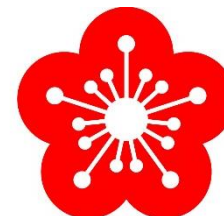




## **Orient Overseas (International) Limited**

(Incorporated in Bermuda with Limited Liability)  
Stock code: 316

**ANNUAL REPORT 2017**



# **Orient Overseas (International) Limited 2017**

# Disclaimer



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The information may include forward-looking statements about the operations, operatives and financial results of OOIL. Such statements are inherently subject to uncertainties arising from a variety of factors.



# OOL highlights



## Financial highlights

- ✿ EBITDA US\$691.1m
- ✿ Operating cash flow US\$550.5m\*
- ✿ Profit US\$137.7m

## Investing for the future

- ✿ Completed delivery of 21,413 TEU vessels
- ✿ On-going investment in IT - 'best in class'
- ✿ Phase 2 Long Beach Container Terminal open

## Net Debt

- ✿ Net Debt to Equity ratio of 0.43
- ✿ Conservative gearing compared to peers

## Growth

- ✿ 2017: year of growth
- ✿ TransPacific 16% and AsiaEurope 20% growth
- ✿ Ocean Alliance year one complete

# 2017 Financial performance

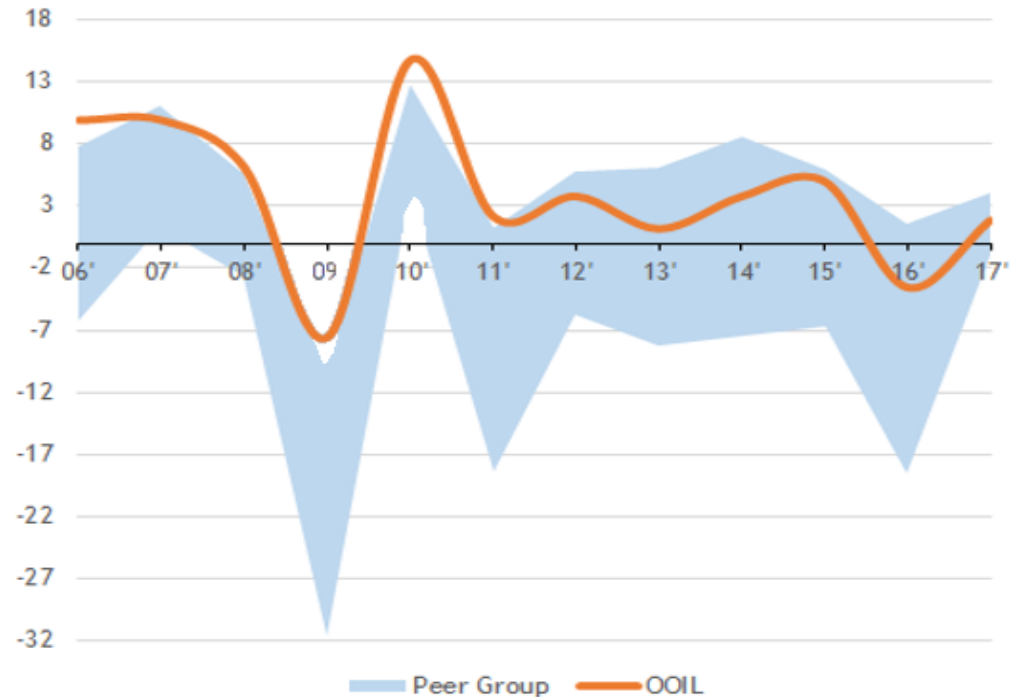


Financial results reflect higher contract and spot rates

Summary Annual Results 2017  
(US\$ million)

Revenue	6,108	↑
EBITDA	691.1	↑
EBITDA margin	11.3%	↑
Profit	137.7	↑
Profit margin	2.3%	↑
Earnings per share	US 22.0 cps	↑

### Carrier operating profit margins



- ❁ Much improved performance from core liner business
- ❁ Consistent profitable performance of logistics business
- ❁ Property and investments deliver solid performance

