

# DryShips Inc.

Capital Link Forum  
Company Presentation



NASDAQ: "DRYS"

Metropolitan Club, NYC

March 20, 2014

# Forward Looking Statements

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Matters discussed in this presentation may constitute forward-looking statements. Forward-looking statements reflect the Company's current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are not statements of historical facts.

The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties, which have not been independently verified by the Company. Although DryShips Inc. believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, DryShips Inc. cannot assure you that it will achieve or accomplish these expectations, beliefs or projections. Important factors that, in the Company's view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including changes in charter hire rates and vessel values, changes in demand that may affect attitudes of time charterers to scheduled and unscheduled drydocking, changes in DryShips Inc.'s operating expenses, including bunker prices, dry-docking and insurance costs, or actions taken by regulatory authorities, potential liability from pending or future litigation, domestic and international political conditions, potential disruption of shipping routes due to accidents and political events or acts by terrorists.

Risks and uncertainties that may affect our actual results are further described in reports filed by DryShips Inc. with the US Securities and Exchange Commission.

Information contained in this presentation (not limited to forward looking statements) speaks only as of the date of such information and the Company expressly disclaims any obligation to update or revise the information herein, except as required by law.



# Agenda

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**DryShips Today**

Investment in ORIG

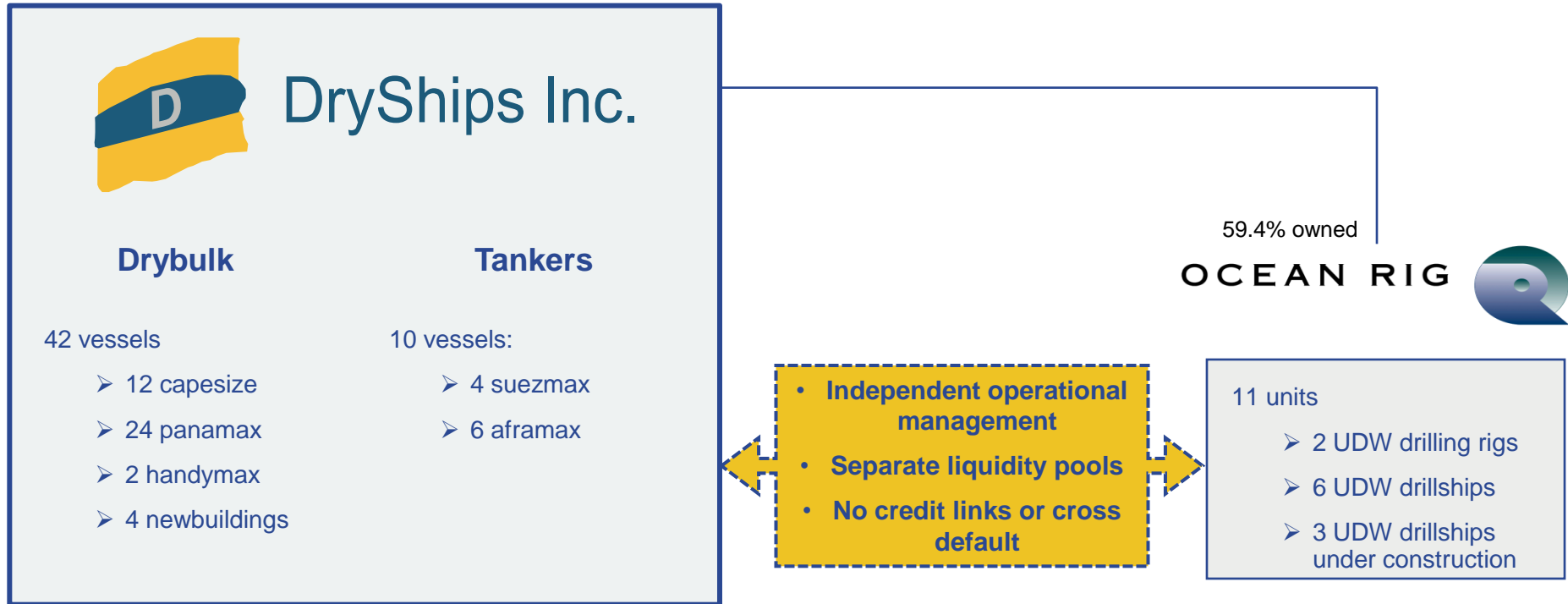
Industry Outlook

Closing Remarks



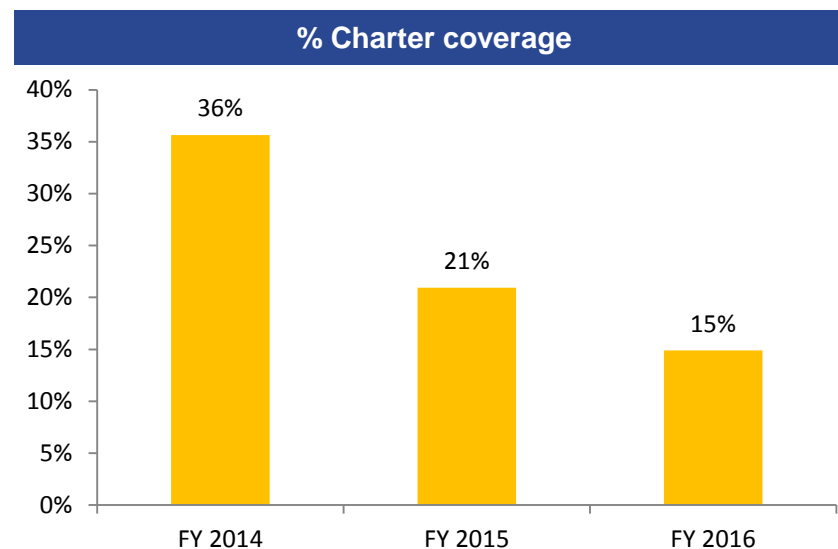
# DryShips Today

- DryShips is a pure shipping company with a 59% shareholding in Ocean Rig.



# Shipping Fleet and Charter Cover

Asset Type	Number of Vessels	Total Dwt (in mill)	Avg. Age	2014 Charter Coverage <sup>2</sup>
Capesize	12	2.17	7.3	92%
Panamax <sup>1</sup>	24	1.80	10.9	12%
Supramax	2	0.10	11.5	0%
Suezmax	4	0.63	2.0	0%
Aframax	6	0.69	2.2	0%



**Average daily fixed rate**

25,149	30,737	33,813
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➤ **Total contracted backlog through 2016 is approximately \$305 million**

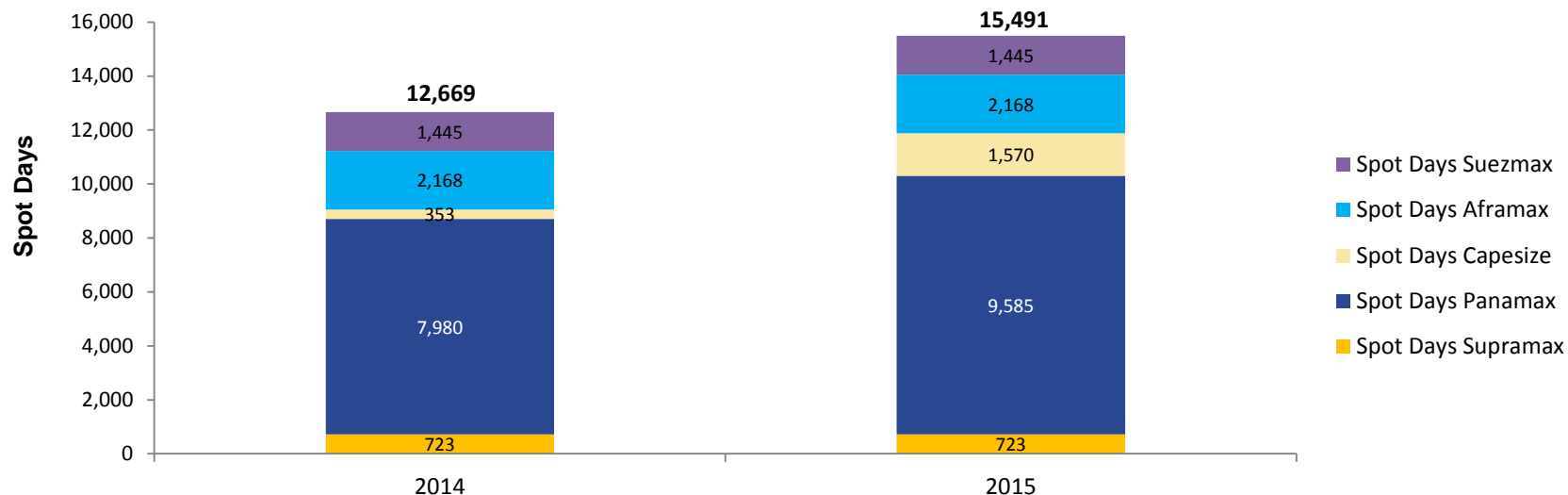
<sup>1</sup> Excluding NBs

<sup>2</sup> As of December 31<sup>st</sup> 2013



# Earnings Power of Our Shipping Fleet

## Shipping Segment Projected Spot Days<sup>1</sup>



### ➤ Potential additional EBITDA / free cashflow generation:

(in million)	FY2014	FY2015
+\$5,000 to market spot rates	\$63.3	\$77.5
+\$10,000 to market spot rates	\$126.7	\$154.9
+\$15,000 to market spot rates	\$190.0	\$232.4
+\$20,000 to market spot rates	\$253.4	\$309.8

