



# MPC CONTAINER SHIPS

Q3 2018 – Earnings Presentation

Oslo, 30 November 2018



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# HIGHLIGHTS Q3 2018

## FINANCIAL PERFORMANCE

- Revenue of USD 55.8m (Q2 2018: USD 46.9m)
- EBITDA adj.<sup>1</sup> of USD 15.7m (Q2 2018: USD 13.3m)
- Net profit adj.<sup>1</sup> of USD 2.3m (Q2 2018: USD 1.8m)
- Operating Cash Flow adj.<sup>2</sup> of USD 12.8m (Q2 2018: USD 11.3m)

## OPERATIONAL PERFORMANCE

- Fleet utilization of 92%<sup>3</sup>
- 20 new or extended time charters fixtures<sup>4</sup>
- Average TCE of USD 10,230 per day (Q2 2018: USD 9,841)
- Average EBITDA per vessel of USD 2,667 p.d. (Q2 2018: USD 2,665)

## CAPITAL MARKETS

- Following an eventful second quarter and first half 2018, subdued market conditions have made capital market activities less favourable in Q3 2018
- Effective as of 1 December 2018, MPCC will be included as the only new entrant in the Oslo Børs Benchmark Index (“OSEBX”) along with 62 other constituents
- Effective as of close-of-trade 30 November 2018, MPCC will be included in the MSCI Global Micro Cap Index

## STRONG BALANCE SHEET

- Total Assets of USD 730.1m (30 June 2018: USD 720.8m)
- Cash of USD 67.7m (30 June 2018: USD 106.7m)
- Moderate leverage of 33% (30 June 2018: 34%)
- Equity ratio of 64% (unchanged from 30 June 2018)

## FLEET / INVESTMENT CAPACITY

- 69 vessels acquired and taken over as of 30 November 2018 – largest feeder container owner globally<sup>5</sup>
- 9 unencumbered vessels remaining on the balance sheet
- Remaining investment capacity of up to USD 75m based on potential additional debt capacity (up to 40% leverage) and freely available cash

## CONTAINER MARKET

- Downward-adjusted container demand growth (4.5% for 2018) caused by global economic development uncertainties, escalating trade tensions and weaker growth on long-haul east-west trades
- Idle container capacity has increased as a result of liner capacity adjustments
- Supply growth projected to outpace demand growth in 2018, but rebalancing expected in 2019
- Ship owners place further emphasis on IMO 2020 sulphur emission cap

<sup>1</sup> adjusted for non-recurring costs due to ramp up phase: EBITDA USD 14.6m, Net profit USD 1.2m

<sup>2</sup> adjusted for working capital normalisation: Operating Cash Flow USD 2.2m

<sup>3</sup> excluding dry-dock days

<sup>4</sup> excluding pool vessels

<sup>5</sup> up to 3,000 TEU

## FINANCIALS – OVERVIEW

### BALANCE SHEET AS PER 30 SEPTEMBER 2018

	30/09/2018	30/06/2018
<b>Assets</b>	<b>730.1</b>	<b>720.8</b>
Non-current Assets	632.8	599.4
Current assets	97.3	121.5
<b>Equity and liabilities</b>	<b>730.1</b>	<b>720.8</b>
Equity	465.9	458.8
Non-current Liabilities	244.6	246.3
Current Liabilities	19.6	15.7
Equity ratio	63.8%	63.6%
Leverage ratio <sup>1</sup>	33.9%	34.5%

### CASH FLOW STATEMENT Q3 AND Q2 2018

	Q3 2018	Q2 2018
<b>Cash at beginning of period</b>	<b>106.7</b>	<b>75.5</b>
<b>Operating Cash Flow<sup>2</sup></b>	<b>2.2</b>	<b>11.3</b>
<b>Financing Cash Flow</b>	<b>-40.1</b>	<b>85.9</b>
<b>Investing Cash Flow</b>	<b>-0.8</b>	<b>-65.7</b>
<b>Cash at end of period</b>	<b>67.7</b>	<b>106.7</b>

### PROFIT AND LOSS Q3 & NINE-MONTH 2018

	YTD 2018	Q3 2018	Q2 2018	
<b>Operating revenues</b>	<b>131.0</b>	<b>55.8</b>	<b>46.9</b>	
<b>Gross Profit</b>	<b>42.0</b>	<b>17.6</b>	<b>14.9</b>	
<b>EBITDA<sup>3</sup></b>	<b>35.8</b>	<b>14.6</b>	<b>13.3</b>	
<b>Operating result (EBIT)<sup>3</sup></b>	<b>15.6</b>	<b>6.6</b>	<b>6.0</b>	
<b>Profit/Loss for the period<sup>3</sup></b>	<b>3.5</b>	<b>1.2</b>	<b>1.8</b>	
<i>Avg. number of vessels</i>	50.1	59.2	54.7	
<i>Ownership days</i>	13,666	5,443	4,976	
<i>Trading days</i>	12,446	4,994	4,494	
<i>Utilization<sup>4</sup></i>	93%	93%	92%	
<i>Time charter revenue</i>	<i>USD per trading day</i>	9,881	10,230	9,841
<i>EBITDA</i>	<i>USD per ownership day</i>	2,618	2,667	2,665
<i>OPEX</i>	"	5,100	5,144	5,238
<i>EPS (diluted)</i>	<i>USD</i>	0.042	0.014	0.022

<sup>1</sup> Long-term and short-term interest bearing debt divided by total assets

<sup>2</sup> Q3 adjusted due to working capital normalisation: Operating Cash Flow adj. USD 12,8m

<sup>3</sup> Q3 adjusted due to non-recurring costs related to the ramp of the organisation:  
EBITDA adj: USD 15.7m, Profit/Loss adj.: USD 2.3m

<sup>4</sup> Excluding dry-dock days

# FINANCIALS – DEVELOPMENT OF CHARTER RATES AND OPEX

## CONSOLIDATED FLEET (61 VESSELS)

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

17

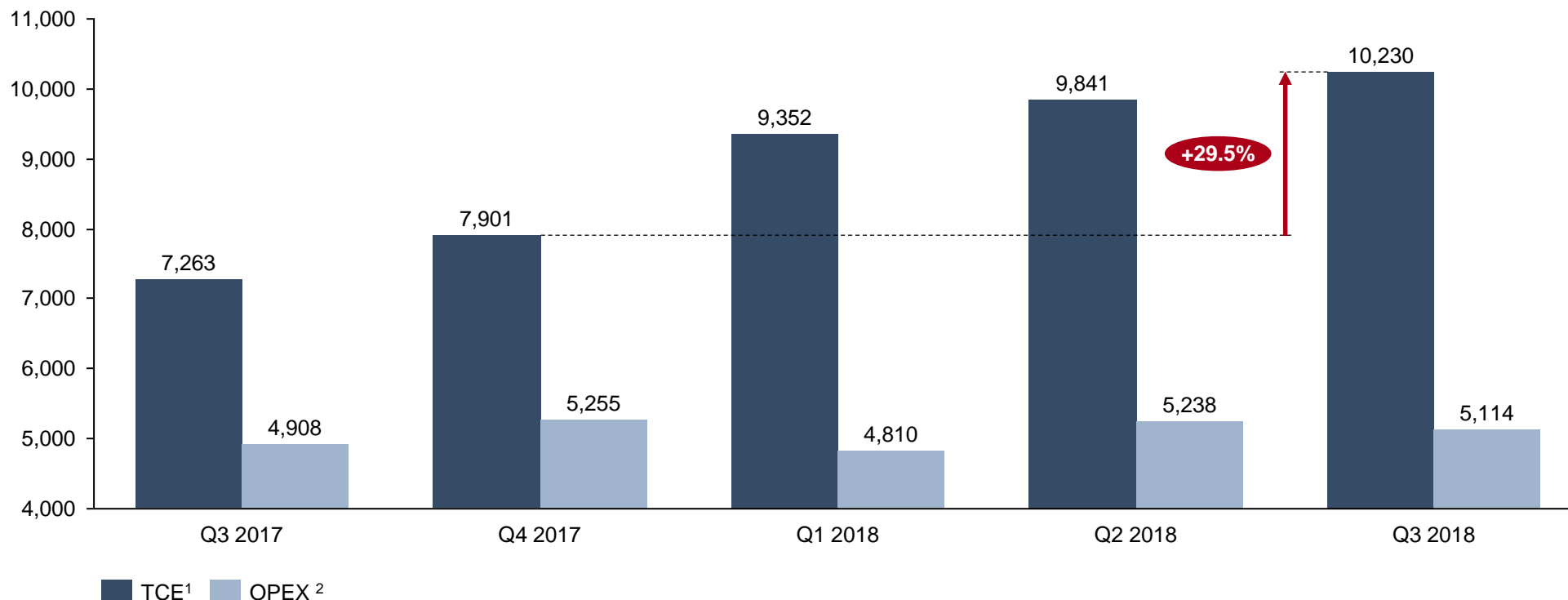
24

52

58

61

USD per day



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

TCE is a commonly used Key Performance Indicator (“KPI”) in the shipping industry. TCE represents time charter revenue and pool revenue divided by the number of trading days for the consolidated vessels during the reporting period. Trading days are ownership days minus days without revenue, including commercial, uninsured technical and dry dock related off-hire days.

