Pacific Basin Shipping Limited

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

Press Release

Pacific Basin Announces 2022 Annual Results

Achieved record-breaking underlying profit and EBITDA of US$715 million and US$935 million

The Board recommends a final basic dividend of HK17 cents per share and an additional final special dividend of HK9 cents per share – representing 75% of net profit

Optimistic about the prospects of the dry bulk market

Maintain a strong balance sheet with available committed liquidity of US$615 million

Remain committed to our long-term strategy of further growing our Supramax/Ultramax fleet and renewing our Handysize fleet

Hong Kong, 23 February 2023 – 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 2022.

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

"2022 was an exceptional year in which Pacific Basin again produced record results, allowing us to further improve our balance sheet, optimise our fleet and return capital to our shareholders. We generated an underlying profit of US$715 million, a net profit of US$702 million and EBITDA of US$935 million – exceptional in a historical context. This yielded a strong return on equity of 38% with basic EPS of HK109.1 cents.

Financial Highlights

	Year Ended 31 December	
US$ Million	**2022**	2021
Revenue	**3,281.6**	2,972.5
EBITDA #	**935.1**	889.9
Underlying Profit	**714.7**	698.3
Profit Attributable to Shareholders	**701.9**	844.8
Basic Earnings per Share *(HK cents)*	**109.1**	139.1
Full Year Dividends per Share, including HK26.0 cents Special Dividend *(HK cents)*	**78.0**	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 and unrealised derivative income and expenses.

The dry bulk freight market in 2022 saw a continuation of strong freight rates in the first half driven by strong demand in minor bulks, port-related congestion and limited new supply. However, second-half freight rates came under pressure due to increasing inflation and interest rates resulting in slower global growth. Weakening construction activity, and a continuation of zero-Covid policies drove a further slowdown in the Chinese economy.

Global dry bulk loading volumes grew approximately 2% year on year supported by increased demand for minor bulks and coal. Minor bulk volumes expanded by a stronger 6% driven by increased loadings of bauxite, forest products and salt. In contrast, dry bulk net fleet growth moderated slightly from 3.6% in 2021 to 2.8% in 2022 because of the slower pace of newbuilding deliveries. The global fleet of Handysize and Supramax ships in which we specialise grew by only 3.0% net, pointing to improving long-term supply fundamentals.

Our **core business** generated US$747 million in 2022, with average Handysize and Supramax daily time-charter equivalent earnings of US$23,430 and US$28,120 net per day respectively. This represents a 15% increase for Handysize and a 4% decrease for Supramax compared to 2021. Our performance is driven by our vessels' high laden-to-ballast ratio whereby we utilise our experienced commercial and technical teams, extensive global office network and large fleet of high quality interchangeable ships. Our **operating activity** contributed US$56 million, generating a margin of US$2,840 net per day over 19,830 operating days. While margins contracted in the latter part of the year, our earnings for the year were historically high.

We have used our high level of cash generation to continue to pay down debt, with our net cash amounting to US$65.3 million at the end of the year. We continue to grow our list of unencumbered vessels, with 59 of our fleet currently unmortgaged.

Due to our record underlying earnings and confidence in the longer-term fundamentals of the dry bulk market, the Board is pleased to recommend a final basic dividend of HK17 cents per share and an additional final special dividend of HK9 cents per share for 2022. The proposed final basic dividend and the proposed final special dividend together amount to a total dividend of HK26 cents per share which, combined with the HK52 cents per share interim dividend distributed in August 2022, represents 75% of our net profit for the full year. This implies a 2022 dividend yield of 27% based on the share price at the beginning of the year.

Fleet Growth 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 2022 asset prices approached historical highs which allowed us to sell some of our smaller, older Handysize ships, thereby crystallising value and further optimising our fleet to meet tightening environmental regulations. In the year we sold and delivered seven Handysize vessels, while also selling one Ultramax vessel. We acquired one Ultramax vessel, one Supramax vessel which we expect to be delivered within February 2023, and one Ultramax vessel expected to be delivered in March 2023. We will continue to look for opportunities to divest these smaller older Handysize vessels depending on market conditions.

Our Fleet

	Vessels in operation			Total	Total Capacity (Million DWT)	Average Age
	Owned[1]	Long-term Chartered	Short-term Chartered[2]		Owned	Owned
Handysize	72	9	29	110	2.5	13
Supramax/ Ultramax[3]	43	9	80	132	2.5	11
Capesize	1	-	-	1	0.1	12
Total	116	18	109	243	5.1	12

As at 31 January 2023

1 Including 1 Supramax vessel expected to be delivered within February 2023
2 Average number of short-term and index-linked vessels operated in January 2023
3 Supramax vessels in excess of 60,000 dwt are generally referred to as Ultramaxes

We currently own 115 quality Handysize and Supramax ships that are well suited for our customers and trades as we continue to optimise our fleet to more easily meet tightening environmental regulations.

