

# BRAEMAR

## Braemar Shipping Services plc

Interim Results Presentation

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Ronald Series, Chairman

E: [ronald.series@braemar.com](mailto:ronald.series@braemar.com)

T: +44 (0) 20 3142 4100

***‘Strong Shipbroking  
performance in  
volatile markets’***

James Gundy, CEO Shipbroking Division

Group CEO Designate

E: [james.gundy@braemar.com](mailto:james.gundy@braemar.com)

T: +44 (0) 20 3142 4100

Nick Stone, Chief Operating Officer & Finance Director

E: [nick.stone@braemar.com](mailto:nick.stone@braemar.com)

T: +44 (0) 20 3142 4100

## *“Shipbroking drives stronger performance”*

- Strong first half trading especially from **Shipbroking** in the first quarter
- Underlying Operating Profit increased by 33% to £5.6m (2019: £4.2m)
- Strong margin growth in **Shipbroking**, partially due to lower costs
- Higher success fees for **Financial** but offset by bad debt provisions
- Lower revenue but margins maintained in **Logistics**
- Sales process for **Engineering** Division, Wavespec underway
- Share of AqualisBraemar underlying profit increased to £0.6m (2019: £0.0m)
- Shipbroking to drive future strategic direction - James Gundy to be new Group CEO
- Full year trading outlook in line with market expectations

# Summary Results

£m	H1 2020/21		H1 2019/20	FY 2019/20
Revenue	56.3	(2%)	57.6	117.7
Underlying Operating Profit	5.6	33%	4.2	11.0
Underlying Profit before tax	5.7	59%	3.6	9.4
Reported Profit/(loss) before tax	3.7		(0.8)	6.3
Underlying EPS	16.3p	46%	11.2p	29.5p
Dividend per share	0.0p		5.0p	5.0p
Net Operating cash flow	6.6		(1.5)	10.3
Net Debt	30.2		42.0	30.3

- Improved cash generation
- Underlying profit before tax increase of 59% despite 2% lower revenue
- Underlying EPS increase of 46%
- Debt includes deferred acquisition consideration and loan notes
- Comparatives restated for discontinued operations

# Segmental Underlying Results

- from continuing operations

Shipbroking
Financial
Logistics
Central

H1 2020/21		
Revenue £m	Profit £m	Margin %
39.3	6.1	16%
3.5	0.7	20%
13.5	0.6	4%
	(1.7)	
56.3	5.6	10%

H1 2019/20		
Revenue £m	Profit £m	Margin %
38.7	4.9	13%
3.3	0.9	27%
15.6	0.6	4%
	(2.1)	
57.6	4.3	7%

FY 2019/20		
Revenue £m	Profit £m	Margin %
82.4	11.8	14.0%
5.9	1.1	19%
29.4	1.0	3%
	(2.9)	
117.7	11.0	9%

- Group margin improvement from 7.5% to 10.1%
- **Engineering** treated as discontinued operations during sale process
- Central costs lower due to FX losses in previous period

# Shipping Market Commentary

## All sectors impacted by Covid-19

- China has rebounded strongly
- Demand recovery in other regions is slow, and faltering

## Strong tanker market weakens

- OPEC+ has cut exports in response to demand slump. Other producers like Iran, Venezuela and Libya have seen involuntary production cuts
- Floating storage demand is still strong, but declining
- Congestion in Chinese ports, which has supported tanker demand, is easing

