

Cargotec Investor Day Shanghai
25th September 2019

MacGregor stronger together with TTS

MSC GÜLSÜN
PANAMA
IMO 9939430

MSC

Jane Chen
VP Strategy and Head of China

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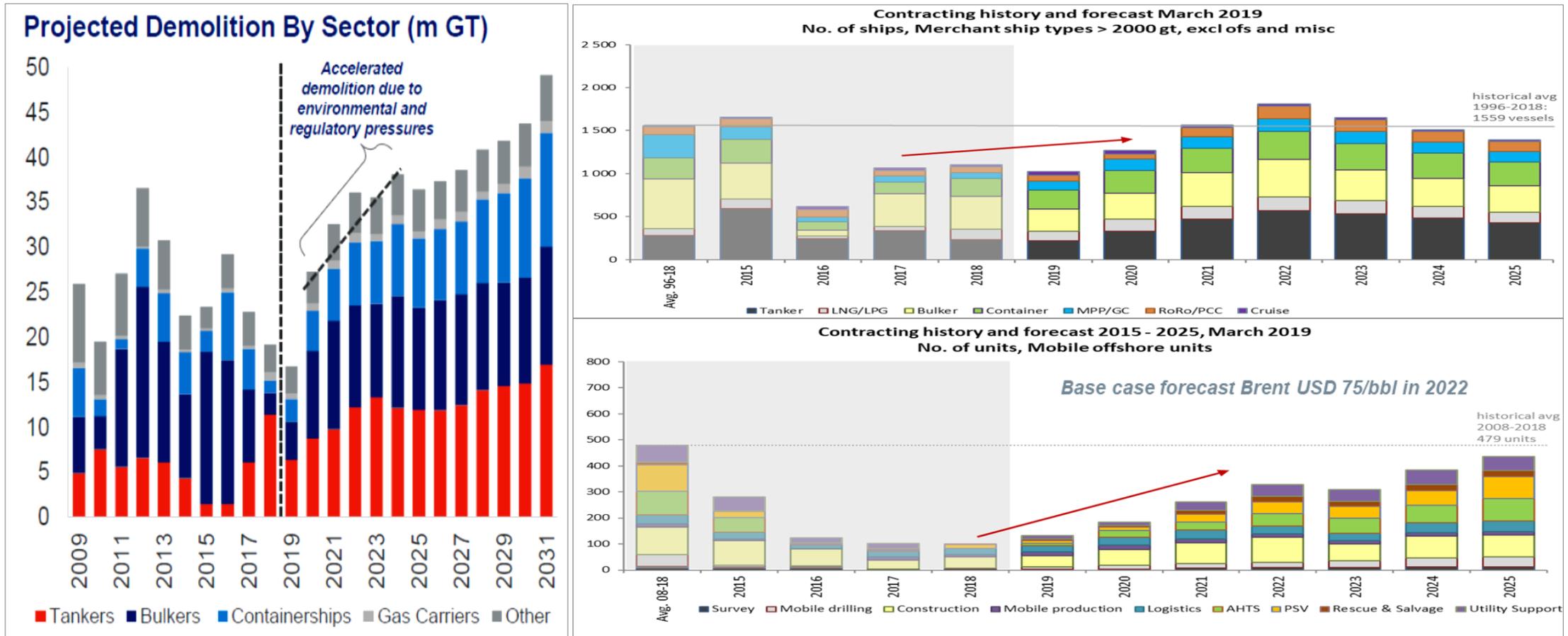
- Global and China market overview
 - MacGregor's TTS acquisition and TTS Chinese JVs
 - Key actions to win through customer success
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Headwinds in short term; Clarksons forecasted the start of the recoveries for merchant will be 2020-2021; Chinese State Owned Enterprises important for MacGregor

Trade tension & the concerns of recession casting clouds; shipowners prioritizing regulatory compliance

