



# MPC CONTAINER SHIPS

Q1 2018 – Earnings Presentation

Oslo, 31 May 2018



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# Q1 2018 – Earnings Presentation

## AGENDA

### **1) Introduction**

2) Financials: Q1 2018

3) Fleet & Operational Update

4) Outlook

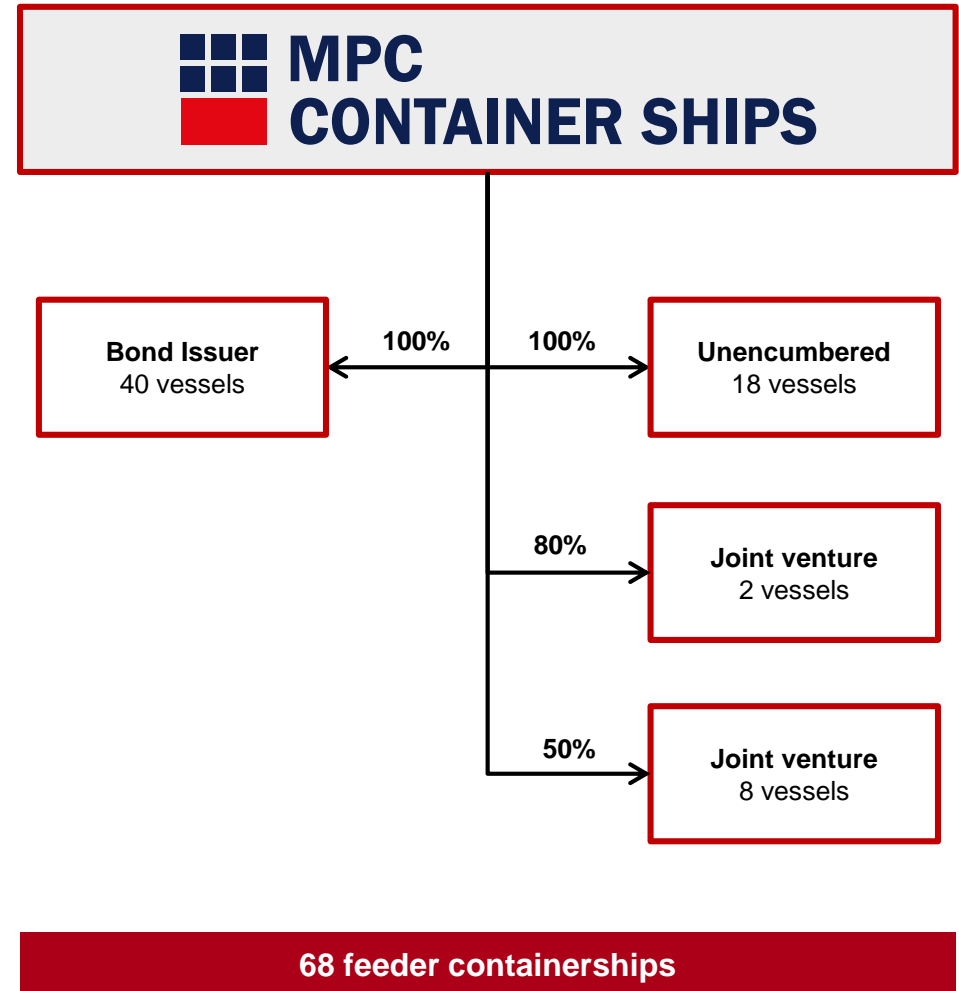
5) Appendix

## MPC CONTAINER SHIPS ASA – AT A GLANCE

### INTRODUCTION

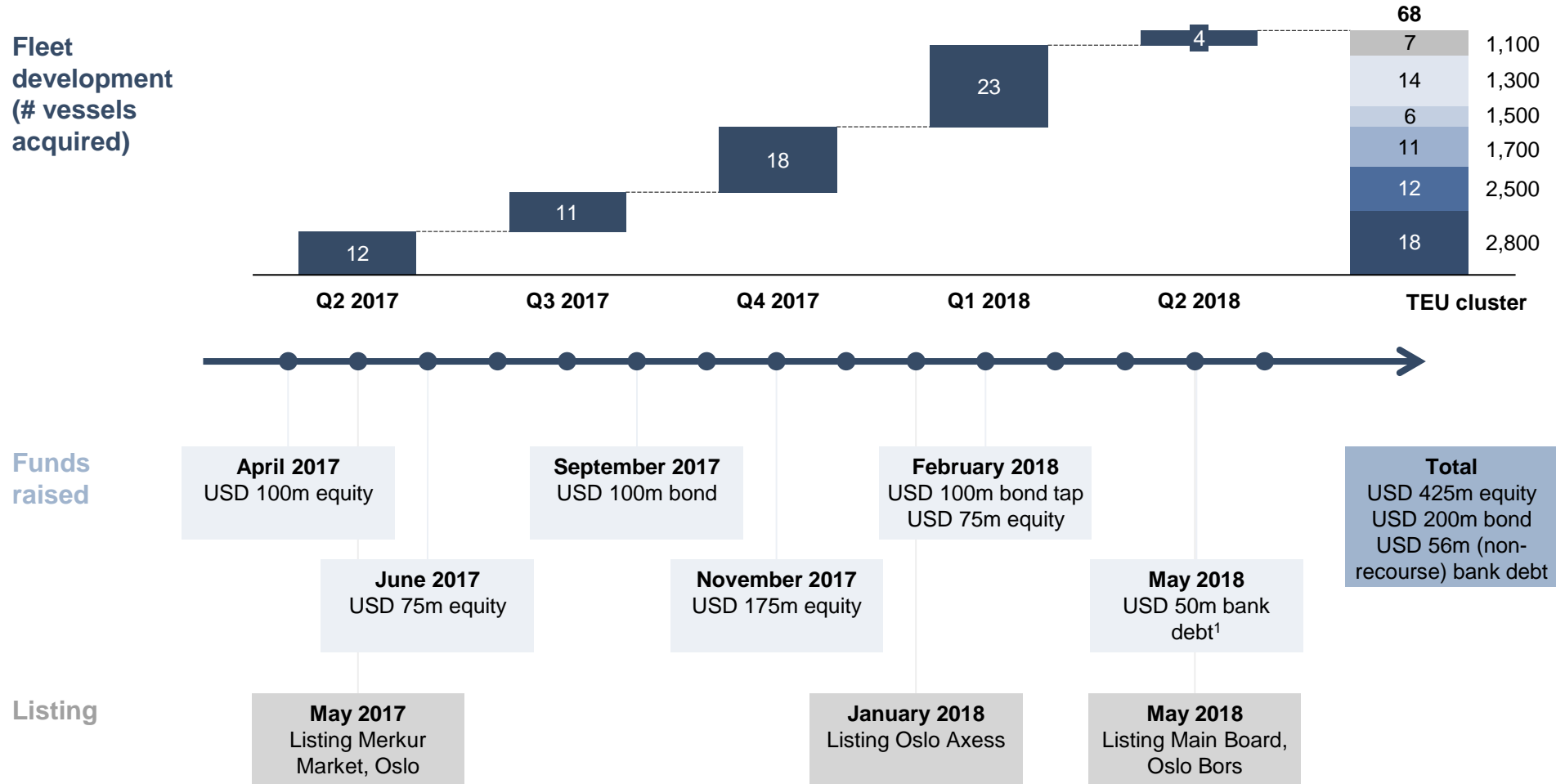
- Established in April 2017 to take advantage of attractive market fundamentals – MPCC is now the #1 owner of feeder container ships up to 3,000 TEU globally
- Acquired 68 feeder containerships between 1,000 - 3,000 TEU at attractive levels (40% avg. discount to newbuilding parity) and with high specification
- Listed on the Main Board of Oslo Bors with a market cap of USD ~512m
- Well capitalized with moderate leverage of 32% and solid equity ratio of 66%
- No legacy issues
- Low cash break-even and attractive cash yield at current market rates – significant further upside potential in asset values and charter rates
- Strong execution capabilities and experienced management
- Sponsor and initiator MPC Capital AG (part of the MPC Group) with substantial equity commitment of USD 52m

### CORPORATE STRUCTURE



# DEVELOPING A MARKET LEADING CONTAINER FEEDER COMPANY

## VESSEL ACQUISITIONS & CAPITAL MARKET ACTIVITIES



5 <sup>1</sup> loan agreement signed on 15 May 2018

## HIGHLIGHTS Q1 2018

### Q1 2018 Financials

- Total revenue of USD 28.3m (up from USD 13.2m in Q4 2017)
- EBITDA of USD 7.6m (up from USD 0.3m in Q4 2017)
- Net profit of USD 0.5m (up from USD – 2.1m in Q4 2017)
- Operating cash flow of USD 4.8m
- Total assets of USD 628m, cash position of USD 76m
- Moderate leverage of 32%, equity ratio of 66%

