

SHIPPING EQUITY RESEARCH

Investment Perspectives

Astrup Fearnley Day

22 January 2025

Fredrik Dybwad

Equity Analyst | f.dybwad@fearnleys.com | +47 22 93 63 73

Nils Olav Furre Thommesen

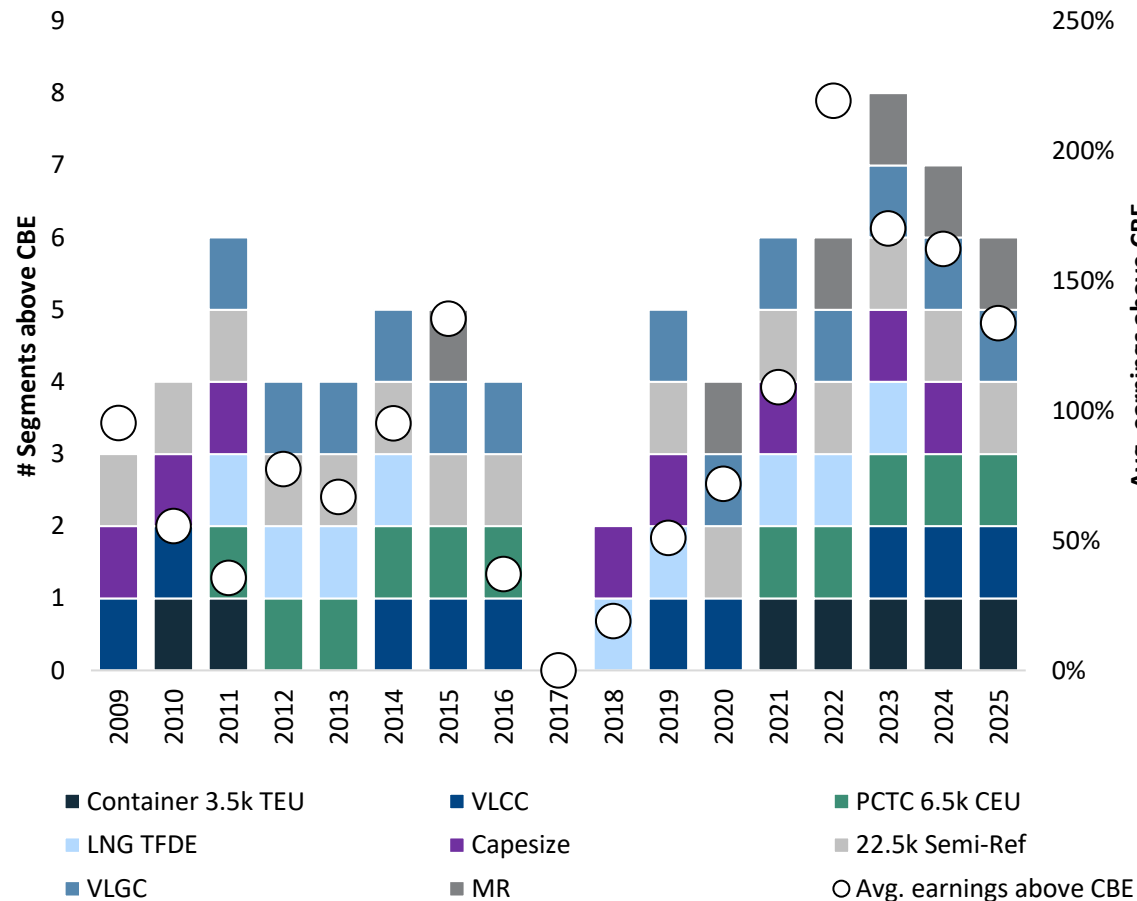
Equity Analyst | n.thommesen@fearnleys.com | +47 22 93 63 99

Shipping – Investment Perspectives

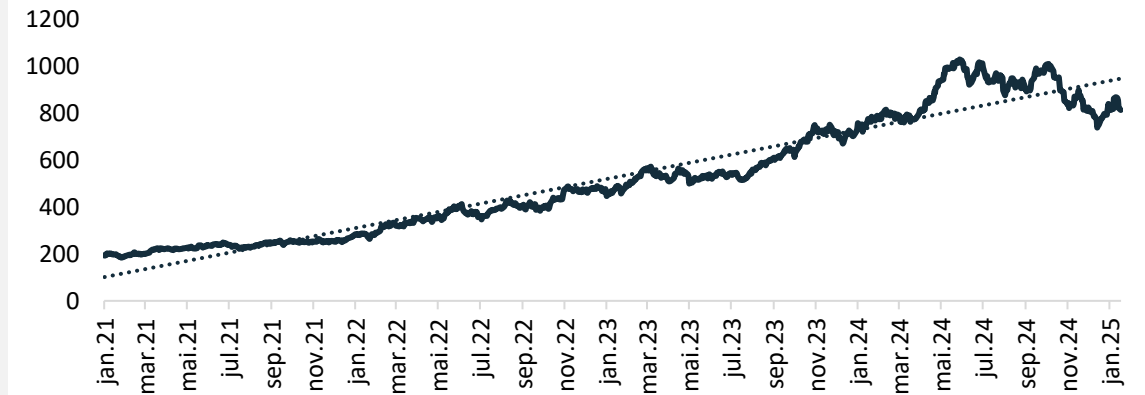
Elevated earnings and high shareholder returns has been the main story the past years, what's next?



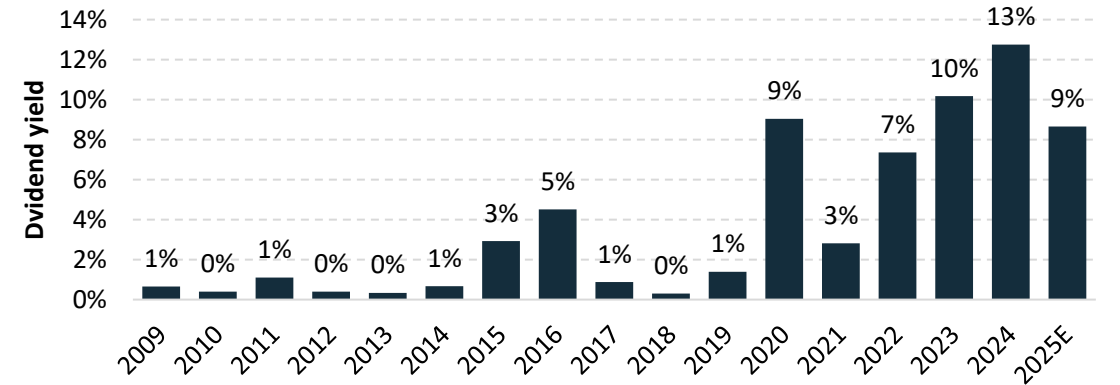
Shipping Segments Earning Above Cash Break-even Levels



Equity returns have been stellar, though recent performance below trend



Extraordinarily high distributions has been the name of the game



Source: Fearnleys, FactSet, SIN

Suez Canal / Gulf of Aden

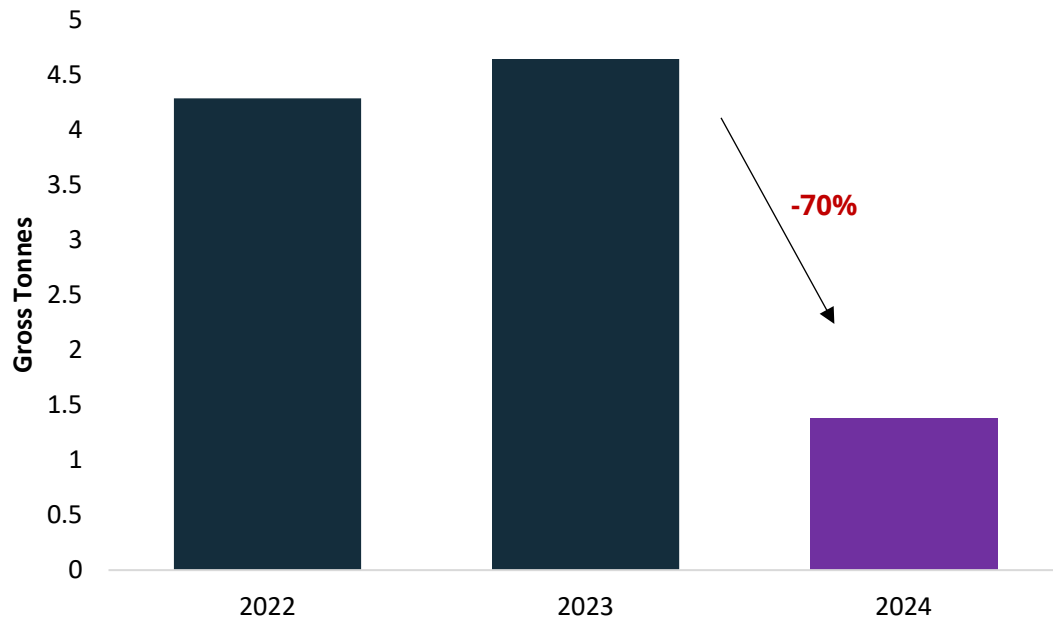
Transits are significantly down, what potential implications could an opening have?



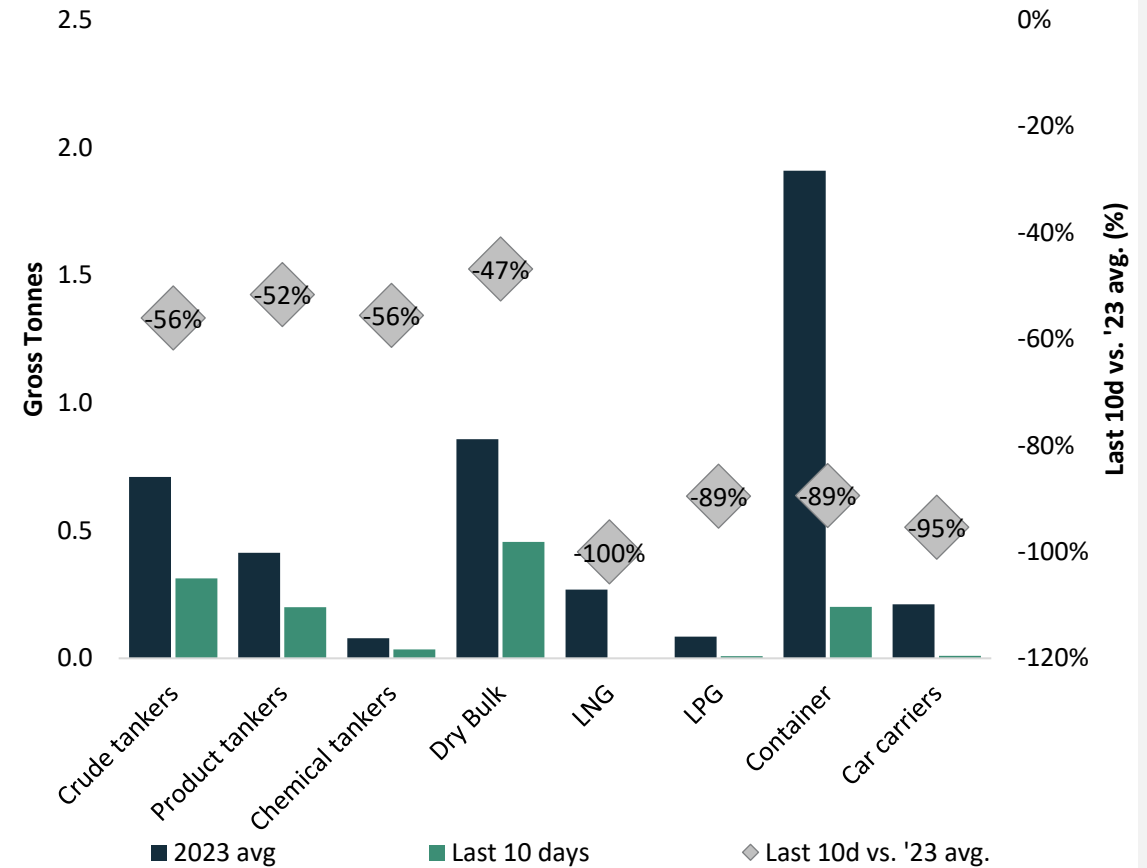
• **Should the Red Sea open for transits again, it would materially negatively impact:**

