



GTT: First Nine Months Activity Update

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Key highlights

Hello, welcome everyone to GTT's first nine months 2015 activity update. I am Cécile Arson, CFO of GTT and I will give a brief overview of the key highlights of the first nine months and then I will be glad to take your questions.

So, I think you all understand these forward-looking statements.

Slide four shows key highlights of the first nine months 2015. We received 33 orders during the first nine months, including 29 LNG carriers, following the 28 LNG carrier orders already announced in the first half. The third quarter saw an additional order from DSME for an LNG carrier for Greek ship owner, Chandris. I would also like to mention that we received a recent order from DSME for two LNG carriers which will be included in our fourth quarter order book.

We also received three FSRUs, two from Hyundai Heavy Industries during the first half, and one from Samsung Heavy Industries during the third quarter. This means that the FSRU market continues to benefit from newcomers on a regular basis.

On top of that, I remind you that we won, in Q1, an order for an LNG bunker barge received by GTT North America from Conrad Shipyard. This is the first ever dedicated LNG barge for the North American market and it is important for us as we consider it as a step forward in the formation of a local LNG supply chain for merchant vessels.

Concerning the new Mark V technology, we completed two major steps that will allow the commercialisation of the new Mark V technology over the coming months, through the signature of cooperation agreements and two general approvals, received from classification societies. I will comment on this point later.

I would also like to mention the creation of a new subsidiary in Singapore to facilitate sales-prospecting in Asia Pacific and Japan and help the company to benefit from the forecast development of LNG as marine fuel and small scale in this part of the world. And recently we signed a framework agreement with CERN for the engineering and construction of onshore tanks and this partnership underscores the reliability and flexibility of GTT onshore storage technology.

Breakdown of orders

So we received 33 orders during the first nine months, of which 29 LNG carriers, which is already above our long-term guidance of 270–280 LNG carrier orders in the next decade. 26 LNG carriers ordered until now will be built by DSME, with the NO 96 Glass Wool membrane. Two LNG carriers were also ordered from Hyundai, with the Mark III Flex technology, as well as one from Imabari, the Japanese shipyard. You see also in that schedule the three FSRUs ordered by Hyundai and Samsung and the Conrad order, with the American flag, for the LNG bunker barge. And you can notice that 31 orders out of 33 will be built with recently developed GTT technology.

So, as at the end of September 2015, the GTT order book stood at 122 units; 120 vessels, including the barge and two onshore storage facilities, with an increase of eight units compared to 114 total units in the order book at the end of the year 2014. During the first nine months, there were 33 new orders, 23 deliveries and a cancellation, during the first quarter, of two LNG carriers ordered at the end of 2014. So the new orders give high visibility on GTT's future revenue streams over the next years, as deliveries are planned until 2020.

Shipyards portfolio

We have a diversified shipyards portfolio. Vessels are under construction in seven shipyards, mainly in Korea but also in China, Japan and now North America. And the newest evolutions of our technologies, Mark III Flex, NO 96 Glass Wool and L03, as well as the multi-gas technology, which will be used by ethane carriers, have quickly gained traction among our customers, as they represent now more than 80% of the current orders.

Revenue performance summary

To summarise now the revenue performance for the first nine months of 2015: Total revenues for the first nine months decreased by 8.8% compared to the first nine months 2014. Revenues related to royalties reached €146.7 million, driven mainly by LNG carriers and FSRUs. The decline in revenues from royalties in general and in particular from FSRUs is linked to, first, a comparatively high first nine months 2014 period, especially regarding the FSRU segment and second, a time lag in milestones of vessels building, in particular LNG carriers. And keep in mind that our revenues are not linear during the year.

Regarding revenues from services, they grew by 80% to reach nearly €12 million and are mainly driven by engineering studies, which is a sign of market interest in our technologies, and via maintenance contracts for ships in service.

Upcoming major liquefaction projects

I would like now to focus on some of the key drivers of our main activity. Let us have a look at the major liquefaction projects. First of all, in this contrasted first nine months of the year, no project was cancelled. On the contrary, we saw major projects reaching a final investment decision (FID). Most of these projects are located in the US; we are speaking here of Corpus Christi, Freeport LNG, Sabine Pass, for example.

The last eight projects decided in 2014 and 2015 represent about 50 MTPA of additional capacity, and about half of the vessels dedicated to these projects are still to be ordered. We consider this as a major signal of confidence in the development of LNG, despite oil and gas prices' fall. And as you can see on this slide, there are many other projects with a possible FID between 2016 and 2018 and these projects represent 145 MTPA, or more than 50% of the current LNG supply, which is huge.

