

23<sup>rd</sup> CLSA Investors' Forum  
19-20 September  
Hong Kong



**Pacific Basin**

**2016  
Interim Results**

1 September 2016





## 2016 Interim Results – Highlights

	1H16	1H15
<b>Net (Loss) / Profit</b>	<b>US\$(49.8)m</b>	<b>US\$5.8m</b>
<b>Operating Cash Inflow</b>	<b>US\$7.7m</b>	<b>US\$58.8m</b>
<b>Cash Position</b>	<b>US\$406m</b>	<b>US\$392m</b>
<b>Net Gearing</b>	<b>29%</b>	<b>34%</b>

- Record low half-year period for dry bulk shipping leading to weak results
- Net loss of US\$49.8m but positive operating cash flow of US\$7.7m
- Our daily Handysize TCE earnings outperformed market index by 56%
- Rights Issue completed raising new capital of US\$143m net
- US\$272m of undrawn committed loan facilities exceeds US\$237m of remaining dry bulk newbuilding capital commitments
- Further reductions in our Handysize daily vessel operating costs and G&A expenses
- Towage disposals generated US\$12m in 1H16

# Our Performance in 1H16 and Cover for 2H16

US\$/day	Handysize	Supramax
PB TCE per day 1H16	\$6,080	\$5,910
Market Index Rate	\$3,900	\$4,570
PB Outperformance	\$2,180	\$1,340
	56%	29%
PB TCE Cover Rate for 2H16	\$7,670	\$8,020
% of Contracted Days Covered	58%	65%



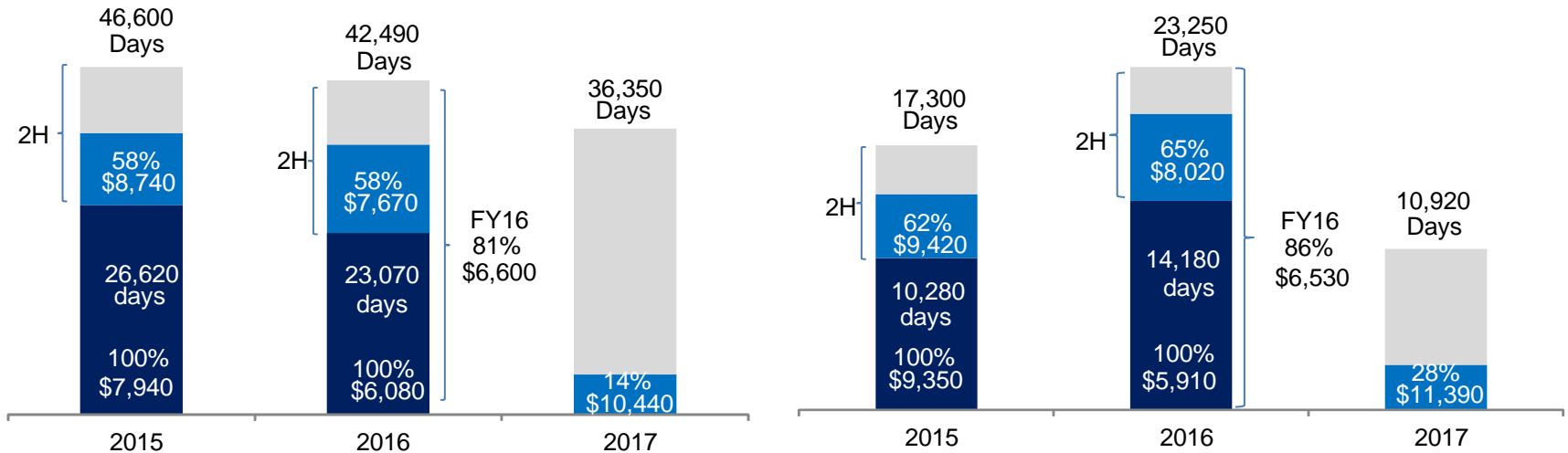
# Pacific Basin Dry Bulk – Earnings Cover

As at 22 July 2016

## Handysize

## Supramax

Contracted Revenue Days



Currency: US\$

■ 1H Completed

■ Covered

■ Uncovered

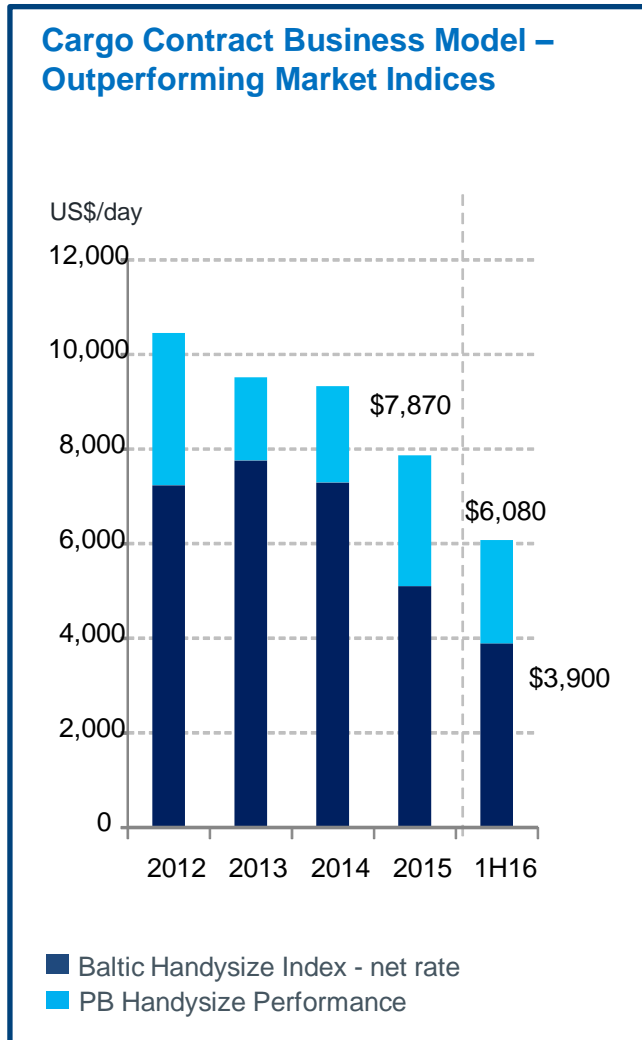
2015 data as announced at July 2015

FY16  
81%  
\$6,600

FY16  
86%  
\$6,530

- Our cover provides a degree of earnings visibility - ship operators typically face significant exposure to spot market
- 2016 uncovered days excludes revenue days related to inward chartered vessels on index-linked rates

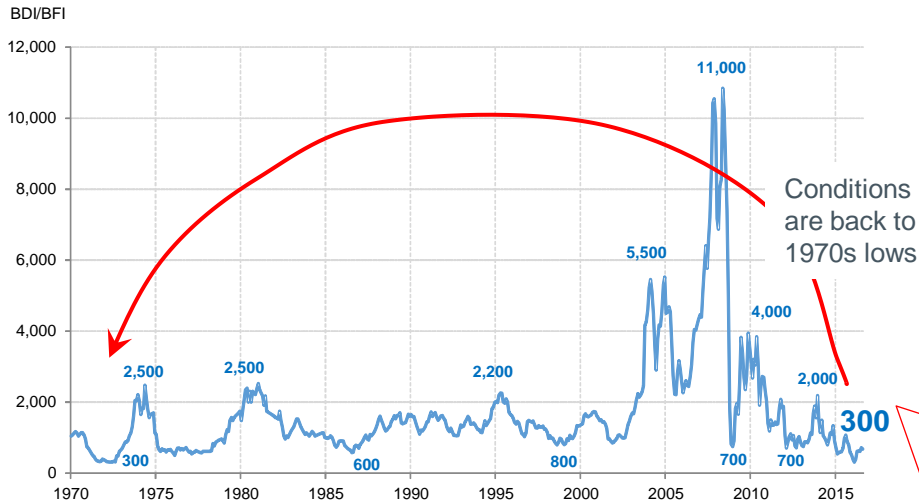
# Cargo System Business Model – Outperforming Market Rates



- Experienced staff & global office network  
– Direct end-user interaction
  - Large fleet of high-quality substitutable ships
  - Large portfolio of cargo contracts & relationships  
– No outward time-charters
  - High laden percentage (minimum ballast legs)
- ➔ Average Handysize premium last 5 years = US\$2,410/day

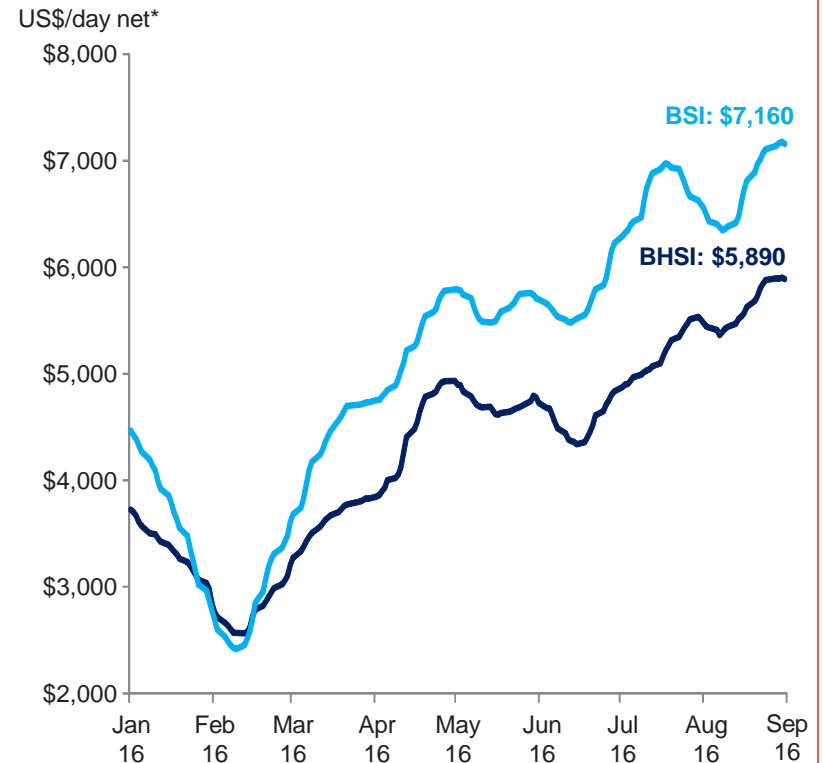
# Extreme Low Spot Rates in 1Q16

Dry Bulk Freight Market Since 1970



- Record low rates during seasonally slower winter and Chinese New Year holiday
- Improvement thereafter (albeit from low levels) primarily driven by strong long haul South American exports of agricultural products and recently also by a recovery in Chinese coal imports

Baltic Handysize Index (BHSI) & Baltic Supramax Index (BSI)



