# Himalaya Shipping – H1 2023 result presentation


*10 August 2023*

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# Highlights

## 1H 2023 Highlights:

- Completed Initial Public Offering (“IPO”) in the U.S. in April 2023, raising net equity proceeds of $44.9 million including the partial exercise of the Greenshoe option.
- Successful delivery and commencement of operations of four Newcastlemax dual fuel newbuildings, generating total operating revenues of $8.2 million, an average time charter equivalent earnings of approximately US$25,700/day, gross.
- Cash and cash equivalents of $24.2 million at the end of the first half of 2023.
- EBITDA of $4.2 million for the six months ended June 30, 2023.
- Final installments of vessels delivered financed by sale and leaseback facility provided by wholly-owned subsidiaries of AVIC International Leasing Co. (“AVIC”) totalling $200.0 million.
- Installment payments of five newbuilding vessels totalling $48.0 million financed by pre-delivery financing with CCBFL and Jiangsu.
- Secured time charter agreements for two vessels for 22 to 26 months' time charter commencing between January and July 2024, plus an option for a further 11 to 13 months. Both vessels will earn an index-linked rate plus premium plus scrubber benefits.

## Subsequent events:

- Delivery of Mount Matterhorn in July 2023 and commencement of its 32-to-38 month index-linked time charter.
- Completed LNG bunkering of “Mount Norefjell” and “Mount Matterhorn” in July 2023.

# Key Financials 1H 2023

## Income statement

| US$ millions, except per share data | 1H 2023 |
|---|---|
| **Operating revenues** | **8.2** |
| Vessel operating expenses | (2.0) |
| Voyage expenses and commission | (0.2) |
| General and administrative expenses | (1.8) |
| Depreciation and amortization | (2.4) |
| **Total operating expenses** | **(6.4)** |
| **Operating profit** | **1.8** |
| | |
| Interest expense | (2.9) |
| Other financial items | (0.0) |
| **Total financial expense, net** | **(2.9)** |
| | |
| **Tax expense** | **-** |
| | |
| **Net loss** | **(1.1)** |
| Loss per share | (0.03) |

## Comments

- Net loss of $1.1 million
- Operating profit of $1.8 million
- EBITDA of $4.2 million
- Operating revenues of $8.2 million on four vessels delivered. Average time charter equivalent earnings of approx. US$25,700/day, gross.
- Vessel operating expenses of $2.0 million. Average vessel operating expenses of approx. $6,200 per day per vessel.
- General and administrative expenses of $1.8 million, including $0.1 million in share-based compensation, $0.6 million in management fees including $0.2 million of IPO expenses.
- Interest expense of $2.9 million on the sale & leaseback financing less interest capitalized.

# Key Financials 1H 2023

HIMALAYA SHIPPING

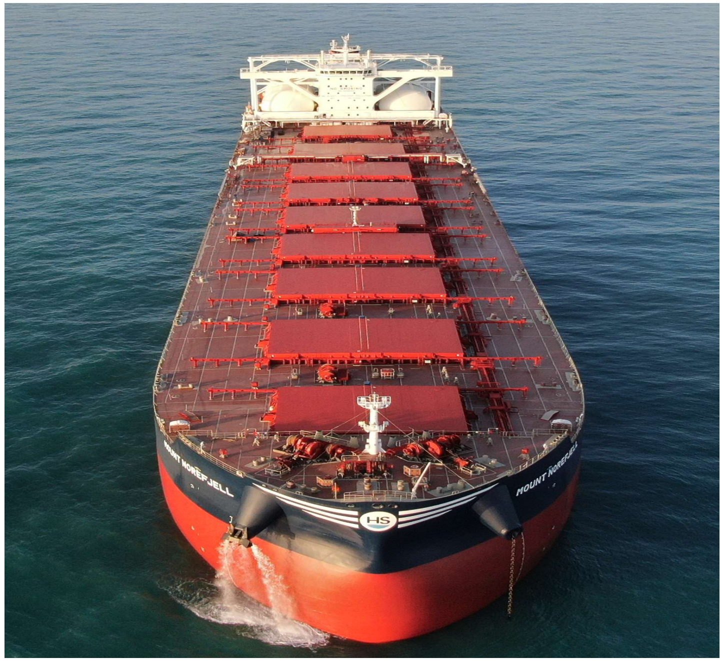
## Balance Sheet Summary

| US$ millions | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Total assets | 459.8 | 177.8 |
| Total equity | 134.4 | 90.3 |
| Cash and cash equivalents | 24.2 | 0.3 |
| Vessels and equipment | 286.8 | - |
| Newbuildings | 143.6 | 176.1 |
| Short-term and long-term debt | 305.9 | 67.5 |

