Himalaya Shipping Ltd. - Q4 2023 Results Presentation

15 February 2024

HIMALAYA SHIPPING

DISCLAIMER

Forward Looking Statements

This results presentation and any related discussions contain forward-looking statements as defined in Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements that do not reflect historical facts and may be identified by words such as “aim”, “believe,” “assuming,” “anticipate,” “could”, “expect”, “intend,” “estimate,” “forecast,” “project,” “likely to”, “plan,” “potential,” “will,” “may,” “should,” “indicative,” “illustrative,” “potential” or other similar expressions and include statements about plans, objectives, goals, strategies, future events or performance, including outlook, prospects, contracts to acquire newbuilding vessels and associated financing agreements, illustrative free cash flow per share and earnings potential based on different scenarios and assumptions, statements about the benefits of our vessels, including the flexibility and ability to bunker with LNG, LSFO, or HSFO, the terms of our charters, dry bulk industry trends and market outlook, including activity levels in the industry, expected trends, including trends in the global fleet, expected demand for and offer of vessels and utilization of the global fleet and our fleet, including expected average rates, fleet growth, new orderings, the impact of an aging global fleet, expected trends regarding iron ore demand, demand outlook, limited supply growth of dry bulk vessels and yard capacity, replacement needs, expectations on demand, and other non-historical statements. These forward-looking statements are not statements of historical fact and are based upon current estimates, expectations, beliefs, and various assumptions, many of which are based, in turn, upon further assumptions, and a number of such assumptions are beyond our control and are difficult to predict. These statements involve significant risks, uncertainties, contingencies and factors that are difficult or impossible to predict and are beyond our control, and that may cause our actual results, performance or achievements to be materially different from what is expressed, implied or forecasted in such forward-looking statements.

Numerous factors, risks and uncertainties that could cause our actual results, level of activity, performance or achievements to differ materially from those expressed, implied or forecasted in the forward-looking statements include but are not limited to: general economic, political and business conditions; general dry bulk market conditions, including fluctuations in charter hire rates and vessel values; our ability to complete the purchase of the vessels we have agreed to acquire and on schedule; our ability to meet the conditions and covenants in our financing agreements; changes in demand in the dry bulk shipping industry, including the market for our vessels; changes in the supply of dry bulk vessels; our ability to successfully employ our dry bulk vessels and the terms of future charters; changes in our operating expenses, including fuel or bunker prices, dry docking and insurance costs; changes in governmental regulation, tax and trade matters and actions taken by regulatory authorities; compliance with, and our liabilities under governmental, tax, environmental and safety laws and regulations; potential disruption of shipping routes due to accidents or political events; our ability to procure or have access to financing and to refinance our debt as it falls due; our continued borrowing availability under our sale and leaseback agreements in connection with our vessels and compliance with the financial covenants therein; fluctuations in foreign currency exchange rates; potential conflicts of interest involving members of our board and management and our significant shareholder; our ability to pay dividends; risks related to climate change, including climate-change or greenhouse gas related legislation or regulations and the impact on our business from climate-change related physical changes or changes in weather patterns, and the potential impact of new regulations relating to climate change, as well as the performance of our vessels; other factors that may affect our financial condition, liquidity and results of operations; and other risks described under “Risk Factors” in our registration statement on Form F-1/A filed with the U.S. Securities and Exchange Commission on March 30, 2023.

You should not place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Unless legally required, Himalaya Shipping undertakes no obligation to update publicly any forward-looking statements after the date of this press release whether as a result of new information, future events or otherwise, except as required by law.

Non-GAAP Financial Measures

This presentation contains certain selected financial measures on a basis other than U.S. generally accepted accounting principles (“GAAP”), including EBITDA, average daily TCE earnings, and illustrative free cash flow. EBITDA represents our net income/(loss) plus depreciation of vessels and equipment; total financial expenses, net; and income tax expense. EBITDA is presented here because the Company believes this measure increases comparability of total business performance from period to period and against the performance of other companies. Average daily TCE earnings, as presented here, represents time charter revenues and voyage charter revenues adding back address commissions and divided by operational days. For a reconciliation of EBITDA and average daily TCE earnings, gross, to the most directly comparable financial measures prepared in accordance with US GAAP, please see the section of our preliminary results for the quarter ended December 31, 2023, Appendix entitled “Unaudited Non-GAAP Measures And Reconciliations”. For a discussion of illustrative free cash flow see slide 15 including the footnotes thereto. We are unable to prepare a reconciliation of illustrative free cash flow without unreasonable efforts.

Highlights

Q4 2023 Highlights:

- All delivered vessels generated total operating revenues of $18.3 million, an average time charter equivalent earnings of approximately US$34,400/day, gross.
- Net income of $4.5 million and EBITDA of $13.4 million for the quarter ended December 31, 2023.
- Secured time charter agreements for the three remaining uncontracted vessels for 24 months' time charters with an evergreen structure to commence in the first half of 2024, at an index-linked rate reflecting a significant premium to the Baltic 5TC index (BCI).
- Extended index linked time charters for six of our vessels by an additional year, until the end of 2026.
- Converted index linked charters to fixed rate charters for 5 vessels for varying periods from December 1, 2023 to March 31, 2024. Two vessels will earn a fixed scrubber premium of $2,500 per day from December 1, 2023, to March 31, 2024. The remaining three vessels will continue to earn scrubber premium according to the terms of the existing time charter agreements.
- Completion of Private Placement in December 2023, raising net equity proceeds of approximately $17.0 million.

Subsequent events:

- Successful delivery and commencement of operations of three additional Newcastlemax dual fuel newbuildings.
- Final instalments for three delivered vessels financed by sale and leaseback facilities totalling $147.8 million.
- Conversion of index linked charters on Mount Bandeira and Mount Hua to fixed charters from February 1, 2024 to June 30, 2024 at an average rate of $26,866. They will continue to earn scrubber premium according to the terms of their existing time charter agreements.
- Declaration of cash distribution for January 2024 of $0.01 per common share.