### Q1 2018 Operations

- 30 vessels taken over in Q1 2018, 59 vessels taken over as of 31/03/2018
- 3,247 ownership days and 2,958 trading days in Q1 2018 (utilization of 96%<sup>1</sup>)
- Average TCE of USD 9,352 per day
- Average OPEX of USD 4,810 per day
- Average EBITDA per vessel of USD 2,342 per day
- 4 vessels finished dry docking and 5 vessels initiated dry docking in Q1 2018

## HIGHLIGHTS Q1 2018

### Corporate development

- Portfolio of 68 vessels acquired at ~40% discount to newbuilding parity
- USD 75m in equity and USD 100m in bond proceeds raised in Q1 2018
- Post balance sheet date:
  - Full listing at Main Board, Oslo Bors
  - Non-recourse debt facility of USD 50m (up to USD 300m)
  - 4 vessels acquired, bringing the fleet to 68 vessels
- MPC Container Ships is the #1 owner of feeder container vessels up to 3,000 TEU

### Market development

- Market parameters for feeder container vessels have continued their recovery in the first quarter of 2018:
  - Charter rates are up 12% for 2,750 TEU vessels in Q1 2018
  - Secondhand prices are up 21% for 2,750 TEU vessels in Q1 2018
  - Newbuilding prices are up 6% for 2,750 TEU vessels in Q1 2018
- The idle container ship fleet has come down to below 2%, from 7% in early 2017
- Continued rebalancing of supply and demand in the container market projected for 2018 and 2019
- Particularly favourable market fundamentals in the feeder segment due to strong intra-regional growth rates and moderate fleet growth

# Q1 2018 – Earnings Presentation

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**2) Financials: Q1 2018**

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## Financials: Quarterly Report Q1 2018

### PROFIT AND LOSS: Q1 2018 VS. Q4 2017

#### CONSOLIDATED PROFIT AND LOSS

	Q1 2018 ACTUAL	Q4 2017 ACTUAL	
<b>Operating revenues</b>	<b>28.3</b>	<b>13.2</b>	
Commissions	-1.0	-0.5	
Vessel voyage expenditures	-1.2	-1.5	
Vessel operation expenditures	-15.6	-9.1	
Ship management fees	-1.2	-0.7	
<b>Gross Profit</b>	<b>9.1</b>	<b>1.3</b>	
Administrative expenses	-1.4	-1.3	
Depreciation and impairment	-4.9	-2.0	
Other expenses	-0.4	-0.2	
Other income	0.3	0.5	
<b>Operating result (EBIT)</b>	<b>2.7</b>	<b>-1.7</b>	
Finance income	0.7	1.8	
Finance costs	-2.8	-2.2	
<b>Profit/Loss before tax (EBT)</b>	<b>0.5</b>	<b>-2.1</b>	
Income tax expenses	0.0	-0.1	
<b>Profit/Loss for the period</b>	<b>0.5</b>	<b>-2.2</b>	
<b>EBITDA</b>	<b>7.6</b>	<b>0.3</b>	
<i>Consolidated vessels (end of period)</i>	52	29	
<i>Ownership days</i>	3,247	1,739	
<i>Trading days</i>	2,958	1,575	
<i>Utilization<sup>1</sup></i>	96%	95%	
<i>Time charter revenue</i>	<i>USD per trading day</i>	9,352	7,901
<i>EBITDA</i>	<i>USD per ownership day</i>	2,342	195
<i>OPEX</i>	"	4,810	5,255
<i>EPS (diluted)</i>	<i>USD</i>	0.007	-0.051

#### NOTES: Q1 2018

- The company has taken over 30 vessels in in Q1 2018 to grow its fleet in operation from 29 vessels to 59 vessels
- Q4 2017 and the Q1 2018 results are not directly comparable due to different fleet size and impacts from start-up and take-over costs
- Average TCE has increased from USD 7,901 per day in Q4 2017 to USD 9,352 per day in Q1 2018
- Average OPEX have decreased from USD 5,255 per day in Q4 2017 to USD 4,810 per day in Q1 2018
- Average EBITDA has increased from USD 195 per day in Q4 2017 to USD 2,342 per day in Q1 2018

## Financials: Quarterly Report Q1 2018

### BALANCE SHEET: 31/03/2018 VS. 31/12/2017

#### CONSOLIDATED BALANCE SHEET

	31 Mar. 2018	31 Dec. 2017
	ACTUAL	ACTUAL
<b>Assets</b>	<b>627.9</b>	<b>451.1</b>
<b>Non-current Assets</b>	<b>540.8</b>	<b>281.2</b>
Vessels	511.6	207.1
Prepayments on vessels	0.0	57.8
Joint ventures	29.1	16.4
<b>Current assets</b>	<b>87.1</b>	<b>169.9</b>
Inventories	2.9	1.7
Trade and other receivables	8.8	3.9
Cash and cash equivalents	75.5	164.3
<b>Equity and liabilities</b>	<b>627.9</b>	<b>451.1</b>
<b>Equity</b>	<b>415.7</b>	<b>340.5</b>
Share capital	92.3	77.2
Capital reserves	319.2	261.3
Retained earnings	-1.9	-2.5
Other comprehensive income	1.5	0.1
Minority interest in equity	4.6	4.4
<b>Non-current Liabilities</b>	<b>199.5</b>	<b>102.1</b>
Interest bearing loans	199.5	102.1
<b>Current Liabilities</b>	<b>12.7</b>	<b>8.5</b>
Provisions	3.8	3.2
Trade and other payables	5.4	4.0
Other current liabilities	3.5	1.3
<b>Equity ratio</b>	<b>66.2%</b>	<b>75.5%</b>
<b>Leverage</b>	<b>31.8%</b>	<b>22.6%</b>

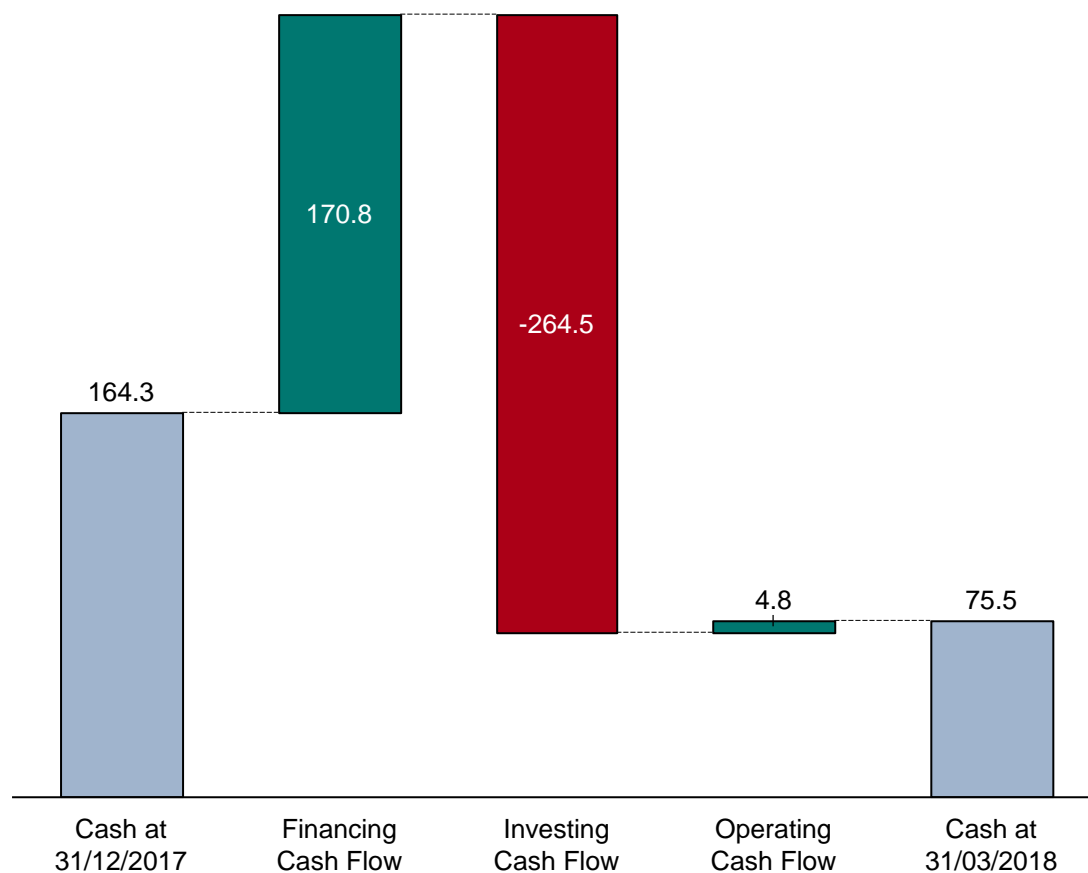
#### NOTES: 31 MARCH 2018

- Balance sheet changes between 31/12/2017 and 31/03/2018 are influenced by vessel acquisitions and funding steps
- Total assets of USD 628m
- Cash position of USD 76m
- Equity ratio of 66%
- Leverage of 32%

