

# Concordia Maritime: TP increased on higher expectations

- 2q15 ahead on higher freight rates and lower costs than expected
- Taking up estimates on expectations of strong winter market
- Increasing TP to SEK 30 and repeating Buy

## 2q15 ahead on higher freight rates and lower costs than expected

Concordia Maritime reports EBITDA of SEK 99m for 2q; SEK 4m ahead of our estimate and a big SEK 17m ahead q/q on well performing product tanker markets and the addition of the first (of two) IMOIIIMAX product/chemical tankers. The company's product tankers sailed in USD 20,700 per day on spot and TC markets, while its 9x (of 11x) spot trading product tankers made USD 21,800 per day on spot markets relative to our USD 21,500 per day estimate. The company's 1.5x Suezmaxes made USD 38,800 per day on spot markets; in line with peers. Net income was SEK 0.92 per share.

## Taking up estimates on expectations of strong winter market

We revise up our 2016 TCE assumptions (MRs from USD ~20,000 per day to around USD 21,500 per day) as well as our 2h15 tanker TCE assumptions, resulting in significant upward revisions of 2015 and 2016 earnings estimates (2016 EPS up +/- 50% to around SEK 4). We also assume the company will resume its dividend program from next spring onwards. CCOR has earlier indicated a payout ratio between 20 and 30%, and we set it at ~25%. The company repeats its positive market outlook and explains that any seasonal dips are unlikely to be as deep and prolonged as in recent years. The company is adding more capacity to its fleet as it takes delivery of its second IMOIIIMAX in October, as well as a 50% chartered Suezmax tanker in July.

## Increasing TP to SEK 30 and repeating Buy

We repeat Buy on CCOR and see it as an attractively priced bet on a continued positive development of tanker markets. In addition, we increase our TP to SEK 30 (25) as a mid range of Ship values +10%, 8x2016 EBITDA and 10x2016 earnings give us SEK 40. We subtract a 25% liquidity premium to arrive at SEK 30, which is also the same as our current NAV for the fleet. Trading at P/NAV 0.7x CCOR stands out favorably among peers.

**Buy**

Target SEK 30 (25)

Price SEK 21.3

Date:

