

BRAEMAR

Braemar Shipping Services plc

Preliminary Results Presentation

Year ended 29 February 2020

June 2020

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“Shipbroking leads stronger performance”

- Group Revenue growth of 2.5% underpinned by strong **Shipbroking** market
- Underlying Operating Profit increased to £9.6m (2019: £9.1m)
- Successful disposal of majority of Technical Services businesses
- Interim dividend of 5p paid but no final dividend to be paid as the COVID-19 uncertainties persist
- Strong revenue and margin growth in **Shipbroking**
- Very busy year for **Financial** setting foundations for improved performance
- Improved margins in **Logistics**
- Review of **Engineering** ongoing
- ‘One Braemar’ strategy development
- Trading in line with revised market expectations – cautiously optimistic

Summary Results

	FY 2019/20 £m		FY 2018/19 £m
Revenue	120.8	2.5 %	117.9
Underlying Operating Profit	9.6	6%	9.1
Underlying Profit before tax	8.0	(10)%	8.9
Reported Profit/(loss) before tax	7.8	n/a	(4.7)
Underlying EPS	24.94p	6.9%	23.32p
Dividend per share	5.0p		15.0p
Operating cash flow	10.3		6.1

- Revenue and underlying profit growth
- No Final Dividend proposed due to COVID-19 uncertainties
- Net bank debt increased to £20m (2019: £7.8m)
- Covenant levels relaxed to provide additional headroom
- Refer to appendix for specific items and discontinued operations

Braemar at a glance

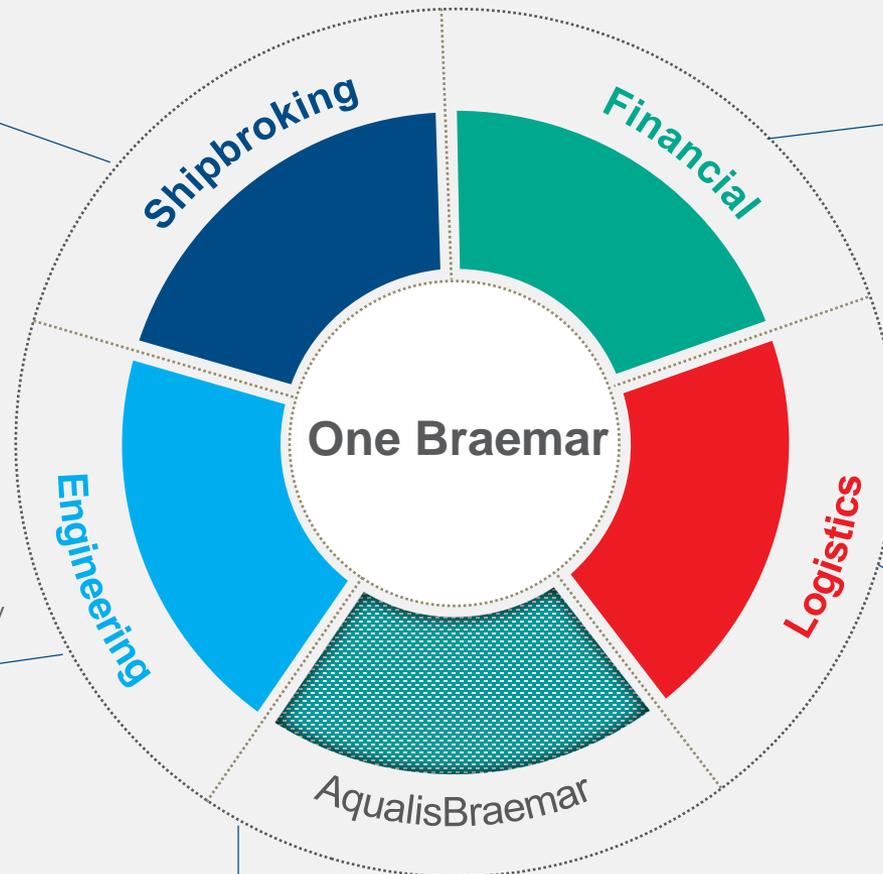
Four wholly owned divisions and one associate

BRAEMAR ACM SHIPBROKING

- Chartering
- Sale & purchase
- Freight derivatives
- Valuations
- Research

BRAEMAR WAVESPEC

- Specialist engineering & consultancy services
- LNG services
- Vessel design
- Vessel newbuild & conversion



