



# Pricing a Recovery: What will Drive the Next Stage of the Asset Price Cycle?

**Dr Adam Kent - Maritime Strategies International (MSI)**

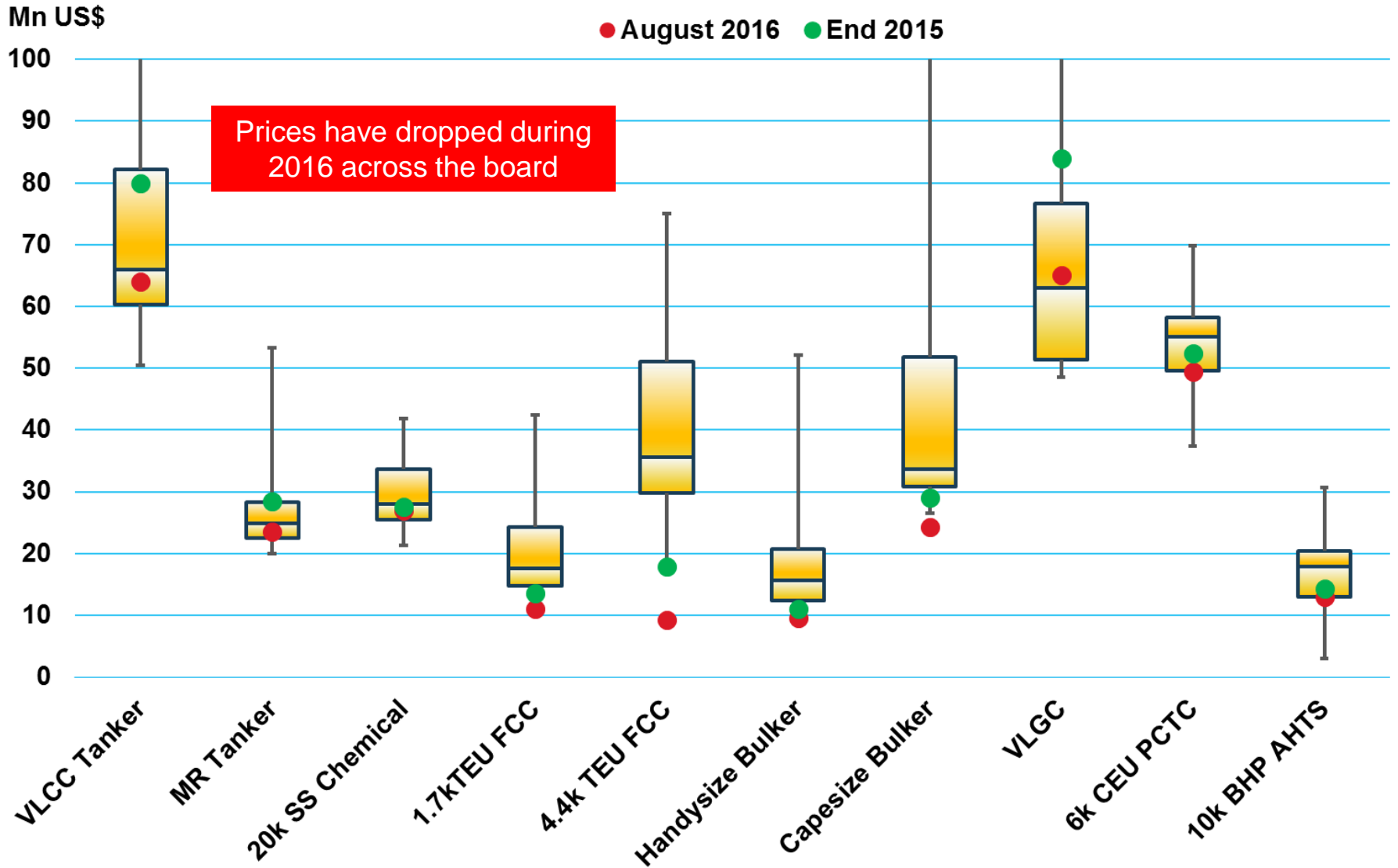
15th Annual Marine Money Week Asia – Singapore September 20<sup>th</sup> to 21<sup>st</sup> 2016

## Pricing a Recovery: What will Drive the Next Stage of the Asset Price Cycle?

1. Demand
2. Supply
3. Earnings
4. Newbuilding Prices
5. Secondhand Prices
6. Recovery?



# 2016 5 Year Old Price versus Historical\*

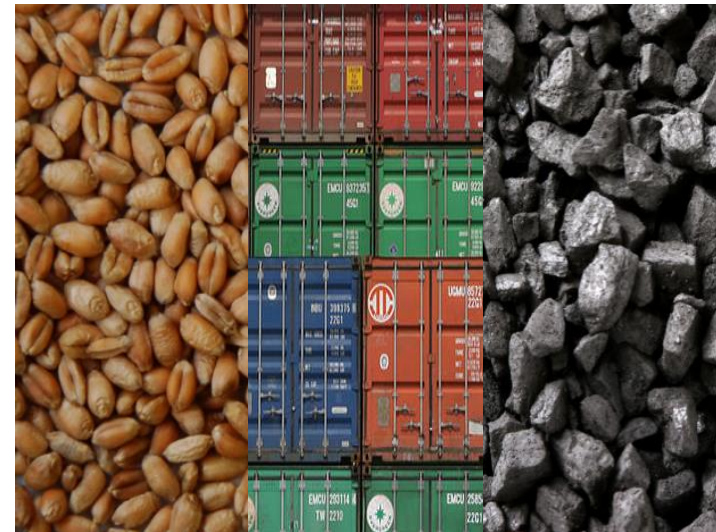


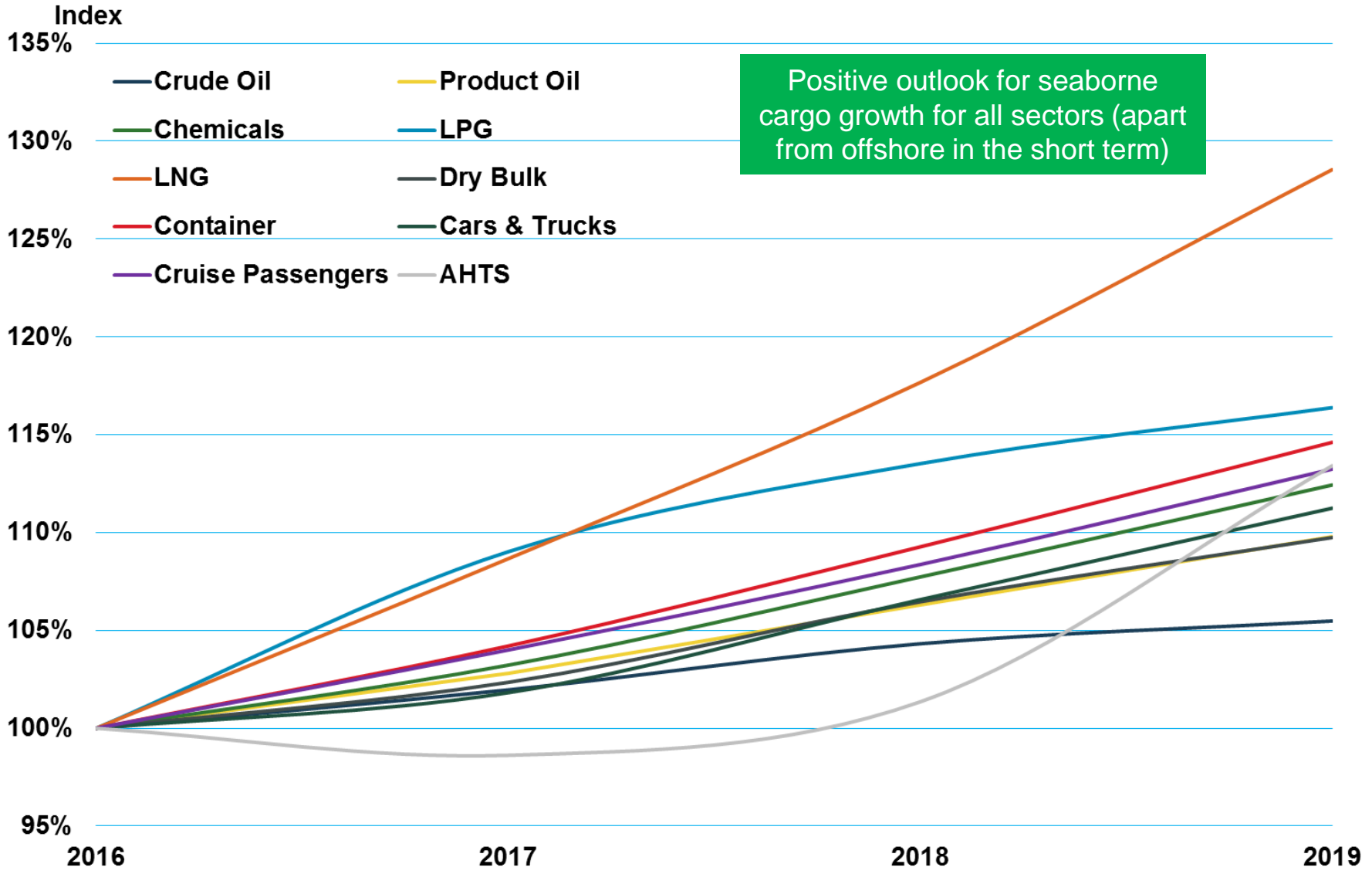
\*Based on MSI's quarterly published averages 1990 to 2015

