

BRAEMAR



Braemar Shipping Services plc

Preliminary Results Presentation

Year Ended 28 February 2019

May 2019

Year ended 28 February 2019 – Strong Strategic and Financial Progress achieved



- Growth in continuing operations' revenue and underlying profit
- **Shipbroking** achieved a strong second-half performance, and maintained its forward order book
- **Financial division** increased both their mandates and pipeline of business
- **Logistics** maintained UK market share, developed overseas offices and improved margins
- Resolution of **Technical Division** future with recently announced transaction with Aqualis ASA
- Disposal of loss making operation, Braemar Response
- Final dividend of 10.0p, making a total of 15.0p for full year
- Net debt of £7.8m (2018: £2.4m)
- Board changes will bring stability
- Well placed to build on strong results from the core business

Combination of **Technical** with Aqualis

Key features



- Creates market leading position with genuine global coverage
- Continuing use of the Braemar brand, through **AqualisBraemar**
- Retains Offshore recovery upside potential. Market consolidation opportunities.
- Simplifies the Group - easier to understand and establishes a value for Braemar's Technical Services assets
- Aqualis management team has a strong track record of operating and growing marine consulting businesses and realising value through mergers
- Expected synergies derived from scale, efficiency and utilisation
- Ongoing relationship, joint branding and joint marketing capability
- Braemar to become a 26% shareholder with warrants giving opportunity to become 33%
- Braemar to appoint James Kidwell, CEO, to the Board of **AqualisBraemar**

Combination of Technical with Aqualis Transaction Overview



Transaction implementation

AQUALIS



100% acquisition of shares

Braemar Technical Services Holding Limited
Holding company of Braemar Technical Services
assets to be acquired

Consideration

Consideration equal to 33.0% of the Diluted Aqualis Share Capital to be paid in:

- Initial consideration shares representing 26.0% of the Enlarged Aqualis Share Capital, with a 2 year lock up period for this portion of consideration
- 2 equal tranches of performance-based warrants, with performance measured from 1 April 2019:
- Tranche 1: based on **AqualisBraemar's** average annual, adjusted EBITDA¹ over 2 years with an average EBITDA performance floor of \$4.5m and a ceiling of \$7.5m for proportional nil / max. vesting
- Tranche 2: based on average annual, aggregate adjusted gross profit² for the former Braemar Adjusting and Marine divisions over two years, with a performance floor of \$12.6m and a ceiling of \$14.3m for proportional nil / max. vesting

Board and management

- 5 member board
- Braemar has the right to nominate 1 member to the **AqualisBraemar** Board – to be James Kidwell, CEO of Braemar
- Chairman of Board is to be Glen Rødland, Chairman of Aqualis
- Gross Management AS, the largest pre-transaction Aqualis shareholder (see right), has undertaken to support the appointment of James Kidwell to the Board at the post-transaction general meeting
- Shares quoted on Oslo Bors (OB: AQUA)

Post-transaction top 10 shareholders

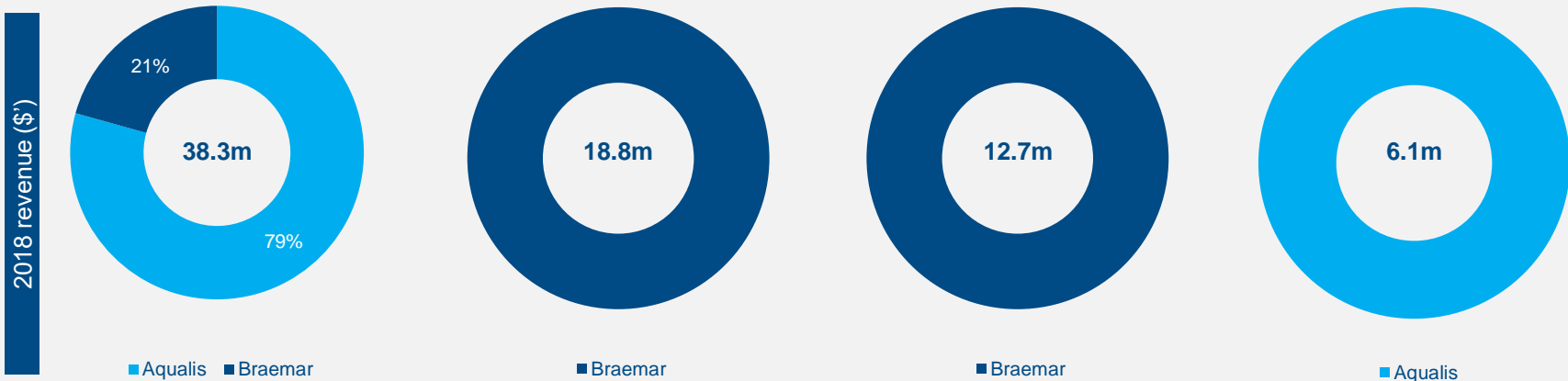
#	Shareholder	Shares (m)	%
1	Braemar Shipping Services plc	14.9m	26.0%
2	Gross Management AS (Glen Rødland)	7.4m	12.9%
3	Carnegie Investment Bank AB	2.7m	4.7%
4	Tigerstaden AS	1.9m	3.3%
5	Danske Bank A/S	1.7m	3.0%
6	MP Pensjon PK	1.5m	2.6%
7	Lgt Bank AG	1.4m	2.5%
8	Oma Invest AS	1.4m	2.4%
9	Saxo Bank A/S	1.3m	2.3%
10	Badreddin Diab	1.0m	1.8%
Top 10 shareholders		35.1m	61.1%

¹Adjusted EBITDA: earnings before interest, foreign exchange gains or losses, tax, depreciation and amortization for the consolidated combined business of Aqualis and BTS

²Adjusted gross profit: gross profit, being revenue less cost of sales and direct costs, for the former Braemar Adjusting and Marine businesses