MERCHANT	OFFSHORE	SERVICES
<p>Soft short term demand continues, RoRo/Cruise/Navy in positive cycle</p> <ul style="list-style-type: none"> ▪ Emerging economies growth insufficient to compensate the slowing growth in advanced economies ▪ Clarkson downgraded 2019 seaborne tonne-mile growth forecast from 3.4% to 2.2% in September ▪ Bulker, container and tanker demand disappointing, RoRo positive cycle 	<p>Oil price supports O&G development though pressured by demand outlook</p> <ul style="list-style-type: none"> ▪ Offshore field development slowly picking up, activities in offshore wind ▪ Slow increase in offshore support vessel demand expected, e.g. tugs and research ▪ Fishery vessel market more steady from a slower start, promising outlook (e.g. fleet renewal in Russia) 	<p>Ship owners prioritising regulatory compliance retrofits over other spending</p> <ul style="list-style-type: none"> ▪ Ship owner earnings at low level ▪ Regulatory driven investment limit owners' ability to spend elsewhere ▪ BDI 5+ year high, owners delaying repairs to enjoy high charter rates ▪ Financing tight → risk of bankruptcies and further consolidation

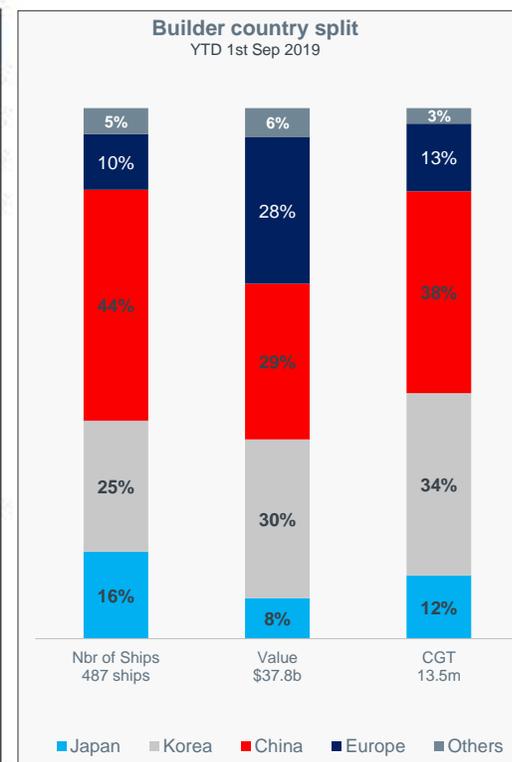
On the path of a slow recovery, long term outlook with demand driven by regulations & supply-demand rebalancing



Source: Clarksons Research, March 2019, next update end Sep.

Environmental regulations & global economy uncertainties dragging short term investment, mega mergers in Asia, European yards retaining big value stake

Global Contracting Activity (1st September 2019)									
	No.			m. CGT			m. CGT		
	2017	2018	2019ytd	2017	2018	2019ytd	2017	2018	2019ytd
TOTAL (>2,000 Dwt/GT**)	1,264	1,324	487	29.6	34.7	13.5	29.6	34.7	13.5
Vessel Type									
Bulkers	424	463	129	9.1	9.6	2.9	9.1	9.6	2.9
Tankers	376	266	124	8.5	6.3	3.1	8.5	6.3	3.1
Containerships	147	213	56	4.0	6.2	1.4	4.0	6.2	1.4
Gas Carriers	48	123	57	1.8	6.8	3.0	1.8	6.8	3.0
Offshore	47	56	14	0.8	1.0	0.5	0.8	1.0	0.5
Others	222	203	107	5.4	4.7	2.7	5.4	4.7	2.7
Builder Country/Region									
China	598	517	212	4.8	12.1	5.1	4.8	12.1	5.1
South Korea	203	288	120	2.2	7.8	4.6	2.2	7.8	4.6
Japan	215	376	80	2.4	3.5	1.6	2.4	3.5	1.6
Europe	99	93	51	3.7	4.0	1.7	3.7	4.0	1.7
Other	149	50	24	16.5	7.3	0.4	16.5	7.3	0.4



Source: Clarksons Rsearch, Aug 2019 actual, March 2019 forecast

CSSC & CSIC control ~40% Chinese shipbuilding; SOEs promote “internal synergy”, and ambition to lead the industry