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

OPEX per day is a commonly used KPI in the shipping industry. OPEX per day represents operating expenses divided by the number of ownership days of consolidated vessels during the reporting period.

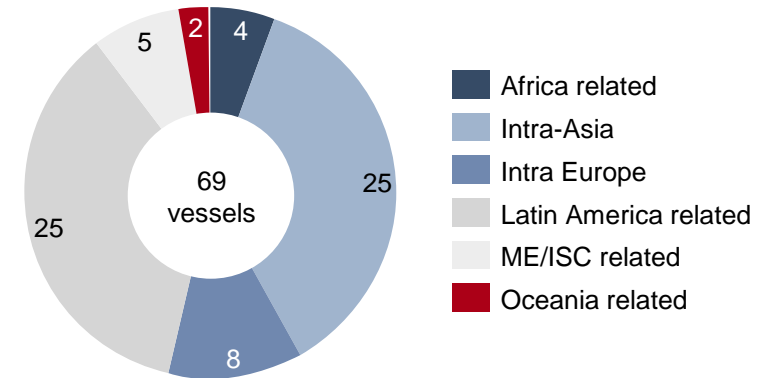
5 <sup>3</sup> Fully consolidated

# MPCC – FLEET OVERVIEW

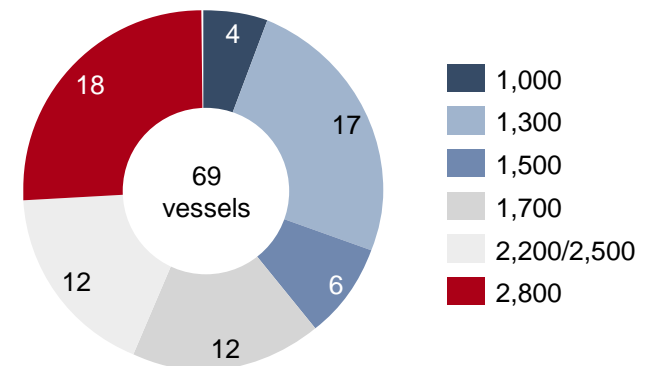
## REGIONAL DEPLOYMENT HEAT MAP OF MPCC FLEET



## FLEET COMPOSITION – BY TRADE

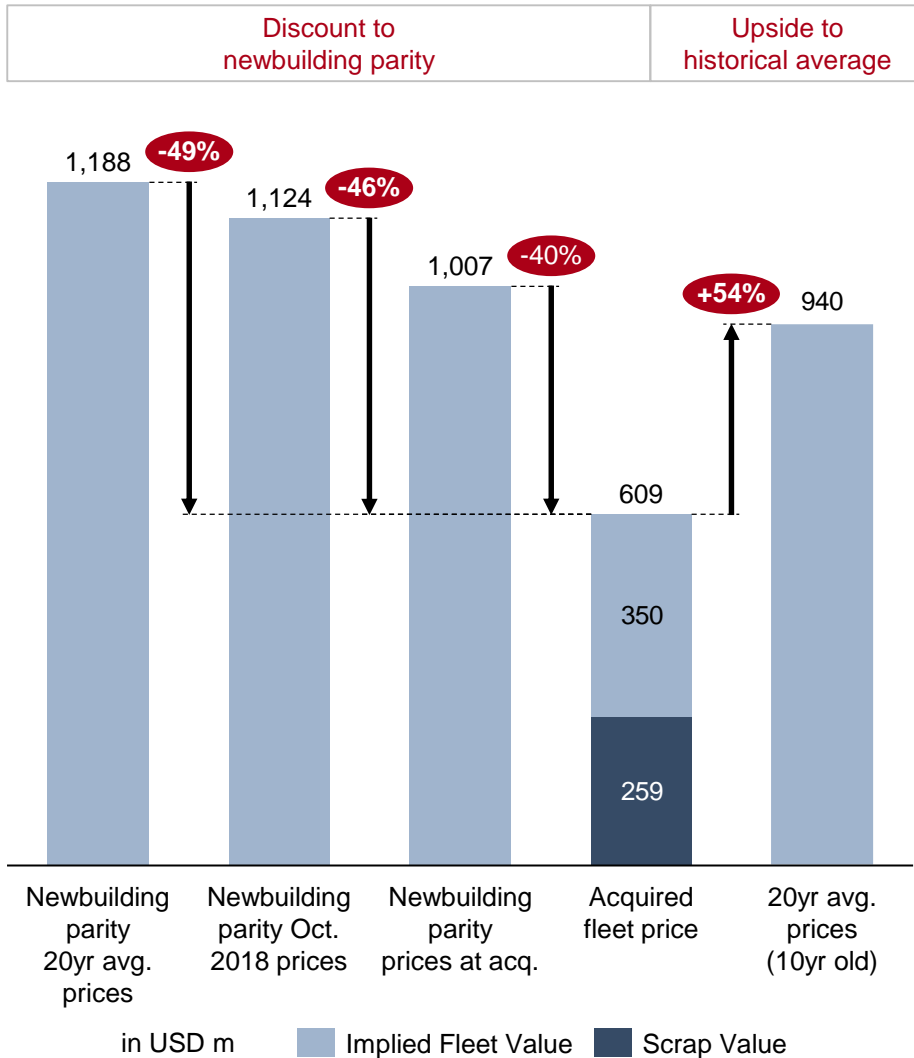


## FLEET COMPOSITION – BY TEU CLUSTER

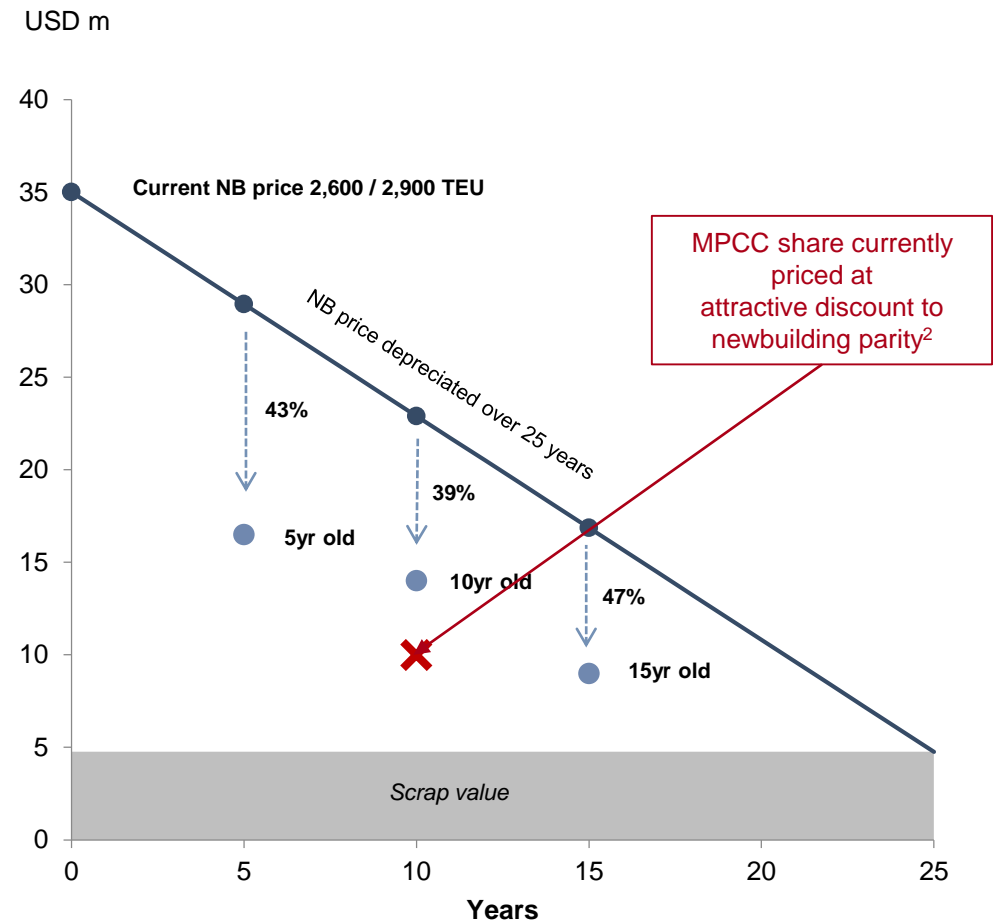


# MPCC – 69 VESSELS ACQUIRED AT SIGNIFICANT DISCOUNT TO NEWBUILDING PARITY

## DISCOUNT TO NEWBUILDING PARITY DYNAMICS



## IMPLIED CAPITAL MARKET VALUATION FOR 2,800 TEU (10YR)



Sources: Clarksons Research (October 2018), Company

