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## 21st Annual Marine Money Hamburg

Growing Without Ordering:

Why Private Shipowners Should Consider Mergers & Acquisitions

**MARINE**  
M O N E Y

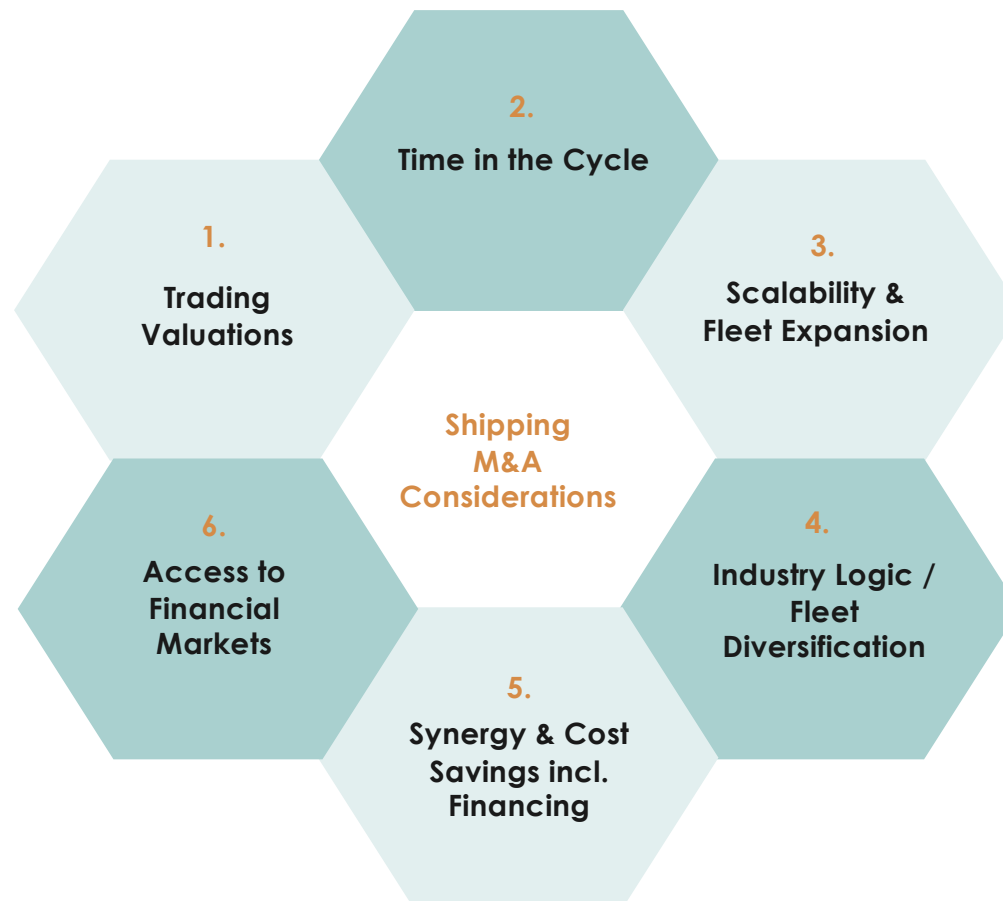
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Private & Confidential

