

# GET READY TO EXPLORE



Company update  
17 April 2020

# Long term business model remains intact

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1

*Hurtigruten had a strong position going into 2020 and a healthy financial outlook*

- Market leading position within cruise-based exploration and adventure travel and a highly satisfied customer base
- Strong financial outlook with a run rate normalized EBITDA of +2,0 billion NOK (LTM Feb 2020 Normalised adjusted EBITDA of approx. EUR 153m)
- Very strong position with existing customers and all time high customer satisfaction in March 2020 provide robust position when market recovers
- Good booking inflow for 2021 driven by rebookings, but also significant amount of new bookings

2

*The emergence of Covid-19 has however lead to short term operational challenges*

- With governments restricting travel, we have temporary halted the majority of our sailings until May 20th
- We still receive full payment under the coastal service agreement despite limited production, generating NOK 70m per month in revenue
- We have had no confirmed or suspected cases of Covid-19 on any Hurtigruten ships and the last of our cruise guests was taken of our ships in late March

3

*We have taken proactive steps to improve our liquidity position*

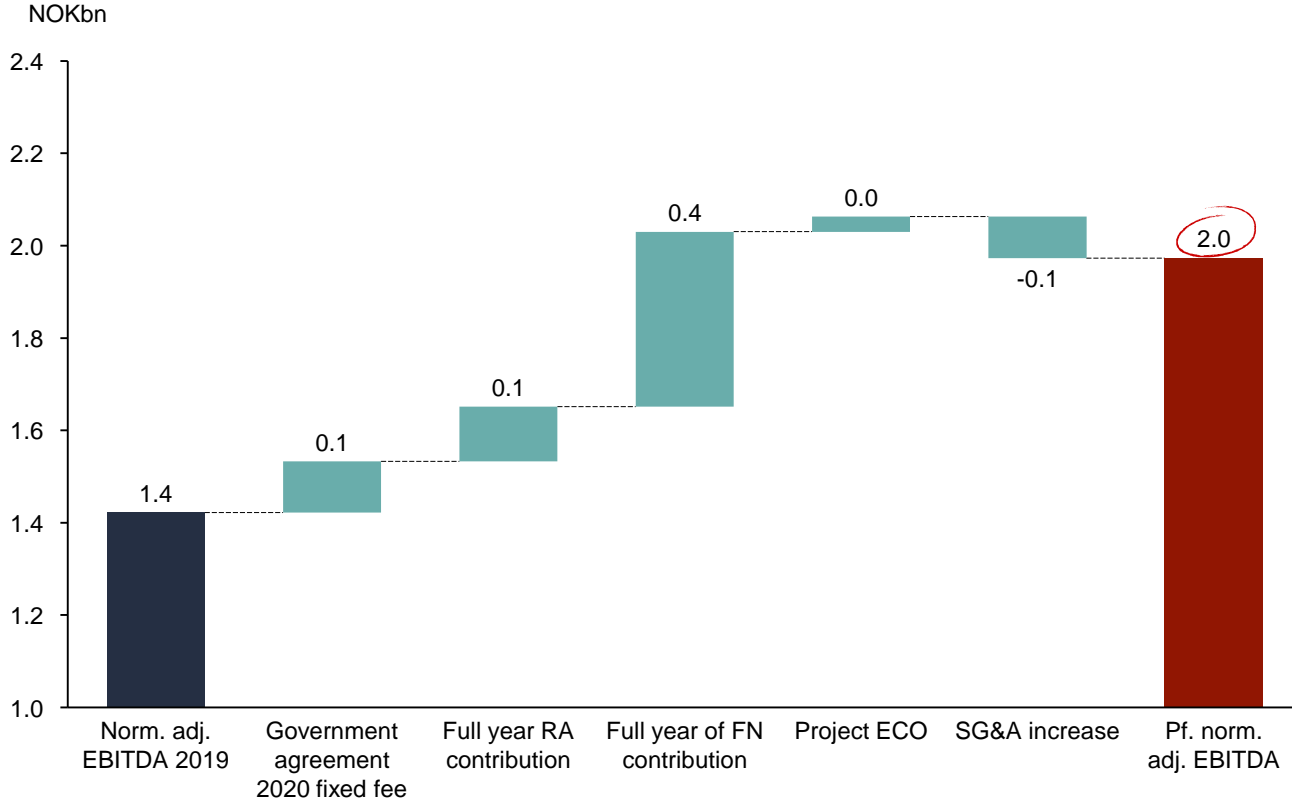
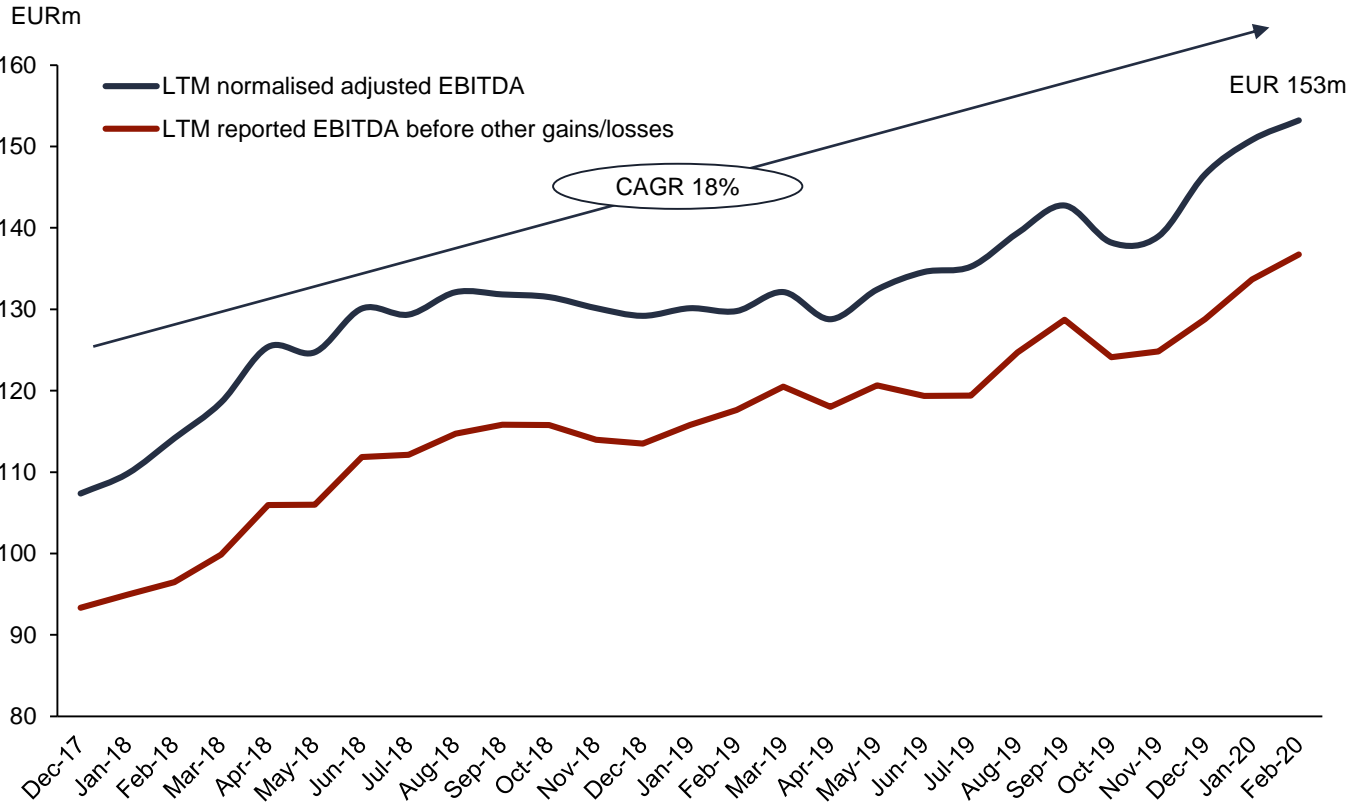
- Comfortable liquidity position of approx. NOK1.4bn incl. the EUR85m RCF, now fully drawn (majority of cash is held in EUR)
- Flexible re-booking policy resulting in solid re-bookings/identified likely re-bookings of NOK 626m and kept refund claims at a manageable levels (NOK 60m as of 15<sup>th</sup> of April)
- Warm lay up of 14 out of 16 vessels and temporary lay offs of employees are key components to cutting OPEX to ~NOK 69m per month
- All non critical capex are put on hold until further notice reducing net capex for YTG 2020 and FY 2021 to 207m and 356m respectively



# We entered 2020 with a strong position en-route for EBITDA >NOK 2.0bn pre Covid-19 with strong momentum continuing into 2020 pre Covid-19

Consistent positive normalised adjusted EBITDA improvement\*

Clear bridge to achieve EBITDA >NOK 2bn in 2020 pre Covid-19



- Consistent upward trajectory leading into Covid-19
- LTM EBITDA at all time high February 2020 with EUR 153m