Key Financials Q4 2023

Income statement

US$ millions, except per share data	Q4 2023	Q3 2023	Variance
Operating revenues	**18.3**	**10.2**	**8.1**
Vessel operating expenses	(3.6)	(3.0)	(0.6)
Voyage expenses and commission	(0.2)	(0.2)	-
General and administrative expenses	(1.1)	(0.9)	(0.2)
Depreciation and amortization	(3.6)	(3.2)	(0.4)
Total operating expenses	**(8.5)**	**(7.3)**	**(1.2)**
Operating profit	**9.8**	**2.9**	**6.9**
Interest expense	(5.6)	(5.0)	(0.6)
Other financial items	0.4	0.1	0.3
Total financial expense, net	**(5.2)**	**(4.9)**	**(0.4)**
Tax expense	**-**	**-**	**-**
Net income (loss)	**4.6**	**(2.0)**	**6.6**
Earnings per share	0.11	(0.05)	
EBITDA	13.4	6.1	7.3

Comments

- Increase in operating revenues of $8.1 million in Q4 2023, due to 6 vessels operating for the full quarter and increase in average time charter equivalent earnings, gross. Average TCE earnings of approx. US$34,400/day in Q4 2023 vs $22,300/day in Q3 2023.
- Cash break-even TCE estimated to be approximately $24,600 per day.
- Increase in vessel operating expenses of $0.6 million in Q4 2023 due to 6 vessels operating for the full quarter .
- General and administrative expenses increased by $0.2 million in Q4 2023.
- Increase in Interest expense by $0.6 million in Q4 2023 due to interest for the full quarter on the sale & leaseback financing for 6 vessels, net of interest capitalized.
- EBITDA of $13.4 million in Q4 2023, an increase of $7.3 million over Q3 2023.
- Increase in operating profit by $6.9 million in Q4 2023.
- Net income of $4.6 million in Q4 2023 vs a net loss of $2.0 million in Q3 2023.

Key Financials Q4 2023

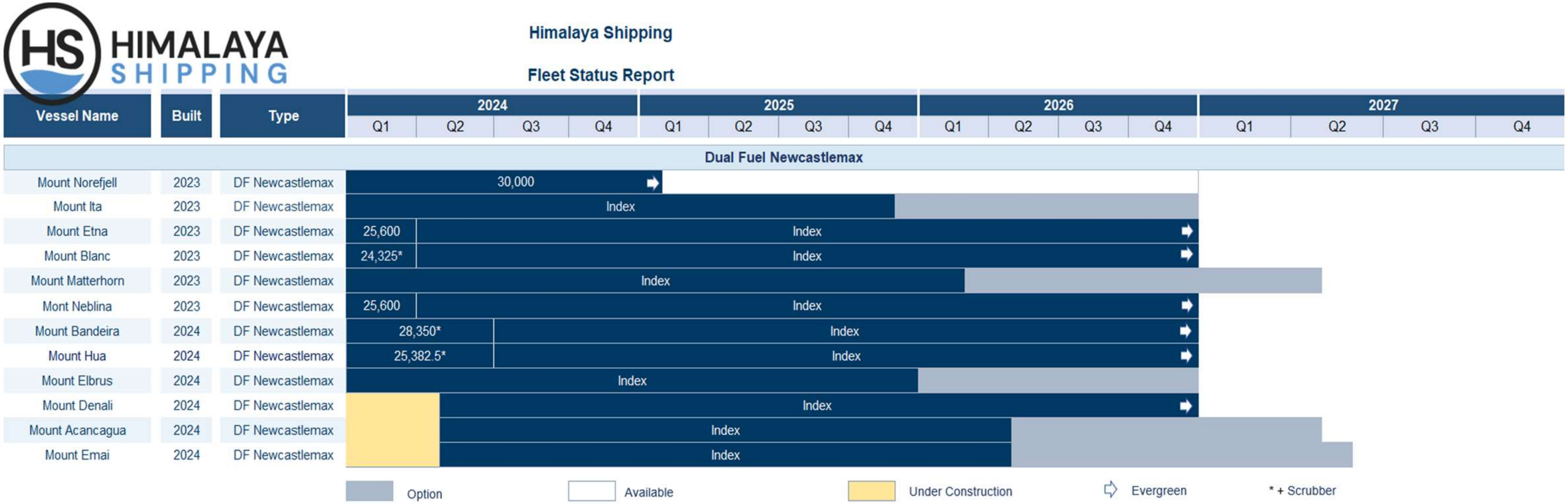
Balance Sheet Summary

US$ millions	December 31, 2023	September 30, 2023	Variance
Cash and cash equivalents	25.6	12.8	12.8
Vessels and equipment	428.6	432.3	(3.7)
Newbuildings	132.6	108.8	23.8
Total assets	604.4	560.4	44.0
Long-term debt	439.5	421.9	17.6
Total equity	159.4	132.6	26.8

Comments

- Net cash generated by operating activities in Q4 2023 of $8.4 million.
- Net cash used in investing activities in Q4 2023 was $28.9 million, primarily consisting of $20.7 million used for installment payments on the newbuildings and $5.1 million used on the charterer's portion of the January 2024 vessel deliveries which was paid in advance.
- Net cash provided by financing activities in Q4 2023 was $33.3 of which $16.0 million was from the December 2023 Private Placement and $20.7 million was from pre-delivery financing on newbuilding instalments, partially offset by loan repayments of $3.4 million;
- Increase in newbuildings was mainly due to $20.7 million for instalment payments on the newbuildings
- Increase in long-term debt was mainly due to pre-delivery financing of $20.7 million on newbuilding instalments, offset by loan repayments.
- Total remaining shipyard capex (including scrubbers) of $306.0 million. Current committed sale lease-back financing of $295.5 million.
- $10 million available to draw-down under the RCF with Drew Holdings Ltd.

