

28 May 2015

**Key Statistics**

**Code** : THAL  
**Listing** : AIM  
**Sector** : Oil Equipment & Services  
**Market Cap** : £15.79m  
**Share in issue** : 24.67m  
**Current Price** : 64.00p  
**12 month High/Low**: 228.40p/36.00p

**Stock Performance**



**Financials**

£'m	H1 2014A	H1 2013A	2013A
Revenue	9.26	11.64	30.55
PBT	0.90	1.37	4.96

Source: Thalassa Holdings' Interim Results

**Company description**

Thalassa Holdings Ltd is established as a holding company, and has two operating subsidiaries in the Energy Services Industry: WGP Group, focused on marine geophysical services in production enhancement, exploration and surveying and Autonomous Robotics (previously GO Science), an Autonomous Underwater Vehicle (AUV) research and development company.

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**Thalassa Up 36%; What Next?**

Since our Thalassa Sales Note dated 24 April was published, shares have risen from 47p to 66p (+36%) so we thought it would be worth having an update.

In terms of the Company's news flow, there has only been an RNS detailing the intention to provision \$3.3m against the outstanding receivable resulting from the now disputed (and previously agreed) SMG contract; which is hardly promising news though not perhaps unexpected. The cash position of \$15.7m was re-affirmed though.

What perhaps is becoming clearer is the situation in the broader market place. The Oil price has been helpful rather than hurtful over the last month but even now soaring tanker rates point towards over-supply creeping back. Of more long term importance there has been huge capacity taken out of the Oil Services market maintaining pricing power across the board albeit from a smaller base.

By way of example, **Schlumberger (SLB:NYSE)** has now reduced its total work force by 25,000 since the oil price collapse last autumn. Obviously most of that reduction will not be specifically connected to Seismic work, but it is indicative of how very volatile the oil support services business is. The detail of what they have cut is perhaps not as important as the fact that they have maintained profitability; market consensus for SLB eps is \$4.0 FY15 vs. \$4.32 FY14 and positive cashflow per share of \$7.3 FY15 vs. \$7.64p FY14. Thus pricing power is maintained for the services they provide. **Halliburton (HAL:NYSE)** has also been cutting its businesses severely to enable the takeover of **Baker Hughes (BHI:NYSE)** but has also managed to increase its revenue on trailing 12 month basis (TTM) over the last year, in part because of its "Deepwater" strategy is focussed on increasing the life of existing oil wells for customers: Just like Thalassa.

Between those majors and many other mid-sized players there has been huge capacity taken out of the market across the board of Oil Services. This is obviously good news for smaller players if they can continue to stay in the game. Thalassa's cash pile and conservative management puts it firmly in this camp, and the fact that its revenues are still slated to, "... meet current market expectations of pre-tax profit of US\$1 million on revenue of US\$18 million..." is supportive of this argument. Furthermore the Company has been able to hire some of the very high quality professionals who have been let go in the maelstrom of cost cutting, at very reasonable rates.

At the current price the market cap of £16m is beginning to give some value to the business beyond the value of the cash and equipment (also around £16m depending how you revalue the equipment) but it still has plenty of headroom for applying a multiple to the earnings or sales and that before any growth is factored in.

For disclosures, refer to the Disclosure Section

## Consolidated Statement of Income for the Six Months ended 30 June 2014

	<b>Six months ended 30 June 2014 Unaudited US\$</b>	<b>Six months ended 30 June 2013 Unaudited US\$</b>	<b>Year end 31 Dec 2013 US\$</b>
<b>Revenue</b>	<b>9,259,239</b>	<b>11,643,218</b>	<b>30,551,967</b>
Cost of Sales	-5,209,706	-7,737,486	-21,259,292
<b>Gross profit</b>	<b>4,049,533</b>	<b>3,905,732</b>	<b>9,292,675</b>
Administrative expenses	-2,794,382	-2,293,916	-4,366,937
<b>Operating profit before depreciation</b>	<b>1,255,151</b>	<b>1,611,816</b>	<b>4,925,738</b>
Depreciation	-524,338	-298,400	-685,173
<b>Operating Profit</b>	<b>730,813</b>	<b>1,313,416</b>	<b>4,240,565</b>
Net financial income	167,100	72,922	721,227
<b>Profit before taxation</b>	<b>897,913</b>	<b>1,386,338</b>	<b>4,961,792</b>
Taxation	-160,233	-358,632	-575,722
<b>Profit for the financial period</b>	<b>737,680</b>	<b>1,027,706</b>	<b>4,386,070</b>