AqualisBraemar – sectors / services

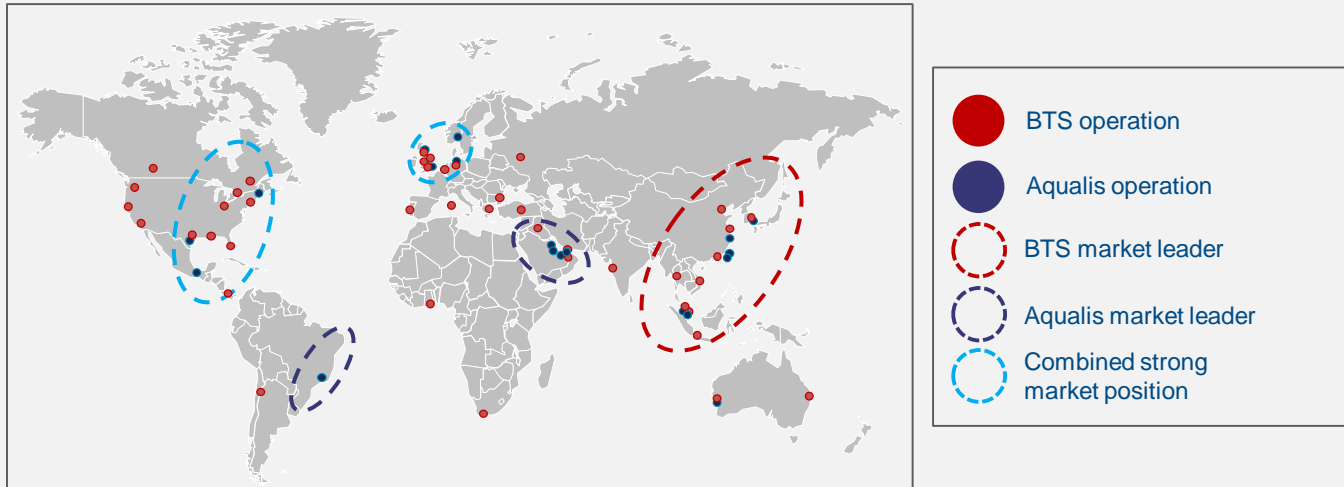
Offshore Oil & Gas	Marine	Adjusting	Offshore Renewables
<p>Specialist offshore engineering and consultancy services:</p> <ul style="list-style-type: none"> • Construction supervision • Transportation and installation • Decommission projects • Inspections and approvals • Engineering service 	<p>Worldwide emergency casualty, accident or incident response and international marine survey services:</p> <ul style="list-style-type: none"> • Hull and machine surveys • Casualty investigations <ul style="list-style-type: none"> • Risk assessment • Cargo and damage surveys 	<p>Serving the international insurance and reinsurance markets in the energy, marine, mining, renewables, power and utilities industries:</p> <ul style="list-style-type: none"> • Loss adjusting • Risk assessment • Legal / expert witnesses • Construction dispute resolution 	<p>Independent services to the offshore wind industry:</p> <ul style="list-style-type: none"> • Engineering consultancy • Project management consultancy



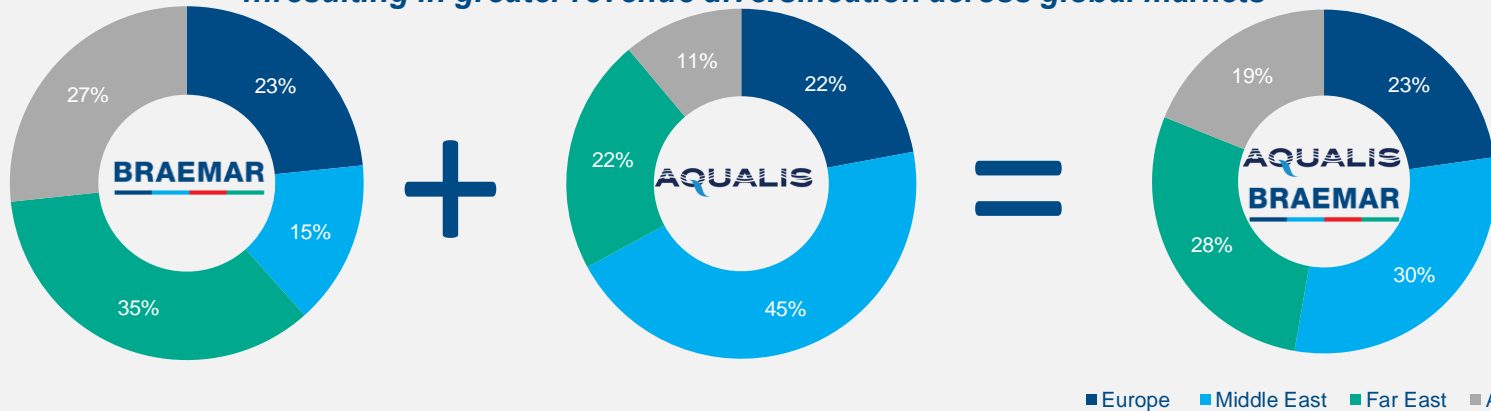
Note: Based on unaudited revenue for the year ended 28 February 2019 for BTS, and revenue for the year ended 31 December 2018 for Aqualis. Average monthly USD/GBP FX rates have been used to translate GBP
 Sources: Aqualis and Braemar management information

AqualisBraemar – global coverage

A combination of two businesses with market leading positions in different regions, and little client overlap...



...resulting in greater revenue diversification across global markets



Note: Based on unaudited revenue for the year ended 28 February 2019 for BTS, and revenue for the year ended 31 December 2018 for Aqualis. Average monthly USD/GBP FX rates have been used to translate GBP
Sources: Aqualis and Braemar management information

Investment characteristics – structure following completion of Aqualis transaction

Shipbroking

- Diverse business mix
- Portfolio effect
- Remuneration balance
- Consistent returns

Financial

- High margin
- Advisory led
- New shipping clients
- Group enhancing

Logistics

- Volume led
- Port Agency strong UK market share
- Brexit potential

Technical

- 26% stake in Aqualis
- Creating a global market leader
- Engineering retained

Segmental Results (underlying)

Shipbroking
Financial *
Logistics
Engineering
Central

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%

FY 17/18		
Revenue £m	Profit £m	Margin %
61.8	7.7	12.5%
3.7	1.8	48.6
33.2	0.8	2.4%
4.2	(0.1)	(2.4)%
-	(2.9)	-
103.0	7.3	7.1%

*Financial Division established on 26 September 2017 and contributed 5 months results to the 2017/18 full year income statement

Specific Items

	FY 18/19 £m	FY 17/18 £m
Amortisation	(1.1)	(2.4)
Restructuring costs	(0.8)	-
Gain of revaluation of investment	0.5	-
Acquisition related items:		
• Braemar ACM	(0.1)	(0.6)
• Braemar Naves	(7.2)	(5.1)
• Atlantic	(2.5)	(0.6)
• Attributed interest	(0.8)	(0.4)
	(12.0)	(9.1)
Cash Impact	(2.2)	(3.1)

NAVES acquisition: future cash and P&L impact and investment

	Year ended Feb 2019	Year ended Feb 2020	Year ended Feb 2021	Year ended Feb 2022	Year ended Feb 2023 & beyond
Maximum cash payable £'m					
Deferred consideration loan notes	0.6	7.1	1.8	1.2	2.5
Earn out notes	-	-	3.2*	3.2**	3.2***
Total	0.6	7.1	5.0	4.4	5.7
Maximum income statement charge	7.2	3.1	1.1	0.2	

* Earnout payment certain

** To be measured in 2020

*** To be measured in 2021

Excludes attributable interest

Discontinued operations

	FY 18/19 £m	FY 17/18 £m
Technical division		
Post tax trading (loss)/profit	(1.6)	0.5
Restructuring cost & interest	(0.6)	-
Write down of intangible assets	(6.1)	-
Estimated impairment	(13.0)	-
Response	(1.4)	(0.5)
Total reported loss	(22.7)	-
Cash Impact	(3.6)	-

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

Group balance sheet

	28 Feb 2019 ** £m	28 Feb 2018 £m
Goodwill and other intangibles	86.0	92.4
Non current assets	5.7	8.1
Current assets	37.1	52.7
Current liabilities	(46.4)	(43.6)
Convertible loan notes and deferred consideration*	(16.9)	(10.7)
Pension net liability	(2.0)	(3.4)
Net assets held for sale (net of cash)	3.9	2.1
Provisions / other	(1.2)	(1.5)
Net (debt) / cash	(7.8)	(2.4)
Net Assets	58.4	93.7

