
# Hunter Group ASA – Company Presentation

December 2023

# Forward looking statements

CERTAIN STATEMENTS INCLUDED IN THIS DOCUMENT CONTAIN FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS CONCERNING PLANS, OBJECTIVES, GOALS, STRATEGIES, FUTURE EVENTS OR PERFORMANCE, AND UNDERLYING ASSUMPTIONS AND OTHER STATEMENTS, WHICH ARE OTHER THAN STATEMENTS OF HISTORICAL FACTS. THE WORDS “BELIEVE,” “ANTICIPATE,” “INTENDS,” “ESTIMATE,” “FORECAST,” “PROJECT,” “PLAN,” “POTENTIAL,” “MAY,” “SHOULD,” “EXPECT” “PENDING” AND SIMILAR EXPRESSIONS IDENTIFY FORWARD-LOOKING STATEMENTS. THE FORWARD-LOOKING STATEMENTS IN THIS DOCUMENT ARE BASED UPON VARIOUS ASSUMPTIONS, MANY OF WHICH ARE BASED, IN TURN, UPON FURTHER ASSUMPTIONS, INCLUDING WITHOUT LIMITATION, MANAGEMENT'S EXAMINATION OF HISTORICAL OPERATING TRENDS, DATA CONTAINED IN HUNTER GROUP’S RECORDS AND OTHER DATA AVAILABLE FROM THIRD PARTIES. ALTHOUGH HUNTER GROUP BELIEVES THAT THESE ASSUMPTIONS WERE REASONABLE WHEN MADE, BECAUSE THESE ASSUMPTIONS ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT AND ARE BEYOND HUNTER GROUP’S CONTROL, YOU CANNOT BE ASSURED THAT HUNTER GROUP WILL ACHIEVE OR ACCOMPLISH THESE EXPECTATIONS, BELIEFS OR PROJECTIONS. THE INFORMATION SET FORTH HEREIN SPEAKS ONLY AS OF THE DATES SPECIFIED AND HUNTER GROUP UNDERTAKES NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENT TO CONFORM THE STATEMENT TO ACTUAL RESULTS OR CHANGES IN EXPECTATIONS OR CIRCUMSTANCES. IMPORTANT FACTORS THAT, IN HUNTER GROUP’S VIEW, COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE DISCUSSED IN THE FORWARD-LOOKING STATEMENTS INCLUDE, WITHOUT LIMITATION: THE STRENGTH OF WORLD ECONOMIES AND CURRENCIES, GENERAL MARKET CONDITIONS, INCLUDING FLUCTUATIONS IN CHARTERHIRE RATES AND VESSEL VALUES, CHANGES IN DEMAND IN THE TANKER MARKET, INCLUDING BUT NOT LIMITED TO CHANGES IN OPEC'S PETROLEUM PRODUCTION LEVELS AND WORLD WIDE OIL CONSUMPTION AND STORAGE, CHANGES IN HUNTER GROUP’S OPERATING EXPENSES, INCLUDING BUNKER PRICES, DRYDOCKING AND INSURANCE COSTS, THE MARKET FOR HUNTER GROUP’S VESSELS, AVAILABILITY OF FINANCING AND REFINANCING, ABILITY TO COMPLY WITH COVENANTS IN SUCH FINANCING ARRANGEMENTS, FAILURE OF COUNTERPARTIES TO FULLY PERFORM THEIR CONTRACTS WITH US, CHANGES IN GOVERNMENTAL RULES AND REGULATIONS OR ACTIONS TAKEN BY REGULATORY AUTHORITIES, POTENTIAL LIABILITY FROM PENDING OR FUTURE LITIGATION, GENERAL DOMESTIC AND INTERNATIONAL POLITICAL CONDITIONS, POTENTIAL DISRUPTION OF SHIPPING ROUTES DUE TO ACCIDENTS OR POLITICAL EVENTS, VESSEL BREAKDOWNS, INSTANCES OF OFF-HIRE AND OTHER IMPORTANT FACTORS.

THIS PRESENTATION IS NOT AN OFFER TO PURCHASE OR SELL, OR A SOLICITATION OF AN OFFER TO PURCHASE OR SELL, ANY SECURITIES OR A SOLICITATION OF ANY VOTE OR APPROVAL.

# Hunter Group's leadership

**Erik A. S. Frydendal**

CEO

- Mr. Frydendal has served as Hunter Group's CEO since May 2018.
- More than 20 years of capital markets experience, most recently as a Partner in Fearnley Securities, part of the Astrup Fearnley Group.
- Before joining Fearnley Securities, Mr. Frydendal held leading positions at Swedbank/First Securities, Fondsfinans ASA and Christiania Markets (Nordea Securities) in Oslo, as well as Paine Webber Inc. (UBS AG) in San Francisco.
- Mr. Frydendal holds an MBA from Heriot Watt University and a B.Sc. in Finance from the University of Utah.

**Lars M. Brynildsrud**

CFO

- Mr. Brynildsrud has served as CFO since August 2019, and as board member since March 2023.
- Several years of investment banking experience and has been involved in a wide range of shipping and offshore related capital market transactions.
- Most recently Mr. Brynildsrud was employed as Vice President, Corporate Finance at Swedbank, a position he held until 2019. Prior to joining Swedbank, Mr. Brynildsrud was a partner in Pareto Securities, working both in Oslo and New York.
- Mr. Brynildsrud holds a MSc in finance from the Norwegian School of Economics (NHH), and a BBA from BI Norwegian Business School (BI).

**Sujoy K. Seal**

COO

- Mr. Seal has served as COO since May 2018.
- More than 30 years of experience from the maritime industry in the new building, technical and commercial segments. Mr. Seal has been involved in more than 40 new buildings in Korea and has held senior positions within the industry.
- Most recently with Aurora LPG, Atlantic Tankers AS, Aurora Wilhelmsen Management Ltd., Tranpetrol TM and the BW Group.
- Mr. Seal holds a B.E. in Marine Engineering - First class from Marine Engineering College, India, as well as all relevant STCW certificates. Mr. Seal also held a certificate of Proficiency as Assessor issued by the Norwegian Maritime Directorate.

