

2020 BULKERS



2020 Bulkera Ltd.

Fourth Quarter 2019 Results

11 February, 2020

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Highlights

Key events during the fourth quarter of 2019:

- Net profit of US\$1.2 million with 298 on hire days
- Paid dividends of US\$0.055 per share in November and US\$0.08 per share in December
- Entered into two new index-linked timecharters with ST Shipping, a 100% owned subsidiary of Glencore
- 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
- Completed a sale and leaseback arrangement for Bulk Seoul and Bulk Shanghai
- Achieved average time charter equivalent earnings of US\$24,100 per day, gross. Vessels trading on index-linked charters achieved average time charter equivalent earnings of US\$27,700 per day, gross and vessels trading on fixed charter earned on average US\$20,600, gross. The Baltic 5TC Capesize Index averaged US\$22,200 per day during the quarter

Subsequent events:

- On February 10, declared a cash dividend of US\$0.03 per share for the month of January 2019.
- In January 2020, the Company paid dividends of US\$0.04 per share for the month of December 2019
- 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
- So far this quarter, achieved time charter equivalent earnings of approximately US\$16,000 per day, gross. The Baltic 5TC Capesize Index has averaged US\$6,600 per day during the same period.

Key Financials Q4 2019

Income Statement

USD million	Q4 2019
Operating Revenues	6.9
Vessel operating expenses	(1.8)
Voyage expenses	(0.2)
G&A	(1.4)
Depreciation	(1.0)
Total operating expenses	(4.4)
Operating Profit	2.5
Interest expense, net of cap. interest	(0.5)
Write off relating to term loan facility	(0.8)
Interest income	0.1
Total financial expense	(1.2)
Tax expense	(0.1)
Net Profit	1.2
Earnings per share (USD/share)	0,06

Comments

- Net profit of US\$1.2 million
- Earnings per share US\$0.06
- Operating revenues of US\$6.9 million
- Non-cash write off of US\$0.8 million relating to the cancellation of the term loan facility for Bulk Seoul and Bulk Shanghai following the sale and leaseback transaction with Ocean Yield
- G&A includes a non-cash share option cost of US\$0.3 million
- “Bulk Seoul” and “Bulk Shanghai” commenced their time charter contracts on November 1 and November 10, 2019, respectively.
- 298 on hire days for the quarter, which will increase to 730 days per quarter once the full fleet is delivered

Balance Sheet Summary

USD million	Q4 2019
Total assets	283.1
Equity	138.1
Cash and cash equivalents	20.1
Interest bearing debt	140.1

Comments

- Equity ratio of 48.8%
- Interest bearing debt increased from US\$64.3 million to US\$140.1 million, reflecting the sale lease back financing for Bulk Seoul and Bulk Shanghai.
- The Company repaid the sellers credit from the yard of US\$4.3 million during Q4, 2019.
- Strong liquidity position with US\$20.1 million of cash.
- Dividend payments during Q4, 2019 of US\$3.0 million or US\$0.135 per share
- Remaining yard instalments are covered by cash at hand and committed bank financing of US\$30 million per vessel

Dividends / Capital Allocation

- Declared dividend of US\$0.03 per share for the month of January 2019, to be paid in February.
- The Company has since November 2019 declared total dividends of US\$0.205 per share
- The Company remains committed to pay out the majority of any operating free cash flow after debt service as dividends. Operating cash breakeven after debt service for 2020 is estimated at USD 14,500 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

Company overview

Efficient fleet chartered to strong counterparts

High Performing assets with favorable environmental footprint

2020 Bulkera fleet vs standard Capesize¹⁾ vessels

- 15 % larger cargo intake vs standard Capesize
- 20 % lower fuel consumption than standard Capesize
- All vessels fitted with exhaust gas scrubbers



Benefits of 2020 Bulkera fleet vs standard Capesize

- Proven earnings premium versus standard Capesize
 - Last done charters at 38% premium
 - Average scrubber premium of US\$ 4,200 per day earned since Jan 1st for vessels on index related charters
- 30% reduction in CO2 emissions per ton transported
- 90% reduction in Sox emission per ton transported
- 80 % reduction in particulate matter emissions