# Financials: Quarterly Report Q1 2018

## CASH FLOW: ACTUALS Q1 2018

### CONSOLIDATED CASH FLOW



### NOTES

#### Financing cash flow composition:

Equity issues	
<i>Net proceeds</i>	<i>USD 72.9m</i>
Bond issue	
<i>Net proceeds</i>	<i>USD 97.5m</i>

#### Investing cash flow composition:

Vessel purchase prices	<i>USD -319.2m / 30 vessels</i>
<i>thereof deposits paid in Q4 2017</i>	<i>USD 57.8m</i>
Vessel sales (to JV)	<i>USD 20.0m / 2 vessels</i>
JV investment	<i>USD -12.7m / 3 vessels</i>
Capitalized dry docking/initials	<i>USD -10.3m</i>

#### Operating cash flow composition:

<i>Profit of the period</i>	<i>USD 0.5m</i>
<i>Depreciation</i>	<i>USD 4.9m</i>
<i>Change in Net Working Capital</i>	<i>USD -0.7m</i>

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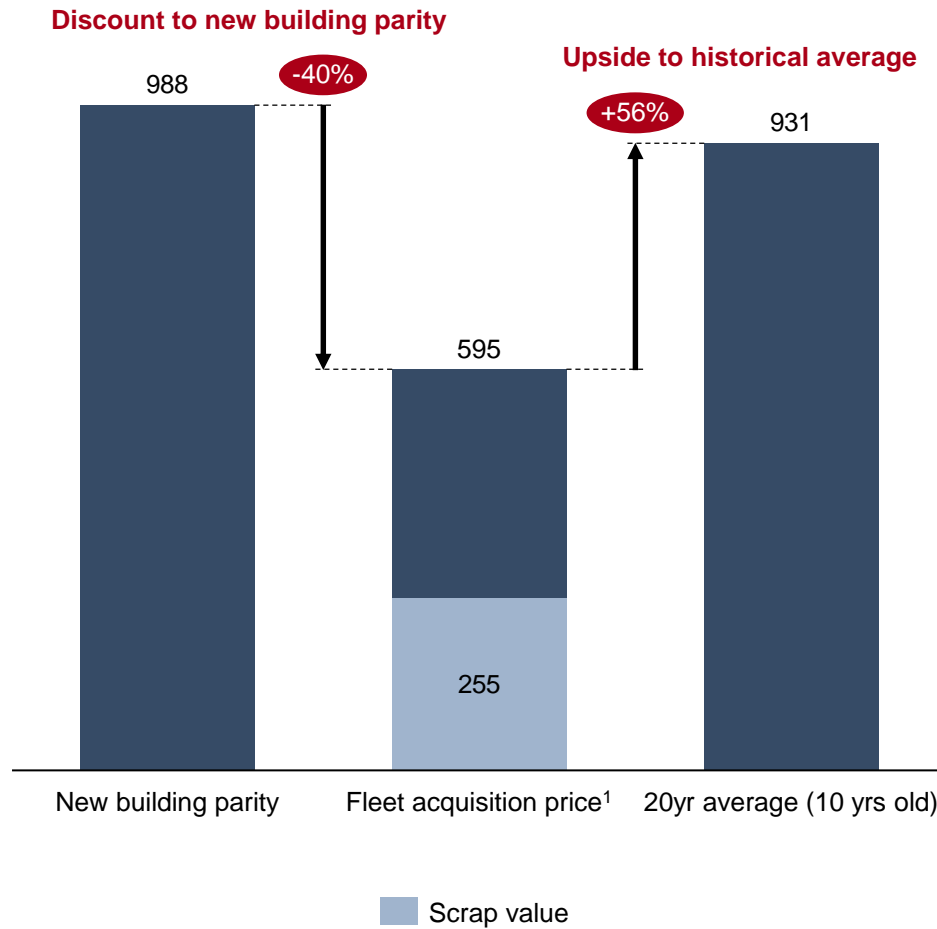
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# Fleet and Operational Update

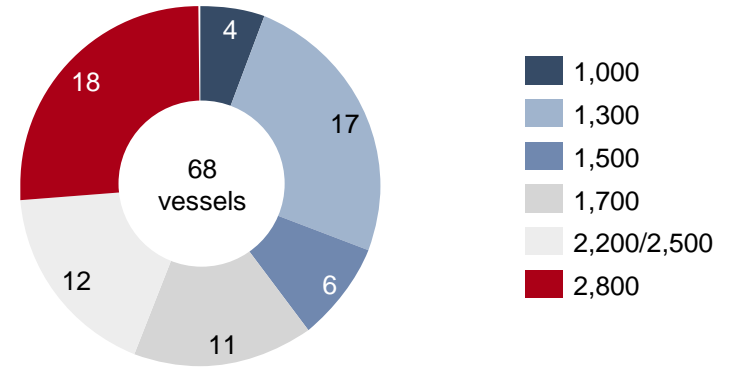
## FLEET OVERVIEW

### CURRENT FLEET OF 68 VESSELS

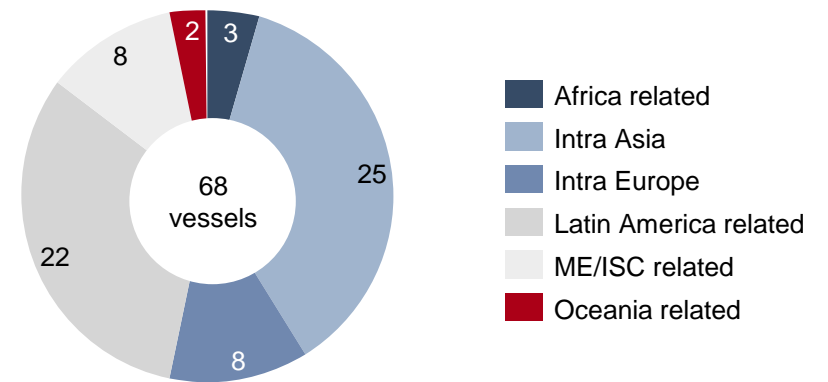
in USD m



### FLEET COMPOSITION – BY TEU CLUSTER



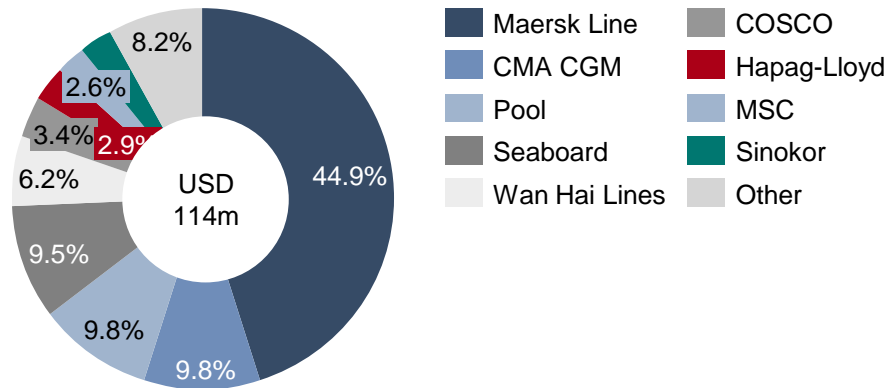
### FLEET COMPOSITION – BY TRADE



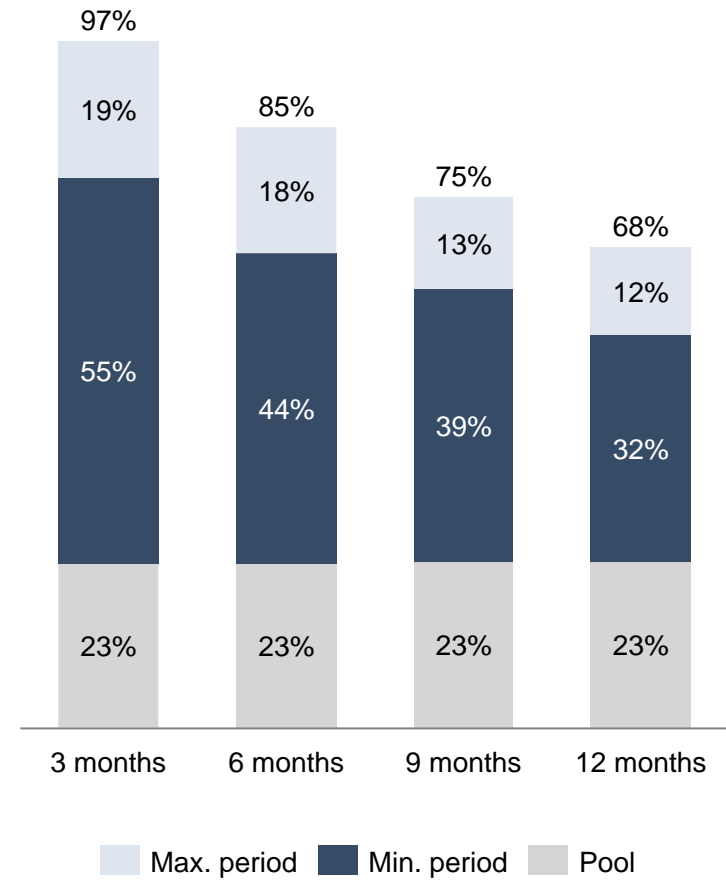
# Fleet and Operational Update

## CURRENT EMPLOYMENT STATUS

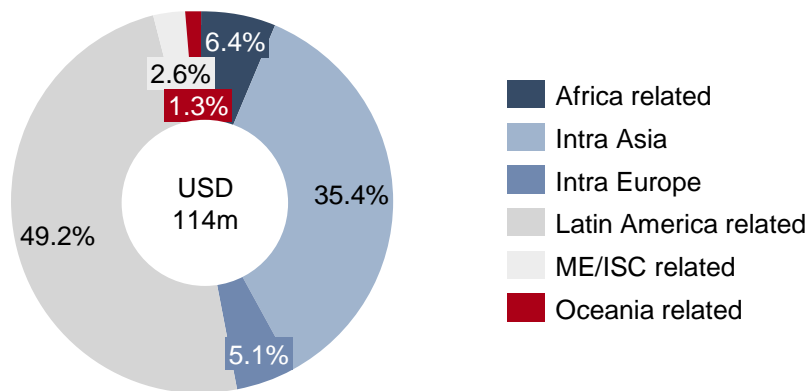
### CHARTER COVERAGE BY COUNTERPARTY<sup>1</sup>



