Deutsche Bank

Marine Shipping: Brighter Horizons Ahead

Initiation of Coverage ● September 15, 2014

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Passion to Perform

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Analyst Background

Amit Mehrotra

- 11 years of financial, industry, and stock analysis experience (7 years sell side + 4 years buy side)
- Sell side experience includes Global Autos/Auto Parts and Aerospace & Defense on highly ranked research teams
- Buy side experience includes all industrials, investing across capital structure, taking private equity-like approach to public equity investing

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Shipping Is Critical To Global Trade & Commerce

"God must have been a shipowner. He placed the raw materials far from where they were needed and covered two thirds of the earth with water."

–Shipowner Erling Naess (1901-1993)

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Our Thesis On Shipping

1. **We believe the global Shipping industry is on the cusp of entering a new era of prosperity, driven by:**
   - Improved supply/demand dynamics
   - Increased fleet utilization
   - Abundant capital to fund vessel growth

2. **We forecast an almost doubling of earnings power in 2016 (vs. 2013) across our coverage universe, driven by:**
   - Increasing spot market rates
   - Vessel growth

3. **We are most bullish on shippers of Dry Bulk, Crude Oil, and LPG/LNG**
   - **Near-term:** Dry Bulk rates are starting to inflect higher, but are still 55% below 20-year historical average (i.e. more room to run).
   - **Mid-term:** Distance between where oil is harvested and refined is increasing, creating significant secular growth opportunities for shippers of crude oil.
   - **Long-term:** Demand for LPG/LNG shipping should increase significantly as infrastructure projects come online and export capacity grows.

4. **We have 3 Top Picks**
   - **Dry Bulk:** Diana Shipping (DSX): Low leverage, balanced fixed/spot exposure
   - **Oil Tankers:** Teekay Tankers (TNK): Pure play crude oil shipper
   - **LPG/LNG:** StealthGas (GASS): The dominant LPG shipper

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DRY BULK SHIPPING
Investment Conclusions

Source: Public Domain Image

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We See Dry Bulk Spot Rates Higher By Year-End

- **Extrapolating seasonal patterns over the last 25 years, we estimate 4Q Dry Bulk spot rates will be 10% above today's level on a weighted average basis**

Seasonality extrapolation (earnings/day)	Weighted Average	Capesize	Panamax	Supramax
4Q rates rel. to full year (1990-2013)	109%	125%	112%	100%
x 2014 ytd average spot rate (through 9/12)	9,026	12,790	5,606	10,276
= 4Q estimated spot rate	$9,865	$15,949	$6,259	$10,324
Current spot rate (week of 9/12)	8,994	15,683	5,733	9,281
4Q vs. current rate	10%	2%	9%	11%

Sources: Deutsche Bank estimates, Clarkson

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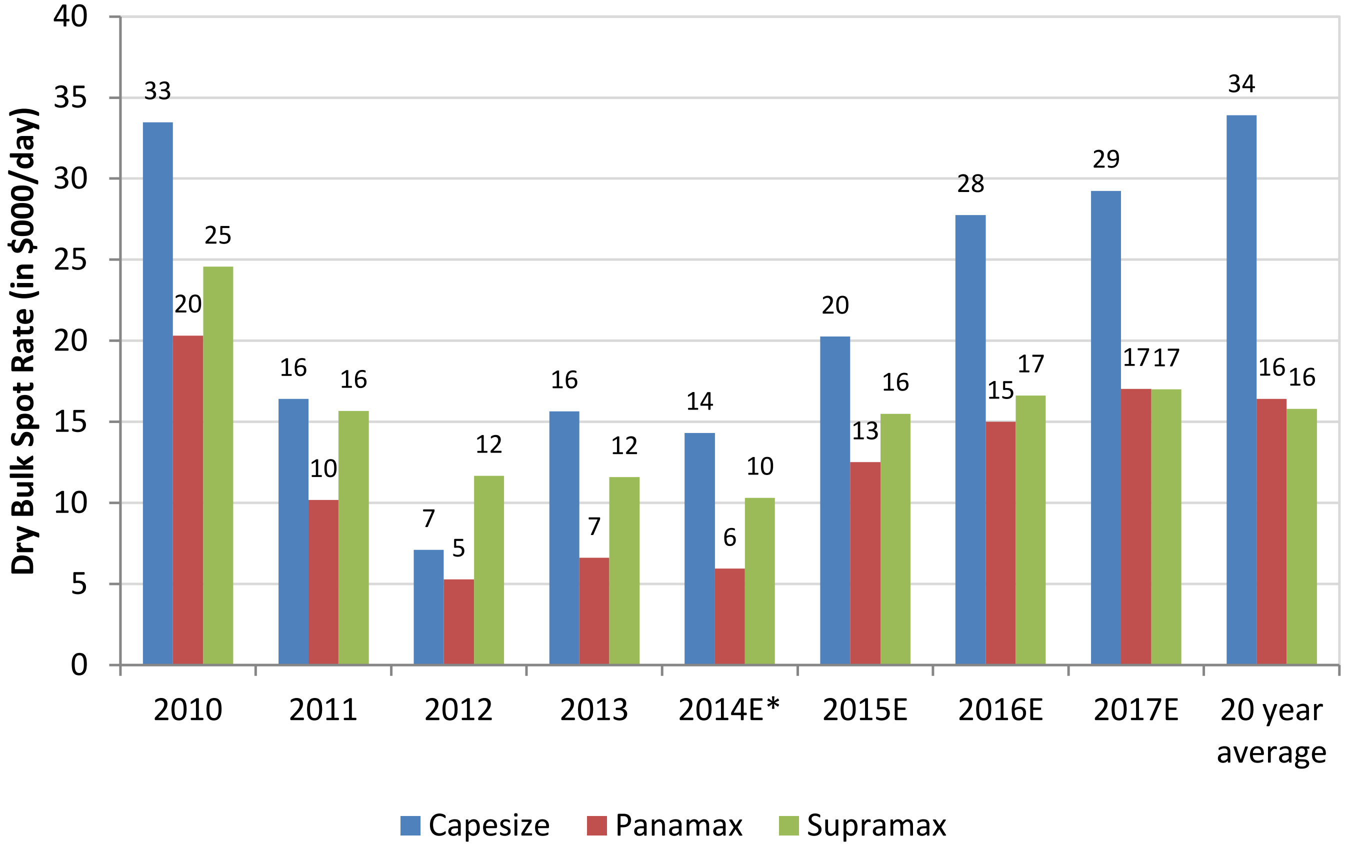
Beyond 2014, We See Potential For Rates To Normalize

- **Our spot rate forecasts beyond 2014 assume some normalization in rates, but still below historical averages (in $000/day)**



Sources: Deutsche Bank estimates, Clarkson; *2014 estimates based on actual through September 12, 2014 and DB estimate for 4Q

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Ways To Play Improving Dry Bulk Fundamentals

Our Top Pick:

- **Diana Shipping (DSX)**: Market Cap: $830M ● Current Price: $10.10 ● Target: $18
  - Low financial leverage
  - Prudent management team
  - Good balance between revenue/earnings visibility and spot market exposure
  - Historically premium valuation
  - Lower risk, higher reward potential

We Also Like:

- **Scorpio Bulkers (SALT)**: Market Cap: $1B ● Current Price: $7.68● Target: $12
  - New company with 80 new ships on order
  - Deliveries scheduled mostly in 2H15 and 2016.
  - Pure play on spot market
  - Manageable pro forma capital structure

- **DryShips (DRYS)**: Market Cap: $1.2B ● Current Price: $2.94● Target: $5
  - Turnaround story
  - Capital structure hurdles which we think will be cleared by end of October
  - 59% equity stake in Ocean Rig = $1.45B of value, above current market cap
  - Market is prescribing negative value to shipping business which generates $70M annual EBITDA

Sources: Deutsche Bank estimates, Clarkson

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How We Are Different

Industry:

- We are more conservative in our utilization forecasts, i.e. we don’t forecast 95%+ utilization.
- Our out-year spot rate ests. are below the 20-year historical average (no “super spike” expected).
- Our bullishness is the result of how depressed rates are currently rather than how high they can go.

Stock-selection:

- We’re not looking to buy stocks that just offer the most leverage to the spot market.
- We want a healthy balance between fixed/spot exposure, and manageable capital structures
- Companies that can not only weather volatility, but take advantage of prolonged weakness by acquiring vessels at discounted prices.

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DRY BULK SHIPPING
An Overview

Source: Public Domain Image

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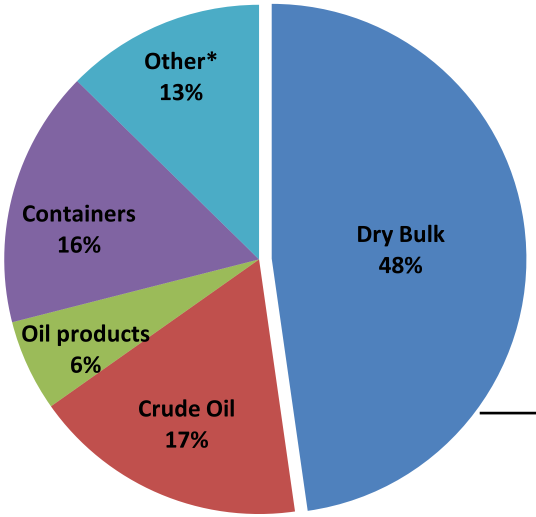
Dry Bulk Is The Largest Segment of Shipping

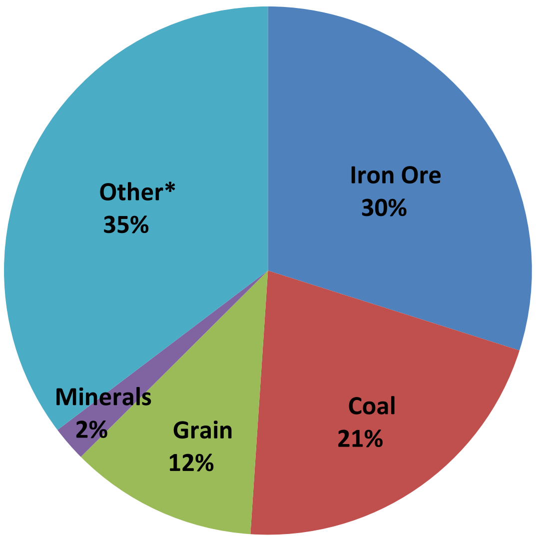
Quick Takes:

- **Cargo that is shipped in large, unpackaged amounts**
- **Iron Ore and Coal represent the majority of Dry Bulk trade**
- **China demand dominates, accounting for 70% of all seaborne Iron Ore imports and 21% of Coal imports**
- **Ytd vessel rates average $13k/day vs. 20-year historical avg. of $34k****



Total Seaborne Cargoes by type
(2014e ton-miles)

Dry Bulk Cargoes by type
(2014e ton-miles)



Sources: Deutsche Bank; Clarkson Shipping Intelligence Network;
*Other includes bulk items like sugar, forest products, and various metals and steel products.
** Capesize vessels

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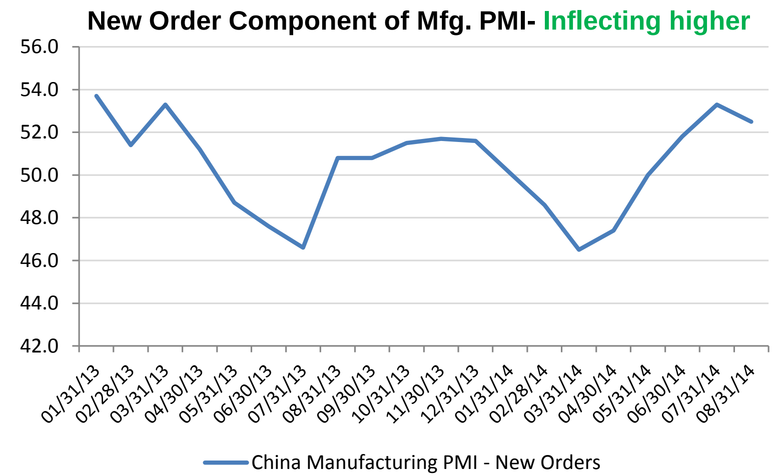
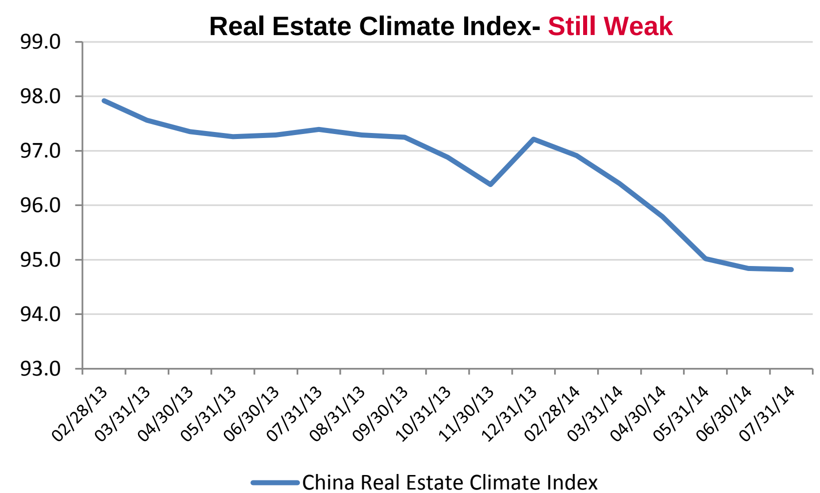
Outlook for China Is Critical To Dry Bulk