Strong counterparts

Ship name	Delivery	Charterer	Rate	Duration	Charter expiry
Bulk Sandefjord	Aug-19	Koch	Index linked	36 months	Aug-22
Bulk Santiago	Sep-19	Koch	19 525 until 15 Dec 2020, index linked thereafter	23-25 months	Nov 21 - Jan 22
Bulk Seoul	Oct-19	Koch	22 250 until 31 Dec 2020, index linked thereafter	12-16 months	Dec 21 - Feb 22
Bulk Shanghai	Nov-19	Glencore	Index linked	11-13 months	Oct 20 - Dec 20
Bulk Shenzhen	Jan-20	Glencore	Index linked	11-13 months	Dec 20 - Jan 21
Bulk Sydney	Jan-20	Koch	Index linked	36 months	Jan-23
Bulk Sao Paulo	Apr-20				
Bulk Santos	May-20				

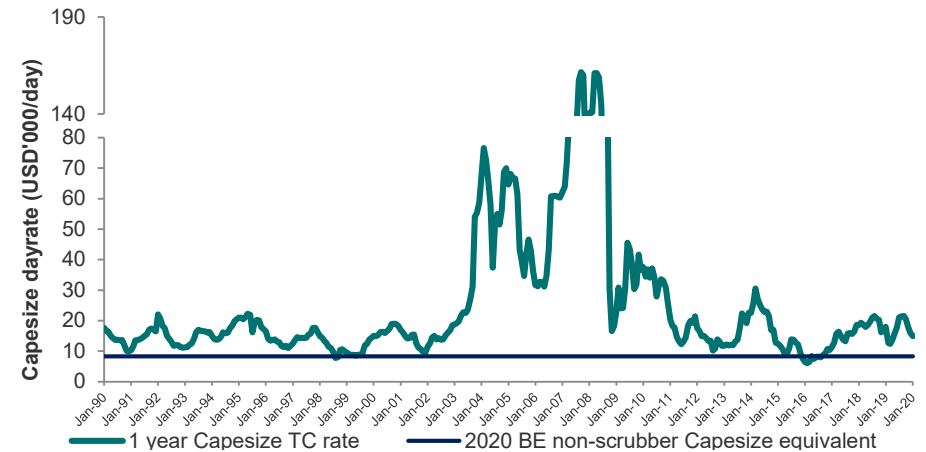
1) Baltic Index Capesize without scrubber

Our low breakeven gives downside protection and dividend potential **2020 BULKERS**

Our operating cash breakeven of \$14,500/day is covered with standard Capesize rates at \$8,300 - giving downside protection

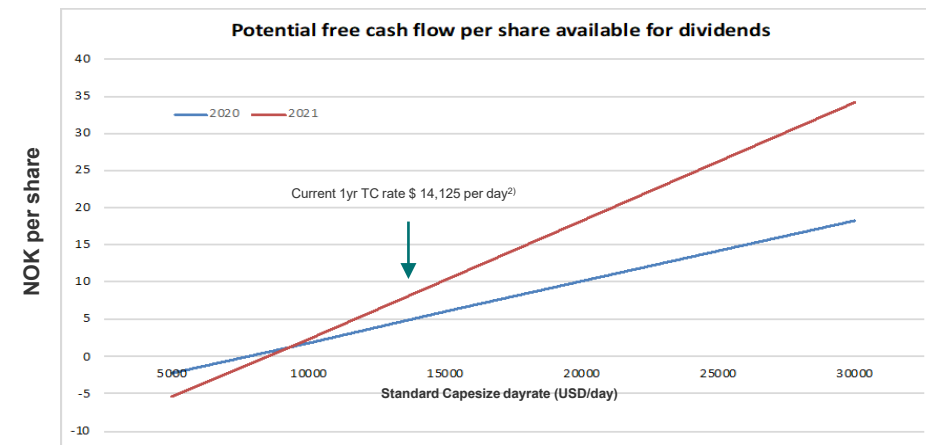
Standard Capesize ¹⁾ rate	“	8 300
38% Newcastlemax Premium (last done for Eco-Newcastlemax)	“	3 154
75% of scrubber benefit at USD 185 per ton LSFO vs HFO (last done profit share and current fuel spread for balance of 2020)	“	3 800
- 5% commission	“	(760)

