

# Yang Ming Marine Corp. 2018 Investor Conference

*YANG MING A Transport Group With Excellence*

We Deliver

**GOOD for Life**



**Dec.14 2018**

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# Outline

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- 1、 Container Shipping Overview
- 2、 Business Information
- 3、 Financial Results
- 4、 Future Prospects





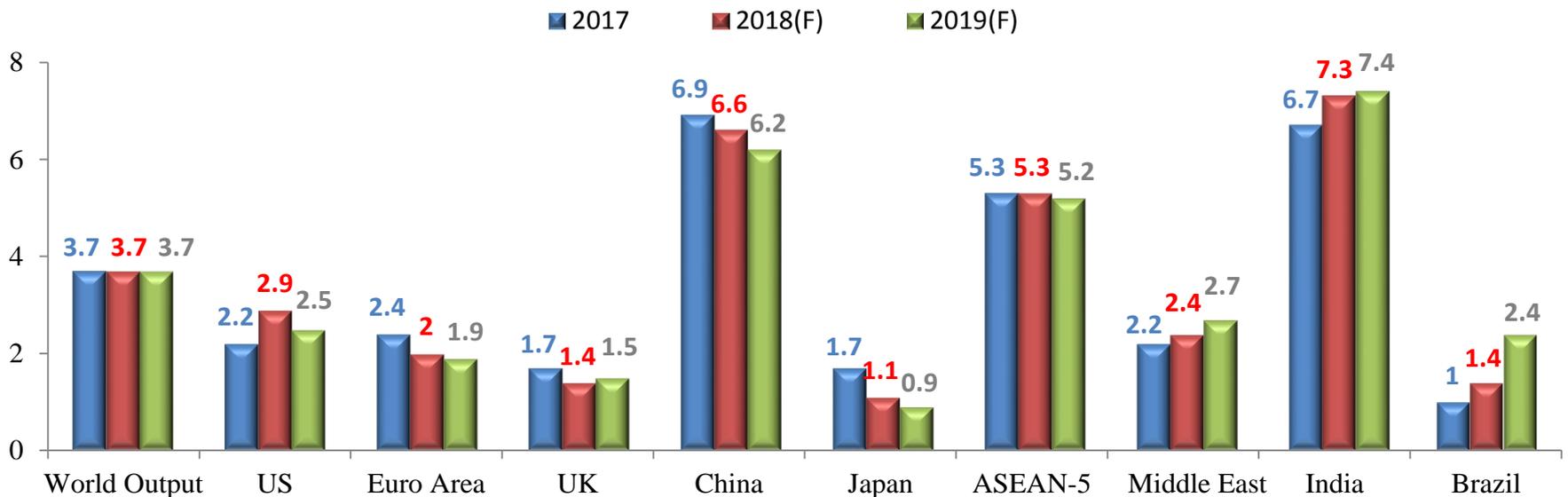
# Container Shipping Overview

# Global Economy Prospect

Trade protectionism brings uncertainty while modest recovery is foreseen.

## IMF World Economic Outlook, October 2018

- Modest recovery: Global growth is projected at 3.7% in 2018 and 2019.
- GDP growth for major advanced economies:
  - US: 2018: 2.9%, 2019: 2.5%
  - Euro Area: 2018: 2.0%, 2019: 1.9%
  - China: 2018: 6.6%, 2019: 6.2%



# Supply and Demand

More balanced and a cautiously optimistic outlook is held.

## 2019 supply and demand forecast

- Alphaliner, Drewry, and Clarkson research forecasts demand will exceed supply by 0.1% to 1.1%, showing the overall market in 2019 to be relatively stable.

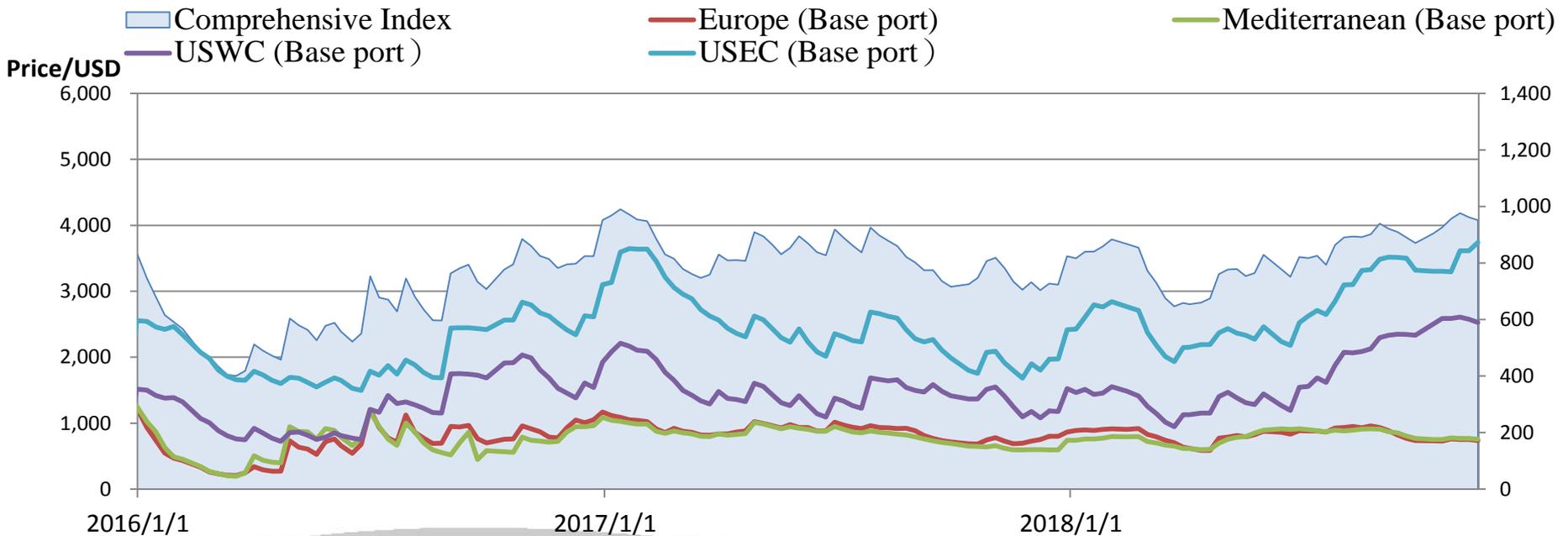
		2016	2017	2018(f)	2019(f)
Alphaliner	Supply	1.9%	3.7%	5.7%	4.0%
	Demand	2.7%	6.7%	4.6%	4.1%
	<b>Gap</b>	<b>-0.8%</b>	<b>-3.0%</b>	<b>1.1%</b>	<b>-0.1%</b>
Drewry	Supply	1.2%	3.8%	5.7%	3.5%
	Demand	2.6%	6.3%	5.3%	4.2%
	<b>Gap</b>	<b>-1.3%</b>	<b>-2.5%</b>	<b>0.4%</b>	<b>-0.8%</b>
Clarkson	Supply	1.2%	3.8%	5.9%	3.3%
	Demand	4.2%	5.5%	4.5%	4.4%
	<b>Gap</b>	<b>-3.0%</b>	<b>-1.7%</b>	<b>1.4%</b>	<b>-1.1%</b>

Source: Drewry Container Forecaster 3Q 2018; Clarkson Container Intelligence 4Q. 2018; Alphaliner Monthly Monitor, Nov. 2018

# Freight Rate Trend

Supply-demand balanced, cargo demand stays on the high side.

- Based on Nov/2018 figure, SCFI surged nearly 30% compared the same period last year. Affected by cargo frontloading spurred by the China-US trade war, volume on the Trans Pacific trade is at a relatively high level, and this trend is expected to sustain through the end of the year. In terms of Europe trade, the demand after the China golden week has recovered faster than expected while vessel utilization and freight level remain positive and stable.