### CHARTER COVERAGE RATIO



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

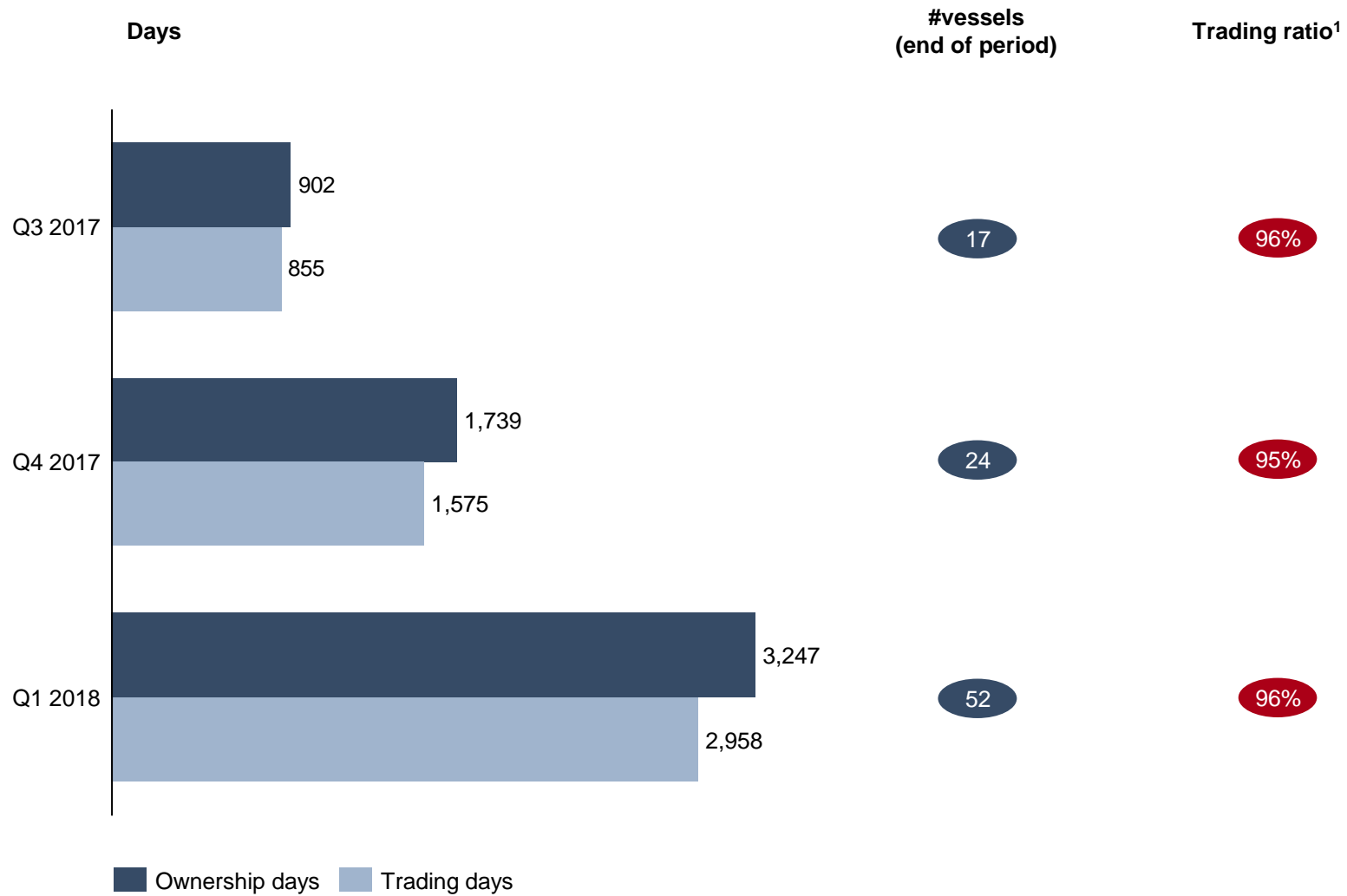


<sup>1</sup> Based on minimum periods, pool vessels calculated with 3 months at current pool rates

# Fleet and Operational Update

## OWNERSHIP AND TRADING DAYS

### CONSOLIDATED VESSELS



# Fleet and Operational Update

## DEVELOPMENT OF CHARTER RATES AND OPEX

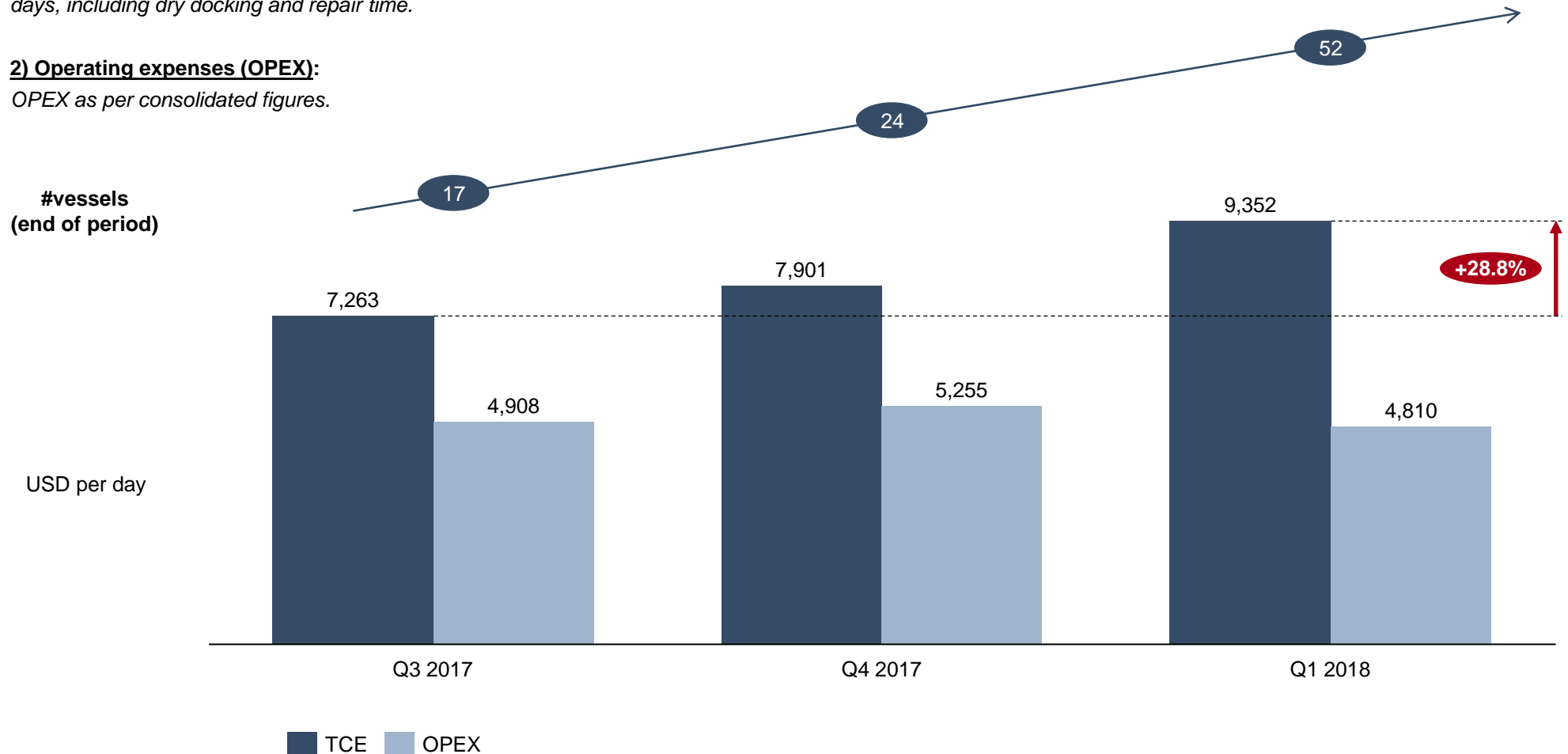
### CONSOLIDATED FLEET

#### 1) 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 docking and repair time.

#### 2) Operating expenses (OPEX):

OPEX as per consolidated figures.