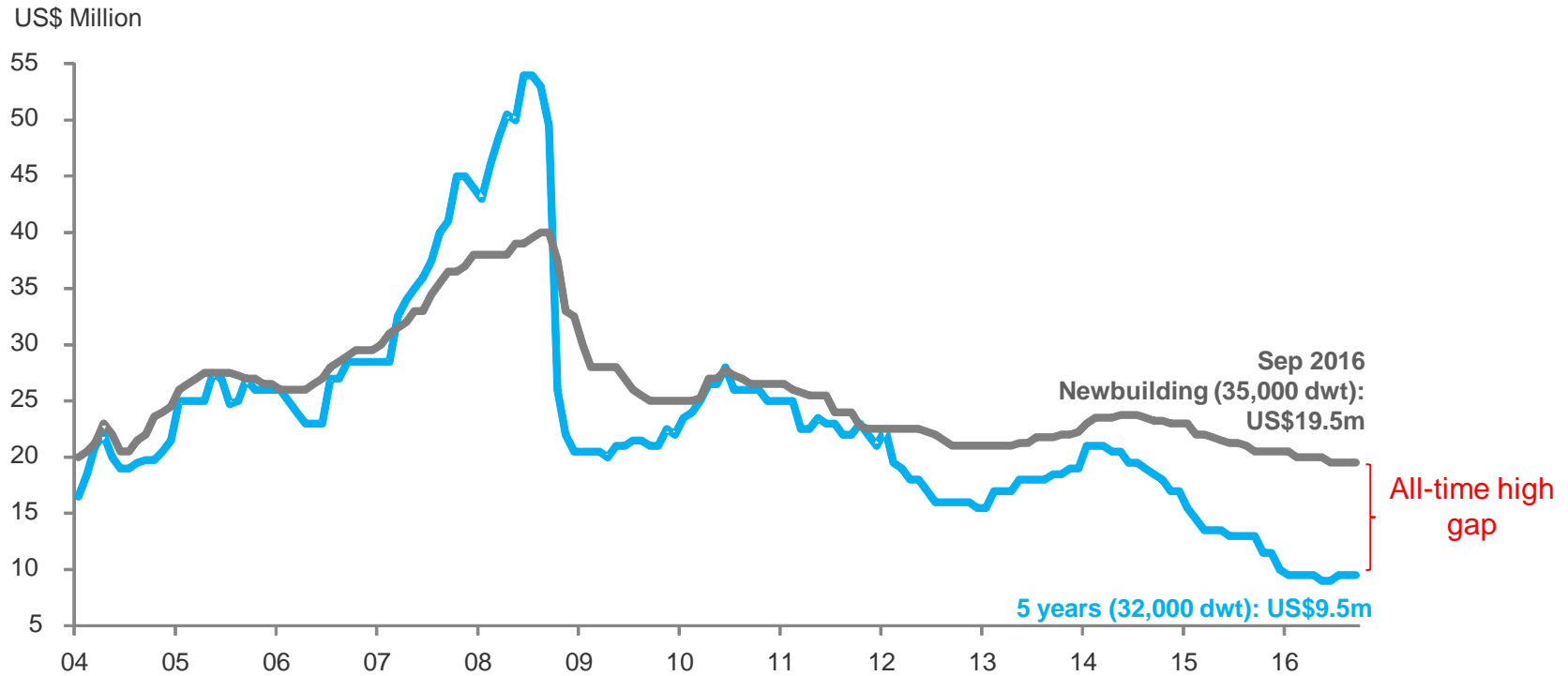
\* excluding 5% commission

Source: Pacific Basin (pre-1985 estimates), Baltic Exchange, data as at 2 September 2016

2016 Interim Results

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# Handysize Vessel Values

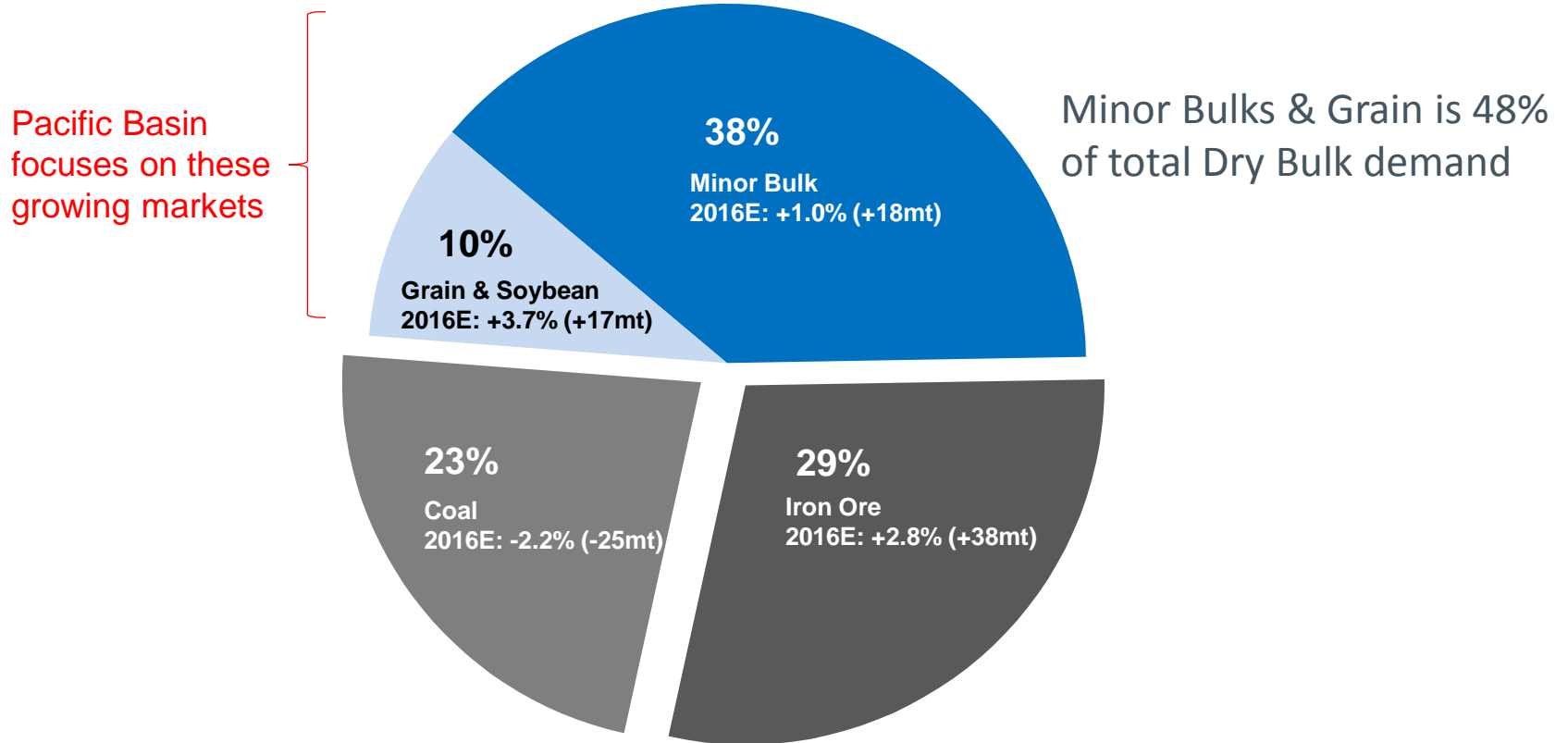


- All-time high gap between newbuilding and secondhand values
- Discourages new ship ordering which was negligible in 1H16

# Minor Bulk Is Not So Minor

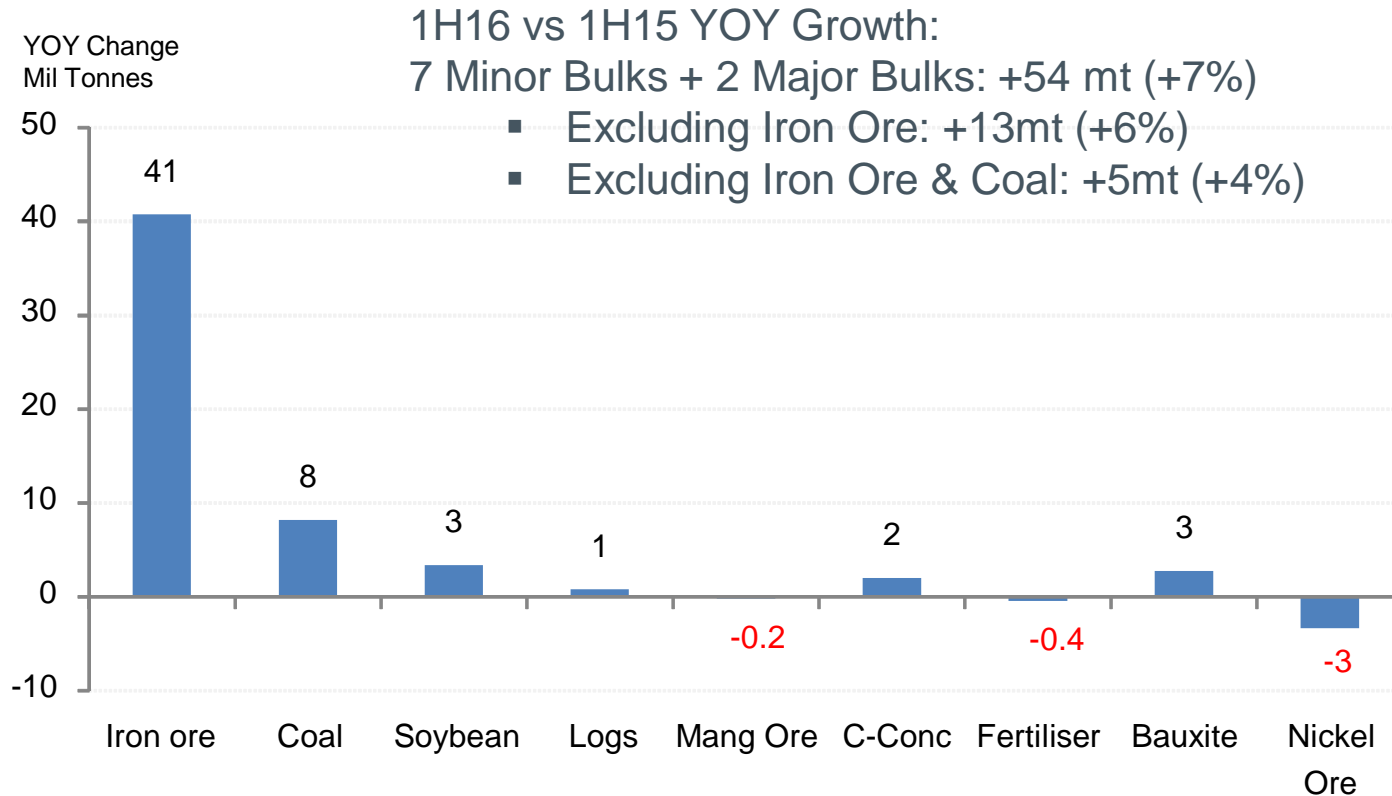
## Estimated Full Year 2016 Global Dry Bulk Trade

