Capital Link Shipping
Webinar Series

CEOs of Concordia Maritime, d'Amico International & Pyxis Tankers on Developments & Outlook of the Product Tanker Sector

PRESENTED BY

Date: June 1, 2017 | 10:00 AM ET

Featured Moderator:

- **Mr. James Jang**
  Senior Analyst, Industrials and Maritime
  Maxim Group

Featured Panelists:

- **Mr. Kim Ullman**
  Chief Executive Officer
  Concordia Maritime

- **Mr. Marco Fiori**
  Chief Executive Officer
  d'Amico International Shipping S.A.

- **Mr. Eddie Valentis**
  Chief Executive Officer
  Pyxis Tankers

Organized by:

Capital Link, Inc. – New York
Phone: (212) 661-7566
www.capitallink.com
www.capitallinkwebinars.com

TABLE OF CONTENTS

Opening Remarks by Mr. Nicolas Bornozis

[0:00:00]

Operator: Thank you for standing by, ladies and gentlemen, and welcome to today's webinar. We have with us Mr. Nicolas Bornozis, President of Capital Link, organizer of the event. I must advise you the conference is being recorded today. We now pass the floor to Mr. Bornozis. Please go ahead, sir.

Nicolas: Thank you very much and good morning to everyone. Welcome to Capital Link's webinar series. I am Nicolas Bornozis, President of Capital Link. Today, we have a roundtable discussion on the product tanker sector. We are delighted to have with us our feature panelists: Kim Ullman, the CEO of Concordia Maritime; Marco Fiori, the CEO of d'Amico International Shipping; and Eddie Valentis, the CEO of Pyxis Tankers.

The moderator for today will be James Jang, Senior Analyst of Industrials and Maritime Practice at Maxim Group, LLC. This event is accessible through a live audio webcast, and then it will also be available at an audio archive through www.capitallinkwebinars.com. Please note that after the panel discussion, there will be a Q&A session. Webinar participants can submit questions during the webinar through a special button on the event page as we are looking on your screen. On the upper right-hand side, there is a button titled Submit a Question. If you click it, you can submit your question or you can email your questions to us at questions@capitallinkwebinars.com. As I mentioned, you can submit a question anytime during the event.

The discussion today is on the product tanker sector. It is sector specific and not company specific. The discussions and opinions expressed by the panelists are not intended as legal or investment advice or advice of any kind as a matter of fact and are provided for informational and educational purposes only and Capital Link bears no responsibility for them. Furthermore, the panel discussion may contain forward-looking statements concerning future events.

Ladies and gentlemen, Capital Link has made a strategic commitment to the industry, to the shipping industry, and in additional to our annual conference and weekly shipping newsletter, we hold industry webinars on a regular basis. To access our webinar library for past and upcoming webinars, please visit www.capitallinkwebinars.com.

Thank you all for participating, and now I will turn the floor over to James so we can get started with the webinar. James, please go ahead.

James: Thank you, Nick. So before I begin, I just want to thank Capital Link for hosting this webinar and also thank our panels for joining us today. As Nick might have said, I'm James Jang, Senior Analyst at Maxim Group. I believe this is an opportune time for the webinar especially with what's happening in the markets today. Before I begin, industry rules require research analyst disclosure of investment banking and other material conflicts of interest in public appearances. For this reason, I'm required to disclose that our firm own shares of Pyxis Tankers and the firm is also underwriting a public security's offering for Pyxis Tankers.

So the way we've curbed this webinar is into a series of topics which we believe are the importance of product tanker sector currently. We'll have our panelists discuss and give their opinions and we will follow up this panel discussion with a Q&A session. So to kick things off, I want to take a high-level view at the product tanker sector and ask Kim and Eddie, what do you feel we are currently in the product tanker sector? And what are some possible near-term catalysts to help rates to move higher?

Kim: Okay. You mentioned my name first. My name is Kim. I represent Concordia Maritime. Good morning, everybody, and thanks, Capital Link, for inviting me to this webinar. I think that we are in what I would call the start of the low, so to speak. We had a second half of 2016 that was not very good. We had an okay Q1. We did at least over 14,000. But Q2 and Q3 looks exceptionally challenging, I have to say. There will always be small spikes of course. I also have to say that we're not really surprised that we see the market where it is right now. We think we're coming already last summer when the inventories were full and ***[0:04:49] [Indiscernible]*** so to speak.

[0:04:53]

The reason why it's low or start of a low, whatever you call it, is that the inventories are full and with full inventories, you kind of kill all arbitrage opportunities and things like that. And we still have ships that are flooding the market. We even have Suezmaxes picking up or surging up all CPP going to West Africa from Korea and things like that. With the field inventories, arbitrages die, ships are stuck in the same positions and as soon as they have been fixed, they are open again. So that's how we see that.

Near term catalyst, you are asking for? Well, we have refiner maintenance period is about to be over which is going to get some energy into the product tanker market. We can hold for a hot summer and a hot driving season, you know, with congestions in imports and things like that and maybe fewer deliveries or delays in delivery schemes, but that's more of the wish list. What we need to do is on the medium to longer term is to get rid of the inventory overhang, and I think that will take another two to three-year quarters at least. We see the market coming up from sometime next year. So that's it for me for now.

Eddie: This is Eddie Valentis from Pyxis Tankers. Thank you very much for inviting me. I definitely agree with Kim. We think that the market especially for the MRs which we are focusing and we see at the beginning of a cyclical improvement especially from Q4 onwards waiting for a choppy two quarters and for the reasons that Kim described. I mean for us, we are very positive for the market going forward. I mean the reasons like the projected demand growth for refined products is in the region of 2.5% to 3% annually. We see a modest ton-mile expansion from the changing refinery landscape.

Definitely, we see the increasing US exports and to areas especially with no refining capacity or little refining capacities such as South America and Africa. We see a record lower the book and very little new orders going forward. We also feel especially for the MRs, we see an aging fleet 13%, approximately 13% of the fleet is over 20 years of age. Of course, other 5% is lack of financing either debt or equity are also affecting and making it very difficult for supply to increase in the short term. Therefore, we see a very positive long-term outlet for the MR product tankers.

