

ONE : IR Meeting

December 4th, 2019

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Chief Executive Officer (CEO)

OCEAN NETWORK EXPRESS Pte. Ltd.

AS ONE, WE CAN.

ONE

OCEAN NETWORK EXPRESS

1. Market & Industry Outlook

2. ONE's Business Strategy

3. Industrial Hot Topics

a) IMO 2020

b) Digitisation

Market & Industry outlook



Liner shipping faces many global challenges, but is continuing to evolve.

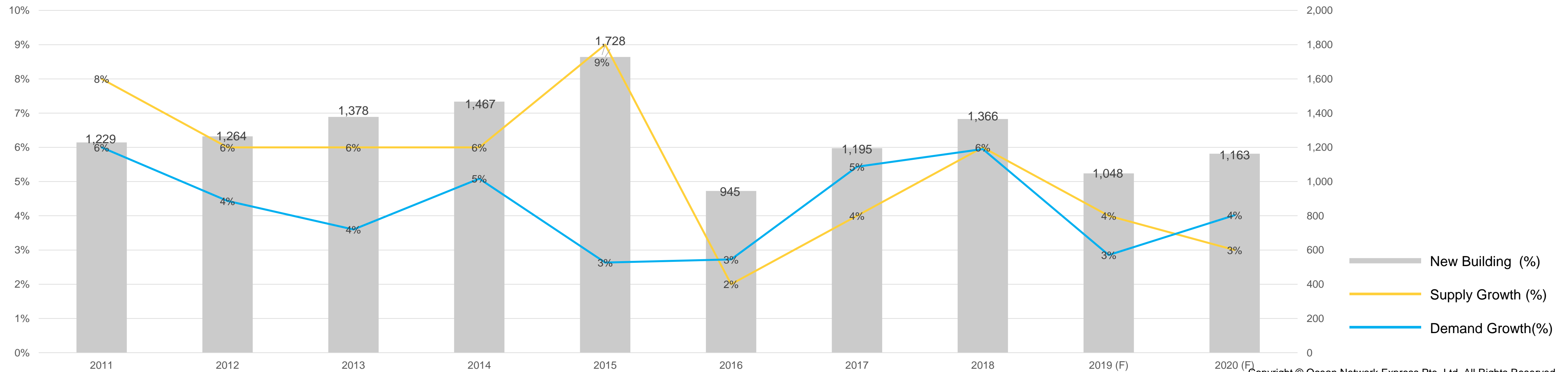
Container Shipping - Supply and Demand Outlook

- ✓ 3% or slightly less demand growth is expected for FY2019.
(ex: Asia to US 1%, China turns negative, Asia to Europe 3~4%)
- ✓ Asia to Europe trade is affected by more supply, however overall relatively low New-building delivery is planned in 2020, which will contribute to tighten the demand/supply situation.

(Source: Supply, Alphaliner 2019/10, Demand: Drewry Container Forecaster 2019 Q3)

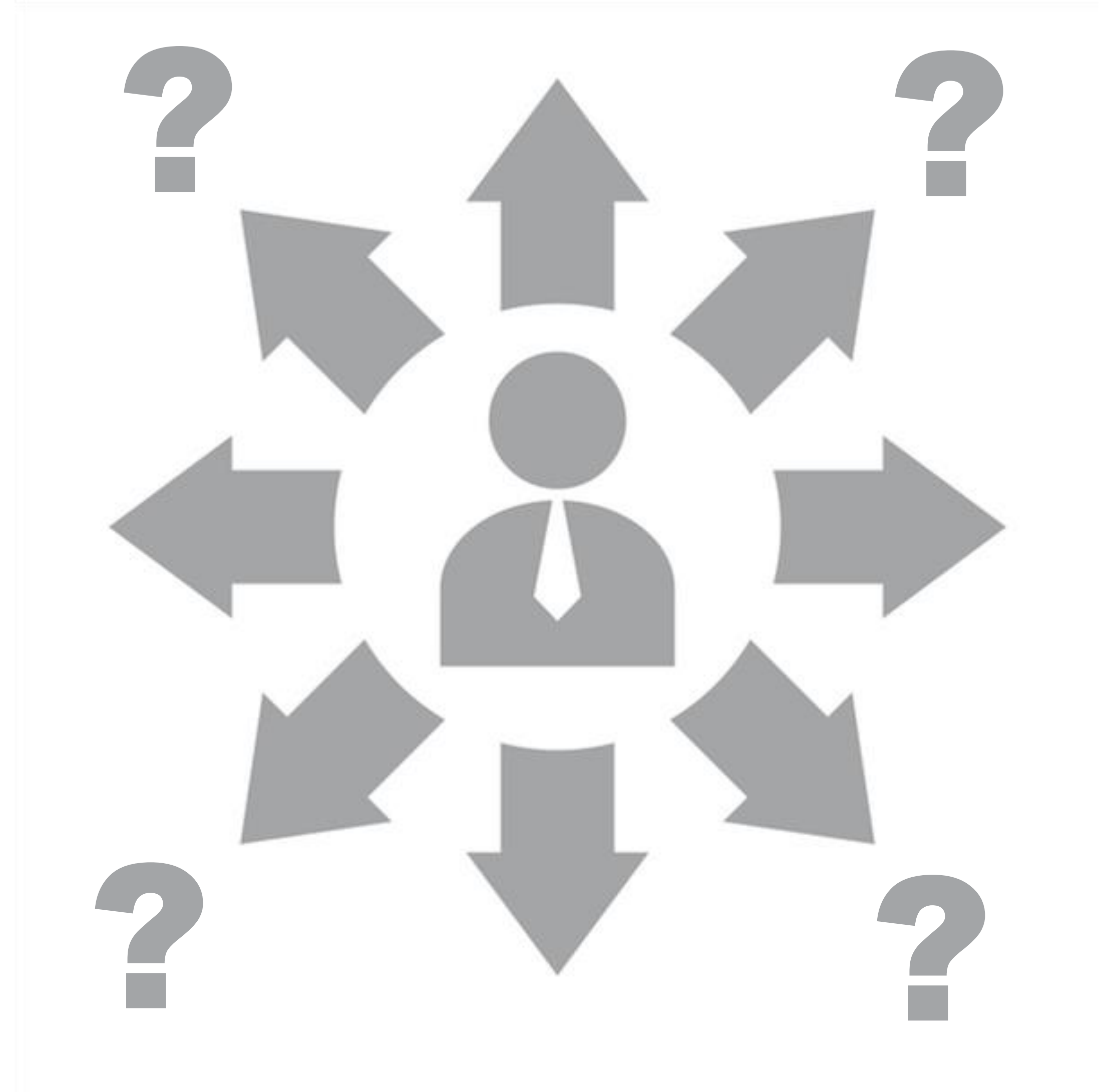
(K TEU)		2011	2012	2013	2014	2015	2016	2017	2018	2019 (F)	2020 (F)
Supply	All	15,403	16,327	17,290	18,380	19,960	20,328	21,103	22,337	23,164	23,927
	Supply Growth (%)	8%	6%	6%	6%	9%	2%	4%	6%	4%	3%
	New Building	1,229	1,264	1,378	1,467	1,728	945	1,195	1,366	1,048	1,163
	NB Growth (%)	-11%	3%	9%	6%	18%	-45%	26%	14%	-23%	11%
Demand	Lifting	327,100	341,600	353,900	371,900	381,700	392,100	413,400	438,000	450,500	468,600
	Demand Growth (%)	6%	4%	4%	5%	3%	3%	5%	6%	3%	4%

Growth Comparison: Supply vs Demand



Market uncertainty in FY2019

- **U.S-China trade war**
- **Slowdown of global economy**



Change from Volatile to Sustainable

More Volatile in the past

A) Market Volatility

Market was very volatile and it took a long time to recover the balanced supply & demand situation due to so many players

B) Fuel Price

Fuel volatility closely traced the global crude market. Due to the lower cost recovery rate, liner companies were often largely exposed to such volatility.

