

# American Shipping Company ASA



Company Presentation  
January 2022

# Important information

This Company Presentation is current as of January 2022. Nothing herein shall create any implication that there has been no change in the affairs of American Shipping Company 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, the Jones Act tanker market 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.

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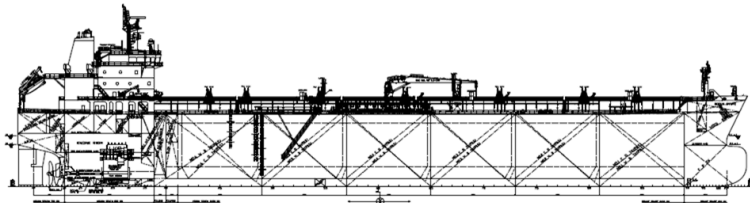
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# American Shipping Company (AMSC)

## Introduction to AMSC

- Oslo listed with market capitalization of USD ~225m\*
  - OSE ticker: AMSC
  - U.S. OTC ticker: ASCJF
  - Bond ticker: ATI02
- Pure play Jones Act tanker owner with a modern tanker fleet
- Fixed rate bareboat contracts generate stable, predictable cash flow
- Solid balance sheet with no debt maturities before 2025
- Strong cash flow supporting dividends and solid debt service coverage
- Presently trading at a 13% dividend yield



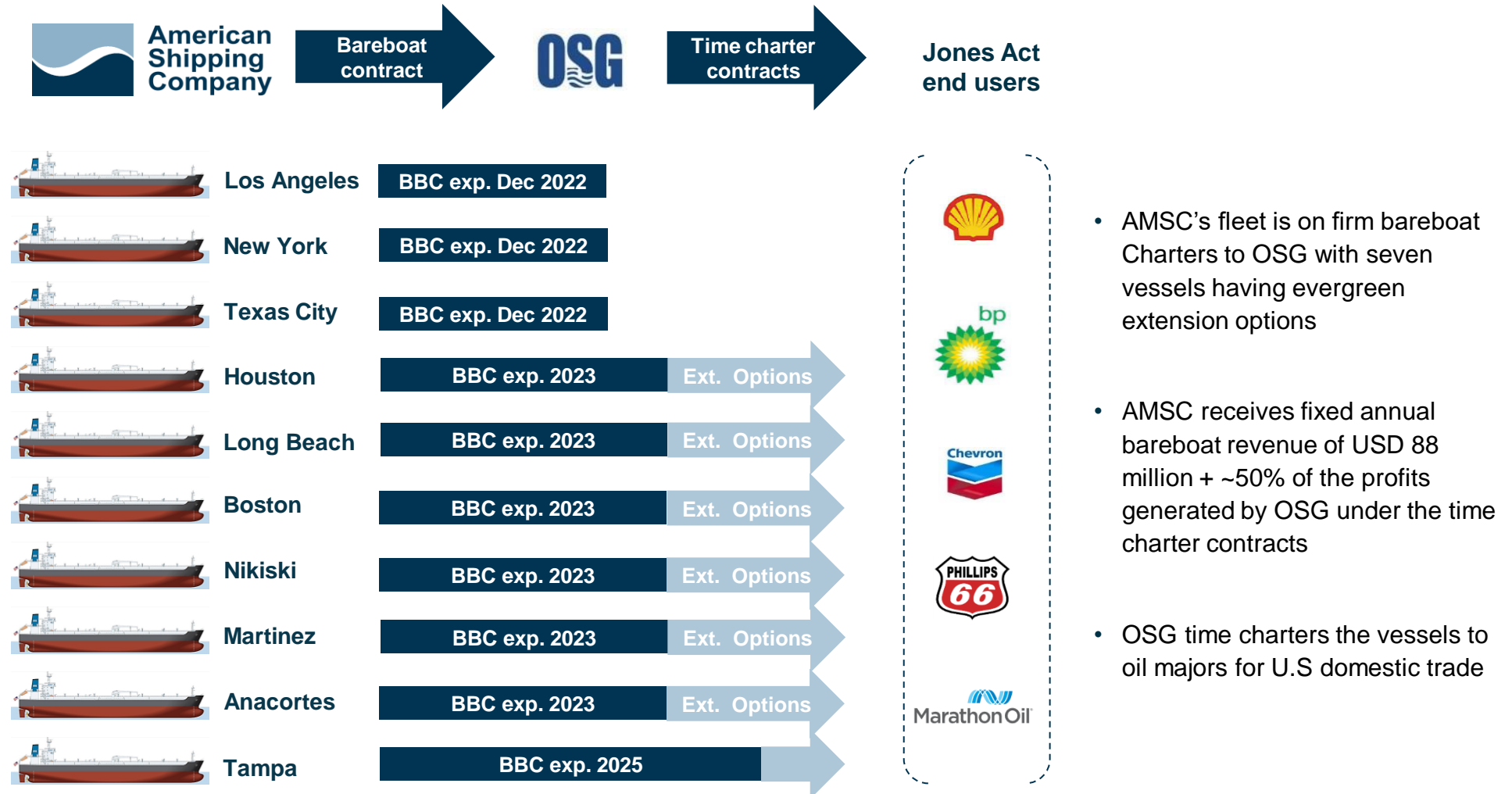
## Fleet overview

#	Vessel	Design	Type	Built
1	Overseas Houston	Veteran Class MT 46	MR	2007
2	Overseas Long Beach	Veteran Class MT 46	MR	2007
3	Overseas Los Angeles	Veteran Class MT 46	MR	2007
4	Overseas New York	Veteran Class MT 46	MR	2008
5	Overseas Texas City	Veteran Class MT 46	MR	2008
6	Overseas Boston	Veteran Class MT 46	MR	2009
7	Overseas Nikiski	Veteran Class MT 46	MR	2009
8	Overseas Martinez	Veteran Class MT 46	MR	2010
9	Overseas Anacortes	Veteran Class MT 46	MR	2010
10	Overseas Tampa	Veteran Class MT 46 Shuttle tanker		2011

