



# First Quarter 2018 presentation

May 9 2018



## Agenda

- Highlights
- Financials
- Operational review/Strategy
- Prospects and Market update

# Highlights

- The chemical tanker market remains challenging, despite good underlying activity. The market for tank terminals was stable compared to 4Q 17
- EBITDA of USD 34 mill, compared with USD 41 mill in 4Q 17
- Net results of USD -12 mill compared to USD 104 mill in last quarter
- EBITDA of USD 27 mill from Odfjell Tankers compared to USD 31 mill in 4Q 17. Higher costs related to deliveries and less revenue days the main variance
- EBITDA of USD 6 mill from Odfjell Terminals compared to USD 10 mill in 4Q 17. Sale of Singapore terminal in 4Q was the main variance
- A dividend of NOK 1.50 per share was approved at the AGM

## Subsequent events

- Lindsay Goldberg (LG) are considering a sale of its 49% shareholding in Odfjell Terminals B.V. (OTBV). Odfjell SE considers Odfjell Terminals as core business, but may evaluate selling its 51% shareholding in Odfjell Terminals Rotterdam (OTR)

### Key figures, USD mill<sup>1</sup>

(USD mill, unaudited)	2Q17	3Q17	4Q17	1Q18	1Q17	FY17	FY16
Odfjell Tankers	208.9	207.6	213.2	<b>211.6</b>	212.8	842.5	832.4
Odfjell Terminals	27.5	27.0	28.4	<b>25.2</b>	27.8	110.8	122.7
<b>Revenues*</b>	<b>238.5</b>	<b>236.7</b>	<b>243.5</b>	<b>238.9</b>	<b>243.0</b>	<b>961.7</b>	<b>967.2</b>
Odfjell Tankers	30.5	28.0	30.6	<b>26.9</b>	36.0	125.0	187.7
Odfjell Terminals	10.3	8.7	9.8	<b>6.3</b>	9.5	38.4	46.5
<b>EBITDA*</b>	<b>41.4</b>	<b>37.3</b>	<b>40.8</b>	<b>33.9</b>	<b>46.2</b>	<b>165.8</b>	<b>237.6</b>
EBIT	14.2	3.6	97.3	<b>3.0</b>	17.7	132.8	144.6
Net profit	(4.7)	(10.5)	104.3	<b>(12.1)</b>	1.5	90.6	100.0
<b>EPS**</b>	<b>(0.06)</b>	<b>(0.13)</b>	<b>1.33</b>	<b>(0.15)</b>	<b>0.02</b>	<b>1.05</b>	<b>1.27</b>
ROE***	(1.2%)	(7.0%)	16.4%	<b>(6.3%)</b>	0.6%	11.8%	14.6%
ROCE***	3.1%	0.5%	10.7%	<b>0.6%</b>	3.8%	8.8%	7.9%

\*Includes figures from Odfjell Gas

\*\* Based on 78.6 million outstanding shares

\*\*\* Ratios are annualised

« The first quarter of 2018 was a busy quarter for Odfjell as we executed on our extensive vessel delivery and re-delivery programme. The chemical tanker market remained challenging during the quarter, but we continue to outperform the general market. »

Kristian Mørch, CEO Odfjell SE

1. Proportional consolidation method according to actual historical ownership share



## Agenda

- Highlights
- **Financials**
- Operational review/Strategy
- Prospects and Market update

# Income statement<sup>1</sup> – Odfjell Group by division

USD mill	Tankers		Terminals		Total*	
	4Q17	1Q18	4Q17	1Q18	4Q17	1Q18
Gross revenue	213.2	211.6	28.4	25.2	243.5	238.9
Voyage expenses	(82.0)	(87.0)	-	-	(82.8)	(87.9)
TC expenses	(48.9)	(40.6)	-	-	(48.9)	(40.6)
Pool distribution	-	(3.3)	-	-	-	(3.3)
Opex	(35.2)	(36.0)	(12.8)	(13.5)	(48.7)	(50.1)
G&A	(16.5)	(17.9)	(5.7)	(5.3)	(22.2)	(23.2)
EBITDA	30.6	26.9	9.9	6.3	40.8	33.9
Depreciation	(27.1)	(22.6)	(8.9)	(8.4)	(36.2)	(31.0)
Impairment	(21.9)	-	(20.7)	-	(42.6)	-
Capital gain/loss	0.2	0.1	135.2	-	135.3	0.1
EBIT	(18.3)	4.4	115.5	(2.1)	98.3	3.0
Net finance	(10.3)	(14.0)	(0.6)	(1.5)	(11.3)	(15.8)
Taxes	0.1	(0.7)	17.9	1.4	18.0	0.7
Net result	(28.5)	(10.4)	132.9	(2.1)	104.3	(12.1)
EPS	(0.36)	(0.12)	1.69	(0.03)	1.23	(0.15)

## Key quarterly deviations:

- Odfjell Tankers EBITDA reduced by USD 3.7 mill since previous quarter
  - USD 2.2 mill of EBITDA reduction relates to slightly higher opex related to newbuilding deliveries and G&A being lower than normal
  - Remaining USD1.5 mill of EBITDA reduction relates to less revenue days and repositioning costs related to delivery and redelivery of vessels
- Reduction in gross revenue and EBITDA at Odfjell Terminals relates to the sale of our Singapore terminal and a one month planned shutdown of the PID at OTR. Underlying operations are stable
- Timecharter expenses reduced significantly during the quarter
- IFRS 15 requires Odfjell to account for pool operations on a gross basis. Contribution to external owners gets accounted for as pool distributions on a net basis

\* Total includes contribution from Gas Carriers now classified as held for sale

1. Proportional consolidation method

## Balance sheet 31.03.2018 – Odfjell Group

Assets, USD mill	4Q 17	1Q 18	Equity and liabilities, USD mill	4Q 17	1Q 18
Ships and newbuilding contracts	1 293.5	1 354.6	Total equity	815.9	815.1
Investment in associates and JVs	357.3	362.0	Non-current liabilities and derivatives	9.6	9.5
Other non-current assets/receivables	23.7	37.2	Non-current interest bearing debt	845.3	905.4
<b>Total non-current assets</b>	<b>1 674.5</b>	<b>1 753.8</b>	Total non-current liabilities	855.0	914.8
Cash and cash equivalent	206.6	181.4	Current portion of interest bearing debt	238.5	242.4
Other current assets	119.1	117.5	Other current liabilities and derivatives	90.6	80.9
<b>Total current assets</b>	<b>325.6</b>	<b>299.4</b>	Total current liabilities	329.2	323.3
<b>Total assets</b>	<b>2 000.1</b>	<b>2 053.2</b>	<b>Total equity and liabilities</b>	<b>2 000.1</b>	<b>2 053.2</b>

- Increased value of ships and newbuilding contracts reflects delivery of two newbuildings from AVIC shipyard during the quarter
- Decreased cash position relates to USD29 mill of regular debt repayments
- Non-current interest bearing debt increase reflects drawdown of debt related to the two newbuildings
- Equity ratio of 39.7%

1. Equity method

\* New leasing standard (IFRS 16) to be implemented from January 2019. We have done a simulation on how this will effect figures of Odfjell SE in note 1 of our quarterly report

