

DHL Global Forwarding, Freight



OCEAN FREIGHT MARKET UPDATE

April 2018



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TOPIC OF THE MONTH

Major capacity influx expected in April



HIGH LEVEL DEVELOPMENT



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CARRIERS



BACK-UP



Topic of the Month

Major capacity influx expected in April

New Service Launches Announced March to May 2018

(excluding new services that are replacing existing services)

Route	Service	Operator	Ships	Launch Date
Long haul services				
FE-Mex/WCSA/Carib	11 new services replacing 9 current services	10 carriers in 3 groups	20 additional ships of 6,000-13,000 teu	From 1 Apr
Transatlantic	TAT4	OCEAN Alliance	5 x 4,200-5,000 teu	2-Apr
FE-Red Sea	AR1	THE Alliance/WHL	7 x 5,500-6,000 teu	6-Apr
Asia-Europe	AEX	HMM	10 x 4,600-5,000 teu	8-Apr
Transpacific	PNS	SM Line	6 x 4,200-4,800 teu	10-May

In the next 6 weeks, a whole slew of new service launches will help mop up container ship new buildings and give a further boost to the charter market, as more than **60 vessels** with a **total capacity of 360,000 TEU** are needed to populate the **new loops**. The most **significant additions** will be on the **Far East – West Coast South America and Far East – Caribbean routes** with **24% increase** in the overall capacity on the trade including additional capacity to Mexico and the Caribbean. A total of 115 ships with a combined capacity of 965,000 TEU will be deployed on this route from April, compared to a fleet of 95 ships – 780,000 TEU – used today. The main gainer will be COSCO, which is to double its capacity.

The capacity boost comes from the complete revamp of the existing carrier partnerships triggered by Maersk's acquisition of Hamburg Süd, as regulators required Hamburg Süd to withdraw from its existing VSA partnerships on the Far East – WCSA route. Starting from April **Hamburg Süd** will continue to cover the trade in cooperation with it's new parent company, **Maersk**. **Hapag Lloyd, MSC, ONE and HMM** are forming a **new VSA partnership**, while **CMA-CGM, COSCO, Evergreen, Wan Hai, PIL and Yang Ming** have established a **separate VSA**.

Source: Alphaliner

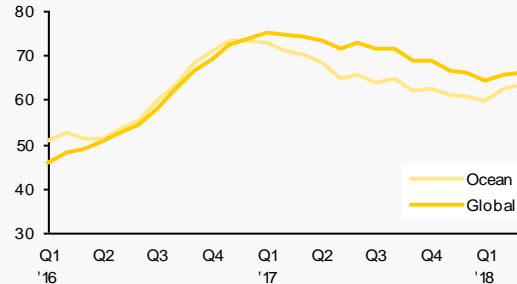


High Level Market Development – Supply and Demand

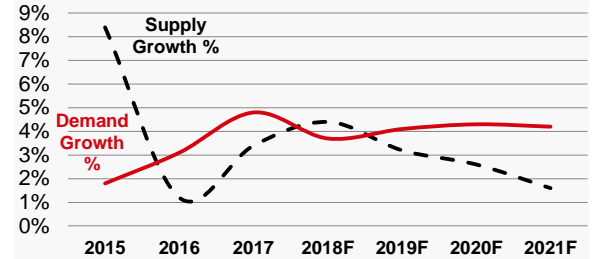
ECONOMIC OUTLOOK GDP GROWTH BY REGION¹⁾

	2017F	2018F	2019F	2020F	2021F	CAGR (2018-21)
EURO	2.4%	2.4%	2.0%	1.9%	1.8%	1.9%
MEA	3.3%	3.4%	3.6%	3.8%	3.7%	3.7%
AMER	2.2%	2.6%	2.7%	2.3%	2.1%	2.4%
ASPA	5.0%	5.0%	4.8%	4.7%	4.8%	4.8%
DGF World	3.3%	3.4%	3.3%	3.1%	3.1%	3.2%

