STATE OF THE INDUSTRY

IS PROGRESS FUELED BY INNOVATION OR RESPONSES TO EXTERNAL INFLUENCES?

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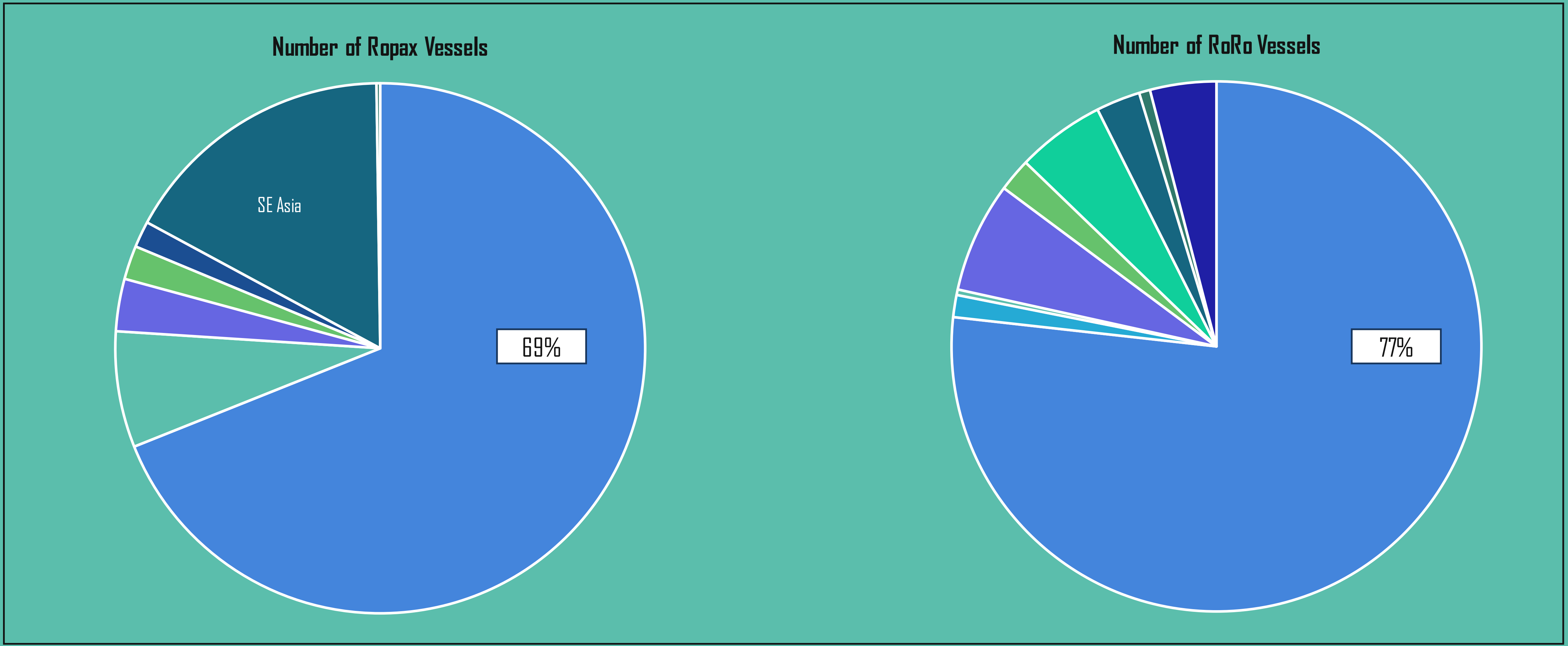
Europe is the major RoRo/Ropax playground

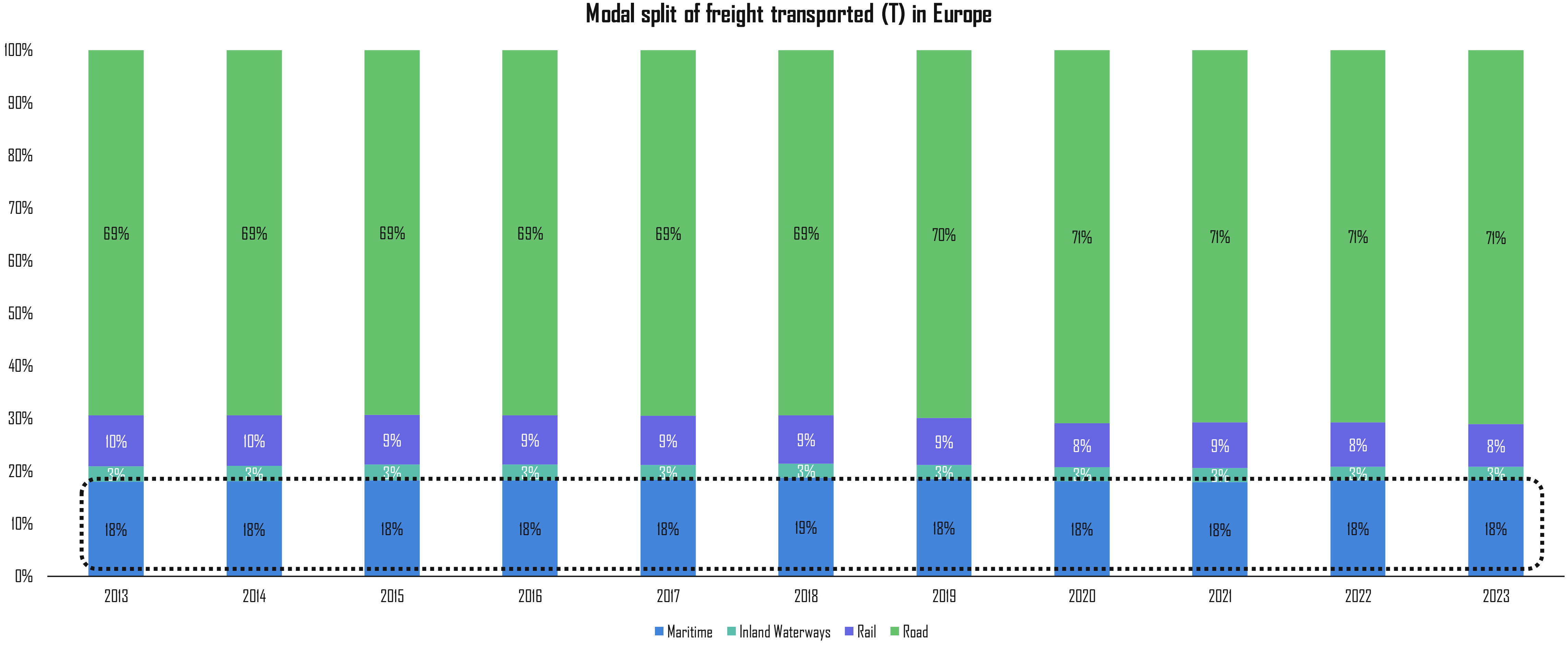
All Ropax vessels >800LM & >100 pax, all RoRo vessels > 1000 LM (straight stern ramps)



