



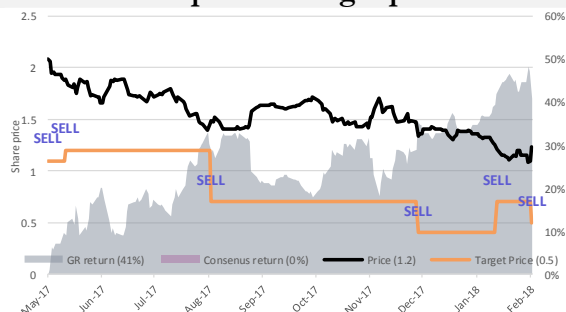
\$TNK (#SELL, 0.5) 4Q17 Review: Cash as expected, but liquidity concerns remain. Look to \$NAT and \$EURN for #Tanker exposure

TNK-US

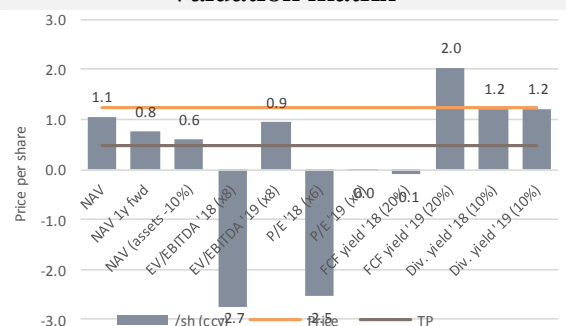
SELL/TP 0.5

Liquidity Concerns Remain

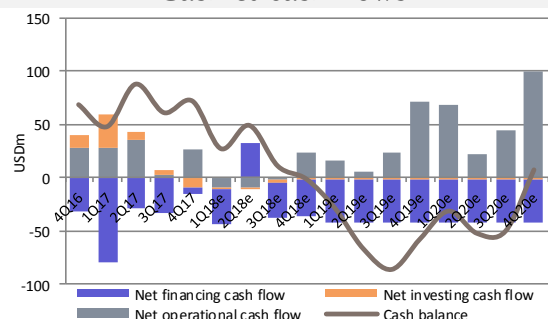
Share price vs target price



Valuation matrix



Cash & cash flows



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Teekay Tankers posted 4Q17 numbers slightly above or forecast and far above consensus. More important was a liquidity position in-line with our expectations, which assuming a successful refinancing of the Aug/18 balloon payment still leaves the company in a very challenging liquidity position. We see limited room for manoeuvre given a highly leveraged balance sheet, and fear a forced reduction of leverage at the cyclical trough. We reiterate our SELL recommendation and downgrade our target price to USD 0.5/sh (from 0.7)

Liquidity: The company reported short term cash of \$73m in 4Q17, similar to our forecast of \$77m. Further, the company is optimistic in terms of refinancing a \$64m balloon payment ahead of its Aug/18 maturity. Assuming successful, our base case is for a minimum liquidity position of -\$86m in 3Q19. As we have highlighted [time and again](#), we still “believe further fleet divestments, a debt moratorium and/or further sale/leasebacks” will be needed. Until then, we advise investors to stay clear of Teekay Tankers and find better risk/reward Oil Tanker exposure in peers such as [NAT](#) (HOLD, TP 2.3) and [EURN](#) (HOLD, TP 8.1) ahead of the cyclical inflection point in mid-18.

Valuation: We calculate a current NAV of USD 1.05/sh, but fear unfavourable divestments at the trough and dislike the limited cash flow generation. Our target price of USD 0.5/sh is based on a weighted average of current/future NAV and mid-cycle multiples in 2019E at a 20% discount (liquidity concerns).

Key numbers

USDm	2017	2018	2019	2020
Net sales	348	321	435	557
EBITDA	100	41	155	276
EBIT	-0	-75	39	160
PTP	-59	-113	-0	120
Net earnings	-59	-113	-0	120
EPS	-0.32	-0.42	-0.00	0.45
DPS	0.11	0.12	0.12	0.12
USDm	2017	2018	2019	2020
Fwd NAV	282	202	502	764
Adj. equity ratio	19%	15%	33%	46%
FCF yield	34%	-1%	33%	69%
Dividend yield	6%	10%	10%	10%
EV/EBITDA	14.0	33.8	8.5	4.1
P/E (adj.)				2.7

Key numbers

USDm	2017	2018	2019	2020
Net operational cash flow	94	3	116	236
Free cash flow	128	-5	108	229
Net cash flow	-23	-73	-56	64
TCE/day	22,247	15,287	20,711	26,441
Cash break-even	50,639	20,076	20,275	21,508
Liquidity	73	0	-56	9
Property & Equip. (incl. NBs)	1,966	1,857	1,748	1,640
Total equity	1,007	861	829	917
Interest bearing debt	1,101	1,065	933	801
Net interest bearing debt	1,028	1,065	989	792
Market Cap.	375	330	330	330
Enterprise value	1,404	1,395	1,319	1,122
Capex	19	7	7	7

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

P&L

EBITDA of \$30m was slightly below our \$32m forecast but above consensus at \$24m, while net profit of -\$2m compares to our -\$8m forecast and consensus at -\$16m. Both depreciation and net finance surprised positively, with the former likely due lower than expected booked depreciation from the consolidation of TIL's fleet, and the latter partly due to a booked gain on derivatives of \$2m.

P&L

4Q17 review USDm	Actuals	GR	Consensus	Actuals vs		Actuals vs	
				GR	Consensus	GR	Consensus
Net sales	84.8	97.6	86.1	-12.8	-1.3	-15%	-2%
EBITDA	29.7	31.6	24.4	-1.9	5.3	-7%	18%
EBIT	2.8	1.6	-8.2	1.2	11.0	44%	389%
PTP	-1.9	-7.7	-16.3	5.8	14.4	310%	766%
Net earnings	-1.9	-7.7	-16.0	5.8	14.2	310%	754%
EPS	-0.01	-0.03	-0.07	0.02	0.06	310%	913%
DPS	0.03	0.03	0.03	-	-	0%	0%
Implied, line by line	Actuals	GR	Consensus	GR	consensus	GR	consensus
TCE revenue	84.8	97.6	86.1	-12.8	-1.3	-15%	-2%
Opex & G&A	55.1	66.0	61.7	-10.9	-6.6	-20%	-12%
Depreciation	26.8	30.0	32.5	-3.2	-5.7	-12%	-21%
Net finance	4.7	9.3	8.1	-4.6	-3.4	-98%	-72%
Taxes & Minorities	-	-	-0.2	-	0.2		

CF & BS

4Q17 review USDm	Actuals	GR	Consensus	Actuals vs		Actuals vs	
				GR	Consensus	GR	Consensus
Net operational cash flow	27	26		1		2%	
Free cash flow	18	-95		113		636%	
Net cash flow	11	-23		34		315%	
TCE/day	17,554	20,419	18,010	-2,865	-456	-16%	-3%
Cash break-even	65,077	24,191		40,886		63%	
Liquidity	73	77		-4		-5%	
Interest bearing debt	1,101	1,091		10		1%	
Net interest bearing debt	1,028	1,014		14		1%	

Liquidity

More importantly in the 4Q17 report was the available liquidity given the company's challenging cash position. As we have highlighted [time and again](#), we still "believe further fleet divestments, a debt moratorium and/or further sale/leasebacks" will be needed. The company had cash at hand of \$73m as of end 4Q (cash + short term restricted cash), slightly below our \$77m forecast. The company also had \$90m in undrawn credit facilities, which will amortize with \$24m in 2018 and another \$26m in 2019.

