



SONGA BULK AS

Company Update

9 February 2017





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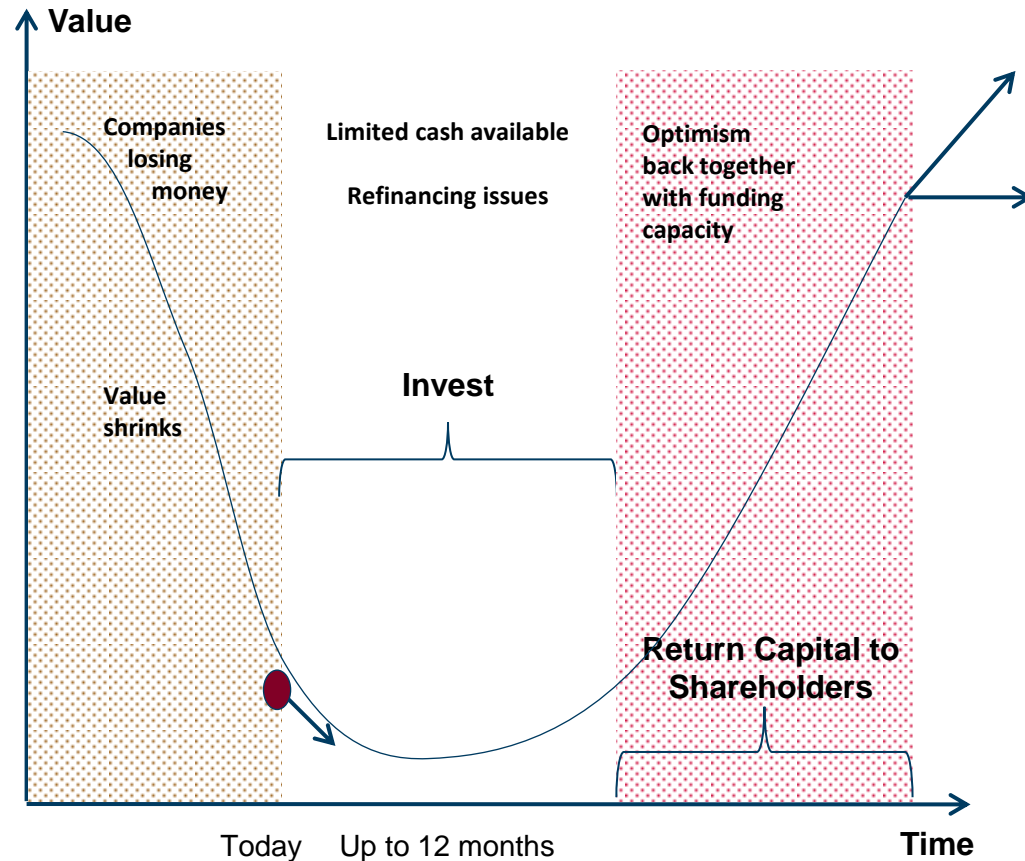
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PRESENTING SONGA BULK AS

A dry bulk shipping investment vehicle founded by the Blystad Group and Herman Billung

Investment strategy



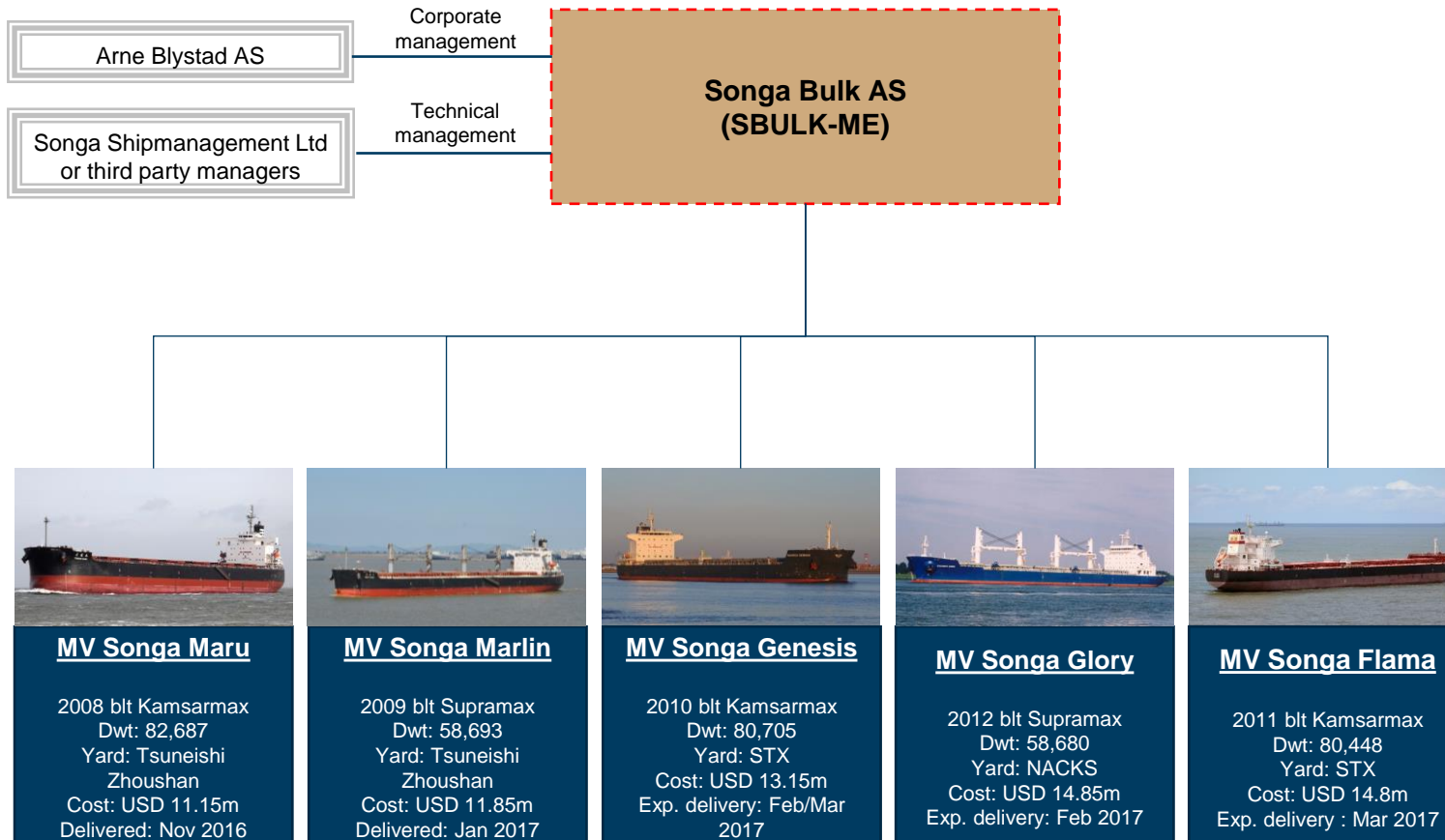
Value proposition

- Investment vehicle established to invest in dry bulk assets at historically depressed levels
- Founded in 2016 by the Blystad Group, an experienced shipping investment group and ship owner with a strong track record from shipping asset play, and Mr. Herman Billung, former CEO of Golden Ocean
- Songa Bulk seeks to actively manage the cyclicity of the dry bulk market by investing at historically low levels and subsequently focus on returning capital to shareholders through asset sales and/or dividends as the market recovers
- Songa Bulk AS has acquired 5x quality dry bulk assets at historically low values during 2H 2016 and Q1 2017
- Low cost set-up headed by Mr. Herman Billung
 - Commercial management to be performed in-house by Mr. Billung and Mr. Per Kristian Aamlid
 - Non business critical services outsourced at cost to companies in the Blystad Group
 - No related party hidden fees
- Clean capital structure – no legacy issues
- Fully aligned interests and shared incentives between founders, management and shareholders
- Headquartered in Oslo, Norway

Unique vehicle for profiting on a market recovery in the dry bulk shipping segment

COMPANY OVERVIEW

Company Structure



Management and Board of Directors

Management

- Mr. Herman Billung | CEO
- Mr. Per Kristian Aamlid | COO
- Mrs. Nina Rath sack | Operations Manager

