



Shipyard Capacity Conundrum: What Next?

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8th Annual Marine Money London Ship Finance Forum – 25th Jan 2016

Shipyards Capacity Conundrum: What Next?



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2. Current Situation
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5. When does NB begin to make sense?

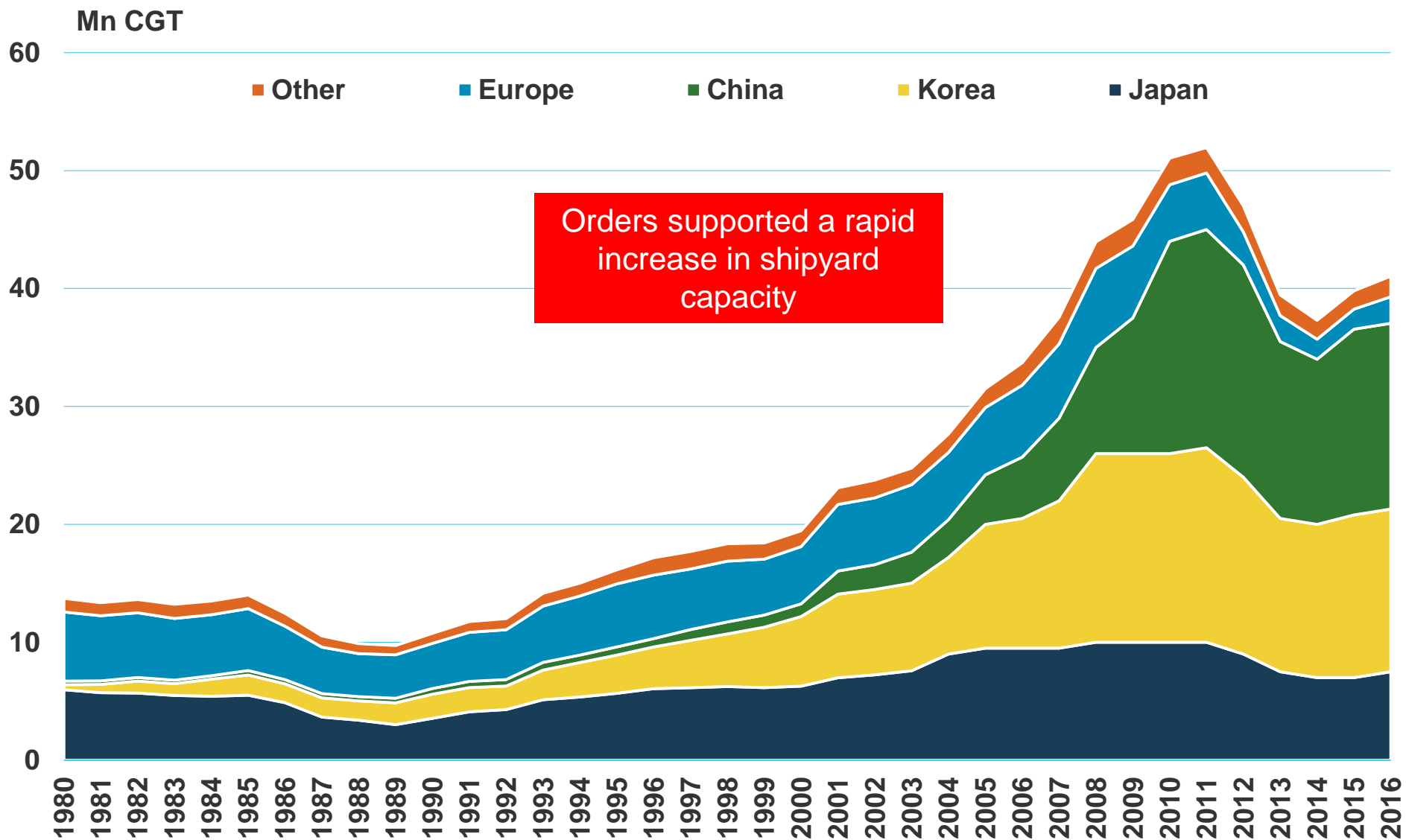
Shipyard Capacity Conundrum

The 'Issue'

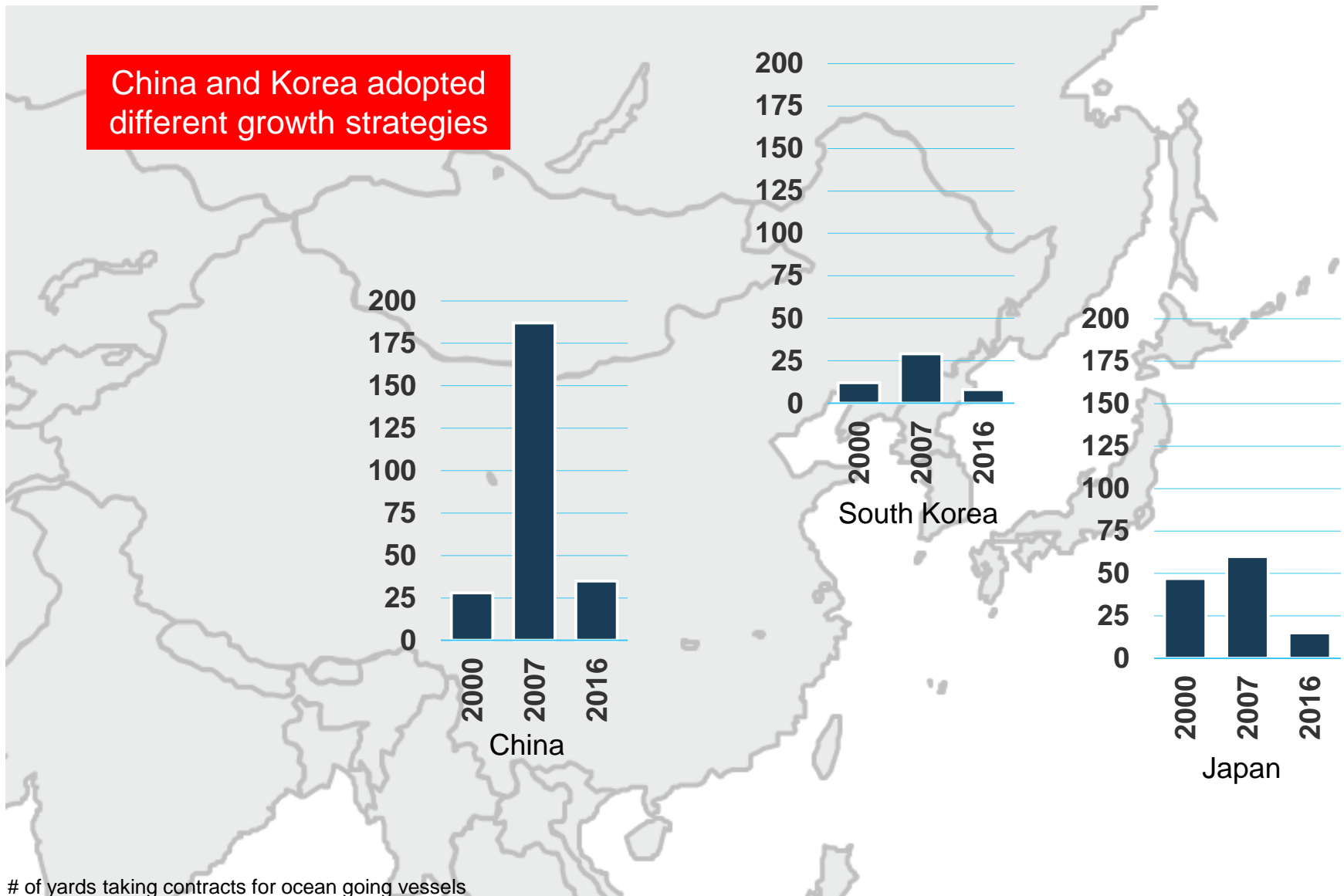




Evolution of Effective Shipyard Capacity



China and Korea adopted different growth strategies



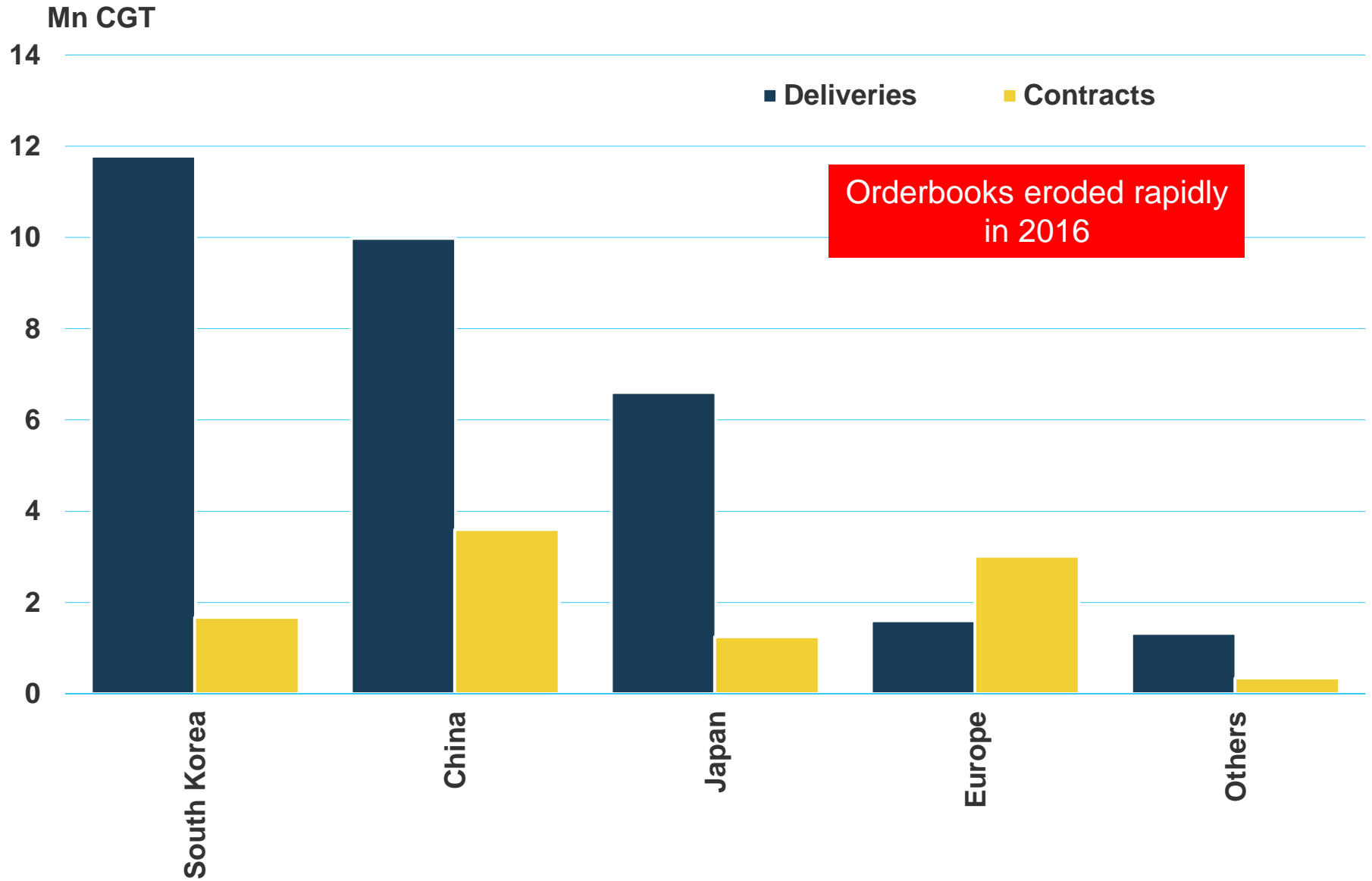
of yards taking contracts for ocean going vessels

