

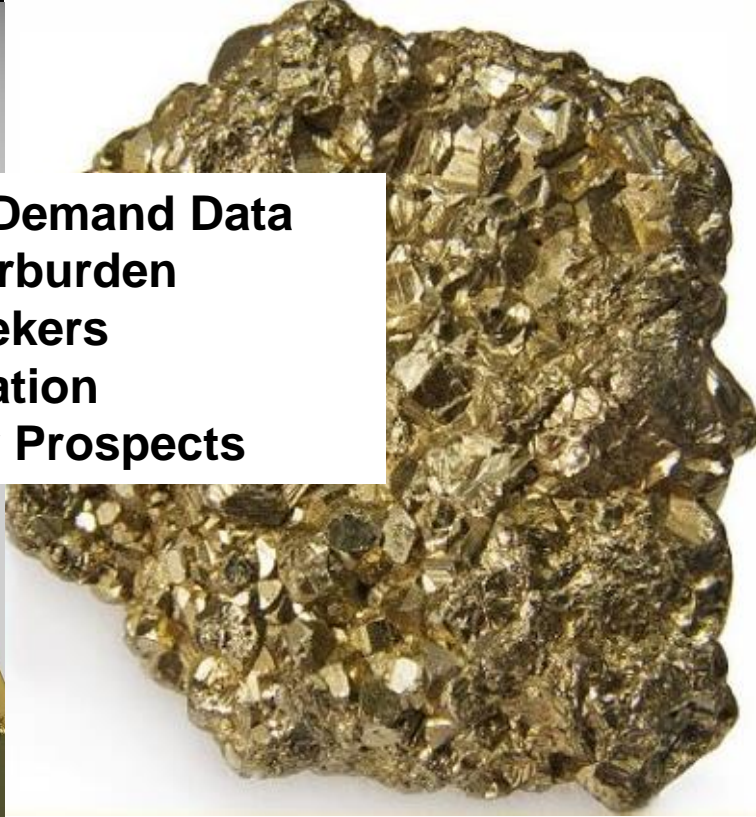


Fundamental Prospecting - time for another gold rush?

Dr Adam Kent - Maritime Strategies International (MSI)

30th Annual Marine Money Money Week – New York City June 19th to 21st 2017

Fundamental Prospecting - time for another gold rush?



1. Mining the Demand Data
2. Supply Overburden
3. Earning Seekers
4. Price Formation
5. Panning for Prospects

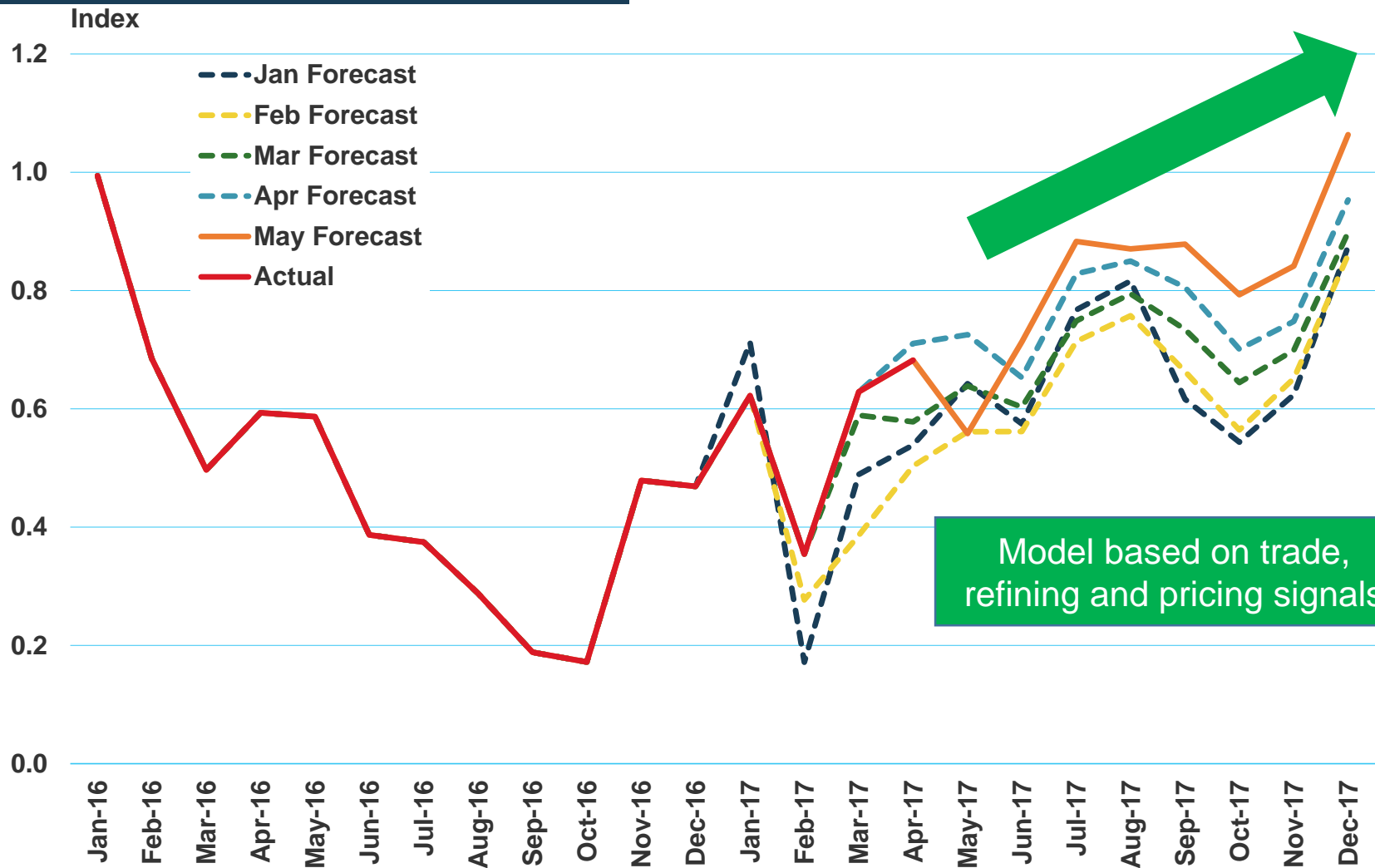
Gold Bullion or Fools Gold?

Fundamental Prospecting

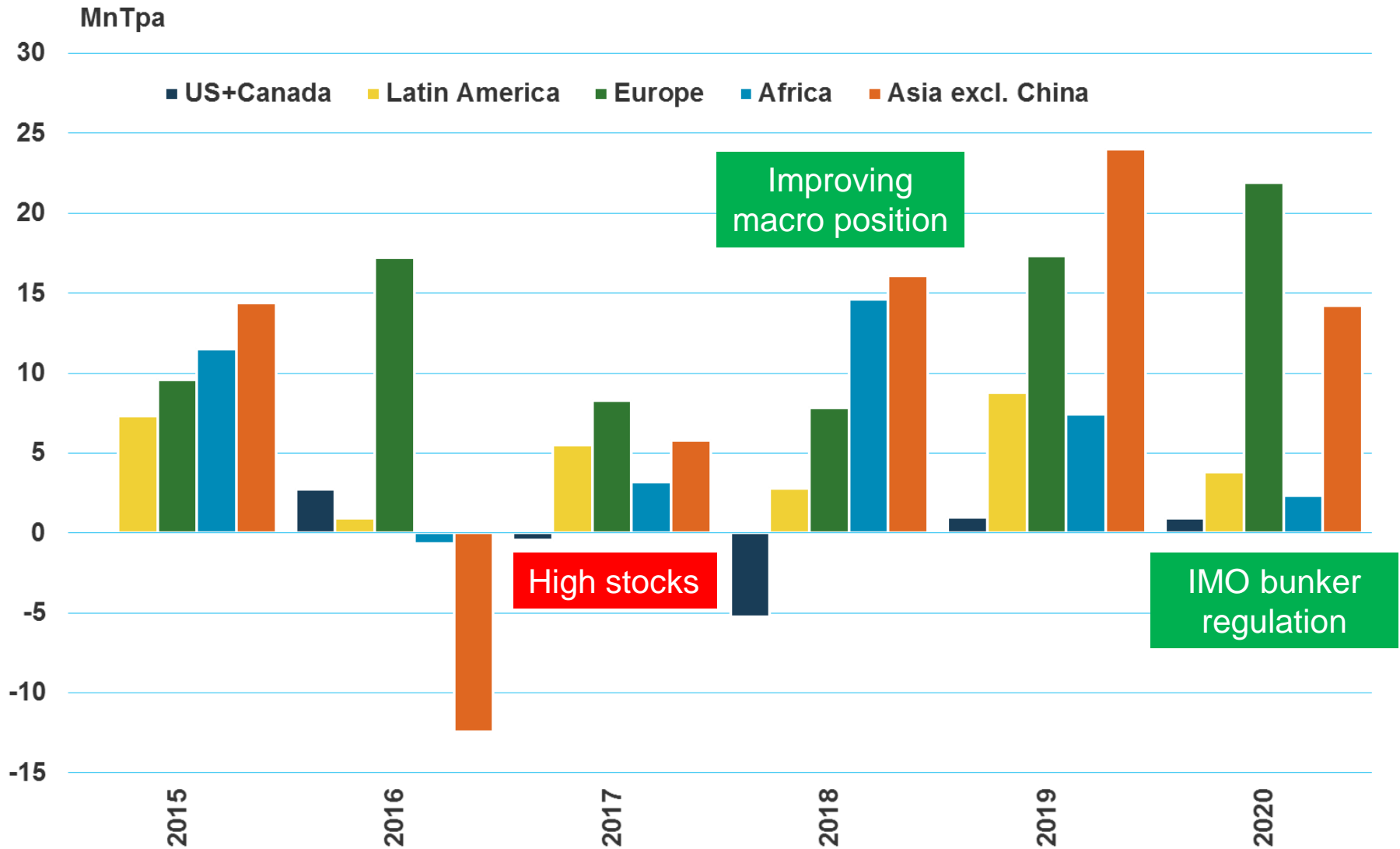
Mining the Demand Data



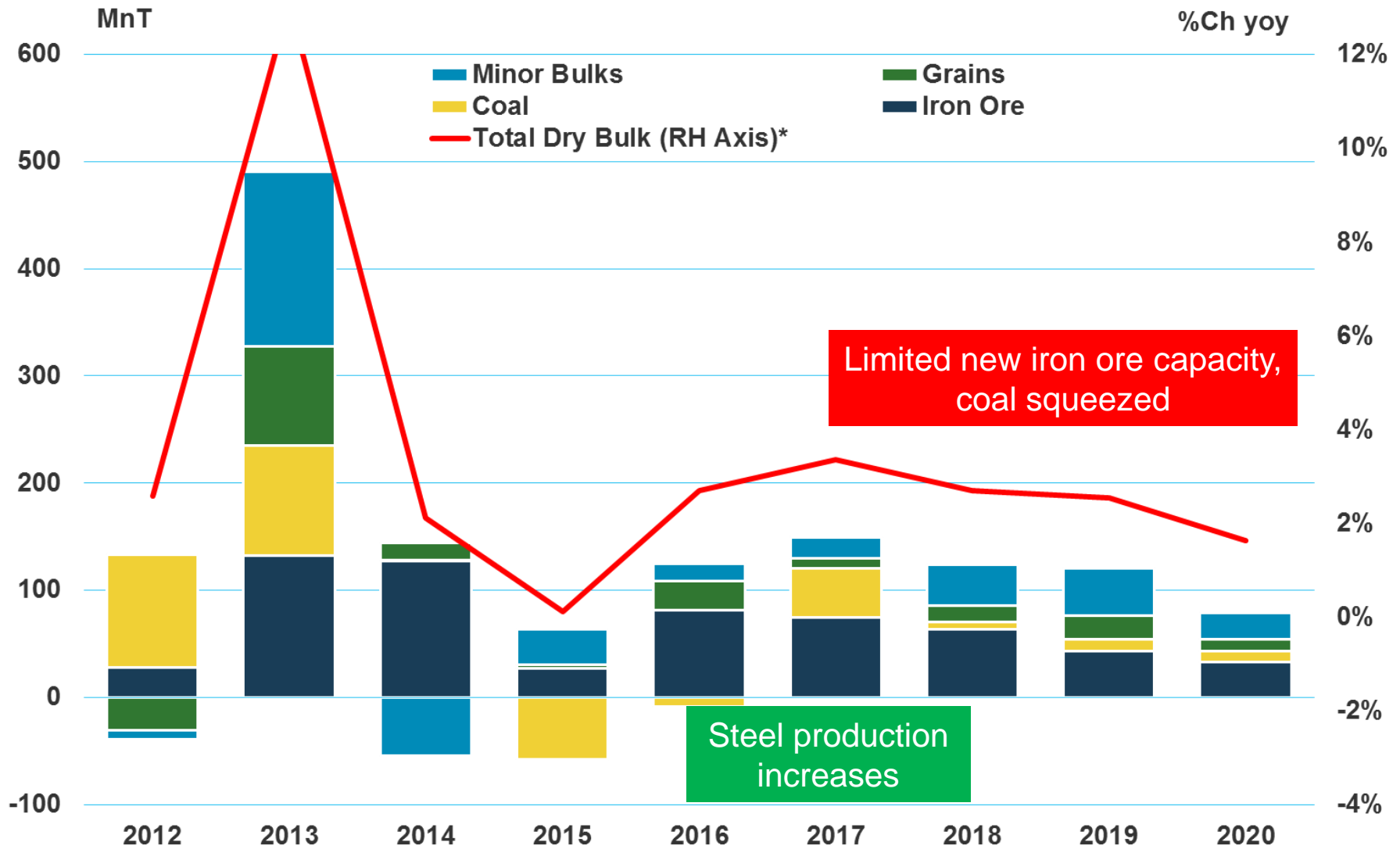
MR Tanker TC2 – NW Europe to United States