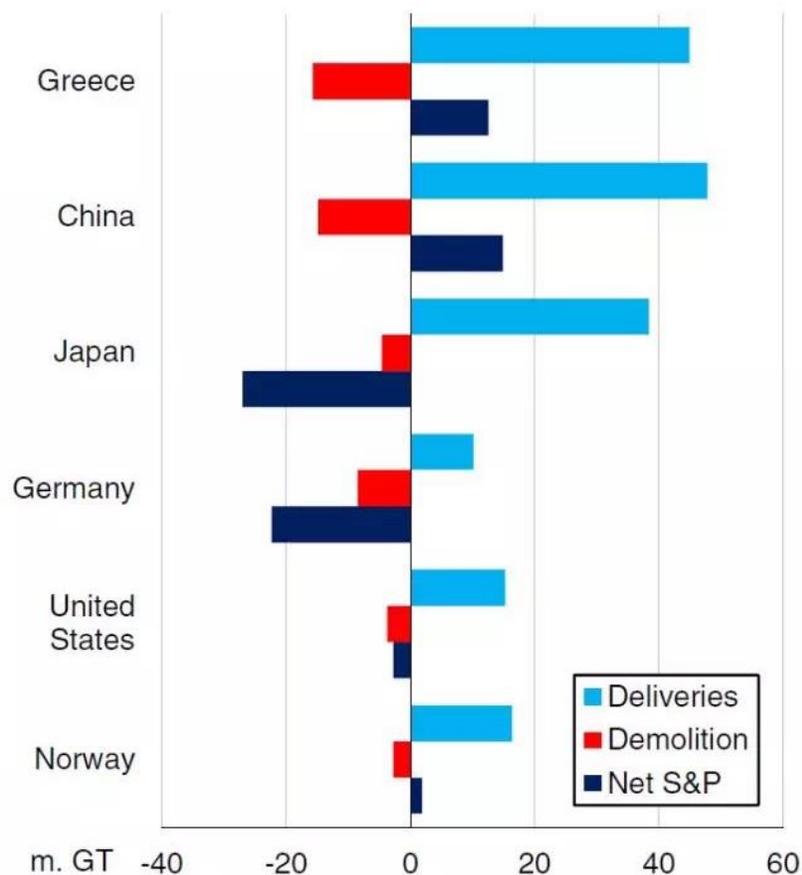


Chinese shipowners global influence increasing, led by the major SOEs like China COSCO Shipping and China Merchants

Fleet Growth: Looking At Three Key Levers

The graph shows the impact of deliveries, demolition and net secondhand (S&P) market activity on the fleets of today's six largest owner countries (according to current fleet tonnage), since the start of 2015, in GT terms. Data is basis vessels of 100+ GT and can be downloaded directly from the timeseries section of *World Fleet Register*.

The author of this feature article is Alex Springer. Any views or opinions presented are solely those of the author and do not necessarily represent those of the Clarksons group.



Source : Clarksons Research

- Undoubted leader, quick to seize market opportunities, Greek owners remained very active in the past 5 years (for new build & 2nd hand).
- Old Greek owners with long history and experienced rounds of cycles are proficient in ship management, operations and capital operations, still getting support from European banks and Chinese leasing companies albeit tight financing.
- 2018, China replaced Japan as Number 2 for the 1st time, driven by Chinese seaborne trade demand; own shipbuilding capacity; scrap-to-build, & OBOR projects.
- Chinese shipping leasing companies increasing influence, supported 15% (new build and 2nd hand) during 2016-2018.
- China COSCO Shipping and China Merchants seen with potential to grow along consolidation trend.

TTS acquisition at right time to improve the resilience of the new MacGregor, TTS JVs enhances China strengths

1st Aug, MacGregor welcomed 600+ TTS new colleagues (and ~200 in TTS JVs)



Together, we can support the maritime industry in a stronger and more impactful way than we could when separate



Our joint portfolio and market positions are strong



We can share knowledge and innovate



We will create more value for our customers



We have a larger service installed base, wider service network and service growth potential



