Market Overview

Must what goes up, come down?

A summary of Dry Bulk and Tanker Markets

October 2024

PREPARED FOR
Marine Money

by:
Allied QuantumSea
Research

Outline

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Background
01

Development of Tanker Spot Market

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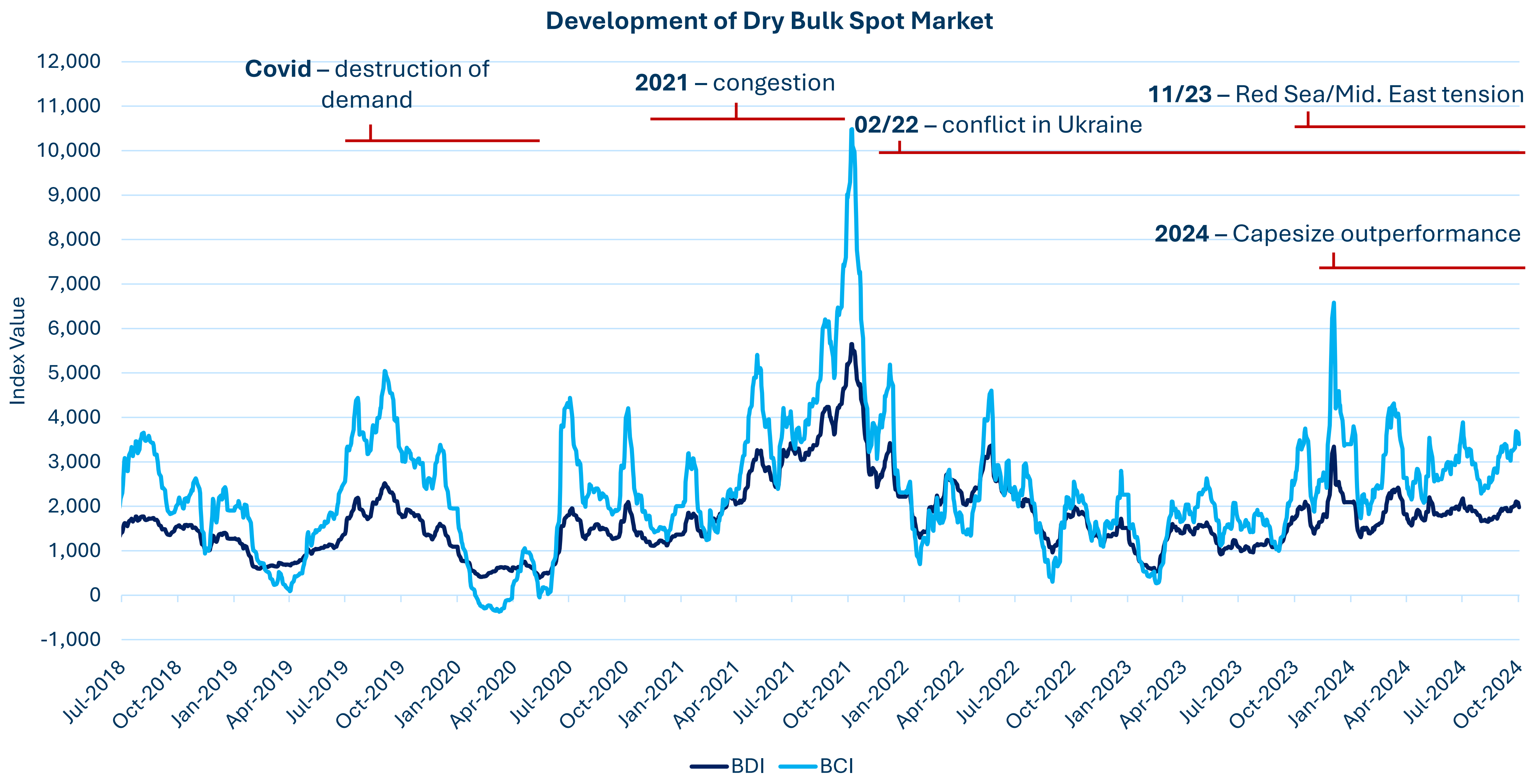
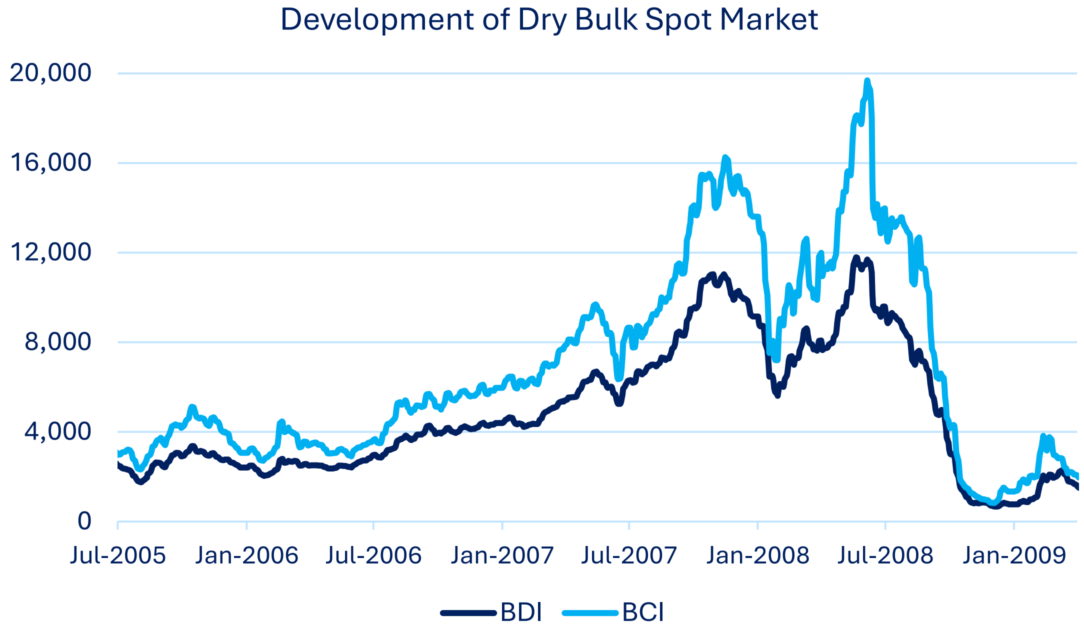


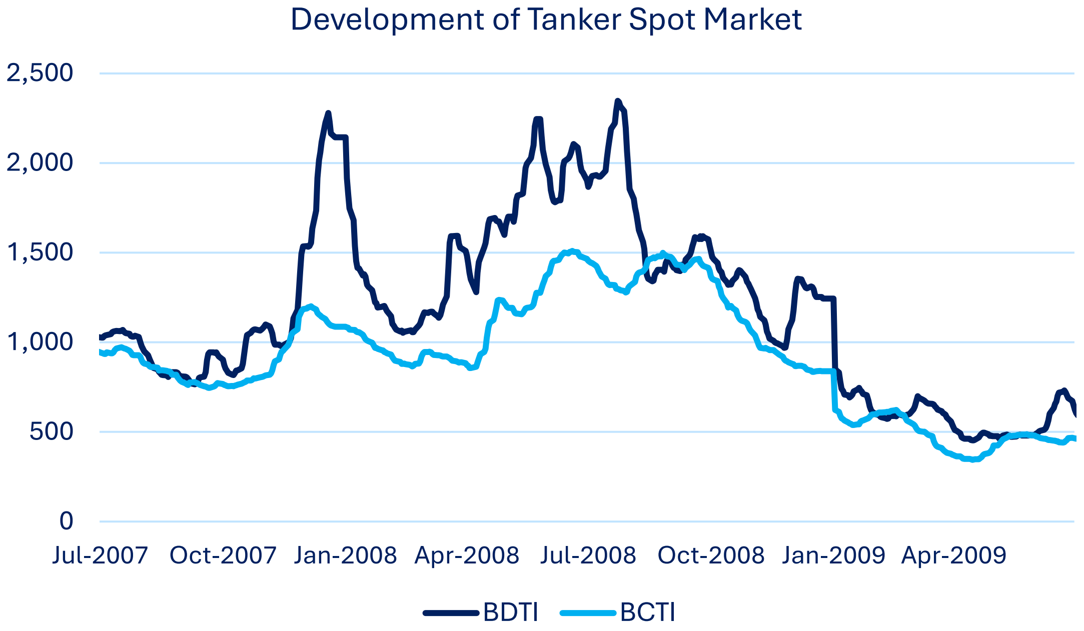
"Peak in Sight for Capesize Asset Values"

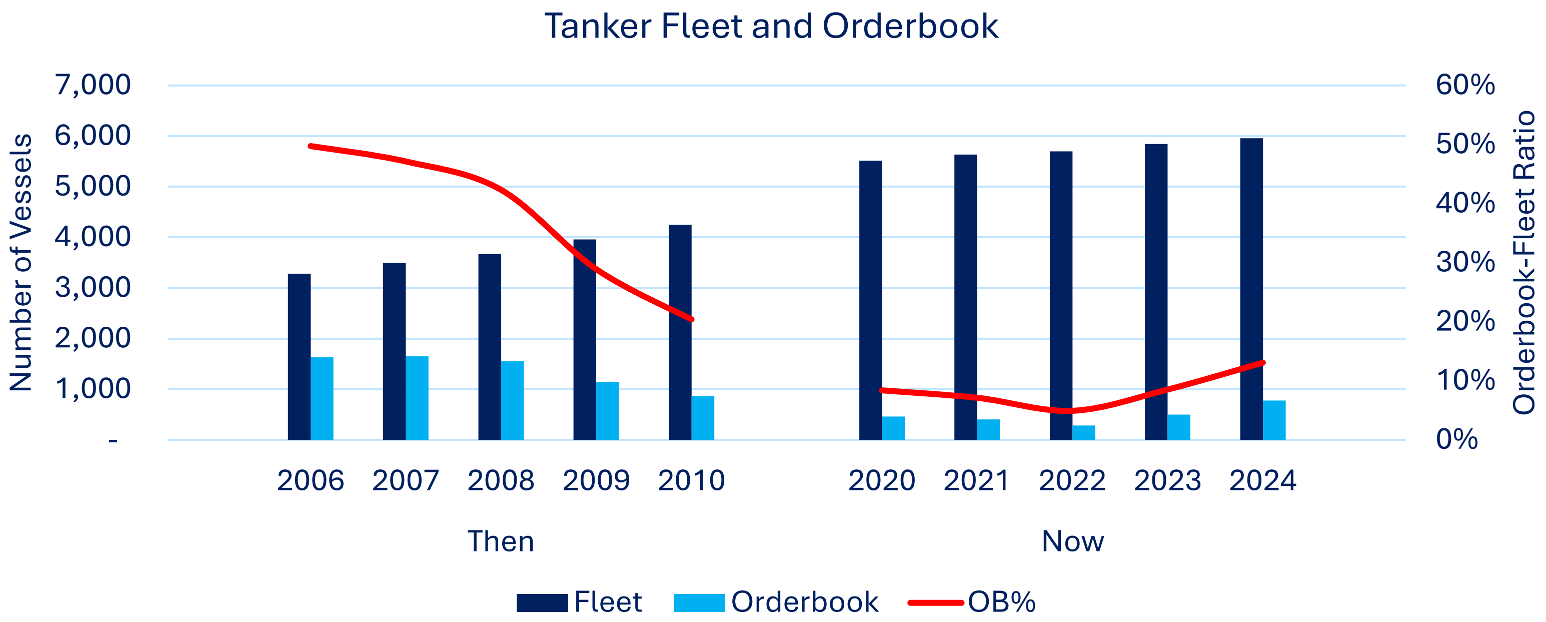
Posidonia: "It feels a bit like 2008"