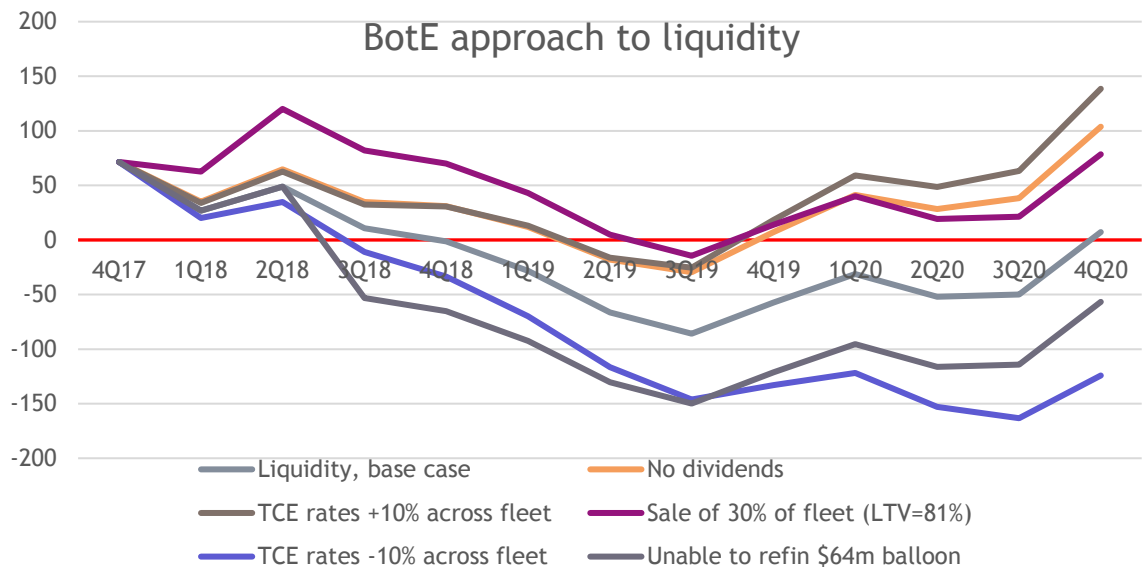
Looking ahead, TNK has a \$64m balloon payment in August 2018 which they expect to refinance shortly. If successful, that would leave \$103m in debt repayments in 2018, against which we maximize the available revolver to raise \$67m in new debt funding in our forecast. Although we believe oil tanker shares will rebound in 1H18, we believe average earnings in 2018 will be lacklustre and represent the cyclical through. Thus, we forecast net operational cash flow



of \$3m in 2018 less maintenance capex of \$8m. Hence, our base case is still for an extremely challenging liquidity position for TNK.

So, what's ahead? We believe the company will stay afloat, but in the process, reduce the inherent operational and financial leverage at the worst point possible in the cycle; at the trough.

In the graph below, we highlight potential Back-of-the-Envelope (“BotE”) approaches to alleviate the challenging liquidity position. Our base case is for a negative \$86m cash position in 3Q19. If the company were to abolish dividend payments, we see a cash minimum of -\$30m. As the company highlighted on the 4Q17 conference call, further vessel divestments or sale/leasebacks are the main focus to shore up the cash position. The problem as we see it, is that the company currently have a net LTV of 81% and a gross LTV of 89%. There are probably some individual vessels that have lighter encumbrance, but applying the net LTV and divesting 30% of the current fleet in terms of valuation would on our estimates leave the company with a minimum cash position of approximately \$0. So, a combination of events will have to take place, including the abolishment of dividends and divestment of assets. If fleet revenue were to overshoot our forecast with 10%, it would add another \$60m to the minimum cash position in 3Q19. Another possibility is an At-the-Market (“ATM”) equity offering given that the company trades at a 17% premium to NAV, a tool that the company has utilized before. However, we deem it unlikely as the company is more focused on share buy backs as an alternative way to return value to shareholders. The latter would in our view be detrimental to current shareholders.



In sum, we remain concerned over TNK’s liquidity position and reiterate our SELL recommendation with a target price of \$0.5/sh. Although we see 1H18 as the perfect time to opportunistically buy Oil Tanker shares ahead of the cyclical inflection point in mid-18, we will not touch TNK before the company has sorted out its balance sheet.



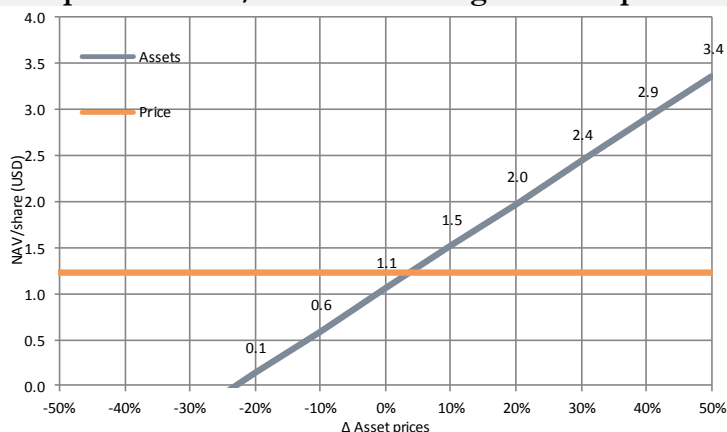
Valuation

Valuation & target price

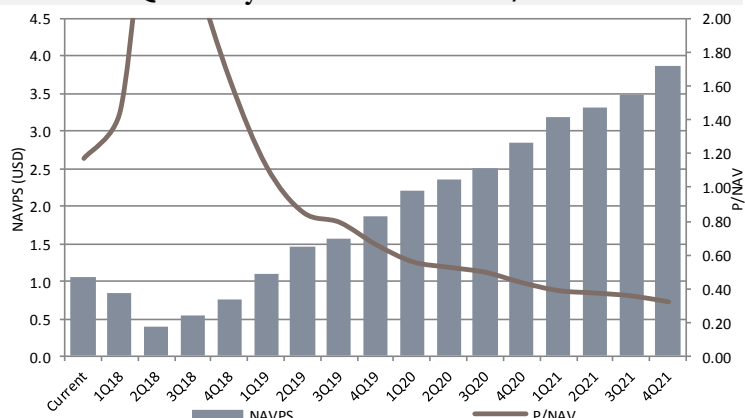
Net asset values			
USDm	4Q17	Fair value	Implied
Primary assets	1,966	1,237	1,280
Contract value	0	27	28
Other	94	94	97
GAV	2,059	1,358	1,405
Net debt	-1,028	-1,028	-1,028
Capex	0	0	0
Other	-47	-47	-47
NAV	984	282	330
Shares	268	268	268
NAVPS	3.67	1.05	1.23
Share price	3.7	1.1	1.2
P/NAV	0.34	1.17	1.00
EV/GAV	0.68	1.03	1.00

Adj. Total Assets	2,197	1,469	1,512
Adj. Equity Ratio	45%	19%	22%
Target price	USD	0.5	-60%

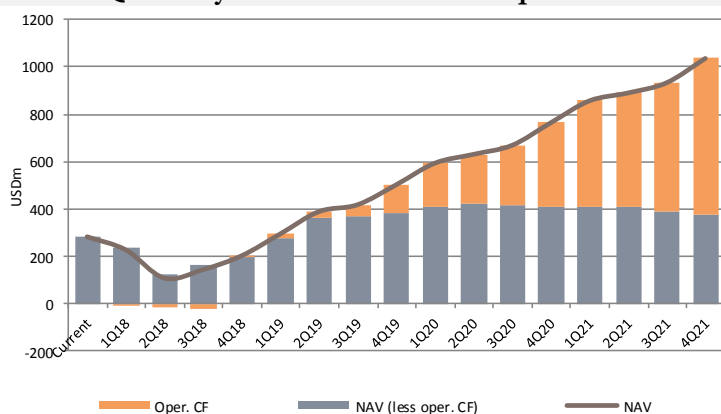
Impact on NAV/sh from % change in asset prices



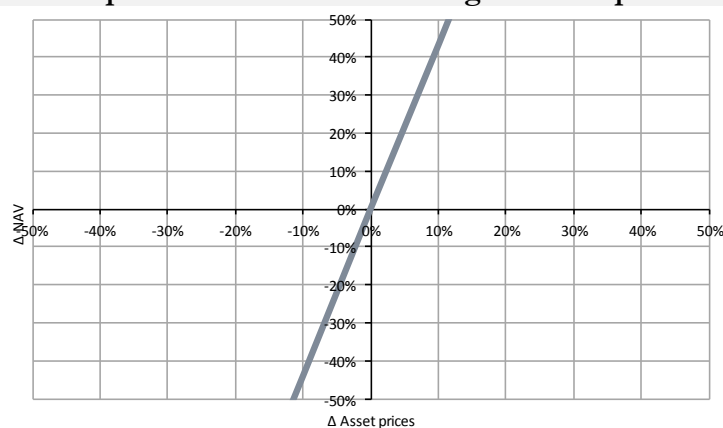
Quarterly forward NAV & P/NAV



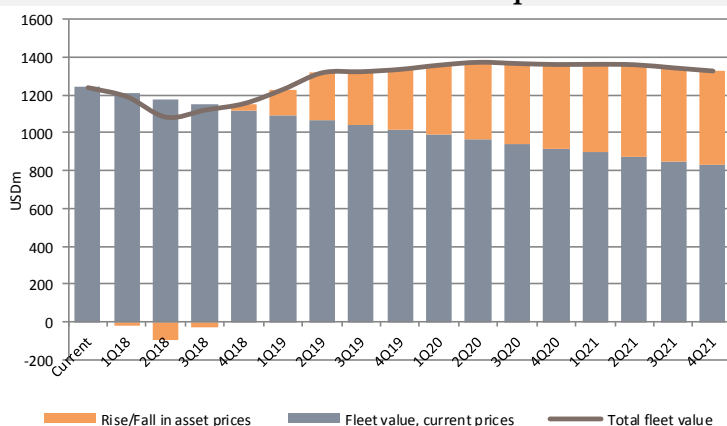
Quarterly forward NAV decomposition



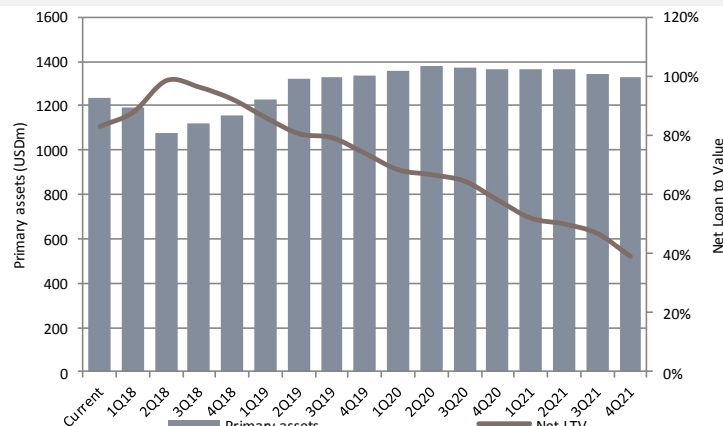
% Impact on NAV from % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value





