Strong & Inefficient Fundamentals: A Sustainable Combination?

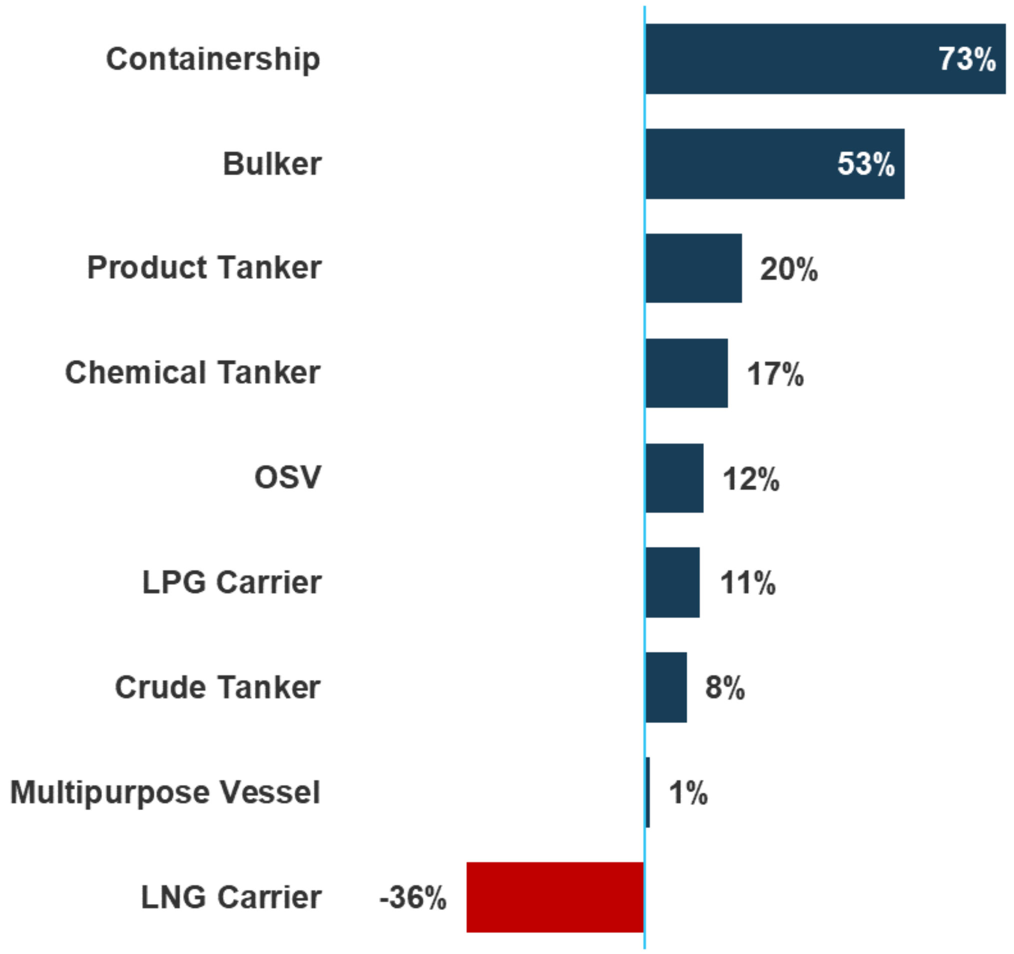
Dr Adam Kent - Marine Money Week Asia, Sept 24th – 25th 2024

1 Yr TC Rate and 10 Yr Old Price Changes

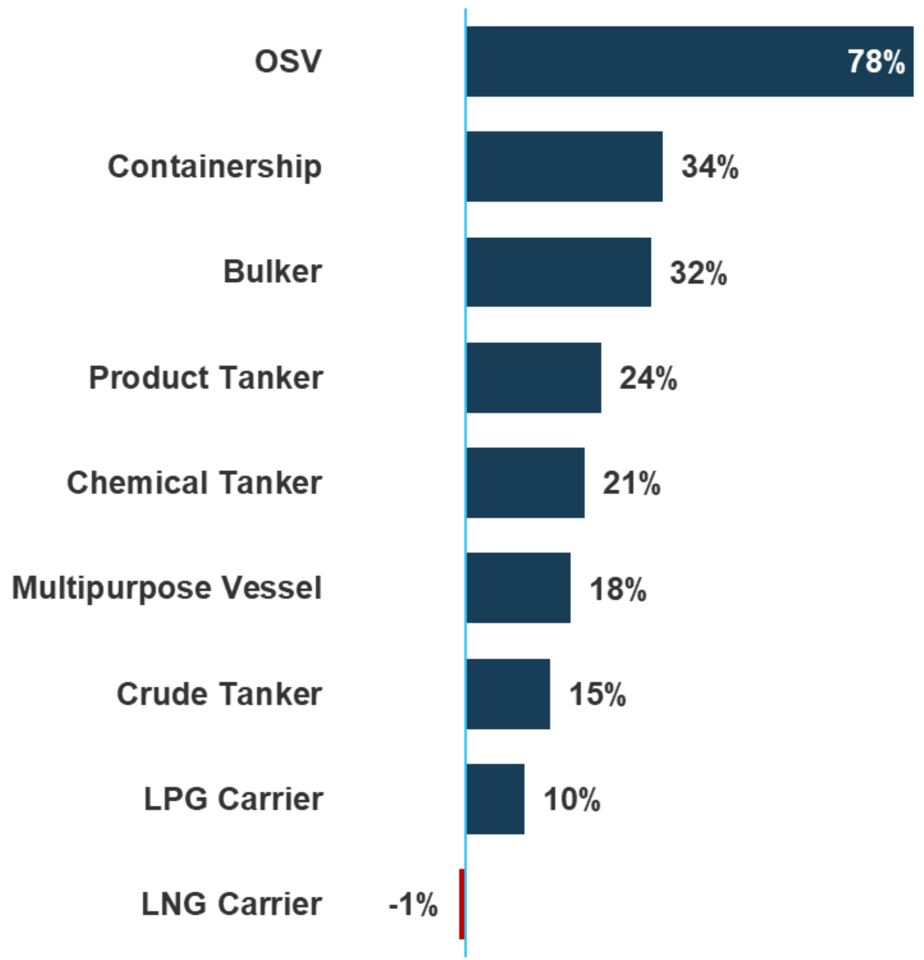
What a difference a year makes…

- Current Market
- Demand
- (In)Efficiency
- Structural Shifts
- Supply
- Earnings & Values

Today v August 2023 – Changes in 1 Yr TC Rate



Today v August 2023 – Changes in 10 Yr Old Prices



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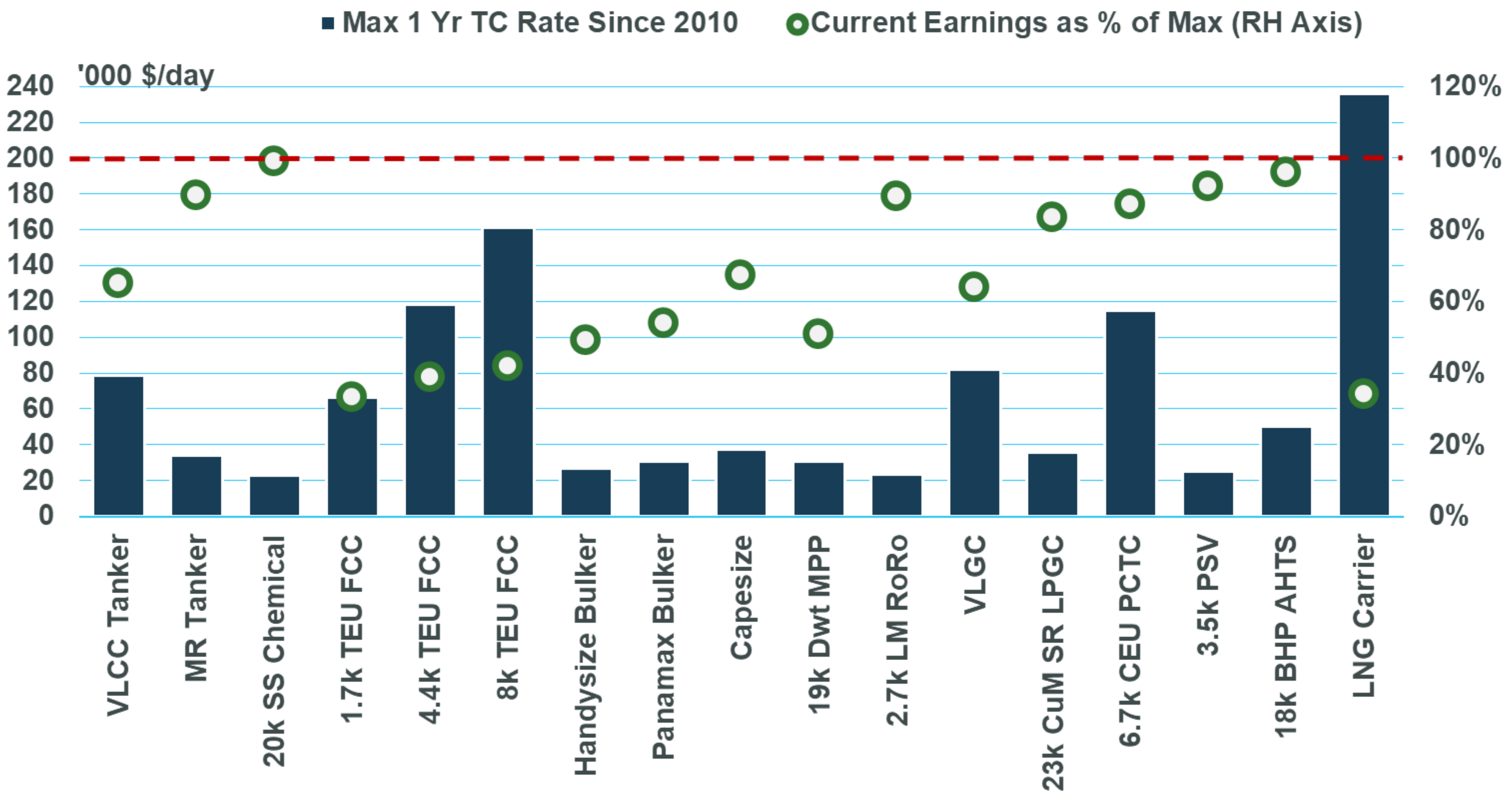
Today’s Earnings Versus Maximum Since 2010

One of the best markets for some time, across multiple sectors

- **Current Market**
- Demand
- (In)Efficiency
- Structural Shifts
- Supply
- Earnings & Values



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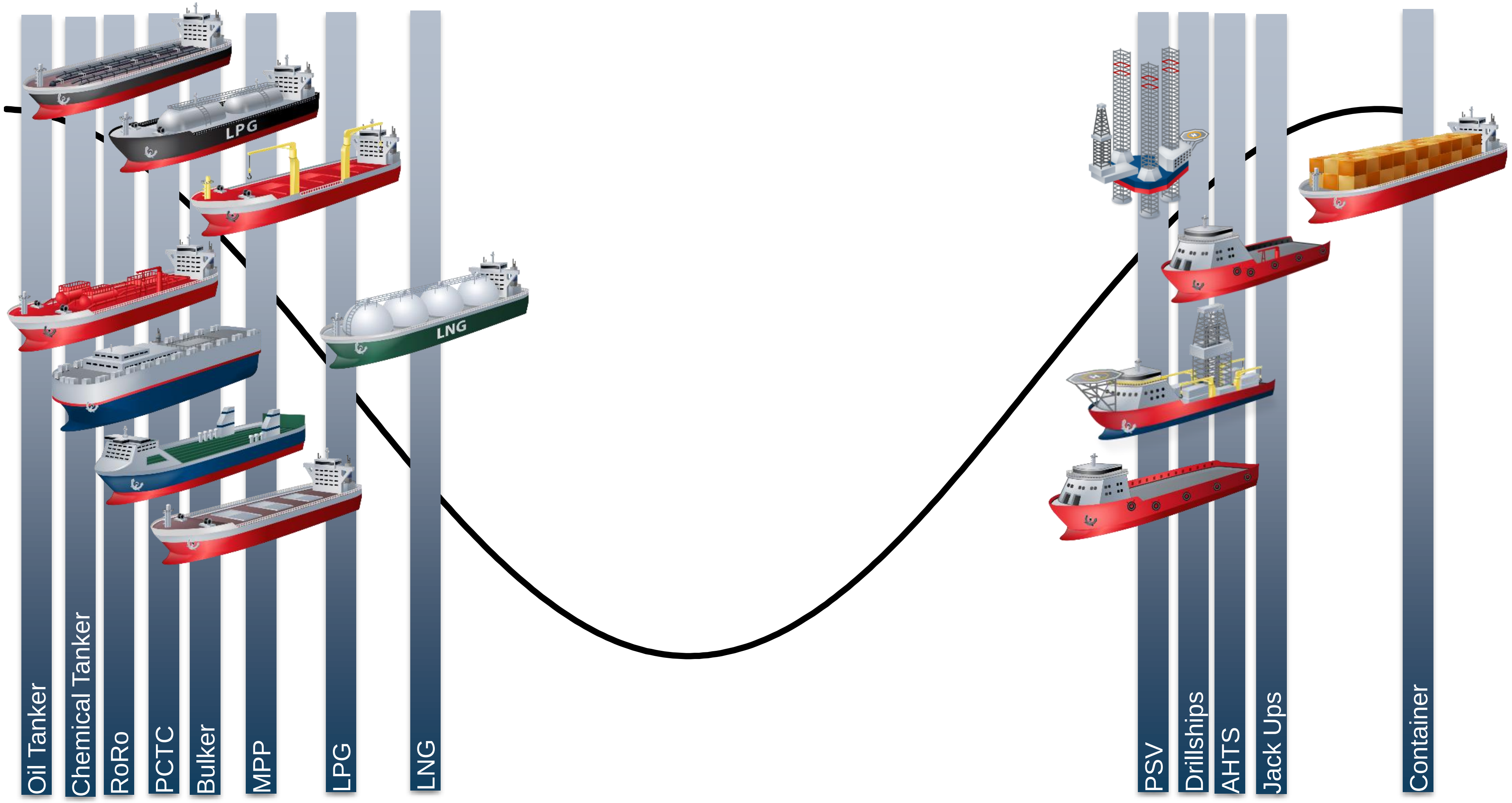
Current Earnings

Where are we on the cycle?

- Current Market
- Demand
- (In)Efficiency
- Structural Shifts
- Supply
- Earnings & Values



Note: Infographic for illustrative purposes only!

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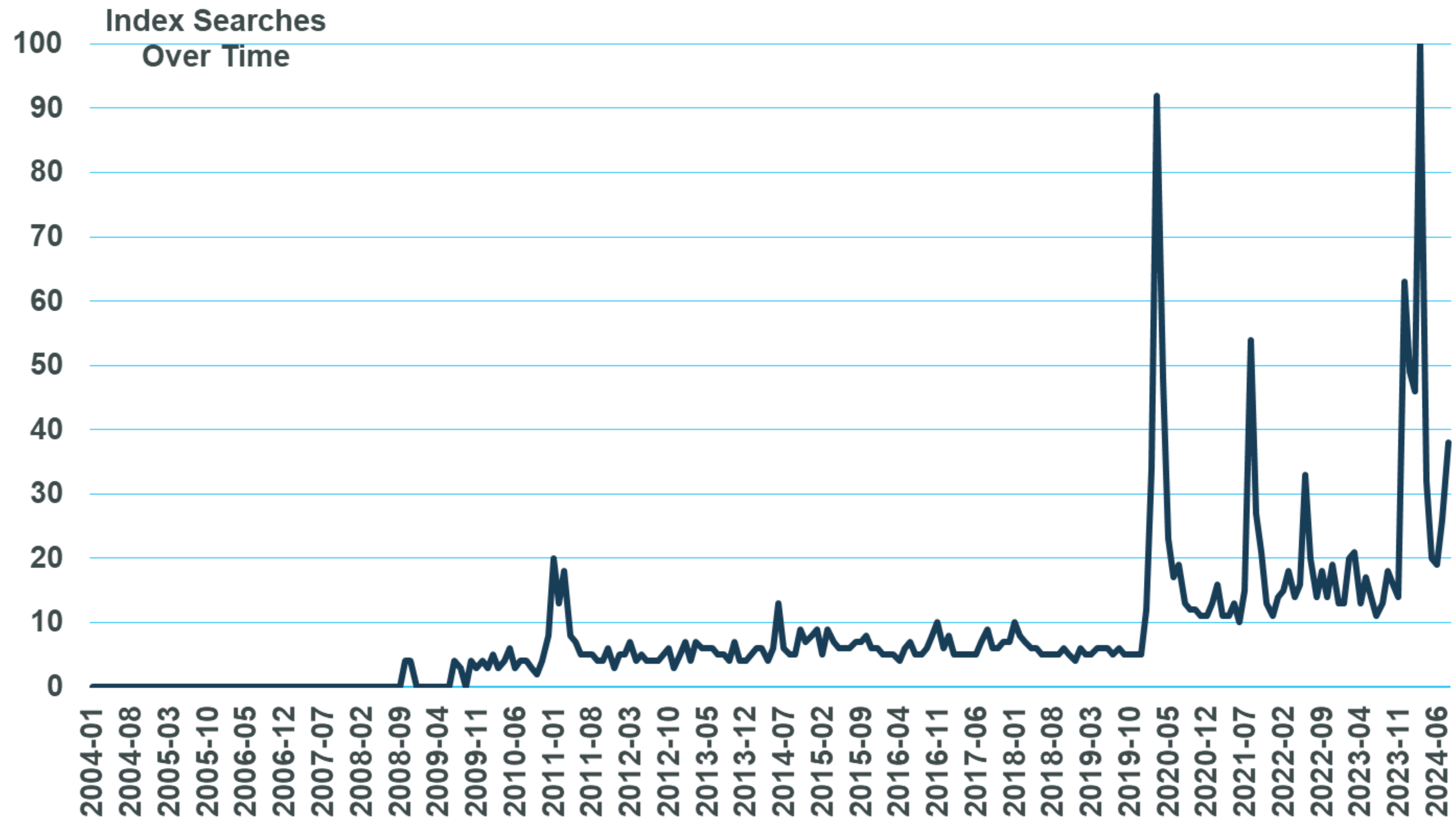
Swans are Rife

Google Trends "Black Swan Event"

- [Current Market]()
- Demand
- (In)Efficiency
- Structural Shifts
- Supply
- Earnings & Values