* See Appendix 1 for key terms re. conversion

** FY 2018/19 has been re-presented to reflect the discontinued operations that are part of the Aqualis transaction.

Group cash flow

	FY 18/19 £m	FY 17/18 £m
Cashflow from continuing trading operations	7.8	3.3
Discontinued operations	(3.6)	0.5
Working capital movement	5.1	-
Net interest payment	(1.2)	(0.5)
Net capital expenditure	(2.8)	(1.0)
Tax paid	(1.1)	(0.1)
Pension payments	(0.5)	(0.5)
Acquisition payments	(1.7)	(5.8)
Dividends/purchase of own shares	(6.3)	(4.0)
FX Impact	(1.1)	(1.4)
Movements in cash	(5.4)	(9.5)
Net (debt)/cash	(7.8)	(2.4)

Earnings and dividends (pence per share)

	FY 18/19	FY 17/18
Half Year (pence)	5.0	5.0
Full Year (pence)	10.0	10.0
Total (pence)	15.0	15.0
Underlying EPS (pence)	23.32	19.57
Cover	1.6	1.3

- Proposed Final dividend of 10.0p (at a cost of ~£3.0m), payable on 26 July 2019
- Dividend policy to pay 1:2 split between interim and final

Shipbroking Division

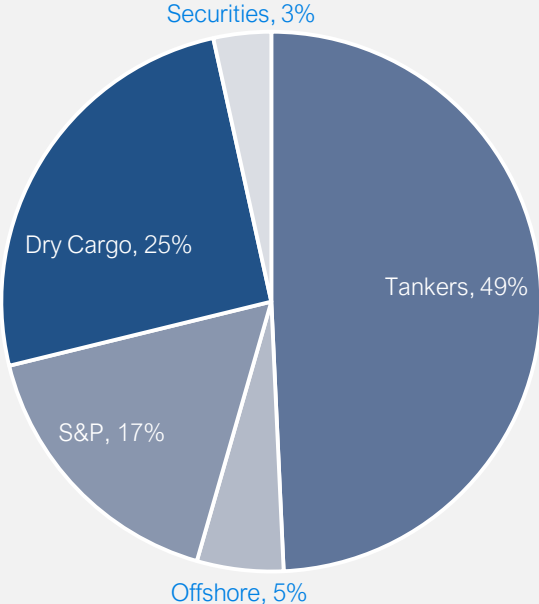
	FY 2018/19	FY2017/18
Revenue	£75.7m	£61.8m
Underlying operating profit	£9.3m	£7.7m
Staff	301	298
Forward order book	\$43.1m	\$44.0m
Total transactions	5,948	6,073

- Revenues excluding Atlantic up 18% year on year, 22% overall
- Forward order book maintained with US\$27.6m to be realised in the next 12 months (2018: US\$24.0m)
- Investment in recruitment of high quality brokers reaping rewards – 14 net new brokers in Dry Cargo and strong second half performance
- NAVES relationship opening up new opportunities for Shipbroking
- Atlantic Securities – team of 12 brokers across coal and dry FFA's; coal derivative market volumes subdued; leading physical coal broker in the UK

Shipbroking – Revenue by desk

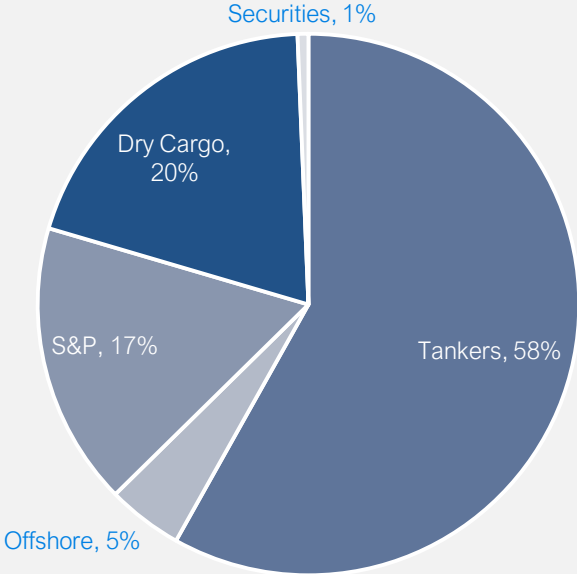
- Investment in Dry Cargo desk has contributed towards material uplift in revenues

FY 2018/19



	FY19	FY19	Heads	Rev/Head
	£m	%	No	£'000
Tankers	37.1	49%	107.0	346.7
Dry Cargo	19.1	25%	88.0	217.0

FY2017/18



	FY18	FY18	Heads	Rev/Head
	£m	%	No	£'000
Tankers	36.1	58%	119.0	303.4
Dry Cargo	12.3	20%	76.0	161.8

International Maritime Organisation regulations

- Market Opportunities

- IMO's global 0.5% (presently 3.5%) fuel sulphur content cap regulation in force from 1 Jan 2020
- 0.1% sulphur cap Emission Control Areas (ECAs) in the Baltic Sea, North Sea and US coastline. Other countries implementing their own regulations
- Conundrum for shipowners. Choices with an uncertain pay-back
- Refiners will make configuration and production changes to meet demand, but at what pace?
- Marine Gas Oil (MGO) premium to Heavy Sulphur Fuel Oil (HSFO) has averaged \$250 /tonne
- Global MGO and ULSFO (0.1% Ultra Low Sulphur Fuel Oil) availability and storage opportunities
- Impact of reduced fleet capacity while vessels dry-dock to fit a scrubber (capex ~\$3m)
- Dis-location and freight pricing effects
- Longer term fuel choices for newbuildings (e.g. LNG)

Financial Division

	FY 2018/19	FY 2017/18*
Revenue	£7.0m	£3.7m
Underlying operating profit	£2.1m	£1.8m
Operating margin	30.0%	48.6%
Staff numbers	20	17

* 5 months only

- Good pipeline of advisory and re-financing business - less reliance on restructuring and insolvency work and the conventional ship-lending banks
- Revenue mix - shifting towards success fees as opposed to retainers
- Well integrated with Shipbroking and on-going relationship with **AqualisBraemar** – “one-stop shop” offering appeals to Private Equity funds
- October 2018 – set up Singapore operation within our Shipbroking office

Financial – broad client base

- Increasingly diversified and broad client base
- Retainer income covers operating costs

	# May 19	# Oct 18
Retainer only	10	16
Retainer + success fee	11	5
Success fee only	11	9
Number of clients	32	30
	£m	£m (half-year)
Retainer income	4.1	1.8
Success fees	2.9	2.6
Income	7.0	4.4

Current mandates include:

- Sell-side advice for dry bulk fleet disposal
- Sell-side advice for tanker company disposal
- LNG newbuilding financing
- Owner support for several high leverage refinancings
- Numerous vessel restructurings
- Advice on loan portfolio management
- Disposal and refinancing of cruise ship

Logistics Division

Port Agency

Revenue
Underlying operating profit
Margin

FY 2018/19
£8.2m
£0.7m
8.5%

FY 2017/18
£8.2m
£0.6m
8.5%

- Good performance from global hub operations
- Two new overseas offices – set-up costs incurred in H1; revenues from H2
- Market leader in the UK, maintaining share

Freight Forwarding

Revenue
Underlying operating profit
Margin

FY 2018/19
£23.9m
£0.1m
0.4%

FY 2017/18
£25.0m
£0.2m
0.4%

- Market challenges of virtual platforms and consolidation within the container lines
- Structural changes and cost saving measures planned for 2019/20