Additional catalysts that we feel that might kick in later might be the rise in oil prices which could result in arbitrage opportunities and therefore increased trading. And of course, the possibility of heavier scrapping which might come for all the tonnage because new environmental regulation will kick in later in the year, the ballast water treatment system from September this year and of course, as you know, the big thing which is the lower sulfur emissions which is coming in 2020. So therefore, these two catalysts might be a good opportunity for the market to recover.

James: Yeah, great. So Eddie, you mentioned the ballast water treatment system. We, as analysts, we're always looking for some type of initial VAL to support the supply and demand fundamentals. Can you kind of go into more detail on the effect that a ballast water treatment system on the product tanker sector and also the scrapping in the future?

Eddie: Thank you, James. Definitely, it's a major event for owners in general, not only for owners in general but for our sector and the MR sector. It's a major event considering that 13% of the fleet is above 20 years of age. When the time comes for this installation which is a substantial investment for the vessel, a substantial capital injection, will the owners decide to go through with the investment or other scrap of vessels which are in any case at the end of their life cycle?

[0:10:00]

We think it's very interesting times ahead. We believe that most definitely many owners will decide not to go through with that investment and especially regarding the sulfur regulation which is coming in 2020. Of course, we have a long way until then and we don't exactly know what the situation is, but definitely it's another major concern for vessels which are above 20 years of age.

James: Kim and Marco, since you guys also are ship owners, we'd love to hear your thoughts on the older tonnage and what effect the regulations will have on the scrapping of those vessels.

Kim: Go ahead, Marco.

Marco: Hi. My name is Marco Fiori with d'Amico International Shipping. Thank you for inviting me, Nicolas. I think in general what's going to happen, I think the one thing that probably was not mentioned I think before as a catalyst, I think we have to continue seeing this kind of environment where there is low order numbers. I think if we all refrain ourselves from placing the orders, this is a very good stuff. So I wanted to add also this comment. And that brings me also to the older tonnage.

I think that today there is a lot of you can find some leases but I think also where there is a hole in the market, the bet was due to lack of liquidity for many reasons, banks being absent probably in the segment. It is being in the ships that are from five to ten years of age especially the seven to ten years. You have some very good ships there. I think that if you want to make an investment, that's the segment that people should be looking to invest.

I think there is really no need to go out and order new buildings. I say this because if you look at the case of these seven to ten years old ships, they are definitely trading at a lower value from where they should be. I think that the ships that still have a long life in front of them, they could be very well adapted for ballast water treatment system and then also looking at the low sulfur fuel they would be very capable without putting scrabbles on board to use the low sulfur fuel on board. I think there is an opportunity in that segment and especially I think in the segment of the MRs.

Another segment that I think is very interesting is the handy segment, very old aging fleet, very few orders have been made of handy. In this case, you have to wonder if the MRs are still going to be a trading in the future in the areas where they have been trading so far. I think that the fewer there are going to be areas where they are going to be replaced by MRs, but there are still some areas such as the Med (Mediterranean), such as Northern Europe. I think this kind of areas there's still going to be in need of handy. And it's a very interesting fleet profile. They're much older fleet than the MRs so you should see there's more pressure on that fleet to renew itself.

The bigger size not that much involved, we have some LRs coming, some LR1s. We don't have any LRs so far so I'm not a very good expert on that. But I think also the bigger ships, they should be having some very good potential from the fact of the orderbook, the fact that they can trade dirty and clean. I think also these segments should have a very positive outlook. And I totally agree with Kim and Eddie that I think that 17 will be well positioned. I think there is going to be spikes, but that's where there's going to be a really felt impact of growth of trades, of the trade volume, and especially lower deliveries is going to be 18 and 19.

Kim: Additional comments on the ballast water, not really very much to add of course but the combination of a low orderbook, that's the potential of highest scrapping volumes due to the ballast water treatment systems investment requirement is of course good. And if you have a slightly lower market or bad markets together with investment requirements, that normally triggers one way or another scrapping or at least alternative usage for the ships. And I agree, it's more in the handy segment which is an older fleet than in the MR.

[0:15:04]

The only caveat I would put in there is that it's easy for us to say that, okay, everybody, you know, or whoever has ships at the age of 15 to 20, they are likely to scrap, but they might have a little bit of a challenge with their own book values at the time to decide to scrap against the high book value if that's the case. It's not an absolute given but nothing is a given in tanker or in business in general. But the combination of a low orderbook plus this extra scrapping potential is certainly looking good on the supply side.

James: Great. Thank you. You know, one of the questions, I know Marco mentioned the outlook for the handy size looks a little better to the due to the orderbook. Can you guys kind of go and see your thoughts on the larger LR1s and LR2s? I could turn this over to Eddie to start with.

Eddie: We do not focus on this segment. I can only discuss about MRs and we take a view in the MRs going forward. If you like my opinion on the MRs, you know, definitely the workhorse of the industry, it's the most widely used vessel, broadest trading market of all the product tankers. Size wise, they can call in any, almost in any part in the world including smaller and shallower ports. And they are capable of carrying multiple cargos ranging from clean petroleum cargos, easy chemicals and also up to edible and vegetable oil.

So, considering what is going on in the world regarding the new geographical structure of seaborne product trades because of the new refinery capacity added, et cetera, we think that the vessel that we have benefited most in industry, in the Product Tanker industry, will be the MR. As you know, the US has become a substantial exporter of refined products in the past years especially to South America and Africa from 9 million tons in 2006. By 2016, this has grown to 63 million tons. So, it's a substantial increase in exports and most of this export is going into MR product tankers.

Asset values are very attractive at this stage. I also agree with Marco and Kim. Asset values are very attractive. Owners should look at the second-hand market. The values currently are way below their 10-year average at approximately 30% below their ten-year average. So, it's a nice attractive entry point for MRs.

James: Thanks, Eddie. Marco, Kim, do you have any thoughts on the LR sector?

