Pacific Basin Shipping Limited

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

Press Release

Pacific Basin Announces 2022 Interim Results

We generated our best interim results ever of US$465.1 million net profit

The Board has declared an interim basic dividend of HK35 cents per share and an additional special dividend of HK17 cents per share

Handysize and Supramax TCE earnings increased 83% and 85% respectively, compared to the same period in 2021

Healthy dry bulk market, our strong cash generation and limited expected capital expenditure will enable us to continue to reward shareholders

Hong Kong, 28 July 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 six months ended 30 June 2022.

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

"In the first half of 2022, we generated our best interim results ever, producing an underlying profit of US$457.5 million, a net profit of US$465.1 million and an EBITDA of US$566.9 million. This yielded an exceptionally strong return on equity of 48%, with basic EPS of HK74.5 cents.

Our results benefited from significantly higher average TCE earnings compared to the same period last year, strong operating activity results, and a competitive cost structure. We continued to significantly outperform the market index rates, especially in our Supramax business, which delivered an exceptional performance over the period.

Financial Highlights

US$ Million	Six Months Ended 30 June 2022	2021
Revenue	**1,722.8**	1,142.0
EBITDA #	**566.9**	244.6
Underlying Profit	**457.5**	150.4
Profit Attributable to Shareholders	**465.1**	160.1
Basic Earnings per Share *(HK cents)*	**74.5**	26.4
Interim Dividends per Share including HK17 cents Special Dividend *(HK cents)*	**52.0**	14.0

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 minor bulk loading volume grew approximately 9% in the first half compared to the same period last year. Construction materials were the main driver, in particular cement, clinker and aggregates where loadings were up 8% year on year. On the other hand, the global dry bulk fleet grew only 1.5% net during the half-year compared to 1.9% in the same period last year mainly due to slowing newbuilding deliveries. The global fleet of Handysize and Supramax vessels grew by 1.6%, which despite slowing global economic growth has helped to support higher rates over the period.

Our core business generated average Handysize and Supramax daily time-charter equivalent earnings of US$26,370 and US$33,840 net per day in the first half, representing an increase of 83% and 85% compared to the same period in 2021, respectively. Our performance continues to benefit from our diverse cargo and customer base and the close customer interaction facilitated by our extensive global office network. Our operating activity contributed US$30.7 million, generating a margin of US$3,330 net per day over 9,200 operating days in the first half. While margins varied over the period, they still remain historically high.

Our financial position continues to strengthen with available committed liquidity of US$698.6 million and a net cash position of US$68.9 million as at 30 June 2022.

In light of the strong earnings, cash position and our confidence in the longer-term outlook for minor bulk shipping, the Board has declared an interim basic dividend of HK35 cents per share, representing 50% of our net profit for the period, and an additional special dividend of HK17 cents per share, representing 25% of our net profit for the period. The basic dividend and the special dividend together amount to a total dividend of HK52 cents per share.

Benefitting from Our Fleet Renewal Strategy

We remain committed to our long-term strategy to grow our owned fleet of Supramax ships by acquiring high-quality, modern, second-hand vessels, and to sell our older and less-efficient Handysize ships and replace them with younger and larger Handysize vessels. During the period we sold five of our older Handysize ships, while taking delivery of one Ultramax vessel purchased in 2021. This strategy is resulting in an even more efficient fleet with greater longevity, while crystallising value from historically high second-hand prices.

We expect our vessel purchasing activity to be less than last year as asset prices have approached historical highs, though we remain opportunistic where we see attractive second-hand acquisition opportunities. We currently own 117 Handysize and Supramax ships and, including chartered ships, we have approximately 240 ships on the water overall.

Our Fleet

	Vessels in operation			Total	Total Capacity (Million DWT)	Average Age
	Owned	Long-term Chartered	Short-term Chartered[1]		Owned	Owned
Handysize	75	10	30	115	2.6	12
Supramax/ Ultramax[2]	42	7	75	124	2.4	10
Capesize[3]	1	–	–	1	0.1	11
Total	118	17	105	240	5.1	12

As at 30 June 2022

1 Average number of short-term and index-linked vessels operated in June 2022
2 Supramax vessels in excess of 60,000 dwt are generally referred to as Ultramaxes
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

Market Outlook

In light of a softening global economy, we expect dry bulk demand in the second half to moderate somewhat from recent highs but remain relatively firm mainly due to seasonal factors in the grain market, elevated coal demand for electricity production and continued investment in global infrastructure.