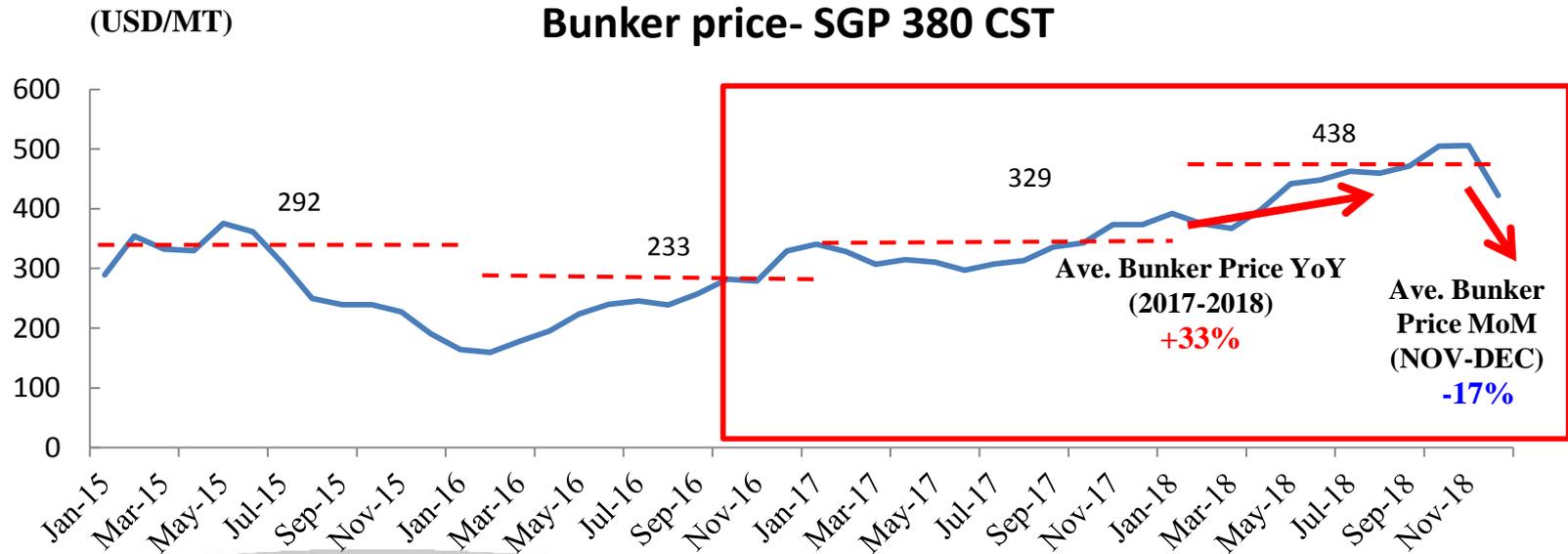
Note:

- Comprehensive Index is based on 1000, starting from Oct 16<sup>th</sup> 2009.
- Shanghai exports to USWC(base port) and USEC(base port) is shown in FEU, while others are shown in TEU.
- Vertical axis to the left of the line chart refers to the Shanghai export index to Europe, Med, USWC, USEC. Vertical axis to the right refers to the comprehensive index.

Source: Shanghai Shipping Exchange (Nov. 2018)

# Bunker Price

USD/MT	2015Q1~Q4	2016Q1~Q4	2017Q1~Q4	2018Q1~Q4 (Until 2018.DEC)
SGP 380 CST	292	233	329	438
USD/MT	2015Q4	2016Q4	2017Q4	2018Q4 (Until 2018.DEC)
SGP 380 CST	219	297	363	478



Source: Clarkson 380cst bunker prices, Singapore 12/07/2018

# Sino-US trade war impact

Reacting with flexibility to cope with the shift in cargo flow

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- The exact impact of the trade war is difficult to evaluate. Despite the agreement of a 90-day truce, the trade dispute itself brings uncertainty to the shipping industry outlook.
  - **Global supply chain disruption:** Cargo to the US is anticipated to originate from countries other than China such as South East Asia and other emerging markets. Since YM has been deeply cultivated in the Asian markets, a potential shift in cargo flow could bring in new opportunities.
  - **Deployment adjustment:** As a global carrier, YM is to properly manage and adjust our deployment in order to meet the market demands and to lessen the impact should the trade war intensifies.



# Impact of Environmental Regulation

## (IMO 2020)

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- International Maritime Organization(IMO) have approved MARPOL Annex VI amendment: all vessels are prohibited to **USE** marine fuel with Sulphur content excess 0.5% from 2020/1/1, and all vessels are prohibited to **CARRY** marine fuel with Sulphur content excess 0.5% from 2020/3/1.
- This new regulation is expected to increase operation costs for the entire shipping industry analyzed from the below institutions:
  1. JOC foresees the impact from new regulation will lead entire container shipping industry increase USD 15 billion cost per year.
  2. Drewry foresees USD 0.4 – 0.8 million extra cost to be increased on each round voyage.

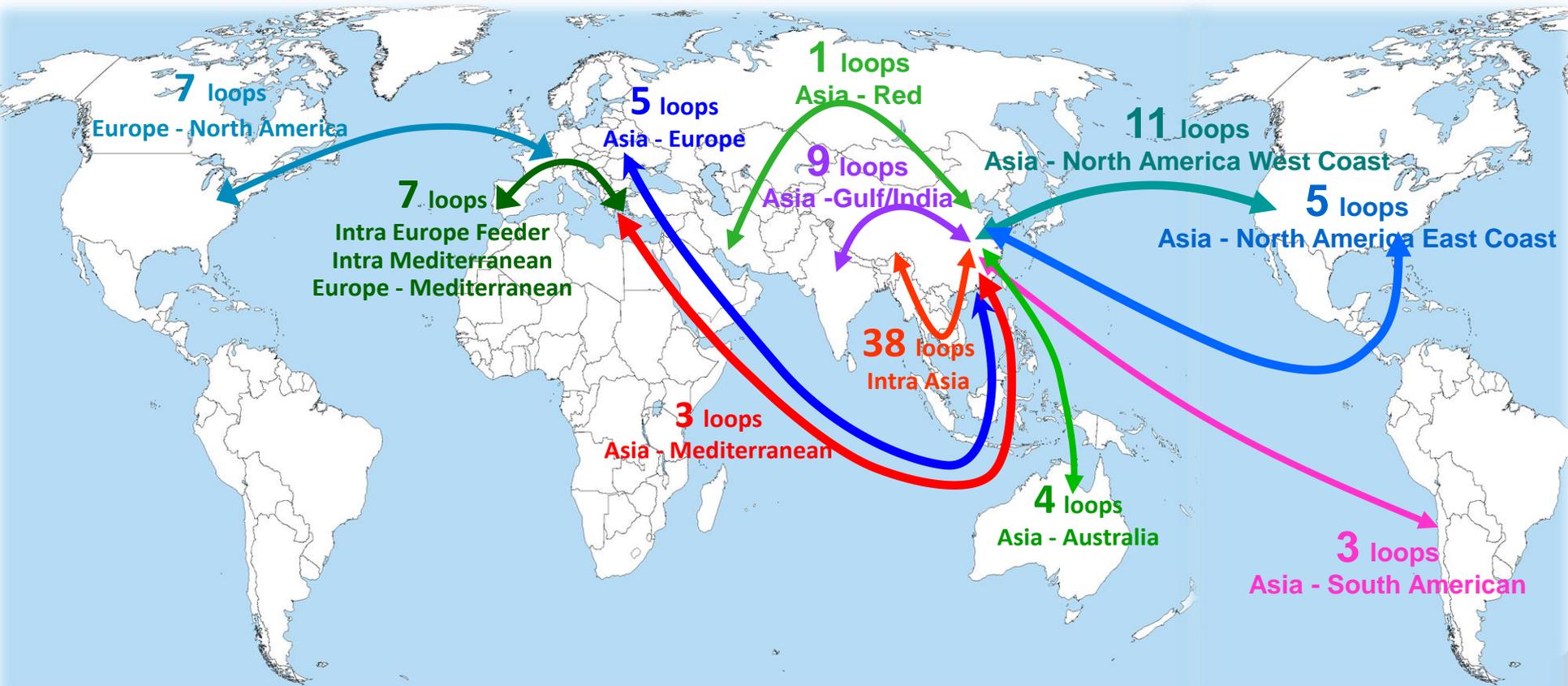




# Business Information

# Fleet and Service

- 90+ Service / 150+ Port / 70+ Country / 240+ office



# Market Share and Rank

- As of Nov. 16, 2018, YM's market share is ranked 8<sup>th</sup> in the world.

