

# Second Quarter 2020 Earnings Presentation

July 31, 2020

## Capital Product Partners L.P.



PRODUCT PARTNERS L.P.

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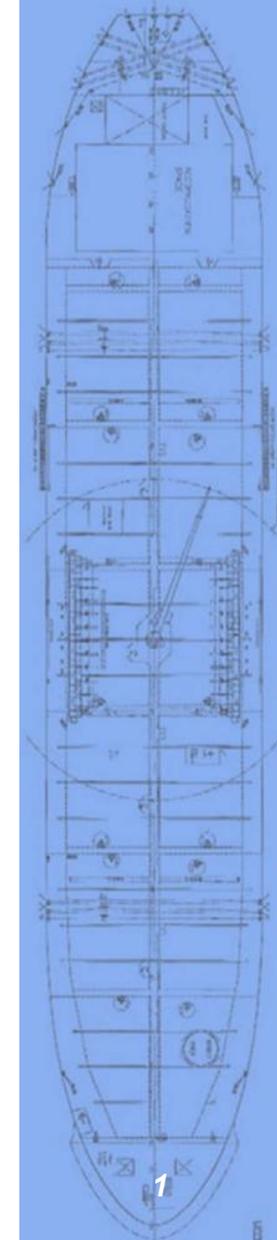
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# IMPORTANT NOTICE

The statements in this presentation that are not historical facts, including, among other things, the expected financial performance of CPLP's business, CPLP's ability to pursue growth opportunities, CPLP's expectations or objectives regarding future distributions, and market and charter rate expectations and, in particular, the effects of COVID-19 on the financial condition and operations of CPLP and the container industry in general are forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended). These forward-looking statements involve risks and uncertainties that could cause the stated or forecasted results to be materially different from those anticipated. For a discussion of factors that could materially affect the outcome of forward-looking statements and other risks and uncertainties, see "Risk Factors" in CPLP's annual report filed with the SEC on Form 20-F. Unless required by law, CPLP expressly disclaims any obligation to update or revise any of these forward-looking statements, whether because of future events, new information, a change in its views or expectations, to conform them to actual results or otherwise. CPLP does not assume any responsibility for the accuracy and completeness of the forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements.

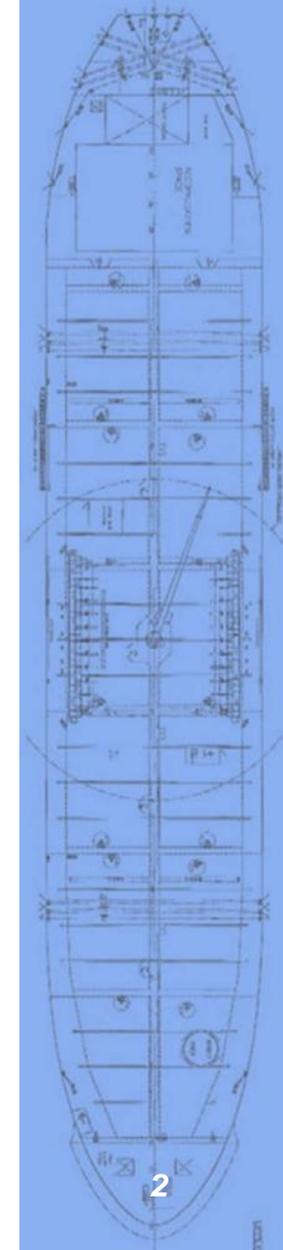
## Non-GAAP Measures

This presentation contains non-GAAP measures, including Operating Surplus, EBITDA and Free Cash Flow. Operating Surplus is a quantitative measure used in the publicly traded partnership investment community to assist in evaluating a partnership's financial performance and ability to make quarterly cash distributions. It should not be considered a measure of profitability or liquidity. We define EBITDA as Revenue less Operating Expenses and SG&A. We define Free Cash Flow as EBITDA less Interest Cost, Debt Amortization and Common Unit Distribution. Our definition of Free Cash Flow is limited because it does not deduct payments for all contractual obligations and non-discretionary expenditures of the Partnership. These definitions may differ from similarly titled measures used by other companies and MLPs. These measures are not required by accounting principles generally accepted in the United States and should not be considered a substitute for net income, cash flow from operating activities and other operations or cash flow statement data prepared in accordance with accounting principles generally accepted in the United States.



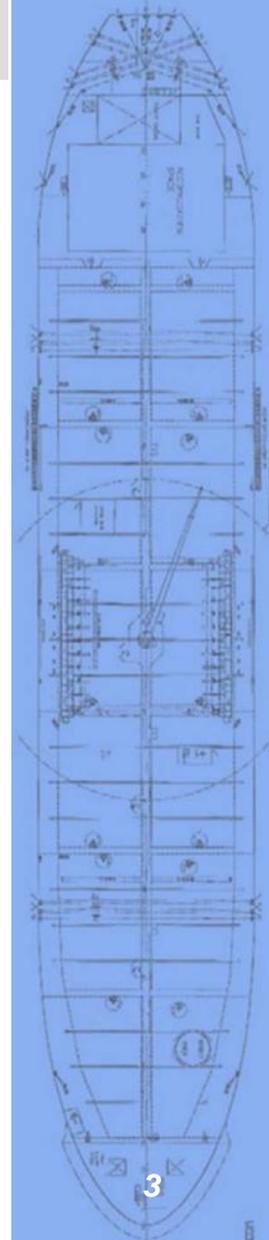
# Second Quarter 2020 Highlights & Update

- Net income for 2Q2020: \$8.7 million.
- Declared common unit distribution of \$0.10 for the quarter and revised annual distribution guidance to \$0.40.
- Concluded the refinancing with ICBC Financial Leasing Co., Ltd. for the sale and lease back of three of our vessels.
- Extended the time charters for three vessels for two additional years.
- Secured employment in the Partnership's option for either the M/V 'Akadimos' or the M/V 'Adonis' for a period of 20 to 24 months.
- Average remaining charter duration 4.8 years with 89% charter coverage for 2020 and 80% for 2021.



