2025 Interim Results Presentation Transcript

7 August 2025

Speaker: Martin Fruergaard

Slide 1 – Introduction

Welcome ladies and gentlemen and thank you for attending Pacific Basin's 2025 Interim Results earnings call. My name is Martin Fruergaard, CEO of Pacific Basin and I am joined by our CFO, Jimmy Ng.

Assuming that you have already gone through the presentation, we will highlight key points discussed in it before we proceed to Q&A session.

Please turn to slide 3.

Slide 3 – 2025 INTERIM FINANCIAL RESULTS

In the first half of 2025, we generated an EBITDA of US$122 million dollars, an underlying profit of US$22 million dollars and a net profit of US$26 million dollars. This yielded a 3% annualised return on equity and a basic EPS of 3.9 Hong Kong cents.

Our **Core** business contributed US$51 million dollars before overheads compared to US$77 million dollars in 2024, while our **Operating** activity contribution increased to US$10 million dollars from US$8 million dollars in the same period last year, as our daily margin improved from US$550 dollars to US$710 dollars over a very similar 14,200 operating activity days.

Our net cash increased to US$66 million dollars and our available committed liquidity stands at US$550 million dollars. A new 7-year revolving credit facility of US$250 million signed in July significantly increases our available liquidity, strengthens our financial capacity and supports our growth strategy.

The Board has declared an interim dividend of 1.6 Hong Kong cents per share, which amounts to US$10.4 million dollars or 50% of our net profit for the period, excluding vessel disposal gains, consistent with our distribution policy.

Please turn to slide 4.

Slide 4 – CONTINUE TO RETURN CAPITAL TO SHAREHOLDERS

Since 2021, we have maintained our commitment to returning to shareholders through both dividends and share buybacks. During this 4-5 year period, we have generated profits of about US$1.8 billion and distributed around US$1.2 billion through dividends and share buybacks, representing about 68% of total net profits before gains from vessel disposals.

In our 2024 Annual Results announcement, we announced a new 2025 share buyback programme of up to US$40 million dollars. Since then, we have spent US$21 million to buy back and cancel about 93 million shares equal to 1.8% of our share capital. Following our exercised redemption option, the remaining outstanding bonds have been either converted, or will be redeemed before 14 August.

Combining the interim dividend and share buyback activity in the year to date, we are paying out 153% of our net profit for the first half of 2025, excluding vessel disposal gains.

Please turn to slide 5.

Slide 5 – FREIGHT RATES RISING AFTER A WEAK START TO 2025

First half average market spot freight rates for Handysize and Supramax vessels decreased 21% and 34% year on year to US$8,690 and US$8,750 per day respectively, primarily because of weaker Chinese dry bulk demand, especially for coal and grains, due to high inventory levels after stockpiling activities in 2024.

However, the market has strengthened significantly since June, driven by congestion in especially South Atlantic ports, as well as recovery in iron ore volumes and Brazilian soybean exports, resulting in a 23% and a 50% increase in Handysize and Supramax spot freight rates since the start of the year.

Current Forward Freight Agreement or FFA rates point to a stable freight rate outlook for the rest of 2025.

Please turn to slide 6.

Slide 6 – TCE EARNINGS DECLINED ON SOFTER RATES, WITH IMPACT MITIGATED BY CARGO COVER

Our Core Business generated average daily TCE earnings of US$11,010 for Handysize and US$12,230 for Supramax – down 7% and 11% respectively year-on-year. These TCEs represent a notable outperformance over average spot market rates, which fell 21% and 34% respectively.

For the third quarter of 2025, we have currently covered 87% and 99% of our committed vessel days for our Handysize and Supramax core fleet at US$11,940 and US$13,950 per day, while for the fourth quarter, we have 26% and 43% cover at US$10,890 and US$12,490. We will continue to balance our spot market exposure and cover according to anticipated market developments, in order to maximise our earnings for the balance of 2025 and especially into 2026.

Please turn to slide 7.

Slide 7 – CARGO COVER AND FLEET POSITIONING DROVE CONTINUED OUTPERFORMANCE, OPERATING ACTIVITY MARGIN STRENGTHENED

We outperformed the market indices in the first half of 2025 by a significant US$2,320 or 27% per day for Handysize and US$3,480 or 40% per day for Supramax.

