

Arctic Shipping

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EURN, HLNG, EGLE

- **EURN - Supervisory board with a big “NO” to CMB...**
- **EURN - ...and we continue to support the proposed merger with FRO**
- **HLNG - Signed two binding 10yr FSRU contracts with Germany**
- **EGLE Q1/22 - Beating DPS expectations**

EURN - Supervisory board with a big “NO” to CMB...

In a letter to EURN’s shareholders, the supervisory board strongly urges shareholders to vote against the three “additional, non-independent and conflicted candidates” put forward by CMB for the supervisory board and to vote only in favour of the three EURN nominees. CMB has previously suggested that Ludovic Saverys (brother of Alexander Saverys), CMB director Patrick De Brabandere and Bjarte Boe should join the board. Furthermore, the supervisory board laid out its views on CMB’s alternative business plan, which would involve contributing CMB.Tech (CMB’s early-stage division of diversified marine and industrial applications running on hydrogen and ammonia) into EURN in exchange for a “substantial issuance of EURN shares”. In turn, the development of CMB.Tech would be funded by the sale of EURN’s tanker fleet. EURN’s supervisory board deems that the alternative strategy would not be in the best interest of existing shareholders and that it would most likely destroy values. According to the letter, the proposal involves no synergies and offers no prospect of dividends in the coming years given the substantial capex program involved.

EURN - ...and we continue to support the proposed merger with FRO

Although CMB.Tech is clearly an interesting and innovative company, (after all, it delivered the world’s first hydrogen-powered ferry - the Hydrobingo, dual-fuel trucks, hydrogen-powered excavators and green hydrogen production plants), our view remains that the proposed merger with FRO would be the better option for EURN’s shareholders. We believe that existing EURN shareholders bought into a pure-play tanker company ahead of the expected market recovery (which would involve handsome dividends), not a cleantech company (which will likely require heavy capex). In the event that EURN and FRO merge, the shareholders’ exposure to the underlying market would remain, however, the platform and the market cap would be bigger, which would likely attract the interest of more investors. Furthermore, and as we have previously highlighted, we believe that the merger is a win-win that will offer EURN shareholders the opportunity to achieve NAV pricing, and that the proposed terms are fair. CMB’s alternative strategy, on the other hand, would mean that EURN is no longer a pure-play tanker exposure, and we would not be surprised if the result would be a significant discount to underlying values, as such set-ups tend to be less appreciated by the market than pure-plays.

HLNG - Signed two binding 10yr FSRU contracts with Germany

HLNG signed binding implementation agreements with the German Federal Ministry of Economic Affairs and Climate Action to charter out 2x FSRUs from its fleet of operations in Germany. Detailed contracts will be completed by September/October, and FSRU operations are expected to commence at the end of this year. We estimate that the contracts will have an annual EBITDA around USD 40-51m/annum per ship. In other words, HLNG just added USD 800-1bn in firm EBITDA against a AAA counterparty which compares to deconsolidated debt of about USD 1.2bn. As both contracts are with HLNG Holdings, we expect that the Höegh Galleon, previously intended for the AIE contract will go on this contract, in addition to the Höegh Esperanza. Bonds are completely de-risked following this deal (all HLNG Holdings ships are on firm contracts until 2026+)



Lars Bastian Østereng
+47 22 93 72 13 · lars.ostereng@arctic.com



Kristoffer Barth Skeie
+47 21 01 30 27 · kristoffer.skeie@arctic.com



(the independence will be sold at book value following its contract expiry). Company should have run rate leverage below 5.5x following this and in our view the 2025's should pull towards 400-450bps area.