# Statements Of Comprehensive Income

(\$ In Thousands)



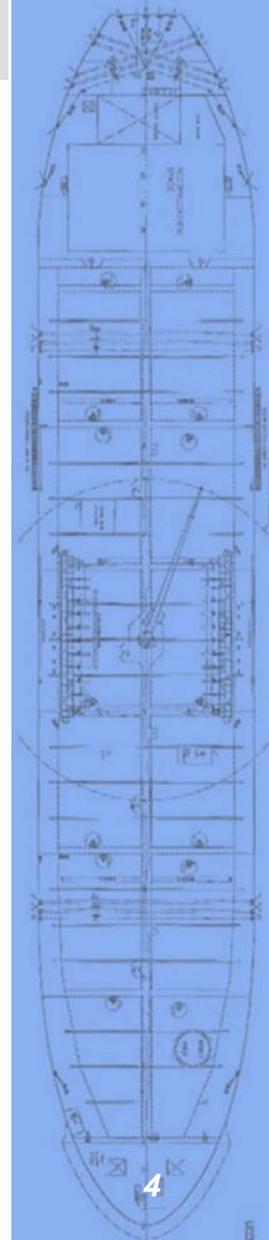
	For the Three-Month Period Ended <u>June 30, 2020</u>	For the Three-Month Period Ended <u>June 30, 2019</u>
Revenues	36,570	27,417
<b>Total Revenues</b>	<b>36,570</b>	<b>27,417</b>
<b>Expenses:</b>		
Voyage expenses	1,317	592
Vessel operating expenses	7,794	5,481
Vessel operating expenses – related party	1,253	971
General and administrative expenses	1,818	980
Vessel depreciation and amortization	10,471	7,239
<b>Operating income</b>	<b>13,917</b>	<b>12,154</b>
Other income / (expense), net:		
Interest expense and finance cost	(5,175)	(4,420)
Interest and other (expense) / income, net	(86)	301
<b>Total other expense, net</b>	<b>(5,261)</b>	<b>(4,119)</b>
<b>Net income from continuing operations</b>	<b>8,656</b>	<b>8,035</b>
Net loss from Discontinued operations	-	(203)
<b>Net income</b>	<b>8,656</b>	<b>7,832</b>

# Operating Surplus For Calculation Of Unit Distribution<sup>1</sup>

(\$ In Thousands)

	For the Three-Month Period Ended June 30, 2020		For the Three-Month Period Ended March 31, 2020	
Net income from continuing operations		8,656		6,674
<b>Adjustments to net income from continuing operations</b>				
Depreciation and amortization	12,930		10,671	
Amortization of above market acquired charters and straight line revenue adjustments	3,919		3,732	
<b>TOTAL OPERATING SURPLUS PRIOR TO CAPITAL RESERVE</b>		<b>\$25,505</b>		<b>\$21,077</b>
Capital reserve		(9,302)		(10,163)
<b>OPERATING SURPLUS AFTER CAPITAL RESERVE</b>		<b>16,203</b>		<b>10,914</b>
Increase in recommended reserves		(14,306)		(4,274)
<b>AVAILABLE CASH</b>		<b>\$1,897</b>		<b>\$6,640</b>

**Common Unit Coverage: 8.5x**



<sup>1</sup> Operating Surplus is a non-GAAP measure. See Important Notice at the front of this presentation.

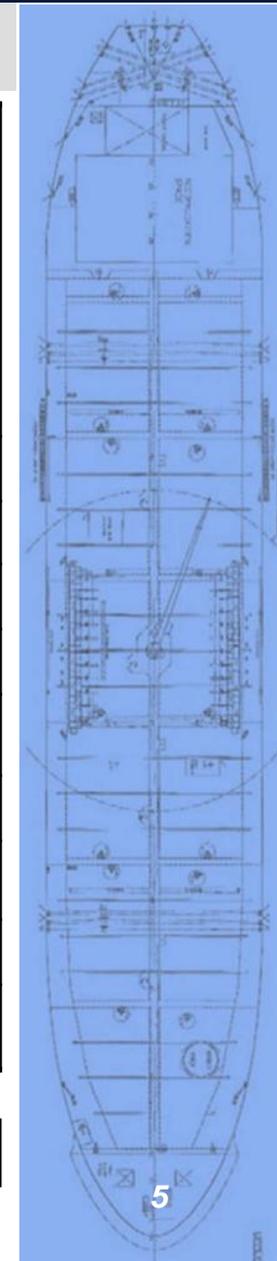
# Strong Balance Sheet

(\$ In Thousands)

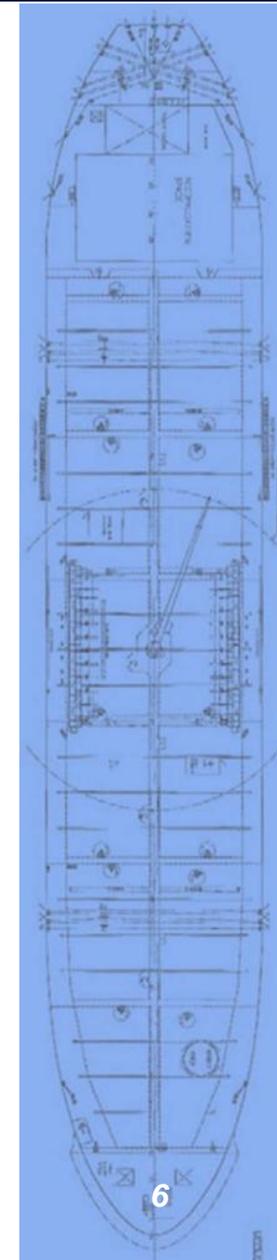
	As Of <u>June 30, 2020</u>	As Of <u>December 31, 2019</u>
<b>Assets</b>		
<b>Current Assets</b>	\$56,200	\$65,946
<b>Fixed Assets</b>	730,466	576,891
<b>Other Non-Current Assets</b>	56,934	60,625
<b>Total Assets</b>	<b>\$843,600</b>	<b>\$703,462</b>
<b>Liabilities and Partners' Capital</b>		
<b>Current Liabilities</b>	\$77,328	\$64,736
<b>Long-Term Liabilities</b>	356,467	231,989
<b>Partners' Capital</b>	409,805	406,737
<b>Total Liabilities and Partners' Capital</b>	<b>\$843,600</b>	<b>\$703,462</b>

