



American Shipping Company ASA



Company Presentation
June 2020

Important information

This Company Presentation is current as of June 2020. Nothing herein shall create any implication that there has been no change in the affairs of American Shipping Company ASA ("AMSC" or the "Company") since such date. This Company Presentation contains forward-looking statements relating to the Company's business, the Company's prospects, potential future performance and demand for the Company's assets, the Jones Act tanker market and other forward-looking statements. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. The forward-looking statements contained in this Company Presentation, including assumptions, opinions and views of the Company or cited from third party sources, are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development.

Table of contents

1

COMPANY OVERVIEW

2

AMSC FINANCIAL OVERVIEW

3

MARKET OVERVIEW

A

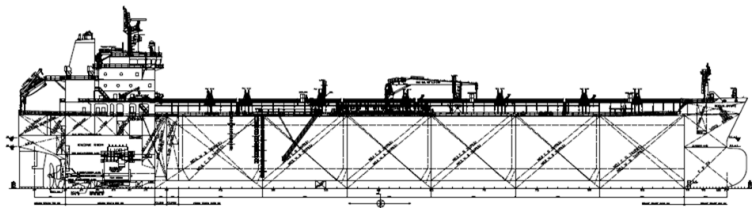
APPENDIX



American Shipping Company (AMSC)

Introduction to AMSC

- Established in 2005
- Oslo listed with market capitalization of USD ~150m*
 - OSE ticker: AMSC
 - U.S. OTC ticker: ASCJF
 - Bond ticker: AMTI01
- Pure play Jones Act tanker owner with a modern tanker fleet
- Long-term bareboat contracts generate stable, predictable cash flow
- Fleet well positioned to reap upside in a rising Jones Act tanker market
- Solid balance sheet with no debt maturities before 2022



Fleet overview

#	Vessel	Design	Type	Built
1	Overseas Houston	Veteran Class MT 46	MR	2007
2	Overseas Long Beach	Veteran Class MT 46	MR	2007
3	Overseas Los Angeles	Veteran Class MT 46	MR	2007
4	Overseas New York	Veteran Class MT 46	MR	2008
5	Overseas Texas City	Veteran Class MT 46	MR	2008
6	Overseas Boston	Veteran Class MT 46	MR	2009
7	Overseas Nikiski	Veteran Class MT 46	MR	2009
8	Overseas Martinez	Veteran Class MT 46	MR	2010
9	Overseas Anacortes	Veteran Class MT 46	MR	2010
10	Overseas Tampa	Veteran Class MT 46	Shuttle tanker	2011

* Market cap. based on closing share price of NOK 24.00 per June 2nd, 2020

Long term contracts returning stable cash flow

American Shipping Company

American Shipping Company



Bareboat charter to OSG

Firm BBC with Evergreen Extensions





OSG time charters to blue chip end users

Variety of TC Durations



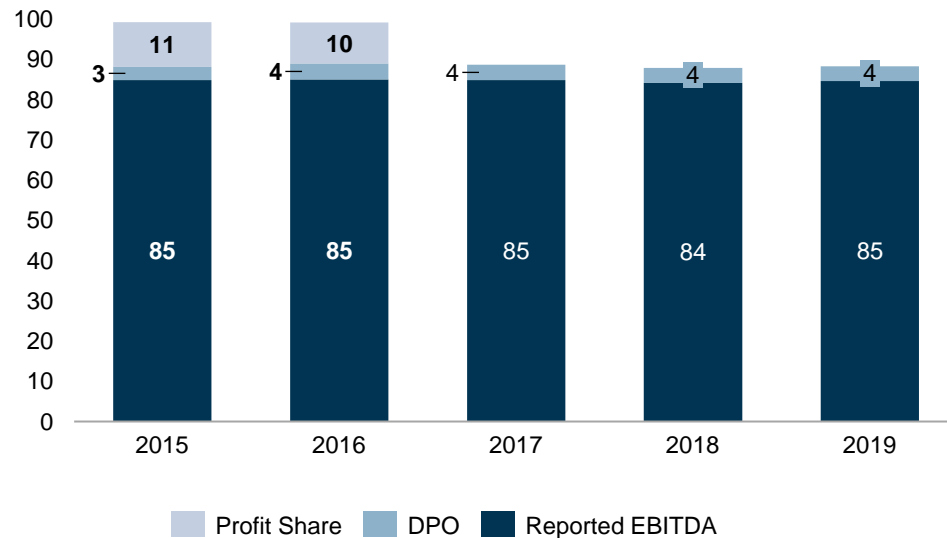
Charters include	S&P rating
------------------	------------

	A+
	A-
	AA-
	BBB+
	BBB-

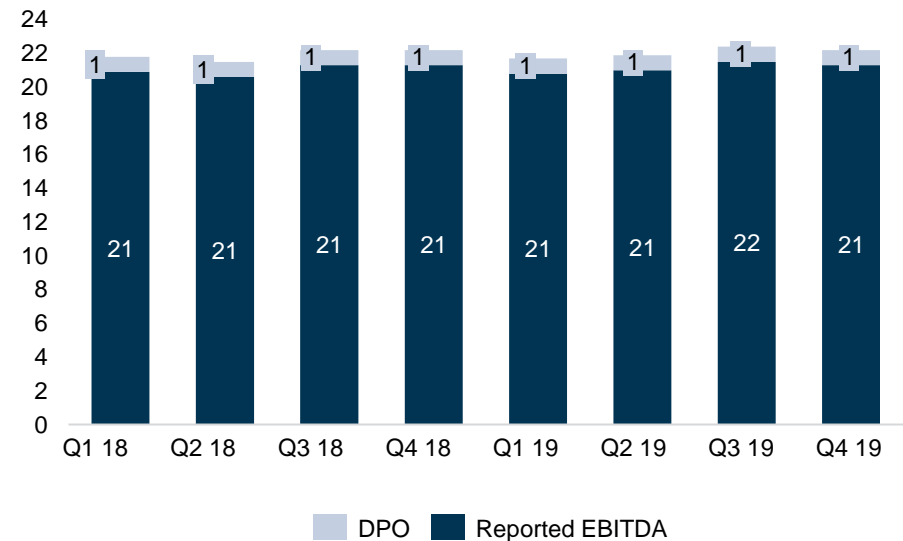
Long term charters with evergreen extension options offers AMSC downside protection with upside potential through a profit share mechanism with OSG

History of stable and predictable EBITDA

Normalized EBITDA (USD millions)



Normalized EBITDA per quarter (USD millions)



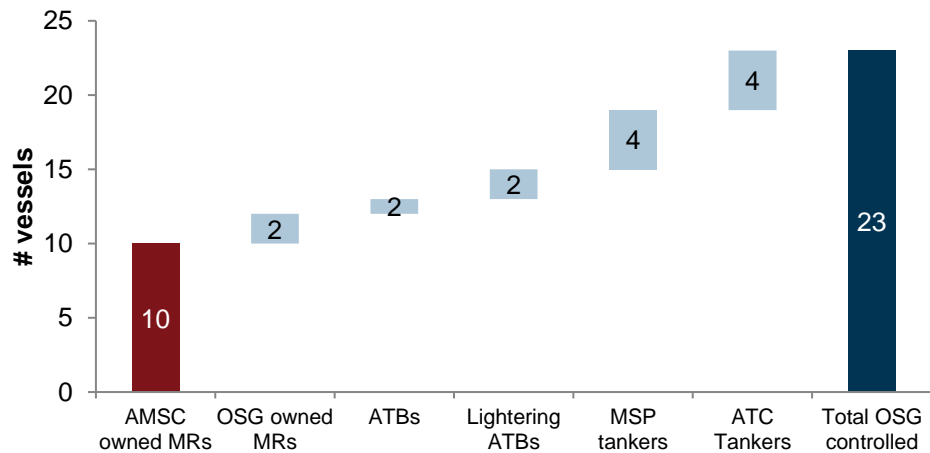
- Normalized EBITDA of USD 22.2 million every quarter is mainly based on contracted bareboat charter hire
- USD 1 million is repayments from OSG on a deferred payment obligation

OSG - leading Jones Act operator and strong counterpart

Diversified business across multiple segments

- OSG's business is spanning across multiple Jones Act tanker and ATB segments as well as US Flag and Alaska crude tankers
- Overall diversified business with strong cash flow generation expected for 2020, as more than 90% of fleet has TC contract cover for the year to high credit quality end users
- AMSC's 10 vessels are a core part of OSG's Jones Act tanker fleet accounting for 50% of revenue

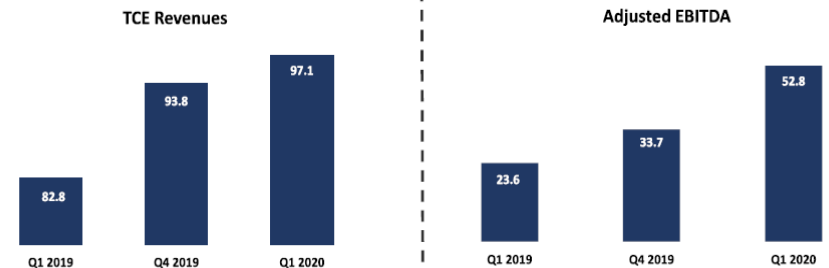
Breakdown of OSG's fleet



OSG financial overview

- Q1 2020 demonstrated substantially improved revenue and EBITDA, which is expected to continue for the remainder of the year

