

2020 BULKERS



2020 Bulkera Ltd.

First Quarter 2020 Results

30 April, 2020

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Highlights

Key events during the first quarter of 2020:

- Net profit of US\$0.3 million
- Paid dividends of US\$0.04 per share in January and US\$0.03 per share in February
- Took delivery of two Newcastlemax from New Times Shipyard. Both vessels commenced their respective time charters with Koch Industries and ST Shipping/Glencore upon departing the yard
- Converted index linked time charters for Bulk Shenzhen and Bulk Shanghai into fixed rate charters at US\$21,919 per day, gross and US\$22,673 per day, gross respectively, for the remainder of 2020.
- Achieved average time charter equivalent earnings of US\$15,600 per day, gross. Vessels trading on index-linked charters achieved average time charter equivalent earnings of US\$9,200 per day, gross, including average daily scrubber benefits of US\$3,000 per day. Vessels trading on fixed charter earned on average US\$21,300, gross. The Baltic 5TC Capesize Index averaged US\$4,569 per day during the quarter

Subsequent events:

- Entered into interest swap arrangements for a notional amount of approximately US\$177 million, effectively securing an all in interest rate of 3% for the fully drawn amount under the term loan facility.
- Achieved time charter equivalent earnings so far in the second quarter of approximately US\$18,200 per day, compared to the Baltic 5TC Capesize index average of US\$7,753 per day
- Revised delivery of last two newbuildings for first half of June 2020

Key Financials Q1 2020

Income Statement

USD million, except per share data	Q1 2020
Operating Revenues	7.8
Vessel operating expenses	(2.4)
Voyage expenses	(0.2)
G&A	(0.8)
Depreciation	(1.9)
Total operating expenses	(5.3)
Operating Profit	2.5
Interest expense, net of cap. interest	(2.1)
Foreign exchange loss	(0.1)
Total financial expense	(2.2)
Tax expense	-
Net Profit	0.3
Earnings per share (USD/share)	0,01

Comments

- Net profit of US\$0.3 million
- Operating profit of US\$2.5 million
- EBITDA of US\$4.4 million
- Earnings per share of 1 cent
- Operating revenues of US\$7.8 million
- Vessel operating expenses of US\$2.4 million or US\$4,654 per ship per day
- “Bulk Shenzhen” and “Bulk Sydney” commenced their time charter contracts on January 10 and 23, 2020, respectively.
- 519 operational ship days for the quarter, 730 days per quarter once the full fleet is delivered
- G&A includes a non-cash share option cost of US\$0.2 million
- Interest expense, net of capitalized interest of US\$2.1 million
- In April the company entered into interest rate swap agreements securing an all-in interest rate of 3% for the fully drawn amount under the term loan facility.

Balance Sheet Summary

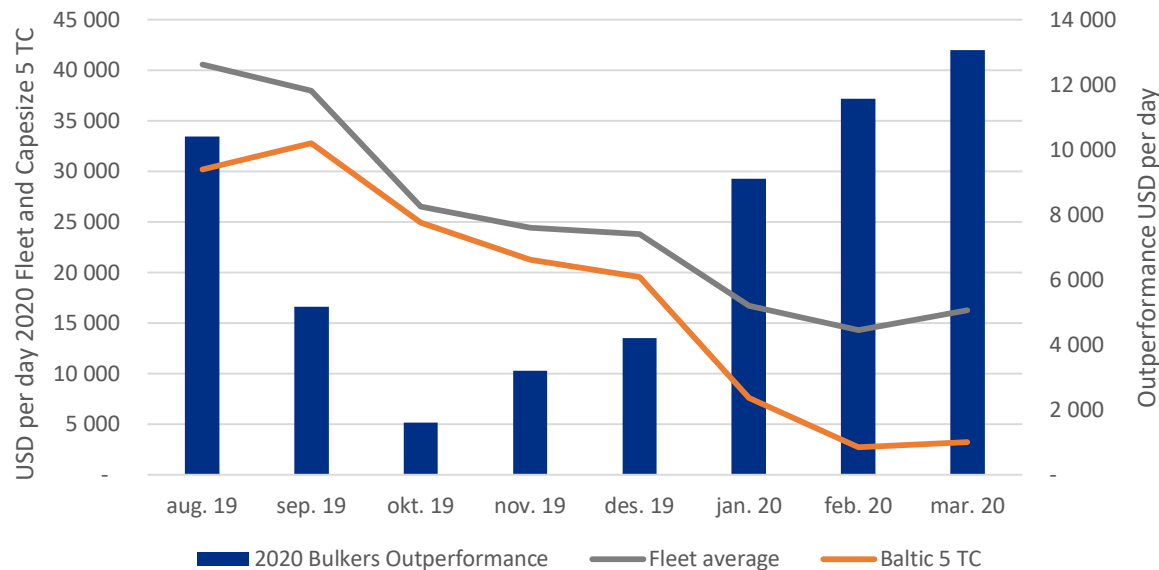
USD million	March 31, 2020
Total assets	338.2
Equity	137.1
Cash and cash equivalents	15.1
Interest bearing debt	197.1