\* Market cap. based on closing share price of NOK 32.80 per January 10, 2022

# Fleet employment overview

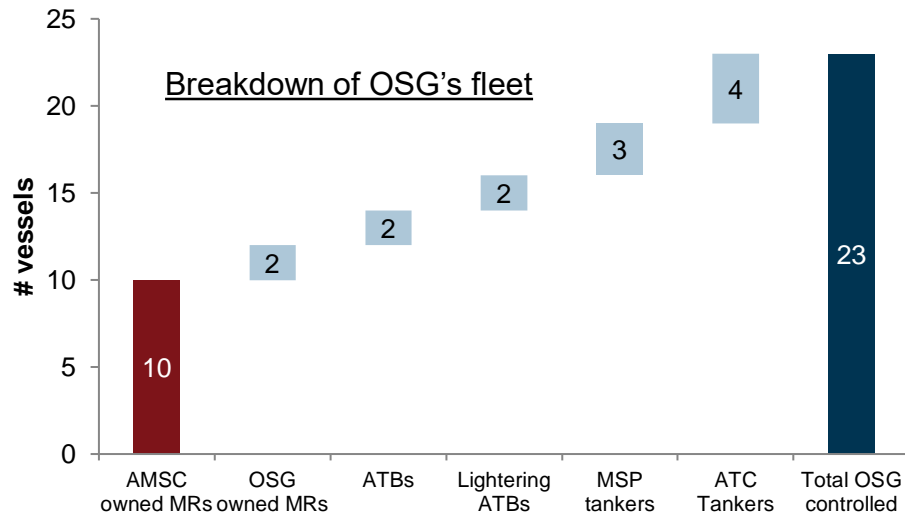
## Fixed rate bareboat charters to OSG secures cash flow



# OSG is a leading Jones Act operator

## OSG's business is diversified

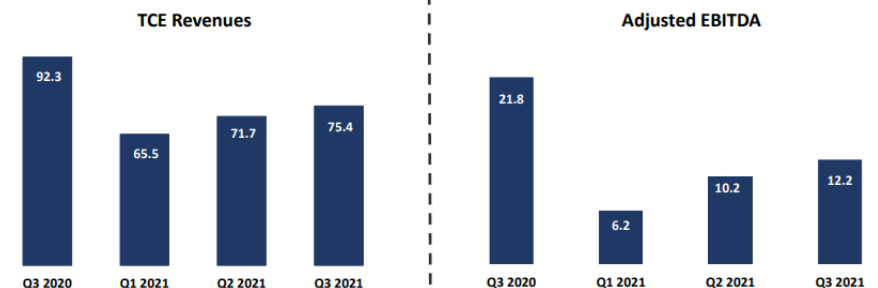
- OSG's business spans across multiple Jones Act tanker and ATB segments as well as US Flag and Alaska crude tankers
- AMSC's vessels are a vital part of OSG's operations and earnings potential



## OSG financial performance

- 2021 financial results impacted by the covid pandemic
- Q3 2021 demonstrated improved revenue and EBITDA compared to Q2 2021
- OSG announced a number of new TC fixtures during second half of 2021 and has taken several tankers out of warm lay-up

### TCE Revenues and Adjusted EBITDA (\$ Millions)

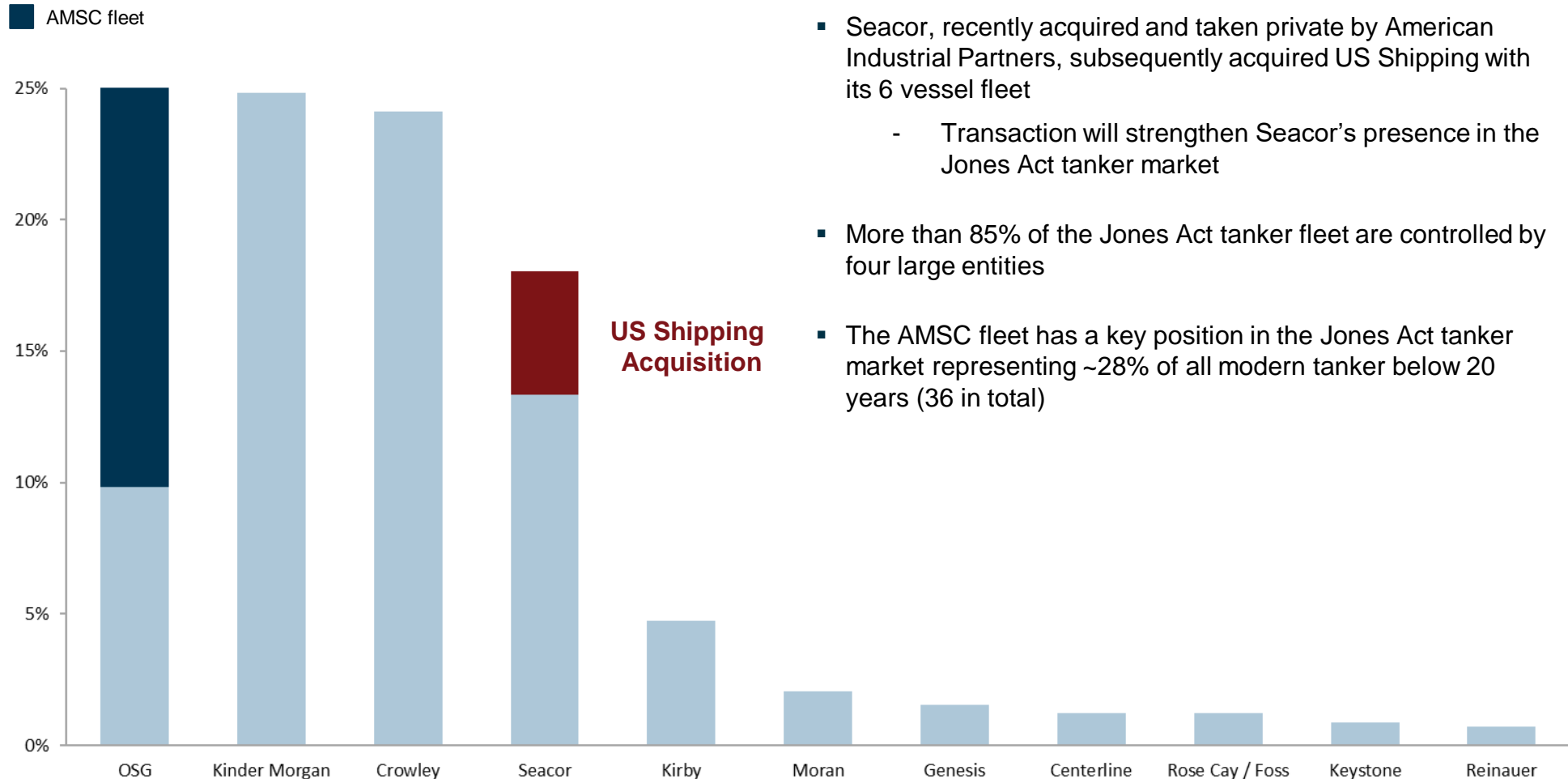


■ Q3 2021 Revenues and Adjusted EBITDA increased from Q2 2021.

