



# AMSC ASA

Sidoti Conference

18-19 January 2023



AMSC ASA

# Important Information

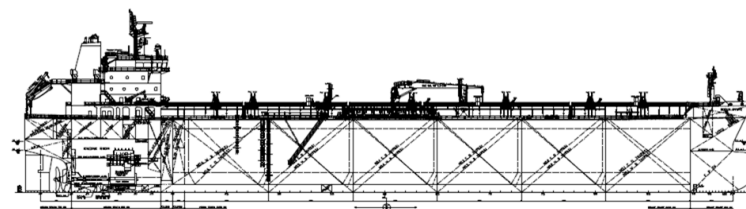
This Company Presentation is current as of January 2023. Nothing herein shall create any implication that there has been no change in the affairs of AMSC ASA ("AMSC" or the "Company") since such date. This Company Presentation contains forward-looking statements relating to the Company's business, the Company's prospects, potential future performance and demand for the Company's assets, markets 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.

## Introduction to AMSC

- Oslo listed with market capitalization of USD ~310m\*
  - OSE ticker: AMSC
  - U.S. OTC ticker: ASCJF
  - Bond ticker: ATI02
- Maritime leasing company with Jones Act and offshore assets to various counterparties
- Strategic shift towards growing the portfolio
- Fixed rate bareboat contracts generate stable, predictable cash flow
- Solid balance sheet with few debt maturities before 2025
- Strong cash flow supporting dividends and solid debt service coverage
- Presently trading at a 12% dividend yield
- Aker ASA is the largest shareholder with ~49% economic interest

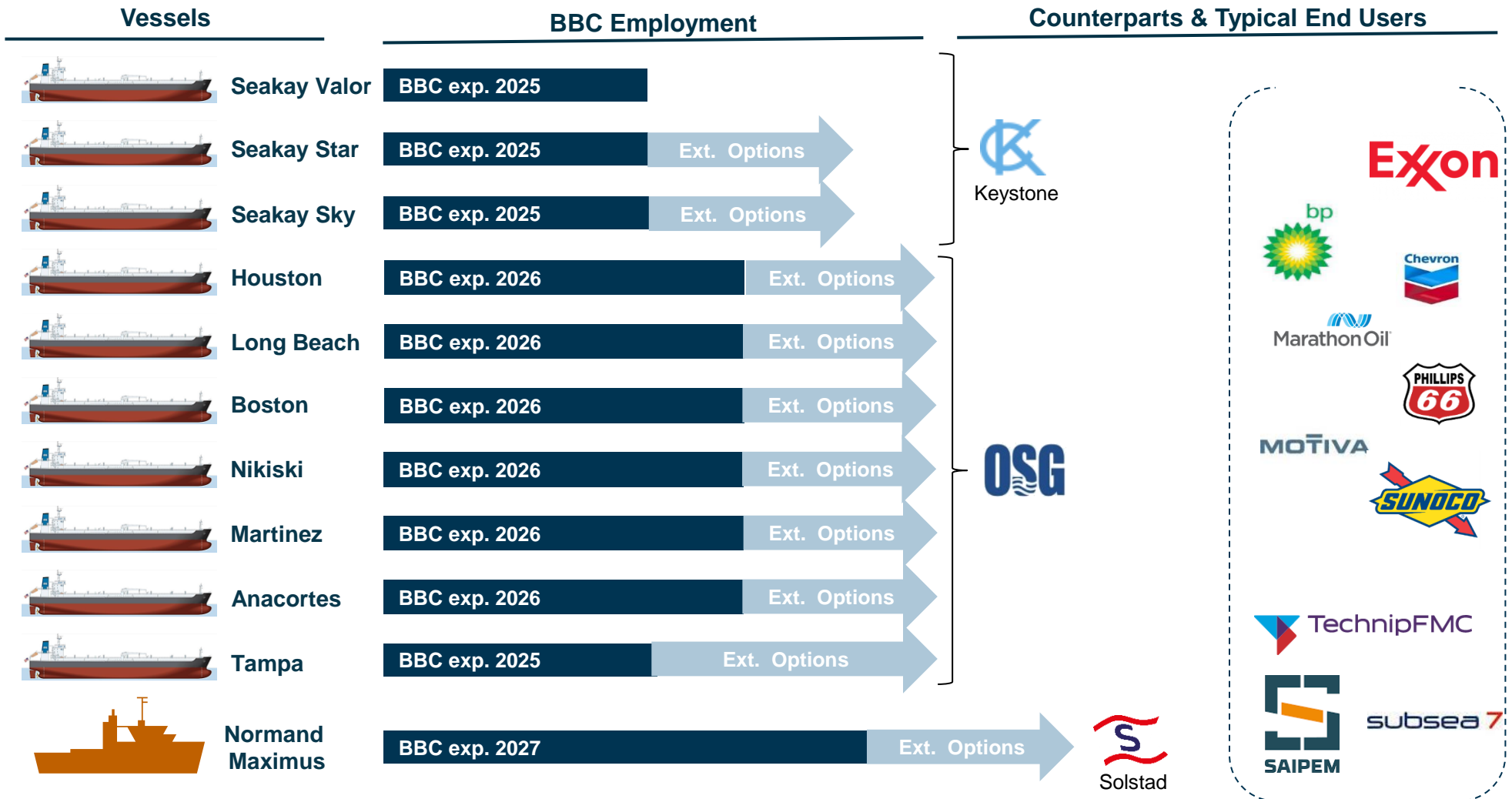
## Fleet overview

#	Fleet	Type	Built	Charterer
1	Seakay Star	MR Tanker	2007	Keystone
2	Seakay Sky	MR Tanker	2008	Keystone
3	Seakay Valor	MR Tanker	2008	Keystone
4	Overseas Houston	MR Tanker	2007	OSG
5	Overseas Long Beach	MR Tanker	2007	OSG
6	Overseas Boston	MR Tanker	2009	OSG
7	Overseas Nikisiki	MR Tanker	2009	OSG
8	Overseas Martinez	MR Tanker	2010	OSG
9	Overseas Anacortes	MR Tanker	2010	OSG
10	Overseas Tampa	Shuttle Tanker	2011	OSG
11	Normand Maximus	Subsea & OCV	2016	Solstad



