

Vespucci Maritime

Container Market Developments

September 2024

Lars Jensen
CEO, Partner

Vespucci Maritime



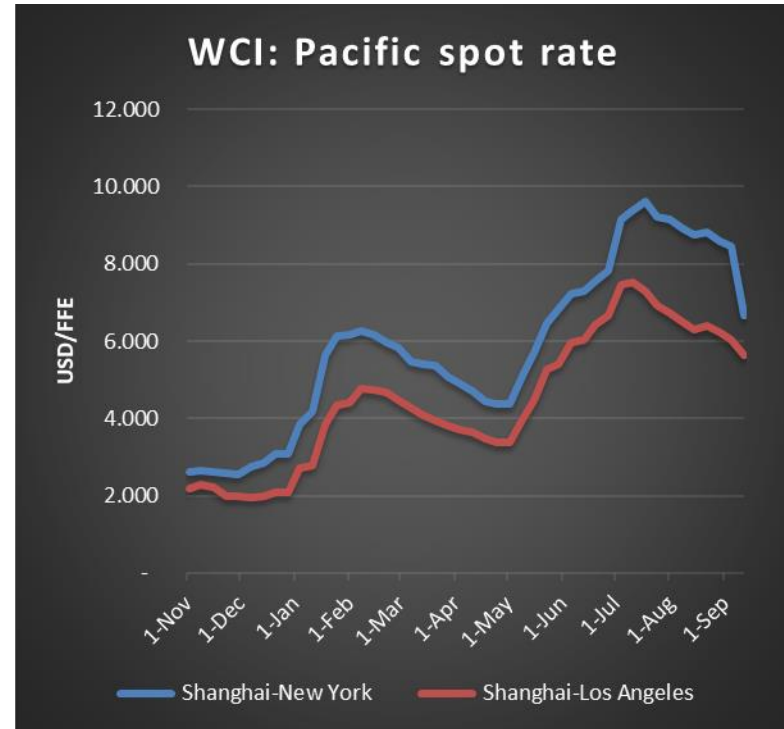
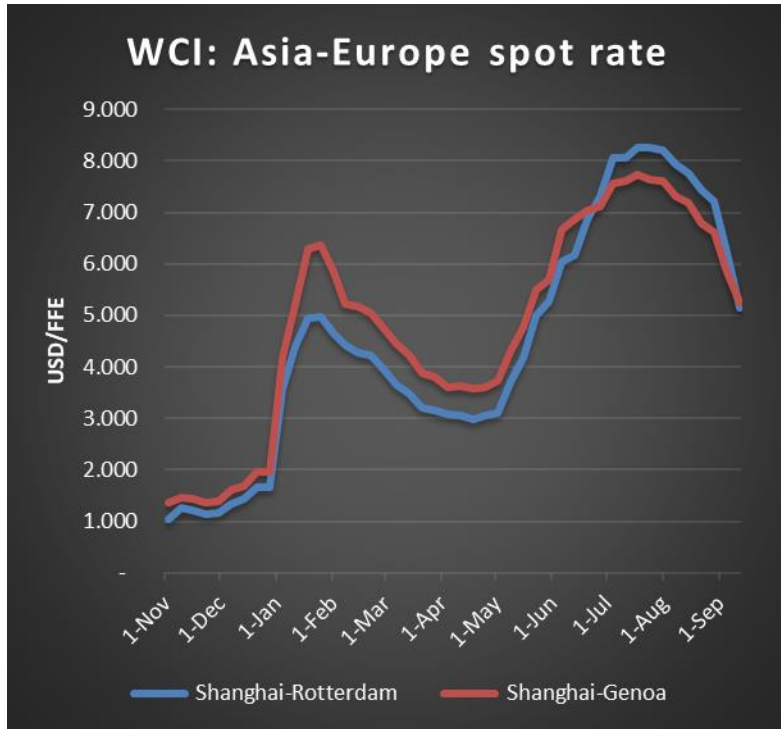
Red Sea status

Status as of 10th September 2024:

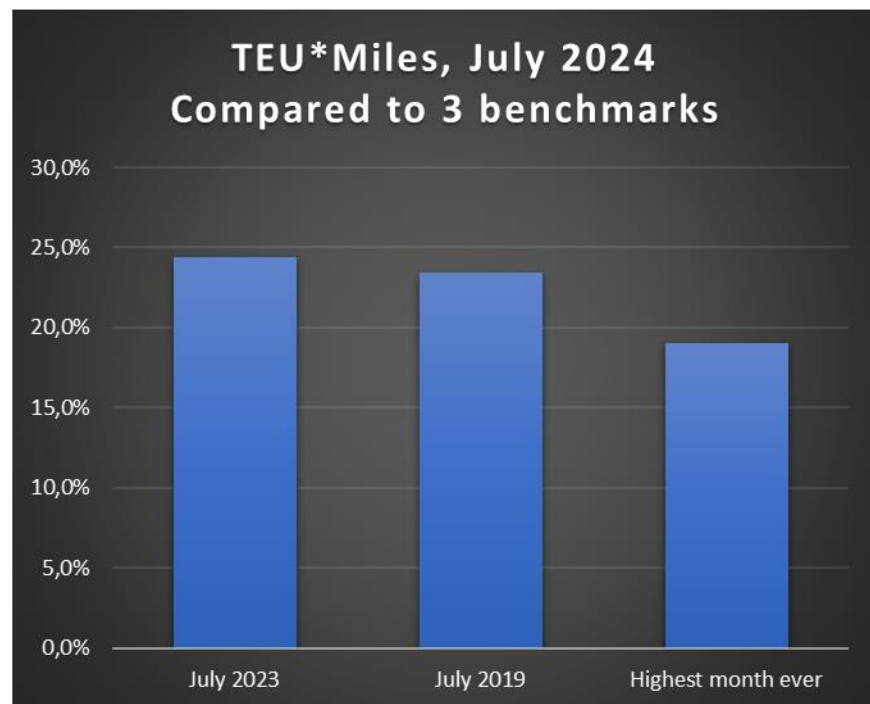
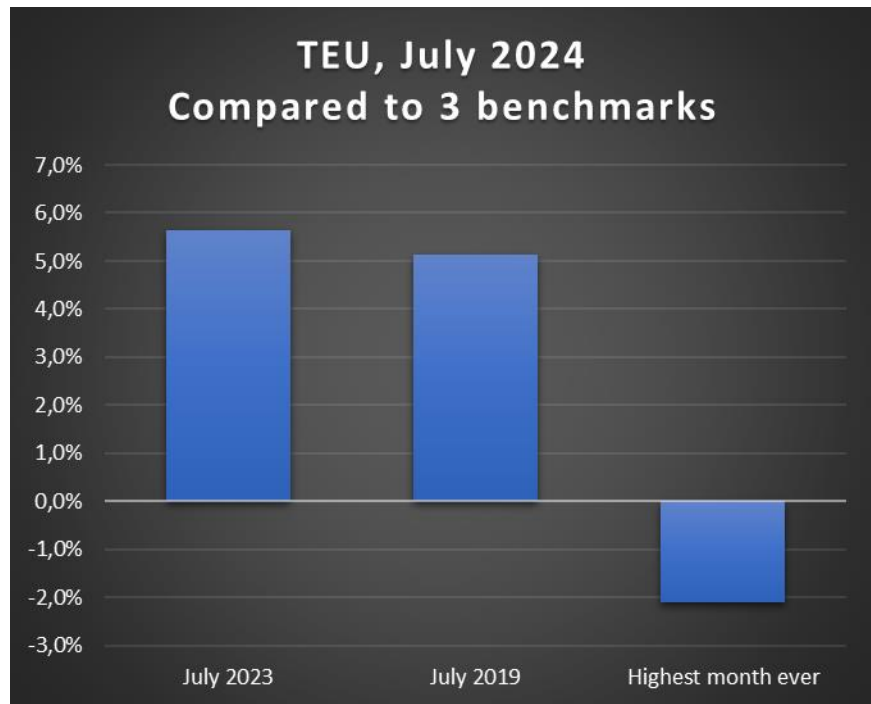
- Crude oil tanker “Sounion” still pose risk for major environmental disaster. Salvage operations are underway and vessel is now at a safe location. The vessel remained on fire while being towed.
- Latest attack on container vessel took place 2½ weeks ago against a 2500 TEU vessel operated by CMA CGM
- Houthis might have expanded the target group to now also consist of vessels operated by companies who services Israel using other vessels than the one actually attacked
- Realistically we might not see the Suez routing become used until next year – or even later



Market is cooling after early peak



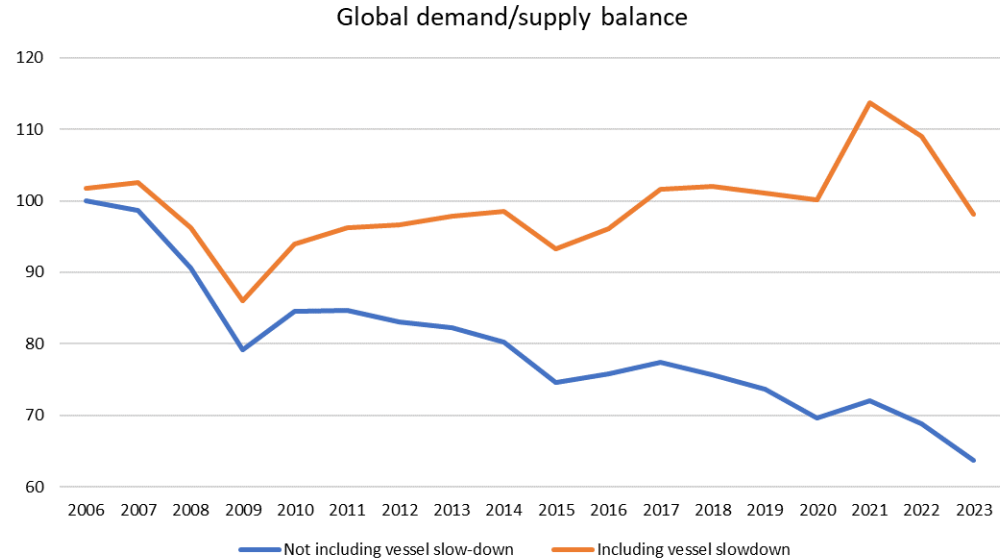
Demand is strong – mainly due to Red Sea