TCE Revenues and Adjusted EBITDA (\$ Millions)



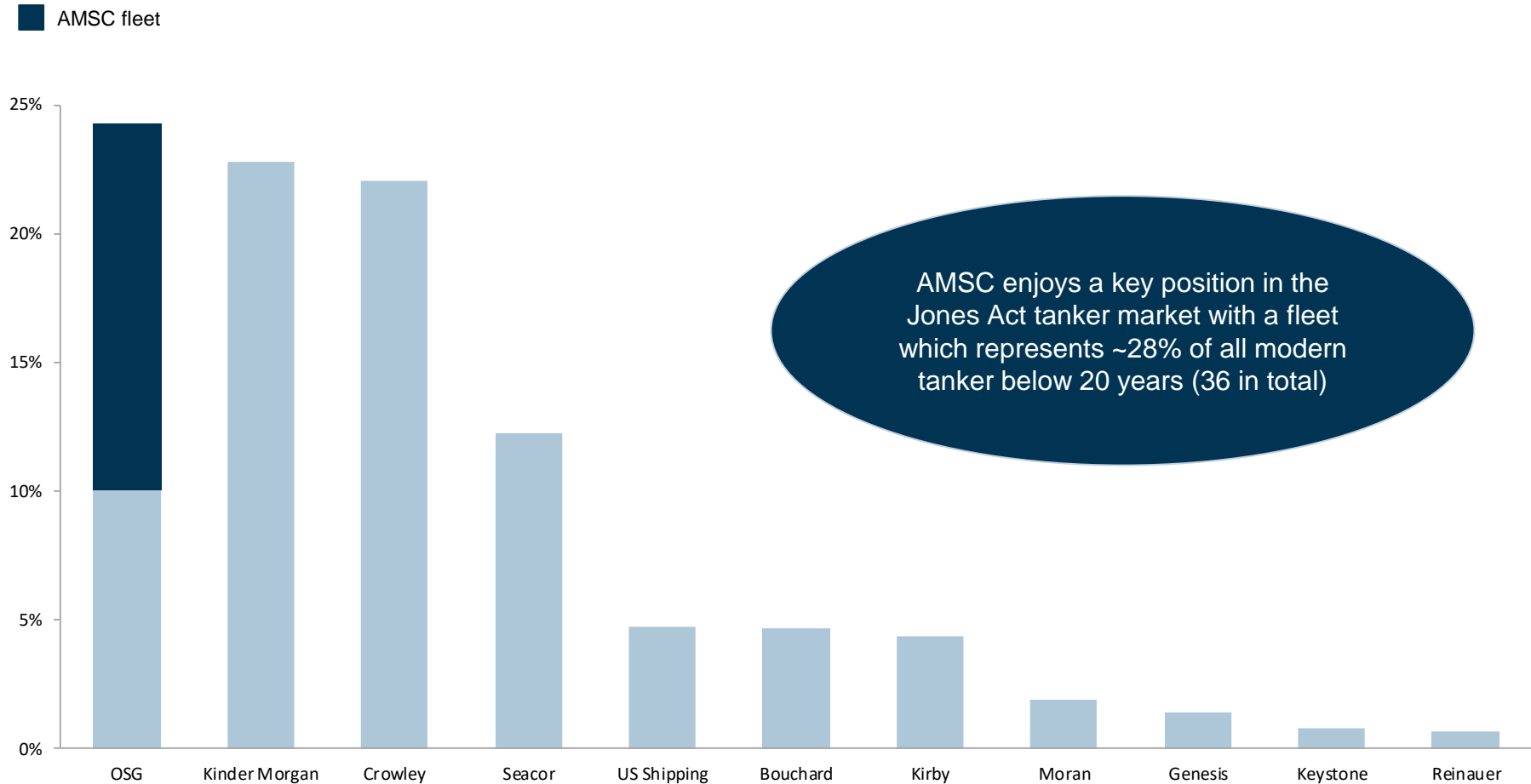
■ Q1 2020 adjusted EBITDA increased 124% over Q1 2019.

Source: OSG Q1 2020 earnings presentation

OSG is a well capitalized and strong counterpart with a diversified U.S. Flag and Jones Act tanker operation

AMSC fleet is a major component of the Jones Act tanker fleet

Jones Act tanker & ATB ownership based on carrying capacity



Source: Navigistics' Wilson Gillette Report and AMSC Analysis

Note: Measured as carrying capacity by barrels and excludes 11 large Alaska Crude Tankers, but includes 2x newbuild ATS for delivery in Q2 and Q4 2020

Strong competitive position reduces re-chartering risk

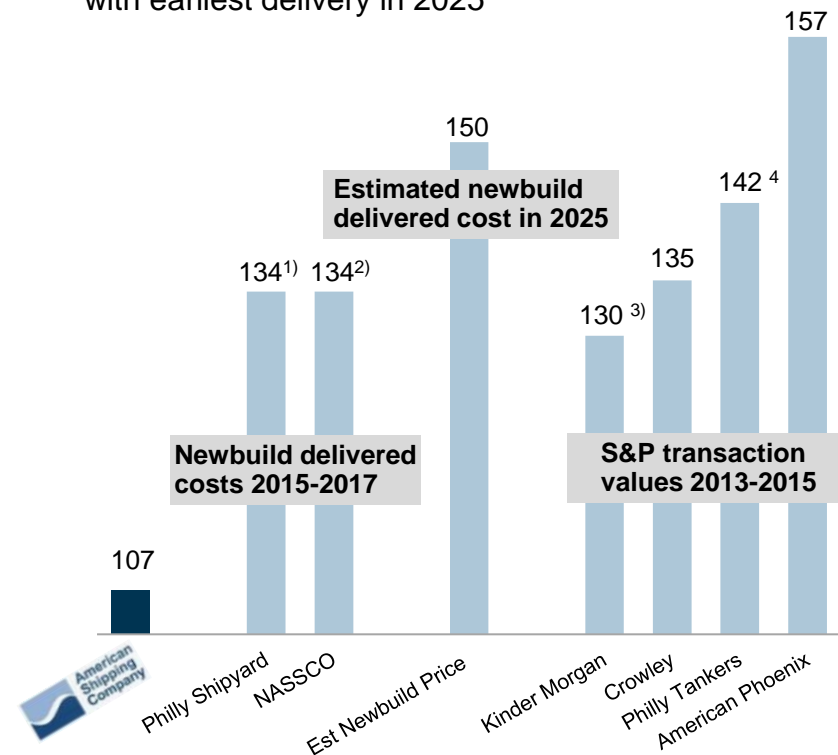
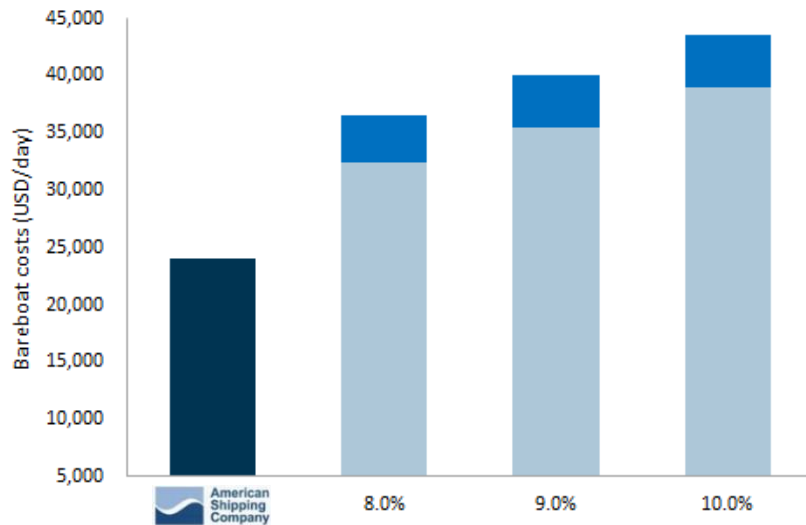
AMSC has the most cost-efficient fleet ...

- AMSC's bareboat rate reflects the low delivered cost
- Provides AMSC with the lowest bareboat breakeven levels in the modern Jones Act tanker fleet
- Current average bareboat rate of \$24,050 per day represents at least \$10,000 per day cost advantage compared to competitors

...due to substantially lower delivered cost

- AMSC has an average delivered cost of USD107m per vessel
- Considerable lower than its peers which have either built or bought vessel at prices ranging from USD130-157m
- Current estimated newbuild cost at Philly or NASSCO would be around USD150m assuming an order for multiple vessels, with earliest delivery in 2025

Annual bareboat costs given various total capital IRRs with newbuild cost @ USD 134m and USD 150m



Notes: 1) Based on Philly Tankers. 2) Based on newbuild cost for the tankers delivered to American Petroleum Tankers. 3) Based on total consideration for 9 vessels, including additional expenses incurred by Kinder Morgan for taking delivery of newbuilds. 4) Based on average price for 4 vessels.

