

Press Release:

Ensuring future growth and sustainability in challenging times: EBH Namibia puts strategic stabilisation plan into action

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Like all stakeholders in the international oil and gas industry, leading ship repair company, Elgin Brown & Hamer (EBH) Namibia, has been closely tracking the sliding oil price since it dropped to below US\$ 80 per barrel in late 2014. In anticipation of the 'lag effect' of the sustained low oil price on the downstream oil and gas industry, and a very evident reduction in vessel dry docking requests, EBH Namibia took a proactive stance in March 2015 by adopting a series of stringent performance improvement plans (PIPs).

For Chief Executive Officer Hannes Uys, it was critical for the company, at that time, to examine its efficiencies in all areas of the business, reducing costs and making efficiency improvements in systems such as procurement. The plan, according to Uys, has yielded significant savings for EBH Namibia.

"When you are in a depressed economic cycle, as we are now, it is important to 'scan and scale' the entire business, interrogating ways in which to build efficiencies and review resources, while conducting due diligence, assessing reserves and tracking industry trends closely," says Uys.

"While we started our formal PIP interventions in early 2015, continuous improvement is an ongoing strategy at EBH Namibia, as it feeds into our overall strategy to ensure future sustainability and growth in market share, and is part of our strategy as a responsible and invested corporate citizen of Namibia."

The proactive and cost-cutting steps taken notwithstanding, EBH Namibia, whose core focus is the downstream offshore supply vessel repair market, has recently experienced a 50% decline in docking activity.

The company first felt the 'lag effect' of the sustained drop in oil prices during November 2015, which was a few months later than initially anticipated.

"We first and foremost addressed the non-human resources (HR) aspects of the business as strategically and effectively as possible in 2015. However, we are now in a position where the sustained effect of the low oil price on production along the west coast of Africa, and in particular our core market, Angola, led to a 50% net loss in revenue, which in turn forced us to embark on a company-wide restructuring and stabilisation programme," says Uys.

Although every effort has been made to ensure that the situation affects the least number of employees as possible, the situation has unfortunately necessitated the retrenchment of some full-time employees of EBH Namibia.

"It has been very difficult to generate positive cash flow in an industry that is going through one of its worst downturns in history," says Uys.

"These are tough, but necessary measures which we are putting in place, in order to maintain and strengthen EBH Namibia's competitiveness during a very challenging time in our industry."

"I would like to assure all our stakeholders that the management of EBH Namibia will follow due process and comply with all legislative requirements," he adds. "We are engaging closely with the Labour Ministry as well as worker representative bodies, which all play a key role in this process. We are indeed committed to a process which will encourage ongoing communication and a deeper understanding of the situation for all those involved."

Similarly, Uys has emphasised that there has already been close engagement with the company's employees, as well as key suppliers and vendors, with a view to ensuring a thorough and mutual understanding of the implications of the stabilisation programme.

In Uys's opinion, the currently depressed off-shore oil-related market situation is likely to continue (or possibly worsen) during the next 12 calendar months. He further predicts that on the back of a universal oil demand/supply rebalancing scenario, influenced by certain global socio-political events, the oil price will probably start stabilising and improving during the course of the 2017 calendar year.

"We certainly do not need the oil price to be at the 'dizzy heights' it was before the price dropped in 2014 for our core market to be re-energised and for the positive effect to start filtering through again," Uys comments.

"However, the key message from international 'oil majors' is that they need to regain confidence in the market and that stabilised barrel price levels over prolonged periods are necessary, before the recovery process can really start."

Uys further points out that, regardless of the price of oil, approximately 95 million barrels per day are required to meet the world's energy needs. "This current oil crisis is therefore, by necessity, a cyclical situation, and stabilisation is only a matter of time."

Ensuring that the company is well positioned to rebound effectively and speedily when the market recovers is at the heart of EBH Namibia's stabilisation programme.

"The ability to continue to do what we have been doing since our inception in 2006, that is, providing a world-class service to the international maritime and oil and gas sector, as well as making a significant contribution to Namibia's economy, is of the utmost important to us," Uys says.

"That is why we will not compromise when it comes to safety and providing a quality service, and therefore, despite the challenges, we will be deploying various strategies - even with a restricted budget for the next 12 months - to ensure critical skills retention and development."

Despite a tough economic environment, EBH Namibia remains committed to its market, and will continue to work to attract vessels to Walvis Bay's dry docking facilities during this time, even when they are 'off-line' or being 'stacked' until they are called into service again.

The company remains strongly committed to servicing its core market. A relevant example of this is the statutory class certification repair requirements of the majority of the 520 off-shore supply vessels currently operating off the west coast of Africa. EBH Namibia foresees a significant spike in activity emanating from these, mid-way through 2017; and is also working on various diversification strategies, and focusing on opportunities which are not oil-related.

Uys further states: "At EBH Namibia we know that crisis can also bring huge opportunities. No one in this industry – upstream or downstream - is immune from the implications of the low oil price and it is time to collectively tighten our belts now, in order to ensure future success."

"On the positive side, through this phase, we envisage the creation of an even more effective and efficient EBH Namibia. A company that will be truly sustainable in the long term, and be well positioned for future market share growth: enabling us to proudly continue making Namibia a major player in the international offshore, oil and gas and maritime industry," Uys concludes.

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EBH Namibia

EBH Namibia, an established ship repair company strategically located on the west coast of Africa in Walvis Bay, Namibia, provides a holistic service solution in all aspects of marine engineering and ship repair to the local and international shipping and offshore industry.

The company operates three privately-owned floating docks in Walvis Bay, including a Panamax-sized dock.