



# MPC CONTAINER SHIPS

## H1 2018 – Earnings Presentation

Oslo, 31 August 2018

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# HIGHLIGHTS Q2 2018

## Q2 FINANCIAL PERFORMANCE

- Revenue of USD 46.9m (Q1 USD 28.3m)
- EBITDA of USD 13.3m (Q1 USD 8.0m)
- Net profit of USD 1.8m (Q1 USD 0.5m)
- Operating cash flow of USD 7.6m (Q1 USD 4.8m)

## Q2 OPERATIONAL PERFORMANCE

- Fleet utilization of 92%<sup>1</sup>
- 15 new or extended time charters fixtures<sup>2</sup>
- Average TCE of USD 9,841 per day (Q1 USD 9,352)
- Average EBITDA of USD 2,665 per day and vessel (Q1 USD 2,449)

## CAPITAL MARKETS & FINANCING

- Full listing on the Main Board of Oslo Stock Exchange
- USD 47m in equity raised at issue price of NOK 54
- USD 51m in bank financing drawn for a 10 vessel portfolio
- Coverage increased to 6 analyst

## STRONG BALANCE SHEET

- Total Assets of USD 721m (31 Mar 2018 USD 628m)
- Cash of USD 107m (31 Mar 2018 USD 75m)
- Moderate leverage of 34%
- Equity ratio of 64%

## FLEET GROWTH

- 4 vessels acquired in Q2 and 1 vessel acquired post balance sheet date, increasing fleet acquired to 69 vessels
- 7 vessels taken over in Q2 and 1 vessel taken over post balance sheet date, increasing operational fleet to 67 vessels
- Largest feeder container owner globally<sup>3</sup>

## CONTAINER MARKET

- Idle container capacity at 2% of existing fleet
- Trade frictions causing concerns, but supply and demand fundamentals suggesting further improvements, especially for feeders
- Ship owners preparing for IMO 2020 regulations

3 <sup>1</sup> excluding dry-dock days  
<sup>2</sup> excluding pool vessels  
<sup>3</sup> up to 3,000 TEU

## BALANCE SHEET

### BALANCE SHEET 30 JUNE 2018

	31/03/2018	30/06/2018
<b>Assets</b>	<b>627.9</b>	<b>720.8</b>
<b>Non-current Assets</b>	<b>540.8</b>	<b>599.4</b>
<b>Current assets</b>	<b>87.1</b>	<b>121.5</b>
Thereof Cash and cash equivalents	75.5	106.7
<b>Equity and liabilities</b>	<b>627.9</b>	<b>720.8</b>
<b>Equity</b>	<b>415.7</b>	<b>458.8</b>
<b>Non-current Liabilities</b>	<b>199.5</b>	<b>246.3</b>
<b>Current Liabilities</b>	<b>12.7</b>	<b>15.7</b>
<b>Equity ratio</b>	<b>66.2%</b>	<b>63.6%</b>
<b>Leverage ratio</b>	<b>31.8%</b>	<b>34.2%</b>

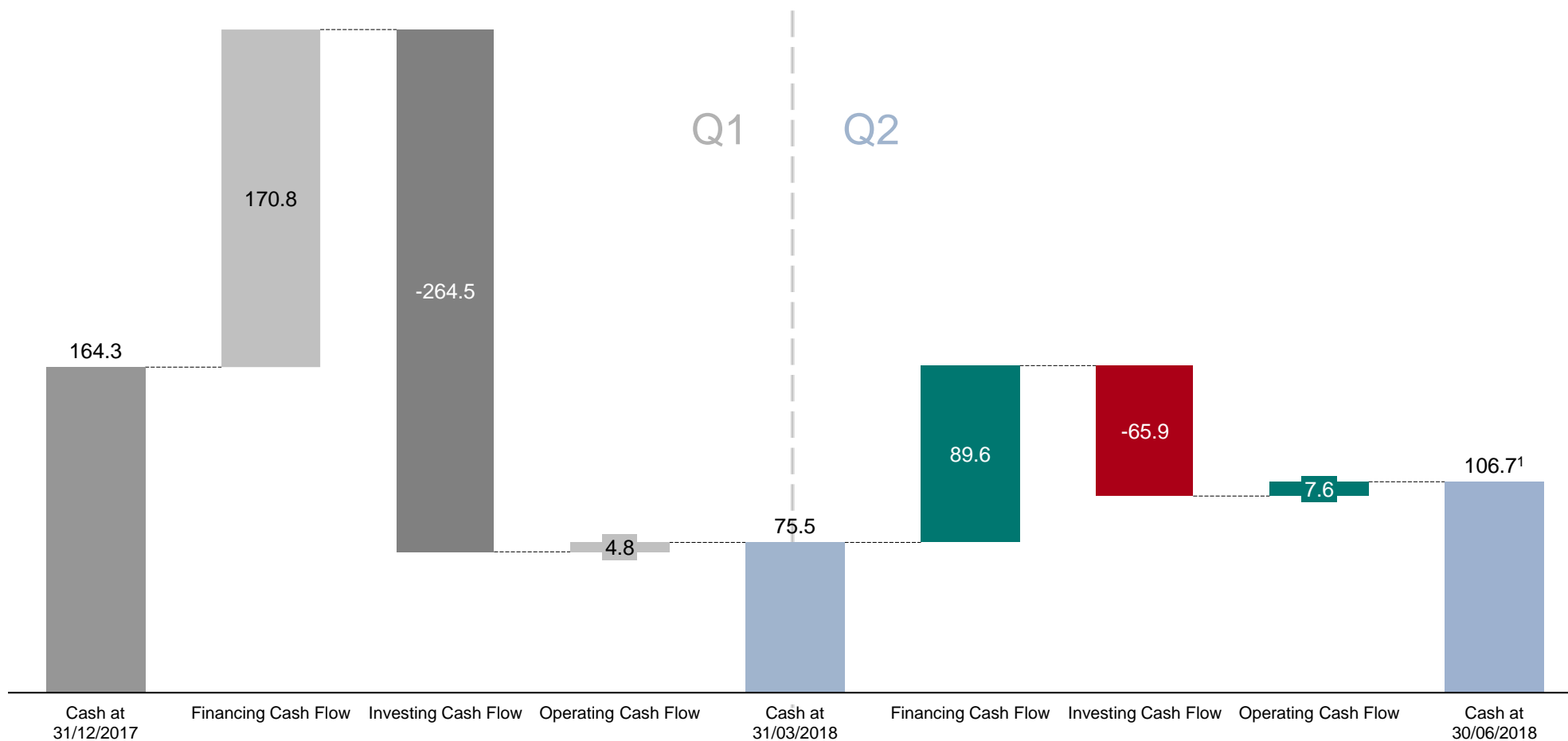
## PROFIT AND LOSS

### PROFIT AND LOSS Q2/H1 2018

	H1 2018	Q2 2018	Q1 2018
<b>Operating revenues</b>	<b>75.2</b>	<b>46.9</b>	<b>28.3</b>
<b>Gross Profit</b>	<b>24.4</b>	<b>14.9</b>	<b>9.5<sup>1</sup></b>
<b>EBITDA</b>	<b>21.2</b>	<b>13.3</b>	<b>8.0<sup>1</sup></b>
<b>Operating result (EBIT)</b>	<b>9.0</b>	<b>6.0</b>	<b>3.0<sup>1</sup></b>
<b>Profit/Loss before tax (EBT)</b>	<b>2.4</b>	<b>1.9</b>	<b>0.5</b>
<b>Profit/Loss for the period</b>	<b>2.3</b>	<b>1.8</b>	<b>0.5</b>
<i>Avg. number of vessels</i>	45.4	54.7	36.1
<i>Ownership days</i>	8,223	4,976	3,247
<i>Trading days</i>	7,452	4,494	2,958
<i>Utilization<sup>2</sup></i>	94%	92%	96%
<i>Time charter revenue</i>	<i>USD per trading day</i>		
	9,647	9,841	9,352
<i>EBITDA</i>	<i>USD per ownership day</i>		
	2,580	2,665	2,449
<i>OPEX</i>	"		
	5,070	5,238	4,810
<i>EPS (diluted)</i>	<i>USD</i>		
	0.030	0.022	0.007

