



# ADS CRUDE CARRIERS PLC

**Den store selskapskvelden – SMB 2019**

Oslo, 4 June 2019

*Bjørn Tore Larsen, Chairman*

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# ADS Crude Carriers at a glance

## ***Strategy***

- 3 x top-rated 2002 built VLCCs, all sister vessels acquired at the bottom of the market in mid-2018
- Limited down side on vessel values
- Partnered with leading and well established managers
- Low cost base
- Low debt and no fixed loan amortization

## ***Well positioned***

- Favourable docking schedule in 2019 for scrubber installation ahead of implementation of new environmental regulations from 1 January 2020
- Payback time of scrubber investment estimated to be less than one year
- Postive tanker market sentiment for second half of 2019 and 2020

## ***Shareholder value***

- Clear dividend policy aims to return surplus earnings back to shareholders in the form of quarterly dividends
- Will only grow the business in the event it provides value for existing shareholders

# ADS Crude Carriers: The story so far

*A new shipping company; established mid-2018*

- July 2018
  - Agreed acquisition of 3 x VLCCs for USD 22.5 million per vessel
    - Debt USD 10 million per vessel
  - USD 57 million equity raise 16 July 2018
- August 2018 – listed on Merkur Markets 28 August
- Q4 2018 – first full quarter of vessel operations

*Front Page*<sup>1</sup>  
delivered 20 Jul



*ADS Stratus*  
delivered 9 Aug



*ADS Serenade*  
delivered 13 Sep



<sup>1</sup> = to be renamed ADS Page during Q3 2019



# ADS Crude Carriers in 2019

*Already paying dividends; preparing for the future*

- **Q1 2019** – dividend declared in only the second full quarter of vessel operations
- **Q2 2019** – manufacturing of scrubbers successfully completed
- **Q3 2019** – yard slots scheduled for first half of the months of July, Aug. and Sep.
  - Intermediate survey and scrubber retrofiting

# ADS Crude Carriers: key partners

## **Arendals Dampskibsselskab AS are the corporate managers of ADS Crude Carriers Plc**



- Private Norwegian shipping company founded in 1857
- Manages shipping and offshore projects and investments on behalf of its shareholders and third parties
- Arendals Dampskibsselskab AS and associated companies own 10.3% of shares in ADS Crude Carriers

## **OSM Ship Management provide technical ship management of the ADS Crude Carriers fleet<sup>1</sup>**



- Founded 1989 – approximately 11,000 employees, 500 vessels under management and 30 offices worldwide

## **Frontline Ltd are the commercial manager of the ADS Crude Carriers fleet**



- World leading owner and operator of crude tankers with more than 30 years history
- Listed on the NYSE and Oslo Stock Exchange
- Ship Finance Ltd, an associated company of Frontline Ltd, own 17.2% of shares in ADS Crude Carriers



<sup>1</sup> = currently manages ADS Stratus and ADS Serenade. Will assume technical management of Front Page during Q3 2019

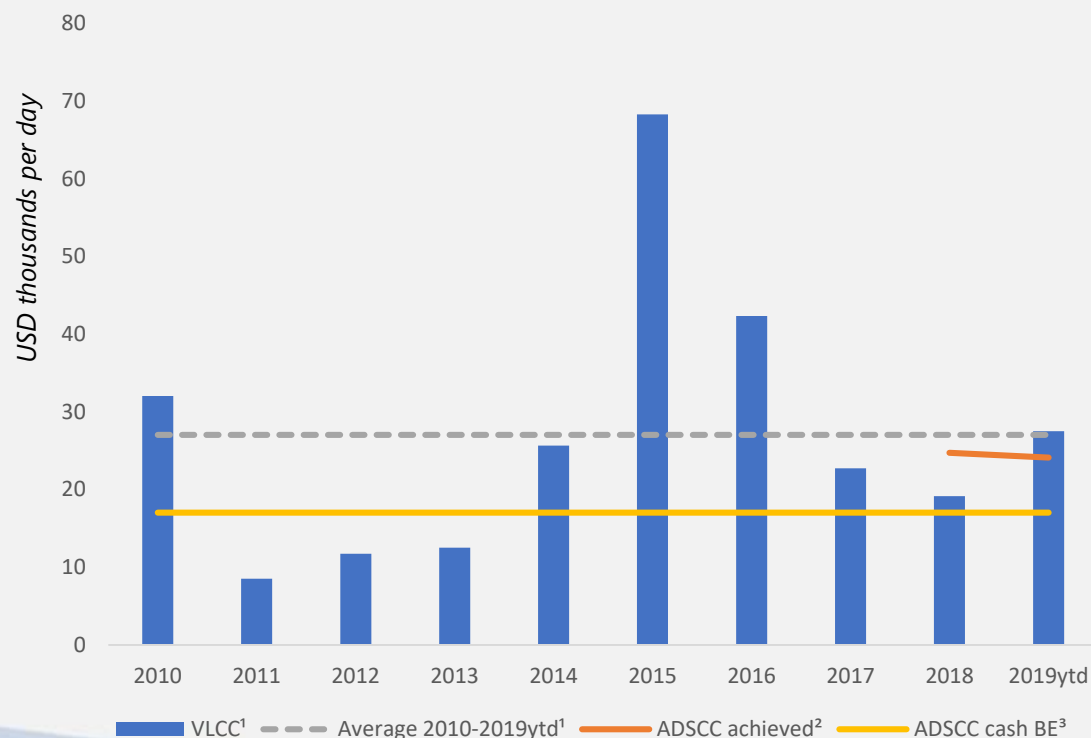
# Why scrubbers?