<sup>1</sup> Projected spot days for 2014 post scheduled dry-dock days and net of utilization



# Minimal Capital Commitments

<i>(in \$ thousands)</i>	<u>Contracted Delivery</u>	<u>CIP <sup>1</sup></u>	<u>Scheduled CAPEX<sup>1</sup></u>	
			<u>FY2014</u>	<u>Cancellation Date</u>
Ice Class Panamax #1	June-14	2,890	31,100	March-15
Ice Class Panamax #2	August-14	2,890	31,100	May-15
Ice Class Panamax #3	August-14	2,890	31,100	May-15
Ice Class Panamax #4	October-14	2,890	31,100	July-15
<b>Total</b>		<b>11,560</b>	<b>124,400</b>	

- Not made any further payments to Rongsheng Heavy Industries
- Vessel delivery schedule non-existent

1) CIP and Capex as of 12/31/2013



# Shipping Segment<sup>1</sup> Financial Summary

<i>(in \$ million)</i>	Q3 2013	Q4 2013
Total Revenues	76.4	85.9
Adjusted EBITDA <sup>(2)</sup>	13.4	16.1
Net Income (loss)	(51.0)	(48.0)
Drybulk Segment Utilization	99.10%	97.60%
Tanker Segment Utilization	100.00%	100.00%
Drybulk Segment Time Charter Equivalent	10,796	13,303
Tanker Segment Time Charter Equivalent	15,802	12,963

Q1 2014



1) Showcases financial performance of shipping segment (drybulk and tanker segments) only

2) Represents net income before interest, taxes, depreciation and amortization, drydocking costs, vessel impairment, contract cancellation fees and gains or losses on interest rate swaps





# Secured Bank Debt Profile (Shipping Segment)

## Drybulk Debt Outstanding as of 12/31/13

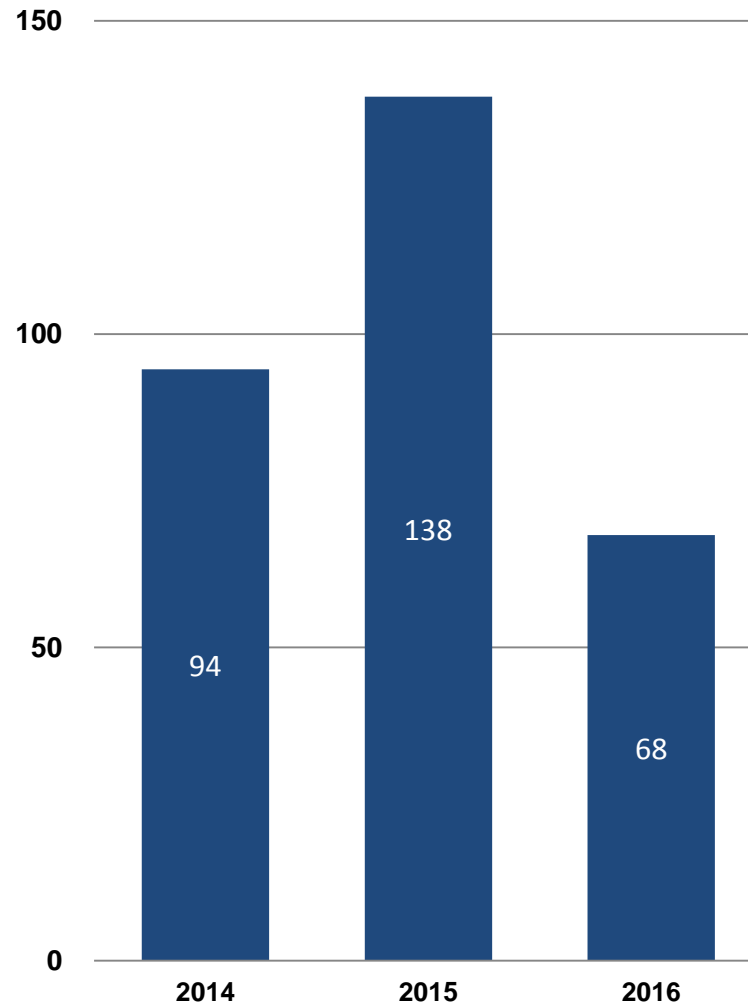
Facility	Amortizing	Balloon	Total	Maturity
\$628.8m facility	62.4	112.0	174.4	Q2 2016
\$35m facility	6.0	11.0	17.0	Q4 2016
\$125m facility	14.7	6.9	21.6	Q2 2016
\$90m facility	8.5	48.5	57.0	Q4 2015
\$130m facility	2.7	27.6	30.3	Q1 2015
\$126.4m facility	50.4	2.9	53.3	Q3 2018
\$47m facility	4.0	12.0	16.0	Q4 2015
\$90m facility	12.0	24.0	36.0	Q4 2015
\$103.2m facility	8.3	16.0	24.3	Q3 2016
\$325m facility	53.0	23.5	76.5	Q4 2015
\$87.7m facility	7.4	9.5	16.9	Q1 2020
\$122.6m facility	115.6	0.0	115.6	Q2 2025
<b>Total Drybulk bank debt</b>	<b>345.0</b>	<b>293.9</b>	<b>638.9</b>	