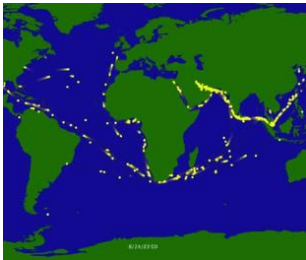


Pricing a Recovery

# Demand







Routes



Distance



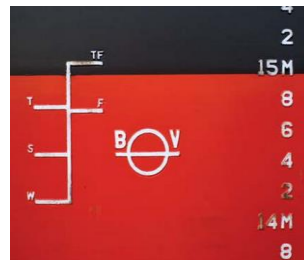
Speed



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

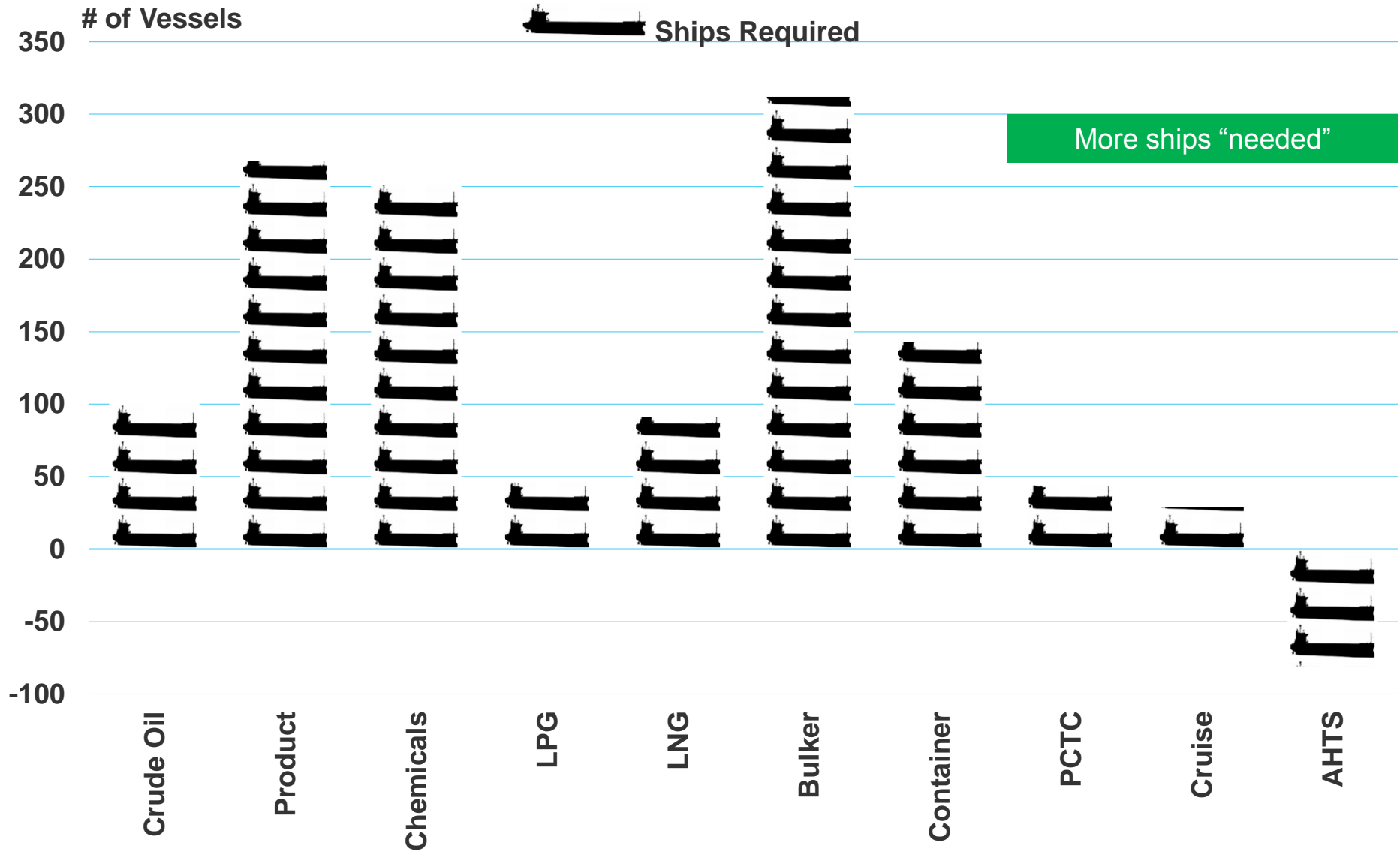


Carrying Capacity



Size Changes

# Incremental Vessel Requirements (until 2019)

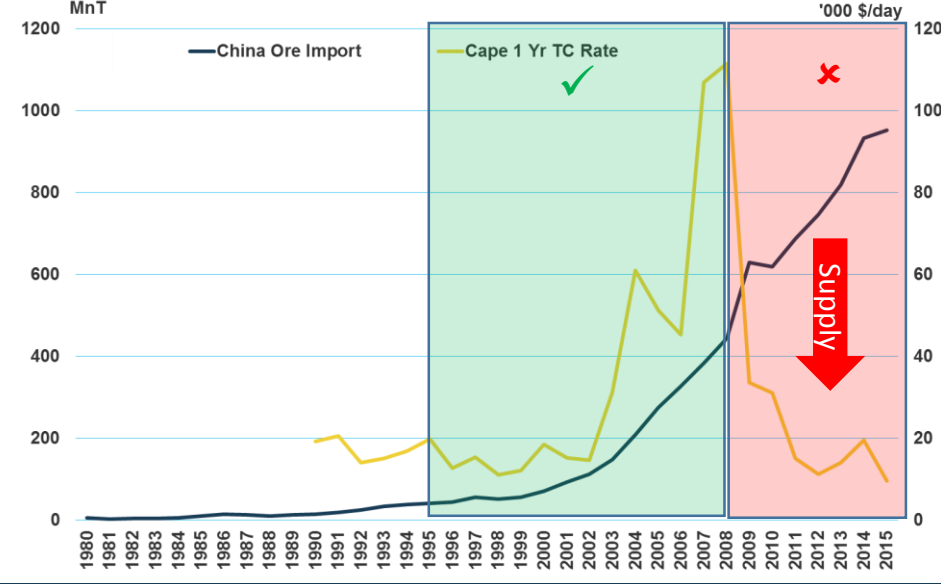
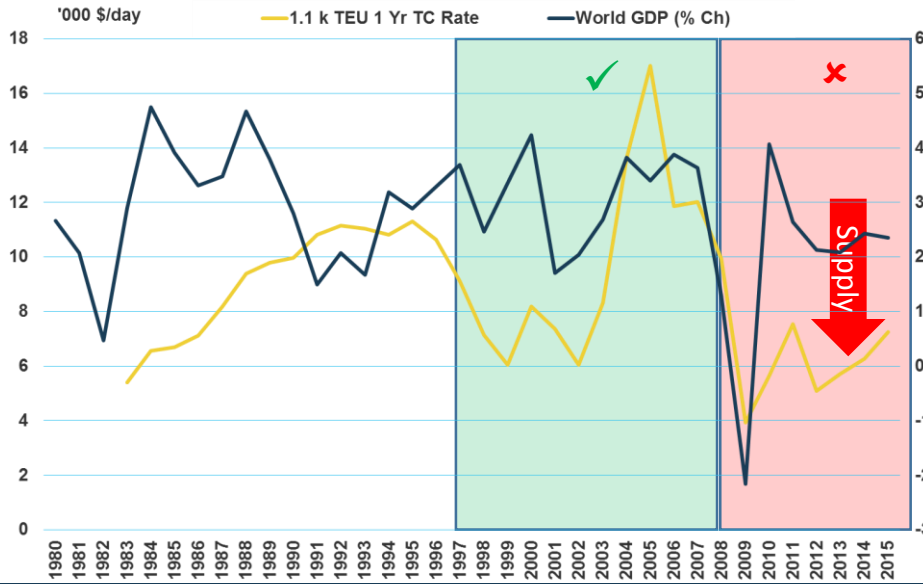
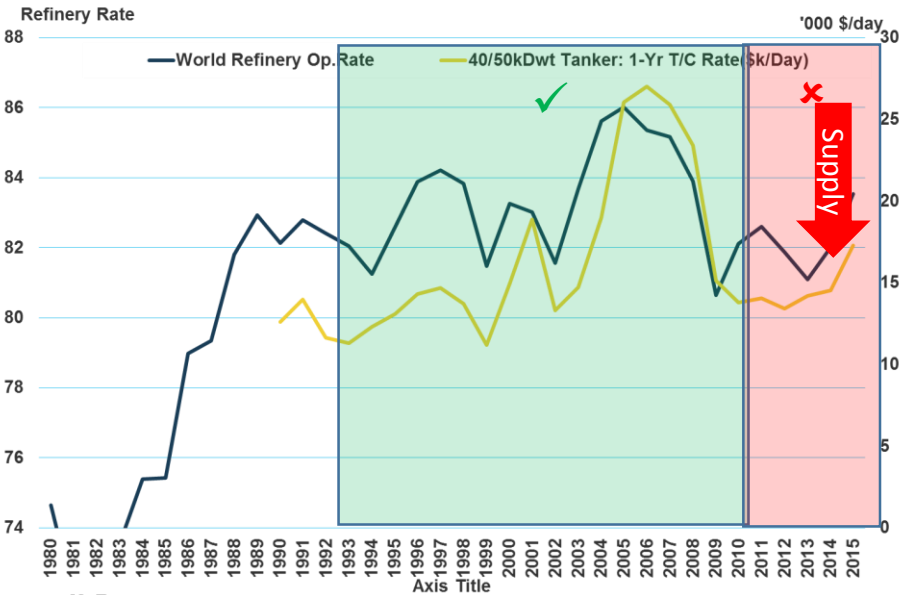
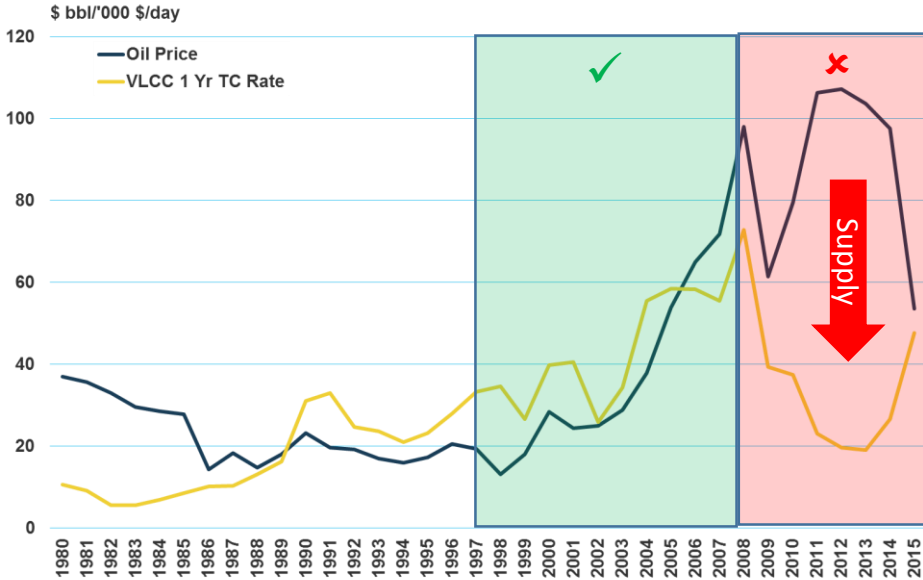