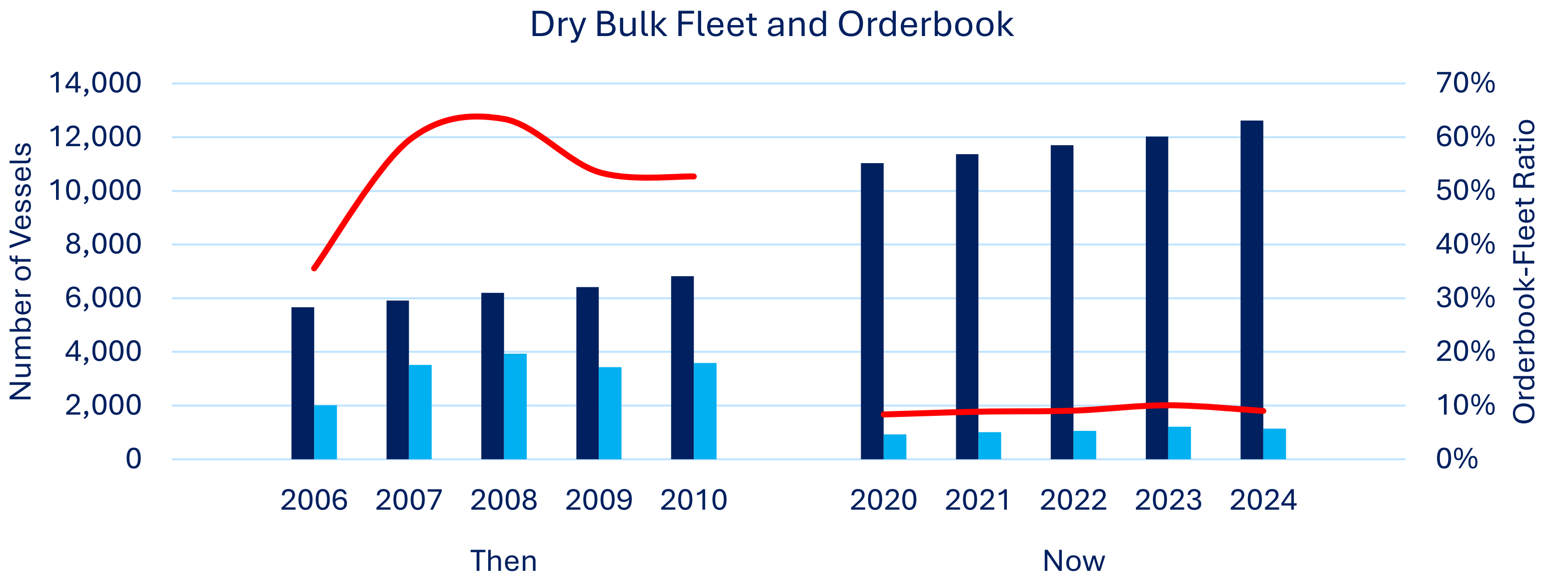
"Inflated Prices for Secondhand Ships Could Face Downwards Pressure"

"Secondhand Tanker Prices Spike to Highest Level Since 2008"






Tanker Fleet and Orderbook
Number of Vessels
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
60%
50%
40%
30%
20%
10%
0%
Orderbook-Fleet Ratio
2006
2007
2008
2009
2010
2020
2021
2022
2023
2024
Then
Now
Fleet
Orderbook
OB%

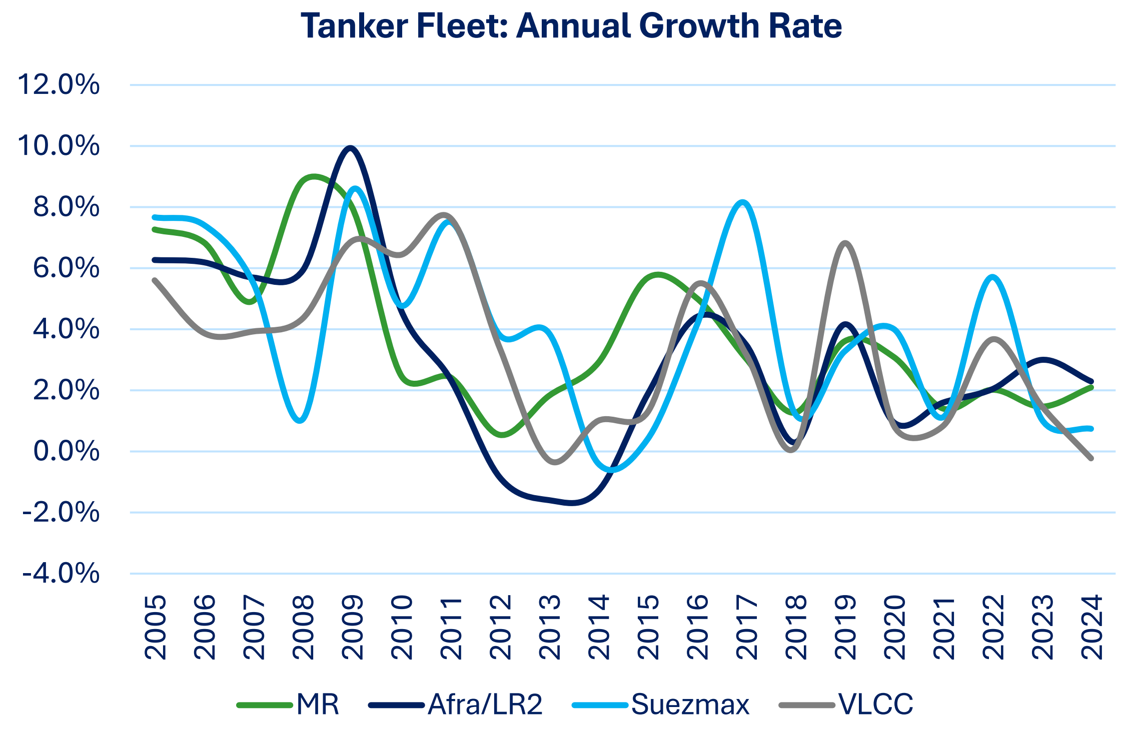

Dry Bulk Fleet and Orderbook
Number of Vessels
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
70%
60%
50%
40%
30%
20%
10%
0%
Orderbook-Fleet Ratio
2006
2007
2008
2009
2010
2020
2021
2022
2023
2024
Then
Now

Present Market & Fleet Direction
02

- The table on the right shows the potential development of the fleet over the coming years:
  - Takes the present delivery schedule for 2025 and 2026
  - Assumes the average rate will continue into 2027
- **Three scenarios** are considered for the demolition rate over the same period:
  - **Lowest** rate of the previous 10 years
  - **Average** rate of the previous 10 years
  - **Highest** rate of the previous 10 years

- **MR:** demolition will need to move into a higher gear to keep growth moderated below 3%
- **Afra & Suez:** fleets will grow rapidly (likely ahead of demand) if demolition remains at present low levels
- **VLCC:** fleet growth requires minimal recycling activity

Fleet Growth Rate		MR	Afra/LR2	Suezmax	VLCC
10YR Low Demo Rate	2025	3.5%	4.9%	4.4%	0.6%
	2026	4.4%	5.5%	5.8%	3.0%
	2027	3.5%	4.8%	4.7%	1.7%
10YR Avg Demo Rate	2025	2.9%	3.7%	3.4%	-0.8%
	2026	3.8%	4.4%	4.9%	1.7%
	2027	3.2%	3.8%	3.9%	0.4%
10YR High Demo Rate	2025	1.8%	1.3%	0.9%	-3.3%
	2026	2.8%	2.1%	2.5%	-0.8%
	2027	2.2%	1.7%	1.7%	-2.1%



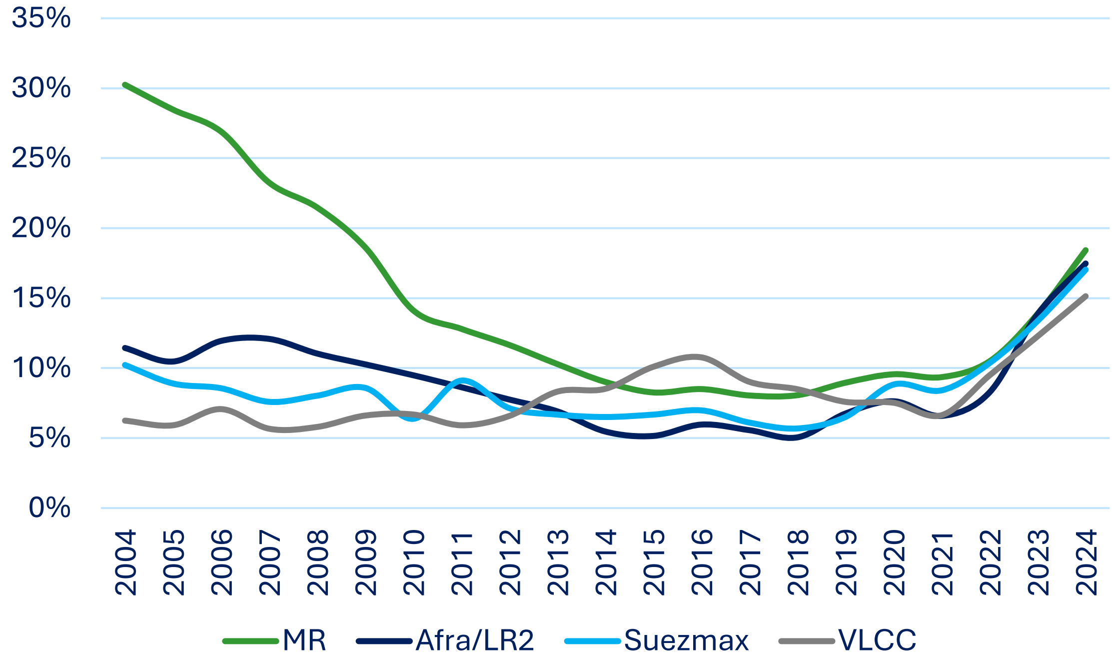
- Under the same assumptions, the **continued aging** of the tanker fleet is **inevitable** and the vintage fleet (**above 20 years**) will grow