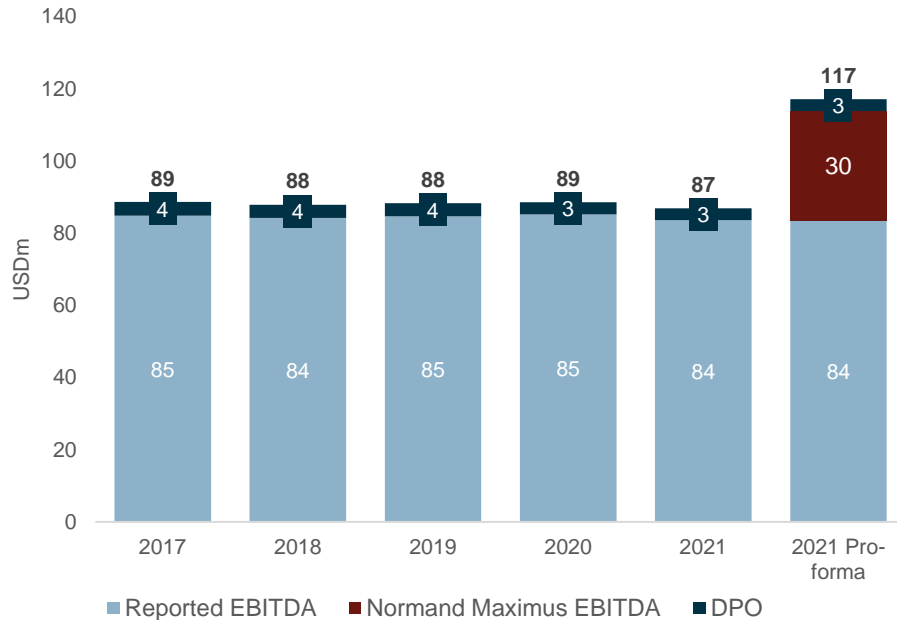
\* Market cap. based on closing share price of NOK 42.55 per January 17, 2023

# Strong and diversified contract coverage



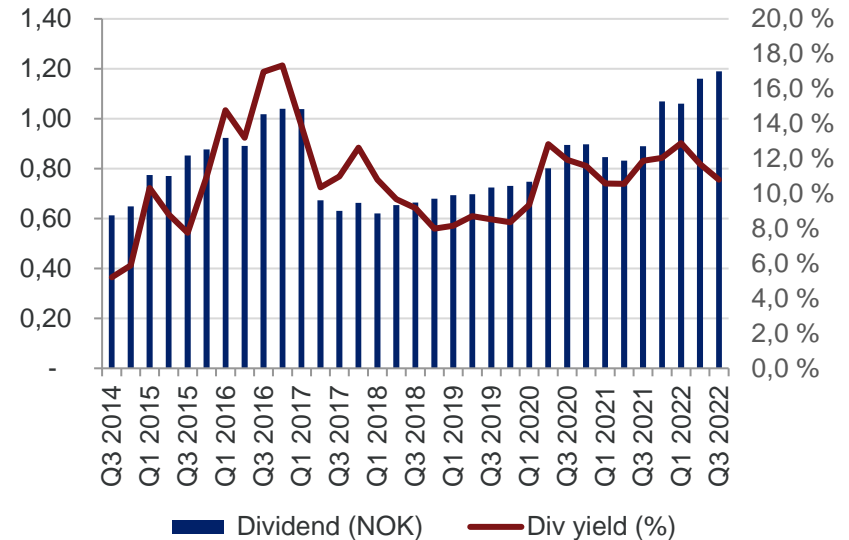
# Underlying business has generated stable dividends for shareholders

## Historical and pro-forma EBITDA<sup>(1)</sup>



- Bareboat contracts provide strong and stable cash flows
- The modern fleet provides predictable and safe operations, while being the preferred vessels in the Jones Act market
- Upside potential through profit sharing arrangements with charterers

## AMSC historical dividend yield



- AMSC has a long history of yielding high dividends for shareholders
- The company has paid consecutive quarterly dividends since 2014
- Currently trading at 12% dividend yield<sup>(2)</sup>

Note: (1): 2021 Pro-forma including DPO (deferred principal obligation from OSG – see company annual presentation for further details) of USD 3.2m, and Norman Maximus contribution of USD ~30m; (2) 3Q22 dividend yield annualized



