

2020 BULKERS



2020 Bulkera Ltd.

Pareto Securities Oil & Offshore Conference

12 September, 2019

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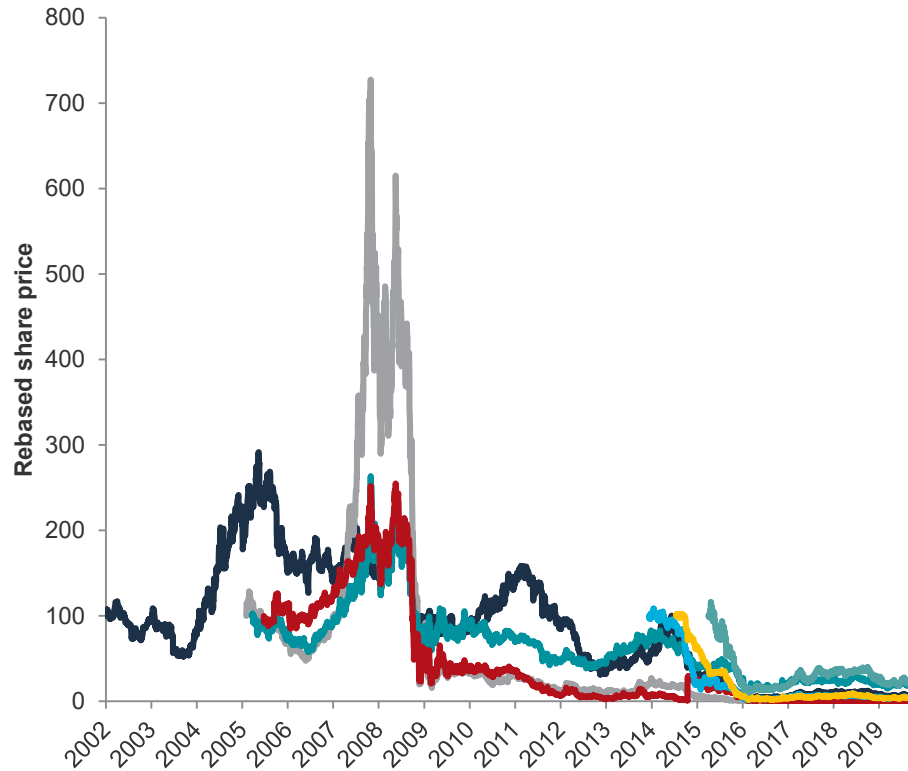
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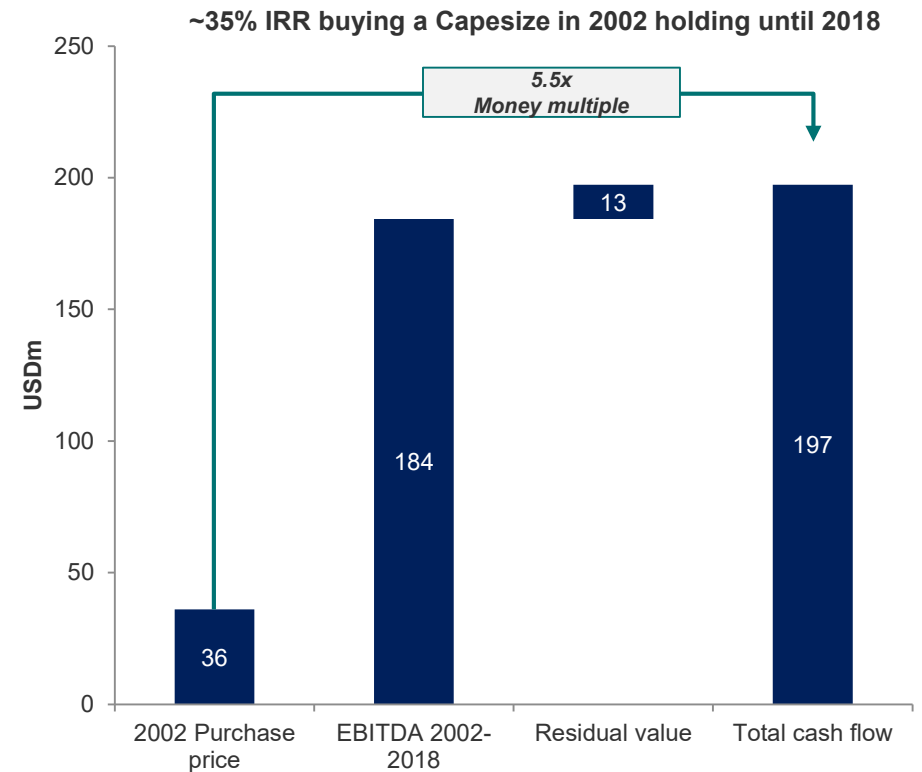
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A new business model is needed for listed drybulk companies

Significant value destruction in shipping stocks historically...