# Company background and shareholder group

**Recent key events**

**2018**

Invested around $700m for the construction of eight newbuild ECO scrubber-fitted VLCCs from DSME in South Korea, in addition to supervision of the construction of 4 additional VLCCs at the same yard

**2019/2020**

Vessels delivered and operated in both spot and time charter markets

**2022**

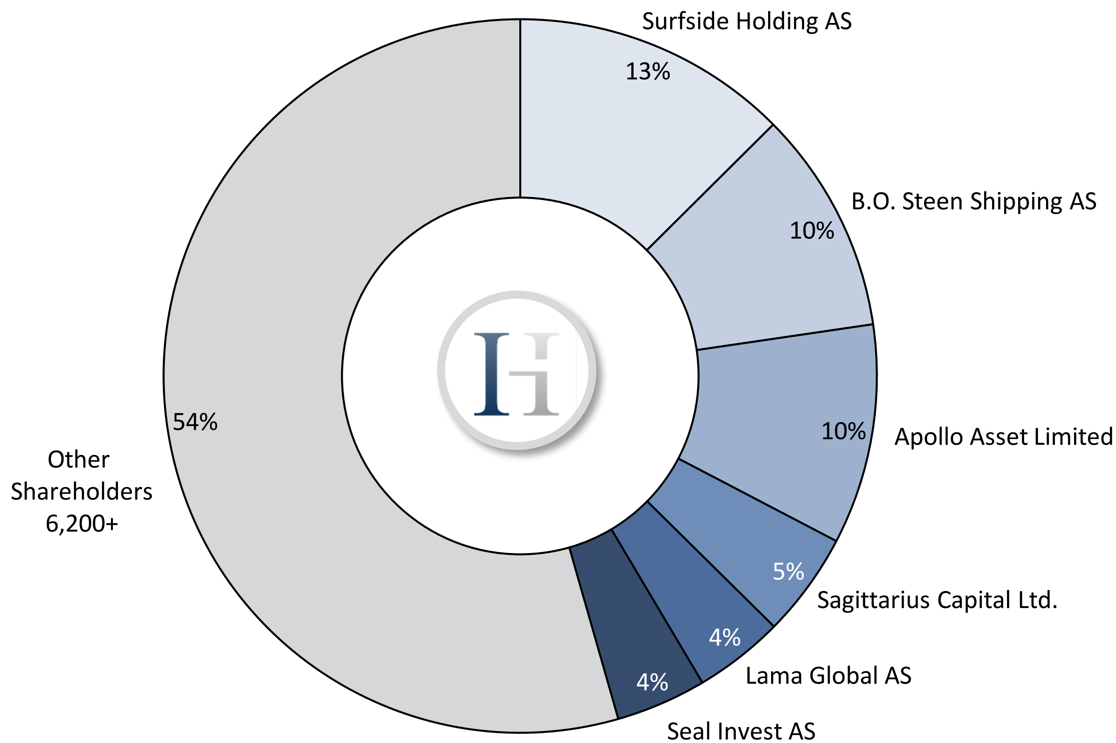
Gradual divestment of vessels, with the final ship sold in 2022.
Hunter Group distributed more than $300m in dividends throughout the investment period

**2023 ->**

**Positioning Hunter Group for new investment opportunities**

**6th March 2023**
Carbon Capture and Storage agreements signed with DNV

**30th November 2023**
Three-year back-to-back charterparty on an ECO-design scrubber-fitted VLCC



# Virtually zero growth in the VLCC fleet next four years

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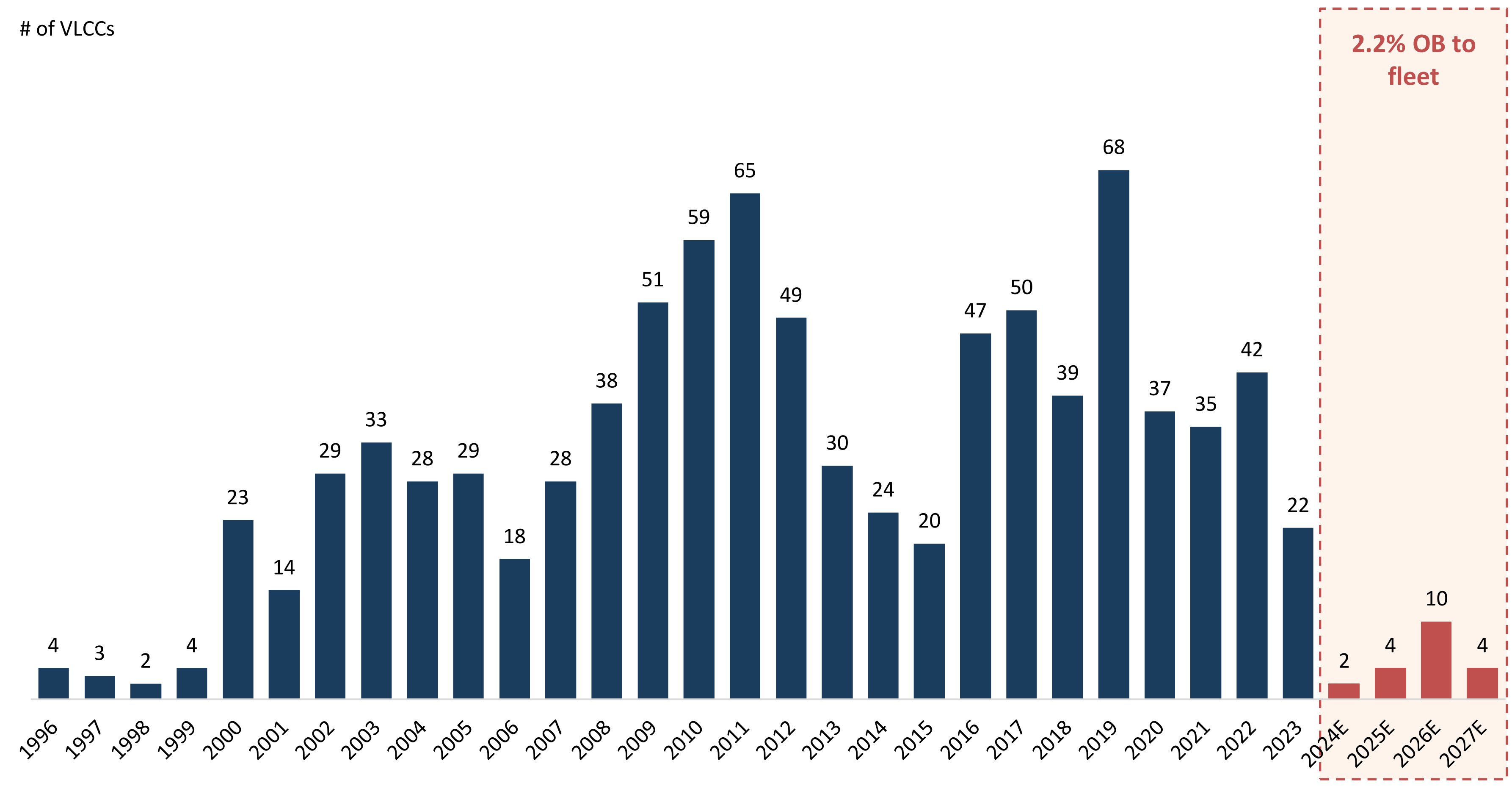
**Only 20 VLCCs expected to be delivered 2024-'27[1]**