Although the benefits of scrubbers installed on our core Supramax fleet decreased due to narrowing spread between High Sulphur Fuel Oil and Low Sulphur Fuel Oil, they still added US$210 per day to our outperformance during first half of 2025.

Our **Operating Activity** margins increased by 29% year on year to US$710 per day, while our operating activity days remained steady at 14,200. We aim to sustain the scale of our Operating Activity business, and to maintain its robust margins and maximise contributions.

Please turn to slide 8.

Slide 8 – HANDYSIZE – STABLE DAILY CORE VESSEL COST

Handysize daily core vessel costs were generally stable in the first half of 2025.

Operating expenses rose slightly, primarily due to increased manning costs on certain older vessels and higher depreciation as a result of drydocking and fuel-efficiency investments.

Finance costs declined, reflecting lower borrowing levels and reduced interest rates.

The cost of long-term chartered vessels remained largely unchanged, with only one long-term chartered-in vessel moved to our owned fleet after we exercised its purchase option.

Our vessel costs overall remained sector leading, with our owned fleet cash breakeven before G&A being US$4,760 per day – up just US$50 per day from the end of 2024.

Please turn to slide 9.

Slide 9 – REDUCED VESSEL COST DUE TO REDELIVERY OF LONG-TERM CHARTERED VESSELS WITH HIGHER CHARTER RATES

Our Supramax daily core vessel costs declined, mainly due to lower long-term chartered costs, which reduced to US$14,120 per day.

Operating expenses also reduced due to lower exchange rates for procuring spares and parts, and lower scrubber maintenance costs.

As a results, our Supramax blended daily vessel cost reduced from US$9,650 to US$9,200 per day, and our owned fleet cash breakeven before G&A reduced US$240 to US$4,890 per day.

I will now hand you over to our CFO Jimmy Ng, who will present our financial results.

Speaker: Jimmy Ng

Thank you very much Martin, and good evening ladies and gentlemen.

Please turn to slide 11 for an overview of our P&L statement and financial performance.

Slide 11 – SOLID RESULTS DESPITE WEAKER MARKET

Our top line decreased by 21% due to reductions in Handysize and Supramax freight rates, which were down 21% and 34% respectively in the first half of 2025. Our owned vessel costs decreased by 4% and chartered vessel costs decreased by 29%, in line with this weaker freight market.

As a result, our operating performance before overheads fell 28% to US$62 million dollars and our net profit fell 56% to US$26 million dollars, despite a marginal decrease in G&A primarily due to the foreign exchange gains from our Japanese Yen deposits ear-marked for vessel purchases, and the additional US$5 million net gains from the disposal of five older vessels.

Please turn to slide 12.

Slide 12 – FINANCIAL STRENGTH UNDERPINNED BY ROBUST CASH GENERATION

Our financial position was further strengthened in the first half of 2025, with US$550 million dollars of available committed liquidity at period end, mainly driven by an increase in cash and deposits supported by solid cash generation and vessel disposals in line with our fleet renewal strategy.

Our operating cash inflow for the period increased 1% year on year to US$104 million dollars, and we realised US$42 million dollars from the sale of three Handysize and two Supramax vessels with an average age of 21 years.

Our Capex was efficiently managed at US$41 million dollars, which included US$20 million dollars related to the full payment for one Handysize vessel delivered into our fleet in the first half and the deposit payment for another Handysize vessel delivered into our fleet in July. The total capex of US$41 million dollars also included US$22 million dollars for dry dockings and other additions.

During the first half of 2025, we distributed US$33 million dollars in dividends and spent US$21 million dollars to repurchase and cancel 93 million shares under the 2025 share buyback programme. In the meantime, our borrowings have decreased by US$31 million dollars in the past six months.

Please turn to slide 13.

Slide 13 – FINANCIAL FLEXIBILITY ENABLES OPTIONALITY IN OUR STRATEGY

As at 30 June 2025, our balance sheet demonstrated continued strength with net cash rising to US$66 million dollars, compared to US$20 million dollars at the end of 2024.