## Comments

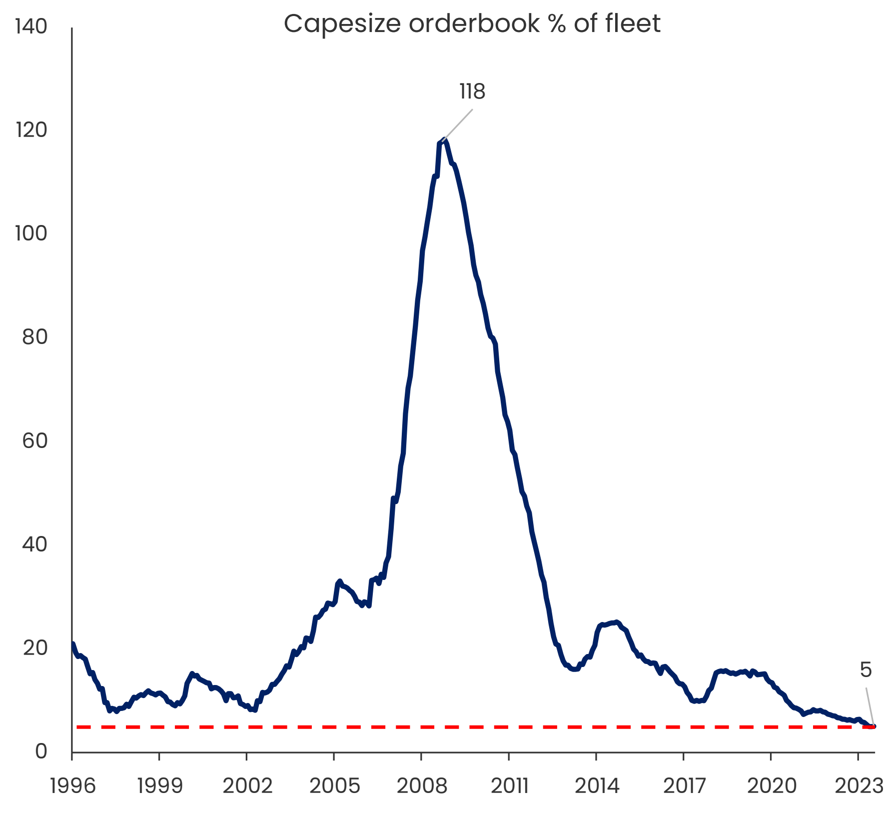
- Cash increased by $19.9 million primarily as a result of:
- Net cash provided by financing activities of $284.0 million from net proceeds of $44.9 million on the U.S. IPO, drawdown on sale & leaseback financing of $200.0 on delivery of vessels and pre-delivery financing of $48.0 million on newbuilding installments;
- Net cash used in operating activities of $3.5 million, which includes settlement of fees under the Corporate Services Agreement of $2.7 million and prepayment of interest and insurance of $2.1 million and $1.5 million, respectively.
- Net cash used in investing activities of $256.6 million mainly on the delivery of the four vessels and newbuilding installments.
- Vessels and equipment increased as a result of delivery of four vessels.