## Tankers Debt Outstanding as of 12/31/13

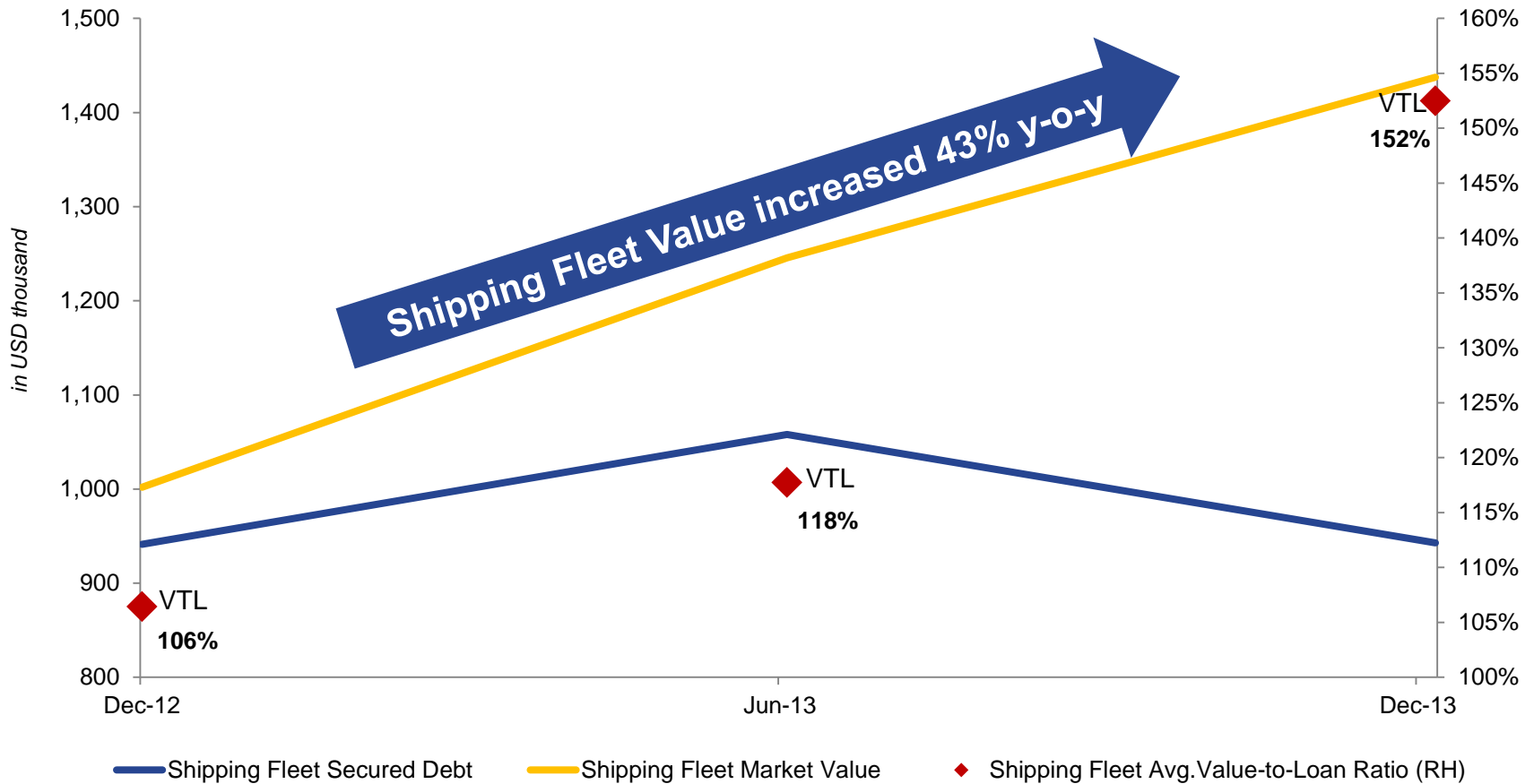
Facility	Amortizing	Balloon	Total	Maturity
\$70m facility	10.5	46.7	57.2	Q1 2016
\$32.3m facility	7.5	19.4	26.9	Q2 2017
\$141.35m facility	57.8	65.5	123.3	Q2 2019
\$107.67m facility	46.2	50.4	96.6	Q1 2019
<b>Total Tankers bank debt</b>	<b>122.0</b>	<b>182.0</b>	<b>304.0</b>	
<b>Total Debt</b>	<b>467.0</b>	<b>475.9</b>	<b>942.9</b>	