DHL TRADE BAROMETER⁶⁾



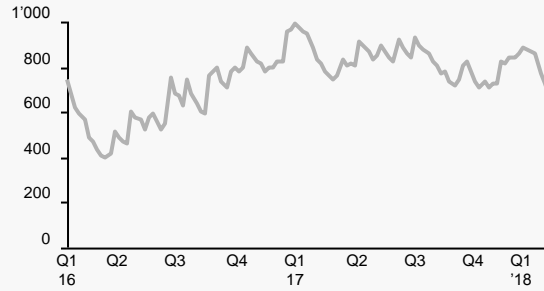
SUPPLY/DEMAND GROWTH RATE (ANNUALIZED), IN %



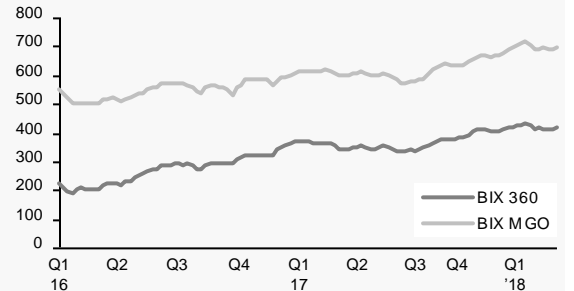
WORLD CONTAINER INDEX (WCI)³⁾



SHANGHAI CONTAINERIZED FREIGHT INDEX (SCFI)⁴⁾



BUNKER PRICE INDEX⁵⁾



¹⁾Real GDP, Global Insight, Copyright © IHS, Q2 2018. All rights reserved ²⁾ Demand growth = Port-to-Port Container Traffic growth. Supply growth = Fleet Growth. Source: Drewry Maritime Research. ³⁾ Shanghai Shipping Exchange, in USD/20ft container & USD/40ft ctnr for US routes, 15 routes from Shanghai. ⁴⁾ Global Insight, Drewry. ⁵⁾ Bunker Index, in USD/metric ton, Bunker Index MGO (BIX MGO) = avg. Global Bunker Price for marine gasoil (MGO) port prices; (BIX 380= avg. Global Bunker Price for all 380 centistoke (cSt) port prices; both index published on the Bunker Index website., ⁶⁾ DHL Global Trade Barometer Mar18, index value represents weighted average of current growth and upcoming two months of trade, a value at 50 is considered neutral, expanding above 50, and shrinking below 50.

Market Outlook April 2018 – Major Trades

Overcapacity leading to rates being under pressure in certain trades. GRIs announced.

EXPORT REGION	IMPORT REGION	CAPACITY	RATE
 EURO	AMNO	+	+
	AMLA	=	=/+
	ASPA	-	+
	MENAT	=	=/+
	SSA	=	=/+

 AMNO	AMLA	=	+
	ASPA	=	=
	EURO	=	+
	MENAT	=	+
	SSA	=	=

KEY	Strong Increase ++	Moderate Increase +	No Change =	Moderate Decline -	Strong Decline --
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Source: DGF

EXPORT REGION	IMPORT REGION	CAPACITY	RATE
 AMLA	AMNO	=	=
	ASPA	+	=
	EURO	+	=
	MENAT	=	=
	SSA	=	=

 ASPA	ASPA	=	=/+
	AMNO	=	-
	AMLA	++	--
	EURO	+	=
	MENAT	=	+
	OCEANIA	=	++

Market Outlook April 2018 – Ocean Freight Rates Major Trades

Market outlook on smaller trades available in the back-up

OCEAN FREIGHT RATES OUTLOOK

ASPA – EURO	Carriers starting to announce an April GRI to stabilize the rates as the pick up after Chinese New Year was slower than expected.
EURO – ASPA & MEA	Due to the Chinese New Year blanks now hitting Europe on the return leg, space in the first half of April is drastically reduced (-130,000 TEU). Carriers taking their chances and pushing for increases.
ASPA – AMLA	18% of capacity will be injected to Mexico/WCSA by COSCO/CMA/MSCL, we expect rate will be under huge pressure to drop. For ECSA, small capacity increase by PIL, rates to remain stable.
ASPA – AMNO	Spot rates will continue to be under pressure as market utilization hover around sub 90% levels.
EURO – AMNO	Ocean Alliance is deploying a 3rd loop but all carriers are reporting well utilized vessels. GRI is announced and will go through but mitigated.
ASPA – MENAT	Carriers have now announced GRI on weekly basis into Middle East and Red Sea, for pre-Ramadan rush. Space expected to be tight in the coming weeks. Rate increase expected in April for lanes into EMED and Africa.
ASPA – ASPA	Both rates and capacity are generally expected to remain stable for the Intra-Asia trade. Q2 is the traditional peak season for the Asia-Pakistan market. Carriers have announced GRIs for Pakistan/ India/ Sri Lanka
AMNO – EURO	Most services are running full leading to rate increases for Q2. Carriers are increasing their door rates in their tariffs.

Source: DGF



Economic Outlook & Demand Development

Global Risks Are Rising At The Same Time Economic Outlook Has Brightened



EURO

EU's growth is beginning to peak, as political risks increase. Nevertheless, low inflation, solid employment gains, and ultra-loose monetary policy will sustain growth through this year and into next. In **IT** the political uncertainty after the March election with none of the main parties or coalitions able to secure a parliamentary majority, threatens to unwind recent improvement in Italian consumer and business confidence.

