

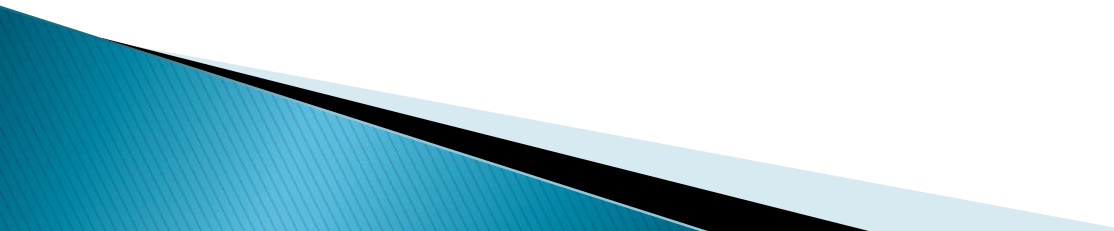
# OIL TANKERS IN VIEW OF THE CURRENT UNSTABLE OIL PRICE ENVIRONMENT – AN OUTLOOK

ALEXANDROS SPONDYLIDIS  
EASTERN MEDITERRANEAN MARITIME LTD.

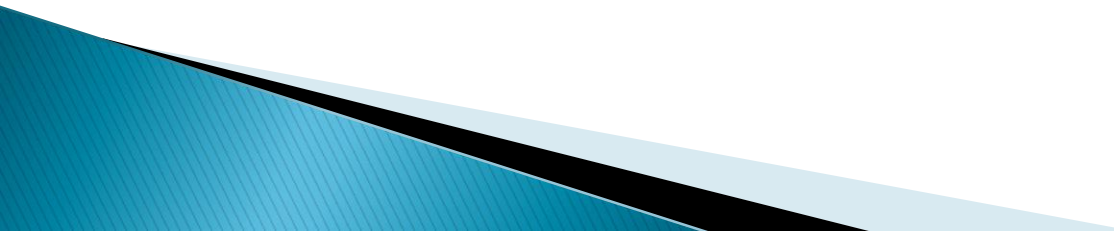


# EASTERN MEDITERRANEAN MARITIME LTD.

## SHIP MANAGEMENT COMPANY FOUNDED IN 1991

- ▶ BY END OF 2016 THE FLEET WILL CONSIST OF:
  - ▶ 28 TANKERS INCLUDING VLCCS, AFRAMAX/LR2, MR AND HANDY VESSELS.
  - ▶ 31 BULK CARRIERS INCLUDING CAPESIZE, KAMSARMAX, PANAMAX AND SUPRA-HANDYMAX VESSELS.
  - ▶ 12 CONTAINER VESSELS (FEEDERS 1750TEU)
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# TANKER FREIGHT MARKET PARAMETERS

- ▶ TANKER FLEET SUPPLY
  - ▶ DEMAND FOR TANKERS
  - ▶ OIL PRICE – OIL PRICE – OIL PRICE
  - ▶ HISTORICAL RETURNS
  - ▶ OUTLOOK FOR THE FUTURE
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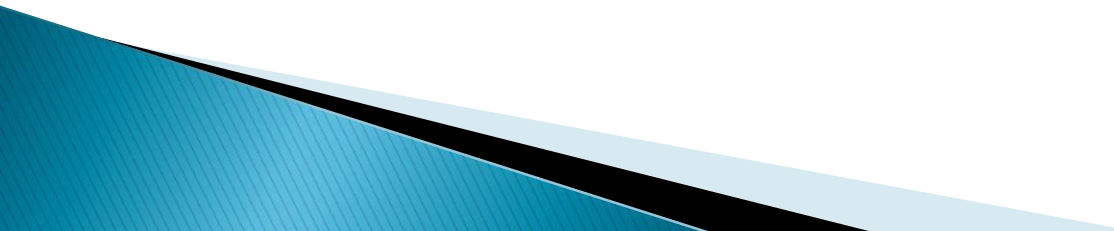
# TANKER SUPPLY