## Scheduled Debt Amortization (excluding balloons)

in USD million



# Bank Compliance – Much Rosier Picture



# Recent Banking Developments

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- On October 30, 2013, we signed an agreement with HSH Nordbank, acting as agent for the \$628.8 million Senior and Junior secured loan facility, under which terms the lending syndicate agreed to apply the currently-pledged restricted cash of \$55 million against the next five quarterly installments, among other things.
- We are in discussions with the Nordea-led bank syndicate of our \$325m senior secured credit facility to defer certain principal payments to maturity.
- 5.45m shares of Ocean Rig previously pledged to Piraeus Bank under our \$90m and \$130m credit facilities have been automatically returned back to the company on December 31<sup>st</sup> 2013.
- As of today, no shares of Ocean Rig have been pledged to any lender under our secured credit facilities.



# Agenda

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Dryships Today







**Investment in ORIG**

Industry Outlook

Closing Remarks



# ORIG: Pure-Play Ultra-Deepwater Driller With Premium Assets

Harsh environment UDW semis		Sister drillships provide benefits from standardization								
5 <sup>th</sup> generation semisubmersibles		Four 6 <sup>th</sup> generation drillships			Five 7 <sup>th</sup> generation NB drillships					
										
Leiv Eiriksson	Eirik Raude	OCR Corcovado	OCR Olympia	OCR Poseidon	OCR Mykonos	OCR Mylos	OCR Skyros	OCR Athena Mar. 2014	OCR Apollo Jan. 2015	OCR Santorini Dec. 2015

Built at Dalian/Friedman Goldman Irving

Up to 7,500-10,000 ft. water depth capacity

Up to 30,000 ft. drilling depth capacity

Two of only 15 drilling units worldwide equipped to operate in both ultra-deepwater and harsh environment

Winterized for operations in extreme climates, ideal for development drilling

Built at Samsung Heavy Industries

Sister drillships with common equipment , spare parts and training standards

Up to 10,000-12,000 ft. water depth capability

Up to 40,000 ft. drilling depth capability with 6 and 7 ram BOPs

Dual derricks for increased drilling activity/efficiency

Accommodations for up to 215 people on board



# ORIG: Solid Contract Backlog

- Best in class contract coverage with 99%, 72% and 38% for 2014, 2015 and 2016 respectively(1)
- Average contract remaining fixed period of 2.5 years, 3.7 years with options(1)
- \$4.0 billion contracted backlog excluding LOA for Ocean Rig Skyros of \$1.3 billion
- OCR Olympia and OCR Poseidon have renewal deadlines 12 months prior to contract expiration

Year	2013				2014				2015				2016				2017			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Contract Coverage	100%				99%				72%				38%							
Leiv Eiriksson	Rig Management Norway (led by Total)												3 X 1 year options (through 2019)							
Eirik Raude	Lukoil																			
Ocean Rig Corcovado	Petrobras																			
Ocean Rig Olympia	Total										2 x 1 year options (through Q3 2017)									
Ocean Rig Poseidon	Eni										2 x 1 year options (mid 2018)									
Ocean Rig Mykonos	Petrobras																			
Ocean Rig Mylos	Mob	Repsol										options for up to 2 years (through 2018)								
Ocean Rig Skyros	Delivered December 2013	Mob	Total				Mob	LOA with major oil company (through 2020)												
Ocean Rig Athena	Expected Delivery March 2014		Mob	ConocoPhillips										options for up to 2 years (through 2018)						
Ocean Rig Apollo	Expected Delivery January 2015								Mob	Total (through Q1 2018)										
Ocean Rig Santorini	Expected Delivery December 2015										Mob									

(1) Average contract length includes LOA for Ocean Rig Skyros which is a 6 year contract



# ORIG Value to DRYS

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- **DRYS 59.4% investment is worth \$1.33 billion<sup>1</sup>**
  
- **Value creation initiatives**
  - **\$25 million quarterly dividend starting with cashflow from Q1 2014 operations and payable in mid May 2014**
  - **Commenced Master Limited Partnership (MLP) IPO process**

(1) Basis ORIG stock price at \$17.10 (closing price on 25/02/14)



