Gersemi Research

20 February 2018

Independence & Integrity

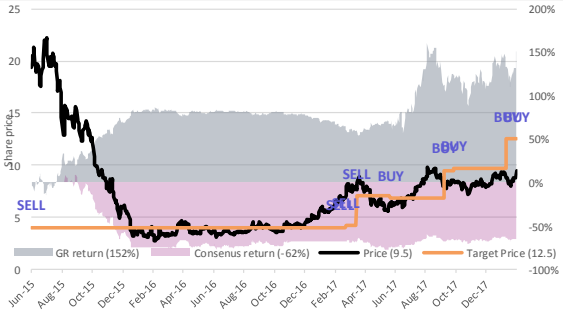
$f(\lambda) = a_0 + \beta_1 \lambda^{\tau}, R^2 \approx 1$

$GOGL (#BUY,12.5) 4Q17 review: Report roughly in-line with our forecast, but the dividend somehow caught the street by surprise…

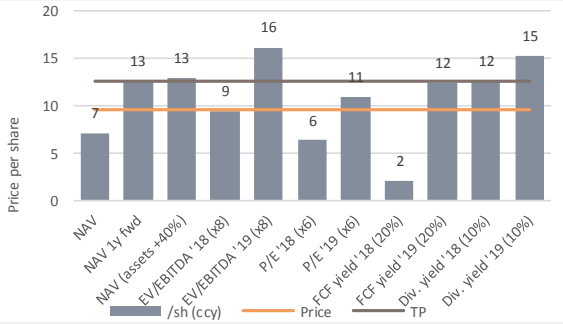
GOGL-US **BUY/TP 12.5**

Dividends Begin

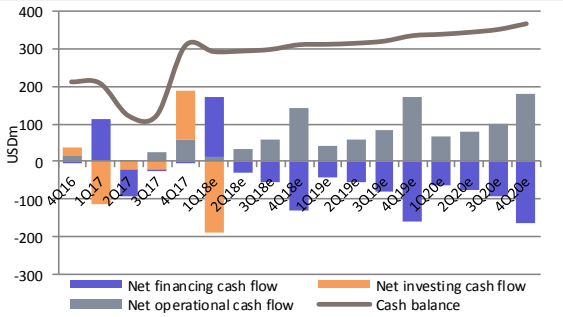
Share price vs target price



Valuation matrix



Cash & cash flows



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Golden Ocean declared a $0.1 DPS for 4Q18, spot on our forecast but taking consensus by surprise. The numbers were roughly in-line with our estimates but above consensus. The share price reacted accordingly and ended the day +2.8% d/d in Oslo. We reiterate our BUY rating and $12.5 target price ahead of continued fundamental improvements ahead.

4Q17 review: Reported EBITDA of $61m was slightly below our $63m forecast but above consensus at $58m. Net finance was similar to our $16m forecast, but a gain on derivatives led to a PTP of $27m which was equal to our expectation (consensus at $23m). More importantly was the reinstatement of dividends. We had precisely predicted the DPS of $0.10 declared for the quarter, which took the market by surprise against the street's forecast of a zero dividend. This is likely the main reason behind the 2.8% share appreciation d/d today.

Investment case: Although priced at a 34% premium to NAV vs the peer median at a 2% discount, it is not discouraging as the company has historically been trading at a premium to peers due to its track-record of investor friendly policies. Given our forecast of improving fundamentals going forward, we see an EV/EBITDA of 5.7 in 2019E (peer median at 4.1) and a potential dividend yield of 16% (peer 17%). Although our target implies a 32% share price appreciation, we see higher upside potential in GNK (BUY, 26), SBLK (BUY, 21) and DSX (BUY, 6.7), which remain our top picks in the segment. We also keep a keen eye on BULK (BUY, 198) with listing in NY scheduled for 2018.

Key numbers

USDm	2017	2018	2019	2020
Net sales	343	521	625	686
EBITDA	128	305	408	472
EBIT	50	210	312	376
PTP	-2	151	260	331
Net earnings	-2	151	260	331
EPS	-0.05	1.05	1.80	2.29
DPS	-	1.25	1.51	1.99
USDm	**2017**	**2018**	**2019**	**2020**
Fwd NAV	1,021	1,809	2,172	2,429
Adj. equity ratio	43%	55%	61%	66%
FCF yield	6%	4%	26%	31%
Dividend yield	0%	13%	16%	21%
EV/EBITDA	16.7	8.1	5.7	4.6
P/E (adj.)		9.1	5.3	4.1

Key numbers

USDm	2017	2018	2019	2020
Net operational cash flow	93	246	356	427
Free cash flow	67	58	356	423
Net cash flow	96	3	24	32
TCE/day	14,041	18,263	21,896	24,198
Cash break-even	18,009	11,917	13,430	12,834
Liquidity	317	320	344	376
Property & Equip. (incl. NBs)	2,376	2,469	2,373	2,281
Total equity	1,494	1,482	1,524	1,568
Interest bearing debt	1,301	1,409	1,295	1,190
Net interest bearing debt	984	1,089	951	814
Market Cap.	1,159	1,368	1,368	1,368
Enterprise value	2,143	2,457	2,319	2,183
Capex	157	188	-	4

Source: Gersemi Research, Bloomberg, company data

Disclaimer: The publisher currently has no investments in the company. More disclaimers at the end of this document

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4Q17 Review

Net sales of $122m in the quarter came in $8m above our forecast ($15 above consensus), although offset by operational cost of $61m vs our forecast of $51m and consensus at $49m. Thus, reported EBITDA of $61m was slightly below our $63m forecast but above consensus at $58m. Net finance was similar to our $16m forecast, but a $2m gain on derivatives and other minor adjustments led to a PTP of $27m which was equal to our $27m expectation (consensus at $23m).

The most important event was the reinstatement of dividends after the last pay-out in 2014. After the resumption of regular debt payments, we had precisely predicted the DPS of $0.10 declared for the quarter. However, the announcement took the market by surprise against the street's forecast of a zero dividend. This is likely the main reason behind the 2.8% share appreciation d/d today.

P&L

4Q17 review				Actuals vs		Actuals vs	
USDm	Actuals	GR	Consenus	GR	Consensus	GR	Consensus
Net sales	122	114.1	107.5	8.4	15.0	7%	12%
EBITDA	61.2	63.2	58.4	-2.0	2.8	-3%	5%
EBIT	40.3	43.2	35.8	-2.9	4.5	-7%	11%
PTP	27.1	27.0	23.2	0.1	3.9	0%	14%
Net earnings	27.1	25.3	23.8	1.9	3.4	7%	12%
EPS	0.19	0.18	0.16	0.02	0.03	8%	18%
DPS	0.10	0.10	-	-	0.10	0%	100%
Implied, line by line	Actuals	GR	Consenus	GR	consensus	GR	consensus
TCE revenue	122.5	114.1	107.5	8.4	15.0	7%	12%
Opex & G&A	61.3	50.8	49.1	10.4	12.2	17%	20%
Depreciation	20.9	20.0	22.6	0.9	-1.7	4%	-8%
Net finance	13.2	16.2	12.6	-3.0	0.7	-23%	5%
Taxes & Minorities	-0.0	1.7	-0.5	-1.7	0.5	-10194%	2941%

CF & BS

4Q17 review				Actuals vs		Actuals vs	
USDm	Actuals	GR	Consenus	GR	Consensus	GR	Consensus
Net operational cash flow	57	45		12		20%	
Free cash flow	189	92		97		51%	
Net cash flow	185	181		4		2%	
TCE/day	18,749	17,461	16,451	1,288	2,298	7%	12%
Cash break-even	26,039	19,914		6,125		24%	
Liquidity	317	309		8		3%	
Interest bearing debt	1,301	1,350		-49		-4%	
Net interest bearing debt	984	1,041		-57		-6%	

Source: Gersemi Research, Bloomberg, company data, www

Estimate Changes

Profit & Loss

Estimate changes	New				Old				Change			
USDm	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Net sales	343	521	625	686	335	521	625	686	8	-	-	-
EBITDA	128	305	408	472	130	305	409	472	-2	-0	-0	-0
EBIT	50	210	312	376	53	210	314	377	-3	-0	-1	-1
PTP	-2	151	260	331	-2	156	264	334	0	-5	-4	-3
Net earnings	-2	151	260	331	-4	156	264	334	2	-5	-4	-3
EPS	-0.05	1.05	1.80	2.29	-0.07	1.08	1.83	2.32	0.02	-0.03	-0.03	-0.02
DPS	-	1.25	1.51	1.99	0.10	1.16	1.53	2.02	-0.10	0.09	-0.02	-0.04