The total net book value of our owned vessels was US$1.6 billion dollars, while their estimated market value remained relatively resilient at US$1.8 billion dollars compared to the weaker freight market in the first half of 2025.

To extend our funding profile and maximise optionality in our fleet growth and renewal strategy, we announced a new US$250 million dollars syndicated sustainability-linked 7-year revolving credit facility, secured against 20 vessels. This facility will further increase our available liquidity and support our pursuit of strategic growth and increased shareholder value.

I will now hand you back to Martin for his slides on market and strategy.

Speaker: Martin Fruergaard

Thank you, Jimmy, Please turn to slide 15.

Slide 15 – DRY BULK TRADE INCREASING BUT IS BELOW LAST YEAR'S LEVELS

In the first half of 2025, global dry bulk loading volumes declined by 3% compared to the previous year, primarily due to reduced Chinese imports of major commodities following heavy stockpiling in 2024.

Grain loadings decreased by 13% year on year, as volumes into China dropped 36% year on year due to elevated inventory level and record domestic harvest, but China's ongoing demand for soybeans and Brazil's record soybean crop offered some support to the market.

Coal loadings were down by 7% year on year due to reduced demand from key importers China and India. Since China met its target of coal inventory build-up, and domestic coal production and overland imports from Mongolia rose, Chinese seaborne imports fell 19%. This reduction was partially offset by the growth in volumes into other Asian countries, such as Vietnam and Bangladesh, which saw 15% and 41% increase in coal loadings.

Iron ore loadings also dropped 4% year on year, primarily due to high stockpiles in China and continued subdued steel demand resulting from the ongoing slump in China's property market. However, volumes are anticipated to rebound due to post-disruption catch-up in Australia, the softer US dollar and potential further stimulus in China, while the Simandou project in Guinea is expected to start exporting high-grade iron ores starting from this November.

Meanwhile, **minor bulk** loadings increased 3% in the first half of 2025, driven predominately by bauxite and construction materials. Bauxite trade from Guinea to China ramped up, with Chinese imports totalling 80 million tonnes during the period, compared to 56 million tonnes in the first half of 2024. Cement and Clinker volumes rebounded after a depressed first half of 2024, led by developing economies. Additionally, Chinese steel exports rose 9%

year on year in the first half of 2025, despite its steel production slowing 3% year on year in the period. Increased fertiliser trade also contributed to growth for minor bulk.

Please turn to slide 16.

Slide 16 – NEGATIVE COAL & IRON ORE / POSITIVE MINOR BULKS & GRAINS OUTLOOK

In contrast to the broad sector-wide dry bulk volume growth seen in 2024, Clarksons’ latest forecast presents differing outlooks, with projections for coal and iron ore remaining subdued, while minor bulks and grains, particularly soybeans, anticipated to continue their upward trajectory.

With increased domestic coal production in both India and China, and a global shift to renewable energy consumption, coal volumes are forecast to decline by 6% in 2025.

Iron ore volumes are also expected to decrease by 1% this year, but the outlook remains mixed. Key exporters Australia and Brazil continued to ramp up exports. China’s property downturn could be offset by investment in manufacturing and infrastructure, but overall Chinese steel consumption is nevertheless expected to soften.

Total Minor bulk trade volumes are projected to grow by about 2% in 2025, with increases anticipated for most commodities, but most notably for Bauxite shipments from Guinea to China, which should continue to tie up larger bulkers, while some splitting of coal and grain cargoes into smaller bulkers is also expected. Cement and clinker volumes are expected to recover from last year's reduced levels and continue increasing through 2026, supported by growth in the housing and infrastructure sectors of developing economies.

Brazil’s record soybean crop is replacing US soybean volumes to China, which represents increased tonne-mile demand. The robust soybean trade is expected to boost grains volumes and fertiliser imports.

Please turn to slide 17.

Slide 17 – INCREASED NEW SUPPLY IN 2025, BUT LONG-TERM SUPPLY FUNDAMENTALS LOOK BALANCED, SUPPORTED BY AGEING FLEET PROFILE

The combined global fleet of Handysize and Supramax vessels is forecast to grow 4.3% net in 2025, with newbuilding vessel deliveries accounting for 4.7% and scrapping at a minimal 0.4%.

