



*Moving Energy with Integrity*



## Investor Presentation

February 2020

# Disclaimer

## Forward-Looking Statements

During the course of this presentation, the Company (Overseas Shipholding Group, Inc.) may make forward-looking statements or provide forward-looking information, as defined under the federal securities laws. All statements other than statements of historical facts should be considered forward-looking statements. Some of these statements include words such as “outlook,” “believe,” “expect,” “potential,” “continue,” “may,” “will,” “should,” “could,” “seek,” “predict,” “intend,” “plan,” “estimate,” “anticipate,” “target,” “project,” “forecast,” “shall,” “contemplate” or the negative version of those words or other comparable words. Although they reflect OSG’s current expectations, these statements are not guarantees of future performance, but involve a number of risks, uncertainties, and assumptions which are difficult to predict. Some of the factors that may cause actual outcomes and results to differ materially from those expressed in, or implied by, the forward-looking statements include, but are not necessarily limited to, the Company’s concentration in the Jones Act market which may make OSG more susceptible to market fluctuations; the highly cyclical nature of OSG’s industry; fluctuations in the market value of vessels; declines in charter rates, including spot charter rates or other market deterioration; the supply of vessels exceeds the demand; estimates of future profit sharing payouts; the impact of adverse weather and natural disasters; the adequacy of OSG’s insurance to cover its losses, including in connection with maritime accidents or spill events; constraints on capital availability; the Company’s ability to fund capital expenditures for vessels under construction; the Company’s ability to generate sufficient cash to service its indebtedness, to comply with debt covenants, and to refinance debt as it matures; the Company’s ability to renew its time charters when they expire or to enter into new time charters; competition within the Company’s industry and OSG’s ability to compete effectively for charters; the loss of a large customer; and changes in demand in specialized markets in which the Company currently trades, including the financial contributions of the Company’s niche and core businesses;. The Company does not undertake to update any forward-looking statements as a result of future developments, new information or otherwise. More information about potential factors that could affect our business and financial results is available in our filings with the SEC, such as the Company’s Annual Report on Form 10-K for the year ended December 31, 2018 and Current Reports on 8-K, including, where applicable, under the headings “Risk Factors” and “Forward-Looking Statements” in such reports. You may obtain these documents for free by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov).