Pricing a Recovery

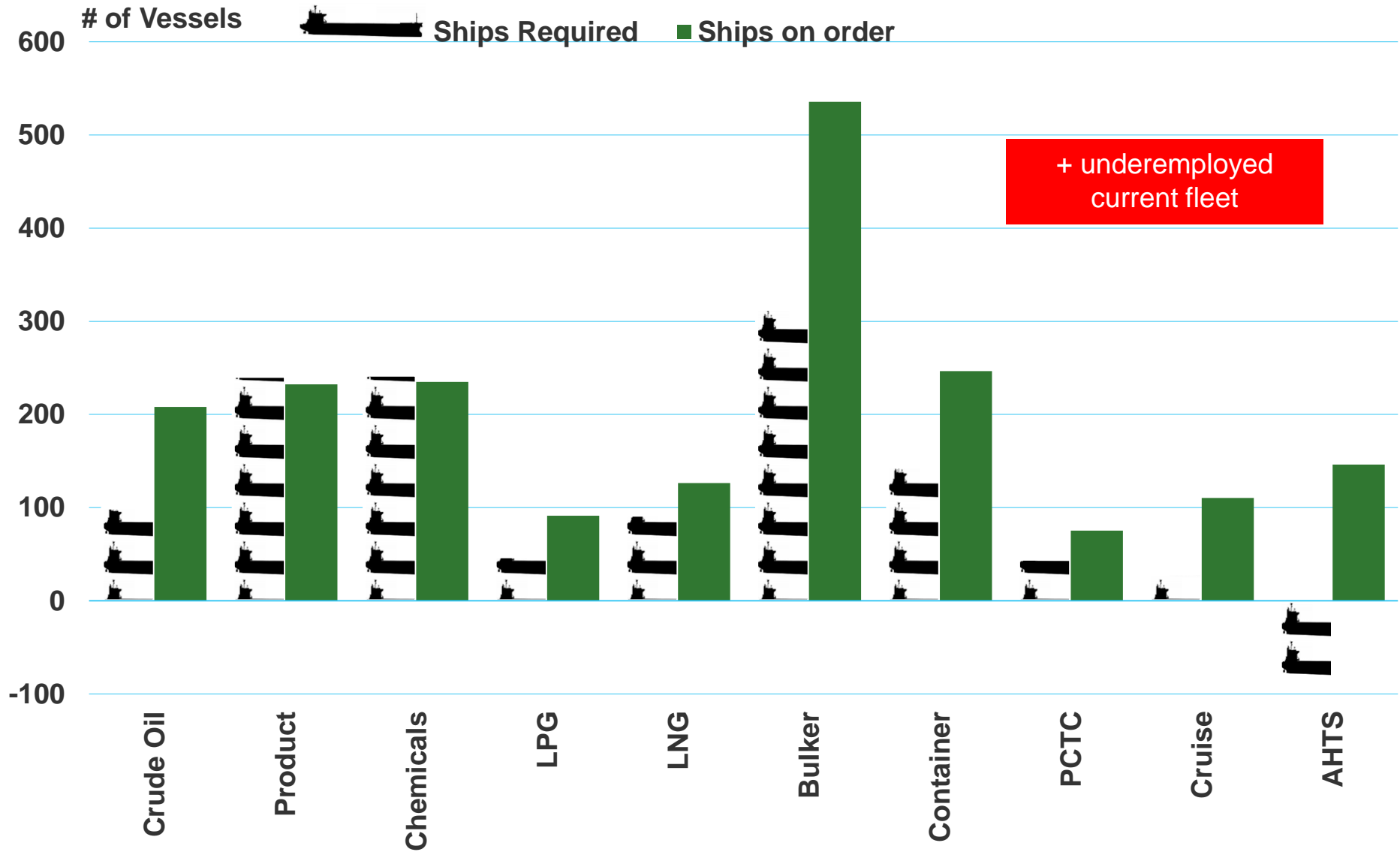
# Supply



# Supply has been the 'Party Pooper'



# Orderbook - Over Exposure

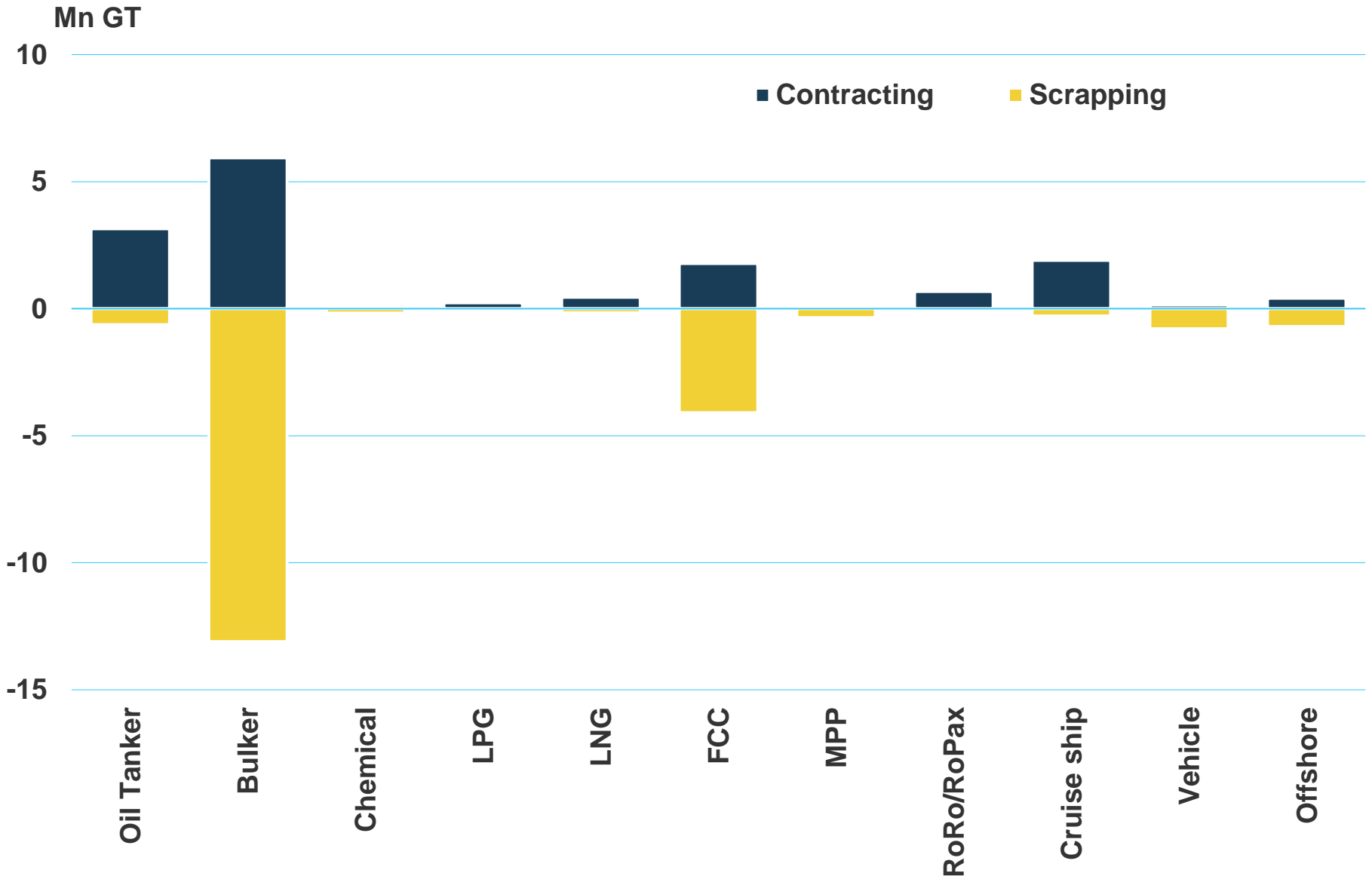




LOW CONTRACTING

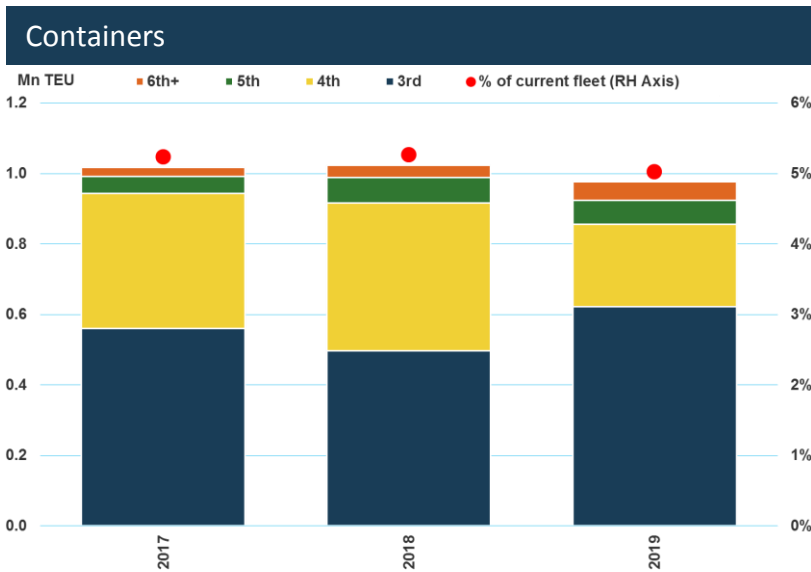
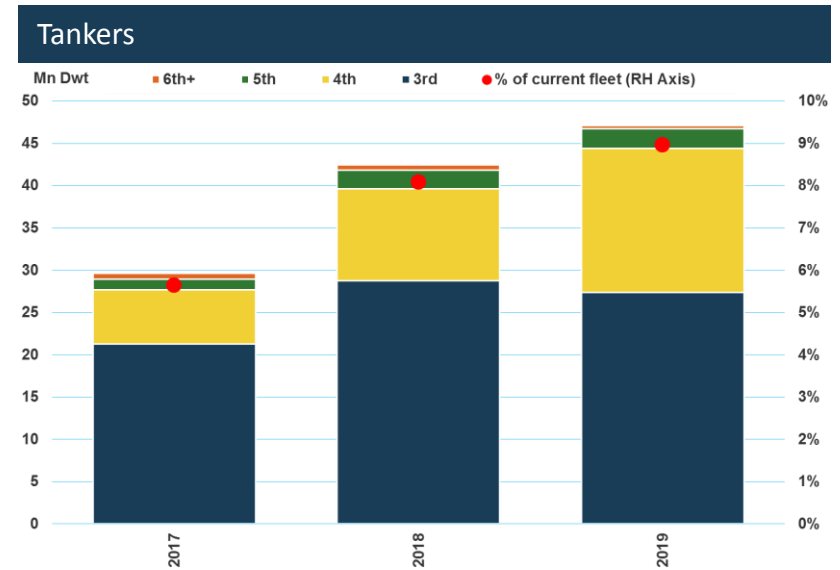
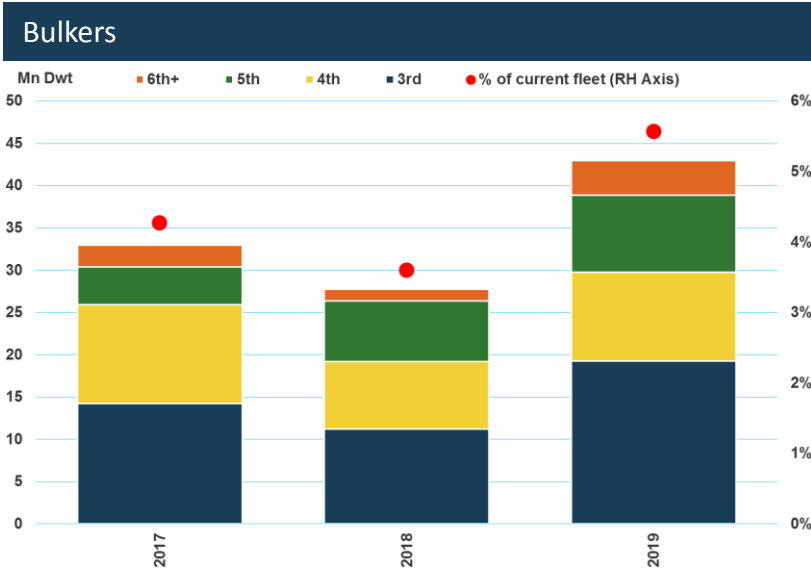