AMNO

US: more fiscal stimulus, made possible by a further lifting of spending caps, means even stronger growth in 2019, offsetting the weaker initial conditions – slower growth in the Q1 '18, lower equity prices, higher volatility, dollar exchange rates – thus raising real GDP growth forecast, especially in 2019 to 3.0%.



ASPA

JP: real GDP growth outlook maintained thanks to strong external demand and sustained moderate uptrend in domestic demand. Rapid yen appreciation could reduce corporate profits and weight on capital spending and wage increase. US trade policy is a particular concern, as it could exacerbate safe-haven yen appreciation.

CN: During National People's Congress in early March, government announced a 2018 growth target of 6.5%, compared with reported growth of 6.9% in 2017. Long-term slowing in China's economy is a function of rapidly aging population, environmental degradation, massive amounts of leverage, and a large overhand of excess industrial capacity.



**EMERGING
MARKETS**

BR's real GDP expected to pick up to 2.4% this year and 3.5% in 2019, helped by solid gains in consumer spending and business fixed investment.

RU' real GDP growth is projected to improve to 1.9% this year, helped by increased government spending in an election year.

**DEMAND
DEVELOPMENT**

PMIs average prices charged for goods and services worldwide in February rose at a rate only exceeded once (in Feb '11) since the global financial crisis. Higher prices generally reflected improved pricing power amid stronger demand, along with the need for firms to pass on higher costs to customers.

Source: IHS Markit Global Executive Summary, IHS Purchasing Manager Index Manufacturing, a PMI at 50 is considered neutral, expanding above 50, and business shrinking below 50.



Capacity Development

CAPACITY DEVELOPMENT

The **2M** carriers, Maersk and MSC, have announced a **revamp** of their joint **Fare East – Europe networks**, with revised port rotations aimed at reducing the number of duplicate port calls on 2M's six Far East – North Europe and four Far East – Mediterranean loops. The revamp will also allocate more buffer time at hub ports to improve schedule reliability after 2017, when many sailings had been disrupted by port congestion and adverse weather conditions in Asia. The new service configurations will enter into effect with westbound sailings in May.

The launch of HMM's new 'AEX' service on the **Asia – Europe** route (starting from Apr 08th) kicked off a **series of upgrades** by the three alliance groups. **THE Alliance, OCEAN Alliance and 2M** are set to **boost the capacities of existing services** on the route with the phase-in of various newbuildings of 14,000 – 22,000TEU. CMA CGM will also upgrade its standalone FAL-SEANE service, with the frequency upgraded to weekly from March and the service extended from Southeast Asia to South China.

In addition to the new service launch of SM Line on the **Transpacific route** as of May, the trade is set to see a **significant increase in total capacity**, with upgrades planned on existing services. This is **led by OCEAN Alliance**, which is expected to **increase overall capacity by 11%** on both the **US West Coast and US East Coast**. **APL** has also announced a new '**Eagle Express X**' (**EXX**) service, to be launched in July 2018, offering a **fast eleven-day transit time** from Shanghai to Los Angeles. This new loop is set to challenge the ten-day express service that Matson offers on its 'China-Long Beach Express' (CLX).

The **MURCIA MAERSK (20,568TEU)** is delivered to APM-Maersk on 28 Feb 2018. The vessel follows the MANCHESTER MAERSK delivered in January. The MURCIA MAERSK is the eighth ship in a series of eleven 'EEE Mark II' containerships which Maersk ordered at the Korean DSME shipyard in June 2015 for a price of \$160M per unit. After a bunkering trip to Russia, the MURCIA MAERSK has joined the Maersk-MSC Far East-Europe 'AE-7/Condor' loop, offered within the context of the 2M agreement, on 22 March.



Source: Alphaliner, carriers



Carriers (1/2)