Estimate Changes

Profit & Loss

Estimate changes USDm	New				Old				Change			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Net sales	348	321	435	557	362	332	447	569	-14	-10	-12	-12
EBITDA	100	41	155	276	103	49	165	285	-3	-8	-10	-9
EBIT	-0	-75	39	160	-1	-71	45	165	0	-4	-6	-5
PTP	-59	-113	-0	120	-64	-110	4	125	5	-3	-5	-5
Net earnings	-59	-113	-0	120	-64	-110	4	125	5	-3	-5	-5
EPS	-0.32	-0.42	-0.00	0.45	-0.34	-0.41	0.02	0.47	0.02	-0.01	-0.02	-0.02
DPS	0.11	0.12	0.12	0.12	0.12	0.12	0.12	0.12	-0.01	-	-	-
									2017	2018	2019	2020
TCE revenue									-14	-10	-12	-12
Opex & G&A									-11	-2	-2	-3
Depreciation									-3	-4	-4	-4
Net finance									-5	-1	-1	-1
Taxes & Minorities									-	-	-	-

Cash Flows & Balance Sheet

Estimate changes USDm									Change			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Net operational cash flow	94	3	116	236	93	10	124	245	1	-7	-9	-9
Free cash flow	128	-5	108	229	15	3	117	237	113	-7	-9	-9
Net cash flow	-23	-73	-56	64	-57	-155	7	134	34	82	-63	-69
TCE/day	22,247	15,287	20,711	26,441	22,963	15,786	21,283	27,011	-716	-499	-572	-570
Cash break-even	50,639	20,076	20,275	21,508	40,417	24,877	19,095	18,797	10,221	-4,801	1,180	2,711
Liquidity	73	0	-56	9	77	-78	-71	62	-4	78	16	-54
Property & Equip. (incl. NBs)	1,966	1,857	1,748	1,640	2,163	2,050	1,937	1,825	-197	-193	-189	-185
Total equity	1,007	861	829	917	1,254	1,112	1,084	1,177	-247	-251	-255	-260
Interest bearing debt	1,101	1,065	933	801	1,091	966	888	816	10	99	45	-15
Net interest bearing debt	1,028	1,065	989	792	1,014	1,044	959	754	14	21	30	39
Market Cap.	375	330	330	330	324	324	324	324	51	5	5	5
Enterprise value	1,404	1,395	1,319	1,122	1,339	1,369	1,284	1,078	65	26	35	44
Capex	19	7	7	7	125	7	7	7	-106	-	-	-

Valuation

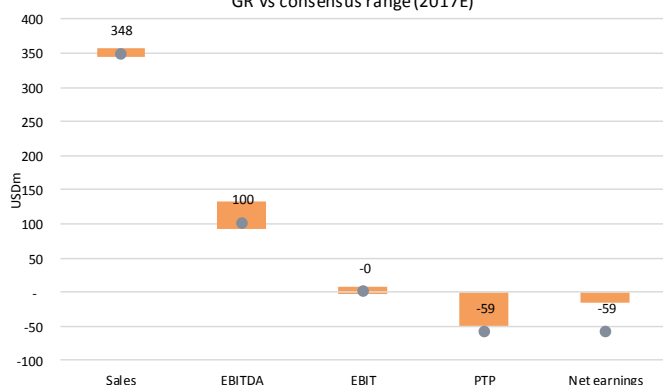
Estimate changes USDm	New				New				Change			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Fwd NAV	282	202	502	764	337	258	566	837	-55	-56	-64	-73
Adj. equity ratio	19%	15%	33%	46%	22%	20%	37%	48%	-3%	-5%	-4%	-2%
FCF yield	34%	-1%	33%	69%	5%	1%	36%	73%	29%	-2%	-3%	-4%
Dividend yield	6%	10%	10%	10%	7%	10%	10%	10%	-2%	0%	0%	0%
EV/EBITDA	14.0	33.8	8.5	4.1	13.0	27.8	7.8	3.8	1.0	6.0	0.7	0.3
P/E (adj.)				2.7			72.1	2.6				0.1



Our Estimates vs Consensus

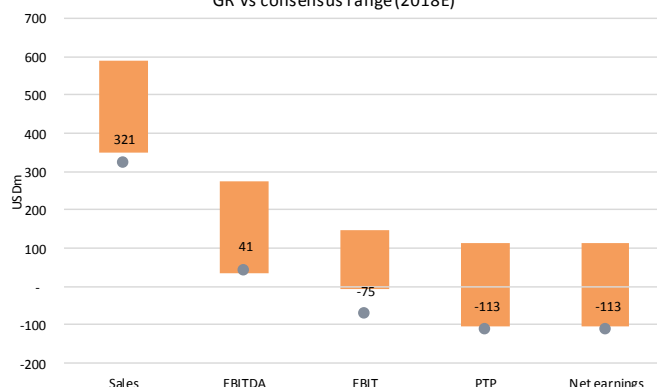
Profit & Loss, year I

GR vs consensus range (2017E)

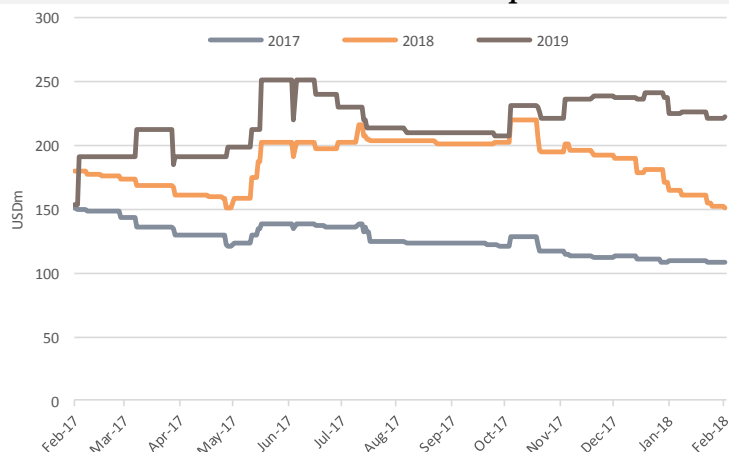


Profit & Loss, year II

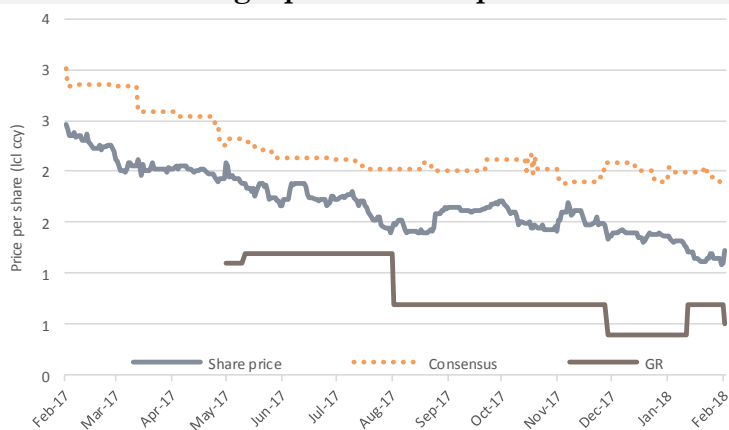
GR vs consensus range (2018E)