**Net Debt<sup>(1)</sup>/Capitalization: 42.6%**

<sup>1</sup> Gross of deferred loan issuance costs



# Fleet Employment Update



Name	TEU / DWT	Built	Gross Rate (Per Day)	Charterer	Earliest Charter Expiry
M/V Akadimos Or M/V Adonis	9,288	2015	\$29,800 <sup>1</sup>	Top 10 Liner Operator	June 2022
M/V Aristomenis	9,954	2011	\$26,950 <sup>2</sup>		April 2026
M/V Athos	9,954	2011	\$26,950 <sup>3</sup>		April 2026
M/V Athenian	9,954	2011	\$26,950 <sup>3</sup>		April 2026
M/V Cape Agamemnon	179,221	2010	Voyage Charter		Aug 2020

- Secured employment for either the M/V 'Akadimos' or the M/V 'Adonis' for 20 to 24 months at an average rate of \$29,800 per day plus 6 months option at \$35,000.
- Extended the time charters for the M/V 'Athos', M/V 'Aristomenis' and M/V 'Athenian' by two years against \$1,050 per day charter rate reduction.

<sup>1</sup> Blended average of escalating rate basis minimum charter period. <sup>2</sup> \$25,950pd until Oct/2020. <sup>3</sup> \$25,950pd until Jul/2021

# Strong Charter Coverage

- **Strong charter coverage on CPLP assets.**
  - ▶ 13 containerships and 1 drybulk vessel with 4.8 years remaining on charter on average.
- **89% and 80% charter coverage for 2020 and 2021, respectively.**

## Charter Profile

### Expiry of Current Charters

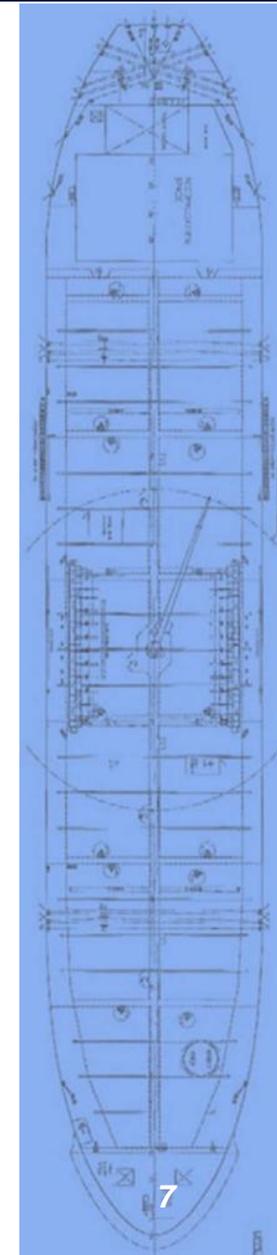
### Rates

Vessel Type		Jul-20	Jul-21	Jul-22	Jul-23	Jul-24	Jul-25	Gross Rate Per Day
Dry Bulk	Cape Agamemnon							-
Containership	CMA CGM Uruguay	■						\$39,250
Containership	CMA CGM Magdalena	■						\$39,250
Containership	Akadimos <sup>5</sup>			■				\$29,800 <sup>4</sup>
Containership	Agamemnon				■			-1
Containership	Archimidis				■			-1
Containership	Hyundai Prestige					■		\$34,250
Containership	Hyundai Premium					■		\$34,250
Containership	Hyundai Paramount					■		\$34,250
Containership	Hyundai Privilege					■		\$34,250
Containership	Hyundai Platinum					■		\$34,250
Containership	Athos						■	\$26,950 <sup>3</sup>
Containership	Aristomenis						■	\$26,950 <sup>2</sup>
Containership	Athenian						■	\$26,950 <sup>3</sup>

