Breakdown, Breakeven, Breakdance – what's in store next?

Dr Adam Kent - Maritime Strategies International (MSI)

9th Annual Marine Money London Ship Finance Forum –24th Jan 2018

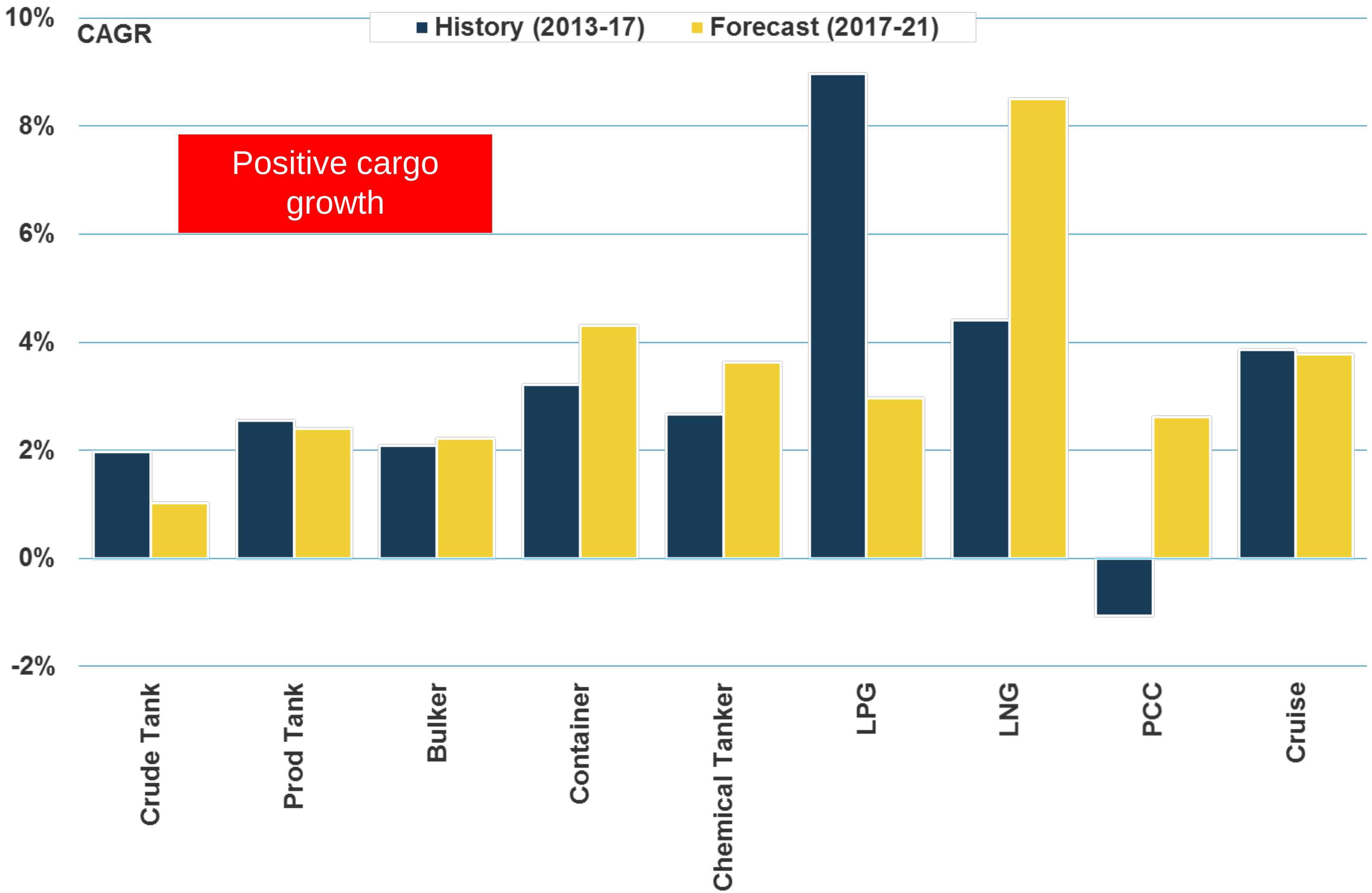
Breakdown, Breakeven, Breakdance – what's in store next?

