



10th Annual Capital Link Shipping, Marine Services & Offshore Forum

Tuesday, September 12, 2017
One Moorgate Place, London, UK



IN PARTNERSHIP WITH
 **Fearnley Securities**

HELD IN CONJUNCTION
WITH LISW17



Fearnley Securities Capital Link – London

September 2017

Even Matre Ellingsen, CEO/Managing Partner
Fearnley Securities AS

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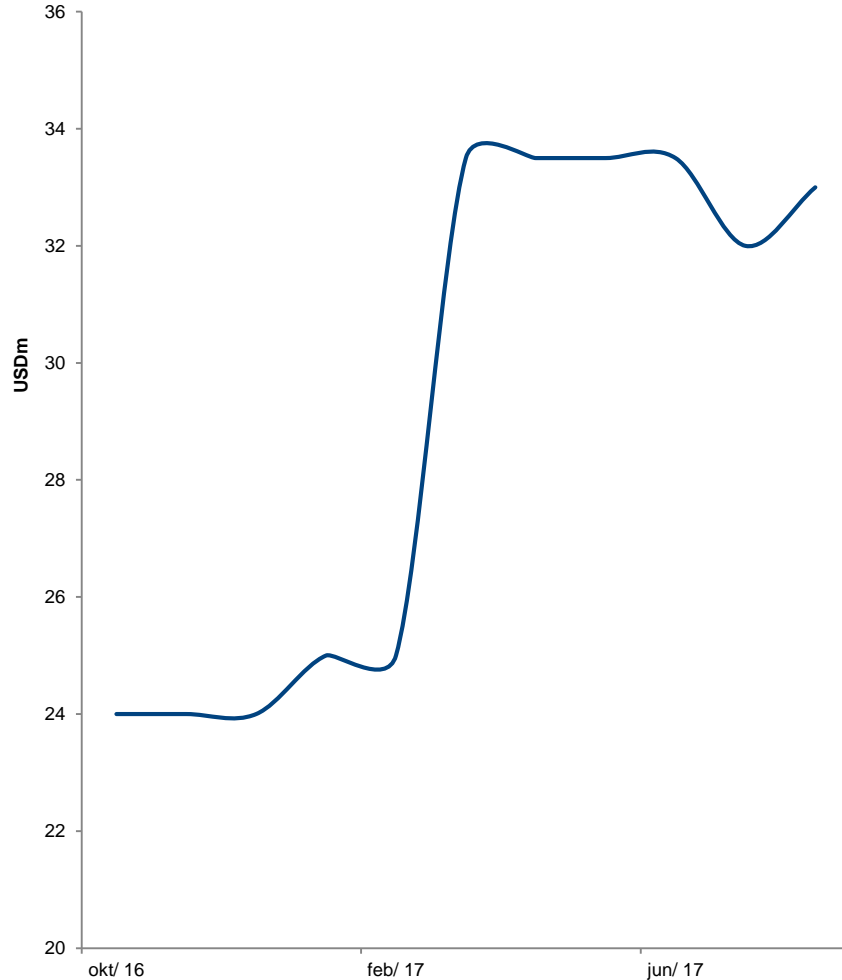
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Price 5 year old secondhand

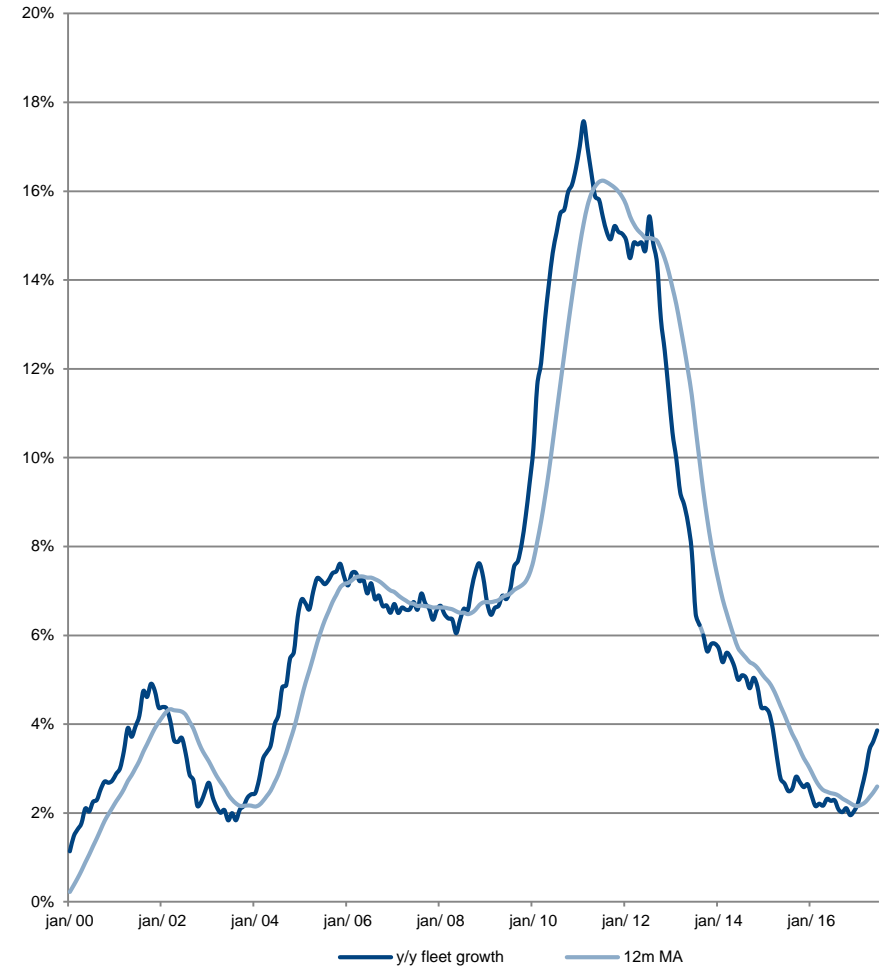
Since last years Capital Link forum

Capesize 5 Yr



Dry Fleet Development

Dry bulk fleet growth
Annualized vs. y/y growth (by m dwt)



