2020 BULKERS

2020 Bulkers Ltd.

Third Quarter 2019 Results

7 November, 2019

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Highlights

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Key events during the third quarter of 2019:

- First quarterly net profit of US$0.8 million with 65 operational ship days
- Delivery of two Newcastlemax from New Times Shipyard. Both vessels commenced their respective timecharters with Koch Industries upon departing the yard
- Achieved average time charter equivalent earnings of US$37 800 per day, compared to US$31 400 per day average for the Baltic 5TC Capesize Index since delivery of the first vessel

Subsequent events:

- Declared first monthly dividend of US$0.055 per share. Majority of free cash flow after debt service to be paid as monthly dividends going forward
- Entered into two new index-linked timecharters with ST Shipping, a 100% owned subsidiary of Glencore
- Entered into a sale and leaseback arrangement for two vessels, releasing approximately US$21 million of cash.
- Delivery of two Newcastlemax from New Times Shipyard. Both vessels commenced their respective timecharters with Koch Industries and ST Shipping/Glencore upon departing the yard

Key Financials Q3 2019

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Income Statement

USD million	Q3 2019
Operating Revenues	**2,2**
Vessel operating expenses	(0,3)
G&A	(1,0)
Depreciation	(0,1)
Total operating expenses	(1,4)
Operating Profit	0,8
Total financial expenses (net)	-
Net Profit	0,8
Earnings per share (USD/share)	0,03

Comments

- First positive net profit of US$0.8 millon for Q3, 2019
- Earnings per share US$0.03
- Operating revenues of US$2.2 million
- “Bulk Sandefjord” and “Bulk Santiago” commencing their first time charter contracts in August and September, 2019, respectively.
- 65 operational ship days for the quarter, which will increase to 736 days per quarter once the full fleet is delivered
- G&A relate to salaries, professional fees, a non-cash share option cost of US$0.3 million and one-off costs of US$0.3 million relating to listing of the company’s shares on the Oslo Axess.

Key Financials Q3 2019

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Balance Sheet Summary

USD million	September 30, 2019
Total assets	204,9
Equity	139,6
Cash and cash equivalents	4,4
Interest bearing debt	64,3

Comments

- Equity ratio of 68%
- Interest bearing debt of US$64.3 million and reflects debt financing of the delivery instalments for Bulk Sandefjord and Bulk Santiago
- Strong liquidity position with US$22.5 million of cash on the balance sheet as of November 7, 2019 following the completion of the sale and lease back transactions with Ocean Yield. The current cash balance reflects repayment of sellers credit from the yard of US$4,3 million originally scheduled for repayment in August and September 2020.
- Remaining yard instalments are covered by committed bank financing of $30 million per vessel

Dividends / Capital Allocation

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- Declared first monthly dividend of US$0.055 per share payable in November.
- Dividend capacity is expected to increase significantly as the remaining newbuildings deliver. Q3 2019 had only 65 operational days, fully delivered the Company will have 2,920 operational days per year
- Target going forward is a monthly dividend of the majority of free cash flow after debt service. Cash breakeven after debt service for 2020 is estimated at US$14 150 per day
- Assuming the current Baltic Capesize Index of US$22 200 per day and HFFO/LSFO fuel spreads of US$250 per ton, the Company would generate free cash flow after debt service per share of US$1,8 (NOK 16,5) in 2020 and US$2,3 (NOK 21,5) in 2021)
- The Company has no current plans to build the fleet, but will stay focused on returning the maximum capital to shareholders through dividend payments

Company overview

Our business model

- *Invest at attractive entry point*
- *The right assets - 8 Scrubber fitted Newcastlemax with proven premium vs Capesize*
- *Low cost corporate structure*
- *Attractive financing / moderate leverage => low cash breakeven*
- *Free cash flow to be paid as monthly dividends*
- *Stop investing as asset values and risk increases*
- *Full alignment of interest as founders & management are largest shareholders*

Our ships earn a significant premium to a standard Capesize

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High Performing assets delivering into a strong market

15% Larger cargo intake vs. standard Capesize[1)]

+

20% Lower fuel consumption than standard Capesize[1)]

+

35% Fuel saving vs. non-scrubber fitted Newcastlemax[2)]

- **Proven premium vs. standard Capesize[1)] based on 6 concluded fixtures with 1st class counterparts**
- **Average index-linked earnings of ~$ 30,000[3)] per day based on today's spot market, before taking into account scrubber economics which will apply from Jan 1st 2020**