Key emerging trade routes

Another driver for LNG carriers is linked to the new trade routes emerging with the new liquefaction projects. As you can see on this map, some new trade routes, represented by a red line, are emerging. We see on the map that at a certain point of time, Yamal will start exports from the north-west of Russia towards Europe and Asia and that we can anticipate a

trade route between Mozambique and Asia. But the main emerging route is represented by exports from the US, Gulf of Mexico and also probably the west coast, to Asia.

As a whole, the distance between export and import areas is increasing and this is currently supporting the demand for LNG carriers as the number of LNG carriers required per MTPA is increasing and this is, of course, favourable to GTT.

Innovation

As I said earlier, concerning the new Mark V technology, we just completed two major steps. We signed, during the first half, two cooperation agreements with Samsung Heavy Industries and Hyundai Heavy Industries, aiming at industrialising Mark V and recently we earned our first two general approvals for this new containment system from the DNV and Lloyd's Register classification societies. These two major milestones will allow the commercialisation of the Mark V technology over the coming months.

I remind you that innovation is key for GTT; we devote nearly 25% of our workforce and operating expenses to R&D, to make sure we can meet the operational demands of our customers. Much of this R&D effort goes to continuously improve the performance of our systems and the case of our new Mark V technology is a good example, as it will significantly reduce the boil-off rate of LNG during transport, which means important savings for ship owners.

The FSRU market

The FSRU market is benefiting from the entry of new importing countries in the LNG market. Late September, GTT won a new FSRU order from Samsung, after two orders recorded in the first half from Hyundai, so during the first nine months we won three FSRU orders, which is already in line with our long-term target of 25–35 orders in the next ten years.

And as you can see on this slide, we have more than 50 projects currently under discussion; see the numbers in the green circles. We identify strong potential, particularly in Asia and Latin America.

Service activity

As I said earlier, we are benefiting from a sustained service activity, mainly driven by engineering studies, which is a sign of market interest in our technology, and via maintenance contracts for ships and services. Moreover, the range of services that we are offering is increasing. Speaking of new services, we recently launched an innovative monitoring system called SloShield, to help ship owners manage the effects of LNG sloshing in the tanks of the clients.

We are also offering new training services, for example trainings on LNG cargo operation dedicated to ships officers, or trainings on familiarisation to LNG as a fuel, or to LNG. And thanks to our efforts on innovation, some other new services will be launched very soon.

Outlook

Now a few words about the outlook. Subject to any significant delays or cancellations in orders, GTT's management is able to confirm its targets. For 2015, we anticipate revenues roughly equivalent to 2014, or close to €227 million, as postponed revenues linked to shipbuilding milestones should be recovered by year end; a net margin of circa 50% and a dividend pay-out ratio of at least 80% of the net income available for distribution.

Concerning our medium-term outlook, we are still in line with the number of orders we anticipate for the period over 2015–2024. As far as revenues are concerned; for 2016 we confirm that we anticipate a growth of more than 10% versus 2015, which represents more than €250 million of revenues and that, of course, is also subject to any significant delays or cancellations in orders. And the dividend pay-out should remain, of at least 80%.

I thank you for your attention and I am available to answer your questions.

Q&A

Jessica Alderson (Morgan Stanley): Thank you very much, Cécile, just a couple of questions from me. The first one is: you talked about milestone payments not quite being reached in the first nine months and kind of implied that you had some coming up in Q4. Do you think that there is a chance that these could slip into 2016?

And my second question is: so historically you have had around 90% market share; what has your market share been like year-to-date? Thank you.

Cécile Arson: Thank you, Jessica, for these two questions. First question: you mentioned milestone payments, it is not exactly “payments”, but it does not matter. It is more the way we are booking our revenues but it is not that different. For the moment, we think that we are on line regarding the guidance. These revenues could be split in 2016 if there are cancellations, of course, or if there is a new time lap in the shipbuilding.

Second question: our market share. So we have about 90% of the market share, if we look at the orders since 2008. If we look at the market share we have since the beginning of the year, it depends. If we look at LNG carriers only, we have about 70% of market share [Company’s note: as of the end of September 2015, GTT has got 29 LNGC orders when competitors had 10, which represents a market share of 74.4%.]; if we look at the FSRUs, we had 100% of market share.