Source: Company materials

Table of contents

1

COMPANY OVERVIEW

2

AMSC FINANCIAL OVERVIEW

3

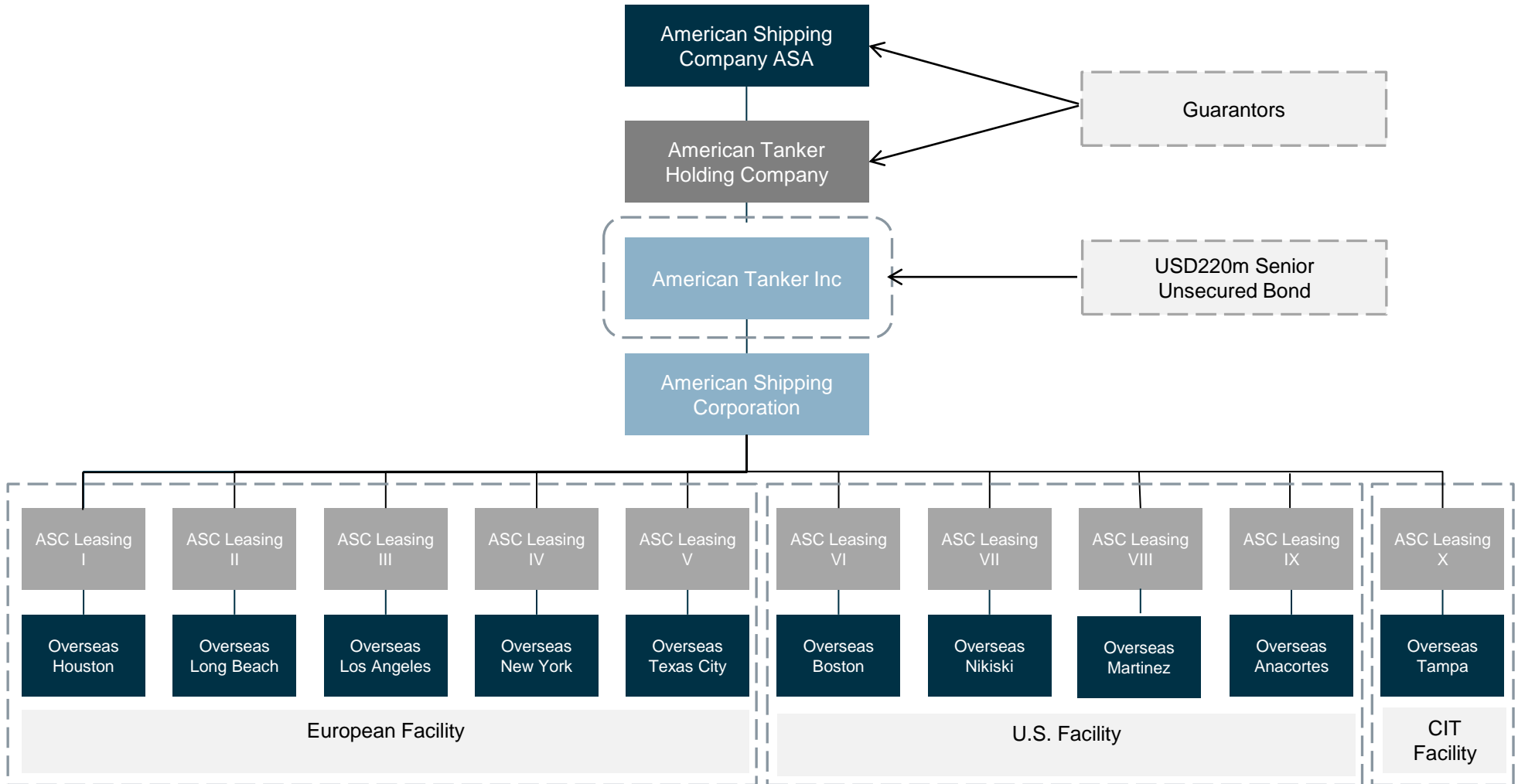
MARKET OVERVIEW

A

APPENDIX

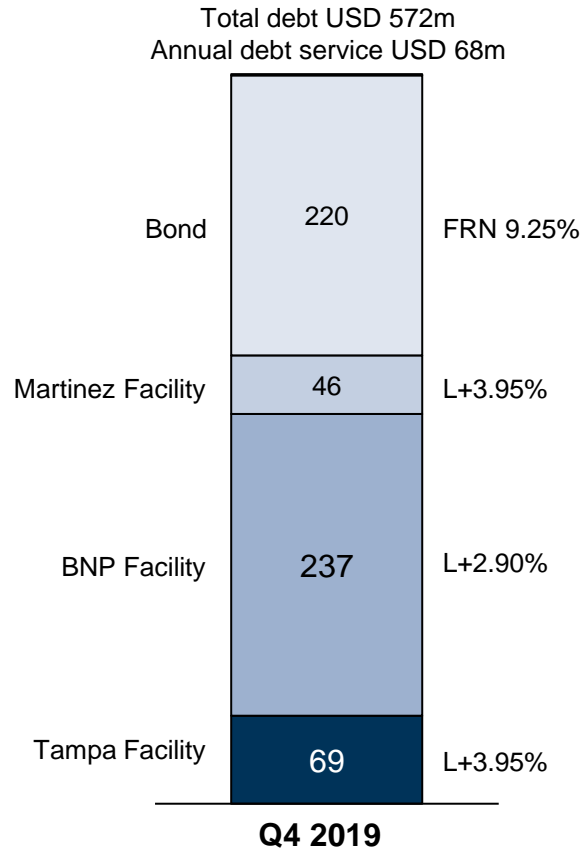


All debt is fully supported by entire AMSC business

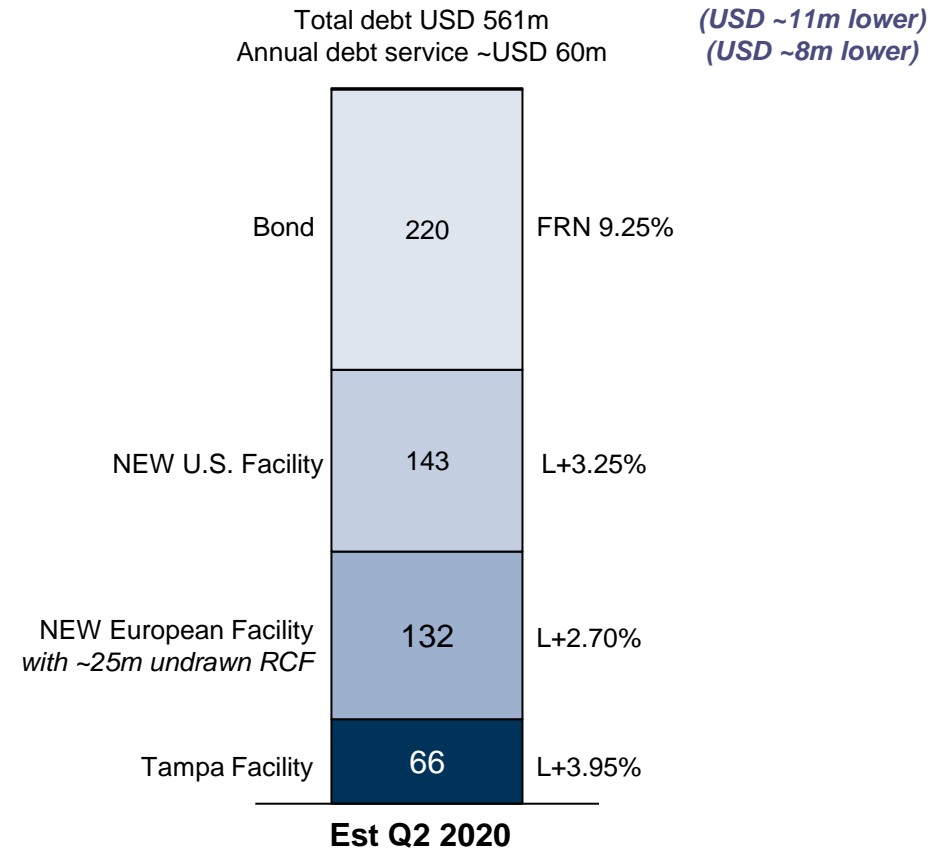


Enhanced debt structure and reduced debt service

Year End 2019 debt structure



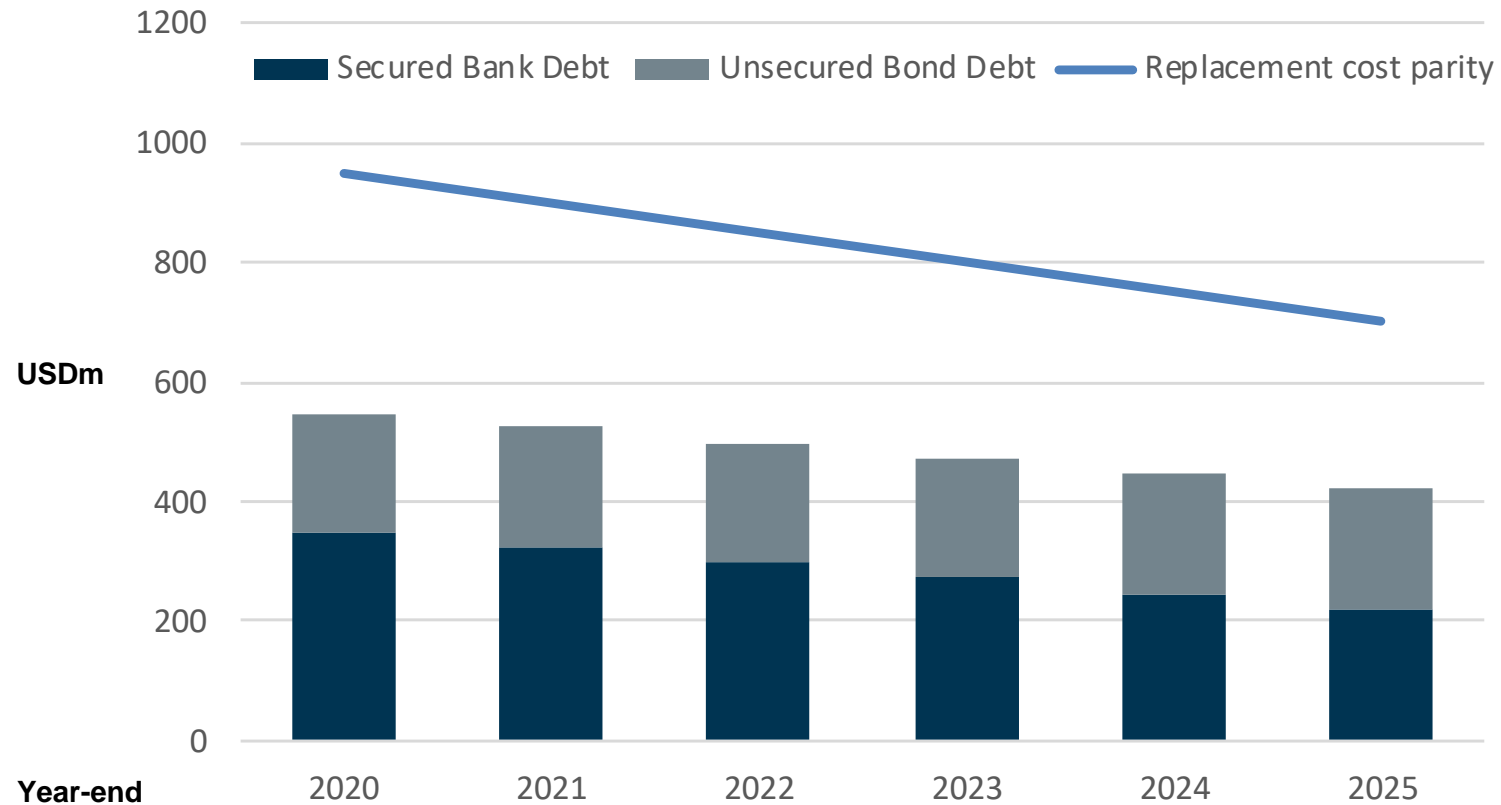
Current debt structure



**AMSC successfully closed its bank debt refinancing in April 2020 at much improved terms and