Staff Numbers for **Logistics**: FY 2018/19: 192 FY 2017/18: 194

Engineering Division - Braemar Engineering only

	FY 18/19	FY 17/18
Revenue	£3.1m	£4.2m
Underlying operating profit / (loss)	(£0.3m)	(£0.1m)
Staff	16	15

- Concentration on LNG market and newbuilding supervision services
- Synergies with Shipbroking operations
- Pipeline of opportunities for 2019/20 increasing

Summary and outlook

- Shipbroking
 - investment in staff, especially in Dry Cargo is paying off
 - IMO 2020 opportunities
 - Increased forward book delivering in next 12 months
- Financial
 - access to much larger transactions and new financial clients
 - high value added services
 - success orientated income will make earnings more variable
- Technical – agreed transaction addresses under-performance and retains upside potential
- Logistics – Steady trading and improved margin
- Focus on development of high margin businesses

BRAEMAR



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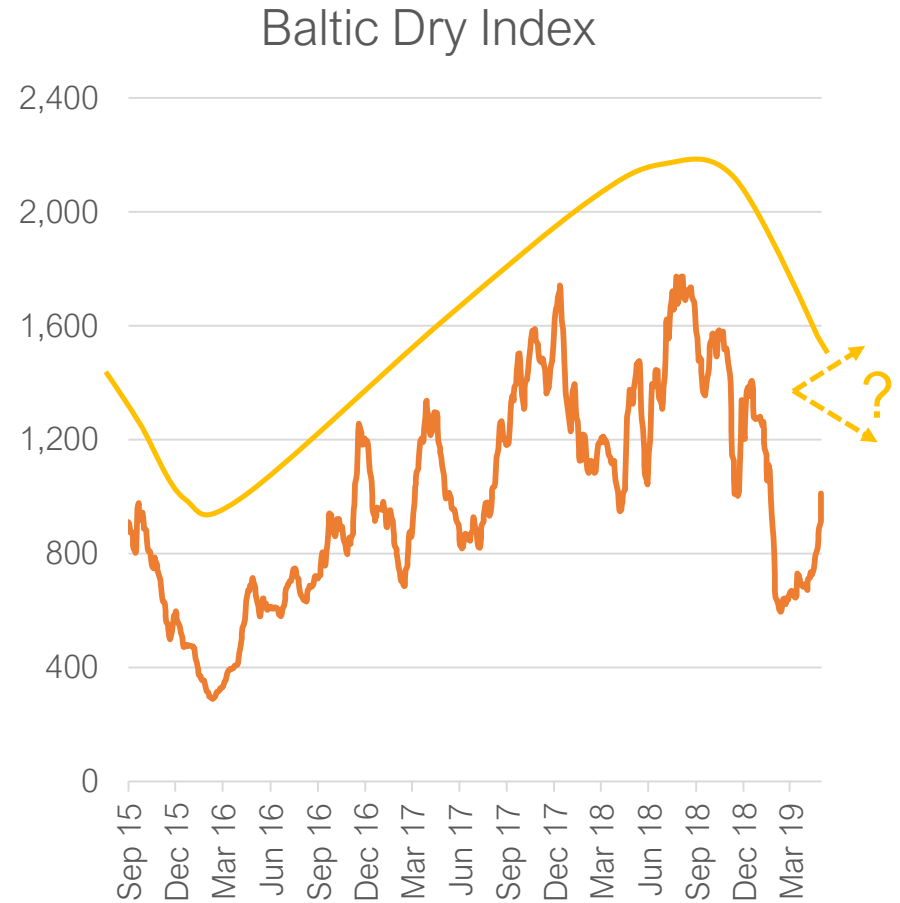
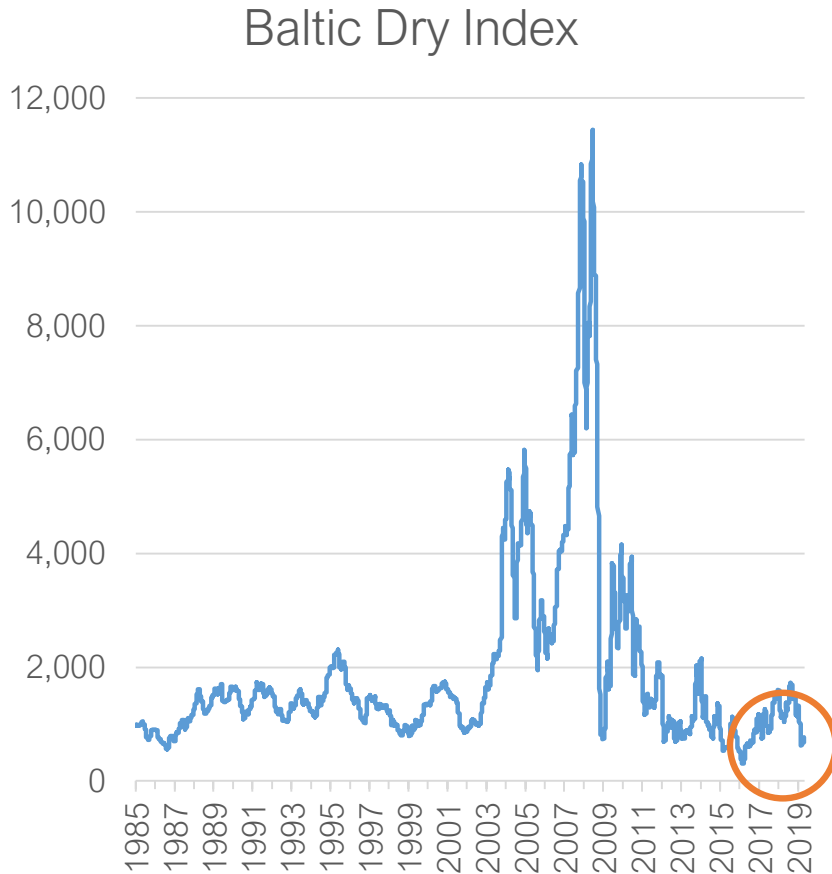
Appendix 1 – NAVES consideration breakdown

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>	16,305	shares (non-management sellers)
<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>	4,200	convertible loan notes
<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>	3,495	convertible loan notes
			24,000	
<u>Max earn-out consideration</u> Management only €2.0m-€4.375m	31-Aug-2018	3,667		convertible loan notes
	31-Aug-2019	3,667		convertible loan notes
	31-Aug-2020	<u>3,667</u>	11,000	convertible loan notes
Total maximum payout			35,000	