- From 1 January 2020 new regulations require that vessel sulphur emissions are reduced
  - Vessel owners have two options to comply:
    - i. Use more expensive low-sulphur fuel (MGO)
    - ii. Install emissions cleaning system (eg. scrubbers) to enable removal of sulphur from the cheaper high-sulphur fuel (HFO)
- Current spread between HFO and MGO is around USD 200<sup>1</sup> per MT
  - Fuel savings for ADSCC of approximately USD 11,500 per vessel day
    - Approximately USD 10.5 million per vessel savings over 2.5 years

<sup>1</sup> = Based on Singapore bunker prices

# Tanker market

## Average TCE for tankers 2012-2019



- ADS Crude Carriers cash break even significantly lower than historical market rate
- Positive market sentiment for 2019 and 2020

Broker forecast TCE for VLCCs (USD per day)	2019	2020
Arctic Securities	35 000	50 000
Fearnley Securities	40 000	60 000
Cleaves Securities	27 112	41 312
Clarksons Platou	32 500	55 000

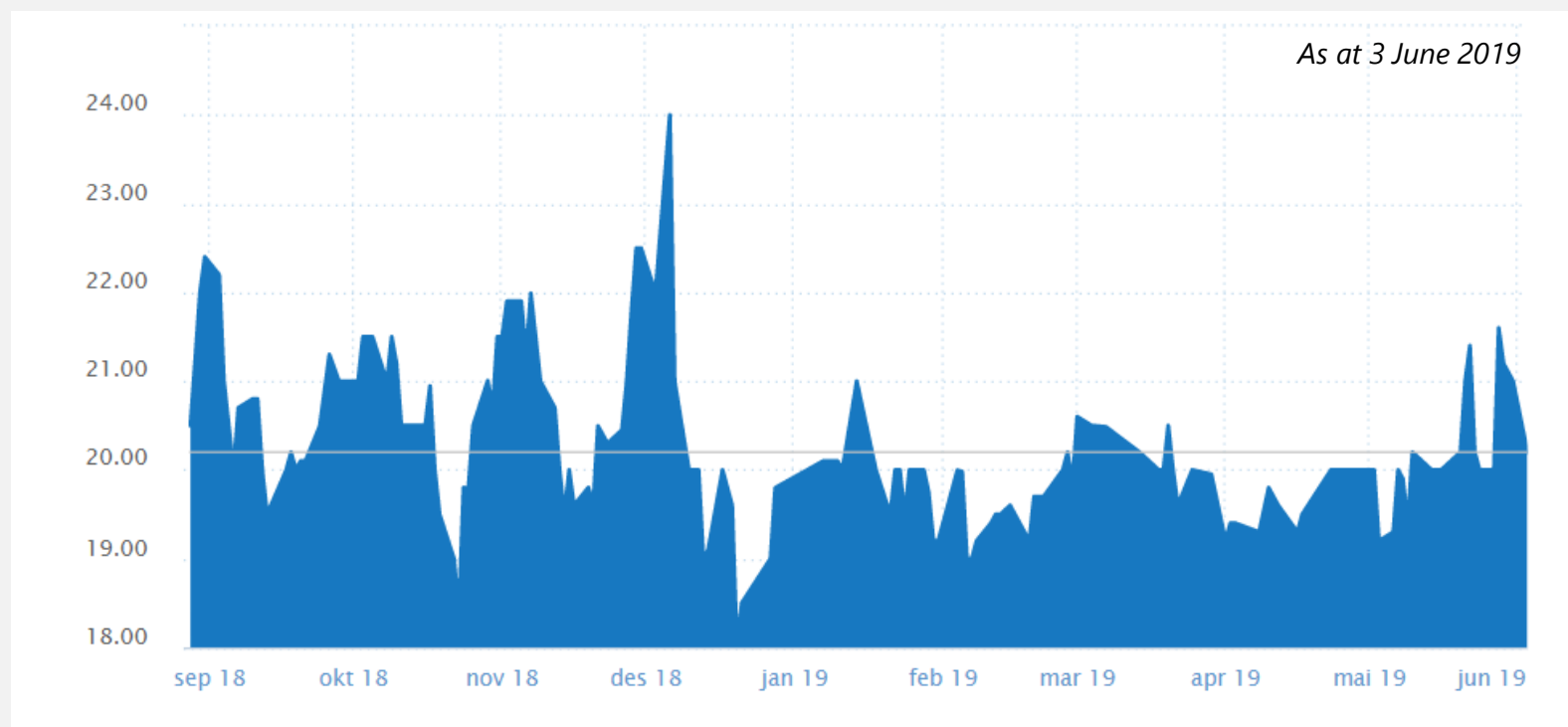
<sup>1</sup> = Source: Arctic Securities and Clarksons Platou