- Product Tankers (~4-5% tonne miles)
- Containers (>10% tonne miles)
- Car Carriers (~7% tonne miles)

Red Sea: avg. daily arrivals down 70% (all shipping)



Arrivals of container, PCTC, LNG, LPG vessels to Gulf of Aden practically gone



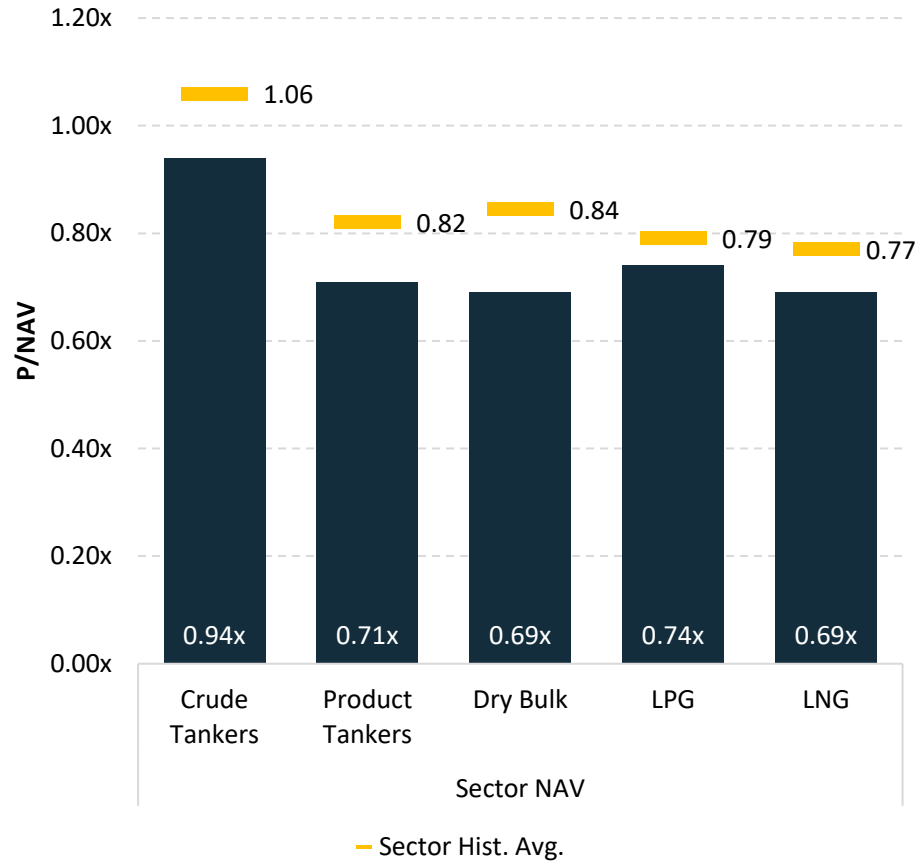
Source: Fearnleys, SIN

Implicit steel pricing under more scrutiny than it was a year ago

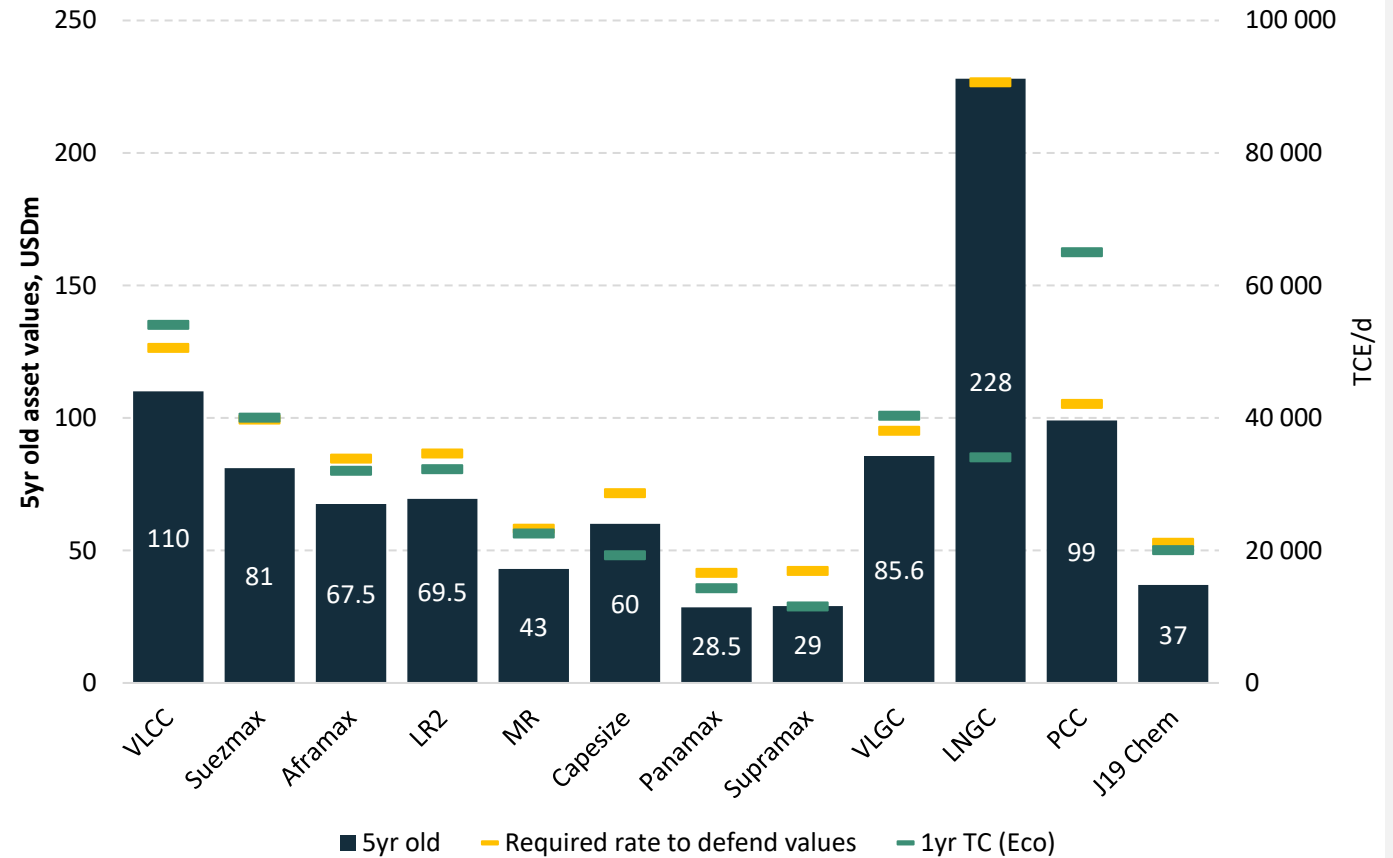
...though Crude and Chemical tankers, LPG, have sound support



Fearnleys coverage space - Steel pricing vs. hist. avg.



Generally, TC rates trail req. rates to defend values – with the exception of crude/chem tankers



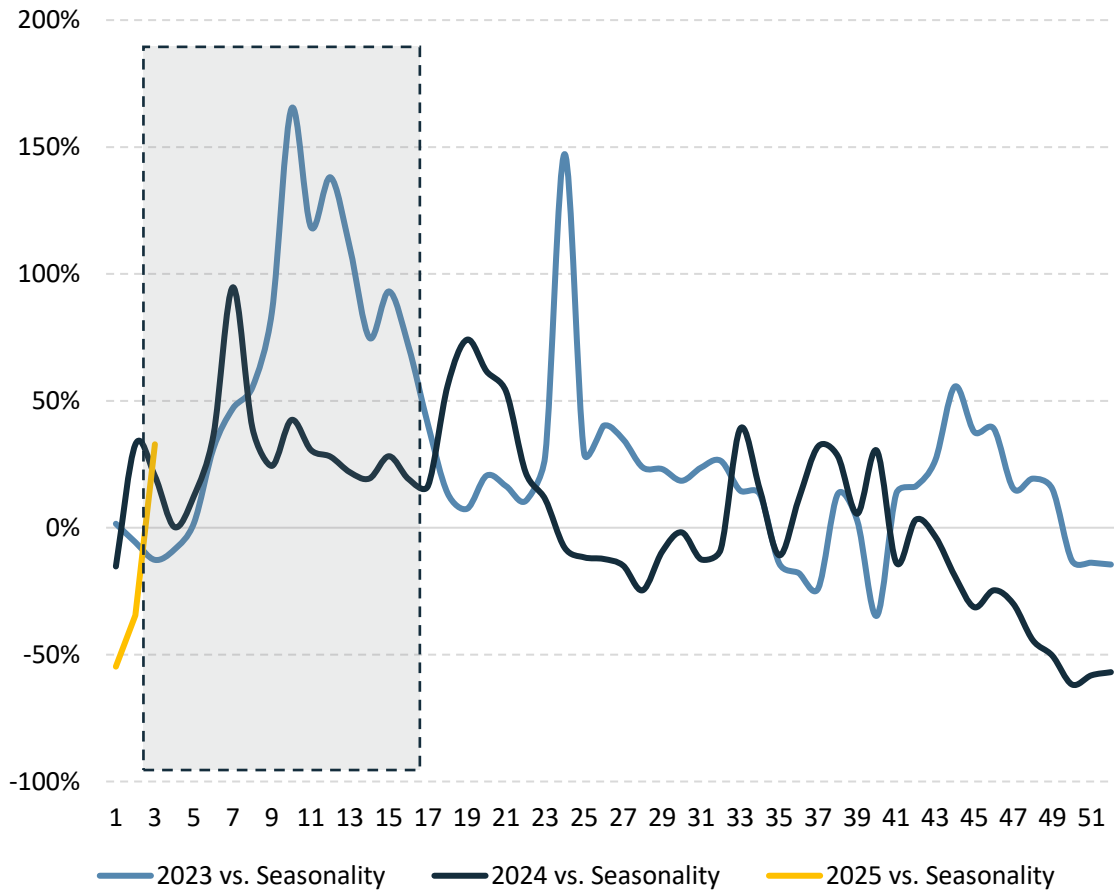
Source: Fearnleys, Company data

Crude Tankers – Investment Perspectives

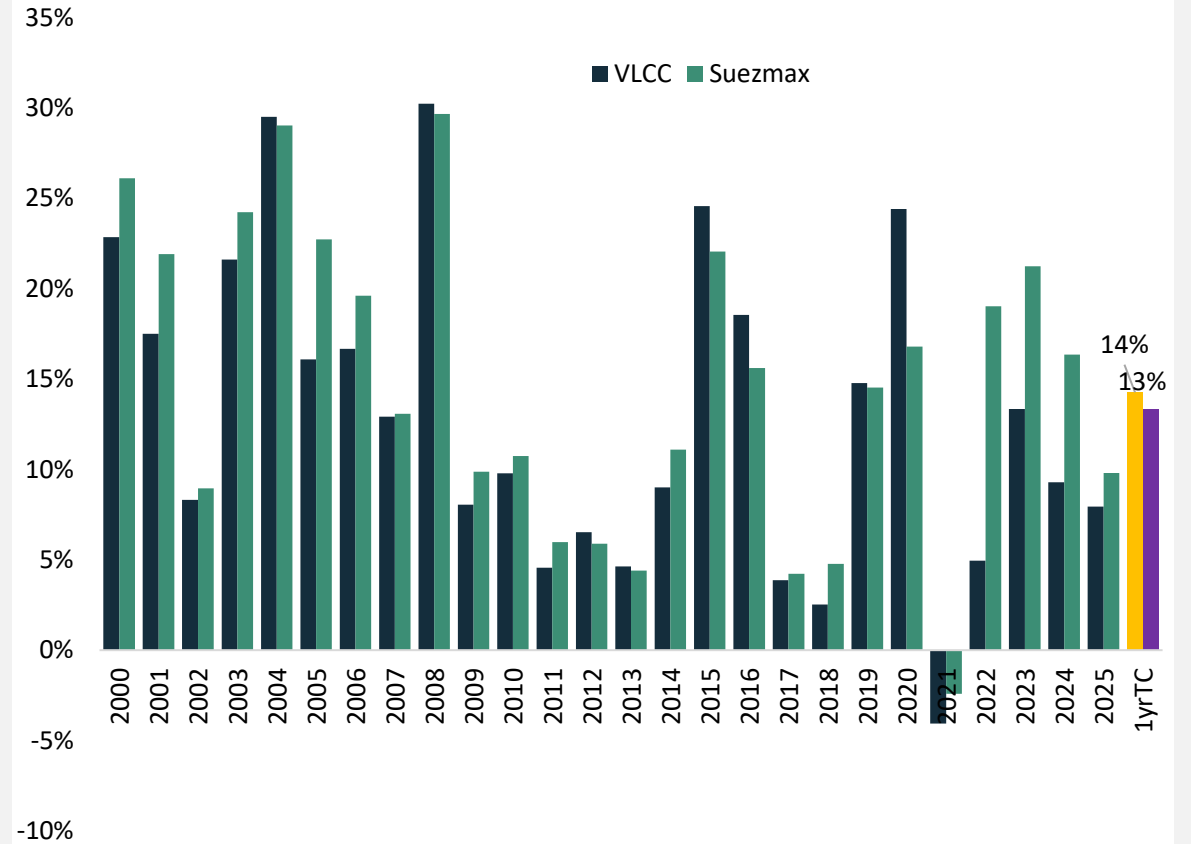
Seasonality changing to 1Q, while VLCC spot and TC rates finally break the USD 40k/d 'ceiling'