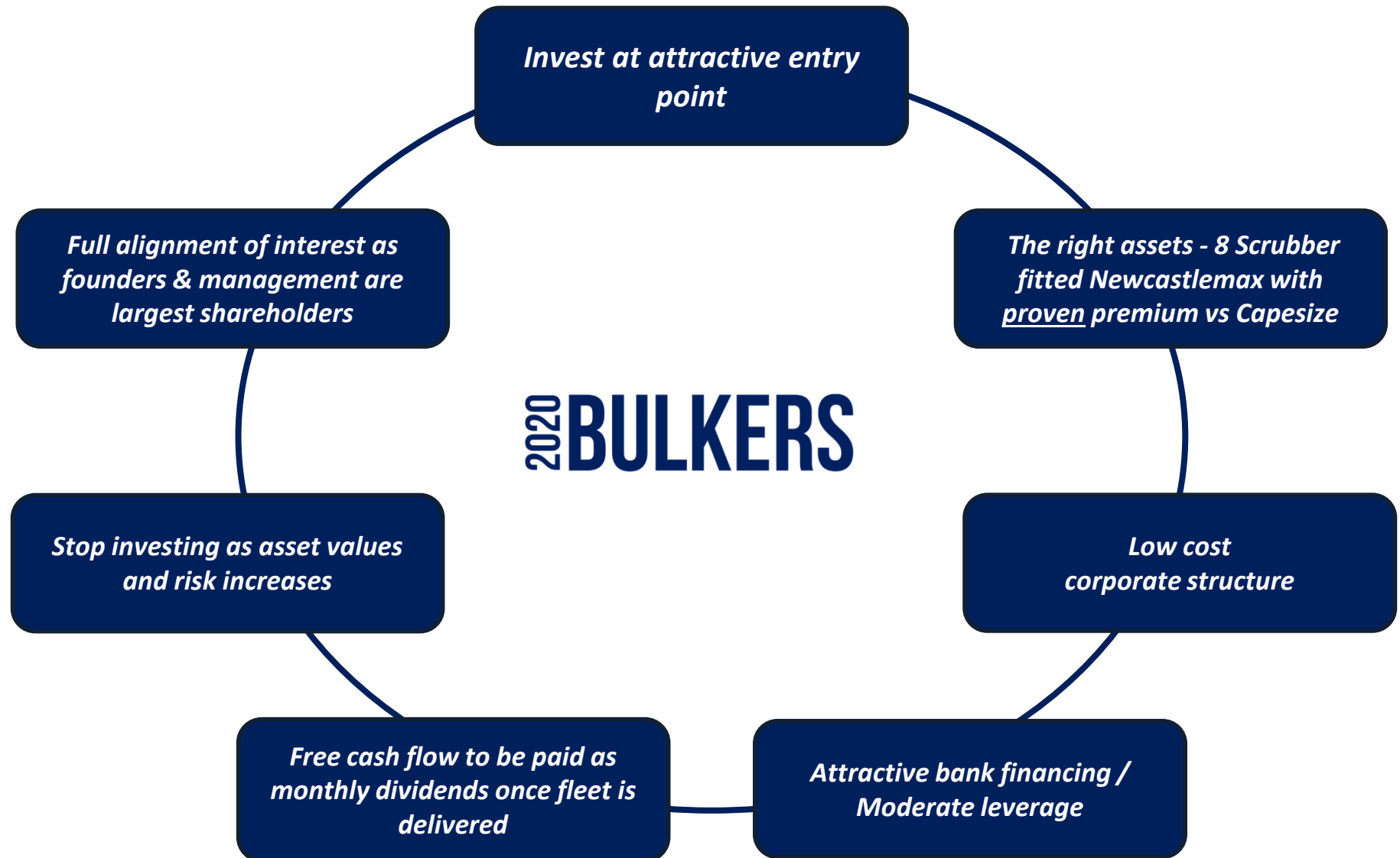


...however the underlying business was good



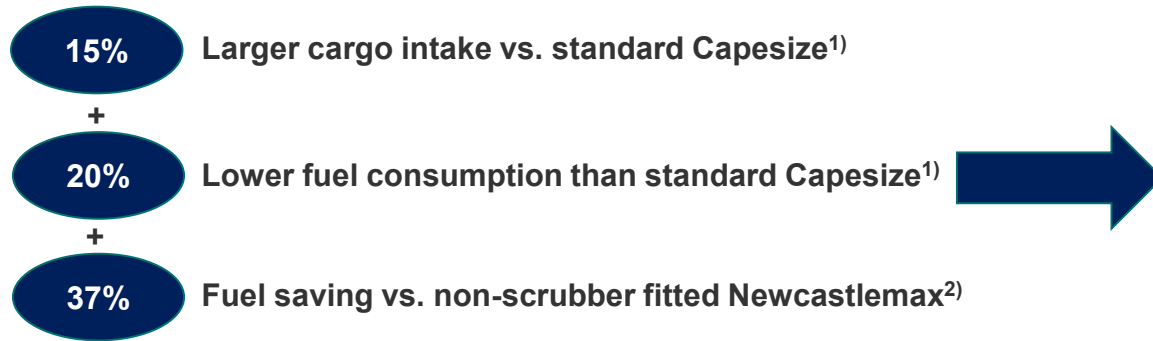
2020 Bulkiers with strong focus on capital discipline, low cash breakeven and dividends. Strong alignment with shareholders