Comments

- Equity of US\$137.1 million and equity ratio of 40.5%
- Interest bearing debt increased from US\$140.1 million to US\$197.1 million, reflecting the draw down on the term loan facility financing the delivery instalments for Bulk Shenzhen and Bulk Sydney.
- Cash flow from operations was US\$1.5 million
- Solid liquidity position with US\$15.1 million of cash.
- Dividend payments during Q1 2020 of US\$1.5 million or 7 cent per share
- Remaining delivery instalments for Bulk Sao Paulo and Bulk Santos are covered by cash at hand and committed bank financing of US\$30 million per vessel

Commercial update

2020 Bulklers outperforming the Baltic 5TC Capesize index



- 2020 Bulklers has outperformed the Baltic 5TC index every month since delivery of the first vessel
- Outperformance is driven by well timed charter coverage, as well as the fleet's superior cargo intake, lower fuel consumption and scrubber savings, compared to a standard Capesize vessel¹⁾

Balanced charter composition

Ship name	Delivery	Charterer	Rate	Charter expiry
Bulk Sandefjord	Aug 19	Koch	Index linked + scrubber benefit	Aug 22
Bulk Santiago	Sep 19	Koch	19 525 until Dec 20, index linked + scrubber benefit thereafter	Nov 21 - Jan 22
Bulk Seoul	Oct 19	Koch	22 250 until Dec 20, index linked + scrubber benefit thereafter	Dec 21 - Feb 22
Bulk Shanghai	Nov 19	Glencore	22 673	Dec 20
Bulk Shenzhen	Jan 20	Glencore	21 919	Dec 20
Bulk Sydney	Jan 20	Koch	Index linked + scrubber benefit	Jan 23
Bulk Sao Paulo	Jun 20			
Bulk Santos	Jun 20			

- Balanced charter composition: Combination of fixed charter coverage and spot market exposure
- All vessels are on charter to solid counterparts

1) Baltic Capesize index type vessel

Cash breakeven

	2020 balance	2021	2022
Available ship days	1 884	2920	2920
Days on fixed timecharter	984		
Open/index linked days	900	2920	2920
G&A (USD mill)	1,4	2,2	2,2
OPEX (USD mill)	9,3	14,6	15,2
Debt Ammortization (USD mill)	9,0	14,8	14,8
Interest	5,6	9,2	8,7
Operating Cash breakeven (USD mill)	25	41	41
Fixed Charter coverage (USD mill)	20		
Costs to be covered by open/index ships (USD mill)	5	41	41
Operating Cash breakeven (USD/ship/day)	13 436	13 983	13 991
Operating Cash breakeven for open/index ships (USD/ship/day)	5 700	13 983	13 991
Sensitivities - cash flow per share (USD)			
Standard capesize rates +/- USD 1000 per day	0,05	0,17	0,17
HFO/LSFO spread +/- USD 50/ton	0,06	0,18	0,18

- Operating cash breakeven for the balance of 2020 estimated at US\$13,436 per day
- 53% of remaining available ship days for 2020 fixed at average TCE of US\$21,591, gross
- Fixed time charter coverage for 4 vessels covers approximately 80% of operating cash breakeven for the rest of 2020 for all 8 vessels
- Rates required for unfixed and index-linked ships to achieve operating cash breakeven is estimated at USD 5,700 per day for the balance of 2020
- Forward freight market is in contango:
 - TC market for scrubber fitted Newcastlemax for the balance of 2020 is estimated at USD 17,000 per day¹⁾
 - TC Market for scrubber fitted Newcastlemax for Q3 and Q4 is estimated at USD 18,500 per day¹⁾