# Cash flow – 31.03.2018 – Odfjell Group<sup>1</sup>

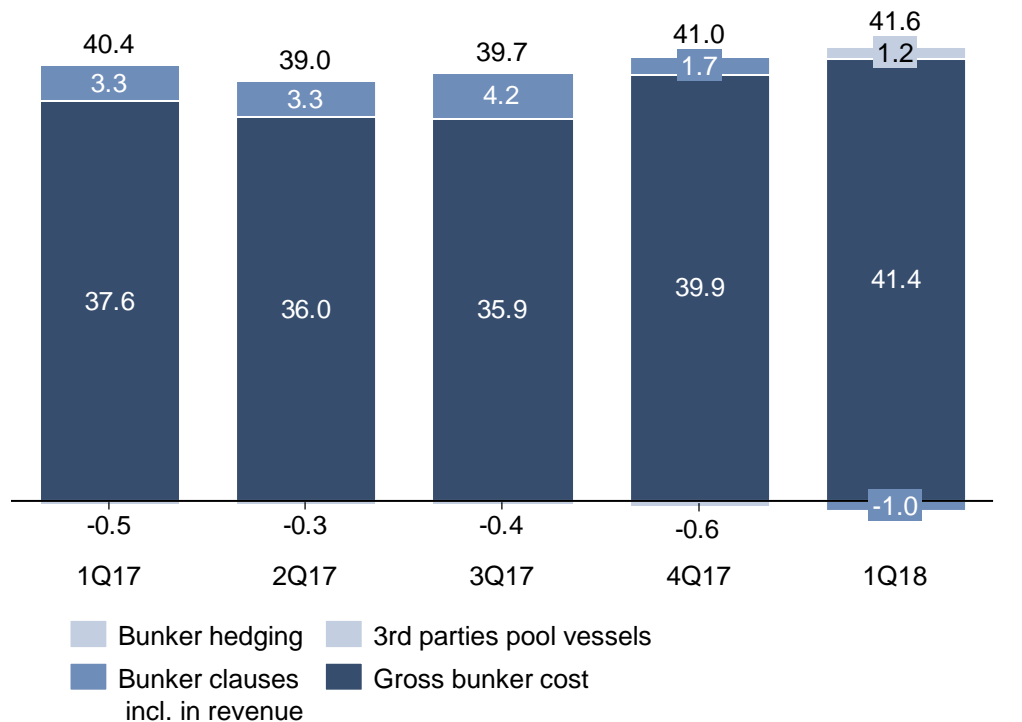
Cash flow, USD mill	4Q 17	1Q 18	FY 17
Net profit	105.2	(12.5)	83.8
Adjustments	46.4	22.2	100.2
Changes in working capital	19.3	2.8	5.7
Other	(146.3)	(2.0)	(135.7)
<b>Cash flow from operating activities</b>	<b>24.5</b>	<b>10.5</b>	<b>54.0</b>
Sale of non-current assets	-	-	4.0
Investments in non-current assets	(12.3)	(83.4)	(173.2)
Dividend/other from investments in Associates and JV's	117.1	-	117.1
Other	12.4	(0.9)	26.5
<b>Cash flow from investing activities</b>	<b>117.2</b>	<b>(84.2)</b>	<b>(25.6)</b>
New interest bearing debt	-	78.0	343.1
Repayment of interest bearing debt	(30.8)	(28.8)	(310.4)
Dividends	-	-	(13.9)
Other	(5.7)	(1.4)	(5.7)
<b>Cash flow from financing activities</b>	<b>(36.5)</b>	<b>47.8</b>	<b>13.1</b>
Net cash flow*	104.9	(25.2)	41.2

- Investments of USD 83.4 mill relates to USD 72 mill paid upon delivery on two newbuildings from AVIC and one USD 6 mill instalment on one Hudong vessel
- USD 78 mill of new interest bearing debt relates to delivery of two newbuildings from AVIC

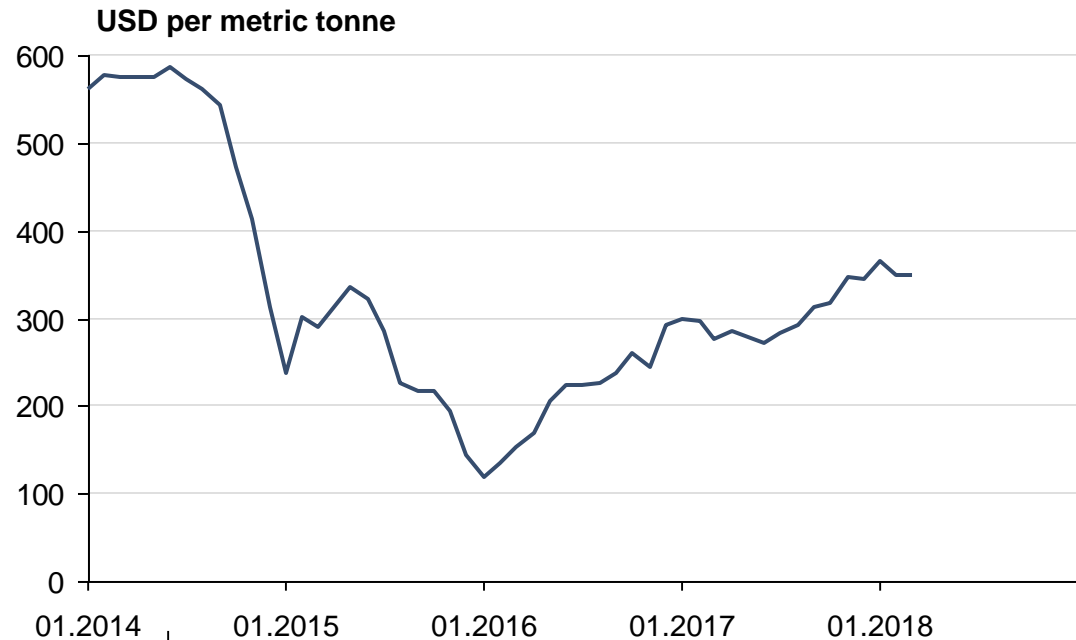
1. Equity method  
2. \* After FX effects