VLCC Spot rates: Performance vs. normal seasonality



Cash on cash returns, Tanker secondhand values



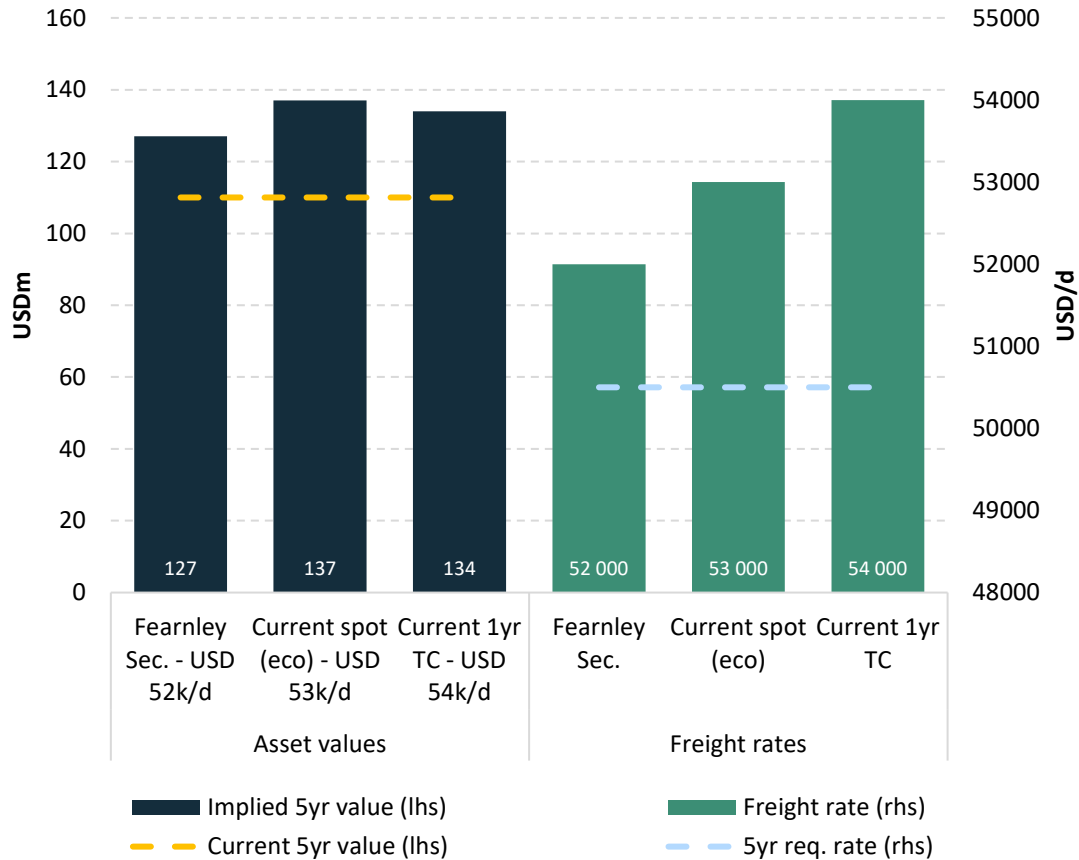
Source: Fearnleys

Crude Tankers – Investment Perspectives

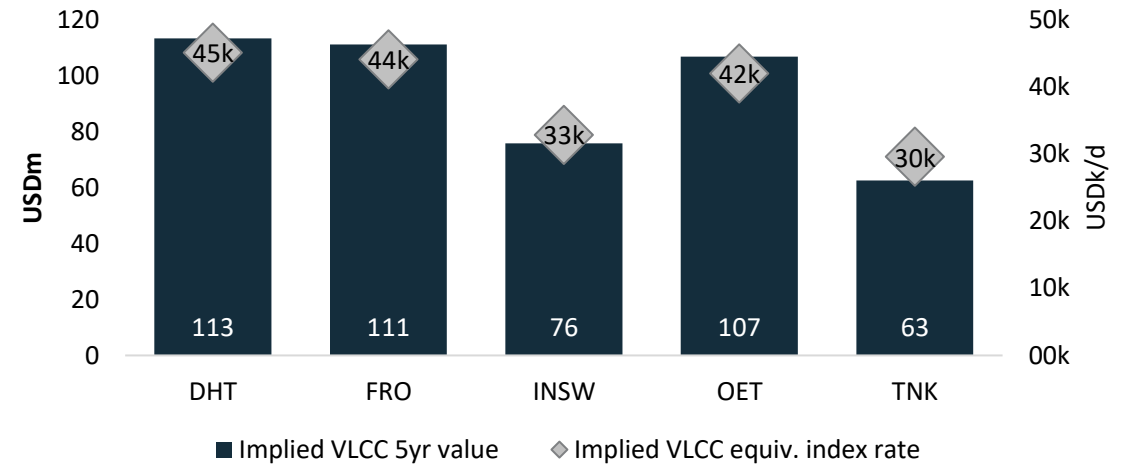
Asset values with solid backing, as equities trade near NAV and double-digit yields



VLCC asset values have support on current levels - leaving talks of downside risk a thing of the past...



...while equity valuations still is attractive



Still attractive valuations in Crude Tanker segment



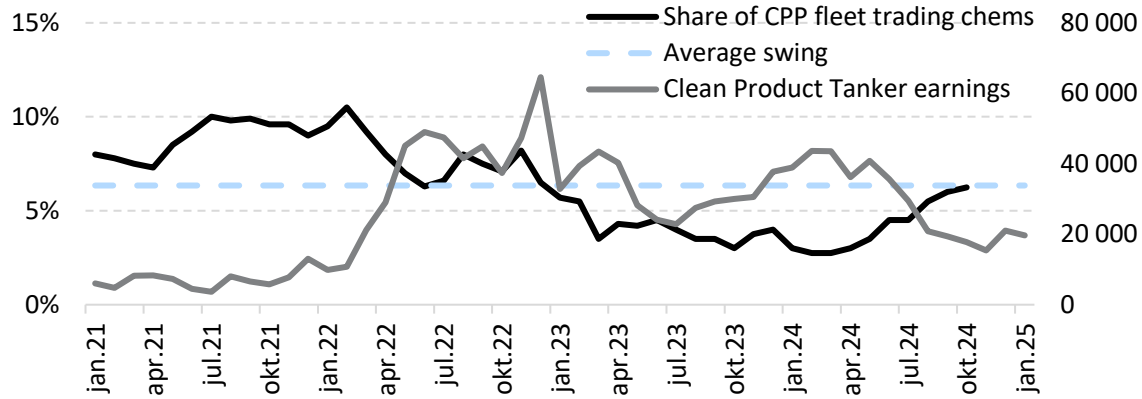
Source: Fearnleys, Company data, SIN

Chemical Tankers – Investment Perspectives

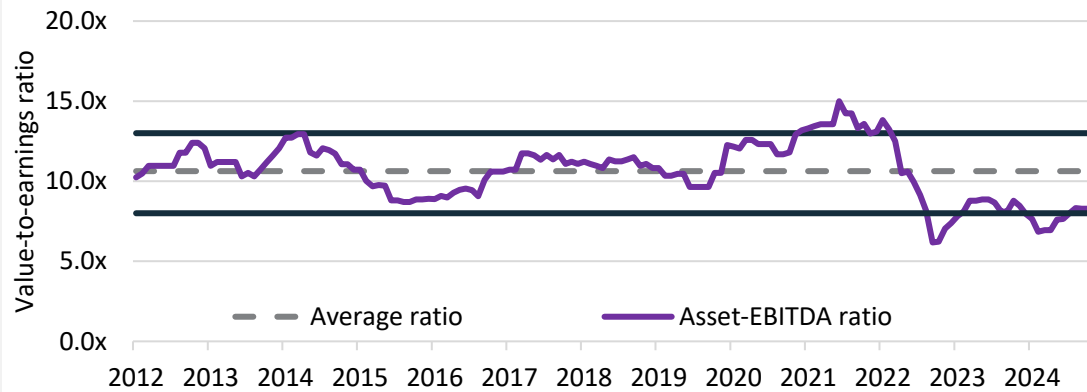
Backed by resilient asset values, high rates in historical context, and >50% COA share on fixed rates



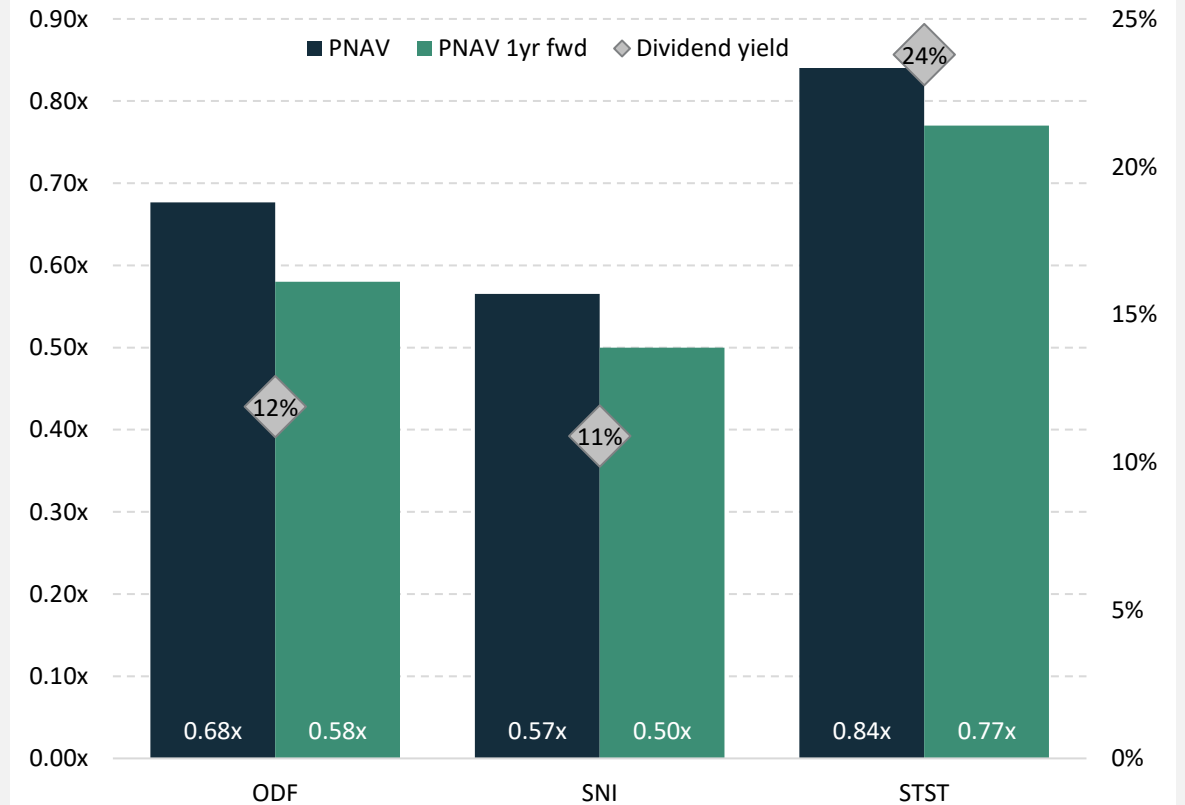
Swing tonnage development



Vessel values have good support in earnings



PNAV valuations in Chem segment remain highly discounted (1)