increased flexibility
Libor swapped for 5 years at an average rate of 0.49% for USD 220 million of the bank debt**

Delevering through debt amortization

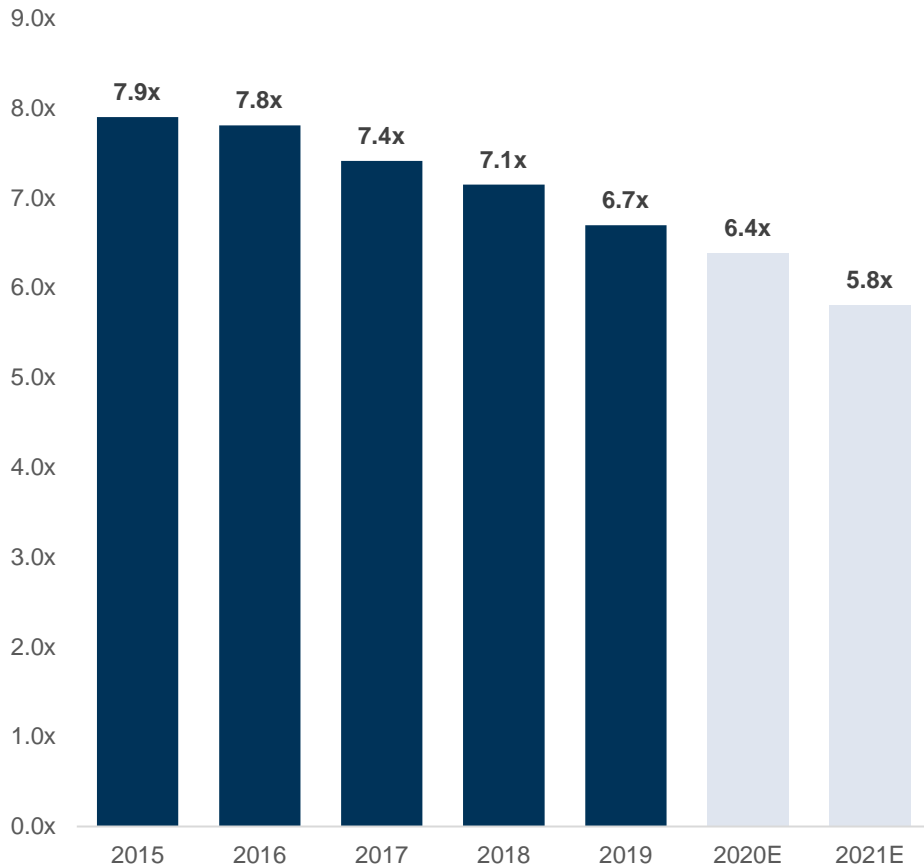
Ample headroom between total debt and replacement cost parity value of fleet



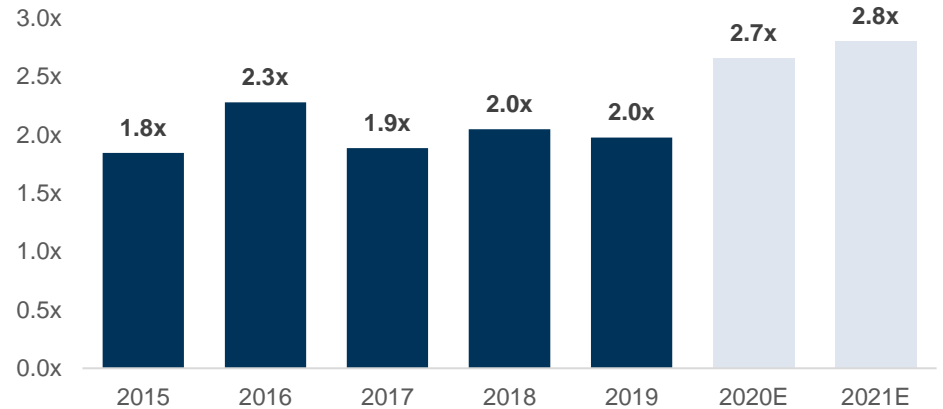
*USD 150m replacement cost per vessel, 30 years useful economic life, depreciation to 0, and 11 years average fleet age in 2020

Improved credit metrics

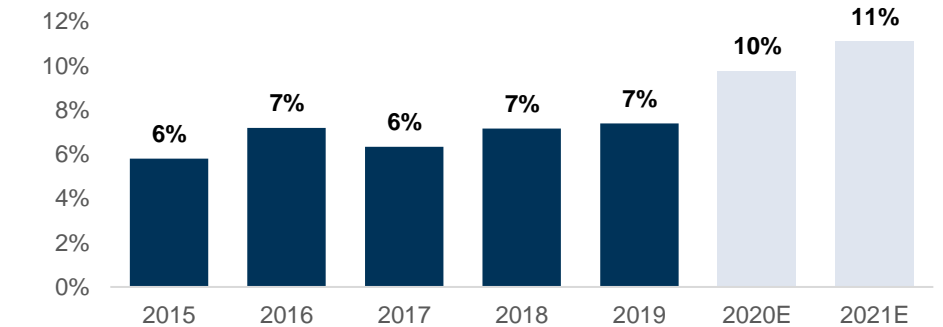
Debt / EBITDA (x)



EBITDA / interest (x)



