



Fold, Hold, Double Up - which hand to play next?

James Frew - Maritime Strategies International (MSI)
2017 Capital Link New York Maritime Forum

Fold, Hold, Double Up - which hand to play next?

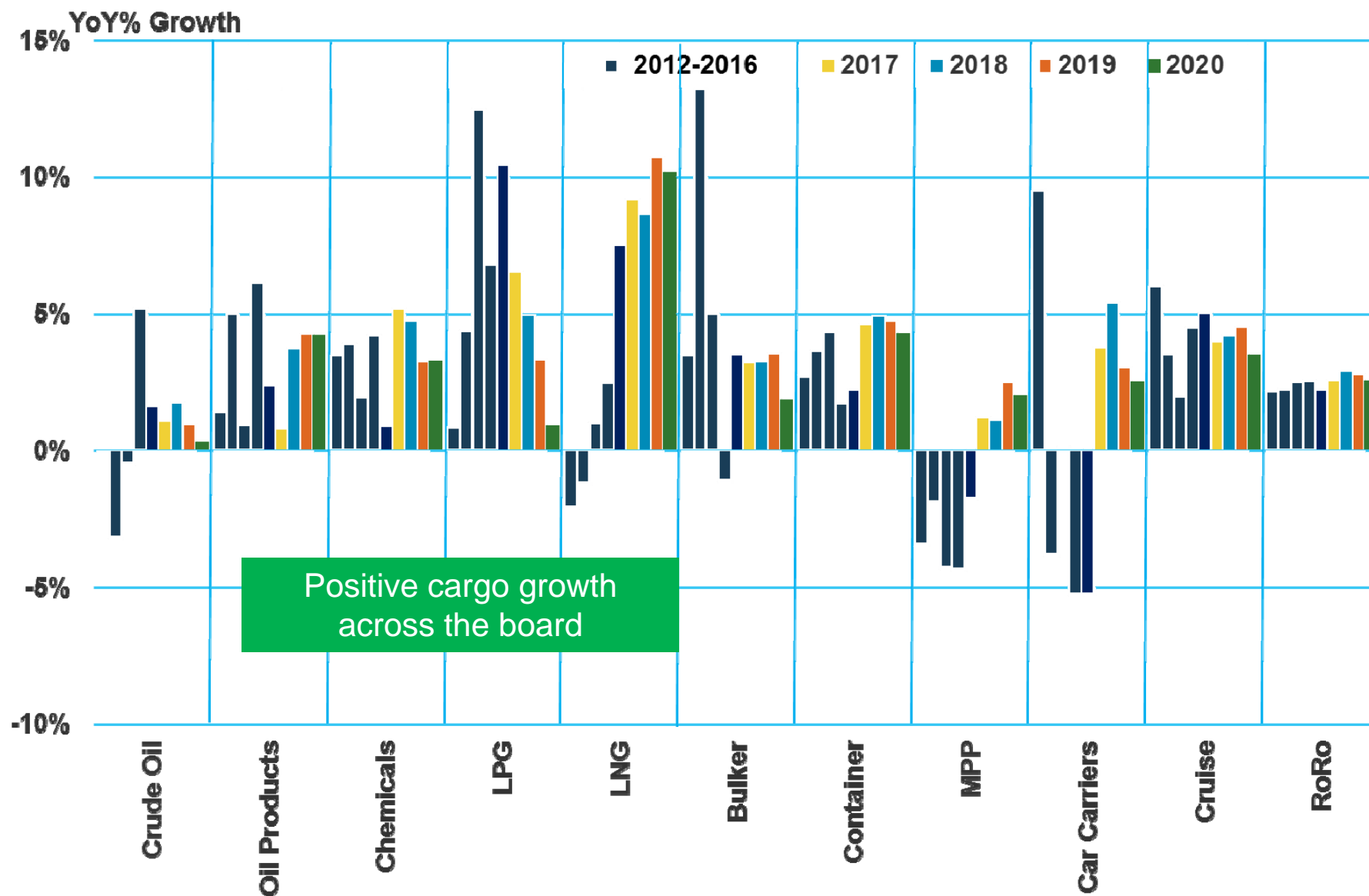


Fold, Hold, Double Up

Demand

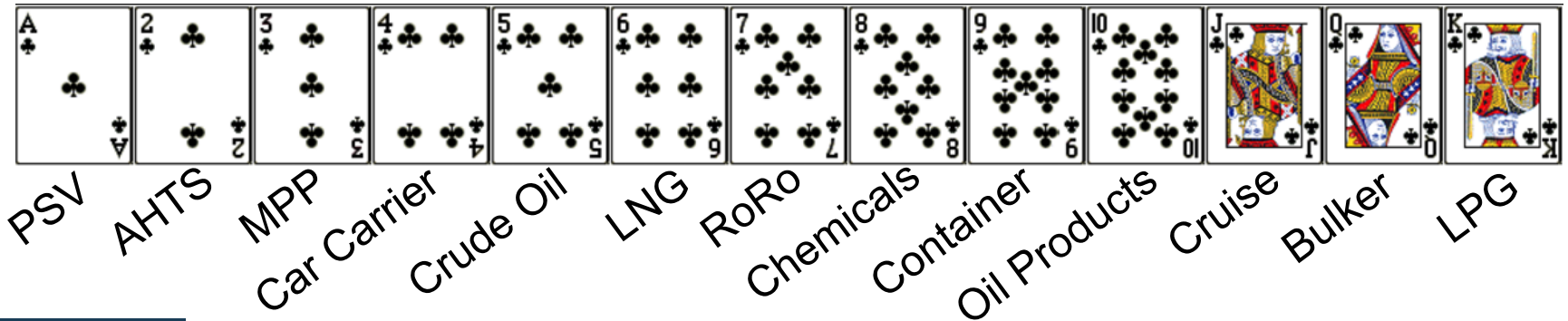


Seaborne Cargo Growth - Positive

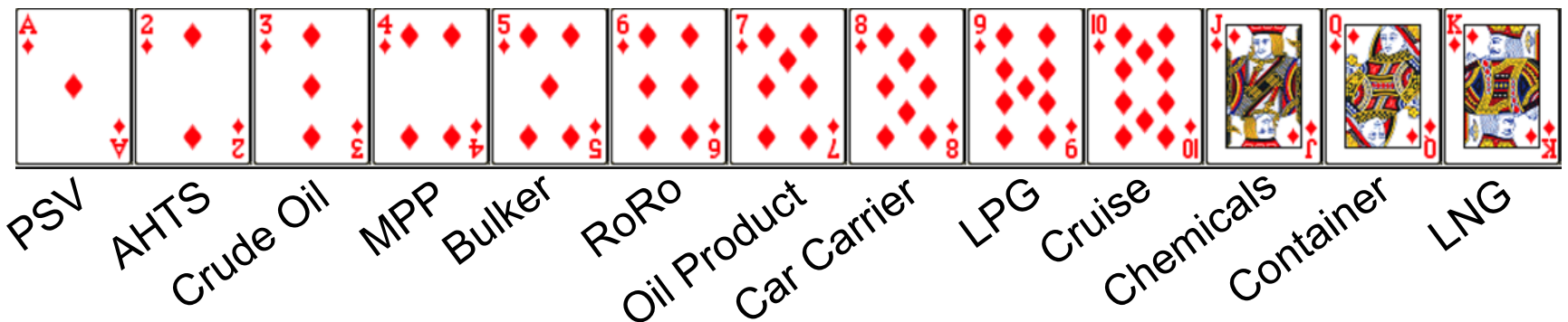


Average Annual Cargo Growth – Relative Ranking

Historical 2012-2016



Forecast 2017-2021

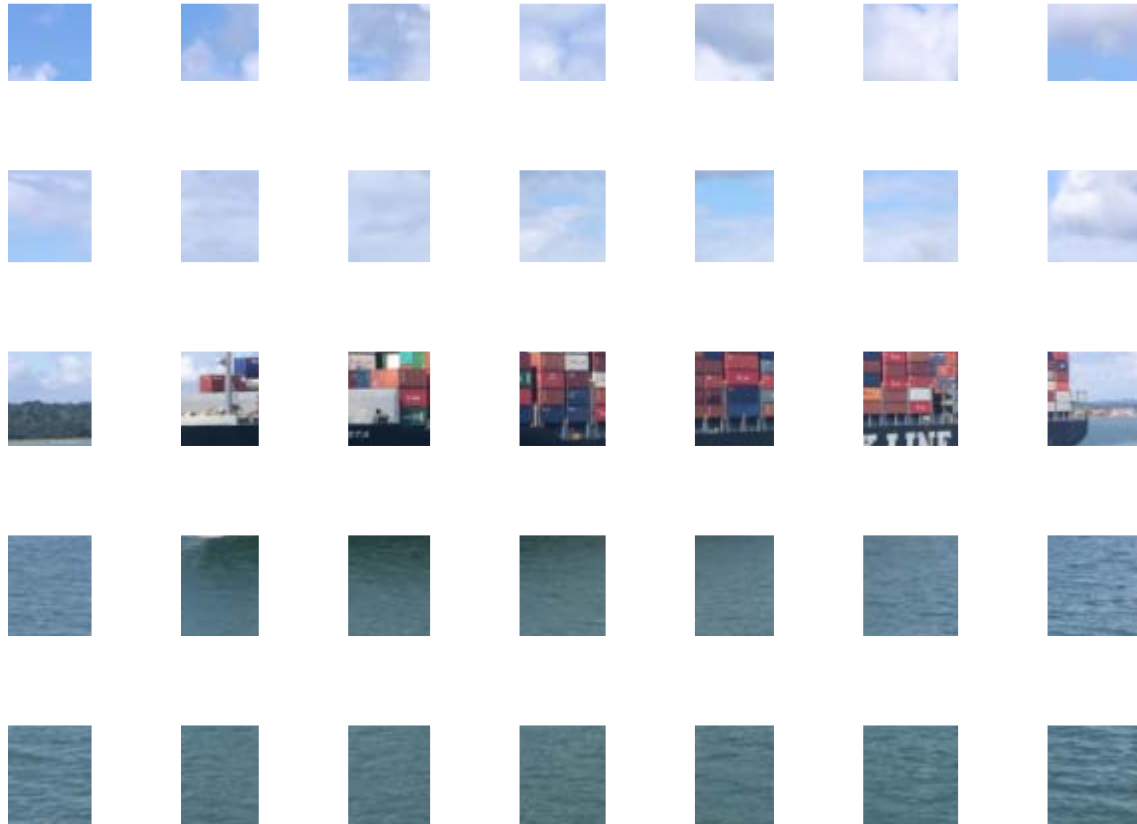


Ranking Movement (Forecast v Historical)





Cargo Growth Only Presents Part of the Picture



How Many Ships?



Routes



Distance



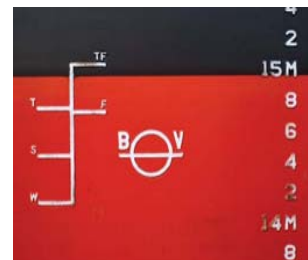
Speed



Waiting/Port Time

OCTOBER 2012						
MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SAUNDAY	SUNDAY
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Operating Days