Name	Built/Delivery	Charter terms	Charterer
Bulk Sandefjord	August, 2019	3 years index-linked timecharter with share of scrubber profit	Koch Supply & Trading
Bulk Santiago	September, 2019	12-15 months timecharter @ usd 19,525 per day	Koch Supply & Trading
Bulk Seoul	October, 2019	12-16 months timecharter @ usd 22,250 per day	Koch Supply & Trading
Bulk Shanghai	November, 2019	11-13 months index-linked timecharter with share of scrubber profit	ST Shipping (Glencore)
Bulk Shenzen	January, 2020	11-13 months index-linked timecharter with share of scrubber profit	ST Shipping (Glencore)
Bulk Sydney	January, 2020	3 years index-linked timecharter with share of scrubber profit	Koch Supply & Trading
Bulk Sao Paulo	April, 2020		
Bulk Santos	May, 2020		

7,25 ship years on the water in 2020

(1) Baltic Exchange Capesize reference vessel
(2) Based on current 2020 Swaps for HFO vs LSFO Singapore
(3) Gross TCE rate based on Baltic 5TC index on 6 Nov, 2019

Our low breakeven gives downside protection and dividend potential

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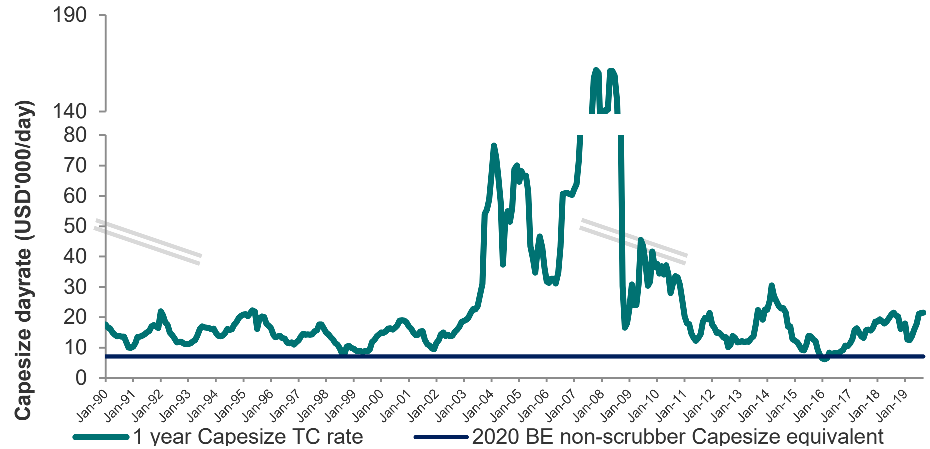
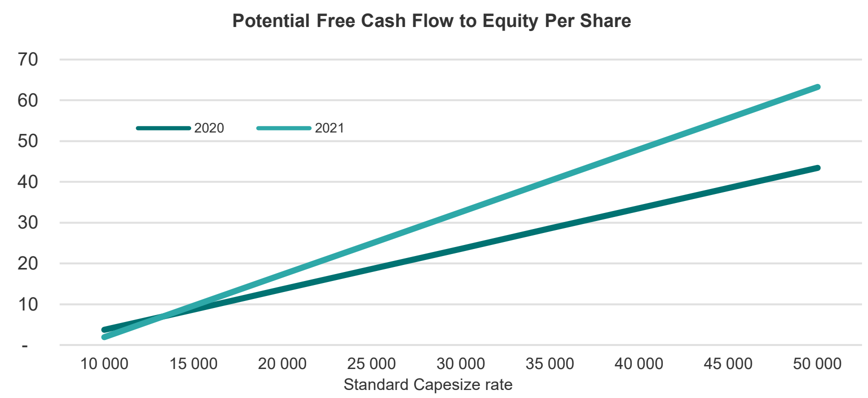
Our cash breakeven of $14,150/day is covered with standard Capesize rates at $7,145 - giving good downside protection

Standard Capesize rate	"	7 145
38% Newcastlemax Premium (last done in the market)	"	2 715
75% of scrubber benefit at USD 245 per ton LSFO vs HFO	"	5 035
- 5% commission	"	(745)
- Newcastlemax premium (38% vs Baltic type Capesize)	"	3 122
Newcastlemax earnings with Capesize rate of USD 7 145 /day		**14 150**



Our significant leverage to freight rates and fuel spreads gives good dividend potential