Board of Directors

- Mr. Arne Blystad | Chairman
- Mr. Magnus Roth | Board member
- Mr. Fredrik Platou | Board member
- Mr. Ghikas J. Goumas | Board member

Since inception in November 2016, Songa Bulk has acquired five attractive dry bulk carriers at a total cost of ~USD 66m

EXPERIENCED MANAGEMENT TEAM AND SPONSOR

Management team

- **Herman Billung | CEO**
 - CEO of Golden Ocean, 2005 – 2016
 - Managing Director of Maritime Services, responsible for the Commercial management of the Torvald Klaveness Group's dry bulk pools, Bulkhandling and Baumarine, 1998 – 2005
 - Managing Director of the dry bulk operating company, Frapaco Shipping Ltd, 1994 – 1998
 - The Torvald Klaveness Group, 1989 – 1994
 - Royal Norwegian Navy, 1978 – 1989
- **Per Kristian Aamlid | COO**
 - Chartering Director, Arne Blystad AS, 2007 – present
 - Chartering Director of dry bulk and tankers (Consultancy), Arendals Dampskibsselskab, 2015 – present
 - Chartering Director, headed up the Torvald Klaveness Group's dry bulk pools, Bulkhandling and Baumarine, 1991 – 2007
 - Chartering Manager, Leif Höegh & Co AS 1978 – 1990

- **Management team with extensive experience from leading dry bulk companies**



The Blystad Group

REAL ESTATE

Portfolio of residential and commercial investments in Norway and Scandinavia

SECURITIES

Manages an actively traded portfolio of securities and FFAs
Investments based on utilizing deep industry knowledge

SHIPPING

Currently owns and manages a fleet of 23 vessels within the chemical, product, dry, crude and heavy-lift segments

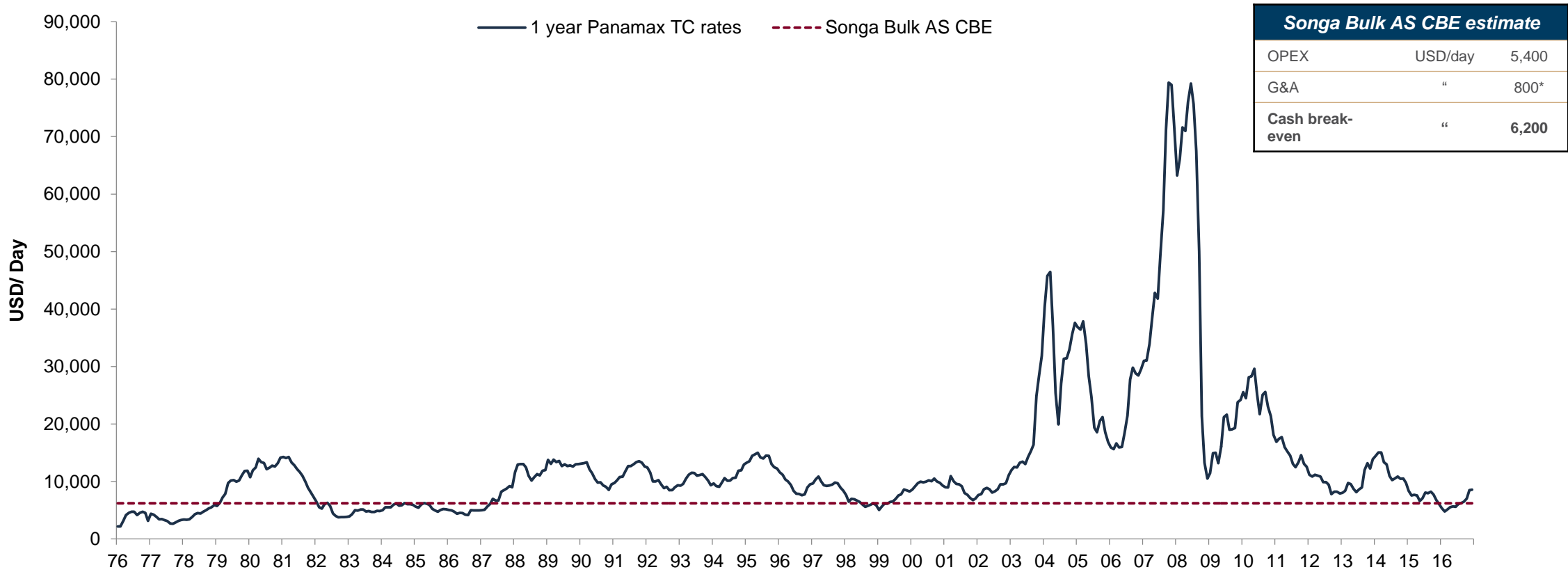
Introduction

The Blystad Group, which is 100% owned by Mr. Arne Blystad and his immediate family, has a long history in international shipping. The Group has historically been active in the sale and purchase market. In the beginning of the previous decade, the Group actively took part in the upturn within the drybulk segment by buying and selling secondhand tonnage. Parts of these proceeds were reinvested in newbuilding contracts that were sold prior to the vessels being delivered. The Blystad Group had prior to its sale of its chemical fleet to Eitzen Chemical ASA in 2006 built up one of the world's largest chemical fleets. Following the sale in 2006, the Group has continued to redeploy and invest across the various shipping segments with its opportunistic approach of taking advantage of the cycles.



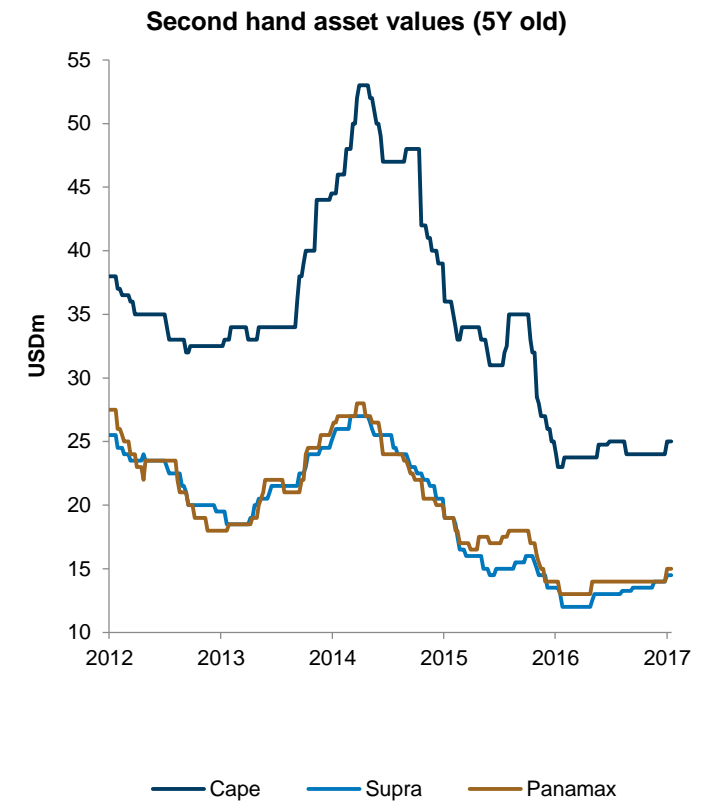
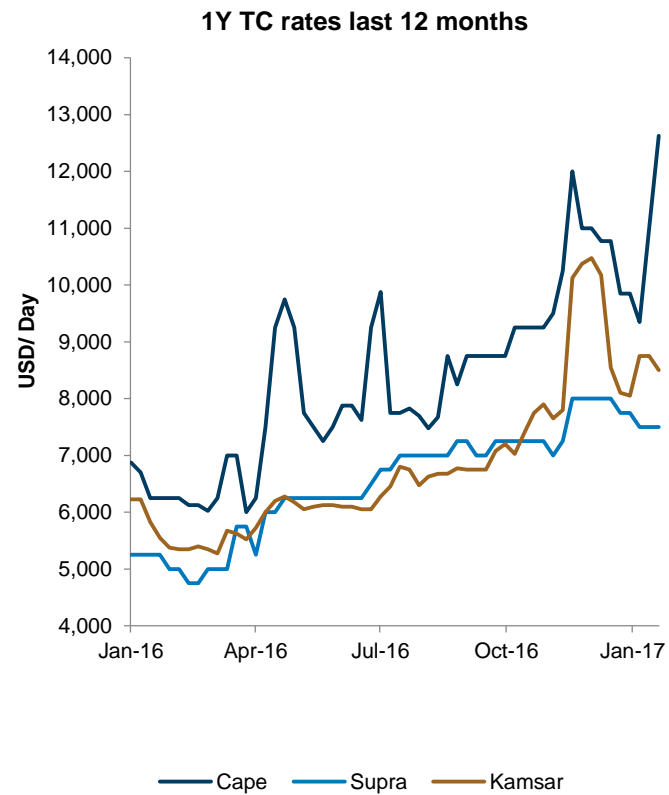
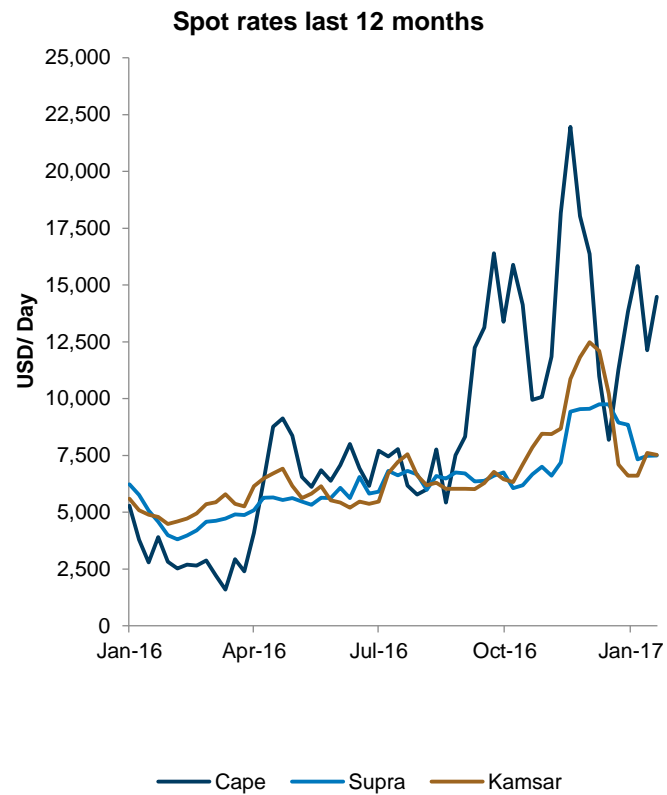
CASH FLOW RESILIENT THROUGH ALL EQUITY CAPITAL STRUCTURE