1. Demand
2. Supply
3. Earnings
4. Prices
5. Top Picks

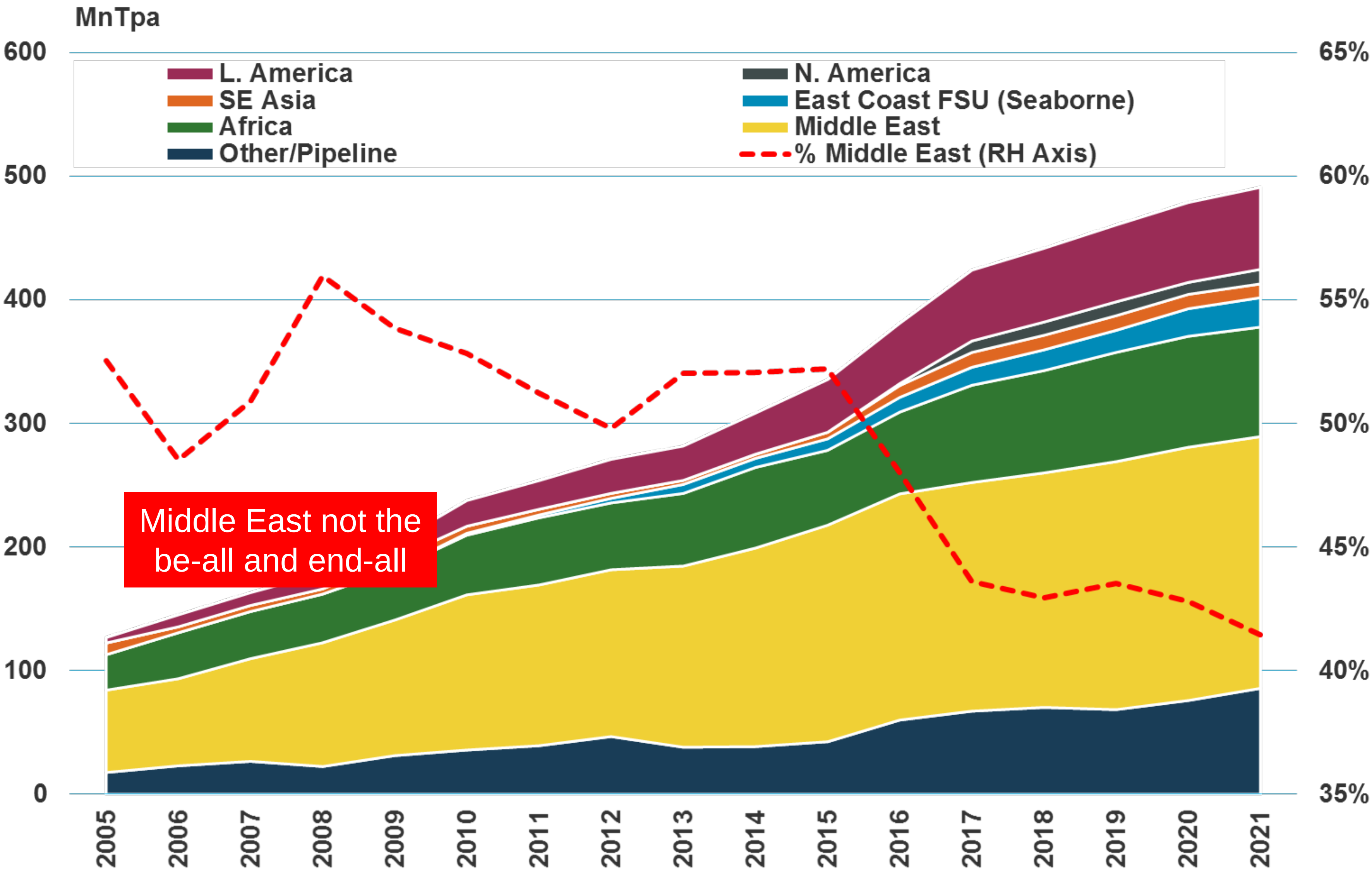
Breakdown, Breakeven, Breakdance

Demand

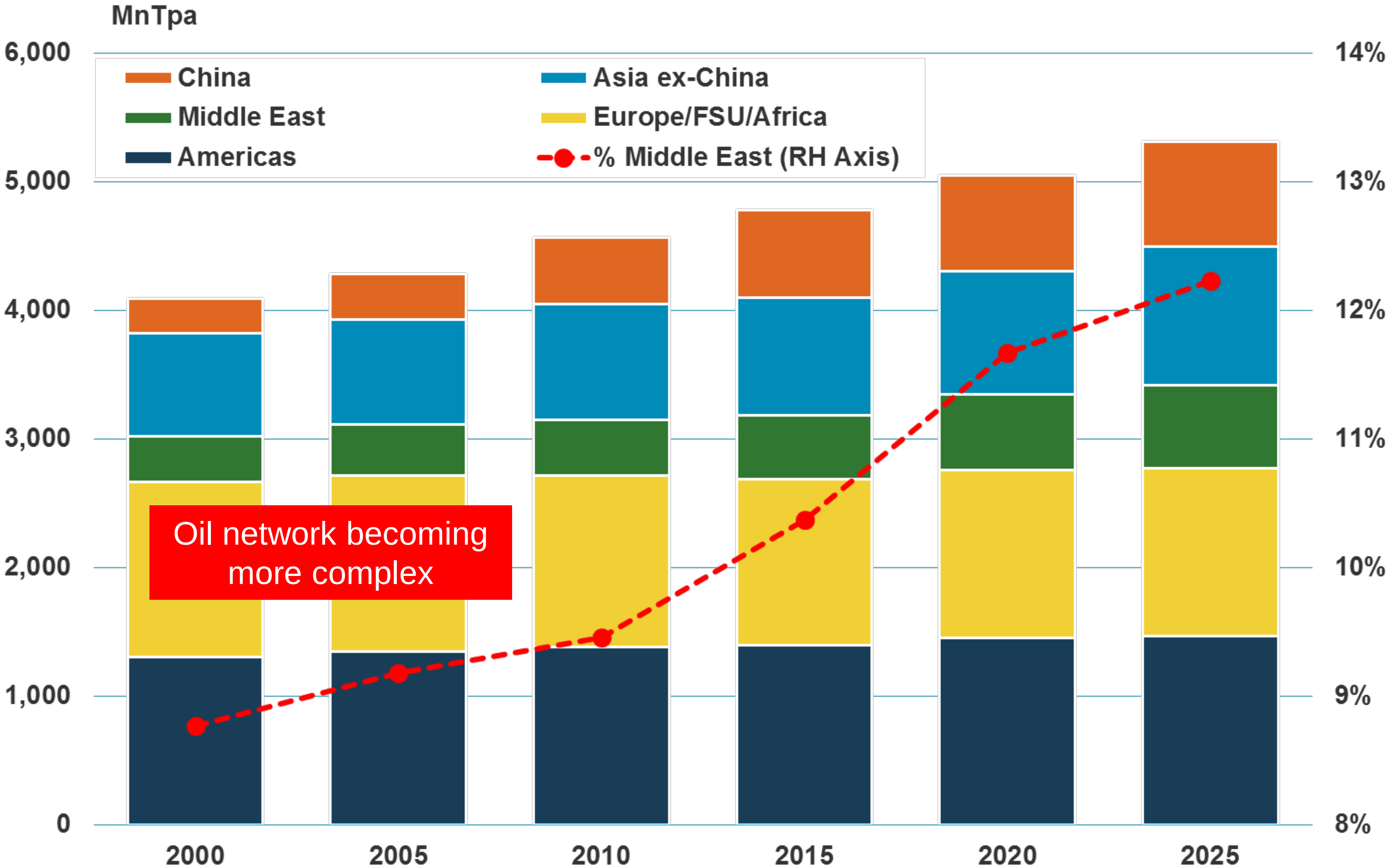
Seaborne Cargo Growth



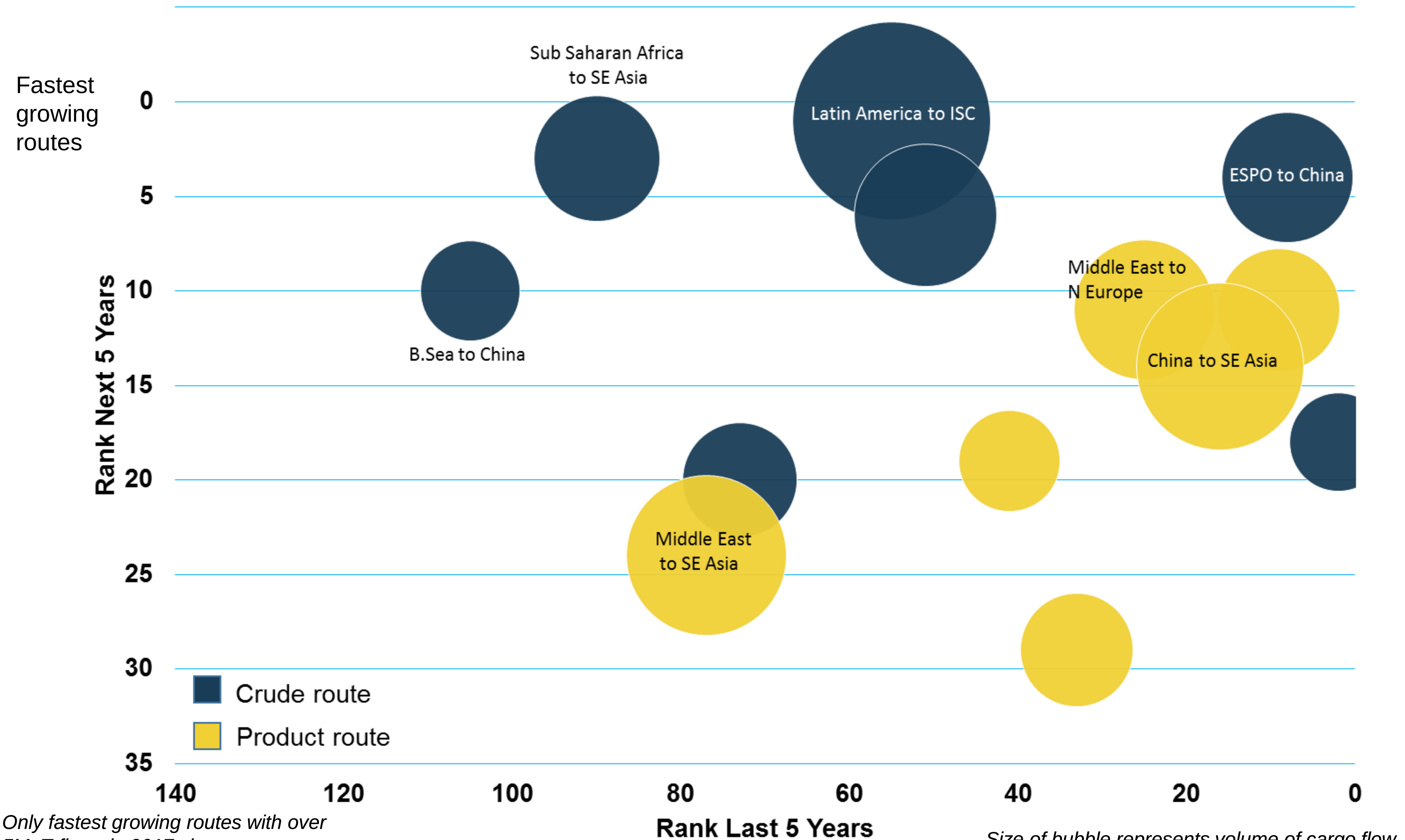
Chinese Crude Imports



Global Refining Capacity



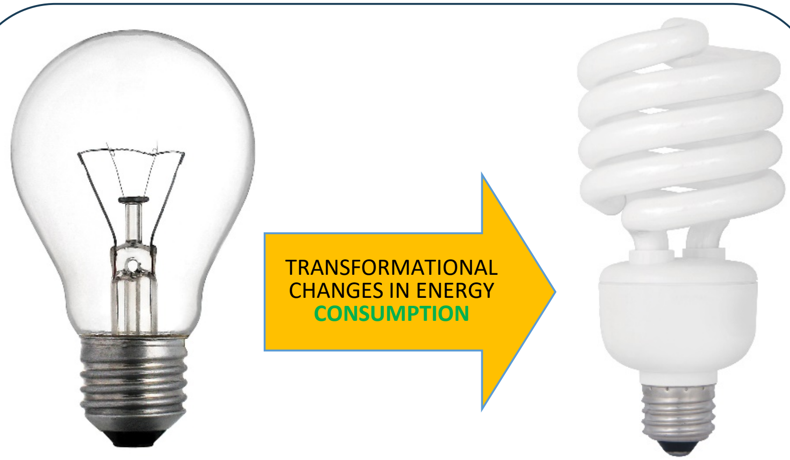
Tanker Fastest Growing Routes



Only fastest growing routes with over 5MnT flows in 2017 shown

Size of bubble represents volume of cargo flow

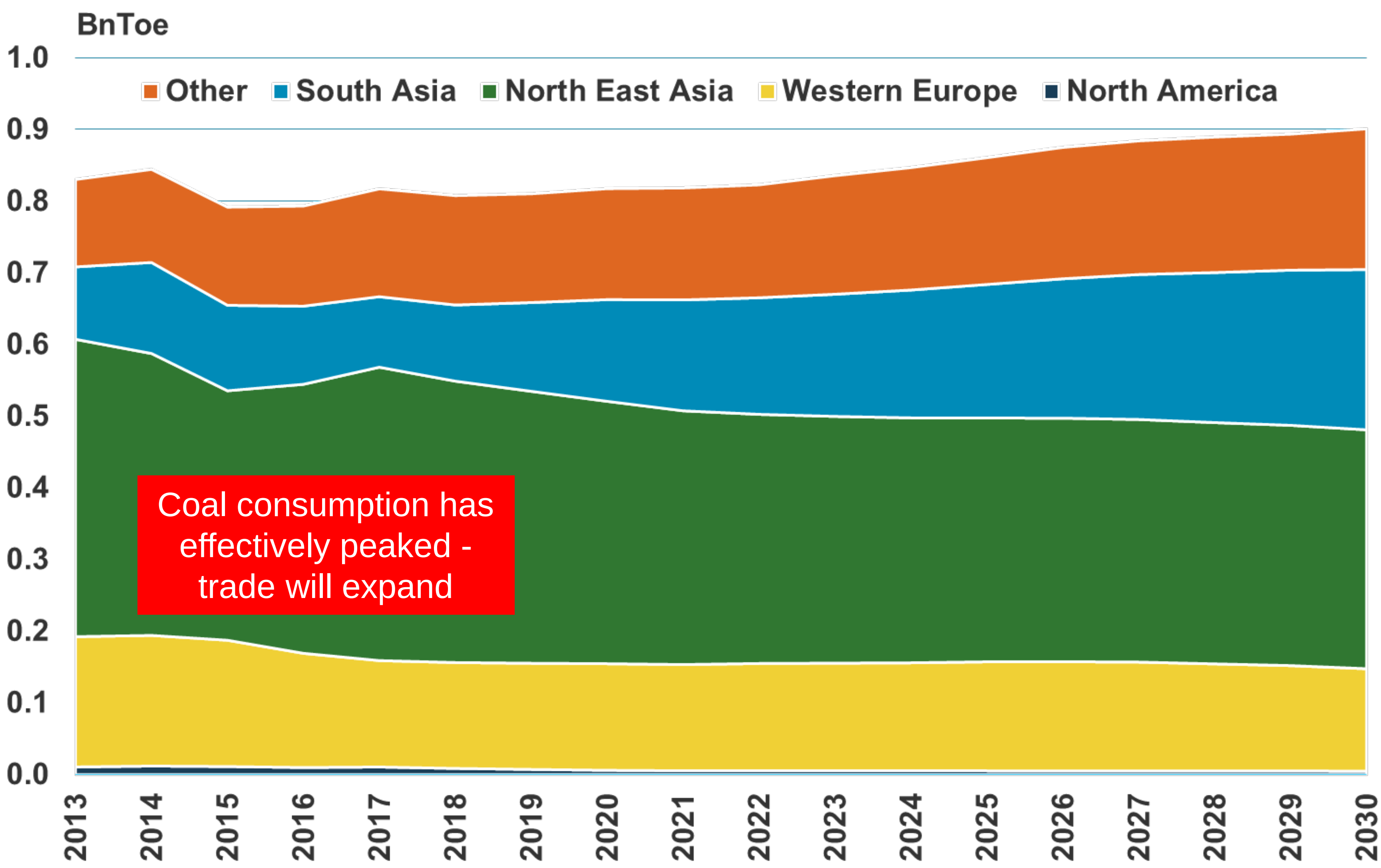
Coal's Juxtaposition



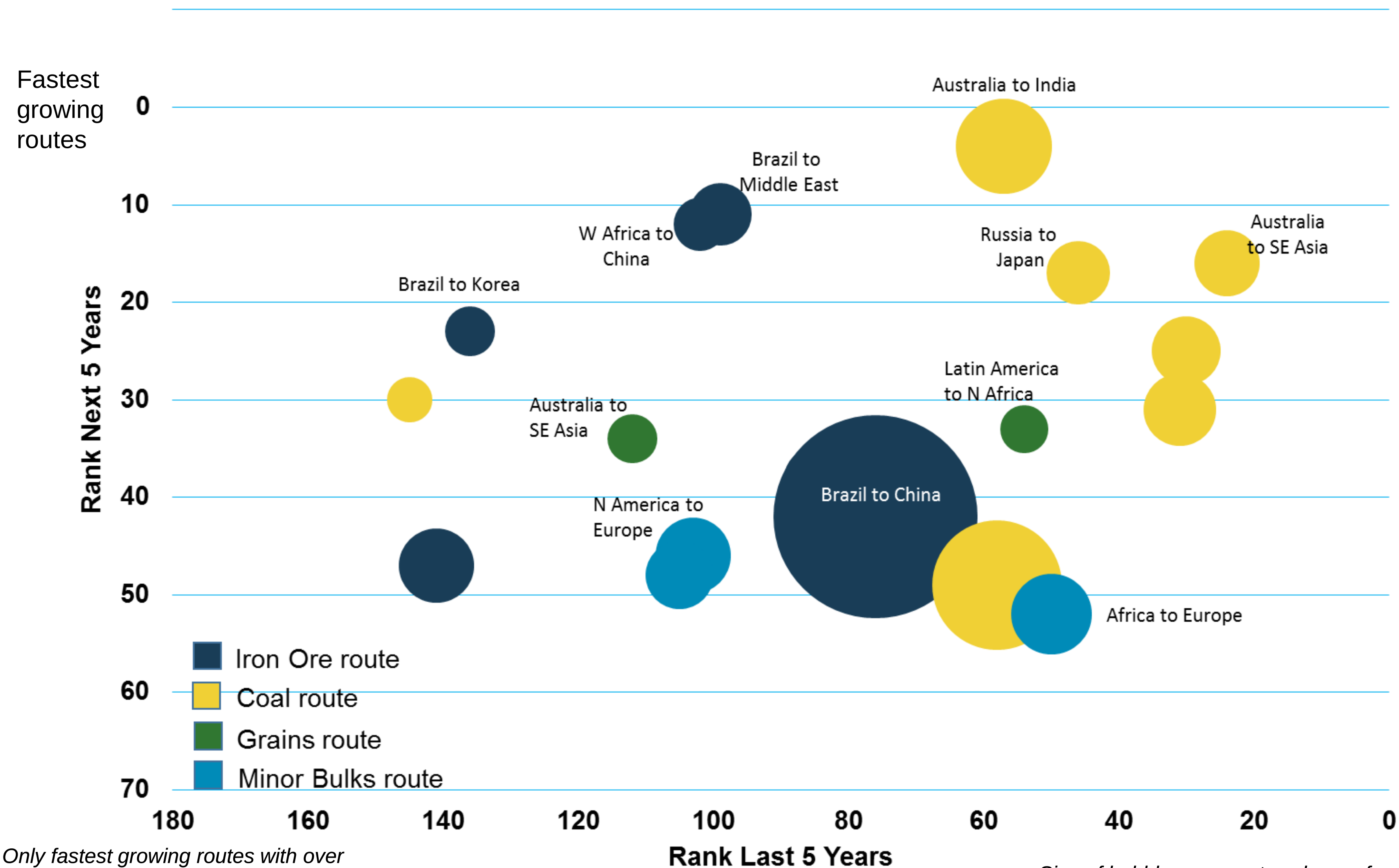
- Technological advancements in materials used and design of energy-efficient consumer products
- Improved demand-side energy management in industry and at home.
- New sources of electricity consumption: e.g. cars.

