



Orient Overseas
(International) Limited

Annual Results 2019

March 23, 2020

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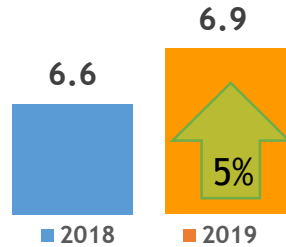
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OOL Highlights

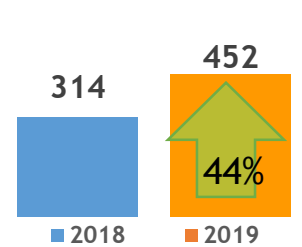


Financial

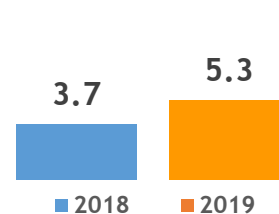
Group Revenue (US\$b)



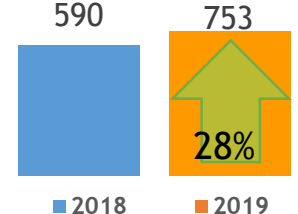
Group EBIT (US\$m)



Container Transport & Logistics EBIT Margin (%)

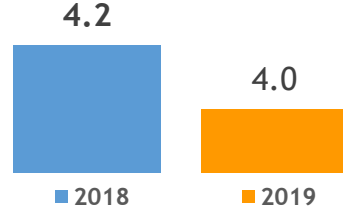


Operating Cash Flow* (US\$m)

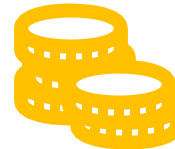


Balance Sheet

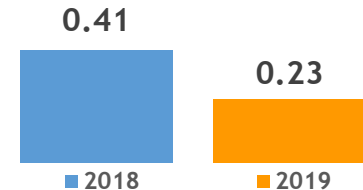
Total Debt (US\$b)



Liquid Assets
US\$2.9b



Net Debt to Equity



Highlights

- ✿ Steady, measured, intelligent growth
 - ✿ Liftings 7.0 million TEU ↑4%
 - ✿ Order for 5 x 23,000 TEU newbuildings
- ✿ Sale of LBCT for US\$1.78bn / Special Dividend of US\$1.60
- ✿ 2019 Final Dividend of US 2.69 cents / Special Dividend of US 24.00 cents
- ✿ Synergy targets more than achieved
- ✿ Well placed to adapt to fast-evolving economic context

* Operating profit before working capital changes.

4Q19 Operational Update



	<u>Q4 2019</u>	<u>Q4 2018</u>	<i>change</i>	<u>FY 2019</u>	<u>FY 2018</u>	<i>change</i>
REVENUE (US\$ '000) :						
Trans-Pacific	635,082	670,004	-5.2%	2,512,795	2,437,146	3.1%
Asia / Europe	305,036	297,334	2.6%	1,233,105	1,186,604	3.9%
Trans-Atlantic	150,292	136,793	9.9%	593,206	514,427	15.3%
Intra-Asia / Australasia	512,431	462,345	10.8%	1,936,483	1,825,012	6.1%
TOTAL ALL SERVICES	1,602,841	1,566,476	2.3%	6,275,589	5,963,189	5.2%
LIFTINGS (TEU's) :						
Trans-Pacific	495,787	501,275	-1.1%	1,966,819	1,973,884	-0.4%
Asia / Europe	365,072	335,746	8.7%	1,423,116	1,302,305	9.3%
Trans-Atlantic	121,933	108,165	12.7%	477,707	426,458	12.0%
Intra-Asia / Australasia	815,818	770,423	5.9%	3,086,500	2,994,272	3.1%
TOTAL ALL SERVICES	1,798,610	1,715,609	4.8%	6,954,142	6,696,919	3.8%
REVENUE PER TEU (US\$) :						
Trans-Pacific	1,280.96	1,336.60	-4.2%	1,277.59	1,234.70	3.5%
Asia / Europe	835.55	885.59	-5.7%	866.48	911.16	-4.9%
Trans-Atlantic	1,232.58	1,264.67	-2.5%	1,241.78	1,206.28	2.9%
Intra-Asia / Australasia	628.12	600.12	4.7%	627.40	609.50	2.9%
TOTAL ALL SERVICES	891.16	913.07	-2.4%	902.42	890.44	1.3%

Group Results Breakdown



US\$M	31-Dec-2019	31-Dec-2018
Container Transportation and Logistics – EBIT*	293.4	210.3
EBIT margin*	4.28%	3.21%
Property and Investments - EBIT	82.0	67.0
OOIL GROUP - EBIT	375.4	277.3
Finance Costs	(151.6)	(143.2)
Taxation	(69.8)	(58.6)
Profit from discontinued operation	41.2	32.7
OOIL Group Profit After Taxation	195.2	108.2
Profit on disposal of a subsidiary	1,153.6	-
Profit for the year	1,348.8	108.2

* Excludes LBCT

Group Balance Sheet Highlights

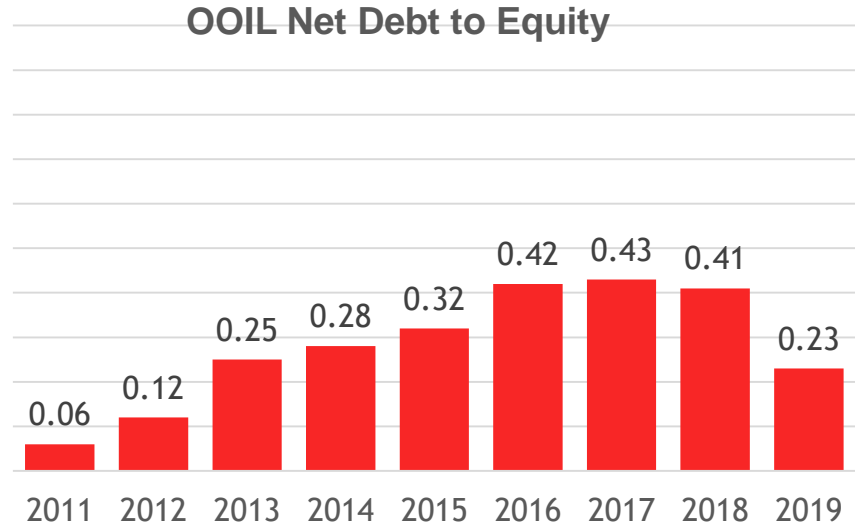


US\$M	31-Dec-2019	31-Dec-2018
Non-Current Assets	6,756	6,807
Current Assets	4,446	2,774
Assets Held for Sale	-	473
Total Assets	11,202	10,054
Non-Current Liabilities	3,504	3,806
Current Liabilities	2,771	1,372
Liabilities Directly Associated with Assets Classified as Held for Sale	-	141
Total Liabilities	6,275	5,319
Shareholders' Funds and Total Equity	4,927	4,735