	2017	2018	2019	2020
TCE revenue	8	-	-	-
Opex & G&A	10	0	0	0
Depreciation	1	-	1	1
Net finance	-3	4	2	2
Taxes & Minorities	-2	0	-	-

Cash Flows & Balance Sheet

Estimate changes									Change			
USDm	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Net operational cash flow	93	246	356	427	82	251	359	429	12	-5	-3	-2
Free cash flow	67	58	356	423	-30	106	359	429	97	-48	-3	-6
Net cash flow	96	3	24	32	92	-0	24	32	4	3	-0	-1
TCE/day	14,041	18,263	21,896	24,198	13,719	18,263	21,896	24,198	322	-	-	-
Cash break-even	18,009	11,917	13,430	12,834	16,478	11,751	13,346	12,762	1,531	166	84	72
Liquidity	317	320	344	376	309	308	333	365	8	11	11	11
Property & Equip. (incl. NBs)	2,376	2,469	2,373	2,281	2,376	2,426	2,331	2,236	0	43	42	45
Total equity	1,494	1,482	1,524	1,568	1,488	1,476	1,519	1,562	6	6	5	7
Interest bearing debt	1,301	1,409	1,295	1,190	1,350	1,411	1,297	1,192	-49	-2	-2	-2
Net interest bearing debt	984	1,089	951	814	1,041	1,102	964	827	-57	-14	-13	-13
Market Cap.	1,159	1,368	1,368	1,368	1,267	1,267	1,267	1,267	-108	101	101	101
Enterprise value	2,143	2,457	2,319	2,183	2,308	2,369	2,231	2,094	-165	88	88	89
Capex	157	188	-	4	238	145	-	-	-81	43	-	4

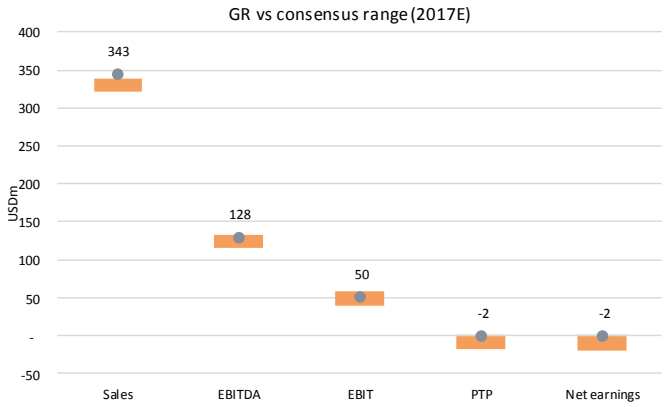
Valuation

Estimate changes	New				New				Change			
USDm	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018		2020
Fwd NAV	1,021	1,809	2,172	2,429	1,017	1,801	2,168	2,427	4	7	5	2
Adj. equity ratio	43%	55%	61%	66%	42%	55%	61%	66%	1%	0%	0%	0%
FCF yield	6%	4%	26%	31%	-2%	8%	28%	34%	8%	-4%	-2%	-3%
Dividend yield	0%	13%	16%	21%	1%	13%	17%	23%	-1%	0%	-1%	-2%
EV/EBITDA	16.7	8.1	5.7	4.6	17.7	7.8	5.5	4.4	-1.0	0.3	0.2	0.2
P/E (adj.)		9.1	5.3	4.1		8.1	4.8	3.8		0.9	0.5	0.3

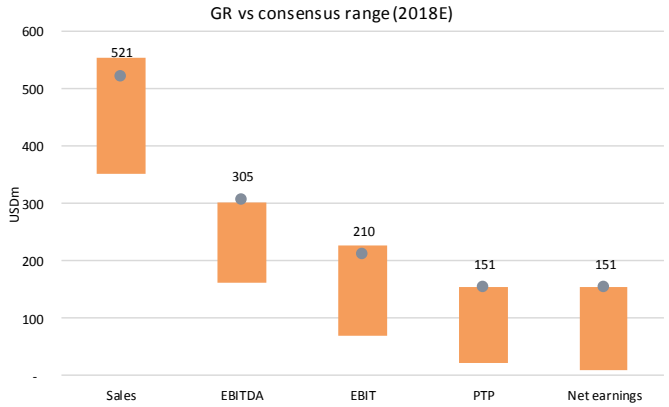
Source: Gersemi Research, Bloomberg, company data, www

Our Estimates vs Consensus

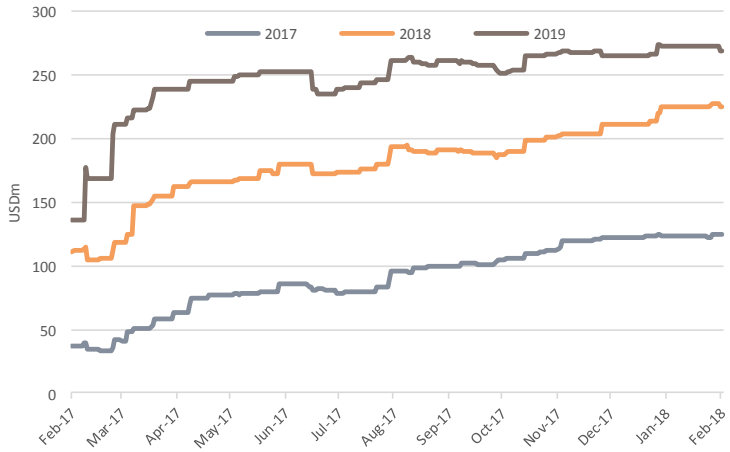
Profit & Loss, year I



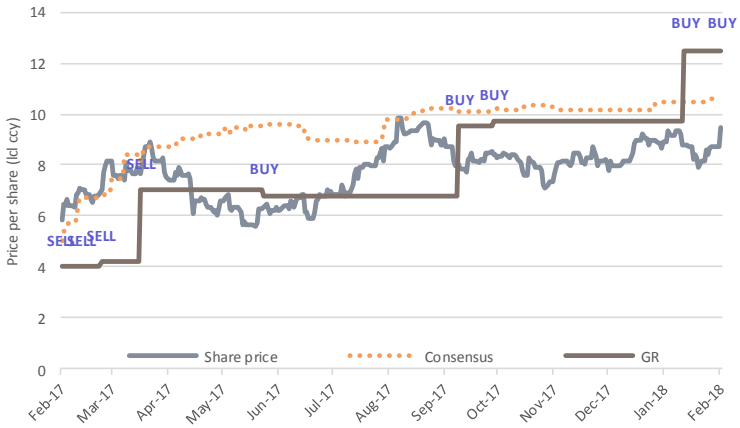
Profit & Loss, year II



Consensus EBITDA development



Target price vs share price

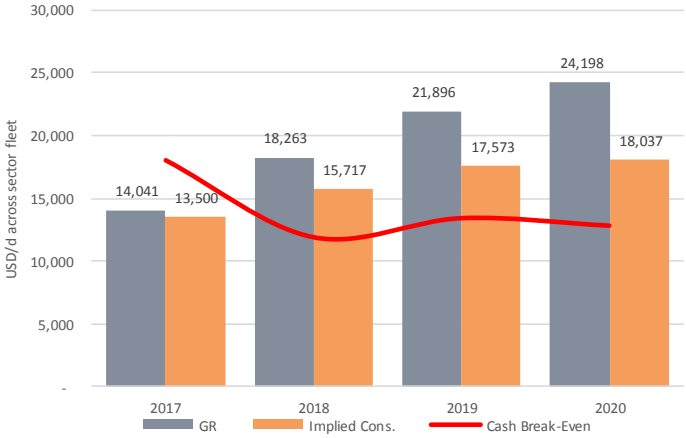


GR vs consensus: P&L break-down

2017	GR	Consensus	Diff.	Diff.
TCE revenue	343	330	13	4%
Opex + G&A	215	205	9	5%
Depreciation	78	76	2	2%
Net finance	52	57	-5	-8%
Taxes & Minorities	0	-1	1	-110%

2018	GR	Consensus	Diff.	Diff.
TCE revenue	521	449	73	16%
Opex + G&A	216	224	-8	-3%
Depreciation	95	75	20	27%
Net finance	59	59	-0	-1%
Taxes & Minorities	0	16	-16	-100%

Avg. TCE/day across fleet vs consensus



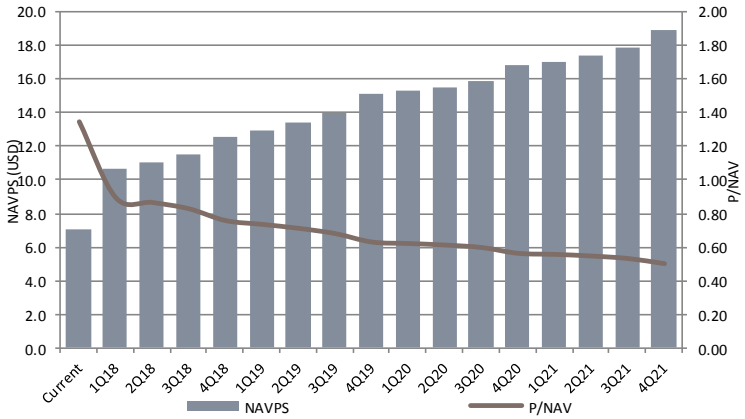
Source: Gersemi Research, Bloomberg, company data, www