14-Aug-15

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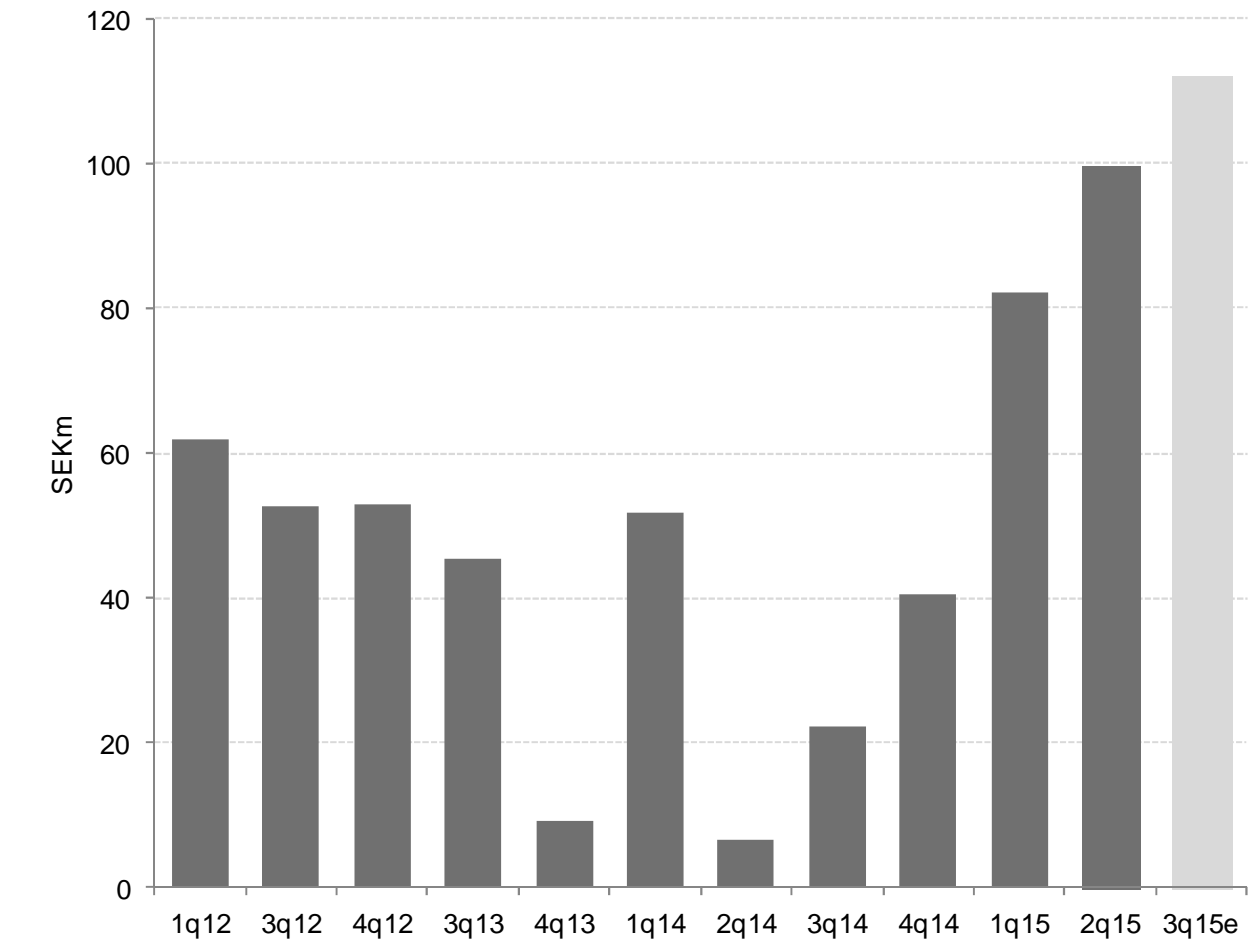
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# We see an increase in EBITDA in 3Q because of favourable rates and expansion of the chartered fleet