# Agenda

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Dryships Today

Investment in ORIG

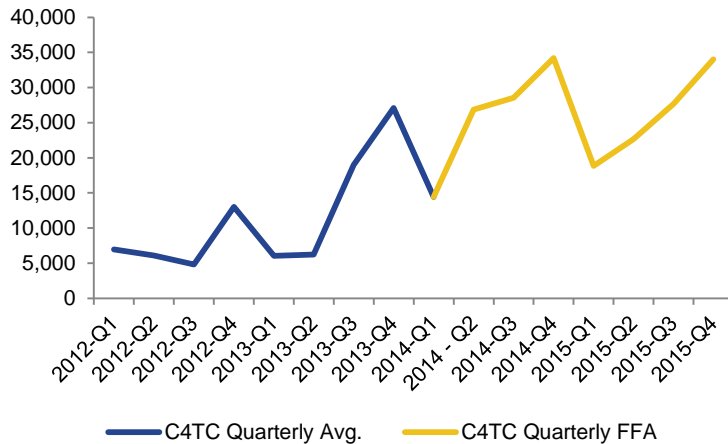
**Industry Outlook**

Closing Remarks

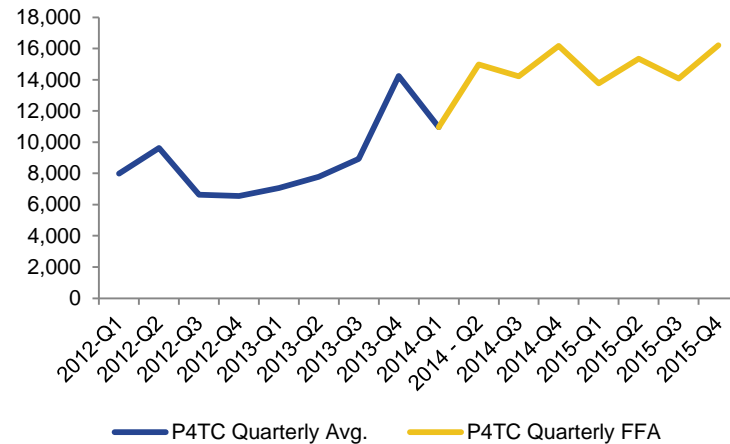




# Drybulk: Improved Fundamentals - Recovery under way!



Note: FFA curves as of March 10<sup>th</sup> 2014



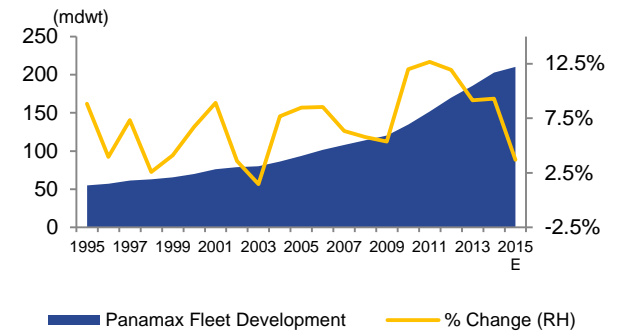
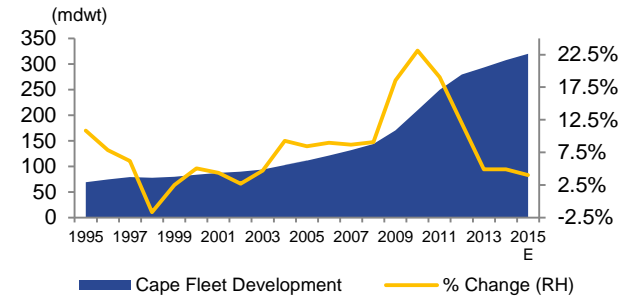
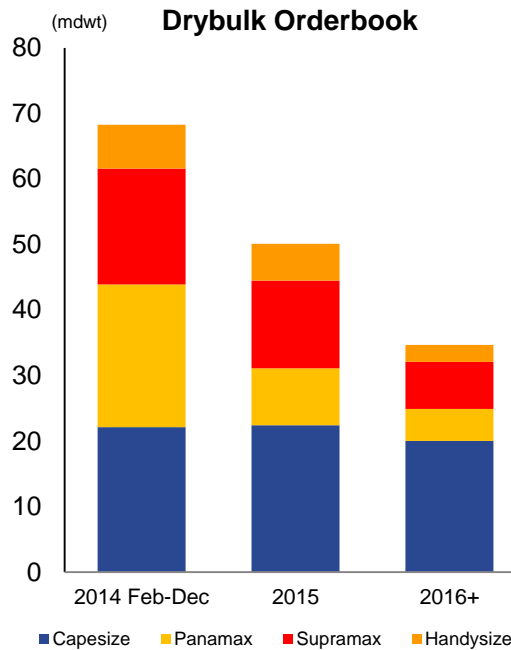
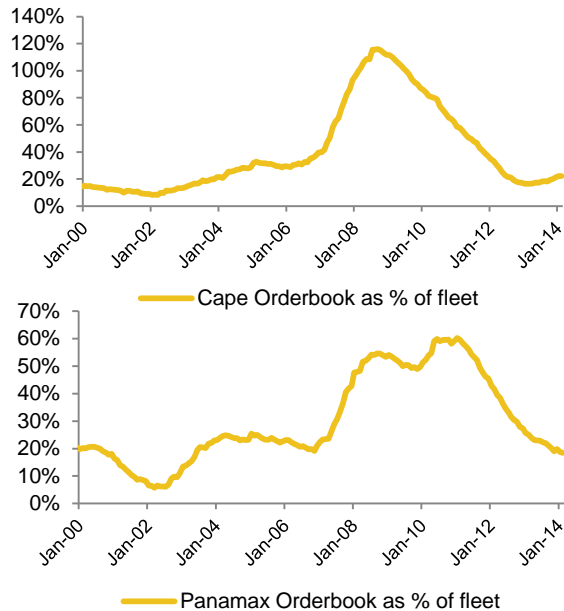
## Factors to watch going forward:

- (+) Global economic outlook – Improving fundamentals
- (+) High steel consumption due to construction demand and steel margins relatively steady
- (+) High bunker prices which dictate vessel speeds and effectively the fleet supply
- (+) Iron ore production coming on-line within the next 3 years will increase transportation demand and put pressure on iron ore prices, thus increasing the potential for imported ore to replace expensive/lower quality Chinese ore
- (+/-) Seasonal factors which affect near term freight rates (e.g. adverse weather in BRA & AUS, port congestion, grain season etc.)
- (-) Combination of high Private Equity availability and shipyards looking to fill their empty slots
- (-) Rising Chinese iron ore stockpiles

Source: Clarksons, Bloomberg



# Drybulk Fleet Growth Under Control



## Key Items:

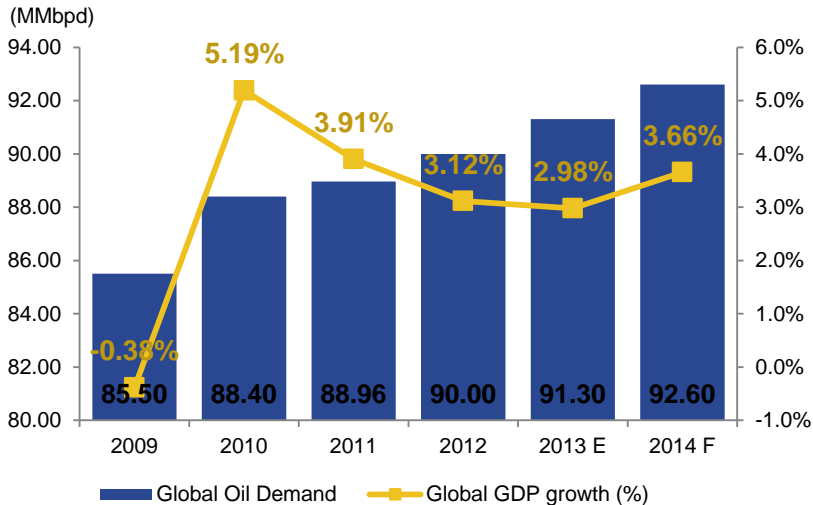
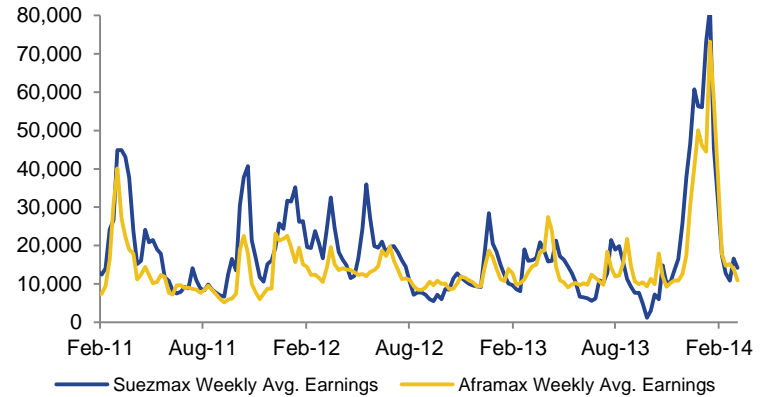
- Capesize fleet is expected to grow by approx. 5% and 4% y-o-y in 2014 and 2015 respectively
- Panamax fleet is expected to grow by approx. 9% and 4% y-o-y in 2014 and 2015 respectively
- Orderbook has been rising recently on the back of the improved freight outlook, but remains at manageable levels
- Demolition activity slowed somewhat during the 2H 13 with approx. 3m dwt and 1.25m dwt of Capes and Panamaxes removed from the market (compared to 5m dwt and 3m dwt in 1H 13 respectively)
- However, there is still considerable scrapping potential as more than 8% of both Cape and Panamax fleets are over 20 years old and an additional 10% and 12% respectively are between 15-19 years old

Source: Clarksons



# Tankers: Tighter Supply & Demand Balance

During Q4-13 and for a good part of January-14 we witnessed a significant increase in freight rates, especially in the larger asset classes. This move is primarily driven by increased Chinese and US demand, cold winter and weather disruptions which have caused port delays.

