

# 2020 BULKERS

BOARD OF  
DIRECTORS'  
REPORT

Q4 2022

Results for the Fourth Quarter of 2022

Oslo, Norway, February 8, 2023

2020 Bulkera Ltd. ("2020 Bulkera" or the "Company"), today announced its unaudited financial and operating results for the three and twelve months ended December 31, 2022.

### **Key events during the fourth quarter of 2022**

- The Company reported net profit of US\$6.7 million and EBITDA of US\$12.1 million for the fourth quarter of 2022.
- Achieved average time charter equivalent earnings of approximately US\$25,500 per day, gross.
- The Company declared total cash distributions of US\$0.27 per share for the months of October, November and December 2022.
- In October the Company converted the index-linked charter for Bulk Sandefjord into fixed rate charter at US\$14,392 per day, gross, for the period from October 19, 2022, until March 31, 2023. In addition, the vessel will earn a premium related to the fuel cost savings from the scrubbers of US\$4,500 per day, net, for the same period.
- In December the Company converted the index-linked time charters for Bulk Santiago and Bulk Shenzhen to fixed rate charters for Q1 2023 at a rate of US\$16,500, gross, including scrubber benefit. Following the fixed rate charter period, both time charters have been extended with 8-13 months index-linked charters reflecting a significant premium to a standard Capesize vessel, as well as an additional premium related to the fuel cost saving from the scrubbers.

### **Subsequent Events**

- Achieved average time charter equivalent earnings for January 2023 of approximately US\$16,500, per day, gross.
- In January 2023, the Company entered into index-linked time charters for Bulk Santos and Bulk Sao Paulo with a European charterer. The index-linked charters reflect a significant premium to a standard Capesize vessel, as well as an additional premium related to the fuel cost saving from the scrubbers. The new time charters will commence immediately on redelivery from their current employment, expected between May and August 2023, with a duration up until April 1, 2025 to June 31, 2025.
- In January 2023, the Company entered into a new the time charter for Bulk Sydney with Koch Shipping. Under the new time charter agreement, which will commence on February 19, 2023, the vessel will earn US\$19,000 per day for the first 100 days, thereafter, the charter will convert to a 9-15 month index-linked charter, reflecting a

significant premium to a standard Capesize vessel, as well as an additional premium related to the fuel cost saving from the scrubbers.

- In February 2023, the Company declared a cash distribution of US\$0.01 per share for January 2023

## **Management discussion and analysis**

### *Consolidated Statements of Operations*

#### *Three months ended December 31, 2022*

Operating revenues were US\$18.5 million for the three months ended December 31, 2022 (US\$37.7 million for the three months ended December 31, 2021). The Company achieved an average time charter equivalent rate, gross, of US\$25,500 for the three months ended December 31, 2022, compared to US\$52,900 for the three months ended December 31, 2021. During the three months ended December 31, 2022, the Company have charged Himalaya Shipping US\$0.3 million for management services recognized as Other operating income in the Consolidated Statements of Operations.

Total operating expenses were US\$9.3 million for the three months ended December 31, 2022 (US\$9.2 million for the three months ended December 31, 2021).

Vessel operating expenses were US\$5.0 million and US\$4.8 million for the three months ended December 31, 2022 and 2021, respectively. The increase compared to the three months ended December 31, 2021 is driven by cost increase in spare parts, consumables, insurance and crew wages partly offset by lower Covid-19 related expenses.

Voyage expenses and commission were US\$0.2 million for the three months ended December 31, 2022 (US\$0.6 million for the three months ended December 31, 2021). The decrease compared to the three months ended December 31, 2021 is due to lower commission on the lower charter hire earned.

General and administrative expenses were US\$1.2 million for the three months ended December 31, 2022 (US\$0.9 million for the three months ended December 31, 2021). The increase compared to the three months ended December 31, 2021, is primarily due to approximately US\$0.3 million in share option expense.

Depreciation and amortization were US\$2.9 million for the three months ended December 31, 2022 and 2021.

