



# American Shipping Company ASA



SB1Markets Stavanger Presentation

May 2018

# Important information

- This Company Presentation is current as of May 2018. 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.

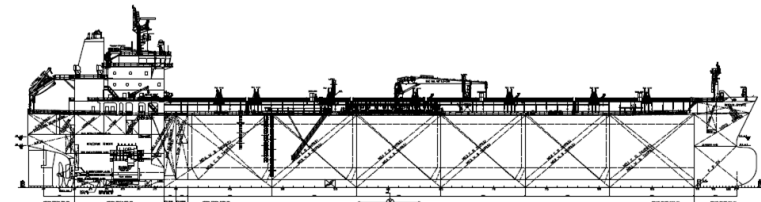
# American Shipping Company (AMSC)

## AMSC Snapshot

- Established in 2005
- Oslo listed with mcap. of USD ~200m\*
  - OSE ticker: AMSC
  - U.S. OTC ticker: ASCJF
  - Bond ticker: AMTI01
- Pure play Jones Act tanker owner with a modern tanker fleet
- Long-term bareboat leases generate stable, predictable cash flow
- Solid balance sheet with no debt maturities before Q4 2020
- Exploring growth and diversification opportunities in the U.S. Jones Act market
- Admitted to OTCQX International to increase awareness and public profile among U.S. investors

## 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



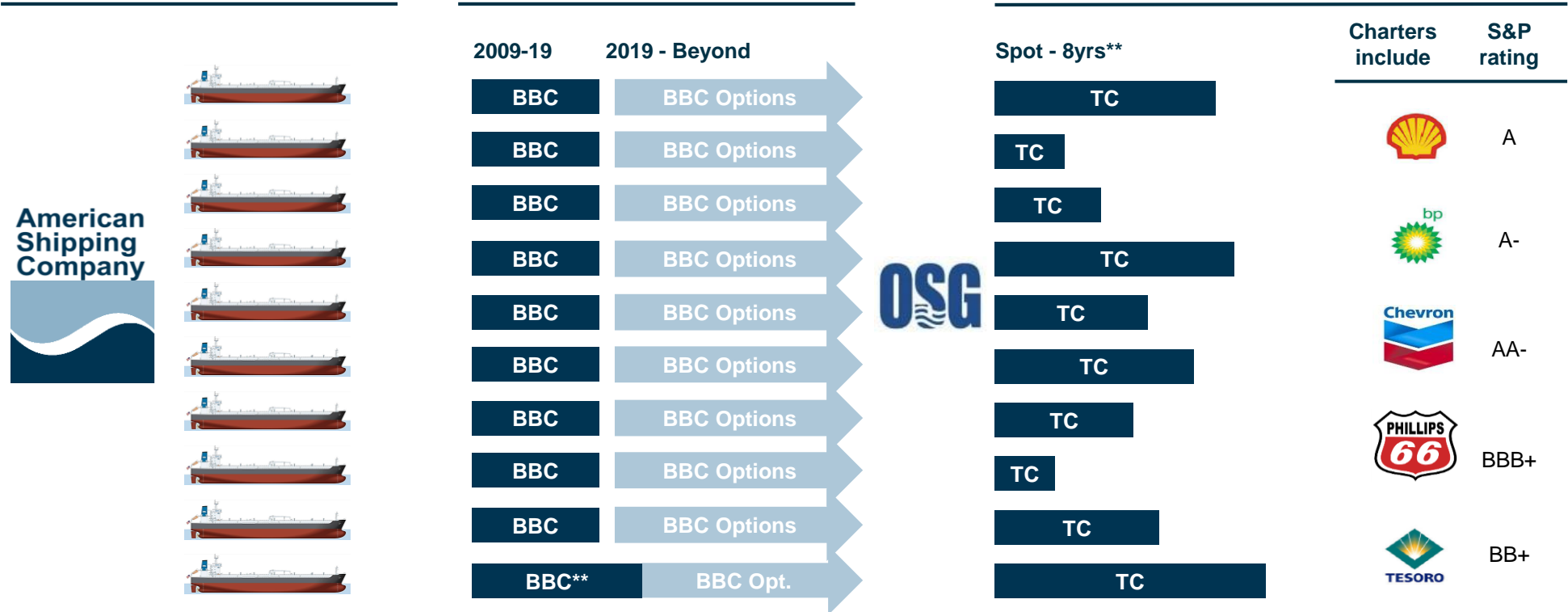
\* Market cap. based on closing share price of NOK 27.20 per May 9<sup>th</sup>, 2018

