

## **What Do Those Idiots Not Understand...**

# **Investor Attitudes Toward Shipping**

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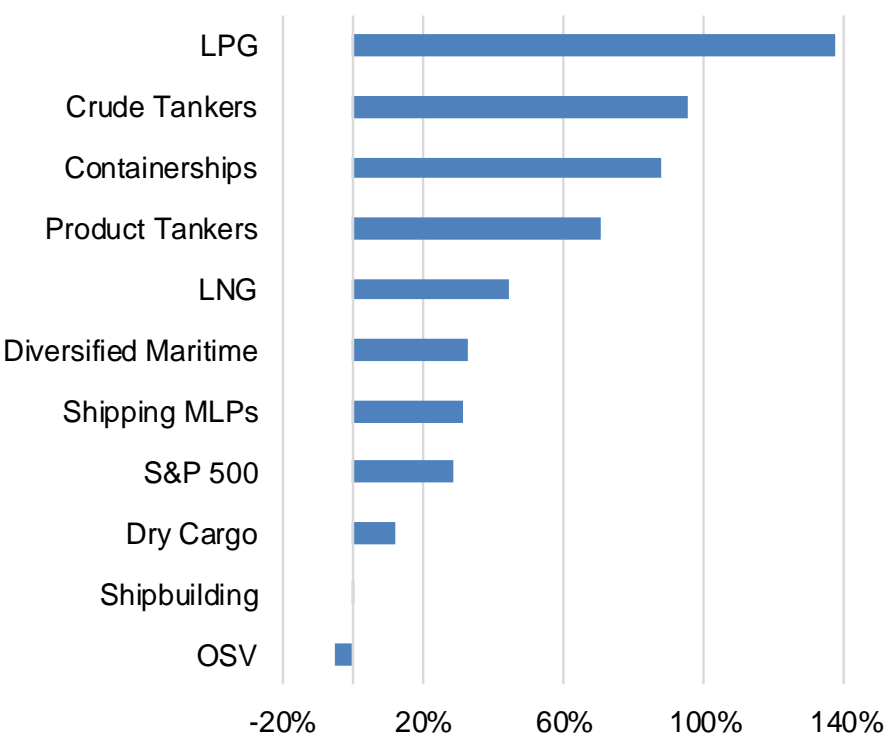
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Abandon Hope All Ye Who Enter Here

