



Stock Code : 2612 TT

Investor Presentation

by : **James Tarng, Vice President**

17th April 2020

Summary of Presentation

- Outlook and Strategies
- World Economic and Shipping Market Trends
- The Company Overview
- Appendices

Outlook and Strategies



Outlook and Strategies

Impact of Coronavirus Crisis

- The Covid-19 epidemic has devastated the entire world causing meltdown of shipping, financial, and oil markets so far in 2020; if the pandemic could be somehow contained from 3Q/2020, we can still reasonably expect a recovery in freight rates

PRC Demand for Raw Materials

- PRC' s announcement of infrastructure investment shall increase its demand for iron ore and coal- indirectly supporting the cape market

2020 Sulphur Cap

- Crashing of crude oil price results in bunker prices plunging- IFO and LSFO price spread has been below US\$100/ton

Tonnage Supply Tightens (for now)

- Installation of scrubbers and accelerated scrapping is temporarily limiting fleet growth

Flexible Chartering Strategies

We continue to forge strong relationships with major miners and operators to have a mixture of long and short period charters in order to prevail in a cyclical market

Shipping Market Outlook

Demand



Iron Ore-Brazilian exports gradually return to normal but recently have been disrupted by heavy rain; PRC demand remains stable with +2% y-o-y increase

Coal- PRC domestic production shall increase this year which may reduce imports from Australia and Indonesia this year



Market Mechanism

PRC 1Q
2020 import
+1.3% Y-o-Y

135 cape
NBs to be
delivered
in 2020

PRC Jan-Mar
2020 import
+28% Y-o-Y

24 Vessels
scrapped
in 1Q/2020

Supply



Newbuildings- newbuilding deliveries remain high with 28 ships joining fleet in 1Q/2020; fleet to grow by 4.3% this year

Tonnage Supply- vintage VLOC scrapping is likely to accelerate this year and NB delivery schedule is possibly delayed



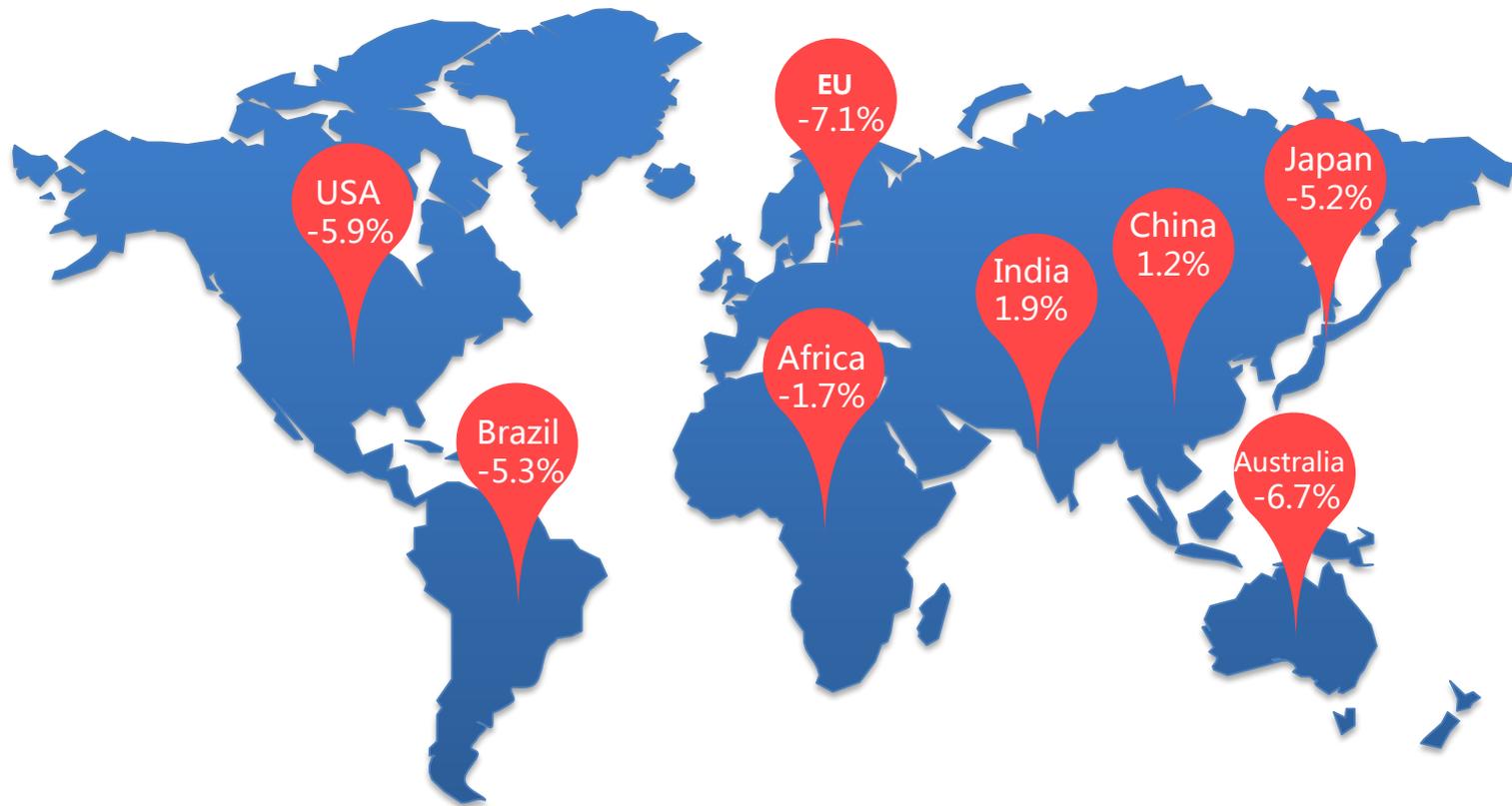
Source: Clarksons Platou

World Economy and Shipping Market Trends



World Economy Decelerates

- IMF projected global GDP in 2020 to grow by 3.4% it recently revised the figure drastically to -3%
- Uncertainties: Covid-19 pandemic, economic meltdown worldwide, and volatility of oil prices

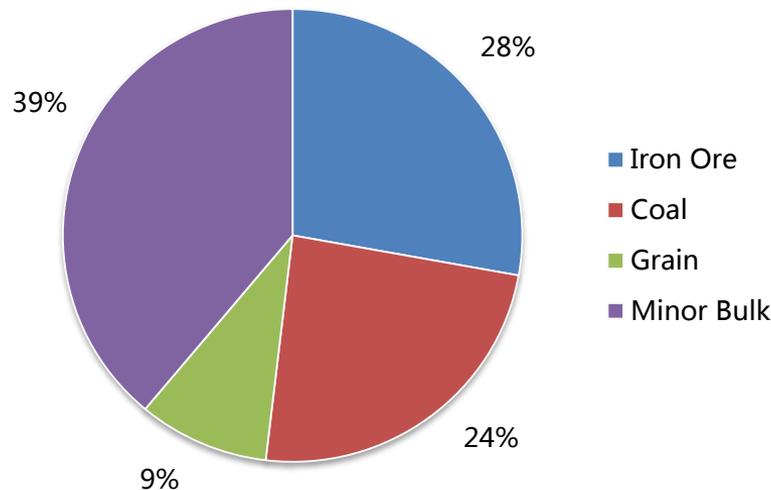


Source: IMF

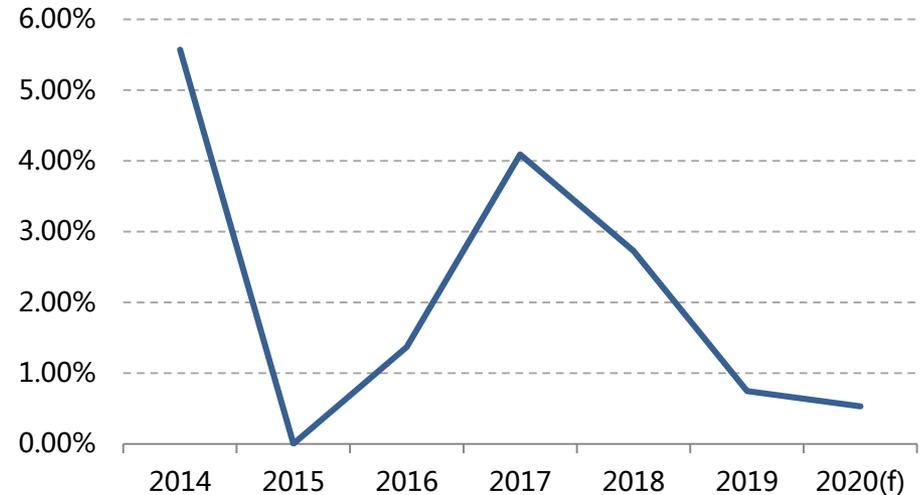
Dry Bulk Seaborne Trade Expects to Grow by 0.5% in 2020

