

#drybulk #shipping off to a strong start to weakest part of the year. We expect continued consecutive improvements and see shares +150% in 1y

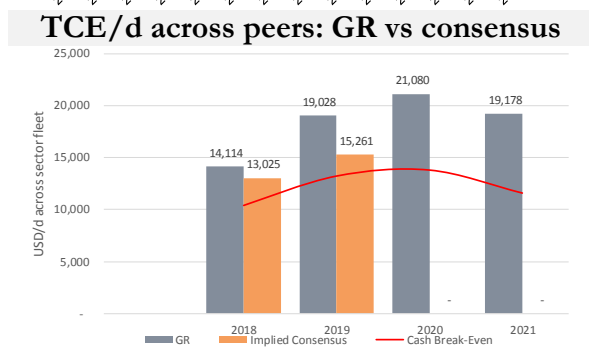
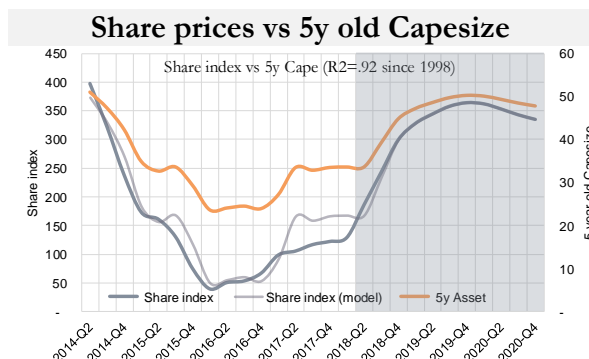
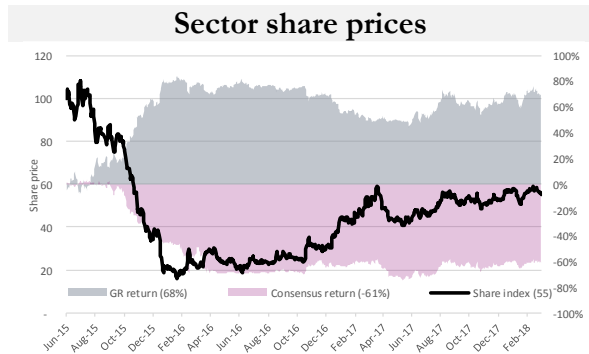
Dry Bulk BUY

Dry Powder Left for the Next Boom

As we stand in the seasonally weakest dry bulk market of the year, we cannot help notice that spot rates YTD are up 25%, 1y time charters are at 3y highs and that FFAs reflect the same. The only pieces missing are a corresponding appreciation in asset and share prices, but we believe it is just a matter of time. Net supply growth of close to zero over the next two years vs a positive demand growth will add to the ongoing cyclical expansion. We reiterate our BUY on dry bulk shipping and see shares potentially 150% higher in one year.

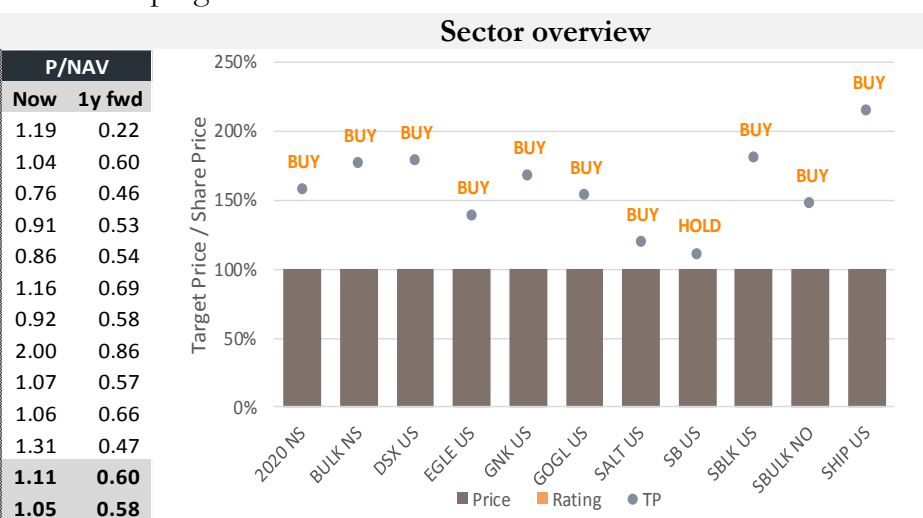
Estimates: We do limited changes to our estimates and forecast utilization to rise steadily from 84% in 2017 to 89% in 2020E, corresponding to Capesize spot rates rising from \$15k/d in 2017 to \$33k/d in 2020E and the market value of a 5y old Cape to rise 50% by 4Q19 from the current \$34m. The latter is further supported by current 1y time charter rates which already implies a fair value of around \$40m (+17%).

Key investment opportunities: Although it is challenging to pinpoint when, we believe dry bulk shares will rally sometime before the year end, spurred on by consecutive years of higher earnings and rising vessel values. Our top picks are: 1) [Star Bulk](#) (BUY, 22) for its cash flows and high elasticity to asset values, 2) [Diana Shipping](#) (BUY, 6.7) for the largest discount to steel in our universe, 3) [Genco Shipping](#) (BUY, 26) for its cash flows and low P/NAV and 4) [GoodBulk](#) (BUY, 212) as an imminent NY listing should reprice this Cape play. The single biggest risk to our bullishness is the developing trade war between the US and the rest of the world.



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| | Sector overview | | Recommendations & upside | | | | P/NAV | |
|----------------|-----------------|------------|--------------------------|-----|-----|------------|-------------|-------------|
| | Mcap | Turnover | Rec. | TP | P | +/- | Now | 1y fwd |
| 2020 NS | 42 | - | BUY | 63 | 40 | 58% | 1.19 | 0.22 |
| BULK NS | 419 | - | BUY | 212 | 120 | 77% | 1.04 | 0.60 |
| DSX US | 405 | 2.2 | BUY | 6.7 | 3.8 | 79% | 0.76 | 0.46 |
| EGLE US | 406 | 2.1 | BUY | 7.7 | 5.6 | 39% | 0.91 | 0.53 |
| GNK US | 536 | 1.5 | BUY | 26 | 16 | 68% | 0.86 | 0.54 |
| GOGL US | 1,220 | 13.4 | BUY | 13 | 8 | 54% | 1.16 | 0.69 |
| SALT US | 586 | 4.4 | BUY | 9.1 | 7.6 | 20% | 0.92 | 0.58 |
| SB US | 356 | 1.8 | HOLD | 3.9 | 3.5 | 11% | 2.00 | 0.86 |
| SBLK US | 781 | 4.8 | BUY | 22 | 12 | 81% | 1.07 | 0.57 |
| SBULK NO | 193 | 1.1 | BUY | 61 | 41 | 48% | 1.06 | 0.66 |
| SHIP US | 36 | 0.2 | BUY | 2.0 | 0.9 | 115% | 1.31 | 0.47 |
| Average | 494 | 3.2 | | | | 59% | 1.11 | 0.60 |
| Median | 412 | 2.0 | | | | 61% | 1.05 | 0.58 |



Source: Gersemi Research, Bloomberg, company data

Disclaimer: The publisher currently has investments in some of the companies covered in this report. More disclaimers at the end of this document



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Company details toward the end of this document:

- 2020 Bulkers
- GoodBulk
- Diana Shipping
- Eagle Bulk
- Genco Shipping
- Golden Ocean
- Scorpio Bulkers
- Star Bulk
- Songa Bulk
- Safe Bulkers
- Seenergy Maritime

Market

Recent developments

The Baltic Dry Index has averaged ~1,180 in 1Q18 (-22% q/q, +25% y/y) with the quarter more or less closed at the time of writing. Capesize spot rates have averaged \$13k/d (-42% q/q, +20% y/y), Panamax \$11k/d (-4% q/q, +38% y/y) and Supramaxes \$10k/d (-2% q/q, +28% y/y).

We estimate a net fleet growth in 1Q18 of 1.1% q/q (2.4% y/y) vs our previous forecast of 0.8%. The change is primarily driven by less scrapping than expected as the improving outlook left owners thinking twice before sending their aging vessels to the beaches. This is somewhat offset by an updated newbuilding delivery forecast of 10.6m dwt, down from 11.5m dwt previously. Also noteworthy is that higher than expected newbuilding contracting YTD leaves us with a new forecast of 9.9m dwt in sum for the quarter vs our previous forecast of 7.3m.

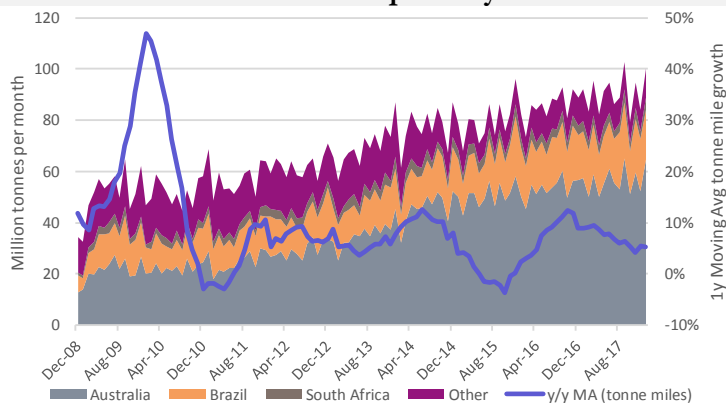
| mDWT | 2017-Q1 | 2017-Q4 | New 2018-Q1E | Old 2018-Q1 | Δ | Δ % |
|---------------------------------|--------------|--------------|-----------------|----------------|-------------|-------------|
| Deliveries ¹ | 18.1 | 3.4 | 10.6 | 11.5 | (0.9) | -8% |
| Scrapping ¹ | (4.6) | (2.2) | (1.5) | (4.5) | 3.0 | -67% |
| Contracting ¹ | 1.2 | 11.6 | 9.9 | 7.3 | 2.6 | 35% |
| Supply² | 807 | 817 | 826 | 824 | 2.3 | 0.3% |
| Δ q/q | | | 1.1% | 0.8% | | |
| Δ y/y | | | 2.4% | 2.1% | | |
| Demand² | 668 | 705 | 698 | 692 | 7 | 1.0% |
| Δ q/q | | | -0.9% | -1.9% | | |
| Δ y/y | | | 4.5% | 3.5% | | |
| Utilization² | 82.8% | 86.3% | 84.5% | 83.9% | 0.6% | |
| Cape, spot ² (TCE/d) | 11,170 | 22,995 | 13,065 | 14,042 | (977) | -7% |
| Cape, 5y ² (USDm) | 27 | 34 | 34 | 41 | (7.7) | -19% |

¹Sum during period ²Average during period

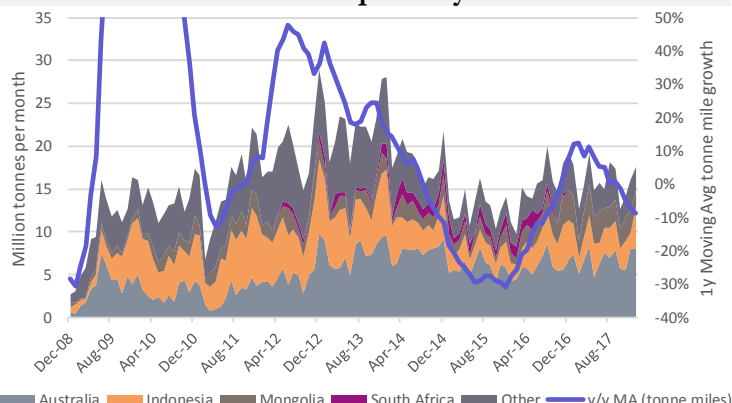
On the other side of the equitation, we now see implied demand growth of -0.9% q/q (4.5% y/y) vs our earlier -1.9% forecast. China has YTD as of February imported 5.4% more iron ore than in the same period last year, and we estimate that the 12-month moving average tonne mile growth is up 5.3% y/y as of end January. Chinese coal imports YTD is up a massive 14.4% y/y. Please see supporting graphs below.

In sum, we estimate fleet utilization in 1Q18 of 84.5% (-1.8%op q/q, +1.7%op y/y), above our previous 83.9% forecast.

Chinese iron ore imports by source



Chinese coal imports by source





Outlook

There has been a lot of focus on the up to 50% forced reduction in output for northern Chinese steel mills during this winter season in an effort to cut emissions. However, we have not seen any impact in iron ore import numbers (+2.2% y/y in Nov-Jan) or Chinese steel output (unch y/y in Nov-Dec). The only anti-pollution effect we can read from these numbers is a continued substitution from low-grade domestic iron ore to high-grade imports. As aforementioned, implied dry bulk shipping demand YTD has been 4.5% y/y (vs our forecast of 3.5%). This is in-line with our full-year 2018 forecast of 4.4% demand growth.

Against this, we forecast very low net supply growth of 2.1%, 1.2% and 2.3% in 2018/'19/'20 respectively, comparative to the historical average of 5.1% since 1989. Both 2018 and 2019 are fairly transparent as the orderbook is more or less closed for these years, although our elevated scrapping estimate in 2019 and 2020 due to new emission regulations has a fairly wide range of outcomes.

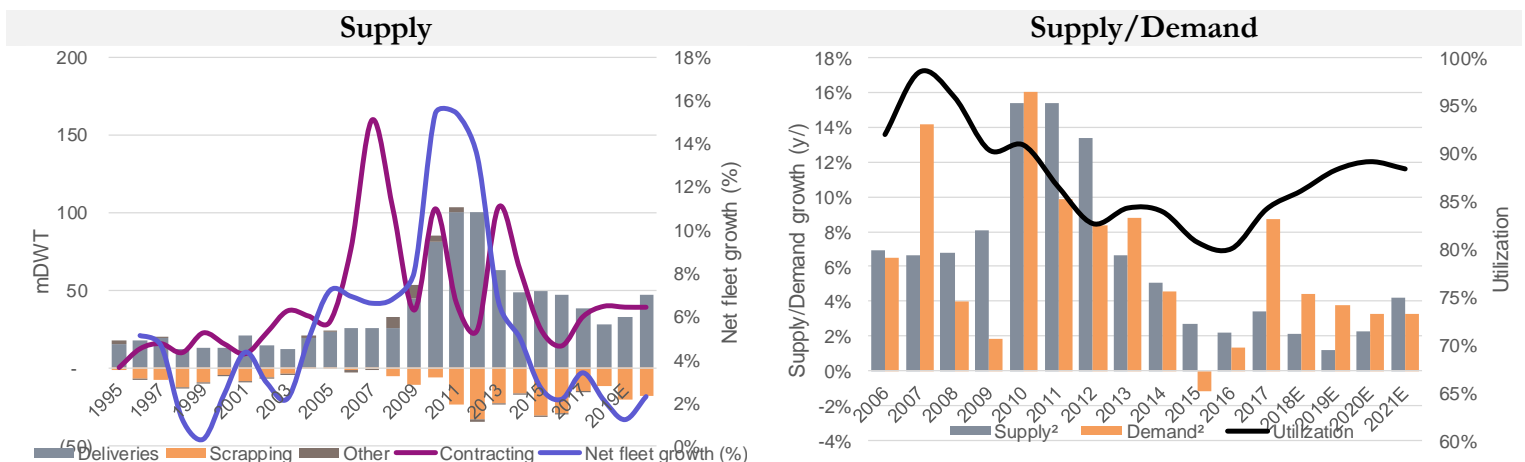
Combining the two sides equates to a utilization forecast of 86% in 2018 (+2%p y/y), 88% in 2019 and 89% in 2020. This fleet utilization forecast implies a BDI average of 1,515 in 2018 (+32% y/y), 2,010 in 2019 and 2,208 in 2020. For Capes, we forecast TCE spot rates to average \$21k/d (+36% y/y) in 2018, \$30k/d in 2019 and \$33k/d in 2020.

| Delta table: Dry bulk shipping forecast summary | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|-------------------------|---------------|---------------|---------------|---------------|
| Δ y/y | 2018E | 2019E | 2020E | 2021E | Average | 2018E | 2019E | 2020E | 2021E |
| Supply | 2.1% | 1.2% | 2.3% | 4.2% | Baltic Dry Index | 1,515 | 2,010 | 2,208 | 2,013 |
| Supply, old | 1.7% | 1.8% | 2.4% | 3.3% | BDI, old | 1,606 | 1,883 | 2,055 | 2,049 |
| Δ | 0.5% | -0.5% | -0.1% | 0.8% | Δ | (91) | 126 | 153 | (36) |
| Demand | 4.4% | 3.8% | 3.3% | 3.3% | Capesize spot | 20,639 | 29,992 | 33,492 | 30,051 |
| Demand, old | 4.4% | 3.3% | 3.3% | 3.3% | Capesize spot, old | 22,882 | 27,767 | 30,789 | 30,694 |
| Δ | 0.0% | 0.5% | 0.0% | 0.0% | Δ | (2,242) | 2,225 | 2,703 | (643) |
| Utilization | 86.0% | 88.2% | 89.1% | 88.3% | Capesize 5y | 37.8 | 48.9 | 48.9 | 47.0 |
| Utilization, old | 86.4% | 87.7% | 88.5% | 88.4% | Capesize 5y, old | 42.8 | 46.6 | 47.7 | 47.9 |
| Δ | -0.4% | 0.5% | 0.6% | -0.1% | Δ | (5.0) | 2.4 | 1.2 | (0.9) |

Given the forward-looking nature of share and asset prices, and the historical significant relationship between the two;

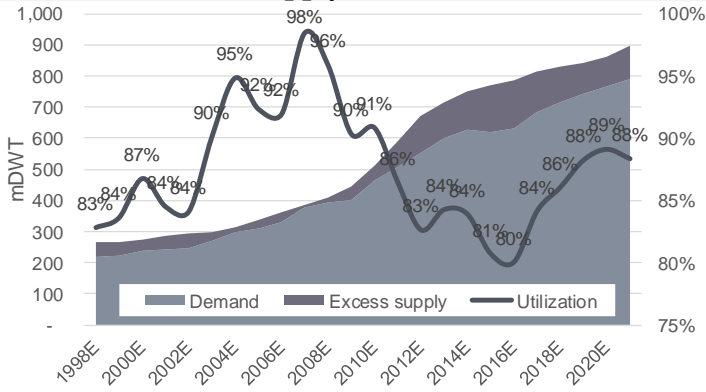
$$P_{shares} = f[P_{5y\ capex}] = f[1y\ TC_{5y\ capex}] = f[E(1y\ fwd\ spot\ revenue_{5y\ capex})], R^2 = 0.92\ since\ 1998$$

we believe that share prices on average could appreciate 150% in value over the next year, leaving investors that entered dry bulk shares in 1Q16 with a handsome ~720% return on their investment (CAGR of ~100%). Whether this potential share price appreciation will occur over the next six months or later is however highly uncertain.

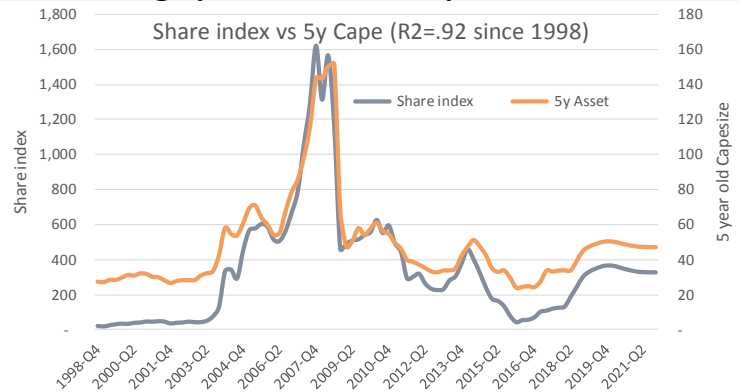




Supply/Demand



Shares highly correlated with 5y old vessel values

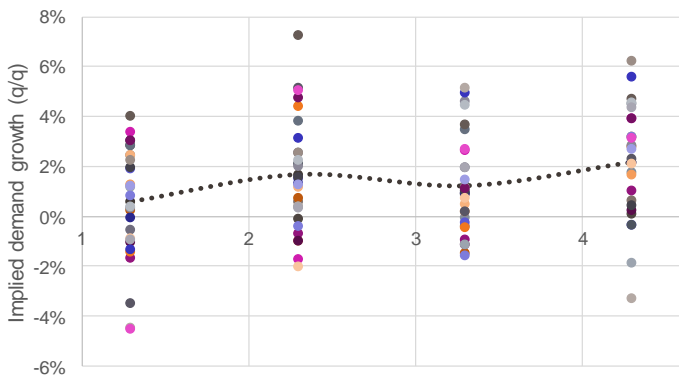


Seasonality

Looking at the history, demand for dry bulk shipping has exhibited seasonal properties. Since 1989, demand has on average grown by 1.2-2.2% q/q in 2Q-4Q vs 0.6% in 1Q which seasonally is the weakest period. Looking at just the last 12 years, the pattern is even more profound with average growth of 2.7-3.1% in 2Q-4Q and negative 0.4% growth on average in 1Q. As aforementioned, we estimate the implied demand growth in 1Q18 at negative 0.9% q/q, fitting nicely into the historical seasonal pattern.

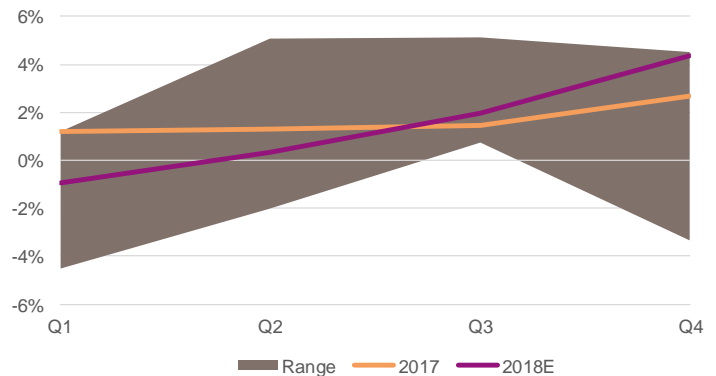
Historically strong demand growth in 2Q/3Q

Implied demand growth q/q since 1989



Demand growth last 5y vs 2018E

Implied demand growth q/q, last 5y

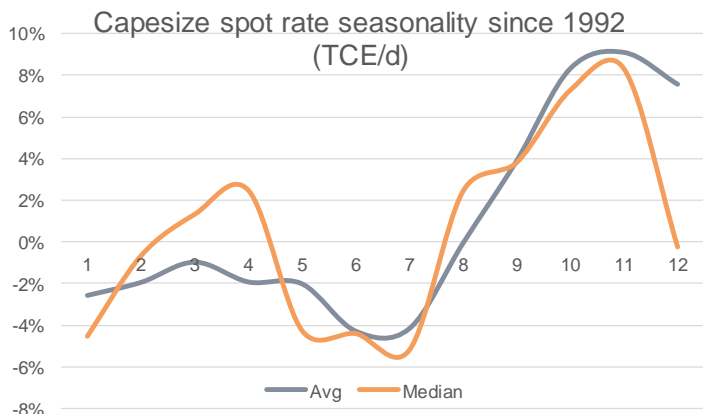


Unsurprisingly, we can find a similar seasonal pattern in historical dry bulk spot earnings, but with some variations between the vessel classes. It is also worth noting that 1Q shows weaker earning seasonality and 4Q stronger than would be expected purely based on demand dynamics. This can be explained by supply growth which across shipping tends to be higher in 1Q than in 4Q as owners push delivery into the new year to get a better “timestamp” on their asset.

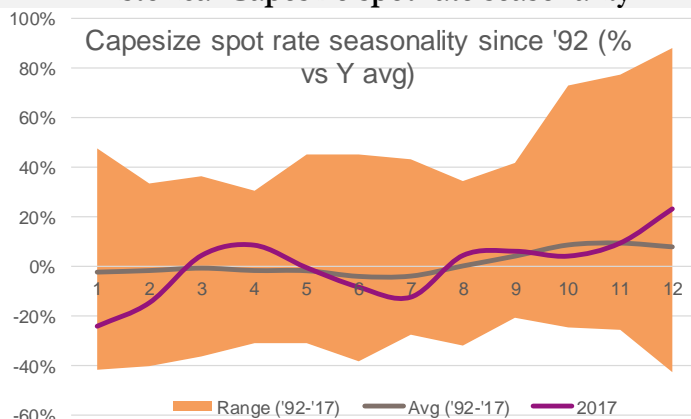
For Capesizes, the peak season is without doubt from August/September to November/December where spot rates have averaged 7% above the annual average since 1992. Spring and autumn are the traditional construction seasons in China with high demand for steel, whereas winter is impacted by cold weather in the north and the summers tend to be too hot. On the iron ore supply side, the Brazilian rainy season runs from November and through May, often impacting export infrastructure. This also coincides with the Australian cyclone season, affecting iron ore and coal exports. In addition, the West Pacific typhoon season typically runs from May to October and can cause discharge challenges and port congestion.



Historical Capesize spot rate seasonality

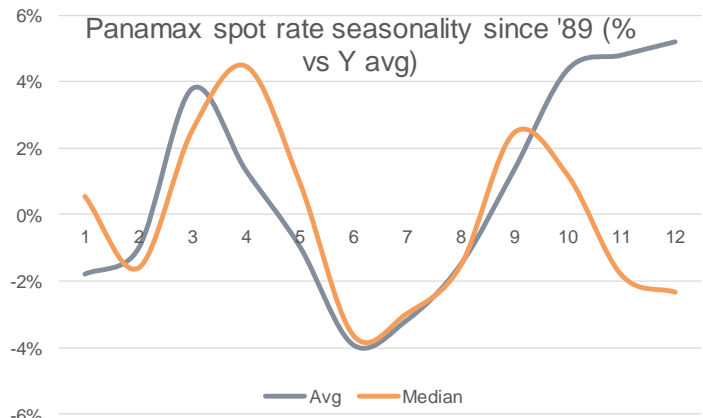


Historical Capesize spot rate seasonality

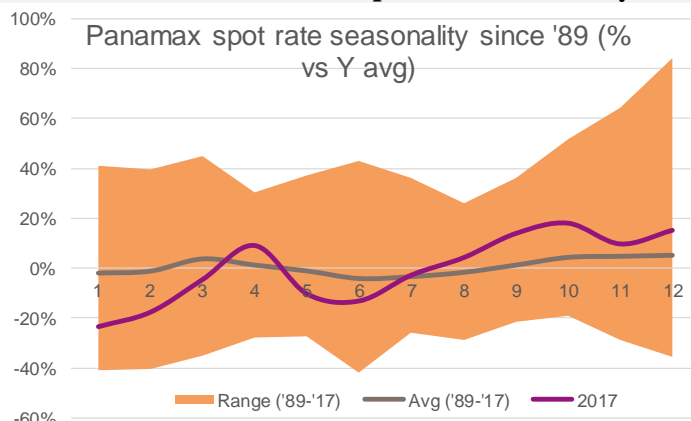


For Panamax and Supramaxes there two distinct seasons, one in the spring and one during autumn. These seasons have several drivers, with agricultural exports one of the major. The South American grain season is a significant contributor from around March, while grain exports out of the Black Sea typically heats up in late summer.

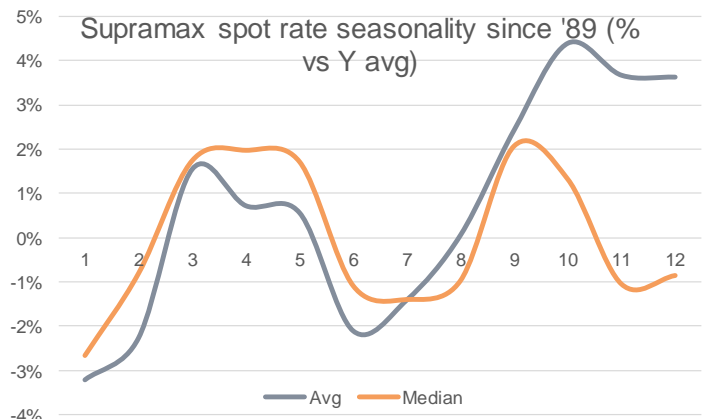
Historical Panamax spot rate seasonality



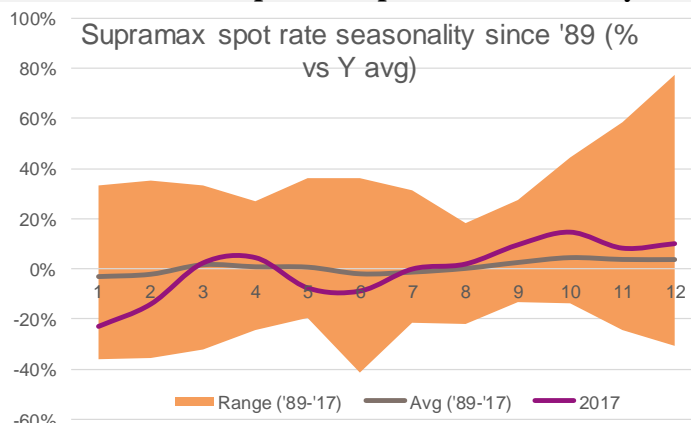
Historical Panamax spot rate seasonality



Historical Supramax spot rate seasonality



Historical Supramax spot rate seasonality

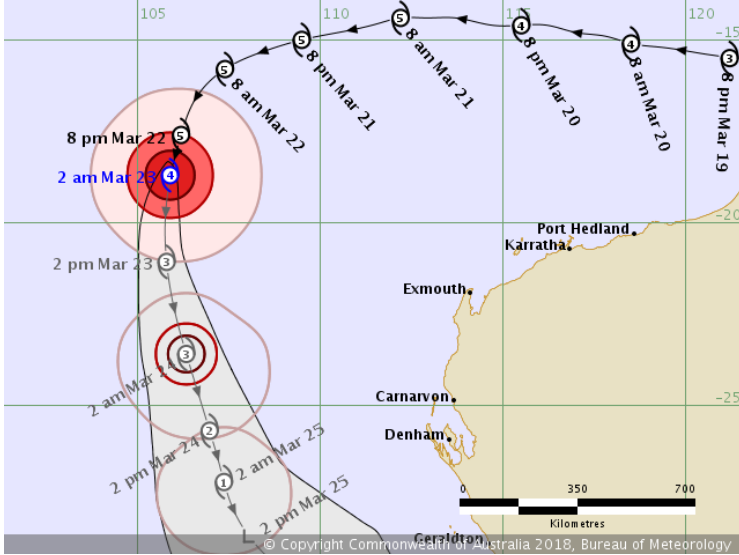


In sum, Panas and Supras are in the early stages of a seasonal strong period, while Capes have limited downside as earnings currently are close to opex. More specifically, several independent issues have led to the low Capesize rates at present, including: 1) Heavy rainfall and an accident in Brazil having caused delays at ports Tubarao and Acu, 2) cyclone Marcus has impacted loading around Port Hedland (see map below) and 3) Saldanha Bay has declared Force Majeure due to a derailment. Most of these incidents ties back into the seasonality but should be alleviated somewhat in the very short term, leading to higher

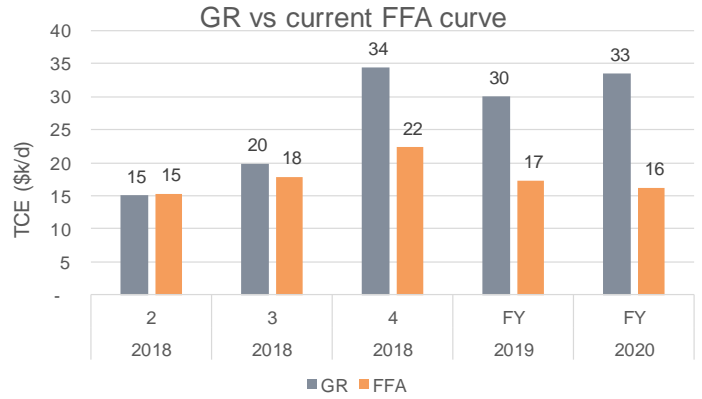


spot rates for Capes in the coming weeks. Investors should keep in mind that Capesize spot rates YTD are 41% above the same period last year, and the FFA curve supports our view of rising earnings ahead. We currently forecast average Capesize earnings of \$34k/d in the seasonally strong 4Q18 with peaks towards \$45k/d.

Cyclone Marcus off the west coast of Australia



Gersemi Research vs Capesize FFA curve



Asset Valuation

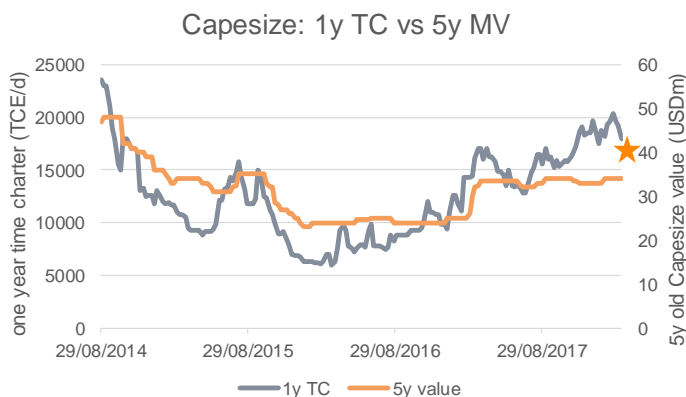
One would expect the market value of a vessel to be a function of its future cash generation, amongst other things. This is very much true, empirically described through a simple univariate regression model which shows that the one-year time charter rate almost fully explains the valuation of a five-year-old Capesize, represented by a Pearson's R^2 of 0.92 on a quarterly basis since 1998.

Recent chatter has revealed one-year time charters for modern Capes up towards \$23k/d, although brokers are currently quoting 1y TCs at around \$19k/d. As an example, Diana Shipping today announced a TC of 11-13 months for its 2015-built Capesize New Orleans at gross \$21,000/d.

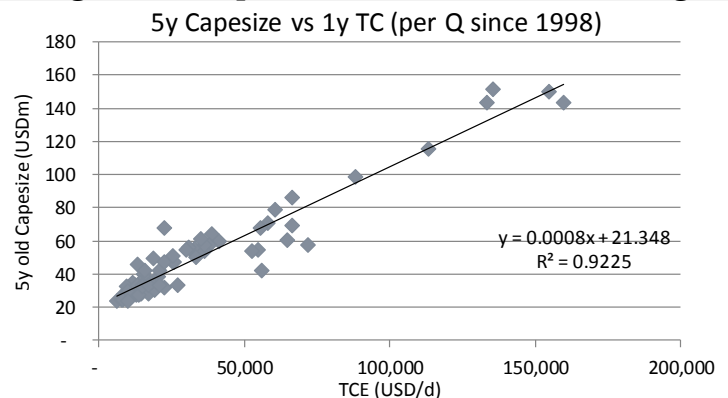
The pivotal question is thus, what is the implied fair value of a 5y Cape given the current 1y TC, and why is it so misaligned?

Current broker quotes for a 5y old Cape is around \$34m, similar to what we estimate in-house based on recent S&P transactions and current sentiment in the S&P market. Applying a low broker estimate of a 1y TC at \$18k/d to our regression model implies a fair value for a 5y Cape at \$37m (+10% vs current valuation). Similarly, Diana's \$21k/d TC implies a \$40m valuation (+17%) and the high point of \$23k/d equates to \$41m (+22%). The situation is thus unsustainable. Either 1y TC will come down, or 5y asset values will appreciate. The former might develop in the short term due to seasonality in sentiment from spot rates, but most likely not down to a 1y TC of \$14k/d which is implied in the \$34m vessel valuation. Our base case is for further rising 1y TCs towards the end of the year, and that asset prices will have to catch-up and increase even more to restore the economical equilibrium between future earnings capacity and the price of the asset. This forms the foundation for our forecast of share prices on average appreciating ~150% over the next year.

Capesize 1y time charter vs 5y old vessel valuation



Regression: Capesize valuation vs future earnings

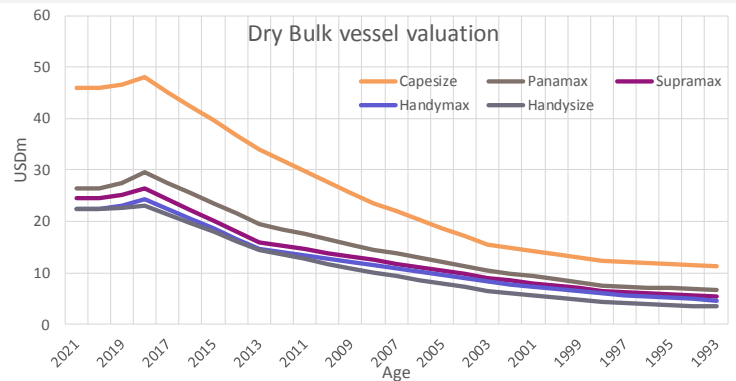




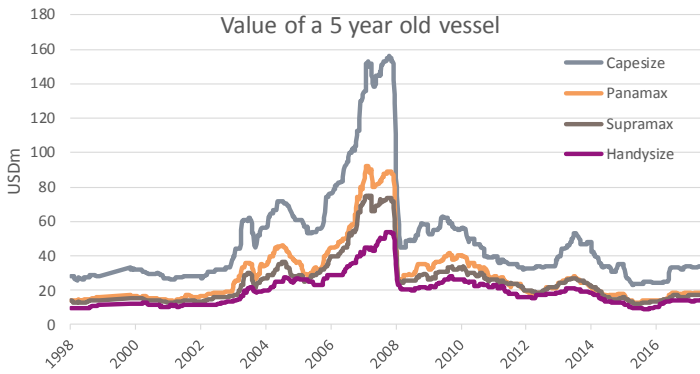
Asset valuation overview

| Summary | Capesize | Panamax | Supramax | Handymax | Handysize |
|---------------|----------|---------|----------|----------|-----------|
| NB | 46.0 | 26.5 | 24.5 | 22.5 | 22.5 |
| resale | 48.0 | 29.5 | 26.5 | 24.3 | 23.0 |
| 5y | 34.0 | 19.5 | 16.0 | 14.7 | 14.5 |
| 10y | 23.5 | 14.5 | 12.5 | 11.5 | 10.0 |
| 15y | 15.5 | 10.5 | 9.0 | 8.3 | 6.5 |
| 20y | 12.3 | 7.5 | 6.5 | 6.0 | 4.3 |
| scrap | 11.3 | 6.6 | 5.4 | 4.7 | 3.4 |

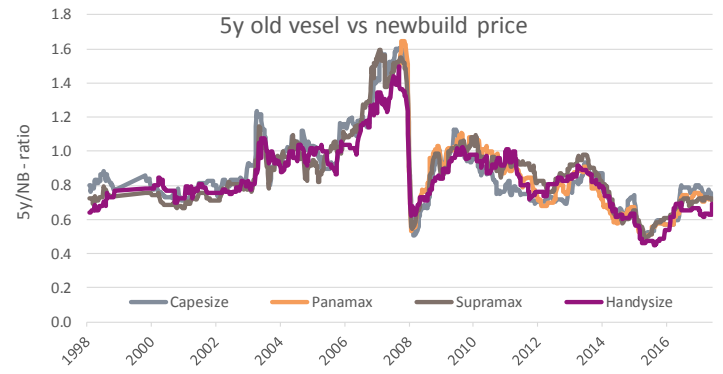
Asset valuation overview



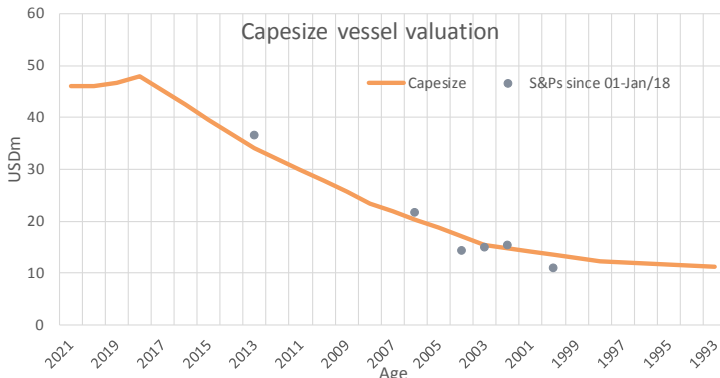
Historical 5y old vessel values



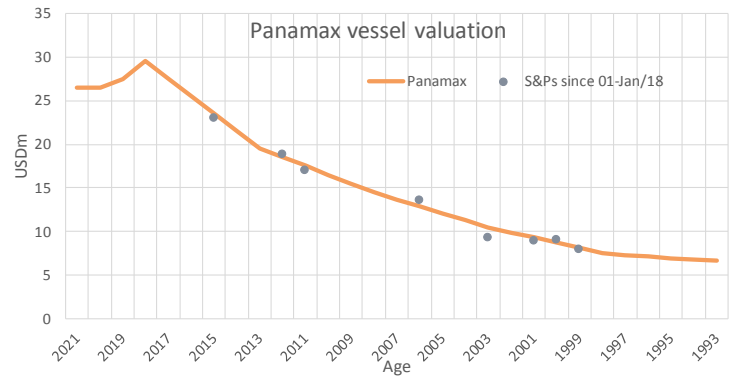
Historical price ratio, 5y/newbuild



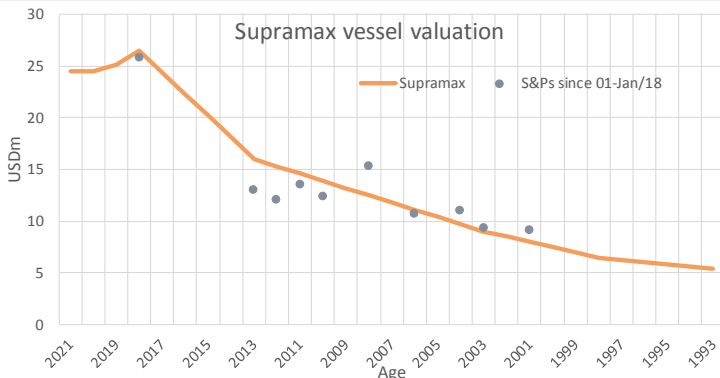
Capesize valuation vs recent S&Ps



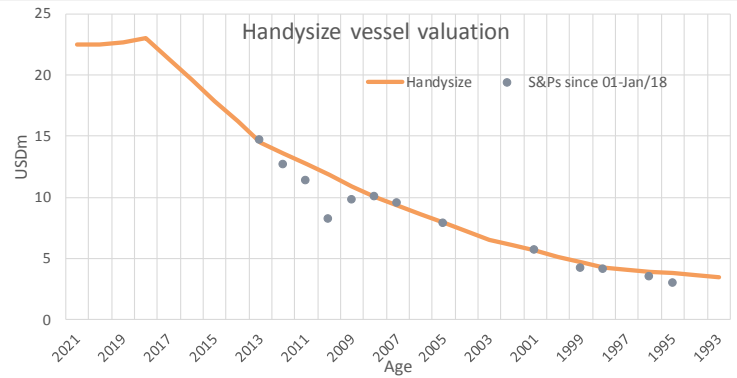
Pana-/Kamsarmax valuation vs recent S&Ps



Supra-/Ultramax valuation vs recent S&Ps

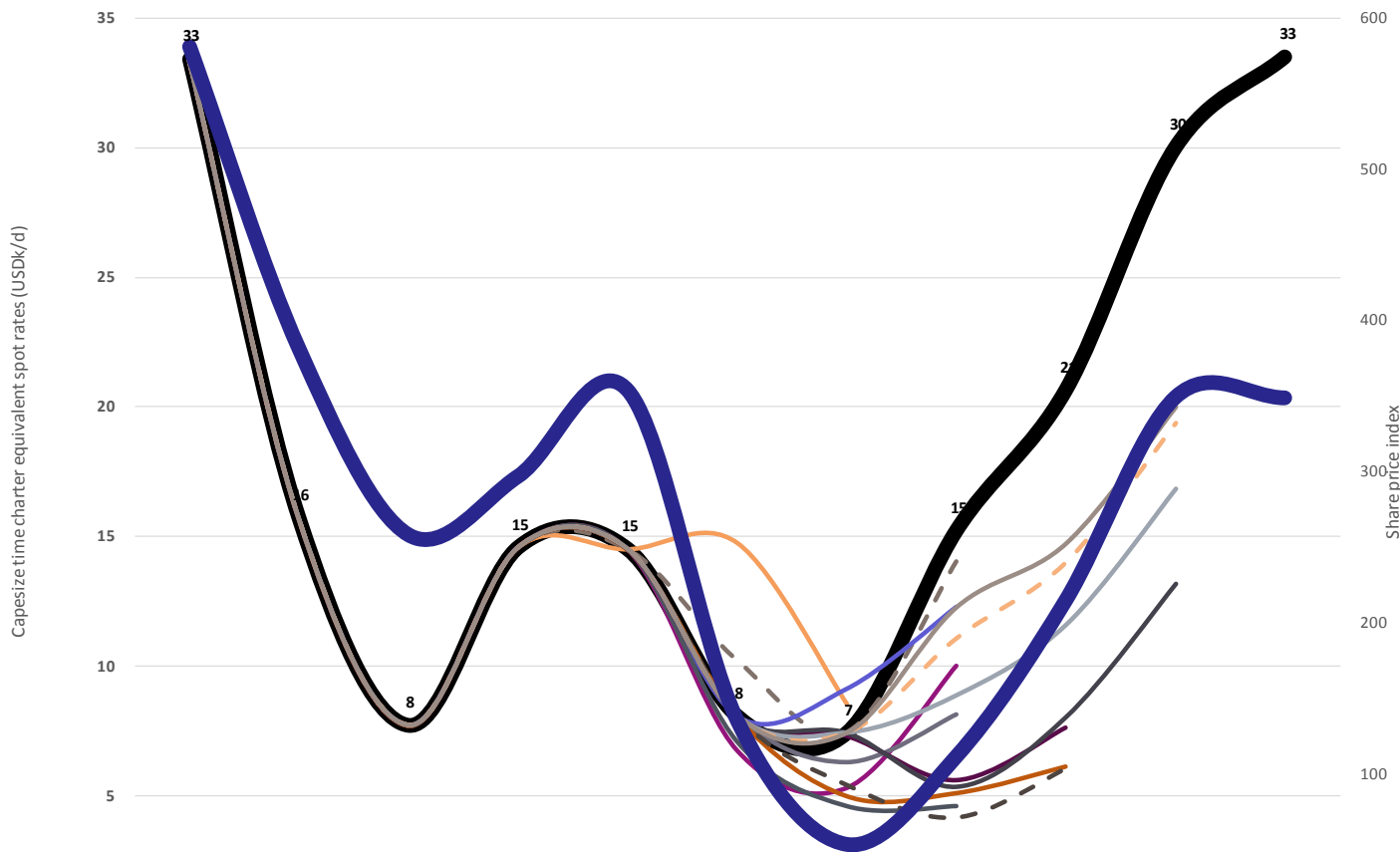


Handysize valuation vs recent S&Ps





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 |
|-------------------|--------|--------|-------|--------|--------|--------|-------|--------|--------|--------|--------|
| Actuals/Forecast | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 8,074 | 7,421 | 15,215 | 20,639 | 29,992 | 33,492 |
| Dec/14 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 14,759 | 8,541 | | | | |
| Apr/15 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 10,233 | 7,459 | 14,044 | | | |
| May/15 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 6,762 | 5,315 | 10,026 | | | |
| Jun/15 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 8,068 | 9,121 | 12,287 | | | |
| Aug/15 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 8,162 | 6,308 | 8,149 | | | |
| Dec/15 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 7,074 | 4,582 | 4,582 | | | |
| Apr/16 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 8,074 | 5,007 | 5,120 | 6,146 | | |
| Jul/16 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 8,074 | 5,406 | 4,143 | 6,029 | | |
| Nov/16 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 8,074 | 7,296 | 5,588 | 7,616 | | |
| Jan/17 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 8,074 | 7,421 | 5,346 | 8,047 | 13,180 | |
| Feb/17 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 8,074 | 7,421 | 8,865 | 11,591 | 16,837 | |
| Apr/17 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 8,074 | 7,421 | 11,065 | 14,005 | 19,377 | |
| Jun/17 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 8,074 | 7,421 | 12,266 | 14,732 | 19,997 | |
| Sep/17 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 8,074 | 7,421 | 13,419 | 17,970 | 22,897 | |
| Jan/18 | 33,406 | 15,699 | 7,717 | 14,578 | 14,515 | 8,074 | 7,421 | 15,215 | 22,882 | 27,767 | 30,789 |
| Share index (rhs) | 581 | 381 | 258 | 297 | 354 | 135 | 53 | 111 | 215 | 349 | 349 |



Peer Group

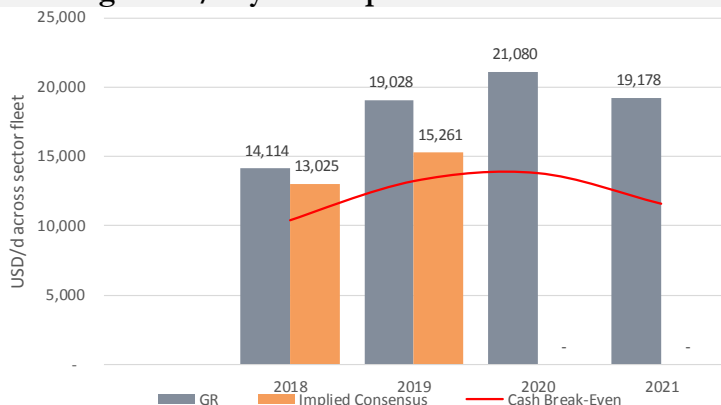
Valuation matrix I

| USDm | Mcap | Turnover | P/sh | Value | +/- | P/NAV | | | | | EV/GAV | EV/EBITDA | | | | P/E (adj.) | | | |
|----------|-------|----------|------|-------|------|-------|------|--------|------|------|--------|-----------|------|------|------|------------|------|------|------|
| | | | | | | NAV | Now | 1y fwd | +50% | ε | | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| 2020 NS | 42 | - | 40 | 62 | 56% | 34 | 1.19 | 0.22 | 0.19 | 1.03 | 1.02 | | 31.9 | 4.1 | 3.6 | | 17.1 | 1.7 | 1.8 |
| BULK NS | 419 | - | 120 | 211 | 76% | 116 | 1.04 | 0.60 | 0.62 | 0.13 | 1.03 | 5.3 | 2.9 | 2.3 | 2.3 | 5.4 | 2.9 | 2.5 | 2.9 |
| DSX US | 405 | 2.2 | 3.8 | 6.7 | 79% | 4.9 | 0.76 | 0.46 | 0.39 | 0.19 | 0.88 | 6.9 | 2.9 | 1.8 | 1.4 | 8.8 | 2.4 | 1.8 | 2.1 |
| EGLE US | 406 | 2.1 | 5.6 | 7.7 | 38% | 6.1 | 0.91 | 0.53 | 0.52 | 0.15 | 0.95 | 8.8 | 4.8 | 3.8 | 4.1 | 56.8 | 6.3 | 4.5 | 5.5 |
| GNK US | 536 | 1.5 | 15.5 | 26 | 68% | 18.0 | 0.86 | 0.54 | 0.50 | 0.15 | 0.91 | 5.9 | 3.3 | 2.5 | 2.1 | 12.8 | 3.8 | 2.8 | 3.2 |
| GOGL US | 1,220 | 13.4 | 8.5 | 13.0 | 54% | 7.3 | 1.16 | 0.69 | 0.58 | 0.20 | 1.07 | 8.7 | 4.8 | 3.9 | 4.2 | 10.7 | 4.0 | 3.2 | 3.8 |
| SALT US | 586 | 4.4 | 7.6 | 9.2 | 22% | 8.2 | 0.92 | 0.58 | 0.46 | 0.20 | 0.96 | 10.5 | 6.4 | 5.0 | 5.4 | 42.2 | 7.2 | 5.2 | 6.3 |
| SB US | 356 | 1.8 | 3.5 | 3.9 | 12% | 1.8 | 2.00 | 0.86 | 0.68 | 0.39 | 1.25 | 7.2 | 4.7 | 3.8 | 4.1 | 14.1 | 4.9 | 3.6 | 4.5 |
| SBLK US | 781 | 4.8 | 12.2 | 22 | 83% | 11.4 | 1.07 | 0.57 | 0.51 | 0.21 | 1.03 | 6.0 | 3.6 | 2.9 | 3.1 | 6.7 | 3.0 | 2.4 | 2.9 |
| SBULK NO | 193 | 1.1 | 41.3 | 61 | 47% | 38.9 | 1.06 | 0.66 | 0.58 | 0.17 | 1.04 | 7.2 | 4.3 | 3.4 | 3.6 | 7.1 | 3.7 | 3.0 | 3.5 |
| SHIP US | 36 | 0.2 | 0.93 | 2.0 | 117% | 0.71 | 1.31 | 0.47 | 0.40 | 0.46 | 1.07 | 4.9 | 2.4 | 1.6 | 1.2 | 3.7 | 1.4 | 1.0 | 1.2 |
| Average | 453 | 2.9 | | | 59% | | 1.12 | 0.56 | 0.49 | 0.30 | 1.02 | 7.1 | 6.5 | 3.2 | 3.2 | 16.8 | 5.2 | 2.9 | 3.4 |
| Median | 406 | 1.8 | | | 56% | | 1.06 | 0.57 | 0.51 | 0.20 | 1.03 | 7.1 | 4.3 | 3.4 | 3.6 | 9.8 | 3.8 | 2.8 | 3.2 |

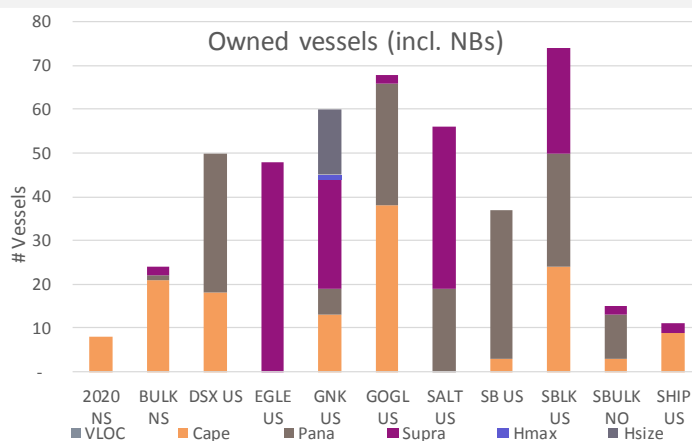
Valuation matrix II

| USDm | Mcap | Turnover | P/sh | Value | +/- | adj. Equity | Liquidity/(GIBD + eq. capex) | | | | FCF yield | | | | Dividend yield | | | |
|----------|-------|----------|------|-------|------|-------------|------------------------------|------|------|------|-----------|------|------|------|----------------|------|------|------|
| | | | | | | | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| 2020 NS | 42 | - | 40 | 62 | 56% | 9% | 27% | 8% | 27% | 43% | | | | 55% | 0% | 0% | 0% | 0% |
| BULK NS | 419 | - | 120 | 211 | 76% | 71% | 32% | 54% | 85% | 117% | -38% | 40% | 46% | 40% | 9% | 31% | 34% | 30% |
| DSX US | 405 | 2.2 | 3.8 | 6.7 | 79% | 45% | 10% | 24% | 56% | 136% | 27% | 57% | 71% | 62% | 7% | 16% | 23% | 18% |
| EGLE US | 406 | 2.1 | 5.6 | 7.7 | 38% | 56% | 24% | 31% | 41% | 52% | 10% | 26% | 32% | 28% | 7% | 15% | 21% | 18% |
| GNK US | 536 | 1.5 | 15.5 | 26 | 68% | 53% | 38% | 42% | 54% | 102% | 21% | 40% | 49% | 44% | 15% | 32% | 29% | 13% |
| GOGL US | 1,220 | 13.4 | 8.5 | 13.0 | 54% | 40% | 22% | 26% | 32% | 37% | 2% | 33% | 38% | 34% | 12% | 21% | 27% | 23% |
| SALT US | 586 | 4.4 | 7.6 | 9.2 | 22% | 45% | 10% | 17% | 22% | 28% | 5% | 24% | 29% | 25% | 5% | 10% | 9% | 14% |
| SB US | 356 | 1.8 | 3.5 | 3.9 | 12% | 23% | 19% | 23% | 25% | 27% | 18% | 40% | 47% | 42% | 4% | 24% | 36% | 31% |
| SBLK US | 781 | 4.8 | 12.2 | 22 | 83% | 39% | 27% | 32% | 39% | 46% | 13% | 44% | 52% | 46% | 11% | 30% | 38% | 33% |
| SBULK NO | 193 | 1.1 | 41.3 | 61 | 47% | 52% | 27% | 27% | 27% | 27% | 4% | 30% | 38% | 33% | 15% | 19% | 25% | 22% |
| SHIP US | 36 | 0.2 | 0.93 | 2.0 | 117% | 20% | 7% | 15% | 33% | 64% | 43% | 89% | 112% | 102% | 14% | 27% | 46% | 42% |
| Average | 453 | 2.9 | | | 59% | 41% | 22% | 27% | 40% | 62% | 11% | 42% | 51% | 46% | 9% | 20% | 26% | 22% |
| Median | 406 | 1.8 | | | 56% | 45% | 24% | 26% | 33% | 46% | 11% | 40% | 47% | 42% | 9% | 21% | 27% | 22% |

Avg. TCE/day across peer fleet vs consensus



Fleet overview



SSBLK (#BUY, 22): If Cash is King, #StarBulk would be a top contender for the throne as the expansionary #drybulk cycle matures in '19/'20

SBLK-US

BUY/TP 22

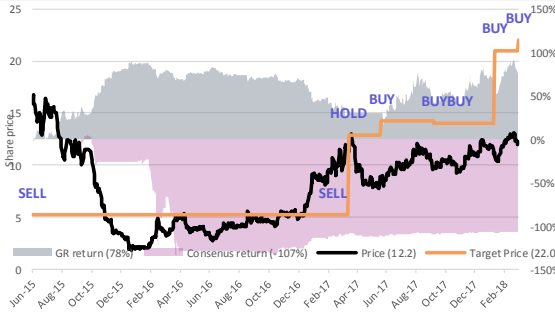
Cash Cow

With Star Bulk's low cash breakeven and high operational leverage, the company is poised to deliver massive cash generation as the current expansionary phase of the cycle matures. A financial leverage slightly above the peer median also leaves a potential 2x share price upside given our view of a 50% asset price appreciation by 4Q19. We reiterate our BUY with a \$22/sh target price as Star Bulk remains one of our top picks in dry bulk shipping.