Ballast Ratio

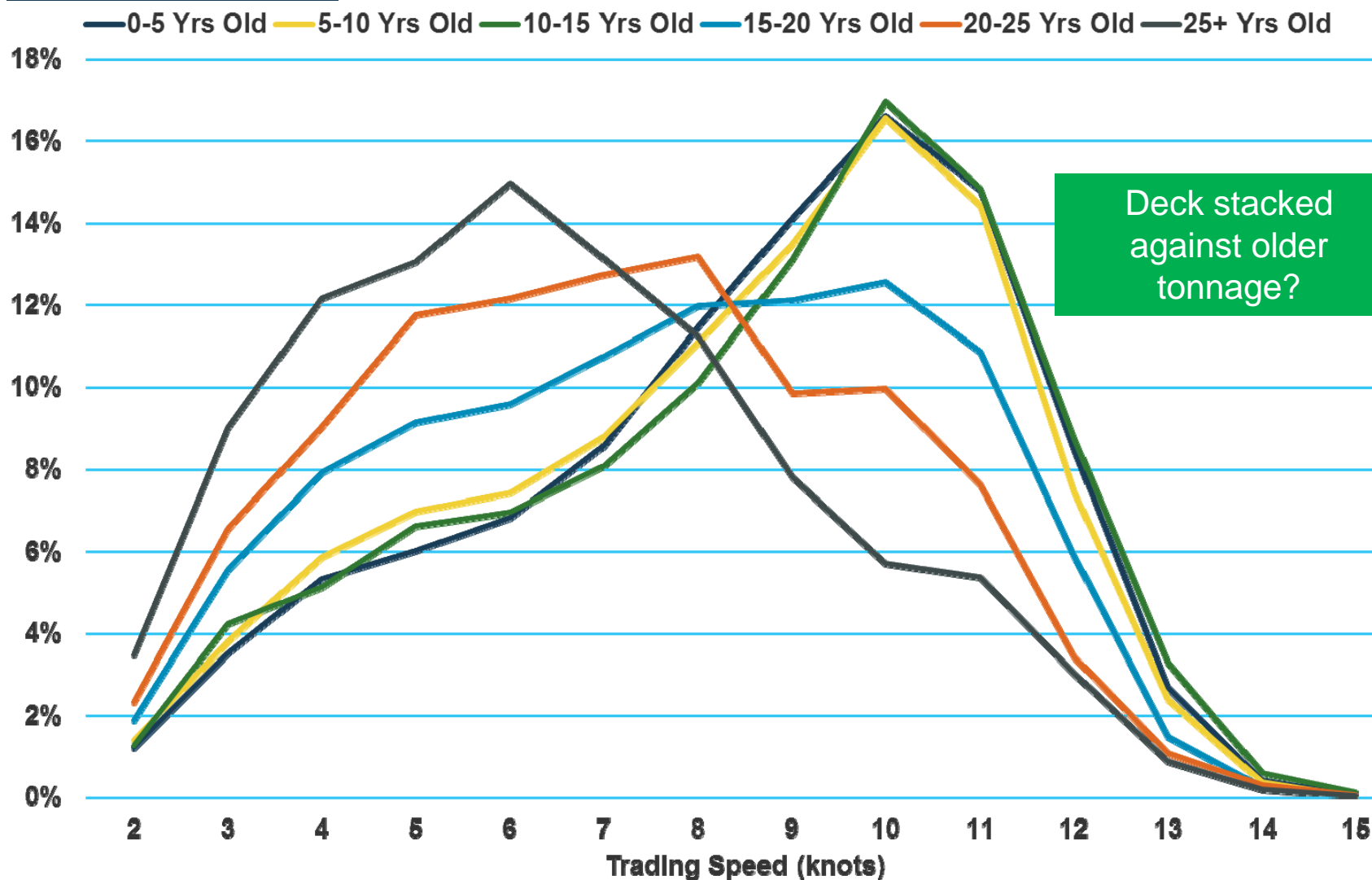


Carrying Capacity



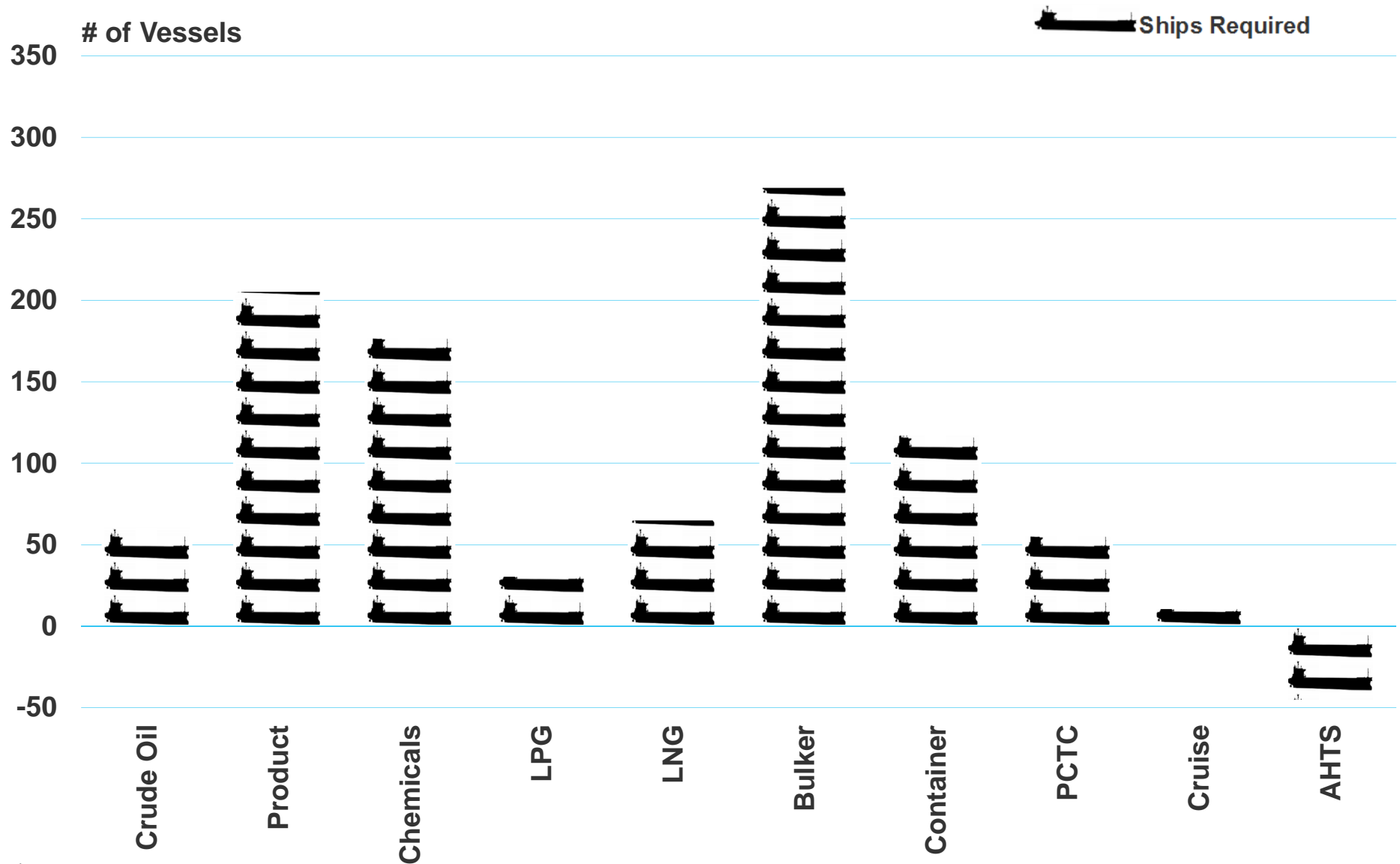
Size Changes

Dry Bulk Effective Speed*

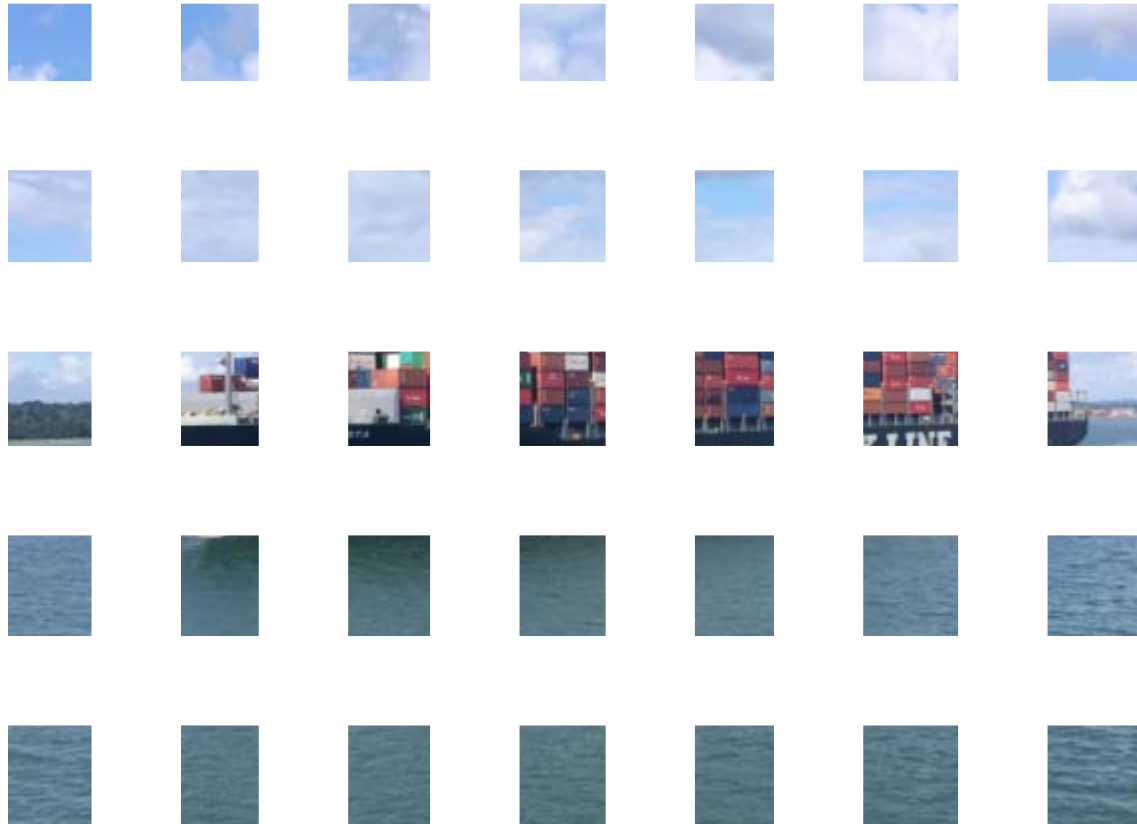


* Calculation is representative of port-to-port speed, including slow steaming, anchoring, waiting etc.