<sup>2</sup> = ADS Crude Carriers achieved TCE for 2018 consists only of Q4 2018 as that was the first quarter with full vessel operations. For 2019ytd, the achieved rate consists of Q1 2019

<sup>3</sup> = ADS Crude carriers cash break even on average basis for 2019 through 2022. See appendices for more details



# The share



- Listed on Merkur Markets since 28 August 2018
- Share price NOK 20.20
  - Discount to NAV of ~20%<sup>1</sup>
- Market Cap ~NOK 475m

<sup>1</sup> = based on a vessel value of USD 25 million and NOK:USD forex of 8.70

# Ownership

## Top 20 shareholders

Rank	Holding	Holding%	Name
1	4 031 800	17.2 %	SHIP FINANCE INTERNATIONAL LTD
2	2 021 754	8.6 %	ADS SHIPPING LIMITED
3	1 478 375	6.3 %	HORTULAN AS
4	1 456 360	6.2 %	NORDA ASA
5	1 344 203	5.7 %	VERDIPAPIRFONDET DNB SMB
6	891 340	3.8 %	Morgan Stanley & Co. Int. Plc.
7	720 360	3.1 %	FIRST GENERATOR
8	660 966	2.8 %	VATNE EQUITY AS
9	561 984	2.4 %	DNB NAVIGATOR (II)
10	500 000	2.1 %	JAKOB HATTELAND HOLDING AS
10	500 000	2.1 %	SONGA TRADING INC
12	403 180	1.7 %	SHIPHOLD LTD
12	403 180	1.7 %	SKIPS AS TUDOR
14	400 000	1.7 %	FJELLTUNVEIEN INVEST AS
14	400 000	1.7 %	BERNT HOLDING AS
16	392 671	1.7 %	J.P. Morgan Securities LLC
17	374 022	1.6 %	HERFO FINANS AS
18	350 000	1.5 %	VERDIPAPIRFONDET DELPHI NORGE
19	300 000	1.3 %	SIX SIS AG
20	285 000	1.2 %	Euroclear Bank S.A./N.V.
<b>Top 20</b>	<b>17 475 195</b>	<b>74.7 %</b>	
<b>All shares</b>	<b>23 390 294</b>	<b>100.0 %</b>	

As at 31 May 2019

Free float 72.4%

- 27.6% shares owned by ADS<sup>1</sup> and Ship Finance

Growth in shareholder base:

- 74 at 28 Aug-18
- 256 at 31 Dec-18
- 361 at 31 May-19

<sup>1</sup> = includes shareholding of ADS Shipping Ltd and Shiphold Ltd

# Appendices



ADS CRUDE CARRIERS PLC



# Income statement

## Q1 2019

- Second quarter of full vessel operation
- TCE<sup>1</sup> achieved of USD 24,093 per day
  - USD 24,697 in Q4 2018
- EBIT 36% of net revenue
  - 39% in Q4 2018
- Announcement of first dividend
  - USD 0.04 per share
  - ~7% annualized yield

	Quarter ended		
	Q1 2019	Q4 2018	Q3 2018
<i>(In millions of USD)</i>			
<b>Net revenue<sup>2</sup></b>	<b>6.5</b>	<b>6.8</b>	<b>1.1</b>
OPEX	(2.5)	(2.7)	(1.9)
G&A	(0.3)	(0.2)	(0.4)
Depreciation	(1.3)	(1.3)	(0.6)
<b>Operating profit</b>	<b>2.4</b>	<b>2.6</b>	<b>(1.7)</b>
Net finance costs	(0.5)	(0.5)	(0.3)
<b>Net profit</b>	<b>1.8</b>	<b>2.2</b>	<b>(2.1)</b>
<i>(USD per share)</i>			
EPS	0.08	0.09	(0.11)
Dividend	0.04	-	-

<sup>2</sup> = Net revenue calculated as gross revenue less voyage expenses

<sup>1</sup> = Time charter equivalent

# Balance sheet

## Q1 2019

- Limited down side on vessel values
  - Vessel carrying value USD 22 million per vessel, compared to estimated current recycling value USD 16 million<sup>1</sup>
- Healthy working capital
  - Net current assets USD 21.2 million
- Low external debt
  - Debt of USD 10 million per vessel
  - Equity ratio 64%

		As at end	
	Q1 2019	Q4 2018	Q3 2018
<i>(In millions of USD)</i>			
Vessels	66.4	67.7	67.3
Current assets	23.5	24.4	17.1
<b>Total assets</b>	<b>89.9</b>	<b>92.2</b>	<b>84.4</b>
Equity	57.8	56.0	53.8
Debt	29.7	29.7	29.7
Current liabilities	2.3	6.4	0.9
<b>Total liabilities</b>	<b>32.0</b>	<b>36.2</b>	<b>30.6</b>
<b>Total equity and liabilities</b>	<b>89.9</b>	<b>92.2</b>	<b>84.4</b>

<sup>1</sup> = Based on USD 400/ldt

# Cash flow

## Q1 2019

- USD 4.0 million cash from operations
  - Working capital movements USD 0.3 million
- USD 1.2 million investments
  - Scheduled payment to scrubber manufacturer
- USD 0.5 million cash outflow from financing activities
  - Interest payment USD 0.5 million
- Free cash at quarter end of USD 16.0 million

<i>(In millions of USD)</i>	Quarter ended		
	Q1 2019	Q4 2018	Q3 2018
Cash from operations	4.0	3.2	(5.8)
Cash investment in vessels	(1.2)	(0.5)	(67.9)
Cash from financing activities	(0.5)	(0.4)	85.0
Net cash flow	2.3	2.3	11.4
Free cash <sup>1</sup>	16.0	13.7	11.4

<sup>1</sup> = Free cash includes all cash and cash equivalents, excluding restricted cash balance USD 0.5 million

# Debt overview

## Interest bearing debt as at 31 March 2019

<i>USD millions</i>	As at end Q1 2019		
	Nominal outstanding	Maturity	Interest
Vessel 1 – <i>Front Page</i>	10.0	31 Dec 2022	4.5% + LIBOR 3 month
Vessel 2 – <i>ADS Stratus</i>	10.0	31 Dec 2022	4.5% + LIBOR 3 month
Vessel 3 – <i>ADS Serenade</i>	10.0	31 Dec 2022	4.5% + LIBOR 3 month
<b>Total gross debt</b>	<b>30.0</b>		
Total cash held <sup>1</sup>	16.5		
<b>Net interest bearing debt</b>	<b>13.5</b>		

The vessel loans are repayable in full at maturity. Additionally, 50% of any dividend payment exceeding the below thresholds is payable as prepayment of the loan:

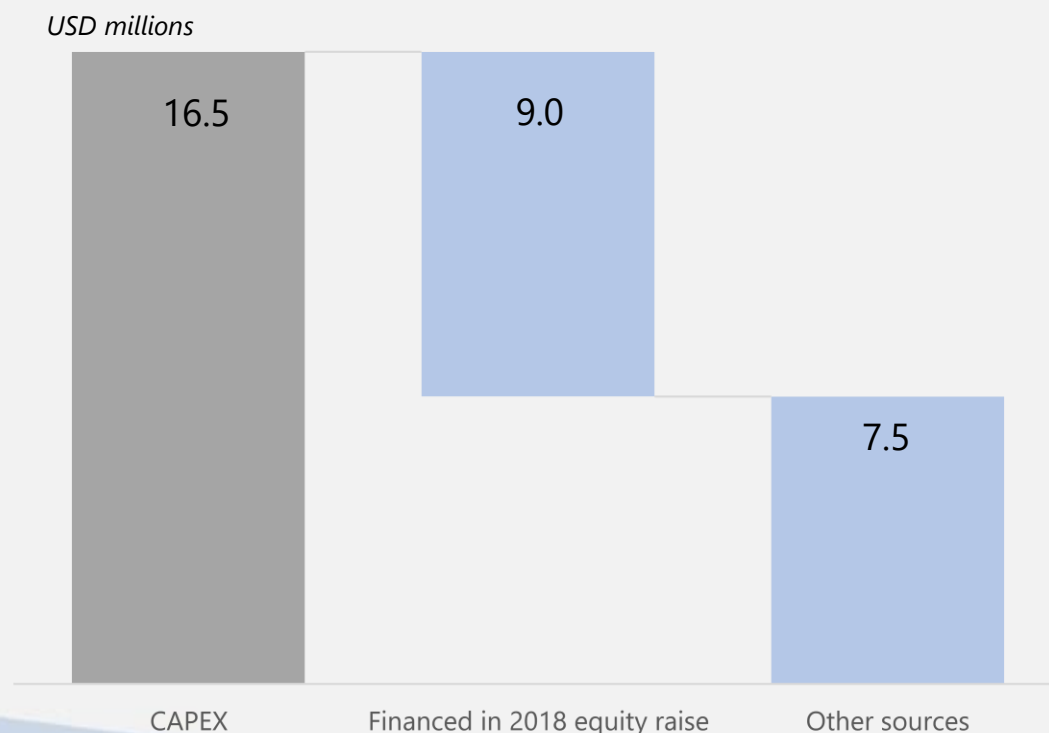
- USD 2 million per financial quarter
- USD 4 million per financial half-year
- USD 8 million per financial year

This prepayment obligation only applies until the principal amount outstanding under the vessel loans has been reduced to USD 24 million

<sup>1</sup> = Total cash includes restricted cash balance USD 0.5 million that is held in escrow under the terms of the vessel loan agreement

# CAPEX

## CAPEX requirement 2019 - 2022<sup>1</sup>



- CAPEX requirement consists of:
  - Mandatory intermediate surveys
  - Scrubber investments
- All spend expected in 2019<sup>1</sup>
- Remaining USD 7.5 million element expected to be financed through a combination of cash from operations and new debt