DB Global Economics China Real GDP growth forecast :

+7.8% in ’14, +8.0% in ‘15 (following +7.7% each in ’12 and ’13)

Sources: Deutsche Bank, National Bureau of Statistics of China, Bloomberg

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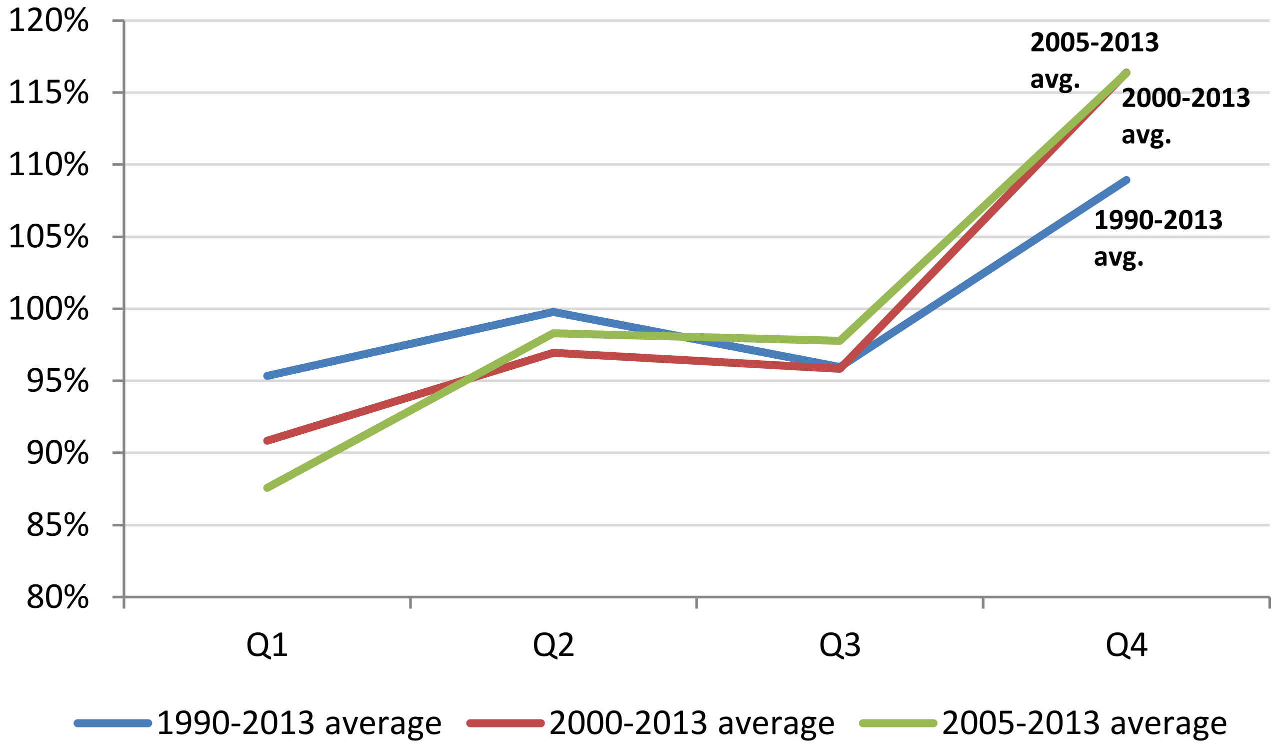
We Are Entering A Seasonally Favorable Period

- **We have observed strong seasonality in bulk shipper earnings rates ($/day)…here we show average rates per quarter as % of total yearly average rates**



Sources: Clarkson Shipping Intelligence Network ; NOTE: Weighted Average Earnings for All Bulk Vessels ($/day), all data sets exclude 2008 to normalize for Great Recession

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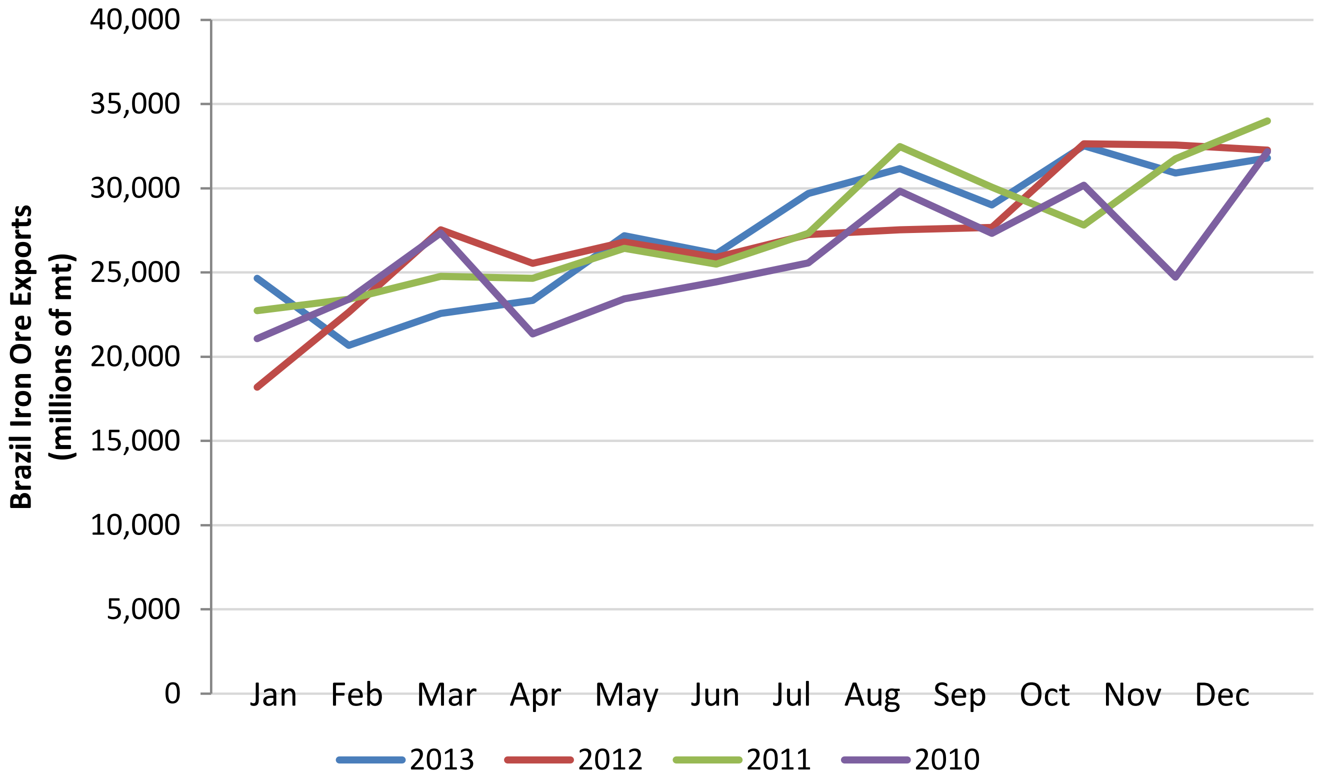
We Are Entering A Seasonally Favorable Period (cont.)

- **Brazil's monthly exports of Iron Ore increase 21% on average in 4Q compared to 1Q-3Q over the past 4 years, resulting in a nice increase in ton-mile demand for Dry Bulk (Brazil->China = long haul route)**



Sources: Bloomberg

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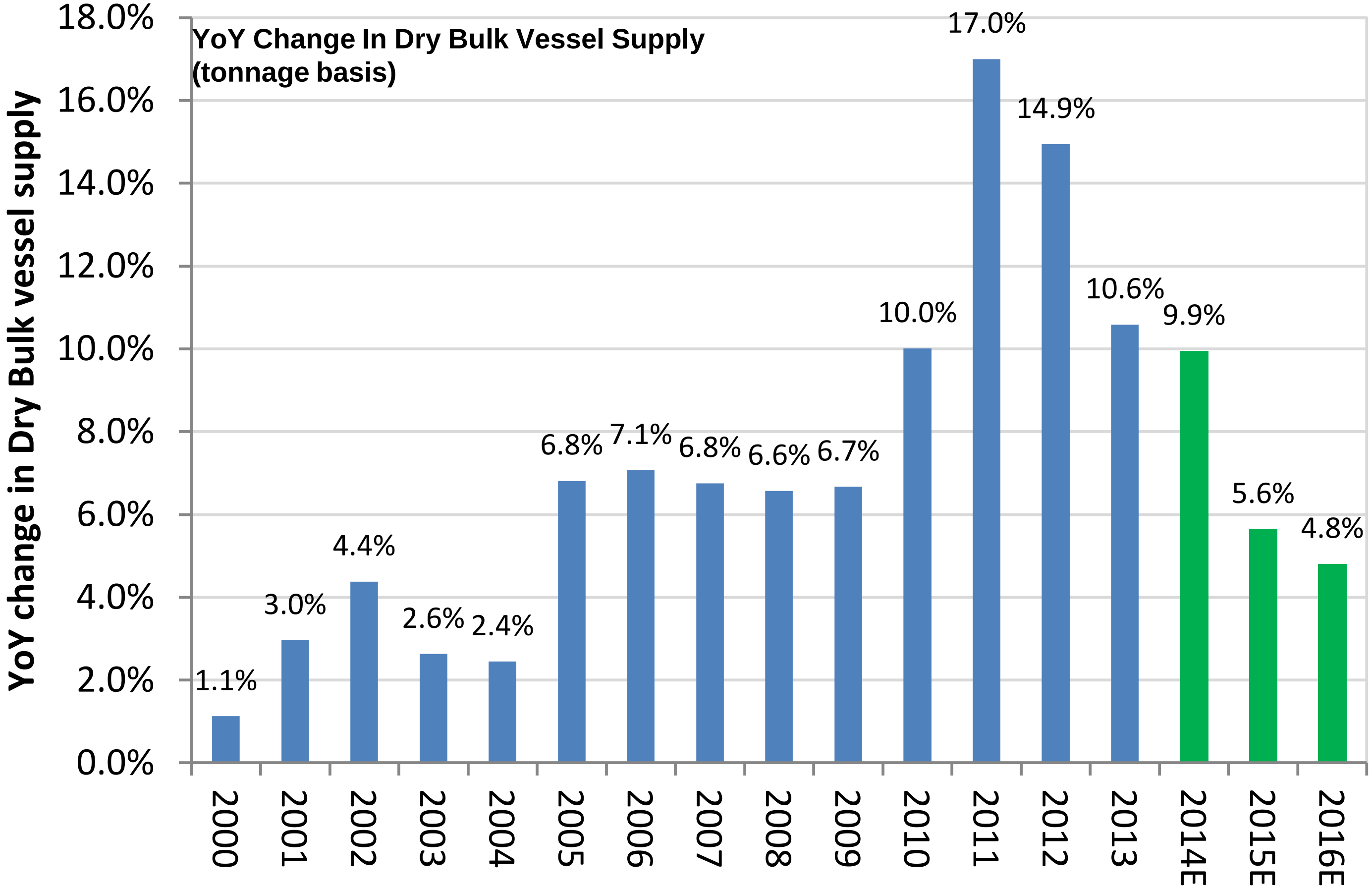
Incremental Supply of Ships Is Moderating