1) Based on FFA curve and forward fuel prices as of 29 March, 38% Newcastlemax premium and assumed as well as 75% of scrubber benefits

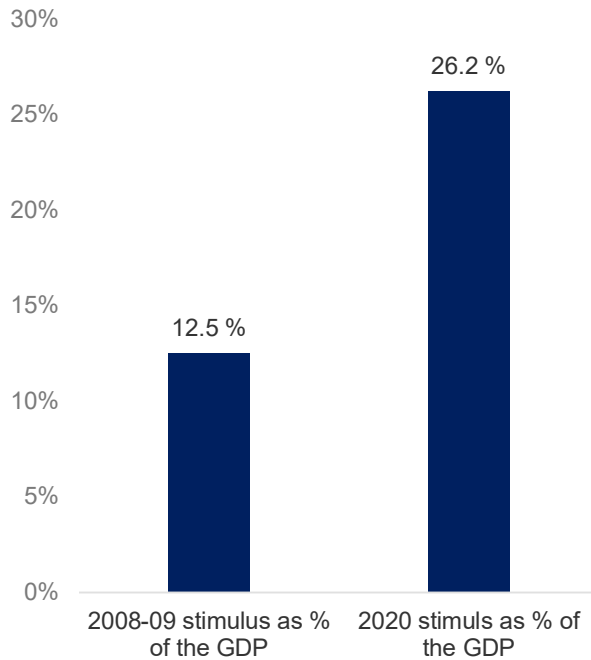
Dividends / Capital Allocation

- The Company remains committed to pay out the majority of operational free cash flow generated on a monthly basis.
- Due to the uncertain macro environment caused by the Covid-19 virus outbreak, the Company does not expect to pay any dividends prior to the delivery of the final newbuilding in June 2020
- Operating cash breakeven after debt service for 2020 is estimated at USD 13,436 per day
- The Company has no current plans to expand the fleet and will stay focused on returning the maximum capital to shareholders through dividend payments

Market update

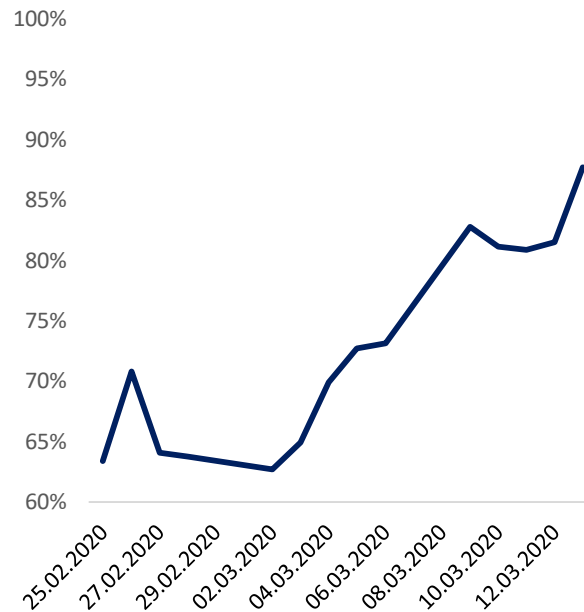
China has announced significant stimulus, economic activity is normalizing

China with significant stimulus



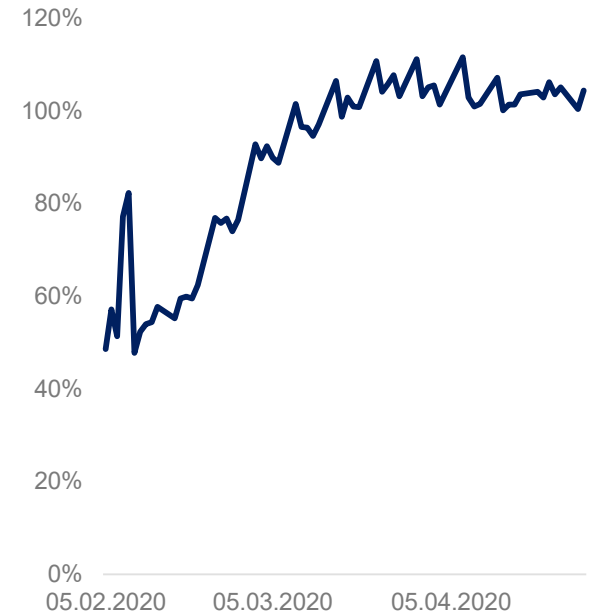
- Seven provinces in China has launched ~USD 3,5 trillion of investment projects to combat the impact of the coronavirus on the economy
- The amount is ~6x the stimulus announced in 2008-2009 following the Financial Crisis and more than 2x that amount if measured as a % of GDP