- Dry bulk seaborne trade declined last year due to Vale dam incident and trade is expected to improve this year unless Covid-19 pandemic cannot be contained in 2H/2020
- Major Driving Force : PRC' s demand for iron ore and coal together with demand for minor bulk from other emerging markets

% of Dry Bulk Cargoes



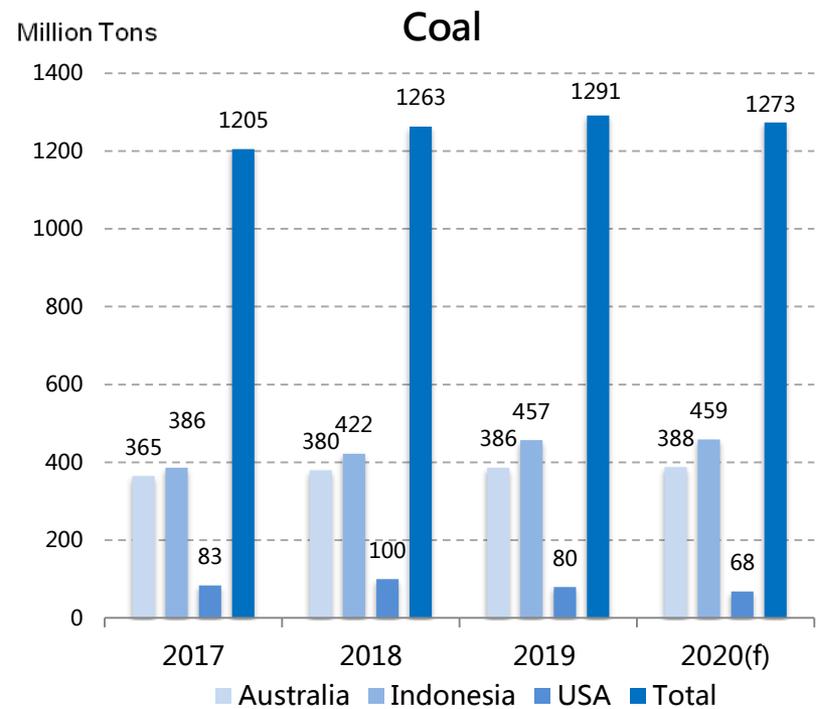
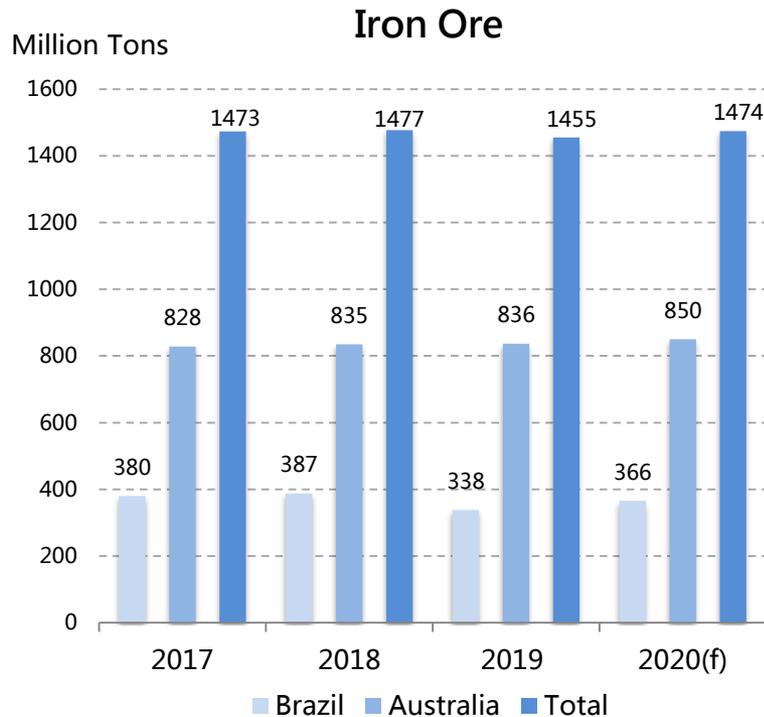
—YOY Growth



Source: Clarksons Platou

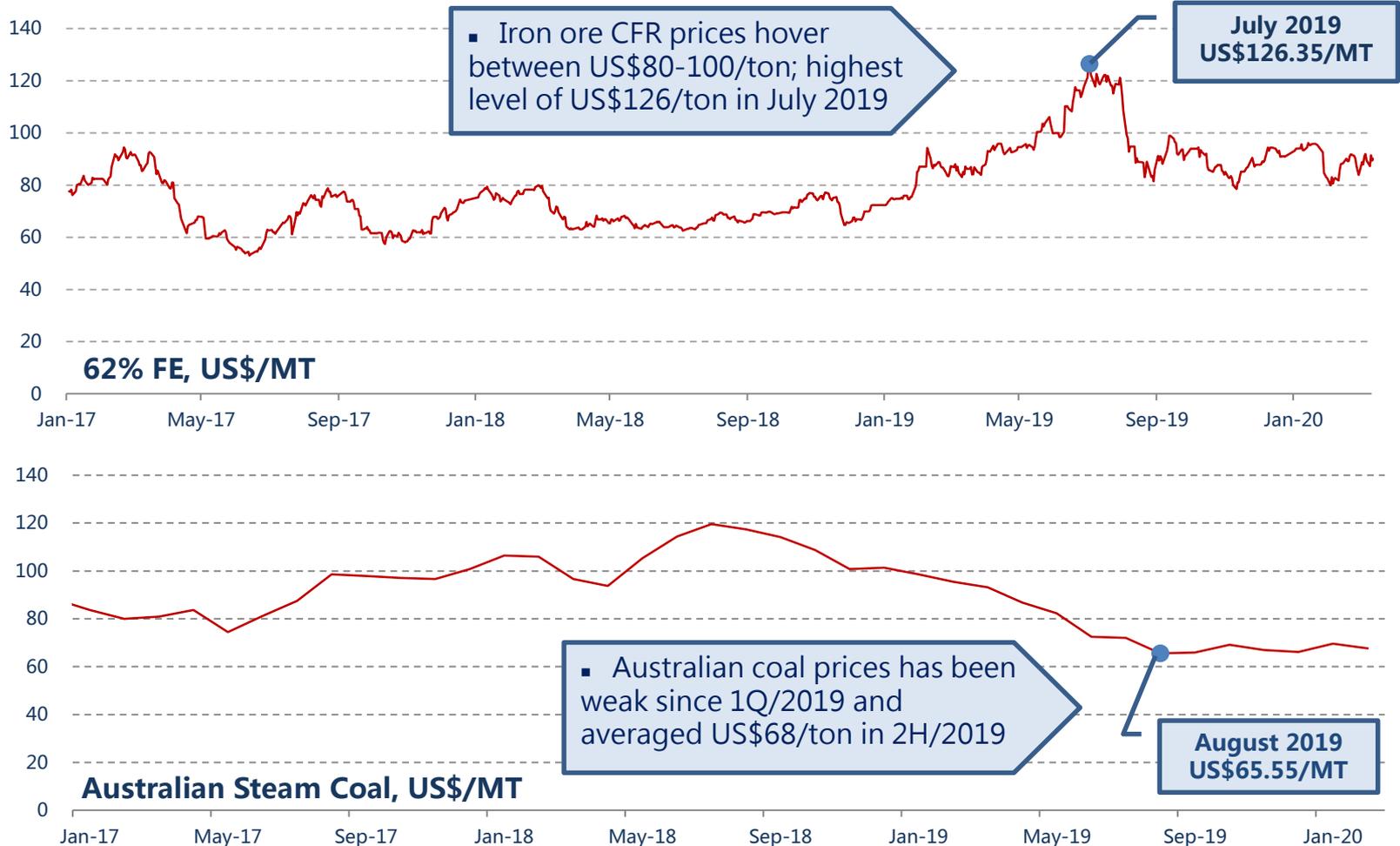
Global Iron Ore/Coal Exports

- Brazilian export volume is projected to improve by 28 million tons or 8.3% Y-o-Y
- Clarksons Platou forecasts global iron ore export to increase by 1.0% while coal exports to decrease by 1.4% in 2020