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

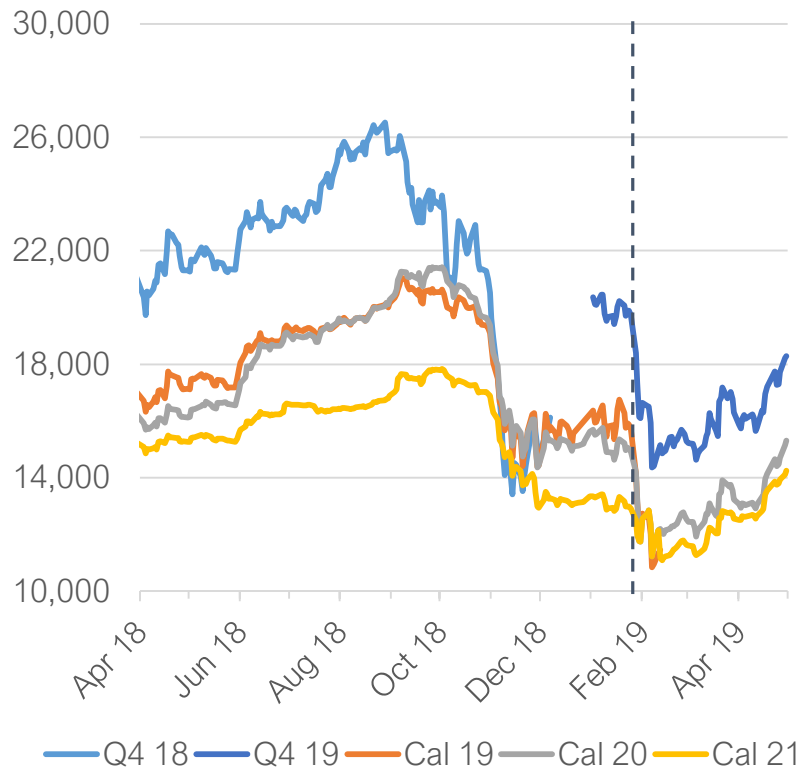
Interest on Loan Notes are payable at 3% p.a. (in March and September) and payable from date of completion (initial and first deferred) or date of issue (second and earn-out)

A missed opportunity or a seasonal trend?

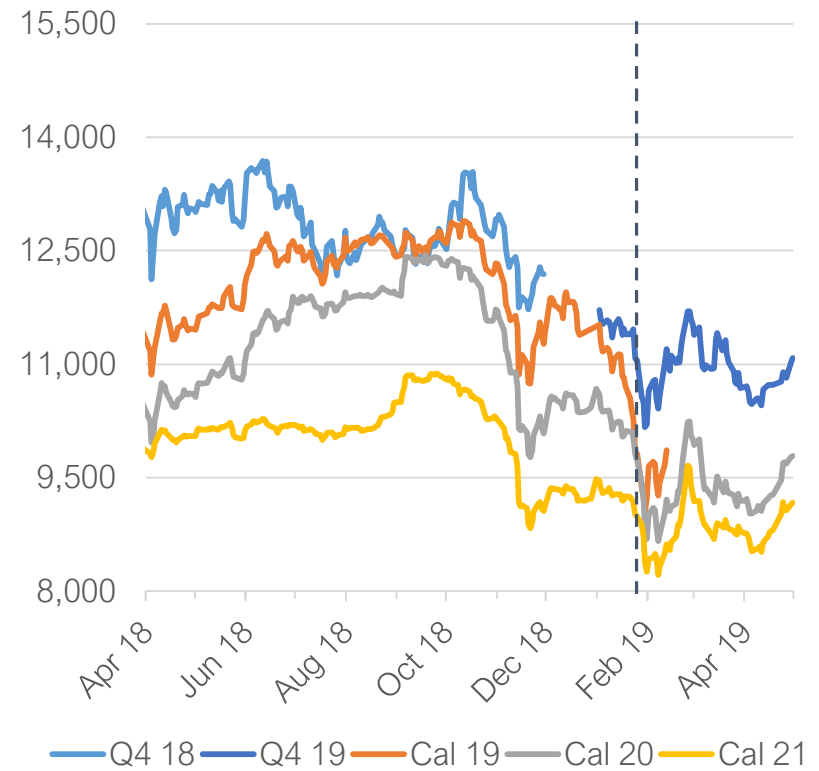


FFAs have recovered their Brumadinho losses, but remain well down on Q3 2018

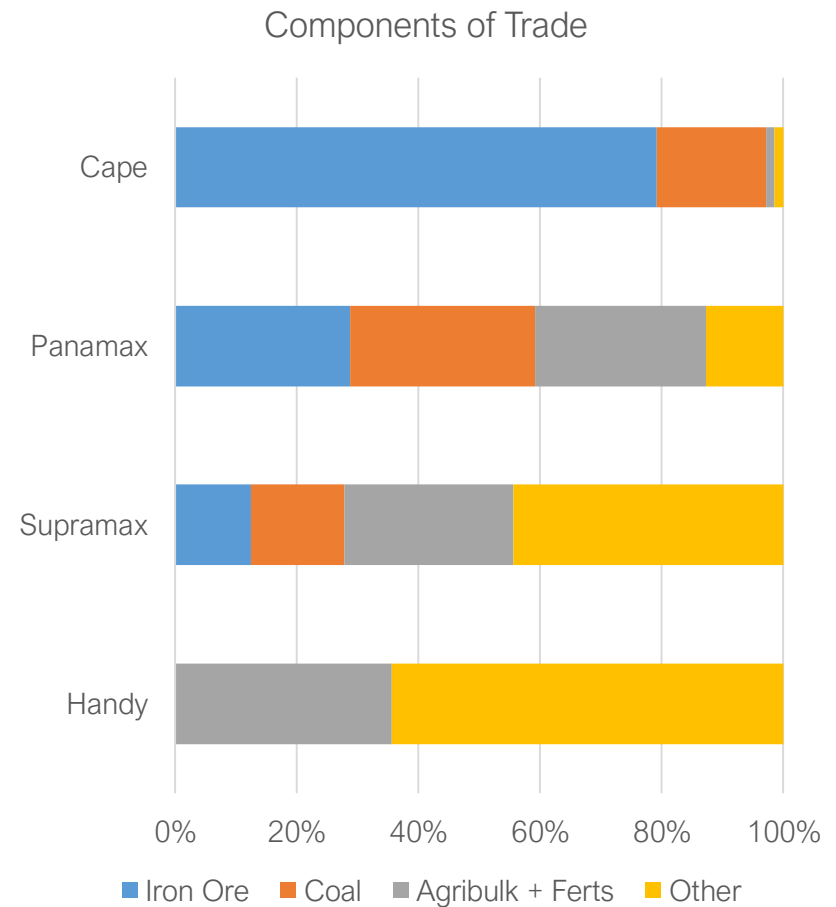
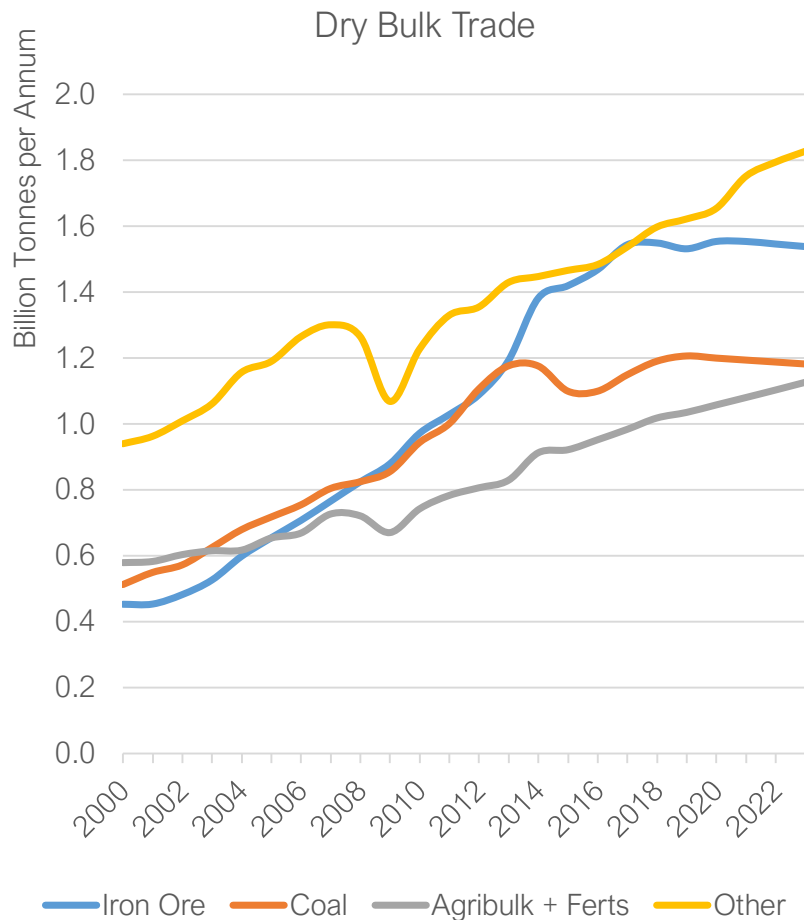
Capesize FFAs \$/day