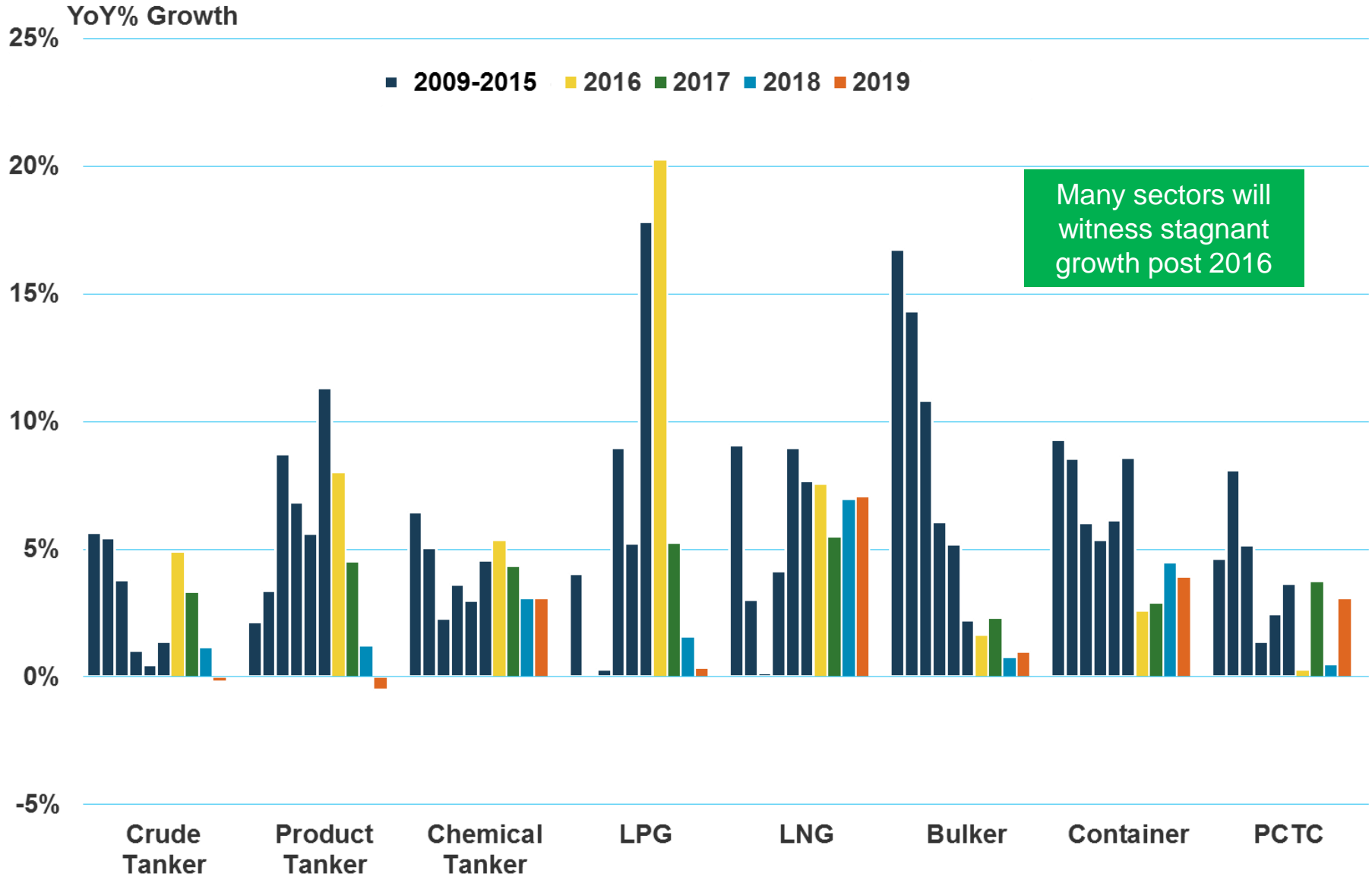
HIGH SCRAPPING





# Imminent Significant (3<sup>rd</sup>+ ) Special Surveys



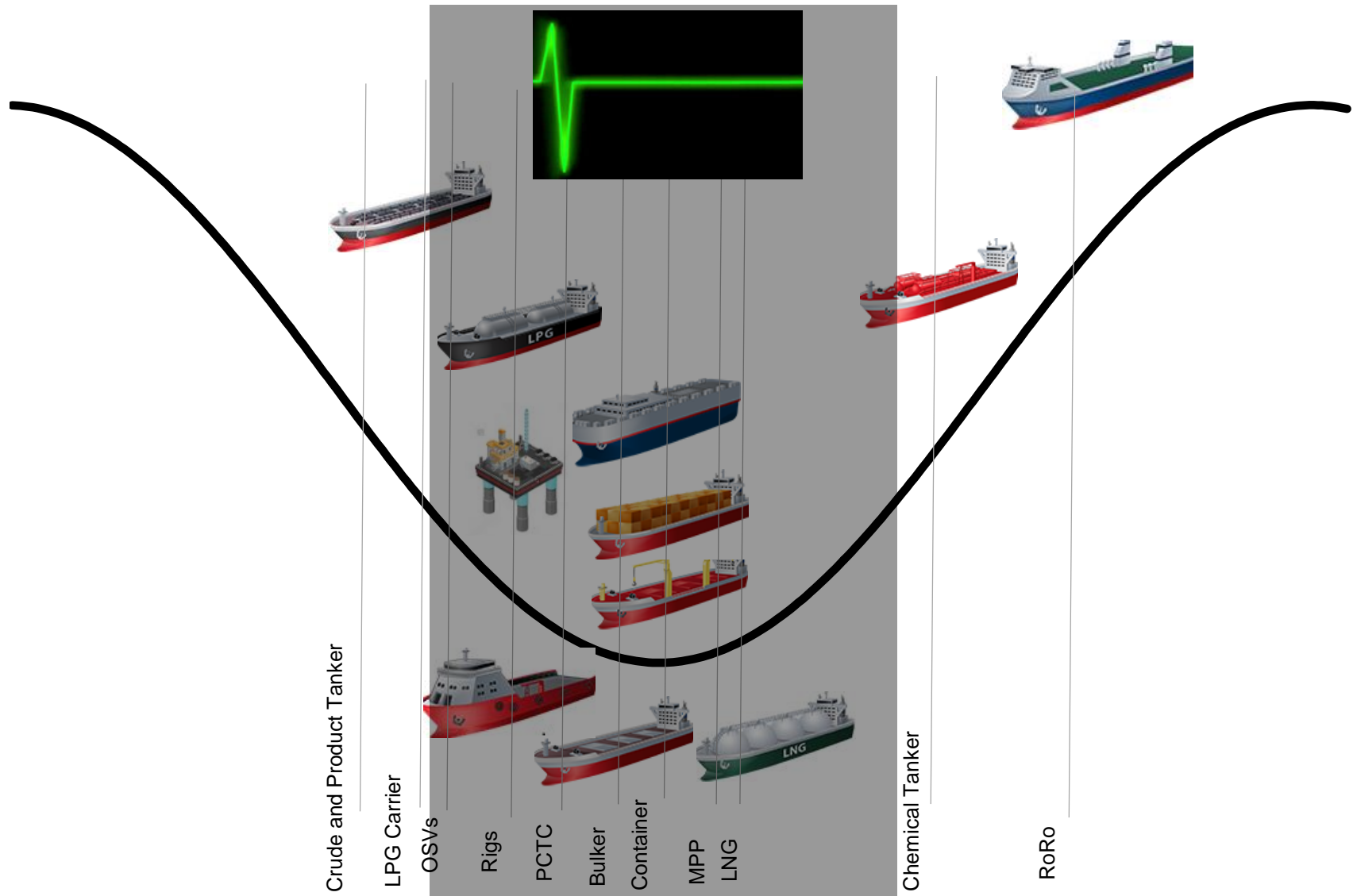


Pricing a Recovery

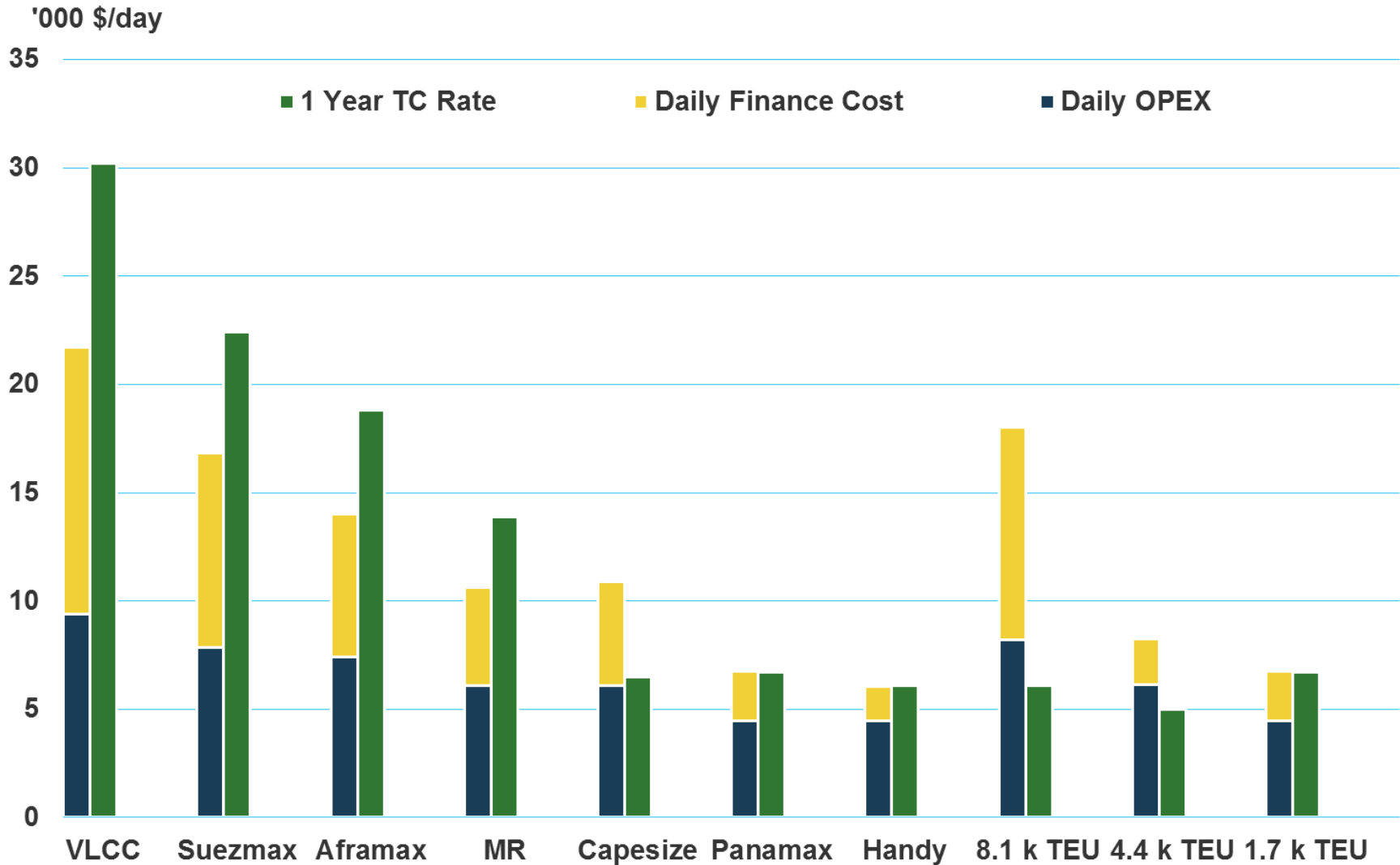
# Earnings



# Where on the Earnings Cycle Are We?

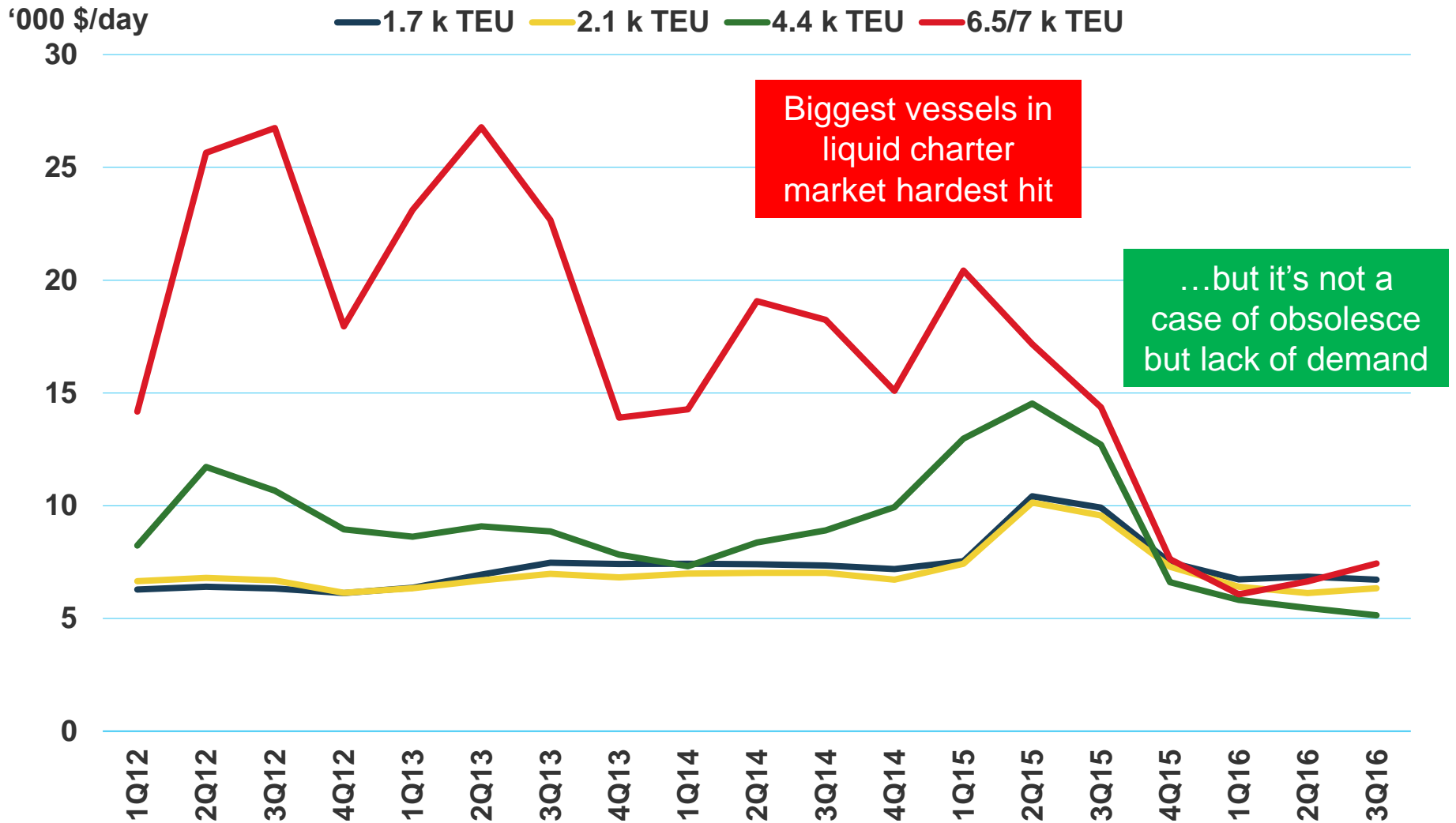


# At Today's Prices it makes Sense for Some

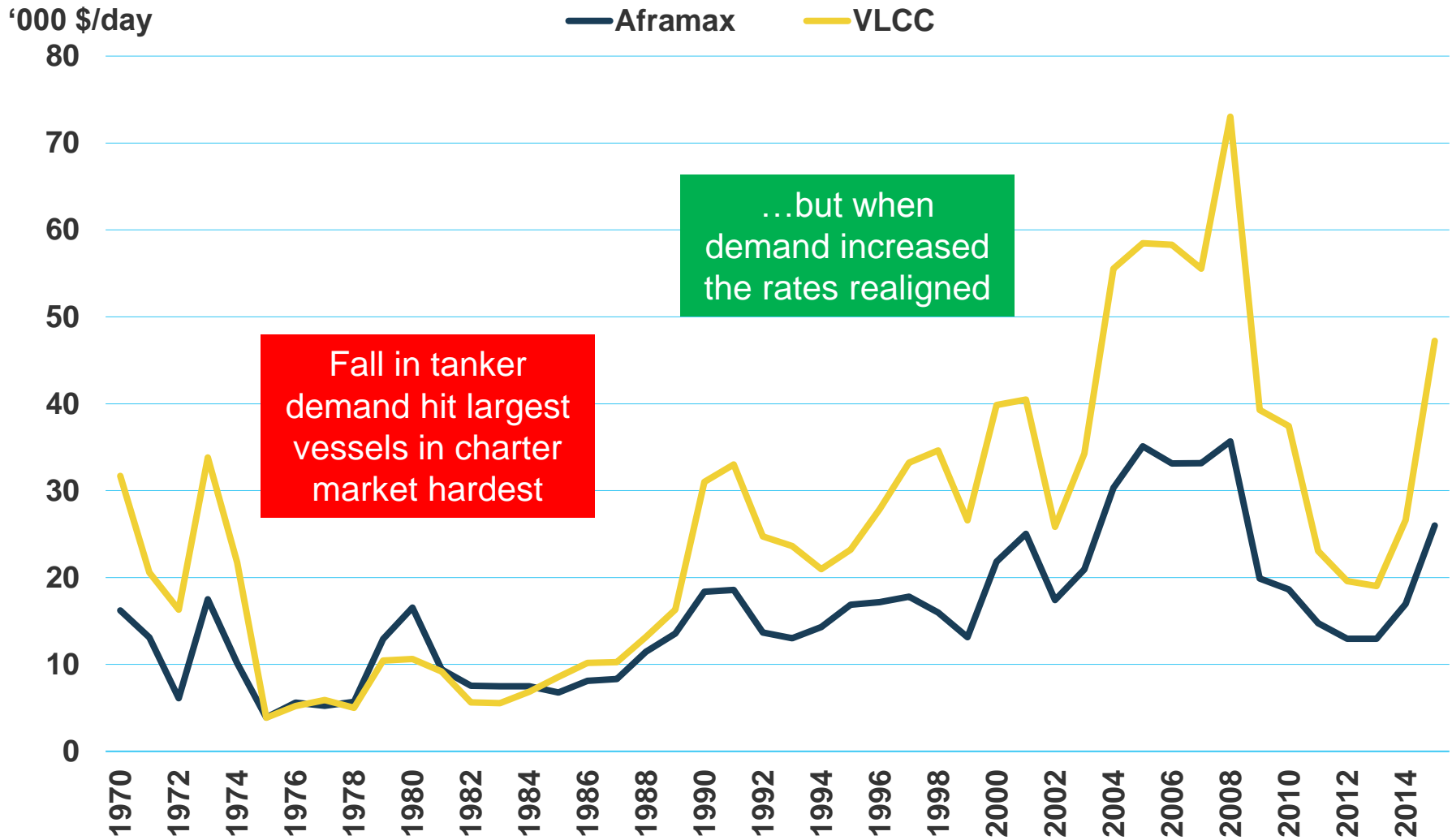