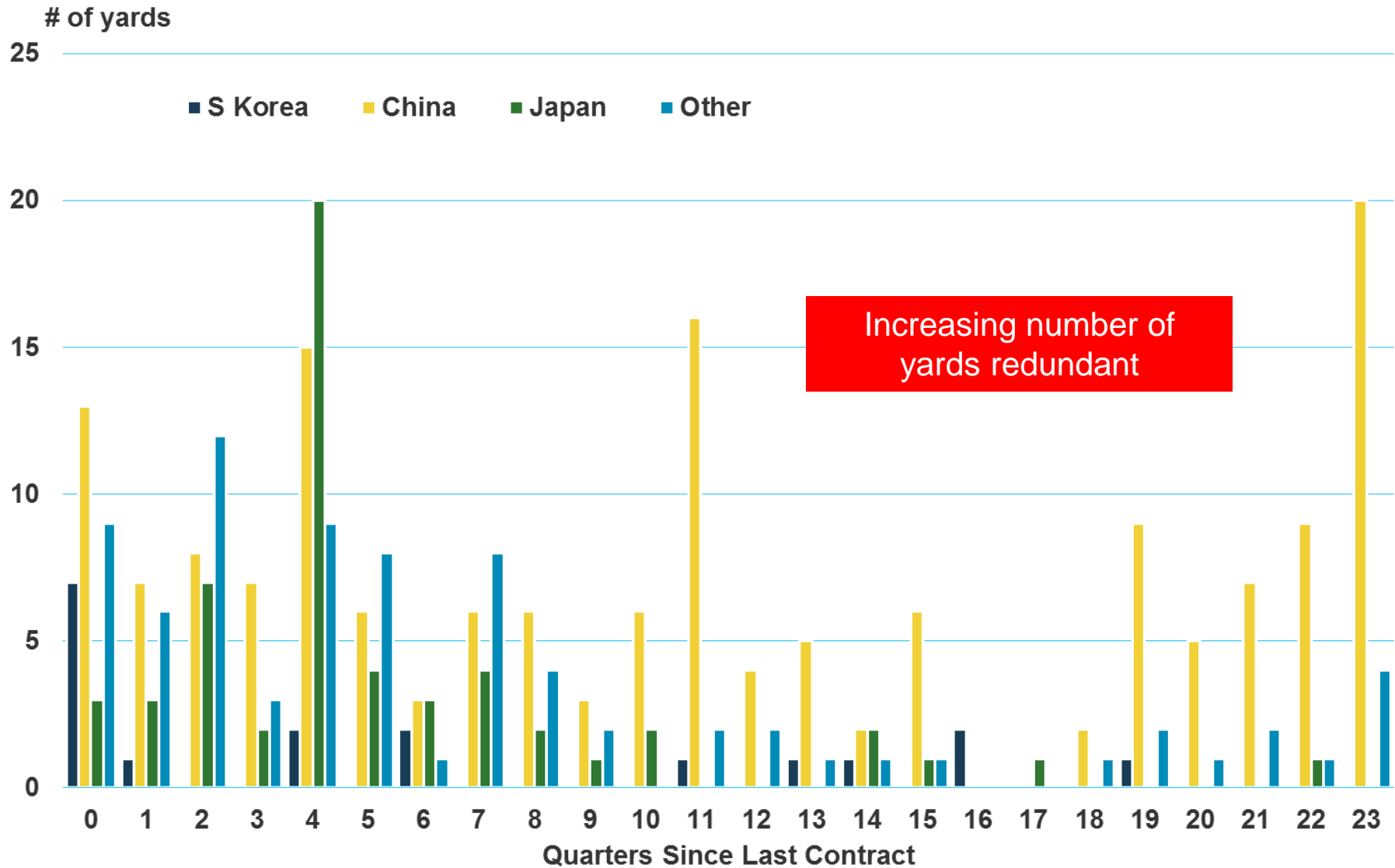
Shipyards Capacity Conundrum

Current Situation

January						
S	M	T	W	T	F	S
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				

Year Reported	Shipyard	Country	Status
2016	Samsung Heavy Industries	South Korea	Self Restructuring
2016	STX Offshore & Shipbuilding	South Korea	Restructuring
2016	Zhong Chuan Heavy Industry Shipbuilding	China	Bankrupt
2016	DSME	South Korea	Self Restructuring
2016	Hyundai Heavy Industries	South Korea	Self Restructuring
2016	Sainty Marine Co.	China	Bankrupt
2016	Wuzhou Shipbuilding	China	Filed for bankruptcy
2016	Sinopacific Zhenjiang	China	Bankrupt
2016	Sinopacific Yangzhou Dayang	China	Restructuring
2016	Dung Quat Yard	Vietnam	Possible bankruptcy
2016	Qingdao Yangfan Shipbuilding	China	Bankrupt