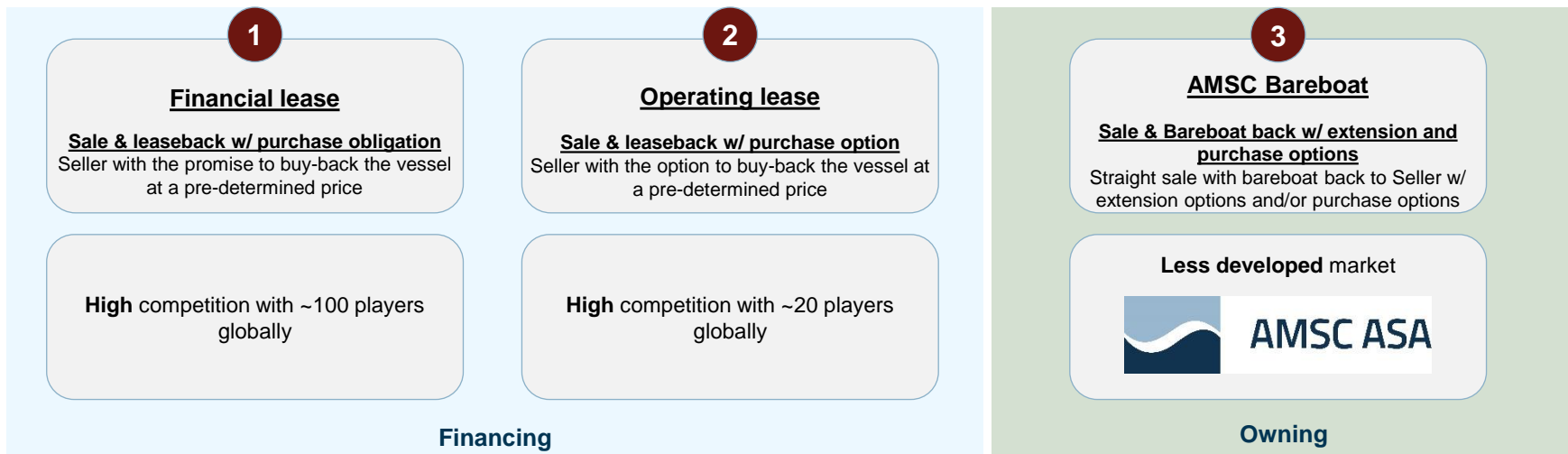
# AMSC offers a differentiated long term lease solution

## Flexible solution for charterer:

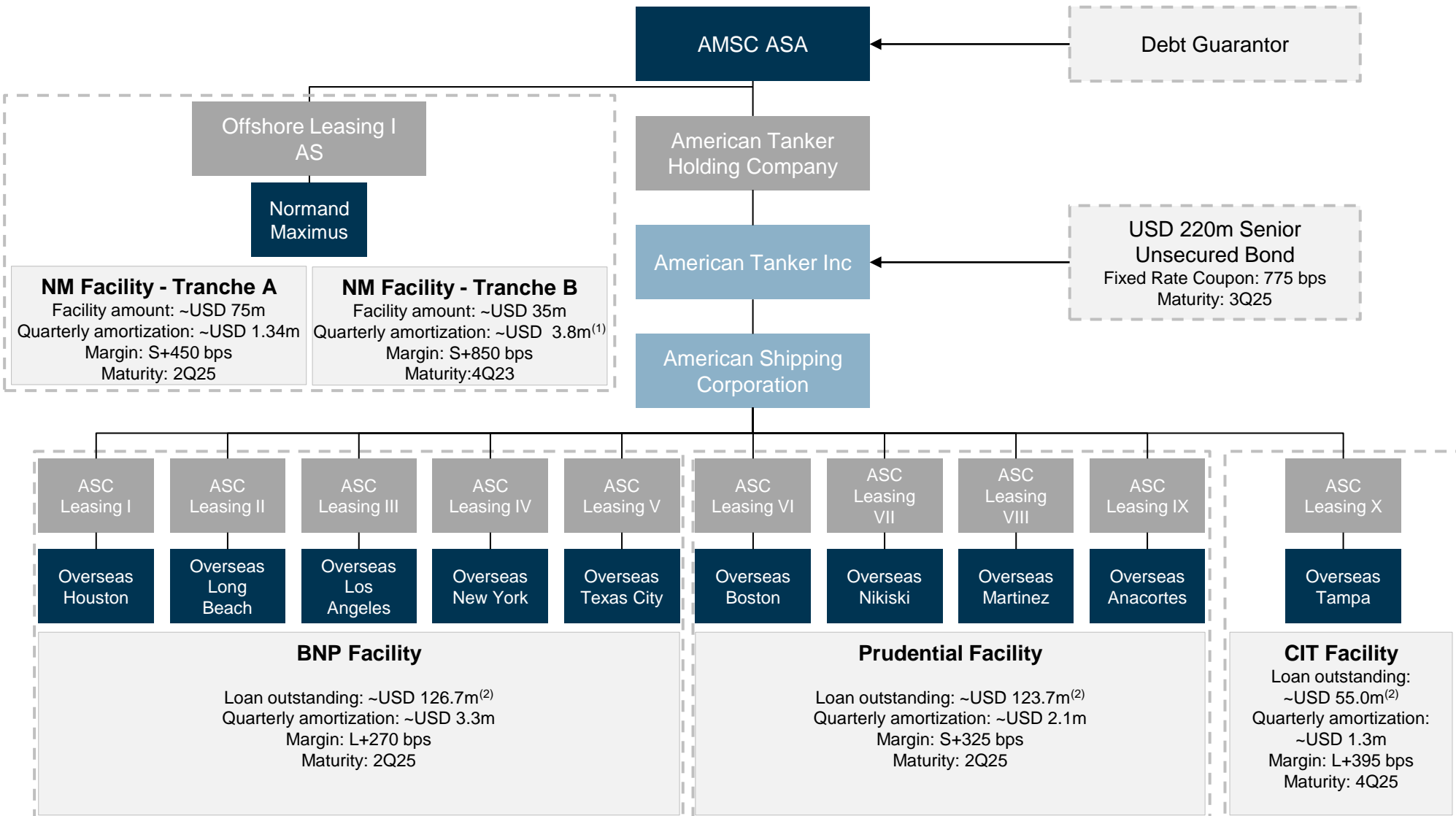
- Up to 100% financing
- Long term operational control of asset with medium term financial commitment
- Optionality at the end of each bareboat period, through extension options and/or purchase options – no purchase obligation
- Limited impact on balance sheet