## Healthy dry cargo market

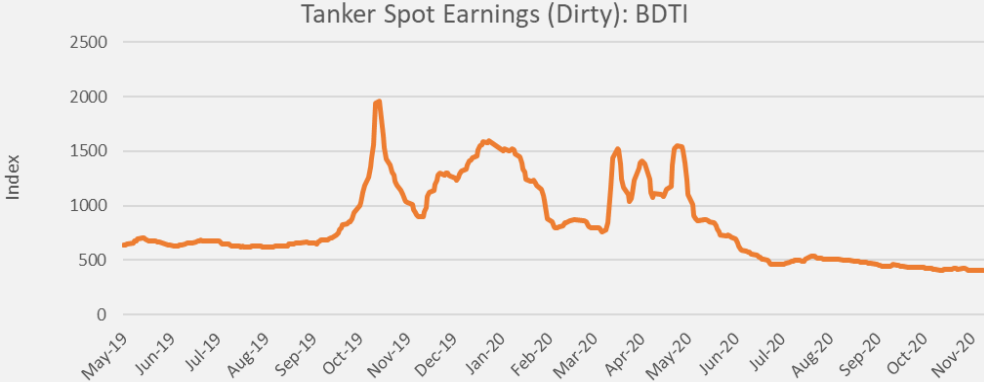
- Strong dry cargo demand from China

## Growth in LPG and LNG shipping

- Strong growth in US NGLs production
- LNG demand improving in Q3

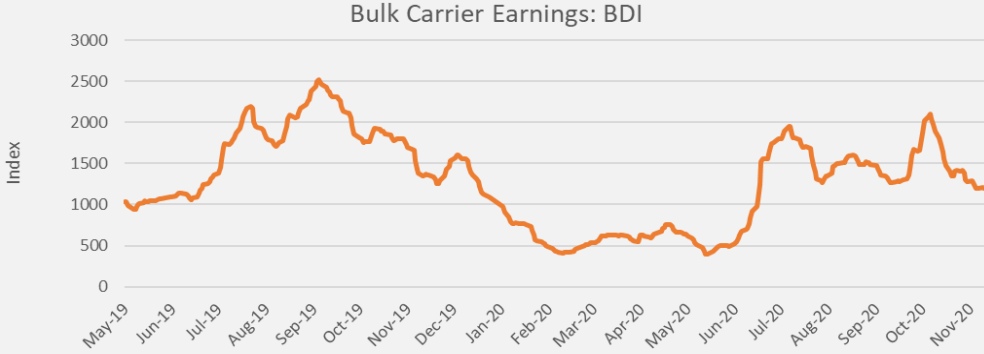
## Sale and Purchase activity increasing

### Baltic Dirty Tanker Index



Source: Baltic Exchange

### Baltic Dry Index



Source: Baltic Exchange

# Shipbroking Division

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

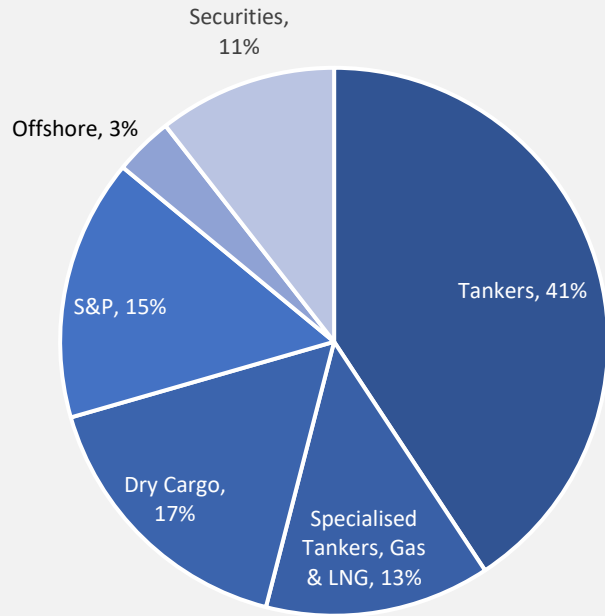
	H1 2020/21	H1 2019/20	FY 2019/20
Revenue	£39.3m	£38.7m	£82.4m
Underlying Operating Profit	£6.1m	£4.9m	£11.8m
Margin	15.5%	12.7%	14.3%
Forward Order Book	\$42.4m	\$42.6m	\$50.0m

- Revenue growth driven by Tankers and Securities in H1
- Slower start from Dry Cargo and Sale and Purchase due to COVID-19 related factors
  - Recovery in Q2
- Offshore market weakening due to low oil price
- Forward order book maintained in line with August 2019 but down from February 2020
  - \$23m deliverable in H2

