

BRAEMAR



Braemar Shipping Services plc

Interim Results Presentation

October 2017

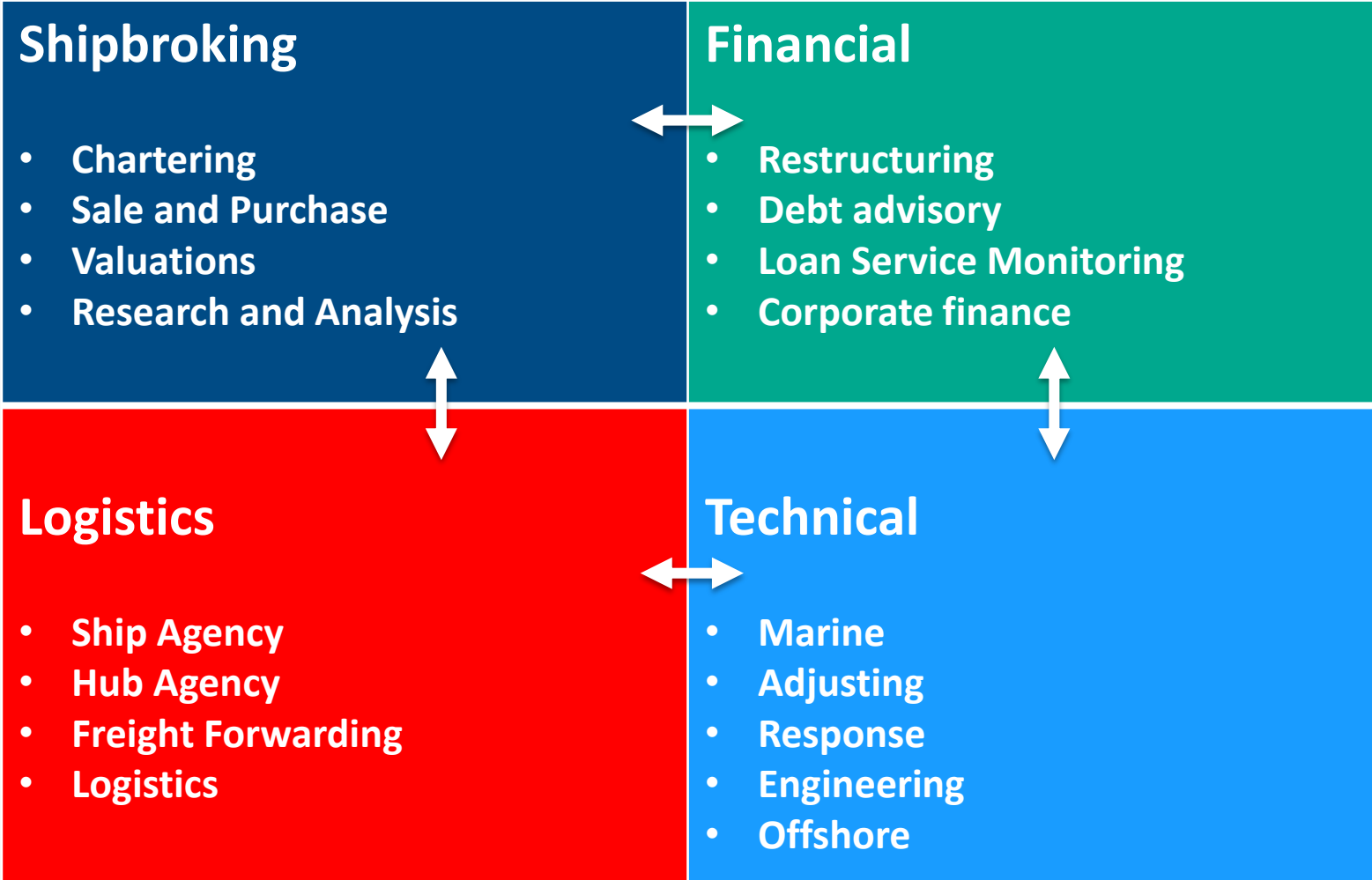
Agenda

- Introduction
- The “New” Braemar Structure
- Interim Results
- Shipbroking Division
- Technical Division
- Logistics Division
- Financial Division
- Dividend
- Summary and Outlook

Introduction

- Shipbroking achieved a resilient performance and has a strong forward order book to support full year performance
- Technical cost savings have been realised and new contracts have commenced during September 2017
- Logistics is profitable with Port Agency performing well
- Acquisition of NAVES completed during September 2017 to form the Financial division
- Strong cash generation from operations
- Interim dividend of 5.0p
- Well placed to deliver stronger second half business performance

The “New” Braemar Structure



Segmental Results

Shipbroking
Technical
Logistics
Financial*
Central

H1 2017/18		
Revenue £m	Profit £m	Margin %
30.4	3.5	11.4%
19.8	(0.4)	(1.8)%
16.4	0.6	3.5%
-	-	-
-	(1.4)	-
66.6	2.3	3.4%

