

Results Presentation

31 December 2020

Andi Case and Jeff Woyda
8 March 2021



Clarkson PLC



Agenda

1 Financial results

2 Markets

3 Outlook



-
- Robust financial performance ahead of market expectations
 - Strong performance in broking more than offset weakness in financial services
 - Continued strong free cash flow generation
 - 18th consecutive year of dividend growth
 - One-off, non-cash impairment charge of £60.6m
 - Forward order book going into 2021 is larger than at the same time last year
 - Robust balance sheet with free cash resources of £81.1m (2019: £68.7m)
 - Rapid transition to remote working expedited rollout of our **Sea/** products to clients
 - Medium-term macro environment for shipping favourable as demand / supply dynamics set to improve post pandemic
 - Well-positioned to support the green transition in shipping and benefit from the expected economic and global trade recovery

Financial results

Jeff Woyda
Chief Financial Officer and
Chief Operating Officer



Results summary to 31 December

	2020 £m	2019 £m	
Revenue	358.2	363.0	-1.3%
Underlying profit before taxation (Before exceptional items and acquisition related costs)	44.7	49.3	-9.3%
Underlying earnings per share (Before exceptional items and acquisition related costs)	106.0p	118.8p	-10.8%

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Exceptional items*	(60.6)	(47.5)	
Acquisition related costs	(0.5)	(1.6)	
(Loss)/profit before taxation (After exceptional items and acquisition related costs)	(16.4)	0.2	
Underlying earnings per share (Before exceptional items and acquisition related costs)	106.0p	118.8p	-10.8%

* Exceptional items relate to goodwill impairment charges, which are non-cash items and have no impact on distributable reserves.

Segmental performance

Revenue, profit and margin

	Revenue 2020 £m	Revenue 2019 £m	Profit 2020 £m	Profit 2019 £m	Margin 2020	Margin 2019
Broking	282.6	283.0	55.4	55.5	19.6%	19.6%
Financial	33.9	35.5	2.5	3.3	7.4%	9.3%
Support	24.9	27.7	1.7	3.1	6.8%	11.2%
Research	16.8	16.8	5.6	5.4	33.3%	32.1%

Balance sheet

at 31 December

	2017 £m	2018 £m	2019 £m	2020 £m
Tangible fixed assets	33.3	29.3	28.9	28.6
Intangible fixed assets (software only)	1.5	5.4	9.9	15.6
Investments (relating to convertible bonds)	-	6.7	6.7	5.5
Investments (other)	4.9	4.8	4.8	2.9
	39.7	46.2	50.3	52.6
Working capital	8.8	18.9	14.0	10.4
Net available funds	79.1	73.4	84.7	95.4
	87.9	92.3	98.7	105.8
Pensions	12.3	14.0	11.0	12.0
Deferred tax	4.6	2.2	3.1	1.8
Leases	(9.2)	(8.1)	(10.8)	(11.1)
Net assets before intangibles	135.3	146.6	152.3	161.1
Intangibles (excluding software above)	288.1	288.0	228.3	167.3
Net assets	423.4	434.6	380.6	328.4

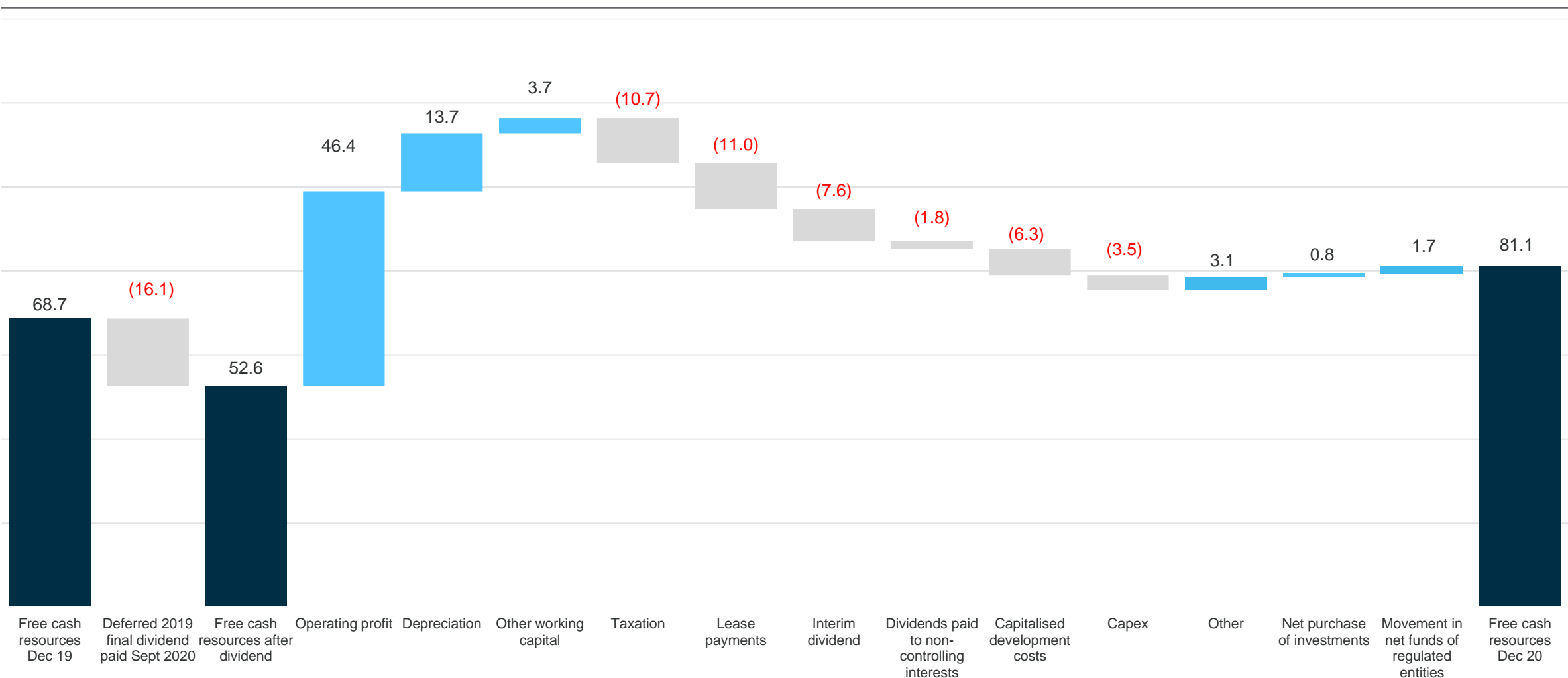
Trade debtors at 31 December

	2020 £m	2019 £m	Increase/ (decrease)
0-3 months	51.5	52.9	(1.4)
3-12 months	8.7	9.4	(0.7)
	60.2	62.3	(2.1)

Net available funds and free cash resources

	31 December 2020 £m	31 December 2019 £m
Cash and cash equivalents	173.4	175.7
Interest-bearing loans and borrowings	(0.1)	(1.2)
Current investment deposits	22.8	2.4
Net cash equivalents	196.1	176.9
Reserved for bonus (full cost)	(100.7)	(92.2)
Net available funds	95.4	84.7
Held by regulatory businesses	(14.3)	(16.0)
Free cash resources	81.1	68.7