# Long Term Contracts Returning Stable Cash Flow

## American Shipping Company

## Bareboat charter to OSG

## TCs to blue chip charterers\*



**Bareboat Charter (fixed rate of USD ~88m/year)**

+

**DPO (fixed deferred charter hire, USD ~4m/year)**

+

**Profit Split (variable 50/50 sharing of profits)**

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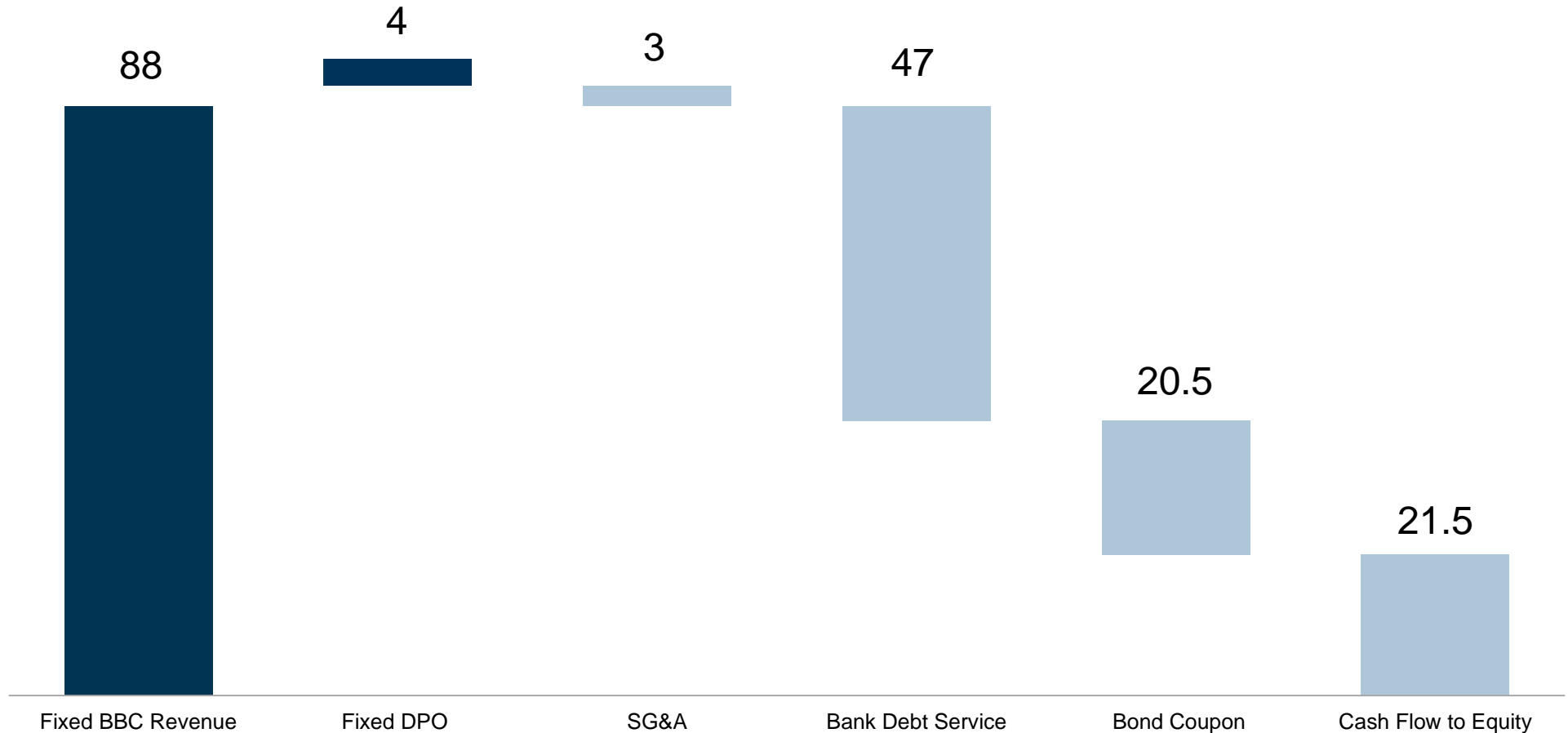
**Stable annual cash flows**

\*Illustrative TC contract duration

\*\*Tampa was converted to a shuttle tanker and is on a 10 year BBC backed by a 10 year TC

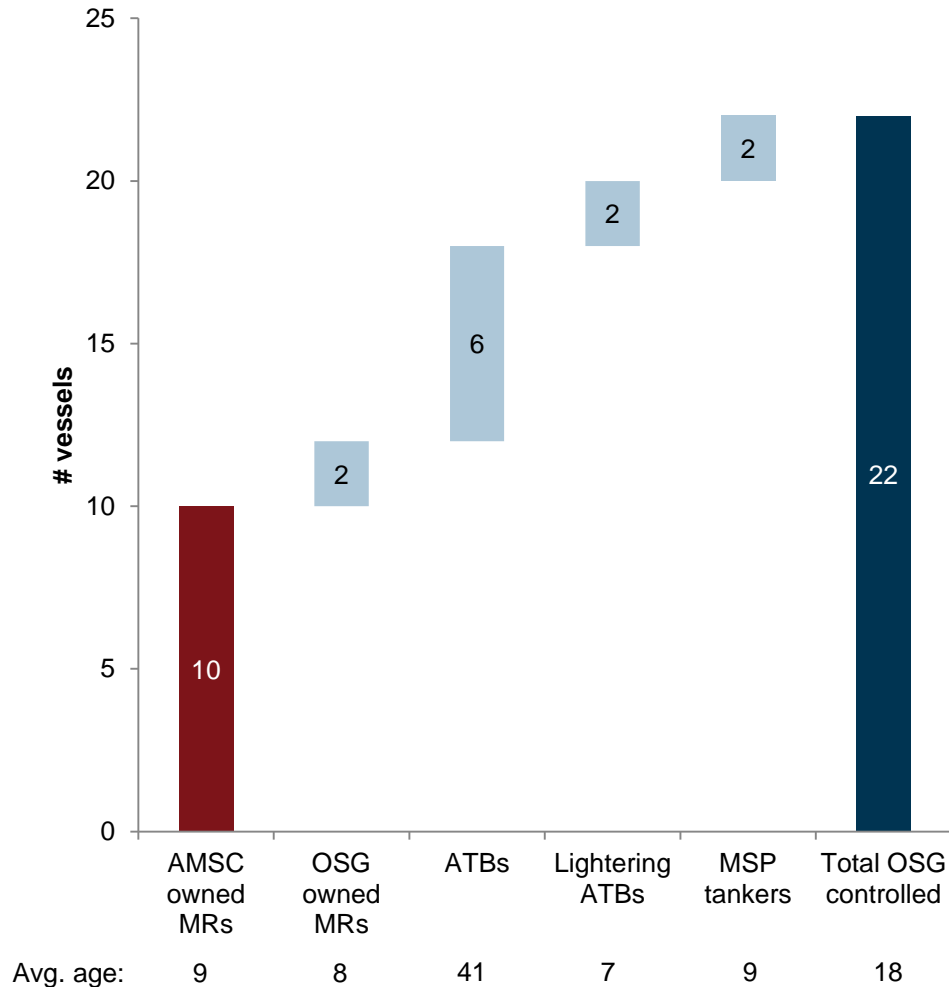
# Stable, Predictable Cash Flow

Simplified illustration of AMSC's annual cash flow *excluding* profit share (USDm)