# Group result breakdown

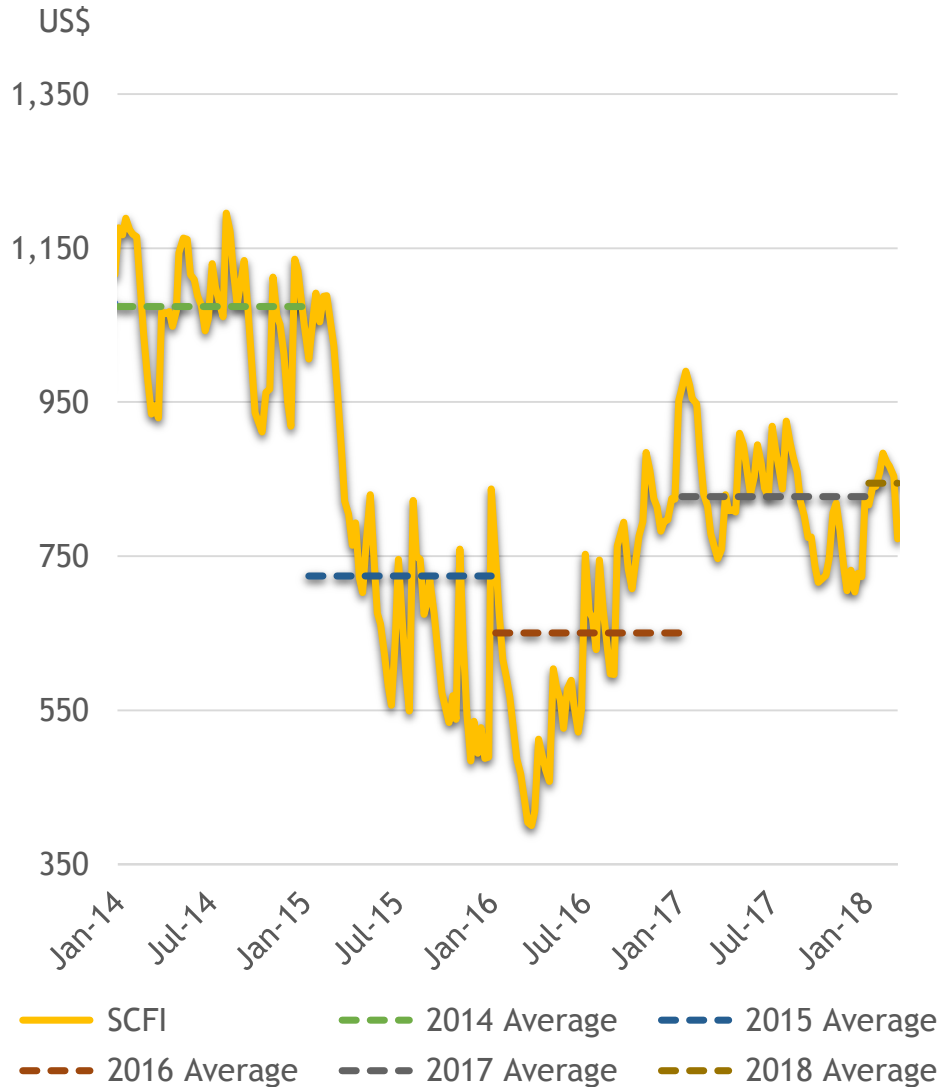


<b>US\$M</b>	<b>31-Dec-2017</b>	<b>31-Dec-2016</b>
Container Transportation and Logistics – EBIT	<b>105.4</b>	<b>(184.6)</b>
EBIT margin	<b>1.7%</b>	<b>(3.5%)</b>
Property and Investments - EBIT		
Wall Street Plaza	56.2	26.4
Hui Xian	32.3	5.6
Interest, Investments and Others	57.4	32.3
	<b>145.9</b>	<b>64.3</b>
OOIL GROUP - EBIT	<b>251.3</b>	<b>(120.3)</b>
Finance Costs	<b>(101.2)</b>	<b>(79.4)</b>
Taxation	<b>(12.4)</b>	<b>(19.5)</b>
OOIL Group Profit/(Loss) After Taxation	<b>137.7</b>	<b>(219.2)</b>

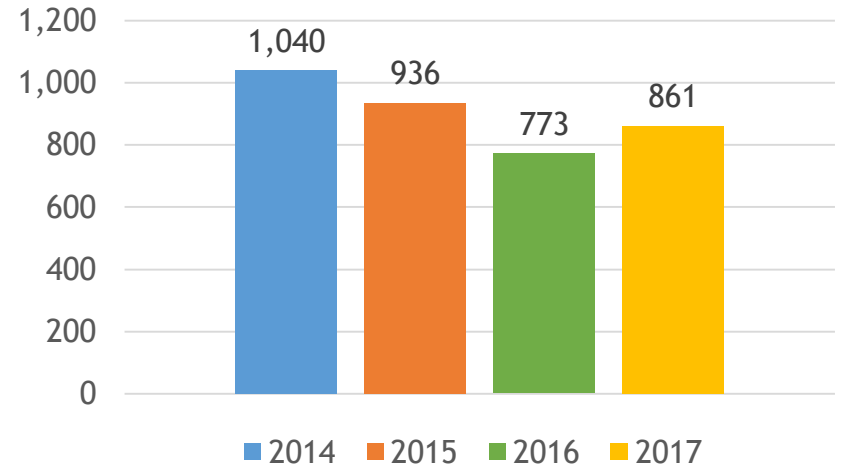
# Improved market conditions



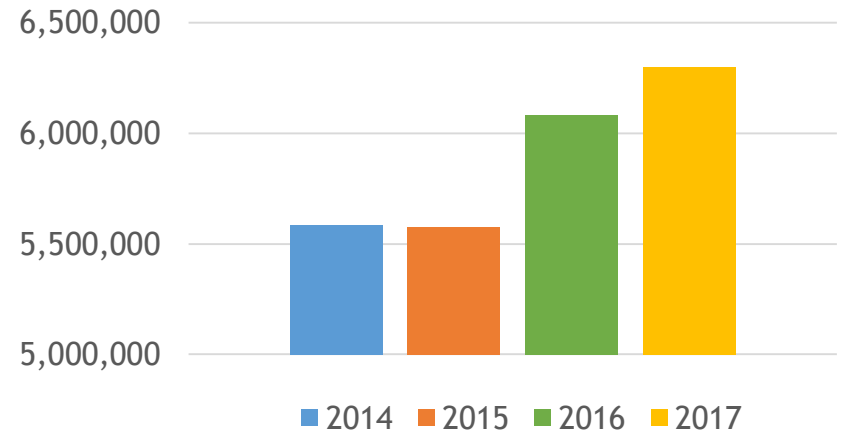
## Shanghai Container Freight Index



## Revenue per TEU (US\$)



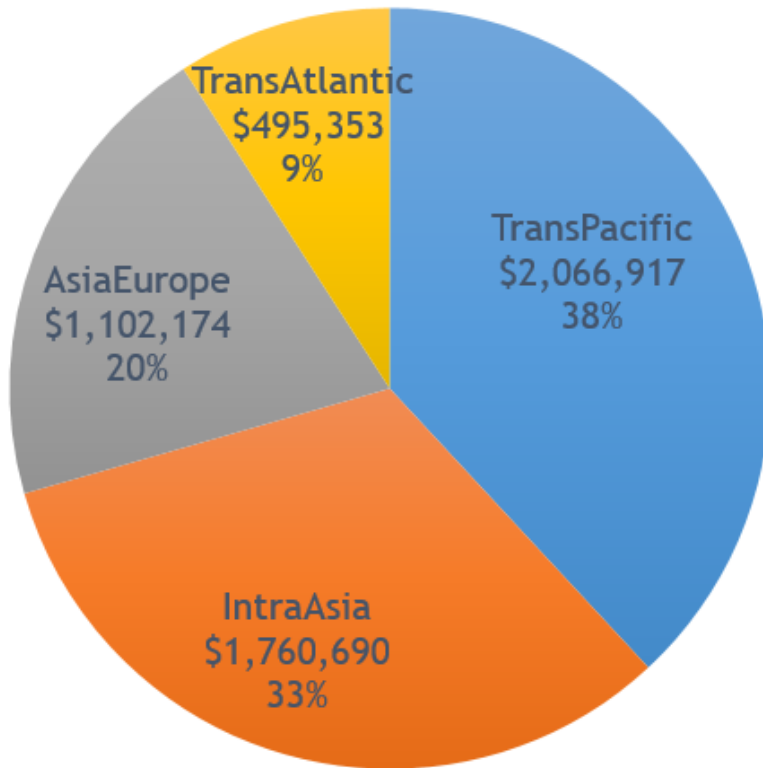
## Liftings (TEU's)