Movement in free cash resources



Sea/ related IT costs

to 31 December

	2020 £m	2019 £m
Items taken to income statement		
Non capitalised items (Sea/ only)	(5.4)	(4.3)
Amortisation	(0.5)	(0.3)

	2020 £m	2019 £m
Software-related intangible asset as at 1 January	9.8	5.4
Additions	6.3	4.7
Amortisation	(0.5)	(0.3)
Software-related intangible asset as at 31 December	15.6	9.8

Technology

Key advances

Capital Markets Day to showcase the Sea/ platform on 21st April, 2021

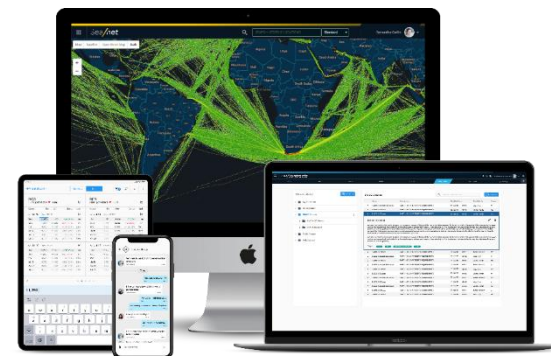
Client benefits include **execution, risk mitigation, improved efficiency, workflow digitisation, cost reduction, better control, focussed communication, smarter decisions**

Modules

Sea/net	AIS vessel tracking
Sea/futures	Futures pricing
Sea/calc	Calculations tool
Sea/analytics	Analytics for marine movements and commodity flows
Sea/schedule	Scheduler for cargo and freight
Sea/trade	Negotiation and execution
Sea/chat	IM with intelligent bots
Sea/contracts	Contract management platform
Sea/audit	Audit trail and compliance
Sea/gateway	On water monitoring and KPI's
Sea/share	Secure document sharing

Brokers
Fixtures
Significant progress

Dec 20 v Dec 19 +51.8%
Dec 20 v Dec 19 +54.4%
Q1 2021



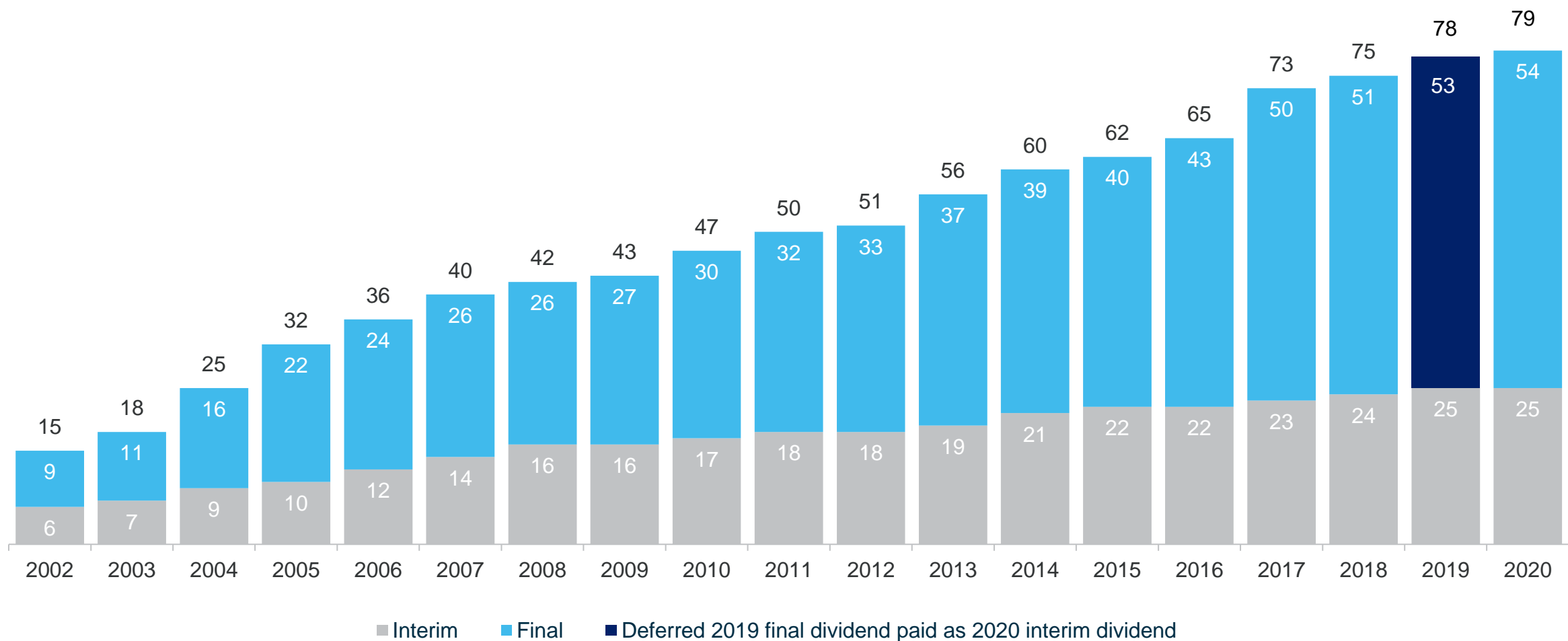
Forward Order Book (FOB)

for invoicing in the following year

	2020 for 2021 US\$m	2019 for 2020 US\$m
Directors' best estimate of deliverable FOB	116	113

Dividend history

18 years of progressive dividend



Markets

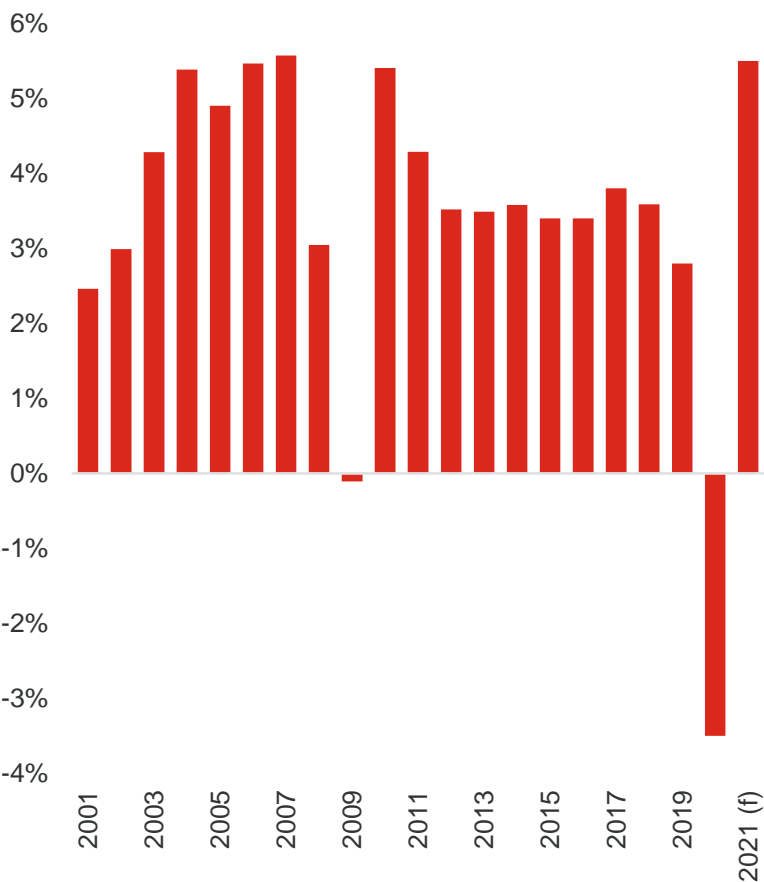
Andi Case Chief Executive Officer



Economic Impacts...

