Container Shipping Financial Insight

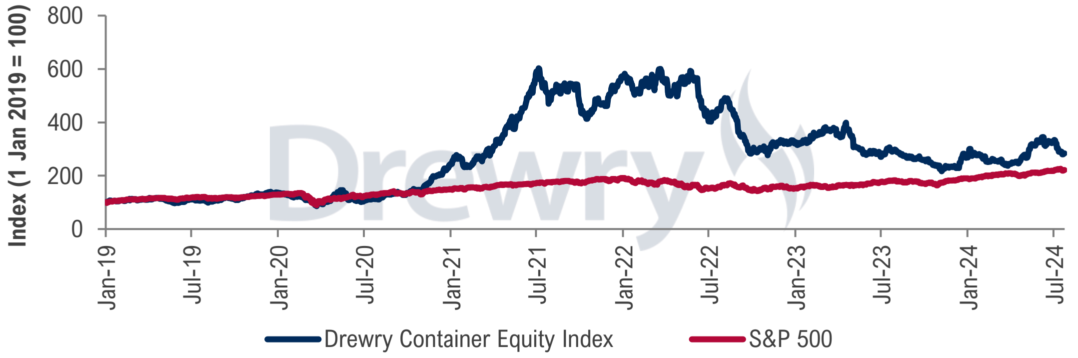
26 July 2024

Maritime Financial Research

financialresearch@drewry.co.uk

Container Shipping Financial Insight – July 2024

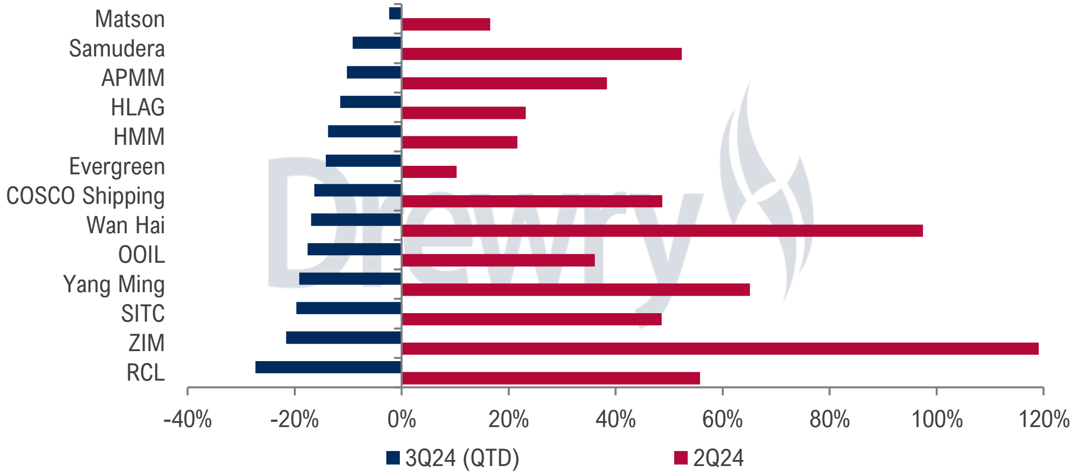
Drewry Container Equity Index vs S&P 500



**Note: Drewry Container Equity Index is a market capitalisation-weighted index of AP Moeller - Maersk A/S, Hapag Lloyd AG, Orient Overseas (International) Ltd, Evergreen Marine Corp Taiwan Ltd, Wan Hai Lines Ltd, Yang Ming Marine Transport Corp, HMM Co Ltd, Regional Container Lines, COSCO Shipping Holdings Co Ltd, SITC International Holdings Co Ltd, Matson Inc, ZIM Integrated Shipping Services Ltd and Samudera Shipping Line Ltd.*
Prices updated as of 25 July 2024. Source: Various Exchanges, Drewry Maritime Financial Research