Estimated cash break-even vs historical 1yr Panamax TC rates



**Estimate based on 5 vessels
Source: Clarkson Research Services*

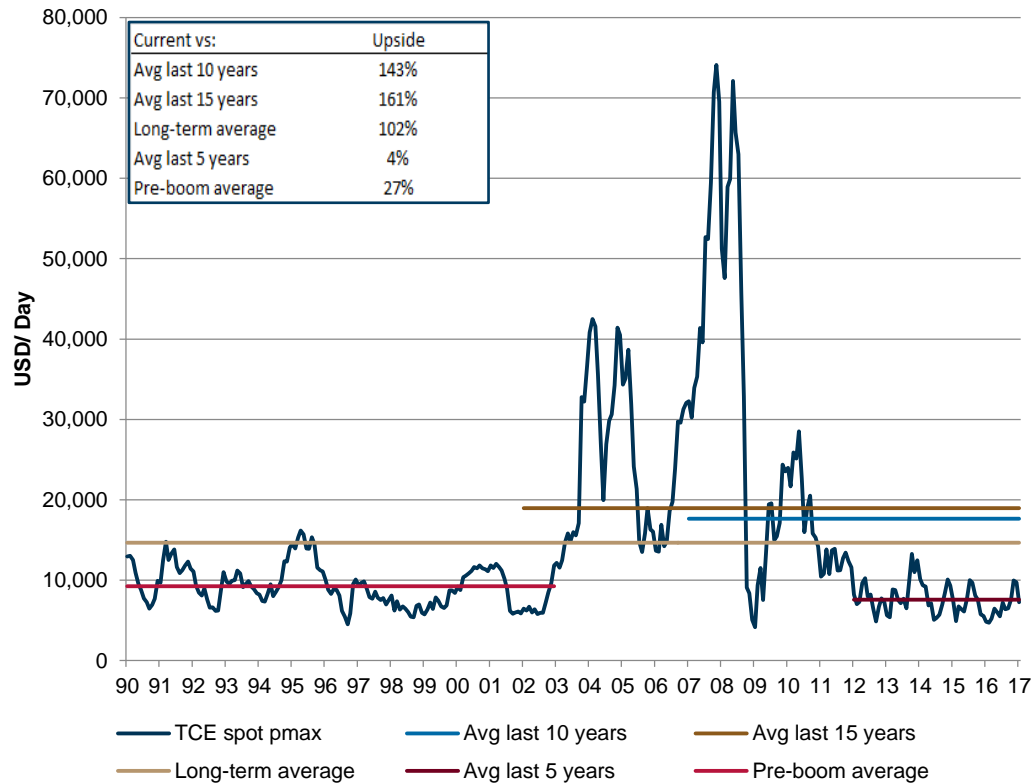
MARKET UPDATE



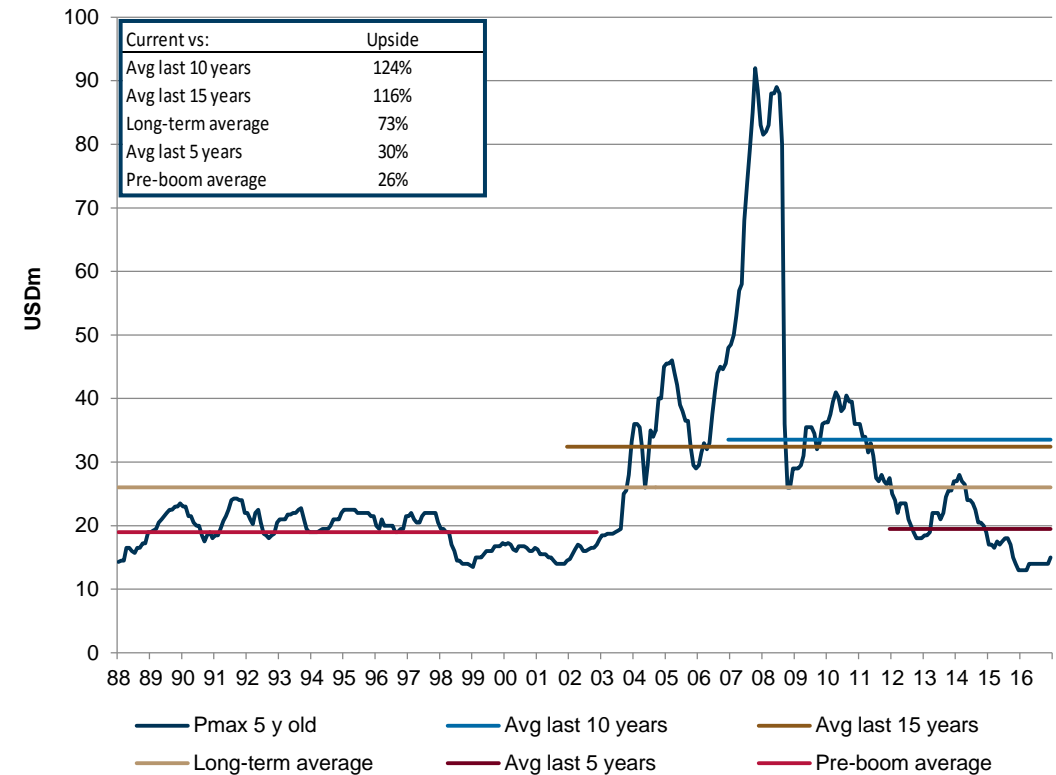
HISTORICAL RATES AND ASSET VALUES

Current risk/reward highly attractive

Historical dry bulk freight rates (Panamax)