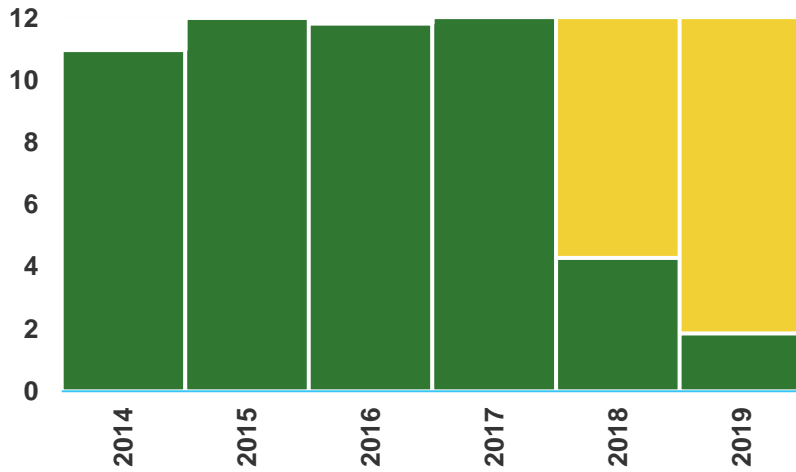




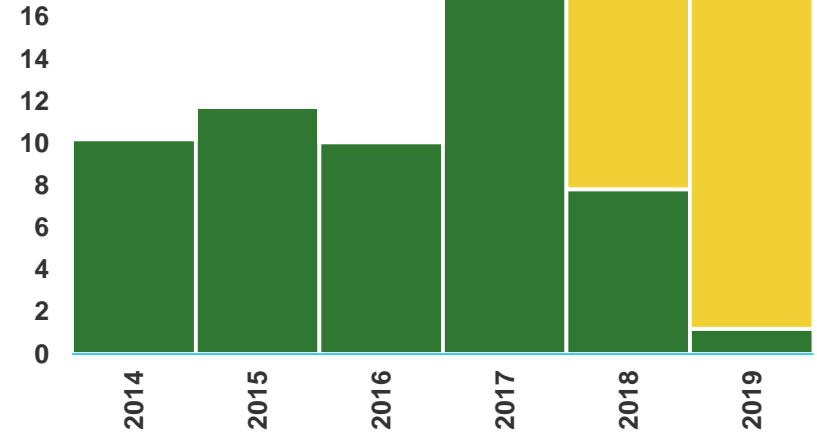
Actual/Scheduled Deliveries

Empty Capacity

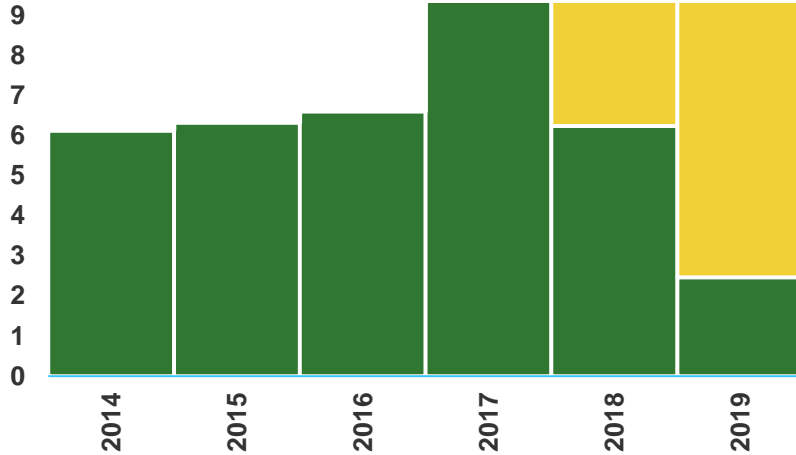
South Korea



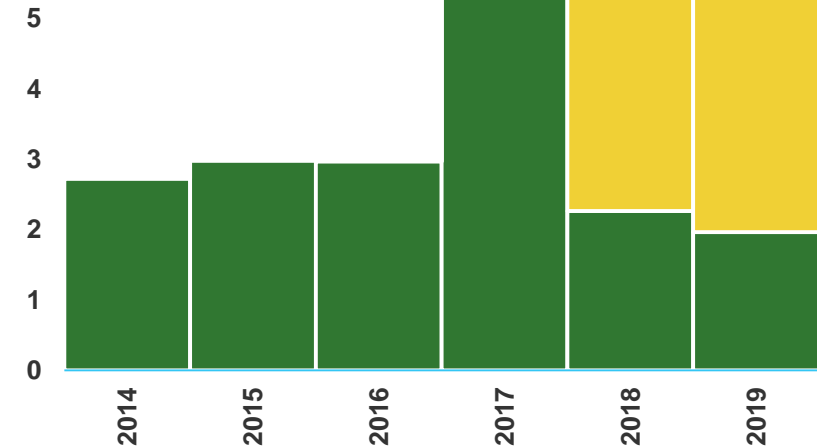
China

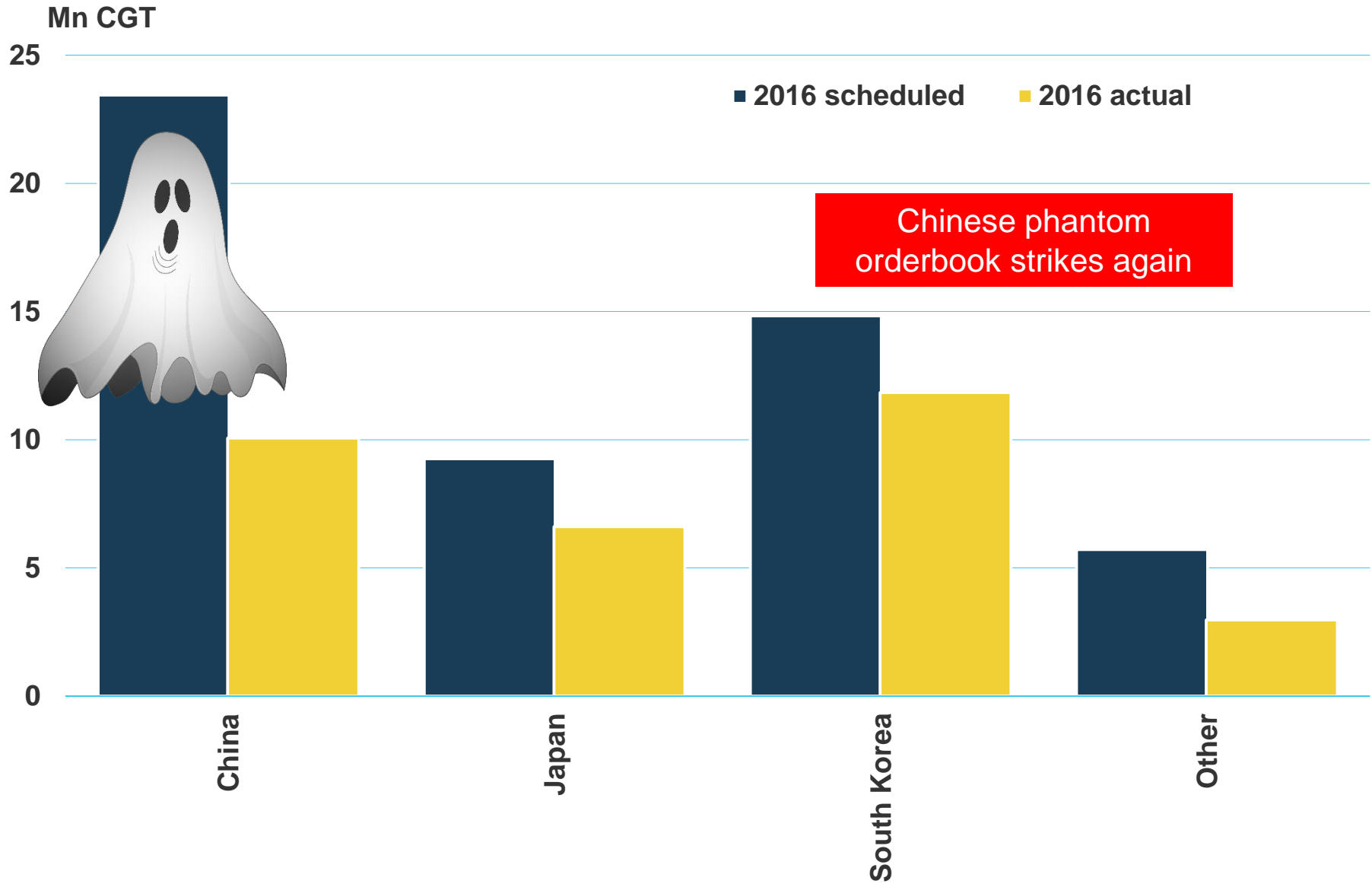


Japan

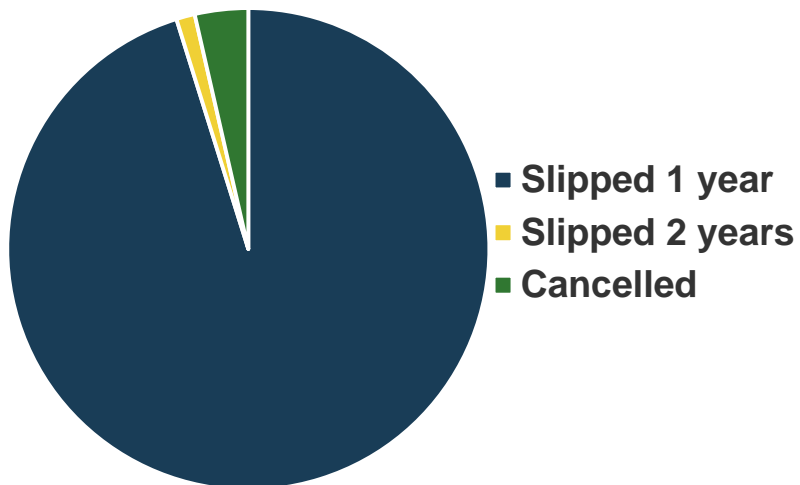


Others

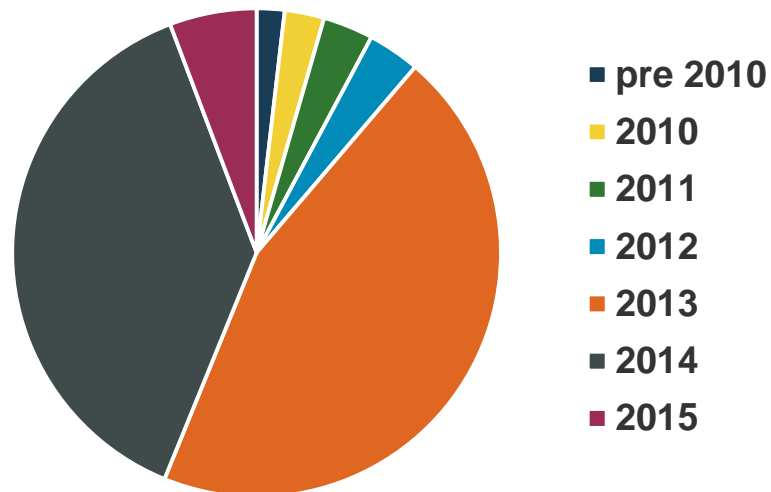




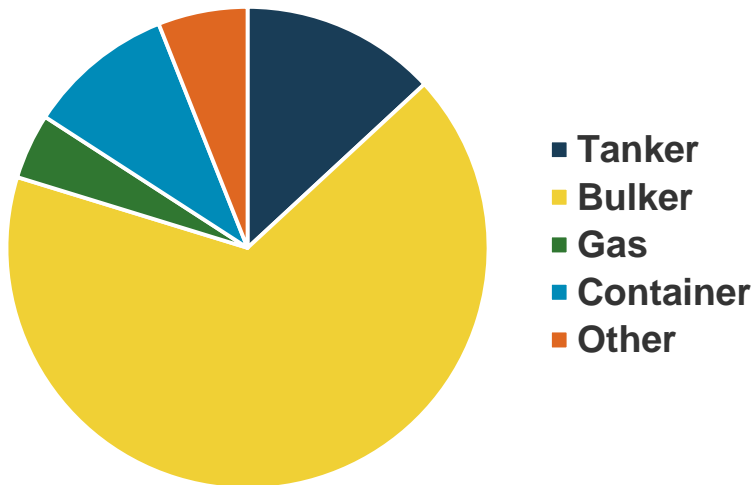
Fate of 2016 – Non Deliveries



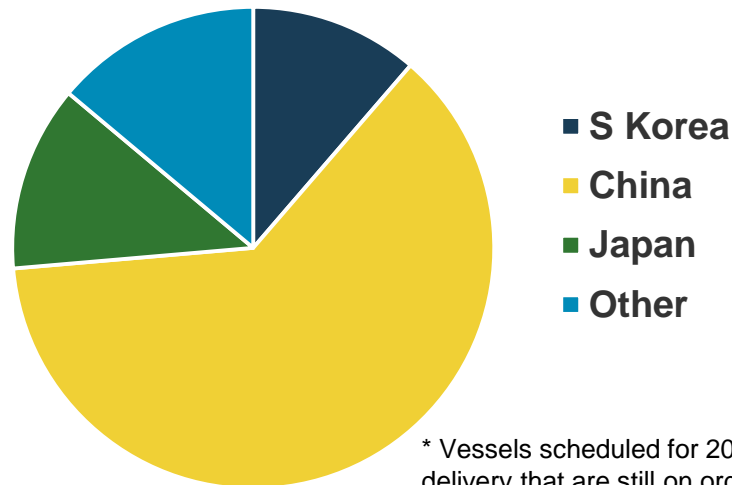
2016 Non Deliveries – Year of Contract



2016 Non Deliveries – Sectors to Blame

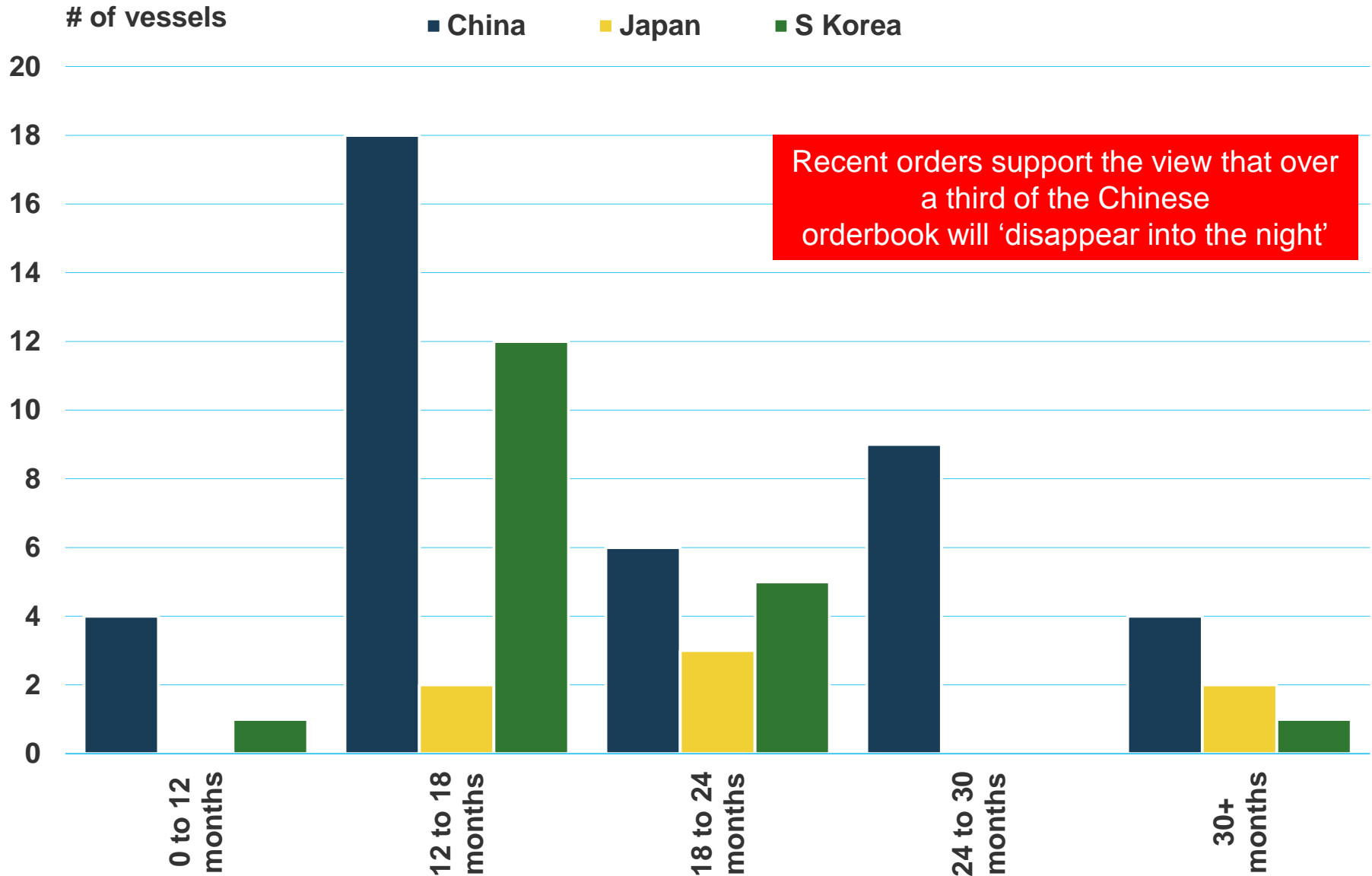


Reoccurring Nightmare – 2015*



* Vessels scheduled for 2015 delivery that are still on order

Q4 2016 Orders and Time to Delivery



Shipyard Capacity Conundrum

Solutions?