## Attractive risk/reward for AMSC:

- Higher risk/reward as AMSC remains commercially exposed towards the markets through profit share mechanism on purchase options and/or as an embedded element in the bareboat hire
- Limited competition as most alternative capital providers are more risk averse and tend to focus on plain-vanilla financing without profit-sharing element



# Organizational structure and credit facilities



Notes: (1): First instalment commencing in 9 months; (2): Debt balance for facilities as of 2021YE adjusted for three quarters of amortization

# Jones Act Market

## Jones Act – a vital part of the US economy

### The Jones Act has been in place since 1920...

- The Jones Act generally restricts the marine transportation of cargo and passengers between points in the United States to vessels that meet the following criteria:
  - Built in the United States
  - Registered under the U.S. flag
  - Manned predominately by U.S. crews
  - At least 75% owned and controlled by U.S. citizens
  - AMSC's presence in the Jones Act market is made possible by the lease finance exception of the Jones Act
  
- The Jones Act is an essential feature in U.S. national security
  - Ensuring non- dependency of ships controlled by foreign nations
  - Maintaining critical domestic shipbuilding capacity
  - Supporting a domestic pool of highly skilled mariners
  
- The Jones Act is a significant contributor to the US economy
  - Large U.S. employer
  - Substantial amounts of capital invested

### ... and is a vital part of the US economy

**100,000,000,000**

**30,000,000,000**

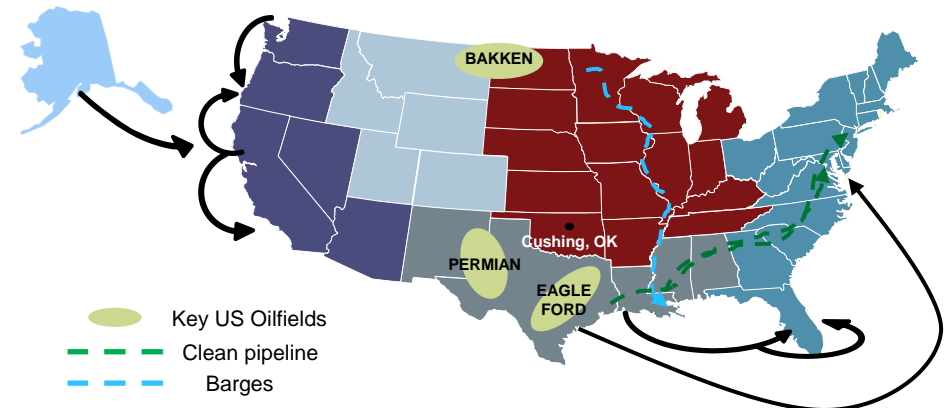
*USD 30bn total investment in over 40,000 vessels*

**400,000**

*Number of jobs directly and indirectly impacted by the US maritime industry*

### Jones Act tankers primary trade routes

*USD 100bn contribution to the US domestic economy*

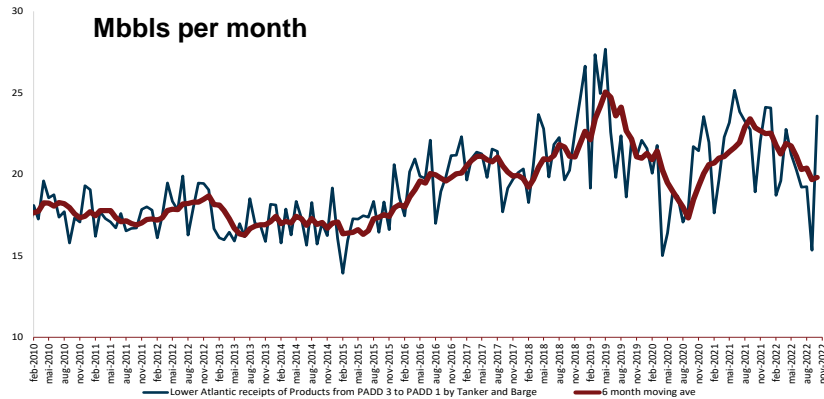




# Jones Act Market

## Increased Demand in Key Trades

### Clean Products to Florida grows by ~3% per year

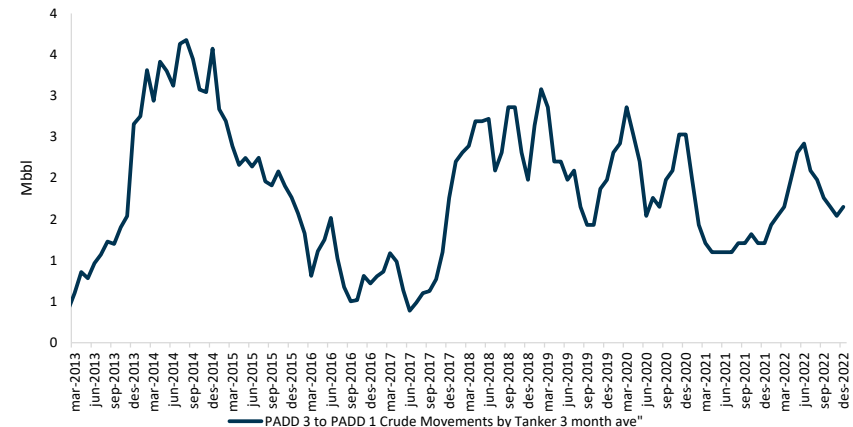


### Emerging Bio-fuel trade with strong growth prospects

- US West Coast is the strongest market based on Low Carbon Fuel Standard credits
- US Gulf is currently where bio diesel is produced, although new refining projects are also planned for the West Coast
- A roundtrip from US Gulf to West Coast is 30-36 days through Panama Canal
- Previously only one Jones Act tanker served this trade which have now grown to four tankers