Marco: We have six on delivery. We believe when we went to order them that there is going to be a shift. I believe what Eddie was saying about MRs, I think they are still the workhorse of the business. The 1500 MRs is the biggest fleet of the water, big, just not for any reason just because they are, you can trade them everywhere. It's a worldwide ship. It can go anywhere. It can do any type of cargos. The LR1s I think that potentially it could be benefiting if we start seeing a scaling up of the stems and something that's being carried on MRs probably will be carried on LR1s. The supports will be adapting. And I think you have fields in other segments of shipping that normally the market tends to trade on higher ships because the cost that's carried on a bigger ship is always lower.

I think LR1s probably have also an edge there and especially they have an edge because that will be a ship where you can also trade. So you know, you have both markets going to cost to bring it back clean but it is a ship that has also that kind of flexibility.

[0:19:35]

Kim: Yeah. And I have not really anything to add there. We are not really in the LR1 and LR2 markets. So Marco would be the best to comment on that. And what's been said on the MR side, I certainly agree with obviously. I don't have to repeat all of that. One extra little point maybe on the loss side is that they seem to be exceptionally exposed, if you will, towards an after business, an after transportation, and we are long on after being totally under the weather for the last 12 months or so with the rights for LR1s and LR2s have actually been under the MR markets even though those are bigger and more expensive. So the versatility on the MR side that was been described before, I'd certainly buy into 100%.

Marco: And you know, just to add one point. I think they're focusing very much on 2020 on the low sulfur trade which I think a lot of people are taking developers for that. But for sure, there is going to be a need because there are not that many refineries that can make low sulfur fuel for ships. There's going to be a need of moving large box of this low sulfur fuel from refineries to the places of consumption. I think probably that's been moving and giving a big benefit around the ton-mile demand. This would be one of the added effects of the low sulfur regulation coming in.

James: Great. So switching gears as little bit, I heard big news recently is with the Scorpio Acquisition going to -- now there are 105 vessels. I'll turn this over to Kim and Marco. How do you guys feel? Is skill important in the product tankers sector right now?

Kim: Yes, it is and has always been and will continue to be. Marco was saying before that the biggest fleet out there is 1500 ships and if that would have been 1500 different owners, if would not have been good which is an exaggeration of course but yeah, consolidation is good and we'd like to see it happening and it is important. That's the short answer, so to speak. Then you can always -- all of this philosophical kind of inputs every now and then that it should not be too many, you know. It shouldn't be -- it should not be one hand having 500 ships because he would 50 ships bought every day and he would just be a market taker rather than a market maker. There is a limit there of course, but we are not there and we are not there in long way so it's good.

And if you were to ask if there's more consolidation coming up, I'm sure there will be and there is room for it. In a way, we have done little part in being part of the group who in two steps of taking over this Stena Weco company. We've gone from 15 ships to 65 ships in that organic pooling, so to speak. So it's good and we're happy that it's continuing.

Marco: Yeah, you know, I think I tend to agree. And I think that's interesting that this topic of consolidation is happening on the biggest ships probably because there is less of them. And so the moment you stop consolidating one owner who controls 50, 60 ships on a fleet of 350 ships, you feel much more than 56 ships in a fleet of 1500. I think it's a good process. We've always discussed about it. I also agree that too few owners of that fleet would not be good but also for themselves because at the end of the day, they are making -- they are competing with themselves. But I think a little bit of consolidation will be very positive. Naturally, with that consolidation has not to be with one guy owning all the ships. Consolidation can be done through pooling, can be done through time chartering in ships of other owners. So there are many ways to seek consolidation. But for sure, I think that this will continue in the future.

James: I know, Eddie, I mentioned that kind of the asset values are a little depressed and especially on the second-hand tonnage side, the values are very attractive. Do you think consolidation moving forward will be moving more by asset values or with the combination of asset values and an uptick in the market or just general sentiment on rates improving? Eddie, if you want to chime in on that.

Eddie: Probably a combination of both, James.

[0:24:54]

James: All right. I guess following up on that, which segment of the product tankers do you see as the most attractive right now? Is it in the handy sides? Is it the MRs or the larger LRs?

Eddie: This is Eddie Valentis. I have already stated my thesis where we're focusing on the MR sector. We can say that this is the value and opportunity going forward.

James: Marco, do you have any thoughts?

Marco: No. I agree with him. I think that the safest bet is in the MRs. Then I think everything else is tied to that but for sure, I would say that today still the MR is the -- we have mostly MRs in our fleet. We have some handy. We have the LR1s who will be coming so we seem very comfortable in the MRs. They have proven over and over and over to be the most flexible ship, you know. And it's also good that also, you know, we are talking about 20 years later on. These ships are also very good second life with vegetable oils, with other products that's not CPP. I think it's also ships that you can move from one segment of the market to another. I think it's a very flexible ship. It's a very, very, very, very successful side that I see generally.

James: All right. So going over to what's going on right now in the cruise sectors, OPEC is going to extend the production cost to 2018. So how do you view this pertaining to the product tanker sector? Do you see possible expansion due to these cuts or certain trades increasing, you know, imports of Latin America and Africa? Kim, if you want to -- if you could share some thoughts?

Kim: Yeah, sure. First of all, I think the OPEC cuts are good; they are necessary. We need to get rid of the overhang. We did not get rid of the overhang. Well, the inventories didn't even start to go down in Q1 which was surprising but I guess the OPEC countries were referring to the production cuts and they did production cut, but they started to sell from their own tanks. We didn't see inventories in the commercial side of the world go down dramatically in Q1, but now it's even started in ways which is good. And parts of the cuts will be replaced, of course, by products exports from the Middle East Gulf which is certainly good for us too in this period when other things look a little challenging.

As I said, I mean it's good that there are cuts to get rid of the inventories. And new trades, I certainly see -- you know, I mean West Africa, South America, Latin America are certainly growing big time on consumption of products and they have not been very successful in building refineries at the same degree or at the same pace than certainly refinery. New bills talks in Angola that's been delayed or canceled in Nigeria and Venezuela and Brazil and they're not coming up. So they need more products, that's for sure. And that is not likely to come from the Middle East or India. That's also supporting the argument of ton-mile expansions as a matter of fact and this is going to be prompt big time here now during the next few quarters and going forward into the future, this long new hall of products go into these areas, West Africa, South America, Latin America, for instance.