(1) Source: Trollship vessel data – All Ropax vessels 800LM & 100 pax capacity, all RoRo vessels over 1000LM (all with straight stern ramps)

European freight modal split has been static in the last 10 years

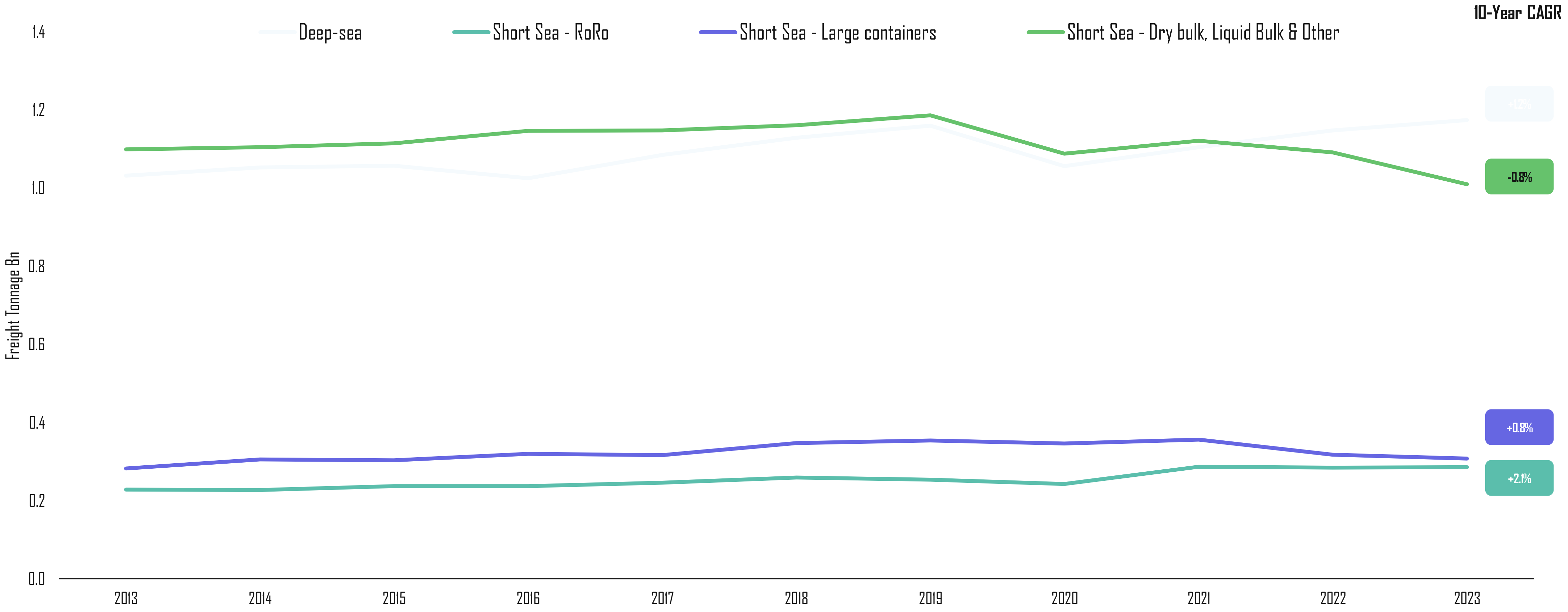
Maritime sector splits into deep-sea containers, dry bulk, liquid bulk, short sea RoRo, short sea containers & other



(1) Source: Eurostat Short Sea data tables.
(2) Excluded air transport from modal split (<1%)