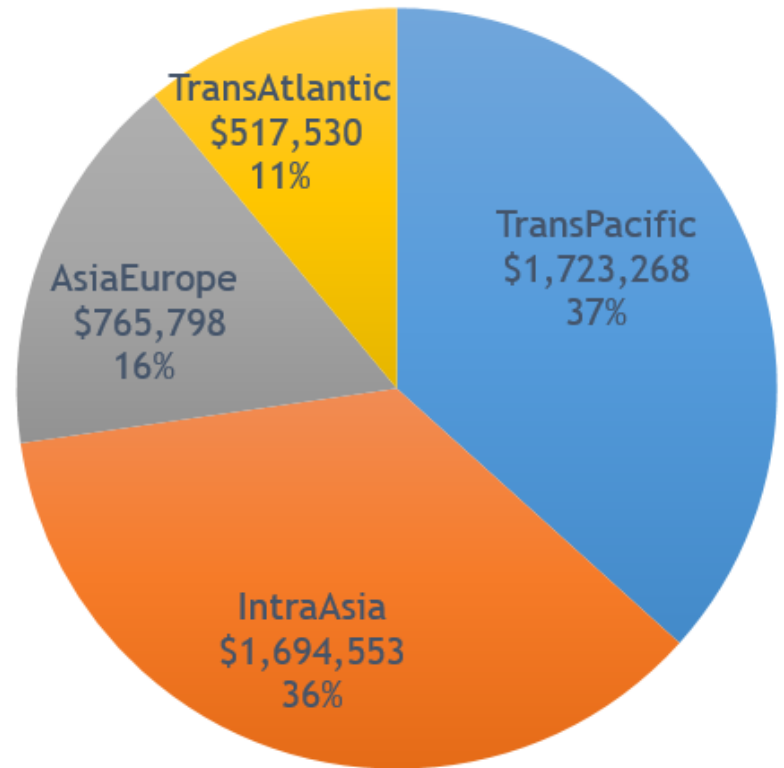
# Growing diversified revenue



**FY2017**  
Revenue by Trade (US\$ 000's)



**FY2016**  
Revenue by Trade (US\$ 000's)



# Industry trade volume



Trade	YTD 2017 vs 2016	YTD 2016 vs 2015	YTD 2015 vs 2014
Trans Pacific EB	6.3%	4.5%	3.6%
Asia Europe WB	4.1%	3.0%	(4.1%)
Intra Asia (IADA)	0.7%	(7.7%)	(4.0%)
Trans Atlantic WB	7.3%	(1.7%)	4.7%

# TransPacific east bound demand



Jan 2017	4.8%	Jan 2016	21.7%	Jan 2015	(13.8%)
Feb 2017	(11.3%)	Feb 2016	34.0%	Feb 2015	(0.4%)
Mar 2017	15.3%	Mar 2016	(20.9%)	Mar 2015	24.8%
Apr 2017	9.5%	Apr 2016	(3.0%)	Apr 2015	3.7%
May 2017	7.4%	May 2016	4.0%	May 2015	5.7%
June 2017	3.9%	June 2016	1.5%	June 2015	8.3%
July 2017	9.1%	July 2016	2.0%	July 2015	4.6%
Aug 2017	5.9%	Aug 2016	3.6%	Aug 2015	8.5%
Sep 2017	8.8%	Sep 2016	(3.9%)	Sep 2015	4.0%
Oct 2017	6.4%	Oct 2016	8.4%	Oct 2015	(3.1%)
Nov 2017	10.9%	Nov 2016	7.3%	Nov 2015	4.5%
Dec 2017	7.8%	Dec 2016	9.8%	Dec 2015	(0.3%)
FY 2017	6.3%	FY 2016	4.5%	FY 2015	3.6%

# AsiaEurope west bound demand



Jan 2017	7.4%	Jan 2016	(2.5%)	Jan 2015	(2.9%)
Feb 2017	(7.5%)	Feb 2016	(13.2%)	Feb 2015	33.7%
Mar 2017	7.6%	Mar 2016	24.8%	Mar 2015	(22.0%)
Apr 2017	2.7%	Apr 2016	10.5%	Apr 2015	(10.3%)
May 2017	9.0%	May 2016	(0.2%)	May 2015	(4.0%)
June 2017	7.6%	June 2016	2.8%	Jun 2015	(8.2%)
July 2017	5.9%	July 2016	6.5%	Jul 2015	(8.1%)
Aug 2017	5.3%	Aug 2016	2.9%	Aug 2015	(7.0%)
Sep 2017	7.2%	Sep 2016	2.9%	Sep 2015	(6.0%)
Oct 2017	(1.5%)	Oct 2016	2.1%	Oct 2015	(1.7%)
Nov 2017	0.2%	Nov 2016	7.3%	Nov 2015	(3.8%)
Dec 2017	2.3%	Dec 2016	(2.0%)	Dec 2015	2.7%
FY 2017	4.1%	FY 2016	3.0%	FY 2015	(4.1%)

