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Braemar Shipping Services plc

Interim Results Presentation

October 2018

Key Highlights

- Shipbroking achieved a strong performance, developed the dry cargo desk and increased its forward order book
- Financial division increased their mandates and performed ahead of expectations
- Technical division – recovery has been slower than expected especially in Offshore
- Logistics maintained UK market share and developed overseas offices
- Disposal of loss making operation, Braemar Response
- Interim dividend of 5.0p
- Well placed to deliver stronger second half business performance

Investment characteristics

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Shipbroking	Financial
• Diverse business mix • Portfolio effect • Remuneration balance • Consistent returns	• High margin • Advisory led • New client facing • Group enhancing
Logistics	**Technical**
• Volume led • Low capital cost • Port Agency strong • Recovery / risk potential - medium	• Competitive pricing • Late cycle delivery • Active management • Recovery / risk potential – high

Segmental Results (underlying)

	H1 2018/19			H1 2017/18			FY 2017/18		
	Revenue £m	Profit £m	Margin %	Revenue £m	Profit £m	Margin %	Revenue £m	Profit £m	Margin %
Shipbroking	34.7	3.9	11.4%	30.4	3.5	11.4%	61.8	7.7	12.5%
Financial	4.4	1.7	37.8%	-	-	-	3.7	1.8	47.6%
Logistics	15.9	0.5	2.9%	16.4	0.6	3.5%	33.2	0.8	2.3%
Technical	16.7	(0.7)	(4.1)%	17.7	(0.2)	(0.8)%	34.6	0.7	2.1%
Central	-	(2.6)	-	-	(1.4)	-	-	(2.9)	-
	71.6	2.8	3.9%	64.5	2.5	3.8%	133.4	8.2	6.1%

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

Specific Items

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	H1 2018/19 £m	H1 2017/18 £m	FY 2017/18 £m
Amortisation	(1.0)	(0.1)	(2.4)
Acquisition Items			
• ACM	(0.1)	(0.6)	(0.6)
• Braemar-Naves	(3.5)	(0.9)	(5.1)
• Braemar-Atlantic	(1.4)	-	(0.6)
• Other	<(0.1)	(0.2)	(0.4)
	(6.1)	**(1.8)**	**(9.1)**
Reconciliation of Underlying PBT to reported PBT:			
Underlying profit before tax	2.5	2.3	7.7
Specific items	(6.1)	(1.8)	(9.1)
Acquisition related finance costs	(0.2)	-	(0.2)
Reported (loss)/profit before tax	**(3.8)**	**0.5**	**(1.5)**

Note: - £0.1m of the total Specific Items for H1 2018/19 represents cash payments, with £6.0m due to accounting charges based on IFRS acquisition accounting.
- Underlying results in H1 2018/19 include £0.8m of one-off costs incurred in the period in relation to Board changes.

Group Balance Sheet

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	H1 2018/19 £m	H1 2017/18** £m	FY 2017/18 £m
Goodwill and other intangibles	92.4	79.8	92.4
Non current assets	7.8	9.2	8.1
Current assets	59.7	53.9	55.6
Current liabilities	(47.7)	(46.8)	(44.4)
Convertible loan notes and deferred consideration*	(14.4)	-	(10.7)
Pension	(3.2)	(4.0)	(3.4)
Provisions / Other	(1.5)	(1.3)	(1.4)
Net (debt) / cash	(9.3)	6.2	(2.4)
Net Assets	**83.8**	**97.0**	**93.7**