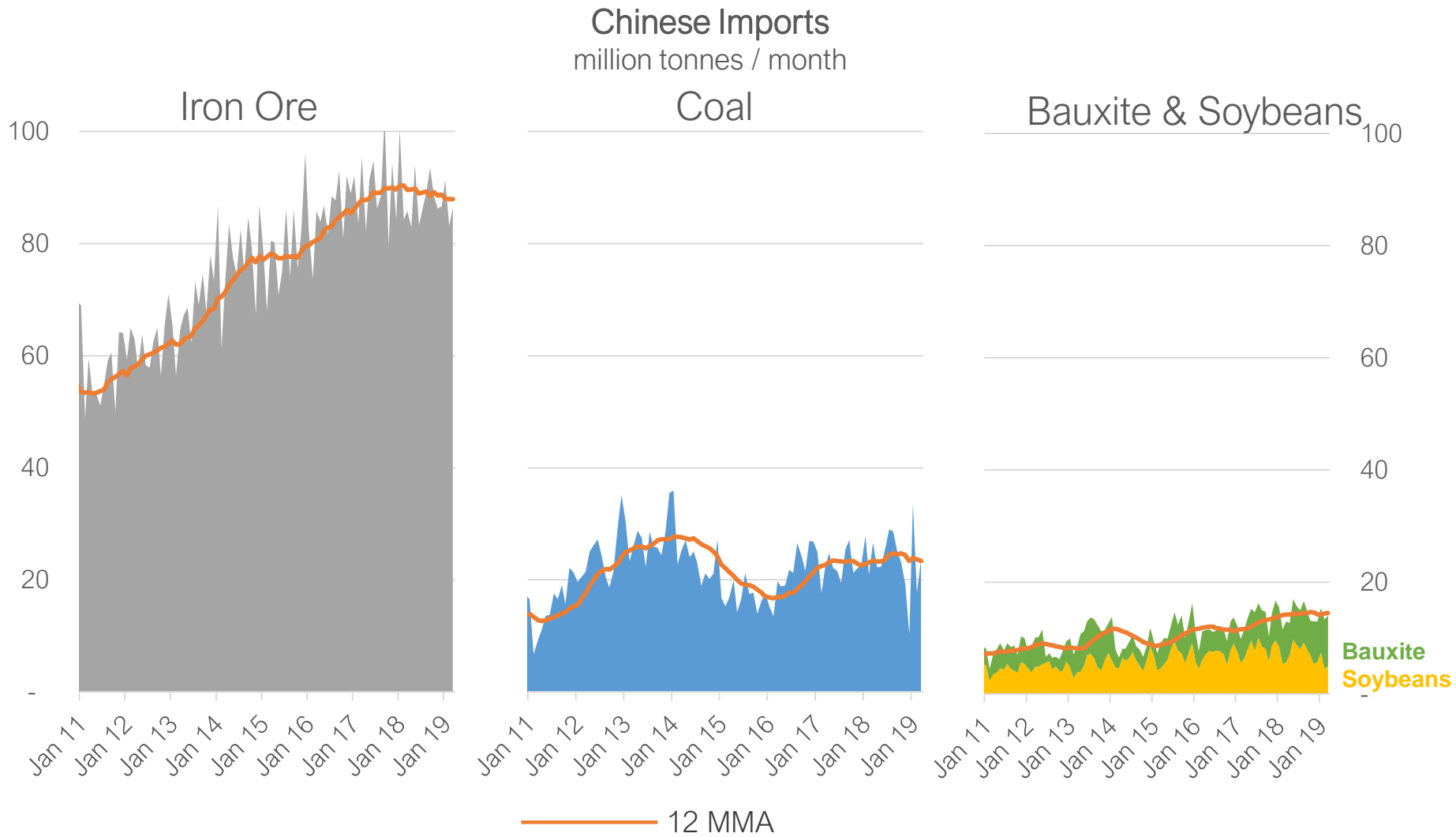
Panamax FFAs \$/day



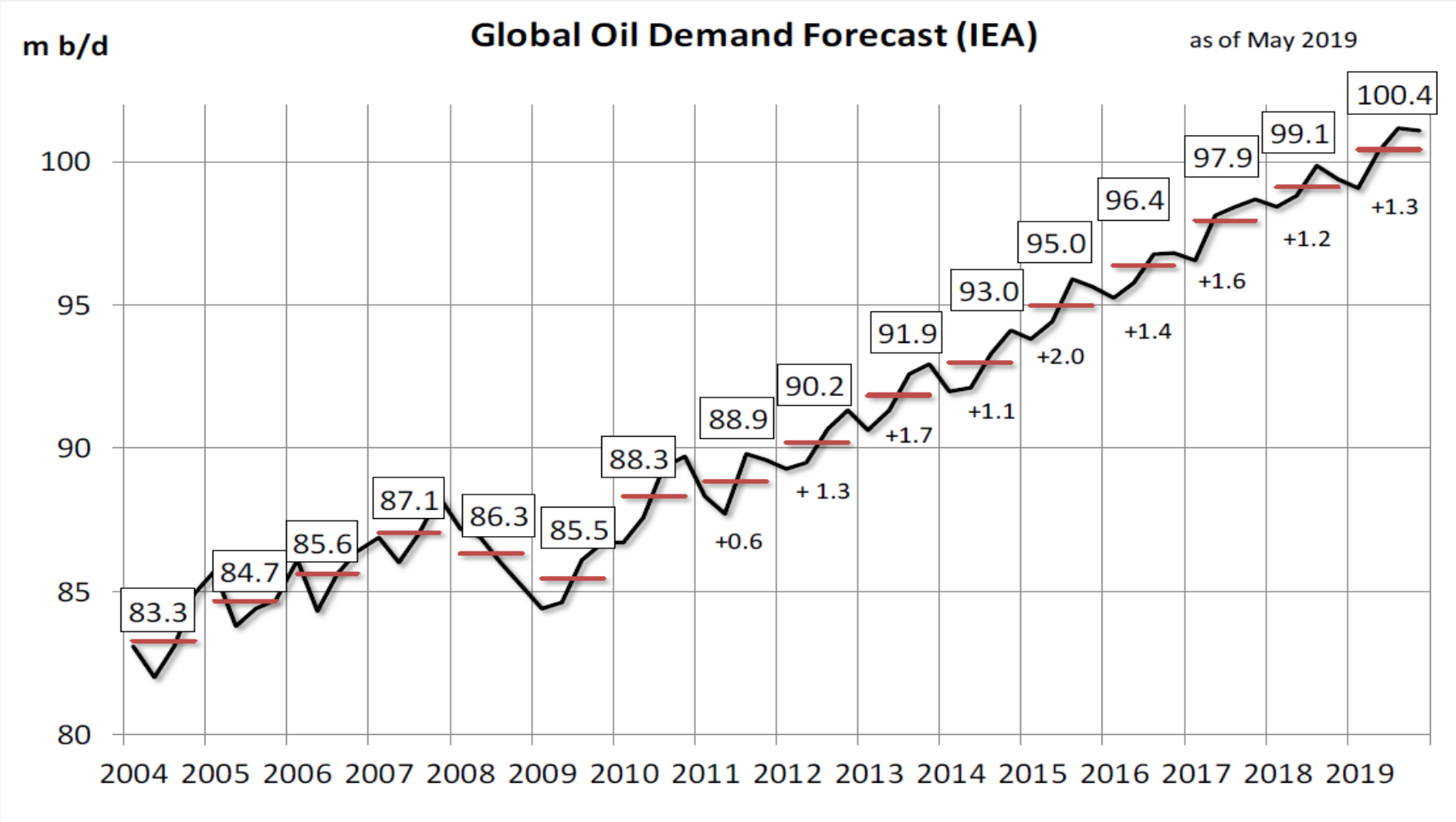
Demand growth is not evenly spread across sectors