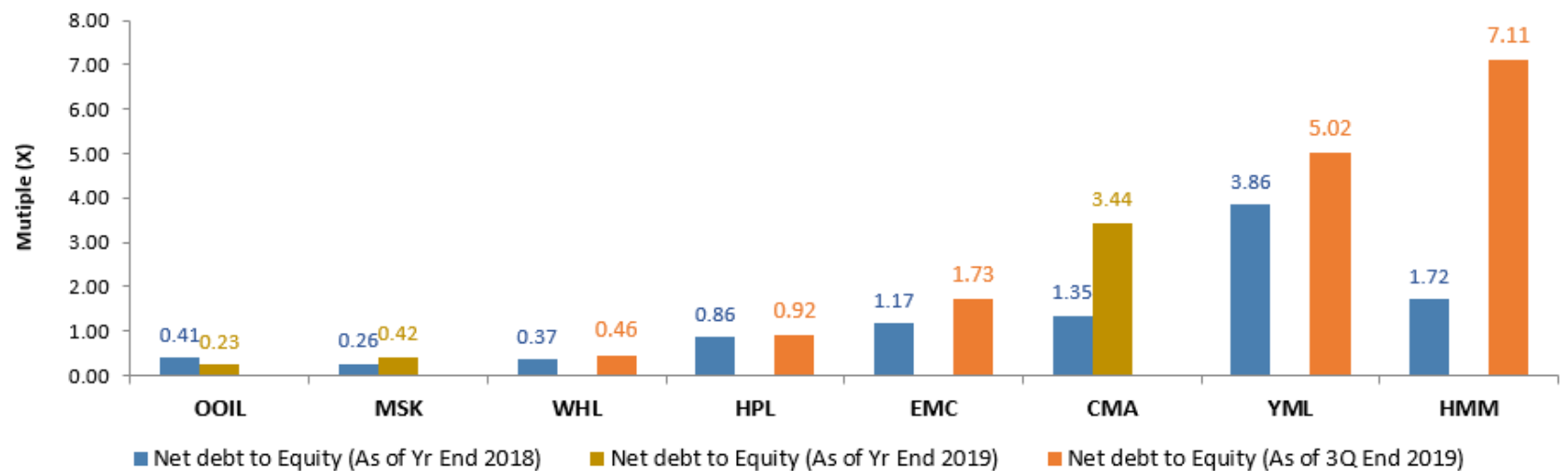
Balance Sheet



- ❁ Continue to maintain stronger than peer average balance sheet
- ❁ Competitive funding arrangements with diversified network of banks
- ❁ Focus on both cost and amount of indebtedness



Net debt to equity



Note:
 (1) Net debt/Equity ratio is based on reported ratio (if available)
 (2) Equity incl. minority interest.

Total Liquid Assets



US\$M	31-Dec-2019	31-Dec-2018
Cash and Bank Balances	2,515	1,646
Portfolio Investments, Equities and Bonds	344	601
Total *	2,859	2,247

* Excluding cash and bank balances set aside for special dividend payment

Net Debt



US\$M	31-Dec-2019	31-Dec-2018
Liquid Assets	2,859	2,247
Debt	3,991	4,198
Net Debt	1,132	1,951

Container transportation (excl. logistics)

