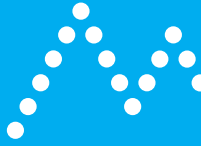


Maritime Advisers

**Marsoft**



# Worldwide Services and Capabilities

Markets Finance Strategy

## Successful Shipping Strategies

**Marsoft helps its clients get the right answers quickly with the clarity necessary to take action.**

Our clients appreciate Marsoft's:

- Commitment to their success
- Professional skills and background
- Proprietary data, models and knowledge
- Objective, systematic and unbiased approach

### **The Challenge**

Developing successful strategies in the international maritime business requires a deep understanding of changing opportunities and risk. Implementing these strategies relies on the conviction and capacity to operate and invest in a risk efficient manner and to exploit the traditional cycles of the shipping industry.

Regulatory changes, new funding options and increasing commercial alternatives continuously create new issues and opportunities.

**'I appreciate Marsoft's services because they are the only ones which bring all available information to bear on the shipping markets in an objective fashion. I rely on them to give me an honest appraisal of the market's prospects.'**

**'Marsoft is the leading adviser to shipping banks. We rely on Marsoft because it is the industry standard and nobody does the job better. They help us get deals done.'**

### **The Marsoft Contribution**

Marsoft has provided decision-making support, risk management and financial advice to the maritime industry for over two decades. Our clients include leading names in international shipping and ship finance. Working closely with owners, shippers, bankers and investors, we provide guidance on a range of fundamental issues, from investment, employment and lending decision-making to strategic development. Through this work we have become an important link between the shipping and financial communities.

Our expertise, proprietary databases and fundamental economic analysis are the main tools we use to analyse market cycles, provide advice on risk management and support investment and chartering decisions.

Marsoft's reputation is built on the independence, transparency and effectiveness of its analysis and its relevance to the decision-making process. We take pride in Marsoft's close and long-standing relationships with clients.

Marsoft's advice on investment and risk management has over the years provided owners, shippers and investors with a solid base for capital appreciation and strong earnings potential.



## Strategic Positioning

### The Challenge

Developing a thorough understanding of the business environment and organisational capabilities and translating them into an effective strategy is one of the major challenges facing any management team. That strategy will balance many difficult trade-offs, such as:

- Owned vs. chartered tonnage
- New vs. old tonnage
- Spot vs. time-charter employment
- Single vs. multiple markets
- Equity vs. debt funding

Successful shipping companies alter their positioning in anticipation of changing market environments to balance risk and return.

**Choosing Superior Projects**

**Strategy Development**  
What risk/return opportunities are available?  
What is necessary to achieve objectives?

**Project Screening**  
What sector or age segment offers the best returns?  
What is the best chartering strategy?

**Project Improvement**  
How can a project's performance be improved?

**Exit Strategy**  
When is the best time to sell?  
What are the best vessel or charter swaps?

### The Marsoft Contribution

Marsoft helps its clients profit from market opportunities and balance the risk and financial implications of strategic alternatives. There are many options, but only a few will produce quality earnings. Our focus is to help clients select only those that will best serve their overall business objective.

Successful strategy development requires a systematic team approach. Marsoft's team provides extensive experience and a fresh independent perspective. We work closely with senior management to help develop the most appropriate strategy.

We synthesise the inputs of various experts – our own and others – to provide a sound platform for reasoned decision-making on strategic direction. We regularly evaluate the performance of the strategy and provide on-going advice on how to adjust the portfolio of ships, contracts and other assets to anticipate opportunities and threats.

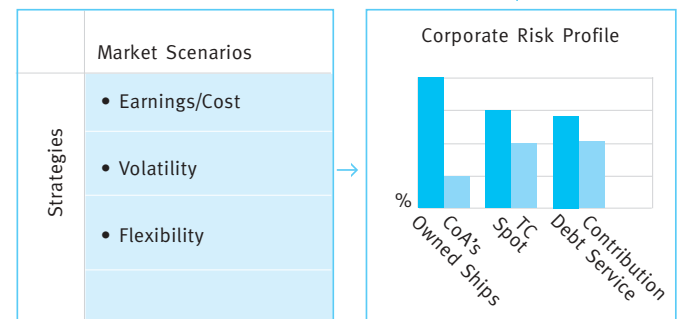
Strategic choices differ substantially between organisations depending on acceptable levels of risk and the ability to expand and diversify between shipping segments (dry, tanker, container, LNG, etc.). Marsoft assists its clients in evaluating the opportunities and risks of expansion and diversification.