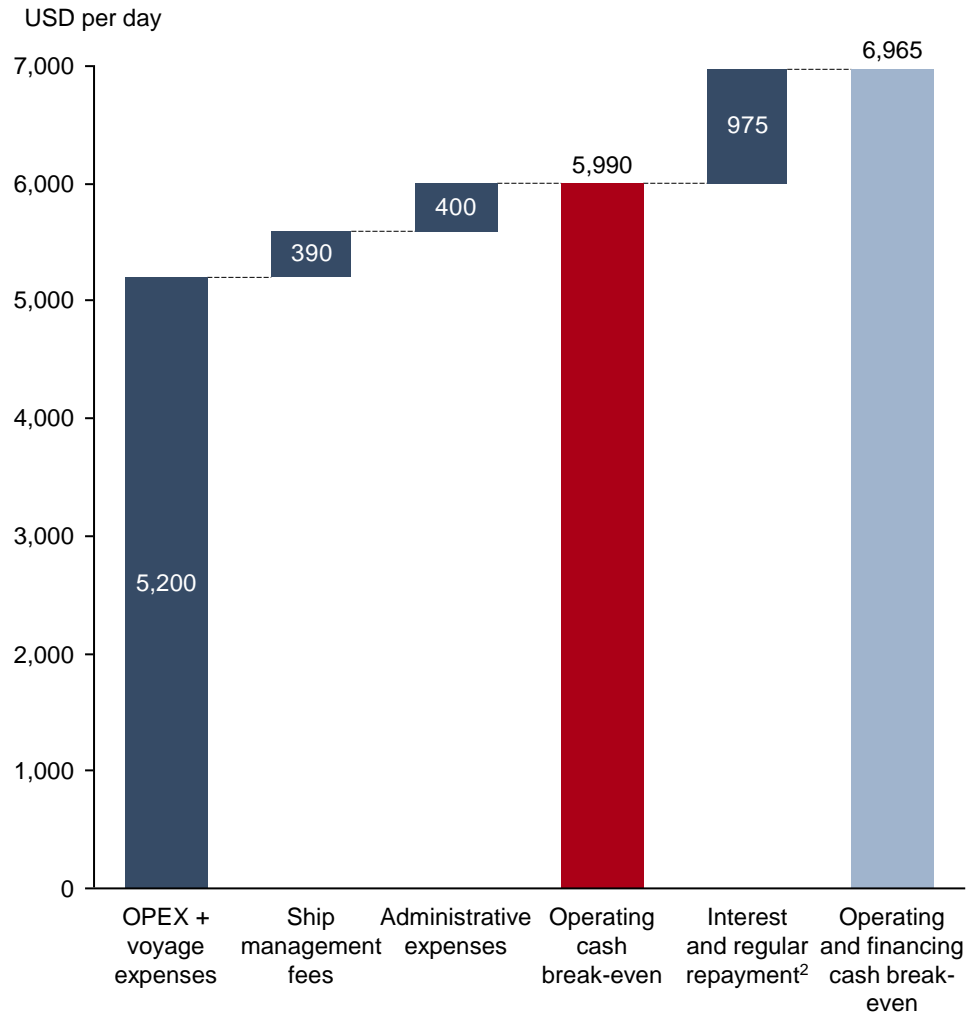
<sup>1</sup> Adjusted for ownership stake

<sup>2</sup> Implied total fleet valuation based on market capitalisation as of 29/11/2018 and net debt as of 30/09/2018, translated into theoretical valuation of 2,800 TEU vessel (10 yrs old)

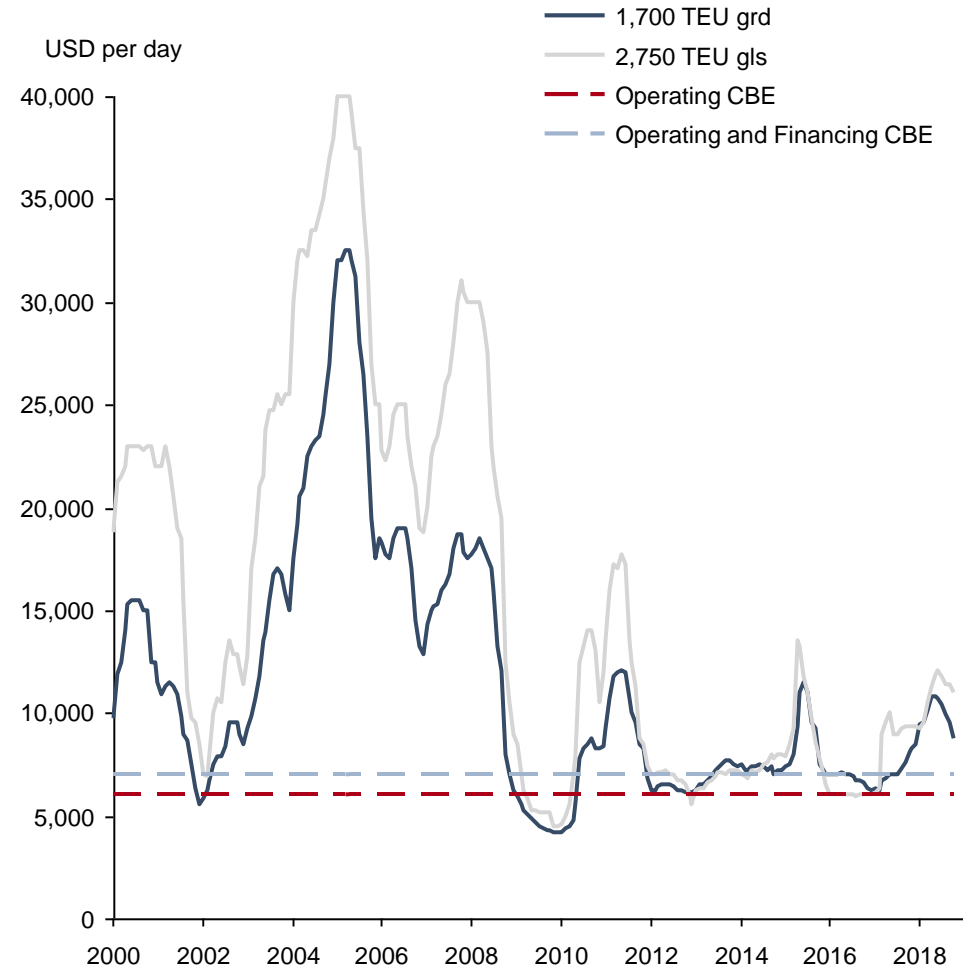


# MPCC – INDUSTRY LOW CASH BREAK-EVEN...

## INDUSTRY LOW CASH BREAK-EVEN<sup>1</sup>



## HISTORICAL TC RATES VS BREAK-EVEN



<sup>1</sup> blended and normalised estimates based on 61 fully consolidated vessels, excluding dry dock and maintenance CAPEX of USD ~800 per day

<sup>2</sup> interest and regular repayments based on existing debt facilities as of 30/09/18