Source: Fearnleys, Company data, SIN

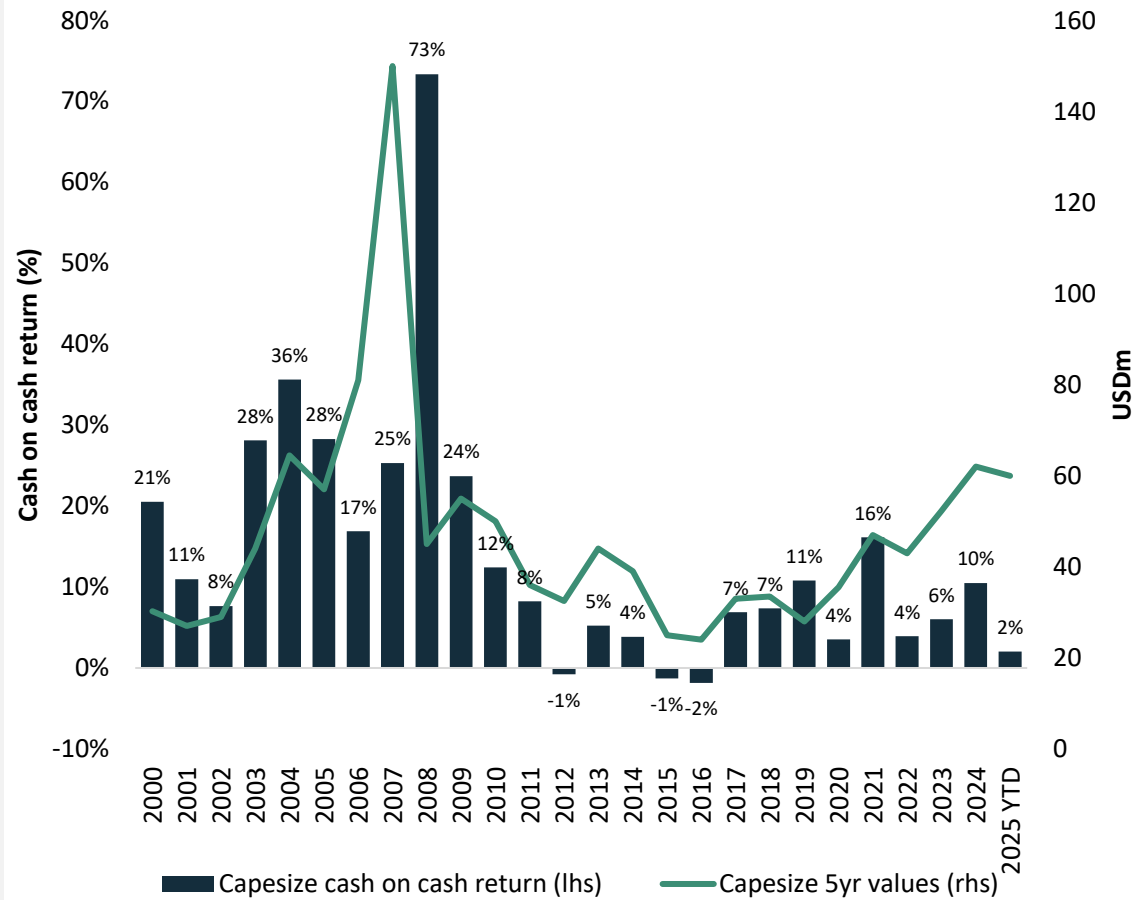
Note: (1) STST dividend includes XO dividend arising from vessel sales

Dry Bulk – Investment Perspectives

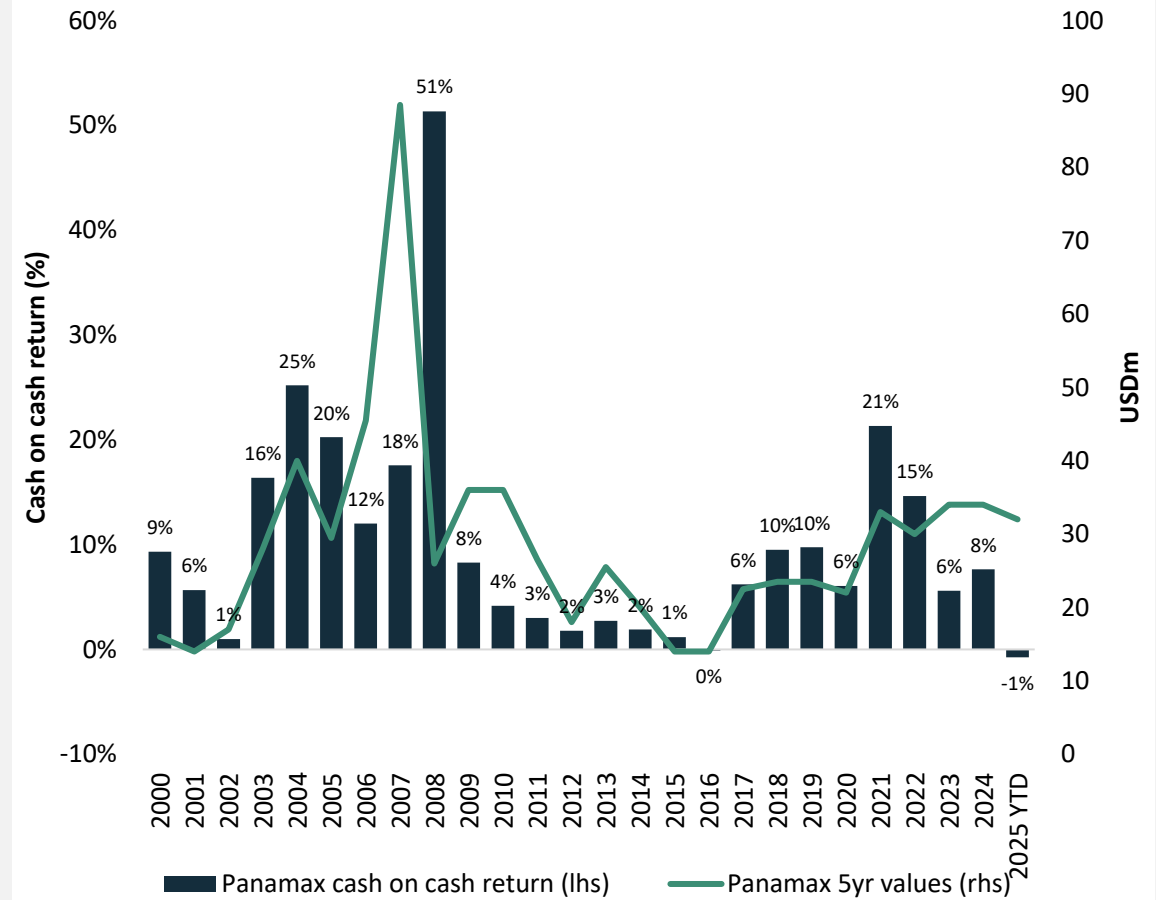
Likely slight downside to values, though cash-rich owners and hot '26 prospects should limit downside



Capesize cash on cash return and asset values



Panamax cash on cash return and asset values



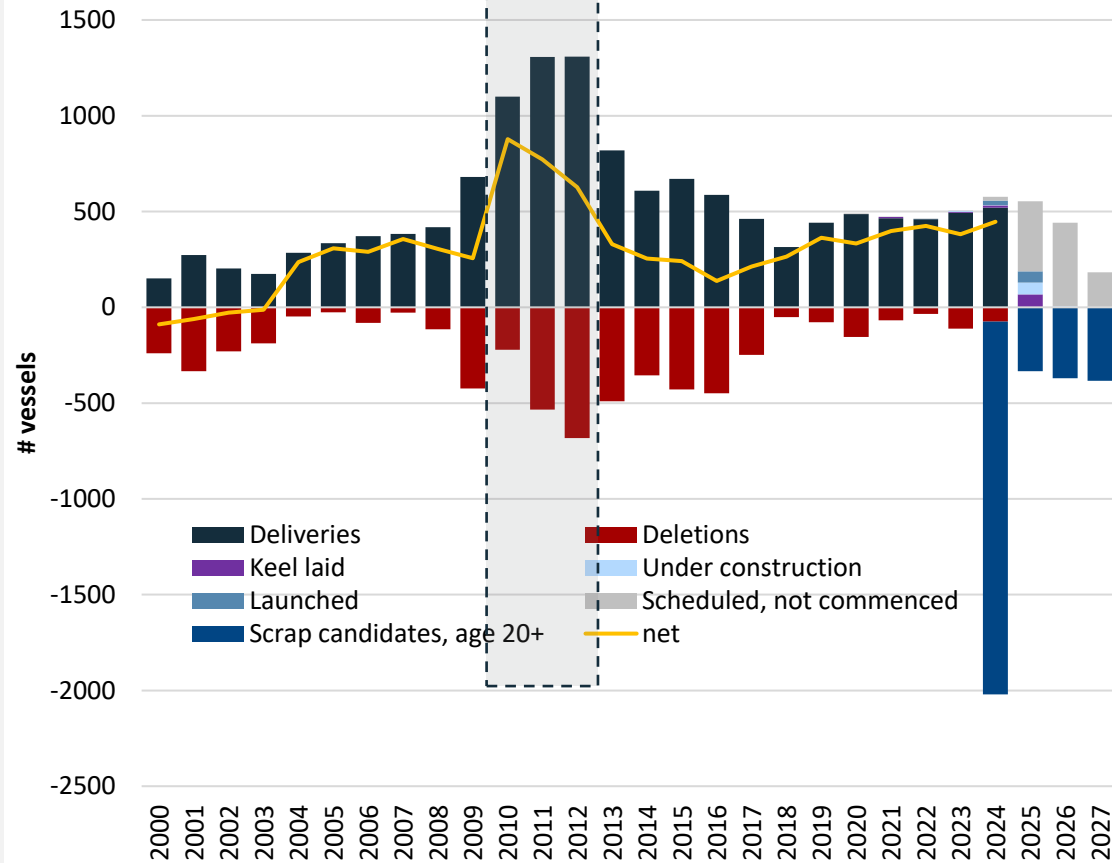
Source: Fearnleys, SIN

Dry Bulk – Investment Perspectives

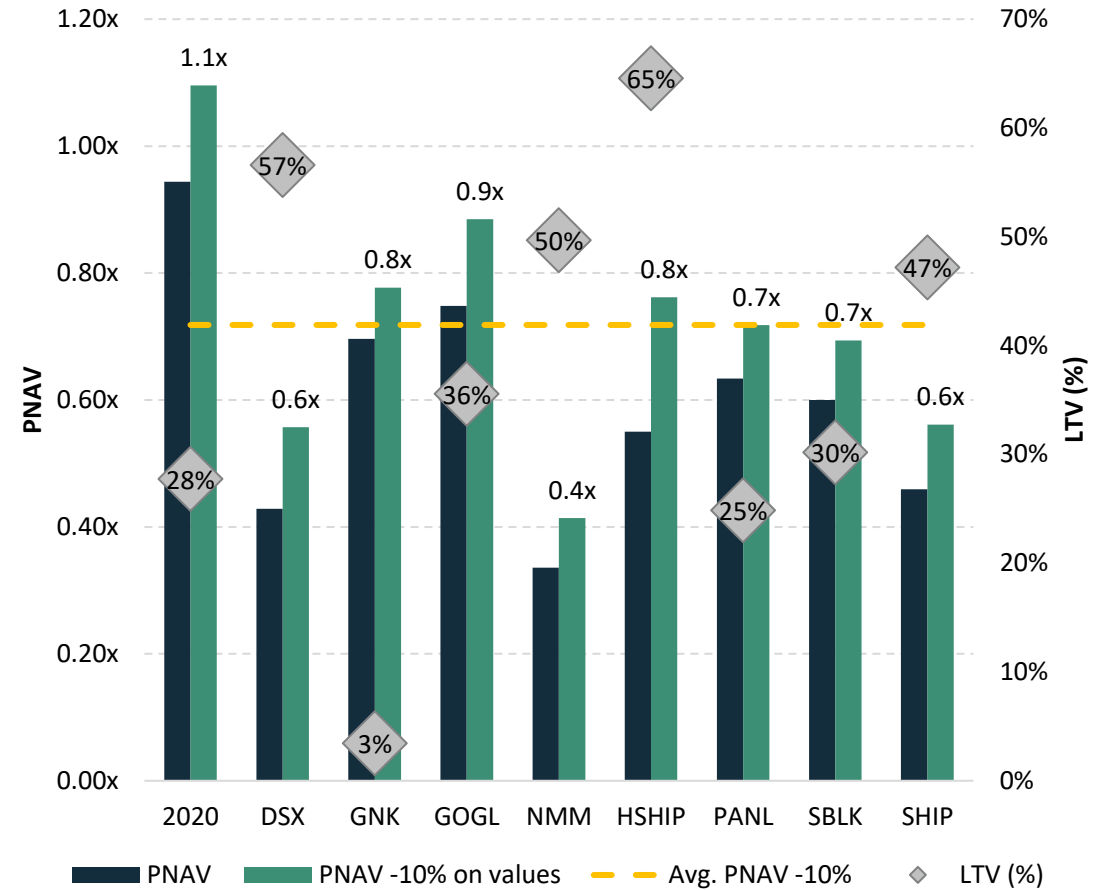
2025 to be a 'waiting year', before fundamentals looks enticing for 2026



Major SPS cycle coming in '25-27, which will temporarily remove some capacity



Valuations largely reflecting lower values...