# Bunker development

**Quarterly net bunker cost**  
USD mill 1Q 2017 - 1Q 2018



**Platts 3.5% FOB Rotterdam**  
January 2014 - March 2018

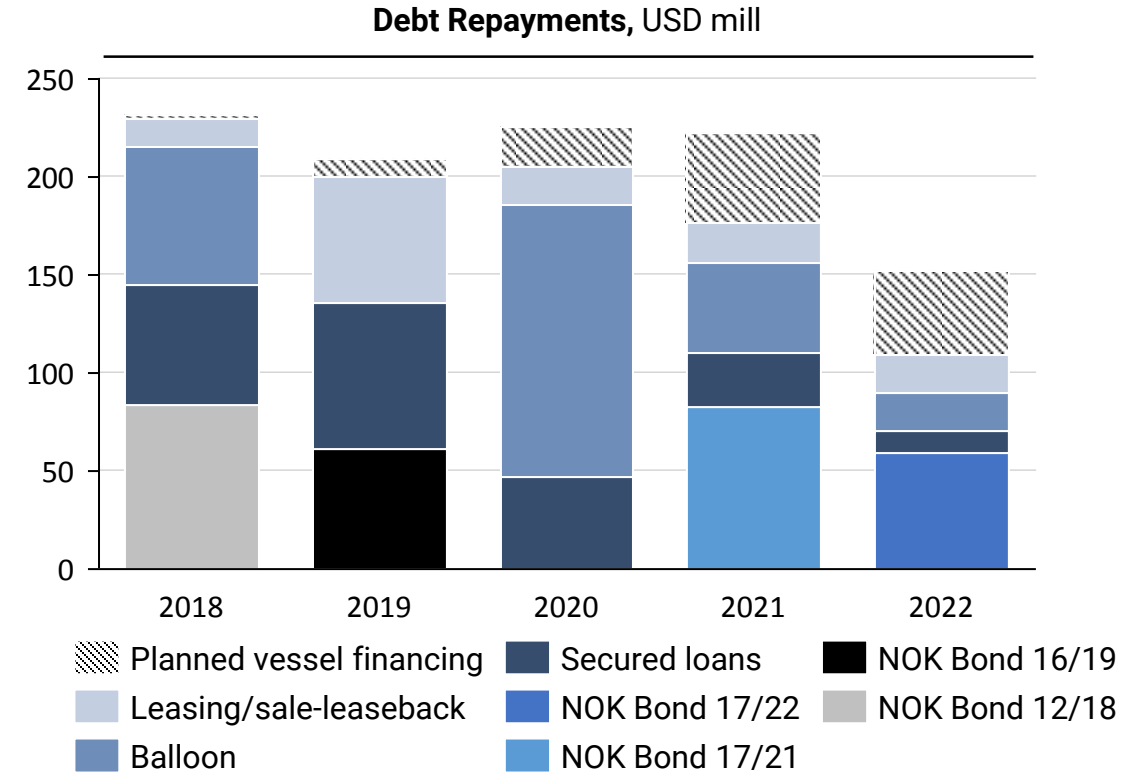
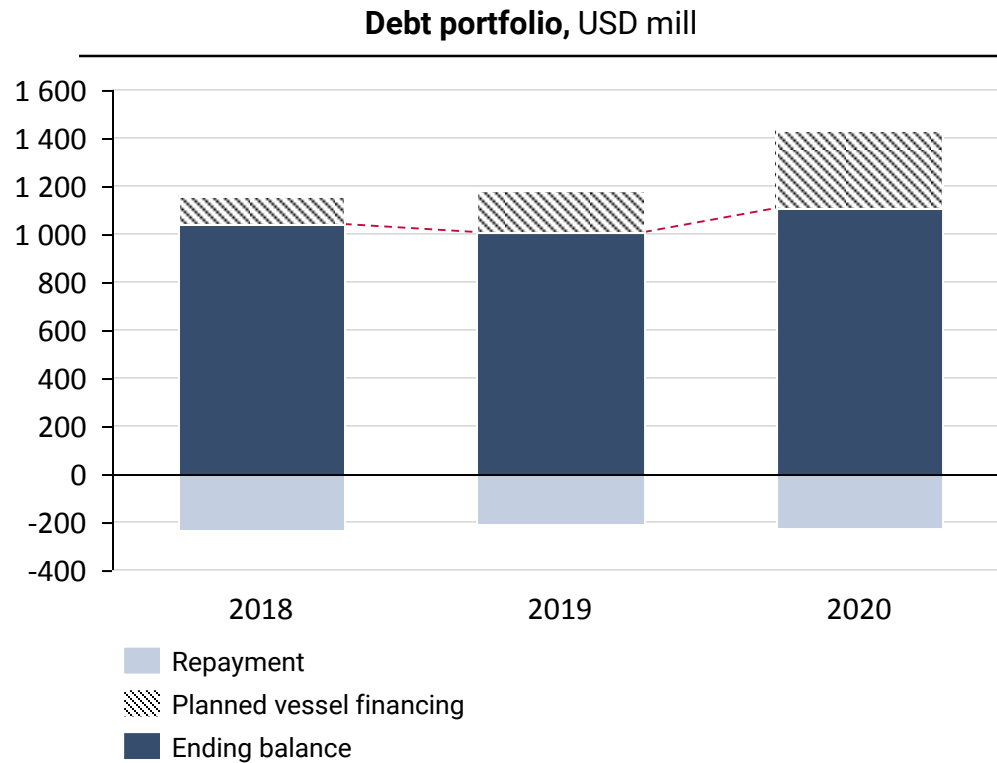


- Bunker costs remains largely flat y/y due to our bunker adjustment clauses. 60% of our bunkers are hedged through bunker adjustment clauses
- With the addition of 3rd parties pool vessels gross bunker cost has increased with USD 1.2 mill
- Net bunker cost in 1Q18 USD 406 per tonne before hedging vs. USD 381 in 4Q17

\* 2017 adjusted, now including regional South-America and reflects actual consumption



# Debt development– Corporate and chemical tankers



- NOK bond of USD 84 mill in December 2018
- Debt levels by 2020 expected to decline on existing fleet while newbuilding financing will lift gross debt levels from 2020
- Liquidity from vessels with low debt levels is considered and could be secured at attractive terms

## Capital expenditure programme – 31.03.2018

USD mill	Remaining 2018	2019	2020	2021
<b>Chemical Tanker newbuildings</b>				
Hudong 4 x 49,000 dwt (USD 60 mill)	18	144	42	-
Hudong 2 x 38,000 dwt (USD 58 mill)	6	12	87	-
AVIC 1 x 25,000 dwt (USD 40 mill)	36	-	-	-
<b>Total</b>	<b>60</b>	<b>156</b>	<b>129</b>	<b>-</b>
<b>Instalment structure – Newbuildings</b>				
Debt instalment	48	144	130	-
Equity instalment	12	12	-	-
<b>Tank Terminals, (Odfjell share)*</b>				
Planned capex	31	19	17	13

- We have secured financing for all chemical tanker newbuildings and remaining equity instalments are limited to USD 24 mill.
- Other chemical tanker investments for the next three years amounts to about USD 29 million, mainly related to installation of ballast water treatment systems.
- We expect the average annual docking capitalization to be about USD 15 million in the years ahead.

\* Tank Terminals is self-funded meaning no cash flow from Odfjell SE to meet guided capital expenditures<sub>10</sub>

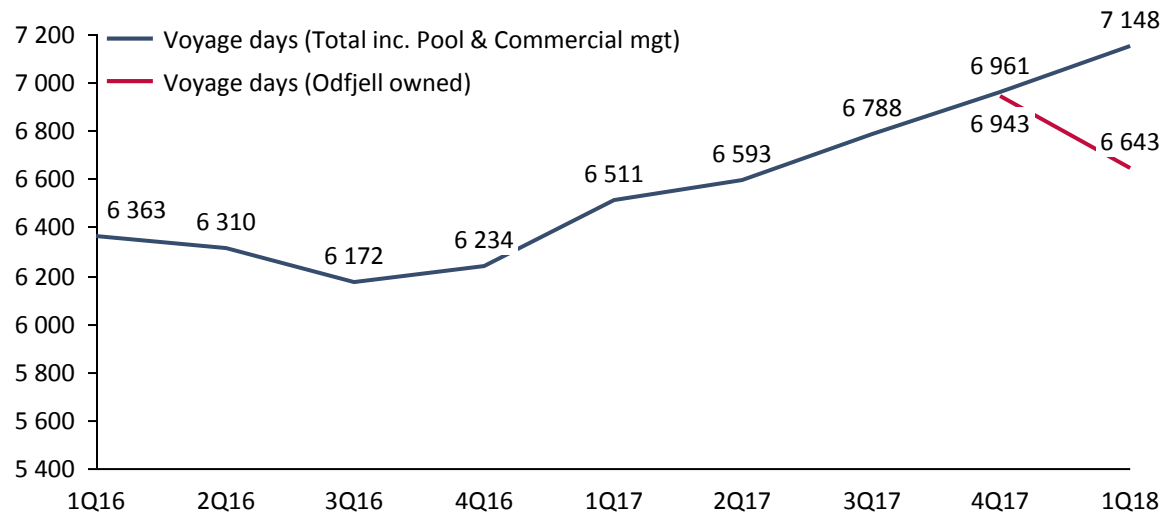


## Agenda

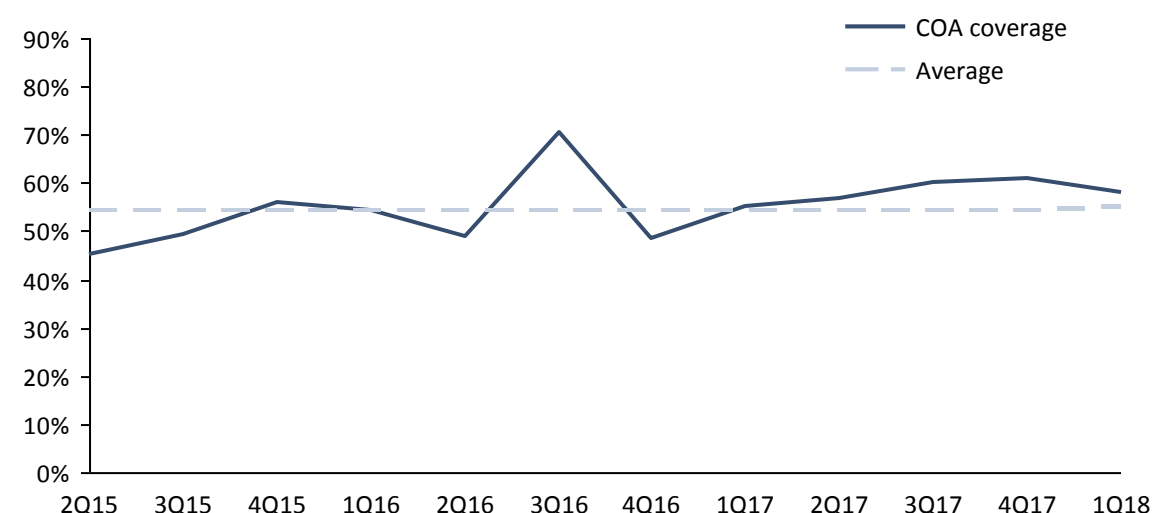
- Highlights
- Financials
- **Operational review/Strategy**
- Prospects and Market update