EGLE Q1/22 - Beating DPS expectations

On the back of an achieved TCE rate of USD -27.4k/d, EGLE reported EBITDA of USD 80.0m (ARCe: USD 87.0m, Cons.: USD 87.0m) and basic earnings per share of USD 4.09 (-22% vs ARCe of USD 5.24, -20% vs Cons of USD 5.10). However, when adjusting for unrealised loss on derivatives, EBITDA and EPS came in at USD 85.0m and USD 4.97m, respectively. Given the strong result, the company decided to declare a dividend for the quarter of USD 2.00/sh (ARCe: USD 1.57, Cons.: USD 1.45), pointing to a dividend yield of ~12% and a pay-out ratio of ~40% (of adj. EPS), versus the pay-out policy of minimum 30%. Looking into Q2/22, the EGLE has covered 83% of its available days at USD -29.3k/d. When factoring in scheduled off-hire of 213 days and assuming current market rates on open days, the guiding points to an EBITDA of more than USD 100m and an EPS of USD 6.5-7.0. This compares to consensus EBITDA expectations of USD 79.3m. As such, we see positive estimate revisions in the short-term.

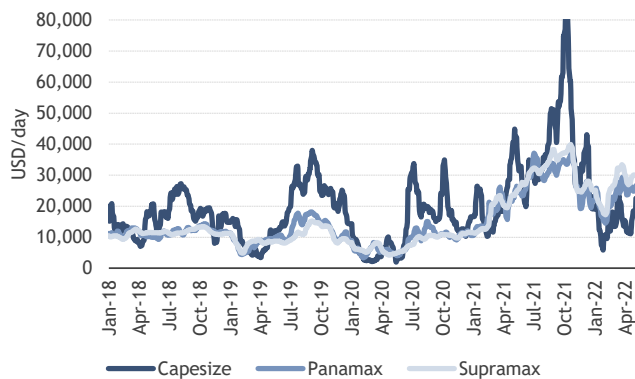
Tables and graphs

Rates

Rates		Last	1D	1W	1M	YTD'22	FY'21	FY'20
Dry Bulk								
BDI	Index	2,644	6.4%	10.0%	19.5%	2,110	2,921	1,066
Capesize	USD/day	22,569	17.3%	26.6%	67.6%	14,878	32,961	13,050
Panamax	"	26,650	3.4%	7.1%	5.6%	22,892	25,410	8,593
Supramax	"	30,053	0.0%	-0.1%	2.7%	26,249	26,665	8,210
Crude Tankers								
VLCC - AG - China	"	-8,327	11.3%	196.3%	85.8%	-5,542	-396	48,521
Suezmax - Avg	"	21,097	-17.8%	-31.4%	-75.9%	35,123	1,825	25,496
Aframax - Avg	"	27,961	-9.6%	-24.8%	-56.0%	33,076	3,935	18,190
Product Tankers								
LR2 - Basket - Weekly	"	40,002	n.a.	150.5%	104.1%	11,960	9,366	32,089
LR1 - Basket - Weekly	"	43,620	n.a.	91.1%	105.4%	15,120	9,251	24,275
MR - Basket - Weekly	"	26,408	n.a.	-4.7%	23.5%	18,333	7,661	17,432
LPG								
VLGC Spot	"	29,729	-5.3%	-13.0%	-0.5%	27,740	30,897	45,938
BLPG (AG - Japan)	Index	66.0	-1.6%	-3.8%	1.8%	60.4	52.6	59.6
LNG								
138-150kcbm ST - Avg	USD/day	35,000	n.a.	0.0%	20.7%	27,250	70,358	42,817
160kcbm TFDE - Avg	"	50,250	n.a.	0.0%	22.6%	38,583	94,618	59,625
174kcbm X-DF/MEGI - Est	"	75,000	n.a.	0.0%	20.0%	58,333	110,774	69,067
1-yr TC (160kcbm TFDE)	"	108,000	n.a.	0.9%	5.4%	93,917	79,033	52,462
Container								
4250 TEU	"	104,520	n.a.	1.1%	-5.2%	103,079	61,527	13,708
3500 TEU	"	89,275	n.a.	-0.4%	-6.5%	89,537	52,986	11,439
2700 TEU	"	78,182	n.a.	-0.3%	-7.2%	79,471	48,475	10,701
2500 TEU	"	70,455	n.a.	-1.1%	-10.2%	73,172	43,891	9,835
1700 TEU	"	58,750	n.a.	-3.2%	-19.8%	65,227	37,063	8,071
World Container Index	USD/FEU	7,728	n.a.	-0.5%	-5.2%	8,882	7,520	2,136