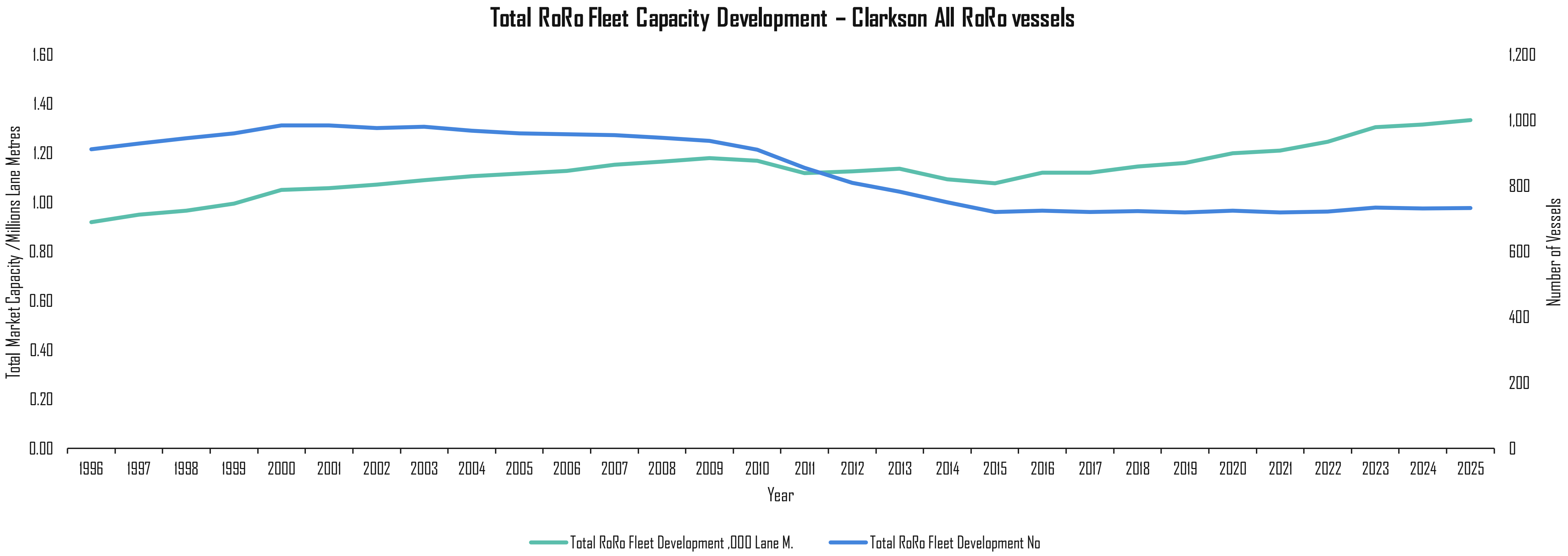
RoRo is the most stable marine market with the highest growth rate

Comparison of European Short Sea & Deep-sea Freight (T) 2013-2023



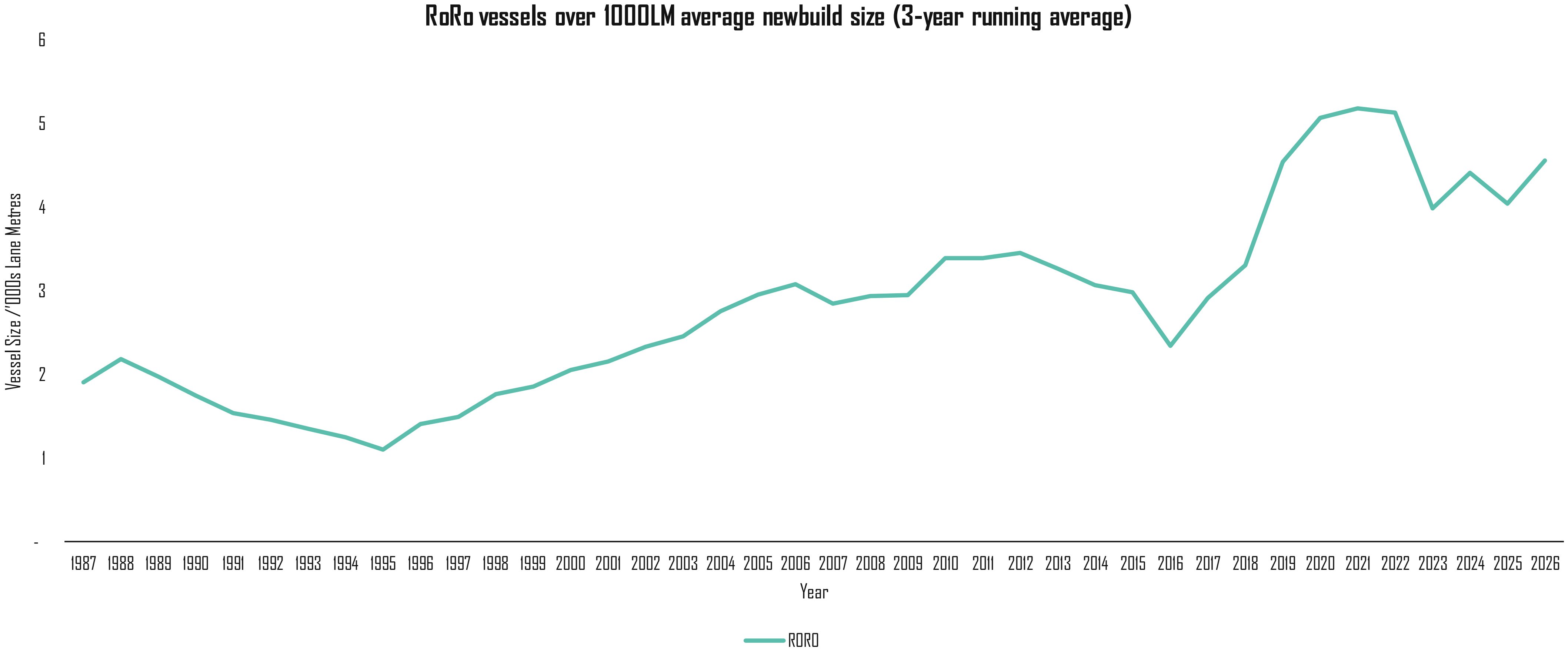
(1) *Source: Eurostat Short Sea data tables.*

Total RoRo LM capacity has grown by 27% since 2000, in line with market growth, whilst the number of ships has declined by 26%...