Source: Clarksons Platou

Iron Ore/Coal Prices



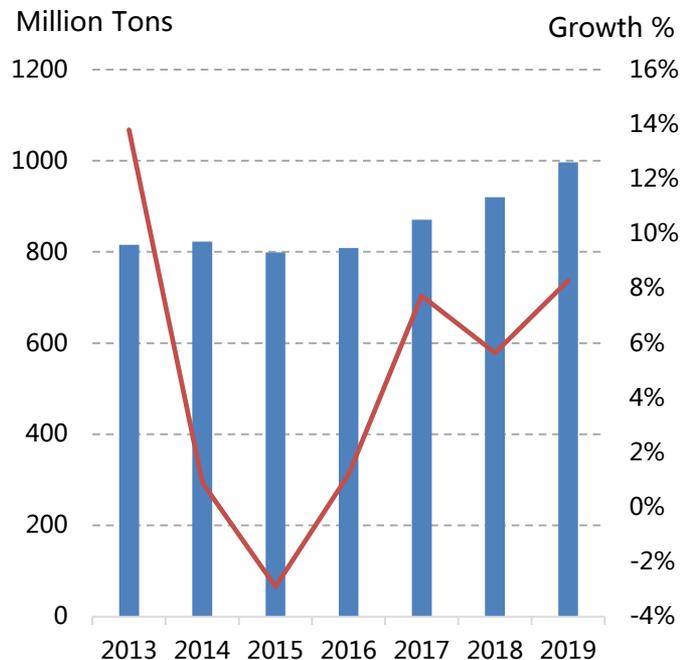
Source: GFI Iron Ore & Steel

Chinese Crude Steel Production and Electricity Consumption

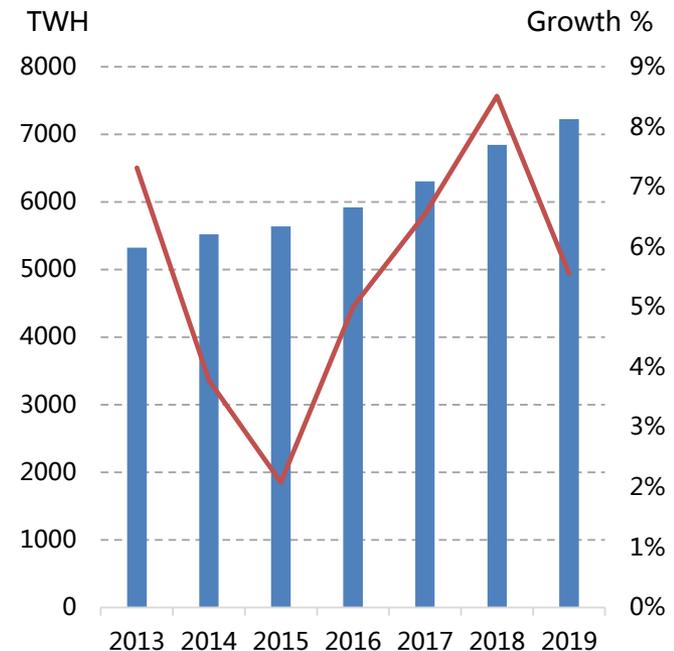
Jan-Feb 2020 accumulated growth rate in production: 3.1%

Jan-Feb 2020 accumulated growth rate in consumption: -7.8%

China Crude Steel Production



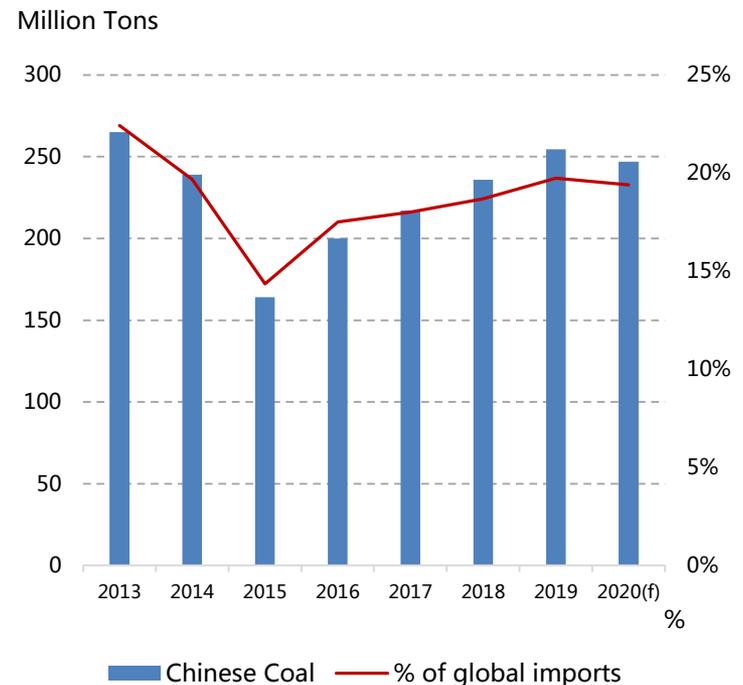
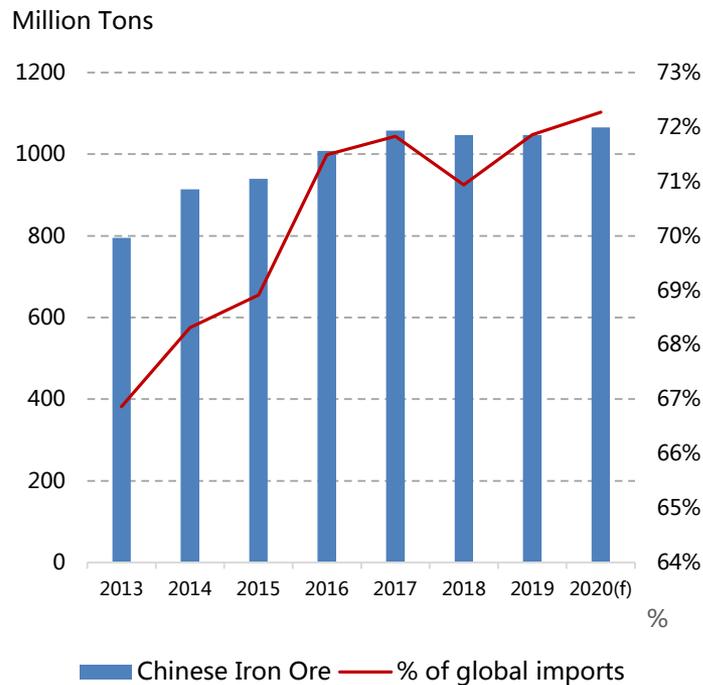
China Electricity Consumption