Source: OSG Q3 2021 earnings presentation

# Further consolidation in the Jones Act tanker market

## Jones Act tanker & ATB ownership based on carrying capacity



Note: Measured as carrying capacity by barrels and excludes 11 large Alaska Crude Tankers

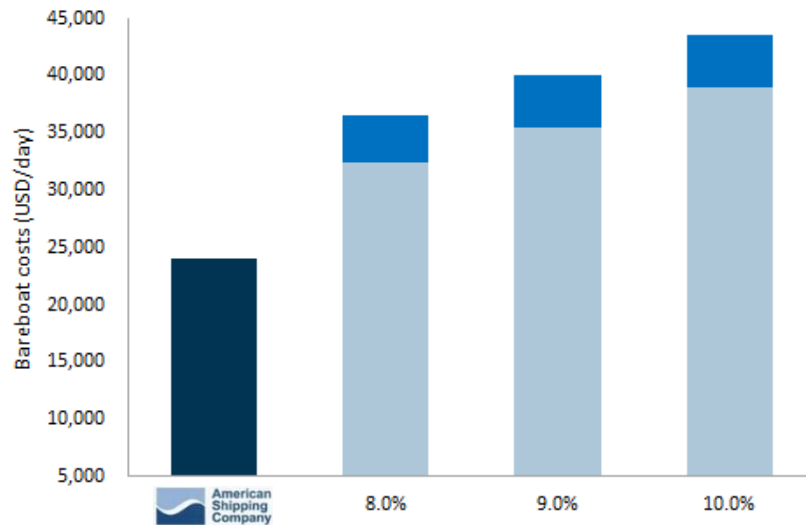


# Strong competitive position reduces re-chartering risk

## AMSC has the most cost efficient fleet ...

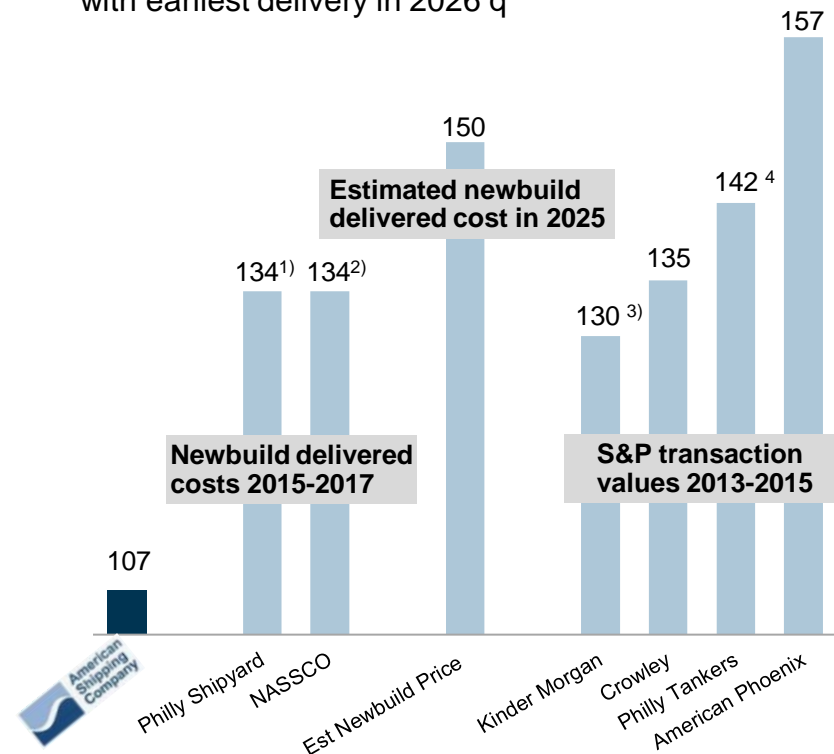
- AMSC's bareboat rate reflects the low delivered cost
- Provides AMSC with the lowest bareboat breakeven levels in the modern Jones Act tanker fleet
- Current average bareboat rate of \$24,050 per day is at least \$10,000 per day cost advantage compared to competitors

### Annual bareboat costs given various total capital IRRs with newbuild cost @ USD 134m and USD 150m



## ...due to substantially lower delivered cost

- AMSC has an average delivered cost of USD107m per vessel
- Considerable lower than its peers which have either built or bought vessel at prices ranging from USD130-157m
- Current estimated newbuild cost at Philly or NASSCO would be above USD150m assuming an order for multiple vessels, with earliest delivery in 2026 q



Notes: 1) Based on Philly Tankers. 2) Based on newbuild cost for the tankers delivered to American Petroleum Tankers. 3) Based on total consideration for 9 vessels, including additional expenses incurred by Kinder Morgan for taking delivery of newbuilds. 4) Based on average price for 4 vessels.

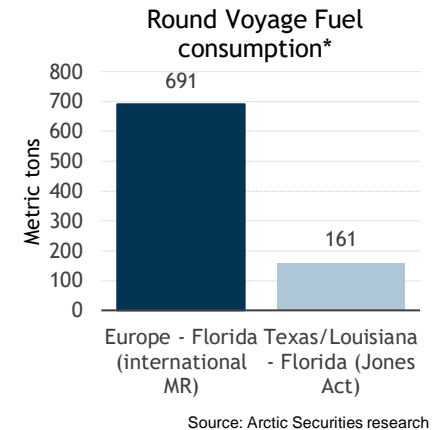
Source: AMSC analysis



# 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 has a longer economic life and is 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 \*\*
- BIMCO 2001 Bareboat contracts with clear requirements for how counterparties operating their vessels comply with international environmental regulations



## 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
- Equal treatment of shareholders
- 2 of 3 Board Members are independent including the Chair

\*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

\*\* 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)

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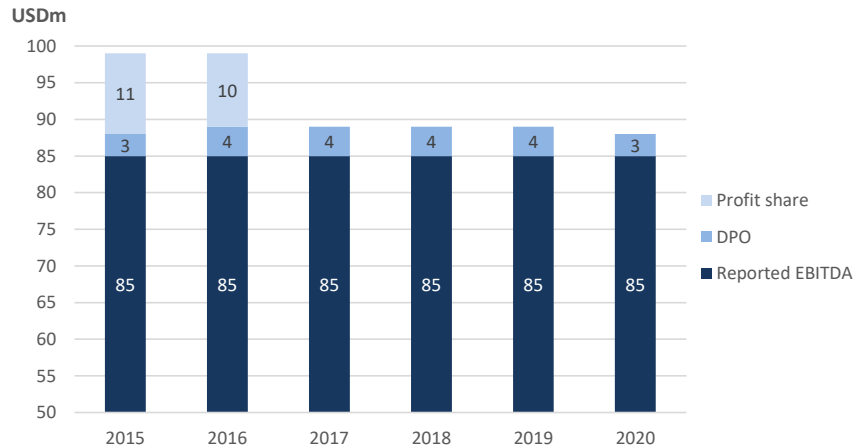
MARKET OVERVIEW