Eddie: If I may comment. Eddie Valentis here from Pyxis. I mean, definitely, you know, it will have an effect, maybe a slight effect for crude tankers. But this effect might be counterbalanced by increases in production in Libya which is already happening and the increase in production of US shale oil production. So, this might counterbalance whatever losses might be there for the crude sector. And regarding the product tankers, one effect that -- besides what Kim has mentioned -- one effect that we might see -- I mean we all predict oil prices to increase in the second half. So we think that higher crude prices will likely affect the refinery margins also especially in Europe and Asia. And this will lead to possible imports into these regions, to this region, either from Middle East or from the US. So, it's a positive sign. It's a positive development as also Kim mentioned. And regarding the expansion, I fully agree with Kim. The areas, Latin America, Africa are -- there is no refinery expansion. Therefore, this will be major areas of demand going forward.

[0:30:45]

James: Marco, if you -- yeah, do you want to add?

Marco: I would tend to agree with both Kim and Eddie on this point especially because I think we read a lot of analysis on tankers. I think the dynamics are a little bit different between products and then crude. I think what's not good for crude, not necessarily it's not good for green. I think there is new gas getting developed and I think that it's a less production and less transportation crude. You see more and more places we'll have to get the products from somewhere else. I think we'd have a positive impact -- could have a positive impact on the product tanker trade.

James: Thanks, guys. I guess we're moving to our final topic which is shipyard capacity. SPP closed earlier this year and it seemed like there could have been some constraints in the South Korean shipyards, but recently there has been a lot of news of aggressive marketing and pricing tactics by the South Korean yards to win some larger VLCC and ULCC orders. Do you believe these yards will start to employ this similar tactic for product tankers? And I'll turn this over to the panel whoever wants to start.

Kim: Okay, I can start. No, I don't. I don't see them doing the same things on the product side as they seem to be doing on the VLCCs lately. These prices are already low, you know. It's whatever, 32, 33 million dollars and depending on the sophistication. But, you know, the top was 60 and I cannot see, you know, all of a sudden, you see d'Amico ordering ships at 28 million dollars in inquiry, I have to say. I think we're at the bottom on all of those prices. It won't go any further down. I'm more concerned about actually that Korea is starting to offer good prices, these prices for a long time and that actually some of the Korean yards will be back and forth.

Some of them have been cut off and shut down and most probably with things like that. But I'm concerned that the governments and banks in Korea will start to help these yards again and the green yards could start to build in a bigger fashion than they're doing now. It's so good to have this low woodwork. We'd like to have it this low. I'm not afraid of Chinese new building sectors on the product tanker side but certainly it could be a revival of some of the yards in Korea and that would not be good. I don't see the prices coming down.

Marco: This is Marco. Look, I think one of the good things also product tankers with people, we don't stress enough. At the end of the day, it is a very -- there are some strong values to enter in the product tanker market. And one of these barriers, it is the fact that they are not that many shipyards that can build these ships. Mainly have been the Koreans in the past. There is only one shipyard in China and some shipyards in Japan which don't have big output, I want to say three four probably in Japan.

[0:34:48]

Now, the fact that China, we have seen it now also during the dry cargo crisis, owners who wanted to sell a Japanese-built cargo ship of have sold much easier, had been so much than the Chinese-built ships. So there is a kind of the other side of the coin to the fact you paid them cheaper in China but then they also sell them much cheaper and they are now the first types that people will buy. I think our competition from China I kind of see it removed.

I agree with Kim that I'm a little bit concerned about the fact that in Korea they are starting to talk about supporting the shipping industry. But then on the other hand, I think it will take some time and I know for a fact there are a lot of yards that are on the kind of financial supervision. They have not been able to offer these prices that have happened in the past. This has been a positive effect. That's why they also can’t talk about it.

I think China for sure will not be a bigger factor. You see very few owners of a certain type of fleet that will be building in China. And I think that Korea will still have some ups and downs and some hiccups and for sure Japan is not going to be a swinging factor in this matter. If you look at it, if you take it a little bit more of a helicopter view of the whole problem, I think for a while we'll see limited output of product tankers especially in this segment. And also during this crisis and these years, we have not seen these prices. We have not seen the 28, 27 million. I think something below 30 was already a very good price and things have bounce back very quickly back to the 32, 33 million which I think is what is the cost of these ships. I think we should not see any kind of raise towards very cheap ships.

Eddie: Yeah. This Eddie Valentis from Pyxis. I fully agree with Kim and Marco. I just want to add that what we have seen especially in Korea, the few, very few orders that have been placed, these are for all their, let's say, design vessels. These are the tier two so-called vessels. These are the last vessels that these shipyards were offering. Now they are moving to the more upgraded vessel types for MRs, the tier three so-called vessels and these are more expensive than 32, 33. I'm led to believe now that there are some shipyards that are quoting even 34, 34 and a half. I definitely agree with what Kim and Marco said before.

Marco: And I would like also to add on that, that I think that tier two is still a faster ship than a tier three. I think the people who have been taking the last tier two ships have been a very good deal. The cheaper ships, they have better speed and consumption. I think this was a much better ship than they were planning to go on tier three.

James: All right. Well, thank you, guys. I guess right now we'll turn it over to some questions and this will be for the panel so anybody could jump in. First question is again a low orderbook and the greatly reduced shipyard capacity. Do you believe in pending up cycle in the product tankers is likely to last beyond the normal two years?

Kim: Kim from Corcordia here. Yes, I do actually, I see this low orderbook. We're talking about low orderbook and it is -- there is still a few ships that are coming but we're talking about the growth of under 2% over the next couple of years. And it's not being felt and it's good and some of these shipyards are not to deliver yet. So it's looking really good from that perspective. And the underlying demand for oil in general is good. We know that. We have that with us. It's a given. We almost take it as a given. We just build too many ships every now and then. But the underlying demand for oil is good. And from products, it varies from whatever, you know, 2% to 3% to 10% in a good year, the demand for products because of arbitrages and the cross trades and things like that. So yeah, things are looking good, and I think it's going to be slightly more sustainable going forward. It's not so easy to get access to buy financing and things like that. So yeah, I think we have a good story ahead of us.