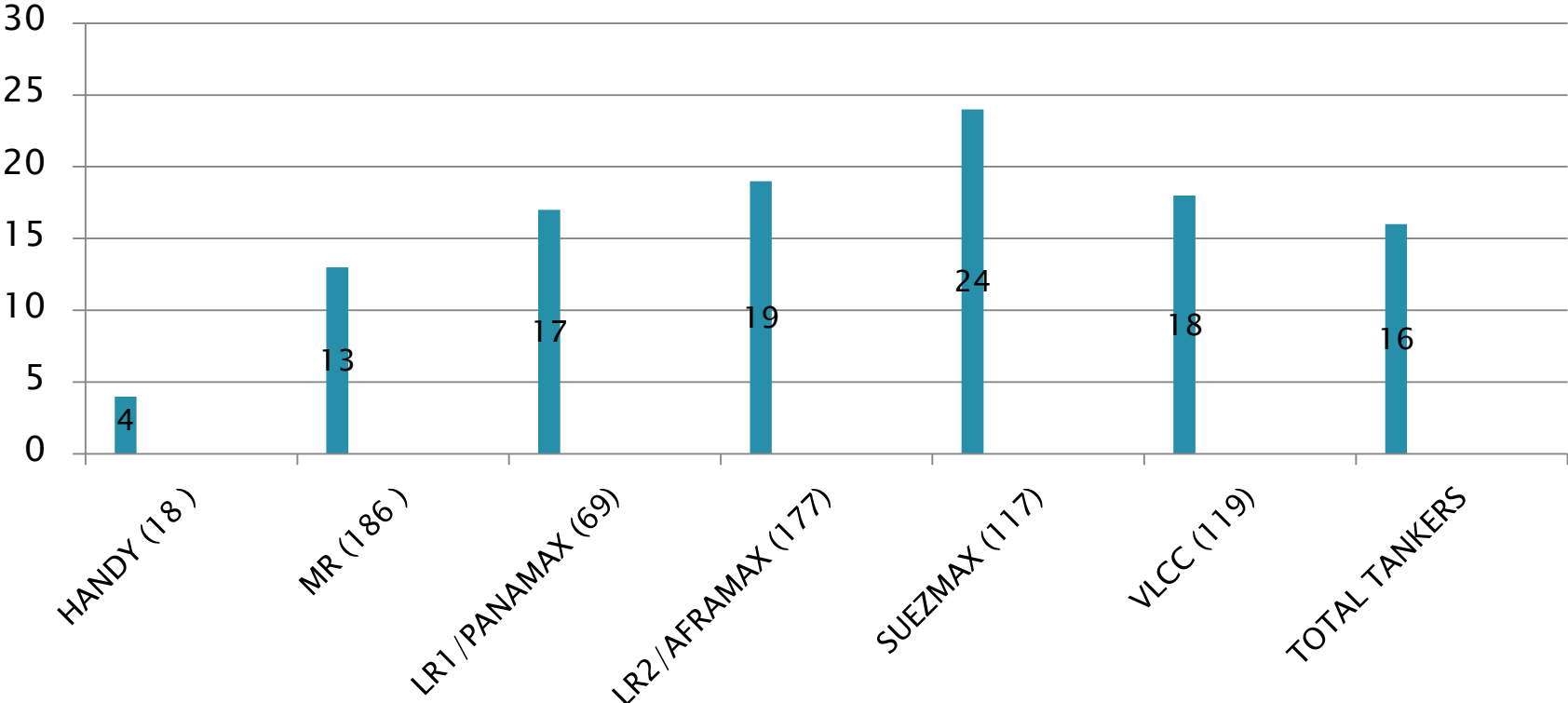
# TANKER FLEET SIZE AND AGE

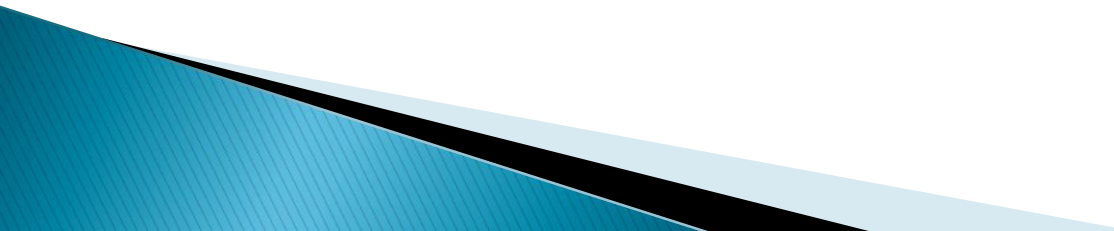
<i>Age Range</i>	<i>20 years plus</i>	<i>15-19 years</i>	<i>10-14 years</i>	<i>5-9 years</i>	<i>0-4 years</i>	<i>Total</i>
<i>Dwt Range</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
<b>HANDY PRODUCT (30 - 44,999)</b>	86	118	256	244	100	<b>804</b>
<b>MR PRODUCT (45 - 59,999)</b>	47	106	218	534	391	<b>1.296</b>
<b>PANAMAX/LR1 (60 - 79,999)</b>	9	27	117	198	57	<b>408</b>
<b>AFRAMAX/LR2 (80 - 119,999)</b>	40	127	244	339	168	<b>918</b>
<b>SUEZMAX (120 - 199,999)</b>	23	74	115	147	140	<b>499</b>
<b>VLCC (200 - 319,999)</b>	13	98	155	179	153	<b>598</b>
<b>VLCC (320,000 +)</b>	-	-	5	15	33	<b>53</b>
<b>Total</b>	<b>218</b>	<b>550</b>	<b>1.110</b>	<b>1.656</b>	<b>1.042</b>	<b>4.576</b>