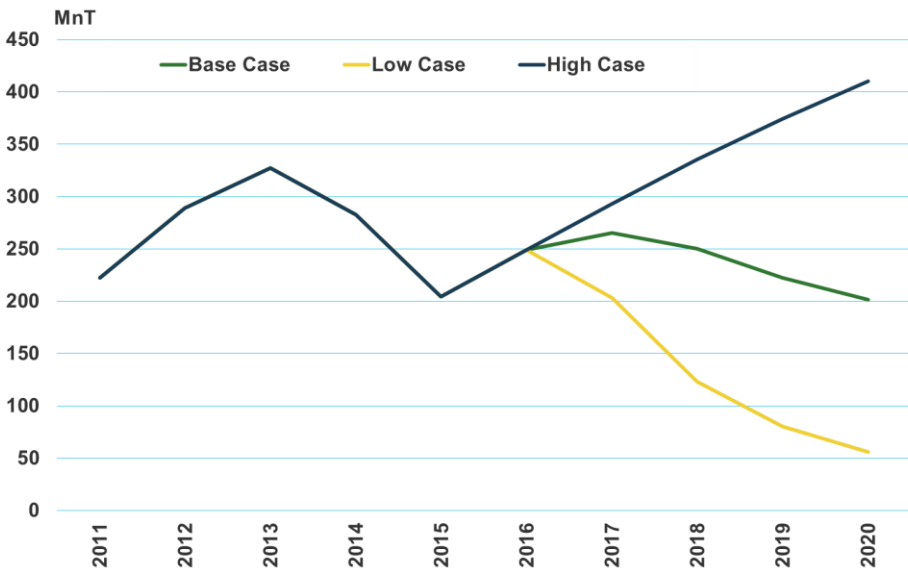
Based on MSI and WoodMac Forecasting Model



Bulker – Incremental Cargo Growth



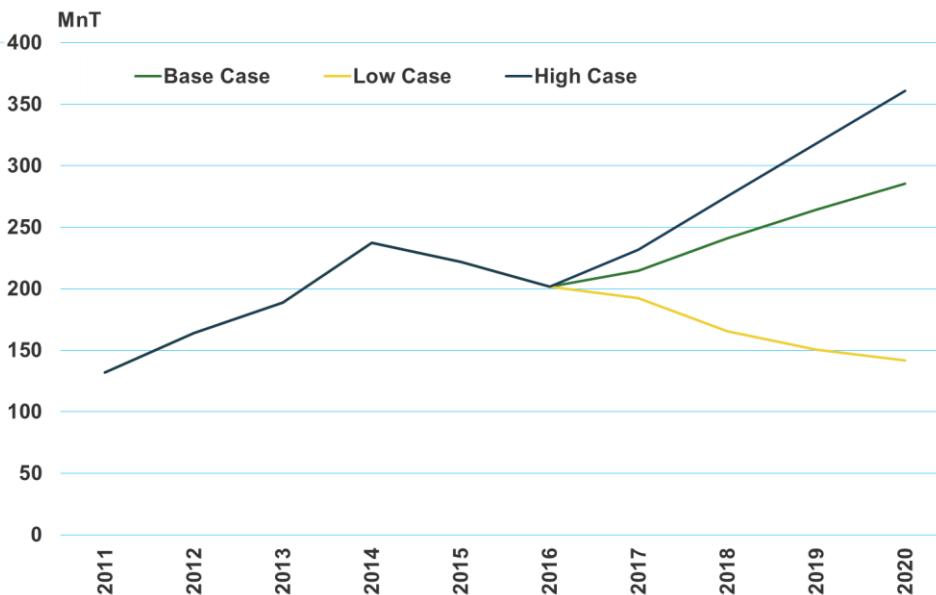
China Coal Imports



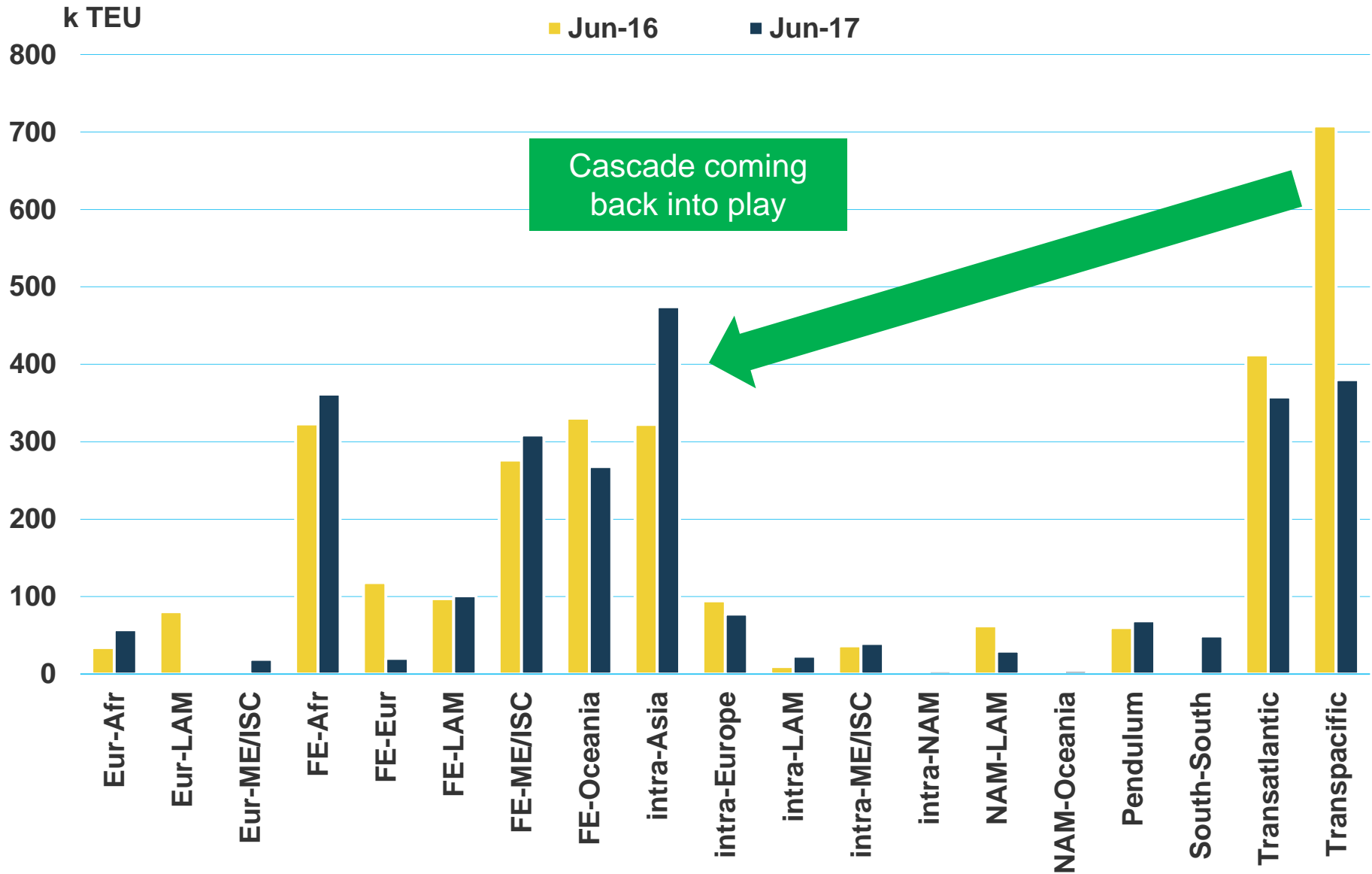
Risks dependent on:

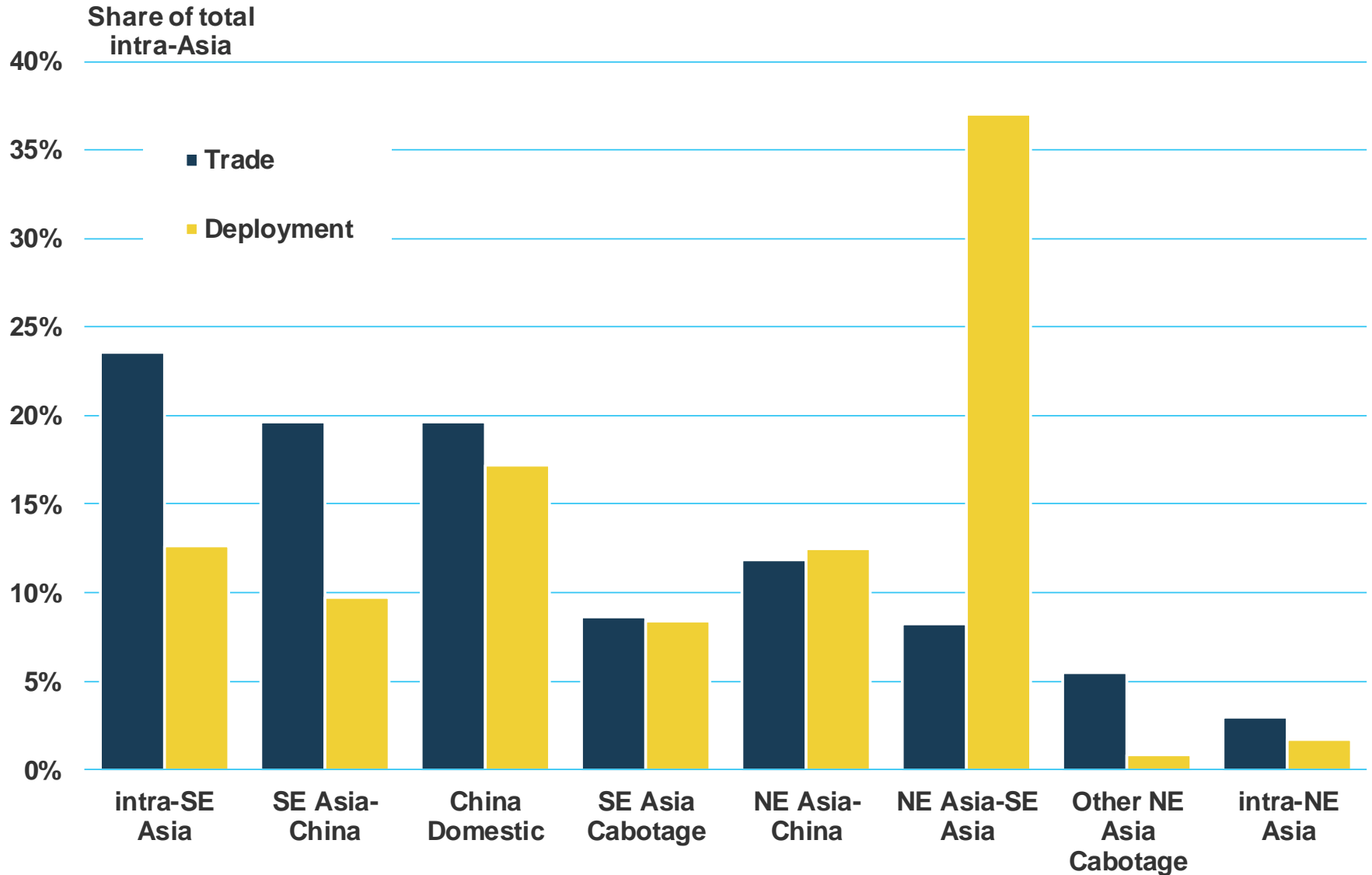
- Price
- Domestic production
- Policy
- Environmental regulation
- Energy efficiency