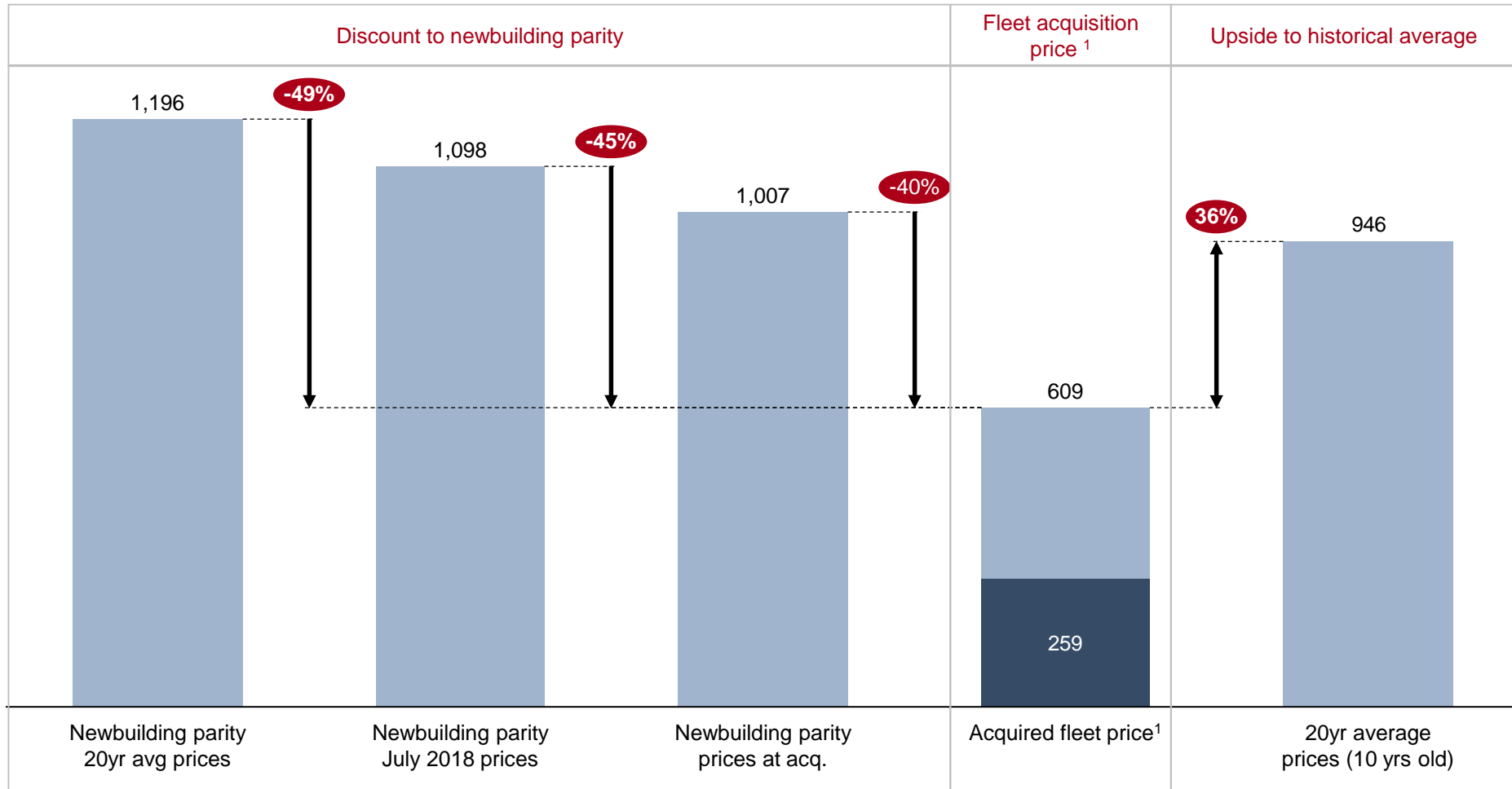
# CASH FLOW

## CASH FLOW Q1/Q2 2018



# 69 VESSELS ACQUIRED AT SIGNIFICANT DISCOUNT TO NEWBUILDING PARITY

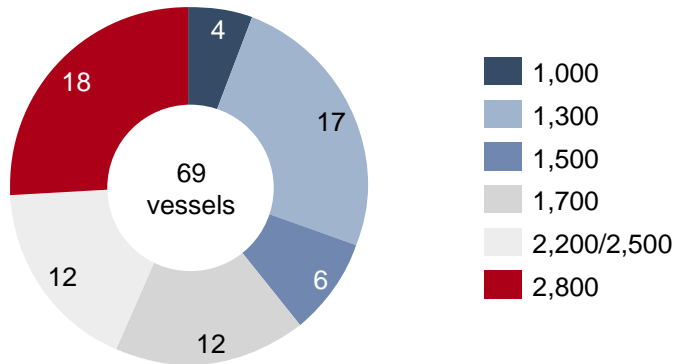
## NEWBUILDING PARITY DYNAMICS



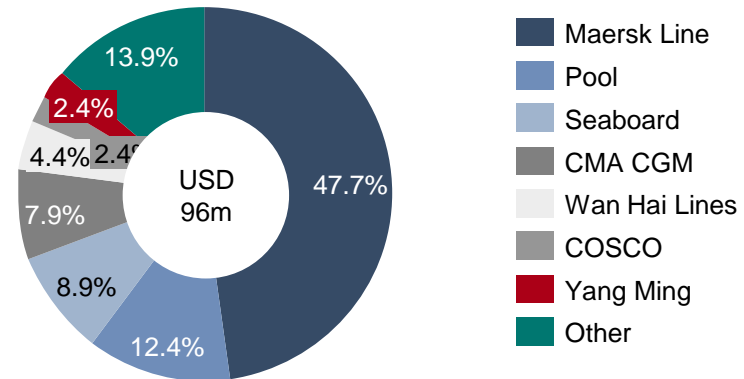
■ Implied Fleet Value ■ Scrap Value

# FLEET OVERVIEW

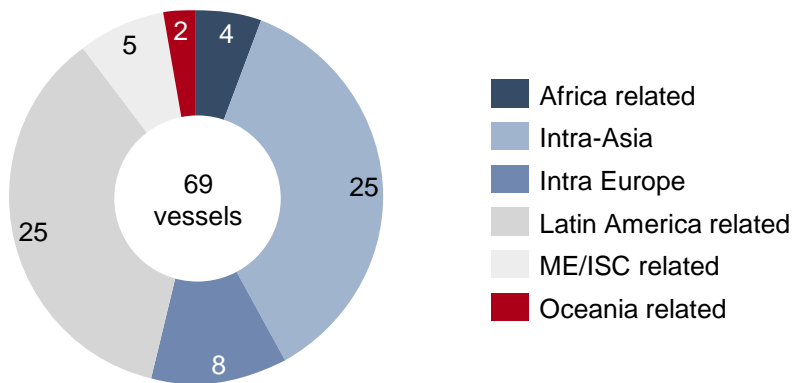
## FLEET COMPOSITION – BY TEU CLUSTER



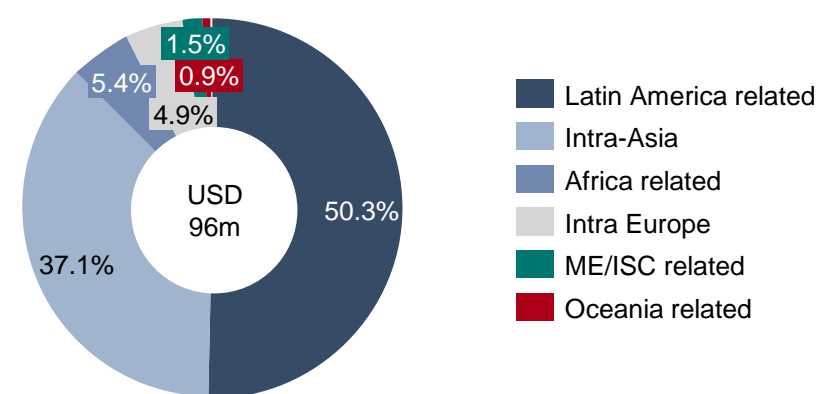
## CHARTER COVERAGE BY COUNTERPARTY<sup>1</sup>