Est. 4.9 billion tonnes (+1% YOY)



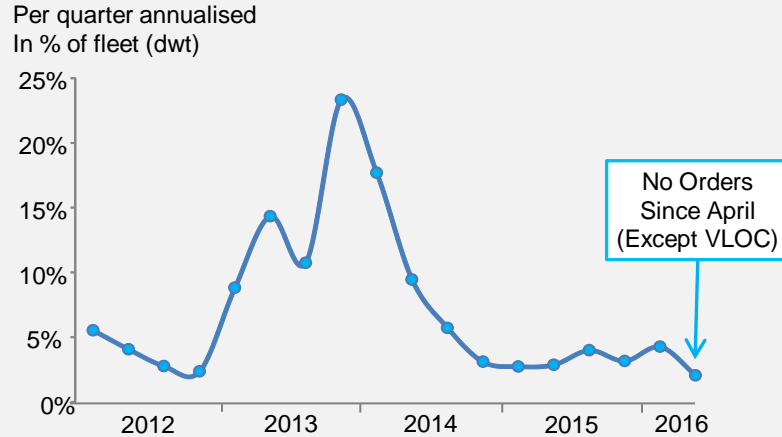


# Chinese Dry Bulk Imports Growth in 1H16

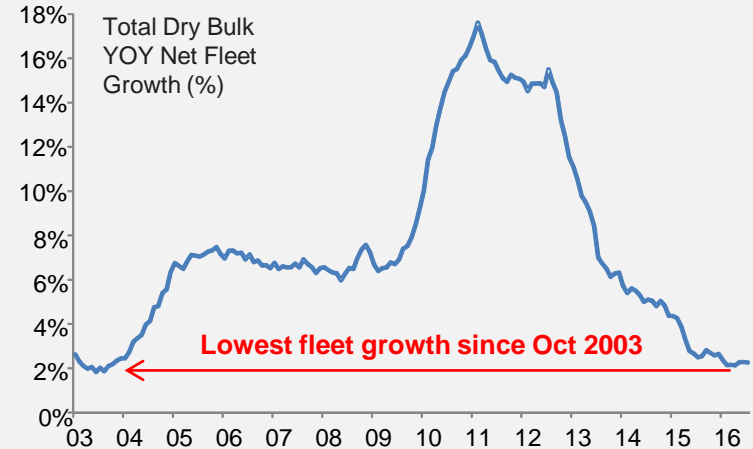


# Self Correcting Supply Factors

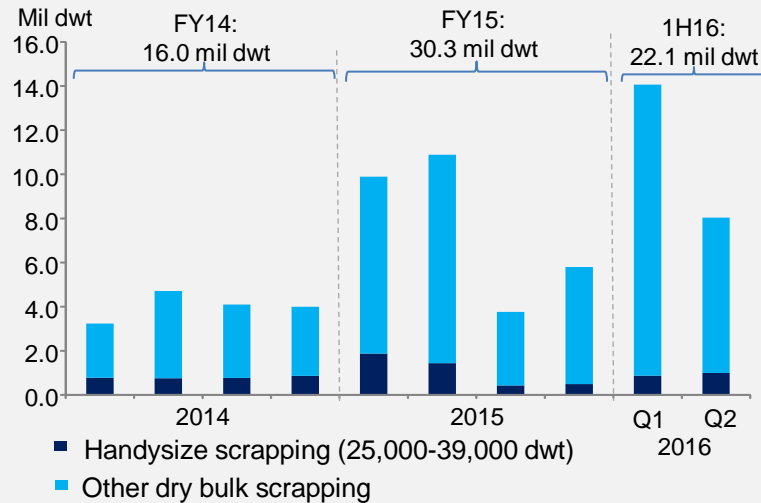
## New Vessel Ordering is Down



## Fleet Growth is Reducing



## Significant Scrapping



### In 1H16:

- 52% shortfall in deliveries
  - Delivery Slippage & orderbook cancellations
- High scrapping – 6% (annualised) of existing fleet

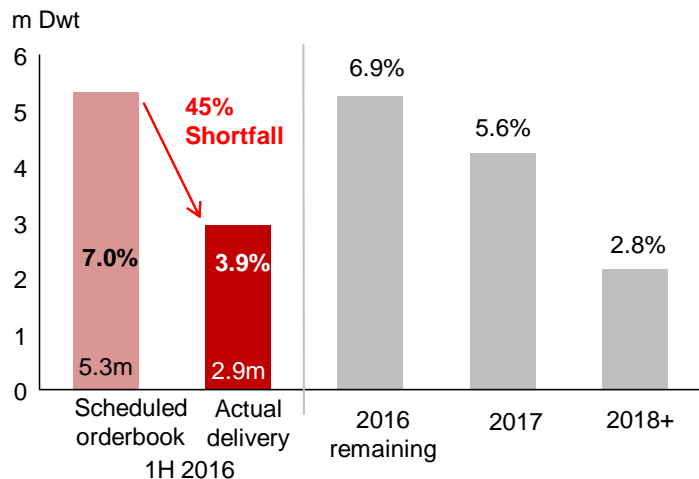


# Dry Bulk Supply & Orderbook

## Pacific Basin

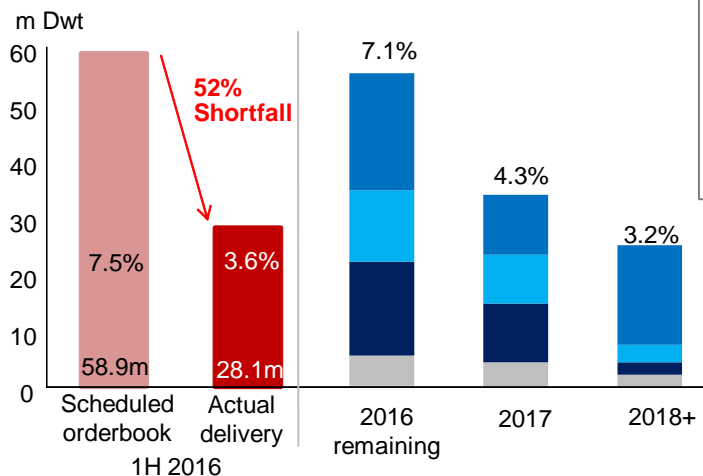
### Handysize Orderbook

315 vessels (11.64 million dwt)



### Total Dry Bulk Orderbook

1,325 vessels (114.4 million dwt)



	Orderbook as % of Existing Fleet	Average Age	Over 20 Years	1H16 Scrapping as % of Existing Fleet (annualised)
<b>Handysize</b> (25,000-39,999 dwt)	15%	8	10%	5%
<b>Handymax (incl. Supramax)</b> (40,000-64,999 dwt)	16%	8	7%	3%
<b>Panamax</b> (65,000-119,999 dwt)	12%	8	6%	5%
<b>Capesize (incl. VLOC)</b> (120,000+ dwt)	17%	7	8%	8%
<b>Total Dry Bulk &gt;10,000 dwt</b>	15%	9	8%	<b>6%</b>

Total Dry Bulk >15 years 16%  
Handysize >15 years 17%

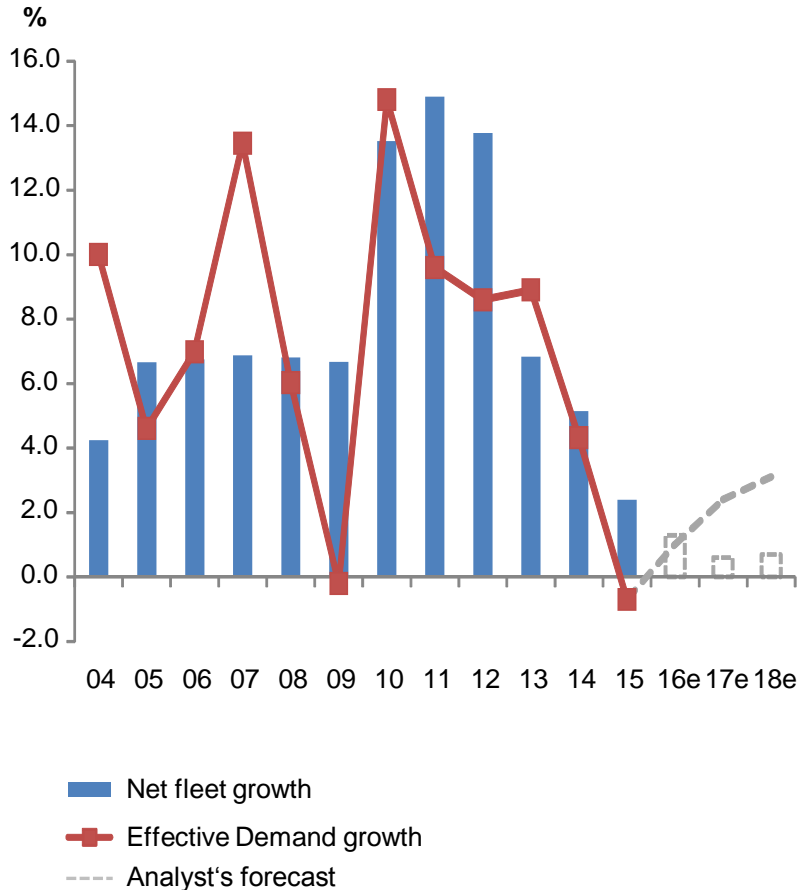
Source: Clarksons Platou, as at 1 Jul 2016

2016 Interim Results

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With you for the long haul

# Dry Bulk Supply & Demand



Data as in May 2016

## Supply:

- 1H16 net fleet growth: 0.7% (Handysize: 1.4%)
- New deliveries partly offset by increased scrapping (Handysize: 3.9% new deliveries vs 2.5% scrapping)
- Higher oil prices a positive factor:
  - Reduces the sensitivity of ship operating speeds to increasing freight rates
- High scrapping YTD, 6% annualised

## Demand:

- Chinese steel exports remained at high levels
- Chinese demand for 7 minor bulks ↑ YOY
  - 1H16: ↑4%
  - Led by ↑ in bauxite and copper concentrates
- Robust long haul South American grain exports (due to stronger US\$ and Argentina's relaxation of currency & grain export controls)
- A recent rebound in Chinese coal imports

## 2016 Interim Financial Highlights

US\$m	1H16	1H15
<b>Dry Bulk</b>	<b>(60.4)</b>	(15.4)
<b>Towage</b>	<b>(0.1)</b>	1.4
<b>Others</b>	<b>(1.1)</b>	(0.6)
<hr/>		
<b>Underlying loss</b>	<b>(61.6)</b>	(14.6)
▪ Unrealised derivative income	<b>13.7</b>	16.7
▪ Sale of towage assets	<b>(1.9)</b>	3.7
<hr/>		
<b>(Loss)/Profit attributable to shareholders</b>	<b>(49.8)</b>	5.8

