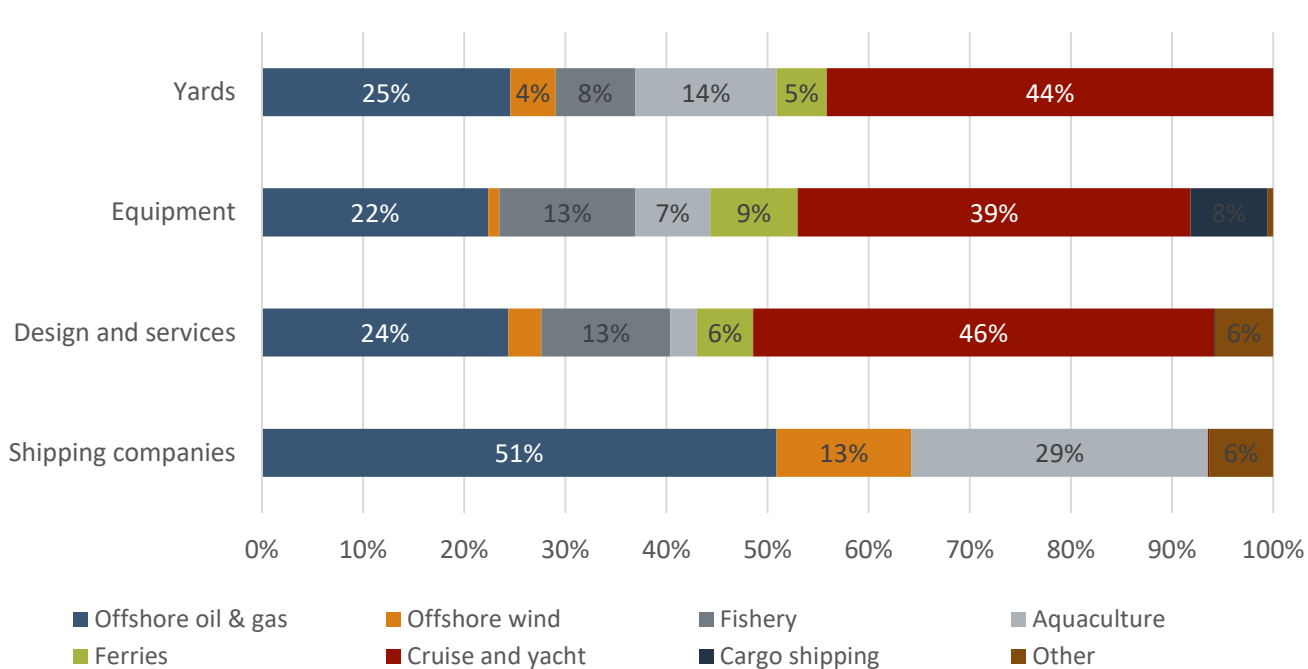


85 billion NOK in order reserves – secures 19 months work for the cluster as a whole

Order reserves in the Blue
Maritime cluster in August 2019.
Source: Menon (2019)