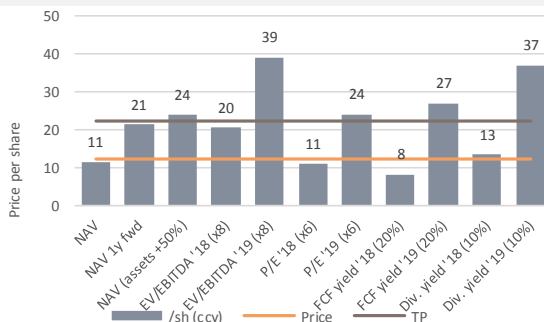
Company overview: Star Bulk has a fleet 74 vessels, including two Newcastlemax newbuildings scheduled for delivery in April 2018. The fleet is a balanced blend from Newcastlemaxes to Supramaxes, with an average age of ~8.5 years on a fully delivered basis. The company has a low operational cash breakeven vs peers and a massive cash position, enabling a high pay-out ratio and potentially opportunistically M&A.

Investment case: We estimate a massive 83% upside to the current share price over the next year (peer median 56%) based on our view of improving earnings and asset values ahead. Although Star Bulk is currently priced at a P/NAV of 1.07 (peers 1.06), we find strong support in forward P/NAV of 0.58 (0.57) and EV/EBITDA of 3.6x and 2.9x in 2019 and 2020, respectively. Even more enticing is the estimated FCF yield of 44% in 2019 (peers 40%) and 52% in 2020 (47%). Assuming a pay-out ratio of ~90%, the potential dividend yield is a massive 30% in 2019 (peers 21%) and 38% in 2020.

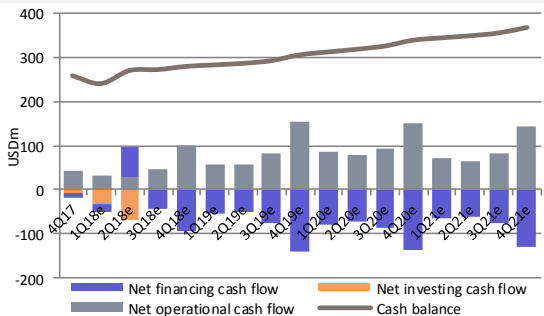
Share price vs target price



Valuation matrix



Cash & cash flows



Gersemi Research / Analysts

Joakim Hannisdahl

Head of Research

research@gersemiresearch.com

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|--------------|------|------|------|------|
| Net sales | 405 | 541 | 598 | 542 |
| EBITDA | 256 | 391 | 448 | 391 |
| EBIT | 168 | 303 | 359 | 303 |
| PTP | 117 | 256 | 320 | 270 |
| Net earnings | 117 | 256 | 320 | 270 |
| EPS | 1.82 | 4.00 | 4.99 | 4.22 |
| DPS | 1.33 | 3.68 | 4.66 | 4.05 |

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------|-------|-------|-------|-------|
| Fwd NAV | 1,361 | 1,777 | 1,951 | 2,164 |
| Adj. equity ratio | 56% | 65% | 68% | 72% |
| FCF yield | 13% | 44% | 52% | 46% |
| Dividend yield | 11% | 30% | 38% | 33% |
| EV/EBITDA | 6.0 | 3.6 | 2.9 | 3.1 |
| P/E (adj.) | 6.7 | 3.0 | 2.4 | 2.9 |

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|--------|--------|--------|--------|
| Net operational cash flow | 205 | 345 | 409 | 359 |
| Free cash flow | 105 | 345 | 409 | 359 |
| Net cash flow | 21 | 26 | 33 | 29 |
| TCE/day | 15,061 | 20,005 | 22,074 | 20,040 |
| Cash break-even | 11,081 | 10,341 | 9,825 | 9,368 |
| Liquidity | 279 | 305 | 339 | 368 |
| Property & Equip. (incl. NBs) | 1,836 | 1,748 | 1,659 | 1,570 |
| Total equity | 1,120 | 1,141 | 1,162 | 1,172 |
| Interest bearing debt | 1,029 | 946 | 870 | 799 |
| Net interest bearing debt | 750 | 641 | 531 | 432 |
| Market Cap. | 781 | 781 | 781 | 781 |
| Enterprise value | 1,531 | 1,422 | 1,312 | 1,213 |
| Capex | 101 | - | - | - |

Source: Gersemi Research, Bloomberg, company data

Disclaimer: The publisher currently owns shares in the company. More disclaimers at the end of this document

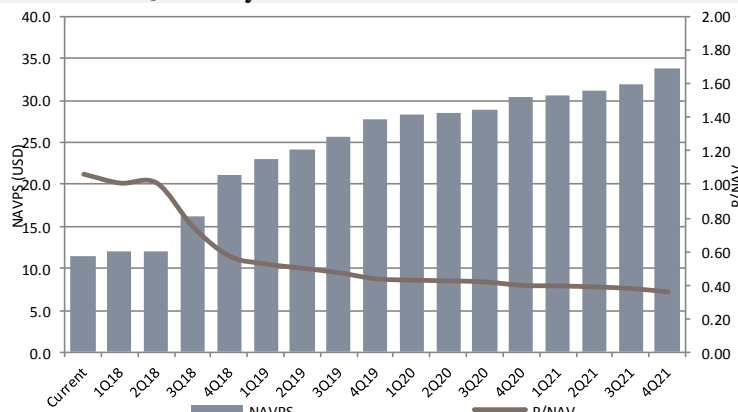


Valuation

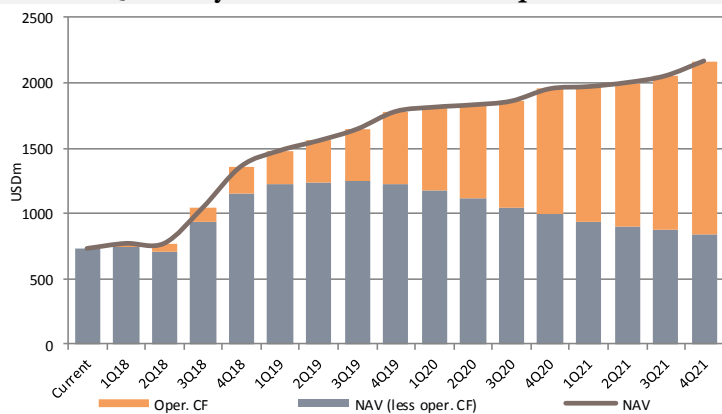
Valuation & target price

| Net asset values | | | |
|--------------------------|--------------|--------------|--------------|
| USDm | 4Q17 | Fair value | Implied |
| Primary assets | 1,824 | 1,570 | 1,616 |
| Contract value | 0 | -1 | -1 |
| Other | 64 | 64 | 66 |
| GAV | 1,888 | 1,634 | 1,682 |
| Net debt | -769 | -769 | -769 |
| Capex | 0 | -101 | -101 |
| Other | -31 | -31 | -31 |
| NAV | 1,088 | 734 | 781 |
| Shares | 64 | 64 | 64 |
| NAVPS | 17.0 | 11.4 | 12.2 |
| Share price | 17 | 11 | 12 |
| P/NAV | 0.72 | 1.07 | 1.00 |
| EV/GAV | 0.89 | 1.03 | 1.00 |
| Adj. Total Assets | 2,146 | 1,893 | 1,938 |
| Adj. Equity Ratio | 51% | 39% | 40% |
| Target price | USD | 22 | 83% |

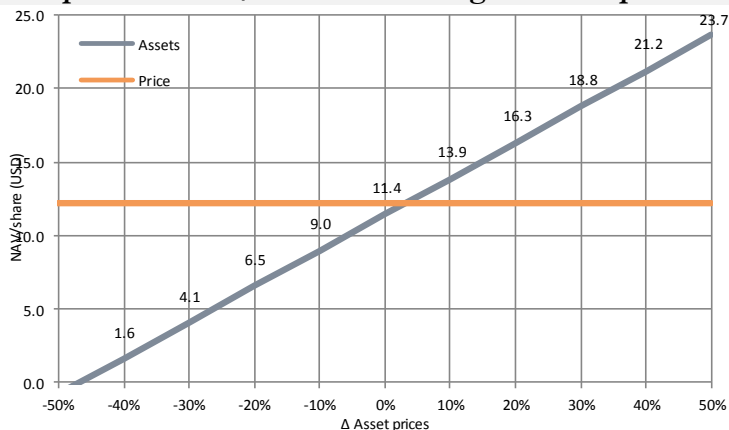
Quarterly forward NAV & P/NAV



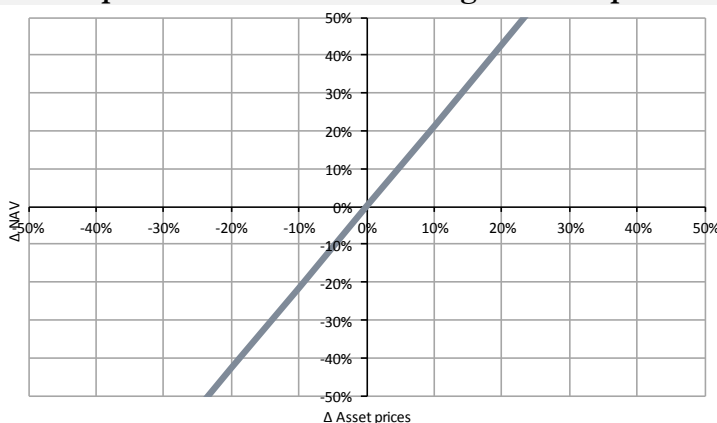
Quarterly forward NAV decomposition



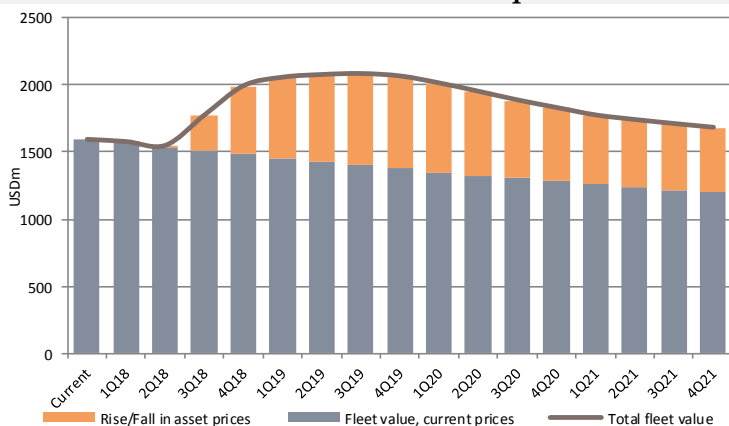
Impact on NAV/sh from % change in asset prices



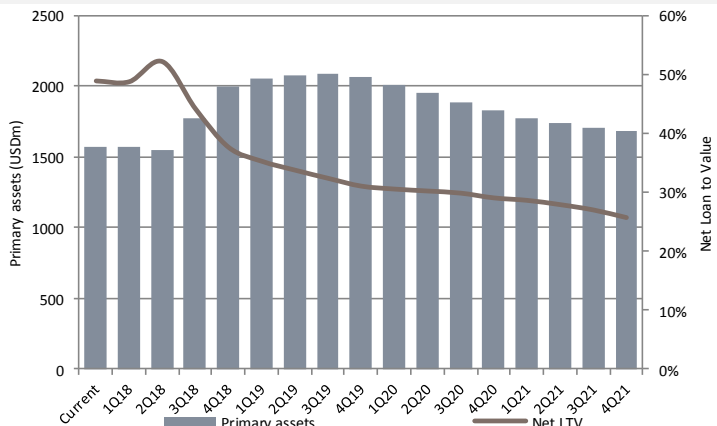
% Impact on NAV from % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value





Estimate Changes

Profit & Loss

| Estimate changes USDm | New | | | | Old | | | | Change | | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------------------|------|------|------|---|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | |
| Net sales | 405 | 541 | 598 | 542 | 426 | 505 | 555 | 542 | -20 | 36 | 43 | - | |
| EBITDA | 256 | 391 | 448 | 391 | 271 | 350 | 399 | 391 | -14 | 41 | 49 | - | |
| EBIT | 168 | 303 | 359 | 303 | 181 | 259 | 308 | 303 | -13 | 44 | 51 | - | |
| PTP | 117 | 256 | 320 | 270 | 133 | 215 | 269 | 270 | -16 | 41 | 51 | - | |
| Net earnings | 117 | 256 | 320 | 270 | 133 | 215 | 269 | 270 | -16 | 41 | 51 | - | |
| EPS | 1.82 | 4.00 | 4.99 | 4.22 | 2.07 | 3.36 | 4.19 | 4.22 | -0 | 1 | 1 | - | |
| DPS | 1.33 | 3.68 | 4.66 | 4.05 | 3.03 | 3.35 | 4.29 | 4.05 | -2 | 0 | 0 | - | |
| | | | | | | | | | 2018 | 2019 | 2020 | 2021 | |
| | | | | | | | | | TCE revenue | -20 | 36 | 43 | - |
| | | | | | | | | | Opex & G&A | -6 | -6 | -6 | - |
| | | | | | | | | | Depreciation | -2 | -2 | -2 | - |
| | | | | | | | | | Net finance | 3 | 3 | 0 | - |
| | | | | | | | | | Taxes & Minorities | - | - | - | - |

Cash Flows & Balance Sheet

| Estimate changes USDm | | | | | | | | | Change | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net operational cash flow | 205 | 345 | 409 | 359 | 223 | 306 | 360 | 359 | -18 | 39 | 49 | - |
| Free cash flow | 105 | 345 | 409 | 359 | 119 | 306 | 360 | 359 | -15 | 39 | 49 | - |
| Net cash flow | 21 | 26 | 33 | 29 | - | - | - | 29 | 21 | 26 | 33 | - |
| TCE/day | 15,061 | 20,005 | 22,074 | 20,040 | 15,509 | 18,427 | 20,193 | 20,040 | -448 | 1,578 | 1,881 | - |
| Cash break-even | 11,081 | 10,341 | 9,825 | 9,368 | 8,293 | 10,617 | 10,178 | 9,368 | 2,788 | -276 | -353 | - |
| Liquidity | 279 | 305 | 339 | 368 | 274 | 274 | 274 | 368 | 5 | 32 | 65 | - |
| Property & Equip. (incl. NBs) | 1,836 | 1,748 | 1,659 | 1,570 | 1,839 | 1,748 | 1,657 | 1,570 | -3 | -1 | 2 | - |
| Total equity | 1,120 | 1,141 | 1,162 | 1,172 | 1,012 | 1,012 | 1,005 | 1,172 | 108 | 128 | 156 | - |
| Interest bearing debt | 1,029 | 946 | 870 | 799 | 1,134 | 1,042 | 958 | 799 | -104 | -96 | -88 | - |
| Net interest bearing debt | 750 | 641 | 531 | 432 | 860 | 768 | 684 | 432 | -110 | -128 | -153 | - |
| Market Cap. | 781 | 781 | 781 | 781 | 711 | 711 | 711 | 781 | 70 | 70 | 70 | - |
| Enterprise value | 1,531 | 1,422 | 1,312 | 1,213 | 1,571 | 1,480 | 1,395 | 1,213 | -40 | -58 | -83 | - |
| Capex | 101 | - | - | - | 104 | - | - | - | -3 | - | - | - |

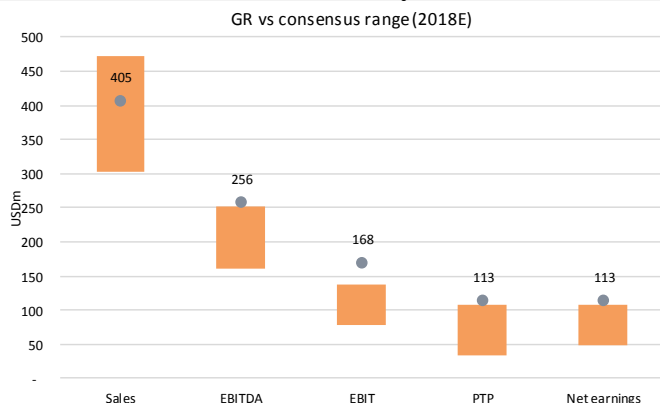
Valuation

| Estimate changes USDm | | | | | | | | | Change | | | |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 1,361 | 1,777 | 1,951 | 2,164 | 1,381 | 1,679 | 1,900 | 2,164 | -21 | 99 | 51 | - |
| Adj. equity ratio | 56% | 65% | 68% | 72% | 54% | 61% | 66% | 72% | 2% | 3% | 3% | 0% |
| FCF yield | 13% | 44% | 52% | 46% | 17% | 43% | 51% | 46% | -3% | 1% | 2% | 0% |
| Dividend yield | 11% | 30% | 38% | 33% | 27% | 30% | 39% | 33% | -16% | 0% | 0% | 0% |
| EV/EBITDA | 6.0 | 3.6 | 2.9 | 3.1 | 5.8 | 4.2 | 3.5 | 3.1 | 0.2 | -0.6 | -0.6 | - |
| P/E (adj.) | 6.7 | 3.0 | 2.4 | 2.9 | 5.4 | 3.3 | 2.6 | 2.9 | 1 | -0 | -0 | - |

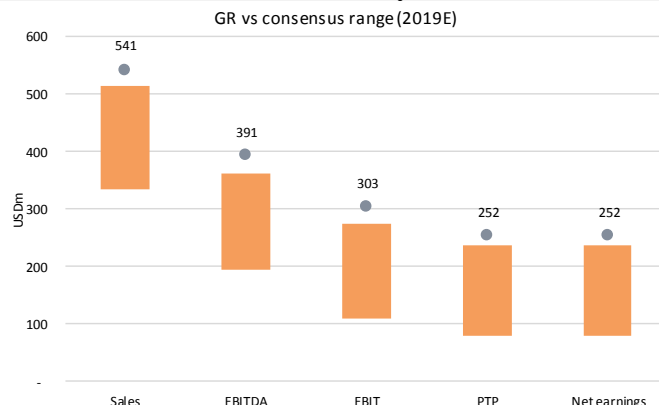


Our Estimates vs Consensus

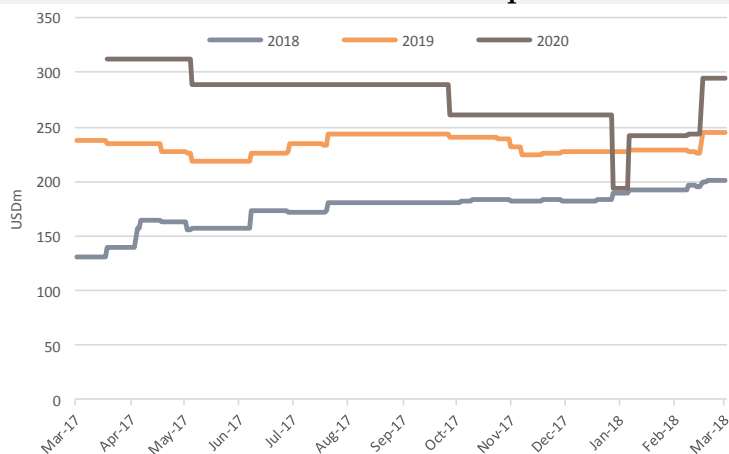
Profit & Loss, year I



Profit & Loss, year II



Consensus EBITDA development



Target price vs share price

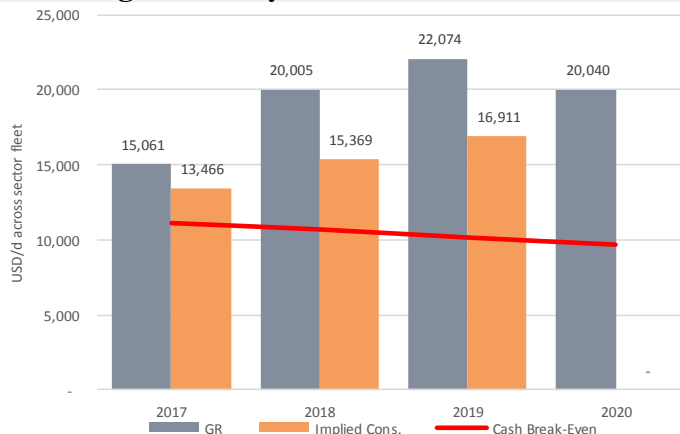


GR vs consensus: P&L break-down

| | 2018 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 405 | 405 | 362 | 43 | 12% |
| Opex + G&A | 149 | 149 | 162 | -13 | -8% |
| Depreciation | 88 | 88 | 91 | -3 | -4% |
| Net finance | 55 | 55 | 37 | 18 | 49% |
| Taxes & Minorities | 0 | 0 | -5 | 5 | -100% |

| | 2019 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 541 | 541 | 416 | 125 | 30% |
| Opex + G&A | 150 | 150 | 171 | -21 | -12% |
| Depreciation | 89 | 89 | 79 | 10 | 13% |
| Net finance | 51 | 51 | 42 | 8 | 20% |
| Taxes & Minorities | 0 | 0 | -7 | 7 | -100% |

Avg. TCE/day across fleet vs consensus





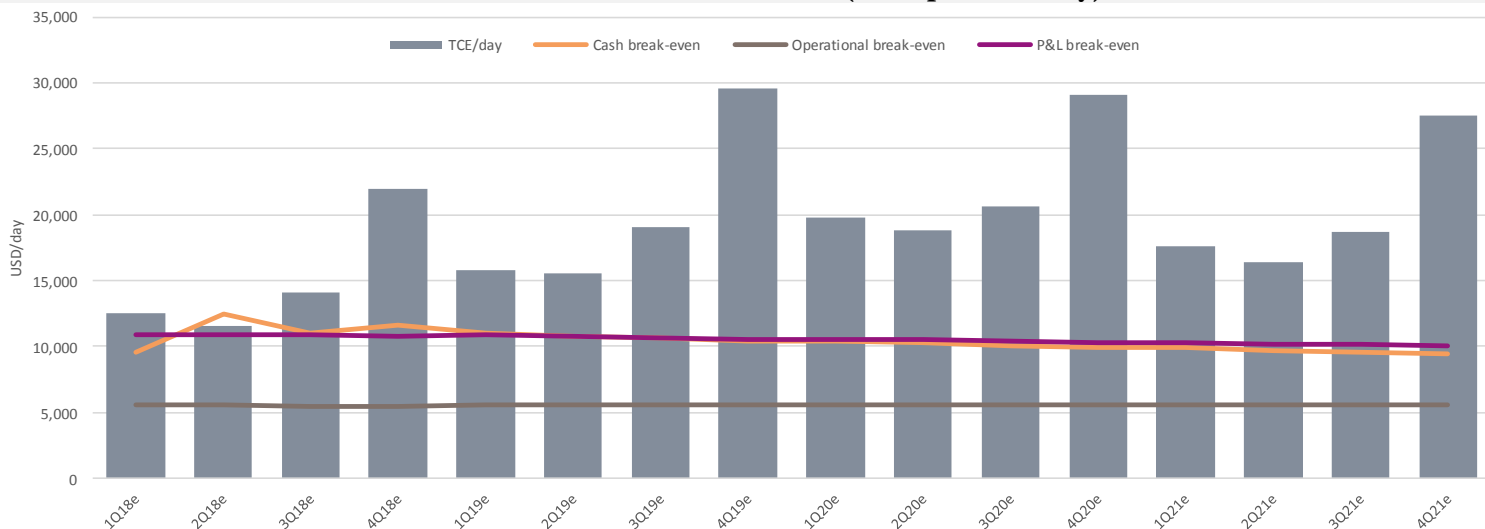
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
|---------------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Profit & Loss (USDm) | | | | | | | | | |
| Net sales | 77 | 190 | 307 | 288 | 397 | 405 | 541 | 598 | 542 |
| Operational costs | -53 | -154 | -651 | -315 | -275 | -149 | -150 | -150 | -151 |
| EBITDA | 24 | 36 | -344 | -27 | 121 | 256 | 391 | 448 | 391 |
| Depreciation/Amortization | -16 | -37 | -82 | -82 | -83 | -88 | -89 | -89 | -89 |
| EBIT | 8 | -1 | -426 | -109 | 39 | 168 | 303 | 359 | 303 |
| Net financials | -7 | -10 | -33 | -45 | -48 | -51 | -46 | -39 | -32 |
| PTP | 2 | -12 | -458 | -154 | -10 | 117 | 256 | 320 | 270 |
| Taxes/Minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net earnings | 2 | -12 | -458 | -154 | -10 | 117 | 256 | 320 | 270 |
| Non-recurring items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net earnings (adj.) | 2 | -12 | -458 | -154 | -10 | 117 | 256 | 320 | 270 |
| EPS | 0.32 | -0.54 | -10.46 | -2.72 | -0.15 | 1.82 | 4.00 | 4.99 | 4.22 |
| EPS (adj.) | 0.32 | -0.54 | -10.46 | -2.72 | -0.15 | 1.82 | 4.00 | 4.99 | 4.22 |
| DPS | | 0.00 | 0.00 | 0.00 | | 1.33 | 3.68 | 4.66 | 4.05 |
| Balance Sheet (USDm) | | | | | | | | | |
| Cash & short-term investments | 46 | 86 | 208 | 182 | 258 | 279 | 305 | 339 | 368 |
| Other current assets | 8 | 48 | 44 | 47 | 55 | 55 | 55 | 55 | 55 |
| Total current assets | 54 | 134 | 252 | 228 | 313 | 334 | 360 | 393 | 422 |
| Property & equip. (incl. NBs) | 395 | 1,896 | 1,885 | 1,772 | 1,824 | 1,836 | 1,748 | 1,659 | 1,570 |
| Other non-current assets | 19 | 31 | 27 | 11 | 9 | 9 | 9 | 9 | 9 |
| Total non-current assets | 414 | 1,928 | 1,913 | 1,783 | 1,833 | 1,846 | 1,757 | 1,668 | 1,580 |
| TOTAL ASSETS | 468 | 2,062 | 2,165 | 2,012 | 2,146 | 2,180 | 2,117 | 2,062 | 2,002 |
| Total equity | 266 | 1,154 | 1,135 | 1,037 | 1,088 | 1,120 | 1,141 | 1,162 | 1,172 |
| Short-term debt | 18 | 88 | 132 | 6 | 189 | 104 | 108 | 102 | 126 |
| Other current liabilities | 11 | 52 | 35 | 22 | 30 | 30 | 30 | 30 | 30 |
| Total current liabilities | 30 | 140 | 167 | 28 | 219 | 134 | 138 | 132 | 156 |
| Long-term debt | 172 | 765 | 860 | 945 | 838 | 925 | 838 | 768 | 674 |
| Other non-current liabilities | 0 | 2 | 3 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total non-current liabilities | 172 | 768 | 863 | 946 | 838 | 926 | 839 | 768 | 674 |
| TOTAL EQUITY & LIABILITIES | 468 | 2,062 | 2,165 | 2,012 | 2,146 | 2,180 | 2,117 | 2,062 | 2,002 |
| Working capital, receivables | | 39 | 25 | 27 | | | | | |
| Working capital, payables | — | 18 | 24 | 17 | — | — | — | — | — |
| Net working capital | | 21 | 1 | 10 | | | | | |
| Interest bearing debt | 190 | 854 | 991 | 951 | 1,027 | 1,029 | 946 | 870 | 799 |
| Liquidity | 46 | 89 | 212 | 187 | 258 | 279 | 305 | 339 | 368 |
| Net interest bearing debt | 144 | 764 | 779 | 764 | 769 | 750 | 641 | 531 | 432 |
| Cash Flow (USDm) | | | | | | | | | |
| Net income | 2 | -12 | -458 | -154 | -10 | 117 | 256 | 320 | 270 |
| Depreciation | 16 | 37 | 82 | 82 | 83 | 88 | 89 | 89 | 89 |
| Other | | 1 | 363 | 47 | | 0 | 0 | 0 | 0 |
| Cash earnings | | 27 | -14 | -26 | | 205 | 345 | 409 | 359 |
| Changes in working capital | — | -14 | -1 | -8 | — | 0 | 0 | 0 | 0 |
| Net operational cash flow | 27 | 13 | -15 | -33 | 81 | 205 | 345 | 409 | 359 |
| Capex | — | -523 | -474 | -396 | — | -101 | 0 | 0 | 0 |
| Other investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from sales | — | 1 | 70 | 380 | — | 0 | 0 | 0 | 0 |
| Other | -108 | 85 | 6 | 3 | -127 | 0 | 0 | 0 | 0 |
| Net investing cash flow | -108 | -437 | -398 | -13 | -127 | -101 | 0 | 0 | 0 |
| Repayment of debt | — | 463 | 129 | -29 | — | -96 | -83 | -76 | -70 |
| Proceeds from debt | — | — | 374 | 152 | — | 98 | 0 | 0 | 0 |
| Dividends paid | — | 0 | 0 | 0 | — | -85 | -236 | -299 | -260 |
| New equity | — | — | 418 | 50 | — | 0 | 0 | 0 | 0 |
| Other | — | -7 | -387 | -152 | — | 0 | 0 | 0 | 0 |
| Net financing cash flow | — | 457 | 534 | 20 | — | -83 | -319 | -375 | -330 |
| Currency effect | — | — | 0 | 0 | — | 0 | 0 | 0 | 0 |
| Net cash flow | | | 122 | -26 | | 21 | 26 | 33 | 29 |
| Cash balance | 46 | 86 | 208 | 182 | 258 | 279 | 305 | 339 | 368 |
| Free cash flow | -81 | -424 | -412 | -47 | -46 | 105 | 345 | 409 | 359 |



| Share Data & Valuation (USDm) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
|--------------------------------------|------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Shares outstanding, end | 6 | 22 | 44 | 57 | 64 | 64 | 64 | 64 | 64 |
| Share price, avg (USD) | 34 | 58 | 15 | 4 | 10 | 12 | 12 | 12 | 12 |
| Share price, end (USD) | 67 | 33 | 3 | 5 | 11 | 12 | 12 | 12 | 12 |
| Market Cap. | 387 | 718 | 133 | 289 | 722 | 781 | 781 | 781 | 781 |
| NIBD | 144 | 764 | 779 | 764 | 769 | 750 | 641 | 531 | 432 |
| Minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Enterprise value | 532 | 1,482 | 912 | 1,054 | 1,492 | 1,531 | 1,422 | 1,312 | 1,213 |
| Key Figures & Ratios | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
| P/E (reported) | | | | | | 6.7 | 3.0 | 2.4 | 2.9 |
| P/E (adj.) | | | | | | 6.7 | 3.0 | 2.4 | 2.9 |
| P/CE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/Sales | 5.0 | 3.8 | 0.4 | 1.0 | 1.8 | 1.9 | 1.4 | 1.3 | 1.4 |
| EV/Sales | 6.9 | 7.8 | 3.0 | 3.7 | 3.8 | 3.8 | 2.6 | 2.2 | 2.2 |
| EV/EBITDA | 21.7 | 41.5 | | | 12.3 | 6.0 | 3.6 | 2.9 | 3.1 |
| EV/EBIT | 63.0 | | | | 38.4 | 9.1 | 4.7 | 3.7 | 4.0 |
| P/B | 1.5 | 0.6 | 0.1 | 0.3 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| FCF yield | -21% | -59% | -311% | -16% | -6% | 13% | 44% | 52% | 46% |
| Dividend yield | | 0.0% | 0.0% | 0.0% | | 10.9% | 30.2% | 38.3% | 33.3% |
| Return on equity (ROE) | 0.7% | -1.0% | -40.4% | -14.9% | -0.9% | 10.5% | 22.5% | 27.5% | 23.1% |
| Return on capital employed (ROCE) | 2.1% | -0.1% | -22.3% | -6.1% | 2.1% | 9.0% | 17.0% | 21.2% | 18.9% |
| Return on assets (ROA) | 0.4% | -0.6% | -21.2% | -7.7% | -0.5% | 5.4% | 12.1% | 15.5% | 13.5% |
| Sales growth | -27% | 145% | 62% | -6% | 38% | 2% | 34% | 11% | -9% |
| EBITDA margin | 32% | 19% | -112% | -9% | 31% | 63% | 72% | 75% | 72% |
| EBIT margin | 11% | -1% | -139% | -38% | 10% | 41% | 56% | 60% | 56% |
| Net margin | 2% | -6% | -149% | -54% | -2% | 29% | 47% | 53% | 50% |
| Net interest rate | 4.7% | 1.3% | 0.0% | 0.0% | 0.0% | 6.8% | 7.2% | 7.4% | 7.5% |
| Tax rate | 0.0% | 0.0% | 0.0% | -0.2% | -2.5% | 0.0% | 0.0% | 0.0% | 0.0% |
| Equity ratio | 57% | 56% | 52% | 52% | 51% | 51% | 54% | 56% | 59% |
| Leverage ratio | 43% | 44% | 48% | 48% | 49% | 49% | 46% | 44% | 41% |
| NIBD / EBITDA (past 1y) | 5.9 | 21.4 | -2.3 | -28.0 | 6.3 | 2.9 | 1.6 | 1.2 | 1.1 |
| Operating cash flow/NIBD | 0.2 | 0.0 | 0.0 | 0.0 | 0.1 | 0.3 | 0.5 | 0.8 | 0.8 |
| Net interest coverage ratio (EBITDA) | 3.6 | 3.7 | | | | 5.0 | 8.5 | 11.4 | 12.1 |
| Current ratio | 1.8 | 1.0 | 1.5 | 8.1 | 1.4 | 2.5 | 2.6 | 3.0 | 2.7 |
| Adj. equity ratio | | | | | 41% | 56% | 65% | 68% | 72% |
| Operating assets | 412 | 1,962 | 1,943 | 1,816 | 1,888 | 1,900 | 1,812 | 1,723 | 1,634 |
| Operating liabilities | 12 | 54 | 38 | 23 | 31 | 31 | 31 | 31 | 31 |
| Net operating assets | 400 | 1,908 | 1,905 | 1,793 | 1,857 | 1,870 | 1,781 | 1,693 | 1,604 |

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)

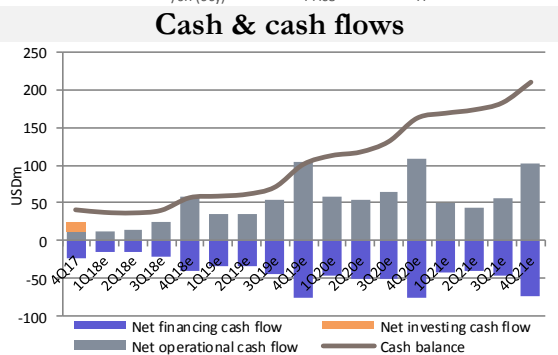
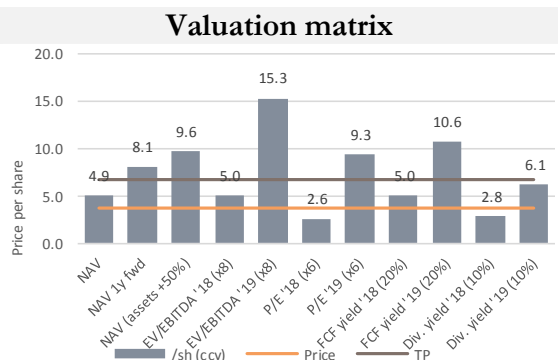
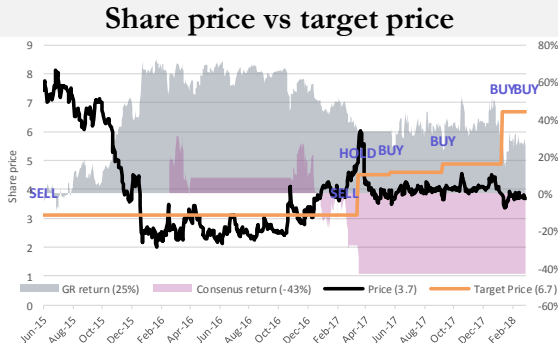


SDSX (#BUY, 6.7): Too cheap after recent underperformance vs peers. Currently exhibiting the biggest discount to steel in our universe

DSX-US

BUY/TP 6.7

Unreasonably Cheap



Gersemi Research / Analysts

Joakim Hannisdahl

Head of Research

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Diana Shipping has a conservative approach to dry bulk shipping, relying on time charters rather than spot and with focus on maintaining a strong balance sheet through the cycles. This reduced operational and financial leverage means the company is relatively robust in cyclical troughs, but also limits the upside during the expansion. In spite, we believe the current price of the company is unreasonably low vs peers and upside ahead. Thus, we reiterate our BUY and \$6.7/sh target price and highlight DSX as a top pick.

Company overview: Diana Shipping has a fleet of 50 vessels, consisting of 4 Newcastlemaxes, 14 Capesizes, 5 Post-Panamaxes, 5 Kamsarmaxes and 22 Panamaxes. The average age of the fleet is 8.6 years, ranging from 1 to 17 years old. The company is not looking to increase its fleet size at the current point in time, and we expect dividends to commence in 2H18.

Investment case: The prolonged trough has also taken its toll on Diana, and the company has an adj. equity ratio of 45% and an asset value elasticity of NAV of 2x (in-line with peer median). Given the improving fundamentals and rising asset values, this is definitely a positive for the company. Current market pricing implies the highest discount to asset values amongst peers at 12%, a current P/NAV of 0.76 (1.06) and a 1y forward P/NAV of 0.46 (0.57). Although we only assume a ~40% pay-out ratio due to the company's prudent approach to balance sheet management, we see potential dividend yields of 16% in 2019 and 23% in 2020.

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|--------------|------|------|------|------|
| Net sales | 248 | 367 | 417 | 376 |
| EBITDA | 128 | 246 | 296 | 254 |
| EBIT | 66 | 184 | 233 | 192 |
| PTP | 46 | 168 | 224 | 190 |
| Net earnings | 46 | 168 | 224 | 190 |
| EPS | 0.43 | 1.55 | 2.08 | 1.76 |
| DPS | 0.28 | 0.61 | 0.85 | 0.66 |

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------|------|-------|-------|-------|
| Fwd NAV | 872 | 1,162 | 1,301 | 1,458 |
| Adj. equity ratio | 61% | 73% | 81% | 89% |
| FCF yield | 27% | 58% | 72% | 63% |
| Dividend yield | 8% | 17% | 23% | 18% |
| EV/EBITDA | 6.9 | 2.9 | 1.8 | 1.4 |
| P/E (adj.) | 8.7 | 2.4 | 1.8 | 2.1 |

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|--------|--------|--------|--------|
| Net operational cash flow | 108 | 230 | 286 | 252 |
| Free cash flow | 108 | 230 | 286 | 252 |
| Net cash flow | 16 | 44 | 61 | 48 |
| TCE/day | 13,585 | 20,046 | 22,765 | 20,550 |
| Cash break-even | 11,084 | 14,038 | 17,172 | 14,045 |
| Liquidity | 56 | 100 | 162 | 209 |
| Property & Equip. (incl. NBs) | 1,014 | 952 | 890 | 828 |
| Total equity | 641 | 742 | 874 | 992 |
| Interest bearing debt | 539 | 420 | 287 | 154 |
| Net interest bearing debt | 483 | 320 | 125 | -55 |
| Market Cap. | 399 | 399 | 399 | 399 |
| Enterprise value | 882 | 719 | 525 | 344 |
| Capex | - | - | - | - |

Source: Gersemi Research, Bloomberg, company data

Disclaimer: The publisher currently owns shares in the company. More disclaimers at the end of this document

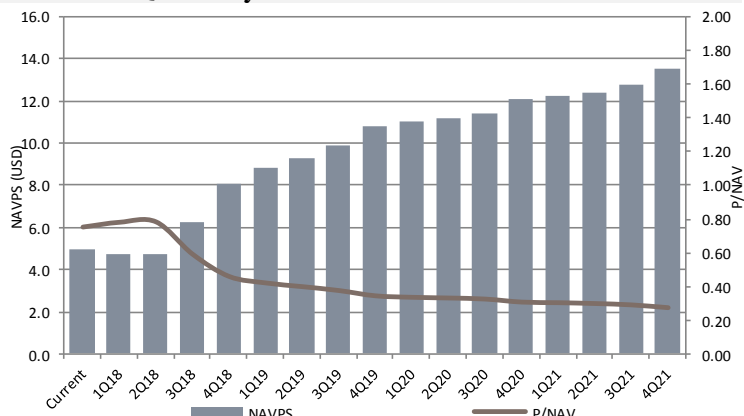


Valuation

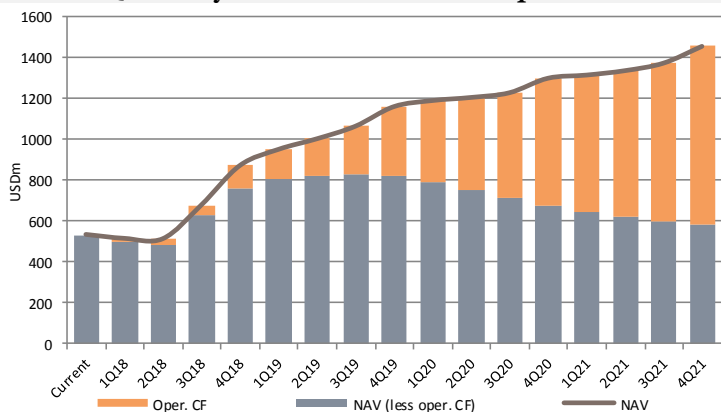
Valuation & target price

| Net asset values | | | |
|--------------------------|--------------|--------------|-------------|
| USDm | 4Q17 | Fair value | Implied |
| Primary assets | 1,076 | 1,015 | 891 |
| Contract value | 0 | -31 | -27 |
| Other | 114 | 114 | 100 |
| GAV | 1,190 | 1,098 | 965 |
| Net debt | -561 | -561 | -561 |
| Capex | 0 | 0 | 0 |
| Other | -4 | -4 | -4 |
| NAV | 625 | 533 | 399 |
| Shares | 108 | 108 | 108 |
| NAVPS | 5.8 | 4.9 | 3.7 |
| Share price | 5.8 | 4.9 | 3.7 |
| P/NAV | 0.64 | 0.75 | 1.00 |
| EV/GAV | 0.81 | 0.88 | 1.00 |
| Adj. Total Assets | 1,247 | 1,185 | 1,062 |
| Adj. Equity Ratio | 50% | 45% | 38% |
| Target price | USD | 6.7 | 82% |

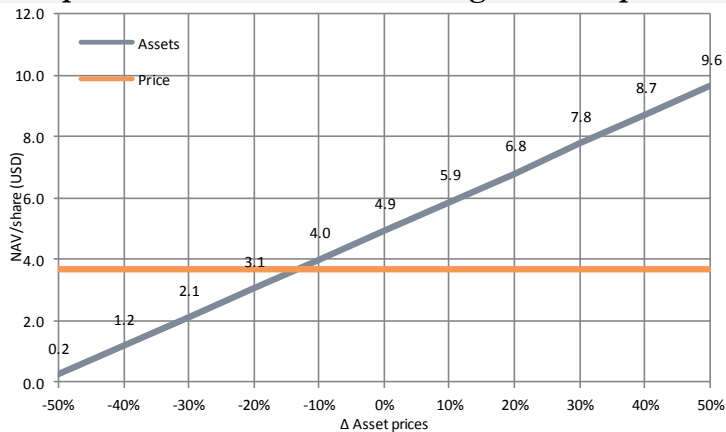
Quarterly forward NAV & P/NAV



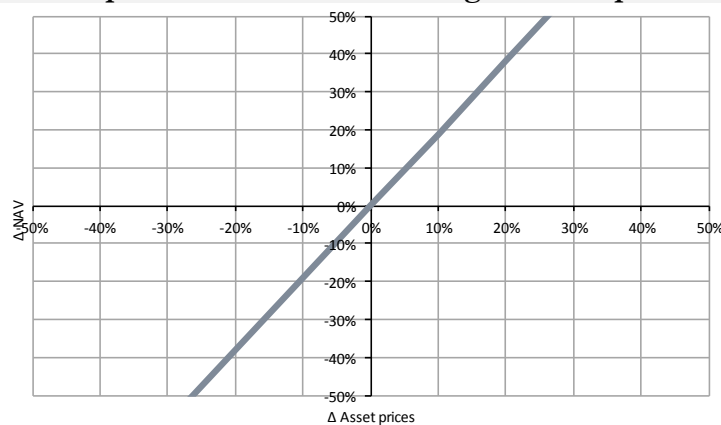
Quarterly forward NAV decomposition



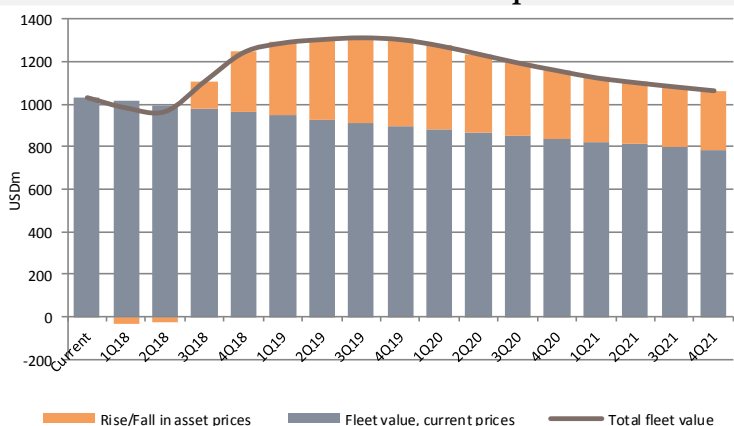
Impact on NAV/sh from % change in asset prices



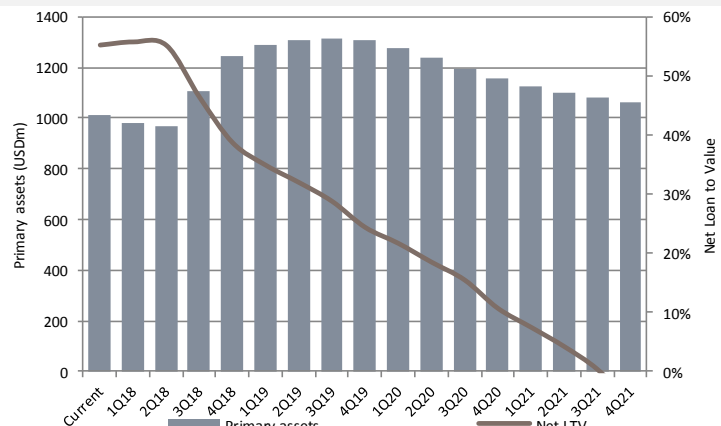
% Impact on NAV from % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value