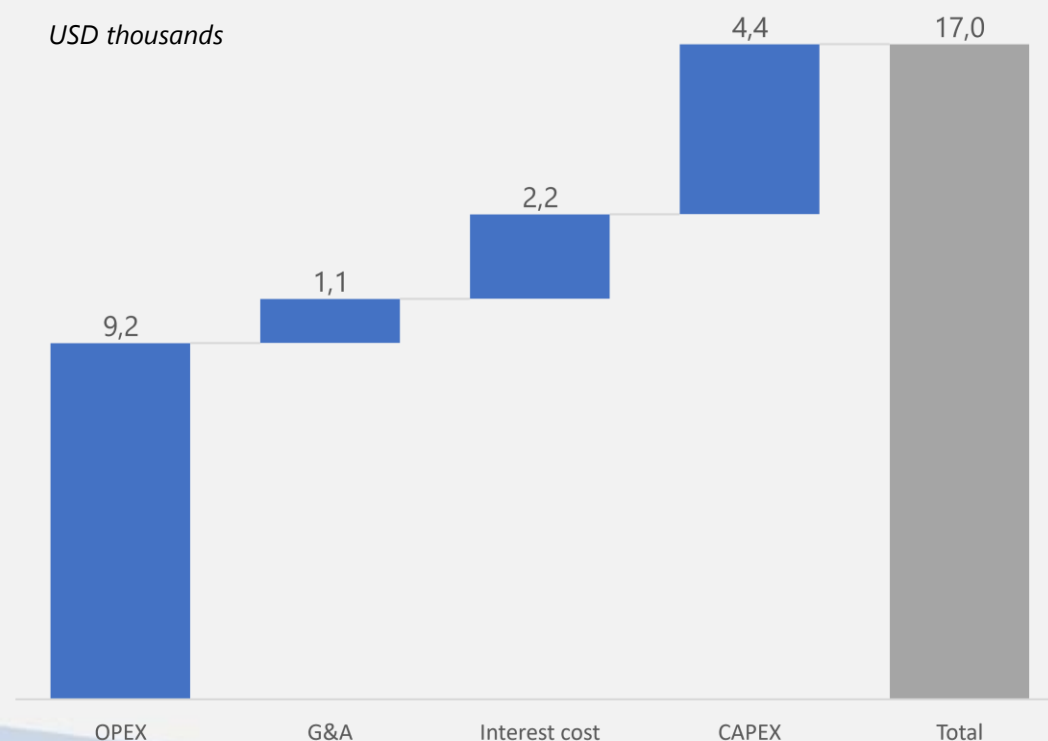
<sup>1</sup> = Includes USD 0.5 million advanced payment for scrubber manufacturer paid in 2018



# Cash break even

## Break even 2019 - 2022

USD thousands



BE cash cost includes OPEX, G&A, interest, scrubber investment and intermediate survey cost calculated from 1 January 2019 until 20-year lifetime of vessel (2022)

- Calculated on an average basis across the period, across the fleet
- Based on vessel days basis, adjusted for days expected at dry-dock but not adjusted for possible technical downtime.
- Debt repayment at maturity excluded as assumed covered by recycling value of vessel at loan maturity
- BE amount is on a per vessel basis

# Dividend

## Key information relating to the cash dividend declared for Q1 2019

- Amount: USD 0.04 per share (payable in NOK at the prevailing forex rate on or around the last day including the right)
- Date of approval: 28 May 2019
- Last day including right: 11 June 2019
- Ex-div date: 12 June 2019
- Record date: 13 June 2019
- Payment date: on or about 26 June 2019

## Dividend policy

“The Board aims to distribute dividends to shareholders for financial periods the Company generates sufficient net profits and has available excess cash. Future dividend payments will depend on the underlying Company financial performance and market development, as well as expectations about the future. In evaluating dividend distributions, the Board will take into consideration the Company’s forecasted liquidity, investment plans, financing requirements and level of financial flexibility that the Board believes is appropriate for the Company.”

# The Fleet



FRONT PAGE

- **Vessel name:** Front Page
- **Type:** VLCC
- **Yard:** Hitachi Zosen Corporation, Japan
- **Built:** 2002
- **Delivery to ADS Crude Carriers:** 20 July 2018
- **DTW:** 299.164 MT
- **LOA:** 329.99 m



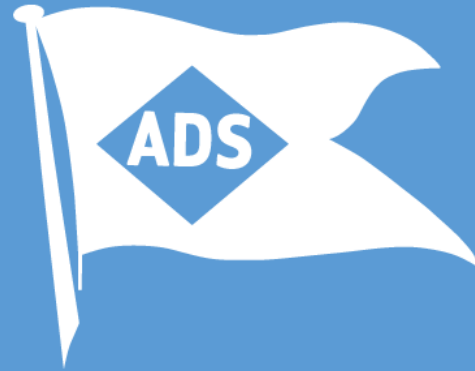
ADS STRATUS

- **Vessel name:** ADS Stratus
- **Type:** VLCC
- **Yard:** Hitachi Zosen Corporation, Japan
- **Built:** 2002
- **Delivery to ADS Crude Carriers:** 14 August 2018
- **DTW:** 299.157 MT
- **LOA:** 329.99 m



ADS SERENADE

- **Vessel name:** ADS Serenade
- **Type:** VLCC
- **Yard:** Hitachi Zosen Corporation, Japan
- **Built:** 2002
- **Delivery to ADS Crude Carriers:** 13 September 2018
- **DTW:** 299.152 MT
- **LOA:** 329.99 m



**ADS CRUDE CARRIERS PLC**