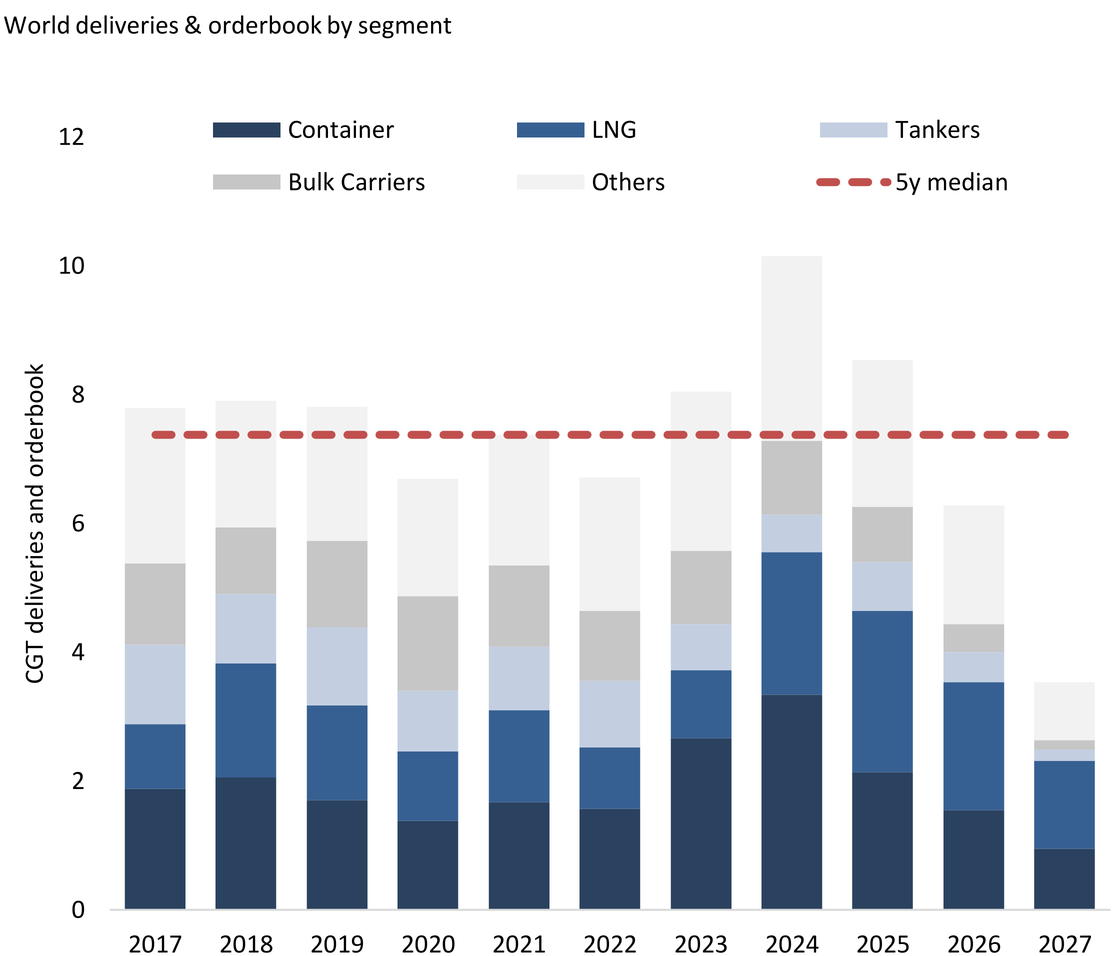



*Note: Vessels with given IMO number*

*Source: Fearnresearch*

# Yards are in general fully booked until 2027

**Supply growth visibility for the next 3 years**

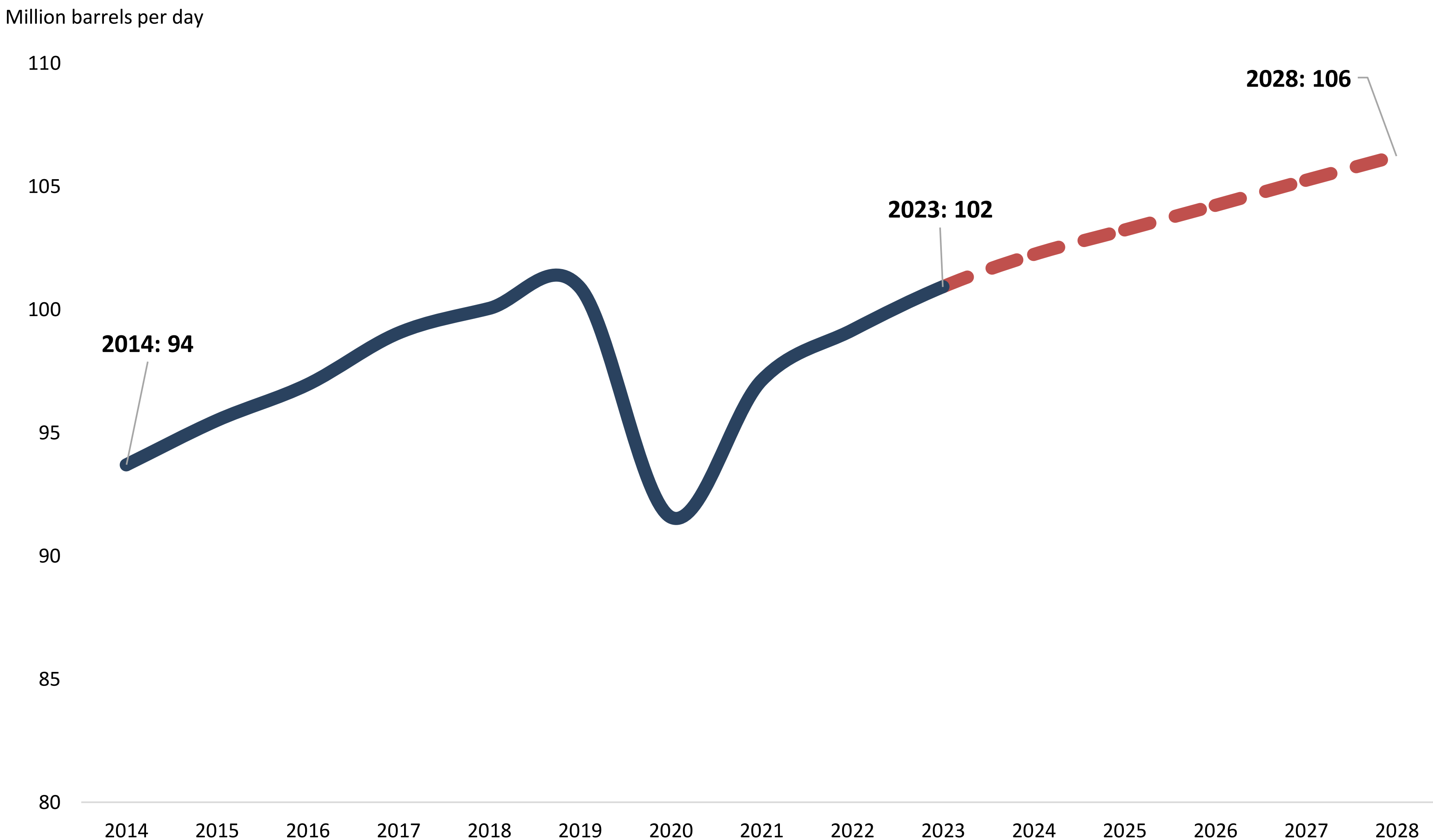



**Comments**

- The yards are at full capacity and prioritizing higher margin segments like LNG, Container and LPG
- Number of large yards capable of building 20k+ dwt vessels has declined abt. 60% since last NB peak in 2009

Sources: Fearnresearch
Note: Deliveries & orderbook reflecting only firm orders with an IMO number issued