H1 2016/17		
Revenue £m	Profit £m	Margin %
30.8	4.0	13.0%
21.7	(0.6)	(2.6)%
17.7	0.9	4.9%
-	-	-
-	(1.5)	-
70.2	2.8	4.0%

FY 2016/17		
Revenue £m	Profit £m	Margin %
63.1	7.9	12.5%
42.9	(2.9)	(6.8)%
33.9	1.3	3.7%
-	-	-
-	(2.7)	-
139.8	3.5	2.5%

*Financial Division established on 26 September 2017 and will contribute 5 month's results to the full year income statement

Group Specific Items

	H1 2017/18 £m	H1 2016/17 £m	FY 2016/17 £m
Restructuring Costs	-	(1.5)	(3.0)
Gain on sale of investment	-	-	1.7 ⁽¹⁾
Acquisition related expenditure	(1.8) ⁽²⁾	(1.1)	(2.5)
	(1.8)	(2.6)	(3.8)

⁽¹⁾ Sale of investment in The Baltic Exchange

⁽²⁾ Includes £0.9m associated with the acquisition of NAVES Corporate Finance GmbH completed on 26 September 2017

Group Balance Sheet

	H1 2017/18 £m	H1 2016/17 £m	FY 2016/17 £m
Goodwill and other intangibles	79.8	79.9	80.0
Non-Current Assets	9.4	11.1	9.9
Current assets (excl cash)	53.6	60.6	57.2
Current liabilities (excl debt)	(46.8)	(44.1)	(48.6)
Pension	(4.0)	(5.5)	(4.3)
Provisions / Other	(1.4)	(0.9)	(1.1)
Net Cash	6.4	0.7	7.1
Net Assets	97.0	101.6	100.2

Group Cashflow Statement

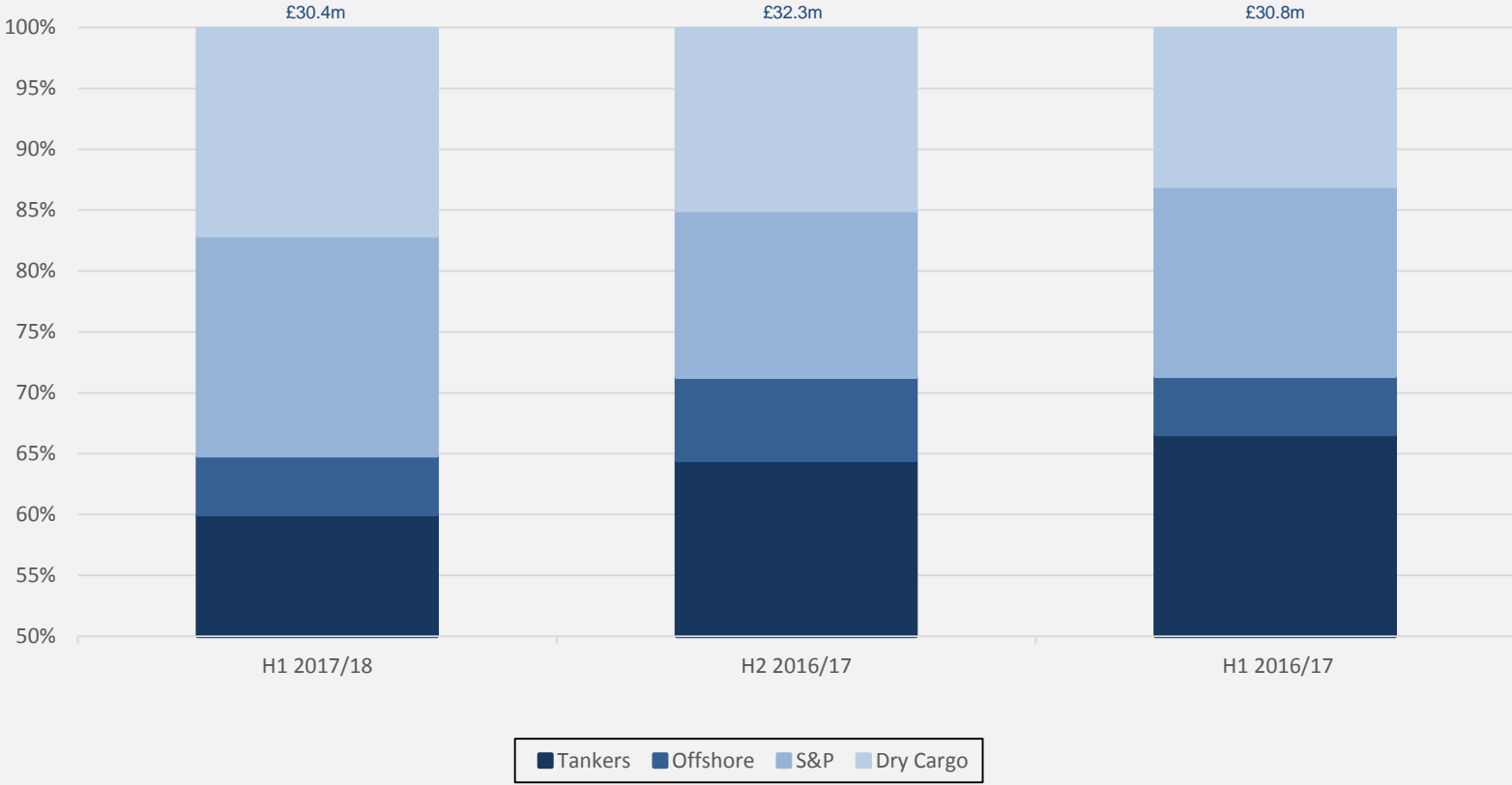
	H1 2017/18 £m	H1 2016/17 £m	FY 2016/17 £m
Cashflow from underlying operations	2.5	(1.5)	6.9
Restructuring cash outflow	-	(1.5)	(2.2)
Investing Activities	(0.7)	(0.5)	(1.0)
Proceeds from sale of investment	-	-	1.8
Dividends/purchase of own shares	(2.3)	(5.3)	(8.3)
FX Impact	(0.2)	0.4	0.7
Movements in cash	(0.7)	(8.4)	(2.1)
Net cash	6.4	0.7	7.1