We are uniquely positioned in China through the joint ventures

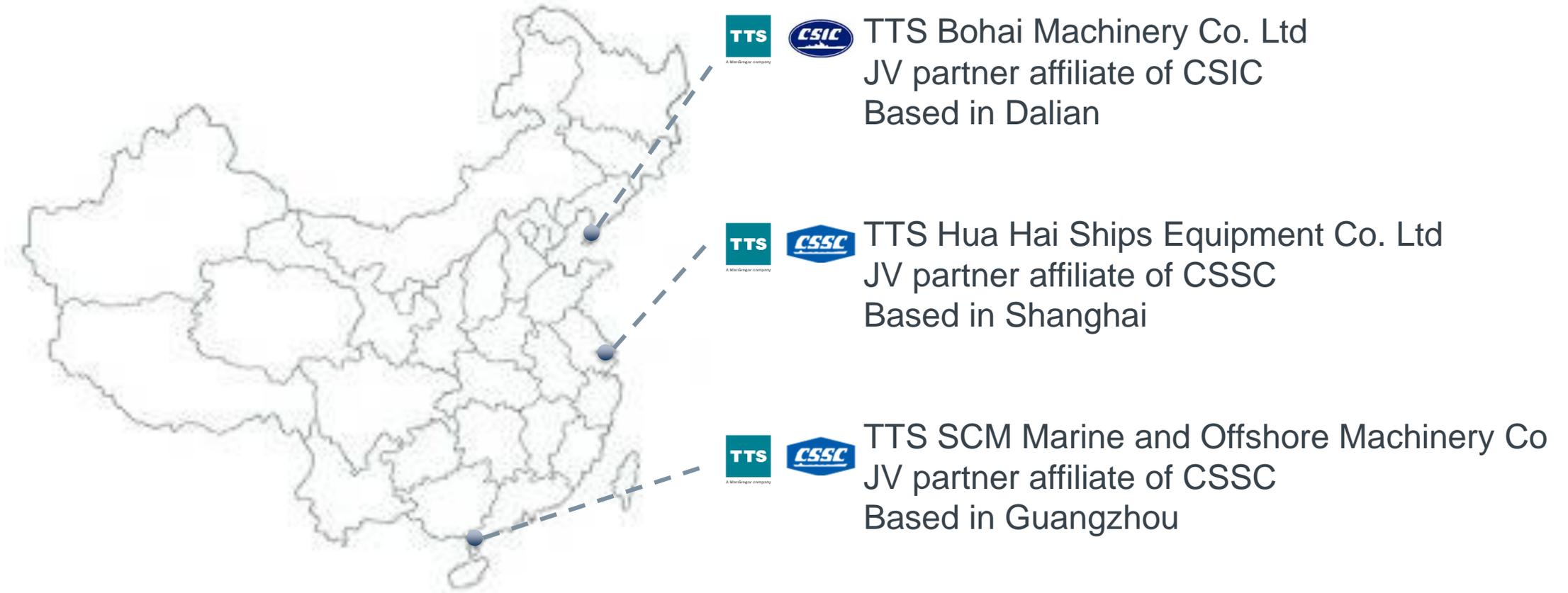


TOGETHER we will create the new MacGregor, building on the best of both companies

Comprehensive lifecycle support provided by 850 specialists throughout 60 service centres in 31 countries worldwide