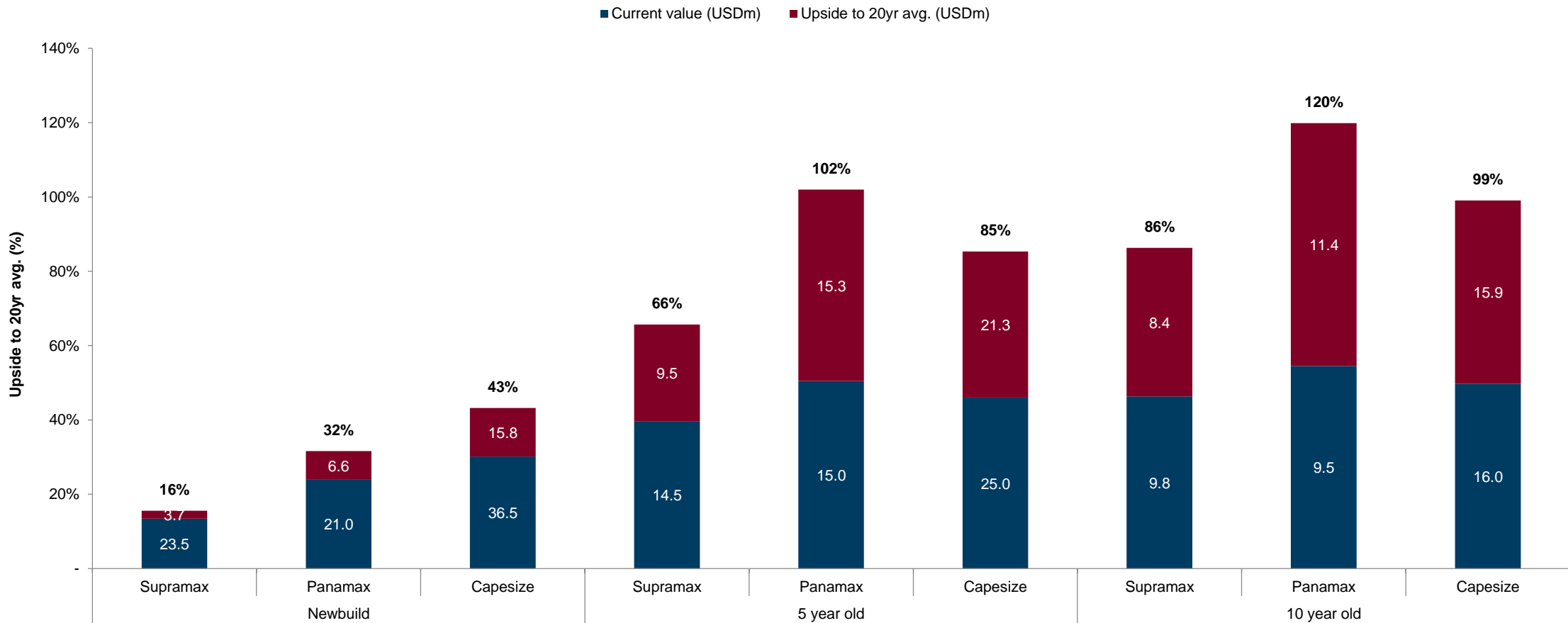


Historical dry bulk asset values (Panamax)



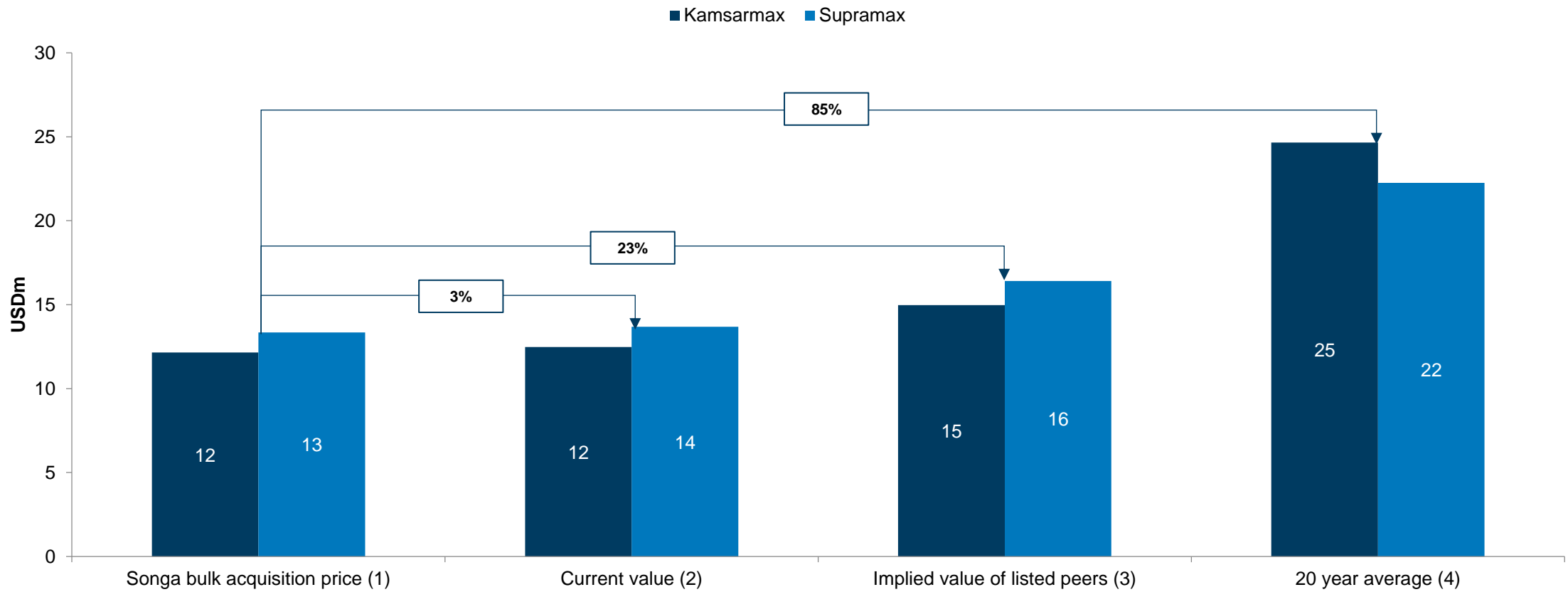
SIGNIFICANT UPSIDE IN DRY BULK ASSET VALUES

Upside from current asset values to 20 year averages



SUBSTANTIAL ASSET UPSIDE

Unlevered asset upside to implied pricing of listed peers and historical averages