Shipbroking Division

	H1 2017/18	H2 2016/17	H1 2016/17
Revenue	£30.4m	£32.3m	£30.8m
Underlying Operating Profit	£3.5m	£3.9m	£4.0m
Staff	302	299	310
Forward Order Book	\$42m	\$39m	\$46m
Total Transactions	3,079	3,089	3,365

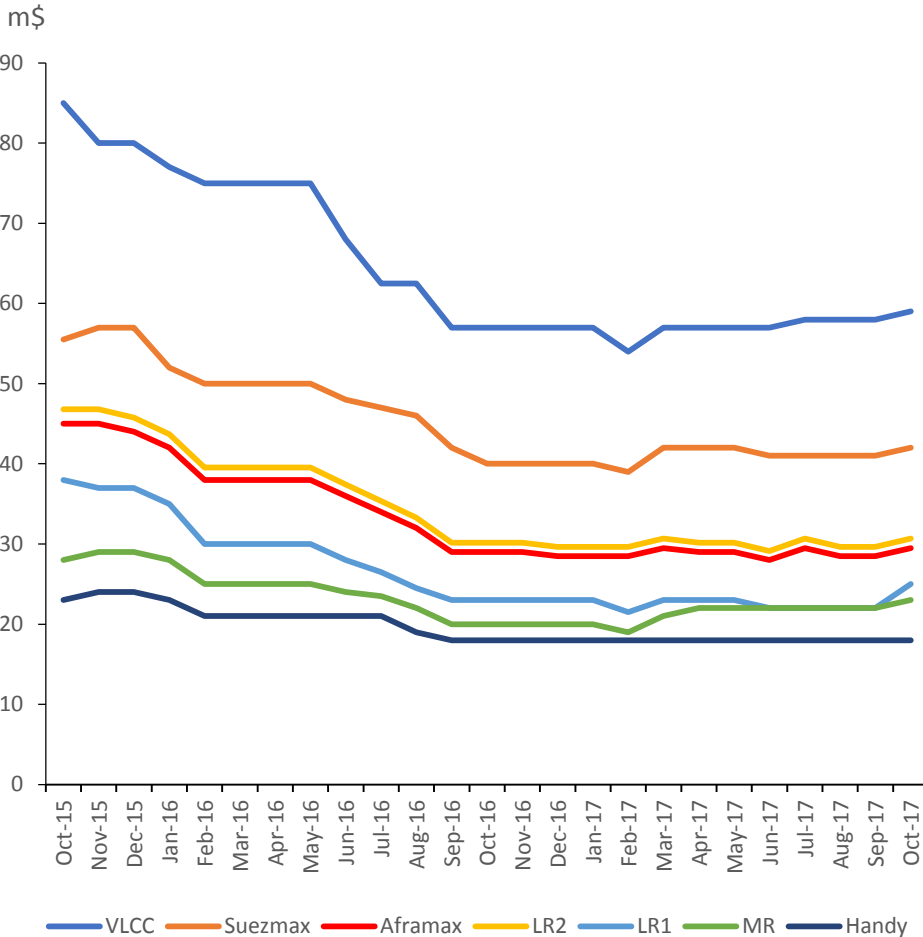
- Transaction volumes maintained
- Improved forward order book (up 7% despite difficult market conditions)
- Focus on recruitment of high quality brokers, expected to deliver positive contribution during second half