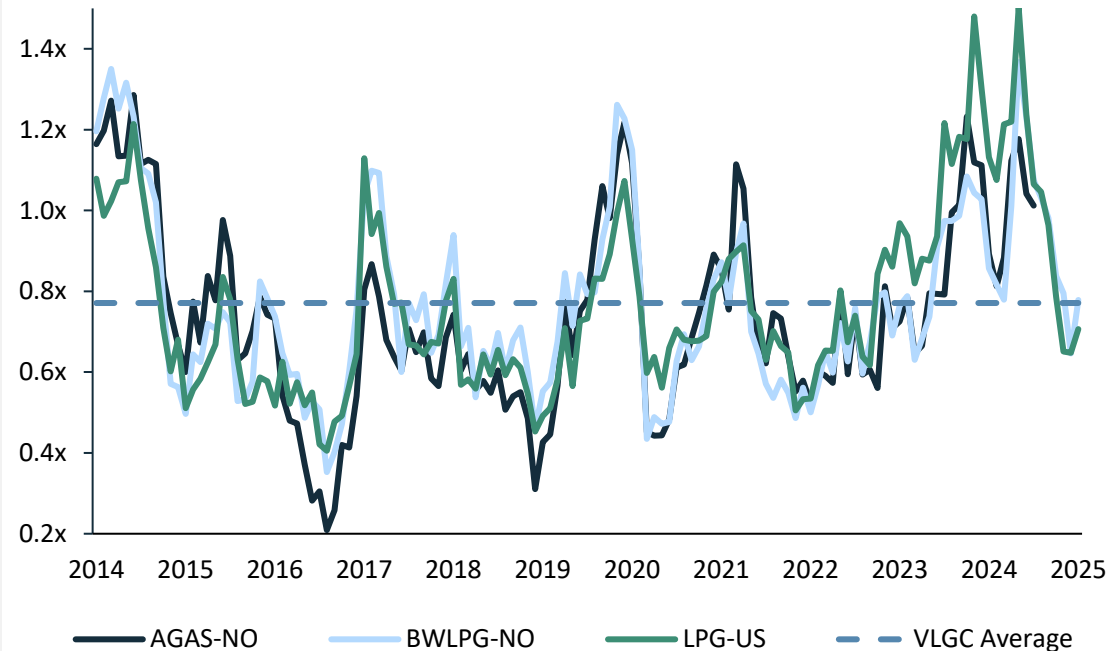
Source: Fearnleys, Company data

LPG (VLGC)

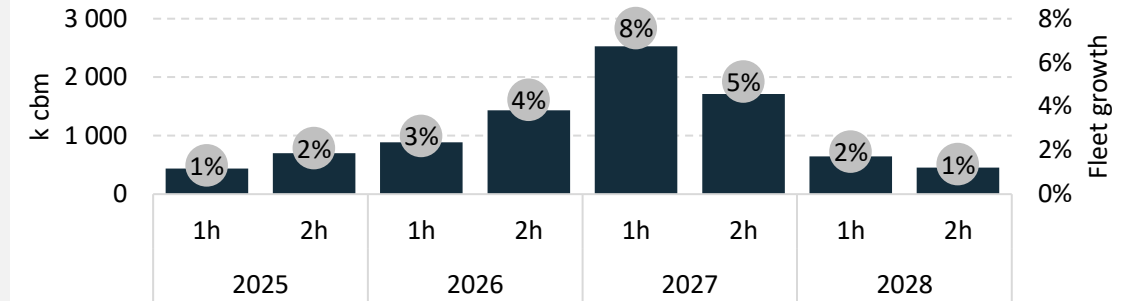
2h25 story looking promising / Long-term story hinges on OB being absorbed by export growth



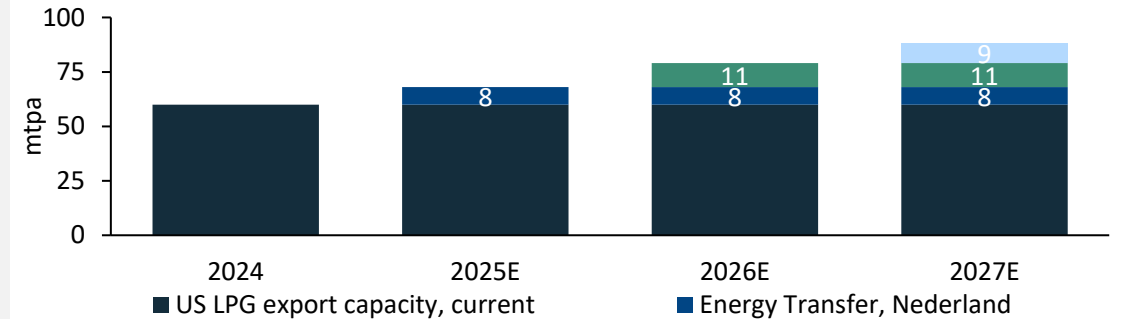
Historic P/NAV Pricing



VLGC (Incl. VLAC) fleet growth



US Export Capacity



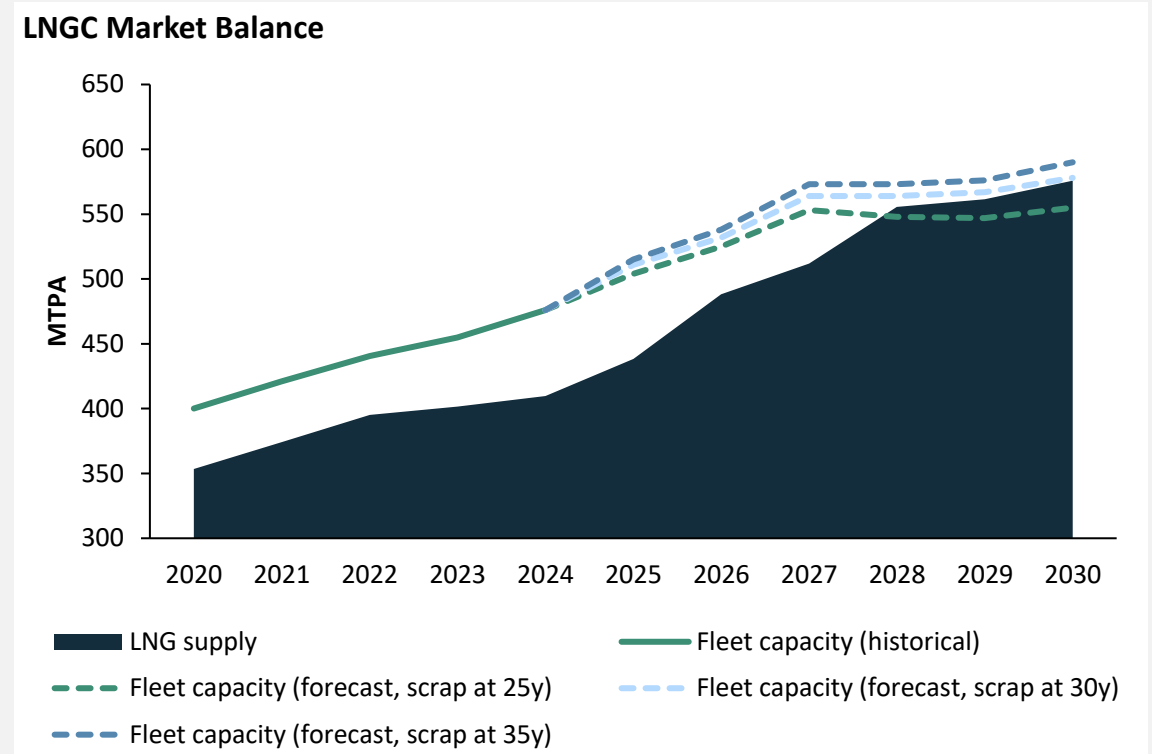
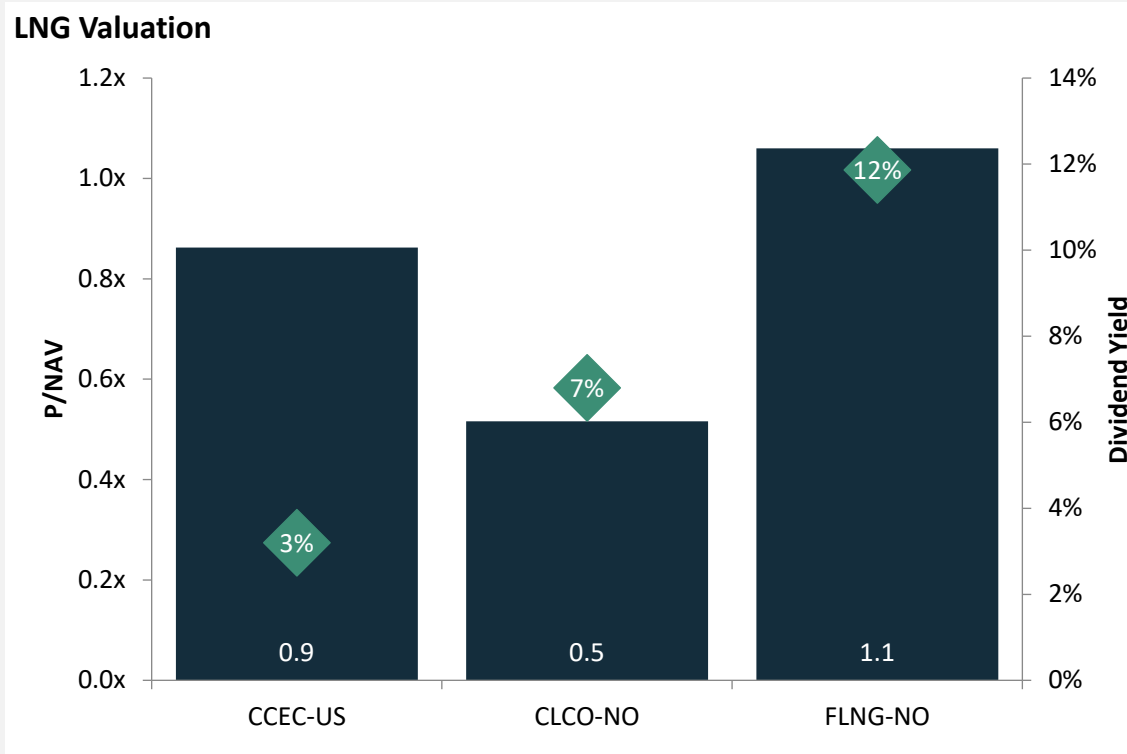
Pricing back to historic averages as earnings have normalized

Orderbook matched by capacity additions, question is if production growth continues?

