Introduction to shipping

by European Maritime Finance

Shipping is the backbone of global trade.
It enables the movement of raw materials, energy, and finished products efficiently and at scale, making it an essential component of the **global economy**

Vessel Investment
- Like Real Estate, Just at Sea

We call it “Floating Real Estate”
The demand for shipping capacity is often comparable to that of the real estate market. Like property, vessels are versatile, income-generating assets that can serve a wide range of industries, making them highly adaptable. Investing in vessels mirrors real estate investing. Returns typically come from charter income (yield), asset appreciation (capital gain), or a combination of both.

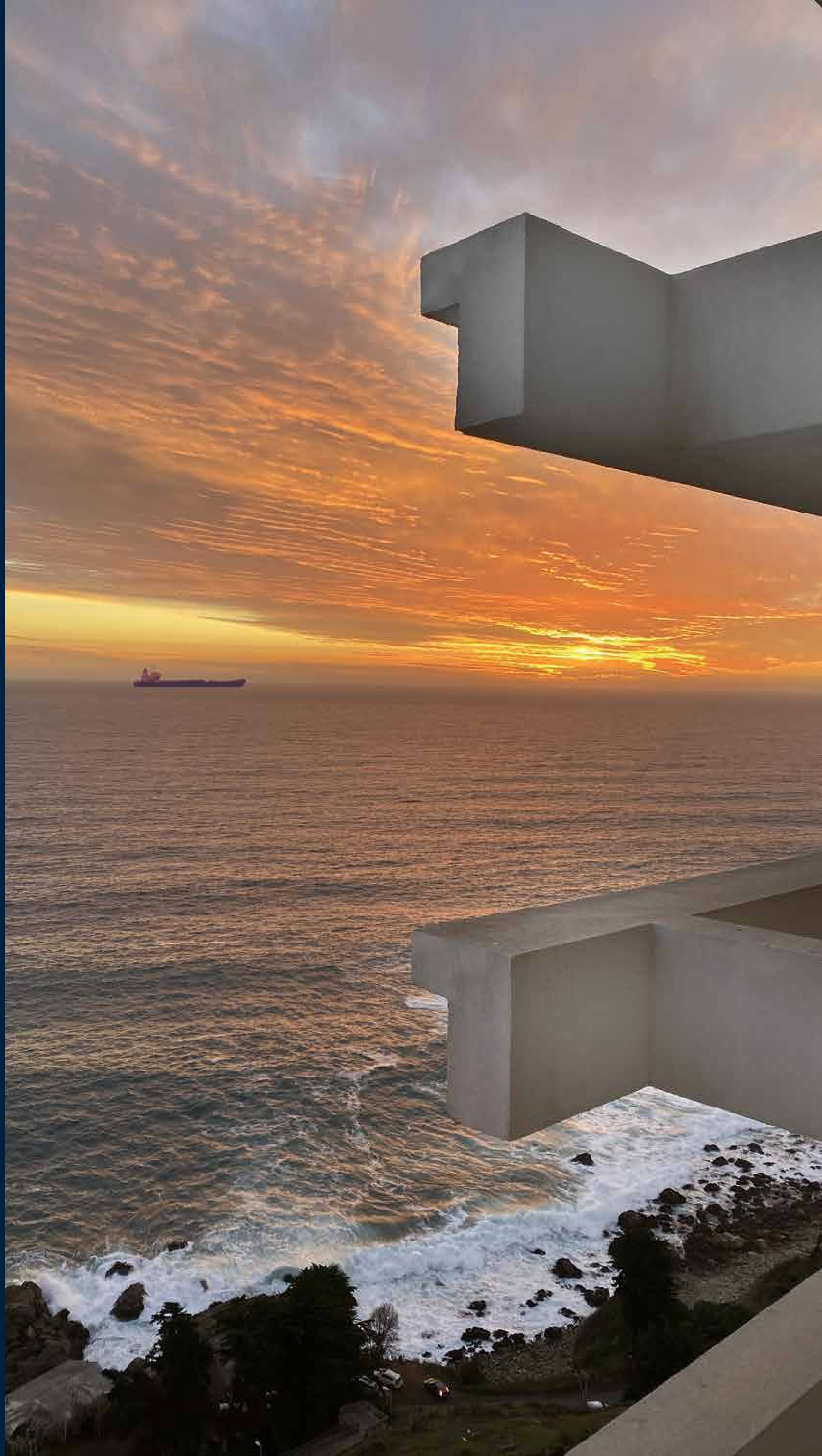
→ **Tangible Assets**
Ships are physical, tangible assets - just like real estate. They hold intrinsic value, which fluctuates based on market conditions.

→ **Reliable Income Generation**
Shipping vessels can produce consistent income through chartering or leasing, much like rental properties. Many investors see this as a dependable cash flow stream.

→ **Strong Demand & Flexibility**
The demand for shipping capacity reflects the dynamics of the real estate market. Vessels can be deployed across various sectors, offering the flexibility of multi-use or multi-tenant properties.