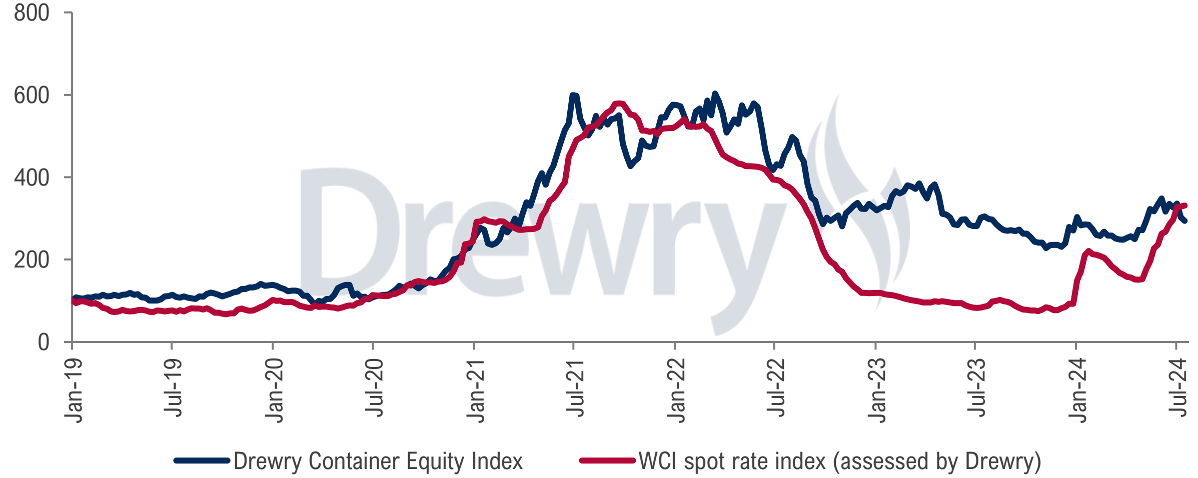
- The Suez Canal's prolonged closure, compounded by port congestion and cautious shipper behaviour, led to a surge in freight rates in May 2024. The WCI jumped 2.1x between 2 May and 25 July to USD 5,937 per feu, contributing to a staggering 249.6% YTD (ending 25 July) increase.
- Soaring spot rates point towards stronger 2Q24 financials, boosting equity prices; thus, the Drewry Container Equity Index climbed 33.5% in 2Q24. However, the index slid 13.8% in the last one month following reports of Hamas accepting the UN's ceasefire resolution. A potential ceasefire could lead to an earlier reopening of the Suez Canal and erode the presently elevated freight rates. Overall, the index is up 4.9% YTD.
- CMA CGM reported a 6.8% YoY increase in 2Q24 revenue but EBITDA dropped 4.3% YoY due to a 9.8% YoY increase in operating costs. However, the bulk of this increase in costs stemmed from its Logistics segment. Container shipping companies have guided for a better 2024 following the surge in rates that we have seen in 1H24. APMM and HLAG have upgraded their 2024 EBIT forecasts. APMM now expects an EBIT of USD 1.3bn (previously, USD -2 to 0bn). HLAG now anticipates an EBIT of USD 1.3-2.4bn (vs previously projected, USD 0.0-1.1bn).
- Published headline numbers from Asian carriers also indicate improved financials in 2Q24. Orient Overseas Container Line (OOCL) reported a 13.4% YoY hike in average freight rate to USD 1,205 per teu in 2Q24, feeding into a 14.4% increase in overall revenue to USD 2.3bn. Evergreen (EMC), Yang Ming (YMM) and Wan Hai (WHL) also marked strong growth in their 2Q24 topline numbers with respective rises of 57.7% YoY, 50.1% YoY and 56.0% YoY as spot rates strengthened 2.2x YoY in 2Q24.

Container shipping stock prices



Note: Prices updated as of 25 July 2024. Source: Various exchanges, Drewry Maritime Financial Research

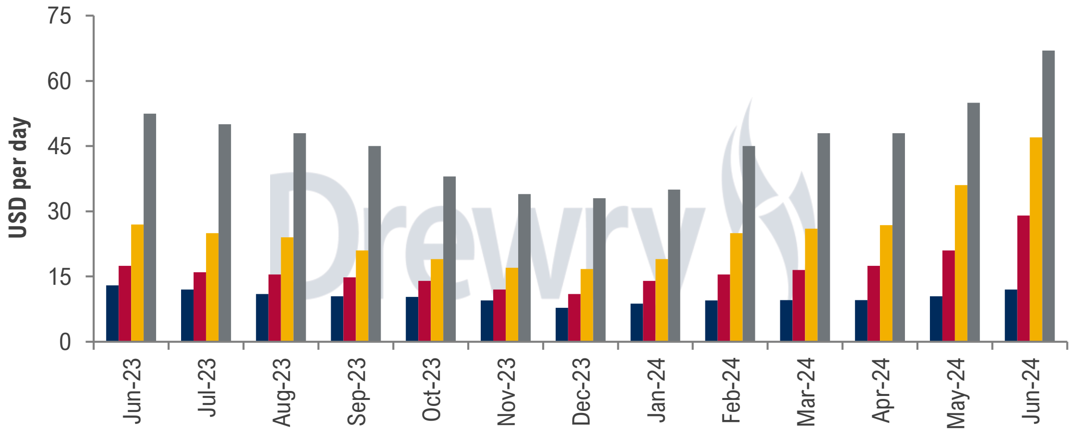
Drewry Container Equity Index vs WCI



Note: Prices updated as of 25 July 2024. Source: Drewry Supply Chain Advisors, Drewry Maritime Financial Research