Sources: Clarksons research (October 2018), Company

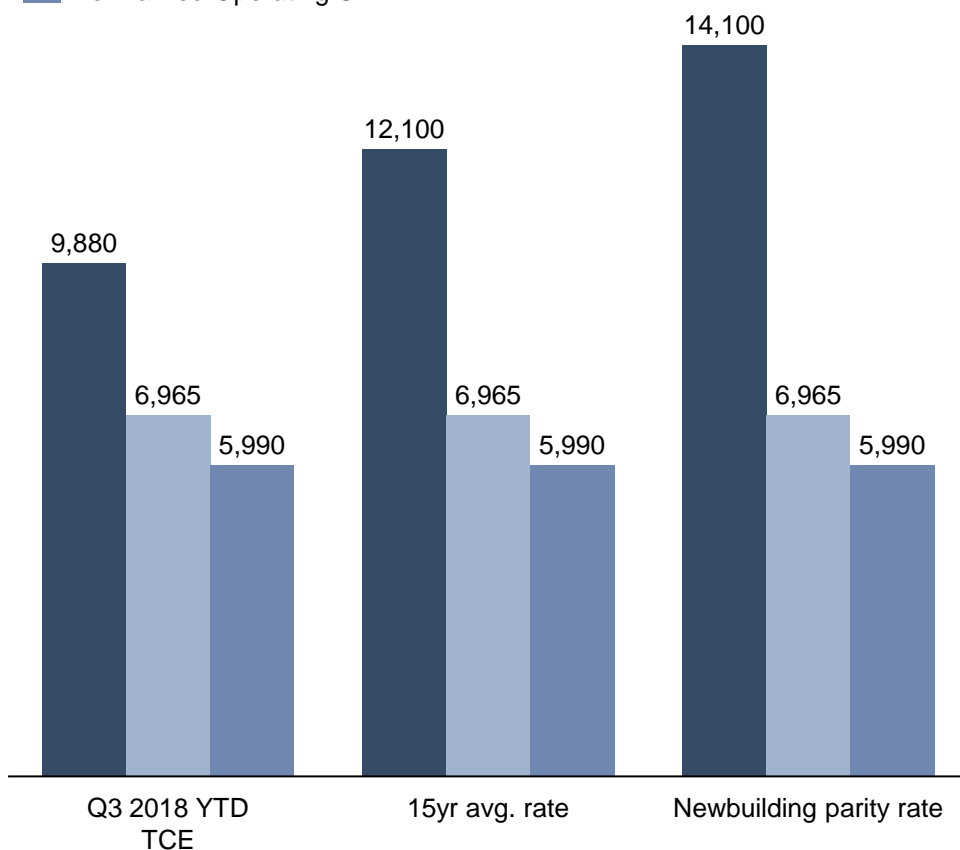


## ...LEADING TO HIGH UPSIDE IN EARNINGS POTENTIAL

### UPSIDE POTENTIAL IN RATES VS. CASH BREAK-EVEN

USD per day

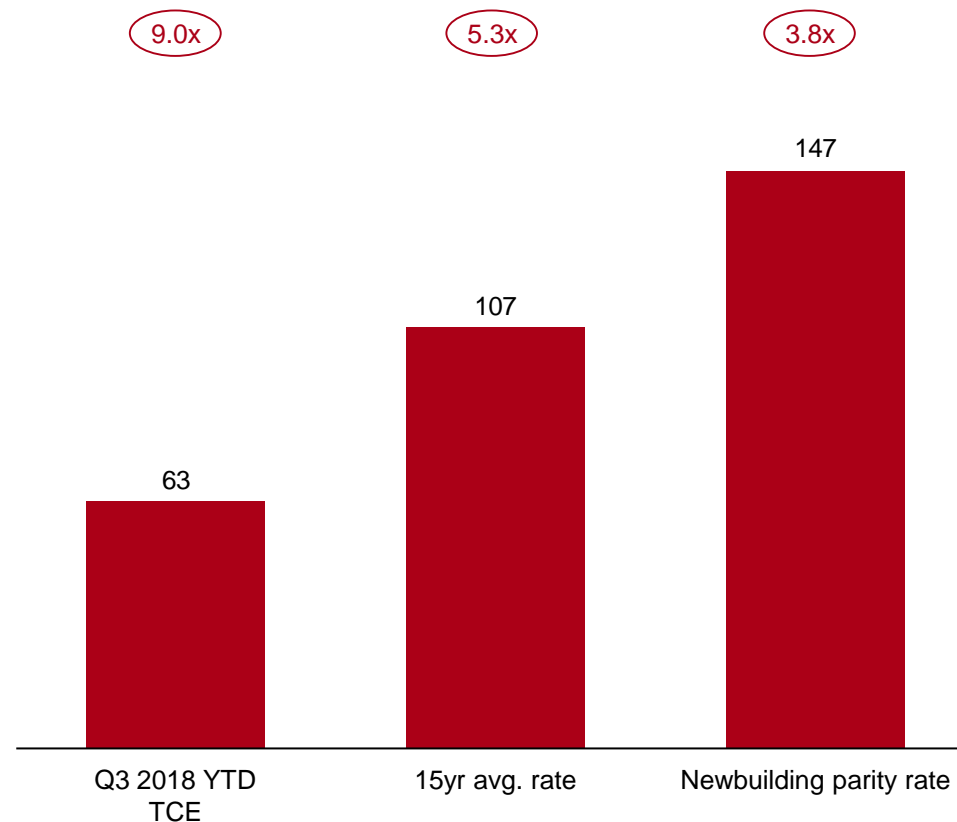
- Gross TCE (excluding utilization and commissions)
- Normalized Operating and Financing CBE<sup>1</sup>
- Normalized Operating CBE<sup>2</sup>



### EBITDA POTENTIAL (NORMALISED & ANNUALISED)<sup>3</sup>

USD million p.a.

- EBITDA potential
- EV/EBITDA<sup>4</sup>



<sup>1</sup> blended and normalised estimates based on 61 fully consolidated vessels, including interest and regular repayments of existing debt facilities, excluding dry dock and maintenance CAPEX of USD ~800 per day

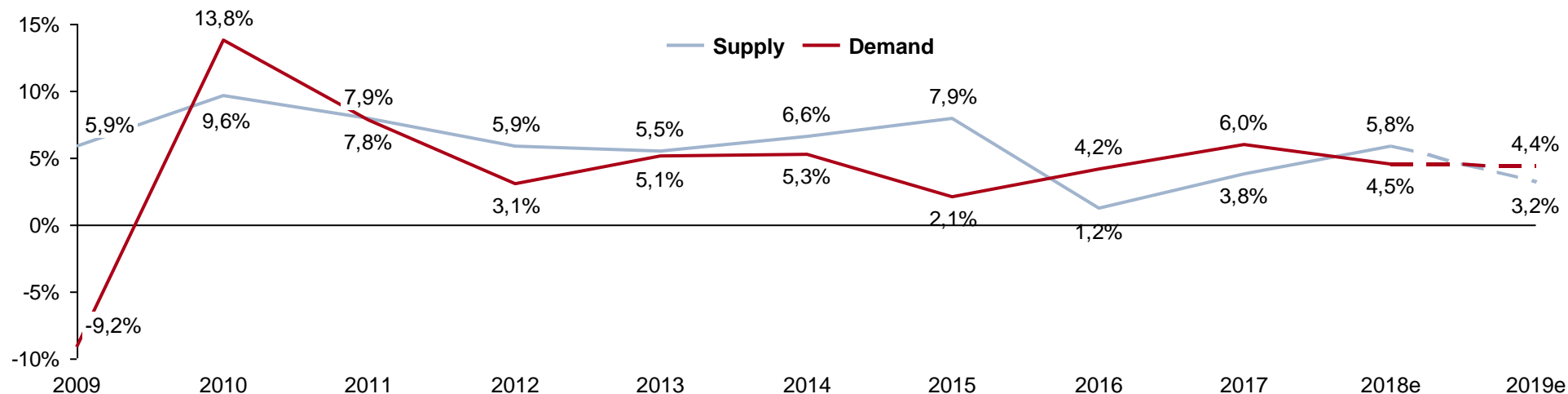
<sup>2</sup> blended and normalised estimates based on 61 fully consolidated vessels, excluding dry dock and maintenance CAPEX of USD ~800 per day

<sup>3</sup> Revenues for EBITDA potential calculated with assumed commissions of 4% on TCE and utilization of 93%; costs based on normalised Operating CBE

<sup>4</sup> Based on market capitalisation as of 29/11/2018 and net debt as of 30/09/2018