...deep economic impact; strong recovery in shipping's biggest market China; regional recovery and complexities...

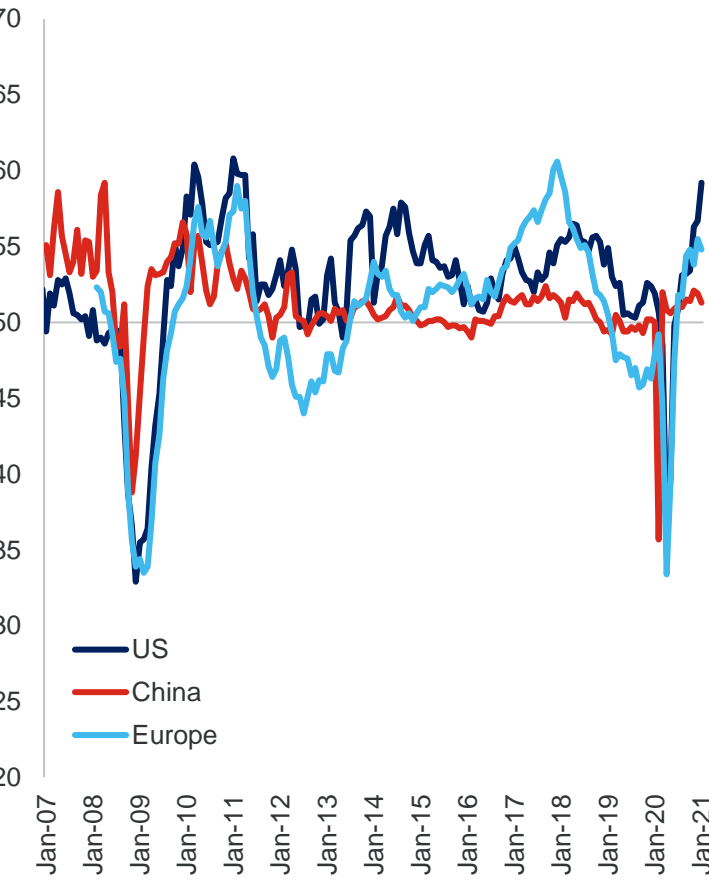
Annual Global GDP, % y-o-y



Industrial Production Trends, % y-o-y



Purchasing Managers' Indices

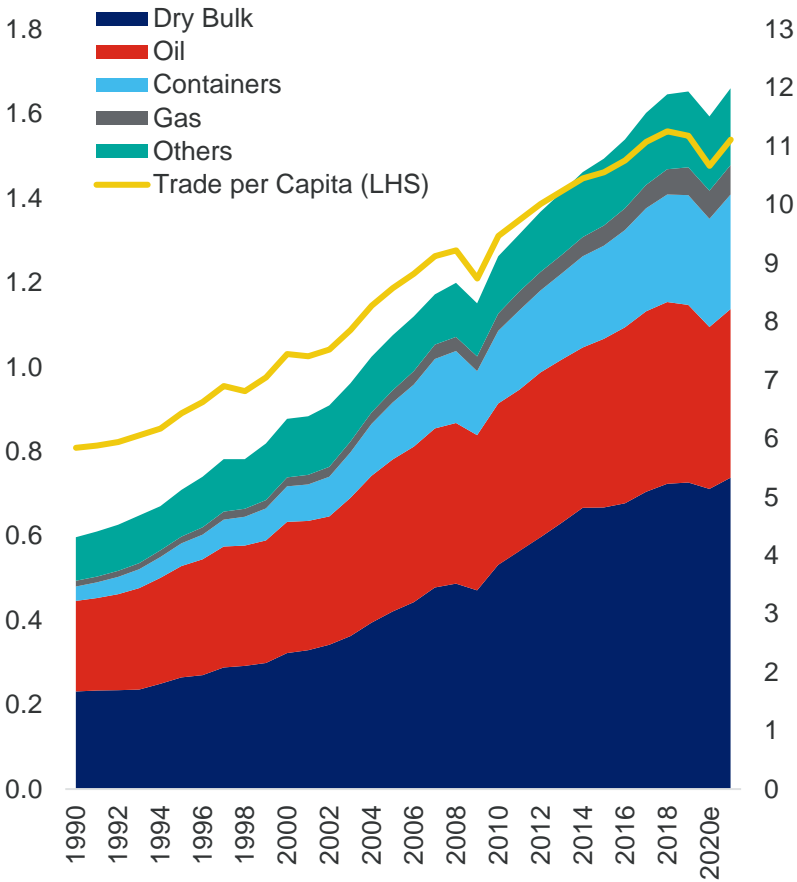


Source: Clarksons Research, IMF, Industry Sources.

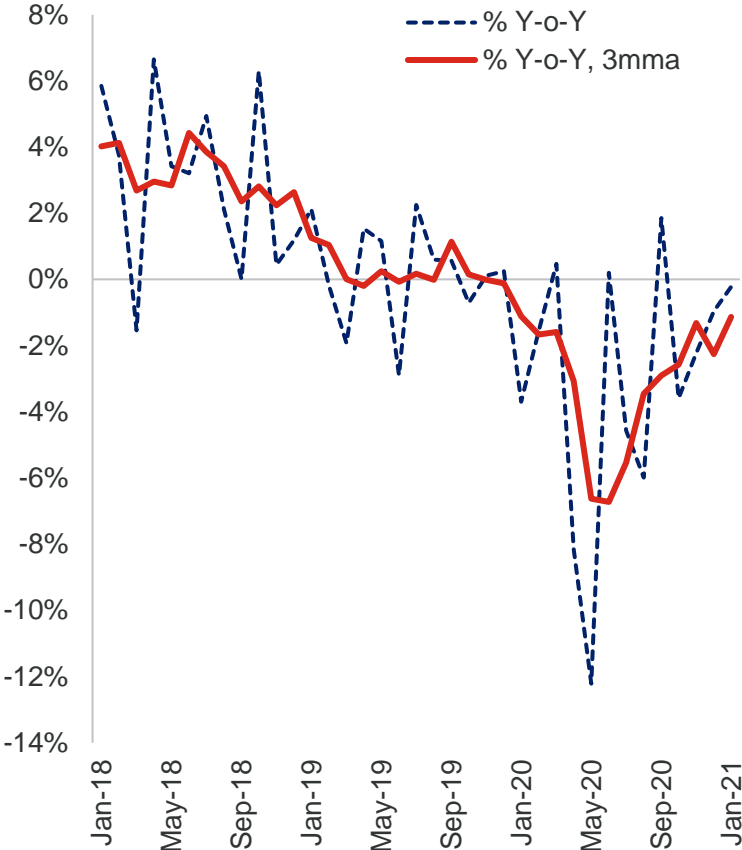
Seaborne Trade Trends...