Contract overview



Strong demand

Capesize tonne-mile demand growth of 4% in 2023

Capesize

Bauxite	300.0bn
Iron ore	279.1bn
Pet coke	5.3bn
Agribulks	3.0bn
Grains	2.6bn
Cement/Clinker	0.7bn
Steel products	-0.3bn
Manganese ore	-1.3bn
Copper ore	-1.8bn
Aggregates	-1.9bn
Alumina	-4.1bn
Coal	-13.0bn
Minerals	-13.6bn
Other	-26.9bn

528bn	4.0%
Net Change	Percent Change

Panamax

Coal	343.7bn
Other	94.5bn
Iron ore	57.4bn
Steel products	4.5bn
Alumina	1.1bn
Copper ore	0.7bn
Nickel ore	0.7bn
Pet coke	0.6bn
Scrap	-0.2bn
Fertilisers	-0.2bn
Minerals	-0.8bn
Aggregates	-7.1bn
Cement/Clinker	-8.1bn
Manganese ore	-8.4bn
Agribulks	-9.0bn
Forest products	-10.9bn
Bauxite	-34.1bn
Grains	-95.0bn

329bn	4.0%
Net Change	Percent Change

Supramax

Grains	212.2bn
Coal	170.6bn
Other	156.4bn
Iron ore	140.5bn
Steel products	101.8bn
Fertilisers	55.7bn
Cement/Clinker	53.8bn
Bauxite	26.3bn
Minerals	18.0bn
Manganese ore	15.4bn
Pet coke	12.0bn
Copper ore	3.0bn
Nickel ore	0.4bn
Aggregates	-4.3bn
Forest products	-5.0bn
Alumina	-12.3bn
Scrap	-21.7bn
Agribulks	-38.2bn

883bn	11.6%
Net Change	Percent Change

Handysize

Grains	84.0bn
Fertilisers	44.2bn
Other	30.1bn
Agribulks	15.9bn
Minerals	11.8bn
Pet coke	11.5bn
Steel products	8.2bn
Alumina	7.1bn
Cement/Clinker	6.4bn
Nickel ore	4.0bn
Iron ore	1.7bn
Bauxite	0.6bn
Manganese ore	-0.1bn
Aggregates	-1.4bn
Forest products	-4.3bn
Copper ore	-5.4bn
Coal	-8.2bn
Scrap	-9.4bn

201bn	4.8%
Net Change	Percent Change

Capesize tonne-mile demand growth of 10.8% in January 2024

Capesize

Iron ore	82.3bn
Other	18.3bn
Pet coke	5.2bn
Bauxite	3.8bn
Manganese ore	3.1bn
Cement/Clinker	1.7bn
Steel products	0.2bn
Minerals	-0.4bn
Grains	-0.6bn
Coal	-3.5bn

110bn	10.8%
Net Change	Percent Change

Panamax

Other	17.5bn
Fertilisers	15.7bn
Iron ore	4.9bn
Steel products	3.6bn
Agribulks	2.4bn
Nickel ore	1.1bn
Alumina	0.9bn
Grains	0.7bn
Aggregates	0.4bn
Scrap	-0.4bn
Forest products	-0.7bn
Minerals	-0.9bn
Bauxite	-1.1bn
Cement/Clinker	-1.7bn
Manganese ore	-2.0bn
Pet coke	-4.7bn
Coal	-8.9bn

27bn	4.3%
Net Change	Percent Change

Supramax

Other	43.7bn
Steel products	25.4bn
Iron ore	15.0bn
Minerals	5.4bn
Cement/Clinker	4.2bn
Forest products	1.7bn
Scrap	1.0bn
Bauxite	-0.7bn
Copper ore	-1.5bn
Alumina	-1.7bn
Aggregates	-2.2bn
Pet coke	-2.4bn
Grains	-2.4bn
Nickel ore	-3.7bn
Manganese ore	-5.7bn
Agribulks	-8.1bn
Fertilisers	-9.4bn
Coal	-13.3bn

45bn	6.9%
Net Change	Percent Change

Handysize

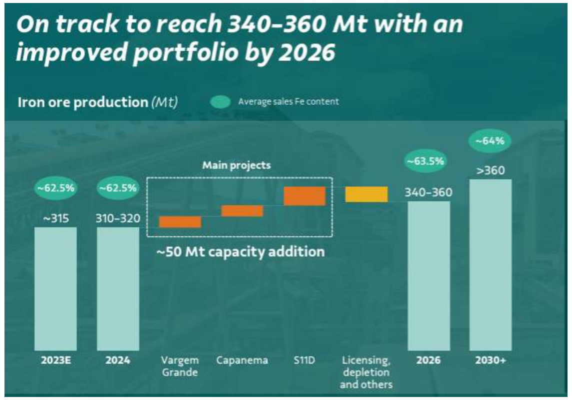
Other	29.7bn
Grains	8.8bn
Steel products	8.7bn
Cement/Clinker	2.6bn
Coal	1.3bn
Copper ore	1.1bn
Iron ore	0.9bn
Alumina	0.2bn
Fertilisers	-0.1bn
Nickel ore	-0.4bn
Bauxite	-0.5bn
Manganese ore	-0.5bn
Agribulks	-1.1bn
Pet coke	-1.3bn
Scrap	-1.9bn
Aggregates	-2.4bn
Minerals	-3.2bn
Forest products	-4.1bn

