



ODFJELL



# Second quarter/first half presentation 2022

By CEO Harald Fotland & CFO Terje Iversen | August 18, 2022

# Agenda

- Highlights
- Financials
- Operational review & Strategy
- Prospects & Market update

# Highlights

The chemical tanker market continued to strengthen into the second quarter and Odfjell Tankers reports its strongest quarterly results in 15 years

- Timecharter earnings in Odfjell Tankers of USD 160 mill, an increase of USD 24 mill from USD 136 mill 1Q22
- Net result contribution from Odfjell Terminals of USD 2 mill compared to USD 3 mill 1Q22
- EBIT of USD 53 mill compared to USD 27 mill 1Q22
- Net result of USD 30 mill compared to USD 11 mill 1Q22
- COA rate renewals were up 14% on average during the quarter
- One vessel sold for recycling resulting in a USD 4 mill equity gain and a positive cash effect of USD 8 mill
- Sale of shareholding in Odfjell Terminals (Tianjin) Co Ltd with no P&L or balance sheet impact for Odfjell SE
- Pool operations will be reduced during 2H22 but with limited impact on our earnings potential
- Dividend of USD 0.23 per share approved by the Board based on adjusted 1H22 results

## KEY FIGURES, USD MILLION

(USD mill, unaudited)	3Q21	4Q21	1Q22	2Q22	2Q21	YTD22
<b>Timecharter earnings</b>	125.0	135.9	135.6	<b>159.9</b>	123.4	<b>295.4</b>
Total opex, TC, G&A	(68.1)	(61.2)	(71.5)	(71.8)	(67.3)	(143.5)
Net result from JV's	1.1	2.6	3.3	1.5	0.5	4.8
EBITDA	58.2	77.3	67.4	89.5	56.6	156.9
<b>EBIT</b>	<b>(6.8)</b>	<b>35.3</b>	<b>26.7</b>	<b>52.8</b>	<b>11.1</b>	<b>79.4</b>
Net financial items	(17.6)	(19.3)	(15.3)	(21.4)	(18.3)	(36.7)
<b>Net result</b>	<b>(25.3)</b>	<b>15.4</b>	<b>11.1</b>	<b>30.0</b>	<b>(7.8)</b>	<b>41.1</b>
EPS*	(0.32)	0.20	0.14	0.38	(0.10)	0.52
ROE**	(7.7%)	7.5%	4.9%	20.3%	(6.4%)	13.3%
ROCE**	1.6%	5.9%	5.3%	10.8%	2.1%	8.2%

\* Based on 79.0 million outstanding shares

\*\* Ratios are annualised

*"The chemical tanker market strengthened considerably into the second quarter and Odfjell capitalized on this strength. We are pleased to announce the first semi-annual dividend based on our new dividend policy. At the same time we accelerated our deleveraging with additional debt repayments. Despite typically seasonally softer summer market, we expect to report continued strong results with timecharter earnings in 3Q to be in line with 2Q".*

Harald Fotland, CEO Odfjell SE

# Agenda

- Highlights
- Financials
- Operational review & Strategy
- Prospects & Market update

# Income statement – Odfjell Group

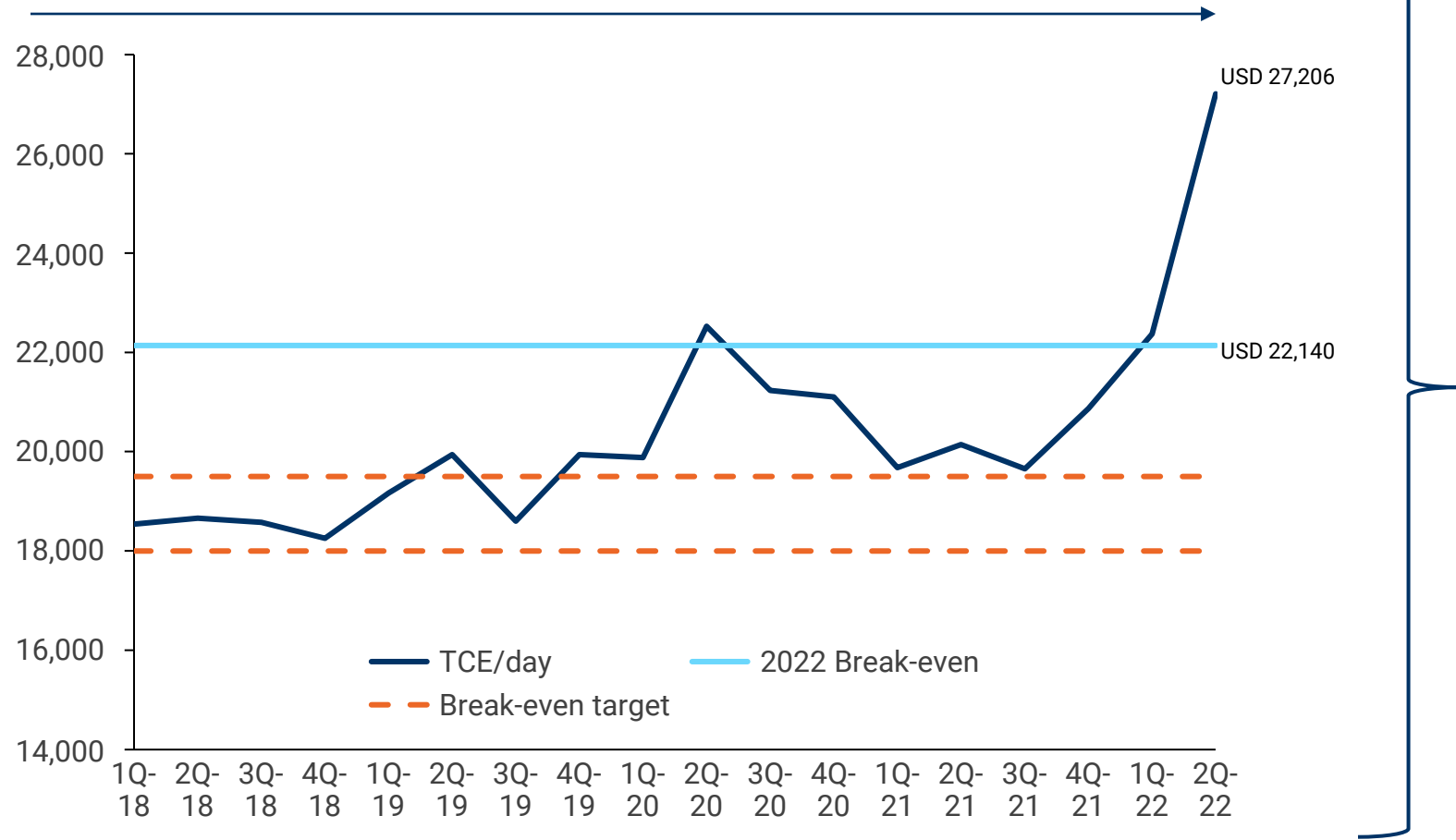
## KEY QUARTERLY DEVIATIONS:

- A. TCE of USD 160 mill, a growth of USD 24 mill from 1Q22
- Strong TCE growth throughout the quarter despite fewer revenue days and one vessel sold for recycling with a USD 1.8 mill reduction impact on TCE
- B. Contribution from Odfjell Terminals of USD 1.5 mill. Underlying results were stable as 1Q22 was positively impacted by USD 2.5 mill of insurance proceeds. Another USD 5 mill of insurance proceed gains to be booked in 3Q22
- C. Higher G&A expenses driven by closure of one office and other general provisions
- D. EBIT of USD 53 mill compared to USD 27 mill in 1Q22
- The increase was mainly related to the USD 24 mill growth in net timecharter earnings and an additional capital gain of USD 4 mill from recycling of one vessel
- E. Net result of USD 30 mill compared to USD 11 mill in 1Q22 with USD 3.9 mill in capital gain and USD 3.5 mill of other financial items classified as one-offs