# Tankers: Our COA portfolio keeps mitigating impact from challenging markets while revenue days and volumes decreased due to re-delivery of TC vessels

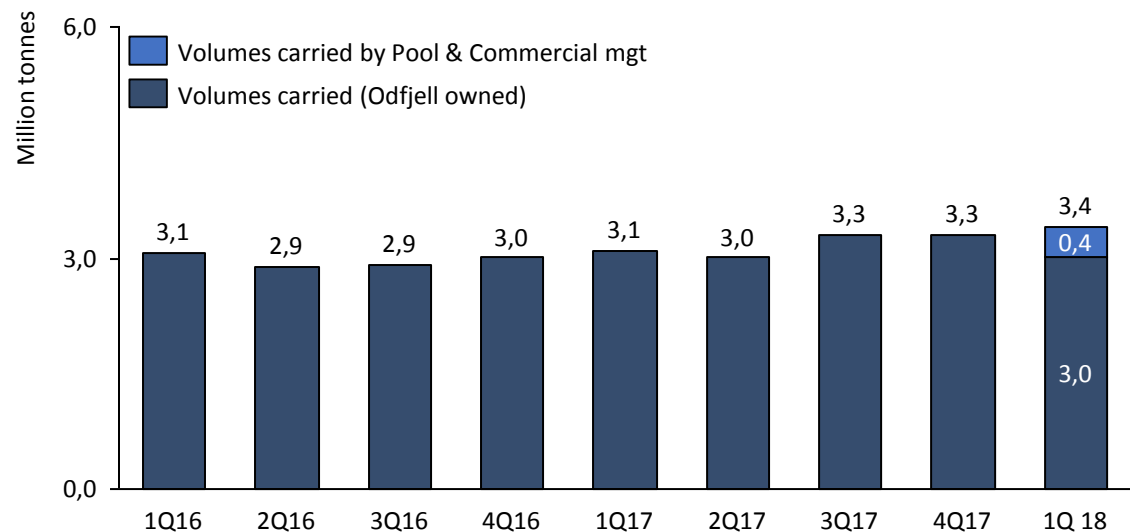
Odfjell Tankers voyage days development



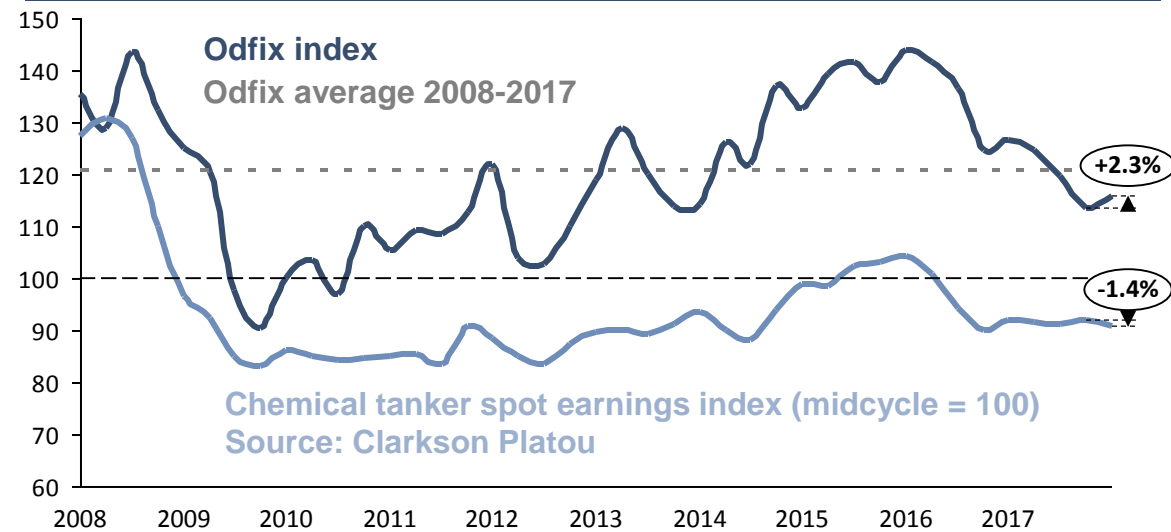
Odfjell Tankers voyage days development



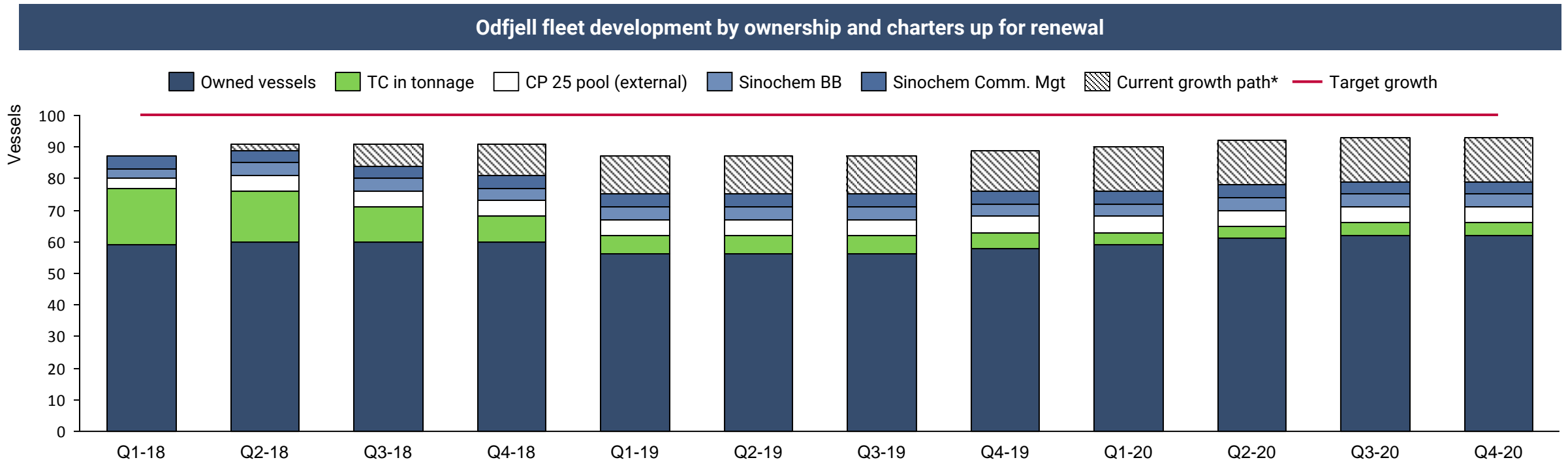
Odfjell Tankers volume development



Odfjell Tankers: ODFIX versus chemical tanker spot rates



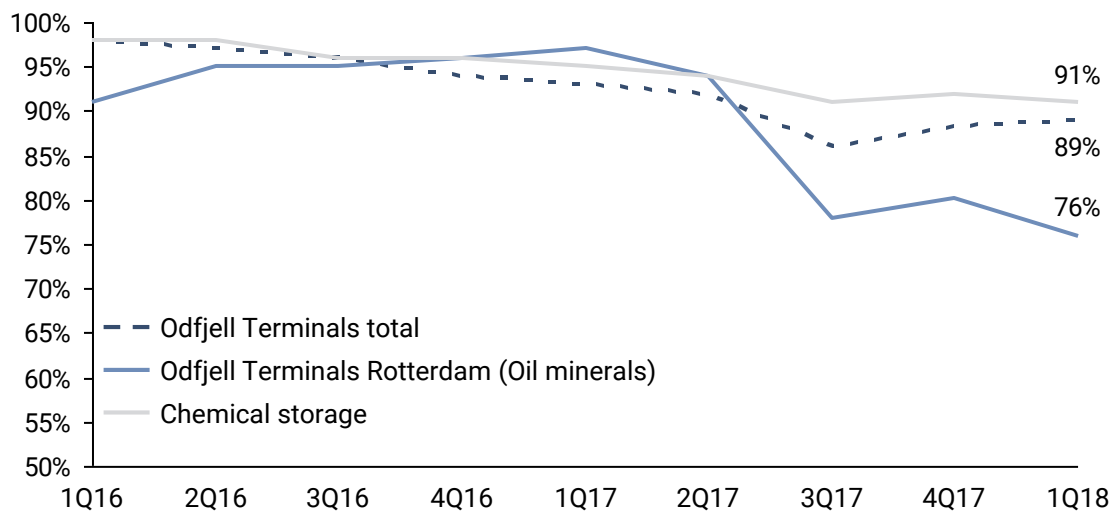
# A large part of our TC fleet is up for renewal/delivery at attractive end of the cycle – This adds flexibility should markets remain weak and could lower our costs further



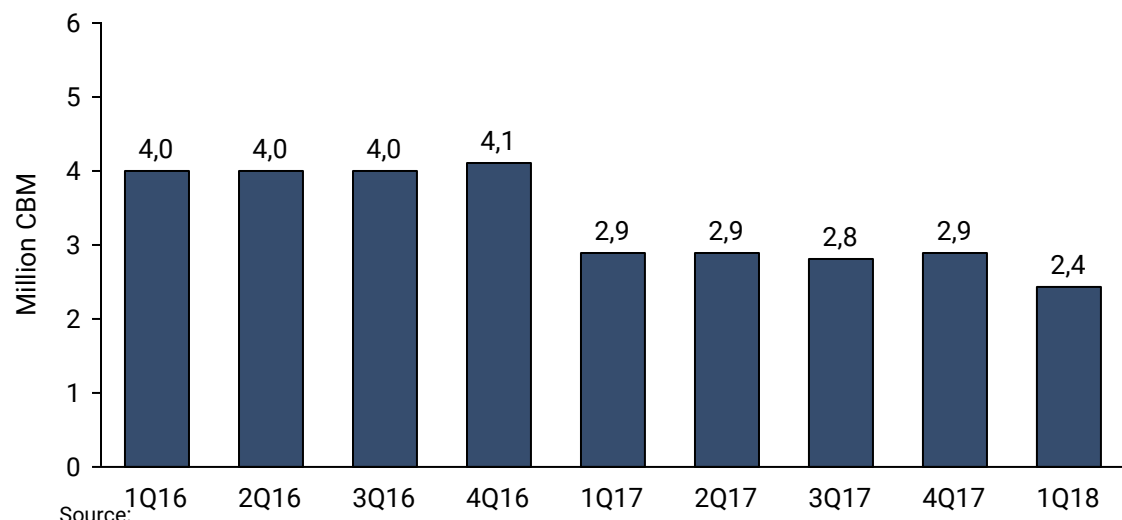
