



Financial Results for FY2019 3rd Quarter and Forecasts for FY2019

31, JAN, 2020

FY2019 Quarterly Financial Report (3rd Quarter Result and 4th Quarter Forecast)



2nd Half and Full-year Forecast, comparison with Previous Forecast

*as of Oct 2019

(Unit : Million US\$)

	FY2019(Previous Forecasts)*				
	1Q Result	2Q Result	1H Result	2H Forecast	Full Year Forecast
Revenue	2,875	3,109	5,984	6,125	12,109
Profit/Loss	5	121	126	-66	60

FY2019(Latest)						
1Q Result	2Q Result	1H Result	3Q Result	4Q Forecast	2H Forecast	Full Year Forecast
2,875	3,109	5,984	2,914	2,980	5,895	11,879
5	121	126	5	-49	-45	81

Full Year	
Change (Mil US\$)	Change (%)
-231	-1.9%
21	33.8%

Bunker Price (US\$/MT)	\$432	\$419	\$427	\$508	\$469
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\$432	\$419	\$427	\$417	\$561	\$488	\$457
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-\$12

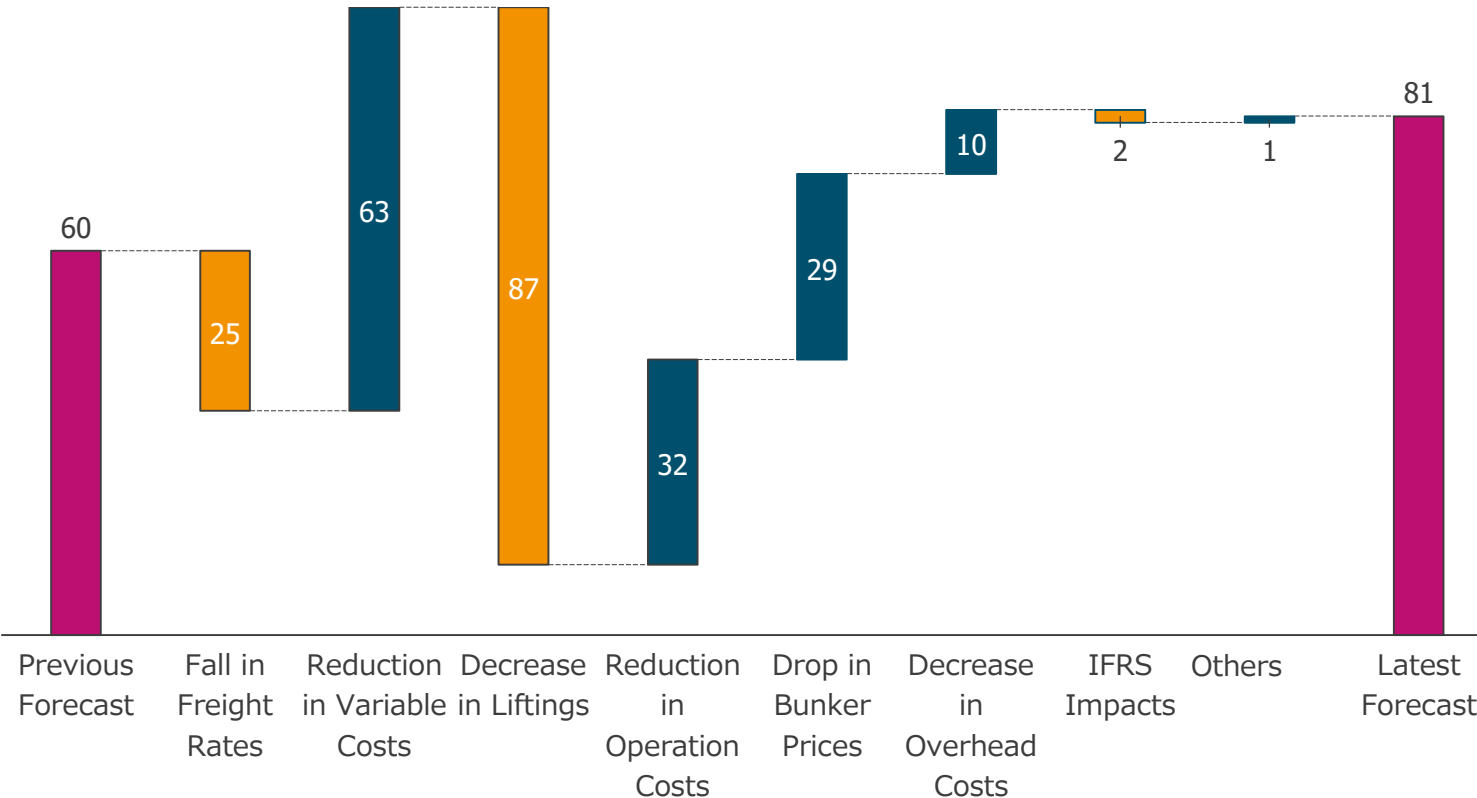
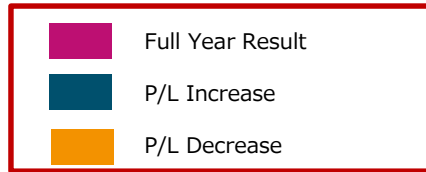
- ❑ US\$5 Million profit for the 3rd Quarter (Recorded profit for the 3 consecutive quarters.)
- ❑ Upward adjustment of Full-year forecast to US\$81Million.
(Improving US\$21Million from the previous forecast)