- International / Government Regulations
- Increased investment in renewables
- **Coal has a role**, **but** new efficient coal-fired power (Super and Ultra-Critical plants) will dampen the impact of new power capacity on coal consumption

Continued Growth in Coal Trade



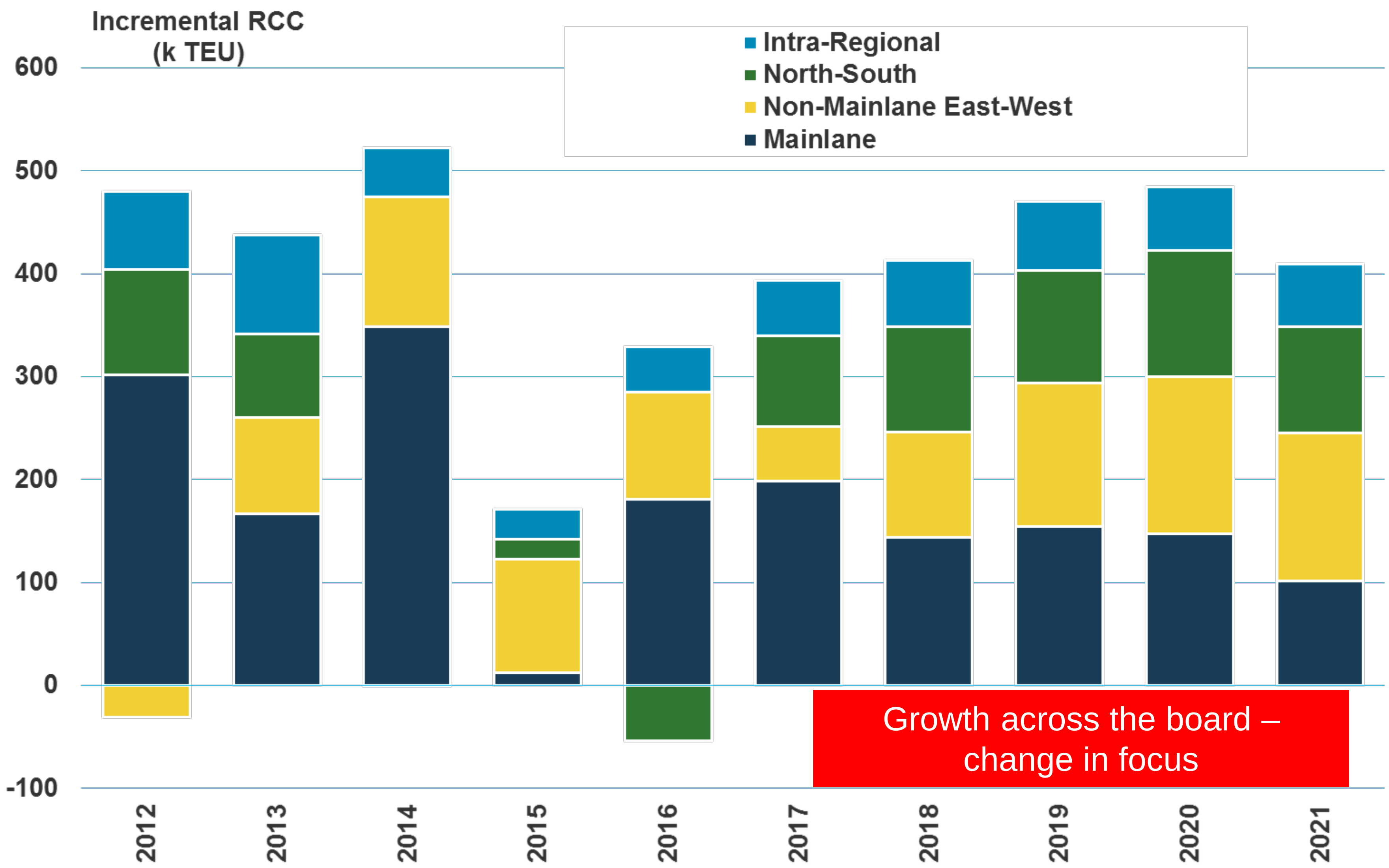
Bulker Fastest Growing Routes



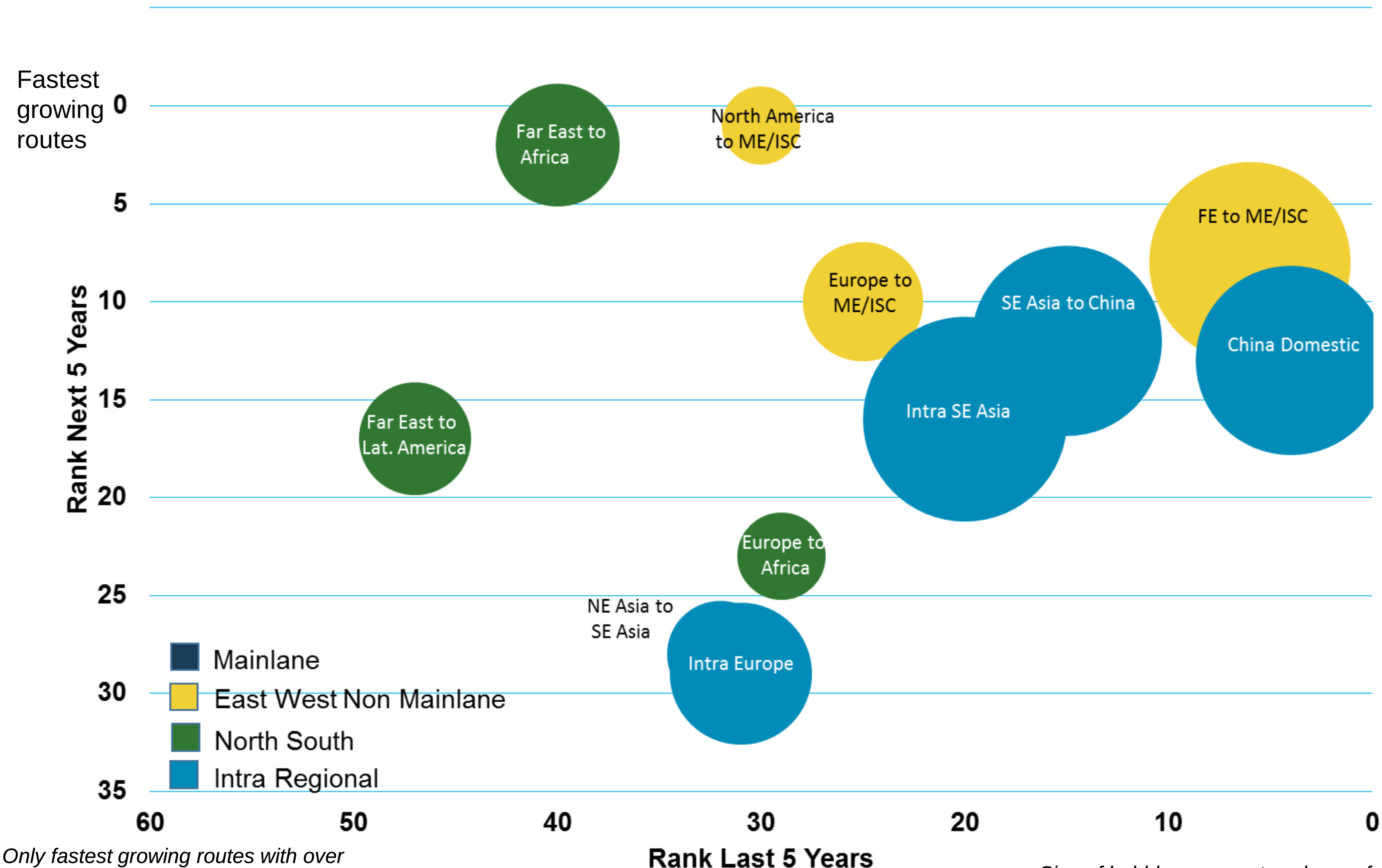
Only fastest growing routes with over 10MnT flows in 2017 shown