Sources: Clarkson Shipping Intelligence Network Order Book

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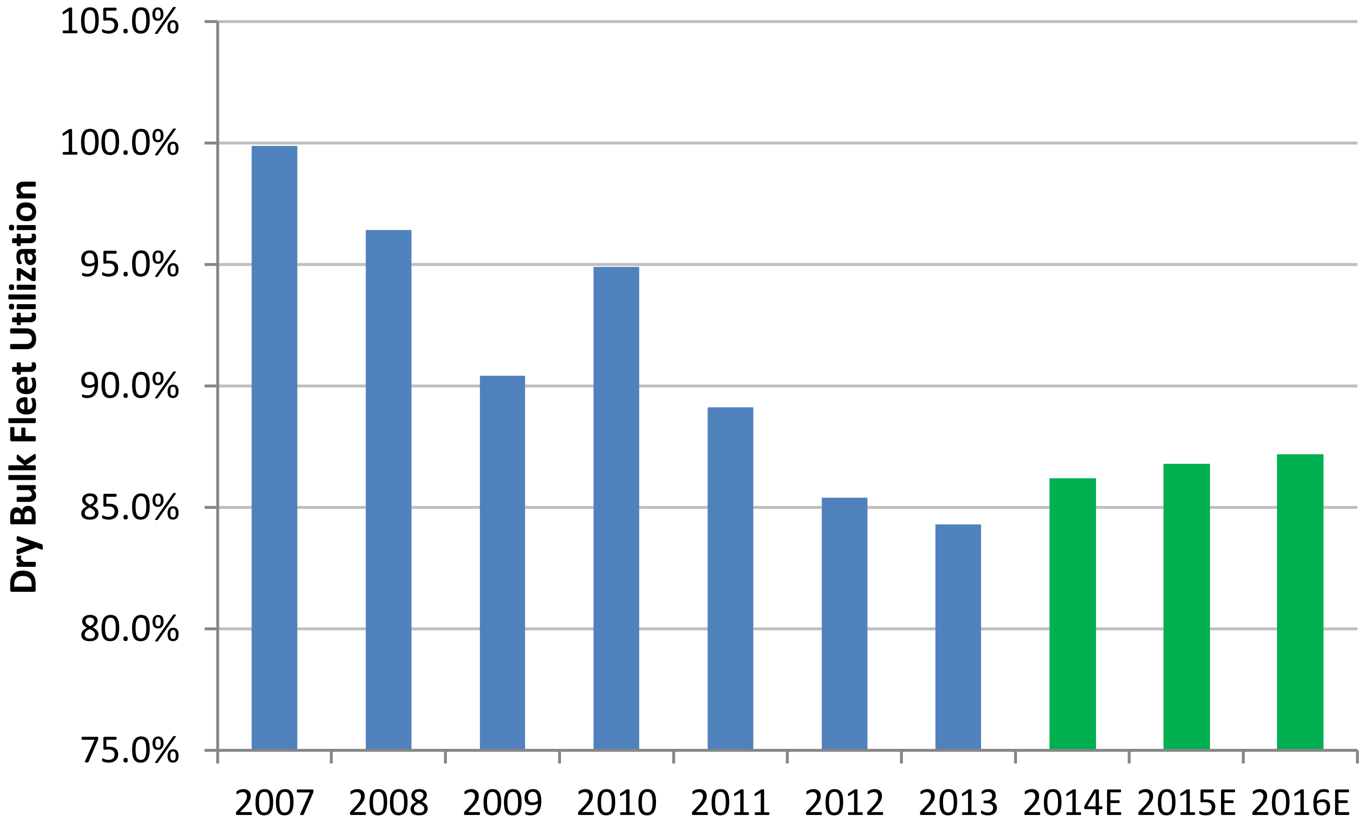
We Expect Utilization To Stabilize & Increase

- **We forecast capacity utilization of the Dry Bulk fleet to increase from an estimated low of 84% in 2013, to 87% through 2016**



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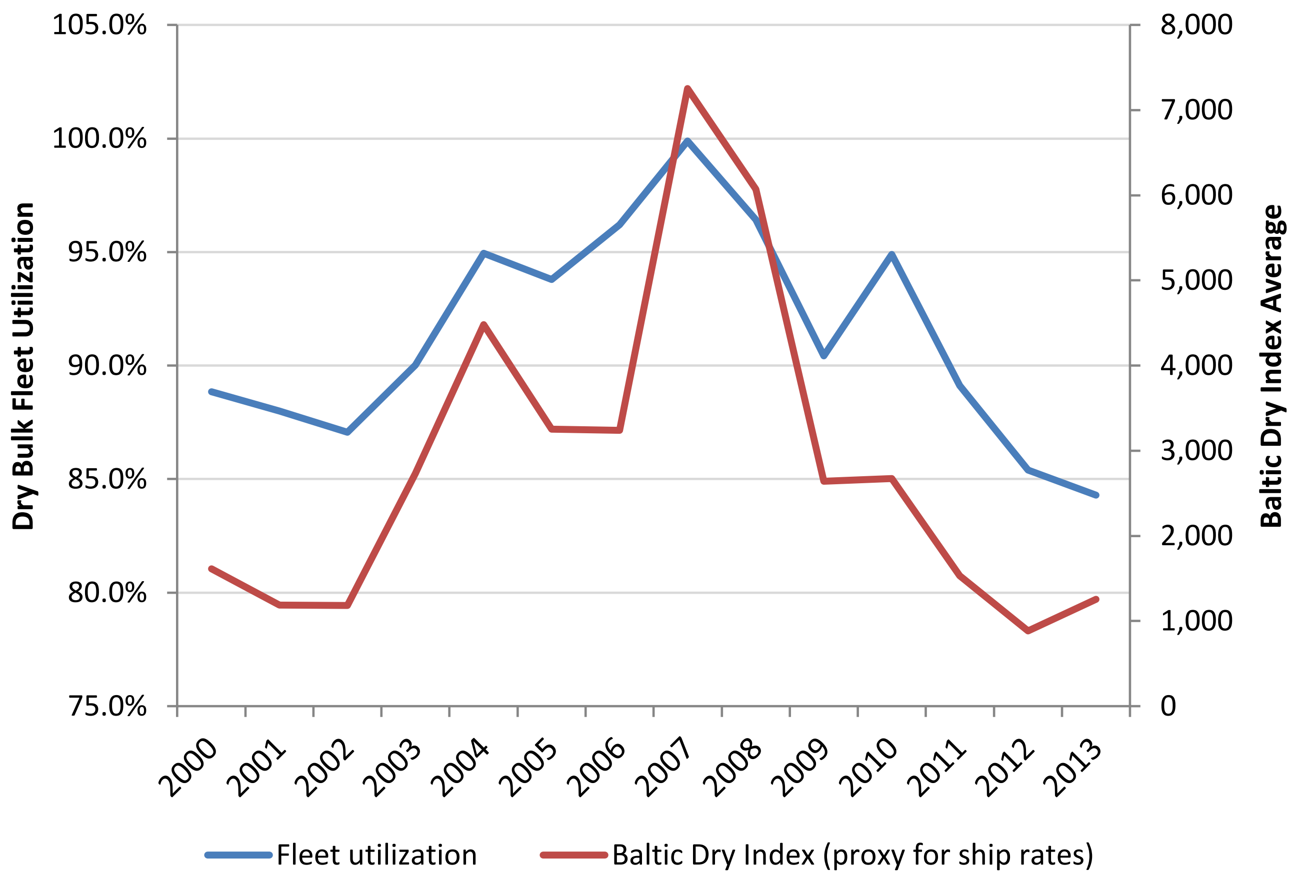
Positive Implications For Vessel Rates

- We have calculated a 90% correlation between fleet utilization and the Baltic Dry Index (i.e. proxy for ship rates)



Sources: Deutsche Bank estimates, Bloomberg

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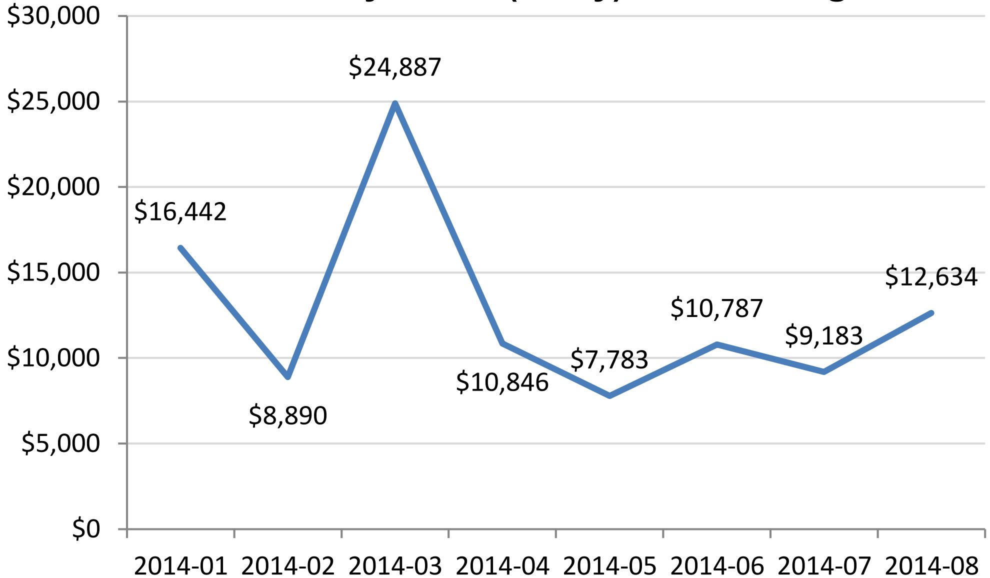
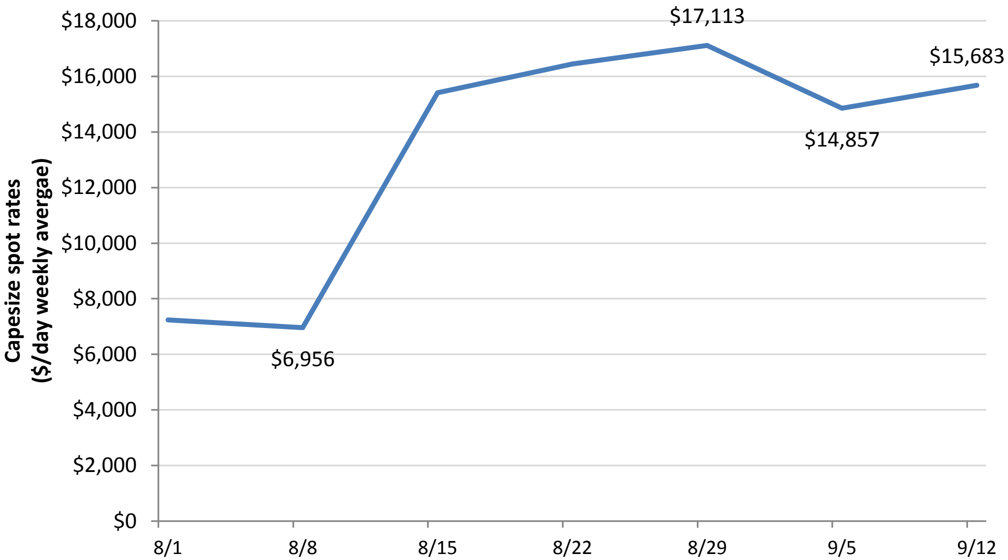
We Are Already Starting To See Spot Rates Inflect

- **Capesize vessel rates are currently 70% above July's average and 24% above August's average**

Monthly Rates ($/day): Jan'14-Aug'14



Weekly Rates ($/day): Aug'14-Sept 12, 2014



Sources: Clarkson Shipping Intelligence Network

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We See Rates Even Higher By Year-End

- **Extrapolating seasonal patterns over the last 25 years, we estimate 4Q Dry Bulk spot rates will be 10% above today's level on a weighted average basis**