Any revival of the Chinese economy is expected to be supported by domestic property construction, manufacturing and infrastructure spending as government policies are needed to drive growth in light of continuing Covid restrictions.

Changes in trade flows caused by the conflict in Ukraine have positively impacted tonne-mile demand for some commodities to date, but we continue to monitor the impact that the conflict might have as we come close to the typical Black Sea grain export season.

Supply is still tied up in congestion around the world, and although vessel speeds remain elevated leaving limited scope to increase vessel capacity through higher speed, historically very high bunker costs have begun to lower speeds taking some supply out of the market.

We believe uncertainty over new environmental regulations and the high cost of newbuildings, will continue to discourage any significant new ship ordering. According to Clarksons Research, current orderbook is at a 30-year low of just 7.2% of total fleet and new ordering is down 60% in the first half of 2022 compared to the same period last year. The low orderbook coupled with IMO regulations to reduce carbon intensity likely resulting in slower speeds and increased scrapping from 2024 onwards, bodes well for the long-term health of the dry bulk market.

Well Positioned for the Future

Given the supportive fundamentals of our industry we are excited by the long-term prospects of dry bulk shipping despite any short-term headwinds. Our large and modern owned fleet of highly versatile Handysize and Supramax ships, combined with our close customer partnerships, enhanced access to cargo opportunities, and high vessel utilisation, enables us to outperform in this strong earnings environment.

Having significantly further strengthened our balance sheet in the first half of 2022, we anticipate that the still healthy dry bulk market, our strong cash generation and limited expected capital expenditure will enable us to continue to reward shareholders by returning capital and take advantage of opportunities to grow our fleet going forward."

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 240 dry bulk ships of which 117 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 13 offices in key locations around the world.

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Unaudited Condensed Consolidated Income Statement

	Six months ended 30 June	
	2022	2021
	US$'000	US$'000
Revenue	**1,722,828**	1,142,072
Cost of services	**(1,234,390)**	(963,553)
Gross profit	**488,438**	178,519
Indirect general and administrative overheads	**(5,661)**	(4,178)
Other income and gains	**12,856**	4,911
Other expenses	**(18,612)**	(2,086)
Finance income	**1,725**	313
Finance costs	**(12,908)**	(16,771)
Profit before taxation	**465,838**	160,708
Tax charges	**(710)**	(604)
Profit attributable to shareholders	**465,128**	160,104
Earnings per share for profit attributable to shareholders (in US cents)		
Basic earnings per share	**9.53**	3.40
Diluted earnings per share	**8.79**	3.04

Unaudited Condensed Consolidated Balance Sheet

	30 June 2022 US$'000	31 December 2021 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,828,059**	1,906,019
Right-of-use assets	**86,279**	55,302
Goodwill	**25,256**	25,256
Derivative assets	**4,190**	496
Trade and other receivables	**5,284**	8,499
Restricted bank deposits	**51**	51
	1,949,119	1,995,623
Current assets		
Inventories	**160,966**	103,590
Derivative assets	**36,309**	14,710
Trade and other receivables	**207,419**	171,839
Assets held for sale	**14,400**	-
Cash and deposits	**516,277**	459,670
	935,371	749,809
Total assets	**2,884,490**	2,745,432
EQUITY		
Capital and reserves attributable to shareholders		
Share capital	**52,497**	47,858
Retained profits	**839,525**	744,553
Other reserves	**1,144,684**	1,038,815
Total equity	**2,036,706**	1,831,226
LIABILITIES		
Non-current liabilities		
Borrowings	**386,796**	521,363
Lease liabilities	**39,523**	29,270
Derivative liabilities	**4,145**	6,540
Trade and other payables	**-**	17
	430,464	557,190
Current liabilities		
Borrowings	**60,664**	66,793
Lease liabilities	**50,675**	31,159
Derivative liabilities	**19,388**	10,232
Trade and other payables	**285,129**	247,554
Taxation payable	**1,464**	1,278
	417,320	357,016
Total liabilities	**847,784**	914,206

For more details, please see our 2022 Interim Results Announcement in the Investor section of our website at (www.pacificbasin.com). Our full 2022 Interim Report will be published on or around 16 August 2022.