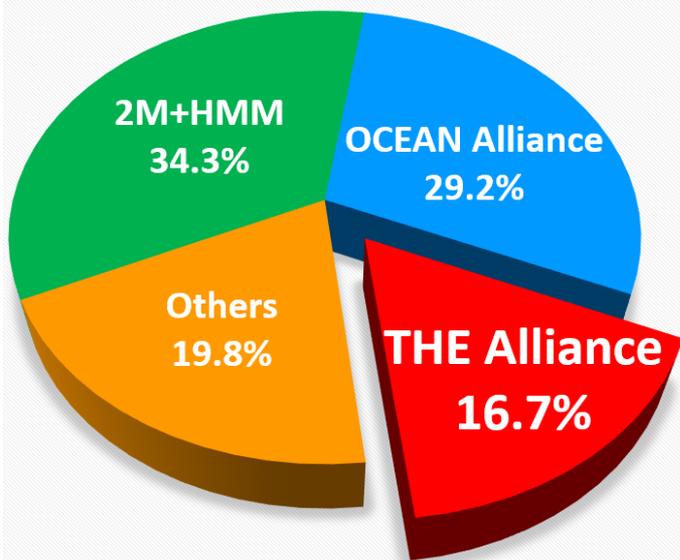
Rnk	Operator	Existing Fleet		Owned		Chartered		Orderbook		Market Share	
		TEU	Ships	TEU	Ships	TEU	Ships	TEU	Ships		
1	AMP-Maersk	4,038,515	709	2,275,403	312	1,763,112	397	73,606	6	17.8%	
2	Mediterranean Shg Co	3,303,534	521	1,086,236	192	2,217,298	329	332,052	18	14.6%	
3	COSCO Group	2,788,561	465	1,357,019	160	1,431,546	305	201,164	17	12.3%	
4	CMA CGM Group	2,664,829	513	1,012,568	130	1,652,261	383	228,500	21	11.7%	
5	Hapag-Lloyd	1,630,020	226	1,047,266	112	582,754	114			7.2%	
6	ONE	1,529,729	221	584,599	80	945,130	141	56,208	5	6.7%	
7	Evergreen Line	1,180,853	202	582,502	116	598,351	86	484,176	75	5.2%	
<b>8</b>	<b>Yang Ming</b>	<b>643,365</b>	<b>101</b>	<b>450,841</b>	<b>42</b>	<b>192,524</b>	<b>59</b>	<b>236,070</b>	<b>26</b>	<b>2.8%</b>	
9	PIL(Pacific Int. Line)	427,070	134	237,602	98	189,468	36	24,446	3	1.9%	
10	Hyundai M. M.	417,699	73	129,439	14	292,260	59	396,000	20	1.9%	
11	Zim	336,549	68	27,800	6	308,749	62			1.5%	
12	Wan Hai Lines	258,774	97	168,620	70	90,154	27	48744	20	1.1%	
13	IRISL Group	154,415	50	96,383	4	58,032	4			0.7%	
14	Antong Holdings(QASC)	140,325	115	102,447	48	37,878	67	29,676	21	0.6%	
15	KMTC	135,148	65	60,236	29	74,912	36	14,400	8	0.6%	

Source: Alphaliner, Nov. 16, 2018

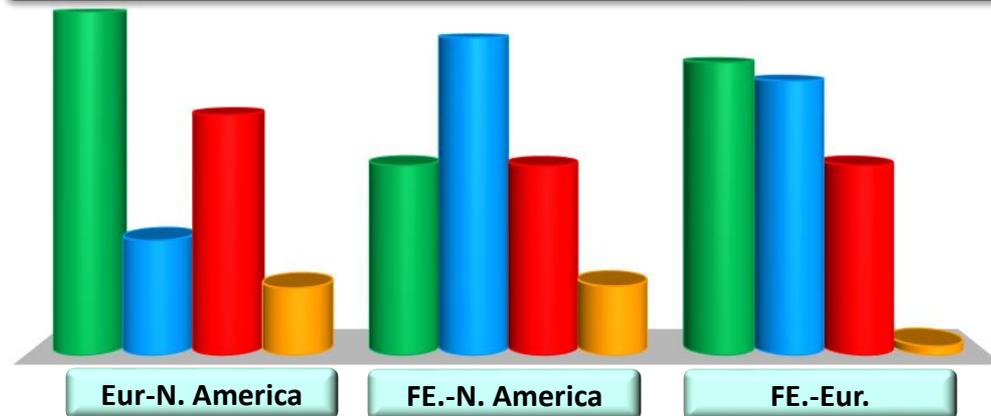
# Ship Capacity of Top 3 Shipping Alliance

- THE Alliance accounts for 16.7% of global ship capacity, about 3.8 million TEU.
- 2M+HMM occupies the highest proportion of global ship capacity, about 34.3%. OCEAN Alliance and THE Alliance take up 29.2% and 16.7% respectively.
- Market share of East-West Service  
2M+H and OCEAN mainly focus on Europe – N. America and FE.-N. America trade respectively. Compared with them, THE Alliance’s market strategy of East-West service is relatively balanced.