37bn	11.5%
Net Change	Percent Change

Source: Arrow Shipbroker

Strong demand outlook

Significant iron ore production growth in the Atlantic basin

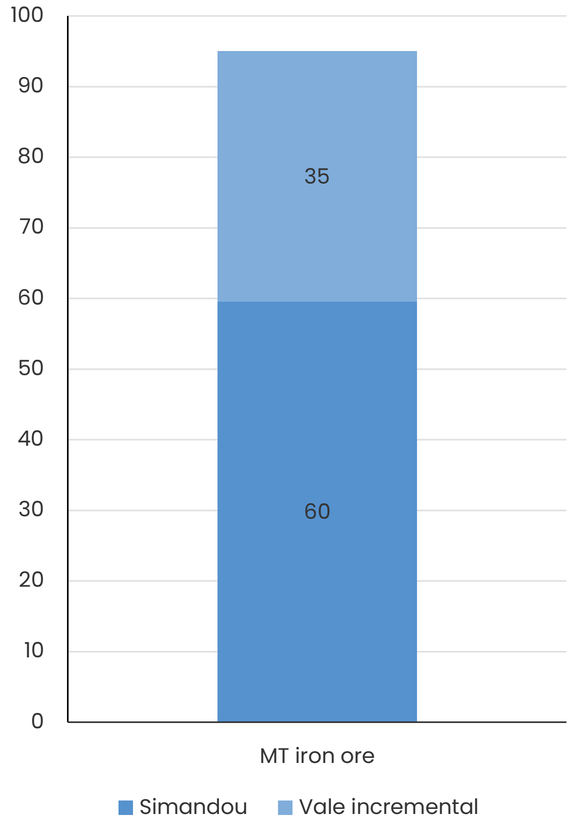


Rio Tinto brings forward Simandou iron ore production to 2025

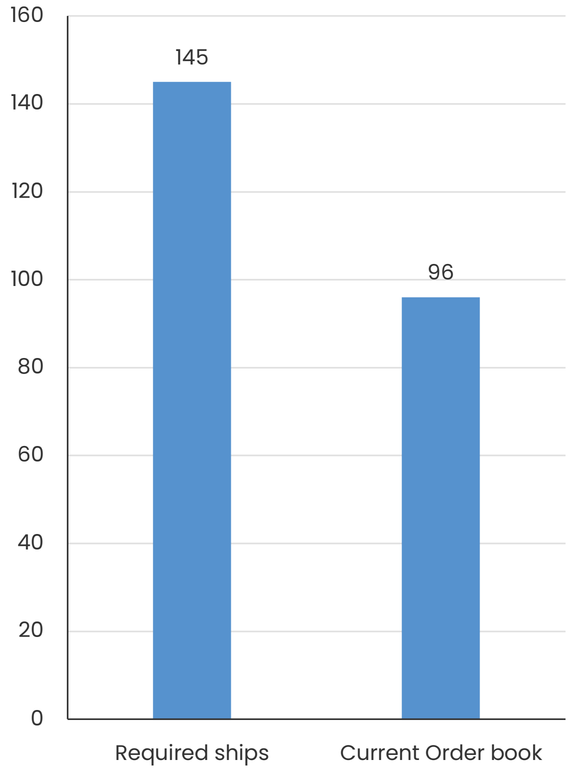
Reuters | December 5, 2023 | 2:21 pm Top Companies Africa Iron Ore

Source: Vale & Rio Tinto

Incremental iron ore production (MT/year) from these 2 projects



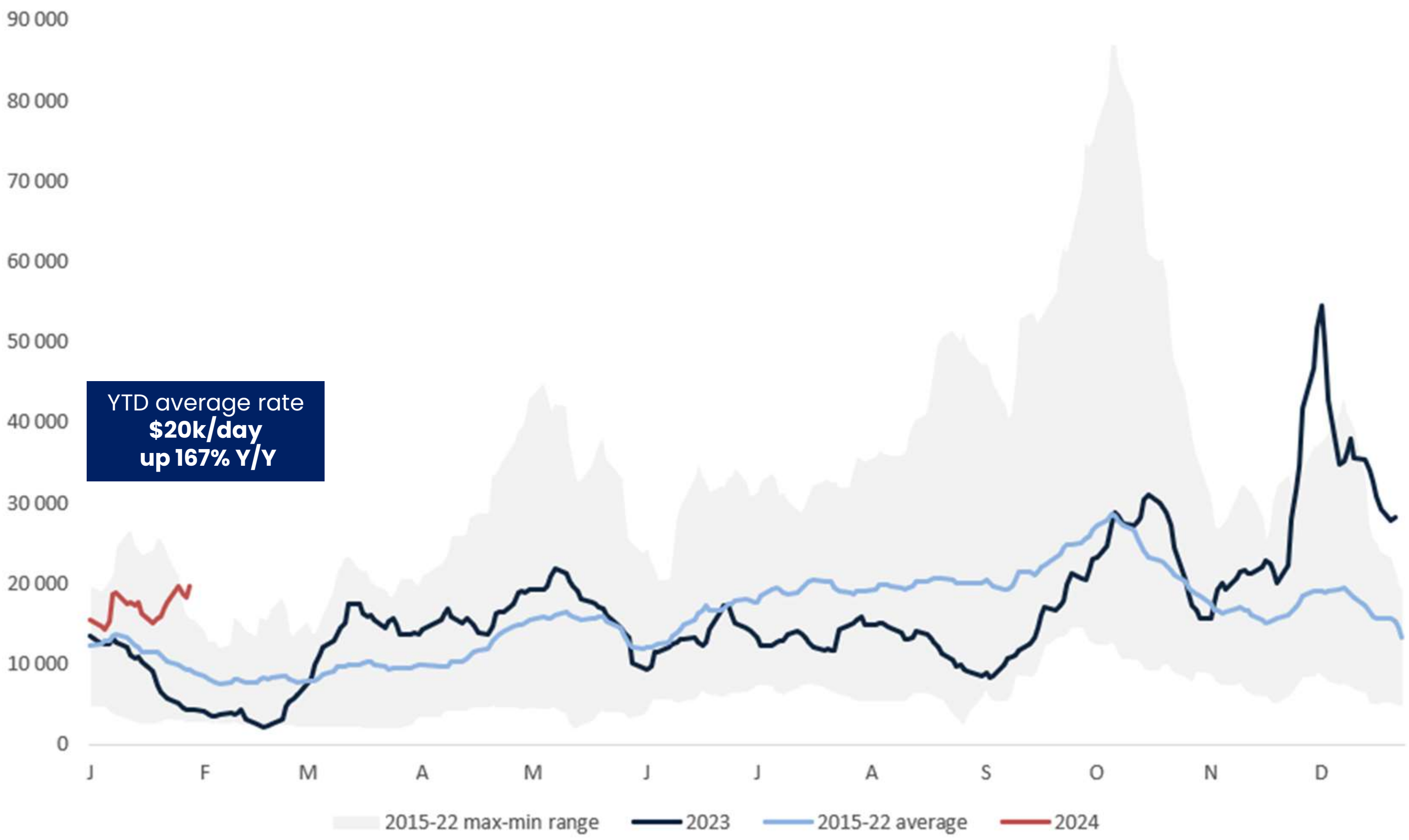
Required ships if transported to China[1]