## FLEET COMPOSITION – BY TRADE



## CHARTER COVERAGE BY REGION<sup>1</sup>



# DEVELOPMENT OF CHARTER RATES AND OPEX

## CONSOLIDATED FLEET

#vessels<sup>3</sup>  
(end of period)

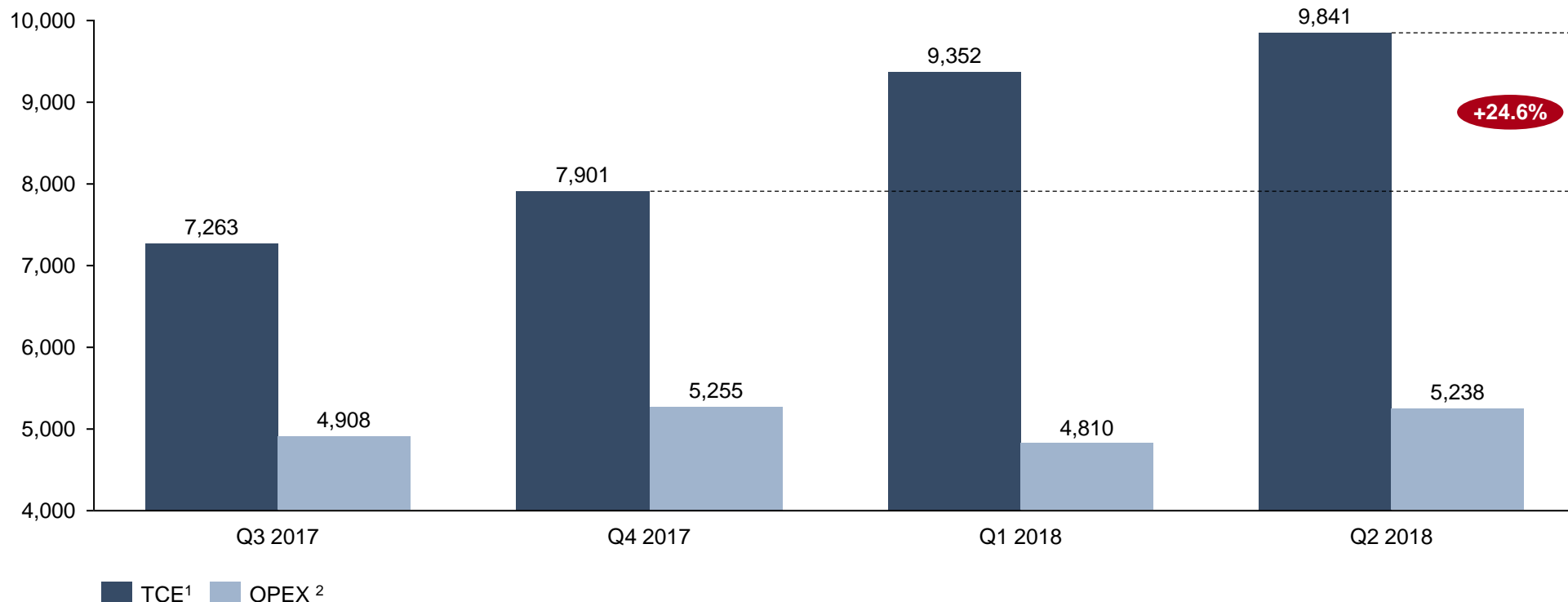
17

24

52

58

USD per day



<sup>1</sup> Time Charter Equivalent (TCE):

Time charter revenue divided by trading days during a reporting period. Trading days are ownership days net of commercial and technical off-hire days, including dry dockings and initial repairs.

<sup>2</sup> Operating expenses (OPEX):

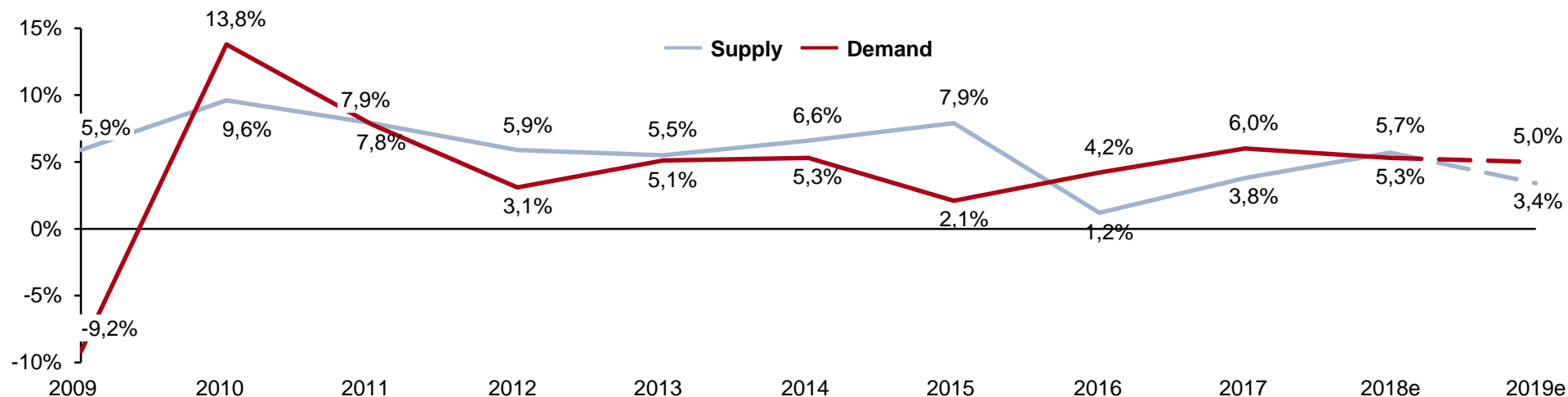
OPEX as per consolidated figures.

<sup>3</sup> Fully consolidated



# DEVELOPMENT OF SUPPLY AND DEMAND

## SUPPLY AND DEMAND BALANCE IN CONTAINER SHIPPING



### COMMENTS ON 2018

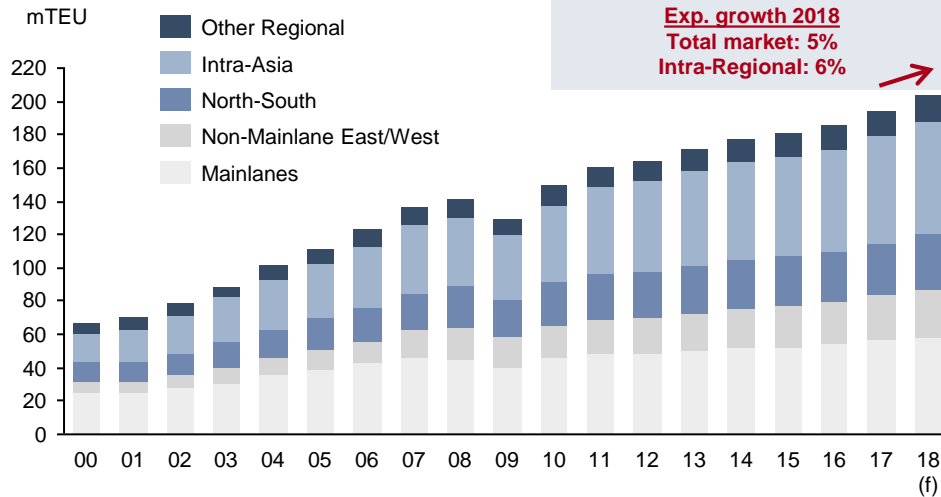
- Overall solid container trade growth based on strong world economy, without significant impact from trade frictions so far
  - Supply growth peaking in 2018 due to deliveries of very large container vessels, slowdown of supply and demand rebalancing in 2018
  - Liner profitability weakened on mainlane trades due to introduction of larger vessels, higher bunker prices and higher charter rates
- **Feeder market still with best fundamentals in the container industry due to higher demand growth and lower supply growth than total market and limited cascading**