C) Transportation Capacity Surge (Continuous Oversupply Situation)

Reckless decisions to order ULCS newbuilding race to chase for market share, which was facilitated by the excessive liquidity in the market after the Financial Crisis.

New Paradigm

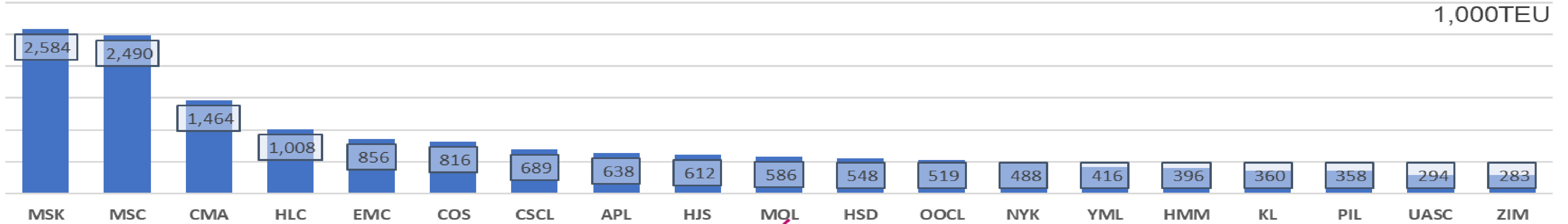
Recover quicker

Passed on to customer

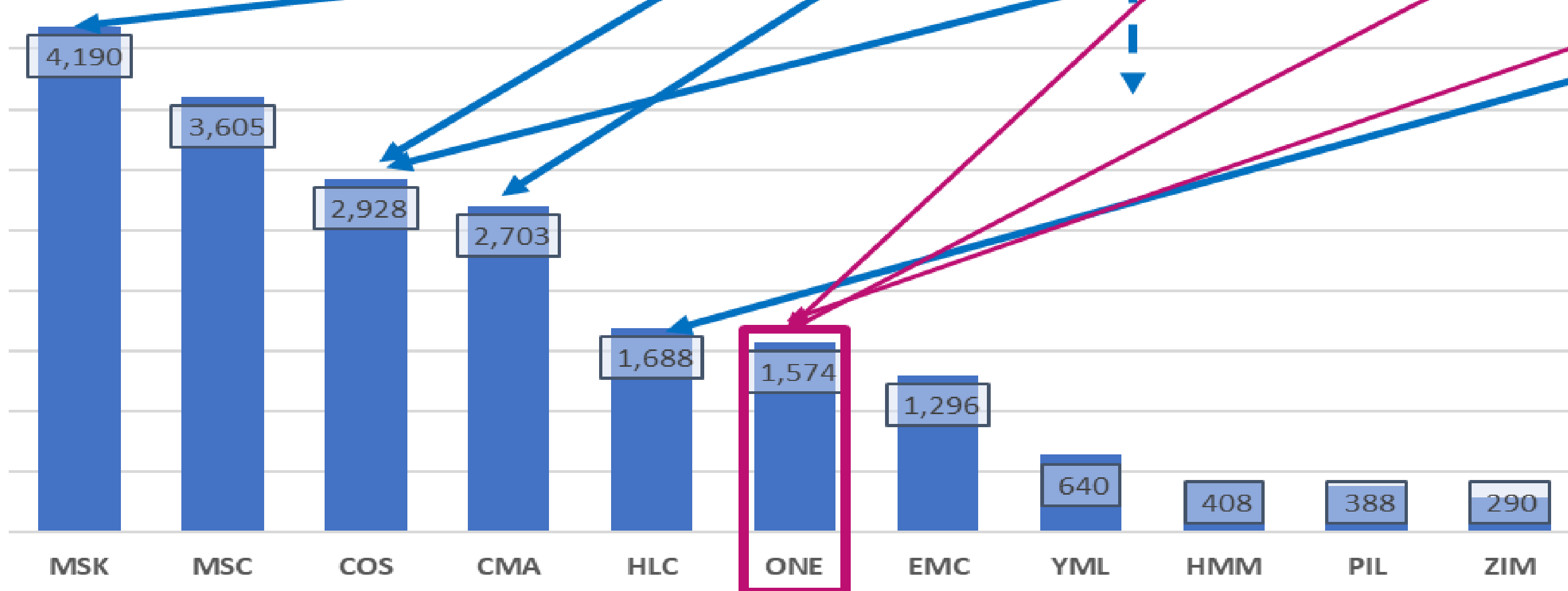
Pace of ordering ships stabilized

A) Market Volatility (Integrations in shipping industry)

2014 Standing Slot



2019 Standing Slot



7 Mega Carriers (more than 1M TEU Capacity)
and
3 Alliances structure in 2019

↓

Quicker decision-making:
Generally less members in one Alliance

*Alphaliner

B) Fuel Price

MARPOL 2020 new regulation implemented from Jan 2020



Customers' awareness towards environmental issue are increasing, and customers are fully understanding this regulatory compliance.

C) Transportation Capacity Surge

World trade growth has got stable and 23,000 TEU is Suez Canal passing max size, which lead to more stable investment mainly for upgrade needs



More deliberate investment decisions made for ships based on the real needs and requirements in each company

ONE's Business Strategy

FY19 FULL-YEAR FORECASTS & P/L ANALYSIS

Spot freight rates assumption revised downward due to concern on further slowdown of global economy. Deployment of winter service plan with additional service frequency reduction to prepare for seasonal demand decrease, mainly on Asia-North America and Asia-Europe trades. Targeting further improvement in our competitiveness by continuing cargo portfolio optimization plus cost saving initiatives.