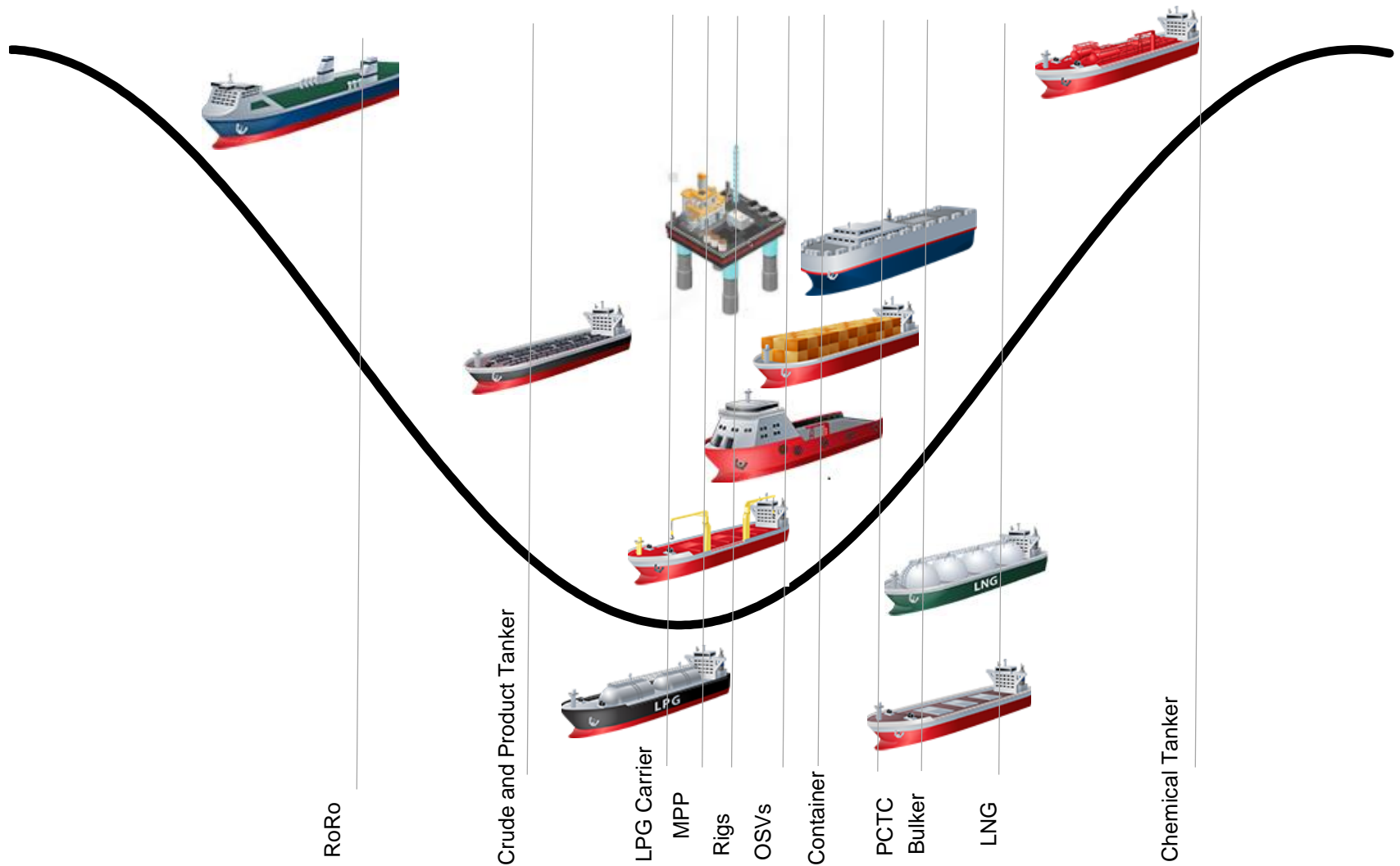
Based on 60% financing of a 5 Year Old

# Bigger they are the Harder they Fall



# But History Shows Size Does Matter...Eventually



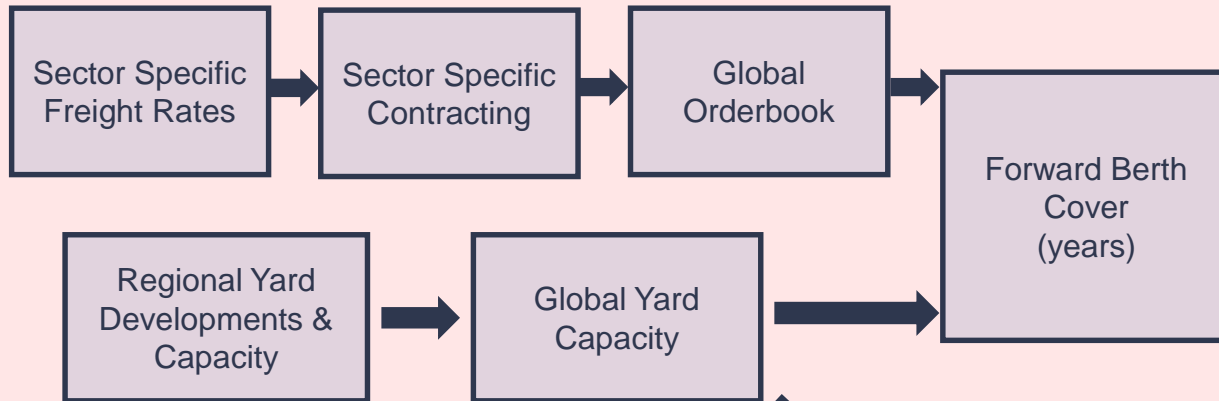


Pricing a Recovery

# Newbuilding Prices



## Forward Cover = Yard Pricing Power



Average Yard Price Index (\$ CGT)