### COMMENTS ON 2019

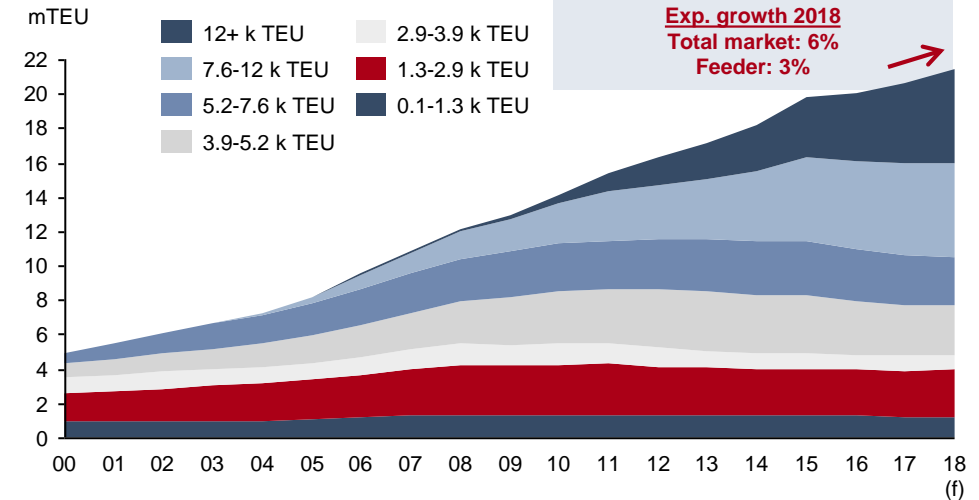
- Continuous solid trade growth based on healthy world economic growth, impacts from trade frictions uncertain
  - Significant slowdown of fleet growth due to historically low orderbook
  - Liner profitability expected to improve based on fundamentals
- **Feeder market still with best fundamentals in the container industry due to higher demand growth and lower supply growth than total market and limited cascading**

# SUPPLY AND DEMAND FUNDAMENTALS FAVOURABLE IN THE FEEDER MARKET

## DEMAND: TRADE DEVELOPMENT



## SUPPLY: FLEET DEVELOPMENT



## FOCUS ON FEEDERS

- Feeder vessels mainly deployed in intra-regional trades with above average trade growth expectations
- Feeder vessels with below average supply growth due to limited ordering activity in recent years and ageing fleet
- Feeder vessels largely protected from cascading due to physical and commercial restrictions in intra-regional container trades

## MAIN RISKS

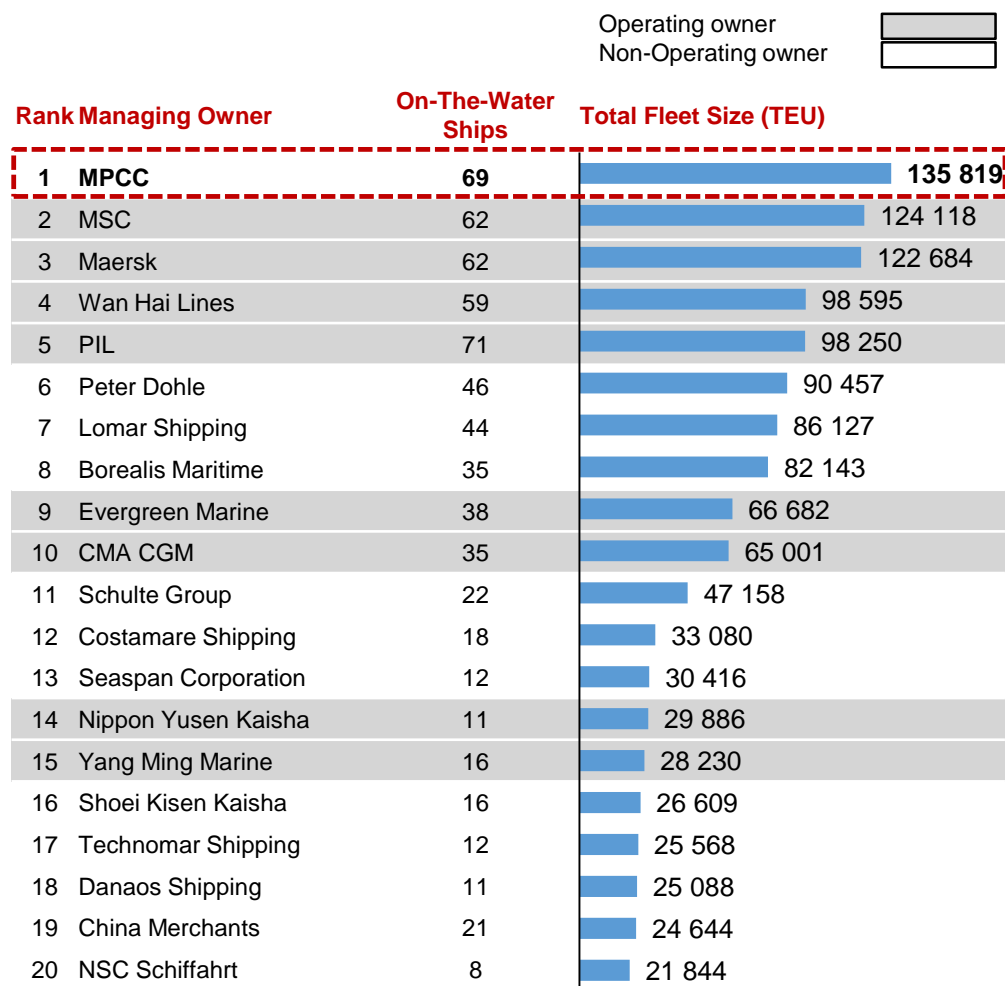
- Trade frictions potentially impacting Transpacific and Transatlantic trade volumes and potential further escalation a risk to global economic growth forecasts
- Potential knock-on effects of trade frictions to intra-regional trades currently hard to predict due to complex supply chains
- Idle fleet has increased in Q2 2018 due to summer slowdown and reshuffling of trades/vessels due to liner consolidation

## OUTLOOK

- Summer period and heavy deliveries have caused a short-term slowdown of the recovery
- Supply and demand fundamentals suggest further market improvements for the container market in general and especially for feeders
- Absorption of idle fleet required for further improvements for tonnage providers

## STRONG MARKET POSITION IN THE FEEDER CONTAINER SEGMENT

### OWNERS OF FEEDER CONTAINER VESSELS



### TRENDS & CHALLENGES

- Consolidation in the container liner industry
- New regulations – IMO 2020
- Digitalization backlog putting pressure on liners' capex resources
- New accounting standard for leases – IFRS 16
- Protectionist tendencies & implications for world trade flows



### OPPORTUNITIES

- Growing the company in a phase where many market players are still burdened with legacy issues
- Establishment of a leading container tonnage provider with attractive and flexible financing possibilities
- Additional value to be generated from scale and platform ideas
- Benefitting from economies of scale
- Strategic partnerships with charterers to tackle industry challenges, e.g. off-balance sheet solutions and capex requirements

