

Interim Results Presentation

30 June 2020

Andi Case and Jeff Woyda
10 August 2020



Clarkson PLC



Agenda

1 Financial results

2 Markets

3 Outlook



Financial results

Jeff Woyda
Chief Financial Officer &
Chief Operating Officer



Results summary to 30 June

	2020 £m	2019 £m	
Revenue	180.4	167.8	+7.5%
Underlying profit before taxation (Before acquisition related costs)	21.1	20.1	+5.0%
Underlying earnings per share (Before acquisition related costs)	51.4p	48.5p	+6.0%

Results summary to 30 June

	2020 £m	2019 £m	
Revenue	180.4	167.8	+7.5%
Underlying profit before taxation (Before acquisition related costs)	21.1	20.1	+5.0%
Acquisition related costs	(0.2)	(0.9)	
Profit before taxation (After acquisition related costs)	20.9	19.2	+8.9%
Underlying earnings per share (Before acquisition related costs)	51.4p	48.5p	+6.0%
Earnings per share (After acquisition related costs)	50.6p	46.2p	+9.5%

Segmental performance

Revenue, profit and margin to 30 June

	Revenue 2020 £m	Revenue 2019 £m	Profit 2020 £m	Profit 2019 £m	Margin 2020	Margin 2019
Broking	147.1	130.1	29.4	21.8	20.0%	16.8%
Financial	13.3	16.1	(1.6)	1.1	n/a	6.8%
Support	11.5	13.3	0.2	1.3	1.7%	9.8%
Research	8.5	8.3	3.1	2.8	36.5%	33.7%

Acquisition related costs to 30 June

	2020 £m	2019 £m
Cash and share-based payment charges	0.2	0.4
Amortisation – Platou	-	0.5
Total	0.2	0.9

Balance sheet

	Dec 2016 £m	Dec 2017 £m	Dec 2018 £m	Dec 2019 £m	June 2020 £m
Tangible fixed assets	33.0	33.3	29.3	28.9	28.7
Intangible fixed assets (software only)	–	1.5	5.4	9.9	12.7
Investments (relating to convertible bonds)	–	–	6.7	6.7	9.8
Investments (other)	4.1	4.9	4.8	4.8	4.7
	37.1	39.7	46.2	50.3	55.9
Working capital	(7.4)	8.8	18.9	14.0	9.5
Net available funds	98.4	79.1	73.4	84.7	100.3
	91.0	87.9	92.3	98.7	109.8
Pensions	2.3	12.3	14.0	11.0	12.0
Deferred tax	7.1	4.6	2.2	3.1	1.4
Loan notes	(23.6)	–	–	–	–
Leases	(7.7)	(9.2)	(8.1)	(10.8)	(10.7)
Net assets before intangibles	106.2	135.3	146.6	152.3	168.4
Intangibles (excluding software above)	300.5	288.1	288.0	228.3	225.7
Net assets	406.7	423.4	434.6	380.6	394.1

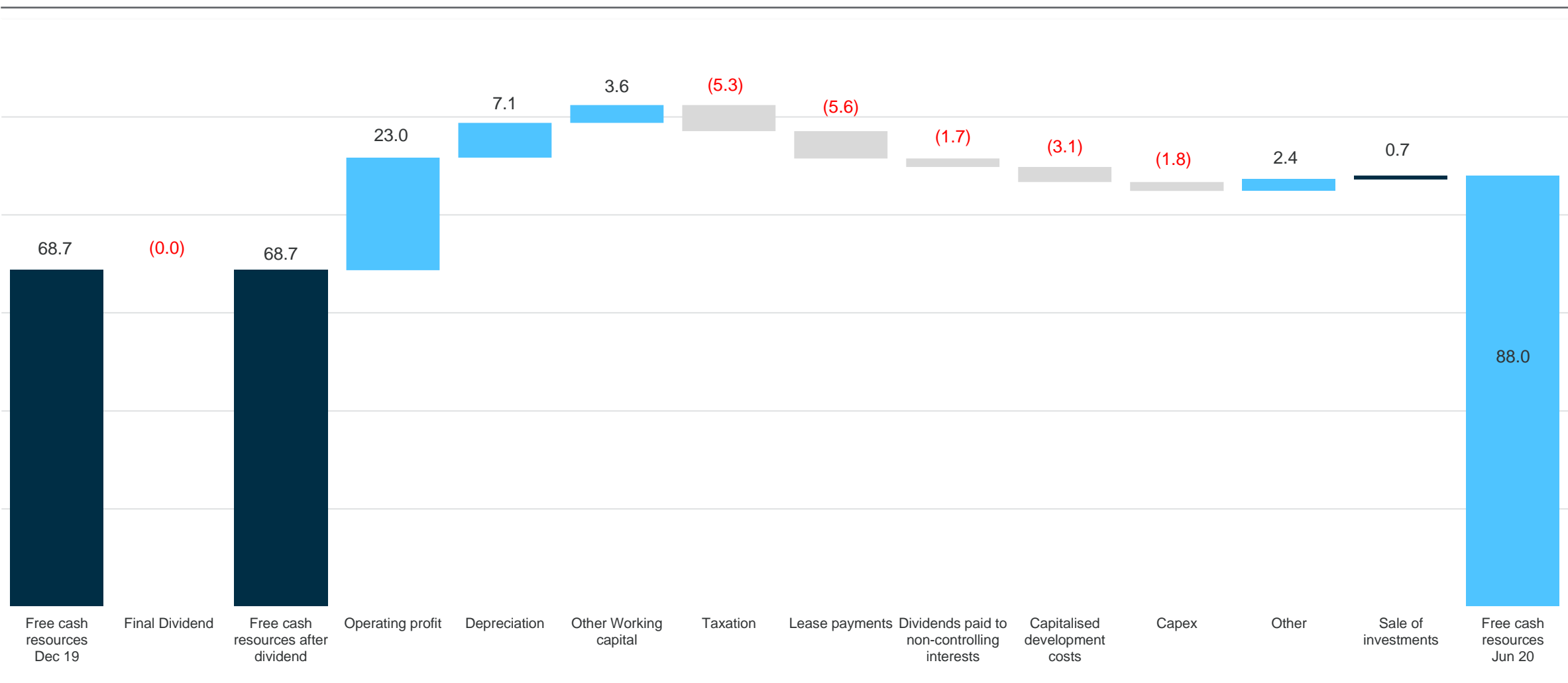
Sea/ related IT costs

	30 June 2020 £m	30 June 2019 £m
Items taken to Income Statement		
Non capitalised items <small>(Sea/ only)</small>	(3.8)	(3.0)
Amortisation	(0.2)	(0.1)
	30 June 2020 £m	31 Dec 2019 £m
Software related Intangible Asset b/d 1 January	9.8	5.4
Additions	3.1	4.7
Amortisation	(0.2)	(0.3)
Software related Intangible Asset c/d	12.7	9.8

Net available funds and free cash resources

	30 June 2020 £m	31 Dec 2019 £m	30 June 2019 £m
Cash and cash equivalents	158.9	175.7	109.1
Interest-bearing loans and borrowings	(3.4)	(1.2)	(6.0)
Current investment deposits	1.8	2.4	1.7
Net cash equivalents	157.3	176.9	104.8
Reserved for bonus (full cost)	(57.0)	(92.2)	(44.5)
Net available funds	100.3	84.7	60.3
Held by regulatory businesses	(11.5)	(16.0)	(2.0)
Free cash resources	88.8	68.7	58.3

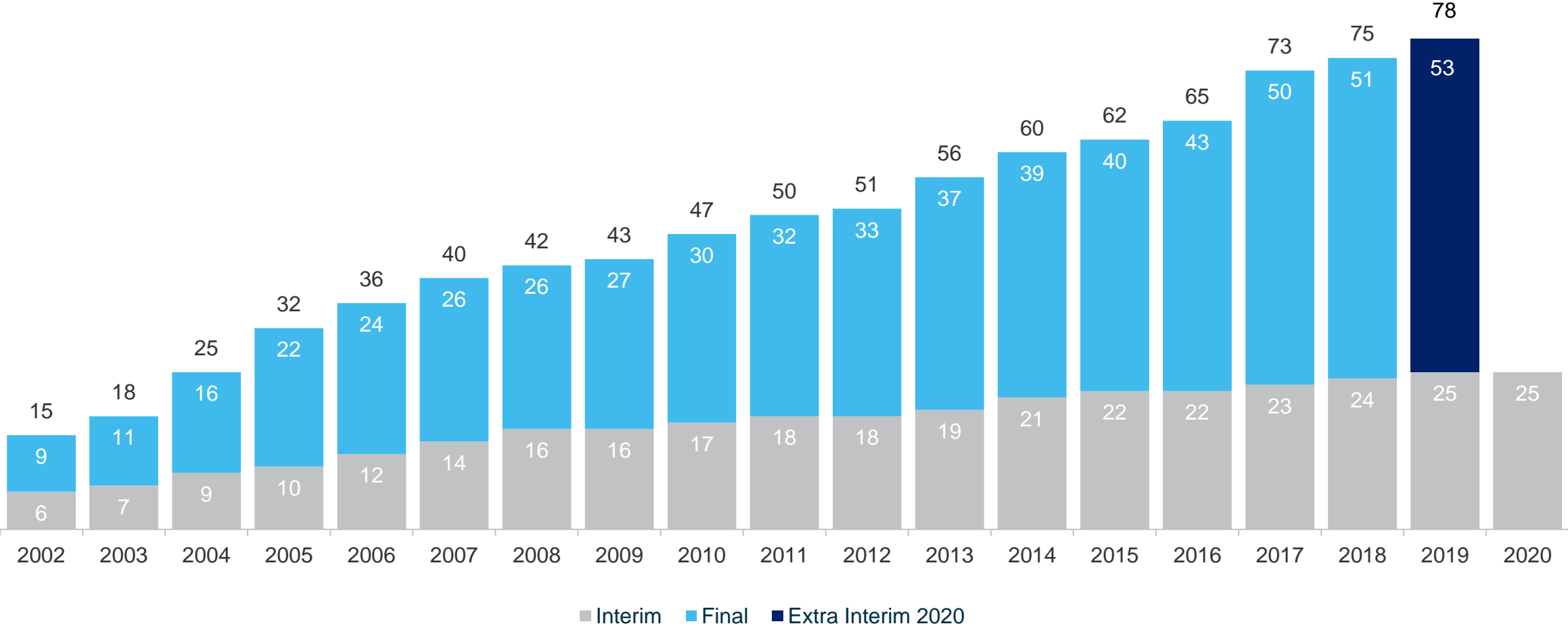
Movement in free cash resources



Trade Debtors

	30 Jun 2020 £m	31 Dec 2019 £m	Increase/ (Decrease)
0-3 months	50.8	52.9	(2.1)
3-12 months	12.3	9.4	2.9
Over 12 months	-	-	-
	63.1	62.3	0.8

Dividend history



Markets

Andi Case Chief Executive Officer



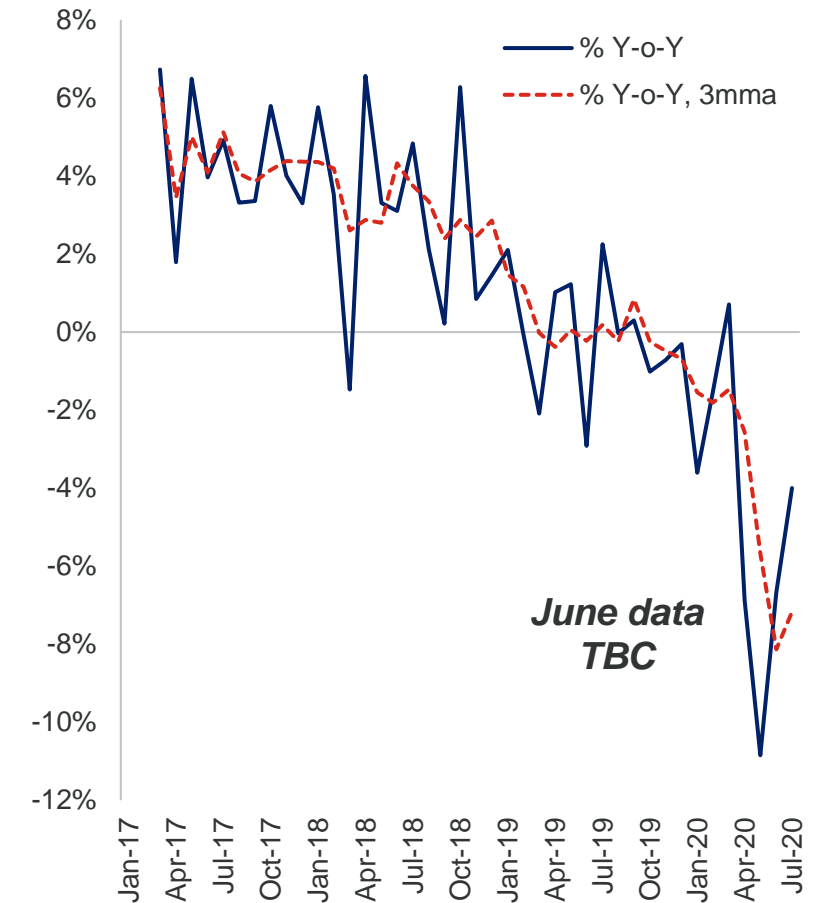
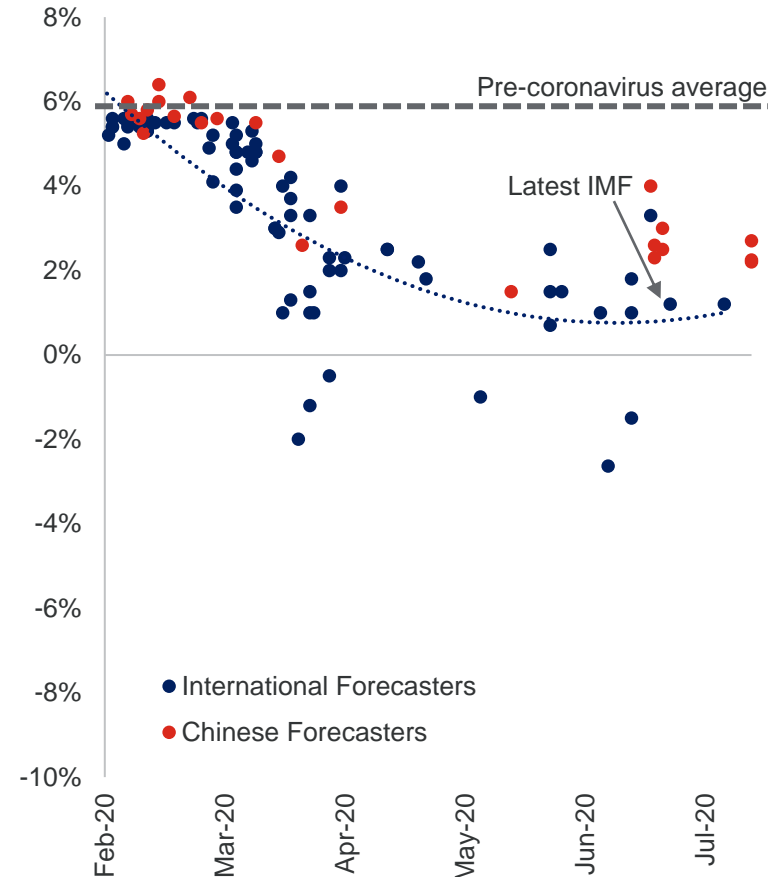
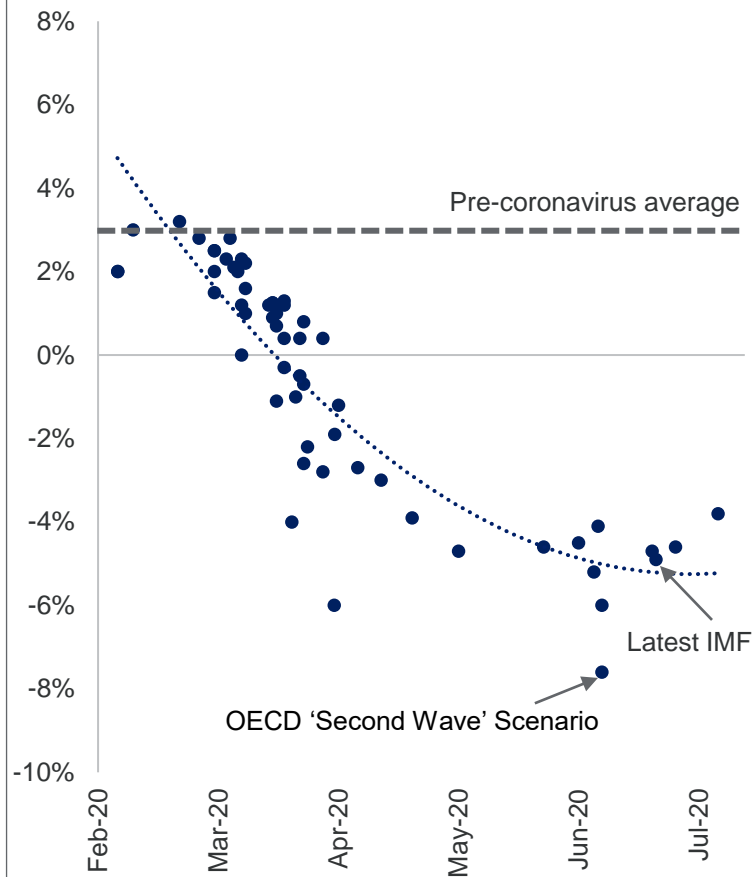
Economic Impact...