	2020	2021	2022
Ship operating days	2 644	2 920	2 920
Spot/index linked days	1 968	2 920	2 920
Cash breakeven (USD/ship/day)	14 335	15 016	14 957
Cash breakeven for spot/index ships (USD/ship/day	12 453	15 016	14 957
Sensitivities cash flow per share (USD)			
Standard capesize rates +/- USD 1000 per day	0,11	0,17	0,17
HFO/LSFO spread +/- USD 50/ton	0,12	0,18	0,18



Source: Clarksons Research Services Limited
Calculations: Company

Market summary

Limited supply growth on the horizon

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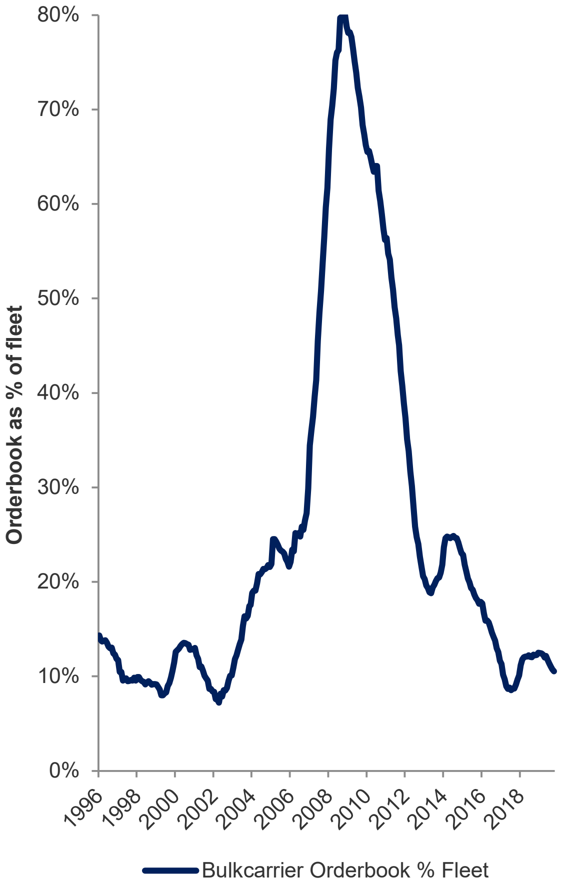
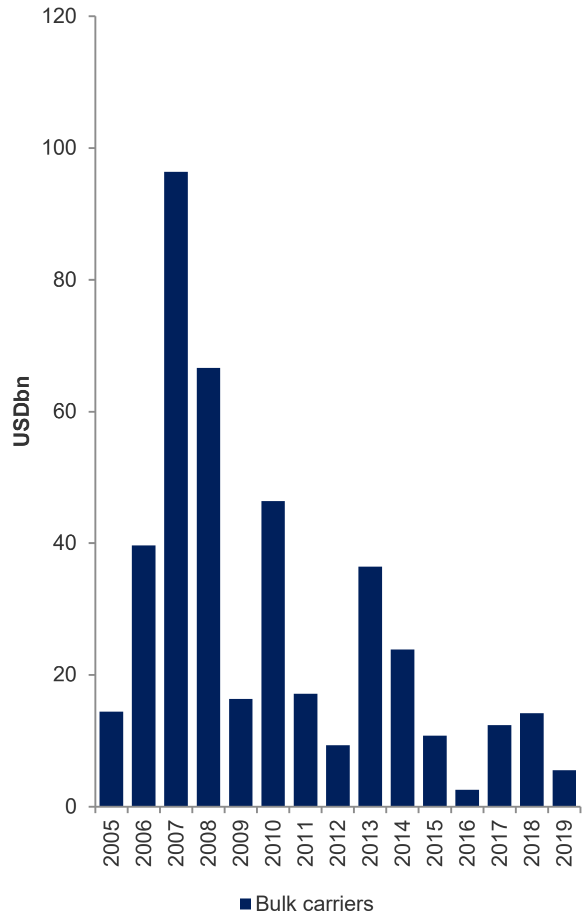
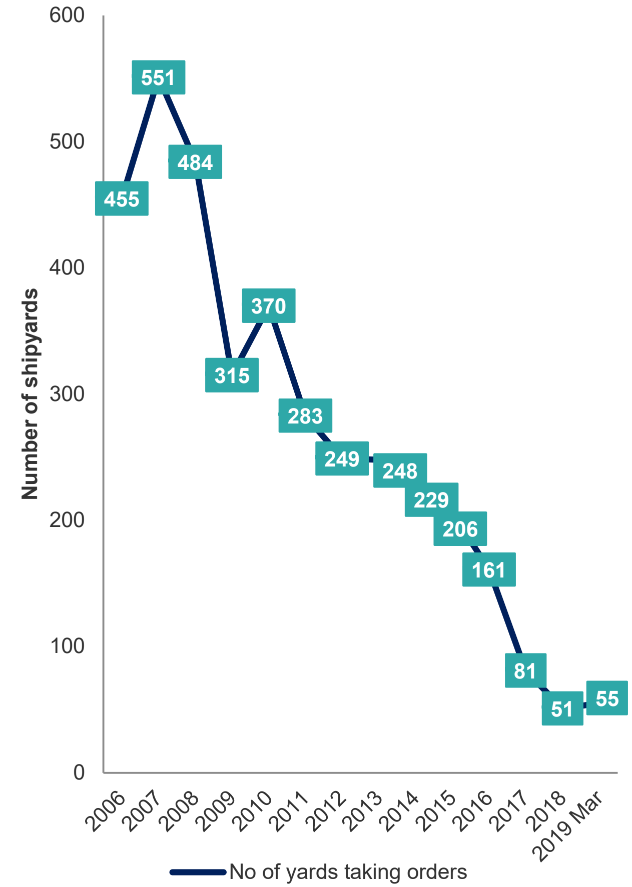
Dry bulk orderbook as % of fleet



