

# 2020 BULKERS

2020 Bulkera Ltd.  
Q2 2022 Results presentation  
August 17, 2022



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# Highlights

## Q2 2022 Highlights:

- Net profit of US\$12.0 million, EPS of US\$0.54
- Achieved time charter equivalent earnings of approximately US\$32,300 per day, gross
- Generated total cash distributions of US\$0.52 per share for the months of April – June, 2022
- In April 2022, the Company transferred the eight Newcastlemax dry bulk vessels that it owns and/or operates from subsidiaries domiciled in Liberia to Norwegian limited liability subsidiaries. The Norwegian vessel owning subsidiaries intend to enter into the Norwegian tonnage tax regime.

## Subsequent events:

- Achieved time charter equivalent earnings so far in Q3 2022 of approximately US\$30,300 per day, gross
- In August, we declared a cash distribution of US\$0.18 per share for the month of July
- On August 9, the Company transferred tax domicile from Bermuda to Norway
- On August 10, Neil Glass and Mi Hong Yoon resigned as Directors of the Company, while Viggo Bang-Hansen was appointed as a Director of the Company

## Key Financials Q2 2022

## Income Statement

USD million, except per share data	Q2 2022
<b>Operating Revenues</b>	<b>23.3</b>
Vessel operating expenses	(4.3)
Voyage expenses and commission	(0.3)
General and administrative expenses	(1.3)
Depreciation and amortization	(2.9)
<b>Total operating expenses</b>	<b>(8.8)</b>
<b>Operating Profit</b>	<b>14.5</b>
Interest expense	(2.3)
Other financial expense, net	(0.2)
<b>Total financial expense, net</b>	<b>(2.5)</b>
<b>Tax expense</b>	<b>-</b>
<b>Net profit</b>	<b>12.0</b>
Earnings per share (USD/share)	0.54

## Comments

- Net profit of US\$12.0 million
- Operating profit of US\$14.5 million
- EBITDA of US\$17.4 million
- Earnings per share of US\$0.54
- Operating revenues of US\$23.3 million. Average time charter equivalent earnings of approx. US\$32,300 per day, gross.
- Vessel operating expenses of US\$4.3 million. Average operating expenses of approx. US\$5,900 per day per vessel
- G&A was US\$1.3 million including US\$0.3 million in expenses related to the transfer of vessels from Liberia subsidiaries to Norwegian subsidiaries. 2020 Bulkera is charging Himalaya Shipping for management fees on a quarterly basis recognized as Other operating income.
- Interest expense of US\$2.3 million.

## Balance Sheet Summary

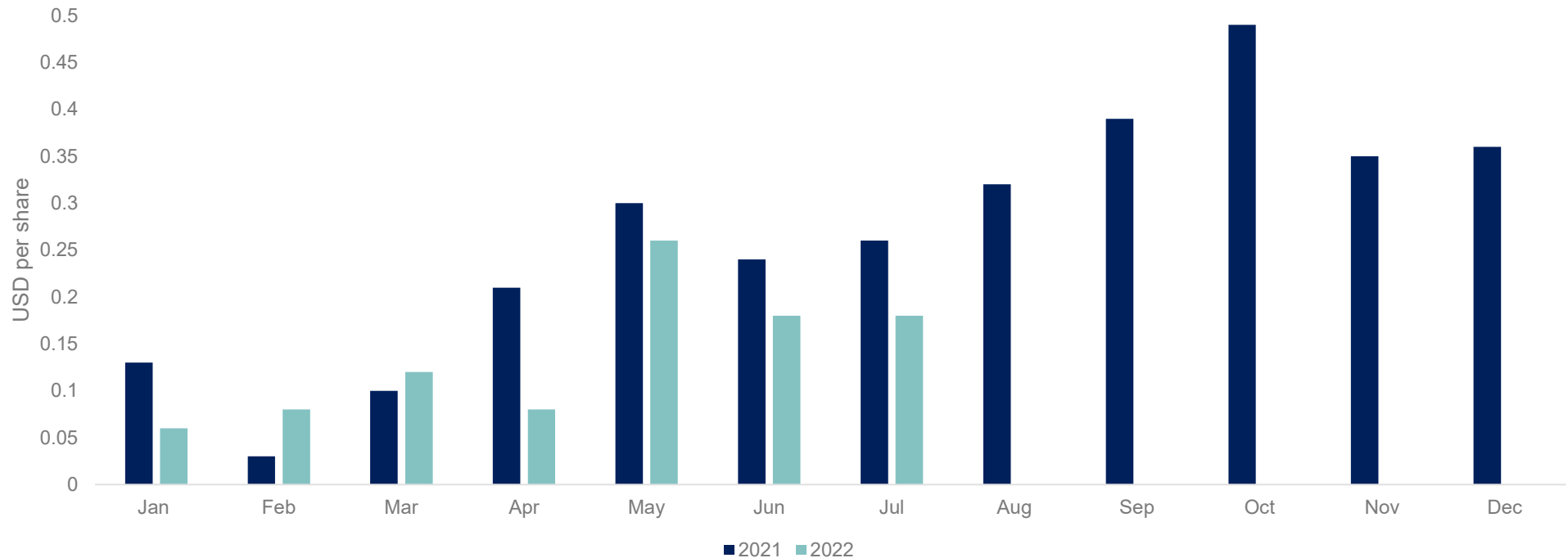
USD million	June 30, 2022
Total assets	385.0
Equity	154.6
Cash and cash equivalents	18.4
Interest bearing debt	228.7

## Comments

- Shareholders' equity of US\$154.6 million
- Interest bearing debt decreased from US\$232.4 million to US\$228.7 million during the quarter reflecting scheduled repayments
- Cash flow from operations was US\$14.5 million in Q2 2022
- Cash distributions in total of US\$0.52 per share declared for the months of April, May and June
- Solid liquidity position with US\$18.4 million of cash.