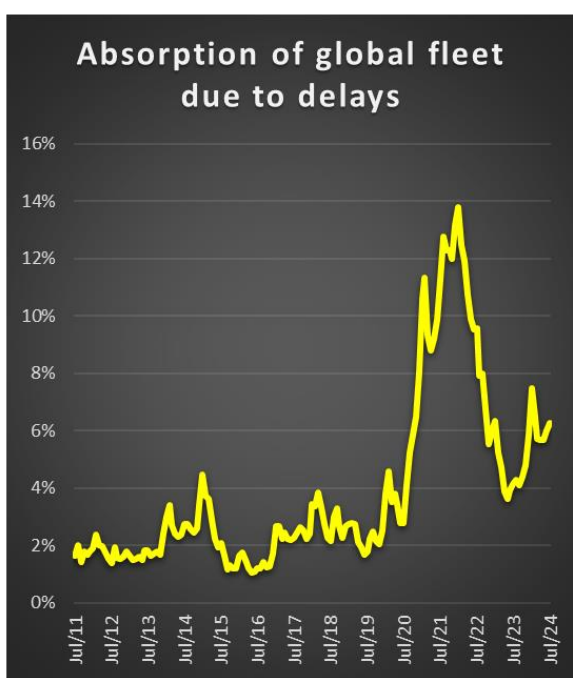
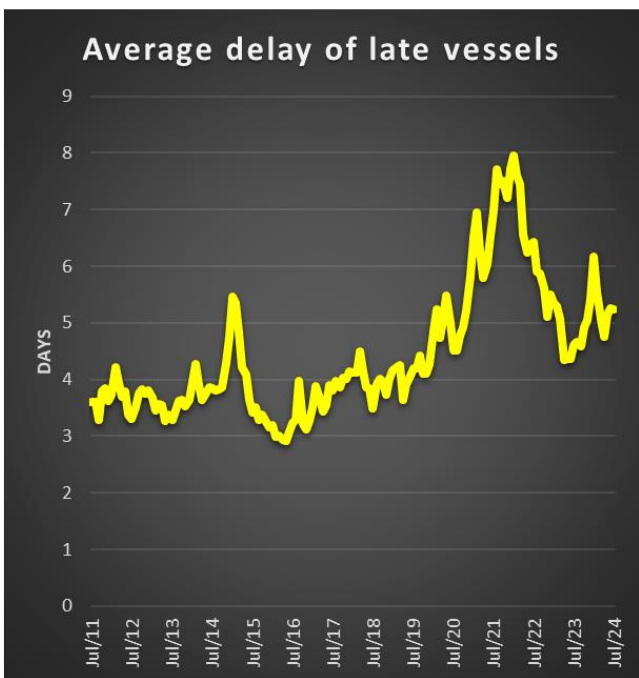
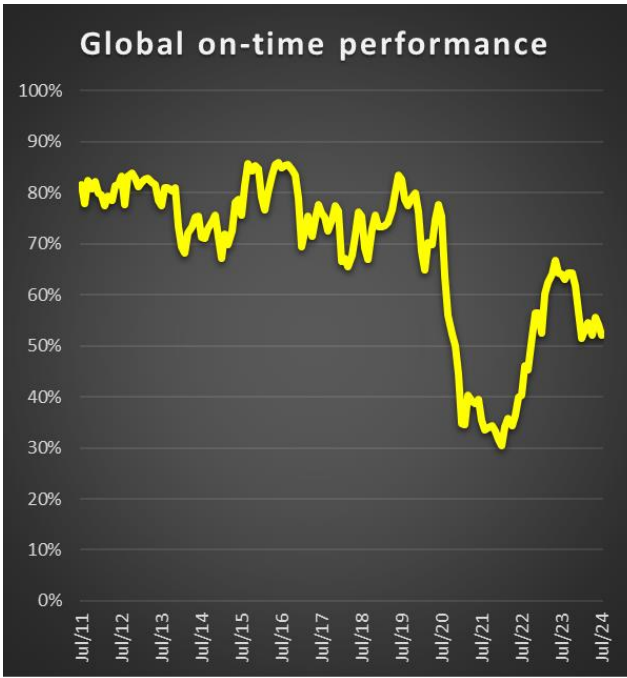
The fundamental supply/demand balance

Vessel speed and time in port is critically important to the market balance

The speed is a variable which can to some degree be changed tactically and hence difficult to model in detailed forecasts



Capacity reduction due to delays



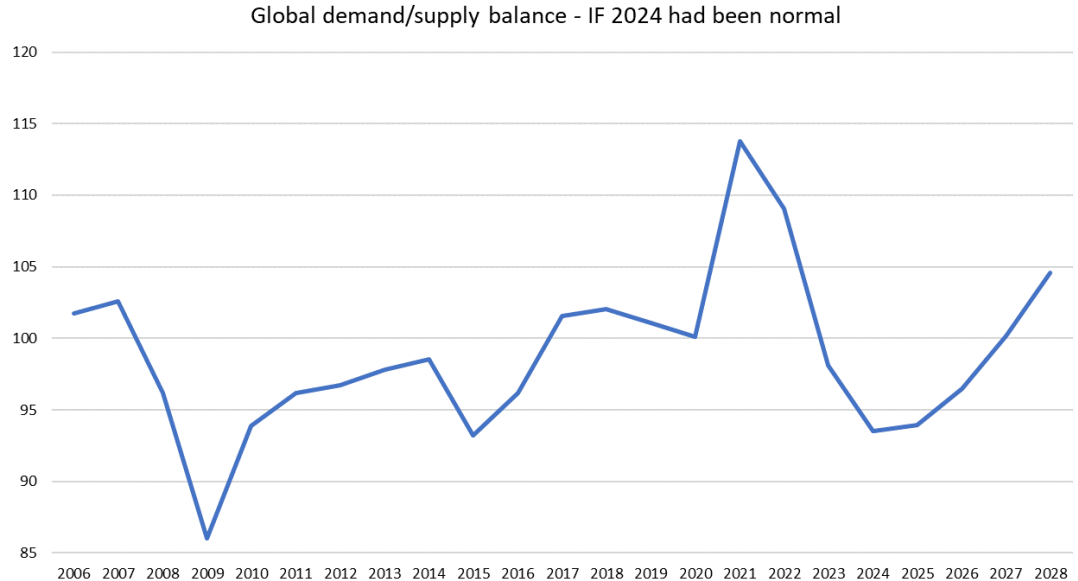
Baseline in the absence of Red Sea crisis