# Disclaimer

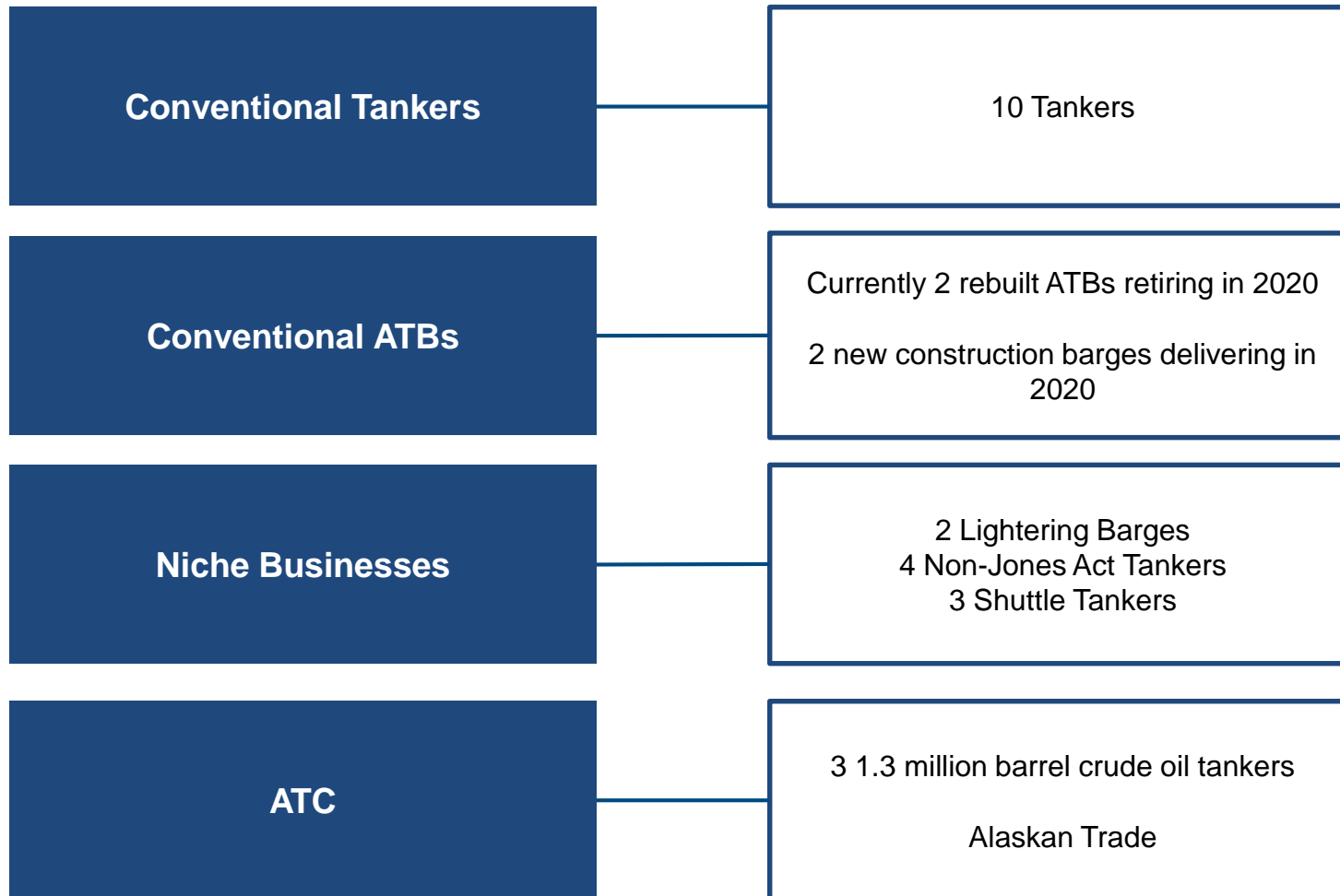
## Non-GAAP Financial Measures

Included in this presentation are certain non-GAAP financial measures, including Time Charter Equivalent (“TCE”) revenue, EBITDA, Adjusted EBITDA, and Vessel Operating Contribution, designed to complement the financial information presented in accordance with generally accepted accounting principles in the United States of America because management believes such measures are useful to investors. TCE revenues, which represents shipping revenues less voyage expenses, is a measure to compare revenue generated from a voyage charter to revenue generated from a time charter. EBITDA represents net (loss)/income before interest expense, income taxes and depreciation and amortization expense. Adjusted EBITDA consists of EBITDA adjusted for the impact of certain items that we do not consider indicative of our ongoing operating performance. Vessel operating contribution consists of TCE revenues minus vessel expenses and charter hire expenses. We present non-GAAP measures when we believe that the additional information is useful and meaningful to investors. Non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other companies. The presentation of non-GAAP financial measures is not intended to be a substitute for, and should not be considered in isolation from, the financial measures reported in accordance with GAAP. See Appendix for a reconciliation of certain non-GAAP measures to the comparable GAAP measures.

This presentation also contains estimates and other information concerning our industry that are based on industry publications, surveys and forecasts. This information involves a number of assumptions and limitations, and we have not independently verified the accuracy or completeness of the information.

## Restrictions on Foreign Ownership

The Jones Act places a limit of 25% on foreign ownership or control of persons engaged in transporting merchandise by water either directly or via a foreign port between points in the United States and certain of its island territories and possessions. OSG’s organizational documents, among other things, limit ownership by non-U.S. Citizens (as defined under the Jones Act) of any class or series of its capital stock to 23%, and in certain circumstances permit OSG to withhold dividends and suspend voting rights with respect to shares held by non-U.S. Citizens and to redeem shares held by non-U.S. Citizens so that OSG’s foreign ownership remains less than 23%. If a prospective purchaser or transferee is unable to certify it is a U.S. Citizen before purchasing our Class A common stock, or a sale of stock or transfer of stock would result in non-U.S. Citizens owning 23% or more of our Class A common stock, such person may not be allowed to complete such purchase or transfer, or such purchase or transfer may be reversed, or the shares so purchased or transferred may be redeemed by OSG pursuant to its organizational documents.