Valuation

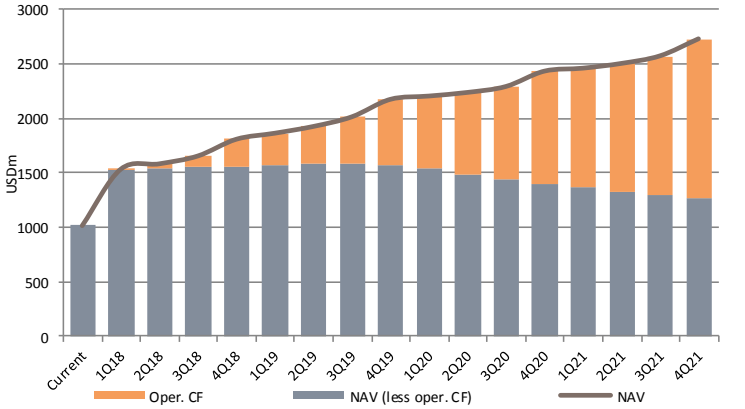
Valuation & target price

Net asset values			
USDm	**4Q17**	**Fair value**	**Implied**
Primary assets	2,376	**2,074**	2,392
Contract value	0	17	20
Other	177	177	204
GAV	**2,553**	**2,268**	**2,615**
Net debt	-984	-984	-984
Capex	0	-188	-188
Other	-75	-75	-75
NAV	**1,494**	**1,021**	**1,368**
Shares	144	144	144
NAVPS	**10.4**	**7.1**	**9.5**
Share price	10.4	7.1	9.5
P/NAV	**0.92**	**1.34**	**1.00**
EV/GAV	**1.02**	**1.15**	**1.00**
Adj. Total Assets	2,870	2,568	2,885
Adj. Equity Ratio	52%	**40%**	47%
Target price	**USD**	**12.5**	**32%**
	NOK	**98**	

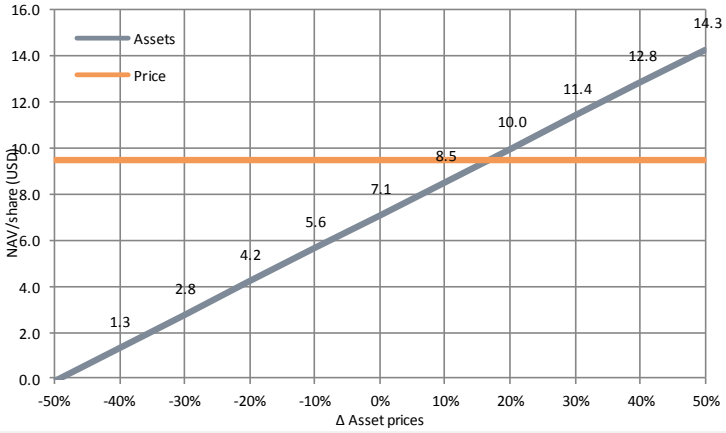
Quarterly forward NAV & P/NAV



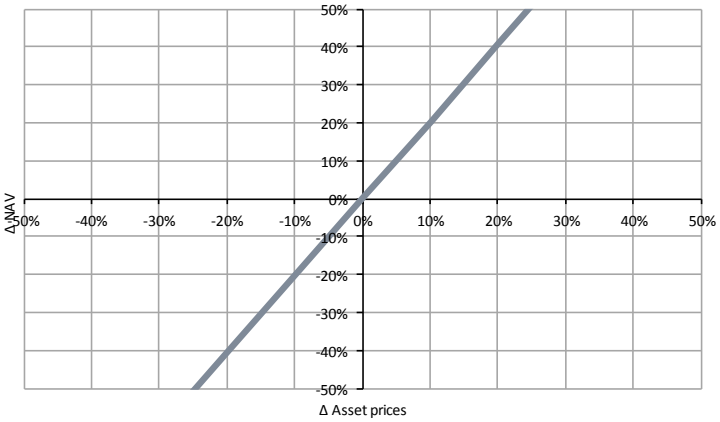
Quarterly forward NAV decomposition



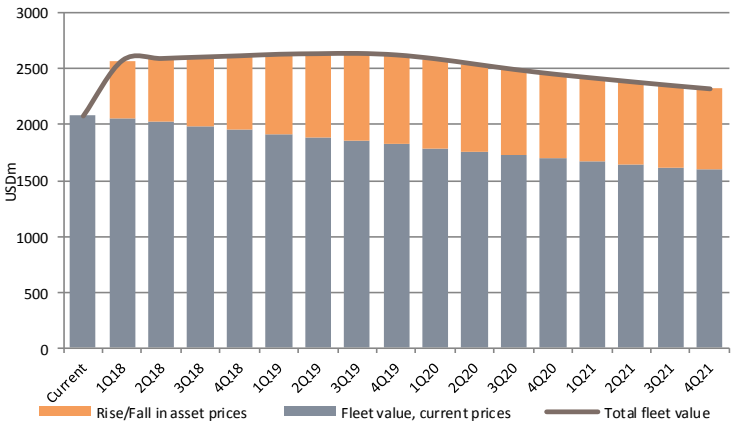
Impact on NAV/sh from % change in asset prices



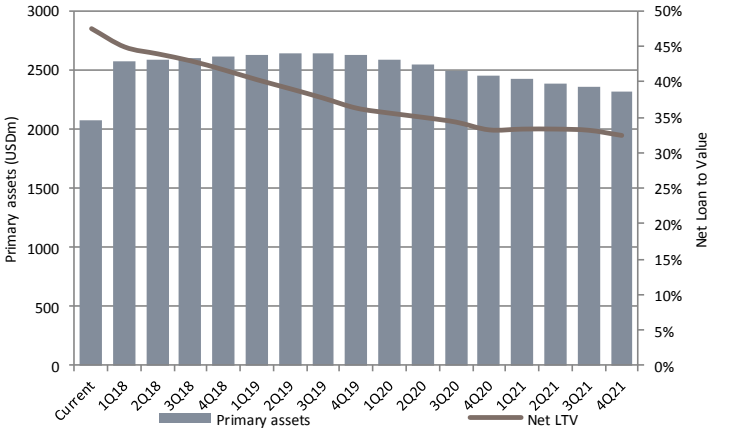
% Impact on NAV from % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value



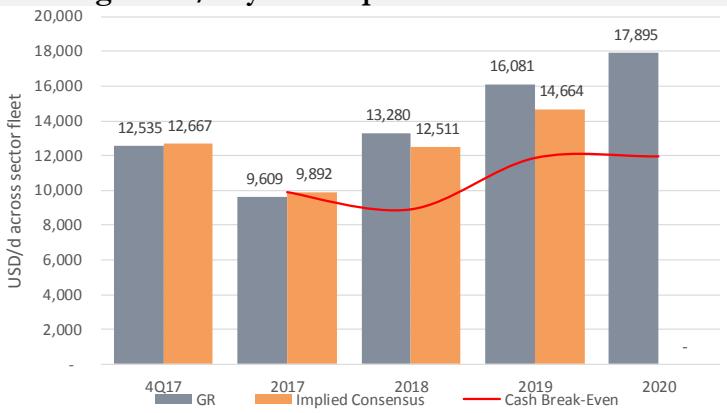
Source: Gersemi Research, Bloomberg, company data, www