## KEY POINTS

- ▶ BIG FLEET EXPANSION AND RENEWAL THE LAST 5–10 YEARS
  - ▶ AROUND 60% OF MAJOR TANKER SIZES ARE UPTO 10 YEARS OLD
  - ▶ MRS 71 %, VLCC 58%, SUEZMAX 57%, AFRAMAX 55%
  - ▶ BUT HOW DOES THE FLEET EXPAND TODAY ?
- 

# FLEET ORDERBOOK RATIO TO EXISTING FLEET (%)



- ▶ FLEET EXPANSION STILL WORRYING ON SUEZMAX AND VLCC SECTORS. TOTAL FLEET EXPANSION AROUND 9 PCT IN 2016 AND AROUND 7 PCT FOR 2017.
  - ▶ MEDIUM RANGE TANKERS LOOK HEALTHIER ON ORDERBOOK DUE TO THE RECENT HUGE FLEET DELIVERIES (ALMOST 1000 VESSELS IN THE LAST 9 YEARS!!), SO STILL UNDER THREAT.
  - ▶ LR2/AFRAMAX MARKET THE 'BIG' UNKNOWN AS UNCERTAIN HOW MANY COATED VESSELS WILL STAY CLEAN OR CONVERT TO CRUDE/DIRTY TRADE.
  - ▶ SCRAPPING IMPORTANT FOR THE EQUATION BUT NEGLIGIBLE IN 2015 DUE TO THE HIGH FREIGHT MARKET.
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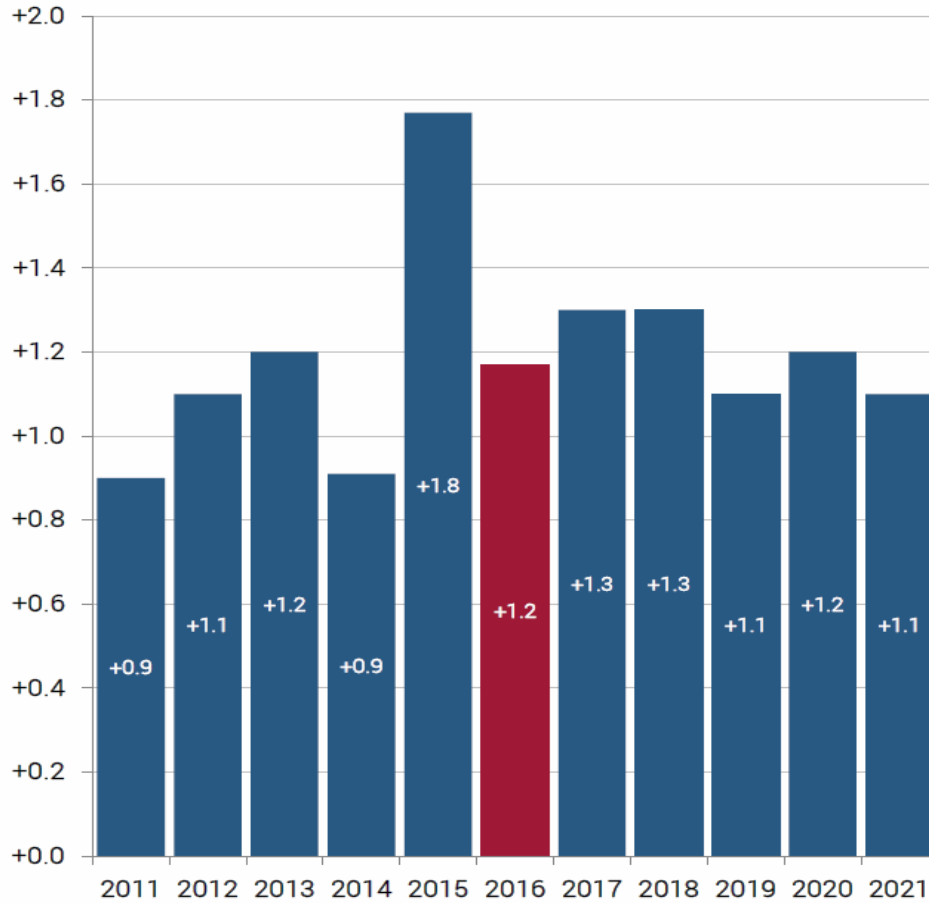