Cargo Demand



Replacement Tonnage



Earnings



Obsolescence



Herd Mentality



Market Insight

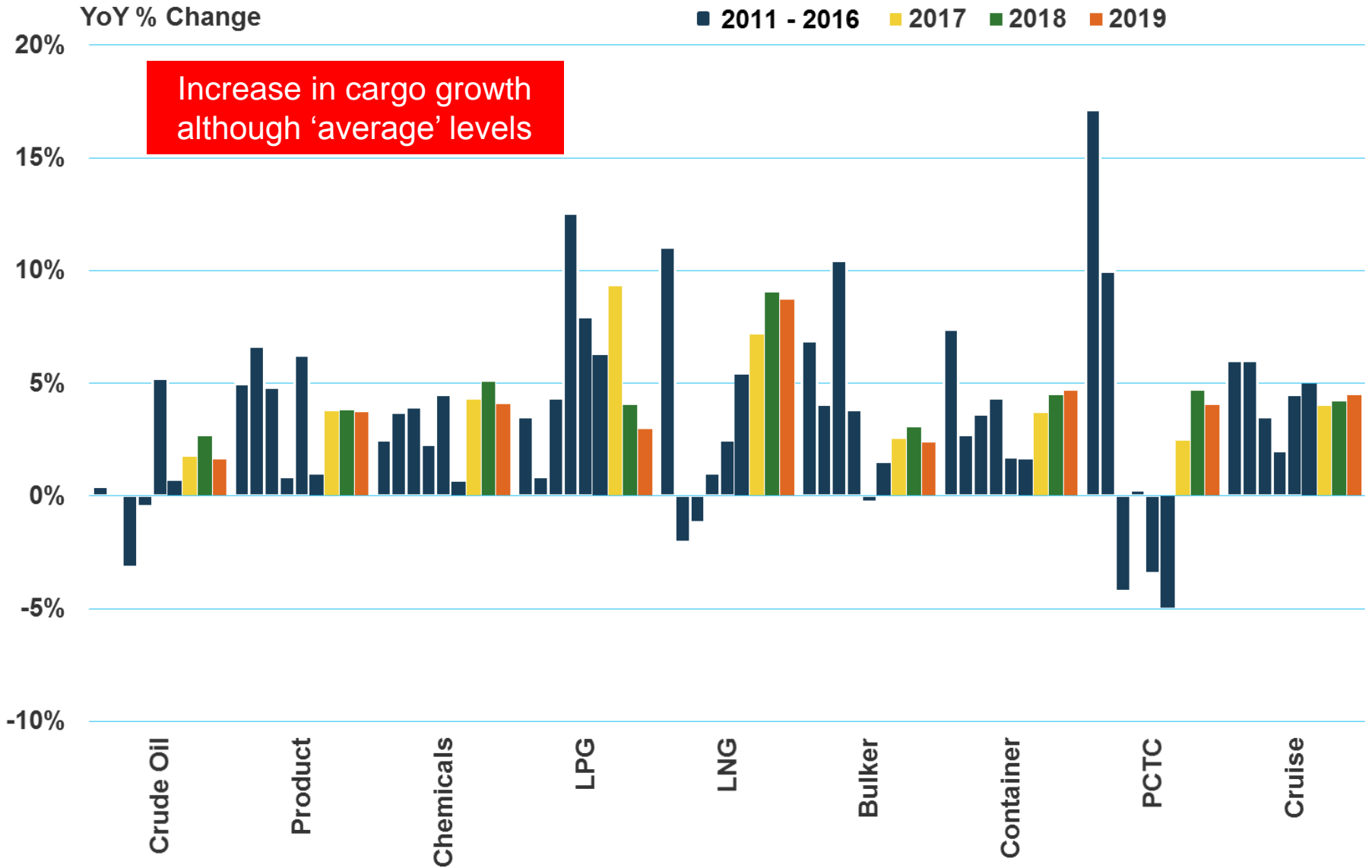


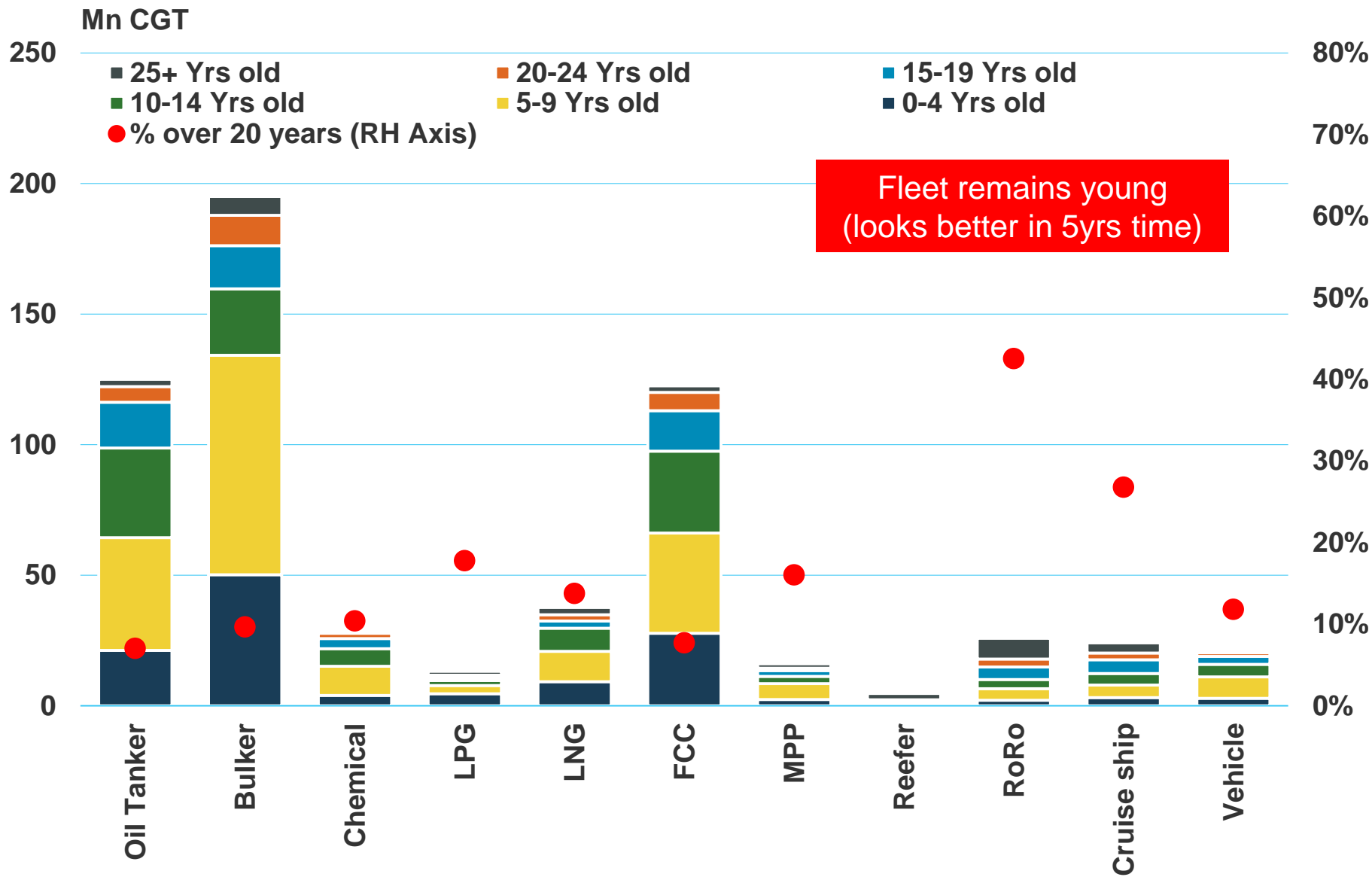
Calculated Strategy

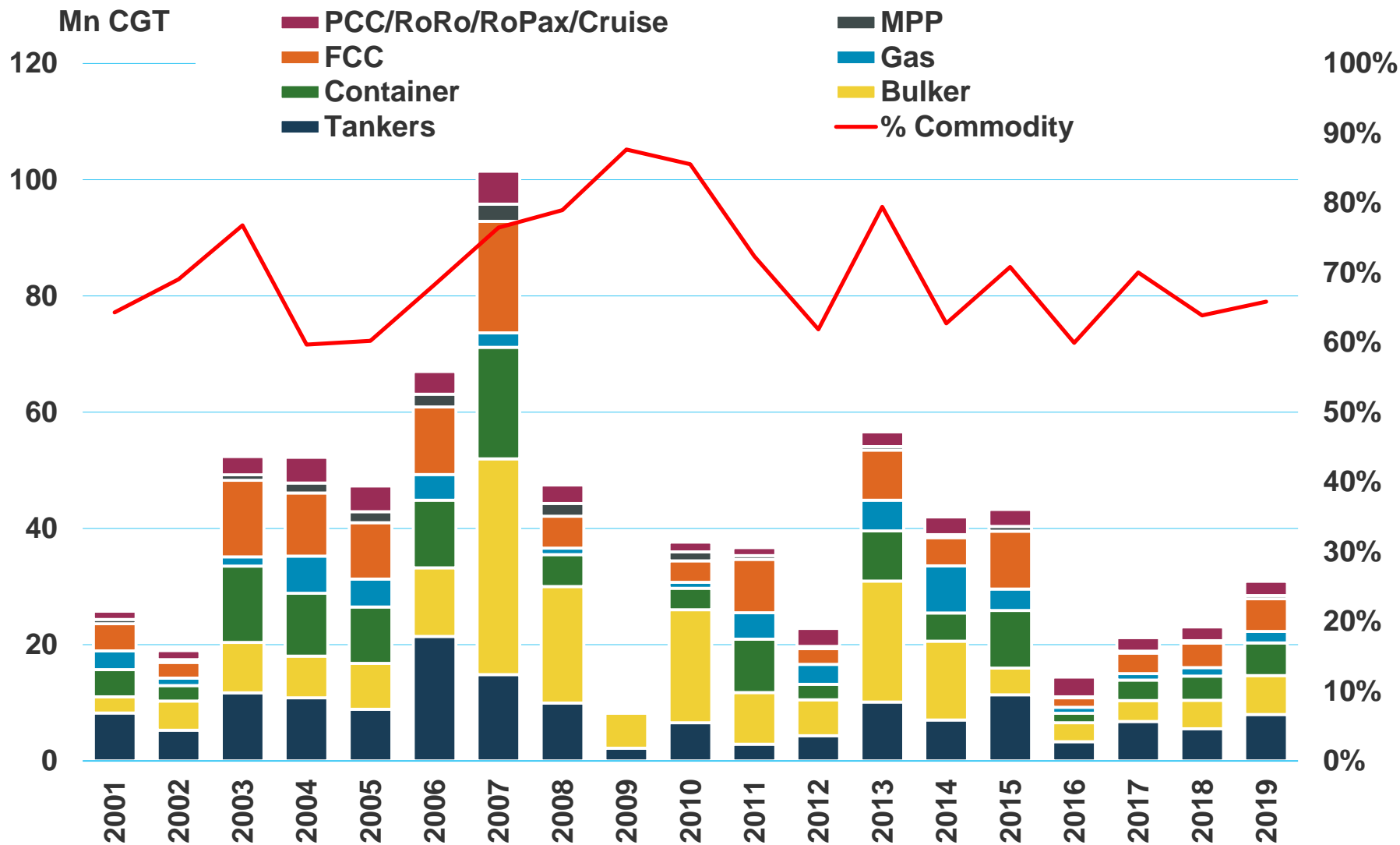