Sources: EIA, data through October 2022, Marine Traffic and AMSC analysis

### Crude to North East driven by oil spreads



### Demand Summary

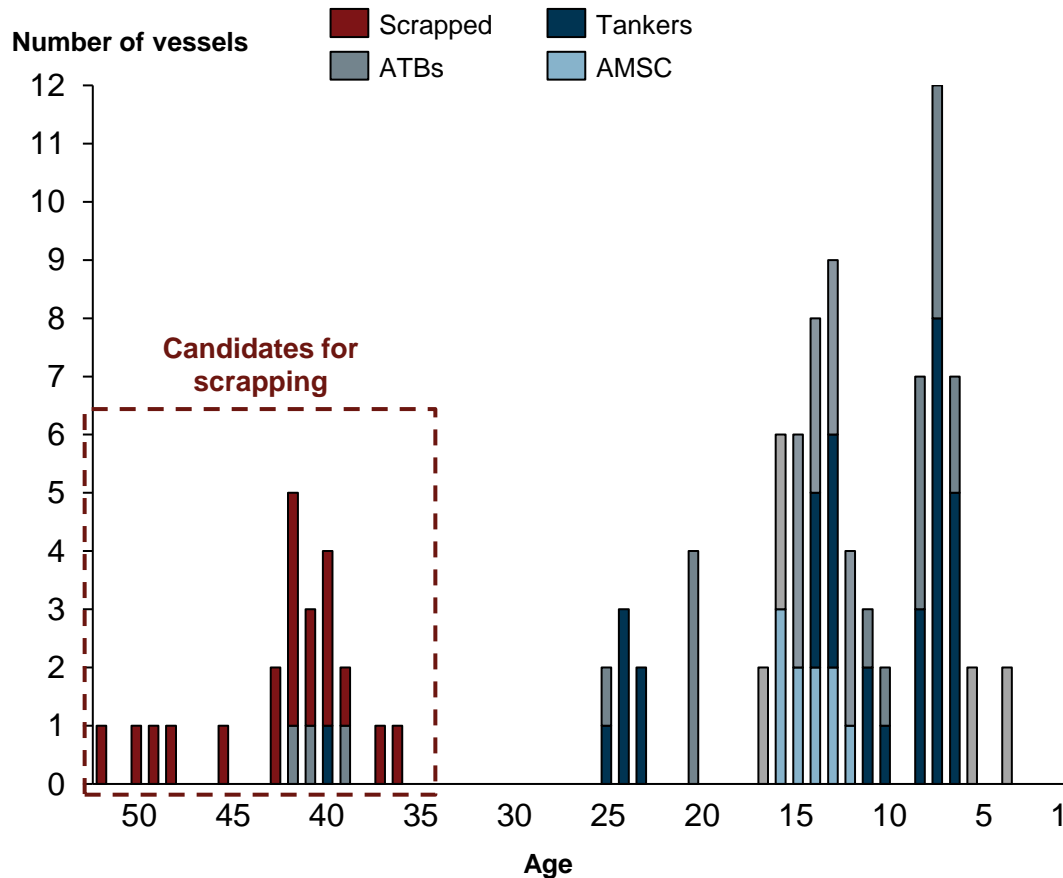
- The steady clean to Florida trade represents over 40% of demand and grows ~3% per year
- Refiners in U.S. Northeast incentivized to purchase more domestic shale oil from USG when crude spreads widen
- Emerging Bio Fuel trade expected to continue to grow into 2023 and beyond

# Jones Act Market

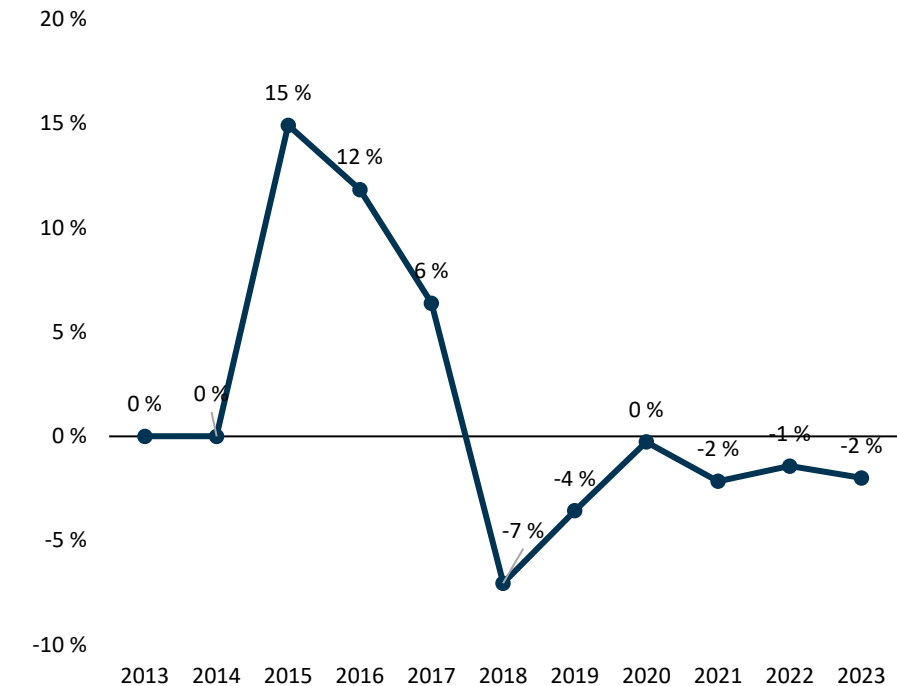
## No tankers on order leading to additional fleet contraction

Considerable scrapping since 2016.....