# Integral Part of OSG's Fleet

## AMSC's tankers is a substantial part of OSG's fleet



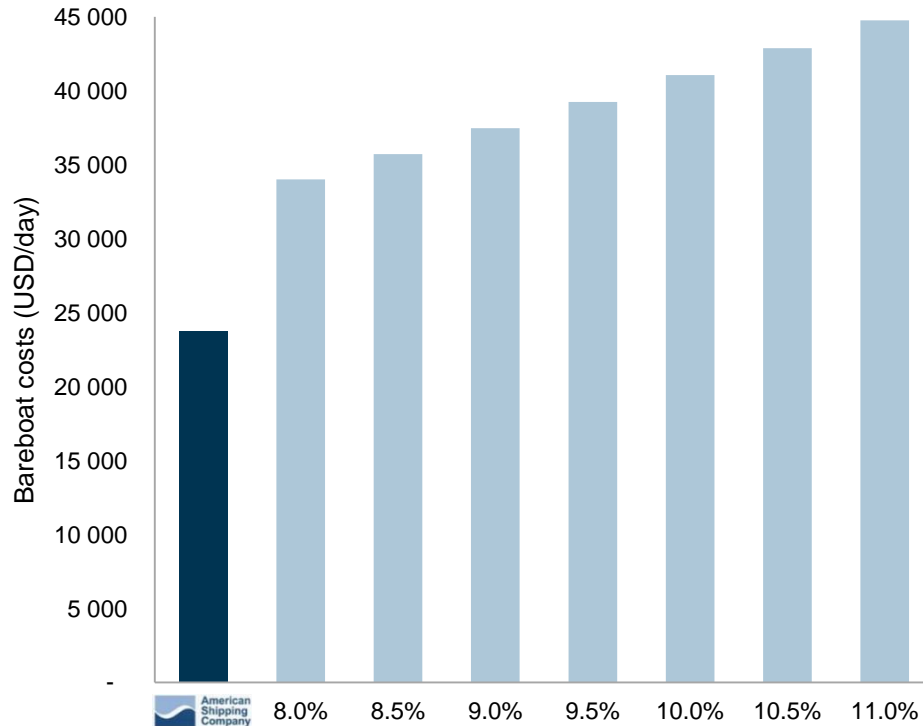
## AMSC is important to OSG

- OSG is a pure-play Jones Act company following its spin-off of its international fleet into International Seaways Inc.
- AMSC's 10 vessels are a core part of OSG's Jones Act tanker fleet
- The AMSC fleet represent ~30% of all modern Jones Act tankers below 15 years (36 in total)
- The AMSC fleet is the most cost-efficient modern fleet in the Jones Act tanker market due to favourable construction cost compared to newbuilds delivered today

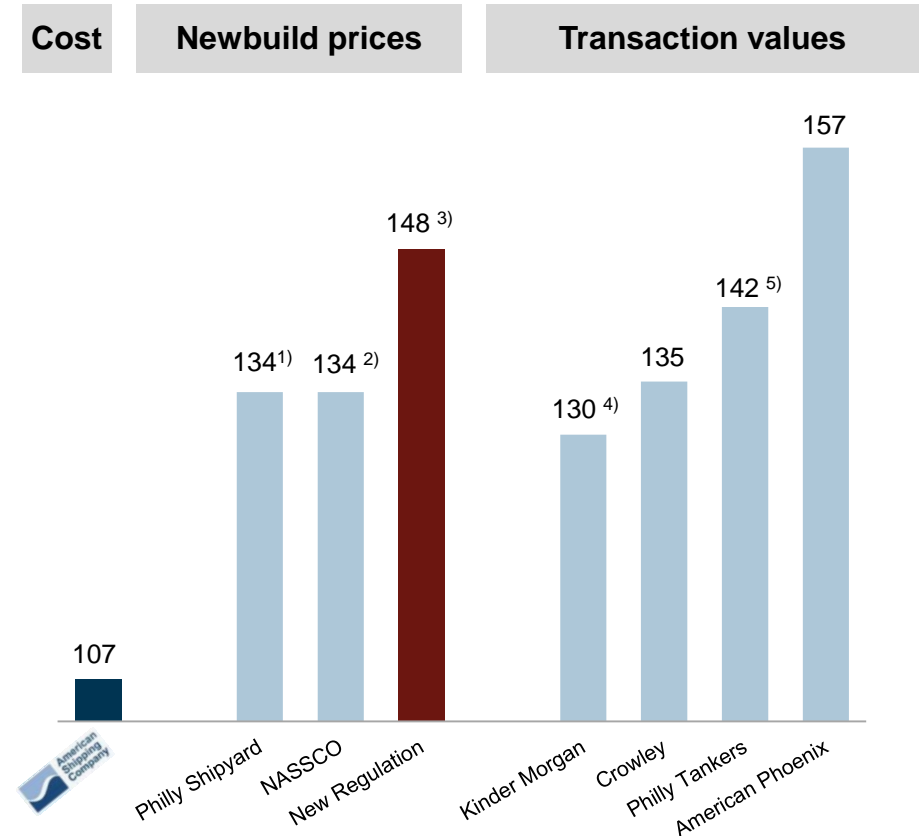
# Competitive Position Reduces Re-Chartering Risk

AMSC can offer charters at attractive levels...