...deep economic & trade impact; shipping's biggest market China with signs of recovery...

Global 2020 GDP Forecasts Now At -c.5%

China 2020 GDP Forecasts Mainly Positive

Global Monthly Seaborne Trade Basket^

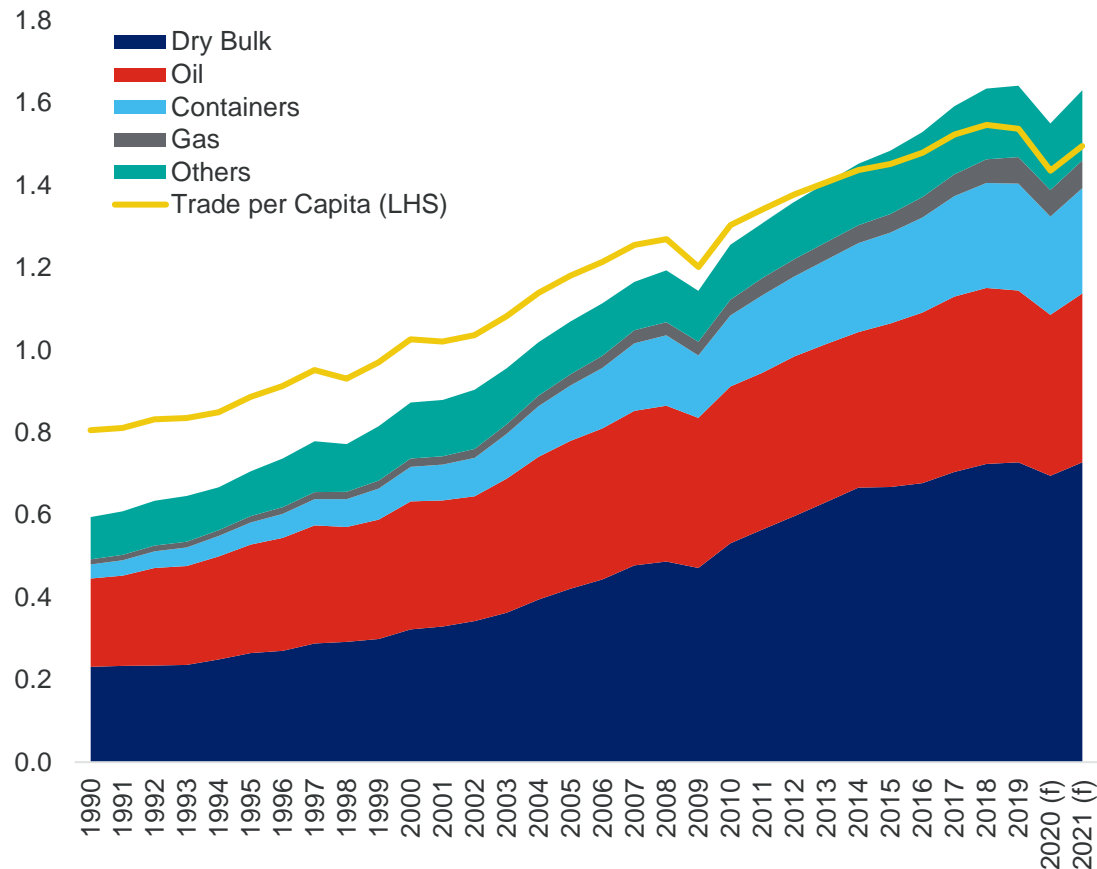


Source: Clarksons Research, Industry Sources. GDP forecasts shown against date reported. ^Monthly seaborne trade series based on selected basket of dry bulk, oil, container, gas and chemical trades, representing c.80% of global seaborne trade. Growth rates may not exactly reflect annual figures published in the Seaborne Trade Monitor and other monthly trade publications.

...Seaborne Trade Trends...

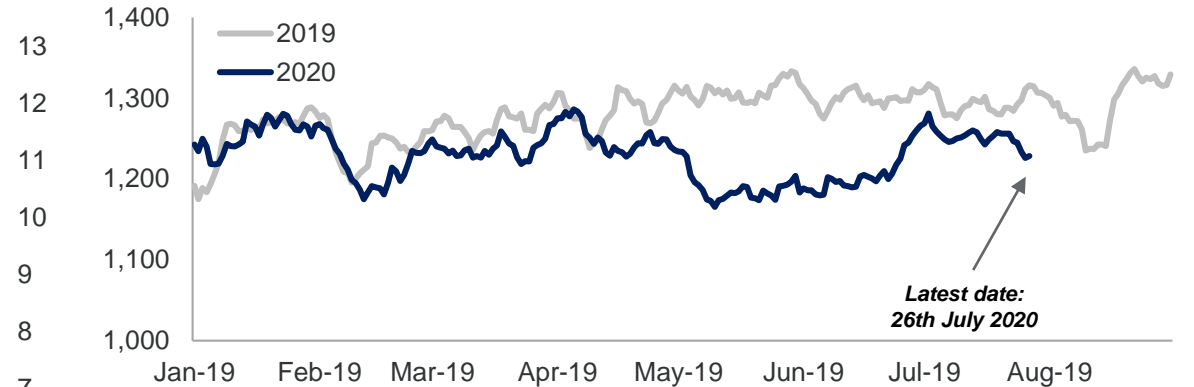
....sharpest trade decline for 30 years; regional and commodity complexities ...

Global seaborne trade, bn tonnes

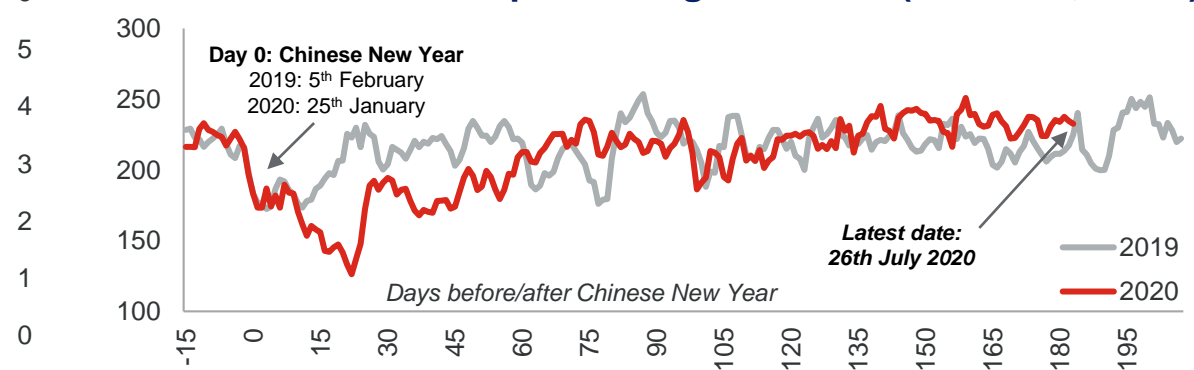


Source: Clarksons Research.

Global Port Calls – Deep Sea Cargo Vessels* (No. Calls, 7dma)



China Port Calls – Deep Sea Cargo Vessels* (No. Calls, 3dma)

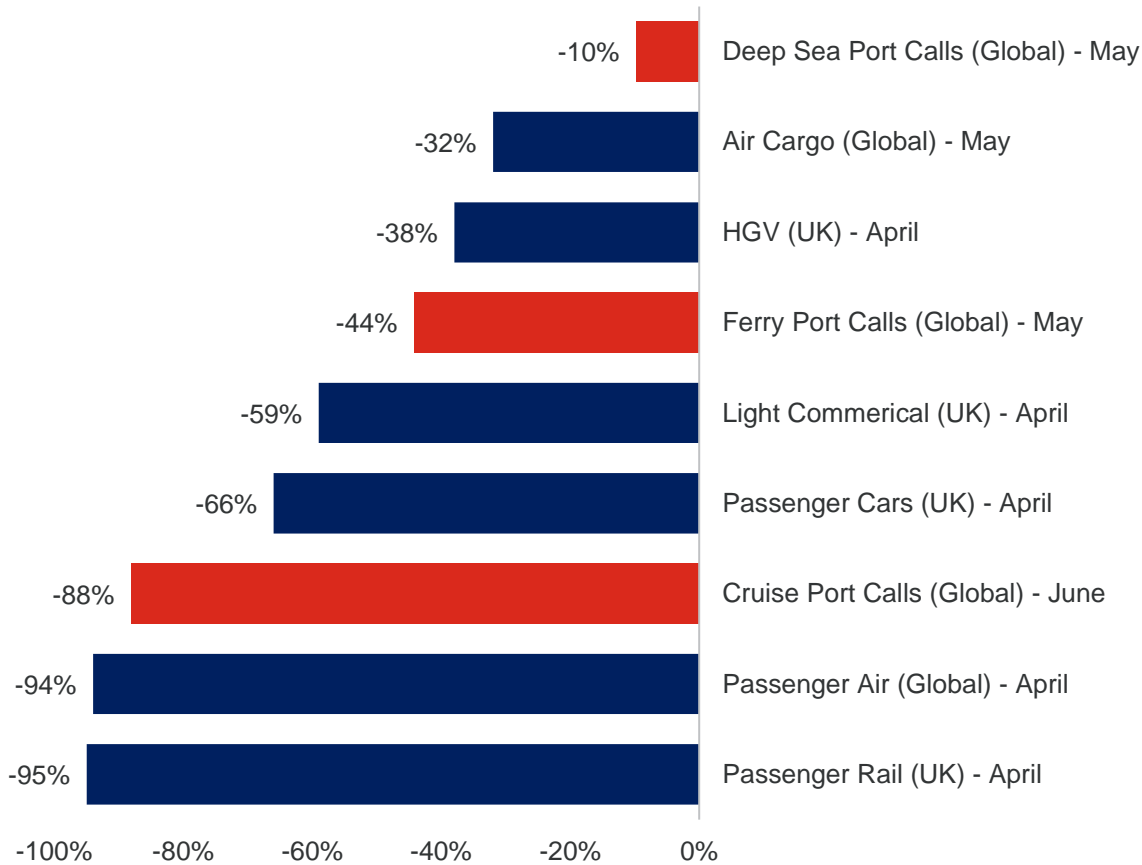


3 day moving average. Port calls defined as all instances of a vessel entering and leaving a defined port location, excluding instances where vessel not recorded as travelling at less than 1 knot, and combining multiple consecutive instances at the same port where the vessel has not left a buffered shape around the port or within the same day (in selected vessel sectors). Includes oil tankers MR and above, bulkers Panamax and above, containerships 3,000+ TEU, VLGCs, LNG carriers 60,000+ cbm and PCTCs 6,000+ ceu.

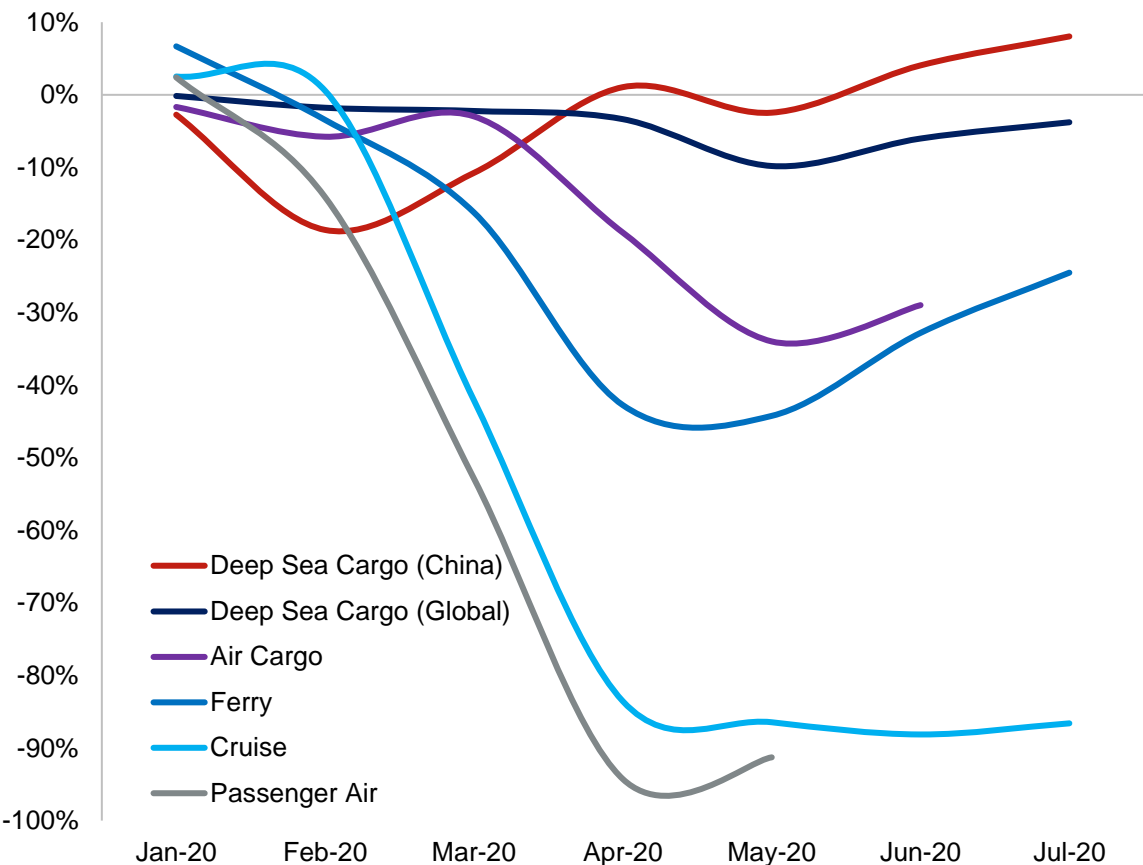
Shipping vs Other Transportation Sectors

...shipping's disruption impact compared to other transportation sectors...

'Peak' Activity Impact by Industry, % y-o-y



Varying 'Shape' of Recovery, % y-o-y

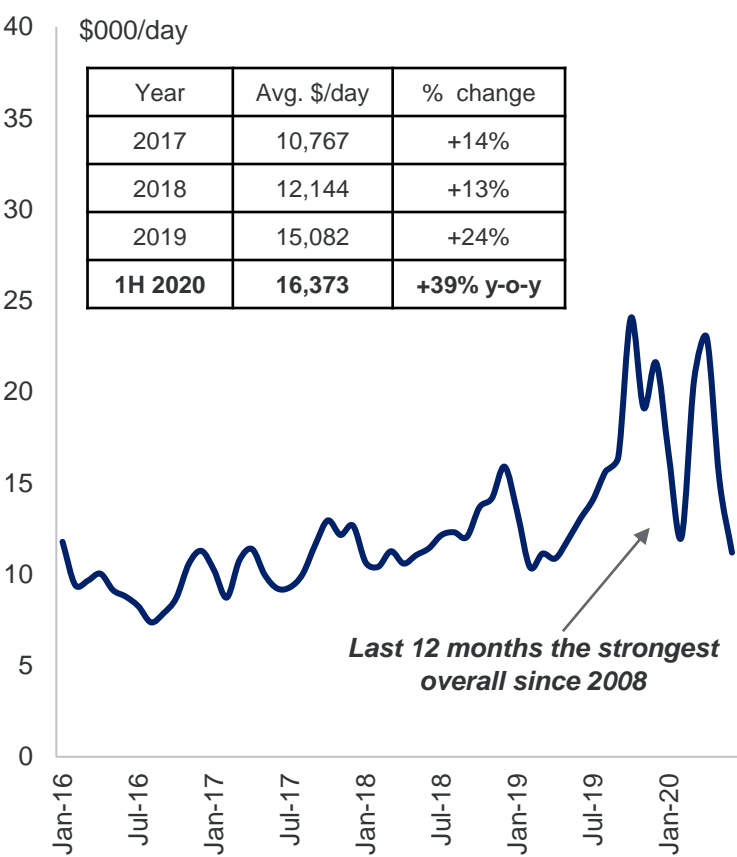


Source: Clarksons Research, UK DfT, WorldACD, IATA. Jul-20 represents data up to 26th July.

