



# ADS Crude Carriers Plc

## *Adapting for new environmental regulations*

- 
- *Completed equity offering USD 58 million*
  - *Has acquired 3x 2002 Japanese VLCCs at a low-point in the market cycle*
  - *Loan of USD 30m secured (incl. debt for 'scrubber-financing')*
  - *Downside protection through acquisitions close to scrap values and low cash breakeven*
  - *Further acquisitions planned*

Presentation Oslo Stock Exchange 28<sup>th</sup> August 2018

# Introduction to ADS Crude Carriers Plc.

## A new shipping company trading on the Oslo Merkur Market

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- ADS Crude Carriers Plc (“ADS” or the “Company”) are pleased to announce the acceptance of the Company to Oslo Merkur Market.
- ADS and its ongoing operations will be lead by a board of directors headed by Chairman Bjørn Tore Larsen. Terje Bodin Larsen will be the Company’s CEO.
- At the time of listing, the Company will own and operate 2x VLCC’s and will take delivery of its 3<sup>rd</sup> VLCC on or around the 10<sup>th</sup> September 2018
- The intention is to further increase the fleet going forward
- The acquisition of the initial vessels has been financed with proceeds from an equity raise of USD 58 million led by Arctic Securities and USD 30 m senior secured debt from Sterna FinanceLtd.
- The Company has been established with a share capital of USD 4,678,060 divided into 23,390,300 shares, each with a par value of USD 0.20.
- The total Market Capitalization of the Company is NOK 467,806,000 based on a subscription price of NOK 20
- Arctic Securities is acting as sole manager together with legal representation from Wikborg Rein in connection with the Listing of the Company

# Investment highlights

## *Asymmetric risk/reward with low cash breakeven*

- Has acquired 3x Japanese built VLCCs with an average age of 16-years
- Purchase price of USD 67.5 million *en-bloc*, ~24% above current residual scrap value
- Favorable docking schedules ahead of new regulations and additional funding secured for scrubber instalments
- Conservative leverage at attractive terms minimizes cash break even in case of prolonged recovery phase
- Cash breakeven 36% lower than peer listed tanker group average

## *Attractive market fundamentals*

- Orderbook as percentage of the fleet is below historic average against backdrop of increased scrapping
- Volumes and distances expected to grow as destocking gives way to refinery runs
- IMO2020 shift to low Sulphur fuel could drive bunker prices up incentivizing slow steaming, and reducing effective supply

## *Clear strategy & experienced co- investors*

- Co-invest with highly reputable industrial partners
- Project sponsor ADS and Seller of vessels Ship Finance International Ltd have invested USD 15m of equity
- USD 30m loan secured at L+450bps until vessels are scrapped
- Positioned for spot market recovery or floating storage opportunities

## *Attractive returns and upside potential*

- Attractive returns in different rate environments
- Base case rates of USD 20k/day assumed
- Equity IRR / Unlevered IRR / FCFE yield of 34 % / 25% / 75 %

# Sources & uses and Company structure

## Sources and uses for purchase of three VLCCs

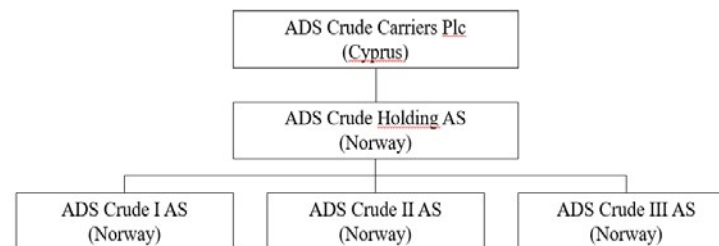
- Co-invest with Seller and Disponent Owner
  - Commercial management to continue with existing owner, one of the largest and most experienced operators in the tanker market
- Acquire quality fleet with favorable docking schedules ahead of new regulations, with planned instalment of scrubbers
- USD 30m loan at Libor + 450bps at delivery
- No refinancing risk as loan matures upon recycling of vessels

SOURCES	USDm	% of projectcosts
Equity raise	58	66%
Loan*	30	34%
<b>Total sources</b>	<b>88</b>	<b>100%</b>