Ship Capacity of Top 3 Shipping Alliance



Ship Capacity of Top 3 Shipping Alliance by Trade

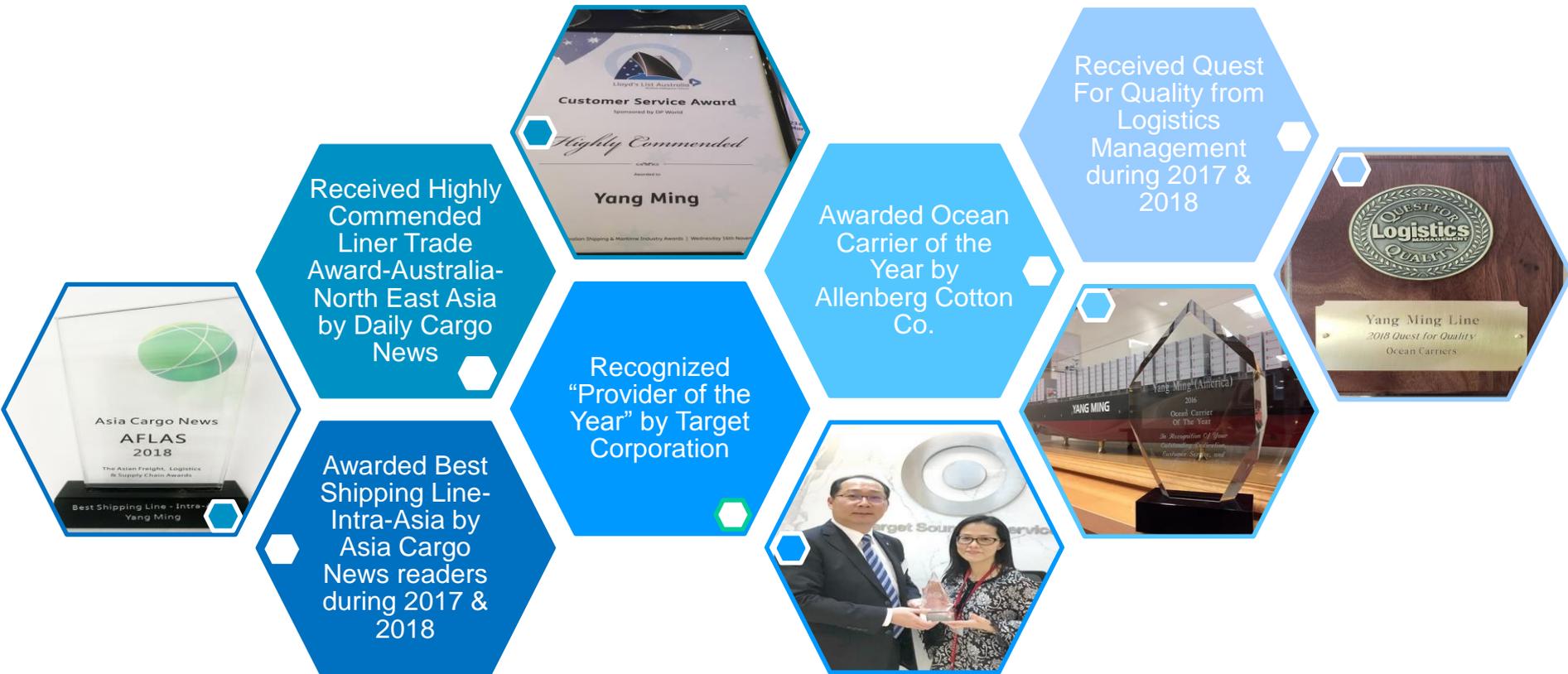


Shipping Alliance	Eur-N. America	FE.-N. America	FE.-Eur.
2M+HMM	46.3%	24.5%	38.6%
OCEAN	14.1%	41.9%	35.6%
THE Alliance	30.9%	25.0%	24.6%
Others	8.7%	8.6%	1.2%

Source: Alphaliner “Top 100 Report (as per 2018/11/16)

# Deliver award-winning service

by collaborative customer support team



# Achieve sustainability in shipping industry by committing to marine environmental protection



Received Blue Circle Awards from Vancouver Fraser Port Authority three years in a roll



Received Automated Mutual Assistance Vessel Rescue System (AMVER) certificate and Blue Pennant by The U.S. Coast Guard for YM MILESTONE



Recognized The Best Green Shipping Line Award by Ministry Of Transportation and Communication R.O.C.



Awarded Environmental Ship Index Award 2017 by Marseille Fos Port Authority



# Financial Results

# Yang Ming Group Operating Revenue Proportion

## Yang Ming Group



**Logistics**  
**3.33%**



**Bulk**  
**2.30%**



**Container Shipping**  
**93.81%**



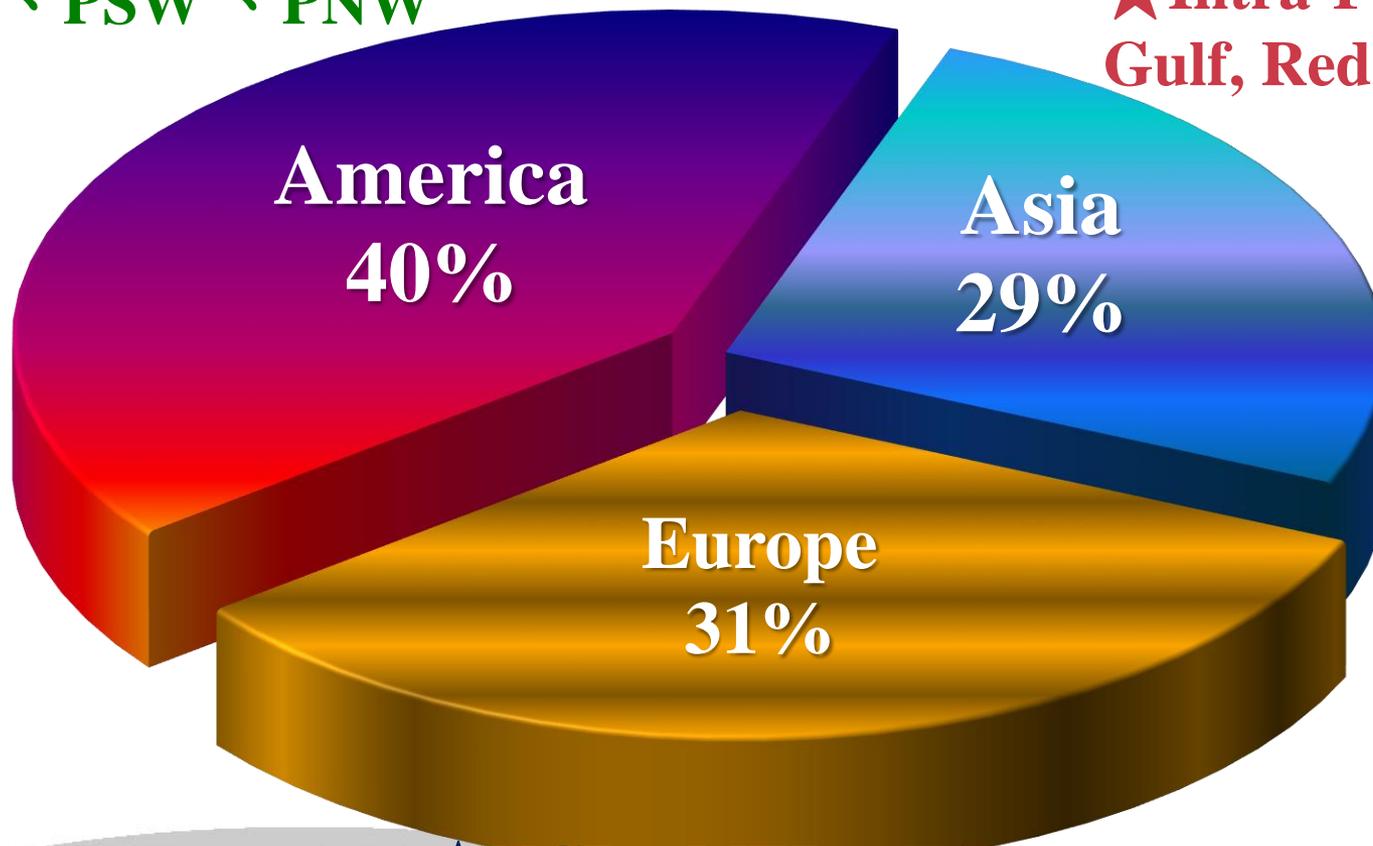
**Wharf**  
**0.29%**

# The Proportion of Consolidated Operating Income

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★ AWE 、 PSW 、 PNW

★ Intra-Far East  
Gulf, Red Sea, etc.