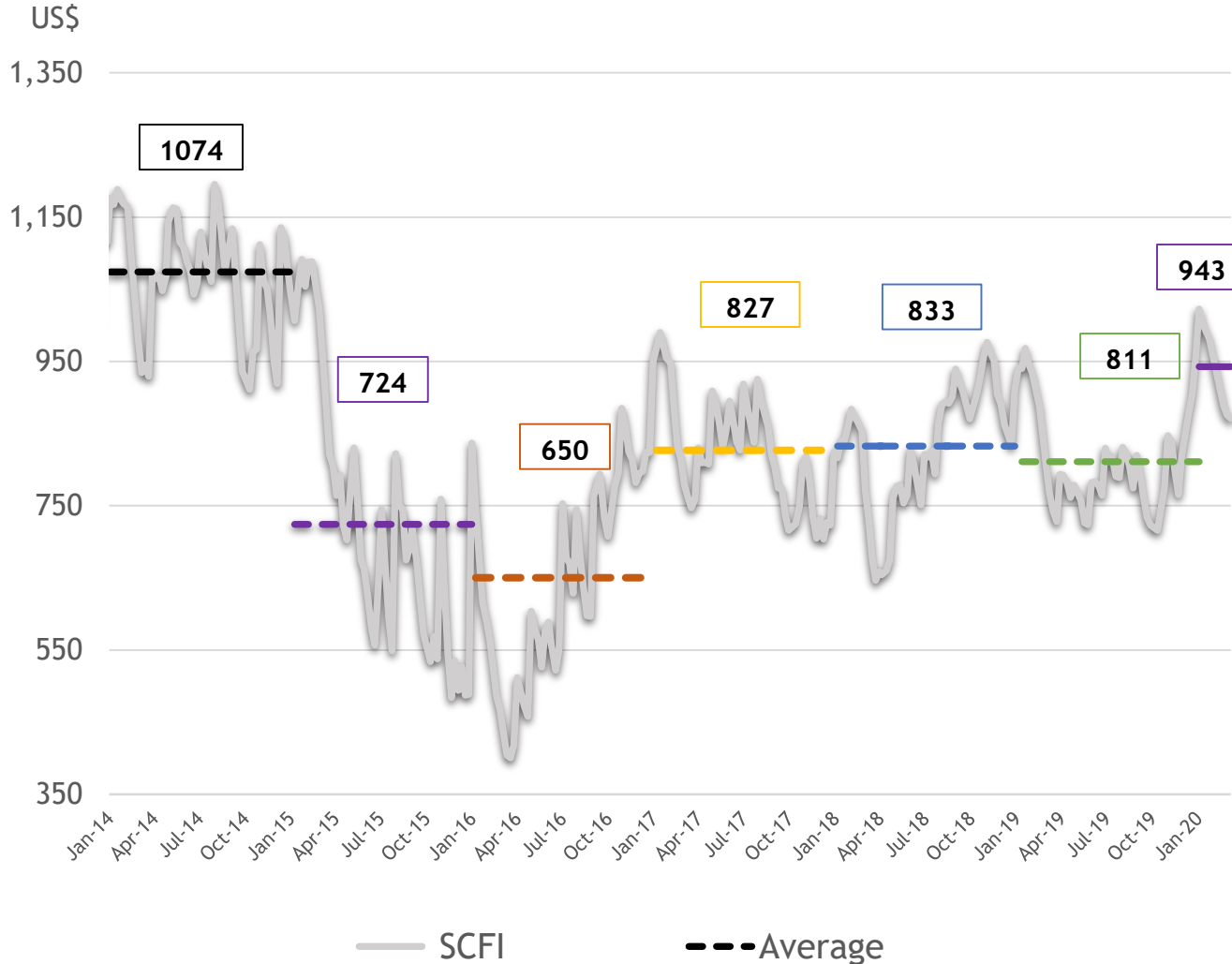


	2019	2018	2019 / 2018 % ▲
Liftings ('000 TEU)	6,954	6,697	4% ▲
Freight Revenue (US\$M)	6,276	5,963	5% ▲
Freight Revenue Per TEU (US\$)	902	890	1% ▲
Net operating capacity (TEU)	733,580	701,463	5% ▲
Load Factor (%)	82.8	82.9	0.1% pt ▼

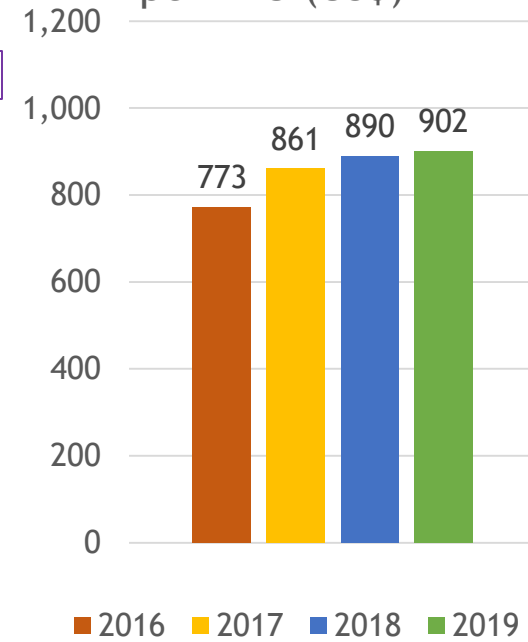
Market Situation



Shanghai Container Freight Index



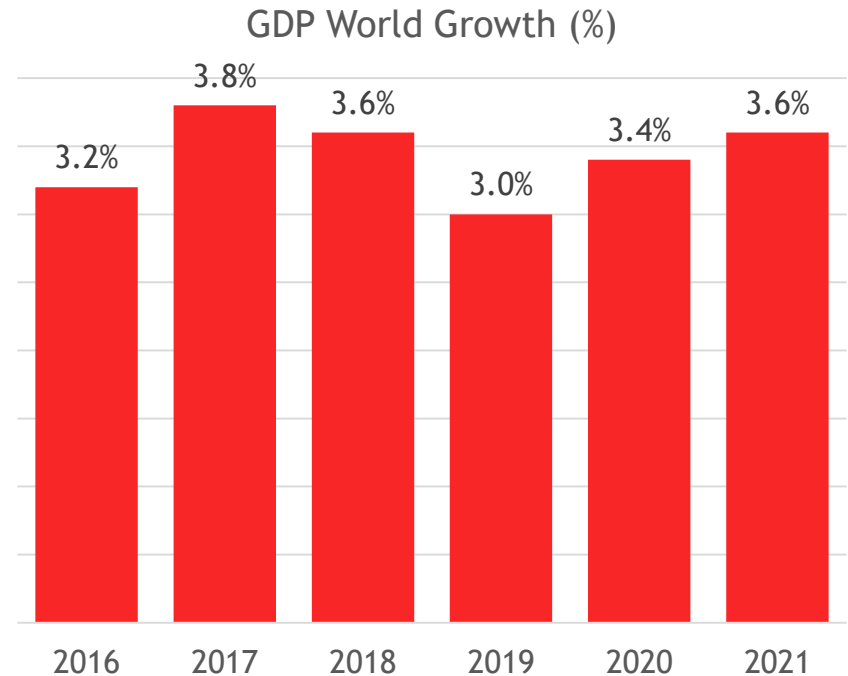
Freight Revenue per TEU (US\$)