Seasonality extrapolation (earnings/day)	Weighted Average	Capesize	Panamax	Supramax
4Q rates rel. to full year (1990-2013)	109%	125%	112%	100%
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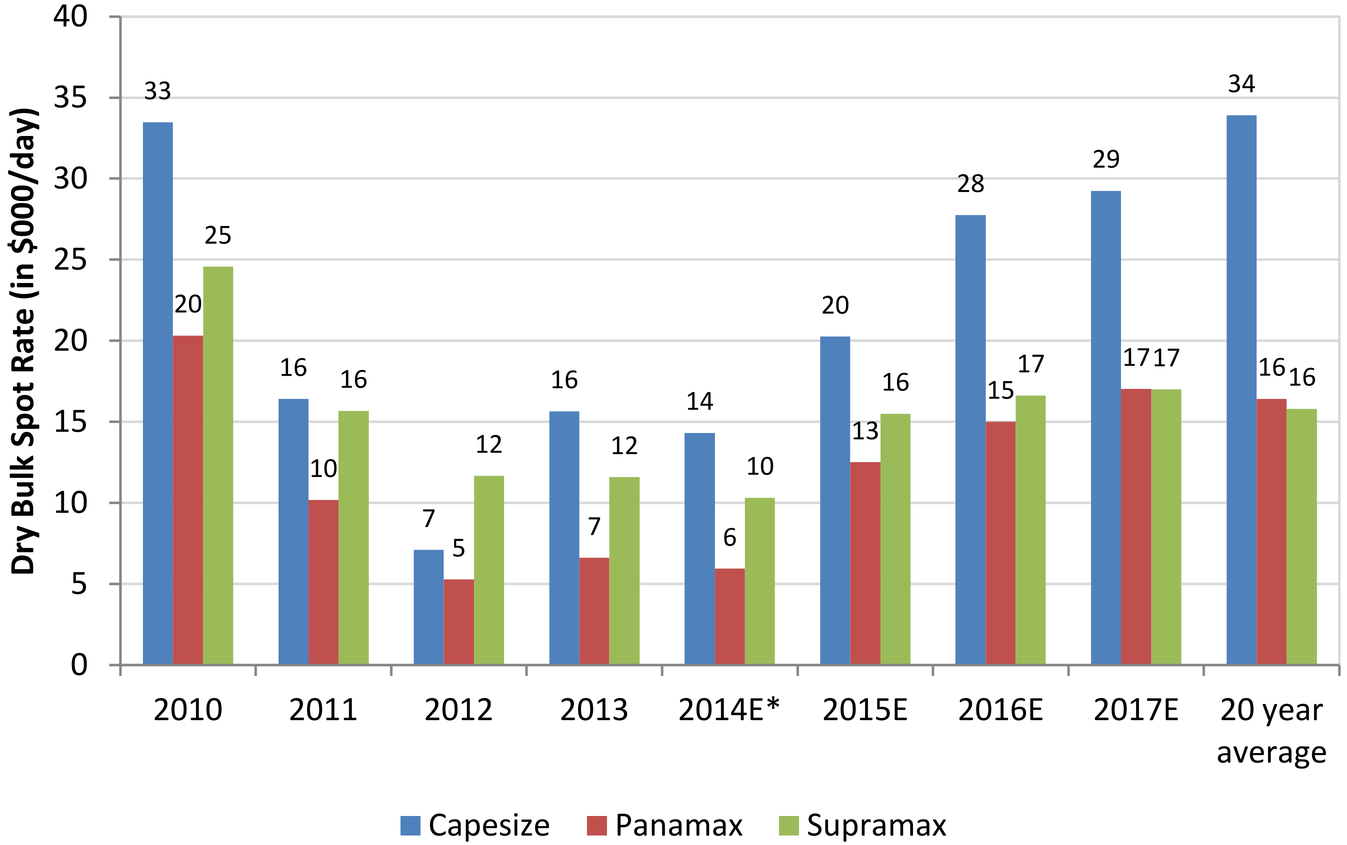
- **Our spot rate forecasts beyond 2014 assume some normalization in rates, but still below historical averages (in $000/day)**



Sources: Deutsche Bank estimates, Clarksons; *2014 estimates based on actual through September 12, 2014 and DB estimate for 4Q

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Dry Bulk Summary

1. **Rates are starting to inflect up, impacted by seasonal tailwinds**

2. **Sustainability into 2015 and beyond will depend on China and incremental supply, both of which we believe will be supportive of higher rates.**

3. **We prefer companies with a balance approach to chartering and manageable capital structures**
    - Top Pick: Diana Shipping (DSX)
    - We also like Scorpio Bulkers (SALT) and DryShips (DRYS)

Sources: Deutsche Bank estimates, Clarkson

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CRUDE OIL TANKERS
Investment Conclusions

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We See Rates 75% Higher By Year-End

- **Extrapolating average seasonal patterns over the last 25 years, we estimate 4Q Crude Tanker spot rates will be 75% above today's level on a weighted average basis**
- **Translates to 17% above year-to-date average (through September 12), which is consistent with the historical seasonal trends we've observed.**
- **In 2013 and 2012, average 4Q spot rates were 169% and 70% above spot rate in mid-September of those years, respectively.**

Seasonality extrapolation	Weighted Average	VLCC	Suezmax	Aframax
4Q rates rel. to full year (1990-2013)	117%	119%	115%	113%
x 2014 ytd average spot rate (through 9/12)	22,124	22,245	23,911	22,100
= 4Q estimated spot rate	$25,786	$26,370	$27,505	$25,005
Current spot rate (week of 9/12)	14,762	15,359	14,940	13,473
4Q vs. current rate	75%	72%	84%	86%
4Q vs. ytd average (through 9/12)	17%	19%	15%	13%

Sources: Deutsche Bank estimates, Clarkson

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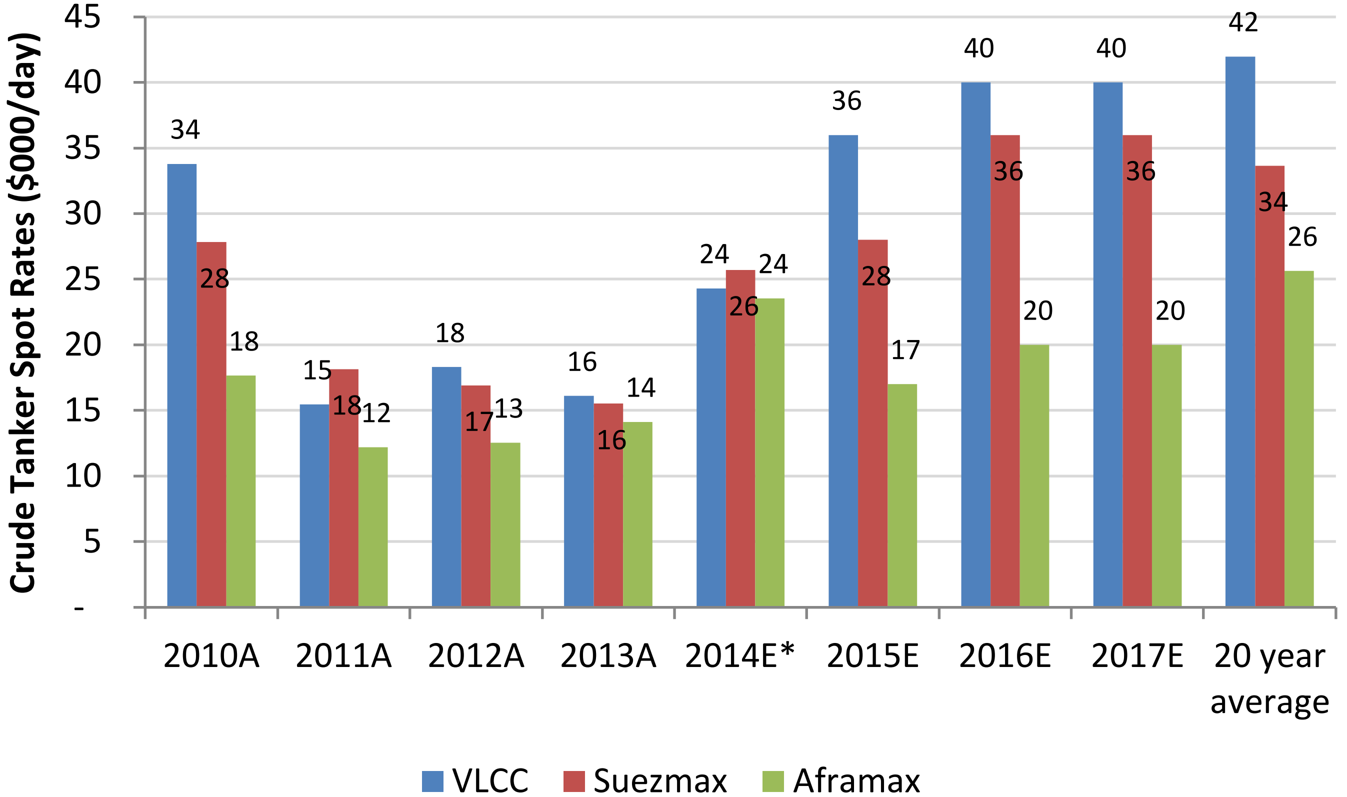
Beyond 2014, We See Potential For Rates To Normalize

- **Similar to Dry Bulk, our spot rate forecasts for Crude Tankers beyond 2014 assume some normalization in rates, but still below historical averages (in $000/day)**



Sources: Deutsche Bank estimates, Clarkson; *2014 estimates based on actual through September 12, 2014 and DB estimate for 4Q

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Ways To Play Tankers

Our Top Pick:

- **Teekay Tankers (TNK)**: Market Cap: $350M ● Current Price: $3.99 ● Target: $7
  - 28 tankers and 8 chartered-in vessels (vast majority midrange Crude Oil tankers)
  - We forecast an almost tripling of EBITDA in 2016 (vs. 2013)
  - 75% spot exposure over the next 12 months, vs. 50% last 12 months
  - 2.6% dividend yield

We Also Like:

- **Navios Acq. Corp (NNA)**: Market Cap: $500M ● Current Price: $3.35 ● Target: $5.50
  - Leveraged play on improving rates with good near-term coverage
  - 96.7% contracted through 2014, and 52.3% contracted in 2015.
  - We forecast 27% EBITDA CAGR 2014-2016
  - High financial leverage = significant upside to equity in positive re-rating environment
  - 6% dividend yield

- **Capital Product Prtns. (CPLP)**: Market Cap: $900M ● Current Price: $9.94 ● Target: $15
  - High-yielding C-Corp. MLP (9%) with good potential for distribution growth
  - Less exposure to crude oil, more to oil products, but strong coverage (8.7yrs on average)
  - Growth focused management team, with more sponsor drop-downs

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How We Are Different

- We are more positive on Crude Oil Tankers vs. shippers of Oil Products (i.e. refined crude oil products like gasoline and diesel).
- While demand side of the equation is similar , we see heighted incremental supply of Product Tankers hitting the market, and thus are less bullish on Product Tanker rates into ’15 and ’16.

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CRUDE OIL TANKERS
An Overview

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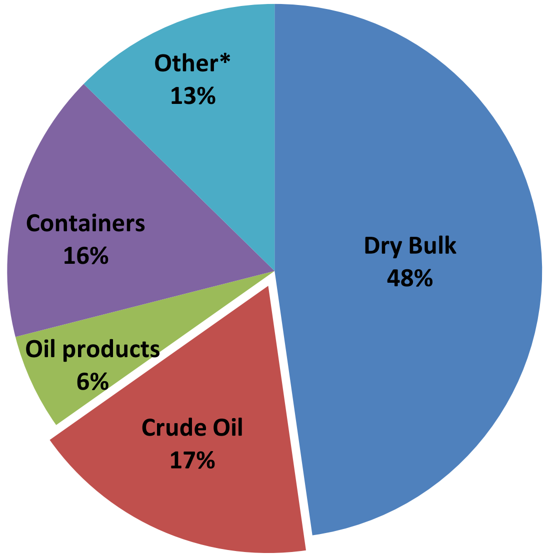
Crude Oil Is The Second Largest Segment of Shipping

Quick Takes:

- **40% of global crude consumption is transported via water**
- **Crude tankers transport oil from where its harvested to where its refined**
- **Asia accounts of half of all imports**
- **U.S. Crude Imports are down 24% since 2005**
- **Ytd vessel rates average $22k/day vs. 20-year historical avg. of $42k***



Total Seaborne Cargoes by type
(2014e ton-miles)

Sources: Deutsche Bank; Clarkson Shipping Intelligence Network;
*Very Large Crude Carrier (VLCC) rates