Source: Company, Bloomberg, Clarkson Research Services Limited (SIN)



Our ships earn a significant premium to a standard Capesize

High Performing assets delivering into a strong market



- Proven premium vs. standard Capesize¹⁾ based on 4 concluded fixtures with 1st class counterpart
- Bulk Sandefjord earning ~USD 47,000³⁾ per day in today's spot market, ex scrubber economics

Name	Built/Delivery	Charter terms	Charterer
Bulk Sandefjord	August, 2019	3 years index-linked timecharter with share of scrubber profit	Koch Supply & Trading
Bulk Santiago	September, 2019	12-15 months timecharter @ usd 19,525 per day	Koch Supply & Trading
Bulk Seoul	October, 2019	12-16 months timecharter @ usd 22,250 per day	Koch Supply & Trading
Bulk Shanghai	November, 2019		
Bulk Shenzhen	January, 2020		
Bulk Sydney	January, 2020	3 years index-linked timecharter with share of scrubber profit	Koch Supply & Trading
Bulk Sao Paulo	April, 2020		
Bulk Santos	May, 2020		

7,25 ship years on the water in 2020

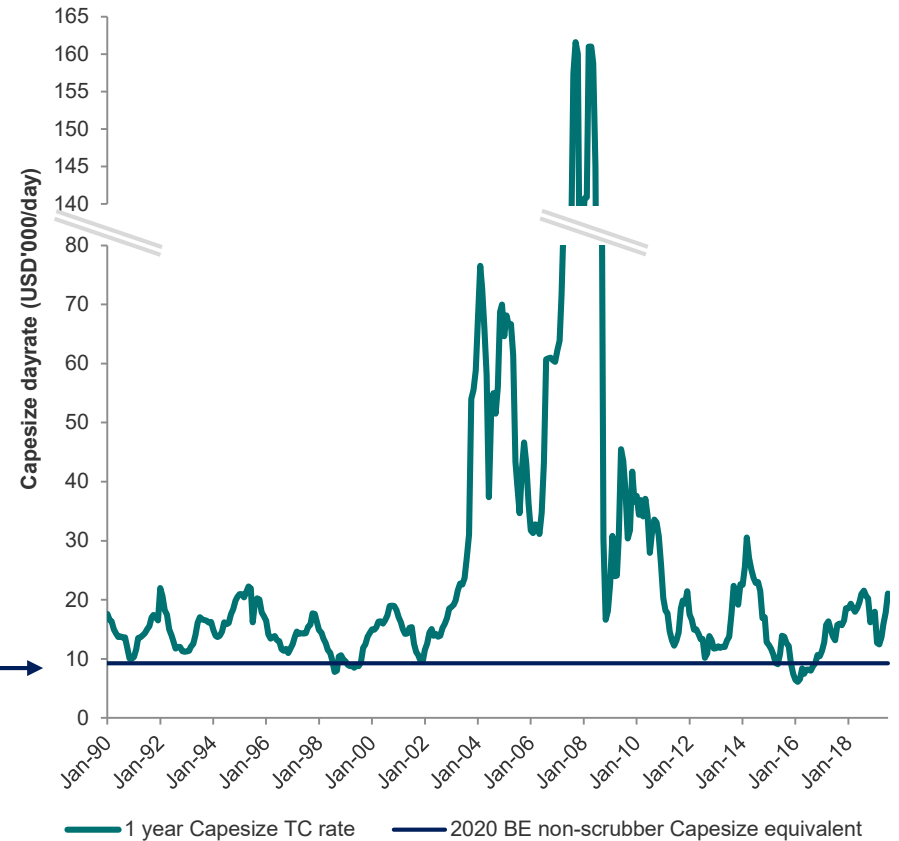
(1) Baltic Exchange Capesize reference vessel
 (2) Based on current 2020 Swaps for HFO vs LSFO Singapore
 (3) Gross TCE rate based on Baltic 5TC index on 11 Aug, 2019