Estimate Changes

Profit & Loss

| Estimate changes USDm | New | | | | Old | | | | Change | | | | Change | | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------------------|------|------|------|--------|------|------|------|--|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | |
| Net sales | 248 | 367 | 417 | 376 | 263 | 341 | 381 | 376 | -14 | 26 | 36 | - | -5% | 8% | 9% | 0% | |
| EBITDA | 128 | 246 | 296 | 254 | 147 | 225 | 265 | 254 | -19 | 21 | 31 | - | -13% | 9% | 12% | 0% | |
| EBIT | 66 | 184 | 233 | 192 | 58 | 135 | 175 | 192 | 9 | 48 | 58 | - | 15% | 36% | 33% | 0% | |
| PTP | 46 | 168 | 224 | 190 | 33 | 116 | 164 | 190 | 13 | 52 | 60 | - | 40% | 45% | 37% | 0% | |
| Net earnings | 46 | 168 | 224 | 190 | 33 | 116 | 164 | 190 | 13 | 52 | 60 | - | 40% | 45% | 37% | 0% | |
| EPS | 0.43 | 1.55 | 2.08 | 1.76 | 0.32 | 1.12 | 1.58 | 1.76 | 0.11 | 0.43 | 0.49 | - | 35% | 39% | 31% | 0% | |
| DPS | 0.28 | 0.61 | 0.85 | 0.66 | 0.32 | 0.44 | 0.68 | 0.66 | -0.04 | 0.17 | 0.18 | - | -14% | 38% | 26% | 0% | |
| | | | | | | | | | 2018 | 2019 | 2020 | 2021 | | | | | |
| | | | | | | | | | TCE revenue | -14 | 26 | 36 | - | | | | |
| | | | | | | | | | Opex & G&A | 4 | 5 | 5 | - | | | | |
| | | | | | | | | | | -27 | -27 | -27 | - | | | | |
| | | | | | | | | | Net finance | -5 | -3 | -2 | - | | | | |
| | | | | | | | | | Taxes & Minorities | - | - | - | - | | | | |

Cash Flows & Balance Sheet

| Estimate changes USDm | | | | | | | | | Change | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net operational cash flow | 108 | 230 | 286 | 252 | 122 | 205 | 253 | 252 | -14 | 24 | 33 | - |
| Free cash flow | 108 | 230 | 286 | 252 | 121 | 205 | 253 | 252 | -13 | 24 | 33 | - |
| Net cash flow | 16 | 44 | 61 | 48 | 29 | 43 | 70 | 48 | -13 | 2 | -9 | - |
| TCE/day | 13,585 | 20,046 | 22,765 | 20,550 | 14,361 | 18,632 | 20,813 | 20,550 | -775 | 1,414 | 1,952 | - |
| Cash break-even | 11,084 | 14,038 | 17,172 | 14,045 | 10,914 | 13,818 | 15,946 | 14,045 | 170 | 220 | 1,226 | - |
| Liquidity | 56 | 100 | 162 | 209 | 70 | 113 | 183 | 209 | -14 | -12 | -21 | - |
| Property & Equip. (incl. NBs) | 1,014 | 952 | 890 | 828 | 1,394 | 1,304 | 1,215 | 828 | -380 | -352 | -325 | - |
| Total equity | 641 | 742 | 874 | 992 | 1,051 | 1,120 | 1,214 | 992 | -410 | -378 | -340 | - |
| Interest bearing debt | 539 | 420 | 287 | 154 | 541 | 424 | 311 | 154 | -2 | -4 | -24 | - |
| Net interest bearing debt | 483 | 320 | 125 | -55 | 471 | 311 | 128 | -55 | 12 | 8 | -3 | - |
| Market Cap. | 399 | 399 | 399 | 399 | 394 | 394 | 394 | 399 | 5 | 5 | 5 | - |
| Enterprise value | 882 | 719 | 525 | 344 | 865 | 706 | 523 | 344 | 17 | 13 | 2 | - |
| Capex | - | - | - | - | 1 | - | - | - | -1 | - | - | - |

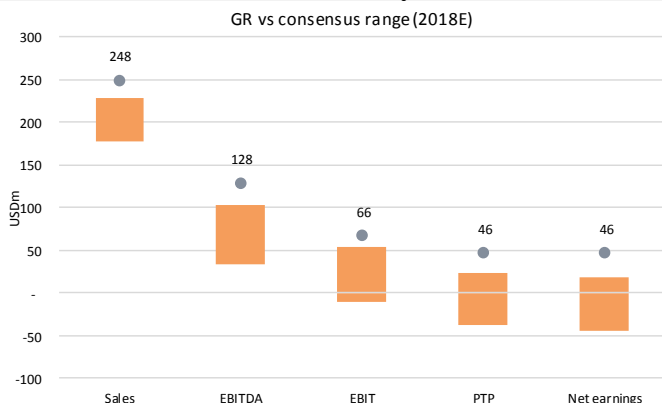
Valuation

| Estimate changes USDm | | | | | | | | | Change | | | |
|--------------------------|------|-------|-------|-------|------|-------|-------|-------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 872 | 1,162 | 1,301 | 1,458 | 927 | 1,141 | 1,313 | 1,458 | -55 | 21 | -12 | - |
| Adj. equity ratio | 61% | 73% | 81% | 89% | 62% | 72% | 80% | 89% | -1% | 0% | 1% | 0% |
| FCF yield | 27% | 58% | 72% | 63% | 31% | 52% | 64% | 63% | -4% | 5% | 7% | 0% |
| Dividend yield | 8% | 17% | 23% | 18% | 9% | 12% | 18% | 18% | -1% | 5% | 5% | 0% |
| EV/EBITDA | 6.9 | 2.9 | 1.8 | 1.4 | 5.9 | 3.1 | 2.0 | 1.4 | 1.0 | -0.2 | -0.2 | - |
| P/E (adj.) | 8.7 | 2.4 | 1.8 | 2.1 | 12.0 | 3.4 | 2.4 | 2.1 | -3 | -1 | -1 | - |

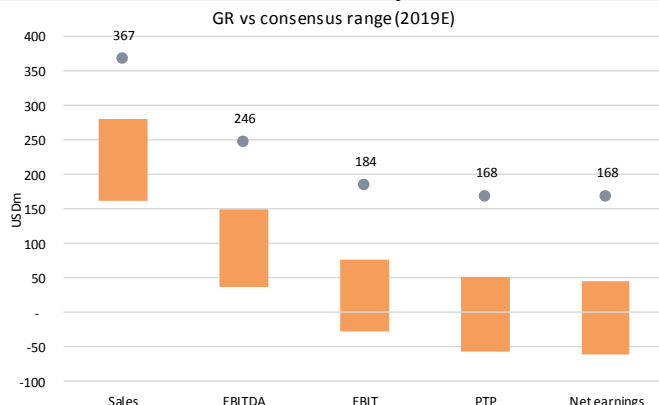


Our Estimates vs Consensus

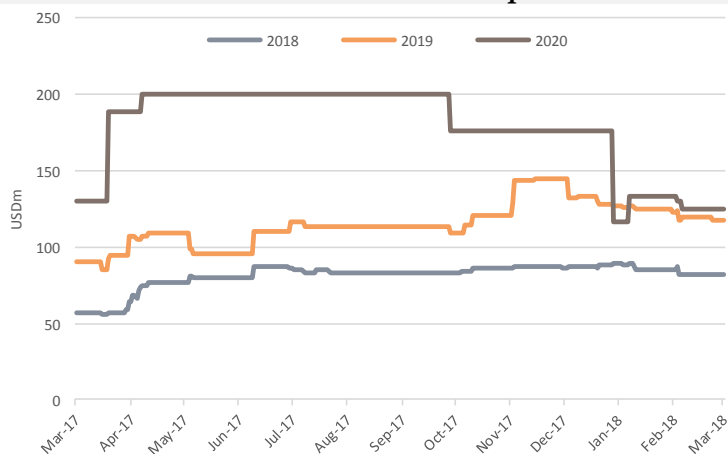
Profit & Loss, year I



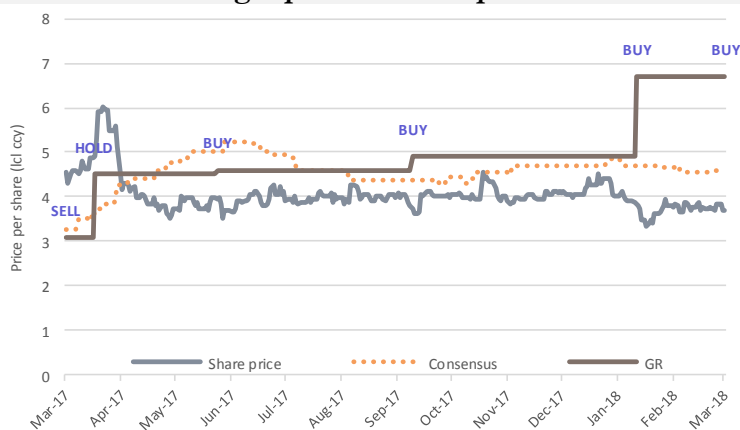
Profit & Loss, year II



Consensus EBITDA development



Target price vs share price

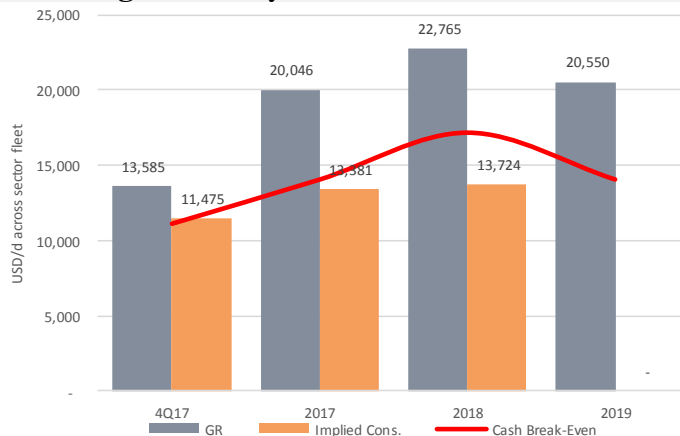


GR vs consensus: P&L break-down

| | 2018 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 248 | 210 | 39 | 18% | |
| Opex + G&A | 120 | 128 | -8 | -6% | |
| Depreciation | 62 | 72 | -10 | -14% | |
| Net finance | 20 | 20 | 1 | 3% | |
| Taxes & Minorities | 0 | 14 | -14 | -100% | |

| | 2019 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 367 | 245 | 122 | 50% | |
| Opex + G&A | 121 | 127 | -7 | -5% | |
| Depreciation | 62 | 82 | -19 | -24% | |
| Net finance | 16 | 22 | -6 | -28% | |
| Taxes & Minorities | 0 | 0 | -0 | -100% | |

Avg. TCE/day across fleet vs consensus





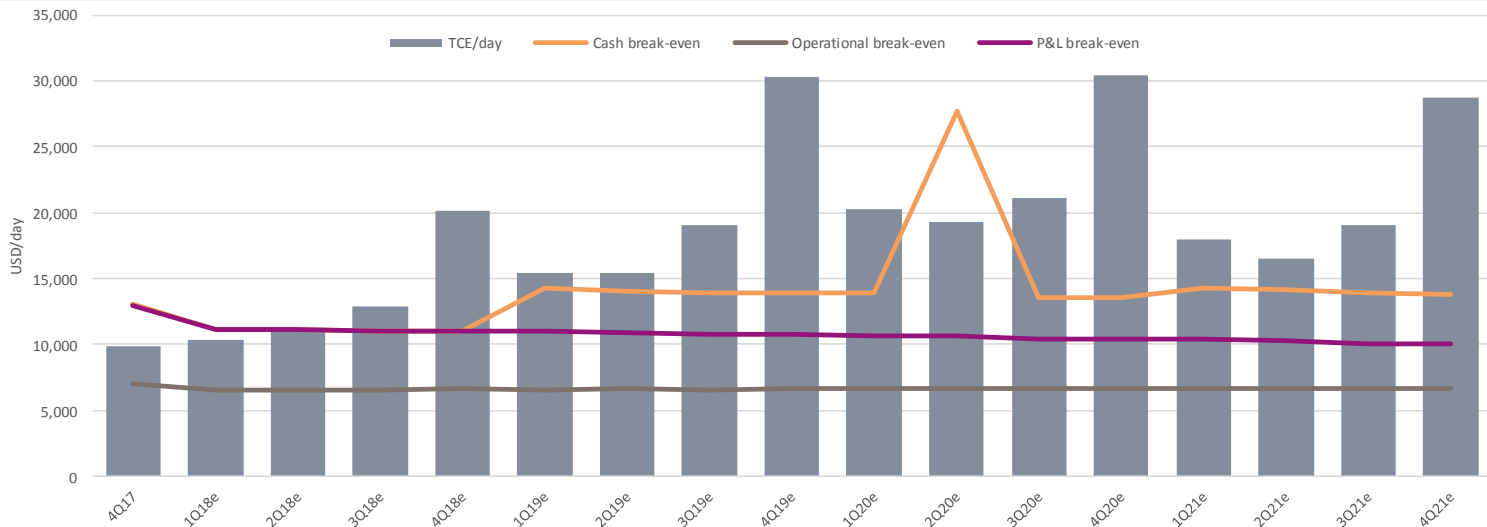
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
|---------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Profit & Loss (USDm) | | | | | | | | | |
| Net sales | 173 | 186 | 173 | 128 | 171 | 248 | 367 | 417 | 376 |
| Operational costs | -117 | -134 | -145 | -135 | -567 | -120 | -121 | -121 | -121 |
| EBITDA | 55 | 52 | 28 | -7 | -397 | 128 | 246 | 296 | 254 |
| Depreciation/Amortization | -65 | -71 | -76 | -82 | -87 | -62 | -62 | -62 | -62 |
| EBIT | -9 | -19 | -48 | -89 | -484 | 66 | 184 | 233 | 192 |
| Net financials | -12 | 8 | -15 | -76 | -28 | -20 | -16 | -9 | -2 |
| PTP | -21 | -10 | -63 | -164 | -512 | 46 | 168 | 224 | 190 |
| Taxes/Minorities | 0 | 0 | -2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net earnings | -21 | -10 | -65 | -164 | -512 | 46 | 168 | 224 | 190 |
| Non-recurring items | 0 | -5 | -4 | -6 | -6 | 0 | 0 | 0 | 0 |
| Net earnings (adj.) | -21 | -15 | -69 | -170 | -517 | 46 | 168 | 224 | 190 |
| EPS | -0.26 | -0.13 | -0.78 | -1.94 | -4.82 | 0.43 | 1.55 | 2.08 | 1.76 |
| EPS (adj.) | -0.26 | -0.19 | -0.83 | -2.01 | -4.88 | 0.43 | 1.55 | 2.08 | 1.76 |
| DPS | 0.00 | 0.05 | 0.07 | 0.07 | 0.05 | 0.28 | 0.61 | 0.85 | 0.66 |
| Balance Sheet (USDm) | | | | | | | | | |
| Cash & short-term investments | 241 | 219 | 172 | 98 | 40 | 56 | 100 | 162 | 209 |
| Other current assets | 11 | 19 | 22 | 17 | 99 | 99 | 99 | 99 | 99 |
| Total current assets | 252 | 238 | 194 | 115 | 139 | 155 | 199 | 260 | 308 |
| Property & equip. (incl. NBs) | 1,320 | 1,373 | 1,441 | 1,404 | 1,076 | 1,014 | 952 | 890 | 828 |
| Other non-current assets | 130 | 176 | 203 | 149 | 32 | 32 | 32 | 32 | 32 |
| Total non-current assets | 1,450 | 1,549 | 1,643 | 1,553 | 1,108 | 1,046 | 984 | 922 | 859 |
| TOTAL ASSETS | 1,702 | 1,787 | 1,837 | 1,669 | 1,247 | 1,201 | 1,183 | 1,182 | 1,167 |
| Total equity | 1,253 | 1,282 | 1,218 | 1,057 | 625 | 641 | 742 | 874 | 992 |
| Short-term debt | 47 | 79 | 41 | 65 | 61 | 61 | 57 | 61 | 60 |
| Other current liabilities | 16 | 19 | 18 | 13 | 20 | 20 | 20 | 20 | 20 |
| Total current liabilities | 63 | 98 | 59 | 78 | 80 | 81 | 77 | 81 | 80 |
| Long-term debt | 385 | 406 | 559 | 533 | 541 | 478 | 363 | 226 | 94 |
| Other non-current liabilities | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Total non-current liabilities | 386 | 407 | 560 | 534 | 542 | 479 | 364 | 227 | 95 |
| TOTAL EQUITY & LIABILITIES | 1,702 | 1,787 | 1,837 | 1,669 | 1,247 | 1,201 | 1,183 | 1,182 | 1,167 |
| Working capital, receivables | 7 | 14 | 11 | 12 | 11 | 11 | 11 | 11 | 11 |
| Working capital, payables | 7 | 10 | 15 | 12 | 16 | 16 | 16 | 16 | 16 |
| Net working capital | -1 | 4 | -5 | -1 | -5 | -5 | -5 | -5 | -5 |
| Interest bearing debt | 432 | 484 | 600 | 598 | 601 | 539 | 420 | 287 | 154 |
| Liquidity | 241 | 219 | 172 | 98 | 40 | 56 | 100 | 162 | 209 |
| Net interest bearing debt | 191 | 265 | 428 | 500 | 561 | 483 | 320 | 125 | -55 |
| Cash Flow (USDm) | | | | | | | | | |
| Net income | -21 | -10 | -65 | -164 | -512 | 46 | 168 | 224 | 190 |
| Depreciation | 65 | 71 | 76 | 82 | 87 | 62 | 62 | 62 | 62 |
| Other | 13 | -5 | 17 | 69 | 447 | 0 | 0 | 0 | 0 |
| Cash earnings | 56 | 55 | 29 | -13 | 22 | 108 | 230 | 286 | 252 |
| Changes in working capital | 11 | -10 | -5 | -8 | 1 | 0 | 0 | 0 | 0 |
| Net operational cash flow | 67 | 45 | 24 | -21 | 23 | 108 | 230 | 286 | 252 |
| Capex | -199 | -113 | -156 | -51 | -126 | 0 | 0 | 0 | 0 |
| Other investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from sales | 0 | 0 | 0 | 0 | 13 | 0 | 0 | 0 | 0 |
| Other | -46 | -39 | 0 | 10 | -40 | 0 | 0 | 0 | 0 |
| Net investing cash flow | -245 | -153 | -156 | -42 | -152 | 0 | 0 | 0 | 0 |
| Repayment of debt | -28 | 53 | 120 | -3 | 2 | -62 | -119 | -183 | -132 |
| Proceeds from debt | — | — | 441 | 39 | 57 | 0 | 0 | 50 | 0 |
| Dividends paid | 0 | -4 | -6 | -6 | -6 | -30 | -66 | -92 | -72 |
| New equity | — | — | — | 0 | 77 | 0 | 0 | 0 | 0 |
| Other | 0 | 37 | -451 | -40 | -57 | 0 | 0 | 0 | 0 |
| Net financing cash flow | -28 | 86 | 104 | -9 | 74 | -92 | -186 | -225 | -204 |
| Currency effect | — | — | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash flow | | | -28 | -72 | -55 | 16 | 44 | 61 | 48 |
| Cash balance | 241 | 219 | 172 | 98 | 40 | 56 | 100 | 162 | 209 |
| Free cash flow | -178 | -108 | -132 | -63 | -129 | 108 | 230 | 286 | 252 |



| Share Data & Valuation (USDm) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
|--------------------------------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Shares outstanding, end | 83 | 82 | 83 | 85 | 106 | 108 | 108 | 108 | 108 |
| Share price, avg (USD) | 10 | 10 | 6 | 3 | 4 | 4 | 4 | 4 | 4 |
| Share price, end (USD) | 13 | 7 | 4 | 3 | 4 | 4 | 4 | 4 | 4 |
| Market Cap. | 1,101 | 549 | 359 | 256 | 432 | 399 | 399 | 399 | 399 |
| NIBD | 191 | 265 | 428 | 500 | 561 | 483 | 320 | 125 | -55 |
| Minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Enterprise value | 1,292 | 815 | 787 | 756 | 993 | 882 | 719 | 525 | 344 |
| Key Figures & Ratios | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
| P/E (reported) | | | | | | 8.7 | 2.4 | 1.8 | 2.1 |
| P/E (adj.) | | | | | | 8.7 | 2.4 | 1.8 | 2.1 |
| P/CE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/Sales | 6.4 | 2.9 | 2.1 | 2.0 | 2.5 | 1.6 | 1.1 | 1.0 | 1.1 |
| EV/Sales | 7.5 | 4.4 | 4.5 | 5.9 | 5.8 | 3.6 | 2.0 | 1.3 | 0.9 |
| EV/EBITDA | 23.3 | 15.7 | 28.0 | | | 6.9 | 2.9 | 1.8 | 1.4 |
| EV/EBIT | | | | | | 13.3 | 3.9 | 2.2 | 1.8 |
| P/B | 0.9 | 0.4 | 0.3 | 0.2 | 0.7 | 0.6 | 0.5 | 0.5 | 0.4 |
| FCF yield | -16% | -20% | -37% | -24% | -30% | 27% | 58% | 72% | 63% |
| Dividend yield | 0.0% | 0.7% | 1.6% | 2.3% | 1.3% | 7.5% | 16.6% | 23.0% | 17.9% |
| Return on equity (ROE) | -1.7% | -0.8% | -5.3% | -15.5% | -81.9% | 7.2% | 22.6% | 25.6% | 19.1% |
| Return on capital employed (ROCE) | -0.6% | -1.2% | -2.9% | -5.7% | -40.8% | 5.9% | 17.3% | 23.4% | 20.5% |
| Return on assets (ROA) | -1.2% | -0.6% | -3.5% | -9.8% | -41.0% | 3.8% | 14.2% | 19.0% | 16.2% |
| Sales growth | -25% | 8% | -7% | -26% | 33% | 46% | 48% | 14% | -10% |
| EBITDA margin | 32% | 28% | 16% | -5% | -233% | 52% | 67% | 71% | 68% |
| EBIT margin | -5% | -10% | -28% | -69% | -284% | 27% | 50% | 56% | 51% |
| Net margin | -12% | -6% | -37% | -128% | -300% | 19% | 46% | 54% | 50% |
| Net interest rate | 4.3% | 0.0% | 3.6% | 4.4% | 4.7% | 4.2% | 5.0% | 7.6% | -4.5% |
| Tax rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Equity ratio | 74% | 72% | 66% | 63% | 50% | 53% | 63% | 74% | 85% |
| Leverage ratio | 26% | 28% | 34% | 37% | 50% | 47% | 37% | 26% | 15% |
| NIBD / EBITDA (past 1y) | 3.4 | 5.1 | 15.2 | -71.5 | -1.4 | 3.8 | 1.3 | 0.4 | -0.2 |
| Operating cash flow/NIBD | 0.4 | 0.2 | 0.1 | 0.0 | 0.0 | 0.2 | 0.7 | 2.3 | -4.6 |
| Net interest coverage ratio (EBITDA) | 6.8 | | 1.8 | -0.3 | -14.9 | 6.4 | 15.2 | 31.2 | 103.7 |
| Current ratio | 4.0 | 2.4 | 3.3 | 1.5 | 1.7 | 1.9 | 2.6 | 3.2 | 3.9 |
| Adj. equity ratio | | | | | 46% | 61% | 73% | 81% | 89% |
| Operating assets | 1,461 | 1,568 | 1,665 | 1,571 | 1,206 | 1,144 | 1,082 | 1,020 | 958 |
| Operating liabilities | 17 | 21 | 19 | 14 | 21 | 21 | 21 | 21 | 21 |
| Net operating assets | 1,444 | 1,548 | 1,647 | 1,557 | 1,186 | 1,124 | 1,062 | 999 | 937 |

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)



SGNK (#BUY, 26): A cash cow ripe for its spring release, but fleet renewal adds uncertainties. Still, a top pick in #drybulk #shipping

GNK-US

BUY/TP 26

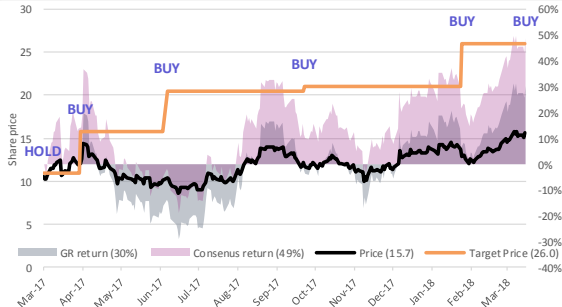
Transformational Headwinds

Genco Shipping recently announced a fleet renewal program which adds uncertainties to an otherwise straight forward investment case. Impressive cash generation ahead in concert with rising NAV leads to a potential 86% upside over the next year. We reiterate our BUY and \$26/sh target price as Genco remains one of our top picks in dry bulk shipping.

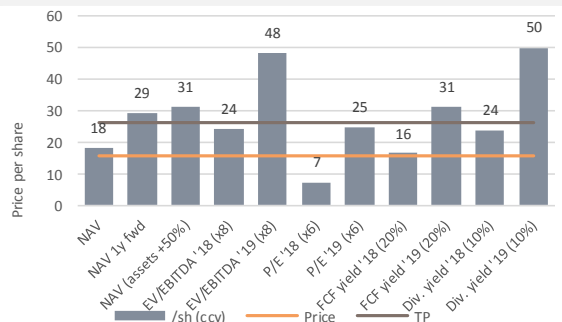
Company overview: Genco has a fleet of 60 vessels diversified from Capesize to Handysize and aged from 3 to 20 years old. The company has embarked on a fleet renewal program, where it aims at divesting 15 older/smaller vessels and to reinvest in newer tonnage. The company says investments will be “dollar for dollar” and should be EBITDA neutral. We are doubtful that both these aims can be achieved, as the higher price for newer vessels not only reflects potentially higher earnings in the same market, but mainly a discounted value of future earnings from longer remaining life.

Investment case: To reflect our aforementioned concerns over the effectiveness of the fleet renewal program, we apply a new 10% discount to the \$29/sh fair value to reach our \$26/sh target price. The discount also captures the lower asset value elasticity of new tonnage vs older at the expansionary phase of the cycle. Our target price still reflects a 68% upside from current price, which is supported by a 1y forward P/NAV of 0.54 (peer median 0.57) and an EV/EBITDA of 3.3x and 2.5x in 2018/19, respectively. Add potential dividend yield at ~30% in 2018/19, and we highlight Genco as one of our top picks in dry bulk.

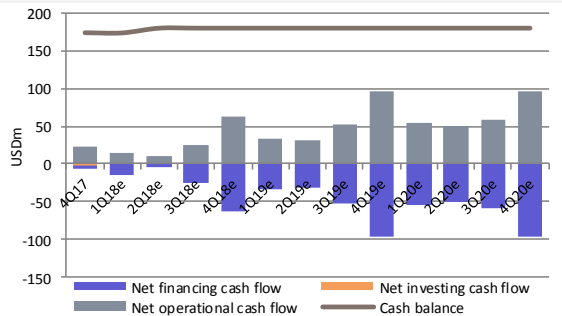
Share price vs target price



Valuation matrix



Cash & cash flows



Gersemi Research / Analysts

Joakim Hannisdahl

Head of Research

research@gersemiresearch.com

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------|-------|-------|-------|-------|
| Net sales | 270 | 368 | 411 | 375 |
| EBITDA | 143 | 240 | 283 | 248 |
| EBIT | 72 | 170 | 212 | 177 |
| PTP | 42 | 142 | 190 | 166 |
| Net earnings | 42 | 142 | 190 | 166 |
| EPS | 1.21 | 4.12 | 5.51 | 4.80 |
| DPS | 2.37 | 4.97 | 4.51 | 2.08 |
| USDm | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 1,001 | 1,250 | 1,379 | 1,527 |
| Adj. equity ratio | 66% | 72% | 79% | 82% |
| FCF yield | 21% | 40% | 49% | 44% |
| Dividend yield | 15% | 32% | 29% | 13% |
| EV/EBITDA | 5.9 | 3.3 | 2.5 | 2.1 |
| P/E (adj.) | 12.9 | 3.8 | 2.8 | 3.2 |

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|--------|--------|--------|--------|
| Net operational cash flow | 113 | 213 | 261 | 237 |
| Free cash flow | 113 | 213 | 261 | 237 |
| Net cash flow | 6 | - | - | 137 |
| TCE/day | 12,293 | 16,763 | 18,696 | 17,121 |
| Cash break-even | 8,293 | 8,951 | 11,599 | 7,602 |
| Liquidity | 188 | 188 | 188 | 325 |
| Property & Equip. (incl. NBs) | 1,195 | 1,124 | 1,053 | 982 |
| Total equity | 935 | 906 | 940 | 1,034 |
| Interest bearing debt | 493 | 452 | 346 | 318 |
| Net interest bearing debt | 305 | 264 | 158 | -7 |
| Market Cap. | 539 | 539 | 539 | 539 |
| Enterprise value | 844 | 803 | 697 | 532 |
| Capex | - | - | - | - |

Source: Gersemi Research, Bloomberg, company data

Disclaimer: The publisher currently own shares in the company. More disclaimers at the end of this document

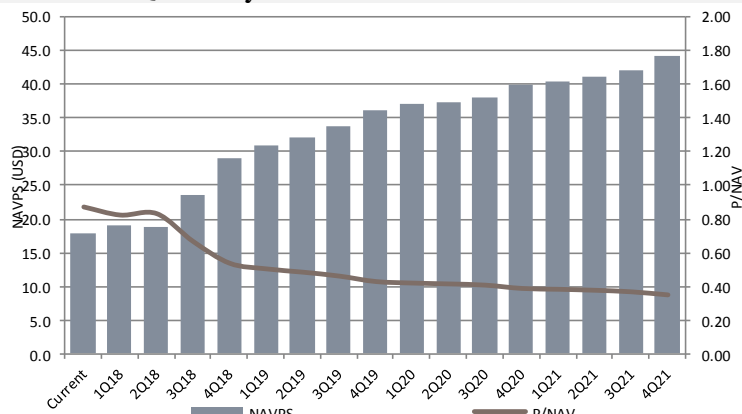


Valuation

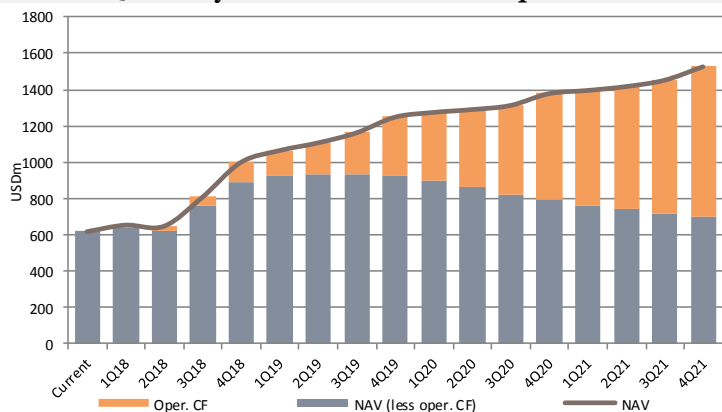
Valuation & target price

| Net asset values | | | |
|--------------------------|--------------|-------------|-------------|
| USDm | 4Q17 | Fair value | Implied |
| Primary assets | 1,266 | 910 | 833 |
| Contract value | 0 | 0 | 0 |
| Other | 50 | 50 | 46 |
| GAV | 1,316 | 961 | 880 |
| Net debt | -336 | -336 | -336 |
| Capex | 0 | 0 | 0 |
| Other | -5 | -5 | -5 |
| NAV | 975 | 620 | 539 |
| Shares | 35 | 35 | 35 |
| NAVPS | 28.2 | 18.0 | 15.6 |
| Share price | 28 | 18 | 16 |
| P/NAV | 0.55 | 0.87 | 1.00 |
| EV/GAV | 0.67 | 0.92 | 1.00 |
| Adj. Total Assets | 1,521 | 1,166 | 1,089 |
| Adj. Equity Ratio | 64% | 53% | 49% |
| Target price | USD | 26 | 68% |

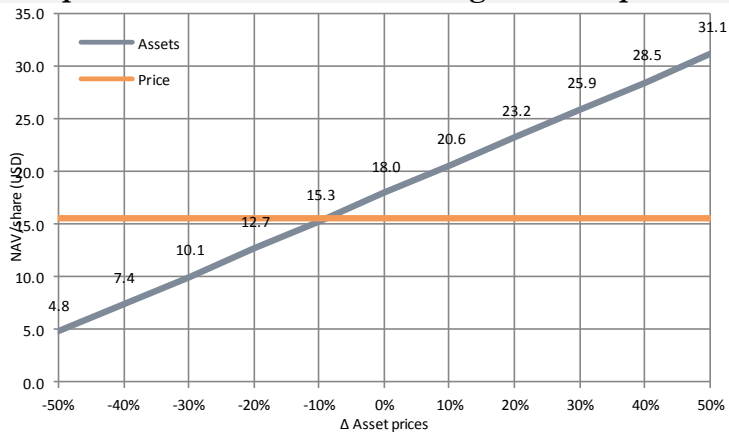
Quarterly forward NAV & P/NAV



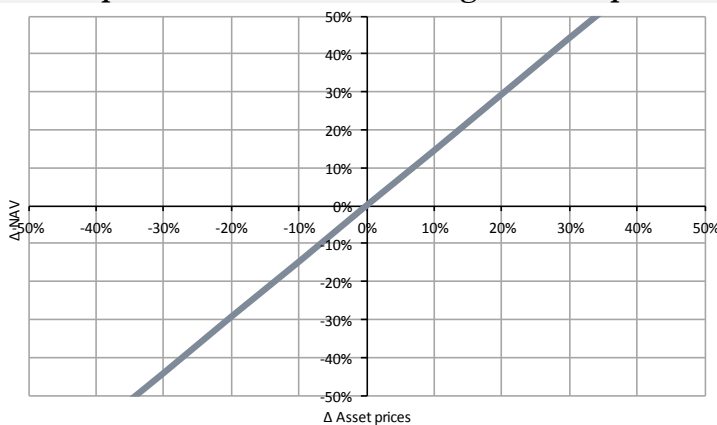
Quarterly forward NAV decomposition



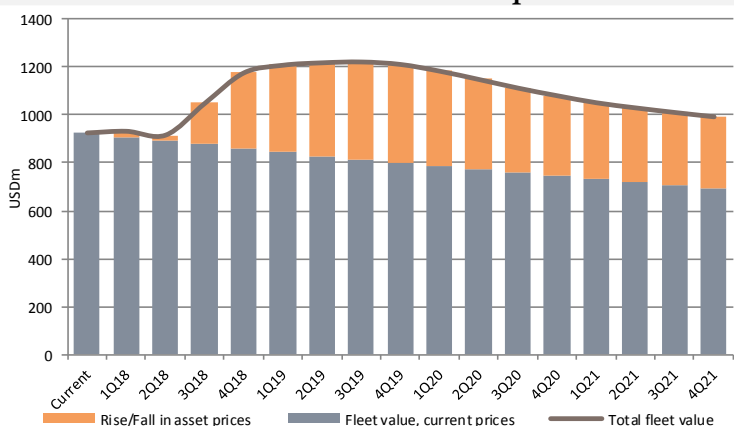
Impact on NAV/sh from % change in asset prices



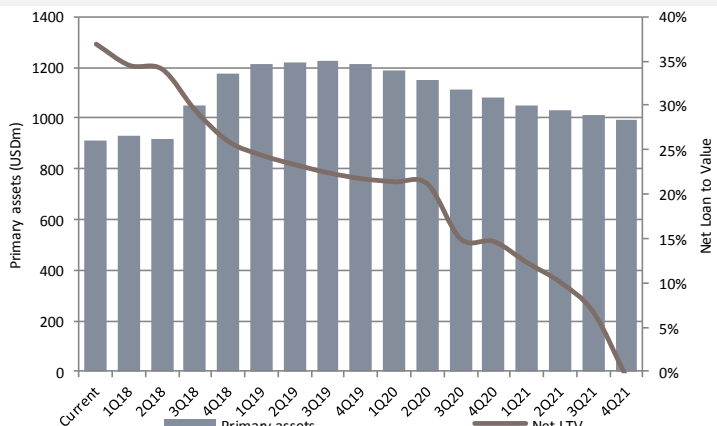
% Impact on NAV from % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value





Estimate Changes

Profit & Loss

| Estimate changes USDm | New | | | | Old | | | | Change | | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------------------|------|-------|------|---|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | |
| Net sales | 270 | 368 | 411 | 375 | 282 | 346 | 384 | 375 | -13 | 22 | 27 | - | |
| EBITDA | 143 | 240 | 283 | 248 | 158 | 221 | 258 | 248 | -15 | 20 | 25 | - | |
| EBIT | 72 | 170 | 212 | 177 | 86 | 149 | 187 | 177 | -15 | 21 | 25 | - | |
| PTP | 42 | 142 | 190 | 166 | 59 | 127 | 170 | 166 | -17 | 16 | 20 | - | |
| Net earnings | 42 | 142 | 190 | 166 | 59 | 127 | 170 | 166 | -17 | 16 | 20 | - | |
| EPS | 1.21 | 4.12 | 5.51 | 4.80 | 1.70 | 3.67 | 4.92 | 4.80 | -0.49 | 0.45 | 0.59 | - | |
| DPS | 2.37 | 4.97 | 4.51 | 2.08 | 2.21 | 3.43 | 6.10 | 2.08 | 0.16 | 1.54 | -1.59 | - | |
| | | | | | | | | | 2018 | 2019 | 2020 | 2021 | |
| | | | | | | | | | TCE revenue | -13 | 22 | 27 | - |
| | | | | | | | | | Opex & G&A | 2 | 2 | 2 | - |
| | | | | | | | | | Depreciation | -1 | -1 | -1 | - |
| | | | | | | | | | Net finance | 2 | 5 | 5 | - |
| | | | | | | | | | Taxes & Minorities | - | - | - | - |

Cash Flows & Balance Sheet

| Estimate changes USDm | | | | | | | | | Change | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net operational cash flow | 113 | 213 | 261 | 237 | 130 | 198 | 241 | 237 | -17 | 15 | 20 | - |
| Free cash flow | 113 | 213 | 261 | 237 | 127 | 198 | 241 | 237 | -14 | 15 | 20 | - |
| Net cash flow | 6 | - | - | 137 | -5 | - | - | 137 | 12 | - | - | - |
| TCE/day | 12,293 | 16,763 | 18,696 | 17,121 | 12,868 | 15,745 | 17,459 | 17,121 | -574 | 1,019 | 1,237 | - |
| Cash break-even | 8,293 | 8,951 | 11,599 | 7,602 | 9,512 | 10,371 | 7,883 | 7,602 | -1,219 | -1,419 | 3,716 | - |
| Liquidity | 188 | 188 | 188 | 325 | 177 | 177 | 177 | 325 | 11 | 11 | 11 | - |
| Property & Equip. (incl. NBs) | 1,195 | 1,124 | 1,053 | 982 | 1,211 | 1,139 | 1,068 | 982 | -16 | -16 | -15 | - |
| Total equity | 935 | 906 | 940 | 1,034 | 959 | 968 | 927 | 1,034 | -25 | -62 | 13 | - |
| Interest bearing debt | 493 | 452 | 346 | 318 | 461 | 381 | 350 | 318 | 32 | 71 | -4 | - |
| Net interest bearing debt | 305 | 264 | 158 | -7 | 284 | 204 | 174 | -7 | 21 | 60 | -15 | - |
| Market Cap. | 539 | 539 | 539 | 539 | 442 | 442 | 442 | 539 | 96 | 96 | 96 | - |
| Enterprise value | 844 | 803 | 697 | 532 | 727 | 647 | 616 | 532 | 117 | 156 | 81 | - |
| Capex | - | - | - | - | 3 | - | - | - | -3 | - | - | - |

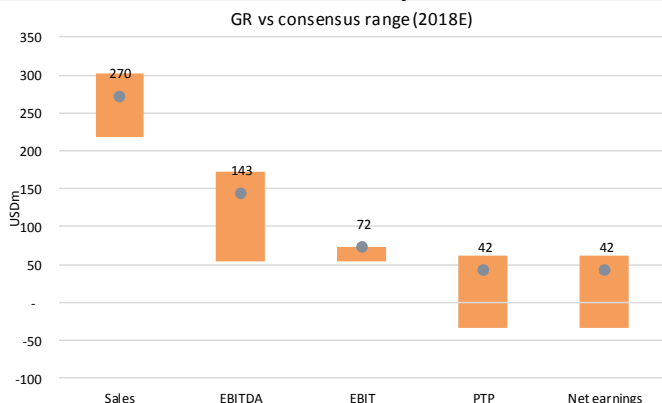
Valuation

| Estimate changes USDm | | | | | | | | | Change | | | |
|--------------------------|-------|-------|-------|-------|------|-------|-------|-------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 1,001 | 1,250 | 1,379 | 1,527 | 990 | 1,176 | 1,337 | 1,527 | 11 | 73 | 42 | 0 |
| Adj. equity ratio | 66% | 72% | 79% | 82% | 67% | 74% | 78% | 82% | -1% | -2% | 1% | 0% |
| FCF yield | 21% | 40% | 49% | 44% | 29% | 45% | 55% | 44% | -8% | -5% | -6% | 0% |
| Dividend yield | 15% | 32% | 29% | 13% | 17% | 27% | 48% | 13% | -2% | 5% | -19% | 0% |
| EV/EBITDA | 5.9 | 3.3 | 2.5 | 2.1 | 4.6 | 2.9 | 2.4 | 2.1 | 1.3 | 0.4 | 0.1 | - |
| P/E (adj.) | 12.9 | 3.8 | 2.8 | 3.2 | 7.5 | 3.5 | 2.6 | 3.2 | 5 | 0 | 0 | - |

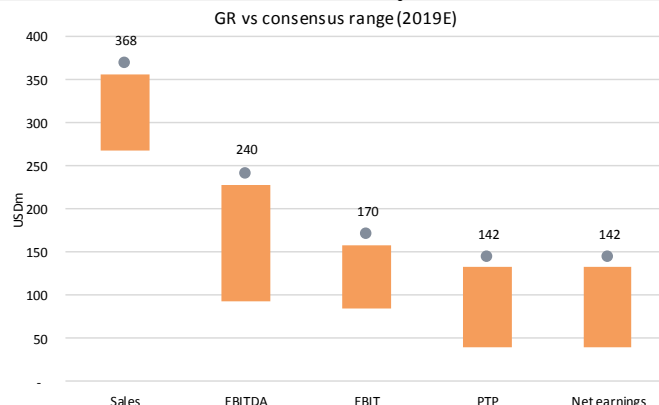


Our Estimates vs Consensus

Profit & Loss, year I



Profit & Loss, year II



Consensus EBITDA development



Target price vs share price

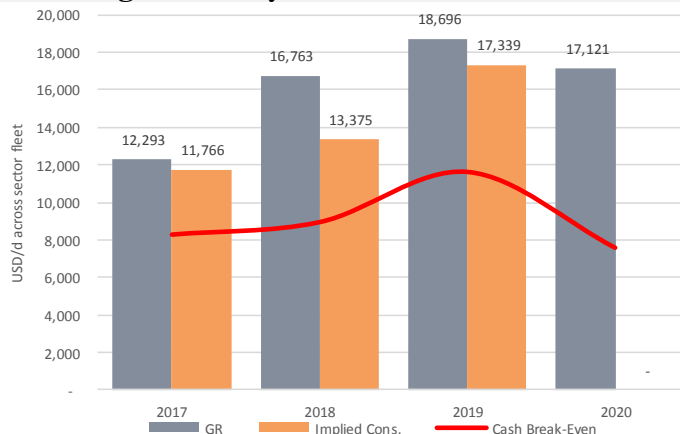


GR vs consensus: P&L break-down

| | 2018 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 270 | 258 | 12 | 4% | |
| Opex + G&A | 127 | 139 | -12 | -9% | |
| Depreciation | 71 | 58 | 13 | 23% | |
| Net finance | 30 | 41 | -11 | -26% | |
| Taxes & Minorities | 0 | -0 | 0 | -100% | |

| | 2019 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 368 | 293 | 74 | 25% | |
| Opex + G&A | 127 | 135 | -8 | -6% | |
| Depreciation | 71 | 54 | 17 | 31% | |
| Net finance | 27 | 34 | -7 | -21% | |
| Taxes & Minorities | 0 | 3 | -3 | -100% | |

Avg. TCE/day across fleet vs consensus





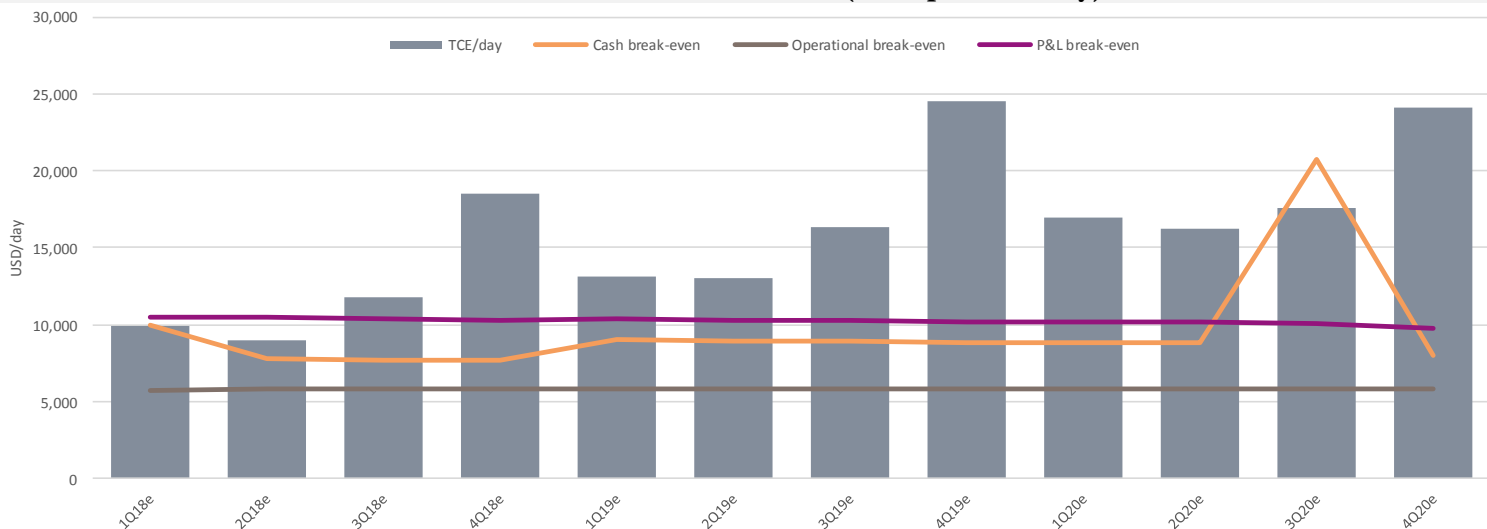
| | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
|---------------------------------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Profit & Loss (USDm) | | | | | | | | | |
| Net sales | 236 | 233 | 174 | 149 | 184 | 270 | 368 | 411 | 375 |
| Operational costs | -162 | -379 | -288 | -259 | -142 | -127 | -127 | -128 | -128 |
| EBITDA | 74 | -146 | -113 | -110 | 42 | 143 | 240 | 283 | 248 |
| Depreciation/Amortization | -141 | -113 | -80 | -76 | -72 | -71 | -71 | -71 | -71 |
| EBIT | -67 | -259 | -193 | -186 | -30 | 72 | 170 | 212 | 177 |
| Net financials | -88 | -966 | -60 | -31 | -29 | -30 | -27 | -22 | -11 |
| PTP | -155 | -1,225 | -253 | -217 | -59 | 42 | 142 | 190 | 166 |
| Taxes/Minorities | 7 | 91 | 58 | -1 | 0 | 0 | 0 | 0 | 0 |
| Net earnings | -148 | -1,133 | -195 | -218 | -59 | 42 | 142 | 190 | 166 |
| Non-recurring items | 0 | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 0 |
| Net earnings (adj.) | -148 | -1,133 | -195 | -218 | -49 | 42 | 142 | 190 | 166 |
| EPS | -33.24 | -184.18 | -26.74 | -29.61 | -1.71 | 1.21 | 4.12 | 5.51 | 4.80 |
| EPS (adj.) | -33.24 | -184.18 | -26.74 | -29.61 | -1.44 | 1.21 | 4.12 | 5.51 | 4.80 |
| DPS | 0.36 | 0.50 | 0.00 | 0.00 | 0.00 | 2.37 | 4.97 | 4.51 | 2.08 |
| Balance Sheet (USDm) | | | | | | | | | |
| Cash & short-term investments | 123 | 83 | 121 | 133 | 174 | 181 | 181 | 181 | 318 |
| Other current assets | 43 | 47 | 51 | 39 | 43 | 43 | 43 | 43 | 43 |
| Total current assets | 166 | 130 | 173 | 173 | 217 | 224 | 224 | 224 | 361 |
| Property & equip. (incl. NBs) | 2,690 | 1,540 | 1,529 | 1,368 | 1,266 | 1,195 | 1,124 | 1,053 | 982 |
| Other non-current assets | 101 | 83 | 13 | 28 | 38 | 38 | 38 | 38 | 38 |
| Total non-current assets | 2,791 | 1,623 | 1,542 | 1,396 | 1,304 | 1,233 | 1,162 | 1,091 | 1,020 |
| TOTAL ASSETS | 2,957 | 1,753 | 1,715 | 1,569 | 1,521 | 1,456 | 1,385 | 1,314 | 1,381 |
| Total equity | 1,309 | 1,293 | 1,106 | 1,030 | 975 | 935 | 906 | 940 | 1,034 |
| Short-term debt | 1,432 | 34 | 579 | 5 | 24 | 161 | 192 | 95 | 118 |
| Other current liabilities | 49 | 30 | 29 | 24 | 28 | 28 | 28 | 28 | 28 |
| Total current liabilities | 1,482 | 64 | 608 | 29 | 52 | 189 | 220 | 123 | 146 |
| Long-term debt | 167 | 396 | 1 | 510 | 493 | 333 | 260 | 251 | 200 |
| Other non-current liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total non-current liabilities | 167 | 396 | 1 | 510 | 493 | 333 | 260 | 251 | 200 |
| TOTAL EQUITY & LIABILITIES | 2,957 | 1,753 | 1,715 | 1,569 | 1,521 | 1,456 | 1,385 | 1,314 | 1,381 |
| Working capital, receivables | 14 | 15 | 11 | 10 | 13 | 13 | 13 | 13 | 13 |
| Working capital, payables | 27 | 28 | 27 | 23 | 23 | 23 | 23 | 23 | 23 |
| Net working capital | -13 | -13 | -17 | -13 | -10 | -10 | -10 | -10 | -10 |
| Interest bearing debt | 1,599 | 431 | 580 | 515 | 518 | 493 | 452 | 346 | 318 |
| Liquidity | 133 | 93 | 141 | 142 | 182 | 188 | 188 | 188 | 325 |
| Net interest bearing debt | 1,467 | 337 | 440 | 373 | 336 | 305 | 264 | 158 | -7 |
| Cash Flow (USDm) | | | | | | | | | |
| Net income | -148 | -1,133 | -195 | -218 | -59 | 42 | 142 | 190 | 166 |
| Depreciation | 141 | 113 | 80 | 76 | 72 | 71 | 71 | 71 | 71 |
| Other | 4 | 971 | 52 | 90 | 17 | 0 | 0 | 0 | 0 |
| Cash earnings | -3 | -50 | -64 | -52 | 30 | 113 | 213 | 261 | 237 |
| Changes in working capital | 0 | -10 | 8 | 2 | -4 | 0 | 0 | 0 | 0 |
| Net operational cash flow | -3 | -60 | -56 | -50 | 27 | 113 | 213 | 261 | 237 |
| Capex | -147 | -55 | -67 | -1 | -1 | 0 | 0 | 0 | 0 |
| Other investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from sales | 0 | 0 | 0 | 13 | 16 | 0 | 0 | 0 | 0 |
| Other | 0 | -20 | 11 | -5 | -20 | 0 | 0 | 0 | 0 |
| Net investing cash flow | -147 | -75 | -57 | 7 | 15 | 0 | 0 | 0 | 0 |
| Repayment of debt | 0 | 6 | 158 | -65 | -4 | -25 | -42 | -106 | -28 |
| Proceeds from debt | — | 33 | 302 | 400 | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | -2 | -3 | 0 | 0 | 0 | -82 | -172 | -156 | -72 |
| New equity | 137 | 0 | 0 | — | 0 | 0 | 0 | 0 | 0 |
| Other | 64 | 59 | -310 | -280 | -20 | 0 | 0 | 0 | 0 |
| Net financing cash flow | 200 | 95 | 151 | 55 | -6 | -106 | -213 | -261 | -100 |
| Currency effect | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash flow | 50 | -39 | 38 | 12 | 36 | 6 | 0 | 0 | 137 |
| Cash balance | 123 | 83 | 121 | 150 | 185 | 192 | 192 | 192 | 329 |
| Free cash flow | -150 | -135 | -113 | -43 | 41 | 113 | 213 | 261 | 237 |



| Share Data & Valuation (USDm) | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
|--------------------------------------|--------|------------|------------|------------|------------|------------|------------|------------|------------|
| Shares outstanding, end | 4 | 6 | 7 | 7 | 35 | 35 | 35 | 35 | 35 |
| Share price, avg (USD) | | 180 | 62 | 7 | 11 | 16 | 16 | 16 | 16 |
| Share price, end (USD) | — | 135 | 15 | 7 | 13 | 16 | 16 | 16 | 16 |
| Market Cap. | | 831 | 109 | 54 | 460 | 539 | 539 | 539 | 539 |
| NIBD | 1,467 | 337 | 440 | 373 | 336 | 305 | 264 | 158 | -7 |
| Minorities | 341 | 249 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Enterprise value | | 920 | 548 | 428 | 796 | 844 | 803 | 697 | 532 |
| Key Figures & Ratios | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
| P/E (reported) | | | | | | 12.9 | 3.8 | 2.8 | 3.2 |
| P/E (adj.) | | | | | | 12.9 | 3.8 | 2.8 | 3.2 |
| P/CE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/Sales | | 3.6 | 0.6 | 0.4 | 2.5 | 2.0 | 1.5 | 1.3 | 1.4 |
| EV/Sales | | 4.0 | 3.1 | 2.9 | 4.3 | 3.1 | 2.2 | 1.7 | 1.4 |
| EV/EBITDA | | | | | 18.9 | 5.9 | 3.3 | 2.5 | 2.1 |
| EV/EBIT | | | | | | 11.8 | 4.7 | 3.3 | 3.0 |
| P/B | | 0.8 | 0.1 | 0.1 | 0.5 | 0.6 | 0.6 | 0.6 | 0.5 |
| FCF yield | | -16% | -104% | -79% | 9% | 21% | 40% | 49% | 44% |
| Dividend yield | | 0.4% | 0.0% | 0.0% | 0.0% | 15.2% | 31.9% | 28.9% | 13.3% |
| Return on equity (ROE) | -15.3% | -108.5% | -17.6% | -21.1% | -6.0% | 4.5% | 15.7% | 20.2% | 16.0% |
| Return on capital employed (ROCE) | -2.4% | -16.1% | -12.5% | -13.6% | -2.3% | 5.9% | 14.8% | 19.7% | 17.6% |
| Return on assets (ROA) | -5.0% | -64.7% | -11.4% | -13.9% | -3.9% | 2.9% | 10.3% | 14.5% | 12.0% |
| Sales growth | 1% | -1% | -25% | -15% | 24% | 46% | 36% | 12% | -9% |
| EBITDA margin | 31% | -63% | -65% | -74% | 23% | 53% | 65% | 69% | 66% |
| EBIT margin | -28% | -111% | -111% | -125% | -16% | 27% | 46% | 52% | 47% |
| Net margin | -63% | -487% | -112% | -146% | -32% | 15% | 39% | 46% | 44% |
| Net interest rate | 6.0% | 14.4% | 4.6% | 7.6% | 9.1% | 9.8% | 10.3% | 13.7% | -156.3% |
| Tax rate | -1.2% | -0.1% | -0.7% | -0.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Equity ratio | 44% | 74% | 65% | 66% | 64% | 64% | 65% | 72% | 75% |
| Leverage ratio | 56% | 26% | 35% | 34% | 36% | 36% | 35% | 28% | 25% |
| NIBD / EBITDA (past 1y) | 19.9 | -2.3 | -3.9 | -3.4 | 8.0 | 2.1 | 1.1 | 0.6 | 0.0 |
| Operating cash flow/NIBD | 0.0 | -0.2 | -0.1 | -0.1 | 0.1 | 0.4 | 0.8 | 1.7 | -34.6 |
| Net interest coverage ratio (EBITDA) | 0.8 | -3.0 | -5.7 | -3.9 | 1.4 | 4.8 | 8.9 | 13.0 | 23.1 |
| Current ratio | 0.1 | 2.0 | 0.3 | 6.0 | 4.1 | 1.2 | 1.0 | 1.8 | 2.5 |
| Adj. equity ratio | | | | | 53% | 66% | 72% | 79% | 82% |
| Operating assets | 2,824 | 1,640 | 1,574 | 1,400 | 1,316 | 1,245 | 1,174 | 1,103 | 1,032 |
| Operating liabilities | 49 | 30 | 29 | 24 | 28 | 28 | 28 | 28 | 28 |
| Net operating assets | 2,775 | 1,610 | 1,545 | 1,376 | 1,288 | 1,217 | 1,146 | 1,075 | 1,004 |

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)

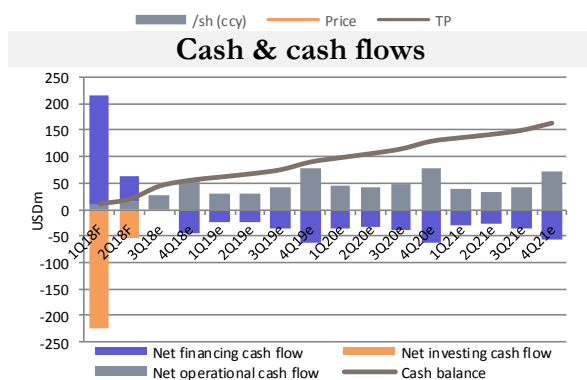
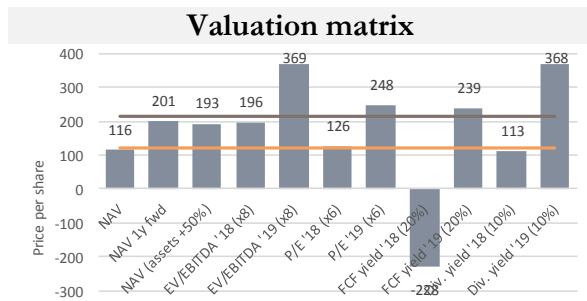
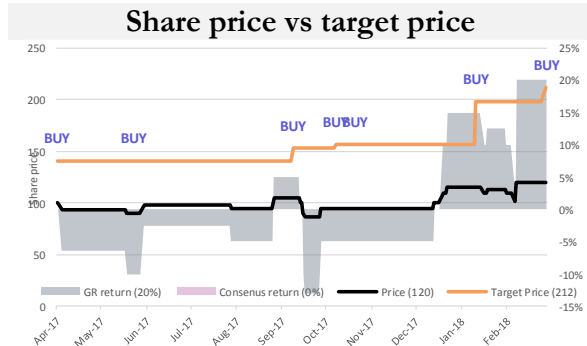


🐦 \$BULK (#BUY, 212): #GoodBulk is in final stages of significant growth & NY listing is next. Attractive #Capesize play with 77% 1y upside

BULK-NO

BUY/TP 212

Get Ready for Launch



Gersemi Research / Analysts

Joakim Hannisdahl

Head of Research

research@gersemiresearch.com

GoodBulk has in short time become one of the largest stock listed Capesize plays, with the next pivotal step a move from Norwegian OTC to full listing in New York. We expect the latter to materialize during 2Q/3Q 2018 and would induce additional positive investor/analyst attention. Concurrent, we see asset prices appreciating ~50% by 4Q19 together with a potential dividend yield of 31% supports our NOK 212/sh target price. We reiterate our BUY recommendation.