- The portion of the fleet liable for scrapping is growth fast, and should help limit the duration of a market downturn

- **MR:** a quarter of the fleet appears likely to be vintage (20+) regardless of the pace of recycling
- **Afra:** a fairly-high rate of recycling is required to keep the vintage fleet below 20%
- **Suez & VLCC:** though at 15-year highs, the larger tankers will not feel the same pressures of an aging fleet, but the lower orderbook and deliveries mean that there is less scope for demolition

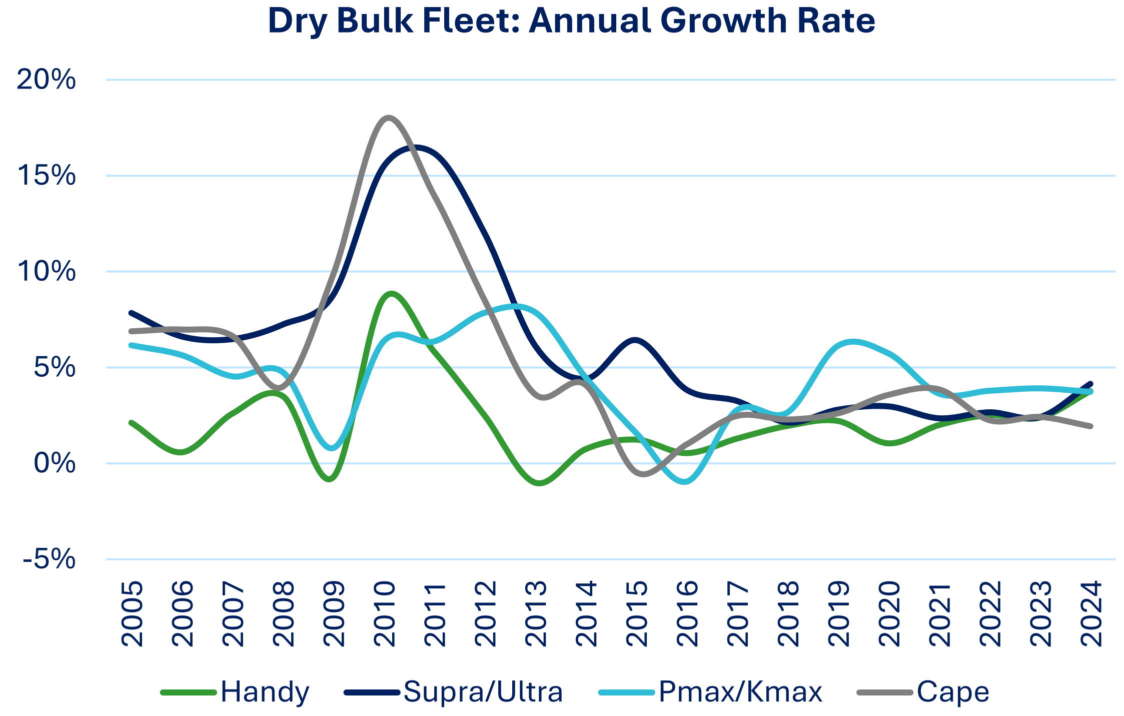
% of Fleet >20Yr		MR	Afra/LR2	Suezmax	VLCC
10YR Low Demo Rate	2025	22%	22%	20%	18%
	2026	25%	24%	22%	20%
	2027	29%	27%	24%	22%
10YR Avg Demo Rate	2025	21%	21%	19%	17%
	2026	24%	22%	20%	17%
	2027	28%	24%	22%	19%
10YR High Demo Rate	2025	21%	19%	17%	15%
	2026	23%	18%	17%	13%
	2027	25%	19%	16%	13%

Tanker: Vintage Fleet as a Percentage of Fleet



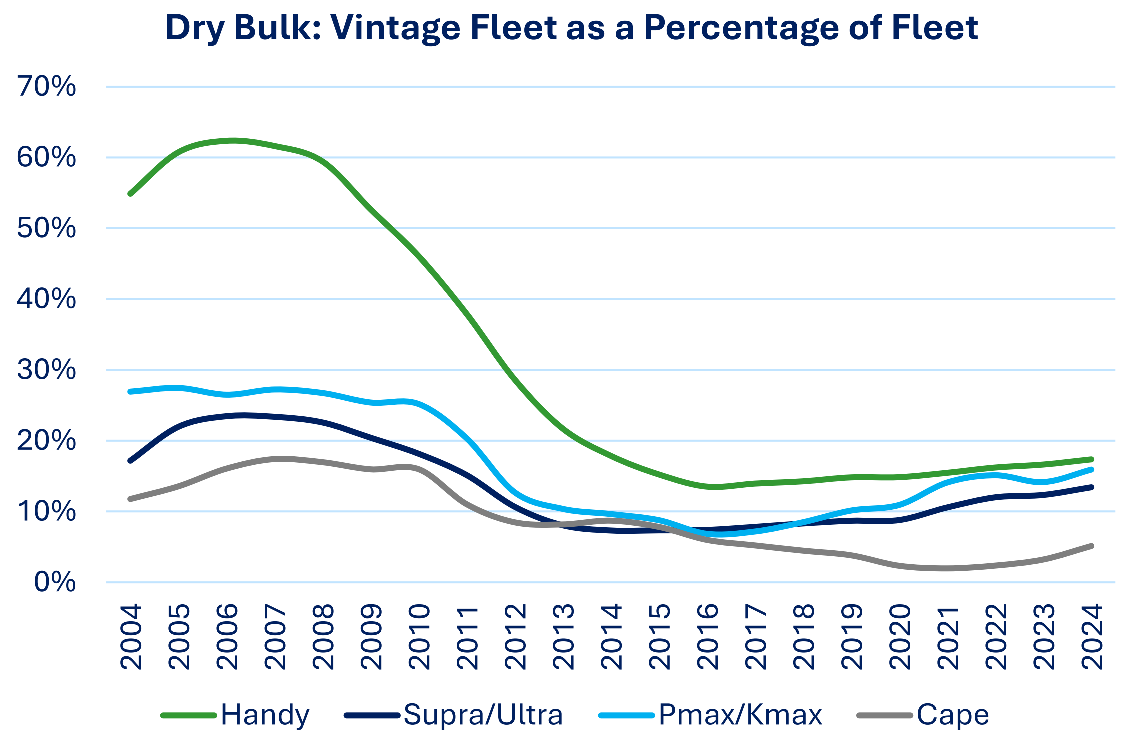
Fleet Growth Rate		Handy	Supra/Ultra	Pmax/Kmax	Cape
10YR Low Demo Rate	2025	3.8%	3.9%	3.9%	1.8%
	2026	1.5%	2.5%	4.0%	1.7%
	2027	2.5%	3.0%	3.7%	1.7%
10YR Avg Demo Rate	2025	2.8%	3.2%	2.9%	0.4%
	2026	0.5%	1.8%	3.1%	0.2%
	2027	1.6%	2.5%	2.8%	0.3%
10YR High Demo Rate	2025	0.0%	2.1%	0.2%	-2.4%
	2026	-2.2%	0.8%	0.5%	-2.6%
	2027	-1.1%	1.4%	0.3%	-2.6%

- Under the same assumptions:
- **Handy:** a high number of 2025 deliveries is the main risk at present
- **Supra/Ultra & Pmax/Kmax:** despite high growth rates for the next two years, a return to average recycling rates will keep this manageable
- **Cape:** as for the VLCCs, growth will easily be moderated by light scrapping
- **Note:** no risk of a 2009-2011 expansion of the fleet size



- Under the same assumptions, the **dry bulk fleet remains much younger** than the tanker
- The portion of the fleet liable for scrapping has grown slowly, but steadily for the past 10-years
- In the **near term** there is no dramatic aging of the fleet
- The fleet is on course for **rapid aging** as we approach the **2030s**
- For example: the number of **Capesize** vessels aged 10-15 is approximately equal to the number of vessels below 10 – this will result unbalanced aging 5-10 years into the future

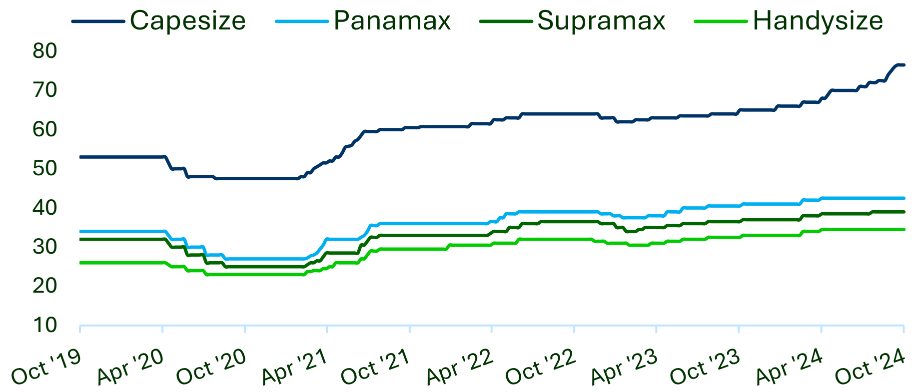
% of Fleet >20Yr		Handy	Supra/Ultra	Pmax/Kmax	Cape
10YR Low Demo Rate	2025	18%	15%	18%	7%
	2026	19%	17%	20%	10%
	2027	20%	18%	21%	12%
10YR Avg Demo Rate	2025	17%	15%	17%	6%
	2026	17%	16%	18%	7%
	2027	18%	17%	19%	8%
10YR High Demo Rate	2025	15%	14%	15%	3%
	2026	12%	14%	14%	2%
	2027	11%	14%	12%	0%



