Pacific Basin Shipping Limited

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

Press Release

Pacific Basin Announces 2023 Annual Results

Generated underlying profit and EBITDA of US$119.2 million and US$347.2 million

Final basic dividend of HK1.6 cents per share and an additional final special dividend of HK4.1 cents per share which, combined with HK6.5 cents per share interim dividend, amounts to US$82.3 million, representing 75% of net profit

Maintain a strong balance sheet with available committed liquidity of US$549.2 million which includes cash and deposits of US$261.5 million

Continue to grow and renew our fleet to more easily meet tightening environmental regulations

Earnings remain robust in the first quarter of 2024, and the outlook remains positive for 2024

Hong Kong, 29 February 2024 – 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 2023.

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

"In 2023, we generated an underlying profit of US$119.2 million, a net profit of US$109.4 million and EBITDA of US$347.2 million. This yielded a return on equity of 6% with basic EPS of HK16.5 cents.

We delivered a solid result despite weaker market freight rates, caused by slowing global economic growth, higher interest rates, increased supply of vessels due to newbuilding deliveries and relaxation of Covid mitigation rules that reduced port congestion in China. Global demand for minor bulks increased year on year, largely attributed to China's post-Covid reopening which supported more demand for iron ore, coal and minor bulks.

Financial Highlights

US$ Million	Year Ended 31 December 2023	2022
Revenue	2,296.6	3,281.6
EBITDA #	347.2	935.1
Underlying Profit	119.2	714.7
Profit Attributable to Shareholders	109.4	701.9
Basic Earnings per Share *(HK cents)*	16.5	109.1
Full Year Dividends per share, including HK4.1 cents Special Dividend *(HK cents)*	12.2	78.0

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 and unrealised derivative income and expenses

Global dry bulk loading volumes grew by approximately 2% year on year, supported by China's reopening, marginally offset by reduced demand from North America and Europe. Minor bulk loading volumes were up by 1% due to increased loadings of bauxite, steel and ores and concentrates, which were up by 9%, 11% and 8% year on year respectively. Global dry bulk net fleet growth increased from 2.9% in 2022 to 3.1% in 2023 due to increased newbuilding deliveries. Scrapping increased from 0.5% in 2022 to 0.6% in 2023. The global fleet of Handysize and Supramax vessels, in which we specialise, grew by a net rate of 3.4% compared to a net rate of 3.2% in the same period last year.

Our large **core business** with substantially fixed costs generated a contribution of US$167.4 million before overheads, with average Handysize and Supramax daily TCE earnings of US$12,250 and US$13,830 net per day for the full year 2023, representing a decrease of 48% and 51% as compared to the same period in 2022 respectively. We outperformed average Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) indices by $3,260 per day and $3,150 per day respectively. Our **operating activity** contributed US$25.6 million, that represented 13% of our Group's performance before overheads, generating a margin of US$1,090 net per day over 23,480 operating days. Our operating activity continues to grow with operating days increasing 18% as compared with the prior year.

We continue to utilise our high level of cash generation to continue to pay down debt and expand our owned fleet deadweight carrying capacity, while maintaining a healthy financial position with US$549.2 million of available committed liquidity. Our net borrowings now represent 2% of the net book value of our owned vessels. Additionally, we have 62 vessels currently unmortgaged.

In view of the solid financial results, strong cash generation and confidence in the long-term fundamentals of the dry bulk market, the Board recommends a final basic dividend of HK1.6 cents per share and an additional final special dividend of HK4.1 cents per share which, combined with the HK6.5 cents per share interim dividend distributed in August 2023, represents 75% of our net profit for the full year. This will be the third consecutive year that the Board has returned dividends above 50% of annual net profits.

Fleet Growth Strategy

In 2023, we have sold eight vessels, consisting of seven Handysize and one Supramax vessel with an average age of 20 years. Given increasingly strict existing and incoming decarbonisation regulations, such older, less efficient vessels will become increasingly challenging to operate and we therefore consider it wise to gradually divest ourselves of our least efficient vessels. We purchased eight modern second-hand vessels including one Handysize vessel, one Supramax vessel and six Ultramax vessels. To further support growth and renewal of our core fleet, we have signed agreements for the long-term inward charter of both Handysize and Ultramax vessels. We took delivery of three long-term time-chartered Japanese-built Handysize newbuildings, and we have signed additional long-term charter agreements for four Japanese built 40,000 dwt Handysize newbuildings, all with scrubbers, scheduled to be delivered between the second quarter of 2024 and the first quarter of 2025, as well as long-term time charters for one 64,000 dwt Ultramax newbuilding due to be delivered in the fourth quarter of 2024, two 64,000 dwt Ultramax newbuildings to be delivered in 2025, and one 64,000 dwt Ultramax newbuilding to be delivered in 2026. Each of these time charters comes with an option to extend the charter agreement at the fixed rate. Additionally, we have the option to purchase the vessels at a fixed price, which further expands our optionality.

