

# FY & 4Q 2015 Performance Review

23 February 2016



# Forward Looking Statements

The following presentation includes forward-looking statements, which involve known and unknown risks and uncertainties, that could cause actual results or performance to differ. Forward looking information is based on current views and assumptions of management, including, but not limited to, prevailing economic and market conditions. Such statements are not, and should not be interpreted as a forecast or projection of future performance.

# Key Financial Highlights

## 4Q 2015:

- Net loss after tax of US\$77m, an improvement of US\$8m over 4Q 2014
- Core EBIT loss of US\$65m
- Core EBITDA remained positive at US\$39m
- Achieved cost savings of US\$100m in 4Q 2015, bringing FY 2015 cost savings to US\$435m

## FY 2015:

- Net profit after tax of US\$707m
- Excluding one-time gain on sale of APL Logistics of US\$888m, net loss after tax stood at US\$181m, an improvement of US\$79m over FY 2014
- Core EBIT loss of US\$72m, an improvement of 5% YoY
- Core EBIT loss continued to narrow year-on-year for fourth consecutive year
- Core EBITDA remained positive at US\$312m

## 4Q 2015 – A particularly difficult quarter for the liner industry

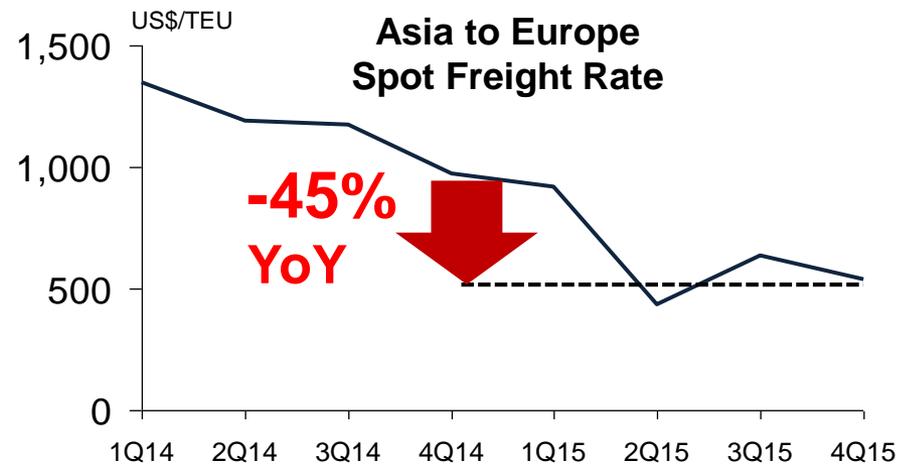
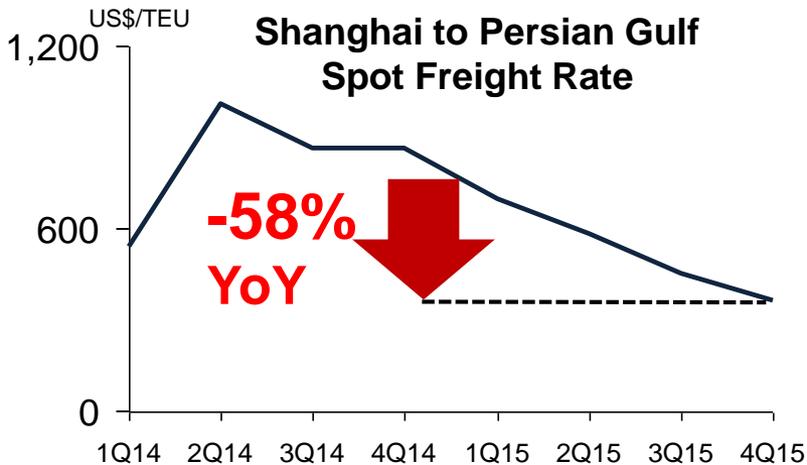
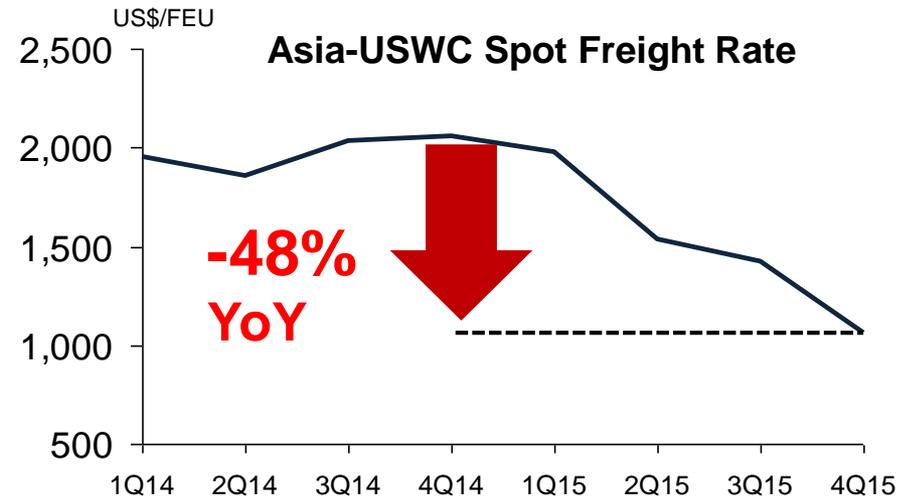
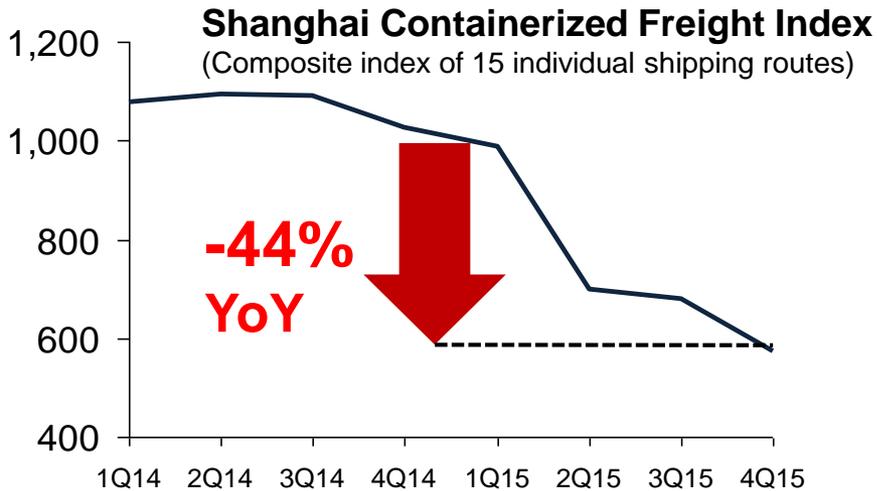
- Despite high idle rates of about 7% or more than 1 million TEUs, the supply pressure continues to build up unabated due to high new build deliveries in 1Q to 3Q 2015
- Estimated 1.7m TEUs<sup>1</sup> delivered by end-FY2015, of which more than 80% are large vessels meant for long-haul deployment. ( $\geq 7,500$  TEU)
- Coupled with a lackluster global economy, China's softening growth, and ultra-low bunker prices, freight rates were at historic lows in 4Q 2015 in many trade lanes