# Dividends and cash distributions

Monthly dividends and cash distributions

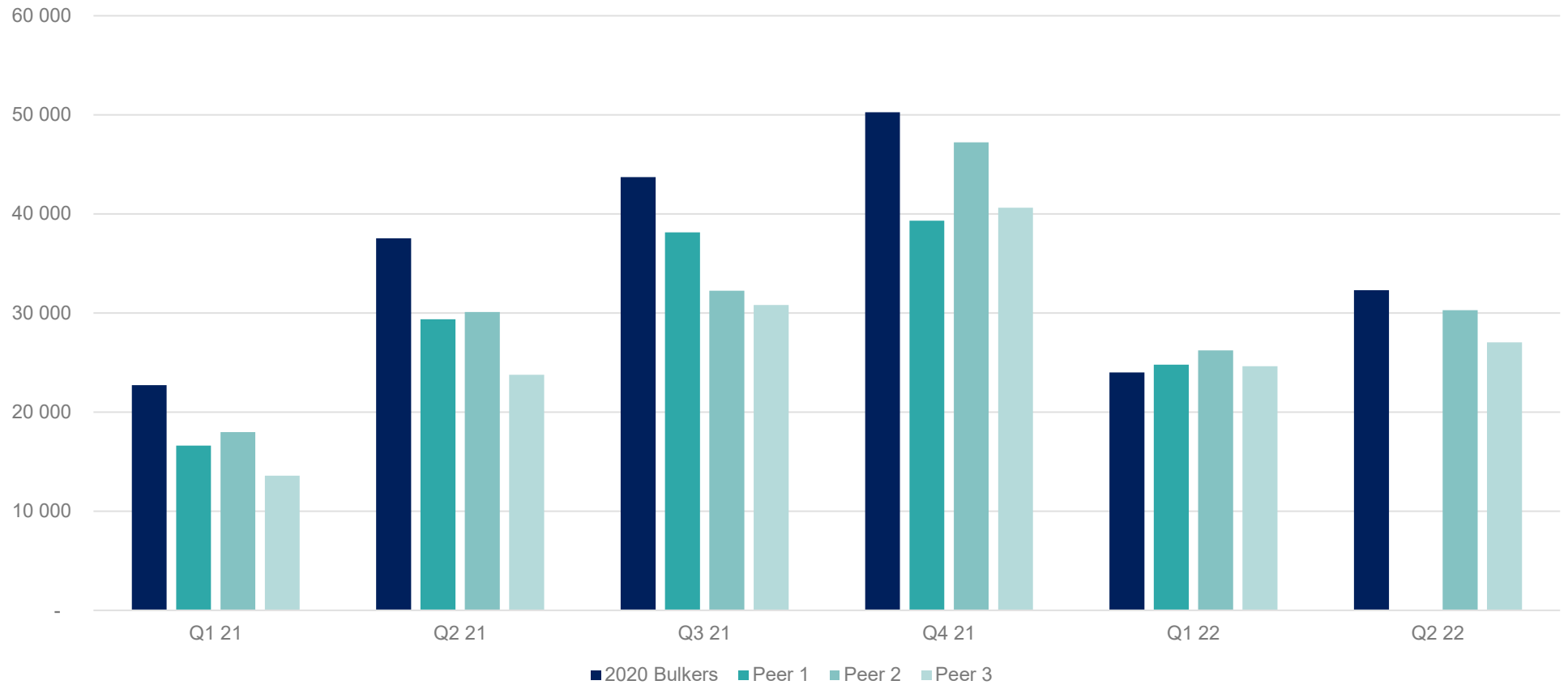


- 2020 Bulkercs has returned free cash flow to shareholders on a monthly basis for 25 consecutive months
- Q2 2022 cash distributions of US\$0.52 per share equals ~18% annualized yield\*
- 2020 Bulkercs has to date returned 72% of total paid-in equity to shareholders

\* Based on closing price of NOK 110 as of Aug 16

# 2020 Bulkiers with strong commercial performance

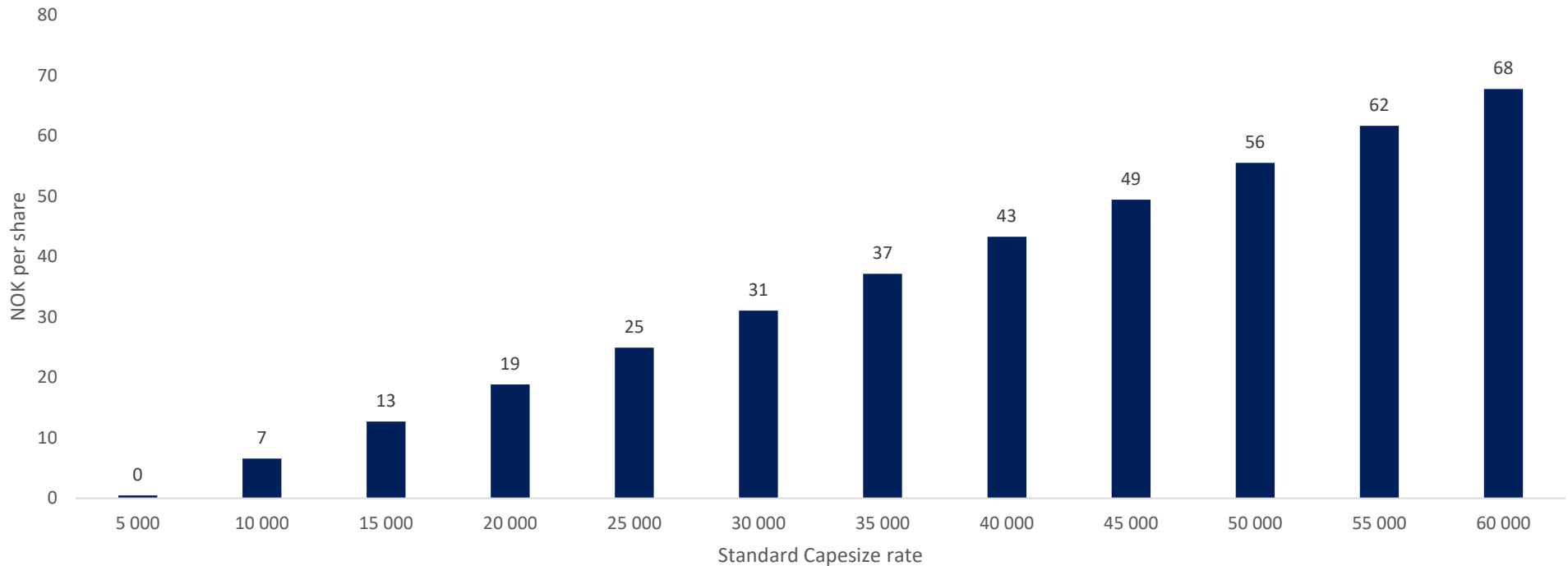
Peer group Net TCE Capesize / Newcastlemax



