



## Earnings Presentation

Quarter Ended June 30,

2020

August 12, 2020



# Forward-Looking Statements

*Statements in this presentation may be "forward-looking statements" within the meaning of federal securities laws. The matters discussed herein that are forward-looking statements are based on current management expectations that involve risks and uncertainties that may result in such expectations not being realized. Actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous potential risks and uncertainties including, but not limited to, the need to manage our growth and integrate additional capital, acquire additional vessels, volatility in the container shipping business and vessel charter rates, our ability to obtain sufficient capital, the volatility of our stock price, and other risks and factors. Forward-looking statements made during this presentation speak only as of the date on which they are made, and Euroseas does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this presentation.*

*Because forward-looking statements are subject to risks and uncertainties, we caution you not to place undue reliance on any forward-looking statements. All written or oral forward-looking statements by Euroseas or persons acting on its behalf are qualified by these cautionary statements.*

*This presentation also contains historical data about the containerized trade, the containership fleet and the containership rates. These figures have been compiled by the Company based on available data from a variety of sources like broker reports and various industry publications or represent Company's own estimates. The Company exercised reasonable care and judgment in preparing these estimates, however, the estimates provided herein may not match information from other sources.*

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# 2020 Second Quarter Financial Highlights

*in million USD except per share figures*

	Q2 2020	
Net Revenues	13.51	
Net Income	1.29	
Preferred Dividends	(0.18)	
Net Income Attributable to Common Shareholders	1.11	0.20 / share <sup>(2)</sup>
Adjusted Net Income Attributable to Common Shareholders <sup>(1)</sup>	1.39	0.25 / share <sup>(2)</sup>
Adj. EBITDA <sup>(1)</sup>	4.36	

- 1) *See press release of August 11, 2020 for reconciliation of Adj. Net Income Attributable to Common Shareholders and Adjusted EBITDA*
- 2) *Basic and diluted*

# Recent Developments

## ➤ S&P Highlights:

- M/V Manolis P:
  - Vessel was initially sold in March for \$2.72 million net proceeds, but the deal did not materialize as buyers failed to take delivery of the vessel due to Covid-19 circumstances. Sold anew for scrap on July for \$2.07 million net proceeds
- M/V EM Oinousses:
  - Following a fire accident in January 2020 and the settlement of \$2.7 million net with the ships underwriters, the ship was sold for scrap
  - Sold for scrap for \$3.69 million net proceeds
- M/V Kuo Hsiung:
  - Sold for scrap for \$1.85 million net proceeds

## ➤ Financial Highlights:

- Loan Restructurings:
  - During the second quarter we have agreed with our lenders to defer a portion of our 2020 loan repayments to be repaid together with the respective balloon installments
    - A total of \$4.7 million was rescheduled to December 2021 or within 2022
    - We are in the process of concluding a deferral of another \$900k with our last bank
- Series B Preferred Shares:
  - Agreed with the preferred shareholders to introduce the option from April 1, 2020 to January 29, 2021 for the Company to pay the preferred dividend in-kind by issuing new preferred shares. If paid in-kind the dividend yield would increase by 1%

# Current Fleet Profile

Current fleet is comprised of 16 vessels with an average age of 15.8<sup>(1)</sup> years and a carrying capacity of 45.9k TEU



**11x Feeder**  
**Avg. Age: 18.4 years<sup>(1)</sup>**  
**Carrying Capacity: 23.3k TEU**



**5x Intermediate**  
**Avg. Age: 13.2 years<sup>(1)</sup>**  
**Carrying Capacity: 22.6k TEU**

Name	Type	Size		Year Built
		DWT	TEU	
Akinada Bridge	Intermediate	71,366	5,610	2001
Synergy Bussan	Intermediate	50,726	4,253	2009
Synergy Oakland	Intermediate	50,787	4,253	2009
Synergy Keelung	Intermediate	50,969	4,253	2009
Synergy Antwerp	Intermediate	50,726	4,253	2008
EM Kea	Feeder	42,165	3,100	2007
EM Astoria	Feeder	35,600	2,788	2004
EM Corfu	Feeder	34,654	2,556	2001
Evridiki G	Feeder	34,677	2,556	2001
EM Athens	Feeder	32,350	2,506	2000
Diamantis	Feeder	30,360	2,008	1998
EM Spetses	Feeder	23,224	1,740	2007
EM Hydra	Feeder	23,351	1,740	2005
Joanna	Feeder	22,301	1,732	1999
Aegean Express	Feeder	18,581	1,439	1997
Ninos	Feeder	18,253	1,169	1990
<b>Total Fleet</b>	<b>16</b>	<b>590,090</b>	<b>45,956</b>	<b>15.8</b>