## High Quality Customer Base

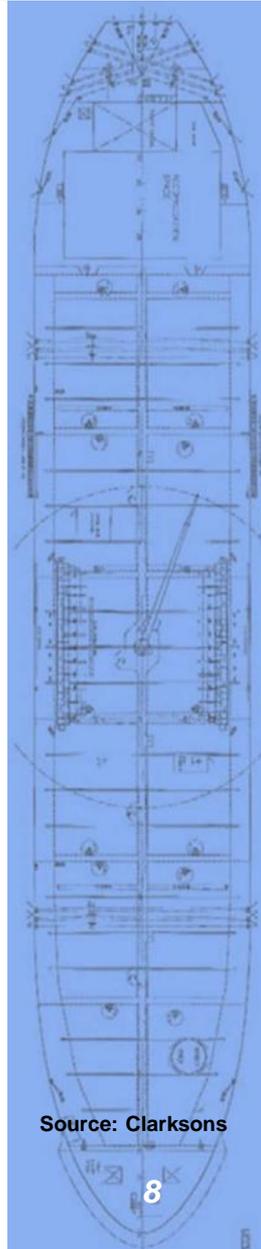
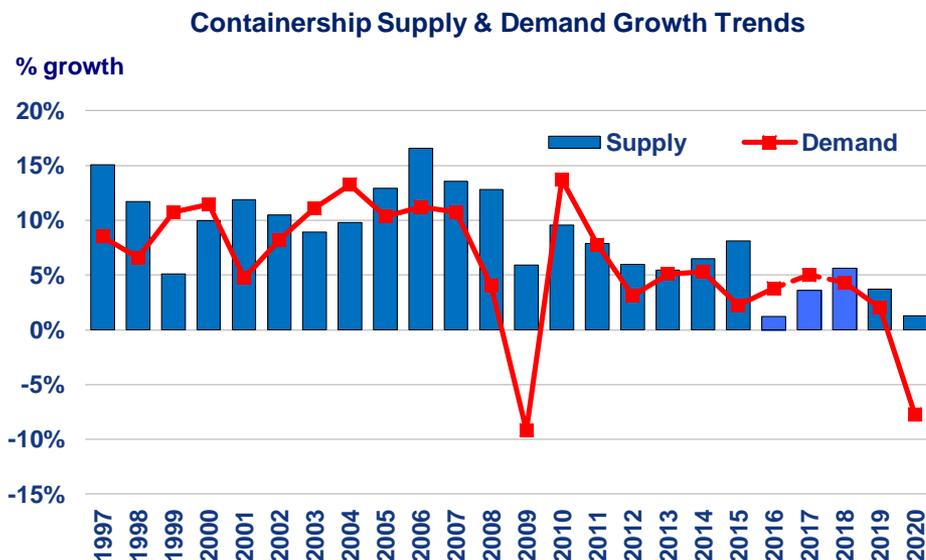
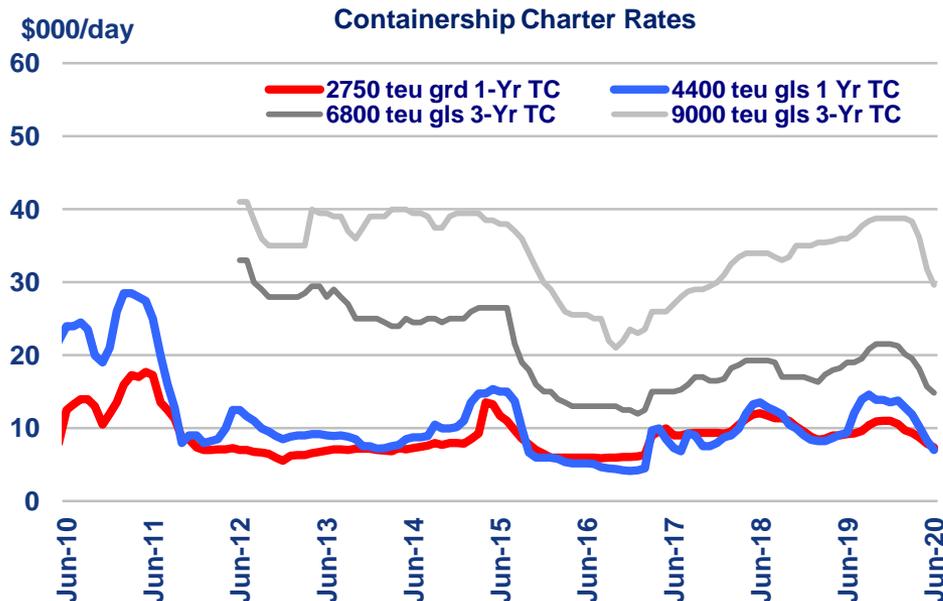


<sup>1</sup> Expected to generate collectively an EBITDA of approximately \$44.5 million. <sup>2</sup> \$25,950pd until Oct/2020. <sup>3</sup> \$25,950pd until Jul/2021 <sup>4</sup> Blended average of escalating rate basis minimum charter period. <sup>5</sup> Option to nominate M/V 'Adonis' (M/V 'CMA CGM Uruguay') instead of M/V 'Akadimos'.



# Container Charter Market Review

- COVID-19 pandemic remains the dominant consideration.
- 2020 container demand forecast has been revised to -7.2% from -10.7% in May.
- 2021 projection also revised downwards from 9.3% to 6.8% compared to previous quarter.
- Post panamax market has seen more activity in June/July compared to April/May.
- Longer periods of up to two years only available to modern, eco vessels or older tonnage fixing at low levels.
- Charter rate for 8,500 TEU vessels approximately \$18,000-\$20,000 per day for period up to 1 year.