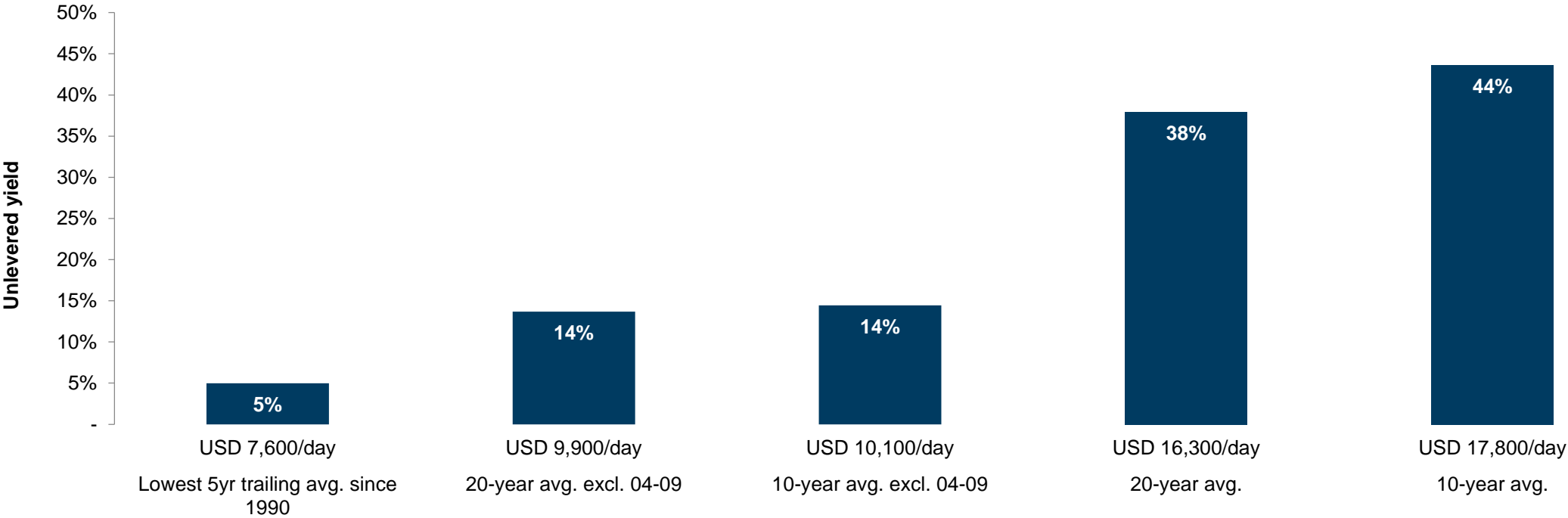


(1) Avg. Acquisition price per dry bulk segment for Songa Bulk AS
(2) Clarksons broker quotes
(3) Peers currently trading at 1.2x EV/GAV
(4) 20 year avg. Values



UNLEVERED YIELD POTENTIAL

10yr old Panamax unlevered cash yield at various rate scenarios

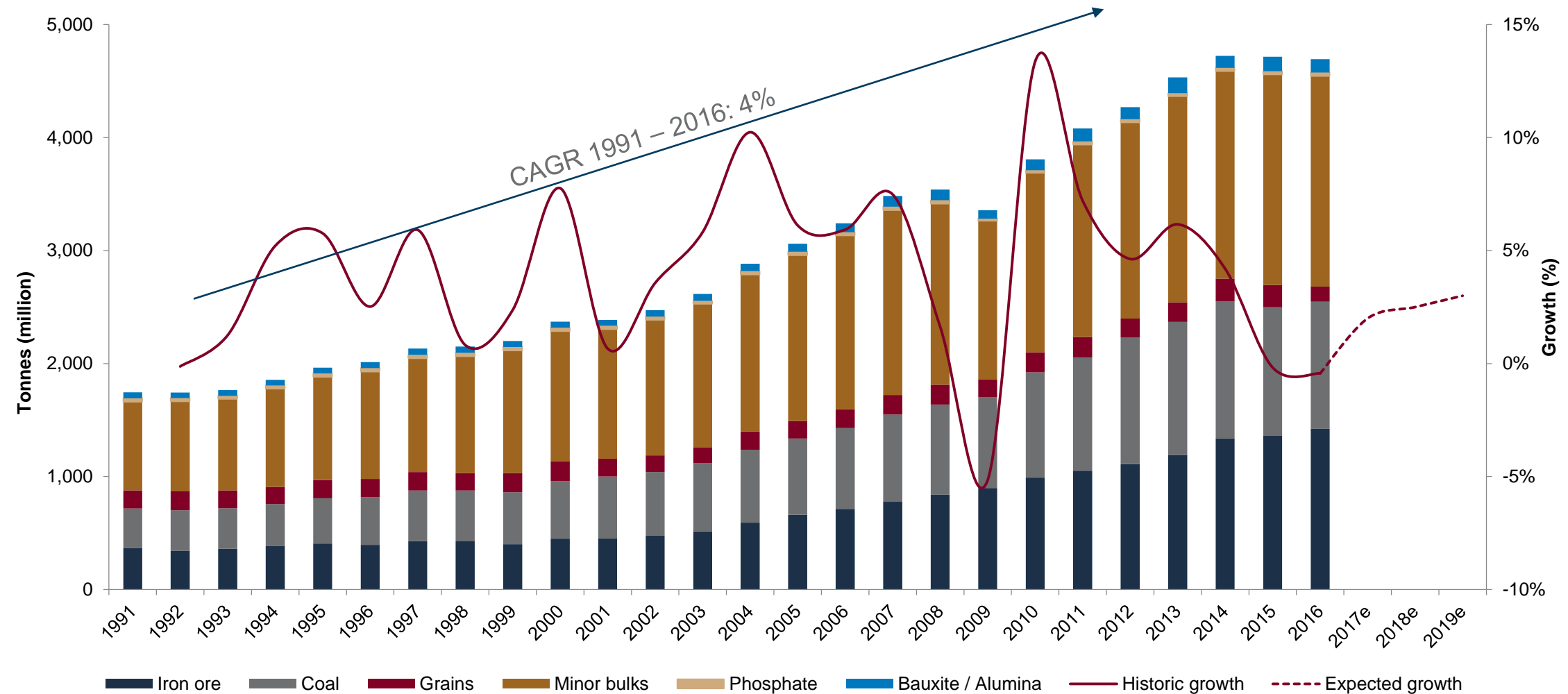


Significant yield potential even with modest rate recovery

Assumptions: 10yr old Panamax acquisition cost of USD 9.5m, OPEX of USD 5,400/day, G&A of USD 800/day, 360 trading days per year, 365 cost days per year.
Source: Clarkson Research Services