# TANKER DEMAND

## World Oil Demand

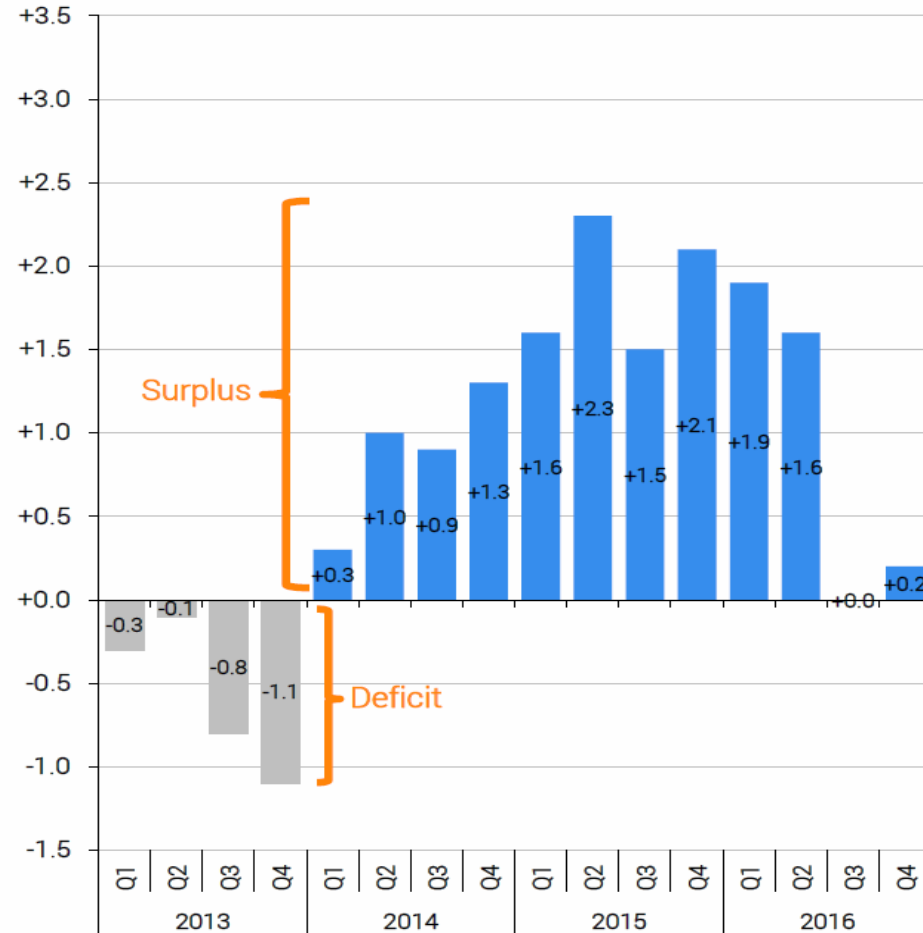
Strong demand growth to the end of the decade  
mbd