**CCOR EBITDA and SWN 3q15 estimate**

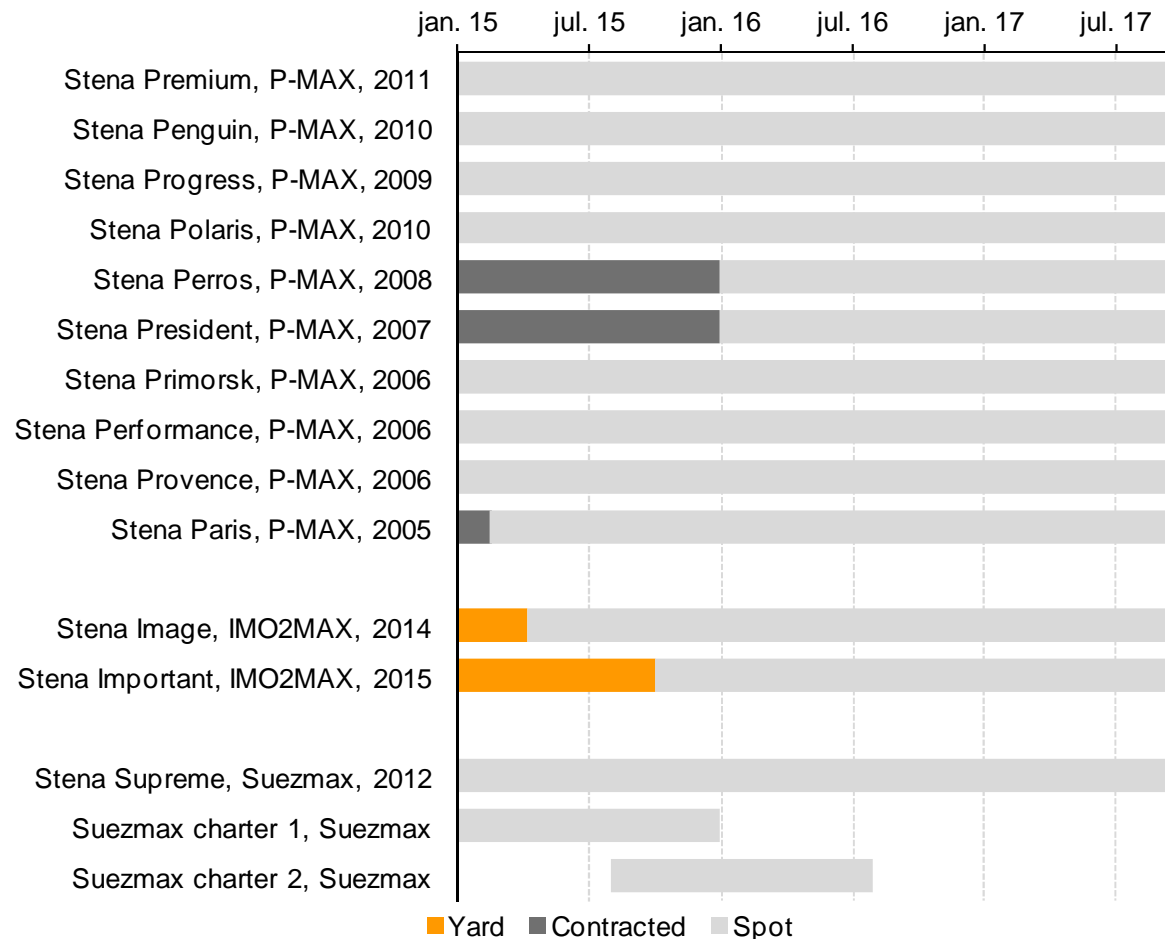


**Comments**

- Market turnaround started 3q14
- Suezmax tanker chartered in for one year on a 50% basis from 1q15, deal is deep in the money
- 1st IMO2MAX newbuilding delivered April 2015
- Another 50% Suezmax charter to be delivered to CCOR in August 2015
- 2nd IMO2MAX to be delivered October