Consensus EBITDA development



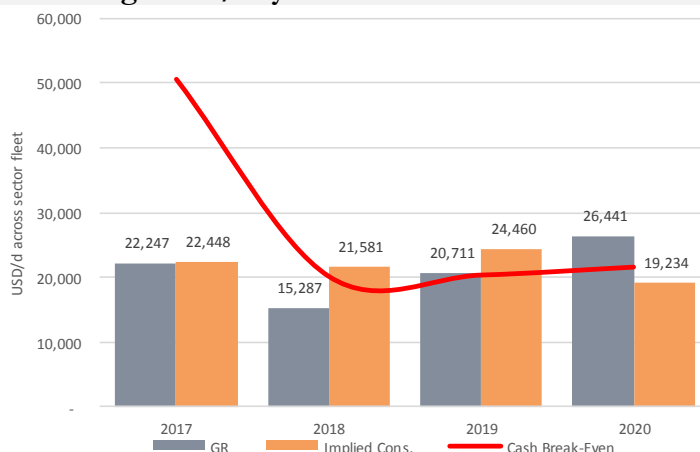
Target price vs share price



GR vs consensus: P&L break-down

	2017	GR	Consensus	Diff.	Diff.
	TCE revenue	348	351	-3	-1%
	Opex + G&A	248	243	5	2%
	Depreciation	100	105	-4	-4%
	Net finance	59	51	7	14%
	Taxes & Minorities	0	-19	19	-100%
	2018	GR	Consensus	Diff.	Diff.
	TCE revenue	321	453	-132	-29%
	Opex + G&A	280	302	-23	-7%
	Depreciation	116	93	23	25%
	Net finance	38	57	-18	-32%
	Taxes & Minorities	0	6	-6	-100%

Avg. TCE/day across fleet vs consensus





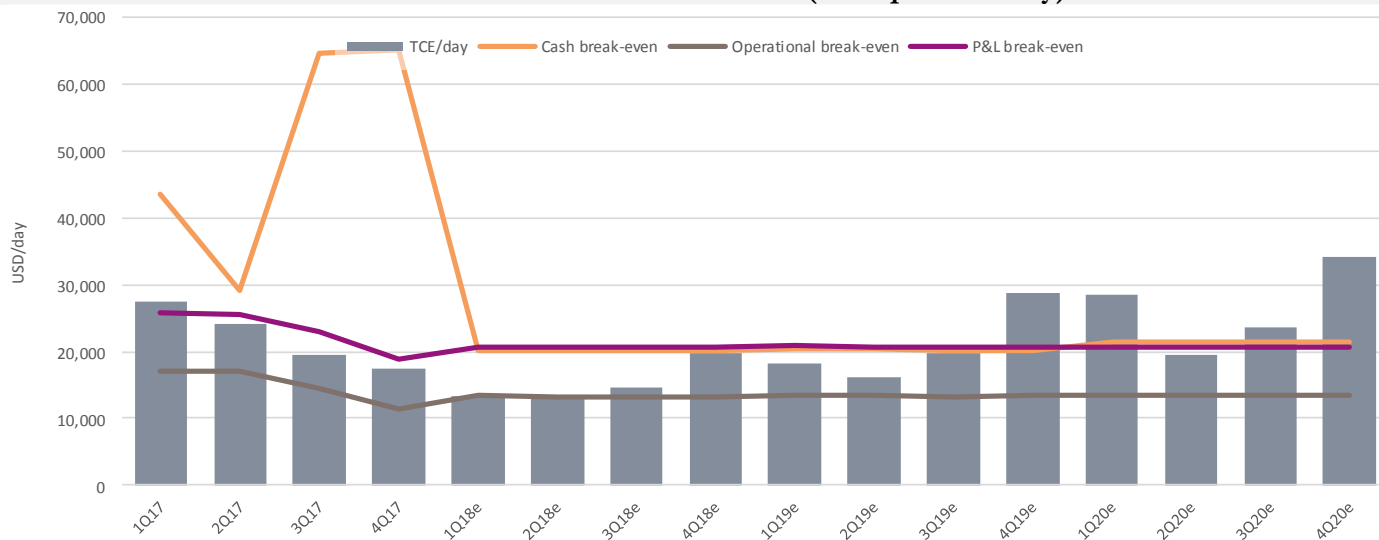
Profit & Loss (USDm)	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E
Net sales	202	178	261	534	582	348	321	435	557
Operational costs	-470	-127	-146	-273	-392	-248	-280	-280	-281
EBITDA	-268	51	115	261	191	100	41	155	276
Depreciation/Amortization	-72	-48	-53	-74	-104	-100	-116	-116	-116
EBIT	-340	3	62	187	86	0	-75	39	160
Net financials	-30	-12	-2	-8	-24	-59	-38	-39	-39
PTP	-370	-8	61	180	63	-59	-113	0	120
Taxes/Minorities	0	0	0	0	0	0	0	0	0
Net earnings	-370	-8	61	180	63	-59	-113	0	120
Non-recurring items	9	0	-3	-3	0	14	0	0	0
Net earnings (adj.)	-361	-8	57	177	63	-45	-113	0	120
EPS	-4.43	-0.10	0.54	1.15	0.39	-0.32	-0.42	0.00	0.45
EPS (adj.)	-4.32	-0.10	0.51	1.13	0.39	-0.24	-0.42	0.00	0.45
DPS	0.39	0.12	0.09	0.10	0.29	0.11	0.12	0.12	0.12
Balance Sheet (USDm)	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E
Cash & short-term investments	26	26	163	96	68	71	-1	-57	7
Other current assets	177	53	99	183	147	105	105	105	105
Total current assets	203	79	262	280	215	177	104	48	112
Property & equip. (incl. NBs)	886	859	897	1,768	1,605	1,966	1,857	1,748	1,640
Other non-current assets	17	159	82	122	112	55	55	55	55
Total non-current assets	903	1,019	979	1,890	1,717	2,021	1,912	1,804	1,695
TOTAL ASSETS	1,106	1,098	1,241	2,169	1,932	2,197	2,016	1,851	1,807
Total equity	302	285	478	877	921	1,007	861	829	917
Short-term debt	25	25	47	174	171	174	142	165	163
Other current liabilities	37	45	39	116	66	63	63	63	63
Total current liabilities	62	70	86	290	237	237	204	228	226
Long-term debt	710	719	661	991	762	927	924	768	638
Other non-current liabilities	31	23	16	12	13	27	27	27	27
Total non-current liabilities	742	743	677	1,002	775	954	950	795	665
TOTAL EQUITY & LIABILITIES	1,106	1,098	1,241	2,169	1,932	2,197	2,016	1,851	1,807
Working capital, receivables	5	4	4	28	30	35	35	35	35
Working capital, payables	21	23	20	79	39	42	42	42	42
Net working capital	-17	-19	-16	-50	-9	-8	-8	-8	-8
Interest bearing debt	736	745	709	1,165	933	1,101	1,065	933	801
Liquidity	26	26	163	97	69	73	0	-56	9
Net interest bearing debt	709	719	546	1,067	864	1,028	1,065	989	792
Cash Flow (USDm)	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E
Net income	-370	-8	61	180	63	-59	-113	0	120
Depreciation	72	48	53	74	104	100	116	116	116
Other	345	-27	-40	-69	-2	46	0	0	0
Cash earnings	47	13	74	184	165	88	3	116	236
Changes in working capital	-20	-7	-53	-17	44	6	0	0	0
Net operational cash flow	28	6	21	167	210	94	3	116	236
Capex	-3	-2	-2	-848	-9	-19	-7	-7	-7
Other investments	0	0	0	0	0	0	0	0	0
Proceeds from sales	0	9	154	11	28	52	0	0	0
Other	-3	-13	-42	-45	19	-13	0	0	0
Net investing cash flow	-6	-6	110	-882	37	34	-7	-7	-7
Repayment of debt	-64	9	-82	452	-236	-557	-103	-106	-132
Proceeds from debt	35	59	109	689	906	244	67	-26	0
Dividends paid	-32	-10	-10	-15	-47	-21	-32	-32	-32
New equity	69	—	111	242	8	14	0	0	0
Other	-21	-59	-122	-719	-906	-13	0	0	0
Net financing cash flow	-14	-1	6	649	-275	-150	-68	-164	-164
Currency effect	0	0	0	0	0	0	0	0	0
Net cash flow	8	-1	137	-66	-28	-23	-73	-56	64
Cash balance	26	26	163	96	68	45	-27	-83	-19
Free cash flow	22	0	131	-715	247	128	-5	108	229