Company overview: Mr John M. Radziwill has rapidly grown GoodBulk as his main investment vehicle for Capesize vessels, most recently acquiring 13 Capes from Cargill at trough cycle prices. On a fully delivered basis in 2Q18, GoodBulk's fleet will consist of 24 vessels with a current market value of \$586m, mainly Capes in addition to one Panamax and two Supramaxes.

Investment case: We prefer Capesize vessels at the current expansionary phase of the cycle as they exhibit the highest volatility (biggest upside), and GoodBulk is the purest stock listed play on Capes in our covered universe. We calculate a P/NAV of 1.04 (vs peer median at 1.06), but our 1y forward P/NAV of 0.60 implies a price of NOK 201/sh. Icing on the cake is an estimated FCF yield of 40% and 46% in 2019 and '20, with a potential 30%-35% dividend yield at an 85%-90% pay-out ratio. Alternatively, the company could spend cash on growth which will most likely be accretive given our view of rising asset values until 2H19. The first kicker for investors will likely be an imminent New York listing.

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------|------|------|-------|-------|
| Net sales | 159 | 240 | 268 | 240 |
| EBITDA | 109 | 186 | 214 | 186 |
| EBIT | 84 | 161 | 189 | 161 |
| PTP | 80 | 158 | 187 | 161 |
| Net earnings | 80 | 158 | 187 | 161 |
| EPS | 2.72 | 5.36 | 6.34 | 5.45 |
| DPS | 1.46 | 4.76 | 5.38 | 4.70 |
| USDm | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 673 | 885 | 1,009 | 1,137 |
| Adj. equity ratio | 79% | 84% | 86% | 88% |
| FCF yield | -38% | 40% | 46% | 40% |
| Dividend yield | 9% | 31% | 35% | 30% |
| EV/EBITDA | 5.3 | 2.9 | 2.3 | 2.3 |
| P/E (adj.) | 5.4 | 2.9 | 2.5 | 2.9 |

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|--------|--------|--------|--------|
| Net operational cash flow | 105 | 183 | 212 | 186 |
| Free cash flow | -175 | 183 | 212 | 186 |
| Net cash flow | 35 | 35 | 40 | 35 |
| TCE/day | 18,989 | 27,337 | 30,470 | 27,390 |
| Cash break-even | 7,714 | 7,301 | 7,880 | 7,622 |
| Liquidity | 55 | 90 | 130 | 164 |
| Property & Equip. (incl. NBs) | 500 | 475 | 450 | 425 |
| Total equity | 395 | 412 | 440 | 463 |
| Interest bearing debt | 174 | 167 | 153 | 141 |
| Net interest bearing debt | 119 | 77 | 24 | -24 |
| Market Cap. | 459 | 459 | 459 | 459 |
| Enterprise value | 578 | 536 | 483 | 436 |
| Capex | 295 | - | - | - |

Source: Gersemi Research, Bloomberg, company data

Disclaimer: The publisher currently owns shares in the company. More disclaimers at the end of this document

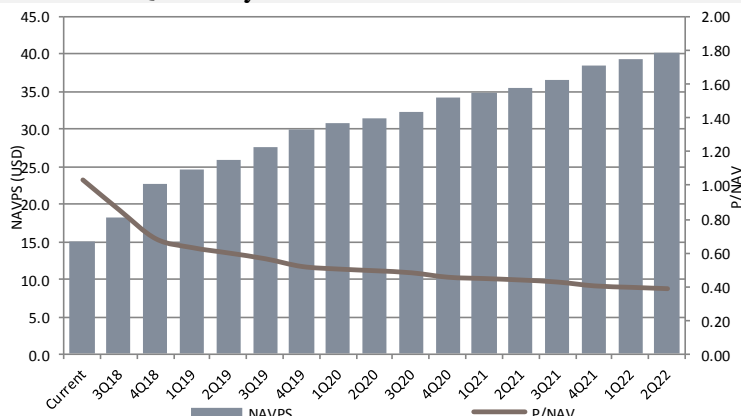


Valuation

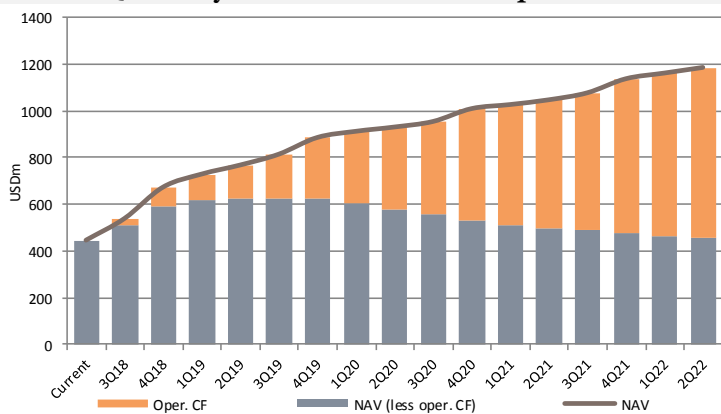
Valuation & target price

| Net asset values | | | |
|--------------------------|-------------|-------------|-------------|
| USDm | 2Q18 | Fair value | Implied |
| Primary assets | 511 | 586 | 600 |
| Contract value | 0 | 0 | 0 |
| Other | 16 | 16 | 16 |
| GAV | 526 | 602 | 616 |
| Net debt | -155 | -155 | -155 |
| Capex | 0 | 0 | 0 |
| Other | -2 | -2 | -2 |
| NAV | 370 | 445 | 459 |
| Shares | 30 | 30 | 30 |
| NAVPS | 12.5 | 15.1 | 15.5 |
| Share price | 97 | 116 | 120 |
| P/NAV | 1.24 | 1.03 | 1.00 |
| EV/GAV | 1.17 | 1.02 | 1.00 |
| Adj. Total Assets | 551 | 626 | 640 |
| Adj. Equity Ratio | 67% | 71% | 72% |
| Target price | NOK | 212 | 77% |

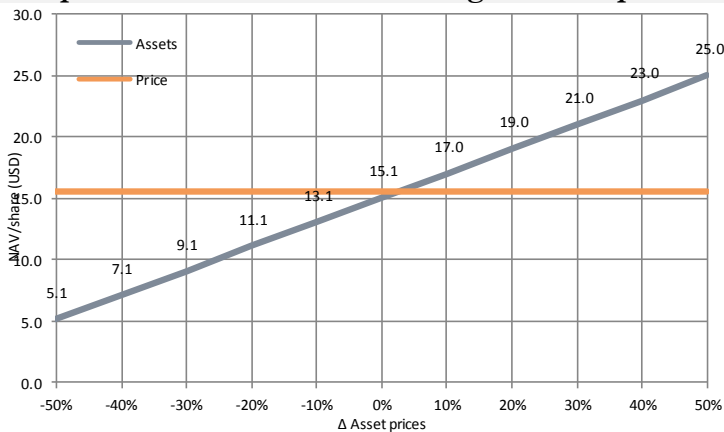
Quarterly forward NAV & P/NAV



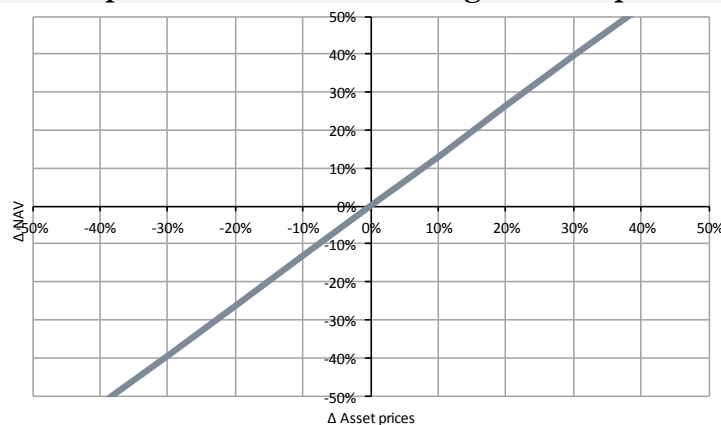
Quarterly forward NAV decomposition



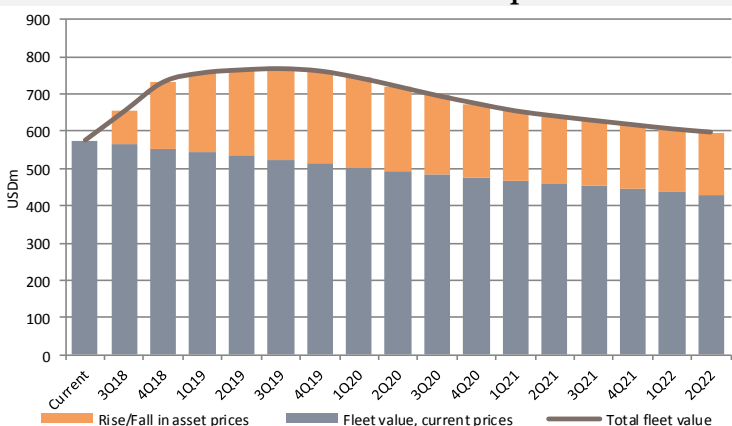
Impact on NAV/sh from % change in asset prices



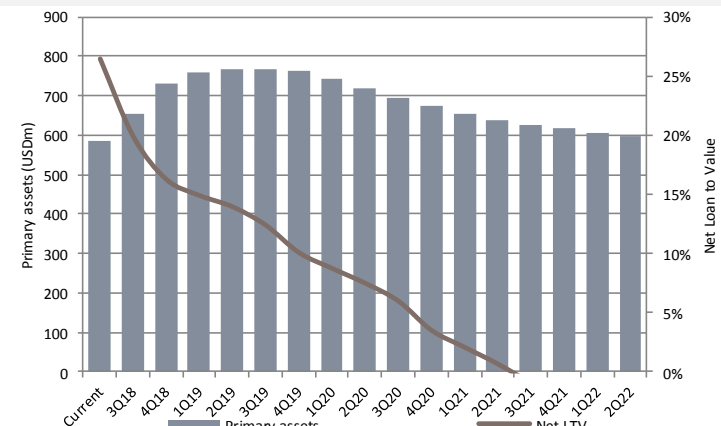
% Impact on NAV from % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value





Estimate Changes

Profit & Loss

| Estimate changes USDm | New | | | | Old | | | | Change | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net sales | 159 | 240 | 268 | 240 | 135 | 163 | 181 | 240 | 23 | 77 | 87 | - |
| EBITDA | 109 | 186 | 214 | 186 | 95 | 123 | 140 | 186 | 14 | 63 | 74 | - |
| EBIT | 84 | 161 | 189 | 161 | 69 | 97 | 114 | 161 | 15 | 64 | 75 | - |
| PTP | 80 | 158 | 187 | 161 | 64 | 93 | 111 | 161 | 17 | 65 | 76 | - |
| Net earnings | 80 | 158 | 187 | 161 | 64 | 93 | 111 | 161 | 17 | 65 | 76 | - |
| EPS | 2.72 | 5.36 | 6.34 | 5.45 | 2.69 | 3.94 | 4.70 | 5.45 | 2018 | 2019 | 2020 | 2021 |
| DPS | 1.46 | 4.76 | 5.38 | 4.70 | 1.86 | 4.70 | 5.39 | 4.70 | 23 | 77 | 87 | - |
| | | | | | | | | | 9 | 13 | 13 | - |
| | | | | | | | | | -1 | -1 | -1 | - |
| | | | | | | | | | -1 | -1 | -1 | - |
| | | | | | | | | | - | - | - | - |

Cash Flows & Balance Sheet

| Estimate changes USDm | | | | | | | | | Change | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net operational cash flow | 105 | 183 | 212 | 186 | 89 | 119 | 137 | 186 | 16 | 64 | 75 | - |
| Free cash flow | -175 | 183 | 212 | 186 | 15 | 119 | 137 | 186 | -190 | 64 | 75 | - |
| Net cash flow | 35 | 35 | 40 | 35 | 41 | - | - | 35 | -5 | 35 | 40 | - |
| TCE/day | 18,989 | 27,337 | 30,470 | 27,390 | 20,562 | 24,815 | 27,445 | 27,390 | -1,573 | 2,522 | 3,025 | - |
| Cash break-even | 7,714 | 7,301 | 7,880 | 7,622 | 8,072 | 7,935 | 8,146 | 7,622 | -358 | -634 | -267 | - |
| Liquidity | 55 | 90 | 130 | 164 | 60 | 60 | 60 | 164 | -5 | 31 | 70 | - |
| Property & Equip. (incl. NBs) | 500 | 475 | 450 | 425 | 336 | 310 | 285 | 425 | 163 | 164 | 165 | - |
| Total equity | 395 | 412 | 440 | 463 | 281 | 263 | 246 | 463 | 114 | 150 | 194 | - |
| Interest bearing debt | 174 | 167 | 153 | 141 | 127 | 119 | 110 | 141 | 47 | 47 | 44 | - |
| Net interest bearing debt | 119 | 77 | 24 | -24 | 68 | 60 | 50 | -24 | 51 | 17 | -27 | - |
| Market Cap. | 459 | 459 | 459 | 459 | 352 | 352 | 352 | 459 | 107 | 107 | 107 | - |
| Enterprise value | 578 | 536 | 483 | 436 | 419 | 412 | 402 | 436 | 159 | 124 | 81 | - |
| Capex | 295 | - | - | - | 89 | - | - | - | 205 | - | - | - |

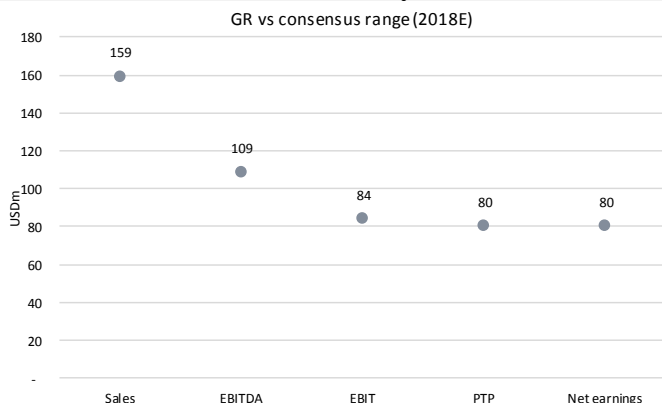
Valuation

| Estimate changes USDm | | | | | | | | | Change | | | |
|--------------------------|------|------|-------|-------|------|------|------|-------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2019 | 2021 |
| Fwd NAV | 673 | 885 | 1,009 | 1,137 | 546 | 668 | 767 | 1,137 | 126 | 218 | 243 | - |
| Adj. equity ratio | 79% | 84% | 86% | 88% | 81% | 85% | 87% | 88% | -2% | -1% | -1% | 0% |
| FCF yield | -38% | 40% | 46% | 40% | 4% | 34% | 39% | 40% | -42% | 6% | 7% | 0% |
| Dividend yield | 9% | 31% | 35% | 30% | 13% | 32% | 36% | 30% | -3% | -1% | -2% | 0% |
| EV/EBITDA | 5.3 | 2.9 | 2.3 | 2.3 | 4.4 | 3.4 | 2.9 | 2.3 | 0.9 | -0.5 | -0.6 | - |
| P/E (adj.) | 5.4 | 2.9 | 2.5 | 2.9 | 5.1 | 3.8 | 3.2 | 2.9 | 0 | -1 | -1 | - |

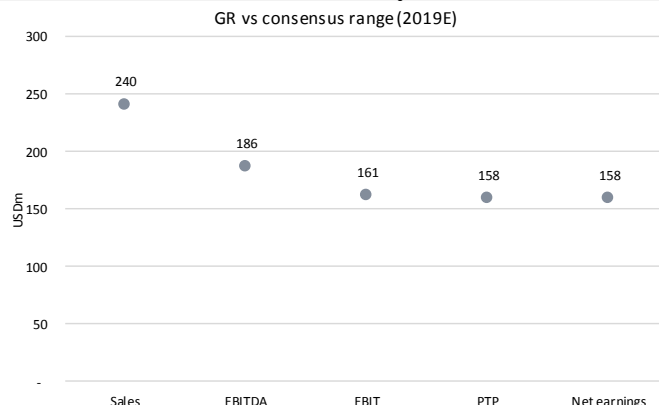


Our Estimates vs Consensus

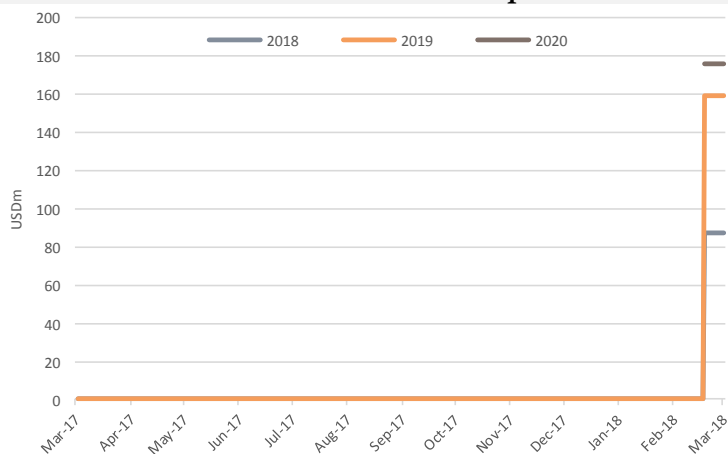
Profit & Loss, year I



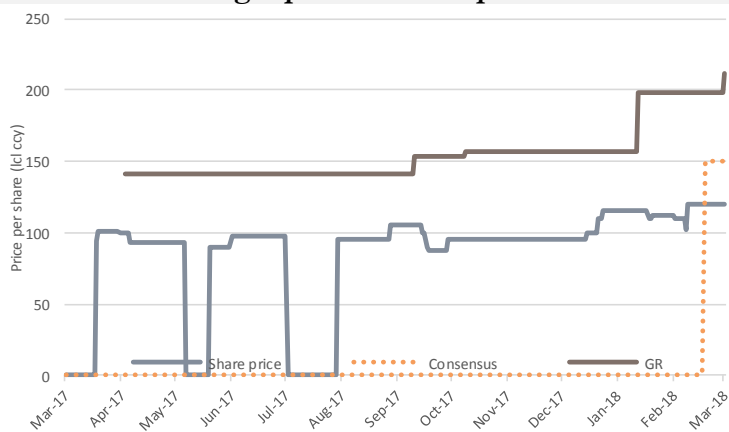
Profit & Loss, year II



Consensus EBITDA development



Target price vs share price

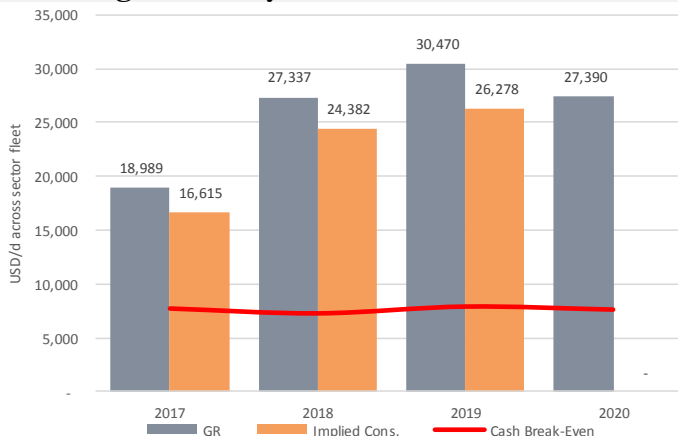


GR vs consensus: P&L break-down

| | 2018 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|---------|-------|
| TCE revenue | 159 | 139 | 20 | 14% | |
| Opex + G&A | 50 | 52 | -2 | -3% | |
| Depreciation | 25 | 9 | 16 | 176% | |
| Net finance | 4 | 4 | -0 | -9% | |
| Taxes & Minorities | 0 | 0 | 0 | #DIV/0! | |

| | 2019 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|---------|-------|
| TCE revenue | 240 | 214 | 26 | 12% | |
| Opex + G&A | 54 | 55 | -1 | -2% | |
| Depreciation | 25 | 10 | 15 | 148% | |
| Net finance | 3 | 3 | -0 | -7% | |
| Taxes & Minorities | 0 | 0 | 0 | #DIV/0! | |

Avg. TCE/day across fleet vs consensus





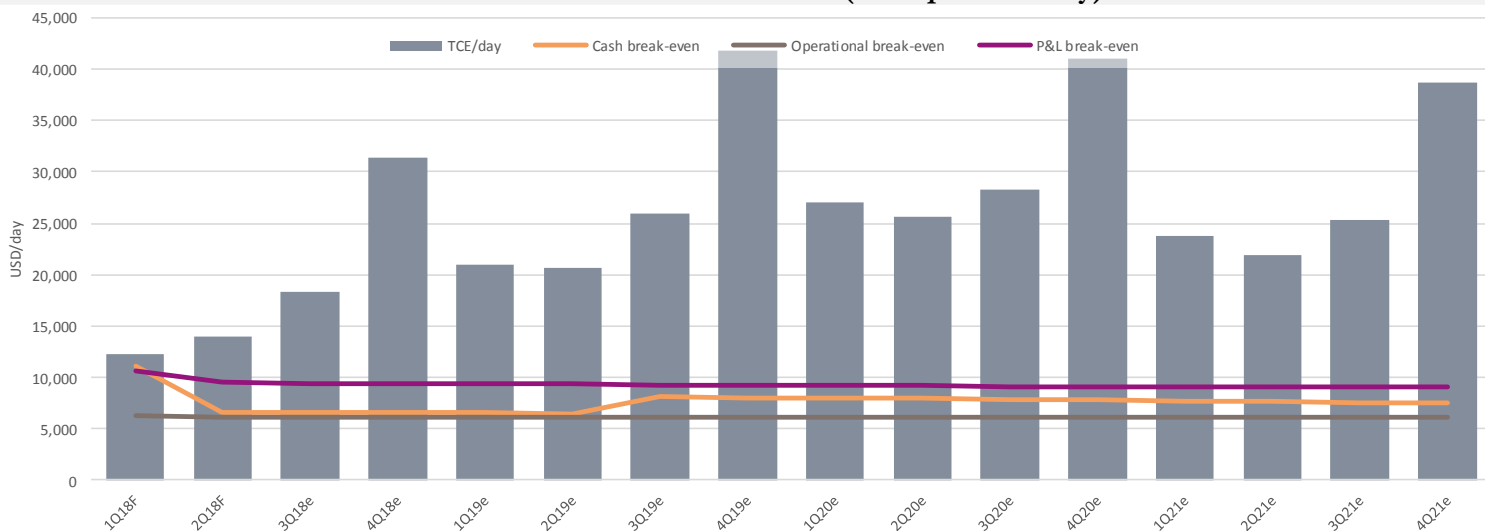
| Profit & Loss (USDm) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| Net sales | 0 | 0 | 0 | 0 | 34 | 159 | 240 | 268 | 240 |
| Operational costs | | | | | | -50 | -54 | -54 | -54 |
| EBITDA | | | | | | 109 | 186 | 214 | 186 |
| Depreciation/Amortization | | | | | | -25 | -25 | -25 | -25 |
| EBIT | — | — | — | — | 5 | 84 | 161 | 189 | 161 |
| Net financials | | | | | -2 | -4 | -3 | -2 | 0 |
| PTP | — | — | — | — | 3 | 80 | 158 | 187 | 161 |
| Taxes/Minorities | | | | | 0 | 0 | 0 | 0 | 0 |
| Net earnings | — | — | — | — | 3 | 80 | 158 | 187 | 161 |
| Non-recurring items | | | | | 0 | 5 | 0 | 0 | 0 |
| Net earnings (adj.) | — | — | — | — | 3 | 85 | 158 | 187 | 161 |
| EPS | | | | | 0.18 | 2.72 | 5.36 | 6.34 | 5.45 |
| EPS (adj.) | | | | | 0.18 | 2.91 | 5.36 | 6.34 | 5.45 |
| DPS | | | | | 0.00 | 1.46 | 4.76 | 5.38 | 4.70 |
| Balance Sheet (USDm) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
| Cash & short-term investments | — | — | — | — | 20 | 55 | 90 | 130 | 164 |
| Other current assets | | | | | 21 | 21 | 21 | 21 | 21 |
| Total current assets | — | — | — | — | 41 | 76 | 111 | 151 | 186 |
| Property & equip. (incl. NBs) | — | — | — | — | — | 500 | 475 | 450 | 425 |
| Other non-current assets | | | | | | 0 | 0 | 0 | 0 |
| Total non-current assets | — | — | — | — | 245 | 500 | 475 | 450 | 425 |
| TOTAL ASSETS | — | — | — | — | 286 | 576 | 586 | 601 | 611 |
| Total equity | — | — | — | — | 194 | 395 | 412 | 440 | 463 |
| Short-term debt | — | — | — | — | 0 | 0 | 0 | 0 | 0 |
| Other current liabilities | | | | | 7 | 7 | 7 | 7 | 7 |
| Total current liabilities | — | — | — | — | 7 | 7 | 7 | 7 | 7 |
| Long-term debt | — | — | — | — | 85 | 174 | 167 | 153 | 141 |
| Other non-current liabilities | | | | | 0 | 0 | 0 | 0 | 0 |
| Total non-current liabilities | — | — | — | — | 85 | 174 | 167 | 153 | 141 |
| TOTAL EQUITY & LIABILITIES | — | — | — | — | 286 | 576 | 586 | 601 | 611 |
| Working capital, receivables | | | | | 18 | 18 | 18 | 18 | 18 |
| Working capital, payables | — | — | — | — | 2 | 6 | 6 | 6 | 6 |
| Net working capital | | | | | 16 | 13 | 13 | 13 | 13 |
| Interest bearing debt | | | | | 85 | 174 | 167 | 153 | 141 |
| Liquidity | | | | | 20 | 55 | 90 | 130 | 164 |
| Net interest bearing debt | | | | | 65 | 119 | 77 | 24 | -24 |
| Cash Flow (USDm) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
| Net income | — | — | — | — | 3 | 80 | 158 | 187 | 161 |
| Depreciation | | | | | | 25 | 25 | 25 | 25 |
| Other | | | | | | 0 | 0 | 0 | 0 |
| Cash earnings | | | | | 12 | 105 | 183 | 212 | 186 |
| Changes in working capital | — | — | — | — | -14 | 0 | 0 | 0 | 0 |
| Net operational cash flow | — | — | — | — | -2 | 105 | 183 | 212 | 186 |
| Capex | — | — | — | — | -161 | -295 | 0 | 0 | 0 |
| Other investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from sales | — | — | — | — | — | 15 | 0 | 0 | 0 |
| Other | | | | | -4 | 0 | 0 | 0 | 0 |
| Net investing cash flow | — | — | — | — | -165 | -280 | 0 | 0 | 0 |
| Repayment of debt | — | — | — | — | 86 | -7 | -7 | -13 | -12 |
| Proceeds from debt | — | — | — | — | 86 | 96 | 0 | 0 | 0 |
| Dividends paid | — | — | — | — | 0 | -43 | -141 | -159 | -139 |
| New equity | — | — | — | — | 83 | 164 | 0 | 0 | 0 |
| Other | | | | | -90 | 0 | 0 | 0 | 0 |
| Net financing cash flow | — | — | — | — | 165 | 210 | -148 | -172 | -151 |
| Currency effect | — | — | — | — | 0 | 0 | 0 | 0 | 0 |
| Net cash flow | | | | | -3 | 35 | 35 | 40 | 35 |
| Cash balance | | | | 23 | 20 | 55 | 90 | 130 | 164 |
| Free cash flow | | | | | -168 | -175 | 183 | 212 | 186 |



| | BULK-NO | | | BUY/TP 212 | | | | | |
|--|---------|------|------|------------|------------|------------|------------|------------|------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
| Share Data & Valuation (USDm) | | | | | | | | | |
| Shares outstanding, end | — | — | — | — | 17 | 30 | 30 | 30 | 30 |
| Share price, avg (USD) | | | | | 12 | 16 | 16 | 16 | 16 |
| Share price, end (USD) | — | — | — | — | 11 | 16 | 16 | 16 | 16 |
| Market Cap. | | | | | 195 | 459 | 459 | 459 | 459 |
| NIBD | | | | | 65 | 119 | 77 | 24 | -24 |
| Minorities | — | — | — | — | 0 | 0 | 0 | 0 | 0 |
| Enterprise value | | | | | 261 | 578 | 536 | 483 | 436 |
| Key Figures & Ratios | | | | | | | | | |
| P/E (reported) | | | | | 62.1 | 5.7 | 2.9 | 2.5 | 2.9 |
| P/E (adj.) | | | | | 62.1 | 5.4 | 2.9 | 2.5 | 2.9 |
| P/CE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/Sales | | | | | 5.8 | 2.9 | 1.9 | 1.7 | 1.9 |
| EV/Sales | | | | | 7.7 | 3.6 | 2.2 | 1.8 | 1.8 |
| EV/EBITDA | | | | | | 5.3 | 2.9 | 2.3 | 2.3 |
| EV/EBIT | | | | | 53.7 | 6.9 | 3.3 | 2.6 | 2.7 |
| P/B | | | | | 1.0 | 1.2 | 1.1 | 1.0 | 1.0 |
| FCF yield | | | | | -86% | -38% | 40% | 46% | 40% |
| Dividend yield | | | | | 0.0% | 9.4% | 30.7% | 34.6% | 30.2% |
| Return on equity (ROE) | | | | | 1.6% | 20.3% | 38.4% | 42.5% | 34.8% |
| Return on capital employed (ROCE) | | | | | 1.9% | 16.3% | 32.9% | 40.7% | 36.7% |
| Return on assets (ROA) | | | | | 1.1% | 13.9% | 27.0% | 31.2% | 26.4% |
| Sales growth | | | | | | 370% | 51% | 12% | -10% |
| EBITDA margin | | | | | | 68% | 77% | 80% | 77% |
| EBIT margin | | | | | 14% | 53% | 67% | 70% | 67% |
| Net margin | | | | | 9% | 50% | 66% | 70% | 67% |
| Net interest rate | | | | | 0.0% | 3.1% | 3.6% | 6.5% | -1.2% |
| Tax rate | | | | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Equity ratio | | | | | 68% | 69% | 70% | 73% | 76% |
| Leverage ratio | | | | | 32% | 31% | 30% | 27% | 24% |
| NIBD / EBITDA (past 1y) | | | | | | 1.1 | 0.4 | 0.1 | -0.1 |
| Operating cash flow/NIBD | | | | | 0.0 | 0.9 | 2.4 | 9.0 | -7.9 |
| Net interest coverage ratio (EBITDA) | | | | | | 29.7 | 66.5 | 139.6 | 644.6 |
| Current ratio | | | | | 5.5 | 10.3 | 15.0 | 20.4 | 25.1 |
| Adj. equity ratio | | | | | | 79% | 84% | 86% | 88% |
| Operating assets | | | | | 266 | 521 | 496 | 471 | 447 |
| Operating liabilities | | | | | 7 | 7 | 7 | 7 | 7 |
| Net operating assets | | | | | 259 | 514 | 489 | 464 | 439 |

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)



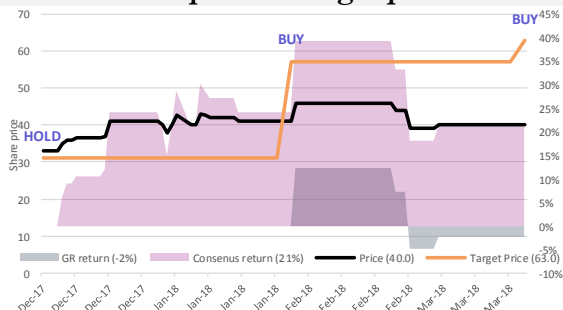
🐦 \$2020 (#BUY, 63): Eight #Newcastlemax newbuilds secured at prices already below last/next done, but a long way to go to capitalize

2020-NO

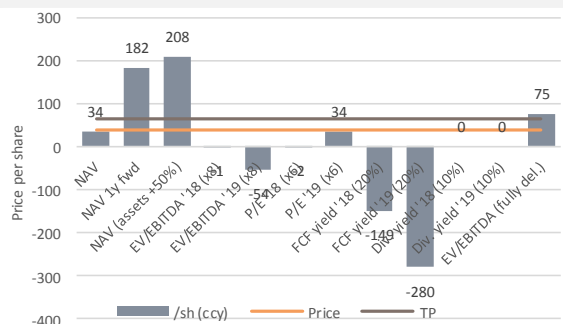
BUY/TP 63

2020 Bulkers

Share price vs target price

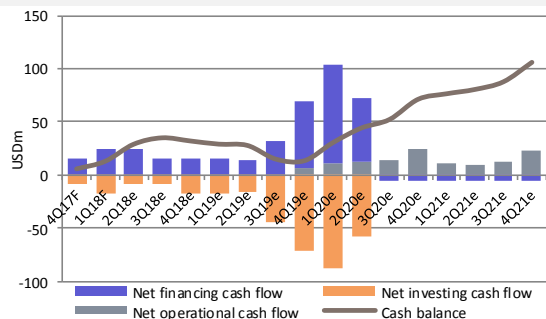


Valuation matrix



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Cash & cash flows



Gersemi Research / Analysts

Joakim Hannisdahl

Head of Research

research@gersemiresearch.com

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------|-------|-------|------|------|
| Net sales | - | 8 | 90 | 85 |
| EBITDA | -0 | 7 | 73 | 67 |
| EBIT | -0 | 7 | 73 | 67 |
| PTP | -0 | 6 | 61 | 56 |
| Net earnings | -0 | 6 | 61 | 56 |
| EPS | -0.03 | 0.30 | 3.10 | 2.84 |
| DPS | - | - | - | - |
| USDm | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 90 | 151 | 175 | 196 |
| Adj. equity ratio | 75% | 55% | 40% | 44% |
| FCF yield | -75% | -140% | -82% | 55% |
| Dividend yield | 0% | 0% | 0% | 0% |
| EV/EBITDA | | 31.9 | 4.1 | 3.6 |
| P/E (adj.) | | 17.1 | 1.7 | 1.8 |

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|---------|---------|--------|--------|
| Net operational cash flow | -0 | 6 | 61 | 56 |
| Free cash flow | -54 | -143 | -84 | 56 |
| Net cash flow | 26 | -18 | 57 | 35 |
| TCE/day | #DIV/0! | #DIV/0! | 32,487 | 29,150 |
| Cash break-even | #DIV/0! | #DIV/0! | 17,049 | 17,364 |
| Liquidity | 32 | 14 | 71 | 106 |
| Property & Equip. (incl. NBs) | 62 | 212 | 357 | 357 |
| Total equity | 65 | 101 | 162 | 218 |
| Interest bearing debt | 30 | 125 | 266 | 245 |
| Net interest bearing debt | -2 | 111 | 195 | 139 |
| Market Cap. | 72 | 102 | 102 | 102 |
| Enterprise value | 70 | 213 | 298 | 241 |
| Capex | 54 | 149 | 146 | - |

Source: Gersemi Research, Bloomberg, company data

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

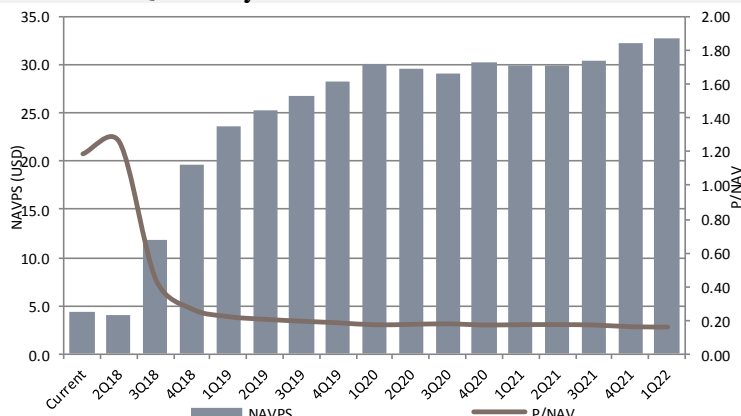


Valuation

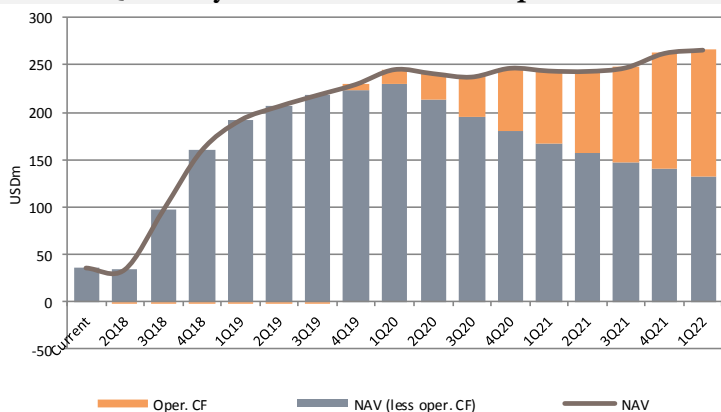
Valuation & target price

| Net asset values | | | |
|---------------------|--------------|-------------|-------------|
| USDm | 1Q18 | Fair value | Implied |
| Primary assets | 27 | 368 | 374 |
| Contract value | 0 | 0 | 0 |
| Other | 0 | 0 | 0 |
| GAV | 27 | 368 | 374 |
| Net debt | -2 | -2 | -2 |
| Capex | 0 | -330 | -330 |
| Other | 0 | 0 | 0 |
| NAV | 25 | 36 | 42 |
| Shares | 8 | 8 | 8 |
| NAVPS | 3.05 | 4.37 | 5.18 |
| Share price | 23.6 | 33.8 | 40.0 |
| P/NAV | 1.70 | 1.19 | 1.00 |
| EV/GAV | 13.98 | 1.02 | 1.00 |
| Adj. Total Assets | 40 | 381 | 388 |
| Adj. Equity Ratio | 62% | 9% | 11% |
| Target price | NOK | 63 | 56% |

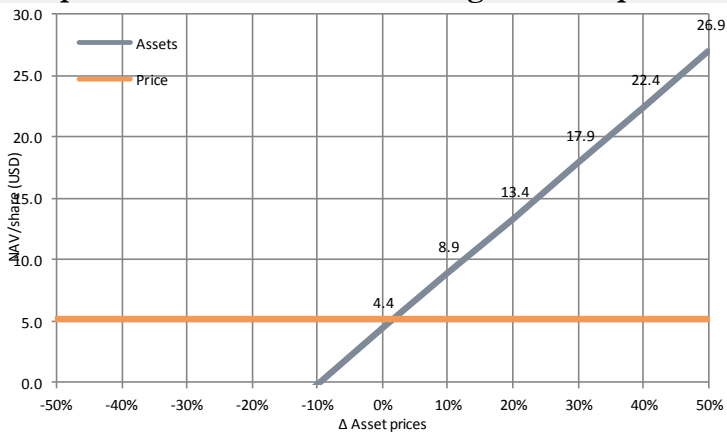
Quarterly forward NAV & P/NAV



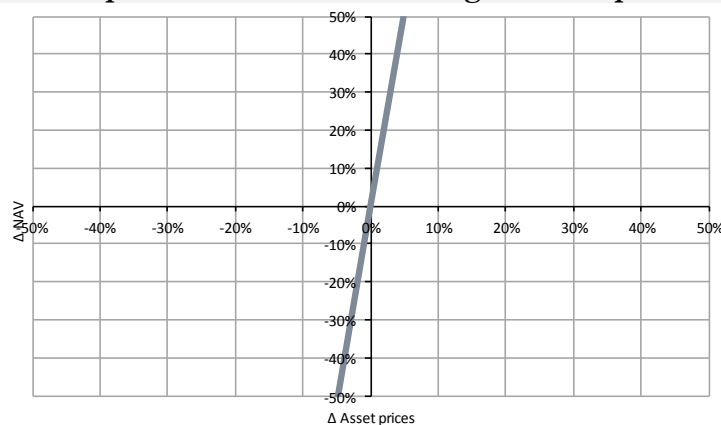
Quarterly forward NAV decomposition



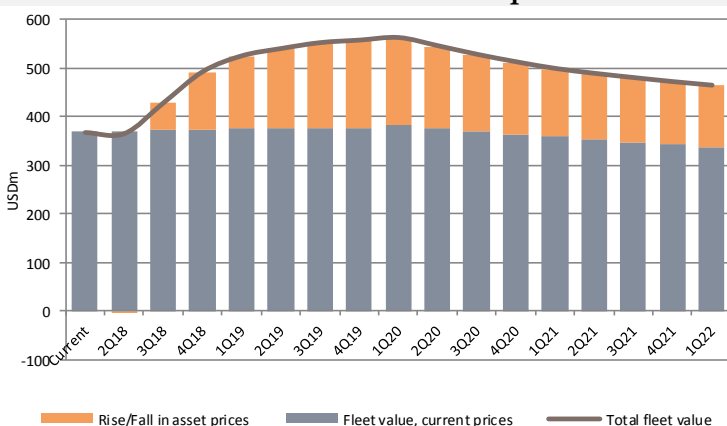
Impact on NAV/sh from % change in asset prices



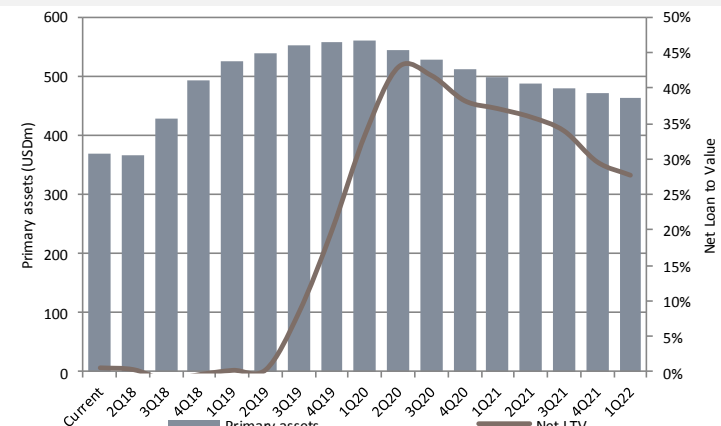
% Impact on NAV from % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value





Estimate Changes

Profit & Loss

| Estimate changes USDm | New | | | | Old | | | | Change | | | |
|--------------------------|-------|------|------|------|---------|-------|------|------|---------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net sales | - | 8 | 90 | 85 | - | - | 8 | 83 | - | 8 | 82 | 2 |
| EBITDA | -0 | 7 | 73 | 67 | #VALUE! | -0 | 6 | 66 | #VALUE! | 7 | 66 | 1 |
| EBIT | -0 | 7 | 73 | 67 | #VALUE! | -0 | 6 | 66 | #VALUE! | 7 | 66 | 1 |
| PTP | -0 | 6 | 61 | 56 | #VALUE! | -1 | 1 | 49 | #VALUE! | 7 | 60 | 7 |
| Net earnings | -0 | 6 | 61 | 56 | #VALUE! | -1 | 1 | 49 | #VALUE! | 7 | 60 | 7 |
| EPS | -0.03 | 0.30 | 3.10 | 2.84 | #DIV/0! | -0.21 | 0.20 | 8.01 | 2018 | 2019 | 2020 | 2021 |
| DPS | - | - | - | - | #DIV/0! | 0 | 0 | - | - | 8 | 82 | 2 |
| | | | | | | | | | #VALUE! | 1 | 16 | 1 |
| | | | | | | | | | #VALUE! | - | - | - |
| | | | | | | | | | #VALUE! | -0 | 6 | -6 |
| | | | | | | | | | #VALUE! | - | - | - |

Cash Flows & Balance Sheet

| Estimate changes USDm | New | | | | Old | | | | Change | | | |
|-------------------------------|---------|---------|--------|--------|---------|---------|---------|--------|---------|---------|---------|--------|
| | 2018 | 2019 | 2020 | 2021 | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2019 | 2020 |
| Net operational cash flow | -0 | 6 | 61 | 56 | #VALUE! | -1 | 1 | 49 | #VALUE! | 7 | 60 | 7 |
| Free cash flow | -54 | -143 | -84 | 56 | #VALUE! | -55 | -148 | -96 | #VALUE! | -88 | 64 | 152 |
| Net cash flow | 26 | -18 | 57 | 35 | #VALUE! | -25 | -58 | 42 | #VALUE! | 6 | 115 | -8 |
| TCE/day | #DIV/0! | #DIV/0! | 32,487 | 29,150 | #DIV/0! | #DIV/0! | #DIV/0! | 29,865 | #DIV/0! | #DIV/0! | #DIV/0! | -715 |
| Cash break-even | #DIV/0! | #DIV/0! | 17,049 | 17,364 | #DIV/0! | #DIV/0! | #DIV/0! | 18,870 | #DIV/0! | #DIV/0! | #DIV/0! | -1,506 |
| Liquidity | 32 | 14 | 71 | 106 | 6 | -19 | -77 | -34 | 26 | 33 | 148 | 140 |
| Property & Equip. (incl. NBs) | 62 | 212 | 357 | 357 | 9 | 62 | 212 | 357 | 54 | 149 | 146 | - |
| Total equity | 65 | 101 | 162 | 218 | 15 | 14 | 15 | 64 | 50 | 87 | 147 | 154 |
| Interest bearing debt | 30 | 125 | 266 | 245 | - | 30 | 120 | 259 | 30 | 95 | 146 | -14 |
| Net interest bearing debt | -2 | 111 | 195 | 139 | -6 | 49 | 197 | 293 | 4 | 62 | -1 | -154 |
| Market Cap. | 72 | 102 | 102 | 102 | 33 | 33 | 33 | 33 | 40 | 70 | 70 | 70 |
| Enterprise value | 70 | 213 | 298 | 241 | 27 | 82 | 229 | 326 | 43 | 132 | 68 | -84 |
| Capex | 54 | 149 | 146 | - | 9 | 54 | 149 | 146 | 45 | 95 | -4 | -146 |