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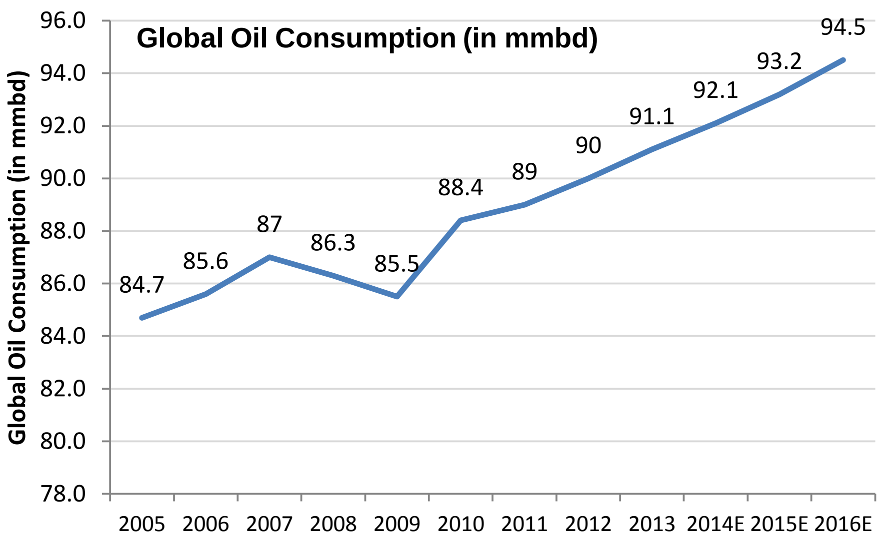
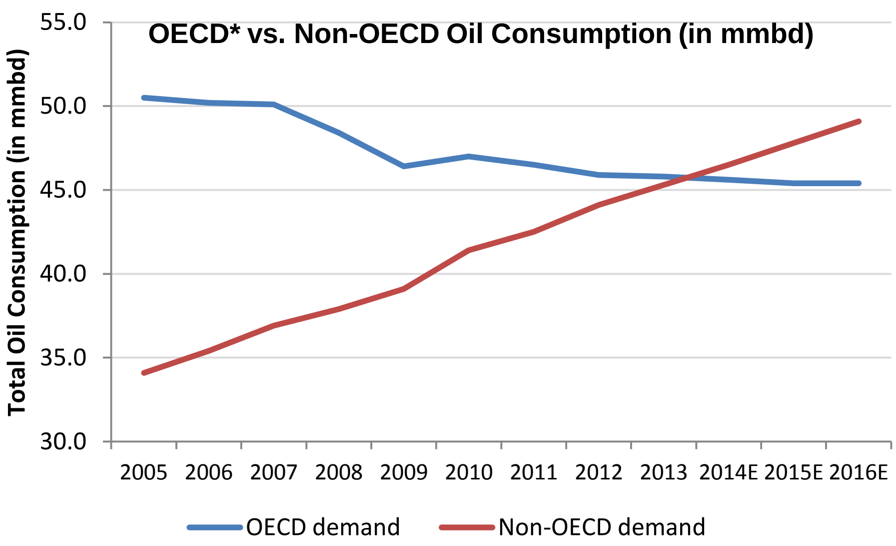
Global Oil Consumption Is Growing…But Where?

- Overall global oil consumption is expected to grow low single-digits, but less developed markets are growing at 2x the overall rate
- 2014 will be the first year in history that non-OECD countries overtake OECD countries in total oil consumption





Sources: Deutsche Bank Commodities Research
*Organization of Economic Cooperation & Development. Non-OECD countries include China and Former Soviet Union, as well as various other countries in Asia, Latin America, Middle East, and Africa

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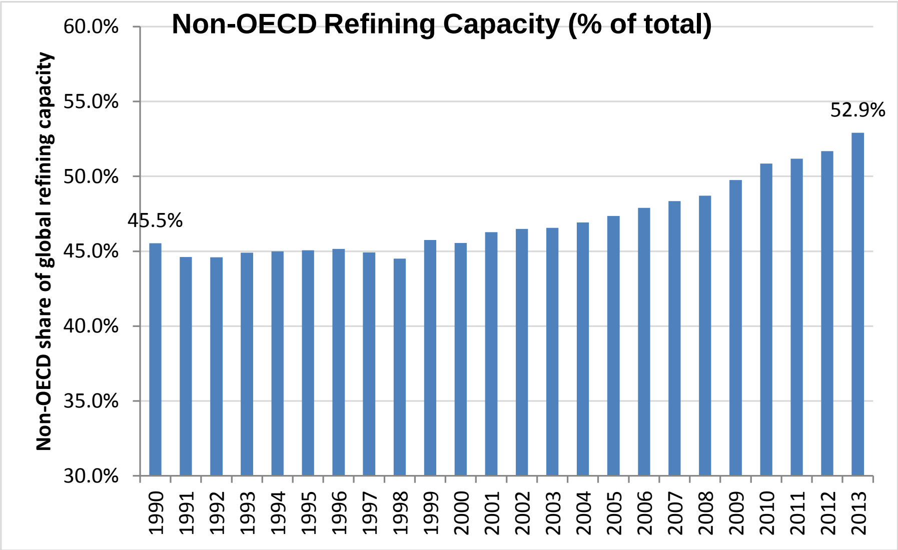
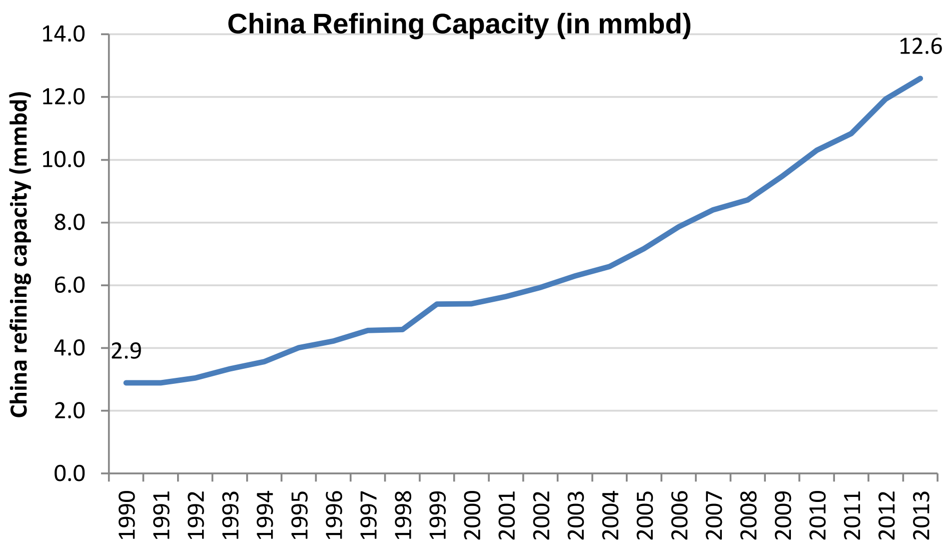
Refining Capacity Is Going To Where The Demand Is

- **Non-OECD countries now account for over half of global refinery capacity, led by growth in China**





Sources: BP 2013 Statistical Yearbook

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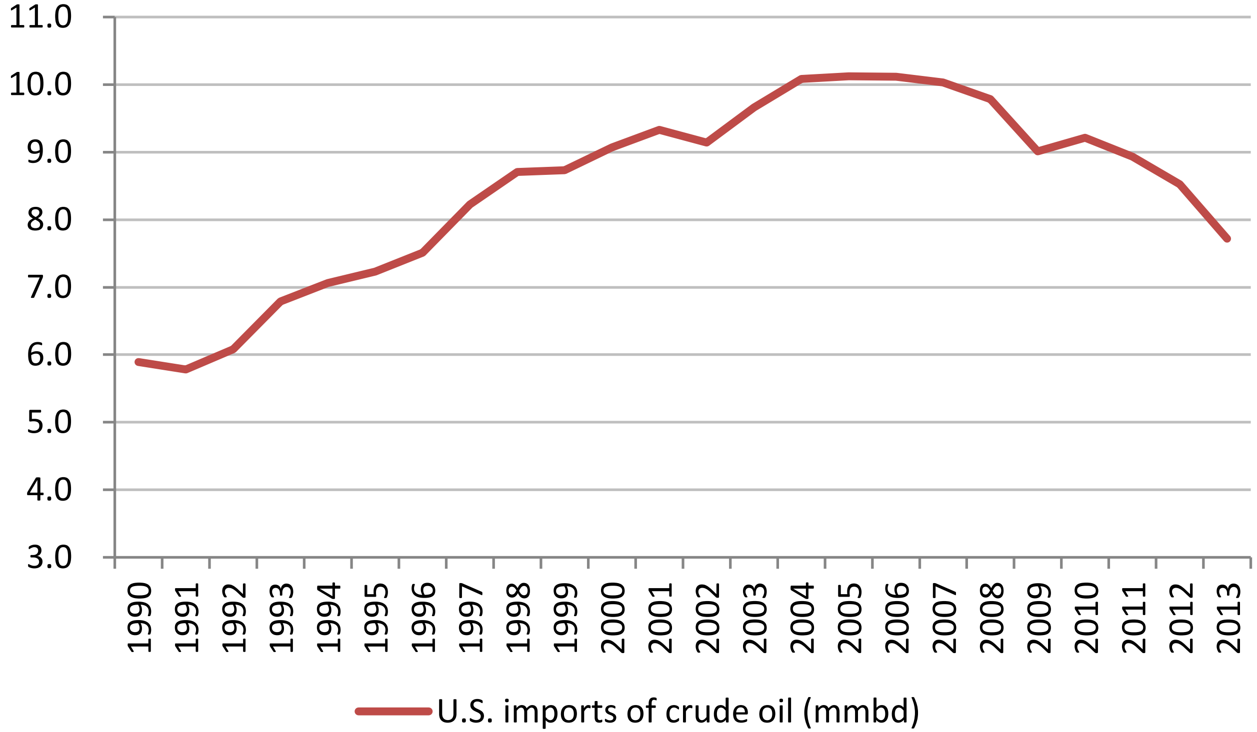
U.S. Imports of Crude Are Down

- **U.S. Share Revolution Is Lowering The Need for U.S. To Import Crude**



Sources: U.S. Energy Information Administration (EIA)

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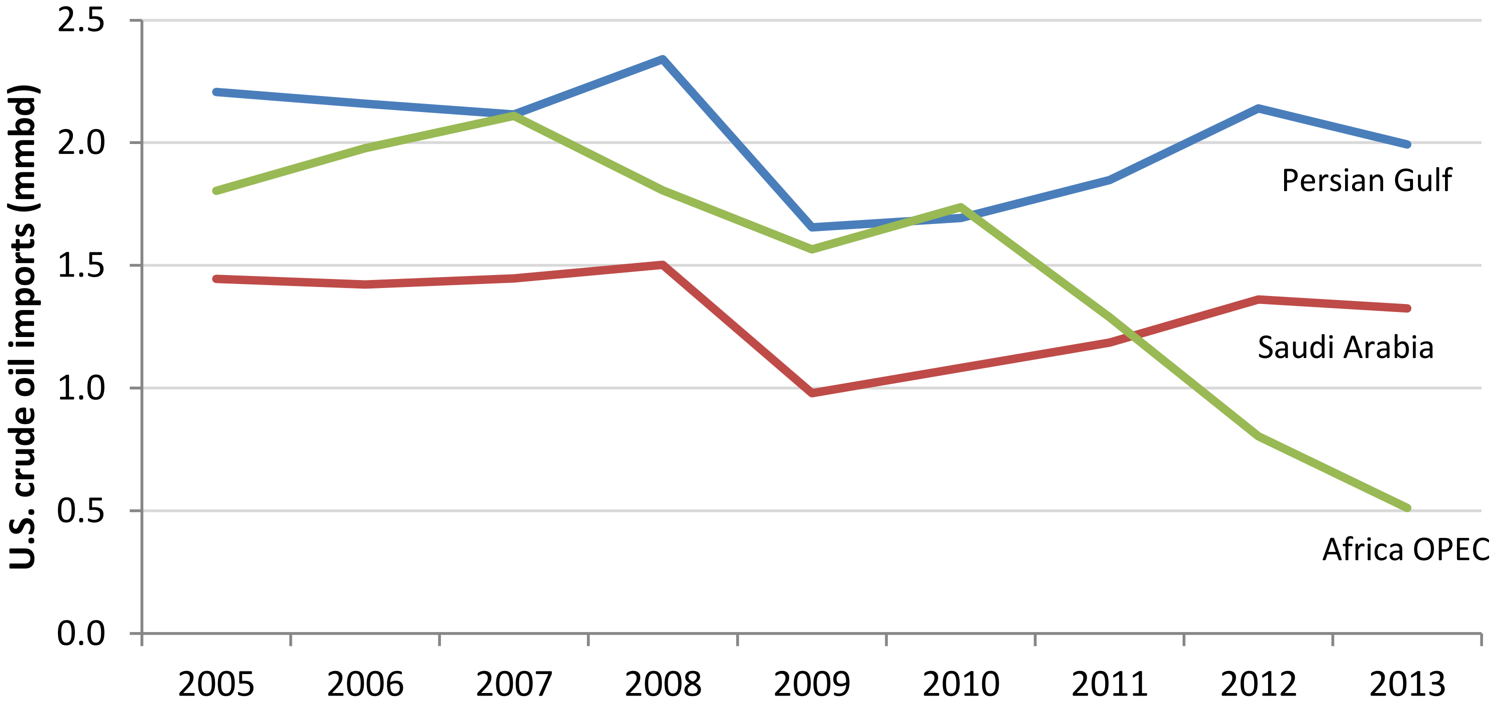
Lower U.S. Imports Are Displacing Africa OPEC Exports