→ **Exposure to Global Trade**
As global trade expands, so does the need for shipping—driving vessel demand and potentially increasing asset value. This parallels how real estate appreciates in growing urban or commercial zones.

→ **Tax Advantages**
Shipping investments can offer attractive tax benefits, including favorable depreciation schedules—similar to those found in real estate.



1. The main segments in shipping

Shipping is divided into segments based on the type of cargo transported.
Almost everything you use daily has, at some point, been moved by one of the many vessels at sea.
These vessels come in various sizes, with the largest exceeding 300 meters in length and costing up to $300 million to build. For more details on vessel types and their features, see page X.

1. The main segments in shipping /continued

Dry Bulk Segment
Dry bulk vessels carry unpackaged, loose cargo such as coal, grain, iron ore, bauxite and fertilizers.

Container Segment
This segment specializes in transporting goods in standardized containers, making it efficient for carrying a wide variety of products, from electronics to clothing.

Gas Segment
This segment focuses on transporting liquefied gases, such as LNG (Liquefied Natural Gas) and LPG (Liquefied Petroleum Gas). These ships are equipped to handle pressurized or cooled cargo safely.

Pure Car and Truck Carrier (PCTC)
PCTCs specialize in transporting cars, trucks, and other vehicles. Think of them as floating parking garages designed for efficient loading and unloading.

Tanker Segment
Tankers transport liquid cargo like crude oil, refined products, and chemicals. They include crude oil tankers for unrefined oil and product tankers for refined cargo -let's explore their differences.

Offshore & Supply
This segment supports offshore industries, such as oil, gas and renewable energy. Supply vessels transport equipment, personnel, and supplies to and from offshore installations.

Crude tankers
transport unrefined oil from extraction points, such as oil fields, to refineries where the oil is processed into usable products. These ships are large and designed to carry massive quantities of crude oil.

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Refinery

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Product tankers
carry refined oil products, such as diesel, gasoline and jet fuel, from refineries to end markets worldwide. They are smaller than crude oil tankers and designed to handle more diverse cargo types.

2. Key stakeholders in the shipping industry

The shipping industry relies on a wide range of stakeholders, each playing a vital role in its operations and success. From shipowners who invest in and manage vessels, to shipyards that construct them, and cargo owners who drive demand for transportation, every player is integral. Additionally, you have banks that provide critical financing, while regulatory bodies like the IMO enforce international standards. Together, these stakeholders collaborate to ensure the seamless and efficient movement of goods across the globe.

Yards
Construct new vessels and maintain or repair existing ones.

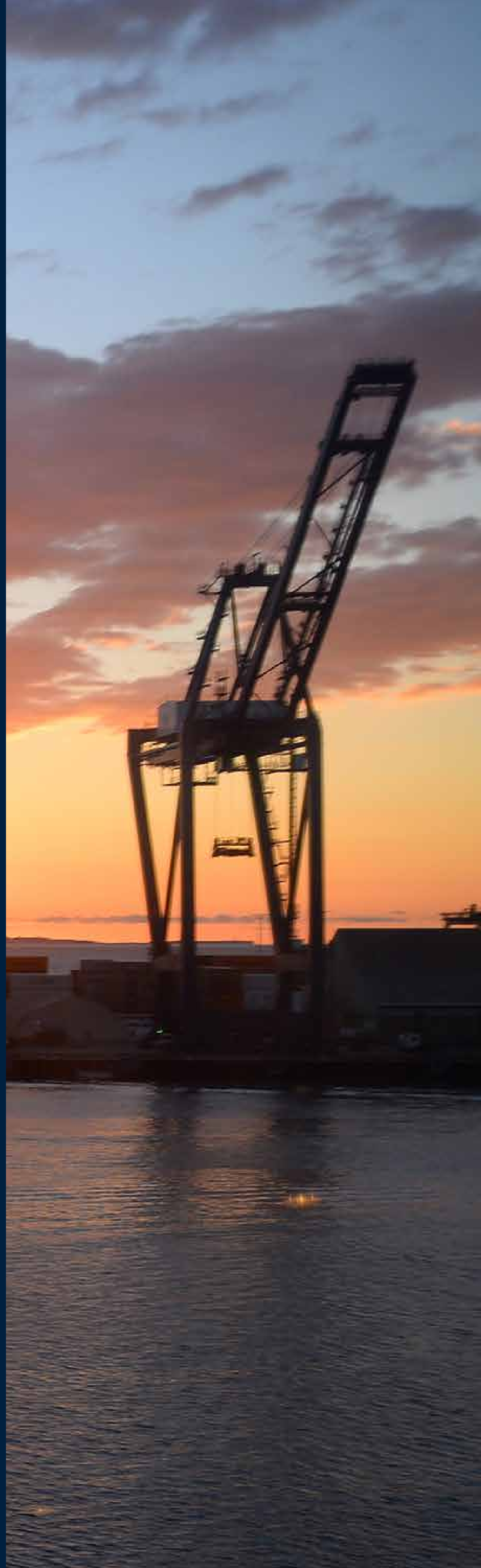
(EMF's role in the industry)

Shipowners
Own the vessels, financed through equity and loans.