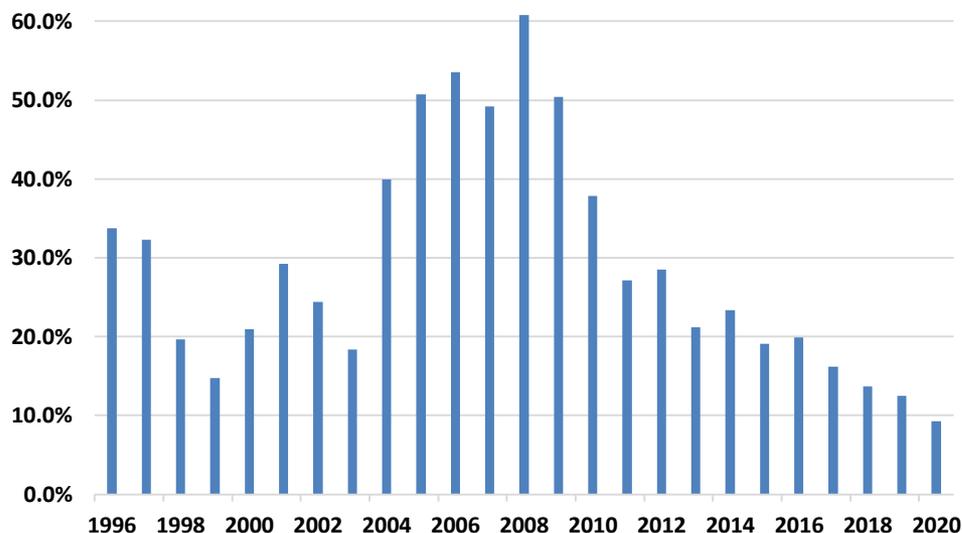


Source: Clarksons

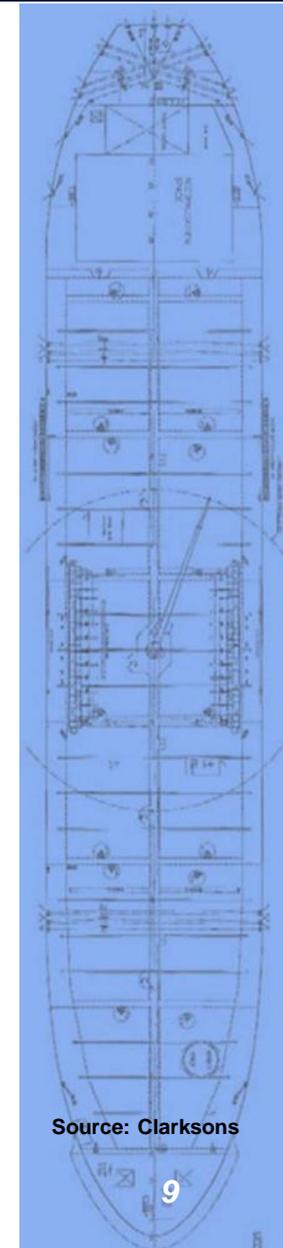
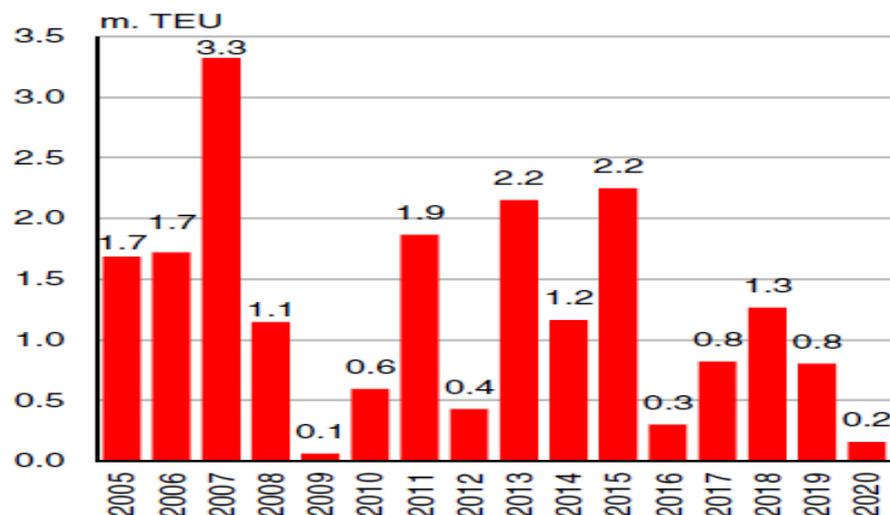
# Container Charter Market Review

- Supply growth forecast for full year 2020: 1.3% compared to 3.1% at end 2019. 2021 forecast stands at 3.0%.
- Container orderbook: 9.1% of the total fleet, a decrease from 10.2% in the previous quarter.
- Slippage (in TEU): 40% including cancellations.
- Demolition: FY2019 stood at 182,600 TEU compared to the FY2018 total of 119,094 TEU.
- Scrapping YTD at ca. 150,000 TEU. Scrapyards still affected by quarantine restrictions.
- Idle fleet presently stands at 8.3% of total fleet including vessels in dock for scrubber installation (1.5%).
- This represents a reduction from 11% in previous quarter including 2.9% for scrubber installation.