Source: World Steel Association & 中國國家能源局

Chinese Iron Ore/Coal Imports

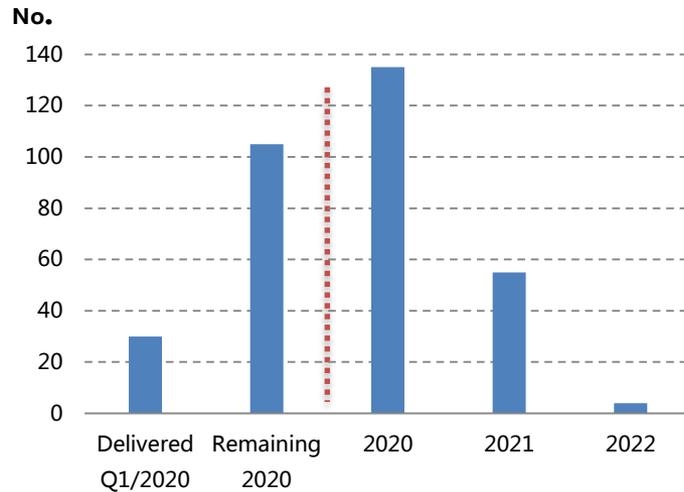
- PRC' s demand for iron ore is estimated to increase by 2% in 2020 to 1.065 billion tons
- PRC' s demand of coal imports is projected to decrease by 3% to 247 million tons
- PRC 's demand of bauxite imports will grow by 13% to 119 million tons in 2020



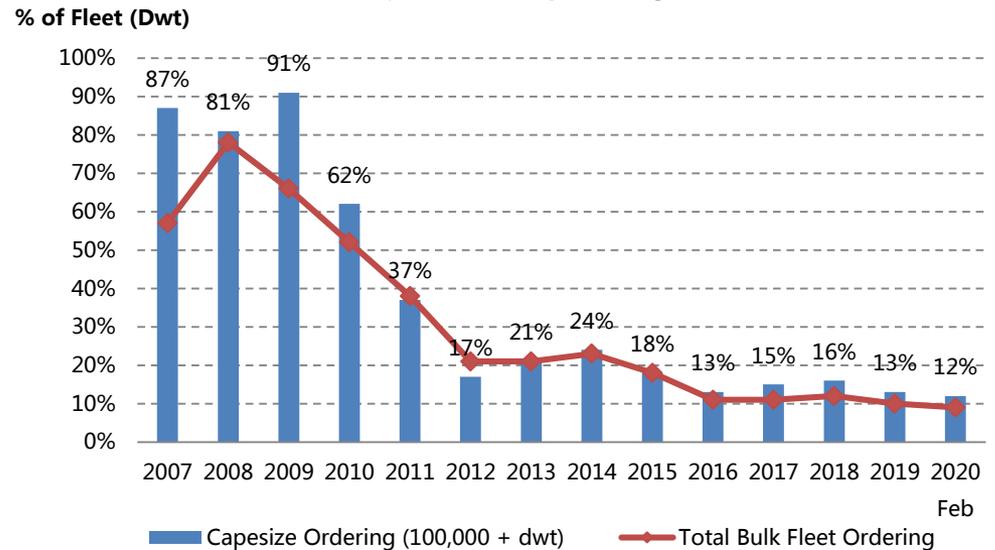
Source: Clarksons Platou

Bulker Newbuilding Orders

Capesize Orderbook for Delivery



Dry Bulk New Ship Ordering

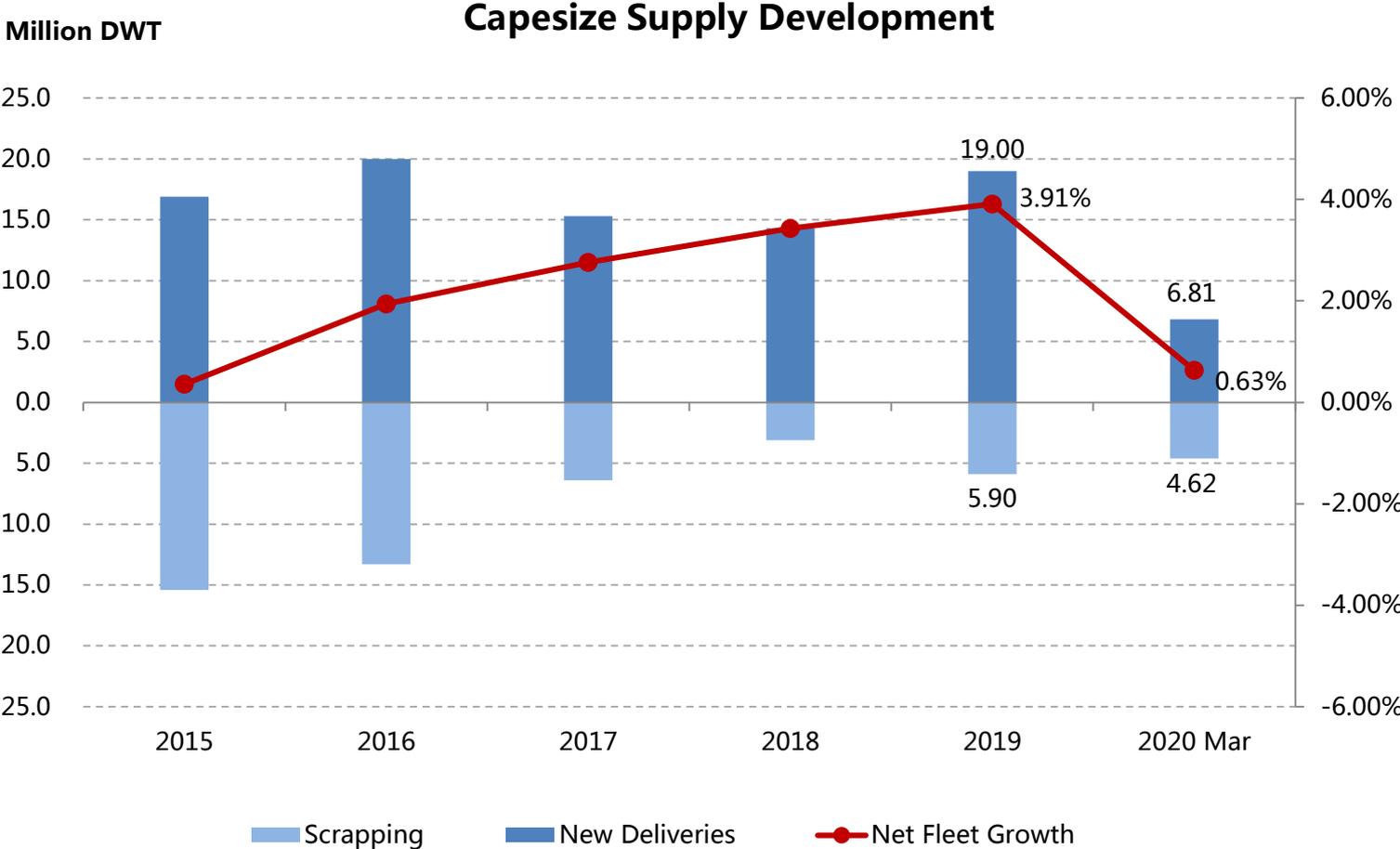


■ Capesize Ordering (100,000 + dwt)
 —◆— Total Bulk Fleet Ordering

	ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 20 YEARS OLD	Jan/Feb 2020 SCRAPPING AS % OF EXISTING FLEET
 Handysize (10,000 - 40,000 dwt)	4%	11.6	13%	0.19%
 Handymax (incl. Supramax & Ultramax) (40,000 - 65,000 dwt)	6%	9.8	7%	0.14%
 Panamax (incl. Kamsarmax) (65,000 - 100,000 dwt)	9%	10.0	8%	0.09%
 Capesize (100,000 + dwt)	12%	8.7	4%	0.69%
Total Dry Bulk > 10,000 dwt	9%	10.2	9%	0.35%