1) Assuming 180k tonnes pr ship – 100 days round voyage with iron ore discharge in China

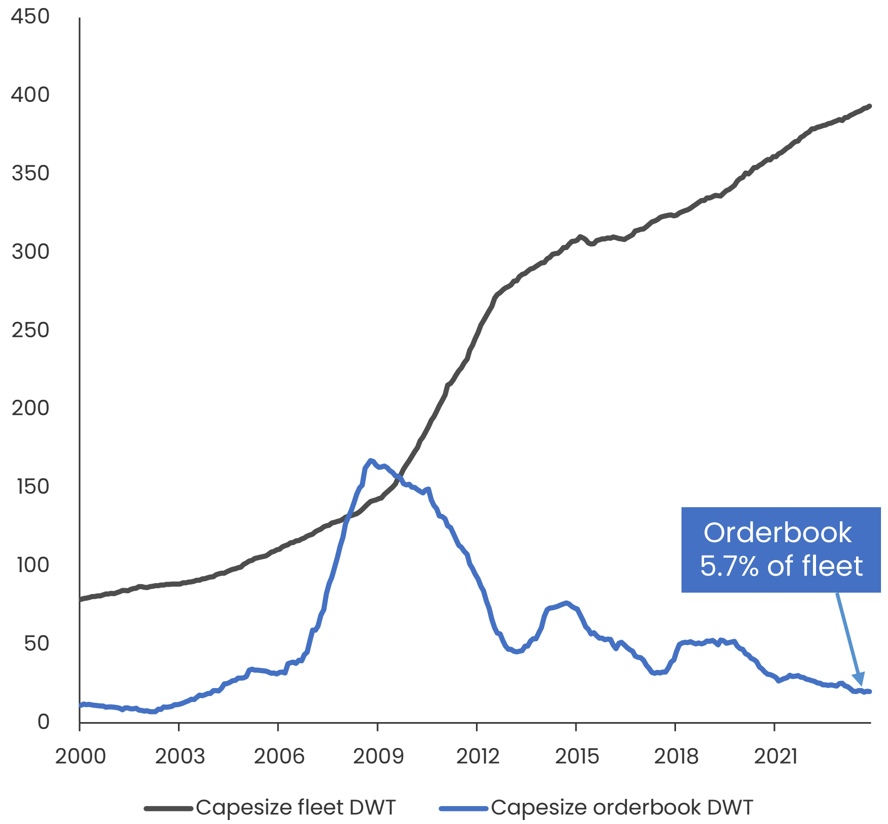
Strongest start to the year since 2010

Baltic 5TC index rate

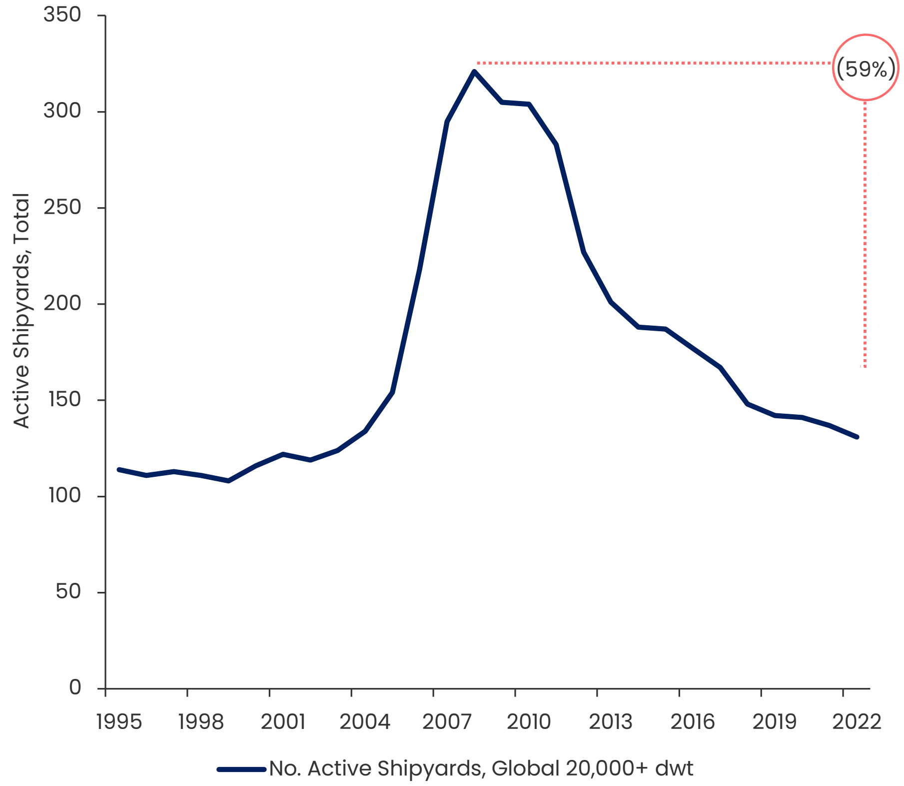


The right timing

25 year low orderbook



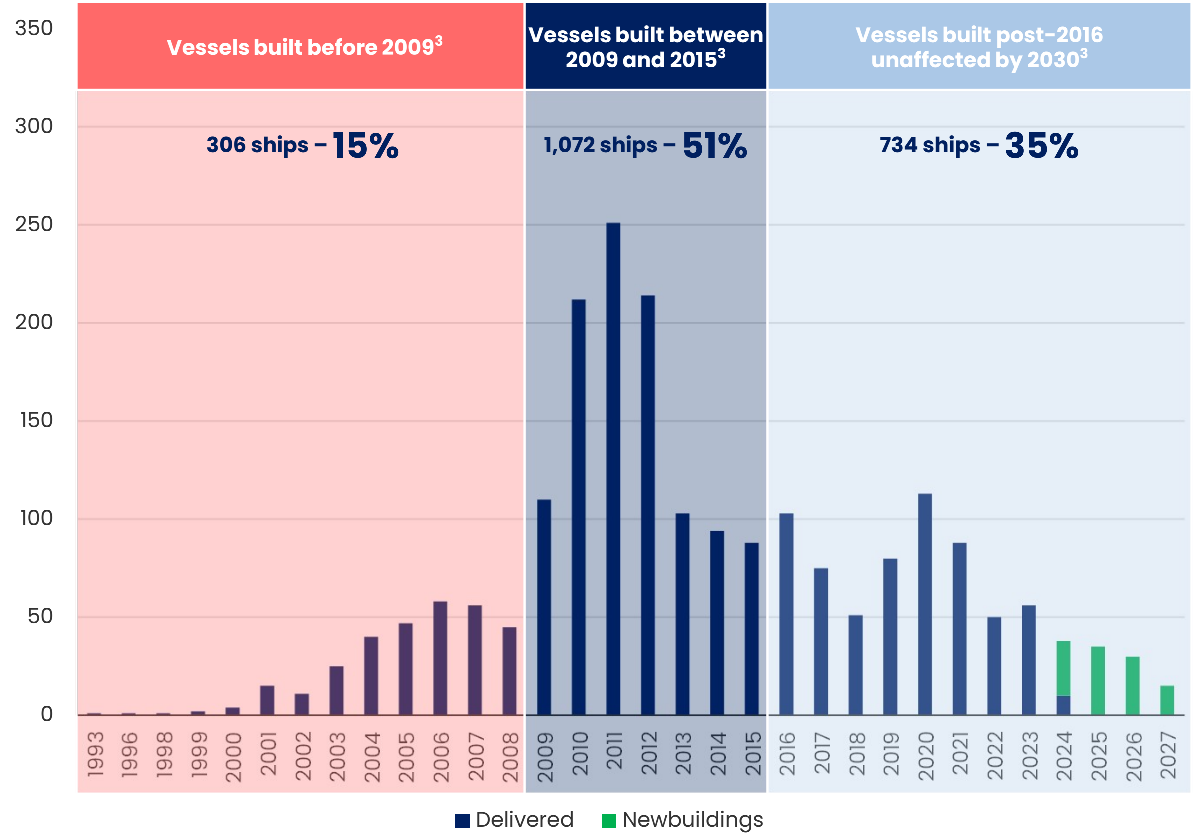
Significant reduction in yard capacity