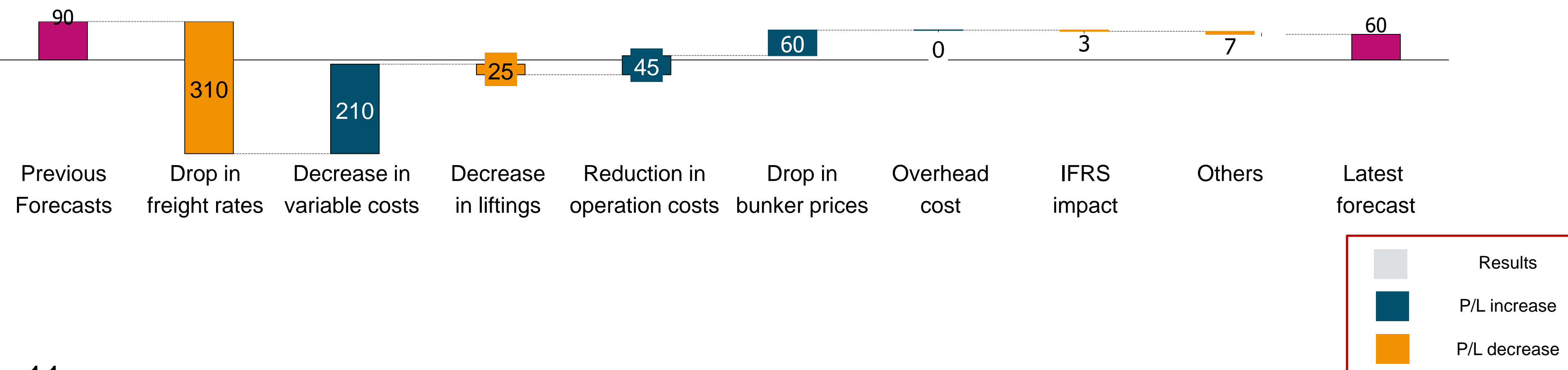
(Unit: Million US\$) *as of July 2019

	FY2019 Previous Forecasts*					FY2019					Full Year	
	1Q Results	2Q Forecasts	1H Forecasts	2H Forecasts	Full Year Forecasts	1Q Results	2Q Results	1H Results	2H Forecasts	Full Year Forecast	Change (Mil US\$)	Change (%)
Revenue	2,875	3,214	6,089	6,306	12,395	2,875	3,109	5,984	6,125	12,109	-286	-2.3%
Profit/Loss	5	123	128	-38	90	5	121	126	-66	60	-30	-33.2%
Bunker Price (US\$/MT)	\$432	\$432	\$432	\$533	\$483	\$432	\$419	\$427	\$508	\$469	-\$14	

Bunker Sensitivity:
 ±US\$2MIL per US\$10/MT, quarterly basis *Bunker cost increase by MARPOL2020 implementation shall be recovered by OBS(ONE BUNKER SURCHARGE).

- **Freight Rates:** Reflect spot freight rates deterioration.
- **Variable Costs:** Reviewed according to recent Portfolio Optimization and Cost Saving Initiatives.
- **Liftings:** Expect contribution from 2 updated services launched (Middle East – Africa, India – Europe) while reflecting deceleration of demand growth for Asia-North America and Intra-Asia trade.
- **Operation Costs:** Reflect reduction from the winter service plan in Asia-North America and Asia-Europe trades.
- **Bunker Price:** Corresponding to MARPOL 2020 regulation. Bunker price assumption is updated reflecting recent market.

(Unit: Million US\$)



Action Plans in FY2019	
Cargo Portfolio Optimization, Reinforcement of Yield Management	Improvement in profitability by cargo portfolio optimization is smoothly developing as forecast at the beginning of the year. Projected improvement of US\$190 million per year as targeted is steadily materializing along with accelerating operational efficiency plus business process improvement as well as cost management.
Products (Service Routes/Allocated vessels) Rationalization	Products rationalization effects in FY2019(Improvements: US\$195 million per year) and fuel saving effects (Improvements: US\$65 million per year) are smoothly developing. In second half, launching Middle East/India to Africa service and East India to Europe service, targeting growth in emerging markets. THE ALLIANCE fixed winter service plan to correspond with demand changes in second half. Alliance members, including Hyundai Merchant Marine(HMM), analyzing FY2020 product for more competitiveness.
Organization Optimization	Overhead cost reduction target US\$50 million annually is on track.
Synergy Effects	82% of the target for synergistic effects of US\$1,050 million/year was achieved in FY2018, the first year after integration. The targets – 96% in FY2019, the second year, and 100% in FY2020, the third year – remain unchanged.
Compliance with MARPOL2020 Regulation	Procurement of regulation-compliant fuels is being completed. Bunkering of compliant oil starts from the third quarter. Additional cost for compliance will be recovered by BUNKER SURCHARGE such as OBS. Customers' awareness towards environmental issue are increasing, and customers are fully understanding this regulatory compliance. ONE will be installing scrubbers on some of our operating vessels by the end of next year. We are studying most competitive and optimal combination of compliant oil and scrubber installation, taking market situation into consideration.
Transfer of Overseas Terminal Business	Targeting a transfer from each of the parent companies in FY2019.