Newbuilding Overview

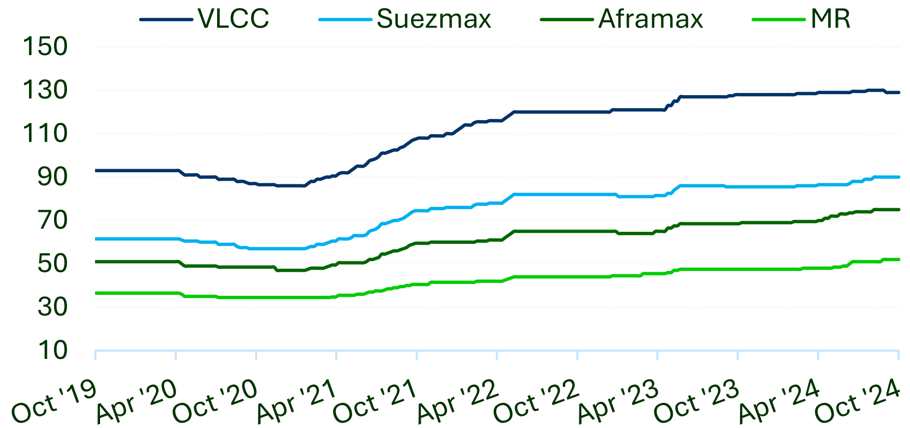
Dry bulk - indicative newbuilding prices

in million US$



Tanker- indicative newbuilding prices

in million US$



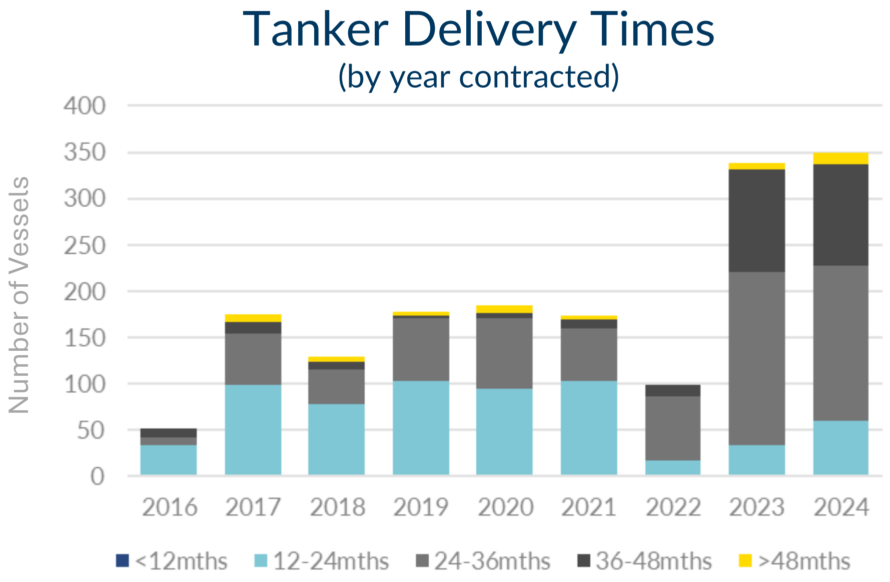
Activity per sector / size during 2023 & 2024

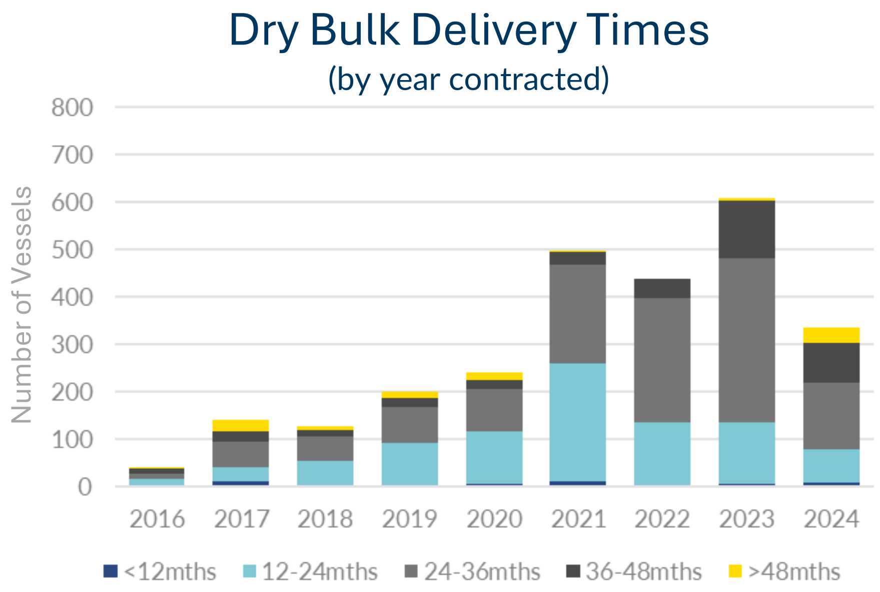
	2023		2024	
Dry bulk	**No.**	**DWT**	**No.**	**DWT**
Small Bulk	11	141,054	9	107,938
Handysize	110	4,339,407	42	1,662,050
Supra/Ultramax	191	12,145,132	114	7,280,155
Pana/Kamsarmax	173	14,310,202	104	8,507,668
Post Panamax	51	4,323,510	15	1,389,792
Capesize/VLOC	50	10,256,260	60	13,966,700
Total	586	45,515,565	344	32,914,303
Tanker				
Small Tanker	204	2,015,054	116	979,744
MR	153	7,284,414	177	7,691,860
Panamax/LR1	22	1,633,000	28	2,050,600
Aframax/LR2	95	10,836,330	77	8,730,171
Suezmax/LR3	52	8,107,680	43	6,761,546
VLCC	17	5,205,000	41	12,627,600
Total	543	35,081,478	482	38,841,521
Container	195	18,308,072	145	18,567,815
Gas carrier	190	11,962,725	183	12,657,178
Others	1,657	7,781,008	934	3,909,142
Grand Total	**3,171**	**118,648,848**	**2,088**	**106,889,959**

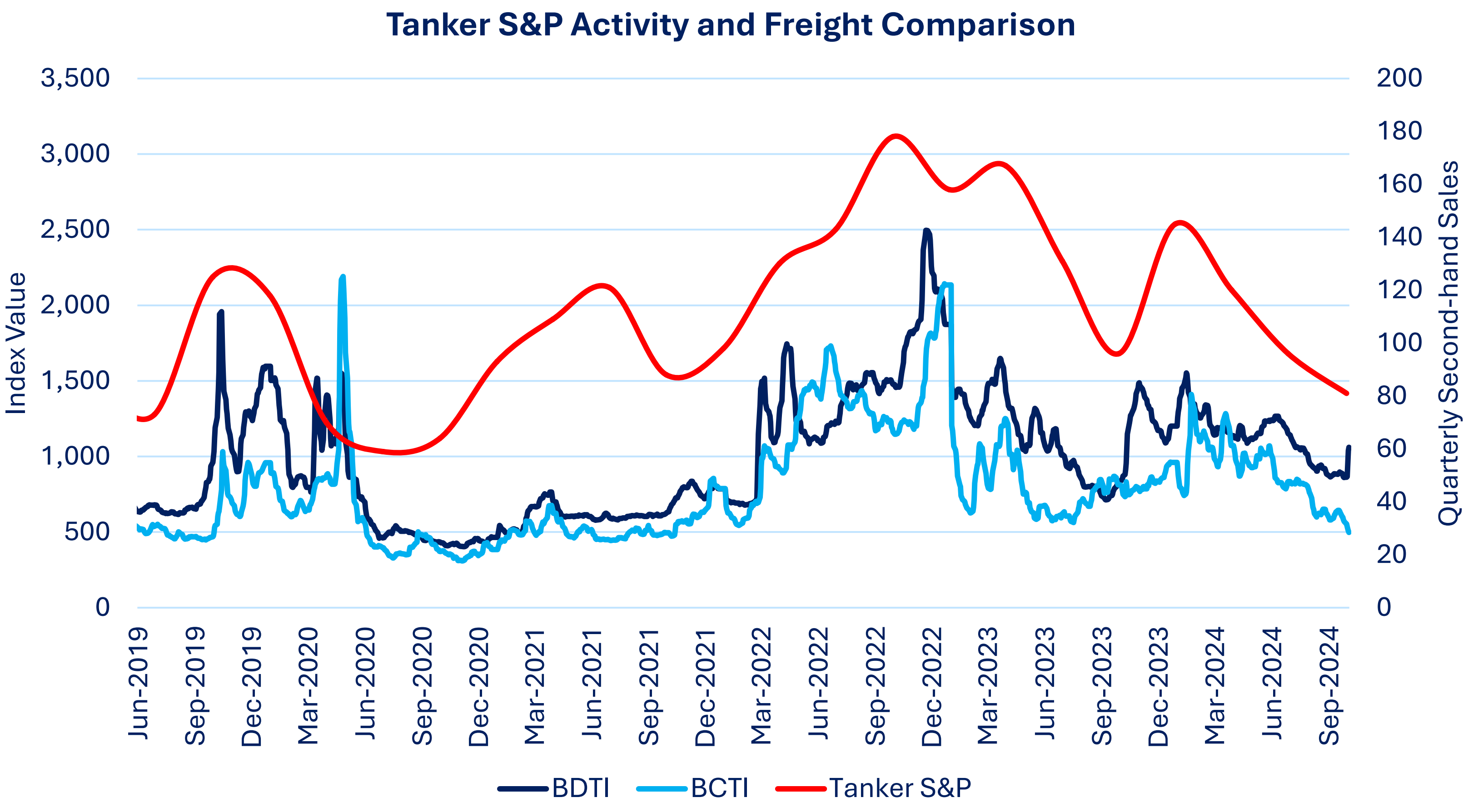
- **Surging Asset Prices**
- **Scarcity of Delivery Slots**
- **Concentration in Fewer Yards**
- **Expansion Efforts**
- **Labor and Cost Pressures**

Short-Term Pricing Outlook: Newbuilding prices are unlikely to decrease significantly in the short to medium term, even if yard utilization rates drop.

Fleet Renewal: Fleet renewal will be driven by aging vessels and stricter decarbonisation regulations, with fleet renewal becoming unavoidable.