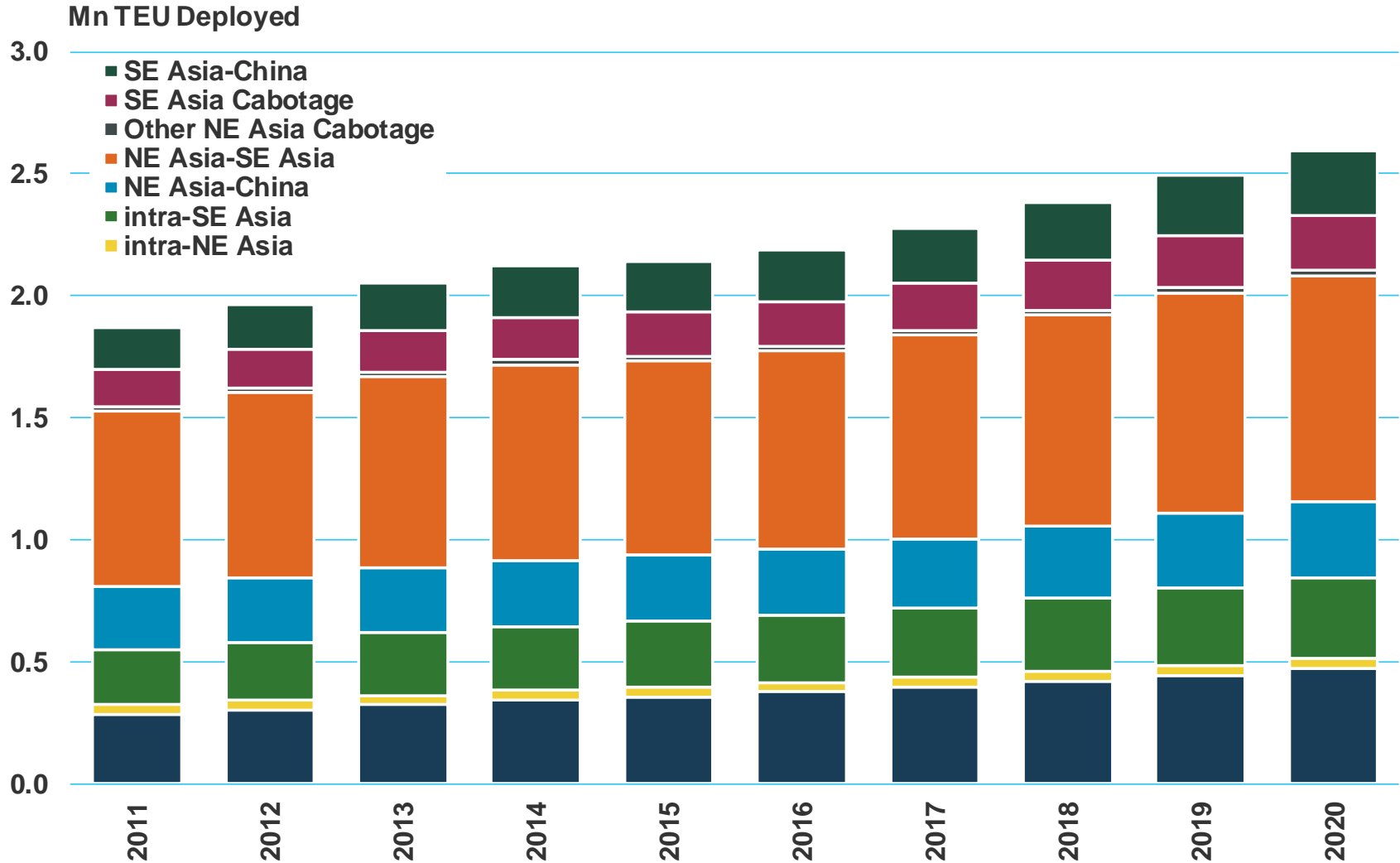
India Coal Imports

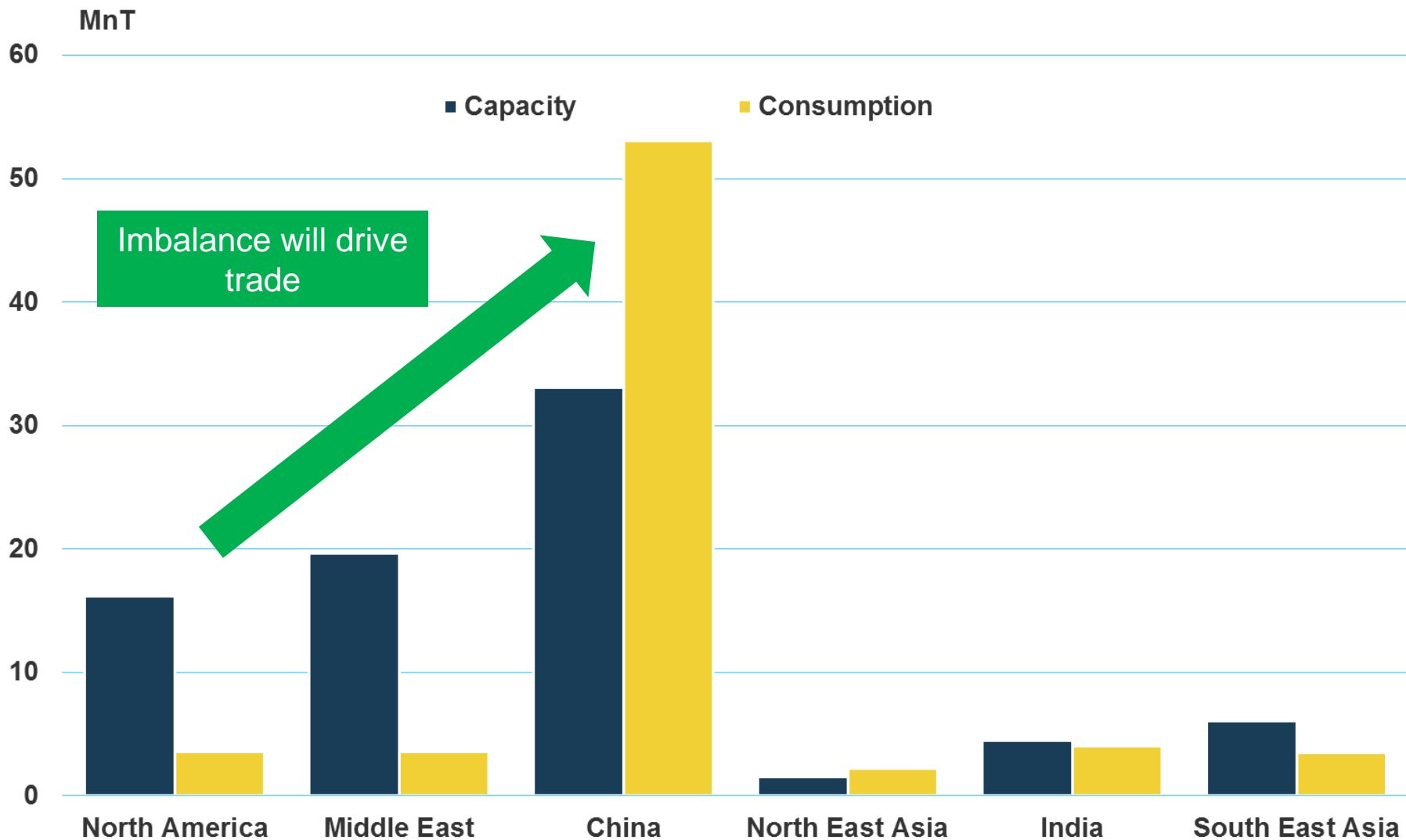


Container Panamax Plight

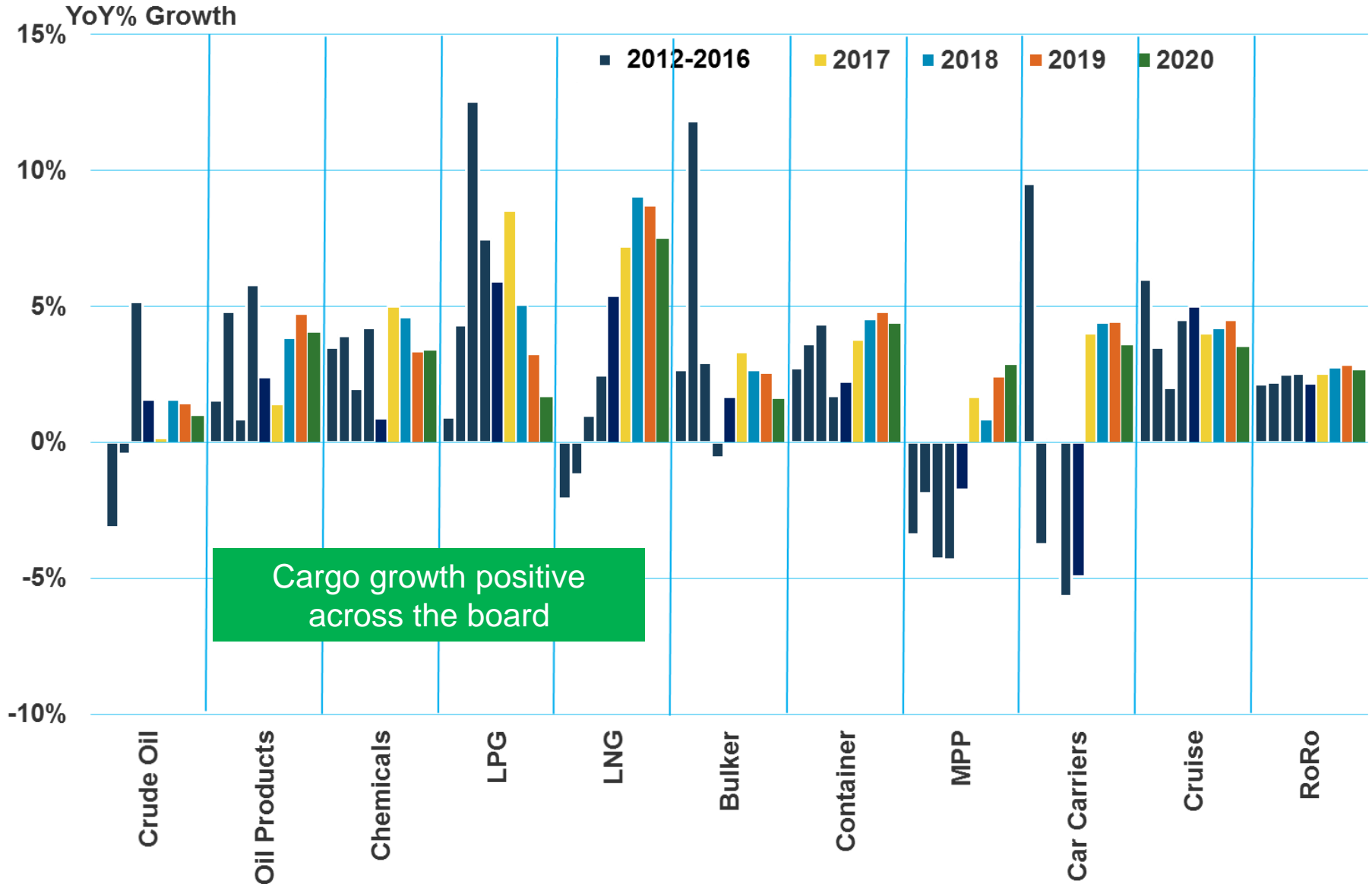








Seaborne Cargo Growth - Positive

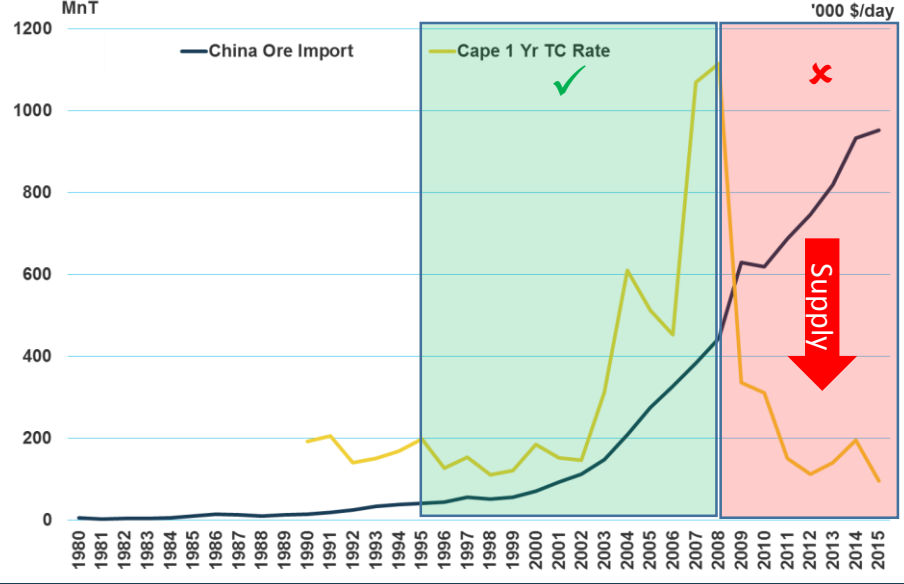