Robust Cash Breakeven

Normalized cash break-even per vessel, per day

Opex	USD/d	4 750
G&A	"	1 000
Debt amortization	"	4 566
Interest expense ⁽¹⁾	"	3 822
2020 Bulkers Cash Breakeven (CBE) @ 100% utilization	"	14 138
- 5% commission	"	(744)
- 60% share of scrubber profits @ USD 200 per ton spread	"	2 840
- Newcastlemax premium (35% vs Baltic type Capesize)	"	3 122
= Standard Capesize rate⁽²⁾ required for index linked Newcastlemax to earn CBE		8 920

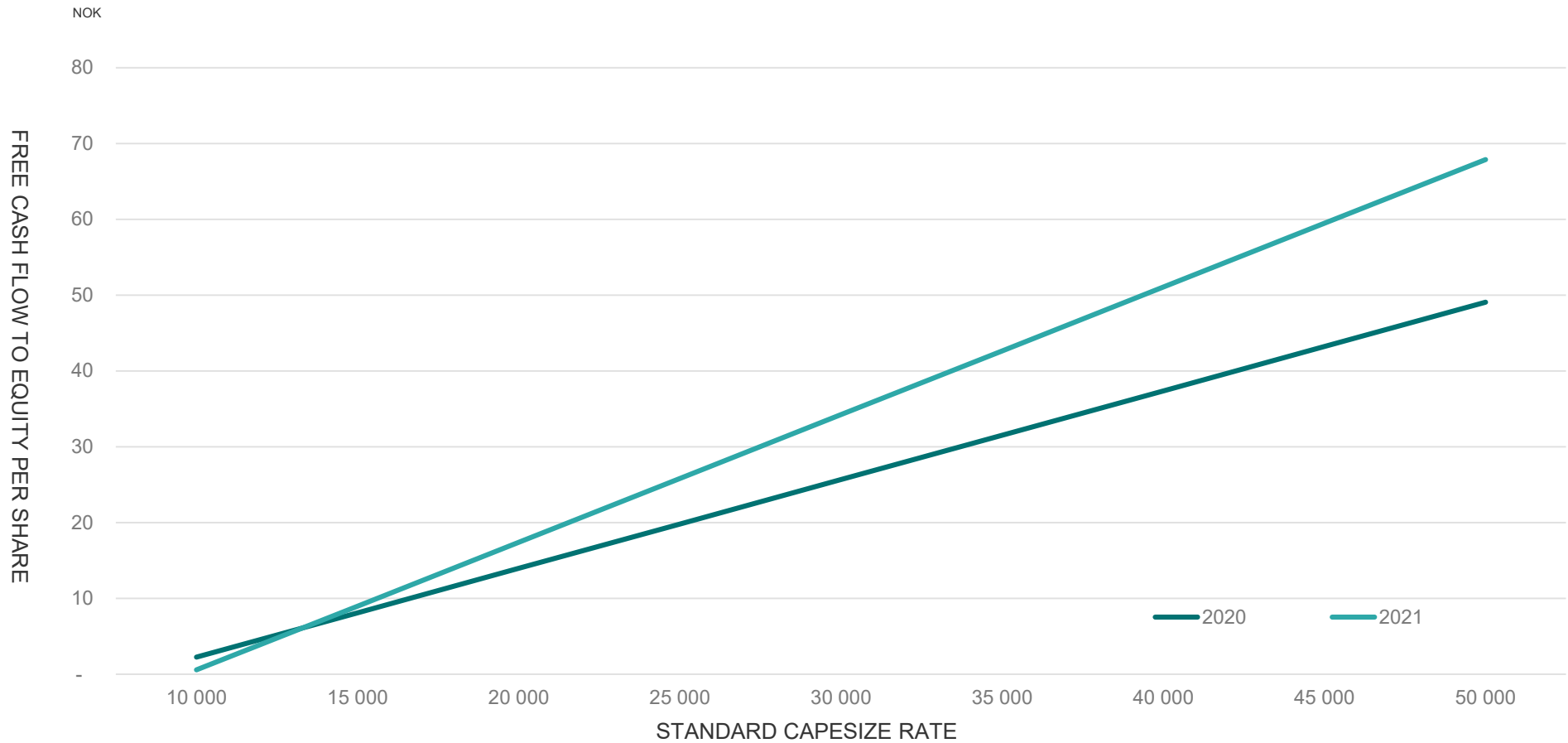
Capesize historical rates⁽³⁾ vs 2020 cash breakeven



Since 1990, Capesize rates have been above 2020 Bulkers' cash breakeven indexed to a Baltic Type Capesize ~95% of the time⁽³⁾

(1) Does not include interest on revolving credit facility. Assumes 3M Libor of 2.15%.
 (2) Baltic Exchange Capesize reference vessel
 (3) 1 year TC for Baltic Exchange reference Capesize 180,000 DWT without scrubbers. Monthly data.
 Source: Company, Clarkson Research Services Limited (SIN)