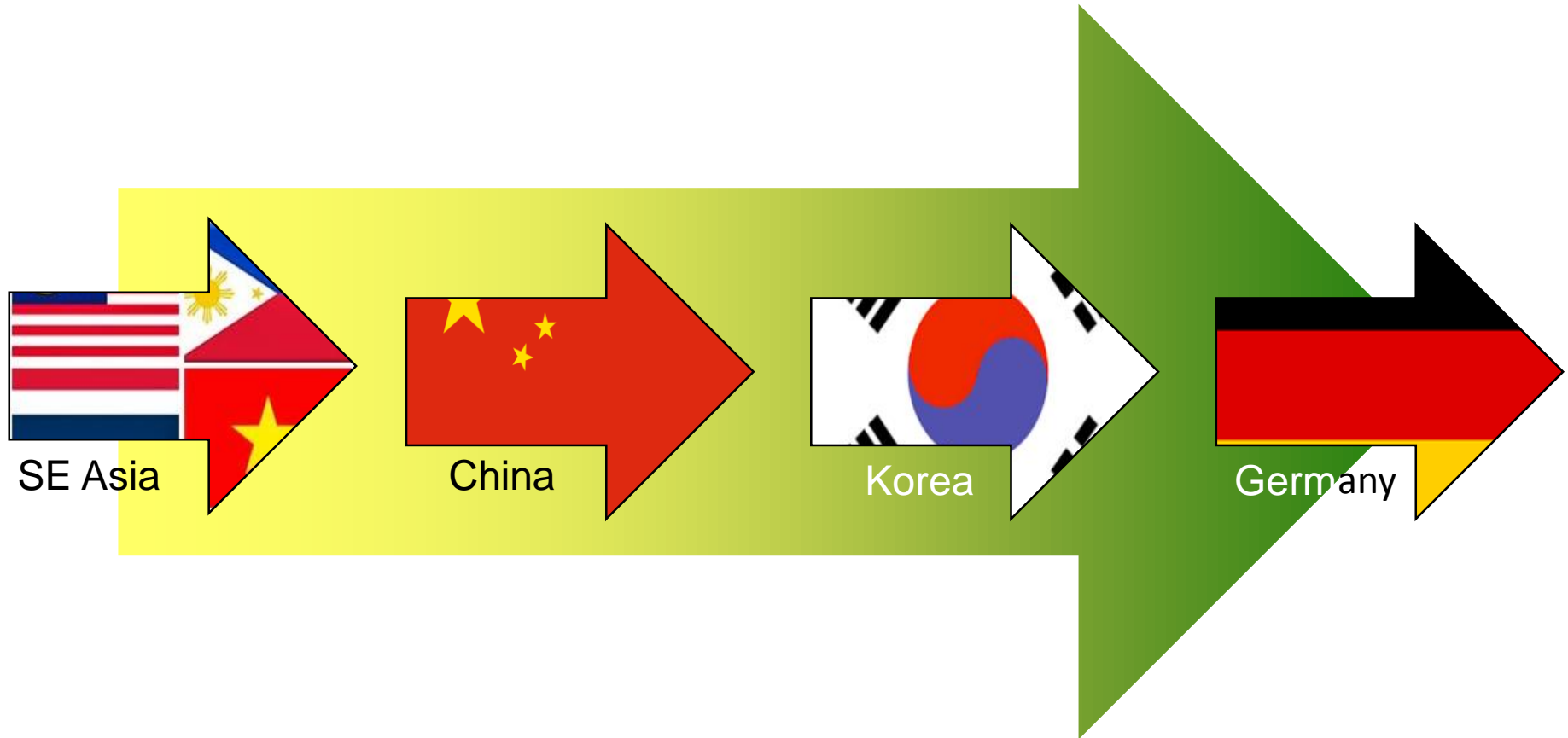
Investment Thesis

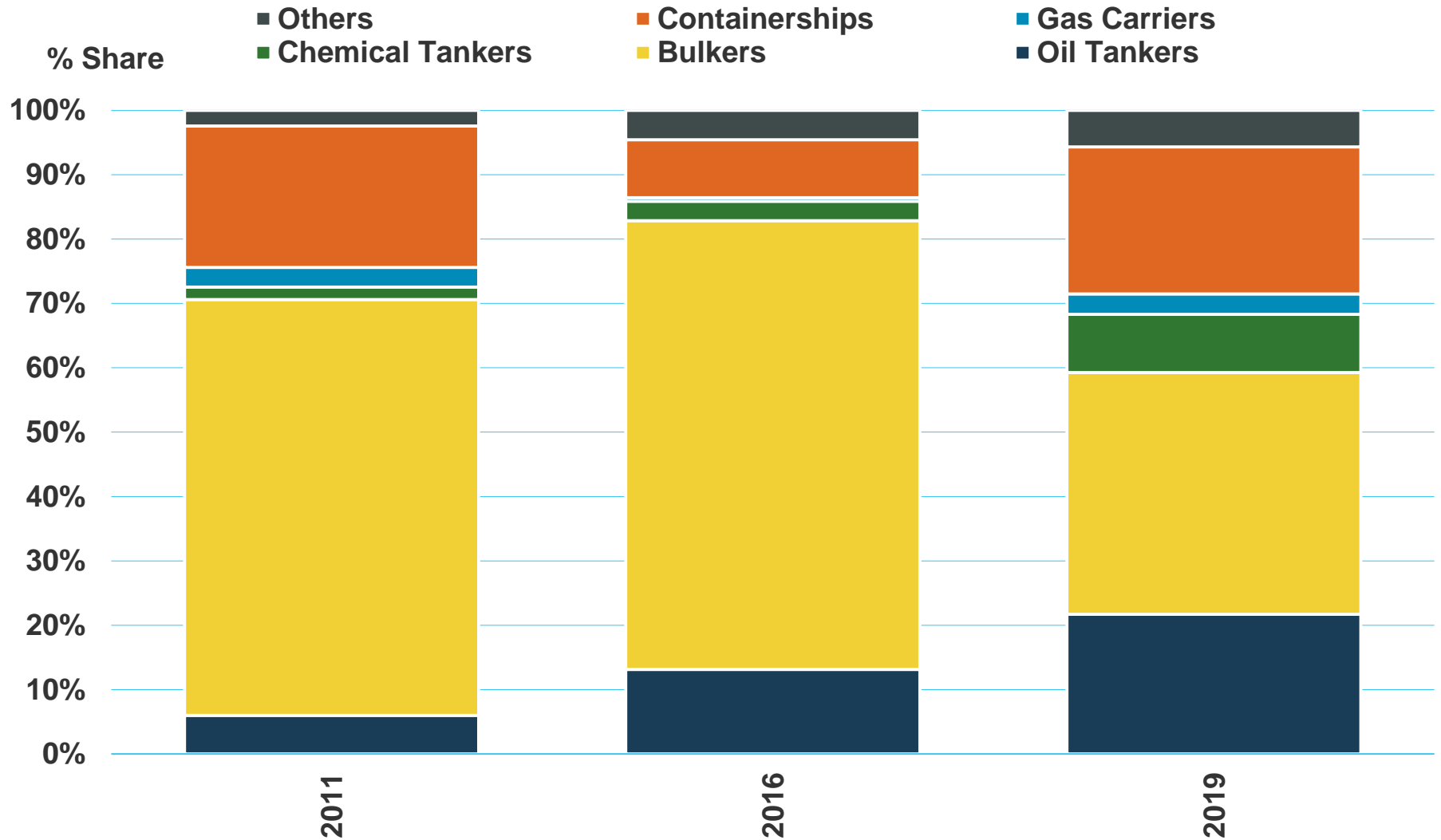


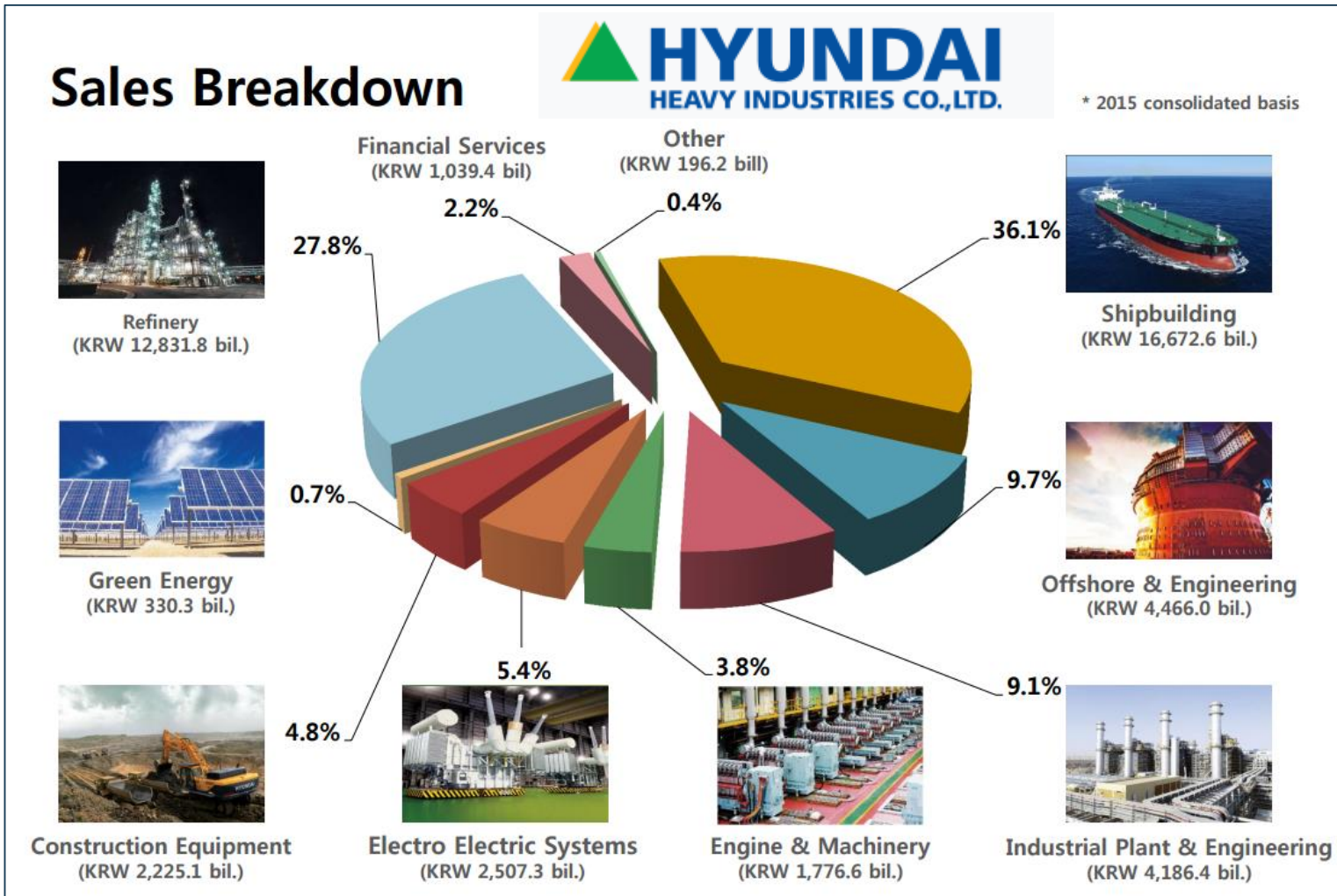






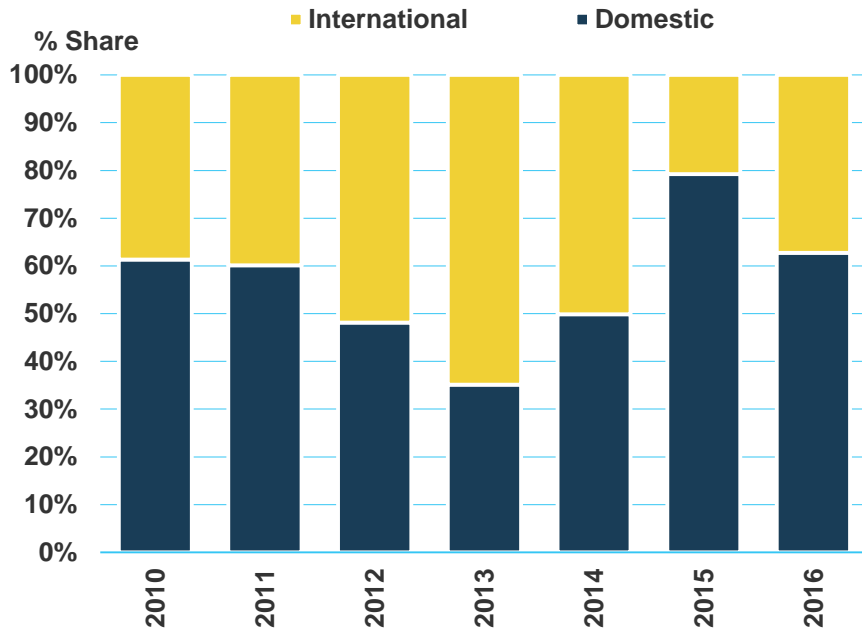




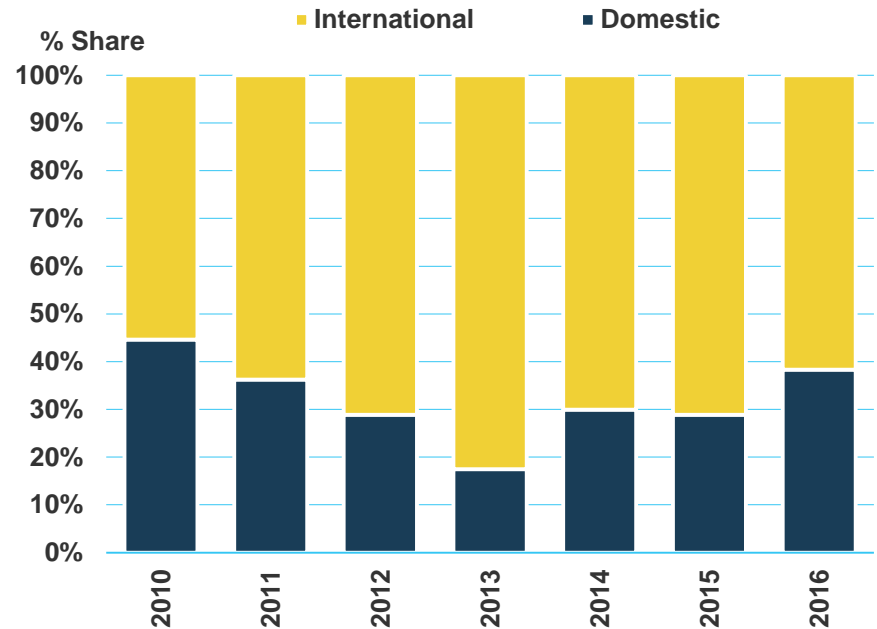


Source: Hyundai Heavy Industries I.R.