DRY BULK DEMAND

Positive growth expected over the next three years

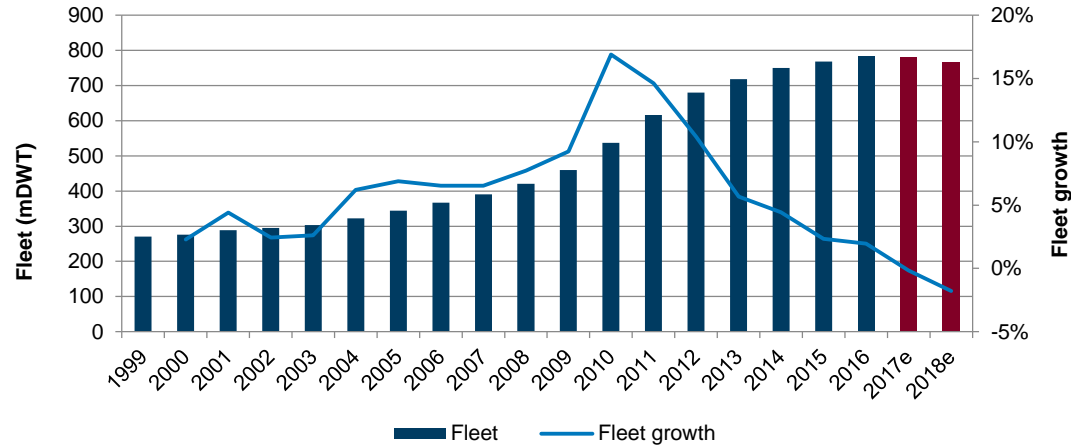


Source: Clarkson Research Services, Company

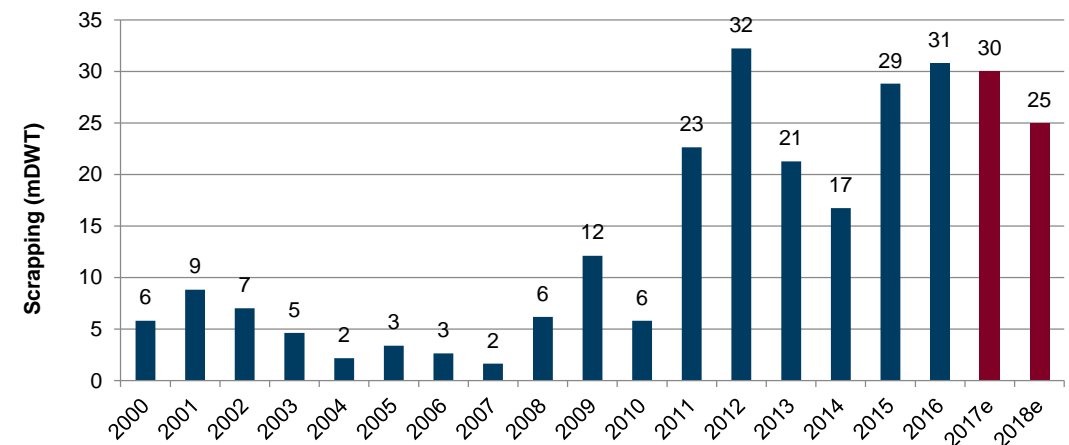
DRY BULK FLEET DEVELOPMENT

Supply growth tapering off – negative net fleet growth expected going forward

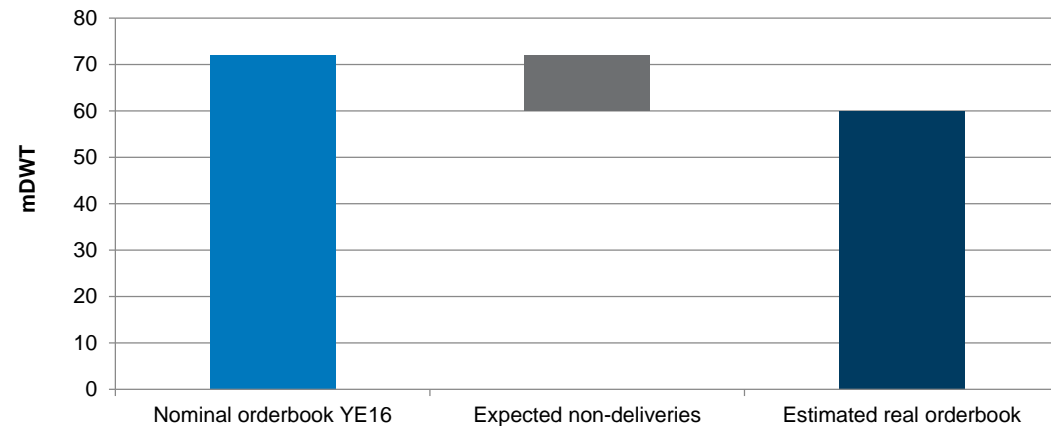
Dry bulk fleet development



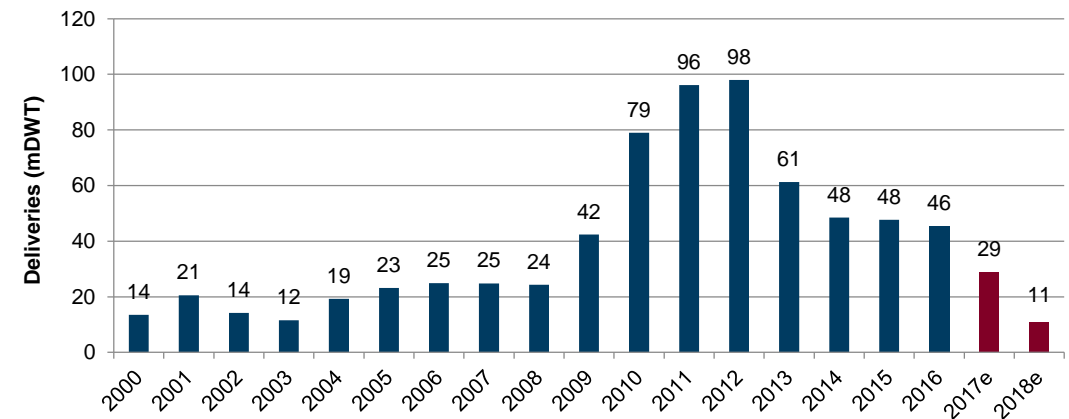
Scrapping at all time high



Nominal vs expected orderbook

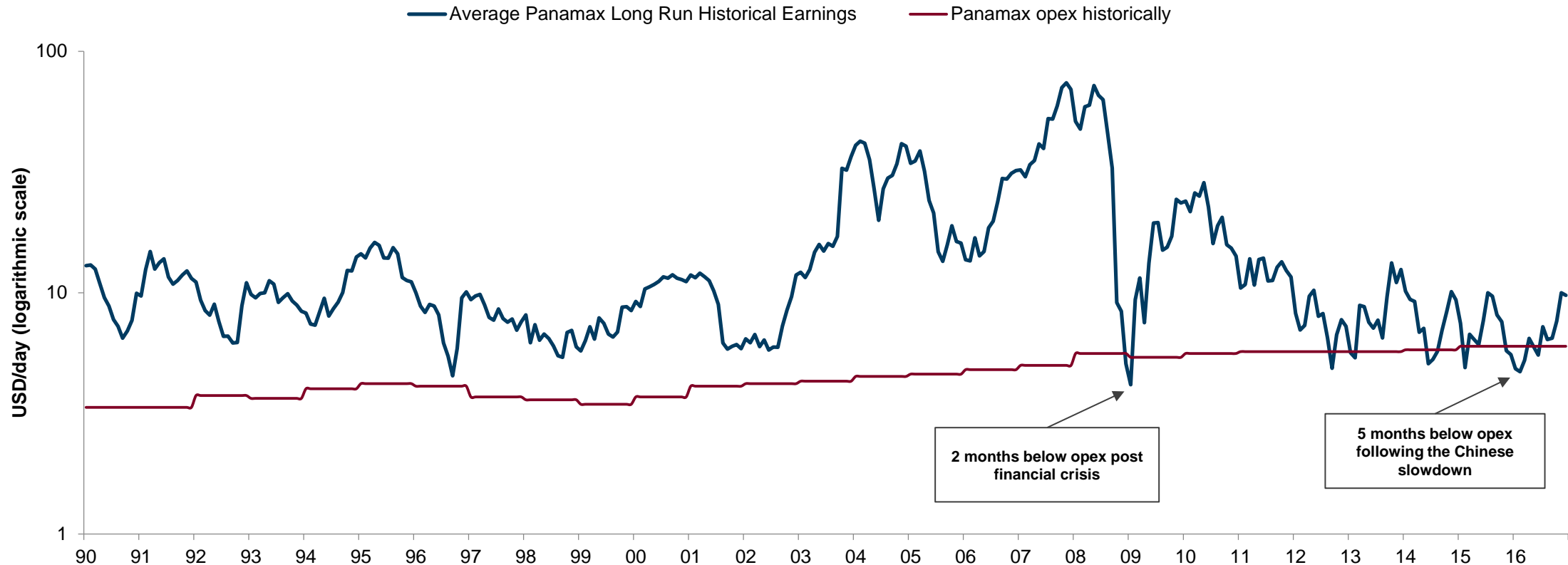