## MARKET – IMPROVING SUPPLY AND DEMAND BALANCE IN 2019

### SUPPLY AND DEMAND BALANCE IN CONTAINER SHIPPING



### COMMENTS ON 2018

- Slower than projected container trade growth due to weak long-haul east-west trades, growing economic uncertainties, e.g. trade frictions
- Supply growth peaking in 2018 due to high number of new deliveries and low scrapping activity
- Liner profitability weakened on mainlane trades due to introduction of larger vessels, higher bunker prices and higher charter rates

→ **Feeder markets experienced a softening since September 2018, but showing resilience in rates and asset values**

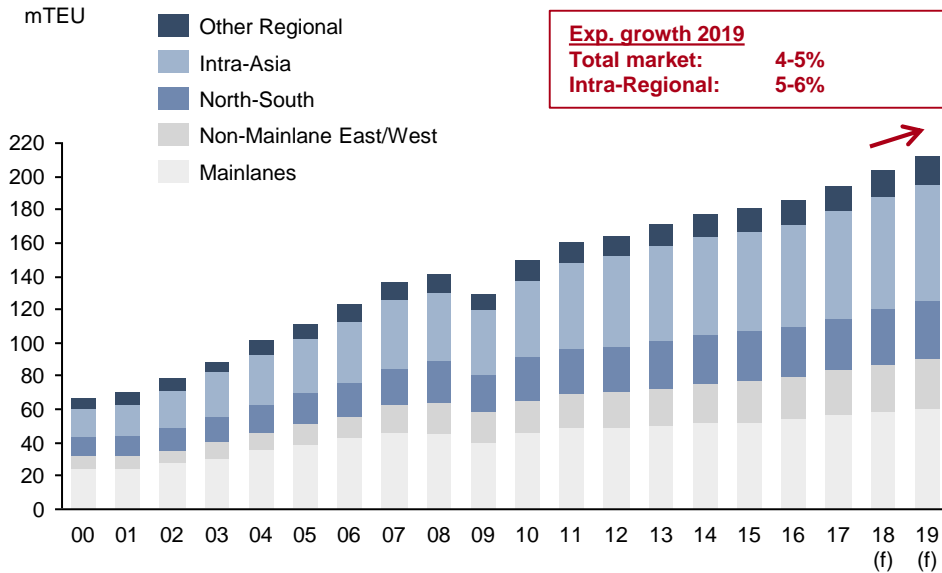
### COMMENTS ON 2019

- Solid container trade growth projected
- Significant slowdown of net fleet growth based on lower scheduled newbuilding deliveries and higher scrapping expectations due to regulatory environment and fleet age profile of the feeder segment
- Additional positive impacts to the supply side due to IMO 2020 preparations (off-hire for retrofits, tank cleaning, etc.)

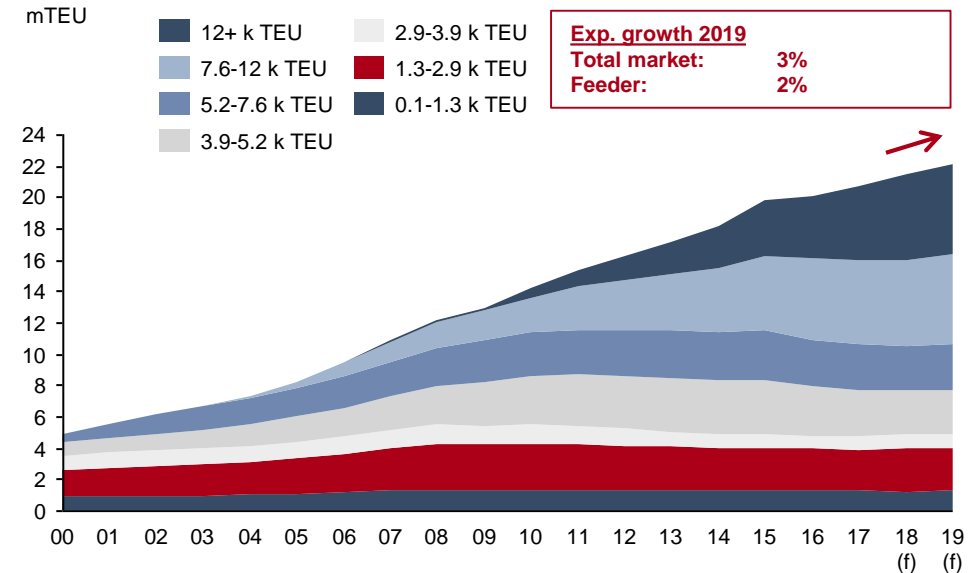
→ **Feeder market still with best fundamentals in the container industry due to higher demand growth and lower supply growth than total market and limited cascading**

# MARKET – 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

- Economic uncertainties and an escalation of the trade tensions are posing the main risks to a strong recovery of container markets
- The idle fleet has increased in Q3 2018 as liner companies have adjusted their capacity due to weak profitability resulting from softer trade growth and higher bunker prices

## OUTLOOK

- Feeder vessels have experienced softening market conditions due to charter redelivery windows coinciding with liner adjustment efforts, but rates have shown resilience in a number of sub segments and regions
- Supply and demand fundamentals are still healthy going into 2019 – further market recovery projected based on low net supply growth
- Scrapping has picked up recently in the feeder segment

Sources: MSI, Clarksons Research (October 2018)

# IMO 2020 – REGULATION & COMPLIANCE

## BACKGROUND

- Under the new IMO MARPOL regulation, the sulphur content of any bunker fuel used shall not exceed 0.5% on and after 1 January 2020
- Relevant compliance options:
  - I. Using Low Sulphur Fuel Oil (LSFO, max. 0.5% SOx) or Marine Gas Oil (MGO)
  - II. Using High Sulphur Fuel Oil (HSFO, 3.5% SOx) in conjunction with an exhaust gas cleaning system ("scrubber")
  - III. Using Alternative fuels e.g. LNG – LPG – Methanol

## MPCC APPROACH

- **Balanced approach** between compliant LSFO and scrubber retrofits, taking into account all relevant parameters, e.g. CAPEX, operations, consumption, trading profile, dry docking window, chartering opportunities and risks
  - I. All vessels are able to burn compliant LSFO and operational efforts are manageable
  - II. Case-by-case analysis whether scrubber retrofit makes economic sense based on the relevant parameters
- Accordingly, MPCC has initiated a scrubber program with a high degree of optionality
- Scrubber scheme secured with a top tier scrubber manufacturer with a proven track record and seasoned after-sales support

## STATUS QUO & NEXT STEPS

### Status Quo

- Scrubbers ordered for 10 vessels, to be installed in 2019
- Concluded 6 scrubber-linked charters at favourable terms, expected to yield attractive returns for the Company
- Investments are expected to be financed with cash on hand and available debt capacity on the Company's existing fleet

### Next steps

- Exercise further scrubber options based on case-by-case analysis
- Continue preparations for vessels that will comply by running on LSFO

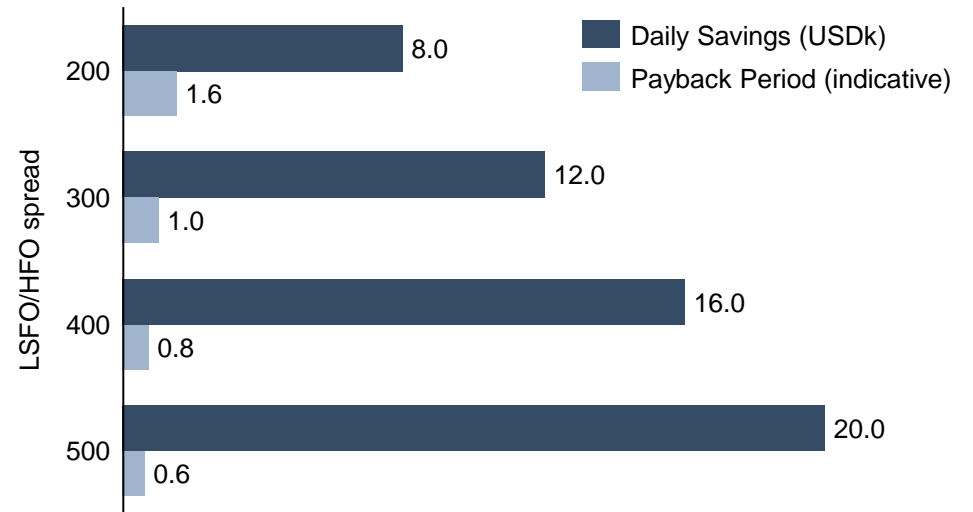
# IMO 2020 – SCRUBBER ECONOMICS

## EXAMPLE SCRUBBER RETROFIT VESSEL



- Example trades for 2,500 TEU high reefer container ship:  
e.g. Intra-Caribbean (~215 sea days) and Europe-Caribbean (~260 sea days)
- Example consumption for 2,500 TEU high reefer container ship:  
Total consumption of 13,800-15,500mt p.a., depending on trade, thereof about 10-20% auxiliary engine consumption for the transportation of reefer containers
- Unique trade characteristics and vessel consumption profiles are decisive for the investment rationale of a scrubber retrofit program