Peer Group

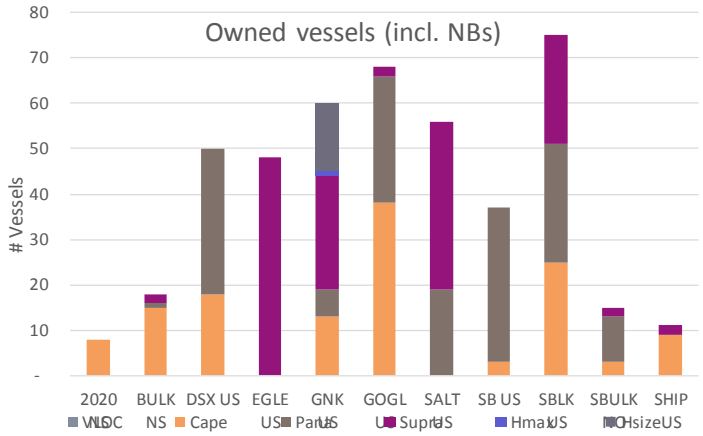
Valuation matrix

						P/NAV					EV/EBITDA				Liquidity/(GIBD + eq. capex)				FCF yield				Dividend yield			
USDm	Mcap	Turnover	P/sh	Value	+/-	NAV	Now	1y fwd	+40%	ε	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
2020 NS	34	-	44	57	31%	18	2.51	0.53	0.23	2.44		-	37.5	5.0	6%	-16%	-47%	-13%					0%	0%	0%	0%
BULK NS	318	-	110	198	80%	108	1.02	0.62	0.67	0.13	17.0	4.4	3.4	2.9	15%	47%	50%	54%	-89%	4%	34%	39%	0%	13%	32%	36%
DSX US	391	2.4	3.8	6.7	77%	5.3	0.72	0.42	0.41	0.18	29.6	5.9	3.1	2.0	7%	13%	27%	59%	-32%	31%	52%	64%	0%	9%	12%	18%
EGLE US	365	2.1	4.9	7.1	45%	6.4	0.77	0.48	0.48	0.15	21.1	7.3	5.0	4.1	21%	26%	28%	31%	-44%	14%	25%	31%	0%	11%	17%	24%
GNK US	482	1.4	14.0	26	88%	18.4	0.76	0.47	0.47	0.16	16.9	4.6	2.9	2.4	35%	38%	46%	50%	11%	29%	46%	56%	0%	18%	27%	48%
GOGL US	1,330	15.1	9.5	12.5	32%	7.1	1.34	0.76	0.74	0.20	16.7	8.1	5.7	4.6	23%	23%	27%	32%	6%	4%	26%	31%	0%	13%	16%	21%
SALT US	633	4.3	8.2	9.2	12%	9.3	0.88	0.57	0.48	0.20	50.8	9.7	7.1	6.0	15%	12%	14%	16%	-16%	-4%	21%	25%	0%	7%	13%	15%
SB US	377	1.4	3.7	3.6	-4%	1.6	2.32	0.88	0.78	0.49	10.9	7.3	5.2	4.4	12%	11%	12%	13%	2%	14%	39%	45%	0%	16%	25%	33%
SBLK US	790	5.3	12.3	21	71%	12.6	0.98	0.54	0.51	0.23	13.7	5.7	4.1	3.4	25%	24%	26%	29%	-9%	18%	45%	53%	0%	29%	32%	41%
SBULK NO	192	1.2	42.0	62	47%	47.5	0.88	0.59	0.57	0.14	27.1	5.9	4.0	3.0	49%	49%	49%	49%	-124%	13%	29%	34%	0%	7%	13%	19%
SHIP US	39	0.3	1.06	2.0	84%	0.69	1.53	0.55	0.51	0.62	15.9	4.2	2.7	1.8	9%	14%	20%	37%	-20%	50%	75%	94%	0%	16%	22%	35%
Average	**450**	**3.0**			**51%**		**1.25**	**0.58**	**0.53**	**0.45**	**22.0**	**5.7**	**7.3**	**3.6**	**20%**	**22%**	**23%**	**32%**	**-32%**	**17%**	**39%**	**47%**	**0%**	**13%**	**19%**	**26%**
Median	**377**	**1.4**			**47%**		**0.98**	**0.55**	**0.51**	**0.20**	**17.0**	**5.9**	**4.1**	**3.4**	**15%**	**23%**	**27%**	**32%**	**-18%**	**14%**	**36%**	**42%**	**0%**	**13%**	**17%**	**24%**

Avg. TCE/day across peer fleet vs consensus



Fleet overview



Source: Gersemi Research, Bloomberg, company data, www

Profit & Loss (USDm)	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E
Net sales	**42**	**44**	**131**	**268**	**348**	**343**	**521**	**625**	**686**
Operational costs						-215	-216	-216	-214
EBITDA						**128**	**305**	**408**	**472**
Depreciation/Amortization						-78	-95	-96	-96
EBIT	**10**	**7**	**19**	**-235**	**-70**	**50**	**210**	**312**	**376**
Net financials	-4	-3	-3	14	-58	-52	-59	-52	-45
PTP	**6**	**4**	**16**	**-221**	**-128**	**-2**	**151**	**260**	**331**
Taxes/Minorities	-59	-7	0	0	0	0	0	0	0
Net earnings	**-53**	**-4**	**16**	**-221**	**-128**	**-2**	**151**	**260**	**331**
Non-recurring items	0	0	0	0	0	1	0	0	0
Net earnings (adj.)	**-53**	**-4**	**16**	**-221**	**-128**	**-1**	**151**	**260**	**331**
EPS	-10.93	-0.64	1.00	-6.39	-1.21	-0.05	1.05	1.80	2.29
EPS (adj.)	-10.93	-0.64	1.00	-6.39	-1.21	-0.04	1.05	1.80	2.29
DPS	6.00	2.98	1.81	0.00	0.00	0.00	1.25	1.51	1.99
Balance Sheet (USDm)	**2012**	**2013**	**2014**	**2015**	**2016**	**2017E**	**2018E**	**2019E**	**2020E**
Cash & short-term investments	79	98	42	103	213	309	312	336	368
Other current assets	7	6	22	101	87	82	82	82	82
Total current assets	**86**	**105**	**64**	**204**	**300**	**391**	**394**	**418**	**450**
Property & equip. (incl. NBs)	274	263	853	1,488	1,759	2,376	2,469	2,373	2,281
Other non-current assets	38	42	346	481	303	103	103	103	103
Total non-current assets	**312**	**304**	**1,198**	**1,969**	**2,062**	**2,479**	**2,572**	**2,476**	**2,384**
TOTAL ASSETS	**397**	**410**	**1,263**	**2,173**	**2,362**	**2,870**	**2,966**	**2,894**	**2,834**
Total equity	**278**	**307**	**884**	**1,159**	**1,239**	**1,494**	**1,482**	**1,524**	**1,568**
Short-term debt	5	0	20	36	5	115	44	50	53
Other current liabilities	7	7	15	44	39	67	67	67	67
Total current liabilities	**11**	**7**	**35**	**80**	**44**	**182**	**111**	**117**	**120**
Long-term debt	107	95	344	926	1,071	1,186	1,365	1,245	1,137
Other non-current liabilities	1	0	0	9	8	8	8	8	8
Total non-current liabilities	**108**	**95**	**344**	**934**	**1,079**	**1,194**	**1,373**	**1,253**	**1,145**
TOTAL EQUITY & LIABILITIES	**397**	**410**	**1,263**	**2,173**	**2,362**	**2,870**	**2,966**	**2,894**	**2,834**
Working capital, receivables	3	5	16	25	33	0	0	0	0
Working capital, payables	4	4	9	20	21	0	0	0	0
Net working capital	**0**	**1**	**7**	**4**	**12**	**0**	**0**	**0**	**0**
Interest bearing debt	112	95	364	962	1,076	1,301	1,409	1,295	1,190
Liquidity	79	98	42	103	213	317	320	344	376
Net interest bearing debt	**32**	**-3**	**321**	**859**	**863**	**984**	**1,089**	**951**	**814**
Cash Flow (USDm)	**2012**	**2013**	**2014**	**2015**	**2016**	**2017E**	**2018E**	**2019E**	**2020E**
Net income	-53	-4	16	-221	-128	-2	151	260	331
Depreciation						78	95	96	96
Other						18	0	0	0
Cash earnings	**37**	**14**	**35**	**-15**	**-24**	**93**	**246**	**356**	**427**
Changes in working capital	0	-2	-10	0	1	0	0	0	0
Net operational cash flow	**37**	**12**	**25**	**-15**	**-23**	**93**	**246**	**356**	**427**
Capex	0	-27	-381	-519	-268	-157	-188	0	-4
Other investments	0	0	0	0	0	0	0	0	0
Proceeds from sales	0	0	0	382	98	134	0	0	0
Other	67	17	65	250	-6	1	0	0	0
Net investing cash flow	**67**	**-10**	**-317**	**113**	**-175**	**-26**	**-188**	**0**	**-4**
Repayment of debt	-42	-17	269	-34	104	-169	-64	-114	-105
Proceeds from debt	0	0	270	216	142	75	172	0	0
Dividends paid	-29	-18	-29	0	0	0	-180	-218	-286
New equity	—	51	0	0	205	123	17	0	0
Other	0	0	-274	-220	-143	1	0	0	0
Net financing cash flow	**-71**	**16**	**236**	**-37**	**309**	**29**	**-56**	**-332**	**-391**
Currency effect	0	0	0	0	0	0	0	0	0
Net cash flow	**32**	**19**	**-56**	**60**	**110**	**96**	**3**	**24**	**32**
Cash balance	79	98	42	103	213	309	312	336	368
Free cash flow	**104**	**3**	**-292**	**98**	**-198**	**67**	**58**	**356**	**423**

