Pacific Basin Shipping Limited

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

Press Release

Pacific Basin Announces 2024 Interim Results

We generated a net profit of US$57.6 million and EBITDA of US$157.9 million

The Board has declared an interim dividend of HK4.1 cents per share – represents approximately 50% of our net profit for the period (excluding vessel disposal gains)

Sustaining a healthy financial position with available committed liquidity of US$537.4 million and net borrowings of 2%

Since the commencement of the share buyback programme, we have repurchased and cancelled approximately 42.7 million shares for a consideration of approximately US$14.6 million

Hong Kong, 8 August 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 six months ended 30 June 2024.

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

"In the first half of 2024, we generated an underlying profit of US$43.9 million, a net profit of US$57.6 million and EBITDA of US$157.9 million. This yielded a return on equity of 6% (annualised) with basic EPS of HK8.7 cents.

We outperformed the BHSI and BSI on both our Handysize and Supramax vessels respectively. Our operating activity saw significant growth in vessel numbers and operating days, although at a substantially lower margin per day.

Financial Highlights

US$ Million	Six Months Ended 30 June 2024	2023
Revenue	1,281.5	1,148.1
EBITDA #	157.9	189.1
Underlying Profit	43.9	76.2
Profit Attributable to Shareholders	57.6	85.3
Basic Earnings per Share *(HK cents)*	8.7	12.9
Interim Dividend per Share *(HK cents)*	4.1	6.5

\# *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*

Our outperformance was impacted by the increased cost of chartering short-term core vessels, required as a result of our high near-term cargo coverage. Our customer and cargo focused business model requires that we take in short-term chartered vessels to optimise and supplement our owned and long-term chartered fleet. Year to date, we have seen a notable reduction in seasonality as a result of tonnage imbalances between the Atlantic and Pacific regions due to fleet inefficiencies caused by disruptions in the Suez and Panama Canals. Despite concerns about global economic growth, elevated interest rates, ongoing conflicts in Ukraine and Palestine, and the negative impact of reduced housing construction in China, total dry bulk demand still rose over the period, which is positive for the long-term outlook.

Our large **core business** with substantially fixed costs generated a contribution of US$76.8 million before overheads, with average Handysize and Supramax daily TCE earnings of US$11,810 and US$13,690 per day respectively. In the period, despite freight rates continuing to move higher, we outperformed the average Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) indices by $840 per day and $410 per day respectively. Our **operating activity** contributed US$7.8 million or 9% of our Group's performance before overheads, generating a margin of US$550 per day over 14,210 operating days. Our operating activities have experienced significant growth, with the number of operating days increasing by 29% year over year.

We continue to leverage our strong cash generation to reduce debt and enhance the deadweight carrying capacity of our owned fleet, all while sustaining a healthy financial position with US$537.4 million of committed liquidity readily available. We are closing in on being debt free on a net basis, with our net borrowings now accounting for 2% of the net book value of our owned vessels. Additionally, we had 61 vessels that were unmortgaged as at 30 June 2024.

The Board has declared an interim dividend of HK4.1 cents per share, which represents approximately 50% of our net profit for the period (excluding vessel disposal gains). During the period, we announced the launch of a share buyback programme of up to US$40 million, reflecting our confidence in dry bulk's long-term prospects. Since the commencement of the share buyback programme, we have repurchased and cancelled approximately 42.7 million shares for a consideration of approximately US$14.6 million. We continue to finance the buyback of our shares through our available cash flow and internal resources, while maintaining sufficient financial resources for the continued growth of our operations. This share buyback programme is intended to continue until 31 December 2024. Any shares bought back by the Company will be cancelled.

Fleet Growth

We continue to strategically acquire second-hand vessels, maintaining discipline considering historically high prices. Our long-term strategy focuses on growing our fleet of Supramax/Ultramax vessels by purchasing high-quality, modern second-hand vessels. Concurrently, we are replacing our older and less efficient Handysize vessels with younger and larger ones. In the first half of 2024, we sold two smaller, older Handysize vessels, both built in 2004. Given increasingly strict existing and incoming decarbonisation regulations, such older, less efficient vessels will become increasingly challenging and costly to operate and we therefore consider it appropriate to gradually divest ourselves of our least efficient vessels.

Our Fleet

	Vessels in operation			Total	Total Capacity (Million DWT)	Average Age
	Owned[1]	Long-term Chartered	Short-term Chartered[1]		Owned	Owned
Handysize	64	12	60	136	2.2	13
Supramax/ Ultramax[2]	50	5	94	149	2.9	12
Capesize	1	-	-	1	0.1	13
Total	115	17	154	286	5.2	13

As at 30 June 2024

1 Average number of short-term and index-linked vessels operated in June 2024
2 Supramax vessels in excess of 60,000 dwt are generally referred to as Ultramaxes

In the period, we declared to exercise a purchase option on one Supramax vessel, while receiving the first of four long-term chartered 40,000 dwt Handysize newbuildings. We also took delivery of the second long-term chartered 40,000 dwt Handysize newbuilding in July. Each of these time charters comes with an option to extend the charter agreement at a fixed rate, and we have the option to purchase the vessels at a fixed price, which further expands our optionality.