Supply & Demand

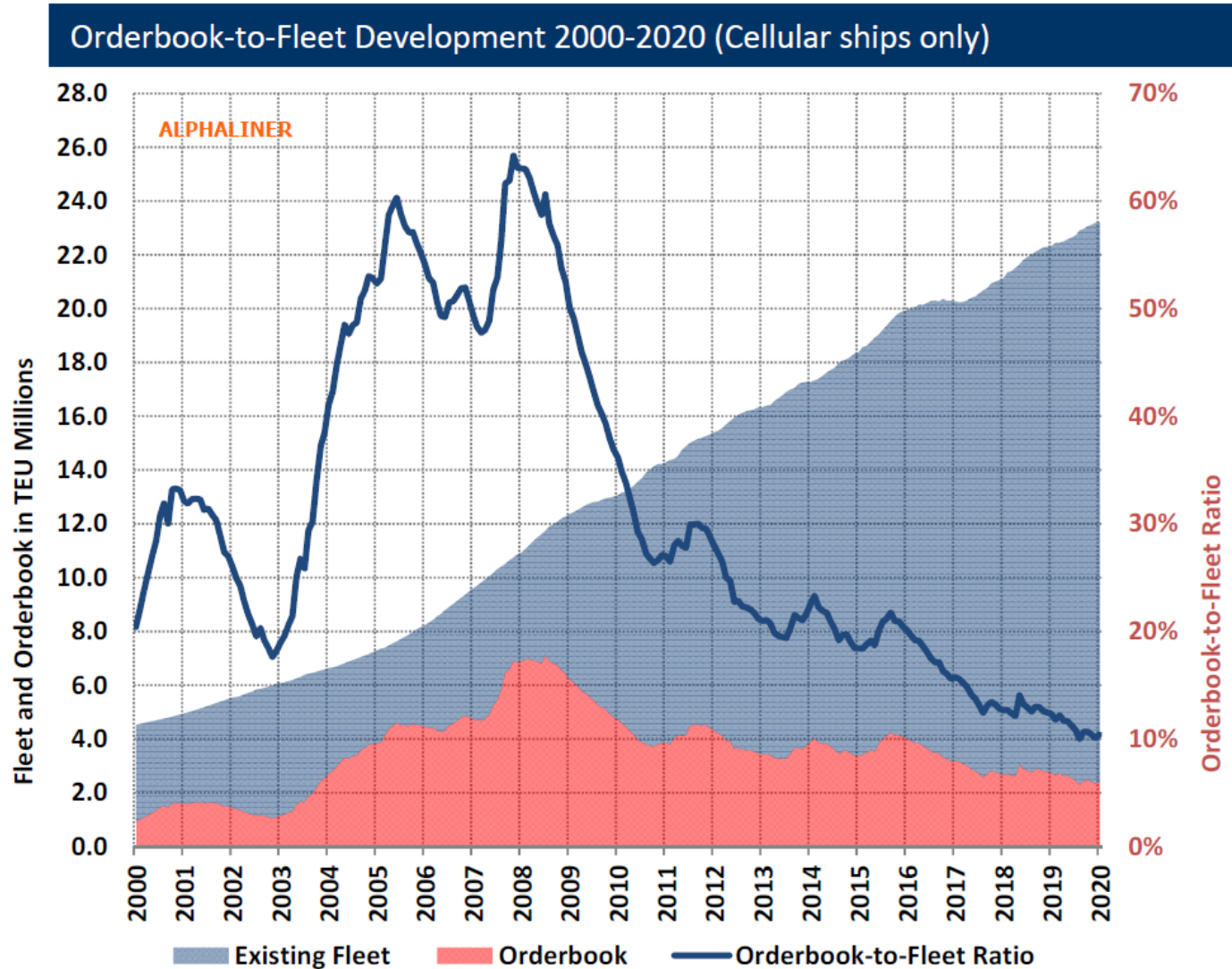


- ✿ Demand growth in 2019 was steady but unspectacular
- ✿ Expectations at the start of 2020 were cautiously optimistic
- ✿ CoVid-19 outbreak makes all current demand forecasts outdated
- ✿ Supply side growth manageable
 - ✿ Low orderbook
 - ✿ Retrofits
 - ✿ Economic outlook



Source: IMF (Oct 2019)