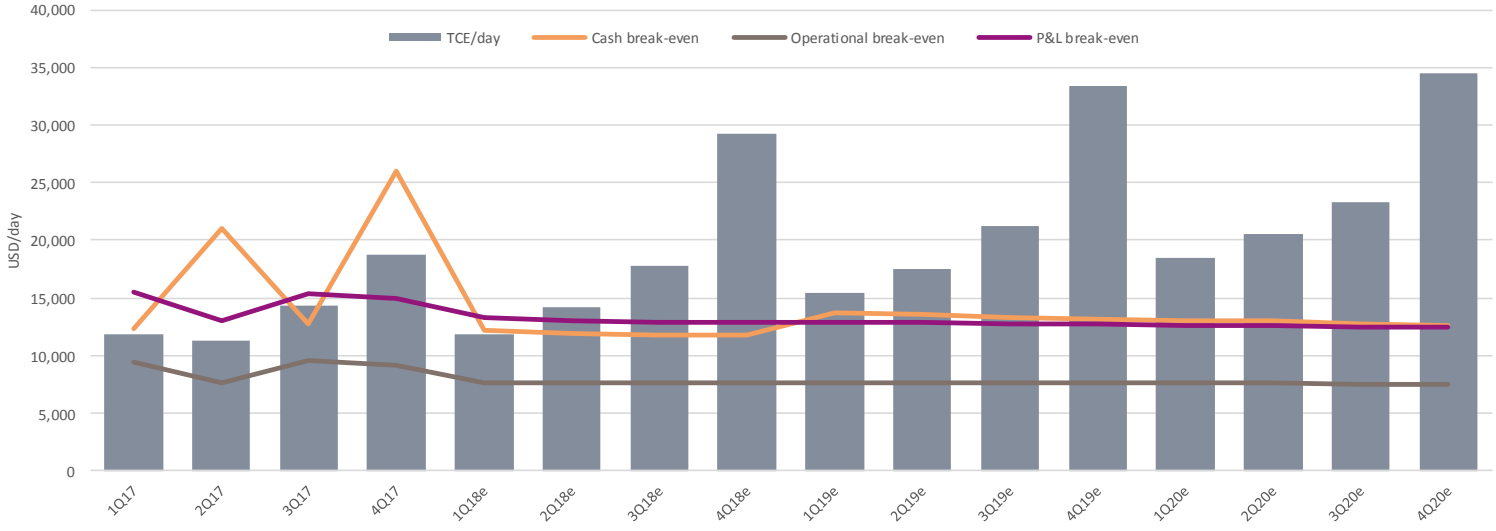
Source: Gersemi Research, Bloomberg, company data, www

Share Data & Valuation (USDm)	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E
Shares outstanding, end	5	6	16	35	106	142	144	144	144
Share price, avg (USD)	49	39	53	18	4	7	9	9	9
Share price, end (USD)	26	46	23	5	5	8	9	9	9
Market Cap.	**128**	**280**	**363**	**185**	**499**	**1,159**	**1,368**	**1,368**	**1,368**
NIBD	32	-3	321	859	863	984	1,089	951	814
Minorities	0	0	0	0	0	0	0	0	0
Enterprise value	**161**	**277**	**684**	**1,044**	**1,362**	**2,143**	**2,457**	**2,319**	**2,183**

Key Figures & Ratios	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E
P/E (reported)			22.7				9.1	5.3	4.1
P/E (adj.)			22.7				9.1	5.3	4.1
P/CE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P/Sales	3.1	6.3	2.8	0.7	1.4	3.4	2.6	2.2	2.0
EV/Sales	3.9	6.2	5.2	3.9	3.9	6.2	4.7	3.7	3.2
EV/EBITDA						16.7	8.1	5.7	4.6
EV/EBIT	16.1	40.6	35.1			42.8	11.7	7.4	5.8
P/B	0.5	0.9	0.4	0.2	0.4	0.8	0.9	0.9	0.9
FCF yield	81%	1%	-80%	53%	-40%	6%	4%	26%	31%
Dividend yield	22.9%	6.5%	8.0%	0.0%	0.0%	0.0%	13.2%	15.9%	20.9%
Return on equity (ROE)	-19.2%	-1.3%	1.8%	-19.1%	-10.3%	-0.2%	10.2%	17.1%	21.1%
Return on capital employed (ROCE)	3.4%	2.4%	1.6%	-11.9%	-3.4%	2.1%	8.3%	12.9%	16.2%
Return on assets (ROA)	-13.4%	-1.0%	1.3%	-10.2%	-5.4%	-0.1%	5.1%	9.0%	11.7%
Sales growth	-28%	7%	195%	105%	30%	-1%	52%	20%	10%
EBITDA margin						37%	59%	65%	69%
EBIT margin	24%	15%	15%	-88%	-20%	15%	40%	50%	55%
Net margin	-128%	-9%	12%	-82%	-37%	-1%	29%	42%	48%
Net interest rate	11.6%	-87.0%	0.8%	3.3%	5.1%	6.0%	5.4%	5.5%	5.6%
Tax rate	0.0%	0.0%	0.0%	-0.1%	0.1%	-2.4%	0.0%	0.0%	0.0%
Equity ratio	70%	75%	70%	53%	52%	52%	50%	53%	55%
Leverage ratio	30%	25%	30%	47%	48%	48%	50%	47%	45%
NIBD / EBITDA (past 1y)						7.7	3.6	2.3	1.7
Operating cash flow/NIBD	1.1	-3.8	0.1	0.0	0.0	0.1	0.2	0.4	0.5
Net interest coverage ratio (EBITDA)						2.2	5.2	7.8	10.4
Current ratio	7.5	14.1	1.8	2.5	6.9	2.2	3.6	3.6	3.7
Adj. equity ratio						43%	55%	61%	66%
Operating assets	303	296	1,202	2,021	2,095	2,498	2,591	2,495	2,403
Operating liabilities	8	7	15	52	47	75	75	75	75
Net operating assets	295	289	1,187	1,969	2,048	2,423	2,516	2,420	2,328

Source for financial items: Historical numbers primarily gathered from Bloomberg and company data. Forecast from Gersemi Research

Break-even levels vs TCE revenue (USD per fleet day)



Source: Gersemi Research, Bloomberg, company data, www

Dry Bulk overview *(from our 8-Feb/18 sector report)*

Synopsis

The Dry Bulk segment shows continued signs of strength amidst the current low season and as we approach Chinese Golden Week (15/Feb). The BDI has averaged 1,225 YTD (+38% y/y) and Capes $15/k (+43%). We forecast steady rising fleet utilization in 2018E and 2019E with appreciating asset prices as a result. We see a 152% upside to Dry Bulk shares on average over the next year, although at a rather wide range out outcomes (σ=0.52). We reiterate our BUY on the segment as the risk/reward as highly attractive in a historical context.

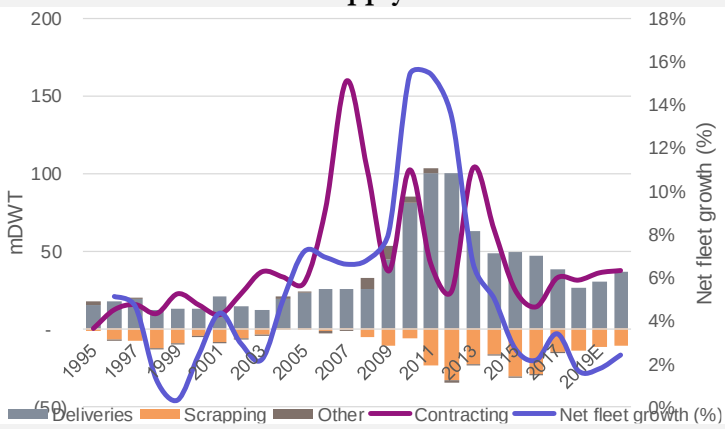
Market fundamentals

We forecast 2018E to be the second consecutive year of rising utilization with demand growth of 4.4% outpacing net supply growth of a mere 1.7%. Net supply growth of 1.8% in 2019E should lead to further utilization improvements, but the recent uptick in contracting is our main concern for the segment and could lead to a cyclical inflection point in 2020/2021E. Before that, we see asset prices appreciating 42% and shares rising 173%.