Note:

1. Source: Alphaliner



# Freight rates at historical low across major trade lanes in 4Q 2015

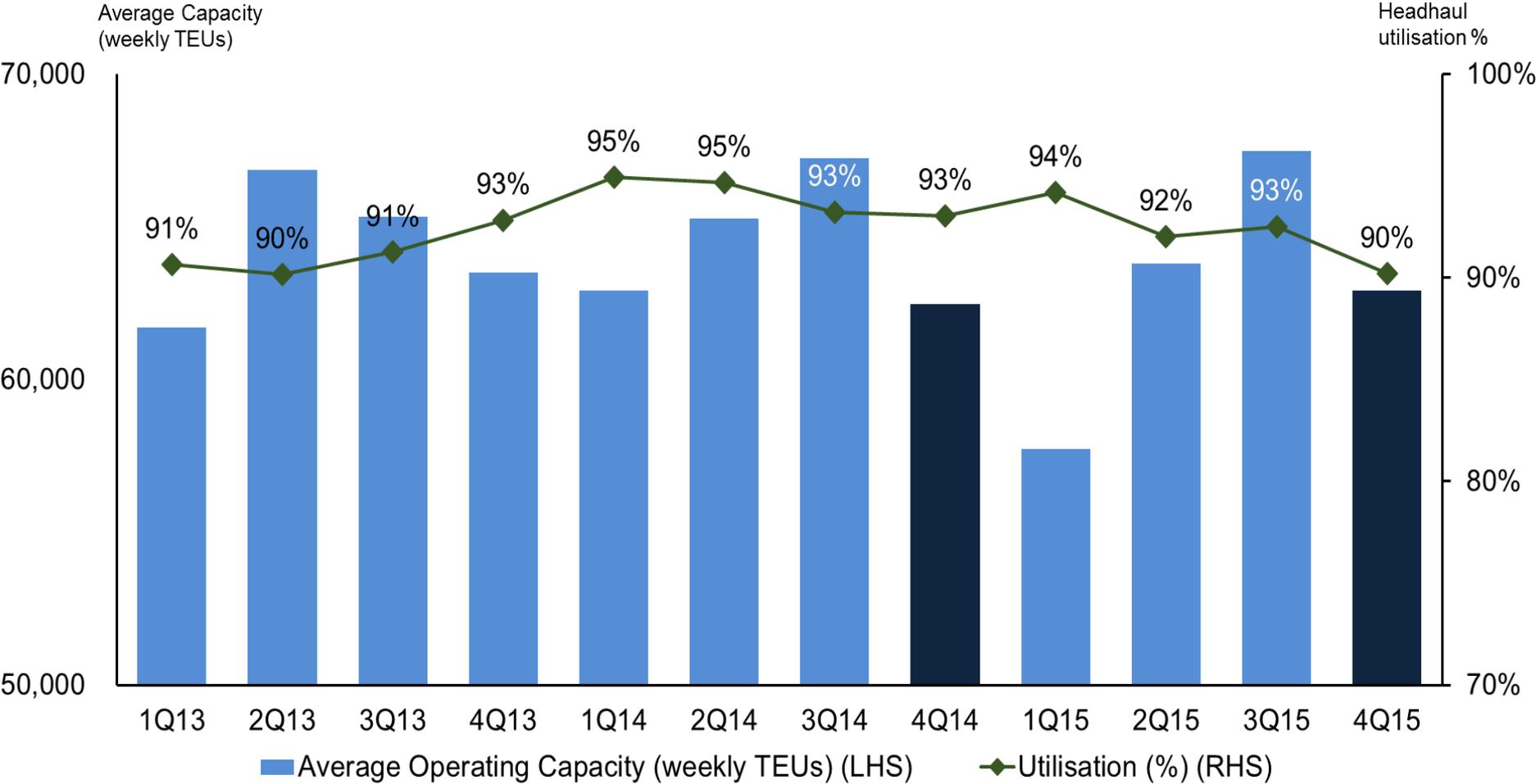


**Notes:**

1. Source: Clarkson Shipping Intelligence
2. Percentage figures quoted above are computed on a year-on-year basis in 4Q15.