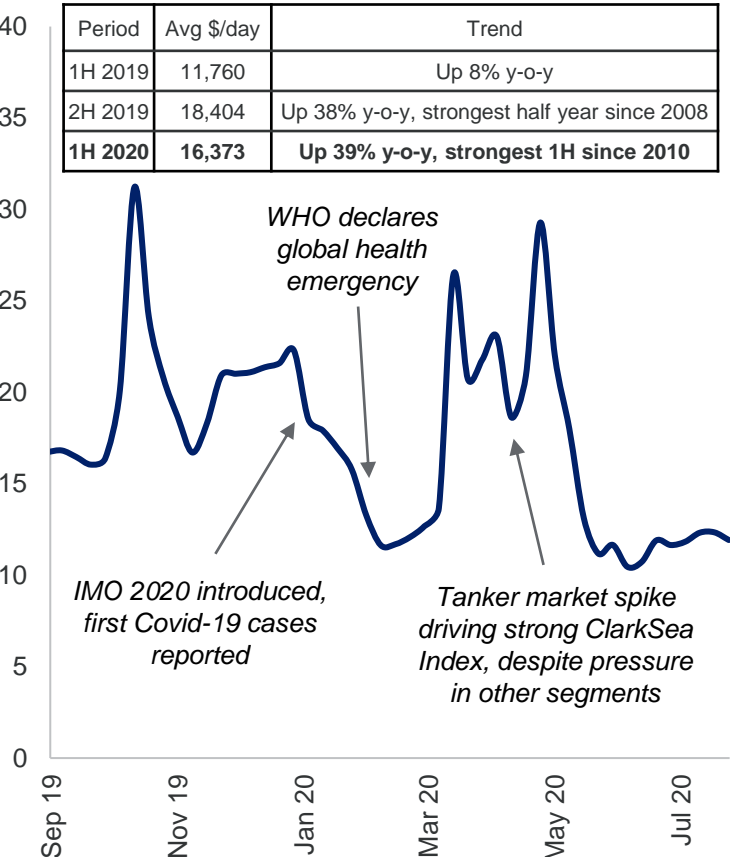
ClarkSea Index...

...strongest 1H ClarkSea for ten years driven by tanker floating storage, complexities around individual segments as disruption impacts...

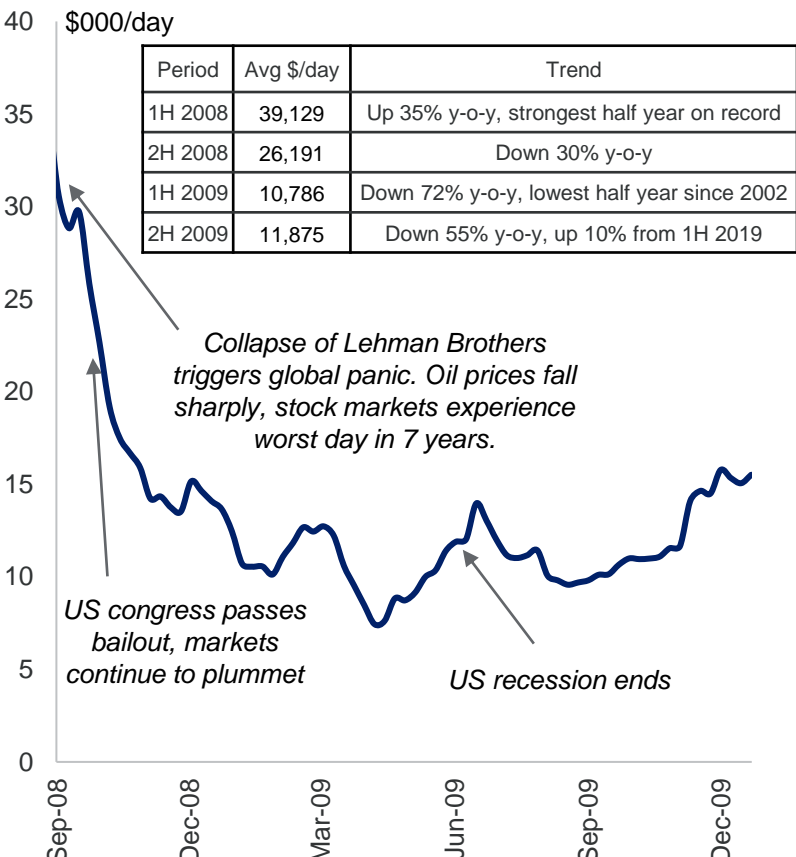
Improving Markets Since 2016...



Covid-19 Disruption...



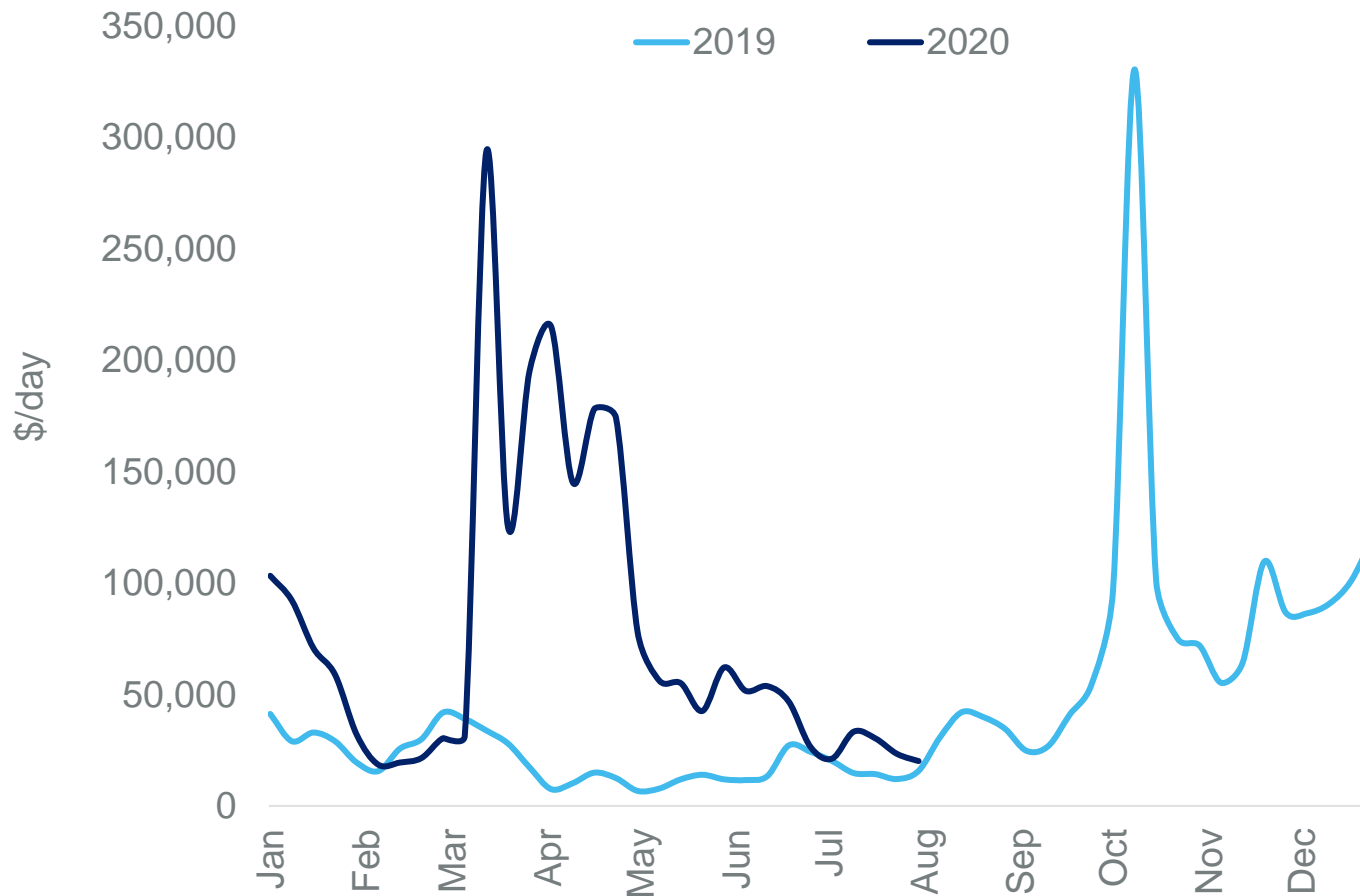
Events in 2008/09...



Source: Clarksons Research.

Tanker Market Developments

VLCC Spot Market Earnings (Middle East – China)



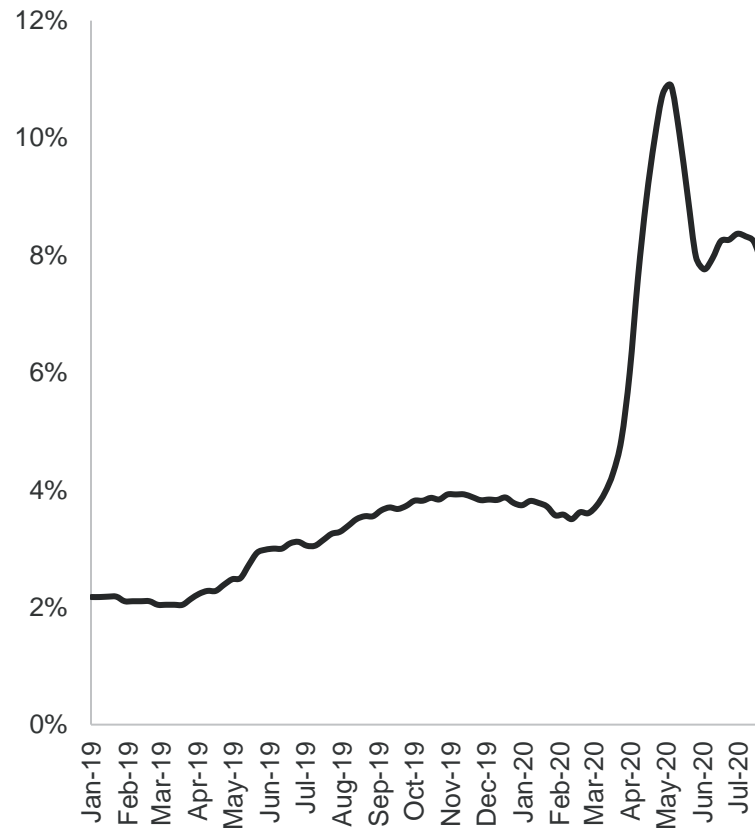
- Generally very strong and volatile tanker freight market in 1st half 2020.
- Freight rates expected to trade in a narrower range in 2nd half, however potential for further volatility remains.
- Oil demand, oil supply and refinery runs expected to rebound in the 2nd half, leading to rising trade volumes.
- Balance between recovering cargo volumes and likely reduction in floating storage will influence freight levels.

Source : Clarksons

...Shipping Segment Complexities...

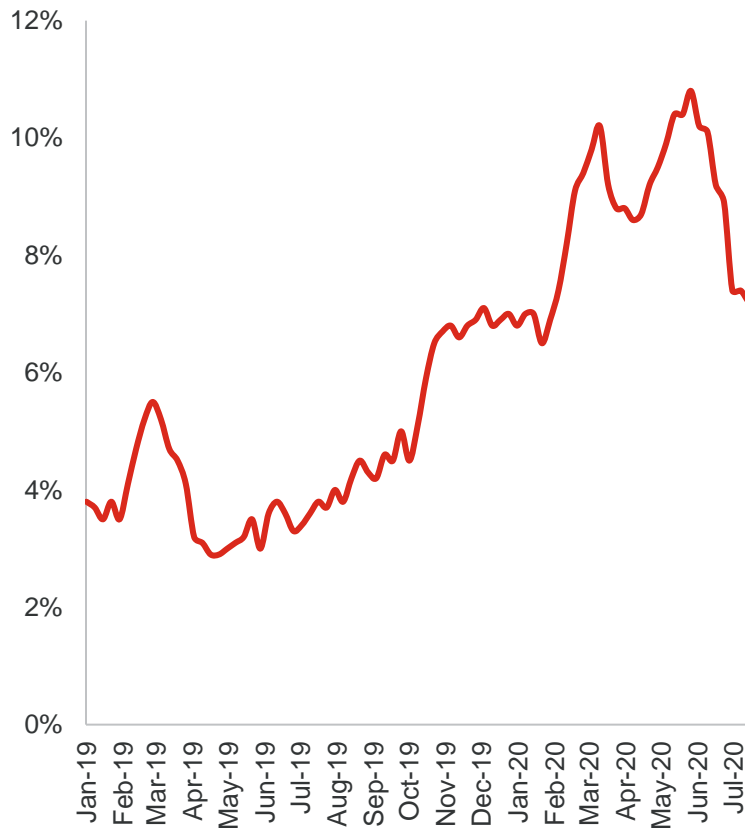
...floating storage peaks at 11% of fleet; containers idle peaks in May; congestion...

Tanker Storage, % Dwt



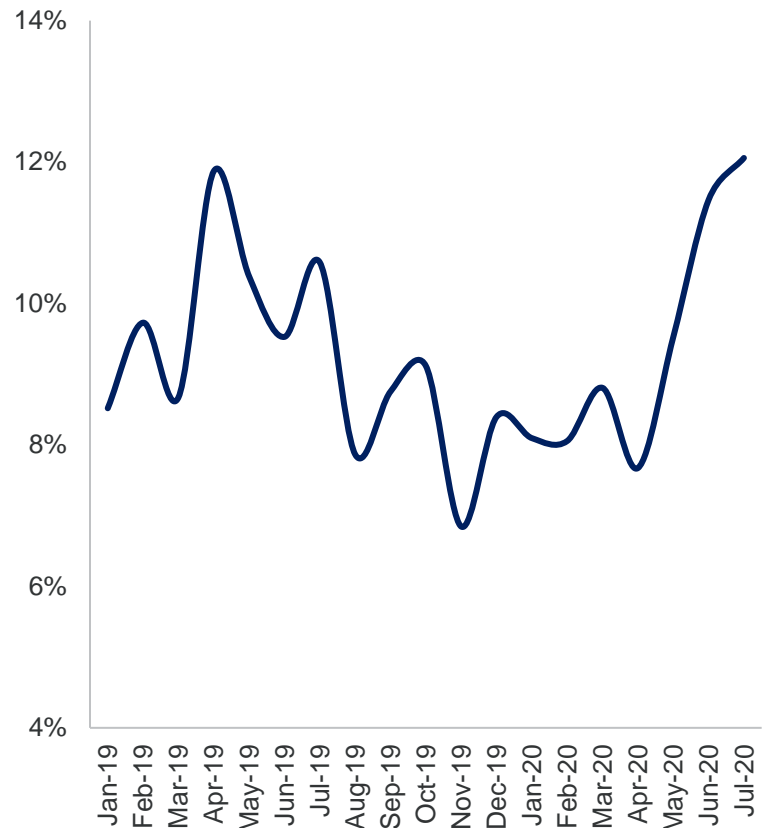
Source: Clarksons Research. Vessels believed to be employed in the storage of oil or oil products. This includes laden vessels that have been stationary for a period of 14 days+, as well as other vessels which are considered to be engaged in storage based on the latest available information. Criteria used to assess a vessel's status including location, duration in current location, voyage history and fixture history. Includes dedicated long-term storage.

Containership Idle Fleet, % TEU



Source: Clarksons Research. Idle containership time-series basis vessels not recorded with a speed >1 knot for 7 days or more, and includes vessels with laid-up status or undergoing scrubber retrofit.

Capesize Port Congestion, % of Vessels

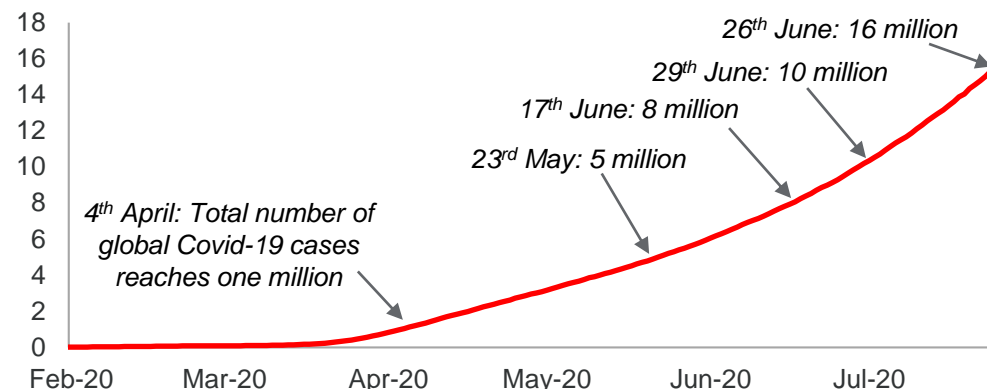


Source: Clarksons Research, industry sources. As at start of month specified.