Banks are still hesitant to lend

Reuters Headline from July

#BUSINESS NEWS JULY 24, 2017 / 9:06 AM / A MONTH AGO

European banks struggle to solve toxic shipping debt problem

Jonathan Saul

8 MIN READ

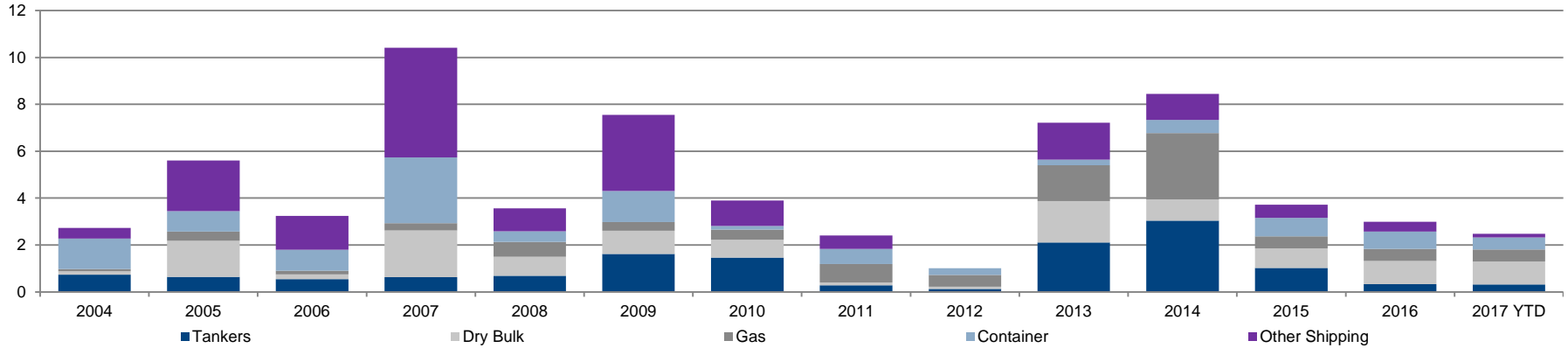


Capital Markets

Capital Raised - Annually By Segment

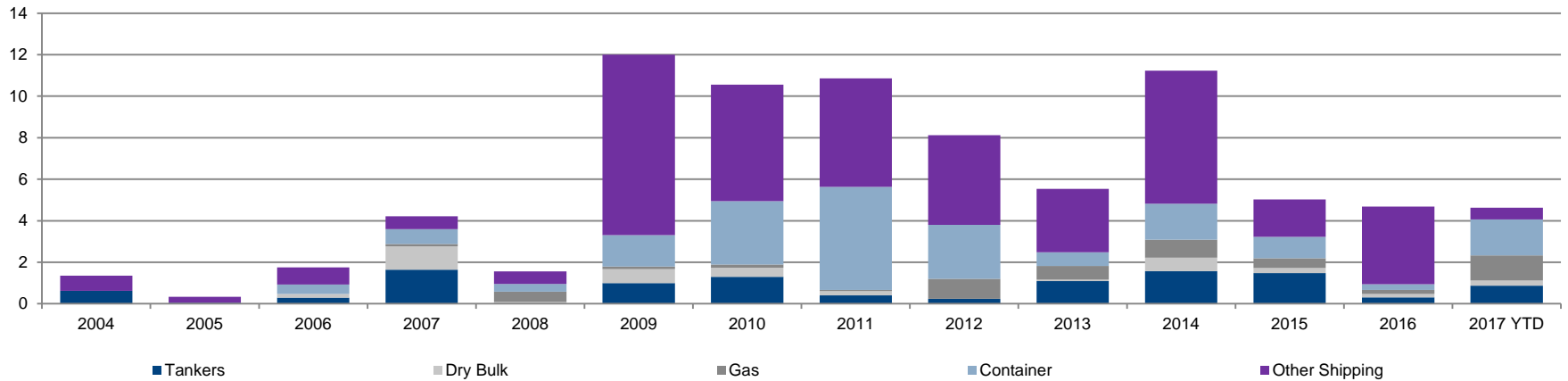
Equity

Equity (USDbn)
















Bonds

Bonds (USDbn)



USD 2,100m of Growth Capital Raised in Distressed Industries

As shipping and offshore segments are experiencing worst markets in more than 30 years, Fearnleys has raised about USD 2,100 million in equity for growth in last 12 months

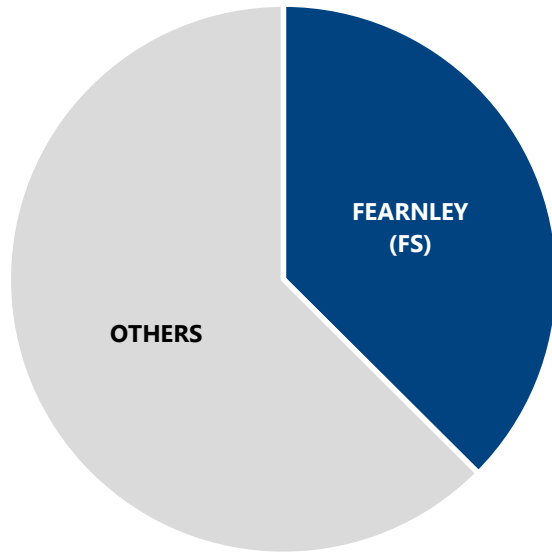
													
Issuer	MPC Container Ships AS	Navios Maritime Container	Flex LNG	MPC Container Ships AS	Navios Maritime Partners	Borr Drilling	Flex LNG Ltd.	Songa Bulk AS	Eagle Bulk Shipping Inc.	Borr Drilling Ltd.	Songa Bulk AS	Genco Shipping and Trading Limited	Eagle Bulk Shipping Inc.
Listing	N-OTC listed (target full listing within 12 months)	N-OTC listed (target full listing within 12 months)	Oslo Stock Exchange	N-OTC listed (target full listing within 12 months)	NYSE	N-OTC listed (target full listing within 12 months)	Oslo Stock Exchange	N-OTC listed (target full listing within 12 months)	NASDAQ	N-OTC listed (target full listing within 12 months)	N-OTC listed (target full listing within 12 months)	NYSE	NASDAQ
Equity raised	USD 75 million	USD 50 million	USD 125 million	USD 100 million	USD 100 million	USD 800 million	USD 100 million	USD 100 million	USD 100 million	USD 155 million	USD 74 million	USD 125 million	USD 88 million
Use of proceeds	Acquisition of container vessels	Acquisition of container vessels	Acquisition of LNG vessels	Acquisition of container vessels	Acquisition of dry bulk/ container vessels	Acquisition of 15x jackup rigs from Transocean	Acquisition of LNG vessels	Acquisition of dry bulk vessels	Acquisition of dry bulk vessels	Acquisition of jackup drilling rigs	Acquisition of dry bulk vessels	Refinancing	Acquisition of dry bulk vessels
Investors	Norwegian and US/UK institutions, Norwegian HNWI	US institutions, Norwegian HNWI	US/UK institutions, Norwegian HNWI	Norwegian and US/UK institutions, Norwegian HNWI	US/UK institutions, Norwegian HNWI	US/UK and Norwegian institutions	US/UK institutions, Norwegian HNWI	Norwegian HNWI	US institutions, Norwegian HNWI	US/UK institutions, Norwegian HNWI	Norwegian HNWI	US institutions	US/UK institutions, Norwegian HNWI
Date	June 2017	May 2017	April 2017	April 2017	March 2017	March 2017	February 2017	February 2017	December 2016	December 2016	October 2016	October 2016	July 2016
Role	Sole lead	Sole lead	Joint Lead	Sole lead	Sole lead	Joint lead	Joint Lead	Joint Lead	Sole Lead	Joint Lead	Joint Lead	Joint Lead	Sole Lead