Dry bulk Newbuild contracts(1)



Number of active shipyards(2)



(1) For vessels larger than 20,000 dwt
(2) With at least one order larger than 1,000 GT on order, includes merchant and ship-shaped offshore vessels
Source: Clarkson Research Services Limited

Trade growth for key commodities traded by Capesize and Newcastlemax has been strong and relatively stable historically

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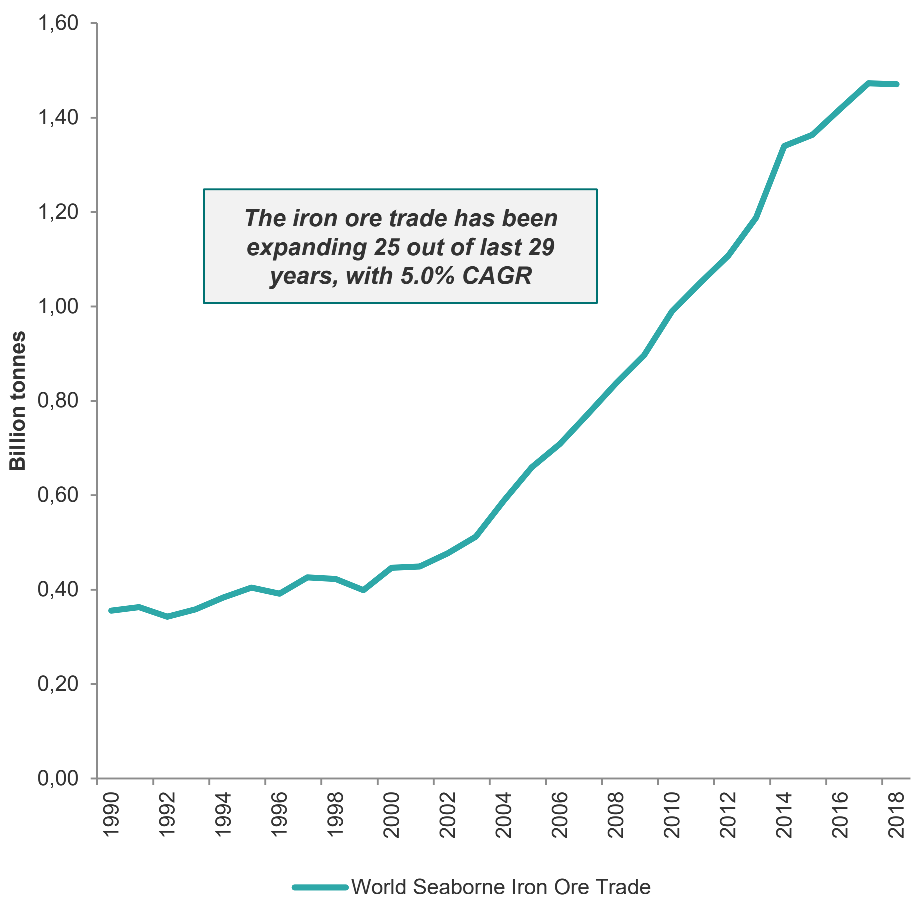
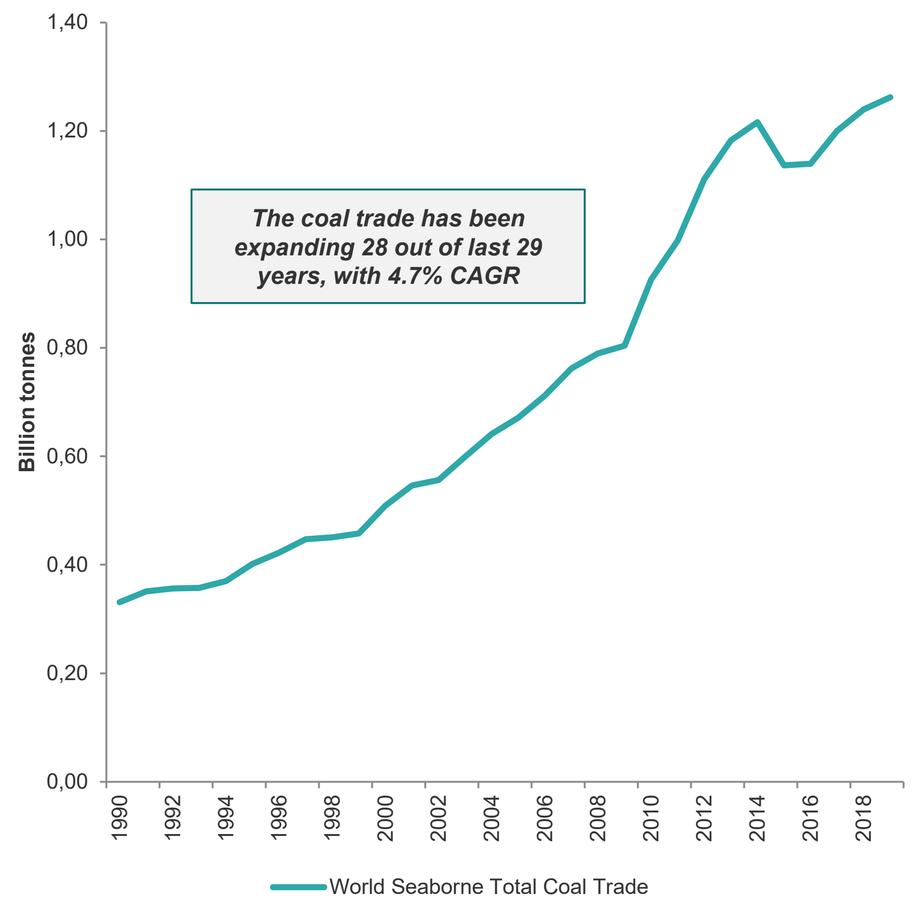
World seaborne iron ore trade (28.2% of dry bulk trade in 2018)