- 54% of the decline in U.S. Crude is accounted for by lower imports from Africa's OPEC countries. Imports from the Persian Gulf are only down modestly



Sources: U.S. Energy Information Administration (EIA); African OPEC countries are Nigeria, Algeria, Libya, and Angola)

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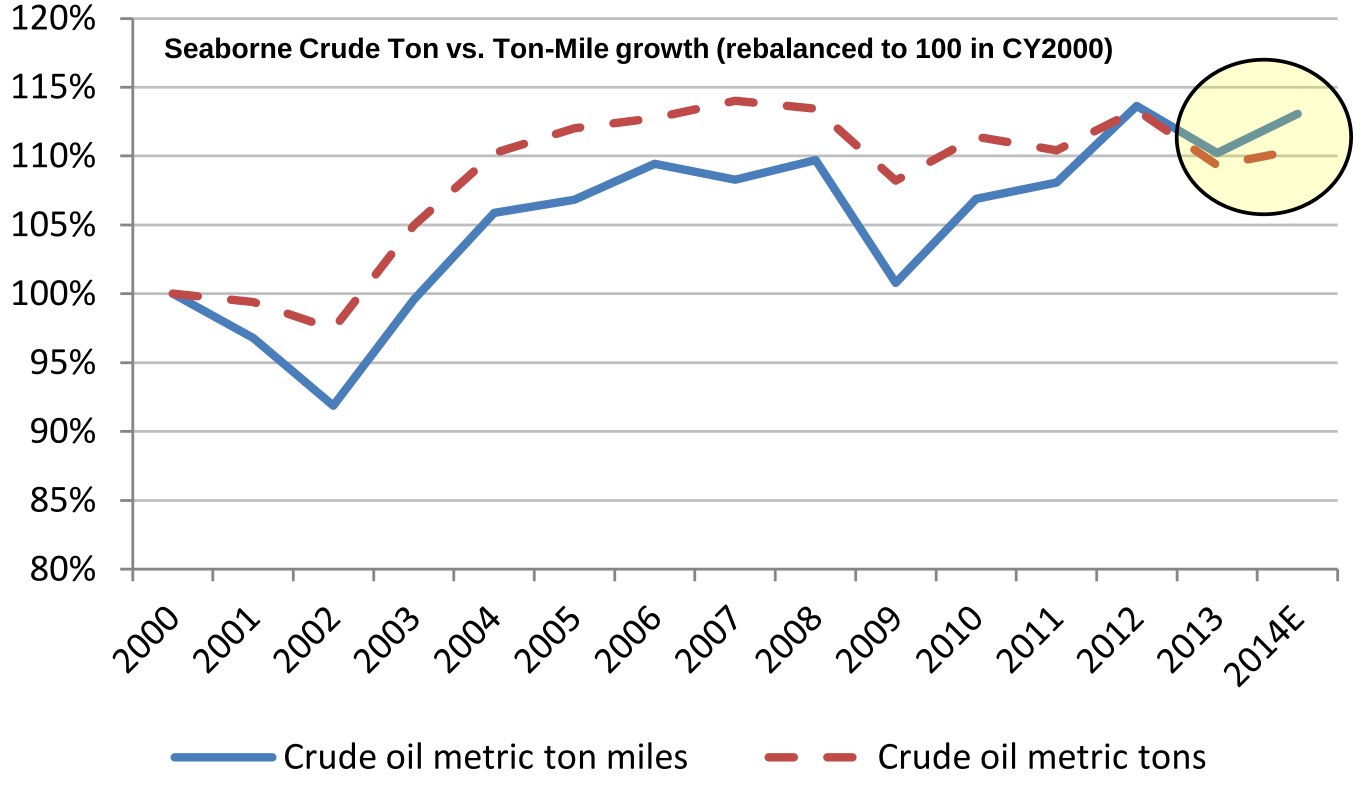
Displaced African Exports Will Find A Home In Far East, Driving Ton-Mile Demand For Shippers

- **China is now obtaining 33% of its imported oil from Africa, up from 25% in 2004**
- **Crude Oil ton-mile growth has recently started to eclipse ton growth, reflecting in our view African exports once destined for U.S. now enroute to China**



Sources: Deutsche Bank, Clarkson Shipping Intelligence Network

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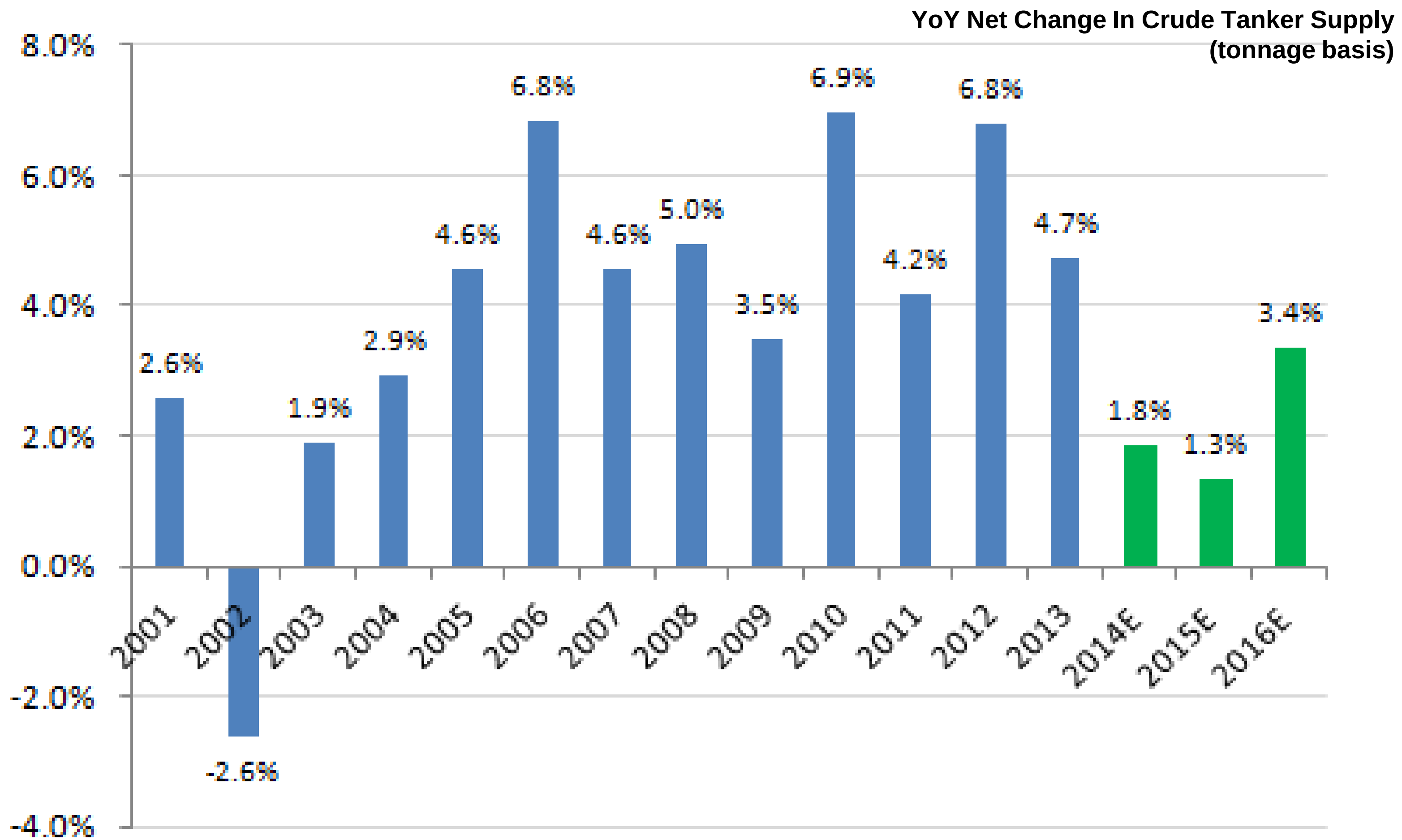
We See Moderating Supply Growth



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We Expect Utilization To Increase

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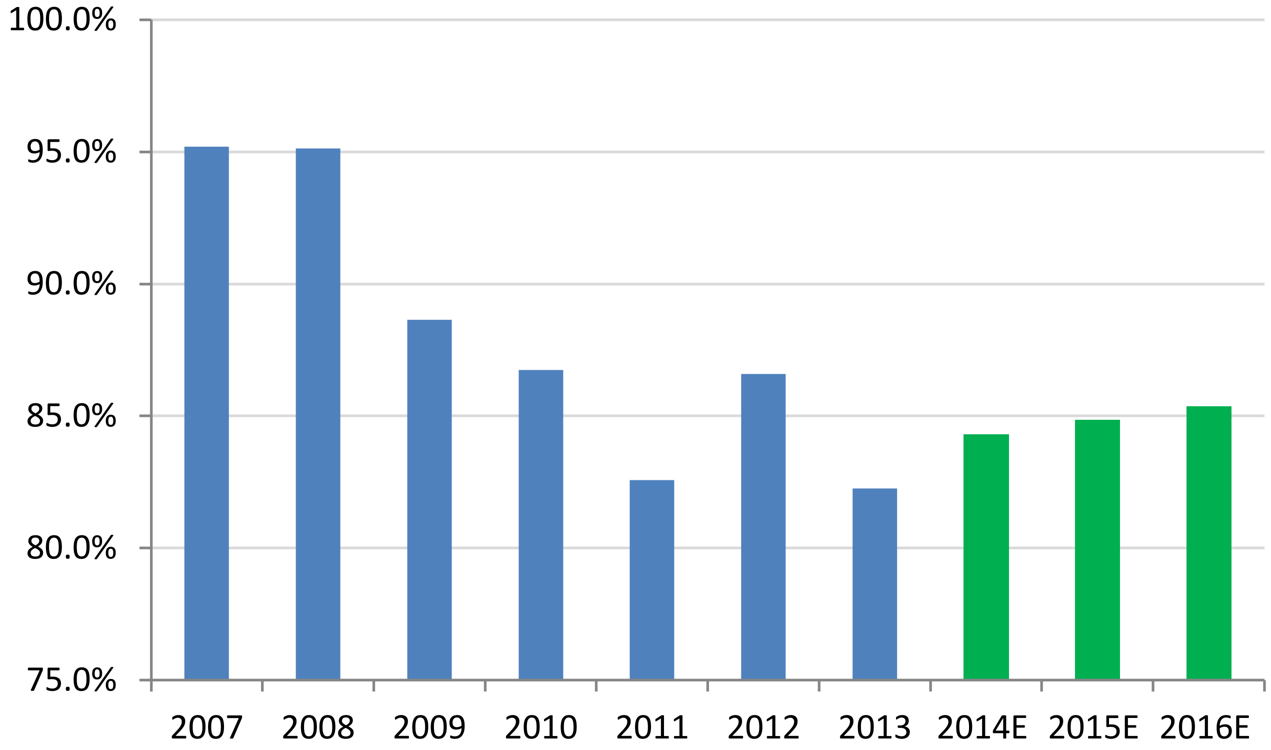