- Cargo movement has been almost in line with our forecast for East-West trade, North-South trade and Intra-Asia trade until Lunar New Year in late January. In December, there was also some cargo rush to avoid new bunker surcharge and that sustained cargo movement. On the other hand, we expect relatively weak cargo movement after Lunar New Year, and accordingly we plan to have additional void sailings, mainly under THE Alliance for East-West trade, in accordance with demand drop to reduce operating cost.
- Variable cost saving such as empty containers positioning optimization has been achieved more than previously forecasted, and largely contributed to the bottom-line improvement.
- In the 3rd Quarter, price of heavy fuel oil was lower than previously forecasted and it pushed up the bottom line. We expect that the regulation-compliant fuels price after January will be almost in line with the previous forecast.
- In compliance with MARPOL 2020 regulation, we procured regulation-compliant fuels in advance and did micro-management of vessel operation, and therefore we smoothly completed transition. Extra bunker cost by MARPOL2020 compliance is expected to be recovered through bunker surcharge such as OBS (ONE BUNKER SURCHARGE).

FY2019 Full Year Forecast P/L Analysis (With Previous Forecast)

(Unit : Million US\$)

Full Year Forecast (With Previous Forecast)



- ❑ Freight Rates: Deterioration risk in spot-market after Lunar New Year is reflected.
- ❑ Variable Costs: Enhancement of cost competitiveness is progressing more than previous forecast, and improvement is expected throughout the 2nd Half.
- ❑ Liftings: Asia-North America Eastbound trade movement in the market is underperforming last year's results, and the latest downward forecast after Lunar New Year is reflected.
- ❑ Operation Costs: In addition to operation cost saving by the 3rd quarter's void sailings, the 4th quarter's void sailing effect is factored in.
- ❑ Bunker price : Unit price dropped in the 3rd quarter. We generally maintain previous assumption for 4th quarter.
- ❑ Overhead Costs : Mainly decrease in agency overhead costs is reflected.

Liftings/Utilization/Freight Index

(Unit: 1,000TEU)

Liftings / Utilization by Trades		FY2018						Full Year Results
		1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	
Asia - North America Eastbound	Lifting	530	761	1,291	746	627	1,374	2,664
	Utilization	73%	90%	82%	95%	88%	92%	87%
Asia - Europe Westbound	Lifting	312	478	790	442	455	897	1,687
	Utilization	73%	90%	82%	92%	92%	92%	88%

FY2019			
1Q Results	2Q Results	1H Results	3Q Results
669	773	1,442	665
86%	94%	90%	93%
460	488	947	440
87%	95%	91%	92%

Asia - North America Westbound	Lifting	218	285	502	320	318	639	1,141
	Utilization	33%	33%	33%	40%	43%	41%	37%
Asia - Europe Eastbound	Lifting	194	263	457	315	320	634	1,091
	Utilization	48%	47%	48%	62%	63%	62%	55%

