



# American Shipping Company ASA



Presentation of Q4 2018

28 February 2019

# Important information

- Nothing herein shall create any implication that there has been no change in the affairs of American Shipping Company ASA ("AMSC" or the "Company") as of the date of this Company Presentation. This Company Presentation contains forward-looking statements relating to the Company's business, the Company's prospects, potential future performance and demand for the Company's assets, the Jones Act tanker market and other forward-looking statements. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. The forward-looking statements contained in this Company Presentation, including assumptions, opinions and views of the Company or cited from third party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development.

# Fourth Quarter 2018 Highlights

- Adjusted net profit of USD 2.9 million\*
- Normalized EBITDA\*\* of USD 22.2 million
  - No profit share
  - DPO of USD 0.9 million
- Declared Q4 dividend of USD 0.08 per share, consistent with prior guidance
  - Ex-dividend date of 6 March 2019 with payment on or about 15th March 2019
  - Classified as a return of paid in capital
- Nine bareboat charters renewed with OSG
- Improved market conditions for Jones Act tankers
  - Crude volumes to U.S. Northeast further increased
  - Improved time charter rates
  - Limited supply growth going forward

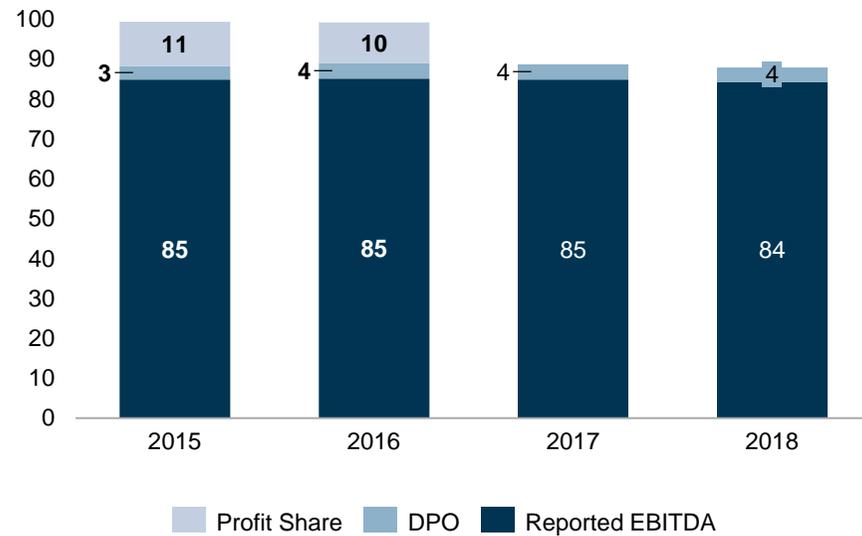


\* Net profit after tax, adjusted for non-recurring items, currency fluctuations, mark-to-market of derivatives and changes to deferred tax

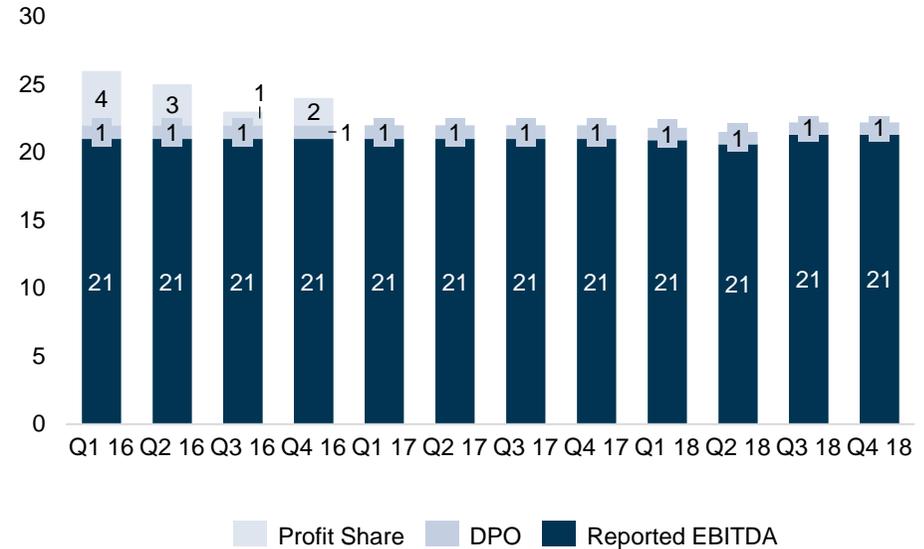
\*\* Includes DPO, reported EBITDA for Q3 18 is USD 21.3 million