...seaborne trade less impacted than 2008; near term data shows recovering volumes; complexities across commodities; uncertainties remain...

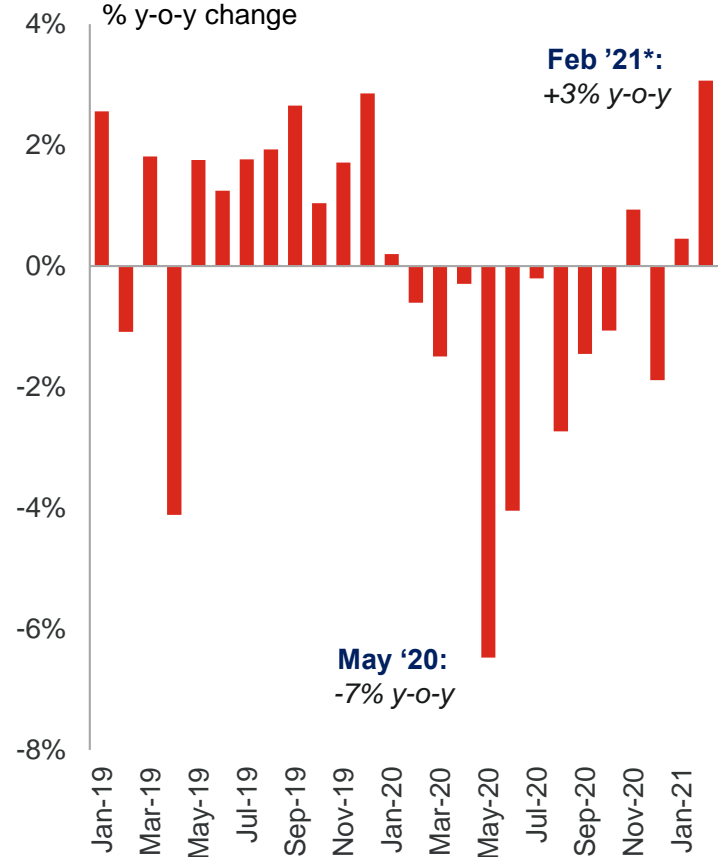
Global seaborne trade, bn tonnes



Monthly Seaborne Trade 'Basket'^



Deep Sea Cargo Vessel~ Port Calls

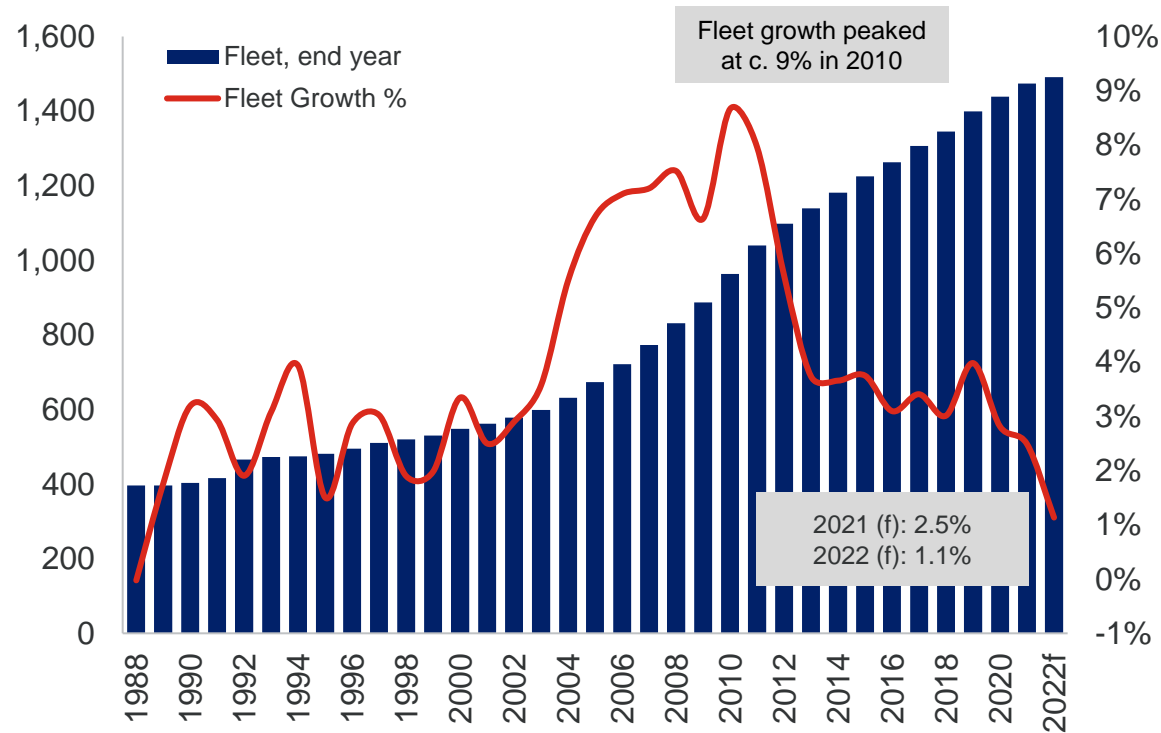


Source: Clarksons Research, Sea/net. Deep sea cargo vessel port calls includes port calls by oil tankers MR and above, bulkcarriers Panamax and above, containerships 3,000+ TEU, VLGCs, LNG carriers, 60,000+ cbm, PCTCs 6,000+ ceu. Port calls defined as all instances of a vessel entering and leaving a 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). Data basis date vessel first recorded in port location. ^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. *Feb-21: data up to & including 21st February.

Fleet & Orderbook Development...