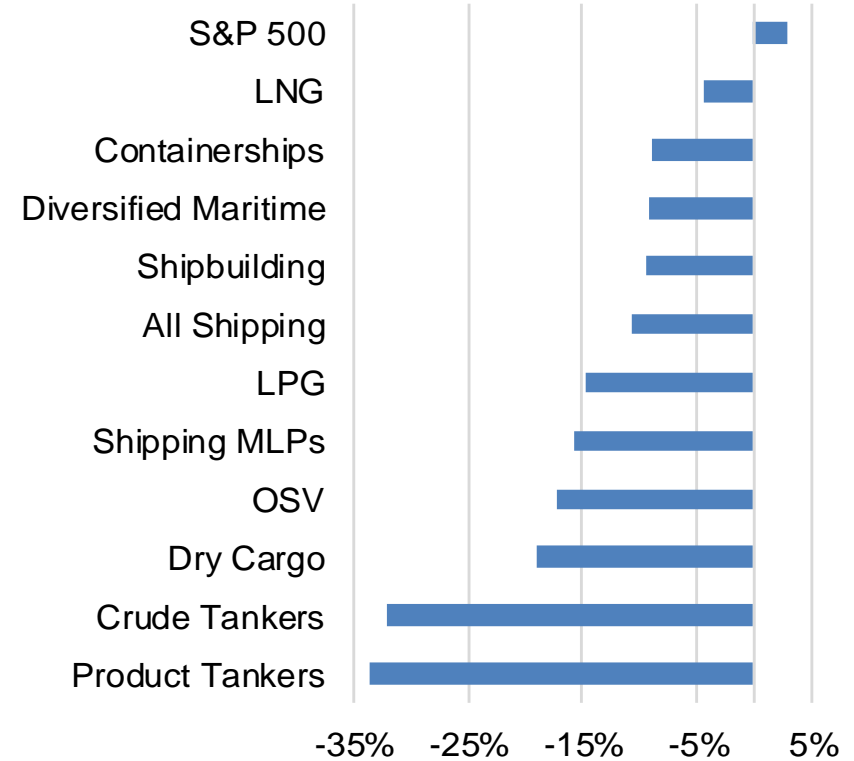


# Things Are Good Until They Aren't

### 2019 Returns



### YTD Returns



# There are two sides to every story

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## Tankers

### Bull Case:

- <9% orderbook
- Limited ordering
- Growing U.S. Exports
- 1.0 MMbdp demand growth
- IMO 2020 demand/trading

### Bear Case:

- Half of expected oil demand is LPG. True oil demand is only 0.5 MMbdp per IEA data.
- U.S. Crude expected to peak in 2021
- 2019 VLCC deliveries most since 1976

## Dry Bulk

### Bull Case:

- <10% orderbook
- Limited ordering
- Vale recovery
- Grain and minor bulk still growth >2%
- Can't get worse

### Bear Case:

- Cheap natural gas kills coal
- Average fleet age of 10 year is relatively young
- 2% demand growth is not good
- Can get worse

## Containers

### Bull Case:

- <10% orderbook
- Panama Canal expansion helped lengthen ton mile demand
- Consumer demand is good

### Bear Case:

- Scrubber retrofit returns could sink utilization
- Slow growth does not support rate improvement

## Gas

### Bull Case:

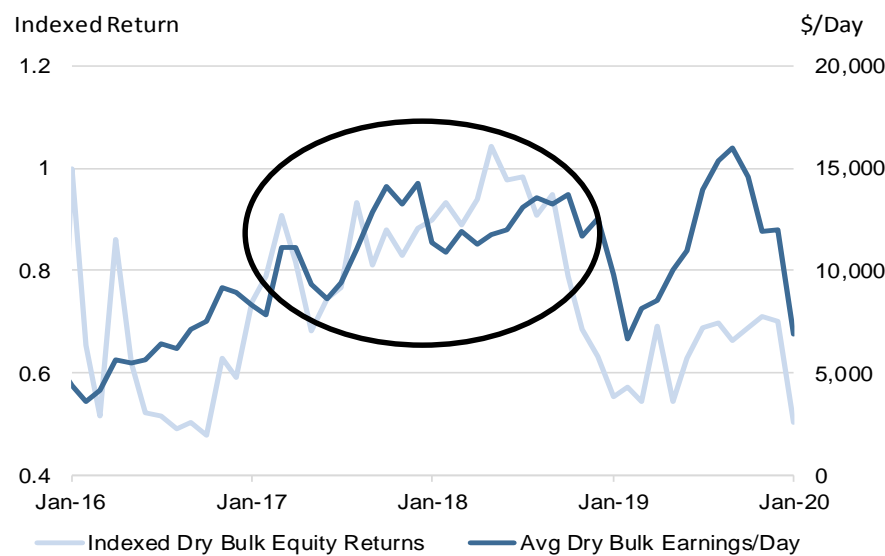
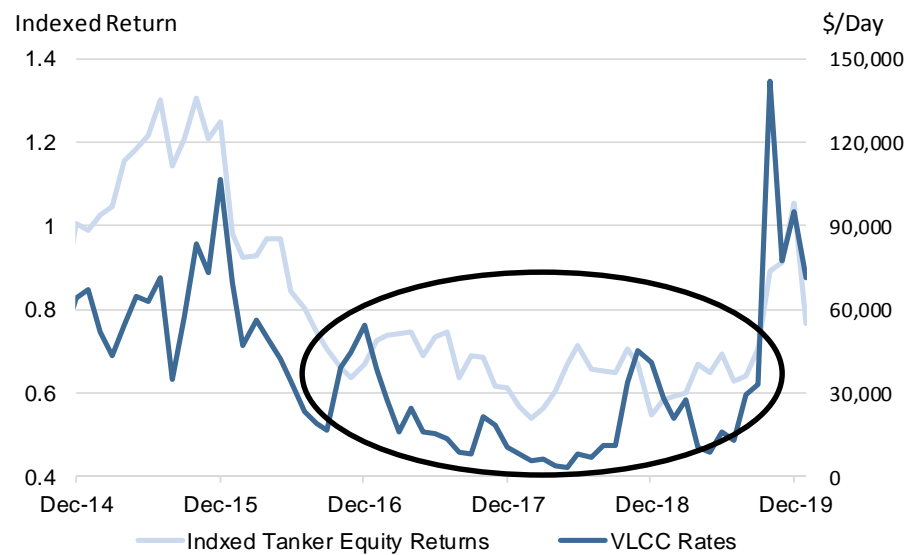
- LNG demand growing by >6% taking share from oil and coal
- U.S. NGL production should push LPG exports for years
- Petchem price arb is open