Size of bubble represents volume of cargo flow

Container-
Incremental Required Carrying Capacity



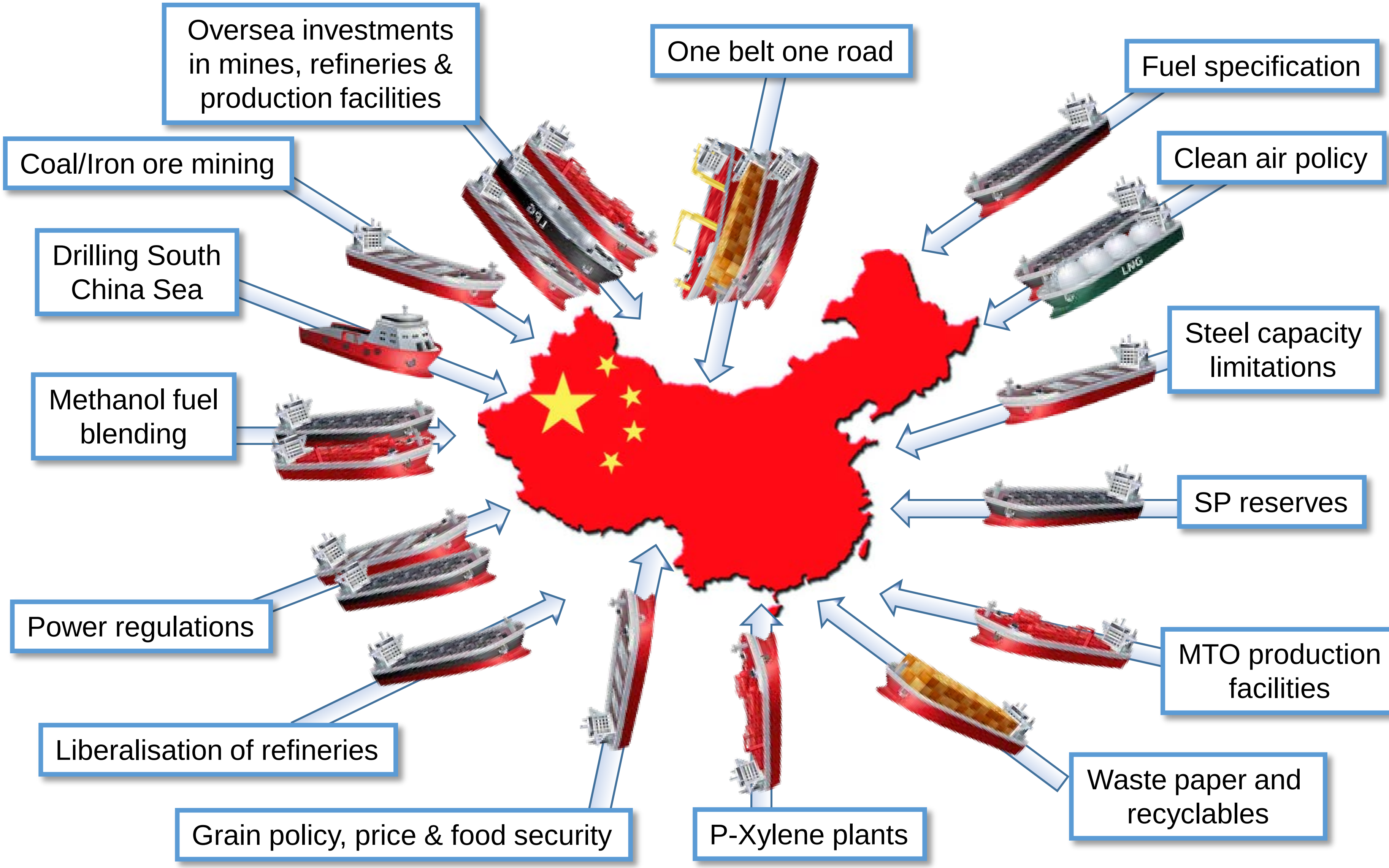
Container Fastest Growing Routes



Only fastest growing routes with over 500,000 TEU moves in 2017 shown

Size of bubble represents volume of cargo flow

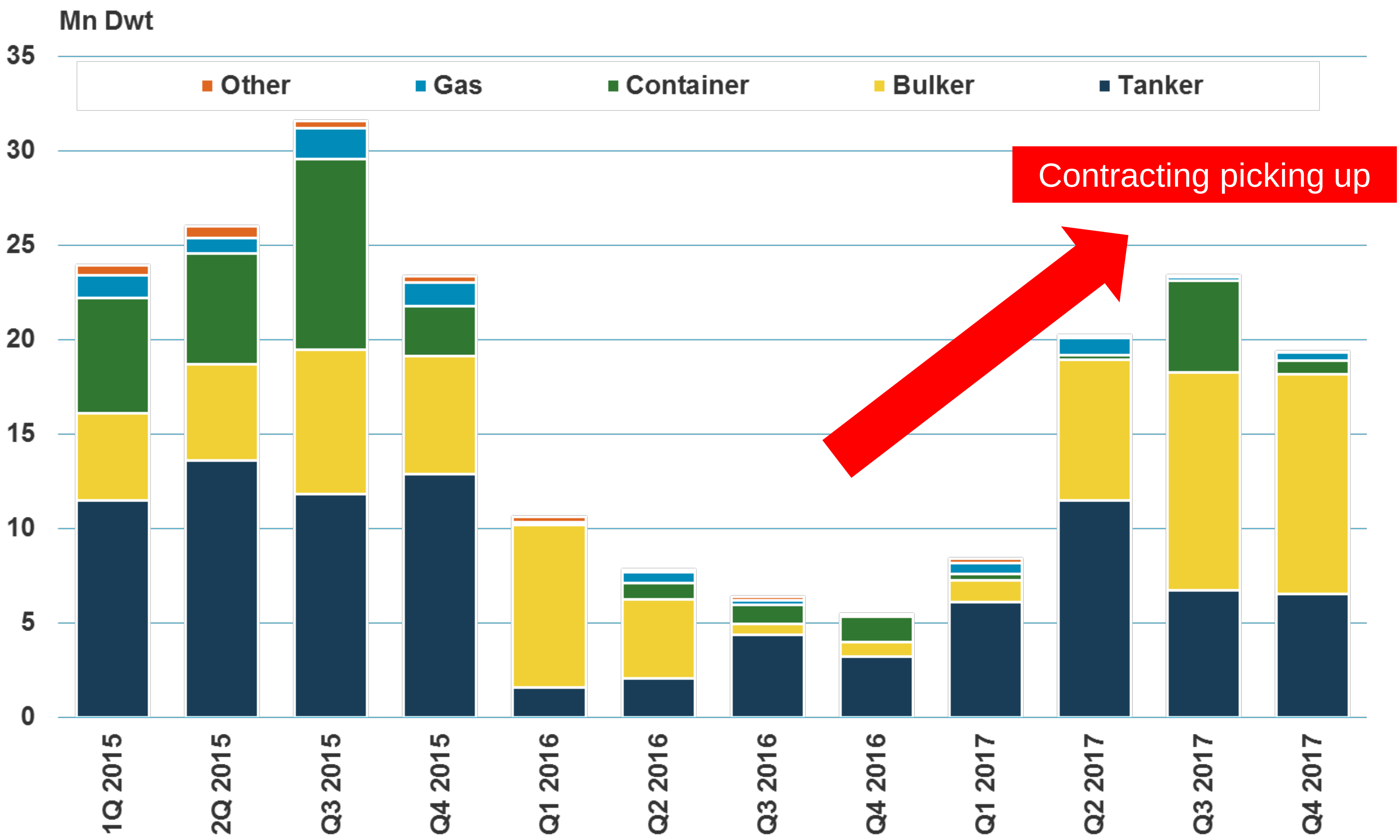
Chinese Pivotal Policies – Demand Breakdown Risks



Breakdown, Breakeven, Breakdance

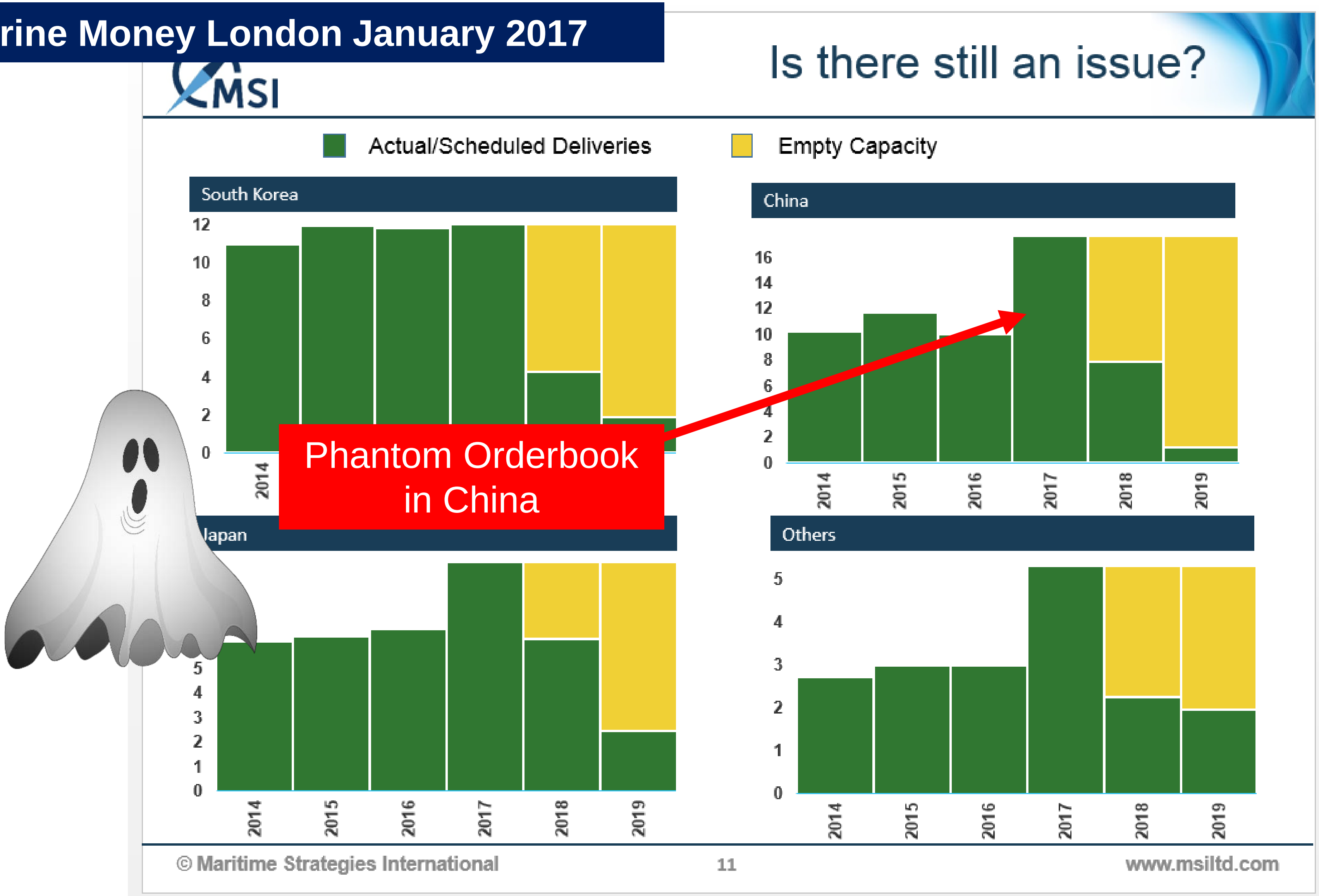
Supply

Contracting volumes

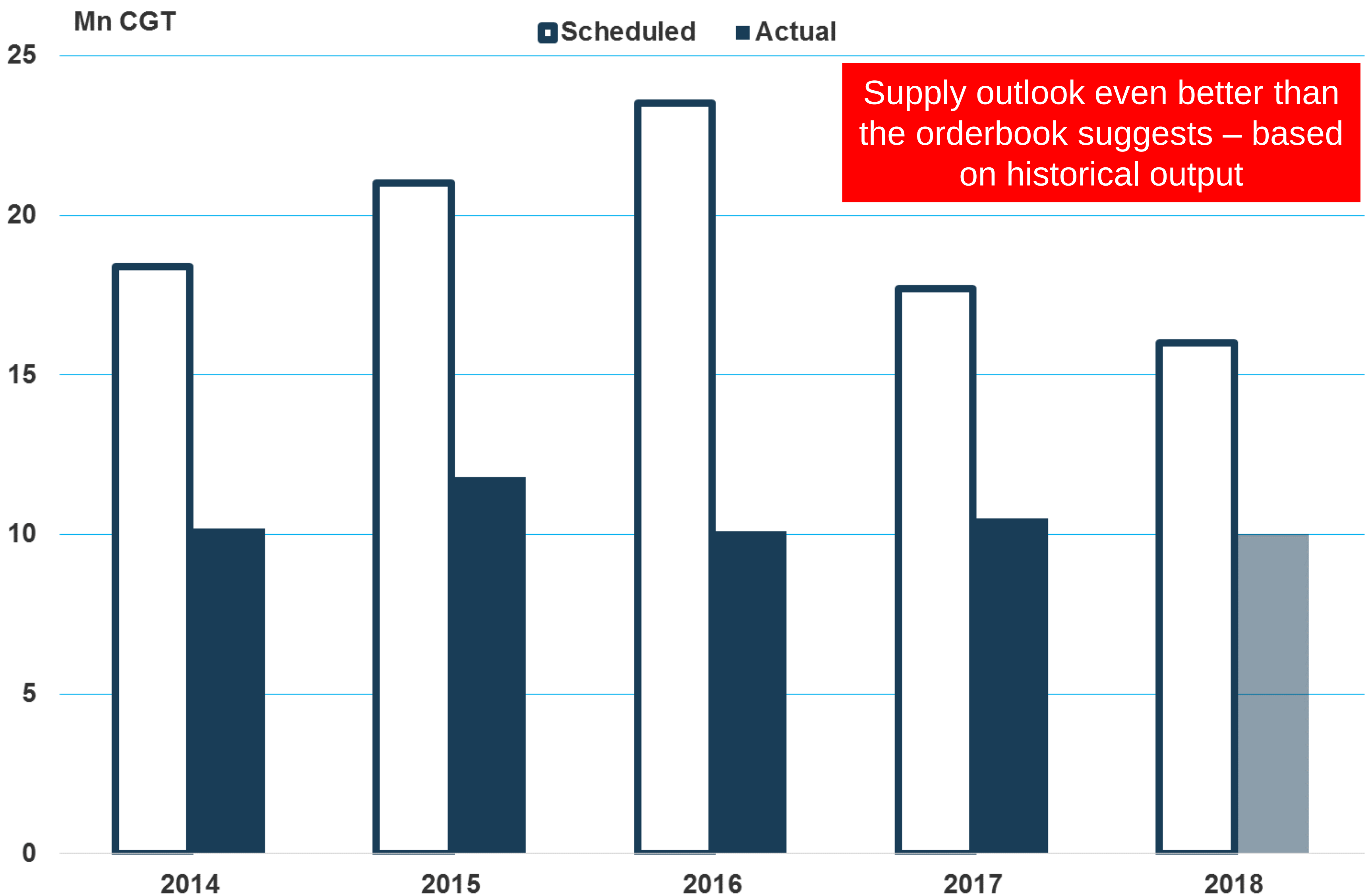


Orderbook – Phantom?!