USD MILLION	4Q21	1Q22	2Q22
	4Q21	1Q22	2Q22
<b>Net Timecharter Earnings (TCE)</b>	135.9	135.6	<b>A</b> 159.9
TC expenses	(7.5)	(7.1)	(5.5)
Operating expenses	(47.7)	(45.8)	(45.9)
Share of net result from associates and JV	2.6	3.3	<b>B</b> 1.5
General and administrative expenses	(12.2)	(18.0)	<b>C</b> (19.3)
Other operating income (expense)	6.2	(0.6)	(1.1)
<b>EBITDA</b>	<b>77.3</b>	<b>67.4</b>	<b>89.5</b>
Depreciation	(43.6)	(40.7)	(40.6)
Capital gain (loss)	1.7	-	3.9
<b>EBIT</b>	<b>35.3</b>	<b>26.7</b>	<b>D</b> 52.8
Net interest expenses	(17.3)	(18.3)	(17.9)
Other financial items	(2.0)	3.0	(3.5)
Taxes	(0.6)	(0.3)	(1.4)
<b>Net results</b>	<b>15.4</b>	<b>11.1</b>	<b>E</b> 30.0
EPS	0.20	0.14	0.38
Commercial revenue days (exc. external pool vsls)	6,506	6,062	5,877
Off-hire days	356	295	261

# Our TCE per day increased during the quarter

ODFJELL TANKERS BREAK-EVEN PER DAY VS TCE PER DAY (USD)



- Our TCE/day increased to USD 27 206 in 2Q22 from USD 22 368 in 1Q22. Well above the annual break-even for 2022 of USD 22 140/day
- Cash break-even in 2Q22 was USD 22,291 per day vs. USD 21,476 per day 1Q22. The increase in break-even q/q was driven by fewer trading days and increased drydocking expenses

# Balance sheet per June 30, 2022 – Odfjell Group

- A. Odfjell's cash position including undrawn loan facilities end 2Q22 was USD 142 mill
- This includes USD 27 mill due, now settled, to our former Terminals partner
  - Excluding USD 27 mill paid out in July, available liquidity was USD 115 mill
- B. IFRS 16 adjusted equity ratio of 33% as of 2Q22
- C. Other current liabilities includes USD 27 mill due to former Terminal partner

ASSETS, USD MILL	4Q21	1Q22	2Q22
Ships and newbuilding contracts	1392.8	1372.8	1348.6
Right of use assets	219.9	204.4	189.0
Investment in associates and JVs	179.5	187.4	182.9
Other non-current assets/receivables	14.2	14.9	17.9
<b>Total non-current assets</b>	<b>1806.4</b>	<b>1779.5</b>	<b>1738.4</b>
Cash and cash equivalent	73.5	61.5	94.8
Other current assets	193.3	211.1	210.5
Total current assets	266.7	272.5	305.3
<b>Total assets</b>	<b>2073.1</b>	<b>2052.0</b>	<b>2043.7</b>

EQUITY AND LIABILITIES, USD MILL	4Q21	1Q22	2Q22
Total equity	548.6	579.1	597.3
Non-current liabilities and derivatives	23.7	10.7	24.6
Non-current interest bearing debt	969.0	953.9	939.3
Non-current debt, right of use assets	172.6	159.1	146.9
<b>Total non-current liabilities</b>	<b>1165.3</b>	<b>1123.7</b>	<b>1110.8</b>
Current portion of interest bearing debt	169.1	144.5	94.6
Current debt, right of use assets	60.7	59.1	55.3
Other current liabilities and derivatives	129.5	145.7	185.6
<b>Total current liabilities</b>	<b>359.3</b>	<b>349.3</b>	<b>335.6</b>
<b>Total equity and liabilities</b>	<b>2073.1</b>	<b>2052.0</b>	<b>2043.7</b>

# Cash Flow statement – Odfjell Group

- A. Operating cash flow increased from USD 30 mill in 1Q22 to USD 68 mill in 2Q22 driven in large by stronger quarterly results
- B. Positive cash flow from investing activities caused by vessel sold for green recycling at a price of USD 14 mill
- C. Net reduction in debt of USD 40 mill from scheduled and additional debt reductions
- D. USD 8 mill related to dividend payment paid in May

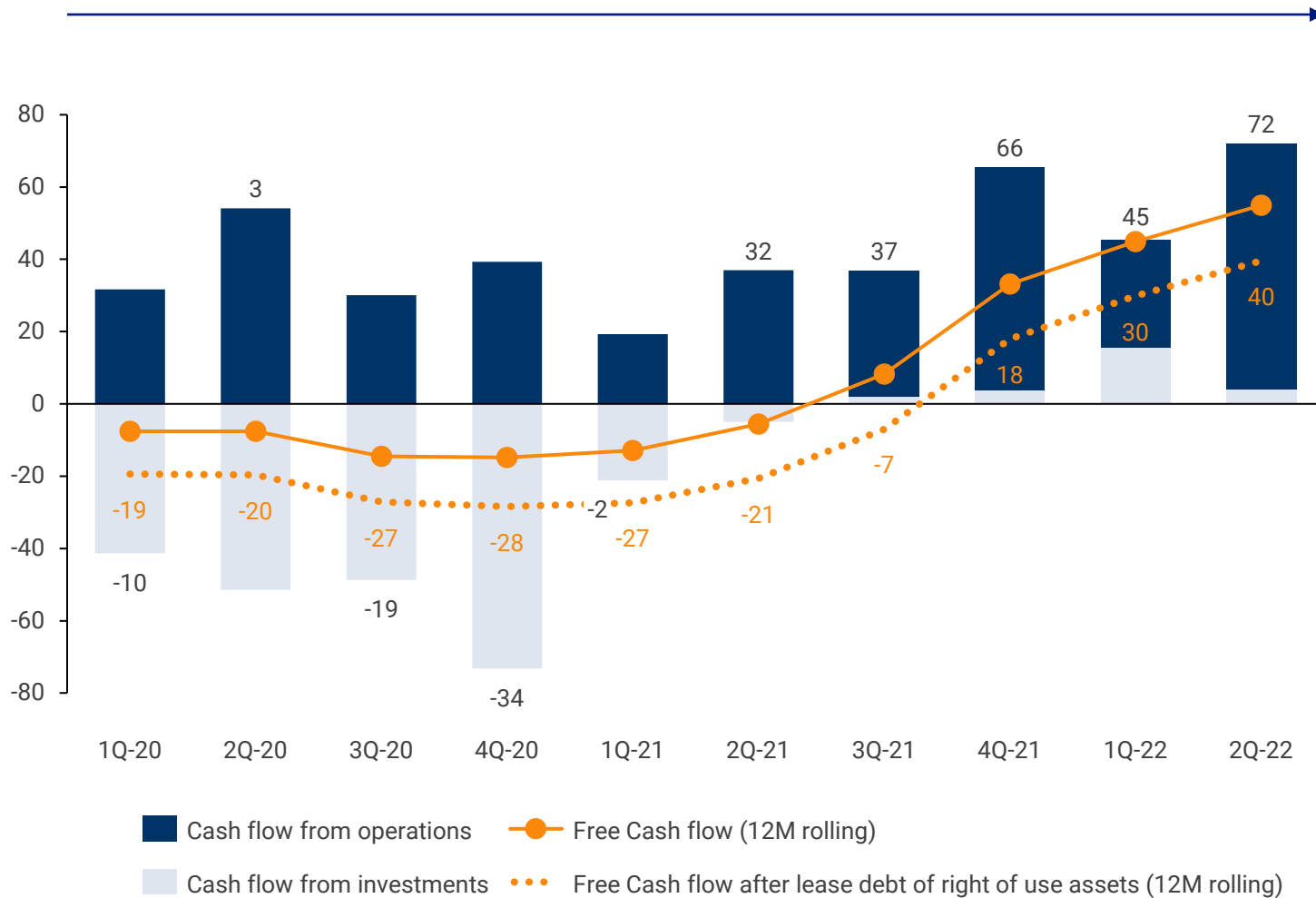
Cash flow, USD mill	4Q21	1Q22	2Q22
Net profit	15.2	10.9	29.6
Adjustments	39.4	37.4	35.5
Change in working capital	5.5	(14.8)	(6.2)
Effect of exchange differences and changes in derivatives	2,0	(6,6)	3,0
Other	(0.6)	3.0	6.2
<b>Cash flow from operating activities</b>	<b>61.7</b>	<b>29.7</b>	<b>68.0</b>
Sale of ships, property, plant and equipment	10.3	21.0	13.7
Investments in non-current assets	(6.8)	(5.1)	(10.8)
Dividend/other from investments in Associates and JV	-	-	1.4
Other	0.3	(0.4)	(0.2)
<b>Cash flow from investing activities</b>	<b>3.9</b>	<b>15.5</b>	<b>4.1</b>
New interest bearing debt	31.8	81.7	49.0
Loans from associates and joint ventures	-	-	26.8
Repayment of interest bearing debt	(62.7)	(123.6)	(84.5)
Payments related to realized derivatives	-	-	(4.8)
Repayment of operational lease debt	(15.6)	(15.0)	(16.0)
Dividends	-	-	(8.1)
<b>Net cash flow from financing activities</b>	<b>(46.5)</b>	<b>(56.9)</b>	<b>(37.6)</b>
Net change in cash and cash equivalents*	18.8	(12.0)	33.3
Opening cash and cash equivalents	54.6	73.5	61.5
<b>Closing cash and cash equivalents</b>	<b>73.5</b>	<b>61.5</b>	<b>94.8</b>