Shipping & Offshore Equity Market Update

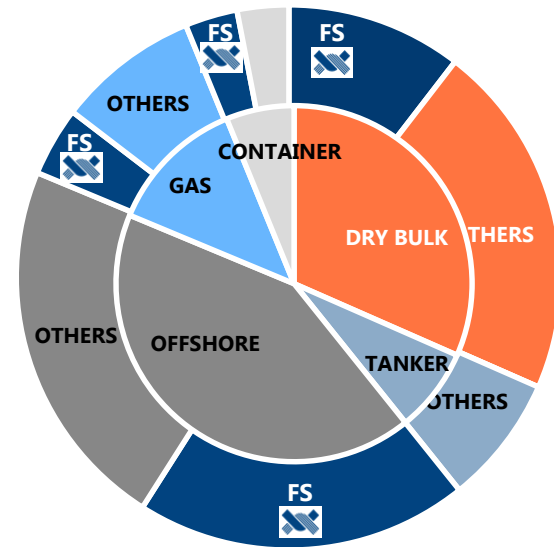
Fearnley has been sole or joint lead in syndicates raising ~USD 2,000m of new common equity capital for shipping & offshore companies since January 2016



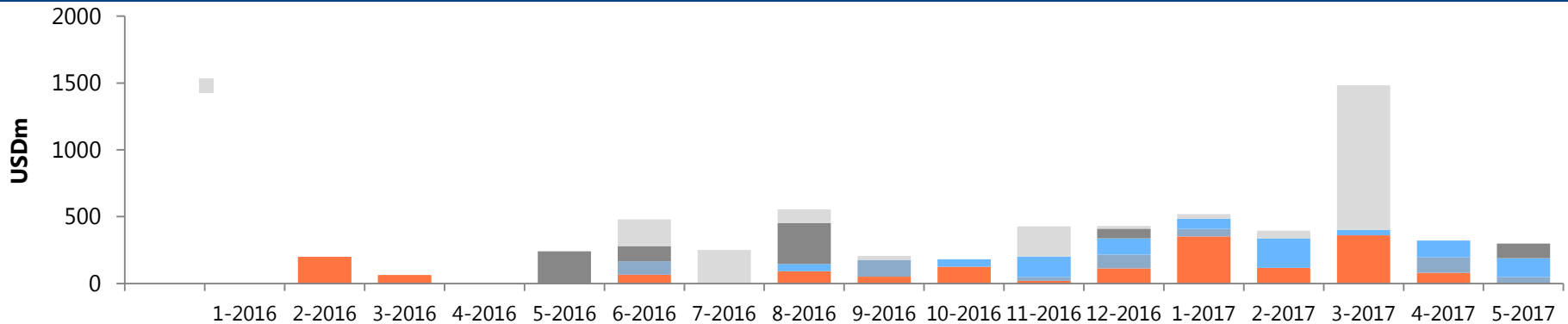
FS Total Market Share Equity Shipping & Offshore



Strong Placing Power Across Shipping & Offshore Sector



Monthly Equity Transactions in the US and Norway based on Segment

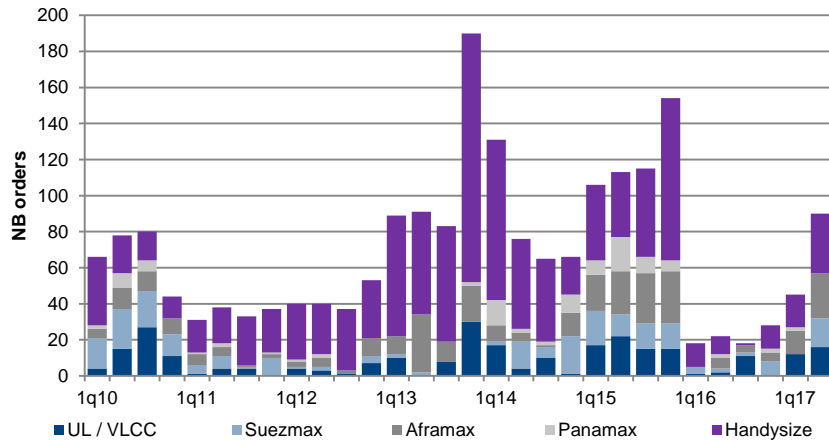


Contracting Activity

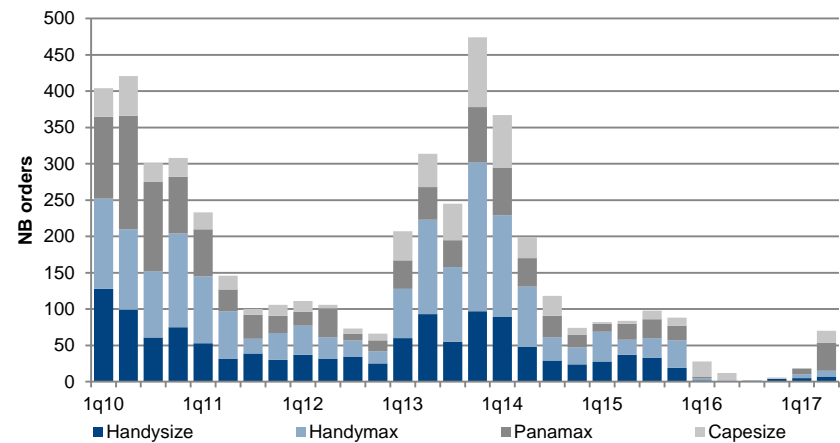
Number of Newbuilding Orders – Quarterly By Region.