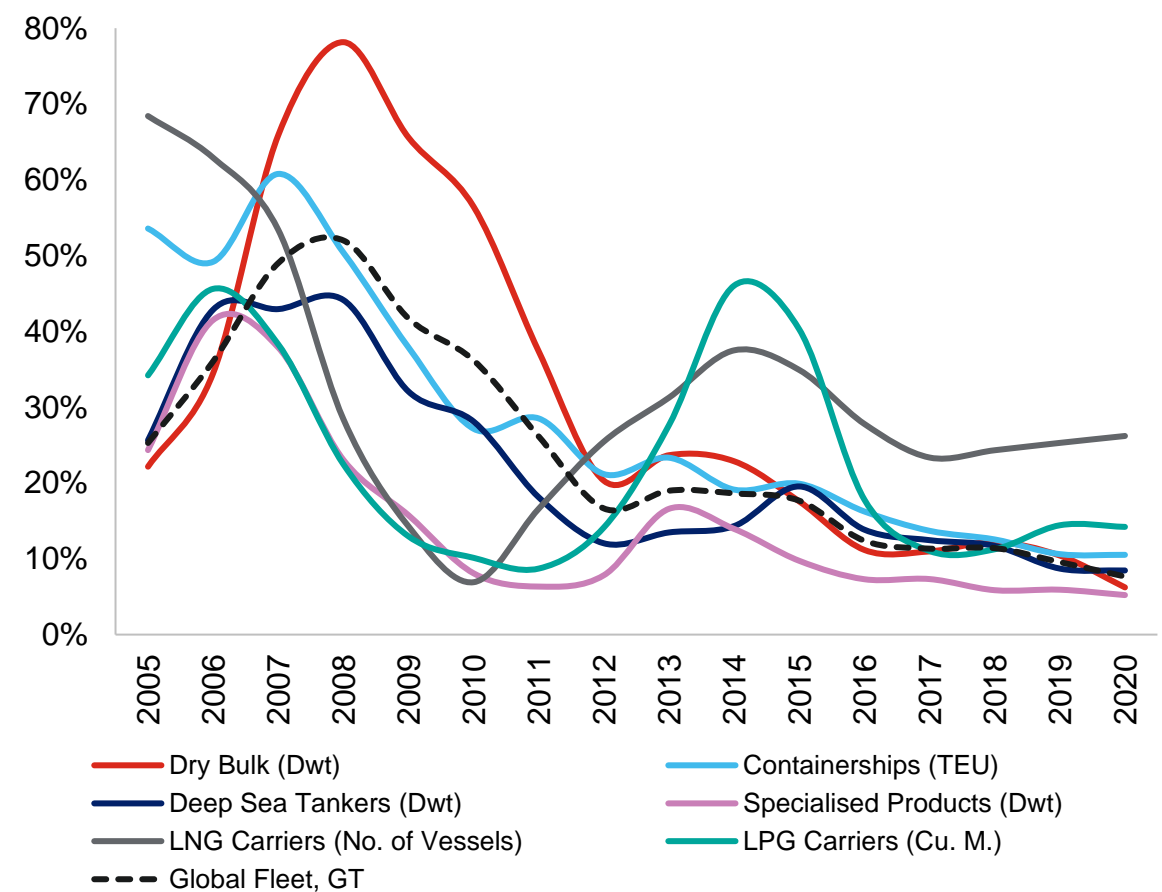
...Fleet growth “manageable”; orderbook “shorter” at 7.5% of fleet versus >50% in 2008...

Development of World Fleet, million GT



- World fleet c.75% larger than 2008
- c.40% more cargo being moved than 2008

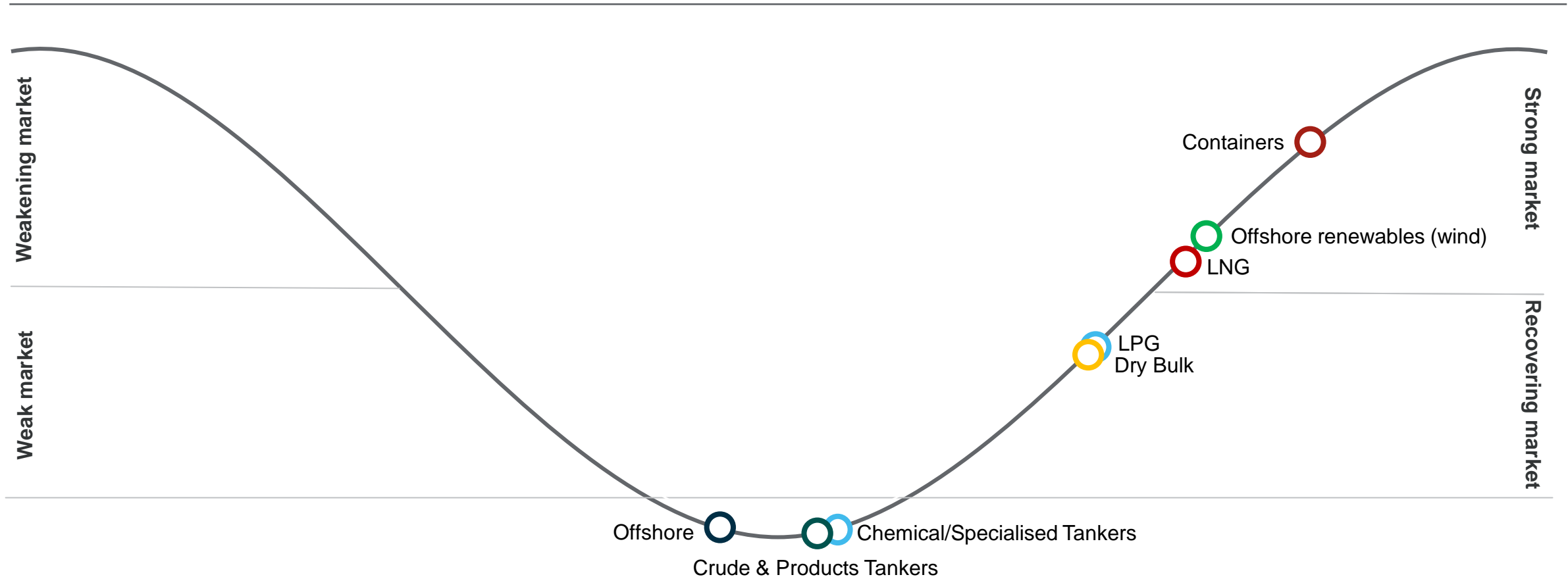
Orderbook as % of fleet, End Year – lowest for 30 years



Source: Clarksons Research, February 2021

Where are we in the cycle?

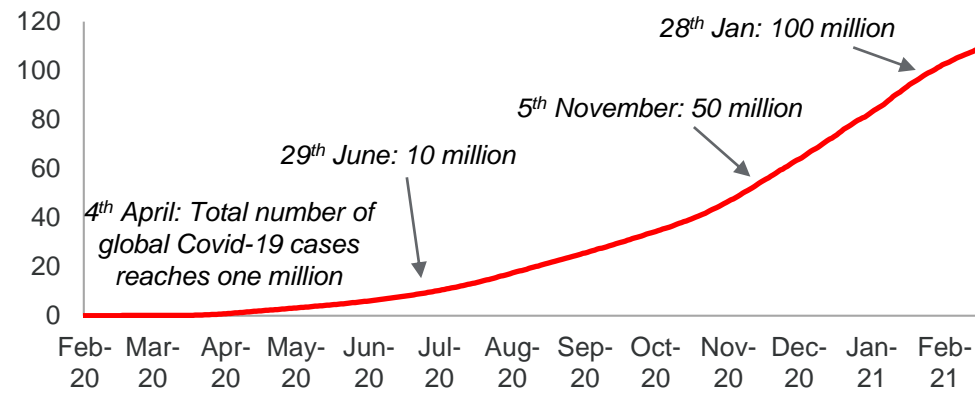
Timeline of each cycle not defined and varies



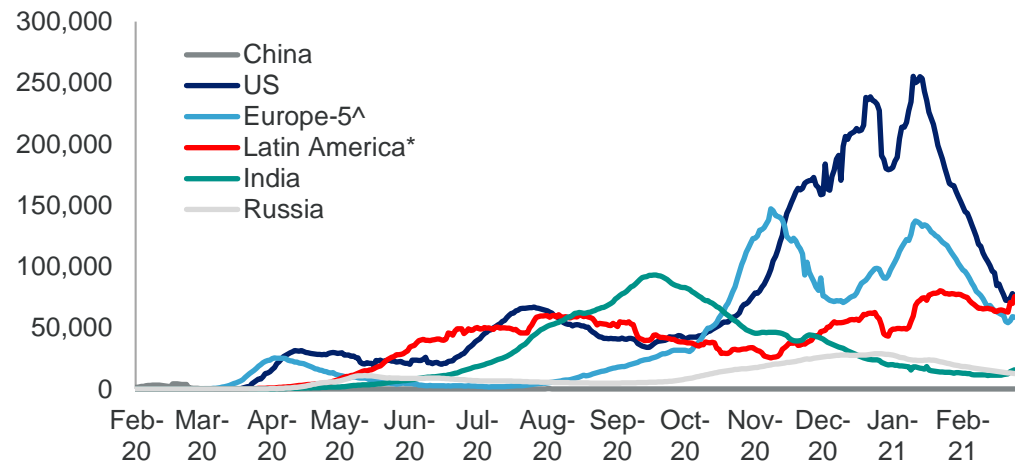
Covid-19 Spread vs Stimulus Measures...