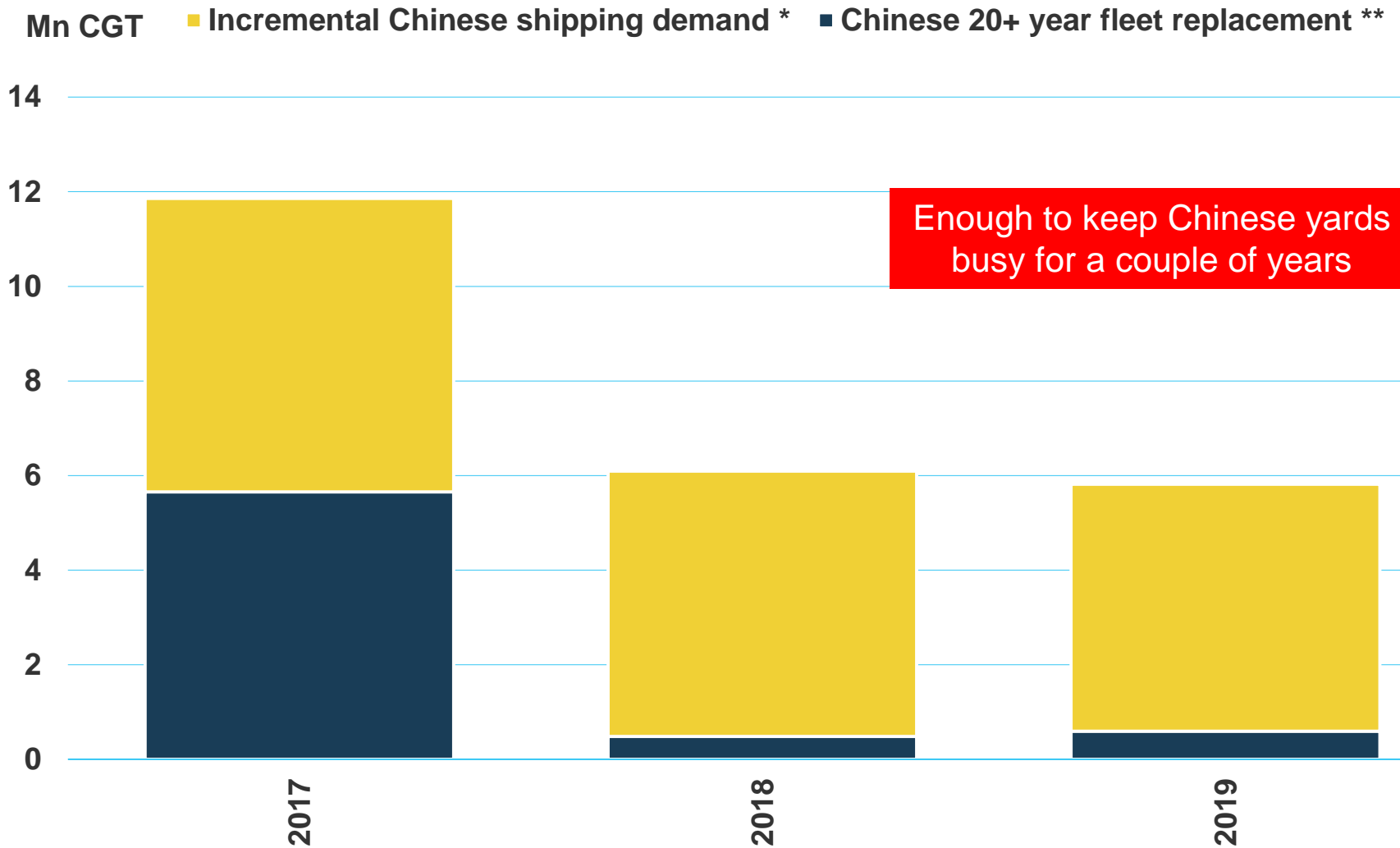
Japan



China



China cannot rely on domestic orders – unlike Japan



* Incremental demand taken from MSI's econometric models (tanker, bulker, container only) based on cargo moved translated into requirement for shipping