USES	USDm	% of projectcosts
Purchase price	67.5	77%
Working capital	7.5	9%
Scrubber cost (USD 9m) and general corporate purposes	11	13%
Legal expenses, start up costs and fees	2	2%
<b>Total projectprice</b>	<b>88</b>	<b>100%</b>

\*1% commitment fee

## Company structure



### ADS Crude I AS:

Front Page (to be renamed ADS Eagle)



### ADS Crude II AS: ADS Stratus



### ADS Crude III AS:

Front Serenade (to be renamed ADS Serenade)



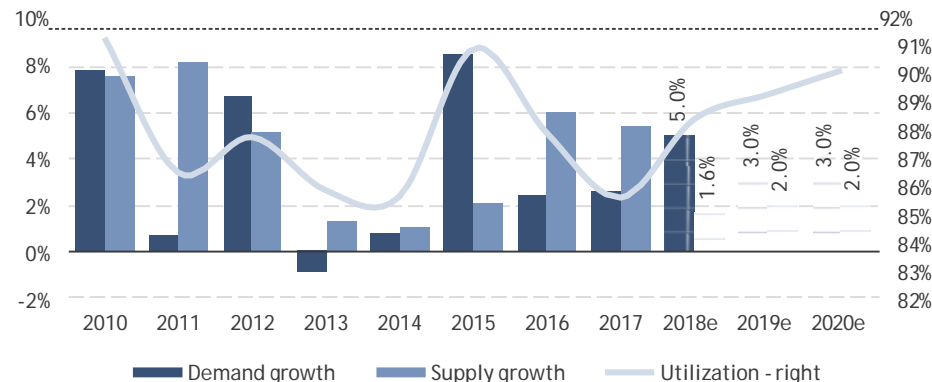
# Tanker market summary

## Arctic market views

- Factors depressing rates:
  - Fleet growth
  - Opec cuts
  - Inventory drawdowns
- Market will turn in 2H/18 on the back of:
  - Booming oil demand
  - Turning inventory cycle
  - Increased Opec production and exports
  - Increased trading distances as US is stepping up exports
  - Aging fleet destined for the breakers
  - Combination of weak rates, higher scrap values and rising costs will lift scrapping (which we have seen already)
  - Limited recent newbuild ordering and sliding orderbooks; hence limited supply coming
  - Asset values hovering close to historical lows