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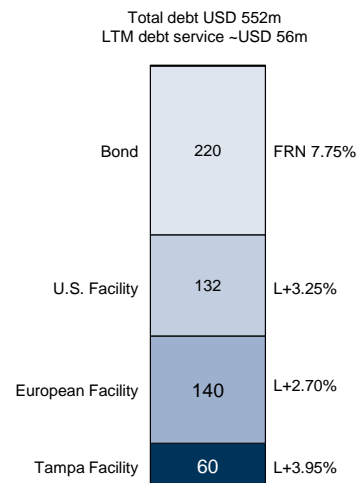


# Financial overview

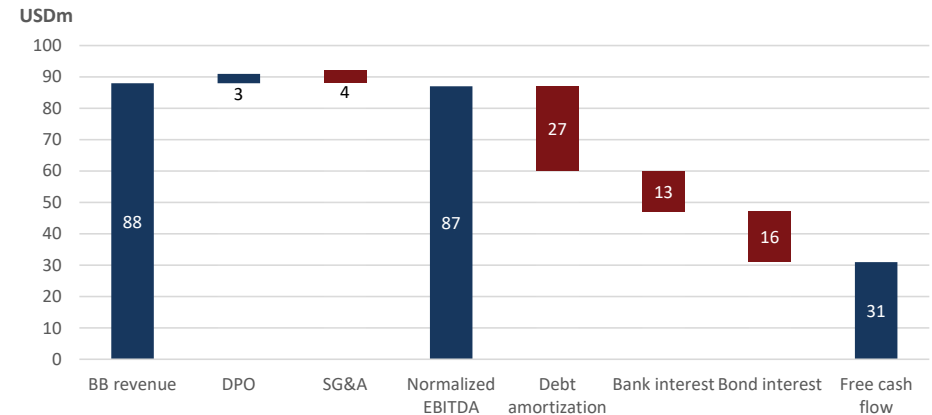
## Historically stable and predictable EBITDA



## Fully funded balance sheet with ample liquidity



## Last twelve months cash flow demonstrates strong cash conversion from contracted revenue



## Overall healthy financial profile

- Normalized EBITDA of about USD 87 million annually
- Strong cash conversion due to limited capex
- Significant free cash flow generation
- Attractive debt financing in place until 2025 with blended interest cost of 5.4%
- Strong liquidity with USD 56 million in cash holdings, around 1x annual debt service

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JONES ACT MARKET OVERVIEW

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# 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

*USD 100bn contribution to the US domestic economy*

## 30,000,000,000

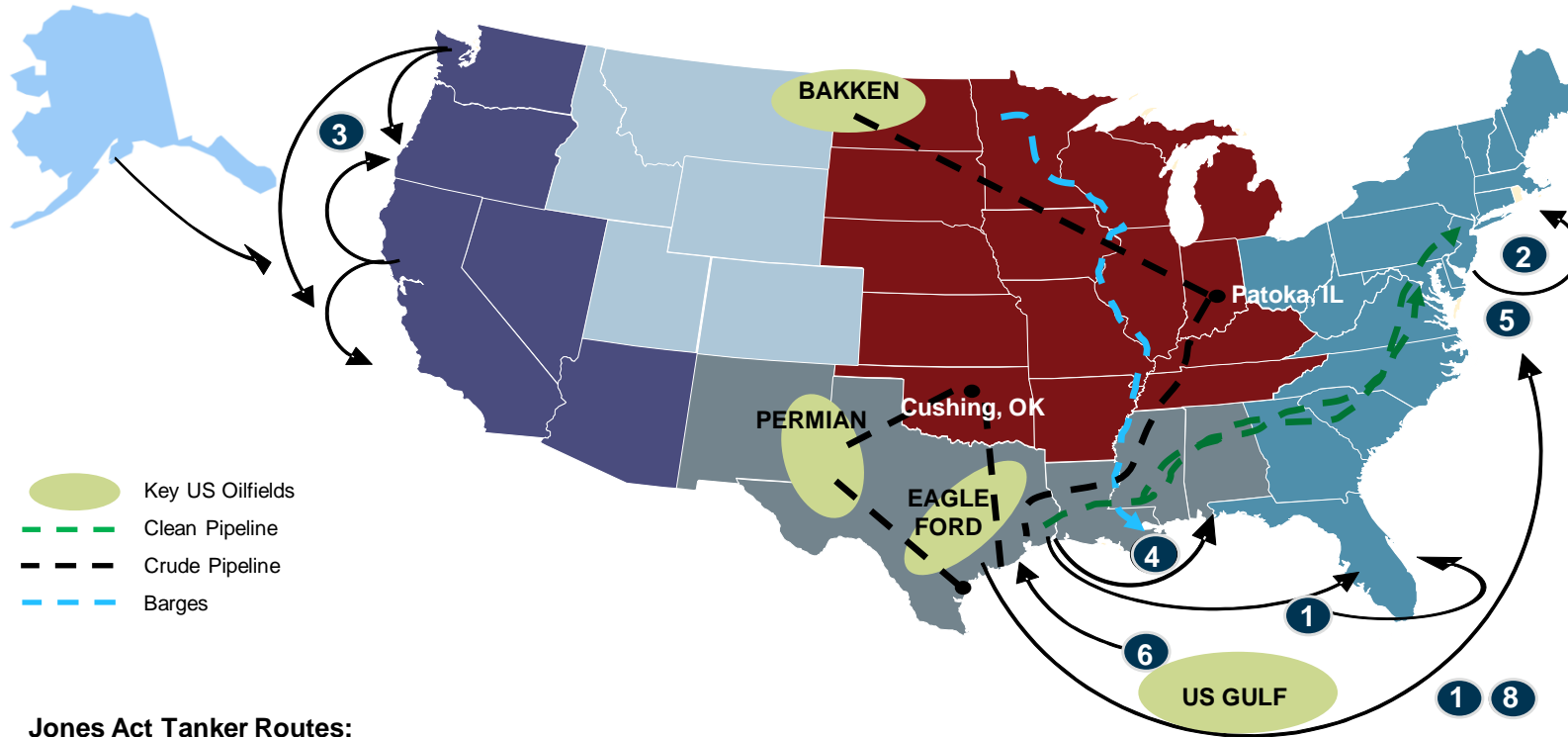
*USD 30bn total investment in over 40,000 vessels*