# Stable, Predictable EBITDA

## Normalized EBITDA\* (USD millions)



## Normalized EBITDA\* per quarter (USD millions)

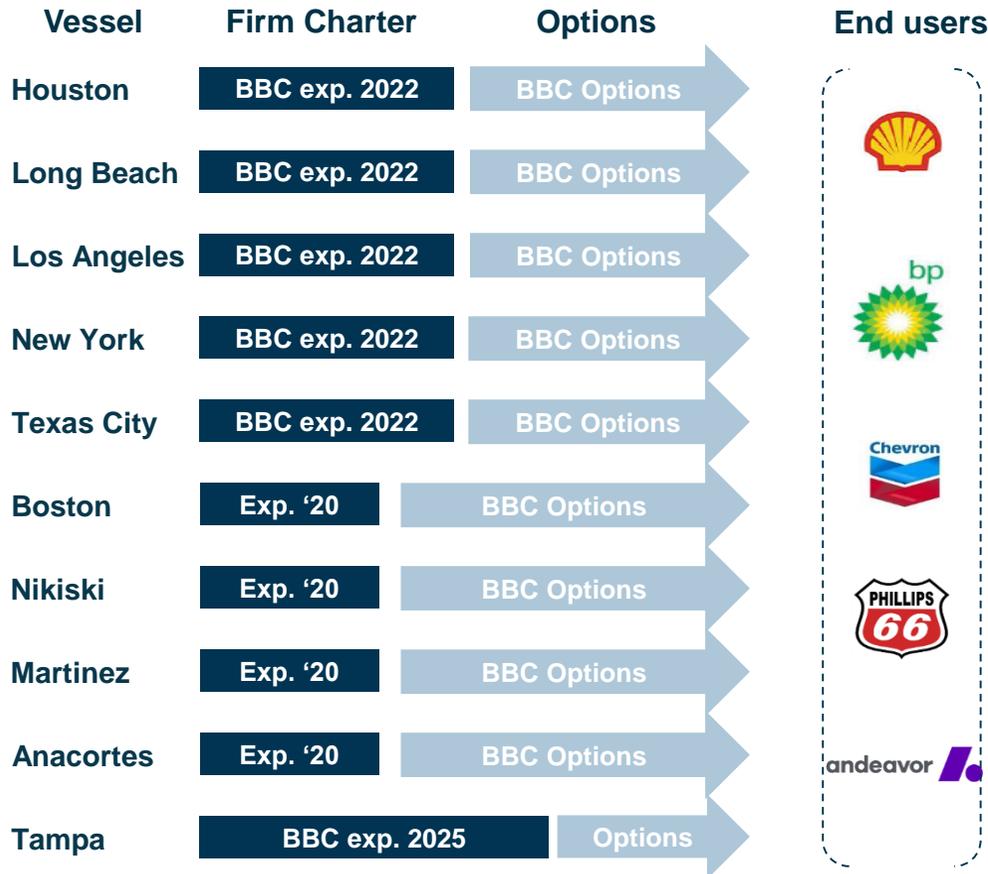


- Normalized EBITDA\* of USD 22.2 million in Q4 18 (USD 22.1 million in Q4 17)
- No profit share in Q4 18 or Q4 17
- DPO of USD 0.9 in Q4 18 (USD 0.9 million in Q4 17)

\* Including Profit Share (except 2018 and 2017 where profit share was 0 for the full year) and DPO. Reported EBITDA for Q4 18 is USD 21.3 million

# Fleet Deployment Overview

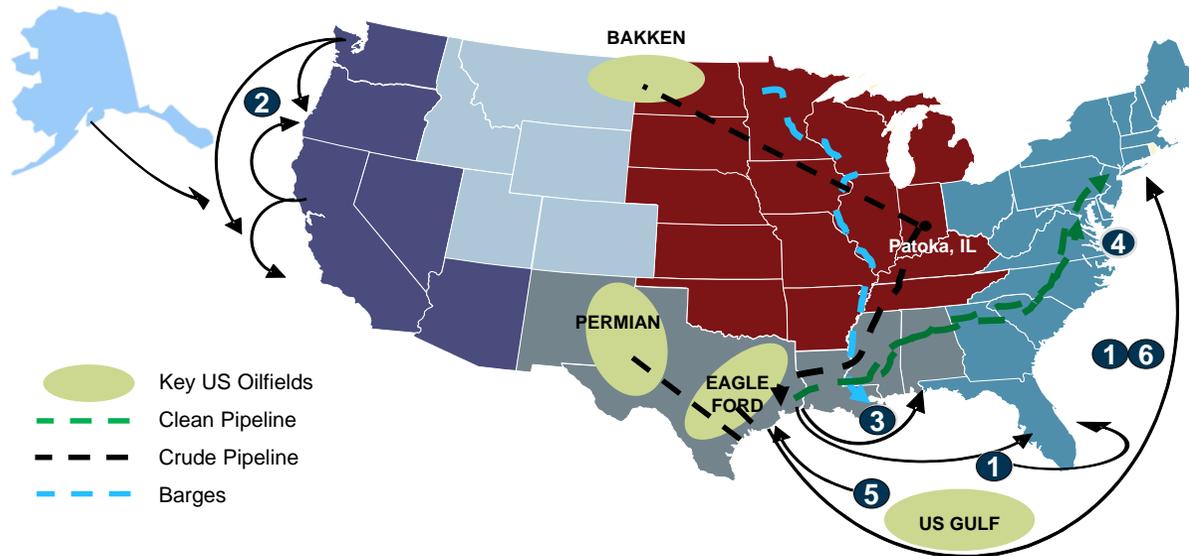
## Long-term fixed rate bareboat charters to OSG secures cash flow



- AMSC's fleet is on firm BB Charters to OSG with evergreen extension options
- AMSC receives fixed annual bareboat revenue of USD 88 million + ~50% of the profits generated by OSG under the time charter contracts
- OSG time charters the vessels to oil majors for U.S domestic trade

# A Critical Part of Oil Majors' Transportation Logistics

## Primary trade routes for Jones Act crude oil and products



### Jones Act Tanker Routes:

- 1** Gulf Coast refineries to Florida and East Coast (Clean)
- 2** Alaska and Intra-west coast movements (Clean/Dirty)
- 3** Cross-Gulf movements (Dirty)
- 4** Delaware Bay Lightening (Dirty)
- 5** Shuttle tankers from deep water U.S. Gulf to Gulf Coast Refineries (Dirty)
- 6** Gulf Coast crude to Northeast refineries (Dirty)

## The Permian Pipeline Crunch

### Permian Pipeline Capacity – New Projects and Production Growth, MBDs

| Pipeline project     | Start  | Incremental capacity | Total capacity |
|----------------------|--------|----------------------|----------------|
| Current capacity     |        |                      | 2.80           |
| Local refining       |        | 0.50                 | 3.30           |
| Sunrise              | Q2 '19 | 0.12                 | 3.51           |
| Cactus 2             | Q4 '19 | 0.67                 | 4.18           |
| Gray Oak             | Q1 '20 | 0.70                 | 4.88           |
| EPIC                 | Q2 '20 | 0.40                 | 5.28           |
| Enterprise NGL       | Q2 '20 | 0.10                 | 5.38           |
| Permian to Gulfcoast | Q3 '20 | 0.60                 | 5.98           |
| ExxonMobil           | Q4 '20 | 1.00                 | 6.98           |