# Shipbroking – Revenue Analysis

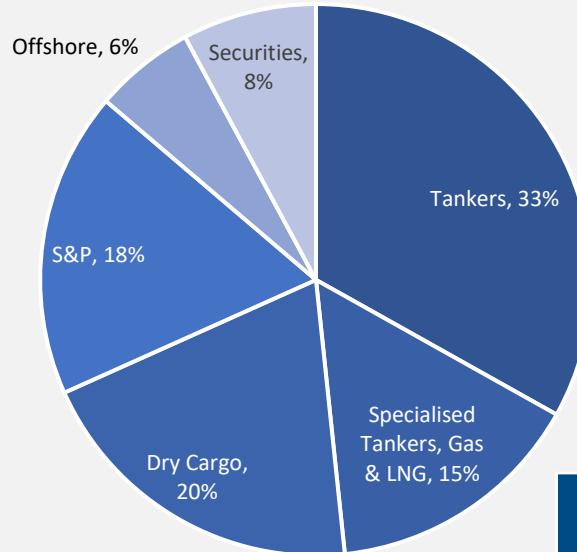
*“Our expertise and market intelligence provide charterers, shipowners and lenders a comprehensive service to manage their risk, across the globe”*

H1 2020/21 Revenue £39.3m

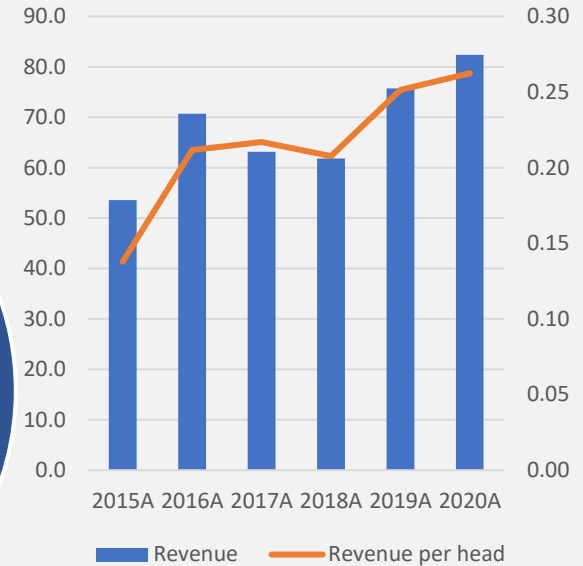


- Tankers
- Dry Cargo
- Offshore
- Specialised Tankers, Gas & LNG
- S&P
- Securities

H1 2019/20 Revenue £38.7m



Revenue & Revenue Per Head (GBP'm)



Year	Heads	Revenue GBP'm	Revenue Per Head
2015	389	53.6	0.14
2016	334	70.7	0.21
2017	291	63.1	0.22
2018	298	61.8	0.21
2019	301	75.7	0.25
2020	314	82.4	0.26

# Shipbroking Division



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

- Resilient performance in volatile markets
- New build contracts added to forward order book despite lower activity levels
- Success from cross desk trading
- Technology platform investment in new joint venture ‘Zuma Labs’
  - Venetian Platform success since launch in late 2019
- Benefit of IT resilience seen in home working during COVID-19 crisis
- Investment in new clean product team in Geneva
- Management and employee development a high priority
- Shipbroking central to future Group strategy



*“Developing innovative financial solutions for our clients”*

	H1 2020/21	H1 2019/20	FY 2019/20
Revenue	£3.5	£3.3	£5.9m
Underlying Operating Profit	£0.7	£0.9	£1.1m
Operating Margin	20.0%	27.3%	18.6%

- Higher success fees
- Significant retainer project hit by COVID-19 pandemic
- Bad debt provision impacted margin

	#Oct 20	#Oct19
Retainer only	4	20
Retainer + success fee	11	1
Success fee only	15	12
<b>Number of clients</b>	<b>30</b>	<b>33</b>
	<b>£m</b>	<b>£m</b>
Retainer income	1.6	1.9
Success fees	1.9	1.4
<b>Income</b>	<b>3.5</b>	<b>3.3</b>