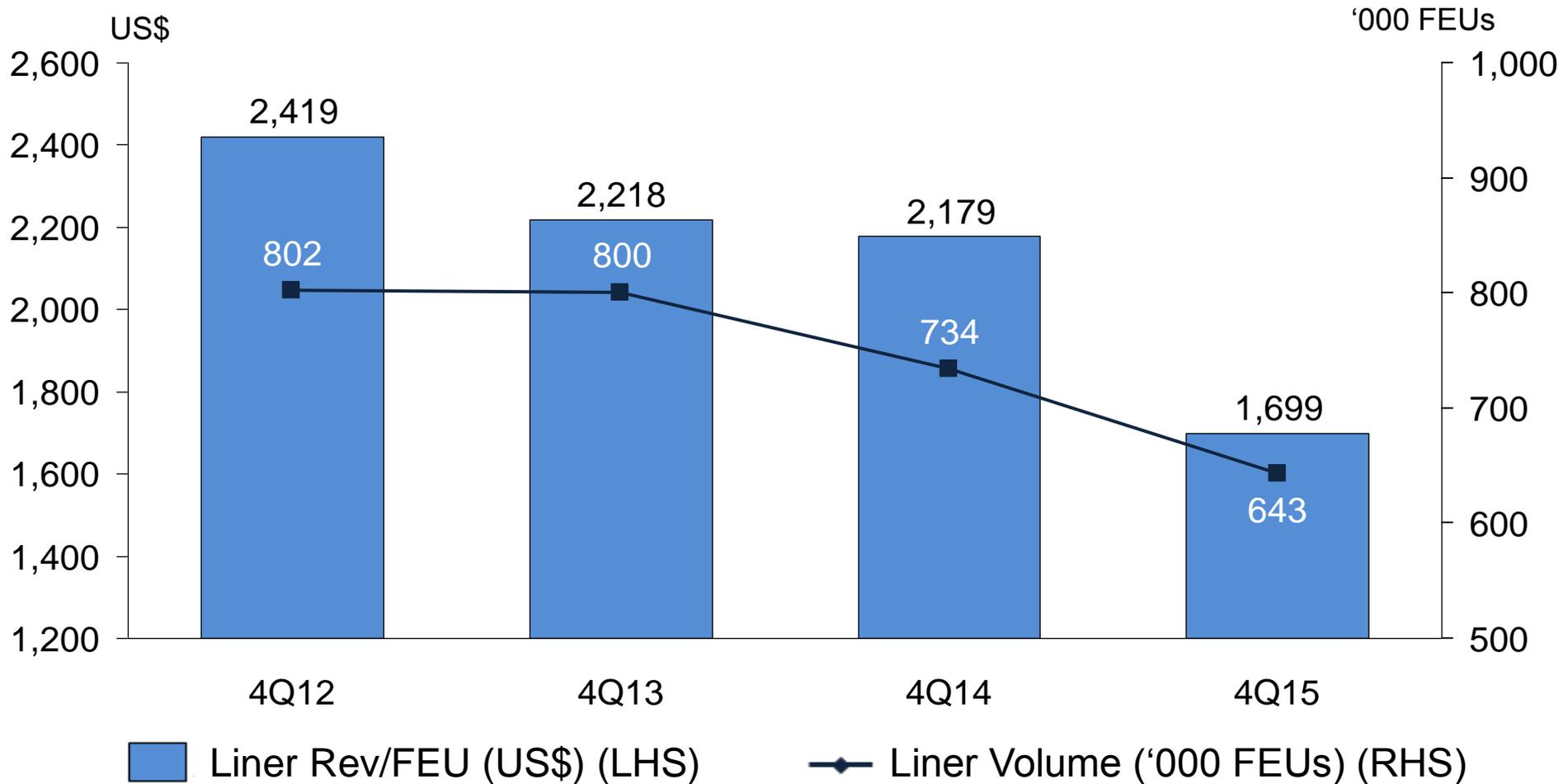
# In this weak market, Liner continued to manage capacity and maintain high asset utilization rate



Notes: Figures are based on the headhaul leg of main linehaul services.  
The capacity figures excluded "winter program" and void sailings.