Orderbook-to-Fleet Ratio



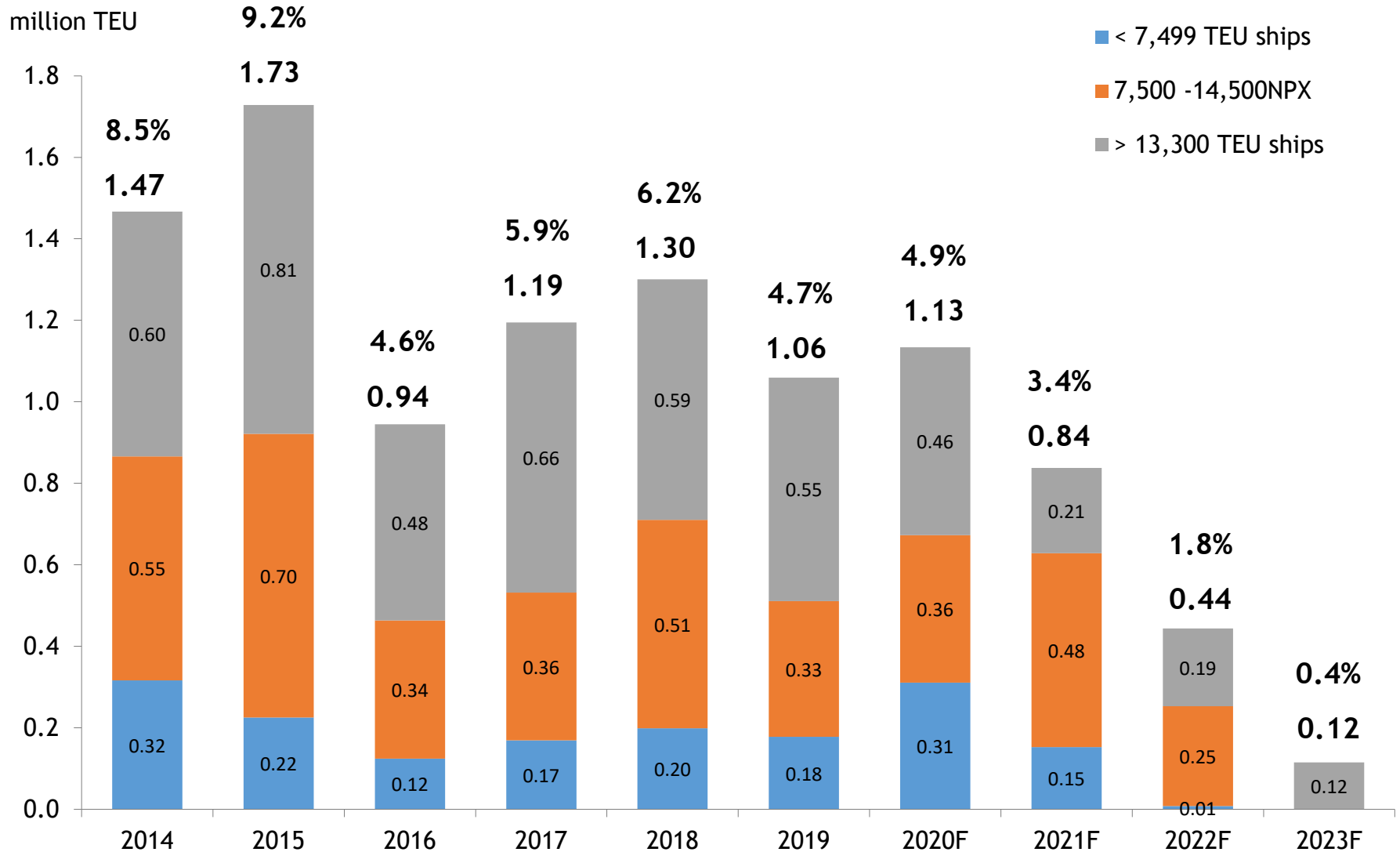
New Vessel Orders



	<u>Size</u>	<u>No. of vessels</u>	<u>Total TEU</u>
23 Mar 2020 YTD	13K TEU or above	5*	115,000*
	Below 13K TEU	-	-
	Total	5	115,000
2019	13K TEU or above	34	635,616
	Below 13K TEU	63	148,765
	Total	97	784,381
2018	13K TEU or above	35	621,896
	Below 13K TEU	180	674,985
	Total	215	1,296,881
2017	13K TEU or above	31	623,476
	Below 13K TEU	99	159,898
	Total	130	783,374

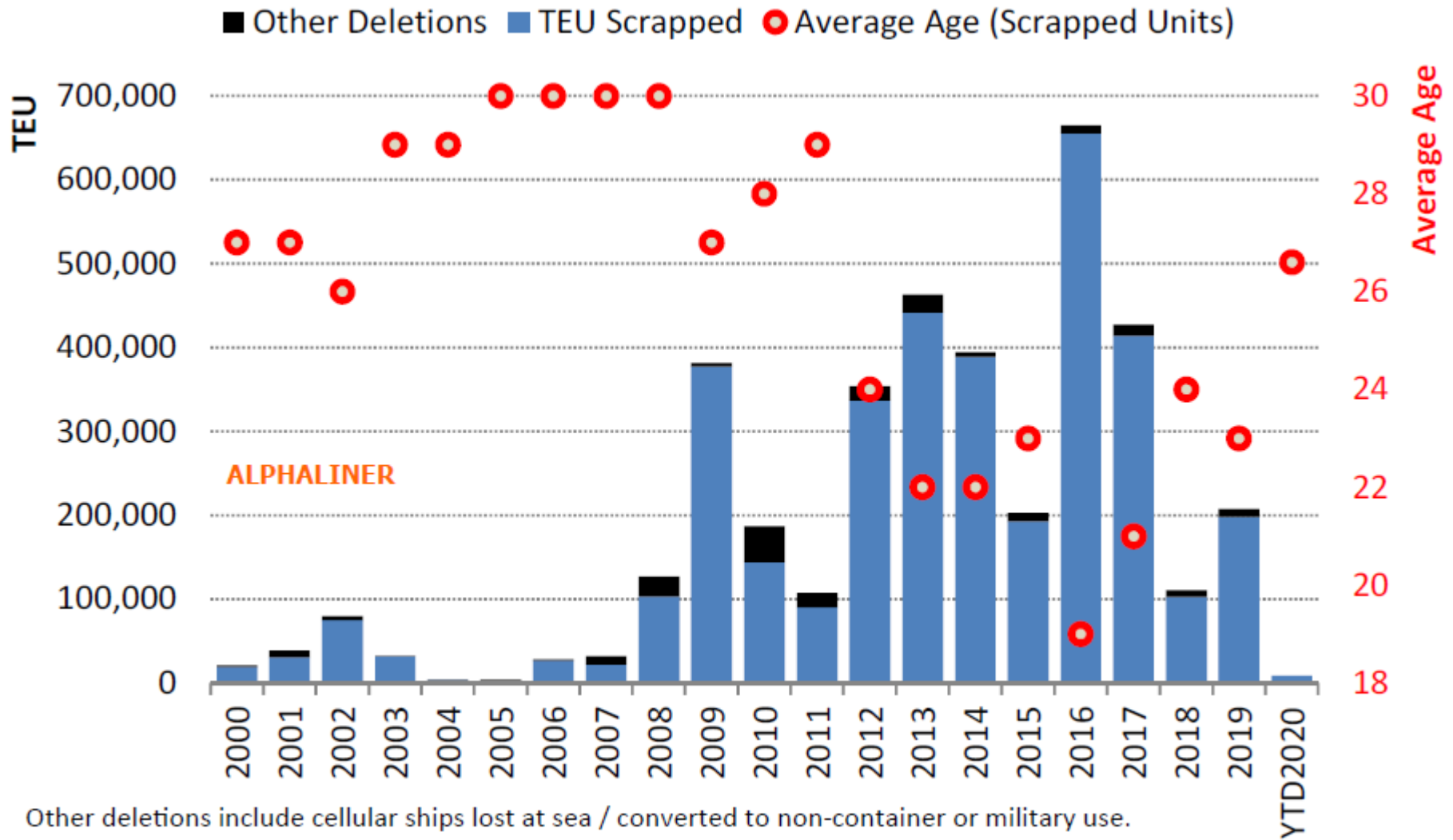
*Include 5 new 23,000 TEU OOCL vessels

Gross New Building Deliveries



Source: Alphaliner (projections based on orderbook as at 1 Feb 2020) + 5 x 23,000 TEU OOCL vessels in 2023