# Oil demand expected to increase steadily



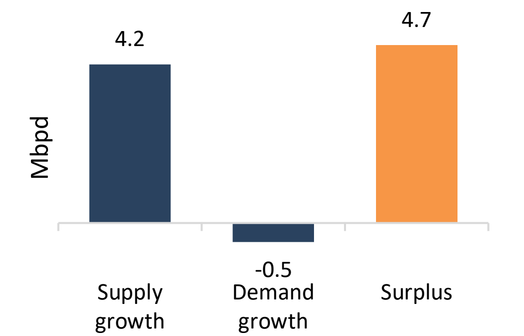

*Source: EIA*

# Supply/demand imbalance drives VLCC tonne-mile growth

**As oil production moves further from demand there will be a potential need for about 30 new VLCC equivalents per year**

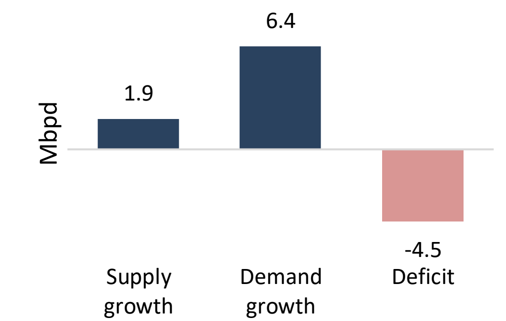
### Oil <u>surplus</u> West of Suez

Oil supply/demand growth 2022-’28 West of Suez




### Oil <u>deficit</u> East of Suez

Oil supply/demand growth 2022-’28 East of Suez




### Largest oil supply growth 2022-’28

| Country | Supply growth (Mbpd) | VLCC equivalents need (to China)[1] |
|---|---|---|
|  | 2.6 | 145 VLCC eqv. |
|  | 1.0 | 40 VLCC eqv. |
|  | 0.9 | 44 VLCC eqv. |

**VLCC eqv. need per 1mbpd production growth (to China)**

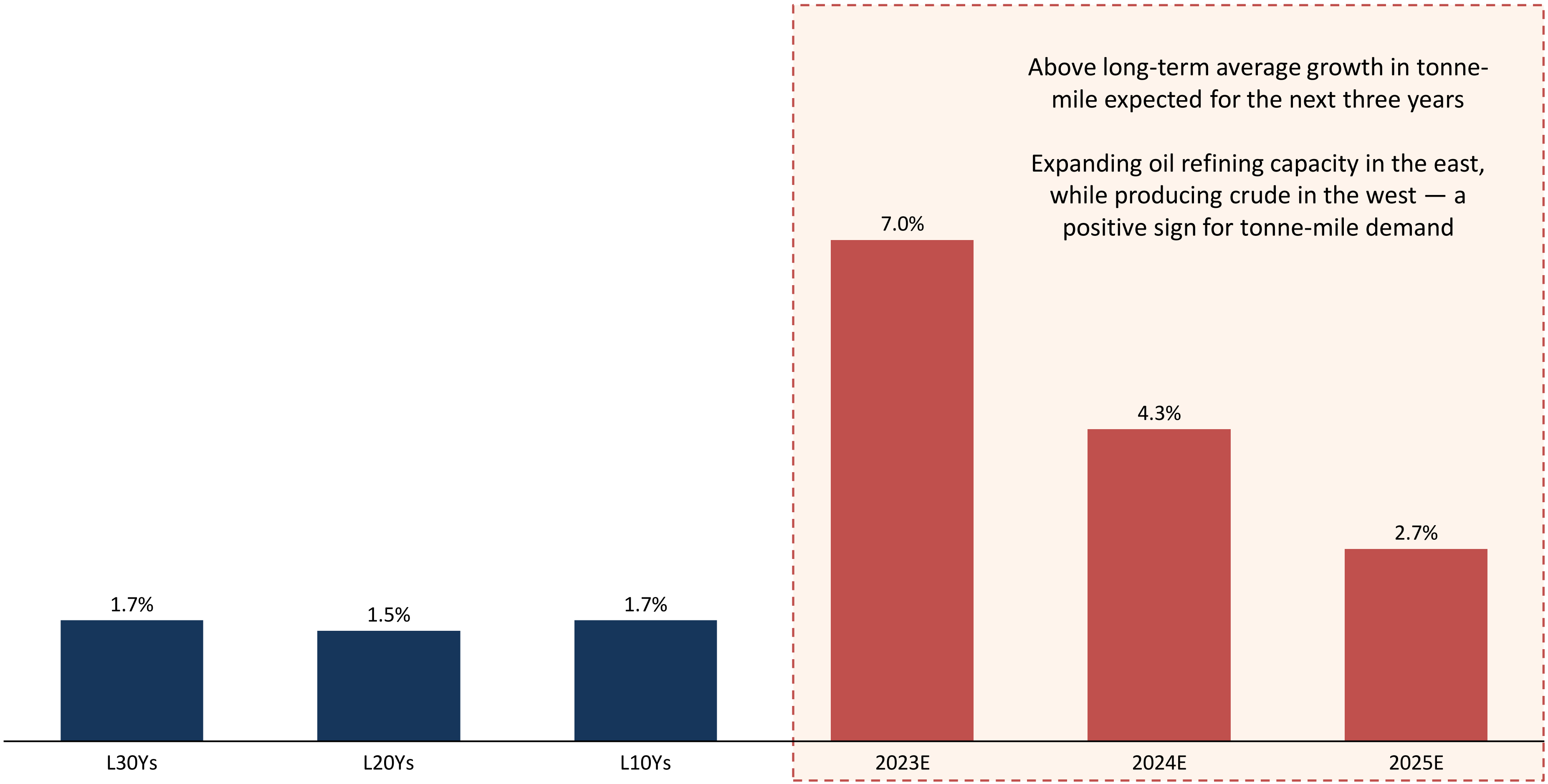
|  |  |  |
|---|---|---|
| **56** | **40** | **49** |

## <u>Comments</u>

- East of Suez demand will grow by around 1mbd per year until 2028, while the majority of production growth will happen west of Suez
- A 1 mb/d increase in US production would necessitate the use of 56 VLCCs, while a similar cut in OPEC+ production would only reduce VLCC demand by 24