Shipping Driven by Events Leading to Volatility

A series of events have increased volatility in shipping markets in recent years

- **Current Market**
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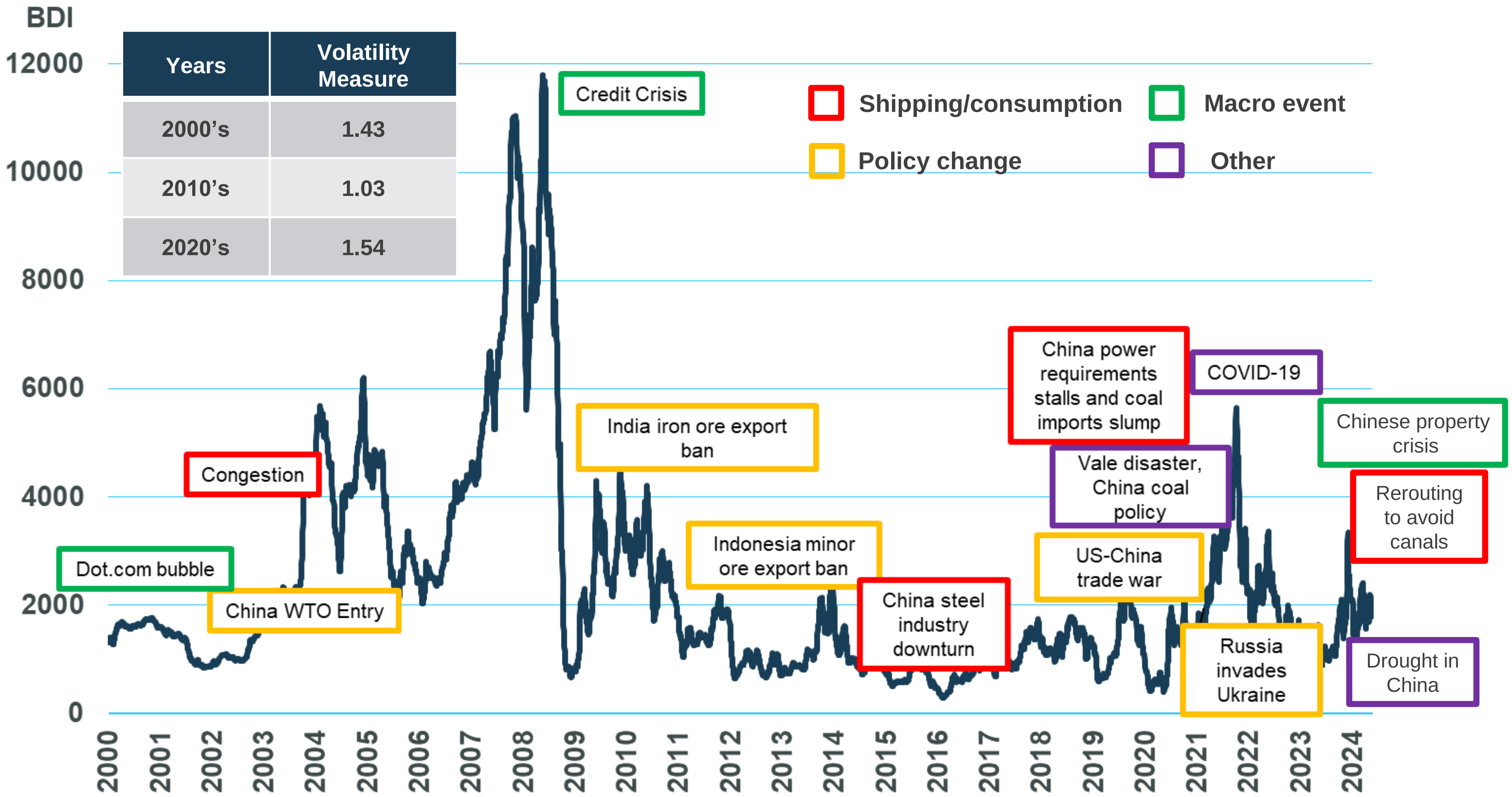
Years	Volatility Measure
2000's	1.43
2010's	1.03
2020's	1.54



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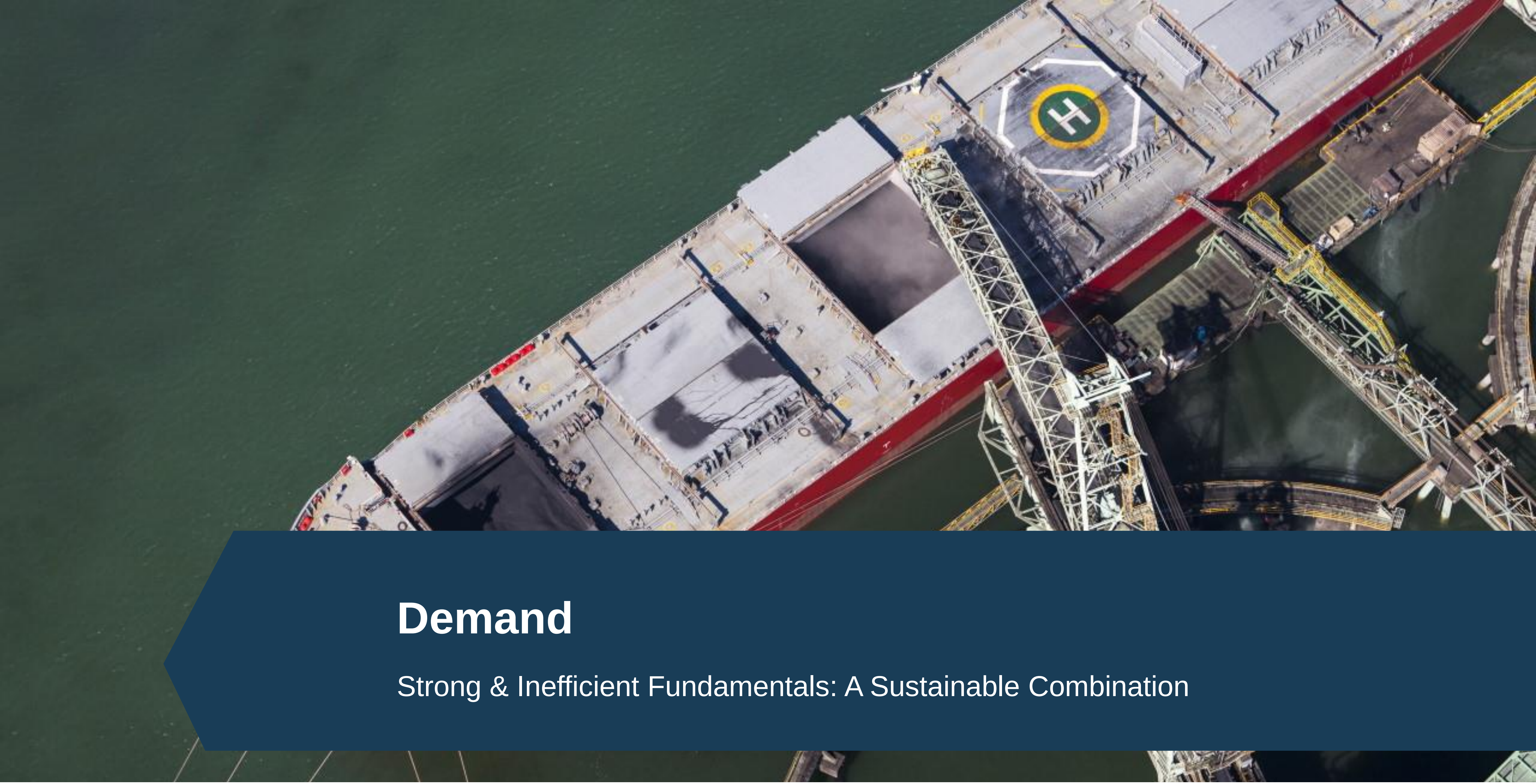

Demand

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Cargo Growth

A positive outlook

- Current Market
- **Demand**
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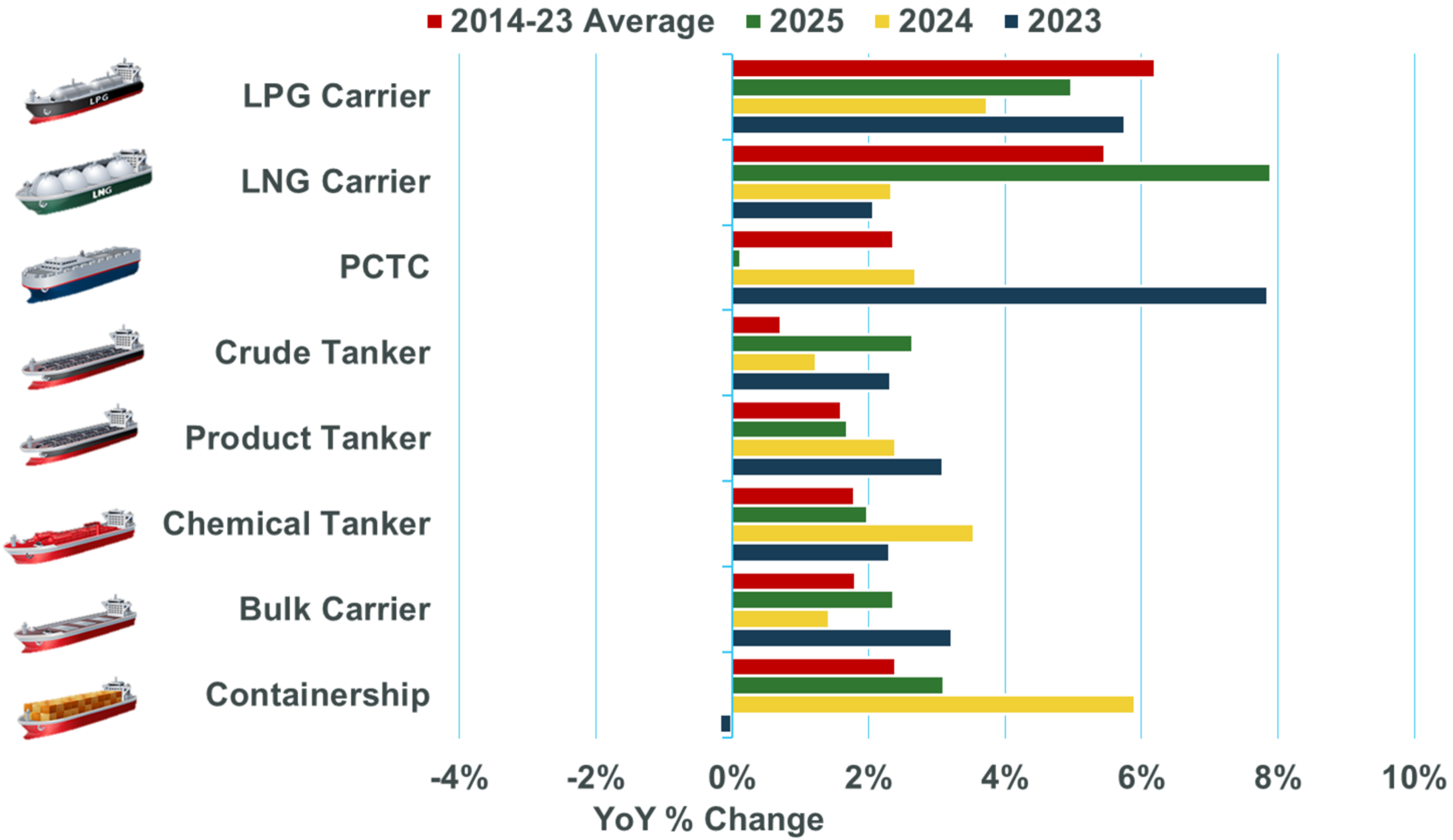

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Dry Bulk

China remains a key plank to demand

- Current Market
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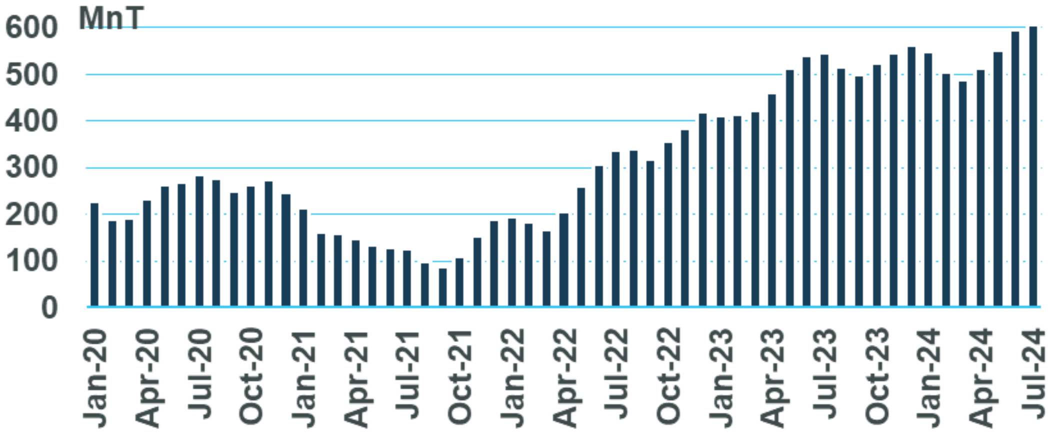
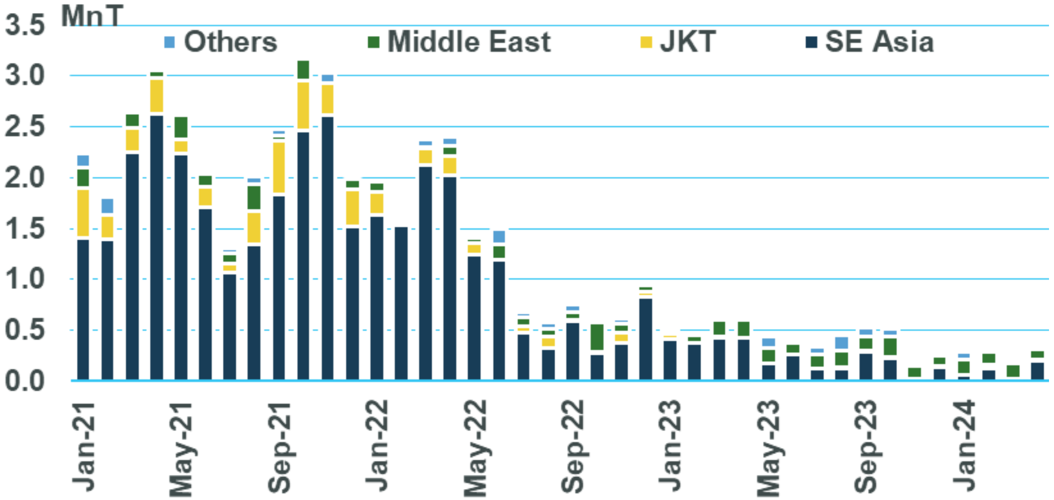
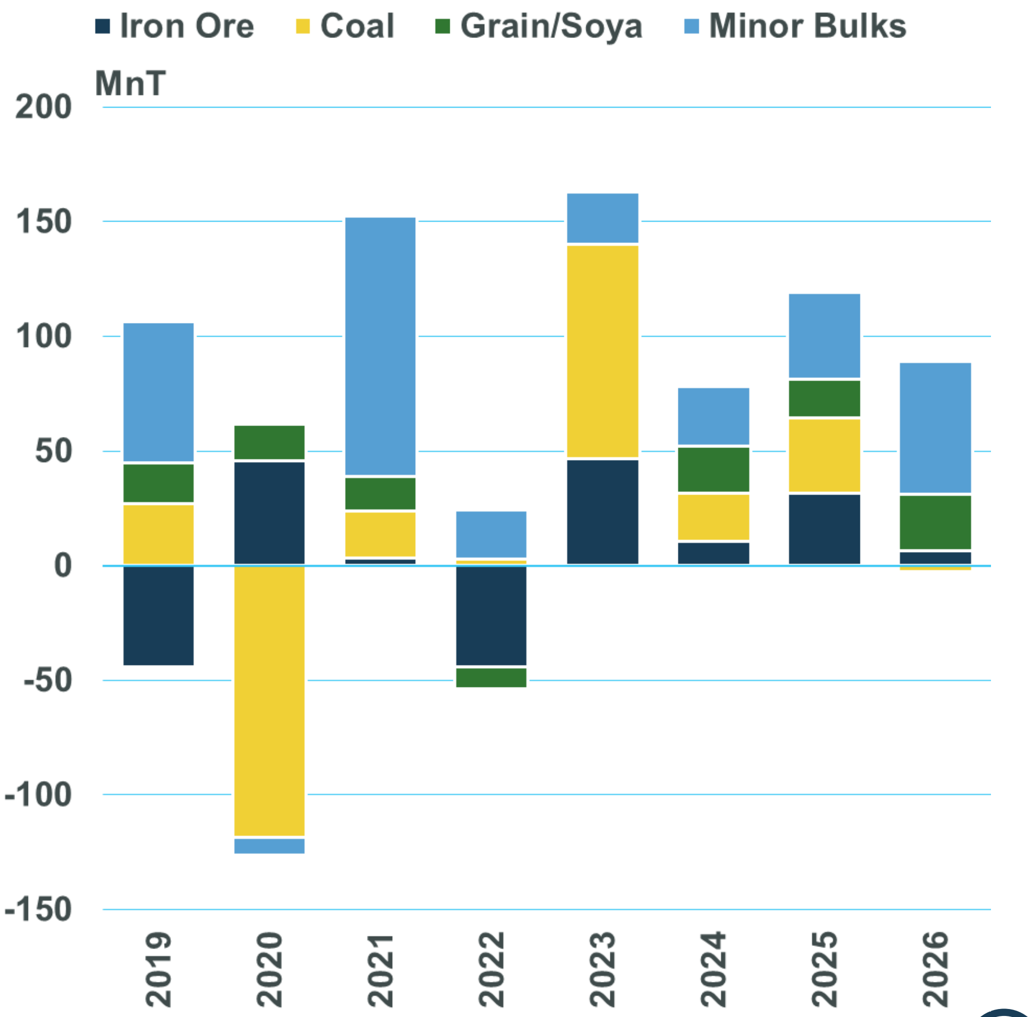
Chinese Coal Stockpiles