Coal burn compared to 2019



- Coal burn at China's six major coastal powerplants has recovered following the Covid-19 shutdowns

Traffic congestion compared to 2019



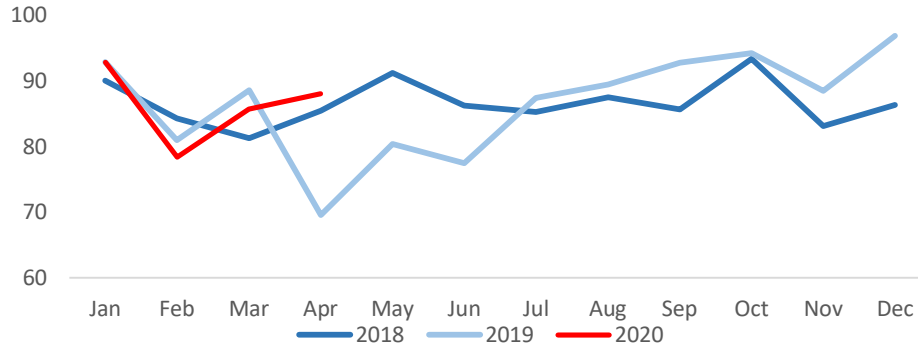
- Traffic congestion in five major Chinese cities has been back at normal levels since early March

Source: Arrow Shipbroking Group, Commodore Research

Chinese iron ore demand has held up well, but more Brazilian export volumes are needed to balance Capesize market

Chinese Iron Ore imports has held up well

China iron ore imports, million tonnes, based on AIS data



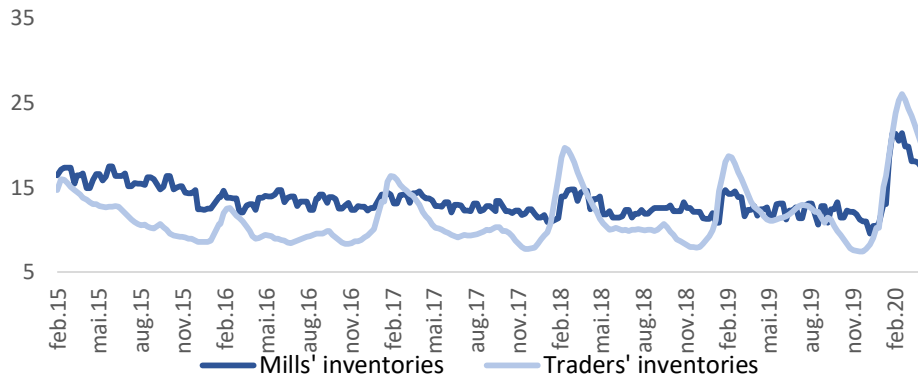
While Iron Ore inventories have continued to draw

China Iron ore port inventories, million tonnes



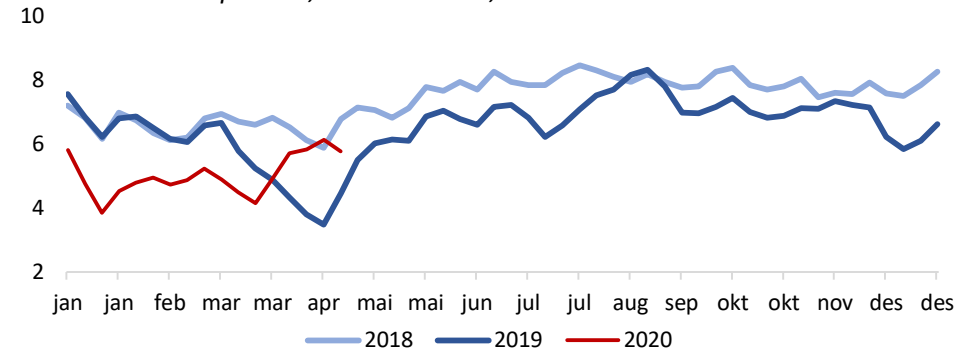
Steel inventories above normal – to be digested by stimulus?