World seaborne coal trade (23.8% of dry bulk trade in 2018)

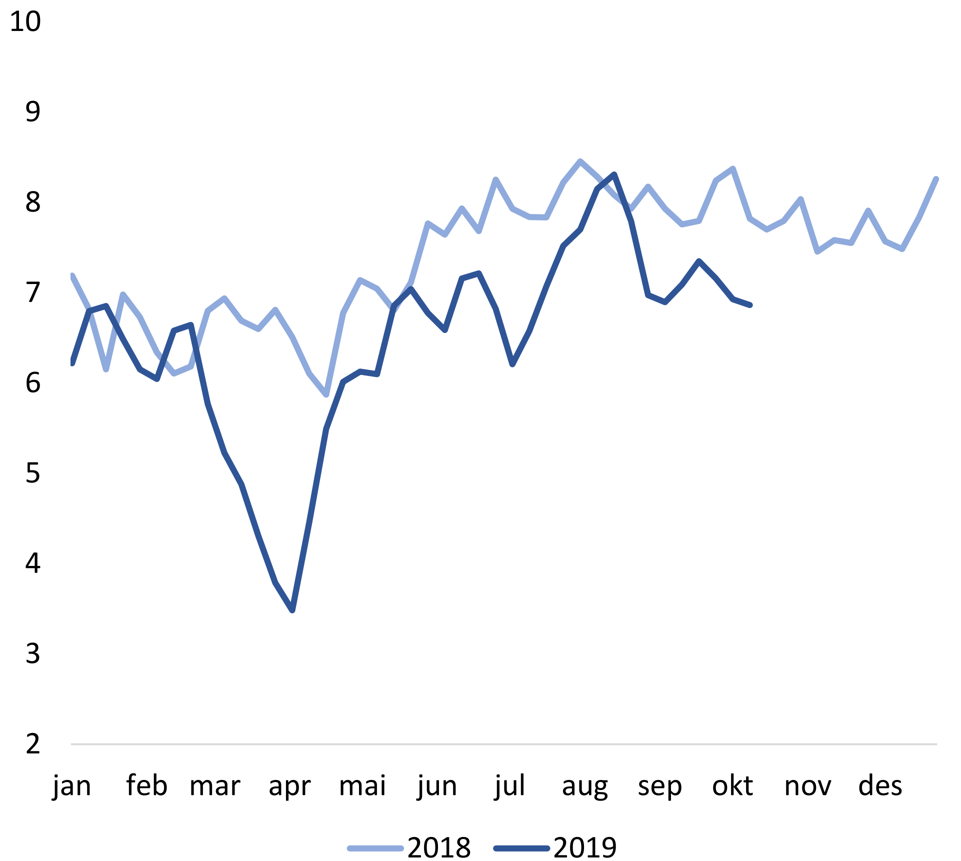


Source: Clarkson Research Services Limited (SIN)