# The investment thesis

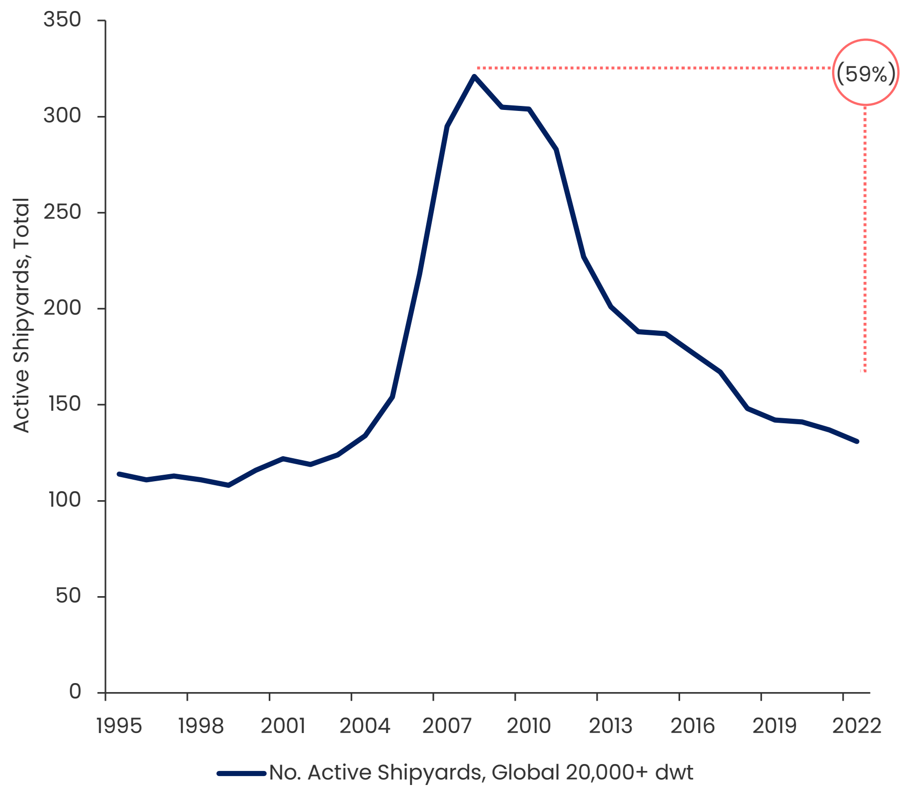


# The right timing

## 25 year low orderbook at 5%



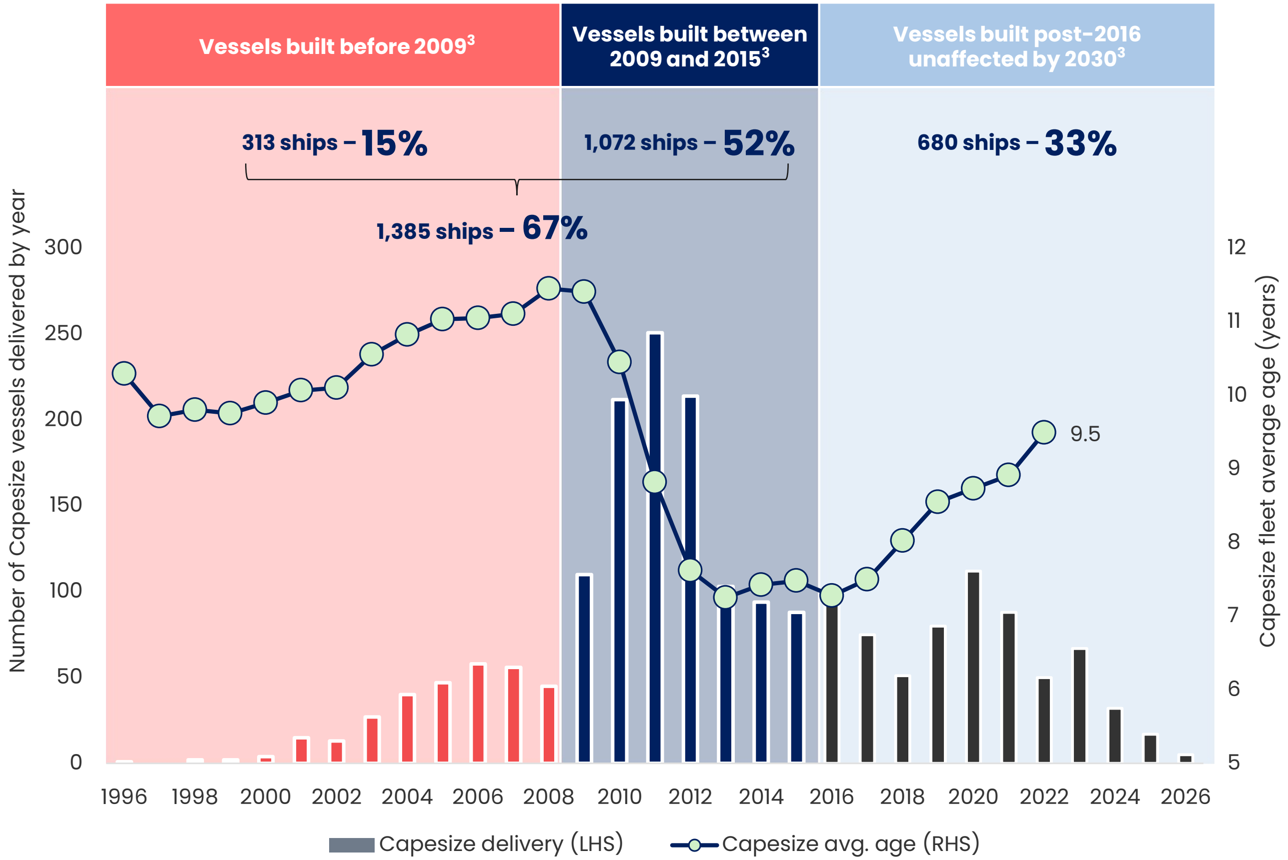

## Significant reduction in yard capacity




Source: Clarksons Shipping Intelligence Network (https://sin.clarksons.net/)