# Above average tanker demand growth in coming years

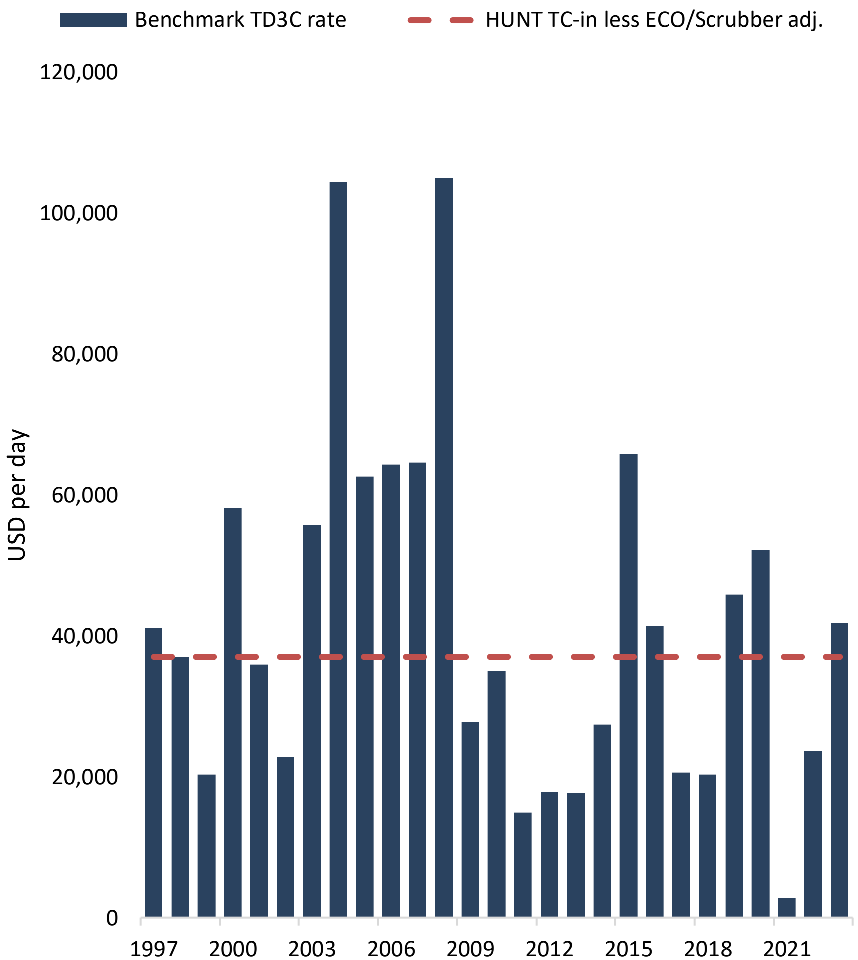
World seaborne crude oil trade, billion tonne-miles (% Yr/Yr)



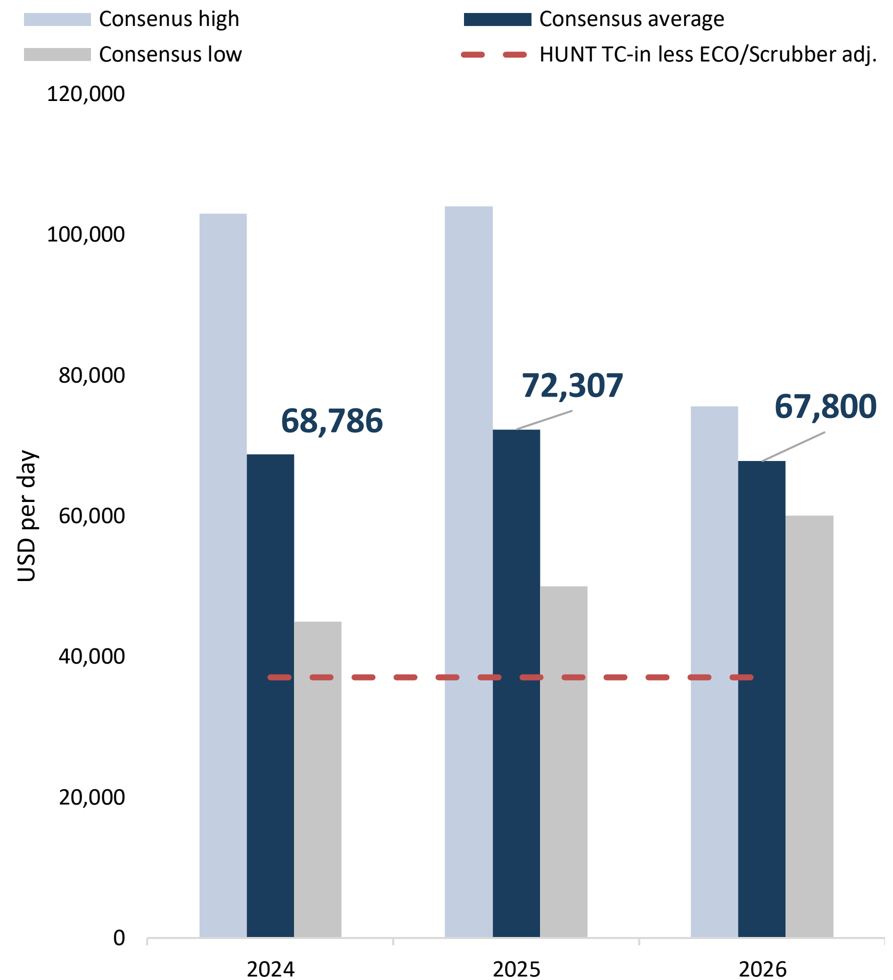

*Source: Clarksons SIN*

# Consensus estimates suggest a tight VLCC market

### Historical annual benchmark rate versus HUNT TC-in[1]




### Average consensus benchmark rate estimates[2]




Note: 1) HUNT TC-in rate adjusted for average ECO/Scrubber premium of USD 15,226 since January 2020,
2) Consensus includes: ABGSC, Clarksons, Arctic, Cleaves, DNB, Pareto and Fearnley estimates