This assumes no Red Sea crisis

This assumes continuation of gradual vessel slow-down as per the past 15 years

The assumes port congestion and delays revert to the norm seen pre-pandemic

This assumes a GDP multiplier at parity globally for 2025 and beyond but a 5.2% growth in 2024



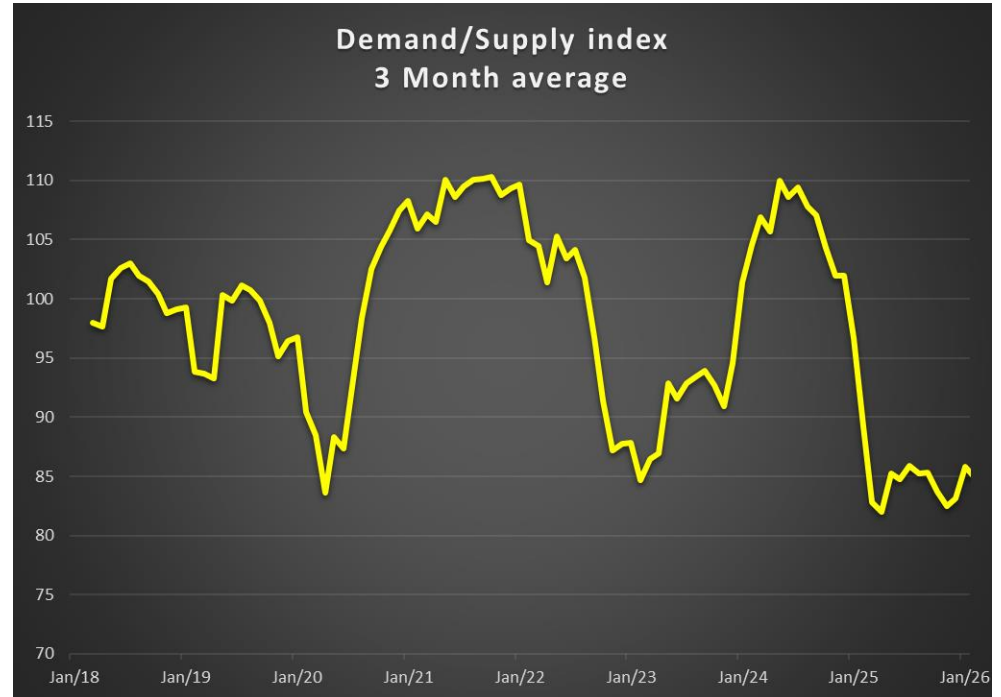
Monthly level, Red Sea crisis 2024 only

Assuming a mid-position of vessel speed impact

Assuming demand growth rest of 2024 continues as seen in the beginning of 2024 versus 2019

Assuming GDP parity with TEU in 2025 and beyond

Assuming port congestion does not worsen and is resolved in 2025



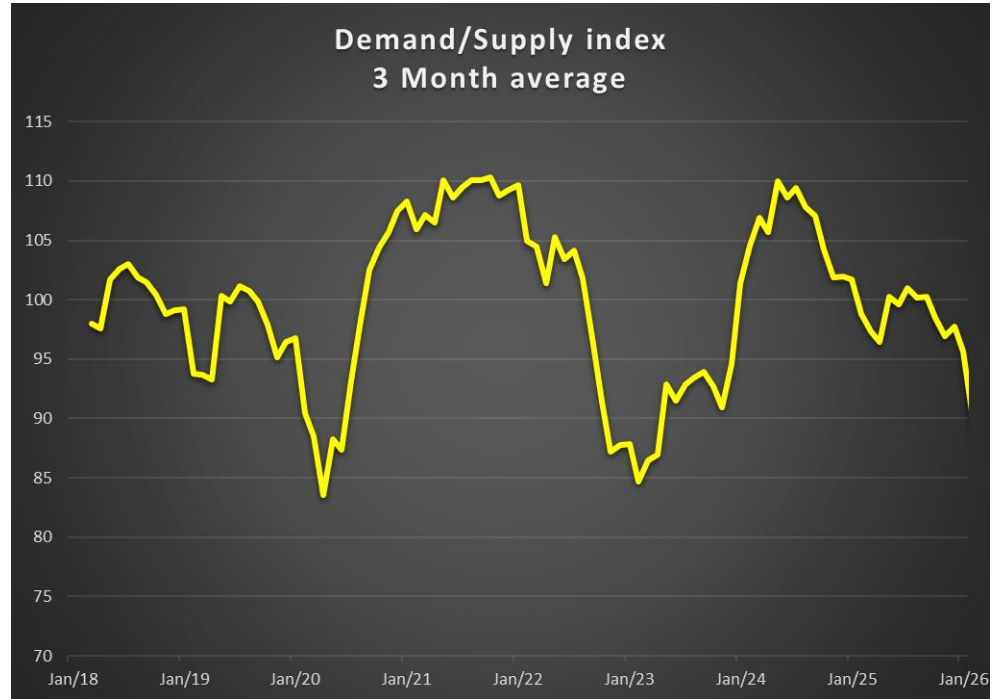
Monthly level, Red Sea crisis 2024 and 2025

