



PEARL NAVAL

PEARL NAVAL SHIP MANAGEMENT

DRY BULK SHIPPING INVESTMENT

JUNE 2017



Pearl Naval Ship Management established in June 2017, and incorporated in Turkey. Pearl Naval Ship Management, from his operating headquarters in Istanbul, offers the ships under management, on behalf of their principals, on voyage and time charter basis to first class Charterers and Traders.



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DRY BULK SHIPPING

Dry Bulk Shipping industry is distressed and resulting nearly 70-80% lost of their asset values from its peak period.

As Pearl Naval we believe that at these historic low level creates good opportunities for new entrances to market for new comers.

Pearl Naval will be offering all package from S&P including full management services as in house.

Our investment view focus on below key components at the first stage;

***Estimated 50-60 % upside on asset values in next 3 years**

***Above opex earnings generates positive cash flow is about 10-15% yield potential and operational positive flow.**



Dry -Bulk sector is frozen due to credit crunch. Asset values are from 60-70 % of their build-purchase price. There is almost no financing for the sector. Banks are forced to reposition themselves, because they are maxed out in their loans. All ships purchased between 2006 - 2015 are actually bankrupt or at deep lost or restructuring.

Credit crunch commenced 2008 but 2015 collapse in overall commodity market crashed the industry and earning dropped massively with iron ore - steel-oil prices.

After 2010 banks stopped given loans to shipping but shipyard stepped in order to increase their yard utilization, thinking to keep their production alive. Therefore they commenced to finance the ships they built in connection with related banks, creditors. It was also backfired with 2015 commodity collapse forced most of yards to bankruptcy.



Now it is a good time to enter dry bulk market. Values are at historic lows since 2008 and market fundamentals are normalizing. New orders and fleet growth stopped due to credit.

Key point is here positive cash flow business. Estimated cash break-even cost is about \$4500 per day for unleveraged vessels, earning very rare stays below this level.

Earnings and ship values are highly correlated, improving market fundamentals will move earnings and ship values considering China and India movement positively. There is a good liquidity for investors in & out.

Pearl Naval can return around 12 and 14 % dividends

- Our running cost usd is about usd 4,200/day depends on design. Industry average usd 5.300 (usd 4.500 opex +usd 800 G&A,General+Administration)
- 360 days year earnings estimation, possible to say about usd 8.750 for 33K
- 365 days year running cost considering present market condition

We estimate that market will normalize by end of 2020 and 10 yrs old Handysize will be around 50 % of new build cost is about usd 11-12M

Pearl Naval Ship Management develops specific investment strategies in commodities and shipping sectors for private clients in line with asset play and will be able to assist project finance aswell.

These strategies are customized and tailored made for each clients. We do detailed research and fundamental assessment of their objectives such as; risk & return profile, time horizon, their anticipated cash flows, and tax considerations. We assist our clients with a disciplined process;

- Identify specific assets for investment
- Valuations of assets; monitors the performance of assets
- Timely acquisition and disposal of assets
- Support with strong risk management expertise.

Please see organization chart and general structure from next page.

Note: Regarding Opex-Capex and Market Outlook, etc. we will be pleased to submit separated documents, graphs in details...



ORGANIZATION CHART