Leading to negative fleet growth



Percentage change in Kbbbls capacity



Source: AMSC analysis

# Jones Act Market

## No Yard Capacity and High Replacement Cost

### Yard capacity

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- Only two yards have sufficiently large dry docks to build Jones Act MR tankers:
  - Philly Shipyard
  - General Dynamics NASSCO
- Both yards build vessels for commercial Jones Act trading as well as government/naval contracts
- Both yards have won large government contracts in 2019/2020, which will occupy its capacity to build additional merchant vessels for several years going forward
- Likely delivered cost for a newbuild is now around USD175m with first available delivery slot in 2026
- Sustainable multi-year TC rates above ~USD70,000 per day required to justify newbuilds

 **Philly Shipyard**

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- Philly Shipyard is listed on Euronext Expand (ticker: PHLI)
- Awarded contract for up to 5 training ships in April 2020
- Awarded 1+1 Subsea Rock Installation Vessel from Great Lakes Dredge & Dock Company in Nov 2021
- **Likely no capacity for newbuild JA MRs until 2028**

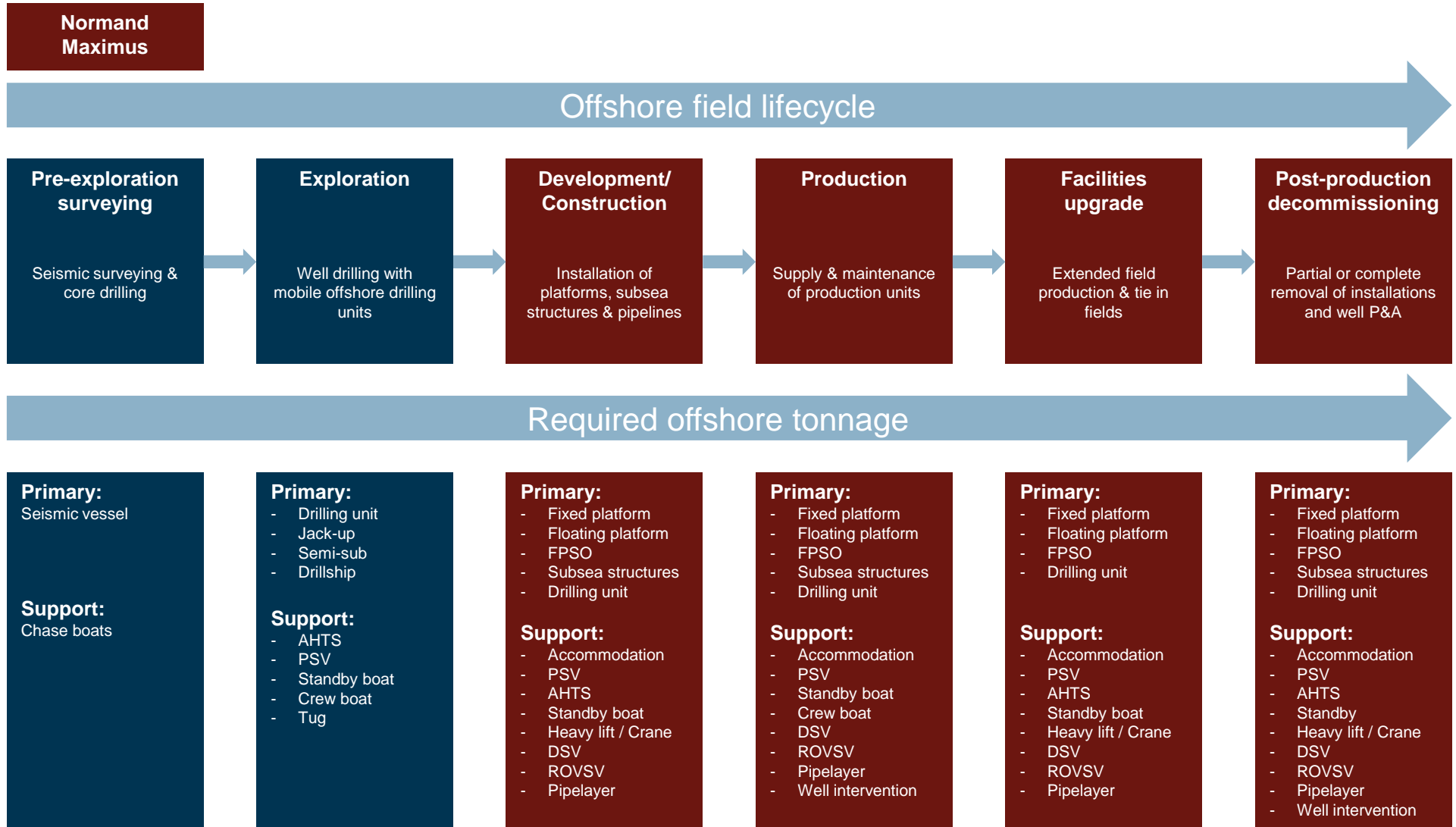
### **GENERAL DYNAMICS** NASSCO

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- Significant backlog to build multiple vessels through 2026
- Awarded a USD 22.2bn naval contract in 2019, largest shipbuilding contract in US Navy history
- **Likely no capacity for newbuild JA MRs until 2026**