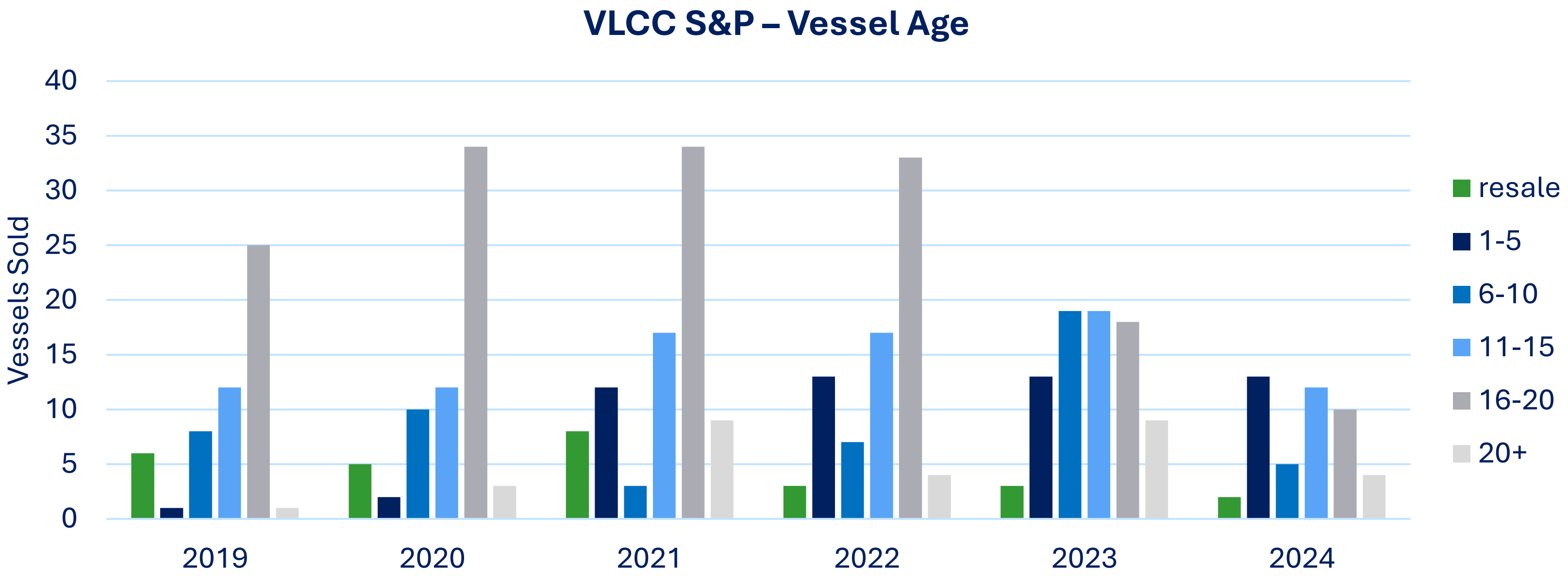


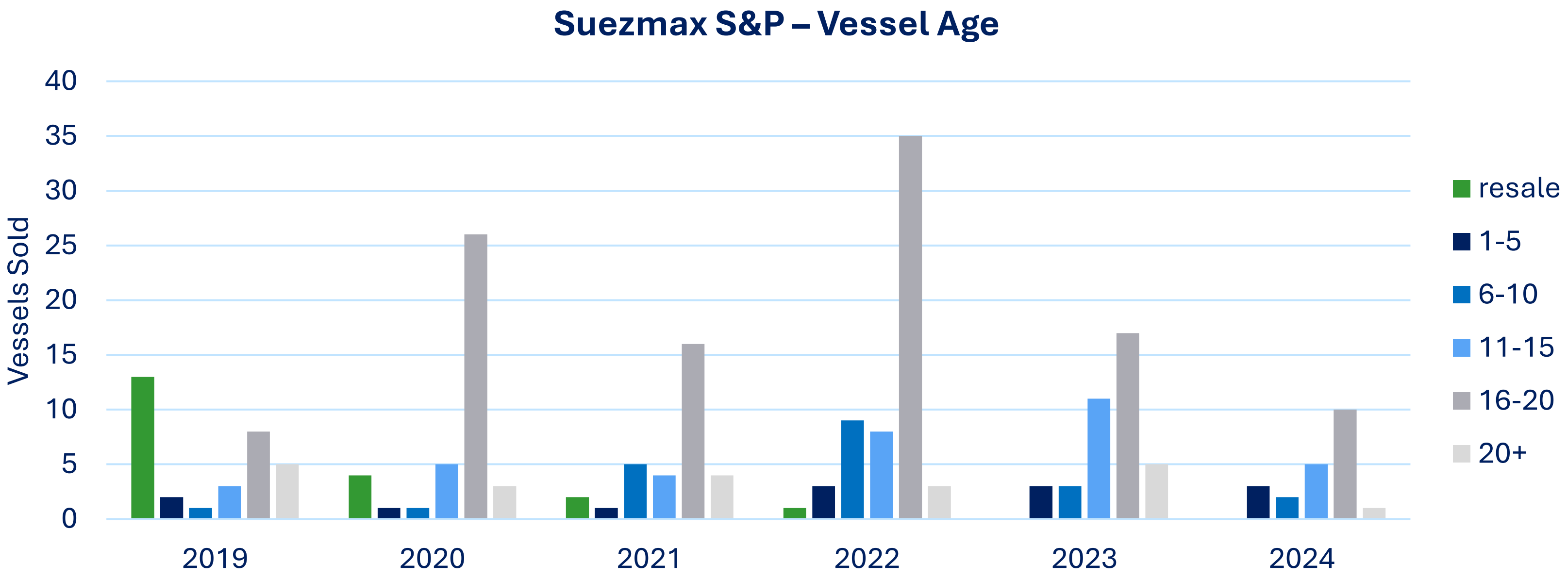




2024 Tanker S&P Activity:
367 tankers sold (33M DWT), down 27.4% from 2023 and 33% from 2022 (on an annualised basis) due to softer freight rates and inflated asset values.

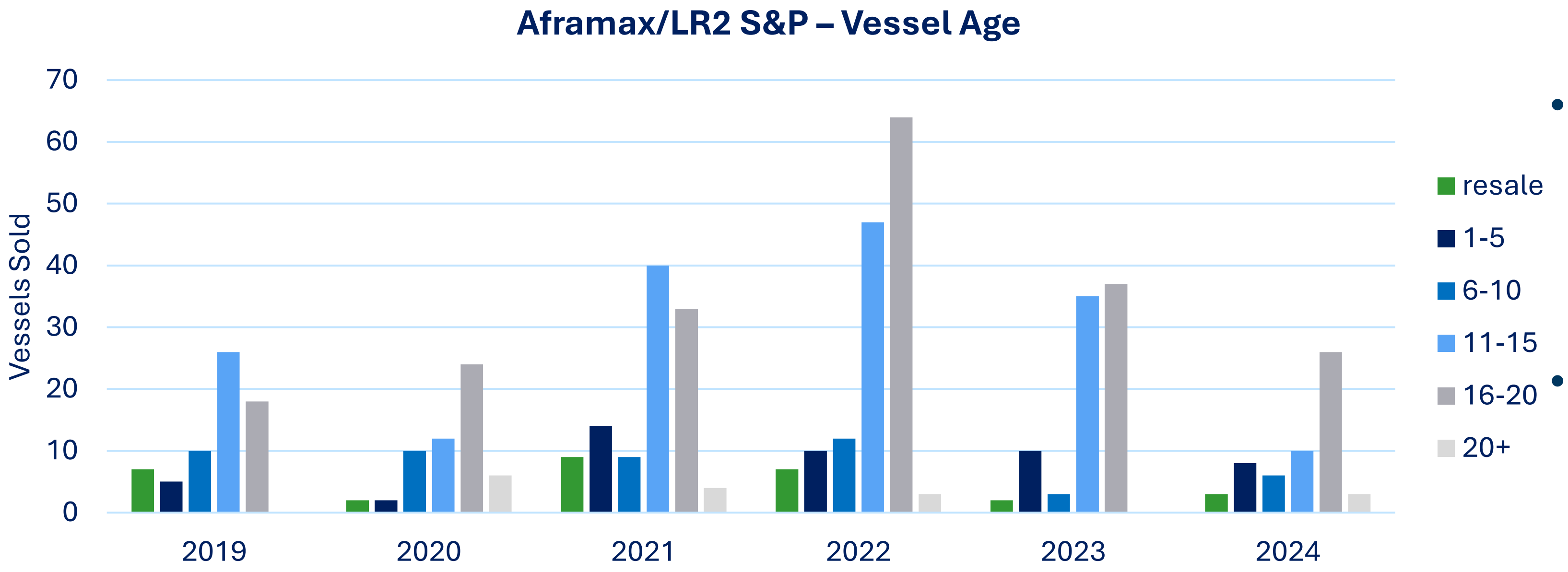
Comparison to 2020:
Despite the drop, 2024 volumes are 36% higher than 2020, showing long-term growth.