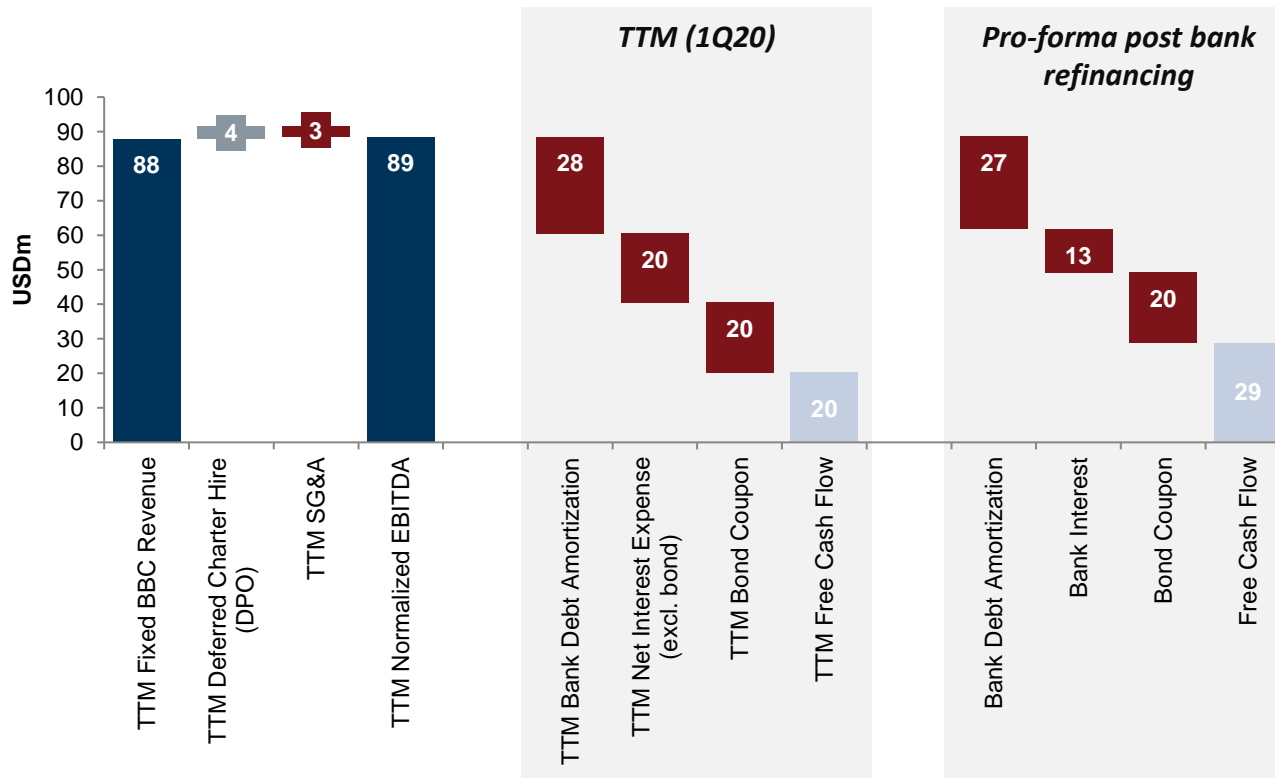
FFO / debt (%)



**Track record of delevering and estimated improving credit metrics going forward –
impact of bank refinancing only from 2020 onwards**

Illustrative cash flow waterfall

Simplified cash flow waterfall TTM and pro-forma for recent bank debt refinancing



- Bareboat charters and DPO (less SG&A) provides a comfortable cash flow for debt service
 - Stable, low risk from fully chartered fleet

- Figures pro-forma for the bank refinancing are based on a full year of debt service following the refinancing, and assumes that the RCF is fully drawn

Bank debt refinancing increases free cash flow substantially and allows AMSC to service Bond Coupon with ease

Investment highlights: Q1 2020 vs Q1 2017





	Q1 2017	Q1 2020	Change
Largest listed pure play Jones Act tanker owner – with strong revenue backlog	<ul style="list-style-type: none"> Fleet of 9x MR tankers + 1x shuttle tanker, operating in the US Jones Act market Average age of 8.4 years across the fleet USD 314m secured bareboat revenue backlog Average contract duration of 3.6 years 	<ul style="list-style-type: none"> Fleet of 9x MR tankers + 1x shuttle tanker, operating in the US Jones Act market Average age of 11.4 years across the fleet USD 300m secured bareboat revenue backlog Average contract duration of 3.4 years 	
Business model providing stability and long-term visibility	<ul style="list-style-type: none"> Stable cash flow from bareboat contracts at fixed rates and DPO from OSG, with attractive evergreen extension options Upside potential from profit share arrangement 	<ul style="list-style-type: none"> Announced exercise of extension options by OSG on all 10x vessels in the last two years, providing 100% utilization until end of 2022 Distributed stable dividend of USD 0.08/quarter unchanged for the last three years 	
Credit metrics	<ul style="list-style-type: none"> Pro-forma debt to TTM EBITDA of 8.0x Pro-forma net debt to TTM EBITDA of 7.3x TTM EBITDA to interest expense of 2.2x 	<ul style="list-style-type: none"> Pro-forma debt to TTM EBITDA of 6.6x Pro-forma net debt to TTM EBITDA of 6.1x TTM EBITDA to interest expense 2.6x 	
Solid market fundamentals	<ul style="list-style-type: none"> Substantial fleet growth coming to an end in 2017. Some scrapping of older tonnage JA tanker market at a through early 2017, but with promising outlook 	<ul style="list-style-type: none"> Continued scrapping with orderbook close to zero added to market tightening in 2019 Jones Act tanker rates on the rise – TC rates reached USD 60,000 per day in 2019, well above the AMSC vessels' cash breakeven for OSG 	

Table of contents

1

COMPANY OVERVIEW

2

AMSC FINANCIAL OVERVIEW

3

JONES ACT MARKET OVERVIEW

A

APPENDIX



Jones Act – a Vital Part of the US Economy

The Jones Act has been in place since 1920...

- The Jones Act generally restricts the marine transportation of cargo and passengers between points in the United States to vessels that meet the following criteria:
 - Built in the United States
 - Registered under the U.S. flag
 - Manned predominately by U.S. crews
 - At least 75% owned and controlled by U.S. citizens
 - AMSC's presence in the Jones Act market is made possible by the lease finance exception of the Jones Act
- The Jones Act is an essential feature in U.S. national security
 - Ensuring non- dependency of ships controlled by foreign nations
 - Maintaining critical domestic shipbuilding capacity
 - Supporting a domestic pool of highly skilled mariners
- The Jones Act is a significant contributor to the US economy
 - Large U.S. employer
 - Substantial amounts of capital invested

... and is a vital part of the US economy

100,000,000,000

*USD 100bn contribution to the US
domestic economy*

30,000,000,000

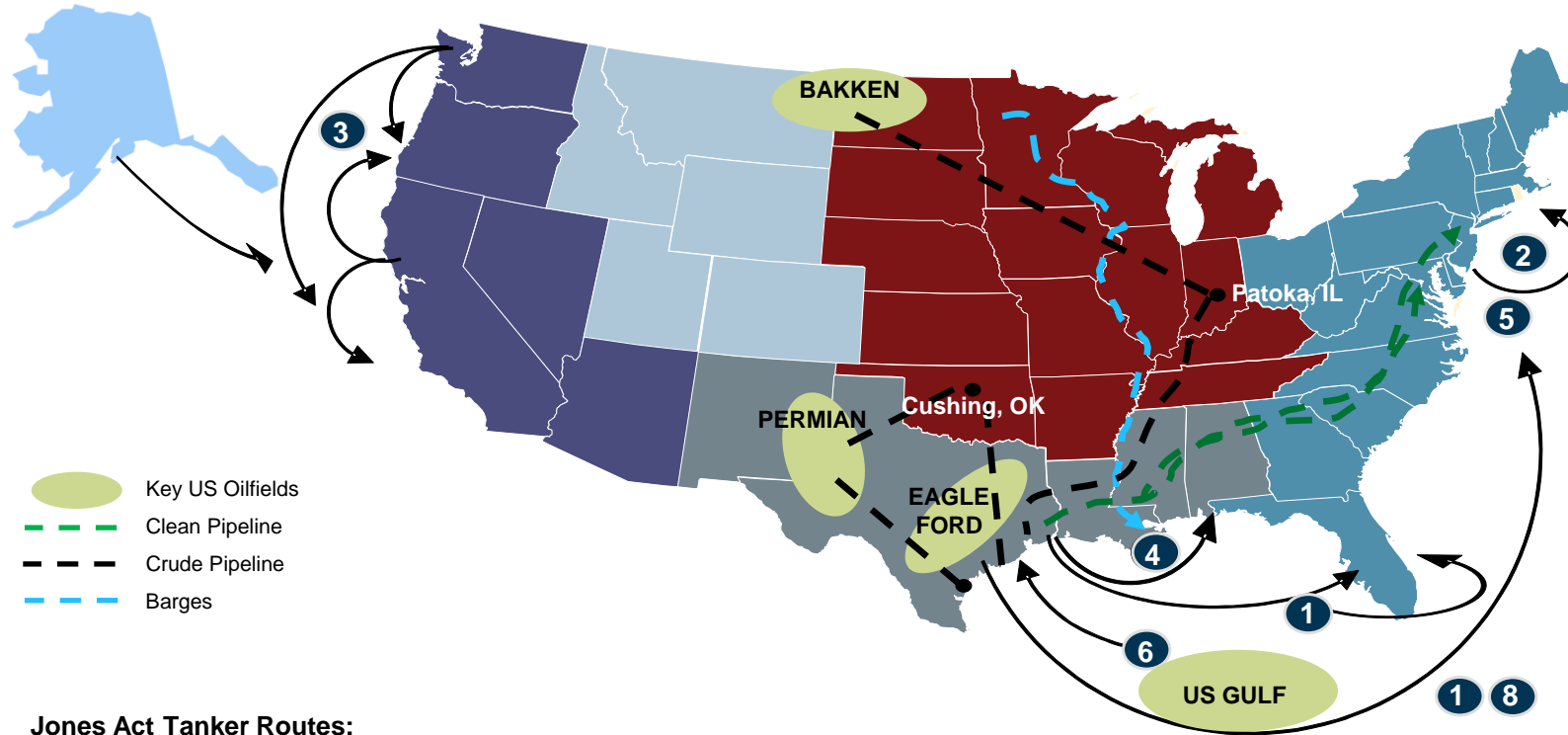
*USD 30bn total investment in
over 40,000 vessels*

