



**Ardmore Shipping**

## **ARDMORE SHIPPING CORPORATION**

Fourth Quarter and Full Year 2018

Earnings Presentation



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This presentation contains certain statements that may be deemed to be “forward-looking statements” within the meaning of applicable U.S. federal securities laws. All statements, other than statements of historical facts, that address activities, events or developments that Ardmore Shipping Corporation (“Ardmore” or the “Company”) expects, projects, believes or anticipates will, or may occur in the future, are among these forward-looking statements including, without limitation, statements about: future operating or financial results; global and regional economic conditions and trends; the Company’s business strategy and expected operating expenses and operating leverage, including expected increases in EPS for given tanker rate increases; competition in the tanker industry; shipping market trends and market fundamentals, including expected tanker demand and scrapping levels; the effect on tanker demand of the IMO 2020 regulations, and the timing of such effect; future tanker rates; the Company’s financial condition, liquidity and debt amortization; and expected 2019 revenue days. Although the Company believes that its expectations stated in this presentation are based on reasonable assumptions, actual results may differ materially from those projected in the forward-looking statements.

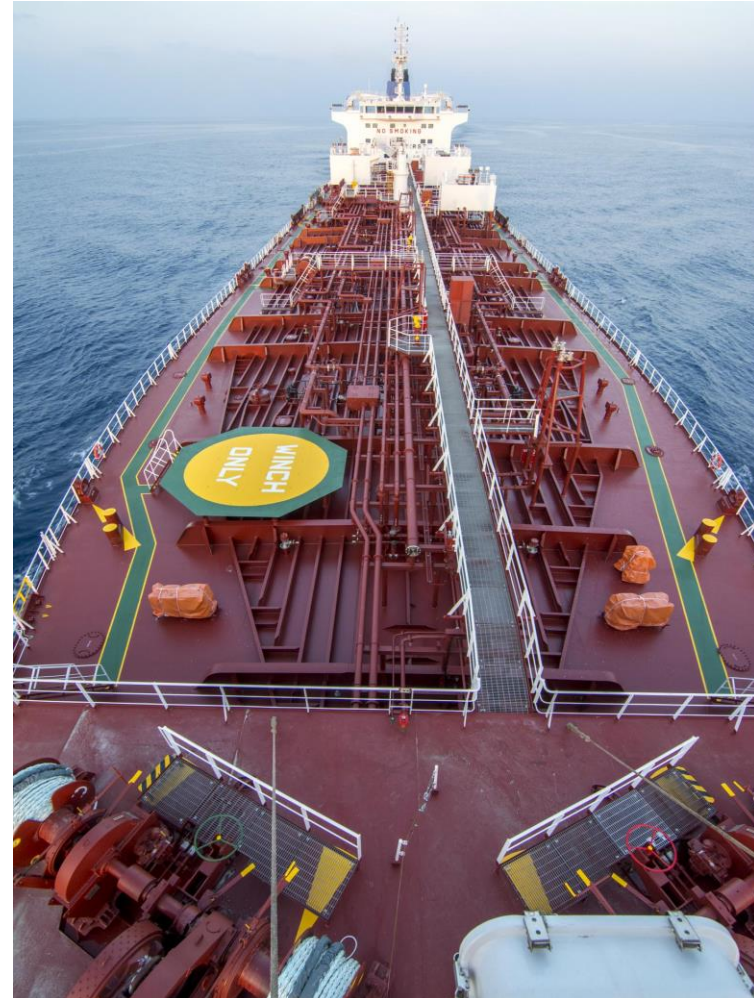
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# Earnings Release: Fourth Quarter and Full Year 2018

## Agenda

- Highlights
- Key Market Developments
- Quarterly and Full Year Performance
- Tanker Market Activity and Fundamentals
- Financial Review
- Summary



# Highlights

- Reporting net loss from continuing operations of \$8.75 million, or \$0.26 per share for 4Q18, compared to net loss of \$12.2 million, or \$0.37 per share for 3Q18
- MR charter market rebounded in December:
  - Average MR earnings increased from \$11,000 / day in October to \$17,500 / day by end of year
  - 1Q19 voyage completions and voyages in progress earning \$15,500 / day representing 45% of revenue days for first quarter
- Maintaining strong liquidity position and balance sheet; cash balance of \$57 million at year-end and corporate leverage (net debt basis) of 52%
- Sold two MR tankers consistent with modern fleet strategy; intend to replace with more modern second-hand vessels at a future date
  - *Ardmore Seatrader* (2002): delivered January 9th
  - *Ardmore Seamaster* (2004): expect to deliver mid-February
- Our priorities for the year ahead:
  - Maintain financial strength and flexibility
  - Continued focus on operational performance improvement
  - Maximize earnings power in an improving charter market
  - Effective capital allocation including accretive growth