Newcastlemax earnings with Capesize rate of USD 8 300 /day 14 500



Our significant leverage to freight rates and fuel spreads gives dividend potential³⁾

	2020	2021	2022
Ship operating days	2 644	2 920	2 920
Spot/index linked days	1 929	2 920	2 920
Operating Cash breakeven (USD/ship/day)	14 526	14 879	15 073
Operating Cash breakeven for spot/index ships (USD/ship/day)	12 565	14 879	15 073
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



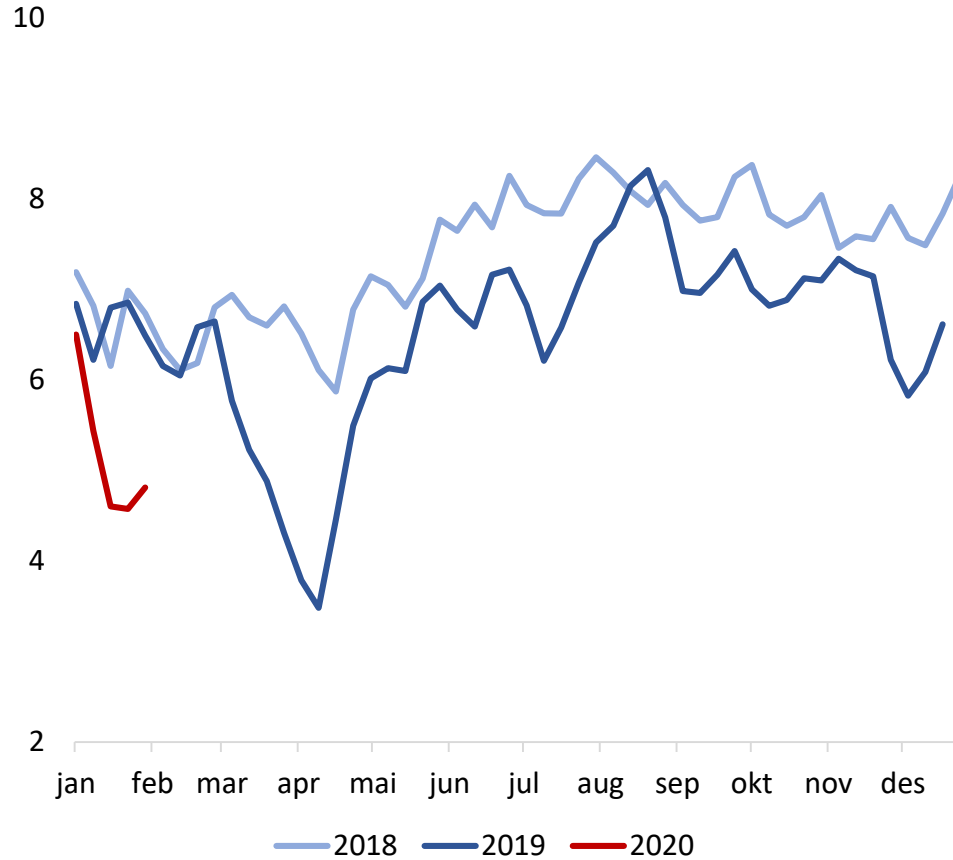
1) Baltic Index Capesize without scrubber
 2) Source: Clarksons Shipping Intelligence weekly 7 Feb 2020
 3) Calculations based on current forward curve for HFLO vs LSFO, 3 M Libor of 1,75%