- Dry bulk affected by a record low dry bulk half-year period



# 1H16 Pacific Basin Dry Bulk

		1H16	1H15	Change
<b>Handysize</b>				
Revenue days	(days)	23,070	26,620	-13%
TCE earnings	(US\$/day)	6,080	7,940	-23%
Owned + chartered costs	(US\$/day)	7,300	7,870	-7%
Handysize contribution	(US\$m)	(30.2)	(0.6)	
<b>Supramax</b>				
Revenue days	(days)	14,180	10,280	+38%
TCE earnings	(US\$/day)	5,910	9,350	-37%
Owned + chartered costs	(US\$/day)	6,370	8,330	-24%
Supramax contribution	(US\$m)	(6.8)	10.4	
Post-Panamax contribution	(US\$m)	2.7	2.7	-
Overhead	(US\$m)	(26.1)	(27.9)	-6%
Overall Dry Bulk	(US\$m)	(60.4)	(15.4)	

- Weak market condition reduced both Handysize and Supramax TCE
- Redelivering of high cost Supramax charters lowered costs

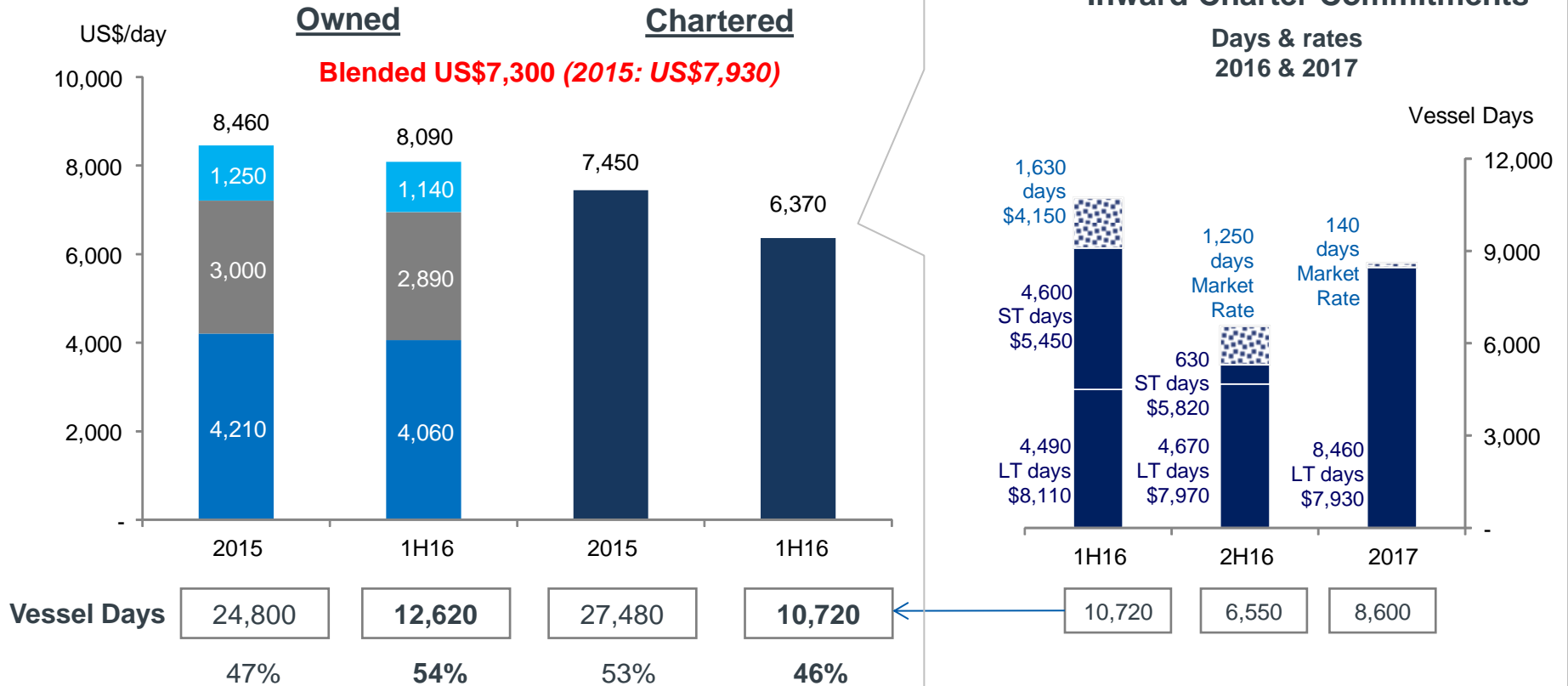


# 1H16 Daily Vessel Costs – Handysize

## Pacific Basin

- Finance cost
- Charter-hire : Short-term (ST) / Long-term (LT)
- Depreciation
- Charter-hire : Index-linked
- Opex

As at 30 June 2016



- Daily cash cost before overhead: US\$6,010 (2015: US\$6,730)
- Overheads of US\$680/day (2015: US\$750/day) – including all direct & indirect costs
- Charter-hire cost significantly reduced

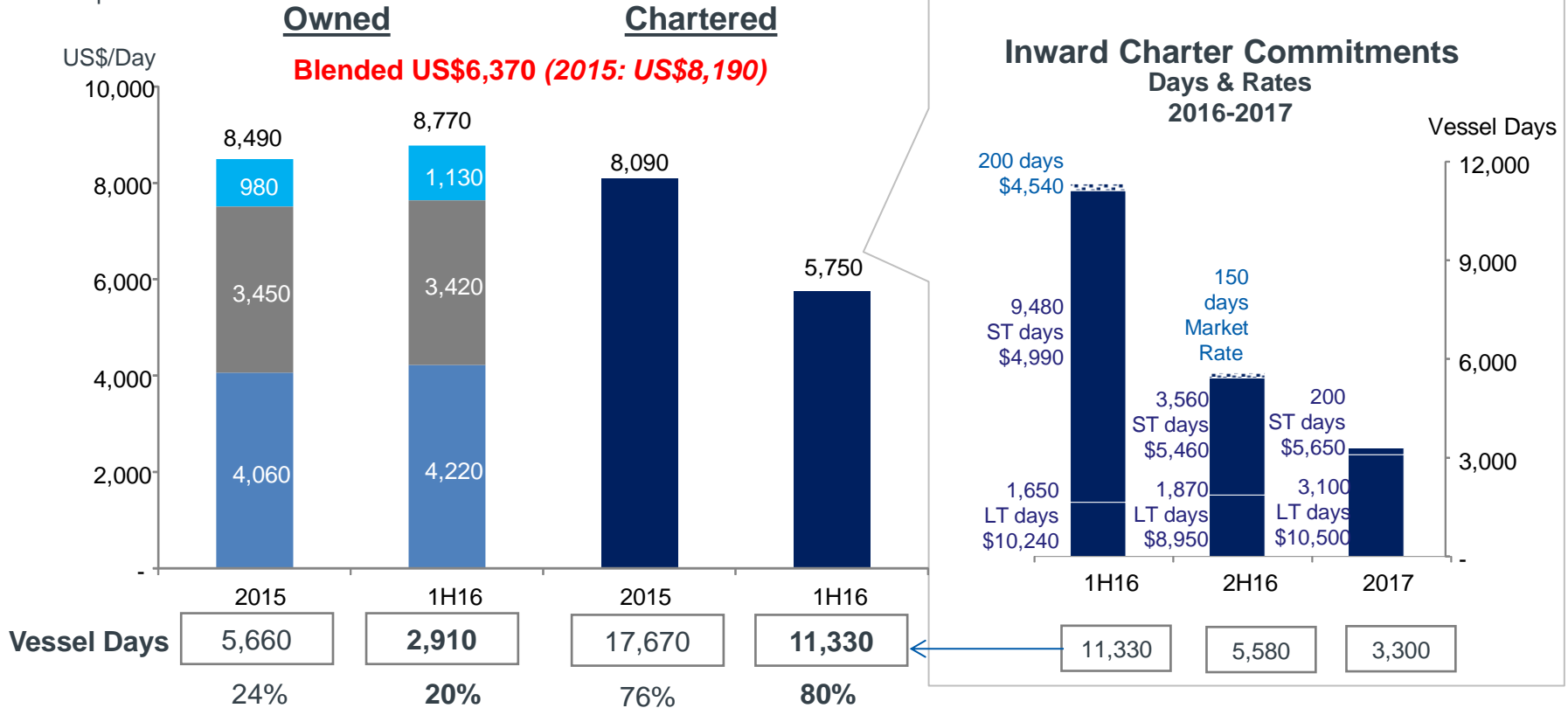


# 1H16 Daily Vessel Costs – Supramax

## Pacific Basin

- Finance cost
- Charter-hire : Short-term (ST) / Long-term (LT)
- Depreciation
- Charter-hire : Index-linked
- Opex

As at 30 June 2016



- Daily cash cost before overhead: US\$5,940 (2015: US\$7,880)
- Overheads of US\$680/day (2015: US\$750/day) – including all direct & indirect costs
- Charter-hire cost benefited from low cost short-term and index-linked vessels

