Container Shipping Market Outlook

Presented by
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Agenda

1. Drewry Introduction
2. Past and Current shipping market
3. Future outlook

Maritime Advisors
Rigorous analysis – Practical advice
Drewry Global Container Port Performance Index: Supply chain constraints easing

Note: Average port call duration is based on AIS tracking of all container vessel calls at a sample of more than 170 ports worldwide which together handle over 80% of global container volumes. November 2021 data for Greater China region is estimated because new Chinese data regulation resulted in temporary reduction in recording of vessel AIS transmissions.

Source: Drewry
Drewry Container Port Call Index: On a downward trend

Note: The Drewry Global Port Call Index measures the growth/decline in total container vessel calls across a sample of over 170 ports worldwide which together handle over 80% of global container volumes. November 2021 data for Greater China region is estimated because new Chinese data regulation resulted in temporary reduction in recording of vessel AIS transmissions.

Source: Drewry
Drewry Container Port Throughput Index: Indicating nosediving demand

Note: The Drewry Global Container Port Throughput Index is a calendar-adjusted volume growth/decline index based on monthly throughput data for a sample of over 235 ports worldwide, representing over 75% of global volumes. Performance for the most recent month is predicted using Drewry’s Nowcast model which utilises AIS-based derived data on the capacity and duration of vessel calls to predict port activity levels.

Source: Drewry
Drewry Container Terminal Earnings and Equity Index following suit

Drewry Container Terminal Earnings Index

Note: Index measures QoQ change in earnings per teu, based on the quarterly financial results reported by AP Moller-Maersk (calculated from reported average revenue / average cost per move), BNCT (EBITDA), HHLA (EBIT), ICTSI (EBITDA) Santos Brasil (EBITDA) and Westports (EBITDA). The Index is weighted on throughput, with Drewry estimates of teu:box ratio used to convert AP Moller-Maersk and Santos Brasil reported moves into teu.

Drewry Container Port Equity Index

Quarterly performance

- 4Q21: 0.5%
- 1Q22: -1.8%
- 2Q22: -13.9%
- 3Q22: -17.4%
- YTD22*: -21.7%

* YTD ending 13 November 2022.
Key takeaway

- The latest Drewry WCI composite index of $2,404 per 40-foot container is now 77% below the peak of $10,377 reached in September 2021.
- It is below the 5-year average of $3,723.
- Now heading below 10-year average too.
- Since 2Q20 the industry’s rolling EBIT profit is running at over $400bn
- Drewry is predicting EBIT profit of $275bn in 2022, reducing to “only” $100bn in 2023

Note: World Container Index (US$/40ft container) is composite freight rate of eight major container trade route. It is assessed by Drewry.
Source: Drewry
Drewry Container Equity Index: End of liner bull market

Key takeaway

• In line with falling freight rate and slowing down demand Drewry container equity index has also flattened.

• Drewry container equity index slumped 25.9% YTD 2022 (as of 15 July 2022), after recording a significant valuation gain of 79% and 133.7% in 2020 and 2021 respectively. Liner stocks started 2022 on a positive note but geopolitical crisis and pessimistic macro sentiments eroded the earnings.

Note: Base Year: 1 Jan 2019


Source: Drewry Financial Research Services
<table>
<thead>
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<th>Where are we headed to: Liner shipping disruption factors</th>
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<td>Pessimistic global economic outlook and inflation</td>
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<td>Geopolitical uncertainty</td>
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<td>Environmental regulation/IMO 2023</td>
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<td>Modest congestion</td>
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<td>Capacity management by the liners</td>
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<td>High orderbook to fleet ratio</td>
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Pessimism in global economic outlook

Key takeaway

- After a brief spurt after Covid, major economies are heading for a downturn
- Russia-Ukraine war
- Spiralling inflation
- South East Asian economies defying global trends.
Drewry Cancelled Sailing Tracker showing upward trend

Key takeaway

• Across the major trades: Transpacific, Transatlantic and Asia-North Europe & Med, 105 cancelled sailings have been announced between weeks 48 (28 - 04 Dec) and week 52 (26 Dec - 01 Jan), out of a total of 725 scheduled sailings, representing 14% cancellation rate.

• During this period, 59% of the blank sailings will be occurring in the Transpacific Eastbound, 26% on Asia-North Europe and Med, and 15% on the Transatlantic Westbound trade.

Source: Drewry
Historic container fleet growth and order book

Key takeaway

- Fleet growth: 20-year CAGR: 8.0%
- Historical high orderbook
- 2022 orderbook stands at 6.2m teu, equaling 25% of the fleet.
- 80% of the current orderbook expected to be delivered over next two years.