Valuation

| Estimate changes USDm | New | | | | New | | | | Change | | | |
|--------------------------|------|-------|------|------|---------|-------|-------|-------|---------|---------|-------|------|
| | 2018 | 2019 | 2020 | 2021 | 2017 | 2018 | 2019 | 2020 | 2017 | 2018 | 2020 | 2020 |
| Fwd NAV | 160 | 230 | 247 | 263 | 15 | 69 | 111 | 148 | 145 | 161 | 136 | 114 |
| Adj. equity ratio | 84% | 65% | 48% | 52% | 100% | 70% | 48% | 36% | -16% | -5% | 0% | 15% |
| FCF yield | -75% | -140% | -82% | 55% | #VALUE! | -168% | -452% | -294% | #VALUE! | 28% | 370% | 349% |
| Dividend yield | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| EV/EBITDA | | 31.9 | 4.1 | 3.6 | #VALUE! | | 36.9 | 4.9 | #VALUE! | #VALUE! | -32.8 | -1.3 |
| P/E (adj.) | | 17.1 | 1.7 | 1.8 | #VALUE! | | 26.2 | 0.7 | #VALUE! | #VALUE! | -25 | 1 |



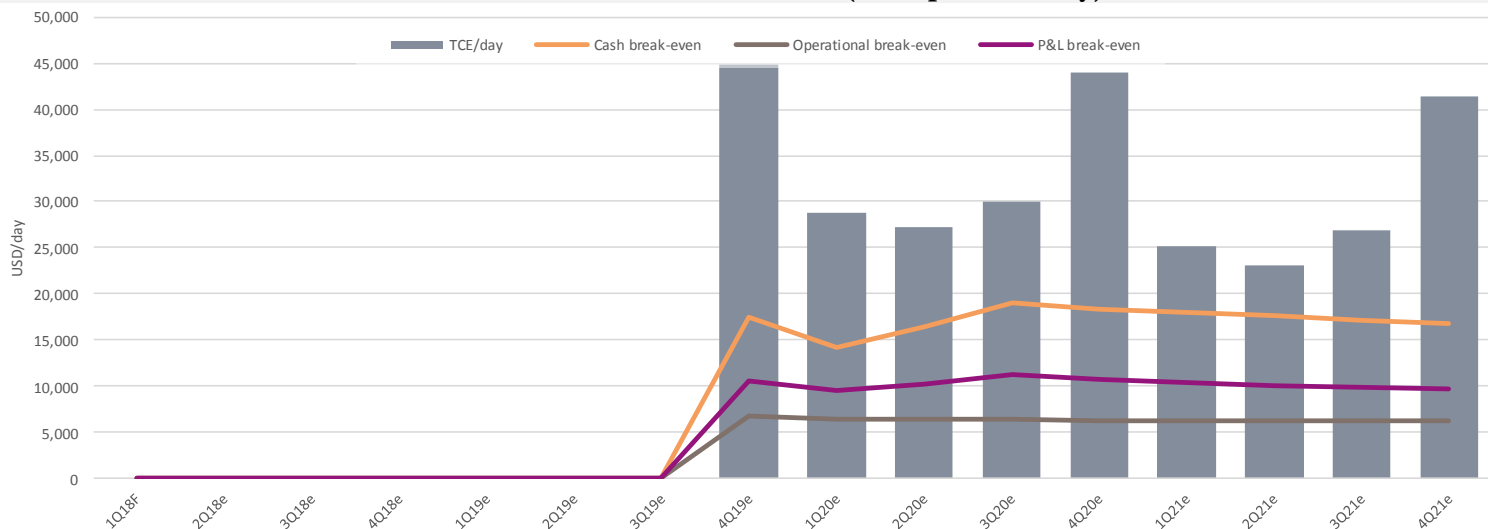
| Profit & Loss (USDm) | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
|---------------------------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Net sales | 0 | 0 | 0 | 0 | 0 | 0 | 8 | 90 | 85 |
| Operational costs | | | | | | 0 | -2 | -17 | -18 |
| EBITDA | | | | | | 0 | 7 | 73 | 67 |
| Depreciation/Amortization | | | | | | 0 | 0 | 0 | 0 |
| EBIT | — | — | — | — | | 0 | 7 | 73 | 67 |
| Net financials | | | | | | 0 | -1 | -11 | -11 |
| PTP | — | — | — | — | | 0 | 6 | 61 | 56 |
| Taxes/Minorities | | | | | | 0 | 0 | 0 | 0 |
| Net earnings | — | — | — | — | | 0 | 6 | 61 | 56 |
| Non-recurring items | | | | | | 0 | 0 | 0 | 0 |
| Net earnings (adj.) | — | — | — | — | | 0 | 6 | 61 | 56 |
| EPS | | | | | | -0.03 | 0.30 | 3.10 | 2.84 |
| EPS (adj.) | | | | | | -0.03 | 0.30 | 3.10 | 2.84 |
| DPS | | | | | | 0.00 | 0.00 | 0.00 | 0.00 |
| Balance Sheet (USDm) | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
| Cash & short-term investments | — | — | — | — | 6 | 32 | 14 | 71 | 106 |
| Other current assets | | | | | 0 | 0 | 0 | 0 | 0 |
| Total current assets | — | — | — | — | 6 | 32 | 14 | 71 | 106 |
| Property & equip. (incl. NBs) | — | — | — | — | 9 | 62 | 212 | 357 | 357 |
| Other non-current assets | | | | | 0 | 0 | 0 | 0 | 0 |
| Total non-current assets | — | — | — | — | 9 | 62 | 212 | 357 | 357 |
| TOTAL ASSETS | — | — | — | — | 15 | 95 | 225 | 428 | 463 |
| Total equity | — | — | — | — | 15 | 65 | 101 | 162 | 218 |
| Short-term debt | — | — | — | — | 0 | 0 | 0 | 0 | 0 |
| Other current liabilities | | | | | 0 | 0 | 0 | 0 | 0 |
| Total current liabilities | — | — | — | — | 0 | 0 | 0 | 0 | 0 |
| Long-term debt | — | — | — | — | 0 | 30 | 125 | 266 | 245 |
| Other non-current liabilities | | | | | 0 | 0 | 0 | 0 | 0 |
| Total non-current liabilities | — | — | — | — | 0 | 30 | 125 | 266 | 245 |
| TOTAL EQUITY & LIABILITIES | — | — | — | — | 15 | 95 | 225 | 428 | 463 |
| Working capital, receivables | | | | | 0 | 0 | 0 | 0 | 0 |
| Working capital, payables | — | — | — | — | 0 | 0 | 0 | 0 | 0 |
| Net working capital | | | | | 0 | 0 | 0 | 0 | 0 |
| Interest bearing debt | | | | | 0 | 30 | 125 | 266 | 245 |
| Liquidity | | | | | 6 | 32 | 14 | 71 | 106 |
| Net interest bearing debt | | | | | -6 | -2 | 111 | 195 | 139 |
| Cash Flow (USDm) | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
| Net income | — | — | — | — | | 0 | 6 | 61 | 56 |
| Depreciation | | | | | 0 | 0 | 0 | 0 | 0 |
| Other | | | | | 0 | 0 | 0 | 0 | 0 |
| Cash earnings | | | | | | 0 | 6 | 61 | 56 |
| Changes in working capital | — | — | — | — | 0 | 0 | 0 | 0 | 0 |
| Net operational cash flow | — | — | — | — | | 0 | 6 | 61 | 56 |
| Capex | — | — | — | — | -9 | -54 | -149 | -146 | 0 |
| Other investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from sales | — | — | — | — | 0 | 0 | 0 | 0 | 0 |
| Other | | | | | 0 | 0 | 0 | 0 | 0 |
| Net investing cash flow | — | — | — | — | -9 | -54 | -149 | -146 | 0 |
| Repayment of debt | — | — | — | — | 0 | 0 | -3 | -19 | -22 |
| Proceeds from debt | — | — | — | — | 0 | 30 | 97 | 160 | 0 |
| Dividends paid | — | — | — | — | 0 | 0 | 0 | 0 | 0 |
| New equity | — | — | — | — | 15 | 50 | 30 | 0 | 0 |
| Other | | | | | 0 | 0 | 0 | 0 | 0 |
| Net financing cash flow | — | — | — | — | 15 | 80 | 125 | 142 | -22 |
| Currency effect | — | — | — | — | 0 | 0 | 0 | 0 | 0 |
| Net cash flow | | | | | | 26 | -18 | 57 | 35 |
| Cash balance | | | | | | | | | |
| Free cash flow | | | | | | -54 | -143 | -84 | 56 |



| Share Data & Valuation (USDm) | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
|--------------------------------------|------|------|------|------|-----------|-----------|------------|------------|------------|
| Shares outstanding, end | — | — | — | — | 6 | 14 | 20 | 20 | 20 |
| Share price, avg (USD) | | | | | | 5 | 5 | 5 | 5 |
| Share price, end (USD) | — | — | — | — | 5 | 5 | 5 | 5 | 5 |
| Market Cap. | | | | | 32 | 72 | 102 | 102 | 102 |
| NIBD | | | | | -6 | -2 | 111 | 195 | 139 |
| Minorities | — | — | — | — | 0 | 0 | 0 | 0 | 0 |
| Enterprise value | | | | | 26 | 70 | 213 | 298 | 241 |
| Key Figures & Ratios | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
| P/E (reported) | | | | | | | 17.1 | 1.7 | 1.8 |
| P/E (adj.) | | | | | | | 17.1 | 1.7 | 1.8 |
| P/CE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/Sales | | | | | | | 12.4 | 1.1 | 1.2 |
| EV/Sales | | | | | | | 25.9 | 3.3 | 2.8 |
| EV/EBITDA | | | | | | | 31.9 | 4.1 | 3.6 |
| EV/EBIT | | | | | | | 31.9 | 4.1 | 3.6 |
| P/B | | | | | 2.1 | 1.1 | 1.0 | 0.6 | 0.5 |
| FCF yield | | | | | | -75% | -140% | -82% | 55% |
| Dividend yield | | | | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Return on equity (ROE) | | | | | | -0.4% | 6.0% | 37.8% | 25.7% |
| Return on capital employed (ROCE) | | | | | | -0.6% | 3.2% | 20.3% | 18.7% |
| Return on assets (ROA) | | | | | | -0.3% | 2.7% | 14.3% | 12.1% |
| Sales growth | | | | | | | | 992% | -5% |
| EBITDA margin | | | | | | | 81% | 81% | 78% |
| EBIT margin | | | | | | | 81% | 81% | 78% |
| Net margin | | | | | | | 73% | 68% | 66% |
| Net interest rate | | | | | 0.0% | 5.8% | 0.6% | 5.8% | 7.7% |
| Tax rate | | | | | | 0.0% | 0.0% | 0.0% | 0.0% |
| Equity ratio | | | | | 100% | 68% | 45% | 38% | 47% |
| Leverage ratio | | | | | 0% | 32% | 55% | 62% | 53% |
| NIBD / EBITDA (past 1y) | | | | | | 5.3 | 16.6 | 2.7 | 2.1 |
| Operating cash flow/NIBD | | | | | | 0.1 | 0.1 | 0.3 | 0.4 |
| Net interest coverage ratio (EBITDA) | | | | | | 3.2 | 9.6 | 6.4 | 6.2 |
| Current ratio | | | | | | | | | |
| Adj. equity ratio | | | | | | 84% | 65% | 48% | 52% |
| Operating assets | | | | | 9 | 62 | 212 | 357 | 357 |
| Operating liabilities | | | | | 0 | 0 | 0 | 0 | 0 |
| Net operating assets | | | | | 9 | 62 | 212 | 357 | 357 |

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

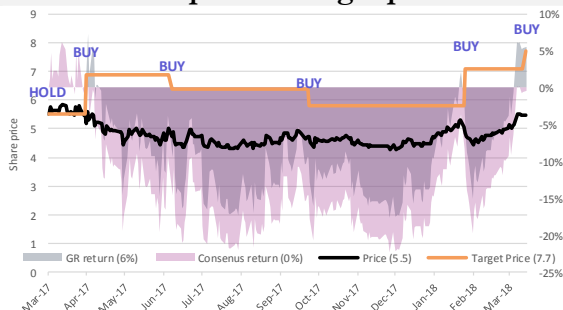
Break-even levels vs TCE revenue (USD per fleet day)



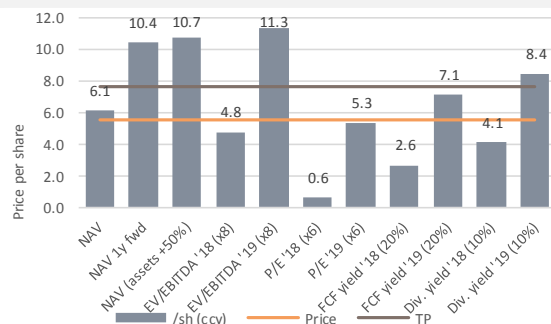
🐦 \$EGLE (#BUY, 7.1): A defensive exposure to improving fundamentals in #drybulk #shipping

EGLE-US BUY/TP 7.1 Eagle Bulk

Share price vs target price

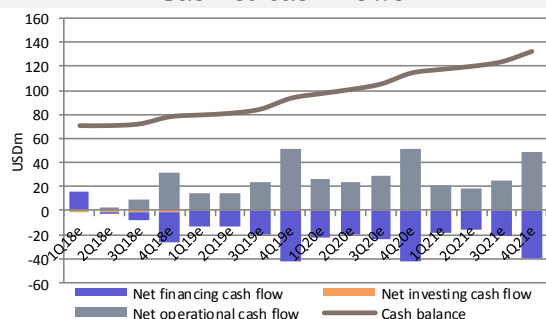


Valuation matrix



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Cash & cash flows



Gersemi Research / Analysts

Joakim Hannisdahl

Head of Research

research@gersemiresearch.com

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------|------|------|------|------|
| Net sales | 220 | 275 | 297 | 275 |
| EBITDA | 75 | 130 | 151 | 129 |
| EBIT | 36 | 91 | 112 | 90 |
| PTP | 7 | 65 | 91 | 74 |
| Net earnings | 7 | 65 | 91 | 74 |
| EPS | 0.10 | 0.88 | 1.24 | 1.01 |
| DPS | 0.41 | 0.84 | 1.15 | 0.99 |
| USDm | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 759 | 897 | 932 | 981 |
| Adj. equity ratio | 68% | 73% | 75% | 77% |
| FCF yield | 10% | 26% | 32% | 28% |
| Dividend yield | 7% | 15% | 21% | 18% |
| EV/EBITDA | 8.7 | 4.7 | 3.7 | 4.1 |
| P/E (adj.) | 56.2 | 6.2 | 4.4 | 5.5 |

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|--------|--------|--------|--------|
| Net operational cash flow | 46 | 104 | 130 | 113 |
| Free cash flow | 39 | 104 | 130 | 113 |
| Net cash flow | 22 | 15 | 21 | 18 |
| TCE/day | 12,296 | 15,362 | 16,575 | 15,383 |
| Cash break-even | 9,868 | 11,083 | 10,702 | 10,356 |
| Liquidity | 78 | 93 | 114 | 132 |
| Property & Equip. (incl. NBs) | 659 | 620 | 581 | 541 |
| Total equity | 439 | 442 | 448 | 450 |
| Interest bearing debt | 330 | 304 | 279 | 257 |
| Net interest bearing debt | 252 | 210 | 165 | 124 |
| Market Cap. | 401 | 401 | 401 | 401 |
| Enterprise value | 654 | 612 | 566 | 525 |
| Capex | 7 | - | - | - |

Source: Gersemi Research, Bloomberg, company data

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

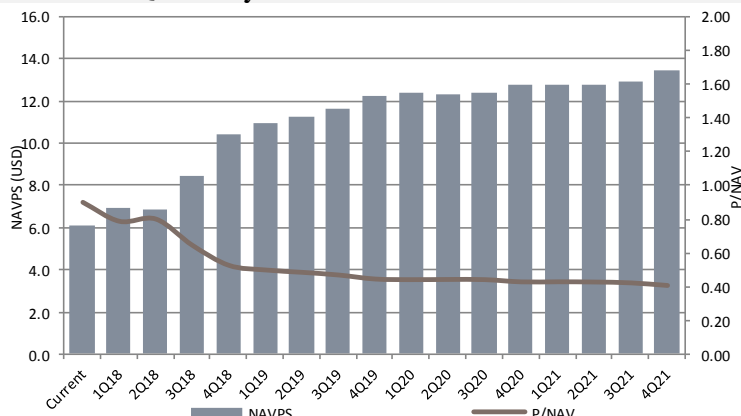


Valuation

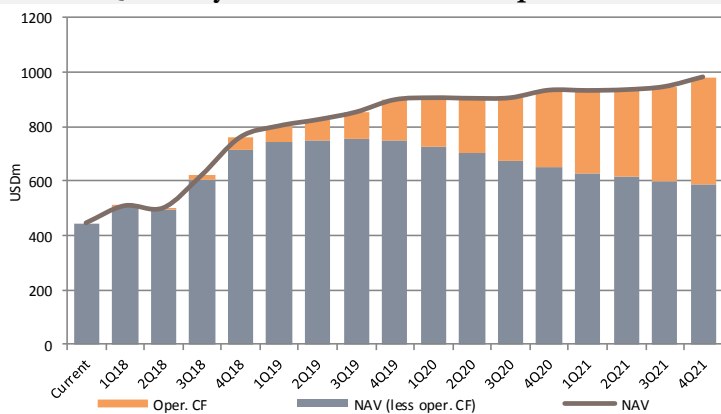
Valuation & target price

| Net asset values | | | |
|--------------------------|-------------|-------------|-------------|
| USDm | 4Q17 | Fair value | Implied |
| Primary assets | 690 | 671 | 631 |
| Contract value | 0 | 2 | 2 |
| Other | 41 | 41 | 38 |
| GAV | 731 | 714 | 671 |
| Net debt | -261 | -261 | -261 |
| Capex | 0 | 0 | 0 |
| Other | -8 | -8 | -8 |
| NAV | 461 | 444 | 401 |
| Shares | 73 | 73 | 73 |
| NAVPS | 6.3 | 6.1 | 5.5 |
| Share price | 6 | 6 | 5 |
| P/NAV | 0.87 | 0.90 | 1.00 |
| EV/GAV | 0.92 | 0.94 | 1.00 |
| Adj. Total Assets | 808 | 789 | 749 |
| Adj. Equity Ratio | 57% | 56% | 54% |
| Target price | USD | 7.7 | 40% |

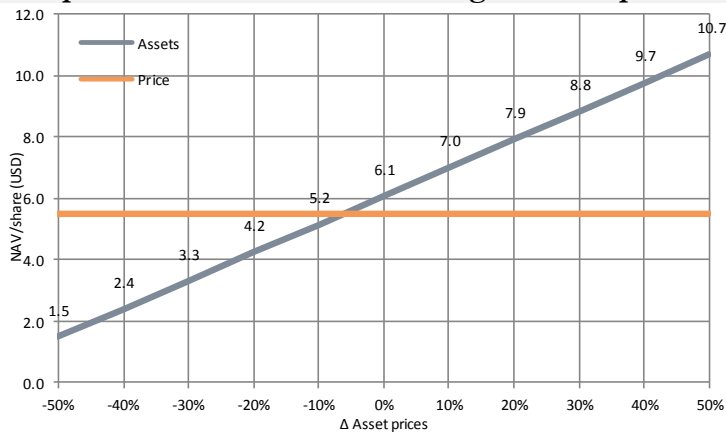
Quarterly forward NAV & P/NAV



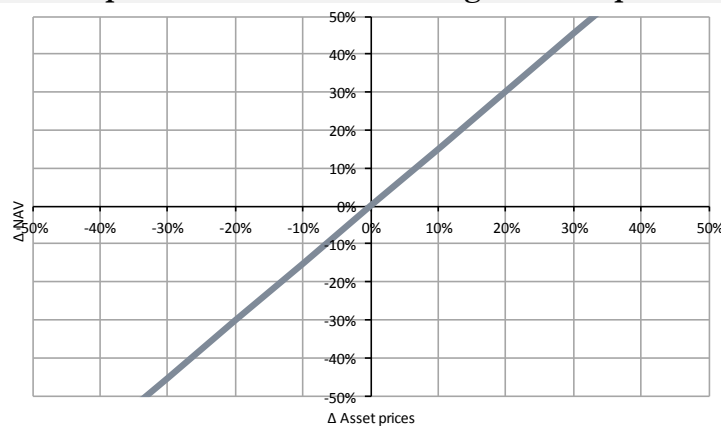
Quarterly forward NAV decomposition



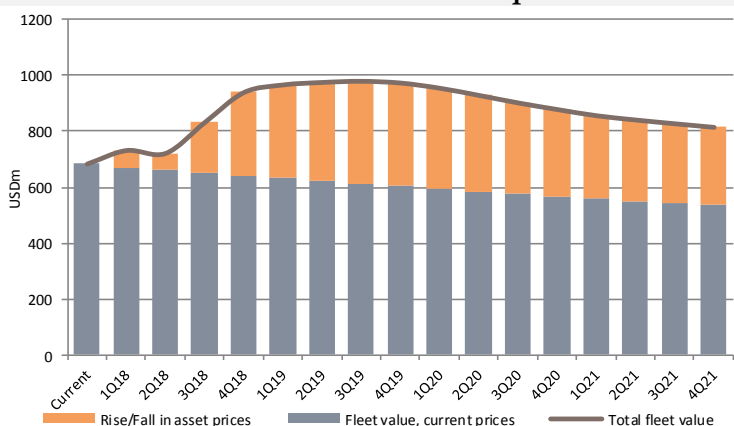
Impact on NAV/sh from % change in asset prices



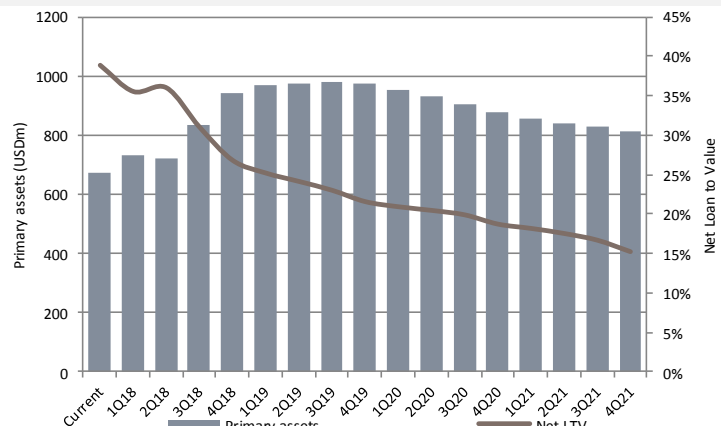
% Impact on NAV from % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value





Estimate Changes

Profit & Loss

| Estimate changes USDm | New | | | | Old | | | | Change | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net sales | 220 | 275 | 297 | 275 | 225 | 256 | 275 | 275 | -5 | 19 | 22 | - |
| EBITDA | 75 | 130 | 151 | 129 | 80 | 110 | 129 | 129 | -5 | 19 | 22 | - |
| EBIT | 36 | 91 | 112 | 90 | 42 | 71 | 90 | 90 | -5 | 19 | 22 | - |
| PTP | 7 | 65 | 91 | 74 | 15 | 47 | 68 | 74 | -8 | 18 | 23 | - |
| Net earnings | 7 | 65 | 91 | 74 | 15 | 47 | 68 | 74 | -8 | 18 | 23 | - |
| EPS | 0.10 | 0.88 | 1.24 | 1.01 | 0.20 | 0.63 | 0.91 | 1.01 | 2018 | 2019 | 2020 | 2021 |
| DPS | 0.41 | 0.84 | 1.15 | 0.99 | 0.52 | 0.81 | 1.12 | 0.99 | -5 | 19 | 22 | - |
| | | | | | | | | | -0 | -0 | -0 | - |
| | | | | | | | | | - | - | - | - |
| | | | | | | | | | 3 | 1 | -1 | - |
| | | | | | | | | | - | - | - | - |

Cash Flows & Balance Sheet

| Estimate changes USDm | | | | | | | | | Change | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net operational cash flow | 46 | 104 | 130 | 113 | 54 | 86 | 107 | 113 | -8 | 18 | 23 | - |
| Free cash flow | 39 | 104 | 130 | 113 | 47 | 86 | 107 | 113 | -8 | 18 | 23 | - |
| Net cash flow | 22 | 15 | 21 | 18 | 16 | - | - | 18 | 5 | 15 | 21 | - |
| TCE/day | 12,296 | 15,362 | 16,575 | 15,383 | 12,581 | 14,296 | 15,322 | 15,383 | -285 | 1,066 | 1,253 | - |
| Cash break-even | 9,868 | 11,083 | 10,702 | 10,356 | 9,990 | 10,975 | 10,715 | 10,356 | -122 | 108 | -12 | - |
| Liquidity | 78 | 93 | 114 | 132 | 84 | 84 | 84 | 132 | -6 | 9 | 30 | - |
| Property & Equip. (incl. NBs) | 659 | 620 | 581 | 541 | 657 | 618 | 579 | 541 | 2 | 2 | 2 | - |
| Total equity | 439 | 442 | 448 | 450 | 447 | 434 | 419 | 450 | -9 | 7 | 29 | - |
| Interest bearing debt | 330 | 304 | 279 | 257 | 322 | 296 | 272 | 3 | 9 | 8 | 7 | 254 |
| Net interest bearing debt | 252 | 210 | 165 | 124 | 238 | 212 | 188 | -129 | 15 | -1 | -23 | 254 |
| Market Cap. | 401 | 401 | 401 | 401 | 359 | 359 | 359 | 401 | 42 | 42 | 42 | - |
| Enterprise value | 654 | 612 | 566 | 525 | 597 | 571 | 547 | 272 | 56 | 40 | 19 | 254 |
| Capex | 7 | - | - | - | 7 | - | - | - | - | - | - | - |

Valuation

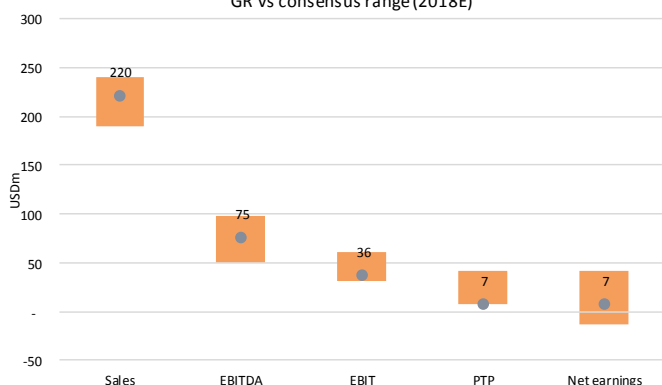
| Estimate changes USDm | | | | | | | | | Change | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 759 | 897 | 932 | 981 | 747 | 827 | 876 | 980 | 12 | 69 | 56 | 0 |
| Adj. equity ratio | 68% | 73% | 75% | 77% | 68% | 72% | 74% | 77% | 0% | 1% | 1% | 0% |
| FCF yield | 10% | 26% | 32% | 28% | 13% | 24% | 30% | 28% | -3% | 2% | 3% | 0% |
| Dividend yield | 7% | 15% | 21% | 18% | 11% | 17% | 23% | 18% | -3% | -1% | -2% | 0% |
| EV/EBITDA | 8.7 | 4.7 | 3.7 | 4.1 | 7.5 | 5.2 | 4.3 | 2.1 | 1.3 | -0.4 | -0.5 | 2.0 |
| P/E (adj.) | 56.2 | 6.2 | 4.4 | 5.5 | 24.0 | 7.7 | 5.3 | 5.5 | 32 | -1 | -1 | - |



Our Estimates vs Consensus

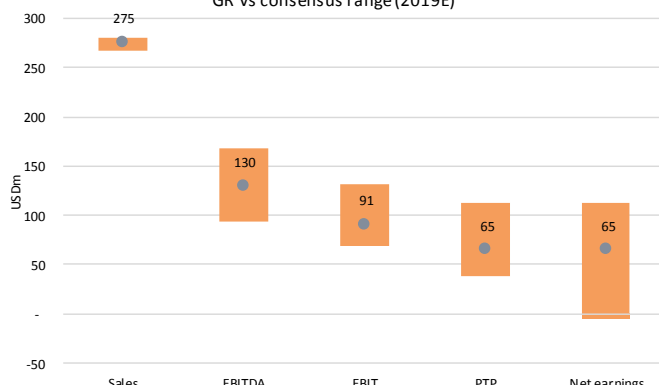
Profit & Loss, year I

GR vs consensus range (2018E)



Profit & Loss, year II

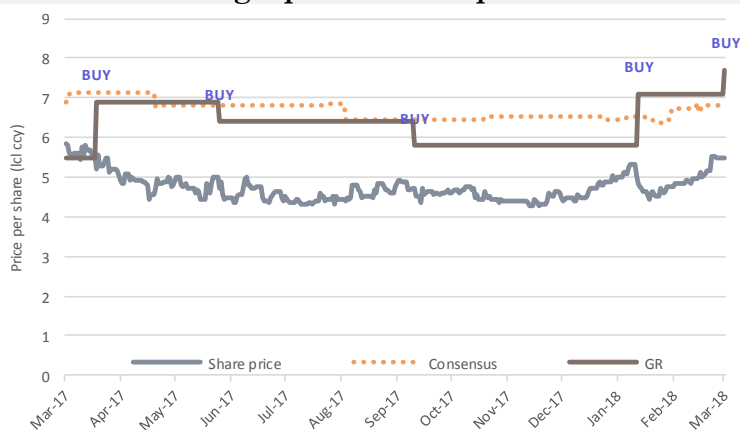
GR vs consensus range (2019E)



Consensus EBITDA development



Target price vs share price

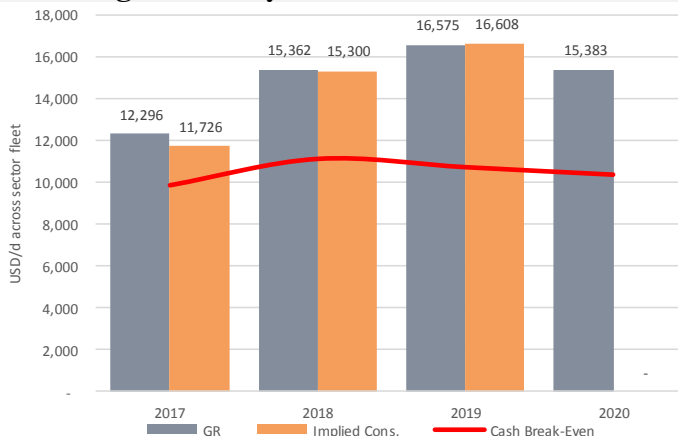


GR vs consensus: P&L break-down

| | 2018 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 220 | 210 | 10 | 5% | |
| Opex + G&A | 145 | 132 | 14 | 10% | |
| Depreciation | 39 | 32 | 7 | 22% | |
| Net finance | 29 | 25 | 4 | 15% | |
| Taxes & Minorities | 0 | 8 | -8 | -100% | |

| | 2019 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 275 | 274 | 1 | 0% | |
| Opex + G&A | 146 | 147 | -2 | -1% | |
| Depreciation | 39 | 32 | 7 | 22% | |
| Net finance | 26 | 25 | 1 | 5% | |
| Taxes & Minorities | 0 | 24 | -24 | -100% | |

Avg. TCE/day across fleet vs consensus





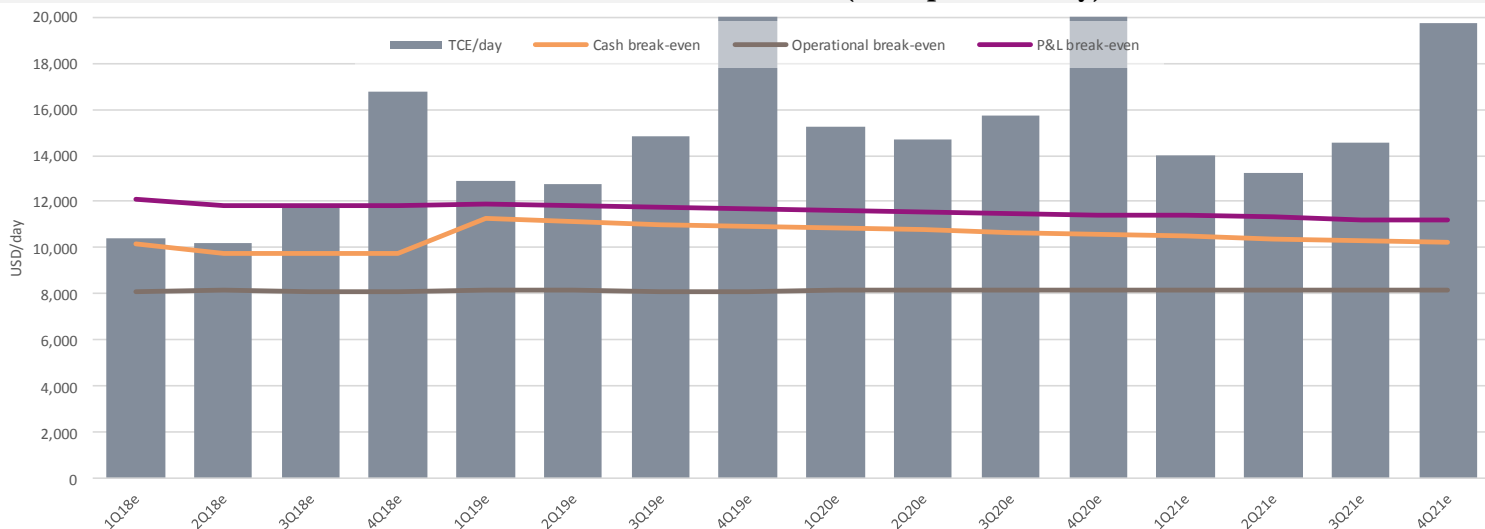
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
|---------------------------------------|--------------|-------------|-------------|-------------|-------------|------------|------------|-------------|------------|
| Profit & Loss (USDm) | | | | | | | | | |
| Net sales | 229 | 175 | 128 | 167 | 299 | 220 | 275 | 297 | 275 |
| Operational costs | -121 | | -220 | -329 | -266 | -145 | -146 | -146 | -146 |
| EBITDA | 108 | | -93 | -162 | 34 | 75 | 130 | 151 | 129 |
| Depreciation/Amortization | -77 | | -43 | -39 | -34 | -39 | -39 | -39 | -39 |
| EBIT | 31 | — | -136 | -201 | 0 | 36 | 91 | 112 | 90 |
| Net financials | -102 | | -13 | -22 | -44 | -29 | -26 | -21 | -16 |
| PTP | -71 | -543 | -148 | -224 | -44 | 7 | 65 | 91 | 74 |
| Taxes/Minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net earnings | -71 | -543 | -148 | -224 | -44 | 7 | 65 | 91 | 74 |
| Non-recurring items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net earnings (adj.) | -71 | -543 | -148 | -224 | -44 | 7 | 65 | 91 | 74 |
| EPS | -84.77 | -289.76 | -78.76 | -4.65 | -0.62 | 0.10 | 0.88 | 1.24 | 1.01 |
| EPS (adj.) | -84.77 | -289.76 | -78.76 | -4.65 | -0.62 | 0.10 | 0.88 | 1.24 | 1.01 |
| DPS | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.41 | 0.84 | 1.15 | 0.99 |
| Balance Sheet (USDm) | | | | | | | | | |
| Cash & short-term investments | 20 | 40 | 25 | 77 | 56 | 78 | 93 | 114 | 132 |
| Other current assets | 42 | 37 | 16 | 28 | 49 | 49 | 49 | 49 | 49 |
| Total current assets | 62 | 77 | 41 | 104 | 105 | 127 | 142 | 163 | 181 |
| Property & equip. (incl. NBs) | 1,640 | 834 | 734 | 568 | 690 | 659 | 620 | 581 | 541 |
| Other non-current assets | 22 | 3 | 12 | 15 | 13 | 13 | 13 | 13 | 13 |
| Total non-current assets | 1,661 | 837 | 746 | 582 | 703 | 672 | 632 | 593 | 554 |
| TOTAL ASSETS | 1,723 | 914 | 787 | 686 | 808 | 798 | 775 | 757 | 736 |
| Total equity | 531 | 664 | 518 | 400 | 461 | 439 | 442 | 448 | 450 |
| Short-term debt | 1,174 | 16 | 16 | 0 | 4 | 9 | 7 | 5 | 6 |
| Other current liabilities | 18 | 25 | 22 | 26 | 27 | 27 | 27 | 27 | 27 |
| Total current liabilities | 1,192 | 41 | 38 | 26 | 31 | 36 | 34 | 32 | 33 |
| Long-term debt | 0 | 204 | 226 | 256 | 314 | 321 | 297 | 274 | 250 |
| Other non-current liabilities | 0 | 5 | 5 | 4 | 3 | 3 | 3 | 3 | 3 |
| Total non-current liabilities | 0 | 209 | 230 | 260 | 316 | 324 | 299 | 277 | 253 |
| TOTAL EQUITY & LIABILITIES | 1,723 | 914 | 787 | 686 | 808 | 798 | 775 | 757 | 736 |
| Working capital, receivables | 21 | 20 | 13 | 16 | 31 | 31 | 31 | 31 | 31 |
| Working capital, payables | 13 | 21 | 19 | 19 | 21 | 21 | 21 | 21 | 21 |
| Net working capital | 8 | -1 | -7 | -3 | 10 | 10 | 10 | 10 | 10 |
| Interest bearing debt | 1,174 | 220 | 241 | 256 | 318 | 330 | 304 | 279 | 257 |
| Liquidity | 20 | 40 | 25 | 77 | 56 | 78 | 93 | 114 | 132 |
| Net interest bearing debt | 1,154 | 180 | 216 | 179 | 261 | 252 | 210 | 165 | 124 |
| Cash Flow (USDm) | | | | | | | | | |
| Net income | -71 | -543 | -148 | -224 | -44 | 7 | 65 | 91 | 74 |
| Depreciation | 77 | 70 | 43 | 39 | 34 | 39 | 39 | 39 | 39 |
| Other | 10 | 433 | 56 | 139 | 32 | 0 | 0 | 0 | 0 |
| Cash earnings | 17 | -40 | -50 | -46 | 22 | 46 | 104 | 130 | 113 |
| Changes in working capital | -17 | 20 | 6 | 0 | -15 | 0 | 0 | 0 | 0 |
| Net operational cash flow | 0 | -20 | -44 | -45 | 7 | 46 | 104 | 130 | 113 |
| Capex | 0 | 0 | -2 | -20 | -175 | -7 | 0 | 0 | 0 |
| Other investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from sales | 0 | 0 | 4 | 13 | 26 | 0 | 0 | 0 | 0 |
| Other | 2 | 4 | 8 | -2 | -7 | 0 | 0 | 0 | 0 |
| Net investing cash flow | 2 | 4 | 10 | -9 | -155 | -7 | 0 | 0 | 0 |
| Repayment of debt | 0 | 37 | 20 | 24 | 36 | -2 | -27 | -25 | -23 |
| Proceeds from debt | — | 245 | 40 | 75 | 324 | 15 | 0 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | -30 | -62 | -84 | -72 |
| New equity | — | — | — | 86 | 96 | 0 | 0 | 0 | 0 |
| Other | 0 | -245 | -41 | -78 | -328 | 0 | 0 | 0 | 0 |
| Net financing cash flow | 0 | 36 | 18 | 106 | 128 | -17 | -88 | -109 | -95 |
| Currency effect | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash flow | 2 | 20 | -15 | 52 | -20 | 22 | 15 | 21 | 18 |
| Cash balance | 20 | 40 | 25 | 77 | 56 | 78 | 93 | 114 | 132 |
| Free cash flow | 2 | -16 | -34 | -55 | -148 | 39 | 104 | 130 | 113 |



| Share Data & Valuation (USDm) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
|--------------------------------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Shares outstanding, end | 1 | 2 | 2 | 48 | 70 | 73 | 73 | 73 | 73 |
| Share price, avg (USD) | 77 | 107 | 156 | 12 | 5 | 5 | 5 | 5 | 5 |
| Share price, end (USD) | 92 | 293 | 70 | 6 | 4 | 5 | 5 | 5 | 5 |
| Market Cap. | 76 | 550 | 133 | 281 | 315 | 401 | 401 | 401 | 401 |
| NIBD | 1,154 | 180 | 216 | 179 | 261 | 252 | 210 | 165 | 124 |
| Minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Enterprise value | 1,231 | 730 | 349 | 461 | 577 | 654 | 612 | 566 | 525 |
| Key Figures & Ratios | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
| P/E (reported) | | | | | | 56.2 | 6.2 | 4.4 | 5.5 |
| P/E (adj.) | | | | | | 56.2 | 6.2 | 4.4 | 5.5 |
| P/CE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/Sales | 0.3 | 3.1 | 1.0 | 1.7 | 1.1 | 1.8 | 1.5 | 1.3 | 1.5 |
| EV/Sales | 5.4 | 4.2 | 2.7 | 2.8 | 1.9 | 3.0 | 2.2 | 1.9 | 1.9 |
| EV/EBITDA | 11.4 | | | | 17.2 | 8.7 | 4.7 | 3.7 | 4.1 |
| EV/EBIT | 39.5 | | | | | 17.9 | 6.8 | 5.0 | 5.8 |
| P/B | 0.1 | 0.8 | 0.3 | 0.7 | 0.7 | 0.9 | 0.9 | 0.9 | 0.9 |
| FCF yield | 3% | -3% | -25% | -19% | -47% | 10% | 26% | 32% | 28% |
| Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 7.4% | 15.3% | 21.0% | 18.0% |
| Return on equity (ROE) | -13.3% | -81.8% | -28.6% | -55.8% | -9.5% | 1.6% | 14.6% | 20.3% | 16.4% |
| Return on capital employed (ROCE) | 1.8% | | -18.5% | -34.7% | 0.0% | 5.3% | 13.9% | 18.3% | 15.7% |
| Return on assets (ROA) | -4.1% | -59.5% | -18.9% | -32.6% | -5.4% | 0.9% | 8.3% | 12.0% | 10.0% |
| Sales growth | 6% | -23% | -27% | 30% | 80% | -26% | 25% | 8% | -7% |
| EBITDA margin | 47% | | -72% | -97% | 11% | 34% | 47% | 51% | 47% |
| EBIT margin | 14% | | -106% | -121% | 0% | 17% | 33% | 38% | 33% |
| Net margin | -31% | -310% | -116% | -134% | -15% | 3% | 23% | 31% | 27% |
| Net interest rate | 7.2% | 35.1% | 5.5% | 12.1% | 11.2% | 11.6% | 12.4% | 12.9% | 13.2% |
| Tax rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Equity ratio | 31% | 73% | 66% | 58% | 57% | 55% | 57% | 59% | 61% |
| Leverage ratio | 69% | 27% | 34% | 42% | 43% | 45% | 43% | 41% | 39% |
| NIBD / EBITDA (past 1y) | 10.7 | | -2.3 | -1.1 | 7.8 | 3.4 | 1.6 | 1.1 | 1.0 |
| Operating cash flow/NIBD | 0.0 | -0.1 | -0.2 | -0.3 | 0.0 | 0.2 | 0.5 | 0.8 | 0.9 |
| Net interest coverage ratio (EBITDA) | 1.3 | | -7.8 | -7.4 | 1.1 | 2.6 | 5.0 | 7.1 | 7.9 |
| Current ratio | 0.1 | 1.9 | 1.1 | 4.1 | 3.4 | 3.6 | 4.2 | 5.1 | 5.5 |
| Adj. equity ratio | | | | | 56% | 68% | 73% | 75% | 77% |
| Operating assets | 1,704 | 874 | 762 | 610 | 752 | 720 | 681 | 642 | 603 |
| Operating liabilities | 18 | 30 | 27 | 30 | 30 | 30 | 30 | 30 | 30 |
| Net operating assets | 1,685 | 844 | 735 | 580 | 723 | 691 | 652 | 613 | 574 |

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)



\$GOGL (#BUY,13) is trading above peers, in-line with history. Although not our top #drybulk pick, we see significant upside ahead

GOGL-US

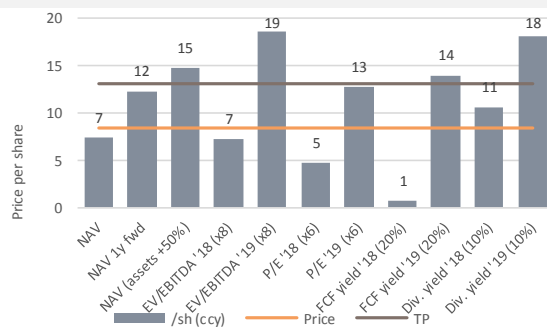
BUY/TP 13

Golden Ocean

Share price vs target price

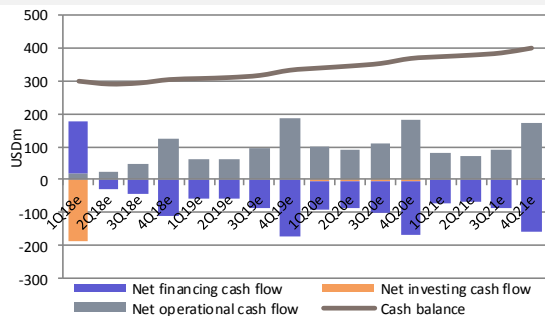


Valuation matrix



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Cash & cash flows



Gersemi Research / Analysts

Joakim Hannisdahl

Head of Research

research@gersemiresearch.com

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------|-------|-------|-------|-------|
| Net sales | 484 | 671 | 742 | 663 |
| EBITDA | 268 | 454 | 528 | 452 |
| EBIT | 173 | 358 | 432 | 356 |
| PTP | 114 | 306 | 387 | 318 |
| Net earnings | 114 | 306 | 387 | 318 |
| EPS | 0.79 | 2.12 | 2.68 | 2.21 |
| DPS | 1.06 | 1.80 | 2.25 | 1.98 |
| USDm | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 1,767 | 2,290 | 2,466 | 2,677 |
| Adj. equity ratio | 54% | 63% | 66% | 70% |
| FCF yield | 2% | 33% | 38% | 34% |
| Dividend yield | 13% | 21% | 27% | 24% |
| EV/EBITDA | 8.6 | 4.8 | 3.8 | 4.2 |
| P/E (adj.) | 10.6 | 4.0 | 3.1 | 3.8 |

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|--------|--------|--------|--------|
| Net operational cash flow | 209 | 402 | 483 | 414 |
| Free cash flow | 21 | 402 | 465 | 414 |
| Net cash flow | -6 | 29 | 36 | 32 |
| TCE/day | 16,969 | 23,509 | 26,178 | 23,571 |
| Cash break-even | 11,921 | 13,443 | 12,838 | 12,292 |
| Liquidity | 311 | 339 | 375 | 407 |
| Property & Equip. (incl. NBs) | 2,469 | 2,373 | 2,295 | 2,199 |
| Total equity | 1,473 | 1,519 | 1,582 | 1,614 |
| Interest bearing debt | 1,409 | 1,295 | 1,190 | 1,094 |
| Net interest bearing debt | 1,098 | 955 | 815 | 687 |
| Market Cap. | 1,210 | 1,210 | 1,210 | 1,210 |
| Enterprise value | 2,308 | 2,165 | 2,025 | 1,897 |
| Capex | 188 | - | 18 | - |

Source: Gersemi Research, Bloomberg, company data

Disclaimer: The publisher owns shares in the company. More disclaimers at the end of this document



Estimate Changes

Profit & Loss

| Estimate changes USDm | New | | | | Old | | | | Change | | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------------------|------|------|------|---|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | |
| Net sales | 484 | 671 | 742 | 663 | 521 | 625 | 686 | 663 | -37 | 46 | 56 | - | |
| EBITDA | 268 | 454 | 528 | 452 | 305 | 408 | 472 | 452 | -37 | 46 | 56 | - | |
| EBIT | 173 | 358 | 432 | 356 | 210 | 312 | 376 | 356 | -37 | 46 | 56 | - | |
| PTP | 114 | 306 | 387 | 318 | 151 | 260 | 331 | 318 | -37 | 45 | 56 | - | |
| Net earnings | 114 | 306 | 387 | 318 | 151 | 260 | 331 | 318 | -37 | 45 | 56 | - | |
| EPS | 0.79 | 2.12 | 2.68 | 2.21 | 1.05 | 1.80 | 2.29 | 2.21 | -0.26 | 0.32 | 0.39 | - | |
| DPS | 1.06 | 1.80 | 2.25 | 1.98 | 1.25 | 1.51 | 1.87 | 1.98 | -0.19 | 0.28 | 0.38 | - | |
| | | | | | | | | | 2018 | 2019 | 2020 | 2021 | |
| | | | | | | | | | TCE revenue | -37 | 46 | 56 | - |
| | | | | | | | | | Opex & G&A | - | - | -0 | - |
| | | | | | | | | | Depreciation | - | - | - | - |
| | | | | | | | | | Net finance | 0 | 0 | 0 | - |
| | | | | | | | | | Taxes & Minorities | -0 | - | - | - |

Cash Flows & Balance Sheet

| Estimate changes USDm | New | | | | Old | | | | Change | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net operational cash flow | 209 | 402 | 483 | 414 | 246 | 356 | 427 | 414 | -37 | 45 | 56 | - |
| Free cash flow | 21 | 402 | 465 | 414 | 58 | 356 | 403 | 414 | -37 | 45 | 61 | - |
| Net cash flow | -6 | 29 | 36 | 32 | 3 | 24 | 30 | 32 | -9 | 5 | 6 | - |
| TCE/day | 16,969 | 23,509 | 26,178 | 23,571 | 18,263 | 21,896 | 24,198 | 23,571 | -1,294 | 1,613 | 1,979 | - |
| Cash break-even | 11,921 | 13,443 | 12,838 | 12,292 | 11,917 | 13,430 | 12,836 | 12,292 | 4 | 13 | 2 | - |
| Liquidity | 311 | 339 | 375 | 407 | 320 | 344 | 374 | 407 | -9 | -5 | 1 | - |
| Property & Equip. (incl. NBs) | 2,469 | 2,373 | 2,295 | 2,199 | 2,469 | 2,373 | 2,300 | 2,199 | - | - | -5 | - |
| Total equity | 1,473 | 1,519 | 1,582 | 1,614 | 1,482 | 1,524 | 1,586 | 1,614 | -9 | -5 | -4 | - |
| Interest bearing debt | 1,409 | 1,295 | 1,190 | 1,094 | 1,409 | 1,295 | 1,190 | 1,094 | - | - | - | - |
| Net interest bearing debt | 1,098 | 955 | 815 | 687 | 1,089 | 951 | 816 | 687 | 9 | 5 | -1 | - |
| Market Cap. | 1,210 | 1,210 | 1,210 | 1,210 | 1,354 | 1,354 | 1,354 | 1,211 | -144 | -144 | -144 | -1 |
| Enterprise value | 2,308 | 2,165 | 2,025 | 1,897 | 2,443 | 2,305 | 2,170 | 1,898 | -135 | -139 | -146 | -1 |
| Capex | 188 | - | 18 | - | 188 | - | 23 | - | - | - | -5 | - |

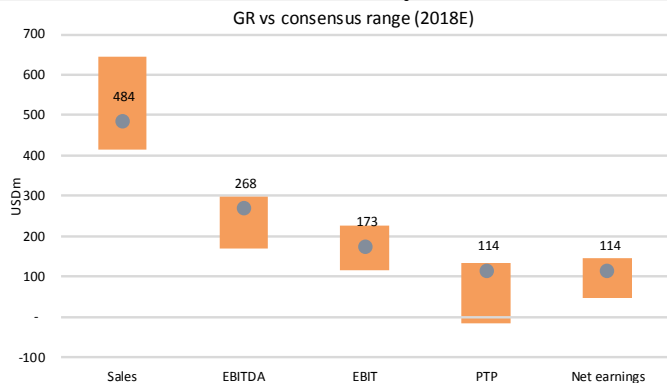
Valuation

| Estimate changes USDm | New | | | | Old | | | | Change | | | |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 1,767 | 2,290 | 2,466 | 2,677 | 1,809 | 2,172 | 2,429 | 2,677 | -41 | 118 | 37 | - |
| Adj. equity ratio | 54% | 63% | 66% | 70% | 55% | 61% | 66% | 70% | -1% | 1% | 0% | 0% |
| FCF yield | 2% | 33% | 38% | 34% | 4% | 26% | 30% | 34% | -3% | 7% | 9% | 0% |
| Dividend yield | 13% | 21% | 27% | 24% | 13% | 16% | 20% | 24% | -1% | 5% | 7% | 0% |
| EV/EBITDA | 8.6 | 4.8 | 3.8 | 4.2 | 8.0 | 5.6 | 4.6 | 4.2 | 0.6 | -0.9 | -0.8 | -0.0 |
| P/E (adj.) | 10.6 | 4.0 | 3.1 | 3.8 | 9.0 | 5.2 | 4.1 | 3.8 | 1.7 | -1.2 | -1.0 | -0.0 |