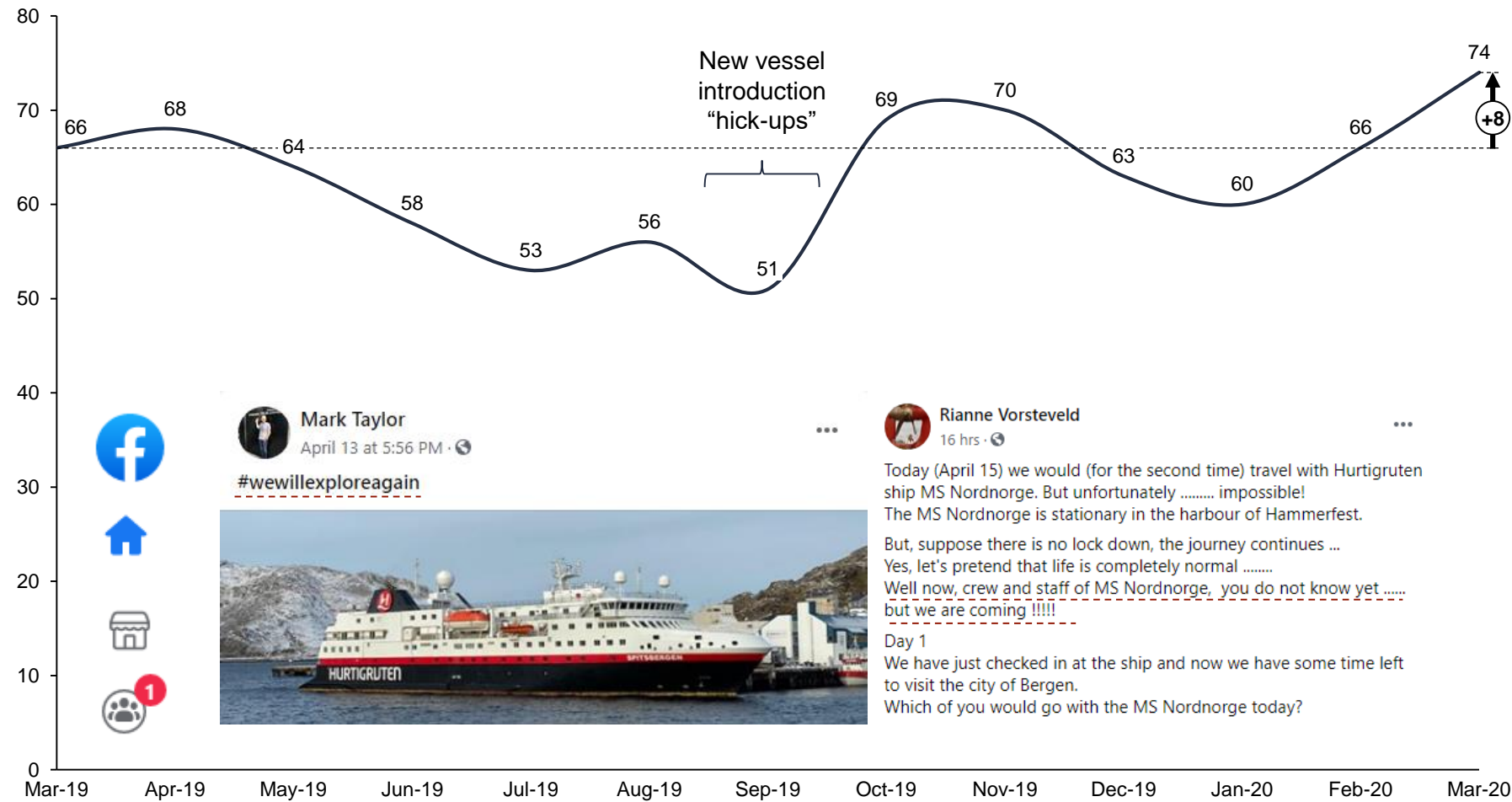
- The increase from the normalized adjusted EBITDA in 2019 of NOK 1.4bn mainly explained by full year earnings contribution from Amundsen and Nansen and increase in revenue from the government agreement
- ~80% of the budgeted group revenues for 2020 where pre-booked as 1 March 2020, up from ~60% in January 2020

\* As of 1<sup>st</sup> of January 2020 Hurtigruten is changing functional and reporting currency to EUR. LTM graph is based on last three years reported numbers and normalization as if the functional and reporting currency was EUR for the period 2017 to YE 2019 in accordance with IFRS

# Customer satisfaction at all time high including the March 2020 survey which gives a solid platform for future growth as markets return back to normal

## NPS results LTM

Net promoter score (NPS)



Rianne Vorsteveld 16 hrs · 🌐

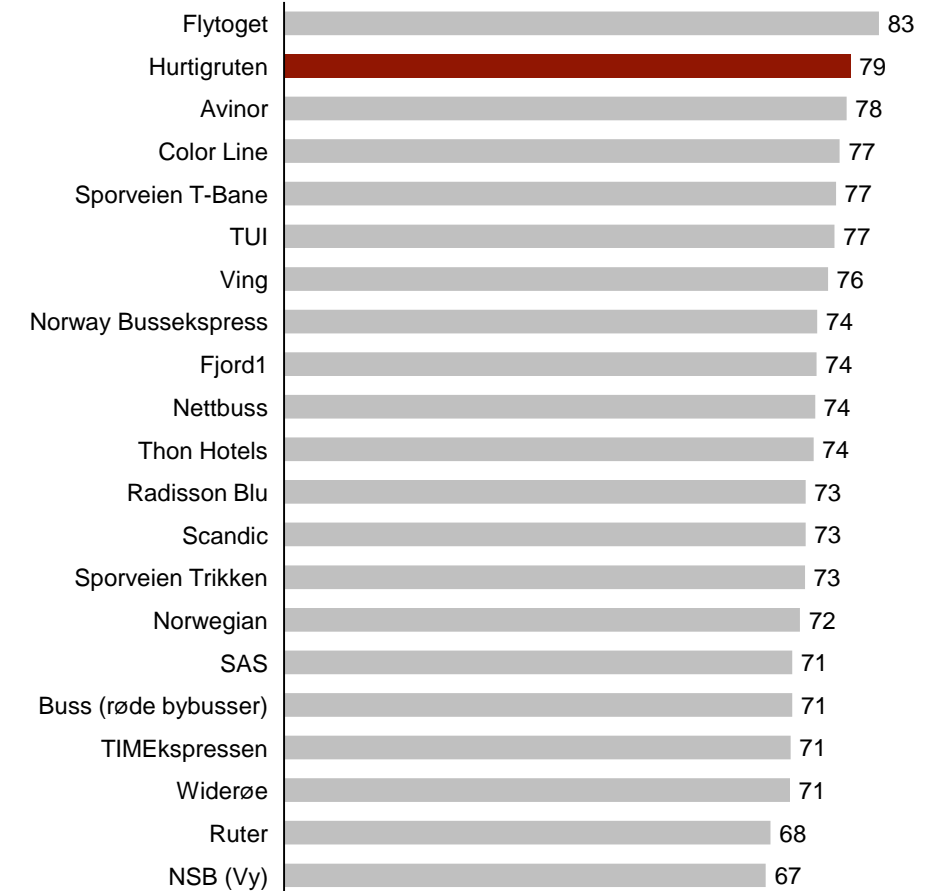
Today (April 15) we would (for the second time) travel with Hurtigruten ship MS Nordnorge. But unfortunately ..... impossible! The MS Nordnorge is stationary in the harbour of Hammerfest.

But, suppose there is no lock down, the journey continues ...  
Yes, let's pretend that life is completely normal .....  
Well now, crew and staff of MS Nordnorge, you do not know yet ..... but we are coming !!!!!

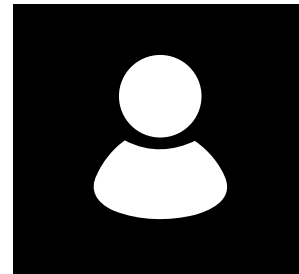
Day 1  
We have just checked in at the ship and now we have some time left to visit the city of Bergen.  
Which of you would go with the MS Nordnorge today?