...due to substantially discounted acquisition costs



**Annual bareboat costs given various total capital IRRs with newbuild cost @ USD 134m**

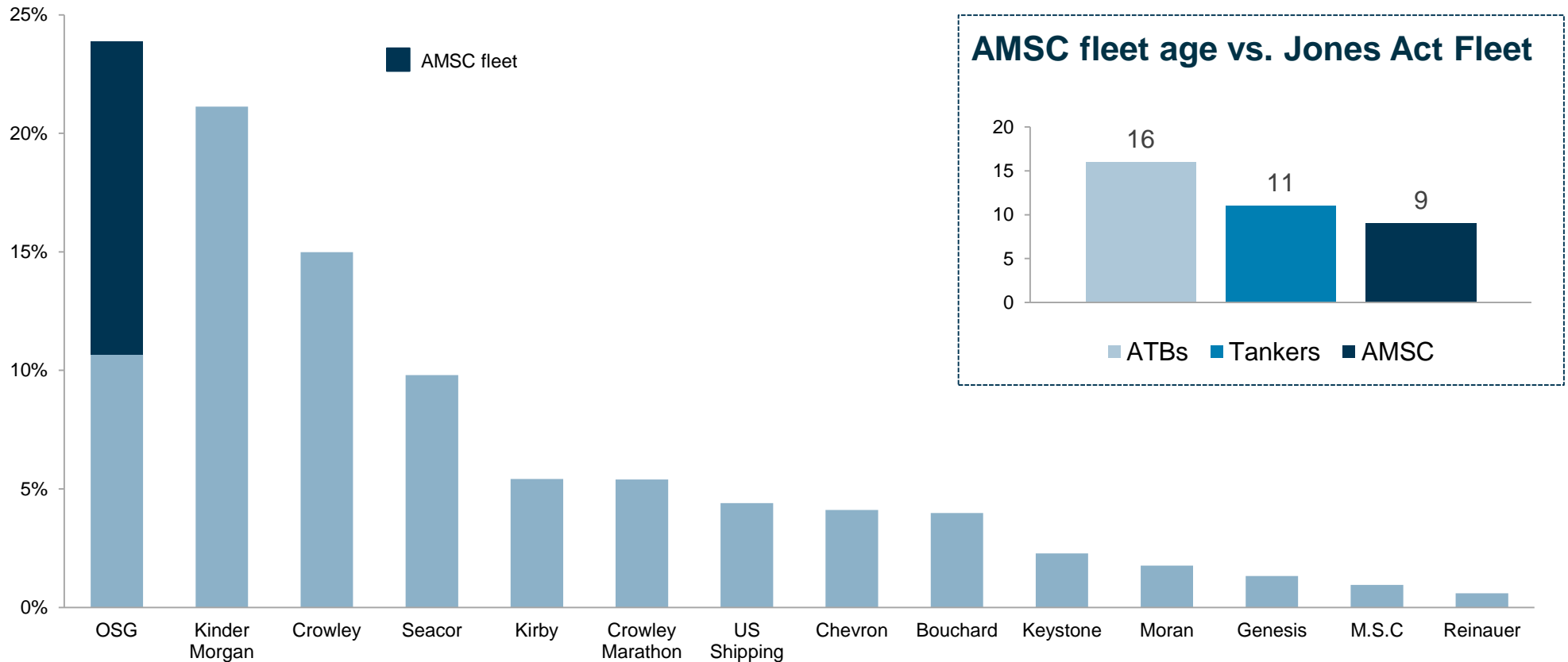


- Notes:
- 1) Based on Philly Tankers
  - 2) Based on newbuild cost for the tankers delivered to American Petroleum Tankers (Golden State excluded due to cost overrun)
  - 3) New regulation adds NOx emission requirement that estimated will increase cost to USD 145-150m
  - 4) Based on total consideration for 9 vessels, including additional expenses incurred by Kinder Morgan for taking delivery
  - 5) Based on average price for 4 vessels

Source: Company materials

# A Major Component of the Jones Act Fleet

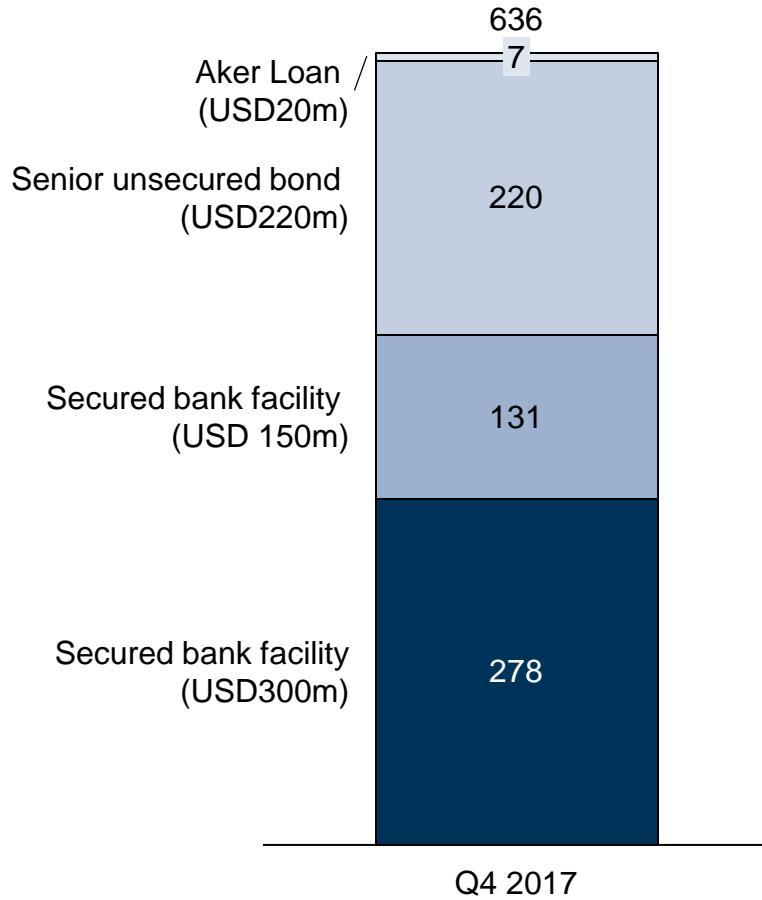
Jones Act tanker & ATB ownership based on carrying capacity





# Fully Financed until Q4-2020

## Current debt structure (USD million)



## Key terms on funding

### Bank debt

- Average weighted tenor: 6 years (80% of the loan amount with 5 year tenor and 20% with a 10 year tenor)
- Average weighted interest cost: Libor + 325 bps margin
- Total annual installments:
  - Y1: USD 8.3m
  - Y2-4: USD 28.3m (annually)
  - Y5: USD 44.3m (expect to refinance after year 4)

### Unsecured bond

- 9.25% fixed rate, semi annual installments
- Senior unsecured debt with maturity Feb 2022
- Ammortization commencing at 42 months of USD 20m per year
- Covenants include minimum cash, maximum debt restrictions and dividends incurrence test

### Aker loan

- Accruing interest of 10.25% with maturity in 4Q 2020
- Will be repaid by proceeds from Philly Tankers

# Focus on Growth and Increased Visibility

## Fully Refinanced and Exploring Growth

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- Senior debt refinanced in Q4-15
- USD 220 million bond launched in Q1-17
- First debt maturity in Q4-20
- Shift in focus to explore growth opportunities with the aim to:
  - Diversify customer base
  - Vary lease maturities
  - Expand fleet
  - Enter new marine segments
- AMSC has access to different sources of capital interested in exploring Jones Act lending and investment opportunities

## Admitted to OTCQX

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- U.S. ticker: ASCJF
- Ability to trade AMSC stock in USD through U.S. brokerage accounts
- Create awareness of AMSC among U.S. retail and professional investors
- Increase the availability of information about AMSC to create better transparency for U.S. investors
- Broadly distribute AMSC company updates across multiple financial / investing platforms
- Leverage value-added services of OTC Markets offered in connection with OTCQX, including online conferences, video interviews, and social media coverage

# Overview of the Jones Act

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

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- 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 operation in the Jones Act market is made possible by the lease finance exception of the Jones Act
- Essential feature of U.S. national security, ensuring non-dependency of ships controlled by foreign nations
- Large U.S. employer