Potential free cash flow to equity per share



- Assumes open ships chartered at Baltic Capesize Index + 35% and 60% share of scrubber economics
- Free cash flow to equity = revenues – normalized free cash flow
- All calculations are indicative and no guarantee can be given for actual achieved results

Iron ore shipments are recovering after 1H disruptions

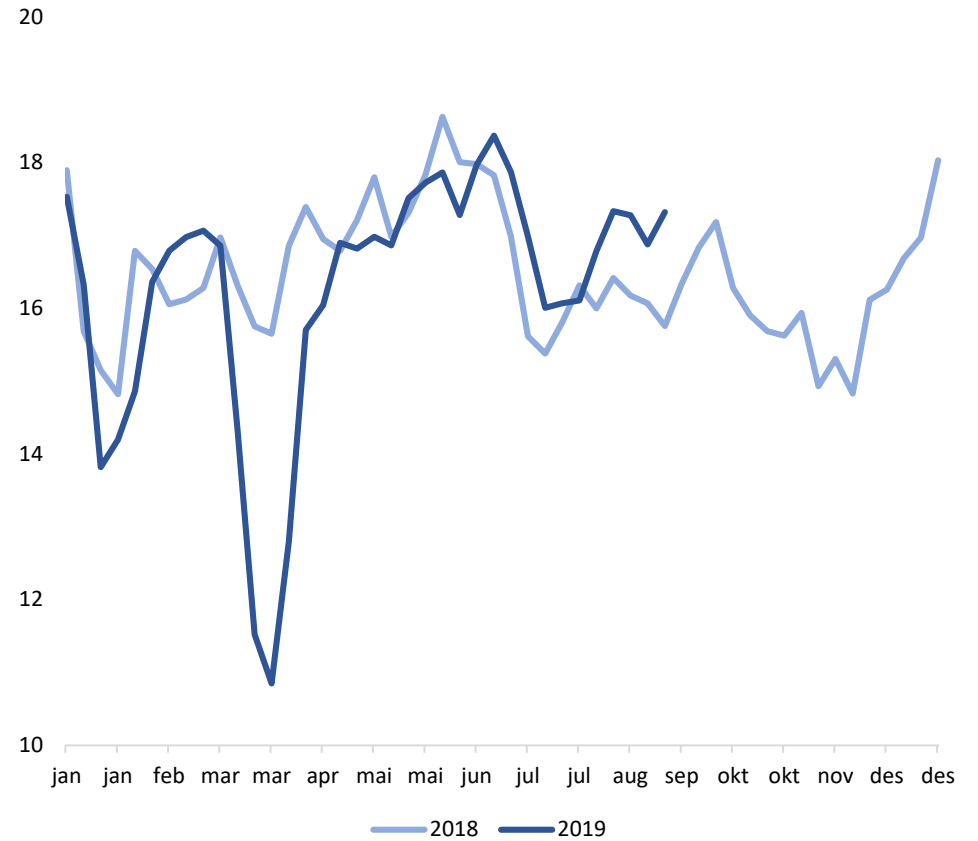
Brazilian iron ore shipments