Incremental Vessel Requirements (H2 2017-2019)*



* Assuming a current supply-demand equilibrium

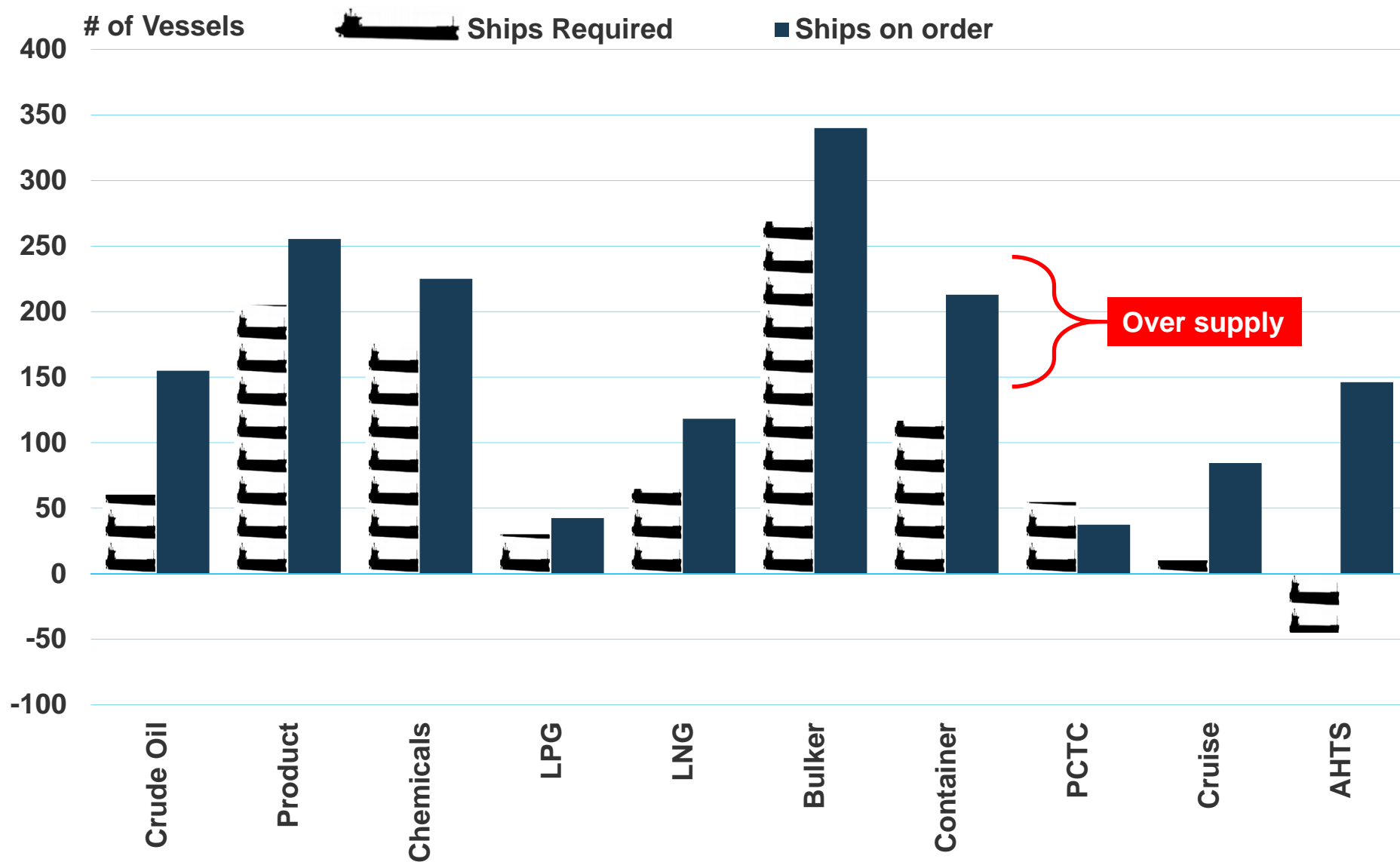


Fold, Hold, Double Up

Supply



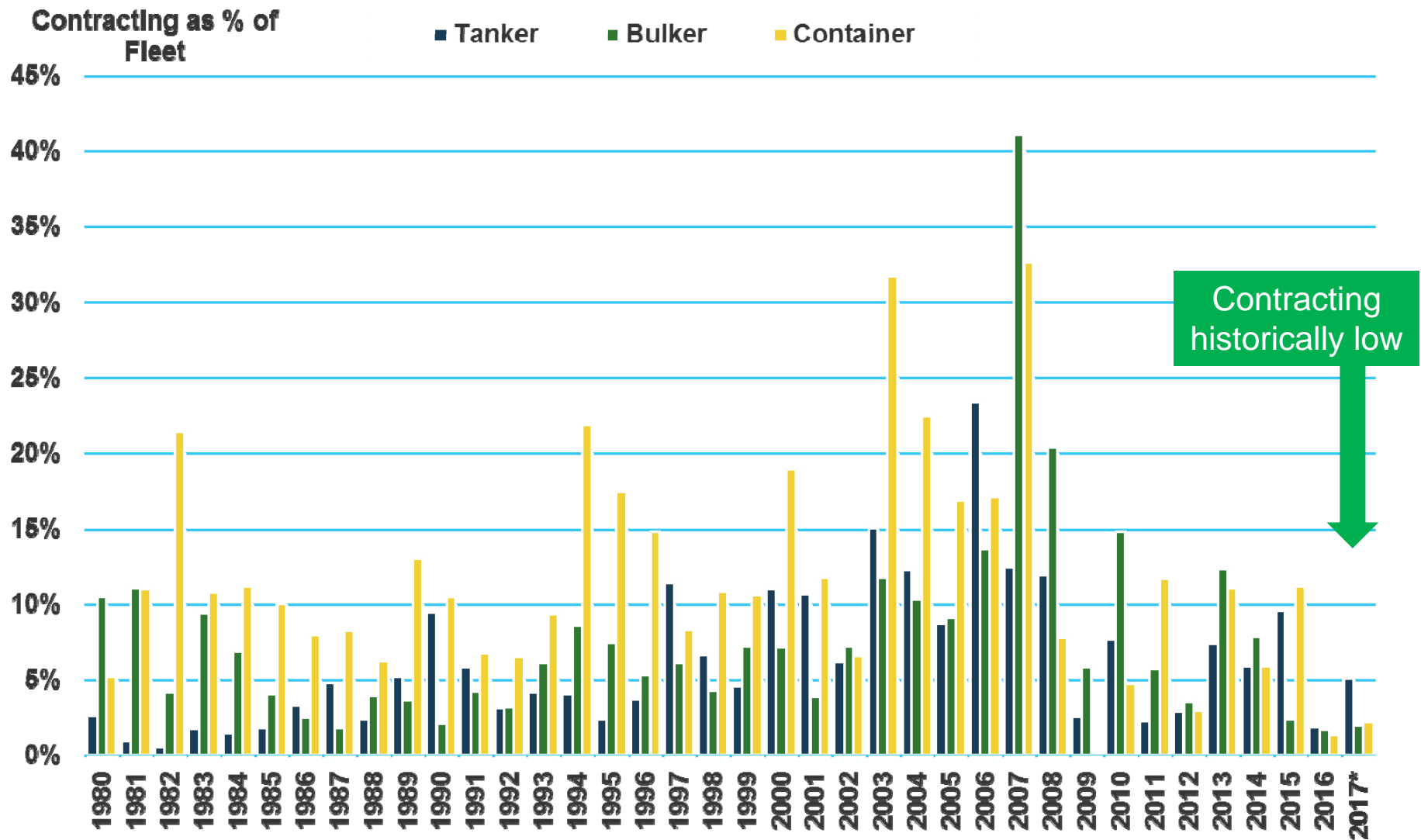
Vessel Requirements (H2 2017-2019) v's Current Orderbook



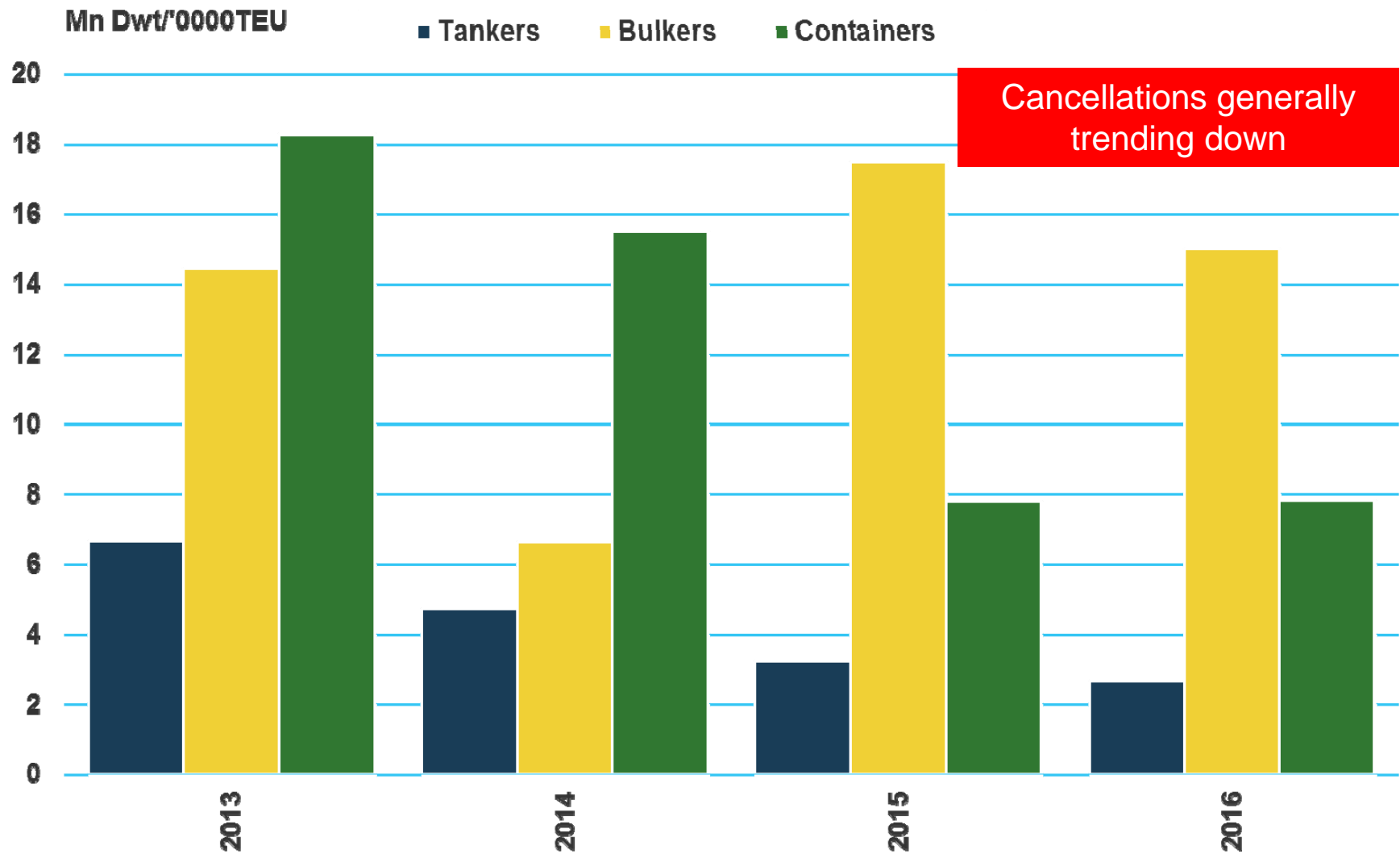
Supply Side - 3 Card Trick

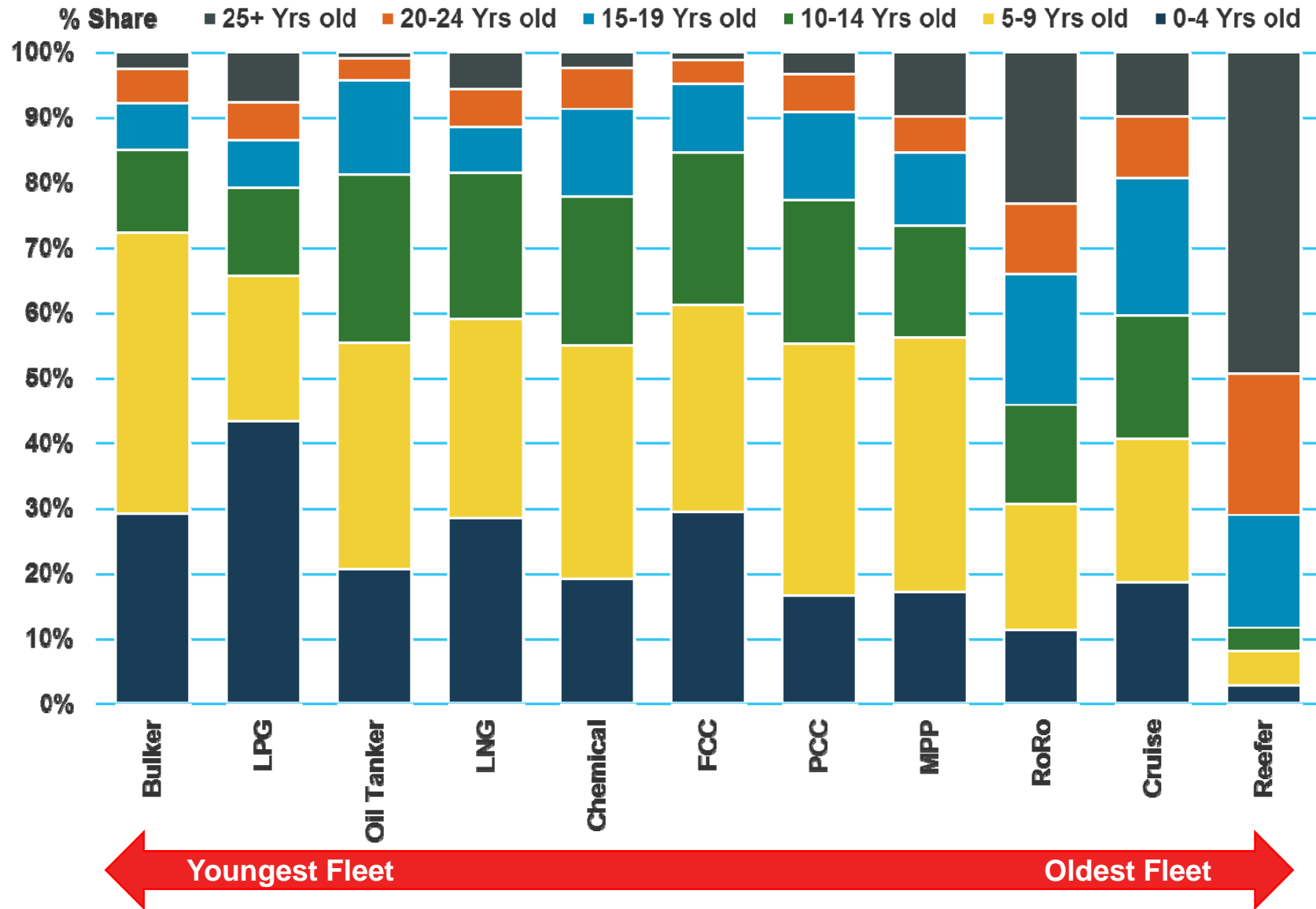


Contracting as % of Fleet

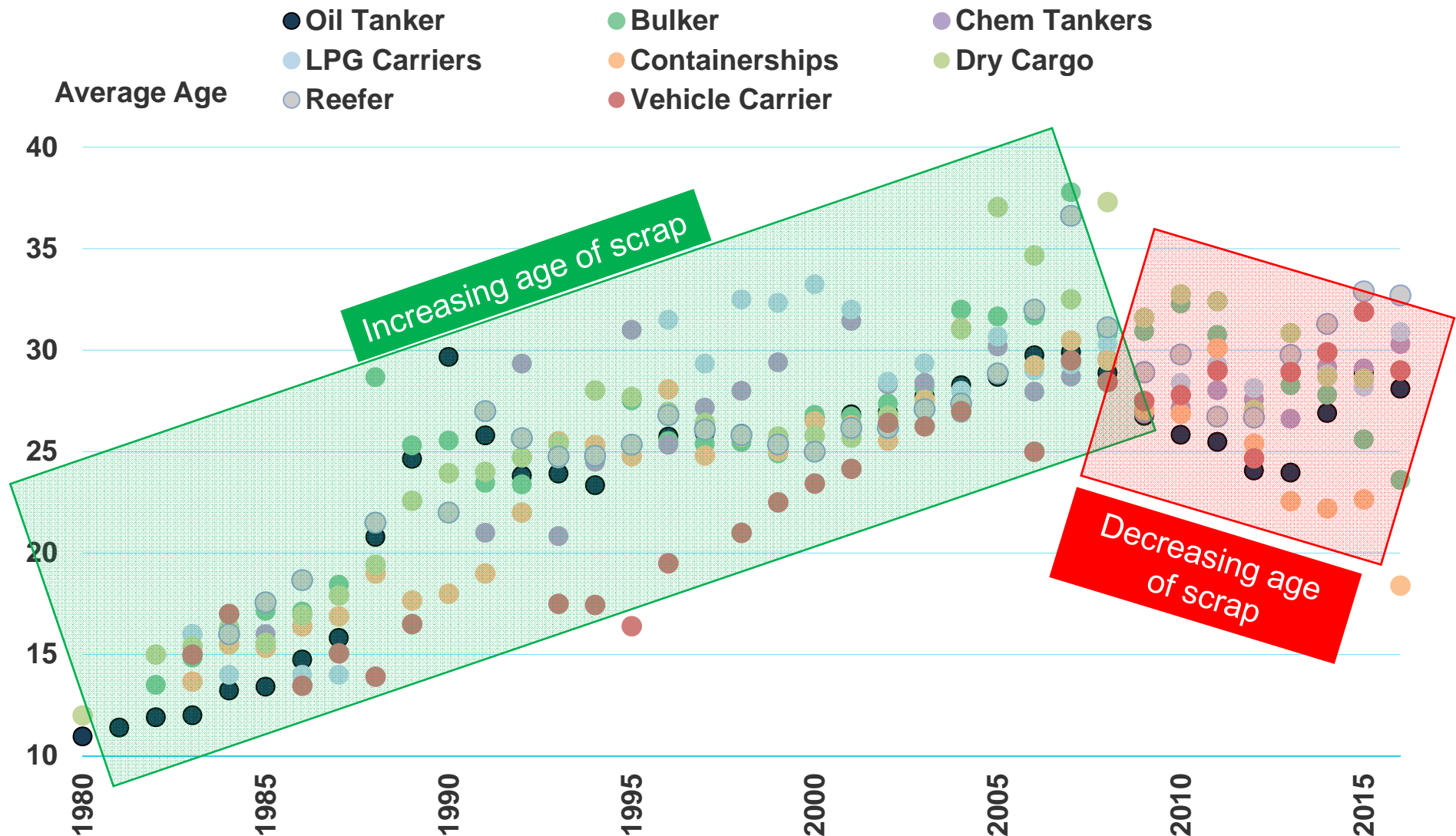


* Includes MSI's forecast assessments for contracting, scrapping, slippage and cancellations