2016 and 2017 so far is the lowest level since 2010

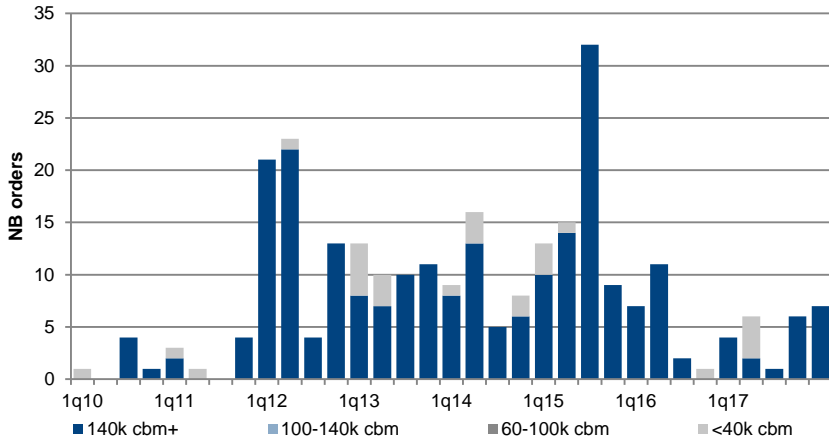
Oil tankers
Number of vessels



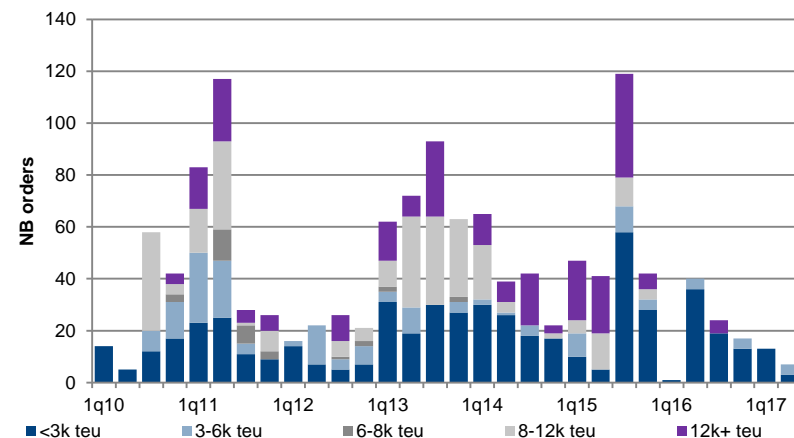
Bulkers
Number of vessels



LNG
Number of vessels



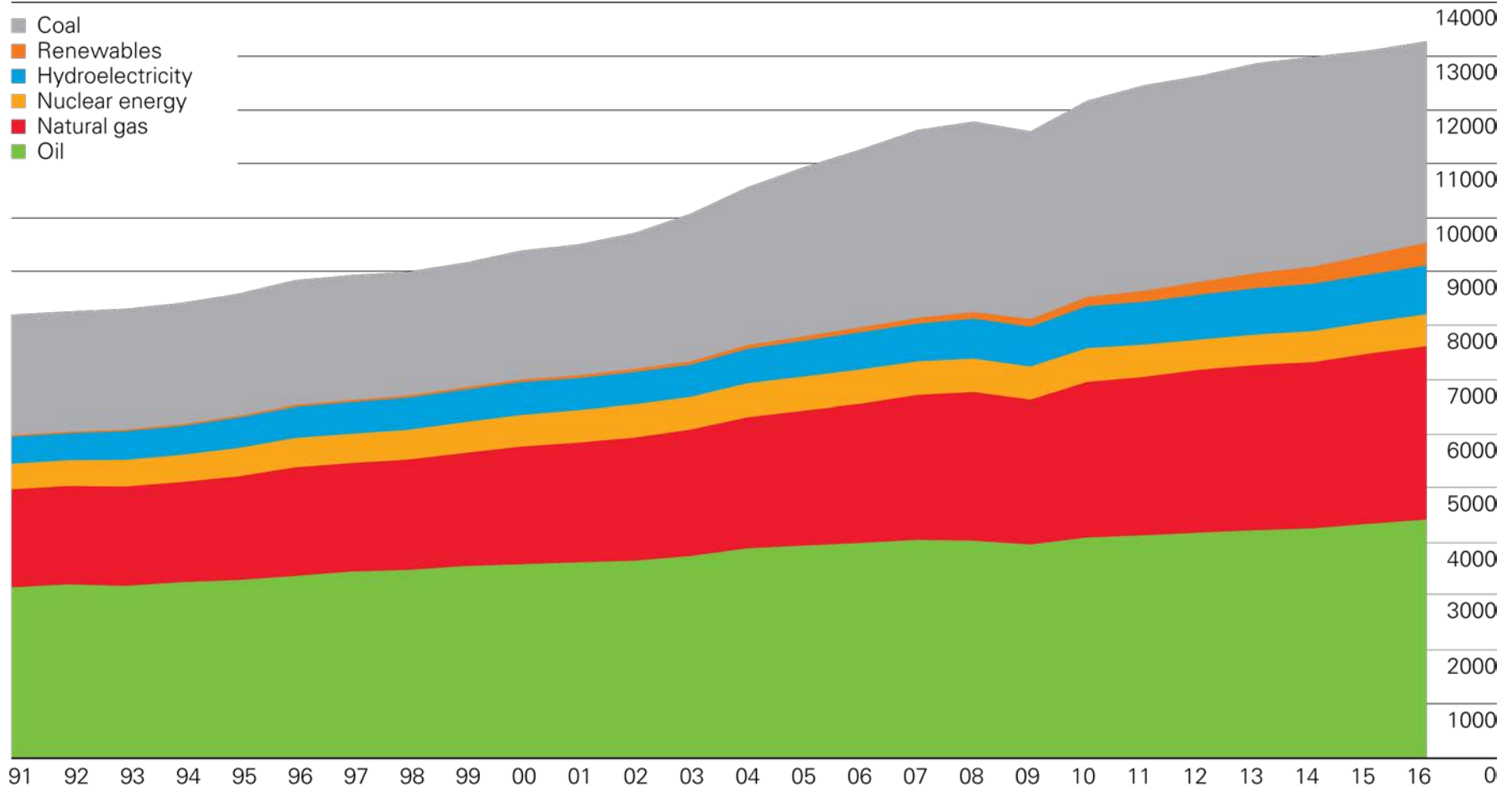
Boxships
Number of vessels



Primary energy world consumption

Million tonnes oil equivalent

Slow, for third consecutive year but still growing



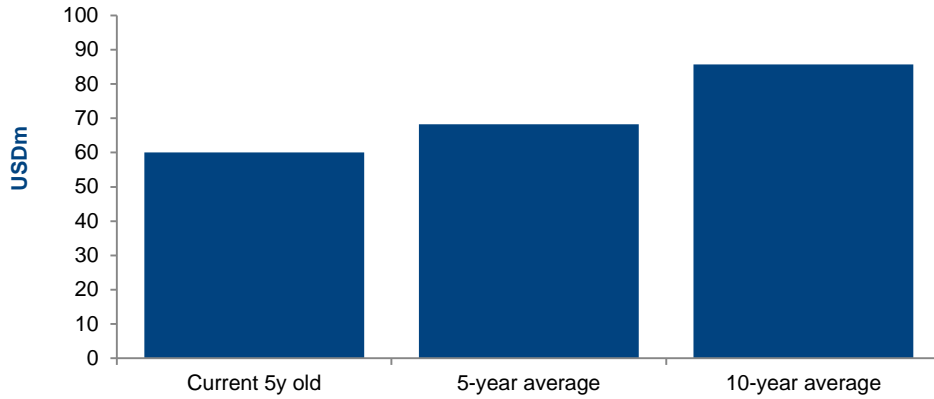
Ship values are still well below long term averages