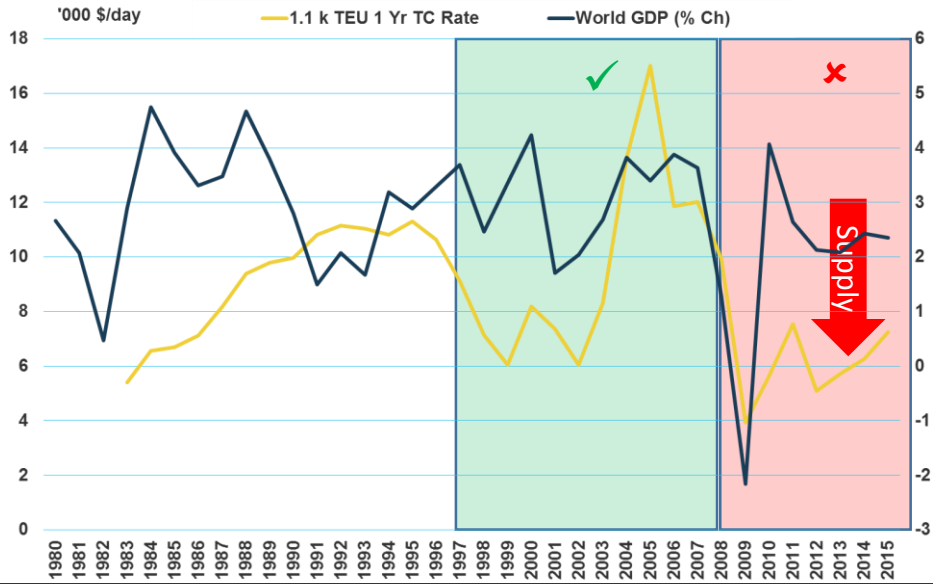
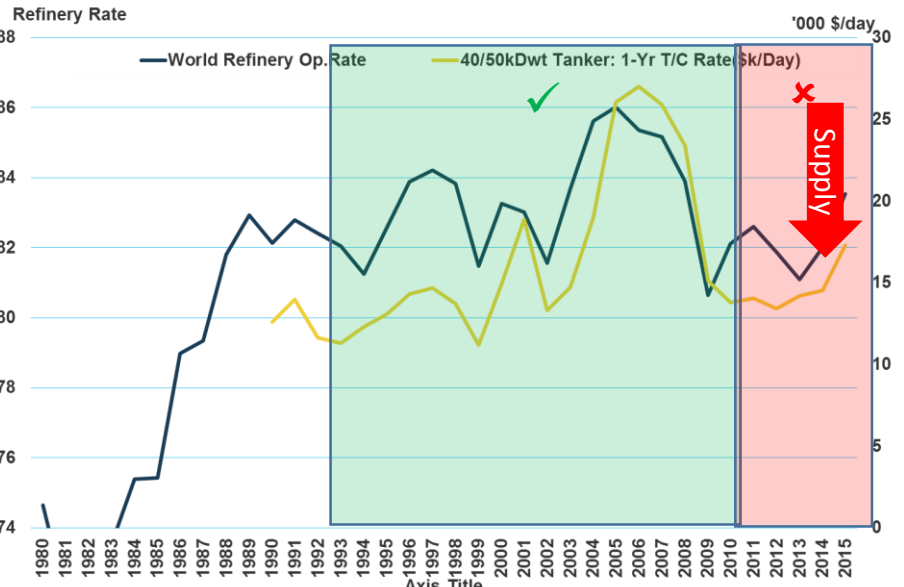
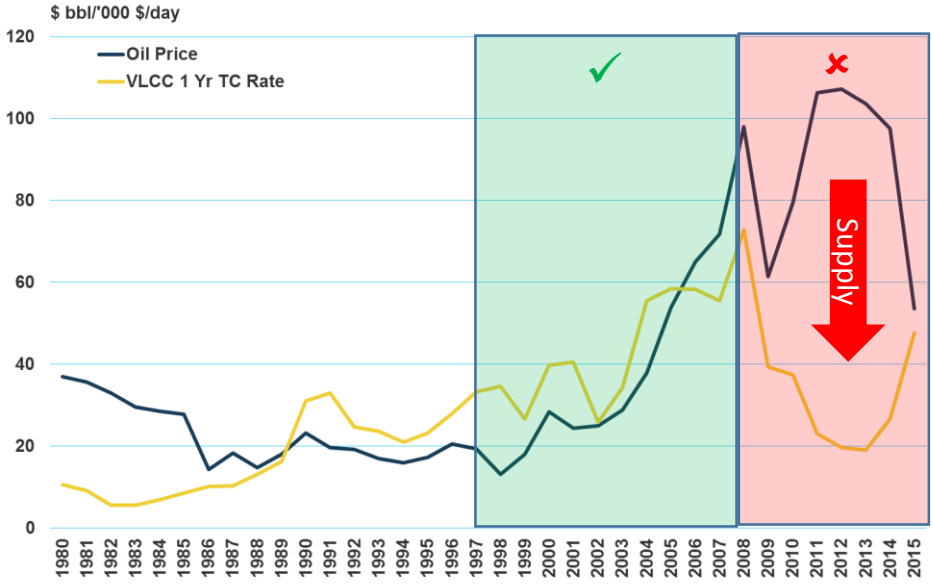


Fundamental Prospecting

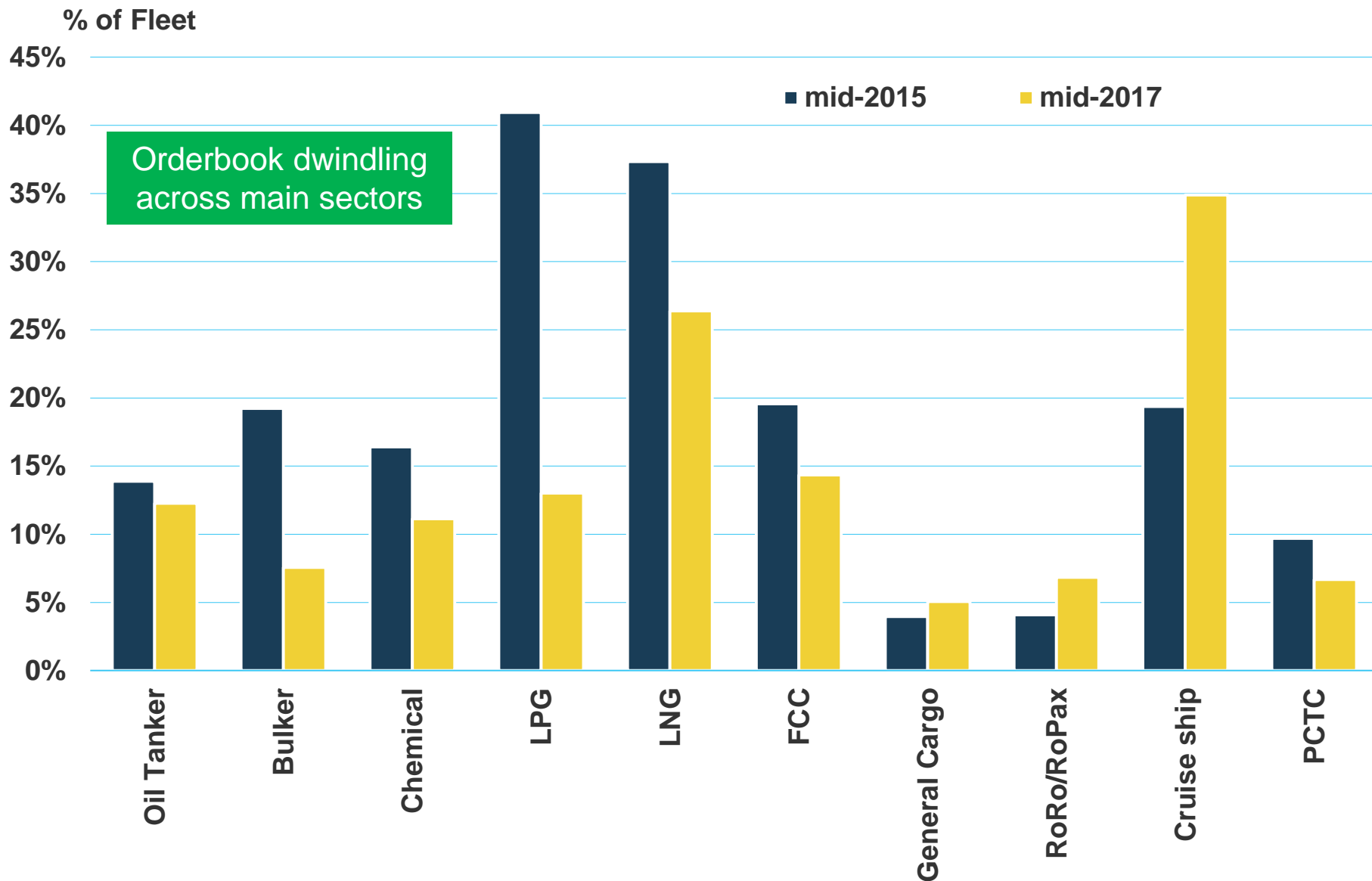
Supply Overburden



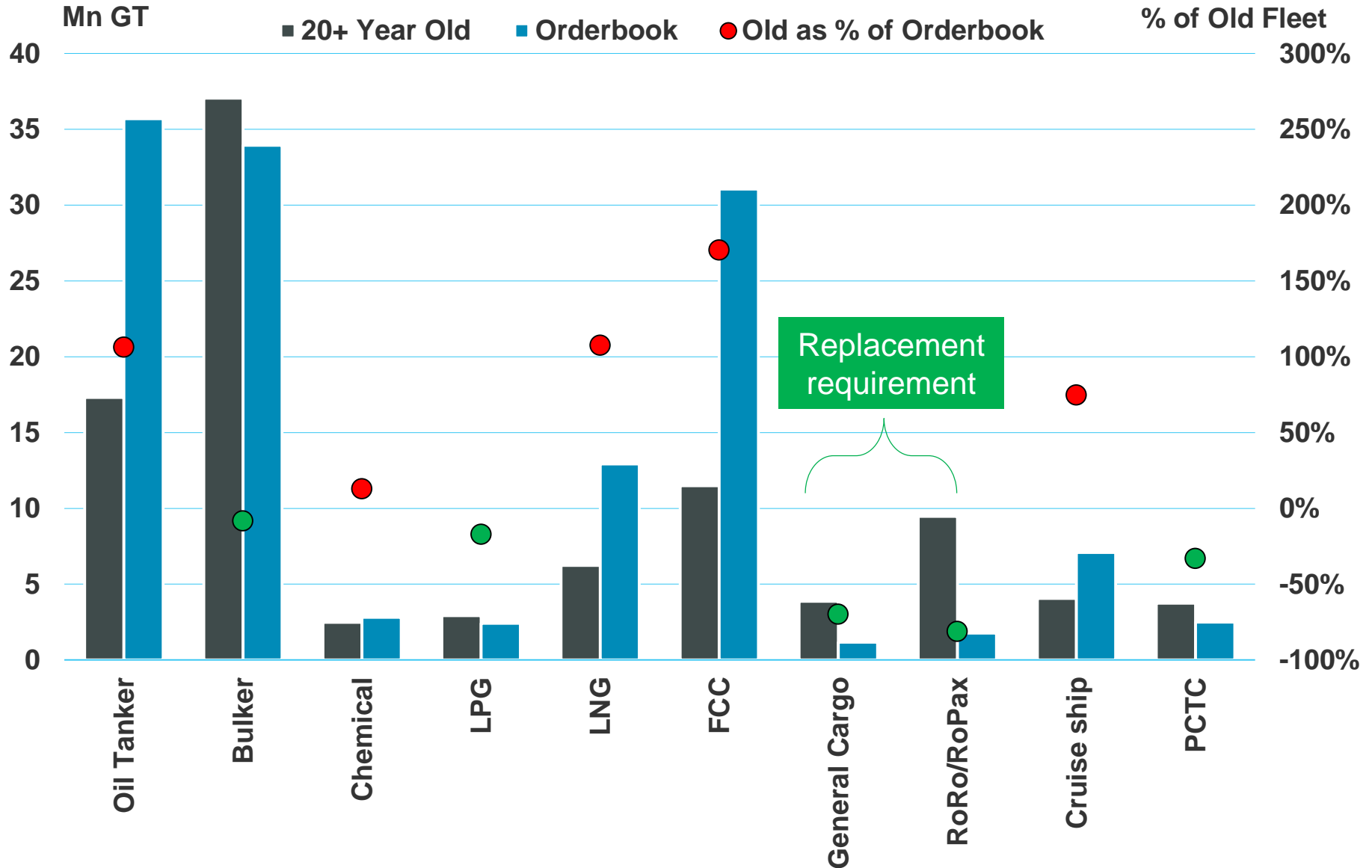
Supply has been the 'Party Pooper'