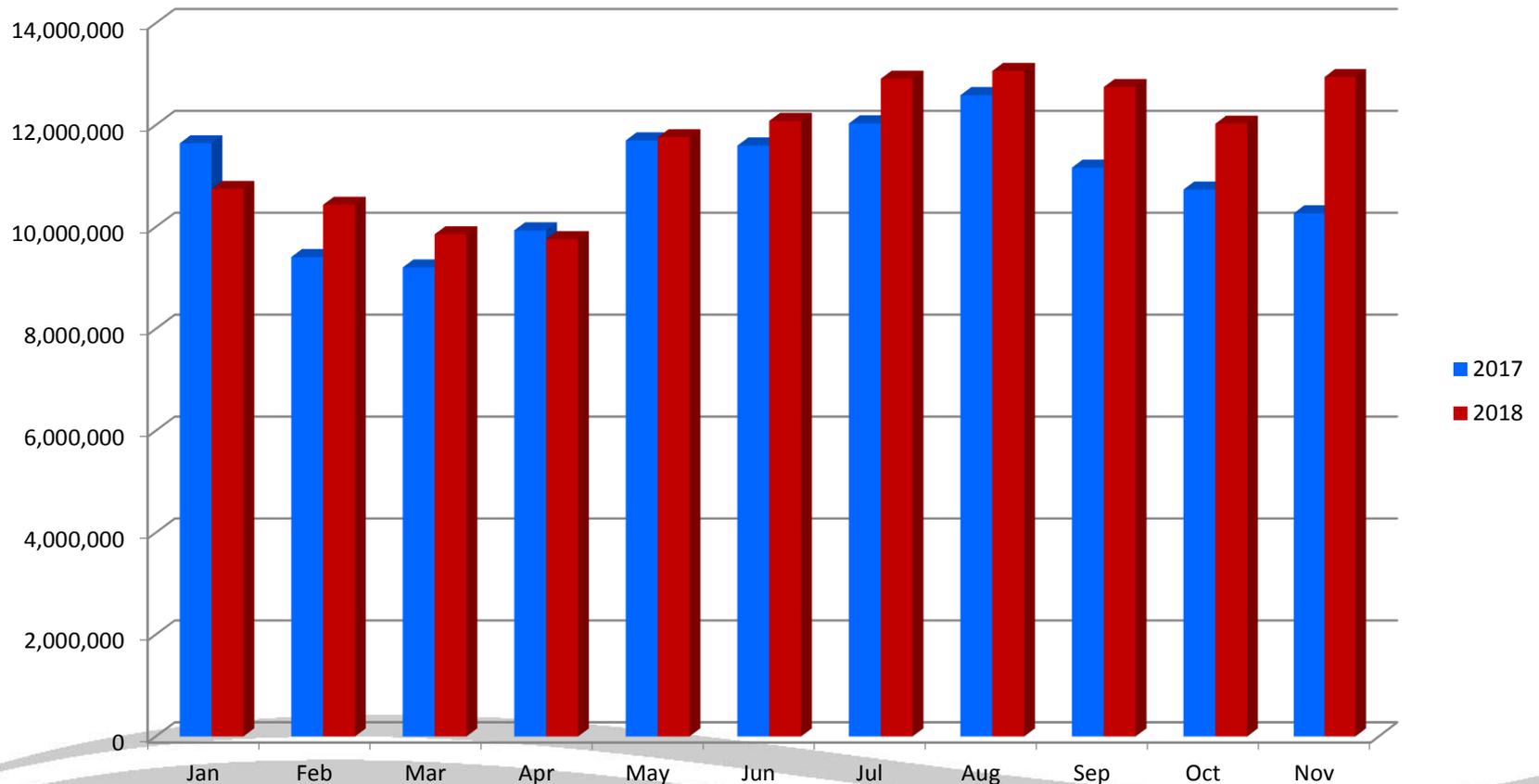


★ NCP 、 MED 、 TA

Data interval:201801~201811

# Consolidated Operating Revenue

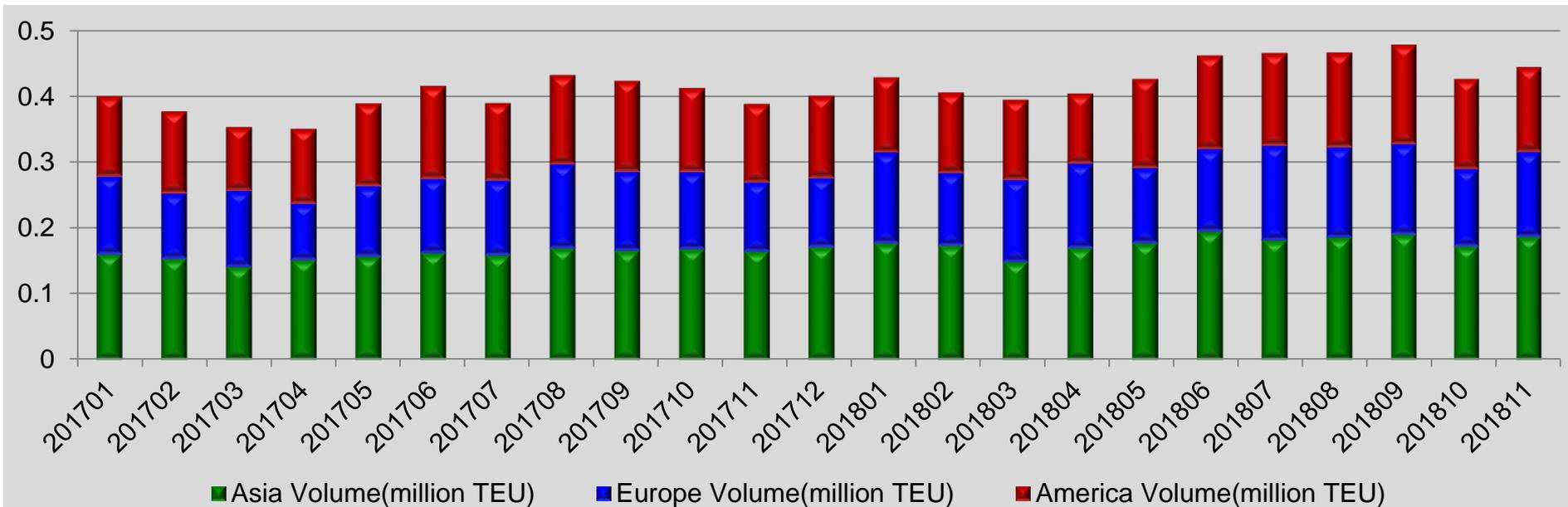
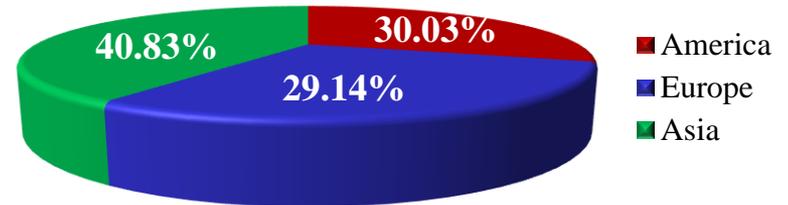
Consolidated Operating Revenue increased by 6.7% YOY