## ...and is a vital part of the U.S. economy

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**100,000,000,000**

**USD 100bn contribution to the U.S. domestic economy**

**30,000,000,000**

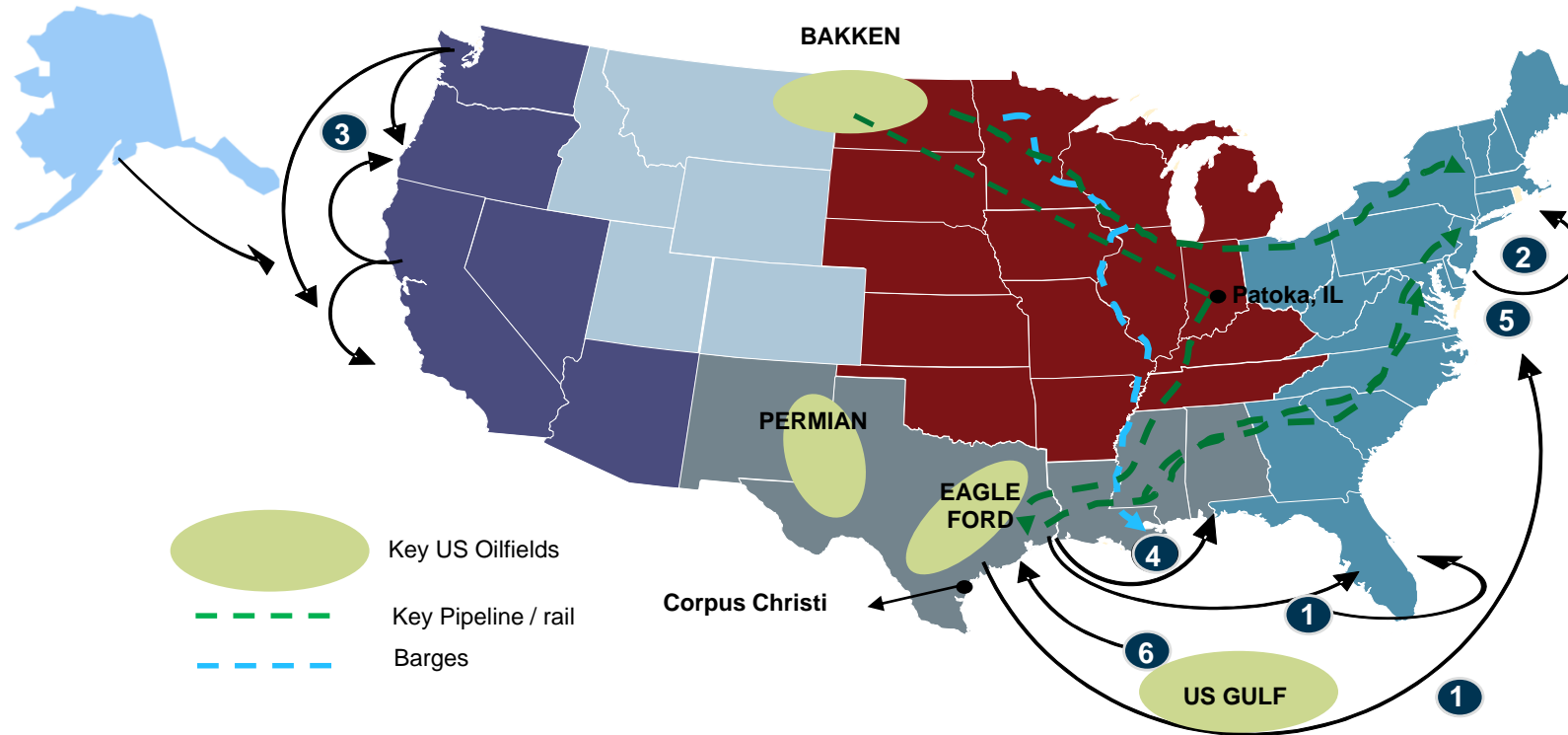
**USD 30bn total investments in over 40,000 vessels**

**400,000**

**# jobs directly and indirectly impacted by the U.S. maritime industry**

# A Critical Part of Oil Majors' Transportation Logistics

## Jones Act crude oil & products primary trade routes

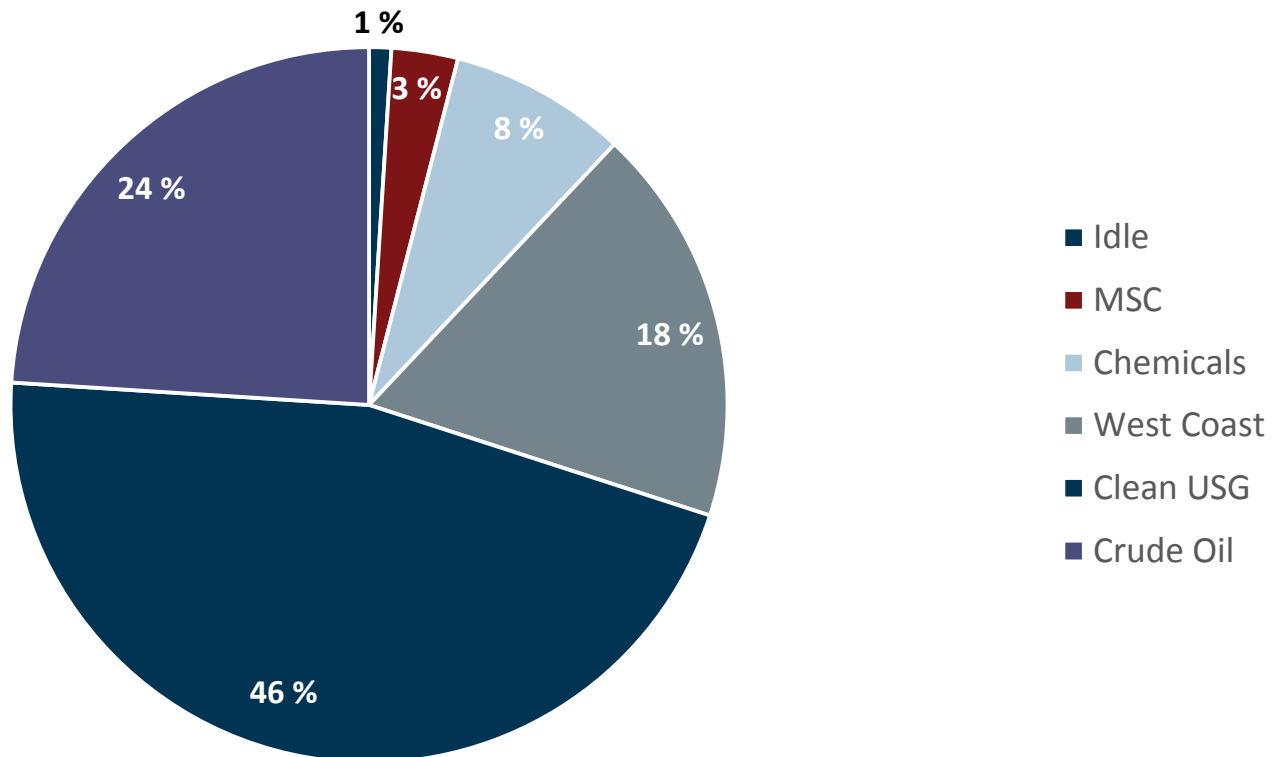


### Jones Act Tanker Routes:

- ① Gulf Coast refineries to Florida and East Coast (Clean)
- ② Mid-Atlantic to New England (Clean)
- ③ Alaska and Intra-west coast movements (Clean/Dirty)
- ④ Cross-Gulf movements (Dirty)
- ⑤ Delaware Bay Lightening (Crude)
- ⑥ Shuttle tankers from deep water U.S. Gulf to Gulf Coast Refineries (Crude)
- ⑦ Crude from Corpus Christi, TX to LOOP (not shown)