Newbuilding Price (by vessel type by size)

Global Cost Components (steel & machinery price, exchange rates)

Regional Cost Components (wage, inflation, productivity)

Weighted Average of Yard Costs

## Costs = Yard Pricing Floor

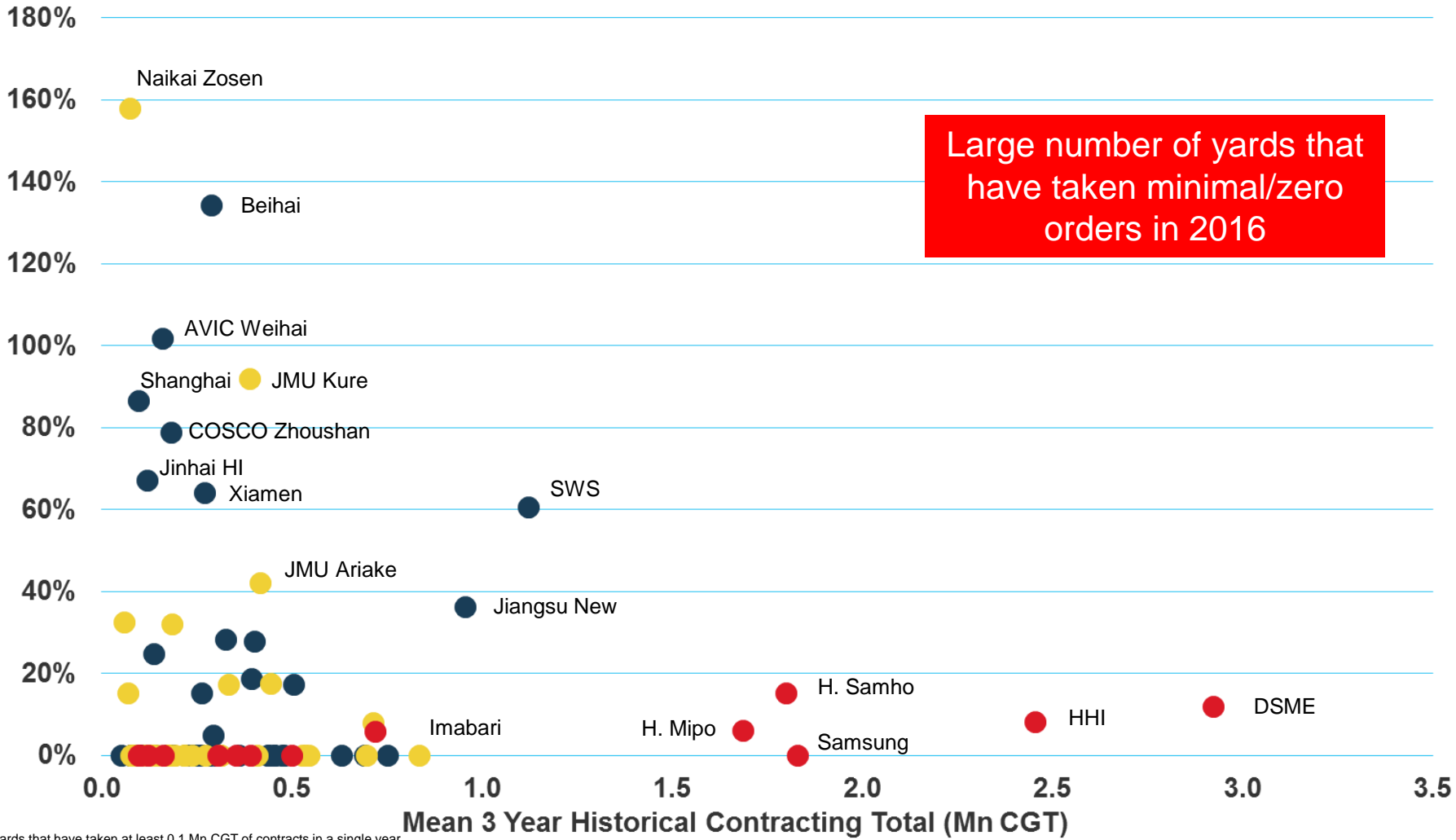
# 2016 Contracting Woefully Low

2016 Contracting as % of 3 Year Historical Mean

● China

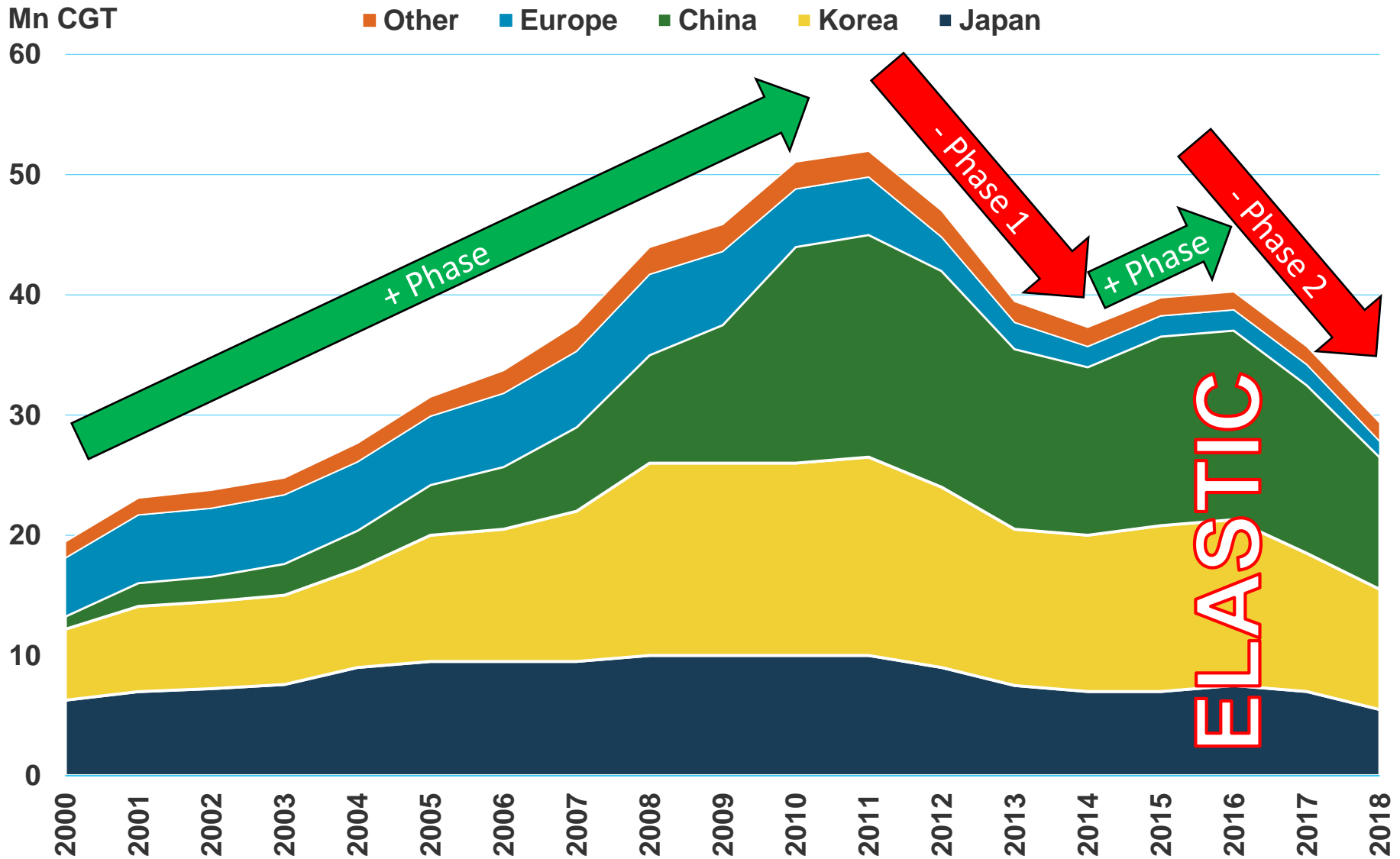
● Japan

● South Korea

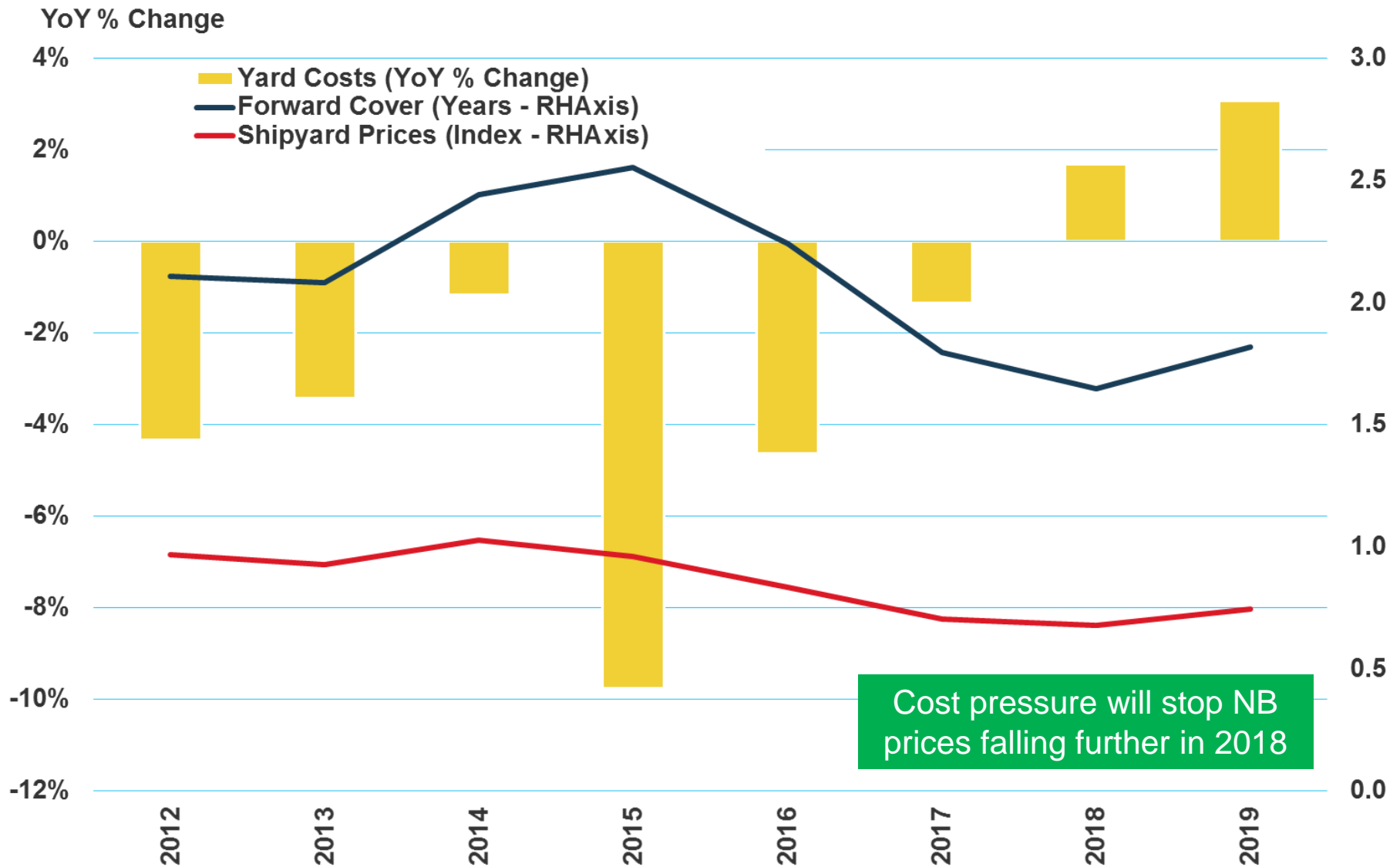


Yards that have taken at least 0.1 Mn CGT of contracts in a single year

# Shipyard Capacity Is a Worry



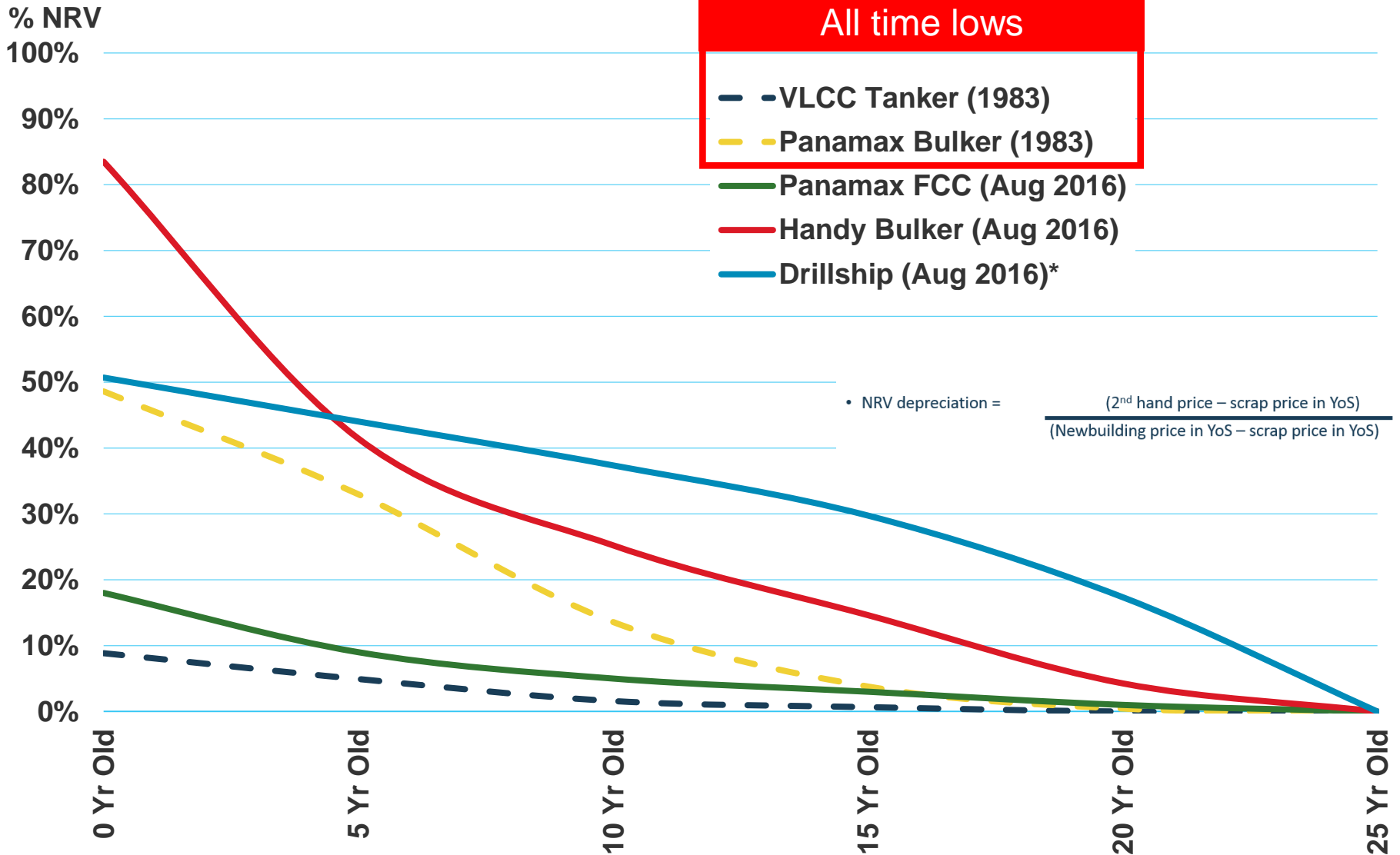
# Newbuilding Price Dynamics



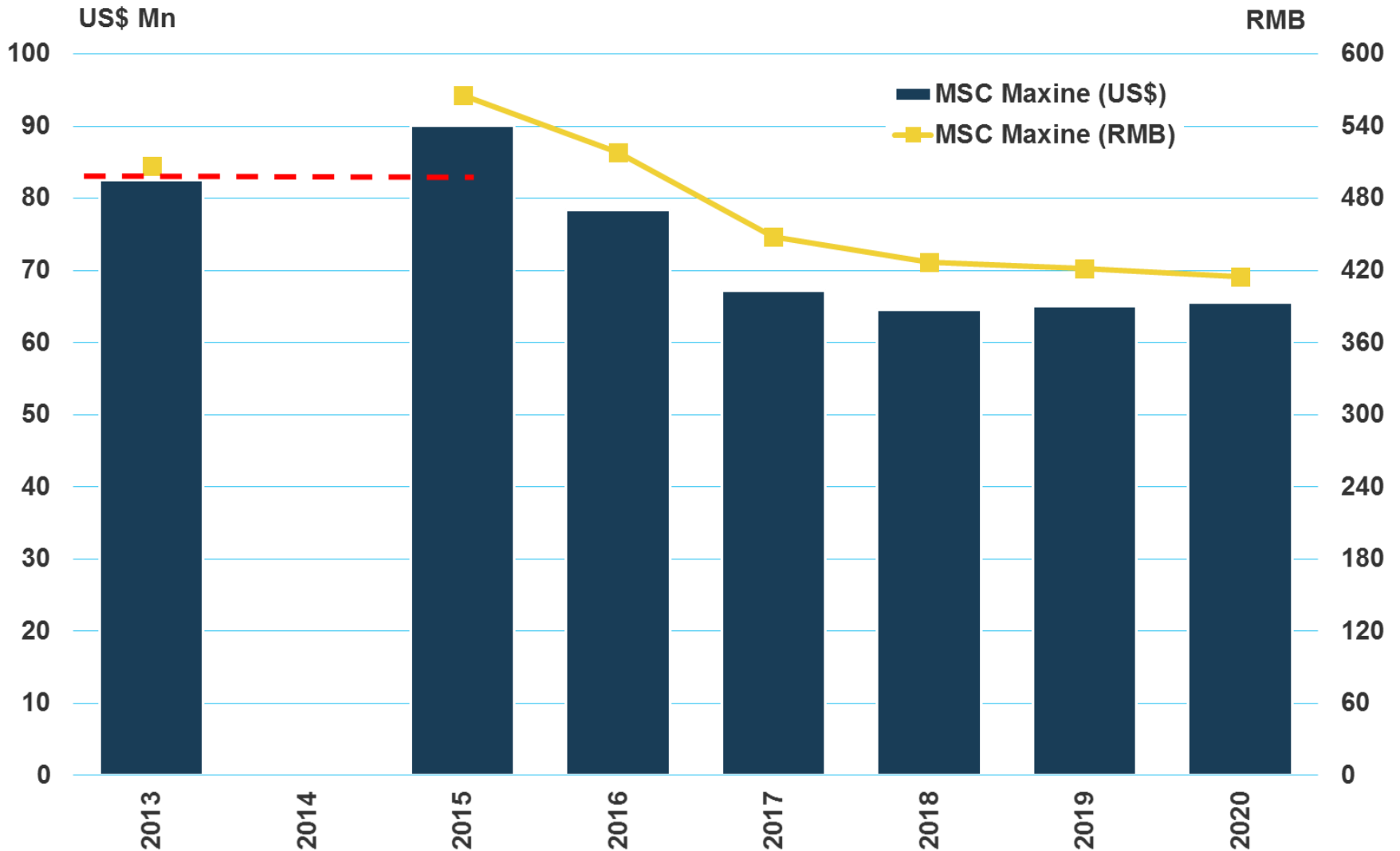
Pricing a Recovery

# Secondhand Prices

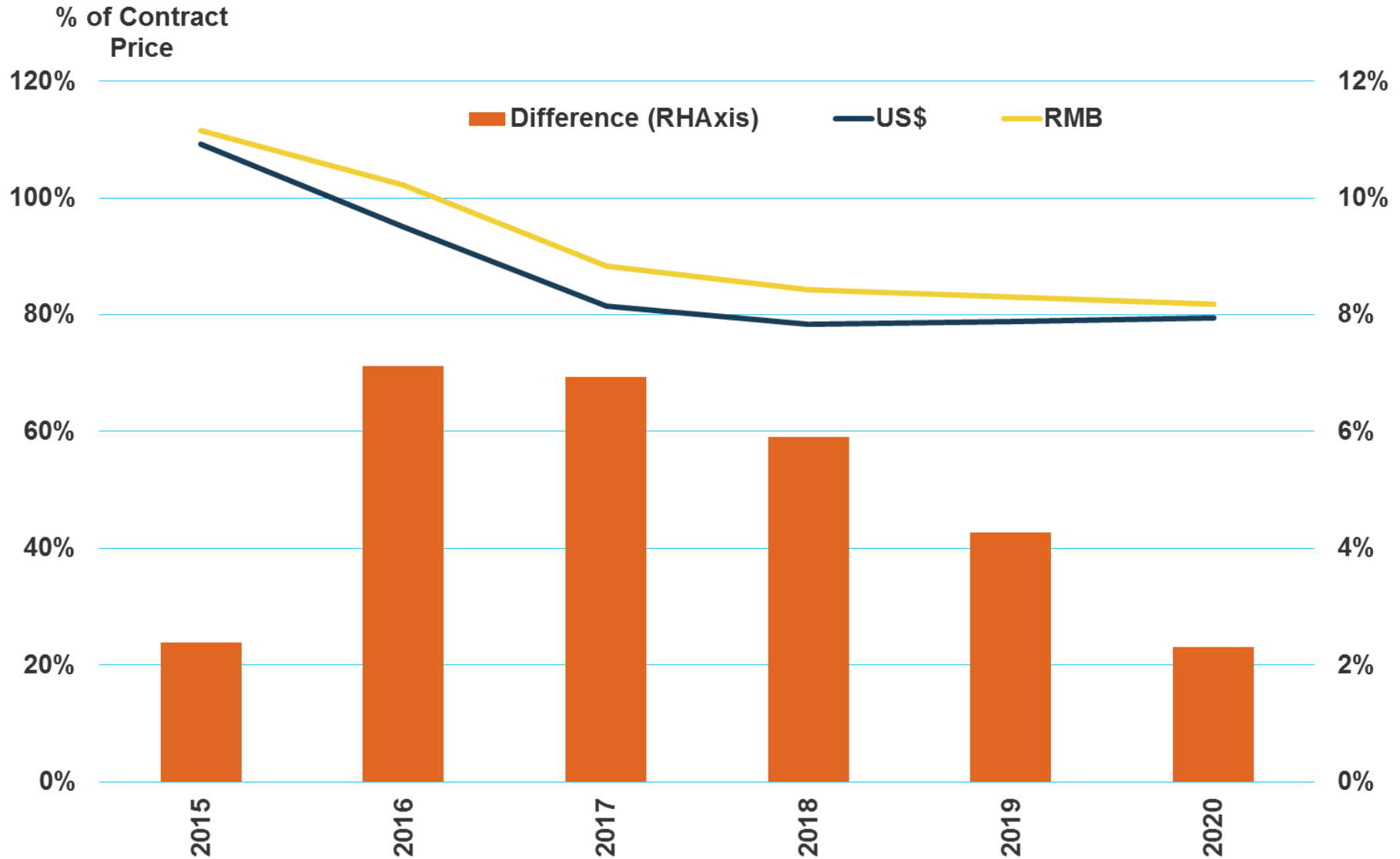




\* Re-expressed for 25 year life expectancy

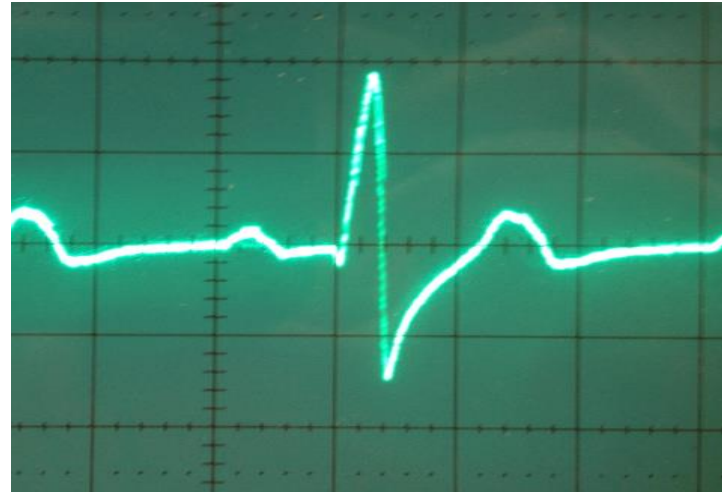


# Not as Bad as it Might First Appear... for Some



Pricing a Recovery

# Recovery?



- 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