* See Appendix 1 for key terms re. conversion

** H1 2017/18 has been represented following the reclassification of Braemar Response as discontinued.

Group Cashflow Statement

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	H1 2018/19 £m	H2 2017/18 £m	H1 2017/18 £m	FY 2017/18 £m
Cashflow from continuing trading operations	1.3	1.0	3.1	4.1
Working capital movement	(1.0)	0.7	0.5	1.2
One-off Board changes	(0.8)	-	-	-
Capital expenditure	(1.0)	(0.6)	(0.4)	(1.0)
Investments in Shipbroking hires	(1.0)	(0.7)	-	(0.7)
Discontinued operations	(0.8)	(0.4)	(0.7)	(1.1)
Pension payments	(0.2)	(0.2)	(0.3)	(0.5)
Acquisition payments	(0.3)	(5.6)	(0.4)	(5.9)
Dividends/purchase of own shares	(3.7)	(1.7)	(2.3)	(4.0)
FX Impact	0.6	(1.4)	(0.2)	(1.6)
Movements in cash	**(6.9)**	**(8.7)**	**(0.9)**	**(9.5)**
Net (debt)/cash	**(9.3)**	**(2.4)**	**6.2**	**(2.4)**

Earnings and Dividend per share

	H1 2018/19	2017/18	2016/17
Half Year	**5.0**	5.0	9.0
Full Year	n/a	10.0	5.0
Total (pence)	n/a	15.0	14.0
Underlying EPS (pence)	6.53	21.14	10.70
Cover	**1.3**	**1.4**	**0.8**

- Proposed interim dividend of 5p (at a cost of c£1.5m), payable on 14 December 2018
- Dividend policy to pay 1:2 split between interim and final
- Dividend cover target remains to build to 1.5x

Shipbroking Division

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	H1 2018/19	H2 2017/18	H1 2017/18
Revenue	£34.7m	£31.4m	£30.4m
Underlying Operating Profit	£3.9m	£4.3m	£3.5m
Staff	296	298	302
Forward Order Book	$46m	$44m	$42m
Total Transactions	3,069	2,995	3,079

- Revenues excluding Atlantic up by 9.5% year on year
- Forward order book up by 9.5% year on year
- Investment in recruitment of high quality brokers reaping rewards – 14 net new brokers in Dry Cargo
- NAVES connection opening up new opportunities for Shipbroking
- Atlantic Securities – team of 12 brokers across coal and dry FFA's; coal derivative market volumes have been subdued; leading physical broker in API 2 and API 4 markets