# Lifting Volume Analysis -Lifting Volume increased by 11% YOY

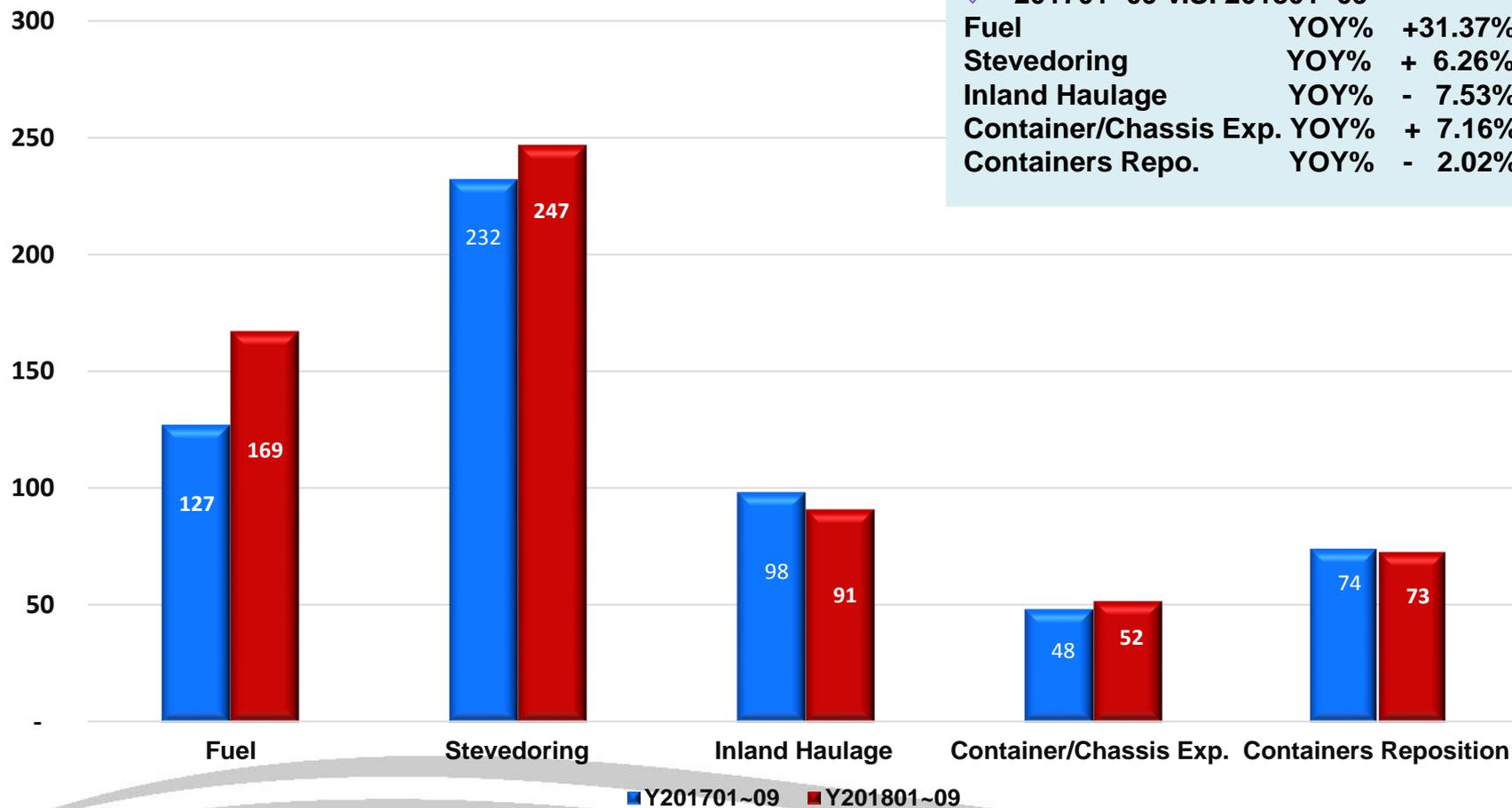
201701~11 : 4.32 million TEU

201801~11 : 4.79 million TEU



# Main Operating Costs Analysis

NTD\$100 Millions



# Brent crude oil price forecast Fuel oil cost fall as oil price down

U.S. crude oil production to reach record high level and softens stance on Iran sanction, oil price falls from October 2018 high.

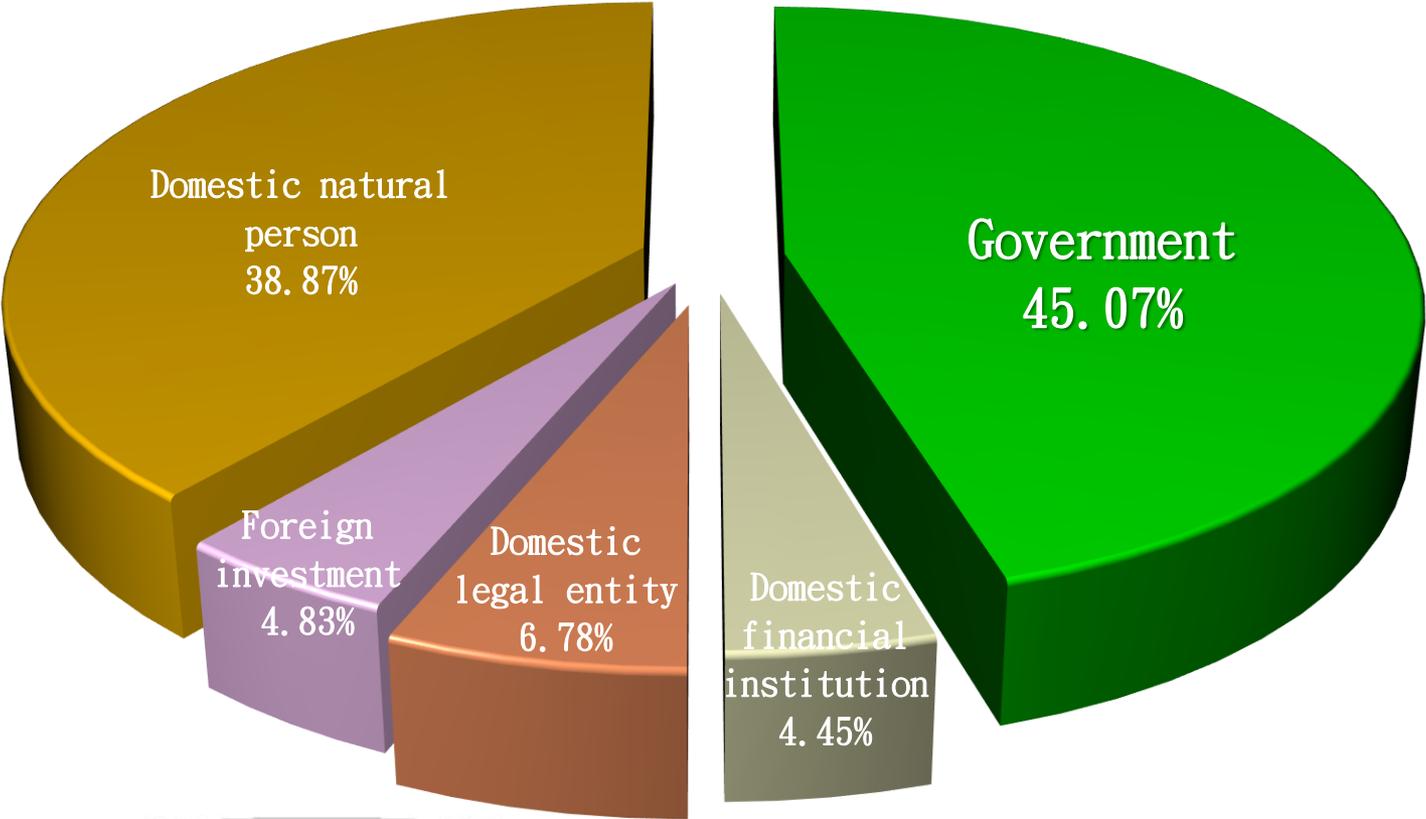
Bank\Time	1Q2019F	2Q2019F	3Q2019F	4Q2019F	2019F
JP Morgan	71.33	74.33	73.33	71.33	<b>72.58</b>
Barclays PLC	75	71	70	73	<b>72.25</b>
Bank of America Merrill Lynch	70	74	70	66	<b>70</b>
Goldman	70	70	65	65	<b>67.5</b>
Capital Economics Ltd	67	66	64	61.5	<b>64.63</b>
Oxford Economics Ltd	60	63	64.26	64.9	<b>63.04</b>
Citigroup					<b>57.00</b>

Units : USD/BBL

Source: Bloomberg(12/10)&Bank Investment Research

# Structure of Shareholders

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Date : 2018.4.24



# Future Prospects

# Operational strengthening strategy

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**Contribution Management & Service Optimization**