[www.msiltd.com/fmv](http://www.msiltd.com/fmv)

### Vessel Details

Vessel Name: MM Singapore 2016      Yard Tier: Tier 1  
 Sector: Dry Bulk Carrier      Gear: Geared  
 Size (Dwt): 56000      Hatch: Standard Bulker  
 Year of Build: 2008      Hull: Single  
 Ice Class: None      Efficiency: 0  
 Country of Build: Japan

### Forecast Details

Downloaded: 14 Sep 2016  
 MSI Base Case: 163.1  
 Downloaded By: Adam Kent  
 Downloaded For: Maritime Strategies International Ltd.

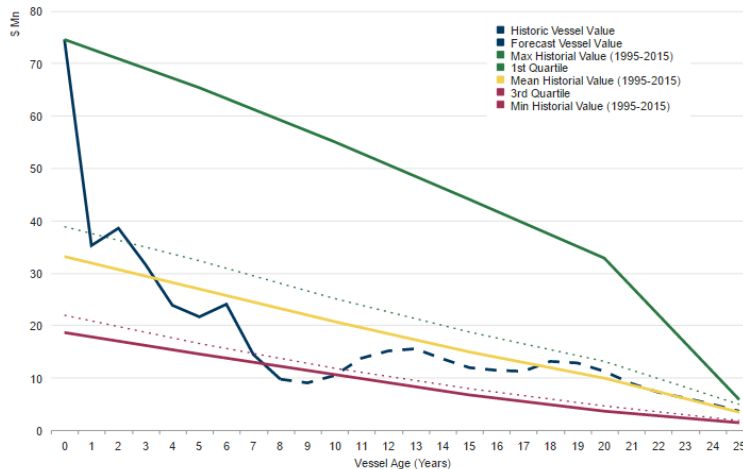
### Quarterly average timeseries

	2016 Q2	2016 Q3	2016 Q4	2017 Q1
Fair Market Value (\$ Mn)	9.1	10.5	10.8	8.3
1 Yr T/C (\$ k/day)	6.0	5.9	6.1	5.6

### Annual average timeseries

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Newbuilding Contract Price (\$ Mn)	31.5	26.5	26.4	29.6	26.5	23.0	21.2	21.1	24.3	26.6	28.3	28.3
Age (years)	3	4	5	6	7	8	9	10	11	12	13	14
Fair Market Value (\$ Mn)	31.6	23.8	21.6	24.0	14.4	9.7	9.0	10.4	13.7	15.1	15.5	15.5
1 Yr T/C (\$ k/day)	13.8	9.8	9.4	10.5	8.1	5.8	6.0	7.4	9.5	10.8	11.5	11.5