Shipbroking – Revenue by Desk

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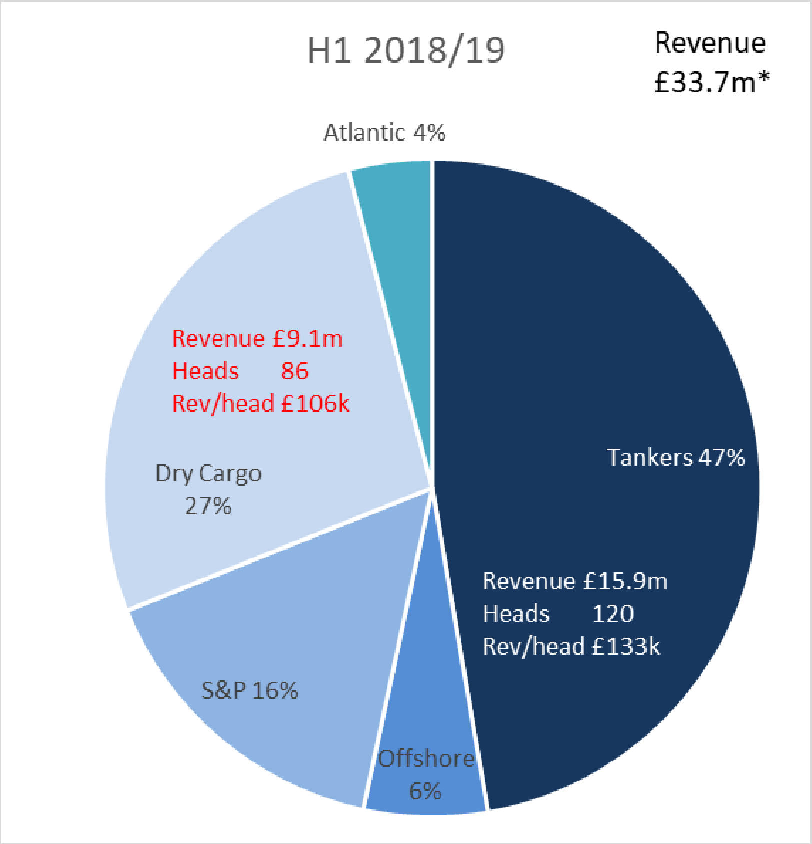
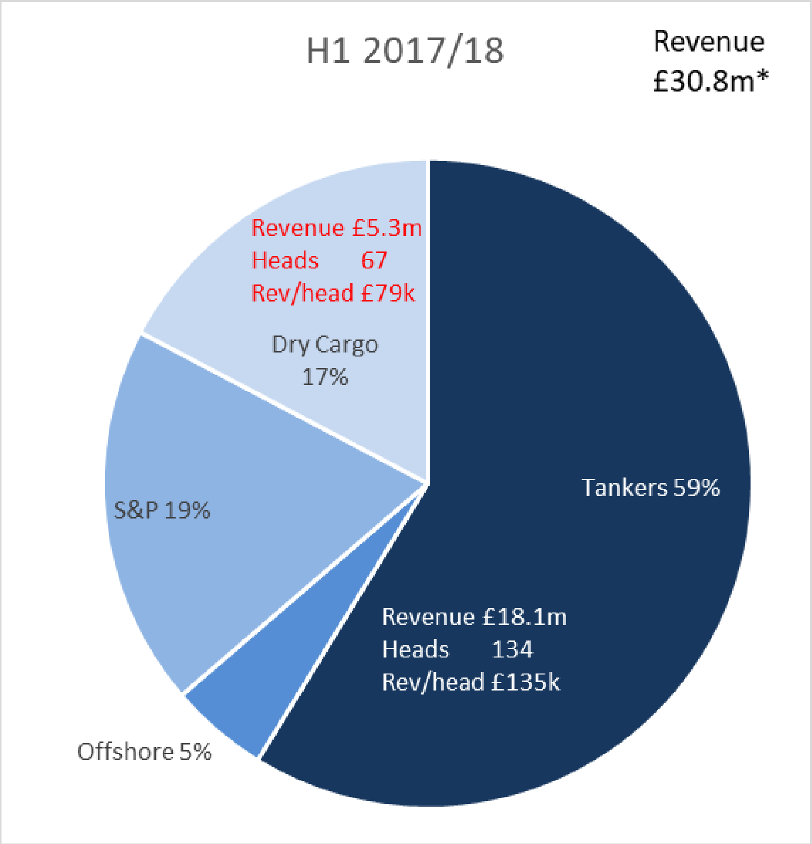
- Investment in Dry Cargo desk has contributed towards material uplift in revenues





Note: Revenue per head is for 6 months only

*Revenues exclude FX and research

Shipbroking – consistent returns

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- Operating margins have been stable over last 4 years – reflecting the diverse mix of shipbroking transactions, the counterbalancing effect of individual market trading cycles and the appropriate balance between fixed and variable remuneration structures

	H1 FY19	FY18	FY17	FY16	FY15***
Revenue (£m)	34.7	61.8	63.1	70.7	53.6
Operating profit (£m)	4.6*	7.9*	7.9	9.7	5.6
No of Staff	296	298	291	334	327
Operating margin %	13.3%	12.8%	12.5%	13.7%	10.4%
Revenue per staff (£k)	£233k**	£207k	£217k	£212k	£164k