China Cement Imports



Incremental Seaborne Trade by Commodity Grouping



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Oil Tankers

Remapping trade routes

- Current Market
- **Demand**
- (In)Efficiency
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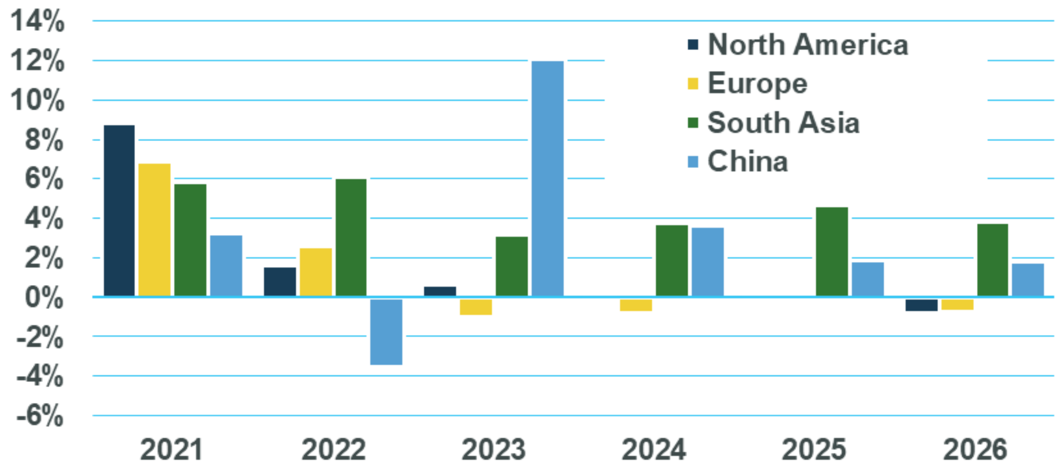
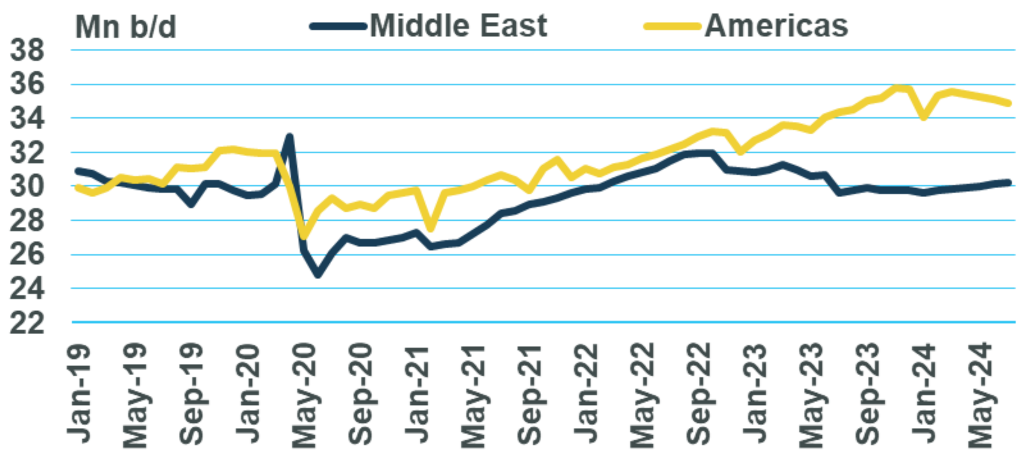
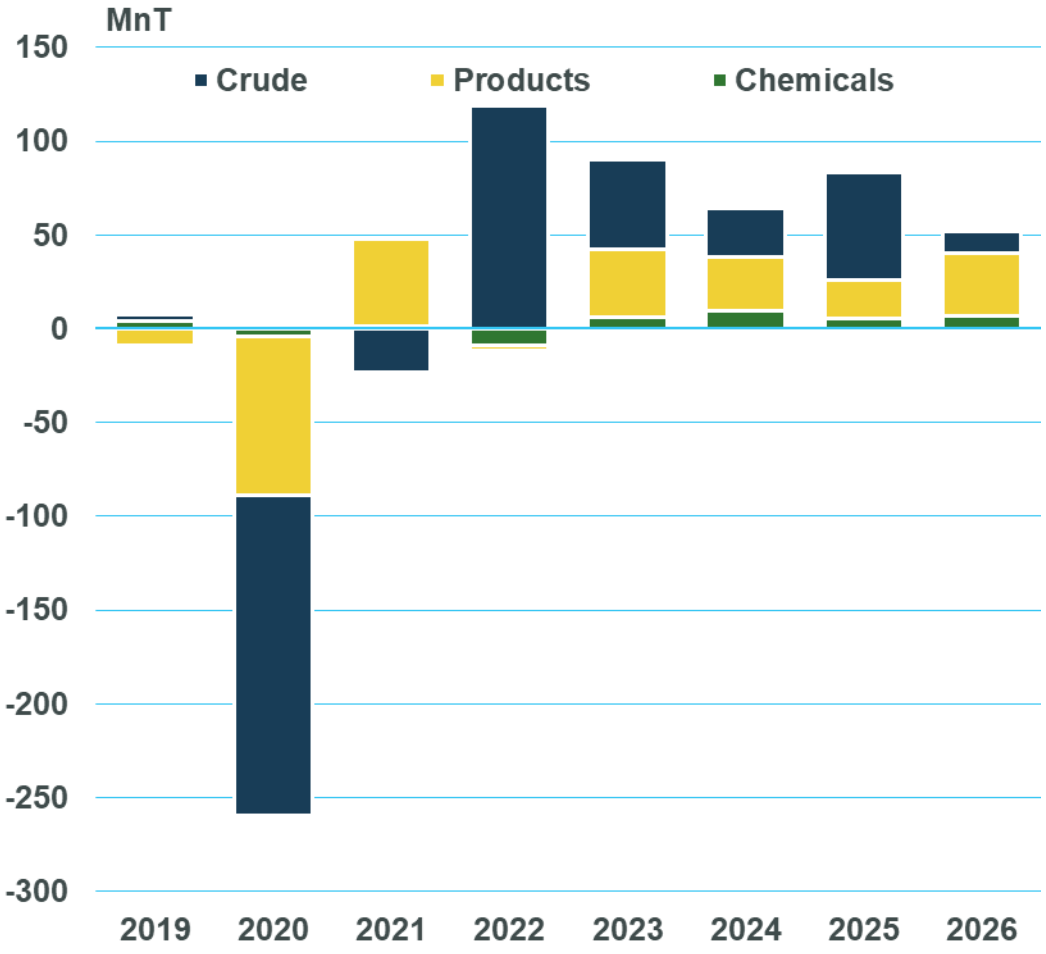
Oil Demand Growth – Selected Regions



Oil Production – Middle East and Americas



Incremental Seaborne Trade by Oil/Chem Cargo



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Containers

Strong demand growth returns

- Current Market
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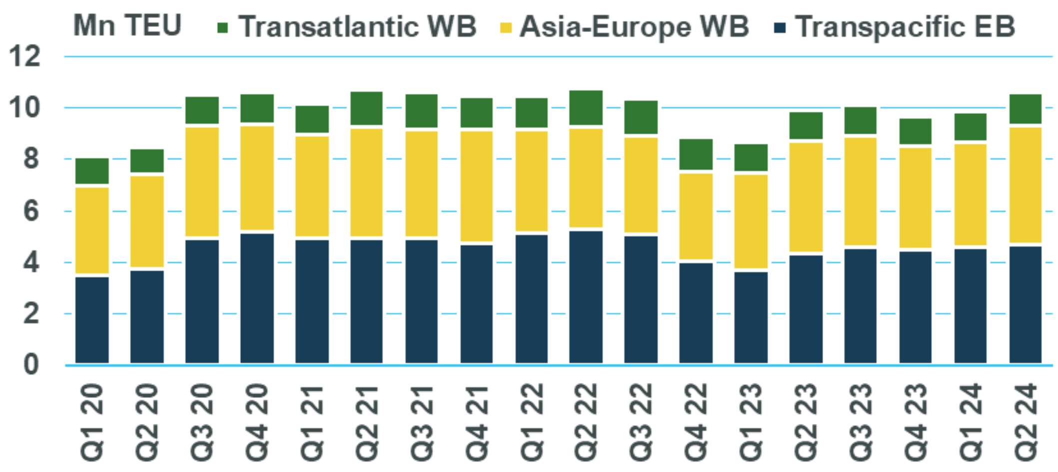
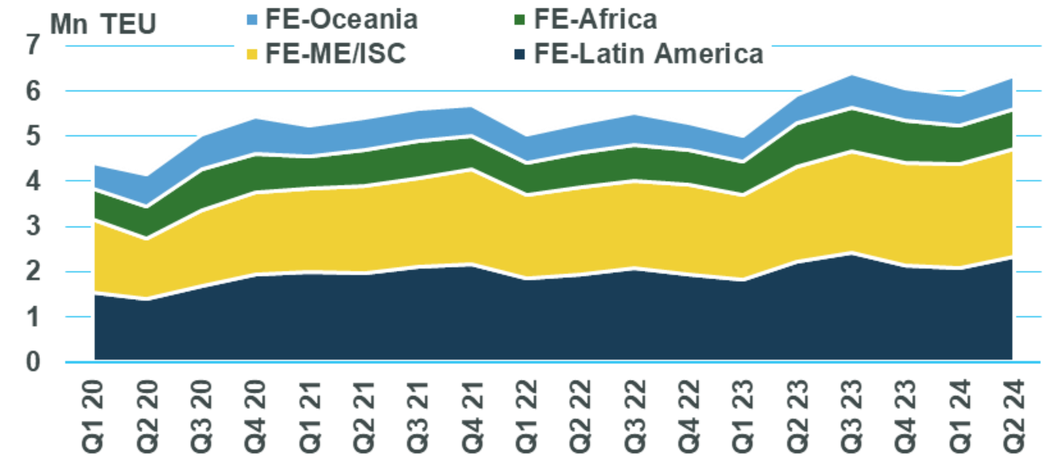
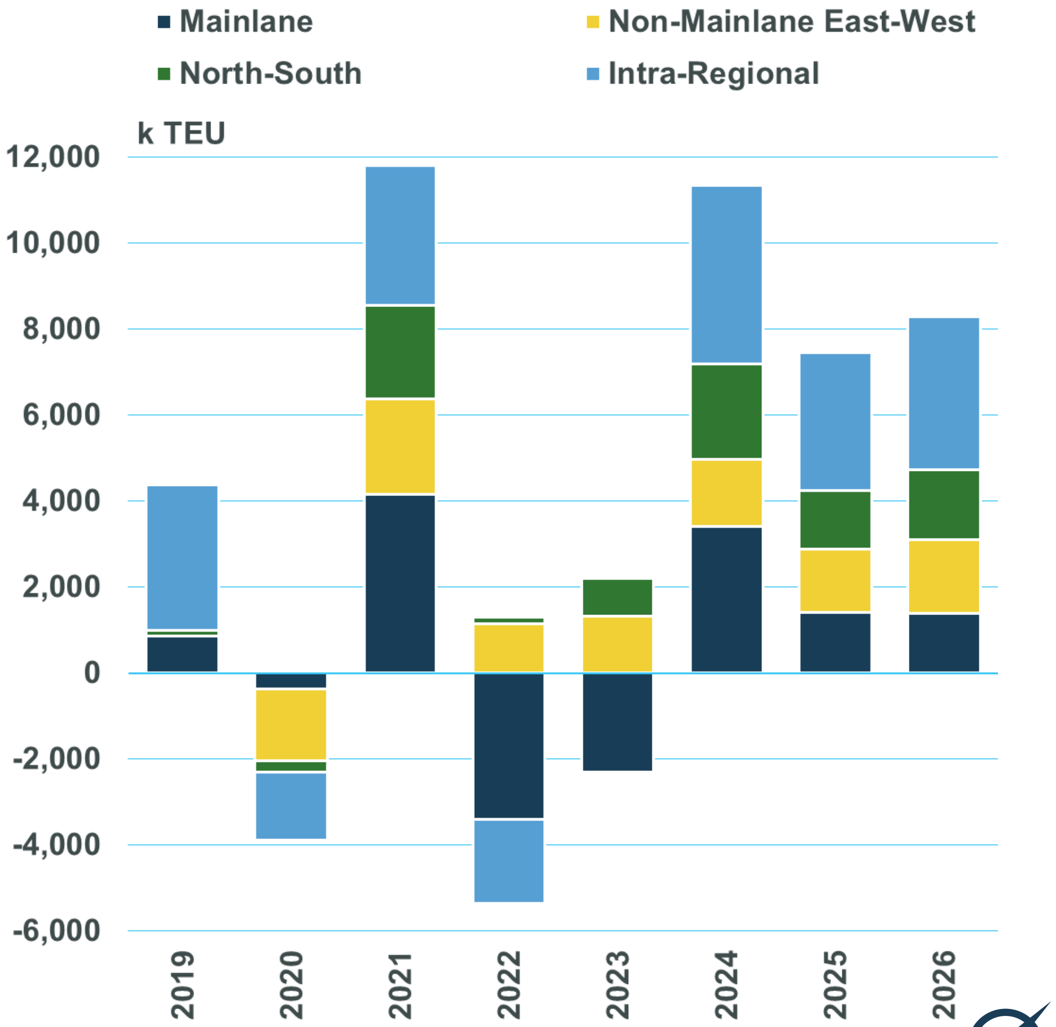
Mainlane Quarterly Headhaul Volumes



Far East Non Mainland Trades



Incremental Container Trade by Tradelane



Vessel Operations & Efficiency

Strong & Inefficient Fundamentals: A Sustainable Combination

Russia Ukraine Conflict

Many trade routes redefined indefinitely

- Current Market
- Demand
- **(In)Efficiency**
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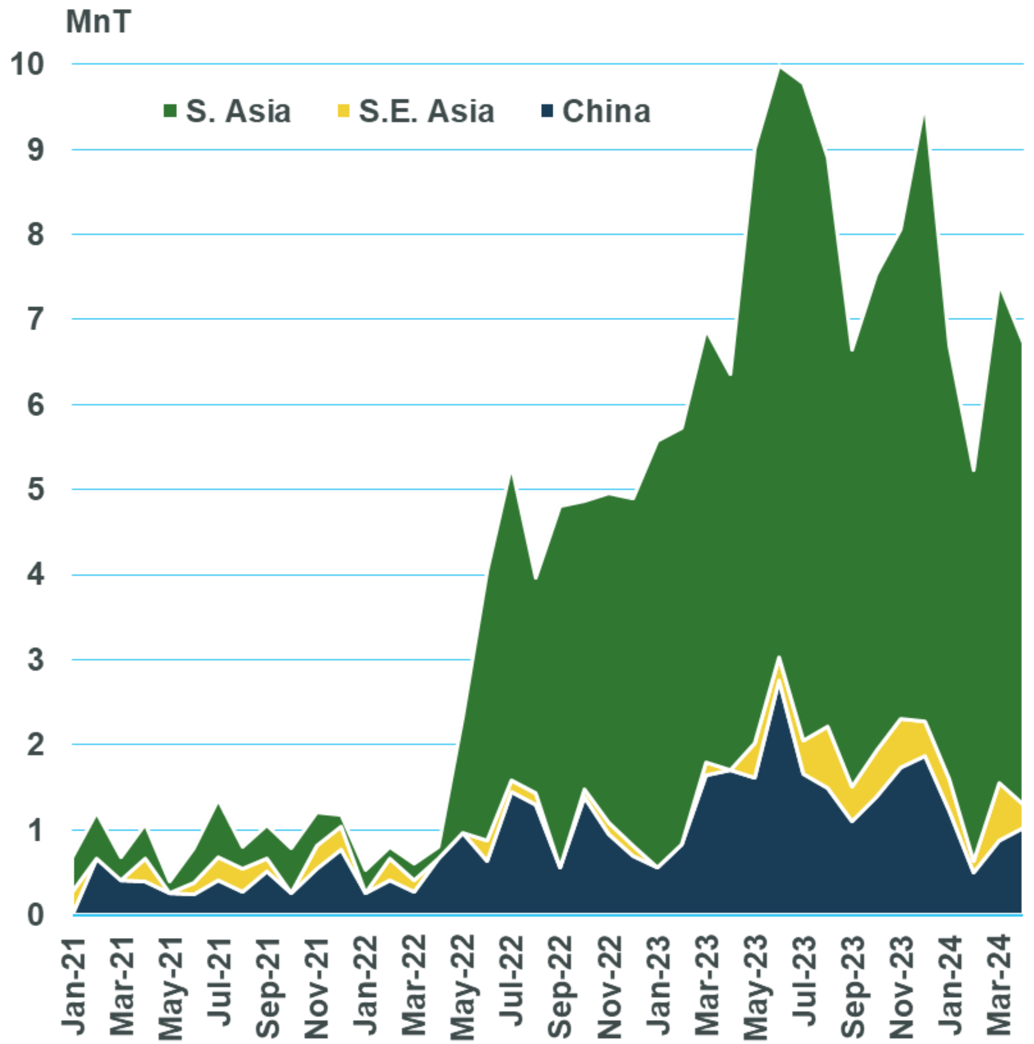
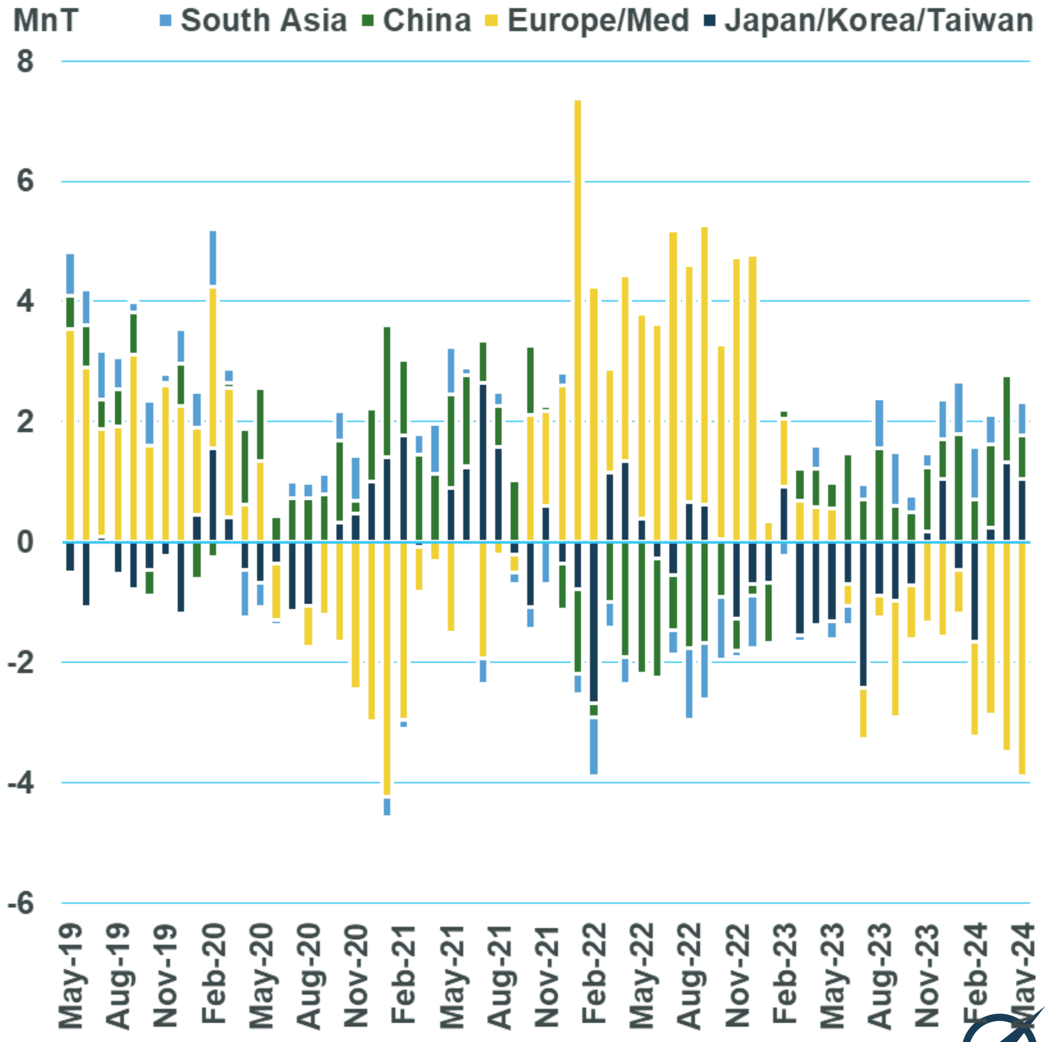
Russian Oil Export Flows to Asia



LNG Key Importers Monthly Nominal YoY Changes



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Suez Canal/Red Sea Diversions