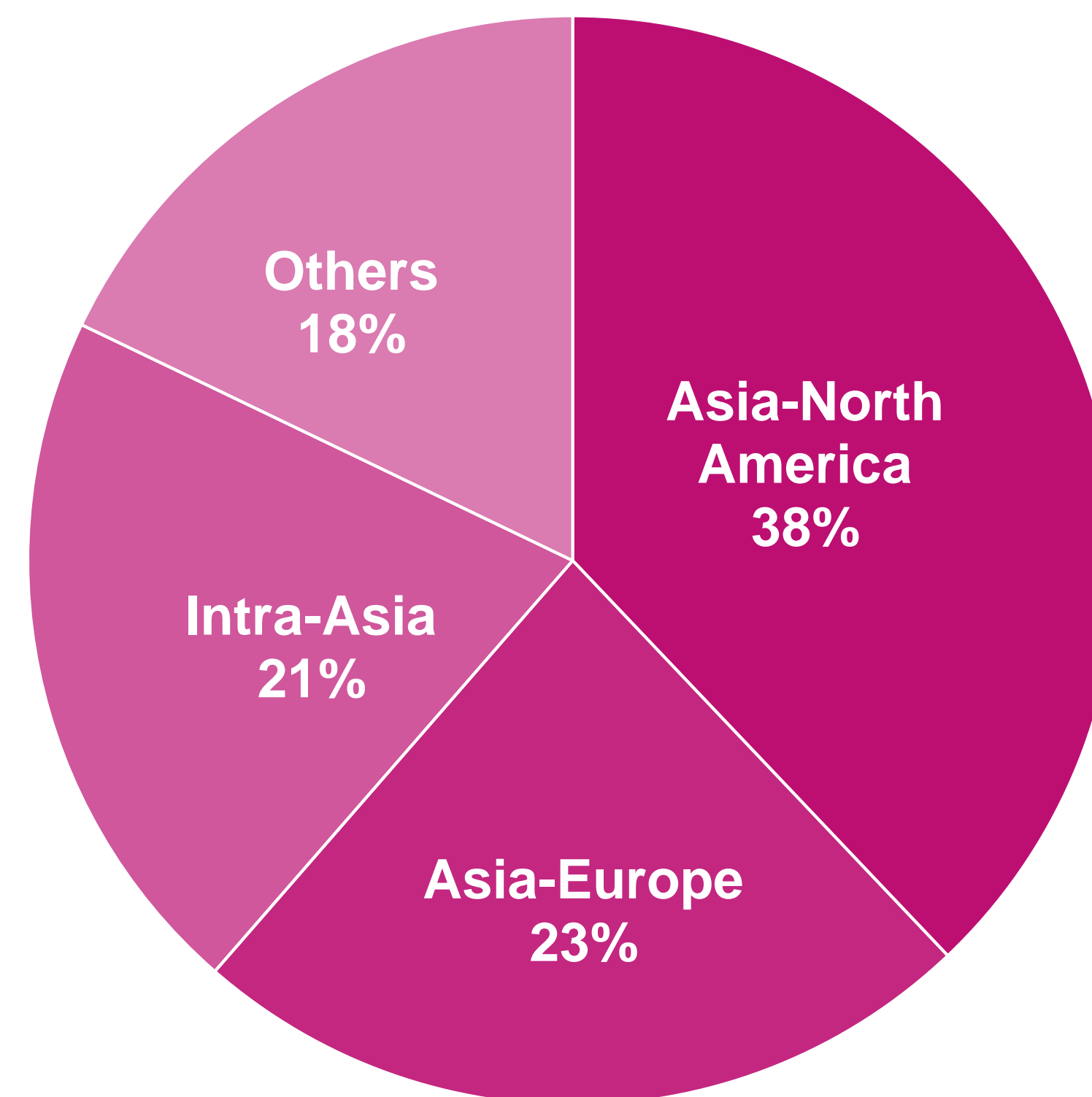
Fleet Structure

Size		1)As of end June. 2019	2)As of end Sep. 2019	2)-1)
		>= 20,000 TEU	Capacity (TEU)	120,600
	Vessels	6	6	0
10,500 - 20,000 TEU	Capacity (TEU)	349,220	363,220	14,000
	Vessels	25	26	1
9,800 - 10,500 TEU	Capacity (TEU)	100,100	100,100	0
	Vessels	10	10	0
7,800 - 9,800 TEU	Capacity (TEU)	365,941	374,655	8,714
	Vessels	41	42	1
6,000 - 7,800 TEU	Capacity (TEU)	234,404	233,752	▲ 652
	Vessels	36	36	0
5,200 - 6,000 TEU	Capacity (TEU)	89,998	89,998	0
	Vessels	16	16	0
4,600 - 5,200 TEU	Capacity (TEU)	133,204	123,597	▲ 9,607
	Vessels	27	25	▲ 2
4,300 - 4,600 TEU	Capacity (TEU)	67,384	71,816	4,432
	Vessels	15	16	1
3,500 - 4,300 TEU	Capacity (TEU)	25,472	34,003	8,531
	Vessels	6	8	2
2,400 - 3,500 TEU	Capacity (TEU)	50,216	52,916	2,700
	Vessels	19	20	1
1,300 - 2,400 TEU	Capacity (TEU)	13,261	12,082	▲ 1,179
	Vessels	8	7	▲ 1
1,000 - 1,300 TEU	Capacity (TEU)	7,471	9,644	2,173
	Vessels	7	9	2
< 1,000 TEU	Capacity (TEU)	1,402	698	▲ 704
	Vessels	2	1	▲ 1
Total	Capacity (TEU)	1,558,673	1,587,081	28,408
	Vessels	218	222	4

as of end of 2Q

Service Structure

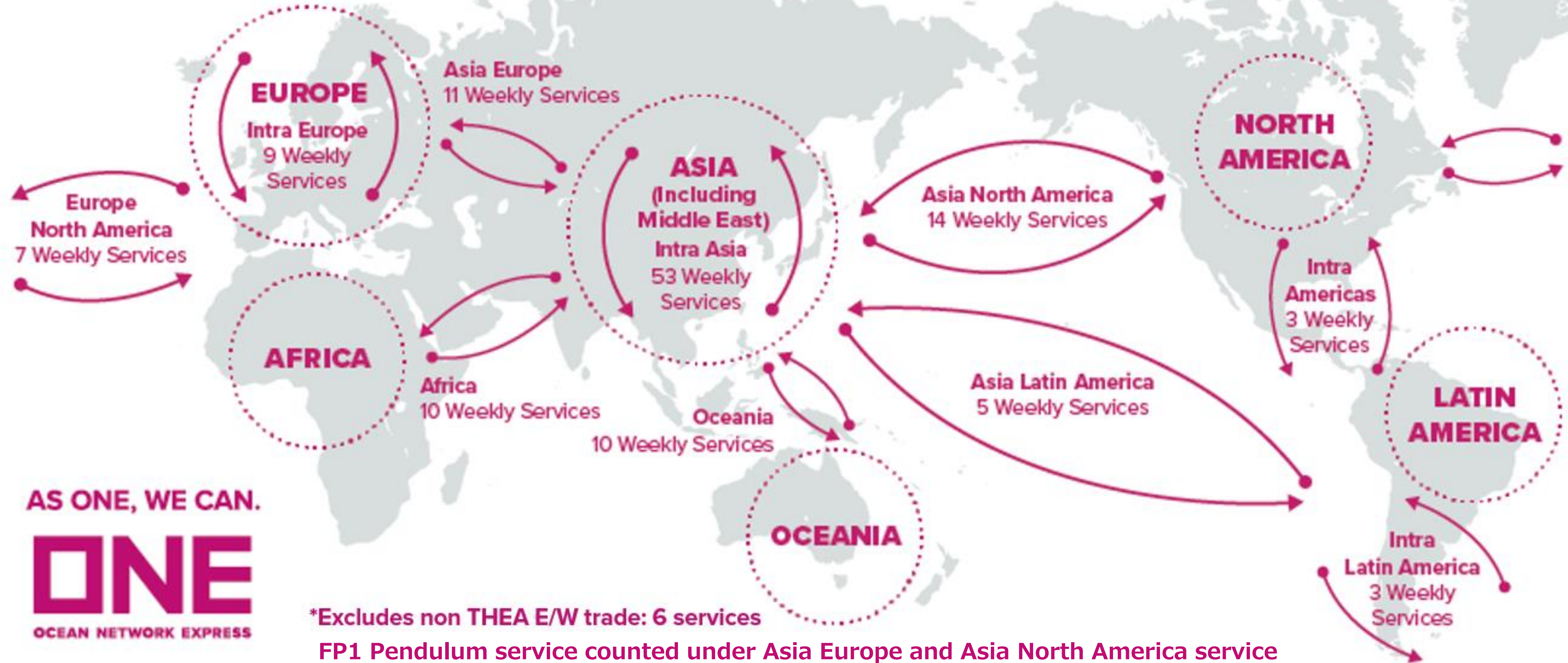
(FY2019 2Q, Round space basis)



ONE's BUSINESS STRUCTURE (Global Network)