Jessica Alderson: Okay, so the other 30%, is that completely Moss that has the rest of the market share, or is that –

Cécile Arson: No, eight Moss and two KC-1. You know KC-1 is this new Korean membrane technology and we announced that there were two orders received for this new technology in the first quarter of 2015.

Jessica Alderson: Okay, yeah, very clear. Thank you very much Cécile.

Cécile Arson: You are welcome.

Alain Parent (Natixis): Good evening, my question is about the dividend again. Recently the CEO, Philippe Berterrotière, mentioned the fact that you may increase the pay-out above 80% if, at one point in time, you feel that you have too much cash in your balance sheet. What exactly do you mean by too much cash in your balance sheet and what timeframe could we have in mind for that, if there is a timeframe of course?

Cécile Arson: Hello, Alain, thank you for this question. You know that we announced this mid-term guidance since the IPO because we have in mind some potential acquisitions. That is the reason why, for the moment, we announced that we could keep 20% of the cash in the balance sheet. We are working on these potential acquisitions and I think that we can

consider that we would distribute the money back to the shareholders if we have not found anything until the end of 2016, or in 18 months, something like that. So a little bit of time for the moment.

Alain Parent: Okay, fair enough. And the second question is a follow-up from Jessica's question. It is about the kind of recovery of the timing on the vessels that were, more or less, late in delivery. You are confident that at the moment you are catching up the delay, and provided that the shipyard does not have any additional issues, everything is getting back on track, as much as you can see. That is what you said, in other words.

Cécile Arson: Yes, I mean that on the order book that we have currently, and regarding the information we have from the shipyards concerning the several milestones of shipbuilding, we are confident.

Alain Parent: How many vessels are in that situation?

Cécile Arson: I do not know; not that many but I cannot tell you the number, I am sorry; I do not have it in mind. I do not know; it is less than ten vessels.

Alain Parent: Okay, thank you very much.

Cécile Arson: You are welcome.

Charles-Henri de Mortemart (Exane BNP Paribas): Good evening, one question on my side. Given the significant increase in engineering studies over the first nine months, when is it fair to expect a pick up in your LNGC orders after a rather weak Q1 and Q2?

Cécile Arson: Hello Charles-Henri, here what we book as revenues from services is not directly linked to the orders we are going to receive because here, when we speak of engineering studies, we are speaking of engineering studies which are not linked to a given order for a vessel which will be built. It is pre-project studies here, it is studies about FEED [front end engineering design], so it is very different from an order on an LNG carrier, which would be built. So there is no direct link but in that case we had several engineering studies, pre-project studies, concerning studies for potential FLNGs, for example, for Eni, or for Mozambique, so that could lead to future orders for FLNG, yes, maybe next year or the next after. But in that case, we would receive the royalties linked to the given order.

Am I clear?

Charles-Henri de Mortemart: Yeah, very clear.

Cécile Arson: Yeah? Okay.

Charles-Henri de Mortemart: Can I ask a second question?

Cécile Arson: Yes, of course.

Charles-Henri de Mortemart: Yes, it is on your market share in LNGC. If I am not wrong, I am looking at the 2013/2014 data, you were at around 80% both years; you are now, year-to-date, at 70%. Is it something that worries you? I mean three years of lower market share than your 90% guided is not enough to make a trend.

Cécile Arson: No, we are not that worried but we know that we have to have that in mind, and it is the main reason why we are improving our technologies and trying to have a step

forward regarding competition. And the effort we are doing, for example, on our Mark V technology is here to defend the position we have on our core business.

Charles-Henri de Mortemart: So your guidance of 270–280 LNGC over 2015–2024 is still based on a 90% market share?

Cécile Arson: Yes, because it was the guidance we gave in February this year. Yes.

Charles-Henri de Mortemart: Okay, thank you.

Alain Parent: Sorry, it is me again. I have two more questions; a quick one on the split of revenue for the service business. Would you provide the split between engineering studies and the rest, maintenance services?

Cécile Arson: No, sorry.

Alain Parent: Okay, I tried. The second question is about the barge, the revenue for the bunkering barge. What is the timeframe for the construction of that barge? How long does that take, to have an idea of revenue scheduling over the next quarters?

Cécile Arson: You can see that on slide five. Sorry, I do not know you have this access but you know there is a schedule where we show the number of orders and the delivery year of each order is identified.

Alain Parent: Okay, my mistake. Okay.

Cécile Arson: And concerning the barge, it is 2016.

Alain Parent: Okay. Thank you very much.

Cécile Arson: You are welcome. Thank you very much. Bye!

[END OF TRANSCRIPT]