Shipbroking – Revenue by Desk

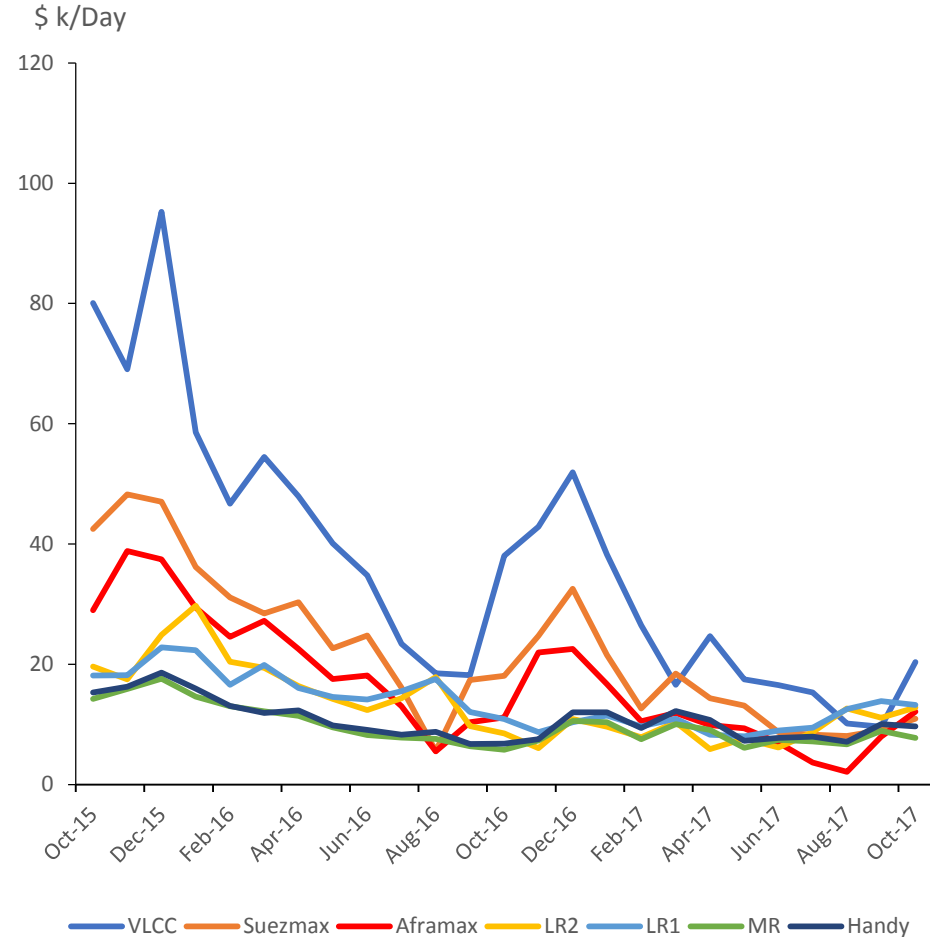


Tanker Market

5 Year old tanker asset values



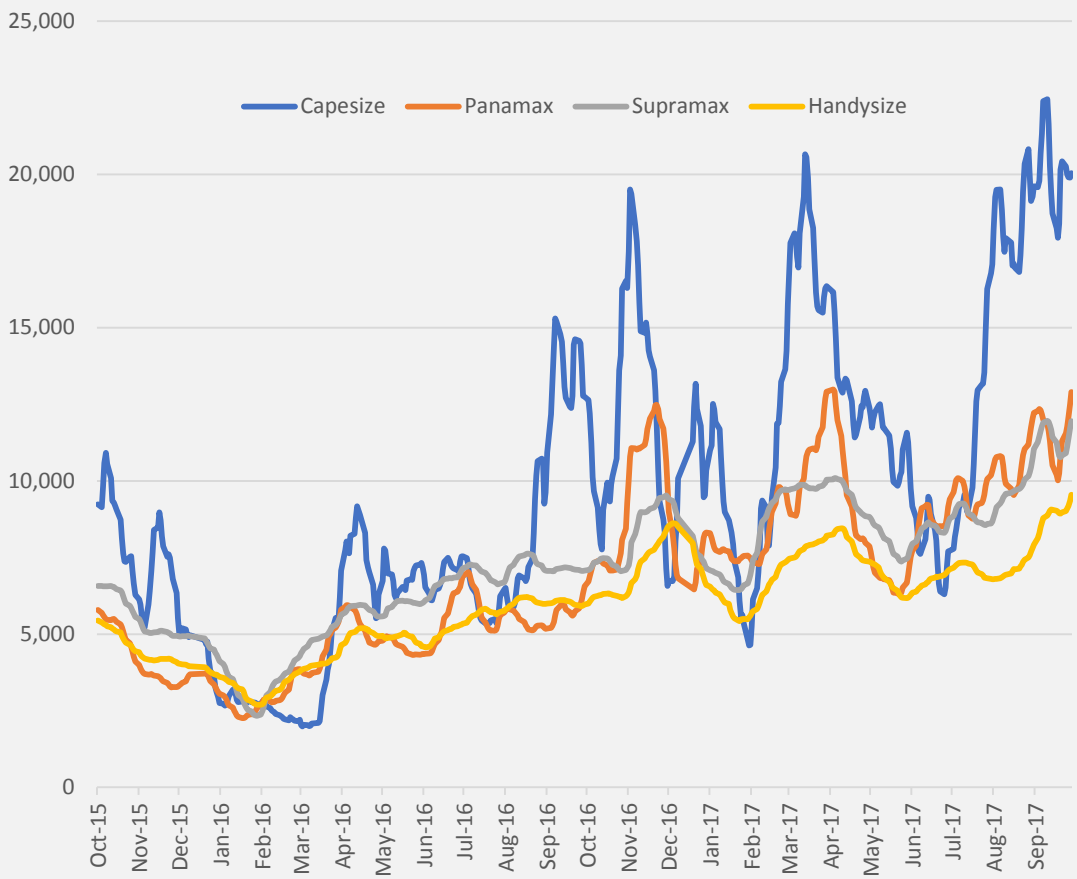
Monthly average tanker TCE earnings



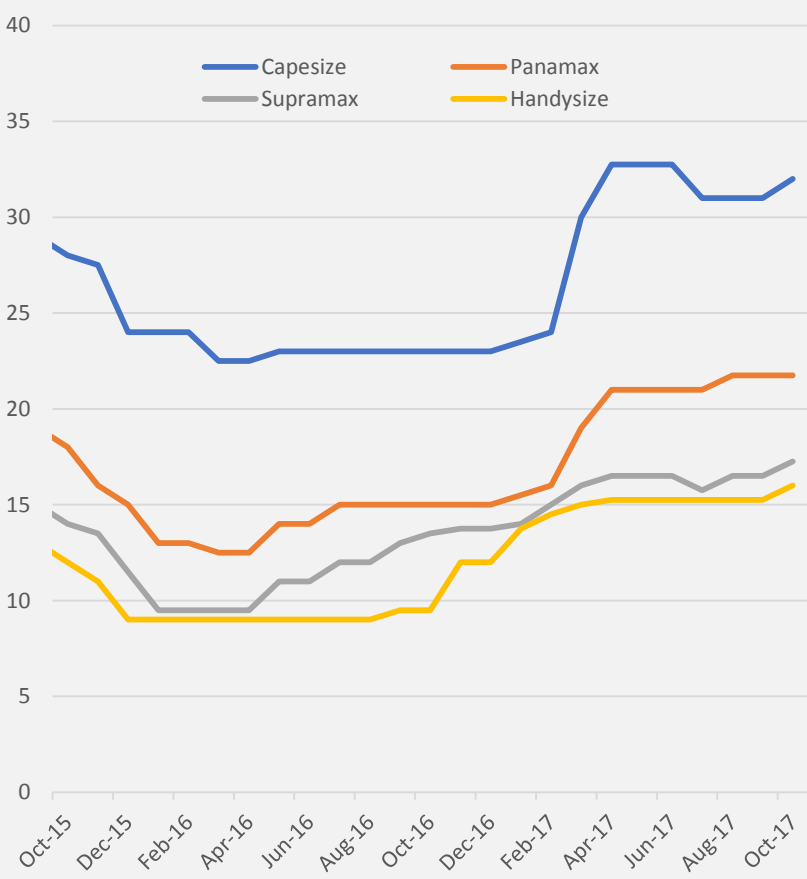
Source: Braemar ACM Shipbroking

Dry Cargo Market

Timecharter Averages \$/day



5 Year Old Vessel Prices \$m



Source: Baltic Exchange

Source: Braemar ACM Shipbroking

Technical Division