\* Chartered rates are shown net of provision





# 1H16 Balance Sheet

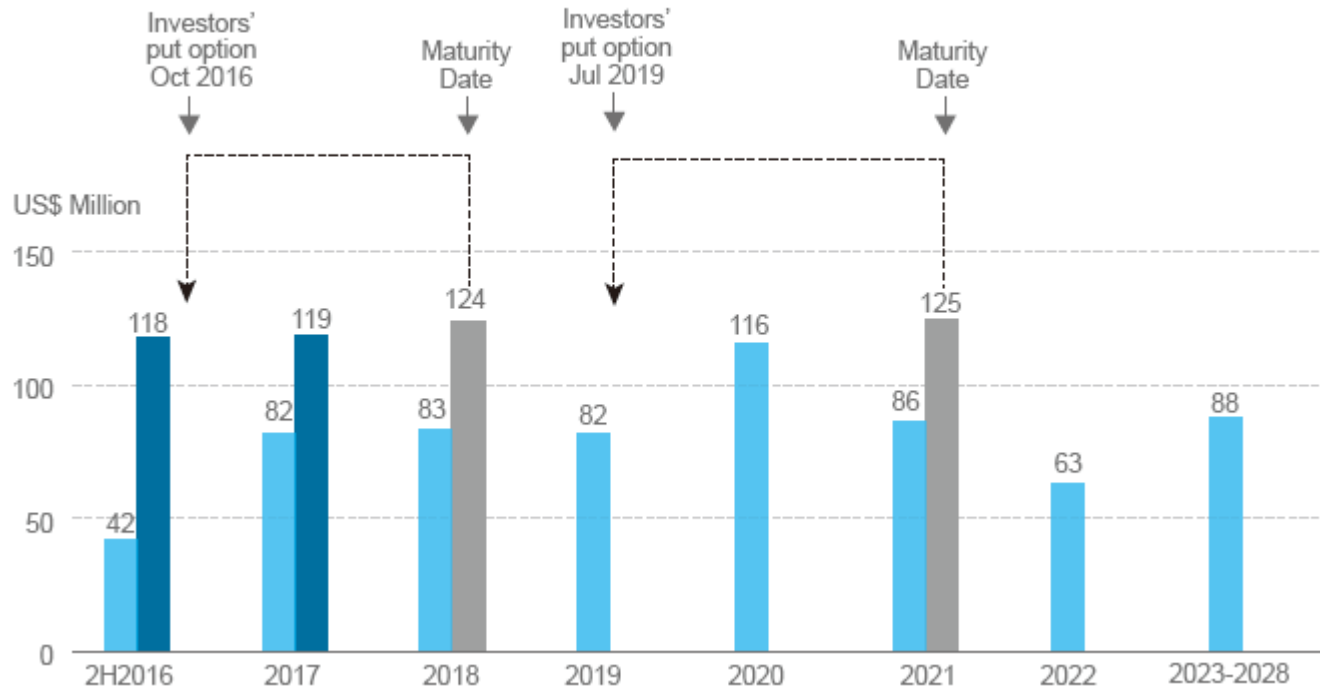
US\$m	30 Jun 16	31 Dec 15
Vessels & other fixed assets	1,596	1,611
<b>Total assets</b>	<b>2,171</b>	<b>2,146</b>
Total borrowings	872	926
<b>Total liabilities</b>	<b>1,104</b>	<b>1,175</b>
Net assets	1,067	971
Net borrowings (total cash <b>US\$406m</b> )	466	568
Net borrowings to net book value of property, plant and equipment <b>KPI</b>	<b>29%</b>	35%

- Vessel average net book value: Handysize \$15.9m, 9.4 years  
Supramax \$22.2m, 7.4 years
- KPI: net gearing below 50%

# Borrowings and Capex

As at 30 June 2016

## Schedule of Repayments and Vessel Capital Commitments



- Bank borrowings: US\$642m , undrawn committed bank facilities US\$272m
- Convertible bonds, face value US\$249m, book value US\$230m
- Vessel capital commitments: US\$237m

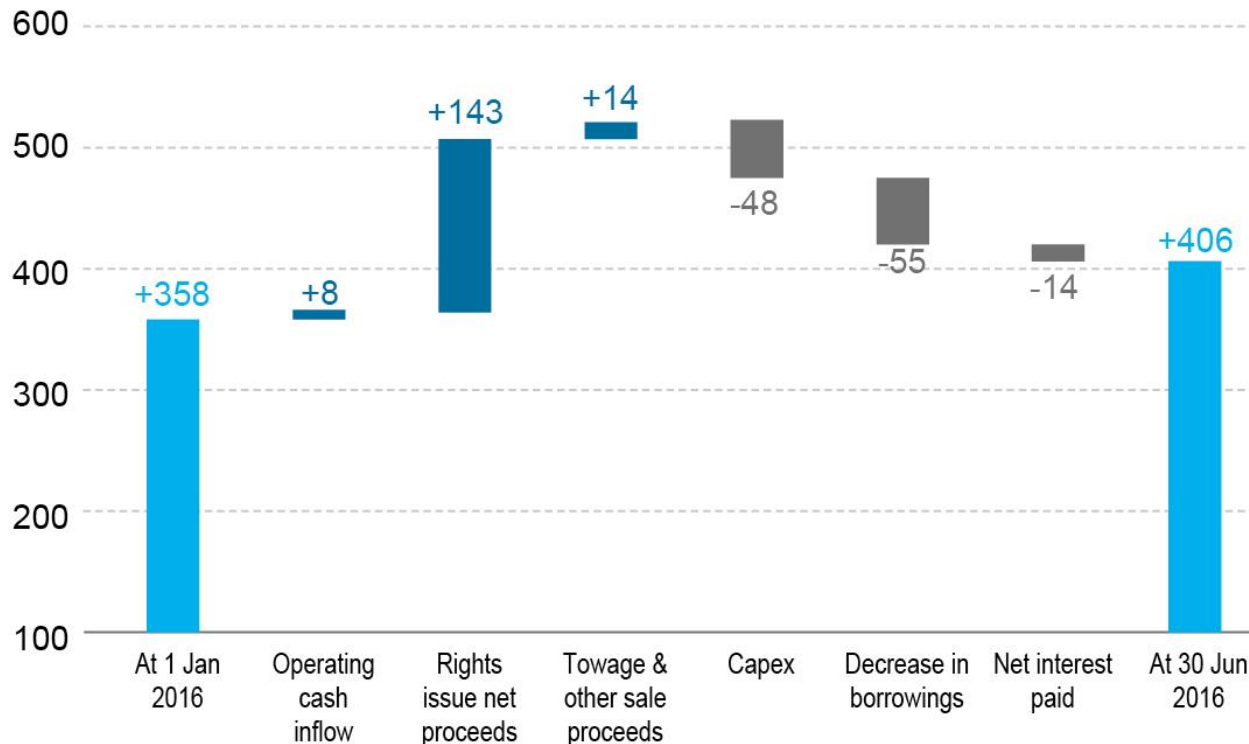
# Cash Flow

As at 30 June 2016

- Cash and deposits balance
- Cash inflow
- Cash outflow

## Sources and Uses of Group Cash in 1H 2016

US\$ Million



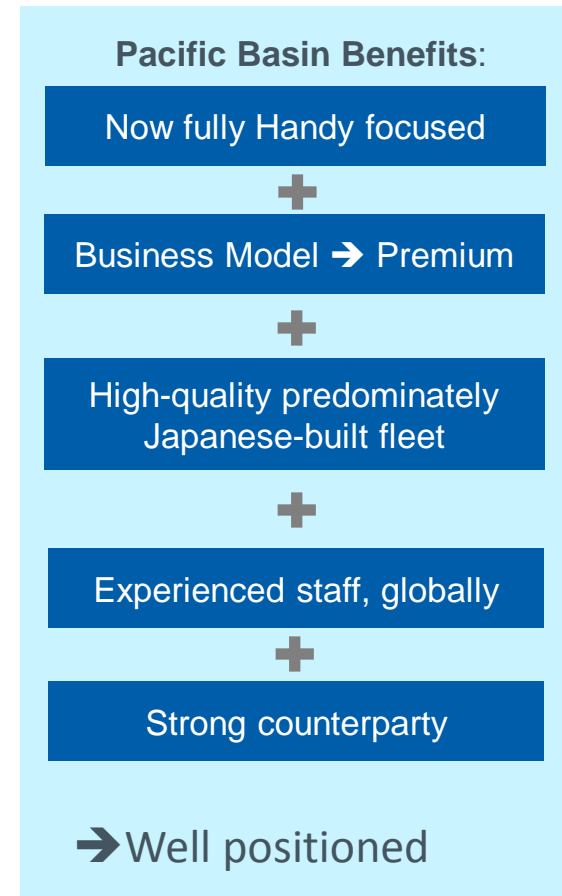
Operating cash flow	US\$7.7m
EBITDA	US\$(8.3)m

## Dry Bulk Outlook

- Recent activity has supported stronger rates since February lows
- Minor bulk demand is not so minor – Growing & less dependent on China
- Very negative sentiment has tempered in recent weeks, but expect a continued weak market in the medium term
- Scrapping, negligible new ship ordering & shrinking orderbook to lead to healthier supply/demand balance in time

## Strategy

- We continue to manage for a weak market in the medium term
- Fully focused on our world-leading Handy/Supra dry bulk business
- Driving further costs savings, conducting our business efficiently & safely
- We are not entering into new long-term charters, relying instead on our growing fleet of owned and low-cost short-term ships
- Astutely combining ships & cargoes to maximise our utilisation & margins





*This presentation contains certain forward looking statements with respect to the financial condition, results of operations and business of Pacific Basin and certain plans and objectives of the management of Pacific Basin.*

*Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of Pacific Basin to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Pacific Basin's present and future business strategies and the political and economic environment in which Pacific Basin will operate in the future.*

## Our Communication Channels:

### Financial Reporting

- Annual (PDF & Online) & Interim Reports
- Voluntary quarterly trading updates
- Press releases on business activities

### Shareholder Meetings and Hotlines

- Analysts Day & IR Perception Study
- Sell-side conferences
- Investor/analyst calls and enquiries

#### Contact IR – Emily Lau

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Tel : +852 2233 7000

### Company Website - [www.pacificbasin.com](http://www.pacificbasin.com)

- Corporate Information
- CG, Risk Management and CSR
- Fleet Profile and Download
- Investor Relations:
  - financial reports, news & announcements, excel download, awards, media interviews, stock quotes, dividend history, corporate calendar and glossary

### Social Media Communications

- Follow us on Facebook, Twitter, LinkedIn, Youtube and WeChat!



## Appendix: Pacific Basin Overview

- A leading dry bulk owner/operator of Handysize & Supramax dry bulk ships
- Cargo system business model – outperforming market rates
- About 200 dry bulk ships on the water serving major industrial customers around the world
- Hong Kong headquarters, 12 offices worldwide, 330 shore-based staff, 3,000 seafarers\*
- Our vision: To be a shipping industry leader and the partner of choice for customers, staff, shareholders and other stakeholders



[www.pacificbasin.com](http://www.pacificbasin.com)  
Pacific Basin business principles  
and our Corporate Video

## MARKET-LEADING CUSTOMER FOCUS & SERVICE

Priority to build and sustain long-term customer relationships

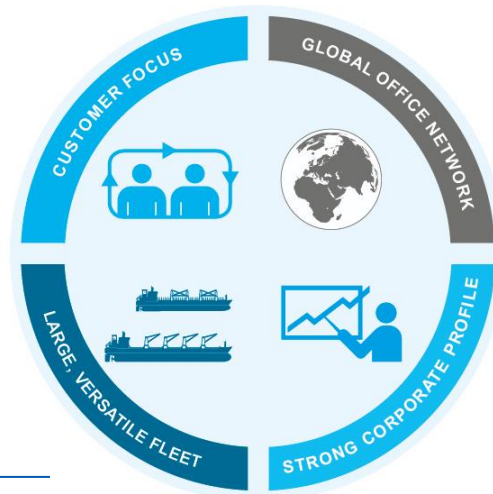
Solution-driven approach ensures accessibility, responsiveness and flexibility towards customers

Close partnership with customers generates enhanced access to spot cargoes and long-term cargo contract opportunities of mutual benefit