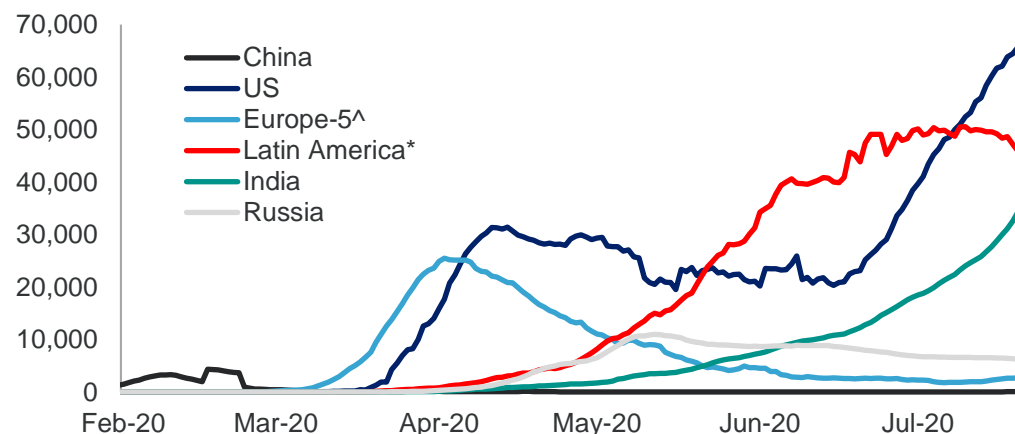
Covid-19 Spread vs Stimulus Measures...

...regional variation and second “wave” risk; >\$11tn stimulus globally...

Total Number Of Covid-19 Cases (millions)



No. Of New Daily Covid-19 Cases (7dma)



Source: World Health Organisation, IMF, Clarksons Research. Latin America* = Brazil, Chile, Mexico and Peru. Europe-5[^] = UK, France, Italy, Germany, Spain.

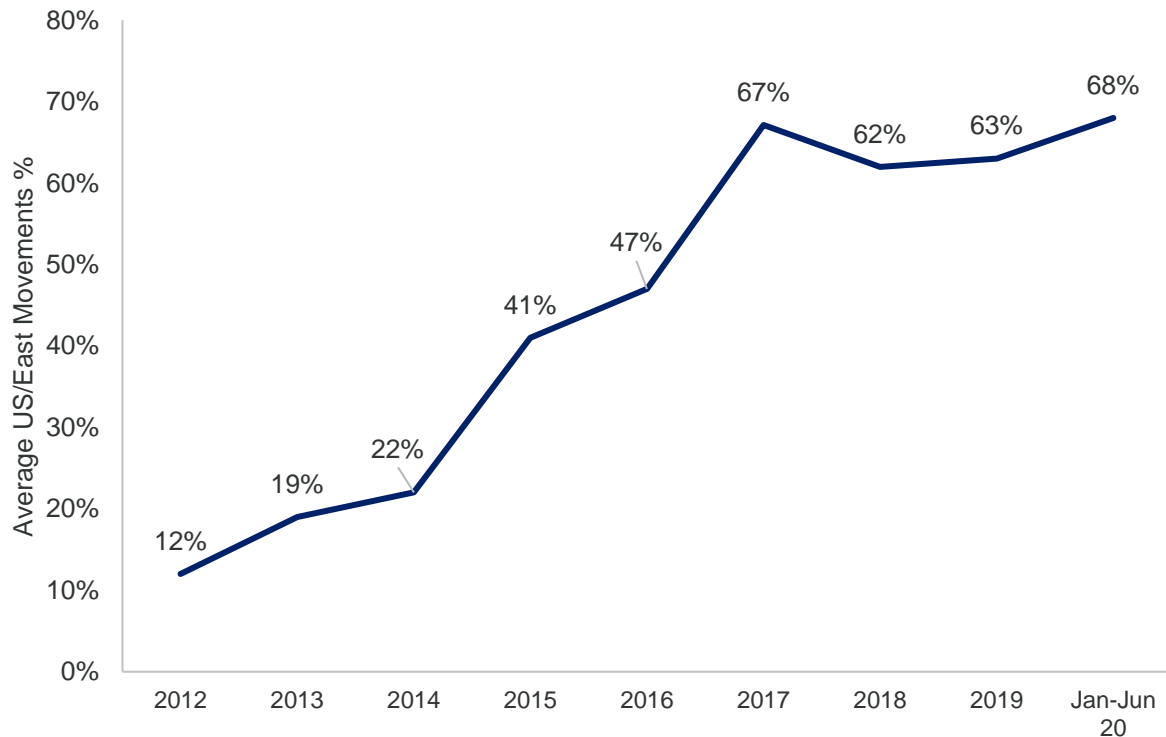
Selected Key Economic Stimulus Measures

Country/Region	Stimulus Measures
China	<ul style="list-style-type: none"> PBoC injected 5.1tn Yuan of liquidity into banking system; cuts to RRR rates. Government has encouraged lending to SMEs, delayed loan payments and encouraged bond issuance by corporates, support for housing industry by reduced regulations.
US	<ul style="list-style-type: none"> \$483bn Paycheck Protection and Health Care Enhancement acts. \$2.3tn+ in tax rebates, expanded unemployment benefits, loan guarantees, small business loans, and local government funding. Fed funds rate cut to near zero, support for equities, bonds and treasuries markets.
EU/Eurozone	<ul style="list-style-type: none"> Recent €750bn 'recovery fund' package on top of previous €540bn package which allocated 2% of countries' GDP towards health spending, €200bn support for corporate lending, €100bn to support workers and jobs. Overall measures from national governments (as part of temporarily flexible state aid rules) amount to €2.9tn of additional liquidity. €1.35tn asset purchasing programme by the ECB, as well as a raft of measures to support national banks.
UK	<ul style="list-style-type: none"> £16bn for healthcare, £29bn for business tax holidays and £8bn for social support; Government paying 80% of income for furloughed workers; bounce-back loan schemes for SMEs and business interruption loans for large companies. BoE increasing holding of government and corporate bonds by £200bn, £330bn of loans and guarantees to businesses. Interest rate cuts.
India	<ul style="list-style-type: none"> c.3% of GDP-worth of support for households and workers, healthcare infrastructure and businesses. Cuts to key interest rates and c.4% of GDP of increased liquidity, relaxation of rules around loan repayments and support for lenders.
Japan	<ul style="list-style-type: none"> 117tn Yen (21% GDP) emergency budget with support for healthcare, businesses, households and local governments. 20tn Yen (\$186bn) of additional purchases of corporate bonds.
GLOBAL	<ul style="list-style-type: none"> The IMF estimates that as of June 2020, governments around the world have committed \$11 trillion of fiscal support. Around half in the form of increased government spending and reduced tax revenue, and half in the form of liquidity support.

Pace of U.S. LPG Growth to Asia on the increase again

Tonne - miles supported by U.S-East volumes as Middle Eastern cuts take effect

2013–2020 YTD liftings



As US LPG exports continue to grow, more volumes are finding a home in the East where LPG import demand is healthy

Import demand supported by growth in domestic consumption and also demand from the Petchems sector when Naphtha/LPG price ratios shift in favour of LPG

Chinese PDH projects running at high utilisation levels since post lockdown as the economics prove favourable

Additionally, new PDH projects and Ethylene crackers to start up in 2H20 which will be reliant upon imported LPG

Indian LPG import requirement stimulated by the Government introduction of free LPG cylinders to poorer households – beneficiaries have until end September to redeem their entitlement

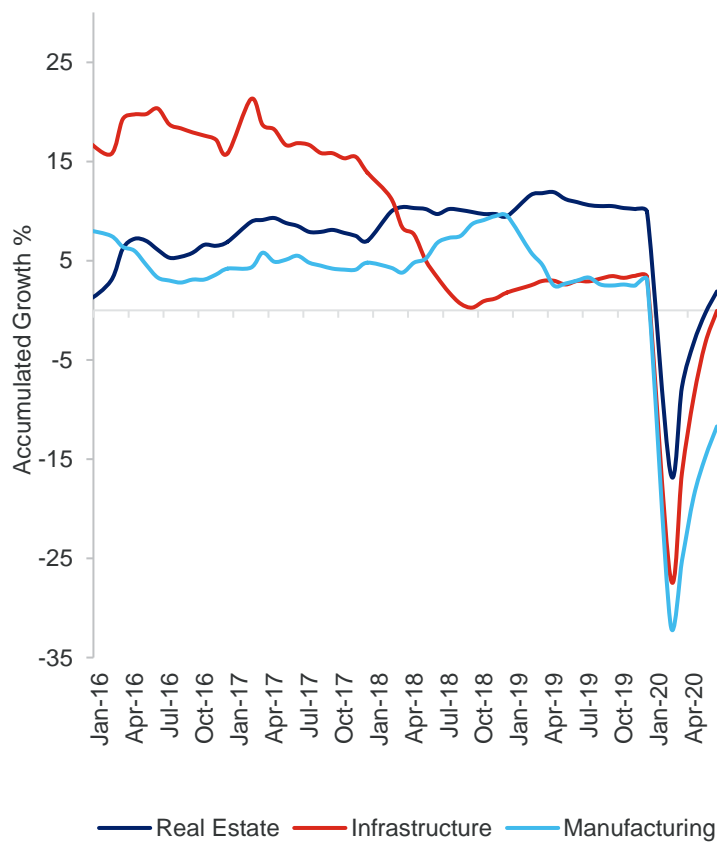
Shortfalls in Middle Eastern supply will help support tonne-miles as more volume will have to be drawn from the West in order to cover Asian import demand

Data Source: Clarksons | Note: **VLGC export volumes from 2017 onwards are based on vessels that departed a U.S. port within the specified month.**