Container Shipping Financial Insight – July 2024

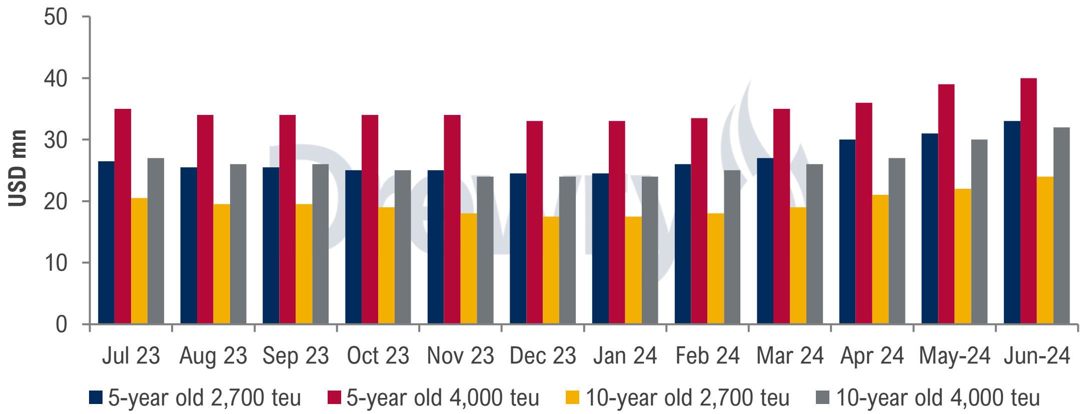
1-year TC rate trend



Source: Drewry Maritime Financial Research, Drewry Maritime Research

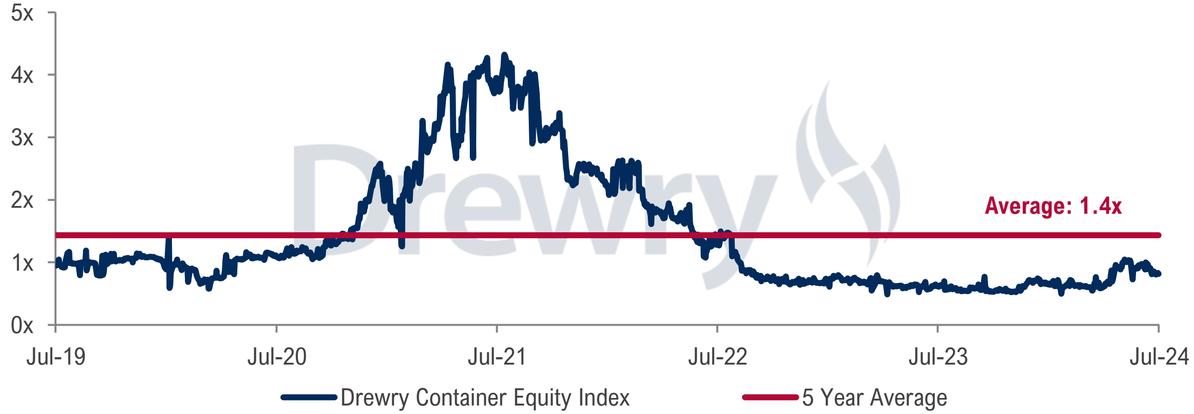
- Newbuilding momentum strengthened in 2Q24, particularly in June, with 745.3 kteu ordered (+44.2% YoY, 2.6x higher QoQ) in 2Q24, of which 86.2% was ordered in June. Notable contracts include ONE and Eastern Pacific Shipping's 30 June order for 5x13,000 teu Methanol dual-fuel capable vessels and 8x 18,000 teu LNG dual-fuel capable ships. In 3Q24, CMA CGM ordered 12 x 15,500 teu units worth USD 2.7bn. As of 24 July 2024, the capacity placed on order is already 78.4% of the capacity ordered in full-year 2023, reflecting carriers' attempt to increase their resilience against any supply chain shocks.
- The charter market strengthened significantly in 2Q24, amid the immediate requirement of additional tonnage due to stretched voyages via the Cape of Good Hope. 1-year TC rates of 4,250 teu and 8,500 teu vessels increased 40.8% YoY (+56.9% QoQ) and 12.2% YoY (+32.8% QoQ), respectively. Strong charter rates are boosting the second-hand (SH) prices for largely all segments with larger 5-year-old feeder SH prices rising the most in 2Q24 (5-year-old 2,700 teu: +18.2% YoY). This rise in demand for feeder vessels is also stemming from port congestion hindering the flow of larger vessels at key ports. Mid-sized 4,000 teu vessel SH prices also marked modest upticks (5-year-old 4,000 teu: +9.5% YoY and 10-year-old 4,000 teu: +9.9% YoY).
- Equity valuations have dampened 11.7% since we published our last edition (17 May 2024) as forward-looking markets anticipate the near peaking of freight rates, which prompted profit booking in container shipping equities. Despite this decline, they are still up 4.9% on a YTD basis. Nonetheless, as of 26 July, the sector's P/B multiple of 0.8x, is trading 17.1% lower than its long-term average of 1.0x (2009-24, excluding 2020-22 due to exceptionally high values) as opposed to 38.3% lower at the end of 1Q24.