Source: Drewry Container Forecaster 3Q2022
A billion teu by 2026? Looking much less likely now…

Key takeaways

- Utilisation expected to decline moderately in 2023 and likely to remain around 70% until 2026.
- CAGR 2021-2026 (World: 3.3%)
  - South Asia 5.9%
  - North America 3.2%
  - Africa 3.5%
  - Asia 3.3%
  - Oceania 2.9%
  - Europe 3.1%
  - Middle East 2.5%
Global Container Shipping Demand Outlook

Key takeaways

• For 2022, we have downgraded our port handling outlook to 1.5% (previously 2.3%)
• Outlook for 2023 lowered to 1.9% (from 2.9%)
• Significant risk that economists are yet to fully grasp scale of downturn in highly volatile environment, making further downgrades probable.

5-year CAGR

• Supply forecast: 3.4% (incl. adjustments by carriers)
• Demand forecast: 2.8%
• Drewry base case forecasts indicates that container market will return to over-capacity in 2023
• More stringent capacity reducing measures liable to be challenged by regulators

Note: Data subject to change.
Key takeaways

- As capacity management bites in, charter hire of Panamax vessels is close to last 10 year average.
- Charter hire for 8.5k TEU still remains at elevated levels comparatively.
Key takeaways

- Bunker prices have been on an upward trajectory caused by global upheavals.
- VLSFO-HFO differential has been about USD285 year to date (Oct) in 2022.
- Significant gains for vessels with scrubbers.
- Bunker prices expected to decrease in coming months as per Platts futures.
To sum it up

1. Capacity management discipline likely to play a major role
2. Charter hire moving downwards
3. Environmental regulation, a potential saviour

1. Pessimistic macroeconomic sentiments
2. China continuing to grapple with Covid
3. Bloated orderbook to fleet ratio
4. Bunker prices remain high
5. Supply constraints easing
Principal source of material used for the presentation

- **Drewry Ports and Terminals Insight**
  - Quarterly report offering:
    - Spotlight analysis: thought leadership
    - Port connectivity index
    - Global Ports Monitor
    - Regional Ports Monitor
    - Deals and developments
    - Port sector financial analysis

- **NEW** Monthly supplement providing enhanced global regional data
  - Port Throughput Indices, Port Call Indices
  - Port Performance Indices, Port Congestion Trackers

- **Global Container Terminal Operators Annual report**
  - Terminal industry structure and performance
  - League tables and performance of terminal operators
  - Operator strategies, portfolios and risk profiles
  - Forecast capacity by terminal operator & region to 2026
  - Individual analysis of 30 terminal operators and investors

- **Container Forecaster Monthly report**

- **Drewry Maritime Financial Insight**

Q&A welcome

Thank you!!
ABOUT DREWRY: Maritime Research and Consulting Services

Rigorous analysis, practical advice

Drewry is the leading international provider of research and consulting services to the maritime and shipping industry

Founded in 1970: More than 50 years continuously charting and assessing the world’s maritime markets

More than 90 full time employees and associates serving our clients from offices in London, Delhi, Shanghai and Singapore

We serve our clients through four business units:

- Maritime Research
- Maritime Advisors
- Supply Chain Advisors
- Maritime Financial Research

The primary source of market insight, analysis and advice trusted by a global audience of maritime and shipping industry stakeholders.
Our combination of sector knowledge, rich market insight and commercial awareness enables us to deliver the performance, profitability and competitive advantage our clients seek.

Independence

Our voice is our own and is not defined by others
This impartiality, alongside our depth of market understanding has cemented our reputation as an indispensable reference, trusted by a diverse audience of shipping industry stakeholders.

Heritage

A trusted brand for more than 50 years
We have been charting and analysing the world’s maritime markets for over 50 years, building unique resources and models our clients rely on to make informed decisions.

Market Insight

Rich insight – unrivalled market intelligence
Our understanding comes not only from being close to the sectors we serve but also from working with our clients and giving them a balanced, highly practical and commercial perspective.

Sector Expertise

Industry knowledge
We combine timely and relevant market analysis with specialist sector and technical expertise to deliver real commercial value and competitive advantage to our clients.

$6bn: The combined value of shipping industry transactions we have advised in the last 10 years

$8bn: Total value of vessel portfolio and shipping freight spend we have provided strategic advice for since 2010

120

The number of shipping market outlook studies our consultants have conducted across various shipping sectors since 2010

500

The number of shipping assignments our consultants have been involved in the last 10 years
## Research is in our DNA

**Drewry Maritime Research**

An indispensable reference since 1970, providing rigorous analysis and insightful commentary on past, present and future sector performance. We offer a comprehensive range of titles and online services that keep our clients up-to-date with developments in every key maritime sector, from dry bulk to chemicals, LPG to ferries.