## NPS score relative to selected other Norwegian businesses

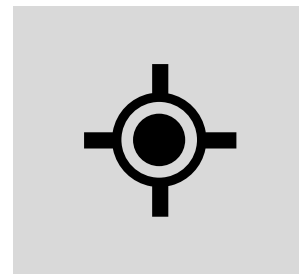
Norsk Kundebarometer (2019)



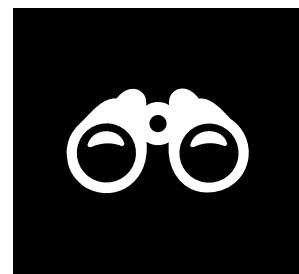
# Our pro-active approach to Covid-19 makes for a robust position as the market recovers



Total of 1,216 survey respondents across 13 sailings during the “COVID-19” affected period, i.e., 13th to 19th March 2020



Average rating of 4.5 (out of 5) on 3 areas: Overall Service Experience, COVID-19 Information, and Guest Repatriation support



Highest rating (ship-level) reflected from MS Roald Amundsen guests – resulting to a 97% NPS score, based on a response rate of 60%

*“We can't adequately express our gratitude to all staff, crew and Hurtigruten. You went far and above to ensure a wonderful trip and to get us home safely. **You have won life long devoted fans.** Thank you.”*

*“Hurtigruten you are the BEST! This was the most memorable cruise for me and I have been on many cruises including 2 Around the World [...] **I appreciate the endless hours you all spent to get us home.** I 🙏🏻💥 you all be safe!”*

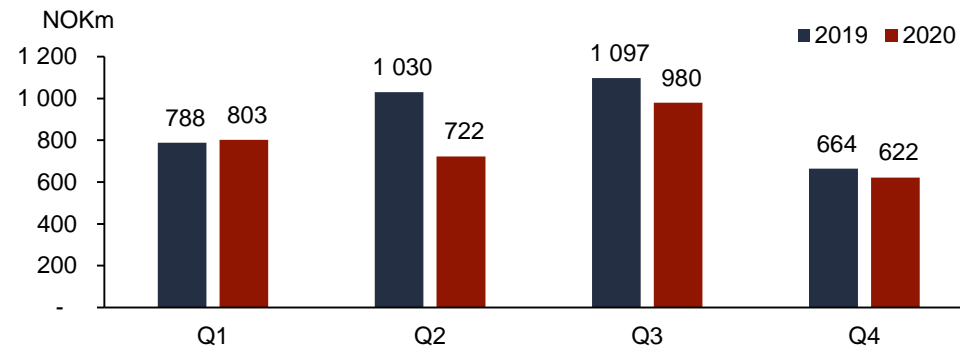
\* Based on a special Covid-19 customer satisfaction survey done towards passengers that had their voyages cut short due to travel restrictions or other challenges like port access etc.

# Negative impact on short term bookings but good momentum of bookings and we see an uptick in next-year bookings especially on Expedition which has a longer booking window

Booking status comparison<sup>1)</sup>

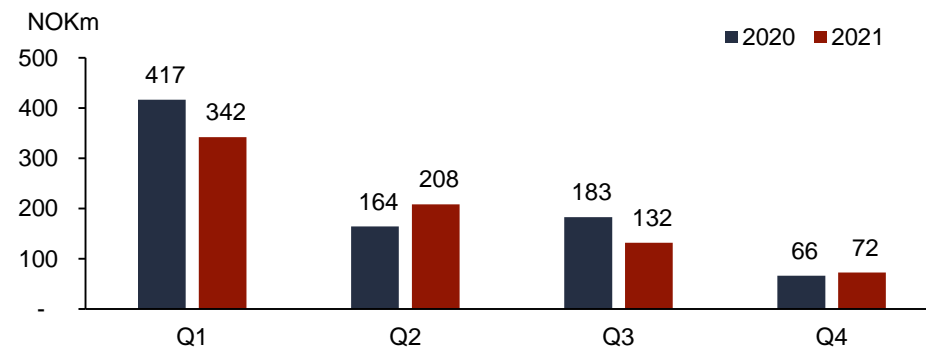
Comments

**Bookings for current year as of 13<sup>th</sup> of April**



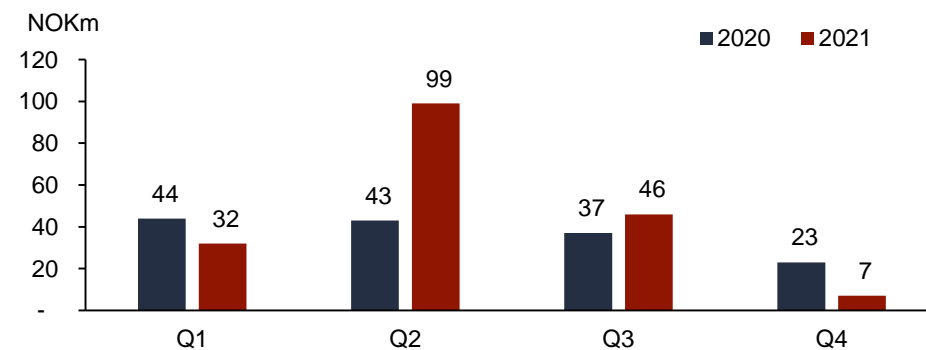
- As of 1<sup>st</sup> of March 2020 we had bookings for 2020 which was close to 80% of our 2020 budget sold with good booking momentum
- Over the last 30 days we have had NOK400m of 2020 bookings who have elected to rebook to 2021 or take a voucher that can be used for future bookings

**Bookings for next year**



- We are experiencing a very good traction for 2021 bookings in spite of the current Covid-19 pandemic
- We see strong demand for sailings in Norway both in the classic Hurtigruten voyage, but also for the Expedition sailings on the Norwegian Coast
- The main booking window for the 2021 season is from August-November 2020

**Booking inflow last thirty days**



- The figure to the left shows the inflow of bookings for 2021 the last 30 days compared to the same time last year for 2020
- Significant inflow of bookings in 2021 driven by rebookings
- Hurtigruten has had NOK 71m in “new bookings” for 2021 since 1<sup>st</sup> of March which shows also that there is interest from new customers as well
- Last 7 days inflow of new bookings in Expedition is 80% of inflow in the same period last year

<sup>1)</sup> NOK booking revenue in constant currency (EURNOK 8.00, USDNOK 6.00, GBPNOK 9.70, DKKNOK 1.15, SEKNOK 0.91)

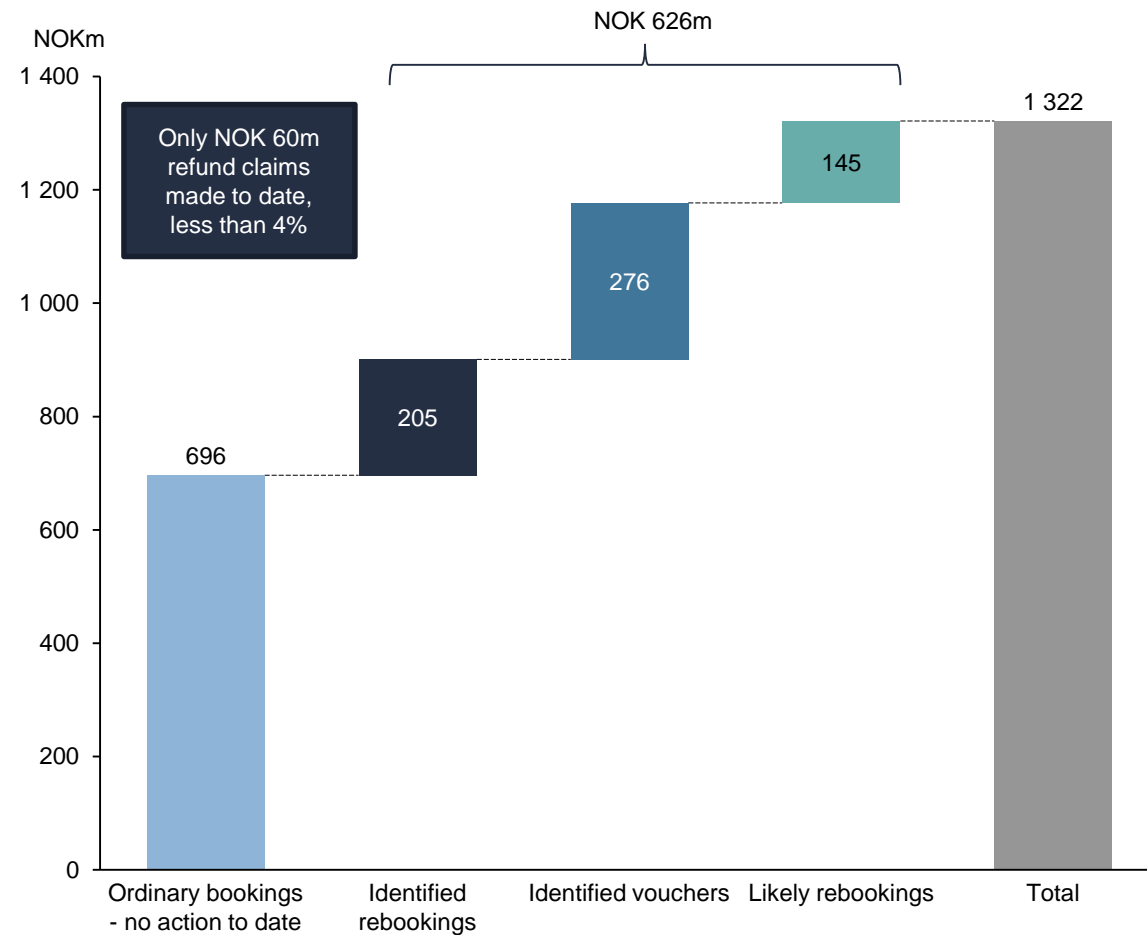
# A company-wide set of proactive measures initiated to improve our liquidity position during the Covid-19 outbreak and to make sure the rebound will occur rapidly