Marsoft focuses on consistent performance across a broad range of segments in a constantly changing market environment. The figure opposite illustrates the process we follow with our clients to obtain consistently superior performance.

**Consistently Superior Performance**

<ul style="list-style-type: none"> <li>• Performance Audit</li> <li>• Market Analysis and Scenario Building</li> <li>• Test Different Strategies                             <ul style="list-style-type: none"> <li>– Chartering</li> <li>– Investment</li> <li>– Funding</li> </ul> </li> <li>• Risk/Success Factors</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Status                             <ul style="list-style-type: none"> <li>– Cash Flow</li> <li>– Default Risk</li> <li>– Earnings</li> <li>– Net Asset Value</li> <li>– Share Price Valuation</li> </ul> </li> </ul>
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↓ **Marsoft Ensures Right Positioning** ↑





## Financial Performance and Funding

### The Challenge

The best time to invest in a cyclical industry such as shipping is generally when earnings and asset values are depressed. Executing such a strategy requires identifying opportunities, proper funding, and confidence at a time when uncertainty runs high and earnings low.

Ensuring that the necessary financial resources are available, when needed, is a critical aspect of successful strategies.

**Marsoft anticipated the investment opportunity in the tanker market in 1999 and helped its clients select the best prospects. Our clients realised substantial gains as the market recovered even faster than predicted – and capitalised on those gains before the market fell.**

**Marsoft helped raise \$75 million in equity funding from US and Far East investors for tanker market investments. Marsoft worked closely with professional investment managers to develop the fund and approach investors.**

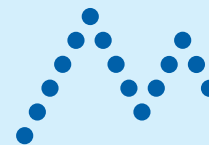
### The Marsoft Contribution

Marsoft is uniquely qualified to translate market fundamentals into corporate strategy and effective decision-making. A well structured strategy development framework and investment evaluation process produces better financial results and is readily communicated to the entire organisation and outside investors.

We evaluate corporate track record, strategy and capital structure in order to estimate the risk/return, value and liquidity potential of an investment. Investments are evaluated both on their own merits and on their effect on the total portfolio of assets, as well as market exposure. A well-positioned portfolio of assets increases the size, quality and predictability of earnings and makes it easier to attract debt or equity funding. We help our clients achieve the best segment, asset, contract and balance sheet mix to meet specific risk/return targets.

Marsoft's shipowner advisory services provide continuous quantitative and qualitative evaluation of strategic opportunities, with recommendations on how to manage market exposure and restructure balance sheets in order to minimise default risk and the cost of debt and equity.

We work continuously with our clients to help them achieve their funding and financial return goals.



## Credit Risk Management

### The Challenge

Shipping is a cyclical business, which demands specialised lending expertise. Although this cyclicity poses a challenge to the financial community, it also creates opportunities as attractive business may be overlooked or mis-priced.

Successful lending strategies need to include certain key characteristics, such as:

### Pricing

Risks must be assessed as to competitiveness with comparable market benchmarks. Alternative credit structures must be evaluated to determine the least risky and/or most profitable.

### The Marsoft Contribution

Marsoft provides a range of earnings, valuation and risk assessment services tailored to the needs of shipping finance. The services focus on identifying and winning the most attractive business for a bank, communicating the risk profile and profitability of a credit to senior management and providing early warning of potentially adverse developments.

Our earnings and valuation models offer a comprehensive and consistent basis for assessing the short and long term earnings potential of a ship or a fleet, as well as their market value. Marsoft also maintains corporate models of selected publicly traded shipping companies.

Marsoft's databases include a full range of historical and forward looking information on the dry bulk, crude, product and chemical tanker, feeder and large containership markets, as well as selected reefer market information. A database of sale and purchase transactions gives a ready view of comparable valuations. The figure opposite highlights the residual value risk profile of a shipping project. This is one of the core analytics of the system combining historical and forecast information on a vessel's value and value risk.

Marsoft has a range of Credit Management Services, including value and earnings risk systems, as well as Risk Adjusted Return On Capital (RAROC) and Value At Risk (VAR) model support. These services help banks determine how profitable a shipping credit is expected to be, as a function of underlying asset and credit terms. They help our clients evaluate and choose terms which maximise profitability and minimise risk.