Rates and values tightly correlated

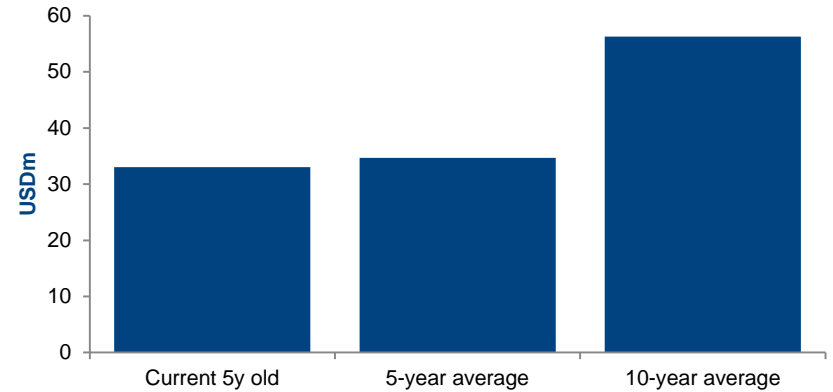
VLCC

Capesize Dry Bulk

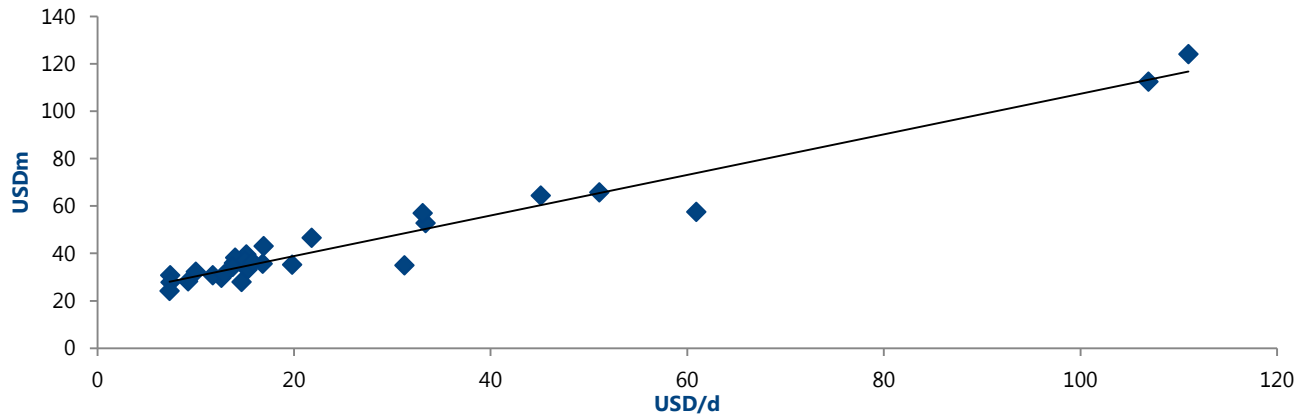
5y Old VLCC



5y Old Capesize

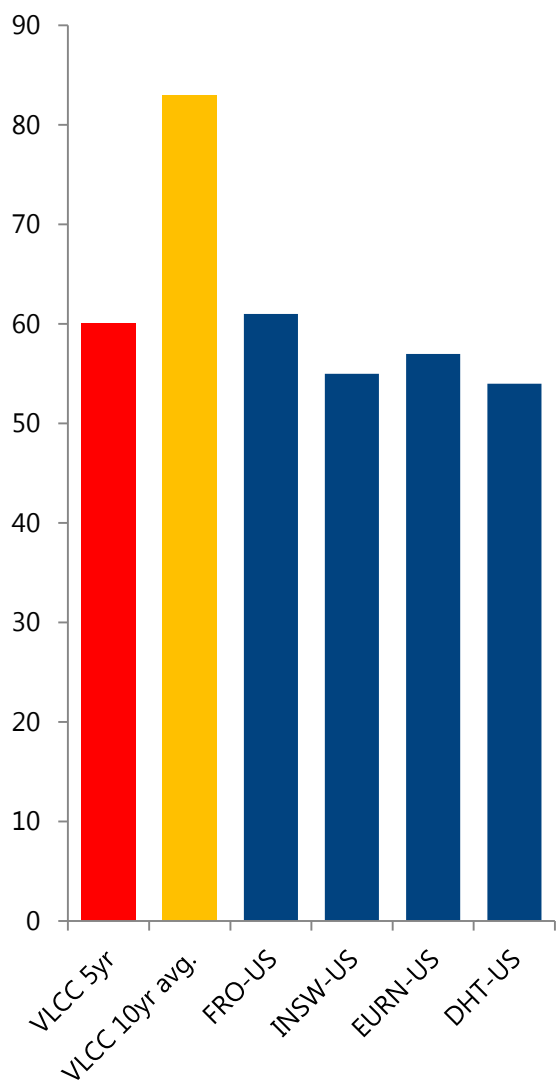


5y Capesize vs 1y TC

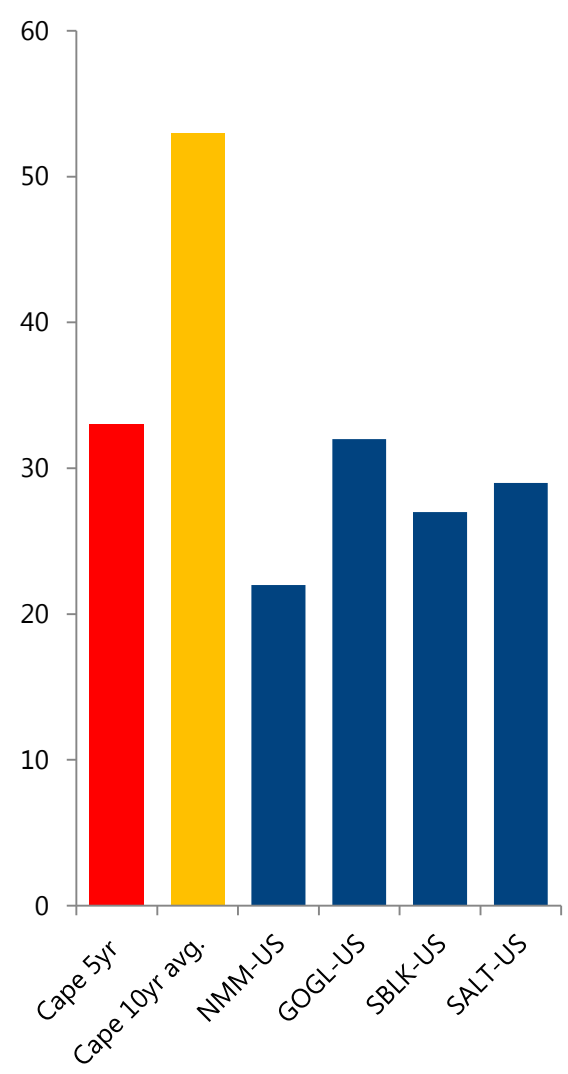


Entry point through shares today

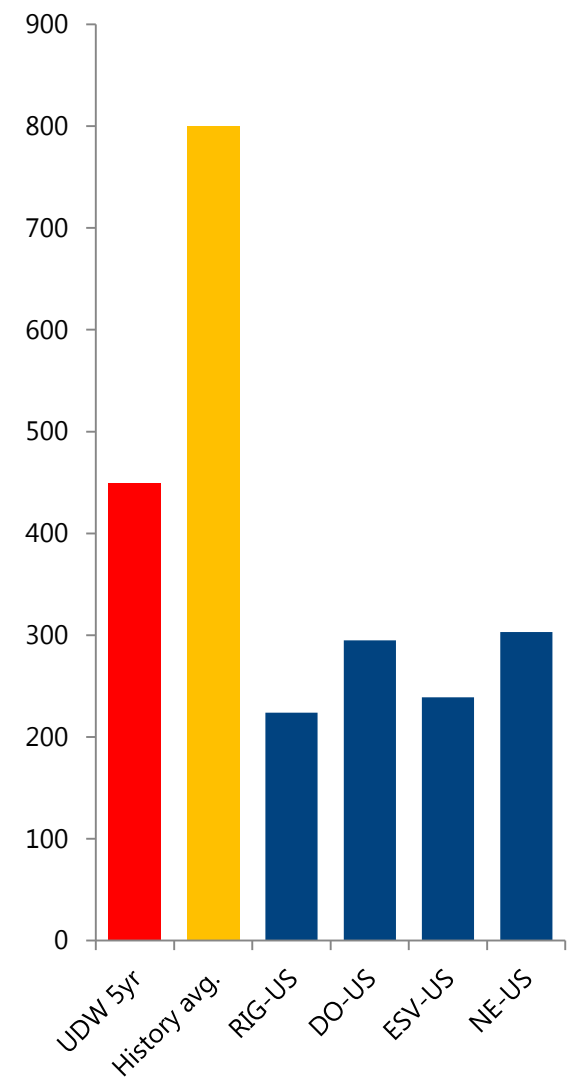
TANKER



DRY BULK



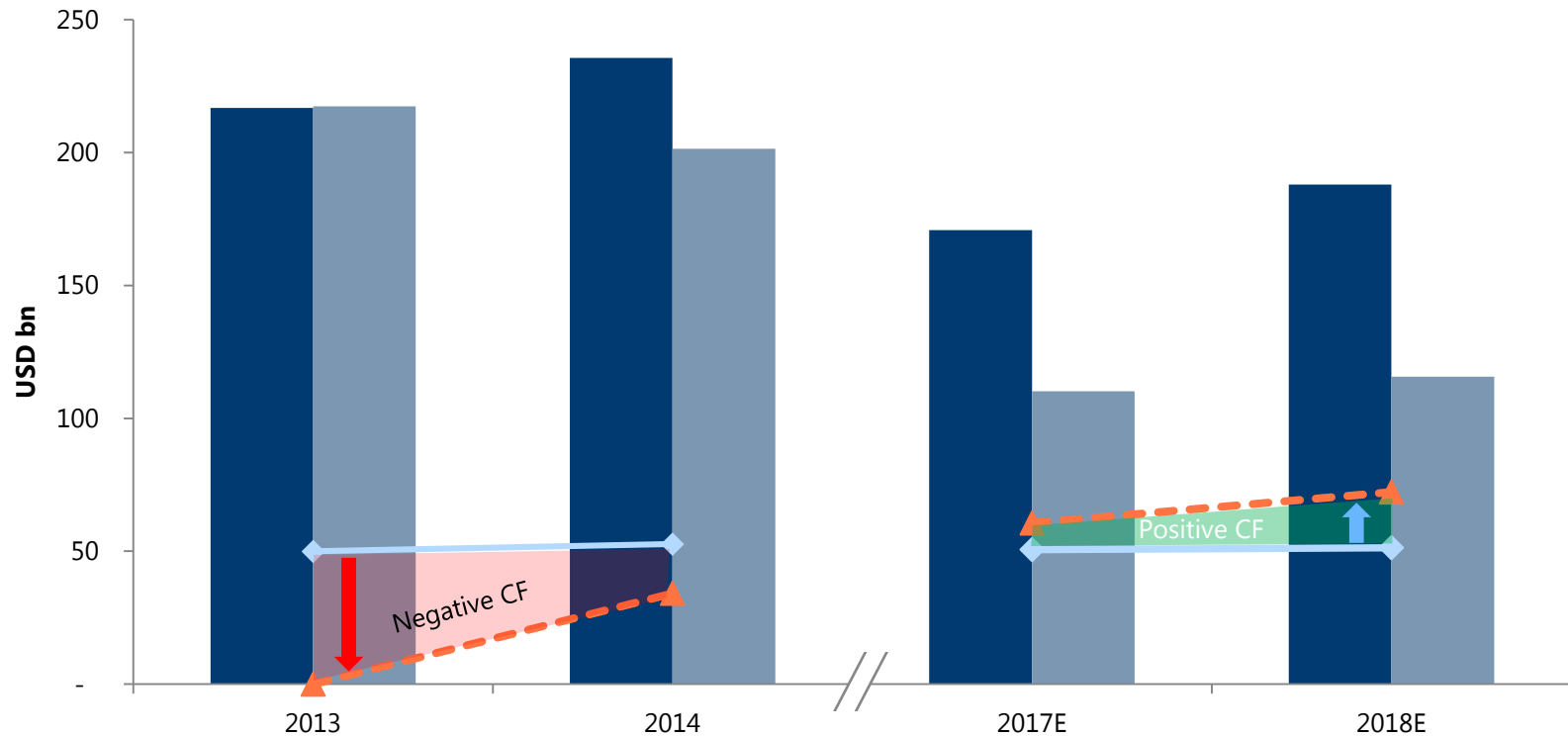
UDW



Oil Majors have adapted to lower prices and are again cash positive