## LARGE FLEET & MODERN VERSATILE SHIPS

Fleet scale and interchangeable high-quality ships facilitate service flexibility for customers, optimised scheduling and maximised vessel and fleet utilisation

In-house technical operations facilitate enhanced health & safety, quality and cost control, and enhanced service reliability and seamless integrated service and support for customers



## COMPREHENSIVE GLOBAL OFFICE NETWORK

Integrated international service enhanced by experienced commercial and technical staff around the world

Being local facilitates clear understanding of and response to customers' needs and first-rate personalised service

Being global facilitates comprehensive market intelligence and cargo opportunities, and optimal trading and positioning of our fleet

## STRONG CORPORATE & FINANCIAL PROFILE

Striving for best-in-class internal and external reporting, transparency and corporate stewardship

Strong cash position and track record set us apart as a preferred counterparty

Hong Kong listing & location facilitates good access to capital

Responsible observance of stakeholder interests and our commitment to good corporate governance and CSR

# Appendix: Pacific Basin Dry Bulk – Diversified Cargo

## OUR DRY BULK CARGO VOLUMES IN 1H 2016

### ● Minerals

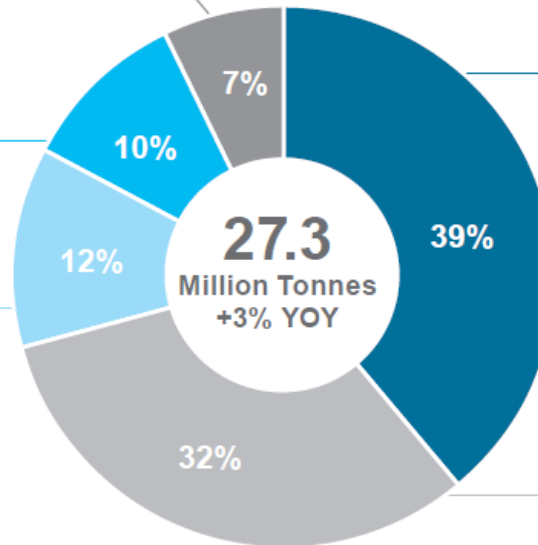
Sand & Gypsum	3%
Salt	3%
Soda Ash	1%

### ● Energy

Petcoke	5%
Coal	4%
Wood Pellets	1%

### ● Metals

Concentrates & Other Metals	7%
Ores	3%
Alumina	2%



### ● Construction Materials

Steel & Scrap	15%
Logs & Forest Products	14%
Cement & Cement Clinkers	10%

### ● Agricultural Products and Related

Grains & Agriculture Products	19%
Fertiliser	8%
Sugar	5%

- Diverse range of commodities reduces product risk
- China and North America were our largest market
- 60% of business in Pacific and 40% in Atlantic

More than  
400 customers!



# Appendix: Fleet List – 1 July 2016\*

## Pacific Basin Dry Bulk Fleet: 229

Average age of core fleet: 7.3 years old

	Owned		Chartered		Total
	Delivered	Newbuilding	Delivered*	Newbuilding	
Handysize	70	7	59	5	141
Supramax	16	5	65	0	86
Post-Panamax	1	0	1	0	2
<b>Total</b>	<b>87</b>	<b>12</b>	<b>125</b>	<b>5</b>	<b>229</b>

## PB Towage : 7

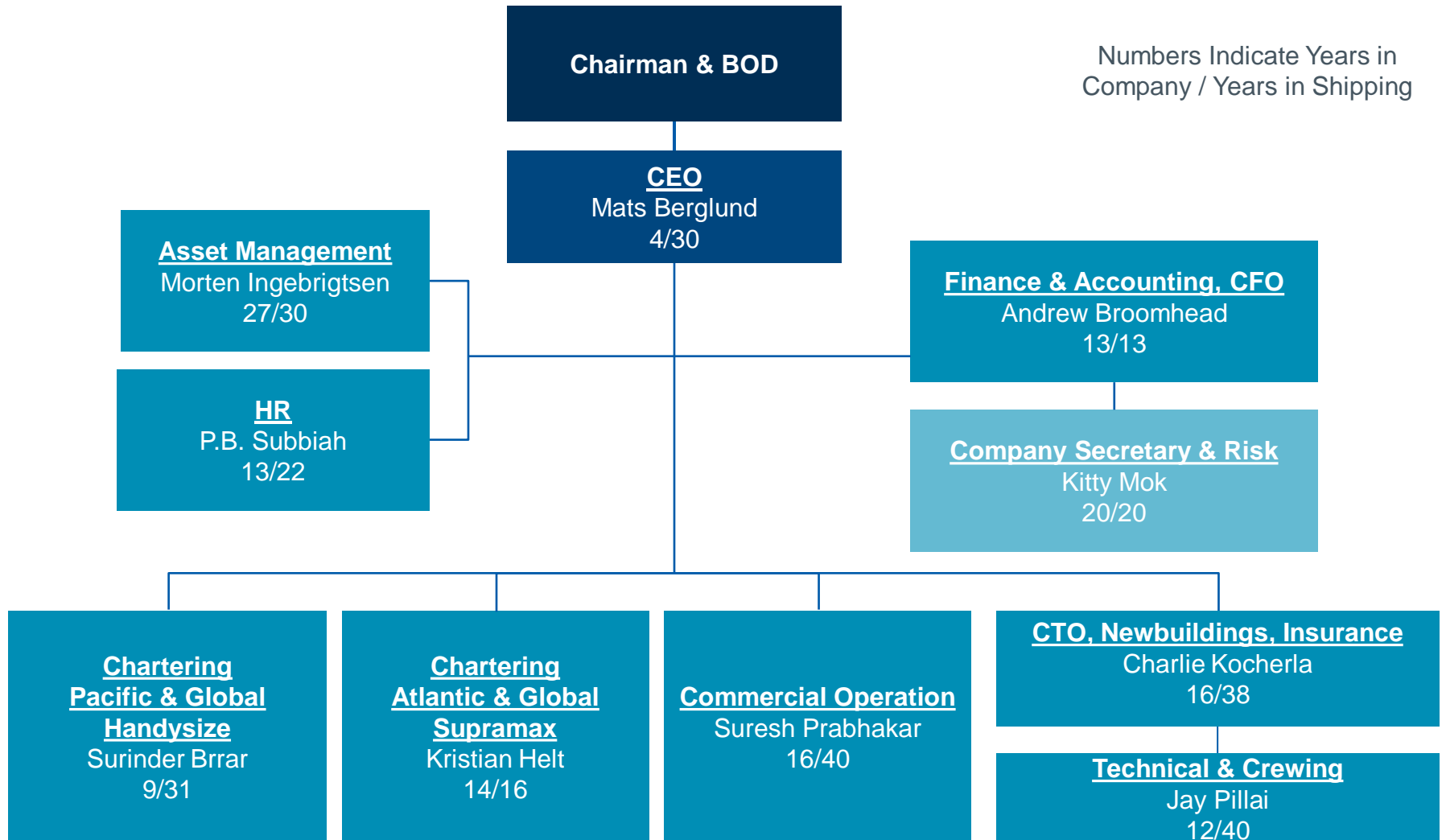
	Owned
Tugs	5
Barges	2
<b>Total</b>	<b>7</b>



[www.pacificbasin.com](http://www.pacificbasin.com)  
Fleet Details

\* Average number of vessels operated in Jun 2016

# Appendix: Experienced Management - Team



- **Applying sustainable thinking in our decisions and the way we run our business**
- **Creating long-term value through good corporate governance and CSR**

## Corporate Social Responsibility (CSR)

- Guided by strategic objectives on (i) workplace practices (primarily safety), (ii) the environment, and (iii) our communities (where our ships trade and our people live and work)
- Active approach to CSR, with KPIs to measure effectiveness
- Reporting follows SEHK's ESG Reporting Guide
- Disclosure also through CDP, HKQAA, CFR for HK-listed companies

[www.pacificbasin.com](http://www.pacificbasin.com)  
CSR report



## Corporate Governance & Risk Management

- Adopted recommended best practices under SEHK's CG Code (with quarterly trading update)
- Closely integrated Group strategy and risk management
- Transparency priority
- Stakeholder engagement includes in-depth customer and investor surveys
- Risk management committee interaction with management and business units
- Integrated Reporting following International <IR> Framework of IIRC

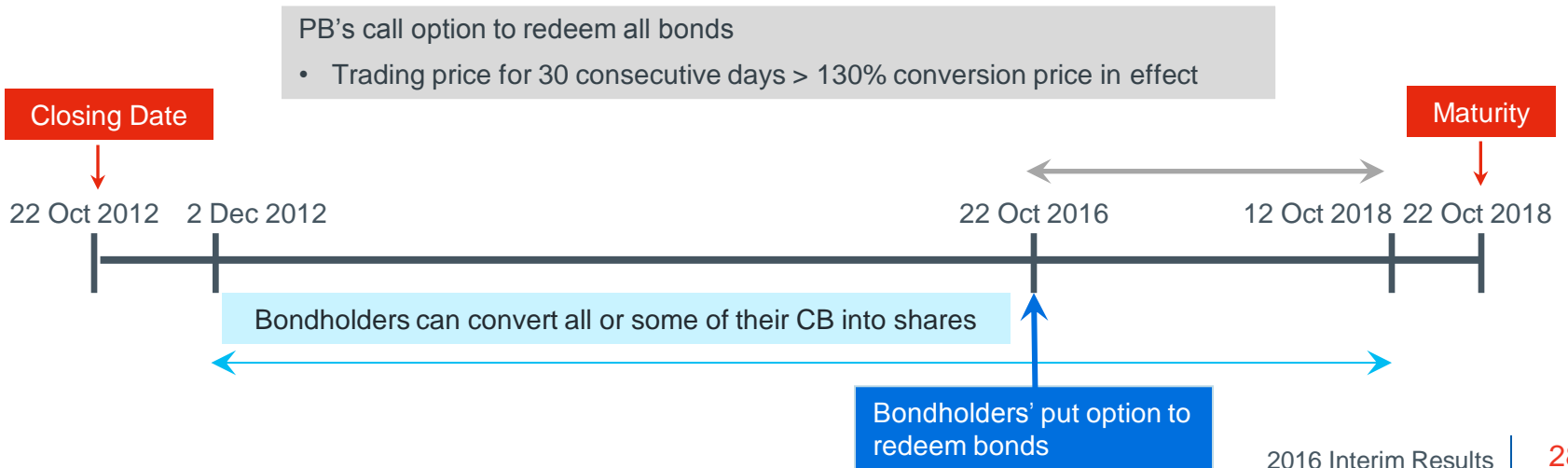
[www.pacificbasin.com](http://www.pacificbasin.com)  
Corporate Governance