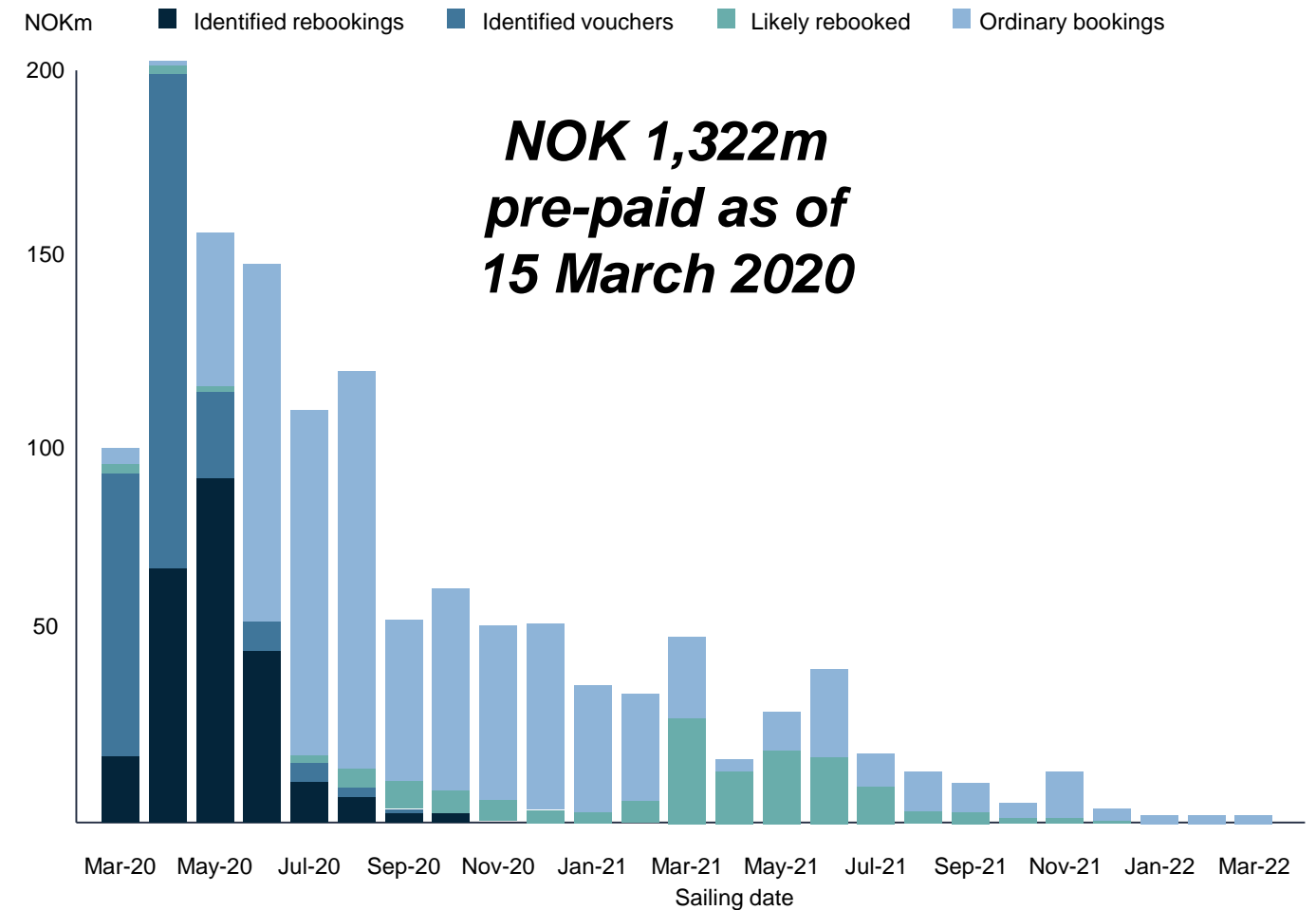
- On 18 March a flexible re-booking policy was initiated to give our passengers comfort to sail with Hurtigruten later in 2020 or 2021
- Important to be able to move as many bookings as possible into 2021 in order to reduce the amount of bookings required to fill 2021 in the main booking window in August-November 2020
- Very positive signs so far with NOK 626m in re-bookings or stated intention to rebook and only approx. NOK 60m refund claims
  
- All non-critical projects are put on hold until further notice, only critical maintenance work on ships is conducted
- Timing of refurbishment of MS Fram, MS Midnatsol/MS Trollfjord postponed indefinitely
- Annual capex reduced, with net remaining capex of NOK 207m in 2020 and NOK 356m in 2021
  
- In order to reduce opex 14 out of 16 ships temporarily warm stacked with only two ships currently operating on the Norwegian coast
- 85% of the crew has been temporary laid off
- Monthly cruise operating expenses including loss on fuel hedges reduced approx. 65% to ~NOK 69m per month
  
- Termination, pausing or renegotiation of consultant contracts
- Pause all non-essential traveling, non-committed marketing spend, centrally and across local markets
- 50% of landbased employees have been temporarily laid off
- Monthly SG&A costs have been reduced by approx. 60% to NOK 35-40m the company is in the current operating state
- Deferral of all bonuses and 20% pay-cut for management team
  
- Changes in Travel Guarantee Scheme expected to enable mandatory vouchers for a period of time making customers re-book rather than offer opportunity of refund claims before 31.12.2021
- Government backed guarantee loans expected to release up to NOK 150m by end of June
- Compensation support expected to release grants in the range of NOK 30-100m (~NOK 90m is our base case)

# Low risk on pre-payments; approx. 90% of customers are rebooking journeys and governmental directives effectively reduces risks of refund claims in the short term

Build-up of existing customer prepayments<sup>1)</sup>



Overview of pre-payments split by future sailings date<sup>1)</sup>



## Comments

- Government policies move customers towards re-booking rather than making refund claims
- Near-term bookings have pre-dominantly taken action and moved to postpone journey
- We expect to see further actions from bookings post June in the coming period

<sup>1)</sup> Shows the deposits received divided into the respective months where the departure date of the cruise