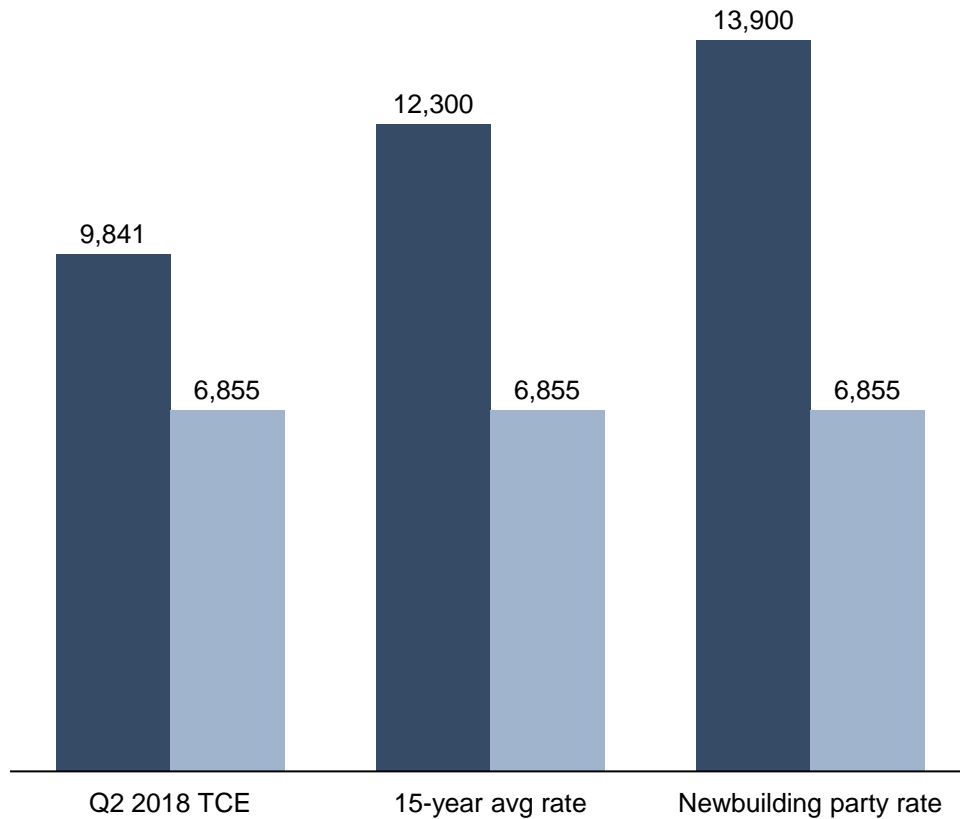
**MPCC is the largest non-operating owner of feeder container ships globally**

# HIGH UPSIDE IN EARNINGS POTENTIAL

## UPSIDE POTENTIAL IN RATES

■ TCE ■ Normalized CBE<sup>1</sup>

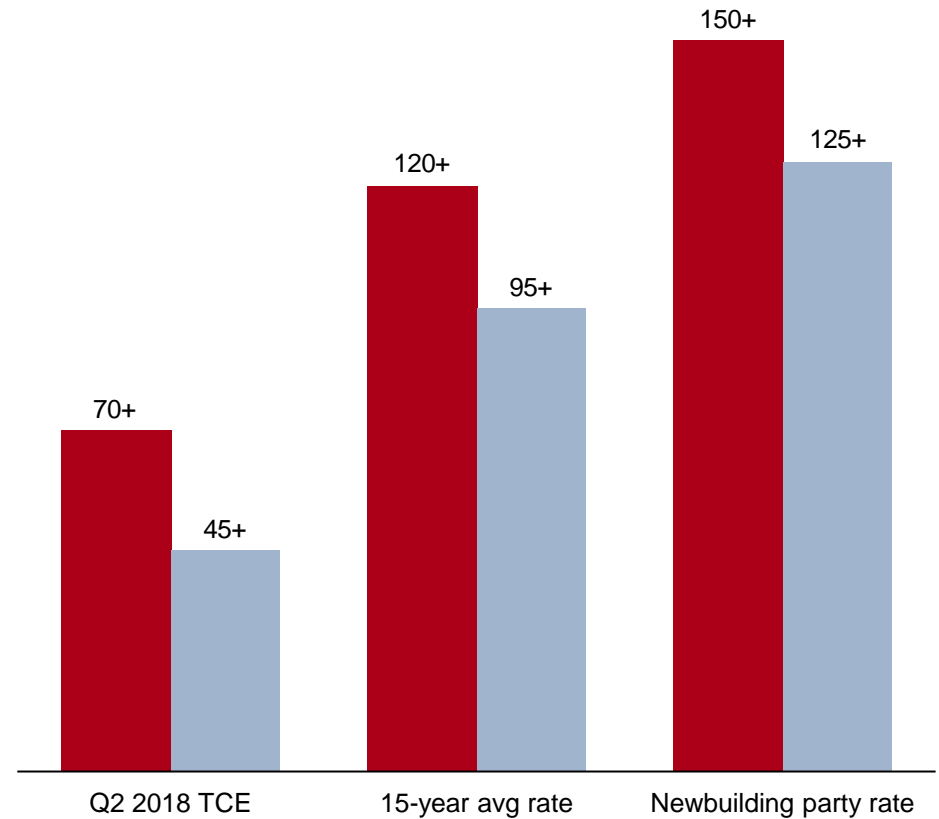
USD per day



## UPSIDE POTENTIAL (FULLY DELIVERED & ANNUALIZED)<sup>2</sup>

■ EBITDA ■ Free Cash Flow

USD million p.a.



<sup>1</sup> assuming 61 fully consolidated vessels; including interest and amortization based on existing debt facilities, excluding dry docking costs

<sup>2</sup> assuming 61 fully consolidated vessels

# IMO 2020 GLOBAL SULPHUR CAP – REGULATION & COMPLIANCE

## WHAT IS THE GLOBAL SULPHUR CAP?

- Under the new IMO MARPOL regulation, the sulphur content of any bunker fuel used shall not exceed 0.5% on and after 1/1/20.
- The relevant compliance options are:
  - Using Low Sulphur Fuel Oil (LSFO, max. 0.5% SO<sub>x</sub>) or Marine Gas Oil (MGO)
  - Using High Sulphur Fuel Oil (HSFO, 3.5% SO<sub>x</sub>) in conjunction with a scrubber
  - Using Alternative fuels e.g. - LNG - LPG - Methanol

## HOW WILL MPCC COMPLY WITH THE GLOBAL SULPHUR CAP?

- The majority of the MPCC fleet will burn LSFO as it is the most obvious solution due to size, bunker consumption, trading profile and drydock position.
- For selected vessels the management is in on-going discussions with its liner customers about strategic employment options which involve scrubber retrofits to capture the savings benefit between the different products.
- At this point, a balanced approach is expected to be implemented

## WHY?

- The MPCC fleet is able to burn compliant low sulphur fuels, at this point unavailability of these fuels is no major concern and operational efforts related to these fuels are manageable.
- The landscape has changed in recent months: Oil prices have gone up, scrubber technology improved and the scrubber adaption has accelerated. While the fuel consumption for larger ships is considerably higher and scrubber installation seems more compelling for these ships, it appears that on a selective basis also feeders ships equipped with scrubbers should be able to earn a significant extra premium in 2020 and a few years onwards.
- With more and more scrubber installations it appears justified that the availability of HSFO will be secured in all major bunker ports and we currently expect that scrubbers could present a substantial competitive advantage if one is able to arrange profit-sharing models or charter contracts in which substantial parts of the bunker savings are passed on to MPCC.