Deliveries coming to a halt



THE LONGEST PERIOD WITH EARNINGS BELOW OPEX SINCE BEFORE 1990

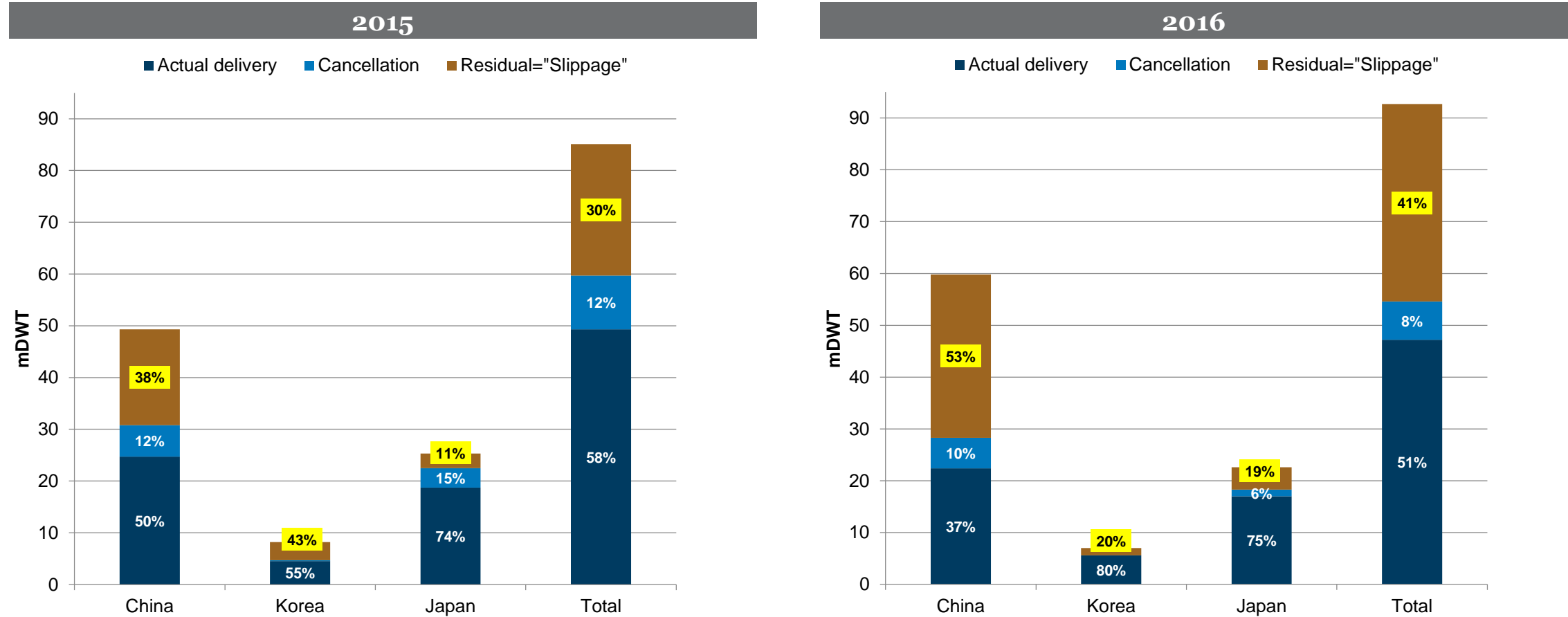
Panamax earnings vs opex 1990 – 2016



2015-2016 saw 5 consecutive months with earnings below OPEX, suggesting that dry bulk rates are unsustainably low

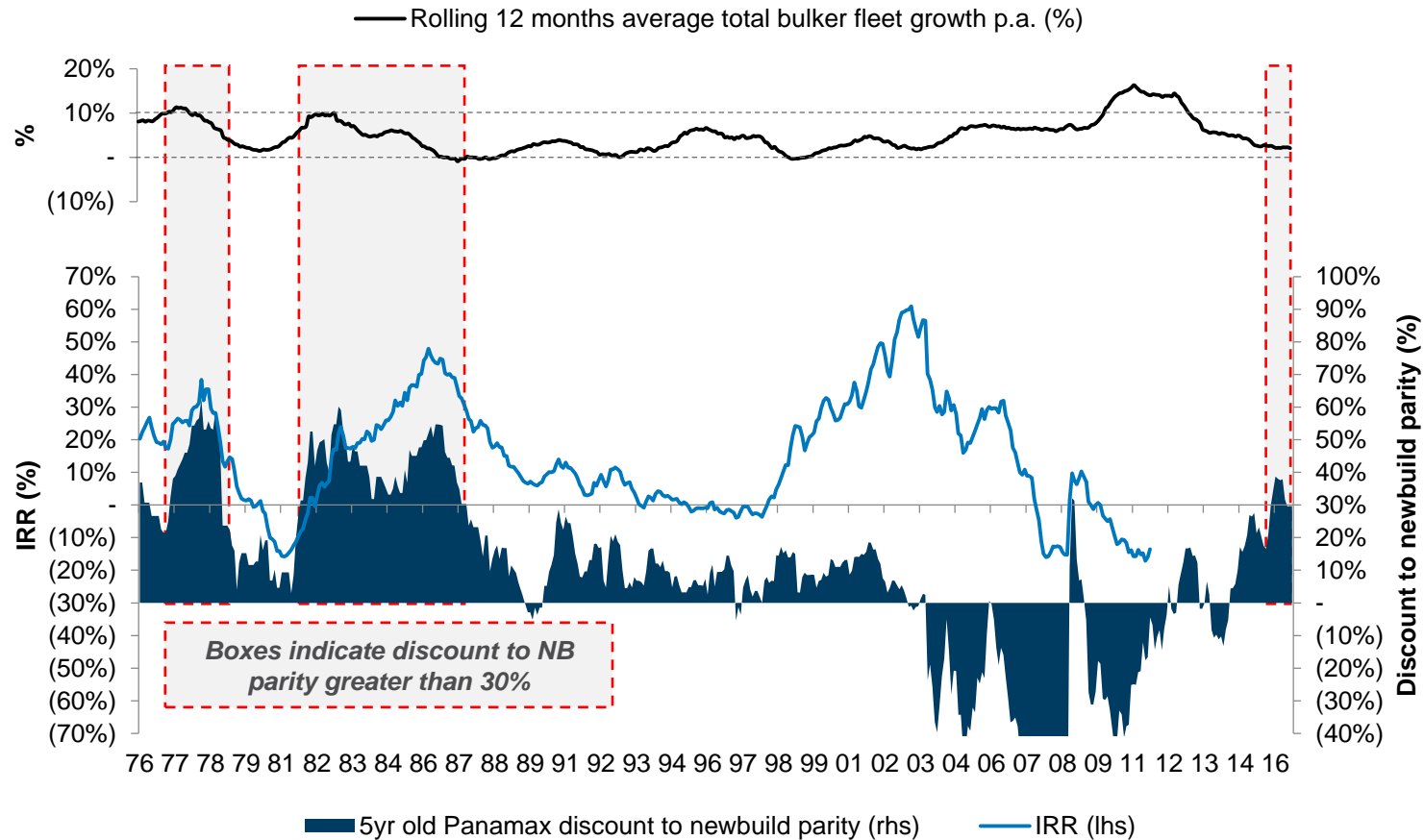
DELIVERIES OF BULK CARRIERS BY YARD COUNTRY

Actual deliveries, cancellation and “slippage” vs orderbook at beginning of the year – in million dwt