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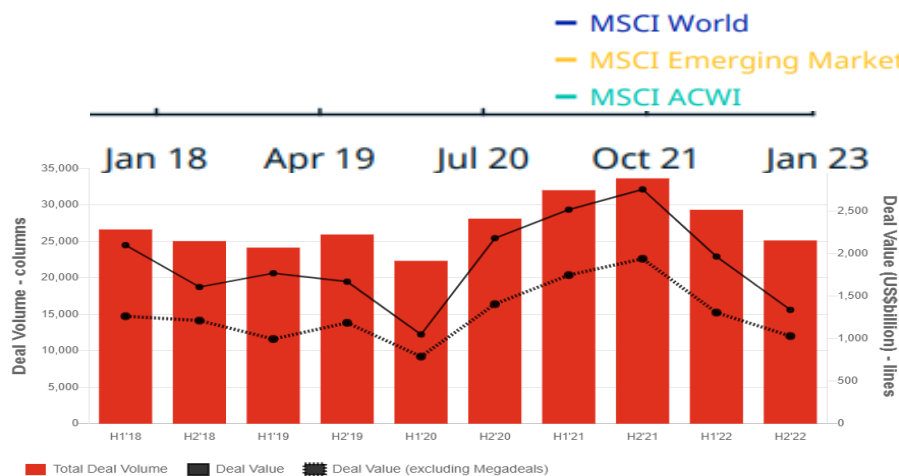
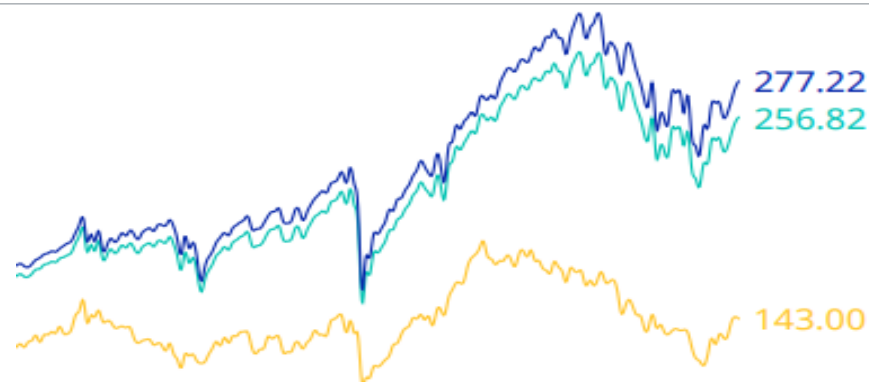
## Key Considerations Driving M&A Activities in Shipping

- ▶ Main drivers of M&A are willingness and opportunity
- ▶ Strong rationales are often needed to justify a transaction, for example:
  - Paying for more than the sum-of-the-parts (optimist view)
  - Selling at a price below the NAV (exit mindset)
- ▶ At the end, the outcome of M&A is often presented as a win-win transaction



## Factors Encouraging M&A Activities in General

Alignment of trends between world equity markets performance vs. M&A volume globally