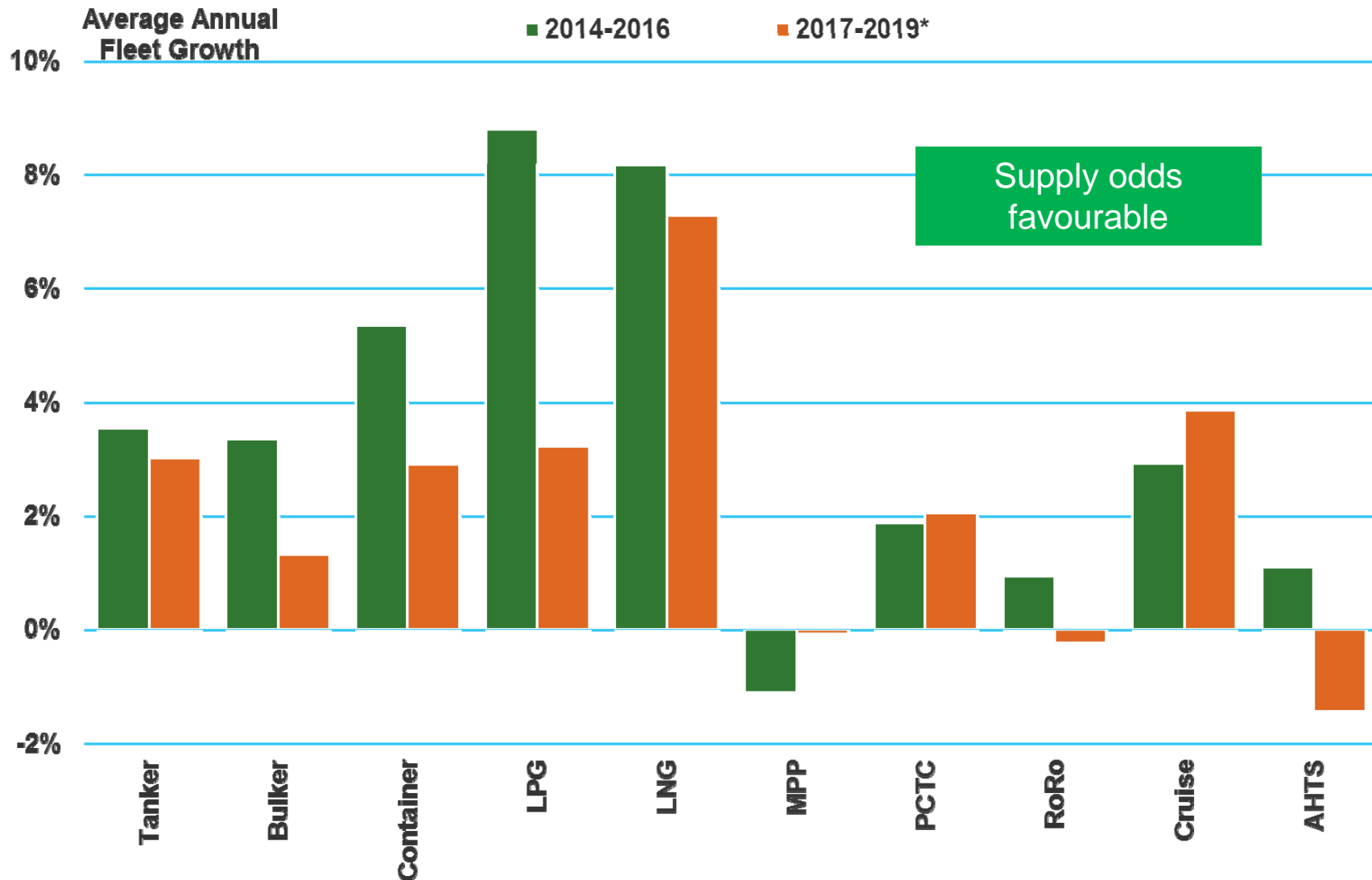




When to Fold - Average Age At Scrap



Average Annual Fleet Growth



* Includes MSI's forecast assessments for contracting, scrapping, slippage and cancellations

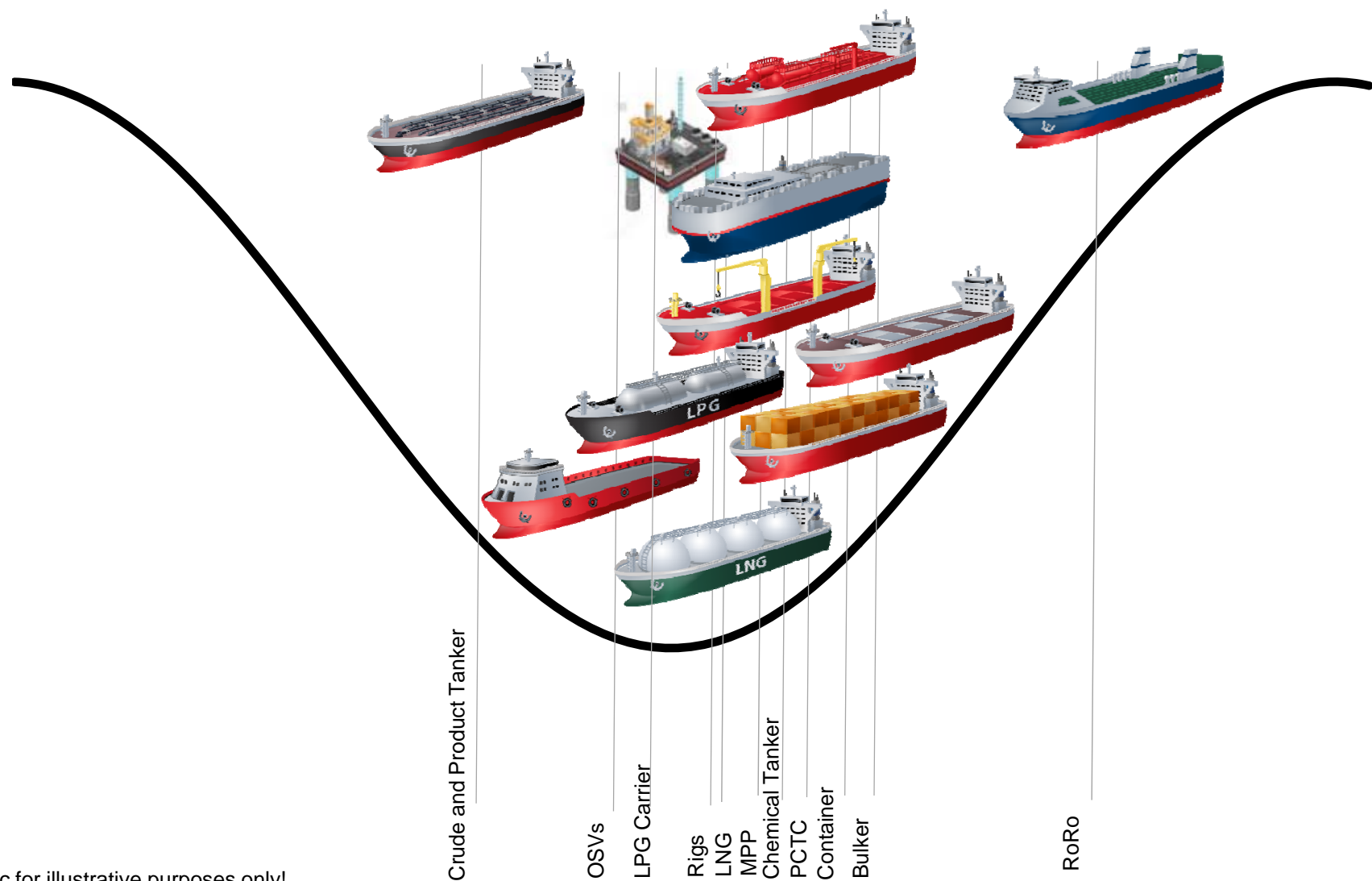


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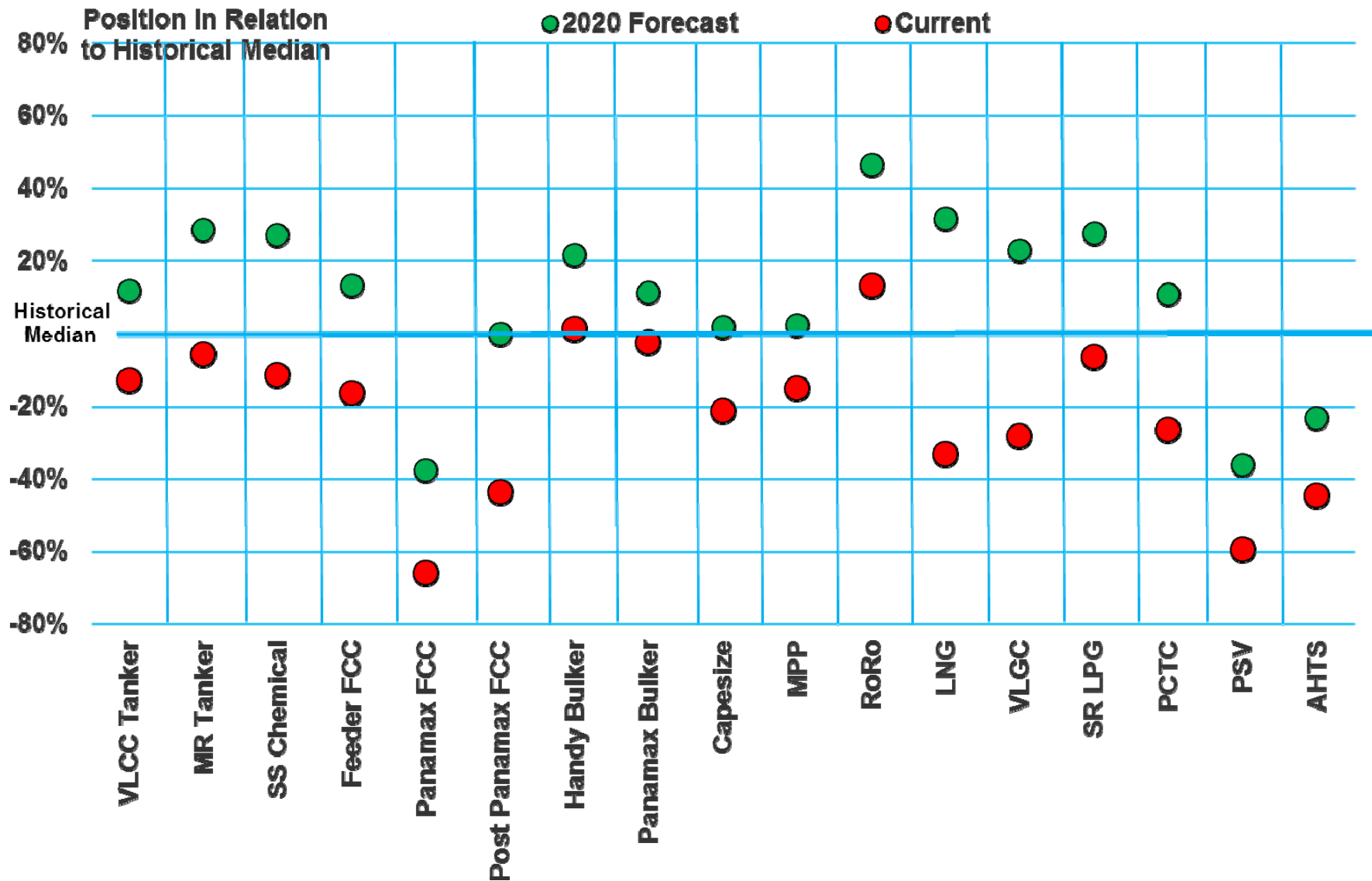
Earnings



Where on the Earnings Cycle Are We?



Schematic for illustrative purposes only!