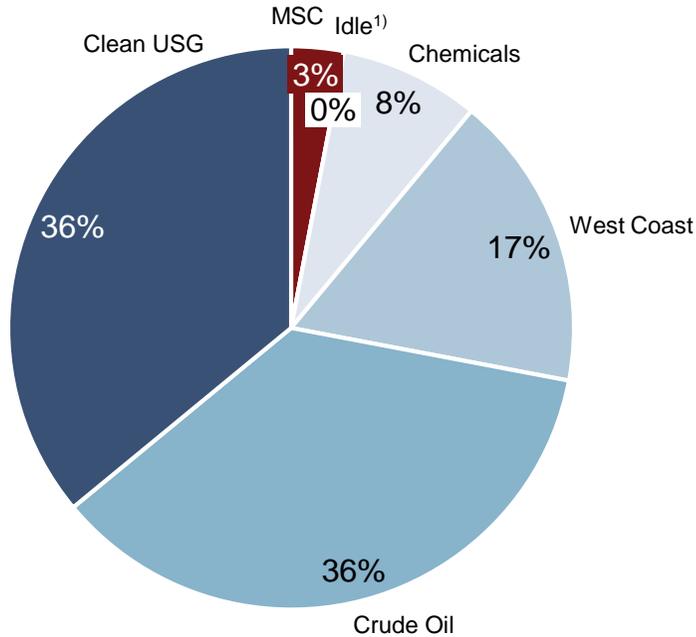
**Permian production growth has surpassed pipeline takeaway capacity – additional volumes to drive tanker demand**

# Majority of Fleet Carry Clean Products

Jones Act tanker fleet deployment by main trades (Tankers and ATBs)