\* Including FX effects



# The stronger markets led to another quarter of improved free cash flow

Odfjell Free Cash Flow per quarter (USD mill)

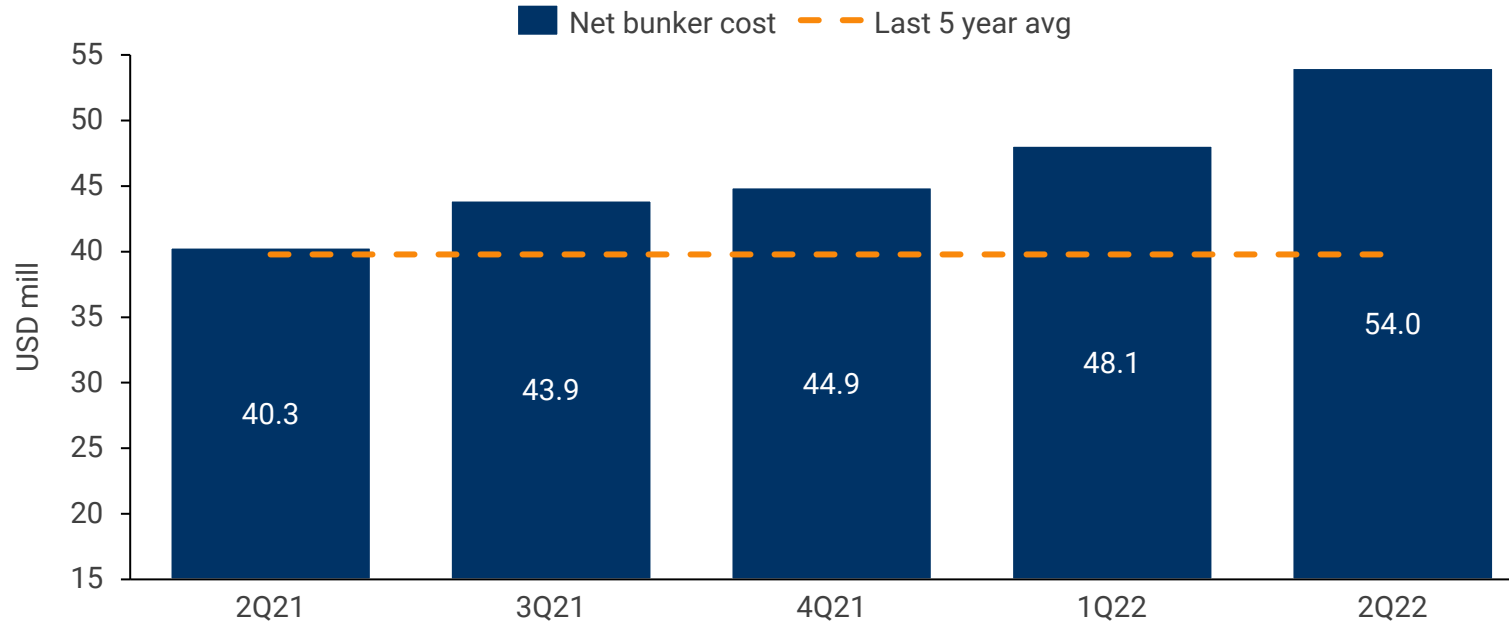


- In 2Q22, 12-month rolling free cash flow reached USD 55 mill, adjusted for debt repayments related to right of use assets free cash flow reached USD 40 mill
- Higher freight rates and bunker costs has led to an increase of USD 21 mill in our working capital year to date
- Free Cash flow was allocated to scheduled and additional debt repayments and a dividend for FY2021

\* Free cash flow equals cash flow from operations less cash flow from investments and less debt repayments related to right of use assets (IFRS-16 debt)

# Bunker expenses per 2Q22 – Odfjell Tankers

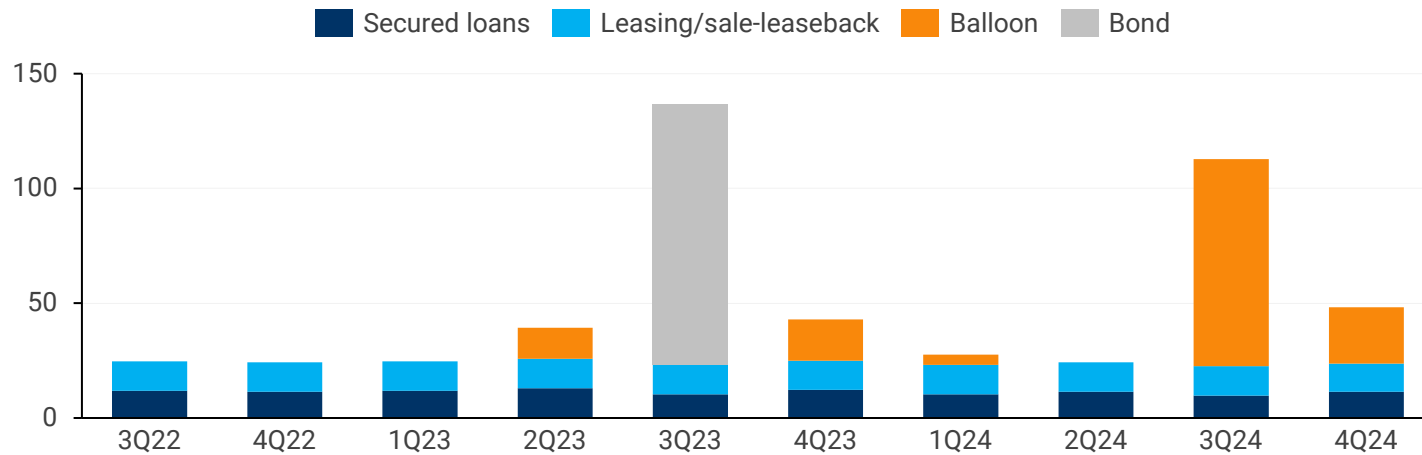
Bunker costs were USD 54.0 mill in 2Q22, above the historical average. Bunker clauses helped alleviate the higher prices seen in the market.