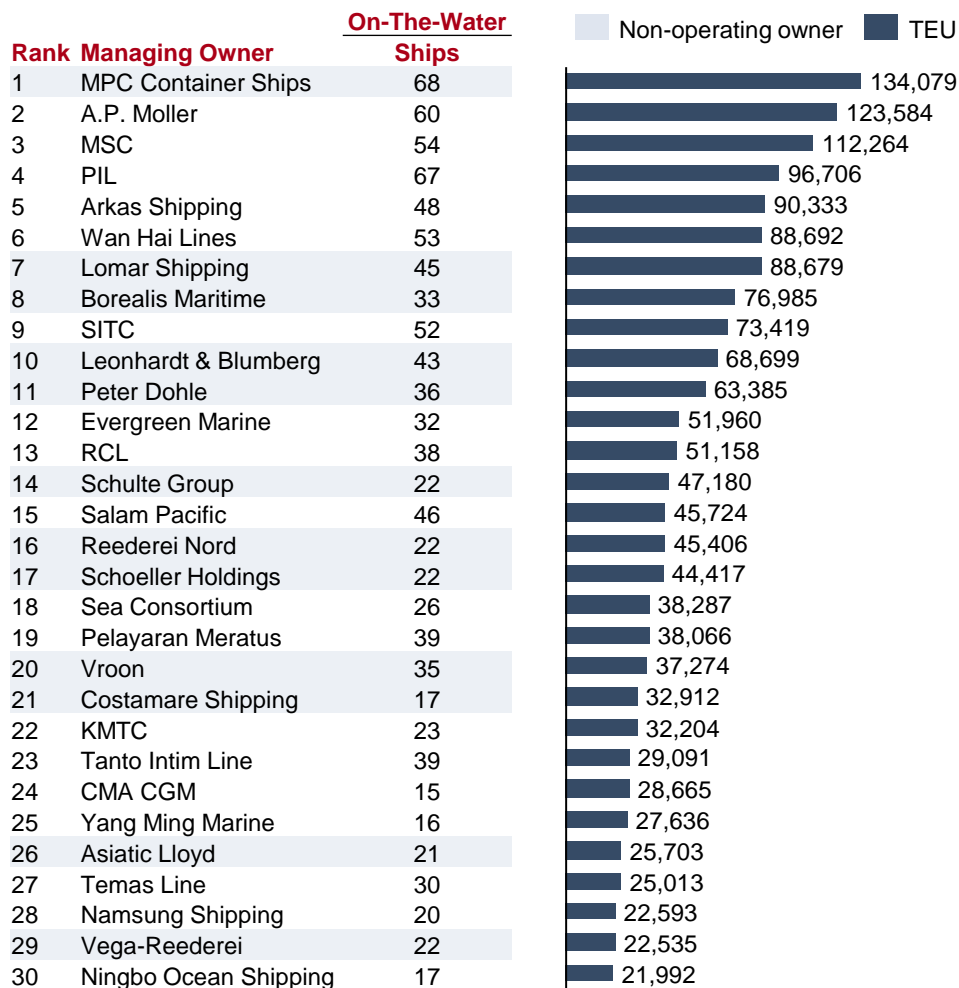
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# STRONG MARKET POSITION IN THE FEEDER CONTAINER SEGMENT

## 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

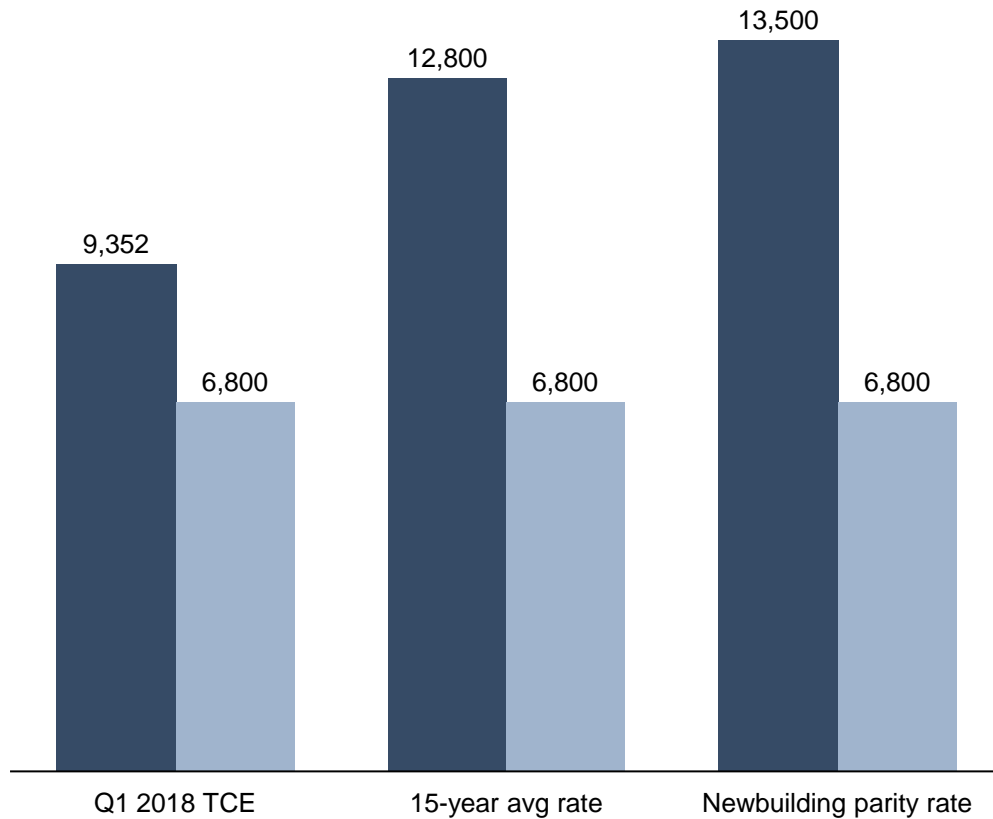
**MPCC is the largest non-operating owner of feeder container ships globally**

# HIGH UPSIDE IN EARNINGS POTENTIAL

## UPSIDE POTENTIAL IN RATES

■ TCE ■ Normalized CBE<sup>1</sup>

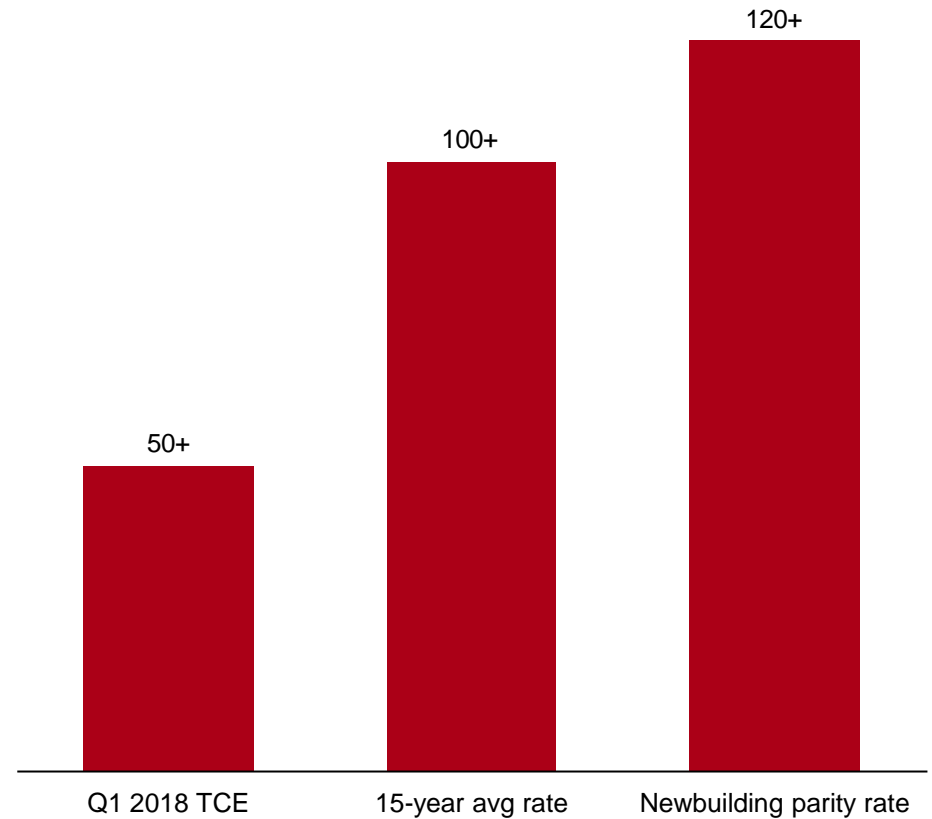
USD per day



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

■ EBITDA

USD million p.a.