BRAEMAR | NAVES CORPORATE FINANCE

- Transactions advisory
- Financing advisory & capital raising
- Restructuring & insolvency advisory
- Asset & loan management

CORY BROTHERS

- Port agency
- Hub agency
- Liner agency
- Logistic services



AQUALIS • BRAEMAR

27% equity ownership

Consulting provided in four business streams:

- Offshore, Renewables, Marine, Adjusting
- Core services of project consulting, accident prevention and incident management

‘We believe it takes expertise and experience to enable more prosperous and secure global trade’

Segmental Results (underlying)

FY 19/20					
	Revenue £m	Rev. Growth	Profit £m	Profit Growth	Margin %
Shipbroking	82.4	8.9%	11.7	25.8%	14.0%
Financial	5.9	(15.7)%	1.1	(47.6)%	18.6%
Logistics	29.4	(8.4)%	1.0	25%	3.4%
Engineering	3.1	0.0%	(1.4)	(367)%	(4.2)%
Central			(2.9)		
	120.8	2.5%	9.6	5.5%	7.9%

FY 18/19		
Revenue £m	Profit £m	Margin %
75.7	9.3	12.3%
7.0	2.1	30.0%
32.1	0.8	2.5%
3.1	(0.3)	(9.7)%
-	(2.8)	-
117.9	9.1	7.7%

Shipping Market Commentary

All sectors impacted by IMO fuel quality changes

- Supply of vessels reduced by refit activity
- Push for cleaner fuels presents new opportunities for fleet investment

Strong tanker market

- US Sanctions and other geopolitical factors cause strong spike in rates in Autumn 2019
- Geo-political nervousness makes market more volatile
- Second spike in market driven by over supply of oil in March 2020

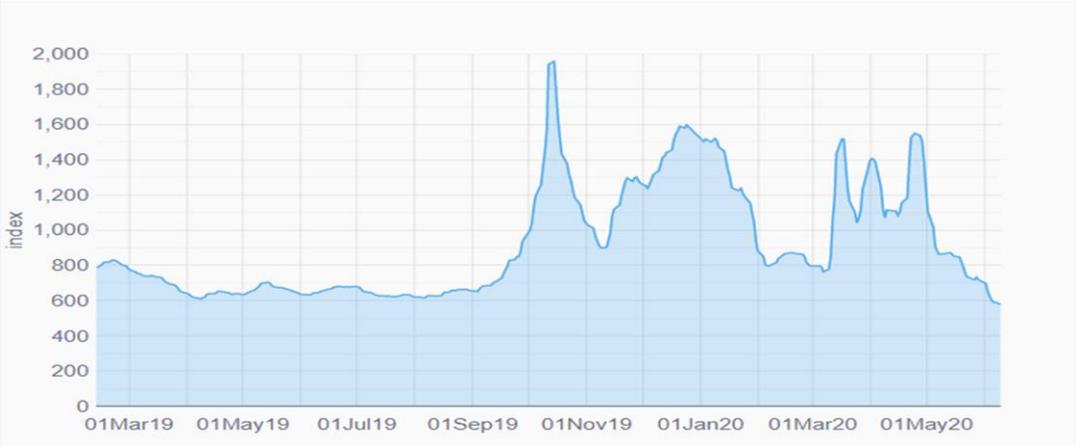
Healthy dry cargo market

- Strong dry cargo demand from China and India
- Iron ore supply restored after Brumadinho
- Index at 5-year highs
- Covid-19 slow down in 2020 starting to recede