Source: Company reports

# Our dividend potential is significant

August-December 2022 dividend capacity (annual run-rate)<sup>1)</sup>



2 vessels fixed until 31 December 2022 at an average of US\$31,640 per day + scrubber profit share

6 vessels on index-linked time charters with scrubber profit share. Can be converted to fixed rate at our option

September – December 2022 Capesize FFA curve is currently ~US\$ 16,000 per day<sup>2)</sup>

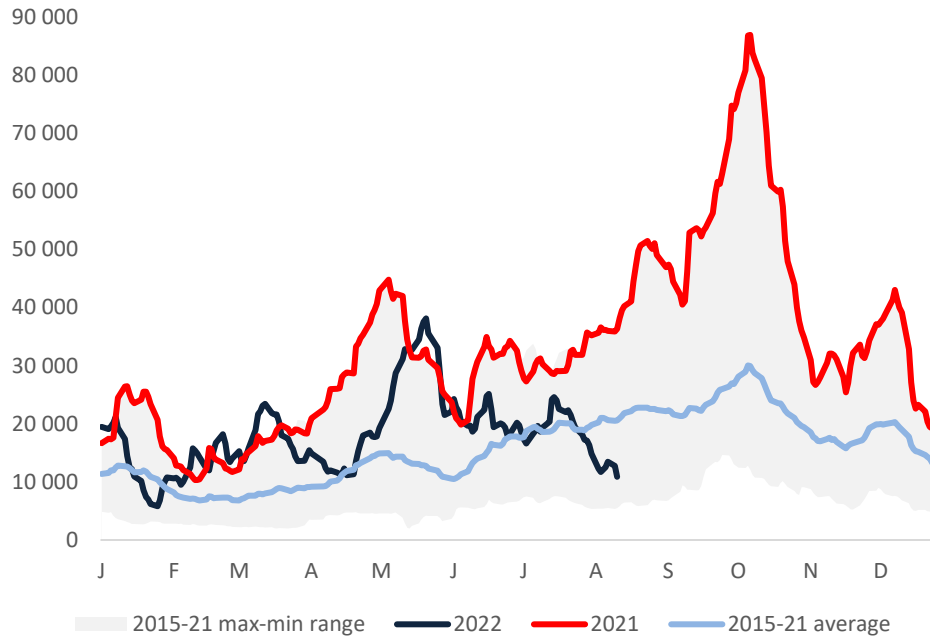
1) Indicative calculation based on current operating budgets, vessel employment, FX rates and fuel prices. Actual results may deviate.