...Regional variations and multiple “waves”; \$14tn 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.

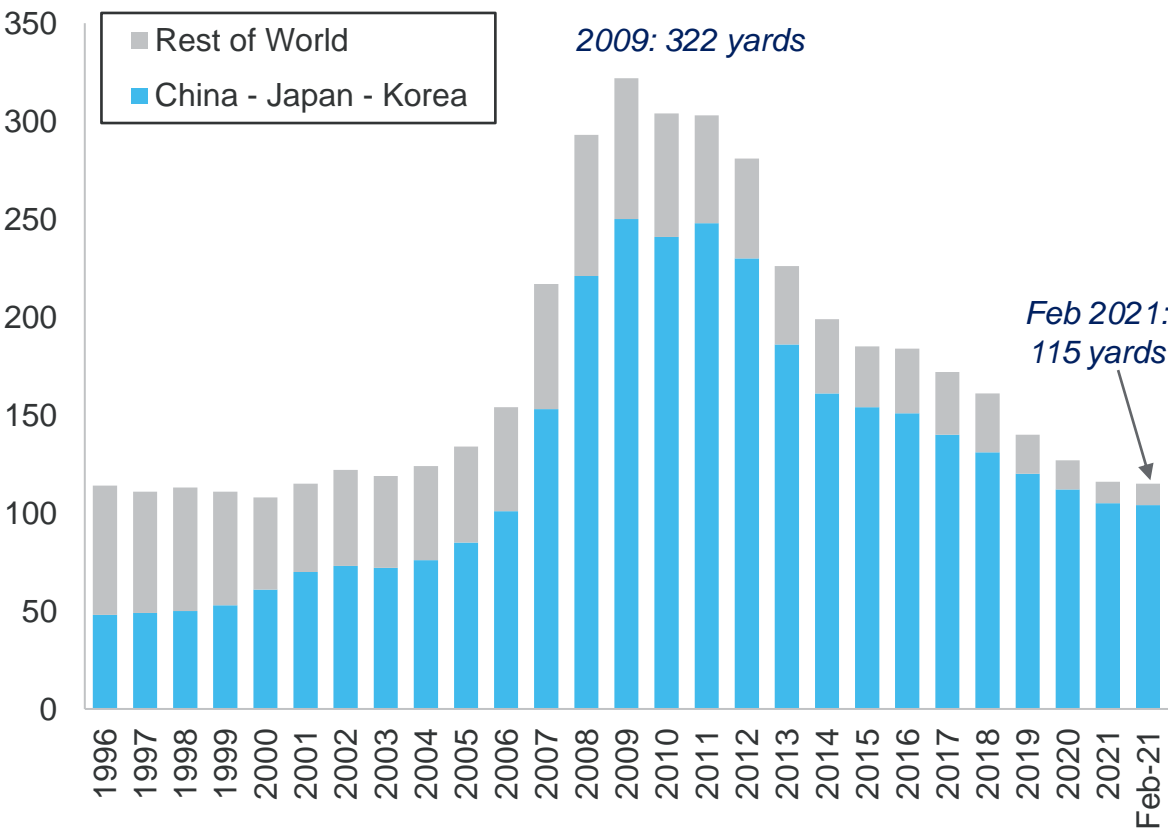
Selected Key Economic Stimulus Measures

	Fiscal Expenditure		Liquidity Support		Total Stimulus	Key Measures
	\$bn	% GDP	\$bn	% GDP	\$bn	
US	3,503	16.7%	510	2.4%	4,013	<ul style="list-style-type: none"> Mar-20: \$437bn unemployment insurance, \$350bn emergency appropriations, \$349bn small business loans; \$288bn tax rebates, c.\$300bn health spending Dec-20: \$324bn support to households, \$395bn for businesses. Feb-20: further \$1.9 trillion being debated.
EU	1,044		2,613		3,658	<ul style="list-style-type: none"> Apr-20: €100bn unemployment support, €240bn additional health spending Dec-20: €390bn reform grants, €360bn recovery fund
UK	441	16.3%	437	16.1%	877	<ul style="list-style-type: none"> £110bn health spending, £211bn additional spending, £340bn business support
Japan	782	15.6%	1,428	28.4%	2,210	<ul style="list-style-type: none"> 74tn yen additional spending, including 13tn yen personal payments, 11tn yen support for infrastructure and consumption in service sectors <ul style="list-style-type: none"> 26tn yen deferred taxes 112tn yen company loans
Australia	218	16.2%	24	1.8%	243	<ul style="list-style-type: none"> AUD 226bn additional spending including wage subsidies, cash payments, infrastructure projects, job creation
China	711	4.7%	193	1.3%	904	<ul style="list-style-type: none"> 3.1tn yuan additional spending, including employment initiatives, social assistance, subsidy on electric car purchases, bond issuances for infrastructure projects <ul style="list-style-type: none"> 1.8tn yuan tax relief 0.9tn yuan waived loan interest payments, reduced road tolls and port construction fees, lower rents for some SMEs
Canada	240	14.6%	66	4.0%	306	<ul style="list-style-type: none"> \$201bn spending supporting households (emergency response, employment insurance, wage subsidies) and businesses (emergency loans)
Korea	56	3.4%	166	10.2%	222	<ul style="list-style-type: none"> KRW 58bn additional spending (consumption coupons, employment support, digital and green investment) KRW 30tn tax deferral for certain sectors, household electricity, transportation and energy
Others	839		604		1,443	
Global	7,834	7.4%	6,041	6.1%	13,876	