Gross bunker cost	58.2	63.4	70.5	72.9	88.4
Financial hedging	(2.3)	(2.6)	(3.2)	0.0	0.0
Adj. Clauses	(4.3)	(6.0)	(9.4)	(12.8)	(23.6)
External pool vessels	(11.4)	(10.9)	(13.0)	(12.1)	(10.9)
<u>Net bunker cost</u>	<u>40.3</u>	<u>43.9</u>	<u>44.9</u>	<u>48.1</u>	<u>54.0</u>

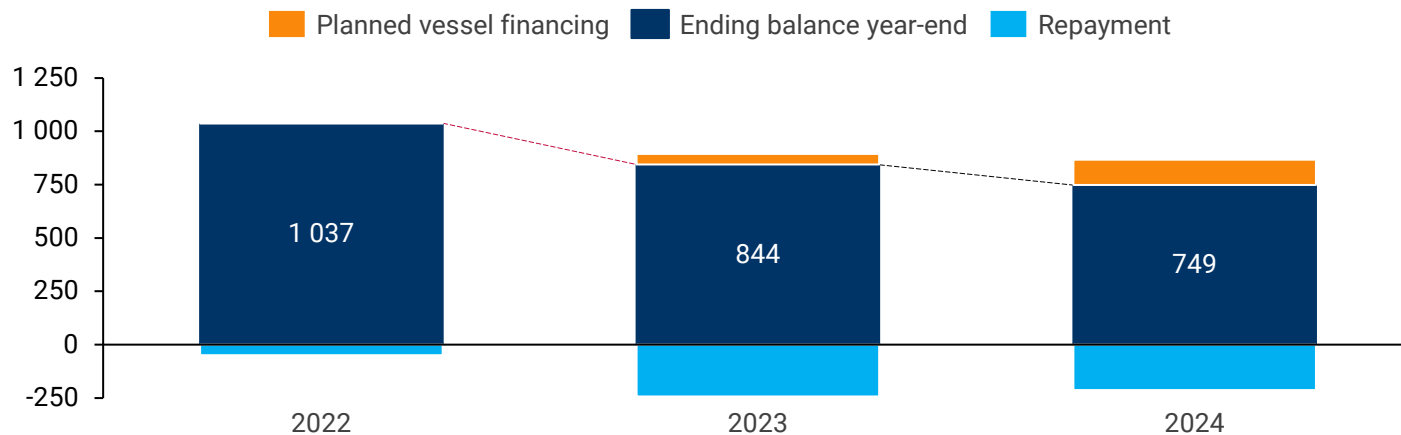
# Debt development – corporate & chemical tankers

SCHEDULED REPAYMENTS & PLANNED REFINANCING, USD MILLION



- Installments on secured loans include reduction of undrawn commitments, USD 4.5m per quarter
- We will consider to refinance early some facilities to further reduce debt and lower cost of capital

GROSS INTEREST-BEARING DEBT ENDING BALANCE, USD MILLION\*



- Scheduled installments on loans and leases reduce gross interest-bearing debt by approx. USD 99m p.a. (of which USD 18m is a reduction of undrawn commitments)
- On track to reach our debt targets in 2023

\* Nominal bank, lease and bond debt. Bond debt swapped to USD

# Agenda

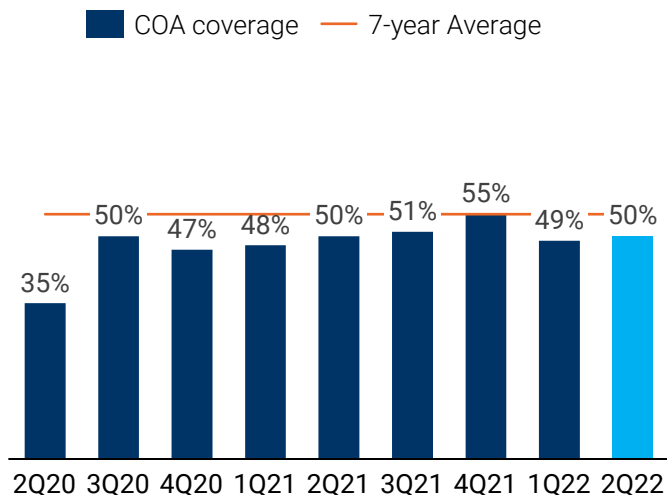
- Highlights
- Financials
- Operational review & Strategy
- Prospects & Market update

# COA and volume development

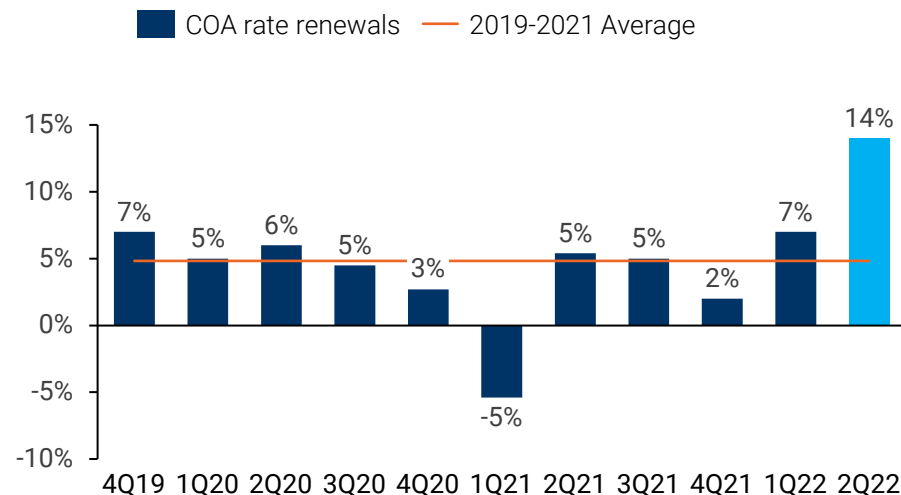
Total volumes lifted increased in 2Q22 as chemical demand and the recovery continued during the quarter. Strong spot market has led to strong demand for COAs but there's shortage of available COA capacity

- In 2Q22 our COA coverage reached 50% but COA volumes increased by 150,000 tonnes due to stronger demand
- COA rate renewals increased by 14% as the positive momentum and underlying fundamentals are filtering through to COA rate increases
- We see high demand from charterers to enter into COAs and available space for COAs is limited. This should support continued strong momentum for COA rate renewal increases including other contractual improvements into 2H22
- Volumes set to decrease when three pools are closed but with limited financial impact as volumes to be consolidated on Odfjell owned ships and MR and Handysize typically carry larger volumes but average earnings being smaller

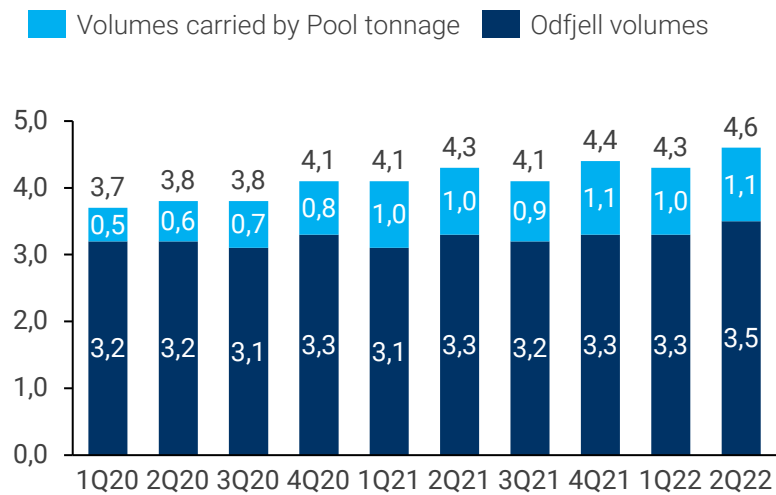
ODFJELL COA COVERAGE (%)



COA RATE RENEWALS (%)



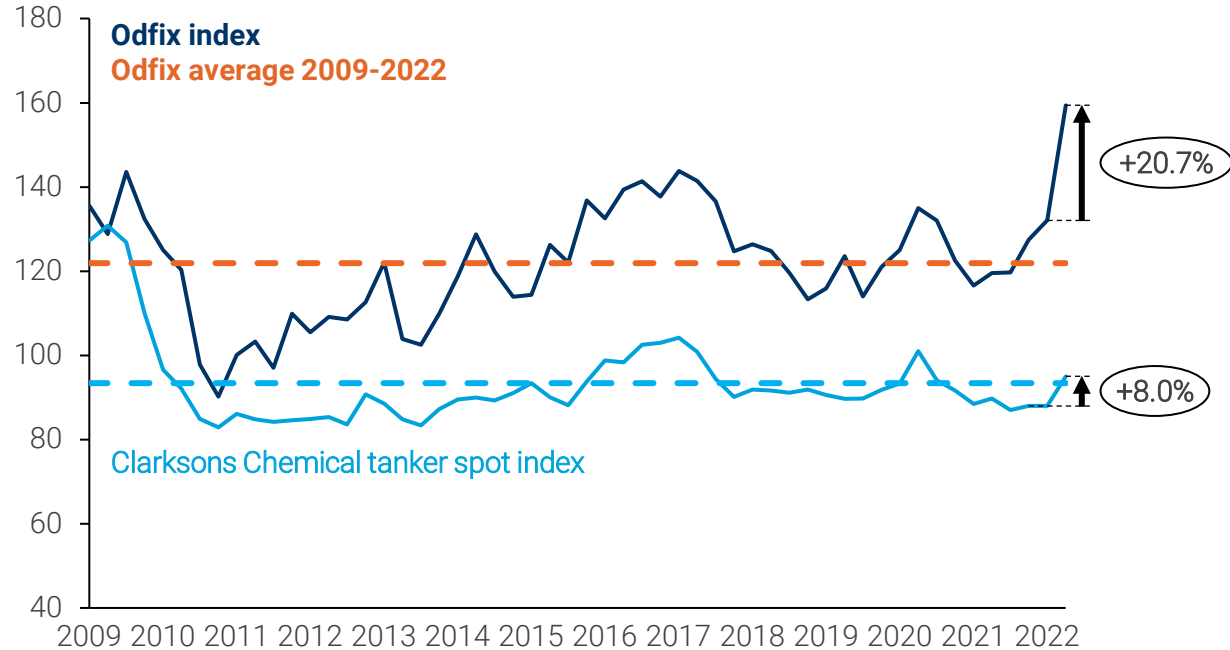
VOLUME DEVELOPMENT (MILL TONNES)