- Odfjell has 18 vessels on TC in as of 1Q 18 as 4 TC vessels were redelivered during the quarter. These were not renewed and replaced by two newbuildings (CTG) and three vessels from Sinochem initially delivered on commercial management (before bareboat hire commences)
- Going forward, we are in a position to replace part of our timecharter fleet with modern more efficient newbuildings or renew timecharter vessels at attractive rates
- We will constantly monitor the ongoing development in the market. If a market recovery fail to materialises, the TC fleet provides us important flexibility to reduce our exposure if a loss making market for medium stainless steel tonnage continues

# Terminals: Restored volumes in Houston and continuous strong performance by our PID (in Rotterdam) softens impact from weak oil mineral storage

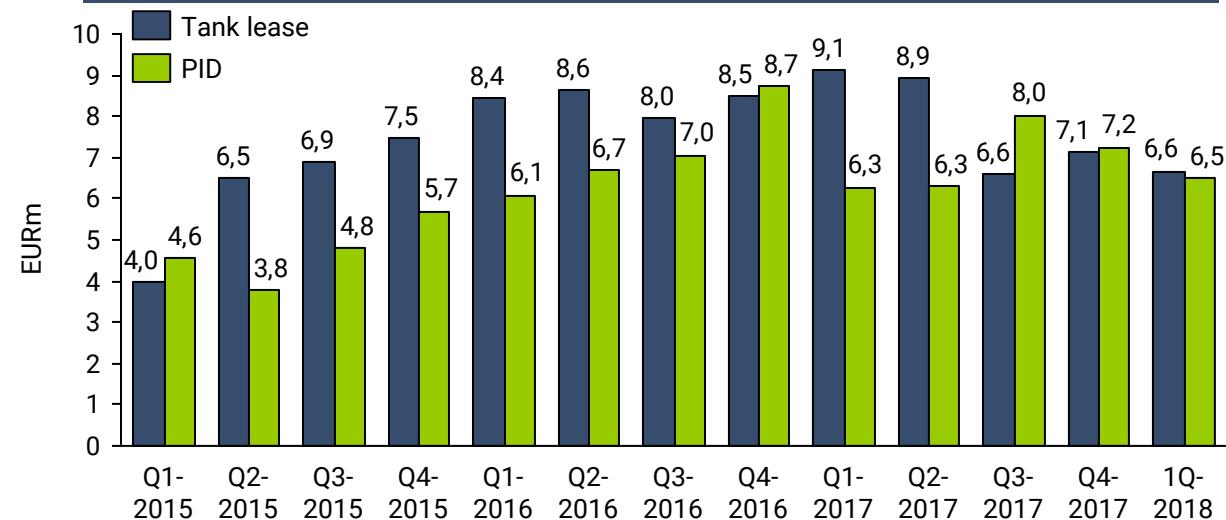
### Odfjell Terminals: Utilisation development