Source: Shipping Intelligence Network, BWLPG, Fearnley Securities

LNG

Short-term headwinds to persist / Long-term fundamentals could improve



Close to fully priced considering market backdrop

Weak market should boost scrapping/conversions
 Trump 2.0 a long-term positive for LNG
 Risk of project delays persists

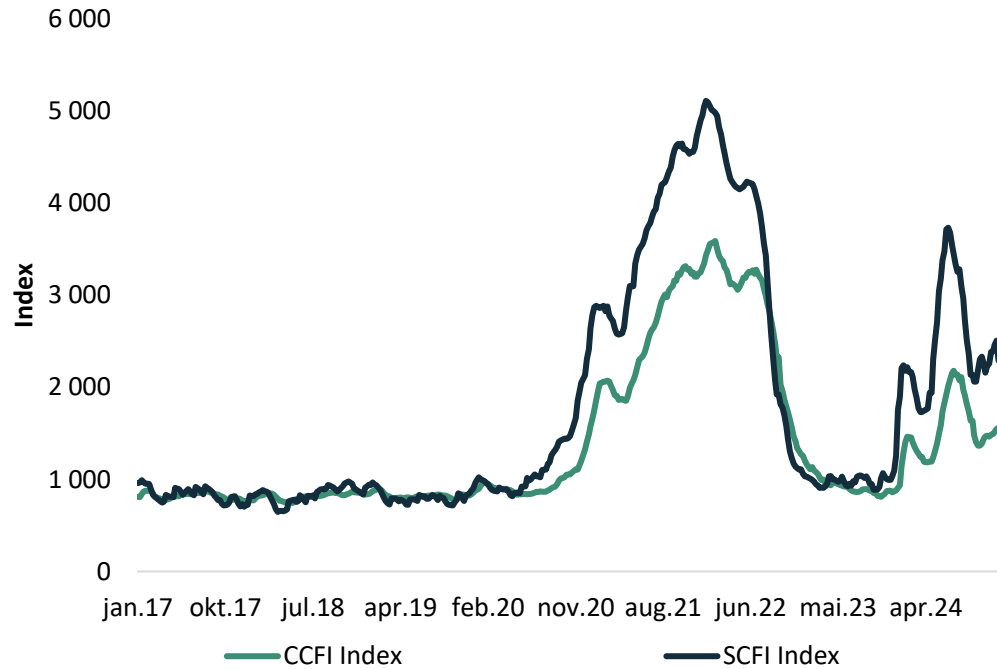
Source: Fearnleys, Fearnley Securities

Containers

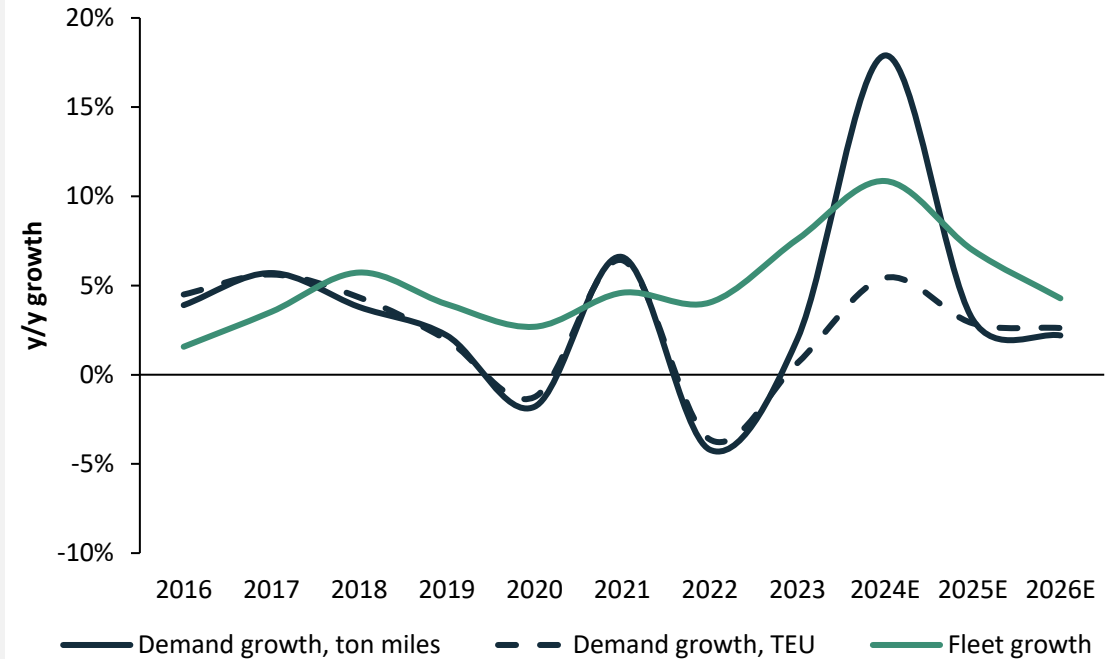
Cautious market view warranted with all-time high OB and normalizing demand + Red Sea risk



SCFI/CCFI index



Container S/D Balance



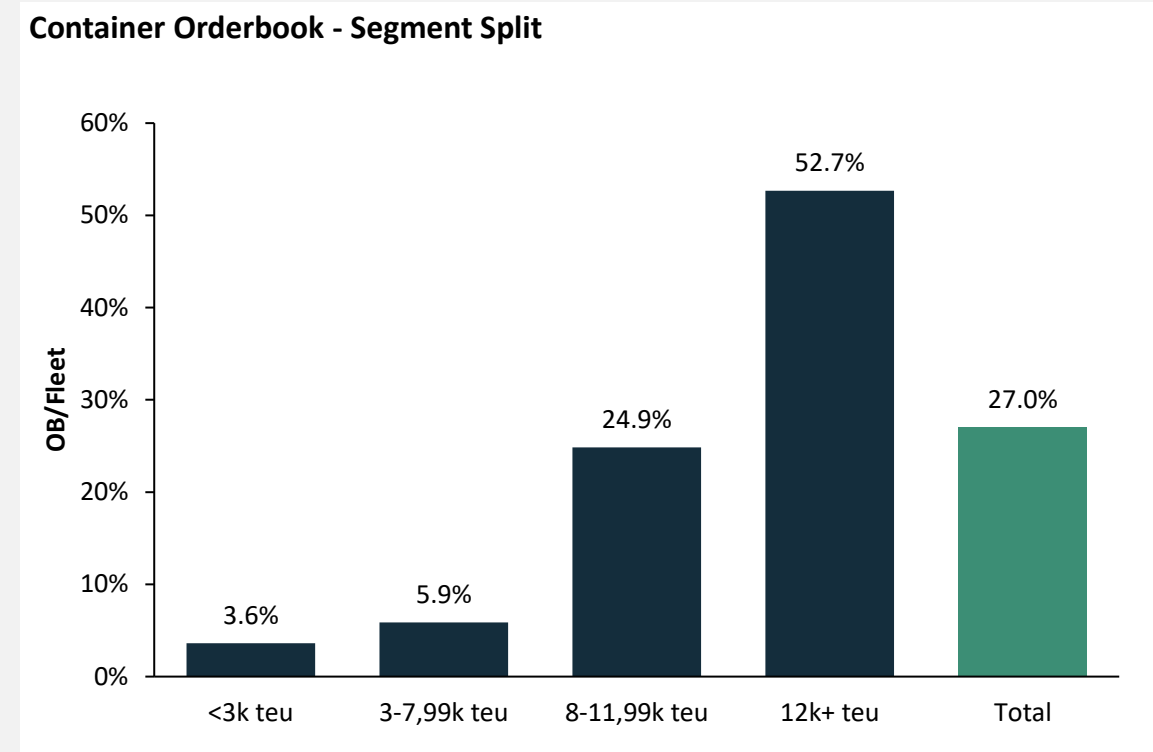
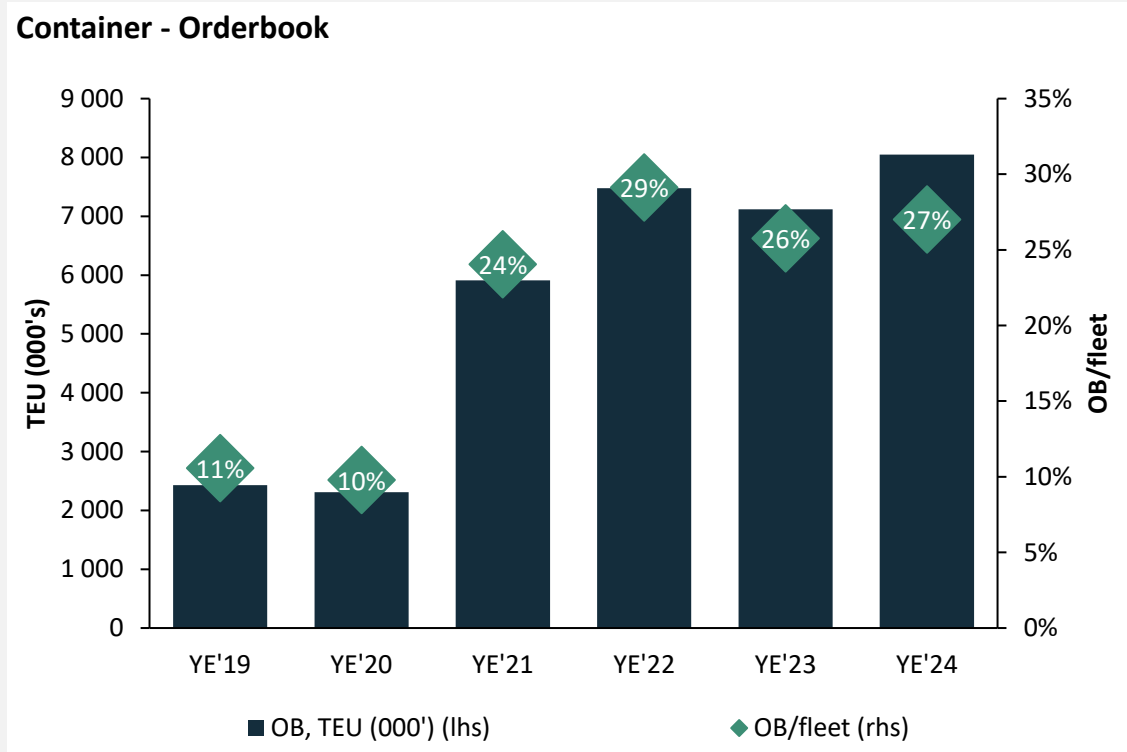
Freight rates starting 2025 in strong fashion (~2x 2023 avg.), but normalization should be expected throughout the year

Red Sea diversions has created a market balance – Suez transits will determine the pace of rate decline

Source: Shipping Intelligence Network, Fearnley Securities

Containers

Orderbook is at an all time high on a TEU basis, though wide range on segments



Orderbook has grown to an all time high after a booming 2024
Only 4.2% of current fleet is >25 years

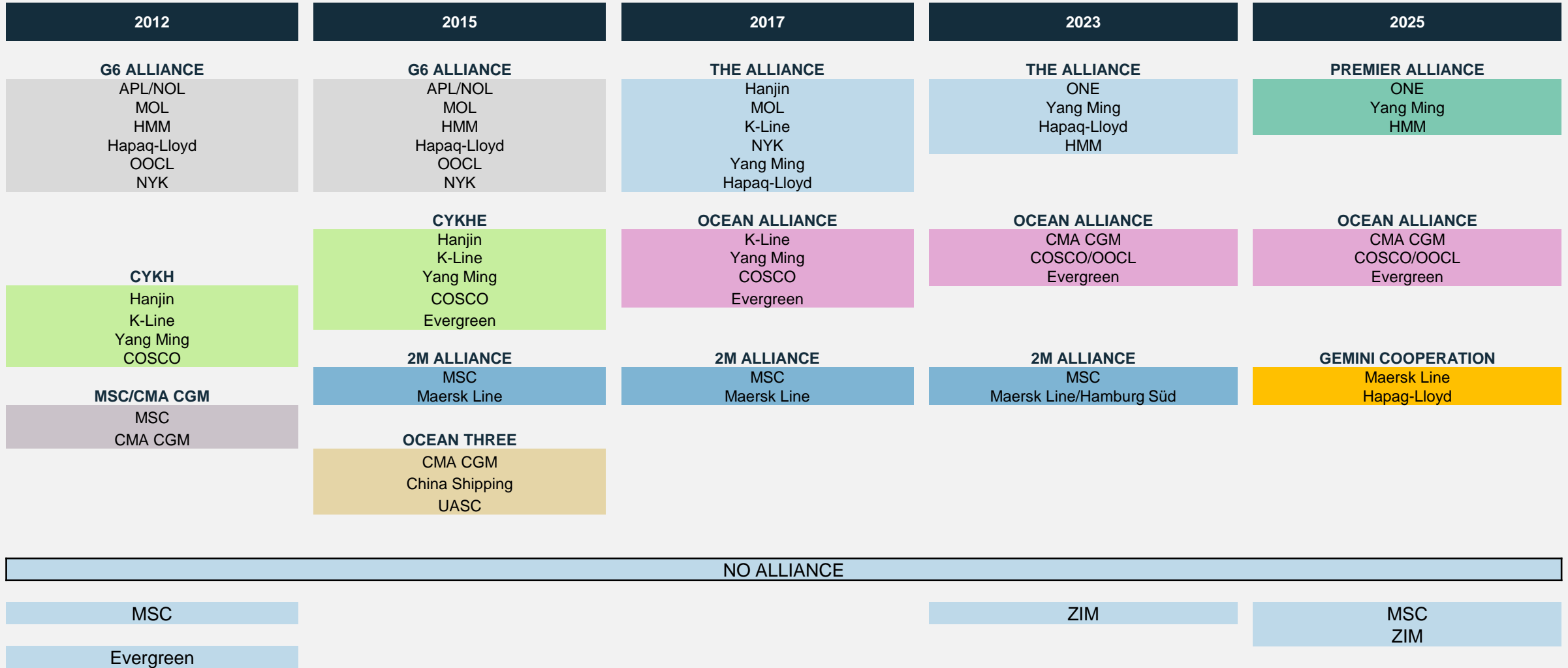
The orderbook is dominated by large container vessel
Magnitude of cascading on smaller sizes a question mark