# Rates and cargo mix development

Considerable increase in spot rates for CPP has increased the mix of these products in our cargo-mix predominantly in our backhaul trades.

ODFIX VERSUS CLARKSONS CHEMICAL TANKER SPOT INDEX



## SPECIALITIES

Volumes increased marginally in 2Q22

## EASY CHEMICALS

Improved access to cargoes and improved volumes on most trades

## VEGOILS

Improved volumes driven primarily by energy-related cargoes (biofuels), palm oil and soybean oil

## CPP

CPP volumes increased to 5% of total volumes (from 1% 1Q22) and improved backhaul results

# Odfjell average AER reached all-time low levels in 2Q22

Odfjell average AER development



# Tank Terminals



Financial  
performance

- 2Q22 EBITDA ended at USD 8.5 million as compared to USD 9.4 million in 1Q22. Underlying results were stable when adjusting for a non-recurring insurance proceed in 1Q22



Market  
development

- Our terminals in Europe and the US continue to perform well and are presently operating at approximately 100% and high activity levels due to strong demand for storage
- In Asia, our terminal in Ulsan experienced a modest reduction in average commercial occupancy rates compared to previous quarter. Despite a reduction in occupancy, activity levels remained healthy



Outlook

- On June 23rd, Odfjell Terminals Asia Pte Ltd completed the sale of its 49.0% shareholding of Odfjell Terminals (Tianjin) Co Ltd. This also entails Lindsay Goldberg's complete exit from the Odfjell Terminals structure. The transaction will have very limited P&L and Balance Sheet impact for Odfjell Terminals
- In 3Q22, Odfjell will book a USD 5 mill gain related to insurance proceeds from the fire that occurred in late 2020



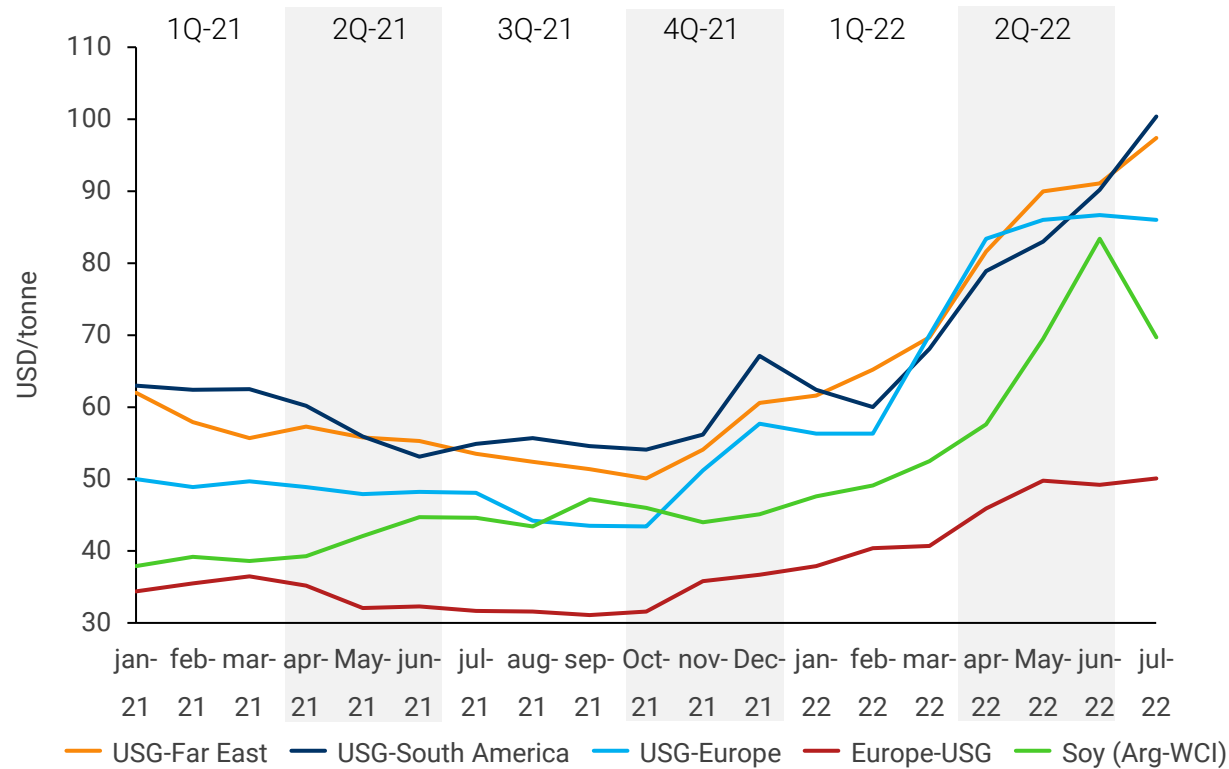


# Agenda

- Highlights
- Financials
- Operational review & Strategy
- Prospects & Market update

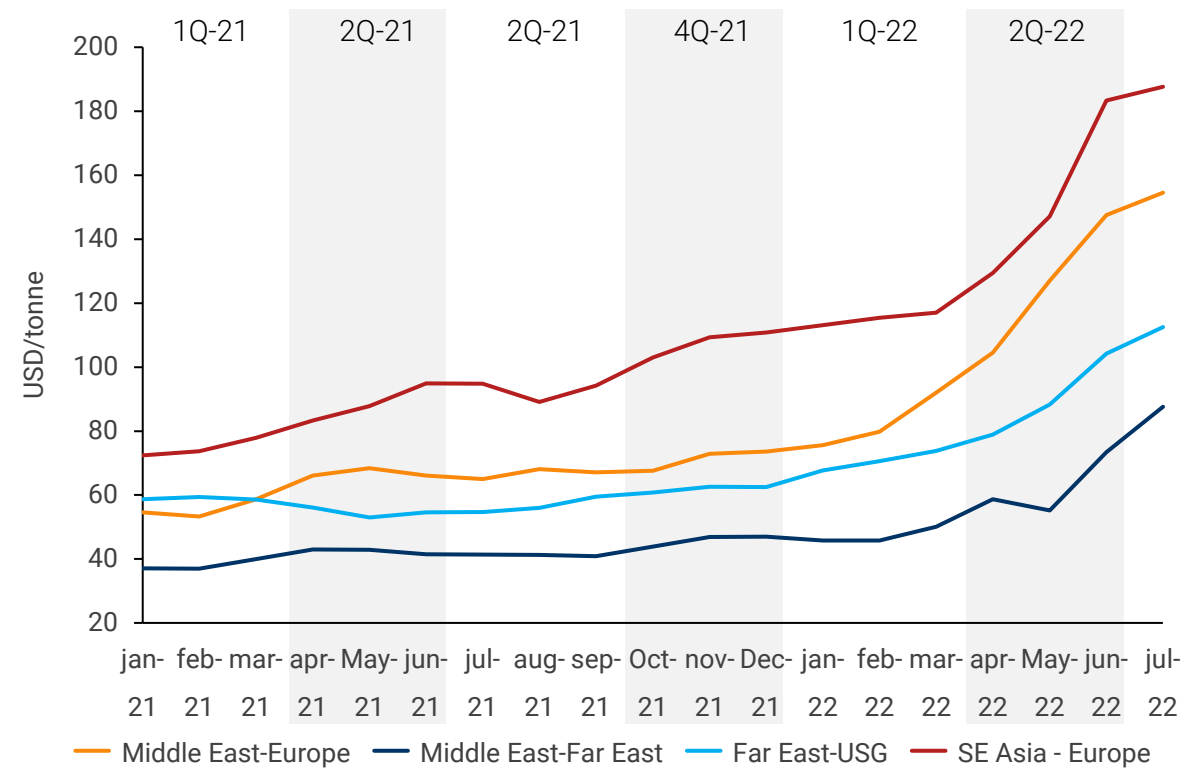
# Chemical tanker spot rates strengthened to all-time high levels across most trades in the second quarter