# MPC CONTAINER SHIPS ASA – OUTLOOK

## OUTLOOK

- MPCC Vision: “Create the market leading container feeder company positioned to get maximum interest from the capital markets and offer unique and flexible service to its customers“

## GROWTH

- Explore further asset acquisitions
- M&A / ship-for-share opportunities under evaluation
- Softening charter markets expected to provide interesting opportunities

## OPERATIONS

- Implement measures to advance operational efficiency
- Further extent charter coverage and execute portfolio chartering strategy
- Continuous focus on IMO2020 compliance

## CORPORATE

- Appointment of Chief Financial Officer as of 1 September 2018
- Capital market – roll-out measures to improve trading volumes
- Maintain moderate leverage
- Stick to clear capital allocation strategy

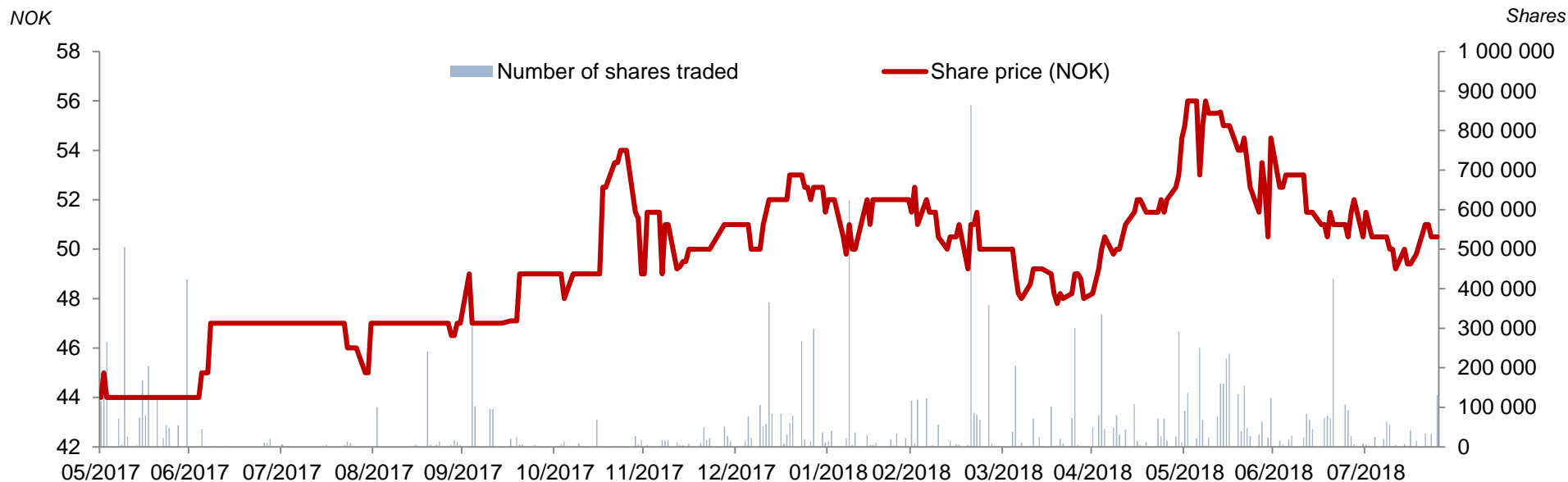
## YIELD

- Industry low cash break-even and moderate leverage profile
- Current market rates well above cash break-even with significant upside potential
- Strong dividend potential

# APPENDIX

# SHARE INFORMATION

## SHARE PRICE AND VALUATION



### TRADING INFORMATION

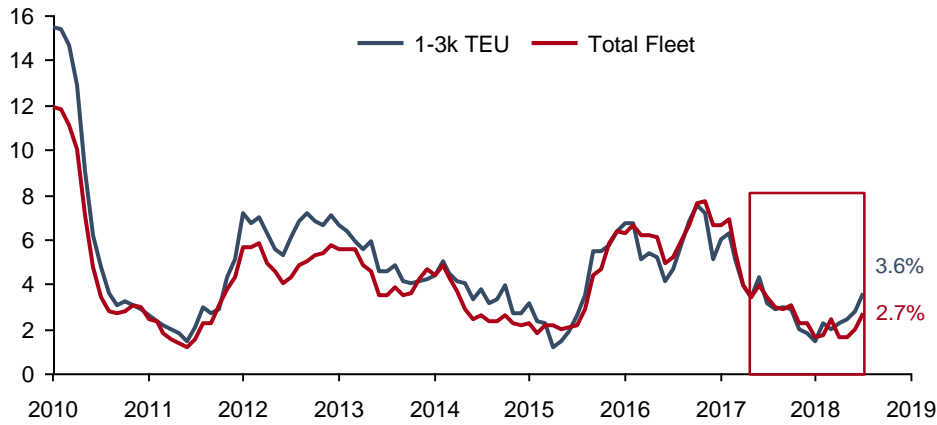
MPCC STOCK	Ticker	MPCC
	Segment	Oslo Stock Exchange
	ISIN	NO0010791353
	Trading currency	NOK
	Shares outstanding	84,253,000
	Price (28. August 2018)	50.00
	Market cap. 28 August 2018	NOKbn 4.213 (USDm 504)
	Average trading volume (30-day)	37,000 shares

MPCC BOND	Ticker	MPCBV01
	Segment	Oslo Stock Exchange
	ISIN	NO0010805872
	Trading currency	USD
	Bonds outstanding	200m
	Price (28 August 2018)	USD 102.25

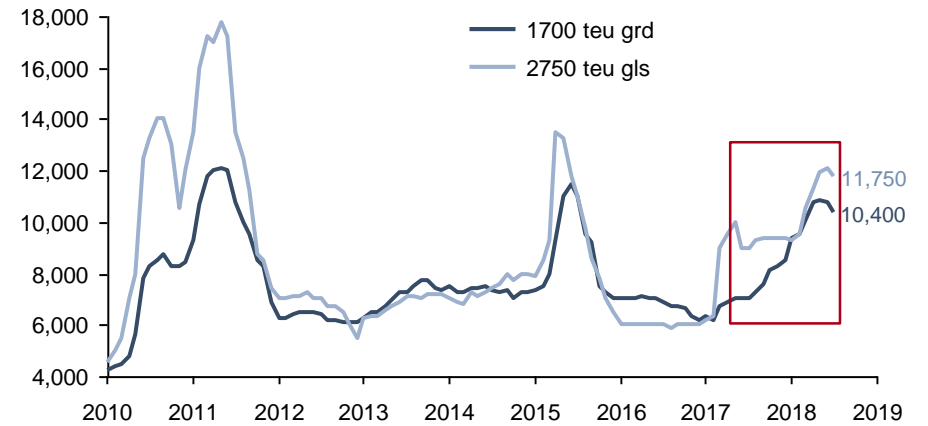


# MARKET UPDATE

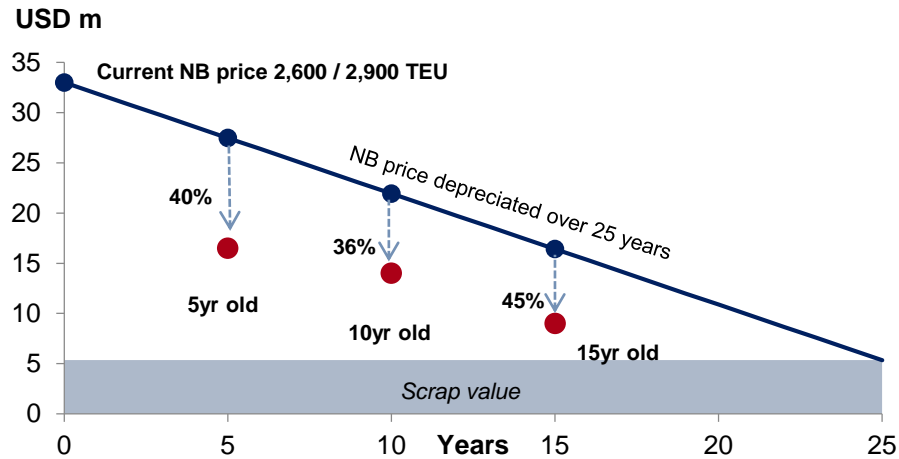
## IDLE FLEET (IN % OF EXISTING FLEET)