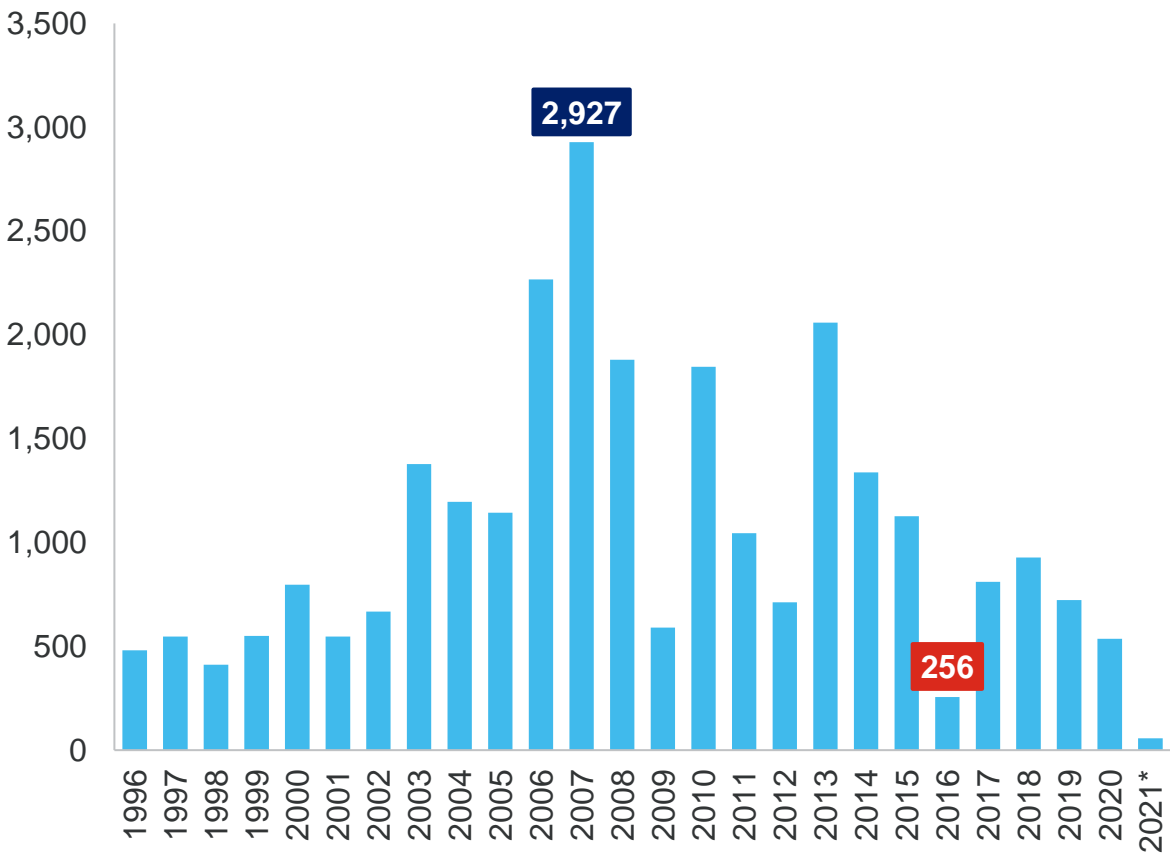
Shipyards & Contracting....

...newbuild ordering fell 30% in 2020, but remained above 2016 levels; shipyard capacity reduced and consolidated...

No. Of Active Yards



No. Of Global Newbuilding Orders



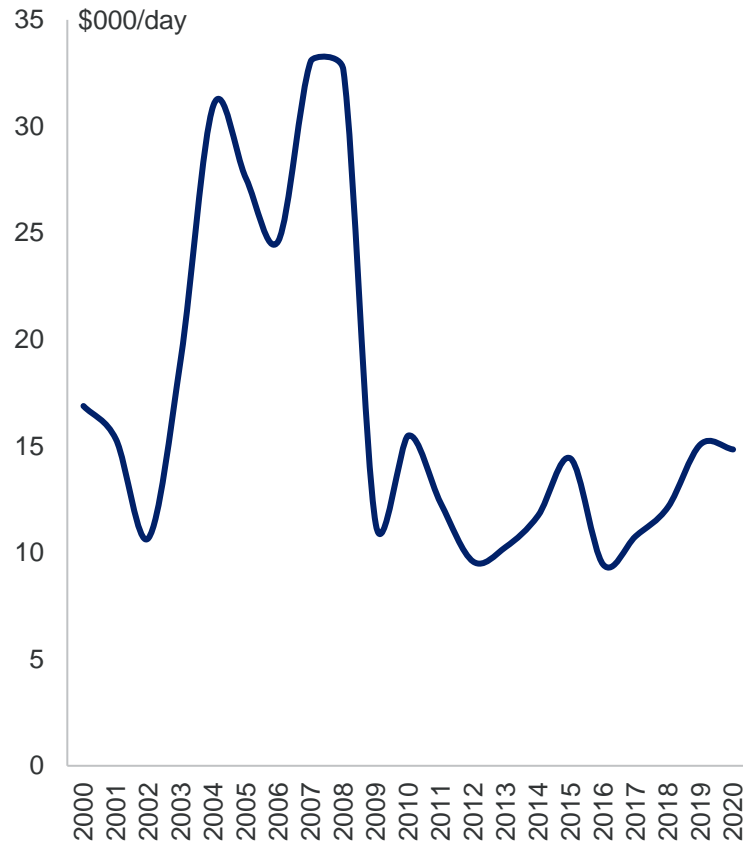
Source: Clarksons Research. Data as of 1st February 2021. Retrospective changes to number of orders may occur due to late reporting and other factors. Number of yards with at least one vessel of 20,000+ dwt on order.

Source: Clarksons Research. Data as of 1st February 2021. Retrospective changes to number of orders may occur due to late reporting and other factors. Vessels of 20,000+ dwt. *2021 year to date data basis January only

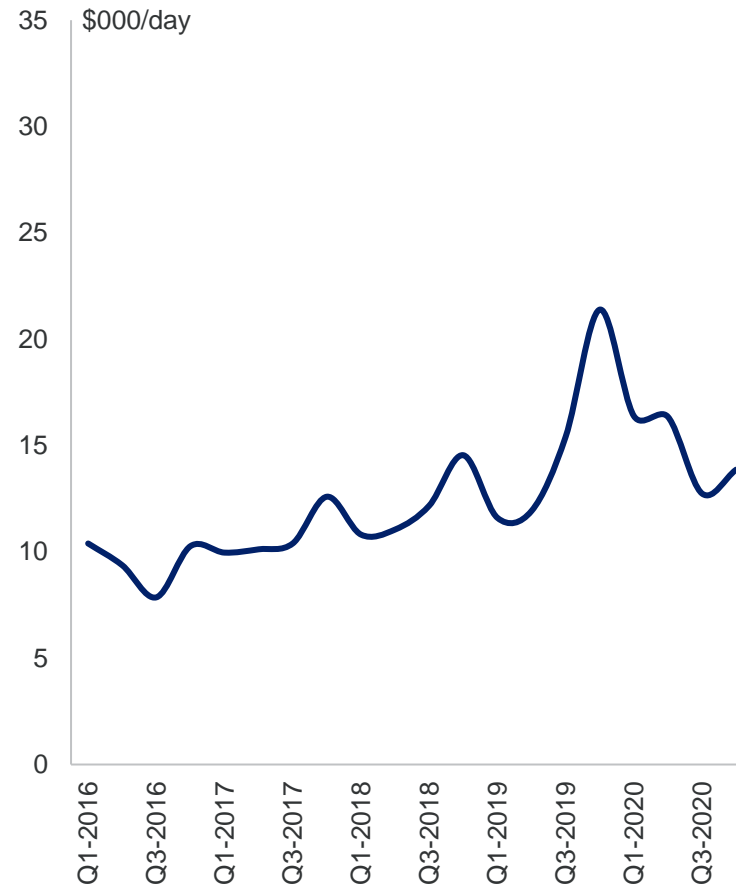
ClarkSea Index...