# ECO/scrubber savings currently at about $17,250/day

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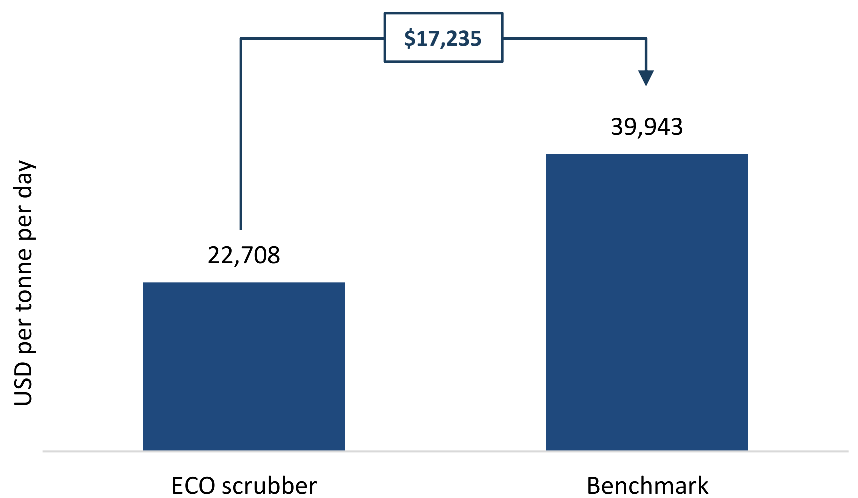
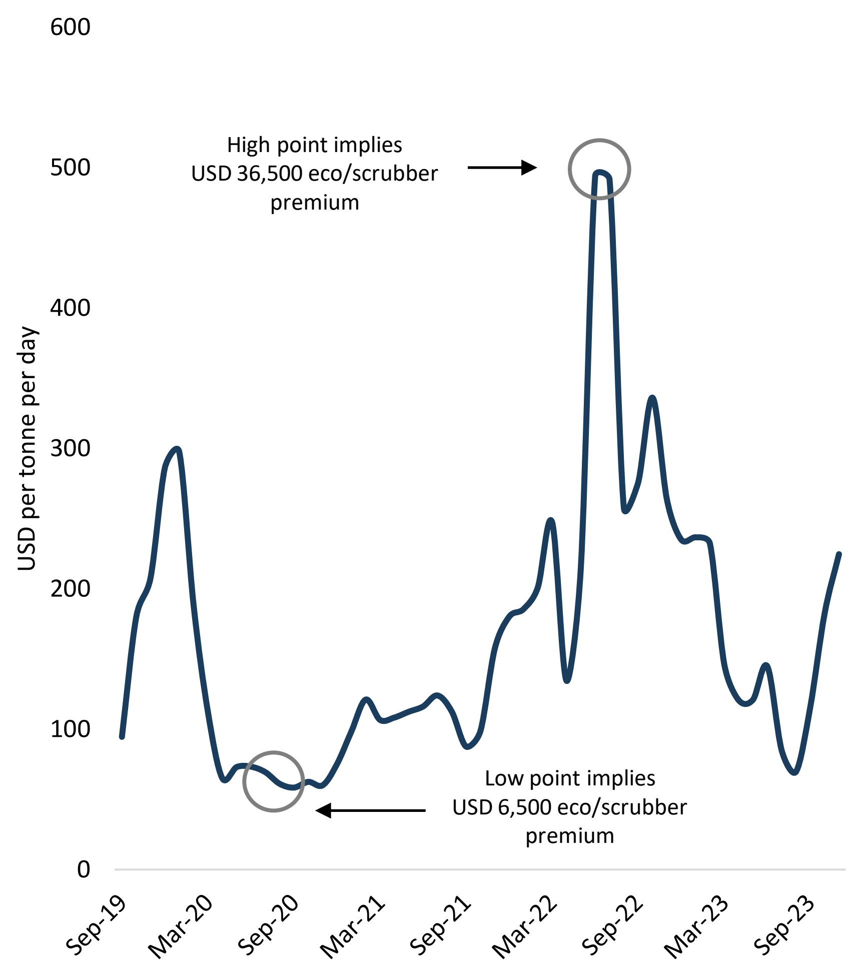
## Current fuel cost per day – TD3C roundtrip case study[1]




| TD3C case study | | ECO w. scrubber | Benchmark = non-ECO wo. Scrubber | |
|---|---|---|---|---|
| **Main fuel** | | **HSFO** | **VLSFO** | **Diff** |
| Tons consumed | # | 1,872 | 2,507 | 636 |
| Fuel price | USD/t | 476 | 659 | 184 |
| **Main fuel cost** | **USD** | **890,415** | **1,652,937** | **762,522** |
| | | | | |
| **ECA fuel** | | **MGO** | **MGO** | |
| Tons consumed | # | 207 | 256 | 48 |
| Fuel price | USD/t | 797 | 797 | - |
| **ECA fuel cost** | **USD** | **165,161** | **203,802** | **38,641** |
| | | | | |
| **Total fuel cost** | **USD** | **1,055,576** | **1,856,739** | **801,163** |
| TD3C roundtrip | Days | 46.5 | 46.5 | - |
| **Fuel cost per day** | **USD/d** | **22,708** | **39,943** | **17,235** |

## Historical HSFO vs. VLSFO spread




*1) Assumes Singapore MGO, VLSFO and HSFO bunker prices*

*Source: Clarksons SIN*

# ~50% increase in VLCC NB cost since 2018

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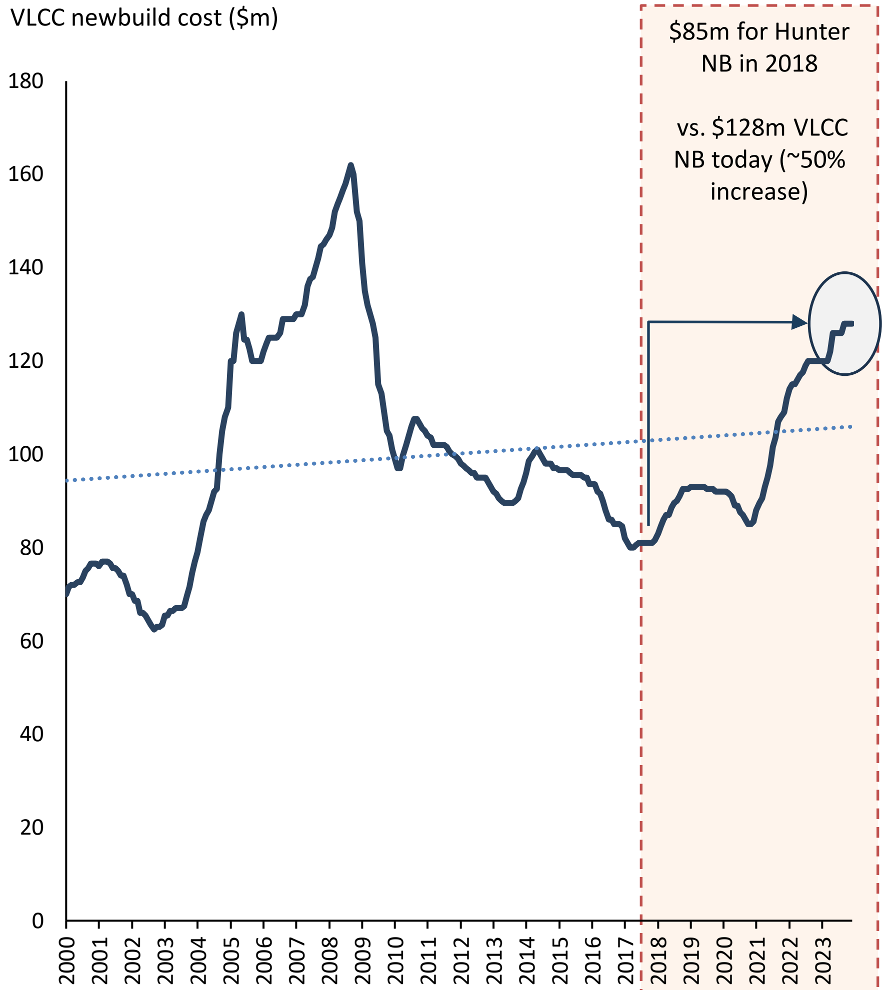
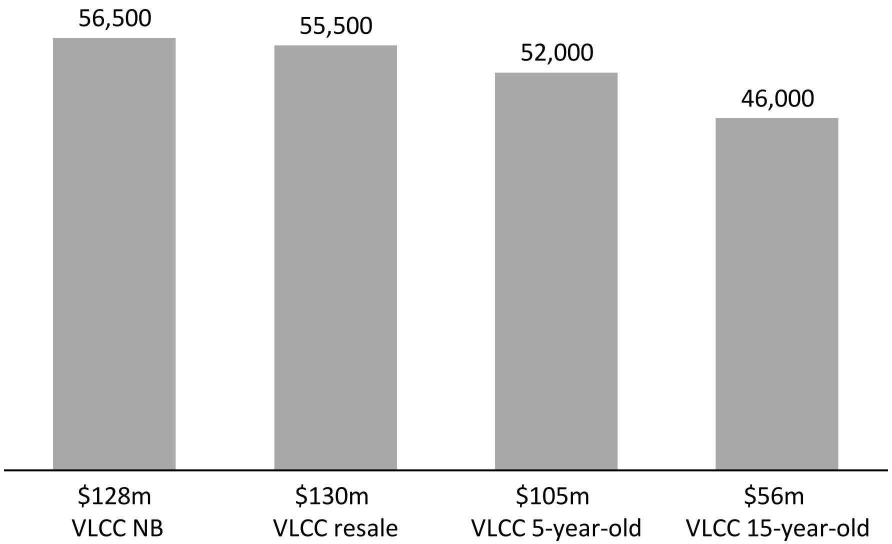
### Newbuild cost development since 2000