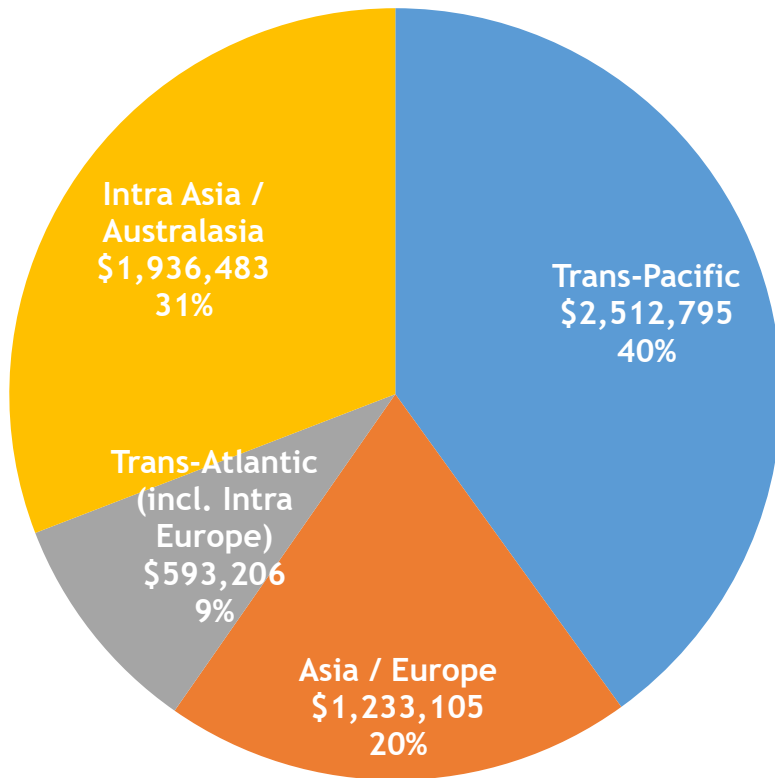
Scrapping



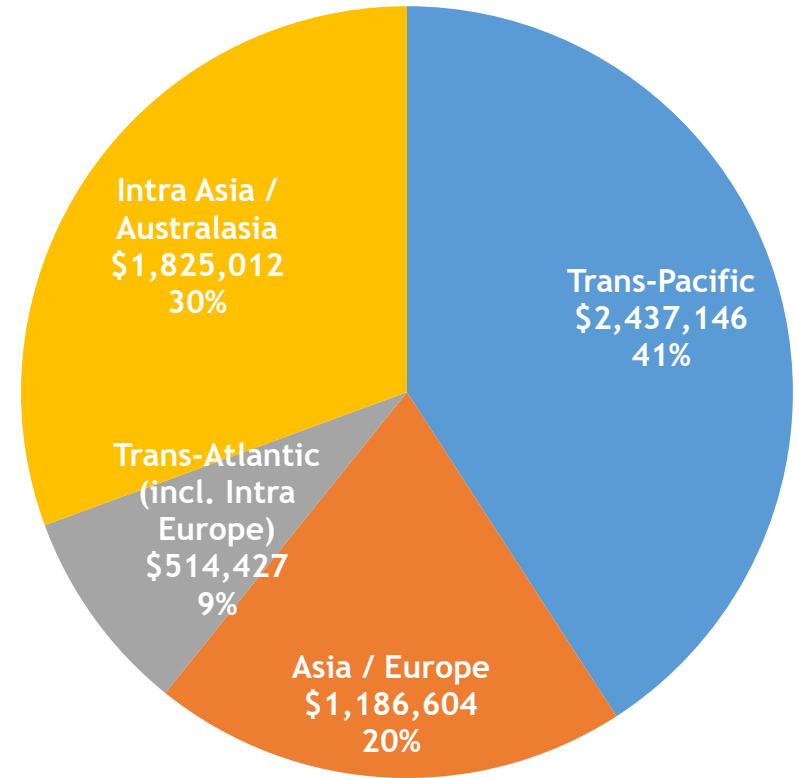
Diversified Revenue Base



2019
Revenue by Trade (US\$000's)



2018
Revenue by Trade (US\$000's)



Industry Trade Volume FY 2019



Trade	FY 2019 vs 2018	FY 2018 vs 2017	FY 2017 vs 2016
Trans Pacific EB	(1.9%)	7.8%	6.2%
Asia Europe WB	2.6%	2.0%	4.4%
Intra Asia	1.1%	4.1%	3.9%
Trans Atlantic WB	3.6%	4.5%	7.1%

Industry Trade Volume FY 2019



	Trans Pacific EB Demand			Asia Europe WB Demand			Intra Asia Demand			Trans Atlantic WB Demand		
	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
JAN	6.4%	7.5%	4.7%	9.7%	1.2%	5.9%	2.4%	10.0%	3.1%	17.1%	1.6%	11.1%
FEB	(5.2%)	18.8%	(11.3%)	(16.2%)	30.5%	(9.0%)	(2.9%)	5.7%	5.8%	(2.4%)	3.3%	5.4%
MAR	0.5%	2.5%	15.2%	19.7%	(13.0%)	6.2%	6.5%	(6.2%)	9.6%	11.5%	0.9%	1.4%
APR	2.4%	2.3%	9.9%	7.9%	2.1%	1.6%	3.0%	5.8%	1.1%	6.4%	4.5%	14.9%
MAY	1.9%	4.5%	7.4%	5.8%	(1.8%)	7.8%	(2.9%)	8.2%	3.5%	2.5%	12.2%	(0.5%)
JUN	(3.9%)	9.2%	3.9%	3.8%	0.7%	6.7%	(3.3%)	4.4%	4.0%	1.3%	5.4%	8.7%
JUL	3.6%	6.0%	9.0%	3.9%	(0.6%)	5.1%	3.7%	7.0%	6.2%	4.7%	11.7%	2.4%
AUG	4.1%	1.6%	5.8%	2.0%	0.4%	4.3%	(3.9%)	2.9%	5.3%	(2.0%)	5.8%	4.2%
SEP	0.4%	5.9%	8.7%	(3.3%)	6.0%	8.6%	(3.9%)	1.3%	6.0%	1.6%	4.7%	9.8%
OCT	(9.4%)	13.8%	6.3%	0.8%	4.7%	1.0%	4.3%	12.1%	1.0%	(1.7%)	5.3%	8.7%
NOV	(6.6%)	4.0%	10.7%	(1.9%)	0.3%	4.2%	4.3%	0.0%	3.4%	3.4%	(0.3%)	8.5%
DEC	(14.2%)	18.9%	6.2%	(1.3%)	3.0%	7.7%		(0.8%)	(1.1%)	3.7%	(1.8%)	12.9%
FY	(1.9%)	7.8%	6.2%	2.6%	2.0%	4.4%	1.1%	4.1%	3.9%	3.6%	4.5%	7.1%
	Source: Datamyne			Source: CTS			Source: CTS			Source: Datamyne		