**Note:**

1. Average age is weighted by the size of the vessels in teu

# Chartering, Operational and Drydockings

## ➤ Chartering:

- **Synergy Busan:** extended until Aug-2020 at \$12,900/day and further extended at \$8,100/day till Nov-2020, plus 4-6 months option at \$12,000/day
- **Synergy Antwerp:** Fixed till Dec-2020 at \$8,000 /day
- **EM Kea:** Extended for 4-12 months at \$8,100/day
- **Diamantis:** Extended for 12 months +/- 30 days at \$6,500/day
- **EM Spetses:** Fixed for 1-6m at \$7,000/day plus option additional 5-7 months at \$8,100/day
- **EM Hydra:** Extended for 1-6 months at \$7,000/day
- **Aegean Express:** Extended for 3-6 months at \$5,900/day
- **Ninos:** Extended for 1-3 months at \$6,500/day
- **Kuo Hsiung:** Extended for 1-3 months at \$7,000/day (sold for scrap post charter completion)

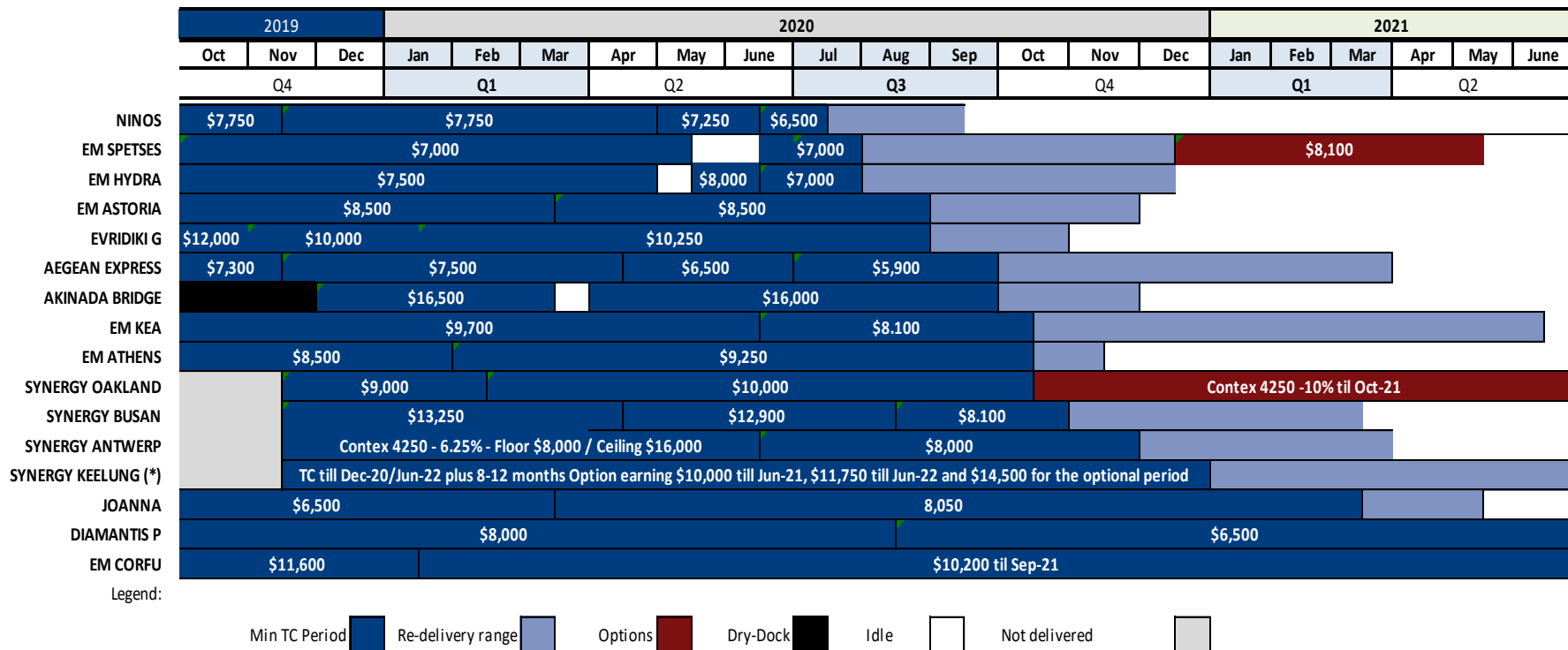
## ➤ No drydockings this quarter

## ➤ Other – (Idle/Commercial offhire):

- **EM Hydra:** The vessel was idle for 14 days between charters
- **EM Spetses:** The vessel was idle for 53 days between charters
- **Ninos:** The vessel was idle for 14 days between charters

# Vessel Employment

Coverage (as of June 30, 2020): About 58% for the remaining 2020 - (based on min durations)