<sup>1</sup> assuming 60 fully consolidated vessels and additional bank financing of USD 50m compared to capital structure as of 31/03/2018; excluding dry docking costs

<sup>2</sup> assuming 60 fully consolidated vessels

# 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“

## STRATEGY

### Strategy:

- Assets / Growth:
  - Explore further asset acquisitions via the secondhand market (subject to pricing and NB parity)
  - Evaluate alternative growth options, e.g. M&A and ship-for-share transactions
- Yield: Low cost break-evens provides for solid dividend potential in future
- Scale: Economies of scale in financing, strategic partnerships and operations

### Operations:

- Technical - implement measures to advance operational efficiencies (e.g. spare part pools, dry docking contingents, further improve OPEX)
- Commercial:
  - Further extent charter coverage and implement chartering strategy on portfolio basis
  - Explore strategic partnerships with industry players

### Corporate:

- Capital market – evaluate measures to improve trading volumes, increase analyst coverage etc.
- Maintain moderate leverage

# Q1 2018 – Earnings Presentation

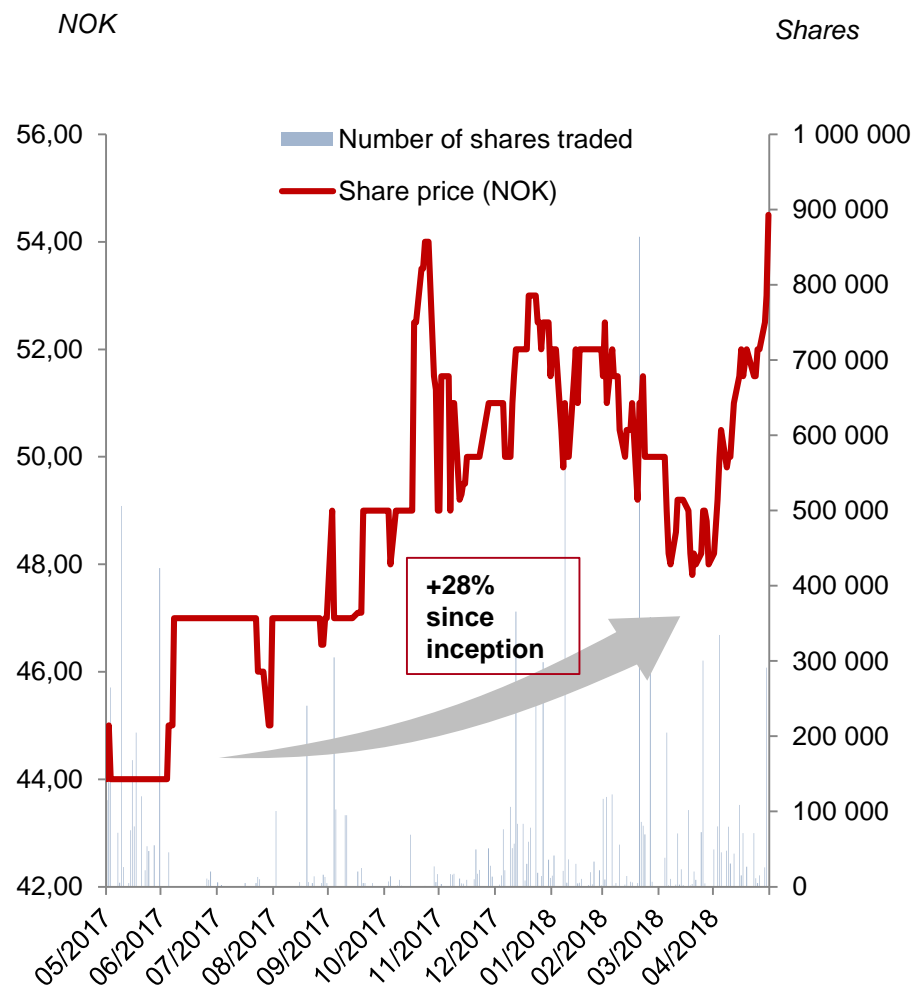
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# Appendix

## CAPITAL MARKET SNAPSHOT

### SHARE PRICE AND VALUATION



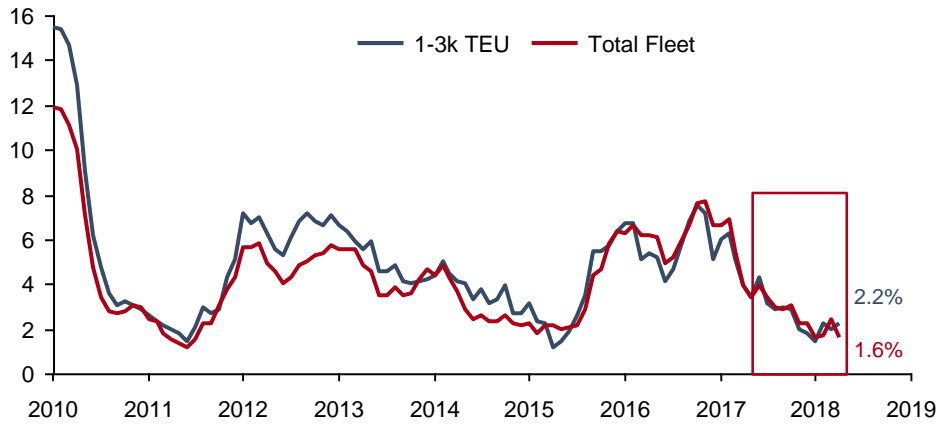
### TRADING INFORMATION

Ticker	MPCC
Segment	Oslo Stock Exchange, Oslo
ISIN	NO0010791353
Trading currency	NOK
Shares outstanding	77,003,000
Market cap. 30 May 2018	USD 512m
Average trading volume (30-day)	55,000 shares