Share Data & Valuation (USDm)	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E
Shares outstanding, end	84	84	112	156	159	268	268	268	268
Share price, avg (USD)	4	3	4	7	3	2	1	1	1
Share price, end (USD)	3	4	5	7	2	1	1	1	1
Market Cap.	242	329	567	1,073	360	375	330	330	330
NIBD	709	719	546	1,067	864	1,028	1,065	989	792
Minorities	0	0	0	0	0	0	0	0	0
Enterprise value	952	1,048	1,112	2,141	1,224	1,404	1,395	1,319	1,122
Key Figures & Ratios	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E
P/E (reported)			9.4	6.0	5.7				2.7
P/E (adj.)			9.9	6.1	5.7				2.7
P/CE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P/Sales	1.2	1.8	2.2	2.0	0.6	1.1	1.0	0.8	0.6
EV/Sales	4.7	5.9	4.3	4.0	2.1	4.0	4.3	3.0	2.0
EV/EBITDA		20.4	9.6	8.2	6.4	14.0	33.8	8.5	4.1
EV/EBIT			17.9	11.4	14.2			33.8	7.0
P/B	0.8	1.2	1.2	1.2	0.4	0.4	0.4	0.4	0.4
FCF yield	9%	0%	23%	-67%	69%	34%	-1%	33%	69%
Dividend yield	13.3%	3.1%	1.8%	1.4%	13.0%	5.5%	9.8%	9.8%	9.8%
Return on equity (ROE)	-122.5%	-2.9%	12.7%	20.5%	6.8%	-5.9%	-13.1%	0.0%	13.1%
Return on capital employed (ROCE)	-33.6%	0.3%	6.1%	9.6%	4.8%	0.0%	-3.9%	2.2%	9.4%
Return on assets (ROA)	-33.5%	-0.7%	4.9%	8.3%	3.3%	-2.7%	-5.6%	0.0%	6.6%
Sales growth	-8%	-12%	46%	104%	9%	-40%	-8%	36%	28%
EBITDA margin	-133%	29%	44%	49%	33%	29%	13%	36%	49%
EBIT margin	-168%	2%	24%	35%	15%	0%	-23%	9%	29%
Net margin	-183%	-5%	23%	34%	11%	-17%	-35%	0%	22%
Net interest rate	2.8%	1.4%	1.7%	1.6%	3.4%	3.0%	3.6%	4.0%	5.0%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity ratio	27%	26%	39%	40%	48%	46%	43%	45%	51%
Leverage ratio	73%	74%	61%	60%	52%	54%	57%	55%	49%
NIBD / EBITDA (past 1y)	-2.6	14.0	4.7	4.1	4.5	10.3	25.8	6.4	2.9
Operating cash flow/NIBD	0.0	0.0	0.0	0.2	0.2	0.1	0.0	0.1	0.3
Net interest coverage ratio (EBITDA)	-13.4	5.1	12.6	15.0	6.4	3.3	1.1	3.9	7.0
Current ratio	3.3	1.1	3.1	1.0	0.9	0.7	0.5	0.2	0.5
Adj. equity ratio						19%	15%	33%	46%
Operating assets	1,079	1,072	1,078	2,072	1,864	2,122	2,013	1,905	1,796
Operating liabilities	68	68	54	127	79	90	90	90	90
Net operating assets	1,012	1,004	1,024	1,945	1,785	2,032	1,924	1,815	1,706

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)



Market Overview *(from our 20/Dec-17 [sector report](#))*

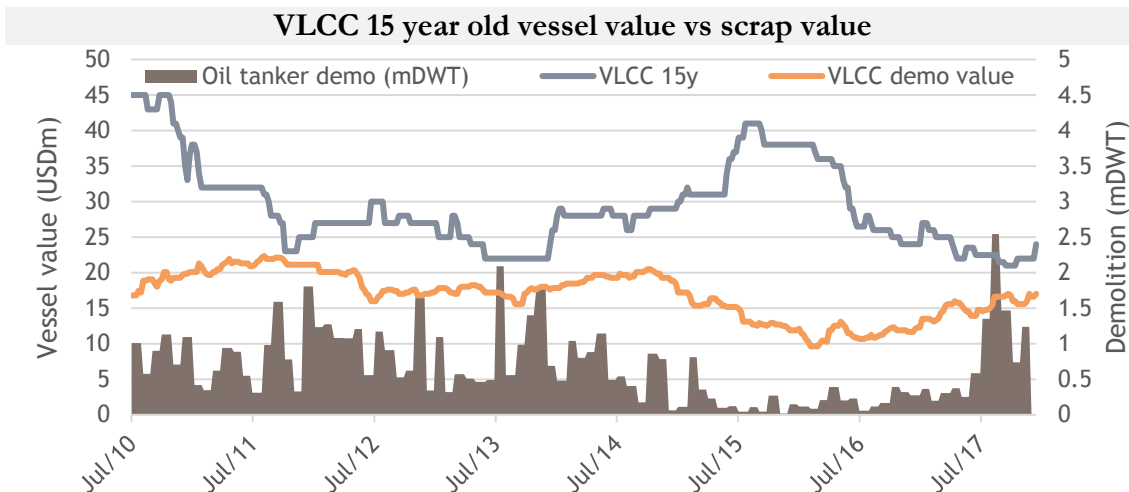
The last cyclical peak in 2015 was subdued by too much contracting

We forecast net supply growth to stabilized around 2% per annum

Rising demo prices and falling asset prices makes scrapping an attractive option for tonnage $\geq 15y$

After enjoying a brief peak in 2015, oil tanker earnings were soon subdued again as overly eager owners contracted too many ships in the cyclical expansion, resulting in a rapidly increasing net fleet growth from 1Q16. The elevated supply growth persists, with a net fleet growth of 6% in 2017E. We believe 2017 will mark the peak supply growth of this cycle, with only one significant supply hurdle left in 1Q18E at 1.2% net growth q/q. From 2Q18 and onwards, net supply growth should stabilize around 2% per annum, finally allowing for demand growth to catch up and utilization to increase.

We also note that demolition prices are increasing, partially due to anti-pollution policies in China restricting steel output, which could last until March. Given the early collapse of the VLCC winter market, this should incentivize owners to scrap. The graph below shows how the value of a 15 year old VLCC is close to its scrap value, making investments in the vessel in form of surveys and special surveys at 15y, 17.5y and 20y less appealing, depending on the owner's optionality value of future earnings.



OPEC compliance with quotas has been above expectations in 2H17E, partly due to the usual compliant Saudi Arabian production management, but also due to involuntary cuts in Iraq (Kirkut dispute) and Angola (field maintenance). The oil price (Brent) has surged from \$45/bbl in June to \$65/bbl (+17% y/y) at the time of writing.

US oil production rose rapidly in 3Q17 as a lagged effect of increased rig count, as we precisely forecast in our [September report](#). Investors have however been unimpressed by the cash flows generated by US shale operators, as is evident in the share price of Chesapeake (CHK US) and its peers. The implied break-even levels per well seems to be higher than what was consensus one year ago. Thus, the US rig count has stagnated despite rapidly rising oil prices in the last months, with 923 rigs counted as of end-Nov. Based on the historical relationship, we expect US oil production to level out in mid-2018E.

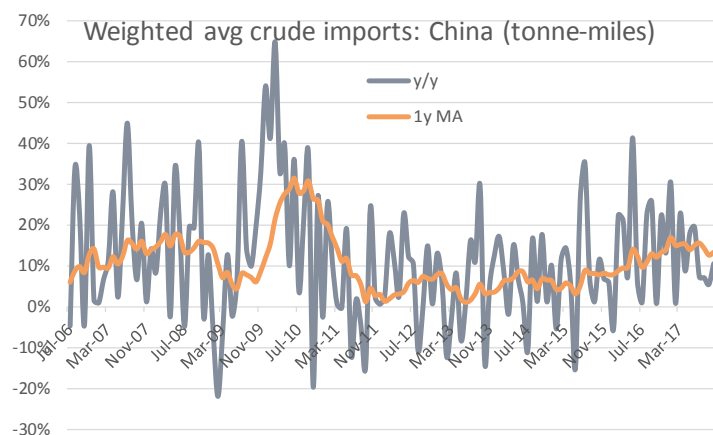
US rig count has stagnated, indicating a plateauing of US oil production in mid-18E



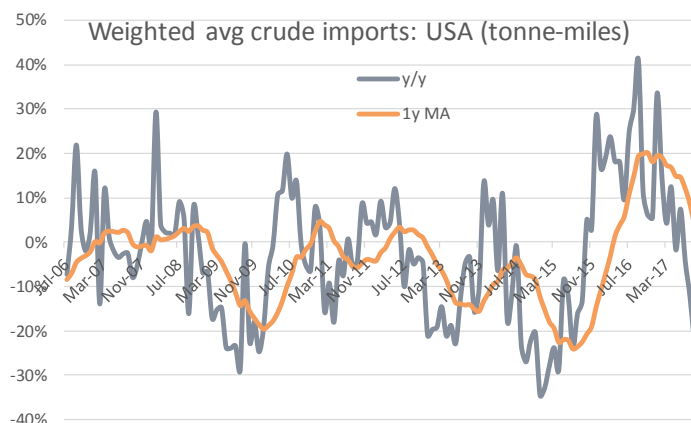
We forecast demand growth of 2-5% in the coming years

Given the relatively high oil price and potential plateauing of US production, OPEC could be contemplating a reduction in its quota at the next meeting in mid-2018. If this materializes, demand for crude oil tankers could surge in 2H18E and beyond. Our base case forecast is more conservative, but we still estimate demand growth of 2% in 2018E, 5% in 2019E and 4% in 2020E.