2) As of 16 August 2022

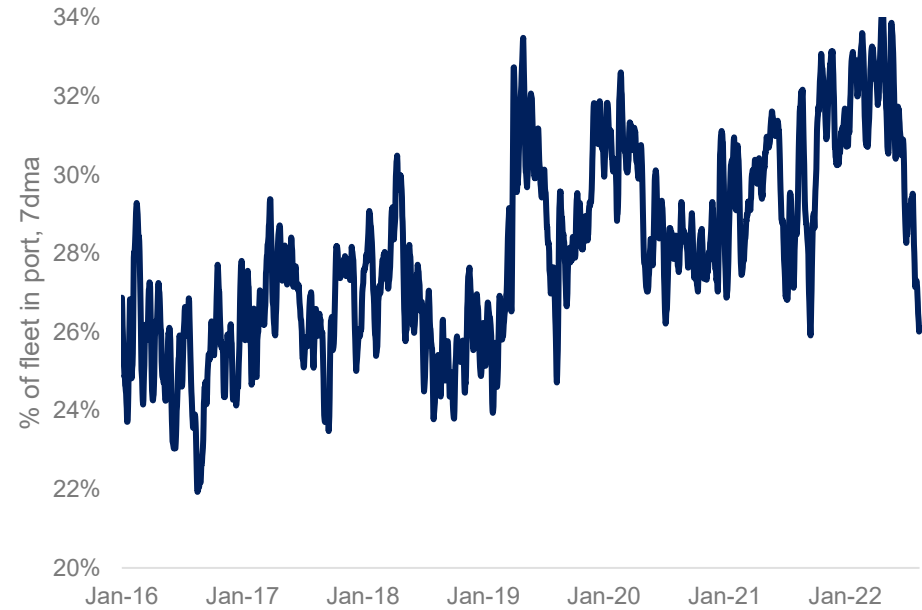


# Market review

Capesize spot Rates



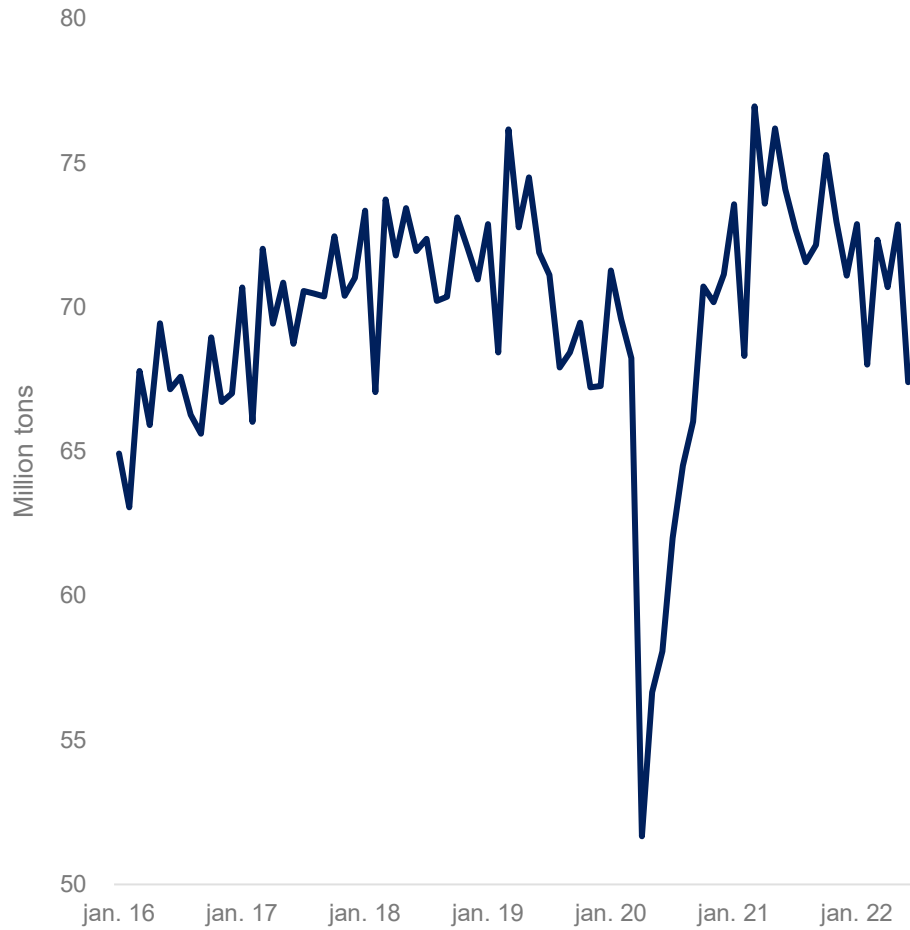
Capesize port congestion



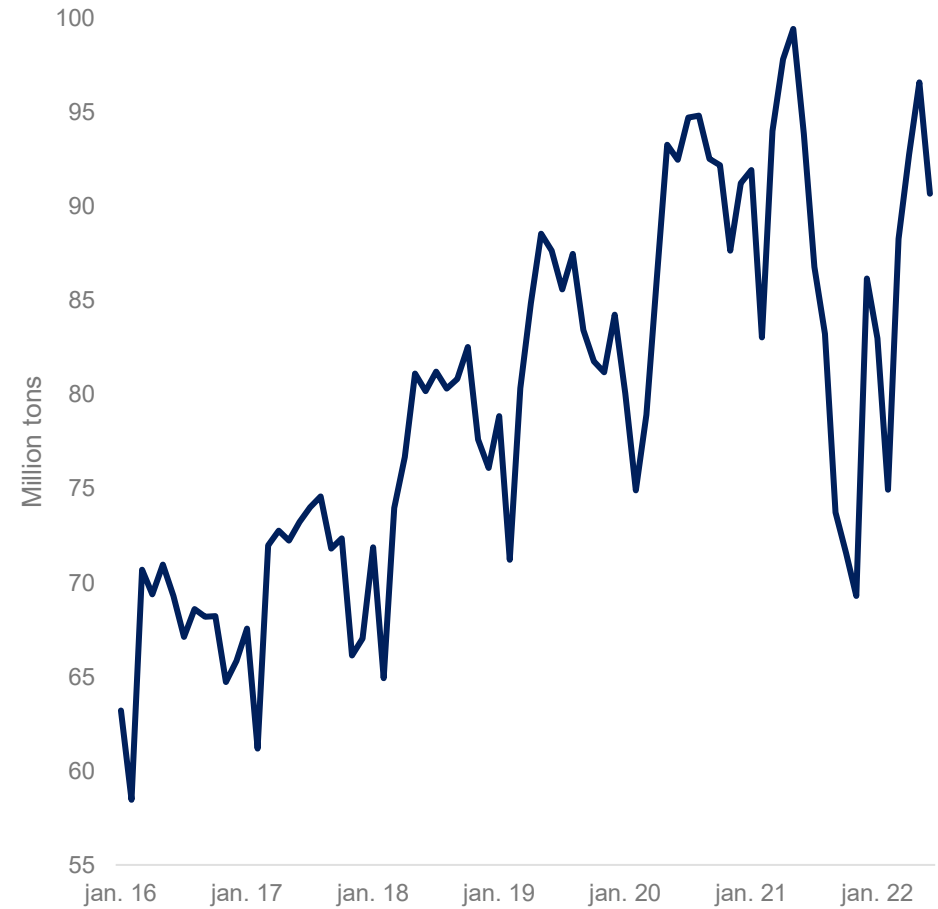
- Unseasonally weak market so far during Q3 driven by:
  - Unwinding of congestion and reduction of fleet inefficiencies
  - Lagging Brazilian export volumes, down 3.6% YoY