### SECTORS COVERED
- Containers
- Dry Bulk Shipping
- Ports and terminals
- Tanker Shipping (Product/Crude)
- Chemical Shipping
- LNG / LPG
- Multipurpose Shipping
- Ship Operations
- Reefer

### RESEARCH TYPES
- Monthly market insights
- Quarterly market forecasts
- Annual sector reviews and forecasts
- Spotlight analysis/Special situations
- Impact analysis

### AUDIENCES SERVED
- Ship owners and operators
- Importers/exporters
- Banks/Financial Institutions
- Port Authorities/Technical operators
- Equipment manufacturers
- Government agencies
- Investors
Ocean freight procurement solutions

Our dedicated team of ocean freight and logistics professionals work with some of the world’s largest retailers and manufacturers, helping them benchmark their ocean freight costs and optimise their ocean freight procurement.

We combine the latest market intelligence with powerful procurement technologies and proven best practices to give procurement and logistics operations teams greater visibility and control.

**FACT-FIND**
- Understand market and validate decisions
- Freight cost benchmark intelligence, market outlook and peer group insights

**IMPROVE**
- Improve performance and predictability
- Best practices and tools and templates to ensure smooth and efficient process

**PLAN**
- Inform strategy and prepare plan
- Establish target rates, freight spend budget and develop bid strategy

**IMPLEMENT**
- Outcome-focused approach
- Efficient bid administration, better procurement outcomes and carrier management practices

End-to-end control and visibility of ocean freight procurement and operations
Drewry Maritime Financial Research

DMFR service straddles Investment research, Financial advisory to Valuation of assets.

**Investment Research**
DMFR can provide objective, tailored research solutions to institutional investors, as well as a selection of multi-client reports on maritime, shipping equities and bonds:
- Equity research
- Spotlight reports
- Ask an analyst service

**Financial Advisory**
Leveraging our extensive market knowledge and understanding, we provide advisory services to assist companies, investors and financial institutions.
- Industry Sections for security offerings (IPO’s, private placements, bond offerings)
- Project Assessments (financial & commercial due diligence, cash flow projections)
- Risk Management (Credit and counterparty risk management)

**Valuations**
We provide clients with multiple valuation assessments ranging from companies and financial instruments to vessels, terminals and fleets.
- Company valuation
- Fairness opinion
- Charter free and charter attached valuations
- Residual value forecast
- Freight rate forecast
Drewry Maritime Advisors: Shipping Advisory Capability

Drewry provides expert advice to Financial Institutions, Shipping Companies, Private Equity firms and Industrial Users covering the full spectrum of commercial and technical aspects of the shipping market. Our team is made up of industry professionals, economists and technical experts, providing rigorous analysis and a practical understanding of all shipping markets.

The Shipping team provides strategic, commercial, financial and technical advisory services to industry players and investors. Our approach is to provide a bespoke package to each client, working to ensure that each project focuses on achieving its core objectives and that the analysis we prepare answers the client’s fundamental questions. These questions range from whether it is the right time to invest in the sector to how to manage seafreight to ensure corporate competitiveness.

In all our projects, our starting point is an in-depth understanding of the characteristics and dynamics of the relevant shipping market and a clear view of the outlook for the sector’s earnings and asset values. The advisory team works closely with Drewry’s individual shipping Research teams, who provide up to date analysis on key commodities, market rates and asset values, the newbuild orderbook and other key industry trends.

This understanding of the market underpins our work in market analysis, commercial and technical due diligence, valuation, fairness opinion and investment appraisal. We prepare earnings and asset value projections under a variety of scenarios and combine this with financial modelling and analysis to allow clients to see the likely outcomes of planned investment.

The outlook for the market and specific commodity sectors is used by our advisors in seafreight strategy and CoA tendering advice. The advisory team has the experience to assist in seafreight contract negotiations.

Drewry’s in-house technical experts are able to offer a full range of technical services including desktop technical due diligence, health and safety due diligence, operating cost benchmarking and physical inspection of vessels.

The combination of commercial, financial and technical expertise means that Drewry’s shipping team has the complete set of capabilities required to service all stakeholders within any shipping market.