# Key Market Developments

- Recent winter upturn was not unexpected:
  - MR supply-demand fundamentals have been gradually tightening
  - Underlying strength masked by short-term factors in mid-2018; e.g. disruptions in Atlantic Basin and encroachment of LRs driven by crude market weakness
  - TCE rates rose in 4Q18 from a moderate demand increase, paired with drop in bunker prices
  - Despite charter rates sliding somewhat in recent weeks (also expected), tanker market sentiment now completely different than just four months ago
- IMO 2020 a key driver in 2019:
  - Preparations commencing in 1H19; refinery turnarounds, scrubber installations and inventory run down, with net effect of reducing tanker demand somewhat
  - Movement of compliant fuels and supply chain preparations to gradually increase product tanker demand through 2H19
  - Industry expected to be heavily reliant on MGO initially; gasoil demand will require increased refinery throughput, also resulting in surplus of gasoline and probably naphtha
  - Boost to MR tonne-mile demand of 5% plus according to some analysts
- Fundamentals support a sustained market upturn beyond IMO 2020:
  - Underlying MR tonne-mile demand growth of 4-5% set to continue<sup>(1)</sup>
  - Historically low MR orderbook may lead to meaningful supply constraint
  - Elements thus in place for a classic, sustainable upturn



1. Clarksons Shipping Intelligence Network, October 2018

# Performance and Tanker Market



# Quarterly and Full Year Performance

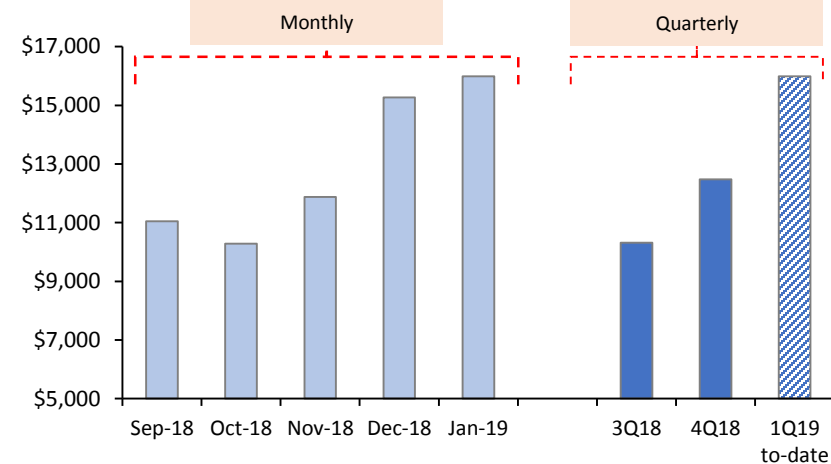
- Reported adjusted EBITDA of \$7.8 million for fourth quarter and \$29.2 million for the full year
- Loss from continuing operations of \$8.75 million or \$0.26 per share for the fourth quarter and \$34.3 million or \$1.04 per share for full year
- GAAP net loss for the quarter of \$16.9 million or \$0.51 per share and \$42.9 million or \$1.31 for full year:
  - GAAP loss includes \$8.2 million related to sale of a vessel and transaction fees written off following seven vessel refinancings
- MR spot rates improved towards end of year, averaging \$12,475 / day for the fourth quarter and \$11,564 / day for the full year
- Overall fleet performed very well in 2018; operating expenses and overhead came in below budget
- Refinanced seven vessels in the fourth quarter on favourable terms; cash balance at year-end was \$56.9 million