Growth in LPG and LNG shipping

- US exports transformed the market

Baltic Dirty Tanker Index



Baltic Dry

Index



Source: Baltic Exchange.com

Shipbroking Division

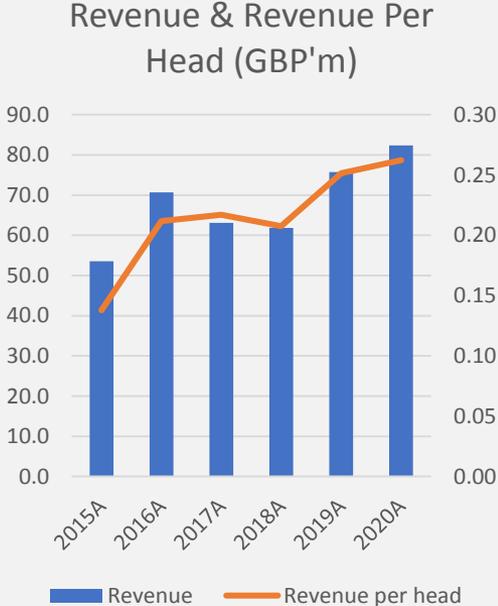
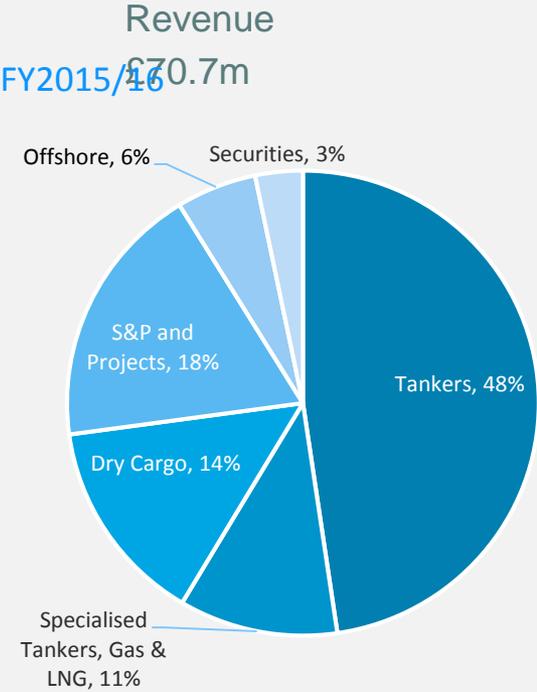
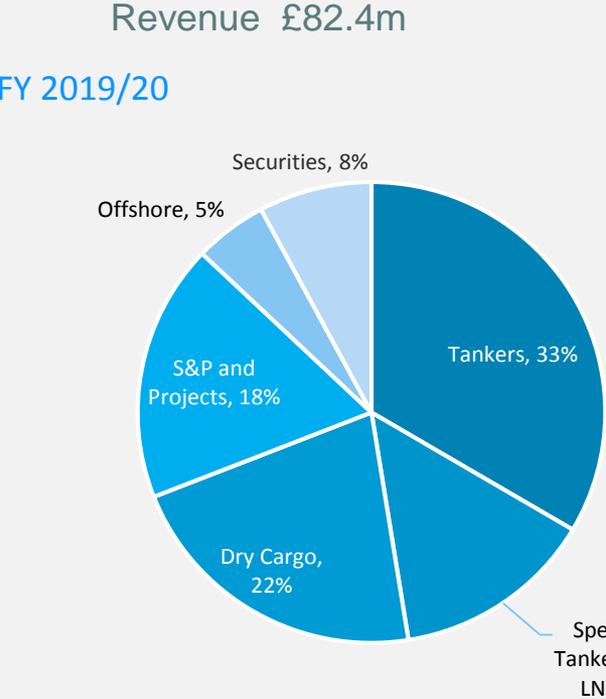
“Our expertise and market intelligence provide charterers, shipowners and lenders a comprehensive service to manage their risk, across the globe”

	FY 2019/20	FY2018/19
Revenue	£82.4m	£75.7m
Underlying operating profit	£11.8m	£9.3m
Margin	14.2%	12.3%
Forward order book	\$50m	\$43m

- Revenue growth of 10% led by Tankers
- Improved margin at 14% reflecting operational gearing
- USD strength supported revenue growth
- Forward order book has grown after year end

Shipbroking – Revenue Analysis

“Our expertise and market intelligence provide charterers, shipowners and lenders a comprehensive service to manage their risk, across the globe”



Increased diversification of broking desks over last 5 years

Increasing revenue and revenue per broker

Shipbroking Division

“Our expertise and market intelligence provide charterers, shipowners and lenders a comprehensive service to manage their risk, across the globe”

- Successful diversification of broking desks
- Cross desk trading
- Technology platform investment
- Benefit of IT resilience seen in home working during COVID-19 crisis
- Further geographical expansion - Athens and plans for Geneva
- Investment in management and employee development
- Benefit from working with Engineering/Financial divisions – ‘One Braemar’
- Resilience and agility to continue to perform in volatile markets

“Developing a tailored One Braemar experience for our clients”