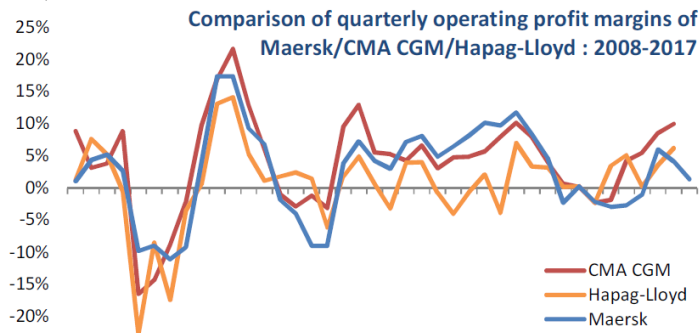
CARRIERS

Maersk's share price has fallen to a new 12 month low of DKK 9,226 on 9 March as fears of a trade war, sparked by US tariffs on steel and aluminium which could hurt overall container trade volume growth, emerged. The value of Maersk's shares has dropped by over 34% from its one-year high, as disappointment persists over a lack of cash payouts from the divestment of Maersk's energy business assets, which coincided with a recovery of oil prices. Meanwhile, Maersk's core business of container shipping continues to under-perform in an environment of excessive price competition. Maersk missed its earnings targets last year and, despite the **recent acquisition of Hamburg Süd** which is expected to deliver **annual synergies of \$350-400M**, the carrier provided a **flat 2018 earnings forecast** for its shipping business.

CMA CGM has reported **net profits of \$701M in 2017**, reversing a net loss of -\$452M in 2016. The improved performance was attributed to a **21% increase in total liftings**, due partly to the inclusion of APL's volumes from June 2016, and a **9% increase in average freight rates**. Operating income (core EBIT) reached \$1,575M in 2016, for a FY operating margin of 7.5%, surpassing the margins reported so far by its peers including Hapag Lloyd's 4.1%, Maersk Line's 2.7% and OOCL's 1.7%. On a quarter to quarter basis, CMA CGM's 4th Q earnings suffered from lower liftings and rates, with increased market competition pushing down overall margins. CMA CGM is pushing ahead with its planned fleet growth, having placed orders for nine 22,000TEU LNG fuelled containerships in Nov 2017 for delivery in 2020-2021. The company revealed that the total costs for the nine ships would be \$1,377M.

	Currency	FY 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	FY 2017
CMA CGM (including logistics and terminals); inc. APL from 14 Jun 2016							
Revenue	US\$ m	15,977	4,620	5,311	5,702	5,483	21,116
EBITDA		535	383	611	707	417	2,117
EBITDA Margin %		3.3%	8.3%	11.5%	12.4%	7.6%	10.0%
Core EBIT		29	252	472	568	282	1,575
Core EBIT Margin %		0.2%	5.5%	8.9%	10.0%	5.2%	7.5%
Net Profit		-452	86	219	323	73	701
Ave. TEU Operated '000		2,014	2,150	2,232	2,419	2,495	2,324
Liftings in '000 TEU		15,641	4,304	4,732	4,984	4,929	18,949
Ave. Rev (\$/TEU)		1,021	1,074	1,122	1,144	1,112	1,114

Source: Alphaliner, carriers



Carriers (2/2)

CARRIERS

Cont Shipping	1H17	2H17	2017 FY
Revenue	2,884	3,195	6,078
EBITDA	245	301	545
Operating profit	22	65	86
EBIT	31	74	105
Net Profit	-21	9	-12
EBIT Margin	1.1%	2.3%	1.7%
Ave Rev/TEU	839	882	861
Liftings('000TEU)	3,087	3,212	6,299

OOCL has posted a **net loss of \$12M in 2017**, based on the full year results of the container transport and logistics segment reported by parent company OOIL. Although OOCL reported **net profits of \$9M in the 2nd half of 2017**, it was **insufficient to reverse a \$21M net loss recorded during the 1st half of the year**. The continued losses at OOCL comes despite a 3.6% increase in total liftings to 6.3 Mteu in 2017. However OOCL's overall load factors were 3.5% lower in 2017 vs 2016 due to the increase in capacity operated that came mainly from the delivery of five 21,413 TEU "Giga-class" ships during the year.

COSCO Shipping will **enter the trade between North Europe and the West Coast of South America** from April **by buying slots** on the 'SWX/SAWC/Eurosal XL' service operated jointly by Hapag Lloyd, Hamburg Süd and CMA CGM. COSCO will brand the service 'EWX' and starting from June the Chinese carrier intends to contribute tonnage to the route. The launch of the 'EWX' service is **a further step in COSCO's expansion into the north – south trades outside Asia**. The shipping line already expressed its interest to offer new connections between Europe and Latin America last year when it launched two new Europe related services.

The Korean Shipping Partnership (KSP), launched in August 2017, has announced further service rationalizations. The **coalition of 14 South Korean carriers** incl HMM, CK Line, Dongjin Shipping, Doowoo Shipping, Dong Young Shipping, Hansung Line, Heung-A Shipping, KMTC, Namsung Shipping, Pan Continental Shipping, Pan Ocean, Sinokor Shipping, SM Line and Taiyoung Shipping, was initially formed with the **aim of rationalizing routes and fleets**, as well as to **foster expansion** through developing new joint services and joint international terminal operations. In the **latest rationalization move** the carrier group agreed to remove one of the 13 weekly services from the Korea – North Vietnam route. The move is expected to have a **negligible impact** on the trade taking out only 3.7% of the total capacity deployed on this route. The **KSP** is showing a **very slow progress** and no meaningful cooperation among the highly-fragmented Korean shipping companies as been reached so far. In the absence of a fully-fledged consolidation of the Korean carriers, the KSP's efforts will likely remain without significant effect.