# The right timing

## 67% of Capesize vessels likely facing non-compliance by 2030 due to EEXI & CII




## Older vessels (non-eco) at risk

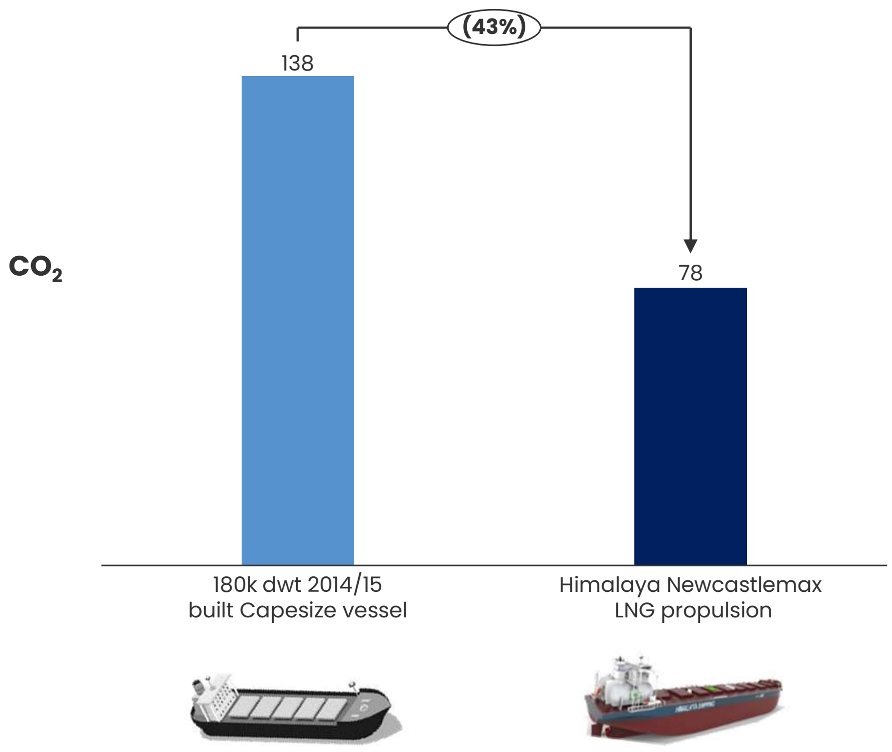
| Year | # vessels scrapped p.a. (if scrapped @ 20 years) | Cum. scrapping candidates as % fleet[2] (@ 20 years) |
|---|---|---|
| 2023 | 27 | 1% |
| 2024 | 40 | 3% |
| 2025 | 47 | 6% |
| 2026 | 58 | 9% |
| 2027 | 56 | 12% |
| 2028 | 45 | 14% |
| 2029 | 110 | 20% |
| 2030 | 212 | 31% |
| 2031 | 251 | 44% |
| 2032 | 214 | 55% |

1. Capesize including sub-categories Newcastlemax and VLOC 2. Capesize fleet defined as all vessels delivered since 1996 until year-end 2022. 3. Non-compliant illustrated by vessels delivered before 2008, facing non-compliance illustrated by vessels delivered after 2008 but before 2015, and vessels unaffected illustrated by vessels delivered after 2015. Source: Clarksons Shipping Intelligence Network (https://sin.clarksons.net/) as of January 26, 2023, and Company assumptions