Market summary

Abnormally low Brazilian shipments YTD, in line with Vale's guidance

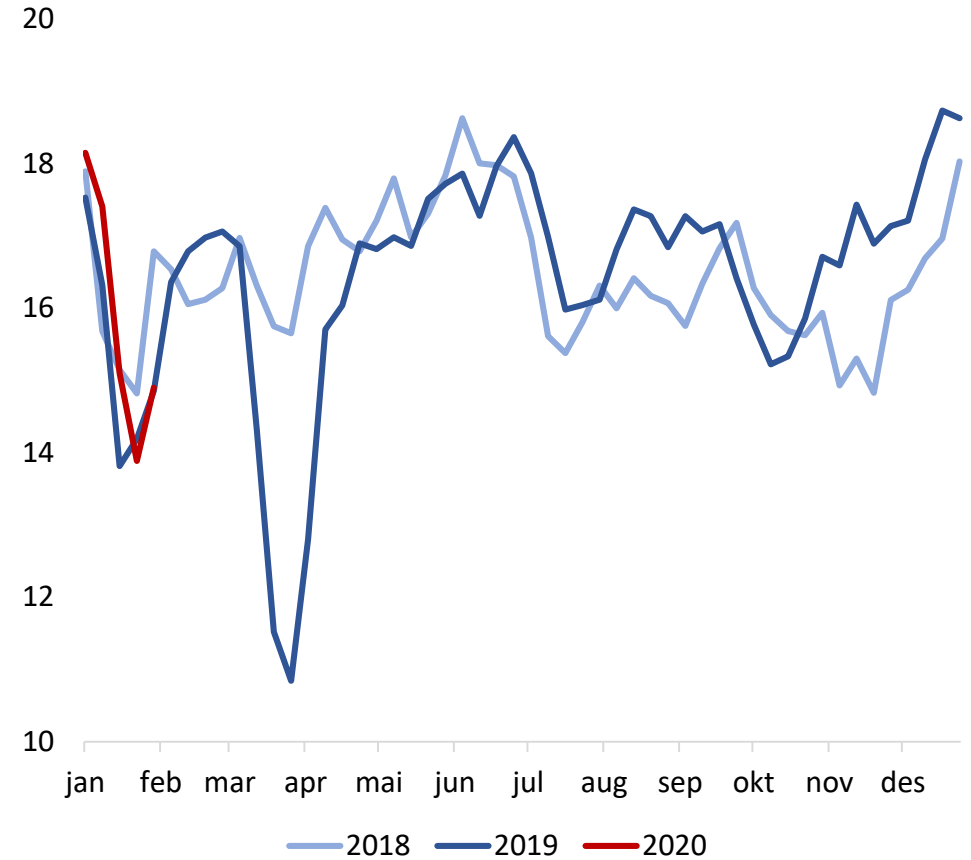
Brazilian iron ore shipments

Million tonnes, 3-week moving average



Australian iron ore shipments

Million tonnes, 3-week moving average

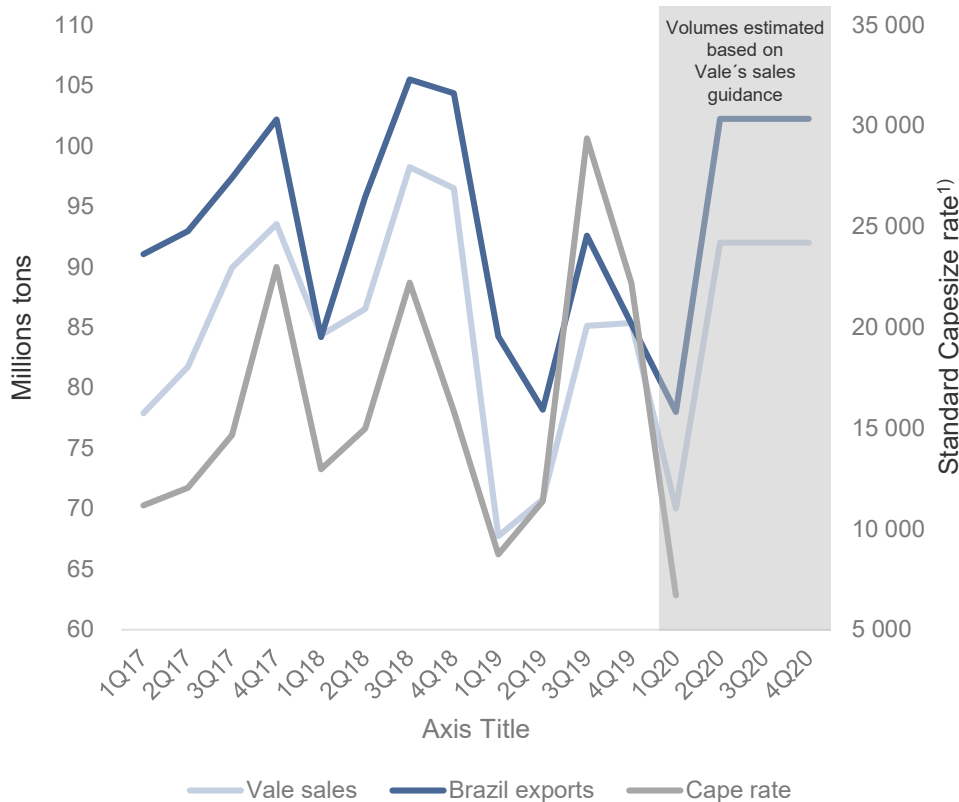


Source: Arrow Shipbroking Group

Vale has guided for a significant sales increase later this year

Strong correlation Vale sales, Brazil exports and Cape rates