# Financial Division

*“Developing innovative financial solutions for our clients”*

- Provision of maritime related corporate finance advice
  - Advisory services
  - Restructuring
  - M&A and asset brokerage
- Successful conclusion of restructuring mandates in the period
- Difficult environment for traditional finance raising mandates during COVID-19
- Restructuring services in more demand
- Revenue continues to be subject to uncertain timing

# Logistics Division

*“Cory Brothers has extensive experience and a worldwide reputation for delivering on customers’ requirements”*

	H1 2020/21	H1 2019/20	FY 2019/20
<b>Port Agency</b>			
Revenue	£4.0m	£4.2m	£8.4m
Underlying Operating Profit	£0.5m	£0.4m	£0.8m
Operating Margin	12.5%	9.5%	9.5%
<b>Freight Forwarding</b>			
Revenue	£9.5m	£11.4m	£21.0m
Underlying Operating Profit	£0.1m	£0.2m	£0.2m
Operating Margin	1.1%	1.8%	0.9%

*“Cory Brothers has extensive experience and a worldwide reputation for delivering on customers’ requirements”*

- Creditable trading in challenging markets
- Port Agency and Hub revenues held up well
  - Improved agency margin
  - Overseas operations now profitable
- Freight forwarding volumes affected by COVID-19
  - Lower volumes in Q1
  - Focus on new business initiatives paid off with wins in Q2
  - Potential for Brexit opportunities
- Benefits of cost saving measures implemented during 2019 now evident
- Overall trading in line with expectations

# Engineering Division

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



	H1 2020/21	H1 2019/20	FY 2019/20
Revenue	£1.3m	£1.9m	£3.1m
Underlying Operating Profit / (loss)	(£0.5m)	(£0.5m)	(£1.4m)

- Strategic review of division completed and sale process well underway
- Results treated as discontinued operations for reporting purposes
- Assets impaired by £1.5m and written down ready for sale
- Total reported loss of £2m following asset impairment
- Disposal expected to be concluded before the end of the financial year

# AqualisBraemar

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



	H1 2020	H1 2019
Revenue	\$39.0m	\$18.1m
EBIT	\$2.9m	\$(0.5)m
Operating Margin	7.4%	(2.8)%

- Strong turn around since 2019 divestment
- Braemar has 27% ownership
- Transaction completed in June 2019, 2020 first full year of integrated business
- Share of underlying profit for the period from January to June reported at £0.6m
- Revenue growth of 70% in renewables in year to 30 June 2020
- Warrants declined by £1.0m reducing balance sheet carrying value to £7.1m
- Market value of shares increased to £11m in November 2020
- Strong management team with good track record and consolidation opportunities

*Note: AqualisBraemar half year results to June 2020 accounted on an associate basis*

# Future Strategy

## STRATEGIC DIRECTION CENTRED ON SHIPBROKING

### Continue diversification of broking activities

- Widen and enhance geographic coverage
- Enhance securities capability to compliment physical broking
- Further investment in technology and use of data
- Develop offshore renewables market

### Customer centric focus on broking relationships

- Develop and maintain long term relationships
- Leverage breadth and depth of experience
- Provide comprehensive expert advice
- Develop young talent

# Summary and Outlook

## Summary

- COVID-19 disruption diminished as period progressed but uncertainty still persists
- Strong performance in **Shipbroking**, especially Tankers
- **Financial** revenue timing variable but increased success fees
- Steady trading for **Logistics** with benefits of costs savings evident
- **Engineering** – disposal process expected to conclude during second half
- Appointment of new CEO James Gundy - strategic direction to be centred around Shipbroking

## Current Trading and Outlook

- Weak demand in Shipping market but volumes being maintained
- Resilient organisational response to COVID-19
- Trading in line with full year expectations



# BRAEMAR



Ronald Series, Chairman

E: [ronald.series@braemar.com](mailto:ronald.series@braemar.com)

T: +44 (0) 20 3142 4100

James Gundy, CEO Shipbroking Division

Group CEO Designate

E: [james.gundy@braemar.com](mailto:james.gundy@braemar.com)