More robust business model at \$50-55/bbl in 2017/18 than \$100-\$110/bbl in 2013/14

Aggregated cash flow and capex for eight majors



Average Brent (\$/bbl)

109

99

53

56

Operating cash flow

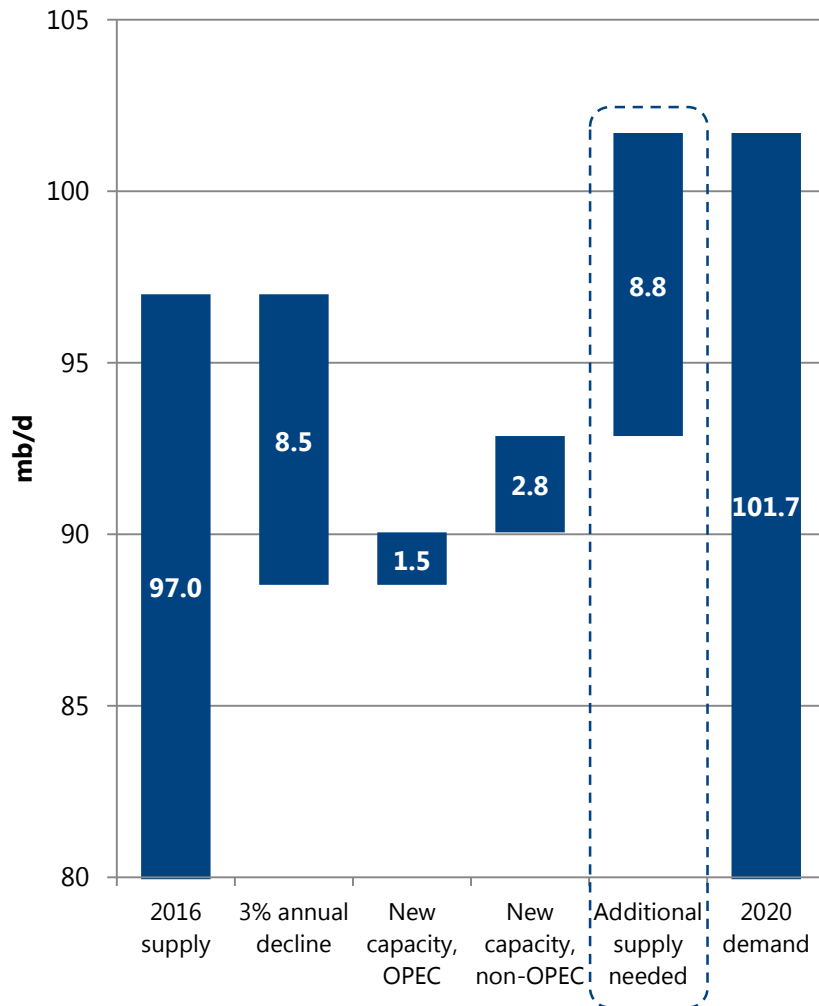
Capex

Organic FCF

Dividend bill

Oil outlook: Additional supply required medium term

Supply & Demand drivers, medium term



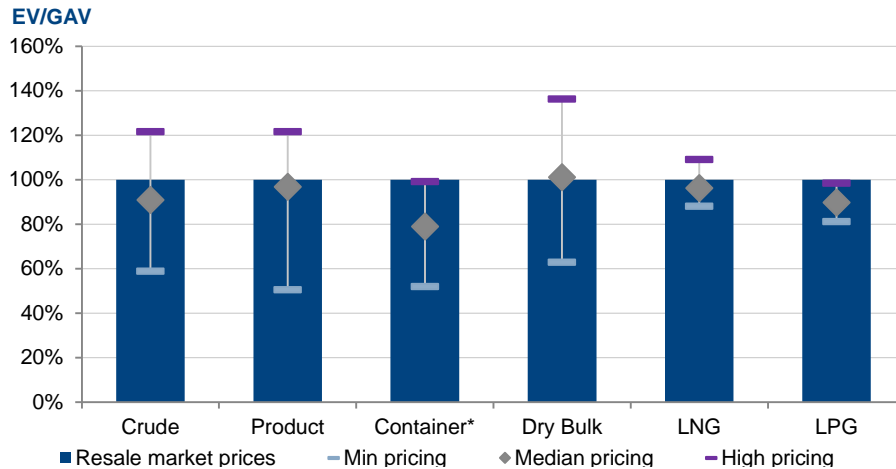
- Significant supply beyond sanctioned projects required medium term
- Supply gap may be mitigated by:
 - EOR efforts