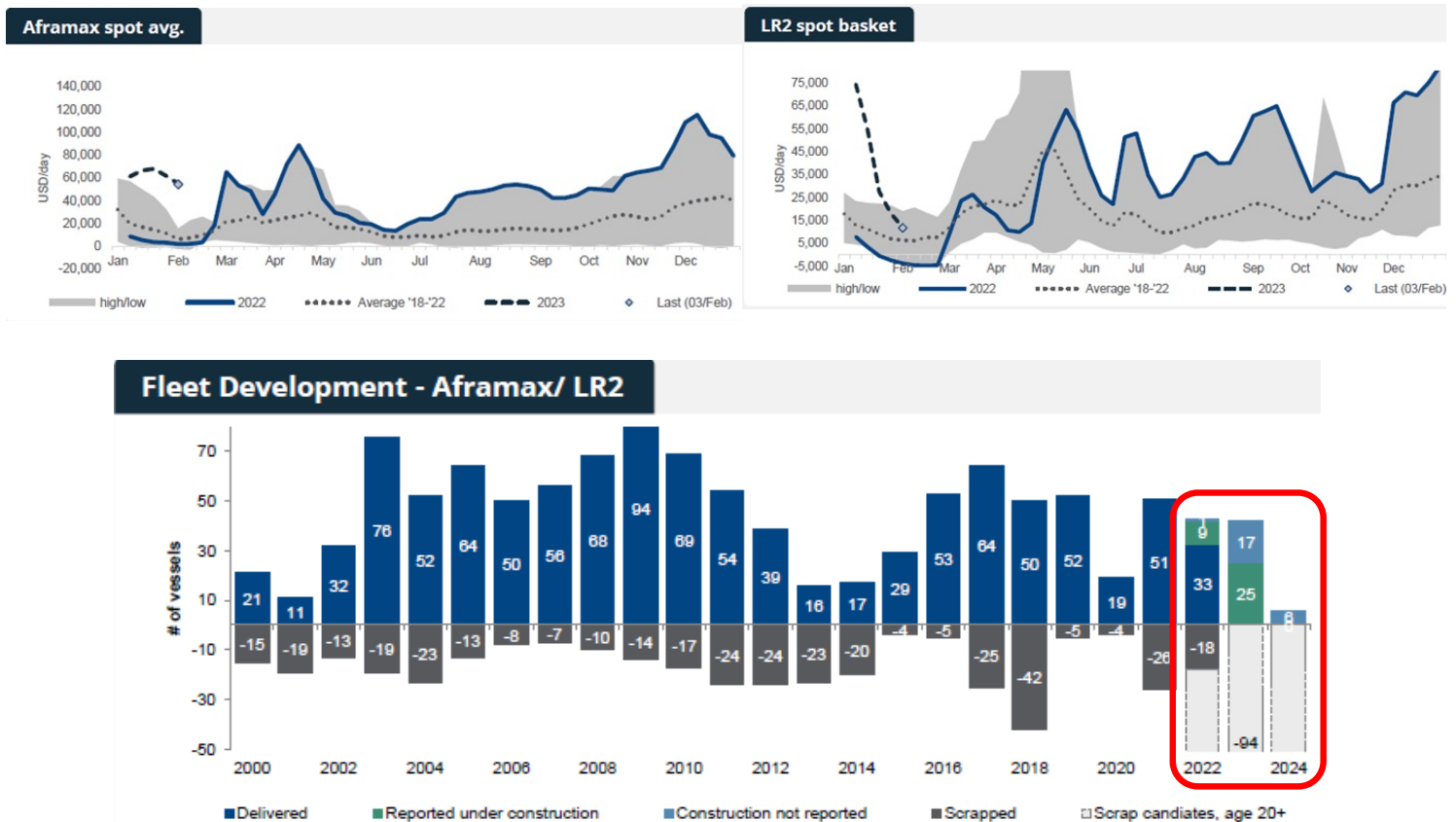


Sources: MSCI, Refinitiv, Dealogic, PwC

## Factors Encouraging M&A Activities in Tanker Segment

The energy transition is in certain sectors a real driver for M&A transactions

- ▶ Lack of strong rationale to seek newbuildings
- ▶ Strong freight rates and on-going positive outlook
- ▶ Willingness to capture a larger pie of revenue upside
- ▶ Optimization of operating costs to keep positive performance as long as possible in the cycle

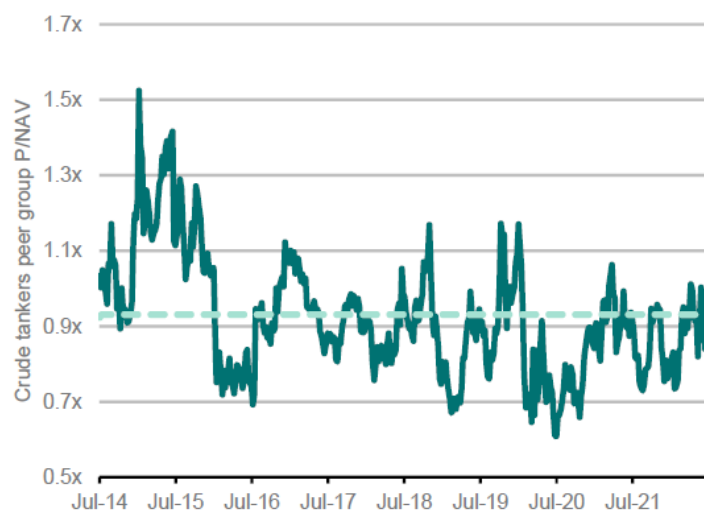


Source: Fearnley Securities

## Valuation Trend In Tanker Segment

P/NAV valuation trend continues to be below 100%, signaling a favorable investment opportunity

Historical average P/NAV for the tanker peer group:



P/NAV consensus across various equity research firms:

Date	DNB Markets 31-Jul-22	Jefferies 20-Jan-23	Pareto Securities 23-Jan-23	Average
Ardmore Shipping			0.85	<b>0.85</b>
DHT Holdings	0.81	0.89	0.81	<b>0.84</b>
Euronav	0.98	0.89	0.83	<b>0.90</b>
Frontline	0.91	0.96	0.92	<b>0.93</b>
Hafnia		0.86		<b>0.86</b>
Hunter Tanker	0.91			<b>0.91</b>
International Seaways		0.73	0.71	<b>0.72</b>
Nordic American			0.82	<b>0.82</b>
Okeanis Eco Tankers		0.78		<b>0.78</b>
Scorpio Tankers	0.90	0.82	0.80	<b>0.84</b>
Teekay Tankers	0.60	0.60	0.60	<b>0.60</b>
TORM		0.97		<b>0.97</b>
Tsakos Energy			0.31	<b>0.31</b>
<b>Average:</b>	<b>0.85x</b>	<b>0.83x</b>	<b>0.74x</b>	<b>0.79x</b>

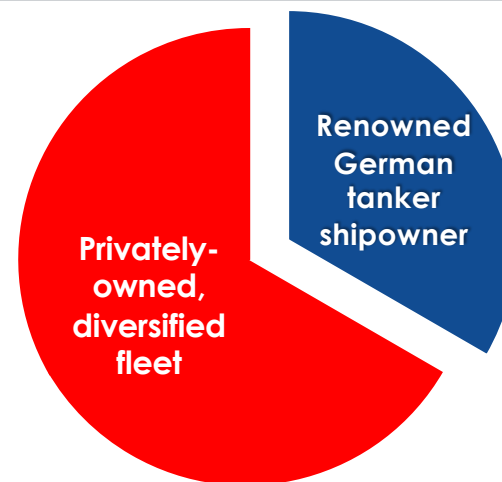
Sources: DNB, Jefferies, Pareto Securities

## Case Study: Acquisition of a German Product Tanker Operator

Concluded in September 2022

### Rationale for merger:

- ▶ Consolidation trend in product tanker segment has been happening for a few years, with market participants looking for scale
- ▶ Most synergies are expected with smaller shipping companies in Europe, focusing on adjacent markets and looking to diversify
- ▶ Gives the acquirer the opportunity to grow and diversify into a niche profitable business, with a clear focus on small product tankers trading in Europe
- ▶ Also provides the acquirer new competitive edge, given the German shipowners' long-standing reputation with customers, in tanker design innovation and safety standards



### Transaction highlights:

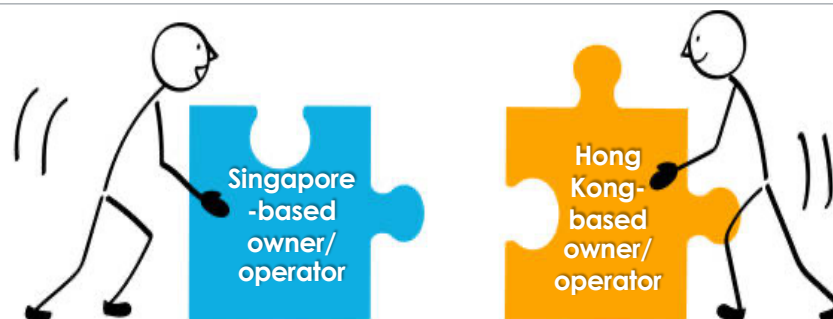
- ▶ Combined enterprise value of USD >1bn
- ▶ Alignment of both companies sharing many fundamental similarities
- ▶ Exiting family in 5<sup>th</sup> generation
- ▶ Buyer is a family business in their 2<sup>nd</sup> generation
- ▶ Buyer's long-term goals and values allowed for successful transaction closure