# 2019 - Progress on Strategic Priorities

## Increased Forward Visibility, Coverage, and Earnings Power

- Commenced 2019 with 7 conventional tanker time charters ending in 2019 and 2 tankers trading in the spot market. Entered 2020 with 10 conventional tanker time charters ending in 2020 or thereafter and no tankers in the spot market.
- Including Shuttle Tankers, 13 Jones Act tankers are now on time charters through much of 2020. 6 of those time charters extend into 2021 or beyond. Approximately 88% tanker contract coverage in 2020 in place.
- Overseas Cascade fixed for 5 years; Overseas New York fixed for 3 years; Overseas Los Angeles fixed for 2 years
- Reducing the number of available vessel days in the spot market at consistently remunerative rates marks a significant turning point in the progression of our business.

# OSG 2019 Accomplishments

## Growth Initiatives and Opportunities

- Completion and Delivery of two new build non-Jones Act Tankers
- Retained Mykonos and Santorini for continued operation in MSP
- Tanker Security Program – Opportunity to utilize all 4 of our non-Jones Act Tankers
- Increasing EBITDA with participation in a potential growth area
- Exercised option to build a 2<sup>nd</sup> barge with both under contract at attractive rates
- Agreement to purchase three tankers used in Alaska crude oil trade

# 2019 Lightering

- Following refinery explosion and subsequent bankruptcy of PES repositioned OSG 350 to Gulf of Mexico
- Estimated annual EBITDA reduction is \$6 million.

# Retirement of Rebuilt ATBs

- 2017 fleet - 8 Rebuilt ATBs with original build dates back to 1970
- Plan was to remove these vessels from service as they reached their survey dates
- TCE revenue contribution in 2016 was \$101.0 million
- Annual ATB TCE revenues of \$21.8 million in 2019
- 6 Rebuilt ATBs scrapped by the end of 2019
- Final 2 rebuilt ATBs – will be removed from service during 2020



# Alaska Vessel Acquisition

- Purchase Three Crude oil tankers from BP
  - Alaskan Explorer
  - Alaskan Navigator
  - Alaskan Legend
- Total consideration of \$54 million
- Estimated total scrap value is \$46 million
- Vessels will be time chartered to BP Exploration Alaska
  - Base lease terms of 30, 60 and 77 months
  - Annual charter TCE escalations during base term
  - Each charter has five one year extension options



*Estimated total scrap value is based on \$400 per LWT per vessel*

# Vessel Specifications

| Vessel            | Year Built | Length Overall | Beam (molded) | Depth       | DWT        | Horsepower    | Capacity          |
|-------------------|------------|----------------|---------------|-------------|------------|---------------|-------------------|
| Alaskan Explorer  | 2005       | 286.85 meters  | 50 meters     | 28.0 meters | 185,286 MT | 26,820 S.H.P. | 1,300,000 barrels |
| Alaskan Navigator | 2005       | 286.85 meters  | 50 meters     | 28.0 meters | 185,286 MT | 26,820 S.H.P. | 1,300,000 barrels |
| Alaskan Legend    | 2006       | 286.85 meters  | 50 meters     | 28.0 meters | 193,050 MT | 26,820 S.H.P. | 1,300,000 barrels |



# Alaska Vessel Acquisition – Estimated EBITDA Contribution

- Estimated EBITDA contribution during first partial year - \$15 million
- Full year estimated annual EBITDA contribution - \$22 million

# Alaska Tanker Company

- Formed in 1999 to provide BP's Alaskan crude oil shipping needs
- OSG current ownership - 37.5%
- Will acquire remaining 62.5%
- Resulting in 100% ownership of the continuing business and its balance sheet
- ATC currently charterer of the three vessels to BP
- Holds licenses and permits required to operate these vessels
- Continue to operate the Navigator, Legend & Frontier

# View on 2020

## **New Vessels**

- Gulf Coast, Sun Coast and Key West – full year contribution
- ATC transaction – 9 months of contribution
- Partial contribution from two new barges (OSG 204 and 205)

## **TCE Revenues**

- 88% of total available Jones Act tanker days are contracted
- Conventional tanker rates in the upper \$50 to low \$60k range
- Niche Businesses - Performance consistent with 2019
- ATBs – New barges enter fleet late Q2 and Q4 each under time charter
- Rebuilt ATBs – Scrapped in Q2 and Q3