400,000

*Number of jobs directly and indirectly
impacted by the US maritime industry*

A Critical Part of Oil Majors' Transportation Logistics

Jones Act crude oil & products primary trade routes

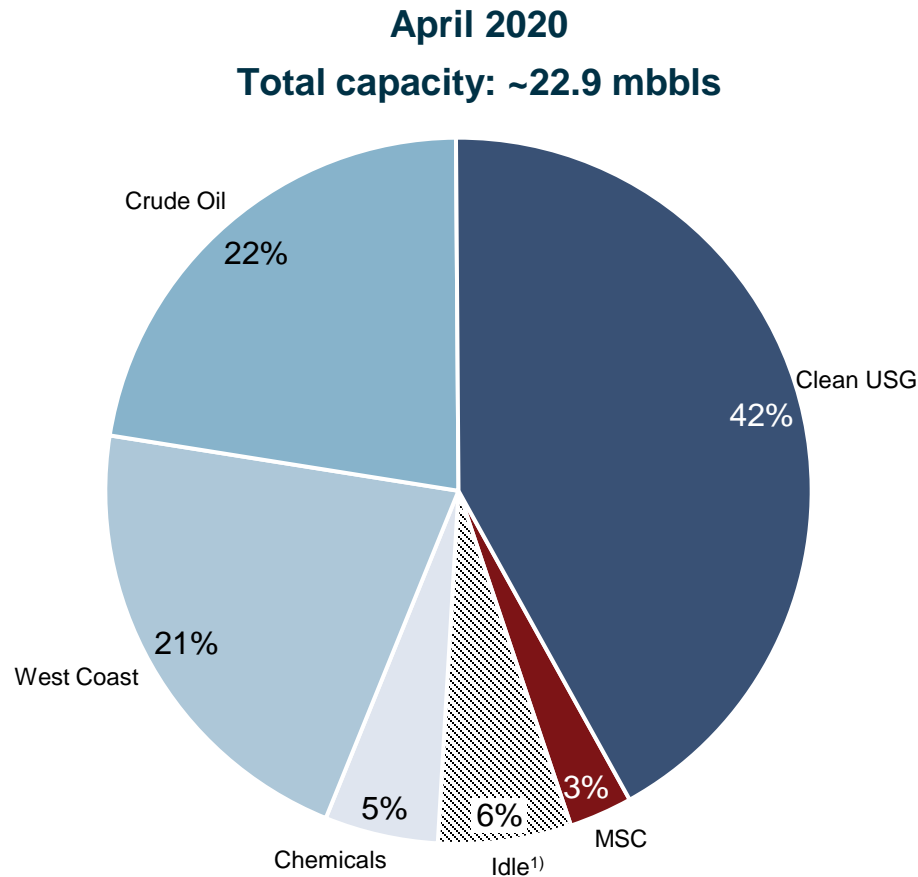


Jones Act Tanker Routes:

- 1 Gulf Coast refineries to Florida and East Coast (Clean)
- 2 Mid-Atlantic to New England (Clean)
- 3 Alaska and Intra-west coast movements (Clean/Dirty)
- 4 Cross-Gulf movements (Dirty)
- 5 Delaware Bay Lightening (Crude)
- 6 Shuttle tankers from deep water U.S. Gulf to Gulf Coast Refineries (Crude)
- 7 Crude from Corpus Christi, TX to LOOP (not shown)
- 8 Crude from Corpus Christie and Beaumont to Northeast

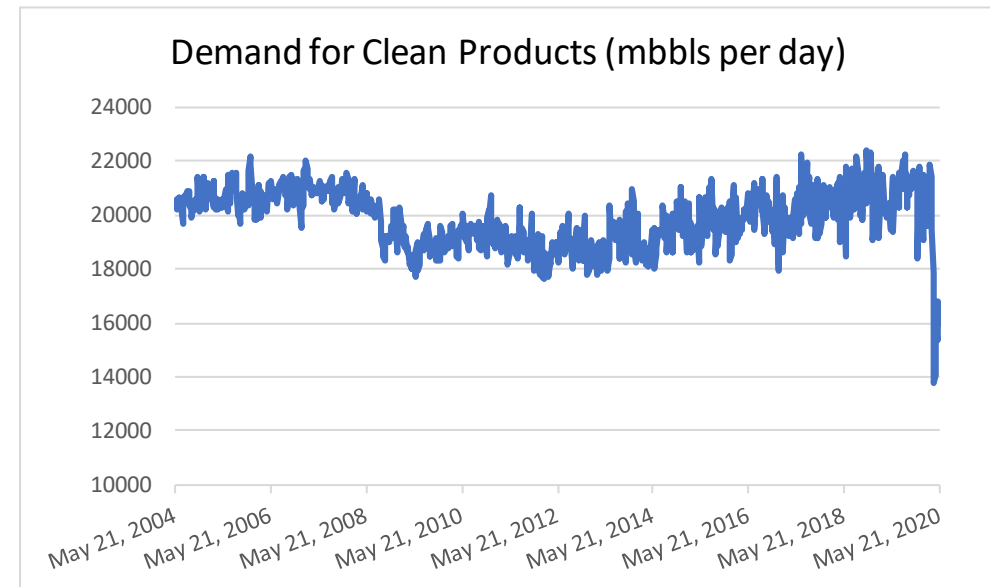
Majority of Fleet Carry Clean Products - highly stable trade over time

Fleet deployment by main trades (Tankers and ATBs)



US Clean Product Demand stable over time

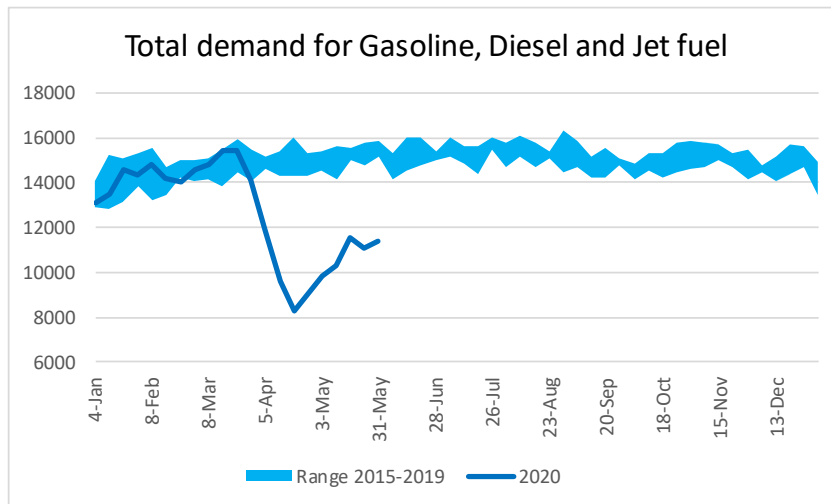
- Total clean products demand in the US is very stable over time
- Highly inelastic to price, as only very low (below \$2pg) or very high prices (above \$4.5pg) seems to have impact on demand
- Currently fuel demand is severely impacted by “stay at home policies” across the US, caused by the Covid-19 pandemic
- EIA is forecasting a gradual return to normal demand by the end of 2020



Short term dip in clean product demand expected to be followed by gradual recovery in 2H 2020