*Source: Thalassa Holdings' Interim Results*

## Consolidated Statement of Financial Position at 30 June 2014

	At 30 June 2014 Unaudited US\$	At 30 June 2013 Unaudited US\$	At 31 Dec 2013 US\$
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	368,525	368,525	368,525
Intellectual Property	2,907,572	-	2,870,043
Property, plant & equipment	13,382,023	7,591,232	8,153,119
Computer software	254,089	-	-
Multi-client library	472,618	-	-
Available for sale investment	58,503	38,675	38,675
<b>Total non-current assets</b>	<b>17,443,330</b>	<b>7,998,432</b>	<b>11,430,362</b>
<b>Current assets</b>			
Inventory	877,928	1,446,000	690,008
Loans	7,256,904	763,000	1,885,583
Trade and other receivables	11,298,462	5,239,580	7,078,753
Cash and cash equivalents	21,213,030	16,837,567	32,235,155
<b>Total current assets</b>	<b>40,646,324</b>	<b>24,286,147</b>	<b>41,889,499</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5,561,221	3,787,841	2,084,595
Deferred revenue	-	9,369,196	-
<b>Total current liabilities</b>	<b>5,561,221</b>	<b>13,157,037</b>	<b>2,084,595</b>
<b>Net current assets</b>	<b>35,085,103</b>	<b>11,129,110</b>	<b>39,804,904</b>
<b>Net assets</b>	<b>52,528,433</b>	<b>19,127,542</b>	<b>51,235,266</b>
<b>Equity</b>			
Share capital	250,675	178,175	250,757
Share premium	44,866,060	16,332,196	44,668,608
Treasury shares	-	-384,226	-279,982
Other reserves	199,334	58,768	177,536
Retained earnings	7,066,020	3,013,960	6,272,185
<b>Total shareholder equity</b>	<b>52,382,089</b>	<b>19,081,337</b>	<b>51,088,922</b>
Non-controlling interest	146,344	46,205	146,344
<b>Total Equity</b>	<b>52,528,433</b>	<b>19,127,542</b>	<b>51,235,266</b>

Source: Thalassa Holdings' Interim Results

## Consolidated Statement of Cash Flows for the Six Months Ended 30 June 2014

	Six months ended 30 June 2014 Unaudited US\$	Six months ended 30 June 2013 Unaudited US\$	Year end 31 Dec 2013 US\$
<b>Cash flows from operating activities</b>			
<b>Operating profit for the period before depreciation</b>	<b>1,255,151</b>	<b>1,611,816</b>	<b>4,925,738</b>
Shares issued to chairman	-	440,000	-
Increase in inventory	-187,920	-1,364,223	-608,231
Increase in trade and other receivables	-4,219,708	-4,611,502	-6,450,675
Increase in trade and other payables	3,739,342	2,991,998	2,623,293
Increase in deferred revenues	-	9,369,196	-
Increase in multi-client library	-472,619	-	-
Net foreign exchange	-131,358	-188,998	-1,109,570
Taxation	-160,233	-358,632	-69,119
<b>Cash (used in)/generated from operations</b>	<b>-177,345</b>	<b>7,889,655</b>	<b>-688,564</b>
Interest paid	-17,922	-155,248	-166,749
<b>Net cash flow from operating activities</b>	<b>-195,267</b>	<b>7,734,407</b>	<b>-855,313</b>
<b>Cash flows from investing activities</b>			
Disposal of assets	3,883	-	-
Acquisition of intellectual property	-37,529	-	-2,913,201
Interest received	107,907	53	30,958
Purchase of equipment	-5,753,242	-	-941,278
Purchase of computer software	-254,089	-35,776	-
Loan to THAL discretionary trust	-4,902,534	-	-1,885,583
<b>Net cash flow from investing activities</b>	<b>-10,835,604</b>	<b>-35,723</b>	<b>-5,709,104</b>
<b>Cash flows from financing activities</b>			
Exercise of options	8,746	6,656,414	35,366,920
Disposal of treasury shares	-	-	950,183
<b>Net cash flow from financing activities</b>	<b>8,746</b>	<b>6,656,414</b>	<b>36,317,103</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>-11,022,125</b>	<b>14,355,098</b>	<b>29,752,686</b>
Cash and cash equivalents at the start of the period	32,235,155	2,482,469	2,482,469
<b>Cash and cash equivalents at the end of the period</b>	<b>21,213,030</b>	<b>16,837,567</b>	<b>32,235,155</b>

Source: Thalassa Holdings' Interim Results

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