# Intra Asia demand



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Jan 2017	(13.8%)	Jan 2016	0.0%	Jan 2015	0.9%
Feb 2017	(9.4%)	Feb 2016	(1.5%)	Feb 2015	6.9%
Mar 2017	(5.7%)	Mar 2016	(2.1%)	Mar 2015	(10.8%)
Apr 2017	(6.9%)	Apr 2016	(8.8%)	Apr 2015	(6.5%)
May 2017	(1.5%)	May 2016	(11.8%)	May 2015	(3.6%)
June 2017	2.1%	June 2016	(2.8%)	June 2015	(8.0%)
July 2017	2.3%	July 2016	(6.4%)	Jul 2015	0.4%
Aug 2017	4.9%	Aug 2016	(7.8%)	Aug 2015	(2.9%)
Sep 2017	7.1%	Sep 2016	(10.4%)	Sep 2015	0.4%
Oct 2017	13.2%	Oct 2016	(16.2%)	Oct 2015	(6.5%)
Nov 2017	14.1%	Nov 2016	(13.7%)	Nov 2015	(6.8%)
Dec 2017	5.9%	Dec 2016	5.1%	Dec 2015	(8.4%)
<hr/>					
FY 2017	0.7%	FY 2016	(7.7%)	FY 2015	(4.0%)

# TransAtlantic west bound demand



Jan 2017	10.9%	Jan 2016	1.9%	Jan 2015 :	1.3%
Feb 2017	5.2%	Feb 2016	3.4%	Feb 2015 :	16.2%
Mar 2017	1.4%	Mar 2016	2.6%	Mar 2015 :	1.8%
Apr 2017	14.7%	Apr 2016	(4.3%)	Apr 2015 :	(2.3%)
May 2017	(0.6%)	May 2016	(5.3%)	May 2015 :	13.4%
June 2017	8.6%	June 2016	(5.1%)	June 2015 :	7.8%
July 2017	2.7%	July 2016	(6.9%)	Jul 2015 :	6.7%
Aug 2017	4.3%	Aug 2016	3.4%	Aug 2015 :	1.5%
Sep 2017	9.9%	Sep 2016	(6.7%)	Sep 2015 :	8.0%
Oct 2017	8.7%	Oct 2016	(0.3%)	Oct 2015 :	1.0%
Nov 2017	9.0%	Nov 2016	(0.4%)	Nov 2015 :	3.3%
Dec 2017	14.5%	Dec 2016	(1.4%)	Dec 2015 :	(0.4%)
<b>FY 2017</b>	<b>7.3%</b>	<b>FY 2016</b>	<b>(1.7%)</b>	<b>FY 2015 :</b>	<b>4.7%</b>

# Container transportation (excl. logistics)



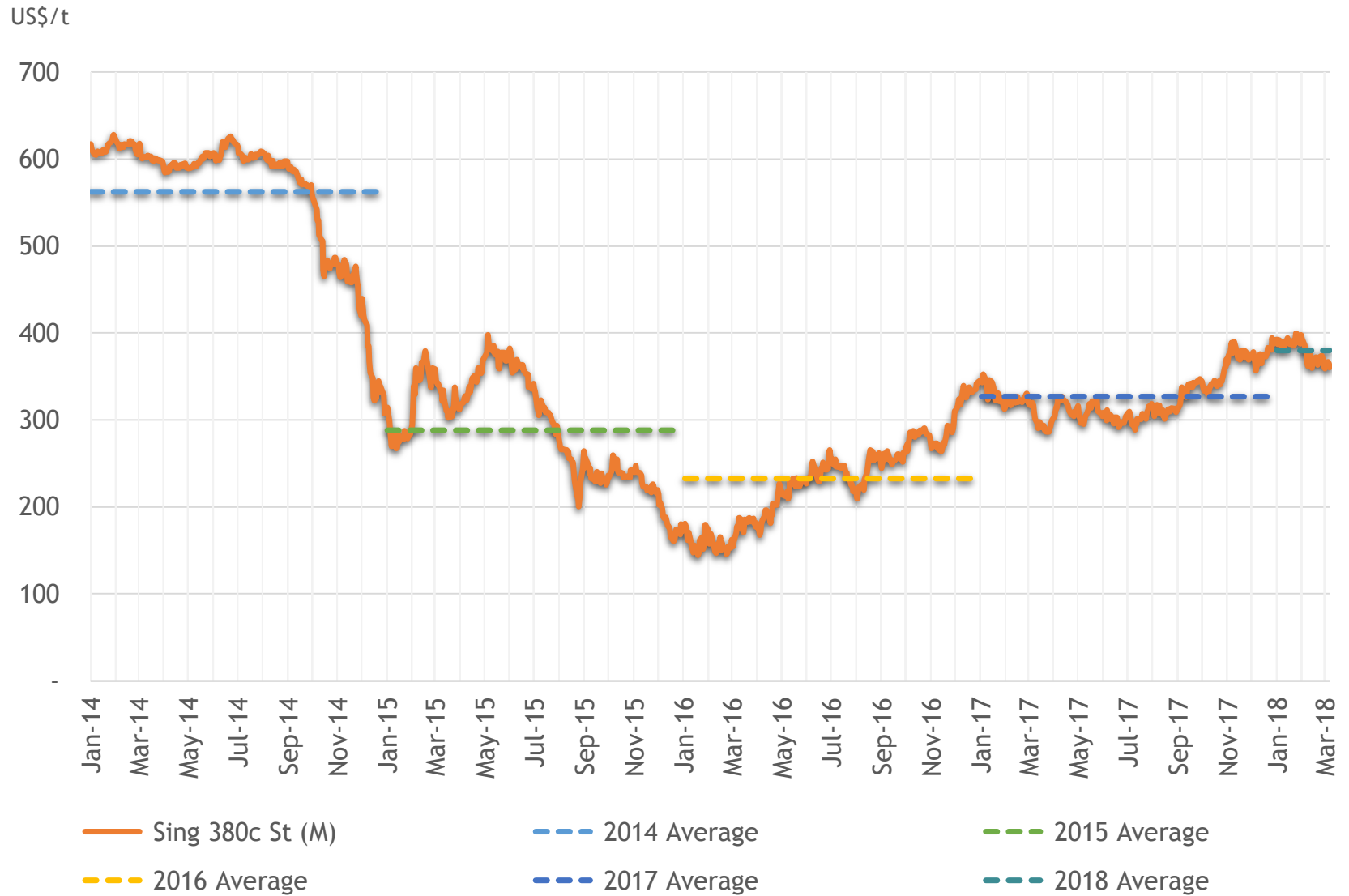
	2017	2016	2017 / 2016 % ▲
Liftings ('000 TEU)	6,299	6,081	4% ▲
Revenue (US\$M)	5,466	4,704	16% ▲
Revenue Per TEU (US\$)	868	774	12% ▲
Net Operating Capacity (TEU)	698,401	574,318	22% ▲
Load Factor (%)	83.7	84.9	1.2% ▼