EVENT-LED

PROJECT-LED

Marine

Adjusting

Response

Engineering

Offshore

- Consultancy
- Surveys
- Ports & Harbours
- Superyacht Services

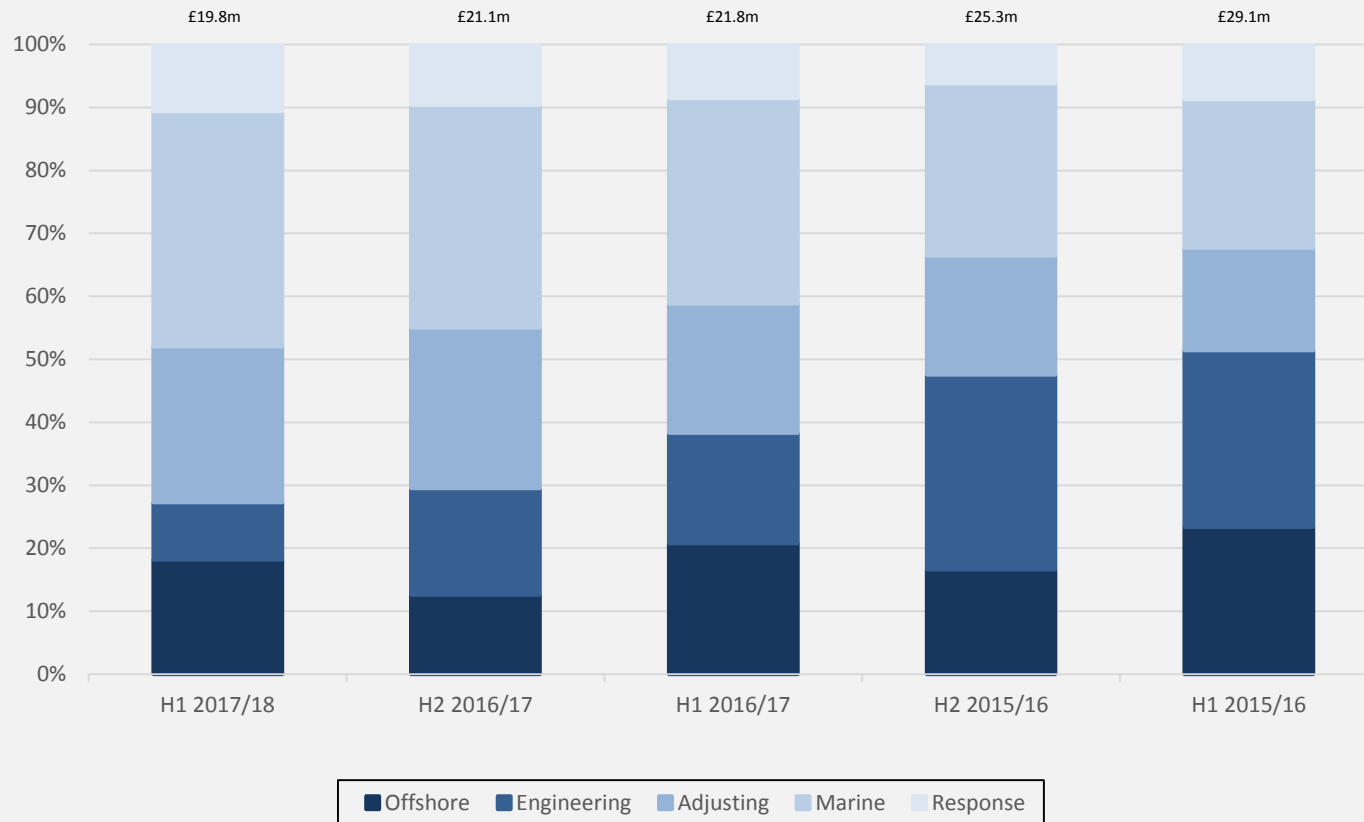
- Loss Adjusting
- Litigation Support
- Risk Assessment
- Dispute Resolution

- Incident Preparedness
- Incident Response
- Specialist Services
- Accredited Training

- Dynamic Positioning, FMEA, Audits
- LNG, Afloat, Onshore & bunkering