T: +44 (0) 20 3142 4100

Nick Stone, Chief Operating Officer & Finance Director

E: [nick.stone@braemar.com](mailto:nick.stone@braemar.com)

T: +44 (0) 20 3142 4100

# Group Balance Sheet

	H1 2020/21	H1 2019/20 £m	FY 2019/20 £m
Goodwill and other intangibles	85.8	86.2	86.2
Non-Current Assets	18.9	22.1	20.0
Investment in AqualisBraemar	7.3	8.9	8.5
Current assets*	36.2	44.3	39.5
Current liabilities*	(45.3)	(51.6)	(50.1)
Convertible loan notes and deferred consideration	(11.9)	(16.1)	(11.6)
Net Assets held for sale (net of cash)	-	-	-
Provisions / Other long term liabilities	(12.6)	(17.1)	(15.0)
Net bank (debt) / Cash	(19.3)	(22.3)	(20.0)
<b>Net Assets</b>	<b>59.1</b>	<b>54.4</b>	<b>57.5</b>

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

# Group cash flow

	H1 2020/21 £m	H1 2019/20 £m	FY 2019/20 £m
Opening Cash	28.8	28.0	28.0
Cashflow from continuing trading operations	8.4	0.5	13.1
Discontinued operations & specifics	(0.3)	(0.4)	(2.5)
Movement on borrowings and liabilities	(24.0)	5.1	2.7
Net interest payment	(0.6)	(0.8)	(1.5)
Net capital expenditure	(0.5)	(1.4)	(1.7)
Tax paid	(0.9)	(0.8)	1.2
Acquisition/disposals	0.7	(2.9)	(5.1)
Dividends/purchase of own shares	-	(3.1)	(4.6)
FX Impact	1.1	(0.6)	(0.8)
Movements in cash	(16.1)	(4.4)	0.8
<b>Net cash</b>	<b>12.7</b>	<b>23.6</b>	<b>28.8</b>
Short term borrowings	(32.0)	(45.9)	(48.8)
<b>(NET BANK DEBT)</b>	<b>(19.3)</b>	<b>(22.3)</b>	<b>(20.0)</b>

## Group Specific Items

	H1 2020/21 £m	H1 2019/20 £m	FY 2019/20 £m
Restructuring Costs	-	(1.5)	(1.4)
Share of associate profit	0.2	0.8	0.7
Acquisition related items:			
• Braemar ACM	(0.1)	(0.1)	(0.1)
• Braemar Naves	(0.7)	(2.7)	(1.2)
• Atlantic	(0.2)	(0.6)	(1.1)
• Attributed Interest	(0.2)	(0.3)	(0.4)
• Revaluation of AqualisBraemar warrants	(1.0)	-	0.4
Loss from discontinued operations	(2.0)	(1.2)	(2.3)
Taxation	-	0.1	0.2
<b>TOTAL</b>	<b>(4.0)</b>	<b>(5.5)</b>	<b>(5.2)</b>

# Discontinued Operations

## Disposal of Braemar Technical Services/Wavespec

	H1 2020/21 £m	H1 2019/20 £m	FY 2019/20 £m
Post Tax trading (loss)/profit	(0.5)	(0.8)	(0.8)
Restructuring cost & interest			(0.1)
Write down of intangible assets			
Estimated impairment	(1.5)		
Profit on disposal of BTS		0.1	
<b>Total reported loss</b>	<b>(2.0)</b>	<b>(0.7)</b>	<b>(0.9)</b>

# Braemar at a glance

## Four wholly owned divisions and one associate

**BRAEMAR ACM**  
SHIPBROKING

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

Shipbroking

**BRAEMAR | NAVES**  
CORPORATE FINANCE

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

Financial

**BRAEMAR**

**AQUALIS**  
BRAEMAR

- Associate - 27% ownership
- Consulting provided in four business streams:
- Offshore, Renewables, Marine, Adjusting
- Core services of project consulting, accident prevention and incident management