The orderbook currently stands at 10.4% of the combined Handysize and Supramax fleet, which is less than the 13% of ships that are 20 years or older. Contracting activity dropped over 70% year on year due to weaker market conditions in early 2025 and uncertainty related to the draft USTR plan for charges on Chinese-built ships. This may result in a supply squeeze in the coming years when emissions regulations are expected to become more stringent and add pressure especially to the ageing fleet.

Despite a short-term increase in supply, we are optimistic about our sector's long-term prospects due to balanced supply fundamentals.

Please turn to slide 18.

Slide 18 – EFFECTIVE SUPPLY REDUCED BY LOWER SPEEDS AND CONGESTION IN SOME AREAS

The freight market has experienced an upswing in recent weeks after a weak start. This improvement can be attributed to average vessel speeds remaining at historically low levels and ongoing congestion in certain trade areas, such as East Coast Australia and the South Atlantic, which have collectively supported higher freight rates.

Please turn to slide 19.

Slide 19 – GEOPOLITICAL DISRUPTIONS IN SHIPPING CONTINUES TO REDUCE EFFECTIVE SUPPLY

The ongoing conflict in the Middle East continues to drive shipping companies away from the area, causing ships to take longer, safer voyages which adds to tonne-mile demand and adds support to freight rates. We believe we are still some way from returning to normalised transits through the Suez Canal

Geopolitical disruption, increased environmental regulation and changing trading patterns causing congestion and longer tonne-miles collectively continue to reduce overall effective supply.

Please turn to slide 20.

Slide 20 – USTR 301 ACTIONS ON CHINESE SHIPBUILDING AND VESSELS

The scope of the latest draft USTR 301 plan is narrower than the initial proposal. It introduces two fee regimes: Annex I, which applies significant extra port charges on Chinese owners and operators, and Annex II, which applies lower charges (with certain exemptions) on bulkers of 80,000 dwt or more.

The detailed final rules due to be implemented in October will depend on how USTR 301 and trade tariff negotiations between the United States and China unfold in the coming months. However, the proposed port charges could disproportionately impact our vessels and our overall financial performance.

We have therefore been closely monitoring and preparing for these USTR 301-related developments and readying contingency plans to maintain our competitiveness in the changing trade and tariff landscape.

Our ultimate objective is to ensure our ships can continue to service our global customers freely and competitively to and via all safe ports and countries, including the United States.
Please turn to slide 21.

Slide 21 – 2025 MARKET OUTLOOK

Despite increased uncertainty resulting from geopolitical tensions and trade disputes this year, our industry continues to demonstrate resilience. Multiple disruptors in our market continue to reduce supply efficiency, such as congestion, lower speeds and re-routing, which helps to absorb the supply pressure from increased newbuilding deliveries in our segments.

China remains a key contributor to the stability and growth of our market, though its role is diversifying from key importer of coal and iron ore to export engine of certain commodities such as steel and fertilisers. Meanwhile, the IMF has raised its latest forecasts for World and China GDP growth, citing reduced risks from trade tensions and better financial conditions, indicating an expected improvement in the short-term macroeconomic outlook.

Dry bulk cargo volumes are expected to continue recovering in the second half of 2025, supported by increased shipments of iron ore and soybeans. Over the longer term, factors such as rising population and income levels in developing economies are expected to positively influence the minor bulks trade, particularly in cement and clinker, fertilisers and agribulks.

Clarksons projects that dry bulk volumes will decline amid macroeconomic pressure. However, increased tonne-mile demand generated by longer-haul trades, such as bauxite shipments between Guinea and China, is expected to drive minor bulk tonne-mile demand growth by 3.6%, while overall dry bulk demand is anticipated to remain stable.

Although dry bulk and minor bulk demand projections for 2025 are lower than net fleet growth forecasts, long-term supply fundamentals are expected to remain balanced due to a manageable orderbook and anticipated increases in scrapping and slow-steaming resulting from more emissions regulations in the industry.

Please turn to slide 23.