Fold, Hold, Double Up

Scenarios





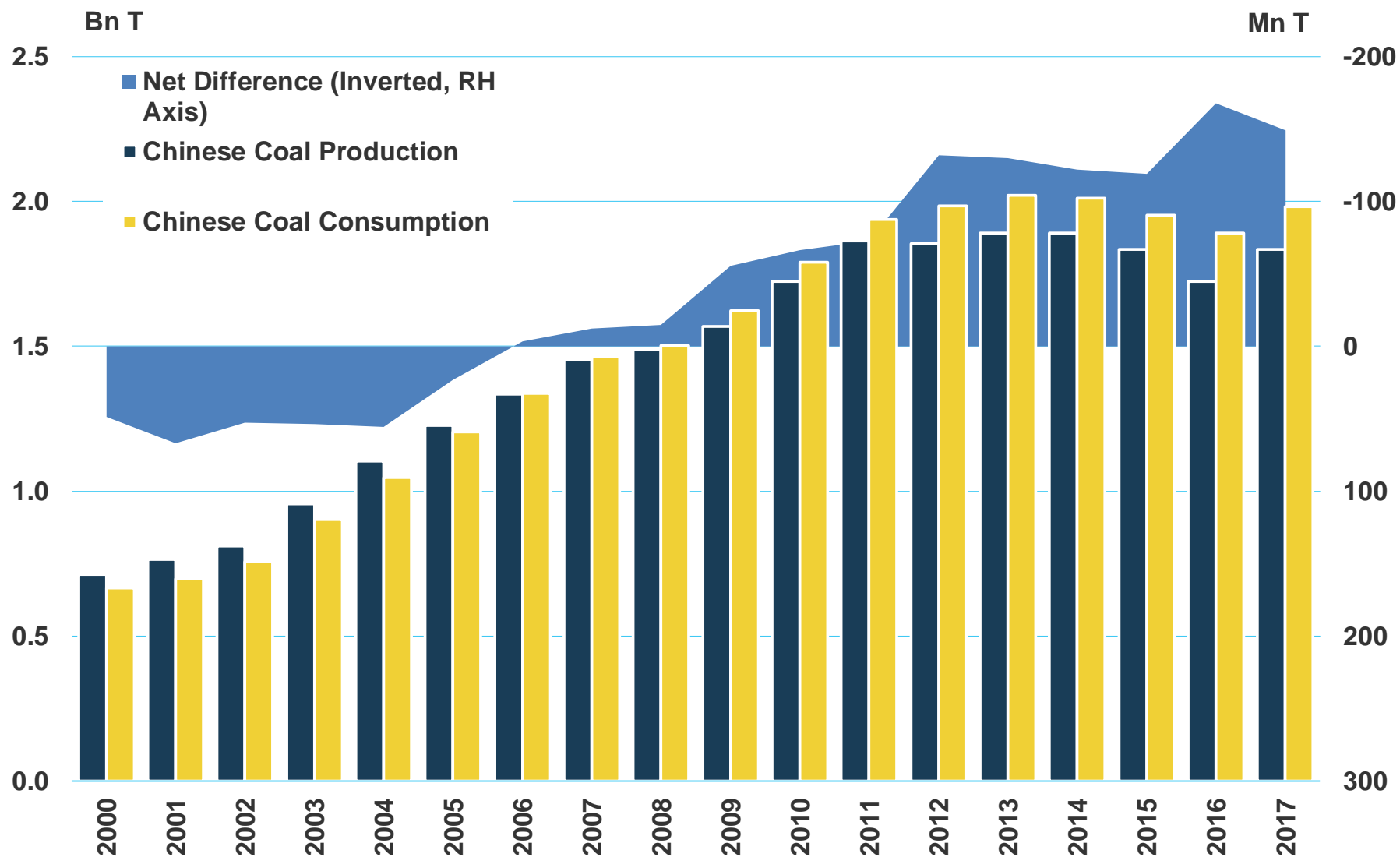
Resource Nationalism

- Maximise use of national resources
- Limit imports
- Low priority given to environmental issues
- Strong demand for resources (in the short-run at least)

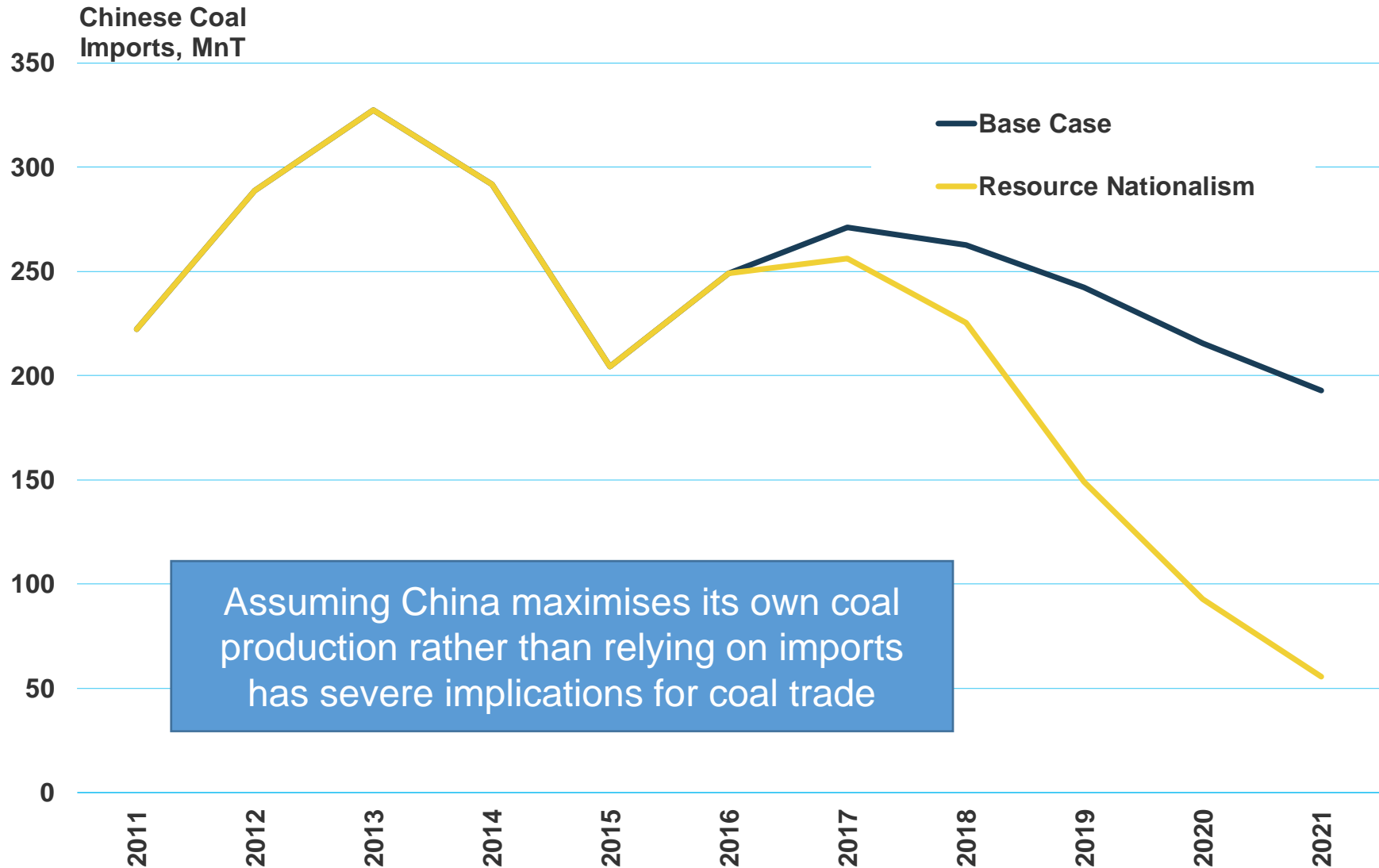
Base Case

- Some efforts to control pricing
- Import when it makes economic sense
- Some attention paid to the environment
- More balanced economic growth

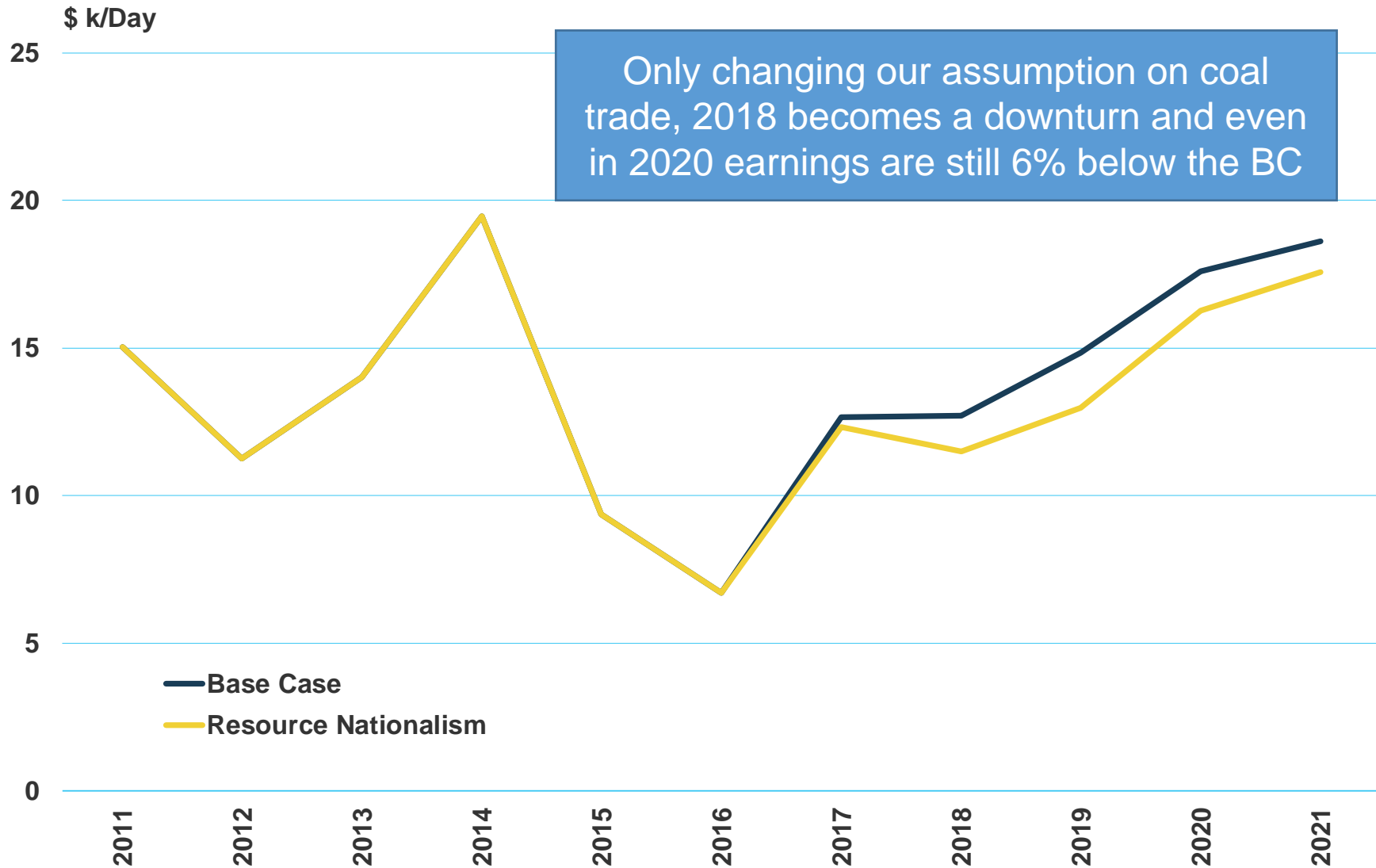
Coal trade is finely balanced...



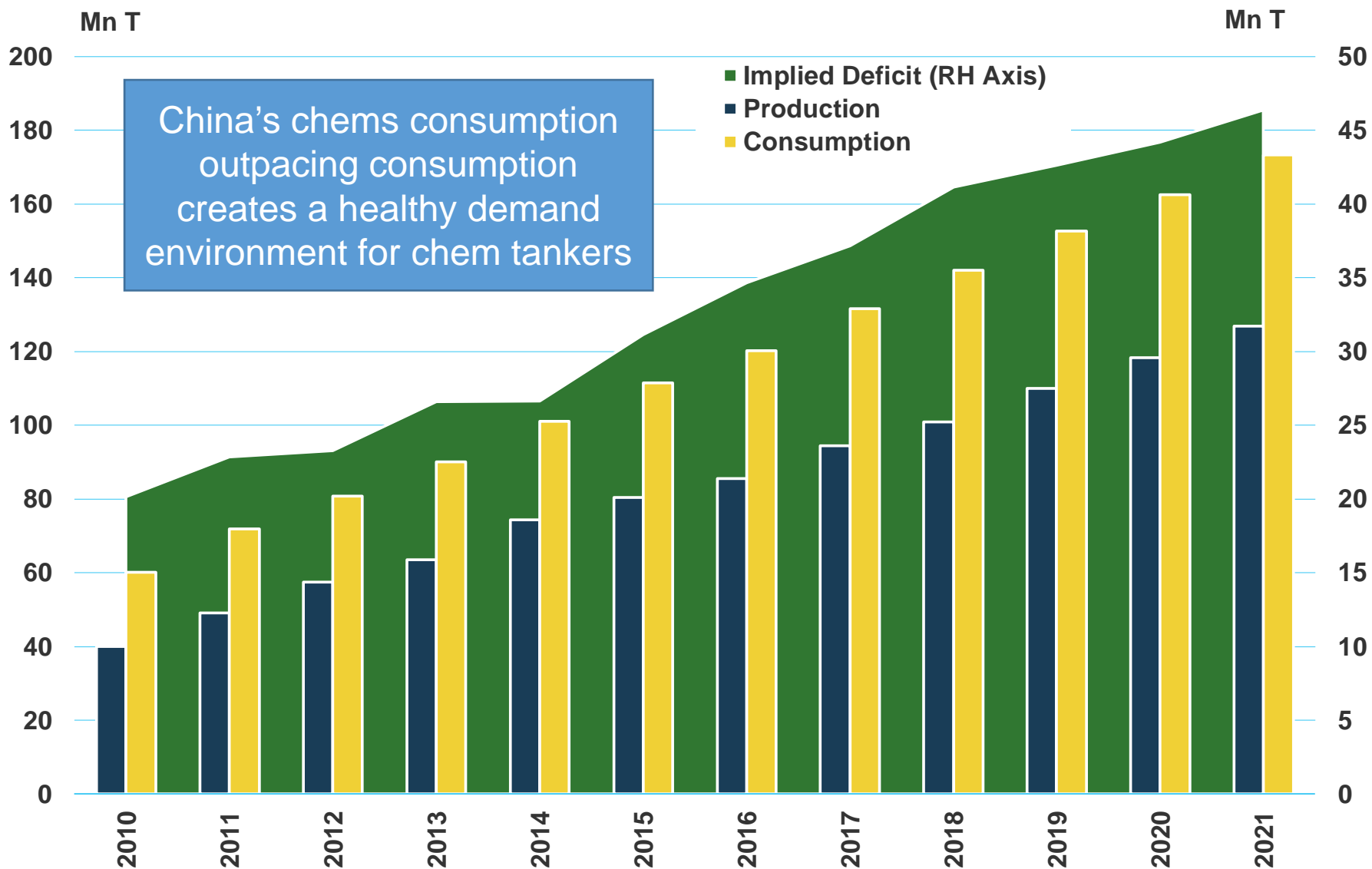
Policy shifts can have a massive impact...