**IT System & Business Process Refine**

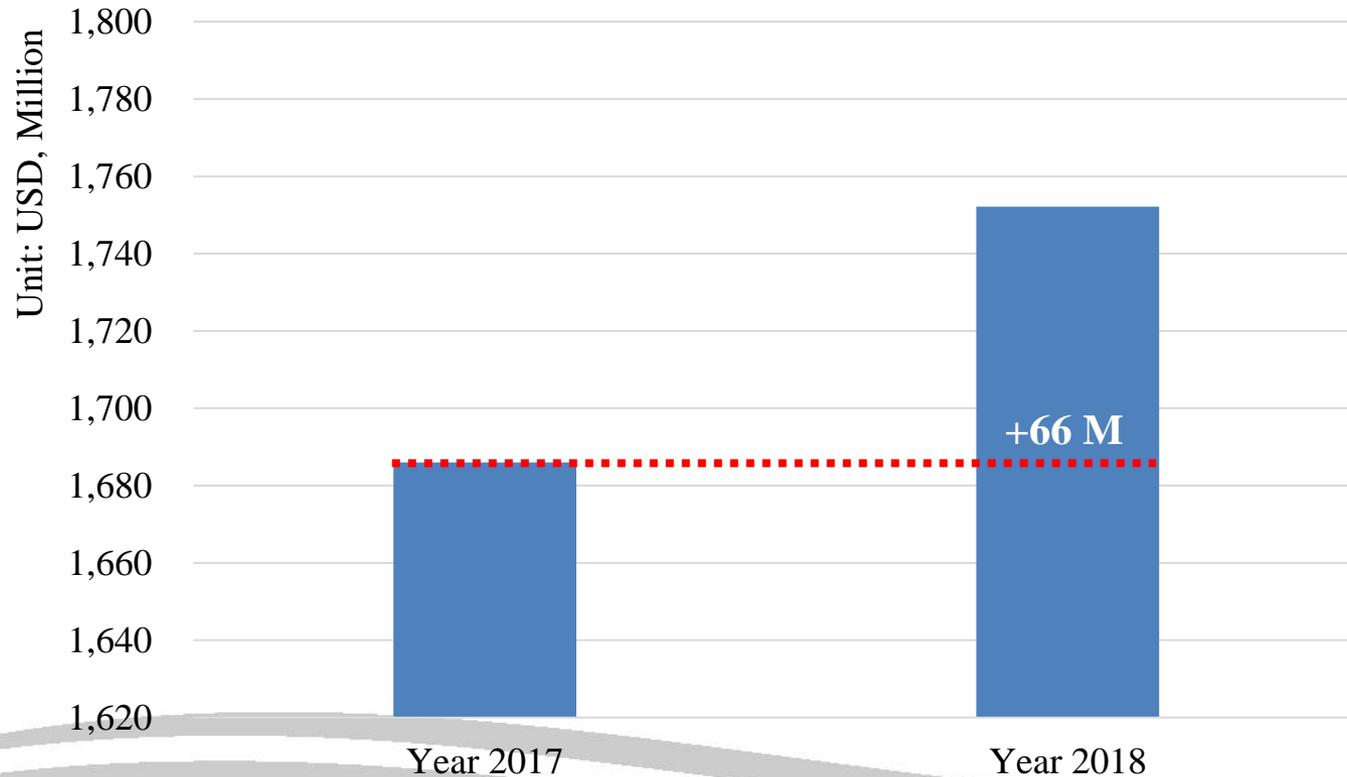
**Fleet Structure and Operation Optimization**

**Group Business Centralization management**

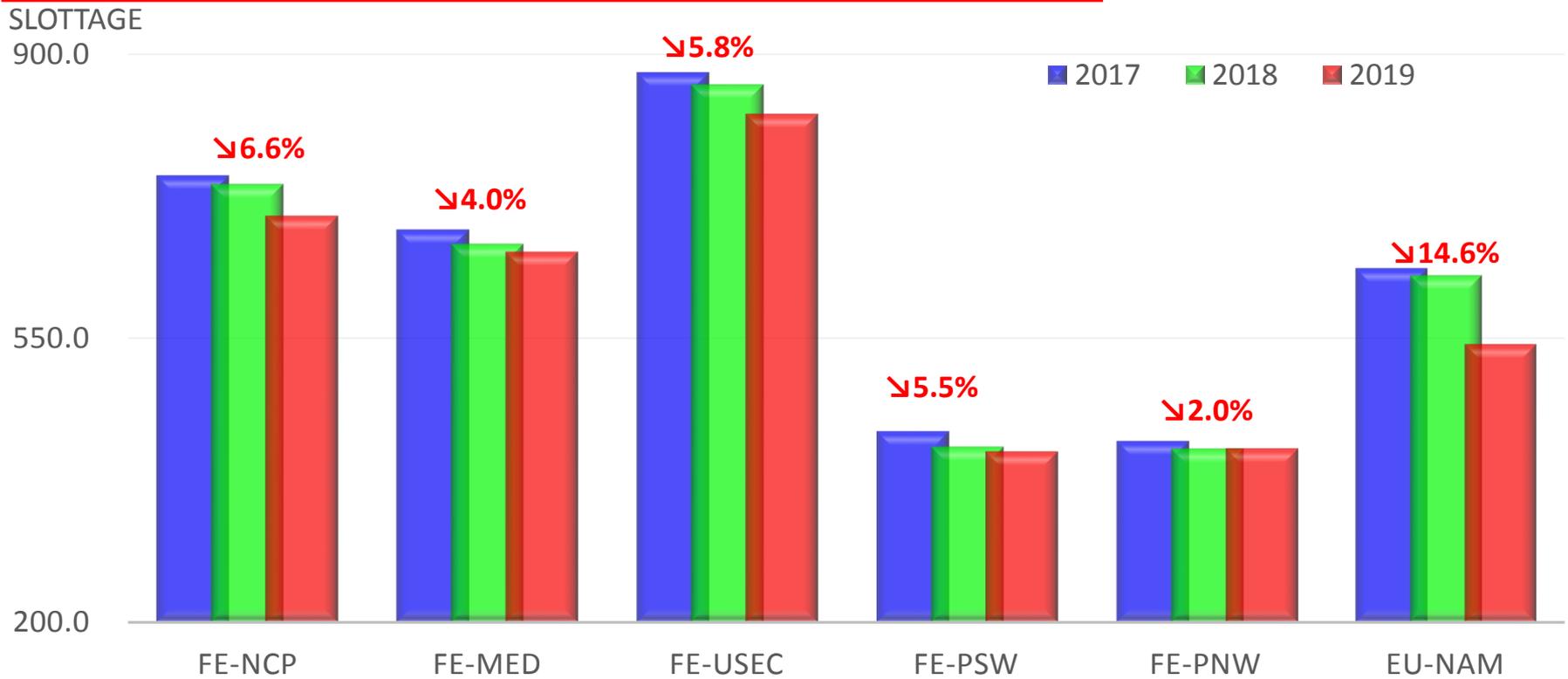
# Contribution Management

- 2018 Jan-Nov vs 2017 Jan-Nov : Marginal Contribution increased 66 M (USD)

2018 Jan-Nov vs 2017 Jan-Nov - Marginal Contribution



# Service Rationalization: YM West & East Service Competitiveness Improvement



Yang Ming continues to endeavor unit cost reduction on east-west trades through improving service competitiveness by around 2%~14.6% from 2017~2019.

# Service Rationalization

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## **Intra Asia**

- Yang Ming is to continue service rationalization, enhancing Intra Asia service network. According to Clarkson Research, Intra Asia trade volumes increased 9% year on year during the start of the year. In comparison to last year, Yang Ming Intra Asia capacity increased 3.2%, but the loading surged 12.04%.

## **West Asia**

- Yang Ming will established a regional center in Dubai in 2019 to operate FE from/to Middle East/Red Sea/ISC trade lanes. In the future, Yang Mind will develop feeder service in Middle East/Red Sea/ISC area so as to expand services and support network.

## **Central & South American business**

- Yang Ming has established a regional center called YMLA located in Panama in 2017 to operate Central/South America to/from FE/USA/Europe trade lanes. In the future, Yang Ming will develop feeder service in West coast of America and Caribbean area so as to expand services and support network.