Diversions depend on sector and operator

- Current Market
- Demand
- **(In)Efficiency**
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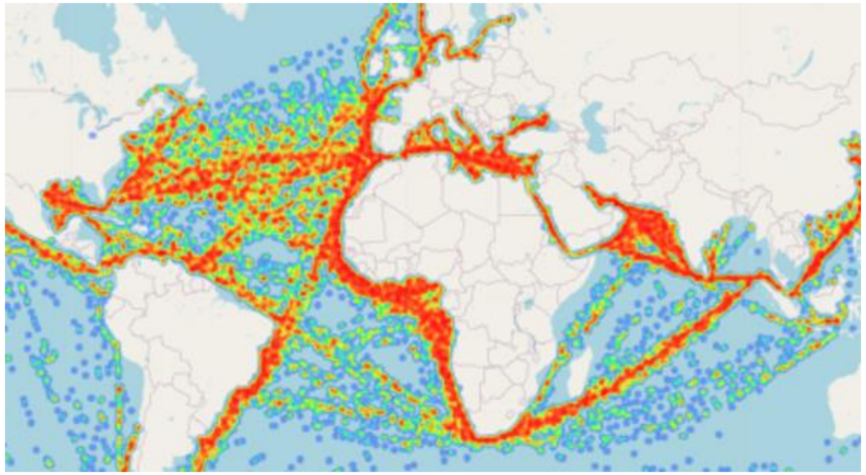
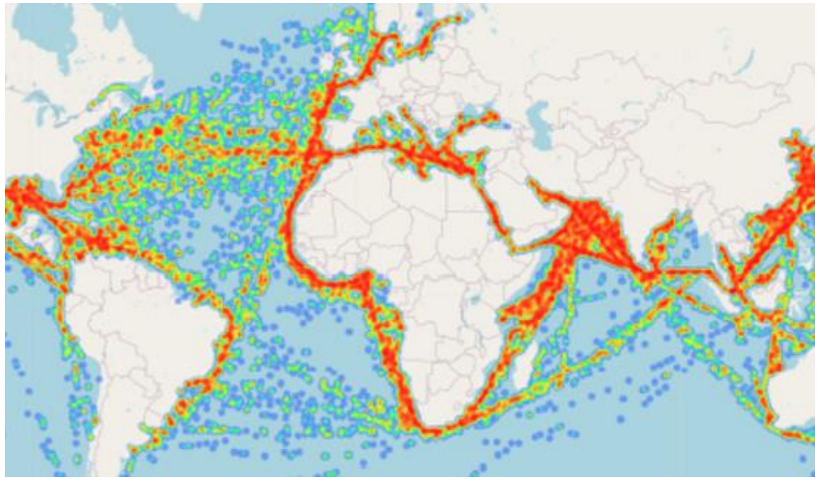
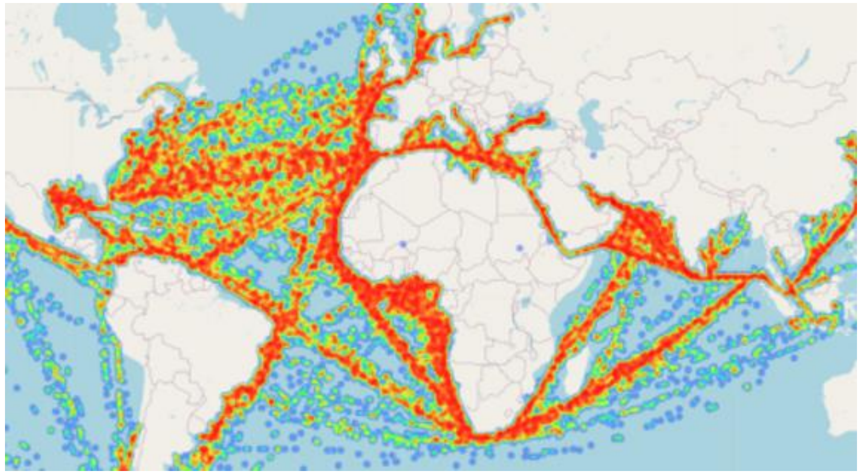
Suezmax Vessel Deployment – H1 2023



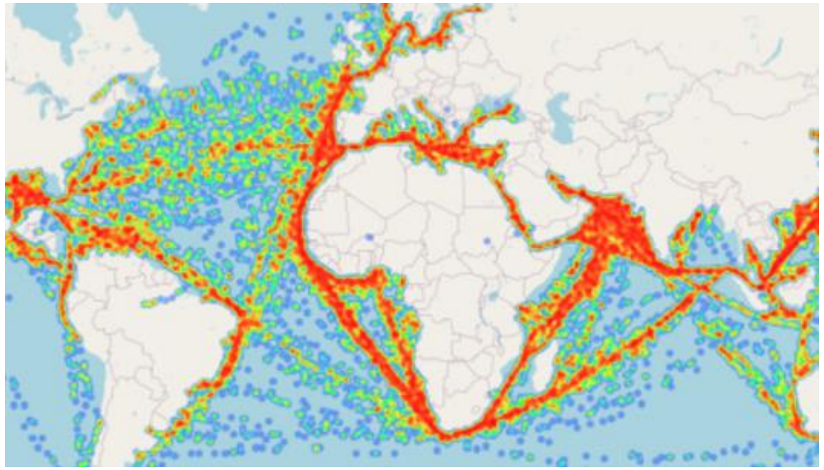
LR1/LR2 Vessel Deployment – H1 2023



Suezmax Vessel Deployment – 2024 YTD



LR1/LR2 Vessel Deployment – 2024 YTD



Tonne Miles

Incremental distances have provided a huge boost to balances

■ Tonnes ■ Tonne Miles

- Current Market
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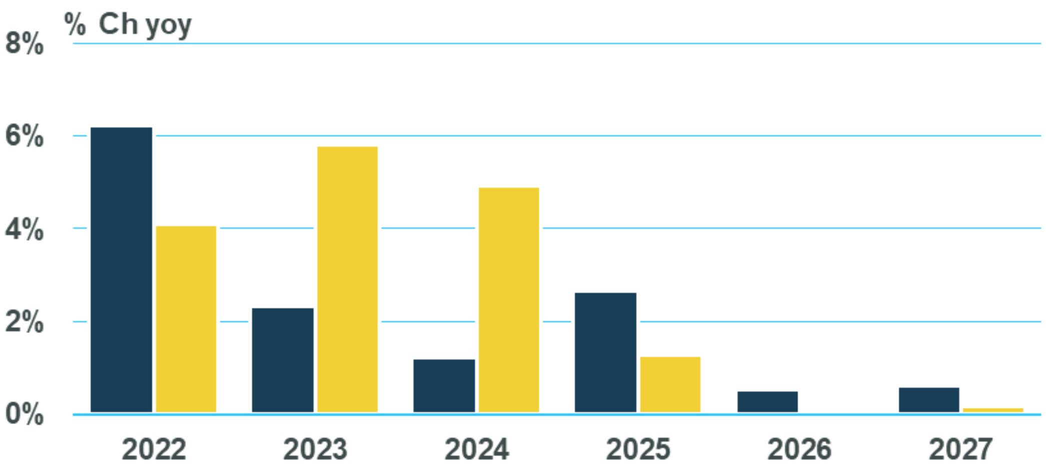
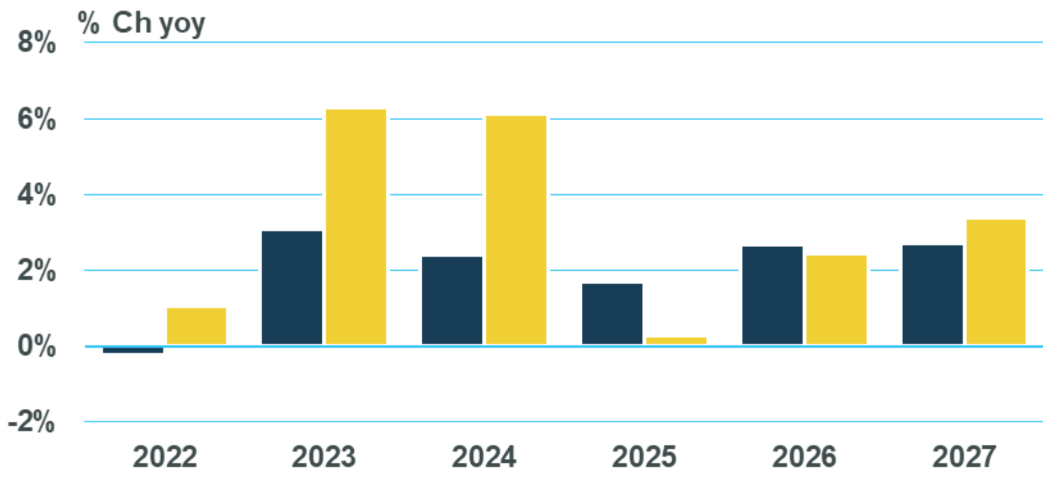
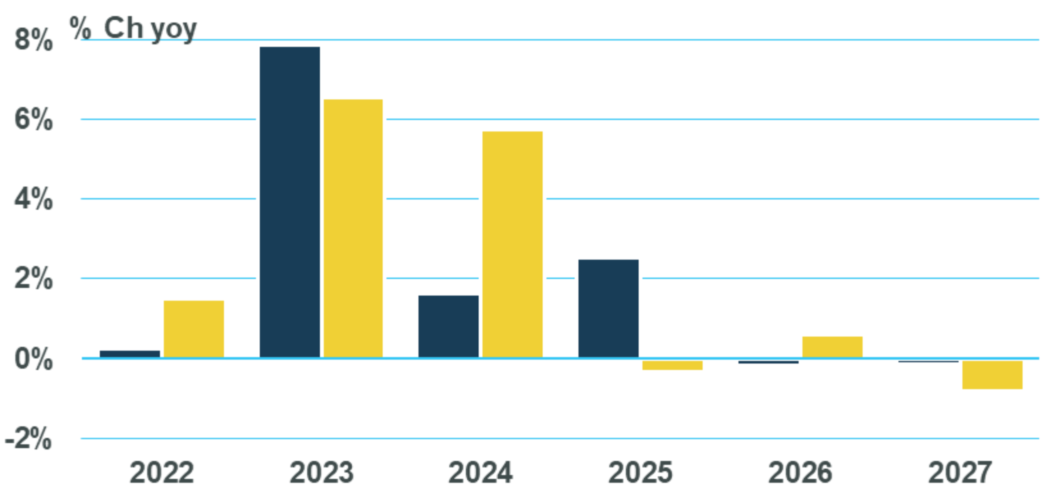
Crude Oil



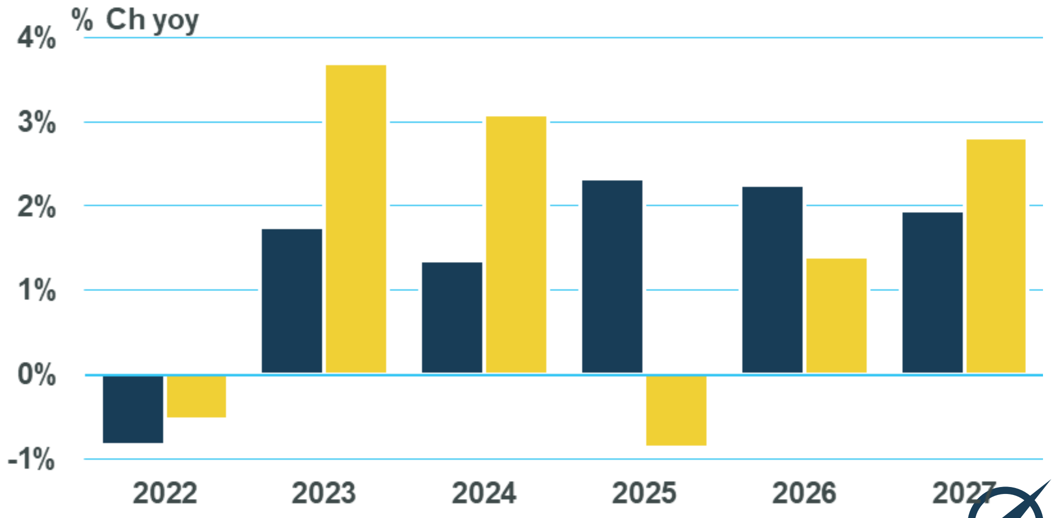
Oil Products



Coal



Other Dry Bulk (Iron Ore, Minor Bulk, Grain)



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History Repeating Itself…

Containers - Longer sailing distances and a minimal idle fleet are supporting market balances

- Current Market
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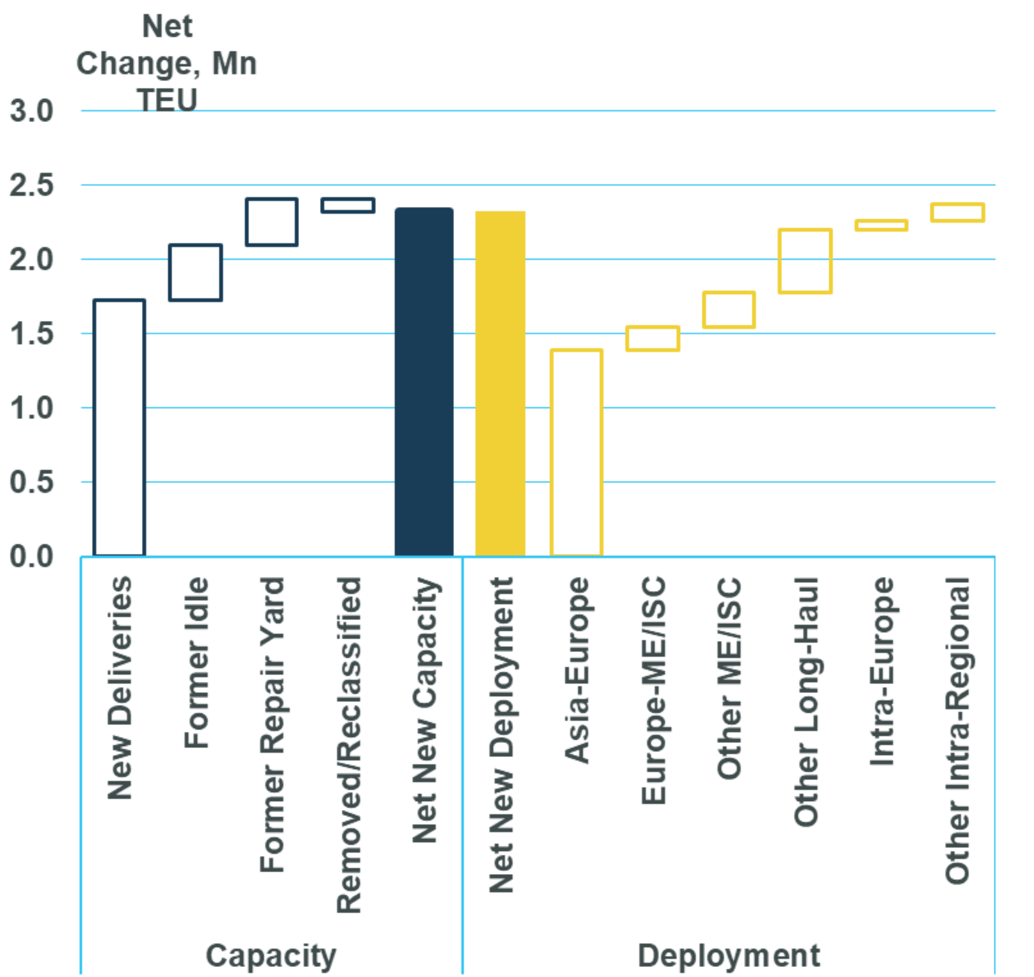
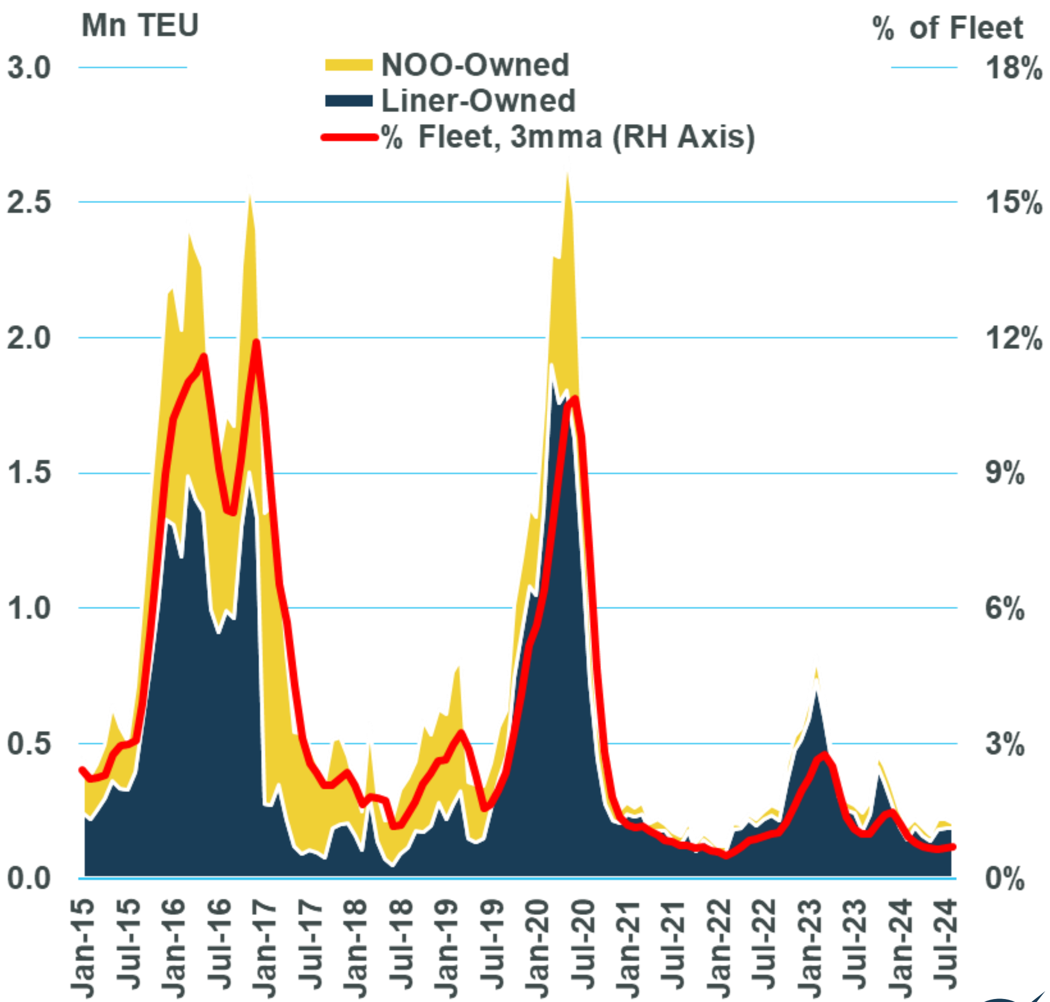
Capacity vs Deployment, Net Change Jun-24 vs Nov-23



Idle Fleet



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Structural Demand Shifts

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Chinese Demand Story Isn't What it Once Was