Comments



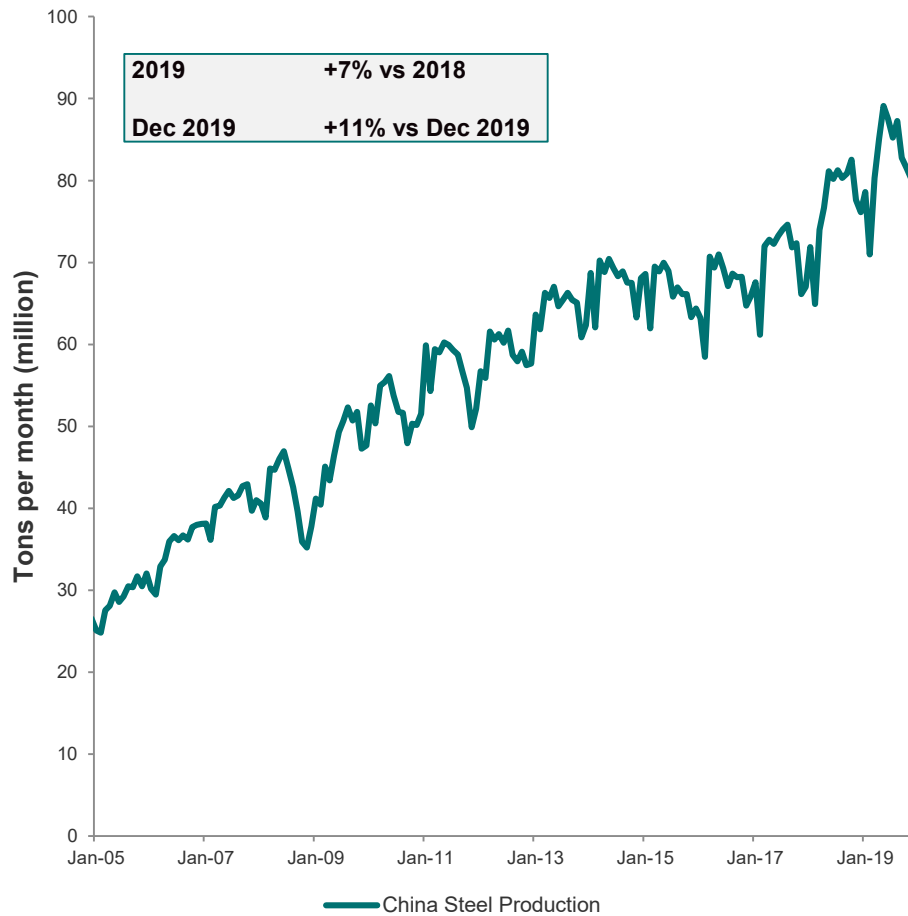
- Vale has guided sales of 70 MT for Q1 2020
- Their full year guidance of 345 MT implies that sales in Q2-Q4 should on average be 30% higher than Q1
- An increase of 22 MT QonQ would require 125 incremental standard Capesize shipments
- There has been a strong correlation historically between Vale sales volumes, Brazilian Iron Ore Exports and Capesize rates