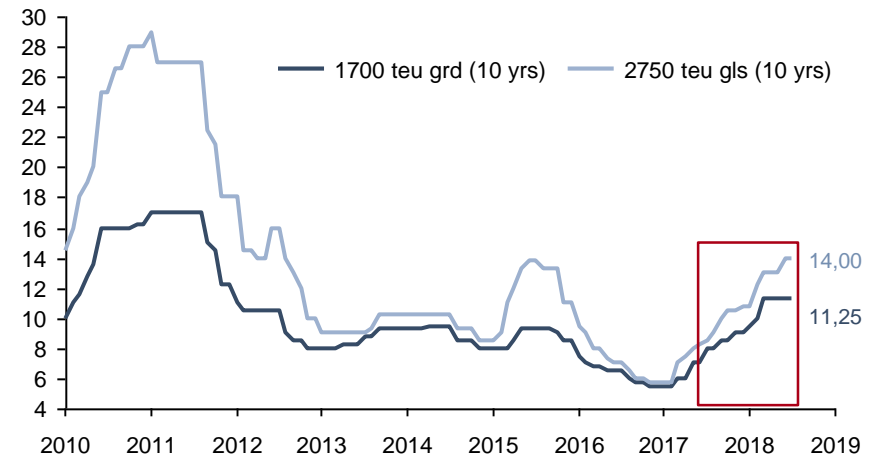
## TC RATES (IN USD/DAY)



## DISCOUNT TO NEWBUILDING PARITY



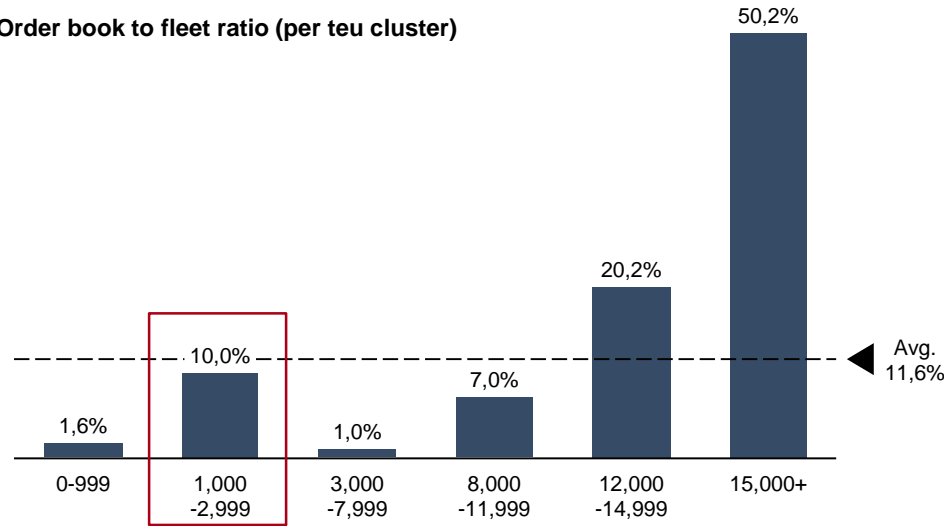
## SECONDHAND ASSET VALUES (IN USDM)



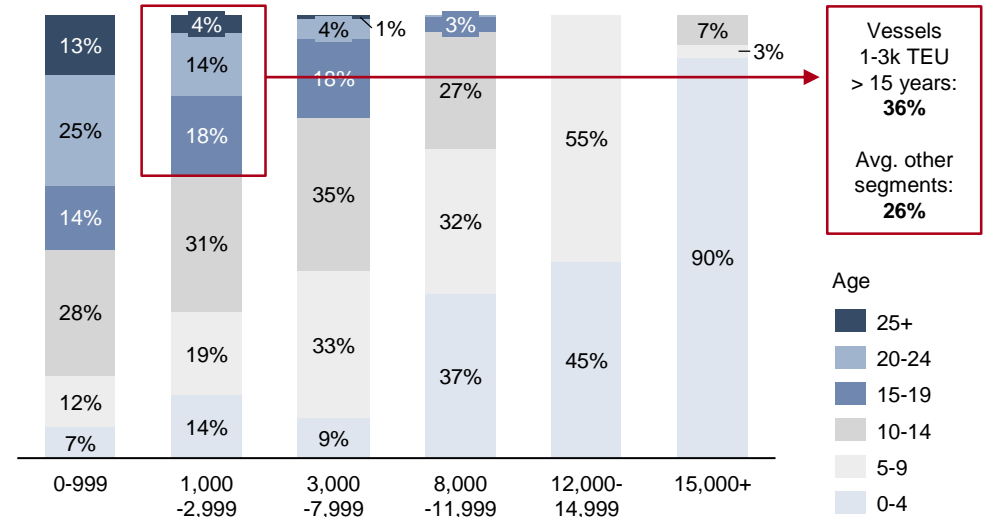
# EVEN MORE FAVOURABLE SUPPLY/DEMAND DYNAMICS FOR THE FEEDER SEGMENT

## LIMITED ORDERING OF FEEDER TONNAGE

Order book to fleet ratio (per teu cluster)

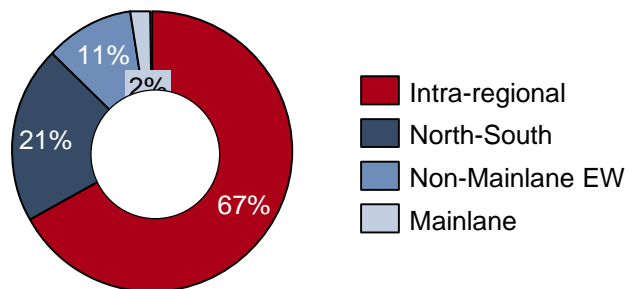


## AGEING FEEDER CONTAINER FLEET



## FEEDER TONNAGE CONCENTRATED IN INTRA-REGIONAL TRADES

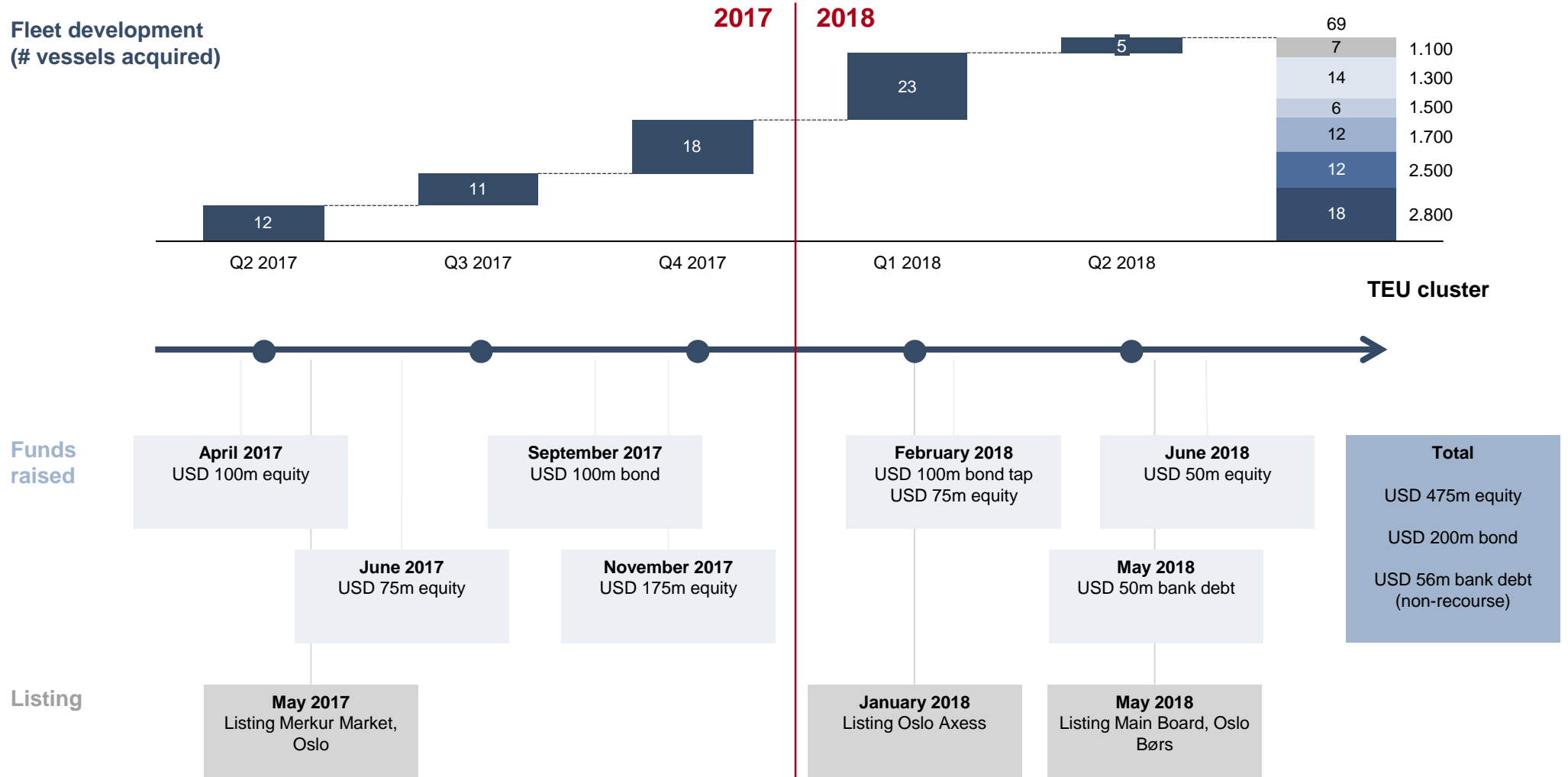
Trade deployment of feeder tonnage (1-3k TEU)