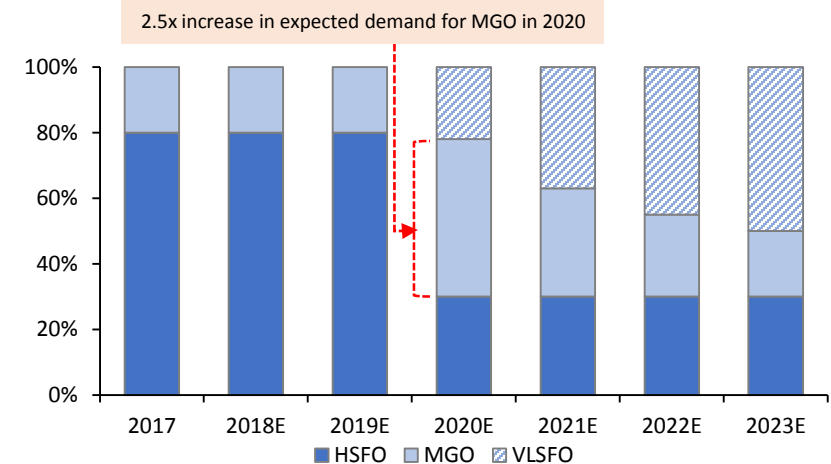
# Recent Tanker Market Activity

- ASC Fleet TCE averaged \$12,089 / day in 4Q18:
  - MR spot rates averaged \$12,475 / day, while chemical tankers averaged \$10,779 / day
  - Chemical tanker rate rebound trailed the larger ships; notable increase in January
  - Reflects challenging market for much of 2018; particularly summer months
- Recent market activity:
  - Strong end to year for charter rates; record high refinery throughput at 84.2 mbd in December<sup>(1)</sup>
  - Increased refined product exports from USG (+ 10% q-o-q)<sup>(2)</sup>; significant movements of diesel to Europe
- Market outlook and trends:
  - Global refinery throughput expected to increase in 1Q19 compared to prior year<sup>(1)</sup>; however, expect higher than normal maintenance in 1H19 as refineries prepare for IMO 2020
  - Increased exports from Asia; China's first round of quotas for product exports up by 7.5% in 2019<sup>(4)</sup>
- IMO 2020 expected to be a major boost for tankers from mid-2019
  - Significant demand increase for MGO for bunker fuels; estimated 1.5 mbd<sup>(5)</sup>
  - Middle East and Asia expected to be big exporters of compliant fuels<sup>(3)</sup>
  - US refinery runs expected to increase by 4% to reach record levels in 2019 / 2020; throughput of 17.9 mbd with average utilization rates of 96%<sup>(6)</sup>

MR Rates Rebounded in December<sup>(7)</sup>



IMO2020: Demand for MGO and VLSO Set to Spike<sup>(5)</sup>



1. IEA Oil Report January 18, 2019  
 2. Vessel Values, February 1, 2019  
 3. MSI, TSPS Report 2018/4, *Swing Factors*, January, 2019  
 4. Platts, January 8, 2019  
 5. Sources: IEA, SEB IMO 2020 Report March 14, 2020, Evercore ISI R&M: IMO 2020 – Back to the Future, April 18<sup>th</sup> 2018, Wells Fargo LLC  
 6. Oil and Gas Journal Jan 21, 2019  
 7. Ardmore internal rates and estimates