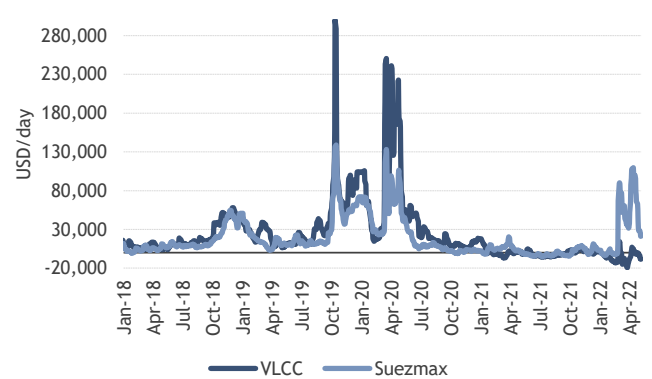
Source: Arctic Securities Research, Bloomberg, Poten, Baltic Exchange

Dry bulk spot rates



Source: Arctic Securities Research, Bloomberg

Crude tanker spot rates



Source: Arctic Securities Research, Bloomberg

Commodities, spreads and dry bulk FFAs

Dry Commodities		Last	1D	1W	1M	YTD'22	2021	2020
Iron Ore (62%) - China	USD/ton	130.4	0.0%	0.0%	-10.0%	131.8	155.7	104.5
Iron Ore (58%) - China	"	126.3	0.0%	0.0%	-3.7%	117.7	130.6	93.8
Steel (HRC) - China	"	775	0.0%	0.3%	-6.7%	793	825	555
Coal (AUS) - Hard Coking FOB	"	487.0	0.0%	-7.2%	28.2%	457.9	220.2	131.3
Coal (IDN) - Thermal FOB	"	98.0	1.0%	6.8%	2.0%	87.8	65.2	131.3
Coal (China) - Thermal FOB	"	176.1	0.0%	0.0%	-13.5%	180.8	132.3	82.6
Metals (Bloomberg)	Index	190	-1.4%	-5.2%	-11.6%	198	156	111
Grains (Bloomberg)	"	392	1.4%	-0.7%	4.2%	352	281	195
Alu (China)	USD/ton	3,113	-1.1%	-1.0%	-12.8%	3,438	2,933	2,060
Oil		Last	1D	1W	1M	YTD'22	2021	2020
Brent	USD/bbl	110.9	0.7%	3.1%	4.0%	100.5	70.9	43.3
WTI	"	96.0	-1.0%	5.3%	3.8%	85.6	60.0	35.3
Brent (12M)	"	94.4	0.2%	1.9%	-0.3%	87.0	65.8	46.2
WTI (12m)	"	86.0	-0.1%	1.8%	1.4%	76.9	55.8	35.9
Urals	"	86.6	1.4%	14.1%	2.8%	86.8	68.9	42.3
Gas		Last	1D	1W	1M	YTD'22	2021	2020
Mt Belvieu	USD/ton	666	-0.4%	-1.6%	-3.9%	683	546	242
LPG - Far East 1M	"	826	-0.9%	-3.0%	-3.3%	841	670	386
LPG - Saudi	"	818	0.4%	-3.7%	-2.6%	810	623	372
Natural gas - Henry Hub	USD/MMBtu	8.5	2.2%	24.7%	42.6%	5.3	3.8	2.0
Natural gas - TTF	"	32.8	2.2%	6.7%	-5.5%	31.4	9.8	4.6
Natural gas - JKM	"	24.1	0.4%	-2.7%	-27.8%	30.1	18.0	4.2
Marine fuels		Last	1D	1W	1M	YTD'22	2021	2020
MGO - Singapore	USD/ton	1247	2.4%	5.9%	12.7%	966	583	387
HFO - Singapore	"	768	-1.9%	-0.5%	6.7%	619	421	274
VLSFO - Singapore	"	873	0.6%	4.3%	2.0%	792	535	366
Spreads		Last	1D (abs)	1W	1M	YTD'22	2021	2020
Brent - 3M less 1M	USD/bbl	-3.6	-0.4	-1.7	-0.8	-3.6	-1.1	1.0
HFO - MGO spread	"	479.0	44.0	17.8%	6.0%	347.5	162.1	112.7
LPG - (US - Asia)	USD/ton	160.4	-4.6	-14.3	-1.2	158.2	124.2	143.6
Nat Gas - (TTF - HHUB)	USD/MMBtu	24.3	0.5	0.4	-4.4	26.1	6.0	2.6
Iron Ore (62%-58%)	USD/ton	4.2	0.0	0.0	-9.7	14.1	25.0	10.7
Crude (Brent - Urals)	USD/bbl	24.3	-0.4	-7.4	1.9	13.7	2.0	1.0