Sources: Deutsche Bank estimates, Clarkson Shipping Intelligence Network

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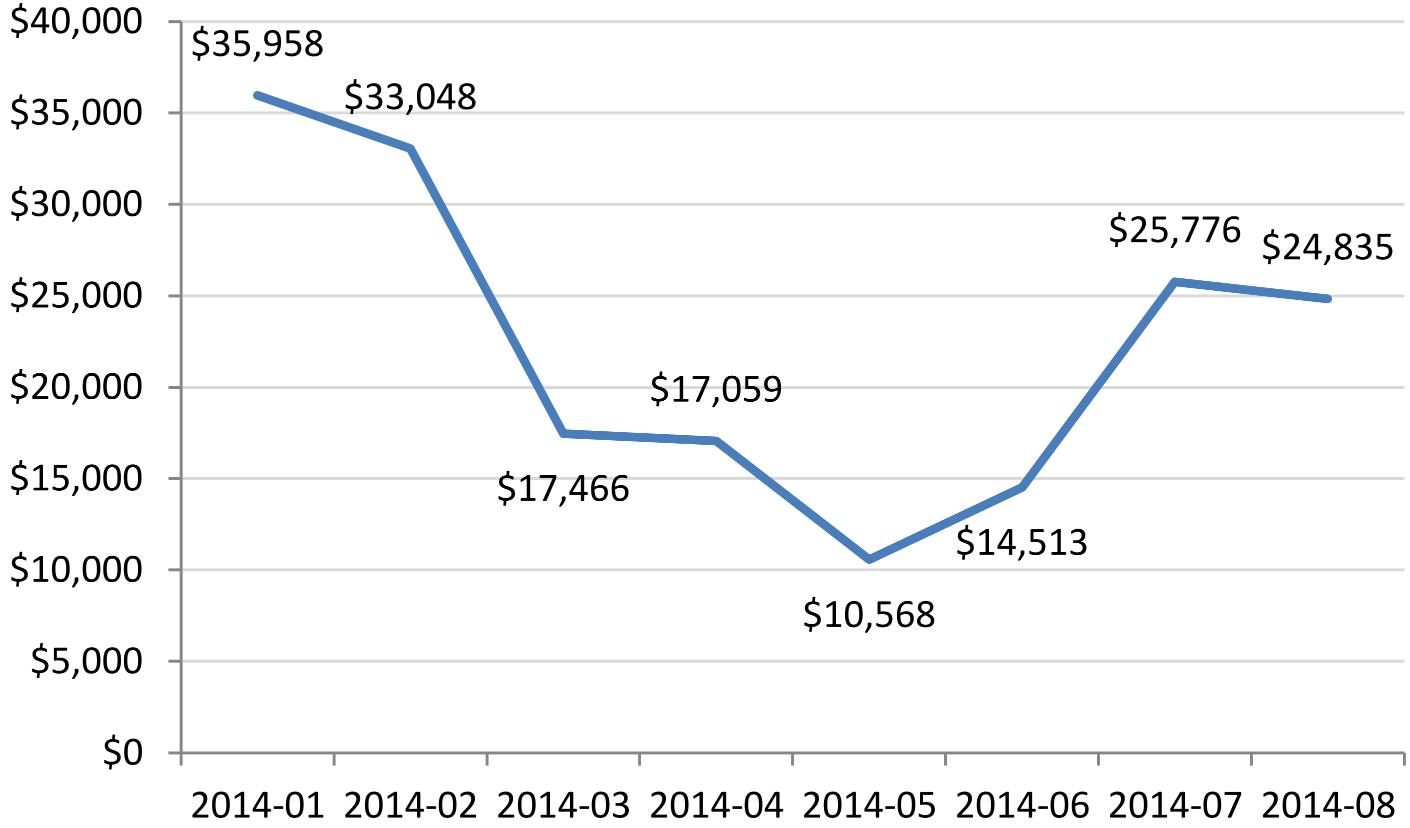
Positive Implications For Vessel Rates

- VLCC rates have already started to improve, despite July and August being seasonally weak months



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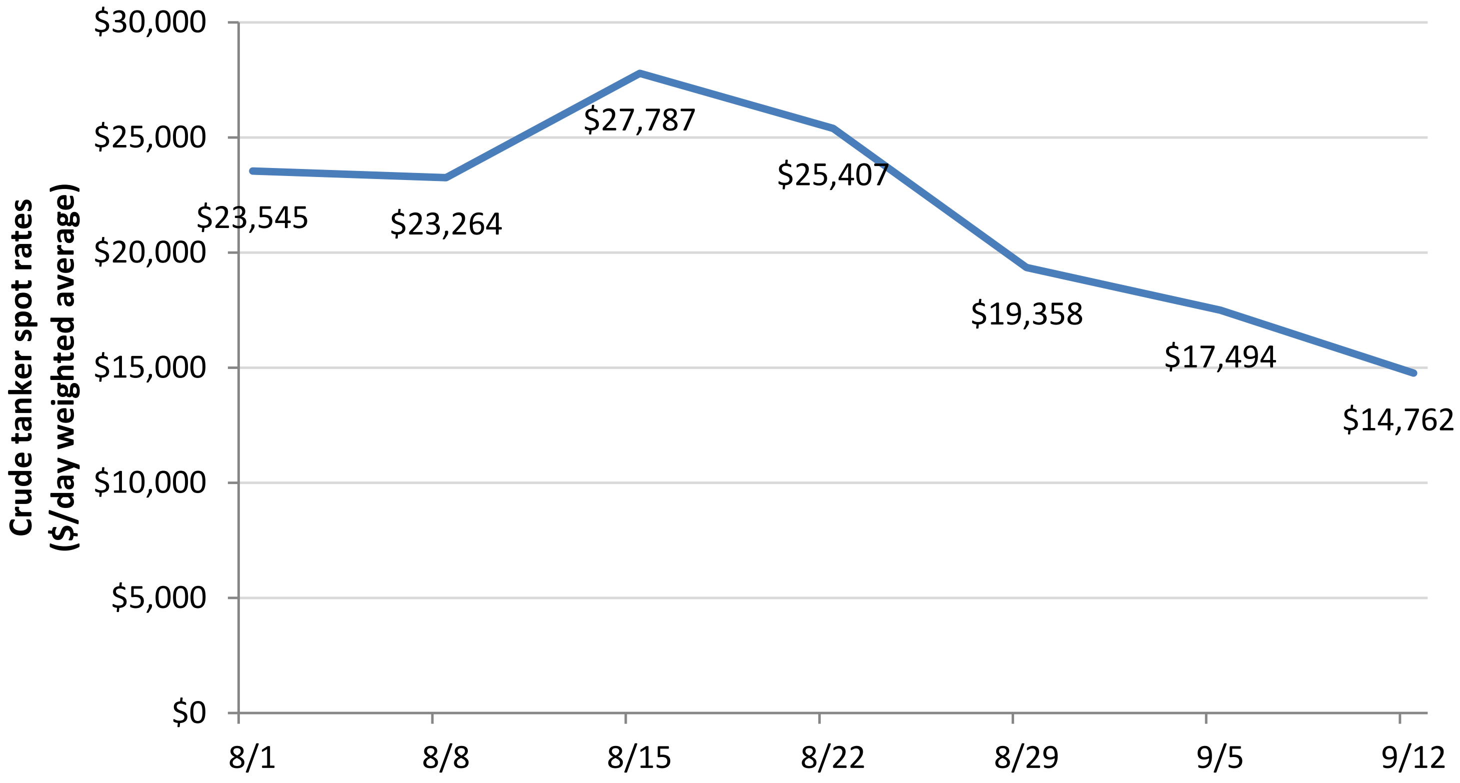
Recent Spot Rate Strength Has Moderated

- **Current weakness is in-line with historical seasonal patterns**
- **We look for sustained increases as we progress towards end of year**



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- **Translates to 17% above year-to-date average (through September 12), which is consistent with the historical seasonal trends we've observed.**
- **In 2013 and 2012, average 4Q spot rates were 169% and 70% above spot rate in mid-September of those years, respectively.**

Seasonality extrapolation	Weighted Average	VLCC	Suezmax	Aframax
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= 4Q estimated spot rate	$25,786	$26,370	$27,505	$25,005
Current spot rate (week of 9/12)	14,762	15,359	14,940	13,473
4Q vs. current rate	75%	72%	84%	86%
4Q vs. ytd average (through 9/12)	17%	19%	15%	13%

Sources: Deutsche Bank estimates, Clarkson

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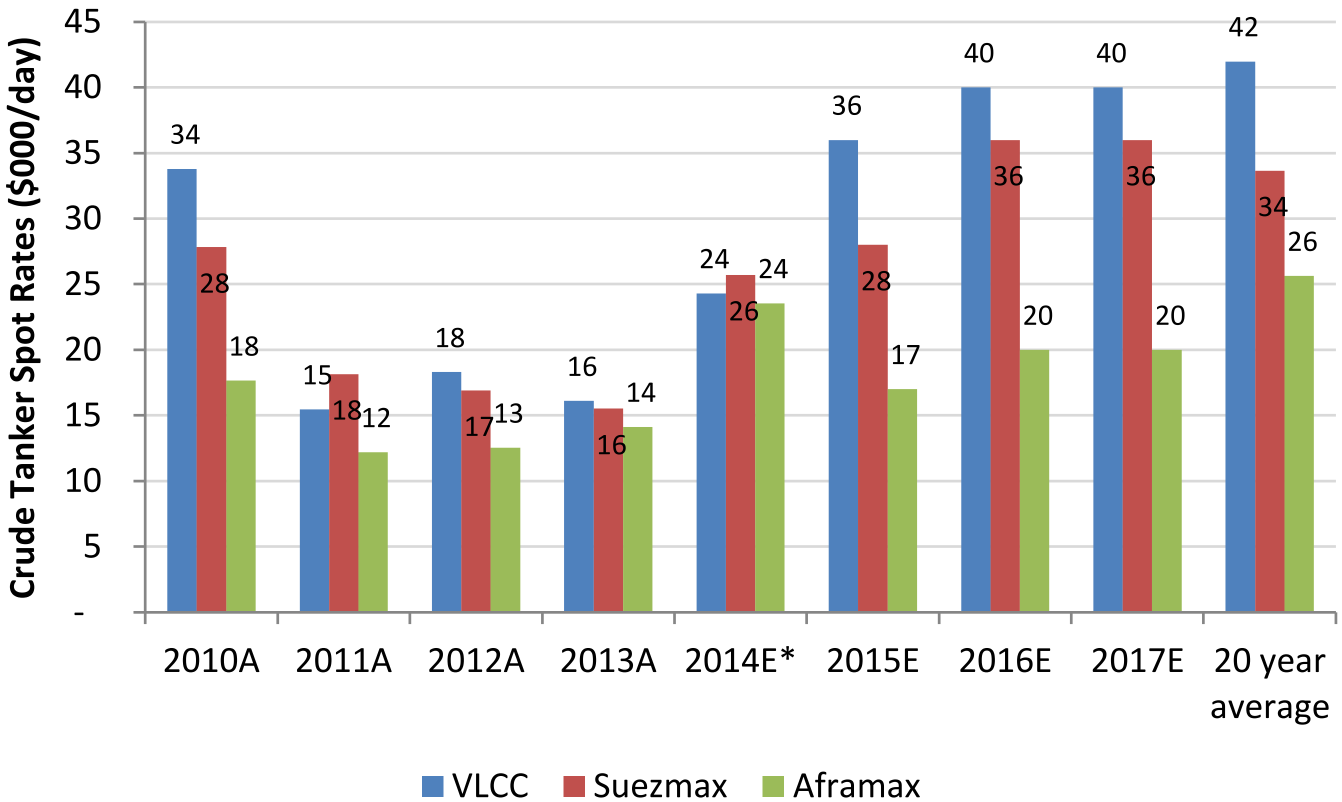
Beyond 2014, We See Potential For Rates To Normalize

- **Similar to Dry Bulk, our spot rate forecasts for Crude Tankers beyond 2014 assume some normalization in rates, but still below historical averages (in $000/day)**



Sources: Deutsche Bank estimates, Clarkson; *2014 estimates based on actual through September 12, 2014 and DB estimate for 4Q

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Lifting of U.S. Crude Export Ban
Can Be A Game Changer For Crude Shippers

- **United States will surpass Saudi Arabia as the world's largest oil producer around 2020, and will become a net oil exporter by 2030** (IEA estimates).

- **The Energy Policy and Conservation Act of 1975, in response to the 1973 oil shock, banned exports of U.S. Crude Oil.**

- **Rising U.S. crude production first has to be refined into products before being exported, which has driven strong growth in the Oil products trade.**

- **Increasing number of legislators calling for revisiting the ban. What could be the impact?**
  - Crude exports would immediately rise, likely surpassing 500,000 bpd by 2017*
  - Accretive to tonnage demand for crude oil shippers, and depending on where it goes, accretive to ton-mile demand
  - Negative for Oil Product shippers
  - Negative for Jones Act shippers

- **Will it happen, and when?**
  - Tough in an election year. Still plenty of opposition.
  - President has power to act unilaterally if he/she deems it "consistent with the national interest"

Sources: * Council on Foreign Relations estimates

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Crude Tanker Summary

1. **We see secular tailwinds for shippers of crude oil, as the distance between where oil is harvested and refined is increasing.**

2. **We forecast a significant increase in rates in 4Q vs. today's spot, driven largely by seasonal factors. We think these rates can move even higher in 2015 and beyond based on our improving utilization forecasts.**

3. **We prefer companies with crude spot exposure**
   - Top Pick: Teekay Tankers (TNK)
   - We also like Navios Acquisition Corp (NNA) and Capital Product Partners (CPLP)

Sources: Deutsche Bank estimates, Clarkson

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Rounding Out Coverage With LNG and LPG

1. **Market growth has largely been supply constrained, with not enough liquefaction capacity to supply growing demand**

2. **This is expected to change over the next several years, with several products (mainly U.S. and Australia) set to increase export capacity by 50% through 2020.**

3. **We forecast relatively modest incremental vessel supply relative to demand growth, making us positive on the long-term opportunities for shippers of LNG and LPG**

Our Top Pick:

- **StealthGas (GASS)**: Market Cap: $350M ● Current Price: $9.13 ● Target: $14
  - Largest owner of LPG ships in the world
  - Acquisition of 19 new vessels should translate to a more than doubling of earnings power in 2016 vs. 2013
  - Pro forma balance sheet still leaves room for more growth
  - Focus on smaller ships positive as “last-mile” demand increases given LPG’s hub-and-spoke transport model.