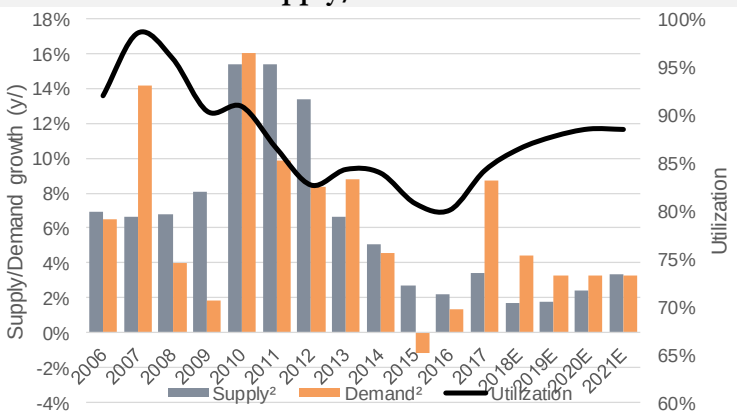
Source: Gersemi Research, Bloomberg, company data, www

Market Balance

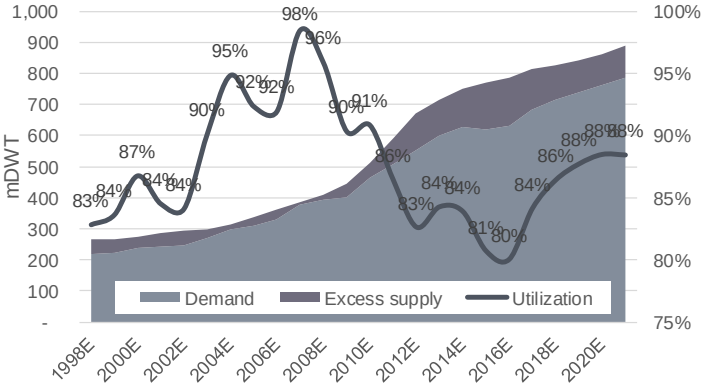
Supply



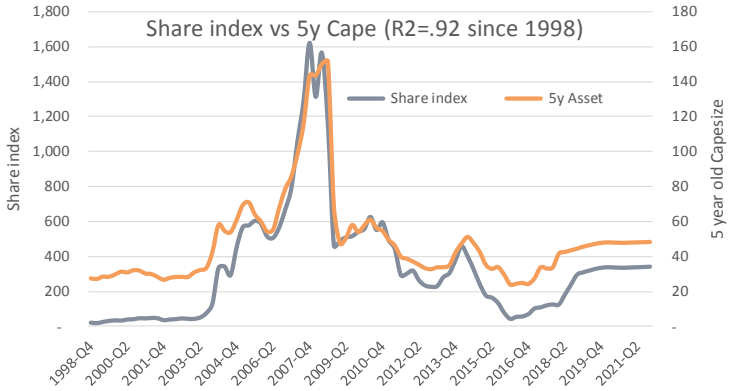
Supply/Demand



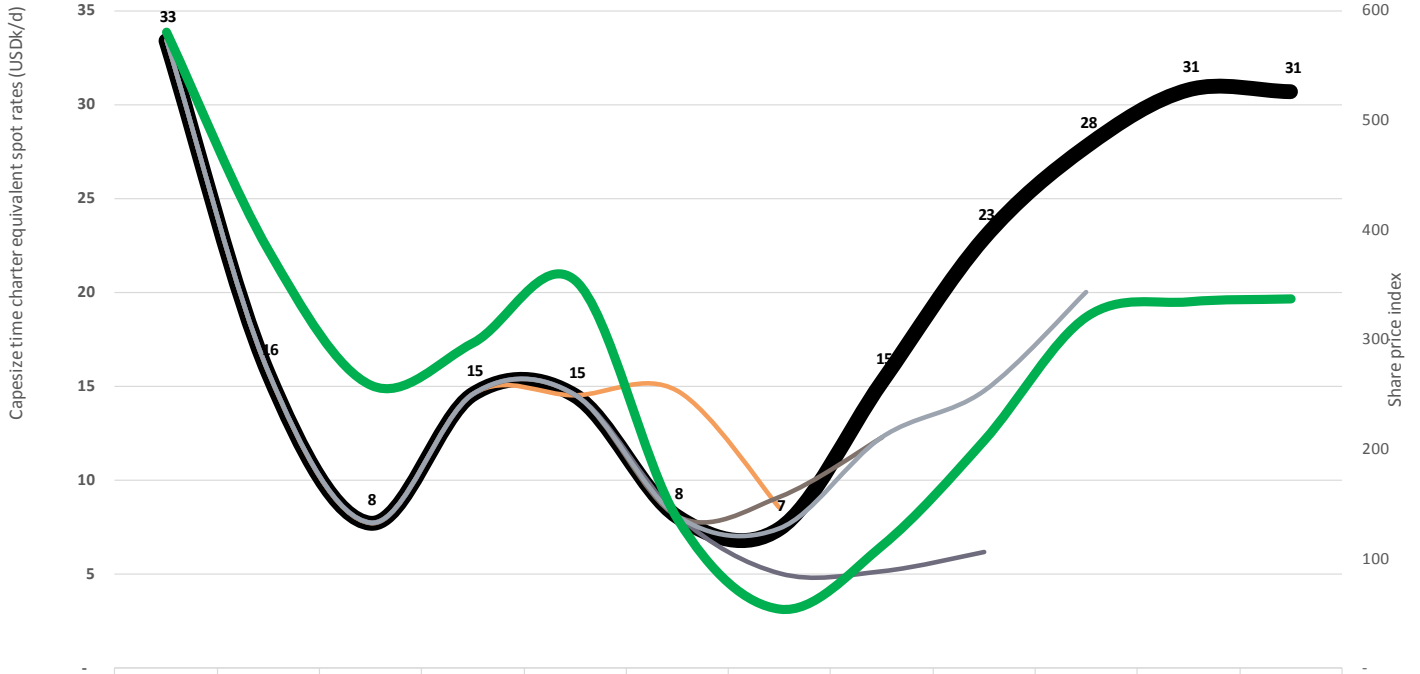
Supply/Demand



Shares highly correlated with 5y old vessel values



GR historical Capesize forecasts vs actuals: We concluded early that shares would collapse in 2015/16



	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E
Actuals/Forecast	33,406	15,699	7,717	14,578	14,515	8,074	7,421	15,215	22,882	27,767	30,789	30,694
Dec/14	33,406	15,699	7,717	14,578	14,515	14,759	8,541					
Jun/15	33,406	15,699	7,717	14,578	14,515	8,068	9,121	12,287				
Apr/16	33,406	15,699	7,717	14,578	14,515	8,074	5,007	5,120	6,146			
Jun/17	33,406	15,699	7,717	14,578	14,515	8,074	7,421	12,266	14,732	19,997		
Share index (rhs)	581	381	258	297	354	135	53	111	208	321	334	337

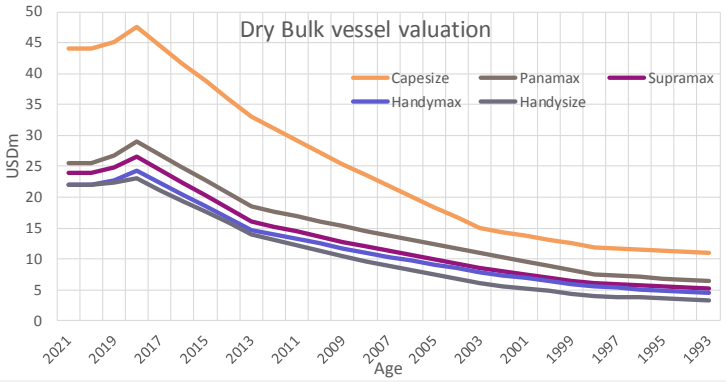
Source: Gersemi Research, Bloomberg, company data, www

Asset Valuation

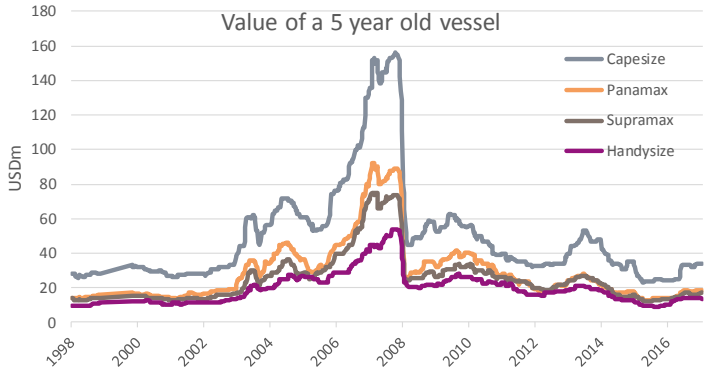
Asset valuation overview

Summary	Capesize	Panamax	Supramax	Handymax	Handysize
NB	44.0	25.5	24.0	22.0	22.0
resale	47.5	29.0	26.5	24.3	23.0
5y	33.0	18.5	16.0	14.7	14.0
10y	23.5	14.5	12.0	11.0	9.5
15y	15.0	11.0	8.5	7.8	6.0
20y	11.9	7.5	6.0	5.5	4.0
scrap	10.9	6.4	5.2	4.5	3.3