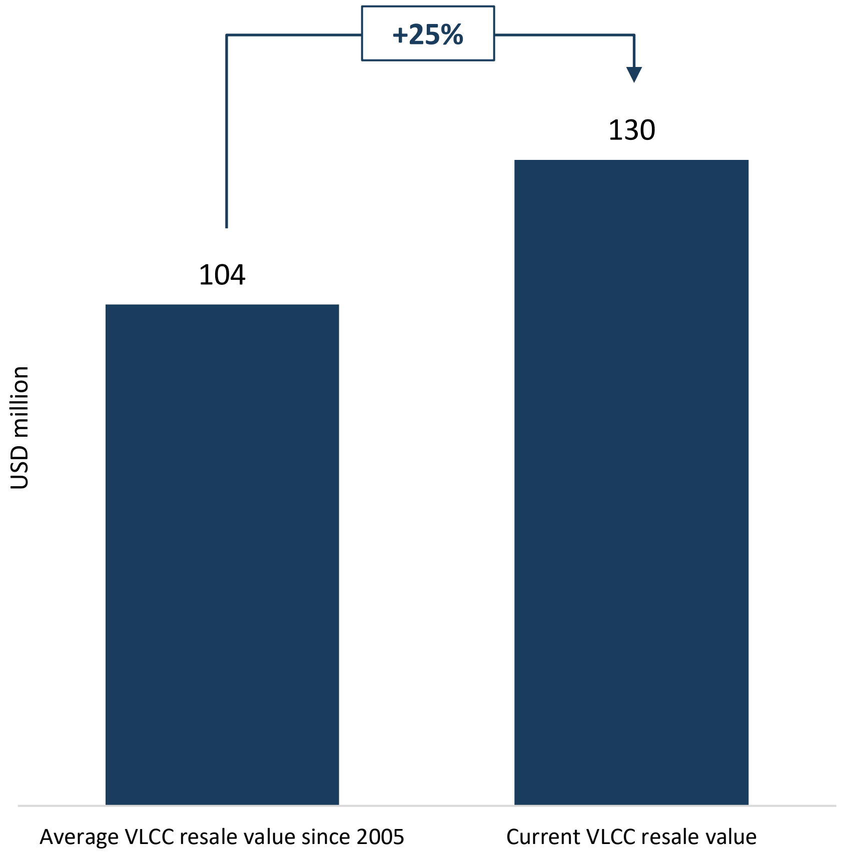

### Lifetime benchmark rates required for 10% unlevered return

- VLCC newbuild cost has increased significantly
    - ~50% increase in newbuild cost since 2018
- 10% unlevered return implies a lifetime $52,000 per day rate for a 5-year-old VLCC
- Resale prices at USD 130m is 25% above average 2006-YTD USD 104m