Source: Clarksons Platou

Capesize Fleet Supply



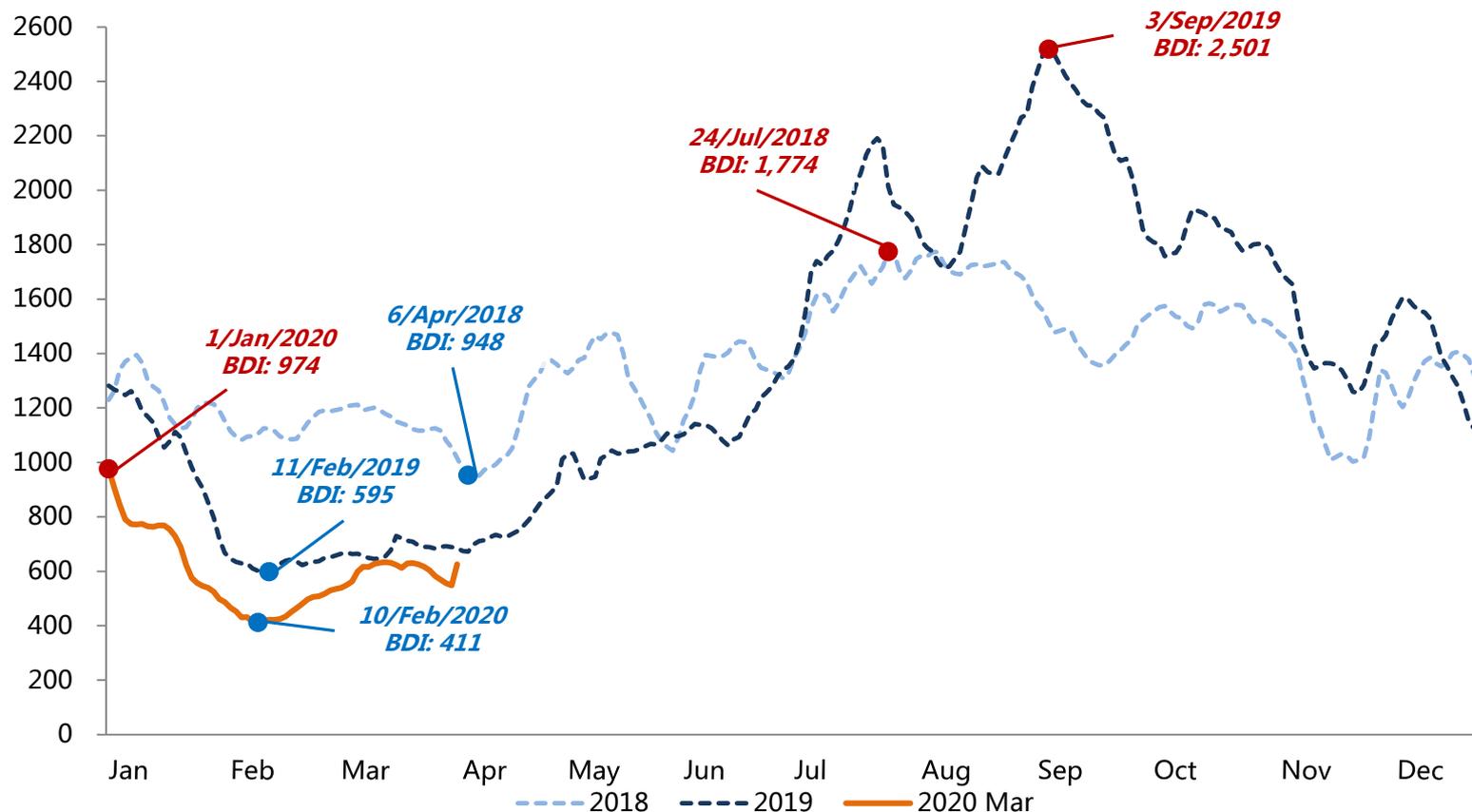
Source: Clarksons Platou

Newbuilding/2nd Hand Sale Prices

Prices		At End of Year		
(US\$ Million)		2018	2019	March 2020
180,000 dwt	NB	50.0	49.5	49.5
180,000 dwt	Resale	52.0	52.0	50.0
180,000 dwt (eco)	5 – yr	41.3	37.5	36.0
180,000 dwt (non-eco)	5 – yr	33.5	28.0	27.0
180,000 dwt	10 – yr	24.0	22.0	21.0
176,000 dwt	15 - yr	15.0	13.5	13.0