Total financial expenses, net, were US\$2.4 million for the three months ended December 31, 2022 (US\$2.2 million for the three months ended December 31, 2021). The increase compared to the three months ended December 31, 2021 is primarily due to higher LIBOR interest on the Ocean Yield sale leaseback financing partly offset by the reduction in margin of 40bps on the Term Loan Facility.

### *Twelve months ended December 31, 2022*

Operating revenues were US\$77.3 million for the twelve months ended December 31, 2022 (US\$115.9 million for the twelve months ended December 31, 2021). The decrease compared to the twelve months ended December 31, 2021 is due to lower time charter equivalent earnings.

Total operating expenses were US\$35.8 million for the twelve months ended December 31, 2022 (US\$35.5 million for the twelve months ended December 31, 2021).

Vessel operating expenses were US\$18.6 million and US\$17.7 million for the twelve months ended December 31, 2022 and 2021, respectively. The increase compared to the twelve months ended December 31, 2021 is driven by cost increase in spare parts, consumables, insurance and crew wages. Vessel operating expenses include an estimated US\$0.5 million and US\$1.4 million in Covid-19 related expenses for the twelve months ended December 31, 2022 and December 31, 2021, respectively.

Voyage expenses and commission were US\$1.1 million for the twelve months ended December 31, 2022 (US\$2.8 million for the twelve months ended December 31, 2021). The decrease compared to the twelve months ended December 31, 2021 is due to lower commission on lower charter hire as well as the voyage contract expenses for Bulk Shenzhen incurred from January to April in 2021.

General and administrative expenses were US\$4.4 million for the twelve months ended December 31, 2022 (US\$3.3 million for the twelve months ended December 31, 2021). The increase compared to the twelve months ended December 31, 2021, is primarily due to approximately US\$0.4 million in fees in connection with the transfer of the vessels from subsidiaries domiciled in Liberia to Norwegian limited liability subsidiaries as well as US\$0.7 million in share option expense.

Depreciation and amortization were US\$11.7 million for the twelve months ended December 31, 2022 and 2021.

Total financial expenses, net, were US\$9.5 million for the twelve months ended December 31, 2022 (US\$9.6 million for the twelve months ended December 31, 2021). Please see analysis for the fourth quarter of 2022 which is also valid for the twelve months ended December 31, 2022.

### *Consolidated Balance Sheets*

The Company had total assets of US\$379.8 million as of December 31, 2022, (December 31, 2021: US\$390.6 million).

Total shareholders' equity was US\$155.9 million and US\$151.7 million as of December 31, 2022 and December 31, 2021, respectively.

Total liabilities as of December 31, 2022, were US\$223.9 million (December 31, 2021: US\$238.9 million). The decrease is primarily due to scheduled repayments on the Company's long term debt.

## *Consolidated Statements of Cash Flows*

### *Three months ended December 31, 2022*

Net cash provided by operating activities was US\$10.0 million for the three months ended December 31, 2022 (US\$26.8 million for the three months ended December 31, 2021). The decrease compared to the three months ended December 31, 2021, is due to lower earnings.

Net cash used in investing activities was US\$nil for the three months periods ended December 31, 2022 and 2021.

Net cash used in financing activities was US\$9.0 million during the three months ended December 31, 2022 (US\$31.2 million used in financing activities during the three months ended December 31, 2021). The Company repaid US\$3.7 million of long-term debt as well as paying US\$5.3 million of cash distributions during the three months ended December 31, 2022. The Company repaid US\$2.9 million of long-term debt and paid US\$27.4 million of cash distributions during the three months ended December 31, 2021.

### *Twelve months ended December 31, 2022*

Net cash provided by operating activities was US\$42.3 million for the twelve months ended December 31, 2022 (US\$83.5 million for the twelve months ended December 31, 2021). The decrease compared to the twelve months ended December 31, 2021 is due to lower earnings.

Net cash used in investing activities was US\$nil for the twelve months ended December 31, 2022 and 2021.