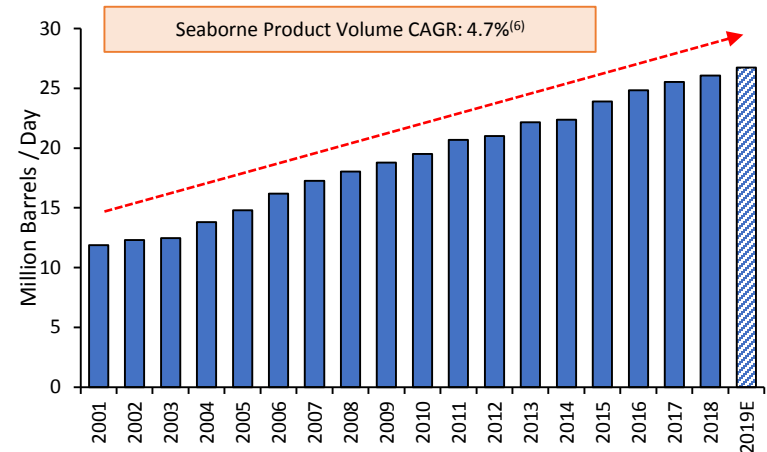




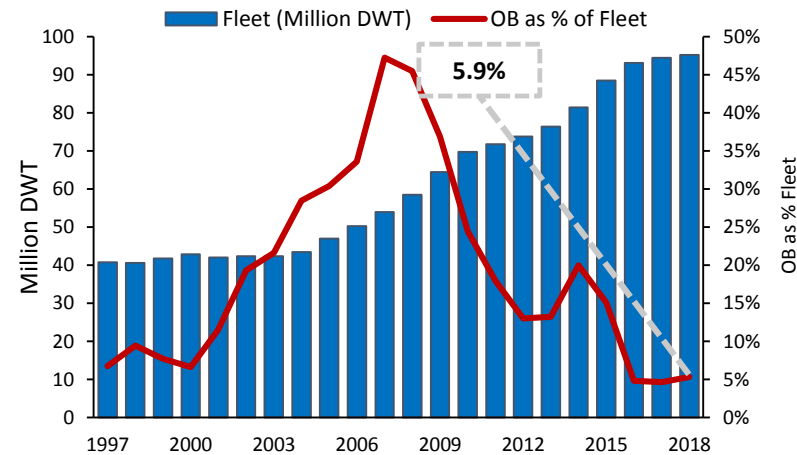
# MR Tanker Fundamentals

- MR tanker fundamentals remain very positive
- Oil consumption continues to grow strongly, matched by refinery capacity additions in trading-oriented locations:
  - Global oil consumption expected to increase by 1.4 mbd in 2019<sup>(1)</sup>
  - Refinery capacity additions of 2.6 mbd in 2019<sup>(2)</sup> represent largest annual increase since the 1970's; China (0.8 mbd), Middle East (0.8 mbd) and other Asia (1 mbd) to drive increased exports of refined products in 2019 / 2020
- Chemical tanker market continuing to grow:
  - Increased petrochemical capacity coming on line in US, Middle East and China; significant growth in seaborne volumes of methanol and petrochemicals
  - Seaborne trade in commodity chemicals to increase by 5.4% p.a. from 2018 to 2023<sup>(3)</sup>
  - Improving product tanker market conditions will increase demand for chemical tankers in CPP trade
- MR net fleet growth remains exceptionally low:
  - Orderbook stands at 125 ships or 5.9% of fleet delivering over 2.5 years
  - Forecasting 70 MRs to deliver in 2019 (annual avg. 113)<sup>(4)(5)</sup>
  - Scrapping run rate at approx. 40 – 50 MRs per year; 46 scrapped in 2018<sup>(4)</sup>
  - Fleet growth, net of scrapping, expected to be approx. 1% in 2019<sup>(4)(5)</sup>
- Overall, we believe the strong fundamentals will provide a solid foundation for a sustained upturn in the charter market

Seaborne Volume of Oil Products Trade<sup>(6)</sup>



Product Tanker Orderbook and Fleet Development<sup>(4)(5)</sup>



1. IEA Oil Market Report, December 13, 2018

2. MSI, TSPS Report 2018/4, *Swing Factors*, January, 2019

3. Richardson Lawrie Associates Ltd, Chemical Carrier World No. 45, January 2019

4. Clarksons Shipping Intelligence Network, and management's estimates. Note these numbers include slippage. Management's estimates based on 50% of 4Q19 scheduled deliveries slipping into 2020. Average annual MR deliveries for the period 2014 to 2017.

5. Management's estimates of deliveries for 2019, net of estimated scrapping. Management's estimates based on 50% of 4Q19 scheduled deliveries slipping into 2020

6. MSI, January 30, 2019



# Financial Review



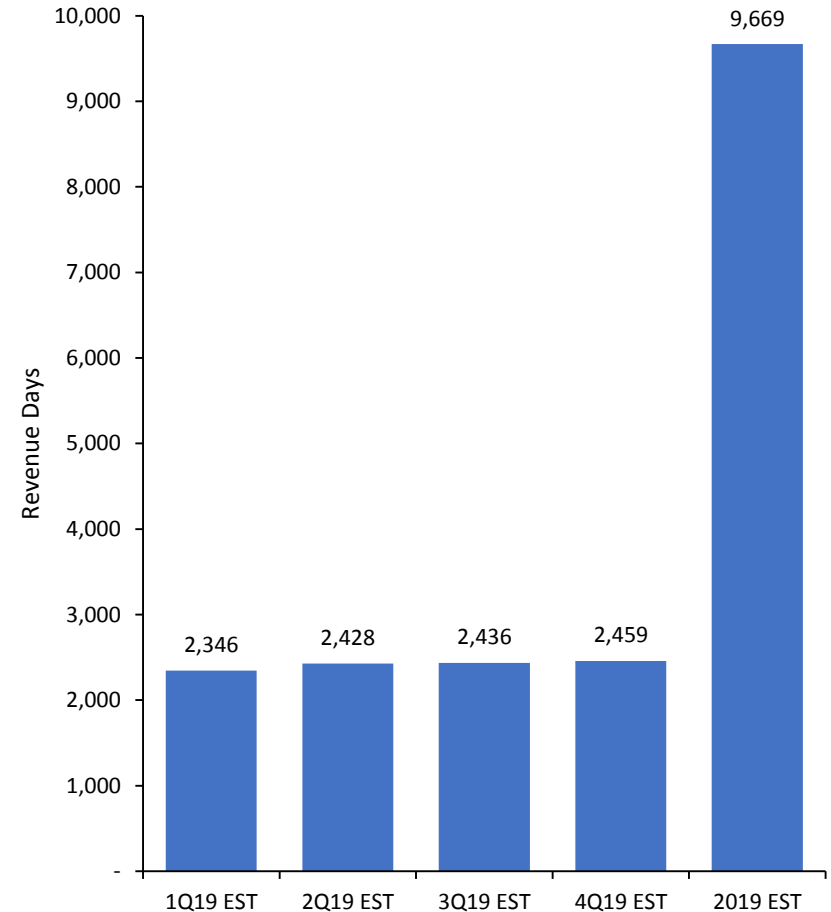
# Fleet Update

## Fleet Update

- Revenue days estimated to be 9,669 in 2019
- Drydocks:
  - 4Q18: completed two drydocks
  - 1Q19: 75 drydock days in respect of five drydocks