Source: Alphaliner, carriers



PUBLIC

BACK-UP

Market Outlook April 2018 – Ocean Freight Rates Additional Trades (1/2)

OCEAN FREIGHT RATES OUTLOOK	
EURO – AMLA	some significant rate increases on the faster service to SAEC, slower service remains unchanged for now, but with a pre-warning for upcoming increases. Vessels are fully booked and rollings are taking place.
EURO – SSA	rate increases on West Africa and East Africa as of April. South Africa remains unchanged stable.
AMNO – MENAT	Rates are in the rise approx. \$50/TEU with major carriers. Space is a major issue especially from US Gulf Coast and USEC. Bookings are out 3-4 weeks
AMNO – SSA	No Space issues or service changes on USA to South & West Africa services Rates are stable with no increase/decrease expected until new year or in the first quarter of 2018
AMNO – AMLA	Capacity getting tight USGC/USEC to all AMLA. WCUS stable Costs rising slowly aligned w/the space constraint
AMLA Exports	Vessels are running with 85% to 90% of its capacity to NEUR from SAEC Bookings shall be placed 3-4 weeks in advance from vessel departure; Commodity season starts in April and rates will increase again

Source: DGF



Market Outlook April2018 – Ocean Freight Rates Additional Trades (2/2)

OCEAN FREIGHT RATES OUTLOOK	
EURO MED - AMNO	Increases will occur during April (PSS/rate increases/costs connected to US deliveries)
EUR MED – AMLA	Stable/some increases depending on service and provider
EURO MED – ASPA	Stable/some increases depending on service and provider
EURO MED – MENAT	Stable/some increases depending on service and provider
EURO MED – SSA	Unchanged/Stable
ASPA-SPAC	1 st April welcomes the start of Quarter 2- Traditionally the slack season for Oceania. Carriers, with the expectation of falling rates, are implementing GRI (~USD 200-300/TEU) for this region in hopes of holding rates high.

Source: DGF



Carriers

Drewry's Altman Z-Score as of 1 March 2018

Company	Period	Period Ended	Units	Net Sales	EBIT	Assets		Book Value of Equity	Liabilities		Retained Earnings	Z-Score
						Total	Current		Total	Current		
OOIL ¹⁾	6 months	30. Jun 17	17 million US\$	2'898	110	9'693	2'783	4'592	5'101	1'437	4'529	2.03
CMA CGM	9 months	30. Sep 17	17 million US\$	15'633	1'291	19'712	6'140	5'612	14'099	5'801	4'674	1.94
AP Moller-Maersk	Annual	31. Dez 17	17 million US\$	30'945	641	63'227	24'081	31'425	31'802	14'757	26'835	1.89
Wan Hai	9 months	30. Sep 17	17 million NT\$	44'970	2'480	75'688	30'509	34'074	41'614	20'588	11'142	1.79
NYK group	9 months	31. Dez 17	17 billion Yen	1'631	25	2'117	580	588	1'528	524	342	1.57
K Line group	9 months	31. Dez 17	17 billion Yen	884	7	1'054	397	260	794	285	66	1.56
China Cosco ²⁾	9 months	30. Sep 17	17 millino RMB	67'599	4'567	132'443	45'728	42'981	89'462	42'854	32'765	1.49
Evergreen Marine Corp	9 months	30. Sep 17	17 million NT\$	113'068	5'893	193'384	62'178	59'025	134'359	45'053	11'810	1.37
MOL group	9 months	31. Dez 17	17 billion Yen	1'240	24	2'252	465	714	1'538	444	383	1.31
Hapag-Lloyd Holding	9 months	30. Sep 17	17 million euro	7'314	268	15'817	2'840	5'780	10'037	3'323	3'157	1.28
Pacific International Lines	6 months	30. Jun 17	17 million US\$	1'878	98	5'698	1'290	1'804	3'894	1'907	1'034	1.17
Yang Ming	9 months	30. Sep 17	17 million NT\$	99'263	501	131'096	24'696	17'670	113'426	44'536	-1'752	0.92
Hyundai Merchant Marine	9 months	30. Sep 17	17 billion Won	3'840	-289	3'442	1'206	636	2'806	774	-2'467	0.40
Zim	9 months	30. Sep 17	17 million US\$	2'217	115	1'827	590	-82	1'909	653	-1'879	0.39