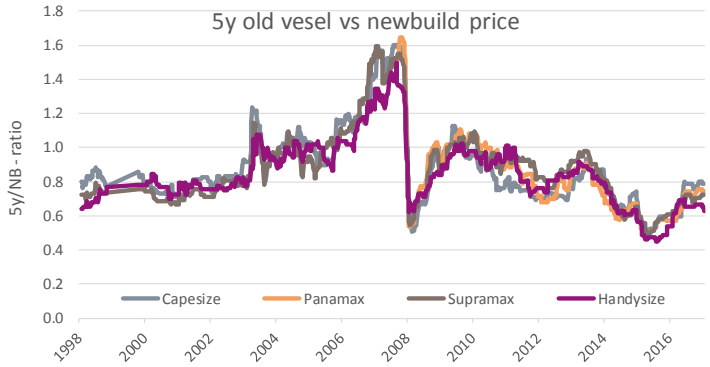
Asset valuation overview



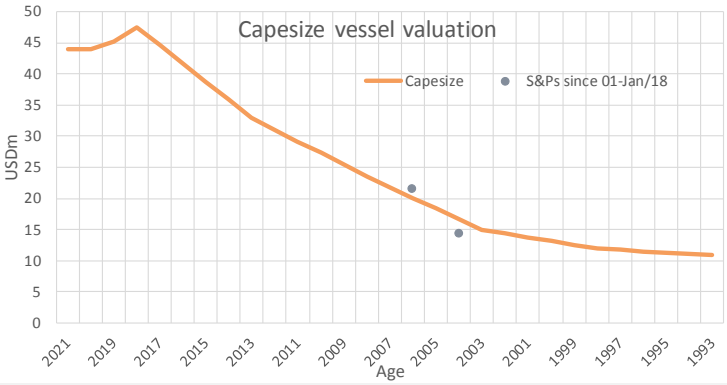
Historical 5y old vessel values



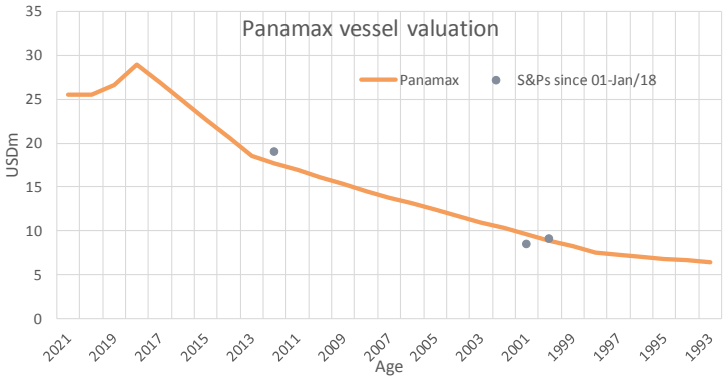
Historical price ratio, 5y/newbuild



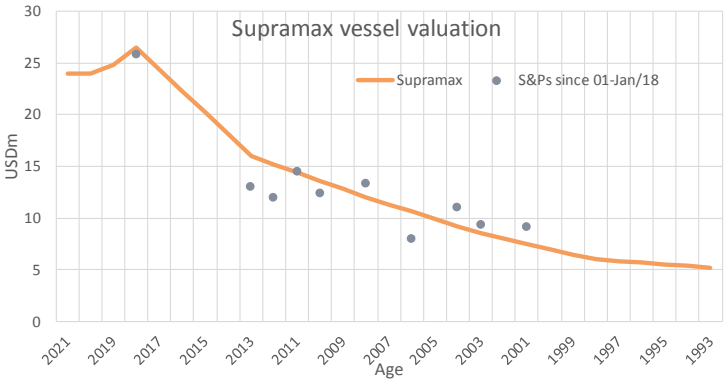
Capesize valuation vs recent S&Ps



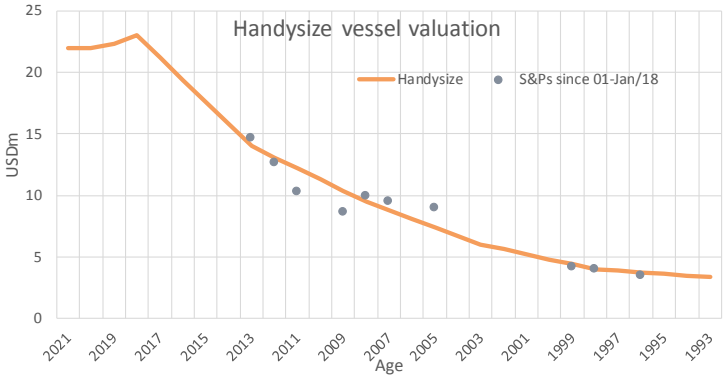
Pana-/Kamsarmax valuation vs recent S&Ps



Supra-/Ultramax valuation vs recent S&Ps



Handysize valuation vs recent S&Ps



Source: Gersemi Research, Bloomberg, company data, www

Econometrics

Supply/Demand (mDWT)																
Dry Bulk, base case	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Deliveries[1]	26	25	25	45	81	100	100	63	48	49	47	38	26	31	37	38
Scrapping[1]	(2)	(1)	(6)	(11)	(7)	(23)	(33)	(23)	(16)	(31)	(29)	(15)	(14)	(12)	(11)	(11)
Other[1]	(1)	(0)	7	9	4	4	(1)	(0)	(0)	(1)	(1)	(0)	0	(0)	0	0
Contracting[1]	*76*	*159*	*101*	*37*	*102*	*42*	*24*	*103*	*64*	*25*	*14*	*33*	*31*	*36*	*37*	*38*
Supply[2]	**360**	**384**	**410**	**443**	**511**	**590**	**669**	**714**	**750**	**770**	**787**	**813**	**827**	**841**	**862**	**891**
Δ y/y	*7%*	*7%*	*7%*	*8%*	*15%*	*15%*	*13%*	*7%*	*5%*	*3%*	*2%*	*3%*	*2%*	*2%*	*2%*	*3%*
Demand[2]	**331**	**378**	**393**	**400**	**464**	**510**	**553**	**601**	**629**	**621**	**629**	**684**	**714**	**738**	**762**	**787**
Δ y/y	*6%*	*14%*	*4%*	*2%*	*16%*	*10%*	*8%*	*9%*	*5%*	*-1%*	*1%*	*9%*	*4%*	*3%*	*3%*	*3%*
Utilization[2]	**92%**	**98%**	**96%**	**90%**	**91%**	**86%**	**83%**	**84%**	**84%**	**81%**	**80%**	**84%**	**86%**	**88%**	**88%**	**88%**
BDI[2] (Index)	**3,188**	**7,097**	**6,347**	**2,622**	**2,762**	**1,551**	**922**	**1,207**	**1,106**	**715**	**675**	**1,149**	**1,606**	**1,883**	**2,055**	**2,049**
Cape, spot[2] (TCE/d)	45,260	116,535	105,214	42,774	33,406	15,699	7,717	14,578	14,515	8,074	7,421	15,215	22,882	27,767	30,789	30,694
Pana, spot[2] (TCE/d)	23,853	57,004	48,682	19,332	25,059	14,016	7,701	9,497	7,726	5,534	5,589	9,789	12,279	14,494	15,865	15,822
Supra, spot[2] (TCE/d)	22,680	47,604	41,290	17,351	22,477	14,409	9,459	10,296	9,819	6,941	6,244	9,183	13,027	14,738	15,796	15,763
Handy, spot[2] (TCE/d)	18,212	32,541	29,100	11,359	16,437	10,560	7,636	8,190	7,687	5,366	5,222	7,659	9,786	10,930	11,638	11,616
Cape, 5y[2] (USDm)	64	111	128	52	57	43	34	36	47	33	24	32	43	47	48	48
Pana, 5y[2] (USDm)	37	66	73	32	39	31	22	21	24	17	14	18	24	26	26	27
Supra, 5y[2] (USDm)	33	57	61	27	32	28	22	21	25	16	13	16	23	24	25	25
Handy, 5y[2] (USDm)	26	37	44	21	26	23	18	18	20	13	10	14	18	19	20	20
OB[2]	**89**	**177**	**303**	**317**	**310**	**278**	**184**	**142**	**181**	**149**	**112**	**70**	**76**	**81**	**88**	**86**
OB/Fleet[2]	**25%**	**46%**	**74%**	**71%**	**61%**	**47%**	**27%**	**20%**	**24%**	**19%**	**14%**	**9%**	**9%**	**10%**	**10%**	**10%**