Iron ore shipments are recovering after 1H disruptions

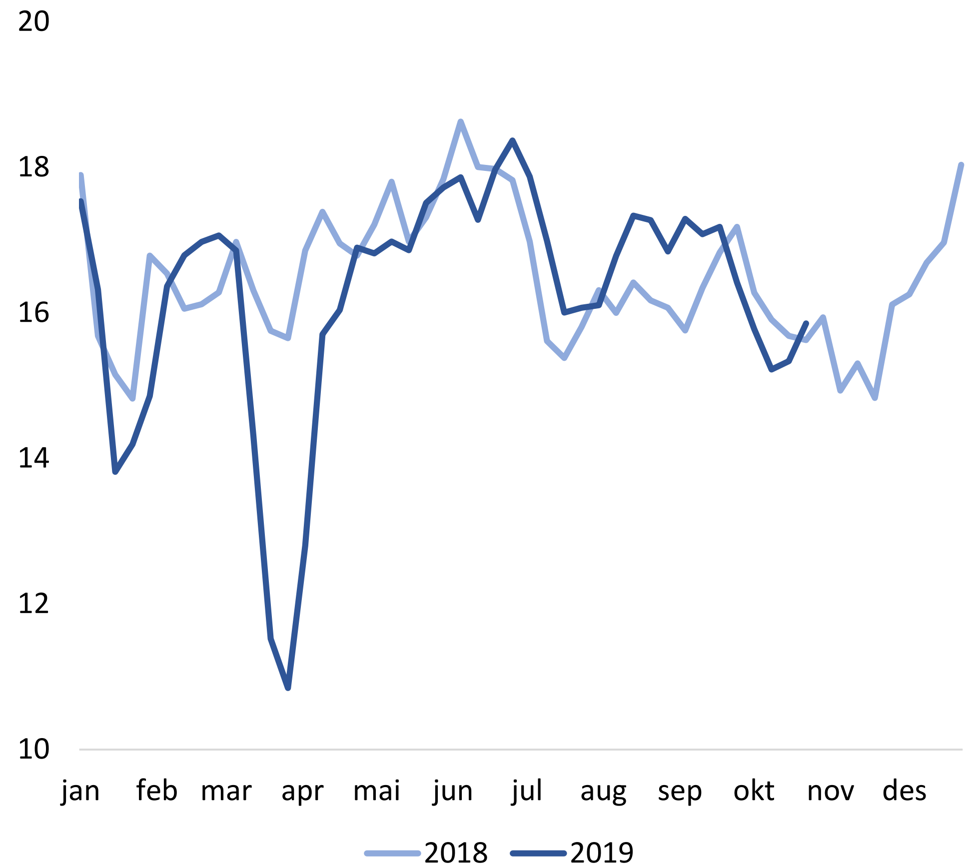
Brazilian iron ore shipments

Million tonnes, 3-week moving average



Australian iron ore shipments

Million tonnes, 3-week moving average