Assuming a mid-position of vessel speed impact

Assuming demand growth rest of 2024 continues as seen in the beginning of 2024 versus 2019

Assuming GDP parity with TEU in 2025

Assuming port congestion does not worsen and is resolved in 2026



Major turmoil when Red Sea re-opens

- Vessels through Suez will overtake vessels around Africa
- 1-2 weeks with double arrivals and double cargo in Europe
- Port congestion
- Shortage of trains, truck and barge
- Pressure on warehouses
- Large temporary bottleneck problems
- 2-3 months later: Shortage of empty containers in Asia
- And then a collapse in freight rates
- The transition to go back should therefore be seen to be very turbulent for several months and will place a dampener on rate decline to Europe



US East Coast labor issue as trigger event

Negotiations have been stalled for 3 months

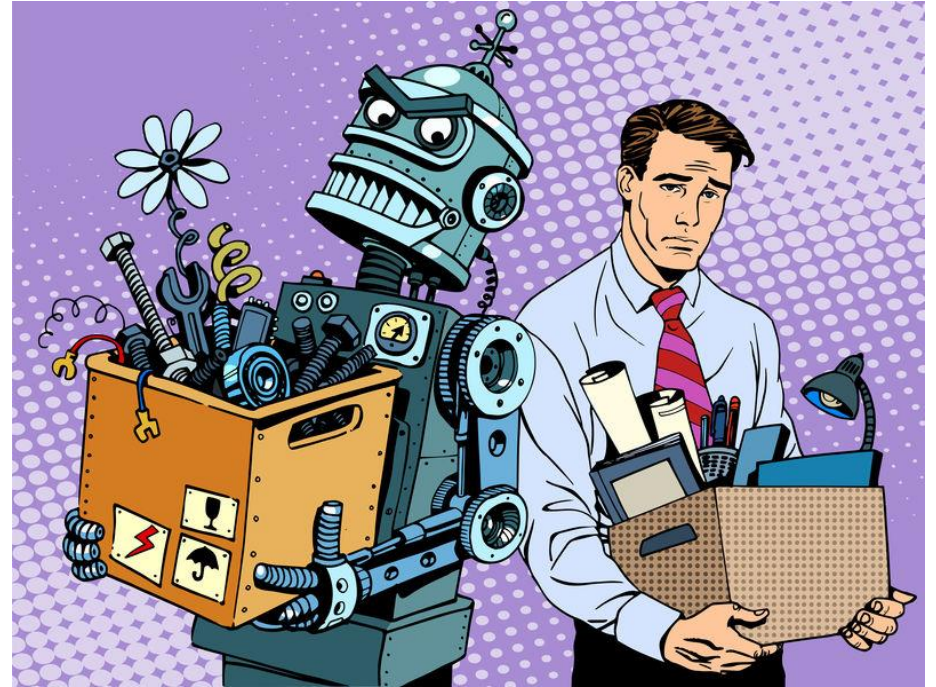
Actual statement from the union:

“Who the hell is a foreign company like Maersk, to come to American soil and build fully automated terminals”

And

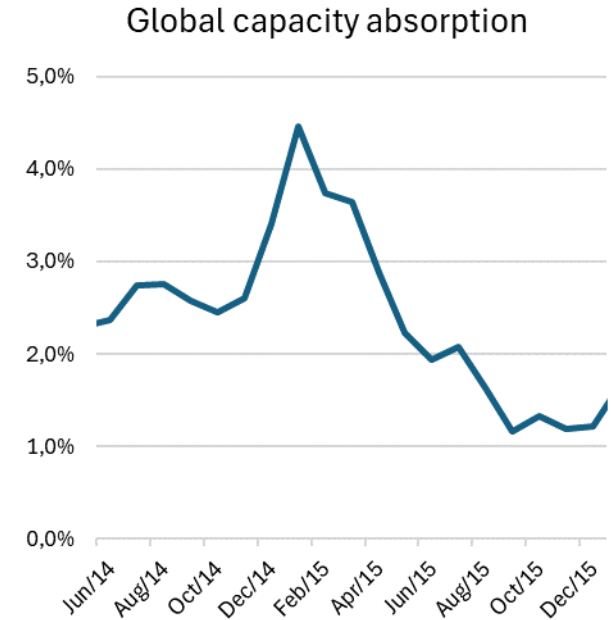
“The ILA lost tens of thousands of jobs to containerization in the 1970s due to containerization and APM and Maersk seem to be leading the charge to eliminate good family-sustaining jobs right here in the US”.