# Government support actions are estimated to bring around NOK 180-280m of additional liquidity during the next 3 months

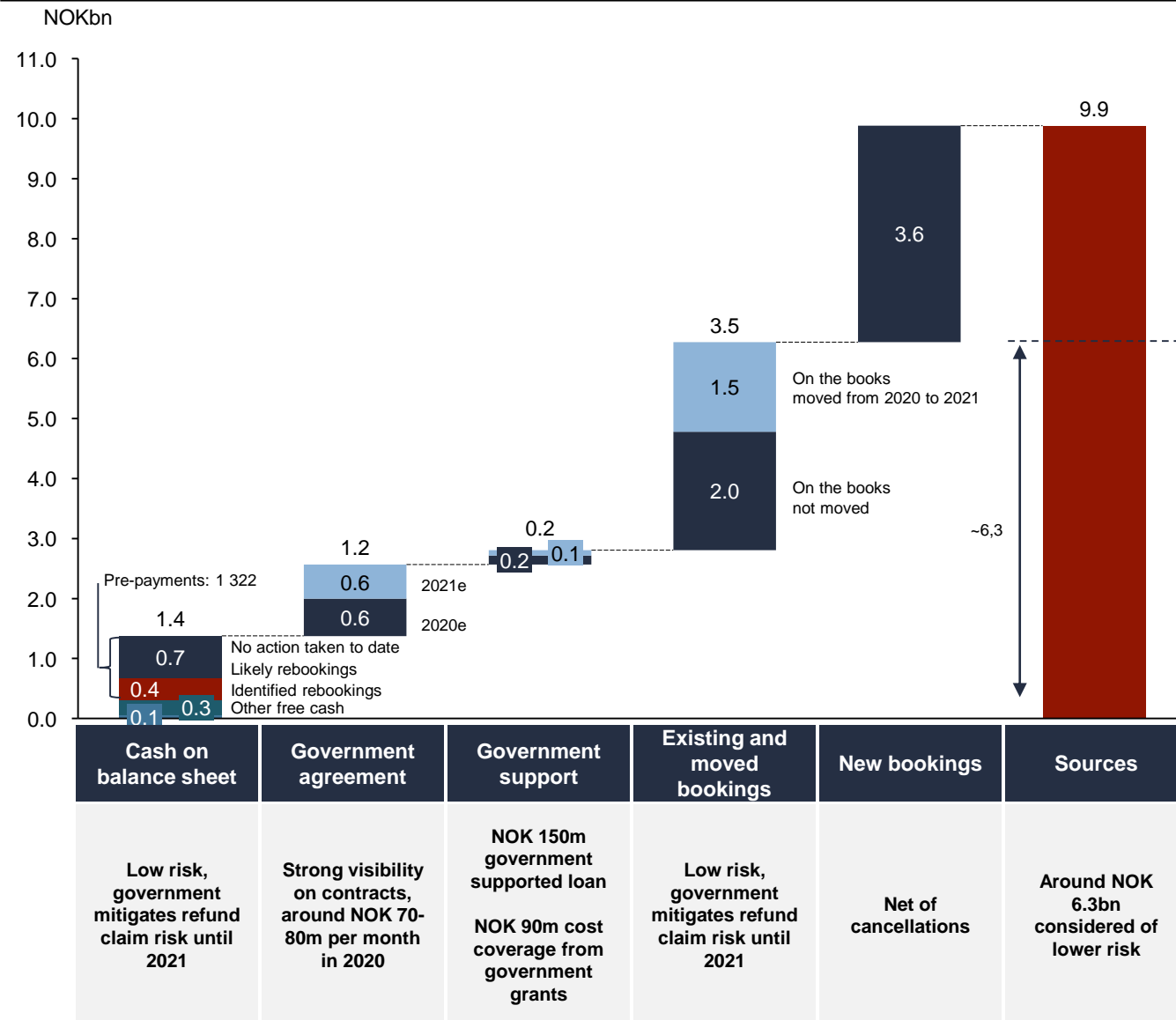
	Description	Potential liquidity impact
<b>Changes in Travel Guarantee Scheme<sup>1</sup></b>	<ul style="list-style-type: none"> <li>The Norwegian Government has passed a law to extend the reimbursement deadline - the length of the time period of 3 months</li> <li>Ongoing political discussions in several European countries with the proposal of giving travel organizers the option to offer customers a credit/voucher and an extended deadline for refunds<sup>1</sup></li> <li>The customers will not lose the right to cash refund</li> </ul>	<ul style="list-style-type: none"> <li>Increased share of customers may take a voucher compared to cash refund</li> <li>France already implemented a law where a voucher is mandatory and refunds cannot be claimed until 31.12.2021</li> </ul>
<b>Guarantee loans</b>	<ul style="list-style-type: none"> <li>The Norwegian government provide a guarantee up to 90% of loans (applicable from 27th of March)</li> </ul>	<ul style="list-style-type: none"> <li>NOK 150m</li> <li>Expected to receive this by end of June</li> </ul>
<b>Compensation support</b>	<ul style="list-style-type: none"> <li>Businesses with &gt;20% revenue reduction in March 2020 compared to March 2019, or 30% revenue reduction between April 2019 and April 2020 will be eligible to get 80% of non-avoidable fixed costs covered. Businesses that have closed due to government actions will be able to get 90% of the non-avoidable fixed costs covered</li> <li>Scheme will be ready for applications on April 17th</li> </ul>	<ul style="list-style-type: none"> <li>NOK 30-100m</li> <li>Expected to receive NOK 90m in support</li> </ul>
<b>Deferral of VAT</b>	<ul style="list-style-type: none"> <li>Rate reduced to 8% from March 20th to April 1st. The applicable rate was 7% from April 1st to October 31st, but is expected reduced to 6% (awaiting formal approvals)</li> <li>First payment date moved from April 14th to June 10th</li> </ul>	<ul style="list-style-type: none"> <li>Minor effect for Hurtigruten</li> </ul>
<b>Reduced payroll tax</b>	<ul style="list-style-type: none"> <li>The rate is reduced with four percentage points</li> <li>The second payment date is moved from May 15th to August 15th</li> </ul>	<ul style="list-style-type: none"> <li>Minor effect for Hurtigruten</li> </ul>
<b>Deferral of tax payments</b>	<ul style="list-style-type: none"> <li>Advance tax payment for 2020 moved from April 15th to September 1st</li> </ul>	<ul style="list-style-type: none"> <li>Minor effect for Hurtigruten</li> </ul>

1) <https://www.dw.com/en/eu-rejects-germanys-call-to-allow-vouchers-over-refunds-for-canceled-trips/a-53268850>

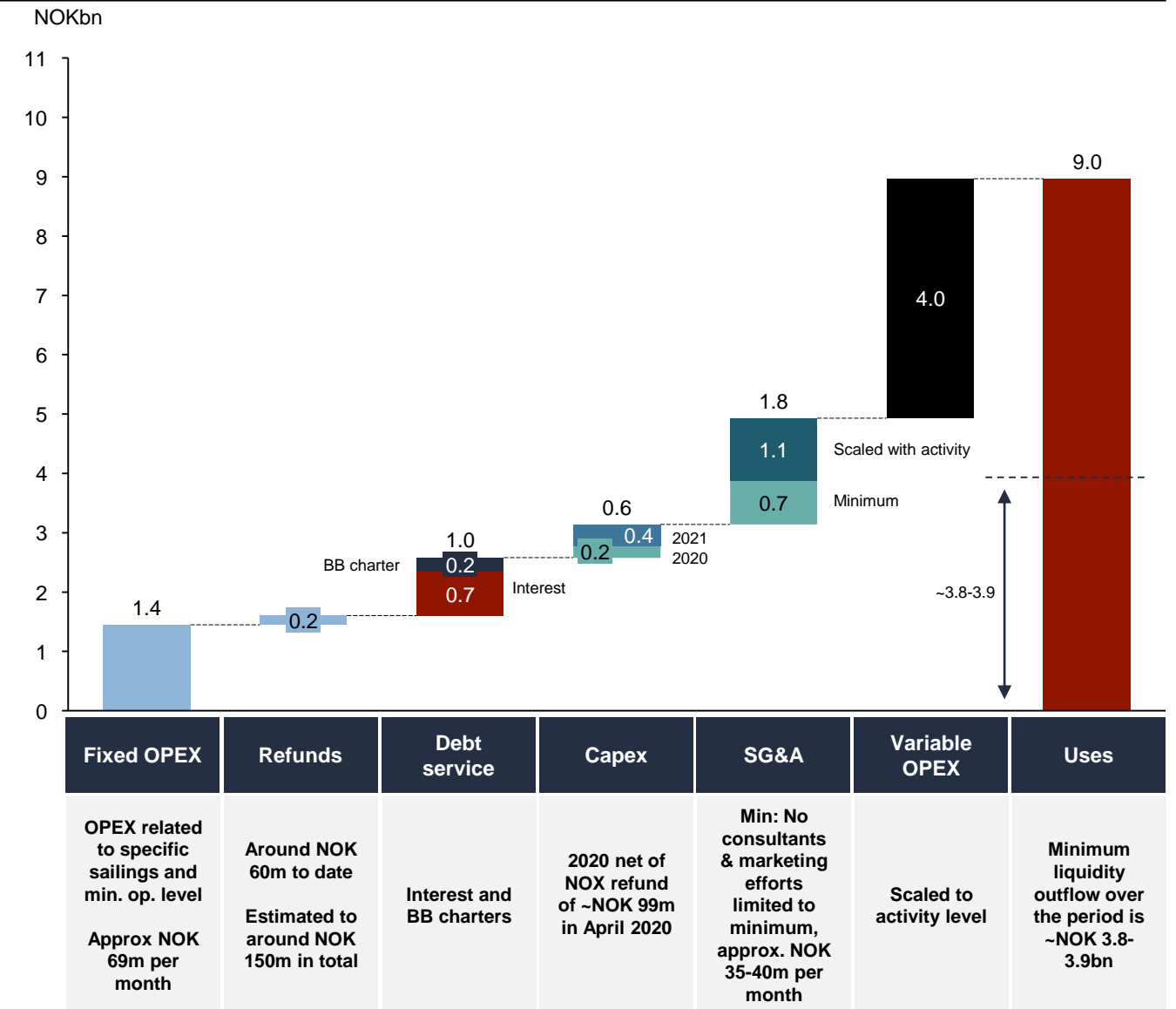
Source on Norwegian Govt support measures: <https://www.nhoreiseliv.no/vi-mener/koronavirus/nyhet/2020/disse-tiltakene-kan-du-soke-om-na/>

# Operating base case estimated to cover our liquidity requirements through 2021

Base case illustrative sources April 2020 until year-end 2021<sup>1)</sup>



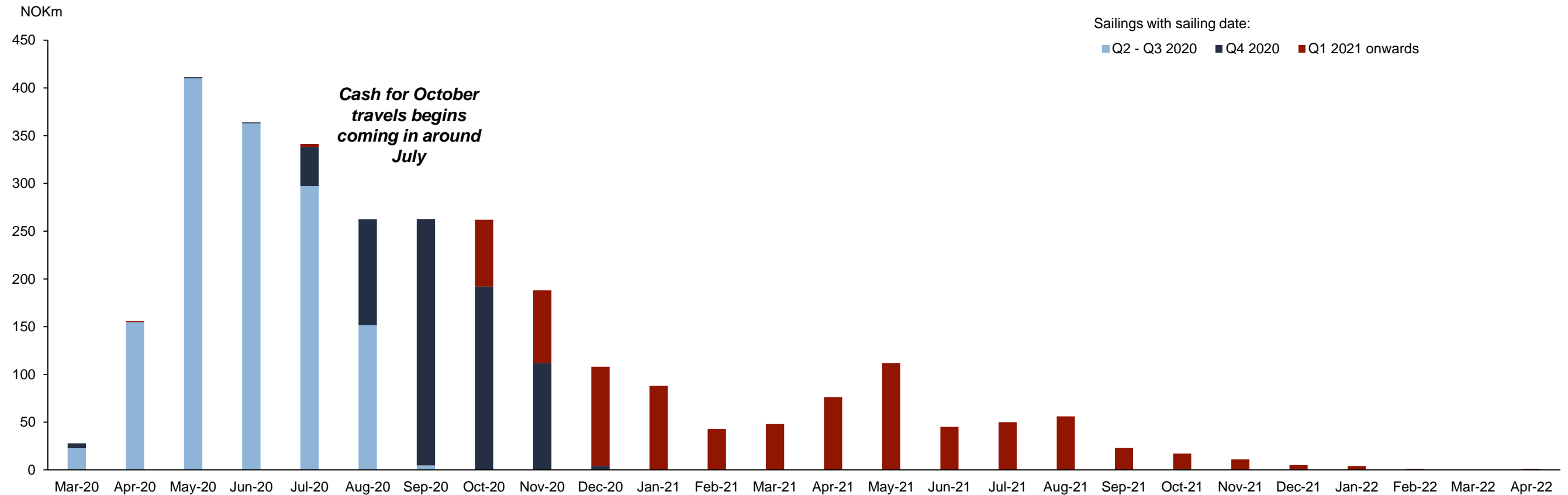
Base case illustrative uses April 2020 until year-end 2021<sup>1)</sup>