# The right ships

## 43% more $CO_2$ efficient than a standard Capesize[4]

*$CO_2$ pr day (mT)*




## Fleet overview

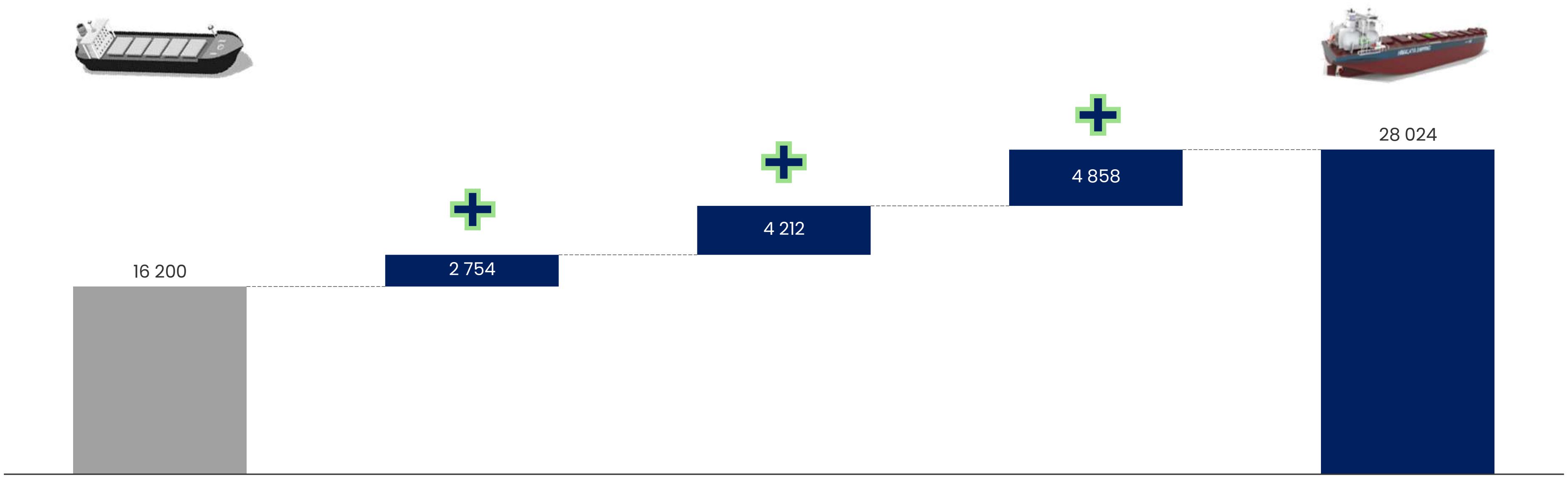
| Ship | Price[1,2] ($m) | Yard | Size (DWTk) | Ship type | Estimated delivery date[3] |
|---|---|---|---|---|---|
| Mount Norefjell | **70.2** | NTS | 210 | DF Newcastlemax | Mar-23 |
| Mount Ita | **70.2** | NTS | 210 | DF Newcastlemax | Mar-23 |
| Mount Etna | **70.2** | NTS | 210 | DF Newcastlemax | Apr-23 |
| Mount Blanc | **70.2** | NTS | 210 | DF Newcastlemax | Jun-23 |
| Mount Matterhorn | **72.1** | NTS | 210 | DF Newcastlemax | Jul-23 |
| Mount Neblina | **72.1** | NTS | 210 | DF Newcastlemax | Aug-23 |
| Mount Bandeira | **72.1** | NTS | 210 | DF Newcastlemax | Jan-24 |
| Mount Hua | **72.1** | NTS | 210 | DF Newcastlemax | Jan-24 |
| Mount Elbrus | **72.6** | NTS | 210 | DF Newcastlemax | Jan-24 |
| Mount Denali | **72.6** | NTS | 210 | DF Newcastlemax | May-24 |
| Mount Aconcagua | **72.6** | NTS | 210 | DF Newcastlemax | Jul-24 |
| Mount Emai | **72.6** | NTS | 210 | DF Newcastlemax | Jul-24 |
| **Total / Average** | **859.7 / 71.6** | | | | |

1. Purchase price including variations orders, deducted Address Commissions, and cost of scrubbers ($2.4 million per vessel). 2. Address Commission to be deducted from the purchase price at delivery. 3. The contractual delivery dates are on an «on or before» basis, and the delivery dates being the basis for the Presentation are the latest indicated target delivery dates from New Times, which for some vessels are earlier dates than New Times' contractual deadline for delivery. 4. When running on LNG, basis 43 mT pr day fuel consumption and 3.2 $CO_2$ pr mT for a 180k dwt 2014/15 built Capesize vessel and 28 mT pr day fuel consumption and 2.8 $CO_2$ pr mT for a Himalaya newbuild. Source: Bloomberg and Company estimates