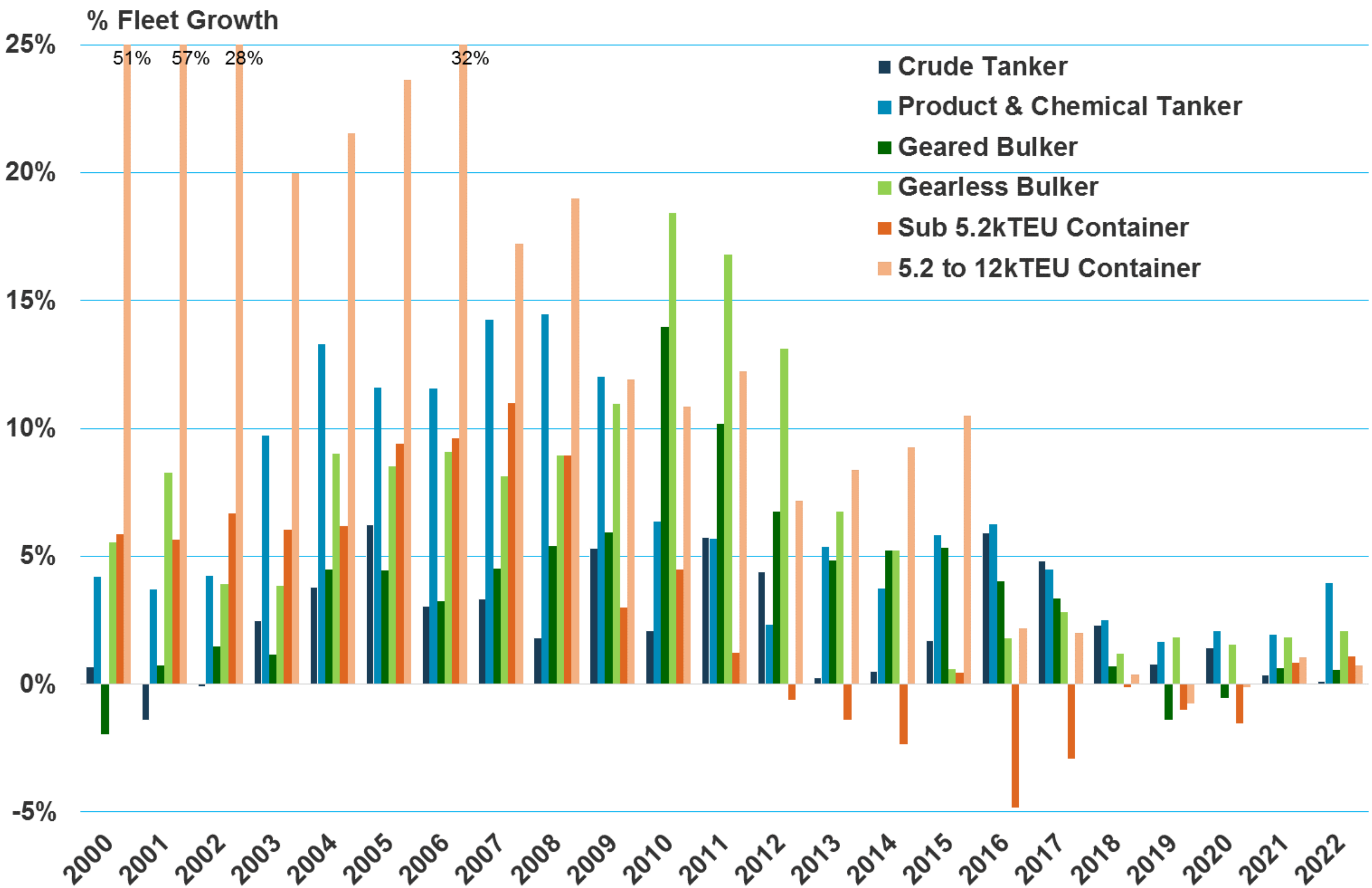
Marine Money London January 2017



Chinese Deliveries – A Pattern emerges



Supply Growth Stagnation

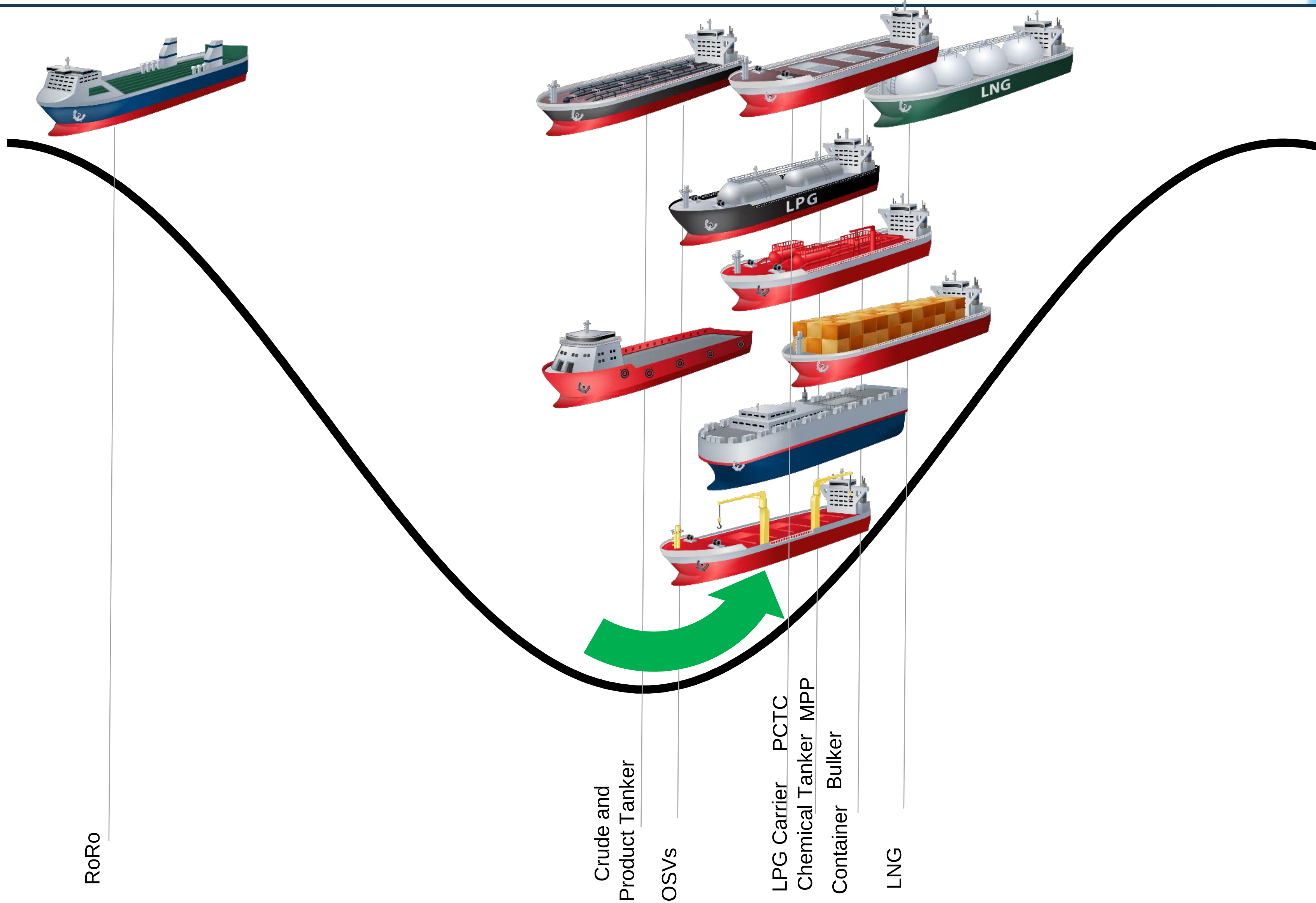


Includes MSI's forecasts for contracting, slippage, cancellations and scrapping

Breakdown, Breakeven, Breakdance

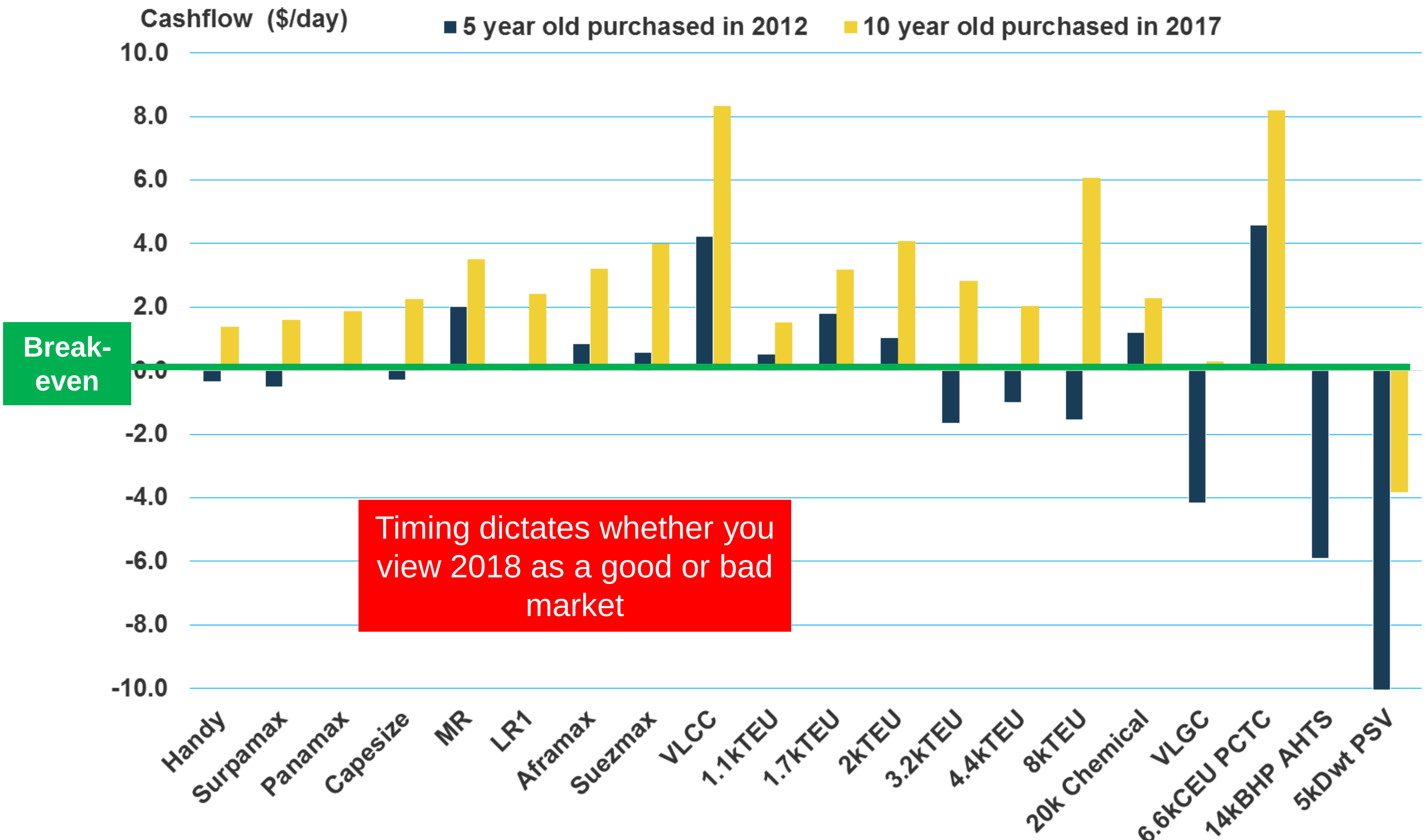
Earnings

Where on the Earnings Cycle Are We?



Schematic for illustrative purposes only!

Breakeven-
Who's Dancing and to What Tune in 2018?

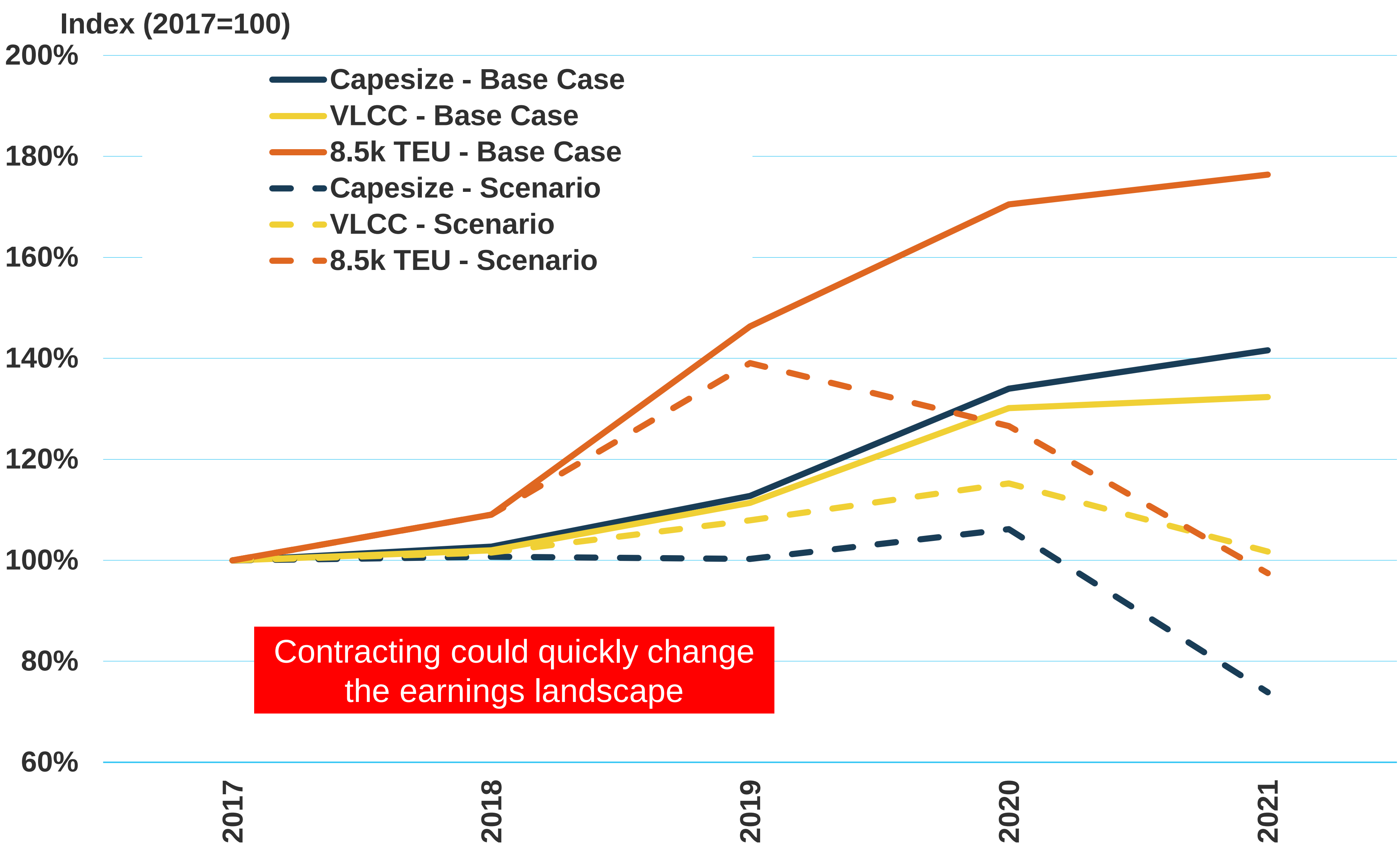


Based on 60% debt financing and daily OPEX only

Put on the Contracting Breaks!