* Adjusted for investment cost of new staff

** Annualised

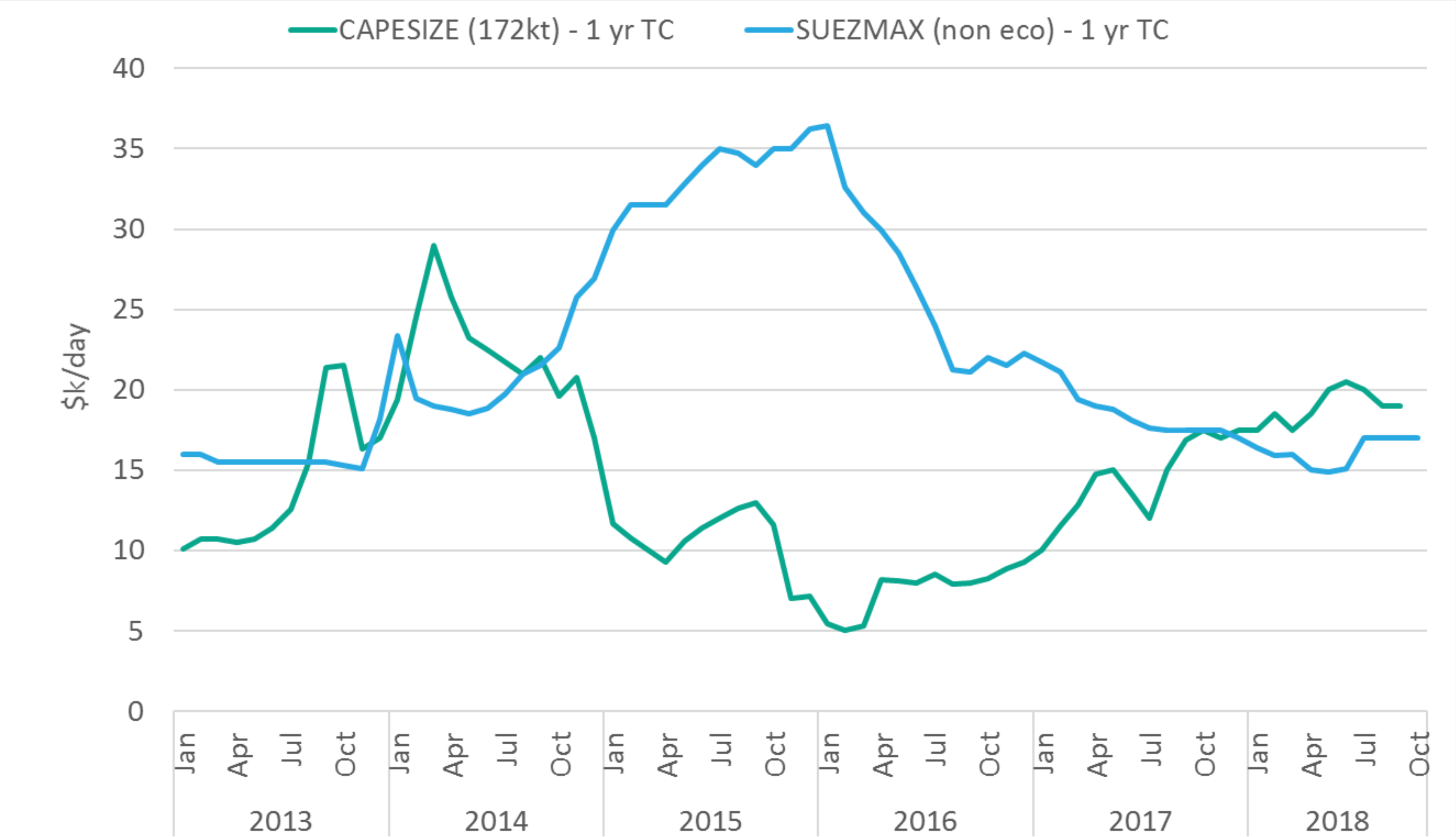
*** The merger with ACM Shipping Group plc completed on July 2014

Seaborne trade outlook

"Global seaborne trade rose by 4% in volume terms in 2017, according to UNCTAD, the fastest growth rate in five years. Expansion was largely driven by increased industrial production in emerging markets, which account for 60% of shipped exports. Rising trade was accompanied by a 3.3% increase in maritime-fleet capacity. UNCTAD thinks the prospects are bright, too. Autonomous ships could boost efficiency in the industry, though job losses and cyber-security concerns may slow adoption of the technology. Despite tensions between America and China, seaborne trade is forecast to rise by another 4% in 2018, and then by 3.8% annually until 2023."

