



9th Annual Capital Link Shipping, Marine Services & Offshore Forum

Wednesday, October 5, 2016
One Moorgate Place, London, UK



IN PARTNERSHIP WITH
Fearnley Securities



IN COOPERATION WITH
**London
Stock Exchange**

CAPITAL LINK'S 9TH ANNUAL SHIPPING, MARINE SERVICES & OFFSHORE FORUM

London, October 25th, 2016

LONDON – The **9th Annual Capital Link Shipping, Marine Services & Offshore Forum** took place in the Square Mile's One Moorgate Place on **Wednesday, October 5, 2016**, will be remembered not only because it surpassed any previous attendance record – over 600 – but because it arrived at a tenuous time in the industry. Among this unpredictability is the opportunity for innovation and global collaboration.

It is organized in partnership with **Fearnley Securities** and in cooperation with the **London Stock Exchange**.

The conference featured senior executives from 24+ maritime companies, financiers and leading industry participants who discussed the current outlook of the various shipping, marine services and offshore markets and in addition also covered topics of critical interest to the shipping industry participants.

The Forum consisted of a series of panel discussions on shipping sectors and critical industry topics as well as one-on-one meetings.

Nicolas Bornozis (President & CEO - Capital Link) welcomed all attendees. He pointed out that this Forum is in its ninth year and thanked the long standing cooperation with the London Stock Exchange. He also thanked Fearnley Securities partnering for this conference. This Forum has always been a center for providing investors in the UK and Europe with a comprehensive review and current outlook of the various shipping markets, marine services and offshore markets, as well as an update on the other issues of critical importance to the industry.

Even Matre Ellingsen (CEO - Fearnley Securities) started off the Forum with the **Opening Remarks**.

Tom Attenborough (Head of UK & Large Caps, Primary Markets - London Stock Exchange) took the podium for his presentation on **London as a Global Capital Raising & Investment Destination**.

Martin Stopford (Non-Executive President - Clarkson Research Services Limited) then proceeded to present on the **Global Shipping & Shipbuilding Markets – Overview & Outlook**.

Jonathan Staubo (Shipping Analyst – Fearnley Securities) moderated the **Dry Bulk Sector Panel** with panelists: **Gary Vogel** (CEO – Eagle Bulk Shipping (NASDAQ:EGLE)), **Birgitte Ringstad Vartdal**, (CEO – Golden Ocean Group), **Stamatis Tsantanis** (CEO – Seenergy Maritime Holdings (NASDAQ:SHIP)), **Simos Spyrou** (Co-CFO – Star Bulk Carriers (NASDAQ:SBLK)), **Jens Ismar** (CEO – Western Bulk Chartering) and **David Morant** (Managing Director – Scorpio Group UK)

All members of the panel were successful at raising capital during 2016, commenting that although the interest in the sector was not overwhelming, they did see fresh equity investors participating. Some of the key attributes in a company sought by these investors were runway, growth, strategy, efficiency, transparency, governance and limited downside of operations. In terms of strategy, companies need to be patient and reposition to focus on the right class of assets and improve capital structure. Chinese boom is over and the economy is expected to grow at 1-3% over next years. While there is lots of uncertainty and demand is volatile, it's better to play the short term market instead of speculating. There is no sense for management to look at new builds given the deep price differential of a 5 year old vessel, so it's better to look at the second hand market. Typically, scrapping rates tend to tip when market picks up but might increase with the potential implications of the Ballast Water Convention regulations which are said to be enforced possibly in 4Q2017. Owners don't want to go through the one-off expense this could imply. In some cases, members of the panel agreed that there might be some room to continue to cut SGA and Operating Expenses, but there is a limit to this given that they prioritize quality and will not compromise safety of their operations. The deferment of maintenance or the purchase of spare parts can be a short term gain that can turn to a long term pain. The optimization of business operations using chartering pools and spot exposure, rather than fix long term contracts, as well as minimizing counterparty risk by having close and solid relationships with stakeholders, are all very important factors that have had an impact on earnings. The outlook expectations for 1Q2017 are better than 1Q2016 and in general quite optimistic, but some prefer that rates remain low so scrapping continues to eliminate excess supply. Analysts say that 2016 is



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the year to buy dry bulk stocks and prices of peer companies have already seen an increase given the bullish outlook and recent surge in asset value which continues to be quite depressed in comparison to historic levels.