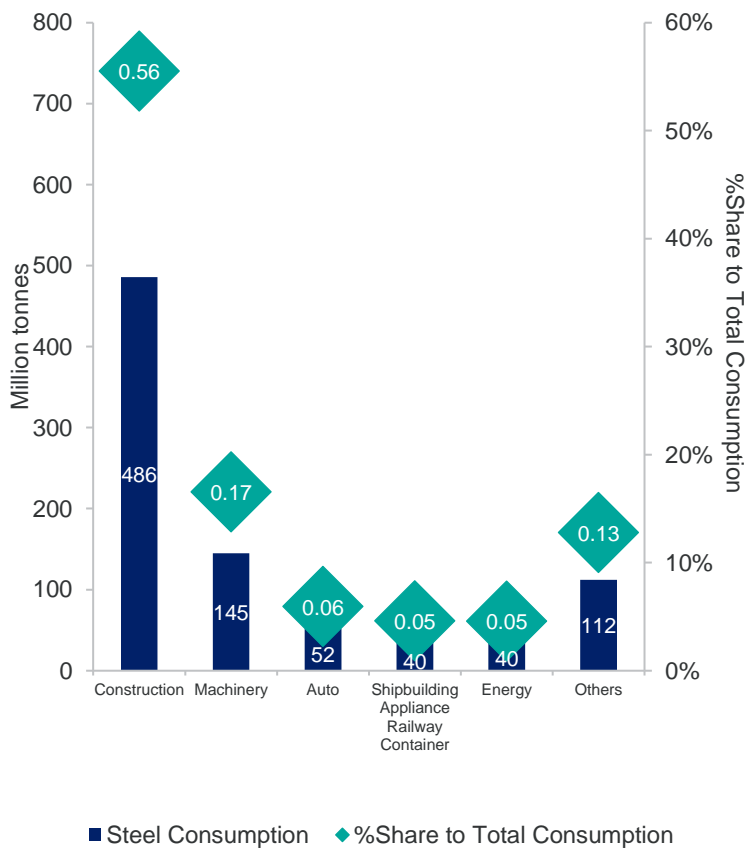
China Steel Demand Fundamentals

Strong underlying demand supports iron ore price and imports

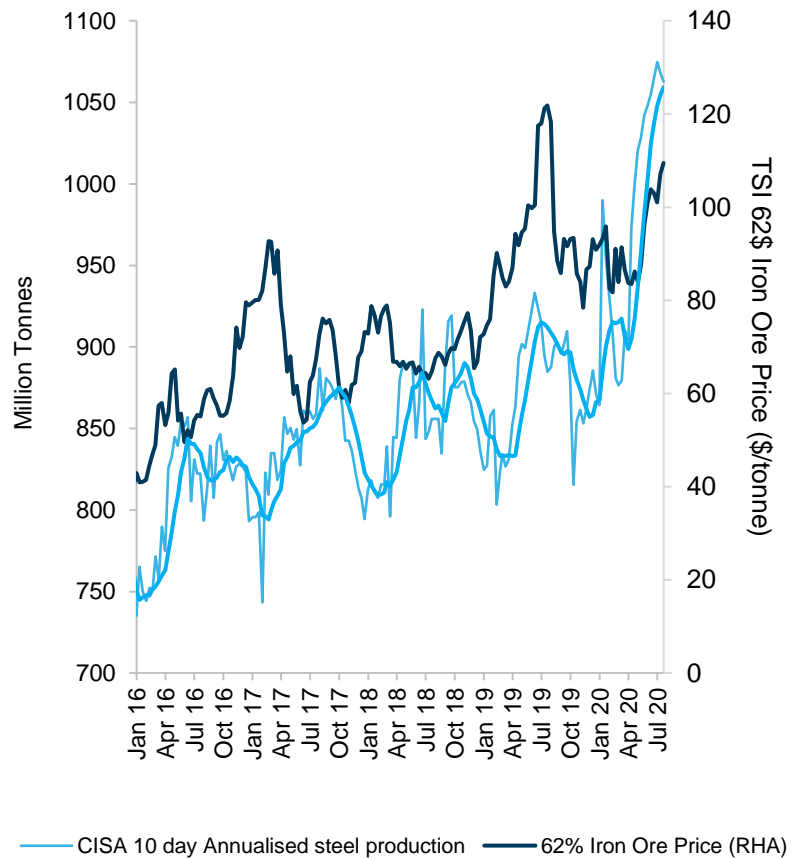
Fixed Asset Investment Growth



China Steel Use in 2019



Iron Ore Prices and 10 day Steel Production

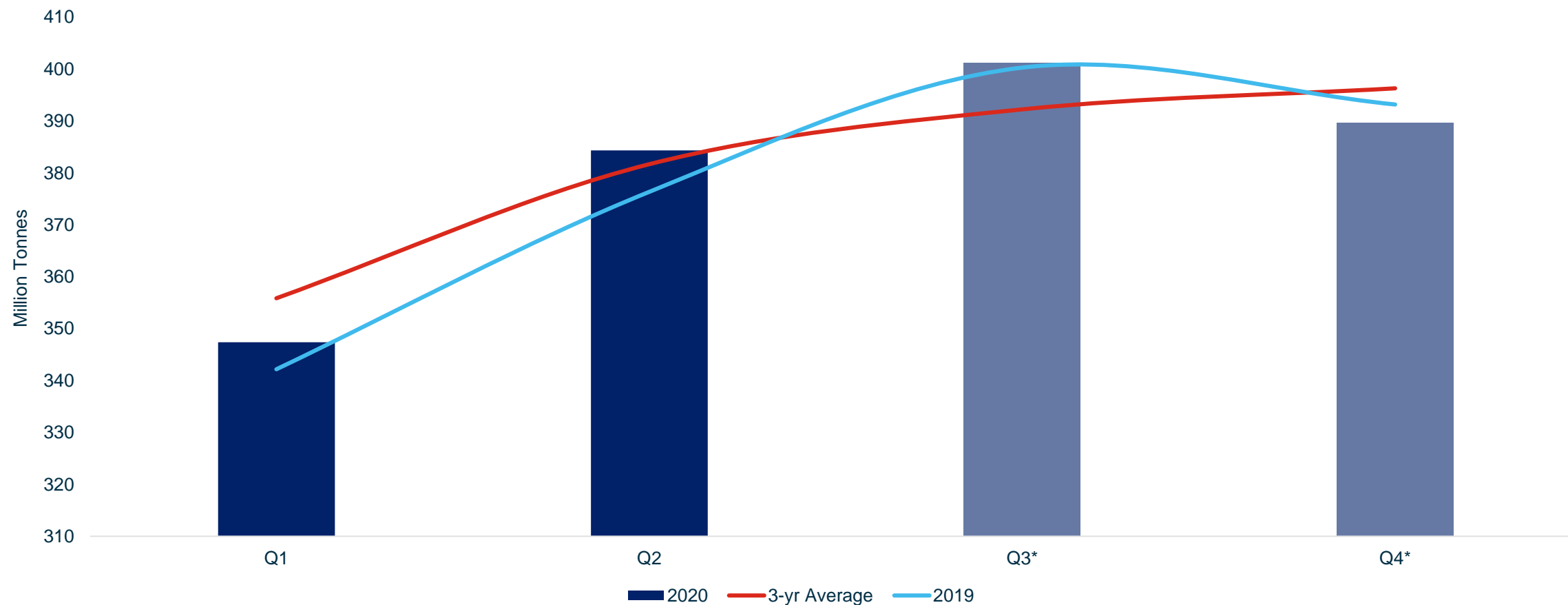


Source: NBS of China, CISA

Iron Ore Seaborne Trade: Ramping up since June

Prolonged weather and pandemic affected seaborne shipments during first half

Quarterly Iron Ore Seaborne Trade



Source: GTIS, IHS

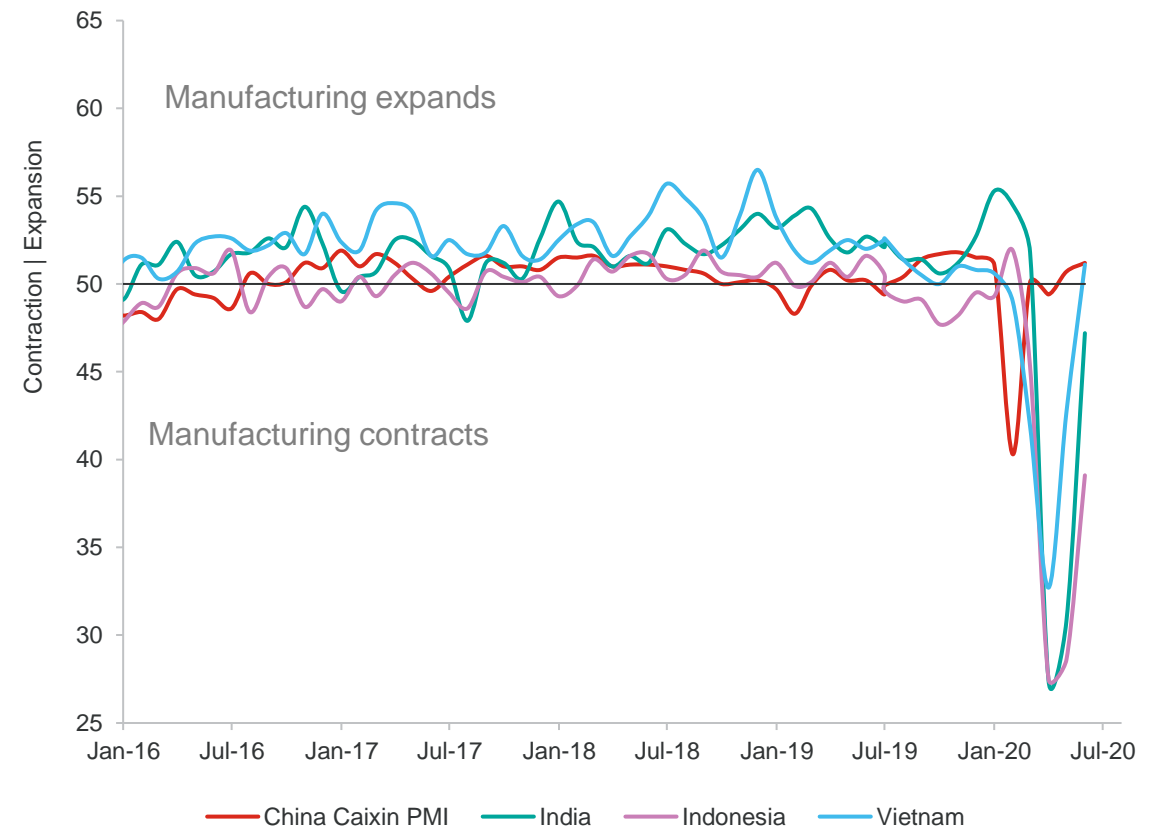
Asian Economies - PMI

Manufacturing PMIs, construction sector came under sharp pressure but now turning around

- SE Asian economies emerge from restrictive measures with construction restarting. PMIs improve in May / June.
- Share of imported steel demand in construction sector for Philippines & Vietnam > 80%. Indonesia & Malaysia ~ 60%. Thailand < 60%.
- Major ASEAN economies have implemented large macroeconomic policies to mitigate Covid-19 impact:
 - Malaysia and Thailand have implemented economic support packages equivalent to around 17% and 13% of GDP
 - Indonesia and Philippines have announced sizeable fiscal stimulus packages ranging around 3-5% of GDP.
 - Philippines ramps up infrastructure investments to help further support the economy
- Auto manufacturers cut projections for 2020. Thailand's (ASEAN's leading carmaker) vehicle production to drop up to 50% this year.
- Construction materials: steel, cement, aggregates expected to see recovery in trade 2H20.

Source: Refinitiv

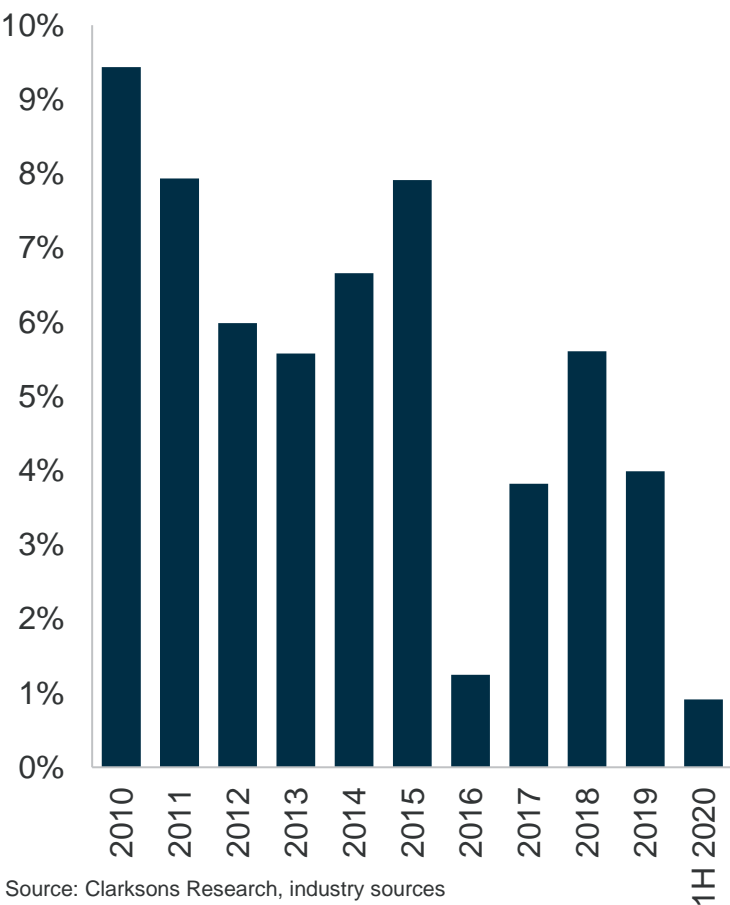
Selected Asia Manufacturing PMIs



Containership Supply Remains Manageable

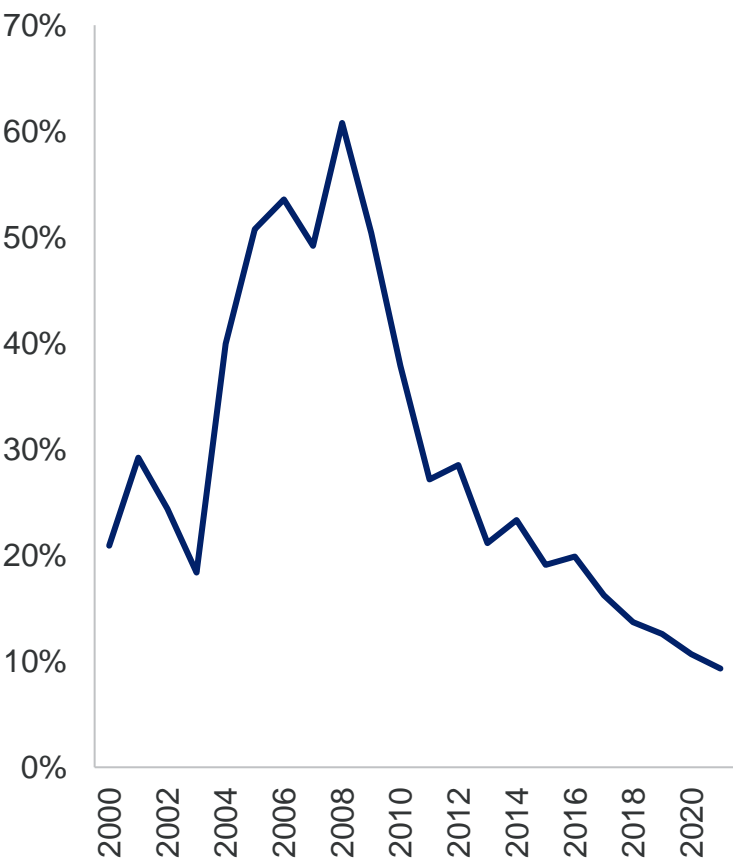
Capacity growth limited; idle capacity used to manage supply, now easing

Containership Fleet Capacity Growth

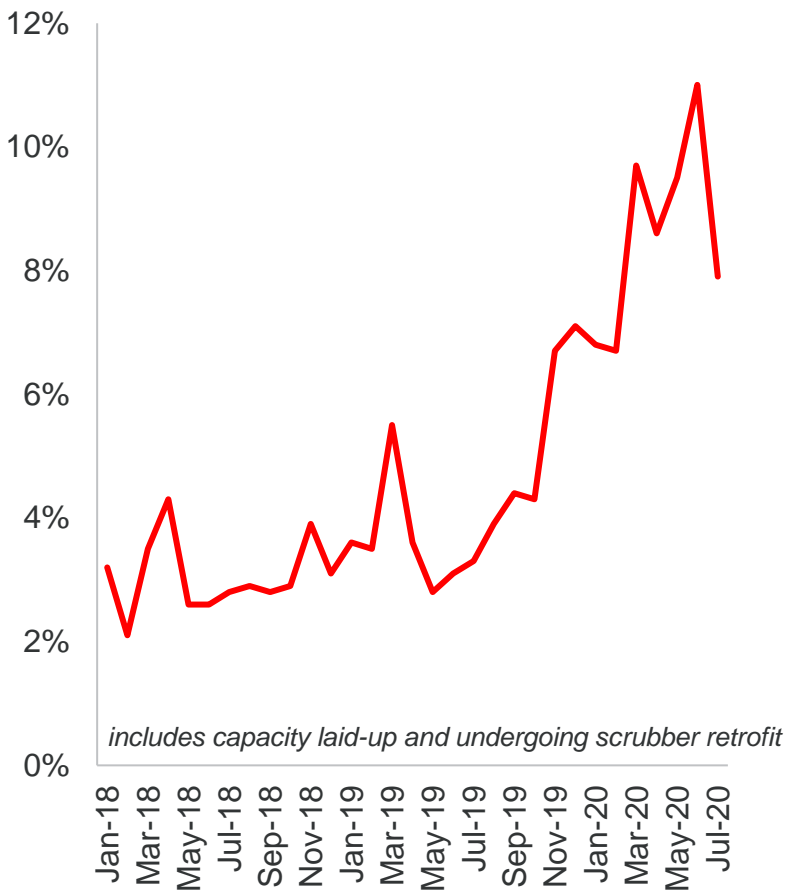


Source: Clarksons Research, industry sources

Boxship Orderbook % Of Fleet, TEU



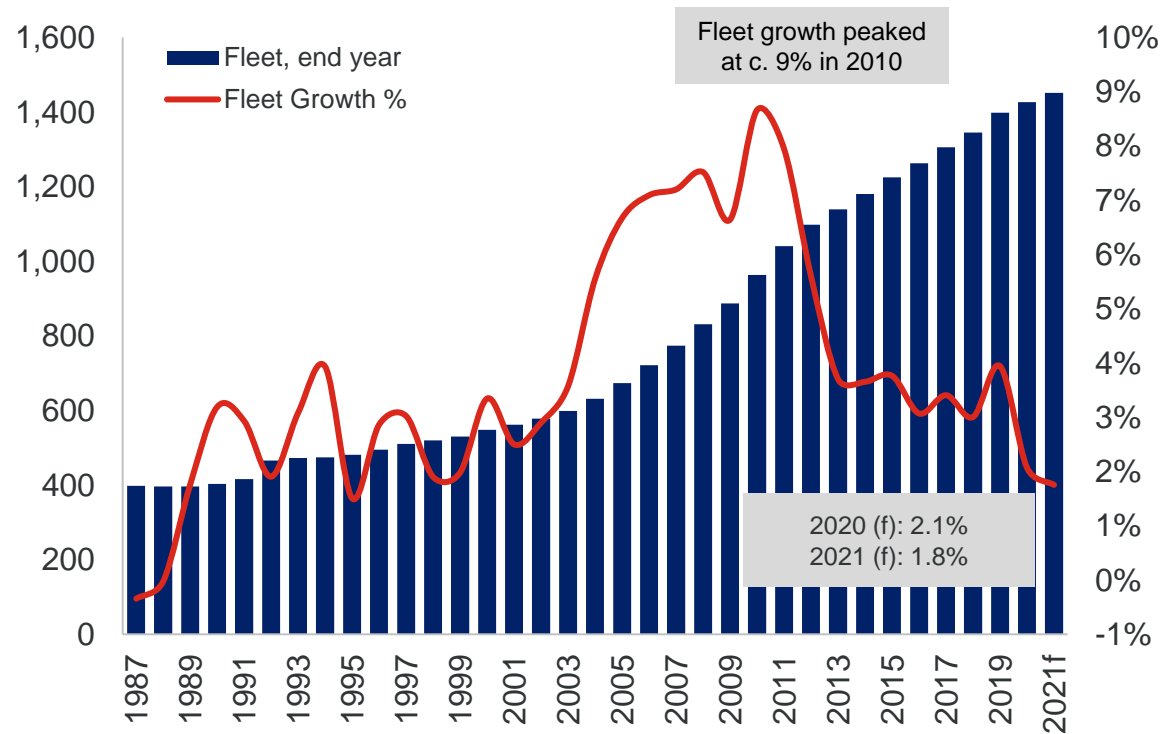
Idle Containership Capacity, % Fleet TEU



...Fleet & Orderbook Development...

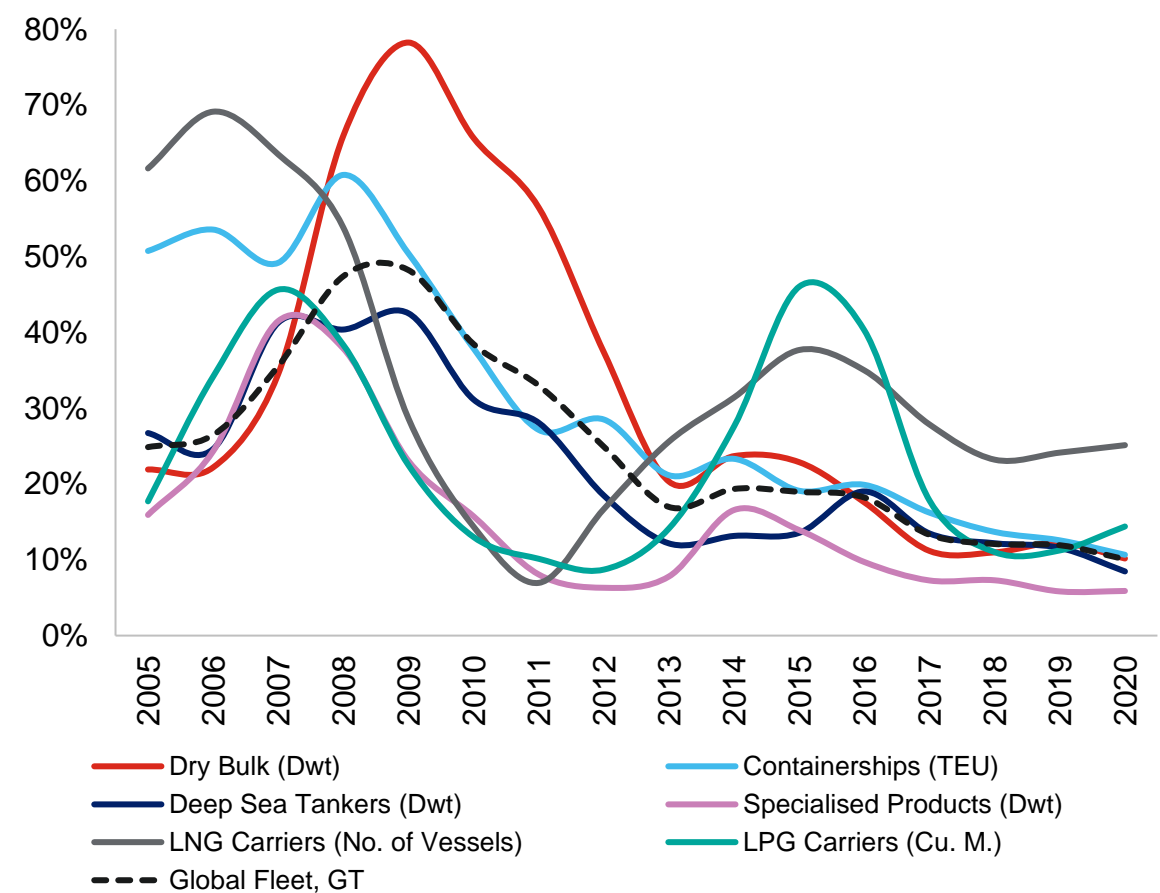
... fleet growth “manageable”: orderbook “shorter” at just 9% of fleet versus >50% in 2008; S&P and demolition activity picking up from April low ...