1) Working capital development through 2021 expected neutral

# Backlog of installments is a foundation of future cash flows

Approximately NOK 3bn installments due on existing bookings as of 10 April 2020



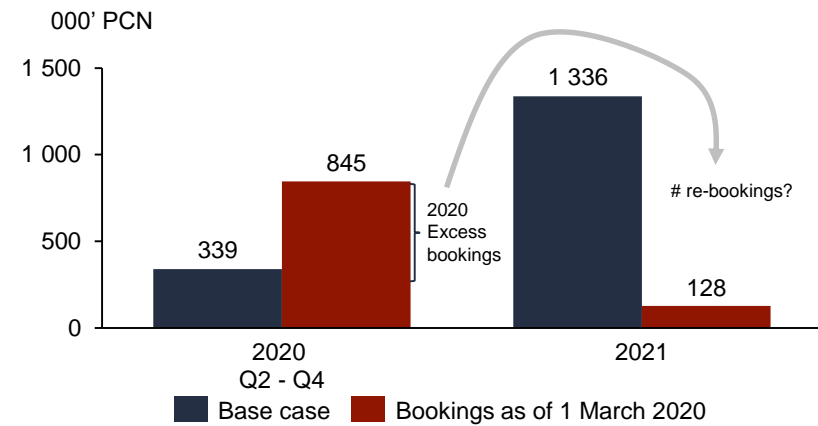
**Re-bookings = shifting cash flow to future rather than reducing cash flows**

**NOK 1,559m installments due on existing bookings for the period Q4 2020 and into 2021**

**Around 80% of journey paid between 30-90 days prior to departure date**

# Good momentum into 2021 even with modest re-bookings and conservative sales rate assumptions

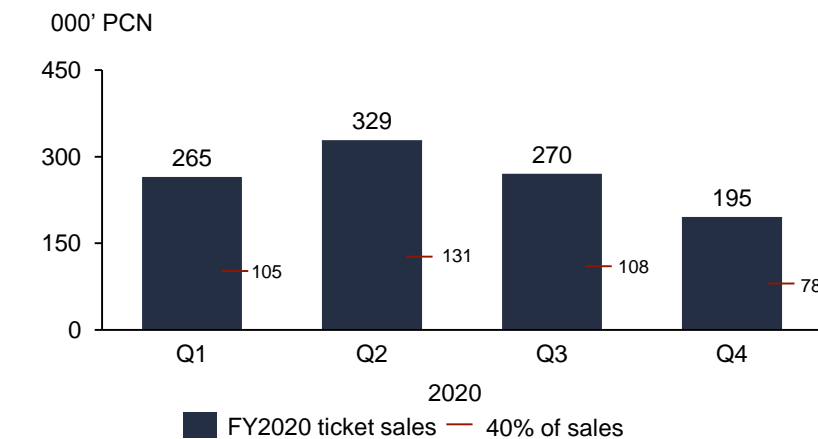
Current bookings relative to our base case



2020 base case covered by existing sales volumes, the key is to get customers to re-book into 2021

70% of excess bookings for 2020 voyages moved to 2021

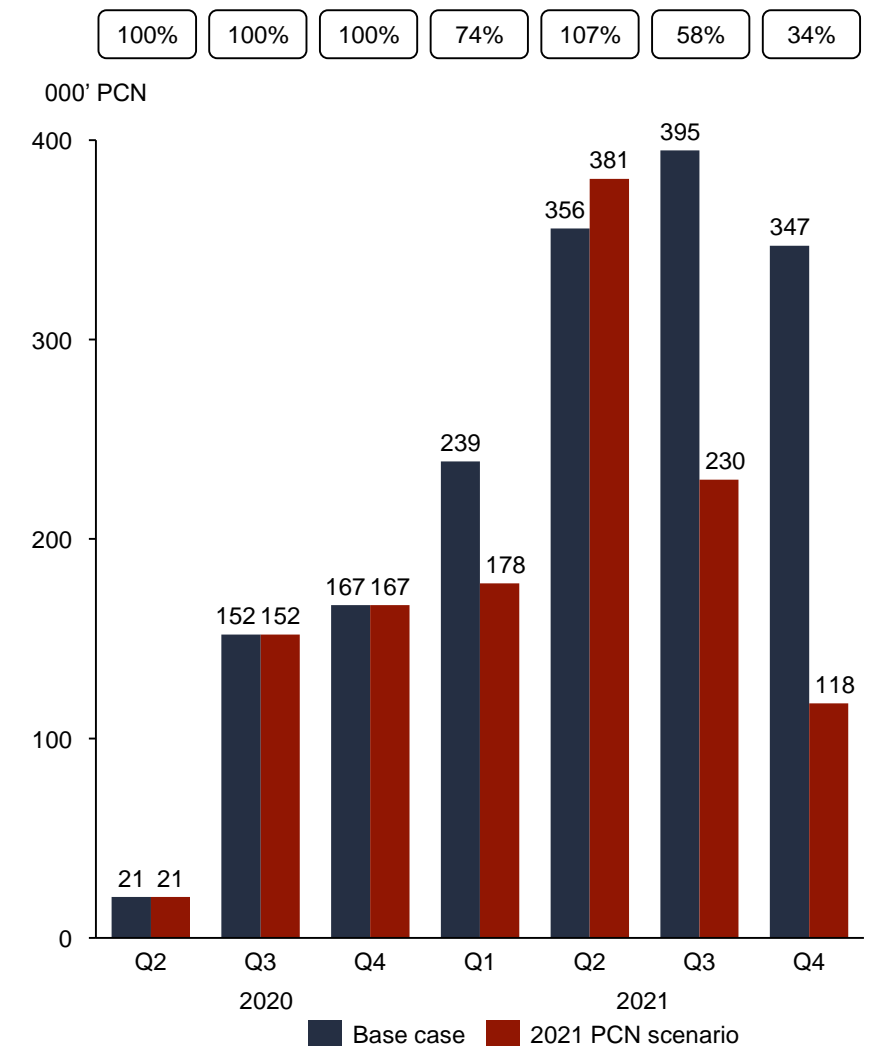
FY2020 ticket sales LTM as of 1<sup>st</sup> of March 2020



Only a limited share of new sales compared to last year required to fill the 2021 base case