- 67% of feeder tonnage deployed in intra-regional trades
- Intra-regional trades have high entry barriers for larger tonnage due to port restrictions, frequency requirements, inflexibility and commercial constraints
- Charter market recovery to be expected in segments best protected by cascading, e.g. regional feeder trades
- Intra-regional trades have outperformed other trading regions since 2011 and are projected to continue doing so, e.g. Intra-Asia with highest growth projections over the next 2 years (CAGR > 6%)

# DEVELOPING A MARKET LEADING CONTAINER FEEDER COMPANY

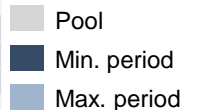
## VESSEL ACQUISITIONS & CAPITAL MARKET ACTIVITIES



# FLEET EMPLOYMENT 1,000 – 1,999 TEU

## VESSEL EMPLOYMENT DETAILS

No.	Vessel	Stake	Cluster	Charterer	Rate (\$pd)	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19
1	AS LAURETTA	100%	1000 gls	SITC	8.000					
2	AS LEONA	100%	1000 gls	ASL	8.800					
3	AS LAETITIA	100%	1000 grd	CMA CGM	7.950					
4	AS LAGUNA	100%	1000 grd	Unimed ex UFS	6.500					
5	AS FENJA	100%	1300 gls	COSCO	9.250					
6	AS FATIMA	100%	1300 gls	Pool	8.360					
7	AS FIONA	100%	1300 gls	Wan Hai Lines	8.900					
8	AS FLORA <sup>1</sup>	100%	1300 gls	Pool	8.360					
9	AS FLORIANA	100%	1300 gls	Pool	8.360					
10	AS FRIDA	100%	1300 gls	Wan Hai Lines	9.000					
11	AS FREYA	100%	1300 grd	Simatech	9.500					
12	AS FABIANA	100%	1300 grd	Pool	8.585					
13	AS FABRIZIA	100%	1300 grd	Pool	8.585					
14	AS FAUSTINA	100%	1300 grd	Pool	8.585					
15	AS FEDERICA	100%	1300 grd	Pool	8.585					
16	AS FELICIA	100%	1300 grd	Pool	8.585					
17	AS FILIPPA	100%	1300 grd	Pool	8.585					
18	AS FIORELLA	100%	1300 grd	Pool	8.585					
19	AS FLORETTA	100%	1300 grd	Pool	8.585					
20	AS FORTUNA	100%	1300 grd	Pool	8.585					
21	AS FRANZISKA	100%	1300 grd	Pool	8.585					
22	AS RAFAELA	100%	1500 gls	Wan Hai Lines	10.500					
23	AS RAGNA	100%	1500 gls	Pool	8.408					
24	AS RICCARDA	100%	1500 gls	Pool	8.408					
25	AS ROMINA	100%	1500 gls	Pool	8.408					
26	AS ROSALIA	100%	1500 gls	Pool	8.408					
27	AS ROBERTA <sup>1</sup>	100%	1500 gls	Pool	8.408					
28	AS SABRINA	100%	1700 grd	Maersk Line	14.430					
29	AS SAMANTA	100%	1700 grd	Maersk Line	14.430					
30	AS CARELIA	100%	1700 grd	Hapag-Lloyd	9.300					
31	AS CYPRIA	100%	1700 grd	CMA CGM	9.400					
32	AS SARA	100%	1700 grd	Maersk Line	14.430					
33	AS SAVANNA	100%	1700 grd	Maersk Line	14.430					
34	AS SERENA	100%	1700 grd	MCC	9.650					
35	AS SOPHIA	100%	1700 grd	MCC	9.650					
36	AS SERAFINA	100%	1700 grd	Maersk Line	14.430					
37	AS SUSANNA	100%	1700 grd	Maersk Line	14.430					
38	AS SVENJA	100%	1700 grd	Maersk Line	14.430					
39	AS SELINA <sup>2</sup>	100%	1700 grd							



## FLEET EMPLOYMENT 2,000 – 2,800 TEU

### VESSEL EMPLOYMENT DETAILS

No.	Vessel	Stake	Cluster	Charterer	Rate (\$pd)	Q3 '18	Q4 '18	Q1 '19	Q2 '19	Q3 '19
40	AS ANGELINA	100%	2200 grd	Seaboard	7.600					
41	AS PAULINE	100%	2500 gls	CMA CGM	10.500		12.250			
42	AS PENELOPE	100%	2500 gls	Maersk Line	11.250					
43	AS PAOLA <sup>1</sup>	100%	2500 grd	CMA CGM	8.800					
44	AS PALATIA	100%	2500 grd	COSCO	10.450					
45	AS PATRIA	100%	2500 grd	Seaboard	11.200					
46	AS PAULINA	100%	2500 grd	CMA CGM	12.000					
47	AS PETRONIA	100%	2500 grd	CMA CGM	9.750					
48	AS CALIFORNIA	100%	2800 gls	Maersk Line	11.950					
49	AS CLARA	100%	2800 gls	Hapag-Lloyd	8.950					
50	AS CLARITA	100%	2800 gls	ZISS	11.500					
51	AS CLEMENTINA	100%	2800 gls	Yang Ming	12.250					
52	AS COLUMBIA	100%	2800 gls	Sinokor	11.600					
53	AS CONSTANTINA	100%	2800 gls	Heung-A	9.250					
54	SEVILLIA	100%	2800 gls	COSCO	9.650					
55	SICILIA	100%	2800 gls	TS Lines	10.700					
56	AS CAMELLIA	100%	2800 gls	CMA CGM	10.500					
57	AS CAROLINA	100%	2800 gls							
58	AS CARLOTTA	100%	2800 grd	Maersk Line	10.500		10.850			
59	AS CHRISTIANA	100%	2800 grd	Maersk Line	10.500					
60	AS PALINA	80%	2500 grd	CMA CGM	12.250					
61	AS PETRA	80%	2500 grd	Maersk Line	12.350					
62	AS PETULIA	50%	2500 grd	Seaboard	11.400					
63	AS CARINTHIA	50%	2800 gls	Wan Hai Lines	10.500					
64	CARDONIA	50%	2800 gls	Milaha	9.000					
65	CARPATHIA	50%	2800 gls	Milaha	9.000					
66	CIMBRIA	50%	2800 gls	OOCL	9.100					
67	CORDELIA	50%	2800 gls	Evergreen			10.750			
68	AS CLEOPATRA	50%	2800 grd	MSC	10.650					
69	AS PATRICIA	50%	2800 grd	SITC	8.500					

Pool  
 Min. period  
 Max. period

► Gross blended TC rate (total fleet): USD 10,194 per day