



# **BUY: DANAOS CORPORATION (NYSE: DAC)**

Binghamton Investment Fund Industrials Sector



# Company Overview

## Investment Overview

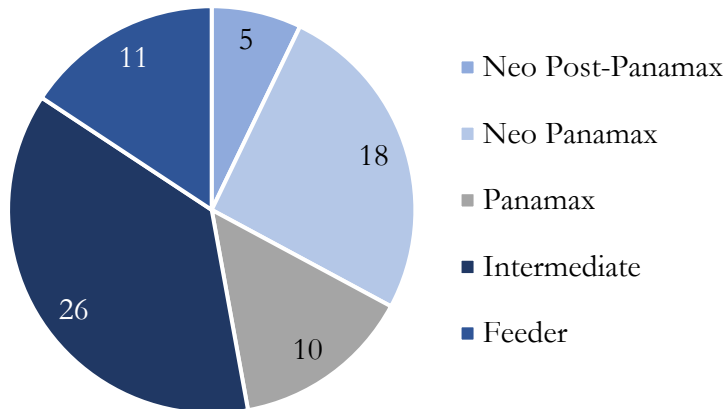
Current Price: \$68.59

Rating: BUY | Price Target: \$95

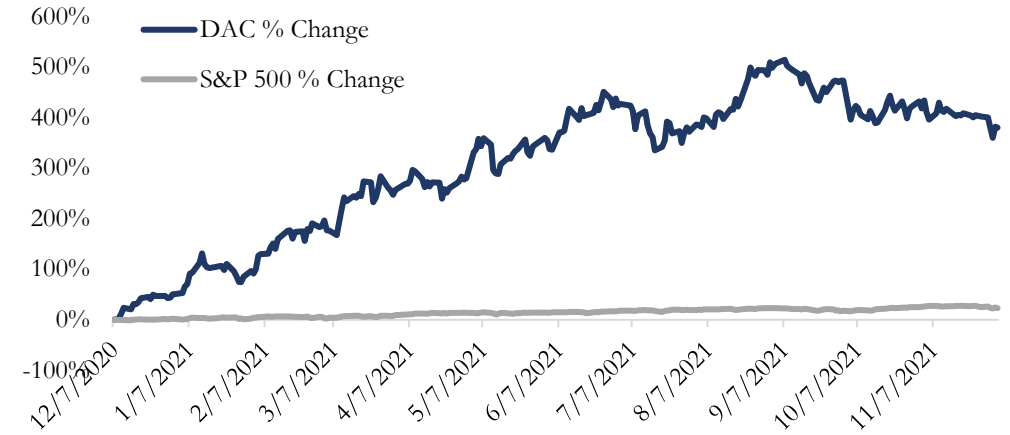
Upside: 39%

## Fleet Breakdown

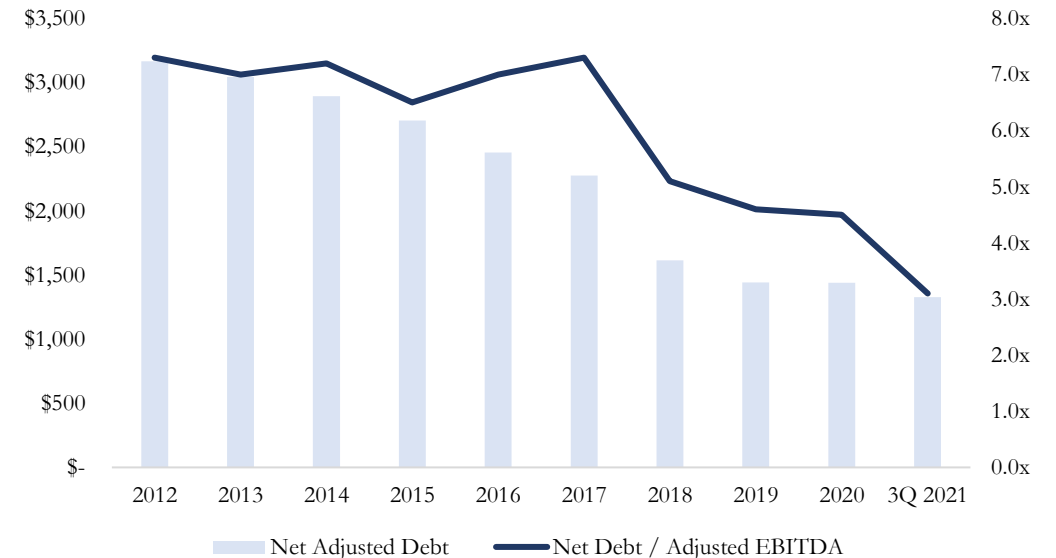
*DAC owns containerships and leases ships out to ship operators, minimizing spot exposure*