## 400,000

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

# A critical part of oil majors' transportation logistics

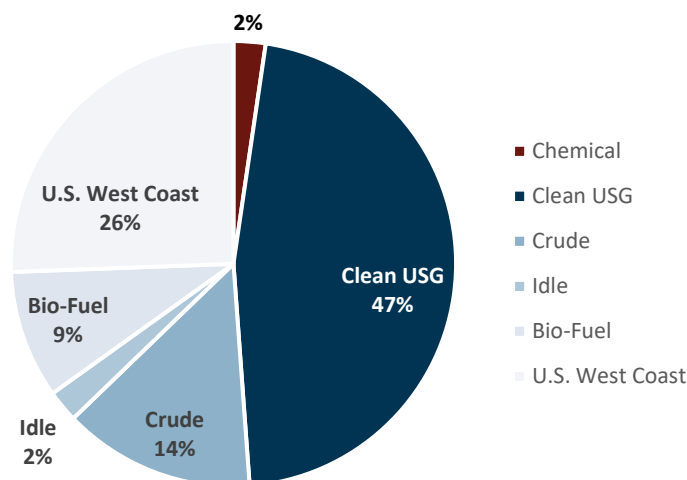
## Jones Act crude oil & products primary trade routes



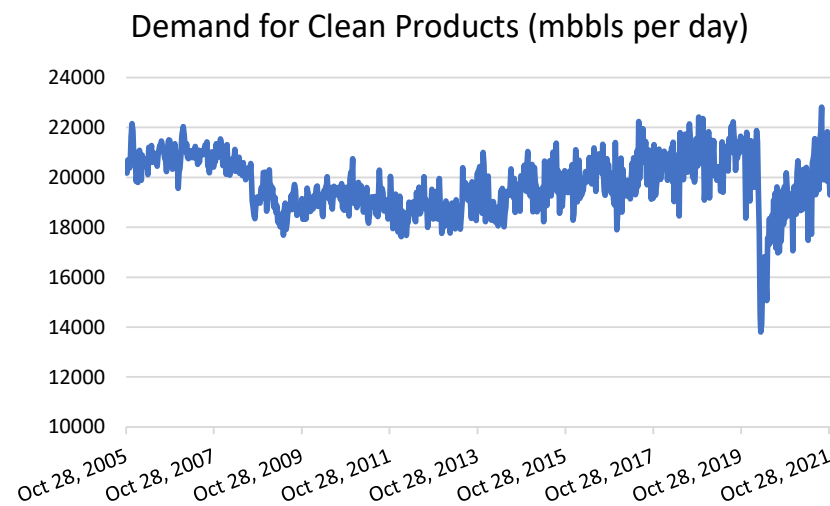
# Majority of fleet carry clean products - highly stable trade over time

## Fleet deployment by main trades (Tankers)

**January 2022**  
Total capacity: ~14.3 mbbls



## US Clean Product Demand typically stable over time





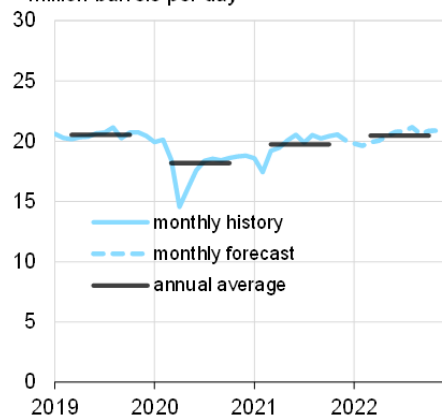
# Clean product demand almost fully recovered - refinery utilization still below normal

## EIA is forecasting a gradual full recovery in 2022

- Demand for clean products in the USA decreased by ~30% in Q2 2020 compared to same period previous years
- Demand recovery since then has been significant, and is now almost back to pre-covid levels
- EIA is forecasting a gradual full recovery through 2022

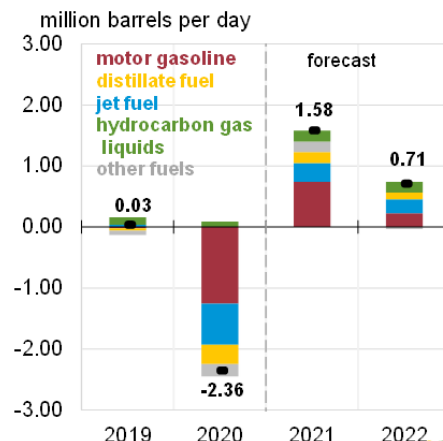
## Drop in clean products demand almost fully recovered

**U.S. liquid fuels product supplied (consumption)**  
million barrels per day



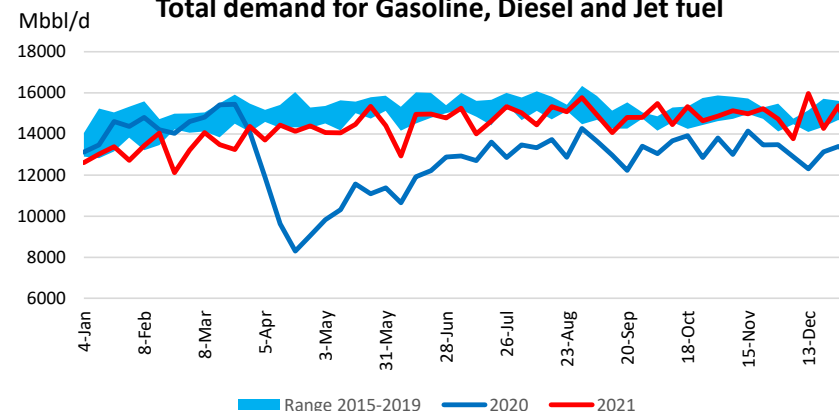
Source: U.S. Energy Information Administration, Short-Term Energy Outlook, December 2021