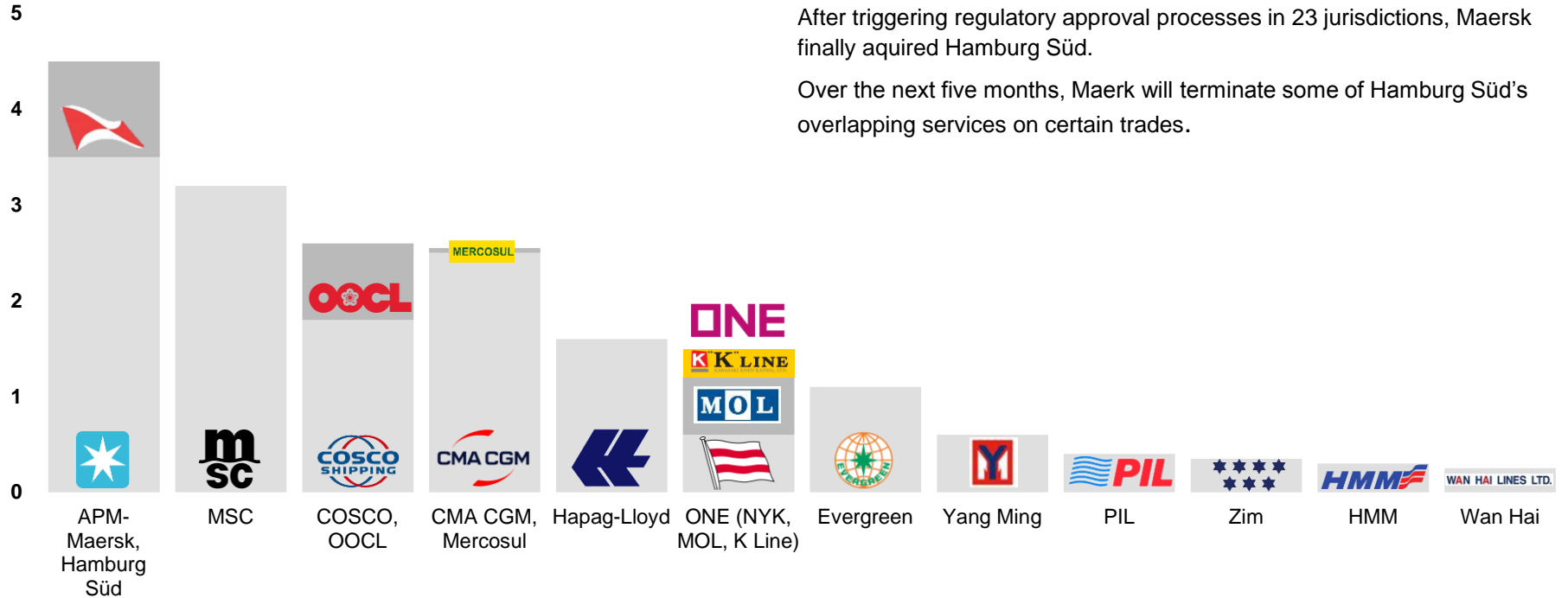
The Z-Score is a statistical analysis to predict a company's probability of failure in the next two years, using data from the company's financial statement.

Z-Score ≥ 2.99 = company is "safe"; Z-Score between 1.8 and 2.99 = exercise caution ("grey zone"); Z-Score ≤ 1.8 = Higher risk of the company going bankrupt ("distress zone")

Source: Drewry Sea & Air Shipper Insight February 2018, 1) parent of OOCL, 2) parent of Cosco Container Lines; Z-score is calculated as follows: T1 = (Current Assets - Current Liabilities) / Total Assets, T2 = Retained Earnings / Total Assets, T3 = Annualized EBIT / Total Assets, T4 = Book Value of Equity / Total Liabilities, T5 = Annualized Sales / Total Assets, Z-score bankruptcy rating = $1.2 \cdot T1 + 1.4 \cdot T2 + 3.3 \cdot T3 + 0.6 \cdot T4 + 1.0 \cdot T5$