Containership Orderbook



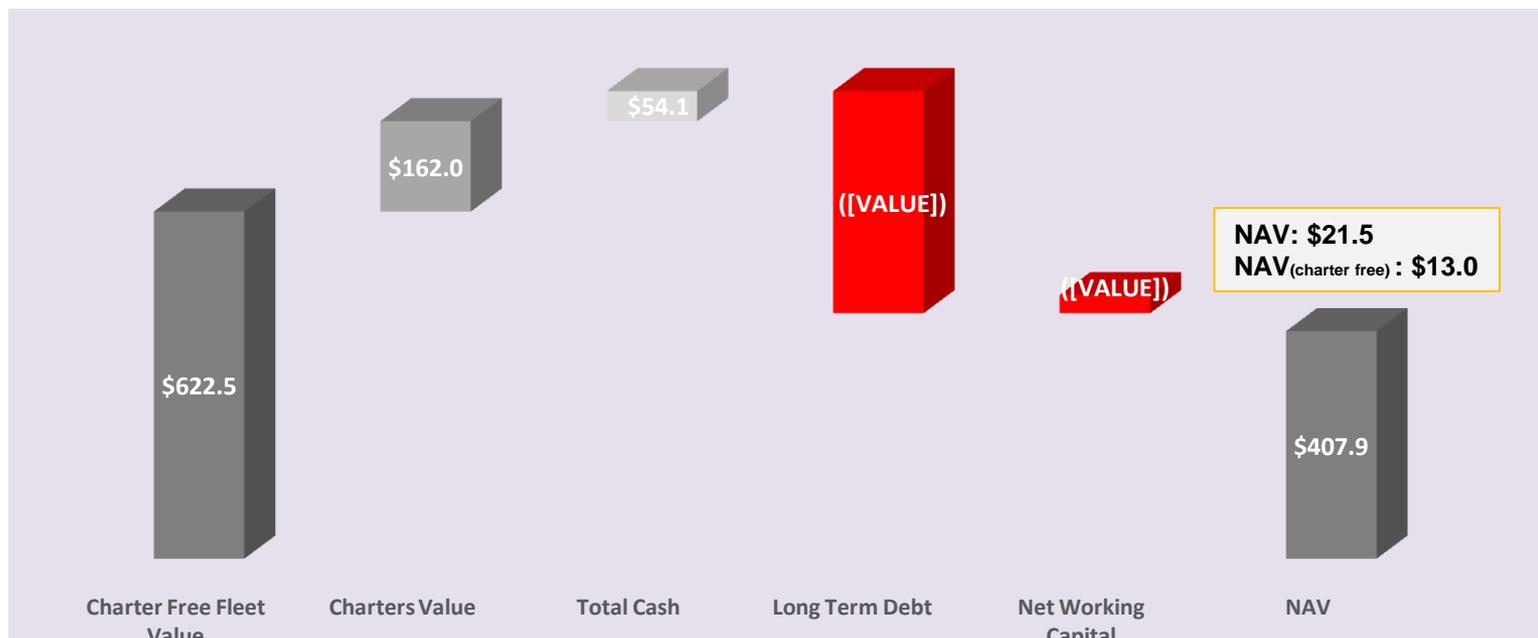
Containership Contracting



Source: Clarksons

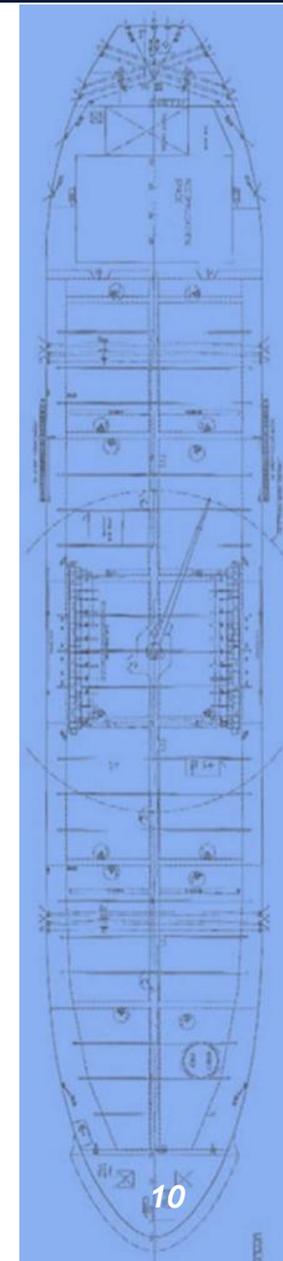
# Net Asset Value & Yield Valuation

*Charter Adjusted Net Asset Value (in US\$ millions)*



June 30, 2020	Charter Free NAV	Charter Adjusted NAV
Unit Price**/NAV	62.3%	37.6%
Operating Surplus after capital reserve (annualized) Per Unit		\$3.42
Operating Surplus after capital reserve (annualized) Yield**		42.3%

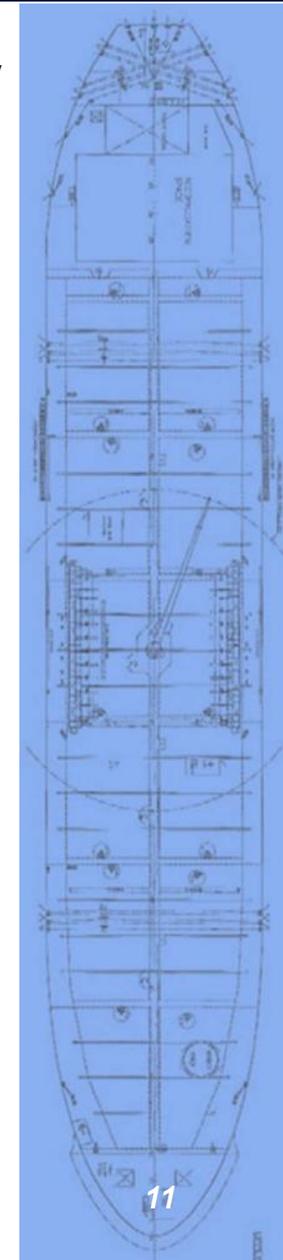
- Indicative charter free and charter attached valuation provided by third party appraiser.
- \*\* Operating Surplus after capital reserve per unit divided by common unit closing price of \$8.08 on 30/6/2020.
- For the calculation of Net Asset Value please refer to Appendix: Net Asset Value



# Measures Taken To Improve Valuation

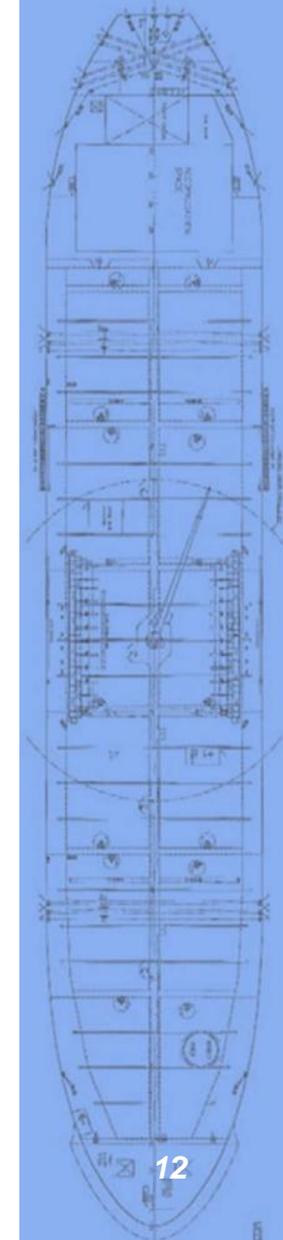
The Partnership took various measures over the last 5 years to improve its equity valuation:

- Sale of older assets and acquisition of modern tanker assets with period charters in place.
- No material common or preferred equity offering since 2015.
- DSSI transaction: distributed \$236 million of NAV in DSSI shares to CPLP unitholders, removed spot exposure and associated earnings volatility and addressed the potential overhang of older vessels and refinancing of the \$117 million Class B Preferred series.
- Increased forward coverage of available days thus providing cash flow visibility.
- Acquired container assets with long term charter coverage e.g. 3 x 10,000 TEU container vessels at attractive day rates.
- Distributed aprx. \$281 million in the form of cash dividends to its common unitholders.
- Increased distribution by aprx. 11% in January 2020.