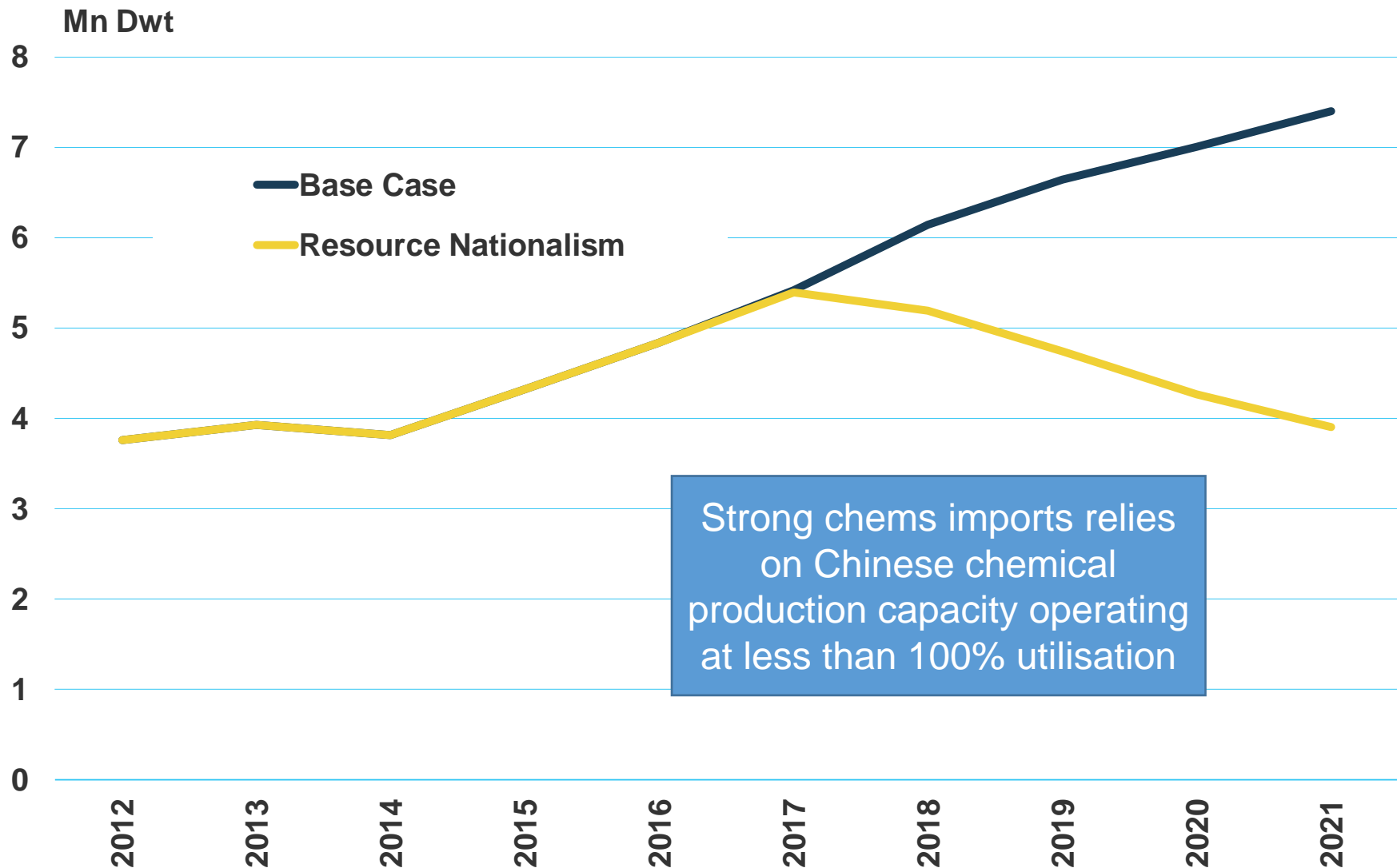
...And take the zip out of a recovery



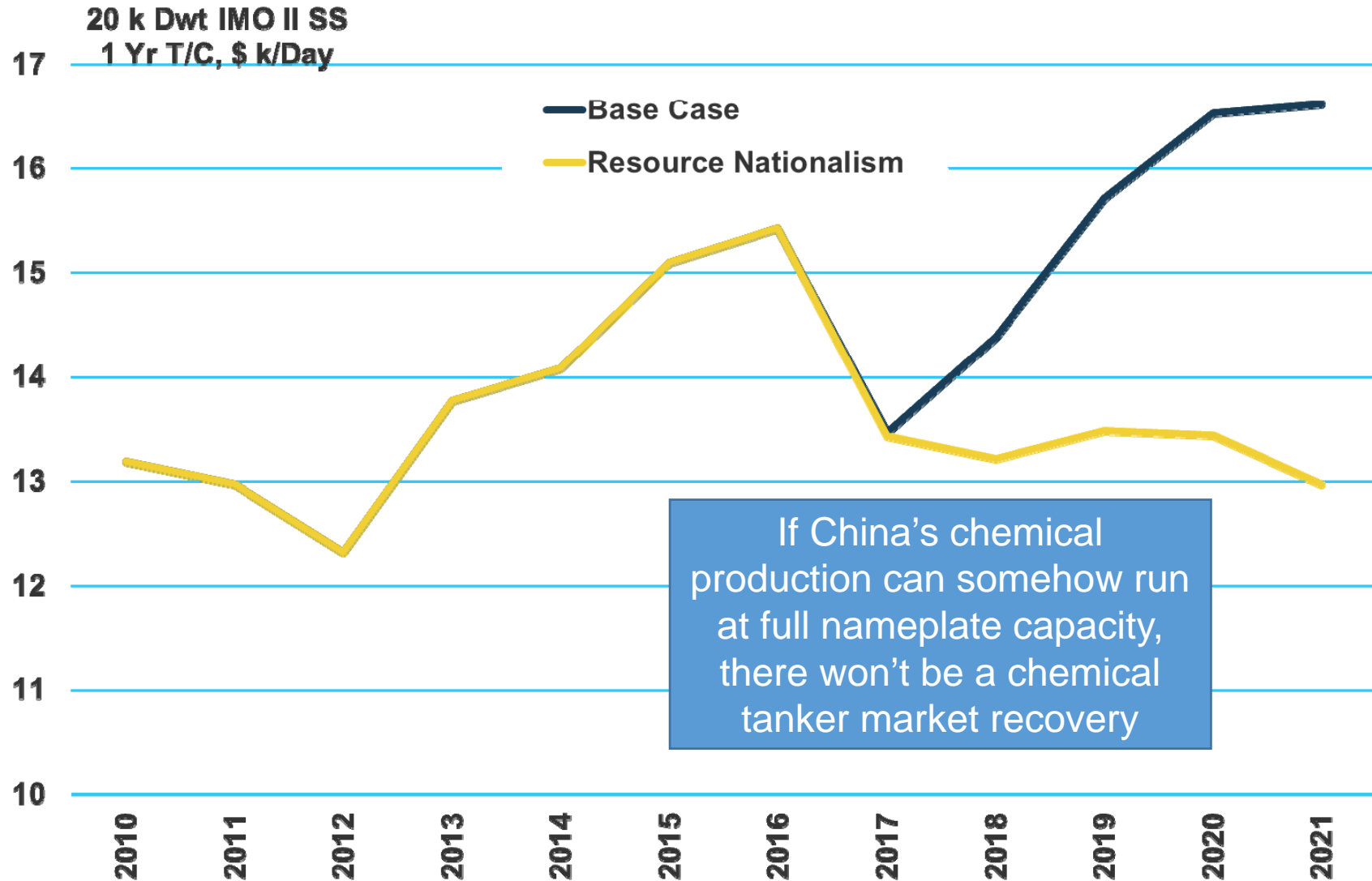
China's domestic chemical production key



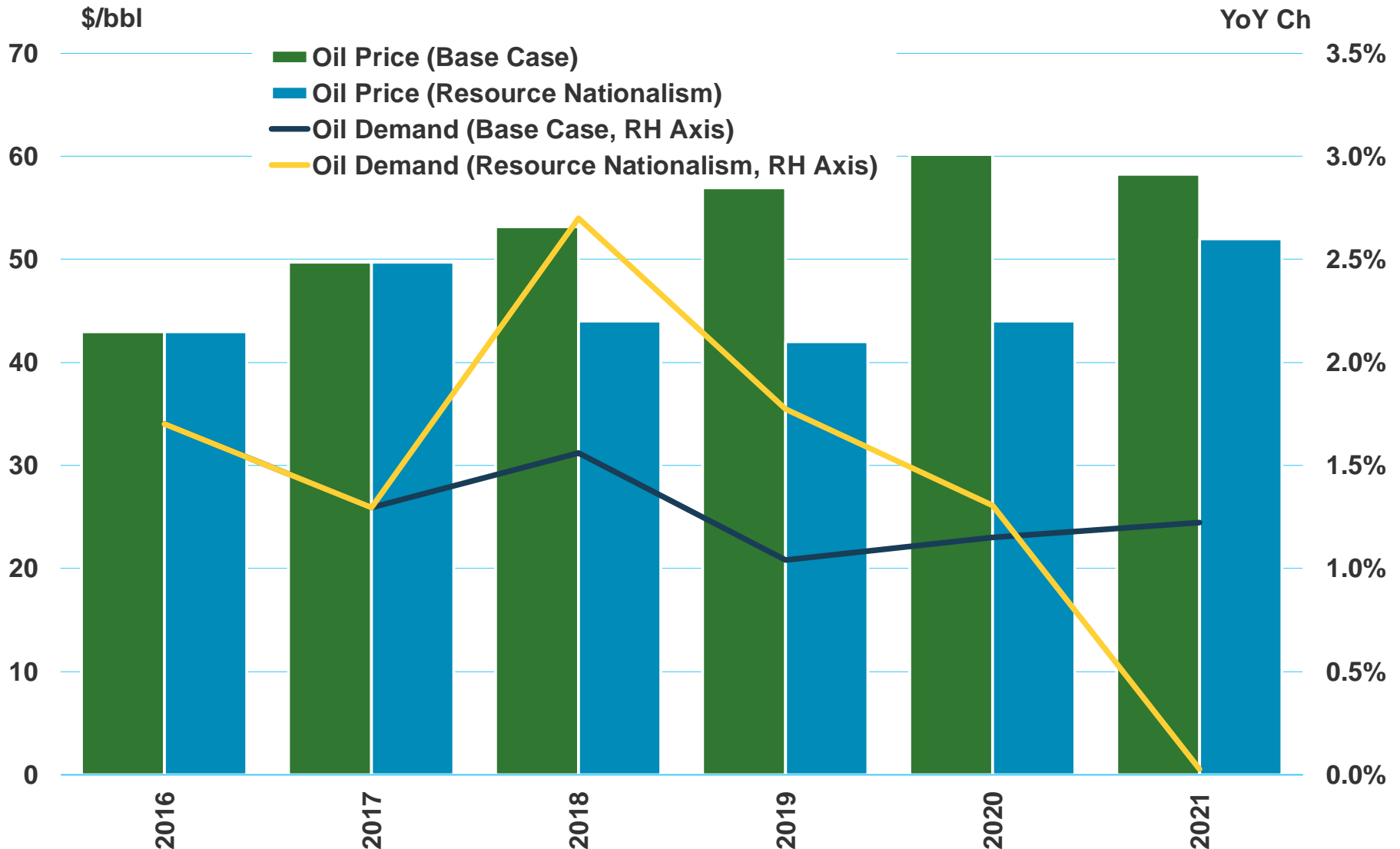
Impact of full utilisation on vessel demand