	FY 2019/20	FY 2018/19
Revenue	£5.9m	£7.0m
Underlying Operating Profit	£1.1m	£2.1m
Operating Margin	18.6%	30.0%

- Higher volume of mandates but lower completed transactions
- Presence firmly established in London and Singapore
- Transactions deferred but not lost
- Increasing integration with other Braemar divisions
- Diversified client base
- Retainer income covering operating costs

	May 20	May 19
Retainer only	5	10
Retainer + success fee	12	11
Success fee only	19	11
Number of clients	36	32
	£m	£m
Retainer income	3.7	4.1
Success fees	2.2	2.9
Income	5.9	7.0

Financial Division

“Developing a tailored One Braemar experience for our clients”

- Key part of One Braemar offering
- Synergies with sale and purchase desk in shipbroking
- Expertise in restructuring and distressed debt management
- Potential beneficiary from volatility in shipping investment
- Success in Singapore opens doors to future expansion
- Focus on corporate as well as asset-based lending

Logistics Division

“Cory Brothers has extensive experience and a worldwide reputation for delivering on customer requirements”

Port Agency

	FY 2019/20	FY 2018/19
Revenue	£8.4m	£8.2m
Underlying operating profit	£0.8m	£0.7m
Margin	9.5%	8.5%

Freight Forwarding

	FY 2019/20	FY 2018/19
Revenue	£21.0m	£23.9m
Underlying operating profit	£0.2m	£0.1m
Margin	1%	0.4%

- Margin growth from strong cost management
- Office closures and re-organisation

“Cory Brothers has extensive experience and a worldwide reputation for delivering on customer requirements”

- Strong and resilient industry brand stretching back to 1842
- Completion of strategic review – division to be developed
- Low levels of capital employed
- Investment in client facing technology
- Platform for consolidation
- Short term Brexit opportunities in customs clearance
- Target further margin improvement

Engineering Division

“Founded in 1993 Braemar Wavespec provides expertise, engineering, and solutions to the gas processing, liquefied gas, and marine industries”



	FY 2019/20	FY 2018/19
Revenue	£3.1m	£3.1m
Underlying Operating Profit / (loss)	£(1.4m)	£(0.3m)

- Strong reputation in LNG market for Wavespec brand
- Mismatch of project resources
- Cost management programme underway
- Significant disruption from AqualisBraemar transaction
- Historic bad debt provisions on LNG tank design project
- Technical know how important to other Braemar Divisions
- Review of future opportunities and structure underway

AqualisBraemar

“High end consultancy services to the global energy, shipping and insurance industries”



	FY 2019	FY 2018
Revenue	\$54.8m	\$36.2m
EBIT	\$(0.3m)	\$2.7m
Operating Margin	(0.5)%	7.5%

- Braemar has 27% ownership – warrants potentially moving this up to 33%
- December year end accounted for on an associate basis
- Transaction completed in June 2019 in year of transition
- Share of trading loss for the period from June to December reported at £(0.3)m
- Proforma combined revenues of \$73.4m and EBIT of \$0.7m
- Renewables showed organic growth of 46%
- Warrants increased in value by £0.7m
- Strong management team with good track record and consolidation opportunities

Strategic Direction

Customer centric ‘One Braemar’ focus

CUSTOMER CENTRIC We invest the time to understand our clients’ needs and create smarter solutions for the benefit of all parties involved.

Develop and maintain long term relationships

RELATIONSHIPS We have established strong, long term relationships with our clients.

Leverage breadth and depth of experience

EXPERTISE Our employees have in-depth specialist expertise; from chartering and S&P advisors with sector knowledge, to professional specialists in corporate finance, derivatives, engineering, analytics and intelligence.

Provide comprehensive expert advice

REPUTATION We have built a reputation across the shipbroking industry as a trusted, professional partner.

Grow into new geographies and markets

SCALE We offer a comprehensive range of services and advice on a global scale.

Develop young talent

CULTURE AND VALUES Our collaborative, knowledge sharing culture enables us to provide value-added services to our clients.