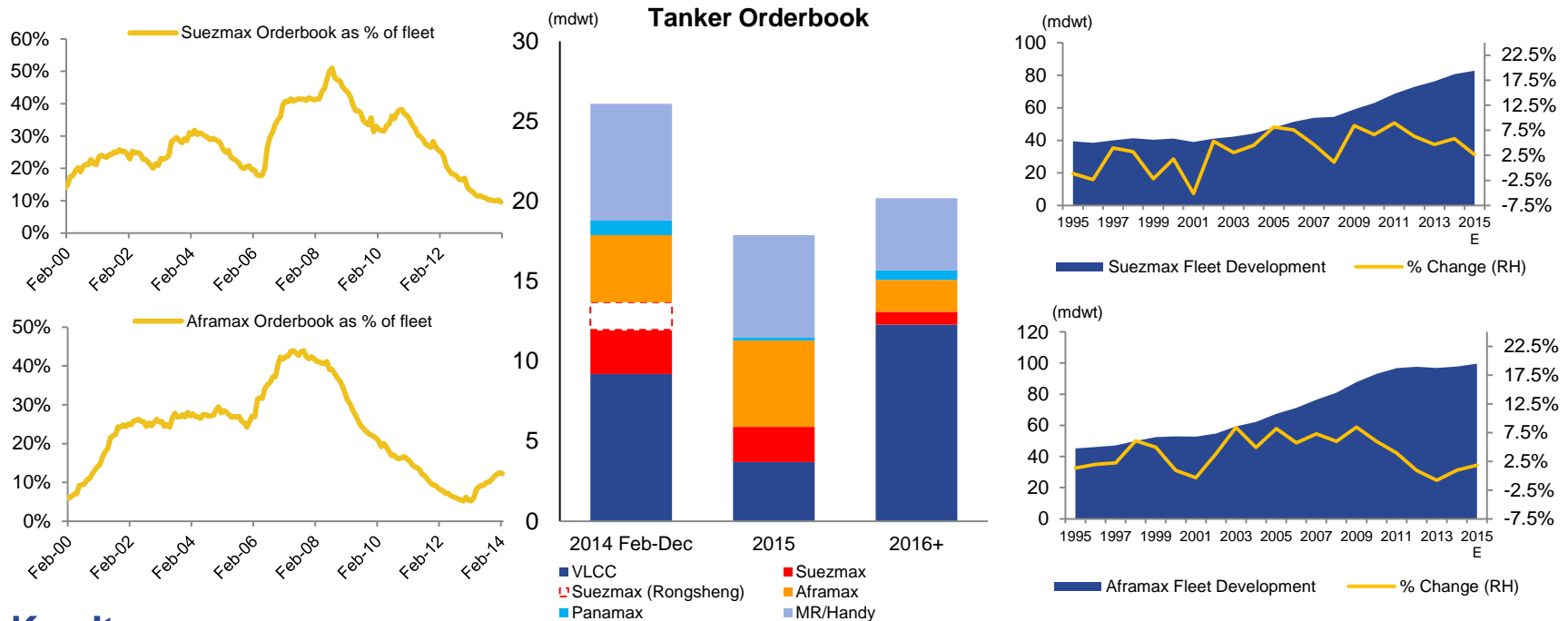


The magnitude of the recent increase shows us that supply/demand balance is tighter than anticipated. As such, with global economy improving, crude demand gaining momentum coupled with a slowdown in newbuilding deliveries, we expect 2014 to be a transitional year with increased volatility and an overall better freight environment

Source: Clarksons, Bloomberg, IEA, IMF



# Tanker Fleet – What Overcapacity?



## Key Items:

- We anticipate the Suezmax fleet to grow by approx. 5.8% and 2.5% y-o-y in 2014 and 2015 respectively. However, these figures could end up significantly lower, should financially distressed yards fail to solve liquidity problems and deliver their orders
- Aframax fleet is expected to grow by approx. 1% and 2% y-o-y in 2014 and 2015 respectively
- We expect Europe and Asia to continue covering for a large percentage of the lost U.S. imports from W. Africa and the development of new trade routes (i.e Americas to Asia) which often involve longer than traditional voyages and should be supportive of ton-miles and improve utilization across the tanker fleet

Source: Clarksons



# Agenda

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Dryships Today

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Industry Outlook

**Closing Remarks**



# Next Steps

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- **Refinancing convertible bond**
  - Remove “overhang” on DRYS shares
  
- **Opportunistic growth**
  - We are at a low point in the cycle
  - Fresh equity may be required but only for accretive acquisitions
  
- **Spin-off / IPO tanker segment if conditions are right**
  - Crude tanker segment outperforming other asset classes
  - Currently back in favor with U.S. capital markets