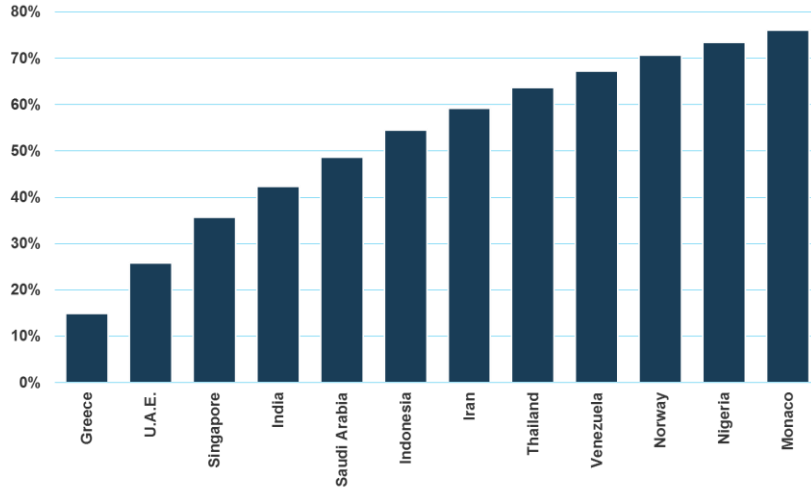
Orderbook Improving Picture – for most



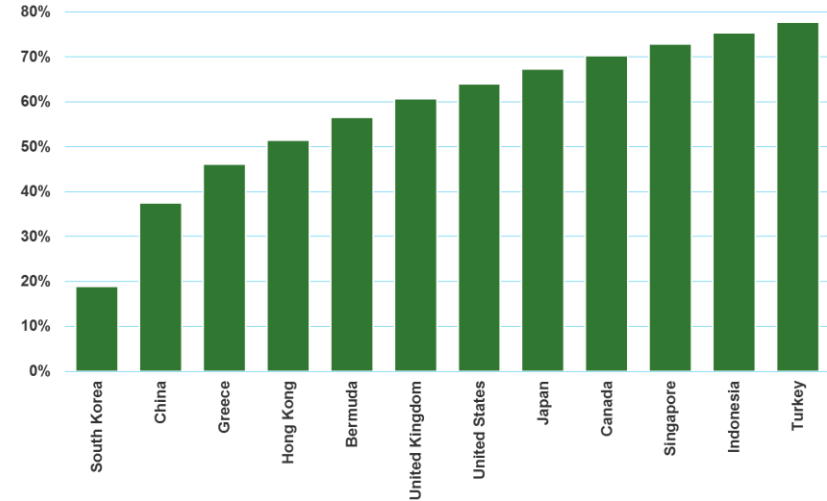
Orderbook Replacement Tonnage



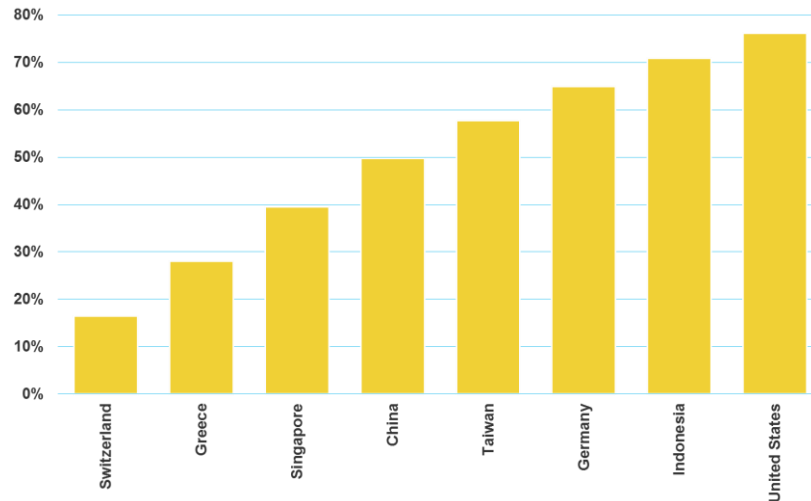
Oil Tankers



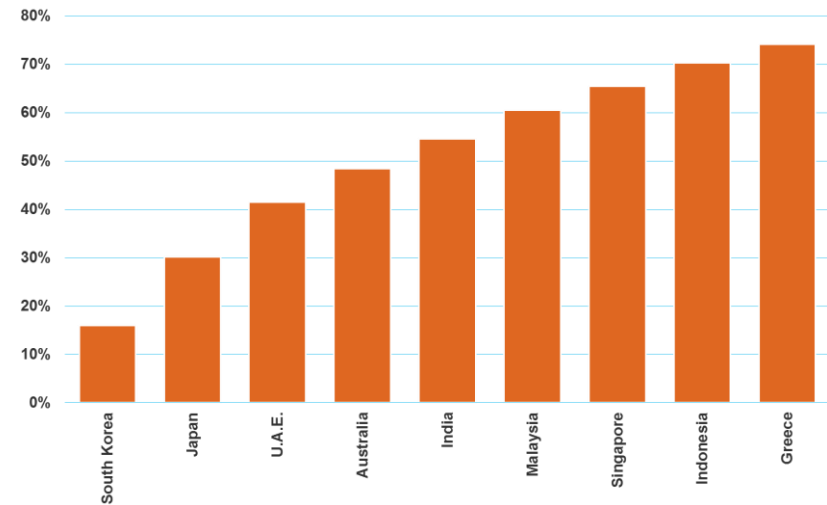
Bulkers

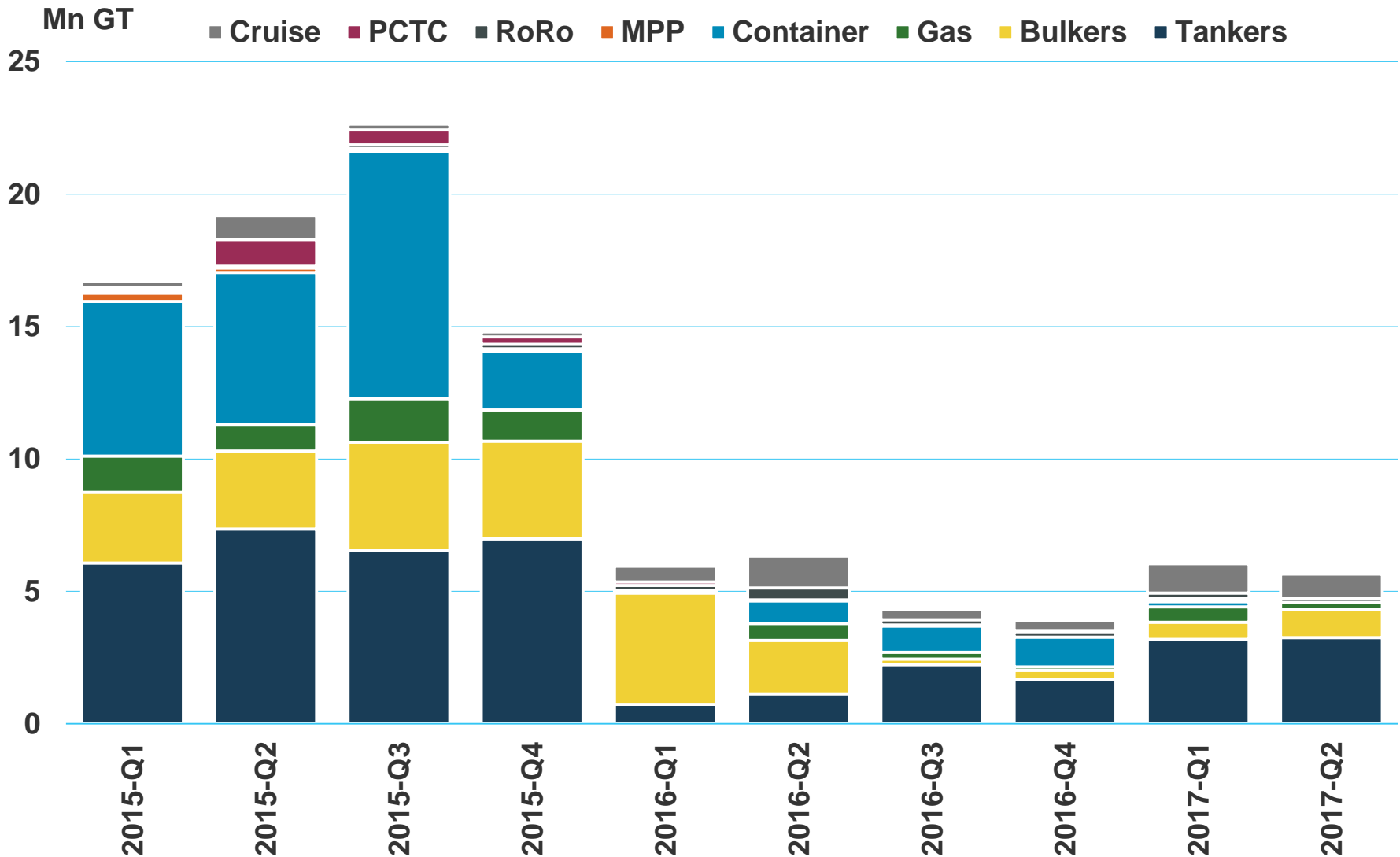


Containerships

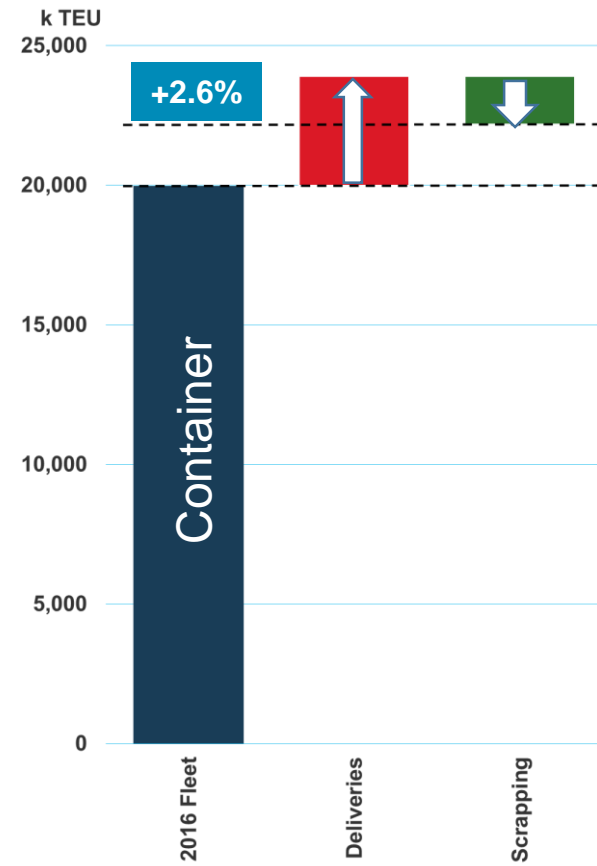
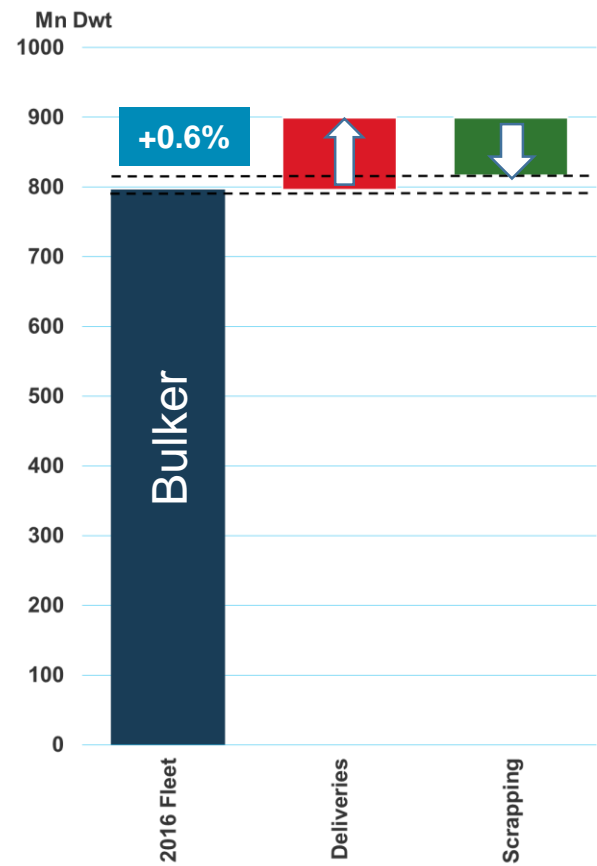
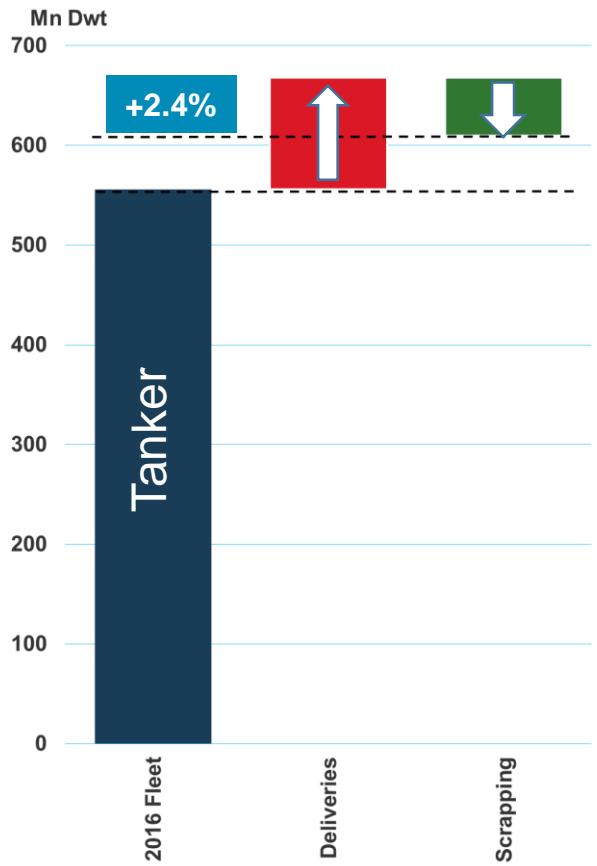


Gas Carriers





Annual Average Fleet Growth 2017-20:



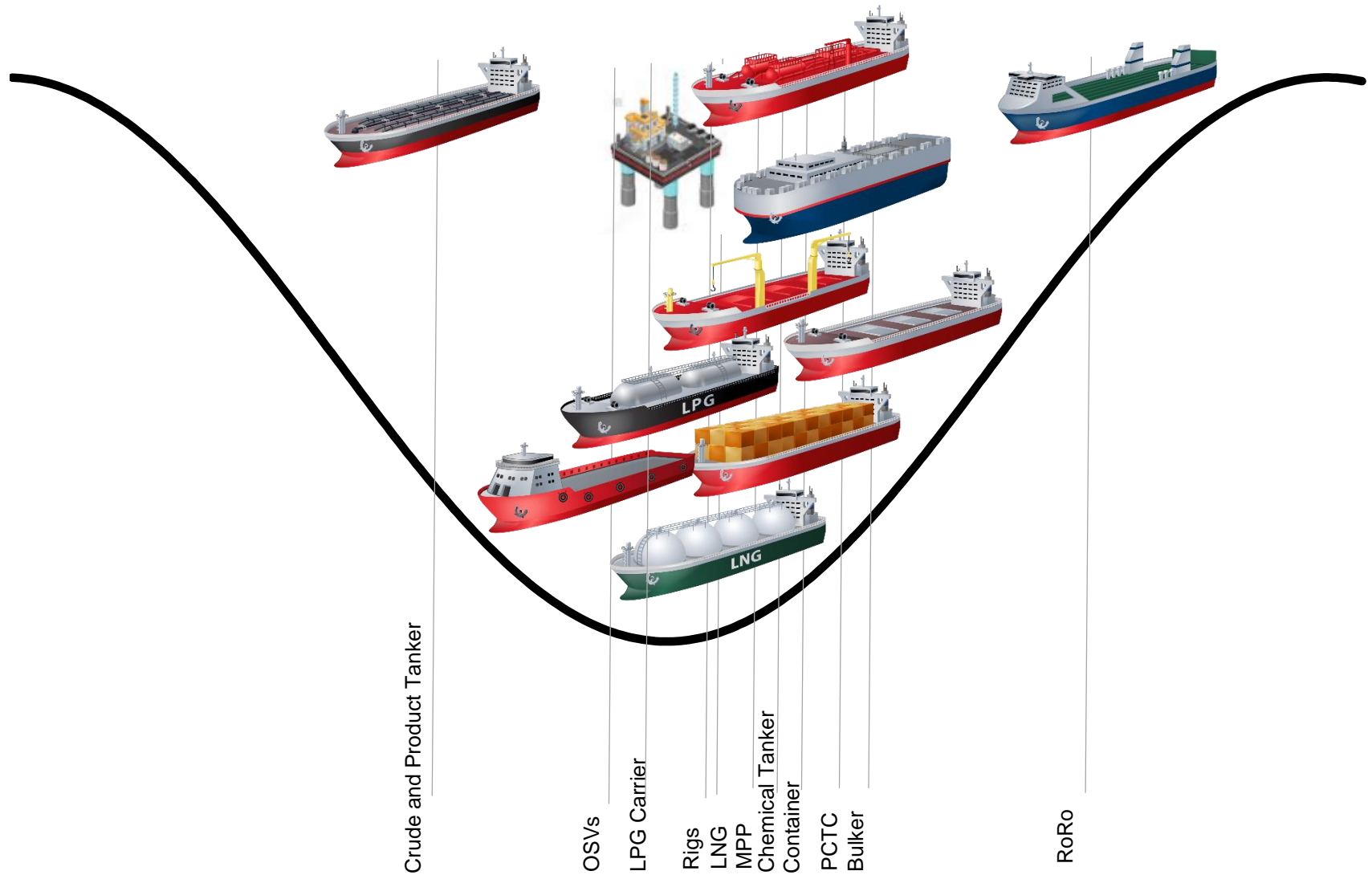
Includes MSI's current assumptions on scrapping, contracting, slippage and cancellations

Fundamental Prospecting

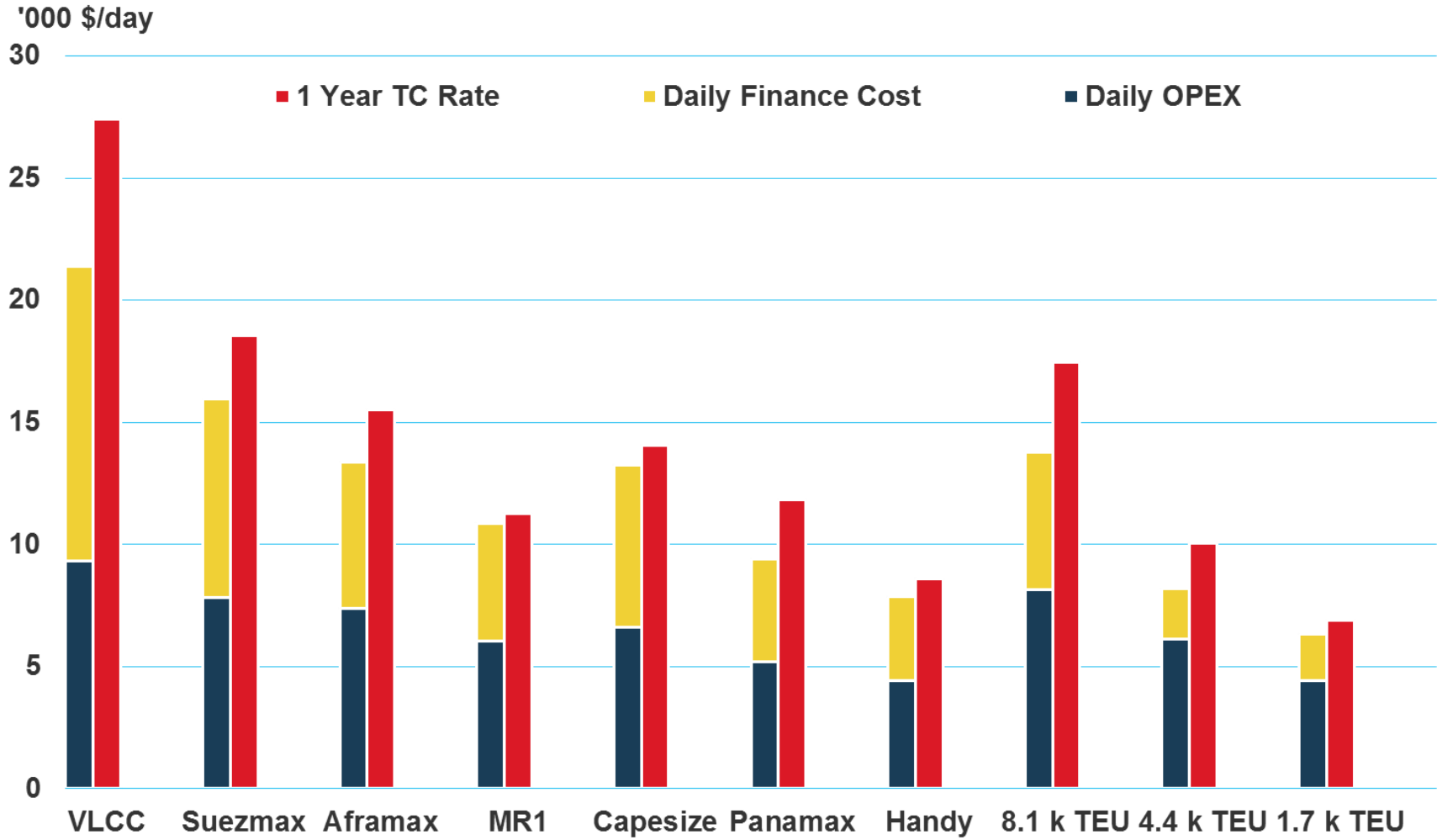
Earnings Expectations



Where on the Earnings Cycle Are We?