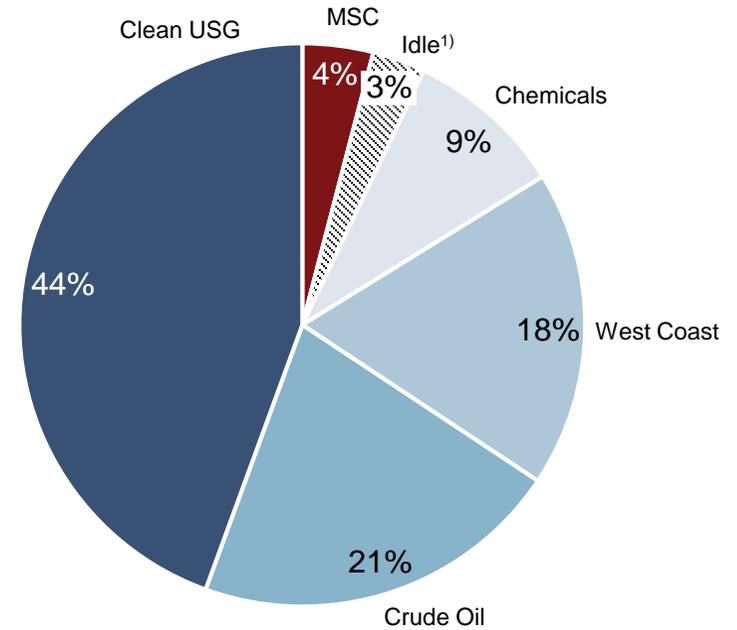
**2015**

Total capacity: ~20 mbbls



**Dec 2018**

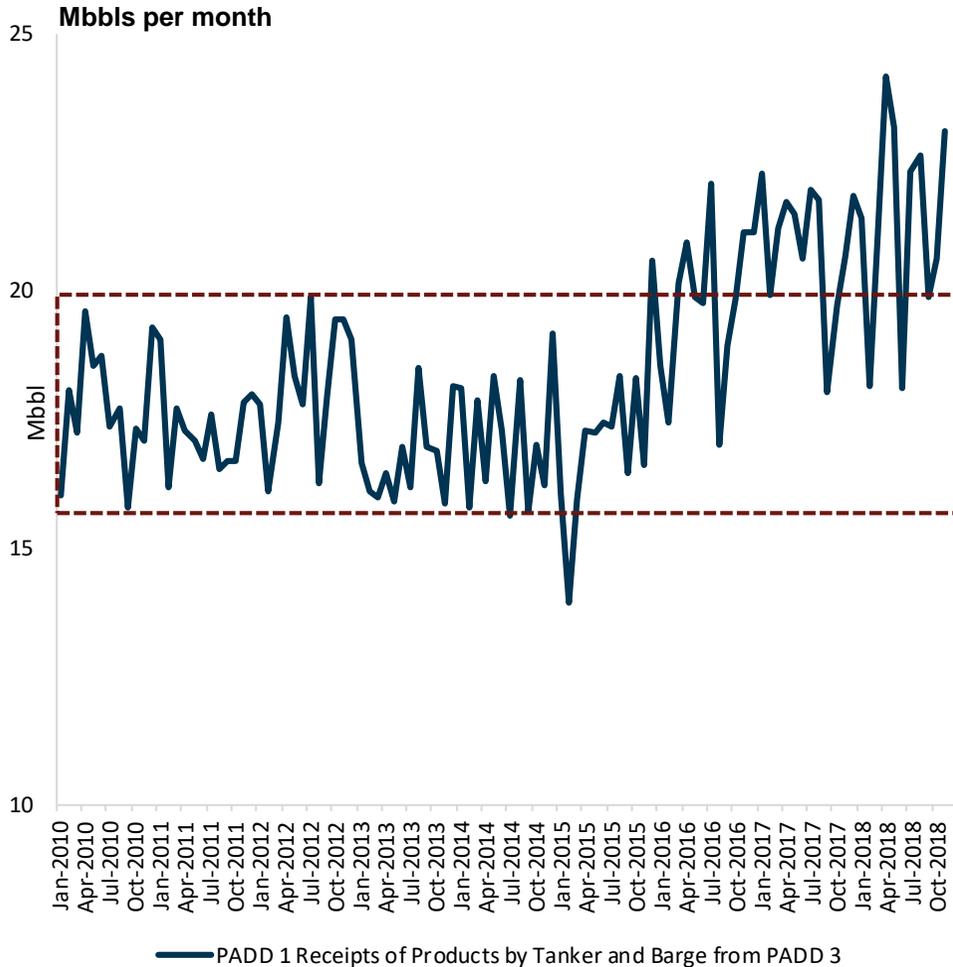
Total capacity: ~23.5 mbbls



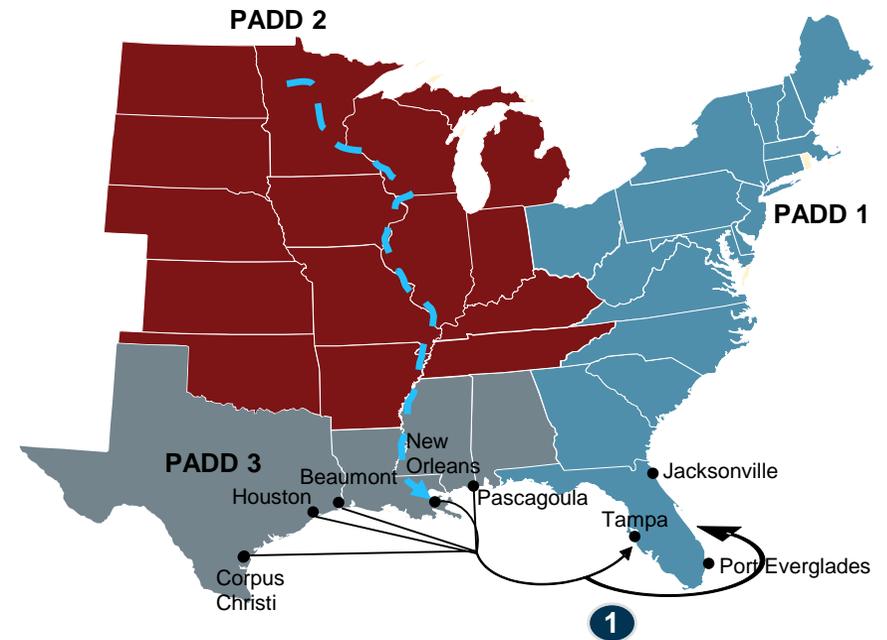
***Significant upside potential for Jones Act deployment in Crude Oil***