## Revenue Days Profile<sup>(1)</sup>



1. Revenue days based on management's estimates.

# Financial Performance

## INCOME STATEMENT DATA

US\$ millions, unless otherwise stated

## Three Months

Dec 31, 2018

## Full Year

Dec 31, 2018

### Results

EBITDA <sup>(1)</sup>	\$7.8	\$29.2
Adjusted Net (loss) / income <sup>(2)</sup>	(\$8.8)	(\$34.3)
Adjusted Net (loss) / income per share (\$/share) <sup>(2)</sup>	(\$0.26)	(\$1.04)
General and Administrative expenses		
Corporate	(\$2.5)	(\$12.6)
Commercial and Chartering	(\$0.6)	(\$3.2)
Depreciation & amortization	(\$9.8)	(\$38.8)
Interest & finance		
Interest and DFF Amortization	(\$6.7)	(\$24.5)
Write-off of DFF due to Refinancing & Sale of Vessel	(\$1.9)	(\$2.3)

## OTHER OPERATING DATA

Average Number of Vessels	28.0	28.0
Fleet time charter equivalent per day (\$/day) <sup>(3)</sup>	\$12,089	\$11,529
Vessel operating expenses (US\$ million)	\$17.4	\$67.0
Fleet operating cost per day (\$/day) <sup>(4)(5)</sup>	\$6,544	\$6,456
Eco-Design MR (\$/day) <sup>(4)</sup>	\$6,329	\$6,469
Eco-Mod MR (\$/day) <sup>(4)</sup>	\$6,932	\$6,519
Eco-Design Chemical (\$/day) <sup>(4)</sup>	\$6,603	\$6,352

- EBITDA is a non-GAAP measure. A definition of this measure and a reconciliation of this measure to its nearest GAAP comparable measure are included within Ardmore's earnings release for the quarter ended December 31, 2018.
- Adjusted net loss is a non-GAAP measure, excluding one-time write off of deferred finance fees of \$0.4mln in 2Q18 and \$1.9mln in 4Q18. A definition of this measure and a reconciliation of this measure to its nearest GAAP comparable measure are included within Ardmore's earnings release for the quarter ended December 31, 2018.
- Time Charter Equivalent ("TCE") daily rate, represents net revenues divided by revenue days. Revenue days are the total number of calendar days the vessels are in our possession less off-hire days generally associated with drydocking or repairs. For vessels employed on voyage charters, TCE is the net rate after deducting voyage expenses incurred, divided by revenue days, including among other expenses, all commissions and pool administration fees. MR Tankers Spot & Pool TCE is reported on a discharge to discharge basis. Fleet TCE excludes one-off costs related to the transfer of vessels to Ardmore MR Pool.
- Fleet operating costs per day are routine operating expenses and comprise crewing, repairs and maintenance, insurance, stores, lube oils and communication costs. Also included are technical management fees paid to third-party managers.
- Fleet operating costs per day include technical management fees.