Second hand prices trend



Source: Drewry Maritime Financial Research, Drewry Maritime Research

Historical average P/B trend of the Drewry Container Equity Index



**Values updated as of 25 July 2024, Source: Various exchanges, Company filings, Drewry Maritime Financial Research*

Drewry Maritime Financial Research: Disclaimer

About Drewry Maritime Financial Research

- Drewry Maritime Financial Research (DMFR) is the marketing name of Drewry Financial Research Services Ltd. DFRS is incorporated in the UK and is authorised to provide investment advice in accordance with and pursuant to the UK Financial Services and Markets Act of 2000 (the "FSMA"). Drewry Financial Research Services Ltd is a wholly owned subsidiary of Drewry Shipping Consultants Holdings Limited, which as a group is focused on maritime research and advisory services.
- Drewry Financial Research Services Ltd. is authorised by the Financial Conduct Authority (FCA). Firm FCA Ref No - 572297

Disclaimer: Important Information to recipients

- This email has been sent by Drewry Financial Research Services Ltd (DFRS or the "Company") solely for the DFRS clients who are qualified parties as per FSMA guidelines. Whilst the Company believes the information it uses for research is from sources believed to be reliable, the Company does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness for any particular purpose. The opinions and estimates included herein reflect the analysts' views based on available information on the dates specified and these views may have changed without notice. Any recommendation contained herein does not have regard to the specific investment objectives, financial situation and the particular needs of any specific client. The information herein is published for clients only and is not to be taken in substitution for the exercise of judgement by the client, who should obtain separate legal or financial advice. The Company, or any of its related companies or any individuals connected with the Company, accepts no liability for any direct, special, indirect, consequential, incidental damages, or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Company or any other person has been advised of the possibility thereof. The information herein is not to be construed as an offer or a solicitation of an offer to buy or sell any securities, futures, options or other financial instruments or to provide any investment advice or services. The Company and its associates, their directors, officers and employees may have positions or other interests in, and may effect transactions in, securities mentioned herein. DFRS does not seek to do business with any of the companies mentioned other than sell them these reports. However, other related parts of Drewry Shipping Consultants Holdings Limited may seek to provide "advisory services or the sale of other group research products" to companies mentioned in this report.

Jurisdictions

- The distribution of this email is governed by the UK Financial Services and Markets Act of 2000 (the "FSMA") and is restricted to qualified parties as defined by the FSMA. The distribution of this email may be restricted by rules and regulations in certain jurisdictions. Persons into whose possession the email may come are required to inform themselves about and to comply with all applicable laws and regulations in force in any jurisdiction in or from which it invests or receives or possesses this email and must obtain any consent, approval or permission required under the laws and regulations in force in such jurisdiction.

For US Investors

- Drewry Financial Research Services (DFRS or the "Company") is an independent research company and is not a registered investment adviser and is not acting as a broker dealer under any US federal or state securities laws. The Company does not provide individual investment advice or hold client money. As such, the Company is not required to be registered as an investment adviser.

Santosh Gupta
Deputy Director

Ankush Kathuria CFA, FRM
Senior Manager

Aditi Niranjan
Equity Research Analyst

Drewry Maritime Financial Research

financialresearch@drewry.co.uk

Analyst certification: The research analyst(s) set out below certifies that a) all views expressed in this report accurately reflect his or her personal views about any and all of the securities or issuers and b) that no part of the analysts remuneration was, is, or will be directly or indirectly related to the specific implicit or explicit recommendations or views expressed by the research analyst(s) in this report.

Maritime Financial Research

Drewry Maritime Financial Insight

July 2024

Drewry

UK
35-41 Folgate Street
London
E1 6BX
United Kingdom
T +44 20 7538 0191

INDIA
4th Floor, Tower C
Urban Square
Sector 62, Gurugram
122098 India
T +91 124 497 4979

SINGAPORE
#17-01 Springleaf Tower
No 3 Anson Road
Singapore 079909
T +65 6220 9890

CHINA
Unit D01, Level 10,
Shinmay Union Square
Tower 2, 506 Shangcheng Road
Pudong, Shanghai 200120
T +86 21 5081 0508

enquiries@drewry.co.uk

www.drewry.co.uk