### Consistency

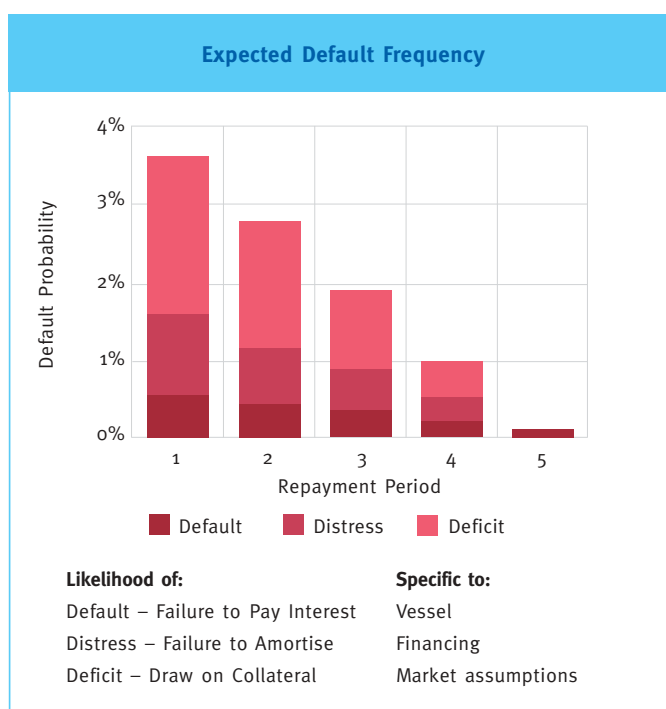
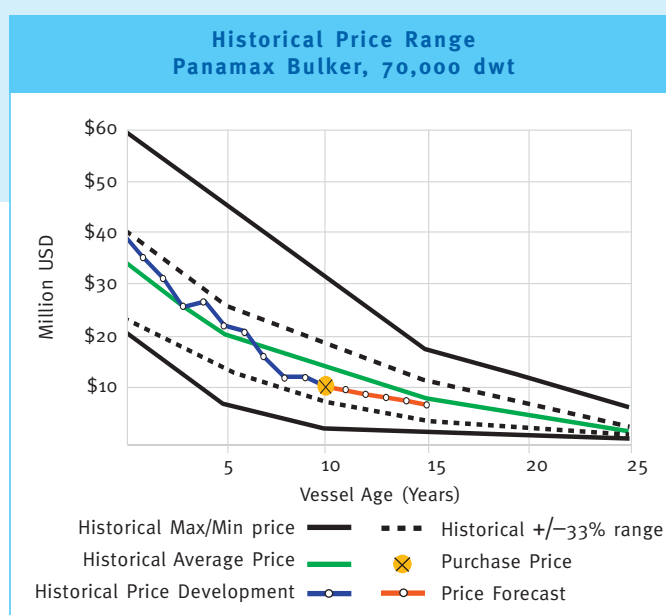
Prospects must all be evaluated in a consistent manner.

### Early Warning

Market conditions must be continuously monitored and evaluated for risk.

### Communication

Project risk must be clearly communicated to credit committees and rating agencies.



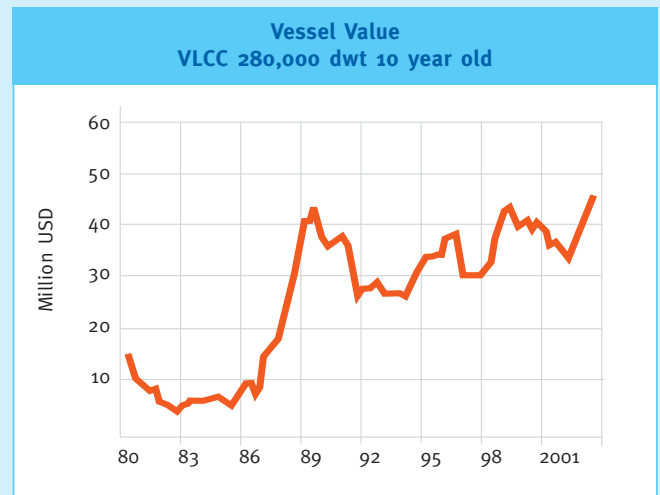
## Market Outlook and Risk Evaluation

### The Challenge

Most macro-economic events and trends are magnified in maritime markets. The figure illustrates how vessel values fluctuated from 1980 – 2000.

Ever swifter response is required to keep pace with constant change. More than ever, decision makers have to deal with major uncertainties and adapt to unforeseen developments.

Building understanding of market cycles and volatility demands consistent monitoring of the fundamentals. At the same time fleet developments such as ordering, scrapping and productivity must be taken into account.