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

Significant replacement needs

Capesize+ fleet by delivery year in # ships



60% of the fleet >20 years by 2033

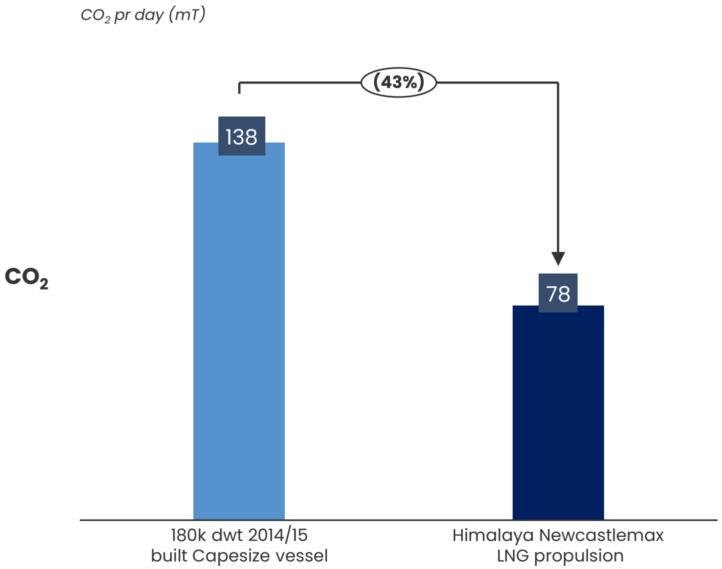
Year	# ships turning 20 years	% of fleet >20 years
Current	60	3%
2024	40	5%
2025	47	7%
2026	58	10%
2027	56	13%
2028	45	15%
2029	110	21%
2030	212	31%
2031	251	44%
2032	214	55%
2033	103	60%