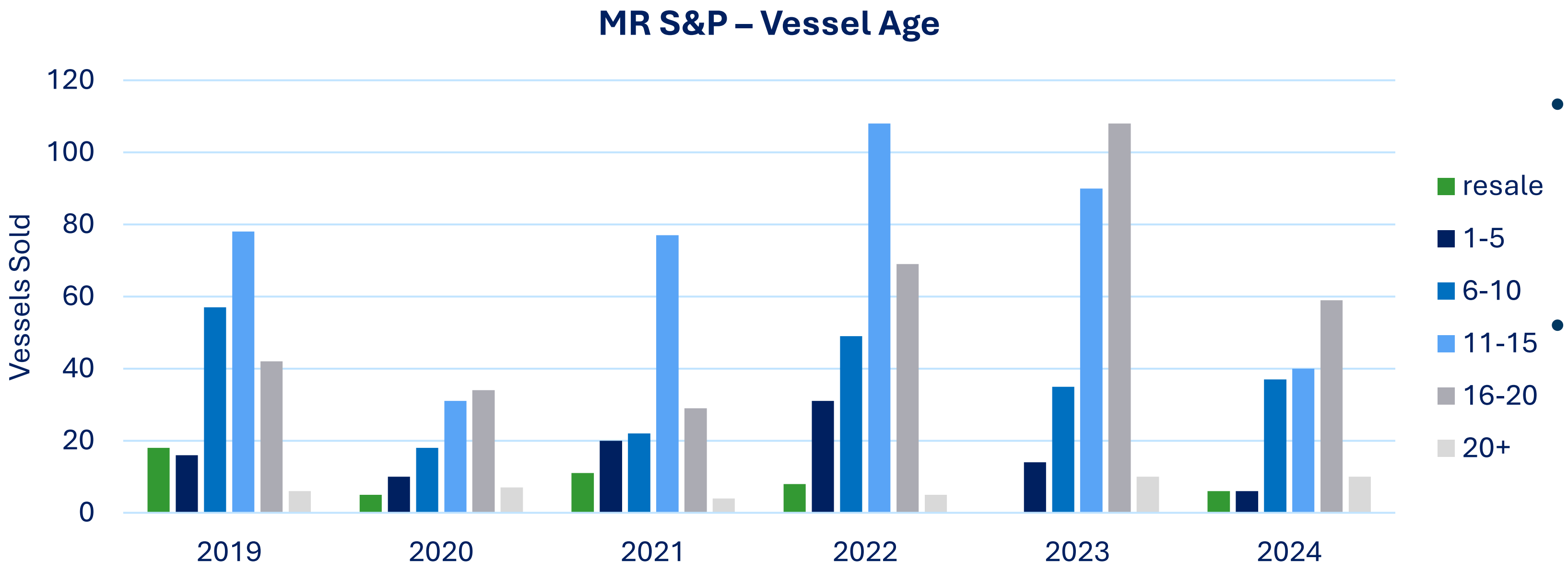


- Chinese buyers dominate, accounting for over **21% of VLCC acquisitions**.
- Modern tonnage remains resilient; a five-year-old VLCC is valued at **$116 million**, a **47% increase** from the 5-year average.

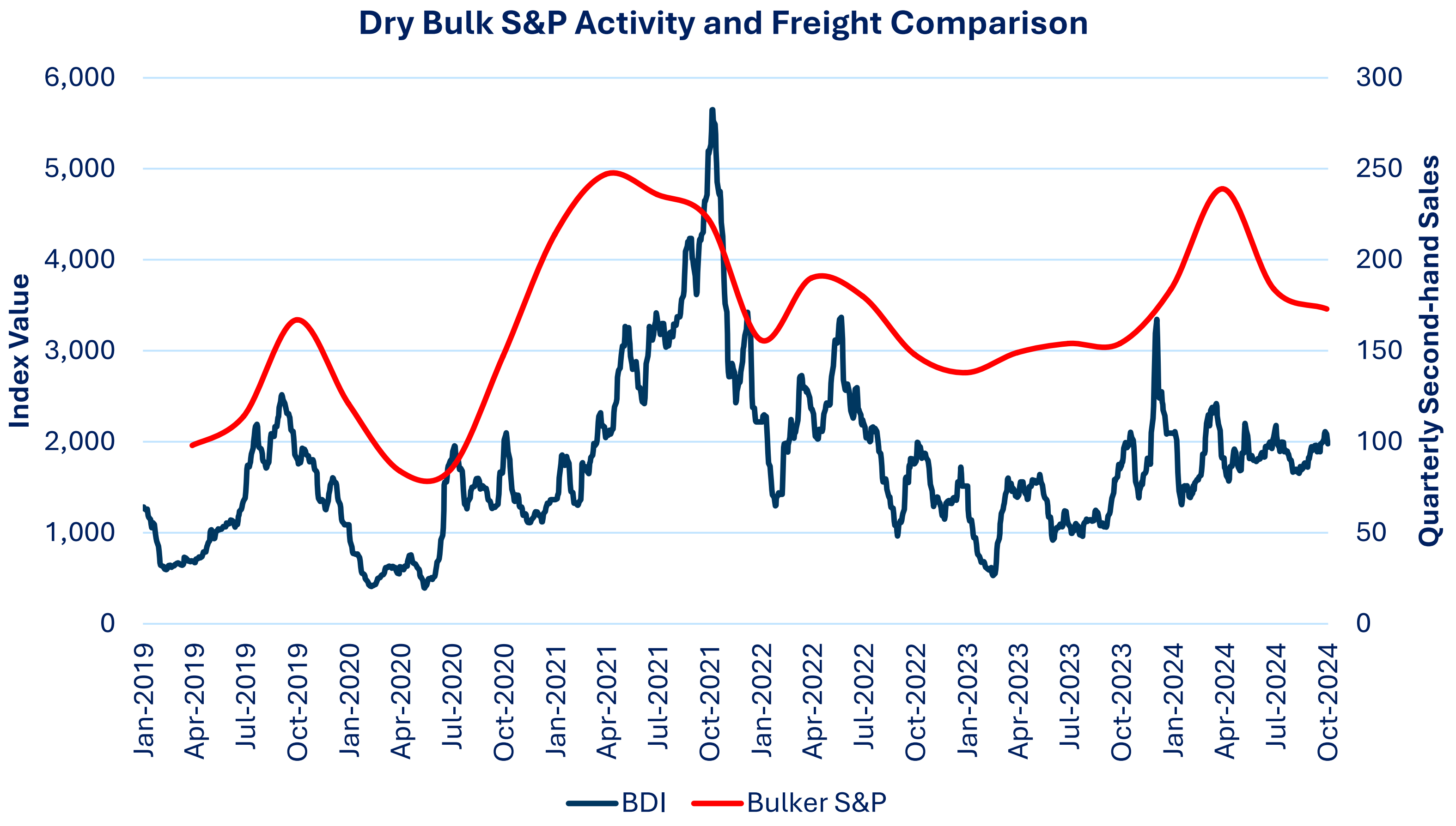
- **Turkish buyers** emerging as key players.
- Older tonnage (19-20 years) is in strong demand, driven by strong involvement in the **shadow fleet** (around **40%** of the fleet operates in the grey market).
- Prices for vintage vessels have risen by **19.5%** over the past year.



- Increased activity from **Southeast Asian buyers** amid rising regional **transport fuel needs** and expanding **refining capacity**.
- 10-year-old Aframax prices have risen by 14.5% over the past year, though prices have stabilized in recent months.



- **Greek buyers** remain active, acquiring **21 MR tankers** this year, exceeding 2023's total of 14 vessels.
- The largest price gains have occurred in the **6-10-year** age group, with prices now **60-70% above** their 5-year average.



2024 Bulker S&P Activity: 621 bulkers sold (48M DWT), if the pace continues, the full year sales will mark an increase of around 25% versus 2023.

Q1 historic volumes: The first quarter was one of the busiest of all time in terms of the number of transactions.

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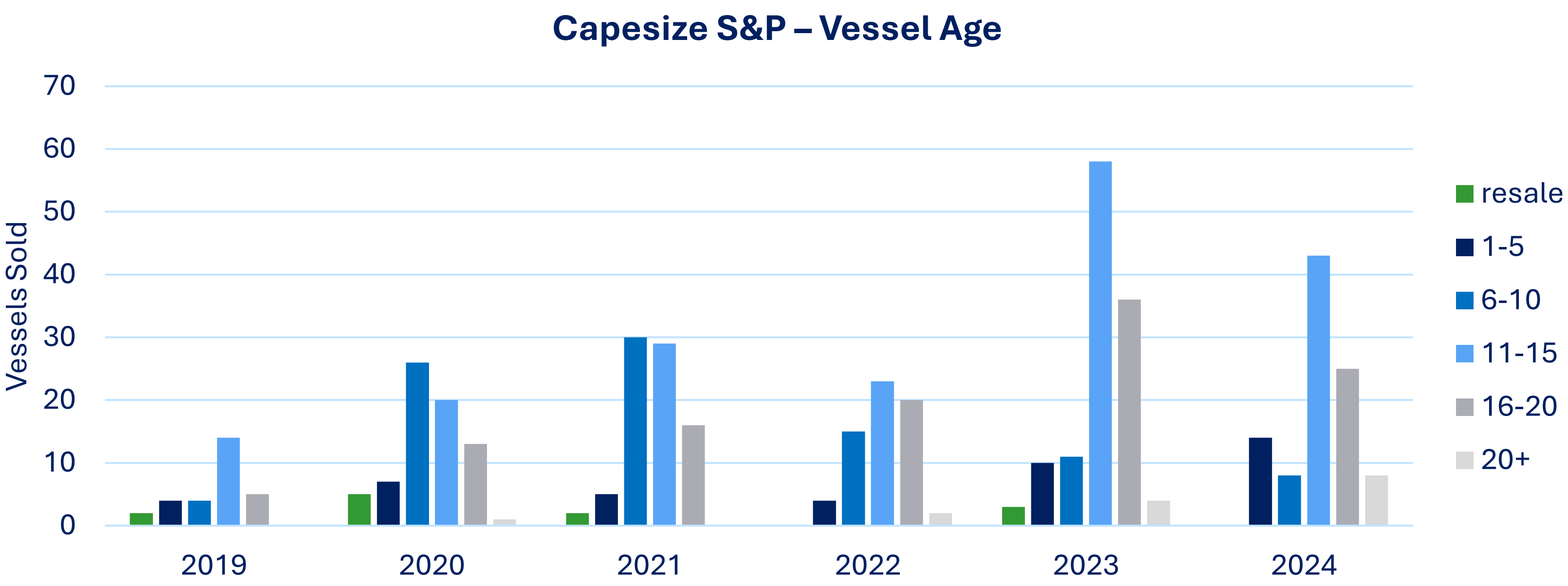
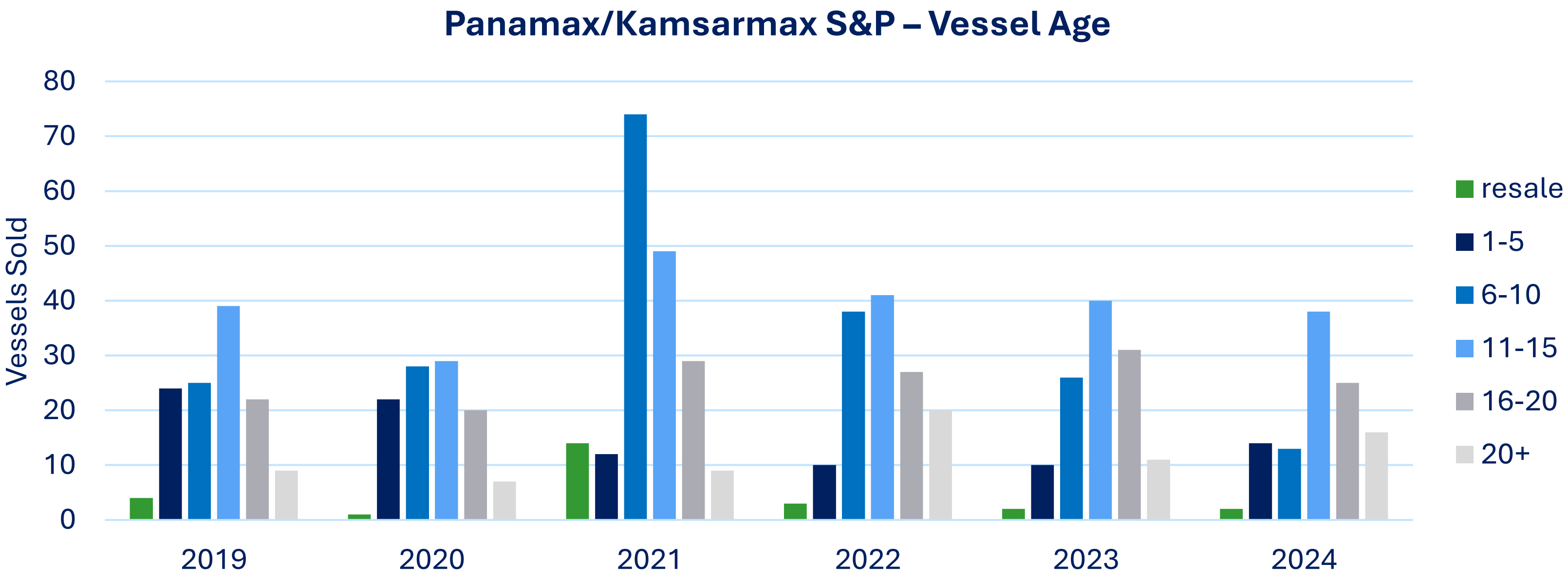