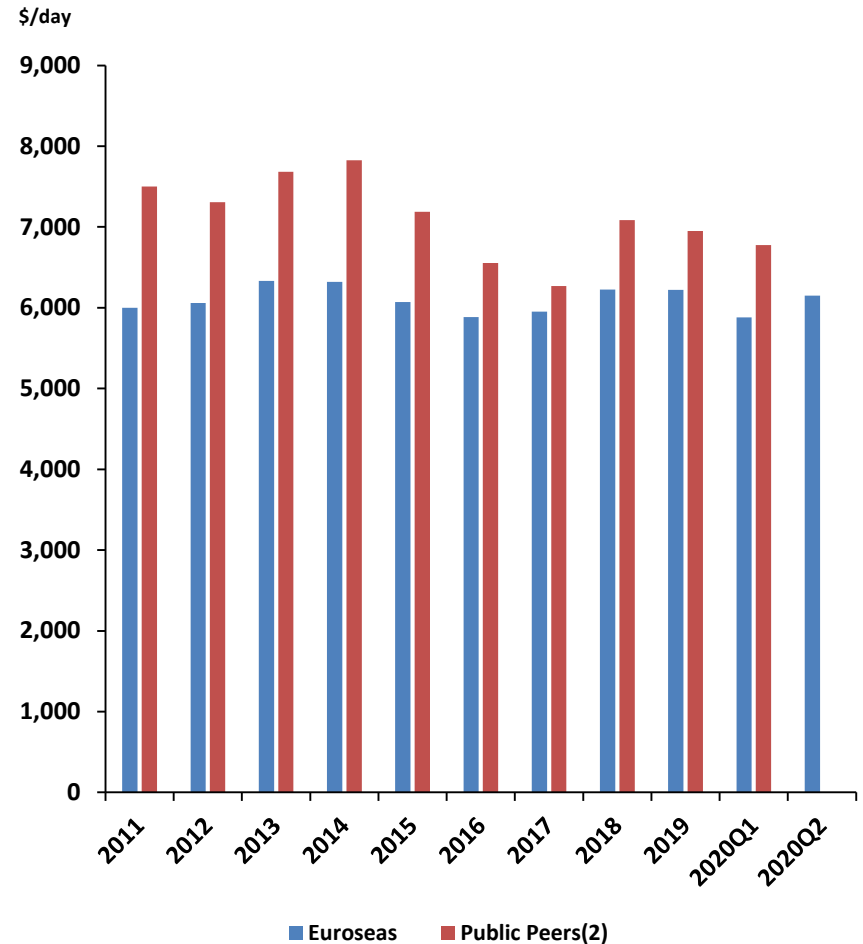
Source: Company

# Fleet Management & Operational Performance

## ESEA Highlights

- Operational fleet utilization rate in excess of 98.8% over last 5 years
  - Outstanding safety and environmental record
  - For 2020Q2, operational fleet utilization 99.7% and commercial 94.6%
- Overall costs achieved are amongst the lowest of the public shipping companies

## Daily costs per vessel<sup>(1)</sup>



**Notes:**

1. Includes running cost, management fees and G&A expenses (not drydocking expenses)
2. Peer group currently includes NMCI, GSL, CMRE & DAC





## Market Overview



# Containership Market Highlights – Q2 2020

- Time charter rates in Q2 across all containership sizes drew a negative picture but we have seen an improvement in July especially for larger sizes
- For feeder and intermediate size vessels an average drop of ~25% on the 6-12 month Timecharter rate observed between Q1-Q2
  - The 1,700 teu geared vessel fell from an average of \$7,815 in Q1 to \$6,288 in Q2 and currently<sup>(1)</sup> stands at \$6,634
  - The 2,500 teu geared vessel fell from an average of \$9,423 in Q1 to \$7,654 in Q2 and currently<sup>(1)</sup> stands at \$8,060
  - The 4,250 teu gearless vessel fell from an average of \$12,942 in Q1 to \$8,508 in Q2 and currently<sup>(1)</sup> stands at \$11,447
- Average secondhand prices for older than 20-yr old vessels remained around their scrap prices in Q2 which were down circa 20% vs Q1. For younger vessels of about 5-15 yrs old, there was a price drop of 10-15% for the 1,700 - 4,250 teu range with the bigger reductions in the smaller sizes
- Newbuilding prices (no scrubber/China built) were stable with downward pressures, but the absence of transactions indicates the lack of interest at current asking prices
- Idle fleet: 1.20m teu as of August 3, 2020 (i.e. 5.1% of the fleet)
  - Includes idle due to scrubber retrofitting (mostly larger vessels of about 0.28m teu total)
  - This is down from 2.7m teu as of middle May 2020
- Scrapping was increased in Q2 relative to Q1
  - Total of about 142k teu scrapped till July 2020
  - The number of vessels scrapped was restricted by the lockdown in India, Pakistan and Bangladesh that did not allow more ships to be scrapped
- The fleet has grown by 1 % in 2020 so far (without accounting for idle vessels reactivation/idling)

# World GDP & Shipping Demand Growth

**COVID-19 Pandemic has dramatically and negatively changed the economic & world trade environment for 2020**

<i>Real GDP (% p.a. - IMF)</i>	2015	2016	2017	2018	2019	2020e	2021e
USA	2.6	1.5	2.3	2.9	2.3	-8.0(5.9)	4.5(4.7)
Eurozone	2.0	1.8	2.4	1.8	1.2	-10.2(-7.5)	6.0(4.7)
Japan	0.5	1.0	1.8	1.0	0.7	-5.8(-5.2)	2.4(3.0)
China	6.9	6.7	6.8	6.6	6.1	1.0(1.2)	8.2(9.2)
India	7.6	7.1	6.7	7.1	4.2	-4.5(1.9)	6.0(7.4)
Russia	-3.7	-0.2	1.8	2.3	1.3	-6.6(-5.5)	4.1(3.5)
Brazil	-3.8	-3.6	1.1	1.1	1.1	-9.1(-5.3)	3.6(2.9)
ASEAN-5	4.8	4.9	5.3	5.2	4.8	-2.6(-0.6)	6.2(7.8)
<b>World</b>	3.4	3.2	3.7	3.6	2.9	<b>-4.9(-3.0)</b>	<b>5.4(5.8)</b>

