

# 2020 BULKERS

BOARD OF  
DIRECTORS'  
REPORT

Q1 2024

Results for the First Quarter of 2024

Oslo, Norway, May 8, 2024

2020 Bulkera Ltd. ("2020 Bulkera" or the "Company"), today announced its unaudited financial and operating results for the three months ended March 31, 2024.

#### **Key events during the first quarter of 2024**

- The Company reported net profit of US\$28.5 million and EBITDA of US\$34.4 million for the first quarter of 2024. The results include a US\$20.5 million gain from the sale of Bulk Shanghai which was delivered to the buyer on March 20, 2024.
- Achieved average time charter equivalent earnings of approximately US\$30,000 per day, gross.
- The Company declared total dividends of US\$1.99 per share for the months of January, February and March 2024.
- The Company sold the vessels Bulk Shanghai and Bulk Seoul for a total consideration of US\$127.5 million.
- Terminated interest rate swaps for US\$2.9 million in cash.
- Drydocked Bulk Sandefjord and Bulk Santiago at a cost of US\$2.2 million

#### **Subsequent Events**

- Bulk Seoul was delivered to the buyer on April 4, 2024, and the Company estimates to recognize a book gain of US\$20.6 million in Q2 2024.
- Entered into a new amended non-amortizing loan facility, maturing in April 2029, lowering the Company's cash breakeven to an estimated US\$11,800 per day.
- Achieved average time charter equivalent earnings for April 2024 of approximately US\$31,300, per day, gross.
- In May 2024, the Company declared a dividend of US\$0.14 per share for April 2024.

## **Management discussion and analysis**

### *Consolidated Statements of Operations*

#### *Three months ended March 31, 2024*

Operating revenues were US\$40.5 million for the three months ended March 31, 2024 (US\$12.6 million for the three months ended March 31, 2023). The Company achieved an average time charter equivalent rate, gross, of US\$30,000 for the three months ended March 31, 2024, compared to US\$17,500 for the three months ended March 31, 2023. During the three months ended March 31, 2024, the Company recognized a gain of US\$20.5 million on the sale of Bulk Shanghai and charged Himalaya Shipping US\$0.3 million for management services recognized as Other operating income.

Total operating expenses were US\$8.8 million for the three months ended March 31, 2024 (US\$9.1 million for the three months ended March 31, 2023).

Vessel operating expenses were US\$4.8 million and US\$5.0 million for the three months ended March 31, 2024 and 2023, respectively.

Voyage expenses and commission were US\$0.2 million for the three months ended March 31, 2024 (US\$0.2 million for the three months ended March 31, 2023).

General and administrative expenses were US\$1.1 million for the three months ended March 31, 2024 (US\$1.0 million for the three months ended March 31, 2023). Please see comment to Other operating income.

Depreciation and amortization were US\$2.7 million and US\$2.9 million for the three months ended March 31, 2024 and 2023, respectively.

Total financial expenses, net, were US\$3.0 million for the three months ended March 31, 2024 (US\$2.7 million for the three months ended March 31, 2023). The increase compared to the three months ended March 31, 2023 is due to a write down of US\$0.4 million of deferred loan costs on the sale leaseback financing for Bulk Shanghai.

### *Consolidated Balance Sheets*

The Company had total assets of US\$359.2 million as of March 31, 2024, (December 31, 2023: US\$376.1 million).

Total shareholders' equity was US\$178.9 million and US\$161.0 million as of March 31, 2024 and December 31, 2023, respectively.

Total liabilities as of March 31, 2024, were US\$180.3 million (December 31, 2023: US\$215.1 million). The decrease is due to scheduled repayments on the Company's long term debt as well as the settlement of the sale leaseback financing for Bulk Shanghai.

## *Consolidated Statements of Cash Flows*

### *Three months ended March 31, 2024*

Net cash provided by operating activities was US\$13.0 million for the three months ended March 31, 2024 (US\$4.4 million for the three months ended March 31, 2023). The increase compared to the three months ended March 31, 2023, is primarily due to higher earnings.

Net cash received from investing activities was US\$61.5 million for the three months ended March 31, 2024 (US\$nil for the three months ended March 31, 2023). The Company received US\$63.7 in proceeds from the sale of Bulk Shanghai. The Company incurred US\$2.2 million in expenses in connection with drydocking for Bulk Sandefjord and Bulk Santiago.

Net cash used in financing activities was US\$49.5 million during the three months ended March 31, 2024 (US\$4.1 million used in financing activities during the three months ended March 31, 2023). The Company repaid US\$36 million of long-term debt including the sale leaseback financing for Bulk Shanghai and paid US\$13.5 million of dividends during the three months ended March 31, 2024. The Company repaid US\$3.7 million of long-term debt, received US\$2.0 million in proceeds from share issuances relating to share option exercise and paid US\$2.4 million of cash distributions during the three months ended March 31, 2023.