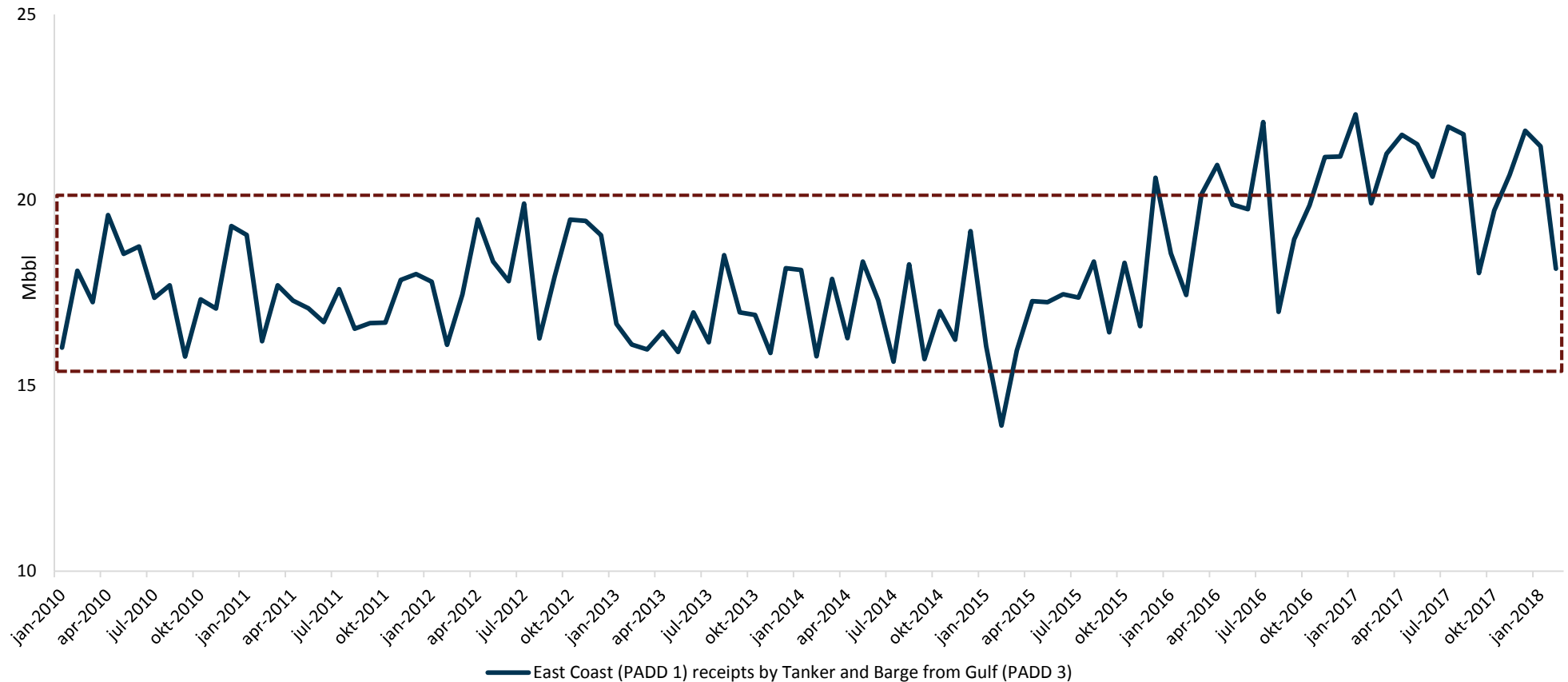
# Majority of Fleet carry Clean Products

Jones Act tanker fleet deployment by main trades (Tankers and ATBs)



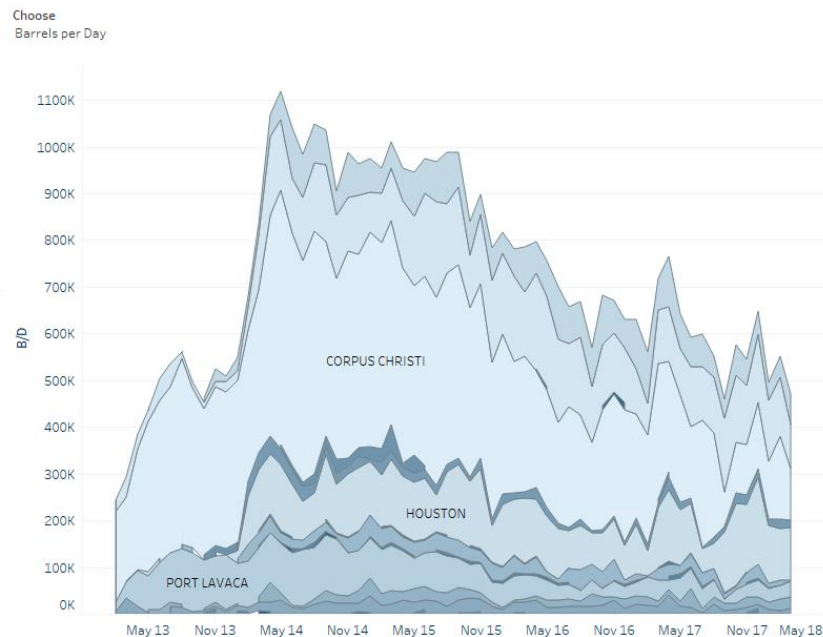
# Stable Clean Product Volumes

Seaborne products transport from Gulf Coast to East Coast is very consistent (Mbbls per month)