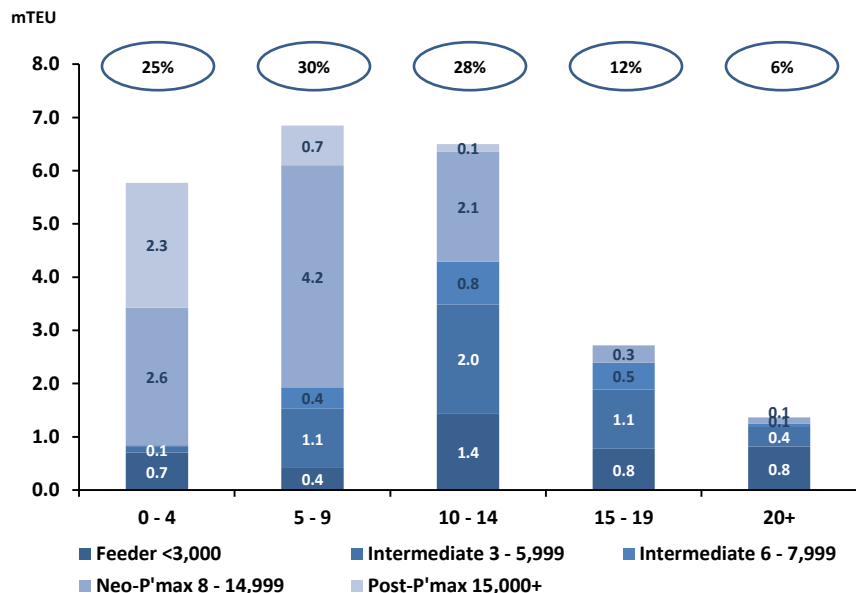
## **Containerized Trade (% p.a.)**

<b>bn. TEU-miles</b>	1.2	4.0	5.6	3.5	1.7	<b>-7.7 (-11.2)</b>	<b>7.0(10.8)</b>
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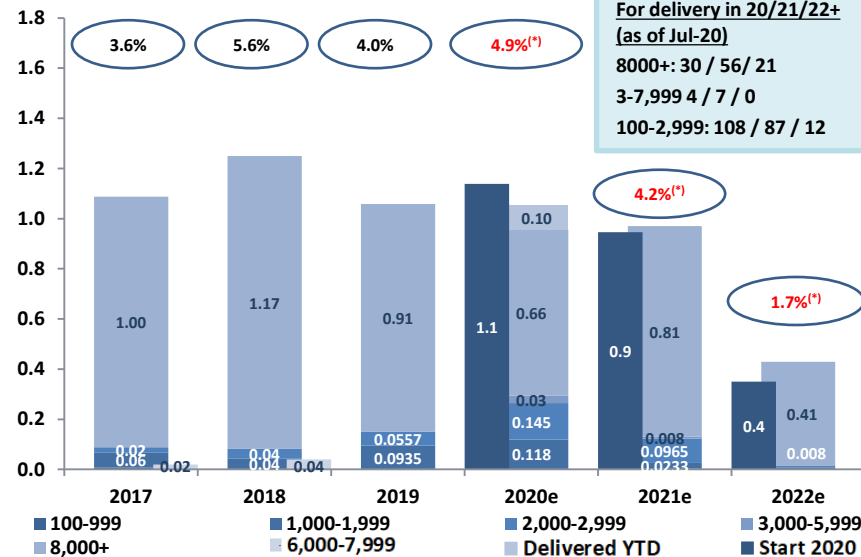
Trade and growth projections are being continuously revised as the Coronavirus (Covid-19) effects on world growth and trade are being assessed.