Development of World Fleet, million GT



- world fleet 65% larger than 2008
- 35% more cargo being moved than 2008

Orderbook as % of fleet – lowest for 20 years

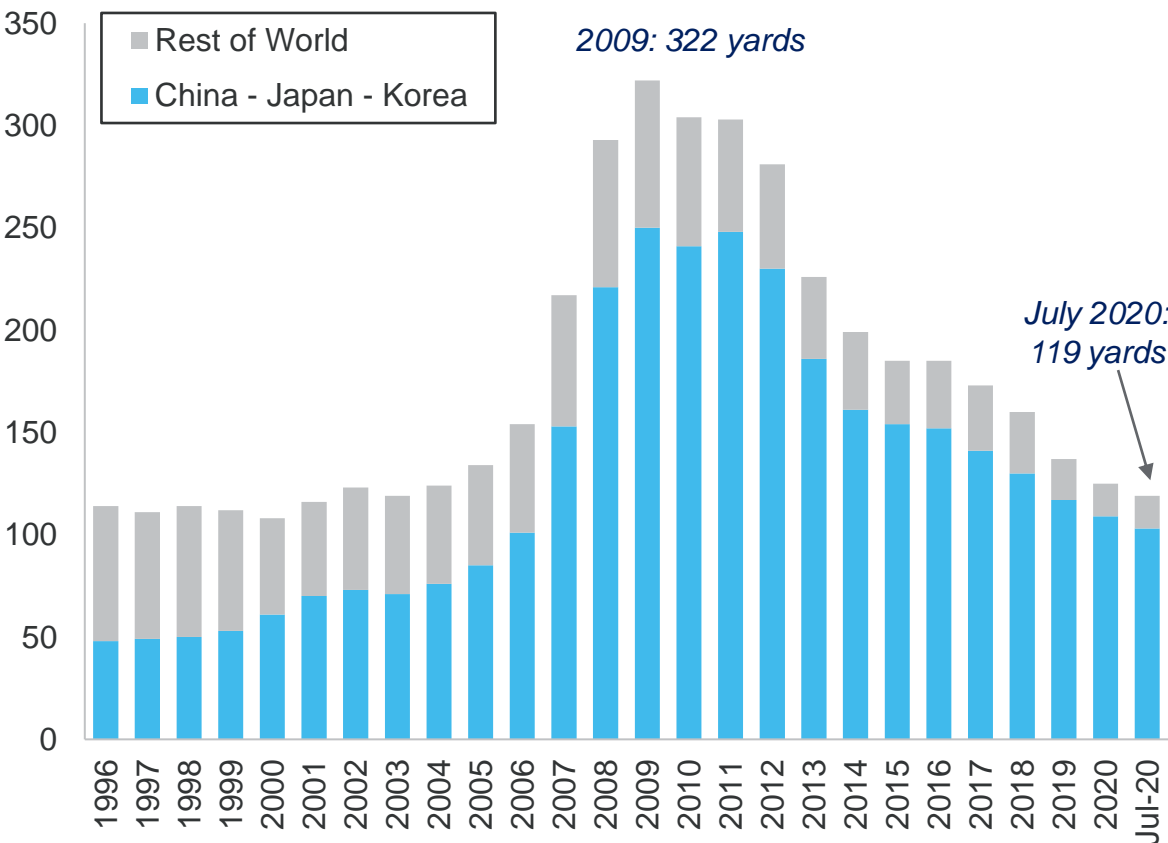


Source: Clarksons Research, July 2020

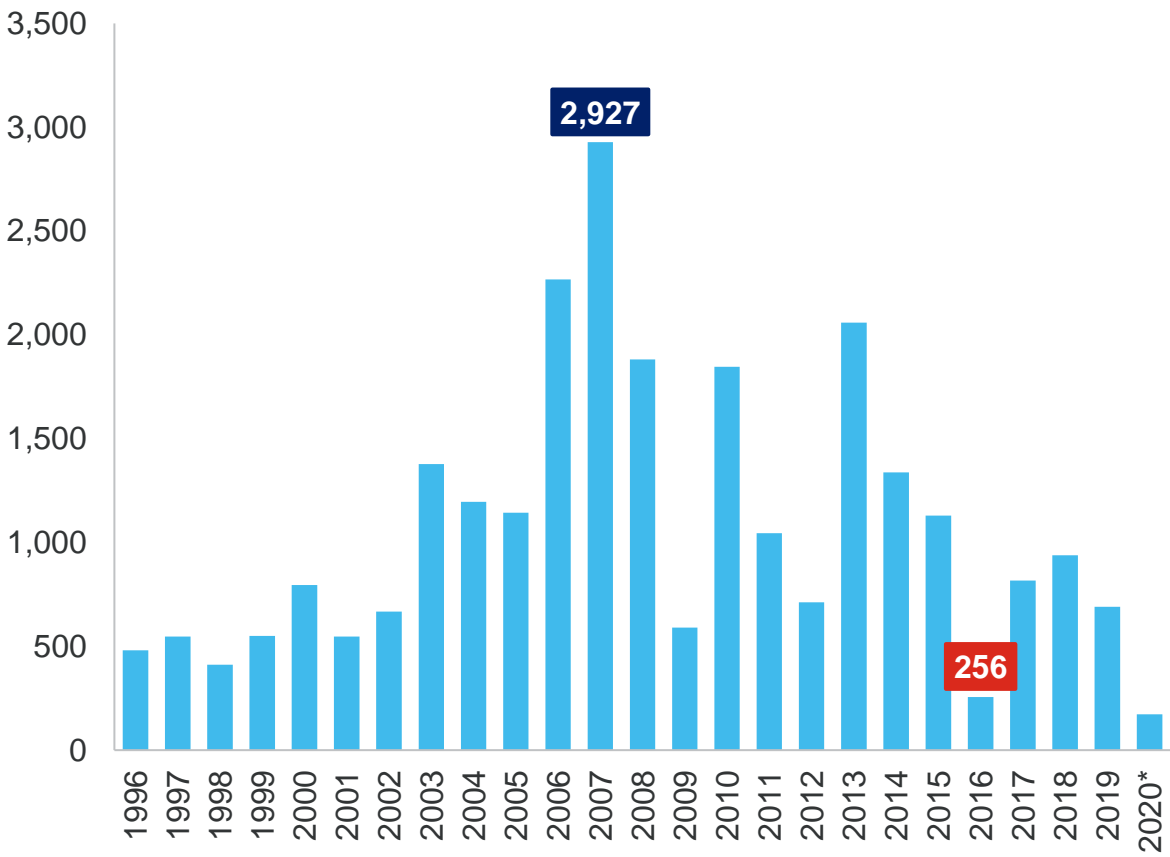
Shipyards & Contracting....

....newbuild ordering return to historic lows; shipyard capacity continues to consolidate...

No. Of Active Yards



No. Of Global Newbuilding Orders

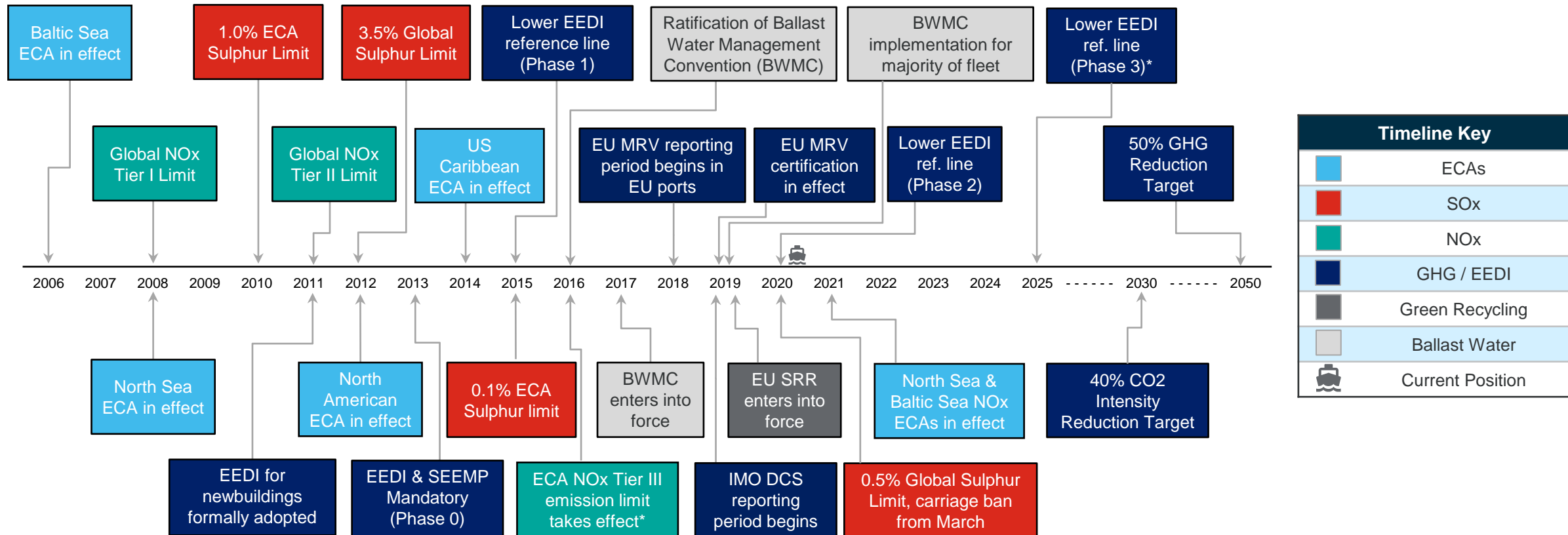


Source: Clarksons Research. Data as of 1st July 2020. Retrospective changes to number of orders may occur due to late reporting and other factors. Number of yards with at least one vessel of 20,000+ dwt on order.

Source: Clarksons Research. Data as of 1st July 2020. Retrospective changes to number of orders may occur due to late reporting and other factors. Vessels of 20,000+ dwt. *2020 year to date basis January-July ordering.

Environmental Pressures building...

...IMO targets 50% CO2 reduction by 2050; regulatory timeline accelerating; technology uncertain; Green Transition still ...

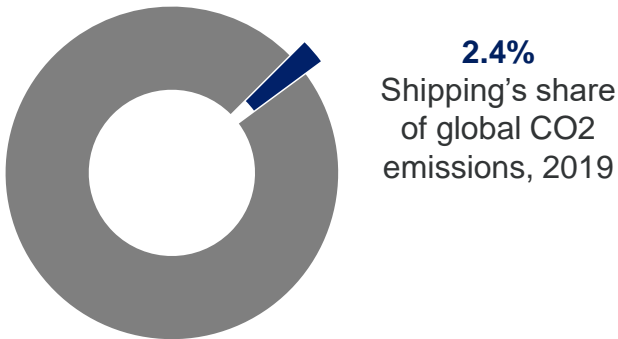
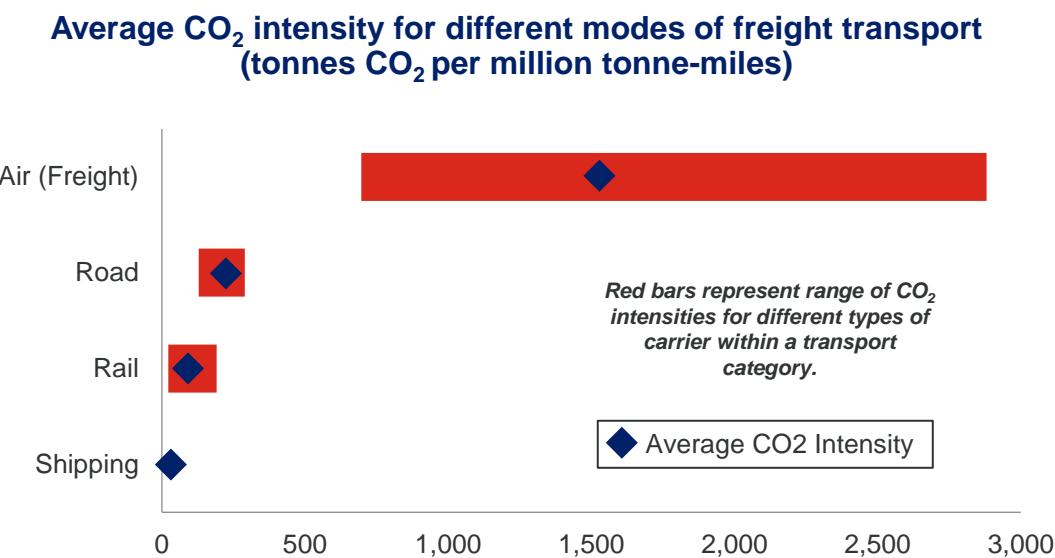


Source: Clarksons Research, July 2020. *EEDI phase 3 requirements brought forward to 2022 for gas carriers, general cargo ships and containerships.

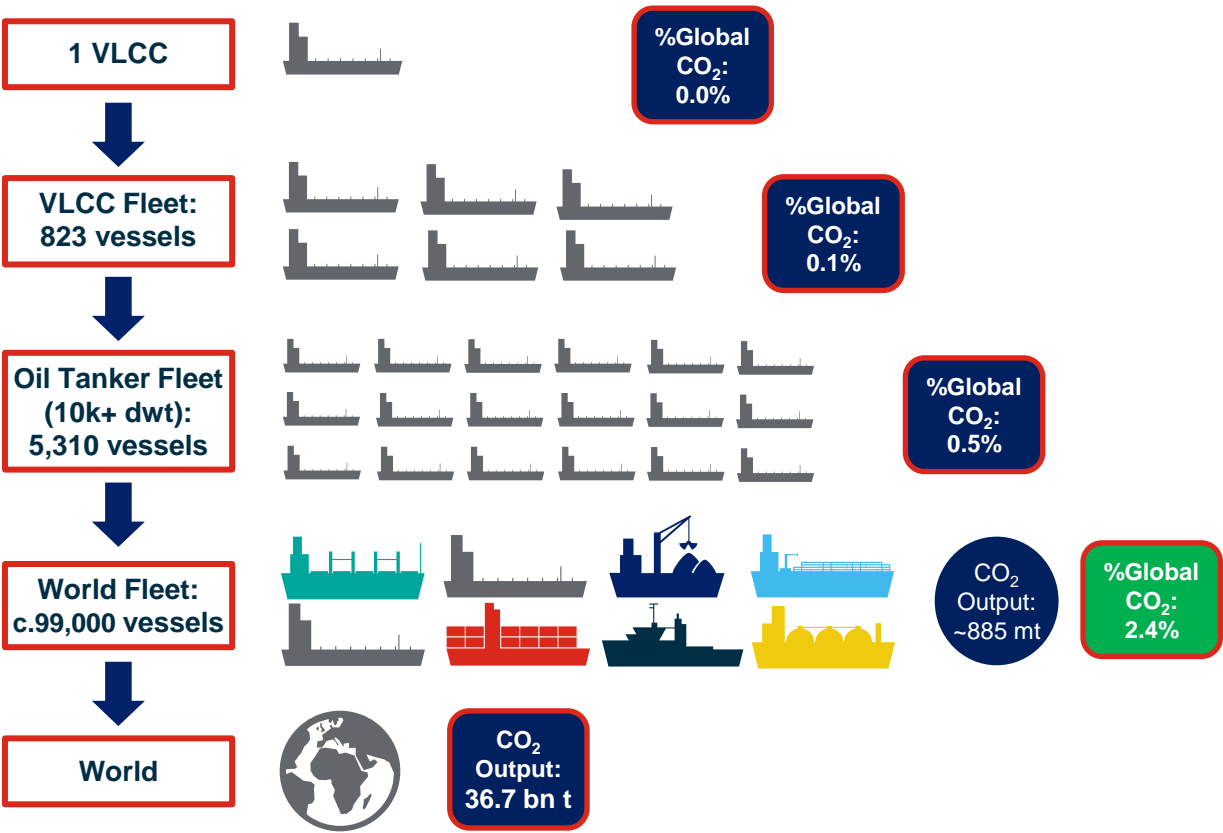
Note: The 75th meeting of the IMO's Marine Environment Protection Committee (MEPC) was originally scheduled in March-April 2020 but has been postponed due to Covid-19.