# Increasing Volumes Into Florida

## Rising seaborn transport from Gulf to East Coast



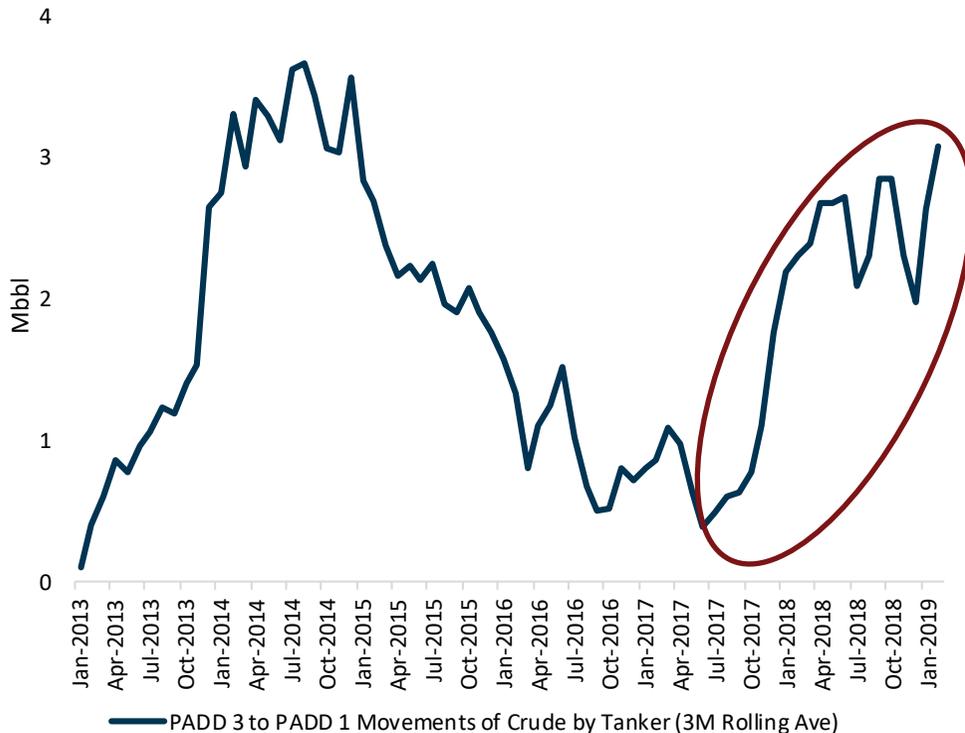
## Gulf Coast to Florida Trade Lane



Sources: EIA

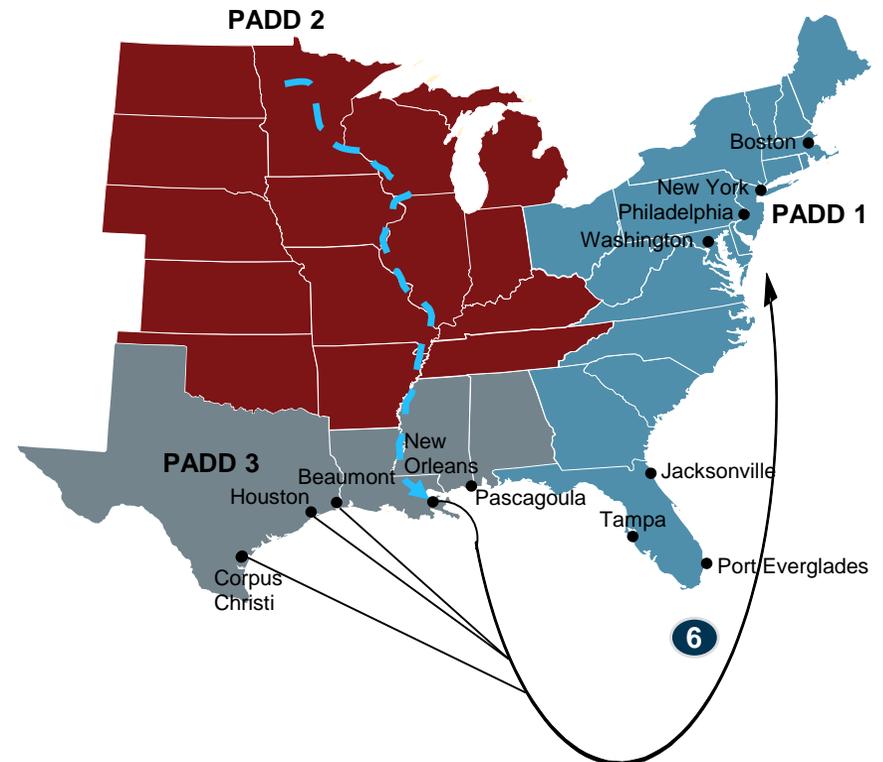
# Crude Returning to Peak Levels on East Coast

## PADD 3 to PADD 1 Crude Oil Moves by Tanker and Barge



- East Coast volumes back to ~6 tankers, up from ~1 tanker during 2017
- Volumes driven by spread in pricing of U.S. oil vs international alternatives

## Trade lane carrying Crude from Gulf Coast to U.S. Northeast

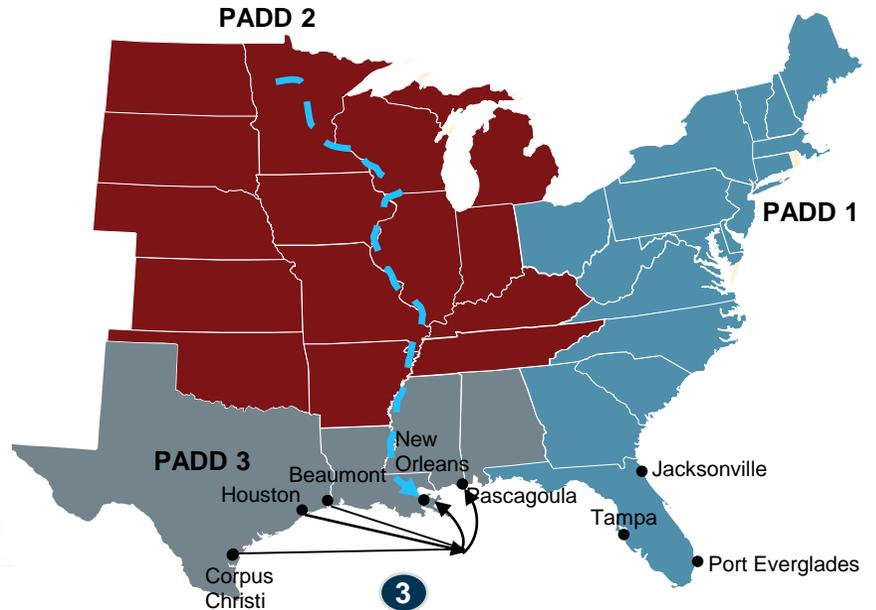
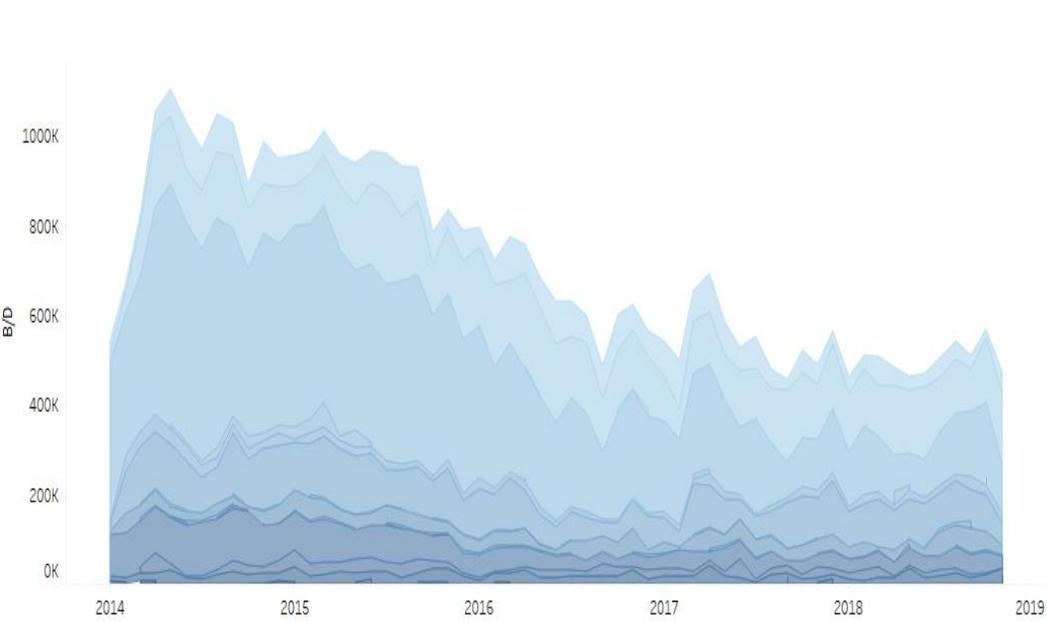