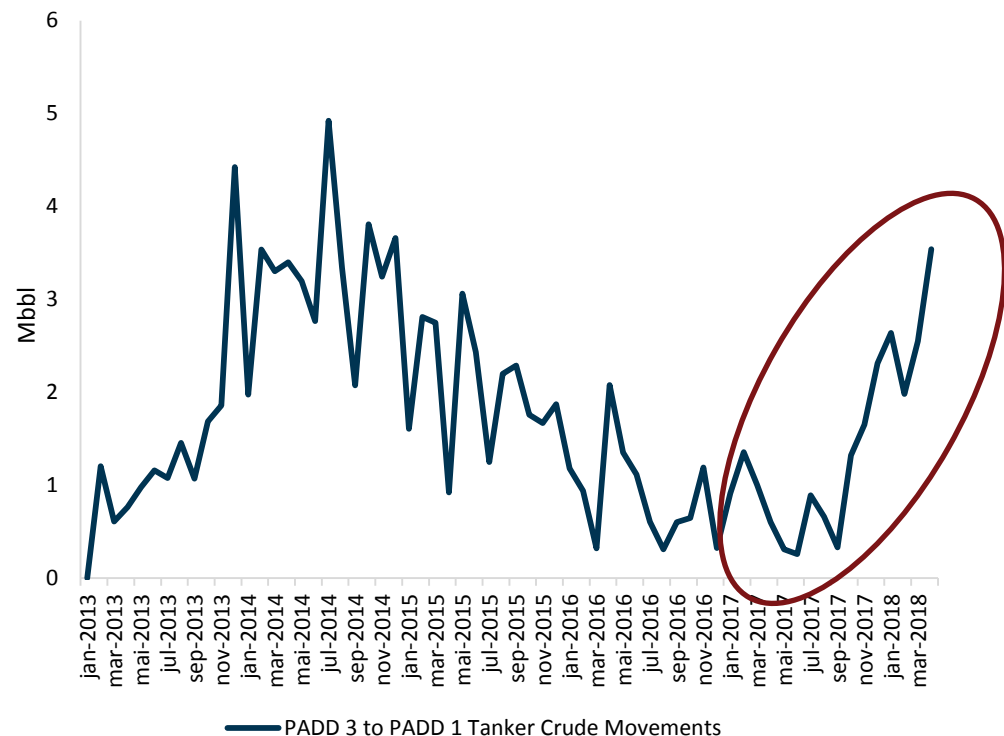


# Crude Shipping Volumes Stabilizing Intra Gulf whilst Returning to Peak Levels on East Coast

Intra PADD 3 Crude Oil Moves by Area of Loading, (KBD's)



PADD 3 to PADD 1 Crude Oil Moves by Tanker and Barge (Mbbbls per month)

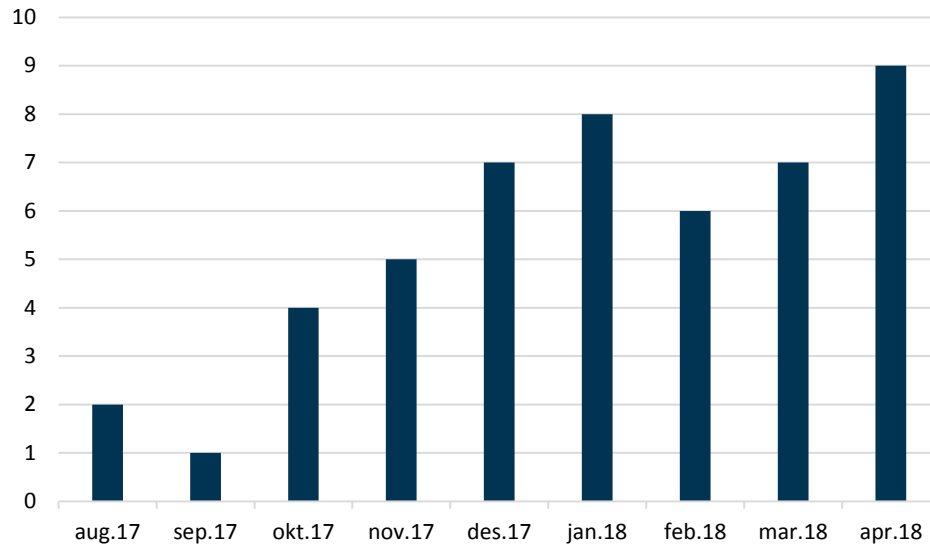


- JA USG loading of 600m bbls per day utilizes ~9 vessels for USG crude trade (assuming 5 days roundtrip)
- Volumes poised to recover

- Volumes in East Coast trade is back to ~5 tankers, up from ~1 tanker during 2017
- Volumes driven by spread in pricing of US oil vs international alternatives

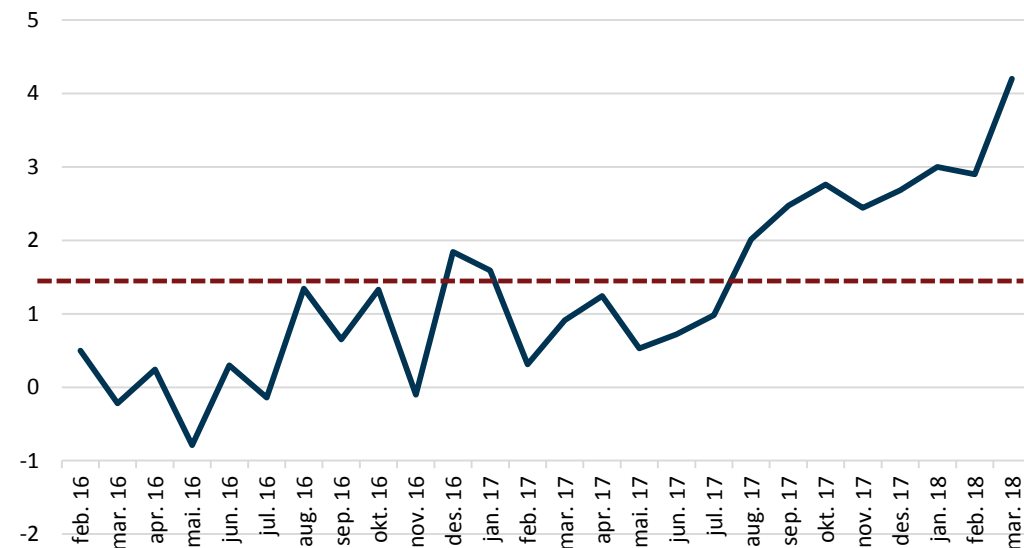
# Oil Price Spread - Key Driver for Increase in PADD 3 to PADD 1 Crude Shipping Volumes

**PADD 3 to PADD 1 Crude Oil Moves by Number of Tanker Liftings**



- Record 9 monthly voyages in April 18
- ~ 5 tankers absorbed in activity from U.S. Gulf up to North East refineries
- YTD 30x cargoes delivered or in transit