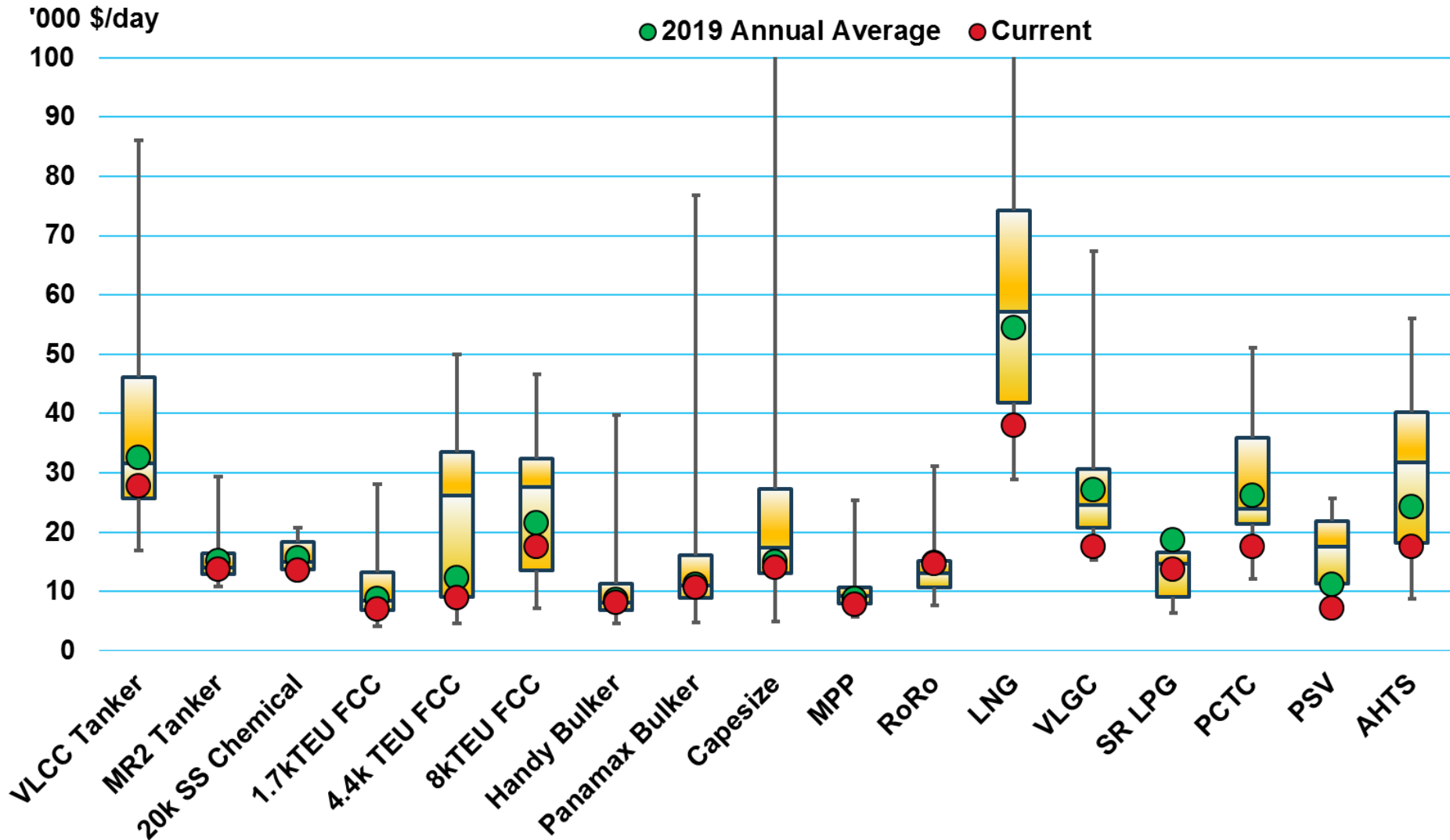


At Today's Prices it makes Sense for Some



Based on 60% financing of a 5 Year Old

Earnings Outlook - Generally Positive



Fundamental Prospecting

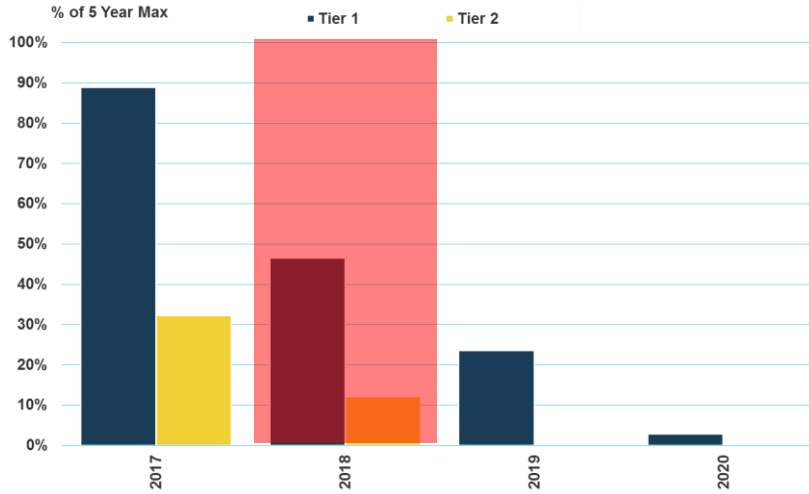
Price Formation



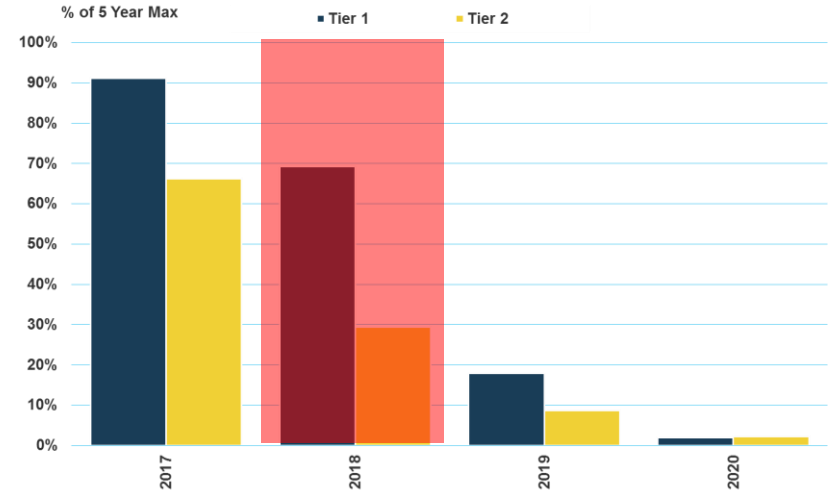


Shipyard Cover is Still Weak +1 Year Out

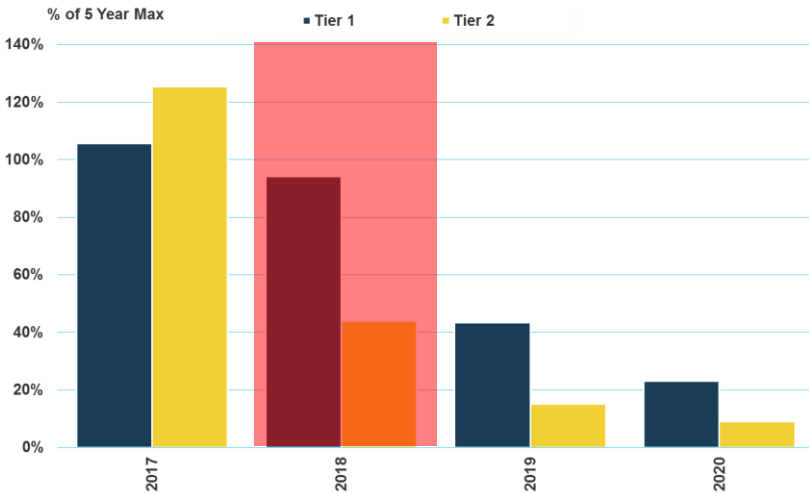
South Korea



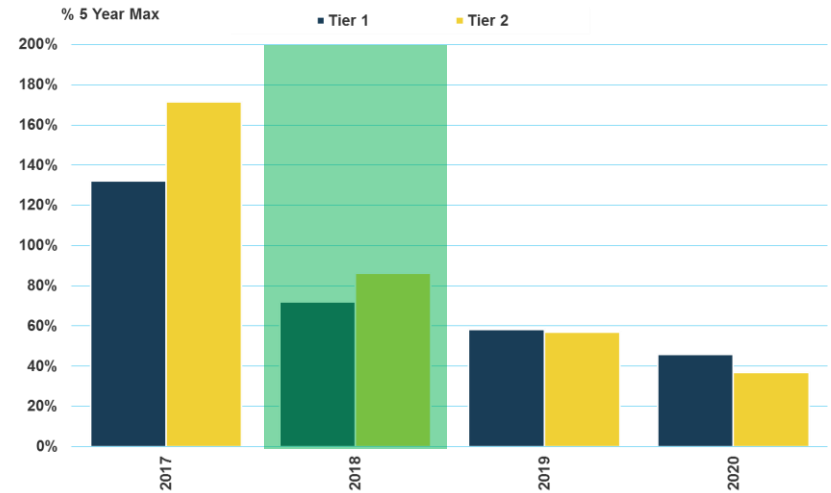
China

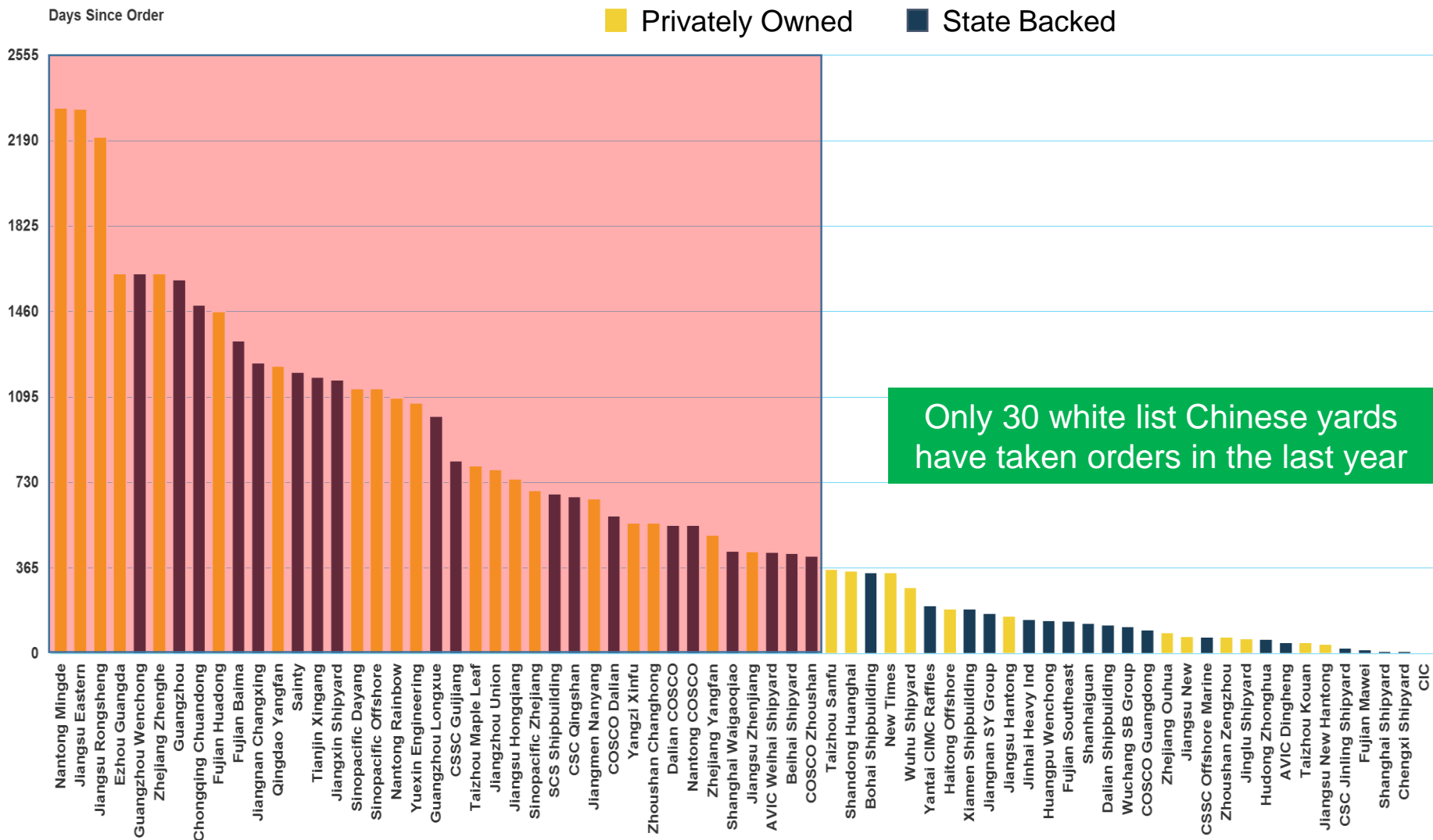


Japan

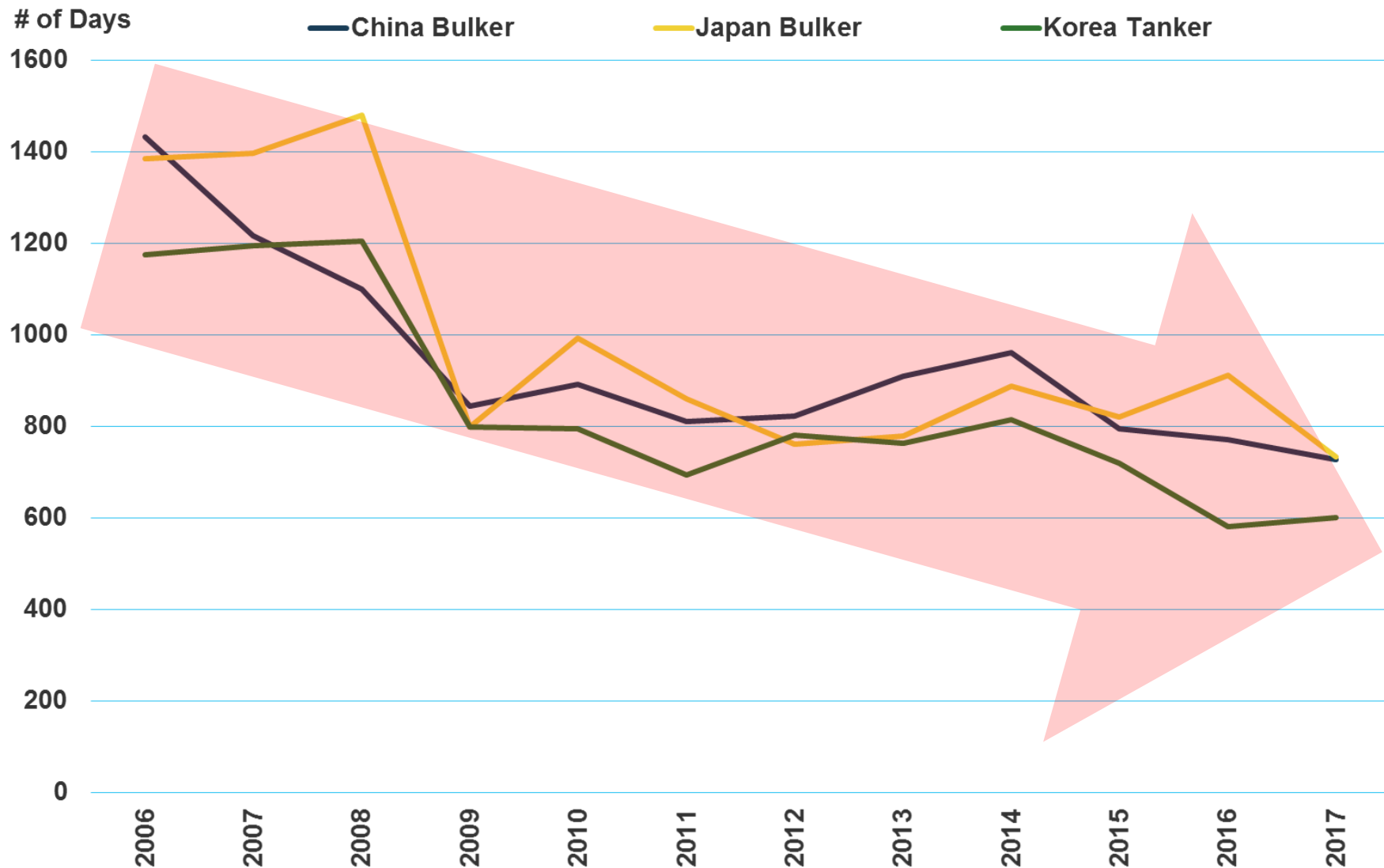


Other

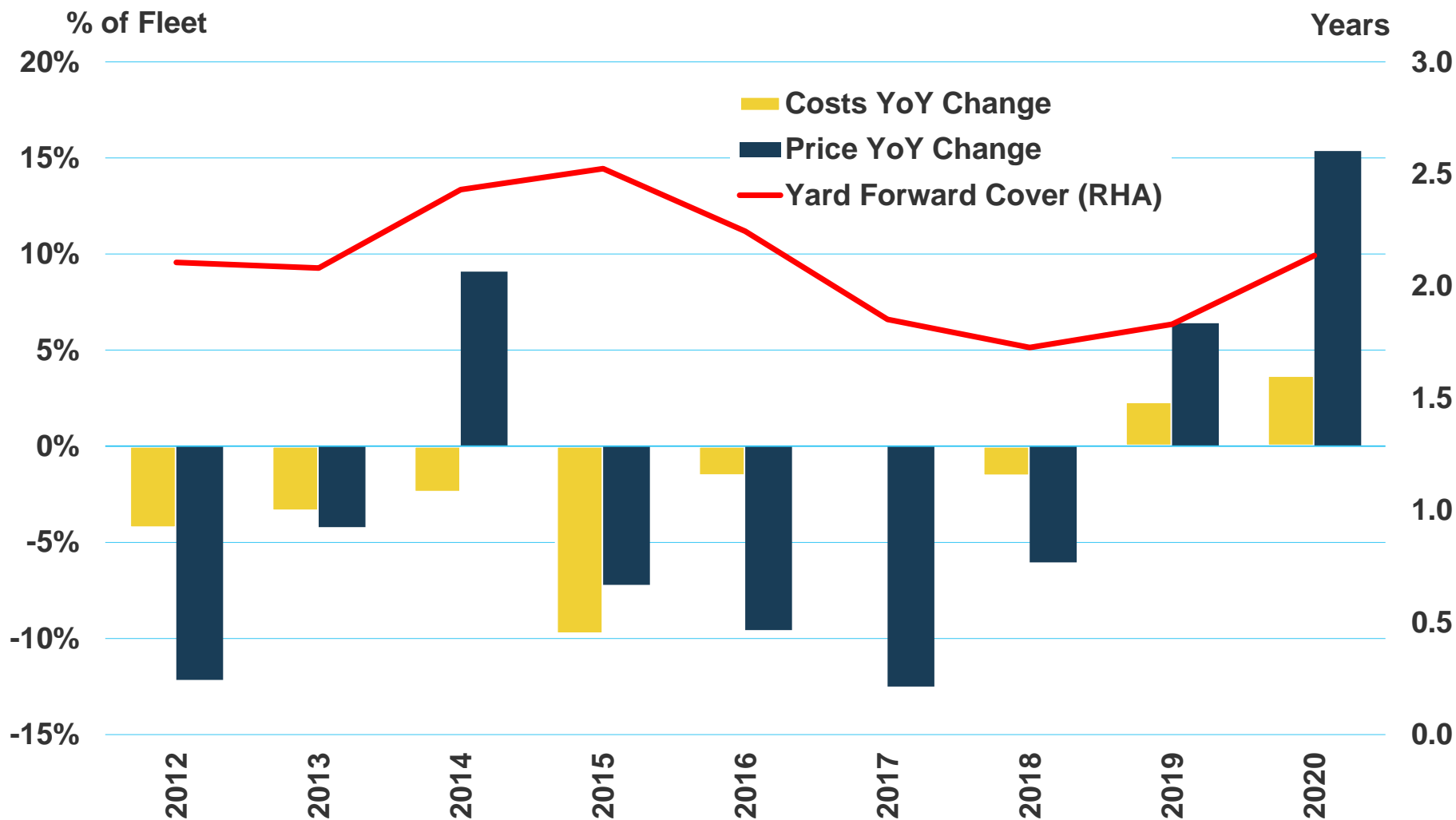




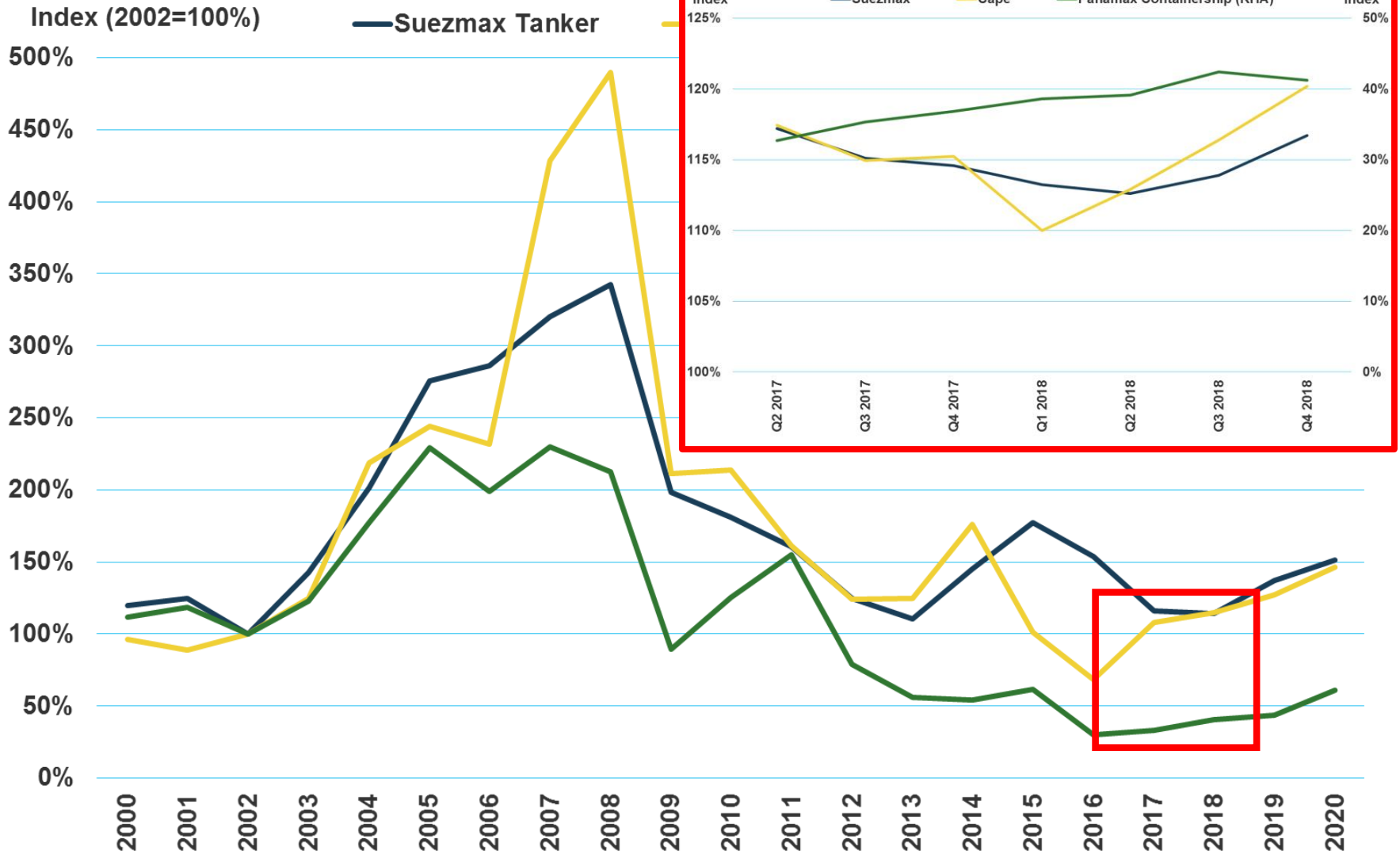
Elapsed Days Between Contract & Delivery



Newbuilding Prices are Close to Bedrock



10 Year old Prices



Fundamental Prospecting

Panning for Prospects



- 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.

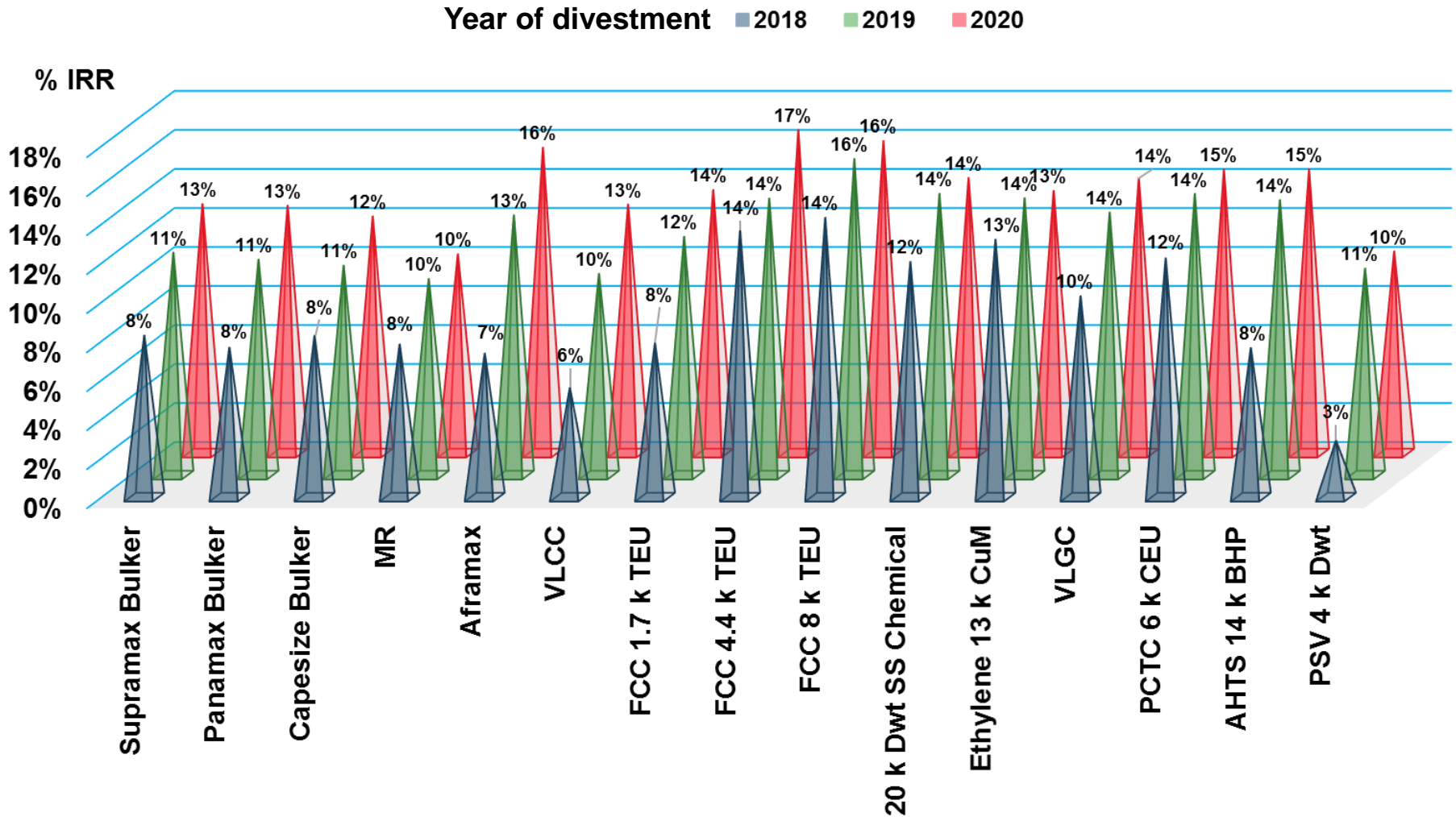
• Coverage:

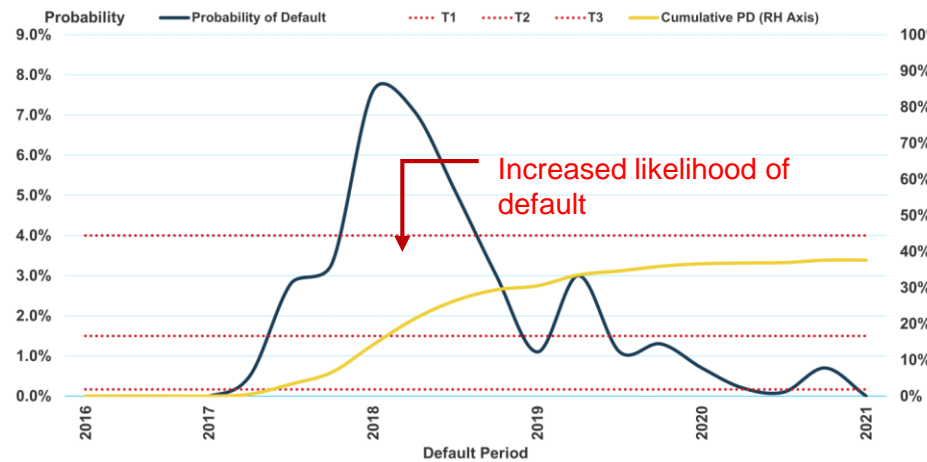
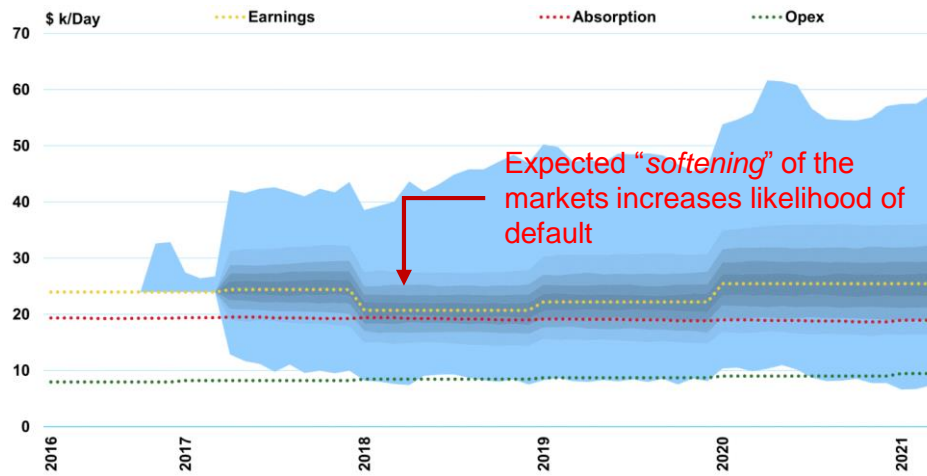
	Crude Oil Tanker		Chemical Tanker		Multi Purpose
	Product Oil Tanker		LPG Carrier		Containership
	Dry Bulk Carrier		LNG Carrier		PCC/PCTC
	AHTS	www.msild.com/fmv			PSV

Where are the Biggest Nuggets?



IRR Returns – 5 Year Old





Levered IRR's should be treated with caution due to a concentration of risk (PD) in a cyclical trough

Descriptive Statistics	MSI Approach	Traditional Shipping
Earnings forecasts (Cycles accommodated)	Yes	No
Conditional (time varying) volatility	Yes	No
Opex and scrap value forecasts (model derived)	Yes	Yes
Ability to stress the forecasts with endogenous and exogenous scenarios	Yes	Only Proxy Based
Stable calibration procedures	Yes	No
Copula based dependency	Yes	No
Model based Enforcement delays	Yes	No
Costs estimates for enforcements	Yes	Only anecdotal experience
Model based (time varying) recovery estimates	Yes	No
Risk based pricing tool for asset values	Yes	No
Accommodate credit enhancements (cash cushions, dividend payouts etc.)	Yes	Subjective or experience based
Sensitivity to input parameters	Yes	No

The model is similar to those applied by rating agencies, but with enhanced data, econometrics and inputs. The model incorporates volatility wrapped around cyclical trends, enforcement and recovery scenarios and targeted optimisation of loan structure. The model provides a detailed view on the point-in-time, PD, LGD and EL and is used by banks towards IFRS9 compliance. Primary and secondary debt portfolios are also typically shadow rated using our models

Remember all that glitters is not gold!

Thank You For Listening

For over 30 years, MSI has developed integrated relationships with a diverse client base of financial institutions, ship owners, shipyards, brokers, investors, insurers and equipment and service providers.

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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