350	310	660	320
47%	37%	42%	42%
323	328	651	362
64%	64%	64%	72%

(Unit: 100 = average freight rates as of FY2018 1Q)

Freight Index by Trades		FY2018						Full Year Results
		1Q Results	2Q Results	1H Results	3Q Results	4Q Results	2H Results	
Asia - North America Eastbound		100	101	101	108	105	107	104
Asia - Europe Westbound		100	106	104	100	107	104	104

FY2019			
1Q Results	2Q Results	1H Results	3Q Results
103	105	104	104
100	101	100	98

※FY2019 3rd Quarter Result of void sailings in major trades
 Asia-North America Trade 31 Sailings (13% of ONE's Space)
 Asia-Europe Trade 12 Sailings (18% of ONE's Space)

Updates on Action Plans

Action Plans and Progress in FY2019		Target Amount as of beginning of 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. Operation efficiency, which contributes to Yield Management, and cost saving through business process rationalization are developing more than forecasted, and we keep enhancing competitiveness.	US\$190Million /annually
Products (Service Routes/Allocated vessels) Rationalization	Product rationalization effects in FY2019 and fuel saving effects are smoothly developing. Winter plan such as void sailings in correspondence with demand change are executed in each trade. Newly entered and launched Middle East & India to Africa and East India to Europe services are successfully keeping high utilization rate. THE ALLIANCE has announced next fiscal year's product, and will provide competitive service network together with alliance members including newly joining Hyundai Marchant Marine.	US\$260Million /annually
Organization Optimization	Overhead cost reduction target is on track. Improving customer convenience and internal business efficiency through progress such as E-Commerce function enhancement and implementation of live chat. Robotics is introduced in internal routine process with further possible expansion.	US\$50Million /annually
Compliance with MARPOL2020 Regulation	Transition to regulation-compliant fuels smoothly completed. Extra cost is recovered by bunker surcharge such as OBS. We plan to retrofit scrubber for core large ships as scheduled. We study expansion of target vessels, monitoring on industries trend as well as best mix of procurement of regulation-compliant fuels and retrofitting of scrubber.	
Action Plans in FY2018		
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.	
Transfer of Overseas Terminal Business	Targeting a transfer from each of the parent companies in FY2019.	

(Reference) FY2019 3rd Quarter Result P/L Analysis with last year

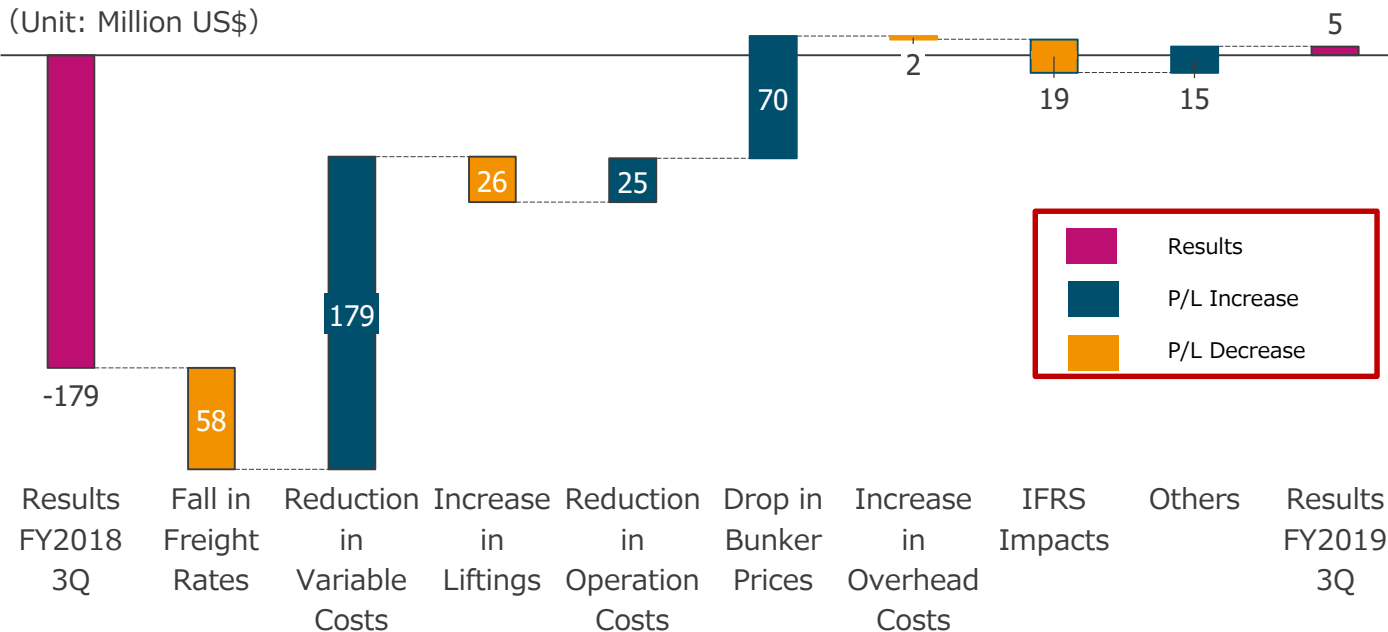
3Q Result and Comparison year on year basis