Chinese steel product inventories, million tonnes



Main issue for the Capesize market is low Brazil exports YTD

Brazil iron ore shipments, million tonnes, 3wma

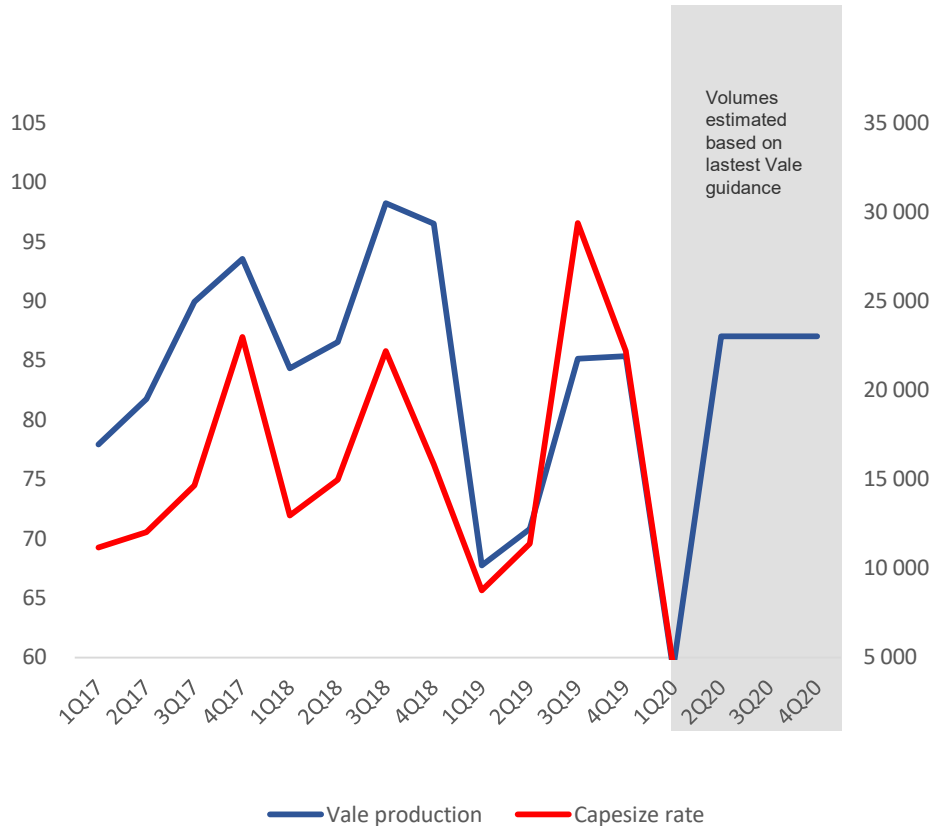


Source: Arrow Shipbroking Group

Brazil iron ore exports should be picking up with Vale guiding for significant increase in production in 2Q-4Q vs Q1 2020

Strong correlation between Vale production and Capesize rates

Comments



- Vale produced 59,6 million tons of iron ore in Q1 2020
- Vale's guidance of 310 – 330 million tons for 2020 implies that run rate production in Q2-Q4 2020 will be almost 50% above the Q1 2020 production volumes
- There has historically been a strong correlation between Vale's production, Brazilian exports and observed Capesize rates