** Chinese 20+ year fleet assumes all Chinese vessels are scrapped once they are 20 years old and are replaced with new contracted tonnage

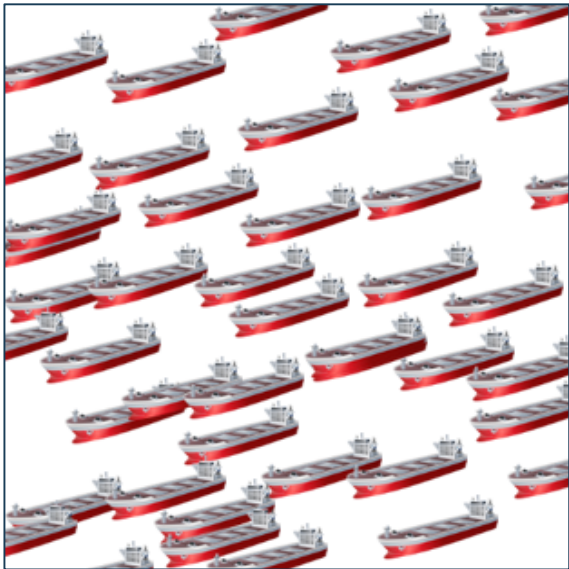
Shipyard Capacity Conundrum

The Link



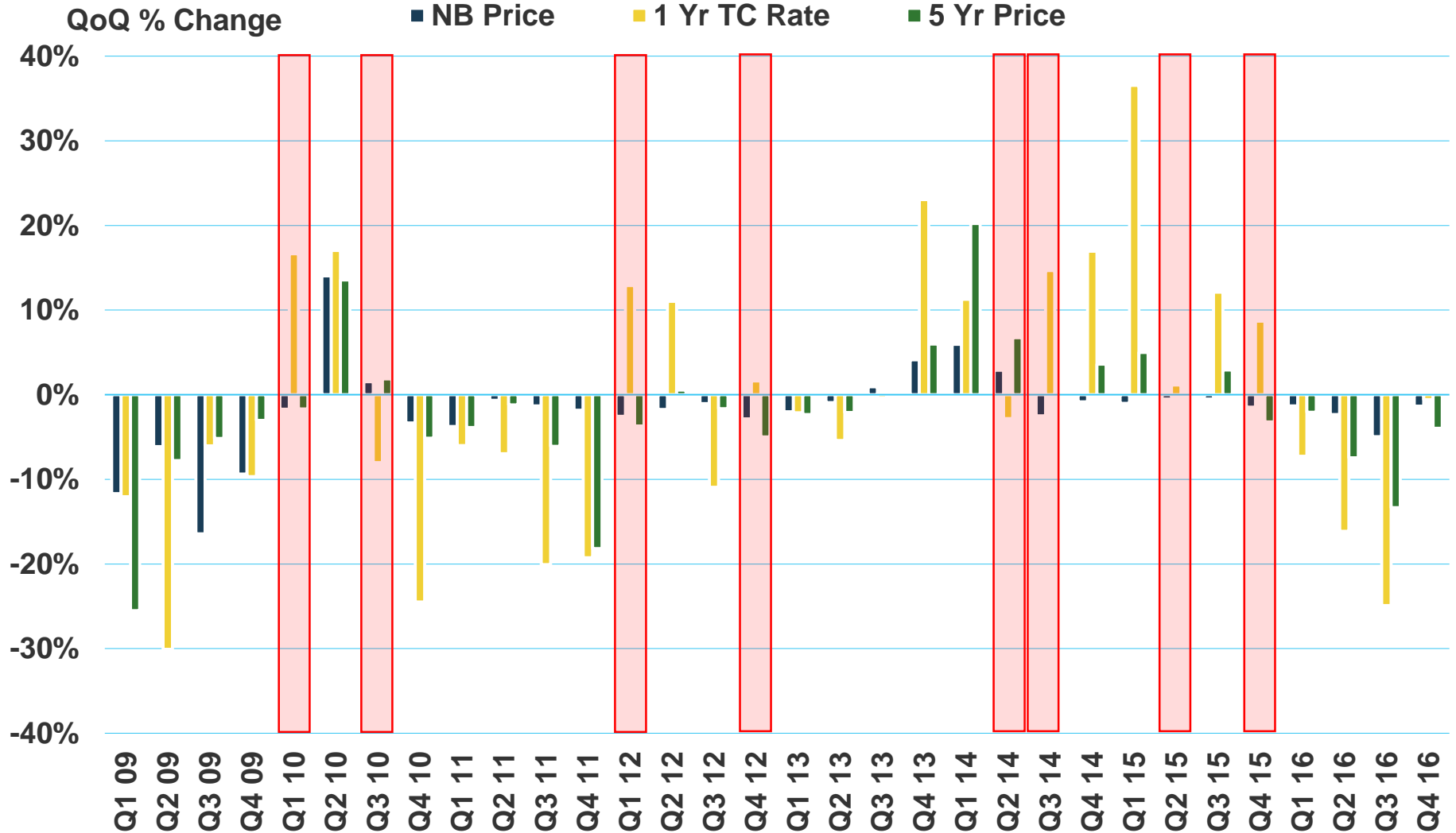


Newbuilding Prices part of the secondhand price jigsaw

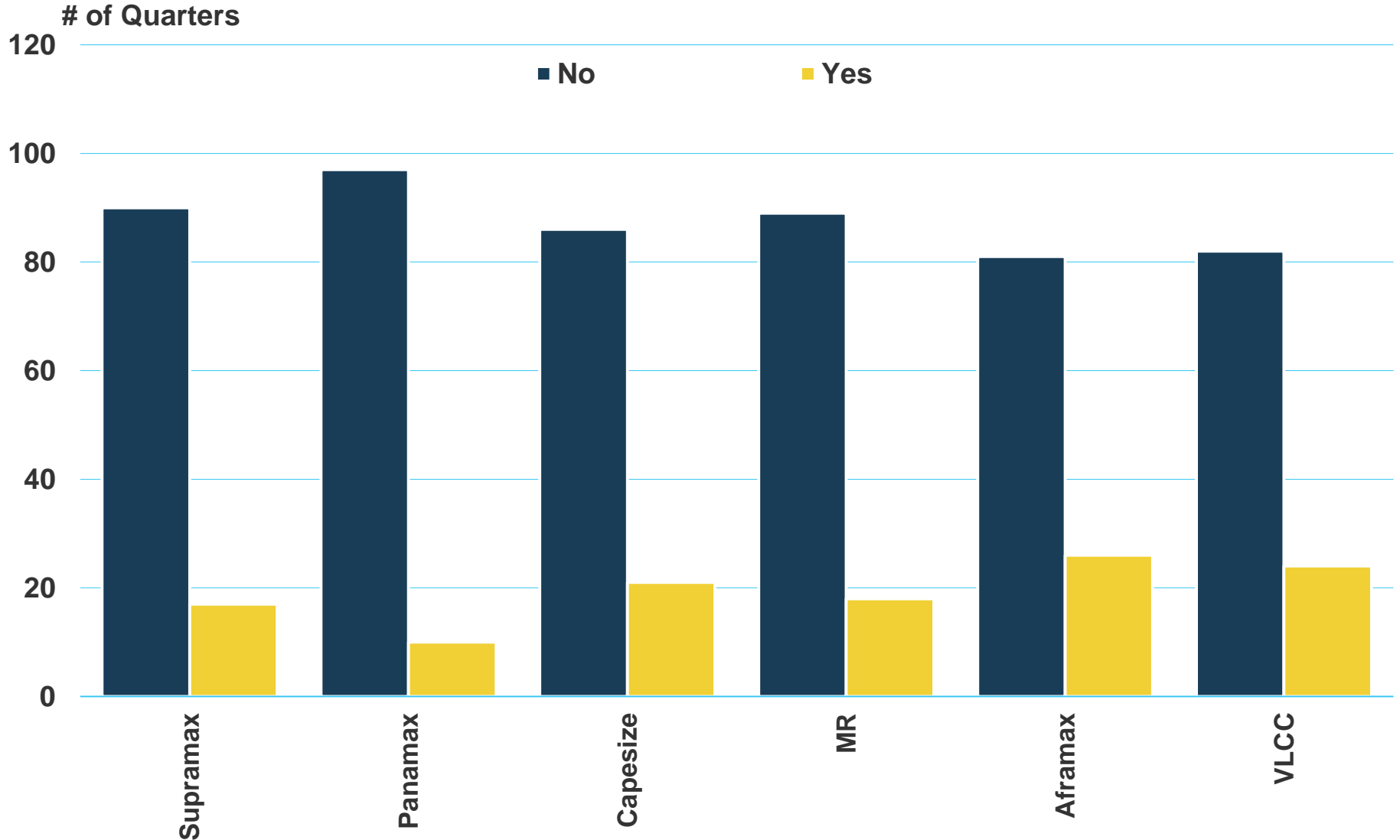


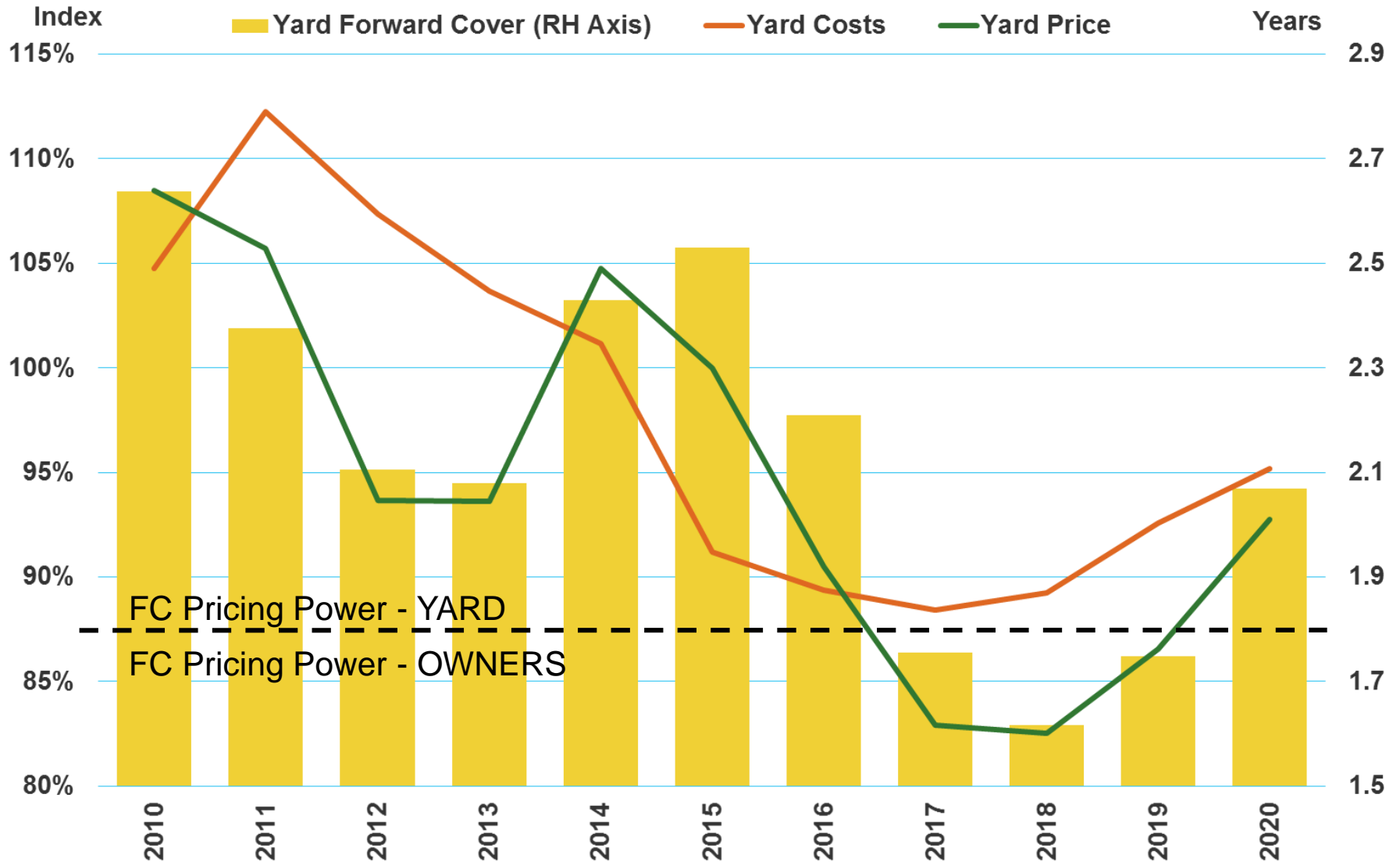
Shipyard Capacity is no longer a limiting factor