Continues to cool

- Current Market
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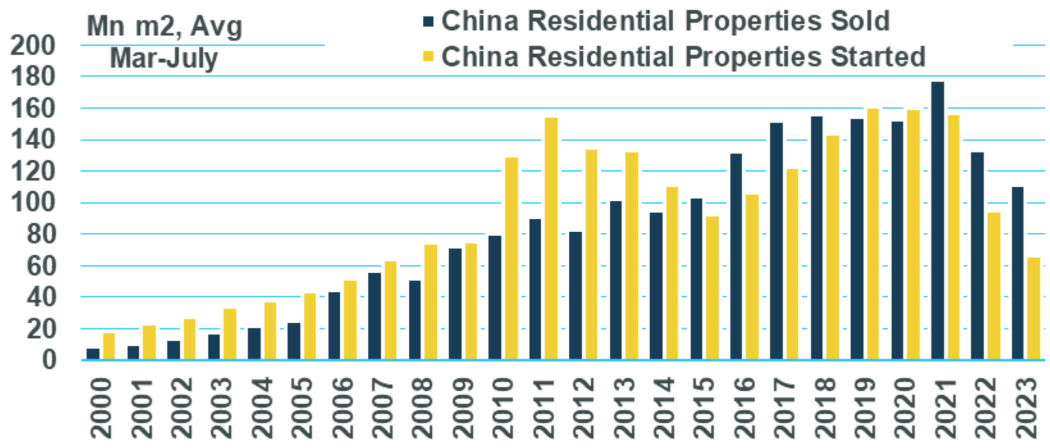
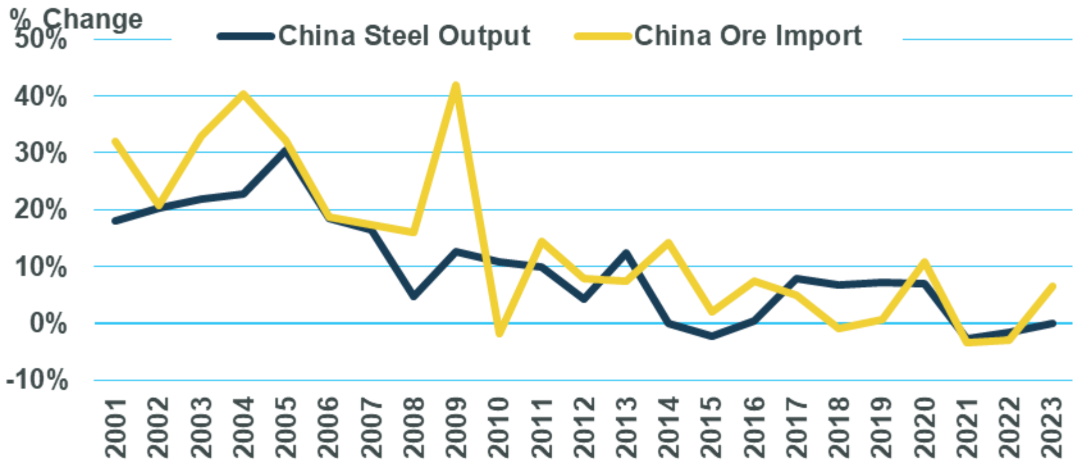
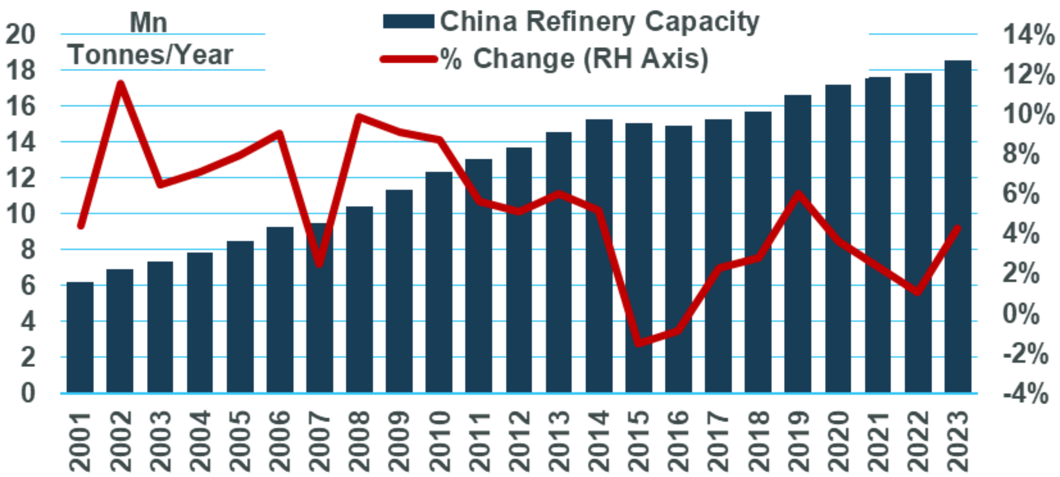
Chinese Property Market



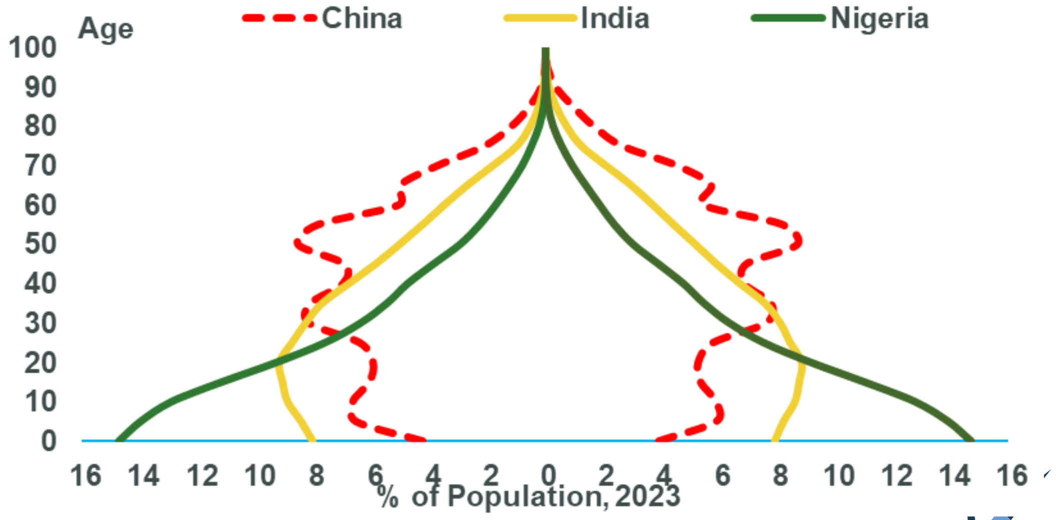
Chinese Steel Output and Iron Ore Imports



Chinese Oil Refinery Capacity



Chinese Population Continues to Age



Demand Replacements

New focuses and new cargos

- Current Market
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- (In)Efficiency
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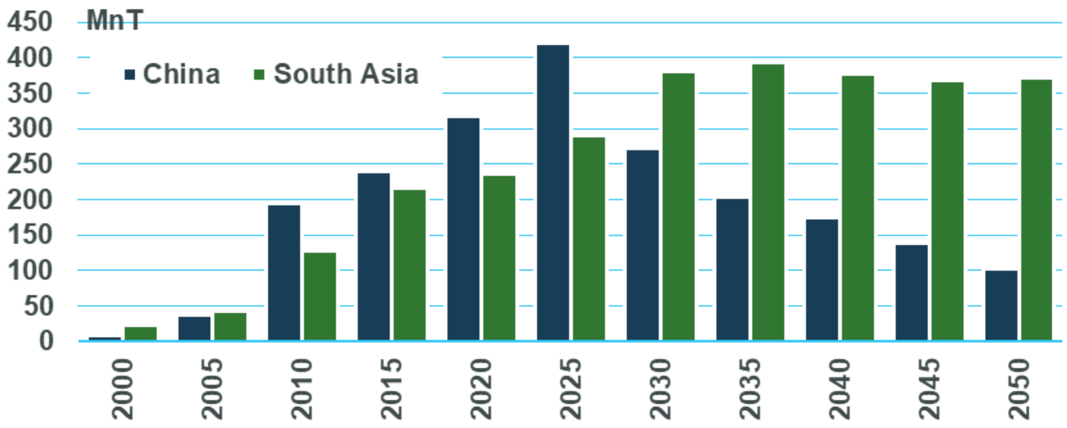
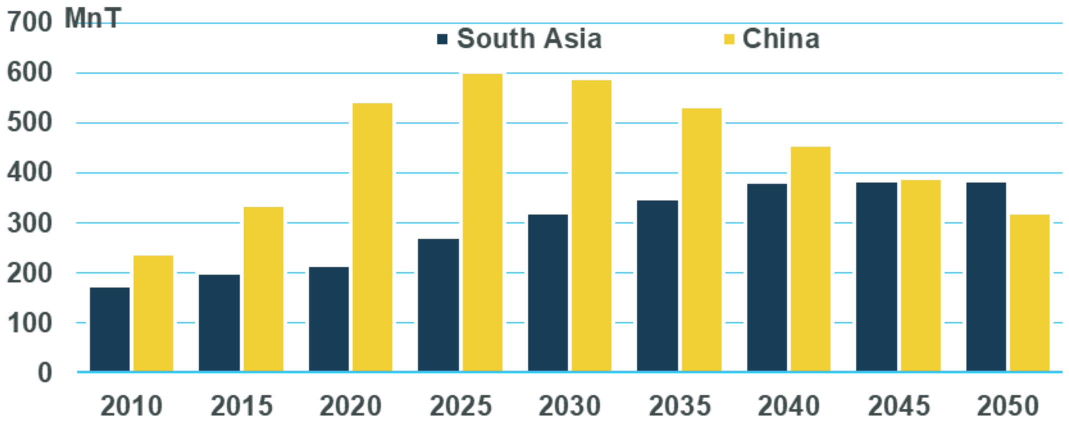
- Supply
- Earnings & Values

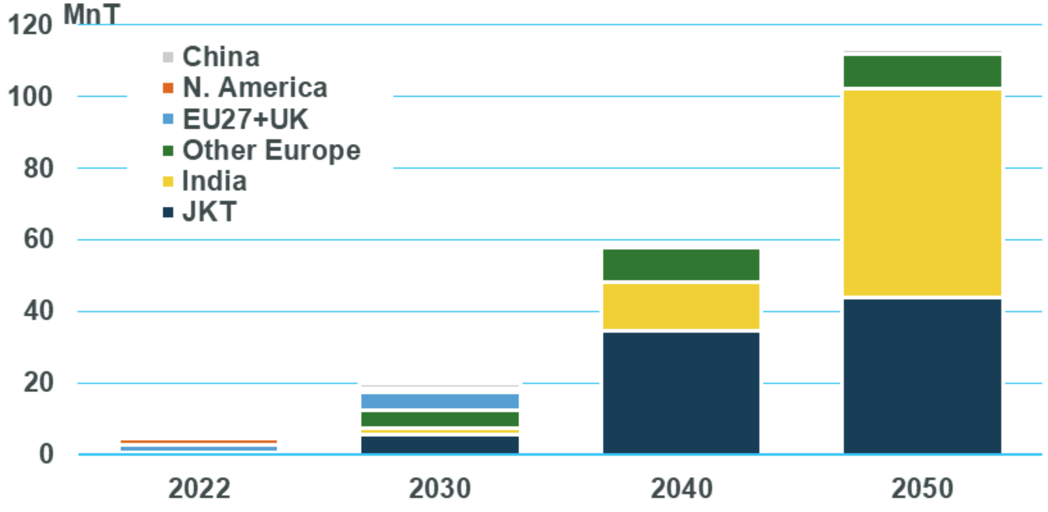
South Asia v Chinese Coal Volumes



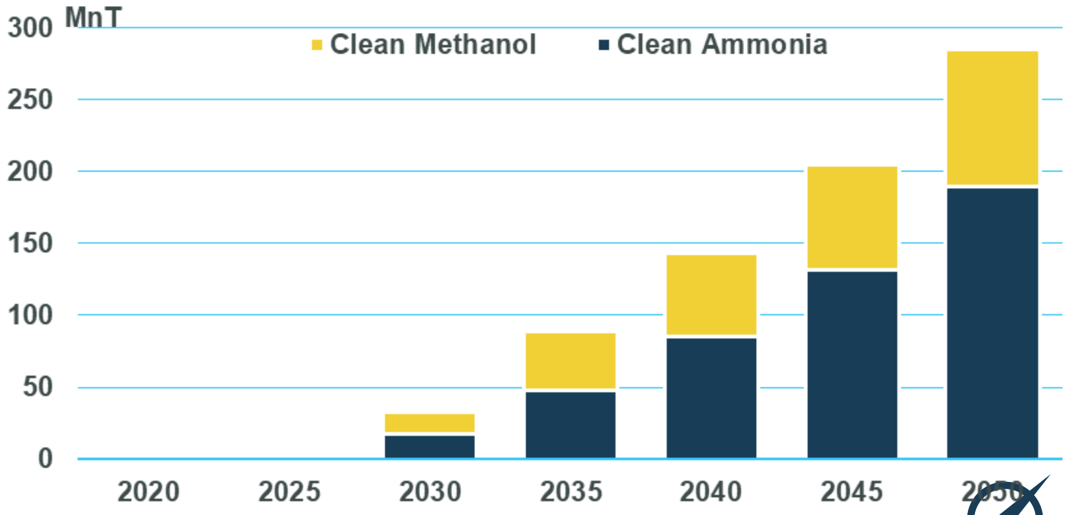
South Asia v China Crude Imports



Hot Briquetted Iron (HBI) and Direct Reduced Iron (DRI)



Clean Methanol and Clean Ammonia Trade Outlook

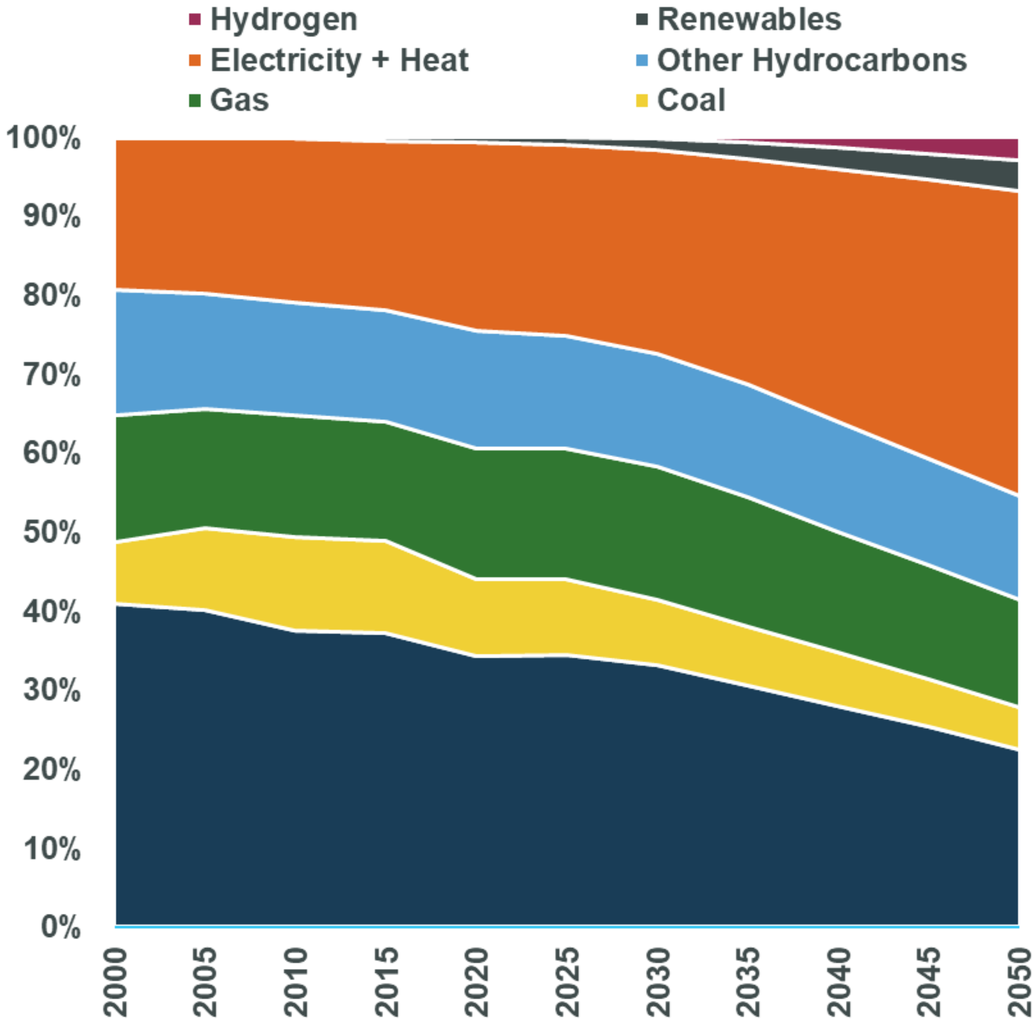


Macro Structural Changes

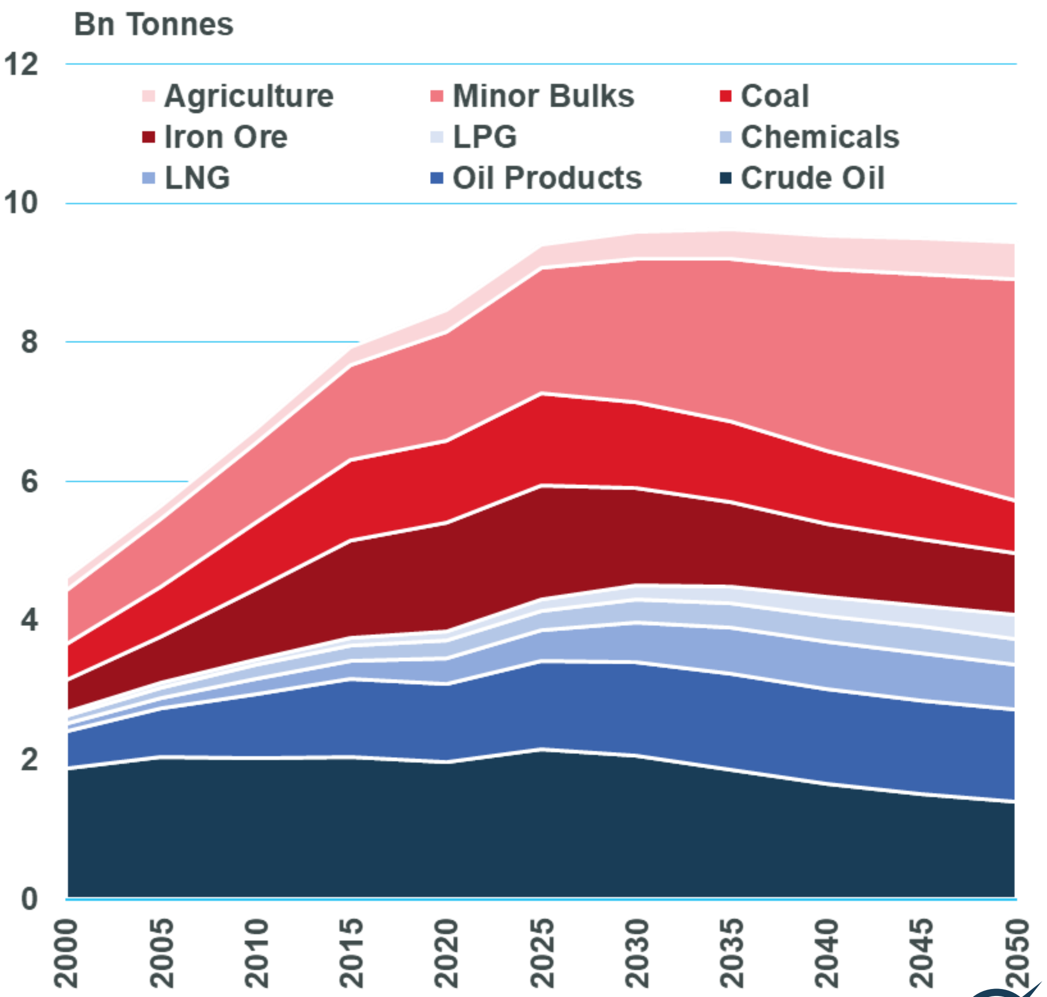
Changing energy landscape – entering the transition period

- Current Market
- Demand
- (In)Efficiency
- **Structural Shifts**
- Supply
- Earnings & Values