Million tonnes, 3-week moving average



Australian iron ore shipments

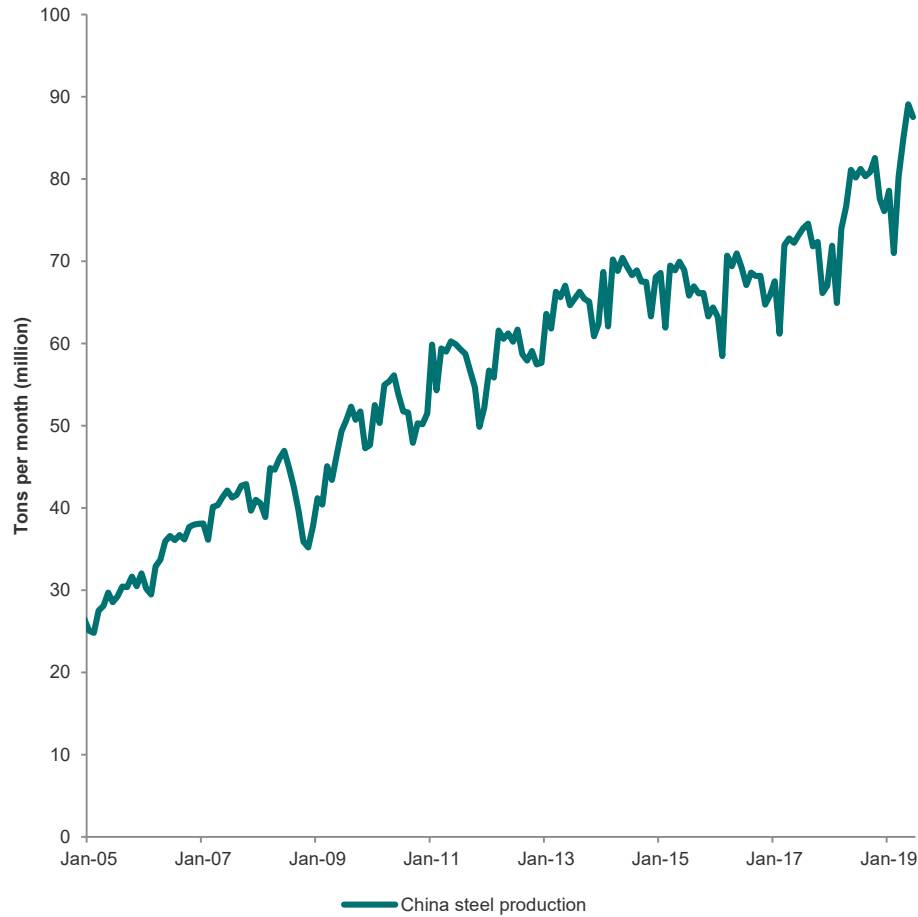
Million tonnes, 3-week moving average



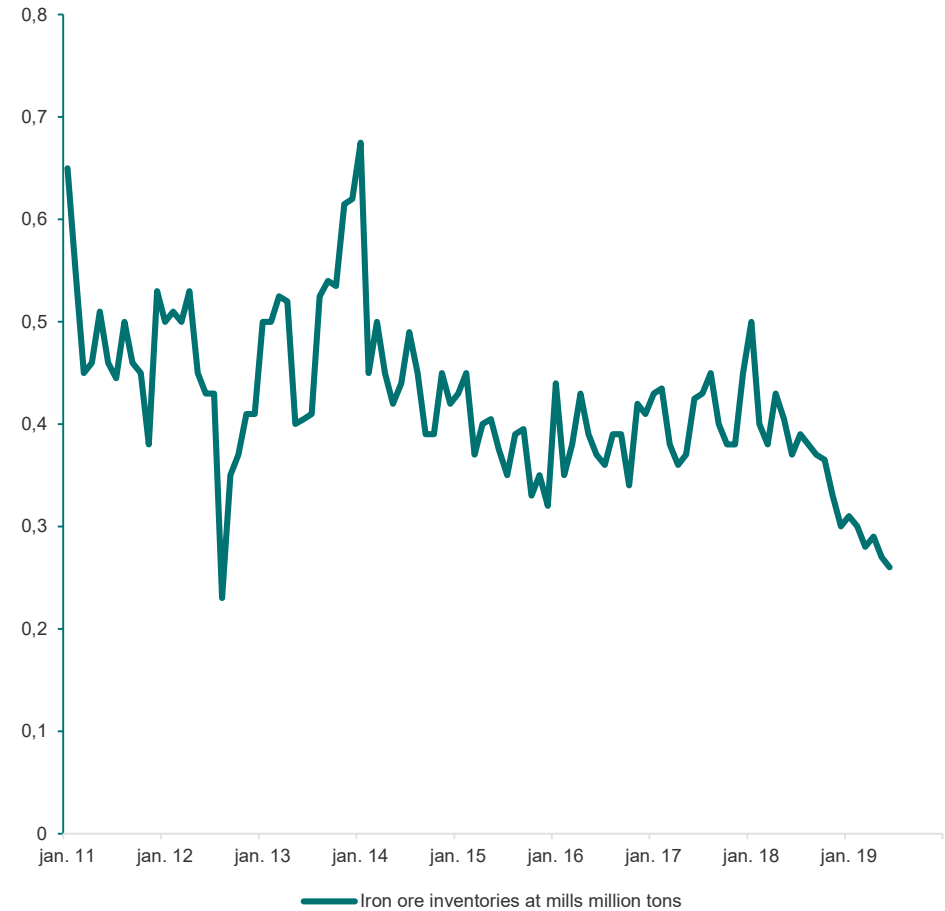
Source: Arrow Shipbroking Group

China will eventually need to restock iron ore inventories

Chinese steel production remains strong...



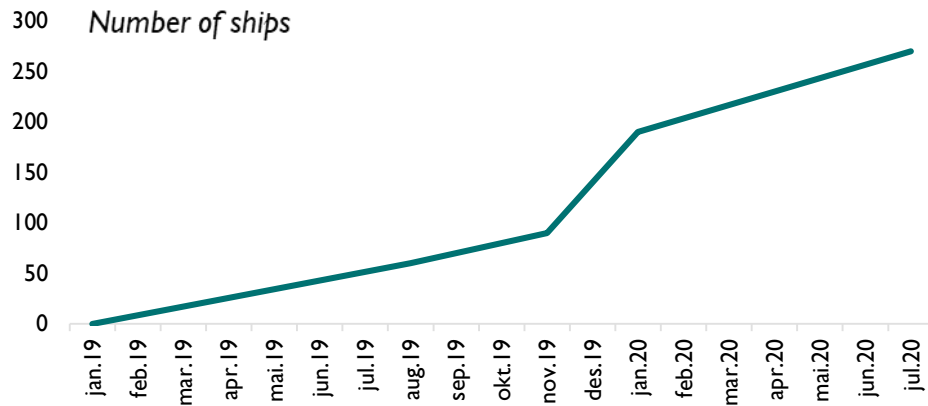
While Chinese mills have been destocking iron ore inventories¹⁾