### **Sale of vessels**

On February 12, 2024, the Company entered into an agreement to sell Bulk Shanghai and Bulk Seoul for a total consideration US\$127.5 million to an unaffiliated third party. The ships were delivered to the Buyer on March 20, 2024, and April 4, 2024, respectively.

### **Refinancing**

Following the sale of Bulk Shanghai and Bulk Seoul, the Company repaid US\$27.5 million of debt and entered into a new US\$112.5 million non-amortizing loan facility maturing in April 2029 with an interest rate of SOFR + 195bps. Following the refinancing, the Company estimates its cash breakeven at US\$11,800 per day.

### **Corporate Developments and Financing**

The Board is pleased that the Company has remained profitable for each quarter following delivery of the first vessel in the third quarter of 2019.

The Board remains focused on returning the majority of operational free cash flow after debt service back to shareholders on a monthly basis. The Company has as of today declared dividends or cash distributions for 46 consecutive months. Following the dividend for April, the Company will have returned approximately 124% of the paid-in equity to shareholders.

The Company has a solid funding situation with a cash position of approximately US\$22.1 million as of May 3, 2024.

Cash breakeven for the fleet, which includes expected general and administrative expenses, operating costs and debt service is estimated at approximately US\$11,800 per vessel per day.

The Company has as of May 3, 2024, around US\$90 million of net debt, corresponding to approximately US\$15 million per vessel.

### **Commercial update**

In the first quarter of 2024, the Company achieved average time charter equivalent earnings of approximately US\$30,000 per day, gross. The Company's vessels trading on index-linked time charter earned approximately US\$37,800 per day, gross, including average daily scrubber benefits of approximately US\$3,400 per day. The Company's vessels trading on fixed time charter earned approximately US\$24,400 per day, gross, including average daily scrubber benefits of approximately US\$3,600 per day.

The Baltic 5TC Capesize Index averaged US\$24,286 per day in Q1 2024.

The Company achieved average time charter equivalent earnings for April 2024 of approximately US\$31,300, per day, gross. The Baltic 5TC Capesize Index has averaged US\$20,036 per day in the same period.

### **Chartering update**

2020 Bulkers has commercially outperformed the Baltic 5TC index for 53 out of 57 months since delivery of its first vessel.

All the concluded charters represent a significant earnings premium to a standard Capesize vessel driven by the additional cargo intake and lower fuel consumption. Charterers are also paying a premium to reflect the economic benefit of our vessels' scrubbers.

From May 1 until end of 2024, the Company has 1,470 operating days linked to the development in the Capesize spot market. The structure of our index-linked contracts allows the Company to convert these charters to fixed rates on the basis of the prevailing FFA market from time to time, should we wish to increase our level of fixed charter coverage.

The current chartering status is summarized in the table below:

Ship name	Delivery	Charterer	Rate US\$	Charter expiry
Bulk Sandefjord	Aug-19	Koch	Index linked + premium + scrubber benefit	Dec 26 – Dec 27
Bulk Santiago	Sep-19	Koch	Index linked + premium + scrubber benefit	Dec 26 – Dec 27
Bulk Shenzhen	Jan-20	Koch	Index linked + premium + scrubber benefit	Dec 26 – Dec 27
Bulk Sydney	Jan-20	Koch	Index linked + premium + scrubber benefit	Dec 26 – Dec 27
Bulk Sao Paulo	Jun-20	European charterer	Index linked + premium + scrubber benefit	Apr 25 – Jun 25
Bulk Santos	Jun-20	European charterer	Index linked + premium + scrubber benefit	Apr 25 – Jun 25

### Dry Docking

The Bulk Sandefjord and Bulk Santiago completed their five year special surveys in March 2024. Total cost was US\$2.2 million for both vessels. The Company incurred 13 days of off-hire per vessel in conjunction with the special surveys.

### Market commentary

The Baltic 5TC Capesize index today stands at US\$26,864 having averaged US\$23,148 year to date, up from US\$11,270 during the same period in 2023.

The Capesize market performed strongly during Q1 2024, with the Baltic 5TC index averaging US\$24,286, up from US\$9,114 during the first quarter 2023. The strong market was driven by continued strong Brazilian iron ore exports on the back of drier than usual weather for the season. Bauxite exports out of West Africa were also strong. The market has retracted somewhat during April, as Brazil experienced rainfalls, however, the Baltic 5TC is currently strengthening and sits at 40% higher than a year ago.

Overall Capesize trade growth has been strong year to date, with ton-miles sailed on Capesize vessels up 9% YTD.