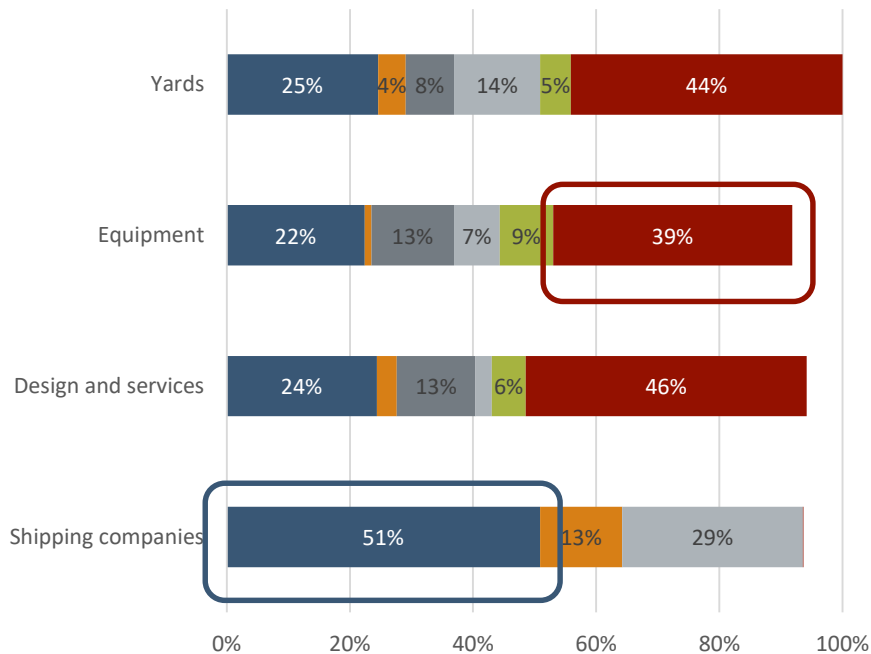


Cruise dominates orderbooks

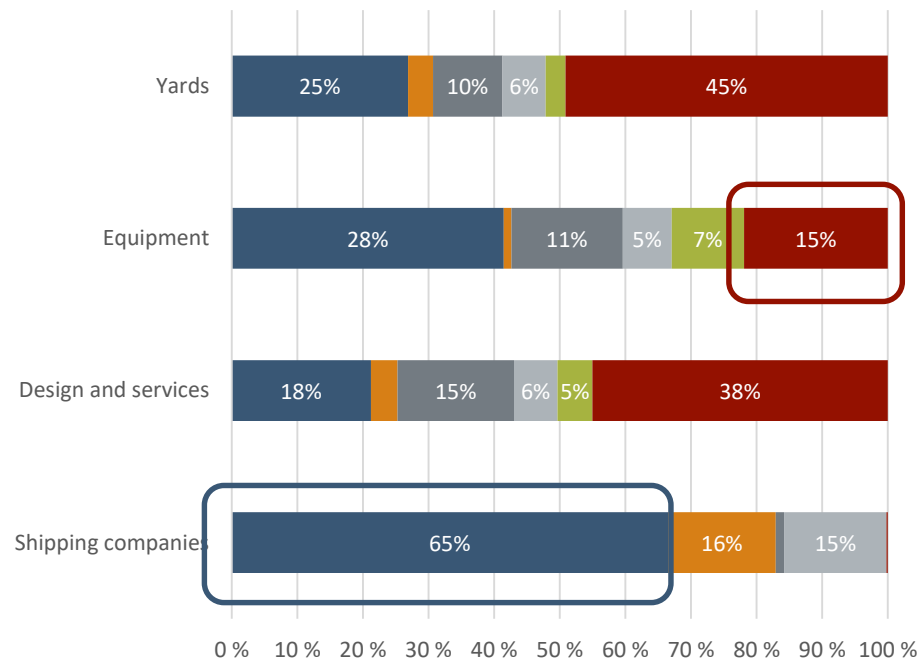


The orderbook market segmentation. Source: Menon (2019)

Orderbooks



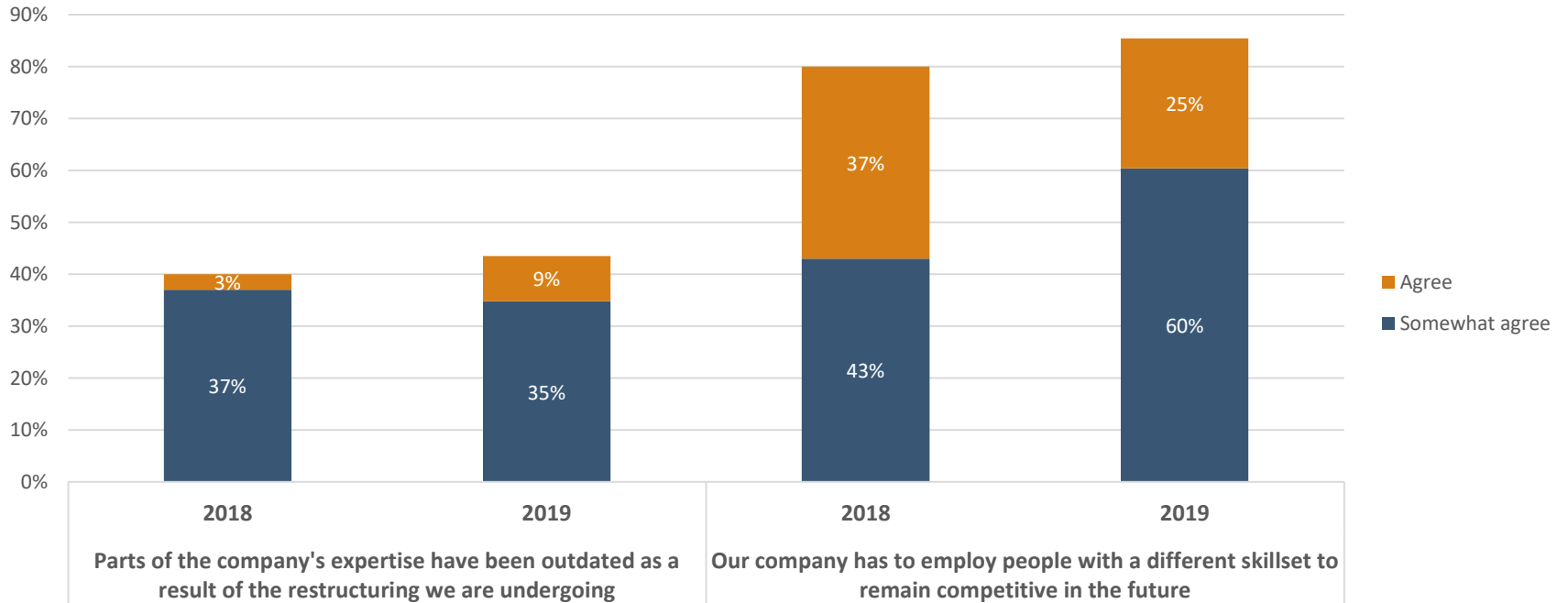
Revenues



■ Offshore oil & gas
 ■ Offshore wind
 ■ Fishery
■ Aquaculture
 ■ Ferries
 ■ Cruise and yacht

■ Offshore oil & gas
 ■ Offshore wind
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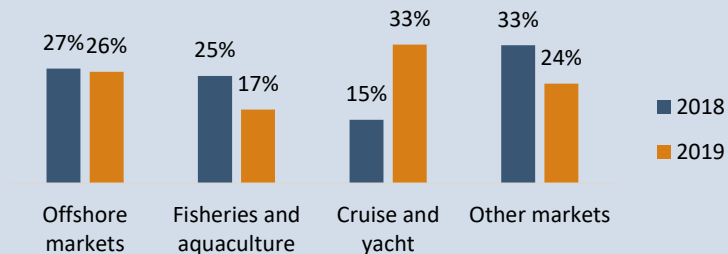
Does the cluster have the right competence to succeed in the future?



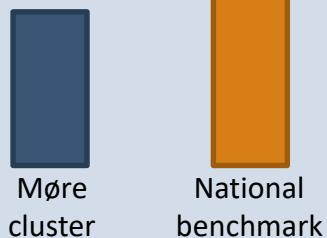
Cluster revenue



Market segments (shipping not included)



Productivity (value added per employe)



EBIT margin negative in 2018
– two-thirds of the companies expect better results in 2019