[0:39:50]

Eddie: I fully agree. Eddie Valentis here from Pyxis. I fully agree considering the projections for the refined products demand going forward for the next couple of years. It's in the region of 3% and considering what Kim said about the growth of the fleet of 2% annually, then you can do your own calculations and see where we are. And plus, the possibility and this highly possibility of scrapping taking place in the near future because of older units especially the 20-year plus units which, as I mentioned earlier, 13% of the MR fleet which will decide not to go through the ballast water treatment installation. We believe the scenario going forward is very, very good.

Marco: Look, I will tend to agree. The only thing I'm sure about is looking at the past. I think this is one of few times in these markets and I have been for, I don't know, 20 years in which you see a low cycle and there is not on the horizon. It's tsunami of new buildings coming forward. I think this is very encouraging. You know, normally, you tend to see associated to these moments of low cycles, large new building orders and we are not seeing it so far. And I don't think that there are the conditions for seeing it so I think it's very encouraging.

James: Okay. What are some signals that you look to to say that the market has reached an upturn? Specifically, what are some of the leading indicators that you look for?

Marco: This is Marco. I think one of the first things is the interest you start seeing from big charters for time charter business. Normally, this is one -- I think that normally the market stops moving on the spot and then you see it moving to the TCs and then you have an impact on the prices of the ships. I think when you start showing an interest and starting to put two, three years TCs, I think that would be a very good thing on the market. And I must say that there is more interest now than there was a couple of months ago. We start seeing that there is people who are starting to look around for ships for a longer period of time which is kind of encouraging.

Eddie: I agree with Marco. This is Eddie Valentis from Pyxis. We also see increase interests for time charters, from major charters for two, three years. In addition to that, asset values have moved in the past couple of months. We have seen an increase in asset values of approximately 10%. So, this is an indicator that there is increased interest in the market for the product sector, and usually these are signs that indicate that the future will be better.

Kim: Yeah. And Kim here. Just to add on the TC part which is absolutely correct and who is taking it? It's typically the traders now and some of the trading orientated oil companies and they normally have, you know, a good sniff for what's about to come. So that's a good sign. Other signs that I'm following exceptionally close and I have been following it so closely and I have been repeating it all the time, it's the inventories. I'm looking at the inventories every week and watching it go down. We saw a big draw last week and it's expecting a big draw this week too. You're on the right track there. And then, of course, every day open up a new market report and see no new orders. I'm as happy as it can be.

James: Okay. Our next question is on I guess the sale and lease back of these ships. We are seeing quite a few sales on the product tanker side. Marco, you're foremost involved in one. Is there something that can replace defunding or is this just really a band-aid? And that's not something that's going to bring back on disciplined ordering in the future.

Marco: Look, I think we did quite a few of these sections in two different segments. We did some order ships 2006, 2007. I think that has been to find a substitute for a trade sale of the market which was not there for lack of liquidity at the levels we're asking. Then we did a more modern ship and in that case, we're trying to find something where we have purchased options of three and four, so we see it as a way of providing a cash flow at a reasonable level with an asset that probably potentially can be, not can be, in our view, should be an appreciating value and we can repurchase it at very attractive level and bring it back in the fleet.

[0:45:07]

I think there is two ways of looking at this. Older ship has to for getting rid of them without having a credit in the S&P market, in a traditional S&P market. More modern ships is to do it in order to generate cash flow with a possibility and actually I think a very strong possibility of repurchasing those assets at a good value. And at the end of the day, if you'd work with the right parties, rates are not horrible and we come back with TC equivalents in the 14,000 range which is nothing -- still within what we think the market will be trading. We're not doing it and ending up with a TC of 17, $18,000 a day. I think we still have our goal, still to keep a lower rate even on the fleet and this is another way also of generating cash with still keeping an acceptable breakeven level.

Kim: Yeah. And Kim Ullman here. We're also involved in numerous of those specs last year. I'm not saying there's replacing the conventional funding or bank financing in any way. As Marco is saying, it's a good way to bridge a bad market and that's really what it is then it has different favors on it with the repurchasing and the purchase options and things like that. And if you have a good name and you can come up with a low-cost capital as a matter of fact, a lot of pros in it but you don't do only that. You know, we and many others did similar simultaneously and a refinancing, a conventional refinancing with a group of relationship banks that we have had for a long time that we are fortunate enough to have so to speak and that's -- of course we do in combination with the sale/lease specs.

James: And with the structure, I think the world is changing in 18 or 19 where they will now be on balance sheet transactions. Would that change how you guys approach the same lease specs in the future?

Marco: I think on a strictly accounting approach, I think that where you have a purchase obligation doesn't go on your balance sheet because it's seen as financing so you have a purchase obligation. Where you don't have purchase obligations will go on the balance sheet. But also, we're talking about going on your balance sheet, also things like long-term time charters. I think there's going to be an impact on all of our balance sheets from all these changing regulations. Because when you have to start putting, I don't know, the Japanese chartered ship for seven years with some purchase options and you have to start putting a debt on your balance sheet, I think that starts being a little bit of a different ball game. For sure there is going to be swelling of all balance sheets of shipping companies. This is I think going to be inevitable.

Kim: Nothing really to add there either. We have a combination of purchase obligations and purchase options on our sale/lease specs obligations are on the balance sheets and the ones with the options will be in 2019, and we'll have to take a look at that, how that will affect our view on it, but I'm sure we'll continue to -- we're not necessarily doing it to get it off the balance sheets. We have purchase options and good purchase options and very likely, I mean probably, we are going to exercise these purchase options. They're going to be back on the books anyways.