(1) Source: Clarksons – no size or ramp restrictions.

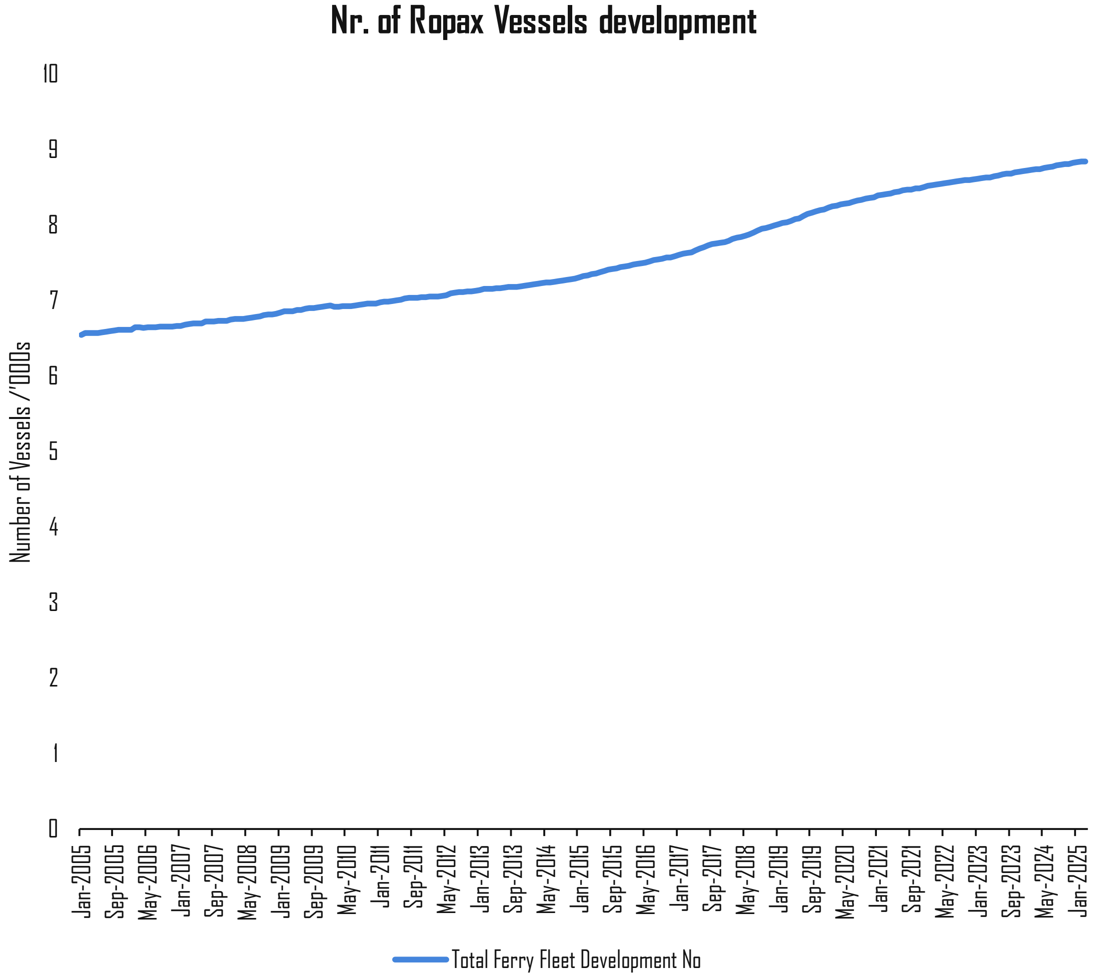
…meaning that RoRo ships have grown at a factor 2 since the turn of the millennia