# The right ships

## Fuel flexibility unlocking premium potential vs. conventional vessels

*$/day*




**2022** **average Capesize Index**[1]

**17% larger cargo intake**

- **175k tonnes** BIMCO BCI 5TC 2014-built Capesize
- **205k tonnes** Himalaya DF LNG Newcastlemax

**26% lower laden fuel consumption**

- **43 mT**[3] BIMCO BCI 5TC 2014-built Capesize
- **32 mT**[3] Himalaya DF LNG Newcastlemax

**~30% scrubber earnings premium potential**[2]

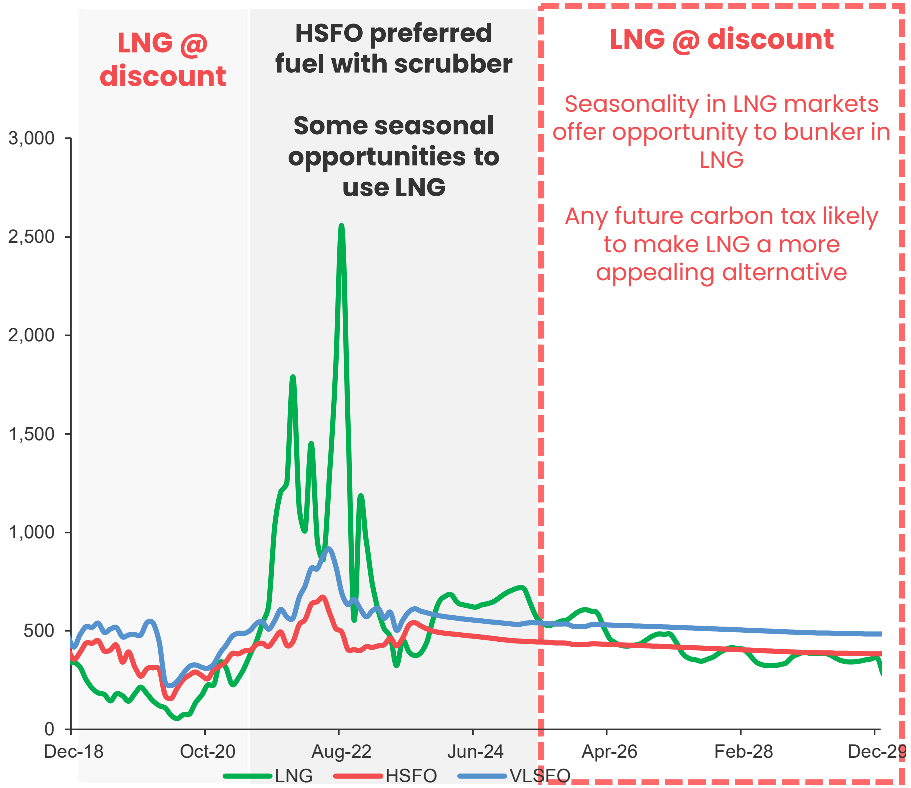
**~70% potential**[3] **when reflecting theoretical size and fuel benefits combined with scrubber premium**

1. 2022 average of the 5 T/C Routes for Baltic Capesize Index of $16,177. 2. Scrubber benefit based on VLSFO – HSFO spread of $236 basis Singapore bunkering for average January 2023. 3. Premium achieved will depend on the terms Himalaya Shipping is able to achieve in contracts entered into, including the variable scrubber earnings.
Source: Clarksons Shipping Intelligence Network (https://sin.clarksons.net/) as of January 26, 2023, Bloomberg and Company estimates

# The right ships

### LNG expected to be at a discount to VLSFO by 2026

*$/tonne, calorific value adjusted*[1,2]




### Himalaya ships bunkering LNG in July 2023


1. HSFO = high Sulphur fuel oil, VLSFO = very low Sulphur fuel oil 2. Calorific adjusted kj/kg 40,500 (HSFO), 41,200 (VLSFO), 50,000 (LNG). Data shown from December 2018 through February 2023 reflect spot prices for respective fuels, data shown from March 2023 onward reflect forward curves for respective fuels. 3. Implied scrubber-driven savings illustrated 27.4 tonnes/day consumption, 75% retention of scrubber premium by the Company. LNG-driven saving illustrated by 22.7 tonnes/day consumption for LNG and 27.4 tonnes/day consumption for VLSFO, and $600/tonne VLSFO and $600/tonne LNG and spread based on increasing VLSFO. Source: Bloomberg and Company assumptions