## **Contracts of Affreightment and Spot Market**

- Delaware Bay Lightering
- MSP Vessels

# Tanker Time Charter Maturity

| Vessel      | As of 12/31/2018 | As of 12/31/2019 | Current    |
|-------------|------------------|------------------|------------|
| Key West    | Spot             | 3/4/2020         | 3/4/2020   |
| Long Beach  | 12/11/2019       | 1/10/2020        | 7/10/2020  |
| Martinez    | Spot             | 9/30/2020        | 9/30/2020  |
| Gulf Coast  | Spot             | 10/4/2020        | 10/4/2020  |
| Sun Coast   | Spot             | 10/5/2020        | 10/5/2020  |
| Texas City  | 9/7/2019         | 12/7/2020        | 12/7/2020  |
| Boston      | 12/11/2019       | 12/11/2020       | 12/11/2020 |
| Chinook     | 10/8/2019        | 12/31/2020       | 12/31/2020 |
| Anacortes   | 10/31/2019       | 12/31/2020       | 12/31/2020 |
| Nikiski     | 12/8/2019        | 12/8/2019        | 1/4/2021   |
| Houston     | 3/26/2020        | 3/26/2020        | 3/26/2021  |
| Los Angeles | 12/11/2019       | 12/11/2021       | 12/11/2021 |
| New York    | 12/11/2019       | 12/15/2022       | 12/15/2022 |
| Tampa       | 6/25/2025        | 6/25/2025        | 6/25/2025  |
| Cascade     | 3/18/2020        | 9/17/2025        | 9/17/2025  |

# 2020 - Estimated Operating Results

(\$ in Millions)

|  |                  |
|--|------------------|
| <b>TCE Revenues</b>                        | <b>\$395-400</b> |
| Operating Expenses & Charter Hire Expenses | 256              |
| General & Administrative                   | 27               |
| Other income/expense, net                  | <u>1</u>         |
| <b>EBITDA</b>                              | <b>\$113-118</b> |
| Adjustments*                               | <u>5</u>         |
| <b>Adjusted EBITDA</b>                     | <b>\$118-123</b> |

- EBITDA is a non-GAAP measurement of financial performance
- \* Adjustments include: non-cash stock compensation; interest & amortization classified in charter hire expenses
- TCE revenues impacted by 367 drydock days and \$19M of drydock offhire

# 2020 Capital Expenditures

## **Drydock and Ballast Water Treatment Systems**

- 14 vessels in drydock this year; 9 ballast water treatment system installations (owned vessels)
- Estimated drydock offhire days – 367
- Budgeted drydock costs, including BWTS and ATC -\$58 million

## **Acquisition of 3 Tankers**

## **Delivery of 2 newly constructed ATBs**

## **Technology investments and other capex**

*\* Charter-in AMSC vessels – Ballast Water Treatment System is owners responsibility and cost*



# 2020 Cash Sources and Uses

(in millions)

|  |             |
|--|-------------|
| <b>Cash – OSG 1/1/20</b>                     | <b>\$41</b> |
| Cash – ATC                                   | 22          |
| 2020 Estimated Midpoint Adjusted EBITDA      | 121         |
| Vessel Acquisition Financing                 | 54          |
| New Construction Barge Financing             | <u>66</u>   |
| Total sources                                | 304         |
| <br>   |             |
| Drydocks and ballast water treatment systems | 58          |
| Vessel Acquisition                           | 54          |
| Barge construction payments                  | 46          |
| Other capital expenditures                   | 2           |
| Debt service                                 | <u>63</u>   |
| Total uses                                   | <u>223</u>  |
| <b>Cash – 12/31/20</b>                       | <b>\$81</b> |

# Estimated Debt Balance

Total Debt at 1/1/2020 = \$375M

Total Debt at 12/31/2020 = \$460M

# Conclusion

- Repositioned our business starting in 2017
- Pursued a strategy to operate in the spot market while our primary markets returned to supply/demand balance
- Allow us to realize the favorable impact of rising rates as markets returned to balance
- Scrapped all rebuilt ATBs by the end of 2020
- Invested in our future
  - Two new build tankers delivered in 2019
  - Two new 204,000 barrel barges delivering in 2020
  - Acquisition of three BP tankers in 2020
- 2020 results provide initial reflection of the impact of these changes
- 2021 first full year of operations of all acquired vessels and drydock /off hire days return to a normal level