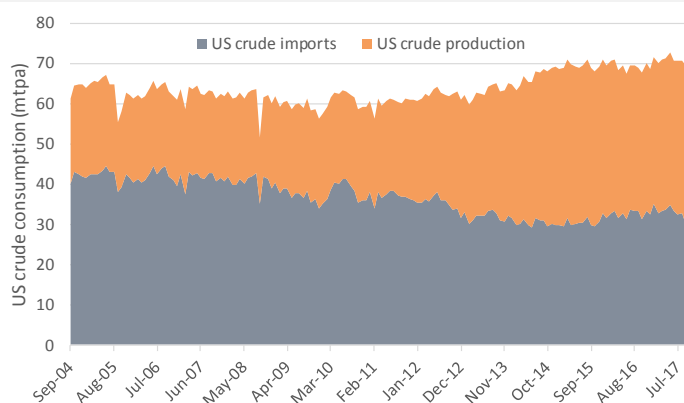
Continued support from increasing Chinese imports



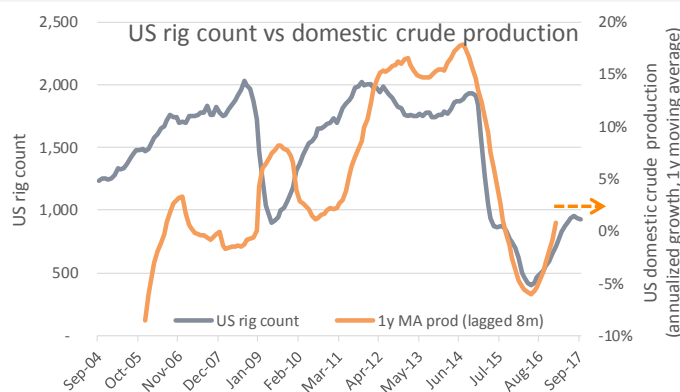
US imports declining as production is rising



US crude oil production displacing imports



US rig count has stagnated: Production could follow suit



Cyclical inflection point forecast for 2018E, with utilization rising steady towards the end of the decade

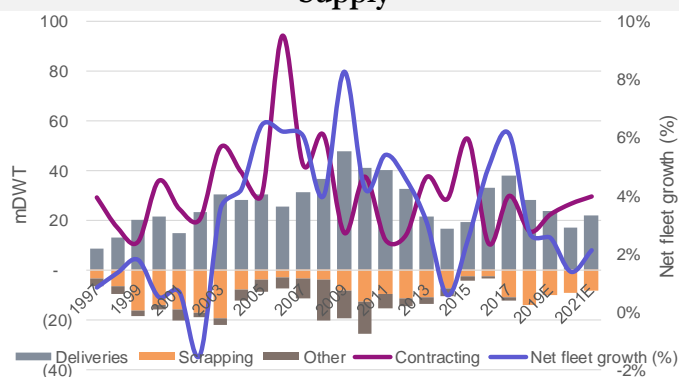
In sum, we expect utilization to fall 5%p y/y to 80% in 2017E before the recovery starts in mid-'18E with utilization rising 2%p in both '19E and '20E to end the decade at 84%. Given the forward-looking nature of share and asset prices, and the historical significant relationship between the two;

$$P_{\text{shares}} = f[P_{\text{sy VLCC}}] = f[1y TC_{\text{sy VLCC}}] = f[E(1y \text{ fwd spot revenue}_{\text{sy VLCC}})], R^2 = 0.89 \text{ since 1998}$$

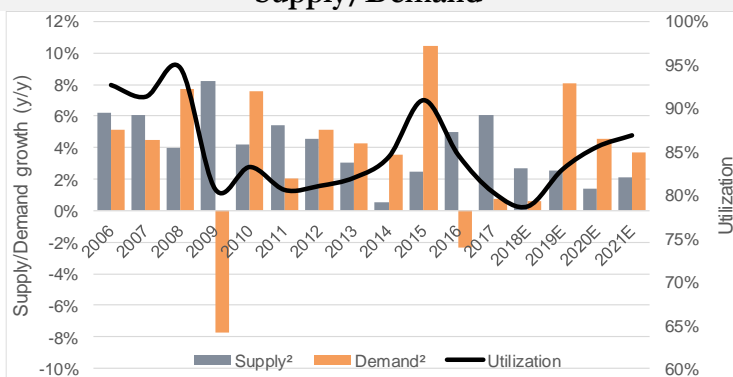
we forecast mid-'18E to represent the share price trough, approximately 15% below current levels.

Market Balance *(updated 5/Feb-18)*

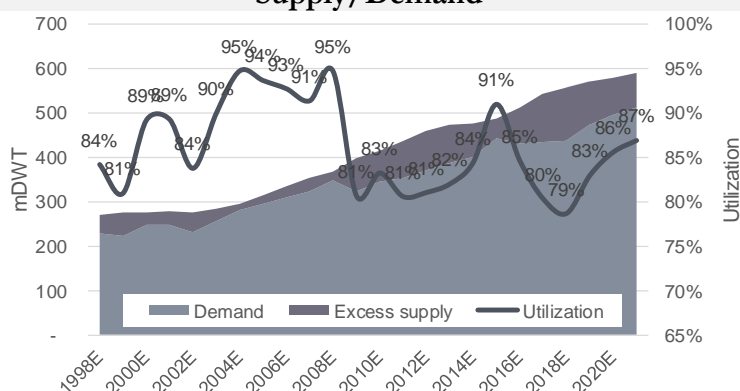
Supply



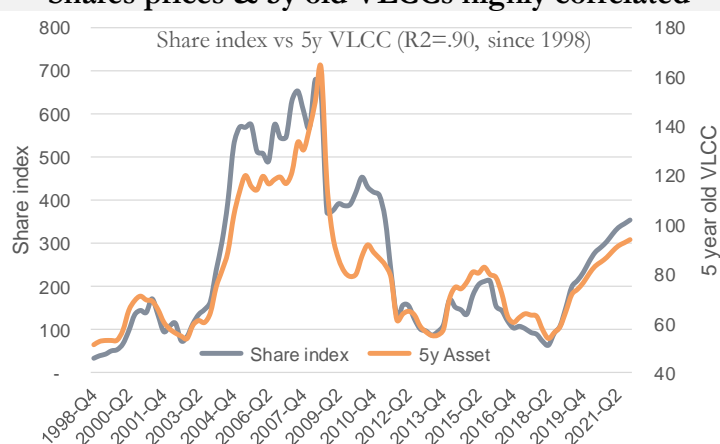
Supply/Demand



Supply/Demand



Shares prices & 5y old VLCCs highly correlated



Forecast overview and change from last report

Delta table: Oil Tanker forecast summary

Δ y/y	2017	2018E	2019E	2020E	Average spot rate	2017	2018E	2019E	2020E
Supply	6.1%	2.7%	2.5%	1.4%	VLCC, base case	17,794	15,458	28,390	38,920
Supply, old	6.1%	2.6%	2.4%	1.5%	old	18,108	18,974	26,796	34,665
Δ	0.0%	0.0%	0.2%	-0.2%	Δ	(314)	(3,517)	1,594	4,255
Demand	0.7%	0.6%	8.1%	4.6%	Suezmax, base case	15,829	12,109	20,576	27,470
Demand, old	1.0%	2.1%	5.5%	4.1%	old	15,958	14,388	19,512	24,667
Δ	-0.3%	-1.5%	2.6%	0.5%	Δ	(129)	(2,278)	1,064	2,803
Utilization	80.3%	78.7%	82.9%	85.5%	Aframax, base case	13,872	11,030	16,967	21,801
Utilization, old	80.5%	80.1%	82.6%	84.6%	old	13,966	12,628	16,221	19,835
Δ	-0.2%	-1.5%	0.3%	0.9%	Δ	(94)	(1,598)	746	1,965