**Components of annual change**  
million barrels per day

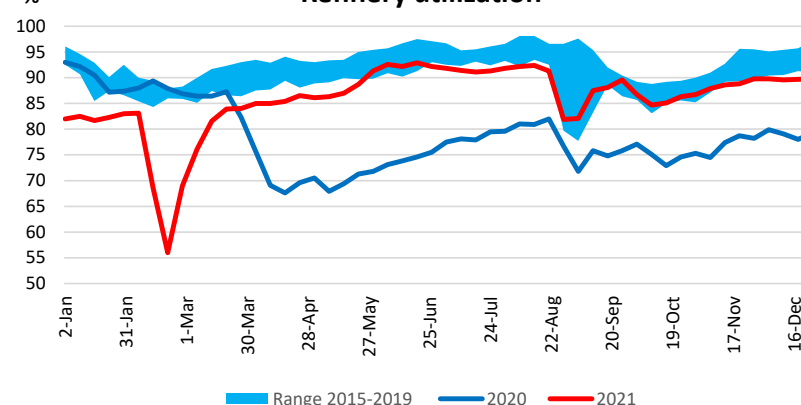


eia

**Total demand for Gasoline, Diesel and Jet fuel**



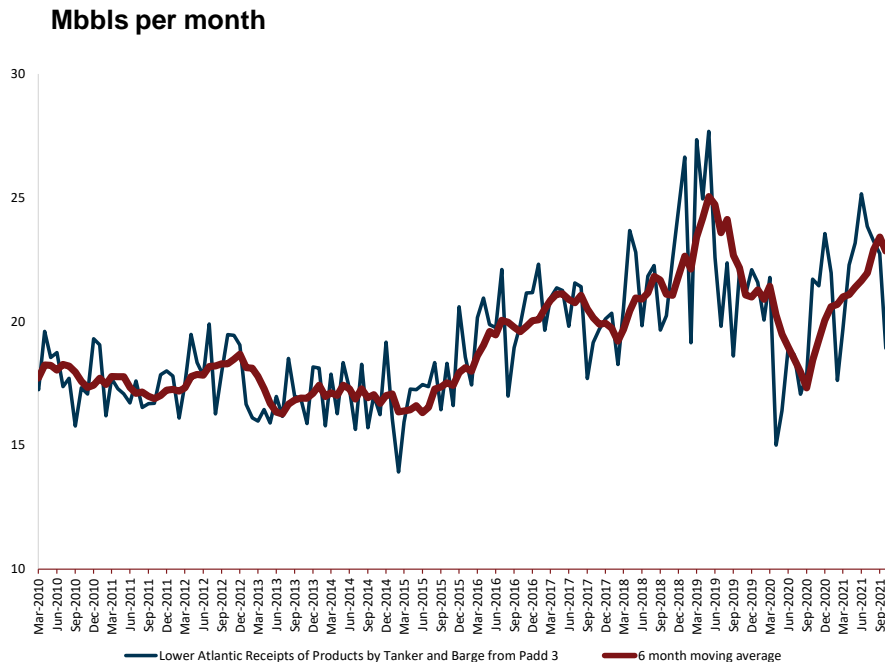
**Refinery utilization**



# Clean products shipments to Florida close to pre-covid levels

## Long-term trend of increasing marine transportation of clean products into Florida, reduced by COVID-19

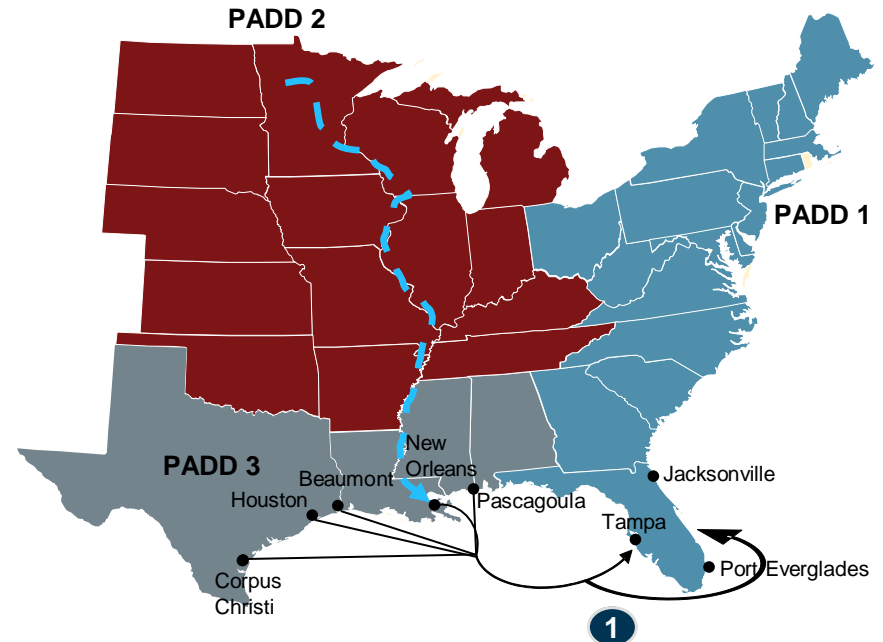
- Increasing consumption of clean products in Florida is driving demand for Jones Act tanker shipments cross US Gulf
- Over the past 10 years this trade has grown with a CAGR of about 3.5%
- Impact from Covid-19 mitigating measures have significantly reduced shipments in 2020, but has gradually return to normal during 2021



Sources: EIA, data through July 2021

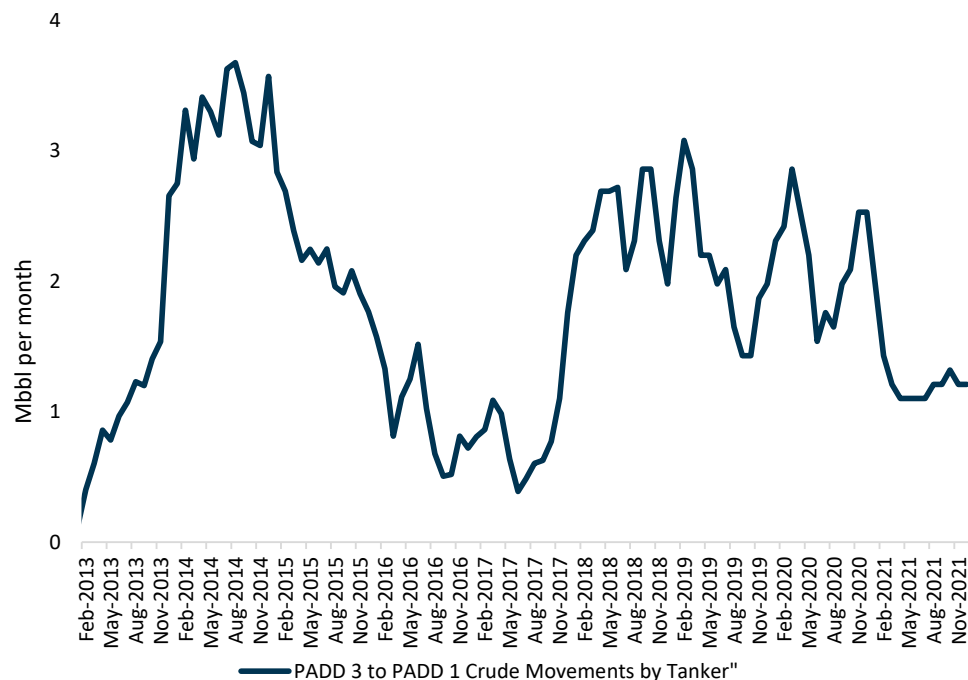
## Gulf Coast to Florida Trade Lane

- As Florida has no pipeline connection nor any refineries, all clean products consumed are supplied by sea
- Florida is sourcing 90% of its clean products demand on Jones Act tankers from US Gulf refineries
- Florida consumption is split 65-70% Gasoline, 15-20% Diesel and 10-15% Jet fuel