Sources: Sea/Analytics, Bloomberg

### World ex-China monthly steel output

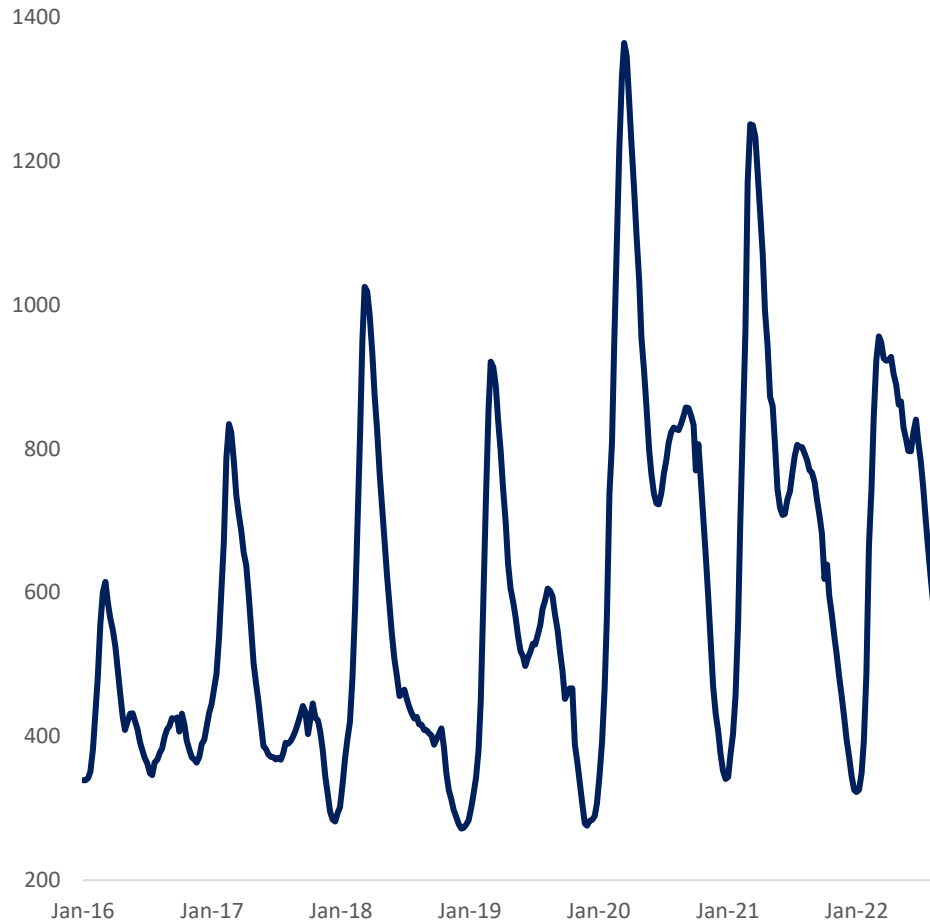


### China monthly steel output

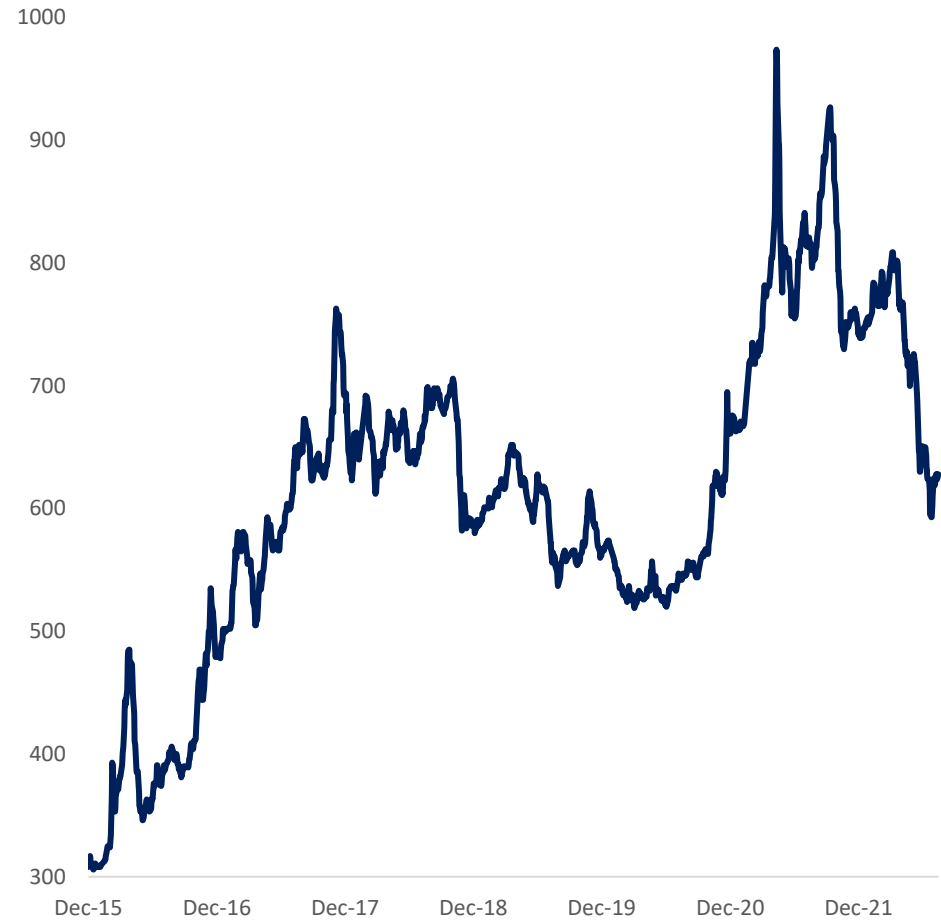


# China steel market

**China rebar inventories**

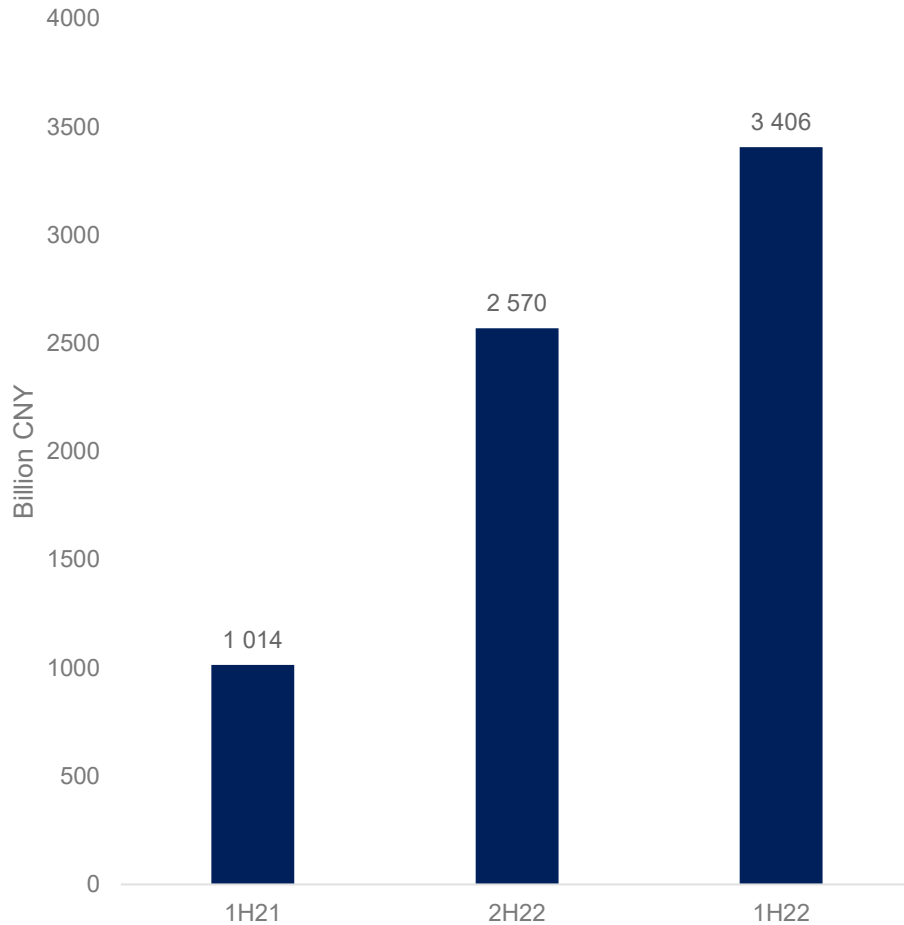


**China rebar prices**



# Signs of increased infrastructure investments in China

**China Local Government Special Bond Issuance**



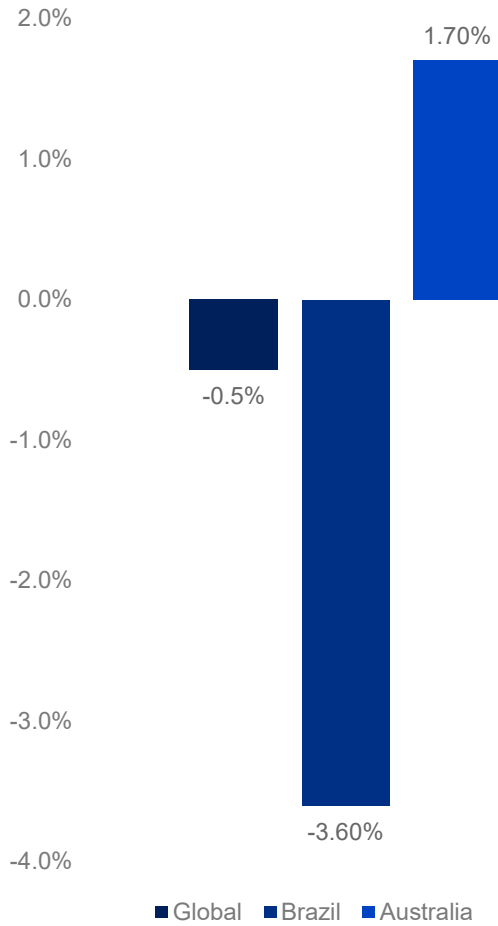
**China fixed asset investment**



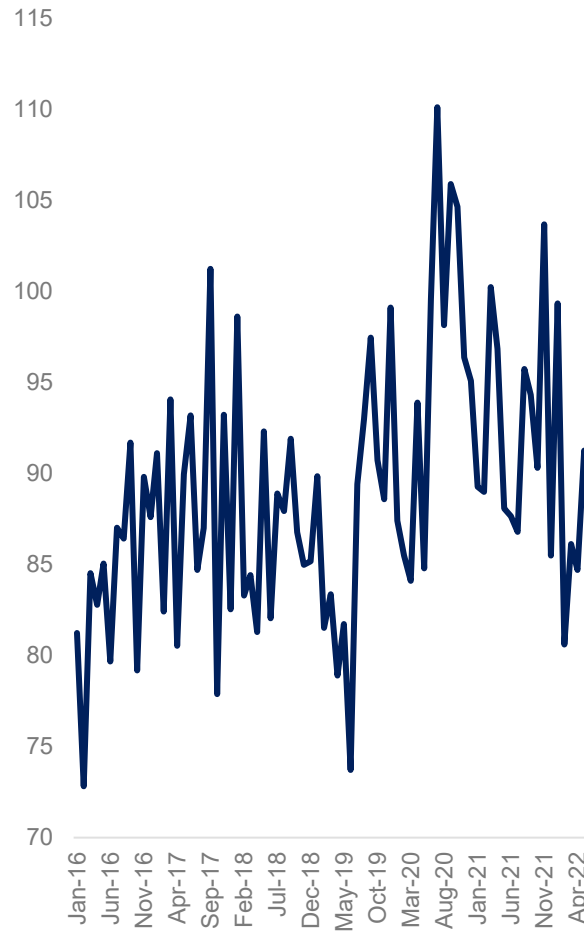
Source: Arrow Shipbroking group