Indicate the risk of labor disruptions on the USEC from October 1st has increased



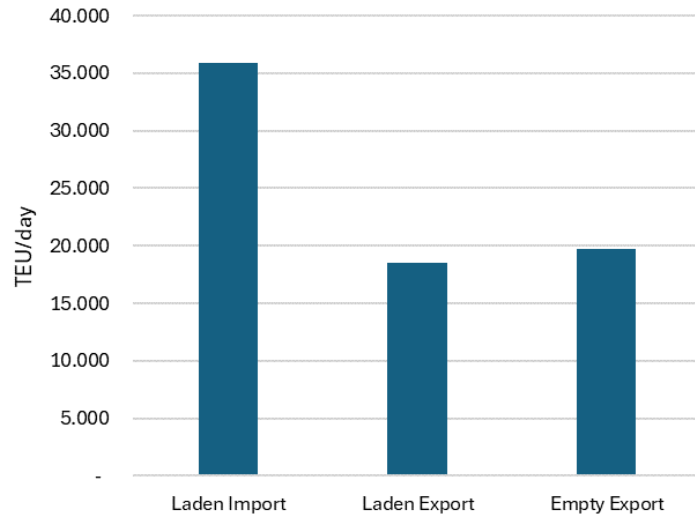
ILA strike: Lessons learned from 2015 and 2002

- 2015: 40+ vessels in queue outside LA/LB.
- 2015: not an all-out strike
- 2002: 10 days port closures
- 2002: Invocation of Taft-Hartley
- 2002: estimated cost to US economy 6-19 Billion USD
- Based on today's magnitude of US GDP, an event similar to 2002 would have an economic impact of 1.6-4.9 Billion USD per day

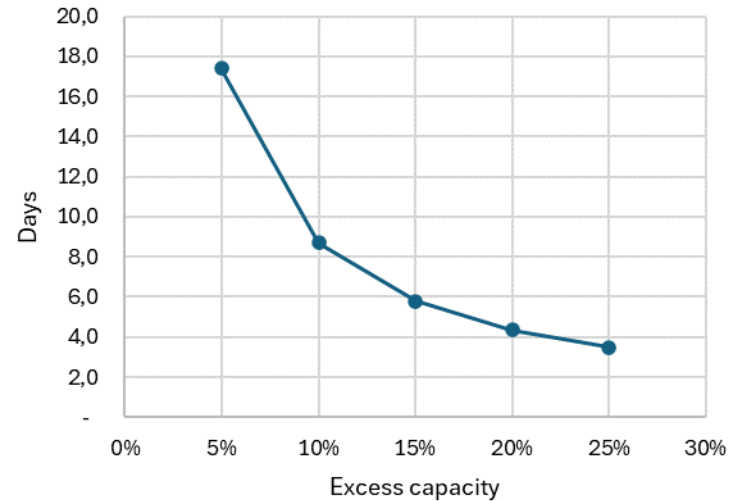


Time to clear strike impact

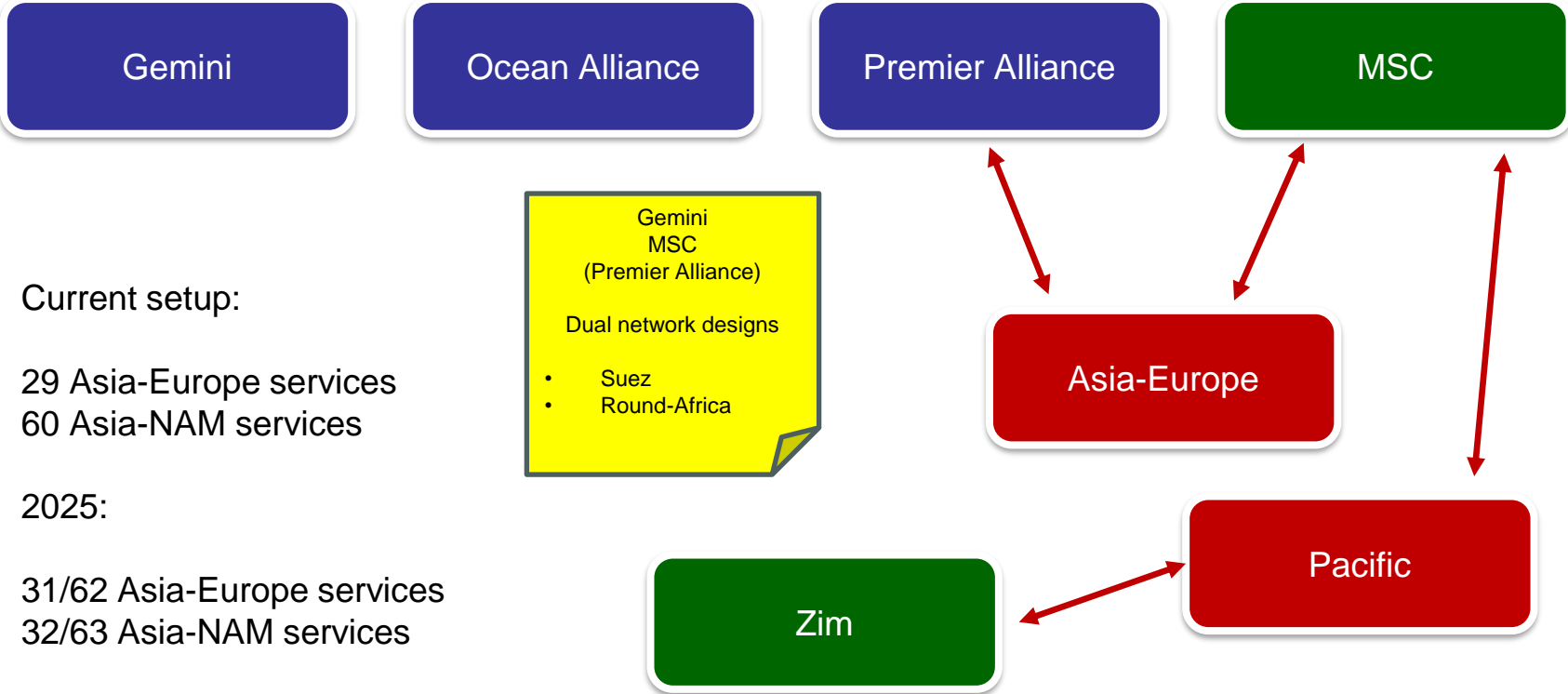
Potential daily volume impact in October 2024