Source: Clarksons Platou

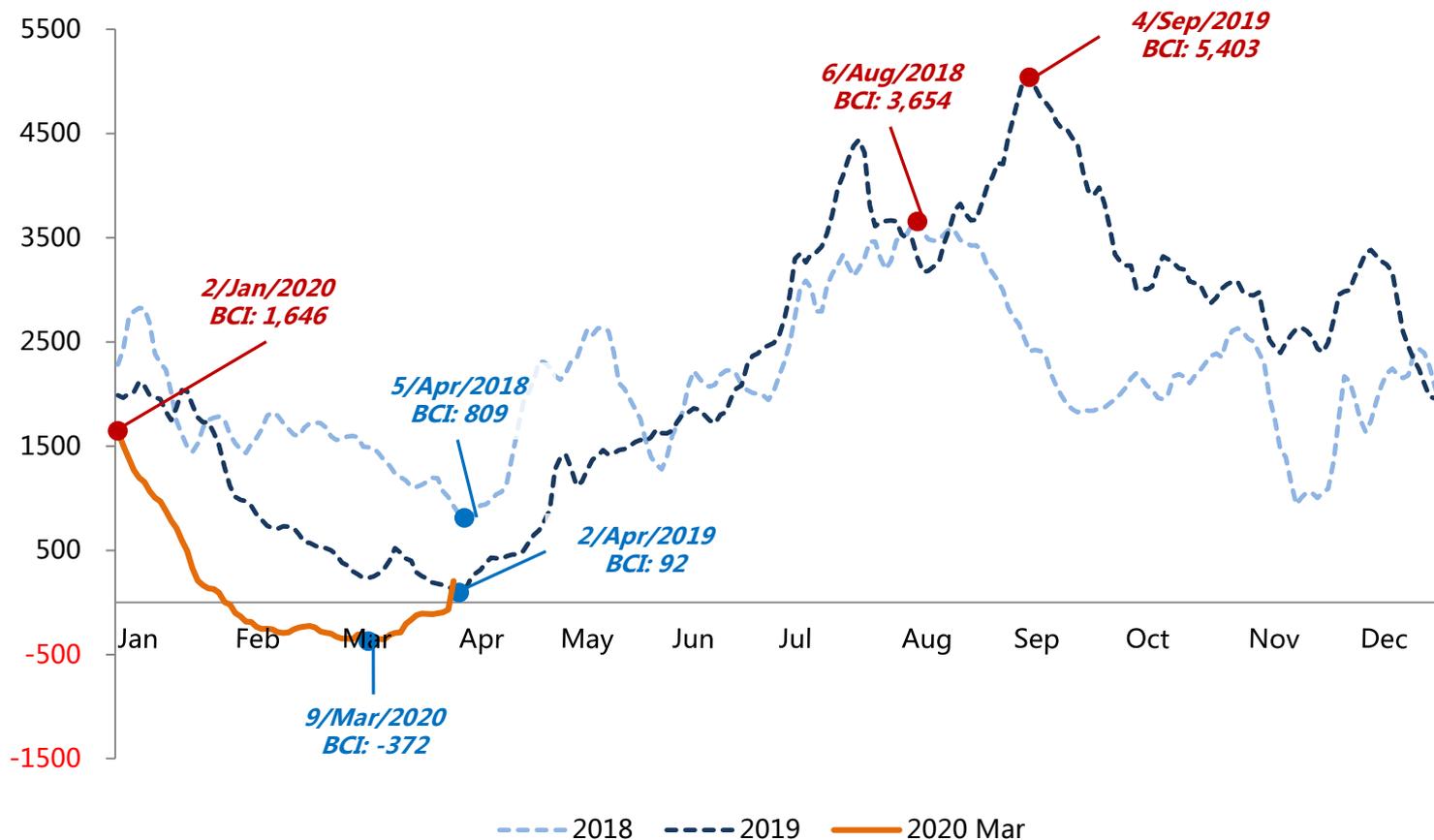
BDI 2018-1Q/2020



■ BDI averaged 592 points in 1Q/2020, versus 798 points in 1Q/2019

Source: Clarksons Platou

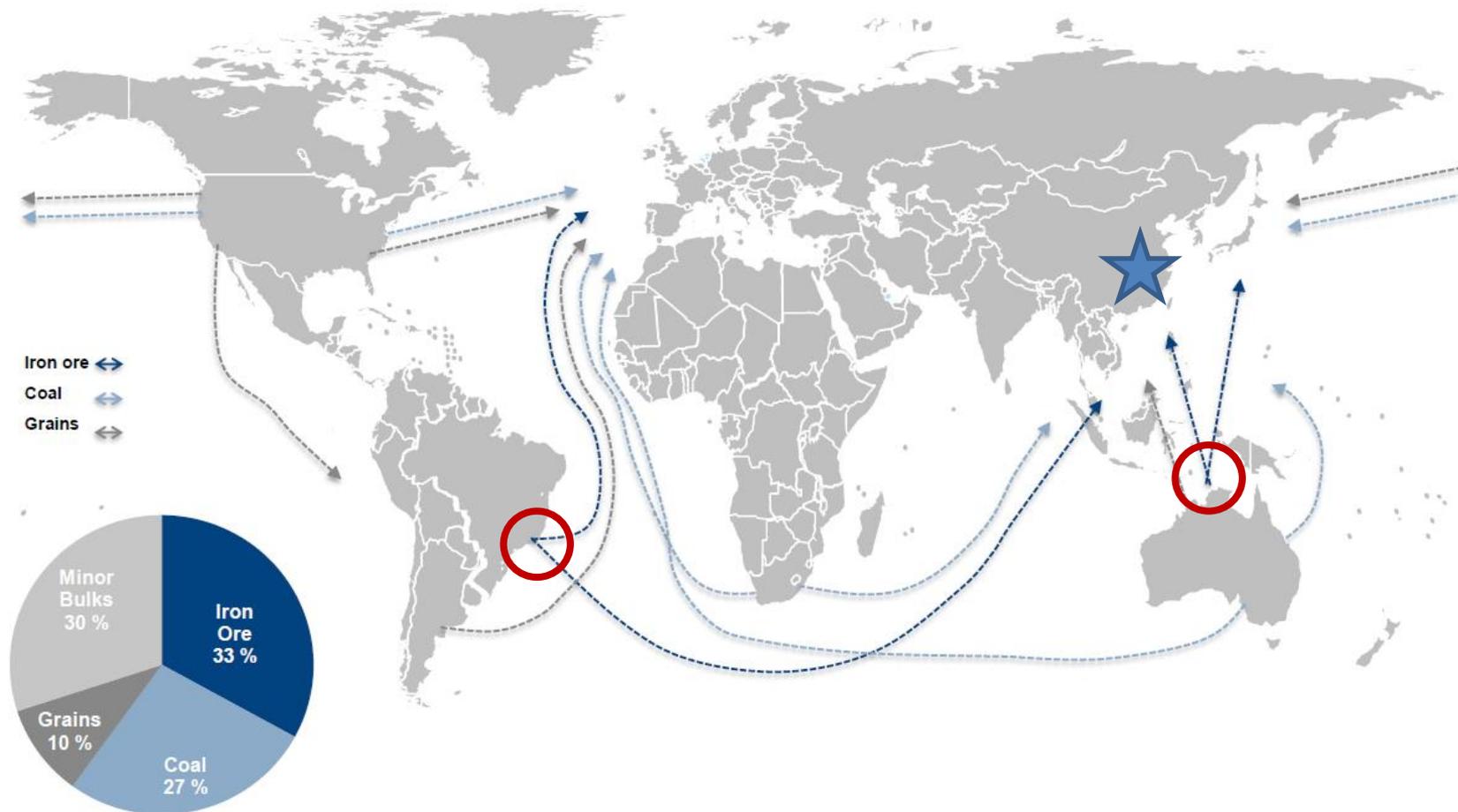
BCI 2018-1Q/2020



- BCI averaged 93 points in 1Q/2020, versus 964 points in 1Q/2019
- 5TC averaged \$4,558 in 1Q/2020, versus \$8,739 in 1Q/2019

Source: Clarksons Platou

Dry Bulk Main Trading Routes



Source: Clarksons Platou & Fearnleys

BCI Plummeted to Negative Territory

Route	Description	Route value
C2	Tubarao to Rotterdam	\$3.84
C3	Tubarao to Qingdao	\$11.41
C4	Richards Bay to Rotterdam	\$4.00
C5	West Australia to Qingdao	\$4.28
C7	Bolivar to Rotterdam	\$6.17
C17	Saldanha Bay to Qingdao	\$8.88
C8_14	Gibraltar/Hamburg Trans Atlantic Round Voyage	\$3,000.00
C9_14	Continent/Mediterranean trip China-Japan	\$14,845.00
C10_14	China-Japan Trans Pacific Round Voyage	\$3,108.00
C14	China-Brazil Round Voyage	\$2,305.00
C16	Revised Backhaul	-\$12,590.00

Baltic Exchange Capesize Index (BCI)

-372

Source: Baltic Exchange

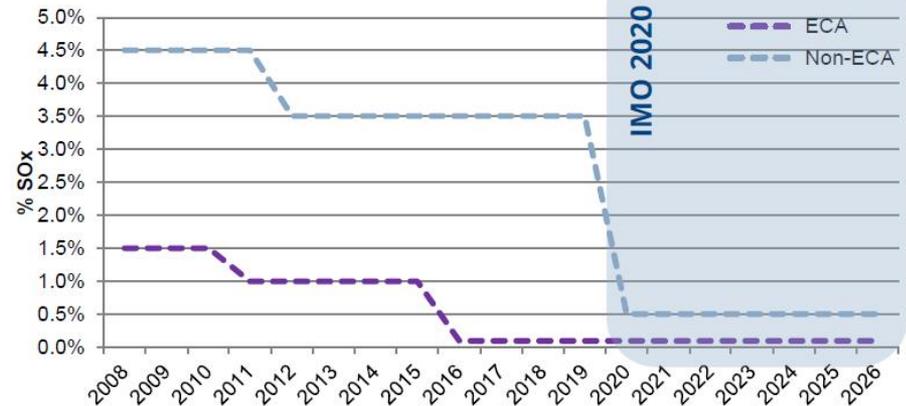
Data: 09th March, 2020

Maritime Regulation Updates

■ IMO: Low Sulphur Fuel Oil Requirement

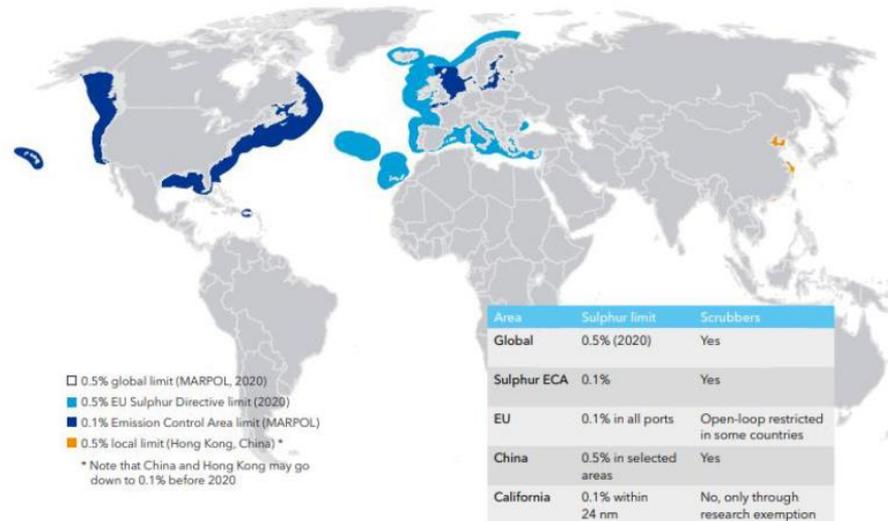
- Sulphur content has been capped at 0.5% m/m from 1st January 2020
- CMT Fleet completed tank cleaning before end of 2019 and now all burning low Sulphur fuels