Source: Shipping Intelligence Network, Fearnley Securities

Containers and Liners



Changing alliances could lead to a more competitive market environment in 2025



Sources: Company data, Fearnley

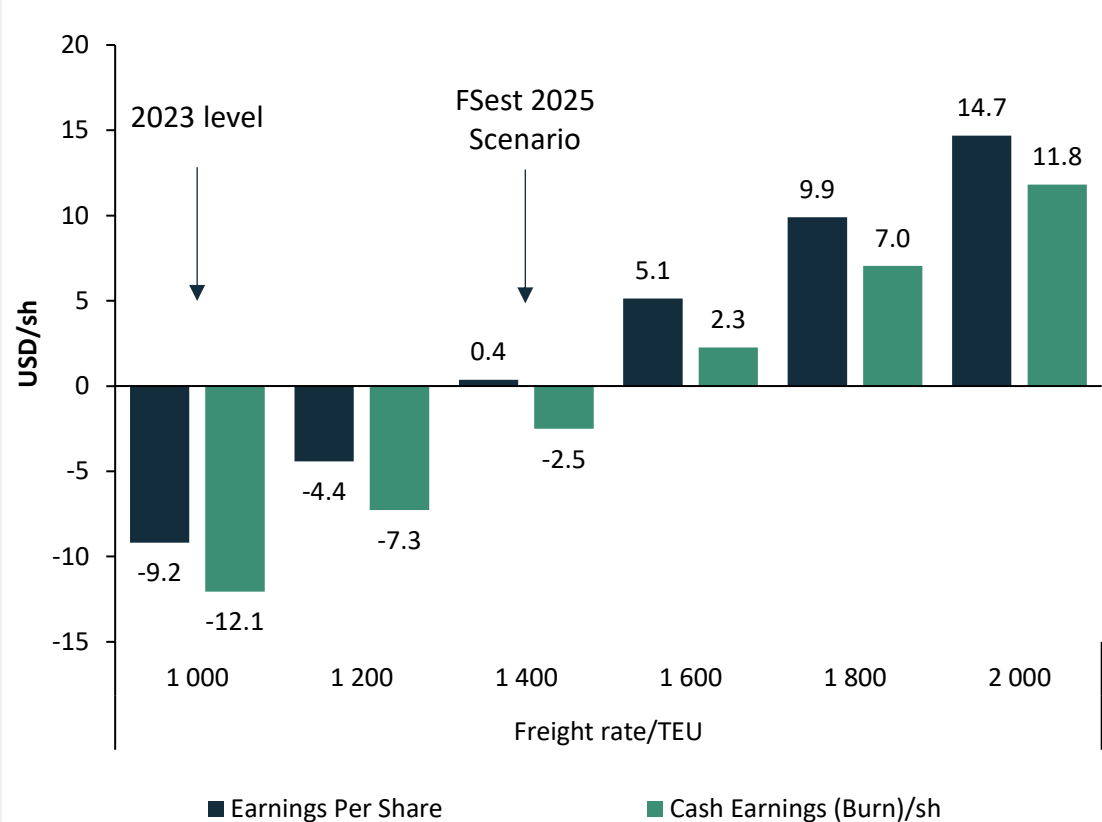
Containers

2025 should shape up differently for covered names, i.e. selective approach is warranted



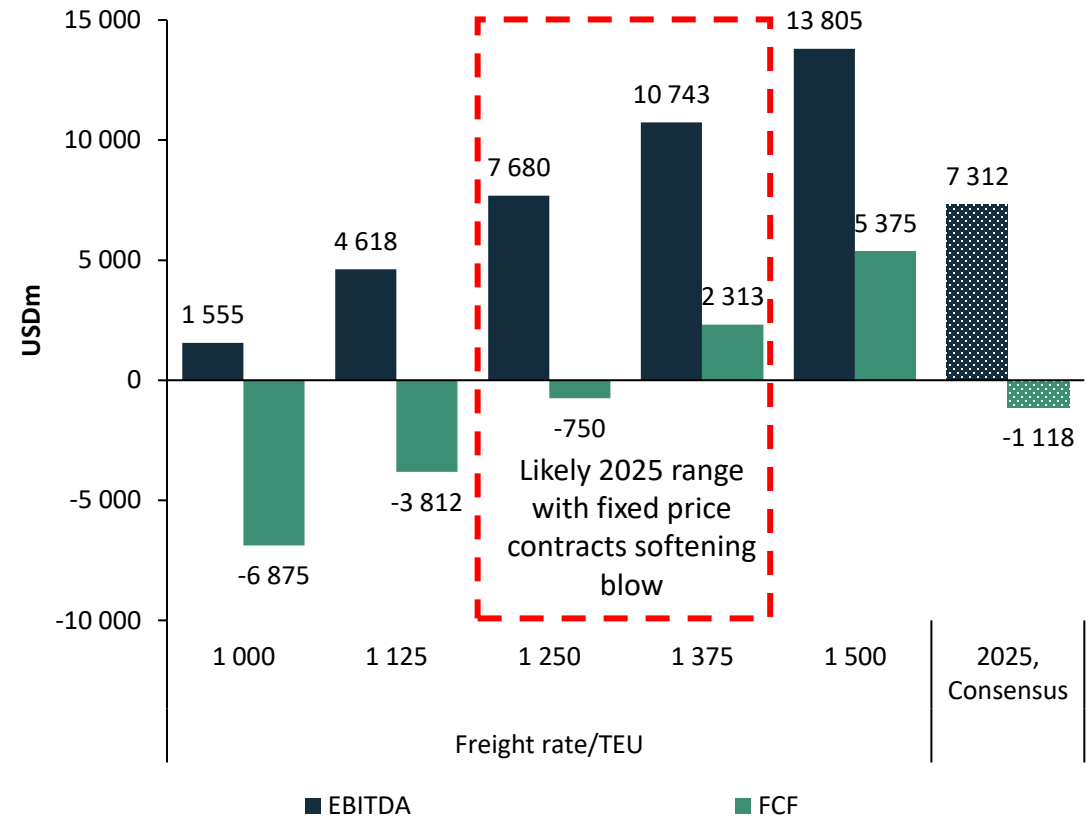
Spot rates should drive a rapid reduction in earnings for 2025...

ZIM - Annual Earnings Sensitivity



...whereas contract heavy players like MAERSK will outperform

MAERSK - EBITDA and FCF scenarios



Source: Company data, Fearnley Securities, Bloomberg

Note: ZIM assumes 3.7m TEU, Other revenue/TEU of USD 275 and OPEX/TEU of USD 1,250

MAERSK assumes 12.25m TEU, Other revenue/TEU of USD 200 and OPEX/TEU of USD 1,250, CAPEX+Amort=Bbg consensus

2025 Top Picks and Segment Outlook

Tankers (VLCCs) the Top Pick – Geopolitics will Continue to be in Center



2025 Outlook and Picks		
Segment	OB/Fleet Ratio	Top Picks
Crude Tankers / Product Tankers Buy / Hold	12% (Crude 9%) / (Product 24%)	Crude: FRO / OET / DHT Product: Hold
Dry Bulk Buy	10% (Cape 8%)	GOGL / 2020
VLGC Buy	27% (excl. VLEC)	BWLPG
LNG Buy	50%	CCEC / FLNG
Containers Selective	27%	ZIM (Sell)
Car Carriers Hold	39%	HAUTO > WAWI
Chemical Tankers Buy	12%	SNI / ODF / STST

Source: Fearnleys, Company data

DISCLOSURES AND DISCLAIMERS FOR RECOMMENDATIONS

EQUITY AND FIXED INCOME



Issued by Fearnley Securities on March 17, 2023.

1. Introduction

This document provides additional disclosures and disclaimers relevant to research reports and other investment recommendations ("Recommendations") issued by Fearnley Securities AS.

Fearnley Securities AS complies with the standards for Recommendations issued by The Norwegian Securities Dealers Association and the Norwegian Society of Financial Analysts. Fearnley Securities AS is registered in the Norwegian registry of business enterprises under registration no. 945 757 647 and is licensed and supervised by The Financial Supervisory Authority of Norway.

Matters relating to Recommendations shall be governed by the laws of Norway and be subject to the exclusive jurisdiction of Norwegian courts. The terms of use and disclaimers set forth herein are - by reference in the Recommendation - deemed to be acknowledged and accepted by any person receiving the Recommendation.

2. Equity Recommendations

Basis and Methods for Assessment

Recommendations regarding shares and share related instruments ("Equities") are based on price targets fixed with different valuation methods that may include analysis of earnings multiples (absolute and relative), valuation of a company using DCF (discounted cash flow) calculations and by carrying out net asset value (NAV) assessments. Price targets are changed when earnings and cash flow forecasts are changed. They may also be changed when the underlying value of the assets of the issuer that is the subject of the Recommendation (the "Recommendation Subject") changes or when factors impacting the required rate of return change. Unless otherwise stated, our recommendations have a twelve-month horizon.

Definitions of Equity ratings

Buy: When price target is more than 15 % above market price.
Hold: When target price is within -15% - +15 % and/or if we do not see a compelling case in the share.
Sell: When target price is 15 % or more below market price.

Risks

There is an element of risk attached to all investments in financial instruments. There may be uncertainties with respect to the accurateness and reliability of any information, interpretation and assessment. There are uncertainties and risks attached to the correctness of any Recommendation and with respect to forward looking statements and expectations.

High risk:	beta above	1.2
Medium risk:	beta range	1.0 - 1.2
Low risk:	beta at or less than	1.0

Fearnley Securities AS assesses risk in Recommendations relative to the Oslo Børs Benchmark index (OSEBX). Fearnley Securities AS applies the beta as main risk assessment criterion to its Recommendations. The risk assessment is in addition based on a consideration of the individual company's business and financial risk profile.

Note that equity coverage of Fearnley Securities AS encompasses solely companies within the following sectors: Shipping, Oil services, Seafood, Oil E&P and Renewables. These sectors are cyclical by nature and will over time presumably have a higher volatility than the overall market. Fearnley Securities AS utilizes the Oslo Stock Exchange as a benchmark in its risk assessment given the high concentration of sector participants on that exchange.

3. Fixed Income Recommendations

Basis and Methods for Assessment

Recommendations for bonds and other fixed income instruments are based on assessment of credit risk (the creditworthiness of a particular Recommendation Subject or instrument as of a given date) relative to risk premium (risk premium inherent in yield relative to investment amount).

Fearnley Securities AS mainly analyses fixed income instruments in the high yield segment where the credit risk is regarded as high. This includes rated instruments with ratings below BBB (S&P) or Baa3 (Moody's) (below "investment grade") where Fearnley Securities AS will quote the ratings to the extent these are known to Fearnley Securities AS.

Definitions of Fixed Income ratings

Buy: The risk premium is considered as favourable relative to credit risk
Hold: The risk premium is considered as acceptable relative to credit risk
Sell: The risk premium is considered as not acceptable relative to credit risk
Unless otherwise stated, fixed income Recommendations are valid until maturity of the bonds.