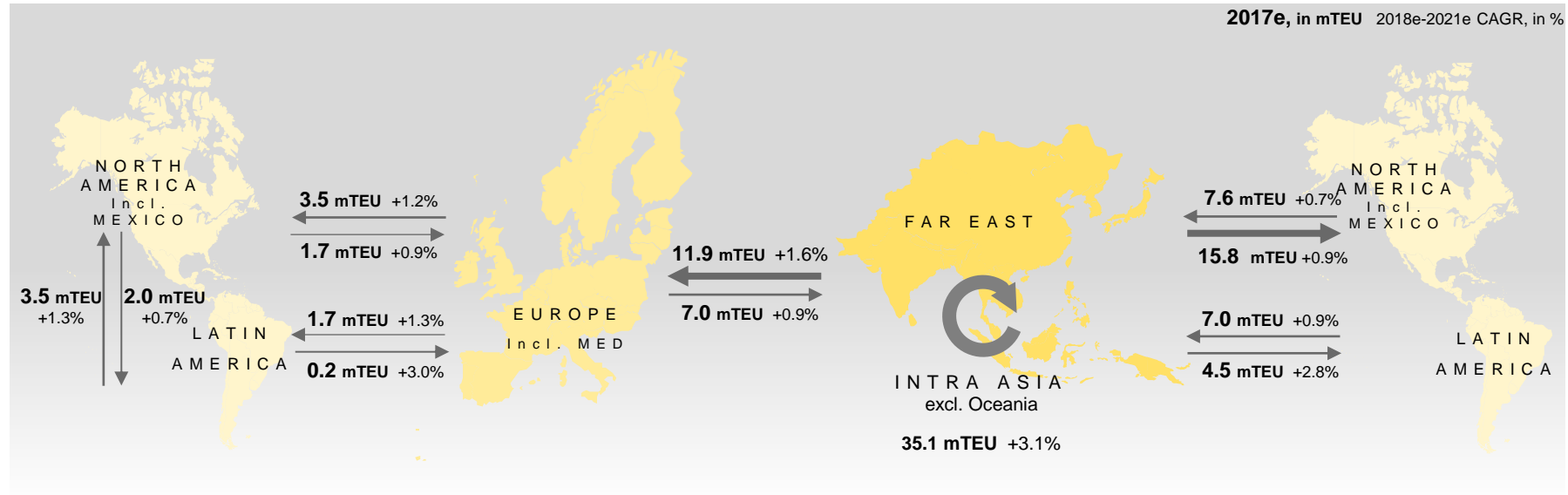
Topic of the Month

Top 12 Carriers by Operated Capacity (in Mil. TEU), December 2017



Source: Alphaliner, incl. pending mergers

Market Outlook – Volume Outlook in Main Trade Lanes, 2017 Estimate & Growth Forecast 2017/20 in %



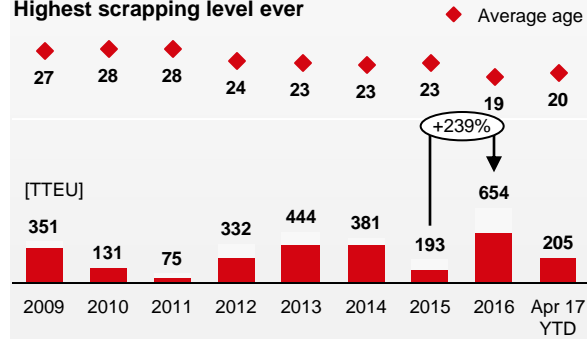
GLOBAL CONTAINER TRADE 2017e **138.5 mTEU** +2.3% CAGR 2017e-2020e

→ Mid-term growth is mainly driven by Asian tradelanes.