# Operating costs 2017



Per Lifting	2017 / 2016 % ▲	2017 Proportion
Total cost	4% ▲	100%
Cargo cost	1% ▼	50%
Equipment and Repo costs	0%	16%
Vessel Voyage cost	0%	21%
Bunker cost	45% ▲	13%

# Bunker price - Sing 380c St (M)

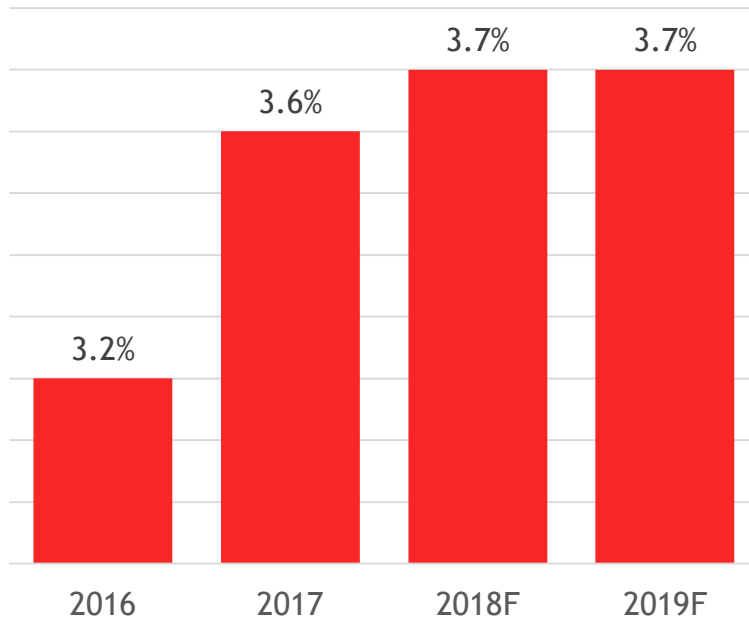


# Improving market fundamentals



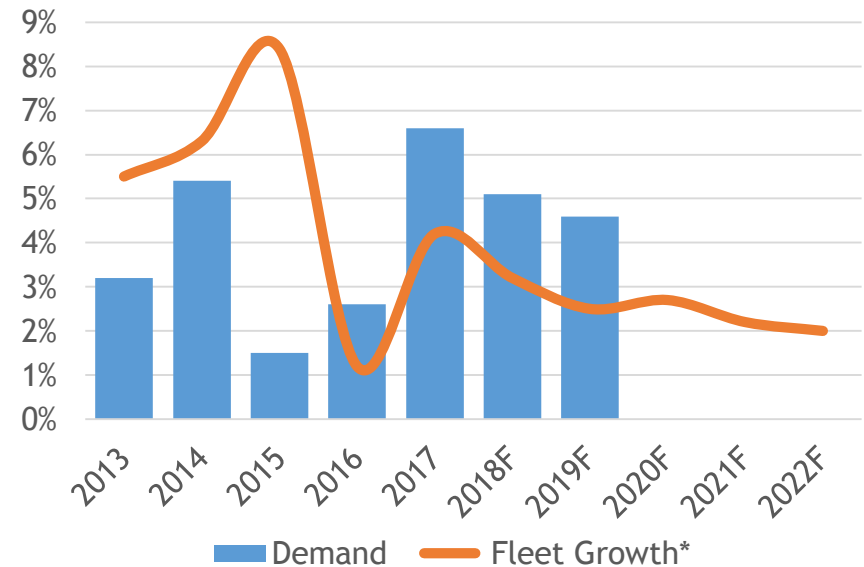
- ✿ Synchronised global growth
- ✿ Improved supply vs demand fundamentals
- ✿ Limited new build ordering

GDP Growth (%)