Operating costs 2019



Per Lifting	2019 / 2018 % ▲	2019 Proportion
Total cost	0%	100%
Cargo cost	1% ▲	50%
Equipment and Repo costs	9% ▼	13%
Vessel and Voyage cost	10% ▲	22%
Bunker cost	4% ▼	15%

Note: Results presented above include liner business continuing operations only.

Bunker Costs



US\$M	2019	2018	% ▲
Total Bunker Costs (US\$M)	839	844	-1%
Average Bunker Price (US\$ per TON)	442	436	1%
Total Bunker Consumption ('000 TON)	1,897	1,936	-2%
Net Operating Capacity ('000 TEU)	734	701	5%

New Vessel Order



- ✿ 5 x 23000 TEU vessels, delivery 2023
- ✿ Consistent with OOCL's long-standing plan
 - 6 x 21413 TEU vessels ordered in 2015, delivery 2017-18
 - Always anticipated order of a further 5 or 6 mega vessels
 - Order delayed because of 2016 market and then COSCO acquisition
 - Now in strong position and ready to proceed
 - Have the ability to operate an entire OOCL Asia-Europe loop
- ✿ Part of fleet rebalancing
 - Measured and intelligent growth
 - During next 5 years will return or dispose of 13 vessels (c. 76000 TEU of existing tonnage)
- ✿ Visible signal of commitment to our successful dual brand strategy

LBCT Sale



- ✿ CFIUS requirement as part of consent to COSCO / OOIL transaction
- ✿ Completed in Q4 2019 for US\$ 1.78 Billion
- ✿ Continuing access to the terminal for OOCL under long-term contract
- ✿ Gain of US\$ 1.15 Billion
- ✿ Special dividend of US\$ 1.6 per ordinary share, paid in February 2020



- ❁ Sudden outbreak creates tremendous uncertainty
- ❁ February outlook appeared more positive
 - Good progress in containing outbreak in China
 - Growth reduced for short period of time
 - Accompanied by supply chain interruptions
 - Catch-up demand and economic stimulus could help global economy to recover swiftly
- ❁ March outlook appears more challenging
 - Improved situation in China, but outbreaks around the world
 - Supply chain disruptions PLUS potential hit to growth and demand
 - Longer lasting implications that could endure throughout the year
- ❁ Adaptability, swift reaction, flexibility, taking care, communication
 - Protecting our staff, onshore and offshore
 - Regular communication with customers and vendors
- ❁ Financial robustness, long-term perspectives

Developments in World Trade



- ❁ A major topic of uncertainty in 2019
 - Generalised feeling of risk of increased protectionism
 - US-China discussions
 - Potential for US-EU discussions
 - Brexit uncertainty

- ❁ Still a question in 2020, but perhaps less so
 - Signing of the first part of a US-China trade deal
 - Brexit has now happened
 - Still potential for US-EU discussions, but EU-Canada, US-UK.....

- ❁ Covid-19 may be a bigger story than trade discussions in 2020



✿ New regulation as from 1 Jan 2020

- Vessels must use fuel with sulphur content of no more than 0.5%
- Vessels may not carry non-compliant fuel onboard as from 1 March
- Several alternative ways to comply with 0.5% rule

✿ OOCL strategy

- Base case is that we use VLSFO
- VLSFO supply appears to be available without difficulty
- LNG may perhaps be interesting in the future, but not yet
- Only 1 vessel has a scrubber fitted
- Will monitor closely as market and technology develops



✿ Scrubber economics

- Value depends on the spread between VLSFO & HSFO
- In theory, repay upfront capex with savings from cheaper fuel
- Some uncertainties, but in Dec / Jan, VLSFO vs HSFO spread high