## Case Study: Merger of Two Drybulk Operators

Concluded in January 2023

### Rationale for merger:

- ▶ Future value in bulk cargo shipping will be found through participation in firms with significant scale
- ▶ Need for in-house technical and commercial capabilities are crucial in enabling long-term development of cargo client relationships
- ▶ Pre-merger entities were too small to exploit the full potential of their commercial franchise
- ▶ The merged entity will form a market leader in the geared segment for bulk carriers



### Transaction highlights:

- ▶ The post-merger entity currently operates over 50 vessels. The combined enterprise value of the merged entity is over USD 500million
- ▶ Post-merger synergies:
  - **Revenue** – Strong coverage/geographic synergies given the global coverage and network across more than 10 offices. Larger fleet size is also able to secure more COA's, which will directly enhance topline
  - **Cost** – Ability to leverage on technical presence in both China and India for significant opex and drydock savings. Wider source availability and lower costs of debt financing due to scale
  - **Scale** – creation of a consolidation vehicle capable of competing for significant market share in the pure-play geared drybulk space
- ▶ Potential future plans: possibility for IPO given business model and scalability of in-house commercial and technical platform of the merged entity

## Other Relevant Recent M&A Transactions

► LDA initiated a sell side process to:

- Monetize at a high point in the cycle
- Generate proceeds to support a new core strategy



### Recent Example 1. Disposal of Louis Dreyfus Bulk (July 2022)

- The Louis Dreyfus Armateurs Group (LDA) and its partners have reached an agreement with institutional investors for the sale of a fleet of 13 Handysize and Supramax bulk carriers
- **Rationale:** To transition the Group's fleet into the industrial and wind offshore segments
  - The move comes as part of the Group's plans to refocus its operations and take advantage of the strong market after many difficult years




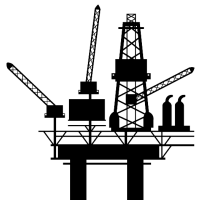
- Taylor Maritime as a young company acted opportunistically while Grindrod as a 1910 founded company appreciated the merits of new stimulus



### Recent Example 2. Taylor Maritime acquisition of Grindrod Shipping (October 2022)

- **Taylor Maritime Investments** – an investment company that invests in a diversified portfolio of vessels which are primarily second-hand and which, historically, have demonstrated average yields in excess of TMI's target dividend yield of 8% p.a.
- **Grindrod Shipping** – a global provider of maritime transportation services in the drybulk sector, with ownership of a core fleet of 15 handysize drybulk carriers and 16 supramax/ultramax drybulk carriers
- **Rationale:** For the diversification of business into the drybulk sector given the complementary nature of the respective companies' fleets and enhanced operational scale
  - The acquisition allows TMI to diversify into the geared dry bulk segment, whose defensive characteristics improves the TMI's resilience in facing potentially more difficult macro environments and potential to deliver shareholder value through the business cycle
  - This also will create a significant player and owner of mid-sized dry-bulk ships in the market, capable of moving a diversified portfolio of cargoes around the world and the ability to realise additional revenue and cost unit economics that are not available to either TMI or Grindrod on a standalone basis

## 2023 M&A Shipping Outlook

Segment	Expected Activity	Drivers
<b>Drybulk</b> 	High	<ul style="list-style-type: none"> <li>▶ Small newbuilding orderbook with very limited availability of slots at yards in the near term</li> <li>▶ High capex pressure coming from the energy transition</li> <li>▶ Intact macro picture on the income side</li> </ul>
<b>Container</b> 	High	<ul style="list-style-type: none"> <li>▶ Vertical integration to continue with a focus on door-to-door services</li> <li>▶ Downturn in freight rates may push for further consolidation mainly in the regional markets</li> </ul>
<b>Tanker</b> 	Medium	<ul style="list-style-type: none"> <li>▶ Ordering has been neglected leading to strong earnings</li> <li>▶ Fully exposed to the energy transition with a radical change of business in sight</li> <li>▶ But still not replaceable for the next few decades</li> </ul>
<b>Offshore</b> 	Medium	<ul style="list-style-type: none"> <li>▶ Same as tankers</li> <li>▶ Diversification into the wind segment is an option</li> </ul>

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