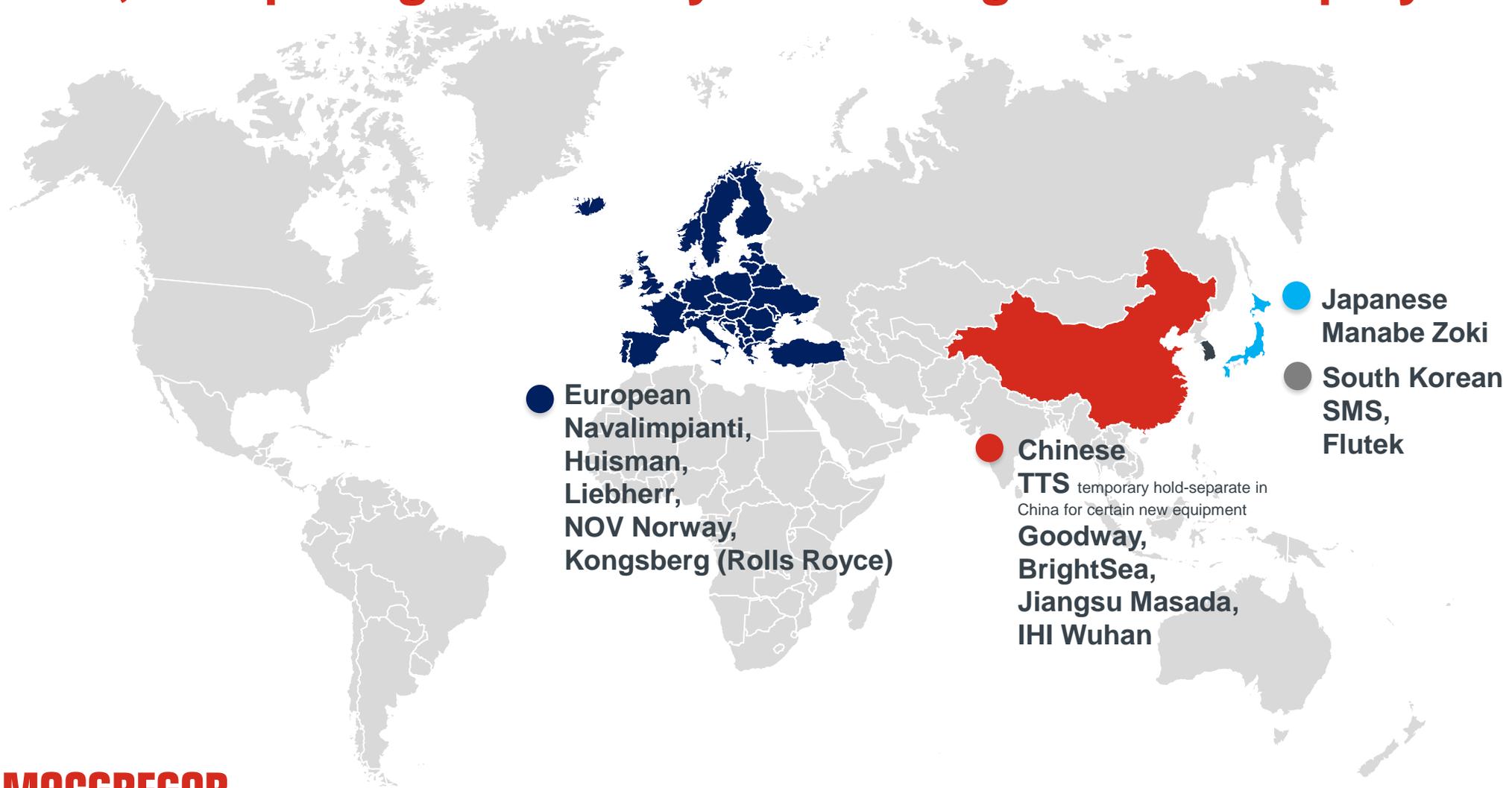
In China, certain new equipment business in TTS JVs will be hold-separate to provide customers a 2-year transition period



MacGregor has long history cooperating with CSSC/CSIC; close relationship built on C-level between MacGregor and CSSC; TTS JVs further complement the connections



MacGregor has a strong market position both globally and in China; competing effectively with foreign and local players



Actions taken to win through customer success with strategic must win battles of Customer Centricity & Intelligent Services, addressing different customer needs

Customer Centric approach to address certain customers' fit-for-purpose needs and improve competitiveness

- Customer survey feedback demonstrates “one size does not fit all”
- The request for low-price simple products attracts price leading low specification makers to buy market share
- Value engineering for product segmentation initiated to complement the existing portfolio, first offering starts October 2019



Meanwhile, intelligent services like OnWatch Scout innovated to serve shipowner's advanced needs of lifecycle support with connectability