- Rising **Capesize** demand for **modern units**
- **Greek** and **Chinese** appetite for **modern** tonnage
- For assets over **15 years, Chinese** interests have been behind all but one sale (where we have known the nationality)
- Expect **continued Chinese demand**, supported by development of projects such as the **Simandou** mine



- **High volume** of sales – if this pace continues, no. **sales** will be **20% above 2023**
- Strong demand for **very modern Kamsarmaxes**
- As for Capes, rising **Chinese** demand, with reduced **Greek** buyers versus 2023.

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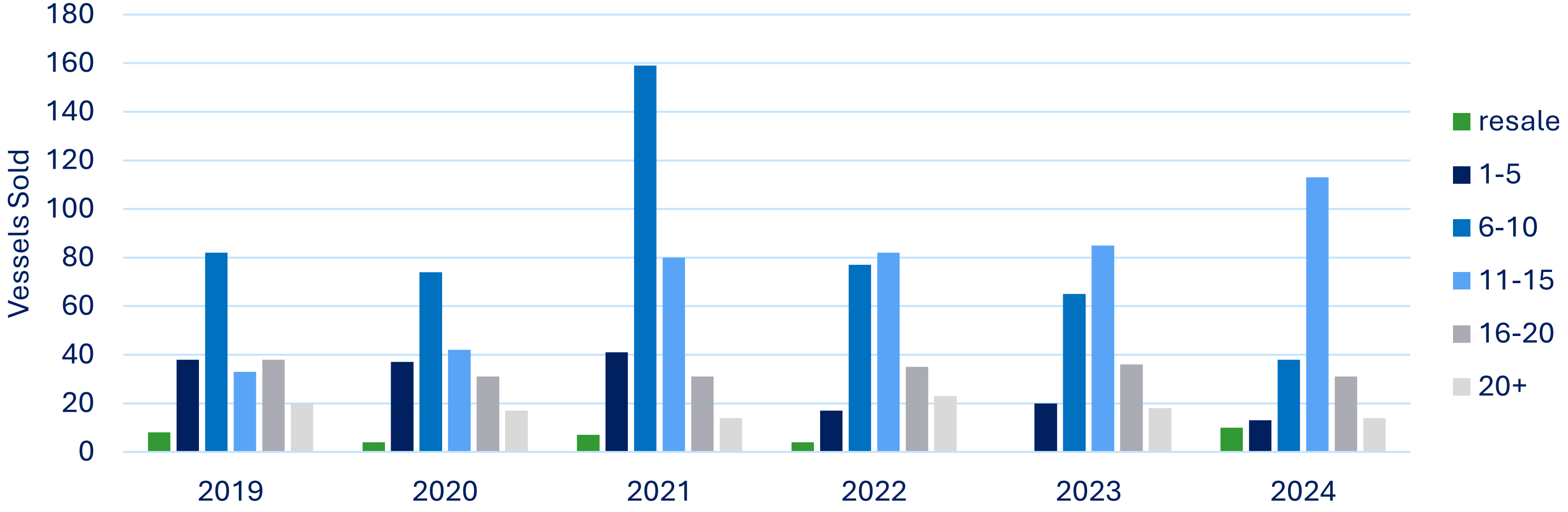
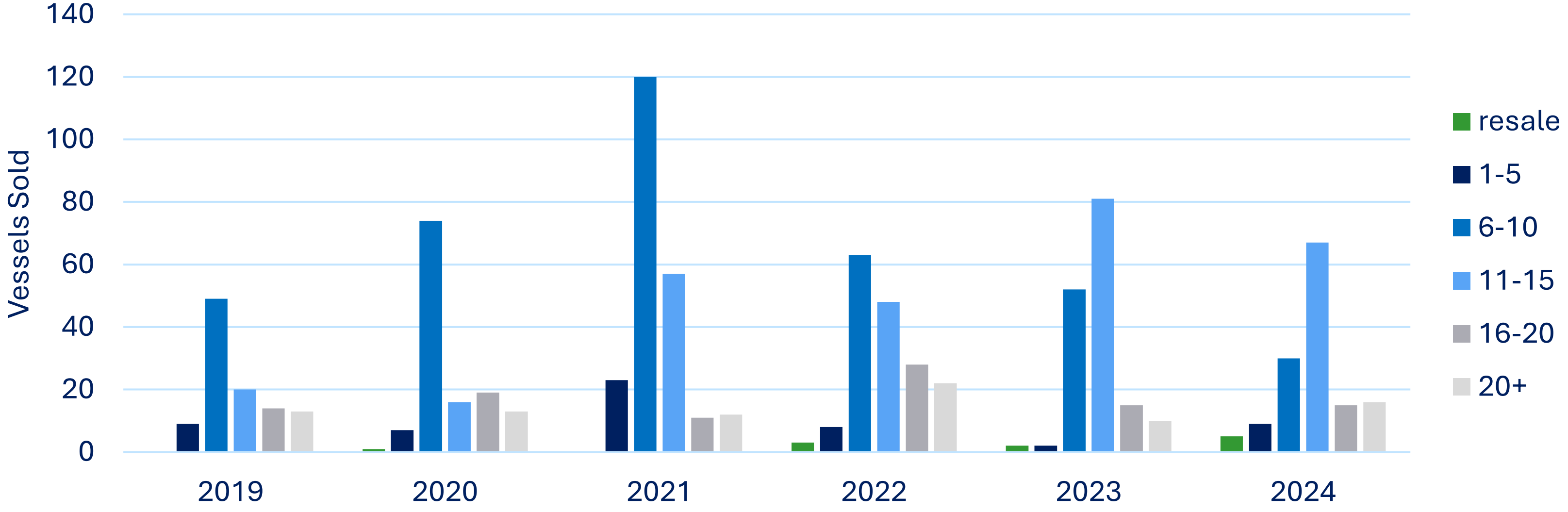
Supramax/Ultramax S&P – Vessel Age



- Supramax-Ultramax sales close to whole-year 2023 total
- Substantial **Chinese** interest, with growing **Turkish** demand too
- **Steel demand** supporting prices of Chinese Supras – contrary to market norms
- **Declining** activity regarding modern tonnage, in contrast to trends in larger bulkers

Handysize S&P – Vessel Age



- Sales count closing in on **2023 total**
- Steady **Turkish** demand, although **Greeks** remain the top buyers
- **Middle Eastern** interest in the older tonnage, 15-years and above

Must what goes up come down?
03

- **Red Sea:**
  - Source of support and concern for tanker markets
  - Risks of a wider conflict appear increasingly high
  - Strikes on Iranian oil infrastructure, reducing supply, although OPEC has spare capacity
  - Strait of Hormuz – unlikely, but would be extremely disruptive

- **Ukraine:**
  - Sanctions and shifts of fleet ownership would make for a slower ‘return to normal’ in the case of hostilities ending
  - Return of shorter-haul voyages for Russian cargoes would impact tanker
  - Improvement in Black Sea grain volumes

- **Panama Canal:**
  - Has been returning to normal throughout this year
  - Expect similar disruption in the coming years, but there are long-term steps being taking to manage water supply

- **US Election:**
  - Ability to affect the duration of the two main conflicts
  - Protectionism and tensions with China could impact dry bulk trade and global economy
  - Increased sanctions enforcement on Russian and Iranian energy would impact tanker markets