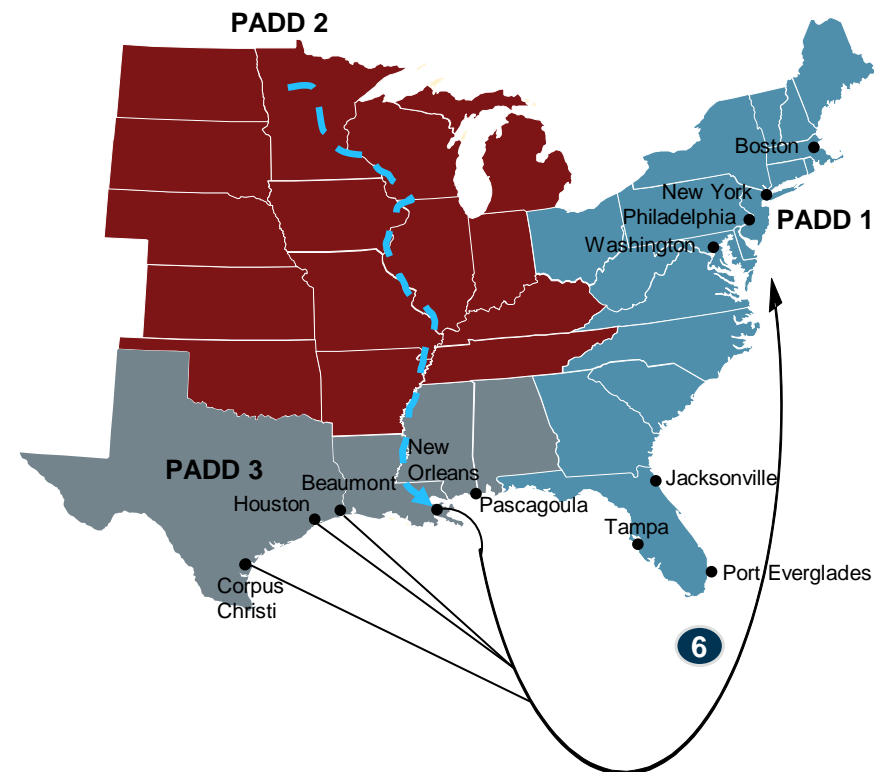
# Crude trade to Northeast is reduced but remains viable despite current oil market volatility

## PADD 3 to PADD 1 Crude Oil Moves by Tanker (3 month moving average)



- Historically, volumes have been driven by spread in pricing of U.S. Crude Oil vs international alternatives

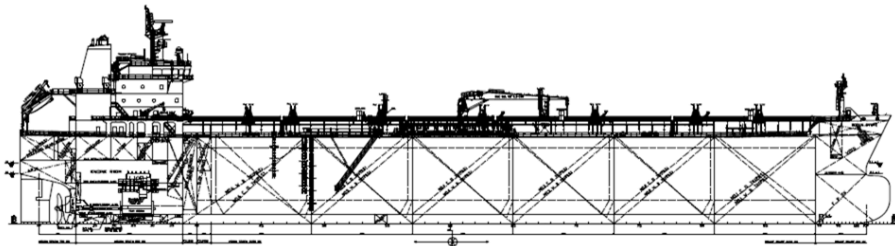
## Trade lane carrying Crude from Gulf Coast to U.S. Northeast



# No yard capacity for newbuilds until 2026

## Yard capacity

- 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



- Philly Shipyard is listed on Oslo Axess (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 2026***