SOx content in marine fuels



■ IMO: Ballast Water Management Convention

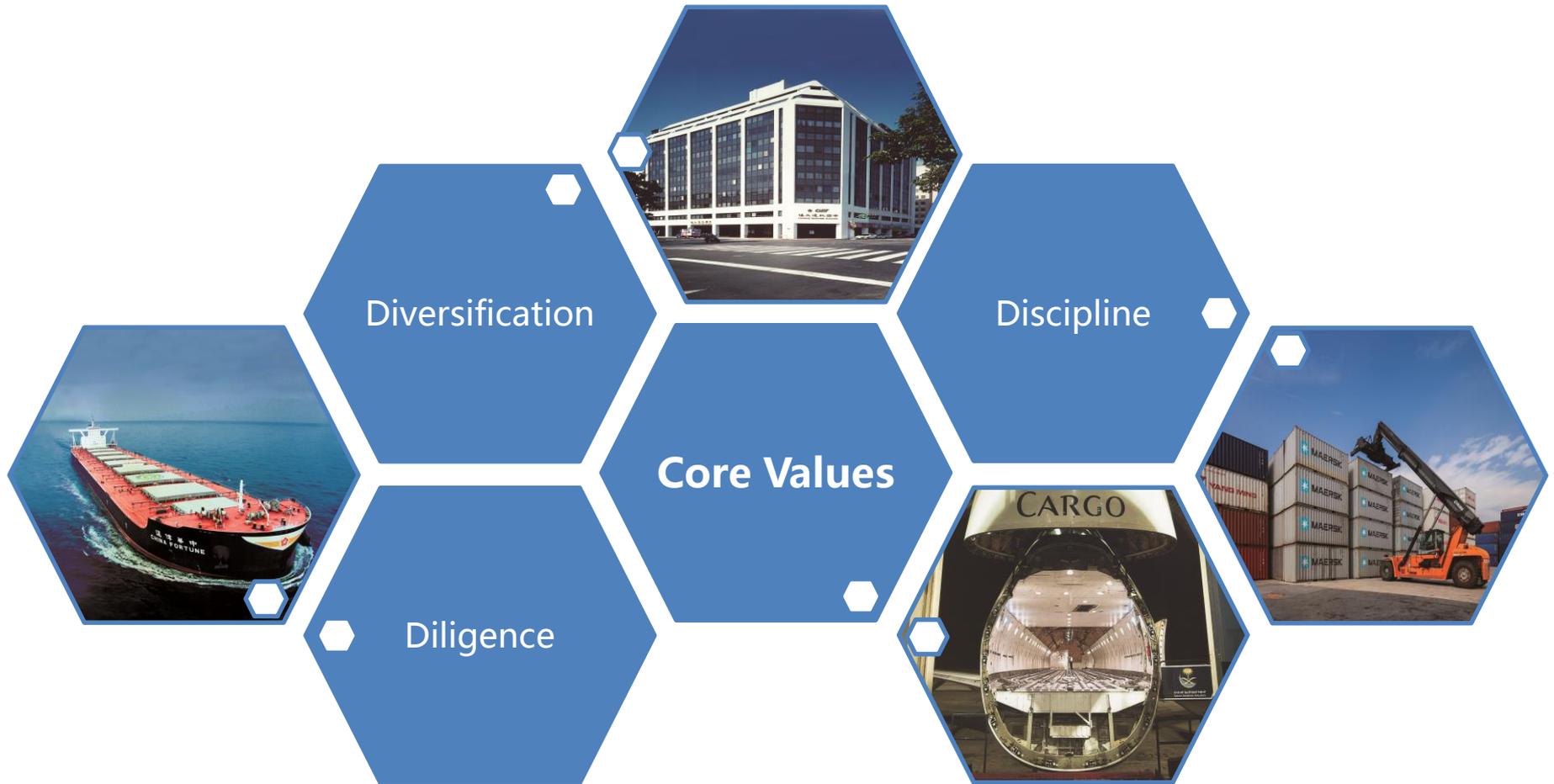
- Entered into force on 8th September 2019
- CMT Fleet' s retrofitting program will be completed before end of 2022



The Company Overview

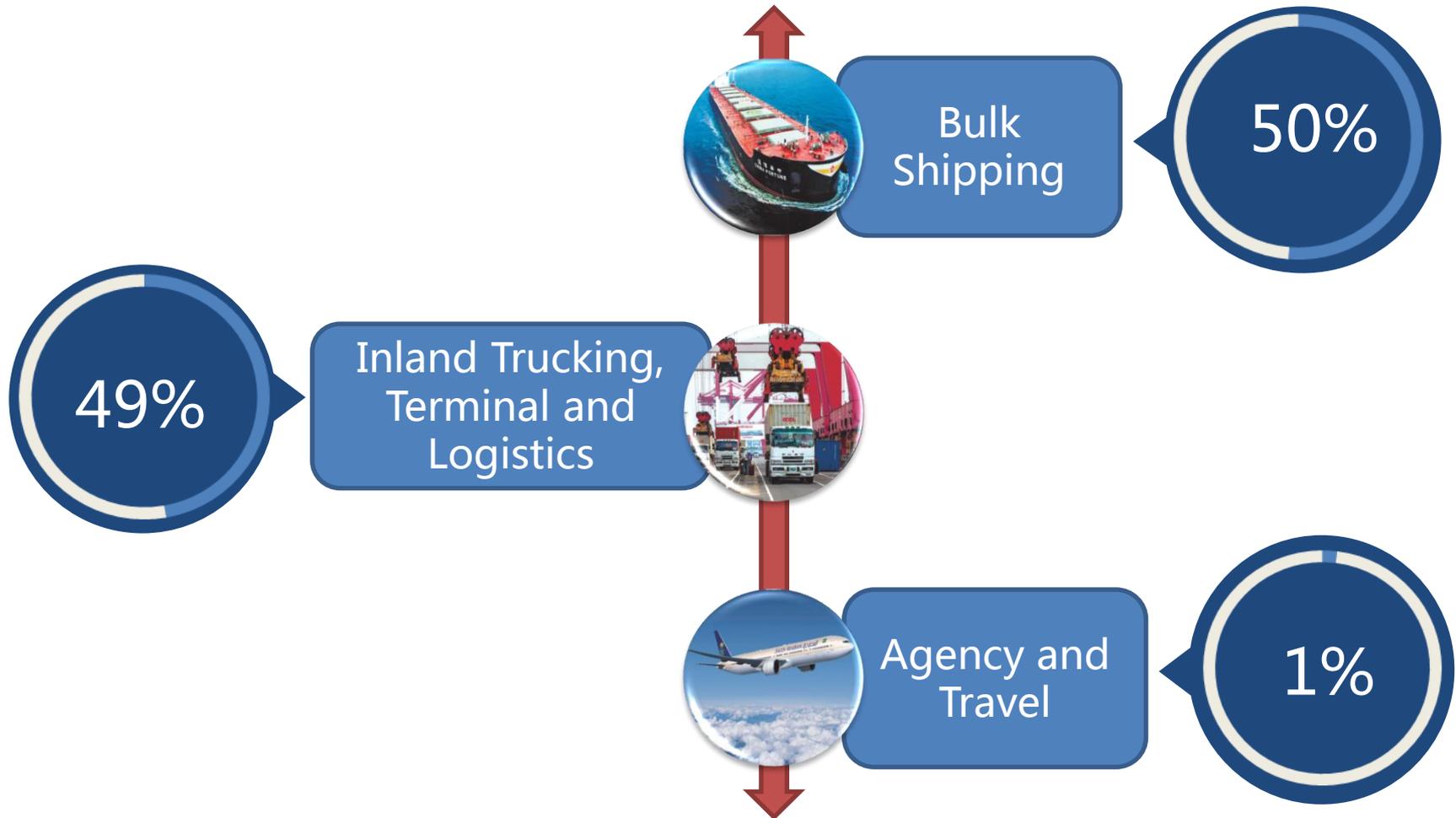


"Small Yet Refined" Operating Philosophy



Major Operating Entities

% of Total Revenue in FY 2019



CMT Capesize Fleet

China Peace
中華和平輪
174,413 DWT



2005

China Progress
中華富進輪
174,322 DWT



2006

China Pride
中華榮耀輪
177,856 DWT



2009

China Triumph
中華光輝輪
203,028 DWT



2010

China Prosperity
中華鴻運輪
203,028 DWT



2011

2017



China Honour
中華名望輪
179,562 DWT

2017



China Enterprise
中華偉業輪
207,984 DWT

2016



China Harmony
中華和諧輪
179,505 DWT

2013



China Fortune
中華偉運輪
206,061 DWT

2012



China Pioneer
中華先鋒輪
206,079 DWT

Inland Trucking



- Associated Transport Inc., is one of Taiwan's largest intermodal container trucking operators, providing inland container drayage and related services
- CMT stresses safe, punctual, efficient service and is fully responsive to customers' requirement of transporting empty/laden containers to designated depots and locations