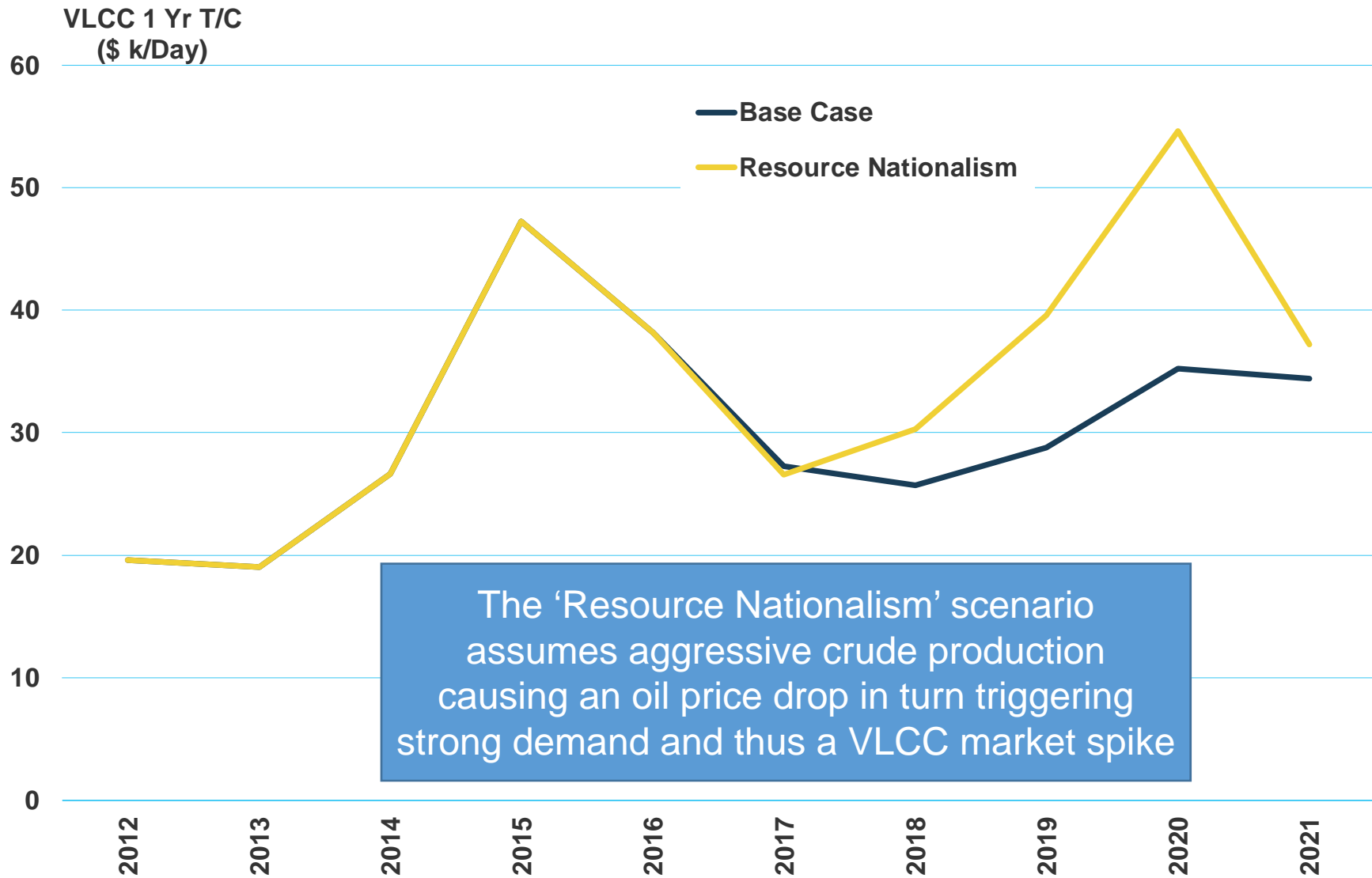
Chemical Tanker Earnings Clobbered



Not all doom and gloom – crude booms!



VLCC earnings – back to 2015?





Fold, Hold, Double Up

The Winning Hand?