# Product and Chemical Tanker Charter Rates

Time Charter Equivalent (\$ / day)<sup>(1)</sup>

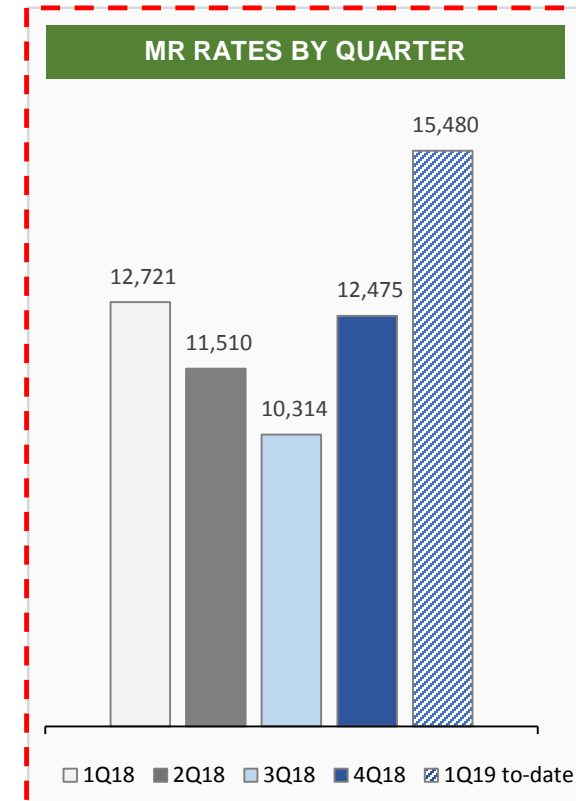
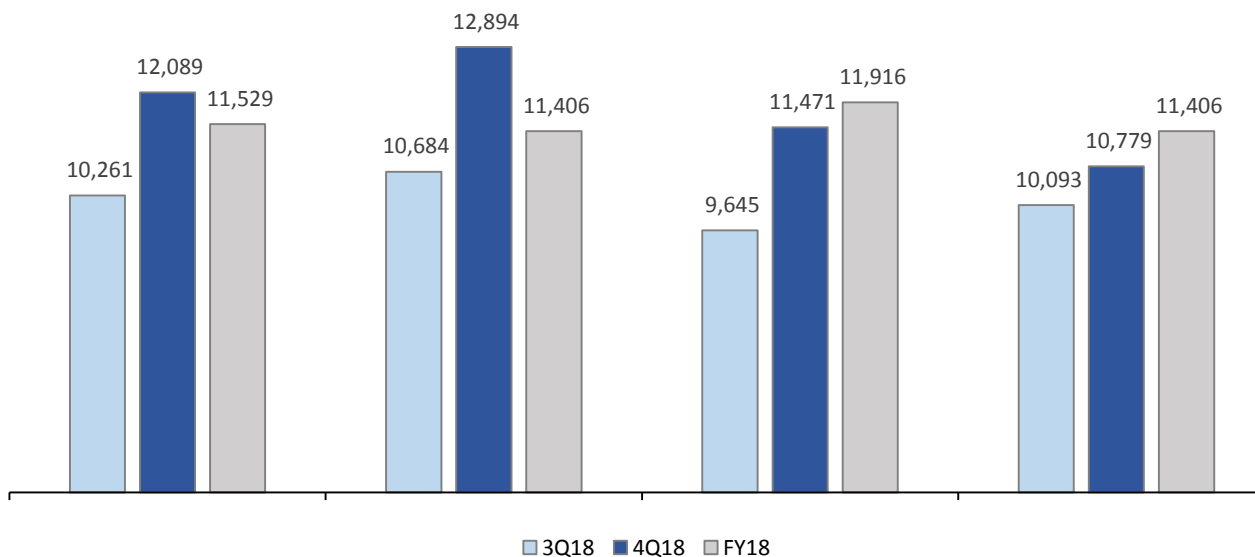
AVG. FLEET

MR ECO-DES

MR ECO-MOD

CHEM. TANKERS

MR RATES BY QUARTER



For every \$1,000/day increase in rates, EPS expected to increase by approximately \$0.30 cents<sup>(2)</sup>

- Time Charter Equivalent ("TCE") daily rate, represents net revenues divided by revenue days. Revenue days are the total number of calendar days the vessels are in our possession less off-hire days generally associated with drydocking or repairs. For vessels employed on voyage charters, TCE is the net rate after deducting voyage expenses incurred, divided by revenue days, including among other expenses, all commissions and pool administration fees. MR Tankers Spot & Pool TCE is reported on a discharge to discharge basis. Fleet TCE excludes one-off costs related to the transfer of vessels to Ardmore MR Pool
- Calculations based on existing cost structure and assume (a) fleet of 27 vessels, (b) utilization of 99.3% , (c) 33.1mln shares as at December 31, 2018. Assumes no change in tax rate, cost of debt or share count



# Strong Balance Sheet

## BALANCE SHEET DATA

US\$ millions, unless otherwise stated

	As at	
	December, 2018	December, 2017
Cash	56.9	39.5
Receivables, Inventories and Other Current Assets	44.5	44.4
Vessels held for sale	8.1	
Vessels, Drydock & Other Non-Current Assets <sup>(1)</sup>	730.4	758.8
<b>Total Assets</b>	<b>839.9</b>	<b>842.7</b>
Payables and Accruals	26.4	17.6
Debt & Capital Lease Obligations <sup>(2)</sup>	467.0	444.0
Equity	346.6	381.0
<b>Total Liabilities and Equity</b>	<b>839.9</b>	<b>842.7</b>
<b>Leverage (Net Debt)</b>	<b>52.4%</b>	<b>50.4%</b>