# Contraction in Liner's revenue performance a reflection of weak backhaul volumes and deteriorating freight rates



# Drop in volume and rates more than offset cost savings and yield improvements in 4Q 2015

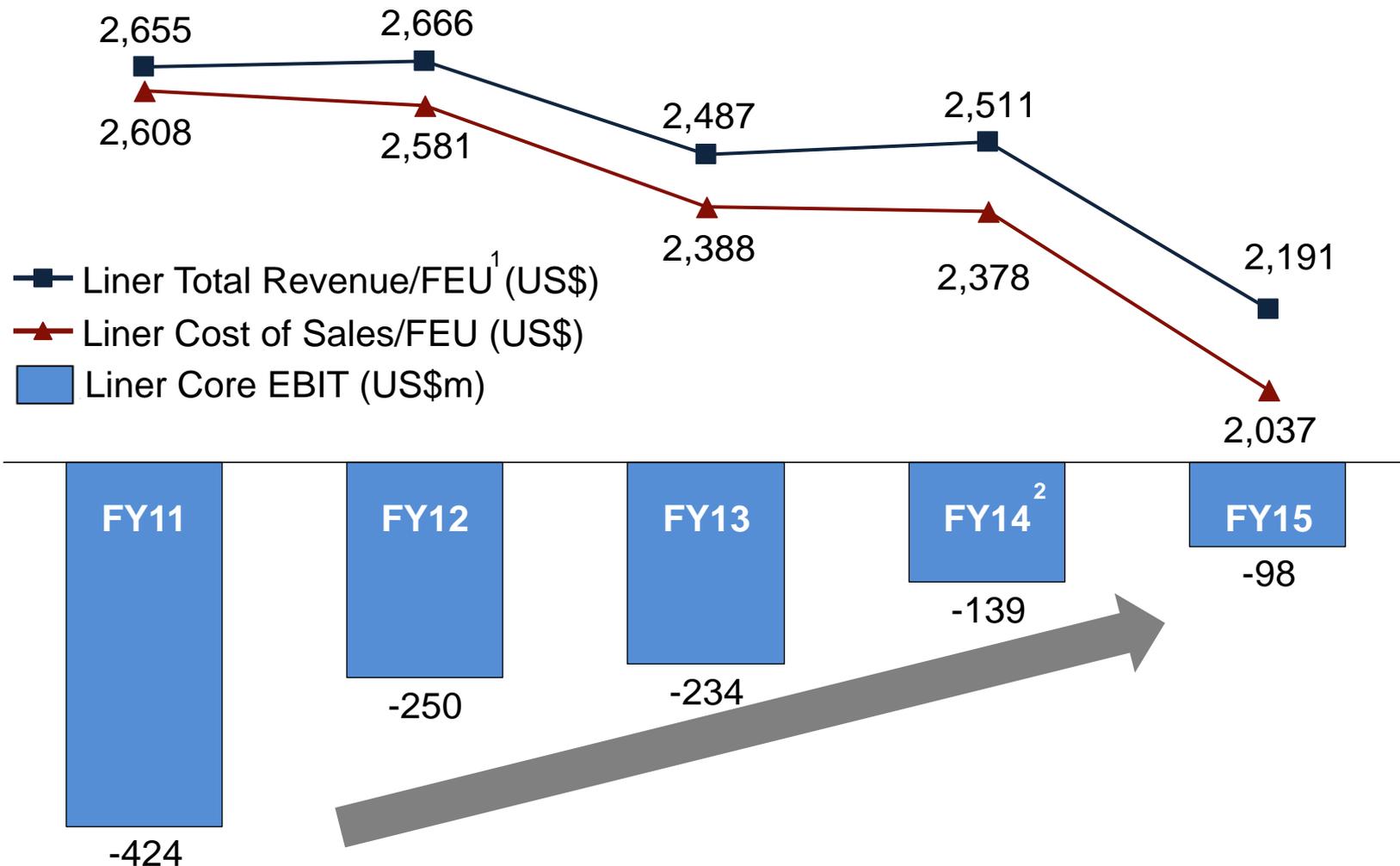


Notes:

- 1. US\$100m cost savings was achieved in FY15, of which US\$48m was attributed to network optimization, US\$44m from charter expiries and remaining US\$8m from fixed terminal and equipment.
- 2. Improved variable costs per FEU from targeted cargo selection, yield management and on-time fleet performance, e.g. less inland transportation expenses, cargo handling and port expenses incurred.



# Liner reduce losses year-on-year as unit cost reduced at a faster clip than unit revenue decline



Notes:

1. These figures were derived by dividing Liner Total Revenue (FY15: US\$5.4b; FY14: US\$7.1b) against total volumes (FY15: 2.5m FEUs; FY14: 2.8m FEUs)
2. 2014 Liner numbers have been restated for comparative purpose.



# Group Balance Sheet Highlights

US\$m	25 Dec 15	26 Dec 14
Total Assets	6,909	9,100
Total Liabilities	4,416	7,292
Total Equity	2,493	1,808
Total Debt	2,894	5,291
Total Cash	232	1,226
Net Debt	2,662	4,065
Gearing (Gross)	1.16 x	2.93 x
Gearing (Net)	1.07 x	2.25 x
NAV per share (US\$)	0.95	0.67
(S\$)	1.33	0.89

# Group Cash Flow Highlights

US\$m

FY15

FY14

**Cash & Cash Equivalents – Beginning @ Q1**

**1,226**

**981**

*Cash Inflow/(Outflow)*

Operating Activities

277

69

Investing/Capex Activities

1,025<sup>1</sup>

(317)

Financing Activities

(2,296)

493

**Cash & Cash Equivalents – Closing @ Q4**

**232<sup>2</sup>**

**1,226**

Notes:

1. Includes net proceeds from disposal of Logistics
2. Includes US\$2m classified as held for sale



# Group Capital Expenditure

US\$m

FY15

FY14

1. Vessels

12

259

2. Equipment / Facilities

22

26

3. Drydock

25

12

4. IT

49

40

5. Others

5

17

**Total**

**113**

**354**

# Group Commentary

Weak trade growth and overcapacity led to historically low freight rates in major trade lanes in 4Q15. Freight rates are expected to remain under pressure. The Group will continue its focus on cost and operational efficiencies, as well as yield and network capacity management.