FREIGHT RATES EXPORTS WEST OF SUEZ QUOTED BY CLARKSONS



- Chemical tanker spot rates strengthened further into the second quarter in the Atlantic Basin
- Vegoil spot rates (Soy) from South America improved considerably by 41% q/q

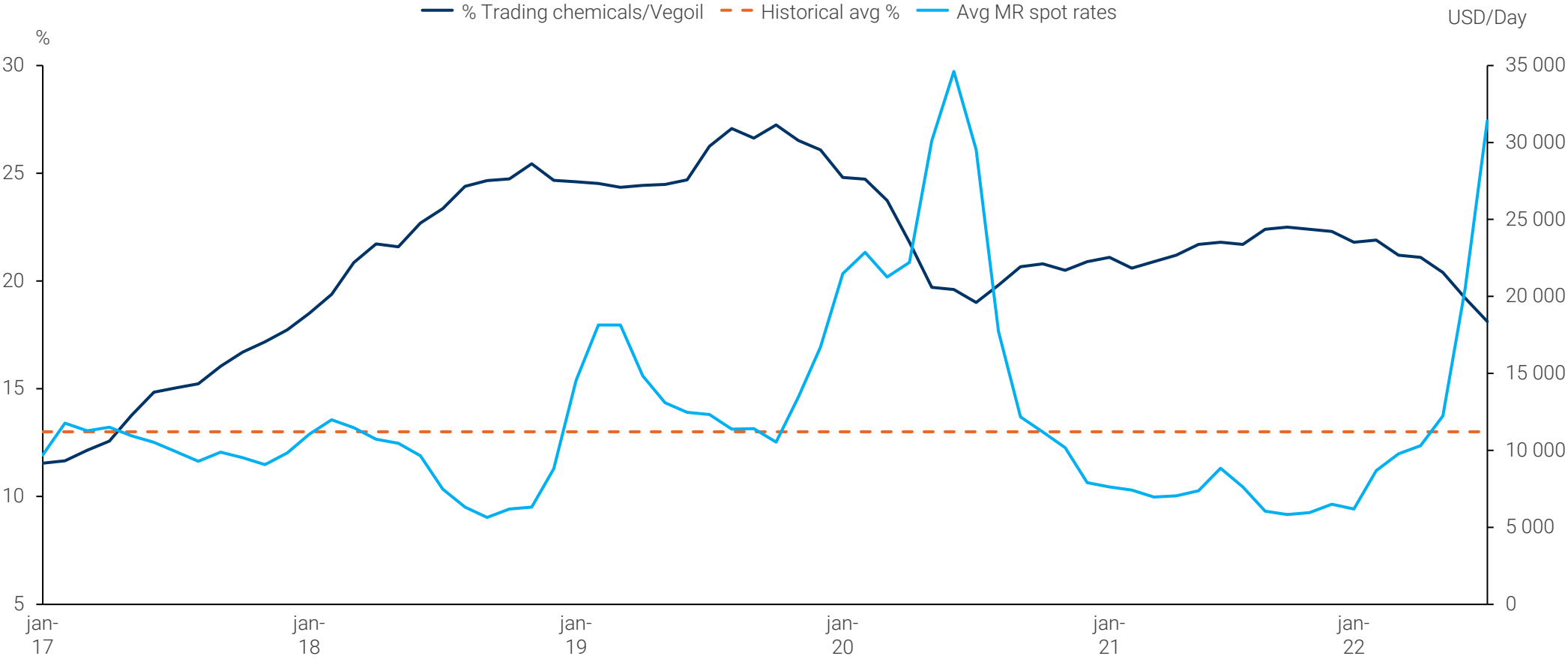
FREIGHT RATES EXPORTS EAST OF SUEZ QUOTED BY CLARKSONS



- Asia to Europe and US Gulf spot rates climbed to new record levels in 2Q22
- Favorable Asian chemical prices keeps stimulating exports to the west

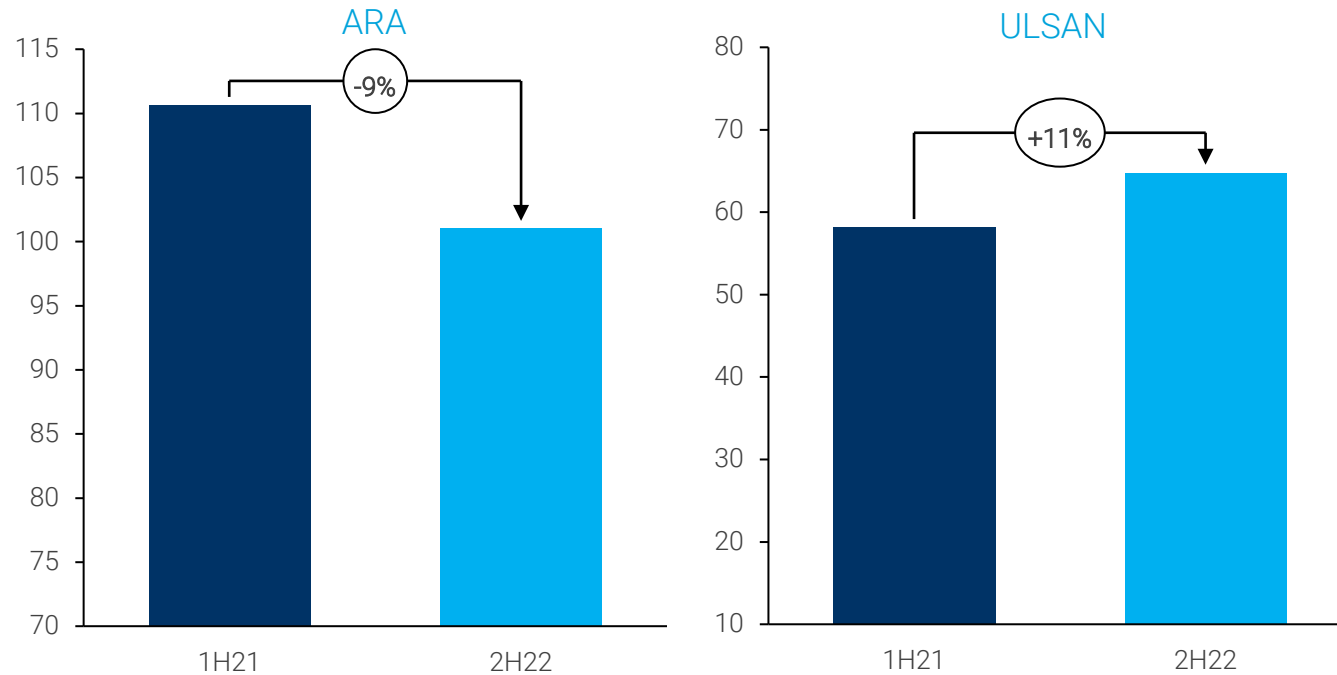
# Markets have been fueled by an improved CPP market reducing competition from swing tonnage and improved cargo availability...

## Swing tonnage development



... And the market has been further fueled in the west by reduced supply as owners have favored stronger rates in the pacific...