# IT System & Business Process Refine

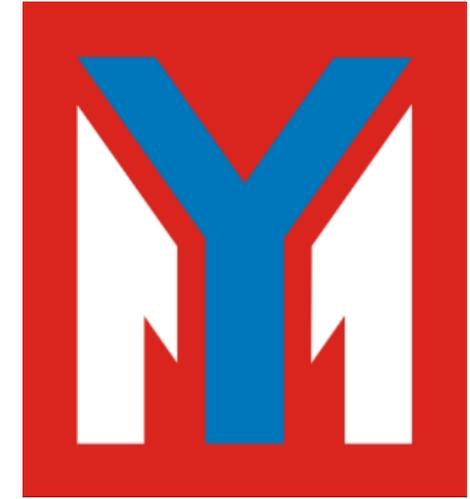
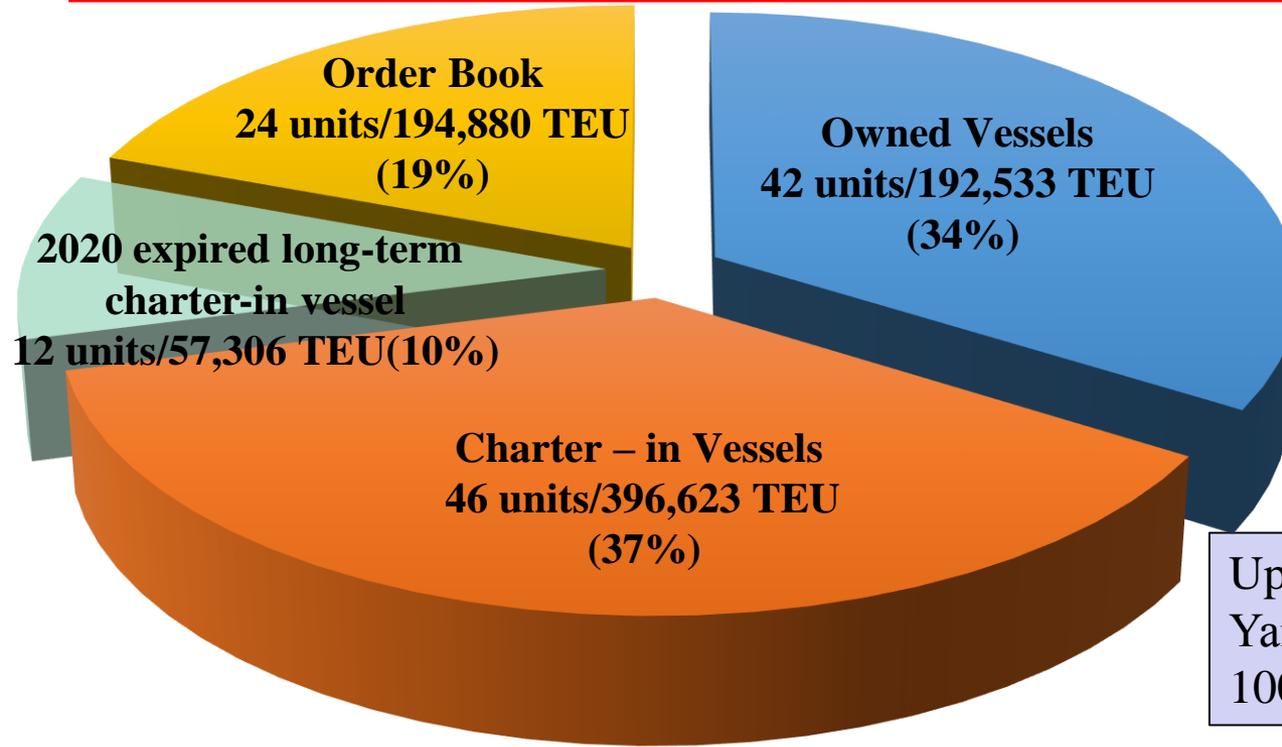
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Reinforce Managing Tool for Profit Driven

Optimize Global Agency Operation System for Centralization management

Refine Booking Process for Customer Satisfaction & laborforce productivity

# Yang Ming's Fleet Capacity and New Delivery



Up to 2018/11/15  
Yang Ming's total fleet capacity  
100 vessels/646,462 TEU

New building and order book:

1. 4 units of 14,000 TEU charter-in vessels will be delivered in 2019.
2. 10 units of 2,800 TEU owned vessels and 10 units of 11,000 TEU charter – in vessels will be delivered between 2020 - 2021.

2020 expired long-term charter-in vessel: 2 units of 8,000 TEU and 10 units of 4,250 TEU charter-in vessels

# Yang Ming Fleet's Cascading Plan

18 units of charter-in vessels expired between 2018 - 2020

Year	Vessel Type	Units	Cost saving
2018	4,000 TEU / 8,000 TEU	7	About USD 9 mil.
2019	4,000 TEU / 8,000 TEU	7	About USD 26 mil.
2020	4,000 TEU / 8,000 TEU	4	About USD 15 mil.

Old design vessel's cascading schedule:

1. 2018 will expire 4 units of 8,000 TEU and 3 units of 4,250 TEU charter-in vessel.
2. 2019 will expire 1 unit of 8,000 TEU and 6 units of 4,250 TEU charter-in vessel.
3. 2020 will expire 1 unit of 8,000 TEU and 3 units of 4,250 TEU charter-in vessel.

# Optimize Fleet Operation

by flexible swapping vessels to decrease idle time

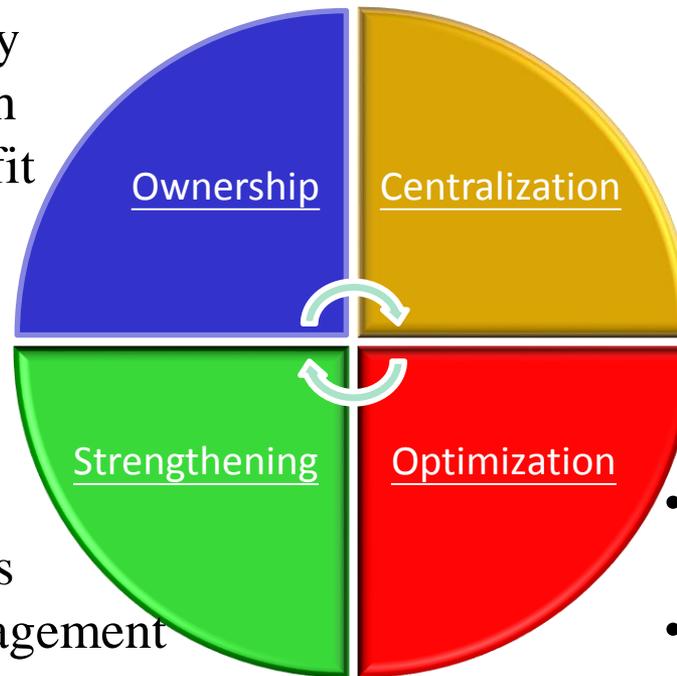
**Integrate all vessel resources from different services and arrange vessel swap operation to fully utilize the whole fleet:**

Item	2016(day)	2017(day)	2018(day)
Owned vessel's dry docking/retrofit	346	390	171
Charter-in vessel's dry docking (Transfer idle cost to ship owners)	100	177	53
Total vessel idle time	228	244	111
Total operation vessels (unit)	101	99	100
<b>Average vessel idling time</b>	<b>2.25</b>	<b>2.46</b>	<b>1.11</b>

**Refined fleet management to fully utilize vessel resource**

# Group Business Centralization Management

- Setting up own agency in those countries with good volume and profit



- Agents are contracted and evaluated by headquarter
- Global subsidiaries centralization management

- Strengthening the functions of own agents
- Strengthening the management dominance of own agents
- Strengthening the management and control of local charges

- Rationalization of Organization Restructure
- Optimizing the service network of agents
- Optimizing the commission structure of agents



# Q & A