Source: IMF

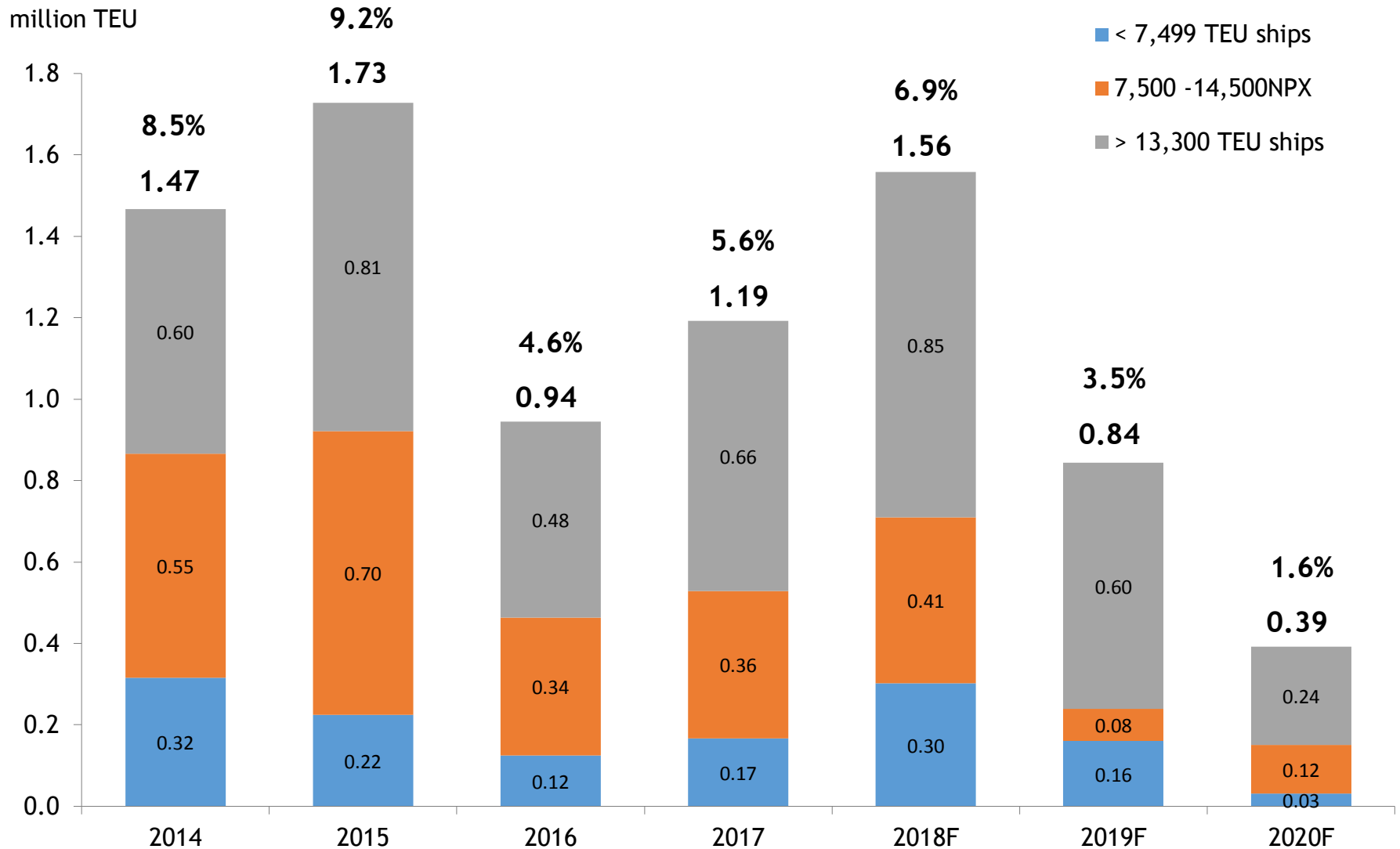
Global Container Trade Demand vs Supply (%)



Sources: Alphaliner, Drewry

\* Fleet Growth after adjustment of slippage, cancellations and scrapping

# Gross new building deliveries



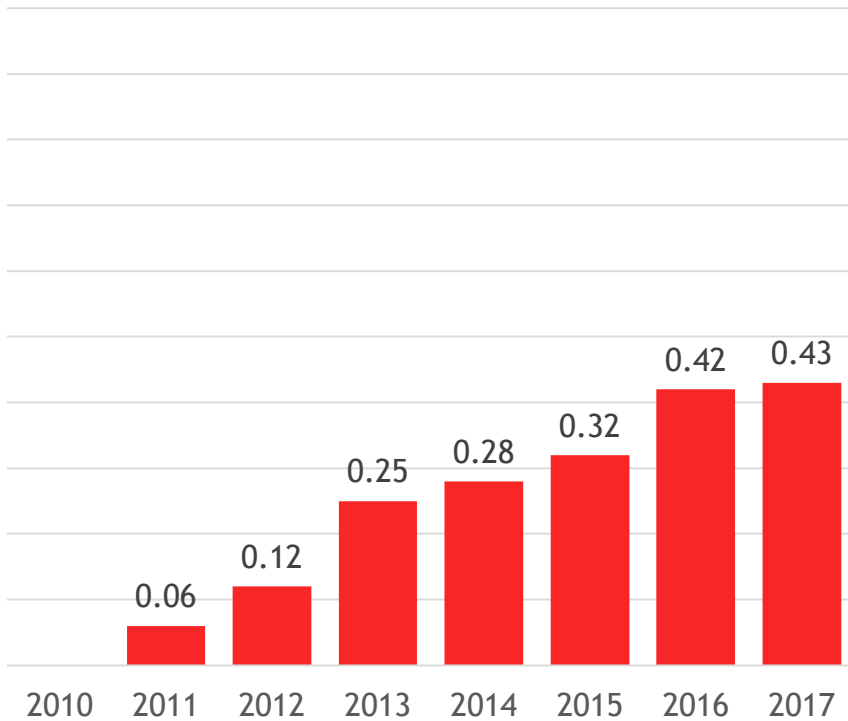
Source: Alphaliner (as at 1 February 2018)