Based on 60% debt financing and daily OPEX only

Breakdown - Contracting Scenario

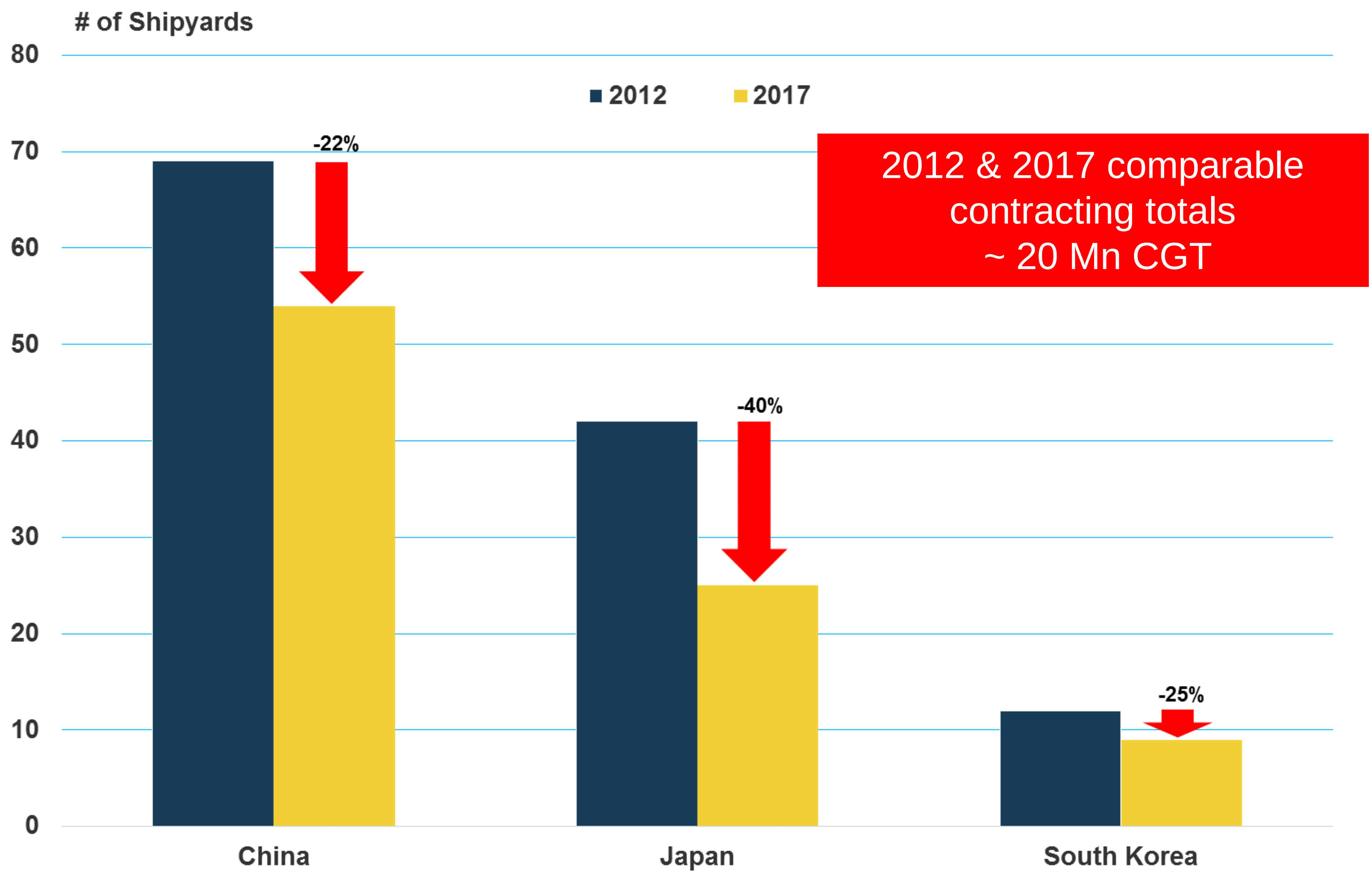


Annual contracting scenario : 50Mn Dwt Bulker, 40Mn Dwt Tanker, 2Mn TEU Container

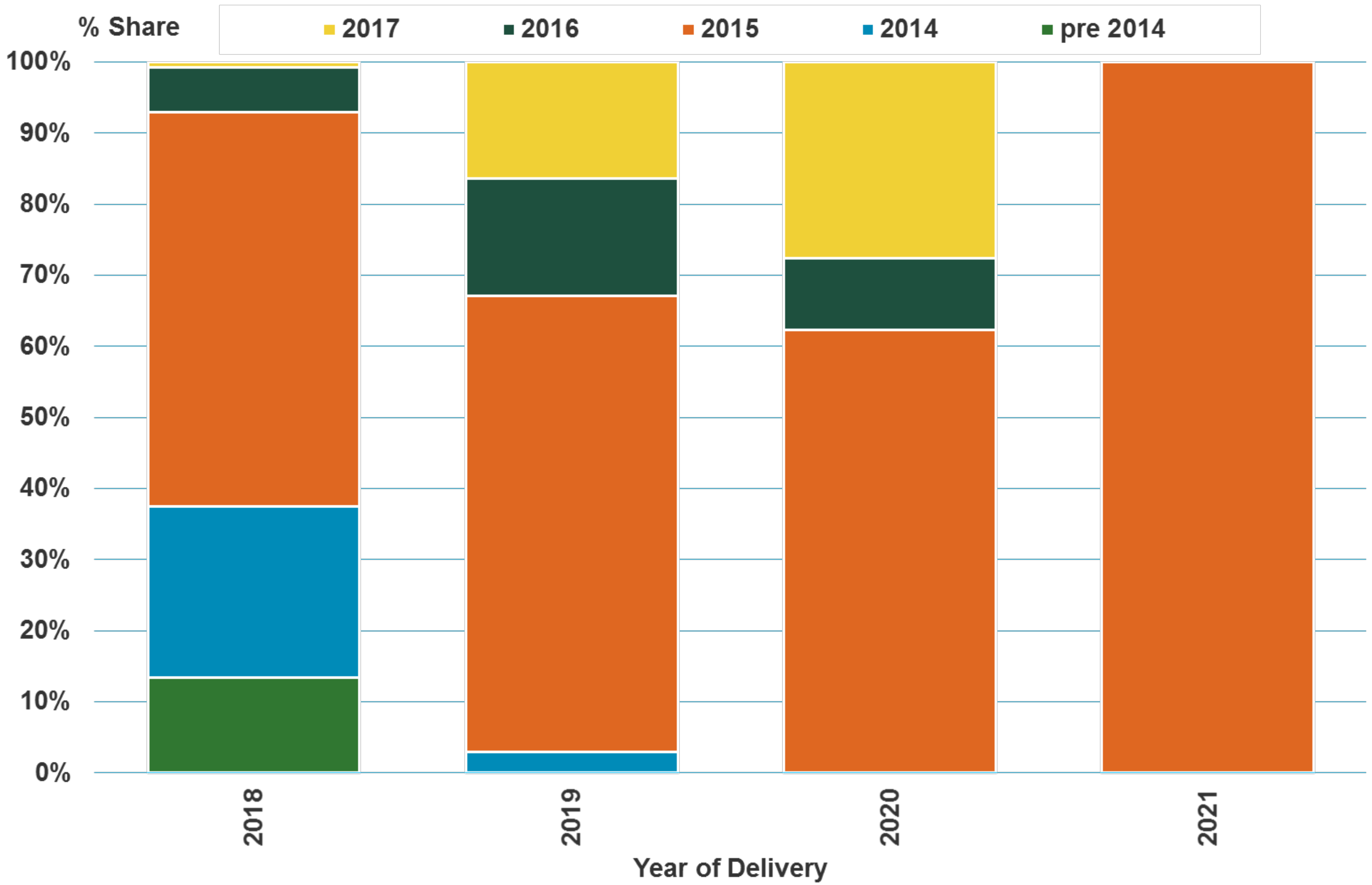
Breakdown, Breakeven, Breakdance

Newbuilding Prices

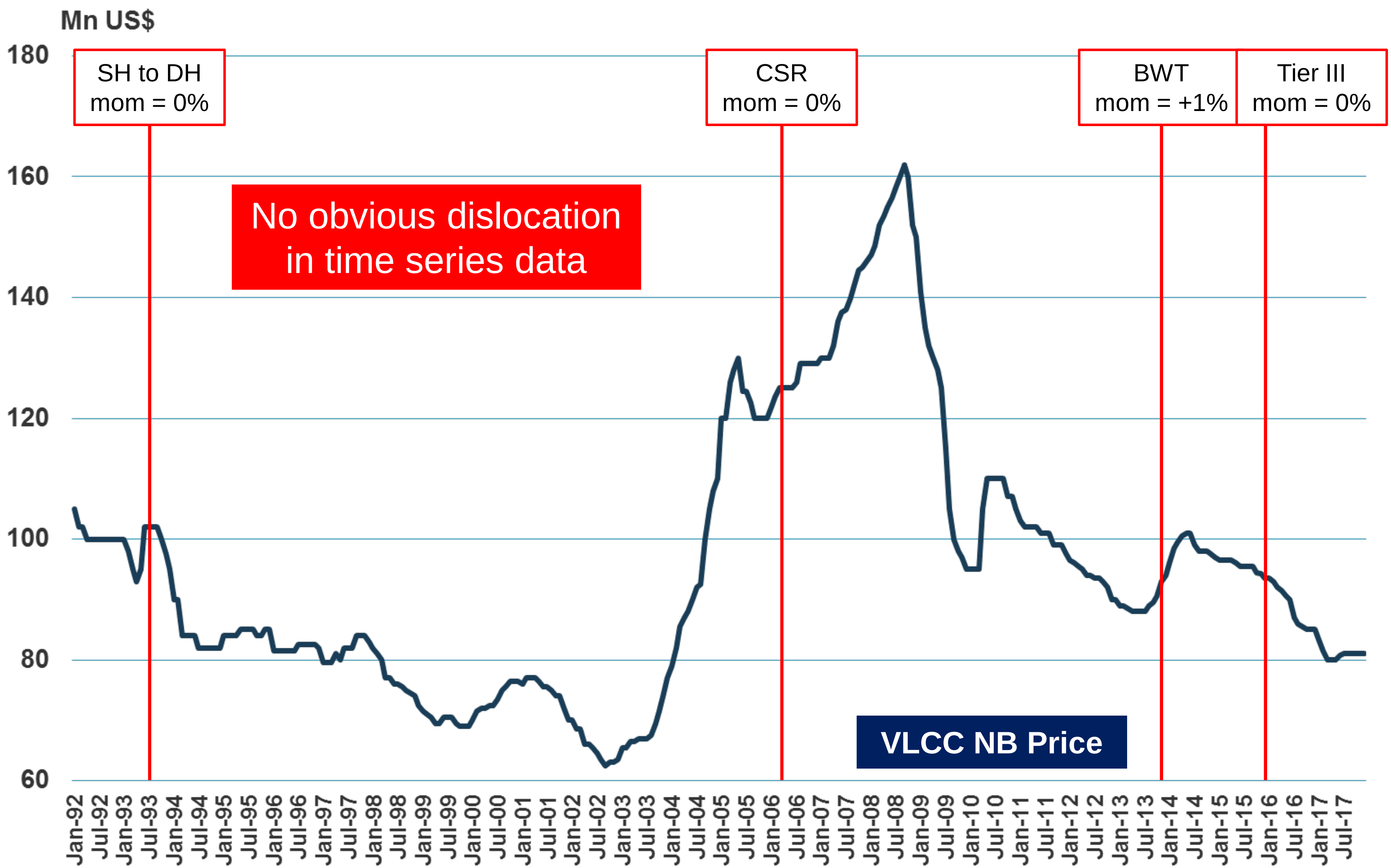
Shipyards Receiving Orders - Consolidation