- 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

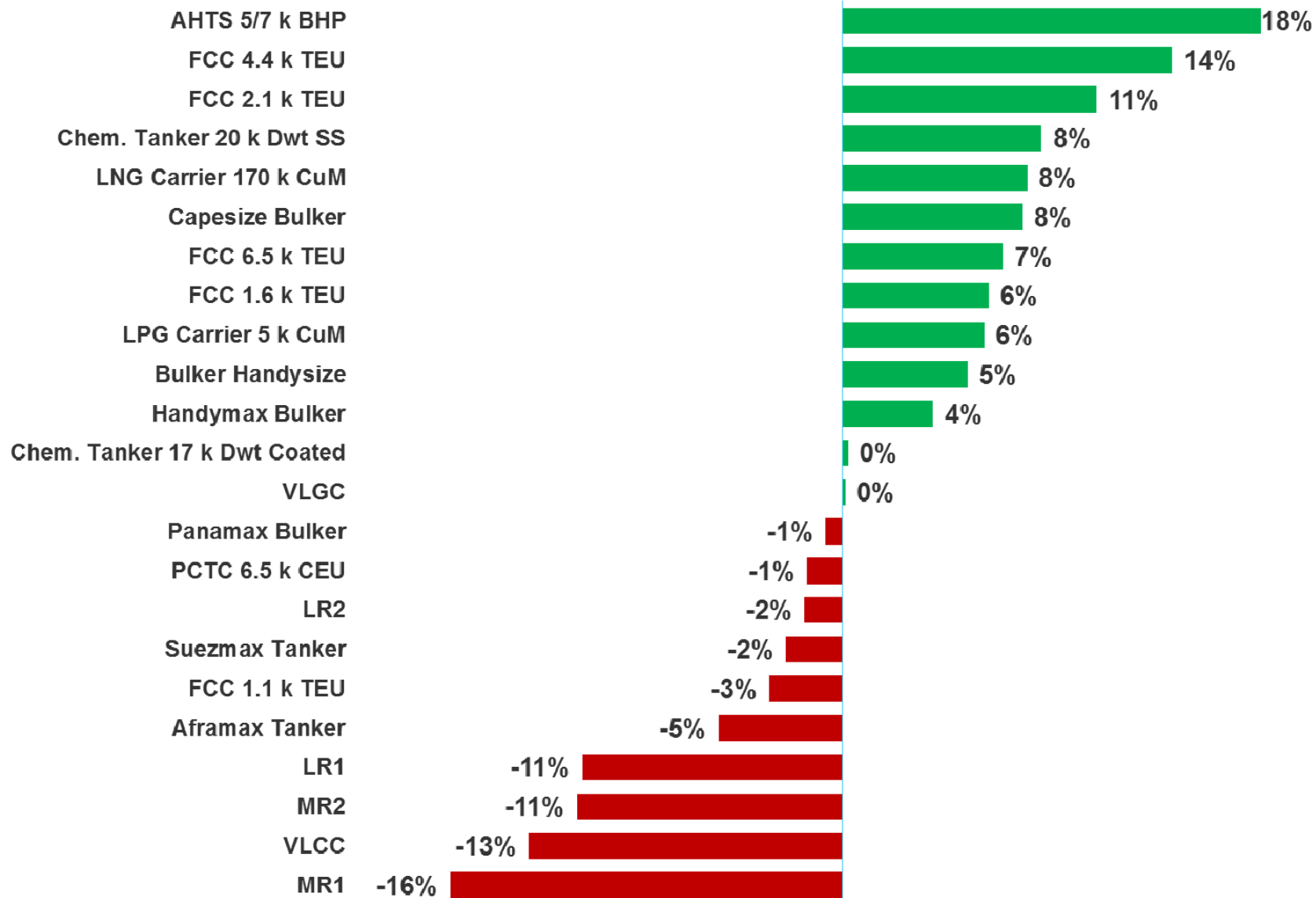


AHTS

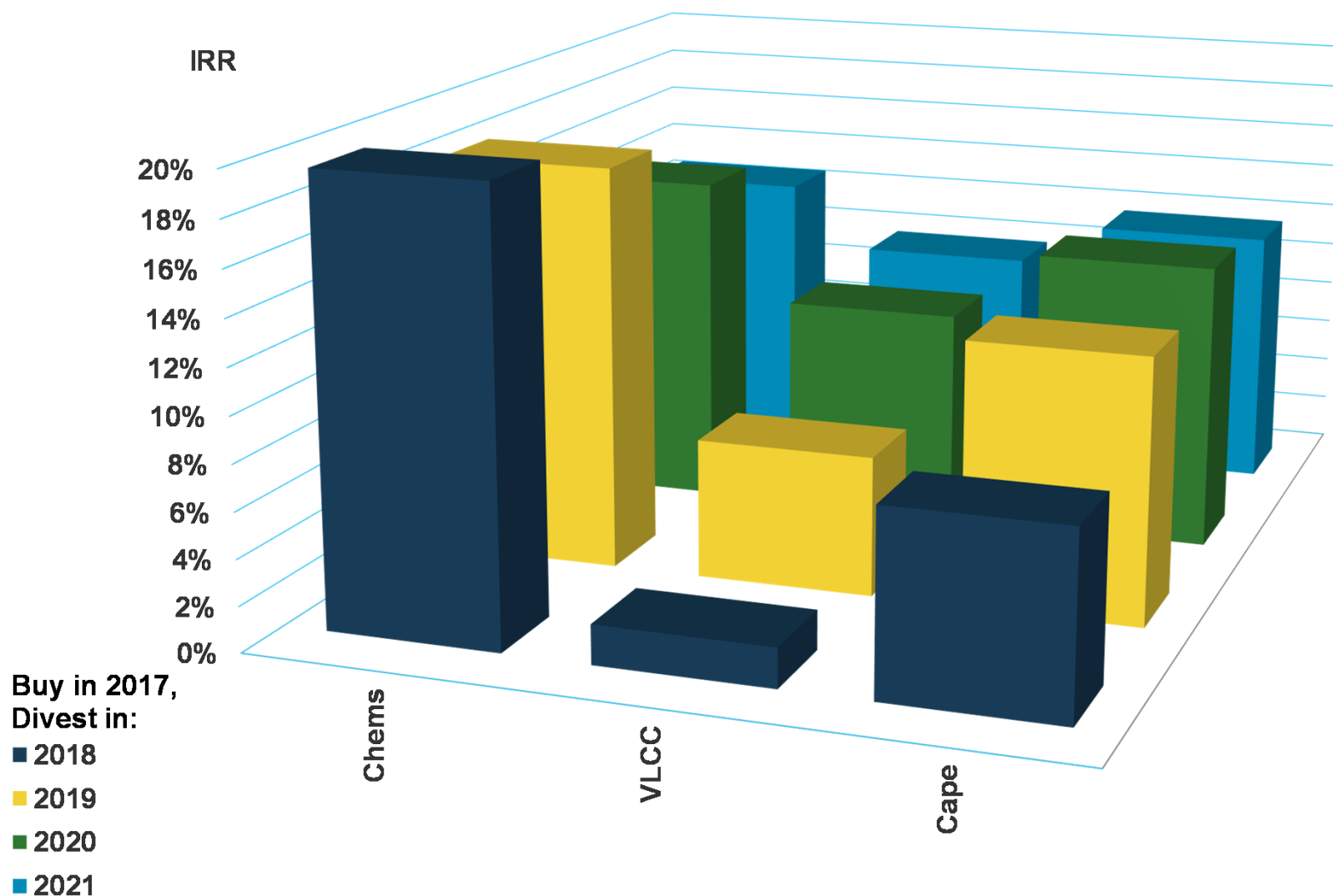
www.msiltd.com/fmv

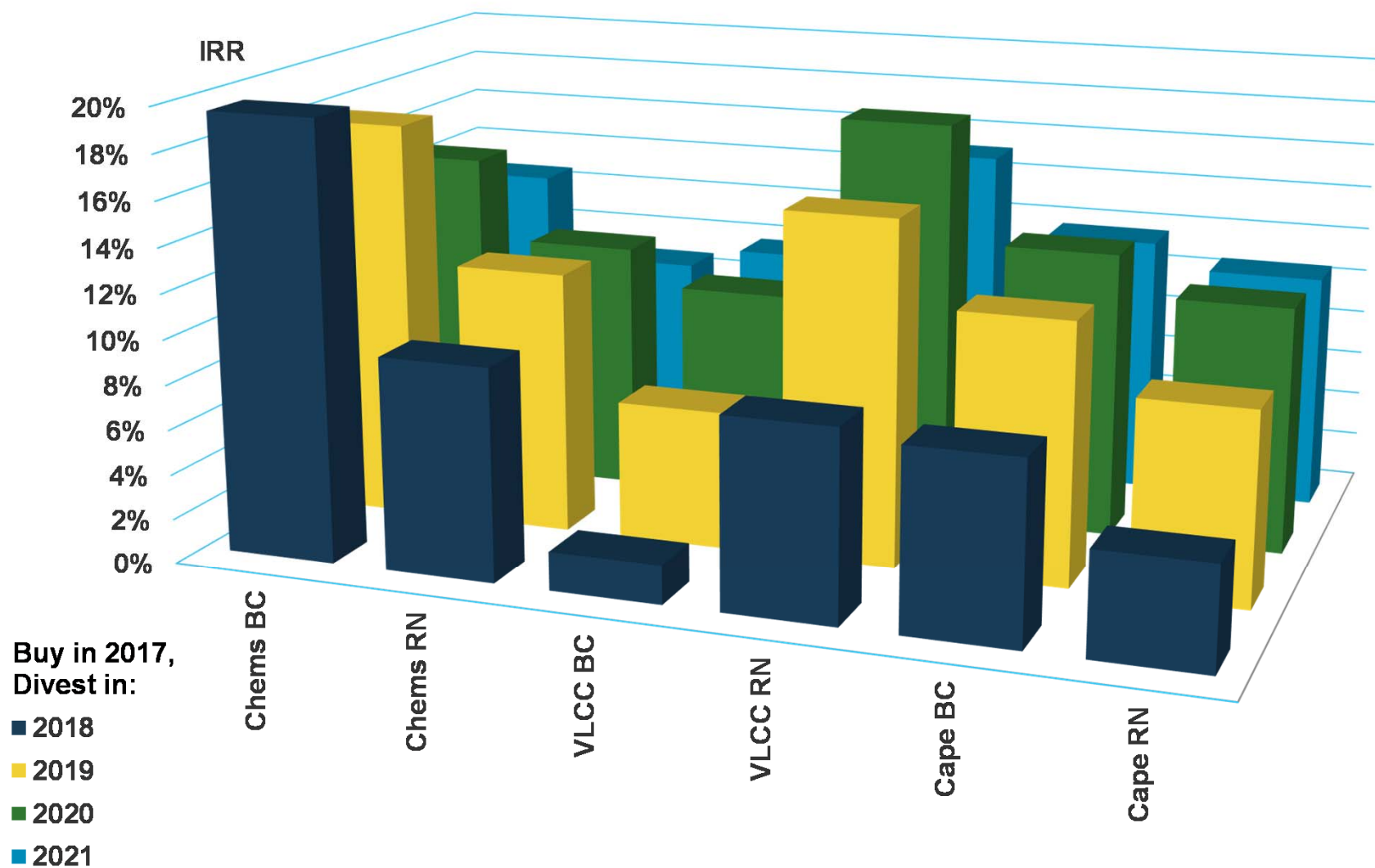


PSV



Base Case Including Cashflows





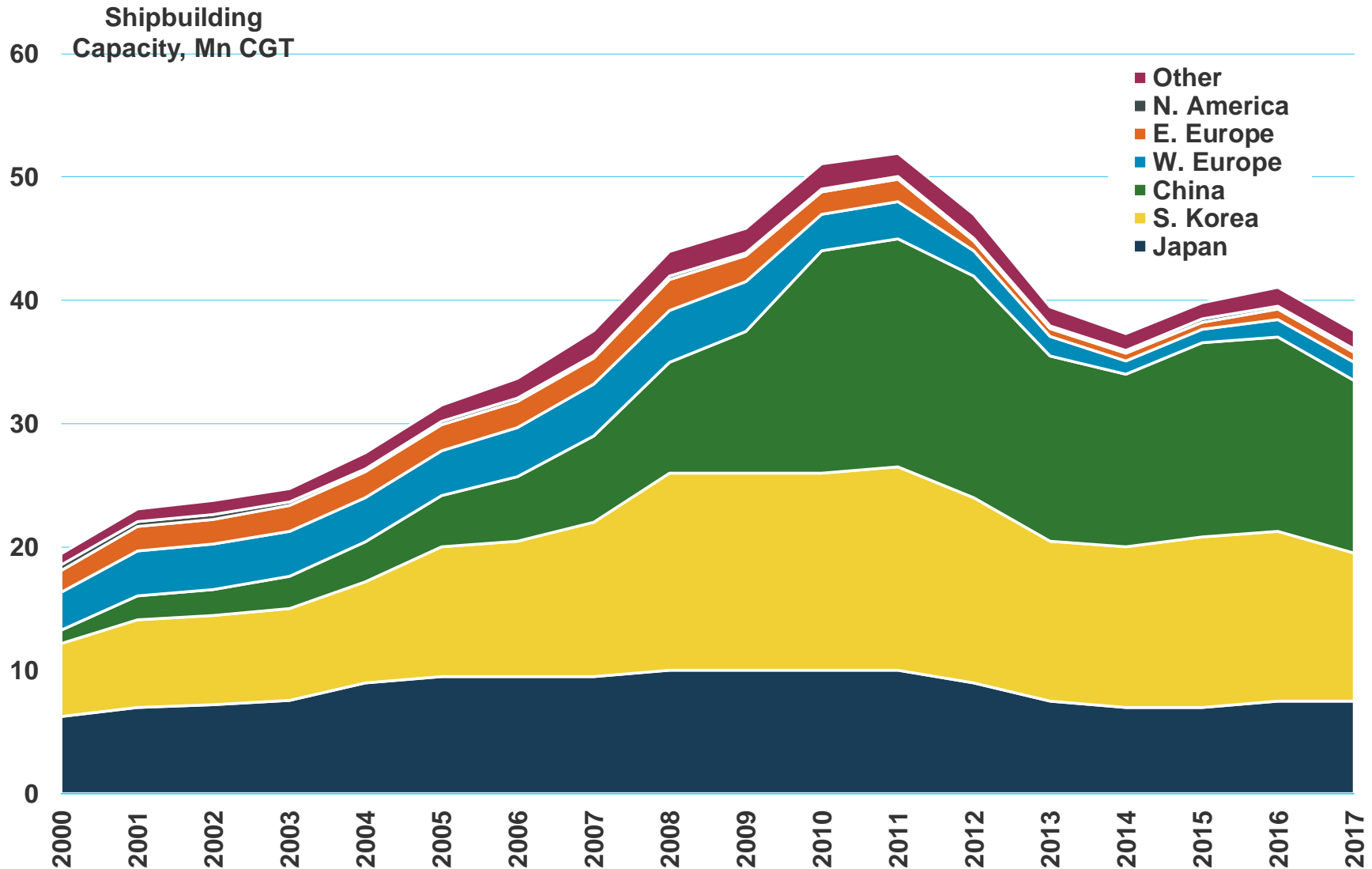


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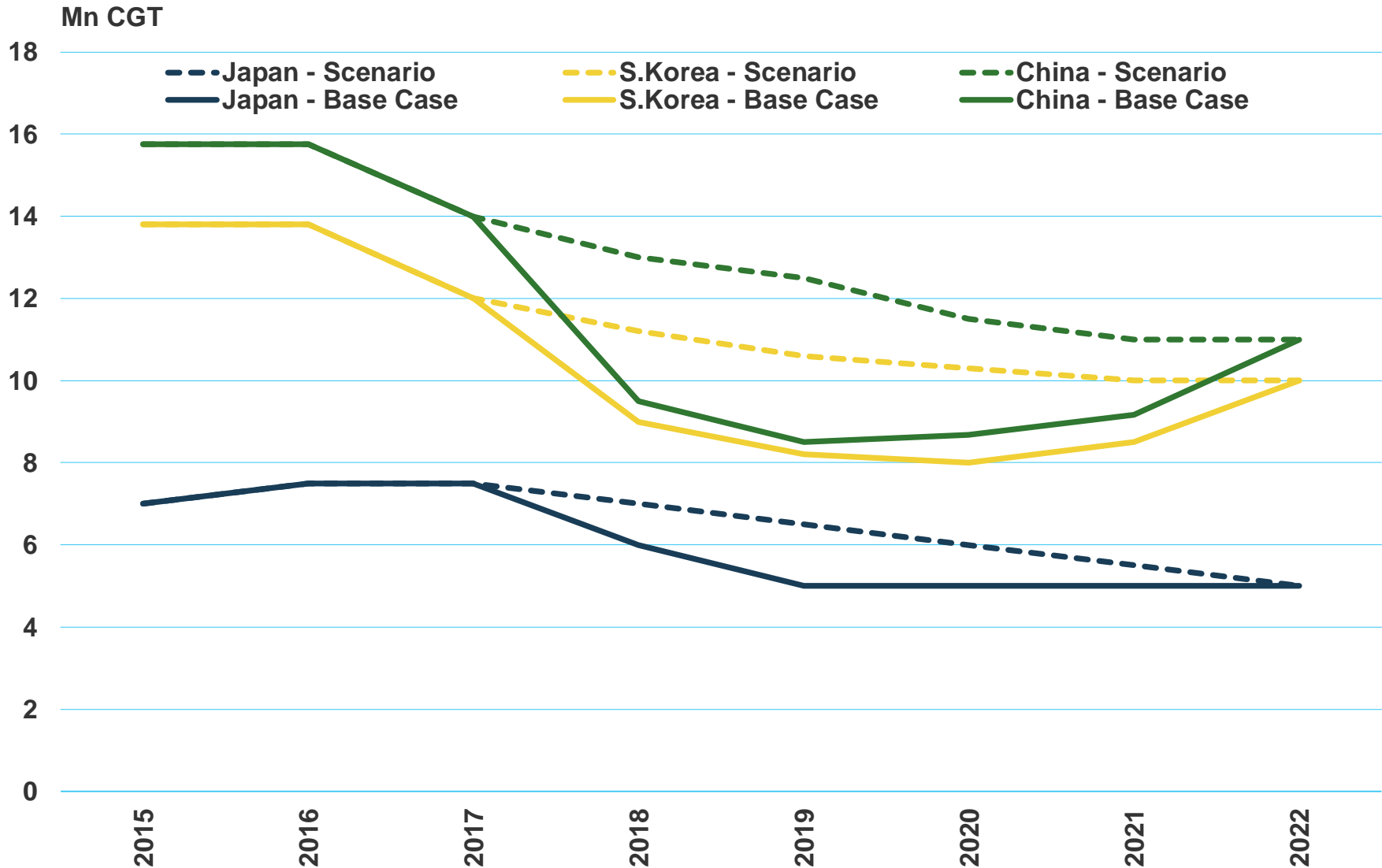
The bigger risk



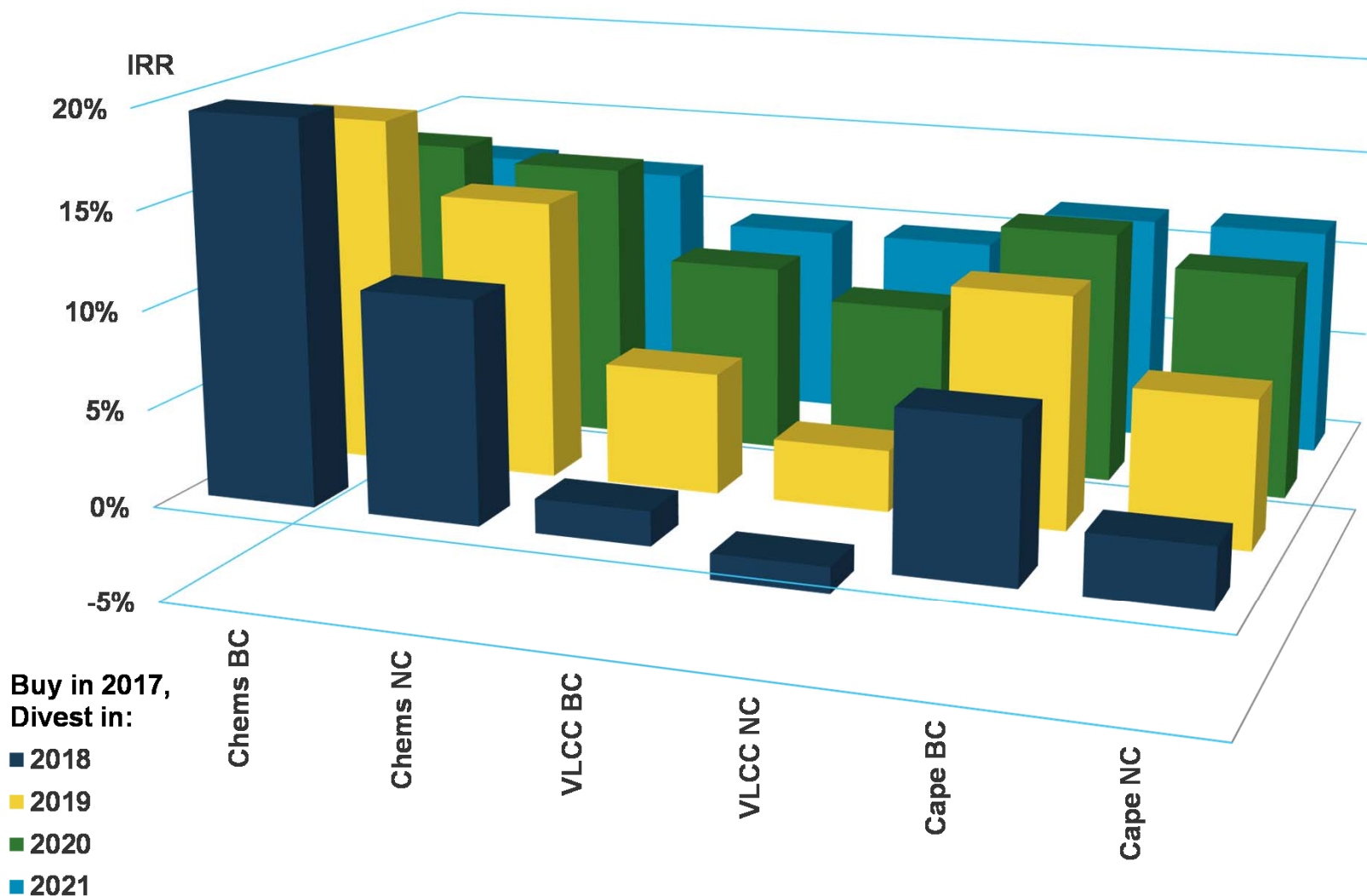
Consolidating excess capacity key



What happens if consolidation is slower?



The impact for asset play is significant



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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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