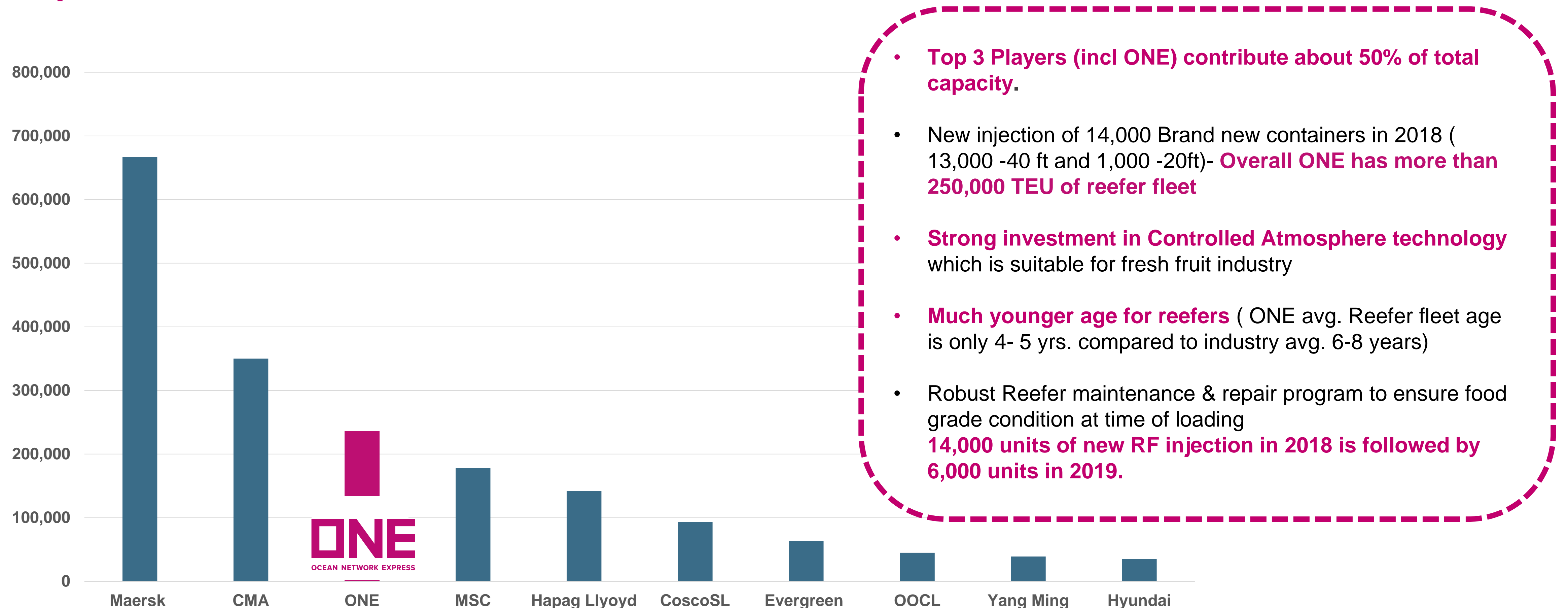
ONE offers an extensive choice of 126* weekly services to over 120 countries around the world.