## Crude tanker supply/demand balance

- Demand to outpace supply growth in 2018-'20



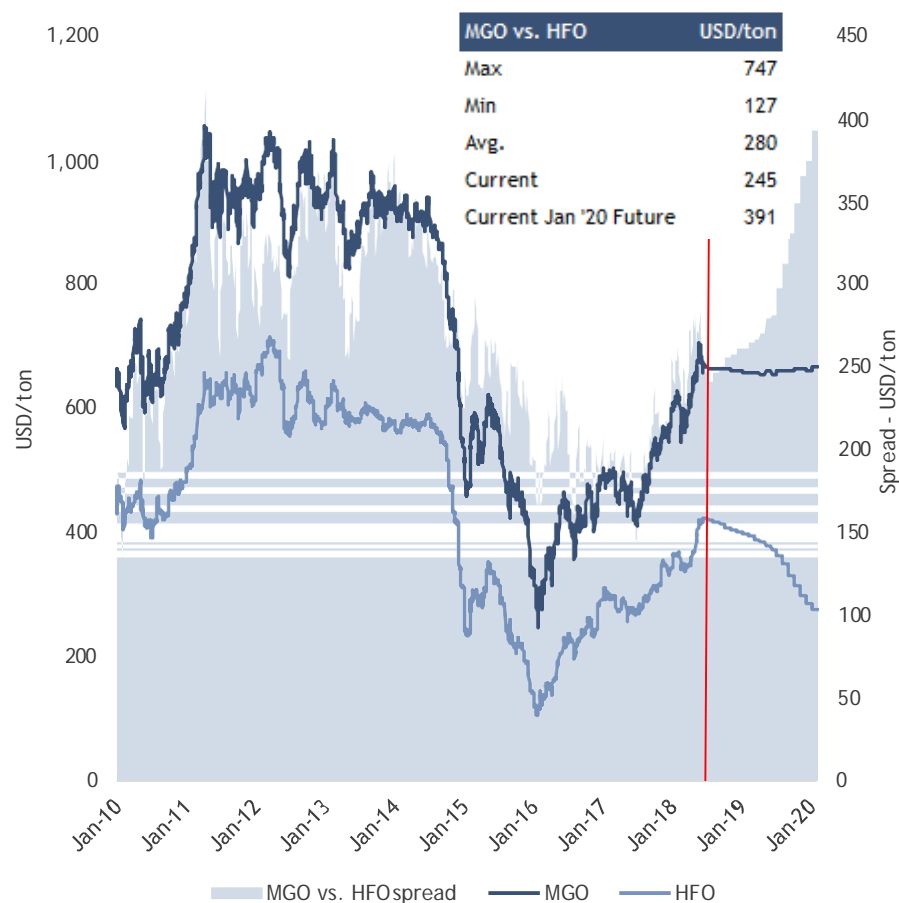
## Arctic rate estimates

- Market balance improving going forward

Rate estimates	Q2/18	Q3/18	Q4/18	2018	2019	2020
VLCC	15,000	15,000	43,000	22,000	35,000	40,000
Suezmax	12,000	12,000	34,000	17,500	28,000	30,000
Aframax	11,000	11,000	27,000	15,000	22,000	24,000
LR2	14,000	14,000	14,000	14,000	20,000	22,000
LR1	13,000	13,000	13,000	13,000	19,000	21,000
MR	14,000	14,000	14,000	14,000	17,000	19,000
Handy	12,000	12,000	12,000	12,000	16,000	17,500

# Why scrubbers? The spread between MGO and HFO is widening, this will lead to huge savings for vessels with scrubbers

## Spread MGO-HFO



## Savings from scrubbers (MHG - HFO = USD 400/ton)

Scrubber economics		Newbuild	Target fleet (avg)
Cost of scrubber	USDm	3.0	3.0
Depreciation period	Years	20	3
Scrubber Opex*	USD/day	481	539
Scrubber depreciation**	"	411	2,740
<b>Scrubber cost</b>	"	<b>892</b>	<b>3,279</b>
Fuel consumption***	t/day	44.0	58.0
HFO price	USD/t	275	275
MGO price	"	675	675
Spread (current futures)	"	400	400
MGO energy savings	%	5%	5%
<b>Fuel savings</b>	<b>USD/day</b>	<b>16,100</b>	<b>21,233</b>
<b>Scrubber net savings</b>	"	<b>15,208</b>	<b>17,954</b>

\*Scrubber Opex includes USD 300/d fixed plus an increase in fuel consumption of 1.5%. \*\*Scrubber depreciation based on lifetime of vessels. \*\*\*Fuel consumption based on vessel characteristics

# ADS Crude Carriers Plc

## Top 20 investors

Investor name	Shares	Shares %
Ship Finance Limited	4 031 800	17.24%
Meteva AS	2 114 956	9.04%
ADS Shipping Ltd	2 021 754	8.62%
DNB Asset Management	1 000 000	4.28%
Hortulan AS	1 000 000	4.28%
Norda ASA	806 360	3.45%
First Fondene	806 360	3.45%
Somap / Dinesh	806 360	3.45%
Arctic Securities AS	512 207	2.19%
DNB Asset Management	500 000	2.14%
Jakob Hatteland Holding AS	500 000	2.14%
Torstein Tvenge	500 000	2.14%
Paloma Partners	500 000	2.14%
Hadron MF Series II	407 540	1.74%
Hadron Alpha Plc	407 000	1.74%
Shiphold Ltd	403 180	1.72%
Skips AS Tudor	403 180	1.72%
Fjelltunveien Invest AS	400 000	1.71%
Hadron Master Fund	395 000	1.69%
Delphi Norge (Storebrand)	350 000	1.50%
Total top 20 investors	17 865 697	76.37%

# ADS Crude Carriers Plc

## Board of Directors



### **Bjørn Tore Larsen - Chairman**

Bjørn Tore Larsen is controlling shareholder of ADS, OSM Maritime Group and OSM Aviation Group. He founded the OSM Group, a leading global ship manager, in 1989.