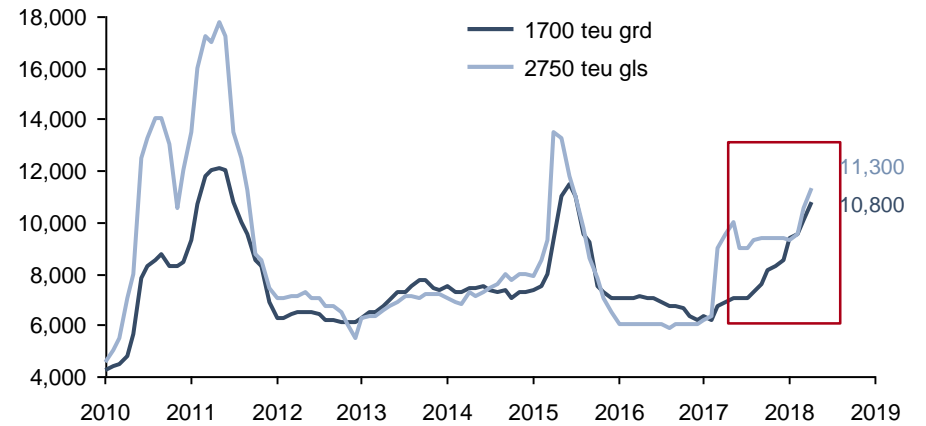
# Appendix

## MARKET UPDATE – POSITIVE MOMENTUM IN RATES AND ASSET VALUES

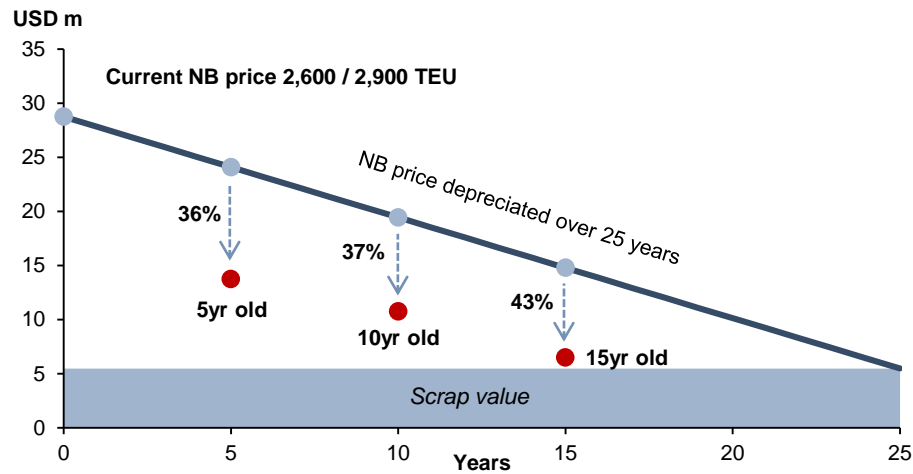
**IDLE FLEET (IN % OF EXISTING FLEET)**



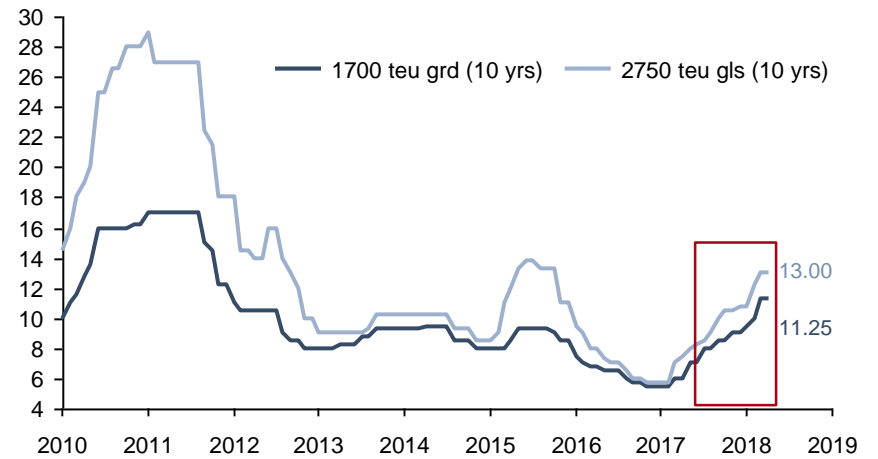
**TC RATES (IN USD/DAY)**



**DISCOUNT TO NEWBUILDING PARITY**



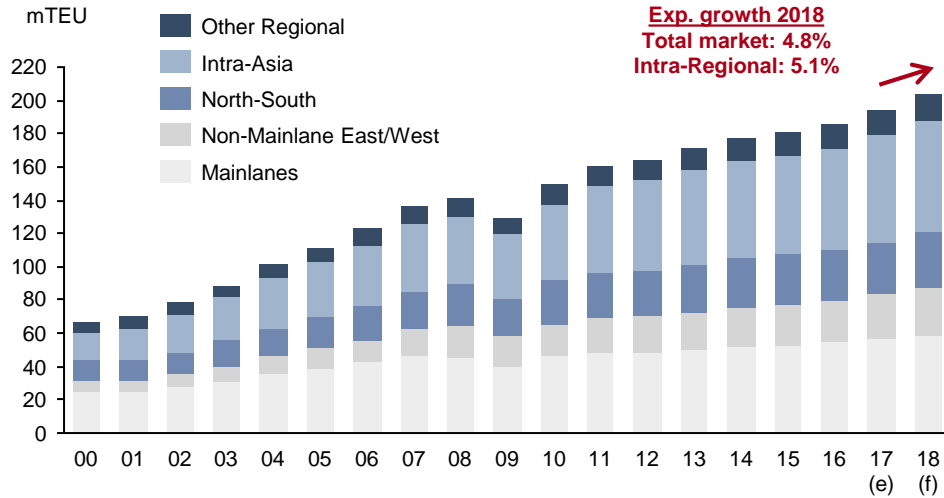
**SECONDHAND ASSET VALUES (IN USDM)**



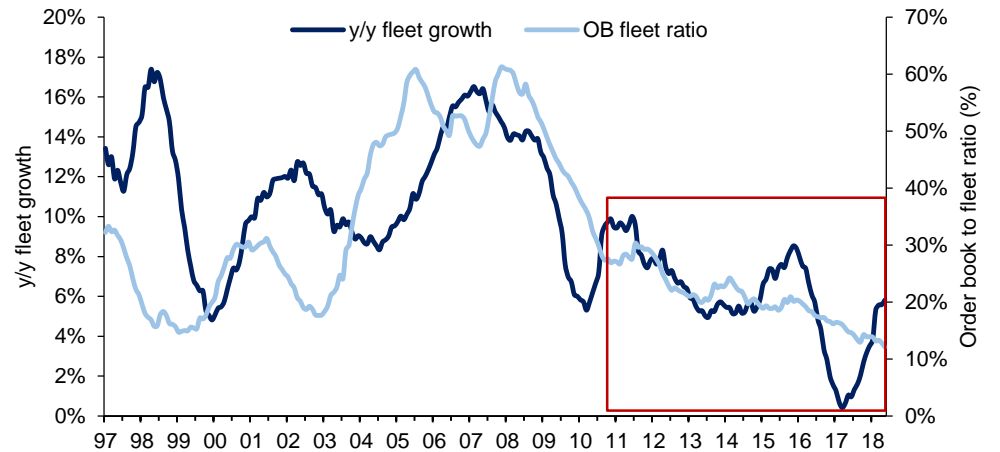
# Appendix

## SUPPLY AND DEMAND BALANCE IMPROVING IN THE WHOLE CONTAINER SHIPPING MARKET

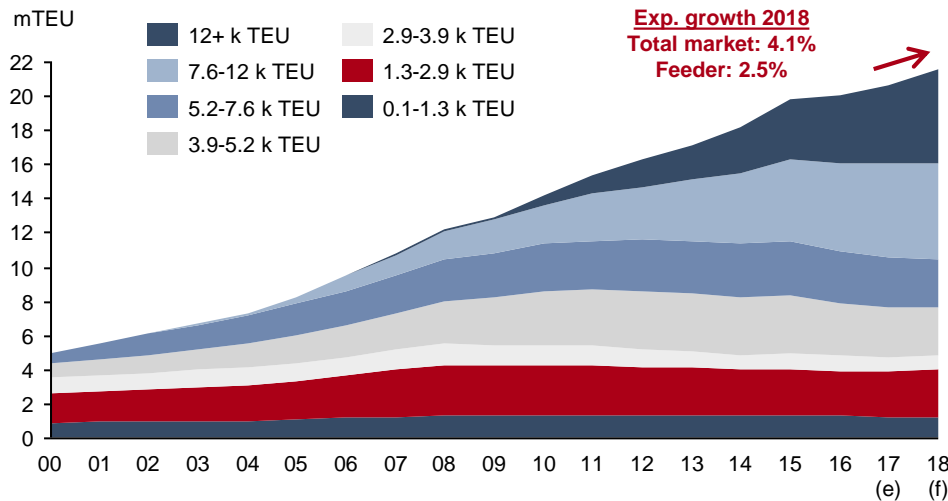
### DEMAND: TRADE DEVELOPMENT



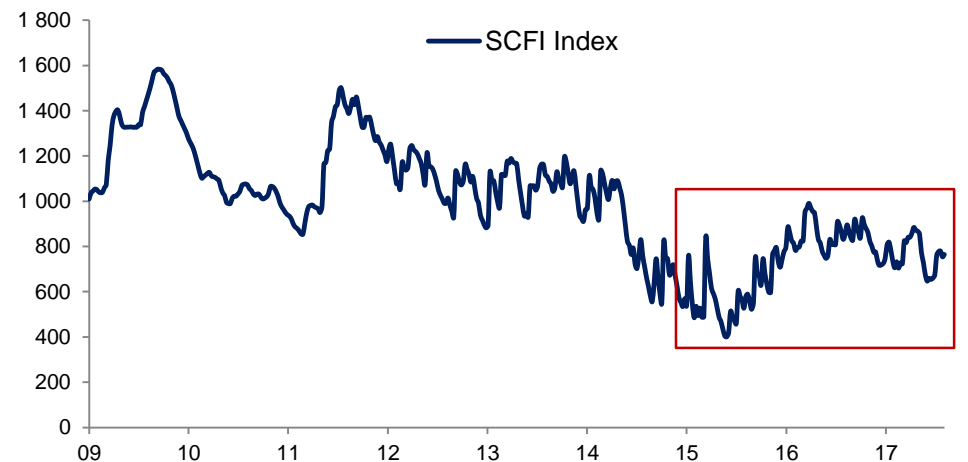
### ORDER BOOK AT HISTORIC LOW



### SUPPLY: FLEET DEVELOPMENT



### FREIGHT RATES STABILIZING





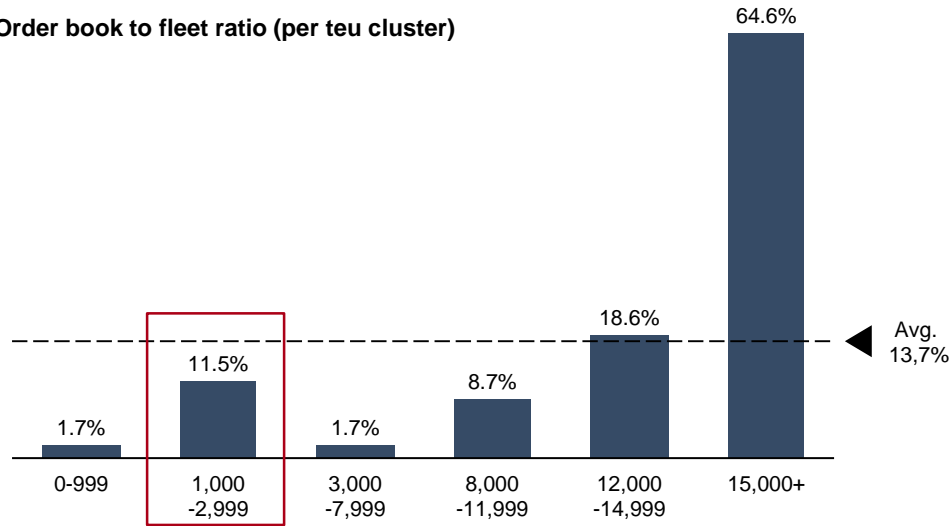
# Appendix

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

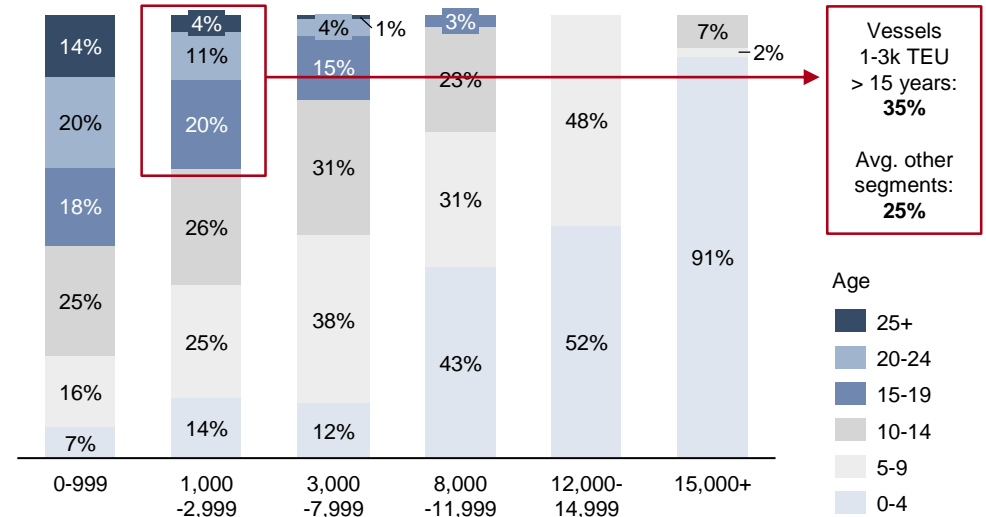
Trade deployment of feeder tonnage (1-3k TEU)

### LIMITED ORDERING OF FEEDER TONNAGE

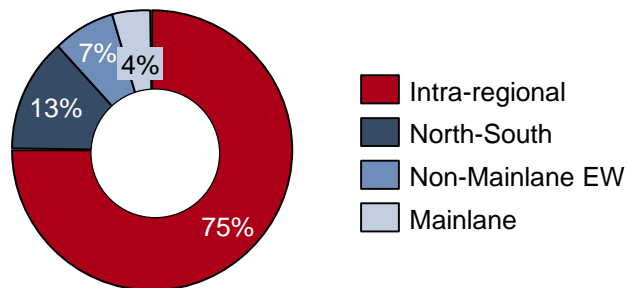
Order book to fleet ratio (per teu cluster)



### AGEING FEEDER CONTAINER FLEET



### FEEDER TONNAGE CONCENTRATED IN INTRA-REGIONAL TRADES



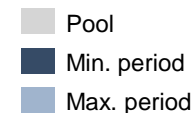
- 75% of feeder tonnage deployed in intra-regional trades
- Intra-regional trades have high entry barriers for larger tonnage due to port restrictions, frequency requirements, inflexibility and commercial constraints
- Charter market recovery to be expected in segments best protected by cascading, e.g. 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%)

# Appendix

## FLEET EMPLOYMENT 1,000 – 1,700 TEU

### VESSEL EMPLOYMENT DETAILS

No.	Vessel	Stake	Cluster	Charterer	Rate (\$pd)	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19
1	AS LAURETTA	100%	1000 gls	SITC	8,000					
2	AS LEONA	100%	1000 gls	Heung-A	7,250					
3	AS LAETITIA	100%	1000 grd	CMA CGM	7,950					
4	AS LAGUNA	100%	1000 grd	Maersk Line	6,000					
5	AS FATIMA	100%	1300 gls	Pool	7,470					
6	AS FENJA	100%	1300 gls	COSCO	7,500					
7	AS FIONA	100%	1300 gls	Wan Hai Lines	8,900					
8	AS FLORA	100%	1300 gls	TCL	8,900					
9	AS FLORIANA	100%	1300 gls	Pool	7,470					
10	AS FRIDA	100%	1300 gls	Wan Hai Lines	9,000					
11	AS FABIANA	100%	1300 grd	Pool	9,100					
12	AS FABRIZIA	100%	1300 grd	Pool	9,100					
13	AS FAUSTINA	100%	1300 grd	Pool	9,100					
14	AS FEDERICA	100%	1300 grd	Pool	9,100					
15	AS FELICIA	100%	1300 grd	Pool	9,100					
16	AS FILIPPA	100%	1300 grd	Pool	9,100					
17	AS FIORELLA	100%	1300 grd	Pool	9,100					
18	AS FLORETTA	100%	1300 grd	Pool	9,100					
19	AS FORTUNA	100%	1300 grd	Pool	9,100					
20	AS FRANZISKA	100%	1300 grd	Pool	9,100					