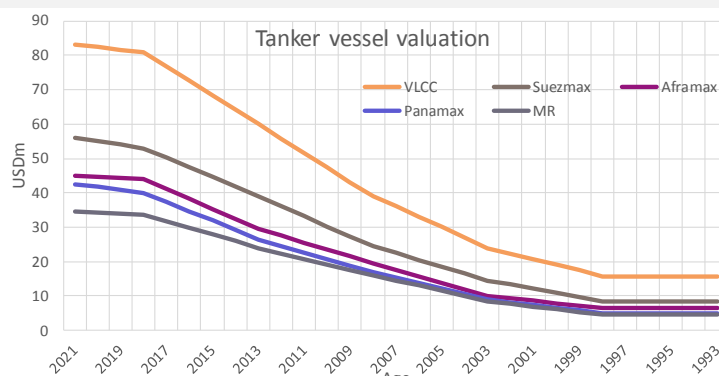


Asset Valuation

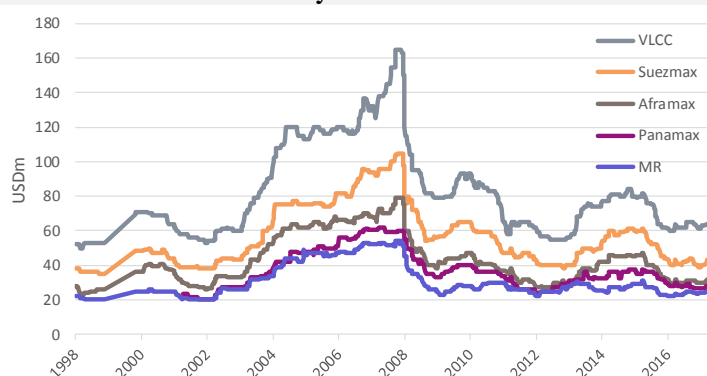
Asset valuation overview

Summary	VLCC	Suezmax	Aframax	Panamax	MR
NB	83.0	56.0	45.0	42.5	34.5
resale	81.0	53.0	44.0	40.0	33.5
5y	60.0	39.0	29.5	26.5	24.0
10y	39.0	24.5	19.5	17.0	16.0
15y	24.0	14.5	10.0	9.0	8.5
20y	15.8	8.5	6.5	5.0	4.6
scrap	15.8	8.5	6.5	5.0	4.6

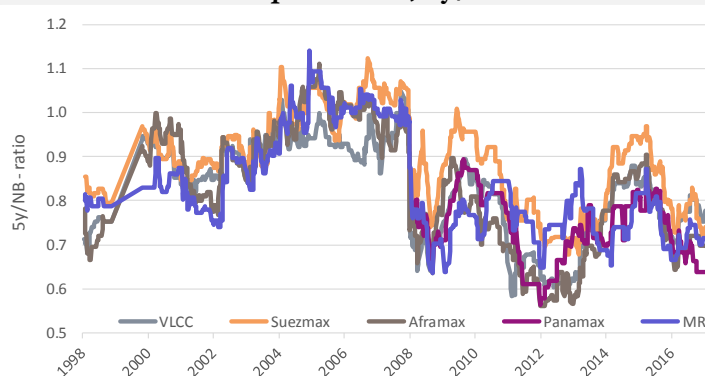
Asset valuation overview



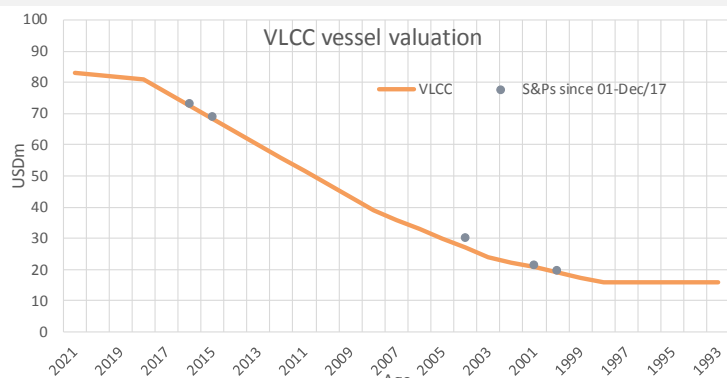
Historical 5y old vessel values



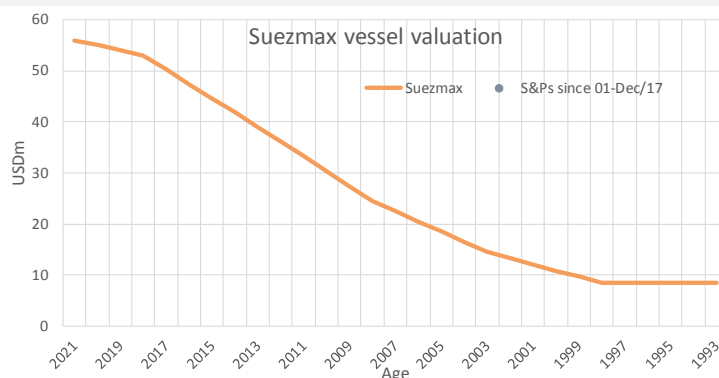
Historical price ratio, 5y/newbuild



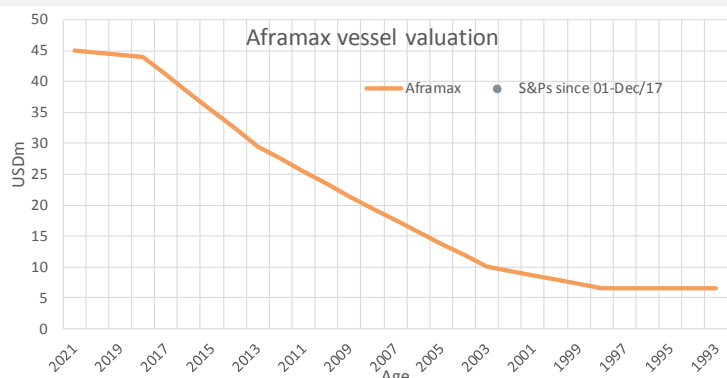
VLCC valuation vs recent S&Ps



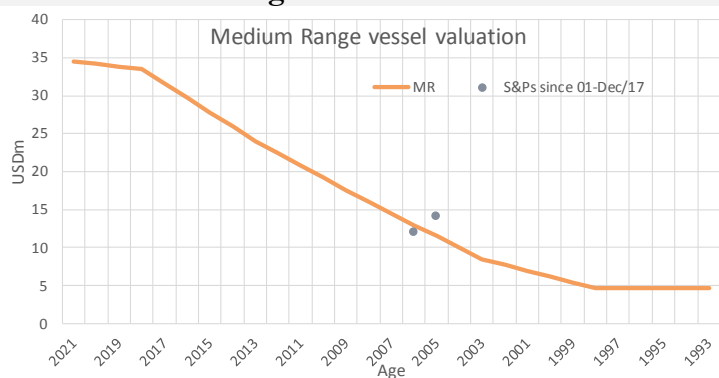
Suezmax valuation vs recent S&Ps



Aframax valuation vs recent S&Ps



Medium Range valuation vs recent S&Ps



Econometrics *(updated 5/Feb-18)*

Oil Tankers, base case	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Deliveries ¹	41	40	32	21	17	19	33	38	28	24	17	22
Scrapping ¹	(13)	(10)	(12)	(11)	(8)	(2)	(3)	(11)	(14)	(10)	(9)	(8)
Other ¹	(13)	(6)	(3)	(3)	(3)	(2)	(1)	(1)	(0)	(0)	0	(0)
Contracting ¹	37	12	14	37	28	52	10	30	15	22	26	29
Supply ²	415	438	458	472	474	486	510	541	556	570	578	590
Δ y/y	4%	5%	5%	3%	1%	2%	5%	6%	3%	3%	1%	2%
Demand ²	346	353	371	387	400	442	431	435	437	473	494	512
Δ y/y	8%	2%	5%	4%	4%	10%	-2%	1%	1%	8%	5%	4%
Utilization ²	83%	81%	81%	82%	84%	91%	85%	80%	79%	83%	86%	87%
Oil Tankers ² (TCE)	15,537	12,007	12,558	13,626	17,930	31,036	18,047	11,655	9,992	15,174	19,393	21,907
VLCC, spot ² (TCE)	34,060	18,596	21,187	18,621	30,015	64,846	41,908	17,794	15,458	28,390	38,920	45,195
Suezmax, spot ² (TCE)	27,864	18,432	16,908	15,511	27,791	46,713	27,799	15,829	12,109	20,576	27,470	31,578
Aframax, spot ² (TCE)	17,690	12,378	12,541	14,131	24,705	37,954	23,142	13,872	11,030	16,967	21,801	24,682
MR, spot ² (TCE)	10,692	10,638	10,589	13,464	12,517	21,444	12,166	10,213	9,063	11,774	13,981	15,297
VLCC, 5y ² (USDm)	87	77	63	56	74	81	68	63	56	72	84	92
Suezmax, 5y ² (USDm)	62	54	45	40	50	60	49	41	38	48	55	60
Aframax, 5y ² (USDm)	44	39	31	29	39	46	36	30	29	37	43	47
MR, 5y ² (USDm)	27	29	25	26	27	28	25	24	22	27	29	30
OB ²	129	107	70	56	71	85	91	70	61	52	56	64
OB/Fleet ²	31%	24%	15%	12%	15%	17%	18%	13%	11%	9%	10%	11%