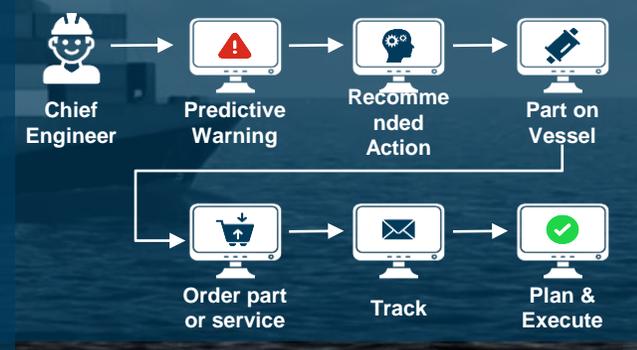
 **Condition & Predictive Information**

 **Working Record**
Health Status on-demand

 **Wire Life Cycle Calculator**



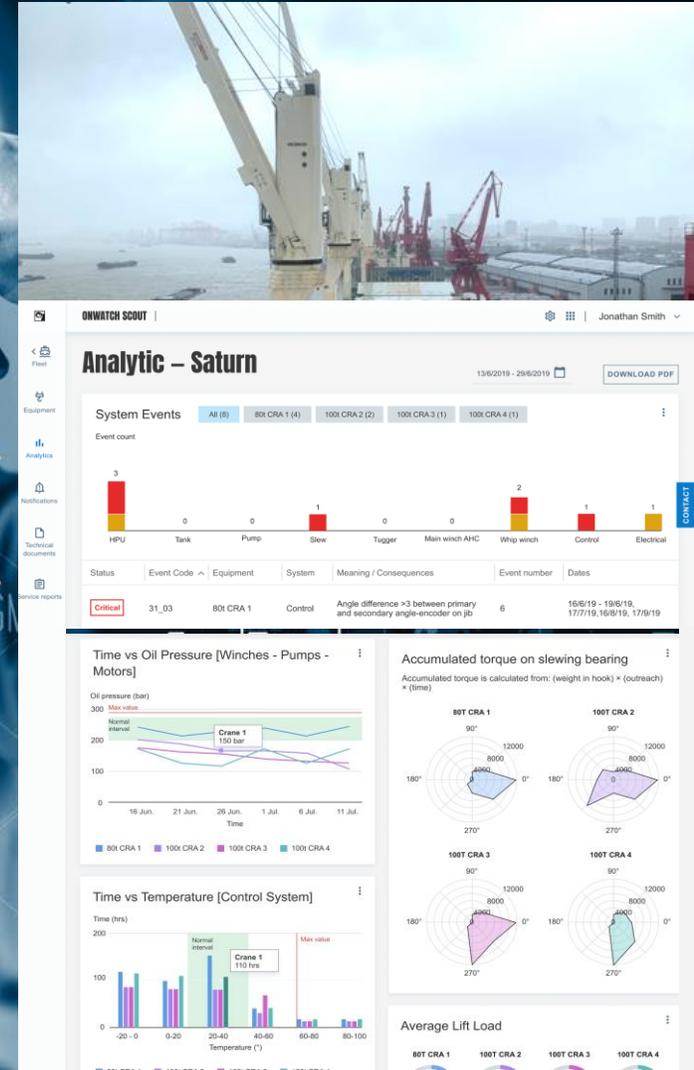
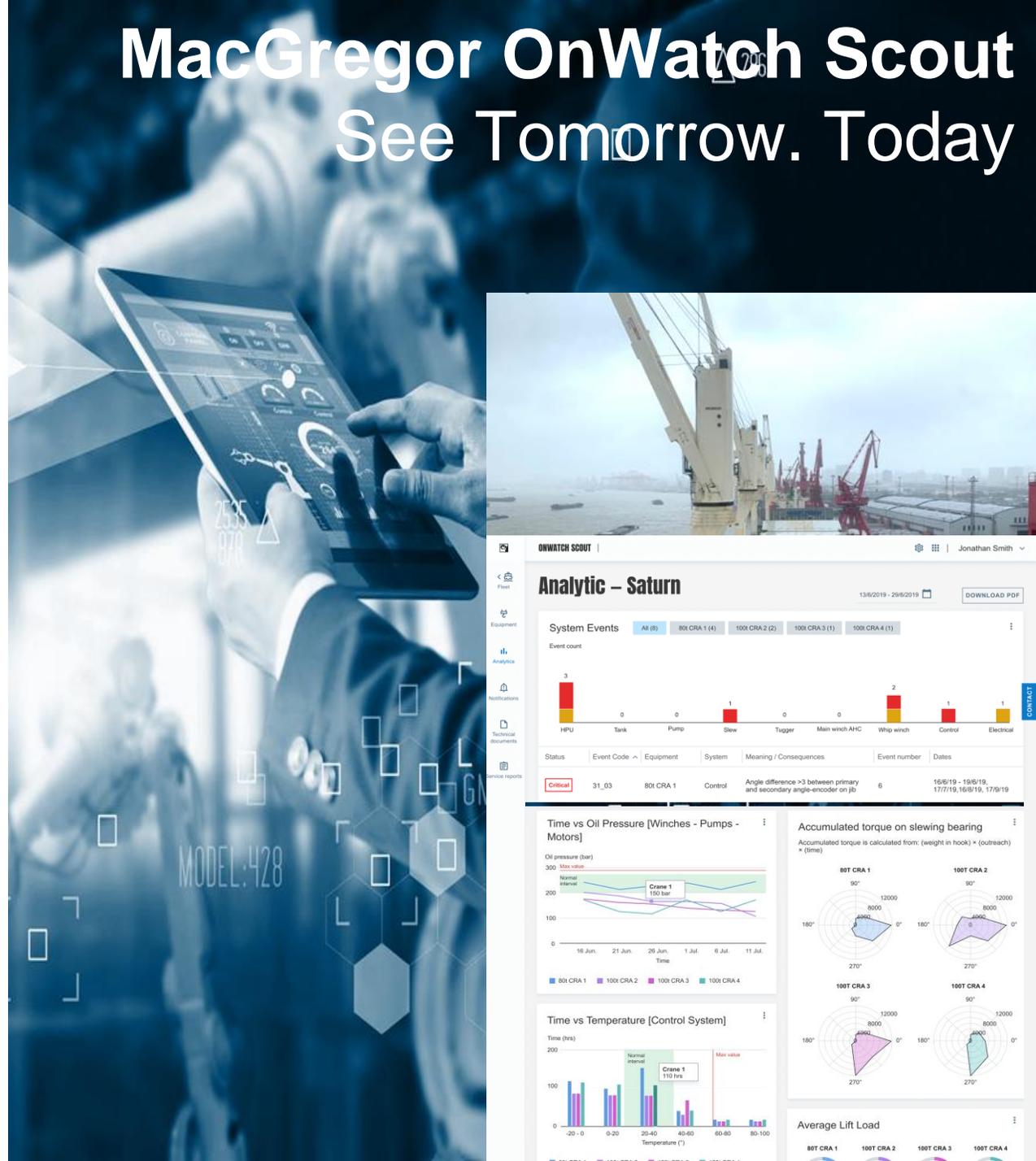
OnWatch Scout the next generation digital offering, initially connecting cranes to advanced monitoring systems continuously analyse component condition and predict maintenance needs