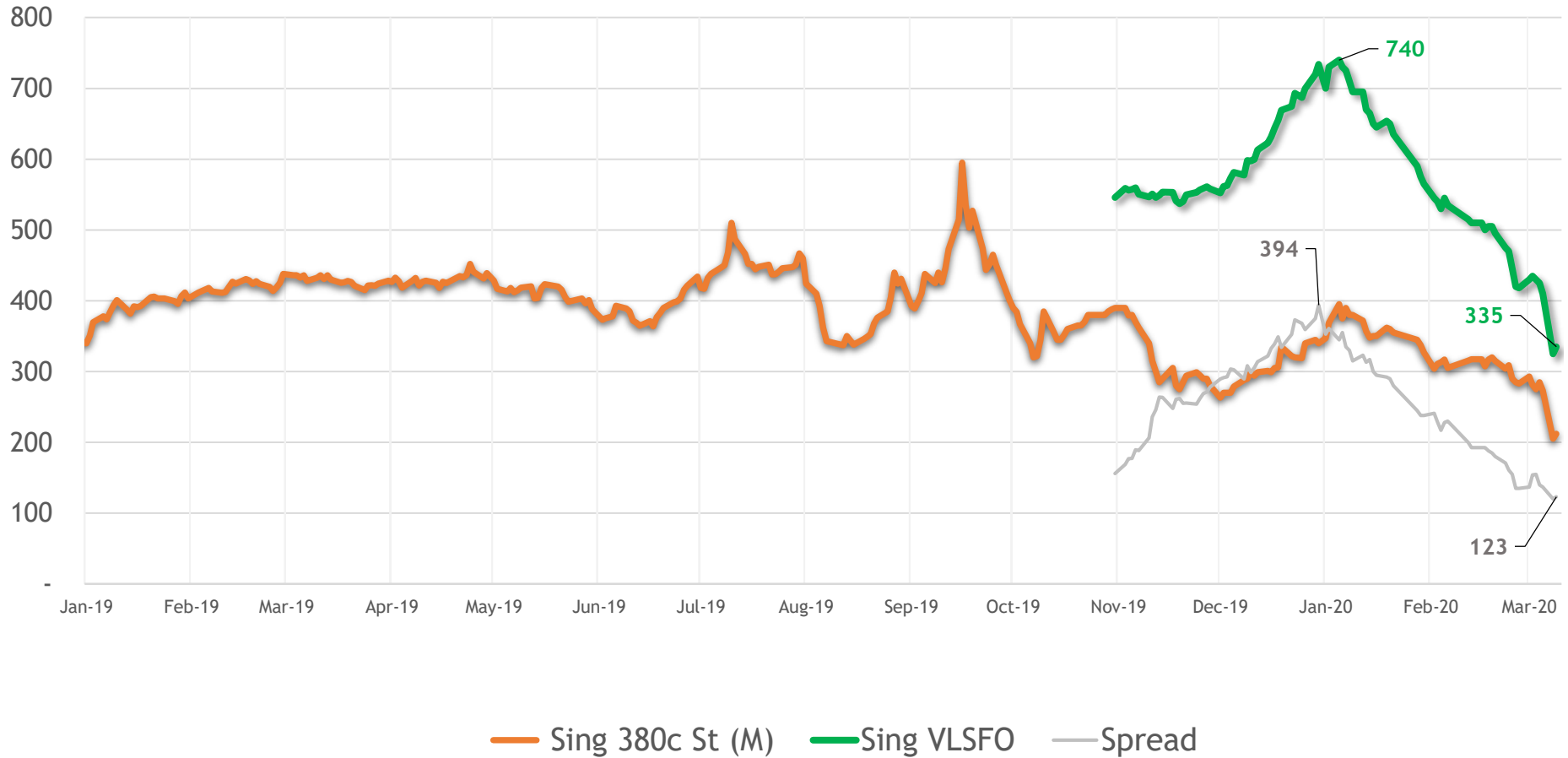
✿ OOCL position

- 1 vessel with scrubber, fitted during a scheduled dry dock
- Any further scrubbers would only be fitted at a scheduled dry dock
- We continue to monitor this carefully
 - Operational efficiency
 - Upfront cost vs VLSFO / HSFO spread

✿ Good choices made so far, will remain alert

- Lower spread VLSFO / HSFO
- Collapse in oil price likely to make spread smaller in \$ terms

Bunker Price - Sing 380c St (M) & Sing VLSFO



Implementation of HKFRS 16



- ✿ HKFRS16 implemented from January 2019
- ✿ Capitalise all leases as at 1 January 2019 except for lease term of 12 months or less and with low value
- ✿ Recategorise operating leases to being on balance sheet
- ✿ EBITDA positively impacted as costs move from 'Vessel Costs' to interest and amortisation

Implementation of HKFRS 16



- ✿ Leases impacted:
 - ✿ Smaller vessels
 - ✿ >1 year charters, but still short term (typically 2-3 years)
 - ✿ No significant distortion of Group credit metrics

- ✿ Only significant impact was LBCT (now sold)

- ✿ Net impact excluding LBCT:
 - ✿ Balance Sheet Liabilities increase by US\$ 224 million as at 31/12/2019
 - ✿ Zero cash flow impact
 - ✿ Increased EBITDA US\$ 74.7m in 2019
 - ✿ Increase EBIT US\$ 8.0m in 2019
 - ✿ Decreased Profit after Tax by US\$ 0.5 million in 2019

COSCO's Six Commitments



- (1) Keep the existing OOIL branding
- (2) Retain the listing status of OOIL
- (3) Maintain OOIL's global headquarters functions and presence in Hong Kong
- (4) Maintain the reporting lines
- (5) Commit to the continuity and stability of OOIL management team, business operations and global service network
- (6) Retain OOIL's existing compensation and benefit system

Conclusion



- ❁ OOIL produced a very good set of results in 2019
- ❁ LBCT sale concluded, providing significant extra resources to the group
- ❁ Economic context gave grounds for cautious optimism before Covid-19:
 - ❁ Better balance of supply and demand
 - ❁ Continuing relative resilience of some major economies
 - ❁ Container shipping becoming a less fragmented industry => consolidation benefits
- ❁ Impact of Covid-19 is unknown
 - ❁ At the very least, significant short-term disruption
 - ❁ Also risk of more enduring impact, if virus spread impacts global demand
- ❁ In a cyclical industry, long-term vision and financial strength are key
 - ❁ New building order shows continuity of strategy in a new context
 - ❁ Expression of confidence in success of dual brand strategy
- ❁ Continue to maintain high operating standards, driving shipping innovation



**TOGETHER
WE ACHIEVE GREATER SUCCESS**

Ownership Structure





OOIL Board Seats

Capt. Xu Lirong
Chairman & Executive Director

Non-Executive Directors

5 x

Independent Non-Executive Directors

5 x

Executive Directors

Wang Haimin
CEO (OOIL)

Yang Zhijian
CEO(OOCL)

Feng Boming
Executive Director

investors:



Zhang Mingwen
CFO

Michael Fitzgerald
Deputy CFO

Lammy Lee
Board Secretary

OOCL Management Team



CEO

Zhijian Yang



Director

Xiang Chen



Director

Erxin Yao



COO

Kenny Ye



CFO

Mingwen Zhang



CIO

Steve Siu



Legal

Lammy Lee



Director / DCFO

Michael Fitzgerald



Director

Shuai Chen



Director

Raymond Fung



Director

Teddy Fung



Orient Overseas (International) Limited