# Offshore market

## Required tonnage throughout the lifecycle of an offshore field



# Offshore market

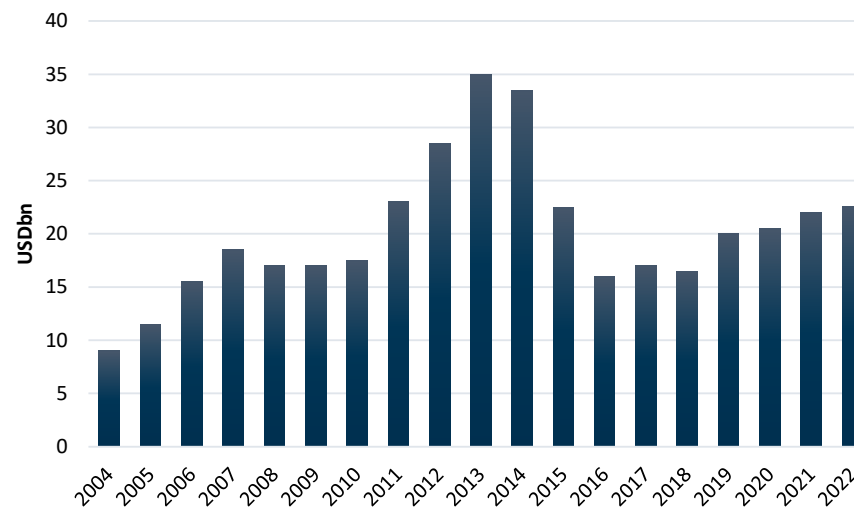
## Dayrates and subsea field development backlog increasing

### Subseas Dayrates



- Dayrates for Subsea Construction vessels has risen since 2021 onwards
- Above illustration is North Sea rates for Subsea vessels longer than 150 meters and with a 400ton crane.


### Subsea EPC backlog (SUBC + TEC Subsea + SPM E&C offshore)





- Order backlog for the world's three largest Subsea field development EPC contractors has been growing for ~4 years
- Implies solid forward visibility and increased offshore activity for EPC contractors from 2023 onwards
- Increased subcontract activity requires more vessels

# Investment highlights


AMSC ASA


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Bareboat contracts provide strong and stable cash flows  
Diversified cash flows from various counterparts and end users
- 

Strong and improving financial performance  
Long lasting relationships with leading commercial banks
- 

Compelling cash flow yield  
Consecutive quarterly dividend payments since 2014
- 

New opportunities unlocks a larger target market and growth opportunities  
More flexibility than traditional financiers
- 

Strong Jones Act tanker market with positive outlook  
Reduced fleet capacity through scrapping and no yard availability
- 

Recovering offshore service market  
Normand Maximus ideally position to benefit from increased market activity

# Income Statement (unaudited)

Figures in USD million (except share and per share information)	3Q2022	3Q2021
Operating revenues	22.3	22.3
Operating expenses	(0.5)	(0.8)
<b>Operating profit before depreciation - EBITDA</b>	<b>21.8</b>	<b>21.5</b>
Depreciation	(8.8)	(8.6)
<b>Operating profit - EBIT</b>	<b>13.1</b>	<b>12.9</b>
Net financial expense	(7.9)	(7.8)
Unrealized gain/(loss) on interest swaps	3.3	(0.2)
Net foreign exchange gain / (loss)	(1.5)	(0.4)
<b>Profit/(loss) before income tax</b>	<b>7.0</b>	<b>4.5</b>
Income tax expense	(0.2)	(0.1)
Non-cash income tax benefit/(expense)	(1.7)	(0.9)
<b>Net profit / (loss) for the period *</b>	<b>5.1</b>	<b>3.5</b>
Average number of common shares	61,209,493	60,616,505
<b>Earnings/(loss) per share (USD)</b>	<b>0.08</b>	<b>0.06</b>

\*Applicable to common stockholders of the parent company

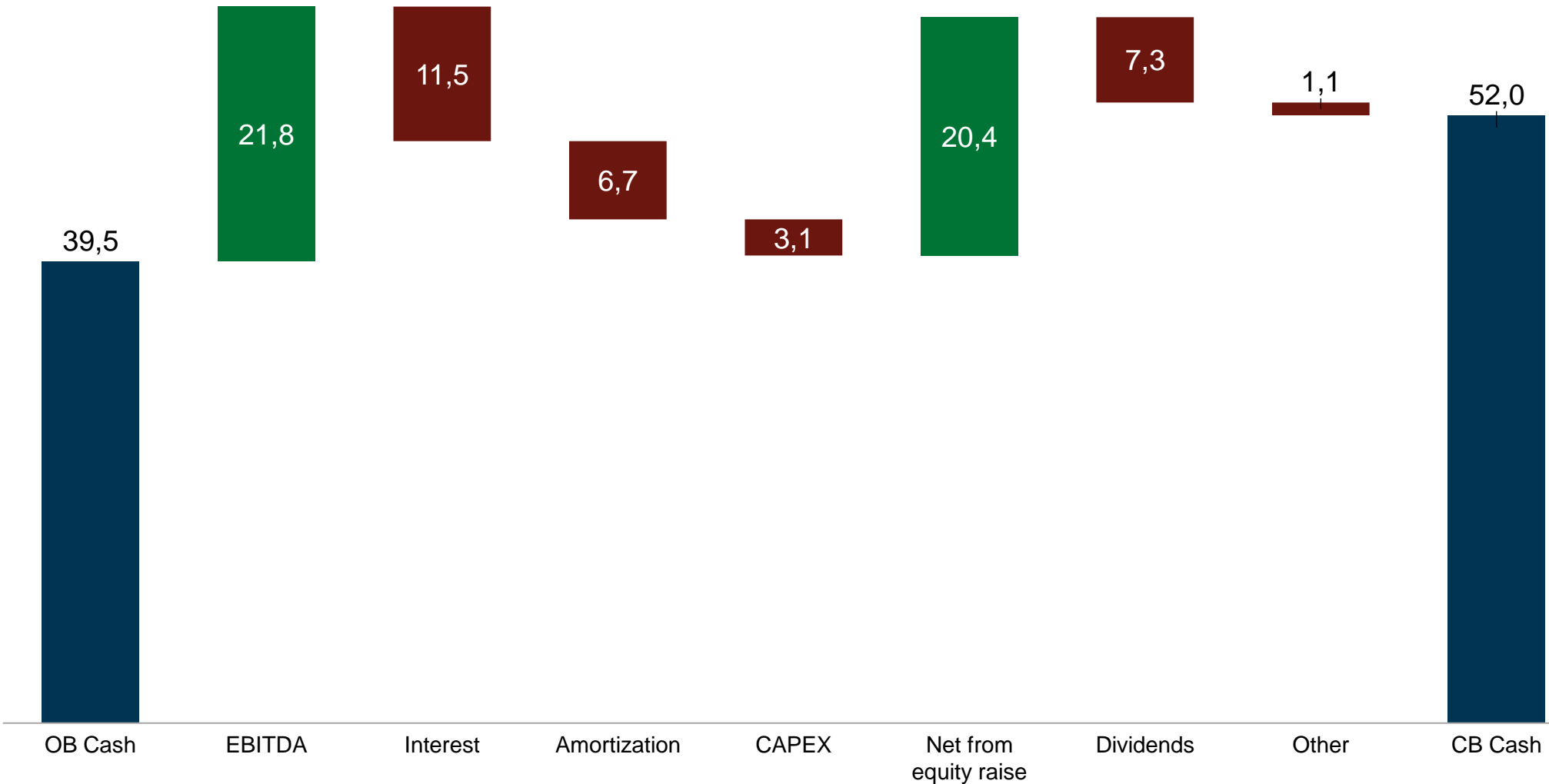
# Balance Sheet (unaudited)