VLCC



Since 1990





FC Pricing Power - YARD

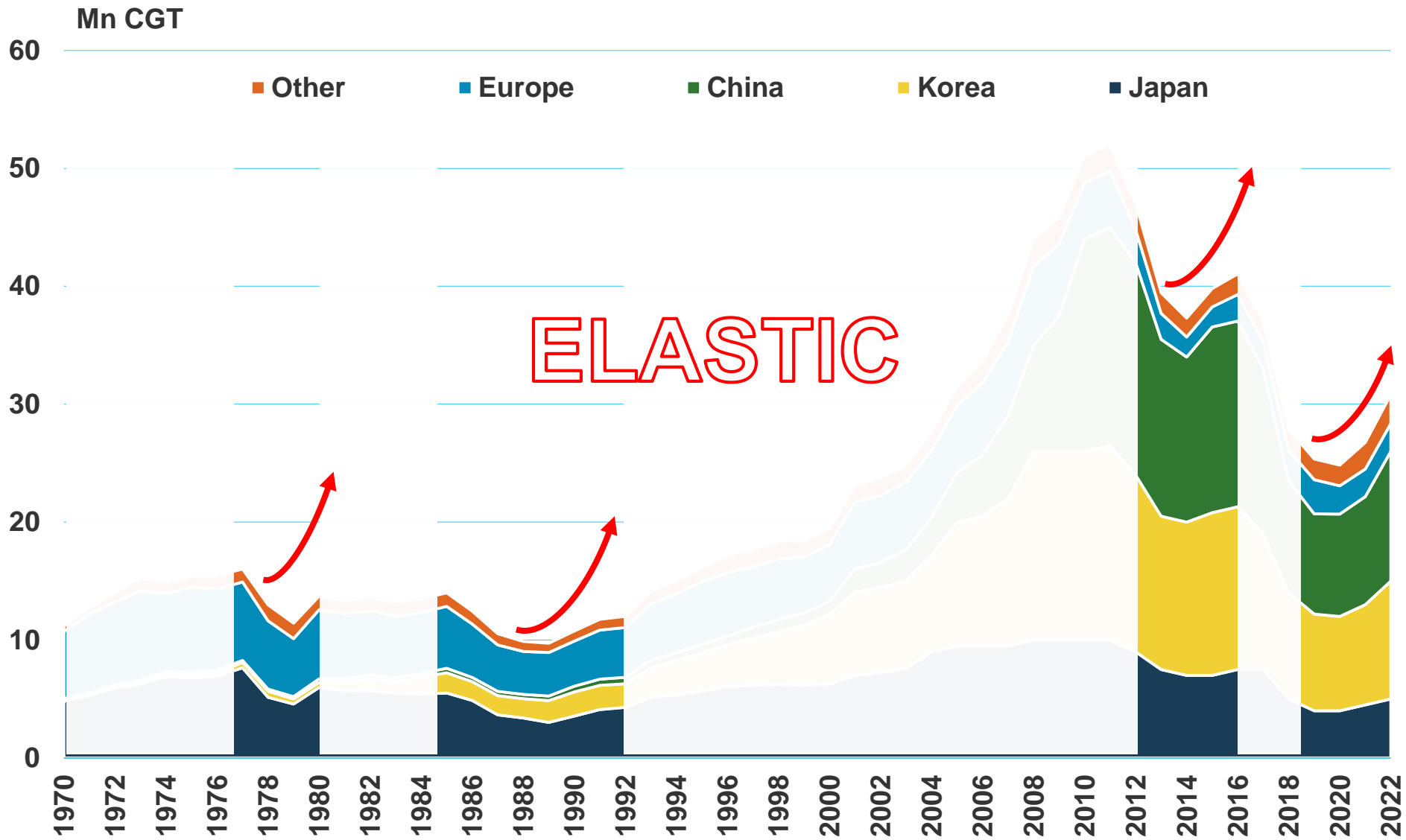
FC Pricing Power - OWNERS

FC = forward cover

Yards Don't Just Disappear



Source: Google Earth



Shipyard Capacity Conundrum

When does NB begin to make sense?



- 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



AHTS

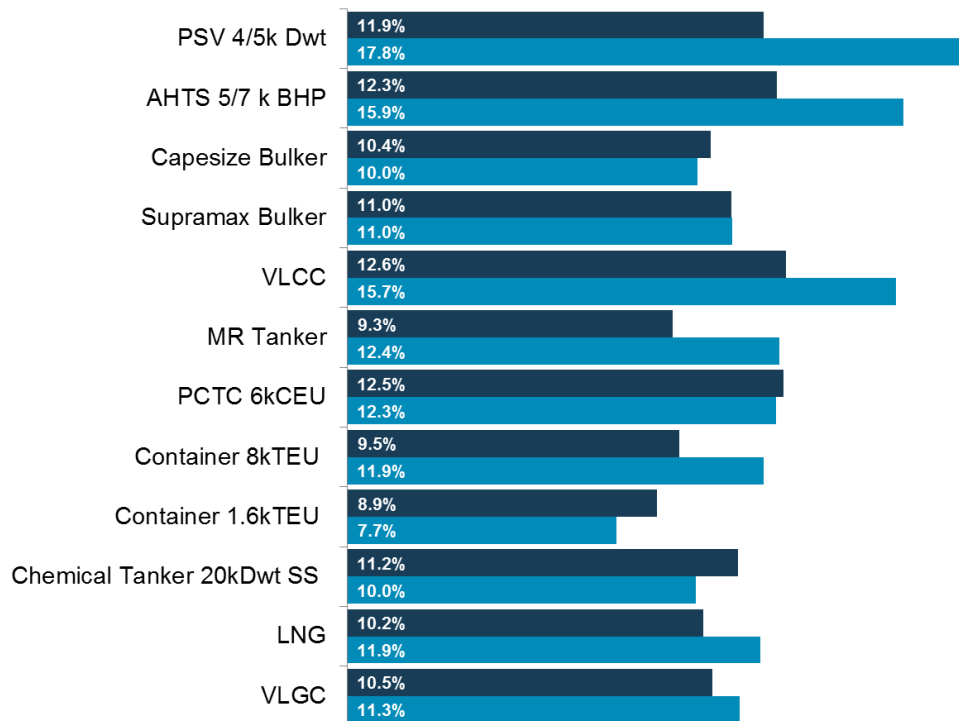
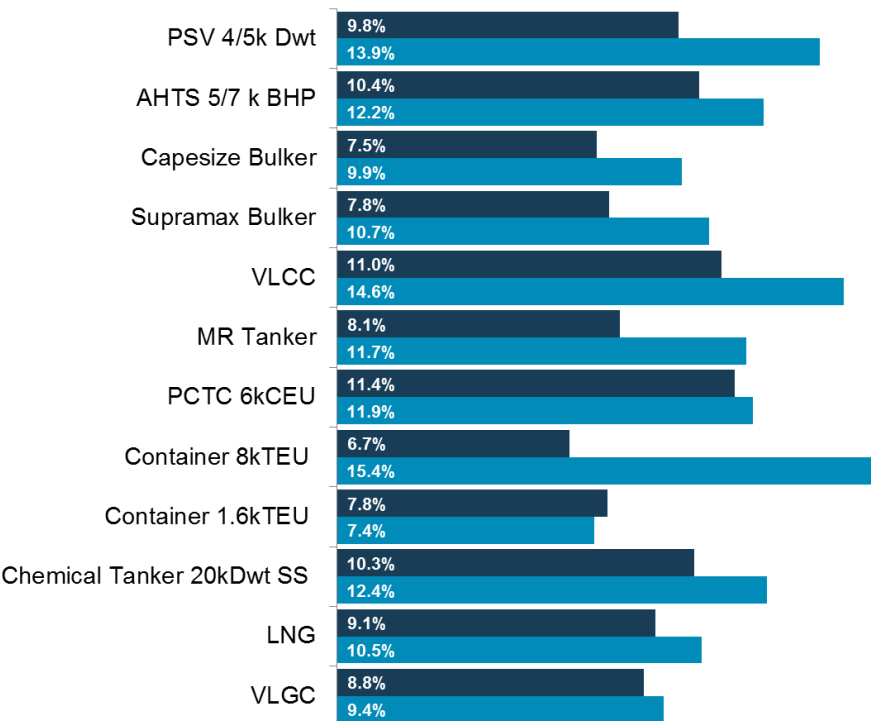
www.msild.com/fmv



PSV

■ NB (Contracting 2017) ■ Buying Secondhand (5 Yr Old)

■ NB (Contracting 2018) ■ Buying Secondhand (5 Yr Old)





Thank you for listening

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MSI's expertise covers a broad range of shipping sectors, providing clients with a combination of sector reports, forecasting models, vessel valuations and bespoke consultancy services.

MSI is staffed by economists and scientists offering a structured quantitative perspective to shipping analysis combined with a wide range of industry experience.

MSI balances analytical power with service flexibility, offering a comprehensive support structure and a sound foundation on which to build investment strategies and monitor/assess exposure to market risks.

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