1) Baltic 5TC Index

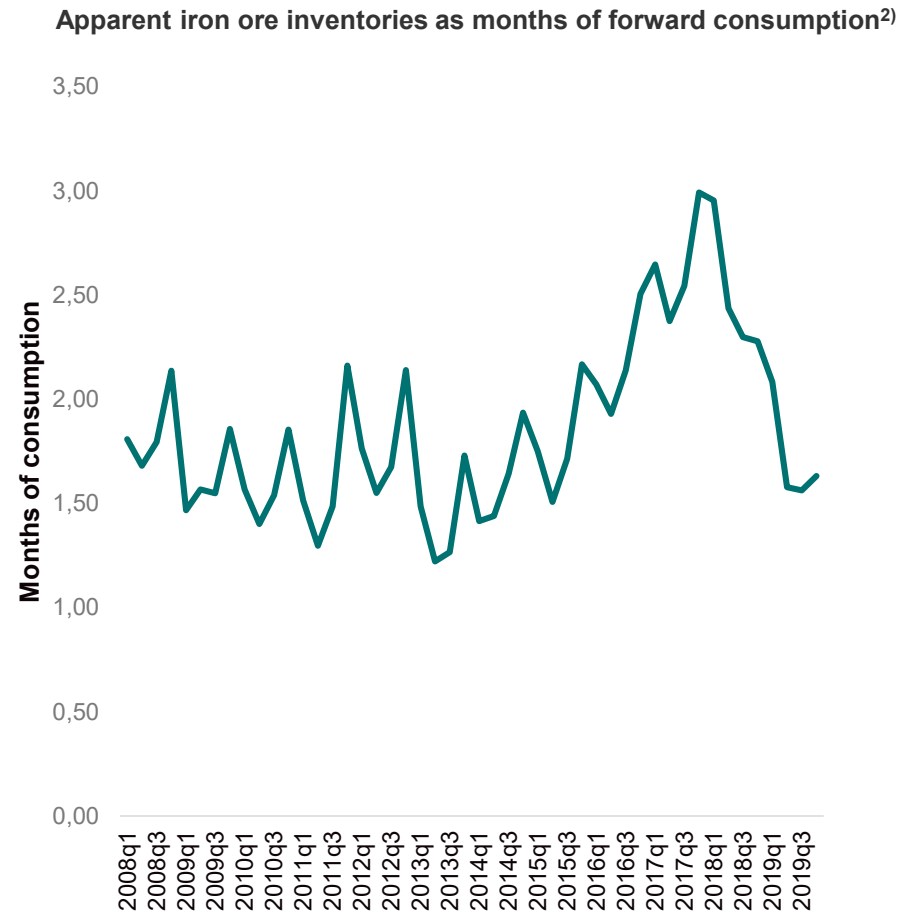
Sources: Vale, Arrow Shipbroking Group

China will eventually need to restock iron ore inventories

Chinese steel production remains strong¹⁾...



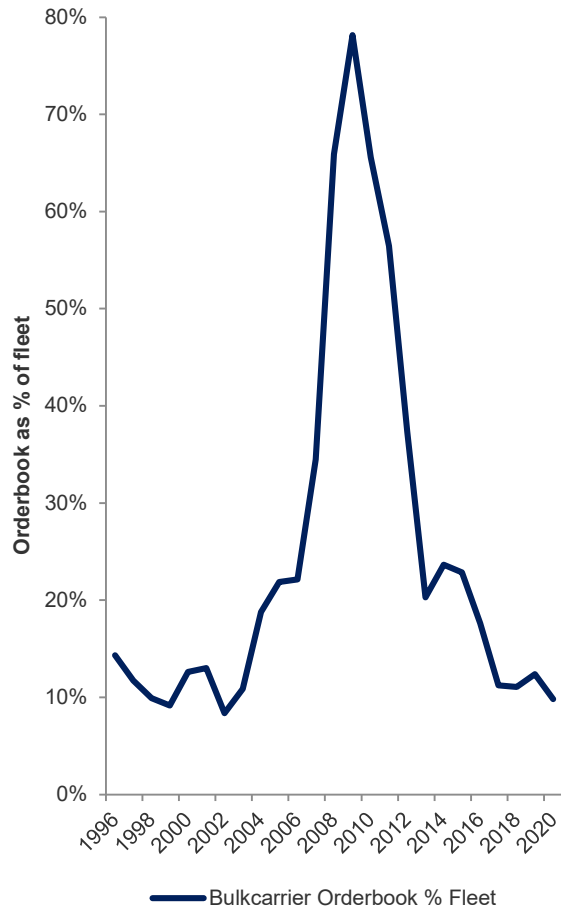
While Chinese iron ore inventories have dropped