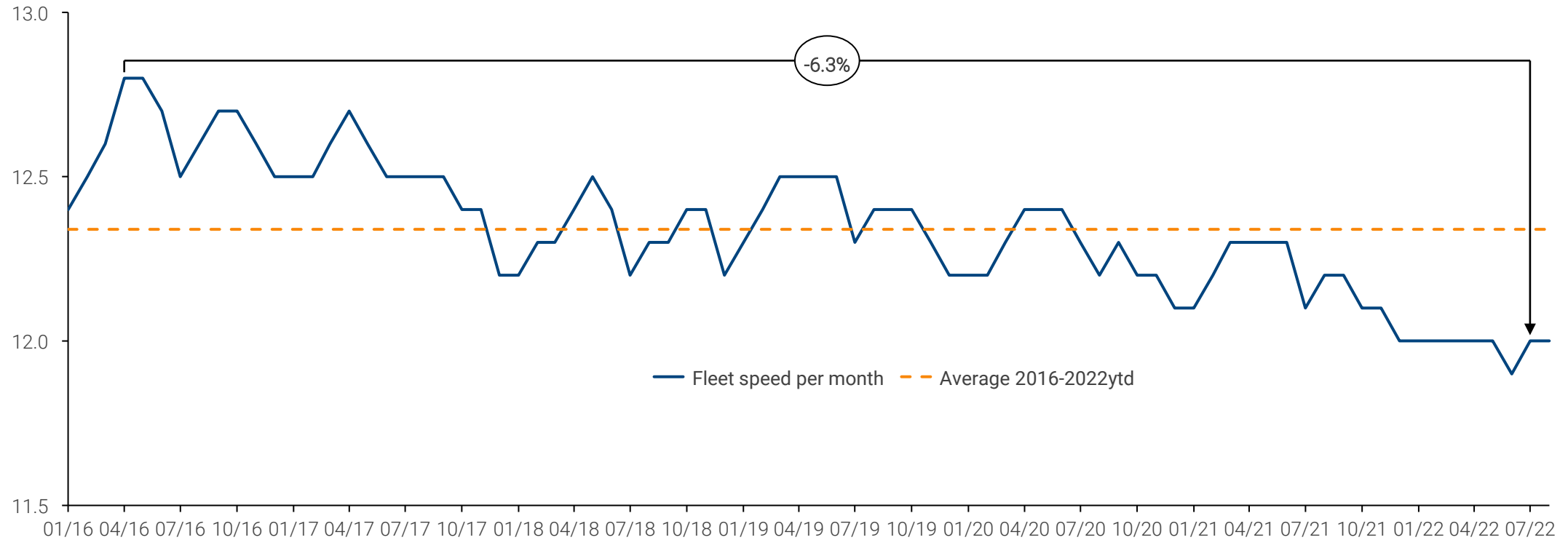
Supply imbalance between East and Western hemisphere for stainless steel tonnage



- The strong Asia market made owners concentrate on eastern trades...
- ...Leading to stainless steel tonnage calling ARA being down 10% on average in 1H22 compared to 1H21...
- ...Leading to an Atlantic market that quickly tightened as volumes have improved y/y

...And we see reduced speeds across the chemical tanker fleet to tackle high bunker costs despite the significant rise in freight rates

Average monthly speed for the chemical tanker fleet



- The chemical tanker fleet has gradually reduced its speed since 2016
- This trend is a response both to increasingly stringent emissions requirements and increasing bunker costs
- Slower speeds effectively reduce the tonnage supply, putting further pressure on an already tight chemical tanker market
- Speed levels have remained low even in the face of sharply increasing spot rates

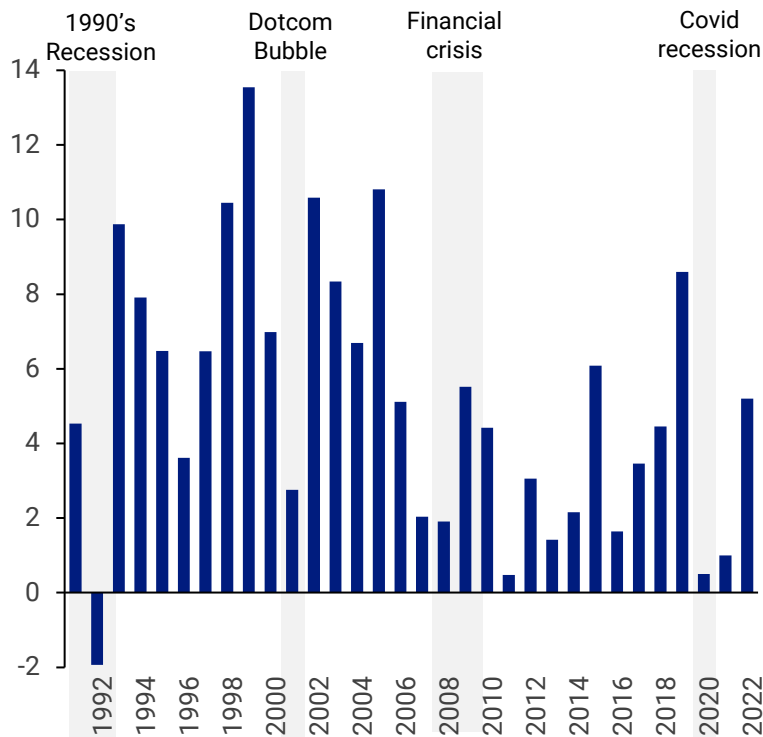
# The global economy is expected to slow down – Chemical tanker demand has historically shown to be resilient to economic downturns

Chemical tanker demand has proven to be resilient in historical economic downturns...

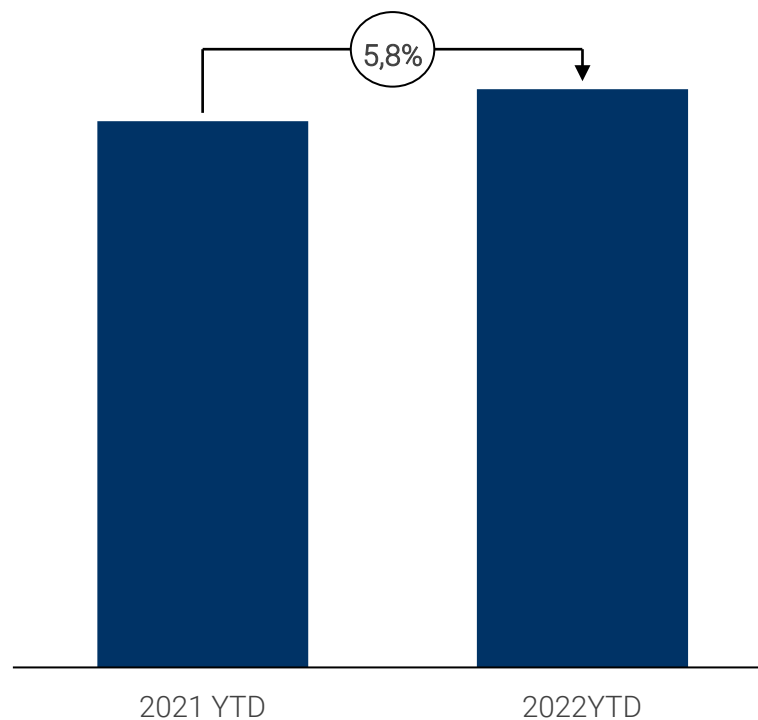
Global chemical tanker trade (Y/Y growth)