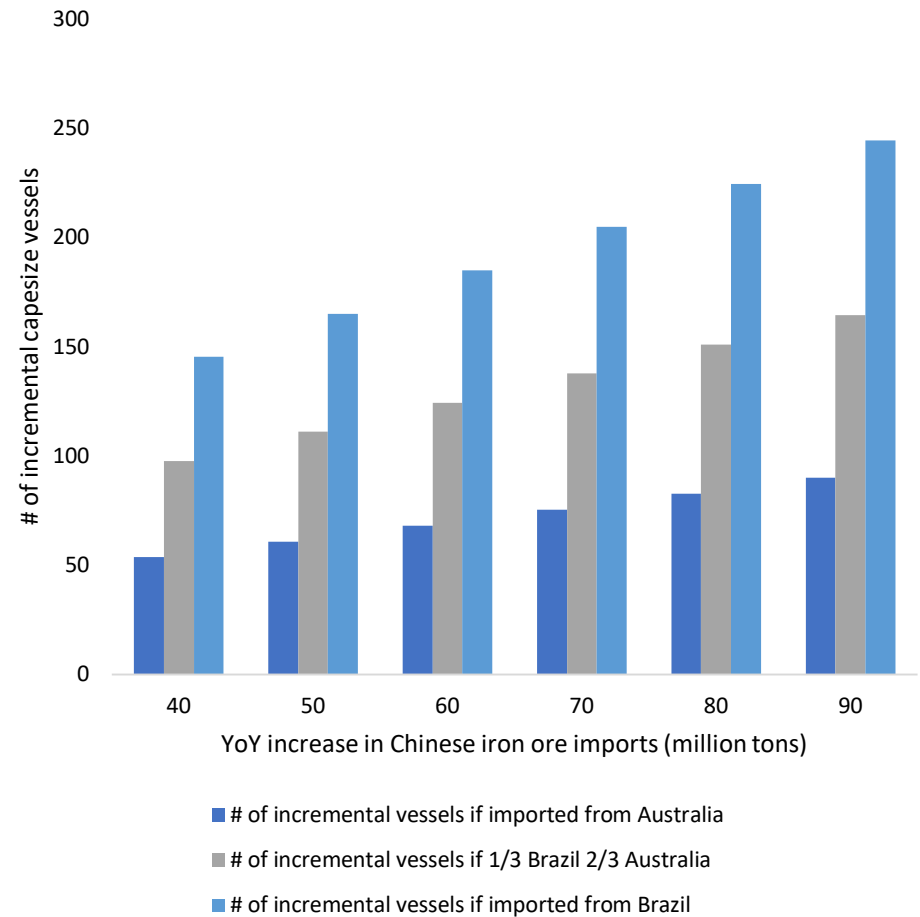
Sources: Vale, Arrow Shipbroking Group

Potential increase in Chinese Iron Ore imports on the horizon

China Iron and Steel Association (CISA) expectations

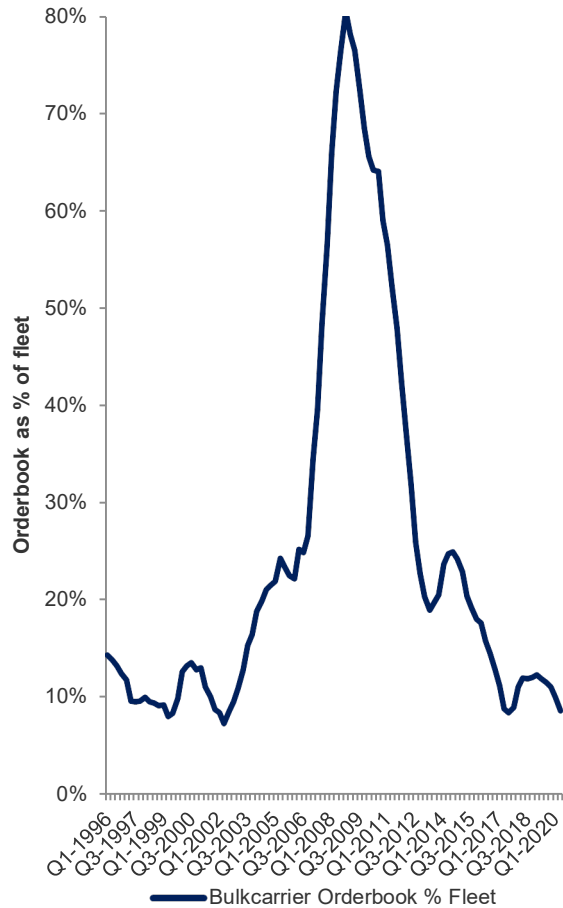
- China Iron and Steel Association recently stated Chinese iron ore imports in 2020 may increase 40 to 90 million tons versus 2019, implying expected iron ore imports of 1 109 to 1 159 million tons
- Chinese iron ore imports were 263 million tons during Q1 2020, implying run rate imports could increase 7% - 14% for Q2 to Q4 2020 versus Q1 2020
- A 7% - 14% increase in run rate imports would require 50 to 250 Capesize vessels depending on cargo origin
- The current fleet of Capesize and larger drybulk vessels consists of approximately 1 700 vessels