# Appendix: Convertible Bonds Due 2018

Issue size	US\$123.8 million
Maturity Date	22 October 2018 (6 years)
Investor Put Date and Price	22 October 2016 (4 years) at par
PB's Call Option	1) Trading price for 30 consecutive days > 130% conversion price in effect 2) >90% of Bond converted / redeemed / purchased / cancelled
Coupon	1.875% p.a. payable semi-annually in arrears on 22 April and 22 October
Redemption Price	100%
Initial Conversion Price	HK\$4.96 (current conversion price: HK\$3.58 with effect from 30 May 2016)
Intended Use of Proceeds	To acquire additional Handysize and Supramax vessels, as well as for general working capital

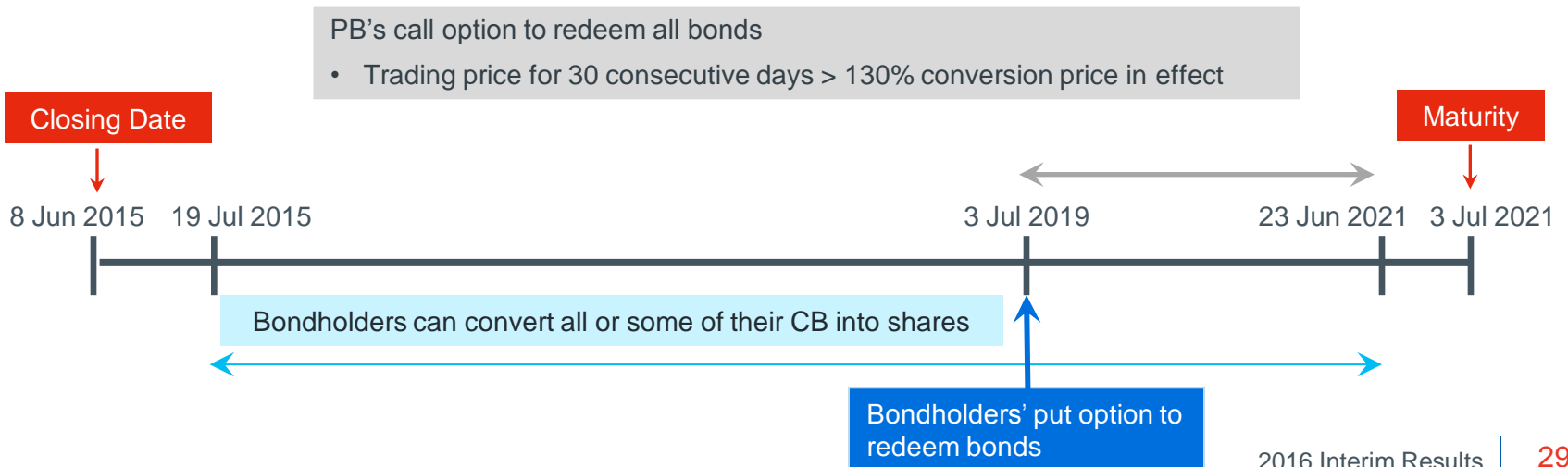
## Conversion/redemption Timeline



# Appendix: Convertible Bonds Due 2021

Issue size	US\$125 million
Maturity Date	3 July 2021 (approx. 6 years)
Investor Put Date and Price	3 July 2019 (approx. 4 years) at par
Coupon	3.25% p.a. payable semi-annually in arrears on 3 January and 3 July
Redemption Price	100%
Initial Conversion Price	HK\$4.08 (current conversion price: HK\$3.07 with effect from 30 May 2016)
Intended Use of Proceeds	To maintain the Group's balance sheet strength and liquidity and to continue to proactively manage its upcoming liabilities, including its Existing Convertible Bonds, as well as for general working capital purposes
Conditions	Shareholders' approval at a SGM to approve the issue of the new Convertible Bonds and the issue of new shares upon conversion of the new Convertible Bonds.