The Economist – Oct 2018

Dry v Crude – time charter rates



Source: Braemar ACM Shipbroking

Financial Division

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	H1 2018/19	H2 2017/18*	H1 2017/18
Revenue	£4.4m	£3.7m	-
Underlying Operating Profit	£1.7m	£1.8m	-
Operating Margin	37.8%	47.6%	-

* 5 months only

- Trading ahead of expectations
- Good pipeline of advisory and refinancing business in both Hamburg and London; less reliance on restructuring and insolvency work and the banks
- Increasingly the balance of revenues is moving towards success fees as opposed to retainers
- Integrating well with Shipbroking and Technical divisions – the one-stop shop offering appeals to our financial clients
- October 2018 – set up Singapore operation (out of our Shipbroking office)

Financials – broad client base

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

	#
Retainer only	16
Retainer + success fee	5
Success fee only	9
No of clients	**30**
	£m
Retainer income	1.8
Success fees	2.6
Income	**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

Technical Division

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	H1 2018/19	H2 2017/18	H1 2017/18
Revenue	£16.7m	£16.9m	£17.7m
Underlying Operating Profit / (Loss)	(£0.7m)	£0.9m	(£0.2m)
Staff	265	261	277

- Offshore recovery slower than expected resulting in trading losses in H1 2018/19
- Tendering activity increasing but low-pricing is cut-throat
- Oil price recovery is stimulating E&P activity but demand for our services is later in the cycle
- Vessel casualty appointments have been low
- Disposal of loss making operation, Braemar Response
- Working on ways to improve financial performance

Technical Revenue By Business Unit

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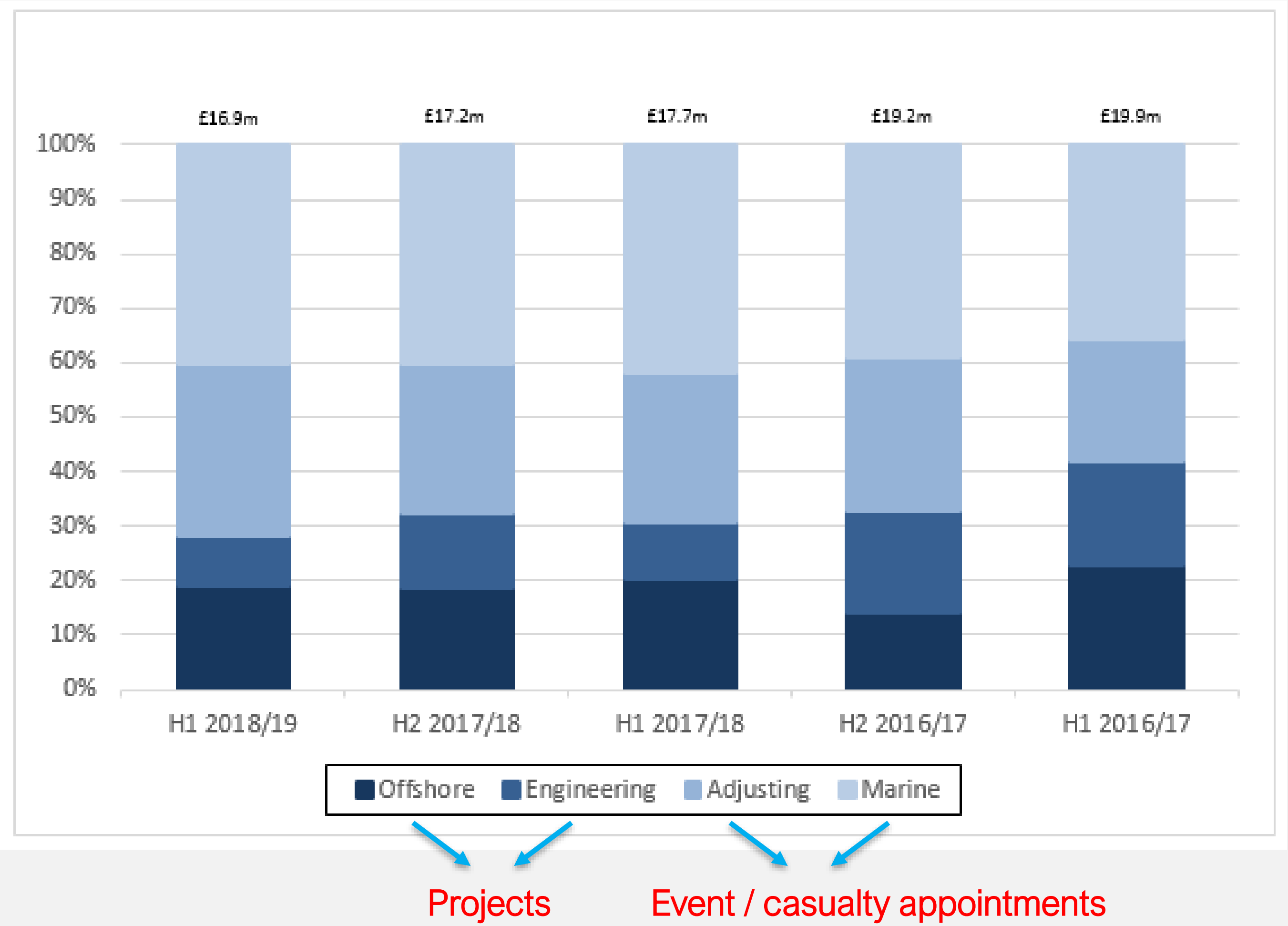