Potential incremental capesize required Q2-Q4 vs Q1 2020

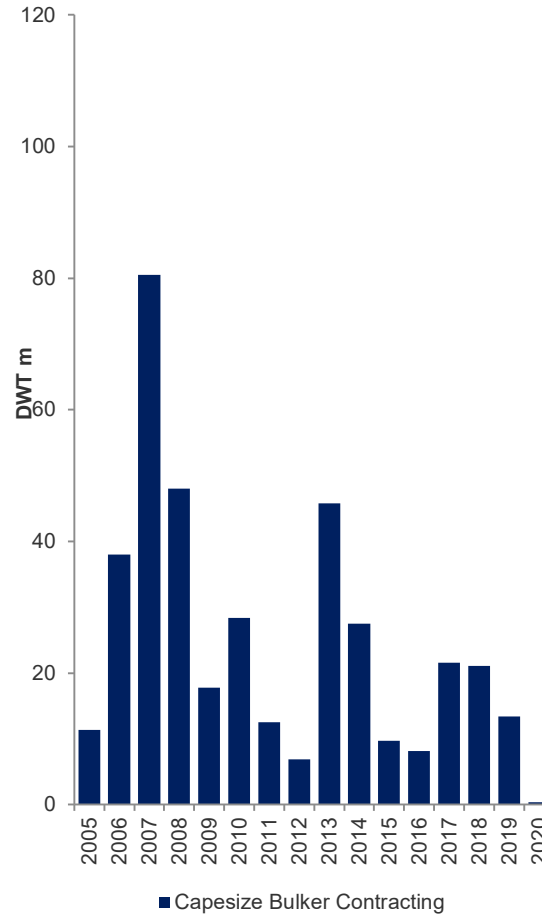


Limited supply growth on the horizon and high scrapping activity

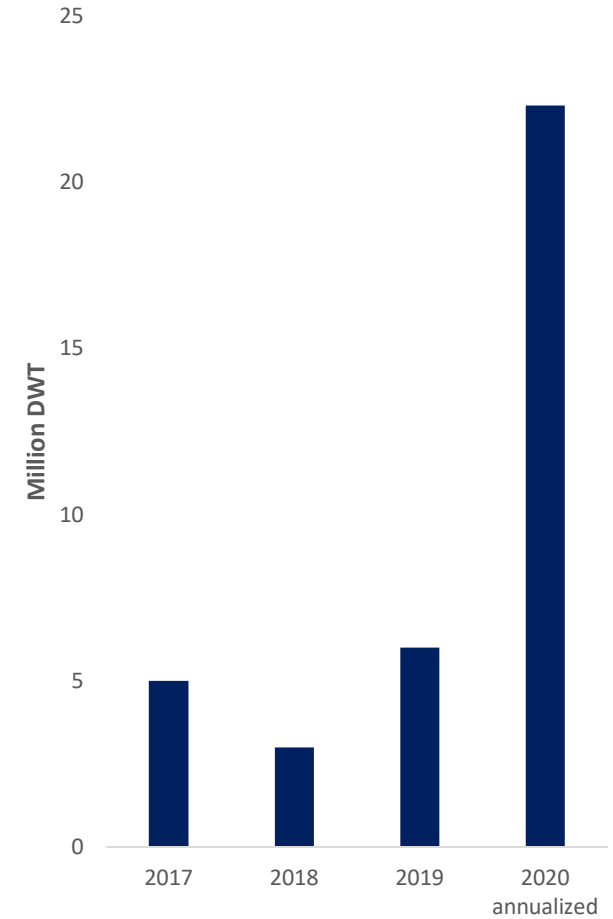
Dry bulk orderbook as % of fleet



Capesize bulk newbuild contracts⁽¹⁾



Capesize scrapping⁽²⁾



(1) For vessels larger than 20,000 dwt

(2) Drybulk vessels larger than 100,000 dwt, Source: Clarkson Research Services Limited, Arrow Shipbroking Group, Tradewinds

Questions?