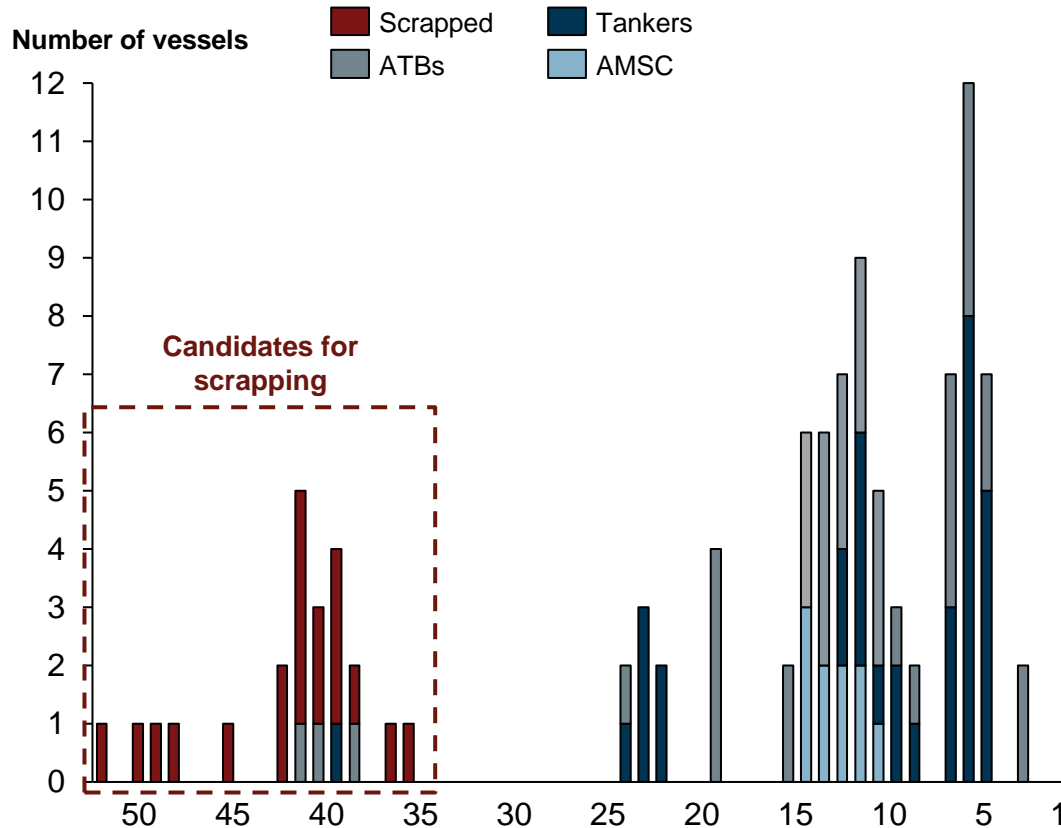
## GENERAL DYNAMICS NASSCO

- 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***

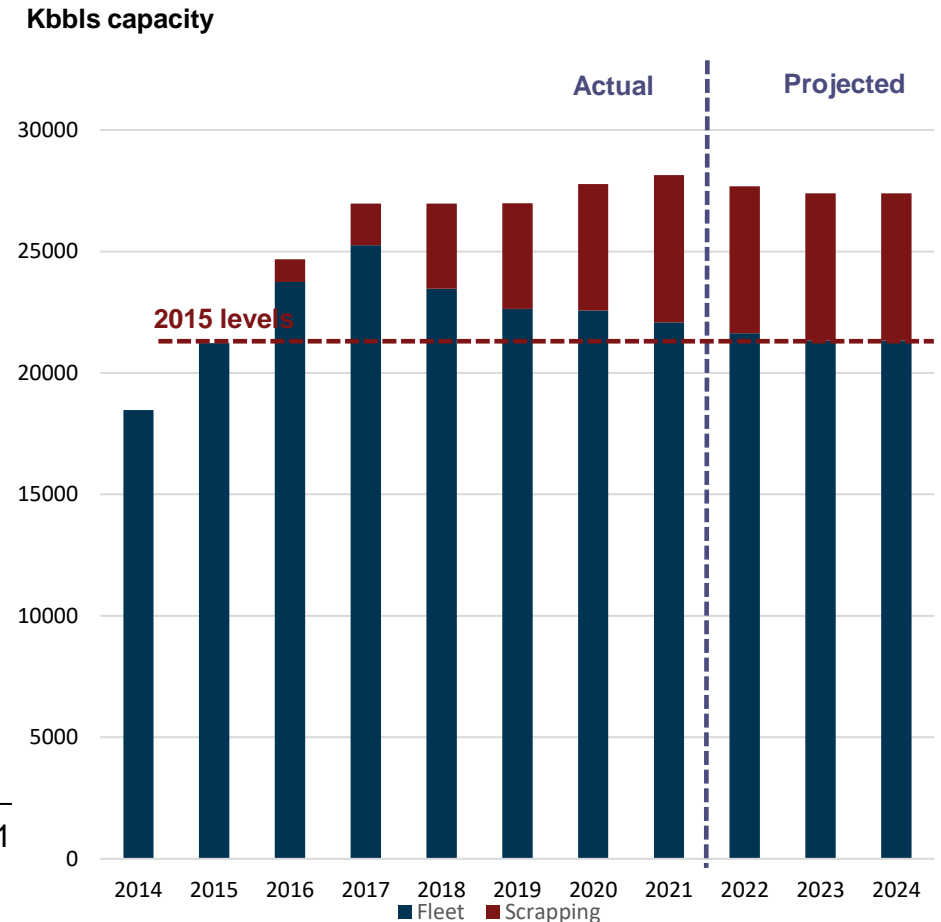
**The two yards that can build Jones Act MR tankers do not have capacity to deliver new vessels until 2026**

# Two older tankers recently scrapped leading to further fleet retraction

Fleet profile by vessel age

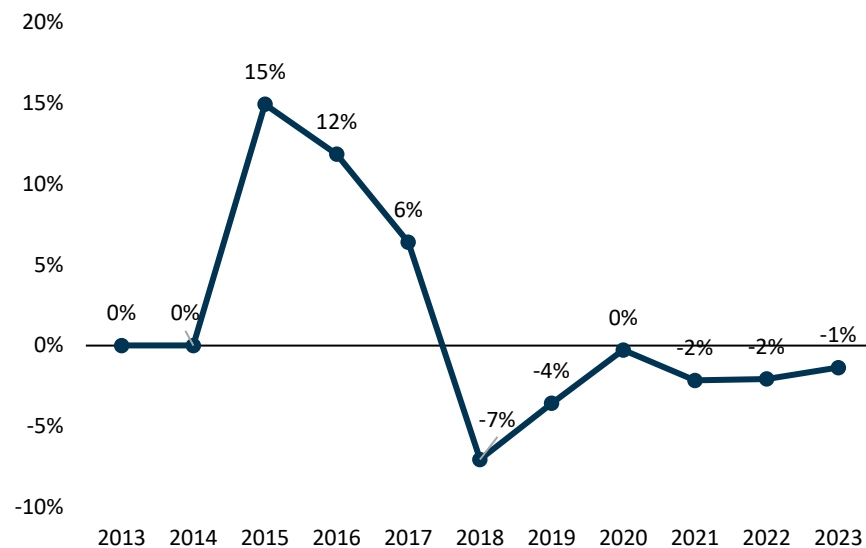


Considerable fleet growth in past years, but scrapping has already reduced active fleet back to 2015 levels



# Negative fleet growth

Net capacity reduction driven by scrapping and zero vessels on order



- Since 2016, seven tankers and fourteen ATBs has been scrapped, sold for operations outside the Jones Act market or gone into definite lay-up
- There are no new tankers or ATBs on order
- Yard capacity for tankers are limited with NASSCO mainly building navy ships and Philly Shipyard building MARAD Training Ships
- Likely delivered cost for a newbuild is now above USD150m with first available delivery slot in 2026
- Sustainable multi-year TC rates of ~USD70,000 per day required to justify newbuilds

# Summary – long term stable business model

## LONG TERM CONTRACTS PROVIDE STABLE CASH FLOW

- Bareboat contracts provide strong and stable cash flows
- OSG has evergreen extension options on seven vessels
- Cost competitive fleet reduces re-chartering risk

## RECOVERING JONES ACT TANKER MARKET

- Crude trade from U.S. Gulf to the U.S. Northeast weakened in the short term
- Clean trade into Florida close to fully recovered
- Jones Act tanker market expected to fully recover during 2022

## REDUCED FLEET CAPACITY WITH NO YARD AVAILABILITY

- No tankers or ATBs on order and two tankers being scrapped during 2021
- No available yard capacity to build Jones Act tankers until 2026 or later
- Negative fleet growth expected as scrapping of old tonnage continues

## STRONG AND IMPROVING FINANCIAL PERFORMANCE

- Modest loan to asset values and healthy credit metrics
- Contracted cash flow providing solid debt service coverage
- Significant free cash flow generation





**American  
Shipping  
Company**