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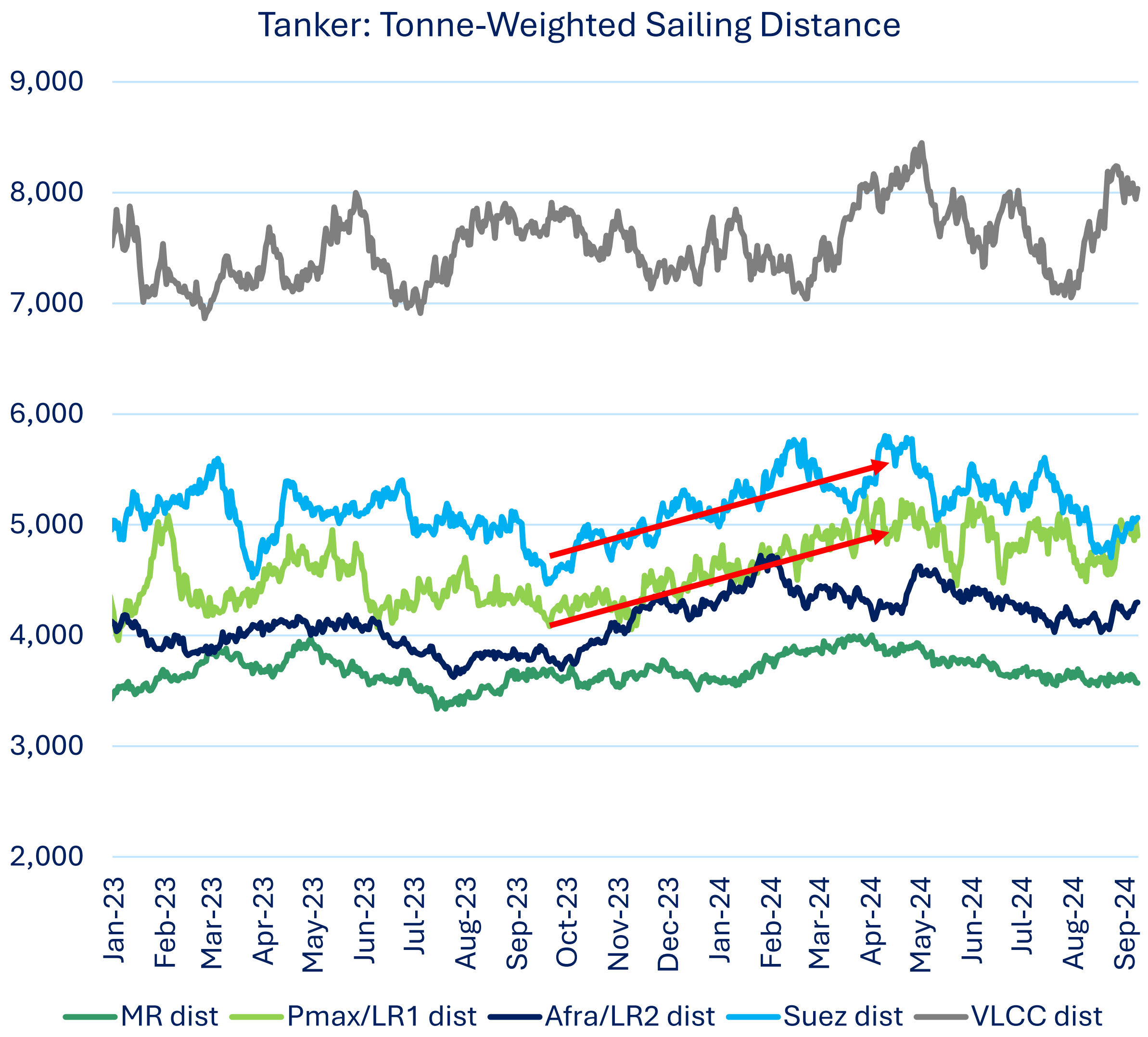
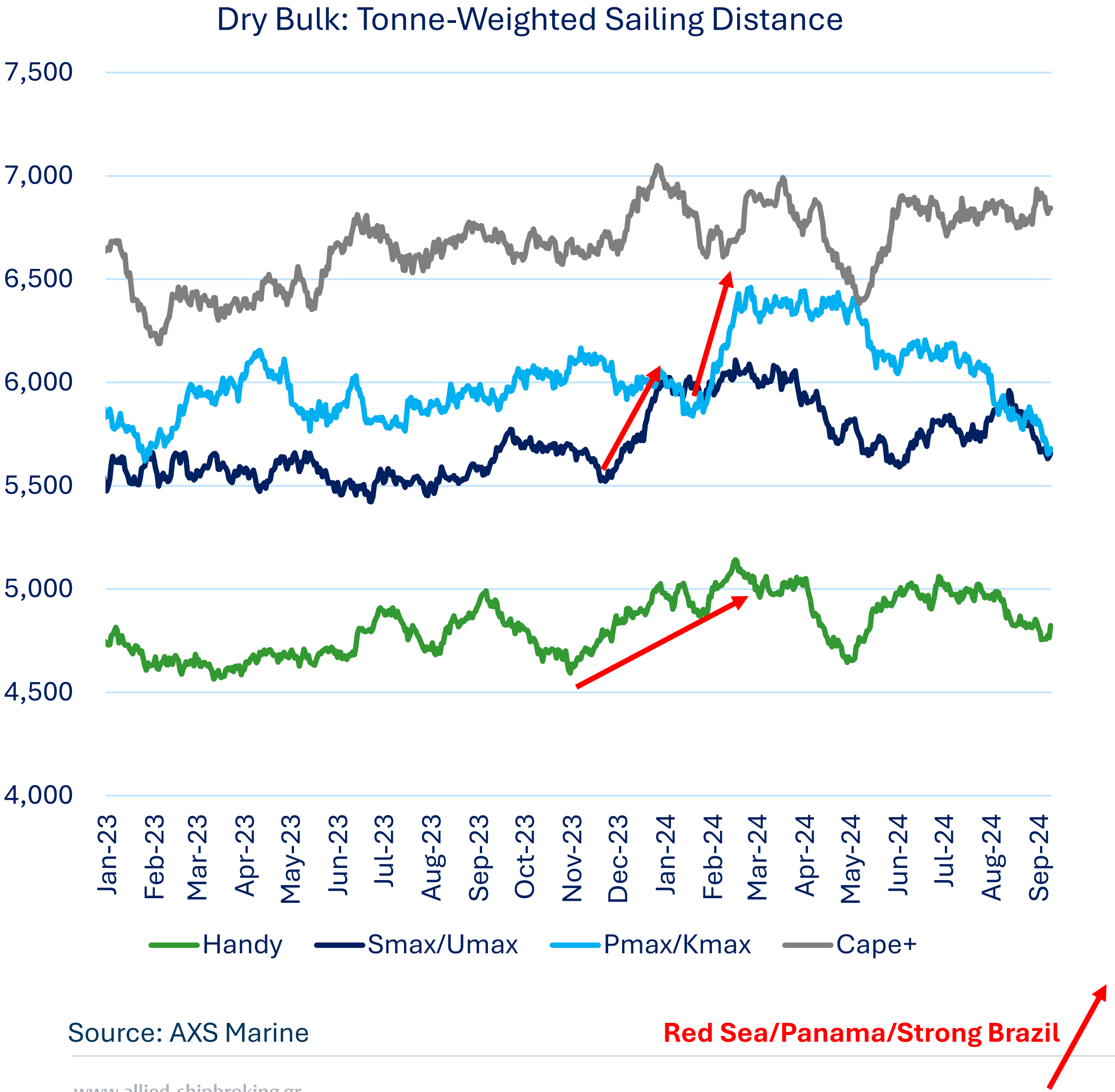


Source: AXS Marine

Red Sea Impact

Year	Change in Tonmile	Change in Volume	Average Sailing Distance
2022	2.7%	4.0%	-1.2%
2023	5.5%	2.4%	3.1%
(e) 2024	5.9%	0.5%	5.3%
202?	-7.3%	1.4%	-8.6%

- Shifting trade flows resulted in approximately:
  - **2023:** +3.1% average sailing distances
  - **2024** (est.)**:** +5.3% average sailing distances
- Including growth in volume, the effect was:
  - **2023:** +5.5% tonne-miles
  - **2024** (est.)**:** +5.9% tonne-miles
- **What happens next?**
  - **If** sailing distances reverse these increases *when/if* geopolitical factors unwind and total volume rises by 1.4% (the 2023-2024 average)
  - **Then** a rough estimate for the change in demand is **-7.3% tonne-miles**



Year	Change in Tonmile	Change in Volume	Average Sailing Distance
2022	-1.2%	-0.6%	-0.5%
2023	6.6%	4.5%	2.0%
(e) 2024	6.0%	2.6%	3.4%
202?	-2.2%	3.5%	-5.5%

- Shifting trade flows resulted in approximately:
  - **2023:** +2.0% average sailing distances
  - **2024** (est.)**:** +3.4% average sailing distances
- Including growth in volume, the effect was:
  - **2023:** +6.6% tonne-miles
  - **2024** (est.)**:** +6.0% tonne-miles
- **What happens next?**
  - **If** sailing distances reverse these increases *when/if* geopolitical factors unwind and total volume rises by 3.5% (the 2023-2024 average)
  - **Then** a rough estimate for the change in demand is **-2.2% tonne-miles**

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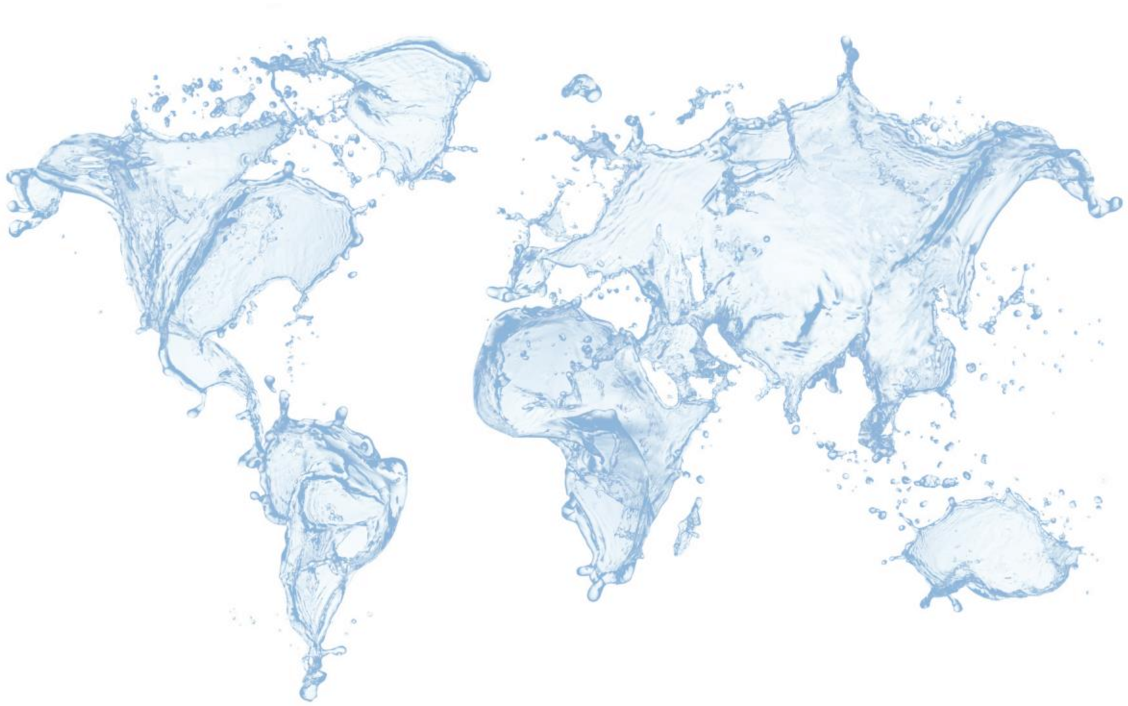

Thank you!