- Specialist Vessel Design
- Vessel Conversions

- Marine Warranty Surveys
- Offshore Installation Engineering
- Offshore Structures, Pipelines
- Geotechnical

Technical Revenue By Business Unit



Technical Division

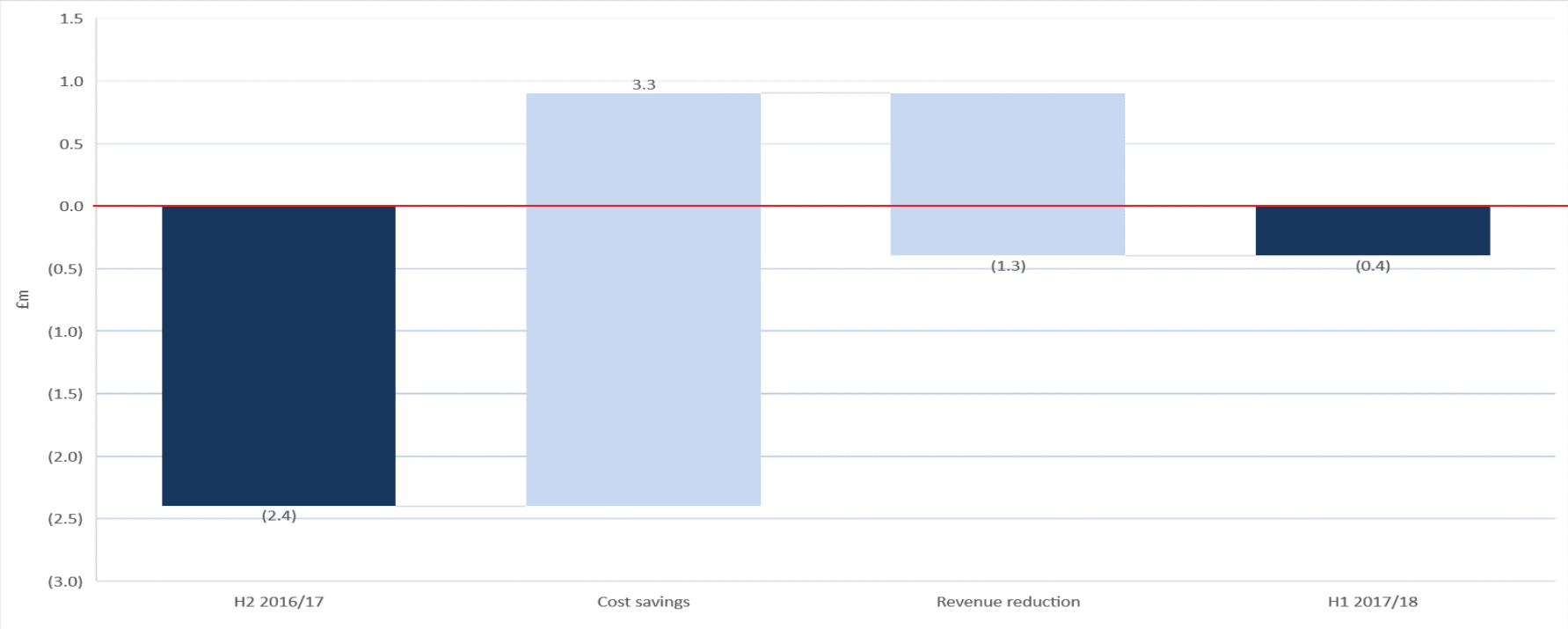
	H1 2017/18	H2 2016/17	H1 2016/17
Revenue	£19.8m	£21.1m	£21.7m
Underlying Operating Loss	£(0.4)m	£(2.4)m	£(0.6)m
Restructuring Costs*	-	£(1.5)m	£(1.5)m
Staff	327	332	400