Energy related trade of chemical products

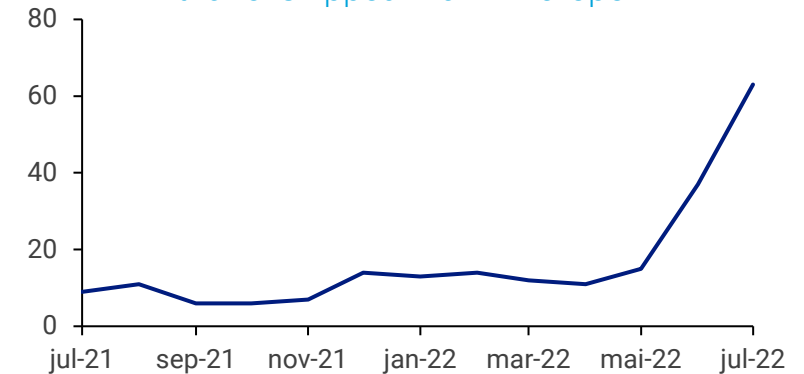
Chemical shipping demand



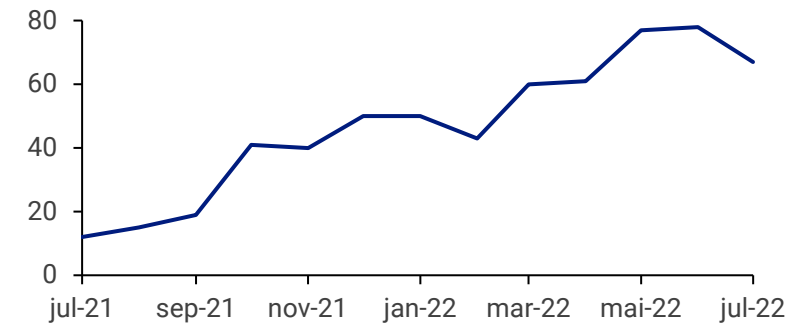
YTD growth



Ethanol shipped Brazil - Europe



Biofuel shipped China - Europe



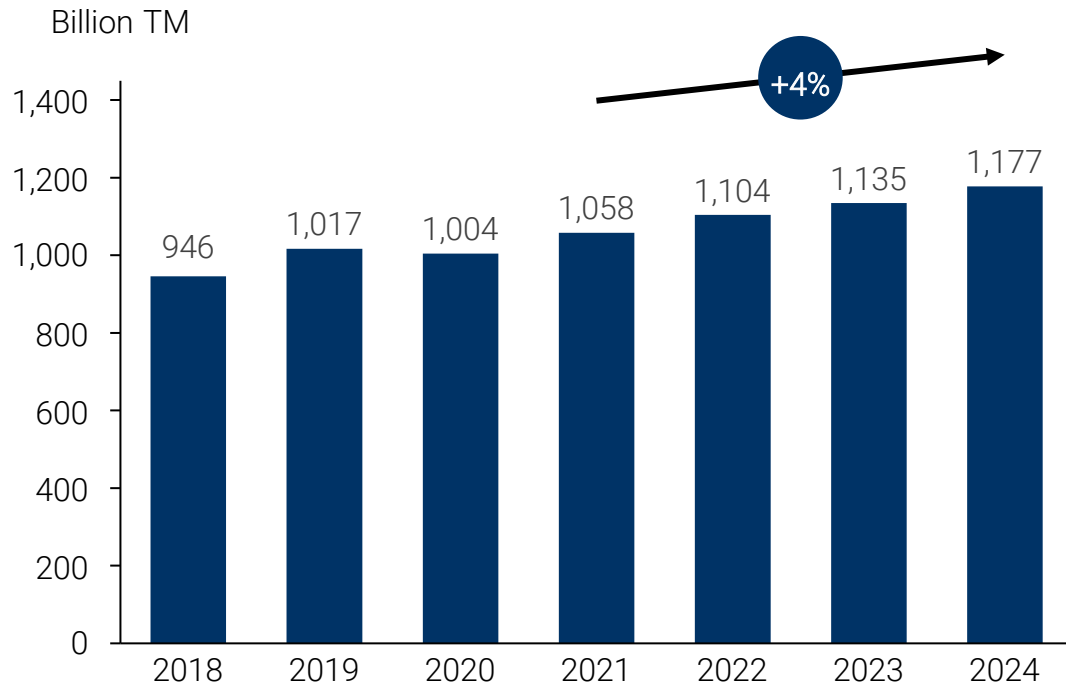
Chemical tanker demand has proven to be resilient in historical economic downturns...

...In a 2022/23 economic downturn it should remain resilient...

...And demand to be boosted by high demand for energy related chemical products

# Long-term supply/demand fundamentals remains favorable and we expect a strong chemical tanker market the next years despite economic headwinds

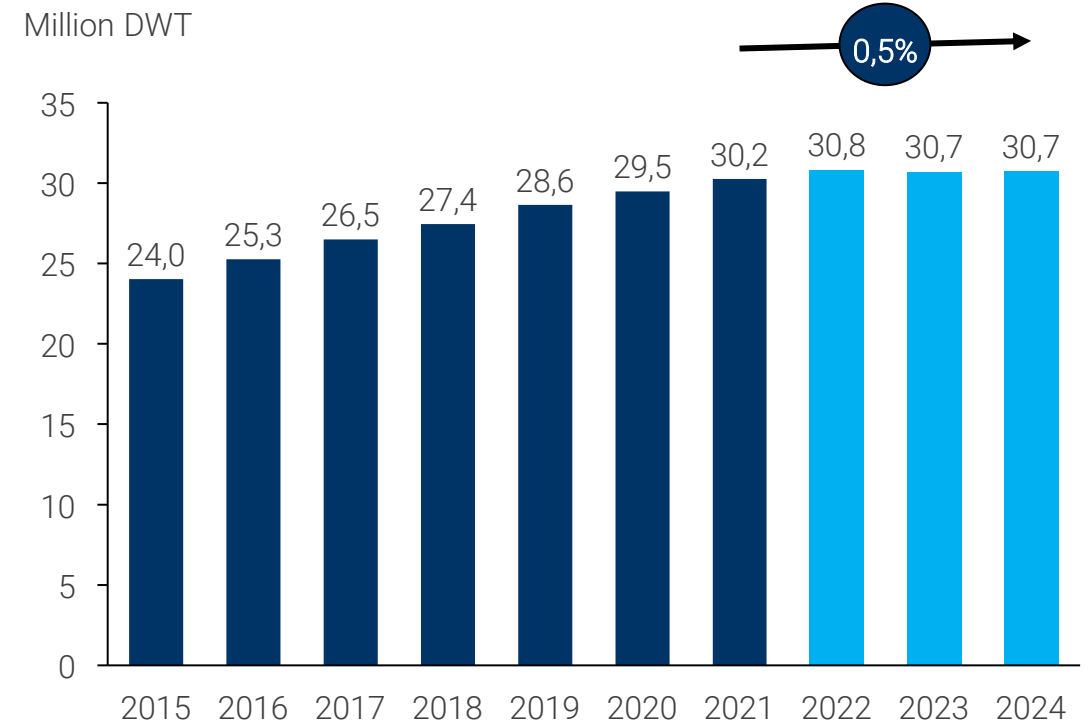
## Chemical tanker tonne-mile demand



### Key considerations

- Support from new US and Middle East chemical plants shipped over longer distances
- Higher share of global chemical demand to be seaborne traded
- Chemicals related to energy crisis to grow substantially above historical trend

## Chemical tanker net fleet fleet growth



### Key considerations

- "Fundamental" supply growth to be almost non-existent the next 3 years before....
- ...adjusting for an expected reduction in swing tonnage supply and reduced available supply caused by slowsteaming and older tonnage to exit core trades...
- ...Will lead to negative fleet growth in the years to come

# Summary

## Our results

- Our results are the strongest recorded in 15 years and the 2<sup>nd</sup> strongest quarter in the company's history

## Odfjell Tankers

- Strong markets across all trades driven by steady recovery in demand and lack of supply in all regions

## Odfjell Terminals

- Odfjell Terminals performed well in 2Q22, recording high occupancy rate levels and stable underlying results adjusted for one-offs

## Market outlook

- Markets to be resilient despite economic headwinds driven by lack of supply growth and supportive demand factors

## Dividend

- USD 0.23 per share dividend declared for 1H22 with the shares to trade excluding right to dividend from 19 August (tomorrow)

## Guiding

- Despite typically seasonally softer summer market, we expect to report continued strong results with timecharter earnings in 3Q to be in line with 2Q





## Contact

Investor Relations: Bjørn Kristian Røed | Tel: +47 40 91 98 68 | Email: [bkr@odfjell.com](mailto:bkr@odfjell.com)

Media: Anngun Dybsland | Tel: +47 41 54 88 54 | Email: [media@odfjell.com](mailto:media@odfjell.com)

ODFJELL SE | Conrad Mohrs veg 29 | P.O. Box 6101 Postterminalen | 5892 Bergen | Norway

Tel: +47 55 27 00 00 | Email: [mail@odfjell.com](mailto:mail@odfjell.com)