Summary and Outlook

Summary

- COVID-19 disruption minimised by swift move to home working and IT resilience
- Strong performance in **Shipbroking**
- **Financial** revenue timing variable but background in distressed debt financing an advantage
- Good year for **Logistics** with benefits of costs savings evident
- **Engineering** – review of future strategy underway

Current Trading and Outlook

Customer centric ‘One Braemar’ focus

- Volatile Shipping market creates opportunities
- Resilient trading to start the new year despite ongoing COVID-19 disruption
- Cautious optimism

BRAEMAR



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GROUP MANAGEMENT

Ron Series Chairman

Chairman of Braemar Shipping Services plc. Ron has held executive and non-executive positions at a number of companies with international operations in transport and logistics. He is currently chairman of DX (Group) plc and a non-exec Director of AqualisBraemar ASA. Ron is a member of the Braemar Executive Committee.

Nick Stone Group Finance Director

Group Finance Director of Braemar Shipping Services plc. Nick was most recently CFO of the Appointments Group, and has held CFO roles at listed companies such as Hornby plc and KBC Advanced Technologies plc. Nick is a member of the Braemar Executive Committee.

Divisional Heads

James Gundy CEO

Braemar ACM Shipbroking Ltd

CEO of Braemar Shipbroking division. James started his career at Clarksons in 1981, working in London and New York as a tanker broker. He joined ACM Shipping in 1991, and became CEO in 2012 and following ACM's merger with Braemar in 2014, he became CEO of the combined shipbroking business. James is still an active broker specialising in tanker projects and a member of the Braemar Executive Committee.

Axel Siepmann Managing Director Braemar Naves Corporate Finance

Managing Director of Braemar Naves Corporate Finance. Axel's career started at PWC Corporate Finance, then at Sietz and Partners and MPC Capital AG. He co-founded Naves Corporate Finance in 2009, which was acquired by Braemar in 2017. Axel is a member of the Braemar Executive Committee.

Peter Wilson Managing Director Cory Brothers Shipping Agency Ltd

Managing Director of Cory Brothers Shipping Agency Ltd. Peter started at Cory Brothers in 1998 and developed significant expertise in Port Agency, Hub Service and commercial management. He was appointed Managing Director in 2017, and is a member of the Braemar Executive Committee.

Sheila McClain Managing Director Braemar Wavespec

Managing Director of Braemar Wavespec. Sheila has 19 years of project management experience in the LNG industry. She joined Braemar in 2009 and has been involved in the overview of LNG shore-based technologies and several marine shipping projects of various build cargoes. Sheila is a member of the Braemar Executive Committee.

Group Specific Items

	FY 2019/20 £m	FY 2018/19 £m
Amortisation		
Restructuring Costs	(1.2)	(1.0)
Gain of revaluation of investment	-	0.5
Share of associate profit	0.7	-
Acquisition related items:		
• Braemar ACM	(0.2)	(0.1)
• Braemar Naves	(1.2)	(8.0)
• Atlantic	(1.1)	(2.5)
• Attributed Interest	(0.5)	(0.8)
• Revaluation of AqualisBraemar warrants	0.4	-
Loss from discontinued operations	(0.9)	(22.7)
Taxation	0.2	0.1
TOTAL	(3.8)	(34.5)

Discontinued Operations

Disposal of Braemar Technical Services

	FY 2019/20 £m	FY 2018/19 £m
Post Tax trading (loss)/profit	(0.8)	(1.6)
Restructuring cost & interest	(0.1)	(0.6)
Write down of intangible assets		(6.1)
Estimated impairment		(13.0)
Profit on disposal of BTS		
Braemar Response		(1.4)
Total reported loss	(0.9)	(22.7)

Investment in AqualisBraemar to be accounted for on an equity basis for Braemar's share of profits and net assets

Group Balance Sheet

	FY 2019/20 £m	FY 2018/19 £m
Goodwill and other intangibles	86.2	86.0
Non-Current Assets*	21.2	5.7
Investment in AqualisBraemar	7.3	-
Current assets*	39.5	37.1
Current liabilities*	(50.1)	(46.4)
Convertible loan notes and deferred consideration	(10.3)	(16.9)
Net Assets held for sale (net of cash)	-	3.9
Provisions / Other long term liabilities*	(16.3)	(3.2)
Net (debt) / Cash	(20.0)	(7.8)
Net Assets	57.5	58.4

*Includes assets and liabilities reclassified under IFRS 16 – see Slide 24

**Balance sheet presentation of cash and overdrafts restated in statutory accounts

Financial Impact of Application of IFRS 16

	29 February 2020
Non-current assets	
Property, plant & equipment	£9.5m
Current assets	
Finance lease receivable	£3.2m
Current liabilities	
Short term borrowings	£(3.9)m
Non-current liabilities	
Long term borrowings	£(10.9)m
Net Impact of IFRS 16 on net assets	£(2.1)m