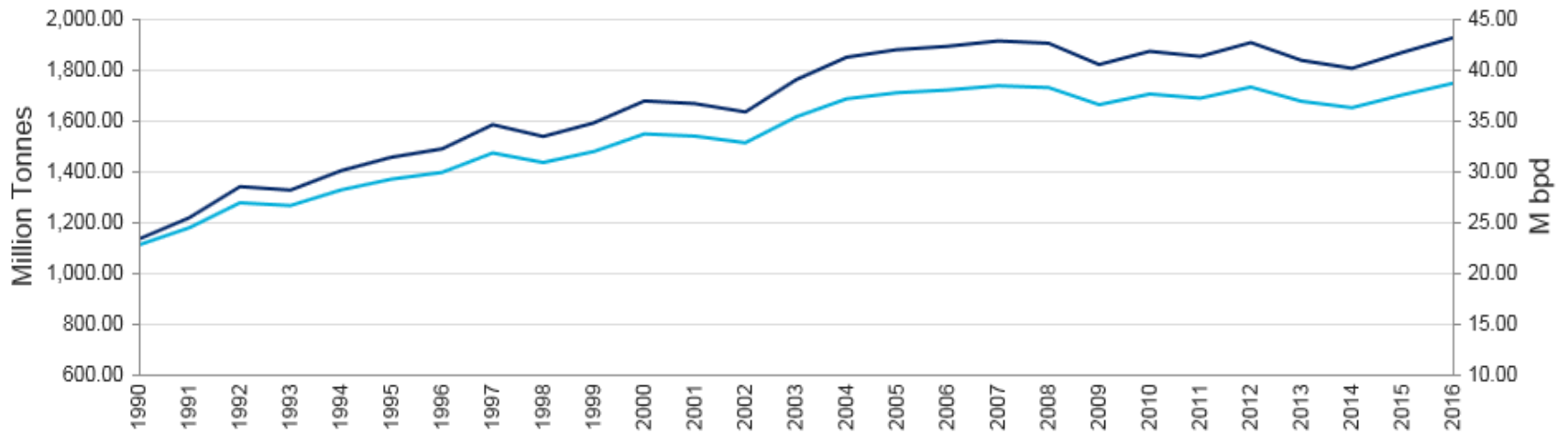
Source: IEA

## Oil Balances

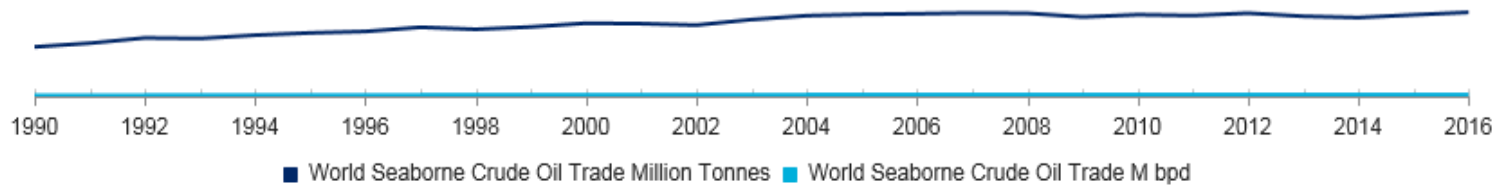
Supply and demand expected to balance in 2017  
mbd



## World Seaborne Crude Oil Trade Million Tonnes and others



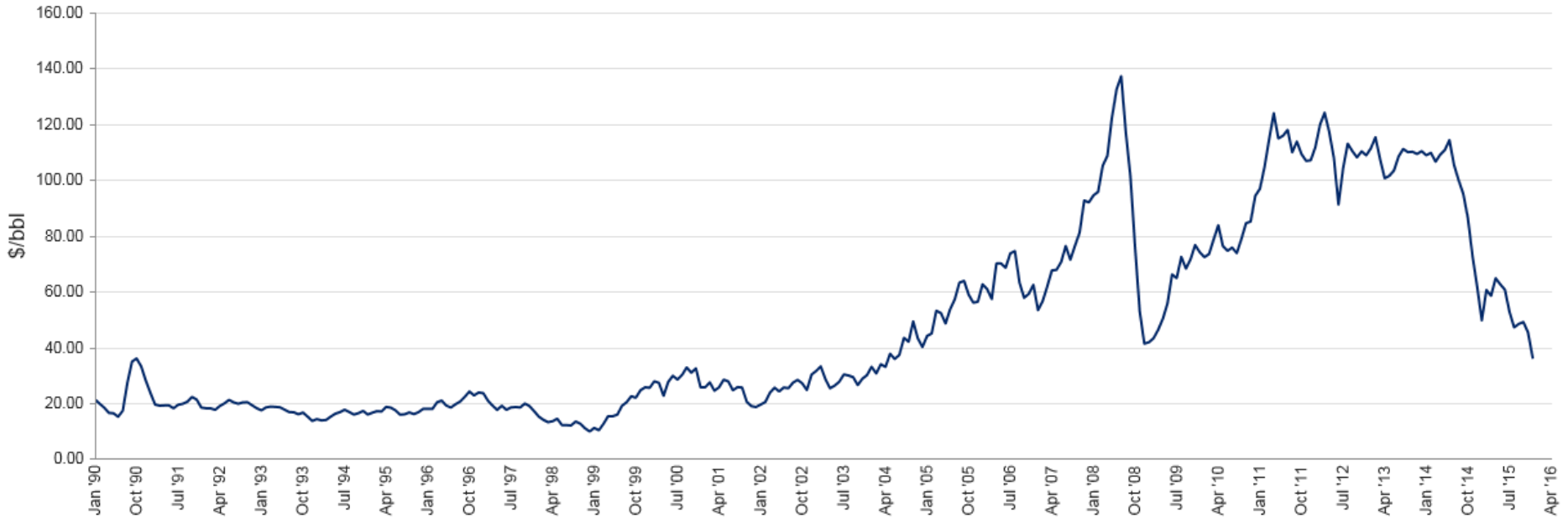
Source: Clarksons Research



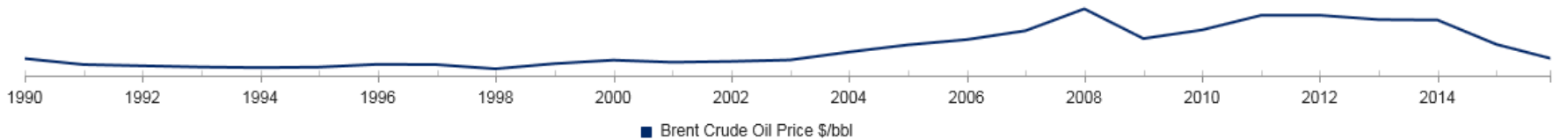
■ World Seaborne Crude Oil Trade Million Tonnes ■ World Seaborne Crude Oil Trade M bpd

IF DEMAND FOR OIL IS STEADILY INCREASING BUT DO NOT PROVIDE FOR SOMETHING SPECTACULAR (APART FROM 2015) FOR TANKER FREIGHT RATES TO MOVE WHERE DOES ALL THE 'PLAY' IN THE TANKER MARKET CAME FROM?