Espen Fjermestad (Analyst – Fearnley Securities) moderated the **LNG Shipping Sector Panel** with panelists: **Sveinung Stohle** (CEO – Hoegh LNG), **Paul Wogan** (CEO – Gaslog) and **Anita Odedra** (EVP Commercial – Maran Gas)

The LNG spot market has firmed throughout the summer, and expectations are that things will improve further in the years to come on the back of strong growth in volumes and limited speculative NBs (less than 10% of current OB are without contract). Some are however concerned that the main off takers of LNG, which are Japan and South Korea, will not take all of the new production from the US and Australia coming on stream in the next 2-3 years (140MT). The panel commented that although these players are not currently increasing their stake of the 270MT produced, they will continue to take a significant portion of global production. New markets for this product are located in the Middle East, South America, the Caribbean, and Africa. In some cases, these markets had been using oil as a main source of electricity where indigenous gas has been dying out or to secure and diversify supply. The transition to gas has been partly made possible thanks to the affordable price and abundance which gives buyers confidence to switch to LNG for their energy supply, as well as new flexible, timely and effective importing terminals such as floating regasification structures. An issue that remains unsolved is pricing: Henry Hub, NBP or oil indexed? In terms of financing, the members of the panel admitted that the capital markets are open and will be used when needed, using not only the debt and equity markets but also alternative sources such as the Nordic bond markets and MLPs.

Hans Feringa (President & CEO - Team Tankers International Ltd. and **Mark Roberts** (Director, Specialized Products – Clarksons Platou Shipbroking) presented on **Chemical Tankers Sector Panel**.

Stuart McAlpine (Partner – Clyde & Co. LLP) moderated the **Shipping & Bank Finance Panel** with panelists: **Joep Gorgels** (Managing Director, Country Executive for Norway – ABN AMRO Bank), **Chris Conway** (Managing Director, Global Head of Shipping & Offshore for Export Agency Finance – Citi), **Michiel Steeman** (Managing Director, Shipping Finance Europe – DVB Bank), **Ilias Katsoulis** (Managing Director – Deutsche Bank) and **Kjartan Bru** (Head of Shipping, Offshore & Logistics, CEMEA – DNB)

The internal regulations that banks are facing are based on factors like credit policy and compliance. In the current low interest rate environment, getting the right balance of risk and reward is more important than ever. There are also portfolio pressures on the banks. Most are struggling with parts of their portfolios. If the market has fallen and the portfolio performance stays the same, this indicates that value was created. The partnering between banks and shipping companies and the Asian lessors is gaining in importance but is mainly open to companies with good credit quality and liquidity. Banks are selective as to who they work with. Bank losses in shipping are relatively low when compared to other sectors. What banks could have done differently in the past 10 years would be to pay more attention to the cyclicity of the industry. In the future, banks' participation in the shipping industry will be marked by lower capacity. The global fleet is suffering from over capacity and demand has to catch up or the number of vessels needs to shrink. At the moment, gearing is low and should remain low. It is important that players in the industry are committed long term and take cyclicity into account. There is a lot of liquidity in the Asian markets in particular among the ECAs. There should be a larger drive for sustainability in the future and more eco vessels are likely to figure. ECAs are taking hits on their portfolios but they are aware of the business cycle. It is important to focus on target markets and continue to be profitable.

Robert Lustrin (Partner - Seward & Kissel) presented on **Current Trends in the US Capital Markets – Elements of Successful Transactions**.

Rolf Johan Ringdal (Partner – BA-HR) moderated **Shipping & Capital Markets Panel, Are Capital Markets Open to Shipping?** with panelists: **Alexander Argyros** (Head of Investment Banking Division – AXIA Ventures Group), **Karl Fredrik Staubo** (Managing Director Shipping – Clarkons Platou Securities), **Rikard Vabo** (Partner, Head of Corporate Finance – Fearnley Securities) and **Jeffrey Pribor** (Managing Director & Global Head of Maritime – Jefferies)

Capital markets are selectively open to shipping but always depend on products and the right structures. The industry has to get used to different prices all the time due to the business cycle, including tonnage over-supply and macro-economic challenges. Current shipping capital market activity is low, with virtually no shipping IPOs, but follow-on capital raises and bond issues for good names are still possible. It is important to think about where the industry is at in terms of the business cycle in order to take market sentiment into account. Market capitalization and pricing indicate the interest of institutional investors, and pricing is generally richer and more attractive to issuers in the large and more active US market than in Europe. There are recent reports of Scandinavian investors investing in the US instead of Norway, but there should still be a



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market for the smaller and mid-sized deals in the more documentation-light high yield and private placement market in Oslo. Going forward, corporate governance issues, transparency and alignment of interests between sponsors, managers and investors will be important for raising capital.

Robert Perri (Director – AXIA Capital Markets LLC) moderated The LPG Sector panel. Panelists included: **John Lycouris**, (CEO – Dorian LPG (NYSE:LPG)), **Vassilis Kertsikoff** (Vice Chairman – Eletson Holdings) and **Charles Maltby** (Chairman & CEO – Epic Gas).