### The Marsoft Contribution

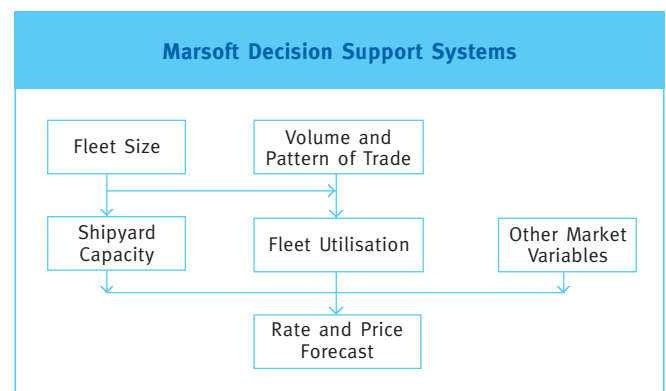
Accurate and timely information on emerging market developments is a key factor in determining the success or failure of a shipping investment. Marsoft is perhaps best known for its forecasting ability. For over 20 years, our core expertise has been a full appreciation and command of the fundamentals. This provides a confident basis for viewing the key risks, the uncertainties and likely future events.

Marsoft pioneered computer-based Decision Support Systems (MDSS) for market and strategy analysis and simulation. The systems, which have an exceptional track record in anticipating market trends and turning points, give strategic planners the ability to evaluate their own assumptions, using our base case scenarios as a starting point.

To keep clients updated on market developments, opportunities and downside risks, Marsoft publishes a series of detailed reports on the tanker, dry bulk and containership sectors. These help clients stay abreast of market developments and their potential impact on future positioning and earnings.

Marsoft's forecasts have a time horizon of between three months and ten years and form an excellent basis for strategic positioning and project evaluation.

- Quarterly Reports provide detailed analysis of seaborne trade developments and changes in fleet composition, as well as quarterly forecasts of spot rates, time charter rates, new building prices and second hand values for representative vessels.
- Monthly Reports provide concise executive style briefs which evaluate market events for the following four quarters and offer a basis for short term operational planning.





## Custom Projects and Services

### The Challenge

From both a commercial and financial perspective, the maritime industry encompasses a wide range of special sectors, products and opportunities. Evaluating prospects or threats that are not in the mainstream of day-to-day activities can prove to be a daunting exercise.

- Benchmarking
- Financing Solutions
- Expert Witness
- Proprietary Systems
- Corporate Valuation
- Fleet Valuation
- Investment Advisory
- Securities Analysis
- Courses and Seminars

### The Marsoft Contribution

Marsoft's expertise in economics and management in the maritime industry is widely recognised. Projects have included economic studies of specialised segments, expert witness testimony and studies on the economics and cost analysis of maritime systems.

#### Benchmarking

Shipping companies are generally judged in terms of their return on capital invested and on their performance against that of their peers. Our services are frequently used to establish performance benchmarks in the form of internal reports for senior management.

#### Expert Witness Testimony

Marsoft has also provided expert witness testimony for market-related management issues and for the assessment of other parameters such as the estimated cost of capital.

#### Investment and Commercial Advisory Services

Marsoft works with investors to provide advice and assess cyclical opportunities. We advise on the quality and performance of investments in vessels, investment funds and shipping securities. We also provide commercial management services to shipowning and investing groups.

#### Logistics and Operations

Marsoft's expertise also includes advice on the economics and logistics of ports and canals, as well as on shipping operations.

### Custom Solutions

Marsoft provides a range of customised services to meet the specific needs of clients. We are committed to using our expertise to make a lasting difference in profitability for all our clients.

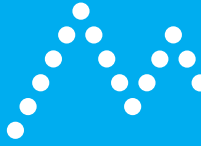
### Financial Structure

Alongside owner's equity and senior bank debt, funding sources such as public and private equity, investment funds, mezzanine debt and shipping bonds are now important tools in the world of shipping. Taking advantage of such financial instruments requires a thorough understanding of how they work, and of their advantages or limitations for the different shipping organisations, and how they will be priced in the financial markets.



Maritime Advisers

# Marsoft



## Experience

Founded in 1979, Marsoft is the world's largest network of professionals dedicated to enhancing financial performance in the maritime industry.

## A Win-Win Alliance

The focus of the Marsoft team is to equip clients with a sound platform for strategic decision-making. Our aim is to understand a client's goals, concentrate on the issues they prioritise, and build beneficial long term relationships to achieve those goals.

Clients have found that a consistent dialogue with Marsoft produces financial results that substantially outperform the industry averages.

Visit [www.marsoft.com](http://www.marsoft.com) to learn more about Marsoft's services.

Markets Finance Strategy