# Balance sheet

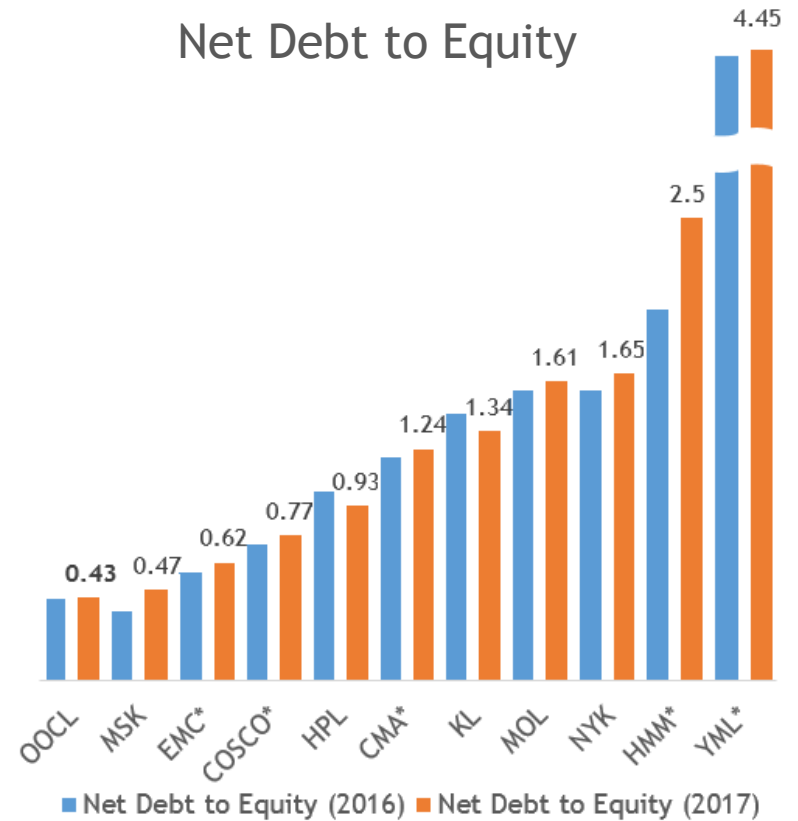


- ✿ Balance sheet much stronger than peer average
- ✿ Balance sheet well placed for growth
- ✿ Competitive funding arrangements with diversified network of banks

### OOIL Net Debt to Equity



### Net Debt to Equity

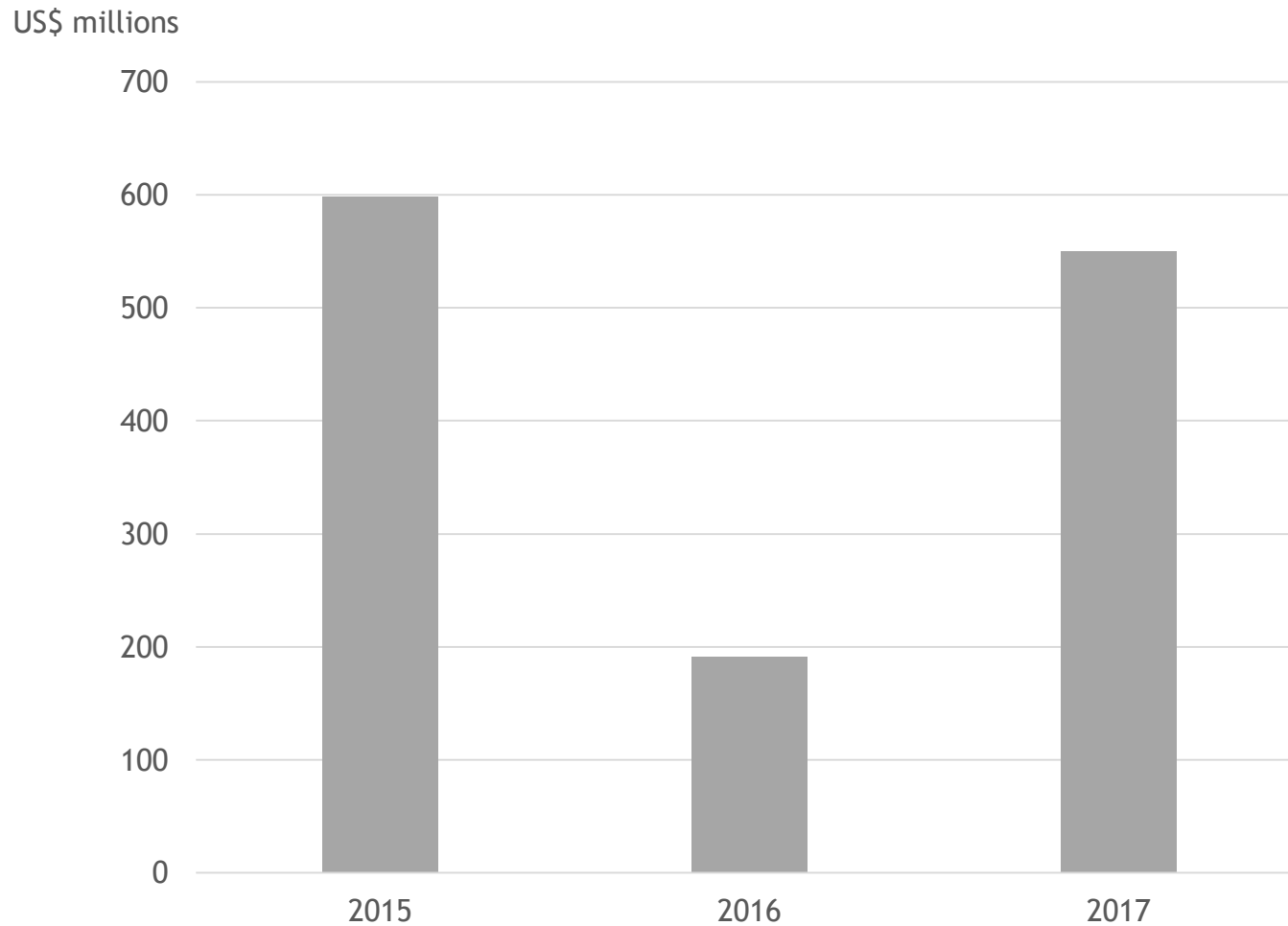


\* Latest 3Q17 financial disclosure

# Operating cash flow



Strong cash generation through the cycles



\*Operating profit before working capital changes

# Group balance sheet highlights



<b>US\$M</b>	<b>31-Dec-2017</b>	<b>31-Dec-2016</b>
Non-current Assets	7,104	6,838
Current Assets	2,965	2,566
<b>Total Assets</b>	<b>10,069</b>	<b>9,404</b>
Non-current Liabilities	4,007	3,572
Current Liabilities	1,379	1,313
<b>Total Liabilities</b>	<b>5,386</b>	<b>4,885</b>
Shareholders' Funds and Total Equity	4,683	4,519

# Total liquid assets



<b>US\$M</b>	<b>31-Dec-2017</b>	<b>31-Dec-2016</b>
Cash and Bank Balances	2,005	1,626
Portfolio Investments, Equities and Bonds	529	560
Total	2,534	2,187