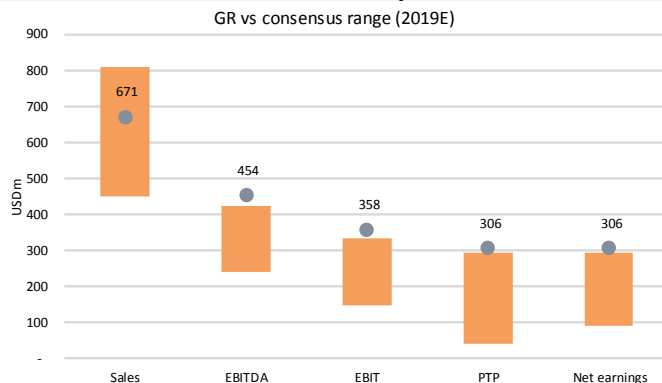


Our Estimates vs Consensus

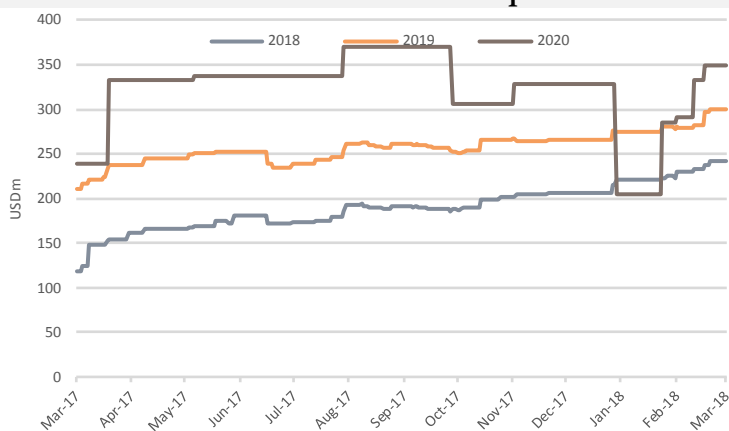
Profit & Loss, year I



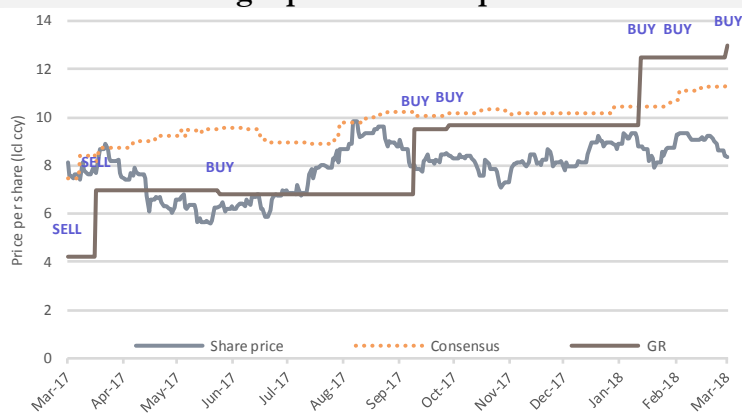
Profit & Loss, year II



Consensus EBITDA development



Target price vs share price

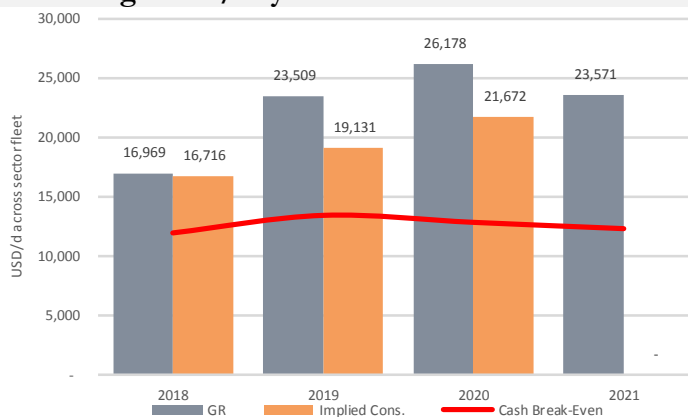


GR vs consensus: P&L break-down

| | 2018 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 484 | 477 | 477 | 7 | 2% |
| Opex + G&A | 216 | 216 | 236 | -19 | -8% |
| Depreciation | 95 | 95 | 82 | 13 | 15% |
| Net finance | 59 | 59 | 75 | -16 | -21% |
| Taxes & Minorities | 0 | 0 | -9 | 9 | -100% |

| | 2019 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 671 | 671 | 546 | 125 | 23% |
| Opex + G&A | 216 | 216 | 246 | -29 | -12% |
| Depreciation | 96 | 96 | 89 | 7 | 8% |
| Net finance | 52 | 52 | 67 | -14 | -21% |
| Taxes & Minorities | 0 | 0 | -17 | 17 | -100% |

Avg. TCE/day across fleet vs consensus



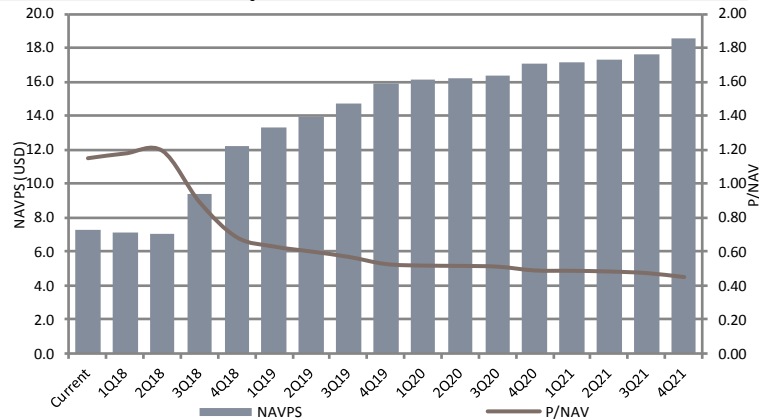


Valuation

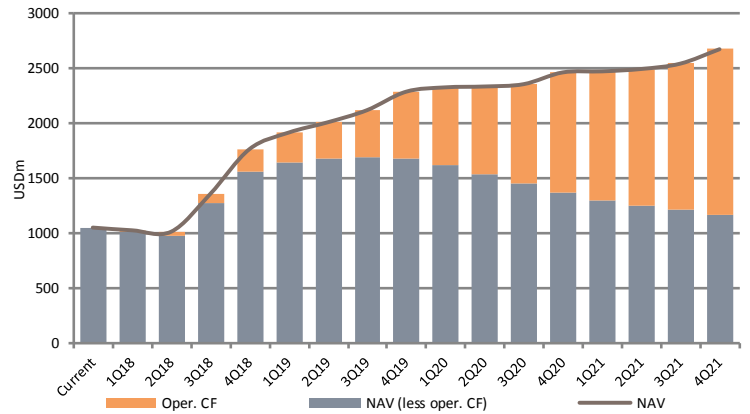
Valuation & target price

| Net asset values | | | |
|---------------------|--------------|--------------|--------------|
| USDm | 4Q17 | Fair value | Implied |
| Primary assets | 2,376 | 2,107 | 2,250 |
| Contract value | 0 | 16 | 17 |
| Other | 177 | 177 | 189 |
| GAV | 2,553 | 2,300 | 2,456 |
| Net debt | -984 | -984 | -984 |
| Capex | 0 | -188 | -188 |
| Other | -75 | -75 | -75 |
| NAV | 1,494 | 1,054 | 1,210 |
| Shares | 144 | 144 | 144 |
| NAVPS | 10.4 | 7.3 | 8.4 |
| Share price | 10.4 | 7.3 | 8.4 |
| P/NAV | 0.81 | 1.15 | 1.00 |
| EV/GAV | 0.96 | 1.07 | 1.00 |
| Adj. Total Assets | 2,870 | 2,601 | 2,744 |
| Adj. Equity Ratio | 52% | 41% | 44% |
| Target price | USD | 13.0 | 55% |
| | NOK | 101 | |

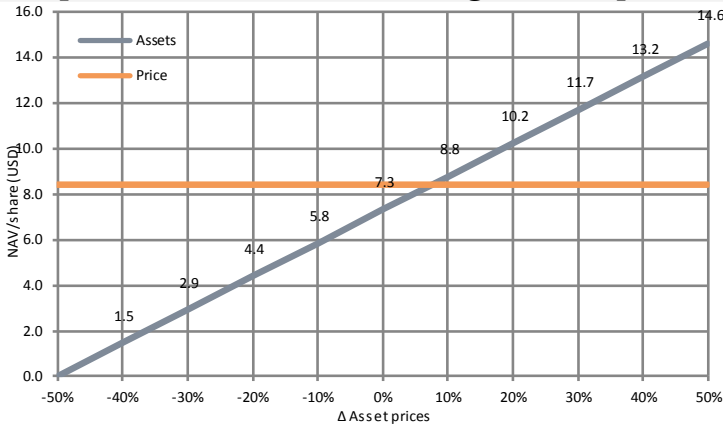
Quarterly forward NAV & P/NAV



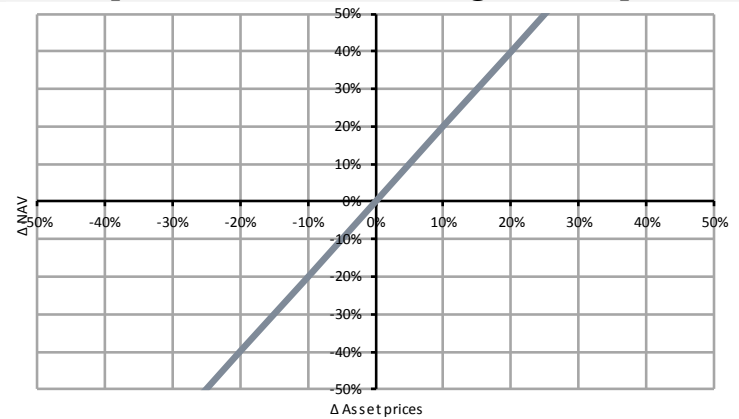
Quarterly forward NAV decomposition



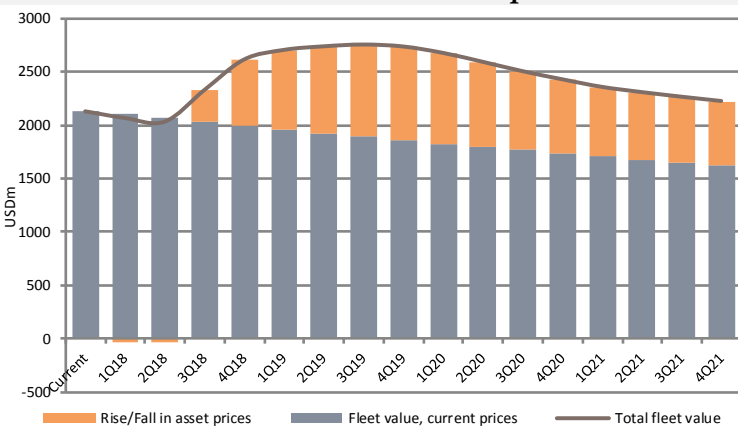
Impact on NAV/sh from % change in asset prices



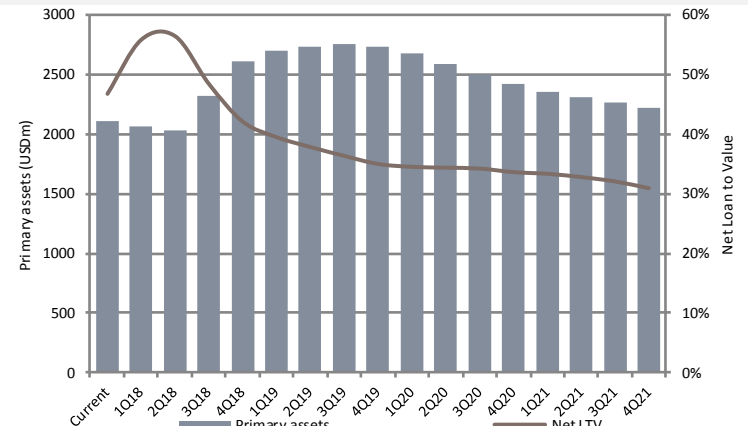
% Impact on NAV from % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value





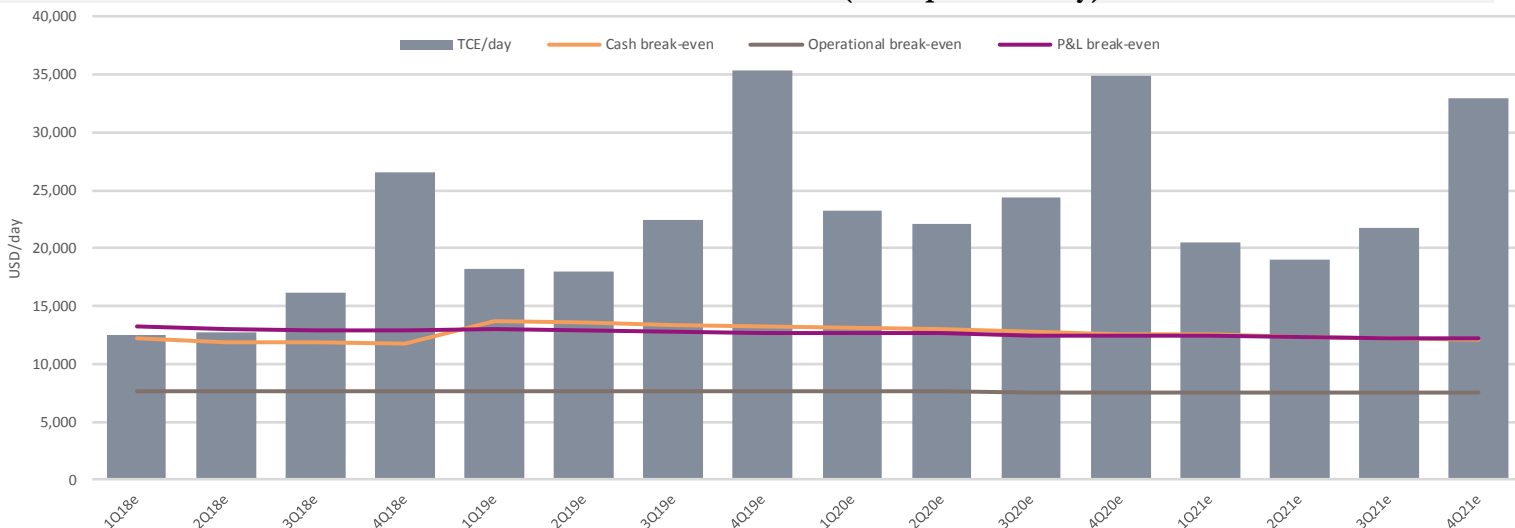
| | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
|---------------------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Profit & Loss (USDm) | | | | | | | | | |
| Net sales | 44 | 131 | 268 | 348 | 343 | 484 | 671 | 742 | 663 |
| Operational costs | | | | | -215 | -216 | -216 | -214 | -211 |
| EBITDA | | | | | 128 | 268 | 454 | 528 | 452 |
| Depreciation/Amortization | | | | | -78 | -95 | -96 | -96 | -96 |
| EBIT | 7 | 19 | -235 | -70 | 50 | 173 | 358 | 432 | 356 |
| Net financials | -3 | -3 | 14 | -58 | -52 | -59 | -52 | -45 | -38 |
| PTP | 4 | 16 | -221 | -128 | -2 | 114 | 306 | 387 | 318 |
| Taxes/Minorities | -7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net earnings | -4 | 16 | -221 | -128 | -2 | 114 | 306 | 387 | 318 |
| Non-recurring items | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Net earnings (adj.) | -4 | 16 | -221 | -128 | -1 | 114 | 306 | 387 | 318 |
| EPS | -0.64 | 1.00 | -6.39 | -1.21 | -0.05 | 0.79 | 2.12 | 2.68 | 2.21 |
| EPS (adj.) | -0.64 | 1.00 | -6.39 | -1.21 | -0.04 | 0.79 | 2.12 | 2.68 | 2.21 |
| DPS | 2.98 | 1.81 | 0.00 | 0.00 | 0.00 | 1.06 | 1.80 | 2.25 | 1.98 |
| Balance Sheet (USDm) | | | | | | | | | |
| Cash & short-term investments | 98 | 42 | 103 | 213 | 309 | 303 | 331 | 367 | 399 |
| Other current assets | 6 | 22 | 101 | 87 | 82 | 82 | 82 | 82 | 82 |
| Total current assets | 105 | 64 | 204 | 300 | 391 | 385 | 413 | 449 | 481 |
| Property & equip. (incl. NBs) | 263 | 853 | 1,488 | 1,759 | 2,376 | 2,469 | 2,373 | 2,295 | 2,199 |
| Other non-current assets | 42 | 346 | 481 | 303 | 103 | 103 | 103 | 103 | 103 |
| Total non-current assets | 304 | 1,198 | 1,969 | 2,062 | 2,479 | 2,572 | 2,476 | 2,398 | 2,302 |
| TOTAL ASSETS | 410 | 1,263 | 2,173 | 2,362 | 2,870 | 2,956 | 2,889 | 2,847 | 2,783 |
| Total equity | 307 | 884 | 1,159 | 1,239 | 1,494 | 1,473 | 1,519 | 1,582 | 1,614 |
| Short-term debt | 0 | 20 | 36 | 5 | 115 | 44 | 50 | 53 | 66 |
| Other current liabilities | 7 | 15 | 44 | 39 | 67 | 67 | 67 | 67 | 67 |
| Total current liabilities | 7 | 35 | 80 | 44 | 182 | 111 | 117 | 120 | 132 |
| Long-term debt | 95 | 344 | 926 | 1,071 | 1,186 | 1,365 | 1,245 | 1,137 | 1,029 |
| Other non-current liabilities | 0 | 0 | 9 | 8 | 8 | 8 | 8 | 8 | 8 |
| Total non-current liabilities | 95 | 344 | 934 | 1,079 | 1,194 | 1,373 | 1,253 | 1,145 | 1,037 |
| TOTAL EQUITY & LIABILITIES | 410 | 1,263 | 2,173 | 2,362 | 2,870 | 2,956 | 2,889 | 2,847 | 2,783 |
| Working capital, receivables | 5 | 16 | 25 | 33 | 0 | 0 | 0 | 0 | 0 |
| Working capital, payables | 4 | 9 | 20 | 21 | 0 | 0 | 0 | 0 | 0 |
| Net working capital | 1 | 7 | 4 | 12 | 0 | 0 | 0 | 0 | 0 |
| Interest bearing debt | 95 | 364 | 962 | 1,076 | 1,301 | 1,409 | 1,295 | 1,190 | 1,094 |
| Liquidity | 98 | 42 | 103 | 213 | 317 | 311 | 339 | 375 | 407 |
| Net interest bearing debt | -3 | 321 | 859 | 863 | 984 | 1,098 | 955 | 815 | 687 |
| Cash Flow (USDm) | | | | | | | | | |
| Net income | -4 | 16 | -221 | -128 | -2 | 114 | 306 | 387 | 318 |
| Depreciation | | | | | 78 | 95 | 96 | 96 | 96 |
| Other | | | | | 18 | 0 | 0 | 0 | 0 |
| Cash earnings | 14 | 35 | -15 | -24 | 93 | 209 | 402 | 483 | 414 |
| Changes in working capital | -2 | -10 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Net operational cash flow | 12 | 25 | -15 | -23 | 93 | 209 | 402 | 483 | 414 |
| Capex | -27 | -381 | -519 | -268 | -157 | -188 | 0 | -18 | 0 |
| Other investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from sales | 0 | 0 | 382 | 98 | 134 | 0 | 0 | 0 | 0 |
| Other | 17 | 65 | 250 | -6 | 1 | 0 | 0 | 0 | 0 |
| Net investing cash flow | -10 | -317 | 113 | -175 | -26 | -188 | 0 | -18 | 0 |
| Repayment of debt | -17 | 269 | -34 | 104 | -169 | -64 | -114 | -105 | -96 |
| Proceeds from debt | 0 | 270 | 216 | 142 | 75 | 172 | 0 | 0 | 0 |
| Dividends paid | -18 | -29 | 0 | 0 | 0 | -152 | -259 | -324 | -286 |
| New equity | 51 | 0 | 0 | 205 | 123 | 17 | 0 | 0 | 0 |
| Other | 0 | -274 | -220 | -143 | 1 | 0 | 0 | 0 | 0 |
| Net financing cash flow | 16 | 236 | -37 | 309 | 29 | -28 | -373 | -429 | -382 |
| Currency effect | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash flow | 19 | -56 | 60 | 110 | 96 | -6 | 29 | 36 | 32 |
| Cash balance | 98 | 42 | 103 | 213 | 309 | 303 | 331 | 367 | 399 |
| Free cash flow | 3 | -292 | 98 | -198 | 67 | 21 | 402 | 465 | 414 |



| Share Data & Valuation (USDm) | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
|--------------------------------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Shares outstanding, end | 6 | 16 | 35 | 106 | 142 | 144 | 144 | 144 | 144 |
| Share price, avg (USD) | 39 | 53 | 18 | 4 | 7 | 8 | 8 | 8 | 8 |
| Share price, end (USD) | 46 | 23 | 5 | 5 | 8 | 8 | 8 | 8 | 8 |
| Market Cap. | 280 | 363 | 185 | 499 | 1,159 | 1,210 | 1,210 | 1,210 | 1,210 |
| NIBD | -3 | 321 | 859 | 863 | 984 | 1,098 | 955 | 815 | 687 |
| Minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Enterprise value | 277 | 684 | 1,044 | 1,362 | 2,143 | 2,308 | 2,165 | 2,025 | 1,897 |
| Key Figures & Ratios | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
| P/E (reported) | | 22.7 | | | | 10.6 | 4.0 | 3.1 | 3.8 |
| P/E (adj.) | | 22.7 | | | | 10.6 | 4.0 | 3.1 | 3.8 |
| P/CE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/Sales | 6.3 | 2.8 | 0.7 | 1.4 | 3.4 | 2.5 | 1.8 | 1.6 | 1.8 |
| EV/Sales | 6.2 | 5.2 | 3.9 | 3.9 | 6.2 | 4.8 | 3.2 | 2.7 | 2.9 |
| EV/EBITDA | | | | | 16.7 | 8.6 | 4.8 | 3.8 | 4.2 |
| EV/EBIT | 40.6 | 35.1 | | | 42.8 | 13.4 | 6.0 | 4.7 | 5.3 |
| P/B | 0.9 | 0.4 | 0.2 | 0.4 | 0.8 | 0.8 | 0.8 | 0.8 | 0.7 |
| FCF yield | 1% | -80% | 53% | -40% | 6% | 2% | 33% | 38% | 34% |
| Dividend yield | 6.5% | 8.0% | 0.0% | 0.0% | 0.0% | 12.6% | 21.4% | 26.8% | 23.6% |
| Return on equity (ROE) | -1.3% | 1.8% | -19.1% | -10.3% | -0.2% | 7.7% | 20.1% | 24.5% | 19.7% |
| Return on capital employed (ROCE) | 2.4% | 1.6% | -11.9% | -3.4% | 2.1% | 6.9% | 14.8% | 18.5% | 15.9% |
| Return on assets (ROA) | -1.0% | 1.3% | -10.2% | -5.4% | -0.1% | 3.8% | 10.6% | 13.6% | 11.4% |
| Sales growth | 7% | 195% | 105% | 30% | -1% | 41% | 39% | 11% | -11% |
| EBITDA margin | | | | | 37% | 55% | 68% | 71% | 68% |
| EBIT margin | 15% | 15% | -88% | -20% | 15% | 36% | 53% | 58% | 54% |
| Net margin | -9% | 12% | -82% | -37% | -1% | 24% | 46% | 52% | 48% |
| Net interest rate | -87.0% | 0.8% | 3.3% | 5.1% | 6.0% | 5.4% | 5.5% | 5.6% | 5.6% |
| Tax rate | 0.0% | 0.0% | -0.1% | 0.1% | -2.4% | 0.0% | 0.0% | 0.0% | 0.0% |
| Equity ratio | 75% | 70% | 53% | 52% | 52% | 50% | 53% | 56% | 58% |
| Leverage ratio | 25% | 30% | 47% | 48% | 48% | 50% | 47% | 44% | 42% |
| NIBD / EBITDA (past 1y) | | | | | 7.7 | 4.1 | 2.1 | 1.5 | 1.5 |
| Operating cash flow/NIBD | -3.8 | 0.1 | 0.0 | 0.0 | 0.1 | 0.2 | 0.4 | 0.6 | 0.6 |
| Net interest coverage ratio (EBITDA) | | | | | 2.2 | 4.5 | 8.7 | 11.6 | 11.8 |
| Current ratio | 14.1 | 1.8 | 2.5 | 6.9 | 2.2 | 3.5 | 3.5 | 3.7 | 3.6 |
| Adj. equity ratio | | | | | 43% | 54% | 63% | 66% | 70% |
| Operating assets | 296 | 1,202 | 2,021 | 2,095 | 2,498 | 2,591 | 2,495 | 2,417 | 2,321 |
| Operating liabilities | 7 | 15 | 52 | 47 | 75 | 75 | 75 | 75 | 75 |
| Net operating assets | 289 | 1,187 | 1,969 | 2,048 | 2,423 | 2,516 | 2,420 | 2,342 | 2,246 |

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)

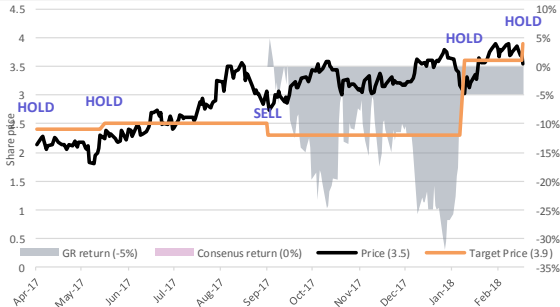




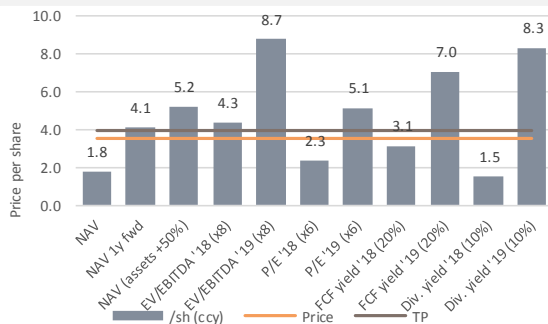
SSB (#HOLD, 3.9): Too much priced into one of the riskiest bets in the dry bulk universe. We apply a 15% company specific discount

SB-US HOLD/TP 3.9 Safe Bulkers

Share price vs target price

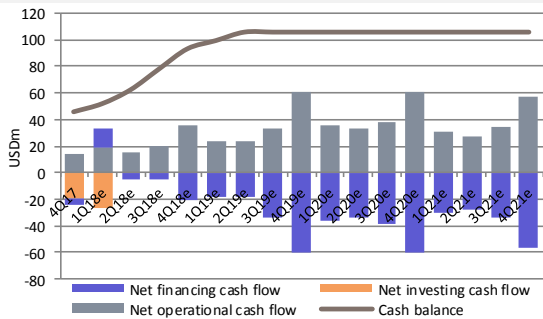


Valuation matrix



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Cash & cash flows



Gersemi Research / Analysts

Joakim Hannisdahl

Head of Research

research@gersemiresearch.com

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------|------|------|------|------|
| Net sales | 185 | 233 | 258 | 237 |
| EBITDA | 112 | 160 | 185 | 164 |
| EBIT | 61 | 105 | 129 | 108 |
| PTP | 39 | 86 | 112 | 93 |
| Net earnings | 39 | 86 | 112 | 93 |
| EPS | 0.39 | 0.85 | 1.11 | 0.91 |
| DPS | 0.15 | 0.83 | 1.25 | 1.09 |
| USDm | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 413 | 594 | 663 | 749 |
| Adj. equity ratio | 42% | 53% | 58% | 63% |
| FCF yield | 18% | 39% | 47% | 41% |
| Dividend yield | 4% | 23% | 35% | 31% |
| EV/EBITDA | 7.3 | 4.7 | 3.9 | 4.1 |
| P/E (adj.) | 14.2 | 5.0 | 3.7 | 4.6 |

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|--------|--------|--------|--------|
| Net operational cash flow | 90 | 142 | 168 | 149 |
| Free cash flow | 63 | 142 | 168 | 149 |
| Net cash flow | 47 | 13 | - | - |
| TCE/day | 12,644 | 15,949 | 17,623 | 16,209 |
| Cash break-even | 8,179 | 9,366 | 8,973 | 8,647 |
| Liquidity | 106 | 118 | 118 | 118 |
| Property & Equip. (incl. NBs) | 923 | 867 | 811 | 755 |
| Total equity | 488 | 490 | 476 | 458 |
| Interest bearing debt | 559 | 514 | 473 | 434 |
| Net interest bearing debt | 454 | 396 | 354 | 316 |
| Market Cap. | 359 | 359 | 359 | 359 |
| Enterprise value | 813 | 755 | 714 | 676 |
| Capex | 27 | - | - | - |

Source: Gersemi Research, Bloomberg, company data

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

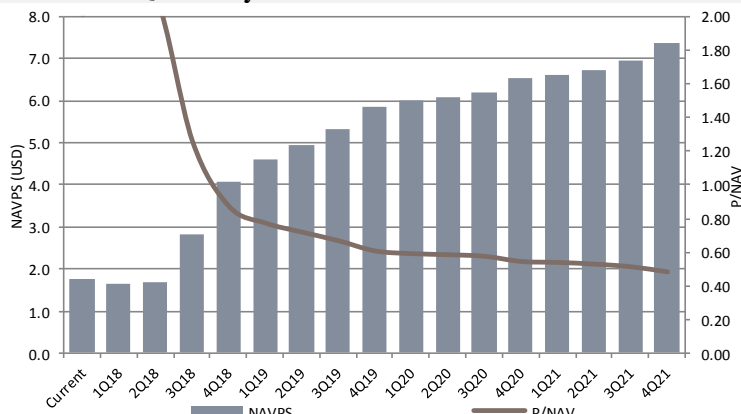


Valuation

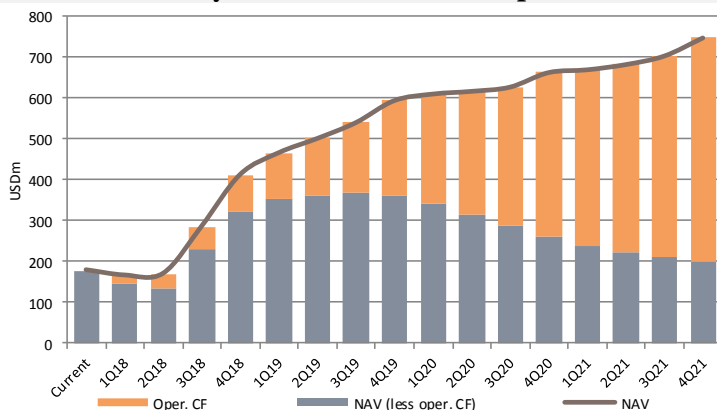
Valuation & target price

| Net asset values | | | |
|---------------------|-------------|-------------|-------------|
| USDm | 4Q17 | Fair value | Implied |
| Primary assets | 947 | 693 | 868 |
| Contract value | 0 | 3 | 3 |
| Other | 22 | 22 | 28 |
| GAV | 969 | 718 | 899 |
| Net debt | -509 | -509 | -509 |
| Capex | 0 | -27 | -27 |
| Other | -4 | -4 | -4 |
| NAV | 456 | 178 | 359 |
| Shares | 102 | 102 | 102 |
| NAVPS | 4.5 | 1.8 | 3.5 |
| Share price | 4 | 2 | 4 |
| P/NAV | 0.79 | 2.02 | 1.00 |
| EV/GAV | 0.93 | 1.25 | 1.00 |
| Adj. Total Assets | 1,035 | 782 | 956 |
| Adj. Equity Ratio | 44% | 23% | 38% |
| Target price | USD | 3.9 | 11% |

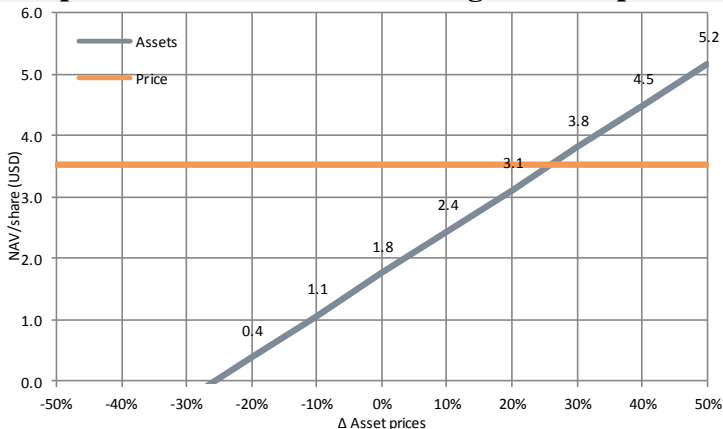
Quarterly forward NAV & P/NAV



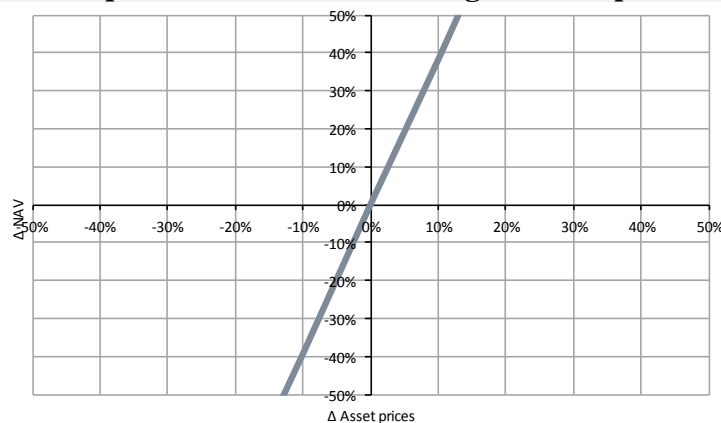
Quarterly forward NAV decomposition



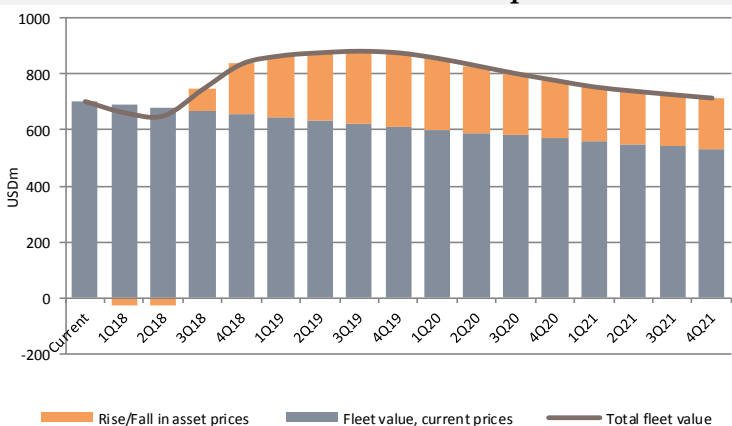
Impact on NAV/sh from % change in asset prices



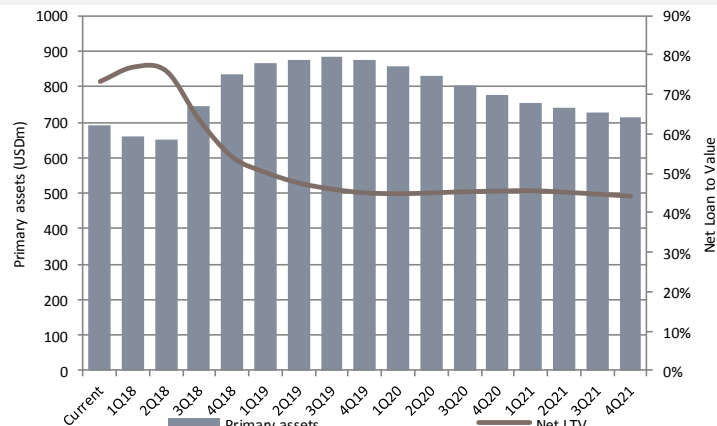
% Impact on NAV from % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value





Estimate Changes

Profit & Loss

| Estimate changes USDm | New | | | | Old | | | | Change | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net sales | 185 | 233 | 258 | 237 | 184 | 221 | 239 | 237 | 1 | 13 | 19 | - |
| EBITDA | 112 | 160 | 185 | 164 | 111 | 148 | 166 | 164 | 1 | 12 | 18 | - |
| EBIT | 61 | 105 | 129 | 108 | 58 | 94 | 112 | 108 | 3 | 11 | 16 | - |
| PTP | 39 | 86 | 112 | 93 | 33 | 71 | 92 | 93 | 6 | 15 | 20 | - |
| Net earnings | 39 | 86 | 112 | 93 | 33 | 71 | 92 | 93 | 6 | 15 | 20 | - |
| EPS | 0.39 | 0.85 | 1.11 | 0.91 | 0.33 | 0.70 | 0.91 | 0.91 | 2018 | 2019 | 2020 | 2021 |
| DPS | 0.15 | 0.83 | 1.25 | 1.09 | 0.52 | 0.79 | 1.03 | 1.09 | 1 | 13 | 19 | - |
| | | | | | | | | | 0 | 0 | 0 | - |
| | | | | | | | | | -3 | 1 | 2 | - |
| | | | | | | | | | -3 | -4 | -4 | - |
| | | | | | | | | | - | - | - | - |

Cash Flows & Balance Sheet

| Estimate changes USDm | New | | | | Old | | | | Change | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------|-------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net operational cash flow | 90 | 142 | 168 | 149 | 87 | 125 | 146 | 149 | 3 | 16 | 22 | - |
| Free cash flow | 63 | 142 | 168 | 149 | 44 | 125 | 146 | 149 | 19 | 16 | 22 | - |
| Net cash flow | 47 | 13 | - | - | -5 | - | - | - | 52 | 13 | - | - |
| TCE/day | 12,644 | 15,949 | 17,623 | 16,209 | 12,569 | 15,078 | 16,344 | 16,209 | 75 | 871 | 1,279 | - |
| Cash break-even | 8,179 | 9,366 | 8,973 | 8,647 | 7,990 | 9,579 | 9,191 | 8,647 | 189 | -213 | -219 | - |
| Liquidity | 106 | 118 | 118 | 118 | 62 | 62 | 62 | 118 | 44 | 57 | 57 | - |
| Property & Equip. (incl. NBs) | 923 | 867 | 811 | 755 | 1,033 | 980 | 926 | 755 | -111 | -112 | -114 | - |
| Total equity | 488 | 490 | 476 | 458 | 547 | 537 | 524 | 458 | -59 | -47 | -48 | - |
| Interest bearing debt | 559 | 514 | 473 | 434 | 552 | 508 | 467 | 434 | 7 | 7 | 6 | - |
| Net interest bearing debt | 454 | 396 | 354 | 316 | 490 | 446 | 405 | 316 | -37 | -50 | -50 | - |
| Market Cap. | 359 | 359 | 359 | 359 | 348 | 348 | 348 | 359 | 11 | 11 | 11 | - |
| Enterprise value | 813 | 755 | 714 | 676 | 839 | 794 | 753 | 676 | -26 | -39 | -39 | - |
| Capex | 27 | - | - | - | 43 | - | - | - | -16 | - | - | - |

Valuation

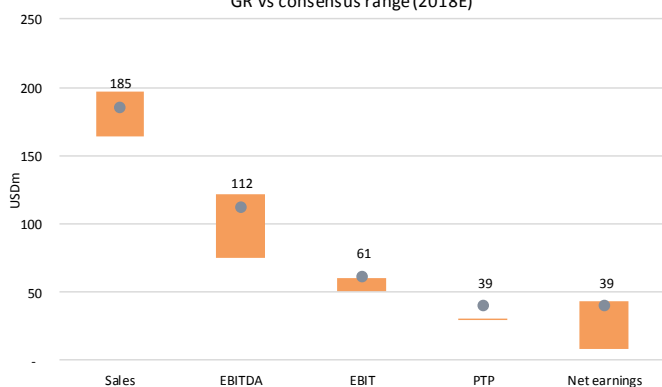
| Estimate changes USDm | New | | | | New | | | | Change | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 413 | 594 | 663 | 749 | 413 | 544 | 636 | 749 | -0 | 51 | 27 | - |
| Adj. equity ratio | 42% | 53% | 58% | 63% | 42% | 51% | 57% | 63% | 0% | 2% | 1% | 0% |
| FCF yield | 18% | 39% | 47% | 41% | 13% | 36% | 42% | 41% | 5% | 3% | 5% | 0% |
| Dividend yield | 4% | 23% | 35% | 31% | 15% | 23% | 30% | 31% | -11% | 0% | 5% | 0% |
| EV/EBITDA | 7.3 | 4.7 | 3.9 | 4.1 | 7.5 | 5.4 | 4.5 | 4.1 | -0.3 | -0.7 | -0.7 | - |
| P/E (adj.) | 14.2 | 5.0 | 3.7 | 4.6 | 17.9 | 6.1 | 4.5 | 4.6 | -4 | -1 | -1 | - |



Our Estimates vs Consensus

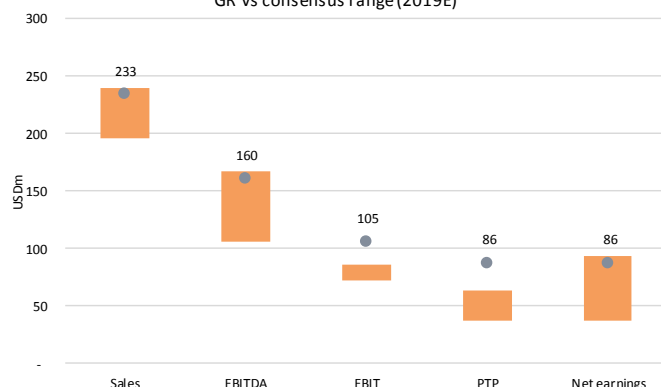
Profit & Loss, year I

GR vs consensus range (2018E)

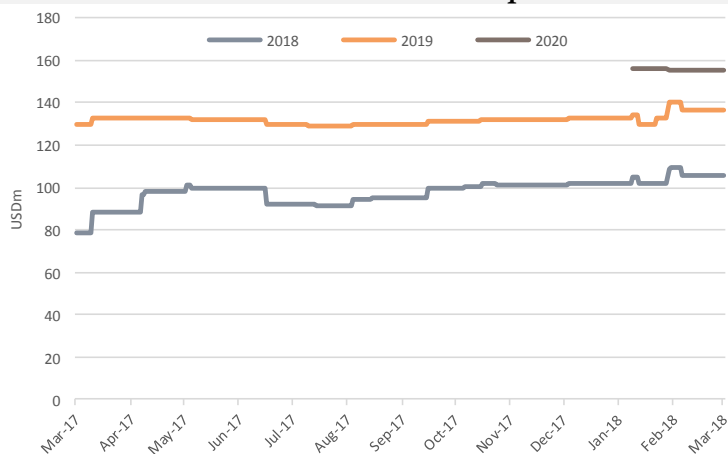


Profit & Loss, year II

GR vs consensus range (2019E)



Consensus EBITDA development



Target price vs share price

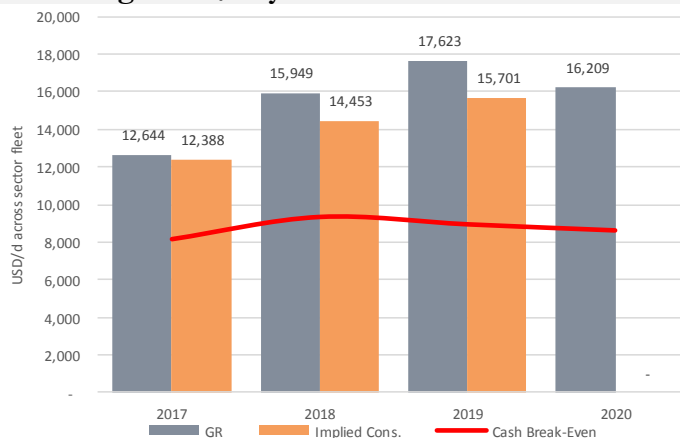


GR vs consensus: P&L break-down

| | 2018 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 185 | 181 | 4 | 2% | |
| Opex + G&A | 73 | 75 | -3 | -3% | |
| Depreciation | 51 | 51 | 0 | 1% | |
| Net finance | 21 | 25 | -4 | -14% | |
| Taxes & Minorities | 0 | 5 | -5 | -100% | |

| | 2019 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 233 | 211 | 22 | 10% | |
| Opex + G&A | 73 | 75 | -2 | -3% | |
| Depreciation | 55 | 56 | -1 | -2% | |
| Net finance | 19 | 30 | -12 | -39% | |
| Taxes & Minorities | 0 | -5 | 5 | -100% | |

Avg. TCE/day across fleet vs consensus





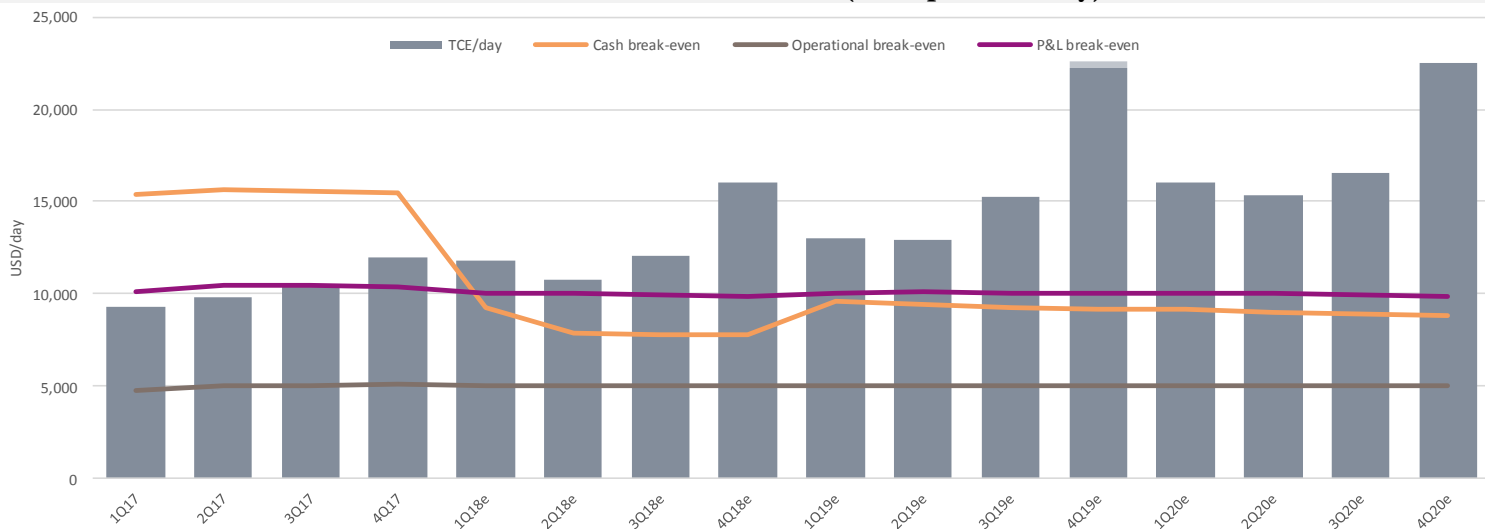
| | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
|---------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Profit & Loss (USDm) | | | | | | | | | |
| Net sales | 197 | 174 | 145 | 117 | 144 | 185 | 233 | 258 | 237 |
| Operational costs | -67 | -104 | -130 | -99 | -162 | -73 | -73 | -73 | -73 |
| EBITDA | 130 | 70 | 15 | 18 | -18 | 112 | 160 | 185 | 164 |
| Depreciation/Amortization | -37 | -43 | -47 | -49 | -51 | -51 | -55 | -56 | -56 |
| EBIT | 93 | 27 | -32 | -31 | -69 | 61 | 105 | 129 | 108 |
| Net financials | -10 | -12 | -16 | -25 | -15 | -21 | -19 | -16 | -15 |
| PTP | 83 | 15 | -48 | -56 | -85 | 39 | 86 | 112 | 93 |
| Taxes/Minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net earnings | 83 | 15 | -48 | -56 | -85 | 39 | 86 | 112 | 93 |
| Non-recurring items | -2 | -9 | -14 | -14 | 70 | -14 | -14 | -14 | -14 |
| Net earnings (adj.) | 81 | 5 | -62 | -70 | -15 | 25 | 72 | 98 | 79 |
| EPS | 1.00 | 0.18 | -0.57 | -0.56 | -0.85 | 0.39 | 0.85 | 1.11 | 0.91 |
| EPS (adj.) | 0.98 | 0.06 | -0.74 | -0.71 | -0.15 | 0.25 | 0.71 | 0.97 | 0.78 |
| DPS | 0.21 | 0.31 | 0.21 | 0.14 | 0.00 | 0.15 | 0.83 | 1.25 | 1.09 |
| Balance Sheet (USDm) | | | | | | | | | |
| Cash & short-term investments | 65 | 107 | 131 | 82 | 46 | 93 | 106 | 106 | 106 |
| Other current assets | 109 | 29 | 112 | 29 | 33 | 33 | 33 | 33 | 33 |
| Total current assets | 173 | 136 | 243 | 111 | 79 | 126 | 139 | 139 | 139 |
| Property & equip. (incl. NBs) | 931 | 1,035 | 1,057 | 1,052 | 947 | 923 | 867 | 811 | 755 |
| Other non-current assets | 8 | 12 | 10 | 11 | 9 | 9 | 9 | 9 | 9 |
| Total non-current assets | 939 | 1,046 | 1,066 | 1,063 | 956 | 932 | 877 | 821 | 765 |
| TOTAL ASSETS | 1,112 | 1,182 | 1,310 | 1,174 | 1,035 | 1,058 | 1,016 | 960 | 904 |
| Total equity | 578 | 700 | 634 | 579 | 456 | 488 | 490 | 476 | 458 |
| Short-term debt | 35 | 17 | 77 | 12 | 26 | 33 | 37 | 27 | 31 |
| Other current liabilities | 22 | 12 | 28 | 12 | 11 | 11 | 11 | 11 | 11 |
| Total current liabilities | 57 | 29 | 106 | 24 | 37 | 44 | 48 | 38 | 42 |
| Long-term debt | 473 | 452 | 569 | 570 | 542 | 526 | 477 | 446 | 404 |
| Other non-current liabilities | 3 | 1 | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| Total non-current liabilities | 477 | 454 | 570 | 571 | 542 | 526 | 477 | 446 | 404 |
| TOTAL EQUITY & LIABILITIES | 1,112 | 1,182 | 1,310 | 1,174 | 1,035 | 1,058 | 1,016 | 960 | 904 |
| Working capital, receivables | 49 | 16 | 12 | 13 | 15 | 15 | 15 | 15 | 15 |
| Working capital, payables | 8 | 7 | 9 | 10 | 8 | 8 | 8 | 8 | 8 |
| Net working capital | 41 | 8 | 2 | 4 | 7 | 7 | 7 | 7 | 7 |
| Interest bearing debt | 508 | 470 | 647 | 582 | 567 | 559 | 514 | 473 | 434 |
| Liquidity | 71 | 118 | 195 | 83 | 58 | 106 | 118 | 118 | 118 |
| Net interest bearing debt | 437 | 351 | 452 | 499 | 509 | 454 | 396 | 354 | 316 |
| Cash Flow (USDm) | | | | | | | | | |
| Net income | 83 | 15 | -48 | -56 | -85 | 39 | 86 | 112 | 93 |
| Depreciation | 37 | 43 | 47 | 49 | 51 | 51 | 55 | 56 | 56 |
| Other | -13 | -10 | 24 | 23 | 82 | 0 | 0 | 0 | 0 |
| Cash earnings | 107 | 48 | 23 | 16 | 49 | 90 | 142 | 168 | 149 |
| Changes in working capital | -7 | -4 | 3 | -3 | 0 | 0 | 0 | 0 | 0 |
| Net operational cash flow | 101 | 44 | 26 | 13 | 49 | 90 | 142 | 168 | 149 |
| Capex | -119 | -146 | -124 | -58 | -60 | -27 | 0 | 0 | 0 |
| Other investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from sales | 0 | 36 | 0 | 29 | 21 | 0 | 0 | 0 | 0 |
| Other | 19 | 43 | -59 | -11 | -93 | 0 | 0 | 0 | 0 |
| Net investing cash flow | -100 | -67 | -182 | -40 | -38 | -27 | 0 | 0 | 0 |
| Repayment of debt | -107 | -39 | 203 | -84 | -123 | -25 | -45 | -42 | -38 |
| Proceeds from debt | 16 | 94 | 447 | 65 | 115 | 17 | 0 | 0 | 0 |
| Dividends paid | -18 | -26 | -18 | -14 | 0 | -15 | -84 | -127 | -111 |
| New equity | 48 | 0 | 0 | 16 | 0 | 7 | 0 | 0 | 0 |
| Other | 23 | 37 | -453 | -67 | -93 | 0 | 0 | 0 | 0 |
| Net financing cash flow | -38 | 66 | 180 | -84 | -47 | -16 | -129 | -168 | -149 |
| Currency effect | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash flow | -38 | 43 | 23 | -110 | -36 | 47 | 13 | 0 | 0 |
| Cash balance | 65 | 107 | 131 | 82 | 46 | 93 | 106 | 106 | 106 |
| Free cash flow | 0 | -23 | -157 | -26 | 11 | 63 | 142 | 168 | 149 |



| Share Data & Valuation (USDm) | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
|--------------------------------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Shares outstanding, end | 83 | 83 | 83 | 99 | 99 | 102 | 102 | 102 | 102 |
| Share price, avg (USD) | 6 | 8 | 3 | 1 | 2 | 4 | 4 | 4 | 4 |
| Share price, end (USD) | 10 | 4 | 1 | 1 | 3 | 4 | 4 | 4 | 4 |
| Market Cap. | 868 | 326 | 68 | 114 | 321 | 359 | 359 | 359 | 359 |
| NIBD | 437 | 351 | 452 | 499 | 509 | 454 | 396 | 354 | 316 |
| Minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Enterprise value | 1,305 | 678 | 519 | 613 | 830 | 813 | 755 | 714 | 676 |
| Key Figures & Ratios | 2013 | 2014 | 2015 | 2016 | 2017E | 2018E | 2019E | 2020E | 2021E |
| P/E (reported) | 10.4 | 22.3 | | | | 9.1 | 4.2 | 3.2 | 3.9 |
| P/E (adj.) | 10.7 | 62.2 | | | | 14.2 | 5.0 | 3.7 | 4.6 |
| P/CE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/Sales | 4.4 | 1.9 | 0.5 | 1.0 | 2.2 | 1.9 | 1.5 | 1.4 | 1.5 |
| EV/Sales | 6.6 | 3.9 | 3.6 | 5.2 | 5.8 | 4.4 | 3.2 | 2.8 | 2.9 |
| EV/EBITDA | 10.0 | 9.7 | 34.3 | 33.9 | | 7.3 | 4.7 | 3.9 | 4.1 |
| EV/EBIT | 14.1 | 25.4 | | | | 13.4 | 7.2 | 5.5 | 6.3 |
| P/B | 1.5 | 0.5 | 0.1 | 0.2 | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 |
| FCF yield | 0% | -7% | -232% | -23% | 3% | 18% | 39% | 47% | 41% |
| Dividend yield | 2.0% | 7.9% | 25.9% | 12.3% | 0.0% | 4.3% | 23.4% | 35.3% | 30.8% |
| Return on equity (ROE) | 14.4% | 2.1% | -7.6% | -9.7% | -18.6% | 8.1% | 17.6% | 23.6% | 20.3% |
| Return on capital employed (ROCE) | 9.2% | 2.6% | -3.0% | -2.9% | -7.2% | 6.5% | 12.0% | 15.7% | 14.0% |
| Return on assets (ROA) | 7.5% | 1.2% | -3.7% | -4.8% | -8.2% | 3.7% | 8.5% | 11.7% | 10.3% |
| Sales growth | 3% | -12% | -16% | -19% | 23% | 28% | 26% | 11% | -8% |
| EBITDA margin | 66% | 40% | 10% | 15% | -12% | 61% | 69% | 72% | 69% |
| EBIT margin | 47% | 15% | -22% | -27% | -48% | 33% | 45% | 50% | 45% |
| Net margin | 42% | 8% | -33% | -48% | -59% | 21% | 37% | 44% | 39% |
| Net interest rate | 2.1% | 2.4% | 2.6% | 3.9% | 4.6% | 4.7% | 4.7% | 4.7% | 4.6% |
| Tax rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Equity ratio | 52% | 59% | 48% | 49% | 44% | 46% | 48% | 50% | 51% |
| Leverage ratio | 48% | 41% | 52% | 51% | 56% | 54% | 52% | 50% | 49% |
| NIBD / EBITDA (past 1y) | 3.4 | 5.0 | 29.9 | 27.6 | -28.5 | 4.1 | 2.5 | 1.9 | 1.9 |
| Operating cash flow/NIBD | 0.2 | 0.1 | 0.1 | 0.0 | 0.1 | 0.2 | 0.4 | 0.5 | 0.5 |
| Net interest coverage ratio (EBITDA) | 14.3 | 8.4 | 1.3 | 0.9 | -0.8 | 5.2 | 8.6 | 11.2 | 11.1 |
| Current ratio | 3.0 | 4.7 | 2.3 | 4.7 | 2.1 | 2.8 | 2.9 | 3.6 | 3.3 |
| Adj. equity ratio | | | | | 24% | 42% | 53% | 58% | 63% |
| Operating assets | 1,039 | 1,060 | 1,107 | 1,081 | 968 | 944 | 889 | 833 | 777 |
| Operating liabilities | 26 | 13 | 29 | 13 | 11 | 11 | 11 | 11 | 11 |
| Net operating assets | 1,014 | 1,047 | 1,078 | 1,068 | 957 | 933 | 878 | 822 | 766 |