Eddie: Yeah, I would like to add on that. Often these transactions are not made to put or get assets of your balance sheet. I think that's the last of the problem. I think often these transactions are made (a) to generate cash flow; (b) to get an attractive rate of financing for a higher leverage, but the fact of getting off your balance sheet I think is probably the last thing that comes in everybody's mind, you know.

[0:49:45]

James: As, with my analyst hat, we can move on a little bit and kind of talk about the US crude production growth and exports. You have successfully tested VLCC into Corpus Christi and also with Trump administration is looking to reduce the strategic oil reserves by 50% and those other exports in the Gulf area. If you guys can give some comments on what you think these developments especially with US crude exports are going to have on the product tanker sector.

Eddie: If I may start, this is Eddie Valentis from Pyxis Tankers. Last week I was in Houston for a major industry event. By the way, I visited a few clients, oil majors, and I was impressed by the amount. It's a different reading about it other than meeting and having a clear understanding of what's going on and the amount of investment that is happening in shale oil. So yes, US will be a major exporter both in crude and products. I mean, as I mentioned earlier, the amount of growth in product, in refined product exports from the past years from the US is amazing, and we're very much looking forward for these exports to be also on bigger ton-mile routes as well. So far, the majority is heading towards Latin America and Africa but we are very much looking forward for these routes to be expanded.

James: Kim, Marco, do you guys have any additional thoughts?

Marco: Just to say that this crude that gets exported to other refineries and then when the products come out of their refinery, they have to be moved somewhere else. At the end of the day, just shifting the issue from one company to another but I think the generation of ton-mile is still very positive from all of these.

Kim: Honestly speaking, I haven't really got around it yet to have a proper analysis and conclusion out of it. It goes to refinery and that refinery could be for domestic consumption at that country. It could be bad from that point of view but somehow, somewhere it is more oil on the water. It is typically tankers for you. All of a sudden, you have crude going from America to China, wherever, and it starts and then creates new trades and opens up new trade lanes for crude tankers and in turn, that will have an impact on the product tankers as well. So generally speaking, I think it's good. It's typically tankers. It's one of the reasons why this market is so interesting is not stuck in a rut forever. It changes all the time and generally speaking, more oil exports, crude and product is good. But in conclusion, I have to say it's a little earlier to determine.

James: If you guys could share some thoughts on I guess demand, growth for refined products and ton mile demand growth, do you see ton mile demand growth outpacing the overall global demand growth for refined products or do you think that ton-mile demand demand and refined product demand are going to be pretty much similar to each other?

Marco: All of this is always tied to unforeseen events. I think the fact of 2020 of the ***[0:54:17] [Indiscernible]***, that could have some unforeseen today the impact. The fact that you'll have to move a low-sulfur fuel from the ***[0:54:27] [Indiscernible]*** and make it to the whole world, I think that could be a new factor. I think that in general, I think ton-mile, the fact that you still have refineries being dealt far away closing your refineries, I think ton-mile still could be outstripping the general growth of demand. I think that could be a positive factor. I think the ton-mile growth in the past has been the one supporting the industry very much.

[0:55:00]

Kim: Kim here. Yeah, definitely, oil consumption. Oil consumption is defined as having an increase or a growth rate of 1.5% per year. We have had -- I just said it before that we have been in lucky situation, we have had growth ever since whatever we look back, 1995, '98, whatever. It's been growing by anything from a half percent to 1.5% ever since and it's still expected to do. That's a million and a half barrels per day. That's what we consume every day in our daily works. And on top of that comes the ton-mile obviously and you have heard these stories about the refineries and Marco had been mentioning it and the new situation and all of that and together with the arbitrages, yes, the ton-mile addition to the oil consumption 1.5% is definitely supporting that oil consumption growth. The two together is anything -- that's why I say anything from 3% to 10% in the product tanker overall transportation demand factor.

Marco: That's a powerful number, a big number. I agree with Kim.

James: All right. So moving on to our next question, with the global push for less greenhouse gas emissions and a lot of switching to electric trains and trucks and automobiles especially in Europe, what do you see demand looking like long term for refined products especially in Europe, China and India?

Kim: Can you repeat the question?

James: With pushed for less greenhouse gas emissions and switched to more electric transportation, trucks, trains and cars in Europe and also China and India, do you see lower total demand for refined products long term into those regions?

Marco: Oh, look, I think it's kind of on the news these days. They projected the reluctance of the United States of joining the Paris Accord. I think it was based on the fact that they have much more growth compared to other developing economies. There was a favorite treatment of developing economy compared to mature economies. I think if we look at that, we are accepting the fact that developing economies for long time, they will be growing at a certain level, the higher level than the mature economies. And then also for that, I think we'll be moving to new mixes of fuels, cleaner fuels. Probably, there'd be more gasoline consumption and less diesel. But at the end of the day, we are still very much fossil fuel dependent society and I see that continuing for a while with switches, changes, more efficiencies, but I think that would be a fossil fuel dependent society for a long while.

Eddie: Yeah. This is Eddie Valentis from Pyxis. I fully agree. To add to that, I mean considering that energy demand after 2040 will be approximately up about 30%. And considering that the cars, the amount of cars will double in the next ten years so which amount of that will go to electric cars and which will be gasoline? In any case, you know, supposing they are all electric, this is the beauty of the product tanker. It's so versatile. It has so many alternatives. Maybe gasoline will start decreasing but diesel will start increasing. We have alternative cargos and, yeah, it's a good thing going forward but needs for energy are always going to be there at least for the foreseeable future.

Kim: Yeah, absolutely. Kim here. We are certainly supporting everything that goes into electric and do everything we can to reduce greenhouse gas emissions. But there is certainly a trend that the electric cars will increase big, big time over the next 10, 15 years. And however, with that will also be the conventional cars as we see it right now or the experts even if I realize that some of these figures have come out that day, even if the electric cars goes to 20 million in 2030 or 2035, it's still only 5% or 6% of the total vehicle fleet at that time. I realize that that's BP coming up with these figures and they might be a little biased and things like that. But there is certainly a long way until there will be a big cut in transportation need for gasoline, in my view.