Net cash used in financing activities was US\$50.7 million during the twelve months ended December 31, 2022 (US\$79.4 million used in financing activities during the twelve months ended December 31, 2021). The Company repaid US\$14.8 million of long-term debt and paid US\$35.9 million of cash distributions during the twelve months ended December 31, 2022. The Company repaid US\$14.0 million of long-term debt and paid US\$64.9 million of cash distributions and dividends during the twelve months ended December 31, 2021.

## **Corporate Developments and Financing**

The Board is pleased that the Company has remained profitable for each quarter following delivery of the first vessel in the third quarter of 2019.

The Board remains focused on returning the majority of operational free cash flow after debt service back to shareholders on a monthly basis. The Company has as of today declared dividends or cash distributions for 31 consecutive months. Following the cash distribution for January, the Company will have returned approximately 78% of the paid-in equity to shareholders.

The Company has a solid funding situation with a cash position of approximately US\$14.6 million as of February 6, 2023.

Cash breakeven for the fleet, which includes expected general and administrative expenses, operating costs (including estimated US\$300 per ship per day in Covid-19 related costs) and debt service is estimated at approximately US\$15,800 per vessel per day.

The Company has as of February 6, 2023, around US\$207 million of net debt, corresponding to approximately US\$26 million per vessel. Based on the amortization profile of the debt and sale leaseback financing, debt will be repaid by approximately US\$15 million per year, corresponding to an annual average debt reduction of US\$1.85 million per vessel.

### **Commercial update**

In the fourth quarter of 2022 the Company achieved average time charter equivalent earnings of approximately US\$25,500 per day, gross. The Company's vessels trading on index-linked time charter earned approximately US\$22,600 per day, gross, including average daily scrubber benefits of approximately US\$2,700 per day. The Company's vessels trading on fixed time charter earned approximately US\$28,800 per day, gross, including average daily scrubber benefits of approximately US\$4,800 per day.

The Baltic 5TC Capesize Index averaged US\$14,906 per day in Q4 2022.

The Company achieved average time charter equivalent earnings for January 2023 of approximately US\$16,500, per day, gross. The Baltic 5TC Capesize Index has averaged US\$9,065 per day in the same period.

### **Chartering update**

2020 Bulkers has commercially outperformed the Baltic 5TC index for 38 out of 42 months since delivery of its first vessel. Currently, 2020 Bulkers has four vessels trading on index-linked time charters. Bulk Shenzhen and Bulk Santiago are trading on fixed time charters until March 31, 2023, at US\$16,500. Bulk Sandefjord and Bulk Sao Paulo are trading on fixed time charters until March 31, 2023, at US\$14,392, plus net scrubber benefits of US\$4,500 per day and US\$16,146, plus scrubber benefits, respectively. The Bulk Sydney is trading on an index linked charter with scrubber benefits, where a period for 100 days from 19 February is fixed at US\$19,000 per day. All the concluded charters represent a significant earnings premium to a standard Capesize vessel driven by the additional cargo intake and lower fuel consumption. Charterers are also paying a premium to reflect the economic benefit of our vessels' scrubbers.

As a function of the above mentioned fixed contract coverage, the Company has covered 50% of its available days in Q1, up until 18 February, at an expected TCE of US\$17,000 per day, gross, and 62.5% of its remaining days from 19 February until the end of the first quarter at an expected rate of US\$17,400, gross.

For 2023, the Company has 2,458 operating days linked to the development in the Capesize spot market. The structure of our index-linked contracts allows the Company to convert these

charters to fixed rates on the basis of the prevailing FFA market from time to time, should we wish to increase our level of fixed charter coverage.

The current chartering status is summarized in the table below:

<b>Ship name</b>	<b>Delivery</b>	<b>Charterer</b>	<b>Rate US\$</b>	<b>Charter expiry</b>
Bulk Sandefjord	Aug-19	Koch	14,392 + 4,500 scrubber benefit to 31 Mar 2023, Index linked + premium + scrubber benefit	Aug 23
Bulk Santiago	Sep-19	Koch	16,500 to March 31, 2023, Index linked + premium + scrubber benefit	Aug 23 – Feb 24
Bulk Seoul	Oct-19	Koch	Index linked + premium + scrubber benefit	Dec 22 – Mar 23
Bulk Shanghai	Nov-19	Koch	Index linked + premium + scrubber benefit	Sep 22 – Mar 23
Bulk Shenzhen	Jan-20	Koch	16,500 to March 31, 2023, Index linked + premium + scrubber benefit	Aug 23 – Feb 24
Bulk Sydney	Jan-20	Koch	Index linked + premium + scrubber benefit, 19,000 from 19 Feb – 30 May 2023	Feb 24 – Aug 24
Bulk Sao Paulo	Jun-20	Glencore	16,146 + scrubber benefit to 31 Mar 2023, Index linked + premium + scrubber benefit	May – Jul 23
		European charterer	Index linked + premium + scrubber benefit	Apr 25 – Jun 25
Bulk Santos	Jun-20	Glencore	Index linked + premium + scrubber benefit	May – Jul 23
		European charterer	Index linked + premium + scrubber benefit	Apr 25 – Jun 25

## Market commentary

The Baltic 5TC Capesize index today stands at US\$3,677 having averaged US\$8,035 year to date, down from US\$12,351 during the same period in 2022.

The Capesize market was unseasonally weak during the second half of 2022, relative to the first half of 2022, mainly as a consequence of a sharp reduction in fleet inefficiencies and port congestion. According to Clarksons, the percentage of the Capesize fleet sitting in port dropped to 25% during the third quarter from a peak of 34% during the second quarter of 2022. The current congestion levels are in line with the average levels seen between 2016 and 2020.

Overall ton-miles sailed on Capesize vessels were up approximately 2.2%, in 2022, relative to 2021. This was mainly driven by a 30% increase in ton-miles for bauxite. For iron ore, ton-miles were down 1.6%, negatively impacted by a 2.8% drop in Brazilian export volumes, while Australian export volumes were up 1.8 % year over year. For the coal trade, ton-miles were up 2% compared to 2021.

Global crude steel production, ex China, was down 7% in 2022, compared to 2021, while Chinese steel production fell 2% compared to 2021.

Chinese iron ore imports were down 2% in 2022, compared to 2021. Imports picked up towards the end of 2022, with imports in the second half of 2022 increasing 1.3% year over year. Chinese iron ore port inventories currently stand at 125 million tons, compared to 140 million tons a year ago.

Mobility data suggests that activity in China is rebounding following the end of the zero-Covid policy. China has implemented a number of measures to support its economy, such as increasing and bringing forward quotas for issuance of local government special infrastructure bonds, which may lead to an increase in infrastructure and manufacturing fixed asset investments. Real estate fixed asset investments declined year over year in 2022, leading Chinese government to implement stimulus measures such as significantly boosting PBOC pledged supplemental lending and lowering first time buyer mortgage rates.

Growth in vessel supply will be moderate in the coming years with expected Capesize deliveries of 12.4 million dwt 2023, dropping further to 6.5 million dwt in 2024 and 3.1 million dwt in 2025. As a consequence of the high ordering of container vessels, Chinese yards are believed to have very limited capacity for ordering of large drybulk vessels before 2026, giving good visibility for limited supply growth in the coming years. New ordering is expected to remain subdued due to lack of financing available from traditional lenders, as well as technological uncertainties as it relates to the optimal propulsion systems to meet the shipping industry's ambitions for de-carbonization. During 2022, 19 Capesize vessels, totaling 3.2 million dwt were scrapped, down from 3.4 million dwt in 2021.

Upside risks to the future development in the Capesize market from current levels, relate to an increase in steel production in China following the end of the zero-covid policy, as well as a stabilization in the Chinese real estate sector following China's recent stimulus efforts.



Key downside risks to the Capesize market include a continued economic slowdown, which could be driven by rising interest rates, tighter monetary conditions due to inflationary pressure, as well as heightened geopolitical tensions.

### **Capesize fleet development**

The global Capesize fleet stands at 385 million dwt as of February 1, 2023, up from 379 million dwt in February, 2022.

The current orderbook for Capesize dry bulk vessels currently stands at 5.96% of the existing fleet, down from 7.13% in February 2022.