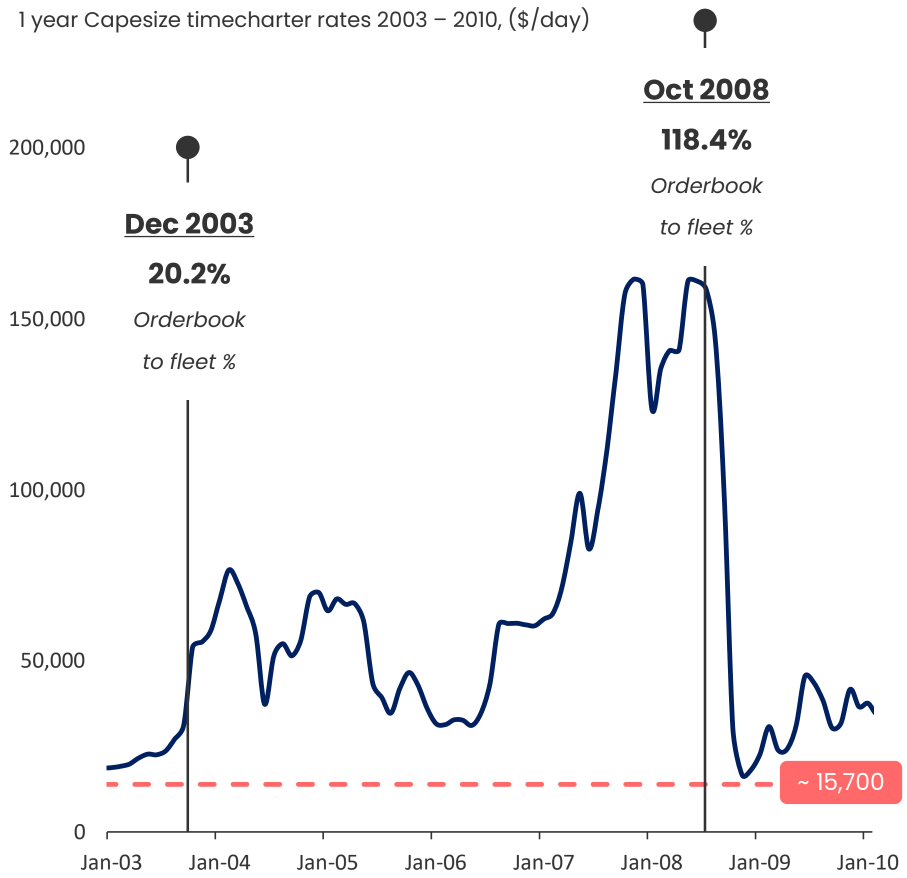
# The right financing

### Estimated cash break-even of a fully delivered basis

| | | |
|---|---|---|
| Value of ship *(average purchase price)* | $m | 71.6 |
| **Financing (average debt financing)[1]** | " | **63.1** |
| Loan to purchase price | % | 88% |
| Fixed bareboat day-rate[2] | $/day | 16,567 |
| Scrubber financing[3] | $/day | 841 |
| Estimated Opex | " | 6,200 |
| Estimated SG&A | " | 732 |
| **Estimated cash break-even** | " | **24,340** |
| Estimated scrubber benefit when sailing[4] | $/day | (2,050) |
| Earnings premium[5] | 42% | (6,600) |
| **Capesize equivalent cash break-even rate** | $/day | **~15,700** |

### Last upcycle Capesize rates vs. est. equivalent cash break-even

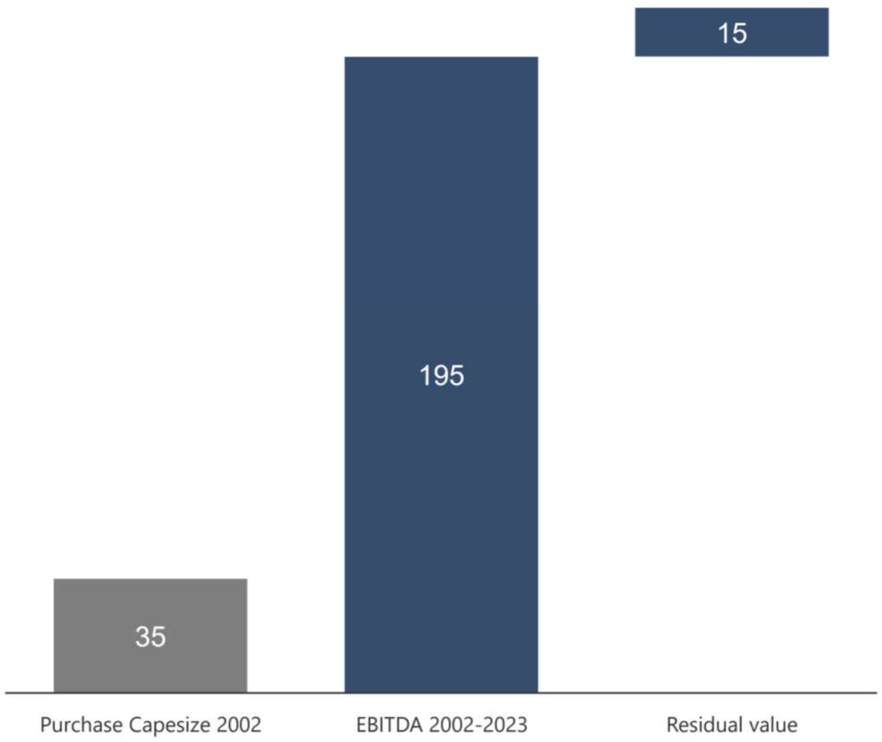
1 year Capesize timecharter rates 2003 – 2010, ($/day)