21	AS FREYA	100%	1300 grd	RCL	9,500					
22	AS RAFAELA	100%	1500 gls	Yang Ming	7,950					
23	AS RAGNA	100%	1500 gls	Pool	7,160					
24	AS RICCARDA	100%	1500 gls	Pool	7,160					
25	AS ROBERTA	100%	1500 gls	Wan Hai Lines	10,500					
26	AS ROMINA	100%	1500 gls	Pool	7,160					
27	AS ROSALIA	100%	1500 gls	Pool	7,160					
28	AS CARELIA	100%	1700 grd	Hapag-Lloyd	9,300					
29	AS CYPRIA	100%	1700 grd	CMA CGM	9,400					
30	AS SABRINA	100%	1700 grd	Maersk Line	14,430					
31	AS SAMANTA	100%	1700 grd	Maersk Line	14,430					
32	AS SARA	100%	1700 grd	Maersk Line	14,430					
33	AS SAVANNA	100%	1700 grd	Maersk Line	14,430					
34	AS SERAFINA	100%	1700 grd	Maersk Line	14,430					
35	AS SERENA	100%	1700 grd	MCC	9,650					
36	AS SOPHIA	100%	1700 grd	MCC	9,650					
37	AS SUSANNA	100%	1700 grd	Maersk Line	14,430					
38	AS SVENJA	100%	1700 grd	Maersk Line	14,430					



## Appendix

### FLEET EMPLOYMENT 2,000 – 2,800 TEU

#### VESSEL EMPLOYMENT DETAILS

No.	Vessel	Stake	Cluster	Charterer	Rate (\$pd)	Q2 '18	Q3 '18	Q4 '18	Q1 '19	Q2 '19
39	AS ANGELINA	100%	2200 grd	Seaboard	7,600					
40	AS PAULINE	100%	2500 gls	Evergreen	8,650	Take-over	after TC			
41	AS PENELOPE	100%	2500 gls	Sinotrans	8,700	Take-over	after TC			
42	AS PALATIA	100%	2500 grd	COSCO	10,450					
43	AS PAOLA	100%	2500 grd	CMA CGM	8,800					
44	AS PATRIA	100%	2500 grd	Seaboard	11,200					
45	AS PAULINA	100%	2500 grd	CMA CGM	12,000					
46	AS PETRONIA	100%	2500 grd	CMA CGM	9,750					
47	AS PALINA	80%	2500 grd	CMA CGM	12,250					
48	AS PETRA	80%	2500 grd	CMA CGM	9,000					
49	AS PETULIA	50%	2500 grd	Seaboard	11,400					
50	AS CALIFORNIA	100%	2800 gls	Maersk Line	8,500					
51	AS CAMELLIA	100%	2800 gls	CMA CGM	10,500					
52	AS CAROLINA	100%	2800 gls	Maersk Line	7,750					
53	AS CLARA	100%	2800 gls	Hapag-Lloyd	8,950					
54	AS CLARITA	100%	2800 gls	ZISS	9,250	11,500				
55	AS CLEMENTINA	100%	2800 gls	MCC	8,850					
56	AS COLUMBIA	100%	2800 gls	Sinokor	9,500	11,600				
57	AS CONSTANTINA	100%	2800 gls	Heung-A	9,250					
58	SEVILLIA	100%	2800 gls	COSCO	9,650					
59	SICILIA	100%	2800 gls	TS Lines	10,700					
60	AS CARINTHIA	50%	2800 gls	Wan Hai Lines	10,500					
61	CARDONIA	50%	2800 gls	Milaha Maritime	9,000					
62	CARPATHIA	50%	2800 gls	Milaha Maritime	9,000					
63	CIMBRIA	50%	2800 gls	OOCL	9,100					
64	CORDELIA	50%	2800 gls	APL	9,250					
65	AS CARLOTTA	100%	2800 grd	Hamburg-Süd	9,250	11,500				
66	AS CHRISTIANA	100%	2800 grd	Hamburg-Süd	9,250	11,500				
67	AS CLEOPATRA	50%	2800 grd	MSC	10,650					
68	AS PATRICIA	50%	2800 grd	SITC	8,500					

Pool  
 Min. period  
 Max. period

▶ **Current gross blended TC rate (total fleet): USD 9,700 per day**