# Age Profile and Orderbook

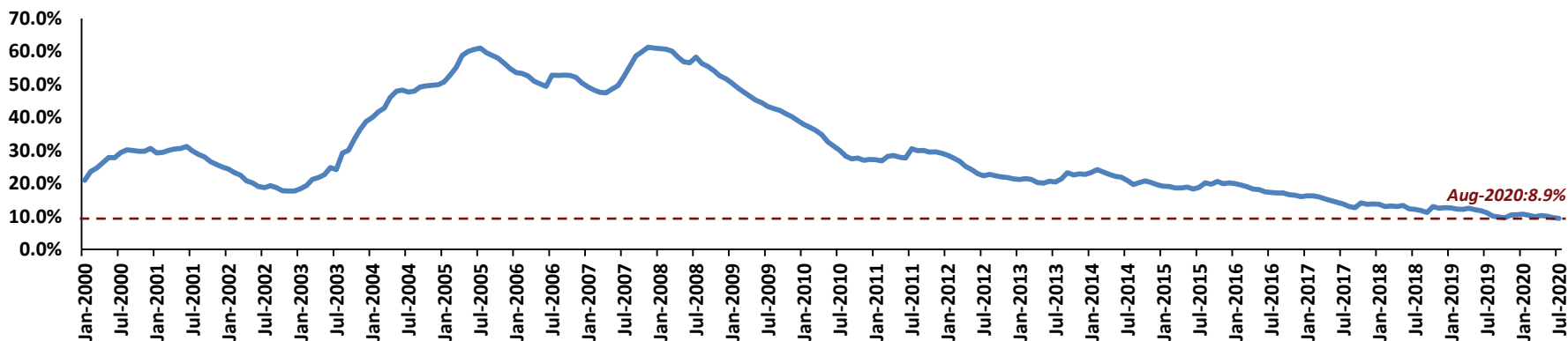
## Age Profile



## Containership Orderbook



## Orderbook as % of fleet



Source: Clarksons Research

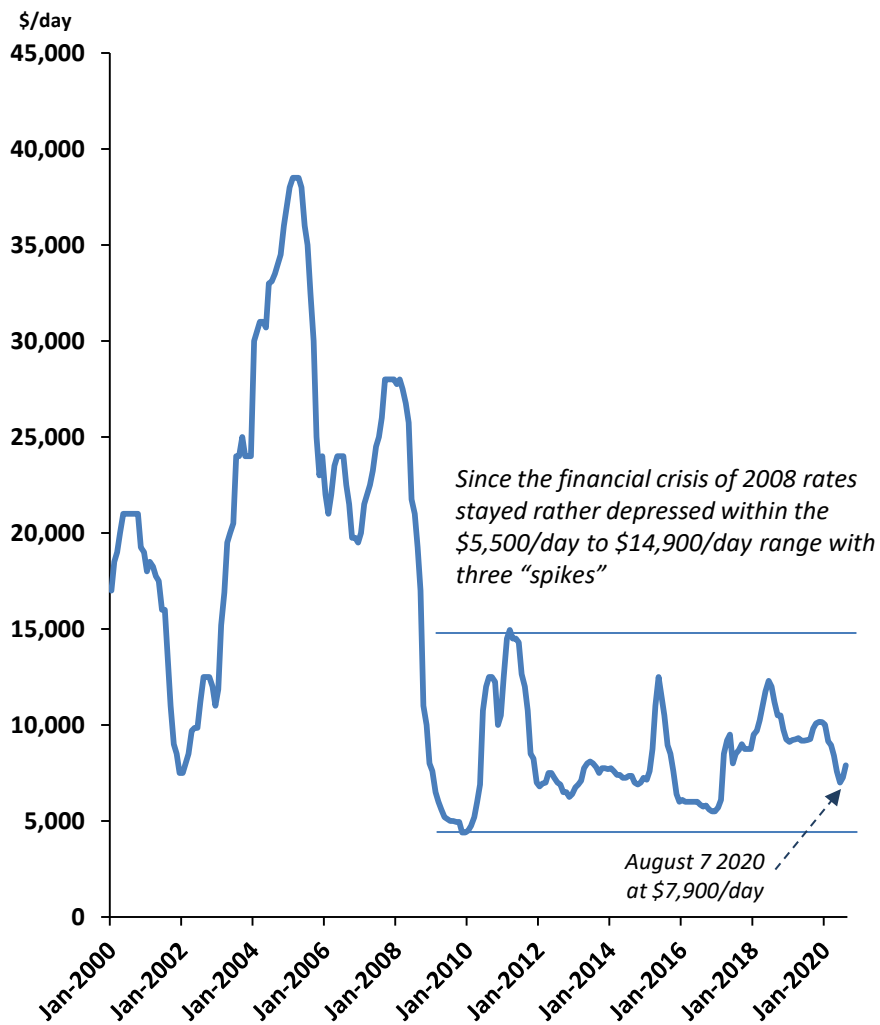
(\*) Percentage figures in red characters (for years 2020, 2021 and 2022) indicate scheduled deliveries only; percentages in previous years show net fleet growth accounting for scrapping and other fleet changes