SERVICE NETWORK

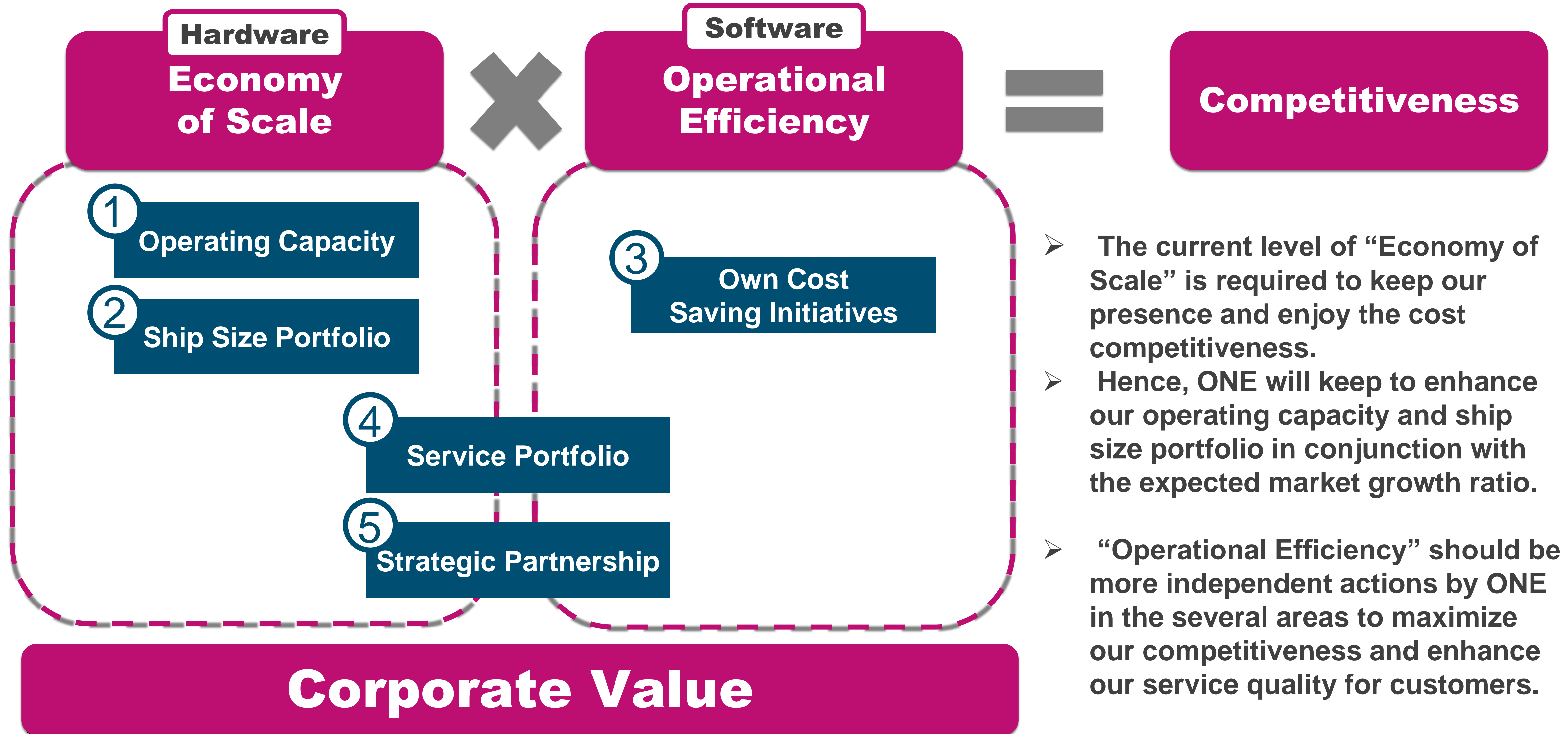


ONE – Significant player in containerized reefer market

Top 10 Carriers control about 70-75% of overall reefer fleet



Basic philosophy since the establishment of this new company



1

Operating Capacity

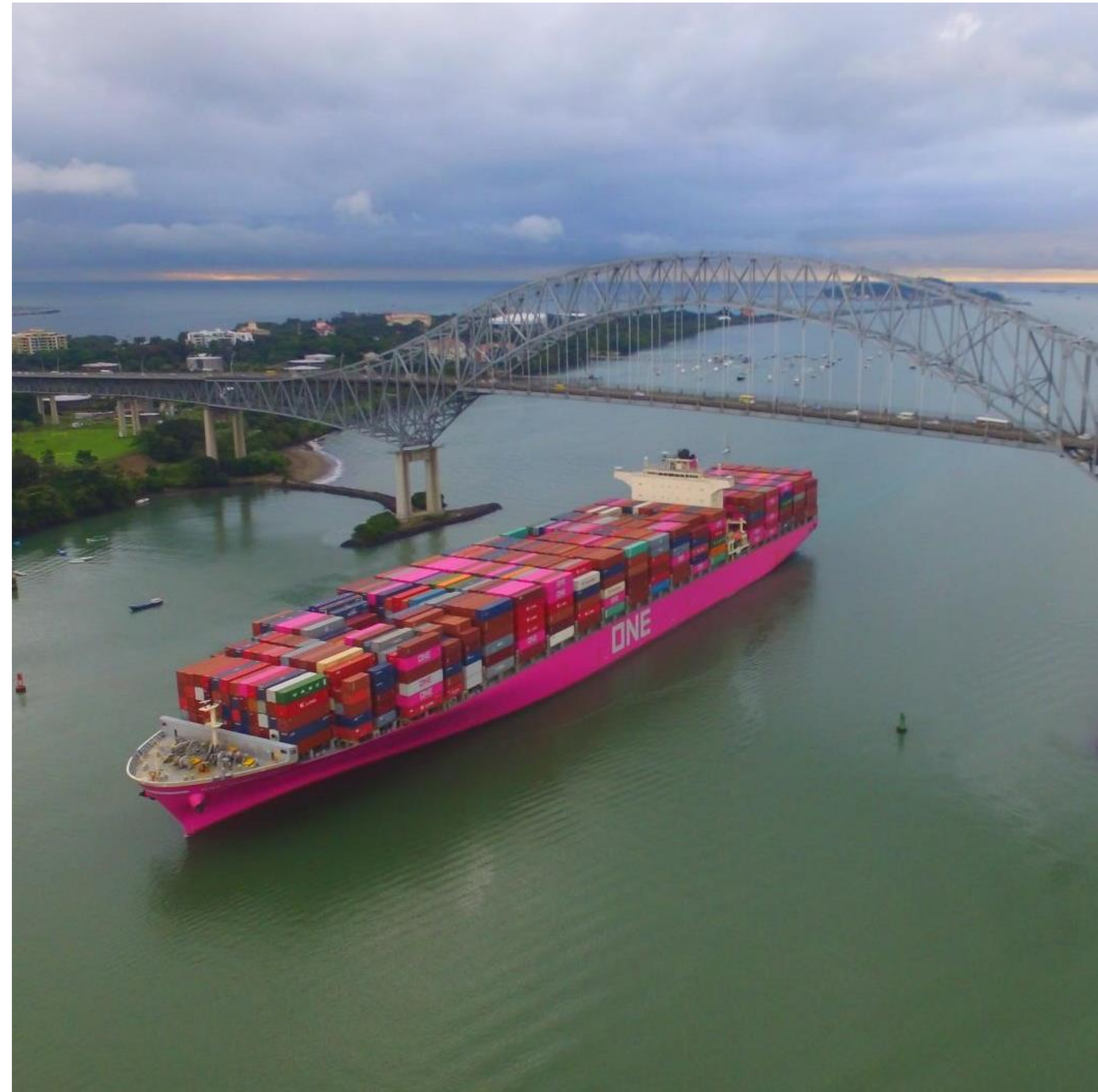
- Cooperation with HLC/YML/HMM through THE Alliance scheme
- HMM deploys the latest ULCS* in FY2020/2021 (23K TEU x 12 and 15K TEU x 8)

ULCS* = Ultra Large Container Ships

2

Ship Size Portfolio

- Trying to enhance ship size portfolio with more competitive ULCS



3 Own Cost Saving Initiatives

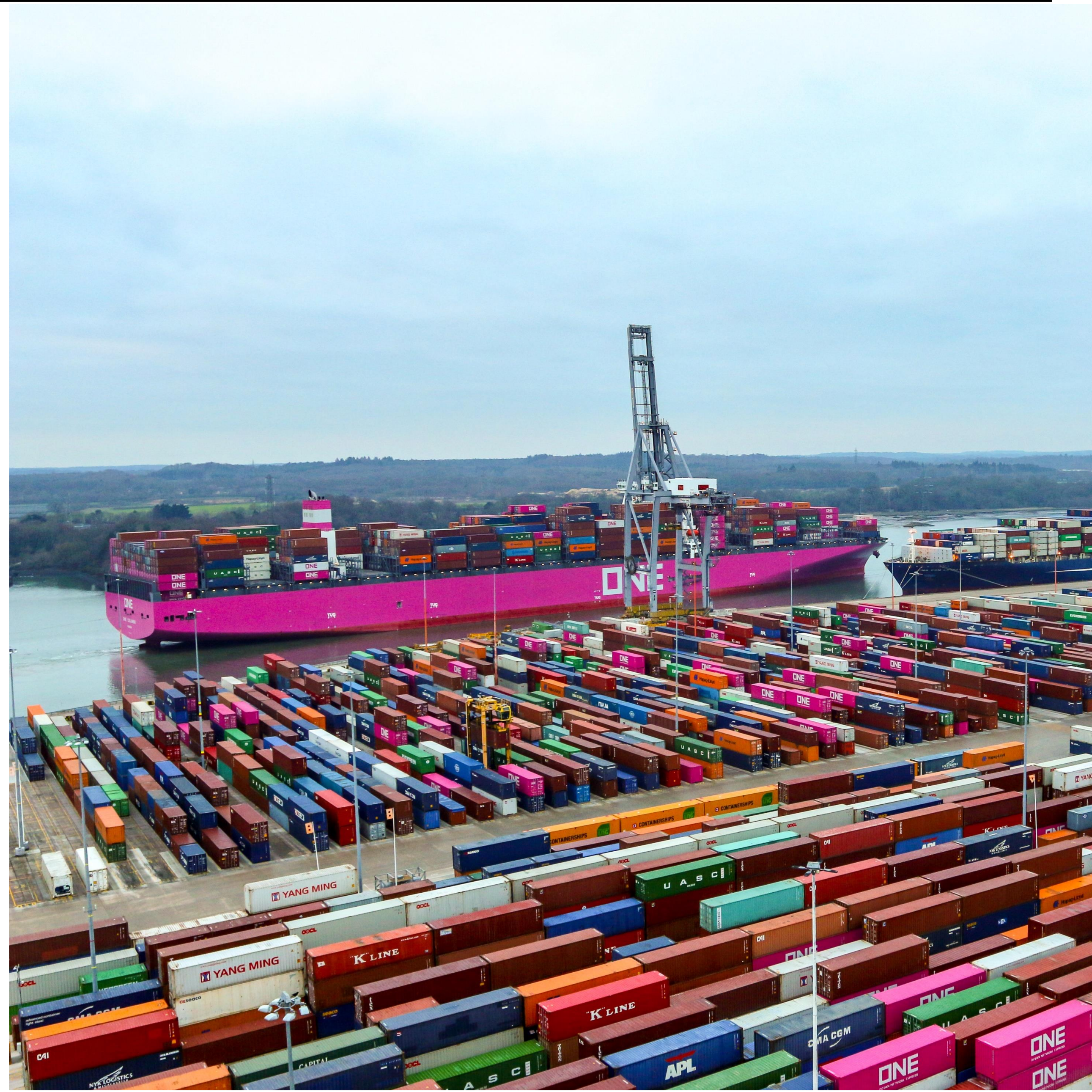
- Continuing own cost saving initiatives for operation costs (e.g. Terminal, Inland Transportation, Equipment, Bunker Consumption and so on)
- Enhancement of cost competitiveness for our organization

4 Service Portfolio

- Maintaining an influential position in East-West Trade
- Exploring the emerging North-South Trade (e.g. Africa, Indian Subcontinent market, etc.)
- Pursing to cover the missing link

5 Strategic Partnership

- Cooperation with business partners such as ocean carriers , terminal operators and other service providers



Enhancing ONE's Corporate Values



Industrial Hot Topics - IMO 2020



Scrubber:

ONE will be installing scrubbers on some of our operating vessels by the end of next year.