(1) Inventory shown as average per mill based on survey sample of 64 mills, representing ~30% of Chinese steel output
 Source: MySteel, Bloomberg, J.P. Morgan, Reuters, Company, Clarkson Research Services Limited (SIN)

Impact of IMO 2020 regulations is reducing effective supply

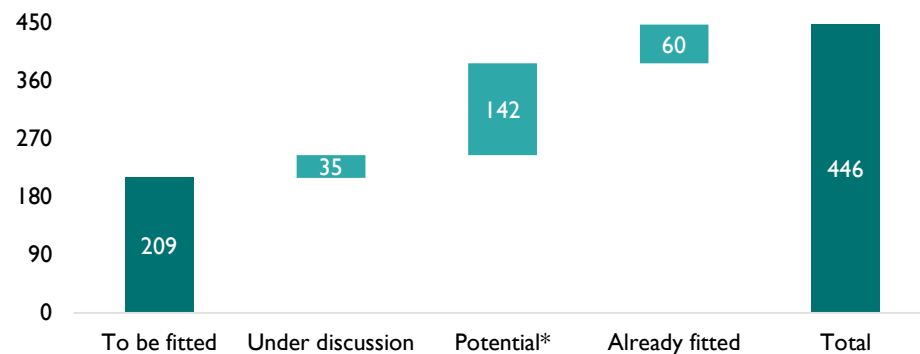
Capesize scrubber retrofiting timeline



Increased reports of delays for scrubber retrofits

- Average retrofit times estimated around 40 days, with reports of some retrofits taking up to 60 days
- Some repair yards have overbooked their capacity
- Reports of delayed deliveries of scrubbers from manufacturers

Capesize scrubber installations by end 2020



Higher fuel prices will reduce speeds for ships without scrubbers

Impact on non scrubber fitted Capesize vessels

Decrease in optimal speed	-7,50 %
Portion of fleet without scrubber YE 2020	80 %
Avg time at sea	65 %
Reduction in effective supply	-3,9 %

Impact on scrubber fitted Capesize vessels

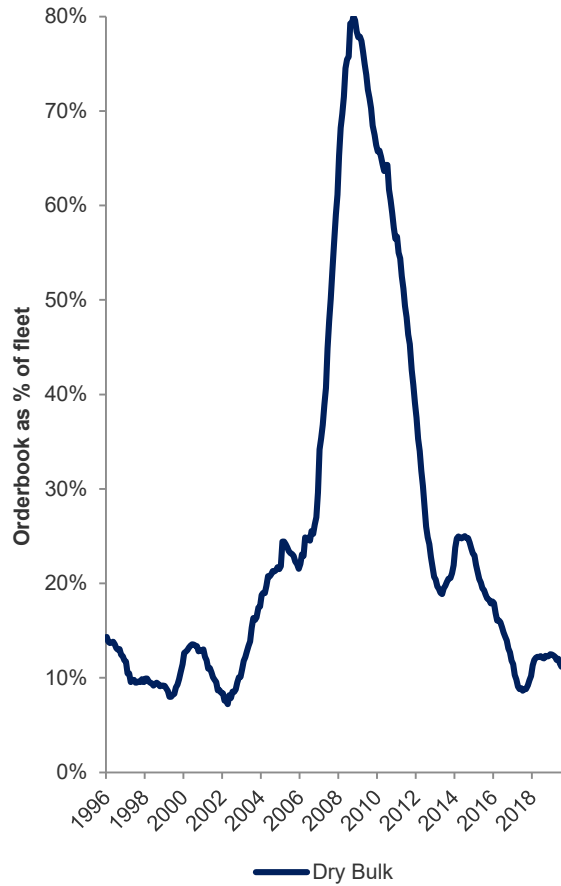
Increase in optimal speed	3,60 %
Portion of fleet with scrubber YE 2020	20 %
Avg time at sea	65 %
Increase in effective supply	0,5 %