Share of Energy Consumption by Fuel Type



Liquid (Blue) vs. Dry Bulk (Red) Seaborne Cargoes



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Supply and Shipbuilding

Strong & Inefficient Fundamentals: A Sustainable Combination

Contracting & Orderbook Dynamics

The last three years have seen a resurgent interest in the newbuild market

- Current Market
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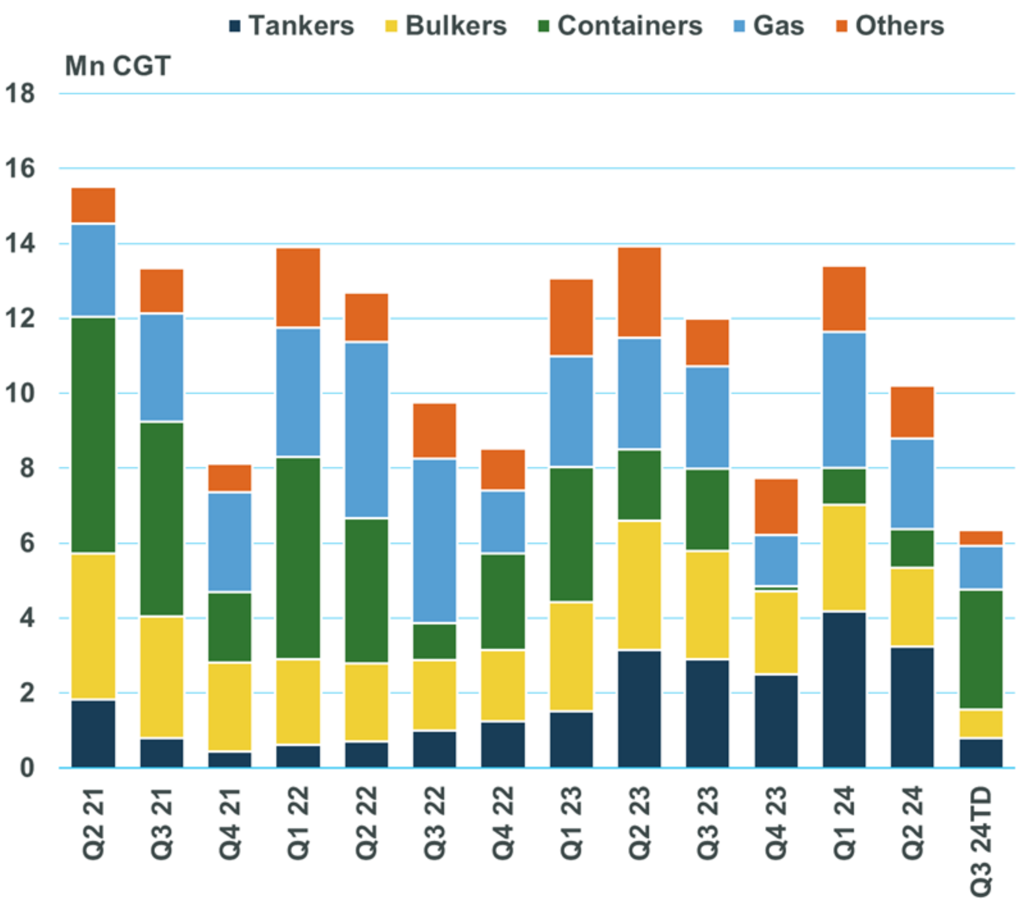
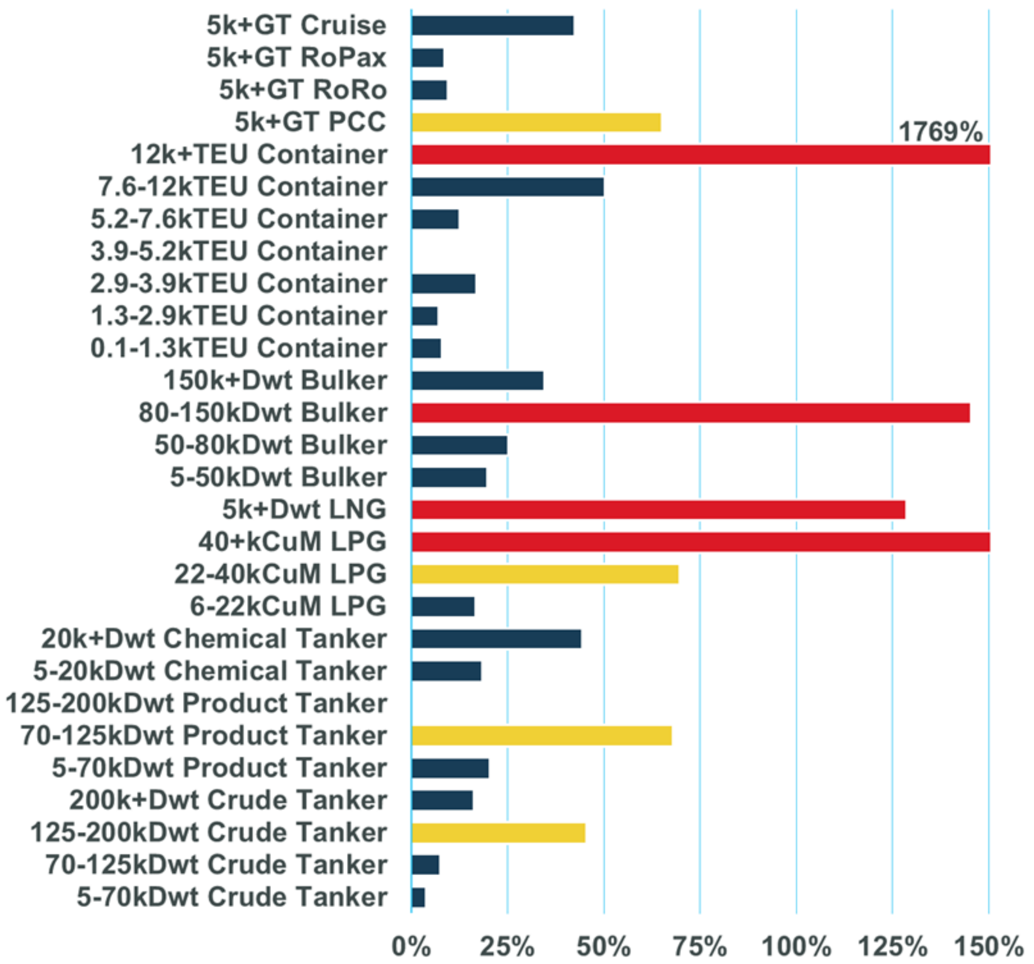
- **Supply**
- Earnings & Values

Quarterly Newbuild Contracting by Type



Orderbook as a % of +15Yr Old Fleet



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Alternative Fuels

Containerships are leading the way

- Current Market
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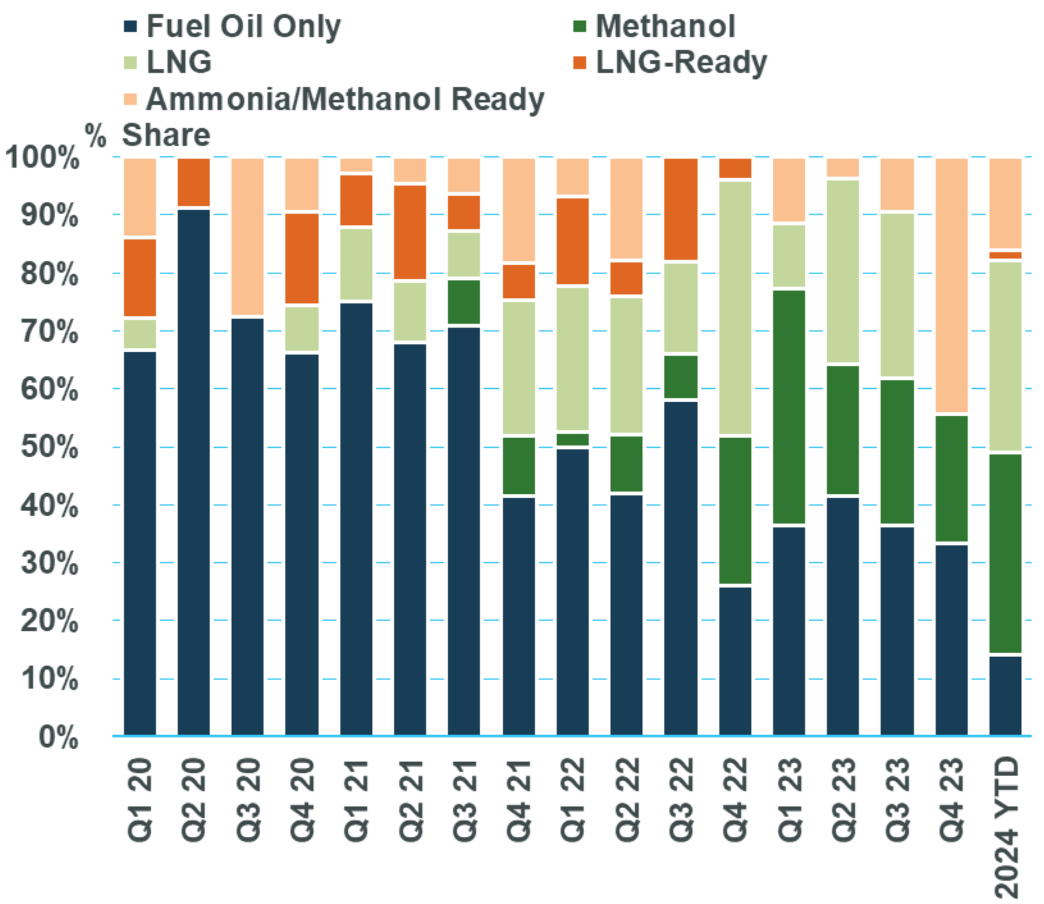
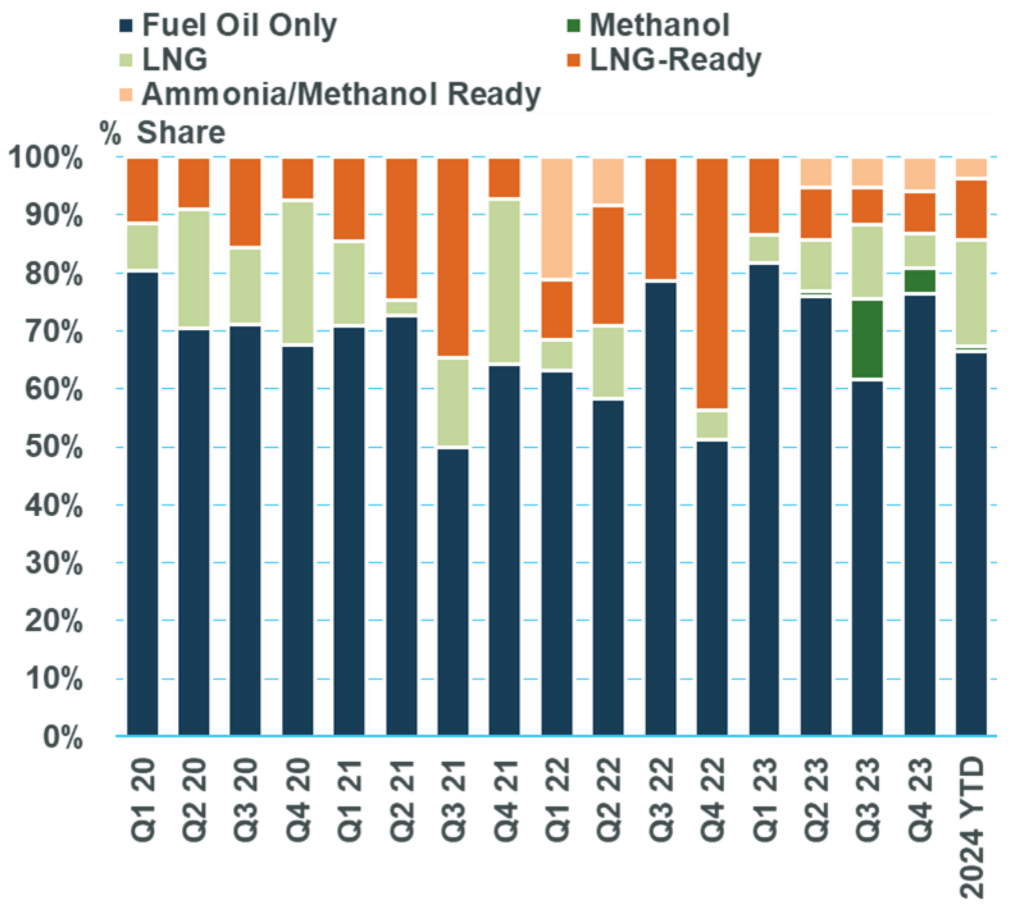
Contracting of Containerships by Fuel System Type (No. Ships)



Contracting of Oil Tankers by Fuel System Type (No. Ships)



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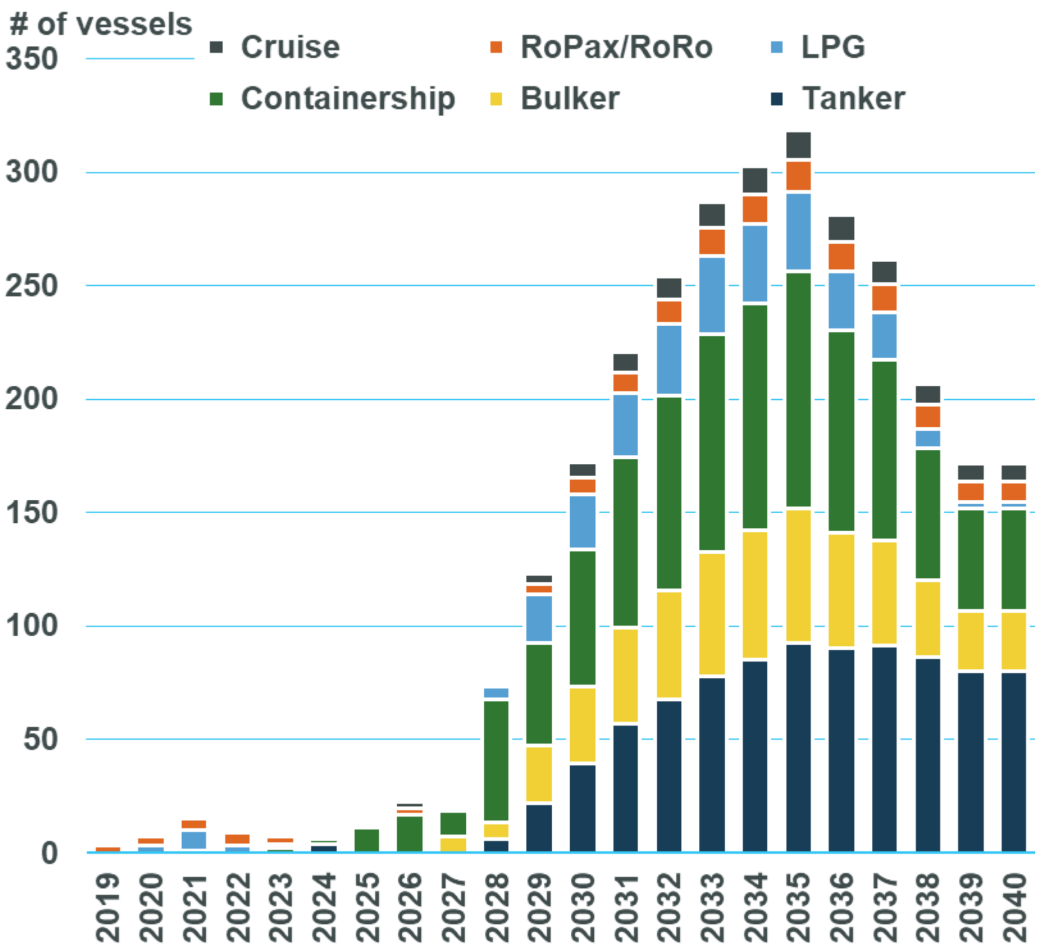
Regulations and Retrofits

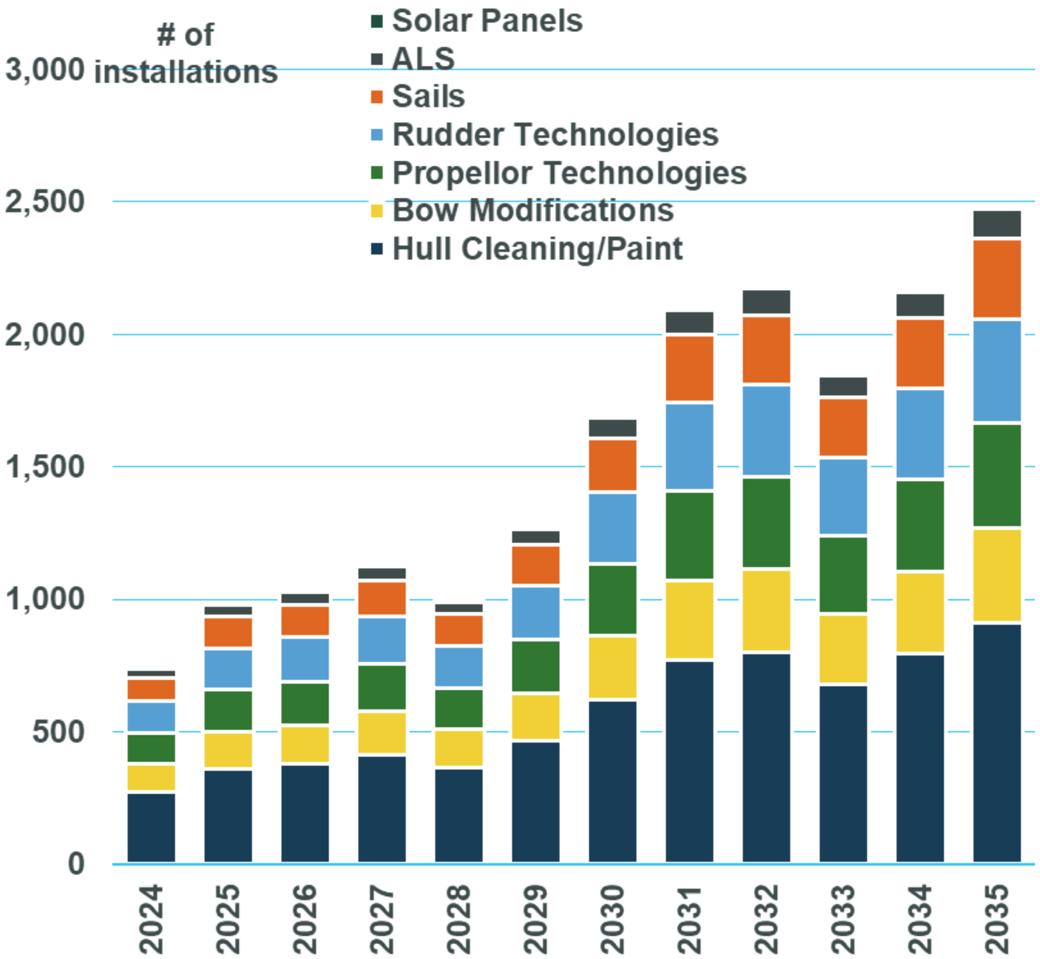
Will put shipyard capacity under further pressure

- Current Market
- Demand
- (In)Efficiency
- Structural Shifts
- **Supply**
- Earnings & Values