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Coverage Universe & Competitive Valuation

Pricing as of	**9/12/2014**			**Current**	**Target**	**Upside/**	**Market**	**Enterprise**	**Net Debt/Capital**		**Div/Distrib. Yeild**		**EV/EBITDA[1]**			**P/E**		
			Rating	**Price**	**Price**	**(Downside)**	**Cap ($M)**	**Value ($M)**	**2014E**	**2015E**	**2014E**	**2015E**	**2014E**	**2015E**	**2016E**	**2014E**	**2015E**	**2016E**
DRY BULK	DRYS	DryShips	Buy	$2.94	$5.00	70%	1,215	6,542	53%	51%	0.0%	0.0%	7.9x	6.8x	6.1x	53.5x	6.3x	4.1x
	SALT	Scorpio Bulkers	Buy	$7.68	$12.00	56%	1,025	679	-6%	46%	0.0%	0.0%	NA	NA	9.1x	NA	NA	7.8x
	DSX	Diana Shipping	Buy	$10.10	$18.00	78%	829	1,051	13%	13%	0.0%	0.0%	18.3x	8.7x	5.7x	NA	25.2x	11.2x
	NMM	Navios Partners L.P (MLP)	Hold	$19.94	$23.00	15%	1,616	1,962	37%	38%	8.9%	8.9%	11.6x	10.3x	10.4x	22.1x	19.3x	19.6x
TANKER	NNA	Navios Acquisition Corp.	Buy	$3.35	$5.50	64%	501	1,692	73%	69%	6.0%	6.0%	11.4x	8.1x	6.4x	32.8x	7.5x	4.9x
	FRO	Frontline	Hold	$1.56	$2.00	28%	151	1,296	81%	101%	0.0%	0.0%	6.5x	7.7x	5.1x	NA	NA	4.5x
	CPLP	Capital Product Partners (MLP)	Buy	$9.94	$15.00	51%	880	1,378	34%	45%	9.4%	10.8%	9.4x	9.4x	8.1x	32.6x	21.8x	17.0x
	DLNG	Dynagas LNG (MLP)	Buy	$23.73	$29.00	22%	737	1,053	33%	34%	6.4%	6.6%	13.8x	12.0x	11.6x	17.1x	20.1x	19.0x
	TK	Teekay Corp.	Hold	$59.36	$70.00	18%	4,234	10,810	78%	76%	2.1%	2.7%	13.0x	10.9x	10.7x	71.5x	30.2x	23.2x
	GASS	StealthGas	Buy	$9.13	$14.00	53%	348	576	25%	24%	0.0%	0.0%	7.7x	5.6x	5.2x	10.5x	6.8x	5.8x
	TNK	Teekay Tankers	Buy	$3.99	$7.00	75%	335	871	59%	47%	3.0%	3.0%	9.8x	6.3x	5.3x	14.0x	5.7x	5.0x
CONTAINER	SSW	Seaspan Corp.	Buy	$22.73	$30.00	32%	2,159	5,719	63%	65%	5.9%	6.5%	10.3x	9.3x	8.1x	25.6x	15.4x	10.9x
	TGH	Textainer Group	Hold	$35.29	$40.00	13%	2,016	4,612	68%	69%	5.3%	5.6%	10.8x	10.5x	10.1x	12.1x	11.0x	10.4x
AVERAGE						**44%**			**47%**	**52%**	**3.6%**	**3.8%**	**10.9x**	**8.8x**	**7.8x**	**29.2x**	**15.4x**	**11.0x**
Average Dry Bulk						**55%**			**24%**	**37%**	**2.2%**	**2.2%**	**12.6x**	**8.6x**	**7.8x**	**37.8x**	**16.9x**	**10.7x**
Average Tanker						**45%**			**55%**	**57%**	**3.8%**	**4.1%**	**10.2x**	**8.6x**	**7.5x**	**29.7x**	**15.3x**	**11.4x**
Average Container						**23%**			**65%**	**67%**	**5.6%**	**6.0%**	**10.6x**	**9.9x**	**9.1x**	**18.9x**	**13.2x**	**10.6x**

[1] EV/EBITDA for any given year assumes capital structure as of the end of that year

Sources: Deutsche Bank estimates, Thompson Reuters

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Stock Price Performance

		YTD	3-month	6-month	2013	2012	2011	2010	2009	2008
DRY BULK										
	DRYS-US	-37%	-2%	-20%	194%	-20%	-64%	-6%	-45%	-86%
	DSX-US	-24%	-7%	-22%	82%	-2%	-35%	-17%	13%	-59%
	SALT-US	-24%	-16%	-19%	N/A	N/A	N/A	N/A	N/A	N/A
	NMM-US	4%	8%	17%	56%	-17%	-24%	32%	107%	-63%
	Avergae	**-20%**	**-5%**	**-11%**	**111%**	**-13%**	**-41%**	**3%**	**25%**	**-69%**
TANKERS										
	FRO-US	-58%	-31%	-65%	15%	-24%	-83%	-7%	-8%	-38%
	NNA-US	-24%	-6%	-13%	83%	-10%	-33%	-59%	16%	N/A
	GASS-US	-10%	-13%	-13%	28%	105%	-51%	27%	29%	-65%
	CPLP-US	-5%	-7%	-8%	59%	7%	-37%	5%	18%	-68%
	TNK-US	2%	10%	-15%	36%	-18%	-71%	45%	-33%	-42%
	DLNG-US	5%	-1%	9%	N/A	N/A	N/A	N/A	N/A	N/A
	TK-US	24%	3%	-1%	50%	20%	-19%	43%	18%	-63%
	Avergae	**-10%**	**-7%**	**-15%**	**45%**	**13%**	**-49%**	**9%**	**7%**	**-55%**
CONTAINERS										
	SSW-US	-1%	0%	4%	43%	17%	10%	35%	4%	-64%
	TGH-US	-12%	-9%	-3%	28%	8%	2%	69%	59%	-27%
	Avergae	**-7%**	**-5%**	**0%**	**36%**	**13%**	**6%**	**52%**	**32%**	**-45%**
Average all		**-11%**	**-4%**	**-12%**	**59%**	**4%**	**-40%**	**18%**	**12%**	**-56%**
Average dry bulk		**-20%**	**-5%**	**-11%**	**111%**	**-13%**	**-41%**	**3%**	**25%**	**-69%**
Average tankers		**-10%**	**-7%**	**-15%**	**45%**	**13%**	**-49%**	**9%**	**7%**	**-55%**
Average containers		**-7%**	**-5%**	**0%**	**36%**	**13%**	**6%**	**52%**	**32%**	**-45%**

Sources: Deutsche Bank estimates, Thompson Reuters

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Valuation & Risks

Diana Shipping:

Our $18 price target is based on 10x our 2016 EBITDA estimate, which is in-line with DSX's historical average and a slight premium to the group which we think is warranted given DSX's balanced business plan and solid balance sheet. Downside risks include weaker spot/charter rates and little-to-no vessel growth.

Scorpio Bulkers

Our $12 price target is based on 9.0x our estimated 2017 EBITDA discounted back 2 years by 10%. Our 9x multiple is in-line with historical average for the Dry Bulk space. We believe 2017 this is the most appropriate timeframe considering that is the first full year in which SALT's fleet is fully delivered, and our net debt assumption includes incremental financing. Risks include continued weakness in spot rates, lack of funding, and shipyard delays.

Dry Ships:

Our $5 price target is based on 6.7x our 2016 EBITDA estimate, which is in-line with DRYS' historical average fwd trading multiple. We see potential for valuation to move above the historical average should Dry Bulk spot rates recover (every 0.5x turn = $1.30/share given DRYS' high leverage). To that point risks include high leverage, additional equity issuance, and further newbuilding delays.

Navios Partners:

Our $23 price target is based on an 8% yield to our estimated 2016 distribution of $1.86 per unit, about in-line with current trading multiple. Risks to the upside include more vessel acquisitions, higher coverage ratio, and higher distribution. Risks to the downside include weaker coverage and higher interest rates which make NMM's yield somewhat less attractive.

Teekay Tankers

Our $7 price target is based on 8.5x our 2016 EBITDA estimate (using YE14 net debt), which is a slight premium to current multiple (but discount to 10x historical average), which we believe is warranted given our outlook for rates. Risks include lower crude tanker spot rates and dividend cut (2.7% yield).

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Valuation & Risks

StealthGas:

Our $14 price target is based on 7x our 2016e EBITDA estimate, in-line with GASS' historical average (high/low 8.6x/3.8x). We apply GASS' estimated YE16 capital structure to our valuation framework, which takes into account incremental debt to fund newbuild acquisitions. Downside risks include lower-than-expected charter rates, lack of fleet expansion, declining asset values, and limited access to capital.

Navios Acquistion Corp:

Our $5.50 price target is based on an 8x our 2016 EBITDA estimate, in-line with NNA's current 1-year forward trading multiple. Significant upside beyond this target can be achieved if NNA's multiple re-rates in light of an improving tanker market. Risks include weaker VLCC rates, further delays in delivery of new vessels, and reduction/suspension of dividend.

Capital Product Partners:

Our $15 price target is based on an 8.5% yield off our 2016 estimated distribution of $1.23 per unit (up from 0.93/unit today). Our 8.5% yield estimate is consistent with the average of high-yielding shipping companies. Risks to the downside include weaker coverage, no growth in distribution, and higher interest rates which makes CPLP's yield somewhat less attractive

Dynagas :

Our $29 price target is based on 6% yield applied to our 2016 distribution estimate of $1.76 (pro forma for drop downs). Our yield forecast is a slight premium to DLNG's current trading multiple given our favorable outlook for LNG shippers over the medium term. Downside risks include lack of fleet expansion, funding limitations, and continued pressure on LNG spot earnings.

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Valuation & Risks

Teekay Corpn:

Our $68 price target on TK shares is based on a sum-of-parts and pro forma dividend-yield basis, with 50/50 weighting applied to each. Biggest upside risks include better cash flow/dividend growth and deleveraging (above what we already assume). Downside risks include negative tanker cash flow, newbuilding projects, access to capital and LNG and offshore project demand.

Frontline:

Our $2 price target is based on 6.7x our 2016 EBITDA estimate of $200M, which is half a turn higher than FRO’s historical low which we think is warranted given near-term debt concerns coupled with hope of a recovery in crude tanker rates. Upside risks include higher spot rates and a shareholder-friendly outcome to convertible maturity. Downside risks include the inability to repay debt obligations, spot market weakness, and higher breakeven levels

Seaspan:

Our $30 target is based on 9x our 2016 EBITDA estimate, discounted back 1 year by 10%. We use our net debt estimate at year-end 2016 to reflect the entirety of SSW’s capex funding. Our 9x multiple is in-line with SSW’s average, which has fluctuated between 7.2x and 12.7x (every 1 turn = $6 of equity value/share). Risks to the downside include significant reduction in container rates and difficulty funding newbuilding capex.

Textainer:

Our $40 price target is based on 9.6x our 2016 EBITDA estimate, which is in-line with TGH’s historical average. Risks to the upside include higher rental rates, increased demand for rentals from lessors, and higher dividend. Risks to the downside include lower utilization and rental rates and significantly lower new container prices.

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Appendix 1
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Buy: Based on a current 12-month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12 months out and, based on this time horizon, do not recommend either a Buy or Sell.

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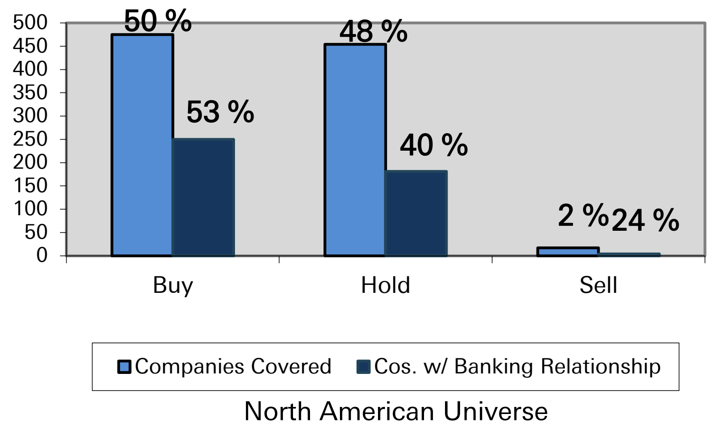

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