## Historical Stock Performance

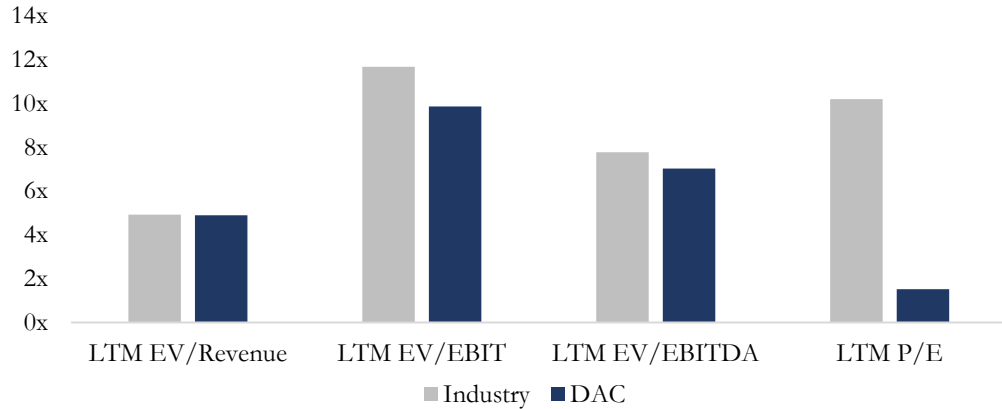


## Deleveraging

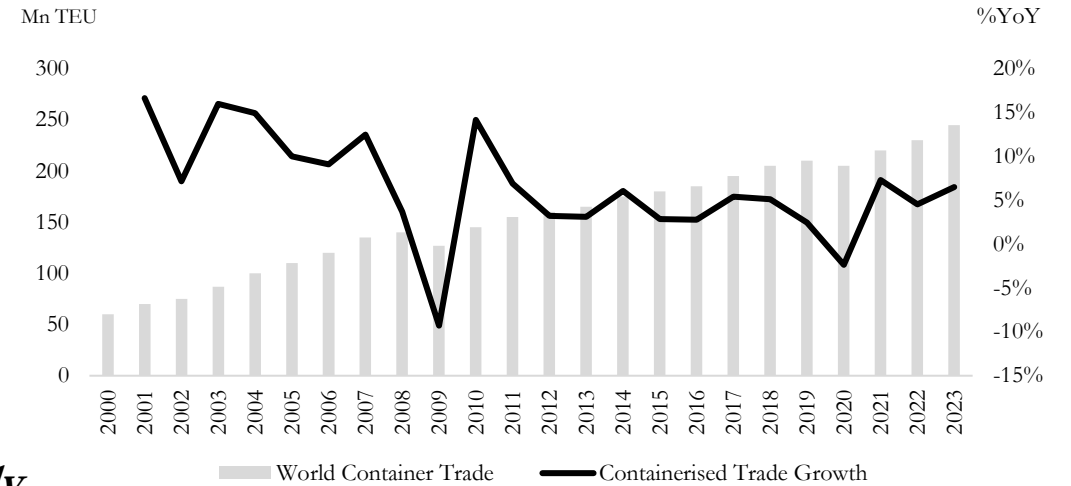


# Industry Overview

## Industry Multiples

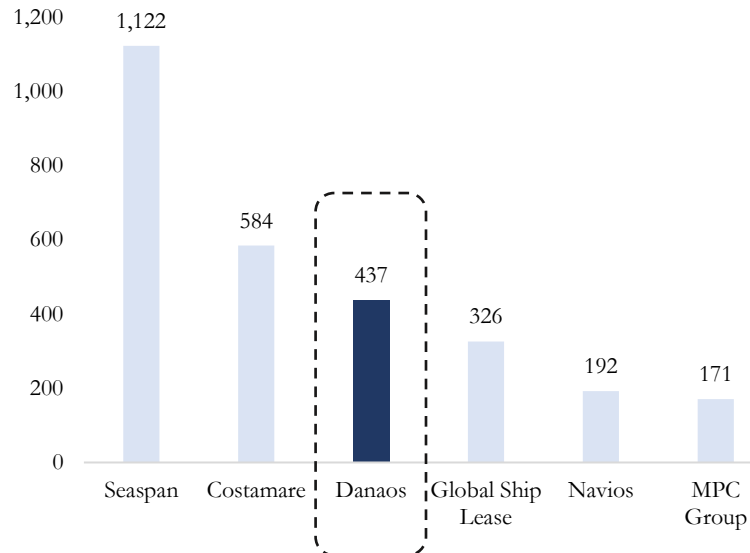


## World Container Trade and GDP

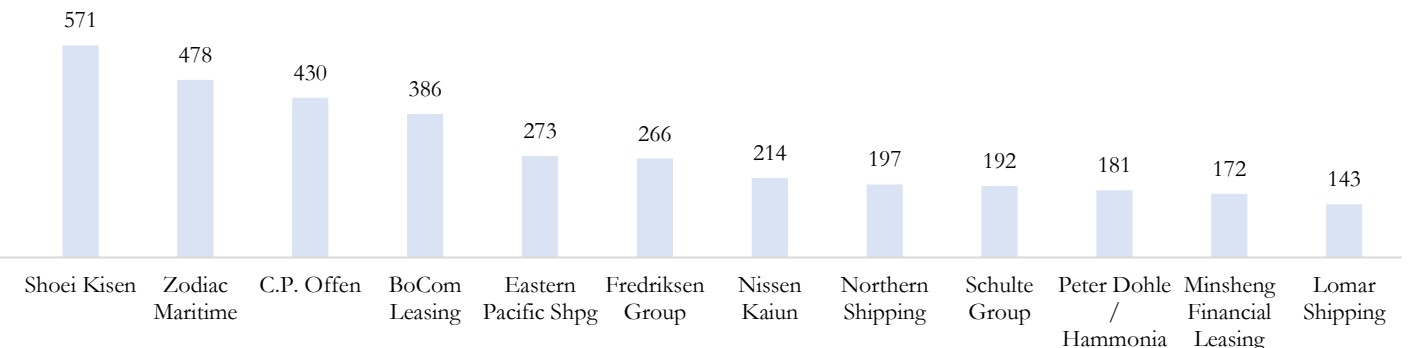


## Market Share Among Top Public Containership Owners Globally

### Publicly Traded Pure-Play Operators



### Financial/ Independent Owners



# Catalyst #1: Supply and Demand Imbalance

## Pressure From Retail

- Amazon experienced 14% increase in out-of-stock items
- Retail scrambling to bring products back to shelves
- Opting for small-medium ships to reroute
- Largest ship to pass Panama Canal: 15,313 TEU