**End of Presentation  
Thank You**

Neptune Orient Lines Ltd  
9 North Buona Vista Dr  
#14-01 Metropolis Tower 1  
Singapore 138588  
Tel: (65) 6278 9000  
Fax: (65) 6278 4900  
Company registration  
number : 196800632D  
Website: [www.nol.com.sg](http://www.nol.com.sg)



# Appendix



# Group Financial Highlights

US\$m	FY15 <sup>1</sup>	FY14	% ▲ Better/ (Worse)	4Q15 <sup>1</sup>	4Q14	% ▲ Better/ (Worse)
Revenue	6,021	8,617	(30)	1,277	2,228	(43)
Core EBITDA	312	317	(2)	39	92	(58)
Core EBIT	(72)	(76)	5	(65)	(17)	(282)
EBIT	831	(92)	n.m.	(54)	(28)	(93)
Net profit/(loss) to owners of the company	707	(260)	n.m.	(76)	(85)	11
One-time gain on sale of APL Logistics	888	-	n.m.	1	-	n.m.
Net loss to owners of the company (before one-time gain on sale of APL Logistics)	(181)	(260)	30	(77)	(85)	9

Notes:

1. FY15 comprised APL Logistics' contribution from January to May 2015. Divestment of APL Logistics was completed on 29 May 2015. APL Logistics is no longer included in Group's financials in 3Q15 and onwards.
2. n.m. – not meaningful



# Liner Results Summary

US\$m	FY15	FY14 <sup>1</sup>	% ▲ Better/ (Worse)	4Q15	4Q14 <sup>1</sup>	% ▲ Better/ (Worse)
Revenue	5,410	7,100	(24)	1,277	1,807	(29)
Cost of Sales	5,030	6,723	25	1,230	1,701	28
Core EBITDA	285	242	18	39	70	(44)
Core EBIT	(98)	(139)	29	(65)	(36)	(81)
EBIT	(83)	(155)	46	(55)	(48)	(15)
Core EBIT margin (%)	(1.8)	(2.0)		(5.1)	(2.0)	
Volumes ('000 FEUs)	2,469	2,827	(13)	643	734	(12)
Average Rev/FEU (US\$)	1,887	2,264	(17)	1,699	2,179	(22)
Cost of Sales/FEU (US\$)	2,037	2,378	14	1,913	2,317	17

Note:

1. 2014 Liner numbers have been restated for comparative purpose.



# Liner Operational Update

Volume ('000 FEUs)	FY15	FY14	% ▲	4Q15	4Q14	% ▲
Transpacific	685	814	(16)	178	204	(13)
Intra-Asia	1,180	1,252	(6)	316	334	(5)
Asia-Europe	397	442	(10)	98	117	(16)
Latin America	159	188	(15)	39	50	(22)
Transatlantic	48	131	(63)	12	29	(59)
<b>Total</b>	<b>2,469</b>	<b>2,827</b>	<b>(13)</b>	<b>643</b>	<b>734</b>	<b>(12)</b>

Average Revenue/FEU (US\$)	FY15	FY14	% ▲	4Q15	4Q14	% ▲
Transpacific	3,026	3,308	(9)	2,809	3,197	(12)
Intra-Asia	1,130	1,355	(17)	1,010	1,334	(24)
Asia-Europe	1,723	2,383	(28)	1,451	2,259	(36)
Latin America	2,746	3,160	(13)	2,513	3,139	(20)
Transatlantic	2,770	2,784	(1)	2,661	2,781	(4)
<b>Total</b>	<b>1,887</b>	<b>2,264</b>	<b>(17)</b>	<b>1,699</b>	<b>2,179</b>	<b>(22)</b>

# Group Fuel and Currency Exposures

## Bunker

- The Group continues to recover part of its fuel price increases from customers through bunker adjustment factors.
- The Group also maintains a policy of hedging its bunker exposures.

## Foreign exchange

- Major foreign currency exposures are in Euro, Singapore Dollar, Canadian Dollar, Japanese Yen and Chinese Renminbi.
- The Group maintains a policy of hedging its foreign exchange exposures.