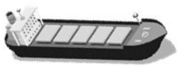
Unlikely to be able to build significant capacity before 2028

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

The right ships

43% more CO_2 efficient than a standard Capesize[1]





Dual fuel gives flexibility

AFFINITY

	$/HFO-ton					
	HFO 380	LSMGO	VLSFO	LNG	METHANOL (GREY)	AMMONIA (BLUE)
Houston	456	848	616	273	788	-
Panama	461	886	641	284	-	-
Rotterdam	457	787	563	403	608	1,113
Suez/MEG	616	831	721	496	-	711
Far East	455	772	627	455	592	798

Himalaya have fuel flexibility – can run on LNG, HFO or VLSFO

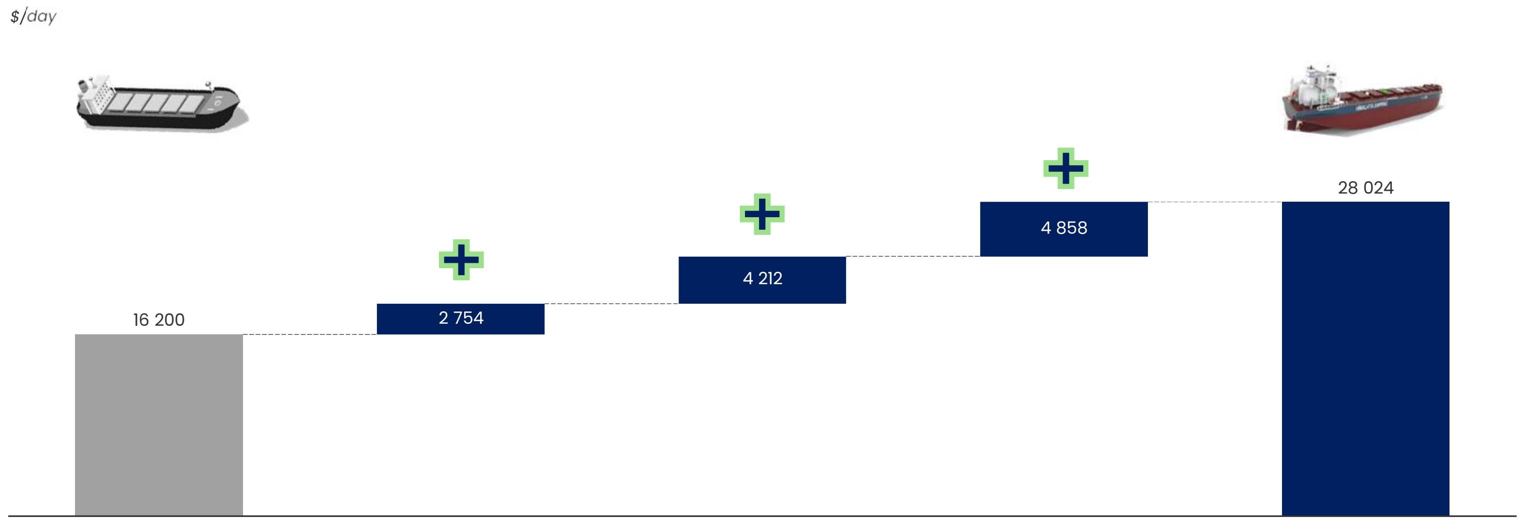
Current LNG prices (12 Feb 2024) quoted by Affinity Shipbrokers as the cheapest fuel option

LNG bunkering operations on Mount Matterhorn

1. 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 . 2. Himalaya Shipping vessel is estimated to save 43% compared to a Bimco standard Cape, and realise a 25% saving through a carbon savings clause.

The right ships

Fuel flexibility unlocking premium potential vs. conventional vessels



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

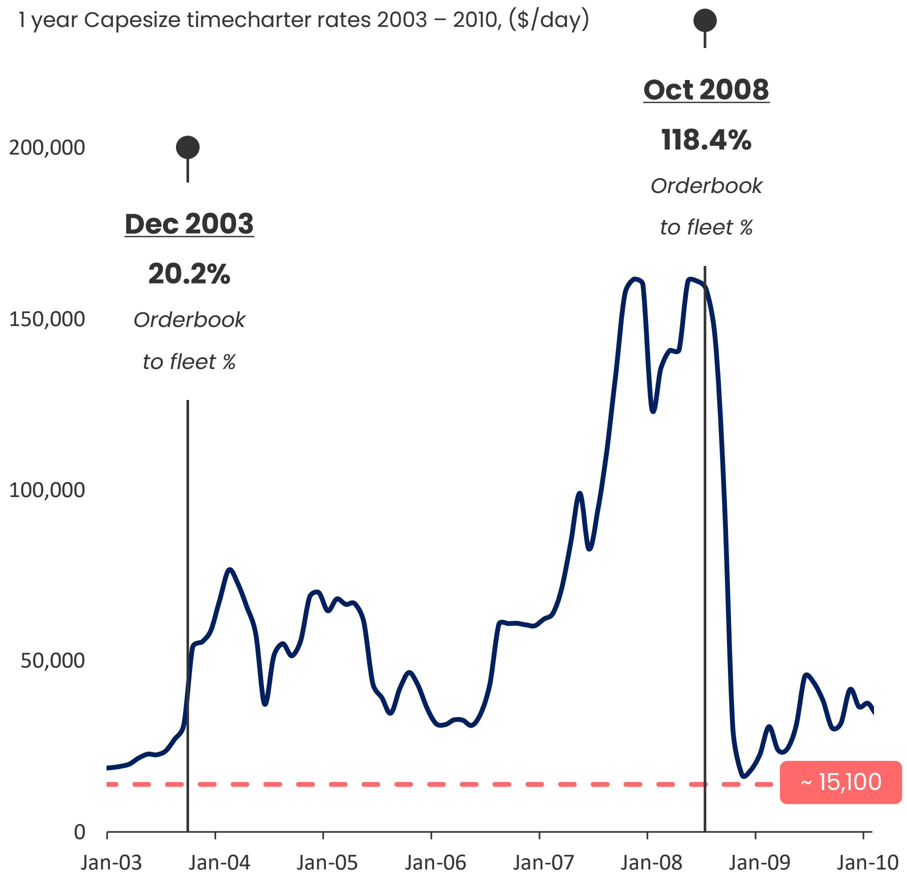
1. 2022 average of the 5 T/C Routes for Baltic Capesize Index of $16,177. 2. Scrubber benefit based on VLSFO – HSFO spread of $236 basis Singapore bunkering for average January 2023. 3. Premium achieved will depend on the terms Himalaya Shipping is able to achieve in contracts entered into, including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