Group cash flow

	FY2019/20 £m	FY 2018/19 £m
Opening Cash	28.0	10.4
Cashflow from continuing trading operations	13.1	8.9
Discontinued operations & specifics	(2.5)	(0.8)
Movement on borrowings and liabilities	4.0	22.9
Net interest payment	(1.5)	(0.9)
Net capital expenditure	(1.7)	(2.8)
Tax paid	1.2	(1.1)
Acquisition / disposals	(6.3)	(1.2)
Dividends/purchase of own shares	(4.6)	(6.3)
FX Impact	(0.8)	(1.1)
Movements in cash	0.8	17.6
Net cash	28.8	28.0
Short term borrowings	(48.8)	(35.8)
(NET DEBT)	(20.0)	(7.8)

AqualisBraemar

“High end consultancy services to the global energy, shipping and insurance industries”

Offshore	Marine	Adjusting	Renewables
Specialist offshore engineering and consultancy services	Worldwide emergency casualty, accident or incident response and international marine survey services	Serving the international insurance and reinsurance markets in the energy, marine, mining, renewables, power and utilities industries	Independent services to the offshore wind industry



Note: Proforma revenues for the year ended 31 December 2019
Sources: AqualisBraemar annual report

Shipbroking – how we make our money

Chartering

- Single voyage (spot) charter - commission from shipowner on gross freight (\$/tonne) - revenue increases as voyage costs rise thanks to voyage delays, higher bunker bills, stronger market
- Term (time-charter) - commission from shipowner on \$/day charter hire - revenue increases as market improves or time charter activity increases

Sale & Purchase

- Newbuilding orders and second-hand sales – commission from shipowner on total value of newbuildings orders (\$) – revenue rises as newbuilding prices increase
- Demolition sales – commission from shipowner on total value of steel and spare parts (\$/ldt) – revenue increases as scrap steel prices rise
- Market activity levels can vary for sale & purchase, but we always aim to build market share

FFAs

- Commission (cents/tonne) from buyer and seller on contracts for future cost of transportation (cash-delivered) on specific shipping trades – revenue increases as market sentiment improves
- Market activity typically increases as the physical market improves and becomes more volatile, but we always aim to build market share

Structured deals

- Commission from projects that combine elements of our Sale & purchase and Chartering brokerage services, often with participation from our corporate finance

How we build market share

- Build information flow by growing global broking presence
- Add value through strong market intelligence and business advisory services (Braemar Research)
- Add value through strong post-fixture operation team
- Add value by adopting and supporting best of breed technology

NAVES consideration breakdown

TRANCHE	DATE	€'000	€'000	COLLATERAL
<u>Initial consideration</u>	26-Sep-2017	7,400		cash
	26-Sep-2017	7,400		convertible loan notes (all sellers)
	26-Sep-2017	<u>1,505</u>		shares (non-management sellers)
			16,305	
<u>First deferred consideration</u> All sellers	26-Sep-2018	700		cash
	26-Sep-2018	700		convertible loan notes
	26-Sep-2019	700		cash
	26-Sep-2019	700		convertible loan notes
	26-Sep-2020	700		cash
	26-Sep-2020	<u>700</u>		convertible loan notes
			4,200	
<u>Second deferred consideration</u> Management only	26-Sep-2018	699		convertible loan notes
	26-Sep-2019	699		convertible loan notes
	26-Sep-2020	699		convertible loan notes
	26-Sep-2021	699		convertible loan notes
	26-Sep-2022	<u>699</u>		convertible loan notes
			3,495	
			<u>24,000</u>	
<u>Max earn-out consideration</u> Management only €2.0m-€4.375m	31-Aug-2018	3,667		convertible loan notes - Issued
	31-Aug-2019	1,538		convertible loan notes - Issued
	31-Aug-2020	<u>360</u>		convertible loan notes - Estimate
			5,565	
Expected payout			<u>29,565</u>	

Management sellers represented 69.9% of the total sellers (non-management = 30.1%)

Interest on Loan Notes are payable at 3% p.a. (in March and September) and payable from date of completion (initial and first deferred) or date of issue (second and earn-out)

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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 basic earnings per share. Explanations of these and their calculations are shown in details in our annual report.