### Bear Case:

- Orderbook is scary
  - Three tiered LNG market not good for pricing
  - Low international prices cause shrinking ton-mile demand
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# The Big Mo (*Momentum*)

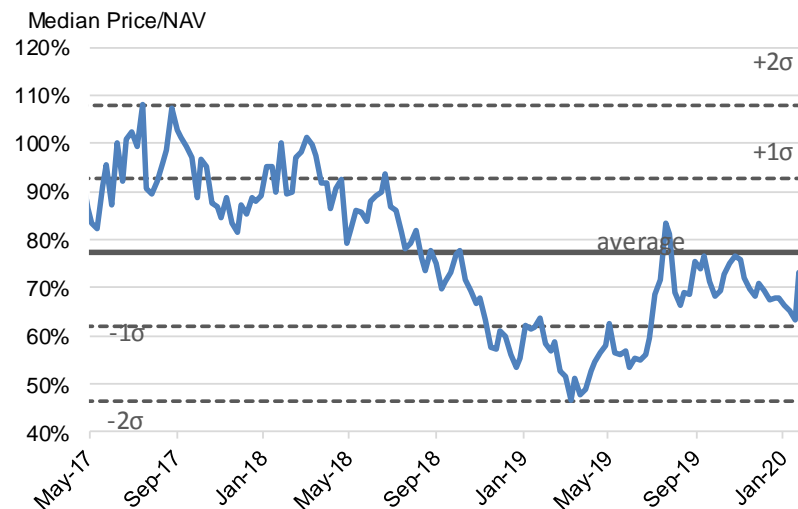
- Equities are only loosely correlated to day rates unless there are huge moves in rates.
- Simply low supply is insufficient to drive investor interest unless there is a clear catalyst to cause substantial changes.
- Consequently, most equities trade well below NAV and are likely to remain so until/unless there is a catalyst to drive cash flows sharply higher.



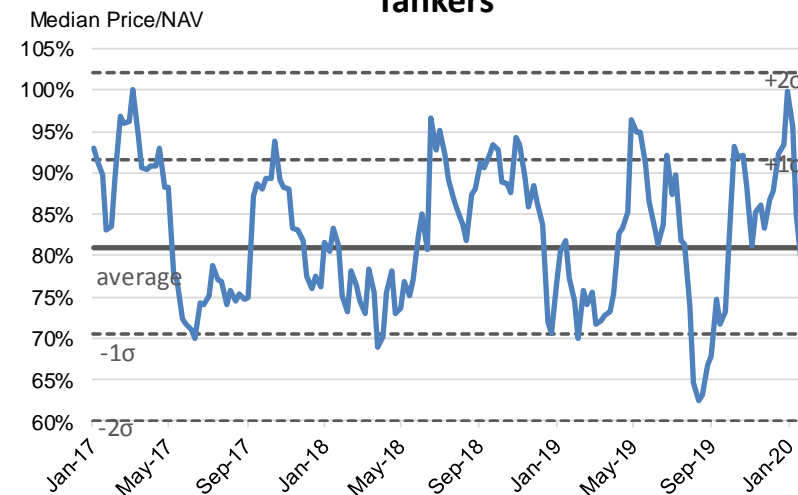
# Tankers and Dry Bulk Have a NAV Problem