(Unit: Million US\$)

	FY2018			FY2019			3Q		1Q-3Q	
	1H Results	3Q Results	1Q-3Q Results	1H Results	3Q Results	1Q-3Q Results	Change (Mil US\$)	Change (%)	Change (Mil US\$)	Change (%)
Revenue	5,030	3,025	8,055	5,984	2,914	8,898	-111	-3.7%	843	10.5%
Profit/Loss	-311	-179	-490	126	5	131	184	-	621	-
Bunker Price (US\$/MT)	\$434	\$487	\$453	\$427	\$417	\$424	-\$70		-\$29	

P/L Analysis (vs. Previous year)

(Unit: Million US\$)



- Freight Rates : Freight falls in Asia-North America, Asia Europe Trade.
- Variable Costs: Accelerated cargo portfolio optimization as well as cost saving initiatives.
- Liftings: Market cargo volume in Asia-North America trade reduced. Other trade was steady.
- Operating Costs: Although operating capacity increased, overall cost decreased by product rationalization and bunker saving activities.
- Overhead Costs : Increase in Agency fee.
- IFRS Impacts: Impact from adoption of new standard on lease.
- Others: Improved thanks to bigger interest revenue and foreign exchange rate, despite increase in freight tax expenses.

(Reference) Fleet Structure/Service Structure

▣ Fleet Structure

Size		1)As of end Sep. 2019	2)As of end Dec. 2019	2)-1)
>= 20,000 TEU	Capacity (TEU)	120,600	120,600	0
	Vessels	6	6	0
10,500 - 20,000 TEU	Capacity (TEU)	363,220	363,220	0
	Vessels	26	26	0
9,800 - 10,500 TEU	Capacity (TEU)	100,100	100,100	0
	Vessels	10	10	0
7,800 - 9,800 TEU	Capacity (TEU)	374,655	374,655	0
	Vessels	42	42	0
6,000 - 7,800 TEU	Capacity (TEU)	233,752	227,260	▲ 6,492
	Vessels	36	35	▲ 1
5,200 - 6,000 TEU	Capacity (TEU)	89,998	100,910	10,912
	Vessels	16	18	2
4,600 - 5,200 TEU	Capacity (TEU)	123,597	118,480	▲ 5,117
	Vessels	25	24	▲ 1
4,300 - 4,600 TEU	Capacity (TEU)	71,816	71,816	0
	Vessels	16	16	0
3,500 - 4,300 TEU	Capacity (TEU)	34,003	34,003	0
	Vessels	8	8	0
2,400 - 3,500 TEU	Capacity (TEU)	52,916	61,125	8,209
	Vessels	20	23	3
1,300 - 2,400 TEU	Capacity (TEU)	12,082	11,993	▲ 89
	Vessels	7	7	0
1,000 - 1,300 TEU	Capacity (TEU)	9,644	9,631	▲ 13
	Vessels	9	9	0
< 1,000 TEU	Capacity (TEU)	698	0	▲ 698
	Vessels	1	0	▲ 1
Total	Capacity (TEU)	1,587,081	1,593,793	6,712
	Vessels	222	224	2

▣ Service Structure

(FY2019 3Q Round space basis)