# Net debt position



<b>US\$M</b>	<b>31-Dec-2017</b>	<b>31-Dec-2016</b>
Liquid Assets	2,534	2,187
Debt	4,554	4,091
Net Debt	2,020	1,904

# Long Beach Container Terminal



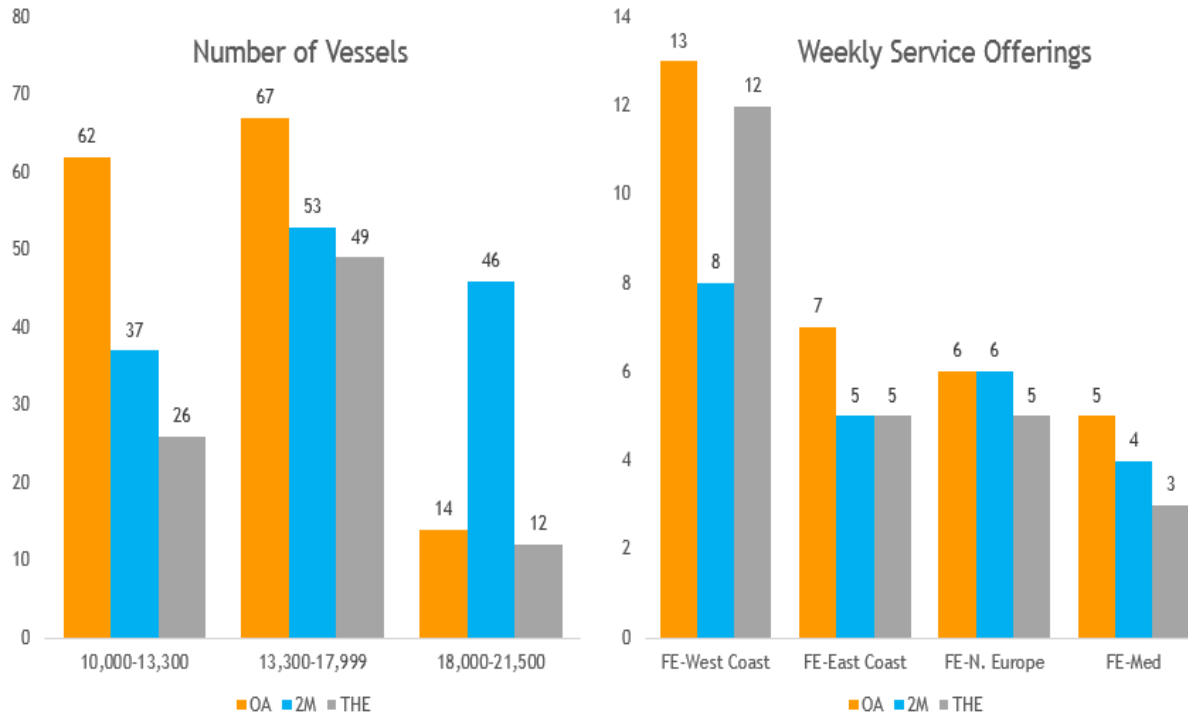
- ✿ Positive P&L impact
- ✿ Phase 2 online from 4Q17
- ✿ Post Phase 2 terminal design capacity 2.0m TEU - further expandable to 3.3m TEU as terminal is further utilised when Phase 3 completed
- ✿ Over 74% of US\$650m budget spent, ongoing spend flat across periods



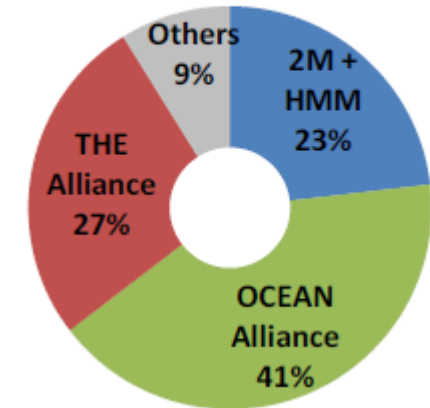
# Ocean Alliance



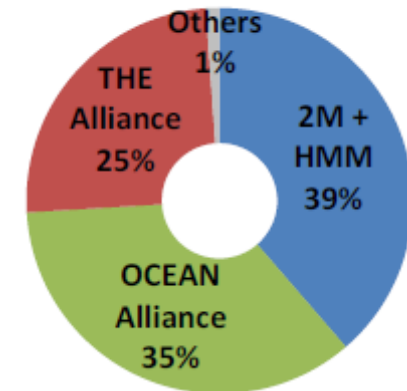
- ❁ First year complete
- ❁ Access to new markets
- ❁ Volumes attained in key jurisdictions
- ❁ Manage capex business risk through stable volumes from Ocean Alliance members



FE-N. America Capacity Share by Alliance



FE-Europe Capacity Share by Alliance



Source: Alphaliner

# Property investment

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## ✿ Long term but non-core property investments

### ✿ Wall Street Plaza

- Fair value gain of US\$43.4 million for 2017
- Valuation of US\$270 million as at 31 December 2017
- Performance is in line with expectations
- Vacancy rate of 1.3% as at end of 31 December 2017
- Change in tax rate positively affecting existing deferred tax provision

### ✿ Hui Xian REIT

- US\$14.3 million on balance sheet as at 31 December 2017
- US\$13.3 million Dividend-in-Specie 1H17.

# Transaction summary

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## ✿ Achieved pre-condition approvals of:

- European Commission anti-trust
- U.S. anti-trust
- COSCO SHIPPING Holdings shareholder approval

## ✿ Awaiting pre-condition approvals of:

- MOFCOM
- NDRC

# Market outlook



Supply constraining short term positives, attractive longer-term fundamentals

Short term

Medium term

Long term

Synchronised global growth	Supply overhang remains	More favourable demand vs supply fundamentals	Environmental policies	Technology	Alliances
Gradual industry wide recovery	Consolidation	Scale efficiency	Consolidation	Scale efficiency	Consolidation

Sustainability of current global growth

Threat of protectionism

# Our strategy





**Orient Overseas (International) Limited**