- Average equities have not been able to sustainably trade above NAV, and probably won't.
- Investors are not interested in providing capital if it isn't cheap.
- Data does not hold for assets (i.e. container & LNG) with long-term contracts as those are being valued based on discount cash flows and residual value assumptions.
- Low/No debt might be an exception to the rule.

### Dry Bulk

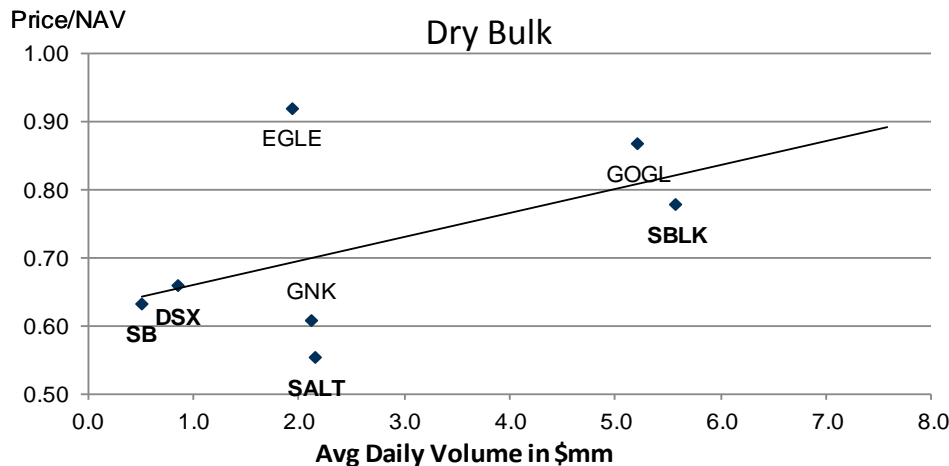
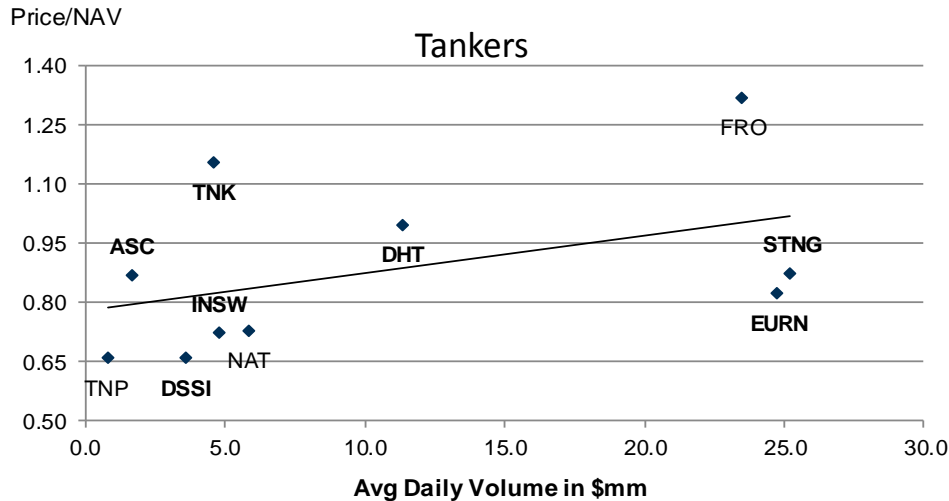


### Tankers



## Liquidity Matters

1-year average P/NAV and average value traded



- While there are outliers, for both tanker and dry bulk equities, the higher the average daily trading value, the higher the price/NAV ratio.
- Perception of management, transparency of the business model, lack of related parties and related party transactions, also appears to have value implications.
- Bigger and cleaner is better, but leverage may matter as well.

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