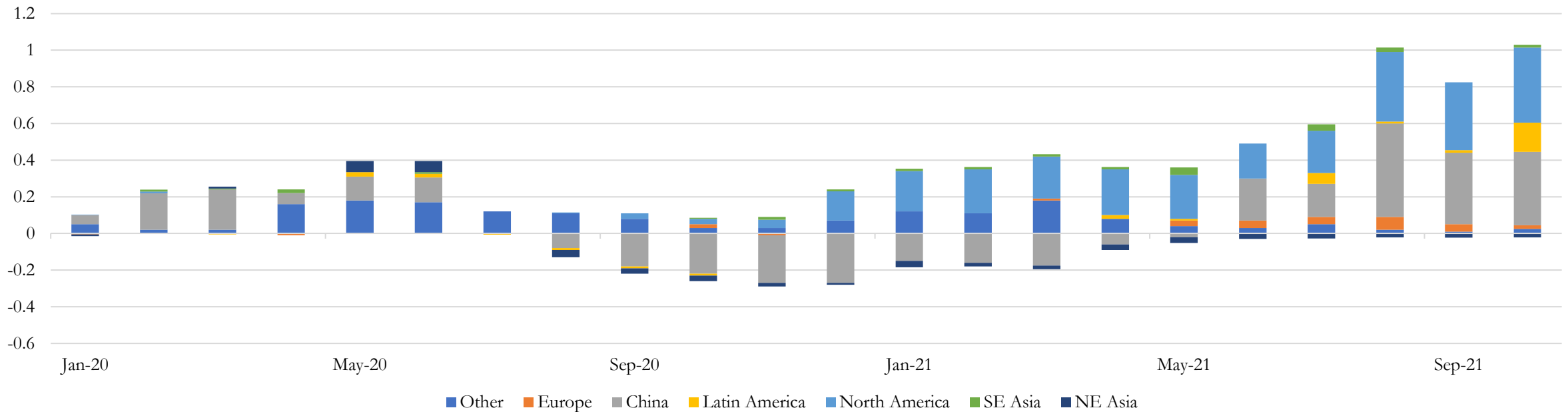
## Port Congestion

9% of  
fleet idle  
outside  
ports

Will likely  
persist for  
upcoming  
months

96 ships  
waiting to  
dock in  
LA port

**Containership Idle at Port Anchorages, Relative to 2016-2019 Average (Million TEU)**



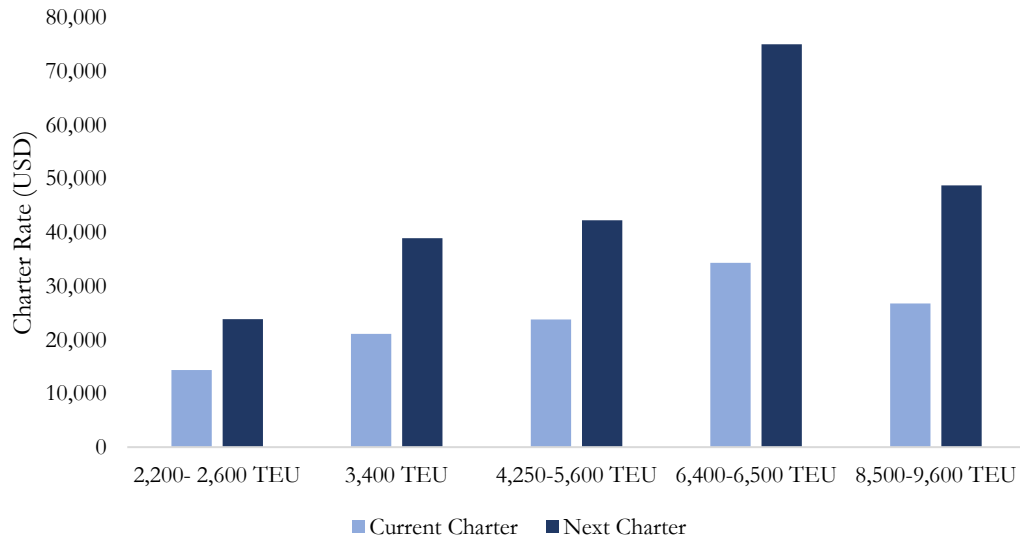
# Catalyst #2: High Shipping Rates

## Spot Rates

*Spot rates have risen over 400% from pre-COVID*

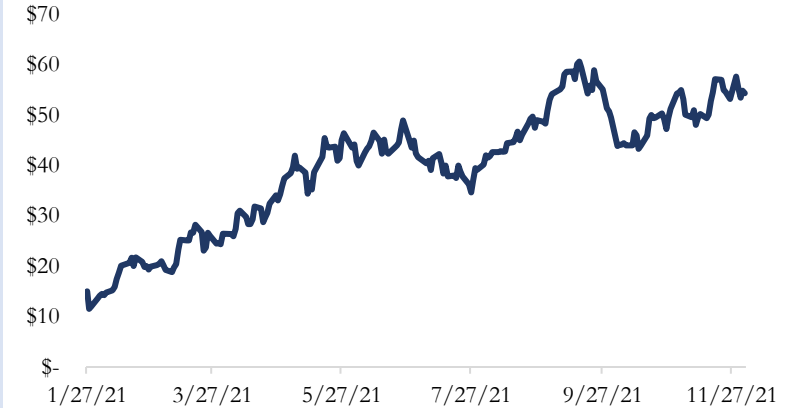


## Charter Coverage



## Zim Integrated Shipping Services

Danaos owns 8.2 million shares of ZIM which is worth approximately \$367 million



## New Charter Agreements

In August DAC entered ten new charter agreements

Achieved charter coverage for 100% of operating days in 2021, 89% in 2022, and 60% for 2023