## EXAMPLE 2,500 TEU VESSEL<sup>1</sup>



- For scrubber retrofits, MPCC will focus on vessels that are qualifying within their peers from a regional, strategic and/or design perspective
- In addition, scrubber investment decisions will also consider operator interest for scrubber-linked employment
  - Increasing interest from liner operators for scrubber-linked charters
  - Enhanced charter coverage plus attractive upside potential via savings share
  - With its fleet, MPCC is well-positioned to become a preferred partner for charterers

<sup>1</sup> Calculations are based on average speed and average consumption of specific 2,500 TEU vessels in the fleet; 100% of daily fuel savings are shown, charter agreements will consider a savings sharing mechanism between charterer and owner

# MPC CONTAINER SHIPS ASA – OUTLOOK

## COMPANY – PERFECTLY POSITIONED

- Largest feeder containership owner globally with 69 vessels
- Focused capital allocation and disciplined growth
- Low leverage and industry-low cash break-even
- Strong balance sheet with significant funding / leverage capacity

## MARKET – POSITIVE FUNDAMENTALS + WILDCARDS

- Market correction in H2 2018, but rate environment still profitable
- Healthy supply and demand fundamentals projected for 2019 – market recovery set to continue
- Feeder market with particularly favourable outlook and best downside protection among the container segments
- IMO 2020 with positive effect on supply side and attractive opportunities for ship owners with funding flexibility and large portfolio

## HIGHLY PROMISING OUTLOOK FOR MPCC

- Significant operational leverage on improving market conditions in 2019 and 2020 ✓
- In position for strategic dialogues and multi-vessel deals with charterers ✓
- Large portfolio encourages balanced approach for IMO 2020 (high optionality for scrubber retrofits) ✓
- Strength and flexibility to pursue accretive transactions and investments going forward (e.g. share buy-back, scrubber, M&A) ✓



## Q3 2018 – Earnings Presentation

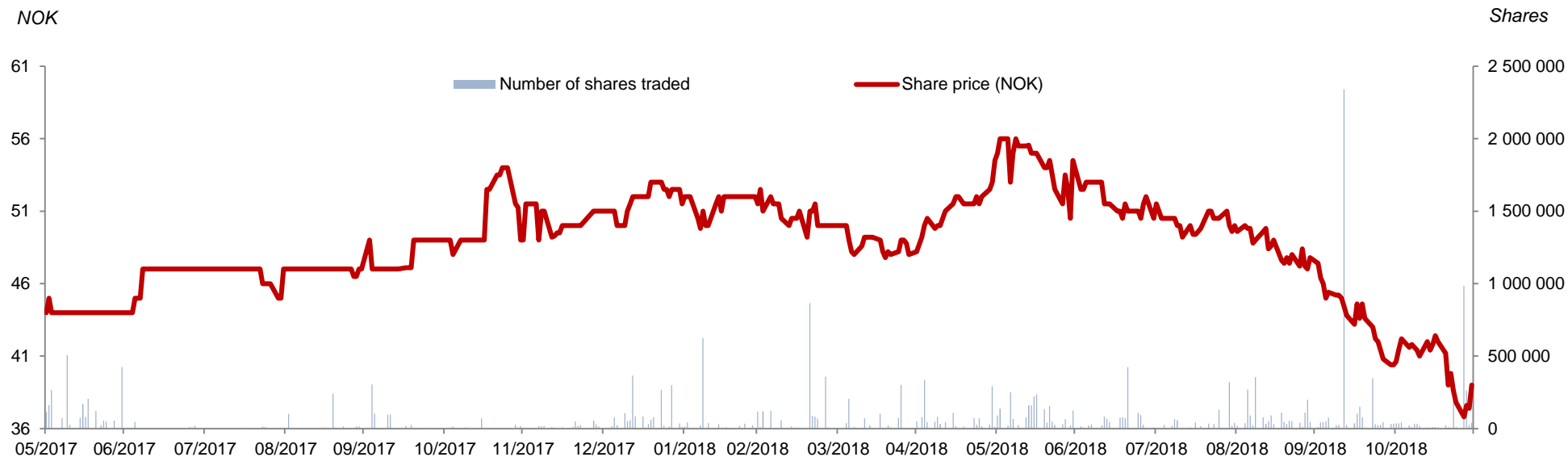
APPENDIX





# SHARE INFORMATION

## SHARE PRICE AND VALUATION



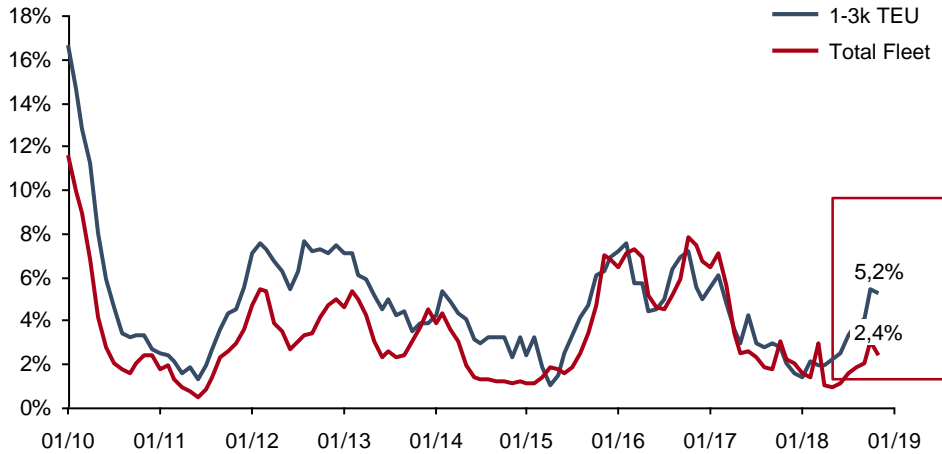
### TRADING INFORMATION

MPCC STOCK	Ticker	MPCC
	Segment	Oslo Stock Exchange
	ISIN	NO0010791353
	Trading currency	NOK
	Shares outstanding	84,253,000
	Price (28 November 2018)	39.20
	Market cap. 28 November 2018	NOKbn 3.303 (USDm 385)
Average trading volume (30-day)	80,932 shares	

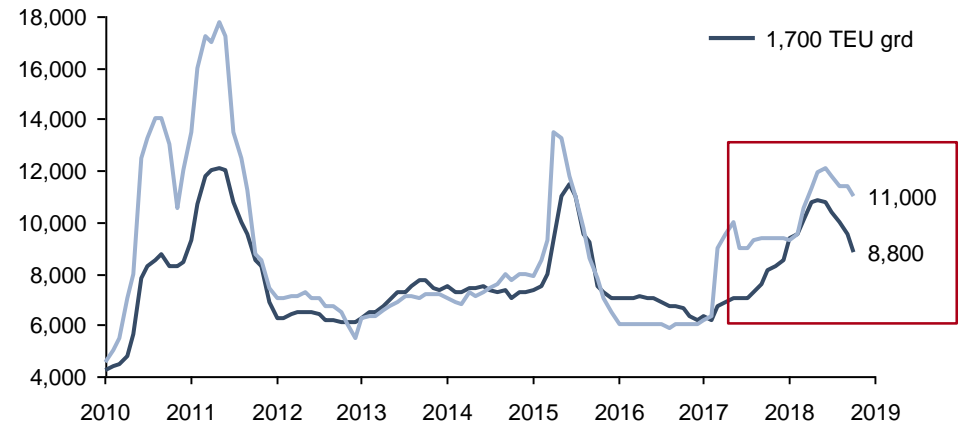
MPCC BOND	Ticker	MPCBV01
	Segment	Oslo Stock Exchange
	ISIN	NO0010805872
	Trading currency	USD
	Bonds outstanding	200m
	Price (28 November 2018)	USD 102.50