**Brent Crude Oil Price \$/bbl**

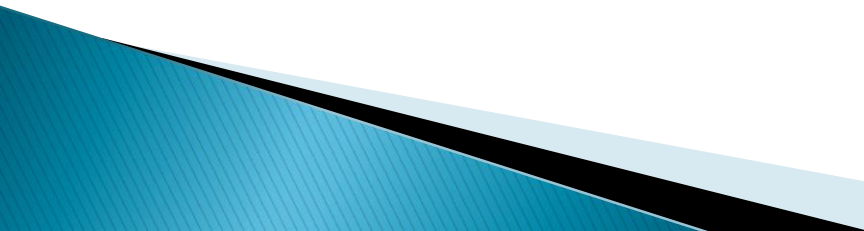


Source: Clarksons Research

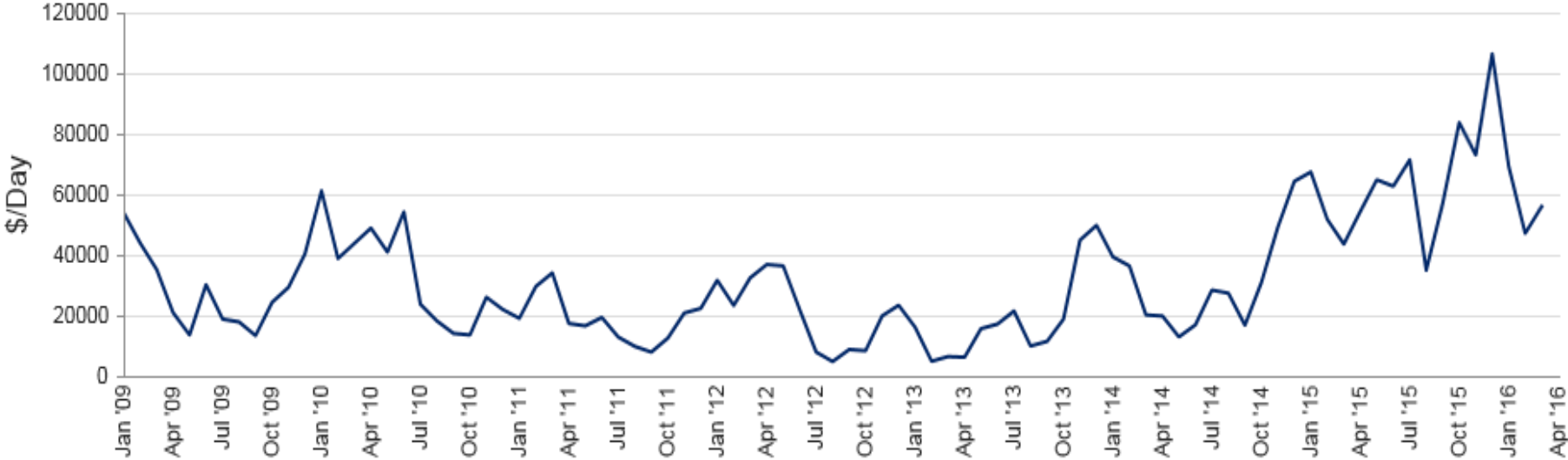


■ Brent Crude Oil Price \$/bbl

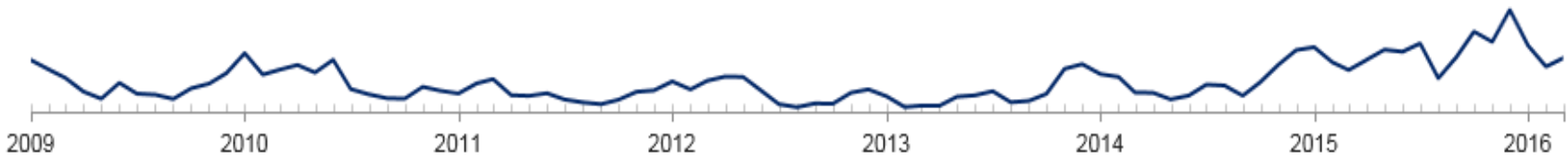
## THE OIL PRICE DROP

- ▶ DUE TO RECORD OIL PRODUCTION
  - ▶ CAUGHT THE SHIPPING MARKET BY A PLEASANT SURPRISE
  - ▶ CHEAP CRUDE OIL STIMULATED THE TRADE AND ALSO STORAGE OPPORTUNITIES (AND STRATEGIC RESERVES)
  - ▶ PROVIDED FOR BIGGER REFINING MARGINS – GOOD FOR PRODUCTS
  - ▶ NEW ARBITRAGE POSSIBILITIES BETWEEN WEST AND EAST MARKET ON BOTH CRUDE/FUEL AND NAPHTHA TRADES
  - ▶ THAT IN TURN ADDED TO THE AVERAGE TON MILE THUS BOTH CRUDE AND CLEAN SHIPS BENEFITTED.
  - ▶ COLLAPSE IN BUNKER PRICES LOWERED OWNERS COSTS THUS IMPROVED INTERNAL PROFIT MARGINS.
  - ▶ HOW DID THE RATES REFLECT ALL THE ABOVE?
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### Average VLCC c. 2010-built Earnings \$/Day