OBS (ONE Bunker Surcharge):

Customers' awareness towards environmental issue are increasing, and customers are fully understanding this regulatory compliance.

CO2 Reduction Target :

- 2030 Target – **25% reduction of CO₂ emission** in gram/teu-km from 2018 baseline.
- 2050 Vision – **50% reduction of CO₂ emission** in gram/teu-km from 2018 baseline.



Getting to Zero : Joining Industry-wide collaboration

Getting to Zero 2030 Coalition

1. Global initiative to achieve commercially viable zero emission vessels operating along deep sea trade routes by 2030, supported by the necessary infrastructure for scalable zero-carbon energy sources including production, distribution, storage and bunkering.
2. launched with 78 Signatories including 60 companies from across the maritime, fuels and infrastructure value chains and 11 supporting governments

COMMITMENT TO THE ENVIRONMENT

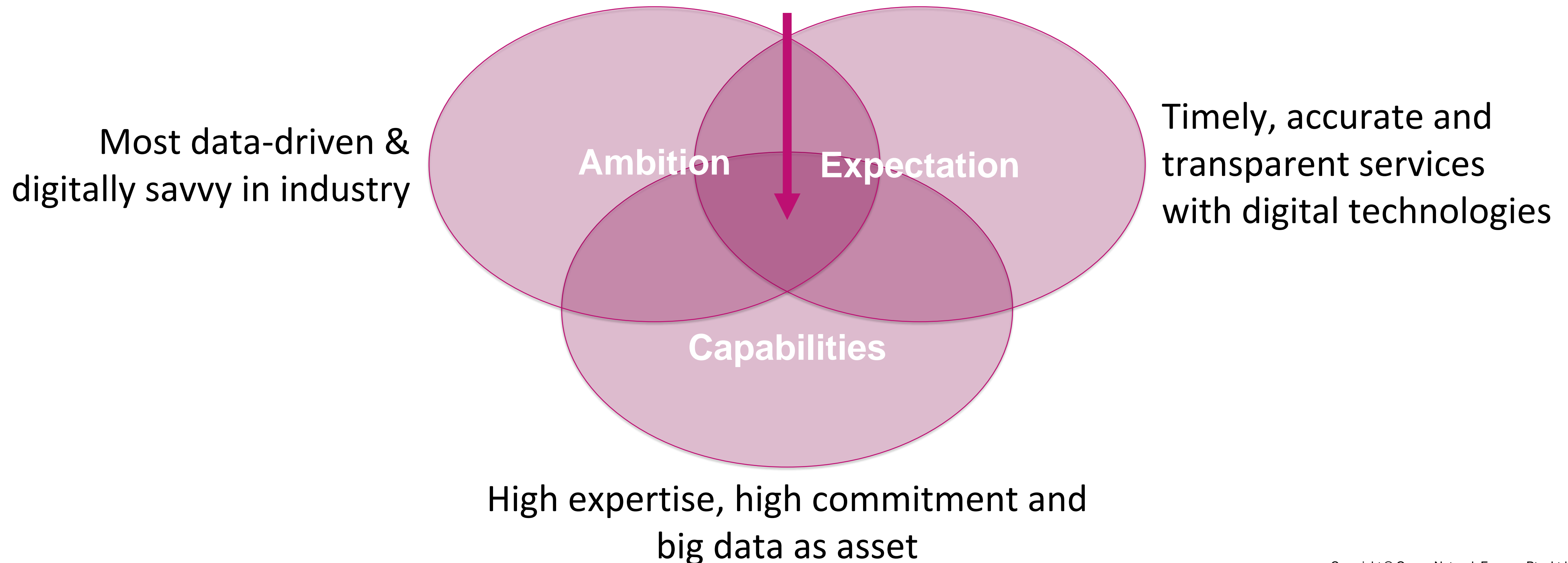
1. Greenhouse Gas (GHG) Emissions and Other Emissions
2. Energy Efficiency in Ships
 - + Monthly vessel performance report
 - + Efforts to reduce energy consumption in ships
3. Oil and Chemical Spills