Healthy Dry Bulk Market

Market freight rates were driven by increased commodity demand, fleet inefficiencies from disruptions in the Suez and Panama Canals and manageable newbuilding deliveries. Despite concerns over global economic growth, elevated interest rates, conflicts in Ukraine and Palestine, and the negative impact of lower Chinese housing construction, global dry bulk loading volumes grew year on year, supported by increased demand for minor bulks, iron ore and grain.

Global dry bulk loading volumes grew by approximately 2% year on year, supported by increased demand for minor bulks, iron ore and grain. Minor bulk loading volumes were up by 2% due to higher loadings of bauxite, forest products and steel, which were up by 11%, 3% and 3% year on year respectively. Global dry bulk fleet experienced flat growth of 1.6% net while the global fleet of Handysize and Supramax vessels in which we specialise grew by 2.1% net compared with 1.5% net in the same period last year. The rate of scrapping decreased from 0.3% to 0.2% during the period.

Suez and Panama Canal Restrictions

We continue to monitor developments in the Red Sea and the Gulf of Aden, which remain complex and a safety concern for shipping. Additionally, we are also having to continuously adapt to the consequences of dry bulk vessels facing limited transits through the Panama Canal. This has added to tonne-mile demand, as vessels are being rerouted on longer voyages when avoiding these key transit routes. To minimise the risk to our seafarers and vessels through the Red Sea, we will continue to take the much longer route around the Cape of Good Hope. Meanwhile, the Panama Canal has experienced improvements in water levels, but we expect restrictions on the transit of vessels throughout the second half of 2024. These issues will continue to reduce effective supply and provide support for rates.

Optimistic about the Future of Dry Bulk Shipping

We maintain a positive market outlook, thanks to the stable demand for the commodities we ship. The global economy's continuous growth drives the demand for essential raw materials such as minor bulks, iron ore, coal and grains. As emerging economies expand their infrastructure and developed nations undertake significant construction projects, the need for these raw materials remains robust. This demand is further bolstered by population growth and urbanisation, which necessitate increased agricultural production and energy consumption, thereby ensuring a steady flow of cargo for dry bulk shipping companies.

On the supply side, the fundamentals are equally encouraging. A well-balanced fleet growth, coupled with the strategic retirement of older, less efficient vessels, contributes to a favourable supply-demand balance in the market. Moreover, new shipbuilding orders have been moderated in recent years, preventing an oversupply that could affect freight rates. The implementation of current and new decarbonisation regulations, further support supply-side fundamentals. These regulations necessitate investments in more efficient and environmentally-friendly vessels, gradually phasing out older vessels and limiting overall fleet expansion.

We will continue to adopt fuel efficiency enhancements and practices to ensure that our conventionally-fuelled existing vessels are well positioned to comply and continue to trade for the foreseeable future."

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 286 dry bulk vessels of which 115 are owned and the rest chartered. Pacific Basin is listed and headquartered in Hong Kong and provides quality services to over 460 customers, with over 4,500 seafarers and 392 shore-based staff in 14 offices in key locations around the world.

For further information, please contact:
Pacific Basin Shipping Limited
Peter Budd
Tel: +852 2233 7032
Mobile: +852 9436 6300
E-mail: pbudd@pacificbasin.com

Unaudited Condensed Consolidated Income Statement

	Six months ended 30 June	
	2024	2023
	US$'000	US$'000
Revenue	**1,281,541**	1,148,084
Cost of services	**(1,221,469)**	(1,067,526)
Gross profit	**60,072**	80,558
Indirect general and administrative overheads	**(3,119)**	(3,898)
Other income and gains	**6,767**	12,960
Other expenses	**(827)**	-
Finance income	**7,243**	8,082
Finance costs	**(12,175)**	(11,727)
Profit before taxation	**57,961**	85,975
Tax charges	**(327)**	(636)
Profit attributable to shareholders	**57,634**	85,339
Earnings per share for profit attributable to shareholders (in US cents)		
Basic earnings per share	**1.11**	1.64
Diluted earnings per share	**1.08**	1.59

Unaudited Condensed Consolidated Balance Sheet

	30 June 2024 US$'000	31 December 2023 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,755,781	1,796,678
Right-of-use assets	52,214	63,190
Goodwill	25,256	25,256
Derivative assets	3,544	3,831
Trade and other receivables	2,961	4,292
Restricted cash	-	54
	1,839,756	1,893,301
Current assets		
Inventories	138,410	134,729
Derivative assets	5,895	2,043
Trade and other receivables	158,123	140,044
Assets held for sale	7,271	-
Cash and deposits	260,690	261,399
Tax recoverable	183	946
	570,572	539,161
Total assets	2,410,328	2,432,462
EQUITY		
Capital and reserves attributable to shareholders		
Share capital	52,325	52,638
Retained profits	616,496	597,075
Other reserves	1,135,976	1,148,216
Total equity	1,804,797	1,797,929
LIABILITIES		
Non-current liabilities		
Borrowings	241,693	254,139
Lease liabilities	28,795	26,603
Derivative liabilities	68	791
	270,556	281,533
Current liabilities		
Borrowings	51,187	46,261
Lease liabilities	25,535	39,249
Derivative liabilities	3,924	6,559
Trade and other payables	254,329	260,931
	334,975	353,000
Total liabilities	605,531	634,533

For more details, please see our 2024 Interim Results Announcement in the Investor section of our website at (www.pacificbasin.com). Our full 2024 Interim Report will be published on or around 23 August 2024.