# MARKET UPDATE (I)

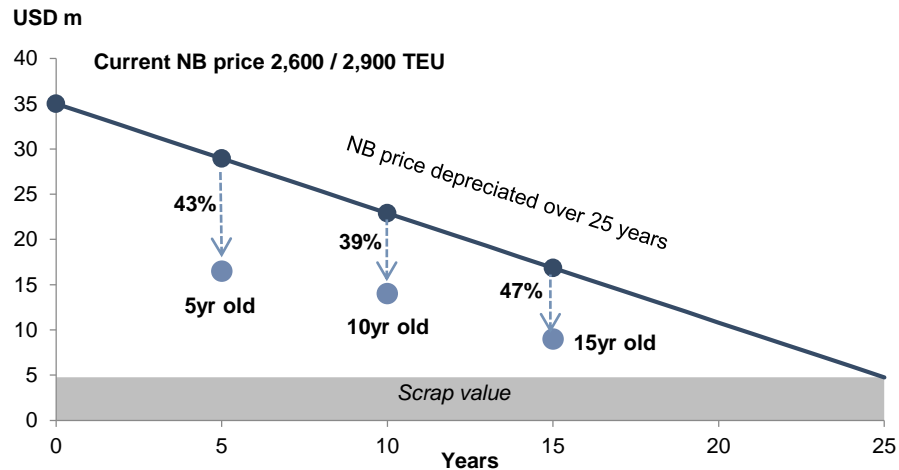
## IDLE FLEET (IN % OF EXISTING FLEET)



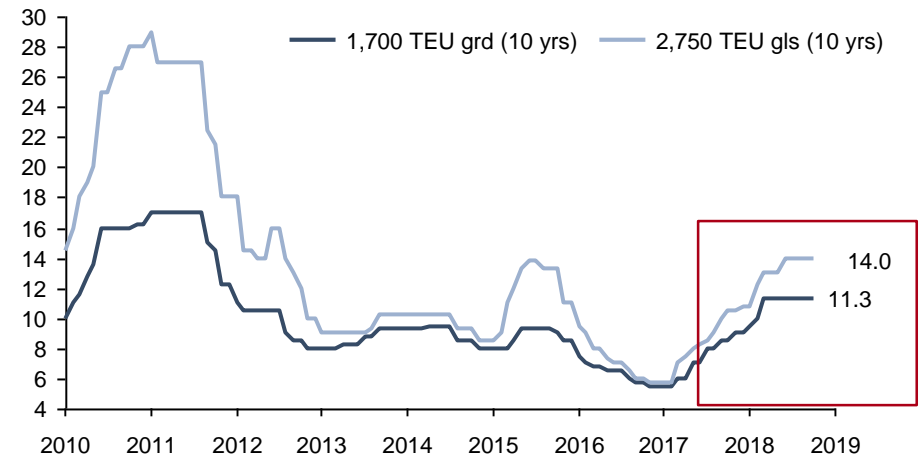
## TC RATES (IN USD/DAY)



## DISCOUNT TO NEWBUILDING PARITY



## SECONDHAND ASSET VALUES (IN USDM)

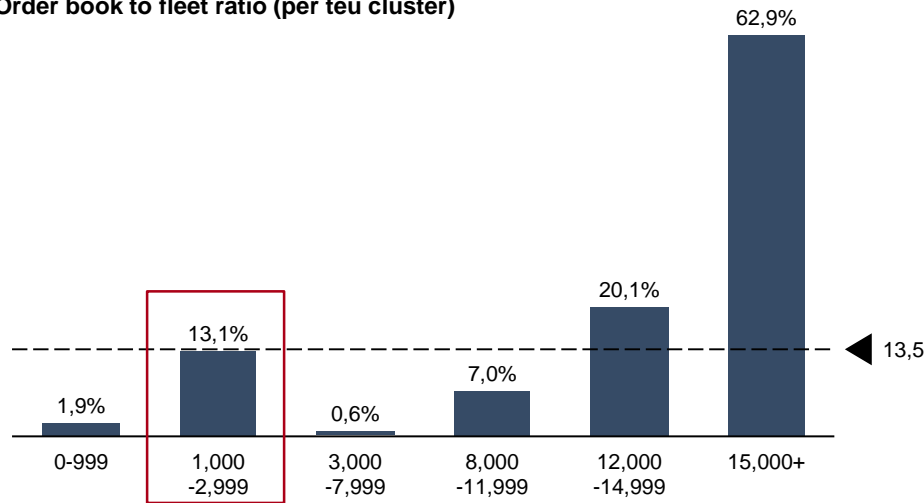


Sources: Alphaliner, Clarksons Research (October 2018), Company

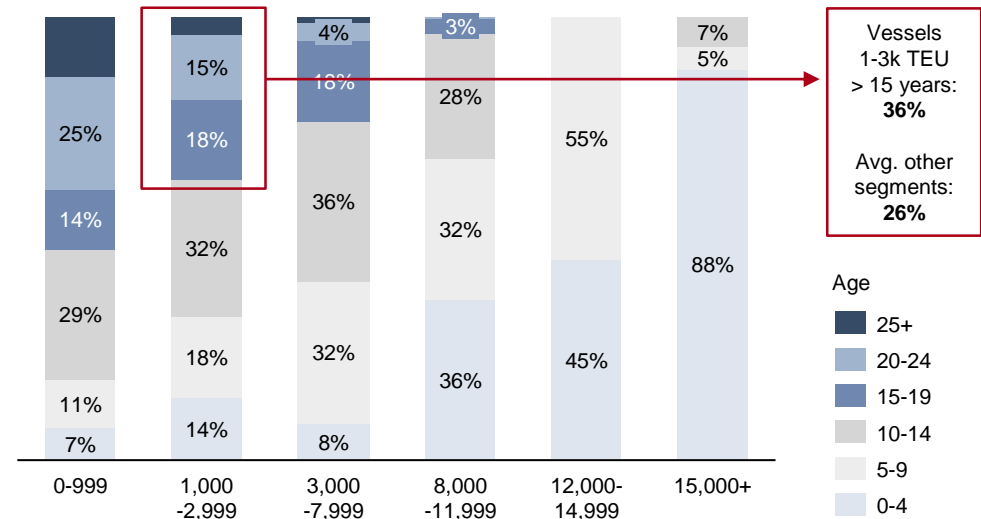
# MARKET UPDATE (II)

## FEEDER ORDERBOOK BUILDING UP

Order book to fleet ratio (per teu cluster)