Drop in clean products demand already recovering

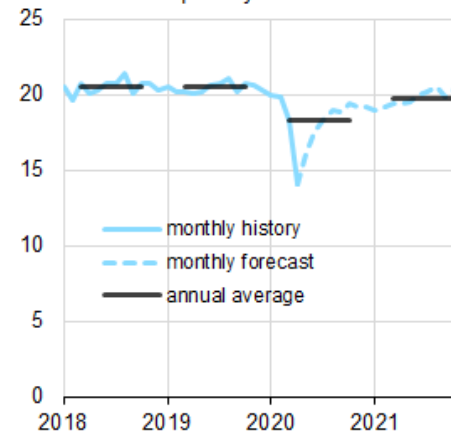
- Demand for clean products in the USA decreased by 35% in April
- Recovery has already started as the US economy is gradually opening up



EIA forecast gradual recovery in 2020

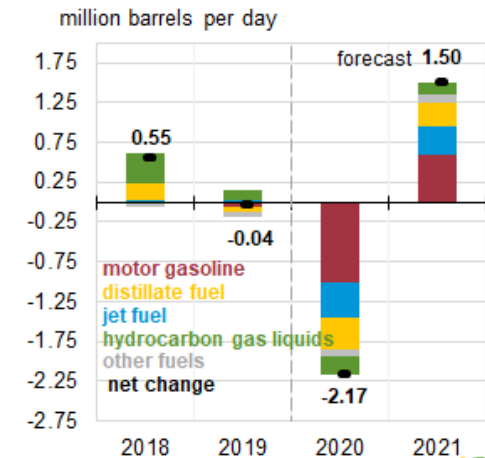
- Pick up in demand for gasoline will be driven by:
 - Less interest in public transportation, less mass airline travelling, less cruise vacation
 - All leading to “Staycation” in the USA involving more automobile driving
- Demand for diesel is less impacted due its industrial nature being consumed by trucks, buses, machinery, etc.
- Demand for Jet fuel will likely suffer until commercial air traffic is back in favour

U.S. liquid fuels product supplied (consumption)
million barrels per day



Source: Short-Term Energy Outlook, May 2020

Components of annual change



Source: EIA Weekly Petroleum Status Report May 27 2020

Steady long term growth in clean product shipments to Florida

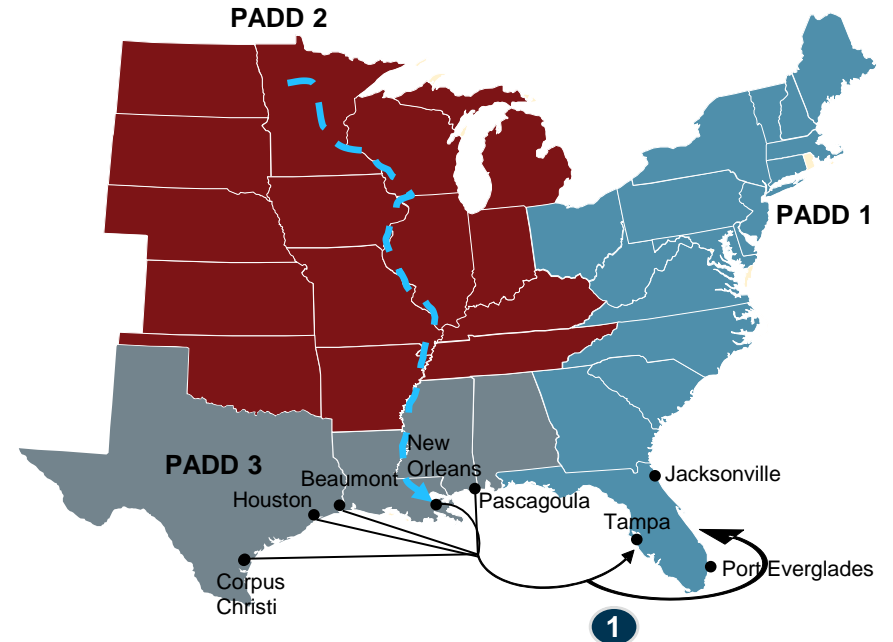
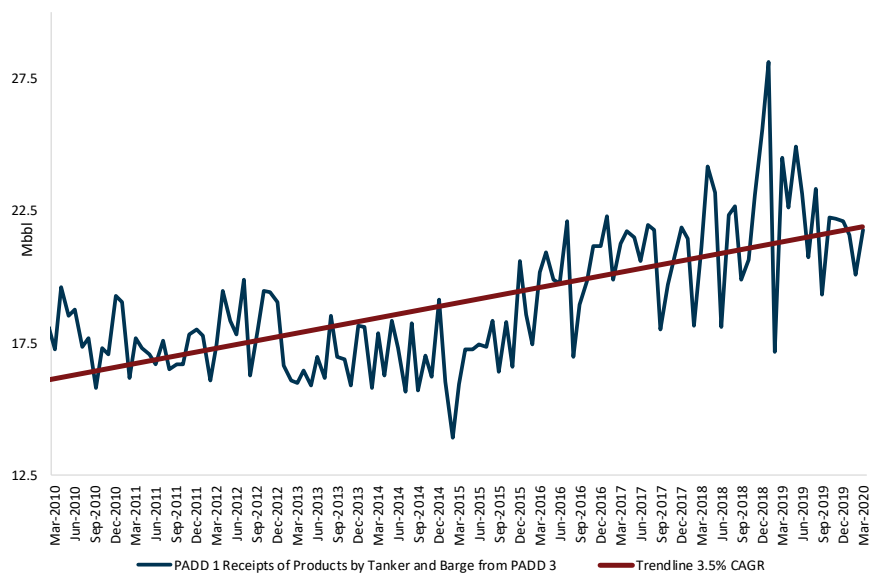
Increasing seaborne transportation of clean products from US Gulf to East Coast

- Increasing consumption of clean products in Florida is driving demand for Jones Act tanker shipments cross US Gulf
- Over the past 10 years this trade has grown with a CAGR of about 3.5%
- Demand impact from Covid-19 mitigating measures expected to reduce shipments in 2020, but return to normal in 2021

Gulf Coast to Florida Trade Lane

- As Florida has no pipeline connection nor any refineries, all clean products consumed are supplied by sea
- Florida is sourcing 90% of its clean products demand on a Jones Act tanker from US Gulf refineries
- Florida consumption is split 65-70% Gasoline, 15-20% Diesel and 10-15% Jet fuel

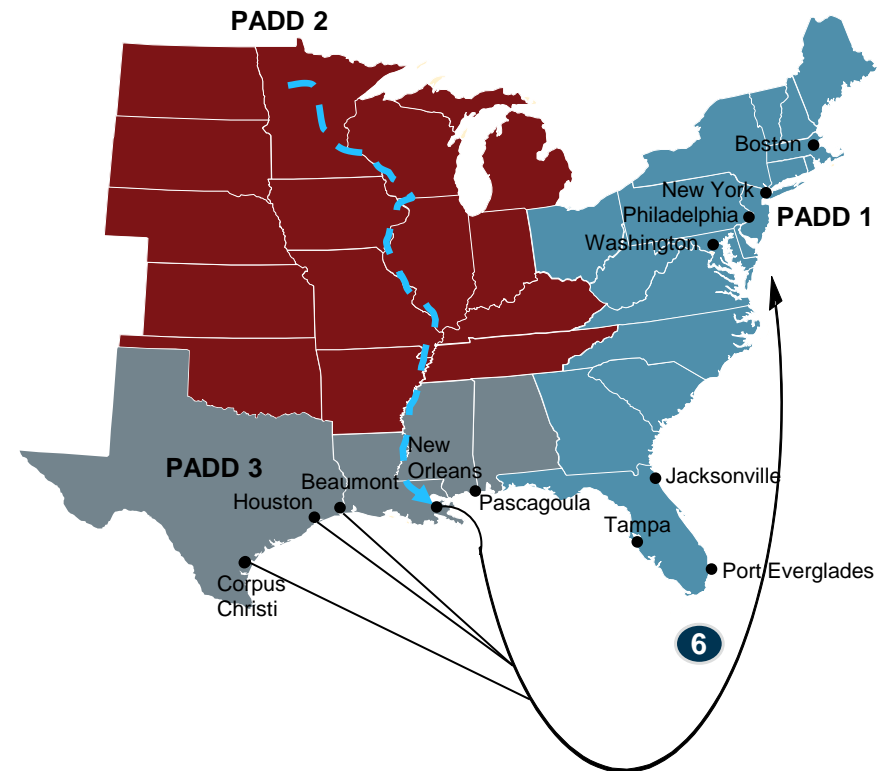
Mbbls per month



Crude trade to Northeast has remained strong despite current oil market volatility