Days to clear 1 day of strike
Scenario: Excess only handled on USEC



New alliances, new networks



Current setup:

29 Asia-Europe services
60 Asia-NAM services

2025:

31/62 Asia-Europe services
32/63 Asia-NAM services

Gemini
MSC
(Premier Alliance)

Dual network designs

- Suez
- Round-Africa

Asia-Europe

Pacific

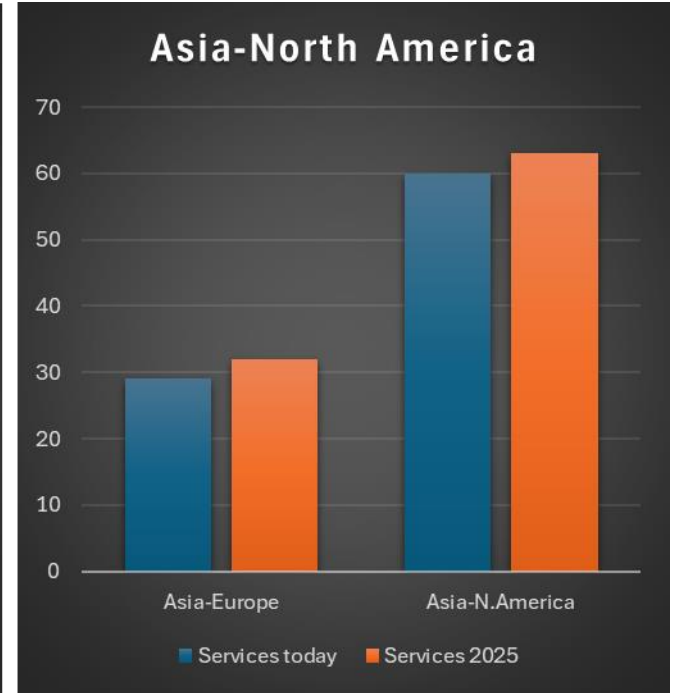
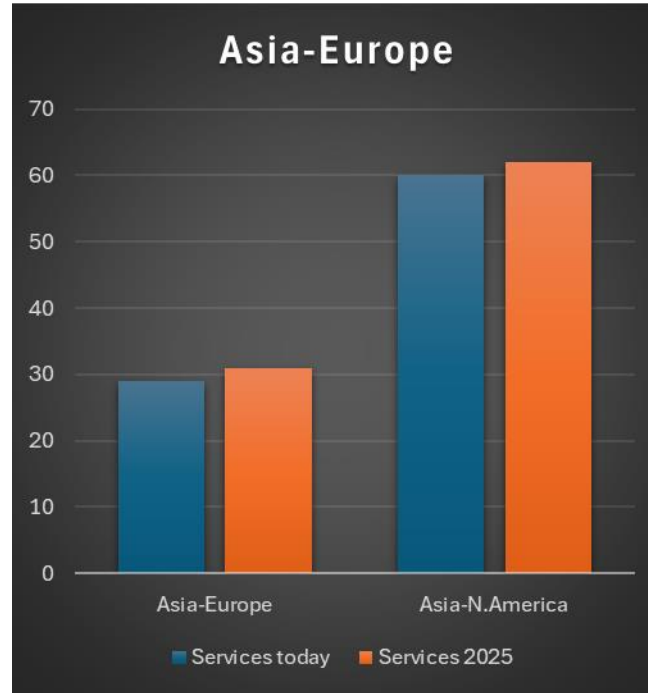
Zim

Small increase in number of services

Carriers have not provided vessel sizes, hence capacity change is uncertain.

Based on number of services the indication is 6.9% capacity increase on Asia-Europe and 3.3% increase on Pacific if carriers go around Africa