### **Trym Sjølie - Director**

Trym Otto Sjølie is the Chief Operating Officer of Ship Finance International Limited. Mr. Sjølie has a background spanning 25 years in the shipping industry in diverse capacities, ranging from asset management, technical and operational management, chartering and engineering.



### **Marios Demetriades - Director**

Marios Demetriades held the position of Minister of Transport, Communications and Works of Cyprus from 2014 to 2018. Prior to this he held managerial positions with Piraeus Bank (Cyprus) for six years and Laiki Bank Group for approximately ten years.

### **Penelope Evangelidou - Director**

Law firm Chrysses Demetriades & Co LLC, Limassol, Cyprus.

### **Alkistis Dimitriou - Director**

Law firm Chrysses Demetriades & Co LLC, Limassol, Cyprus.

- \*AETSS is a JV between ADS and AET Tanker Holding



# Arendals Dampskibsselskab AS

## Arendals Dampskibsselskab will act as managers of ADS Crude Carriers Plc

- Arendals Dampskibsselskab AS - ADS - is a private Norwegian shipping company founded in 1857
- Today ADS manages shipping, offshore projects and investments on behalf of its shareholders and third parties
- ADS and associated companies have invested USD 6m in ADS Crude Carriers Plc
- [www.ads.no](http://www.ads.no)



### Terje Bodin Larsen - Managing Director

Terje Bodin Larsen joined ADS in 2008 from the position as managing director of DSI Norway AS, part of New York base DeWitt Stern Group. He previously held various senior positions in Gard, Storebrand and the banking industry.

Terje Bodin Larsen is the CEO of ADS Crude Carriers Plc

## ADS currently holds investments in the following vessels

Vessel	Built	DWT/BHP	Disponent Owner/ Commercial Manager	Ship Manager
<b>Bulk Carriers</b>				
ADS Galtesund	2007	DWT 75.395	ADS	OSM
ADS Arendal	2004	DWT 76.830	ADS	OSM
<b>Tankers</b>				
Eagle Barents	2015	DWT 120.000	AET Sea Shuttle	OSM
Eagle Bergen	2015	DWT 120.000	AET Sea Shuttle	OSM
ADS Oslo	2003	DWT 107.000	ADS/Frontline	OSM
HN 2236 TBN	2019	DWT 125.000	AET Sea Shuttle	OSM
HN 2237 TBN	2019	DWT 125.000	AET Sea Shuttle	OSM

# Technical and Commercial Managers

## Technical management by OSM Ship Management

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- OSM Maritime Group founded in 1989
  - Approximately 11,000 employees
  - 30 office locations
  - 500 vessels under management
- OSM is controlled by B T Larsen & Co Ltd. Bjørn Tore Larsen is Chairman and controlling shareholder.
- Second largest shareholder in OSM is US fund manager Oaktree Capital Management. Oaktree is a leader among global investment managers specializing in alternative investments, with more than \$122 billion in assets under management.
- [www.osm.no](http://www.osm.no)

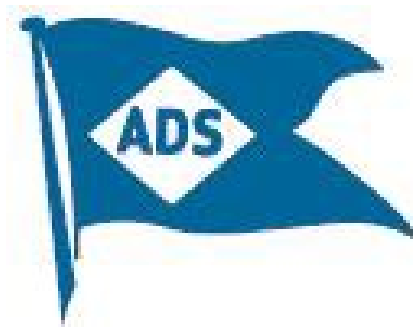


## Commercial manager - Frontline Ltd

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- World leading owner and operator of crude tankers
- More than 30 year history of operation
- Listed on NYSE and the Oslo Stock Exchange
- Commercial Management fees at market terms
- [www.frontline.bm](http://www.frontline.bm)





Thank you!

[www.adscrude.com](http://www.adscrude.com)