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)





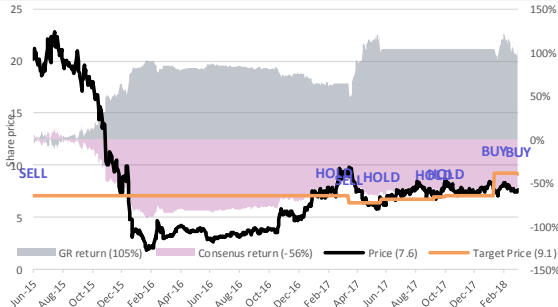
SSALT (#BUY, 9.1): Good support from current and forward NAV, but high cash breakeven reduces upside as we ride the cycle

SALT-US

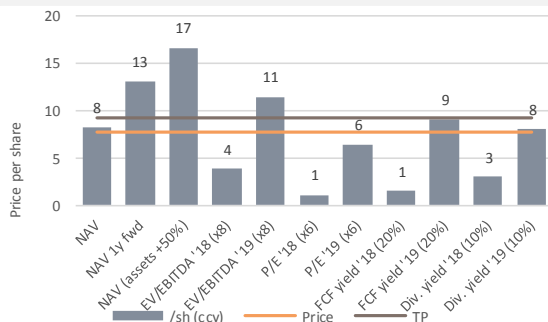
BUY/TP 9.1

Scorpio Bulkers

Share price vs target price

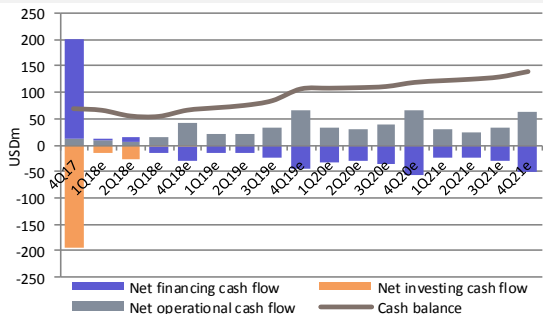


Valuation matrix



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Cash & cash flows



Gersemi Research / Analysts

Joakim Hannisdahl

Head of Research

research@gersemiresearch.com

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------|-------|-------|-------|-------|
| Net sales | 249 | 314 | 335 | 308 |
| EBITDA | 116 | 179 | 204 | 177 |
| EBIT | 59 | 123 | 148 | 121 |
| PTP | 14 | 82 | 113 | 93 |
| Net earnings | 14 | 82 | 113 | 93 |
| EPS | 0.18 | 1.06 | 1.47 | 1.20 |
| DPS | 0.35 | 0.80 | 0.65 | 1.08 |
| USDm | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 1,008 | 1,152 | 1,114 | 1,147 |
| Adj. equity ratio | 59% | 63% | 66% | 69% |
| FCF yield | 5% | 24% | 29% | 25% |
| Dividend yield | 5% | 10% | 9% | 14% |
| EV/EBITDA | 10.5 | 6.4 | 5.0 | 5.4 |
| P/E (adj.) | 42.2 | 7.2 | 5.2 | 6.3 |

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|--------|--------|--------|--------|
| Net operational cash flow | 70 | 138 | 170 | 149 |
| Free cash flow | 31 | 138 | 170 | 149 |
| Net cash flow | 2 | 41 | 13 | 21 |
| TCE/day | 12,004 | 15,047 | 16,355 | 15,069 |
| Cash break-even | 10,419 | 13,655 | 18,167 | 9,975 |
| Liquidity | 70 | 111 | 124 | 145 |
| Property & Equip. (incl. NBs) | 1,524 | 1,468 | 1,411 | 1,354 |
| Total equity | 917 | 938 | 1,000 | 1,009 |
| Interest bearing debt | 700 | 664 | 558 | 512 |
| Net interest bearing debt | 630 | 553 | 434 | 368 |
| Market Cap. | 586 | 586 | 586 | 586 |
| Enterprise value | 1,216 | 1,139 | 1,020 | 954 |
| Capex | 39 | - | - | - |

Source: Gersemi Research, Bloomberg, company data

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

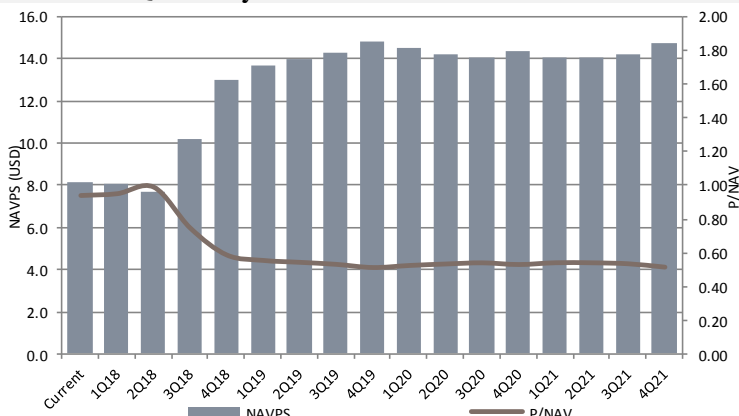


Valuation

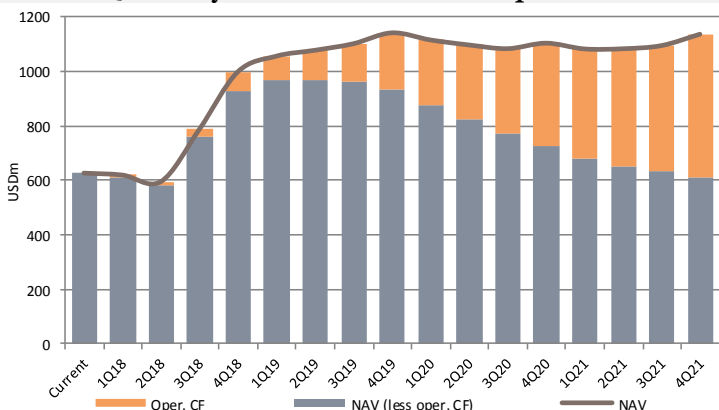
Valuation & target price

| Net asset values | | | |
|---------------------|--------------|--------------|--------------|
| USDm | 4Q17 | Fair value | Implied |
| Primary assets | 1,541 | 1,297 | 1,248 |
| Contract value | 0 | 2 | 2 |
| Other | 23 | 23 | 22 |
| GAV | 1,565 | 1,322 | 1,273 |
| Net debt | -647 | -647 | -647 |
| Capex | 0 | -39 | -39 |
| Other | 0 | 0 | 0 |
| NAV | 917 | 636 | 586 |
| Shares | 77 | 77 | 77 |
| NAVPS | 11.9 | 8.2 | 7.6 |
| Share price | 12 | 8 | 8 |
| P/NAV | 0.64 | 0.92 | 1.00 |
| EV/GAV | 0.81 | 0.96 | 1.00 |
| Adj. Total Assets | 1,643 | 1,398 | 1,350 |
| Adj. Equity Ratio | 56% | 45% | 43% |
| Target price | USD | 9.1 | 22% |

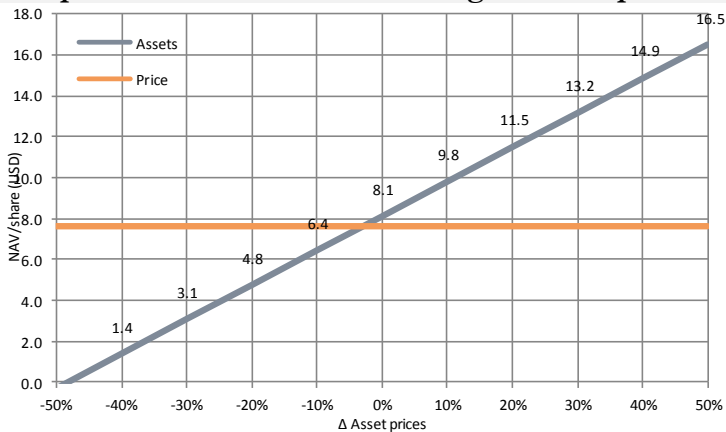
Quarterly forward NAV & P/NAV



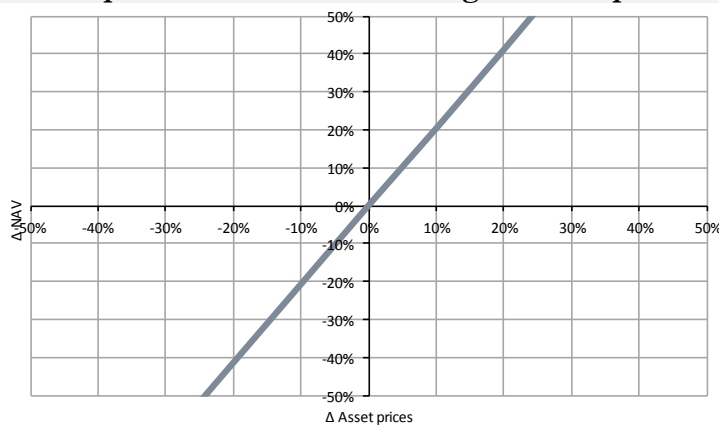
Quarterly forward NAV decomposition



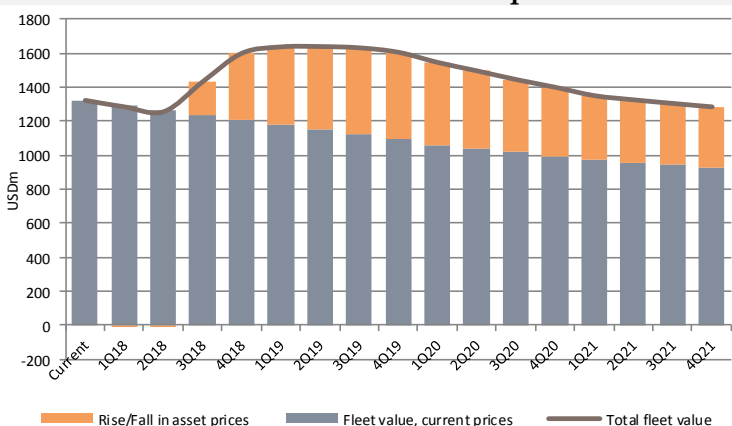
Impact on NAV/sh from % change in asset prices



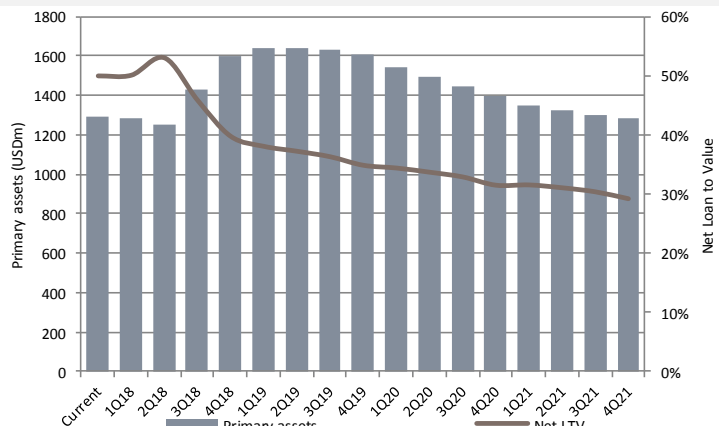
% Impact on NAV from % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value





Estimate Changes

Profit & Loss

| Estimate changes USDm | New | | | | Old | | | | Change | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net sales | 249 | 314 | 335 | 308 | 258 | 296 | 315 | 308 | -9 | 17 | 21 | - |
| EBITDA | 116 | 179 | 204 | 177 | 122 | 160 | 182 | 175 | -7 | 19 | 23 | 2 |
| EBIT | 59 | 123 | 148 | 121 | 64 | 101 | 123 | 118 | -5 | 21 | 25 | 2 |
| PTP | 14 | 82 | 113 | 93 | 18 | 57 | 82 | 84 | -5 | 24 | 31 | 9 |
| Net earnings | 14 | 82 | 113 | 93 | 18 | 57 | 82 | 84 | -5 | 24 | 31 | 9 |
| EPS | 0.18 | 1.06 | 1.47 | 1.20 | 0.25 | 0.76 | 1.10 | 1.08 | 2018 | 2019 | 2020 | 2021 |
| DPS | 0.35 | 0.80 | 0.65 | 1.08 | 0.51 | 0.96 | 1.13 | 0.26 | -9 | 17 | 21 | - |
| | | | | | | | | | -2 | -2 | -2 | -2 |
| | | | | | | | | | -2 | -2 | -2 | - |
| | | | | | | | | | 0 | -3 | -6 | -7 |
| | | | | | | | | | - | - | - | - |

Cash Flows & Balance Sheet

| Estimate changes USDm | | | | | | | | | Change | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------|-------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net operational cash flow | 70 | 138 | 170 | 149 | 77 | 116 | 141 | 140 | -7 | 22 | 29 | 9 |
| Free cash flow | 31 | 138 | 170 | 149 | -23 | 116 | 141 | 140 | 54 | 22 | 29 | 9 |
| Net cash flow | 2 | 41 | 13 | 21 | -23 | 8 | 9 | 70 | 25 | 33 | 3 | -49 |
| TCE/day | 12,004 | 15,047 | 16,355 | 15,069 | 12,399 | 14,217 | 15,345 | 15,069 | -395 | 830 | 1,010 | - |
| Cash break-even | 10,419 | 13,655 | 18,167 | 9,975 | 10,506 | 13,893 | 18,562 | 10,665 | -87 | -238 | -394 | -690 |
| Liquidity | 70 | 111 | 124 | 145 | 82 | 90 | 100 | 174 | -12 | 21 | 24 | -29 |
| Property & Equip. (incl. NBs) | 1,524 | 1,468 | 1,411 | 1,354 | 1,498 | 1,439 | 1,380 | 1,329 | 27 | 29 | 31 | 26 |
| Total equity | 917 | 938 | 1,000 | 1,009 | 899 | 884 | 882 | 955 | 18 | 53 | 119 | 55 |
| Interest bearing debt | 700 | 664 | 558 | 512 | 701 | 666 | 619 | 568 | -1 | -1 | -61 | -56 |
| Net interest bearing debt | 630 | 553 | 434 | 368 | 619 | 575 | 519 | 395 | 11 | -22 | -85 | -27 |
| Market Cap. | 586 | 586 | 586 | 586 | 558 | 558 | 558 | 588 | 28 | 28 | 28 | -2 |
| Enterprise value | 1,216 | 1,139 | 1,020 | 954 | 1,177 | 1,133 | 1,077 | 983 | 39 | 6 | -57 | -29 |
| Capex | 39 | - | - | - | 100 | - | - | - | -61 | - | - | - |

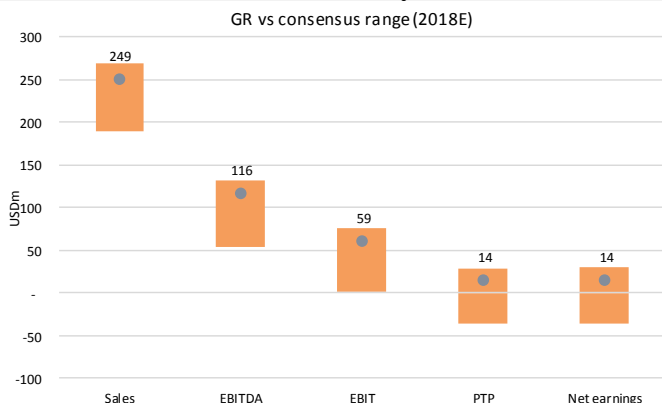
Valuation

| Estimate changes USDm | | | | | | | | | Change | | | |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 1,008 | 1,152 | 1,114 | 1,147 | 1,025 | 1,082 | 1,083 | 1,141 | -17 | 70 | 31 | 7 |
| Adj. equity ratio | 59% | 63% | 66% | 69% | 59% | 62% | 63% | 66% | 0% | 2% | 3% | 2% |
| FCF yield | 5% | 24% | 29% | 25% | -4% | 21% | 25% | 24% | 9% | 3% | 4% | 2% |
| Dividend yield | 5% | 10% | 9% | 14% | 7% | 13% | 15% | 3% | -2% | -2% | -7% | 11% |
| EV/EBITDA | 10.5 | 6.4 | 5.0 | 5.4 | 9.6 | 7.1 | 5.9 | 5.6 | 0.9 | -0.7 | -0.9 | -0.2 |
| P/E (adj.) | 42.2 | 7.2 | 5.2 | 6.3 | 30.2 | 9.8 | 6.8 | 7.0 | 12 | -3 | -2 | -1 |

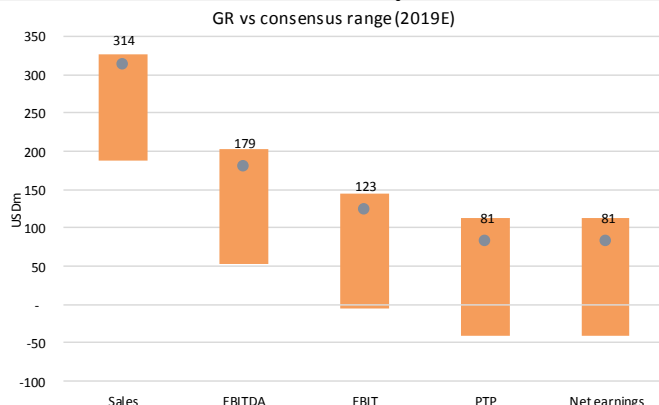


Our Estimates vs Consensus

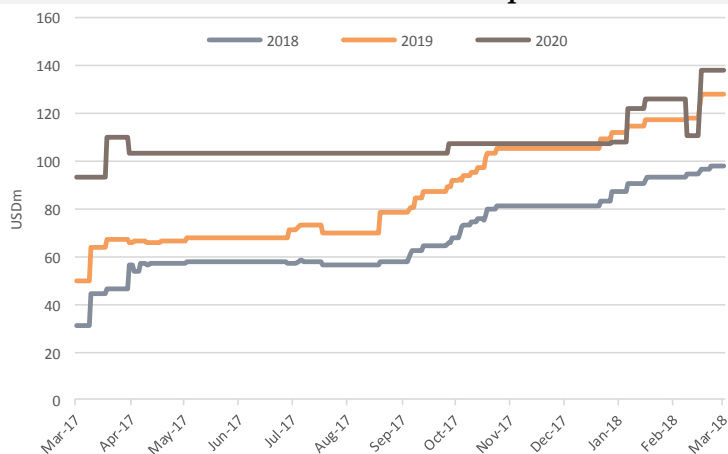
Profit & Loss, year I



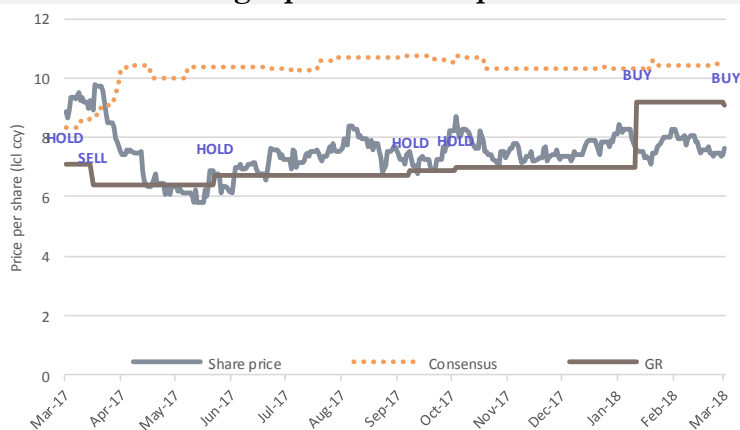
Profit & Loss, year II



Consensus EBITDA development



Target price vs share price

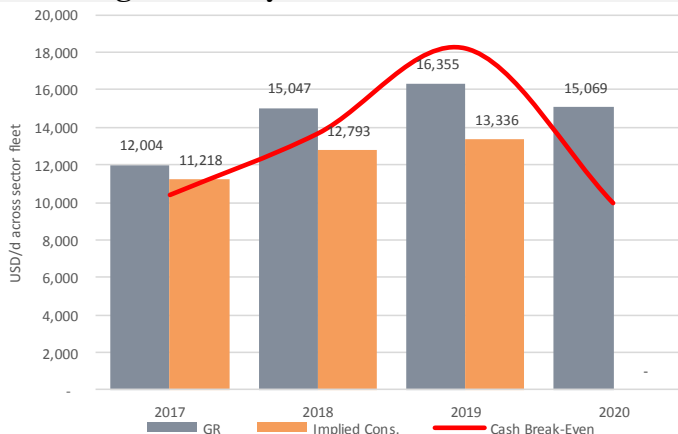


GR vs consensus: P&L break-down

| | 2018 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 249 | 233 | 16 | 7% | |
| Opex + G&A | 134 | 135 | -1 | -1% | |
| Depreciation | 56 | 53 | 3 | 5% | |
| Net finance | 46 | 38 | 8 | 20% | |
| Taxes & Minorities | 0 | 3 | -3 | -100% | |

| | 2019 | GR | Consensus | Diff. | Diff. |
|--------------------|------|-----|-----------|-------|-------|
| TCE revenue | 314 | 267 | 47 | 18% | |
| Opex + G&A | 134 | 139 | -4 | -3% | |
| Depreciation | 57 | 55 | 1 | 2% | |
| Net finance | 42 | 36 | 6 | 15% | |
| Taxes & Minorities | 0 | 1 | -1 | -100% | |

Avg. TCE/day across fleet vs consensus





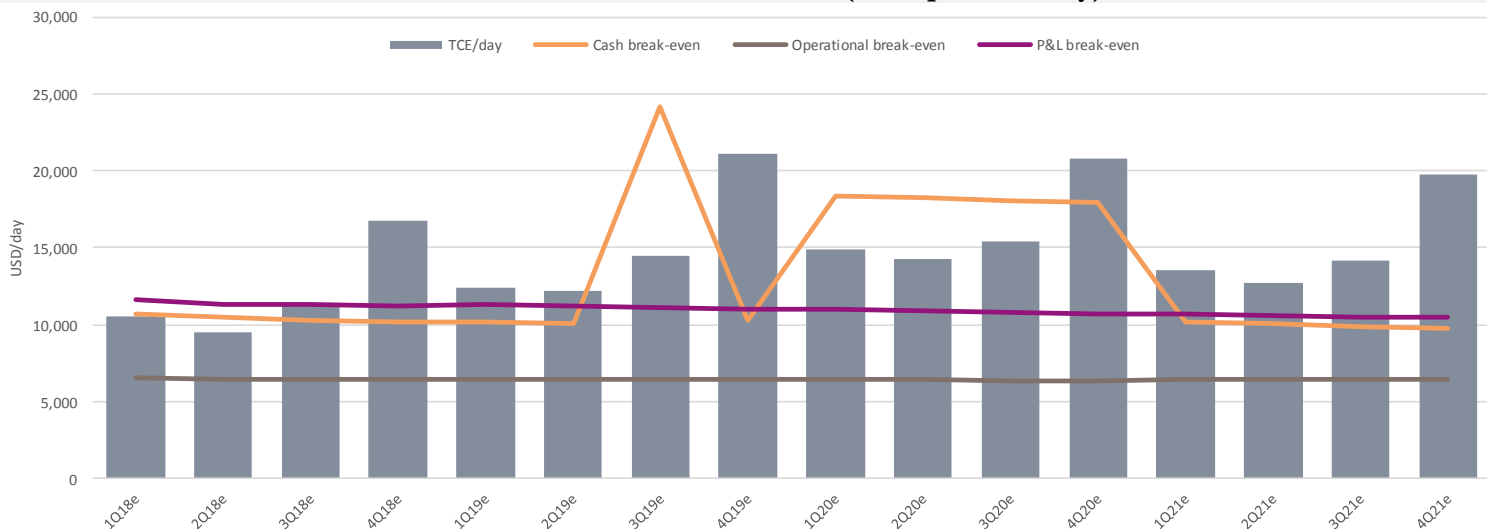
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Profit & Loss (USDm) | | | | | | | | | |
| Net sales | 0 | 53 | 63 | 78 | 162 | 249 | 314 | 335 | 308 |
| Operational costs | | | | | | -134 | -134 | -131 | -131 |
| EBITDA | | | | | | 116 | 179 | 204 | 177 |
| Depreciation/Amortization | | | | | | -56 | -57 | -57 | -57 |
| EBIT | -6 | -117 | -492 | -101 | -26 | 59 | 123 | 148 | 121 |
| Net financials | -1 | 1 | -19 | -24 | -34 | -46 | -41 | -35 | -28 |
| PTP | -6 | -117 | -511 | -125 | -60 | 14 | 82 | 113 | 93 |
| Taxes/Minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net earnings | -6 | -117 | -511 | -125 | -60 | 14 | 82 | 113 | 93 |
| Non-recurring items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net earnings (adj.) | -6 | -117 | -511 | -125 | -60 | 14 | 82 | 113 | 93 |
| EPS | -0.57 | -7.76 | -17.81 | -1.66 | -0.80 | 0.18 | 1.06 | 1.47 | 1.20 |
| EPS (adj.) | -0.57 | -7.76 | -17.81 | -1.66 | -0.80 | 0.18 | 1.06 | 1.47 | 1.20 |
| DPS | 0.00 | 0.00 | 0.00 | 0.00 | 0.02 | 0.35 | 0.80 | 0.65 | 1.08 |
| Balance Sheet (USDm) | | | | | | | | | |
| Cash & short-term investments | 734 | 273 | 200 | 102 | 69 | 70 | 111 | 124 | 145 |
| Other current assets | 0 | 90 | 192 | 14 | 14 | 14 | 14 | 14 | 14 |
| Total current assets | 734 | 363 | 393 | 115 | 83 | 84 | 125 | 138 | 159 |
| Property & equip. (incl. NBs) | — | 933 | 1,053 | 1,414 | 1,541 | 1,524 | 1,468 | 1,411 | 1,354 |
| Other non-current assets | | 28 | 28 | 18 | 19 | 19 | 19 | 19 | 19 |
| Total non-current assets | 372 | 962 | 1,080 | 1,432 | 1,561 | 1,544 | 1,487 | 1,430 | 1,374 |
| TOTAL ASSETS | 1,106 | 1,324 | 1,473 | 1,547 | 1,643 | 1,628 | 1,612 | 1,568 | 1,532 |
| Total equity | 1,104 | 1,200 | 935 | 957 | 917 | 917 | 938 | 1,000 | 1,009 |
| Short-term debt | 0 | 3 | 108 | 13 | 48 | 43 | 53 | 39 | 46 |
| Other current liabilities | 1 | 17 | 17 | 11 | 10 | 10 | 10 | 10 | 10 |
| Total current liabilities | 1 | 20 | 125 | 25 | 59 | 54 | 64 | 50 | 56 |
| Long-term debt | 0 | 104 | 414 | 566 | 667 | 657 | 611 | 518 | 467 |
| Other non-current liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total non-current liabilities | 0 | 104 | 414 | 566 | 667 | 657 | 611 | 518 | 467 |
| TOTAL EQUITY & LIABILITIES | 1,106 | 1,324 | 1,473 | 1,547 | 1,643 | 1,628 | 1,612 | 1,568 | 1,532 |
| Working capital, receivables | 0 | 0 | 0 | 0 | 4 | 4 | 4 | 4 | 4 |
| Working capital, payables | 1 | 16 | 16 | 10 | 10 | 10 | 10 | 10 | 10 |
| Net working capital | -1 | -16 | -16 | -10 | -6 | -6 | -6 | -6 | -6 |
| Interest bearing debt | 0 | 107 | 522 | 579 | 716 | 700 | 664 | 558 | 512 |
| Liquidity | 734 | 273 | 200 | 102 | 69 | 70 | 111 | 124 | 145 |
| Net interest bearing debt | -734 | -165 | 321 | 478 | 647 | 630 | 553 | 434 | 368 |
| Cash Flow (USDm) | | | | | | | | | |
| Net income | -6 | -117 | -511 | -125 | -60 | 14 | 82 | 113 | 93 |
| Depreciation | | | | | | 56 | 57 | 57 | 57 |
| Other | | | | | | 0 | 0 | 0 | 0 |
| Cash earnings | -3 | -52 | -36 | -46 | 17 | 70 | 138 | 170 | 149 |
| Changes in working capital | 1 | 1 | 1 | -7 | 3 | 0 | 0 | 0 | 0 |
| Net operational cash flow | -2 | -50 | -35 | -52 | 20 | 70 | 138 | 170 | 149 |
| Capex | -372 | -652 | -876 | -408 | -217 | -39 | 0 | 0 | 0 |
| Other investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from sales | 0 | 0 | 189 | 173 | 44 | 0 | 0 | 0 | 0 |
| Other | 0 | -31 | 31 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net investing cash flow | -372 | -683 | -656 | -235 | -173 | -39 | 0 | 0 | 0 |
| Repayment of debt | 0 | 107 | 427 | 62 | 135 | -37 | -109 | -207 | -45 |
| Proceeds from debt | 0 | 107 | 490 | 247 | 288 | 21 | 74 | 100 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | -2 | -27 | -61 | -50 | -84 |
| New equity | 1,108 | 188 | 218 | 128 | 0 | 13 | 0 | 0 | 0 |
| Other | 0 | -130 | -516 | -248 | -301 | 0 | 0 | 0 | 0 |
| Net financing cash flow | 1,108 | 272 | 619 | 189 | 120 | -29 | -97 | -157 | -129 |
| Currency effect | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash flow | 734 | -461 | -72 | -99 | -33 | 2 | 41 | 13 | 21 |
| Cash balance | 734 | 273 | 200 | 102 | 69 | 70 | 111 | 124 | 145 |
| Free cash flow | -374 | -733 | -691 | -288 | -153 | 31 | 138 | 170 | 149 |



| Share Data & Valuation (USDm) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
|--------------------------------------|--------------|------------|------------|------------|--------------|--------------|--------------|--------------|------------|
| Shares outstanding, end | 11 | 15 | 29 | 75 | 75 | 77 | 77 | 77 | 77 |
| Share price, avg (USD) | 117 | 92 | 21 | 4 | 7 | 8 | 8 | 8 | 8 |
| Share price, end (USD) | 121 | 24 | 10 | 5 | 7 | 8 | 8 | 8 | 8 |
| Market Cap. | 1,341 | 355 | 284 | 380 | 554 | 586 | 586 | 586 | 586 |
| NIBD | -734 | -165 | 321 | 478 | 647 | 630 | 553 | 434 | 368 |
| Minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Enterprise value | 607 | 190 | 605 | 858 | 1,201 | 1,216 | 1,139 | 1,020 | 954 |
| Key Figures & Ratios | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
| P/E (reported) | | | | | | 42.2 | 7.2 | 5.2 | 6.3 |
| P/E (adj.) | | | | | | 42.2 | 7.2 | 5.2 | 6.3 |
| P/CE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/Sales | | 6.8 | 4.5 | 4.9 | 3.4 | 2.4 | 1.9 | 1.7 | 1.9 |
| EV/Sales | | 3.6 | 9.7 | 10.9 | 7.4 | 4.9 | 3.6 | 3.0 | 3.1 |
| EV/EBITDA | | | | | | 10.5 | 6.4 | 5.0 | 5.4 |
| EV/EBIT | | | | | | 20.5 | 9.3 | 6.9 | 7.9 |
| P/B | 1.2 | 0.3 | 0.3 | 0.4 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| FCF yield | -28% | -206% | -244% | -76% | -28% | 5% | 24% | 29% | 25% |
| Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% | 0.3% | 4.6% | 10.5% | 8.6% | 14.3% |
| Return on equity (ROE) | -0.6% | -9.7% | -54.7% | -13.0% | -6.5% | 1.5% | 8.7% | 11.3% | 9.2% |
| Return on capital employed (ROCE) | -1.5% | -11.4% | -39.1% | -7.0% | -1.6% | 3.8% | 8.2% | 10.3% | 8.8% |
| Return on assets (ROA) | -0.6% | -8.8% | -34.7% | -8.1% | -3.6% | 0.9% | 5.1% | 7.2% | 6.1% |
| Sales growth | | | 19% | 25% | 107% | 54% | 26% | 7% | -8% |
| EBITDA margin | | | | | | 46% | 57% | 61% | 58% |
| EBIT margin | | -224% | -786% | -128% | -16% | 24% | 39% | 44% | 39% |
| Net margin | | -222% | -817% | -159% | -37% | 6% | 26% | 34% | 30% |
| Net interest rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 7.2% | 7.4% | 8.0% | 7.6% |
| Tax rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Equity ratio | 100% | 91% | 63% | 62% | 56% | 56% | 58% | 64% | 66% |
| Leverage ratio | 0% | 9% | 37% | 38% | 44% | 44% | 42% | 36% | 34% |
| NIBD / EBITDA (past 1y) | | | | | | 5.4 | 3.1 | 2.1 | 2.1 |
| Operating cash flow/NIBD | 0.0 | 0.3 | -0.1 | -0.1 | 0.0 | 0.1 | 0.2 | 0.4 | 0.4 |
| Net interest coverage ratio (EBITDA) | | | | | | 2.5 | 4.4 | 5.9 | 6.4 |
| Current ratio | 498.6 | 17.8 | 3.2 | 4.7 | 1.4 | 1.6 | 2.0 | 2.8 | 2.8 |
| Adj. equity ratio | | | | | 47% | 59% | 63% | 66% | 69% |
| Operating assets | 372 | 1,052 | 1,273 | 1,445 | 1,575 | 1,558 | 1,501 | 1,444 | 1,388 |
| Operating liabilities | 1 | 17 | 17 | 11 | 10 | 10 | 10 | 10 | 10 |
| Net operating assets | 370 | 1,034 | 1,256 | 1,434 | 1,564 | 1,547 | 1,491 | 1,434 | 1,377 |

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)



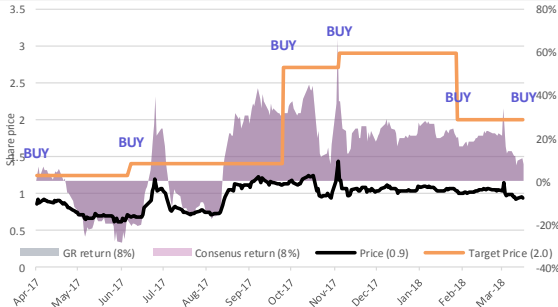
SHIP (#BUY, 2.0): An unfortunate capital structure/lack of good corporate governance ruins an otherwise top pick in #drybulk

SHIP-US

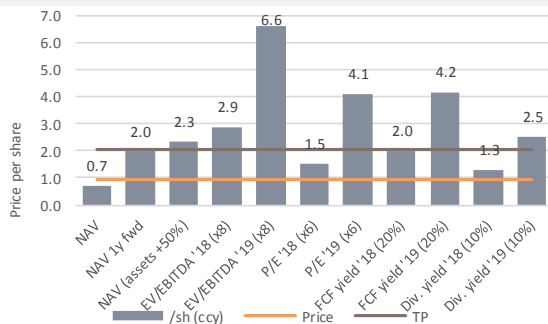
BUY/TP 2.0

Seanergy Maritime

Share price vs target price

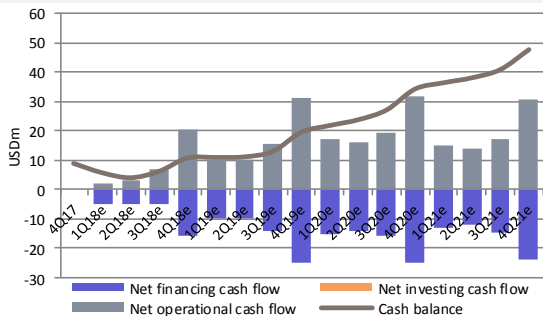


Valuation matrix



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Cash & cash flows



Gersemi Research / Analysts

Joakim Hannisdahl

Head of Research

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Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------|------|------|------|------|
| Net sales | 75 | 107 | 119 | 107 |
| EBITDA | 51 | 82 | 94 | 82 |
| EBIT | 38 | 70 | 82 | 70 |
| PTP | 20 | 55 | 72 | 65 |
| Net earnings | 20 | 55 | 72 | 65 |
| EPS | 0.25 | 0.68 | 0.89 | 0.80 |
| DPS | 0.13 | 0.25 | 0.42 | 0.39 |
| USDm | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 160 | 240 | 285 | 336 |
| Adj. equity ratio | 43% | 58% | 67% | 76% |
| FCF yield | 43% | 89% | 112% | 102% |
| Dividend yield | 14% | 27% | 46% | 42% |
| EV/EBITDA | 4.9 | 2.4 | 1.6 | 1.2 |
| P/E (adj.) | 3.7 | 1.4 | 1.0 | 1.2 |

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|--------|--------|--------|--------|
| Net operational cash flow | 33 | 67 | 84 | 77 |
| Free cash flow | 33 | 67 | 84 | 77 |
| Net cash flow | 2 | 9 | 15 | 13 |
| TCE/day | 18,589 | 26,540 | 29,533 | 26,590 |
| Cash break-even | 15,522 | 28,809 | 26,061 | 23,445 |
| Liquidity | 12 | 21 | 36 | 49 |
| Property & Equip. (incl. NBs) | 243 | 231 | 219 | 207 |
| Total equity | 51 | 86 | 124 | 157 |
| Interest bearing debt | 182 | 144 | 109 | 76 |
| Net interest bearing debt | 170 | 123 | 73 | 27 |
| Market Cap. | 76 | 76 | 76 | 76 |
| Enterprise value | 245 | 198 | 148 | 103 |
| Capex | - | - | - | - |

Source: Gersemi Research, Bloomberg, company data

Disclaimer: The publisher owns shares in the company. More disclaimers at the end of this document

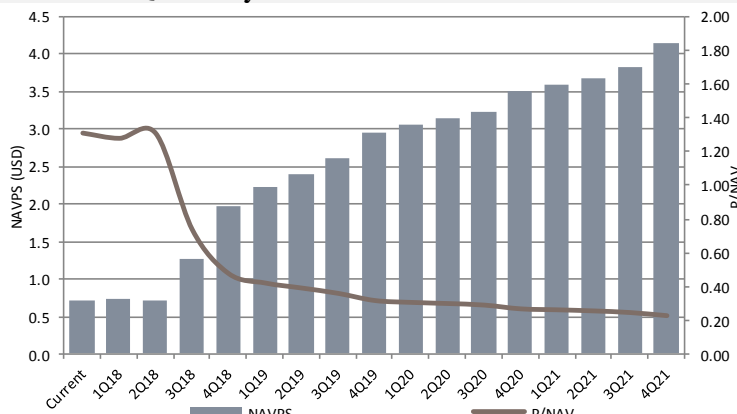


Valuation

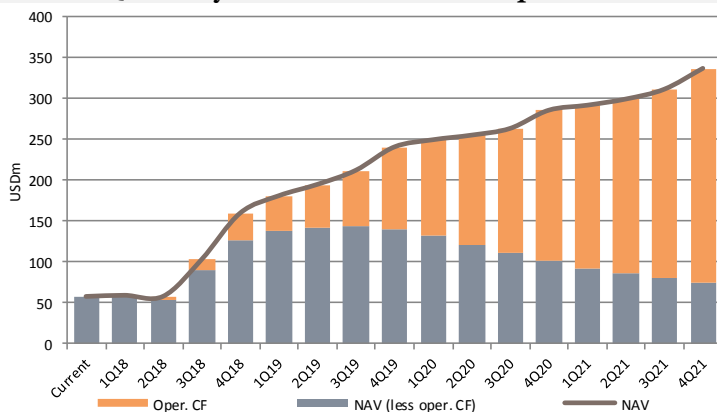
Valuation & target price

| Net asset values | | | |
|---------------------|-------------|-------------|-------------|
| USDm | 4Q17 | Fair value | Implied |
| Primary assets | 255 | 265 | 283 |
| Contract value | 0 | 0 | 0 |
| Other | -3 | -3 | -3 |
| GAV | 252 | 262 | 280 |
| Net debt | -191 | -185 | -185 |
| Capex | 0 | 0 | 0 |
| Other | -19 | -19 | -19 |
| NAV | 41 | 58 | 76 |
| Shares | 81 | 81 | 81 |
| NAVPS | 0.51 | 0.71 | 0.93 |
| Share price | 0.51 | 0.71 | 0.93 |
| P/NAV | 1.83 | 1.31 | 1.00 |
| EV/GAV | 1.11 | 1.07 | 1.00 |
| Adj. Total Assets | 276 | 286 | 304 |
| Adj. Equity Ratio | 15% | 20% | 25% |
| Target price | USD | 2.0 | 117% |

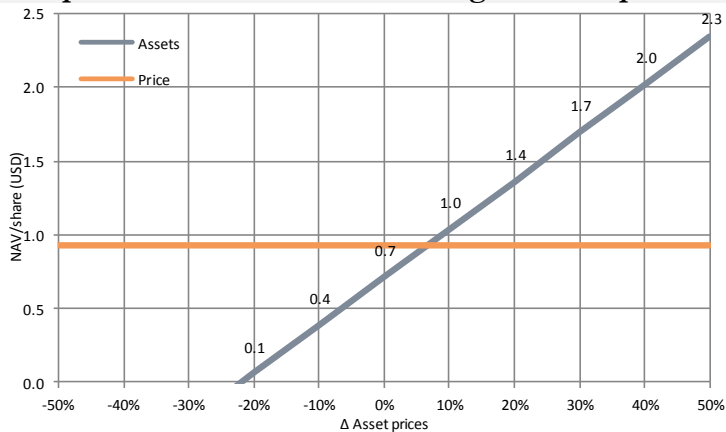
Quarterly forward NAV & P/NAV



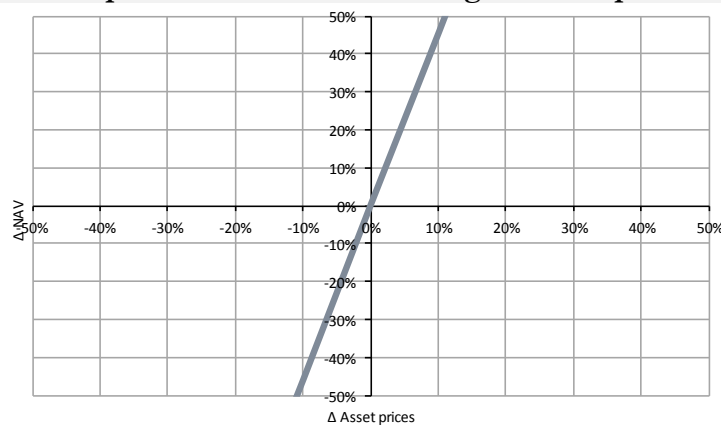
Quarterly forward NAV decomposition



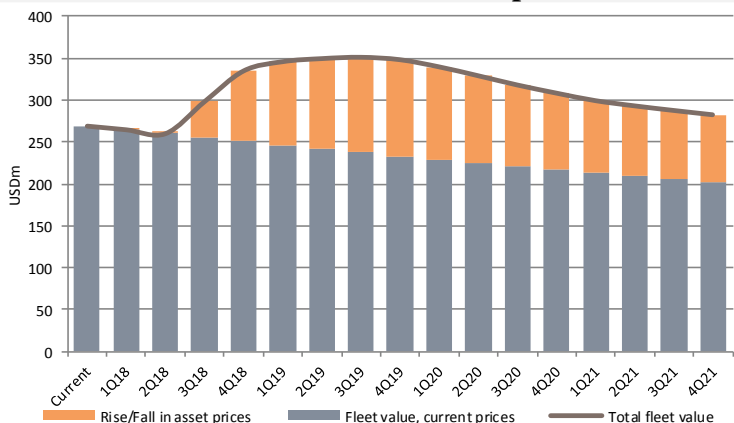
Impact on NAV/sh from % change in asset prices



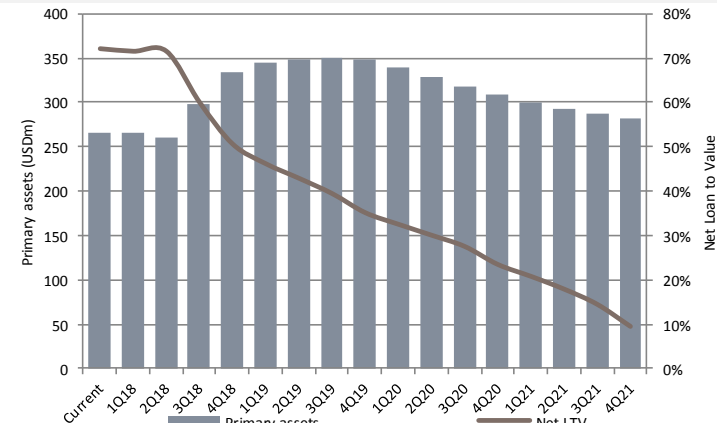
% Impact on NAV from % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value





Estimate Changes

Profit & Loss

| Estimate changes USDm | New | | | | Old | | | | Change | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net sales | 75 | 107 | 119 | 107 | 82 | 99 | 110 | 107 | -7 | 8 | 9 | - |
| EBITDA | 51 | 82 | 94 | 82 | 58 | 75 | 85 | 82 | -7 | 8 | 9 | - |
| EBIT | 38 | 70 | 82 | 70 | 46 | 63 | 73 | 70 | -7 | 8 | 9 | - |
| PTP | 20 | 55 | 72 | 65 | 28 | 48 | 63 | 65 | -8 | 7 | 9 | - |
| Net earnings | 20 | 55 | 72 | 65 | 28 | 48 | 63 | 65 | -8 | 7 | 9 | - |
| EPS | 0.25 | 0.68 | 0.89 | 0.80 | 0.35 | 0.60 | 0.79 | 0.80 | 2018 | 2019 | 2020 | 2021 |
| DPS | 0.13 | 0.25 | 0.42 | 0.39 | 0.16 | 0.22 | 0.35 | 0.39 | -7 | 8 | 9 | - |
| | | | | | | | | | - | - | - | - |
| | | | | | | | | | 0 | 0 | 0 | - |
| | | | | | | | | | 0 | 1 | 0 | - |
| | | | | | | | | | - | - | - | - |

Cash Flows & Balance Sheet

| Estimate changes USDm | | | | | | | | | Change | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net operational cash flow | 33 | 67 | 84 | 77 | 40 | 60 | 75 | 77 | -8 | 7 | 9 | - |
| Free cash flow | 33 | 67 | 84 | 77 | 40 | 60 | 75 | 77 | -8 | 7 | 9 | - |
| Net cash flow | 2 | 9 | 15 | 13 | 7 | 5 | 12 | 13 | -6 | 4 | 3 | - |
| TCE/day | 18,589 | 26,540 | 29,533 | 26,590 | 20,441 | 24,636 | 27,221 | 26,590 | -1,852 | 1,903 | 2,312 | - |
| Cash break-even | 15,522 | 28,809 | 26,061 | 23,445 | 15,416 | 28,672 | 26,003 | 23,445 | 107 | 138 | 58 | - |
| Liquidity | 12 | 21 | 36 | 49 | 25 | 30 | 42 | 49 | -13 | -9 | -6 | - |
| Property & Equip. (incl. NBs) | 243 | 231 | 219 | 207 | 242 | 230 | 218 | 207 | 0 | 0 | 0 | - |
| Total equity | 51 | 86 | 124 | 157 | 60 | 91 | 126 | 157 | -8 | -5 | -2 | - |
| Interest bearing debt | 182 | 144 | 109 | 76 | 187 | 149 | 114 | 76 | -5 | -5 | -5 | - |
| Net interest bearing debt | 170 | 123 | 73 | 27 | 162 | 119 | 71 | 27 | 8 | 4 | 1 | - |
| Market Cap. | 76 | 76 | 76 | 76 | 84 | 84 | 84 | 76 | -8 | -8 | -8 | - |
| Enterprise value | 245 | 198 | 148 | 103 | 246 | 203 | 155 | 103 | -0 | -4 | -7 | - |
| Capex | - | - | - | - | - | - | - | - | - | - | - | - |