Figures in USD millions	30.09.2022	30.09.2021
Vessels	594.3	624.1
Deferred tax assets	7.8	12.8
Interest-bearing long-term receivables (DPO)	6.8	20.0
Derivative financial assets	15.1	-
Deposit for vessel	20.0	-
Trade and other receivables	14.0	2.8
Cash held for specified uses	6.5	4.5
Cash and cash equivalents	45.5	51.9
<b>TOTAL ASSETS</b>	<b>710.0</b>	<b>716.1</b>
Total equity	165.0	154.0
Deferred tax liabilities	19.7	10.7
Interest-bearing long-term debt	498.5	525.4
Derivative financial liabilities	-	1.5
Capitalized Fees	(5.2)	(7.4)
Interest-bearing short-term debt	26.8	26.8
Trade and other payables	5.2	5.1
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>710.0</b>	<b>716.1</b>



# Cash position increased during the quarter

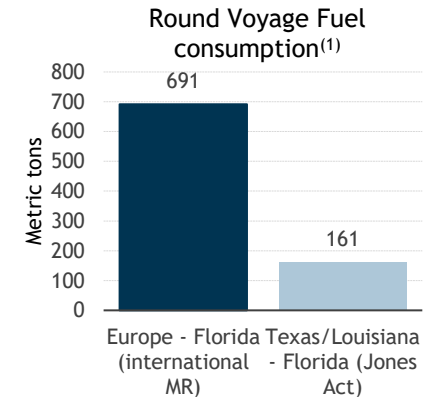
## CASH DEVELOPMENT IN 3Q 22 (USD millions)



# AMSC commitment to ESG

## ENVIRONMENT

- The fleet is a part of the North American Emissions Control Area and runs on ultra low sulphur (0.1%) compliant fuel which is well below the new international 0.5% IMO requirement
- Local movement of crude and clean products has material environmental savings vs international sourcing of cargoes
  - Voyage from Europe to Florida is 12-13 days steaming
  - Voyage from Texas/Louisiana to Florida 1-3 days steaming
  - Shorter distances means less pollution per barrel transported
  - Lower fuel consumption and stricter fuel regulations result in a significant reduction in SOx, NOx, PM and CO emissions for Jones Act tankers
- Jones Act vessels have a longer economic life and are typically not scrapped until after its 35th anniversary – compared to 25 years expected useful economic life for international MR tankers
- AMSC will install Ballast Water Treatment Systems (BWTS) across the fleet<sup>(2)</sup>
- BIMCO 2001 Bareboat contracts with clear requirements for how counterparties operating their vessels comply with international environmental regulations



Source: Arctic Securities research

## SOCIAL

- Crews on Jones Act tankers are typically unionised U.S. Citizens which are paid and have benefits according to U.S. tariffs which are considerably better than international crew compensation
- Diverse management team consisting of one woman and two men and the Chair of the Board of Directors is a woman

## GOVERNANCE

- As an Oslo Stock Exchange listed company AMSC complies with stringent governance rules in accordance with the Norwegian Corporate Governance Code (NUES)
- Equal treatment of shareholders
- 2 of 3 Board Members are independent including the Chair

Notes: (1): Compares fuel consumption for a round voyage Europe to Florida (29 days of which 4 days in port) with Texas/Louisiana to Florida (8 days of which 4 days in port) for 10 year old MR tankers  
 (2) BWTS Capex is recovered by adjusting the bareboat rate. AMSC budgets total BWTS Capex of USD 20-25m which will be recovered through upward adjustments to the bareboat rates. The bareboat rate is adjusted by dividing the BWTS Capex for a vessel by the number of days until it reaches 25 years of age (ie: for a 10-year-old vessel with USD2m in Capex the bareboat rate is adjusted by ~USD 365 per day) – The BWTS reimbursement applies to OSG charters only