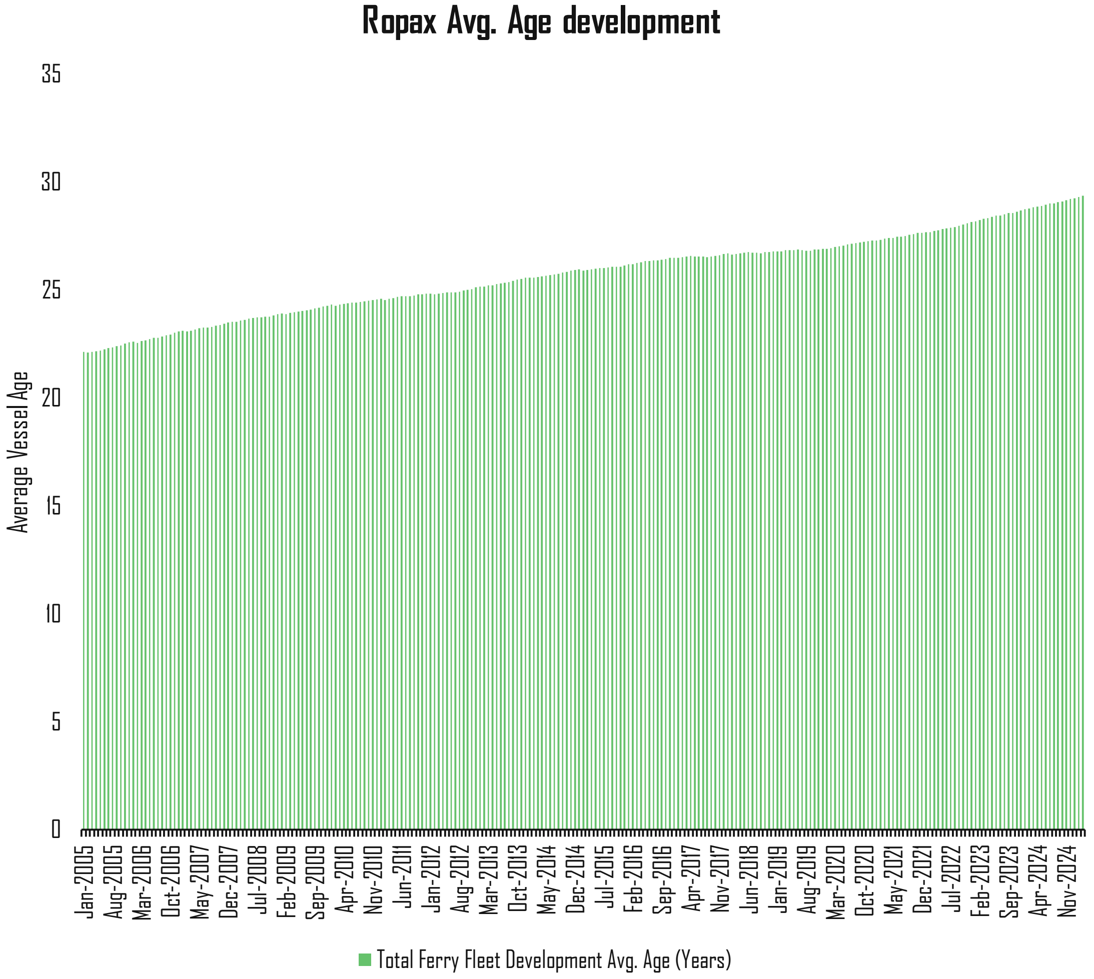


(1) *Source: Trollship global vessel data – All Ropax vessels 800LM & 100 pax capacity, all RoRo vessels over 1000LM (all with straight stern ramps)*