 - Additional infill drilling
 - US shale growth beyond base case
- Limited potential for additional offshore greenfields coming on stream by 2020

Shipping Investment Perspectives

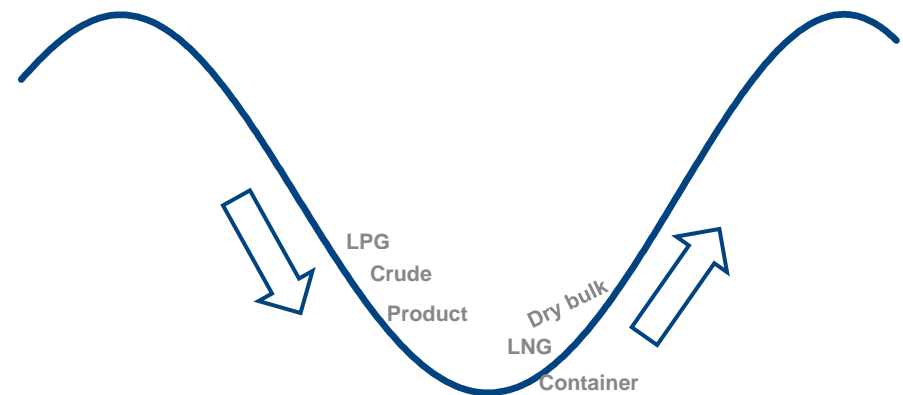
Outlook

Industry		Market outlook
Segment	Recommendation	2017 Comments
Container	Buy	<i>Levered recovery story</i>
Dry bulk	Buy	<i>Simply too good risk/ reward</i>
LPG	Accumulate	<i>No quick fix</i>
LNG	Buy	<i>Patience is a virtue</i>
Tankers	Selective	<i>Short-term pain, long-term gain</i>