### Odfjell Terminals: Commercial available capacity



### Odfjell Terminals: OTR Tank storage & PID revenues

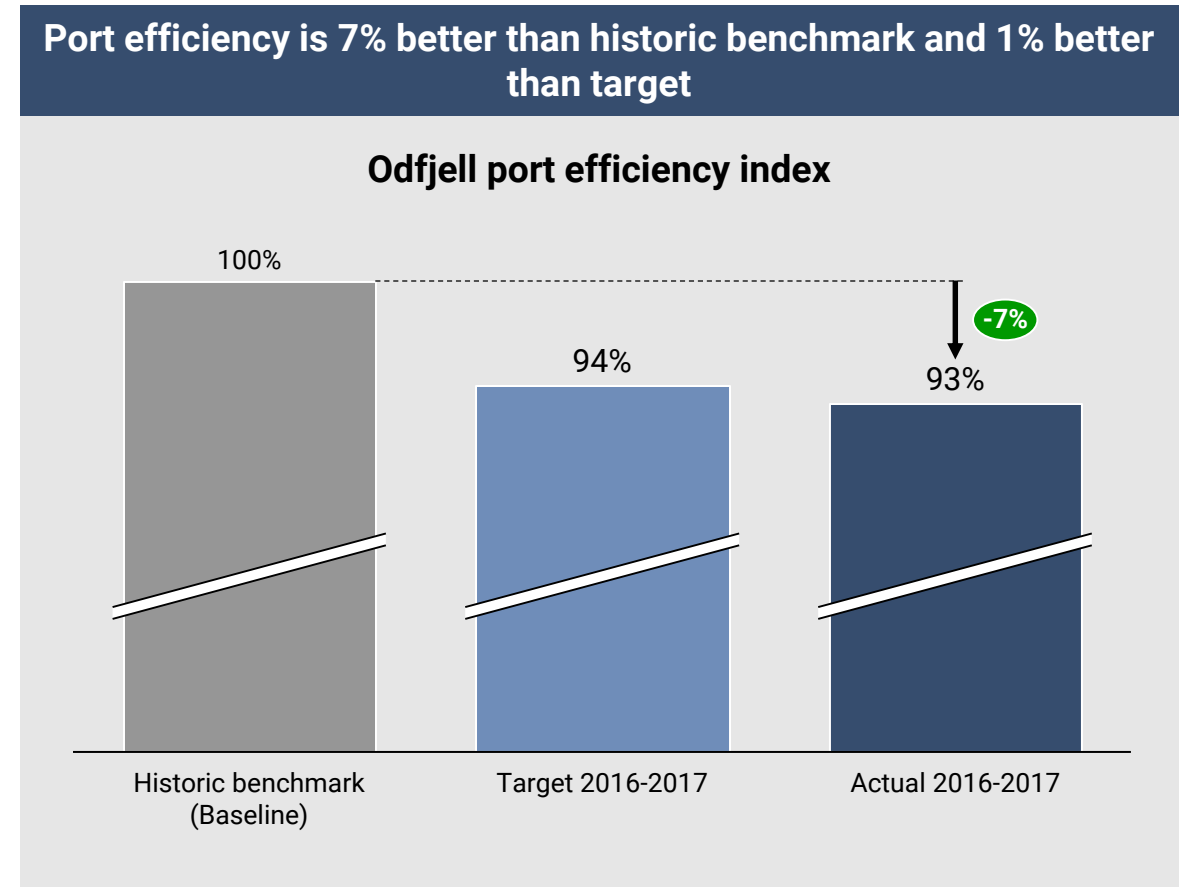
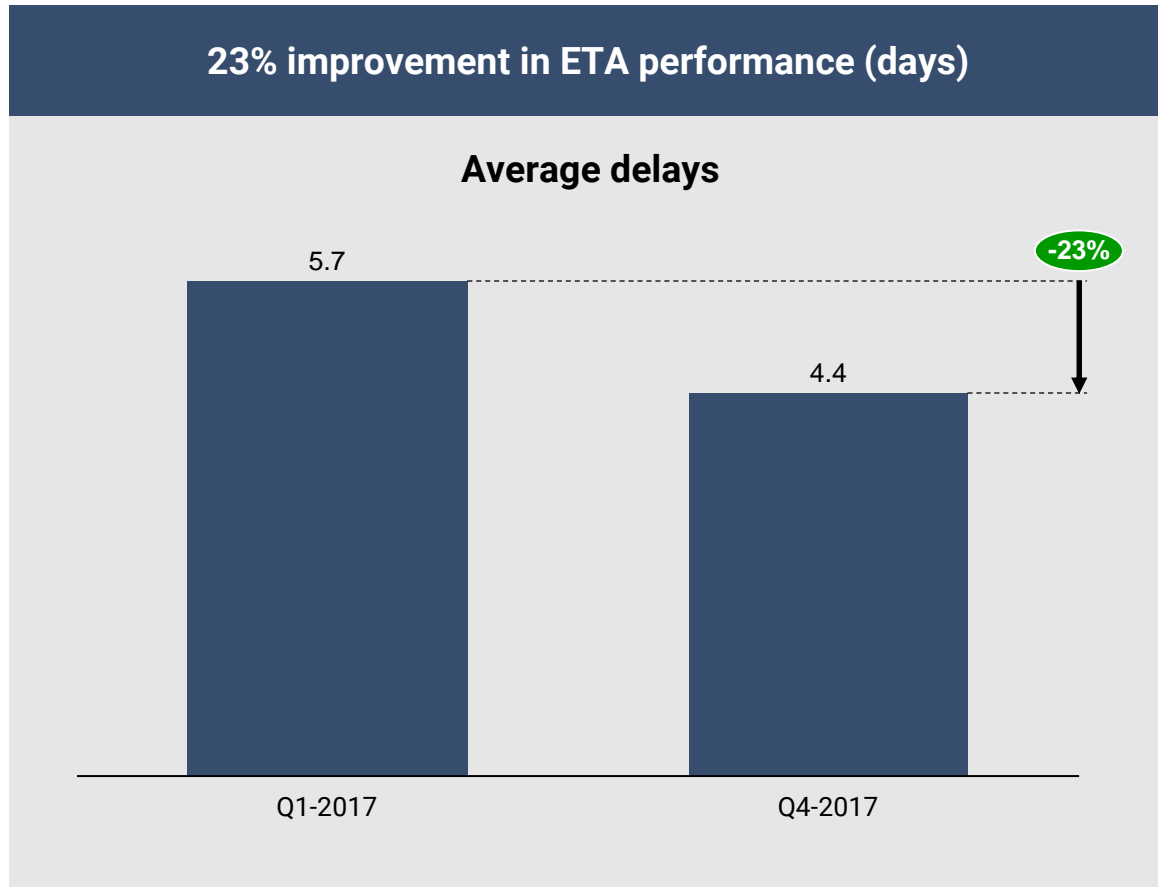


### Comments

- Lower storage and PID revenues at Rotterdam due to a planned one-month shutdown of PID unit 2 due to a heat exchanger replacement
- Total average capacity amounted to 2.438,000 cbm, a decrease of 457,000 cbm versus last quarter due to the Singapore terminal now being excluded
- Market in Rotterdam appears to have bottomed out the last couple of quarters but a substantial recovery is contingent of a contango in the oil market re-emerging

# Our Port Efficiency programme showed better than historic performance and was better than target – Port efficiency will continue to be an ongoing improvement area for Odfjell Tankers

Project Moneyball status, End Q4 2017





## Agenda

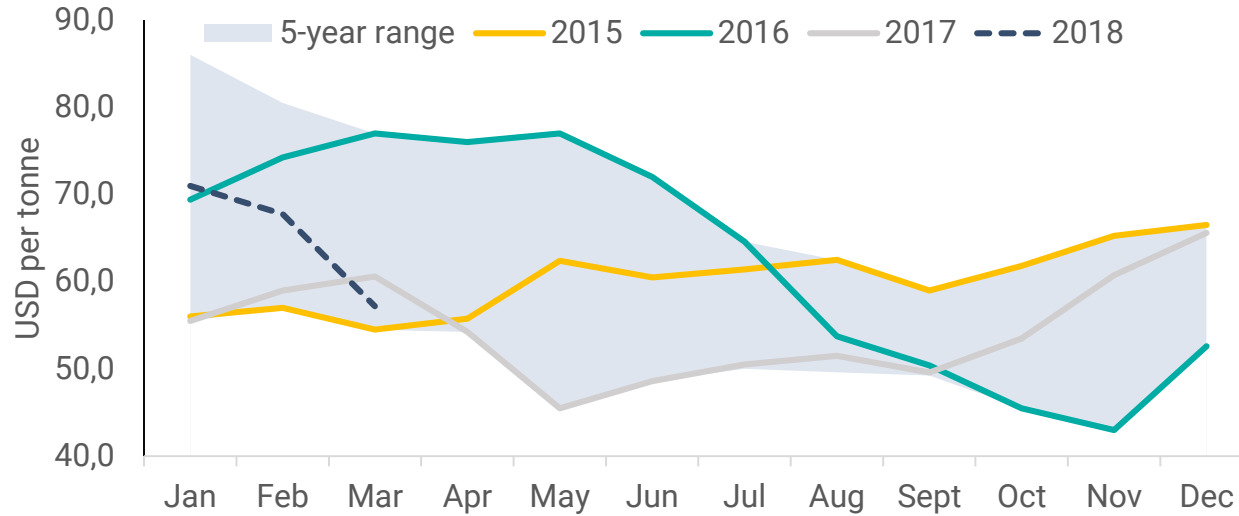
- Highlights
- Financials
- Operational review/Strategy
- Prospects and Market update