4. General Disclosures – All Recommendations

No Agreement with Recommendation Subjects Concerning Recommendations

Fearnley has no agreements with Recommendation Subjects with respect to dissemination of Recommendations. Draft Recommendations (other than "pre-deal research reports" in jurisdictions where pre-deal research is permitted) are not provided to, nor reviewed by, the Recommendation Subject in advance of publication. However, in certain circumstances, research analysts may submit factual portions of a draft Recommendation to the Recommendation Subject for fact-checking purposes.

Organization and Duty of Confidentiality

All employees of Fearnley Securities AS are subject to duty of confidentiality towards clients and with respect to handling inside information. Fearnley Securities AS has established "Chinese walls" and other organizational procedures to minimize conflicts of interest within Fearnley Securities AS and between clients.

Compensation Schemes for Analysts

No part of analysts' salaries or compensations relates directly to investment banking services or other services provided by Fearnley Securities AS to Recommendation Subjects. All analysts in Fearnley Securities AS are, however, part of the general bonus scheme related to the total earnings of Fearnley Securities AS.

Updating of Recommendations

Fearnley Securities AS has no fixed schedule for updating Recommendations unless stated or implied in the Recommendation.

Analyst Certification

Each of the analysts identified in this report certifies, with respect to the companies or securities that the individual analyses, that (1) the views expressed in this report reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly dependent on the specific recommendations or views expressed in this report. Please bear in mind that (i) Fearnley Securities AS is the employer of the research analyst(s) responsible for the content of this report and (ii) research analysts preparing this report are resident outside the United States and are not associated persons of any U.S. regulated broker-dealer and that therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

DISCLOSURES AND DISCLAIMERS FOR RECOMMENDATIONS

EQUITY AND FIXED INCOME



5. General Disclaimer of Liability

Recommendations are distributed by Fearnley Securities AS as a free informational service to clients, and do not constitute any form of investment advice, whether as defined in the Norwegian Securities Trading Act Section 2-3 (4) or otherwise.

Opinions expressed in each Recommendation reflect the author's judgment at the original time of publication, without regard to the date on which you may receive such information, and are subject to change without notice. All such opinions should be independently confirmed by any recipient of a Recommendation prior to making any investment decision. Recommendations may be unsuitable for certain investors depending on their specific investment objectives, risk tolerance and financial position. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is provided in relation to future performance.

Information in the Recommendations has, unless otherwise stated, been obtained from public sources believed to be reliable, but no Fearnley Securities AS party makes any representation, whether express or implied, with respect to its completeness or accuracy, or for the fitness of the information for any purposes, and it may not be relied upon as such. Fearnley Securities AS accepts no responsibility for, and expressly disclaims any and all liabilities for, any and all losses, direct or indirect, or any other kind of damage resulting from reliance upon or use of a Recommendation or information contained therein. Any person receiving a Recommendation is deemed to have accepted this disclaimer and that the disclaimer shall apply even if a Recommendation is shown to be erroneous, incomplete or based upon incorrect or incomplete facts, interpretations or assessments or assumptions, irrespective of any responsibility of Fearnley Securities AS.

Recommendations are provided for informational purposes only and do not constitute a solicitation to buy or an offer to sell any securities. In jurisdictions where Fearnley Securities AS is not registered or licensed to trade in securities, commodities or other financial products, transactions may be executed only in accordance with applicable law and legislation, which may vary from jurisdiction to jurisdiction, and which may require that a transaction be made in accordance with applicable exemptions from registration or licensing requirements.

6. Confidentiality – No Redistribution or Reproduction

Recommendations are confidential, and may not be distributed or reproduced, in whole or in part, without the prior written consent of Fearnley Securities AS. Recommendations are intended for professional investors only and may not be passed on to any legal or physical person and/or institutions without the prior written consent of Fearnley Securities AS.

7. Additional Information for U.S. Persons

This report is not "Globally Branded" as defined in FINRA Rule 1050 for purposes of distribution in the U.S. This report was prepared, approved, published, and distributed by Fearnley Securities AS, a company located outside of the United States (a "non-US Group Company"). This report may be presented in the U.S. only to major U.S. institutional investors (as defined in Rule 15a-6 under the U.S. Securities Act of 1934 (the "Exchange Act") pursuant to the exemption in Rule 15a-6 and any transaction effected by a U.S. Customer in the securities described in this report must be effected through Fearnley Securities, Inc, a Financial Industry Regulatory Authority, Inc ("FINRA") member broker dealer, as described later in these disclosures. Neither the report nor any analysts who prepared or approved the report is subject to U.S. legal requirements or FINRA or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of FINRA or any other U.S. self-regulatory organization.

This Recommendation is being furnished to U.S. recipients in reliance on Rule 15a-6 ("Rule 15a-6") under the U.S. Securities Exchange Act of 1934, as amended. The information contained in this Recommendation is intended solely for certain major U.S. institutional investor" (as such term is defined in Rule 15a-6, an "MII") and may not be used or relied upon by any other person for any purpose. Each U.S. recipient of this Recommendation represents and agrees, by virtue of its acceptance thereof, that it is a MII and that it understands the risks involved in executing transactions in such securities. Any U.S. recipient of this Recommendation that wishes to discuss or receive additional information regarding any security or Recommendation Subject mentioned herein, or engage in any transaction to purchase or sell or solicit or offer the purchase or sale of such securities, should contact a registered representative of Fearnley Securities, Inc., a U.S. broker-dealer registered with the Securities and Exchange Commission and a Member of FINRA, located at 880 Third Avenue, 16th Floor, New York, NY 10022. Any transaction by a U.S. person (other than a registered U.S. broker-dealer or bank acting in a broker-dealer capacity) must be effected with or through Fearnley Securities, Inc., which may be contacted via telephone at +1 (212) 277-3600.

This Recommendation was prepared by the analyst named on the cover of this Recommendation, who is a non-U.S. research analyst of Fearnley Securities AS and, as such, may not be subject to all requirements applicable to U.S.-based analysts.

All of the views expressed in this Recommendation accurately reflect the research analyst's personal view about all of the subject securities or Recommendation Subjects and no part of such analyst's compensation was, is, or will be related to the specific recommendation or view contained in this Recommendation.

To the extent this Recommendation relates to non-U.S. securities, note that investing in non-U.S. securities may entail particular risks. Such securities may not be registered under the Securities Act, and the issuer of such securities may not be subject to U.S. reporting and/or other requirements. Financial statements included in a Recommendation with respect to such securities, if any, may have been prepared in accordance with non-U.S. accounting standards that may not be comparable to the financial statements of U.S. companies. Available information regarding the issuers of such securities may be limited, and such issuers may not be subject to the same auditing and reporting standards as U.S. issuers. Fluctuations in the values of national currencies, as well as the potential for governmental restrictions on currency movements, can significantly erode principal and investment returns. Market rules, conventions and practices may differ from U.S. markets, adding to transaction costs or causing delays in the purchase or sale of such securities. Securities of some non-U.S. companies may not be as liquid as securities of comparable U.S. companies.

The information contained herein may include forward-looking statements within the meaning of U.S. federal securities laws that are subject to risks and uncertainties. Factors that could cause a company's actual results and financial condition to differ from expectations include, without limitation: political uncertainty, changes in general economic conditions that adversely affect the level of demand for the company's products or services, changes in foreign exchange markets, changes in international and domestic financial markets and in the competitive environment, and other factors relating to the foregoing. All forward-looking statements contained in this Recommendation are qualified in their entirety by this cautionary statement.

No Fearnley party accepts any liability whatsoever for any direct or consequential loss of any kind arising out of the use or reliance on the information given. Recommendations do not take into account the specific investment objectives and financial situation of any recipient, nor do they provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. Investors seeking to buy or sell any financial instruments discussed or recommended in a Recommendation, should seek independent financial advice relating thereto.

The products discussed in Recommendations are not FDIC insured, may lose value, and are not guaranteed by any Fearnley party.

8. Distribution in United Kingdom

This Recommendation is issued for the benefit of persons who qualify as eligible counterparties or professional clients and should be made available only to such persons and is exempt from the restriction on financial promotion in the Financial Services and Markets Act 2000 in reliance on provision in the Financial Promotion Order.

9. Conflicts of Interests

Fearnley Securities AS and certain other Fearnley affiliated entities regularly seek investment banking mandates and may at any time perform investment banking or other services or solicit investment banking or other mandates from companies covered in Recommendations. Fearnley Securities AS and other Fearnley affiliated parties or related persons may (i) hold positions in securities covered in Recommendations, including taking long or short positions and/or buying or selling such securities, (ii) act as investment bankers for issuers of such securities, (iii) act as market makers for such securities, (iv) serve on the board of any issuer of such securities, or (v) act as paid consultant or advisor to any issuer. In order to avoid any conflict of interests Fearnley Securities AS and its employees will adhere to internal regulations, recommendations from the Norwegian Securities Dealers Association and relevant legislation and regulations from the Financial Supervisory Authority of Norway. Internal holdings will be specified as part of Disclosure of Position.

DISCLOSURES AND DISCLAIMERS FOR RECOMMENDATIONS



EQUITY AND FIXED INCOME

10. Previous Recommendations

Please contact fondsweb@fearnleys.no to receive additional information about Recommendations in the financial instruments of the issuing company the last 36 months, including data on changes in Recommendations. Please be aware that certain informal Recommendations may be excluded.

11. Previous Reports

[Link to previous reports](#)

12. Disclosure of Positions

The following table presents holdings in financial instruments under the Norwegian Securities Trading Regulations section 3-10 (2) and section 3-11 (1), as well as Section 13(d) of the U.S. Securities Exchange Act of 1934. Fearnley Securities AS - consolidated with related companies and associated persons - has the following holdings of (a) equities of the Recommendation Subject that exceed 1% of the total share capital of the Recommendation Subject and (b) bonds of the Recommendation Subject in a nominal amount that exceeds 1% of the total outstanding bonds of such Recommendation Subject. The aggregate of all Fearnley analyst holdings are disclosed)

Last updated 30. November 2024	Analyst's holding		Others	
	Equities	Bonds	Equities	Bonds
Company Name				
Aker BP ASA	33	-	-	-
DNO ASA	600	-	-	-
Equinor ASA	20	-	-	-
Green Minerals	40	-	-	-
Northern Ocean	2.000	-	-	-
Odfjell Drilling Ltd	3.000	-	-	-
Proximar Seafood AS	4.026	-	-	-
Reach Subsea	1.541	-	-	-
SeaBird Exploration	226	-	-	-
TGS ASA	34	-	-	-
Ventura Offshore	54	-	-	-
Vår Energi ASA	290	-	-	-

13. Disclosure of Assignments and Mandates

The following list presents information regarding any:

- (i) participation by any Fearnley party as manager or co-manager of a public offering relating to a Recommendation Subject in the preceding twelve months;
- (ii) receipt of compensation by a Fearnley party for investment banking services from a Recommendation Subject in the preceding twelve months;
- (iii) expectation that a Fearnley party will receive, or intends to seek, compensation for investment banking services from the Recommendation Subject in the following three months; and
- (iv) receipt of compensation by a Fearnley party for products or services other than investment banking services in the preceding twelve months, as well as identification of all categories of services offered (investment banking, non-investment banking securities-related, or non-securities services).

Last updated 31 December 2024

- Belships ASA
- Biofish Holding AS
- BlueNord ASA
- Borr Drilling Ltd
- BW Energy Limited
- Cavendish Hydrogen ASA
- d'Amico International Shipping SA
- Diana Shipping Inc
- Dorian LPG
- Golar LNG Limited
- Gram Car Carriers ASA
- Hav Group ASA
- Navigator Holdings Ltd
- NEL ASA
- Noble Corporation Plc
- M Vest Water AS
- MPC Container Ships
- Odfjell Drilling Ltd
- Paratus Energy Services Ltd
- SFL Corporation Ltd
- Soiltech ASA
- Ventura Offshore Holding Ltd

14. Statistics

The following table presents information pursuant to Commission Delegated Regulation (EU) 2016/958, including quarterly statistics regarding the ratio of Recommendation categories issued by Fearnley Securities AS, as well as the corresponding ratio of Recommendation categories issued with respect to Recommendation Subjects for which Fearnley Securities AS provided investment banking services during the preceding twelve months.

Last updated 31 December 2024

Rating distribution			Investment banking relationship		
Buy	Hold	Sell	Buy	Hold	Sell
80%	17%	3%	77%	18%	5%