Positive Outlook Despite Short-term Headwinds

According to the International Monetary Fund, global GDP growth is forecast to dip to 2.9% in 2023, a decrease from the 3.4% in 2022. This is likely to have a negative impact on the demand for dry bulk commodities.

These headwinds have had a negative effect on both dry bulk freight rates and second-hand vessel prices. This temporary weakness in asset prices has allowed us to utilise the strength of our balance sheet to make strategic counter-cyclical investments in both Supramax and Handysize vessels which allows us to grow opportunistically while also allowing us to benefit our decarbonisation strategy by buying larger, younger and more efficient vessels.

However, in the medium to longer term we are optimistic about the prospects of the dry bulk market despite these short-term headwinds. We expect demand will be supported by significant global infrastructure investment, particularly in emerging markets such as India and countries in the ASEAN region, as well as global food and energy security issues. China's post-Covid recovery will be a major catalyst to dry bulk demand as its economy reopens, with the government introducing policies to support economic growth. The Chinese government has announced ambitious plans to stimulate its economy by boosting domestic consumption, investment and providing support for private businesses. These efforts are intended to drive economic growth and development, with the property sector and infrastructure investments among the sectors to benefit from the enhanced support. As a result, we expect to see an increase in demand for dry bulk commodities in the second half of 2023.

We continue to believe that current environmental regulations, as well as new regulations to come, will continue to discourage any significant new ship ordering which will continue to support dry bulk rates. These same environmental regulations will likely start forcing slower speeds from 2024 – and accelerate scrapping of less efficient vessels.

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, makes us well positioned for the future.

Well Positioned for the Future

2022 was another exceptional year which has allowed us to further improve our balance sheet through a significant reduction in our debt, further our strategy to optimise our fleet for a decarbonising future, while also returning capital to shareholders.

We believe that, despite short-term headwinds, the underlying demand and supply fundamentals of the minor bulk market will be supportive of rates that will allow us to generate steadier and more sustainable earnings over the long term.

We continue to position the Company for a decarbonising future through initiatives to reduce the carbon intensity of our existing ships, while we maintain our focus to achieve our longer-term goal of complete decarbonisation. Our efforts in digitalisation, fleet optimisation, sustainability, and collaborating on the development of zero-emission vessels and associated green fuels are all ways we continue to adapt our sustainable business strategy."

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 243 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 3,900 seafarers and 373 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	
	2022	2021
	US$'000	US$'000
Revenue	**3,281,626**	2,972,514
Cost of services	**(2,549,548)**	(2,233,171)
Gross profit	**732,078**	739,343
(Provision for)/reversal of vessel impairment	**(1,513)**	151,658
Indirect general and administrative overheads	**(8,129)**	(8,462)
Other income and gains	**18,586**	336
Other expenses	**(23,091)**	(4,815)
Finance income	**8,655**	722
Finance costs	**(24,089)**	(32,434)
Profit before taxation	**702,497**	846,348
Tax charges	**(641)**	(1,538)
Profit attributable to shareholders	**701,856**	844,810
Earnings per share for profit attributable to shareholders (in US cents)		
Basic earnings per share	**13.93**	17.90
Diluted earnings per share	**13.19**	15.73

Consolidated Balance Sheet

	As at 31 December	
	2022 US$'000	2021 US$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**1,772,168**	1,906,019
Right-of-use assets	**89,867**	55,302
Goodwill	**25,256**	25,256
Derivative assets	**6,120**	496
Trade and other receivables	**5,276**	8,499
Restricted bank deposits	**52**	51
	1,898,739	1,995,623
Current assets		
Inventories	**124,461**	103,590
Derivative assets	**4,421**	14,710
Trade and other receivables	**157,355**	171,839
Assets held for sale	**19,884**	-
Cash and deposits	**443,825**	459,670
	749,946	749,809
Total assets	**2,648,685**	2,745,432
EQUITY		
Capital and reserves attributable to shareholders		
Share capital	**52,464**	47,858
Retained profits	**705,625**	744,553
Other reserves	**1,149,266**	1,038,815
Total equity	**1,907,355**	1,831,226
LIABILITIES		
Non-current liabilities		
Borrowings	**280,803**	521,363
Lease liabilities	**33,389**	29,270
Derivative liabilities	**292**	6,540
Trade and other payables	**-**	17
	314,484	557,190
Current liabilities		
Borrowings	**97,805**	66,793
Lease liabilities	**59,902**	31,159
Derivative liabilities	**7,268**	10,232
Trade and other payables	**261,870**	247,554
Taxation payable	**1**	1,278
	426,846	357,016
Total liabilities	**741,330**	914,206

For more details, please see our 2022 Annual Results Announcement in the Investor section of our website at (www.pacificbasin.com). Our full 2022 Annual Report will be published on or around 14 March 2023.