

Pre-Close Trading Update

Released : 23.01.2017 07:00

RNS Number : 7854U
Lamprell plc
23 January 2017

23 January 2017

LAMPRELL PLC

("Lamprell" and with its subsidiaries the "Group")

PRE-CLOSE TRADING UPDATE

Lamprell (ticker: LAM), a leading provider of diversified engineering and contracting services to the onshore and offshore oil & gas and renewable energy industries, today provides an update on its current trading.

Lamprell has retained its focus on operational performance and, during 2H 2016, three rigs have been delivered on time, with the three further rigs currently under construction in our Hamriyah yard progressing to plan for delivery in 1H 2017.

The Group's strong safety performance continued with the Jebel Ali yard achieving over 15 million manhours and over 1,500 days without a Day Away From Work Case. Our safety track record strengthens our competitive position with top tier clients. Lamprell was also recognised by being awarded a regional Corporate Health and Wellness Award for a third consecutive year.

Lamprell has adapted to market pressures by continuing its programme of cost-cutting in overheads. Following the announcement in May 2016, the Group has undertaken a further 20% reduction in its administrative staff headcount which includes some redundancies at the senior management level. Further, as several large projects have progressed to delivery or final stages of construction, Lamprell has released the related yard workforce, resulting in an overall reduction in headcount to around 4,000 people at the end of 2016. While making these reductions, we have deliberately retained our core competitive strengths, to ensure that Lamprell is well-positioned as the market recovers.

As expected, 2016 saw lower levels of walk-in work than the previous year. Most of the rigs stacked in Lamprell's facilities throughout the year remained inactive, having generated only limited refurbishment revenue. Consequently, Lamprell's revenue for the year is expected to be approximately US\$700 million (subject to final audit).

The industry environment remained challenging throughout 2016 and the Group was pleased to end the year with two significant contract wins. The US\$225 million contract award from ScottishPower Renewables for the fabrication of 60 foundations for the East Anglia One Offshore Wind Farm demonstrated the versatility of Lamprell's skills and expertise, and its ability to generate revenue outside of its traditional markets but within its core technical competence. Together with the US\$90 million award from Master Marine AS for the upgrade of the mobile operating unit "Haven", these wins significantly increased the level of revenue coverage for 2017. Our existing revenue guidance of US\$400-500 million for 2017 performance is therefore maintained, with the current market pointing towards the lower half of the range. As a result of our decision to retain our core competitive strengths during the restructuring programmes, we expect margin pressure at these revenue levels although we expect to sustain positive cash generation.

The management continues to review its headroom against goodwill in the context of current trading conditions, its market capitalisation and the outlook for the markets in which the Group operates. Significant value continues to be attributed to goodwill as a result of the MIS transaction which was completed in 2011. Management continues to monitor the value of goodwill in light of new awards and Lamprell's business outlook.

The Group's activity levels have allowed it to remain highly cash generative, with inflows from final payments on deliveries received at the end of 2016 and with further receipts due throughout 1H 2017. As a result, Lamprell maintains a strong balance sheet and a robust cash position, with 2016 year-end net cash expected to exceed the previous year. This puts Lamprell in a strong position to consider strategic growth opportunities through alliances. Discussions on the Saudi Arabia's Maritime Yard continue to progress and the market will be updated on the outcome as appropriate.

John Kennedy, Executive Chairman, Lamprell, commented:

"The board recognises and welcomes recent change in oil & gas market sentiment and the likelihood of stronger product pricing in 2017, especially as the year elapses. However, we also recognise that all our

customer 2017 capital budgets are already established and in place, and that there is little expansive flexibility in the associated expenditures. For these reasons, the Company continues to believe that 2017 will prove a particularly cautious environment, and will continue to maintain tight control over expenditure and expenses and, more especially, continue to position Lamprell for work in future years."

Lamprell will announce its full year 2016 financial results on 24 March 2017.

- Ends -

Enquiries:

Lamprell plc

John Kennedy, Executive Chairman	+971 (0) 4 803 9308
Christopher McDonald, Chief Executive Officer	+971 (0) 4 803 9308
Tony Wright, Chief Financial Officer	+971 (0) 4 803 9308
Natalia Erikssen, Investor Relations	+44 (0) 7885 522989

Tulchan Communications, London

Martin Robinson	+44 (0) 207 353 4200
Martin Pengelley	

This information is provided by RNS
The company news service from the London Stock Exchange

END

TSTBLGDBCUDBGRD