# Iron ore

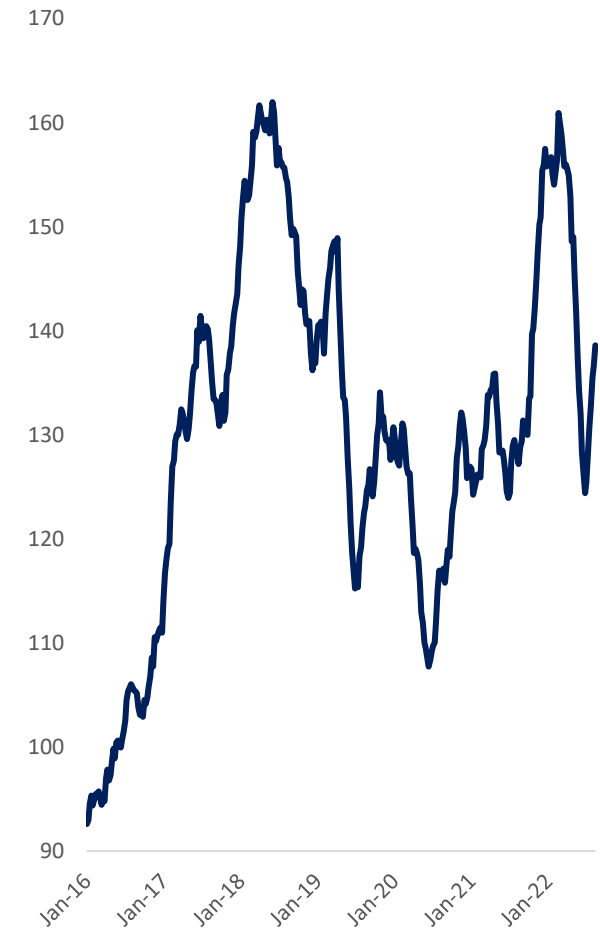
**Iron ore exports - YoY %**



**Chinese iron ore imports**



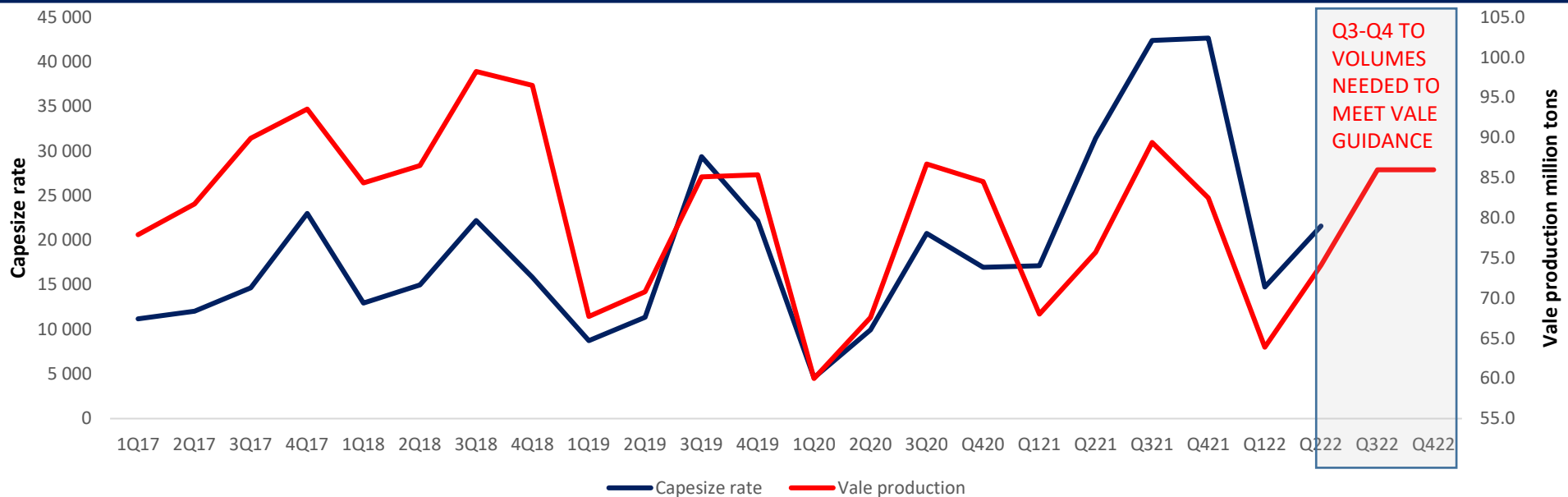
**Chinese iron ore inventories**



Source: Sea/analytics, Shipping Intelligence Network, Arrow Shipbroking Group

# Vale still expects an increase in production for the balance of 2022

Vale production vs Capesize rates



Vale Iron Ore production guidance

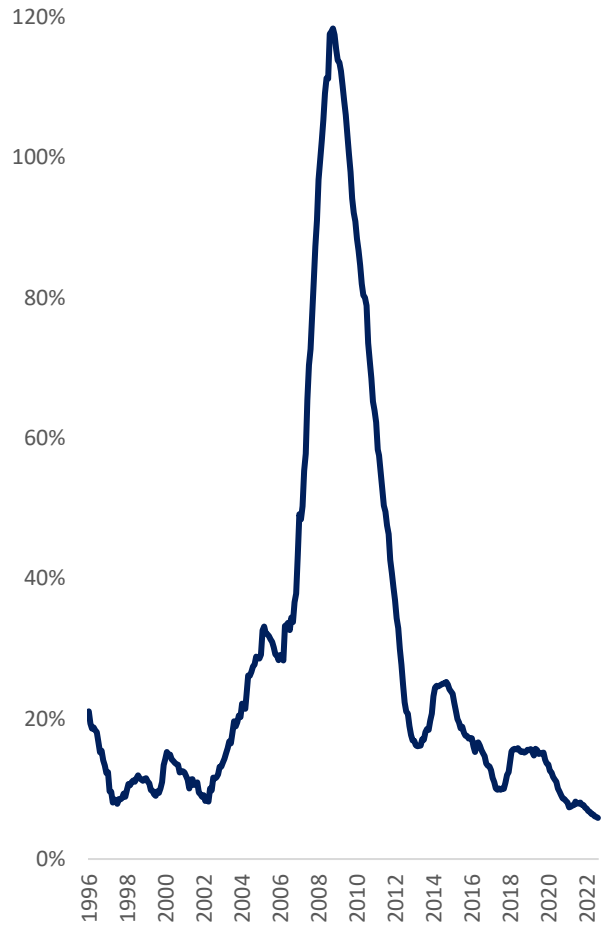
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Guidance 1 year prior	306	321	340	345	370	390	400	348	320	328