Operating Costs (\$ k/day)	5.2	5.1	5.2	5.3	5.3	5.2	5.2	5.4	5.5	5.7	5.9	6.0

*While this forecast has been prepared, and is presented, in good faith, no responsibility for errors of fact, opinion or market changes are assumed by MSI Ltd. Please see our terms and conditions.*



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Quarterly Fair Market Value & 1 Year Time Charter Rate (1Q history, current Q, 2Q forecast)

Annual average:

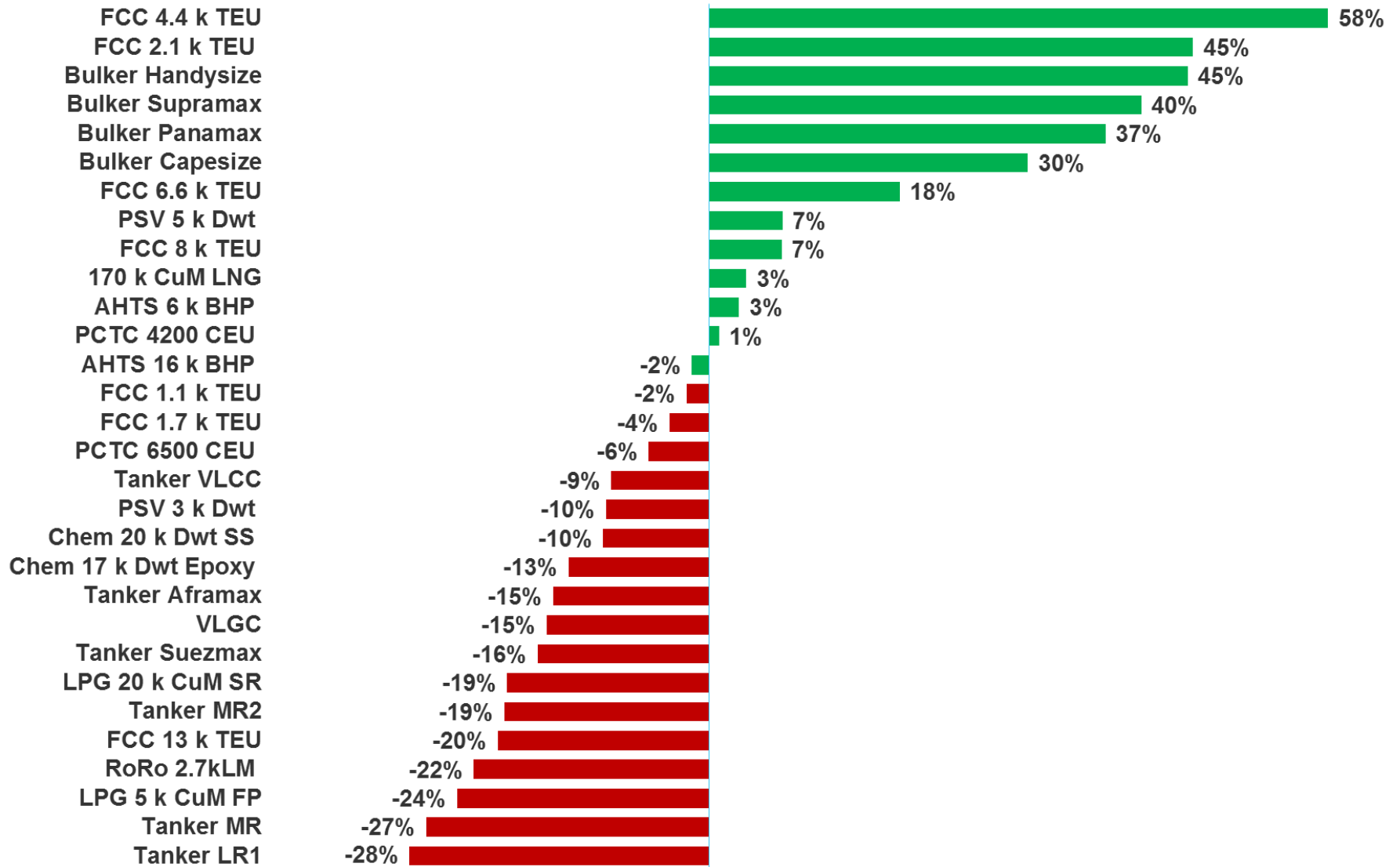
- Newbuilding contract price
- Fair Market Value
- 1 Year Time Charter Rate
- Operating Cost

5 years history and 15 years forecast

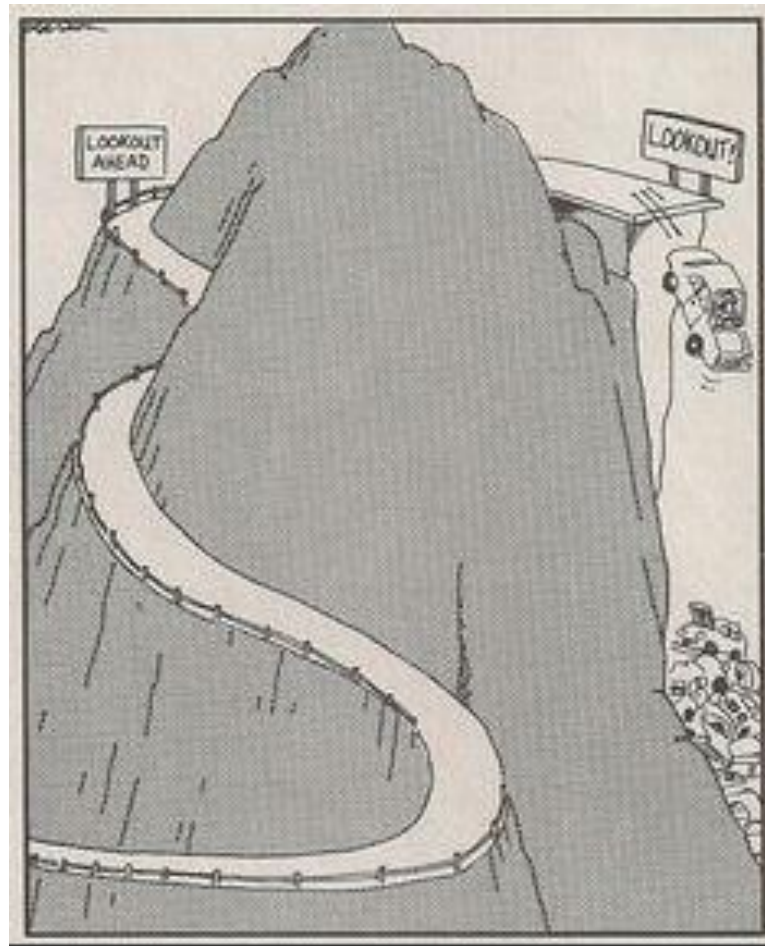
Price Development Chart detailing forecast price development in relation to historical metrics

# Asset Play Prognosis

## Buy 5 year old today – sell in 5 years time



When driving up the mountain don't forget to bail out before its too late!



**Thank You for Listening**

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