5 YEAR PANAMAX INVESTMENT 1976 - 2011

IRR vs 5yr old Panamax discount to NB parity and total bulker fleet growth



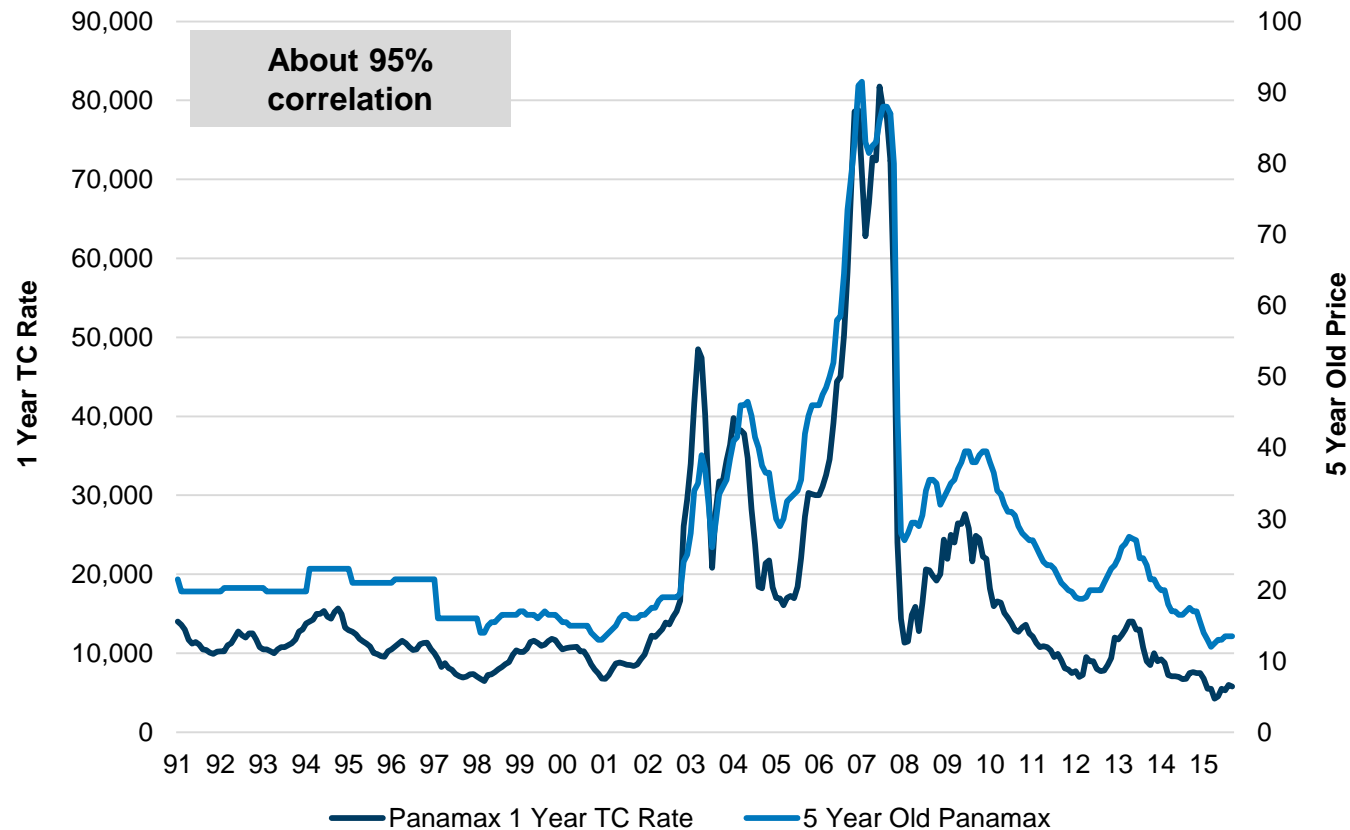
Investment thesis and returns

- **Investment thesis**
 - Buy a 5yr old Panamax if market price is < 70% of its NB parity value
 - Trade vessel w/rolling 12 month TCs for 5 years
 - Sell after 5yrs at market value of 10yr old vessel
- **Historical returns (Jan-76 - Aug-11)**
 - 100 months with market price < 70% of its NB parity value
 - **Average returns in the 100 months:**
 - **25% IRR**
 - **2.7x money multiple**
 - Investments conducted in 5 out of the 100 months gave negative IRRs, and average returns:
 - (5%) IRR
 - 0.8x Money multiple

Current discount to NB parity is 30%, historically investments at such a time has lead to positive IRRs in 95 out of 100 cases

STRONG CORRELATION BETWEEN RATES AND VALUES

Dry bulk rates and 2nd values are about 95% correlated



Market today:

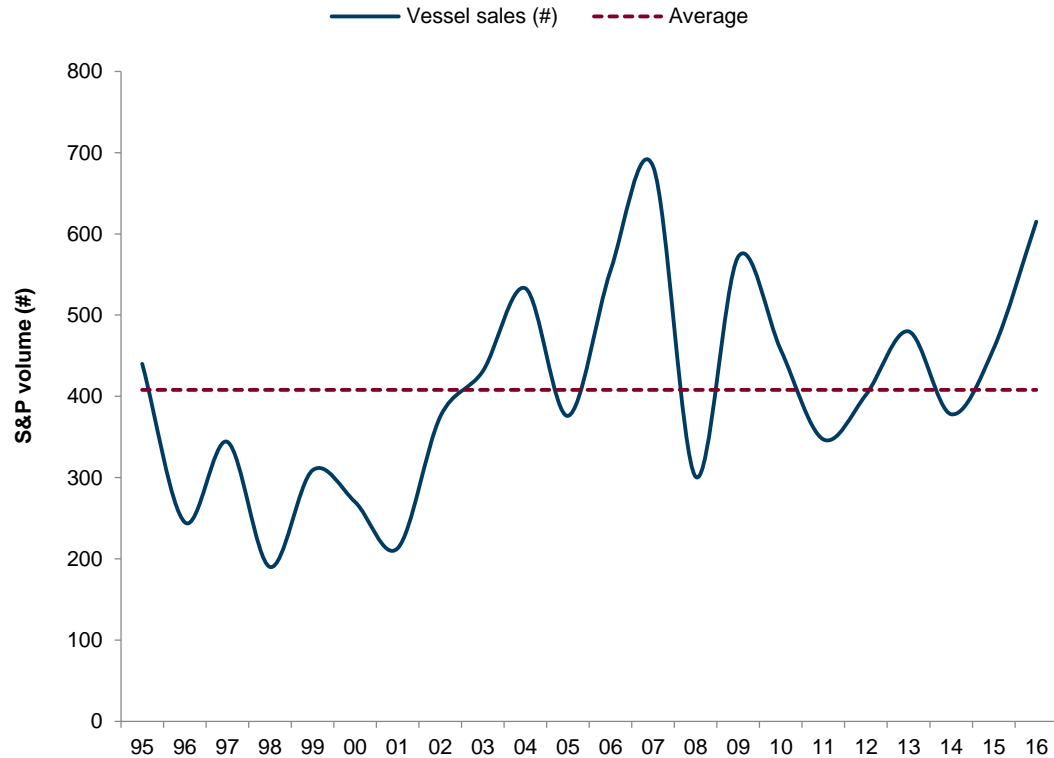
- 12 months TC rate: USD 5,900/day
- Value 5 year old vessel: USD 13-14m

Once 12 months time charter rates come up to 'double digit', values will see substantial upticks:

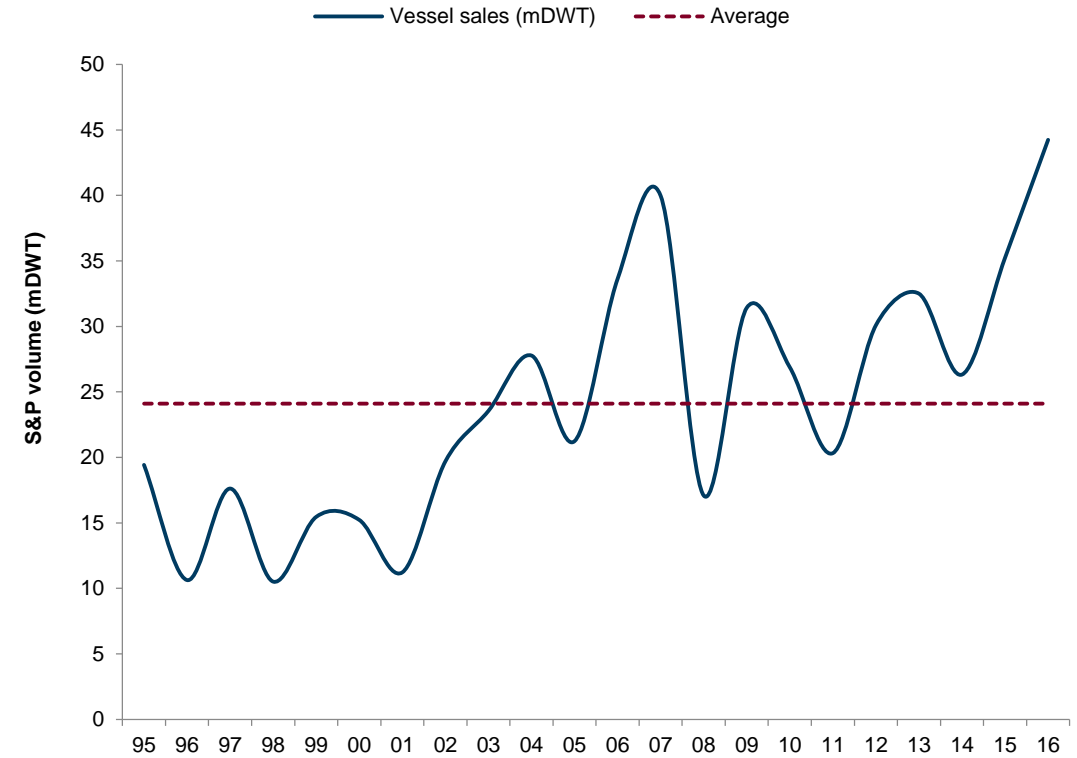
- 12M TC: USD 10,000/day, 5 year old vessel: USD 22-24m
- 12M TC: USD 12,500/day, 5 year old vessel: USD 27-30m
- 12M TC: USD 15,000/day, 5 year old vessel: USD 29-32m

THE DRY BULK S&P MARKET IS LIQUID

Transaction volume (#)



Transaction volume (mDWT)



Significant liquidity in the S&P market for bulkers

SUMMARY

Songa Bulk AS