<b>Actual</b>	<b>310</b>	<b>332</b>	<b>346</b>	<b>349</b>	<b>367</b>	<b>385</b>	<b>302</b>	299	315	?
<b>Actual vs guidance 1 yr</b>	<b>1%</b>	<b>3%</b>	<b>2%</b>	<b>1%</b>	<b>-1%</b>	<b>-1%</b>	<b>-25%</b>	<b>-14%</b>	<b>-2%</b>	<b>?</b>

- Vale’s updated guidance still implies a significant uptick in production volumes for Q3–Q4 2022 vs Q1–Q2 2022
- Vale production has historically come in close to their guidance 1 year prior, except 2019 and 2020 (Brumadinho accident impact)

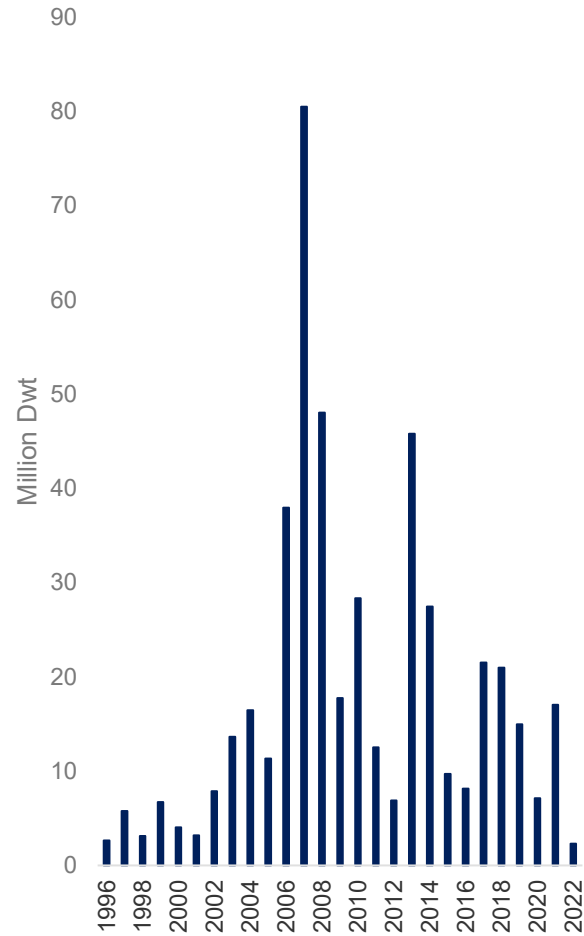
Sources: Vale (mid point guidance given at Vale Day), Shipping Intelligence Network