Shipping's Carbon Footprint...

...shipping 2.4% of global CO₂, but still the most carbon efficient mode of transport



Carbon footprint per annum of VLCCs, Tankers and Shipping as a share of global CO₂ emissions

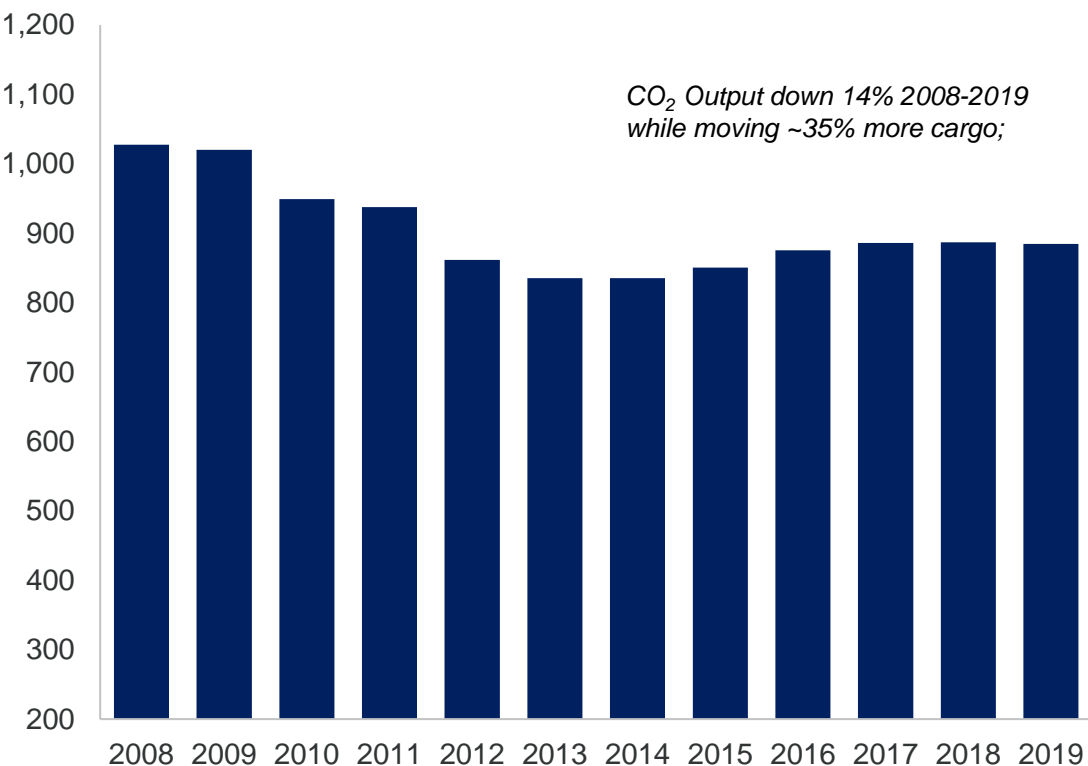


Source: Clarksons Research, IMO, IATA, Global Carbon Project. CO₂ Intensity refers to tonnes of CO₂ emitted per million tonne miles of trade. Shipping CO₂ intensity calculated basis average global merchant fleet (100+ GT) as per Clarksons Research models.CO₂ intensities for Rail, Road and Air freight basis averages of a range of estimates provided in the IMO 2nd GHG study, 2009. Red bars extend from the lowest estimate provided to highest estimate provided in the IMO 2nd GHG study, 2009. Note: total CO₂ emissions for airline industry includes passenger as well as freight industry. All CO₂ output statistics are based on annual figures. CO₂ output for VLCC and tanker fleets are calculated basis a 'modern' c. 2010 built vessel. Total shipping CO₂ output and global CO₂ output volumes basis estimates for 2019.

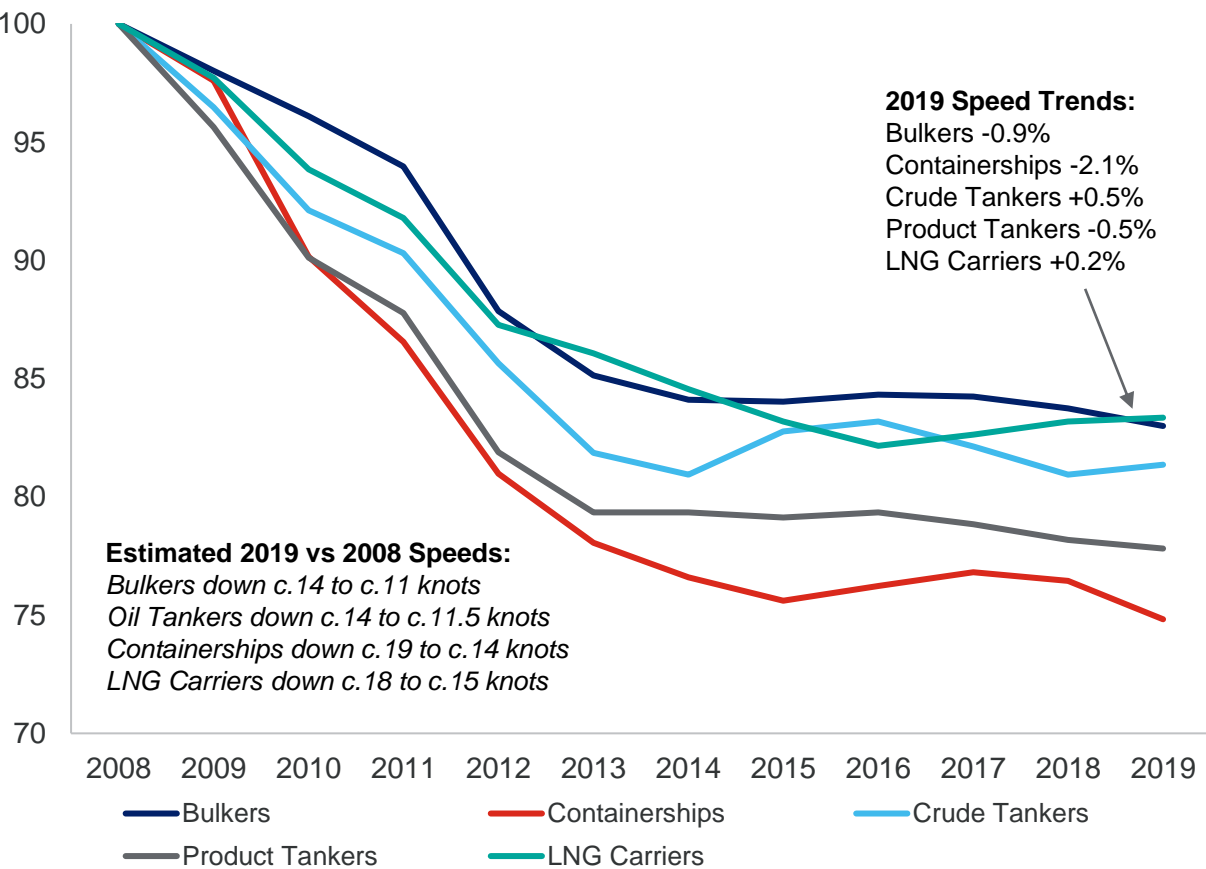
Reductions in CO₂...

...despite moving 35% more cargo and driven by speed reductions

Est. World Shipping Fleet CO₂ Output, m. tonnes



Average Vessel Speed Indices 2008-2019: down ~17%

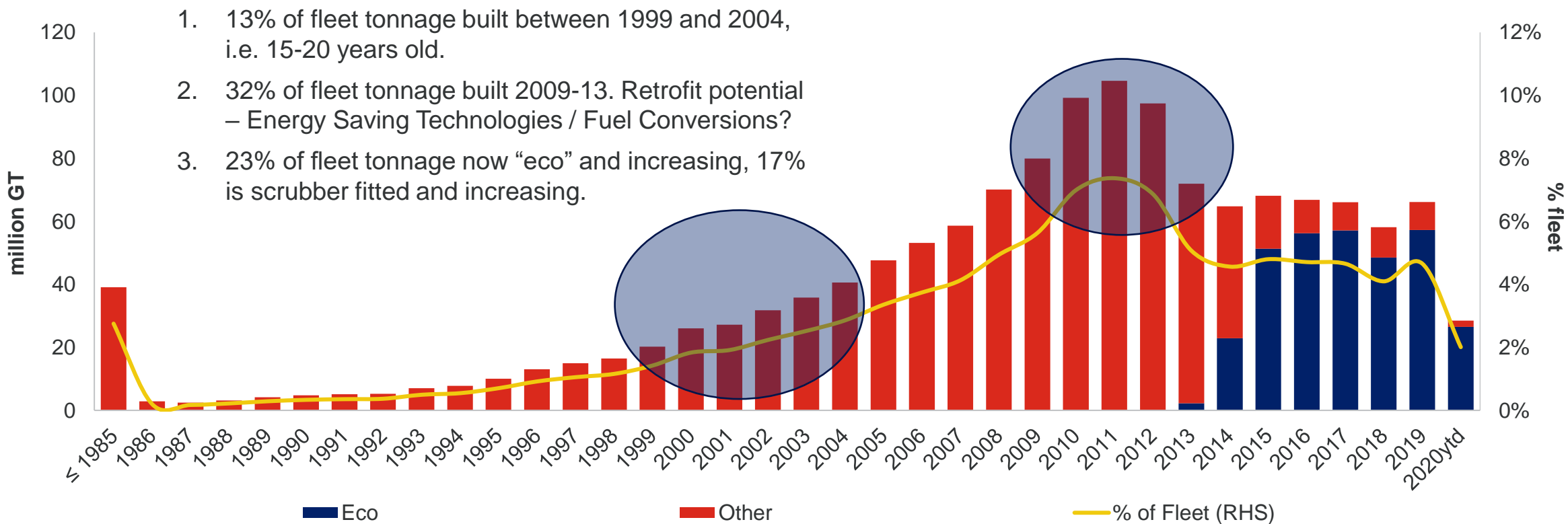


Source: Clarksons Research.

Fleet Renewal & Fuel Transition...

...demolition ages reducing and retrofit potential...

World Fleet by Year of Delivery

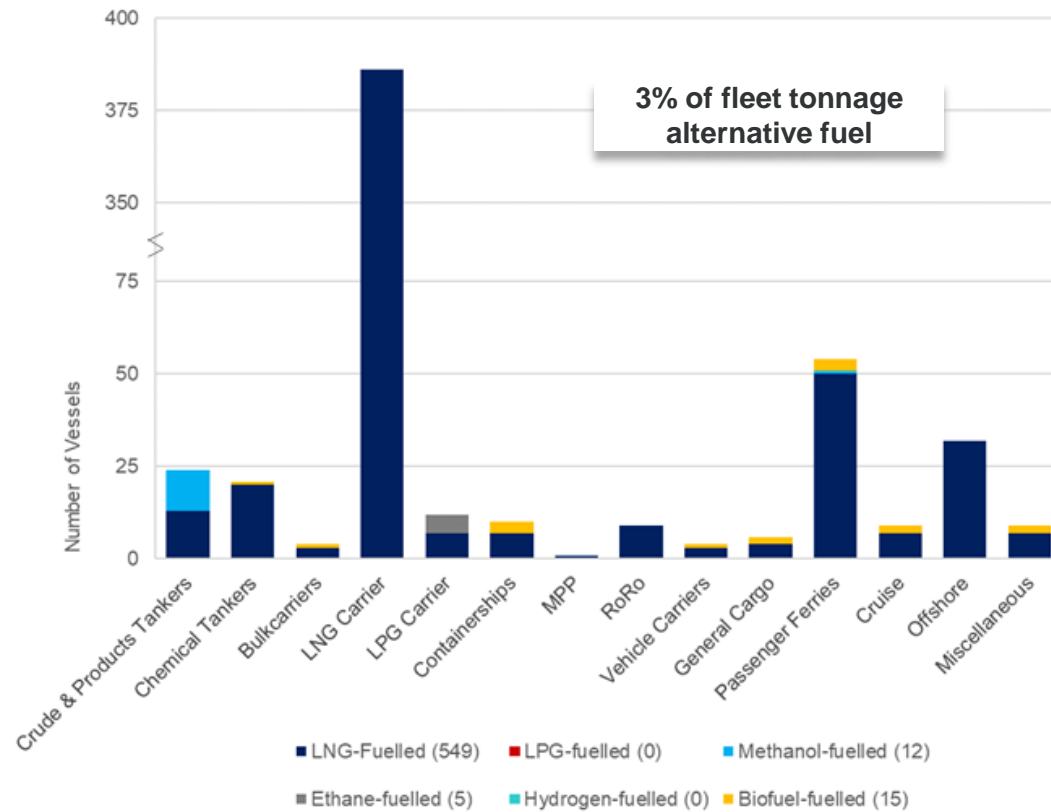


Source: Clarksons Research, July 2020. “Eco” – defined as vessel with electronic main engine contracted after Jan 2012.

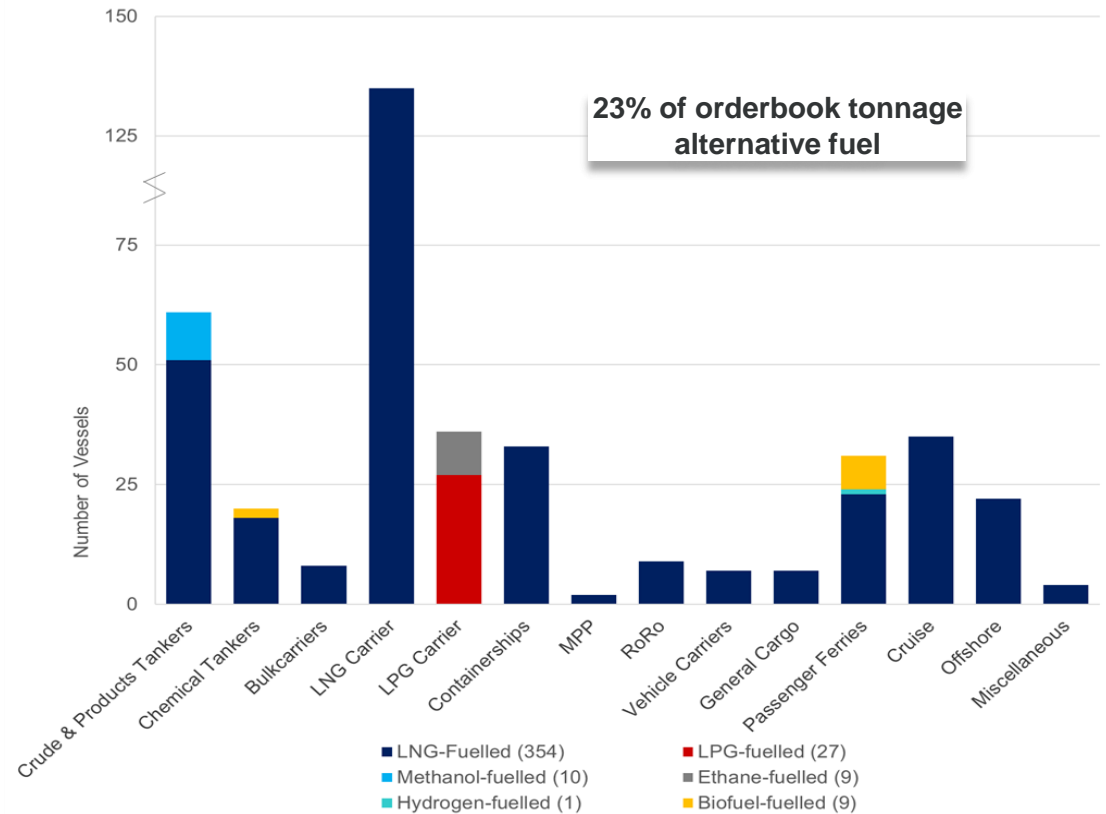
...LNG Fuel gaining traction...