The LPG sector has been “bouncing on the bottom” for some years now despite the growth observed in areas such as petrochemicals and the car industry since the growing demand has not been enough to match the over-ordering the market has witnessed, which has caused an increasing supply of vessels. Important factors to take under consideration are the extra volume coming from Iran and Iraq, as well the US shale production. On a more positive note, increased demand is expected from countries such as India and Indonesia, but most importantly we will see solid scrapping activity in some size classes as the LPG is an aged fleet with 15-20% of the vessels over 20 years old.

Panos Katsambas (Partner – Reed Smith) moderated The **Shipping, Private Equity & Alternative Financing Panel** with panelists: **Andreas Povlsen** (CEO – Breakwater Capital), **Tor Kildal** (Partner – Fearnley Project Finance), **Paulo Almeida** (Portfolio Manager – Tufton Oceanic Ltd.), **Aziz Hassanali** (Founder & Managing Partner – Bateleur Capital LLC) and **Michail Zekyrgias**, (Managing Director – Bank of America Merrill Lynch)

Continuous market turmoil has not been helpful to some private equity investors in shipping though the alternative capital they provide is here to stay, but perhaps getting involved in different type of deals than more traditional private equity style joint ventures. There is definitely a huge gap in credit to be covered as banks shy away from extending credit to all but the top percent of the market. Likewise, there are opportunities in the secondary debt market and we have witnessed funds bidding for non-performing loan portfolios. Recent developments have also clearly highlighted the fact that shipping may require longer term capital to match the long term asset needs. There is an important role for private equity to play in the industry and the challenge will remain to find the right relationships and opportunities for that role to be fulfilled.

Lindsey Keeble (Partner, Head of Maritime Practice - Watson Farley & Williams LLP) presented on **Restructuring as a Business & Investment Opportunity** before the **Restructuring Panel**.

Kaare Christian Tapper (Partner - Wikborg Rein) moderated the **Restructuring Panel** with panelists: **Per Olav Karlsen** (CEO and Managing Partner – Cleaves Securities), **David Soden** (Partner – Deloitte) and **Axel Siepman** (Managing Director – NAVES Corporate Finance)

Captain Stephen Bligh (Senior Principal Consultant, Head of Section, Maritime Advisory – DNV GL), **Andreas Hadjipetrou** (Managing Director – Columbia Shipmanagement) and **Yuri Borodulin** (Managing Director – Kazmortransflot UK) presented on **Optimizing Fleet Efficiency/Maximizing Cost Savings**.

Companies must find a balance between reducing costs and ensuring quality. The theme of the panel was around how both large and small operators are able to provide high-standard shipping services while optimizing on expenditures. Issues such as condition based vs planned maintenance, the use of original vs non-original spare parts were discussed, and the importance of well-trained crew. It was jointly concluded that shipping companies optimize costs based on their own needs and their own market segment and liquidity situation thus one rule may not apply to all.

Finally, Glenn Lodden (Senior Equity Research Analyst, Shipping – ABN AMRO) moderated **The Tanker Sector panel** (Crude & Product). Panelists included: **Anthony Gurnee** (CEO – Ardmores Shipping Corporation), **Kim Ullman** (CEO – Concordia Maritime), **Marco Fiori** (CEO – d’Amico International Shipping (Borsa Italiana:DIS)), **Ted Petrone**, (Vice Chairman – Navios Corporation), **Eddie Valentis** (CEO – Pyxis Tankers), **Jacob Meldgaard** (CEO – TORM A/S) and **Michael Jolliffe** (Co-Founder & Vice Chairman – Tsakos Energy Navigation).

The main theme of the panel was the effect of the “oil hangover” in today’s market, and how this has impacted the tanker sector. The vast amounts of oil that have been pumped by both OPEC and non-OPEC members have played a significant role in tanker hires over the last year. The tanker sector expects reduced delivery of ships going forward and a further decrease in the order-book. This is primarily due to reduced financing by the banks and cautious ship owners. Panelists indicated that a possible downturn in tanker rates will be due to a reduced demand from the oil side rather than an increased supply on the



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vessel side. A final key point is that the Asian markets are holding steady, with refineries opening in China and Southeast Asia which will increase tonne mileage for clean product vessels.

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ABOUT CAPITAL LINK

Founded in 1995, Capital Link is a New York based investor relations, financial communication and advisory firm with strategic focus on the maritime, commodities and energy sectors, MLPs, as well as Closed-End Funds and ETFs. In addition, Capital Link organizes ten investment conferences a year in the United States, Europe and China all of which are known for combining rich educational and informational content with unique marketing and networking opportunities. Capital Link is a member of the Baltic Exchange. Based in New York City, Capital Link has presence in London, Athens & Oslo.

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