Ropax Capacity development – Aging market tonnage

Limited scrapping of old tonnage versus RoRo segment

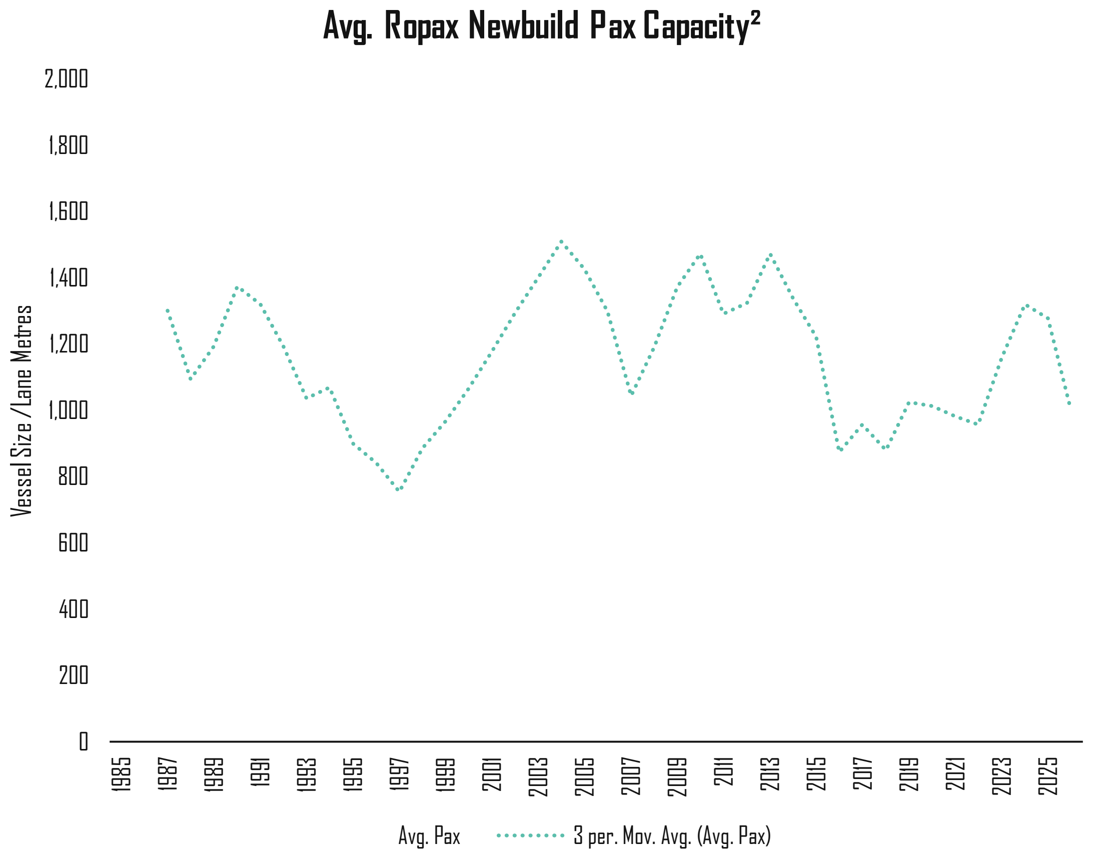


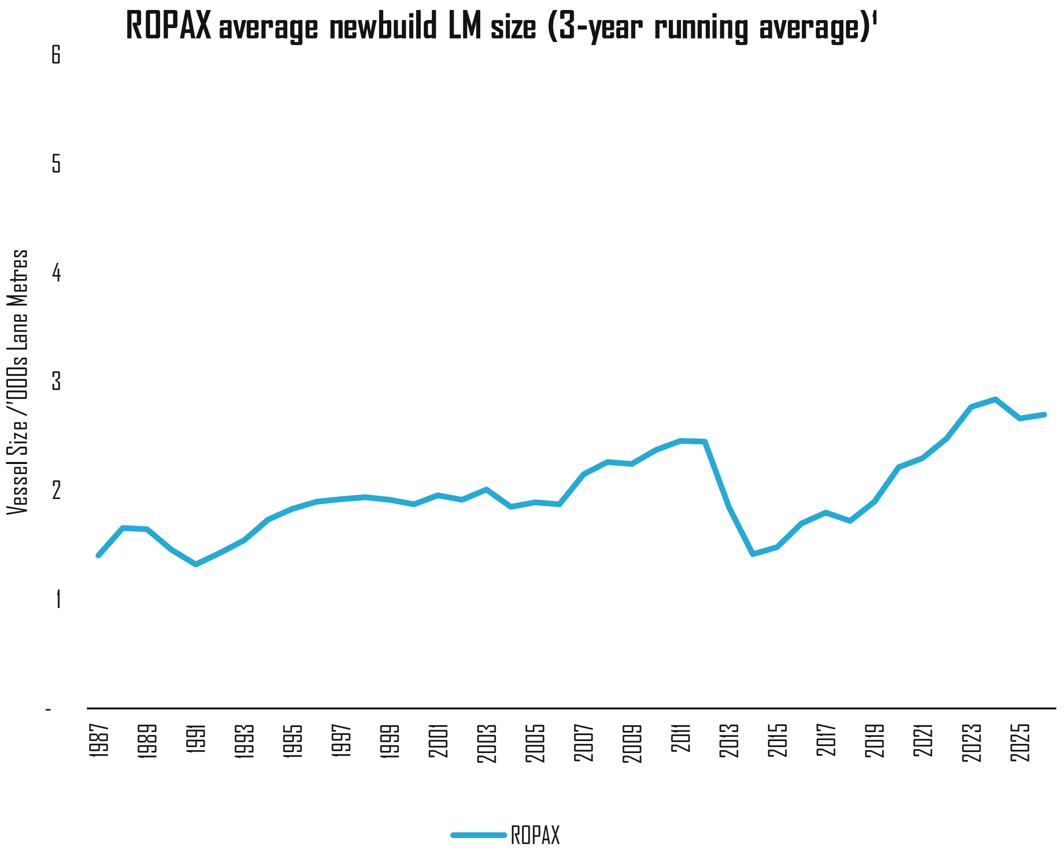


(1) *Source: Clarksons – no size or ramp restrictions.*

Ropax vessel passenger capacity is becoming more freight LM focused

Tonnage priorities are shifting





(1) Source: Trollship global vessel data – All Ropax vessels 800LM & 100 pax capacity, all RoRo vessels over 1000LM (all with straight stern ramps)
(2) Source: Clarksons – no size or ramp restrictions.

Capacity increasingly controlled by operators

69% of RoRo fleet >1000Lm is owned by operators

LM	Vessels	% Operator Owned
5,000	33	100%
4,000	51	86%
3,000	106	78%
2,000	184	74%
1,000	308	69%

- Stena c.£2-300m investment into Immingham port
- Birkenhead agreement until 2100
- 77-year Heysham extension

(1) *Source: Clarksons – no size or ramp restrictions.*

European RoRo/RoPax market SWOT analysis

Strengths

- Main/only transport option in areas
- Competitive advantage versus road
- Flexibility of trade – unit types & industry
- Market stability
- Intermodal strength

Weaknesses

- Commoditised
- High fixed cost base
- Port infrastructure requirements – space
- Limited market influence
- Limited digital expertise

Opportunities

- Regions of higher growth potential
- Geopolitical positioning
- Set-up for unaccompanied growth
- M&A opportunities – horizontal & vertical
- New vessel technology & scale
- Further unitisation of cargo (i.e. breakbulk)
- Branching further into "overlaps" segment (LoLo, PCTC etc.)

Threats

- Decarbonisation costs
- Port infrastructure flexibility
- Low market growth
- Further geopolitical uncertainty
- Customer demands – value & technology
- Market consolidation – pressure on mid to small operators

Major disruptions ahead

Decarbonisation regulatory challenges moving forward

Decarbonisation

- Decarbonisation agenda – see BCG breakdown of upcoming regulations
  - Vessel market is in a state of flux – fuel & technology of the future questions out for debate
  - Most operators are focusing on 1. Utilisation & efficiency, 2. Testing new fuel use and then 3. Looking at investing in new vessels & technology
  - Black Sea & Med have more leeway when it comes to decarbonisation
  - Operators face high Capex demands moving forward to meet decarbonisation agenda
- EVs:
  - EU → 'Fit for 55' deal will end the sale of new CO2 emitting cars in Europe by 2035
  - UK → 80% of new cars and 70% of new vans sold in Great Britain set to be zero emission by 2030, increasing to 100% by 2035
  - Opportunity in supply of electric vehicles to the market

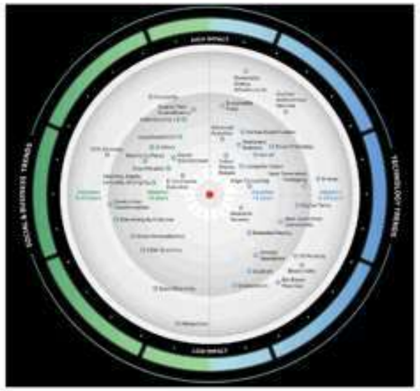
(1) BCG Report.