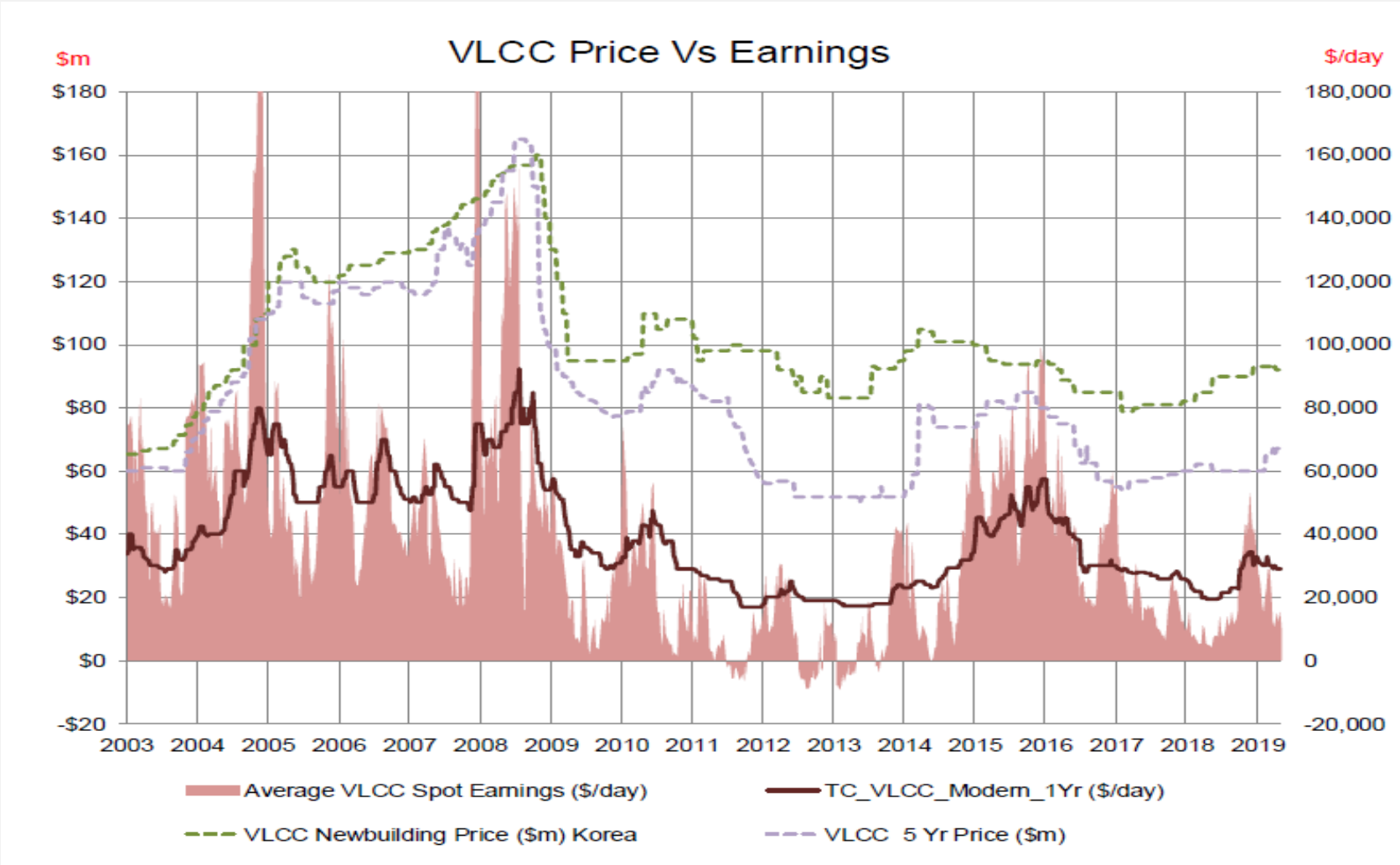
China's top 4 bulk imports: Bauxite overtakes soy