- Impact of cost savings effective from 1st March 2017
- New management and marketing structure having positive effect
- H1 results held back by project uncertainty. Significant new engineering project commenced in September 2017
- Encouraging sales pipeline in project oriented businesses
- Continuing strong revenue flow and forward book of event led businesses.

* Included in specific items

Technical Division

Underlying Operating Profit Bridge



- Annualised cost savings in excess of £6 million

Logistics Division – Port Agency

	H1 2017/18	H2 2016/17	H1 2016/17
Revenue	£4.0m	£3.7m	£4.1m
Underlying Operating Profit	£0.4m	£0.3m	£0.5m
Margin	12.0%	8.0%	14.0%

- Strong tanker activity offset by downturn in grain and potash
- Continuing strong links with key clients (such as ENI, Phillips 66, etc)

Logistics Division – Freight Forwarding

	H1 2017/18	H2 2016/17	H1 2016/17
Revenue	£12.4m	£12.5m	£13.6m
Underlying Operating Profit	£0.2m	£0m	£0.5m
Margin	1.0%	0%	5.0%

- Started to recover from low point in H2 2016/17
- New senior sales team appointments made
- Contract wins starting to deliver in H2 2017/18

Financial Division

- Acquisition of NAVES Corporate Finance GmbH completed on 26/09/2017, for consideration of €24-35 million (depending on performance)
- Comprises 22 staff, largely based in Hamburg, with strong links to the German banking and shipping communities
- Braemar NAVES has established a new division offering wide ranging maritime financial services and revenue synergy opportunities are being pursued
- Five months results to be included in 2017/18 Group income statement

BRAEMAR NAVES develops and implements corporate finance and financial asset management solutions

Offices	Transactions & capital raising	Restructuring	Financial and loan servicing	Insolvency advisory
Hamburg	<ul style="list-style-type: none"> • Advice on disposal and purchase of vessels, loans and companies (M&A) • Raise debt for refinancing, second hand acquisitions and newbuildings • Private placements 	<ul style="list-style-type: none"> • Development and implementation of restructuring concepts incl. capital raising • Fairness opinions, • Recovery management, pre/post insolvency advisory 	<ul style="list-style-type: none"> • Financial management of vessel owning companies, • Initiation of recovery companies • Execution of work-out strategies 	<ul style="list-style-type: none"> • Establishment of liquidity status, • Relocation of company if required • Insolvency filing • Post insolvency support of administrator • Reporting to lenders
London	<p>Arranged volume USD 3+ billion (>100 vessels)</p>	<p>Restructuring volume USD 8.5+ billion</p>	<p>Volume managed USD 500+ million</p>	<p>50+ vessels</p>

Access to

150 institutional investors
400 strategic investors, predominately shipping companies
50 banks

Key issues		
Key issues	▪ Lenders face capacity constraints	
	▪ Sometimes little transparency on the exposure	
	▪ Regulators and committees require third party opinion	
	▪ Decision-making support required	
Solution		Division
Create transparency on the exposure	▪ Asset inspection (vessels and offshore assets)	Technical
	▪ Financial analysis of the borrower	Financial
	▪ Advise on outlook based on fundamental research	Shipbroking
	▪ Expert opinion on asset value	Shipbroking
	▪ Opinion on recovery potential and proposal of alternative solution(s) / restructuring concept	Financial
Implementation of alternative solutions	▪ Setup of parking structure / recovery vehicle	Financial
	▪ Refinancing (alternative debt or equity)	Financial
	▪ Provision and safeguarding of vessel during arrest	Logistics
	▪ Asset disposal at highest achievable price	Shipbroking

Earnings and Dividend per share

	2017/18	2016/17	2015/16
Half Year	5.0	9.0	9.0
Full Year		5.0	17.0
Total (pence)		14.0	26.0
Underlying EPS (pence)		8.7	34.7
Cover		0.6	1.3