# Outlook Summary

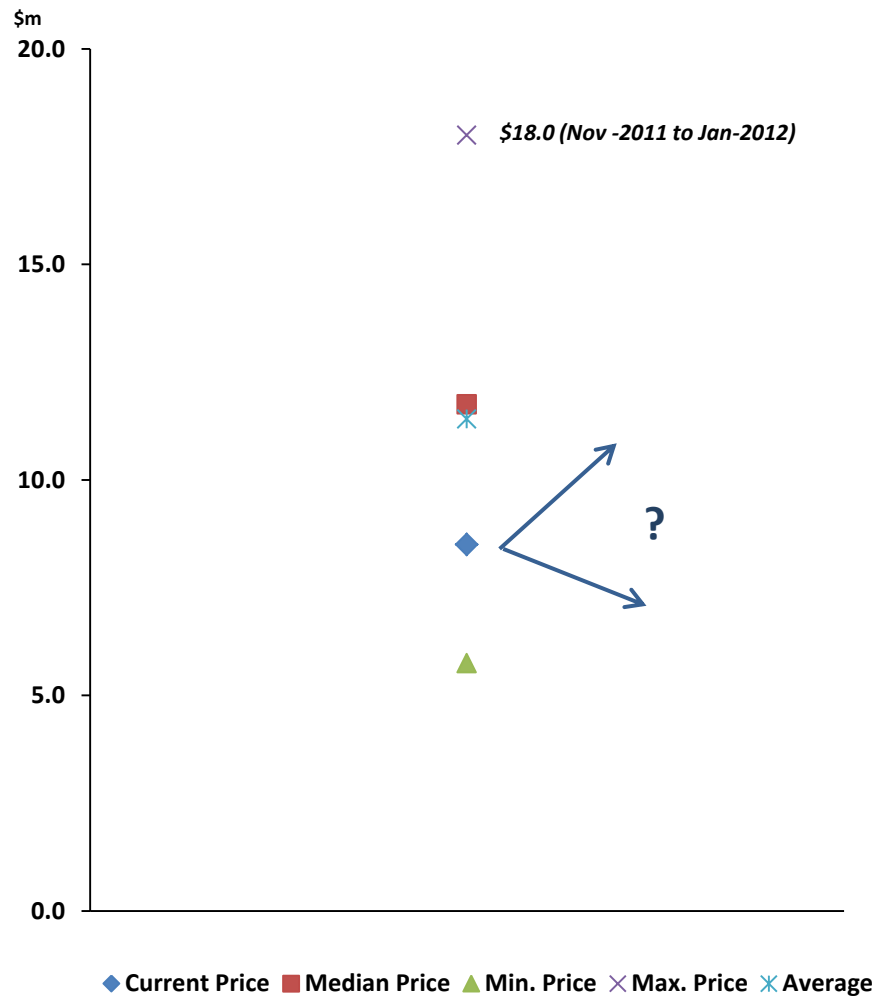
- The unknown duration of the pandemic and its financial consequences render any type of modeling very unreliable
- Our base case supply/demand analysis is based on a scenario where we experience a deep recession in 2020 (-4.9% GDP growth as per the IMF) with a strong recovery in 2021 (5.4 % GDP growth as per the IMF). GDP growth is highly correlated with global containerized trade and Clarksons expects an exaggerated reaction of -7.7% in 2020 and +7.0% in 2021, therefore, we anticipate a very weak 2020 and a strongly strengthening 2021 and 2022
- Chartering of vessels that were redelivered by their charterers during most part of the quarter was really difficult as indicated by the bottoming of the ConTex index in June however, over the past few weeks firmer rates have been observed especially for larger vessels
- Although newbuilding orderbook is at 20 year lows, a significant portion of it is scheduled to be delivered in 2020, which along with vessels returning from retrofitting scrubbers might dampen the effect of any early market recovery as the effects of covid-19, hopefully, retreat...
- The orderbook for 2021 onwards is luckily quite low and since owners do not yet know what the optimal fuel for the not too distant future will be are reluctant to place new orders so the second half of 2021 and the whole of 2022 may prove to be boom periods if global demand picks up as generally expected

# Market Snapshot

## Cont 2,500 TEU One-Year Time Charter Rate



## Cont 2,500 TEU – 10 Year Old Historical Price Range<sup>(1)</sup>





## Financial Overview



# Financial Highlights: First Quarter 2019 and 2020

<i>(in million USD except per share amounts)</i>	Second Quarter		Change %	First Half		Change %
	2019	2020		2019	2020	
Net Revenues	8.1	13.5	67.2%	16.4	28.9	76.3%
Net (Loss) / Income	(0.7)	1.3		(0.8)	3.2	
Preferred & Preferred Deemed Dividends	(1.0)	(0.2)		(1.5)	(0.3)	
<b>Net (Loss) / Income attributable to Common Shareholders</b>	<b>(1.7)</b>	<b>1.1</b>		<b>(2.2)</b>	<b>2.9</b>	
Interest & Finance Costs net <i>(incl. interest income)</i>	(1.5)	(1.1)		(2.2)	(2.4)	
Depreciation	(0.8)	(1.7)		(1.6)	(3.4)	
Loss on Sale of Vessel	-	(0.1)		-	(0.1)	
Amortization of below market charters	-	0.3		-	1.2	
Unrealized Loss (Gain) On Derivatives	0.0	(0.5)		0.0	(0.5)	
Adjusted EBITDA <sup>(1)</sup>	1.6	4.4	180%	3.0	8.4	181%
<b>Adj. Net (Loss)/Income attributable to Common Shareholders</b>	<b>(1.8)</b>	<b>1.4</b>		<b>(2.3)</b>	<b>2.3</b>	
<b>Weighted average numbers of shares, basic and diluted</b>	<b>1,542,508</b>	<b>5,576,960</b>		<b>1,542,508</b>	<b>5,576,960</b>	
<b>Adj. Net (Loss)/Income per share, basic and diluted</b>	<b>(1.14)</b>	<b>0.25</b>		<b>(1.47)</b>	<b>0.42</b>	