Logistics Division – Port Agency

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	H1 2018/19	H2 2017/18	H1 2017/18
Revenue	£4.1m	£4.2m	£4.0m
Underlying Operating Profit	£0.4m	£0.2m	£0.4m
Margin	8.5%	4.7%	12.0%

- Trading in line with expectations
- 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
- UK market has been relatively flat after a quiet summer

Logistics Division – Freight Forwarding

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	H1 2018/19	H2 2017/18	H1 2017/18
Revenue	£11.8m	£12.6m	£12.4m
Underlying Operating Profit	£0.1m	£0m	£0.2m
Margin	1.0%	0%	1.0%

- Revenue and margins below expectations
- Operational issues in the Port of Felixstowe
- New business wins in H1 expected to deliver in H2
- Market challenges of virtual platforms and consolidation within the container lines

Summary and Outlook

- Shipbroking
  - investment in staff, especially in Dry Cargo is paying off
  - recent uptick in the tanker market

- Financial
  - access to much larger transactions
  - high value added services
  - access to new financial clients
  - success orientated income will make earnings more variable

- Technical – addressing underperformance

- Logistics – H2 expected to be consistent with H1

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Appendix 1 – NAVES consideration breakdown

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TRANCHE	DATE	€'000	€'000	COLLATERAL
Initial consideration	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	
First deferred consideration	26-Sep-2018	700		cash
All sellers	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	
Second deferred consideration	26-Sep-2018	699		convertible loan notes
Management only	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	
Max earn-out consideration	31-Aug-2018	3,667		convertible loan notes
Management only	31-Aug-2019	3,667		convertible loan notes
€2.0m-€4.375m	31-Aug-2020	3,667		convertible loan notes
			11,000	
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)

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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. In particular, we have separated the impact of individual material capital transactions, such as acquisitions and disposals from ongoing trading activity to allow focus on ongoing operational performance. Our APMs include underlying operating profit and underlying earnings per share. Our prior year APMs have been restated to reflect the reclassification of discontinued operations.

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