Short Sea Customer - Technology could disrupt the Logistics industry in the mid-term

Market trends

Market Developments:

- Market consolidation – European Logistics market is going through major consolidation[1]. This includes vertical integration with short sea operators.
- Technology advancements – Logistics sector is catching up with the rest of the market.
- Decarbonisation agenda is being pushed by regulations – logistics response is similar to short sea operators – optimisation, fuels & then investment in new assets. Capex requirements for Logistics will be high & are not far away.
- **Vehicle technology – shift between accompanied/unaccompanied, autonomous vehicles a potential market defining development in 10-20 years.**
- Intermodal – continued take up of rail capacity
- Development of E-commerce market & changes to traditional flows
- Continued labour market challenges



(1) Investec. (2) DHL Innovation.

Consumer trends moving forward – Value & technology drive

Continued cost focus is the most important trend for short sea operators to address

Value focus

- Price sensitivity remains at the forefront – Cost of living still high
- Consumers are seeking value for money

Decarbonisation

- Consumers take decarbonisation into consideration, but it isn't the key decision maker
- Remains regulation led & not by the consumer

Technology

- Increased data literacy & technology centric living
- Vehicle technology & AI integration

Low population growth & aging

- Birth rates are below replacement rate in many European countries
- Aging population – Europe has the oldest median age
- Single living becoming more common

Health / self care

- Growing health conscience[1]
- Awareness to health risks & mitigation
- Self-care market
- Shop & eat smarter
- Technology health innovations

Willingness to travel

- Increased days of travel[2]
- Work from Home tech boosting ability to travel
- Experience over materials
- Hot weather breaks in popular demand
- Cruise market outperforming sector

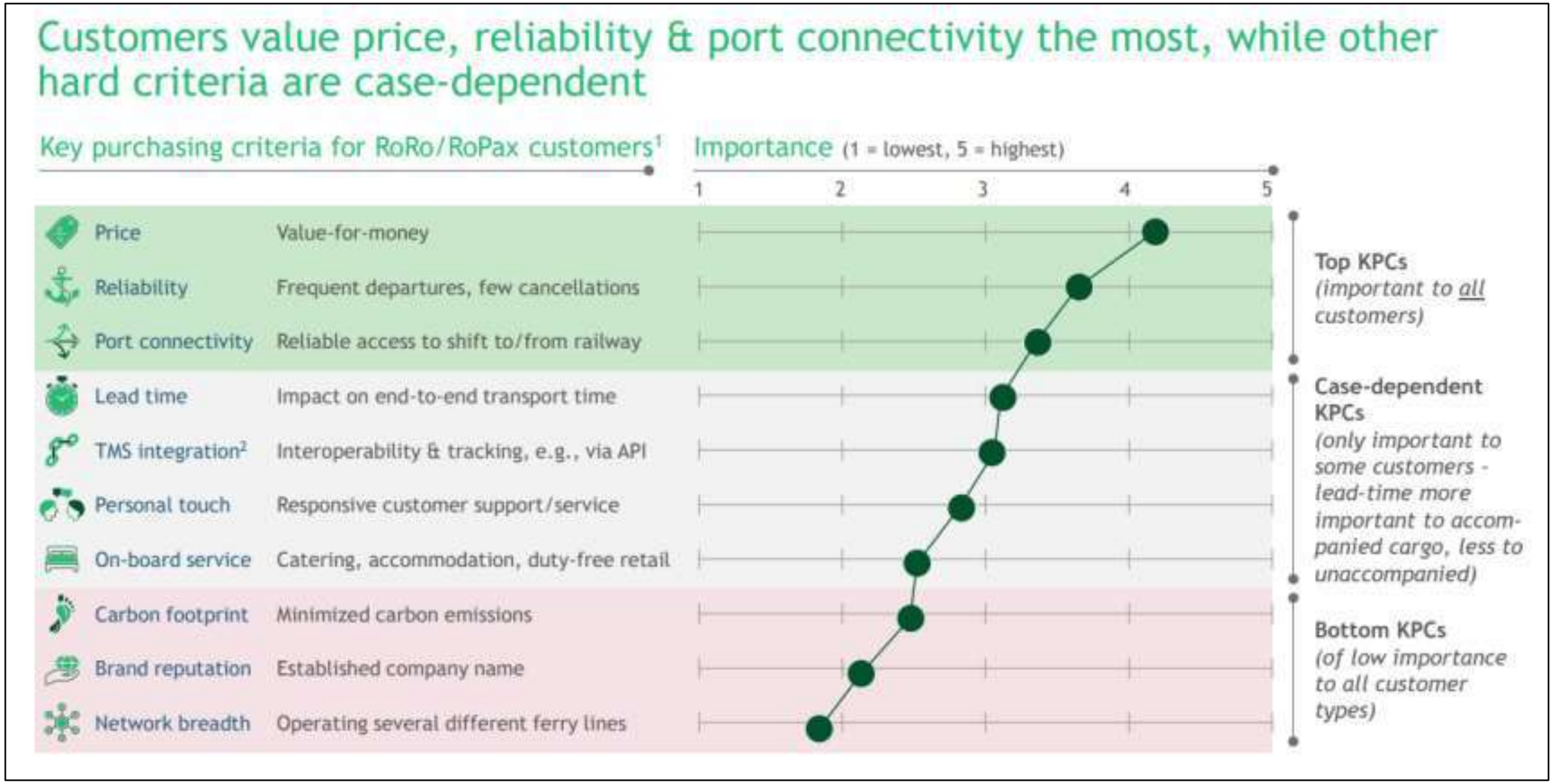
Customer Expectations

- Increasing expectations of the end customer
- Against a backdrop of a value requirement

(1) Innova market insights.
(2) Mastercard.