Shipbrokers
Act as intermediaries between shipowners and charterers

Cargo Owners
Drive demand for shipping services by requiring transportation of goods

Charterers
Lease ships from owners to transport cargo



3. Understanding the key charter market and its differences

The charter market is where companies can hire vessels to move their goods, with agreements based on how long they need the ship or what type of service they require. Options range from short trips to long-term rentals, depending on their needs. There are 3 key charter markets*

**Note: Additionally, there are two other charter markets: the Contract of Affreightment (COA) and pool chartering. However, as these are less commonlay used, they will not be covered in this section.*

Voyage Charter/Spot charter

- A vessel is hired for **a single voyage** between two or more ports.
- The charterer pays a negotiated freight rate, for the **transportation of the cargo.**
- The shipowner bears operating costs like fuel, port fees, and wages.
- Pre-agreed costs for the voyage provides **predictability** for the charterer.

Time Charter

- The vessel is hired for **a pre-agreed period (e.g., months or years)** with the charterer paying a hire rate and covering fuel and port costs.
- Popular for companies that **need consistent shipping capacity** without owning vessels.
- Suitable for charterers with consistent shipping needs

Bareboat Charter

- The charterer hires the ship without crew or management, taking **full operational control** and covering all costs.
- Common in **long-term agreements** for greater flexibility.
- Full operation control for the charter, enables potential **for lower chartering costs** if managed efficiently.

4. Options when engaging with vessel ownership (Newbuild)

When engaging in vessel ownership, particularly with newbuilds, there are two primary strategies to consider. The first involves selling the 1) vessel before delivery, aiming to profit from market appreciation or favorable conditions (known as “asset play”). The second strategy focuses on 2) keeping the vessel to charter out, generating steady income over time (yield play).

The lead time for vessel delivery ranges from 2–3 years

Order Vessel from yard → **Construction period** → **Delivery of vessel** →

Key considerations when ordering a vessel includes vessel specifications, target market segment specifications, sustainability and compliance, financing options...

1 **Sell before delivery (asset play)**

Enable maximizing investment returns by capitalizing on vessel value appreciation.

2 **Keep vessel for chartering (yield play)**

- Keep the vessel and charter it out for steady income.
- Profit comes from long-term charter rates and dividends.

5. Benefits and risks associated with vessel investments

Vessel investments offer opportunities for strong returns through freight earnings and asset appreciation but come with risks tied to the market's cyclical and dynamic nature.

Key benefits

High Income Potential
Shipping offers strong earnings during supply -demand imbalances.

Market Timing Potential
Cyclicality enables strategic opportunities and asset appreciation.

Diversification opportunities
Shipping investments operate **independently of traditional stock** and bond markets.

HardAsset
Shipping involves **tangible assets** - offering intrinsic value.

Key risks

Market Volatility
Fluctuations in rates and **values driven by market dynamics** and geopolitical factors.

Operational Risk
Unexpected costs for **maintenance and breakdowns.**

Regulatory Risk
Stricter IMO** regulations can require **costly upgrades** for older vessels.

Financial Risk
Higher financing costs and limited liquidity during **market downturns**

**List of potential risks and advantages is not exhaustive. Other risk factors exists, and it is important to understand the market and its representative risks before investing*
*** International Maritime Organization (IMO) is a United Nations agency responsible for regulating global shipping safety.*

6. Illustrations of commercial vessels with key characteristics

Tanker Vessels:

Transport liquid cargo such as crude oil, refined products, and chemicals

Capable of carrying up to 2 million barrels of oil in one cargo.

Container Vessels:

Transport containers Using standardized container sized (20-foot and 40-foot)

Capable of carrying 1.000 to 20.000 containers

Gas Carriers:

Transport liquified gases like LNG and LPG

Equipped for pressuri-zed, refrigerated, or semi-refrigerated cargo

Sizes range from 22,000 to 266,000 cbm.

PCTC Carriers

Specialized in transporting vehicles and heavy machinery.

Can carry 2,000 to 12,000 cars.

Bulk Vessels:

Transport raw materials like coal, grain, and iron ore.

Divided into categori-es such as Handysize, Panamax, and Capesize.

Sizes range from 40,000 to 400,000 dwt.

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A final word of thanks

- and for tapping into our knowledge of shipping

Dear reader,
Thank you so much for reading our brief introduction to shipping – and our maritime world.

This, however, is just scratching the surface. We'd like to share our knowledge of the maritime sector with you, and for that reason, we'll be expanding and developing this presentation in the months to come.

We aim to put shipping investment in perspective – focusing on the financing and building of ships, chartering and brokerage.

We hope you're eager to hear more.