- Maintaining a conservative capital structure and strong liquidity position

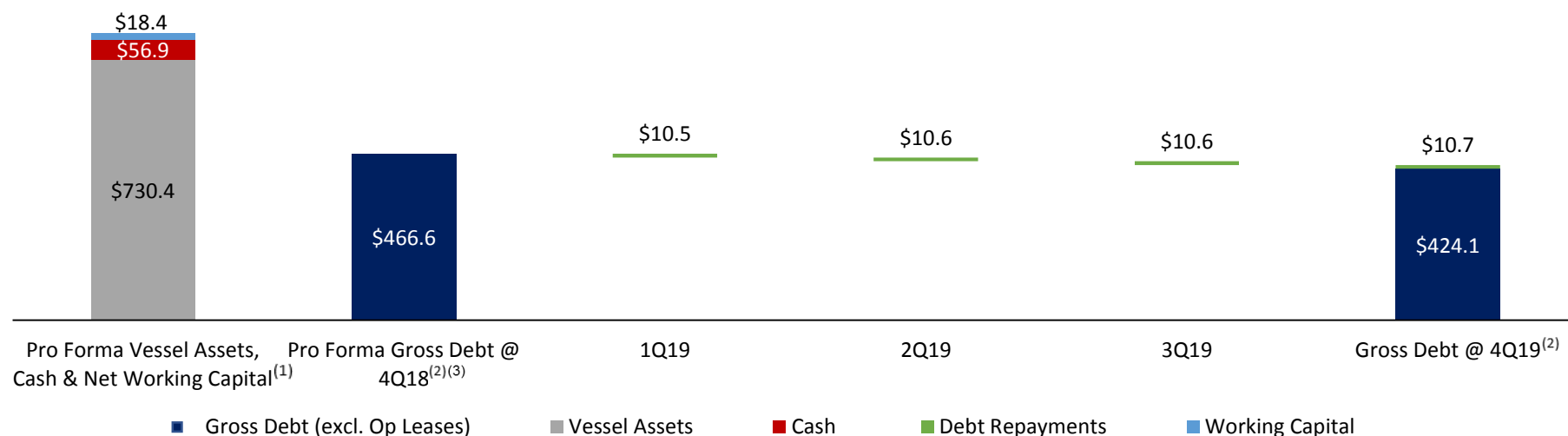


1. Excludes amount receivable in respect of capital leases of \$2.9m provided to the purchasers under the sale and leaseback of the Ardmore Sealeader and Ardmore Sealifter in 2Q17  
 2. Debt balance includes impact of netting of deferred finance fees of \$8.0m in 4Q18 (\$8.9m in 4Q17) and netting of \$2.9m receivable in respect of capital lease in both 3Q18 and 4Q17

# Strong Liquidity Position: \$56.9m In Cash Balance

- Completed refinancing of seven vessels under finance leases in the fourth quarter:
  - Aggregate net cash proceeds of \$32.7 million
  - Favorable terms in line with existing debt facilities
- Strong liquidity position at year end; cash of \$56.9 million with additional \$18.4 million in net working capital
- Vessel sales to result in lease and debt prepayments of \$12.6 million<sup>(4)</sup> in the first quarter of 2019 (\$8.3 million related to *Ardmore Seatrader* and \$4.3 million related to *Ardmore Seamaster*)
- All debt and capital leases are amortizing at approximately \$42 million per year

Pro Forma Debt Repayment Profile (\$mIn)<sup>(1)(2)(3)</sup>



- Vessel Assets excludes 'Assets held for Sale' (*Ardmore Seatrader* at \$8.1mIn)
- Gross Debt is net of sellers' credit of \$2.9mIn, excludes netting of deferred financed fees of \$8.0mIn and operating lease of \$2.1mIn
- Pro Forma Gross Debt at 4Q18 includes the sale of the *Ardmore Seatrader* (completed in January, 2019)
- Based on debt balance as at December 31, 2018



# Summary





# Summary

- MR charter rates rose toward end of year and into January to multi-year highs, driven by tightening supply-demand fundamentals, a moderate seasonal increase in demand, and a drop in bunker prices, and presaging even stronger market conditions ahead in 2019 and 2020
- MR tonne-mile demand growth is robust, underpinned by an estimated 1.4 mbd of oil consumption growth for 2019, paired with refinery capacity additions of 2.6 mbd, the largest annual refinery capacity increase since the 1970's, much of which is trading-oriented
- A further boost to product tanker demand is expected starting in the second half of 2019, as both the global oil and shipping industries prepare to implement IMO 2020; this additional layer of demand is expected to last up to two years until the market reaches equilibrium regarding availability of compliant fuels and completion of scrubber installations
- Meanwhile, we remain focused on our priorities for the year ahead, most notably maintaining financial strength and flexibility, operational performance improvement, maximizing earnings power, and effective capital allocation
- With our modern, fuel-efficient fleet of MR product & chemical tankers and cost-efficient structure, we believe Ardmore is very well positioned to take advantage of the anticipated charter market recovery and to generate strong returns for our shareholders