Engine Retrofit Forecast



Volume of EST Installations

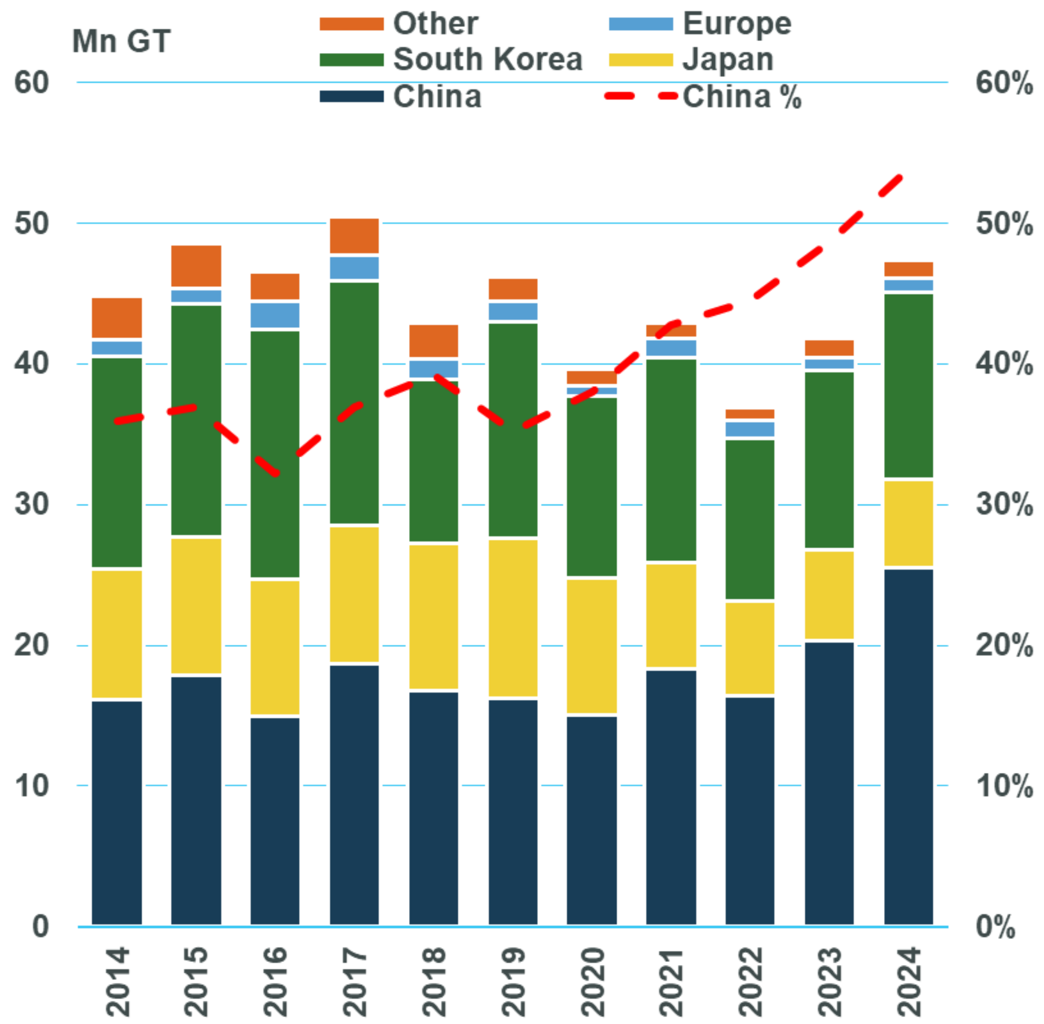


Chinese Yard Output

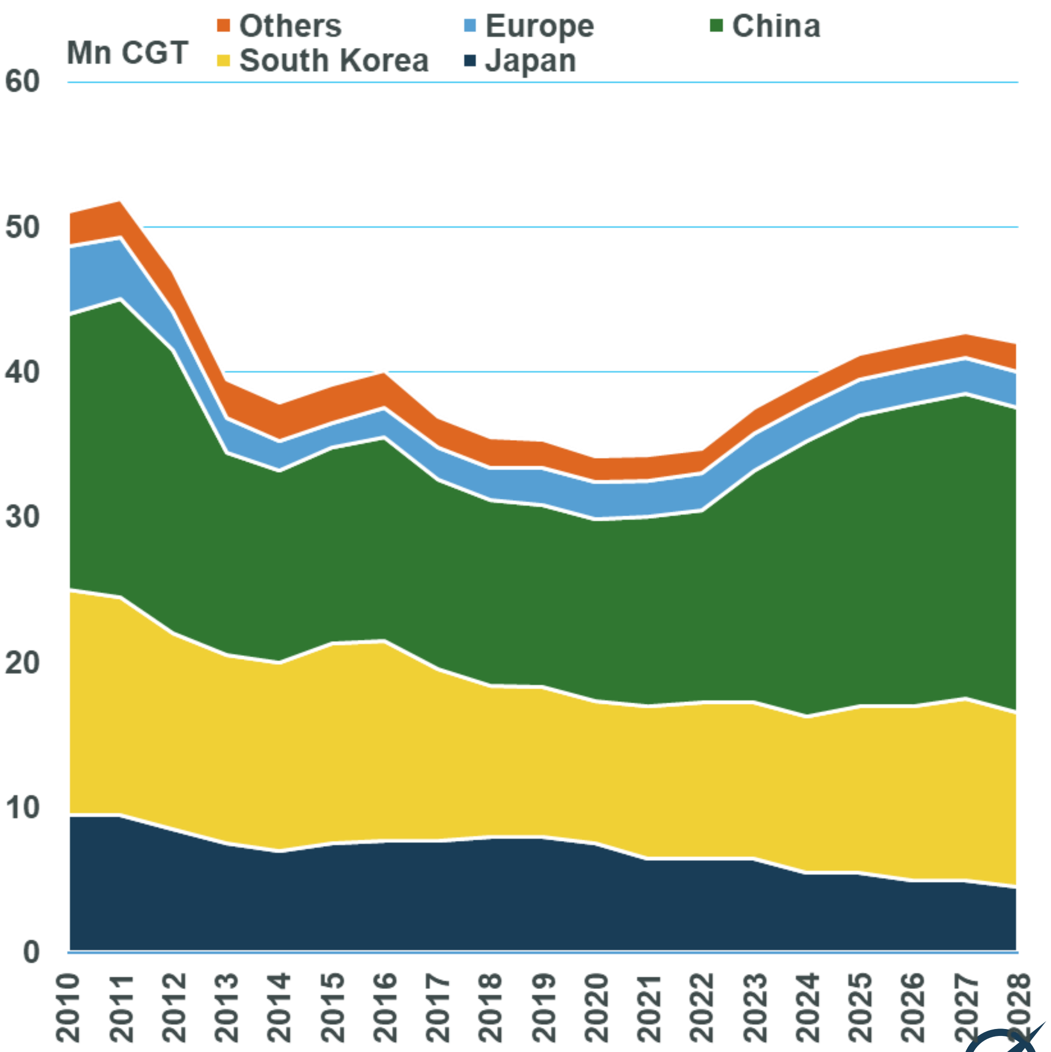
Is only going in one direction

- Current Market
- Demand
- (In)Efficiency
- Structural Shifts
- **Supply**
- Earnings & Values

Deliveries by Build Region



Shipyard Effective Capacity Development



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Chinese Yards Capacity Increases

Mothballed yards are back!

2017 Marine Money Slide
Shipyard Capacity Elasticity

STX Dalian declared bankrupt in 2015

now known as Hengli Heavy Industry

Earnings and Values

Strong & Inefficient Fundamentals: A Sustainable Combination

Newbuilding Prices

Cost pressures receding, yard forward cover to decline

- Current Market
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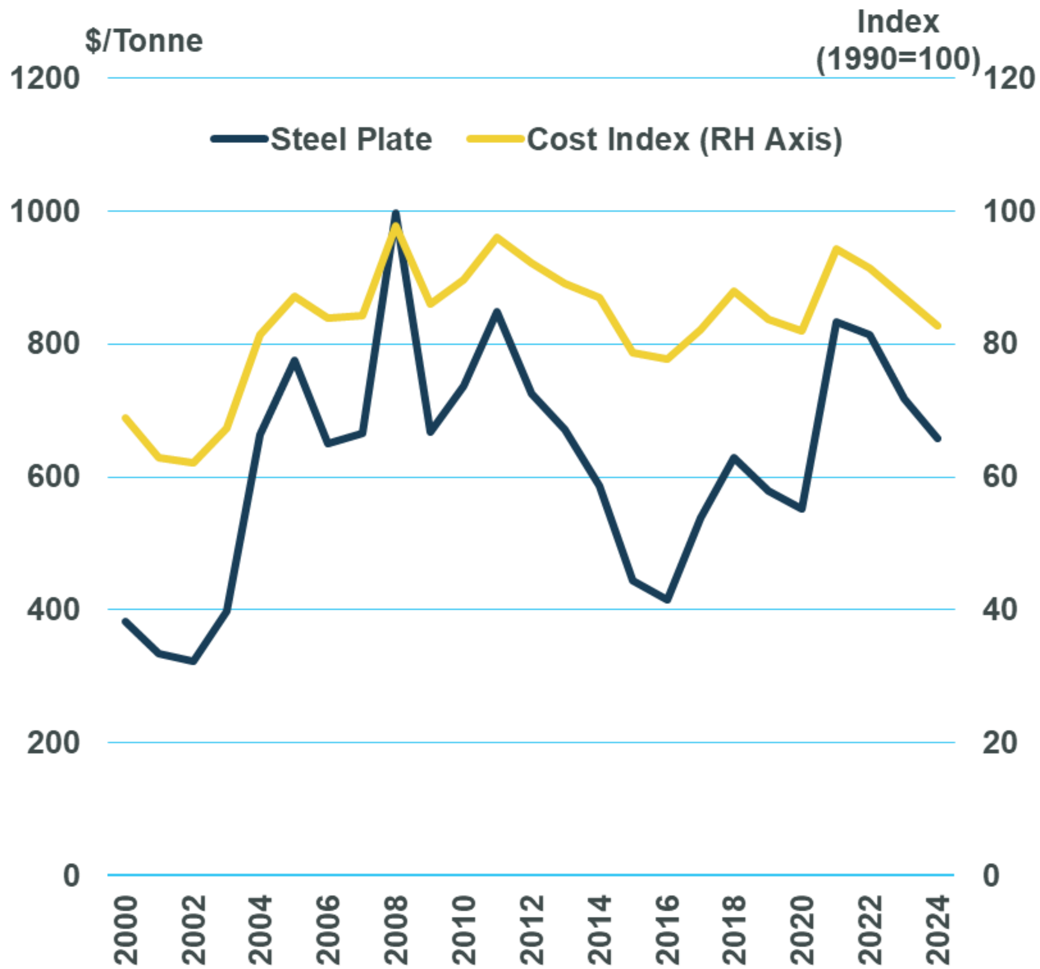
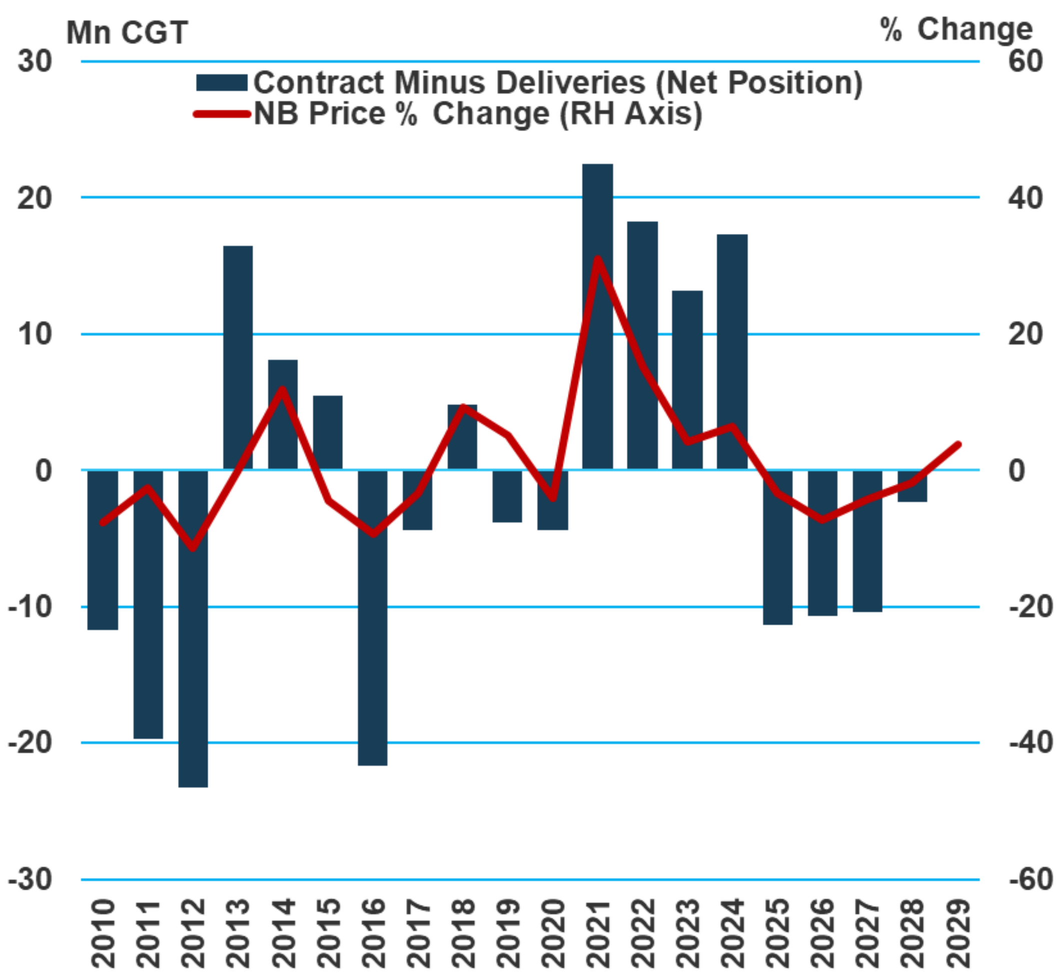
- **Earnings & Values**

Costs Still High but Inflationary Pressure has Eased



Net Orderbook and Newbuilding Price Changes



Earnings

Will remain strong, though diversions have been helping significantly

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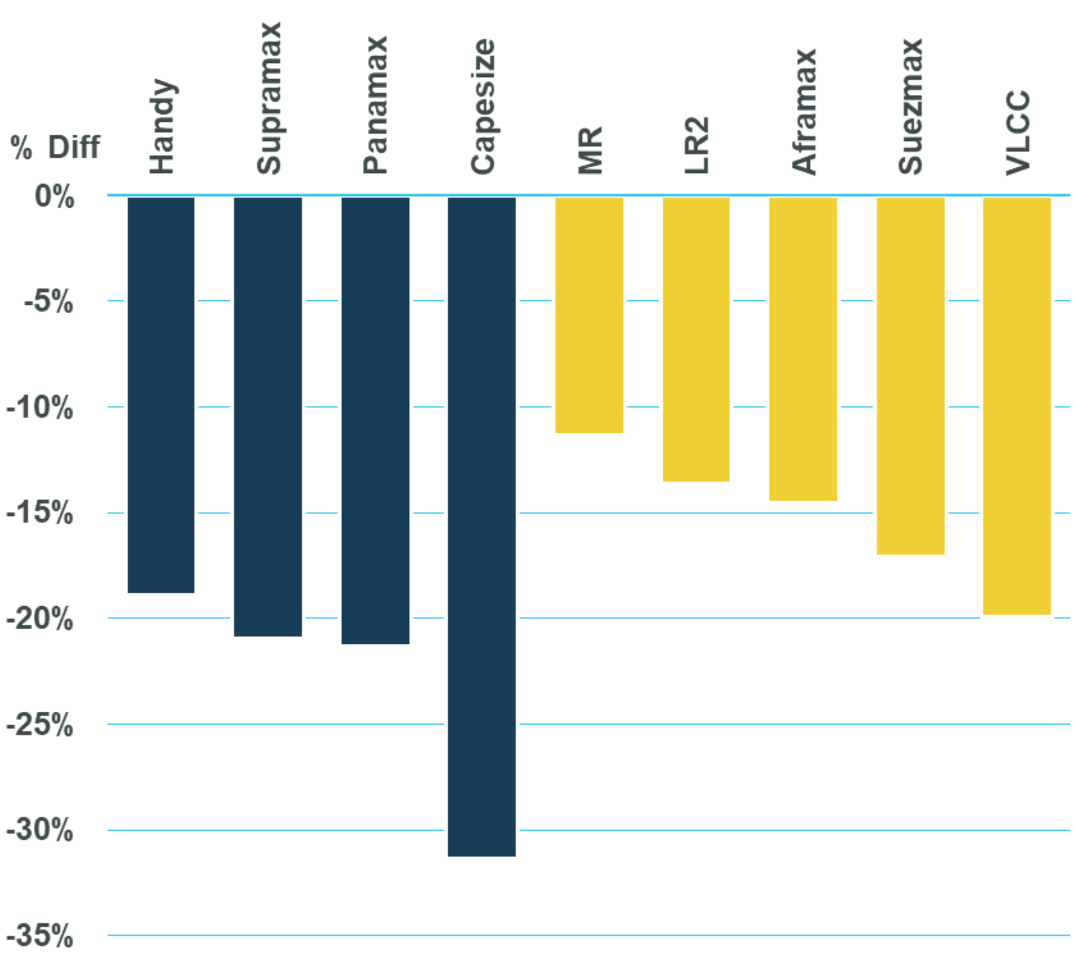
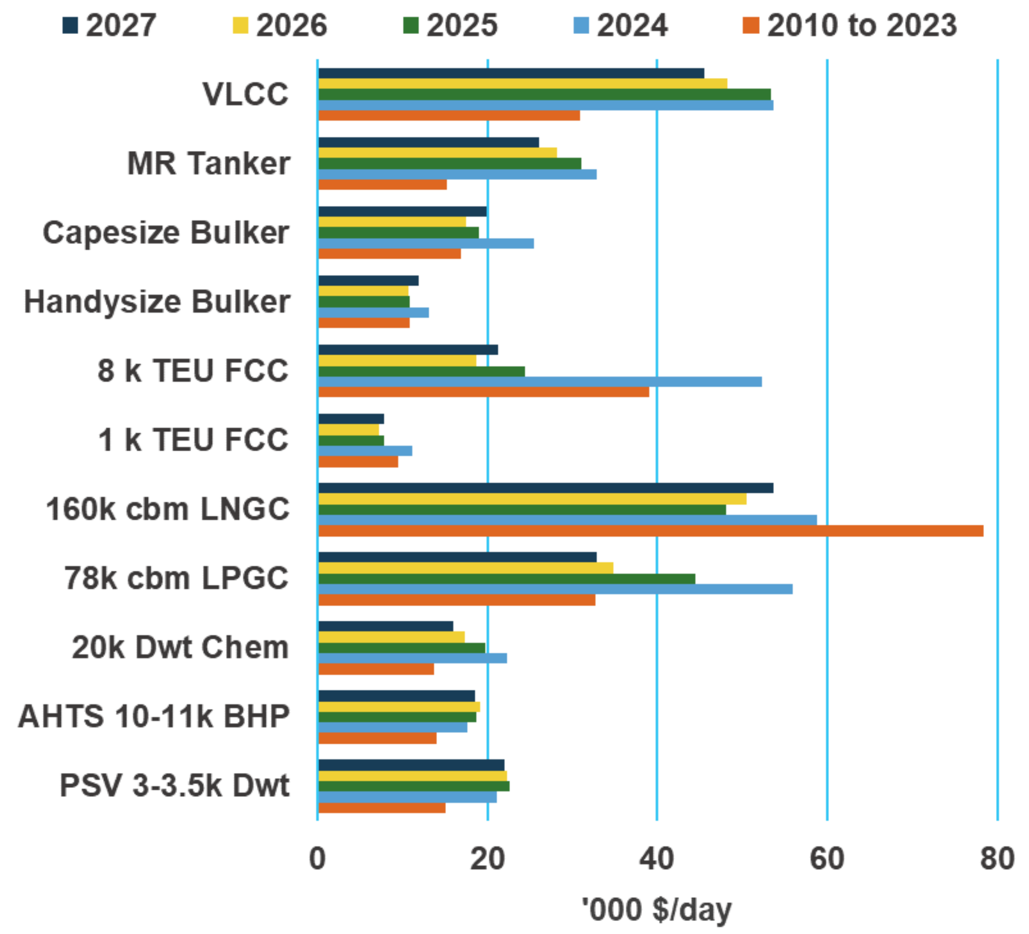
Canal Disruption - Significant Impact on Current Earnings in 2024