7.2 million dwt was ordered in 2022, compared to 17.6 million dwt ordered in 2021.

3.2 million dwt was scrapped in 2022, compared to 3.4 million dwt in 2021.

### **Impact of Covid-19**

Immigration restrictions and quarantine measures related to Covid-19, continue to create challenges for crew changes on regular intervals, also incurring some additional cost.

From an operational perspective, port congestion and other inefficiencies have normalized, with the share of the Capesize fleet in port now back to pre-Covid levels.

The Company recorded approximately 11 hours of off-hire in the fourth quarter due to vessels deviating from their optimal route in conjunction with crew changes. We expect to continue to incur higher than normal operating expenses as well as some off-hire related to crew changes for as long as Covid-19 continues to have an impact.

We continue to work closely with our technical managers to protect the safety and well-being of our crews while minimizing potential off-hire related to crew changes.

The Board continues to thank the dedicated seafarers aboard our vessels, many of whom continue to have their terms of service onboard extended due to logistical difficulties.

### **Impact of the war in Ukraine**

2020 Bulk carriers utilize a variety of nationalities in the crew mix, amongst others a limited number of highly valued Ukrainian top officers. The Russian invasion of Ukraine has created challenges for the rotation of the affected nationals. The Company is working hard to maintain first class operational standards, whilst taking care of the human perspective involved.

The main commodity transported on Newcastlemax vessels is iron ore, of which, only approximately 1.5% has historically been exported as seaborne trade out of Ukraine or Russia. As such, any direct impact on iron ore trade flows are minor.

## **Outlook**

2020 Bulkera has a robust financial structure with moderate financial leverage and a solid cash position. Our operating cash breakeven, which is estimated at approximately US\$15,800 per vessel per day for the remainder of 2023, is lower than the current FFA curve for the balance of 2023, which implies earnings of approximately US\$25,000 per day for a scrubber fitted Newcastlemax.

The Company will continue its strong capital discipline, and will remain focused on returning the majority of free cash flow to shareholders as monthly cash distributions.

## **Invitation to webcast and conference call Q4 2022 results**

2020 Bulkera Ltd. will release its financial results for the fourth quarter of 2022 on Wednesday, February 8, 2023. A conference call and webcast will be held at 3:00 PM CET. The earnings report and presentation will be available from the Investor Relations section on [www.2020bulkera.com](http://www.2020bulkera.com) on the same day.

In order to listen to the presentation, you may do one of the following:

Listen-only webcast (including the slide presentation):

[https://channel.royalcast.com/landingpage/hegnarmedia/20230208\\_9/](https://channel.royalcast.com/landingpage/hegnarmedia/20230208_9/) or you can click the "Webcast" link on [www.2020bulkera.com/investor-relations/](http://www.2020bulkera.com/investor-relations/)

Telephone conference

Participants dial-in numbers:

PIN Code for all countries: 172292

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There will be a Q&A session after the presentation.

## **Forward-Looking Statements**

This announcement includes forward looking statements. Forward looking statements are, typically, statements that do not reflect historical facts and may be identified by words such as "anticipate", "believe", "continue", "estimate", "expect", "intends", "may", "should", "will" and similar expressions. The forward-looking statements in this announcement are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although 2020 Bulkera Ltd. believes that these assumptions are reasonable, they are, by their

nature, uncertain and subject to significant known and unknown risks, contingencies and other factors which are difficult or impossible to predict and which are beyond our control. Such risks, uncertainties, contingencies and other factors could cause actual events to differ materially from the expectations expressed or implied by the forward-looking statements included herein.

The information, opinions and forward-looking statements contained in this announcement speak only as of the date hereof and are subject to change without notice.

**About 2020 Bulkera Ltd.**

2020 Bulkera Ltd. is a limited liability company incorporated in Bermuda on 26 September 2017. The Company's shares are traded on Oslo Børs under the ticker "2020".

2020 Bulkera is an owner and operator of large dry bulk vessels. The Company has eight Newcastlemax dry bulk vessels in operation.

February 8, 2023

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