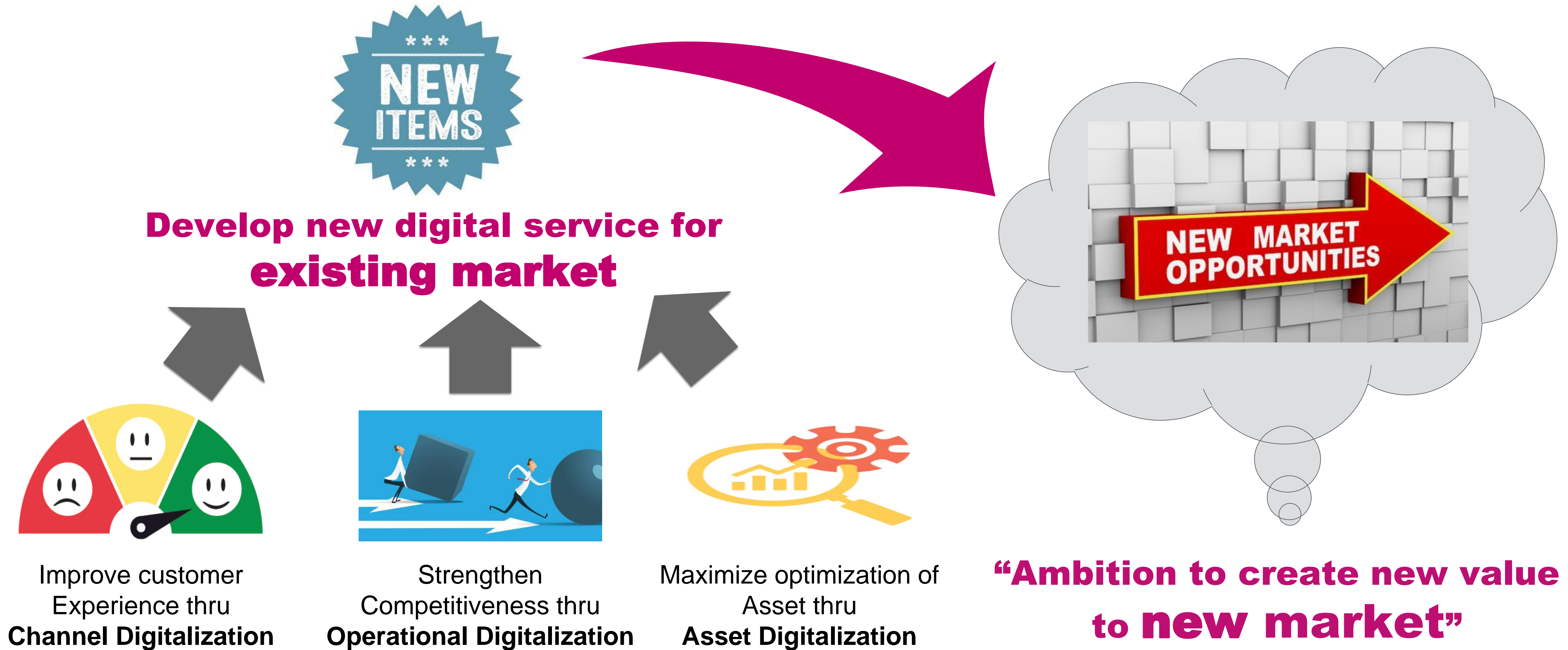
Industrial Hot Topics - Digitisation

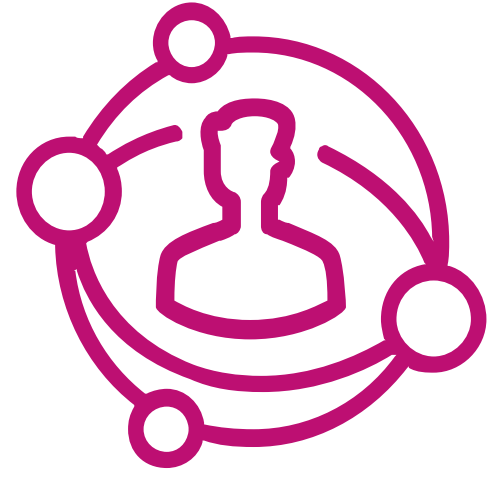
ONE, with its stakeholders set a mission to drive digitalization as a business strategy.

“As ONE, we deliver value through big data analytics and digital capability to achieve excellent customer experience”



Digitalization in step-by-step approach





Channel Digitalization

Operation Digitalization

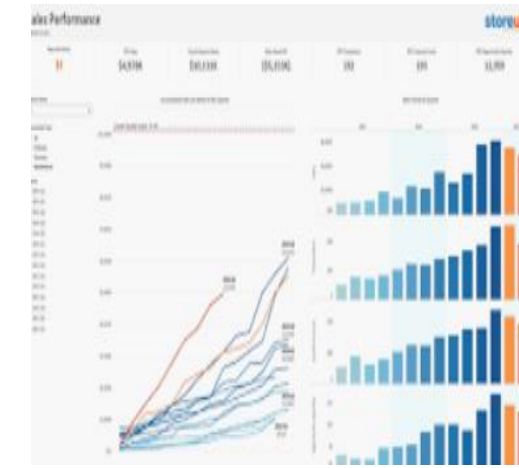
Asset Digitalization



Provide real-time rate quotations, booking confirmation & self-service on E-Platform, EDI and Chatbot



Maximize EDI/API connection with stakeholders in supply chain



Asset optimization through historical data

Enhance CRM platform For completeness and timeliness of the message exchange with customer



Use RPA/ML/AI to automate simple & repetitive tasks such as bookings and invoicing

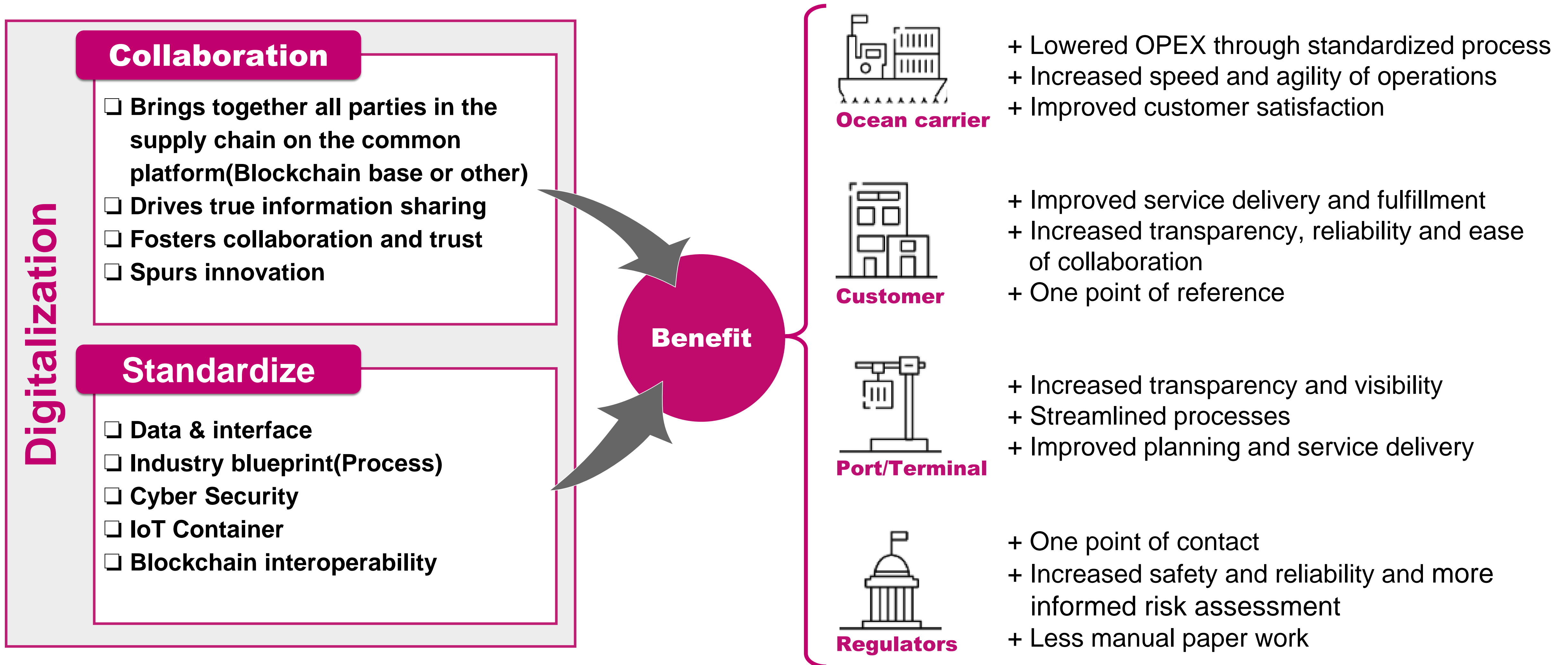


Vessel operation analysis through various vessel information



* **EDI** : Electronic Data Interchange, **API** : Application Program Interface, **RPA** : Robotic Process Automation, **ML** : Machine Learning, **AI** : Artificial Intelligence, **CRM** : Customer Relationship Management.

ONE is participating in various collaboration and standardization initiatives because we expect that various stakeholders would enjoy various benefits through it.



Thank you.



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