Charter periods will last 3-4 years and commence between January and August of 2022

Increases the company's revenue backlog by approx. \$378 million and EBITDA by \$280 million

# Catalyst #3: Technological Innovation

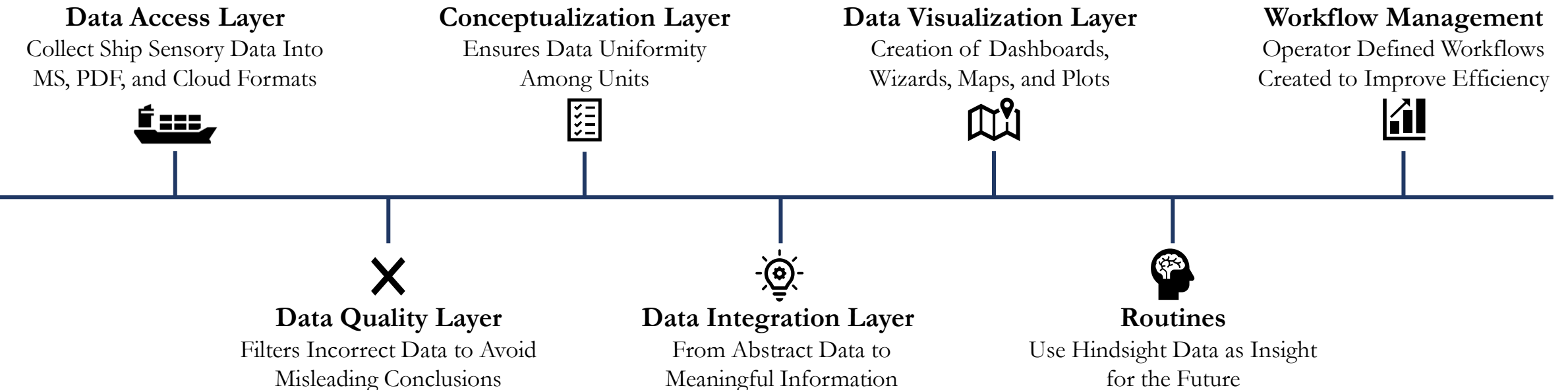
## *Technological Innovations*

- Online Data Acquisition Systems
- Business Intelligence & Analytics Systems
- Appendages (Fins, Rudder Bulb, PBCF)
- Engine Performance Improvement Systems
- Thermodynamics Engine's Modeling
- Integrated Ship Management Software