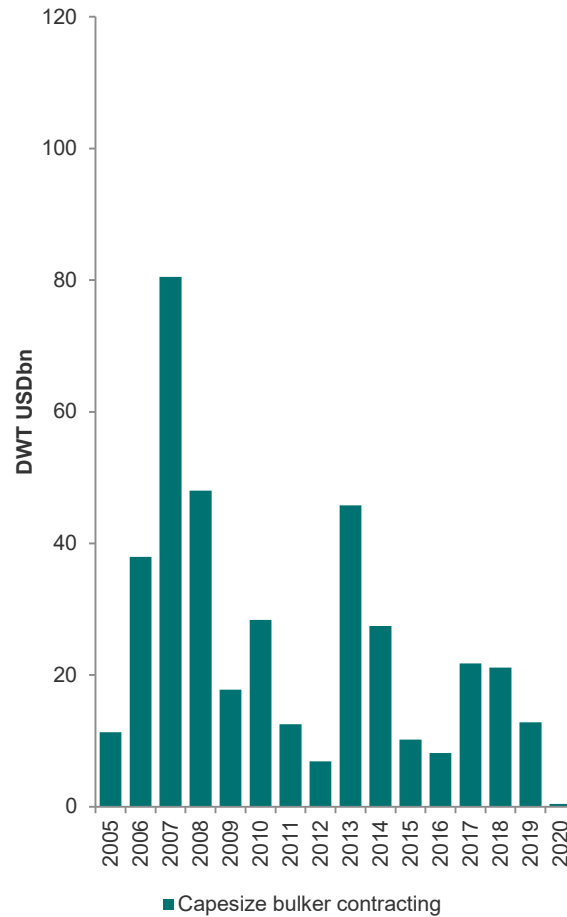
(1) Source: Clarksons Research Service Limited
 (2) Source: Viamar AS

Limited supply growth on the horizon

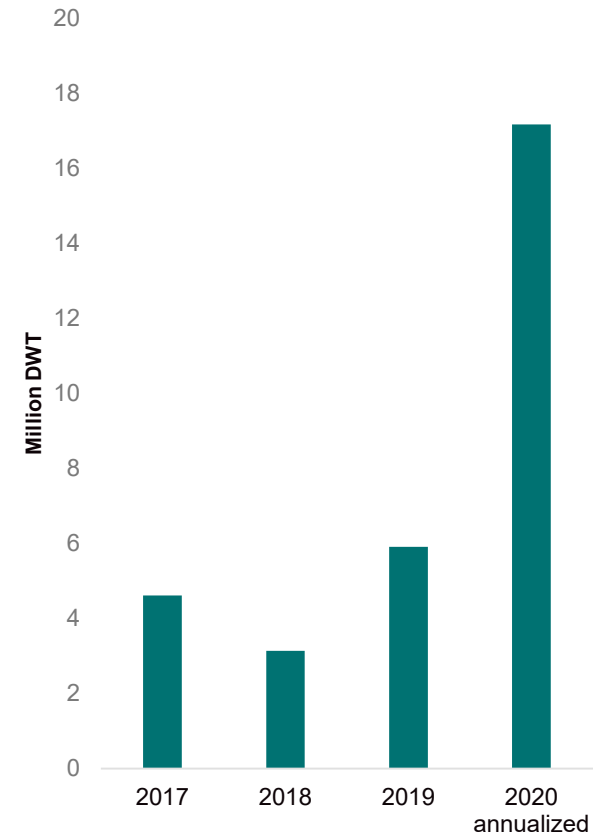
Dry bulk orderbook as % of fleet



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

Questions?