AqualisBraemar

**CORY BROTHERS**

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

Logistics

**BRAEMAR**  
**WAVESPEC** **Held for Sale**

# 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	1,505		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	700		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	699		convertible loan notes	
				3,495	
			24,000		
<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	122		convertible loan notes - Actual	
			5,327		
Total Consideration			29,327		

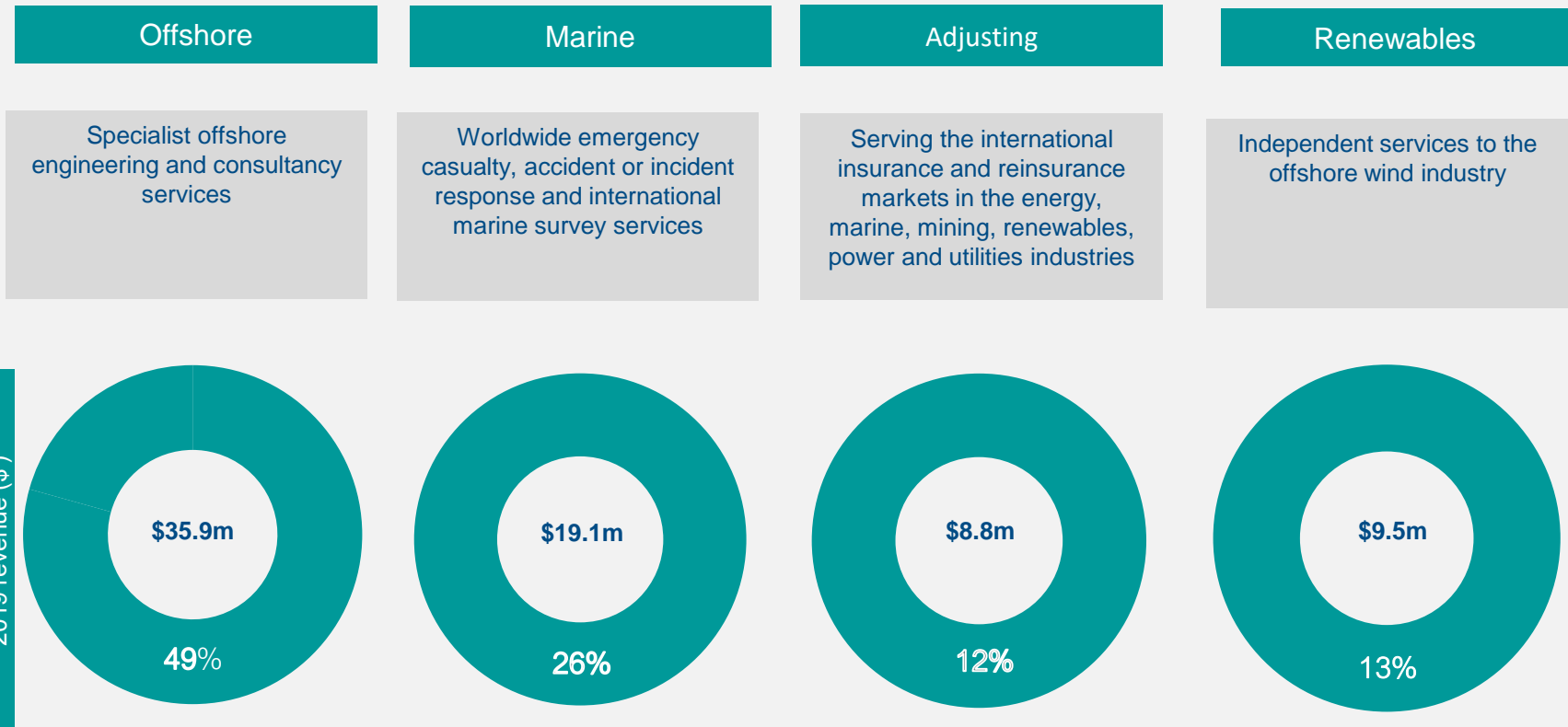
Management sellers represented 69.9% of the total sellers (non-management = 30.1%)

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)



# AqualisBraemar

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



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

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