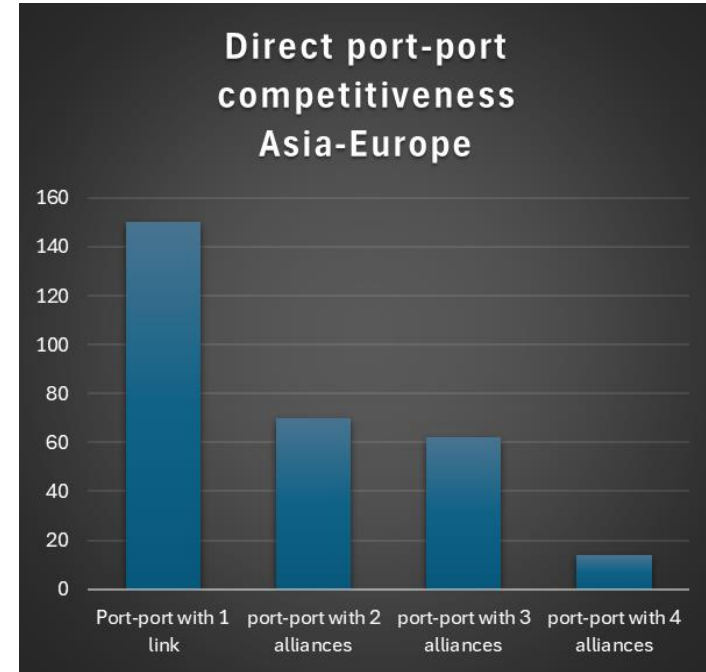
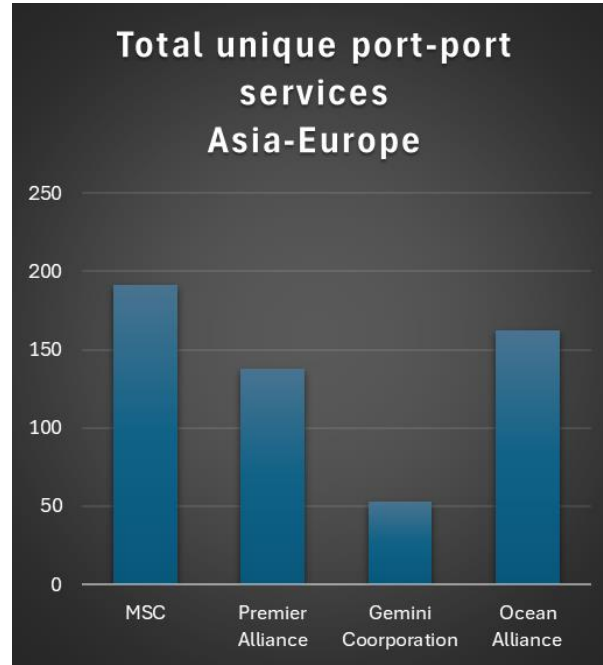
If carriers can go through Suez the increase is 10.3% on Asia-Europe and 5.0% on Pacific



Asia-Europe network impact

There are 532 port-pairs with no direct connections

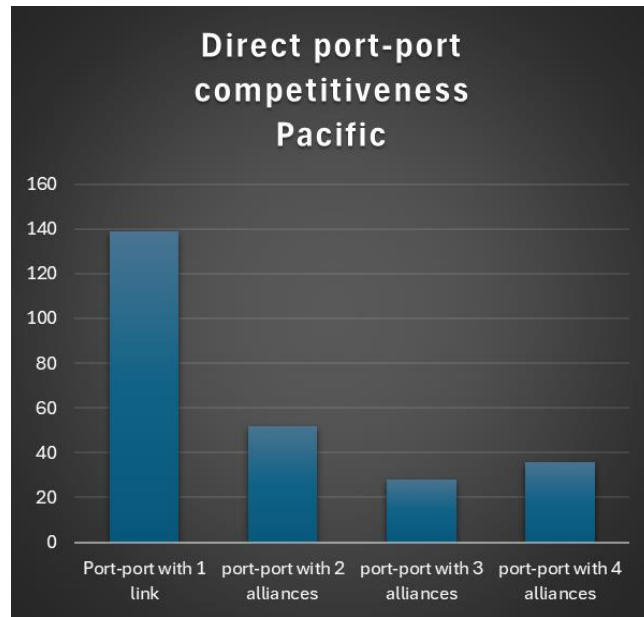
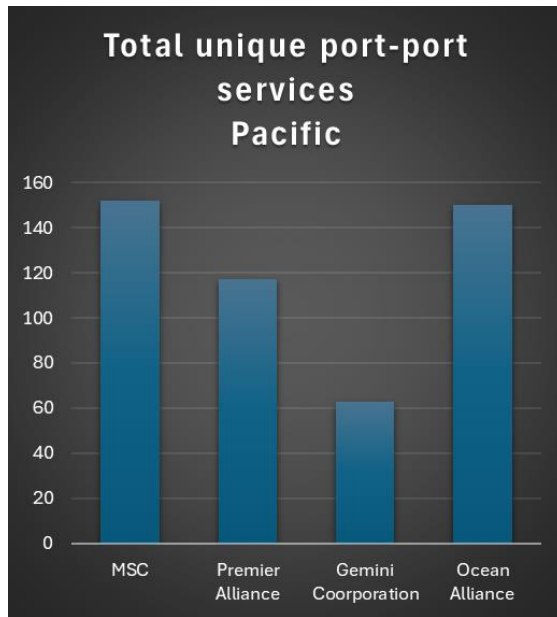
The port-pair with the highest service frequency is Shanghai-Rotterdam with 14 weekly connections



Asia-North America network impact

There are 382 port-pairs with no direct connections

The port-pair with the highest service frequency is Yantian-Savannah with 9 weekly connections



Major 2024-25 issues

- Likely continuation of the Red Sea crisis into 2025
- Positive news: Panama Canal normalizing
- Increasing geopolitical turmoil
- Carriers' operational costs are not a main driver for price formation
- Increasing costs from EU ETS as well as FuelEU
- Trump presidency: Likely leads to a new short-term demand surge before new tariffs
- If there is no ILA strike: continuing reduction of freight rates.
- If there is protracted ILA strike: Large freight rate increases lasting until Chinese New Year 2025
- Wild card: South China Sea
- Continuing high risk: Cyber attacks