...but no clear winner as the “solution” fuel...

Existing Vessels (2,000+ GT) already burning Alternative Fuels



Orderbook (2,000+ GT) to be burning Alternative Fuels

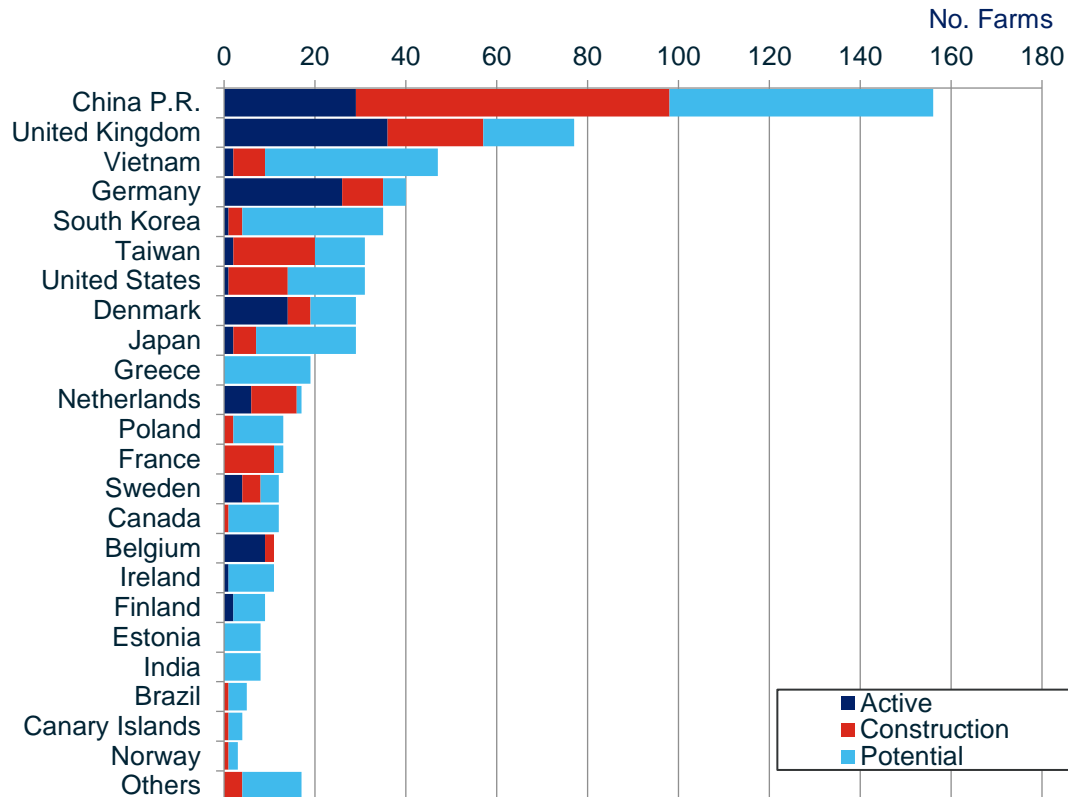


Source: Clarksons Research, Data As Of July 2020

...Offshore Wind Industry Growth Accelerating...

...10 year growth in MW capacity averages 24% as Energy Transition develops...

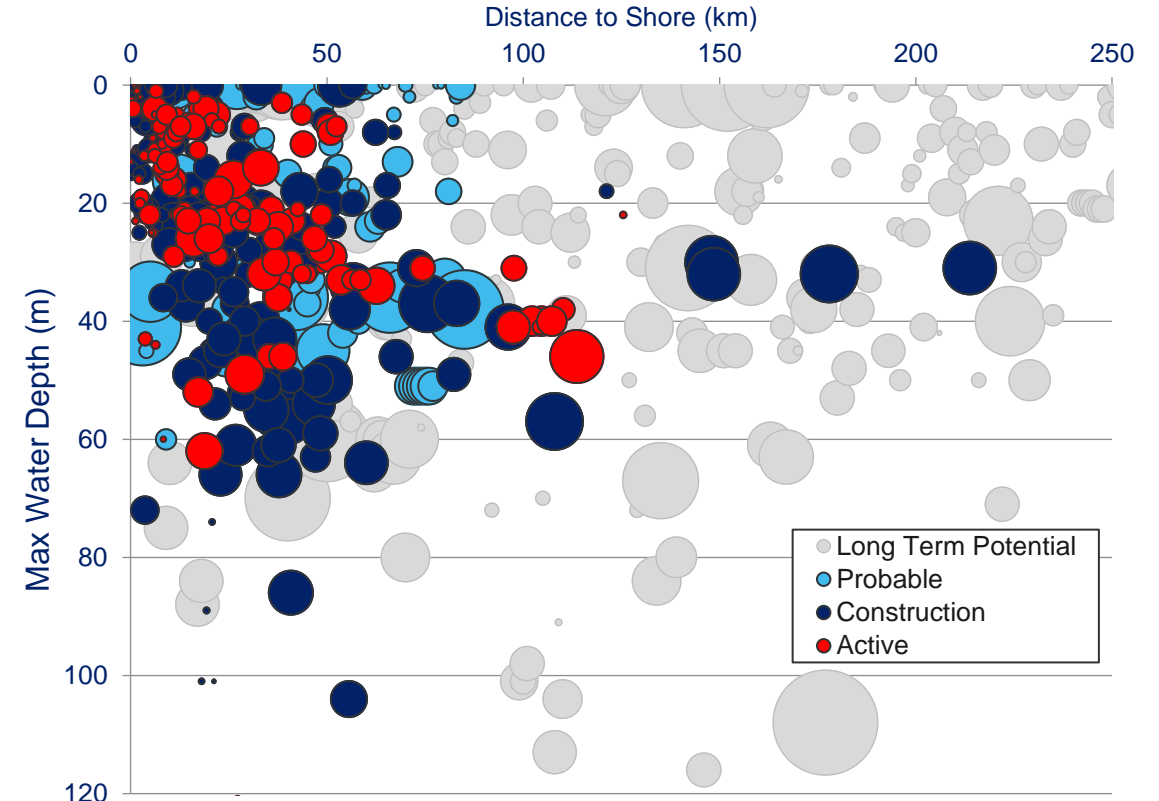
Internationalisation Of The Offshore Wind Industry



Data Source: Clarksons Research

Source: Clarksons Research, 2020.

Deeper And Further From Shore



Data Source: Clarksons Research

The area of the circles is proportional to total power output in MW

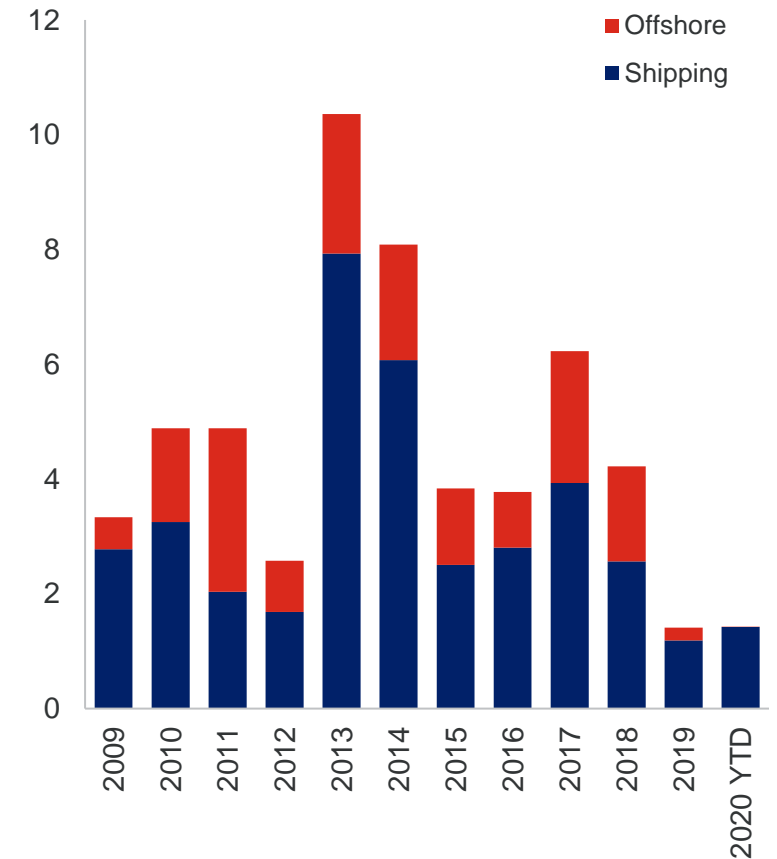
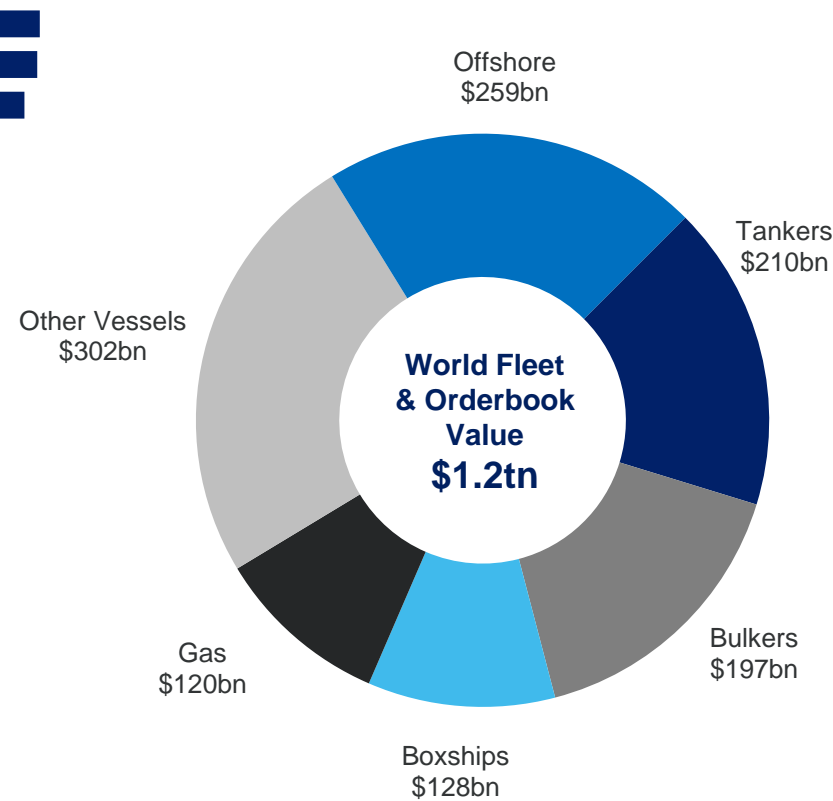
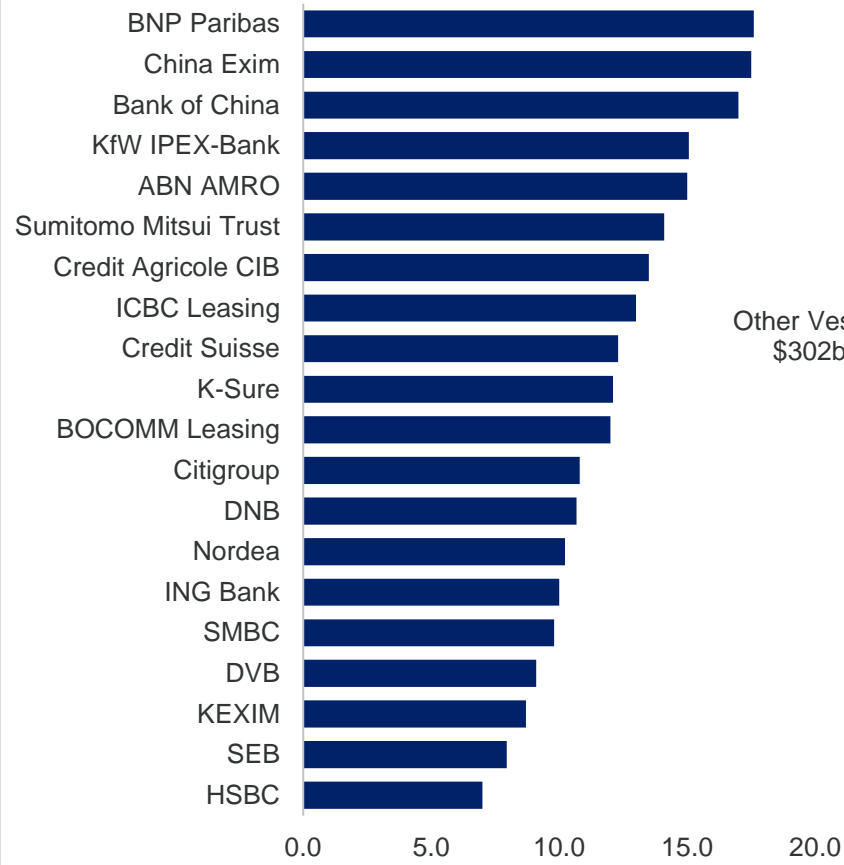
...Financing requirements...

...significant changes in financial landscape and now “Green Transition” focus...

Est. Portfolio Size at end 2019, \$bn

Value of The World Fleet & Orderbook

Capital Raised on NY & Oslo Exchanges, \$bn

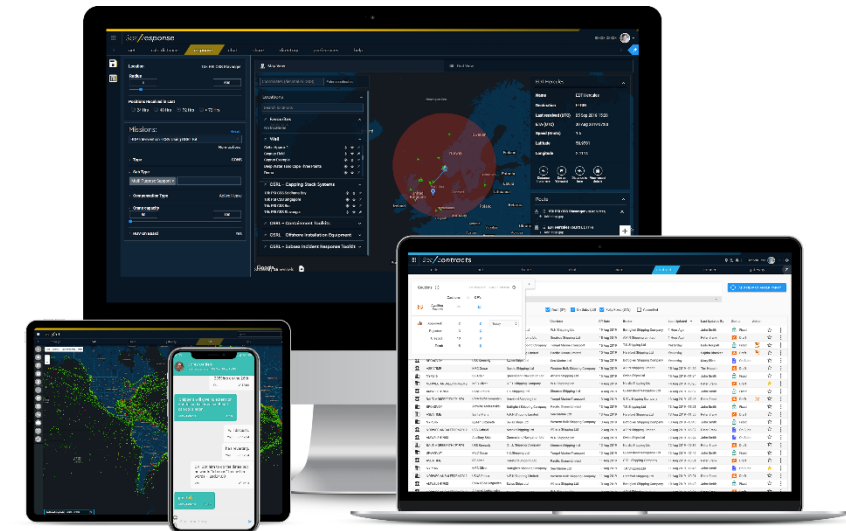


Portfolio size source: Clarksons Research / Marine Money / Petrofin / Industry Sources, March 2020. Value of fleet & orderbook as at start July 2020. Capital Raised includes IPOs, Initial OTCs and Follow-ons, YTD up to start July.

Technology...

Trends to amplifying post Covid-19

- **Sea/contracts** now reached critical mass in Dry Cargo, Tankers, Containers and Sale & Purchase
- **Sea/net** proving itself as the leading AIS provider for vessel, port, cargo and commodity data
- **Sea/chat** handling significantly increased volumes of messages since lockdown
- **Sea/gateway** functionality now expanded to service customers across all chartering verticals
- Extensive interest across entire end to end suite of modules in the **Sea/** platform, from all transaction participants - charterers, owners, traders and brokers
- A significant number of key market leaders now using the platform
- A range of additional modules in development for roll out in Q4
- Integration with other vendor systems now well advanced



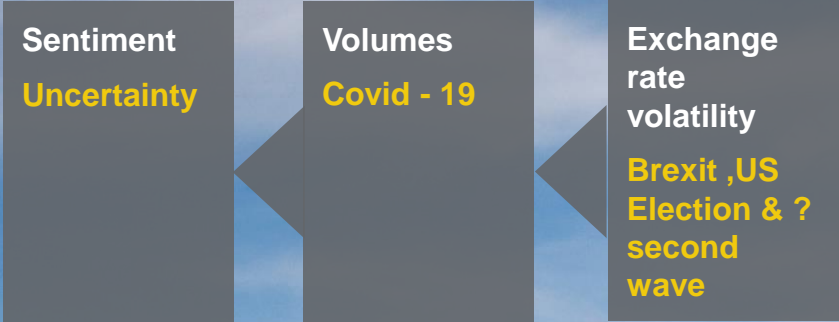
Outlook



Financial Outlook

Tailwinds vs Headwinds

Headwinds...?



Tailwinds



Thank you



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