Achieve sales rate for 2021 of 40% relative to LTM sales rate for 2020

Base case PCN build-up scenario

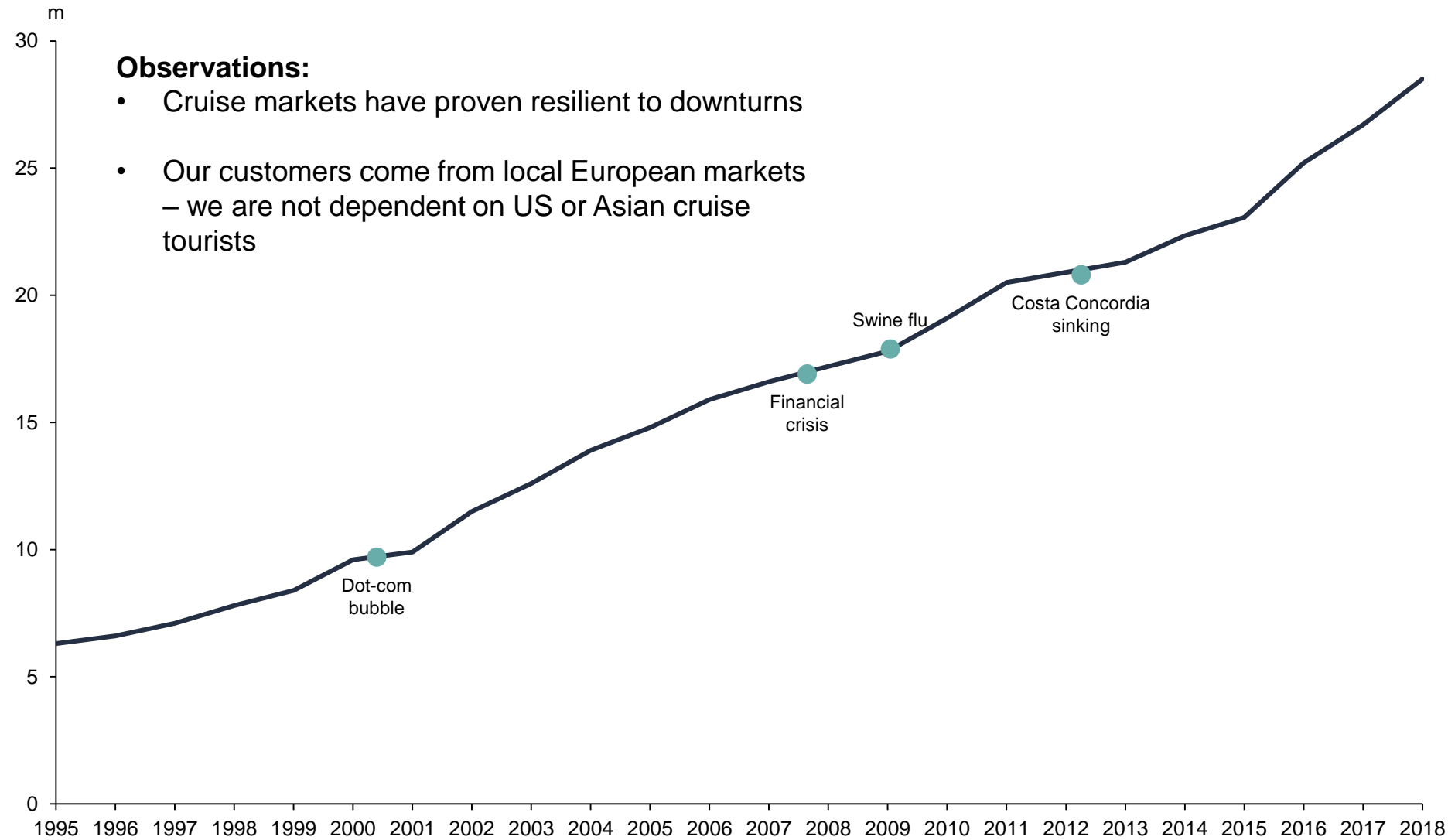


Xx% % share fulfilment of business plan

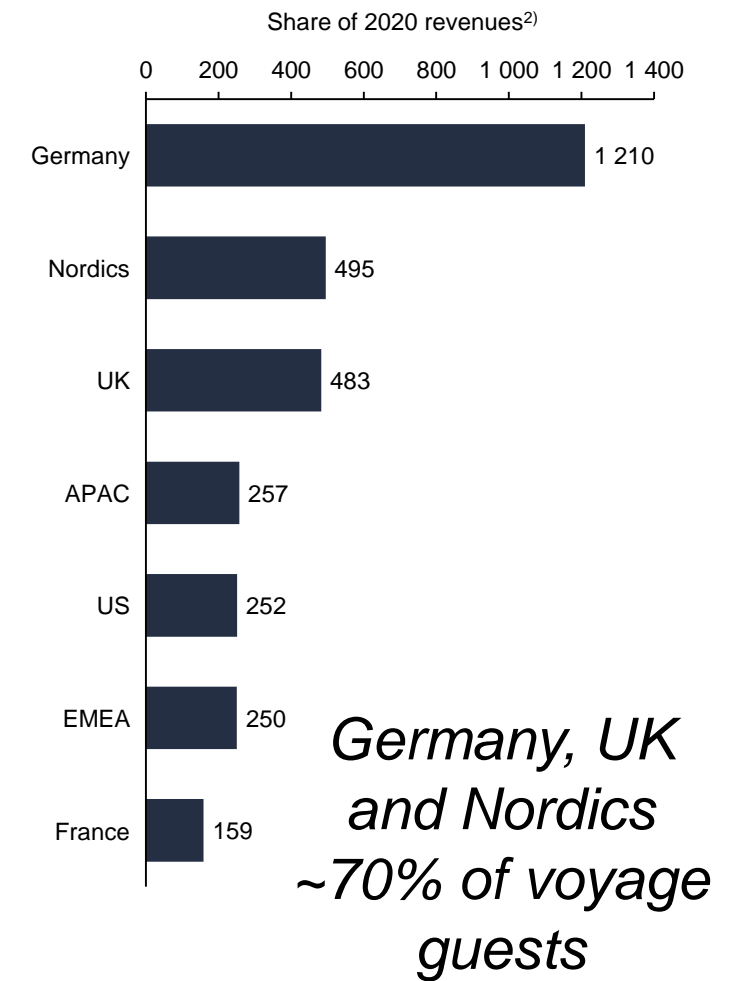


# Resilient cruise markets and favorable passenger mix for less restrictive travel restrictions

Number of global ocean cruise passengers (millions)<sup>1</sup>



Hurtigruten passenger mix



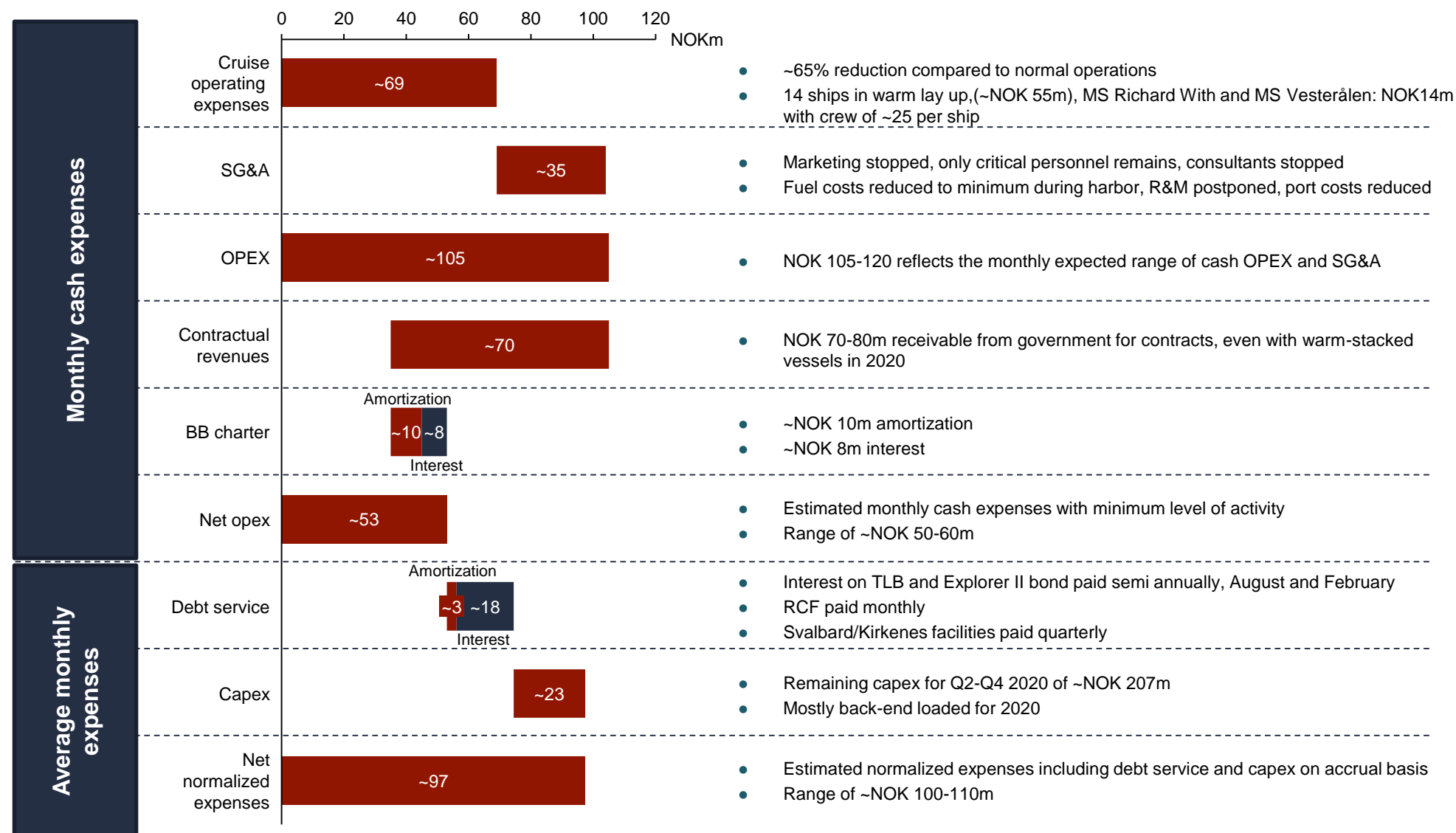
Source: Clarksons Platou Company market study, CLIA 2018 Global Passenger Report, RCCL Annual Report 2018

1) CLIA changed methodology for calculating passenger volume in 2009. Therefore, consistent data for non-CLIA member cruise lines is unavailable prior to 2009. All passenger figures prior to 2009 are calculated by indexing CLIA-reported statistics to 2009 total of 17.8m