# Intra Gulf Crude Shipping Volumes Stabilizing

## Intra PADD 3 Crude Oil Volumes

## Intra Gulf Trades are mainly Crude Oil from Texas into Louisiana, Alabama and Mississippi

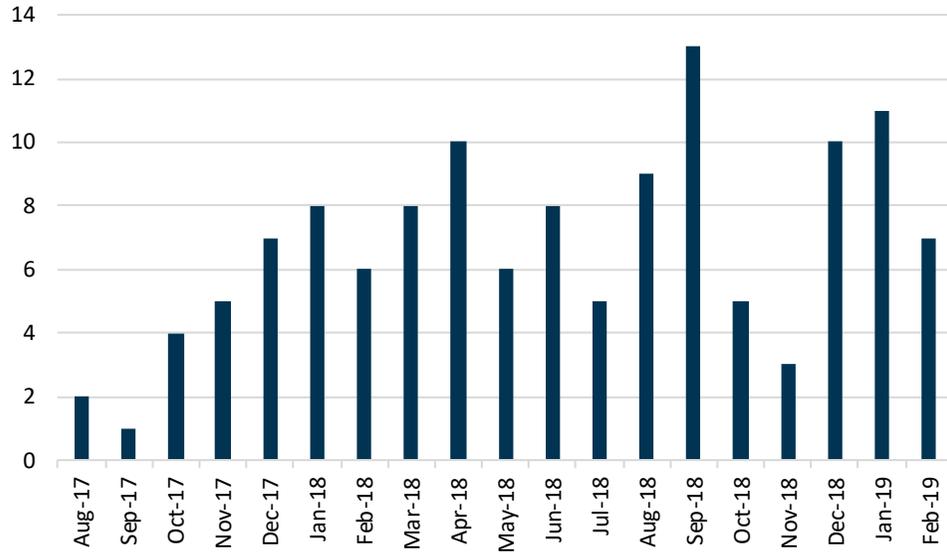
KBD's



- Jones Act U.S. Gulf loading has stabilized at 500k barrels per day

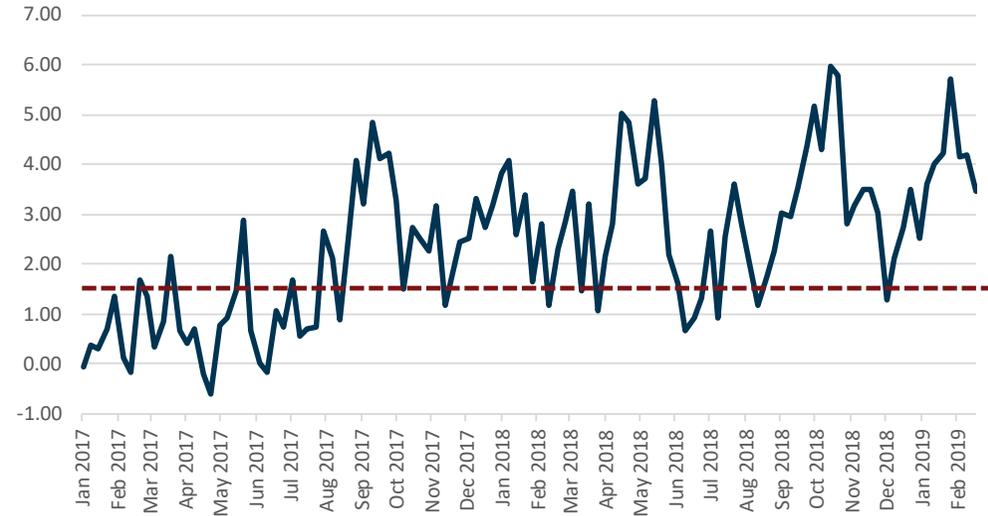
# Oil Price Spread - Key Driver for Increased Crude Shipping Volumes

## PADD 3 to PADD 1 Crude Oil Moves by Number of Tanker Liftings



- 11 voyages in Jan 2018, Delta refinery completed maintenance in Oct/Nov
- On average 8 MR voyages per month of crude to U.S. Northeast refineries

