Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)
(Stock Code: 2343)

Press Release

Pacific Basin Announces 2021 Annual Results

We generated our best results in our 34-year history

The Board recommends a final basic dividend of HK42 cents per share and an additional special dividend of HK18 cents per share

We expect a continued strong dry bulk shipping market in 2022 and beyond due to broad based demand coupled with low fleet growth and tight supply

We continued to grow our owned fleet with modern second-hand ship acquisitions

Hong Kong, 24 February 2022 – Pacific Basin Shipping Limited ("Pacific Basin" or the "Company", 2343.HK), one of the world's leading dry bulk shipping companies, today announced the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2021.

Mr. Martin Fruergaard, CEO of Pacific Basin, said:

"2021 saw the strongest dry bulk freight market since 2008, and we generated our best results in our Company's history. We made an underlying profit of US$698 million, a net profit of US$845 million, EBITDA of US$890 million, and an exceptionally strong return on equity of 58% with basic EPS of HK139 cents.

The net profit was positively impacted by a US$152 million reversal of the vessel impairment provision we took in June 2020. The decision to reverse the impairment provision was taken in light of the significantly improved dry bulk market and the increase in ship values. The reversal does not impact our underlying profit, operating cash flows, EBITDA or available committed liquidity.

Financial Highlights

	Year Ended 31 December	
US$ Million	2021	2020
Revenue	2,972.5	1,470.9
EBITDA #	889.9	184.7
Underlying Profit/(Loss)	698.3	(19.4)
Profit/(Loss) Attributable to Shareholders	844.8	(208.2)
Basic Earnings per share *(HK cents)*	139.1	(34.5)
Full Year Dividends per share, including HK18 cents Special Dividend *(HK cents)*	74.0	–

EBITDA (earnings before interest, tax, depreciation and amortisation) is gross profit less indirect general and administrative overheads, excluding: depreciation and amortisation; exchange differences; share-based compensation; closed-out gains on fuel price hedges and unrealised derivative income and expenses

Global minor bulk demand expanded by a strong 5.6%, driven by construction materials such as cement and clinker, steels, aggregates and forest products. In contrast, the global fleet of Handysize and Supramax ships grew by only 2.8% net, and port and supply inefficiencies lead to even tighter supply conditions that drove freight rates up further especially in the second half of the year.

Our large core business with substantially fixed costs generated a contribution of US$709 million, over 40% of which was generated by our Supramax activity which is the area we have grown most aggressively in recent years. Our operating activity improved with each quarter to contribute US$69 million, which is an excellent performance and testament to the commercial skills of the Pacific Basin team in a fast changing market.

We significantly strengthened our available committed liquidity to US$668 million as at 31 December 2021 with net borrowings amounting to 7% of the net book value of our owned vessels – down from 37% a year before.

In light of the extraordinary cash flow of the last year and our robust balance sheet and positive outlook, the Board recommends a final basic dividend of HK42 cents per share and an additional special dividend of HK18 cents per share, totalling a final dividend of HK60 cents per share. Combined with the HK14 cents per share interim dividend distributed in August, this implies a 2021 dividend yield of 51% based on the share price at the beginning of that year.

Benefiting from the Growth and Renewal of our Owned Fleet

We continued our strategy of growing our Supramax fleet and renewing our Handysize fleet, and our 2021 results evidence our successful execution of that strategy. We added 11 modern second-hand ships to our fleet during the year, including six large Supramax (commonly called "Ultramax") and five large Handysize bulk carriers, and we sold five of our smallest and oldest Handysize vessels. We have since taken delivery of another modern Ultramax in January 2022. Our vessel purchasing has slowed in recent months as asset prices approached historical highs, but we remain committed to further growing our Supramax fleet and renewing our Handysize fleet in the long term.

We currently own 121 quality Handysize and Supramax ships that are well suited for our customers and trades and are generating very attractive returns. Including chartered ships, we currently have around 250 ships on the water, and our annual average fleet size in 2021 was the largest we have ever controlled.

Positive Outlook for 2022

We expect a continued strong dry bulk shipping market in 2022 and beyond due to broad based demand, especially for minor bulks and grain, supported by healthy economic growth with continued stimulus in many countries, coupled with low fleet growth and tight supply.

We are optimistic that dry bulk supply will remain under control, giving further support to the dry bulk freight market in the longer term. With dry bulk ships now largely operating at full speed, supply cannot be further increased through higher speed, and IMO and EU fuel-efficiency rules are likely to start forcing slower speeds from 2024 – and even accelerate scrapping of the least efficient ships – which will reduce supply. Despite some new ordering in the very strong market, we expect that the dry bulk orderbook will remain at historically low levels due to decarbonisation-related regulatory uncertainty, the high cost of newbuildings and the shortage of shipyard capacity at a time when berths are fully booked with orders for non-dry bulk ship types.