The increase in Capesize ton-miles so far this year is mainly driven by an 11% increase in Brazilian iron ore exports, offsetting a 0.8% contraction in Australian export volumes. Bauxite

volumes have remained decent, showing a 1% decline, following more than 30% growth in 2023. For the coal trade, ton-miles were up 0.5% year over year.

Global crude steel production for 2024 is up by 1.4% year to date, driven by the World, ex China, up 1.4%, while Chinese steel production decreased 3.1%.

Chinese iron ore imports are up by 6% year to date, following growth of 6% in 2023. Chinese iron ore port inventories have increased both in nominal and seasonal terms, and currently stand at 130 million tons, compared to 118 million tons a year ago.

China's property sector remains challenged with housing sales contracting for the third consecutive year. March 2024 was, however, the first month since September 2023 showing a decline in available floor space in China's commercial buildings.

Growth in vessel supply will be moderate in the coming years with expected Capesize deliveries of 7.7 million dwt in 2024, 7.1 million dwt in 2025 and 4.7 million dwt in 2026, down from 10.7 million dwt delivered in 2023. As a consequence of the high ordering in other shipping segments, Chinese yards are believed to have very limited capacity for ordering of large drybulk vessels before 2027/2028, with orders recently having been placed for delivery as late as 2029. This gives good visibility for limited supply growth in the coming years. New ordering is expected to remain subdued in part driven by uncertainties as it relates to the optimal propulsion systems to meet the shipping industry's ambitions for de-carbonization. Current newbuilding costs for a scrubberfitted Newcastlemax in China is believed to be just under US\$80 million.

Upside risks to the future development in the Capesize market from current levels, relate to continued strong exports of iron ore and bauxite from Brazil and West Africa, as well as increased coal imports following new restrictions being put in place for Chinese domestic coal miners starting May 1 this year.

Key downside risks to the Capesize market include a continued economic slowdown in China, as well as heightened geopolitical tensions. Continued weakness in the Chinese property sector also represents an ongoing risk to Chinese steel demand.

### **Capesize fleet development**

The global Capesize fleet stands at 397 million dwt as of May 1, 2024, up from 388 million dwt in May 2023.

The current orderbook for Capesize dry bulk vessels currently stands at 6.2% of the existing fleet, up from 5.3% in May 2023.

3.7 million dwt has been ordered in 2024 so far, compared to 0.4 million dwt during the same period in 2023.

0.523 million dwt has been scrapped so far in 2024, compared to 0.25 million dwt during the same period in 2023.

## **Outlook**

2020 Bulkers has a robust financial structure with moderate financial leverage, comprised of non-amortizing debt, as well as a solid cash position. Our operating cash breakeven is estimated at approximately US\$11,800 per vessel per day. The current FFA curve for the balance of 2024 implies earnings of approximately US\$41,000 per day for a scrubber fitted Newcastlemax.

The Company will continue its strong capital discipline, and will remain focused on returning the majority of free cash flow to shareholders as monthly dividends.

## **Invitation to webcast and conference call Q1 2024 results**

2020 Bulkers Ltd. will release its financial results for the first quarter of 2024 on Wednesday, May 8, 2024. A conference call and webcast will be held at 3:00 PM CEST. The earnings report and presentation will be available from the Investor Relations section on [www.2020bulkers.com](http://www.2020bulkers.com) on the same day.

In order to listen to the presentation, you may do one of the following:

*Listen-only webcast (including the slide presentation):*

[https://channel.royalcast.com/landingpage/hegnarmedia/20240508\\_2/](https://channel.royalcast.com/landingpage/hegnarmedia/20240508_2/) or you can click the "Webcast" link on [www.2020bulkers.com/investor-relations/](http://www.2020bulkers.com/investor-relations/)

*Telephone conference:*

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There will be a Q&A session after the presentation.

## **Forward-Looking Statements**

This report includes forward looking statements. Forward looking statements are, typically, statements that do not reflect historical facts and may be identified by words such as "anticipate", "believe", "continue", "estimate", "expect", "intends", "may", "should", "will" and similar expressions. The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although 2020 Bulkers Ltd. believes that these assumptions are reasonable, they are, by their nature, uncertain and subject to significant known and unknown risks, contingencies and other factors which are difficult or impossible to predict and which are beyond our control. Such risks, uncertainties, contingencies and other factors could cause actual events to differ materially



from the expectations expressed or implied by the forward-looking statements included herein.

The information, opinions and forward-looking statements contained in this report speak only as of the date hereof and are subject to change without notice.

### **About 2020 Bulkera Ltd.**

2020 Bulkera Ltd. is a limited liability company incorporated in Bermuda on 26 September 2017. The Company's shares are traded on Oslo Børs under the ticker "2020". 2020 Bulkera is an owner of six large dry bulk vessels.

May 8, 2024

Kate Blankenship

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