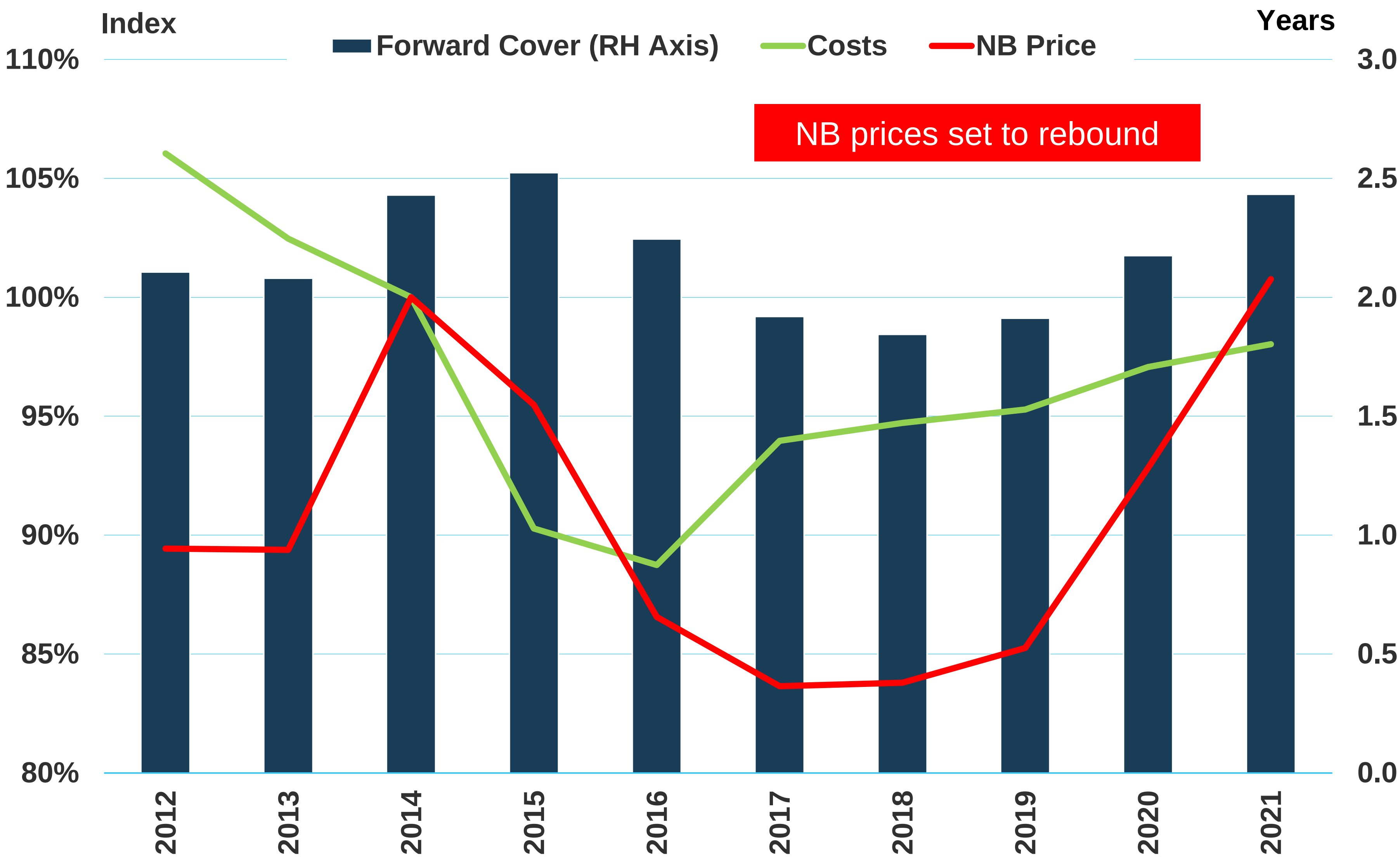
Japanese
Orderbook by Year of Contract



Regulation & Cost Absorption



NB Price Breakthrough



Annual contracting scenario : 50Mn Dwt Bulker, 40Mn Dwt Tanker, 2Mn TEU Container

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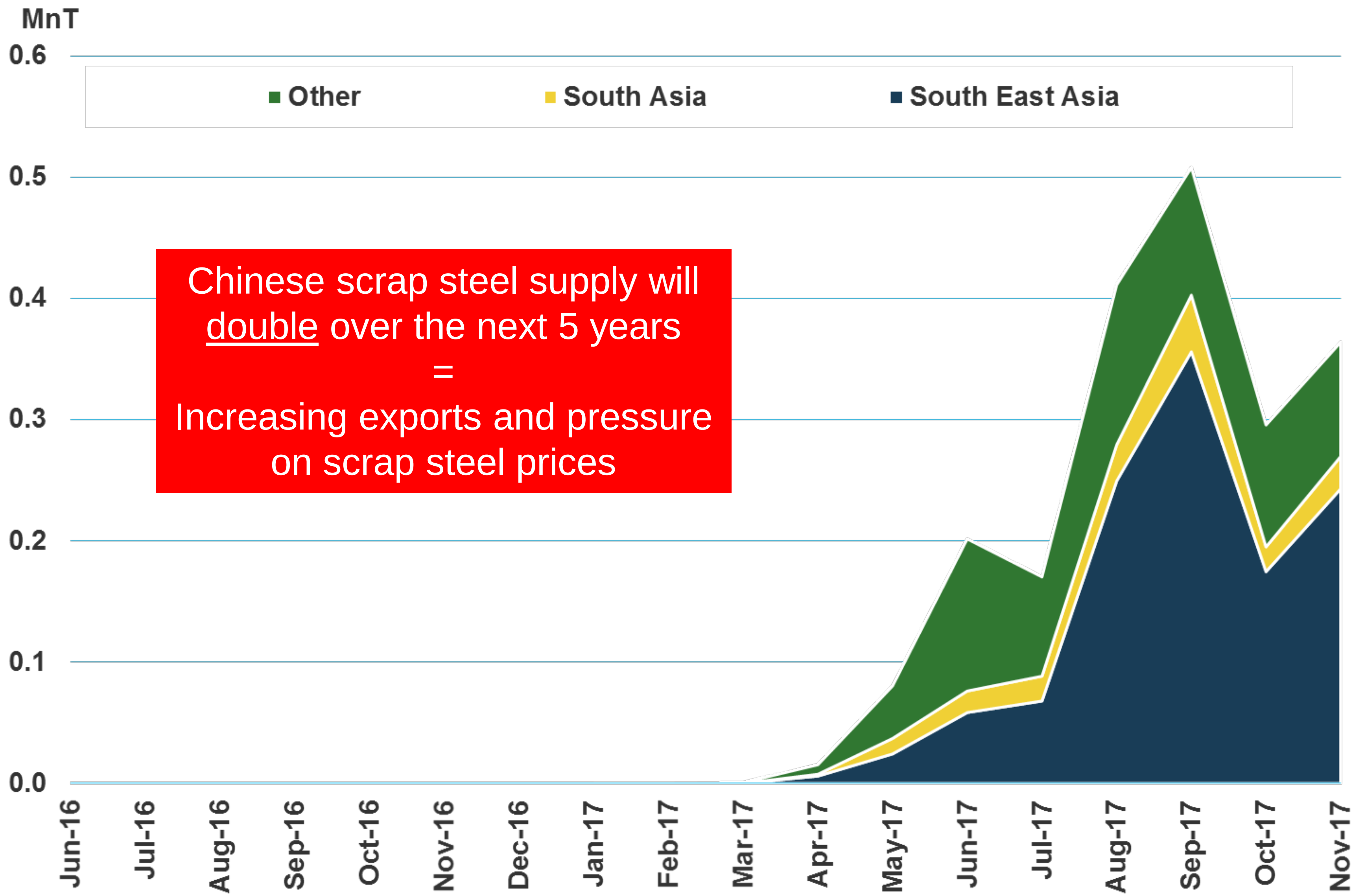
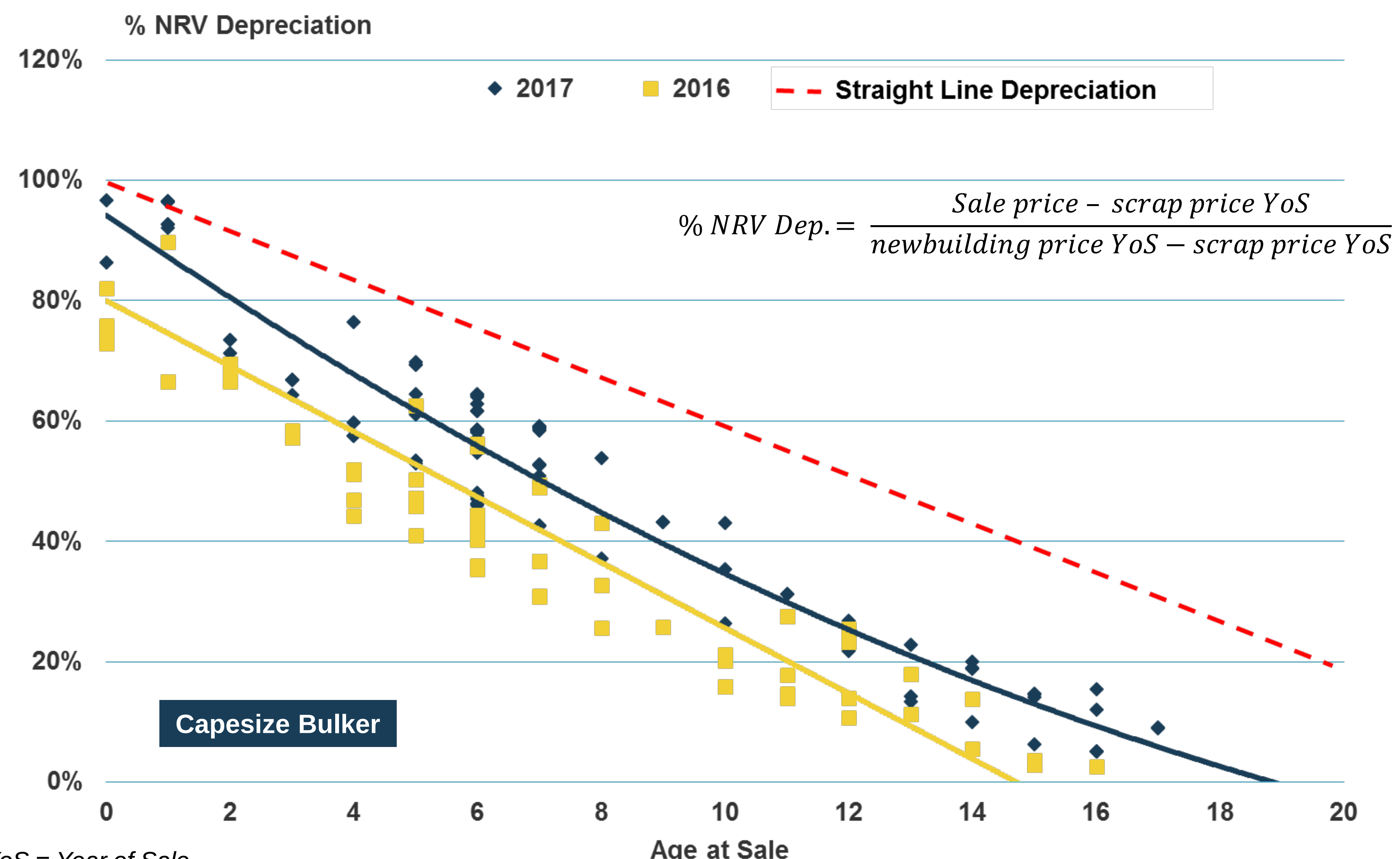
Secondhand Prices