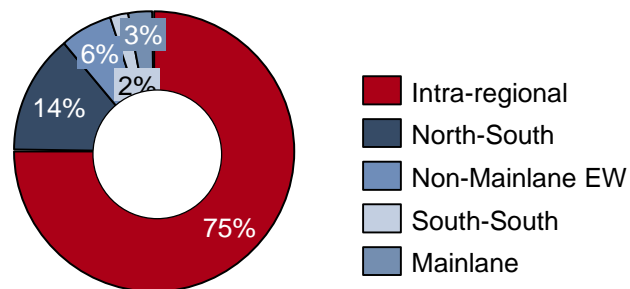


## AGEING FEEDER CONTAINER FLEET



## FEEDER TONNAGE CONCENTRATED IN INTRA-REGIONAL TRADES

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

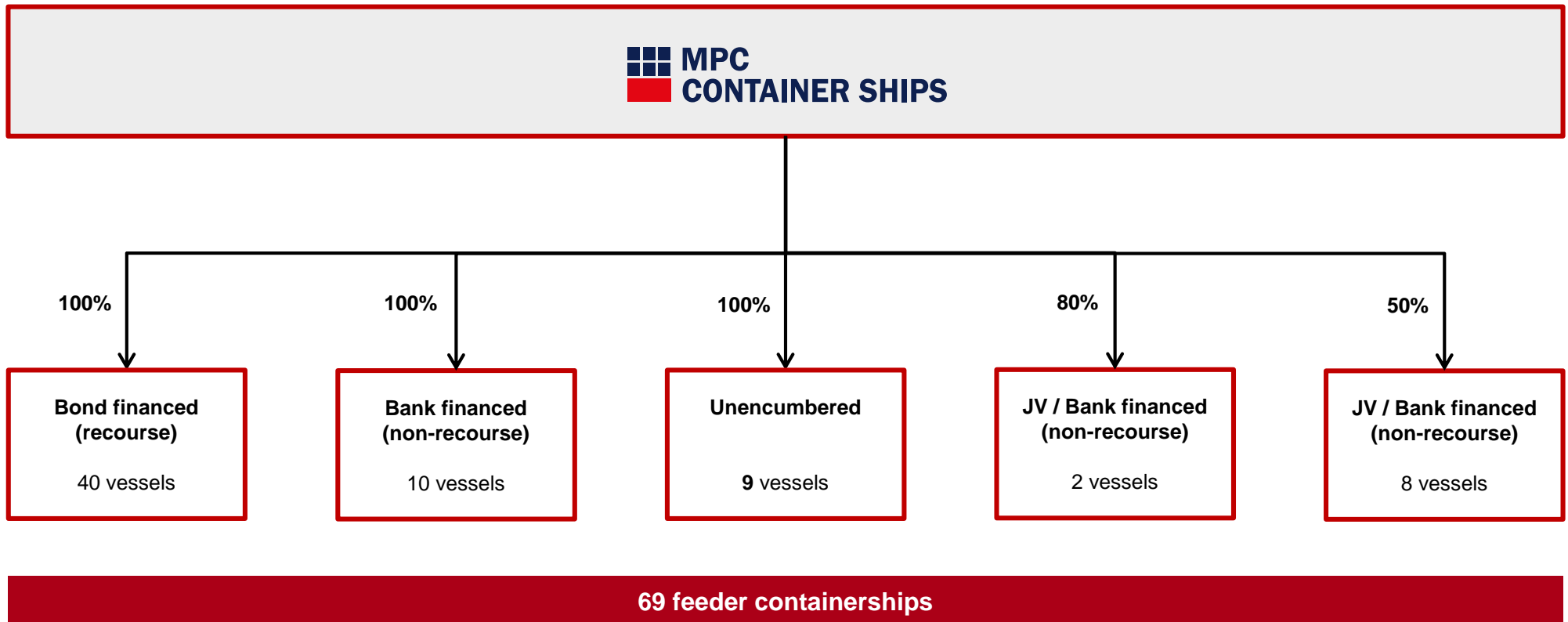


- 75% of feeder tonnage deployed in intra-regional trades
- Intra-regional trades have high entry barriers for larger tonnage due to port restrictions, frequency requirements, inflexibility and commercial constraints
- Although Panamax vessels have entered intra-regional trades in recent years, there is only a very limited number of specific routes (e.g. China domestic) where this is the case
- 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

Sources: Clarksons Research (October 2018), MSI

# CORPORATE STRUCTURE

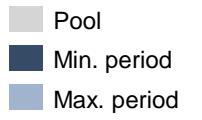
## SIMPLIFIED CORPORATE STRUCTURE



# FLEET EMPLOYMENT 1,000 – 1,700 TEU

## VESSEL EMPLOYMENT DETAILS

No.	Vessel	Cluster	Charterer	Rate (USD p.d.)	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19
1	AS LAURETTA	1000 gls	SITC	8,250					
2	AS LEONA	1000 gls	Asean Seas Line (ASL)	8,000					
3	AS LAETITIA	1000 grd	CMA CGM	7,950					
4	AS LAGUNA	1000 grd	Seaboard	7,000					
5	AS FENJA	1200 gls	CMA CGM	7,750					
6	AS FIONA	1200 gls	RCL	7,900					
7	AS FLORA	1200 gls	CMA CGM	7,750					
8	AS FRIDA	1200 gls	Repairs						
9	AS FATIMA	1300 gls	Pool	7,668					
10	AS FLORIANA	1300 gls	Pool	7,668					
11	AS FABIANA	1300 grd	Pool	7,871					
12	AS FABRIZIA	1300 grd	Pool	7,871					
13	AS FAUSTINA	1300 grd	Pool	7,871					
14	AS FEDERICA	1300 grd	Pool	7,871					
15	AS FELICIA	1300 grd	Pool	7,871					
16	AS FILIPPA	1300 grd	Pool	7,871					
17	AS FIORELLA	1300 grd	Pool	7,871					
18	AS FLORETTA	1300 grd	Pool	7,871					
19	AS FORTUNA	1300 grd	Pool	7,871					
20	AS FRANZISKA	1300 grd	Pool	7,871					
21	AS FREYA	1300 grd	Simatech	8,050					
22	AS RAFAELA	1400 gls	Wan Hai Lines	10,500					
23	AS ROBERTA	1400 gls	Yang Ming	7,350					
24	AS RAGNA	1500 gls	Pool	7,109					
25	AS RICCARDA	1500 gls	Pool	7,109					
26	AS ROMINA	1500 gls	Pool	7,109					
27	AS ROSALIA	1500 gls	Pool	7,109					
28	AS SABRINA	1700 grd	Maersk Line	14,430					
29	AS SAMANTA	1700 grd	Maersk Line	14,430					
30	AS SARA	1700 grd	Maersk Line	14,430					
31	AS SAVANNA	1700 grd	Maersk Line	14,430					
32	AS SELINA	1700 grd	Hapag-Lloyd	7,000					
33	AS SERAFINA	1700 grd	Maersk Line	14,430					
34	AS SERENA	1700 grd	MCC	9,200					
35	AS SOPHIA	1700 grd	MCC	8,800					
36	AS SUSANNA	1700 grd	Maersk Line	14,430					
37	AS SVENJA	1700 grd	Maersk Line	14,430					
38	AS SEVILLIA	1700 grd	COSCO	9,650					
39	AS SICILIA	1700 grd	TS Lines	8,000					



Note: October net pool cluster rate shown for vessels employed in pool

## FLEET EMPLOYMENT 2,200 – 2,800 TEU

### VESSEL EMPLOYMENT DETAILS

No.	Vessel	Cluster	Charterer	Rate (USD p.d.)	Q4 '18	Q1 '19	Q2 '19	Q3 '19	Q4 '19
40	AS ANGELINA	2200 grd	Seaboard	7,600					
41	AS PAULINE	2500 gls	CMA CGM	10,500					
42	AS PENELOPE	2500 gls	Sinotrans	9,200					
43	AS PALATIA	2500 grd	COSCO	10,450					
44	AS PAOLA	2500 grd	Maersk Line	9,500					
45	AS PATRIA	2500 grd	Seaboard	11,200					
46	AS PATRICIA	2500 grd	Dry dock						
47	AS PETULIA	2500 grd	Seaboard	11,400					
48	AS PALINA	2500 HR grd	CMA CGM	12,250					
49	AS PAULINA	2500 HR grd	CMA CGM	12,000					
50	AS PETRA	2500 HR grd	Maersk Line	12,350					
51	AS PETRONIA	2500 HR grd	Marfret	10,000					
52	AS CALIFORNIA	2800 gls	Maersk Line	10,500					
53	AS CAMELLIA	2800 gls	CMA CGM	10,500					
54	AS CARELIA	2800 gls	Hapag-Lloyd	9,300					
55	AS CARINTHIA	2800 gls	Wan Hai Lines	10,500					
56	AS CAROLINA	2800 gls	Hapag-Lloyd	11,300					
57	AS CLARA	2800 gls	Hapag-Lloyd	10,400					
58	AS CLARITA	2800 gls	Dry dock						
59	AS CLEMENTINA	2800 gls	Yang Ming	12,250					
60	AS COLUMBIA	2800 gls	Sinokor	11,600					
61	AS CONSTANTINA	2800 gls	Heung-A	9,250					
62	AS CYPRIA	2800 gls	CMA CGM	9,400					
63	CARDONIA	2800 gls	Wan Hai Lines	10,550					
64	CARPATHIA	2800 gls	Dry dock						
65	CIMBRIA	2800 gls	OOCL	9,100					
66	CORDELIA	2800 gls	Evergreen	10,750					
67	AS CARLOTTA	2800 grd	SITC	11,500					
68	AS CHRISTIANA	2800 grd	Spot Position						
69	AS CLEOPATRA	2800 grd	MSC	10,650					

Pool  
 Min. period  
 Max. period

► **Gross blended TC rate (total fleet)<sup>1</sup>: USD 9,698 per day**

<sup>1</sup> based on all 69 vessels, excluding vessels not employed for technical or commercial reasons, October net pool cluster rate calculated for vessels employed in pool;