The right 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	"	6,400
Estimated SG&A	"	732
Estimated cash break-even	"	**24,540**
Estimated scrubber benefit when sailing[4]	$/day	(3,100)
Earnings premium[5]	42%	(6,300)
Capesize index equivalent cash break-even rate	$/day	**~15,100**

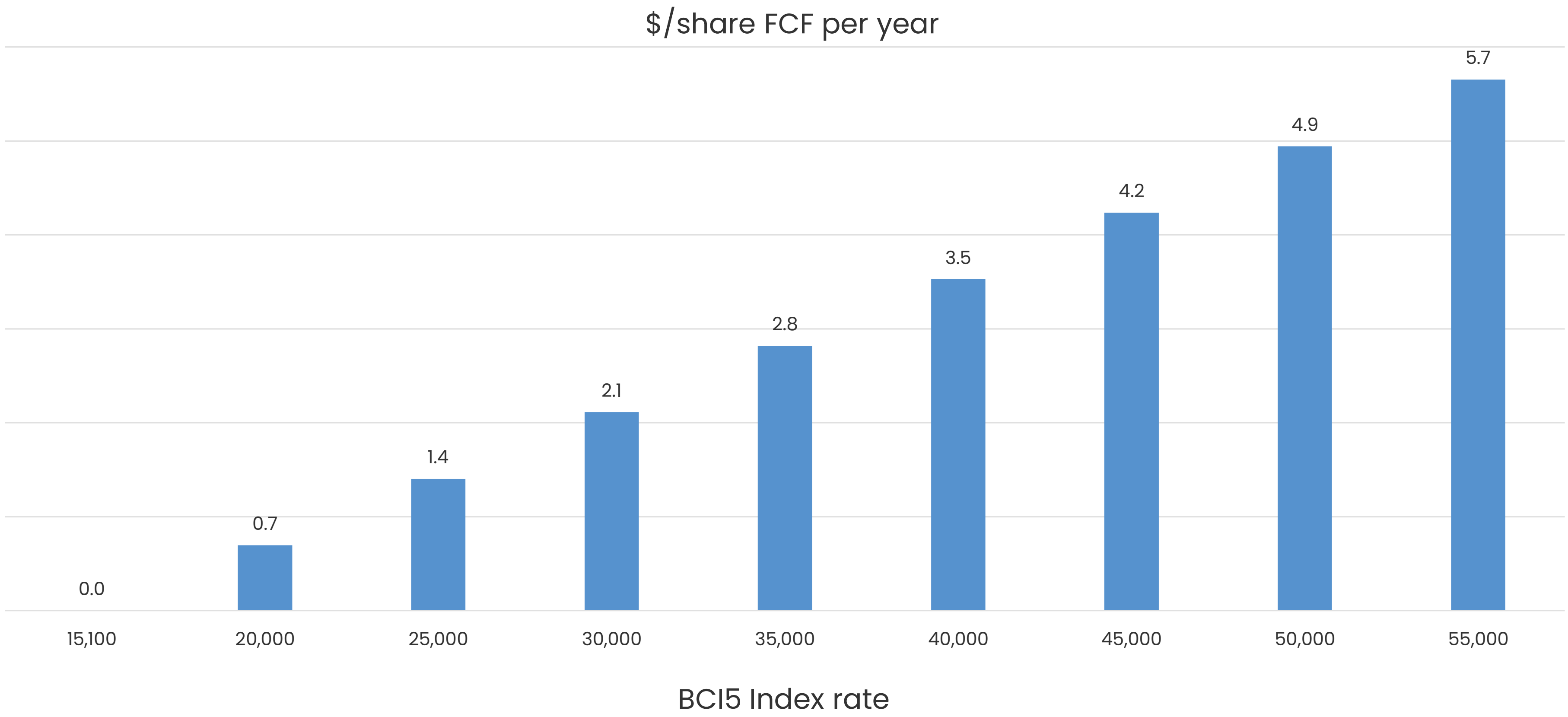
Last upcycle Capesize rates vs. est. equivalent cash break-even



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 $150 basis Singapore bunkering for a consumption of 10,000 tons per year with 75% benefit to the Shipowner. Platts quoted bunker spread 14 Feb 2024 is $210/t. 5. 11 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

Illustrative free cash-flow per share[1]

$/FCF per share[2] based on BCI5 Index rates



1) This information has been prepared for illustrative purposes only and does not represent the Company's forecast. It is based, among other things, on industry data, internal data and estimates of the Company and is inherently subject to risk and uncertainties. Actual results may differ materially from the assumptions and circumstances reflected in the above illustrative financial information.

2) Assumes BCI5 Index rates + 42% premium + $3,100 in scrubber benefit less $24,540/d in cash breakeven x 12 ships, divided on 43,900,000 shares outstanding