- Proposed interim dividend of 5p (at a cost of c£1.5m), payable on 15 December 2017
- Dividend policy to pay 1:2 split between interim and final
- Dividend cover target remains to build to 1.5x
- ESOP Trust: 300,000 shares purchased during the first half at a cost of £850,000. Purchases limited by extended quiet period due to NAVES transaction

Summary and Outlook

“We are well placed to deliver a stronger second half business performance compared with the first half of our financial year, as Braemar’s improving momentum continues. The principal drivers of this are the continuing recovery in the Technical division following the cost saving measures taken, new project work in our engineering business and a solid pipeline of marine and adjusting business. In addition, the second half will benefit from the initial 5 month contribution from Braemar NAVES.”

David Moorhouse, Chairman

Appendices– Additional Information

- Acquisition of NAVES Corporate Finance GmbH
- Disclaimers

NAVES Corporate Finance GmbH

Three year historic financial information

	31 Dec 2016 €m	31 Dec 2015 €m	31 Dec 2014 €m
Revenue	7.5	5.4	4.3
Underlying operating profit	3.0	2.0	1.5
Margin	40.1%	37.0%	36.2%
Net cash generated from operations	2.6	1.2	1.6
Net Assets	2.0	3.5	2.4

Deal structure

Total Consideration	Capped at €35m (cash and principal value of loan notes)
Core Consideration	<p>€24m Core Consideration:</p> <ul style="list-style-type: none"> • €14.8m on completion 50% in cash, and 50% in convertible loan notes pro-rata to all sellers • €1.5m paid to non management in shares (based on 30 day average share price prior to announcement of 300.2p) on completion • €1.4m p.a. for three years to all sellers; 50% cash, and 50% convertible loan notes (with 3% interest p.a.) pro-rata to all sellers. • €0.7m p.a. paid in convertible loan notes for five years to Management sellers only • Management portions of all payments subject to remaining in the business and good/bad leaver provisions
Earn out Consideration	<p>Up to €11m (100% convertible loan notes) payable in three annual instalments of up to €3.667m for three years following completion to Management sellers only:</p> <ul style="list-style-type: none"> • Dependent on performance against a pre-agreed annual EBIT target • Annual EBIT target €4.375m p.a., minimum EBIT €2m p.a. with EBIT reallocation mechanism for excess EBIT among years 1 - 3 • EBIT performance stated post remuneration and bonus payments • Earn out consideration dependent on Management remaining in the business and good/bad leaver provisions

Deal structure

Convertible Loan Notes

- Convertible at a fixed 30% (390.3p) / 50% (450.3p) premium for Management and Non-Management shareholders respectively, to 300.2p completion equity price
- Euro denominated, 3% p.a. coupon, redeemable two years after issue by Braemar or holder
- Unsecured, unlisted and non-transferable
- Total number of shares from conversion capped at 19.9% per annum of Braemar voting rights
- Accelerated conversion rights in the event of distress

Financing

- Cash element of consideration and transaction costs will be funded through Braemar's existing banking facilities
- Cash element of deferred consideration and any repayment of convertible loan notes will be funded through operating cash flow

Key staff commitment

- Five year Management incentive arrangements

Accounting Treatment

Braemar's accounting policy is to exclude Specific Items from underlying profits. The following specific transaction items will be recognised within reported operating profit but excluded from underlying operating profit:

- Transaction expenses
- Fair value movements on earn out and deferred consideration due to Non-management sellers
- Post-completion payments to Management sellers in relation to the transaction which are treated for accounting purposes as post-acquisition services, comprising:
 - Deferred cash consideration
 - Deferred loan note consideration
 - Earn out loan notes
- Foreign exchange movements in relation to earn out and deferred consideration which have not been designated as hedging instruments
- Fair value movements on the equity conversion feature of the issued (and recognised but not yet issued) loan notes
- Amortisation of acquired intangible assets
- Interest, including the unwinding of any discounting of earn out and deferred consideration, will be separately identified in financing costs

Future Accounting Treatment

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	TOTAL £m
Acquisition Costs	1.7	-	-	-	-	-	1.7
Retention	1.5	2.3	1.2	0.5	0.2	0.1	5.8
Maximum earn-out	3.1	4.4	1.9	0.6	-	-	10.0
	6.3	6.7	3.1	1.1	0.2	0.1	17.5

- All future payments to management sellers will be treated as specific item costs in income statement
- IAS19 requires each tranche to be spread over its life (e.g. 1st anniversary payment over 1 year, 2nd anniversary payments over 2 years)
- Earn out expectations will be recalculated at each balance sheet date and 'trued up' through income statement

Disclaimers

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Braemar uses alternative profit measures ("APMs") as key financial indicators to assess underlying performance of the Group. Management considers the APMs used by the Group to better reflect business performance and provide useful information to investors and other interested parties. Our APMs include underlying operating profit and underlying earnings per share. Explanations of these terms and their calculations are shown in details in our annual report.

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