Our Fleet

	Vessels in operation			Total	Total Capacity (million DWT)	Average Age
	Owned[1]	Long-term Chartered	Short-term Chartered[2]		Owned	Owned
Handysize	79	11	33	123	2.7	13
Supramax	42	4	79	125	2.4	10
Capesize[3]	1	–	–	1	0.1	11
Total	122	15	112	249	5.2	12

As at 31 January 2022

1 Including 1 vessel we committed to purchase in 2021 that delivered in January 2022

2 Average number of short-term and index-linked vessels operated in January 2022

3 Having redelivered a chartered 95,000 dwt Post-Panamax ship, we now refer to our owned 115,000 dwt bulker as a Capesize vessel, consistent with industry definitions

Well Positioned for the Future

We are well prepared to meet or exceed the requirements of IMO's carbon intensity reduction rules. Renewing our fleet with younger, larger, more efficient ships is an important part of our decarbonisation strategy. We will continue to trade our ships efficiently for high laden-to-ballast utilisation, and will constantly assess and implement energy-efficient operating measures to ensure our existing ships running on conventional fuel oil maintain sound carbon intensity ratings and can continue to trade for the foreseeable future.

We target that our fleet will comprise only zero-emission vessels by 2050, and we will not contract newbuildings until zero-emission-ready ships are available and commercially viable in our segments and the appropriate refuelling infrastructure is being built out globally.

We are confident that our excellent customer-focused business model, consistent strategic focus, strong team, large owned fleet, healthy balance sheet and competitive cost structure position us well to thrive in the current strong market and continue to deliver high returns on equity and return cash to shareholders. We have what it takes to embrace the decarbonisation-related regulatory, commercial and technological changes ahead, and to navigate whatever else the future holds for us.''

For details, please see our 2021 Annual Results Announcement in the Investor section of our website at www.pacificbasin.com/en/ir/iroverview.php. Our full Annual Report and Sustainability Report will be published on or around 11 March 2022.

About Pacific Basin

Pacific Basin Shipping Limited (www.pacificbasin.com) is one of the world's leading owners and operators of modern Handysize and Supramax dry bulk vessels. Enhanced by a world-class in-house fleet management team, the Company is committed to sustainable shipping with a keen focus on seafarer safety, health and wellbeing, responsible environmental practice, performance optimisation for best fuel and carbon efficiency, and best-in-class service delivery. The Company currently operates around 250 dry bulk ships of which 122 are owned and the rest chartered. Pacific Basin is listed and headquartered in Hong Kong and provides a quality service to over 550 customers, with about 4,600 seafarers and 365 shore-based staff in 13 offices in key locations around the world.

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Consolidated Income Statement

	For the year ended 31 December	
	2021 US$'000	2020 US$'000
Revenue	**2,972,514**	1,470,932
Cost of services	**(2,233,171)**	(1,434,059)
Gross profit	**739,343**	36,873
Reversal of/(provision for) vessel impairment	**151,658**	(199,604)
Indirect general and administrative overheads	**(8,462)**	(6,112)
Other income and gains	**336**	1,427
Other expenses	**(4,815)**	(2,100)
Finance income	**722**	2,979
Finance costs	**(32,434)**	(39,657)
Profit/(loss) before taxation	**846,348**	(206,194)
Tax charges	**(1,538)**	(2,034)
Profit/(loss) attributable to shareholders	**844,810**	(208,228)
Earnings per share for profit/(loss) attributable to shareholders (in US cents)		
Basic earnings per share	**17.90**	(4.45)
Diluted earnings per share	**15.73**	(4.45)

Consolidated Balance Sheet

	As at 31 December	
	2021 US$'000	2020 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,906,019**	1,665,242
Right-of-use assets	**55,302**	65,778
Goodwill	**25,256**	25,256
Derivative assets	**496**	4,026
Trade and other receivables	**8,499**	4,947
Restricted bank deposits	**51**	51
	1,995,623	1,765,300
Current assets		
Inventories	**103,590**	78,095
Derivative assets	**14,710**	15,410
Trade and other receivables	**171,839**	77,898
Subleasing receivables	**–**	1,915
Assets held for sale	**–**	16,136
Cash and deposits	**459,670**	234,773
	749,809	424,227
Total assets	**2,745,432**	2,189,527
EQUITY		
Capital and reserves attributable to shareholders		
Share capital	**47,858**	47,490
Retained profits/(accumulated losses)	**744,553**	(11,330)
Other reserves	**1,038,815**	1,028,349
Total equity	**1,831,226**	1,064,509
LIABILITIES		
Non-current liabilities		
Borrowings	**521,363**	775,149
Lease liabilities	**29,270**	50,089
Derivative liabilities	**6,540**	13,564
Trade and other payables	**17**	895
	557,190	839,697
Current liabilities		
Borrowings	**66,793**	88,736
Lease liabilities	**31,159**	26,744
Derivative liabilities	**10,232**	7,667
Trade and other payables	**247,554**	161,366
Taxation payable	**1,278**	808
	357,016	285,321
Total liabilities	**914,206**	1,125,018