[1:00:30]

Marco: We see all these numbers in the percentage. In percentage, they look fantastic. But then in absolute term it's like saying consumption of gasoline will be going down, will be substituted by electric. But then if you triple the number of cars, , that is what you use on one side, you make for it on the other side. I think these are the powerful numbers. I think the growth of what the world is experiencing and will experience. There are so many people who are starting still to come to benefit about a lot of the advances or progress that have been so far. I think there is still a big growth factor there and I think should there be enough room for everybody.

James: All right. Well, I guess we are just about out of time. I just want to thank our panelists again for joining us on this webinar. And I'll turn it over to Nick for closing comments. Nick.

Nicolas: Well, thank you all. I would like to say is a big thank you to all four of you. I think it was a great panel with very interesting topics to cover. Again, thank you very much. I would like to mention that we are going to have an audio archive available in a couple of hours from now. So anyone who would like to come back and listen to the webinar, you are very welcome to do so at www.capitallinkwebinars.com. We will also prepare a transcript which will be available at no cost to those who are interested and we will notify you when we have it ready. Again, thank you for this great panel discussion and we can all disconnect. Thank you very much.

Marco: Well, thank you, Nicolas. Thank you, Kim. Thank you, Eddie and this is Marco. It's always a pleasure and it's always great discussing with people who know about the industries or the great industry to be discussing about. Thank you very much.

Operator: And with many thanks to all presenters today. That does conclude the webcast. Thank you all for participating. You may now disconnect.

[1:03:05] End of Audio

Biography of Speakers

PANELISTS

Kim Ullman
CEO
Concordia Maritime (STO:CCORB)

Educational Background

- 1999-2000: Advanced Management Program: Stockholm School of Economics, Stockholm, Sweden, www.hhs.se
- 1972-1975: High School Degree: Viktor Wångfeldt Gymnasium, Gothenburg, Sweden Social Science Program with special focus on Business and Shipping

Work Experience

- 2014-present: Concordia Maritime: CEO, Gothenburg, Sweden, www.concordiamaritime.com
- 2011-2014: Stena LNG: CEO, Gothenburg, Sweden, www.stenalng.com
- 2008-2011: Stena Bulk AB: Senior Vice President & Chief Strategic Officer, Gothenburg, Sweden, www.stenabulk.com
- 2005-2008: Stena Bulk AB: Executive Vice President & Chief Operating Officer, Gothenburg, Sweden
- 2000-2005: StenTex LLC: President & CEO, Houston, USA
  A joint venture company owned by Stena Bulk and major oil company Texaco at the time
- 1989-2000: Stena Bulk AB: Executive Vice President
- 1987-1989: Stena Bulk AB: Vice President
- 1983-1987: Stena Bulk AB: Chartering & Commercial Manager, Gothenburg, Sweden
- 1982-1983: Broströms Shipping Company/August Leffler & Son: Chartering Specialist, Tankers, Gothenburg and London, UK (Intank Shipbroking company)
- 1981-1982: Broströms Shipping Company/August Leffler & Son: Chartering Specialist, Dry cargo, Gothenburg, Sweden
- 1975-1981: Broström Shipping Company/Atlantic Container Line (ACL): Freight Documentation Department – from Assistant, Deputy Department Manager to Department Manager

Language Skills

- Swedish: Mother tongue
- English: Fluent in both spoken and written

External assignments

- Intertanko council member
- Member of the Board of the Stena-Sonangol Suezmax Pool
- Board member of Bulk and Tank Section of the Swedish Shipowners' Association
- Member of the American Bureau of Shipping

Marco Fiori
CEO
d'Amico International Shipping (BIT:DIS)

Marco Fiori joined COGEMA S.A.M. in 1996 as managing director and since that time has held many other executive positions in d'Amico Group companies. Prior to joining the d'Amico Group, Mr. Fiori was employed in the New York branch of Banca Nazionale dell'Agricoltura. He was initially responsible for the loan portfolio and business development of Fortune 100 companies based on the U.S. West Coast and later, for overseeing and managing the entire U.S. business development market. From 1990 to 1994, he held the position of head of credit and in 1994 was promoted to the position of senior vice-president and deputy general manager of the New York branch with direct responsibilities for business development, treasury and trading. Mr. Fiori obtained a Bachelor of Science in Economics and Finance from Rome University in 1979 and an MBA from American University in Washington D.C. in 1984. He lives in Monte Carlo, Monaco.

Eddie Valentis
CEO
Pyxis Tankers (Nasdaq: PXS)

Valentios ("Eddie") Valentis has over 25 years of shipping industry experience, including owning, operating and managing tankers. He has served as Pyxis Tanker's Chief Executive Officer and Chairman of the Board since the company's inception. In 2007, Mr. Valentis founded and also serves as the President of Pyxis Maritime Corp., a privately-held tanker management company. In 2001, he was appointed Managing Director of Konkar Shipping Agencies S.A., a drybulk operator based in Greece, which is a position he continues to hold. From 1998 to 2001, Mr. Valentis was the Commercial Manager for Loucas G. Matsas Salvage & Towage. From 1996 through 1998, he worked as a dry cargo chartering broker for N. Cotzias Shipping. From 1989 to 1995, Mr. Valentis was involved in the operation of his family's drybulk vessels. He has an MBA from Southern New Hampshire University. Mr. Valentis serves as a council member of the Independent Tanker Owners Association (INTERTANKO) and a member of the Greek Committee of NKK Classification Society. Mr. Valentis also holds a Captain's (Class C) diploma from the Aspropyrgos Naval Academy in Greece.

Moderator

James Jang
Senior Analyst, Industrials and Maritime
Maxim Group

James Jang is the Senior Analyst leading coverage of the Industrials and Maritime practice at Maxim Group LLC. Prior to joining Maxim Group, Mr. Jang was a Senior Analyst covering Furniture and Textiles, and was an Equity Research Associate at Canaccord Genuity covering the Maritime and Maritime MLP sectors. Prior to equity research, Mr. Jang was a Vice President at Meriel Partners, a boutique Maritime investment bank in Seoul, leading its ECA financing and private debt placement activities.Mr. Jang received his M.B.A. in Finance from the University of Rochester’s Simon Graduate School of Business, and his B.A. in History from Binghamton University.