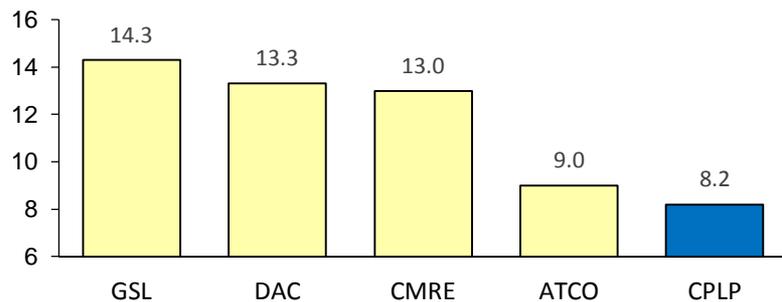
# New Distribution Guidance

- **New Quarterly Distribution guidance: \$0.10:**
  - Adverse impact of the COVID-19 outbreak and associated uncertainty.
  - Substantially lower charter rates for our container vessels coming off charter compared to expectations at beginning of the year.
  - MLP capital markets dislocation resulting in effectively no meaningful access to public equity markets.
  - Need to grow and replenish the Partnership's asset base.
  
- **New Distribution Guidance expected to result in:**
  - \$19.0 million of additional liquidity, which will provide CPLP with more flexibility in view of further adverse market developments.
  - Allow CPLP to grow and replenish its fleet once visibility is restored by taking advantage of potential opportunities, in order to achieve long term value for our unitholders and increase CPLP's distributable cash flow.
  - The Partnership's Board will regularly revisit the capital allocation strategy and balance growth with returning capital to unitholders.

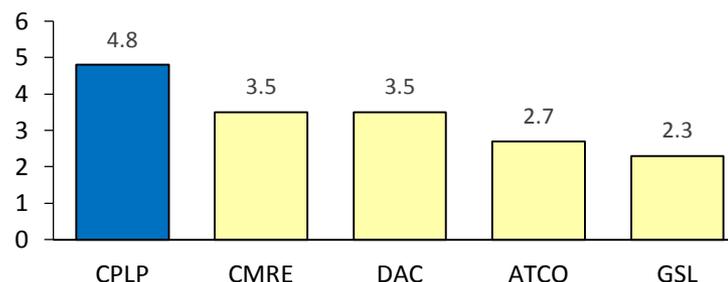


# Relative Value To Peers

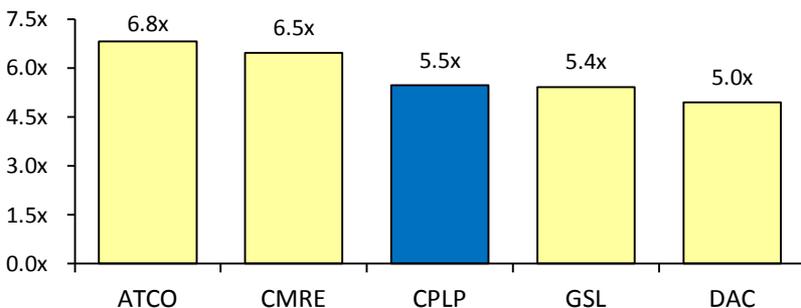
### Fleet Average Age



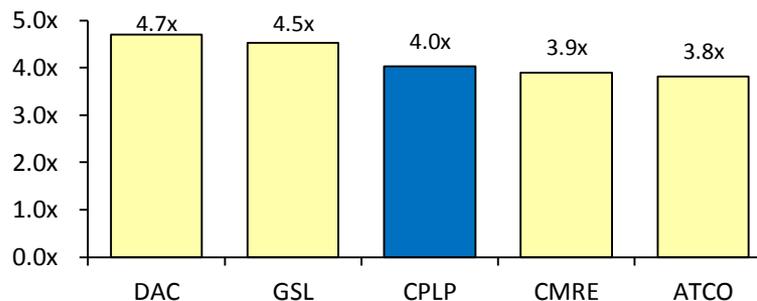
### Remaining Charter Duration (Years)