Dry Bulk, low case	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Deliveries[1]	26	25	25	45	81	100	100	63	48	49	47	38	33	27	23	15
Scrapping[1]	(2)	(1)	(6)	(11)	(7)	(23)	(33)	(23)	(16)	(31)	(29)	(15)	(7)	(6)	(5)	(5)
Other[1]	(1)	(0)	7	9	4	4	(1)	(0)	(0)	(1)	(1)	(0)	(0)	(0)	(0)	0
Contracting[1]	*76*	*159*	*101*	*37*	*102*	*42*	*24*	*103*	*64*	*25*	*14*	*33*	*14*	*12*	*11*	*10*
Supply[2]	**360**	**384**	**410**	**443**	**511**	**590**	**669**	**714**	**750**	**770**	**787**	**813**	**837**	**857**	**875**	**889**
Δ y/y	*7%*	*7%*	*7%*	*8%*	*15%*	*15%*	*13%*	*7%*	*5%*	*3%*	*2%*	*3%*	*3%*	*2%*	*2%*	*2%*
Demand[2]	**331**	**378**	**393**	**400**	**464**	**510**	**553**	**601**	**629**	**621**	**629**	**684**	**680**	**687**	**694**	**702**
Δ y/y	*6%*	*14%*	*4%*	*2%*	*16%*	*10%*	*8%*	*9%*	*5%*	*-1%*	*1%*	*9%*	*-1%*	*1%*	*1%*	*1%*
Utilization[2]	**92%**	**98%**	**96%**	**90%**	**91%**	**86%**	**83%**	**84%**	**84%**	**81%**	**80%**	**84%**	**81%**	**80%**	**79%**	**79%**
BDI[2] (Index)	**3,188**	**7,097**	**6,347**	**2,622**	**2,762**	**1,551**	**922**	**1,207**	**1,106**	**715**	**675**	**1,149**	**791**	**676**	**598**	**572**
Cape, spot[2] (TCE/d)	45,260	116,535	105,214	42,774	33,406	15,699	7,717	14,578	14,515	8,074	7,421	15,215	8,541	6,510	5,240	4,979
Pana, spot[2] (TCE/d)	23,853	57,004	48,682	19,332	25,059	14,016	7,701	9,497	7,726	5,534	5,589	9,789	5,776	4,855	4,262	4,138
Supra, spot[2] (TCE/d)	22,680	47,604	41,290	17,351	22,477	14,409	9,459	10,296	9,819	6,941	6,244	9,183	8,005	7,294	6,814	6,650
Handy, spot[2] (TCE/d)	18,212	32,541	29,100	11,359	16,437	10,560	7,636	8,190	7,687	5,366	5,222	7,659	6,427	5,951	5,631	5,521
Cape, 5y[2] (USDm)	64	111	128	52	57	43	34	36	47	33	24	32	29	28	-	-
Pana, 5y[2] (USDm)	37	66	73	32	39	31	22	21	24	17	14	18	16	15	-	-
Supra, 5y[2] (USDm)	33	57	61	27	32	28	22	21	25	16	13	16	17	16	-	-
Handy, 5y[2] (USDm)	26	37	44	21	26	23	18	18	20	13	10	14	14	13	-	-
OB[2]	**89**	**177**	**303**	**317**	**310**	**278**	**184**	**142**	**181**	**149**	**112**	**70**	**67**	**51**	**38**	**28**
OB/Fleet[2]	**25%**	**46%**	**74%**	**71%**	**61%**	**47%**	**27%**	**20%**	**24%**	**19%**	**14%**	**9%**	**8%**	**6%**	**4%**	**3%**

Dry Bulk, high case	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Deliveries[1]	26	25	25	45	81	100	100	63	48	49	47	38	20	37	55	90
Scrapping[1]	(2)	(1)	(6)	(11)	(7)	(23)	(33)	(23)	(16)	(31)	(29)	(15)	(18)	(15)	(13)	(13)
Other[1]	(1)	(0)	7	9	4	4	(1)	(0)	(0)	(1)	(1)	(0)	0	0	0	0
Contracting[1]	*76*	*159*	*101*	*37*	*102*	*42*	*24*	*103*	*64*	*25*	*14*	*33*	*65*	*92*	*97*	*71*
Supply[2]	**360**	**384**	**410**	**443**	**511**	**590**	**669**	**714**	**750**	**770**	**787**	**813**	**820**	**834**	**862**	**929**
Δ y/y	*7%*	*7%*	*7%*	*8%*	*15%*	*15%*	*13%*	*7%*	*5%*	*3%*	*2%*	*3%*	*1%*	*2%*	*3%*	*8%*
Demand[2]	**331**	**378**	**393**	**400**	**464**	**510**	**553**	**601**	**629**	**621**	**629**	**684**	**749**	**790**	**834**	**880**
Δ y/y	*6%*	*14%*	*4%*	*2%*	*16%*	*10%*	*8%*	*9%*	*5%*	*-1%*	*1%*	*9%*	*9%*	*6%*	*6%*	*6%*
Utilization[2]	**92%**	**98%**	**96%**	**90%**	**91%**	**86%**	**83%**	**84%**	**84%**	**81%**	**80%**	**84%**	**91%**	**95%**	**97%**	**95%**
BDI[2] (Index)	**3,188**	**7,097**	**6,347**	**2,622**	**2,762**	**1,551**	**922**	**1,207**	**1,106**	**715**	**675**	**1,149**	**3,033**	**4,505**	**5,601**	**4,410**
Cape, spot[2] (TCE/d)	45,260	116,535	105,214	42,774	33,406	15,699	7,717	14,578	14,515	8,074	7,421	15,215	48,014	73,934	93,220	72,255
Pana, spot[2] (TCE/d)	23,853	57,004	48,682	19,332	25,059	14,016	7,701	9,497	7,726	5,534	5,589	9,789	23,676	35,430	44,175	34,668
Supra, spot[2] (TCE/d)	22,680	47,604	41,290	17,351	22,477	14,409	9,459	10,296	9,819	6,941	6,244	9,183	21,829	30,906	37,660	30,318
Handy, spot[2] (TCE/d)	18,212	32,541	29,100	11,359	16,437	10,560	7,636	8,190	7,687	5,366	5,222	7,659	15,672	21,743	26,260	21,350
Cape, 5y[2] (USDm)	64	111	128	52	57	43	34	36	47	33	24	32	70	91	-	-
Pana, 5y[2] (USDm)	37	66	73	32	39	31	22	21	24	17	14	18	39	51	-	-
Supra, 5y[2] (USDm)	33	57	61	27	32	28	22	21	25	16	13	16	34	43	-	-
Handy, 5y[2] (USDm)	26	37	44	21	26	23	18	18	20	13	10	14	26	33	-	-
OB[2]	**89**	**177**	**303**	**317**	**310**	**278**	**184**	**142**	**181**	**149**	**112**	**70**	**89**	**136**	**194**	**210**
OB/Fleet[2]	**25%**	**46%**	**74%**	**71%**	**61%**	**47%**	**27%**	**20%**	**24%**	**19%**	**14%**	**9%**	**11%**	**16%**	**22%**	**23%**

[1]Sum during period [2]Average during period

Forecast overview and change from last report

Delta table: Dry bulk shipping forecast summary

Δ y/y	2017	2018E	2019E	2020E
Supply	**3.4%**	**1.7%**	**1.8%**	**2.4%**
Supply, old	3.7%	1.6%	0.7%	1.7%
Δ	-0.3%	0.0%	1.1%	0.7%
Demand	**8.7%**	**4.4%**	**3.3%**	**3.3%**
Demand, old	11.0%	4.3%	3.3%	3.3%
Δ	-2.3%	0.1%	0.0%	0.0%
Utilization*	**84.1%**	**86.4%**	**87.7%**	**88.5%**
Utilization, old	73.9%	75.9%	77.9%	79.1%
Δ	10.2%	10.5%	9.8%	9.4%

Average	2017	2018E	2019E	2020E
Baltic Dry Index	**1,149**	**1,606**	**1,883**	**2,055**
BDI, old	1,073	1,327	1,607	1,794
Δ	77	279	277	261
Capesize spot	**15,215**	**22,882**	**27,767**	**30,789**
Capesize spot, old	13,419	17,970	22,897	26,199
Δ	1,797	4,912	4,870	4,590
Capesize 5y	**31.8**	**42.8**	**46.6**	**47.7**
Capesize 5y, old	32.3	38.9	42.6	45.0
Δ	(0.5)	3.9	3.9	2.7

**History restated*

Source: Gersemi Research, Bloomberg, company data, www

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