MacGregor OnWatch Scout See Tomorrow. Today

Intelligent service solutions are strongly connecting MacGregor and top tier Chinese shipowners

- In China, pilot cases started with top tier ship owners
- Based on real customer pain-points
- Applying machine learning algorithms
- Cargotec cloud connectivity
- Intuitive customer interface on and offshore
- Monitoring with recommended actions to reduce unplanned downtime and maximise availability



Conclusion

Conclusion

- **Uncertainties in the global economy & trade, combined with environmental compliance requirements, puts pressure on short term market; the recovery of merchant market expected earlier than offshore.**
- **Cyclical market is part of the maritime industry nature; MacGregor have been long in the industry as an experienced veteran with asset light competence center + hubs model and strong execution capabilities.**
- **TTS acquisition completed at the right time to support business resilience; the integration work has commenced with services growth potential through serving the combined installed base and a strengthened global support network.**
- **Chinese customers increasingly important, particularly the mega SOEs; the strategic cooperation between MacGregor and the key SOEs will be complemented by TTS JVs to secure the growth of the population of the install base for service also in China, though hold-separate*.**
- **Intelligent services innovation, such as OnWatch Scout, increases shipowner's asset value and safety, builds a stronger bond between MacGregor and the key customers along the value co-creation journey... and new services revenue will follow.**

**Certain new equipment business in China is subject to temporary hold separate, which does not apply to aftersales services.*