(1) See press release of August 11, 2020. for Adjusted EBITDA reconciliation to Net Income / (Loss)



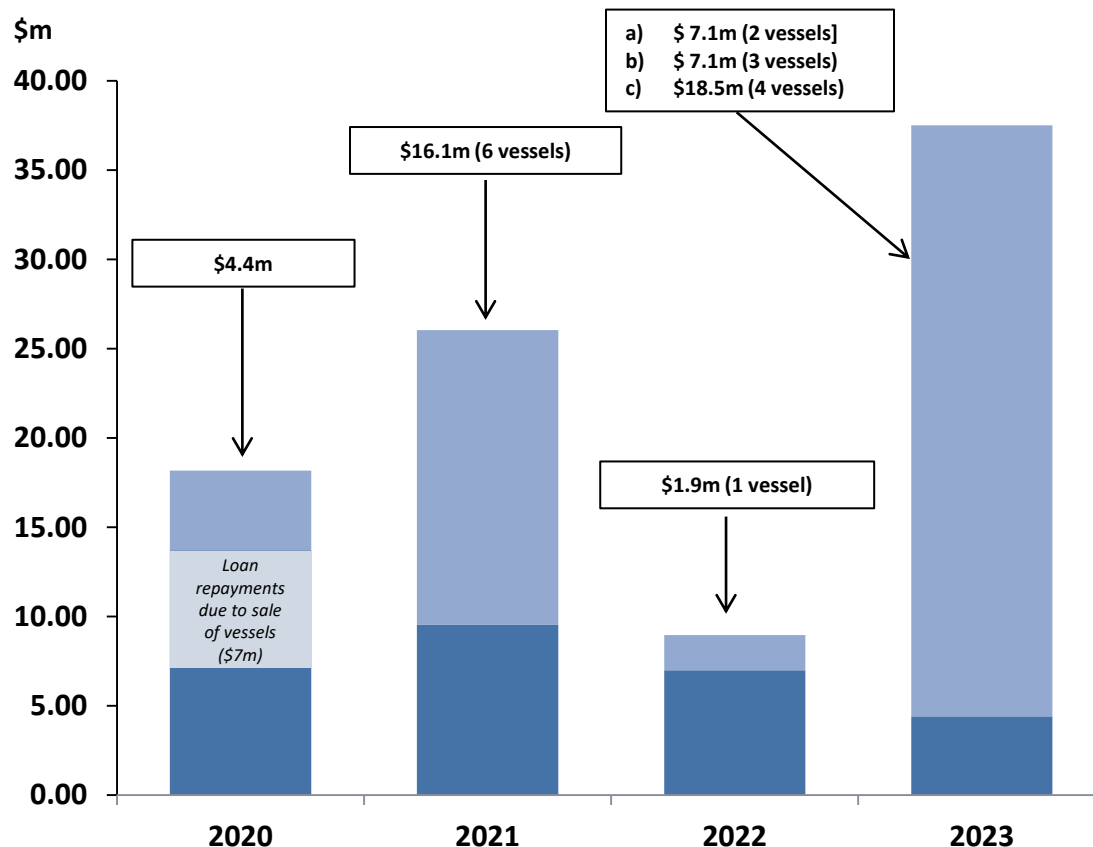
# Fleet Data: First Quarter of 2019 and 2020

<i>(in million USD except per share amount)</i>	Second Quarter		First Half	
	2019	2020	2019	2020
<b>Number of vessels</b>	<b>11.0</b>	<b>19.0</b>	<b>11.0</b>	<b>19.0</b>
<b>Utilization Rate<sup>(1)</sup></b>				
Operational	100.0%	99.7%	100.0%	97.9%
Commercial	96.7%	94.6%	98.0%	96.9%
Overall	96.7%	94.4%	98.0%	94.8%
<i>(usd/day/vessel)</i>				
<b>Time Charter Equivalent (TCE)<sup>(2)</sup></b>	<b>\$8,307</b>	<b>\$9,458</b>	<b>\$8,693</b>	<b>\$9,541</b>
Operating Expenses				
Vessel Oper. Exp.excl. DD exp.	5,763	5,665	5,693	5,544
G&A Expenses	660	455	631	459
<b>Total Operating Expenses</b>	<b>\$6,423</b>	<b>\$6,120</b>	<b>\$6,324</b>	<b>\$6,003</b>
Interest Expense	710	658	686	691
Drydocking Expense	181	210	388	109
Loan Repayments without Balloons	1,302	1,524	1,309	1,712
Preferred dividend in cash	477	-	437	93
<b>Breakeven/day</b>	<b>\$9,093</b>	<b>\$8,512</b>	<b>\$9,144</b>	<b>\$8,608</b>

- (1) Utilization Rate is calculated excluding scheduled off-hire (drydockings and special surveys) and vessels in lay-up if any. Scheduled off-hire days including vessels laid-up amounted to 0 and 210.3 for the second quarter of 2019 and 2020 respectively
- (2) TCE calculation shows the gross rate the vessels earn while employed; it excludes periods during which the vessels are laid-up or off-hire for commercial or operational reasons