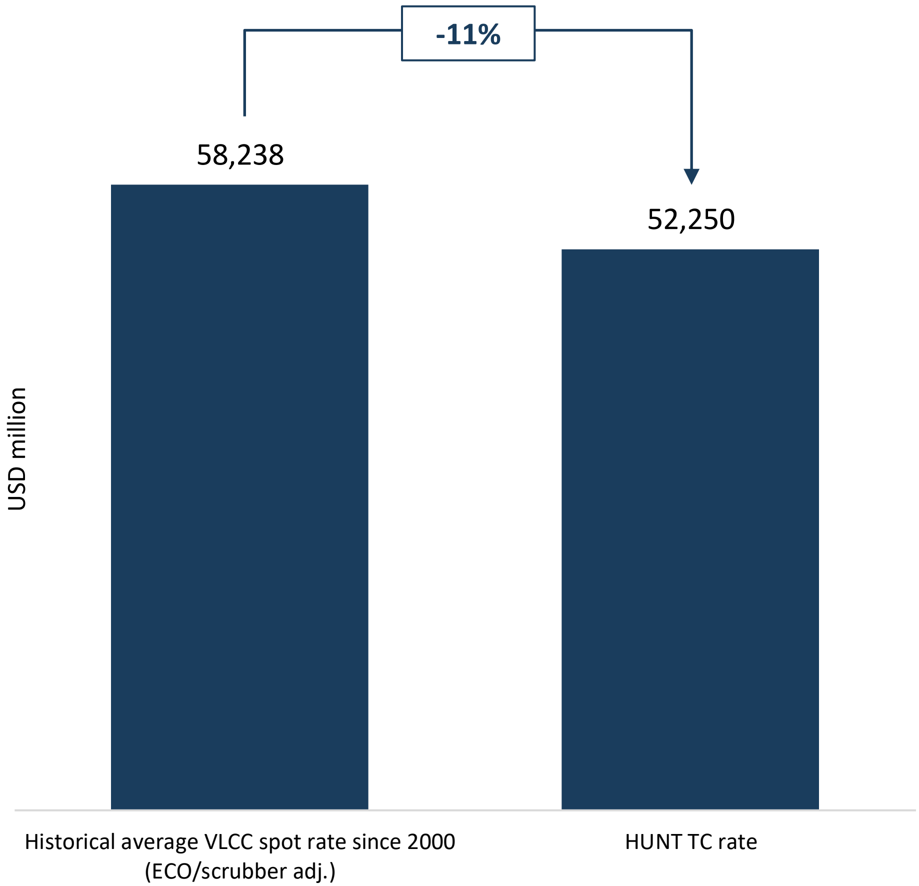


# Currently a dislocation between ship values and TC rates

**VLCC resale values are 25% above historical average**



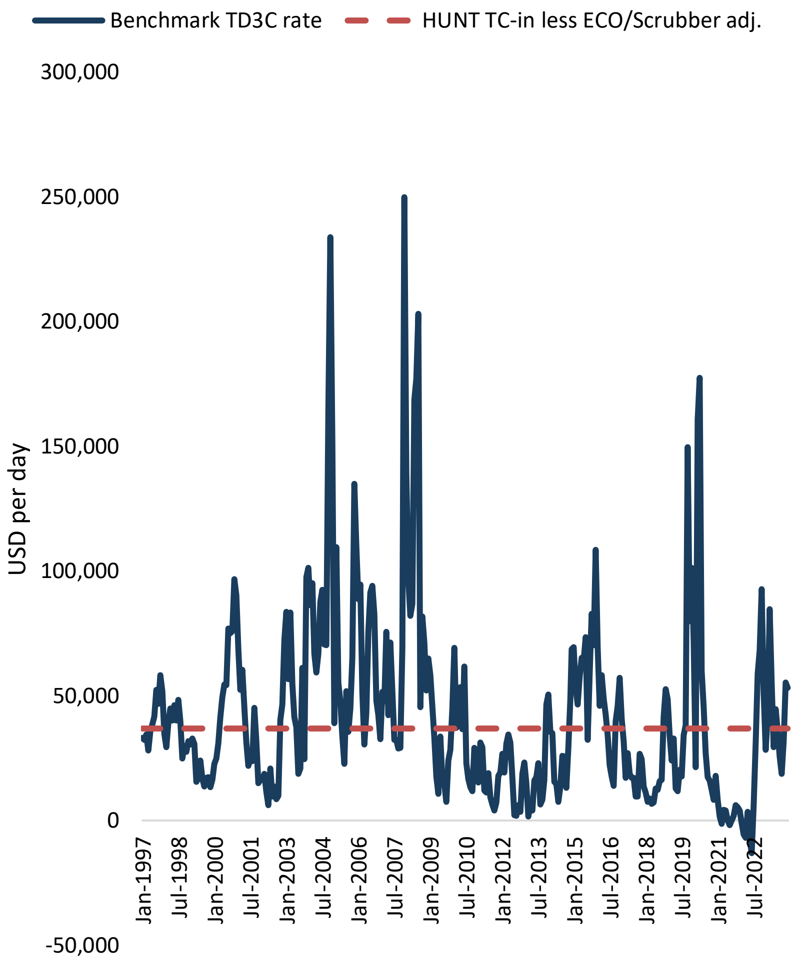

**While the 3-year TC rate is 11% lower than historical spot rates**




*Source: Clarksons SIN*

# Clear benefits of an index charter

### Historical monthly benchmark rate versus HUNT TC-in




### Benefits of index charters relative to operating in the spot market

- ✓ **Exposure to every single market movement**
- ✓ **365 operational days**
- ✓ **No off-hire due to bunkering**
- ✓ **No idle time (difficult to match laycan with optimal vessel speed)**
- ✓ **The average VLCC is fixed 5 times in a year. 5x 10 days gives you exposure to 50/365 days. Even with a large fleet you are not going to capture all rate fluctuations, for better or worse.**

**Pure play VLCC exposure**

**Zero asset value risk**

# Attractive return potential in a tightening market

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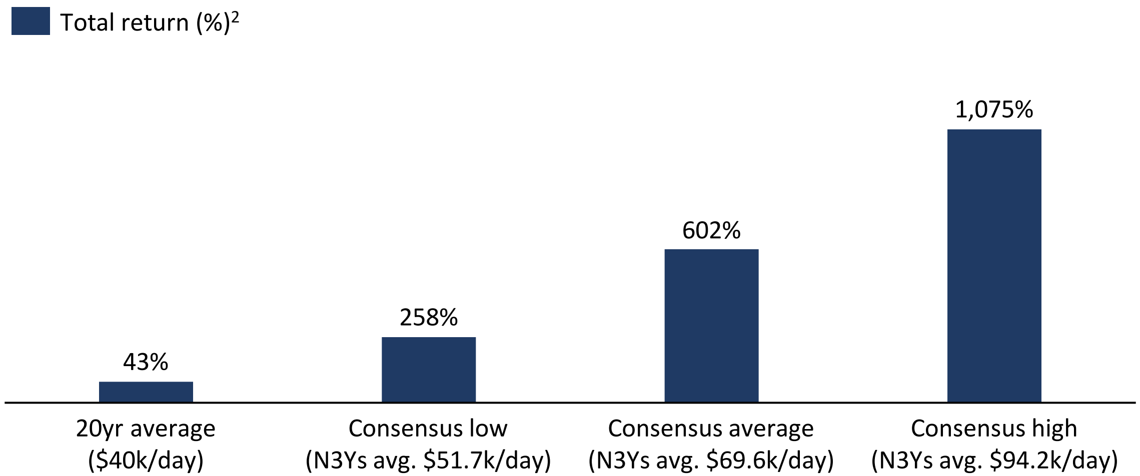
**Return scenario for one TC-in VLCC**




| | | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|
| Benchmark rate | USD/d | | 68 786 | 72 307 | 67 800 |
| Scrubber/eco premium | " | | 15 266 | 15 266 | 15 266 |
| **Scrubber/eco rate** | " | | **84 052** | **87 573** | **83 066** |
| TC-in rate | " | | 52 500 | 52 500 | 52 500 |
| G&A | " | | 1 500 | 1 500 | 1 500 |
| Margin | " | | 30 052 | 33 573 | 29 066 |
| # vessels | # | | 1x | 1x | 1x |
| **Cash flow** | **USDm** | | **11.0** | **12.3** | **10.6** |
| Q3 equity[1] | | 4.2 | - | - | - |
| New equity | | 2.0 | - | - | - |
| Interest earned[2] | " | - | 0.4 | 1.0 | 1.8 |
| **Cash balance** | " | **6.2** | **17.5** | **30.8** | **43.3** |
| **Total return** | % | | **184 %** | **400 %** | **602 %** |

- On average consensus benchmark rates and a USD 15,266 per day ECO/Scrubber premium[1] the total potential return is 602% for a three-year period.
- On 20-year average benchmark rate and a USD 15,266 per day ECO/Scrubber premium[1] the total potential return is 43% for a three year-period.
- Potential to earn entire market capitalization within 1 year with consensus expectations.

Note: 1) Average spread since IMO 2020 2) Assuming TC-in rate of USD 52.5k, interest earned in money market fund or similar earning 6% p.a., starting cash balance of USD 6.2m (total equity as of Q3 2023 plus latest private placement).

# Summary

| | |
|---|---|
| **Market thesis** | • The orderbook for VLCCs is at the lowest level in more than 30 years in combination with a record high portion of the fleet being older than 15 years.<br>• Yards are in general full until 2026. The earliest possible VLCC newbuild slot is H2 2026, i.e. supply growth is given for the next ~3 years.<br>• Consensus scrubber/eco VLCC spot rate expectations of more than USD 80,000 per day on average for the next three years. |
| **3-year TC-in** | • One vessel lifted 30th November 2023 on a fixed rate of USD 52,500 per day.<br>• Tangible opportunities for further charter-in vessels at similar terms.<br>• 20-year average spot rate is around USD 55,000 per day[1]. |
| **Back-to-back index charter-out** | • Back-to-back floating index-linked spot rate (VLCC benchmark TD3C) capturing every daily VLCC spot market movement with maximum utilization.<br>• Back-to-back structure with similar contract format enables majority of risk to be passed on to vessel charterer. |
| **Eliminating residual risk with unprecedented visibility on the orderbook** | • Asset values are too high to justify buying steel, with required lifetime rates pushing north of USD 57,000 per day for a $128m VLCC newbuild[2].<br>• Aging fleet impacted by upcoming regulations and charter's ESG focus. |

1) Benchmark rate plus scrubber and ECO premium 2) Estimated lifetime rates required for 10% unlevered returns

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