Source: Arrow Shipbroking Group

China will eventually need to restock iron ore inventories

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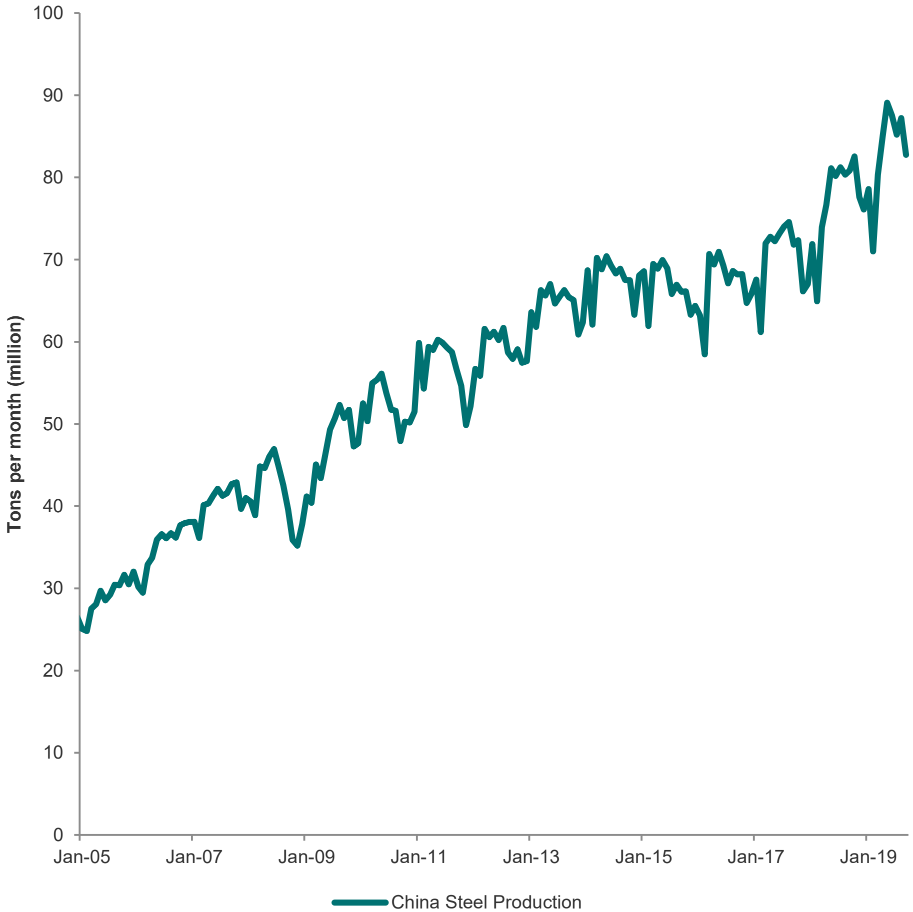
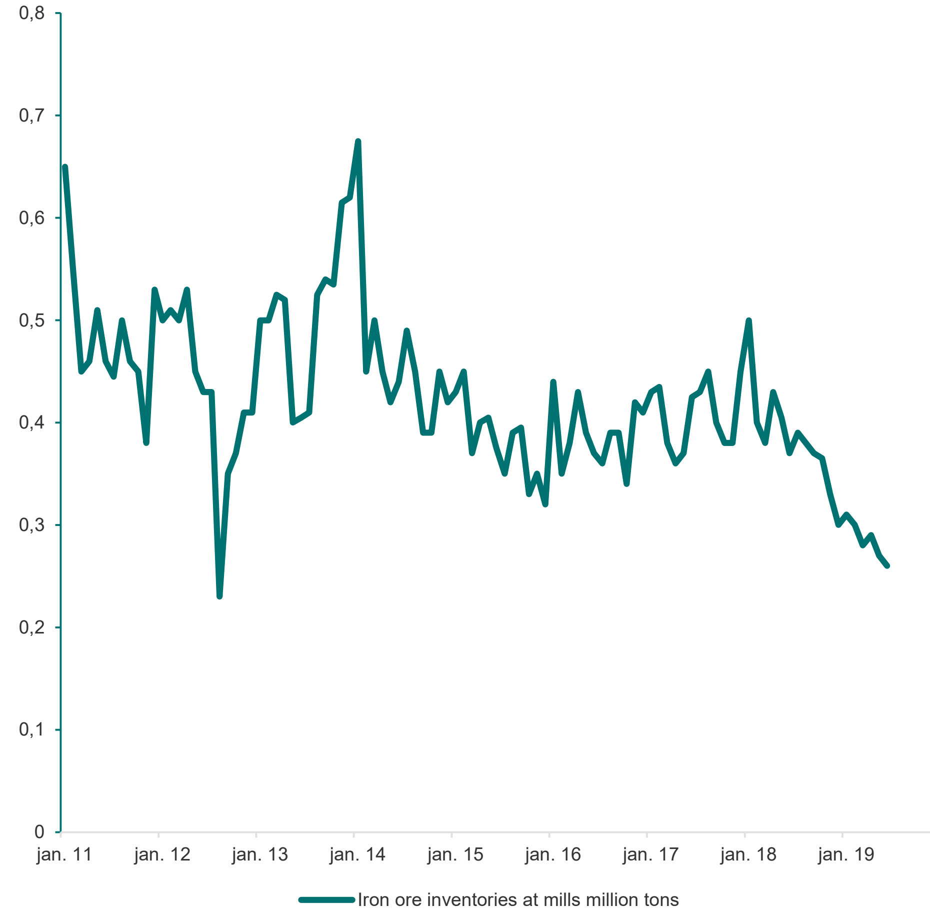
Chinese steel production remains strong…