# Debt Profile & Cash Flow Breakeven

## Debt Repayment Profile



### Cost of funding:

As of June 30, 2020, Euroseas has outstanding bank debt of \$79.9m with average margin of about 3.6%. Assuming LIBOR of 0.3%, our cost of senior debt is 3.9%; a junior loan from an affiliate of \$4.37m with interest of 8%, and, preferred stock, treated as (junior) debt, standing at \$8m with a dividend yield of 8% (9% if paid in-kind). With all the above our combined cost of non-equity funding (senior & junior debt and preferred equity) is around 4.5%

■ Loan Repayments ■ Balloon

## Cash Flow Breakeven<sup>(1)</sup>

Budget estimate for next 12 months:  
\$/vessel/day

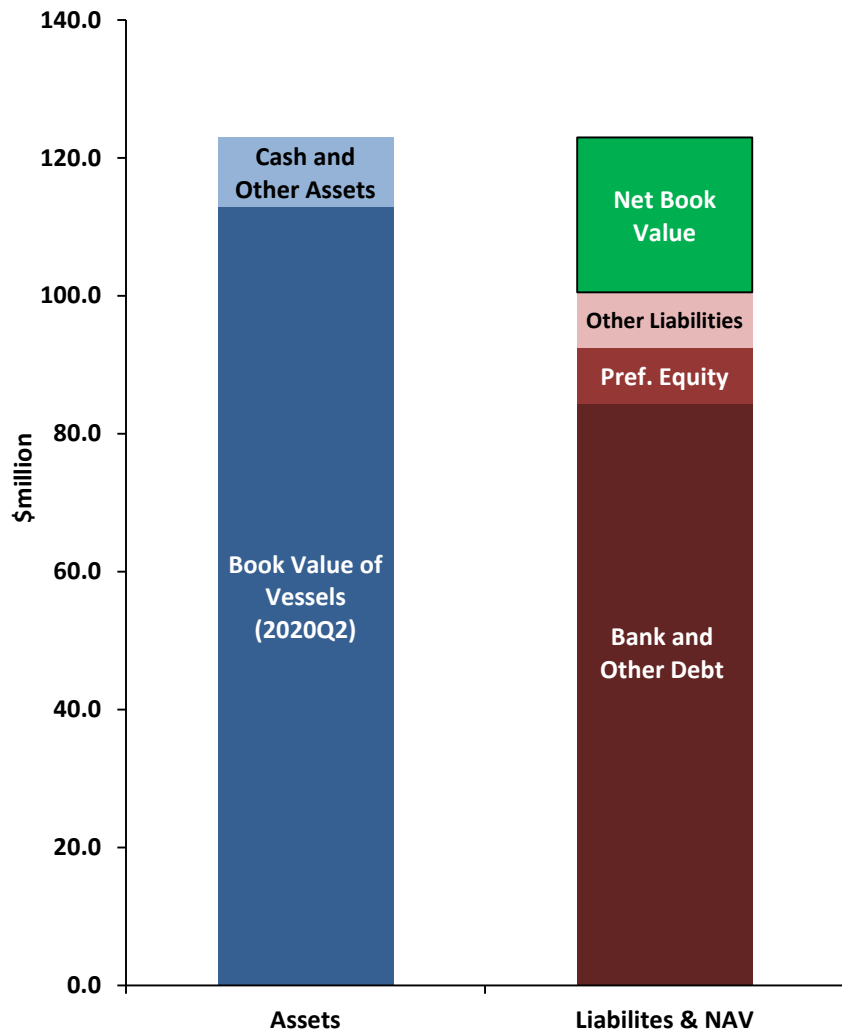
OPEX	\$5,900
G&A	\$540
Interest	\$540
Drydock	\$320
Pref. Dividend <sup>(2)</sup>	\$100
<b>Sub-Total</b>	<b>\$7,400</b>
Loan Principal <sup>(3)</sup>	\$1,050
<b>Total</b>	<b>\$8,450</b>

### Notes:

- 1) Basis 16 vessels
- 2) Preferred dividend will be paid in-kind by issuing additional Series B Preferred Shares up to January-21
- 3) Not including \$4.4m loan repayment to affiliate that could be paid in shares under certain conditions or prepayments due to sale of vessels

# Balance Sheet Highlights

## Euroseas Capital Structure



## Notes

### Assets

- Cash & Other assets: \$10.0m
- Vessels book value: \$112.9m (includes held for sale assets)
- Total assets (at book value): \$122.9m

### Liabilities

- Bank & other debt: \$84.3m
- Preferred Equity: \$8.2m
- Other liabilities: \$8.0m

### Net Book Value

- Net Book Value: ~\$22.4m, or, ~\$4.0/share
- Adjusted Net Book Value for market value of vessels(\*)  
=> Net Asset Value ~\$19-20m, or, ~\$3.5/share
- Recent share price trading range of below \$3.0/share level represents a discount to the value of the company

(\*) Based on Company estimates as of July 2020

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