Our Fleet

	Vessels in operation: Owned[1]	Vessels in operation: Long-term Chartered	Vessels in operation: Short-term Chartered[2]	Total	Total Capacity (Million DWT) Owned	Average Age Owned
Handysize	65	10	46	121	2.3	13
Supramax/ Ultramax[3]	50	7	87	144	2.9	12
Capesize	1	-	-	1	0.1	13
Total	116	17	133	266	5.3	13

As at 31 January 2024

1 Including 1 Ultramax vessel delivered in February 2024
2 Average number of short-term and index-linked vessels operated in January 2024
3 Supramax vessels in excess of 60,000 dwt are generally referred to as Ultramaxes

Market Outlook

We remain excited about the long-term prospects of dry bulk shipping given positive dry bulk demand drivers for the commodities we ship, which remain supported by favourable supply side fundamentals and ongoing implementation of existing and new decarbonisation rules. Although there has been a slowdown in economic growth in some countries, global minor bulk demand remains robust. The post-Covid economic recovery in China and demand for commodities linked to the green energy transition are driving higher demand globally, in particular coal, iron ore and minor bulks.

Reduced construction of new domestic housing in China is negatively impacting the country's economic growth and demand for some commodities. The Chinese government is taking proactive steps to improve economic growth and development by implementing new policies to encourage domestic property construction and investment in infrastructure.

Conflict in Ukraine is expected to continue to affect grain loadings from the Black Sea for the foreseeable future, while notable increases in grain loadings from countries including Brazil has helped to offset reduced global grain supply.

As we continue to monitor developments in the Red Sea and the Gulf of Aden, it is clear that the situation there remains complex. Additionally, we are also having to continuously adapt to the consequences of dry bulk vessels facing limited transits through the Panama Canal. This has led to a surge in tonne-mile demand, as vessels are being rerouted from these key transit routes. Unfortunately, until we can guarantee the safety of our seafarers and vessels through the Suez Canal, we will continue to take the much longer route around Africa. Meanwhile, the Panama Canal is expected to maintain restrictions on the transit of vessels until at least the second half of 2024. These issues will continue to reduce effective supply and provide support for rates.

We believe that the high cost of newbuildings, uncertainty over new environmental regulations and the higher interest rate environment will continue to discourage significant new dry bulk vessel ordering. The low orderbook and efforts to reduce carbon intensity will likely lead to lower speeds and increased scrapping in the coming years, which could create a shortage of vessels and provide long-term structural undersupply to the market.

Leading the Way in Dry Bulk Shipping

In 2023, we merged our Auckland office into our Melbourne office, successfully combining our resources to enhance the effectiveness of our operations in Australia and New Zealand. We also celebrated the opening of our newest commercial office in Singapore, bringing the total to eleven commercial offices globally. This new office will enable us to offer enhanced assistance to our customers, especially those in Southeast Asia, while paving the way for further growth opportunities.

I express my gratitude to all the stakeholders of Pacific Basin who have been supporting us throughout the last year. I also extend my appreciation to the dedicated seafarers and shore-based employees who have contributed to our on-going success.

We are enthusiastic about the long-term potential of dry bulk shipping. We believe that the robust demand for dry bulk shipping will continue, and we look forward to playing our part in the growth of the industry."

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 operates approximately 266 dry bulk ships of which 116 are owned and the rest chartered. Pacific Basin is listed and headquartered in Hong Kong and provides quality services to over 500 customers, with over 5,100 seafarers and 389 shore-based staff in 14 offices in key locations around the world.

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Consolidated Income Statement

	For the year ended 31 December	
	2023	2022
	US$'000	US$'000
Revenue	**2,296,622**	3,281,626
Cost of services	**(2,165,671)**	(2,549,548)
Gross profit	**130,951**	732,078
Indirect general and administrative overheads	**(6,745)**	(8,129)
Other income and gains	**10,846**	18,586
Other expenses	**(17,489)**	(24,604)
Finance income	**14,187**	8,655
Finance costs	**(22,650)**	(24,089)
Profit before taxation	**109,100**	702,497
Tax credits/(charges)	**279**	(641)
Profit attributable to shareholders	**109,379**	701,856
Earnings per share for profit attributable to shareholders (in US cents)		
Basic earnings per share	**2.10**	13.93
Diluted earnings per share	**2.05**	13.19

Consolidated Balance Sheet

	As at 31 December	
	2023	2022
	US$'000	US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,796,678**	1,772,168
Right-of-use assets	**63,190**	89,867
Goodwill	**25,256**	25,256
Derivative assets	**3,831**	6,120
Trade and other receivables	**4,292**	5,276
Restricted cash	**54**	52
	1,893,301	1,898,739
Current assets		
Inventories	**134,729**	124,461
Derivative assets	**2,043**	4,421
Trade and other receivables	**140,044**	157,355
Assets held for sale	**-**	19,884
Cash and deposits	**261,399**	443,825
Tax recoverable	**946**	-
	539,161	749,946
Total assets	**2,432,462**	2,648,685
EQUITY		
Capital and reserves attributable to shareholders		
Share capital	**52,638**	52,464
Retained profits	**597,075**	705,625
Other reserves	**1,148,216**	1,149,266
Total equity	**1,797,929**	1,907,355
LIABILITIES		
Non-current liabilities		
Borrowings	**254,139**	280,803
Lease liabilities	**26,603**	33,389
Derivative liabilities	**791**	292
	281,533	314,484
Current liabilities		
Borrowings	**46,261**	97,805
Lease liabilities	**39,249**	59,902
Derivative liabilities	**6,559**	7,268
Trade and other payables	**260,931**	261,870
Taxation payable	**-**	1
	353,000	426,846
Total liabilities	**634,533**	741,330

For more details, please see our 2023 Annual Results Announcement in the Investor section of our website at (www.pacificbasin.com). Our full 2023 Annual Report will be published on or around 14 March 2024.