¹Sum during period ²Average during period

Oil Tankers, low case	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Deliveries ¹	41	40	32	21	17	19	33	38	33	22	14	14
Scrapping ¹	(13)	(10)	(12)	(11)	(8)	(2)	(3)	(11)	(7)	(5)	(5)	(4)
Other ¹	(13)	(6)	(3)	(3)	(3)	(2)	(1)	(1)	(0)	(0)	(0)	(0)
Contracting ¹	37	12	14	37	28	52	10	30	11	11	11	12
Supply ²	415	438	458	472	474	486	510	541	563	584	595	605
Δ y/y	4%	5%	5%	3%	1%	2.5%	5.0%	6.1%	4.1%	3.7%	1.8%	1.8%
Demand ²	346	353	371	387	400	442	431	435	433	444	456	469
Δ y/y	8%	2%	5%	4%	4%	10%	-2.4%	0.7%	-0.4%	2.7%	2.7%	2.7%
Utilization ²	83%	81%	81%	82%	84%	91%	85%	80%	77%	76%	77%	77%
Oil Tankers ² (TCE)	15,537	12,007	12,558	13,626	17,930	31,036	18,047	11,655	8,417	8,197	8,590	9,007
VLCC, spot ² (TCE)	34,060	18,596	21,187	18,621	30,015	64,846	41,908	17,794	11,527	10,976	11,958	13,000
Suezmax, spot ² (TCE)	27,864	18,432	16,908	15,511	27,791	46,713	27,799	15,829	9,668	9,307	9,950	10,632
Aframax, spot ² (TCE)	17,690	12,378	12,541	14,131	24,705	37,954	23,142	13,872	9,226	8,973	9,423	9,902
MR, spot ² (TCE)	10,692	10,638	10,589	13,464	12,517	21,444	12,166	10,213	8,239	8,124	8,330	8,548
VLCC, 5y ² (USDm)	87	77	63	56	74	81	68	63	52	40	41	43
Suezmax, 5y ² (USDm)	62	54	45	40	50	60	49	41	35	29	29	31
Aframax, 5y ² (USDm)	44	39	31	29	39	46	36	30	27	21	22	23
MR, 5y ² (USDm)	27	29	25	26	27	28	25	24	21	20	21	21
OB ²	129	107	70	56	71	85	91	70	59	40	34	30
OB/Fleet ²	31%	24%	15%	12%	15%	17%	18%	13%	10%	7%	6%	5%

Oil Tankers, high case	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Deliveries ¹	41	40	32	21	17	19	33	38	24	25	21	28
Scrapping ¹	(13)	(10)	(12)	(11)	(8)	(2)	(3)	(11)	(18)	(13)	(11)	(11)
Other ¹	(13)	(6)	(3)	(3)	(3)	(2)	(1)	(1)	(0)	(0)	(0)	(0)
Contracting ¹	37	12	14	37	28	52	10	30	20	30	43	56
Supply ²	415	438	458	472	474	486	510	541	550	561	568	584
Δ y/y	4%	5%	5%	3%	1%	2.5%	5.0%	6.1%	1.7%	1.8%	1.4%	2.7%
Demand ²	346	353	371	387	400	442	431	435	450	480	512	547
Δ y/y	8%	2%	5%	4%	4%	10%	-2.4%	0.7%	3.6%	6.7%	6.7%	6.7%
Utilization ²	83%	81%	81%	82%	84%	91%	85%	80%	82%	86%	90%	94%
Oil Tankers ² (TCE)	15,537	12,007	12,558	13,626	17,930	31,036	18,047	11,655	13,719	19,804	29,673	40,028
VLCC, spot ² (TCE)	34,060	18,596	21,187	18,621	30,015	64,846	41,908	17,794	24,759	39,947	64,578	90,422
Suezmax, spot ² (TCE)	27,864	18,432	16,908	15,511	27,791	46,713	27,799	15,829	18,199	28,143	44,268	61,188
Aframax, spot ² (TCE)	17,690	12,378	12,541	14,131	24,705	37,954	23,142	13,872	15,300	22,272	33,579	45,444
MR, spot ² (TCE)	10,692	10,638	10,589	13,464	12,517	21,444	12,166	10,213	11,013	14,196	19,359	24,777
VLCC, 5y ² (USDm)	87	77	63	56	74	81	68	63	60	93	130	167
Suezmax, 5y ² (USDm)	62	54	45	40	50	60	49	41	40	61	83	106
Aframax, 5y ² (USDm)	44	39	31	29	39	46	36	30	31	48	66	85
MR, 5y ² (USDm)	27	29	25	26	27	28	25	24	23	31	38	45
OB ²	129	107	70	56	71	85	91	70	64	62	75	99
OB/Fleet ²	31%	24%	15%	12%	15%	17%	18%	13%	12%	11%	13%	17%

¹Sum during period ²Average during period

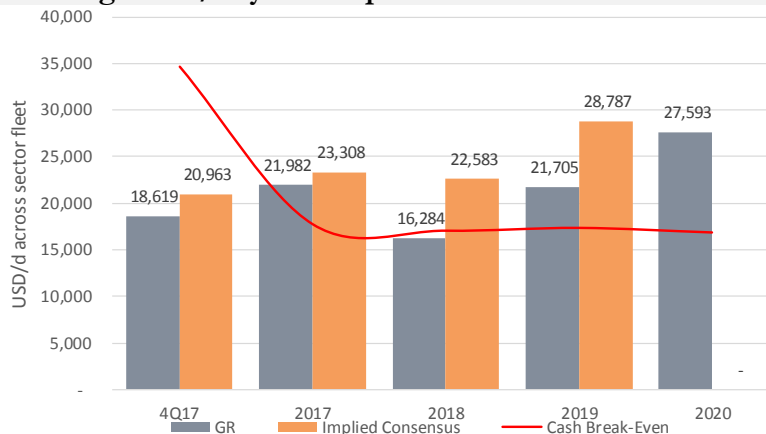


Peer Group

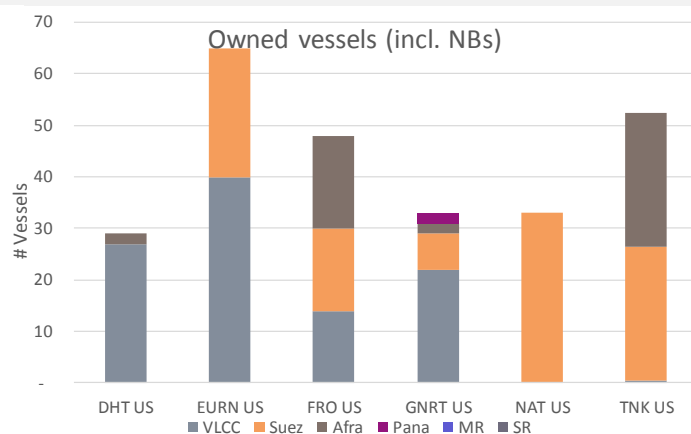
Valuation matrix

USDm	Mcap	Turnover	P/sh	Value	+/-	P/NAV					EV/EBITDA				Liquidity/(GIBD + eq. capex)				FCF yield				Dividend yield			
						NAV	Now	1y fwd	-10%	€	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
DHT US	527	3.1	3.7	3.1	-16%	5.0	0.73	0.97	0.96	0.23	9.1	21.0	7.5	4.2	12%	4%	5%	18%	-60%	-45%	22%	45%	5%	2%	5%	12%
EURN US	1,345	6.1	8.5	8.1	-4%	8.4	1.00	0.86	1.22	0.18	11.5	32.2	8.9	5.1	15%	14%	14%	21%	8%	-12%	17%	29%	2%	1%	8%	18%
FRO US	701	3.3	4.1	2.7	-36%	3.1	1.35	2.46	2.35	0.42	14.0	54.2	12.9	7.2	11%	2%	2%	8%	-79%	-39%	8%	35%	7%	0%	0%	6%
GNRT US	488	3.6	5.9	3.9	-34%	11.7	0.50	0.83	0.68	0.26	40.0	23.6	10.1	5.8	15%	6%	3%	9%	96%	-4%	17%	42%	0%	0%	0%	0%
NAT US	311	6.0	2.2	2.3	7%	2.9	0.76	0.79	0.93	0.18	9.2	23.0	5.7	3.1	30%	22%	15%	25%	1%	-40%	31%	62%	19%	9%	32%	34%
TNK US	344	2.8	1.2	0.5	-60%	1.1	1.17	1.63	2.08	0.44	14.0	33.8	8.5	4.1	7%	0%	-6%	1%	34%	-1%	33%	69%	6%	10%	10%	10%
Average	619	4.1			-24%	0.92	1.26	1.37	0.29		16.3	31.3	8.9	4.9	15%	8%	6%	14%	0%	-24%	21%	47%	6%	4%	9%	13%
Median	507	3.5			-25%	0.88	0.91	1.09	0.25		12.7	27.9	8.7	4.6	14%	5%	4%	13%	5%	-26%	20%	43%	5%	2%	6%	11%

Avg. TCE/day across peer fleet vs consensus



Fleet overview





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