While Chinese mills have been destocking iron ore inventories[1)]

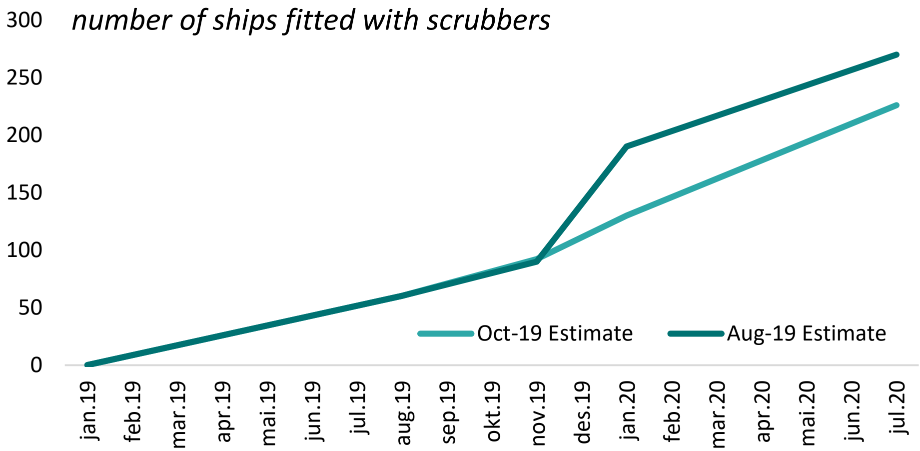


(1) Inventory shown as average per mill based on survey sample of 64 mills, representing ~30% of Chinese steel output

Source: MySteel, Bloomberg, J.P. Morgan, Reuters, Company, Clarkson Research Services Limited (SIN)

Impact of IMO 2020 regulations is reducing effective supply

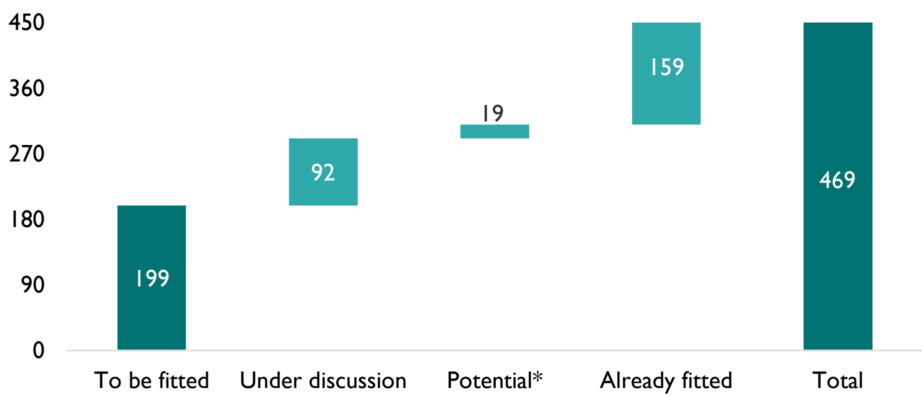
Capesize scrubber retrofitting timeline



Increased reports of delays for scrubber retrofits

- Average retrofit times estimated around 40 days, with reports of some retrofits taking up to 60 days
- Some repair yards have overbooked their capacity
- Reports of delayed deliveries of scrubbers from manufacturers
- Number of estimated total retrofits up by ca 5% since end Q2

Capesize scrubber installations by end 2020



Higher fuel prices will reduce speeds for ships without scrubbers

Impact on non scrubber fitted Capesize vessels	
Decrease in optimal speed	-7,50 %
Portion of fleet without scrubber YE 2020	80 %
Avg time at sea	65 %
Reduction in effective supply	-3,9 %
Impact on scrubber fitted Capesize vessels	
Increase in optimal speed	3,60 %
Portion of fleet with scrubber YE 2020	20 %
Avg time at sea	65 %
Increase in effective supply	0,5 %
Net reduction in effective Capesize supply	**-3,4 %**

Source: Arrow Shipbrokering group
Calculations: Company

Questions?