Slide 23 – MAXIMISING GROWTH OPTIONALITY WITH A DISCIPLINED APPROACH TO FLEET GROWTH AND RENEWAL

Expanding our business remains an ongoing priority, but we continue to exercise prudent discipline in renewing and growing our fleet. We recognise the disparity between present freight market conditions and vessel values which, despite fluctuations, have mostly remained high since 2021.

Our Core Business vessel days and Operating Activity days have increased over the past few years, reaching 36,250 days in the first half of 2025, which reflects a CAGR of 3% from 2021 to 2025.

So far in 2025, we have sold four Handysize and two Supramax vessels, and we exercised purchase options on three Handysize vessels which were delivered from our long-term chartered fleet into our owned fleet, while taking delivery of one long-term chartered Handysize newbuilding of 40,000 dwt and one long-term chartered Ultramax newbuilding of 64,000 dwt.

For the rest of 2025, we still have one declarable purchase option and one Ultramax long-term chartered newbuildings of 64,000 dwt to be delivered into our core fleet.

Looking ahead, we have a total 13 purchase options declarable, while we are expecting one Ultramax and one Handysize long-term chartered newbuilding, as well as four low-emission dual-fuel methanol Ultramax newbuildings to join our core fleet over the coming years.

Our strategy will remain focused on maximising optionality in fleet renewal and growth, as we continue to sell older vessels that may face operational challenges under the forthcoming regulations, while also taking advantage of market opportunities to continue to grow our fleet.

Please turn to slide 24.

Slide 24 – IMO'S MID-TERM MEASURES TO DRIVE EMISSIONS REDUCTION, MAKING LOW-EMISSION NEWBUILDING MORE COMPELLING

In April, the IMO approved a two-tiered Global Fuel Standard (GFS) with economic elements – essentially fossil fuel penalties and green fuel subsidies – designed to drive a phased reduction in Greenhouse Gas intensity of fuels used, or GFI.

Subject to the GFS' adoption scheduled for mid-October, the measures are expected to enter into force by 2027 and drive the gradual adoption of green fuels to meet yearly well-to-wake GFI targets and ultimately achieve the industry's goal of net-zero emissions by around 2050.

The GFS, assuming its successful adoption in a couple of months, strengthens the case for our investment in dual-fuel LEVs delivering in 2028-29 and further justifies the current dual-fuel cost premium LEV newbuildings have over conventionally fuelled vessels.

Slide 25 – LEVS & GREEN FUEL ARE KEY PARTS OF OUR ROADMAP TO DECARBONISATION

As the regulatory landscape continues to evolve, we remain confident in our progress towards decarbonisation through focused initiatives and strategic investments in LEVs, green fuel sourcing and energy efficiency efforts. These will ensure our fleet's ongoing compliance with increasingly stringent regulations, support our target of green fuels comprising 5% of our fuel mix by 2030, and ultimately facilitate our fleet's transition to net-zero emissions by 2050.

As you know, last November we ordered four Ultramax dual-fuel LEVs able to run on methanol as well as biodiesel and conventional fuel oil. At that time we also signed an MOU with Mitsui as a first step to securing access to green methanol for our LEVs, and in June 2025, we entered into another MOU with Towngas to formalise another source of certified green methanol from a key player in China's emerging and world-leading green fuels market.

Looking ahead, we are now evaluating Handysize LEV newbuilding designs and engaging closely with shipyards that are capable of capable of building such vessels, positioning ourselves for investment in more LEVs when the time is right.

With our sector-leading experienced team and solid financial position and liquidity, we are well equipped to navigate changing market conditions and increasingly challenging decarbonisation regulations with agility and resilience while maintaining our focus on maximising shareholder value and growth optionality.

Here I would like to wrap up with acknowledgement of our colleagues at sea and ashore who I thank for their contributions to our resilience in the face of recent and ongoing industry challenges and to our performance during the period.

I also thank our shareholders, business partner and all our stakeholders for their continued interest in and support of our company.

That concludes our 2025 Interim Results presentation, and I will now hand over the call to our operator for Q&A.

[Following Q&A]

I'd like to thank you again for joining us today and for your continued support of Pacific Basin. If you have any further questions, please contact Cameron Ip from our Investor Relations department.

Goodbye.