## Crude Oil Price Spread - WTI Houston vs. Bonny Light

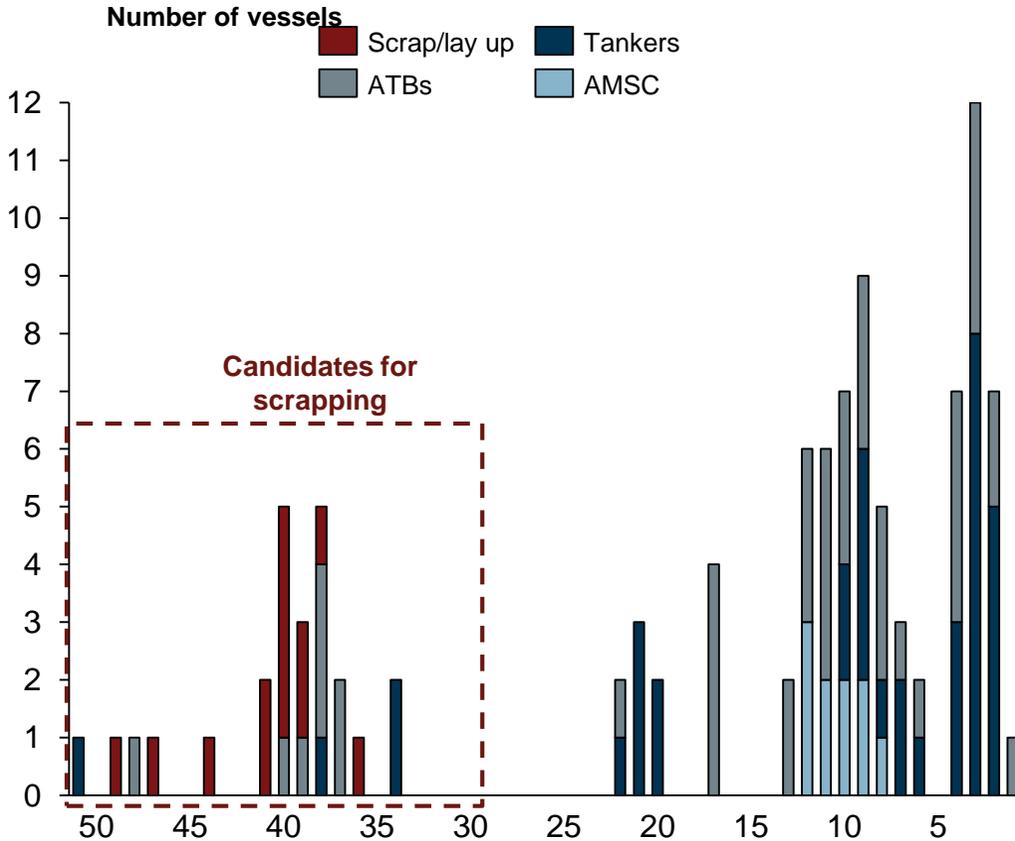


- Crude loaded in Houston vs. West Africa needs to be minimum \$1.50 cheaper to be competitive for purchase by U.S. Northeast Refiners
- Spread has been sufficiently wide since Aug/Sept 2017

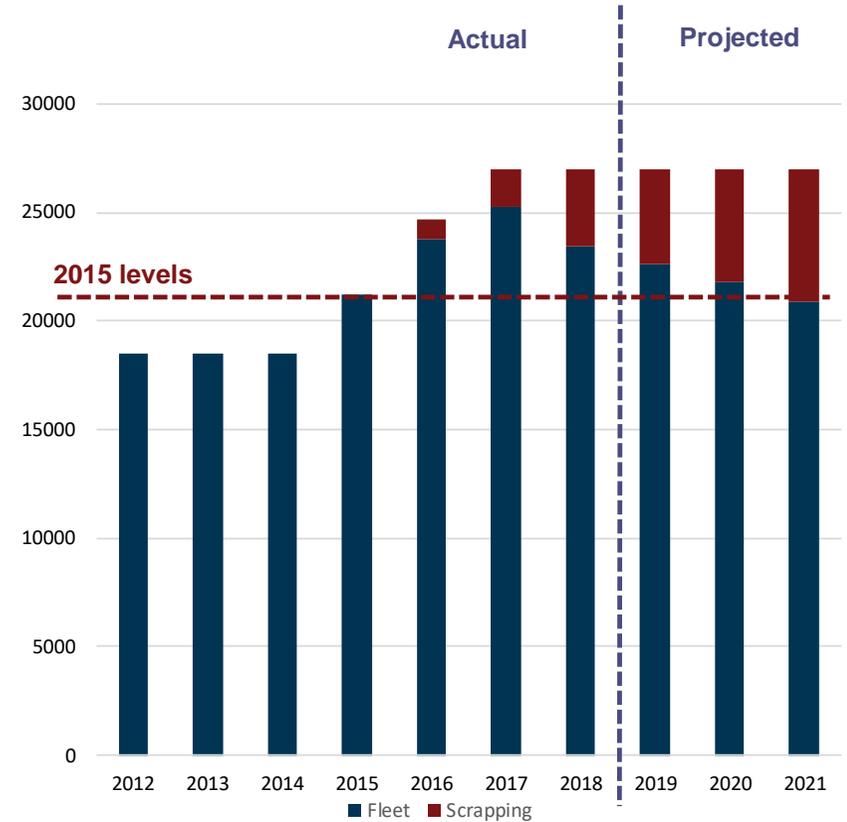
# Fleet Reduction as Scrapping Continues

Fleet profile by vessel age

Considerable fleet growth over the last 3 years, but scrapping likely to bring fleet back to 2015 levels



Kbbbs capacity



Source: Navigistics' Wilson Gillette Report Dec 2018, broker reports and AMSC analysis

# Income Statement (unaudited)

| Figures in USD million (except share and per share information) | Q4 2018     | Q4 2017     |
|---|-------------|-------------|
| Operating revenues  | 22.1        | 22.1        |
| Operating expenses  | (0.8)       | (1.0)       |
| <b>Operating profit before depreciation - EBITDA</b>            | <b>21.3</b> | <b>21.2</b> |
| Depreciation  | (8.5)       | (8.3)       |
| <b>Operating profit - EBIT</b>                                  | <b>12.8</b> | <b>12.9</b> |
| Gain on investments   | -           | (1.0)       |
| Net interest expense  | (10.2)      | (10.2)      |
| Unrealized gain/(loss) on interest swaps                        | (1.8)       | 1.8         |
| Net foreign exchange gain/(loss)                                | -           | -           |
| <b>Profit/(loss) before income tax</b>                          | <b>0.8</b>  | <b>3.5</b>  |
| Income tax expense  | 0.3         | (1.9)       |
| Non-cash income tax expense                                     | (0.8)       | 8.4         |
| <b>Net profit / (loss) for the period *</b>                     | <b>0.3</b>  | <b>9.9</b>  |
| Average number of common shares                                 | 60,616,505  | 60,616,505  |
| <b>Earnings/(loss) per share (USD)</b>                          | <b>0.01</b> | <b>0.16</b> |