Terminal and Logistics



- CMT Logistics Co., Ltd. is located in Yangmei, Taoyuan County in northern Taiwan
- Inland container terminal with area coverage of 33,429.19 square meters, providing services of consolidation, repairs, warehousing, logistics, and distribution centers for major shipping lines
- Except for obtaining ISO9002QA certification and Taiwan Customs Bureau' s authorization to operate independently

CMT Air Cargo Department



- CMT Air Cargo Department is the General Sales Agent (GSA) of Saudi Arabian Airlines (Saudia). Saudia is the flag carrier of the Kingdom of Saudi Arabia and a member of the SkyTeam Alliance



- Saudia has a complete modern fleet a total of 151 aircrafts, including Boeing-777, 787, 747F, 777F; Airbus-A330, A320, A321. It reaches 95 destinations in worldwide

Image Source: <https://www.arabianbusiness.com/transport/398084-saudia-offers-free-whatsapp-data-package-on-domestic-international-flights>
<https://www.flickr.com/photos/canvaswings/15739042055>

Major Investment and Joint Venture

Name of Company	Holding Since	Effective Ownership Interest as of 31 st December 2019	Main Operating Activities
 <p>Taiwan Navigation, Co., Ltd.</p>	2006	10.41%	50,000-80,000 DWT Bulk Carriers
 <p>Global Energy Maritime Co., Ltd.</p>	2011	12.00%	Crude and Product Tankers including VLCCs

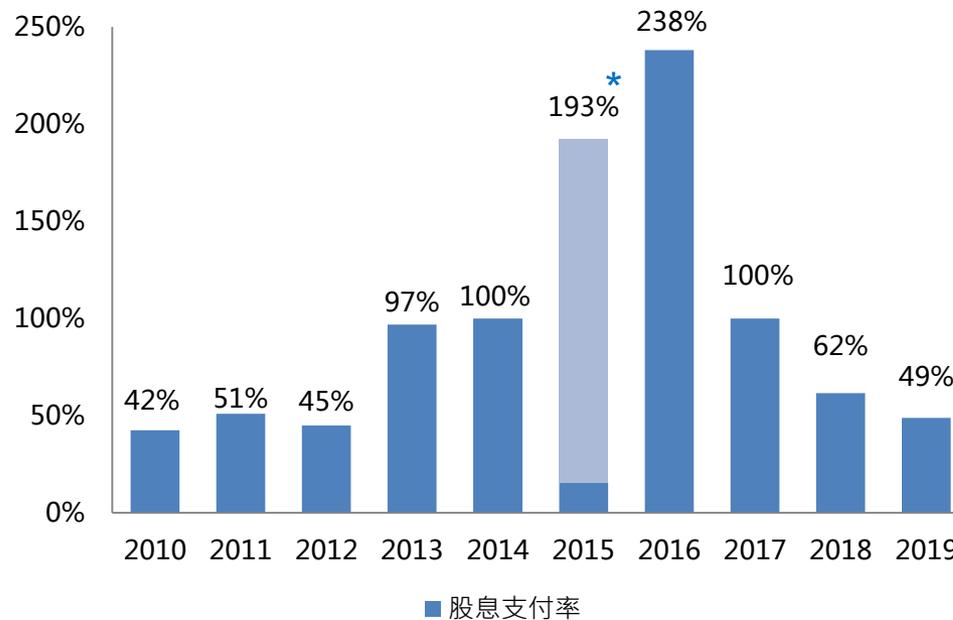
2015-2019 Financial Highlights

Expressed in thousands of New Taiwan Dollars

Year	2015	2016	2017	2018	2019
Revenue	3,361,457	3,294,834	3,218,366	3,820,224	3,762,725
Net Profit/(Loss)	332,787	47,941	98,052	513,711	323,842
EPS	1.30	0.21	0.50	2.60	1.64
Cash on hand	4,506,458	3,685,514	2,939,548	3,345,205	3,288,046
ROE %	3.04%	0.45%	0.99%	5.24%	3.22%
ROA %	2.08%	0.89%	1.30%	3.48%	2.54%
Liability %	48%	52%	53%	50%	50%

Dividends Distribution

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cash dividends/ Capital Reduction (NT\$)	3.20	2.00	1.00	1.50	1.30	2.50	0.50	0.50	1.60	0.80
EPS (NT\$)	7.53	3.92	2.23	1.55	1.30	1.30	0.21	0.50	2.60	1.64



*Cash dividend NT\$ 0.20 plus capital reduction NT\$2.30 = NT\$2.50

Appendix 1 : Condensed Balance Sheet

	Millions of New Taiwan Dollars	
	Dec 31,2018	Dec 31,2019
Assets		
Current assets	4,107.046	3,959.012
Property, plant and equipment	14,439.746	13,549.411
Intangible assets	12.655	11.659
Other non current assets	1,863.870	2,436.537
Total assets	20,423.317	19,956.619
Liabilities and Equity		
Current liabilities	2,338.599	3,109.700
Non Current liabilities	7,897.903	6,912.556
Total liabilities	10,236.502	10,022.256
Equity attributable to owners of parent		
Common stock	1,974.846	1,974.846
Capital surplus	53.411	53.411
Retained earnings	8,437.441	8,441.796
Other equity interest	(278.883)	(535.690)
Non-controlling interests	0	0
Total equity	10,186.815	9,934.363
Total liabilities and equity	20,423.317	19,956.619

Appendix 2 : Condensed Statement of Comprehensive Income

	Thousands of New Taiwan Dollars	
	2018	2019
Operating Revenues	3,820,224	3,762,725
Operating costs	2,850,536	2,933,577
Gross profit	969,688	829,148
Operating expenses	362,829	369,497
Net operating income	606,859	459,651
Non operating income and expenses	(47,626)	(81,393)
Profit before tax	559,233	378,258
Less: tax expense	45,522	54,416
Profit (attributable to owners of parent)	513,711	323,842
Other comprehensive income, net	337,780	(260,319)
Comprehensive income (attributable to owners of parent)	851,491	63,523
Earnings per share	2.60	1.64

Appendix3 : Corporate Bonds Issuance

Tranche	2016-1	2016-2	2017
Tenor	5 Years	5 Years	5 Years
Due Date	16-Mar-2021	16-Mar-2021	10-Apr-2020(400 million) 10-Apr-2022(400 million)
Interest Rate	0.88%	1.00%	1.13%
Amount (NT\$ 100M)	9	14	8
Interest Payment	Annually	Annually	Annually
Guarantee Bank	Bank of Taiwan	Mega Bank	Shanghai Commercial Bank

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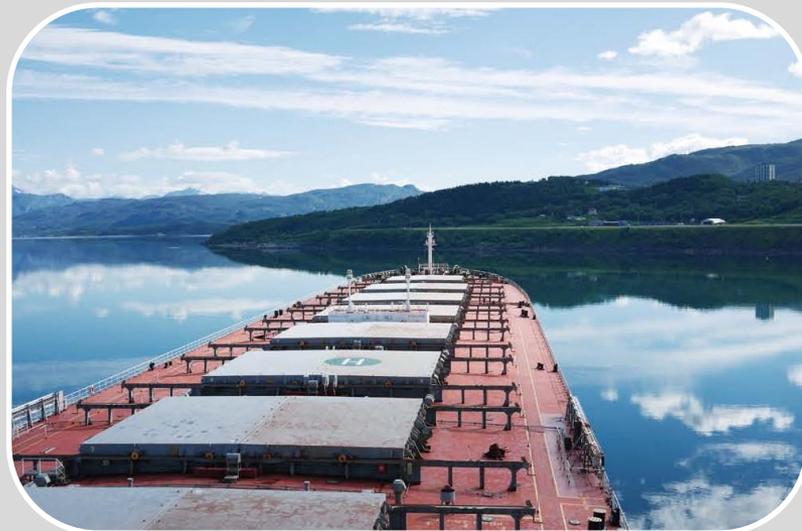
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Thank You !