PADD 3 to PADD 1 Crude Oil Moves by Tanker and Barge

Trade lane carrying Crude from Gulf Coast to U.S. Northeast

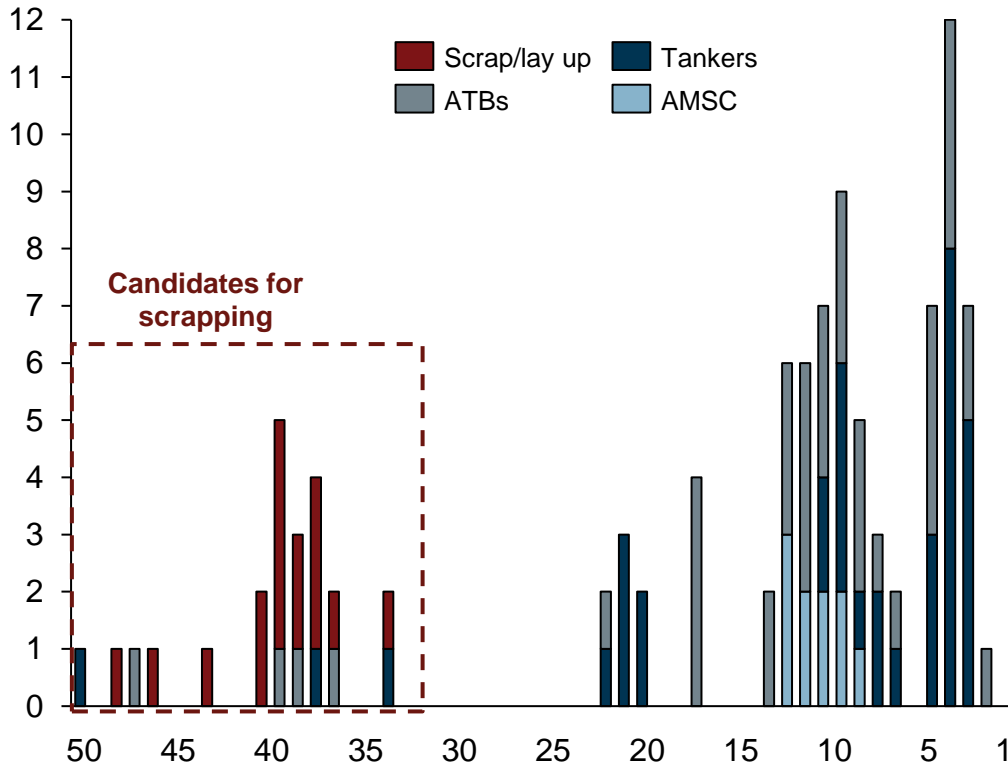


- Historically, volumes have been driven by spread in pricing of U.S. Crude Oil vs international alternatives
- Low crude oil price and falling US oil production is potentially increasing oil price spread volatility going forward

Fleet Reduction as Scrapping Continues

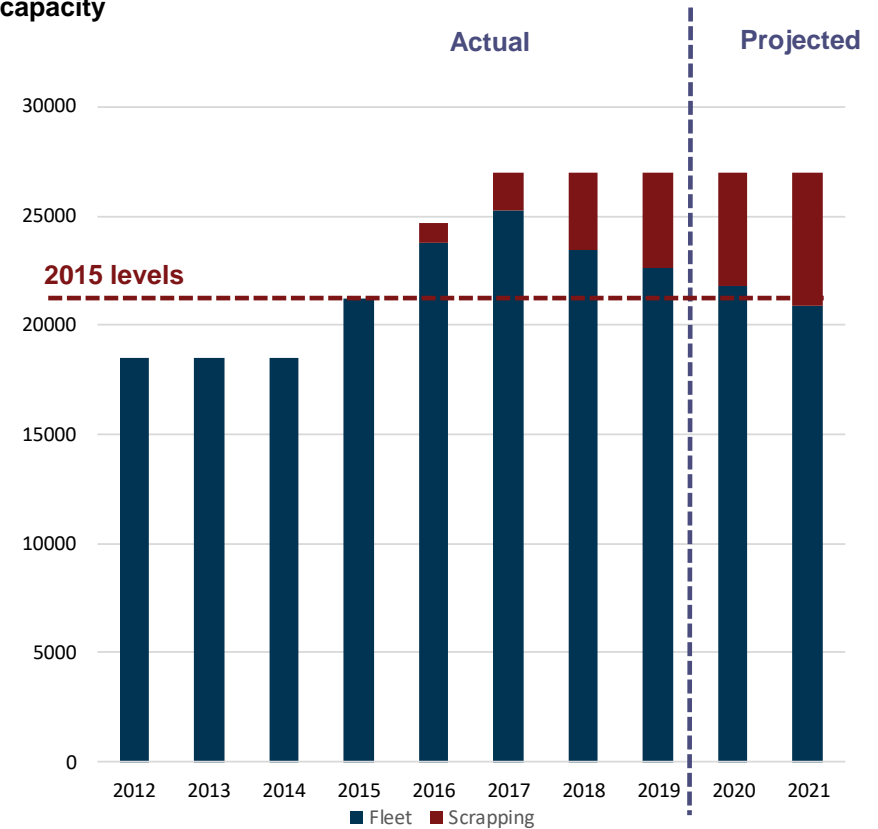
Fleet profile by vessel age

Number of vessels



Considerable fleet growth in past years, but scrapping has already reduced active fleet to 2015 levels

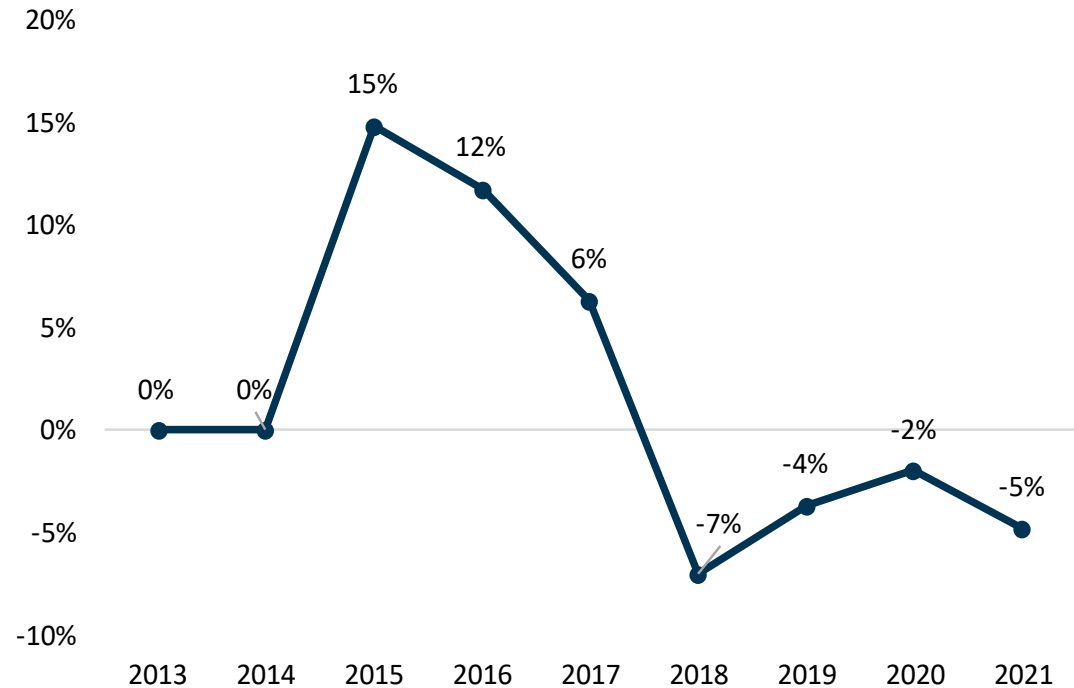
Kbbbls capacity



Source: Navigistics' Wilson Gillette Report Apr 2020, broker reports and AMSC analysis

Negative Fleet Growth

Net capacity reduction driven by scrapping and limited orderbook



- Since 2016, five tankers and thirteen ATBs has been scrapped, sold for operations outside the Jones Act market or gone into definite lay-up
- The entire JA tanker orderbook consist of two small barges for delivery in 2020 and no new tankers expected in the next five years
- Yard capacity for tankers are limited with NASSCO mainly building navy ships and Philly Shipyard building MARAD Training Ships
- Likely delivered cost for a newbuild is now around USD150m with first available delivery slot in 2025
- Sustainable multi-year TC rates of ~USD70,000 per day required to justify newbuilds

Summary – long term stable business model despite short term volatility imposed by Covid-19

LONG TERM CONTRACTS PROVIDE STABLE CASH FLOW

- Bareboat contracts provide strong and stable cash flows
- Likely to continue with OSG for many years through evergreen extension options
- Most cost competitive fleet reduces re- chartering risk

INCREASING DEMAND IN KEY TRADES

- Continued strong crude trade from U.S. Gulf to the U.S. Northeast
- Growing clean trade into Florida and to U.S. Northeast
- Jones Act tanker market expected to remain stable despite current volatility

REDUCING FLEET CAPACITY WITH NO YARD AVAILABILITY

- Slim orderbook with only two replacement barges for delivery in 2020
- No available yard capacity to build Jones ACT tankers until 2025 or later
- Negative fleet growth expected next two years as scrapping of old tonnage continues

STRONG AND IMPROVING CREDIT METRICS

- Modest secured loan to value, leaving substantial equity support for unsecured lenders
- Contracted cash flow providing solid debt service coverage
- Significant free cash flow generation offer further liquidity buffer for creditors



**American
Shipping
Company**