Source: Arctic Securities Research, Bloomberg

Asset values

Asset values		Capesize	Panamax	Supramax	Handysize	VLCC	Suezmax	Aframax	MR
Newbuild	<i>USDm</i>	64.0	41.0	38.0	33.0	110.0	77.0	62.0	42.0
Resale	"	63.0	43.0	40.5	34.0	98.0	69.0	57.0	40.0
5 years	"	52.0	37.0	36.0	30.0	77.0	54.0	48.0	33.0
10 years	"	37.0	28.0	25.0	21.0	50.0	37.5	32.0	20.0
15 years	"	23.0	20.0	18.5	16.0	36.0	26.0	20.0	13.5
Scrap	"	17.3	9.4	9.1	7.8	29.1	17.6	13.5	7.7
W-o-W change*		Capesize	Panamax	Supramax	Handysize	VLCC	Suezmax	Aframax	MR
Newbuild	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Resale	"	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5 years	"	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
10 years	"	2.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
15 years	"	4.5%	0.0%	0.0%	10.3%	0.0%	0.0%	0.0%	0.0%
Scrap	"	0.0%	0.0%	4.0%	2.2%	0.0%	0.0%	0.0%	0.0%

*Last update: 29-Apr-22

Source: Arctic Securities Research, Arctic Shipping

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Contact Information

	Norway	Sweden	USA	Brazil	Germany
Mailing Address:	Arctic Securities AS P.O. Box 1833 Vika NO-0123 Oslo Norway	Arctic Securities AS Sweden Branch Biblioteksgatan 8 SE-111 46 Stockholm	Arctic Securities LLC 1 Rockefeller Plaza Suite 1706, New York NY 10022	Arctic Brasil Escritório de representação Ltda Rua Lauro Müller, 116 - Sala 4404 Torre do Rio Sul / Botafogo 22290-160 Rio de Janeiro	Arctic Securities AS Germany Branch Deichstraße 48/50 20459 Hamburg
Visiting Address:	Haakon VII's gt. 5 0161 Oslo Norway	Arctic Securities AS Sweden Branch Biblioteksgatan 8 SE-111 46 Stockholm	Arctic Securities LLC 1 Rockefeller Plaza Suite 1706, New York NY 10022	Arctic Brasil Escritório de representação Ltda Rua Lauro Müller, 116 - Sala 4404 Torre do Rio Sul / Botafogo 22290-160 Rio de Janeiro	Arctic Securities AS Germany Branch Deichstraße 48/50 20459 Hamburg
Phone:	+47 21 01 31 00	+46 844 68 6100	+1 (212) 597 5555	+5521 2025 7400	+49 40 29999020
E-mail:	mail.no@arctic.com	mail.se@arctic.com	mail.us@arctic.com	mail@arctic.com.br	mail.de@arctic.com
Website:	www.arctic.com/secno				