Outlook for oil demand

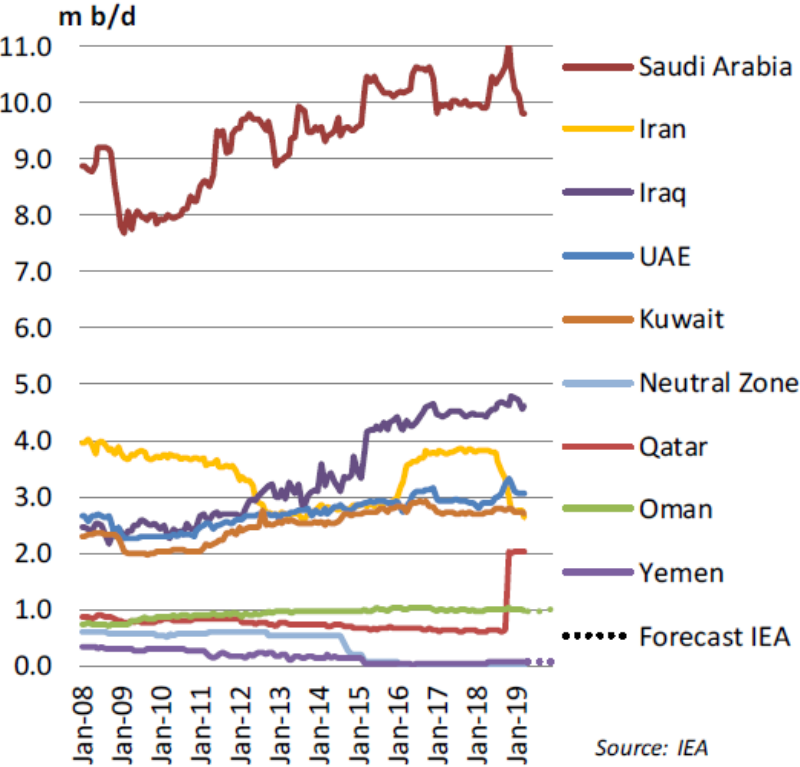


VLCC Price Vs Earnings



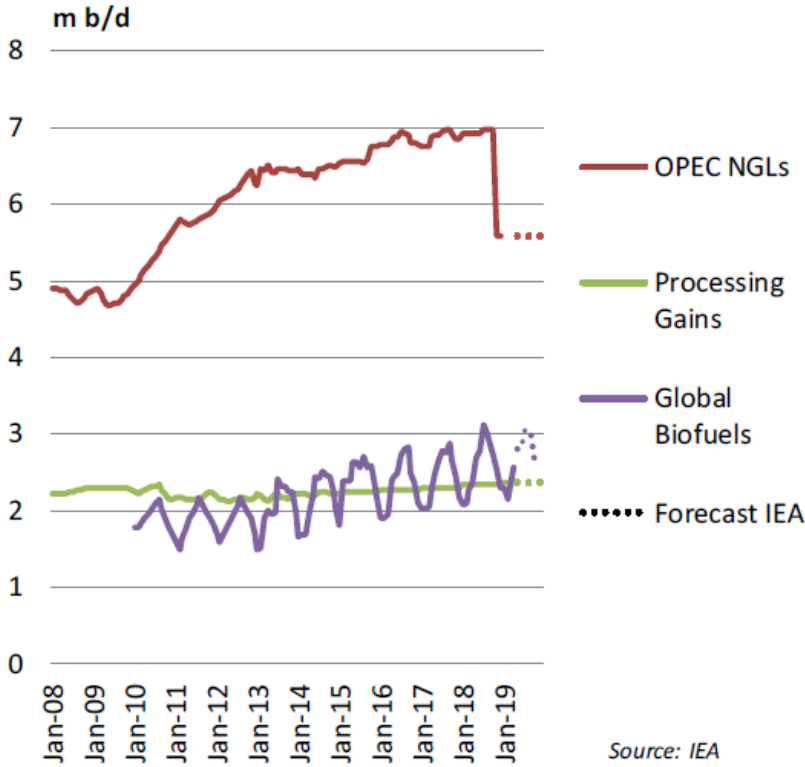
Oil Production

Oil Production in AG / RSea
(Key Net Exporters)



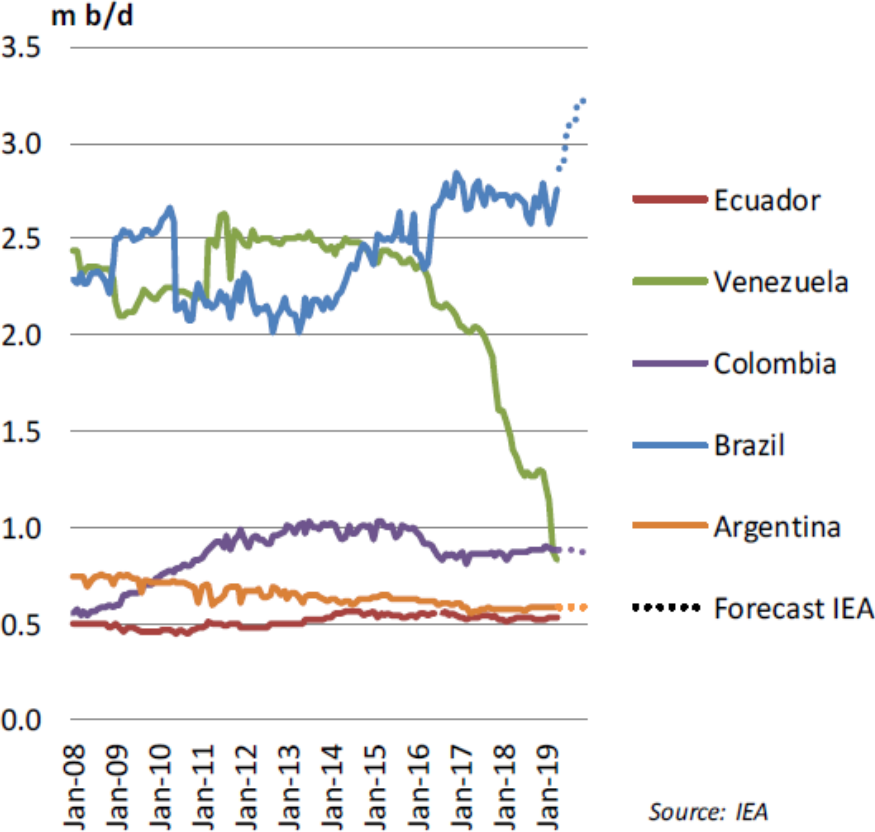
Note: Qatar leaves OPEC effective Jan-19

'Other' Oil Production

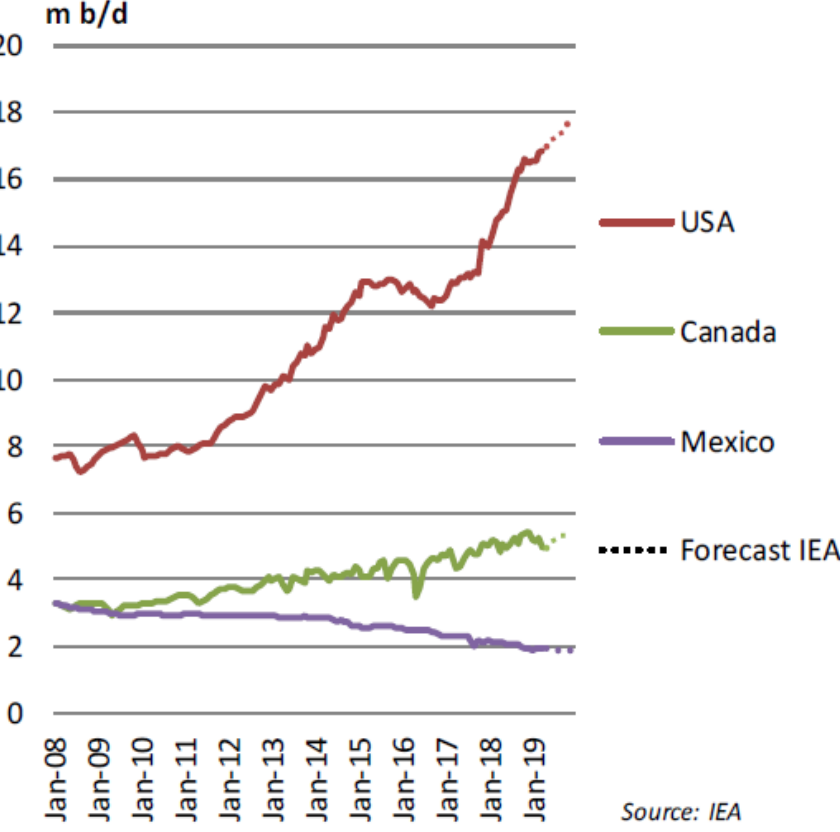


Oil Production

Oil Production in South America (Key Net Exporters)



Oil Production in North America



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