# Increasing fleet size for 2H; New ships remains priority

## CCOR fleet and employment



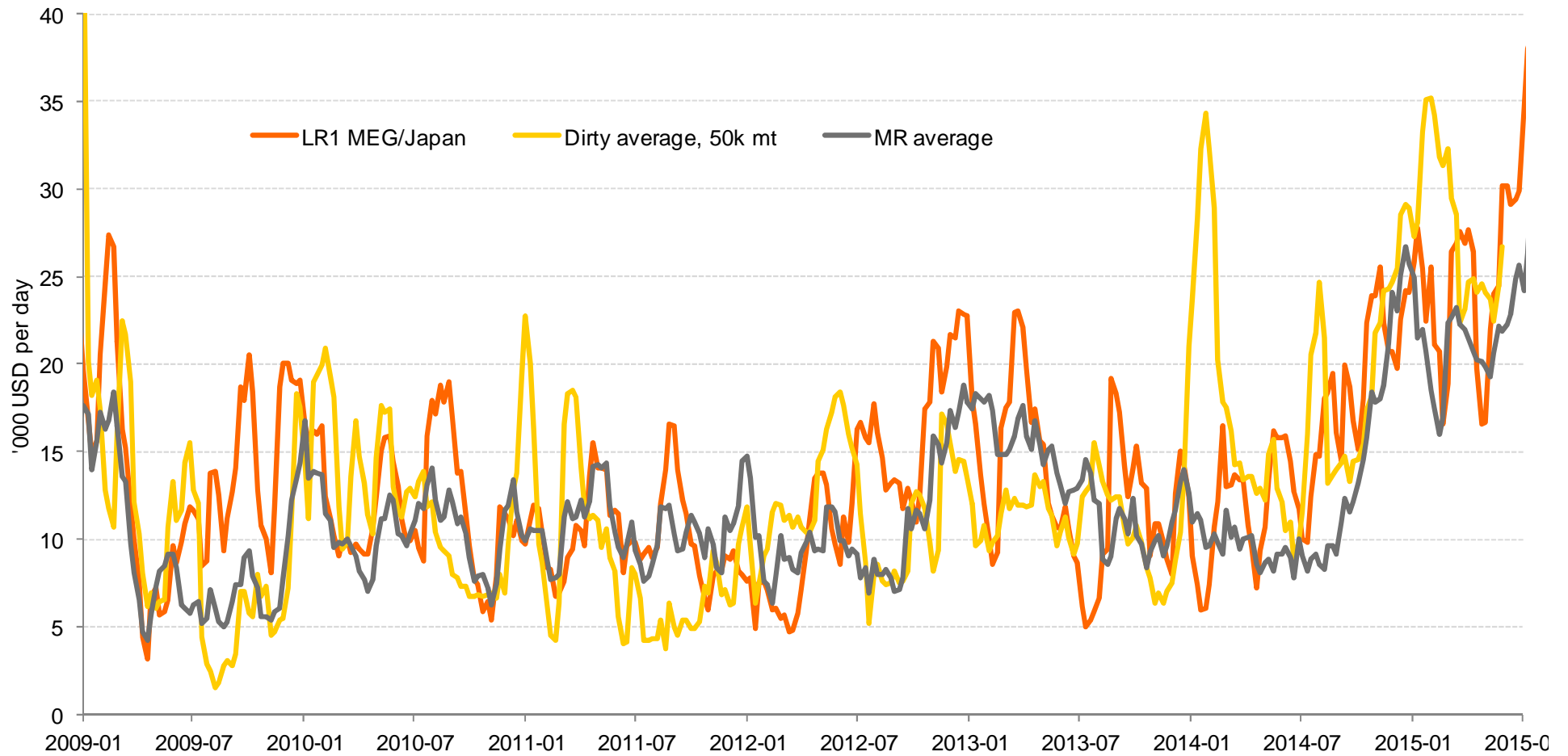
## Comments

- **P-MAX**
  - Wide-beam MR, larger cargo intake and higher earnings potential
  - 10x in fleet. 2x on TC to Stena Bulk, 8x commercially operated by Stena Bulk, Stena Weco and Exxon. Trading both clean and dirty products
  - Spot income of USD 19,600 per day in 1q15; ~10% short of MR earnings achieved by top performing peers
- **IMO2MAX**
  - MR IMO 2
  - 2x NBs; one delivered in April, 2nd unit to follow in October
  - Commercially operated by Stena Weco
- **Suezmaxes**
  - 1x owned vessel, commercially operated by Stena Sonangol. 1q15 TCE USD 44,200 per day; best in class
  - 2x chartered-in vessels, on a joint basis together with Stena Bulk. Charter agreements believed to be deep in the money

# Solid start of 2H15, we revise up accordingly

MR avg, YTD: USD 22,000 per day; +120% y/y

## Product tanker spot earnings



Source: Clarkson

## We are upping our estimates for 2015e-17e on higher rates

Assuming dividend payout from 2016

### CCOR changes to estimates (SEKm)

	2015E			2016E			2017E		
	new	prev	diff	new	prev	diff	new	prev	diff
Total revenues	908	800	14%	945	897	5%	923	920	0%
EBITDA	445	335	33%	451	411	10%	450	455	-1%
Operating profit	253	140	81%	243	199	22%	242	242	0%
Net profit	209	86	144%	192	128	50%	196	176	12%
Recurring EPS	4.37	1.60	173%	4.02	2.67	50%	4.11	3.69	11%
Dividend	1.00	0.00	n.m.	1.00	0.50	100%	1.00	0.50	100%
P-MAX avg	23,500	17,250	36%	22,750	19,250	18%	22,750	21,500	6%