1. Based on Company estimated average debt financing for 12 vessels, including scrubber financing for four vessels. 2. Blended fixed bareboat day-rate. 3. Floating interest rate scrubber financing for four vessels. 4. VLSFO – HSFO spread of $100 basis Singapore bunkering for average August 2023 for a consumption of 10,000 tons per year with 75% benefit to the Shipowner. 5. 8 index-linked charters with a contracted premium to BCI 5TC of 42%. Source: Clarksons Shipping Intelligence Network (https://sin.clarksons.net/) as of January 26, 2023 and Company estimates

# The right strategy

## In the last cycle you made 6x just owning the assets




## Capital discipline

Himalaya has a brand new fleet

No need for investments in fleet renewal

Return cash-flow after debt service to shareholders

Ambition to pay monthly dividends once ships are delivered

$61k/day + 41% premium + $4.8k/day scrubber benefit. Cash break-even of $24.4k/day

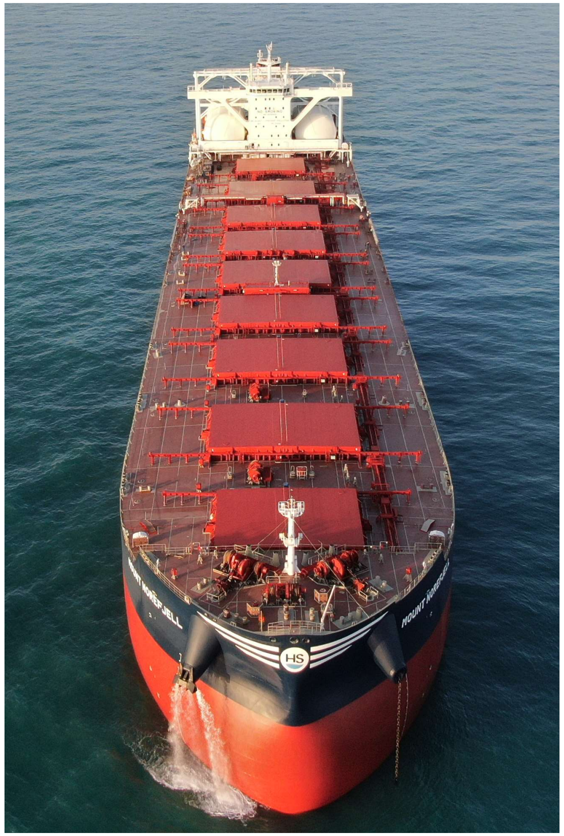
# Summary

1 **The right timing – record low orderbook and limited yard capacity**

2 **The right ships – reduction in $CO_2$ emissions[3] by >40% when running on LNG – earnings significant premium to Capesize index rates**

3 **The right financing – fixed interest rate interest secures low CBE**

4 **The right strategy – capital discipline and full alignment**



**Sea trial Mount Norefjell**, *November 2022*

1. Energy Efficiency Existing Ship Index (EEXI) and Carbon Intensity Indicator (CII) 2. Based on 6 index-linked charters with a contracted premium to BCI 5TC of 40-42% 3) Basis 43 mT pr day fuel consumption and 3.2 $CO_2$ pr mT for a 180k dwt 2014/15 built Capesize vessel and 28 mT pr day fuel consumption and 2.8 $CO_2$ pr mT for a Himalaya newbuild.