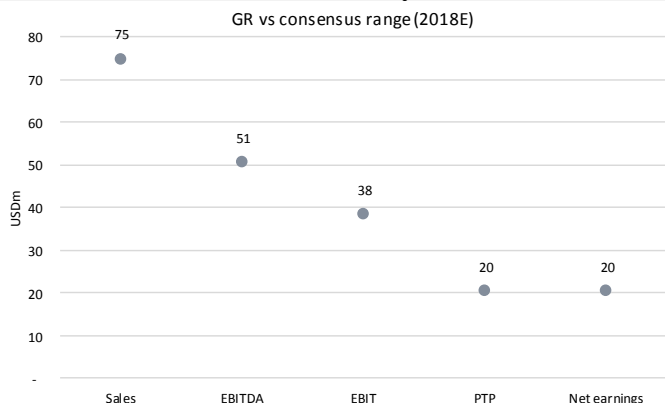
Valuation

| Estimate changes USDm | | | | | | | | | Change | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2019 | 2021 |
| Fwd NAV | 160 | 240 | 285 | 336 | 170 | 231 | 284 | 336 | -10 | 10 | 1 | -0 |
| Adj. equity ratio | 43% | 58% | 67% | 76% | 44% | 56% | 66% | 76% | -1% | 1% | 0% | 0% |
| FCF yield | 43% | 89% | 112% | 102% | 48% | 72% | 90% | 102% | -5% | 17% | 22% | 0% |
| Dividend yield | 14% | 27% | 46% | 42% | 15% | 21% | 33% | 42% | -1% | 6% | 12% | 0% |
| EV/EBITDA | 4.9 | 2.4 | 1.6 | 1.2 | 4.2 | 2.7 | 1.8 | 1.2 | 0.6 | -0.3 | -0.3 | - |
| P/E (adj.) | 3.7 | 1.4 | 1.0 | 1.2 | 3.0 | 1.7 | 1.3 | 1.2 | 1 | -0 | -0 | - |

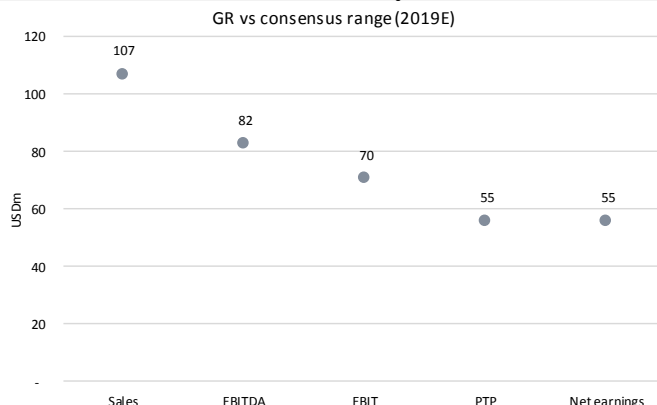


Our Estimates vs Consensus

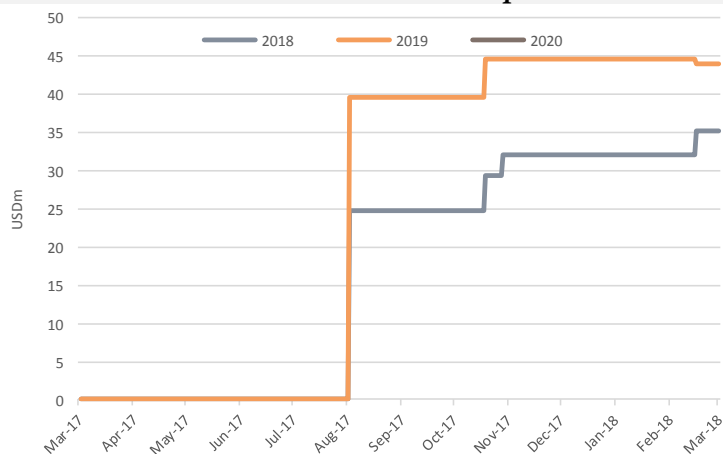
Profit & Loss, year I



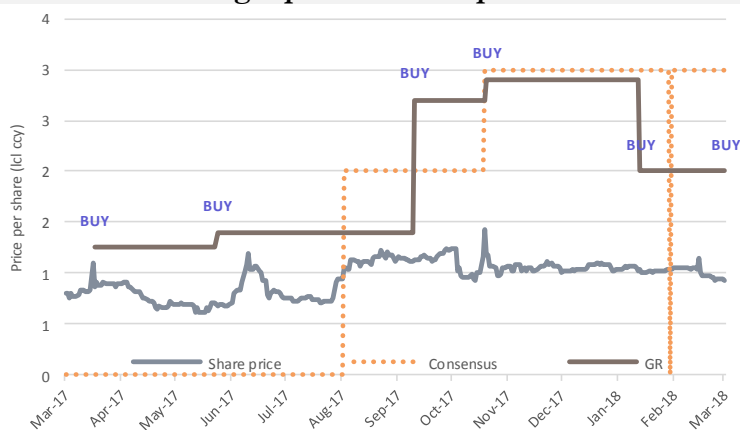
Profit & Loss, year II



Consensus EBITDA development



Target price vs share price

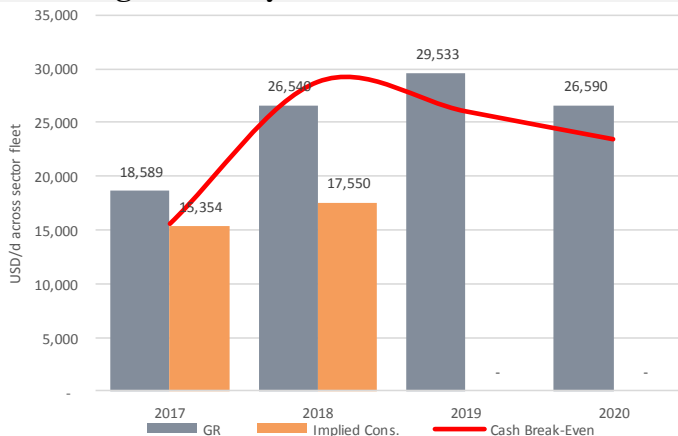


GR vs consensus: P&L break-down

| | 2018 | GR | Consensus | Diff. | Diff. |
|--------------------|------|---------|-----------|---------|-------|
| TCE revenue | 75 | 62 | 13 | 21% | |
| Opex + G&A | 24 | 27 | -2 | -9% | |
| Depreciation | 12 | #VALUE! | #VALUE! | #VALUE! | |
| Net finance | 18 | #VALUE! | #VALUE! | #VALUE! | |
| Taxes & Minorities | 0 | #VALUE! | #VALUE! | #VALUE! | |

| | 2019 | GR | Consensus | Diff. | Diff. |
|--------------------|------|---------|-----------|---------|-------|
| TCE revenue | 107 | 71 | 36 | 51% | |
| Opex + G&A | 24 | 27 | -2 | -9% | |
| Depreciation | 12 | #VALUE! | #VALUE! | #VALUE! | |
| Net finance | 15 | #VALUE! | #VALUE! | #VALUE! | |
| Taxes & Minorities | 0 | #VALUE! | #VALUE! | #VALUE! | |

Avg. TCE/day across fleet vs consensus





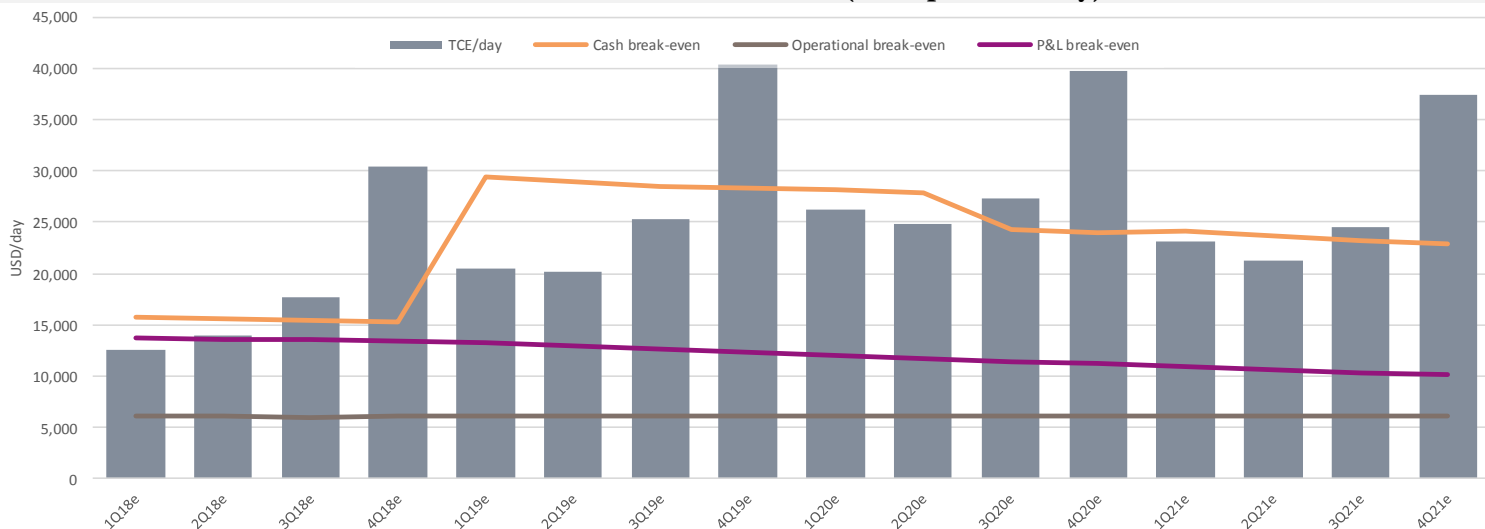
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
|---------------------------------------|------------|------------|-------------|------------|------------|------------|------------|------------|------------|
| Profit & Loss (USDm) | | | | | | | | | |
| Net sales | 42 | 4 | 24 | 70 | 110 | 75 | 107 | 119 | 107 |
| Operational costs | -22 | | | -76 | | -24 | -24 | -25 | -25 |
| EBITDA | 20 | | | -6 | | 51 | 82 | 94 | 82 |
| Depreciation/Amortization | -1 | | | -9 | | -12 | -12 | -12 | -12 |
| EBIT | 19 | 82 | -7 | -15 | 3 | 38 | 70 | 82 | 70 |
| Net financials | -8 | -1 | -2 | -10 | -6 | -18 | -15 | -10 | -6 |
| PTP | 11 | 80 | -9 | -25 | -3 | 20 | 55 | 72 | 65 |
| Taxes/Minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net earnings | 11 | 80 | -9 | -25 | -3 | 20 | 55 | 72 | 65 |
| Non-recurring items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net earnings (adj.) | 11 | 80 | -9 | -25 | -3 | 20 | 55 | 72 | 65 |
| EPS | 4.56 | 20.20 | -0.46 | -0.72 | -0.09 | 0.25 | 0.68 | 0.89 | 0.80 |
| EPS (adj.) | 4.56 | 20.20 | -0.46 | -0.72 | -0.09 | 0.25 | 0.68 | 0.89 | 0.80 |
| DPS | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.13 | 0.25 | 0.42 | 0.39 |
| Balance Sheet (USDm) | | | | | | | | | |
| Cash & short-term investments | 3 | 3 | 3 | 13 | 9 | 11 | 20 | 34 | 48 |
| Other current assets | 63 | 0 | 5 | 9 | 11 | 11 | 11 | 11 | 11 |
| Total current assets | 66 | 3 | 8 | 22 | 19 | 21 | 30 | 45 | 58 |
| Property & equip. (incl. NBs) | 0 | 0 | 200 | 232 | 255 | 243 | 231 | 219 | 207 |
| Other non-current assets | 0 | 0 | 1 | 3 | 1 | 1 | 1 | 1 | 1 |
| Total non-current assets | 0 | 0 | 201 | 235 | 256 | 244 | 232 | 220 | 208 |
| TOTAL ASSETS | 66 | 3 | 209 | 258 | 276 | 266 | 262 | 265 | 266 |
| Total equity | -91 | 3 | 23 | 31 | 41 | 51 | 86 | 124 | 157 |
| Short-term debt | 135 | 0 | 1 | 11 | 19 | 8 | 10 | 12 | 12 |
| Other current liabilities | 22 | 1 | 8 | 11 | 15 | 15 | 15 | 15 | 15 |
| Total current liabilities | 157 | 1 | 9 | 21 | 34 | 23 | 25 | 27 | 27 |
| Long-term debt | 0 | 0 | 177 | 200 | 183 | 174 | 134 | 97 | 64 |
| Other non-current liabilities | 0 | 0 | 0 | 6 | 17 | 17 | 17 | 17 | 17 |
| Total non-current liabilities | 0 | 0 | 177 | 205 | 200 | 192 | 151 | 114 | 82 |
| TOTAL EQUITY & LIABILITIES | 66 | 3 | 209 | 258 | 276 | 266 | 262 | 265 | 266 |
| Working capital, receivables | 2 | 0 | 4 | 7 | 8 | 8 | 8 | 8 | 8 |
| Working capital, payables | 2 | 0 | 8 | 9 | 14 | 14 | 14 | 14 | 14 |
| Net working capital | 1 | 0 | -4 | -2 | -5 | -5 | -5 | -5 | -5 |
| Interest bearing debt | 135 | 0 | 178 | 210 | 202 | 182 | 144 | 109 | 76 |
| Liquidity | 3 | 3 | 3 | 14 | 10 | 12 | 21 | 36 | 49 |
| Net interest bearing debt | 132 | -3 | 174 | 196 | 191 | 170 | 123 | 73 | 27 |
| Cash Flow (USDm) | | | | | | | | | |
| Net income | 11 | 80 | -9 | -25 | -3 | 20 | 55 | 72 | 65 |
| Depreciation | 1 | | | 9 | | 12 | 12 | 12 | 12 |
| Other | -22 | | | 2 | | 0 | 0 | 0 | 0 |
| Cash earnings | -10 | -5 | -7 | -13 | 0 | 33 | 67 | 84 | 77 |
| Changes in working capital | 11 | -9 | 2 | -2 | 3 | 0 | 0 | 0 | 0 |
| Net operational cash flow | 1 | -15 | -5 | -15 | 3 | 33 | 67 | 84 | 77 |
| Capex | 0 | 0 | -202 | -41 | -33 | 0 | 0 | 0 | 0 |
| Other investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from sales | 4 | 106 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | -3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net investing cash flow | 1 | 106 | -202 | -41 | -33 | 0 | 0 | 0 | 0 |
| Repayment of debt | -5 | -94 | 194 | 47 | 23 | -20 | -76 | -70 | -64 |
| Proceeds from debt | — | — | — | — | — | 0 | 38 | 35 | 32 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 | -11 | -21 | -34 | -31 |
| New equity | 0 | 3 | 14 | 23 | 3 | 0 | 0 | 0 | 0 |
| Other | 2 | 0 | -1 | -4 | -1 | 0 | 0 | 0 | 0 |
| Net financing cash flow | -3 | -91 | 207 | 66 | 25 | -31 | -59 | -70 | -63 |
| Currency effect | — | — | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash flow | | | 0 | 10 | -5 | 2 | 9 | 15 | 13 |
| Cash balance | 3 | 3 | 3 | 16 | 9 | 11 | 20 | 34 | 48 |
| Free cash flow | 2 | 91 | -206 | -56 | -30 | 33 | 67 | 84 | 77 |



| | SHIP-US | | | BUY/TP 2.0 | | | | | | |
|--------------------------------------|------------|-----------|------------|------------|------------|------------|------------|------------|------------|--|
| Share Data & Valuation (USDm) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E | |
| Shares outstanding, end | 2 | 4 | 20 | 34 | 37 | 81 | 81 | 81 | 81 | |
| Share price, avg (USD) | 8 | 7 | 4 | 3 | 1 | 1 | 1 | 1 | 1 | |
| Share price, end (USD) | 10 | 4 | 3 | 1 | 1 | 1 | 1 | 1 | 1 | |
| Market Cap. | 24 | 17 | 66 | 39 | 38 | 76 | 76 | 76 | 76 | |
| NIBD | 132 | -3 | 174 | 196 | 191 | 170 | 123 | 73 | 27 | |
| Minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Enterprise value | 156 | 14 | 241 | 235 | 230 | 245 | 198 | 148 | 103 | |
| Key Figures & Ratios | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E | |
| P/E (reported) | 2.2 | 0.2 | | | | 3.7 | 1.4 | 1.0 | 1.2 | |
| P/E (adj.) | 2.2 | 0.2 | | | | 3.7 | 1.4 | 1.0 | 1.2 | |
| P/CE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| P/Sales | 0.6 | 3.8 | 2.7 | 0.6 | 0.4 | 1.0 | 0.7 | 0.6 | 0.7 | |
| EV/Sales | 3.7 | 3.2 | 9.9 | 3.4 | 2.1 | 3.3 | 1.9 | 1.2 | 1.0 | |
| EV/EBITDA | 7.6 | | | | | 4.9 | 2.4 | 1.6 | 1.2 | |
| EV/EBIT | 8.1 | 0.2 | | | 82.0 | 6.4 | 2.8 | 1.8 | 1.5 | |
| P/B | | 6.2 | 2.9 | 1.3 | 0.9 | 1.5 | 0.9 | 0.6 | 0.5 | |
| FCF yield | 8% | 551% | -311% | -143% | -79% | 43% | 89% | 112% | 102% | |
| Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 14.1% | 27.1% | 45.6% | 41.5% | |
| Return on equity (ROE) | -12.0% | 3002.5% | -38.5% | -79.9% | -7.8% | 40.1% | 64.4% | 58.3% | 41.2% | |
| Return on capital employed (ROCE) | 46.8% | -41527.9% | -3.6% | -6.5% | 1.2% | 17.4% | 33.7% | 41.9% | 38.1% | |
| Return on assets (ROA) | 16.4% | 2458.6% | -4.3% | -9.6% | -1.2% | 7.7% | 21.1% | 27.3% | 24.3% | |
| Sales growth | -56% | -90% | 468% | 187% | 57% | -32% | 43% | 11% | -10% | |
| EBITDA margin | 49% | | | -8% | | 68% | 77% | 79% | 77% | |
| EBIT margin | 46% | 1907% | -29% | -21% | 3% | 51% | 66% | 69% | 66% | |
| Net margin | 26% | 1873% | -37% | -35% | -3% | 27% | 52% | 61% | 61% | |
| Net interest rate | 6.4% | 0.0% | 0.0% | 0.0% | 0.0% | 10.6% | 12.2% | 14.0% | 20.4% | |
| Tax rate | 0.0% | 0.0% | 0.0% | -0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Equity ratio | -137% | 82% | 11% | 12% | 15% | 19% | 33% | 47% | 59% | |
| Leverage ratio | 237% | 18% | 89% | 88% | 85% | 81% | 67% | 53% | 41% | |
| NIBD / EBITDA (past 1y) | 6.4 | | | -34.8 | | 3.4 | 1.5 | 0.8 | 0.3 | |
| Operating cash flow/NIBD | 0.0 | 5.2 | 0.0 | -0.1 | 0.0 | 0.2 | 0.6 | 1.2 | 2.8 | |
| Net interest coverage ratio (EBITDA) | 2.4 | | | | | 2.8 | 5.5 | 9.3 | 14.9 | |
| Current ratio | 0.4 | 5.4 | 0.9 | 1.1 | 0.6 | 0.9 | 1.2 | 1.7 | 2.1 | |
| Adj. equity ratio | | | | | 20% | 43% | 58% | 67% | 76% | |
| Operating assets | 63 | 0 | 206 | 243 | 265 | 253 | 241 | 229 | 217 | |
| Operating liabilities | 22 | 1 | 8 | 17 | 33 | 33 | 33 | 33 | 33 | |
| Net operating assets | 41 | 0 | 198 | 227 | 233 | 221 | 209 | 197 | 185 | |

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)



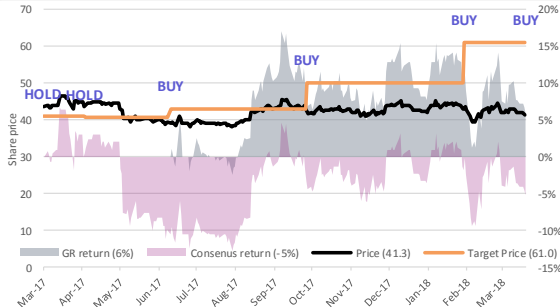
🐦 \$SBULK (#BUY, 61): Rapid growth phase over, now comes the time to harvest. Attractively priced with strong cash generation ahead

SBULK-NO

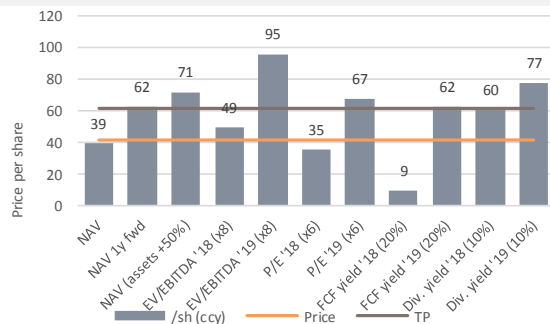
BUY/TP 61

Songa Bulk

Share price vs target price

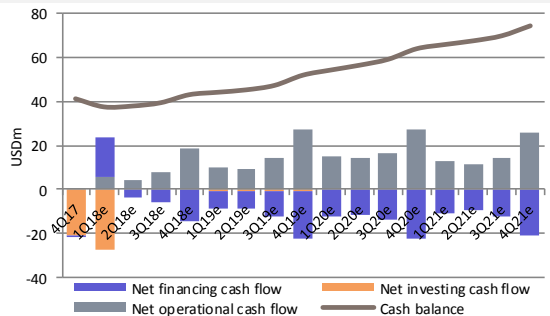


Valuation matrix



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Cash & cash flows



Gersemi Research / Analysts

Joakim Hannisdahl

Head of Research

research@gersemiresearch.com

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------|------|------|------|------|
| Net sales | 75 | 99 | 109 | 99 |
| EBITDA | 43 | 67 | 78 | 67 |
| EBIT | 34 | 58 | 69 | 58 |
| PTP | 27 | 52 | 64 | 55 |
| Net earnings | 27 | 52 | 64 | 55 |
| EPS | 0.76 | 1.45 | 1.77 | 1.53 |
| DPS | 0.78 | 1.00 | 1.36 | 1.18 |
| USDm | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 290 | 368 | 397 | 431 |
| Adj. equity ratio | 64% | 71% | 74% | 77% |
| FCF yield | 4% | 30% | 38% | 33% |
| Dividend yield | 15% | 19% | 25% | 22% |
| EV/EBITDA | 7.2 | 4.3 | 3.4 | 3.6 |
| P/E (adj.) | 7.1 | 3.7 | 3.0 | 3.5 |

Key numbers

| USDm | 2018 | 2019 | 2020 | 2021 |
|-------------------------------|--------|--------|--------|--------|
| Net operational cash flow | 36 | 61 | 72 | 64 |
| Free cash flow | 9 | 58 | 72 | 64 |
| Net cash flow | 2 | 9 | 12 | 11 |
| TCE/day | 13,587 | 18,035 | 19,918 | 18,067 |
| Cash break-even | 7,028 | 9,312 | 8,868 | 8,456 |
| Liquidity | 43 | 52 | 64 | 75 |
| Property & Equip. (incl. NBs) | 285 | 280 | 271 | 262 |
| Total equity | 173 | 189 | 204 | 217 |
| Interest bearing debt | 158 | 145 | 134 | 123 |
| Net interest bearing debt | 115 | 93 | 70 | 48 |
| Market Cap. | 193 | 193 | 193 | 193 |
| Enterprise value | 308 | 286 | 262 | 241 |
| Capex | 27 | 3 | - | - |

Source: Gersemi Research, Bloomberg, company data

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



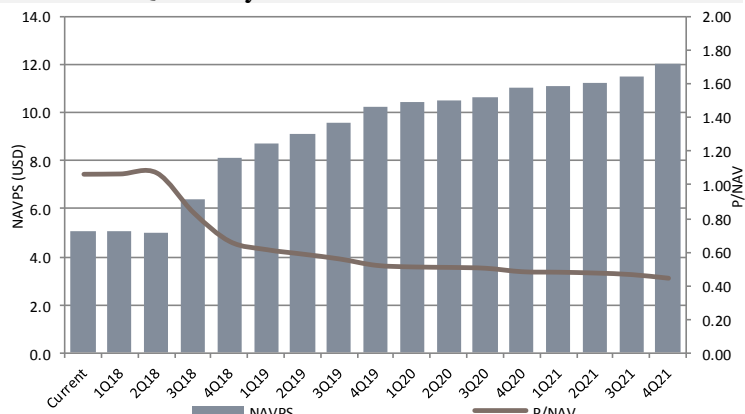
Valuation

Valuation & target price

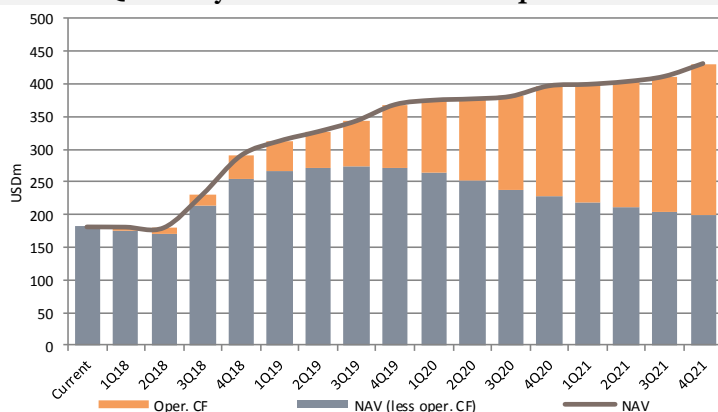
| Net asset values | | | |
|------------------|-------------|-------------|-------------|
| USDm | 4Q17 | Fair value | Implied |
| Primary assets | 267 | 301 | 312 |
| Contract value | 0 | 0 | 0 |
| Other | 7 | 7 | 8 |
| GAV | 274 | 309 | 320 |
| Net debt | -96 | -96 | -96 |
| Capex | 0 | -27 | -27 |
| Other | -4 | -4 | -4 |
| NAV | 174 | 181 | 193 |
| Shares | 36 | 36 | 36 |
| NAVPS | 4.9 | 5.1 | 5.4 |
| Share price | 37 | 39 | 41 |
| P/NAV | 1.11 | 1.06 | 1.00 |
| EV/GAV | 1.17 | 1.04 | 1.00 |

| | | | |
|---------------------|------------|-----------|------------|
| Adj. Total Assets | 317 | 351 | 363 |
| Adj. Equity Ratio | 55% | 52% | 53% |
| Target price | NOK | 61 | 47% |

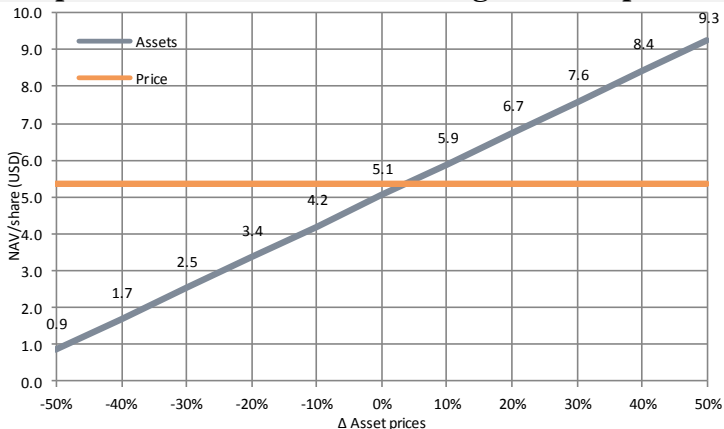
Quarterly forward NAV & P/NAV



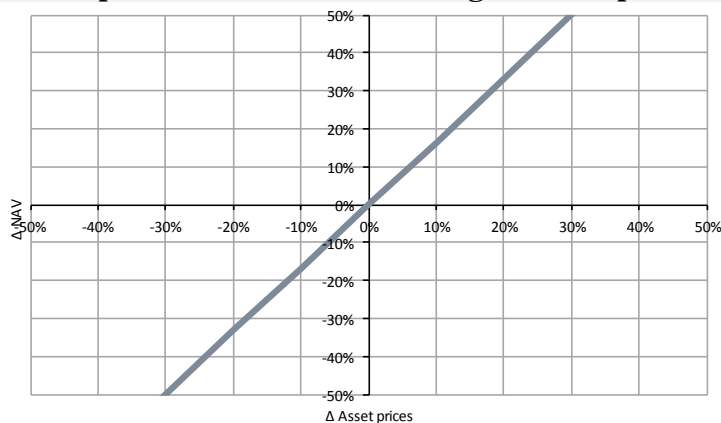
Quarterly forward NAV decomposition



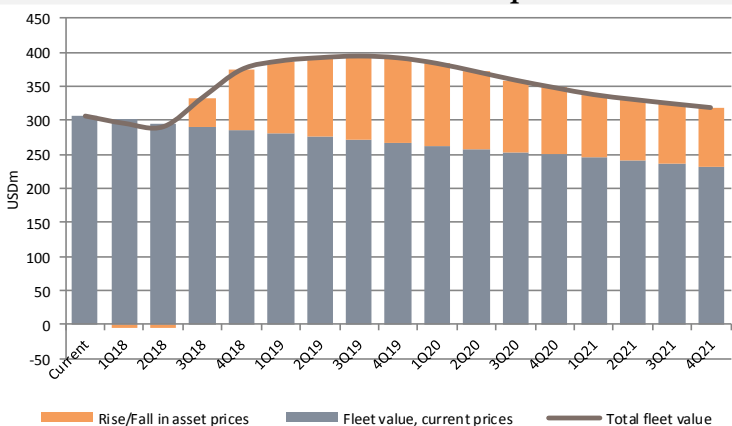
Impact on NAV/sh From % change in asset prices



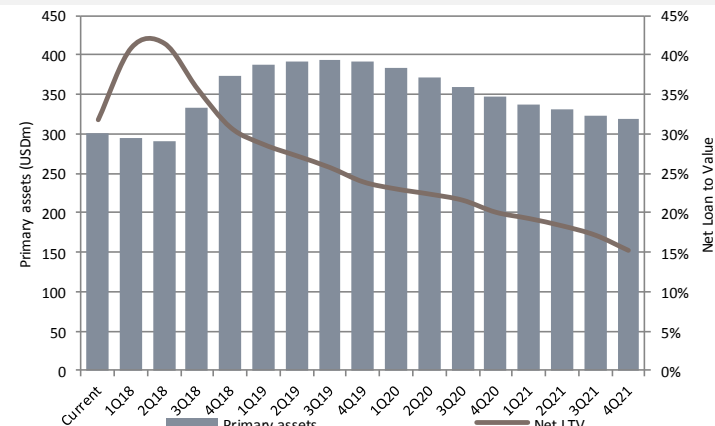
% Impact on NAV From % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value





Estimate Changes

Profit & Loss

| Estimate changes USDm | New | | | | Old | | | | Change | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net sales | 75 | 99 | 109 | 99 | 78 | 92 | 101 | 99 | -3 | 7 | 8 | - |
| EBITDA | 43 | 67 | 78 | 67 | 46 | 61 | 70 | 67 | -3 | 7 | 8 | - |
| EBIT | 34 | 58 | 69 | 58 | 31 | 45 | 54 | 58 | 3 | 13 | 15 | - |
| PTP | 27 | 52 | 64 | 55 | 25 | 41 | 52 | 55 | 2 | 11 | 12 | - |
| Net earnings | 27 | 52 | 64 | 55 | 25 | 41 | 52 | 55 | 2 | 11 | 12 | - |
| EPS | 0.76 | 1.45 | 1.77 | 1.53 | 0.70 | 1.15 | 1.45 | 1.53 | 2018 | 2019 | 2020 | 2021 |
| DPS | 0.78 | 1.00 | 1.36 | 1.18 | 0.36 | 0.73 | 1.03 | 1.18 | -3 | 7 | 8 | - |
| | | | | | | | | | -0 | -0 | -0 | - |
| | | | | | | | | | -6 | -7 | -7 | - |
| | | | | | | | | | 1 | 3 | 3 | - |
| | | | | | | | | | - | - | - | - |

Cash Flows & Balance Sheet

| Estimate changes USDm | | | | | | | | | Change | | | |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Net operational cash flow | 36 | 61 | 72 | 64 | 40 | 57 | 67 | 64 | -4 | 4 | 5 | - |
| Free cash flow | 9 | 58 | 72 | 64 | 25 | 57 | 67 | 64 | -16 | 1 | 5 | - |
| Net cash flow | 2 | 9 | 12 | 11 | 29 | 15 | 16 | 11 | -27 | -6 | -4 | - |
| TCE/day | 13,587 | 18,035 | 19,918 | 18,067 | 14,158 | 16,838 | 18,464 | 18,067 | -571 | 1,197 | 1,454 | - |
| Cash break-even | 7,028 | 9,312 | 8,868 | 8,456 | 7,552 | 9,318 | 8,755 | 8,456 | -524 | -7 | 113 | - |
| Liquidity | 43 | 52 | 64 | 75 | 115 | 130 | 147 | 75 | -72 | -79 | -83 | - |
| Property & Equip. (incl. NBs) | 285 | 280 | 271 | 262 | 226 | 211 | 195 | 262 | 59 | 69 | 75 | - |
| Total equity | 173 | 189 | 204 | 217 | 190 | 205 | 220 | 217 | -17 | -16 | -16 | - |
| Interest bearing debt | 158 | 145 | 134 | 123 | 190 | 174 | 160 | 123 | -32 | -29 | -27 | - |
| Net interest bearing debt | 115 | 93 | 70 | 48 | 75 | 44 | 13 | 48 | 41 | 50 | 56 | - |
| Market Cap. | 193 | 193 | 193 | 193 | 199 | 199 | 199 | 193 | -7 | -7 | -7 | - |
| Enterprise value | 308 | 286 | 262 | 241 | 274 | 243 | 212 | 241 | 34 | 43 | 50 | - |
| Capex | 27 | 3 | - | - | 15 | - | - | - | 12 | 3 | - | - |

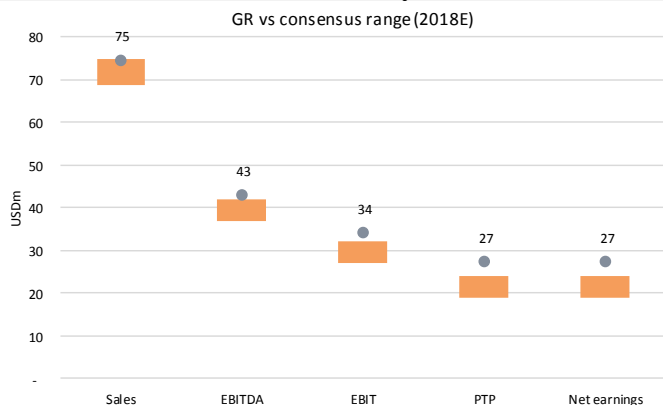
Valuation

| Estimate changes USDm | | | | | | | | | Change | | | |
|--------------------------|------|------|------|------|------|------|------|------|--------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 | 2018 | 2019 | 2020 | 2021 |
| Fwd NAV | 290 | 368 | 397 | 431 | 358 | 418 | 461 | 431 | -67 | -50 | -64 | 0 |
| Adj. equity ratio | 64% | 71% | 74% | 77% | 65% | 70% | 74% | 77% | -1% | 1% | 0% | 0% |
| FCF yield | 4% | 30% | 38% | 33% | 13% | 28% | 34% | 33% | -8% | 2% | 4% | 0% |
| Dividend yield | 15% | 19% | 25% | 22% | 7% | 13% | 19% | 22% | 8% | 6% | 7% | 0% |
| EV/EBITDA | 7.2 | 4.3 | 3.4 | 3.6 | 6.0 | 4.0 | 3.1 | 3.6 | 1.2 | 0.2 | 0.3 | - |
| P/E (adj.) | 7.1 | 3.7 | 3.0 | 3.5 | 7.9 | 4.8 | 3.8 | 3.5 | -1 | -1 | -1 | - |

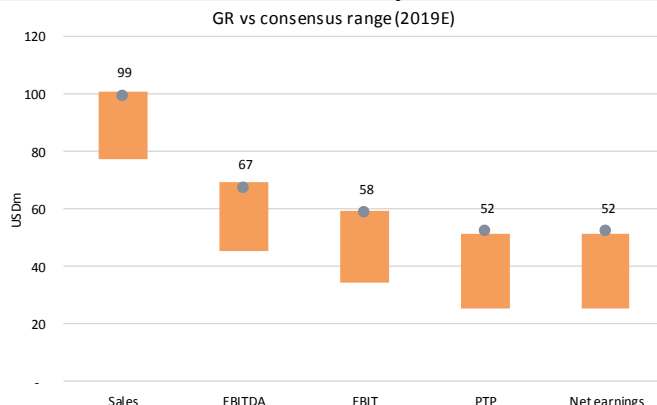


Our Estimates vs Consensus

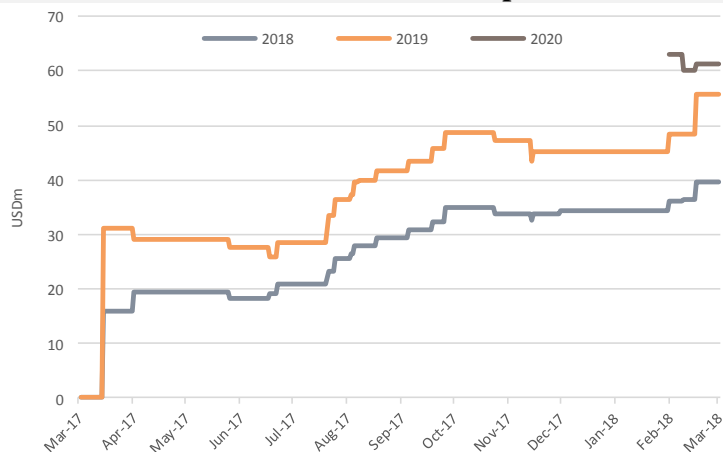
Profit & Loss, year I



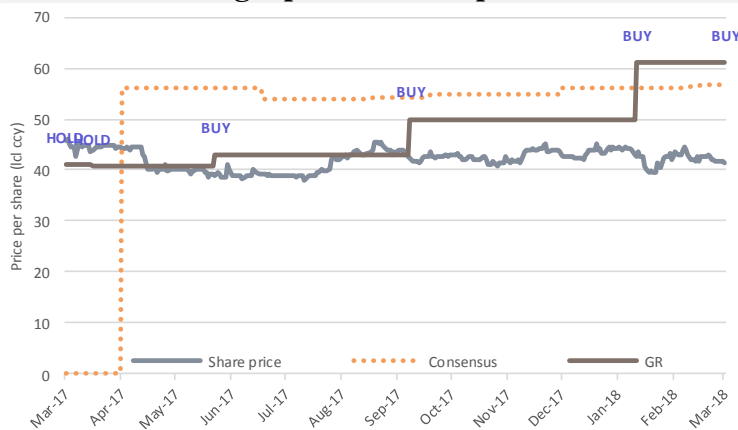
Profit & Loss, year II



Consensus EBITDA development



Target price vs share price

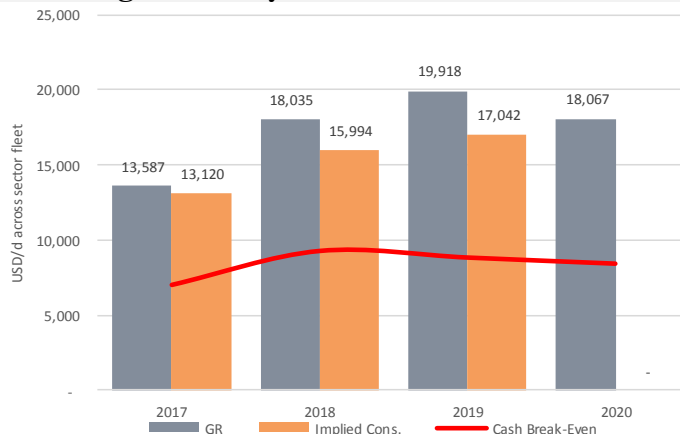


GR vs consensus: P&L break-down

| | 2018 | GR | Consensus | Diff. | Diff. |
|--------------------|------|----|-----------|-------|---------|
| TCE revenue | 75 | 72 | 72 | 3 | 4% |
| Opex + G&A | 32 | 32 | 32 | -1 | -2% |
| Depreciation | 9 | 9 | 10 | -1 | -14% |
| Net finance | 7 | 7 | 8 | -1 | -17% |
| Taxes & Minorities | 0 | 0 | 0 | 0 | #DIV/0! |

| | 2019 | GR | Consensus | Diff. | Diff. |
|--------------------|------|----|-----------|-------|---------|
| TCE revenue | 99 | 99 | 88 | 11 | 13% |
| Opex + G&A | 32 | 32 | 32 | -0 | -1% |
| Depreciation | 9 | 9 | 10 | -2 | -16% |
| Net finance | 7 | 7 | 8 | -2 | -21% |
| Taxes & Minorities | 0 | 0 | 0 | 0 | #DIV/0! |

Avg. TCE/day across fleet vs consensus





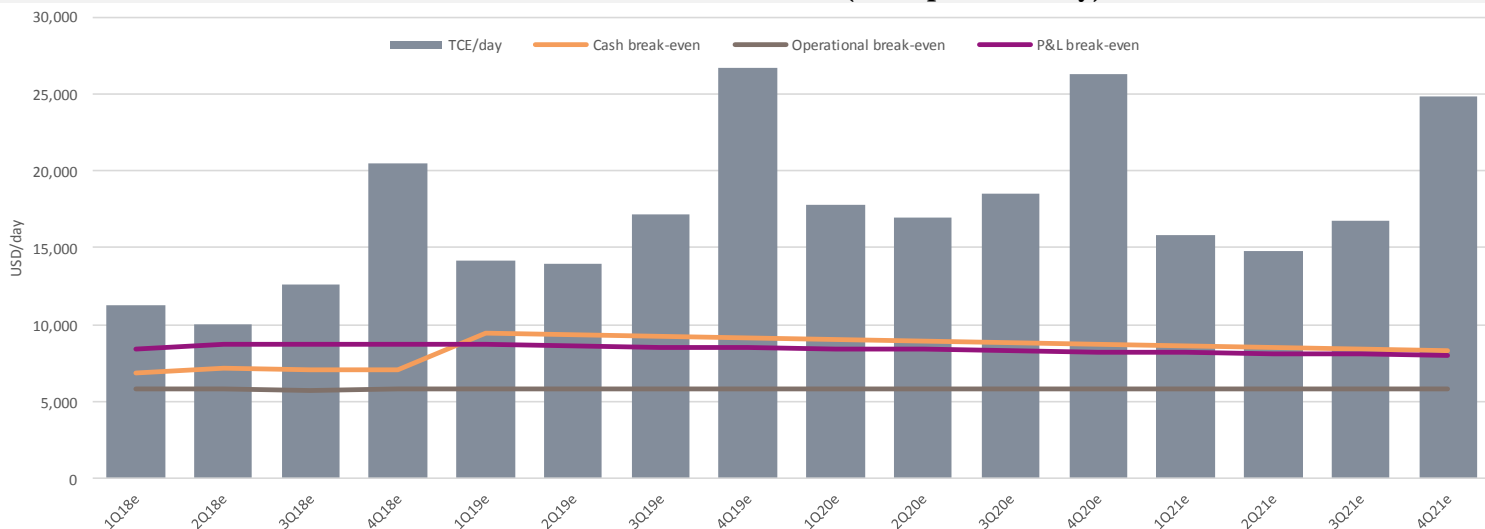
| Profit & Loss (USDm) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
|---------------------------------------|------|------|------|-------|------|-------|-------|-------|-------|
| Net sales | 0 | 0 | 0 | 0 | 29 | 75 | 99 | 109 | 99 |
| Operational costs | | | | -1 | -19 | -32 | -32 | -32 | -32 |
| EBITDA | | | | -1 | 9 | 43 | 67 | 78 | 67 |
| Depreciation/Amortization | | | | 0 | -5 | -9 | -9 | -9 | -9 |
| EBIT | — | — | — | -1 | 4 | 34 | 58 | 69 | 58 |
| Net financials | | | | 0 | -4 | -7 | -7 | -5 | -4 |
| PTP | — | — | — | -1 | 0 | 27 | 52 | 64 | 55 |
| Taxes/Minorities | | | | -1 | 0 | 0 | 0 | 0 | 0 |
| Net earnings | — | — | — | -2 | 0 | 27 | 52 | 64 | 55 |
| Non-recurring items | | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Net earnings (adj.) | — | — | — | -2 | 0 | 27 | 52 | 64 | 55 |
| EPS | | | | -0.14 | 0.01 | 0.76 | 1.45 | 1.77 | 1.53 |
| EPS (adj.) | | | | -0.14 | 0.01 | 0.76 | 1.45 | 1.77 | 1.53 |
| DPS | | | | 0.00 | 0.00 | 0.78 | 1.00 | 1.36 | 1.18 |
| Balance Sheet (USDm) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
| Cash & short-term investments | — | — | — | 58 | 41 | 43 | 52 | 64 | 75 |
| Other current assets | | | | 0 | 6 | 6 | 6 | 6 | 6 |
| Total current assets | — | — | — | 58 | 47 | 49 | 58 | 70 | 81 |
| Property & equip. (incl. NBs) | — | — | — | 11 | 267 | 285 | 280 | 271 | 262 |
| Other non-current assets | | | | 4 | 3 | 3 | 3 | 3 | 3 |
| Total non-current assets | — | — | — | 15 | 270 | 288 | 283 | 274 | 265 |
| TOTAL ASSETS | — | — | — | 73 | 317 | 337 | 341 | 344 | 346 |
| Total equity | — | — | — | 71 | 174 | 173 | 189 | 204 | 217 |
| Short-term debt | — | — | — | 0 | 0 | 0 | 0 | 0 | 0 |
| Other current liabilities | | | | 1 | 5 | 5 | 5 | 5 | 5 |
| Total current liabilities | — | — | — | 1 | 5 | 5 | 5 | 5 | 5 |
| Long-term debt | — | — | — | 0 | 137 | 158 | 145 | 134 | 123 |
| Other non-current liabilities | | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Total non-current liabilities | — | — | — | 0 | 137 | 159 | 146 | 134 | 123 |
| TOTAL EQUITY & LIABILITIES | — | — | — | 73 | 317 | 337 | 341 | 344 | 346 |
| Working capital, receivables | | | | 0 | 4 | 4 | 4 | 4 | 4 |
| Working capital, payables | — | — | — | 1 | 2 | 2 | 2 | 2 | 2 |
| Net working capital | | | | -1 | 2 | 2 | 2 | 2 | 2 |
| Interest bearing debt | | | | 0 | 137 | 158 | 145 | 134 | 123 |
| Liquidity | | | | 58 | 41 | 43 | 52 | 64 | 75 |
| Net interest bearing debt | | | | -58 | 96 | 115 | 93 | 70 | 48 |
| Cash Flow (USDm) | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
| Net income | — | — | — | -2 | 0 | 27 | 52 | 64 | 55 |
| Depreciation | | | | 0 | 5 | 9 | 9 | 9 | 9 |
| Other | | | | 1 | -2 | 0 | 0 | 0 | 0 |
| Cash earnings | | | | -1 | 4 | 36 | 61 | 72 | 64 |
| Changes in working capital | — | — | — | 1 | -1 | 0 | 0 | 0 | 0 |
| Net operational cash flow | — | — | — | 0 | 3 | 36 | 61 | 72 | 64 |
| Capex | — | — | — | -11 | -269 | -27 | -3 | 0 | 0 |
| Other investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proceeds from sales | — | — | — | — | 14 | 0 | 0 | 0 | 0 |
| Other | | | | -4 | -3 | 0 | 0 | 0 | 0 |
| Net investing cash flow | — | — | — | -15 | -258 | -27 | -3 | 0 | 0 |
| Repayment of debt | — | — | — | — | 138 | 0 | -13 | -12 | -11 |
| Proceeds from debt | — | — | — | — | — | 21 | 0 | 0 | 0 |
| Dividends paid | — | — | — | 0 | 0 | -28 | -36 | -49 | -42 |
| New equity | — | — | — | 73 | 105 | 0 | 0 | 0 | 0 |
| Other | — | — | — | 0 | -4 | 0 | 0 | 0 | 0 |
| Net financing cash flow | — | — | — | 73 | 238 | -7 | -49 | -60 | -53 |
| Currency effect | — | — | — | 0 | 0 | 0 | 0 | 0 | 0 |
| Net cash flow | | | | 58 | -17 | 2 | 9 | 12 | 11 |
| Cash balance | | | | 58 | 41 | 43 | 52 | 64 | 75 |
| Free cash flow | | | | -15 | -255 | 9 | 58 | 72 | 64 |



| | SBULK-NO | | | BUY/TP 61 | | | | | |
|--|----------|------|------|-----------|------------|------------|------------|------------|------------|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018E | 2019E | 2020E | 2021E |
| Share Data & Valuation (USDm) | | | | | | | | | |
| Shares outstanding, end | — | — | — | 15 | 36 | 36 | 36 | 36 | 36 |
| Share price, avg (USD) | | | | 5 | 5 | 5 | 5 | 5 | 5 |
| Share price, end (USD) | — | — | — | 5 | 5 | 5 | 5 | 5 | 5 |
| Market Cap. | | | | 75 | 185 | 193 | 193 | 193 | 193 |
| NIBD | | | | -58 | 96 | 115 | 93 | 70 | 48 |
| Minorities | — | — | — | — | 0 | 0 | 0 | 0 | 0 |
| Enterprise value | | | | | 281 | 308 | 286 | 262 | 241 |
| Key Figures & Ratios | | | | | | | | | |
| P/E (reported) | | | | | | 7.1 | 3.7 | 3.0 | 3.5 |
| P/E (adj.) | | | | | | 7.1 | 3.7 | 3.0 | 3.5 |
| P/CE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| P/Sales | | | | | 6.5 | 2.6 | 1.9 | 1.8 | 1.9 |
| EV/Sales | | | | | 9.8 | 4.1 | 2.9 | 2.4 | 2.4 |
| EV/EBITDA | | | | | 30.0 | 7.2 | 4.3 | 3.4 | 3.6 |
| EV/EBIT | | | | | 72.1 | 9.1 | 4.9 | 3.8 | 4.1 |
| P/B | | | | | 1.1 | 1.1 | 1.0 | 0.9 | 0.9 |
| FCF yield | | | | -20% | -138% | 4% | 30% | 38% | 33% |
| Dividend yield | | | | 0.0% | 0.0% | 14.5% | 18.7% | 25.2% | 21.9% |
| Return on equity (ROE) | | | | | 0.2% | 15.7% | 27.4% | 31.1% | 25.2% |
| Return on capital employed (ROCE) | | | | -6.4% | 1.4% | 11.8% | 20.6% | 25.1% | 22.0% |
| Return on assets (ROA) | | | | -2.8% | 0.1% | 8.1% | 15.2% | 18.5% | 15.8% |
| Sales growth | | | | | 17610% | 160% | 33% | 11% | -9% |
| EBITDA margin | | | | -509% | 33% | 57% | 68% | 71% | 68% |
| EBIT margin | | | | -532% | 14% | 46% | 59% | 63% | 59% |
| Net margin | | | | -1259% | 1% | 36% | 52% | 58% | 55% |
| Net interest rate | | | | 0.0% | 4.1% | 5.9% | 7.0% | 7.4% | 7.8% |
| Tax rate | | | | -74.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Equity ratio | | | | 98% | 55% | 51% | 56% | 59% | 63% |
| Leverage ratio | | | | 2% | 45% | 49% | 44% | 41% | 37% |
| NIBD / EBITDA (past 1y) | | | | 70.1 | 10.2 | 2.7 | 1.4 | 0.9 | 0.7 |
| Operating cash flow/NIBD | | | | 0.0 | 0.0 | 0.3 | 0.6 | 1.0 | 1.3 |
| Net interest coverage ratio (EBITDA) | | | | | 2.4 | 6.3 | 10.3 | 15.1 | 17.9 |
| Current ratio | | | | 45.1 | 8.6 | 9.0 | 10.6 | 12.9 | 14.8 |
| Adj. equity ratio | | | | | 56% | 64% | 71% | 74% | 77% |
| Operating assets | | | | 15 | 276 | 294 | 289 | 280 | 271 |
| Operating liabilities | | | | 2 | 6 | 6 | 6 | 6 | 6 |
| Net operating assets | | | | 14 | 270 | 289 | 283 | 274 | 265 |

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)





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