Earnings to Remain Strong



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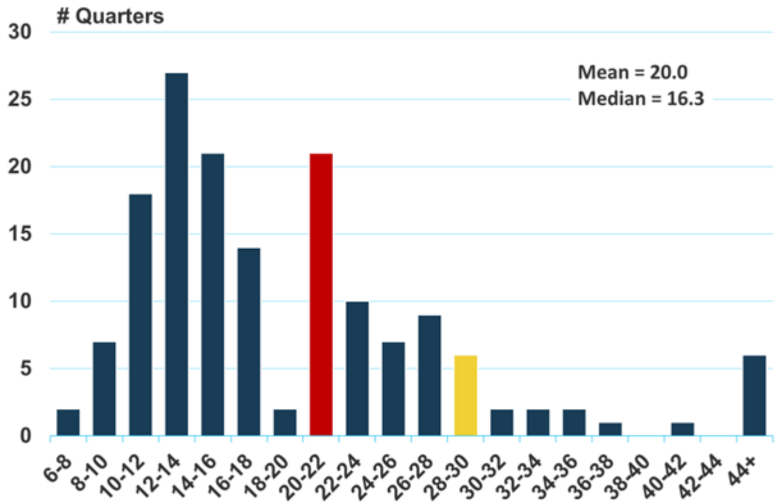
10 Yr Old Prices

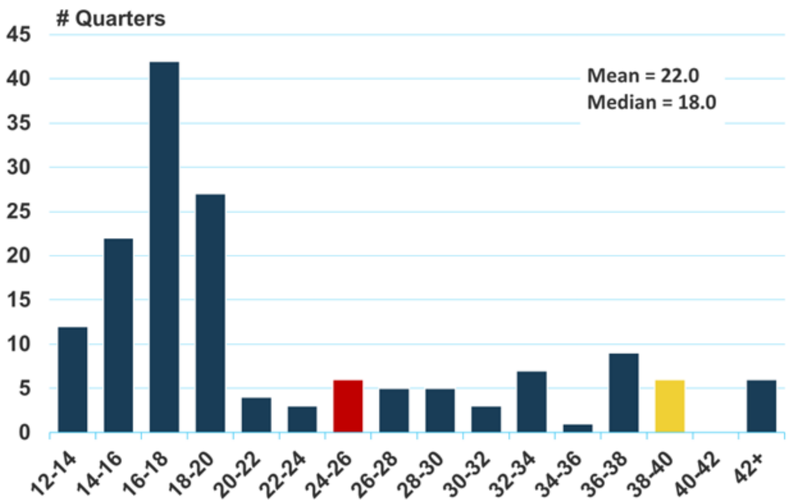
Q3 2024 Q4 2028

Quarterly Historical Distributions Q3 24 v Q4 28

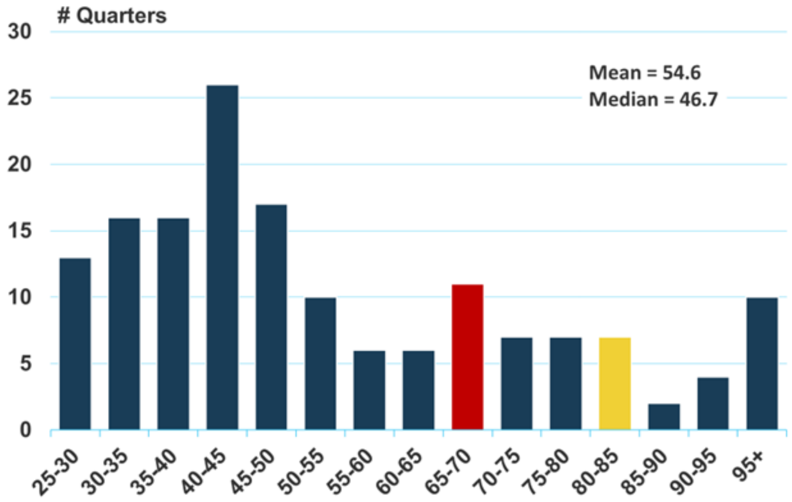
Panamax Bulker



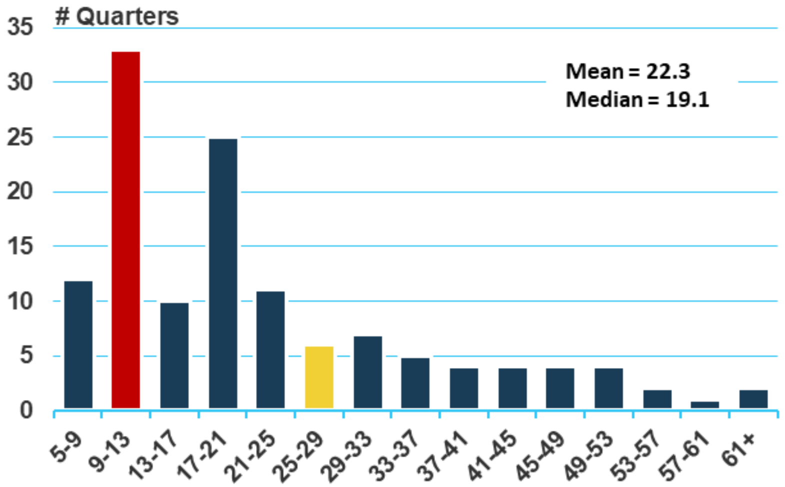
MR Tanker



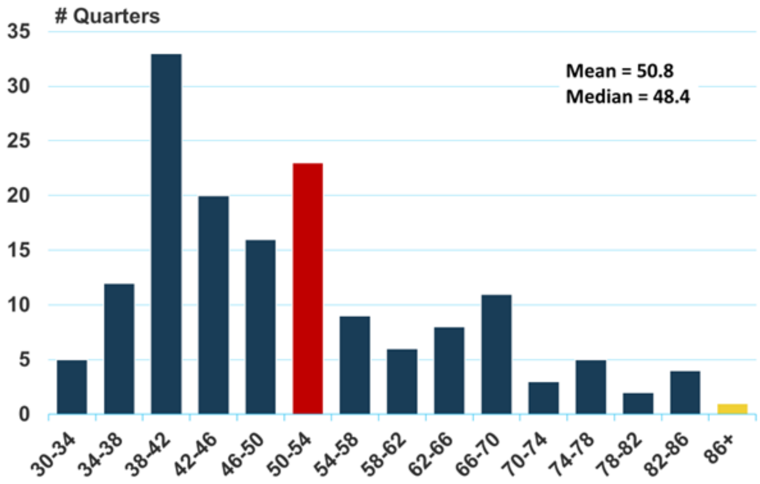
VLCC



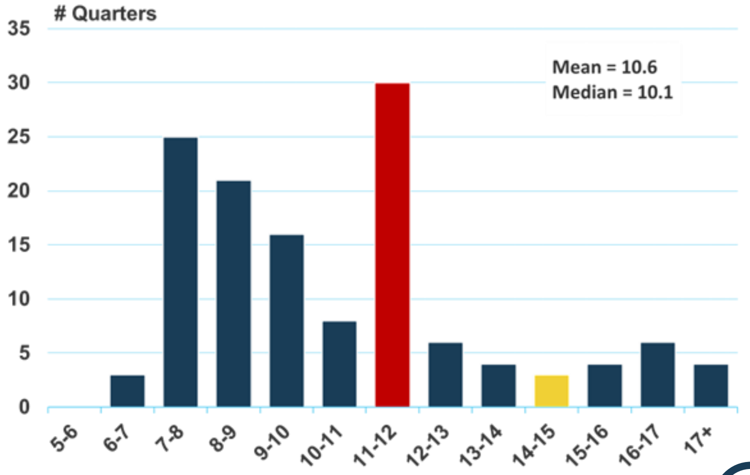
3.4kTEU Container



VLGC



MPP



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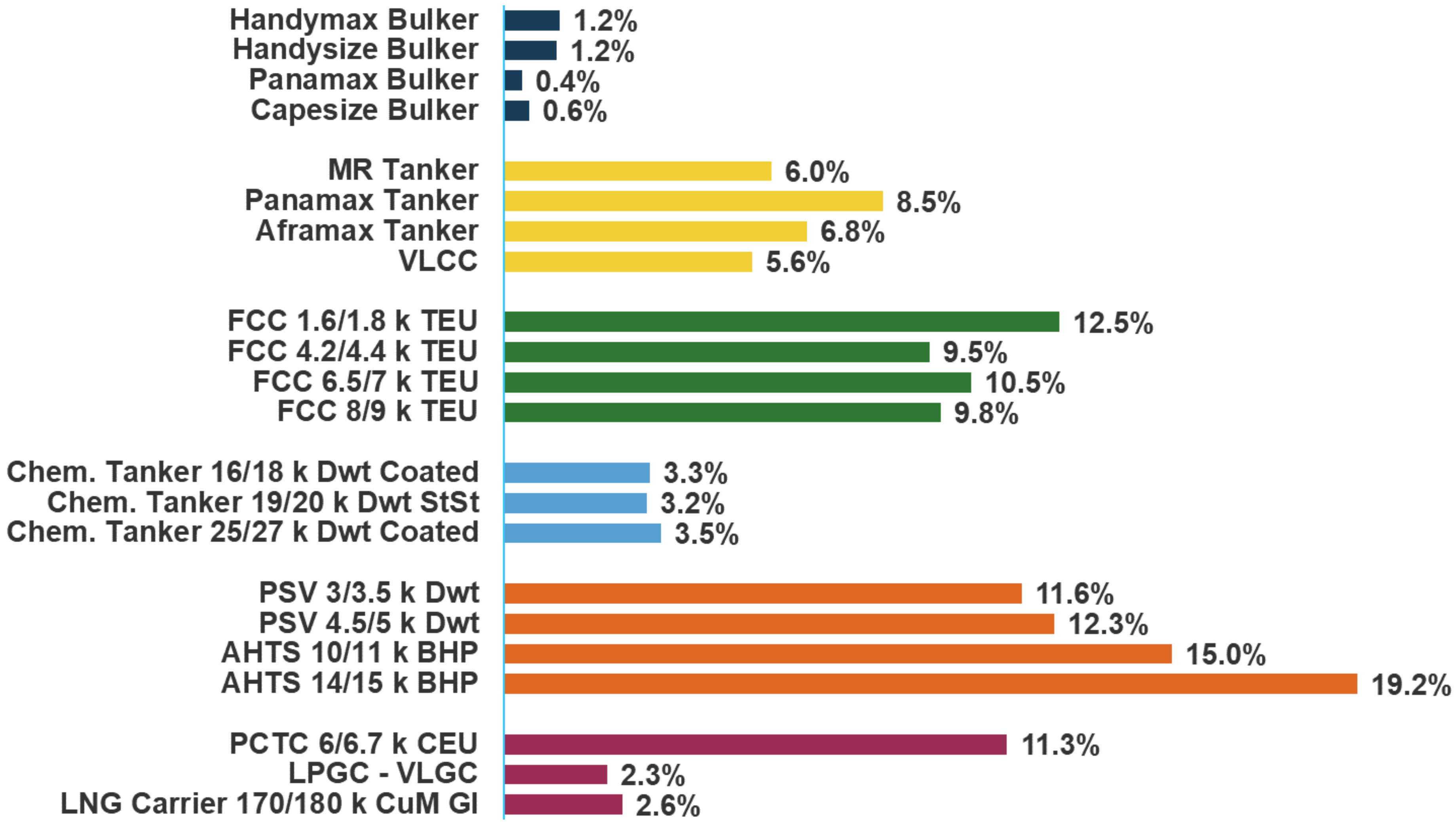
Investment chart

IRR returns - buy and fix a 5 Yr Old for three years then sell the vessel

- Current Market
- Demand
- (In)Efficiency
- Structural Shifts
- Supply
- **Earnings & Values**



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MSI Background and Disclaimer

For almost 40 years, MSI has developed integrated relationships with a diverse client base of financial institutions, ship owners, shipyards, brokers, investors, insurers and equipment and service providers.

MSI's expertise covers a broad range of shipping sectors, providing clients with a combination of sector reports, forecasting models, vessel valuations and bespoke consultancy services.

MSI's team is comprised of professionals with extensive academic credentials, deep industry knowledge and many years experience of delivering successful client projects.

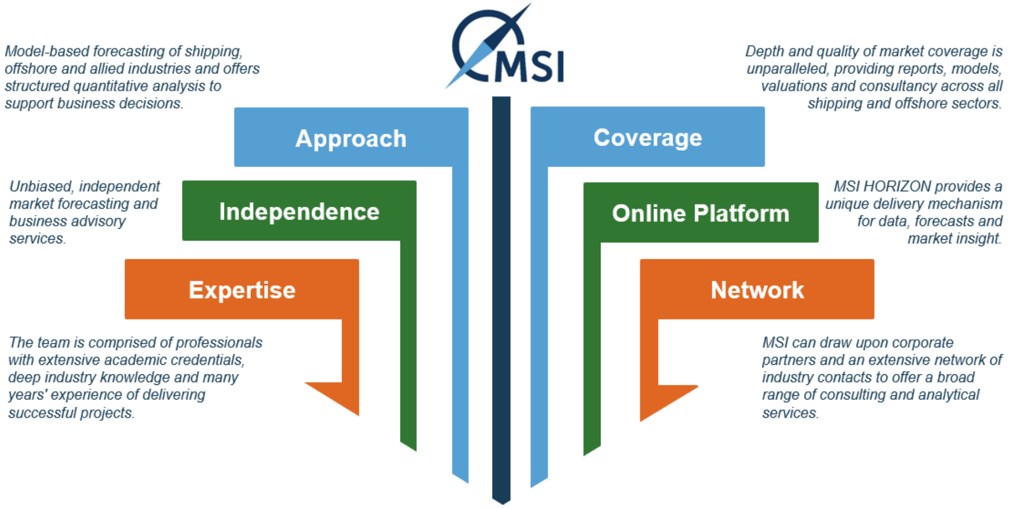
MSI balances analytical power with service flexibility, offering a comprehensive support structure and a sound foundation on which to build investment strategies and monitor/assess exposure to market risks.

While this document has been prepared, and is presented, in good faith, MSI assumes no responsibility for errors of fact, opinion or market changes, and cannot be held responsible for any losses incurred or action arising as a result of information contained in this document. Although any forecasts contained in this document are based on MSI's assumptions, there can be no assurance that these forecasts will prove to be accurate, as future events could differ significantly. Any forward statements, forecasts or trends contained in this presentation are not guarantees of the future and therefore no reliance should be placed on them. The copyright and other intellectual property rights in data, information or advice contained in this document are and will at all times remain the property of MSI.

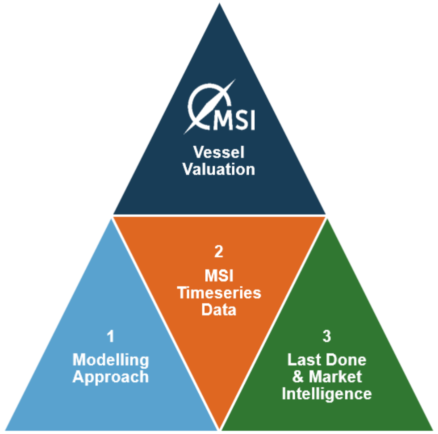
Introduction to MSI

Maritime consultancy firm offering modelling, data, asset valuation and strategic advisory services

MSI's Strategic Advantage



Current and Forecast Asset Valuations



MSI independent valuations are derived by applying a meta-analysis approach using:

1. MSI's proprietary econometric modelling processes and algorithms developed over the last 25+ years
2. Vessel benchmarked and analysed in relation to MSI published timeseries data
3. Vessel directly compared to last done sales and current market intelligence on likely sale candidates and prices.

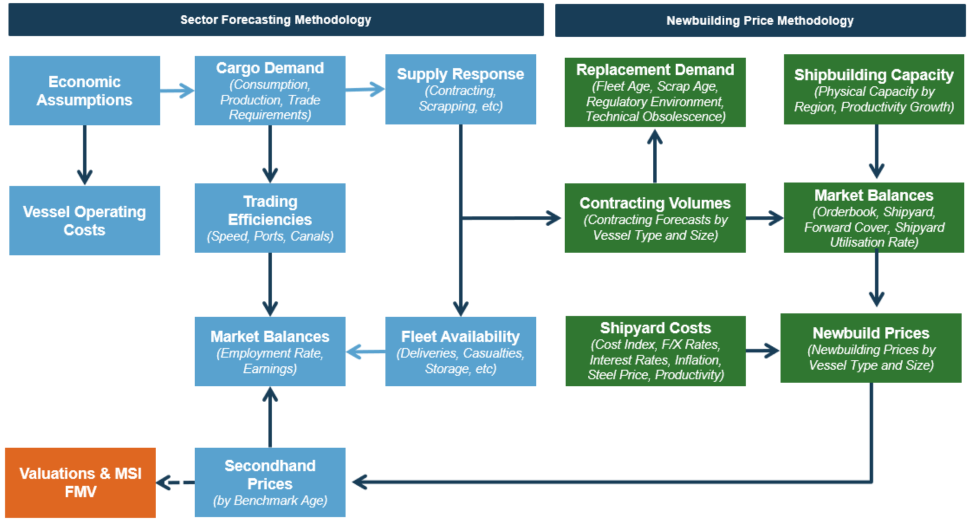
MSI's valuation services include:

- Certificated spot valuations
- Vessel forecasts (value, earnings, nb price and opex)
- Charter attached valuations
- Option price valuations
- Forecast value sensitivity and stress testing
- RVI support including soft value, forced value, recessionary value, cautious plausible value, 1 in 100 value etc.
- Historical value development and static age data
- Valuation briefing notes
- Valuation reports
- Expert witness/Expert testimony

MSI is a member of:

Baltic   Baltic Expert Witness

Forecasting Models (All Marine Markets) & Market Reports



Advisory Services

1. **How do the Company's assets and market position benchmark against MSI's forecasts?**
2. **Is there a clear strategic vision for the development of the business?**
3. **Does the market, customer and competitor analysis in the Business Plan align with MSI's assessment?**
4. **Does the market, customer and competitor analysis in the Business Plan align with MSI's assessment?**
5. **What external stakeholders will influence the business plan's success or failure?**
6. **Are the financial projections realistic considering MSI's forecasts?**
7. **What are the key enablers for success and where do the key risks and considerations lie?**

- Based on the results of the analysis, MSI will review the Company's existing business plan to assess:
  - Viability relative to external market conditions
  - Feasibility based on the Company's likely ability to deliver upon it
- The review will focus on the following factors:
  - Market- related
  - Financial
  - Organisational structure
  - Office locations
  - Operating cost benchmarking
  - Overhead costs
  - Management team experience
  - Business development process
  - Opportunity red flag report

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