ABOUT CONCORDIA MARITIME

Concordia Maritime is an international tanker shipping company. We focus on safe, sustainable and reliable transportation of refined oil products, chemicals and vegetable oils. The Company's B shares were first listed on Nasdaq Stockholm in 1984. Concordia Maritime's business model aims to enhance shareholder value through the daily ship operations and the active purchase and sale of vessels. For more information, please visit the company's website **www.concordiamaritime.com.**

ABOUT D'AMICO INTERNATIONAL SHIPPING

d'Amico International Shipping S.A. is a subsidiary of d'Amico Società di Navigazione S.p.A., one of the world's leading privately owned marine transportation companies, and operates in the product tankers sector, comprising vessels that typically carry refined petroleum products, chemical and vegetable oils. d'Amico International Shipping S.A. controls, through its controlled subsidiary namely d'Amico Tankers Limited, Dublin, either through ownership or charter arrangements, a modern, high-tech and double-hulled fleet, ranging from 35,000 and 75,000 deadweight tons. The Company has a history and a long tradition of family enterprise and a worldwide presence with offices in key market maritime centres (London, Dublin, Monaco and Singapore). The company's shares are listed on the Milan Stock Exchange under the ticker symbol "DIS". **https://en.damicointernationalshipping.com**

ABOUT PYXIS TANKERS

Pyxis Tankers owns a modern fleet of six tankers engaged in seaborne transportation of refined petroleum products and other bulk liquids. We are focused on growing our fleet of medium range product tankers, which provide operational flexibility and enhanced earnings potential due to their "eco" features and modifications. We are well positioned to opportunistically expand and maximize our fleet due to competitive cost structure, strong customer relationships, and an experienced management team, whose interests are aligned with those of our shareholders. **www.pyxistankers.com**

ABOUT MAXIM GROUP

Founded in 2002, Maxim Group is a leading full-service investment banking, securities and wealth management firm headquartered in New York. We provide a full array of financial services including investment banking; private wealth management; and global institutional equity, fixed income and derivative sales & trading, equity research and prime brokerage services to a diverse range of corporate clients, institutional investors and high net worth individuals. Meeting the demands of our clients is the first order of business. It's what drives our constant effort to deliver the latest innovations in financial services and allows us to remain focused on measuring success by the satisfaction of our clients. This approach, combined with investment flexibility and sharp insight, is what sets us apart from others in the industry. Maxim Group is a registered broker-dealer with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board (MSRB). We are members of the following: Financial Industry Regulatory Authority (FINRA), Securities Insurance Protection Corporation (SIPC), NASDAQ Stock Market, NYSE Arca, Inc. **www.maximgrp.com**

ABOUT THE ORGANIZER – CAPITAL LINK INC.

Capital Link is an Advisory, Investor Relations and Financial Communications firm with strategic focus, among other, on the maritime industry working with many of the shipping companies listed on the U.S. and European Exchanges. Capital Link's headquarters are in New York with a presence in London, Athens and Oslo. It is a member of the Baltic Exchange. In an effort to enhance the information flow to the investment community and improve investor knowledge of shipping, Capital Link has undertaken a series of initiatives beyond the traditional scope of the investor relations activity through its websites, weekly newsletter, webinars, conferences and forums, and the Capital Link Maritime Indices. Capital Link organizes Shipping Conferences in key industry and financial centers around the world (New York, London, Athens, Limassol, Shanghai) which feature industry leaders and are known for their rich informational content and unique networking opportunities. **www.capitallinkshipping.com**

Capital Link is an Advisory, Investor Relations and Financial Communications firm with strategic focus, among other, on the maritime industry working with the many sector companies listed on the U.S. and European Exchanges. Capital Link's headquarters are in New York with a presence in London, Athens and Oslo. It is a member of the Baltic Exchange. In our effort to enhance the information flow to the investment community and improve investor knowledge of shipping, Capital Link has undertaken a series of initiatives beyond the traditional scope of our investor relations activity through our websites, weekly newsletters, webinars, investor forums in New York, London, Athens and Shanghai, and the Capital Link Maritime Indices.

For more information on webinar opportunities, please contact forum@capitallink.com or call +1 212 661-7566.

Capital Link - New York
230 Park Avenue
Suite 1536
New York, NY 10169
Tel.: +1 212 661 7566
Fax: +1 212 661 7526

Capital Link - London
Longcroft House,
2-8 Victoria Avenue,
London, EC2M 4NS U.K
Tel. +44(0) 203 206 1320
Fax. +44(0) 203 206 1321

Capital Link - Athens
40, Agiou Konstantinou Str
Suite A 5
151-24 Athens, Greece
Tel. +30 210 6109 800
Fax +30 210 6109 801

Capital Link - Oslo
Raadhusgaten 25
P.O. Box 1904 Vika
N-0116 Oslo, Norway

www.capitallink.com • www.capitallinkshipping.com • www.capitallinkwebinars

Disclaimer & Terms of Use:

The opinions, presentations expressed by the forum participants are not intended as legal or investment advice of any kind, and are provided for informational and educational purposes only, and Capital Link bears no responsibility or liability for them. Furthermore, this panel discussion and webcast contains forward-looking statements (as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) concerning future events for the dry bulk sector and the participating Companies growth strategies and measures to implement such strategies; including expected vessel acquisitions and entering into further time charters. Words such as "expects," "intends," "plans," "believes," "anticipates," "hopes," "estimates," and variations of such words and similar expressions are intended to identify forward-looking statements. Although the Companies believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. These statements involve known and unknown risks and are based upon a number of assumptions and estimates which are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Companies. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to changes in the demand for dry bulk vessels, competitive factors in the market in which the Companies operate; risks associated with operations outside the United States; and other factors listed from time to time in the Company's filings with the Securities and Exchange Commission. The Companies expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward looking statements contained herein to reflect any change in the Companies' expectations with respect thereto or any change in events, conditions or circumstances on which any statement is based.

.