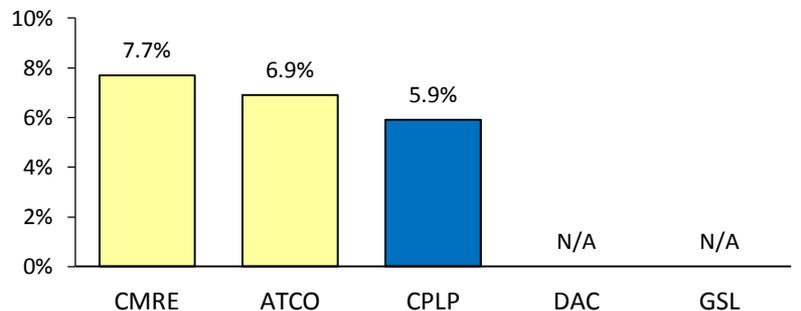
### EV / 2020E EBITDA

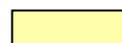


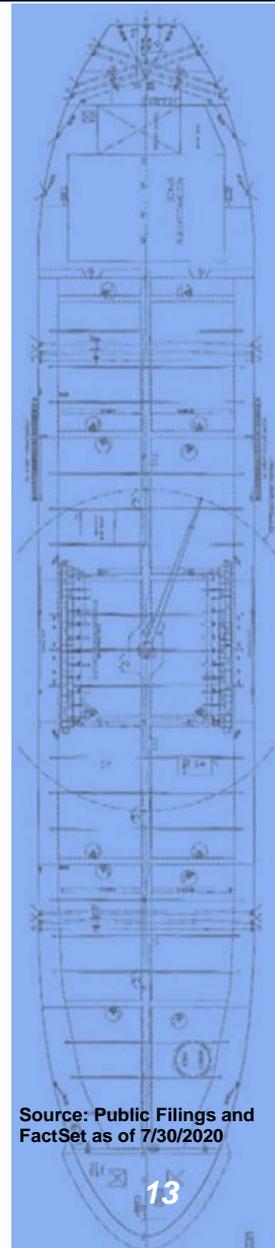
### Net Debt<sup>1</sup> / 2020E EBITDA



### Distribution Yield



 Containership Peers



Source: Public Filings and FactSet as of 7/30/2020

Note: CPLP = Capital Product Partners, ATCO = Seaspan (Atlas), CMRE = Costamare, DAC = Danaos and GSL = Global Ship Lease Inc. 1. Does not treat preferred equity as debt

# Indicative Cash Flow Generation

## Indicative Annualized 12 Month Projection (In USD Million)<sup>1</sup>

Revenue	\$143.9
Operating Expenses <sup>2</sup>	(\$32.9)
SG&A	(\$5.0)
EBITDA	\$106.0
Debt Amortization	(\$37.2)
Interest Cost	(\$11.6)
Operating Surplus	\$57.2
Common Unit Distributions	(\$7.6)
<b>Increase in Recommended Reserves</b>	<b>\$49.6</b>

## Recommended Reserves Sensitivity Analysis

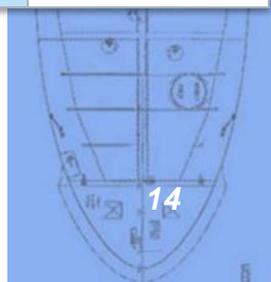
In USD Million		9,000 TEU Containers Employment Rate				
		\$15,000	\$20,000	\$25,000	\$30,000	\$35,000
Capesize Employment Rate	\$8,000	\$31.8	\$37.2	\$42.6	\$48.0	\$53.4
	\$10,000	\$32.5	\$37.9	\$43.3	\$48.7	\$54.2
	\$12,000	\$33.2	\$38.6	\$44.0	\$49.5	\$54.9
	\$14,000	\$33.9	\$39.3	\$44.8	\$50.2	\$55.6
	\$16,000	\$34.6	\$40.1	\$45.5	\$50.9	\$56.3

## Assumptions (In USD Million):

Distribution Per Common Unit	\$0.40
No. of Common & GP Units Outstanding	18,971,670
Cash SG&A estimate	\$5.0
Debt Amortization	\$37.2
Interest Cost (3-Month Libor)	0.3%
Utilization Rate	99%

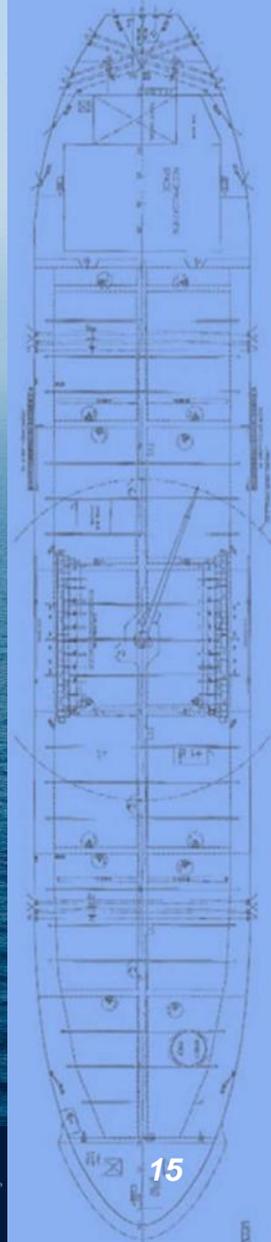
## Employment rates<sup>3</sup>

Cape Agamemnon	\$13,000
3 x 9,000 TEU Container	\$29,800



<sup>1</sup> Excluding Special Survey and other CAPEX costs and offhire. <sup>2</sup> OPEX as per 2Q2020 excluding expensed drydocking costs. <sup>3</sup> All other vessels employment rates as disclosed (see page 7).

# Capital Product Partners L.P.



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# Appendix : Net Asset Value

(in US\$ 000's)

Charter Free Fleet Value		<b>622,500</b>
Charters Value		<b>162,000</b>
Total Cash		
Cash & Cash equivalents	39,156	
Restricted cash	14,900	<b>54,056</b>

**Long Term Debt :**

Long term debt-current portion	35,774	
Long term debt	356,467	
Add: deferred loan issuance costs	6,026	<b>(398,267)</b>

**Net Working Capital & Other :**

Trade accounts receivable, net	3,102	
Prepayments and other assets	2,966	
Inventories	2,368	
Claims	708	
Trade accounts payable	(21,865)	
Due to related parties	(3,763)	
Accrued liabilities	(12,611)	
Deferred revenue	(3,315)	<b>(32,410)</b>

**Charter Adjusted Net Asset Value** **407,879**

Charters Value (162,000)

**Charter Free Net Asset Value** **245,879**

**Number of Units outstanding :**

Common units	18,623,100
General Partner units	<u>348,570</u>
	<b><u>18,971,670</u></b>

- 1) Net Asset Value (NAV) is used by investors as a reference point in assessing the valuation of companies.
- 2) Charter free fleet value and Charters Value provided by third party appraiser.
- 3) For Total Cash, Long Term Debt and Net Working Capital & Other please refer to the Partnership's **Unaudited Condensed Consolidated Balance Sheets**