\*Applicable to common stockholders of the parent company

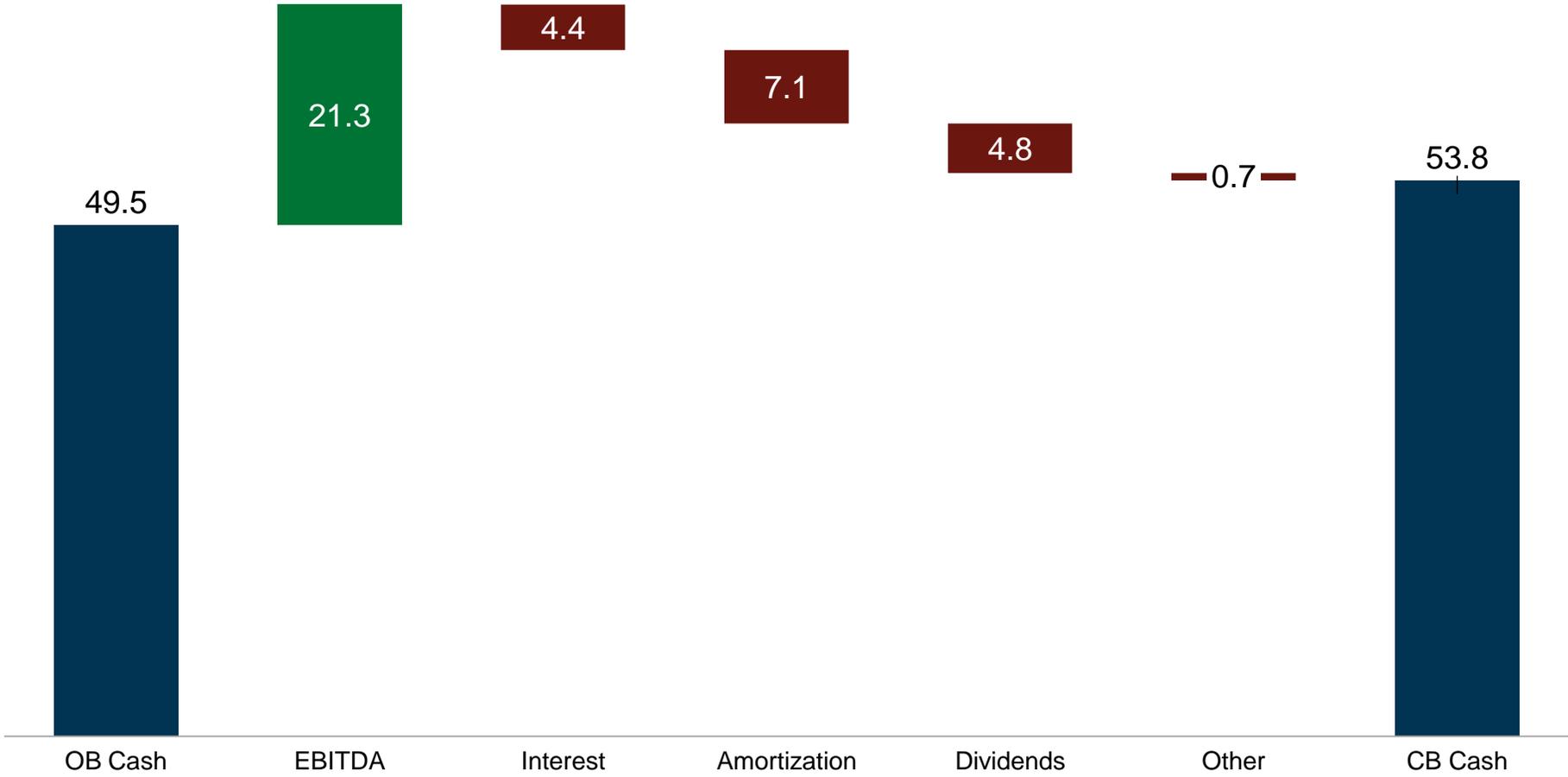
# Balance Sheet (unaudited)

| Figures in USD millions                      | 31.12.2018   | 31.12.2017   |
|--|--------------|--------------|
| Vessels                                      | 711.8        | 745.6        |
| Interest-bearing long term receivables (DPO) | 26.7         | 28.7         |
| Other non current assets                     | 16.4         | 16.6         |
| Derivative financial assets                  | 2.4          | 1.6          |
| Trade and other receivables                  | 0.2          | 0.2          |
| Cash held for specified uses                 | 2.7          | 2.3          |
| Cash and cash equivalents                    | 51.1         | 52.0         |
| <b>TOTAL ASSETS</b>                          | <b>811.3</b> | <b>847.1</b> |
| Total equity                                 | 176.1        | 186.9        |
| Deferred tax liabilities                     | 13.0         | 11.6         |
| Interest-bearing long term debt              | 572.3        | 600.1        |
| Derivative financial liabilities             | -            | -            |
| Interest-bearing short term debt             | 29.6         | 28.3         |
| Deferred revenues and other payables         | 20.3         | 20.2         |
| <b>TOTAL EQUITY AND LIABILITIES</b>          | <b>811.3</b> | <b>847.1</b> |

# Cash position increased during the quarter



CASH DEVELOPMENT IN 4Q 18 (USD millions)



# Investment Highlights

## Highlights

## Comments

### INCREASING DEMAND IN KEY TRADES

- Soaring crude shipments from U.S. Gulf to the U.S. Northeast, highest since 2015
- Growing clean trade into Florida
- Jones Act rates continue to increase

### REDUCING FLEET CAPACITY

- Scrapping of older tonnage continues with 2 MRs and 5 ATBs retired in 2018
- 12 tankers and ATBs approaching 35 years or older in 2020; with Special Surveys coming up
- Slim orderbook with only two ATBs for delivery in 2020

### FLEET WELL POSITIONED TO BENEFIT FROM MARKET UPSIDE

- OSG is to redeploy nine AMSC owned vessels on new time charters during 2019
- The fleet is well positioned to capitalise on increased time charter rates through the profit split

### LEADING MARKET POSITION WITH STABLE CASH FLOWS

- Bareboat contracts provide stable cash flows with profit share upside potential
- Existing modern fleet that is integral to OSG's business
- Well positioned to take advantage of growth opportunities in a strengthening market