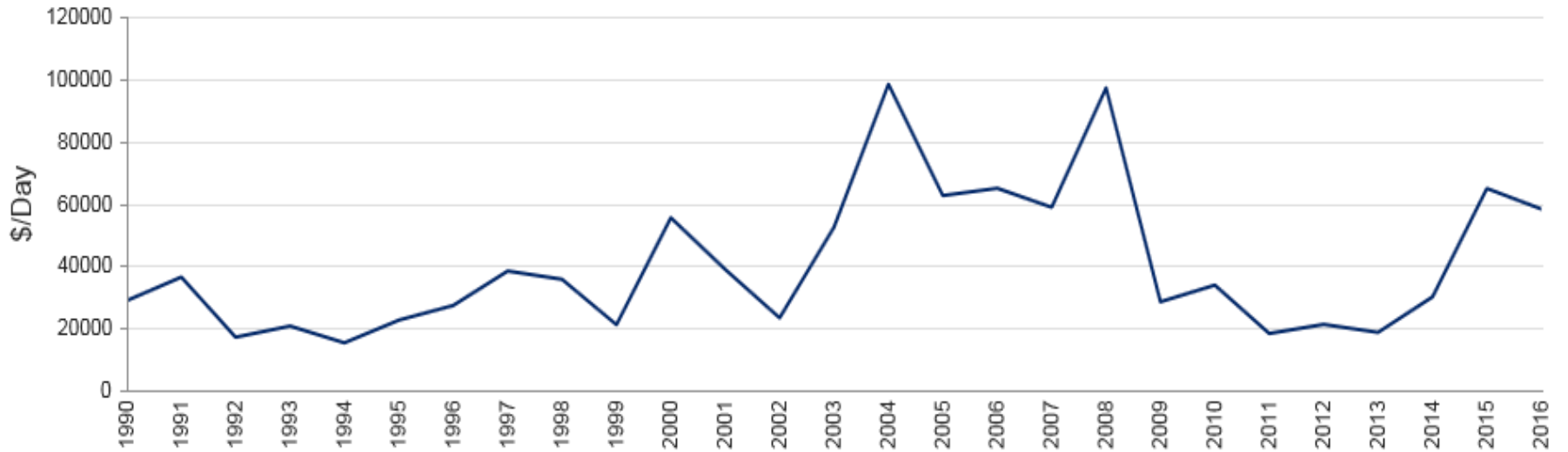


Source: Clarksons Research



■ Average VLCC c. 2010-built Earnings \$/Day

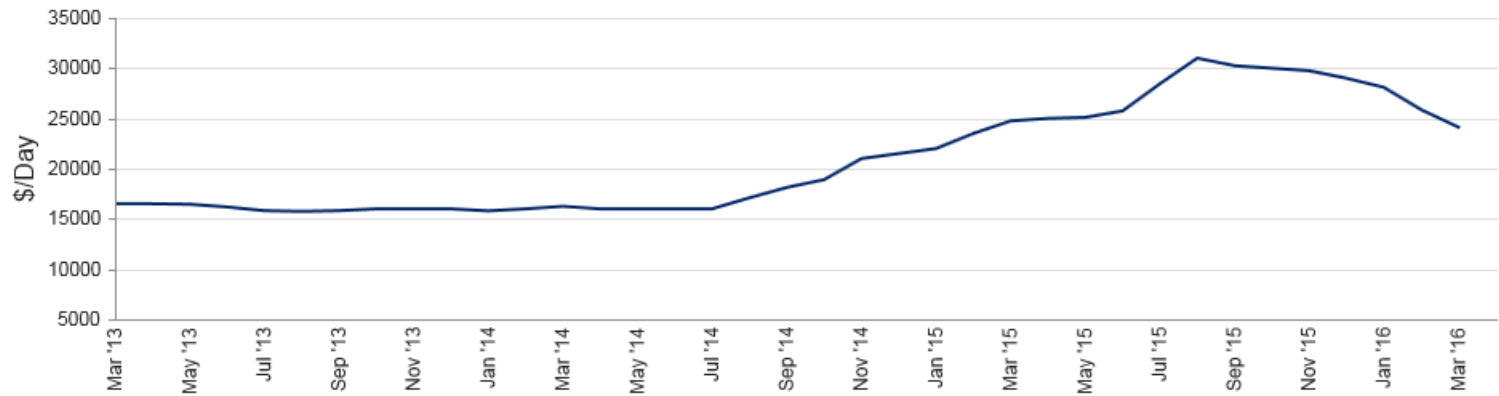
## Average VLCC Long Run Historical Earnings \$/Day