## Most favorable supply side in decades

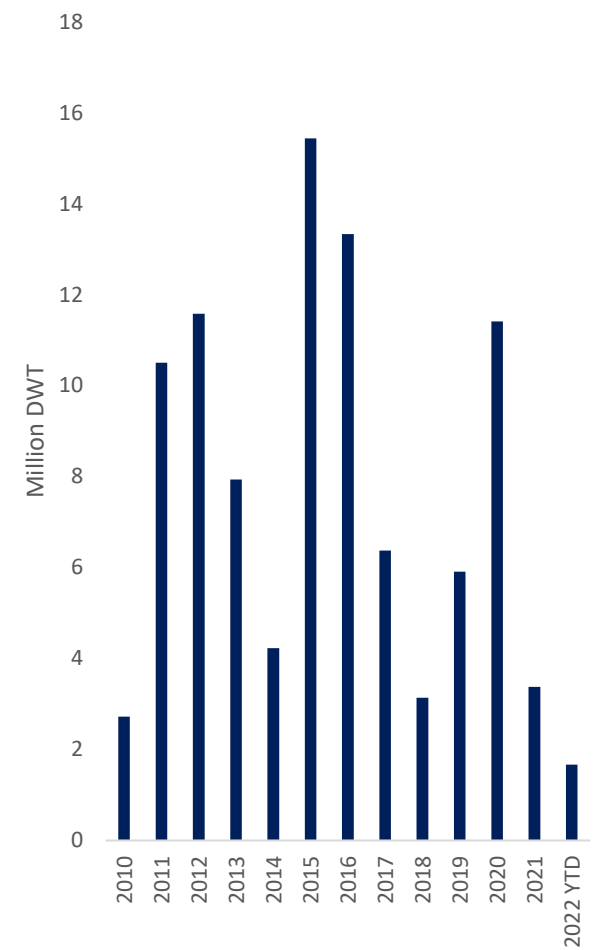
### Capesize orderbook as % of fleet



### Capesize newbuild contracts



### Capesize scrapping



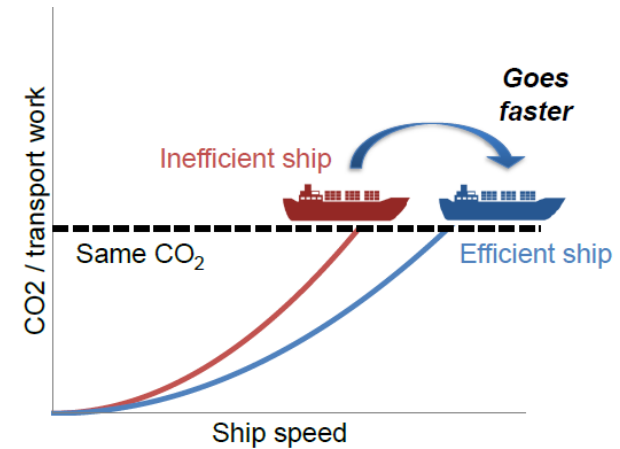
Source: Arrow Shipbroking Group, Shipping Intelligence Network

## New IMO regulations to reduce CO<sub>2</sub> emissions

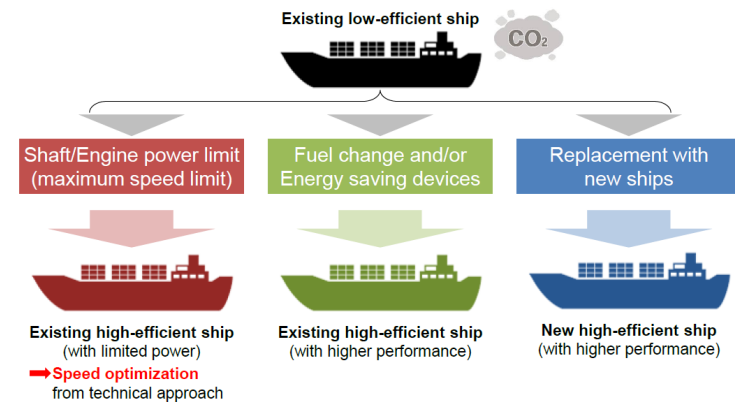
### Summary

- The IMO targets reduction in CO<sub>2</sub> intensity from international shipping by 40% from 2008 levels by 2030 and will implement EEXI (Energy Efficiency Existing Ship Index) and CII (Carbon Intensity Indicator) by January 2023
- Non-compliant ships may apply performance enhancing measures and/or reducing the engine's power output.
- Part of the trading fleet may not be able to comply and may have to be retired
- The implementations of EEXI and CII are expected to reduce the average sailing speed of the global fleet, which may lead to efficient ships being favored by charterers and commanding a larger earnings premium
- ABS estimates more than 80% of bulk carriers require corrective action to become compliant
- Based on an assessment from ABS, 2020 Bulkera fleet is in the top 8% percentile of trading Capesize vessels

### Emission reduction through goal-based measure



### Alternatives for complying





## 2020 Bulkera Summary

*Fleet of 8 Newcastlemax vessels, average age 2 years*

*2 vessels on fixed rates until 31 Dec 2022 at US\$31,640 per day + scrubber profit share*

*6 ships on index linked charters that can be converted to fixed rates on the basis of the FFA curve*

*FFA curve implies TCE for scrubber fitted Newcastlemax of ~US\$24,000 per day for Sep-Dec 2022\**

*2022 CBE budget of USD 15,400/ship/day*

*Free cash flow paid as monthly distributions – 72% of paid in equity returned to investors so far*

*Most favorable supply side dynamics in more than 30 years*