Short Sea Customer - This remains a price driven market for hauliers/forwarders

Price, reliability & port connectivity are the leading factors for customers



- Continued focus on price & therefore **cost**
- Price pressure will mean operators continue to focus on **scale & consolidation** to drive down cost

(1) Investec. (2) BCG

Operators seeking value generation from a low-growth market

Consolidation

Continued market consolidation:

- Examples: Stena Line – Africa Morocco Link 2024, DFDS – UND 2018, CLdN – Seatruck 2022, Attica – Annek Lines 2023, Stena Line – Wasa Line 2025…
- Low organic growth potential pushing larger operators to look at inorganic growth
- Over saturation in markets – particularly in the Med
- Low growth in Europe makes it harder for the smaller operators to compete & pushes them towards sale or capacity reductions
- Price sensitivity puts pressure on costs, which means scale is key – achieved through consolidation
- High decarbonisation investment costs not sustainable for small operators

Vertical Integration

Large operators are targeting vertical integration through the development of their logistics arms & acquisitions of logistics companies

- Enables operators to control flow of volumes to utilise their network
- De-risks operators to Logistics market consolidation or takeover from short-sea operators
- Enables operators to create E2E synergies & drive margin growth
- However, this puts short-sea operators into a low-margin Logistics sector & if synergies can't be found risks the profitability of the operators. It also creates a conflict of interests
- Grimaldi and Stena are the outliers & have not focused on Logistics expansion except on amore targeted basis

Continental Connections

Growth potential & less mature markets are being targeted to enable accelerated growth – 2 core examples are North Africa – Europe & Turkey – Europe.

- High growth forecasts in Turkey & North Africa
- Underdeveloped markets
- DFDS – UN RoRo & Med division
- DFDS – FRS Maroc/Iberia
- Stena Line – Africa Morocco Link
- Grimaldi – New Italy-Turkey lines
- Black Sea interest

Operators are catching up on technology & ensuring readiness for future requirements

Digital Transformation

Short sea operators need to catch up with Logistics & other industries' systems & technology

- Development of data literacy & data sharing
- Increased ease to use – sales/customs support etc.
- AI development

Automation & OPEX Focus

Automation to drive lower costs & increase efficiency of ports.

- RoRo ports need to develop semi to fully automatic systems in port
- Development of AI adds potential to replicate container ports automation levels – AI can enable the work around of different unit types

OPEX optimisation will continue to enable margin growth in a market where volume & rate growth is limited.

Intermodal

Continued focus on the integration of rail into short sea networks

- Decarbonisation
- Driver costs & related issues
- Transit time

Operators waiting for the future vessel technology to become clear

Decarbonisation

Regulatory challenges in place driving operator behaviour & capital investment

Short to Mid Term

- Passing on of decarbonisation costs at market levels – operators that are more efficient and therefore seeing the benefits
- Focus on efficiency & optimisation of existing set-up and newbuilds (scale & consumption)
- Capacity deployment is more focused on utilisation incl. VSA's
- Retirement & redeployment of older tonnage into less regulated markets
- Newbuild development of hybrid technology with flexibility to follow the fuel direction
- Investment in trialling new fuels

Mid to Long Term

- High investment in new vessel technology & fuels once market aligns on direction
- Port investment to enable long-term use of new technology & fuels

Regulated Services

Regulated & subsidised services offer low-risk returns for operators which is more attractive in a low growth market. Examples:

- Channel Islands, Domestic routes – Scan, Med..
- Government led interest in subsidising new services to stimulate economic growth (Latvia, Scotland a.o.)

In conclusion…..

Data / Fact Driven

Economic Outlook

- Low GDP growth 1-2%
- Higher growth outside of central European countries & in neighbouring North Africa
- Inflation stabilising in Europe

Regulations

- ETS ramping up 70-100% charges
- EU Fit for 55
- EV 2035 targets

Subjective

Geopolitical

- Ukraine-Russia war
- USA trade relations & foreign affairs
- Populism & isolationism
- Cost of living crisis continues

Consumer Trends

- Value Focus
- Decarbonisation
- Technology advancements & integration
- Low growth & aging population
- Health / self care
- Willingness to travel
- Increase customer expectations

Industry Trends

Healthy Growth

- Automotive
- Agribusiness
- Pharma
- Chemicals
- Fashion & luxury
- Electronics

Decline

- Mining
- Energy
- Metals

Customer Trends

Market still focused on price, service freq/reliability & port connectivity

Trends

- Market consolidation
- Technology catch up
- Decarbonisation
- Vehicle tech & innovation
- Intermodal take up
- E-commerce evolution

Strategic themes

Consolidation

- Cost efficiency & growth achieved through scale

Continental Connections

- Higher growth potential in African and Asian corridors

Vertical Integration

- Large operators continue trend of developing their logistics arm

Regulated Services

- Services regulate/protected by national government are more appealing in a low-growth Europe

Decarbonisation

- Efficiency, fuel & fleet renewal
- Port infrastructure challenge

Geopolitical opportunities

- Positioning for geopolitical developments

Near-shoring

- Increased near shoring to mitigate trade war environment

Automation & OPEX Focus

- Aligned with low growth & value – operators must find margin growth from cost efficiency

Digital Transformation

- Short-sea operators are under pressure to 'catch up'

Intermodal

- Continued wetport take up of rail capacity

Q & A