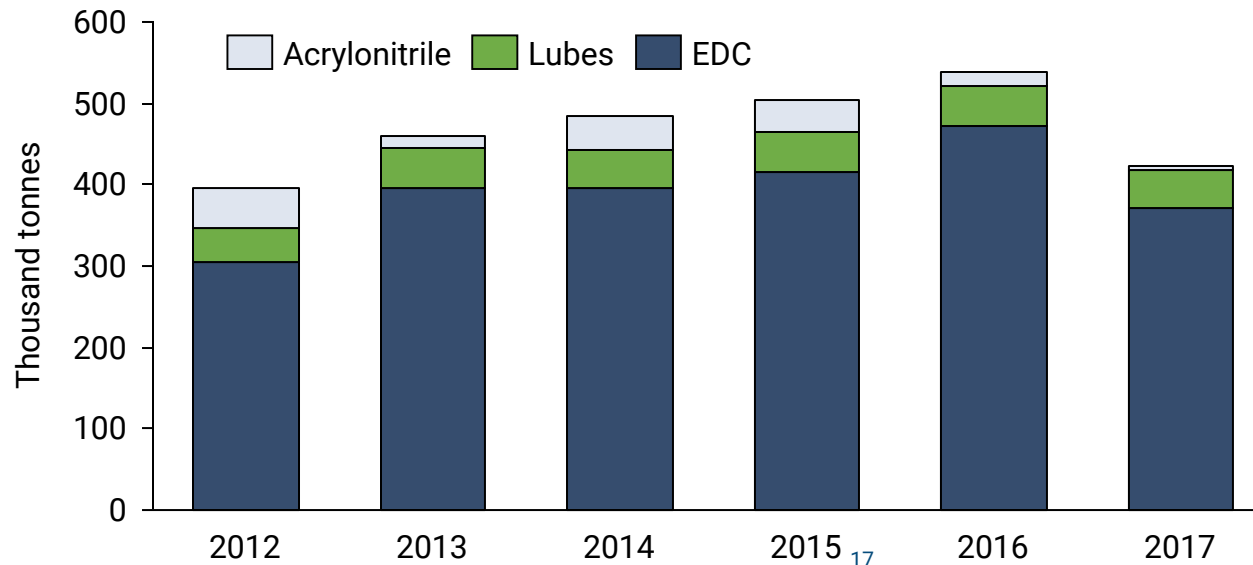
# Trade-war tensions with proposed tariffs on US chemical products in focus

## – Quantifiable impact on chemical trade is so far neglectable

**USG - Far East freight rate 10,000 MT (easychems)**



**Liquid chemical products potentially impacted by proposed China tariffs on US chemicals**

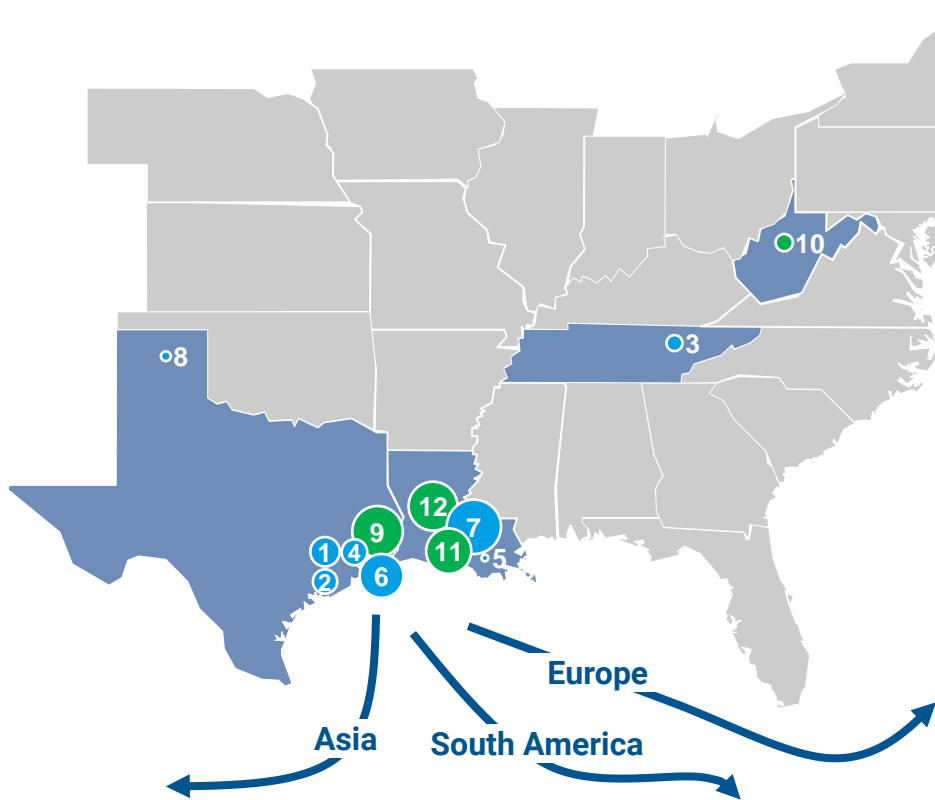


- USG – Far East rates dropped through Q1 mainly as positive momentum from Hurricane Harvey vanished and a continued weakening CPP market
- Trade war tensions not helping trade sentiment, but actual impact is not physically visible
- Products mentioned on proposed China tariffs for US chemicals neglectable so far
- These products- equates to 0.1% of total seaborne chemical trade in 2017
- Impact is therefore neglectable so far
  - Alternative discharge regions
  - Soybean tariffs could lead to increased soybean oil shipments

# Four new US Methanol plants will increase capacity with 88% and are ideally located for export to Asia, South America and Europe