### Commercial and market assessment
- Market outlook
- Projections of earnings and asset values
- Investment due diligence of target company
- Network design and modelling
- IPO/Private placement support
- Seafreight strategy development for industrial users
- Freight rate benchmarking
- Freight cost assessment model for contract negotiation
- Counterparty due diligence and Credit analysis
- Contract of affreightment tendering advice
- Strategic planning and investment
- Mergers and Acquisition assistance
- Market entry and exit

### Technical due diligence of vessels
- Assessment of vessel seaworthiness
- Desktop technical due diligence
- Health, Safety and Environment due diligence
- Oversight supervision of vessels under construction
- Operating cost benchmarking
- Physical inspection of vessels

### Financial assessment
- Financial modelling
- Earnings benchmarking
- Fairness opinion
- Vessel valuation (Charter free, Charter attached)
- Residual Value assessment
Drewry Maritime Advisors: Ports and Terminals Advisory Capability

Drewry provides expert advice to Financial Institutions, Port Authorities, Terminal Operators, and Governments covering the full spectrum of commercial and technical aspects of ports and terminals. Our team includes industry professionals, economists and technical experts who together bring rich experience and practical understanding of the global ports industry.

The global Ports and Terminals team provide strategic, commercial and technical advisory services. Our rich industry knowledge and expertise is complemented by the practical, hands-on experience of our advisors.

For every project we take care to craft a bespoke package that focuses on your core objectives and commercial needs whilst answering the fundamental project-specific questions you may have.

Whether commissioning our commercial advisory team to provide strategic analysis, commercial due diligence or market analysis, you can rely on our independence and rigour to provide sound professional advice. We can provide an in-depth assessment of the characteristics, dynamics and trends of the port market, conduct customer analysis or evaluate the port competitive environment to help you overcome challenges or realise asset opportunities. Given the breadth and depth of experience across the team, we are well placed to support both strategic goal setting and business planning processes.

Drawing on our extensive in-house databases we can help you assess the impact of liner network strategy, vessel upsizing and the development of key trade lanes within the ports and terminal sector.

Our approach to financial modelling and forecasting utilises our rich market intelligence and analysis, producing models that reflect the unique competitive environment in which your asset resides. The advisory team can provide volume, revenue, B/S, P&L, cash flow forecasts and asset valuations. This work can also support investment and divestment appraisals, where can advise on market entry strategies and financial return projections.

Our in-house technical experts, who are port engineers, are also able to support feasibility and pre-feasibility studies as well as offer technical due diligence and asset risk services. This combination of technical and commercial expertise ensures a consistent and co-ordinated approach, whilst providing an independent view of the asset infrastructure, key material risk and capacity expansion plans.

Strategic and Commercial assessment

- Commercial due diligence
- Market analysis and outlook
- Strategic analysis and planning
- Asset risk analysis
- Investment and divestment appraisals
- Competitive assessments
- Feasibility and pre-feasibility studies
- Concession design
- Bid process support
- Financial modelling
- Tariff assessments and structures
- Maritime policy
- Network analysis

Operational and Technical

- Capacity assessment, capacity bottlenecks and expansion assessment
- High level assessment of technical risks of project
- Maintenance strategy review and repex strategy review
- Capex review
- Opex review
- Lenders Technical Advisor, Vendor’s Technical Advisor, Buyer’s Technical Advisor
Drewry’s competitive advantage: Drewry Maritime Advisors

Advisory team with board-level experience.

1. Extensive Research Catalogue
   - Global Container Terminal Operators Annual Review
   - Container Freight Rate Insight (tracked weekly)
   - Container Forecaster (Quarterly)
   - Container Census & Leasing and Equipment Forecaster
   - Equity Research on container ports and shipping covering over 17 companies.

2. Comprehensive internal databases
   - Route Capacity Database: All direct services in major routes (Average ship size, Frequency, Lines)
   - Boxbase: Tracks container port throughput of all major container terminals
   - Macroeconomic database (GDP, Export and Import etc)
   - Drewry Research Database: Container Ship fleet, earnings and asset values
   - Proprietary AIS analytics

3. Relevant sector studies
   - Container shipping advisory experience straddles strategic advisory to investment assessment
   - Due Diligence of Terminal Asset in Thailand
   - Commercial Due Diligence of a portfolio of terminal assets in Thailand
   - Thailand Container Terminal Market Assessment
   - Terminal Investment Opportunity Assessment
   - Prospects of container ships larger than 18,000 TEU
   - Global container terminal portfolio due diligence of the top container terminal operator

4. Industry consultant for majority of IPO and Bond
   - DP World
   - Box Ships Inc.
   - Pelindo II
   - Pelindo III
   - Qinhuangdao Port
   - Global Ports Investments
   - SITC
   - Westports (Port Klang)
   - ICTSI
   - Hutchison Ports