**Crude Oil Price Spread - Argus Houston vs. Bonny Light**



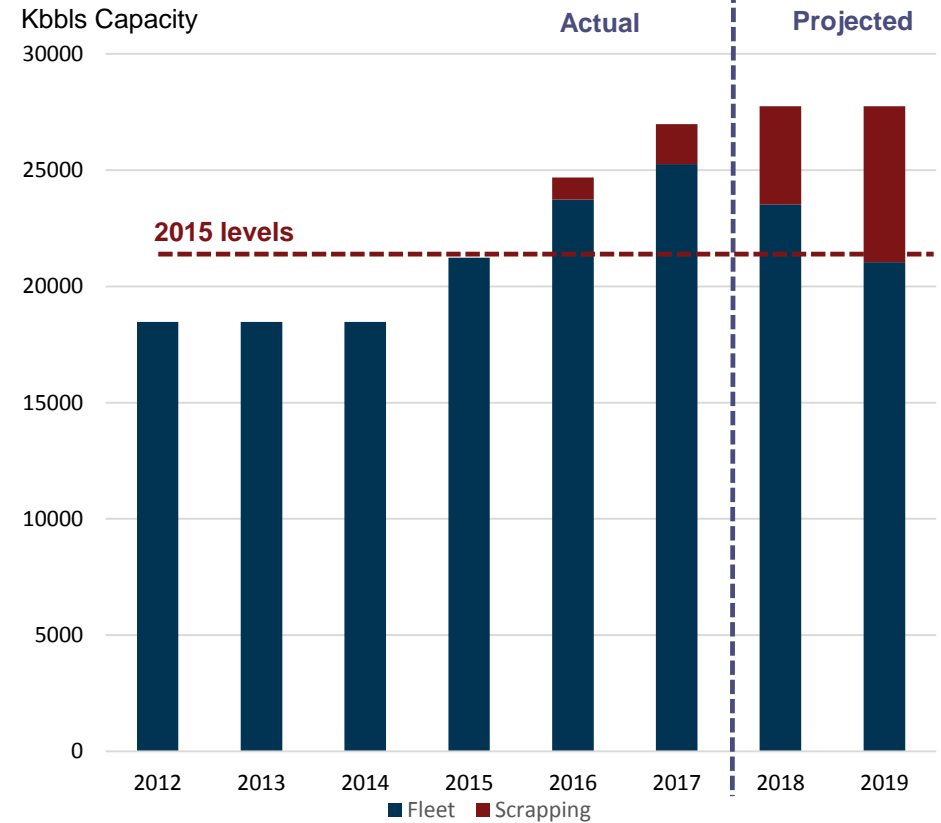
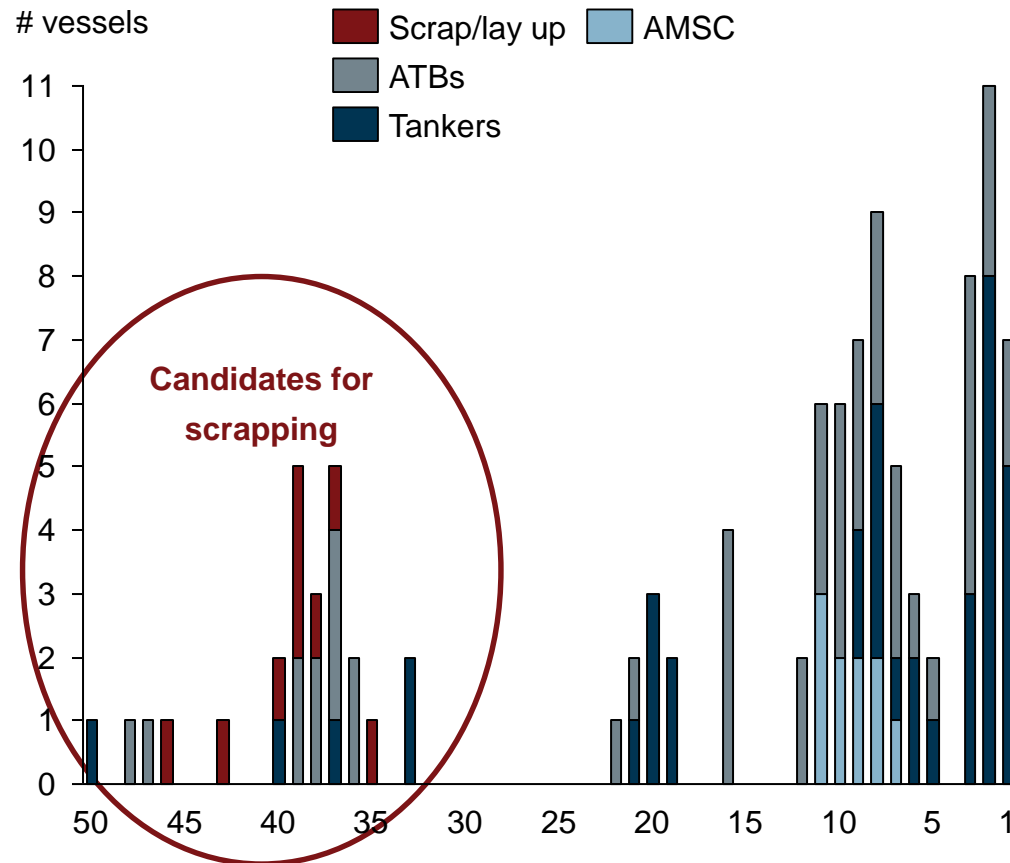
- Crude loaded in Houston vs. West Africa needs to be minimum \$1.50 cheaper to be competitive for U.S. East Coast Refiners
- Spread has been sufficiently wide since Aug/Sept 2017 and is increasing



# Limited Remaining Fleet Growth and Scrapping Continues

Fleet profile by vessel age

Considerable fleet growth over the last 3 years, but scrapping likely to bring fleet back to 2015 levels



# Investment Highlights

## Highlights

### INCREASED DEMAND IN KEY TRADES

- Increased crude shipments from U.S. Gulf to the U.S. Northeast
- Intra gulf volumes crude stabilizing
- Steady clean trade into Florida

### NO NEW VESSEL ORDERS

- Final MR tanker delivered and only 2 smaller ATBs entering the market in 2018
- No vessel orders for the past 3 years
- Scrapping / lay-up of older tonnage continues

### LEADING MARKET POSITION WITH STABLE CASH FLOWS

- AMSC has the most cost efficient modern Jones Act tanker fleet
- Stable cash flow from fixed rate bareboat contracts and upside potential from profit share arrangement
- Committed to returning capital to shareholders through dividends, whilst prudently managing the balance sheet and maintaining financial flexibility