USA Methanol plant capacity, MT. thousands 2020

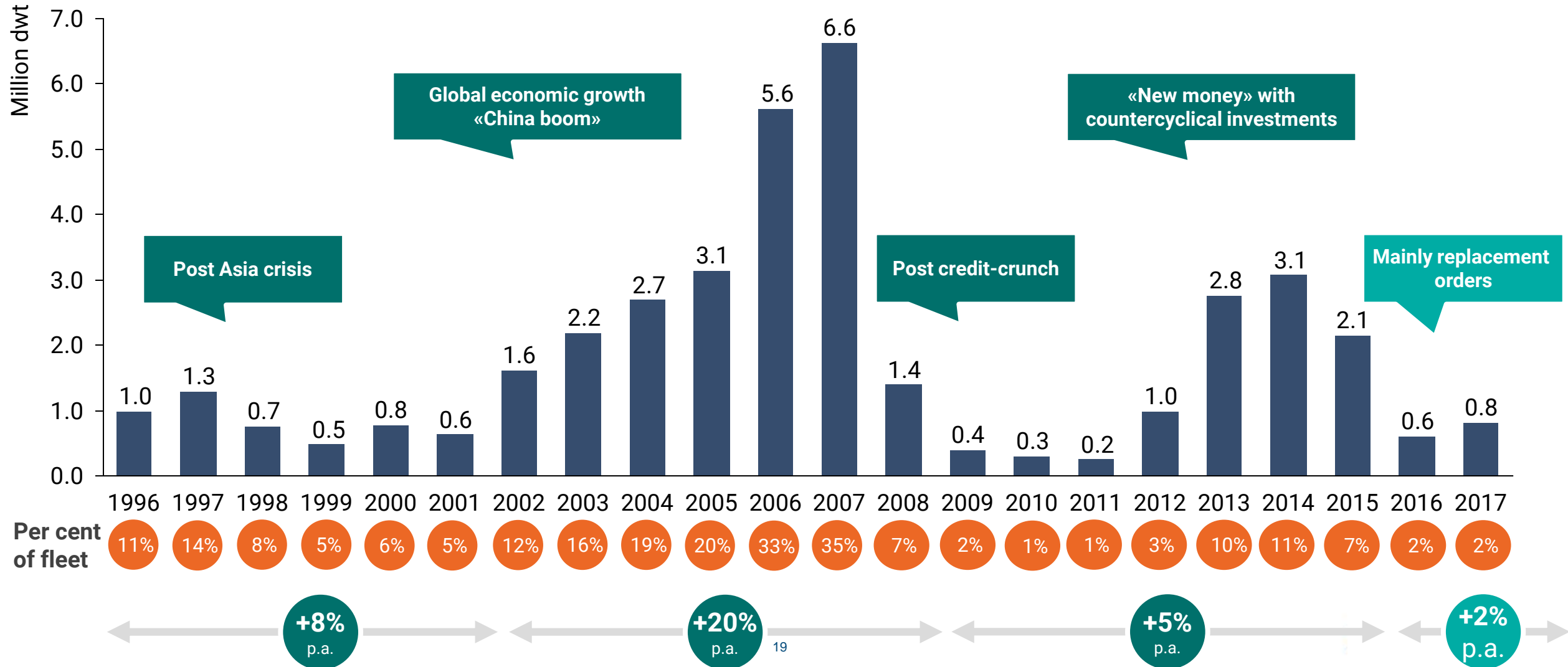
● Size indicate plant capacity



Plant	2020 Capacity, MT thousands	Route	Start-up year
1 La Porte	600	Natural Gas	1968
2 Channel View	780	Coal	1983
3 Kingsport	165	Natural Gas	1983
4 Beaumont	915	Natural Gas	1986
5 Geismar	32	Natural Gas	1994
6 Clear Lake	1,300	Natural Gas	2015
7 Geismar	2,000	Natural Gas	2015
8 Pampa	65	Natural Gas	2015
9 Natgasoline	1,750	Natural Gas	2018
10 Institute	200	Natural Gas	2018
11 Lake Charles	1,400	Natural Gas	2019
12 Yuhuang	1,800	Natural Gas	2019
Σ Total	Existing <sup>1</sup> : 5 857    New: 5 150 (+88%)		

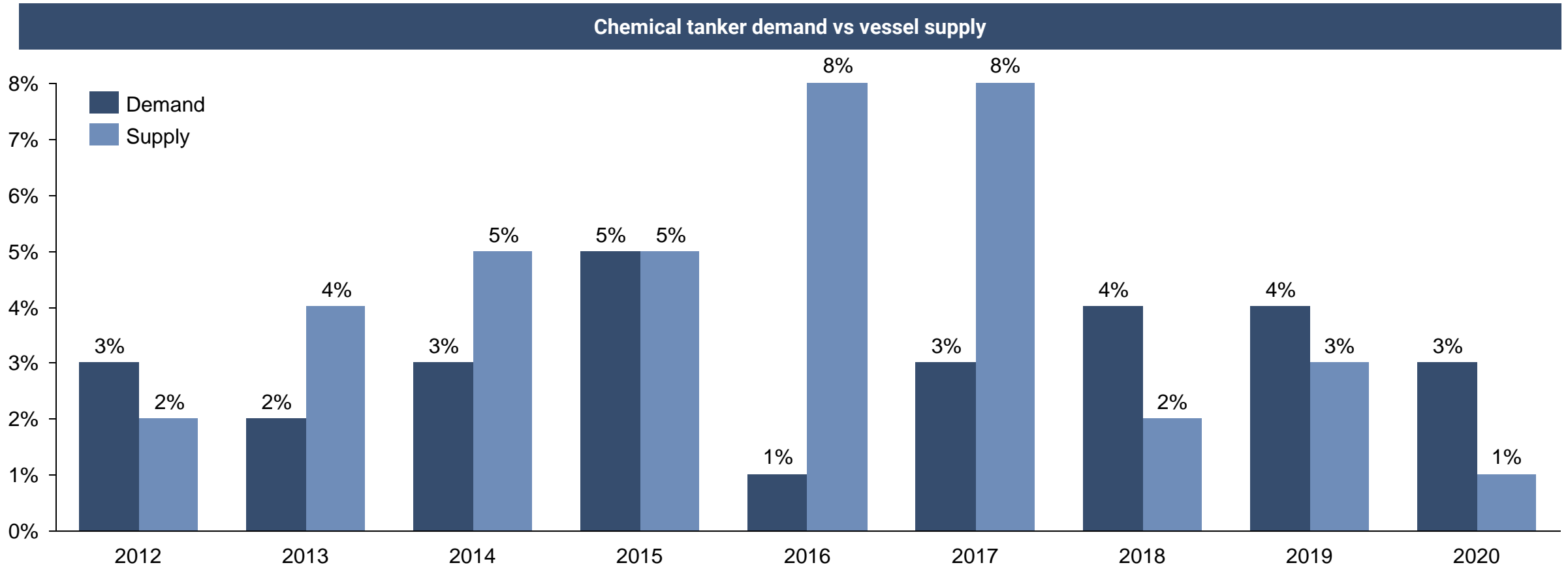
1. Finished in 2016 or earlier  
 Source: Company data, Odfjell, ICIS

# Chemical tanker orders has slowed down and orders are limited to replacements. Limited fleet growth 2018-2020



Source: Clarksons Platou, Odfjell\* Orders as per cent of fleet reflects Clarksons Platou's definitions of the chemical tanker fleet

# We expect demand growth to outpace supply growth by 2020 before tonne-mile demand effect is taken into account



- We expect 2018 to be the first year since 2012 where demand outpaces supply growth where this becoming evident through 2H 2018
- This is before taking into account various scenarios on how new US and Middle Eastern volumes will impact tonne-mile demand

# Prospects

- We expect 2Q18 timecharter results to be largely in line with 1Q18
- The chemical tanker market continues to be challenging, but we expect a gradual improvement to materialise from 2H18
- We expect Odfjell Terminals results to be stable throughout 2018





# ODFJELL

## CAPITAL MARKETS DAY

JUNE 5 2018

09:00 - 12:30

## AGENDA

### WELCOME

by Kristian Mørch, CEO

### INDUSTRY LEADING MARGINS & RETURNS

by Terje Iversen, CFO

### A SMARTER ODFJELL

by Harald Fotland, COO

### CHEMICAL TANKER FUNDAMENTALS

by Bjørn Kristian Røed,  
Manager IR & Research

### LUNCH

Light lunch will be served,  
together with the opportunity  
to "onboard" one of our ships

### CONFERENCE VENUE

Norwegian Shipowners' Association  
Norges Rederiforbund  
Rådhusgaten 25, Oslo

### CONTACT

Bjørn Kristian Røed  
+47 409 19 868 | [bkr@odfjell.com](mailto:bkr@odfjell.com)

# Contact

Investor Relations & Research: Bjørn Kristian Røed | Tlph: +47 55 27 47 33 | Email: [bkr@odfjell.com](mailto:bkr@odfjell.com)

Media: Anngun Dybsland | Tel: + 41 54 88 54 | Email: [anngun.dybsland@odfjell.com](mailto:anngun.dybsland@odfjell.com)



**ODFJELL**

ODFJELL SE | Conrad Mohrs veg 29 | P.O. Box 6101 Postterminalen | 5892 Bergen, Norway

Tel: +47 55 27 00 00 | Email: [ir@odfjell.com](mailto:ir@odfjell.com) | Org. no: 930 192 503

[Odfjell.com](http://Odfjell.com)