Chinese Scrap Steel Exports

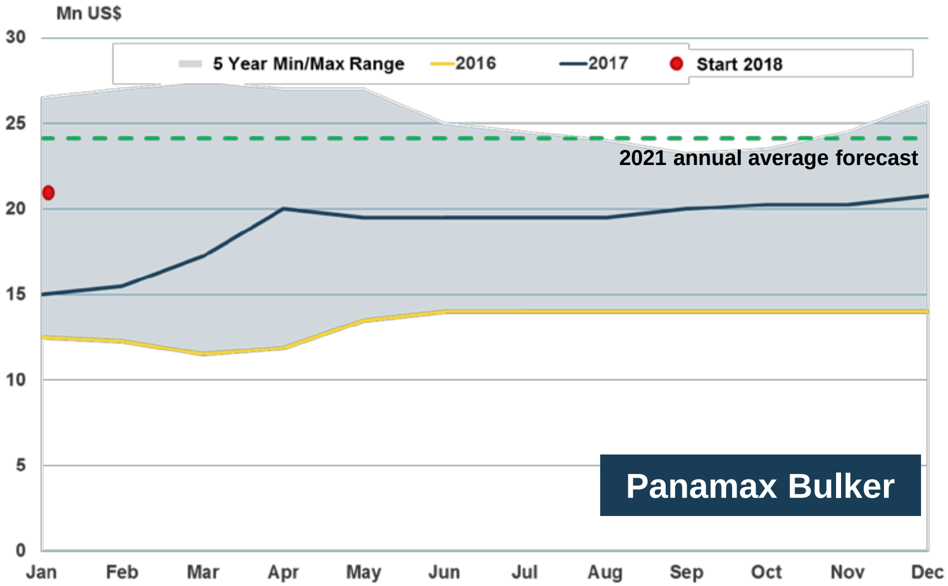


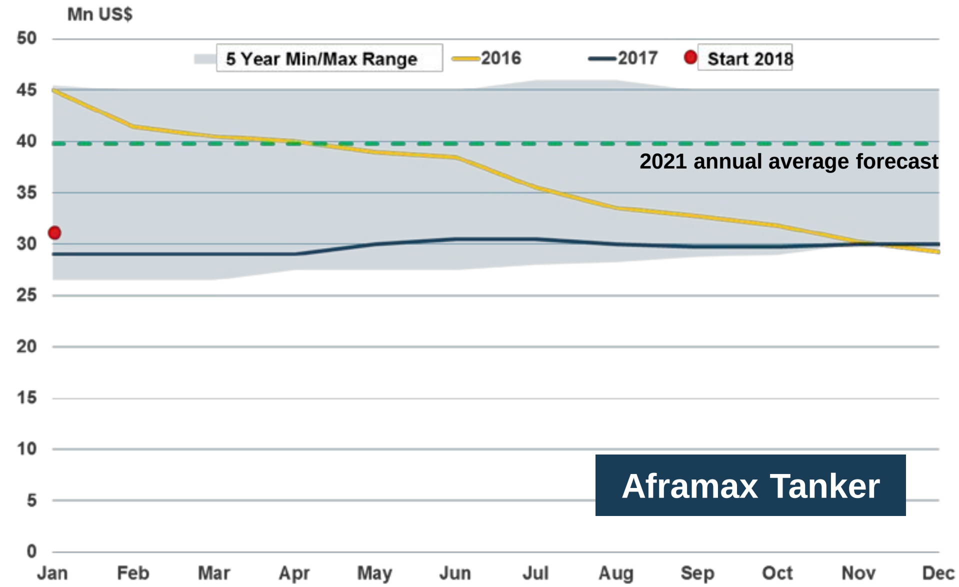
Depreciation Curve

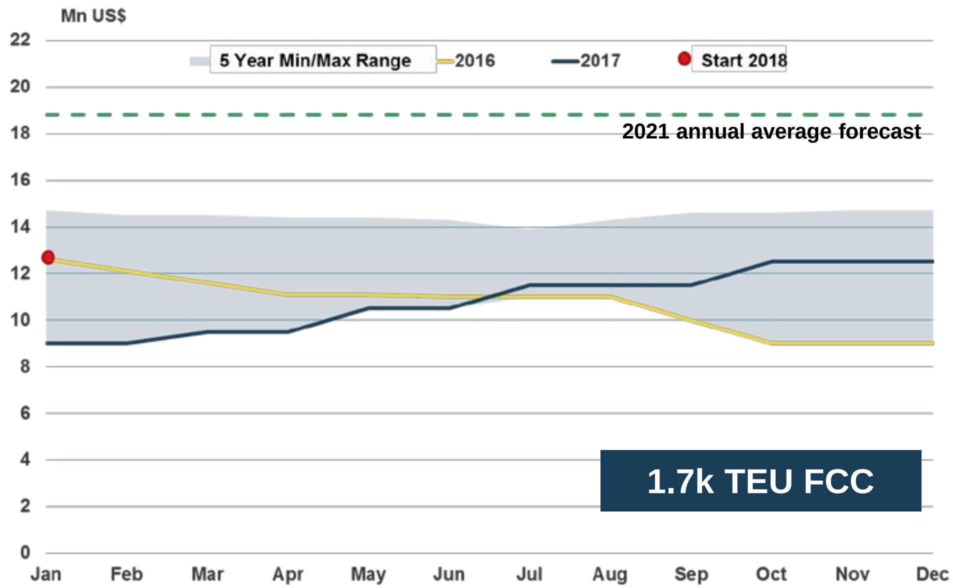


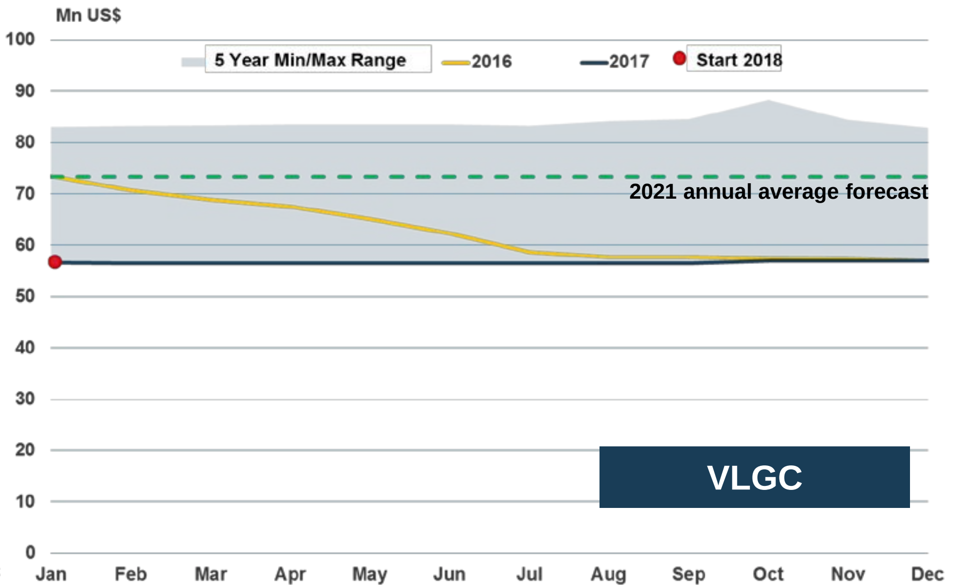
YoS = Year of Sale

5 Year Old Prices









Breakdown, Breakeven, Breakdance

Top Picks

- MSI Forecast Marine eValuator (FMV) is the first web-based tool to provide forecast and historical price data covering virtually all of the deepsea shipping fleet.

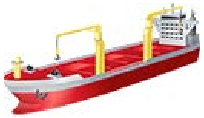
- Data includes forecasts of newbuilding, second-hand prices, 1 year timecharter rates and operating costs for specific vessels.

- MSI FMV draws on MSI's proven, proprietary models and a consistent cross-sectional view across all principal shipping sectors. It puts asset values in the context of the near term market to enable reliable benchmarking with outputs based on annual averages.

- Coverage:

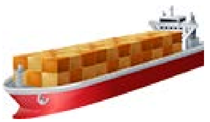

Crude Oil Tanker


Chemical Tanker


Multi Purpose


Product Oil Tanker

LPG Carrier


Containership

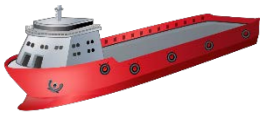

Dry Bulk Carrier

LNG Carrier

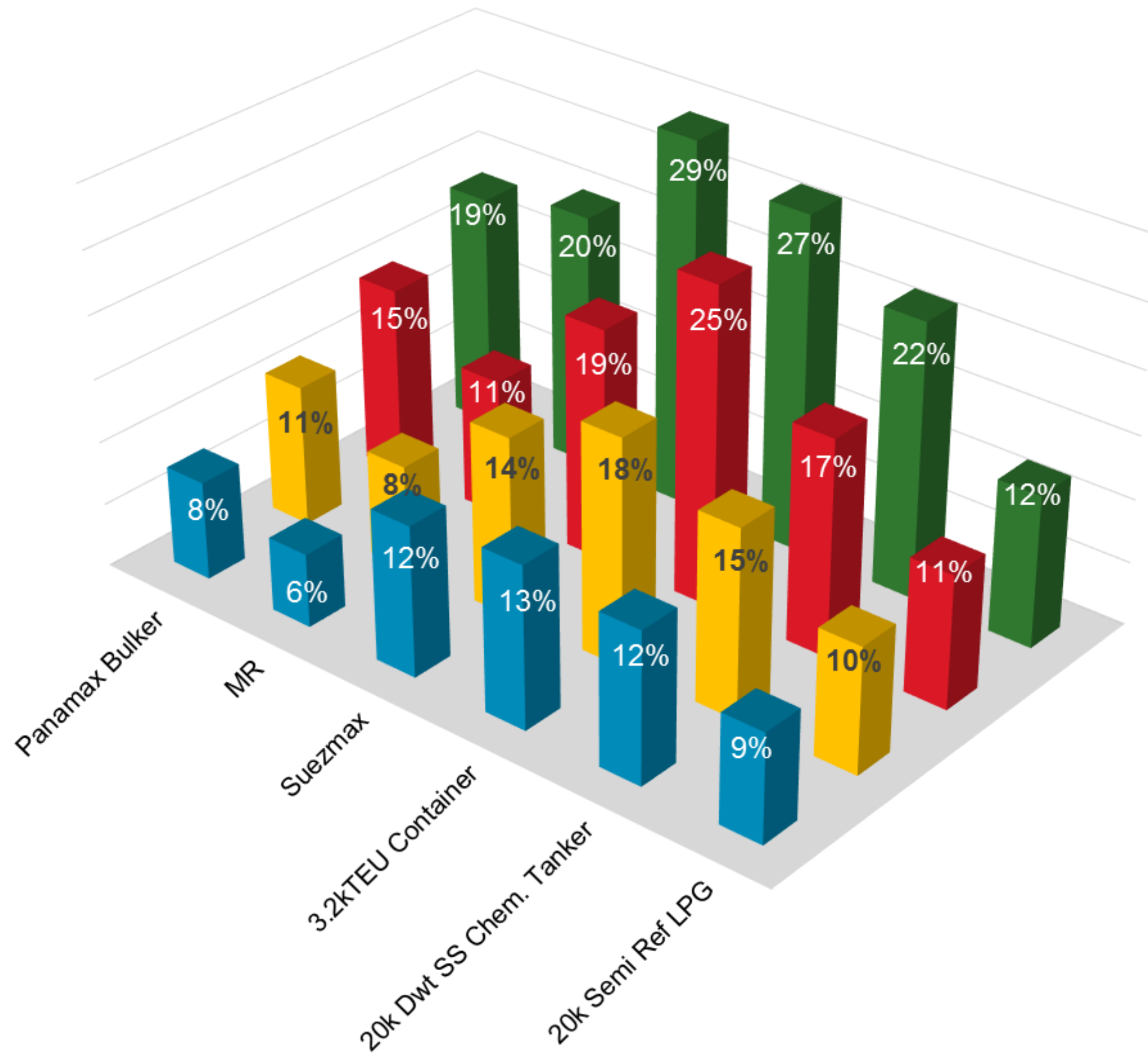

PCC/PCTC


AHTS

www.msiltd.com/fmv


PSV

IRR by Age by Sector



Purhcase age in 2018 (sell end 2021): 0 Year old 5 Year old 10 Year old 15 Year old

Thank you for Listening

MSI Background

For over 30 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 is staffed by economists and scientists offering a structured quantitative perspective to shipping analysis combined with a wide range of industry experience.

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.

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