# Fleet Profile

## High Quality Vessels

- ✓ Modern, highly fuel-efficient fleet of MRs
- ✓ Average age of 6.1 years
- ✓ Built at high-quality yards in Korea and Japan
- ✓ Quality fleet = lower operating cost, higher utilization and maximum value appreciation
- ✓ Complementary fleet
- ✓ Increased scale improves commercial flexibility

Vessel Name	Type	Dwt Tonnes	IMO	Built	Country	Flag	Specification
<i>Ardmore Seavalliant</i>	Product/Chemical	49,998	2/3	Feb-13	Korea	MI	Eco-design
<i>Ardmore Seaventure</i>	Product/Chemical	49,998	2/3	Jun-13	Korea	MI	Eco-design
<i>Ardmore Seavantage</i>	Product/Chemical	49,997	2/3	Jan-14	Korea	MI	Eco-design
<i>Ardmore Seavanguard</i>	Product/Chemical	49,998	2/3	Feb-14	Korea	MI	Eco-design
<i>Ardmore Sealion</i>	Product/Chemical	49,999	2/3	May-15	Korea	MI	Eco-design
<i>Ardmore Seafox</i>	Product/Chemical	49,999	2/3	Jun-15	Korea	MI	Eco-design
<i>Ardmore Seawolf</i>	Product/Chemical	49,999	2/3	Aug-15	Korea	MI	Eco-design
<i>Ardmore Seahawk</i>	Product/Chemical	49,999	2/3	Nov-15	Korea	MI	Eco-design
<i>Ardmore Endeavour</i>	Product/Chemical	49,997	2/3	Jul-13	Korea	MI	Eco-design
<i>Ardmore Enterprise</i>	Product/Chemical	49,453	2/3	Sep-13	Korea	MI	Eco-design
<i>Ardmore Endurance</i>	Product/Chemical	49,466	2/3	Dec-13	Korea	MI	Eco-design
<i>Ardmore Explorer</i>	Product/Chemical	49,494	2/3	Jan-14	Korea	MI	Eco-design
<i>Ardmore Encounter</i>	Product/Chemical	49,478	2/3	Jan-14	Korea	MI	Eco-design
<i>Ardmore Exporter</i>	Product/Chemical	49,466	2/3	Feb-14	Korea	MI	Eco-design
<i>Ardmore Engineer</i>	Product/Chemical	49,420	2/3	Mar-14	Korea	MI	Eco-design
<i>Ardmore Seafarer</i>	Product/Chemical	45,744	3	Aug-04	Japan	MI	Eco-mod
<i>Ardmore Seamaster<sup>(2)</sup></i>	Product/Chemical	45,840	3	Sep-04	Japan	MI	Eco-mod
<i>Ardmore Seamariner</i>	Product/Chemical	45,726	3	Oct-06	Japan	MI	Eco-mod
<i>Ardmore Sealancer</i>	Product	47,451	—	Jun-08	Japan	MI	Eco-mod
<i>Ardmore Sealeader</i>	Product	47,463	—	Aug-08	Japan	MI	Eco-mod
<i>Ardmore Sealifter</i>	Product	47,472	—	Jul-08	Japan	MI	Eco-mod
<i>Ardmore Dauntless</i>	Product/Chemical	37,764	2	Feb-15	Korea	MI	Eco-design
<i>Ardmore Defender</i>	Product/Chemical	37,791	2	Feb-15	Korea	MI	Eco-design
<i>Ardmore Cherokee</i>	Product/Chemical	25,215	2	Jan-15	Japan	MI	Eco-design
<i>Ardmore Cheyenne</i>	Product/Chemical	25,217	2	Mar-15	Japan	MI	Eco-design
<i>Ardmore Chinook</i>	Product/Chemical	25,217	2	Jul-15	Japan	MI	Eco-design
<i>Ardmore Chippewa</i>	Product/Chemical	25,217	2	Nov-15	Japan	MI	Eco-design
<b>Total</b>	<b>27</b>	<b>1,202,878</b>		<b>6.1<sup>(1)</sup></b>			

1. Average age as at December 31, 2018

2. Agreed terms for the sale of the vessel in February 2019