2) Nordics include P2P

# Net expenses of ~NOK 100-110m per month and 60m in monthly cash burn pre government support mechanisms based on current operations

Net expenses of ~NOK 100-110m per month following reduction measures

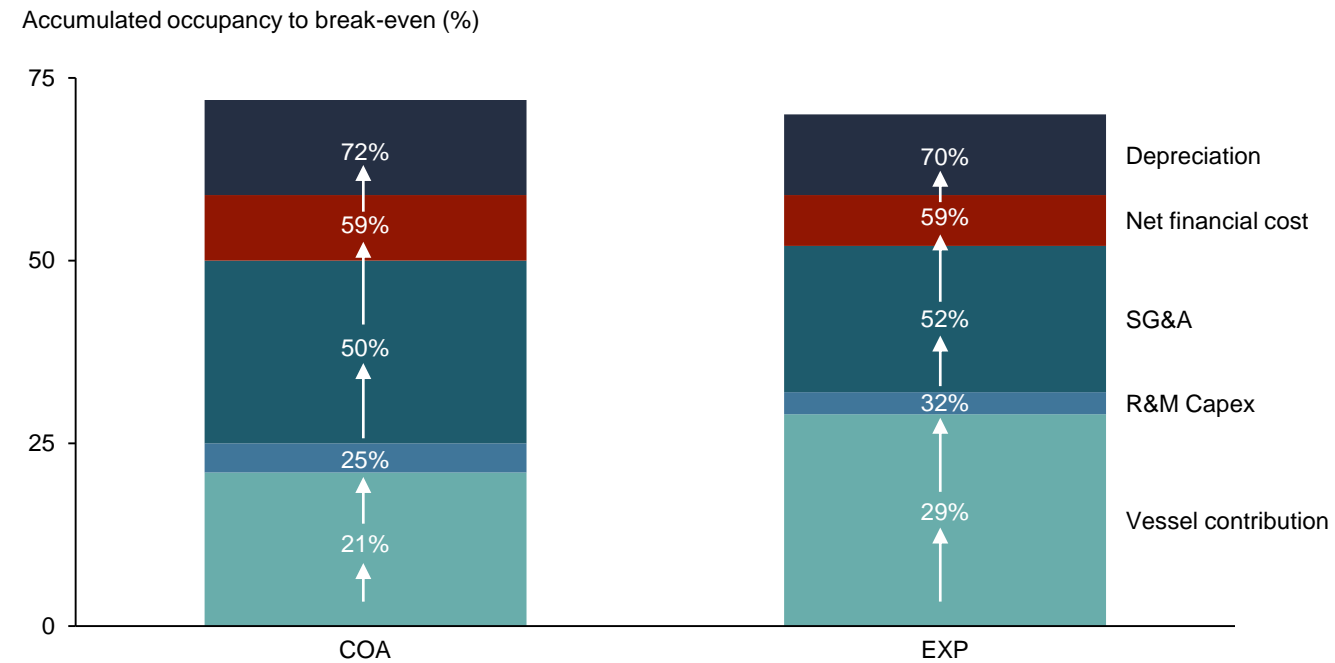


## Comments

- Cost reduction in the range of 65% compared to baseline operations
- With cost reduction measures, Hurtigruten has net monthly expenses of around NOK 100-110m (Accounting)
- Approximately NOK 50-60m monthly cash burn including BB charters, but pre government support measures, working capital changes and semi annual interest payments due in August and February
- This excludes government support measures, expected to amount to around NOK 240m in total, which we expect to add liquidity to the group in the next three months

# Current orderbook supports 2021 cash generation expectation

## Occupancy to break-even per segment

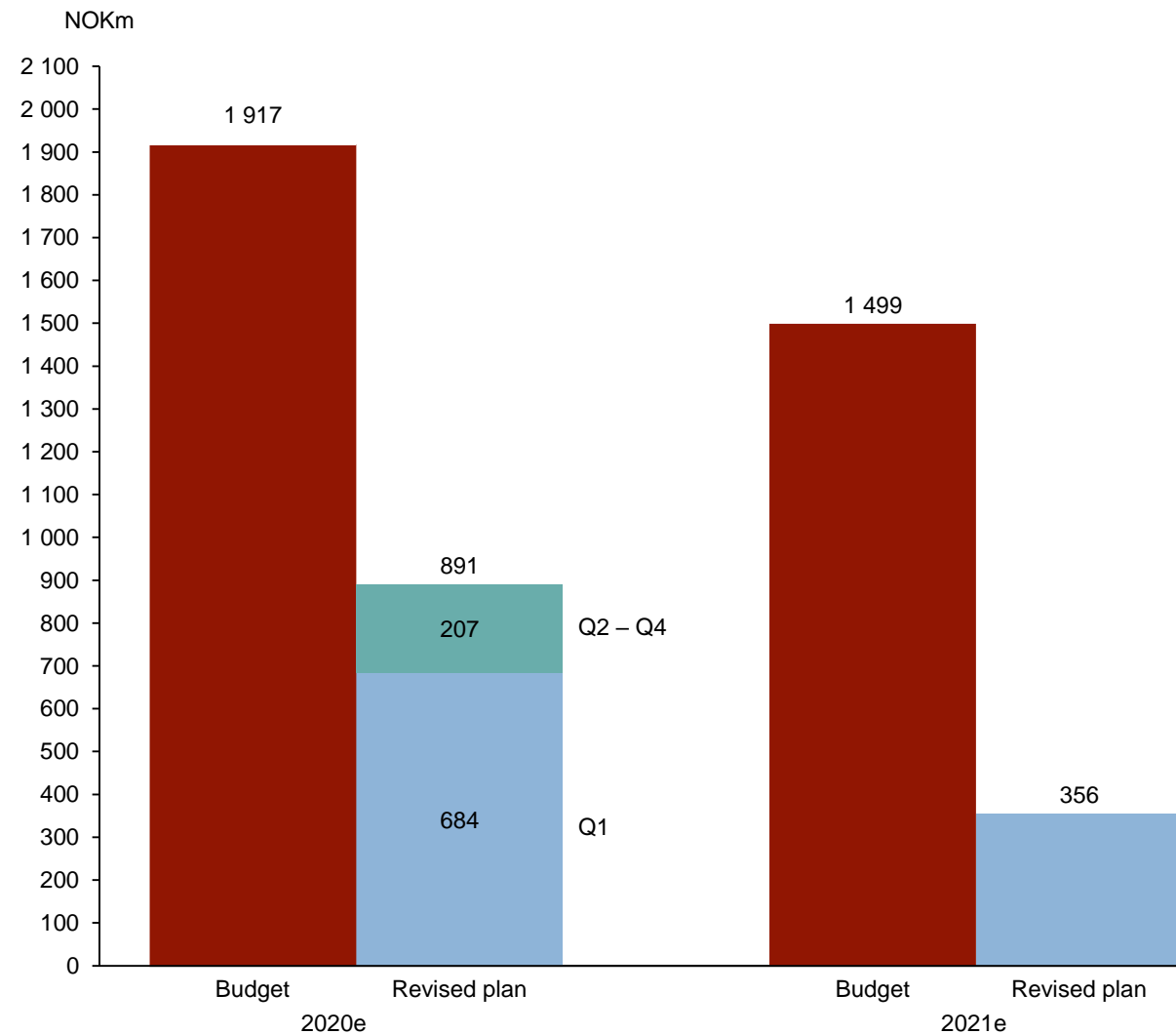


### Break-even analysis

- The table on right hand side show occupancy needed to break even for COA and EXP. Analysis based on Budget 2020 numbers.
- Simplified assumptions for R&M Capex, Depreciation, SG&A and net financial cost. All of these costs reflect the total cost for Hurtigruten Group (including Svalbard). The total cost is distributed to the segments based on number of ships (11 COA and 5 EXP)
  - Net financial cost includes interest cost

# Capex reduction program substantially reducing capex in 2020 and 2021

Capex reductions 2020 and 2021<sup>1)</sup>



## Comments

- Total CAPEX for the period April to December 2020 at NOK 301m and NOK 356m for 2021
  - 2020 year-to-go of NOK 207m includes NOX refund
  
- Major projects planned but postponed or cancelled in 2020 and 2021 due to the Corona situation:
  - Periodic maintenance ships (R&M) set to a minimum in warm stacking period. Assumed increased R&M in 2021 due to catch up effects of postponed R&M
  - MS Richard With, MS Nordlys, MS Nordnorge and MS Nordkapp: LNG conversion project cancelled.
  - MS Fram: Refurb postponed to 2022
  - MS Midnatsol & MS Trollfjord: Refurb postponed to 2022
  
- Intangibles:
  - Business development pot YTG stopped. Budget 2020 full year at NOK 150m
  - Digital development reduced to an absolute minimum. Budget at NOK 160m and NOK 150m for 2020 and 2021 respectively

1) NOK costs and expenditures in constant currency (EURNOK 8.00, USDNOK 6.00, GBPNOK 9.70, DKKNOK 1.15, SEKNOK 0.91)