## *Propeller Optimization Technology*

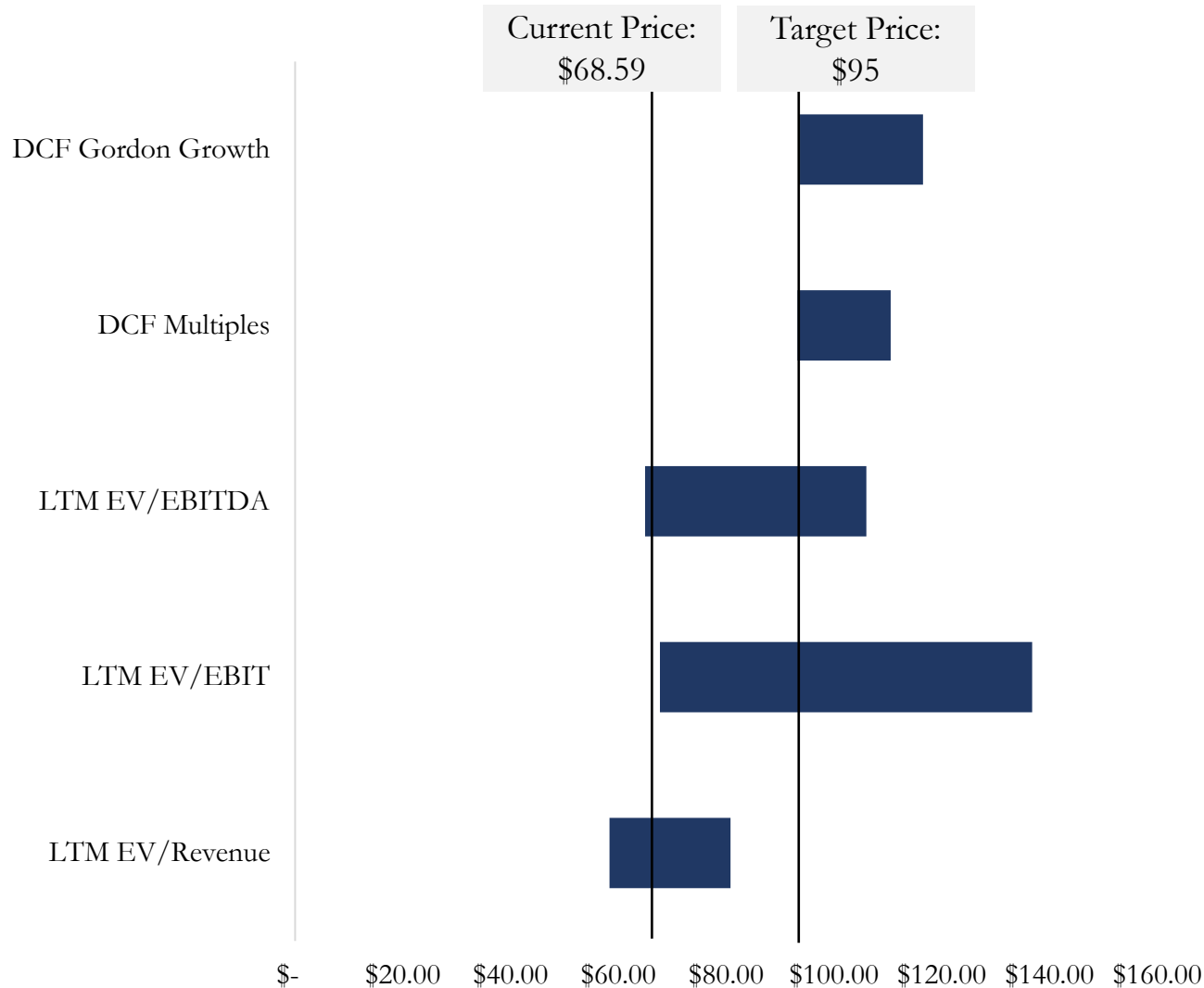


## *WAVES Fleet Performance Software*



# Valuation

## Football Field Analysis



## Analyst Ratings

Jefferies	BUY	\$95 PT
Clarkson's	BUY	\$100 PT
Fearnley	BUY	\$90 PT
Consensus	BUY	\$95 PT

## Sensitivity Tables

### Gordon Growth Method Sensitivity

		WACC				
		10.64%	11.14%	11.64%	12.14%	12.64%
Growth Rate	1.00%	\$ 108.07	\$ 100.01	\$ 92.76	\$ 86.23	\$ 80.31
	1.50%	\$ 114.92	\$ 106.07	\$ 98.16	\$ 91.05	\$ 84.64
	2.00%	\$ 122.57	\$ 112.80	\$ 104.12	\$ 96.36	\$ 89.38
	2.50%	\$ 131.15	\$ 120.31	\$ 110.73	\$ 102.21	\$ 94.59
	3.00%	\$ 140.86	\$ 128.74	\$ 118.11	\$ 108.70	\$ 100.34

### Multiple Method Sensitivity

		WACC				
		10.64%	11.14%	11.64%	12.14%	12.64%
EV/EBITDA	7.00	\$ 94.02	\$ 91.21	\$ 88.47	\$ 85.80	\$ 83.19
	7.50	\$ 101.10	\$ 98.13	\$ 95.24	\$ 92.41	\$ 89.66
	8.00	\$ 108.18	\$ 105.05	\$ 102.00	\$ 99.03	\$ 96.13
	8.50	\$ 115.26	\$ 111.98	\$ 108.77	\$ 105.65	\$ 102.61
	9.00	\$ 122.34	\$ 118.90	\$ 115.54	\$ 112.27	\$ 109.08

# Investment Risks

Ports may clear much faster than expected

Environmental regulations put in place lead to an anticipation of speed reduction

Retail may demand larger container ships instead of medium ships

Track record of strong charter rates despite market conditions

Any machine or engine failure on a container may halt operations

DAC has a strong operational management system in place to promote highly reliable services





BUY:  
DAC

Current Price:

Price Target:

Potential  
Upside:

---

***Questions?***