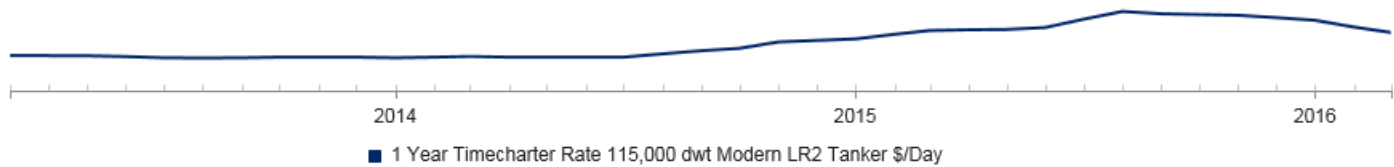
Source: Clarksons Research



### 1 Year Timecharter Rate 115,000 dwt Modern LR2 Tanker \$/Day



Source: Clarksons Research



■ 1 Year Timecharter Rate 115,000 dwt Modern LR2 Tanker \$/Day



# WHAT ABOUT THE FUTURE?

SO MANY FACTORS TO ANALYSE AS TANKER FREIGHT RATES  
POTENTIALLY AFFECTED BY:

- ▶ GLOBAL GDP
- ▶ OIL PRICE
- ▶ GEOPOLITICAL REASONS
- ▶ POLITICAL UNCERTAINTY IN CERTAIN AREAS AND OIL PRODUCING COUNTRIES (SYRIA, LIBYA COMEBACK ?)
- ▶ NEW PLAYERS (US/IRAN EXPORT MARKETS)

IF 'OTHER' THINGS BEING EQUAL COULD BE STATED FOR THE OIL PRICE  
A PREDICTION COULD BE.....

# FREIGHT RATE OUTLOOK

USD / DAY	2016	2017	2018
VLCC	50000	39000	35000
SUEZMAX	36000	32000	29000
AFRAMAX	29000	26000	23000
LR2	28000	26000	24000
MR	20000	18000	17000

# TIME TO BUY ?

## VLCC 315-320K DWT Newbuilding Prices \$ Million



Source: Clarksons Research

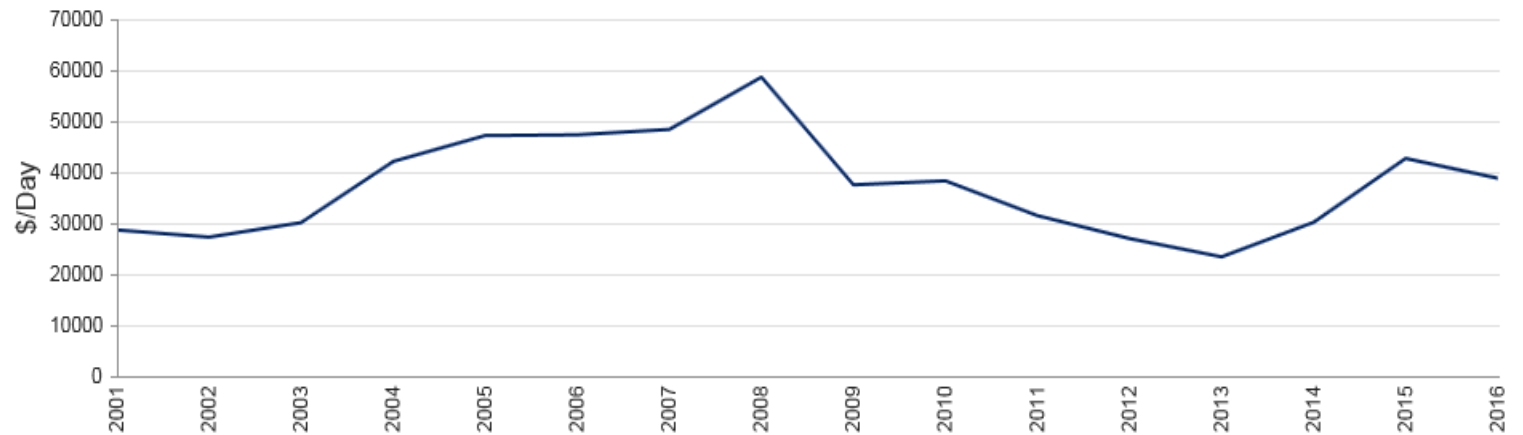


■ VLCC 315-320K DWT Newbuilding Prices \$ Million

# A QUICK HYPOTHESIS

- OPEX AT ABT 12000DAILY
- AVERAGE EARNINGS AT 38000DAILY
- YIELD AT 9% PLUS SO WHY NOT INVEST ?
- PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS !
- SHIPPING IS ABOUT RISK NOT YIELD !

3 Year Timecharter Rate 310,000 dwt D / H Modern Tanker \$/Day



Source: Clarksons Research



■ 3 Year Timecharter Rate 310,000 dwt D / H Modern Tanker \$/Day

Sources: Clarksons, Clarksons research, Gibsons Research, Lorentzen and Stemoco Research

**THANK YOU**