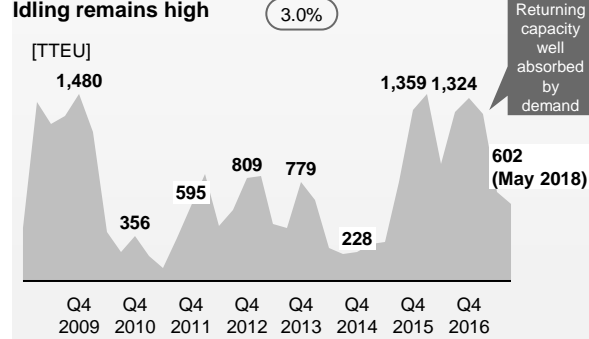
Source: Seabury

Global Capacity Development all Trades

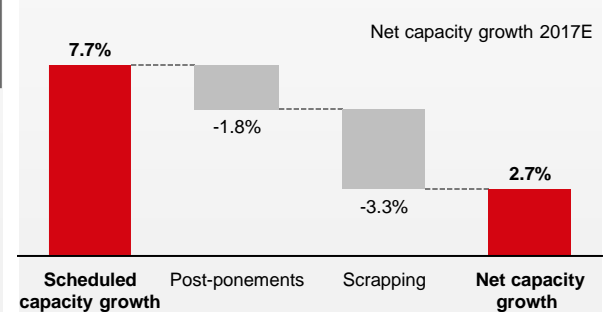
Highest scrapping level ever



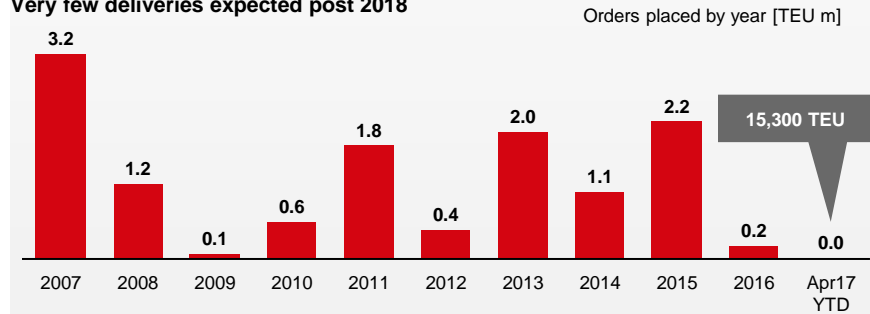
Idling remains high



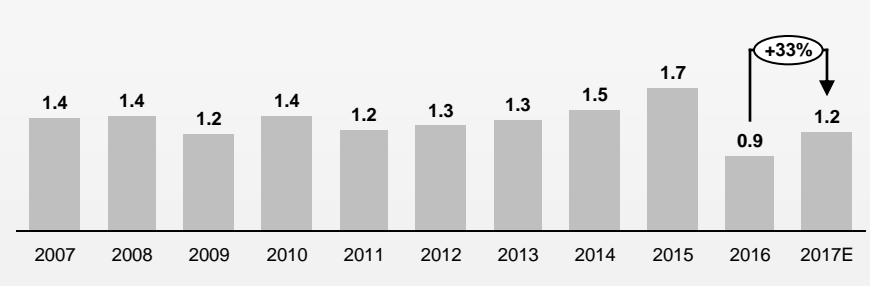
Net capacity growth remains low



Very few deliveries expected post 2018



Vessel deliveries by year [TEU m]



Source: Alphaliner (May 2017), carrier views

Carrier Mergers, Acquisitions and Alliances

M E R G E R S A N D A Q U I S I T I O N S



A L L I A N C E S

F O R M E R A L L I A N C E S



P R E S E N T A L L I A N C E S



Source: Carriers

Acronyms and Explanations

2M - Carrier Alliance: Maersk / MSC	OCRS - Operational Cost Recovery surcharge
AMLA - Latin America	OWS - Overweight Surcharge
AMNO - North America	PH - Philippines
AR - Argentina	PNW - Pacific North West
ASPA - AsiaPacific	Ppt. - Percentage points
BR - Brazil	PSW - Pacific South West
CAGR - Compound Annual Growth Rate	RR(I) - Rate Restoration
CENAC - Central America and Caribbean	SAEC - South America East Coast
CKYHE - Carrier Alliance: Cosco, K-Line, YangMing, Hanjin and Evergreen	SAWC - South America West Coast
CNC - CNC Line (Cheng Lie Navigation Co. Ltd.)	SOLAS - Safety of Life at Sea
DG - Dangerous Goods	SPRC - South People's Republic of China – South China
DWT - Dead Weight Tonnage	SSA - Sub-Saharan Africa
EB - Eastbound	SSL - Steam Ship Line
ECSA - East Coast South America	T - Thousands
EURO - Europe	TEU - Twenty foot equivalent unit (20' container)
FMC - US Federal Marine Commission	TP - Trans Pacific
G6 - Carrier Alliance: APL, Hapag Lloyd, Hyundai, MOL, NYK and OOCL	TSA - Trans Pacific Stabilization Agreement
GRI - General Rate Increase	ULCS - Ultra Large Container Ship
HJS - Hanjin Shipping	USGC - US Gulf Coast
HMM - Hyundai	US FMC - US Federal Maritime Commission
HSUD - Hamburg Süd	USEC - US East Coast
HWS - Heavy Weight Surcharge	USWC - US West Coast
IA - Intra Asia	VGM - Verified Gross Mass
IPBC - India Pakistan Bangladesh Colombo	VLCS - Very Large Container Ship
IPI - Inland Point Intermodal	VSA - Vessel Sharing Agreement
ISC - Indian Sub Continent	WB - Westbound
MENAT - Middle East and North Africa	WCSA - West Coast South America
mn - Millions	YML - Yang Ming Line
MoM - Month-on-Month	YoY - Year-on-Year
NOO - Non-operating (vessel) owners	YTD - Year-to-Date
Ocean 3 - Carrier Alliance: CMA, UASC, China Shipping	