Segment price



Shipping cycle



Sources: Fearnley, Factset, Company data
 Note: * Container = P/B

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Issued by Fearnley Securities on July 27, 2017

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Buy:	When price target is more than 15 % above market price.
Accumulate:	When target price is within 5-15 % above market price.
Reduce:	When target price is +5 % to -15 % below market price.
Sell:	When target price is 15 % or more below market price.

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Medium risk:	beta range 1.0 – 1.2
Low risk:	beta at or less than 1.0

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Definitions of Key Terms

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Company Name	Analyst's holding		Others		Last updated
	Equities	Bonds	Equities	Bonds	
AWILCO LNG	-	-	8 692 270	-	24.07.2017
Statoil	21	-	-	-	24.07.2017

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- (ii) receipt of compensation by a Fearnley party for investment banking services from a Recommendation Subject in the preceding twelve months;
- (iii) expectation that a Fearnley party will receive, or intends to seek, compensation for investment banking services from the Recommendation Subject in the following three months; and
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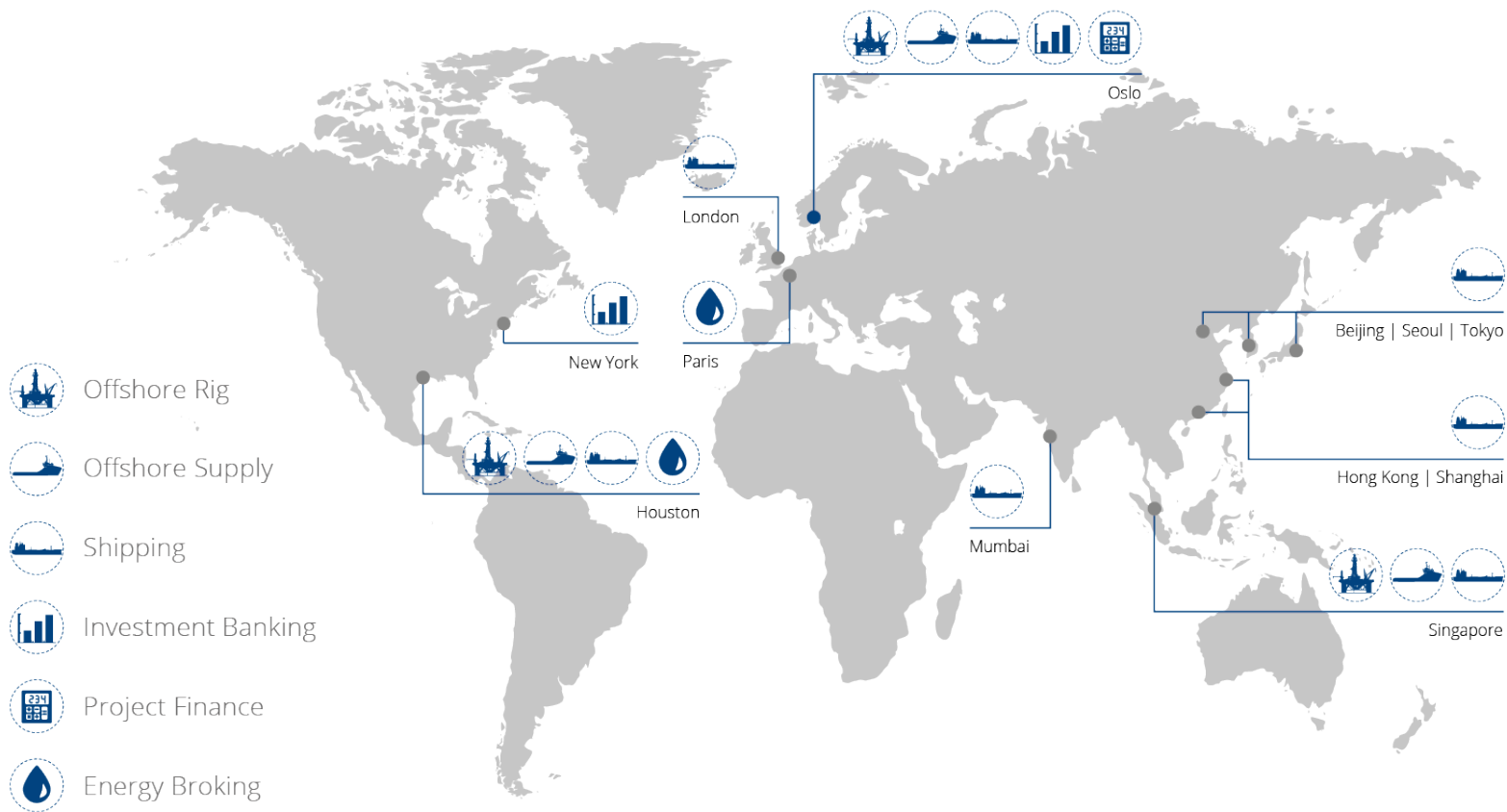
Last updated: 14 July 2017

- o Borr Drilling Ltd
- o Concordia Maritime AB
- o Eagle Bulk Shipping Inc
- o Fjord1 AS
- o Flex LNG Ltd
- o Genco Shipping & Trading Ltd
- o Havila Shipping ASA
- o Havyard Group ASA
- o Höegh LNG Partners LP
- o MPC Container Ships AS
- o Navigator Holdings Ltd.
- o Navios Maritime Partners L.P.
- o Olympic Ship AS
- o Solvang ASA
- o Songa Bulk AS

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Rating distribution				Investment banking relationship			
Buy	Accumulate	Reduce	Sell	Buy	Accumulate	Reduce	Sell
61%	19%	12%	8%	90%	10%	0%	0%



Oslo	Houston	New York	Shanghai
Beijing	London	Paris	Singapore
Hong Kong	Mumbai	Seoul	Tokyo

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