# Suezmax earnings lagging market because of demurrage

## P&L and balance sheet items, pricing

### Profit and loss

SEKm	2012	2013	2014	2015e	2016e	2017e
Total revenues	543	468	451	908	945	923
Operating expenses	274	263	275	373	377	356
SG&A	41	60	55	90	117	117
<b>EBITDA</b>	<b>228</b>	<b>145</b>	<b>121</b>	<b>445</b>	<b>451</b>	<b>450</b>
Ordinary depreciation	151	144	145	192	208	208
Impairment / (sales gains)	411	0	-80	0	0	0
<b>EBIT</b>	<b>-334</b>	<b>0</b>	<b>56</b>	<b>253</b>	<b>243</b>	<b>242</b>
Net financial items	-36	-39	-40	-44	-51	-46
Associated companies	0	0	0	0	0	0
Non recurring	0	0	0	0	0	0
<b>Pretax profit</b>	<b>-369</b>	<b>-39</b>	<b>16</b>	<b>209</b>	<b>192</b>	<b>196</b>
Minority interest	0	0	0	0	0	0
Tax	-13	-10	-8	0	0	0
<b>Net profit</b>	<b>-356</b>	<b>-29</b>	<b>8</b>	<b>209</b>	<b>192</b>	<b>196</b>

### Rate assumptions (USD per day)

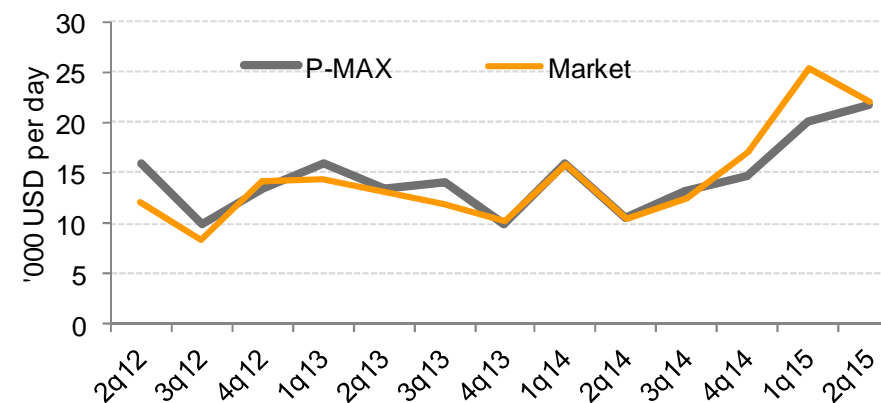
P-MAX spot earnings	13,625	13,375	13,600	23,325	22,625	22,750
MR				23,933	21,625	21,750
Suezmax			23,000	39,700	33,750	31,875

Rec. EPS (SEK/share)	-7.5	-0.6	-1.5	4.4	4.0	4.1
P/E	n.m.	n.m.	n.m.	5.0	5.4	5.3
EV/EBITDA	9.7	16.3	24.3	6.4	5.6	4.8
Yield	5%	0%	0%	5%	5%	5%
ROE	-25%	-2%	1%	12%	10%	9%
P/B	0.3	0.4	0.7	0.6	0.5	0.5

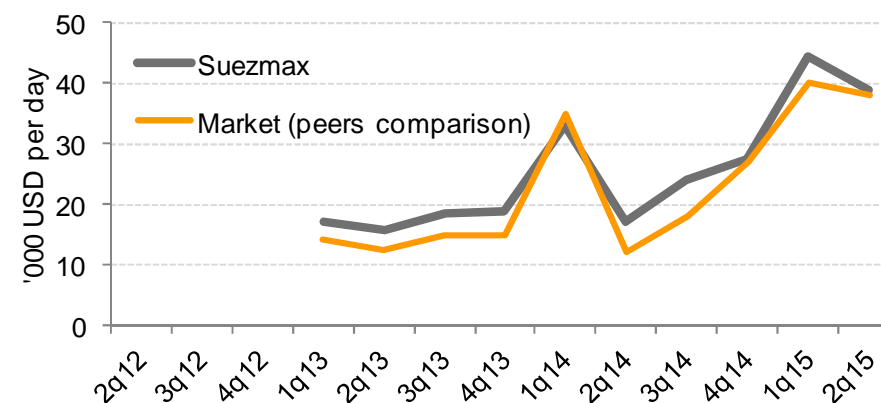
### Selected balance sheet items:

Cash and cash equivalents	144	106	137	319	380	607
Tangible assets	3111	3016	3336	3706	3534	3326
Total assets	3481	3407	3716	4341	4230	4249
Interest bearing debt	1993	1994	2039	2121	1866	1737
Shareholders equity	1331	1292	1575	1871	2015	2163

## P-MAX earnings vs market\*



## Suezmax earnings vs market



Source: SWN, CCOR, Clarkson, TNK, FRO, NAT

\*) Market = Clarkson MR avg, clarkson dirty Panamax avg, weighed after CCOR's clean/dirty ratio

## Valuation: We estimate NAV SEK 30. Target set to SEK 30

### CCOR NAV

Vessel	Type	Built	Standard ship	Premium	Break-up
Stena Premium	P-MAX (ice class 1B)	2011	29.0	2.5	31.5
Stena Penguin	P-MAX (ice class 1A)	2010	27.0	2.5	29.5
Stena Progress	P-MAX (ice class 1B)	2009	25.1	2.4	27.5
Stena Polaris	P-MAX (ice class 1A)	2010	27.0	2.5	29.5
Stena Perros	P-MAX (ice class 1B)	2008	23.2	2.3	25.5
Stena President	P-MAX (ice class 1B)	2007	21.3	2.3	23.6
Stena Primorsk	P-MAX (ice class 1B)	2006	19.4	2.2	21.6
Stena Performance	P-MAX (ice class 1B)	2006	19.4	2.2	21.6
Stena Provence	P-MAX (ice class 1B)	2006	19.4	2.2	21.6
Stena Paris	P-MAX (ice class 1B)	2005	17.5	2.1	19.6
Stena Supreme	Suezmax	2012	64.8		64.8
Stena Image	IMO2MAX	2014	40.5		40.5
Stena Important	IMO2MAX	2015	40.5		40.5
<b>Sum owned vessels (USDm)</b>			<b>374</b>	<b>23</b>	<b>397</b>
<b>Sum owned vessels (SEKm)</b>					<b>3367</b>
+ Value of charter portfolio					98
+ Cash					224
+ Net other assets					-33
- Capital expenditures (including dry docking)					-192
- Interest bearing debt					-2,018
<b>Net Asset Value</b>					<b>1445</b>
SEK per share					30.3
Price					21.7

### CCOR NAV

- Valuation of P-MAXes based on standard-type MR prices, plus premium for larger cargo intake qualities that should enable higher earnings (yet to be seen)
- IMO2MAXes, Suezmax valuation based on current broker quotes
- Charter portfolio valuation reflects spread between our market expectations and charter-in rates over the remaining term of the charter agreements
- Balance sheet items reflect our end-3q15 estimates

### Target set to SEK 30 (25)

- 8x 2016 EBITDA: SEK 45
- NAV, assuming 10% higher ship values: SEK 37
- 10x 2016 earnings: SEK 40
- We set our target to SEK 30 (25) to reflect mid-cyclical multiples and fair break-up values, as well as a certain discount due to poor liquidity in the share