Net reduction in effective Capesize supply **-3,4 %**

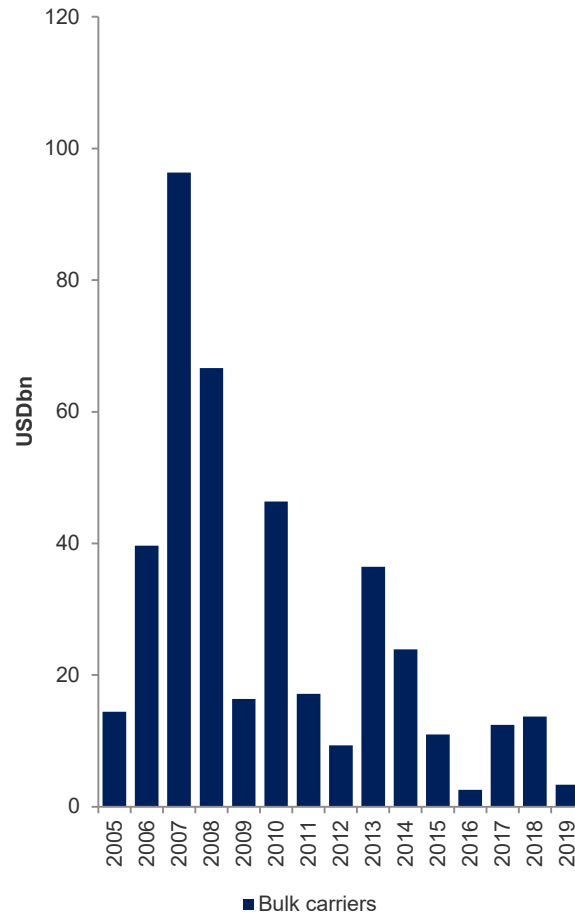
Source: Arrow Shipbrokering group
Calculations: Company

Limited supply growth on the horizon

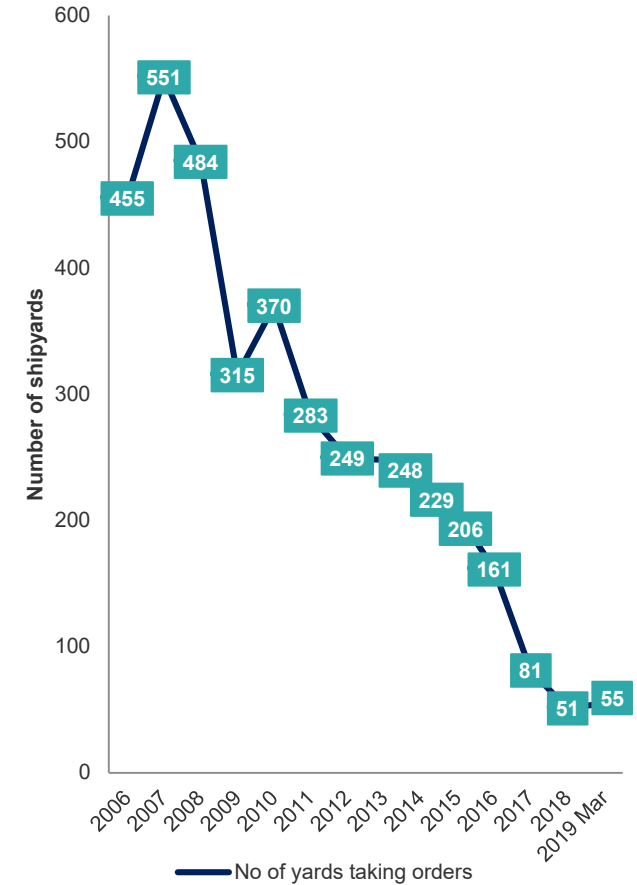
Dry bulk orderbook as % of fleet



Dry bulk Newbuild contracts⁽¹⁾



Number of active shipyards⁽²⁾



(1) For vessels larger than 20,000 dwt

(2) With at least one order larger than 1,000 GT on order, includes merchant and ship-shaped offshore vessels

Source: Clarkson Research Services Limited

Key reasons for investing in 2020 Bulkera

- Assets with proven earnings power delivering at attractive point in the cycle
- 2020 Bulkera's vessels earn their cash breakeven when a standard Capesize earns ~USD 9,000 per day.
- Solid Balance sheet
- Significant dividend yield capacity driven by low cash breakeven combined with performance of Newcastlemax:
 - The Company chartered out two vessels at levels yielding average USD 2 mill annual free cash flow to equity per vessel during market lows in April 2019
 - Current spot rates imply >NOK 40 per share free cash flow to equity 1)
- 2020 Bulkera aims to pay monthly dividends once full fleet is delivered, targeting payout from Q1 2020
- Sponsors and Management are the largest shareholder and are focus on capital discipline and shareholder alignment
- Favorable supply demand balance near term:
 - Iron Ore production and export volumes recovering after 1H 2019 disruptions
 - Expected supply side inefficiencies driven by scrubber retrofits and lower speed as IMO 2020 regulations are implemented

1) Mark to market - assuming 8 Newcastlemax trading spot at Index linked charter reflecting Baltic 5TC Index + 35% with 60% share of scrubber economics based on HFO vs LSFO spread of USD 200 per ton.

Questions?