## Conversion/redemption Timeline

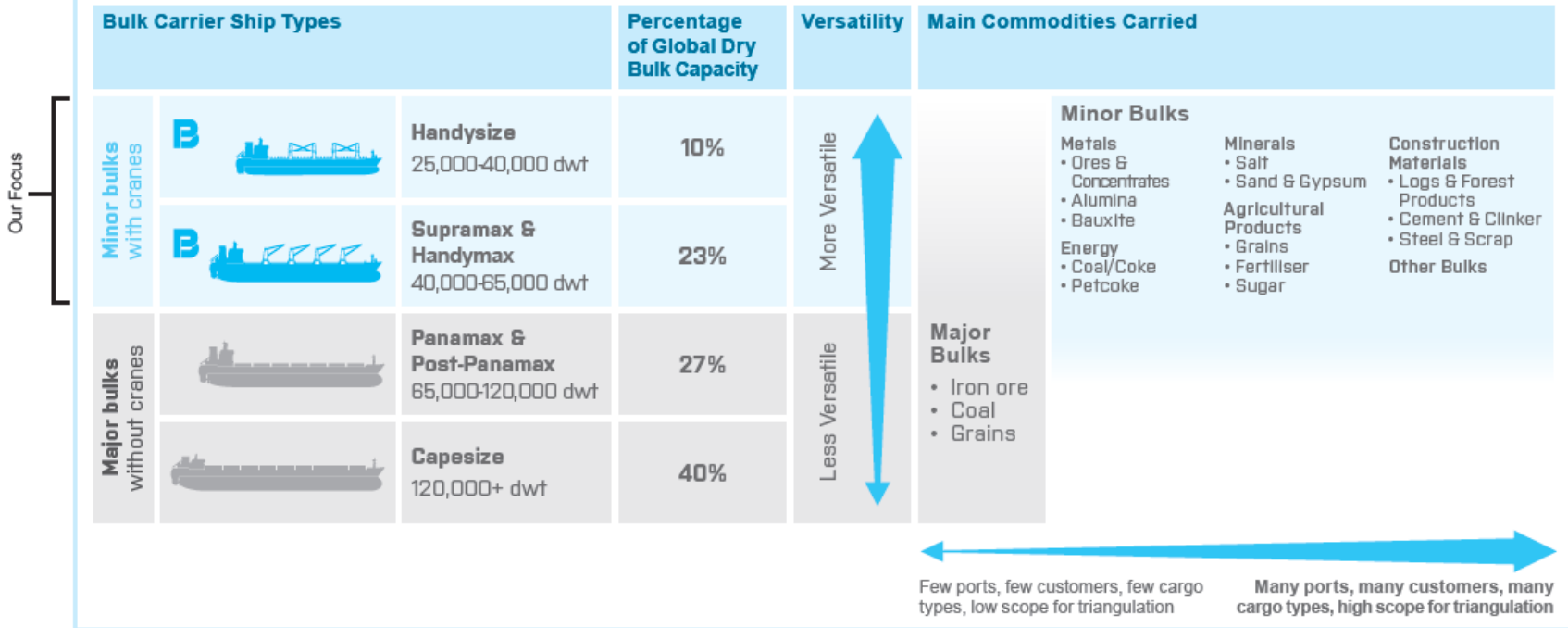


# Appendix: Understanding Our Core Market

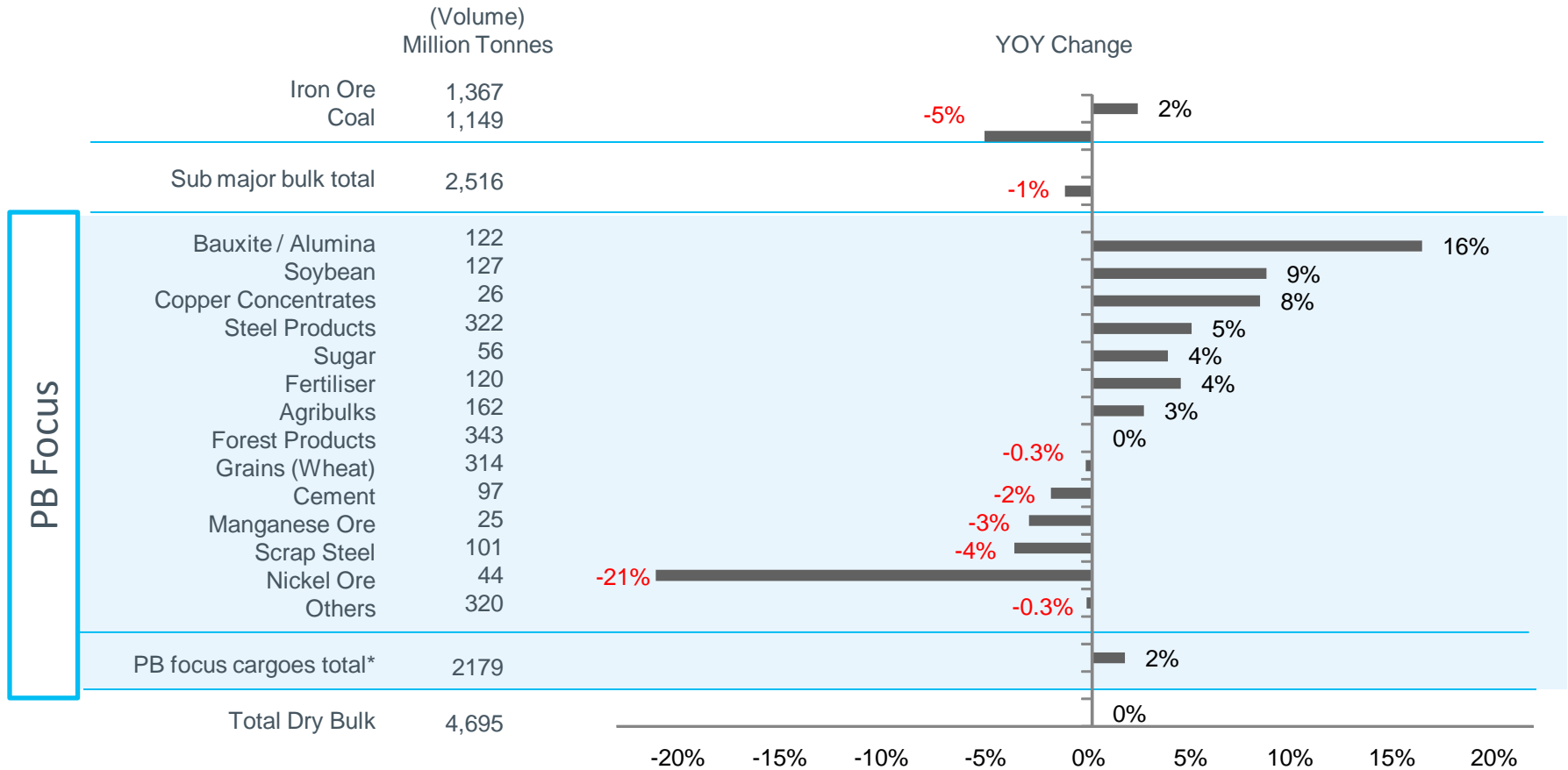
## THE DRY BULK SECTOR



Bulk Carriers for dry bulk commodities



# Appendix: Dry Bulk Seaborne Trade in 2015

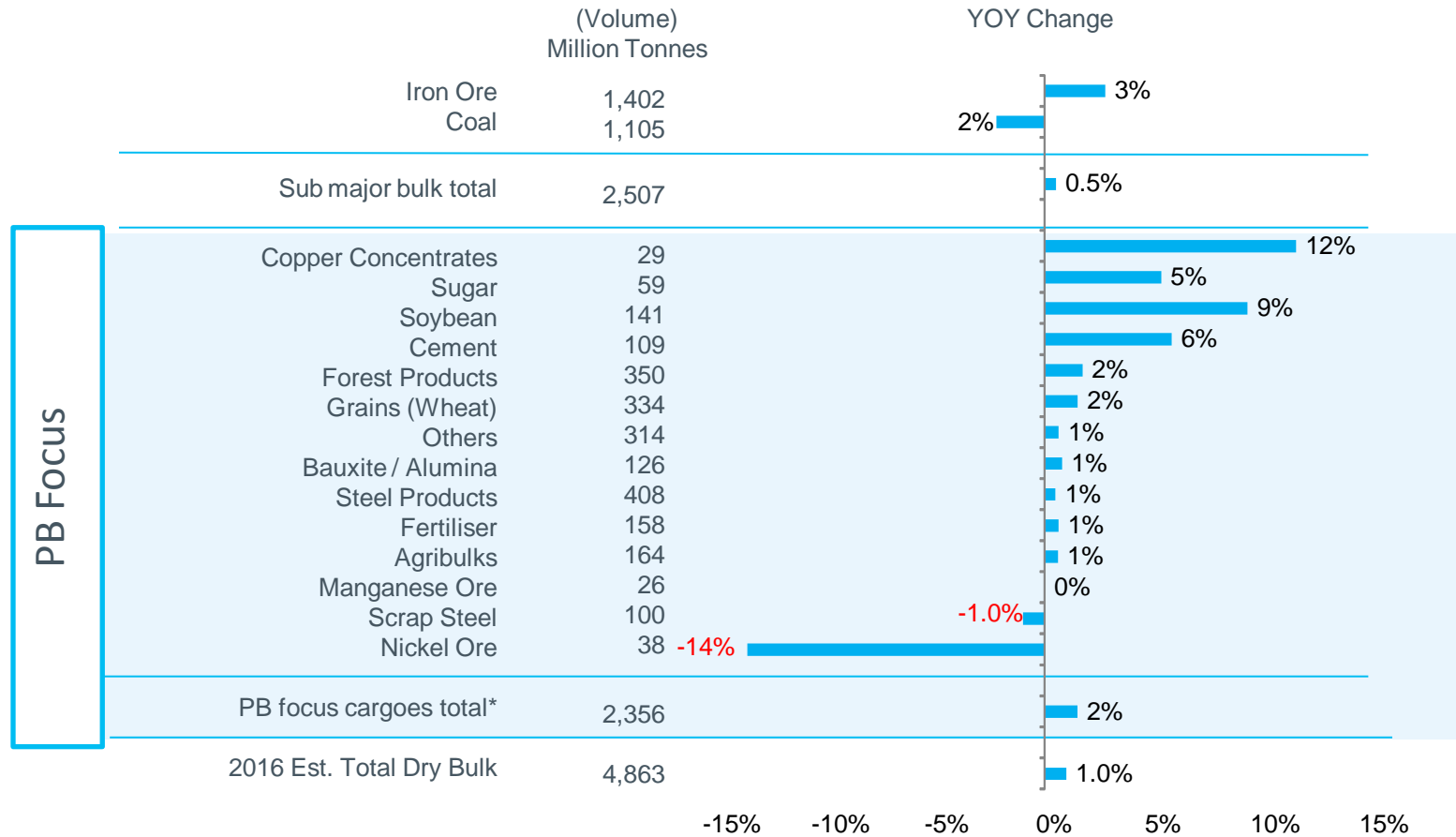


\* Minor bulk trade: 1,588 mil tonnes

Source: Bloomberg, Clarksons Platou

# Appendix: Estimated 2016 Global Dry Bulk Volumes

Expected Global Dry Bulk Seaborne Trade Growth in FY 2016



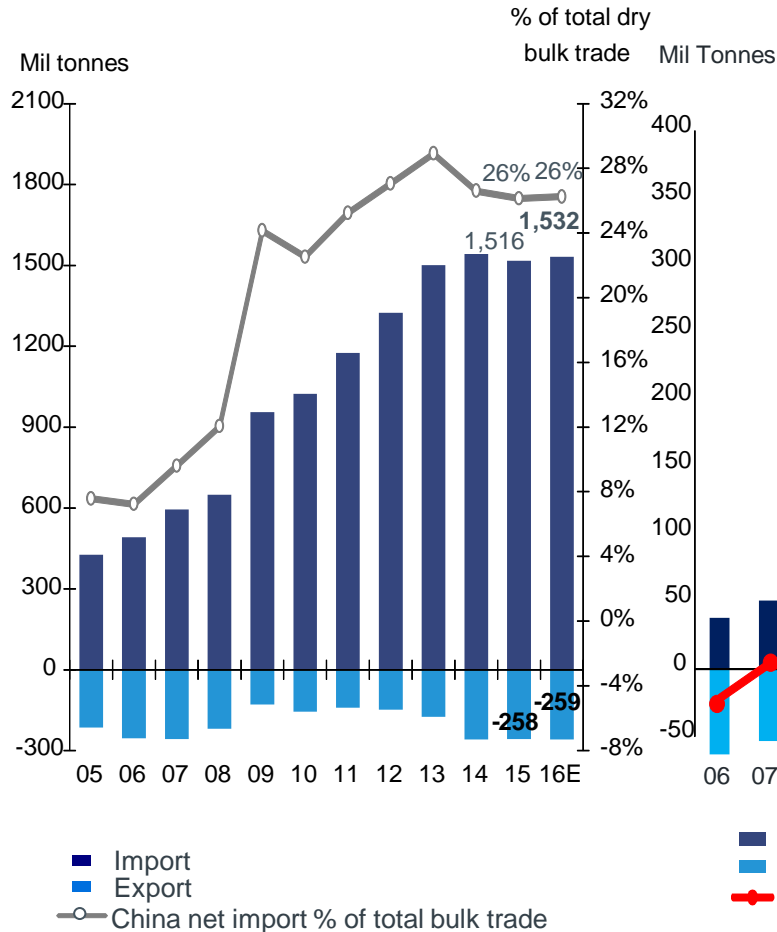
\* Minor bulk trade: 1,881 mil tonnes

Source: Bloomberg, Clarksons Platou, as at 1 July 2016

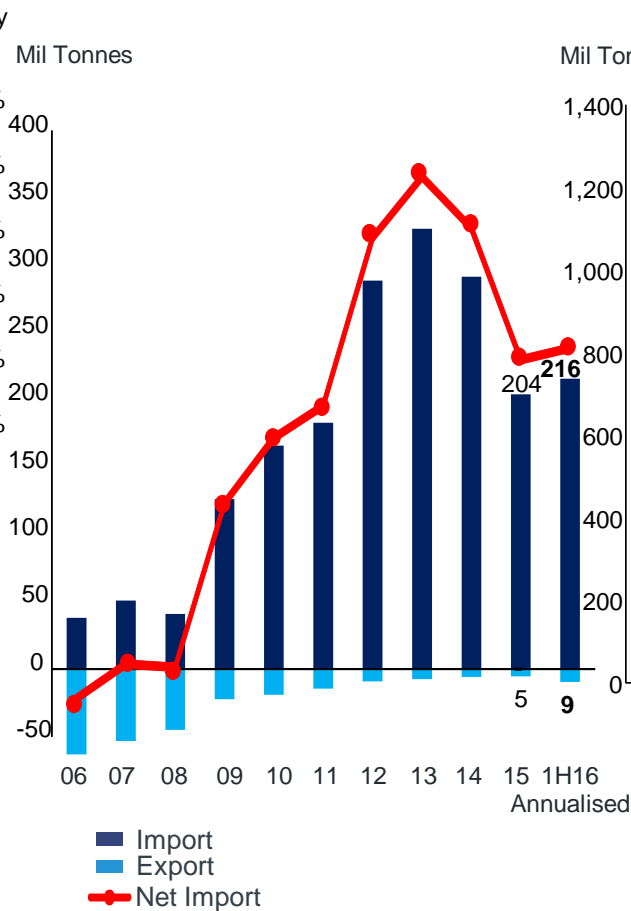


# Appendix: China Dry Bulk, Coal & Iron Ore Trade

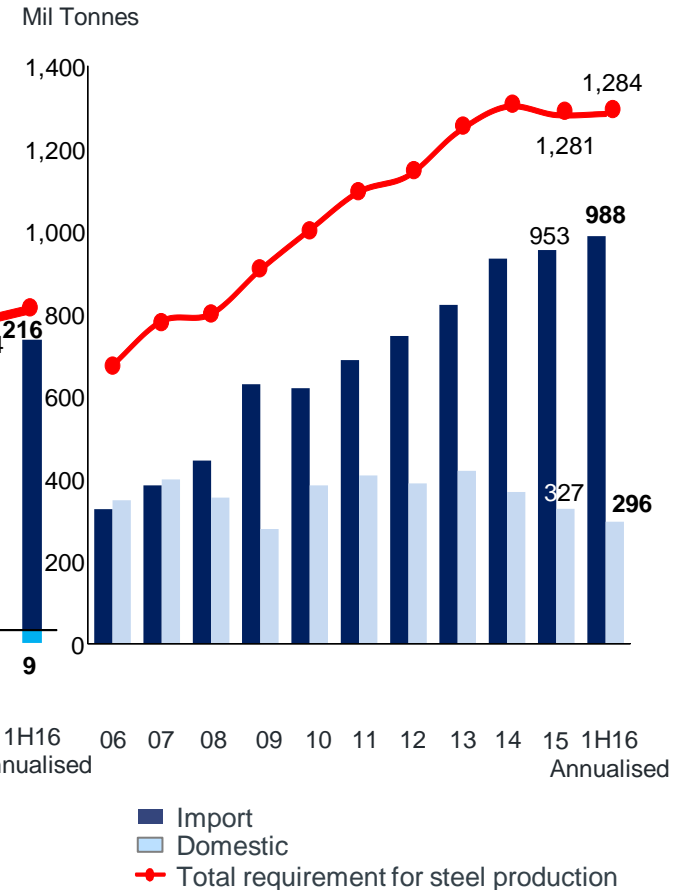
### Chinese Dry Bulk Trade



### China Coal Trade



### China Iron Ore Sourcing for Steel Production



Source: Bloomberg, Clarksons Platou