## Tanker peers pricing table

Company	Crncy	Price (local crncy)	Target	Upside	Rating	Mkt cap USDm	EV 2015 USDm	EV/EBITDA		P/E (rec)		Div yield		NAV	P / NAV
								2015	2016	2015	2016	2015	2016		
<i>Crude tankers</i>															
<b>Frontline</b>	NOK	21			Under review	525	1,001	5.8x	10.5x	6.3x	61.9x	0%	0%	9	2.3
<b>Frontline 2012</b>	NOK	51	60	18%	Buy	1,560	2,290	11.3x	10.1x	8.3x	9.3x	27%	3%	36	1.4
<b>Tanker Investments</b>	NOK	104	150	45%	Buy	491	944	5.9x	5.8x	4.5x	5.7x	0%	0%	136	0.8
<b>DHT Holdings</b>	USD	7.5	12.5	66%	Buy	695	1,221	5.5x	5.8x	6.3x	6.4x	8%	9%	8.7	0.9
<b>OSG</b>	USD	3.6	3.7	2%	Buy	1,909	2,672	5.1x	4.8x	6.5x	7.3x	0%	0%	4.0	0.9
Crude tankers median				31%				5.9x	9.5x	6.3x	9.3x	8%	3%		
<i>Product and chemical tankers</i>															
<b>Stolt-Nielsen</b>	NOK	130	180	38%	Buy	924	2,757	6.7x	7.3x	7.7x	10.1x	6%	6%	253	0.5
<b>Odfjell</b>	NOK	22.4	24	7%	Neutral	222	1,232	9.0x	7.6x	95.2x	8.5x	0%	0%	29	0.8
<b>Concordia Maritime</b>	SEK	21.8	25	15%	Buy	123	383	9.7x	7.2x	13.6x	8.1x	2%	3%	29	0.7
<b>Scorpio Tankers</b>	USD	10.3	11.5	12%	Buy	1,673	3,303	6.9x	8.4x	5.6x	8.2x	4%	4%	11.2	0.9
Product and chemical tankers median				13%				9.0x	7.3x	10.0x	8.2x	2%	3%		

Source:



## Company specific disclaimer

### Price target methodology and risks;

Our share price target is based on a combination of a DCF and NAV valuation. The main risks to our price target include changes in global shipping demand patterns and transportation routes as well as fleet supply developments. The shipping industry is correlated to macroeconomic cycles.

### Critical assumptions;

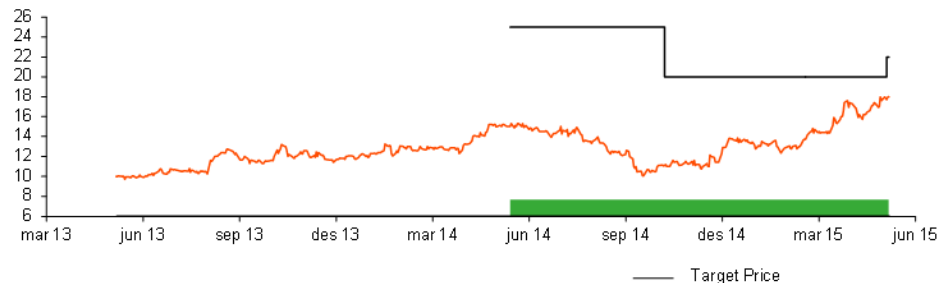
Earnings forecasts are highly sensitive to fleet TCE earnings assumptions.

### Planned updates;

Swedbank Large Corporates & Institutions plans to update the recommendation on the company when;

- The price target is achieved or
- When new accounting figures are released or
- If any material news on the company or on the industry is released

## Share price, rating history and target price 12 m fwd (SEK)



### Sources of information;

The sources have been;

- Annual reports from the company
- Quarterly reports from the company
- Presentation from the company
- Prospectuses from the company
- Reuters
- Bloomberg

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Employees in Swedbank own 0 Shares in Concordia Maritime AB.

Details of stock holdings are updated once a week.

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Source:

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Strong Buy:	The absolute return is estimated to be in excess of 15%
Buy:	The absolute return is estimated between 5% and 25%
Neutral:	The absolute return is estimated between 0% and 10%
Reduce:	The absolute return is estimated between 5% and -10%
Sell:	The absolute return is estimated to be less than -5%
Share price target:	All share price targets are based on a 12 month horizon

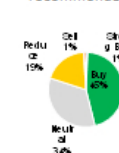
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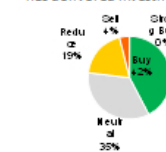
### Recommendation at the 5 juni 2015

	No of shares	Part of total	Part of MCAP
Strong Buy	1	1 %	0 %
Buy	52	45 %	47 %
Neutral	39	34 %	21 %
Reduce	22	19 %	25 %
Sell	1	1 %	0 %

### Total distribution of recommendations



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