...Cross segment Index down only 2% in 2020; 'disruption upside' in 'volume' sectors, good start to 2021: container and dry strong, tankers weak ...

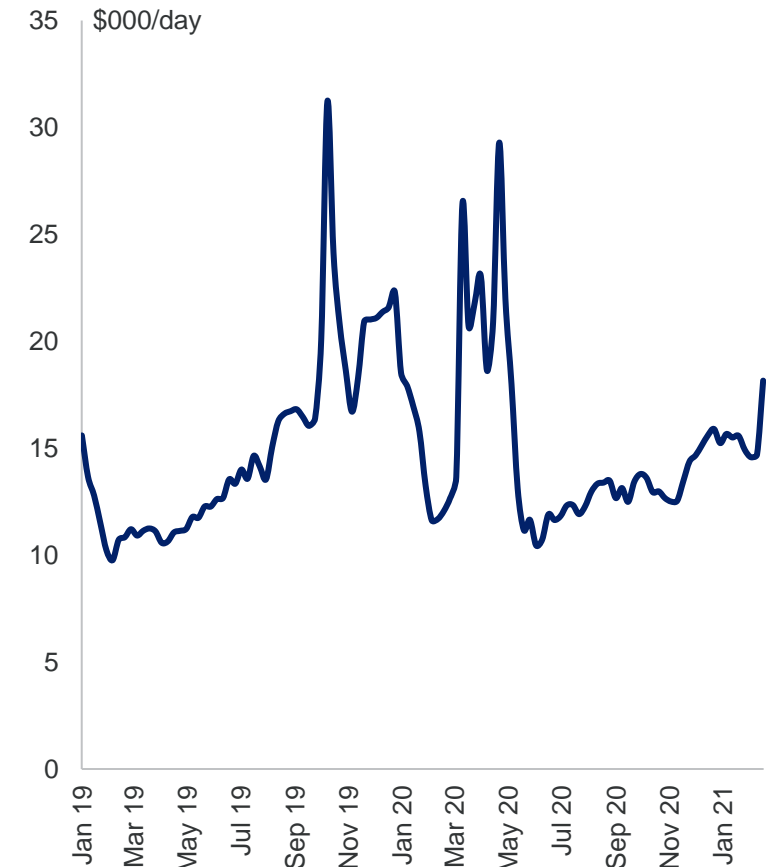
2020 still 2nd Best Year Since 2010...



Improving Markets Since 2016...



Covid-19 Volatility...

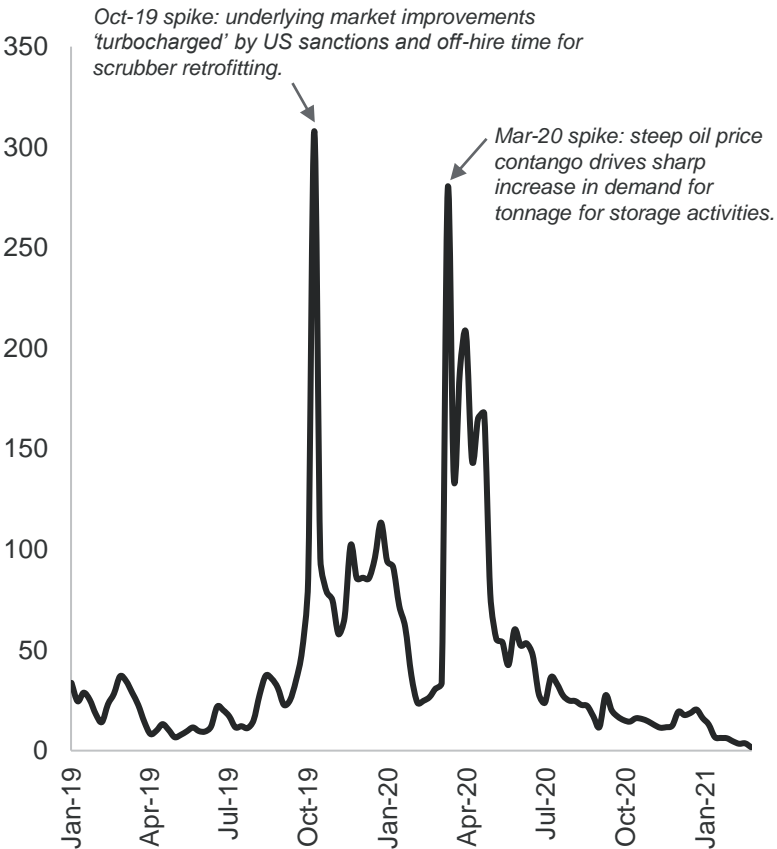


Source: Clarksons Research. The cross segment ClarkSea index covers tankers, bulkers, containers and gas.

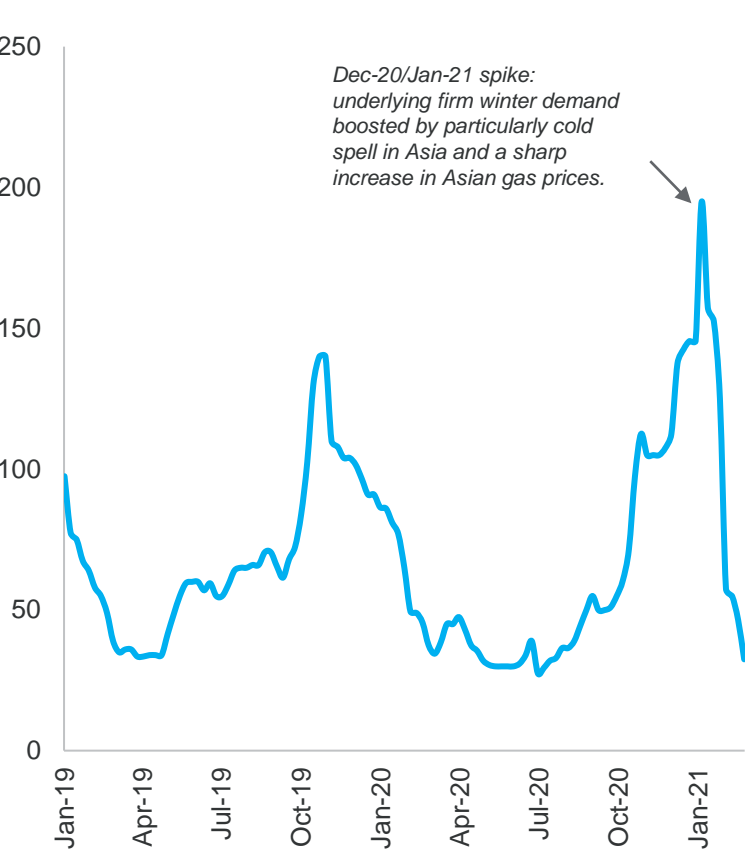
Increased Volatility...

...two recent tanker “super” spikes; record LNG rates; LPG winter spikes...

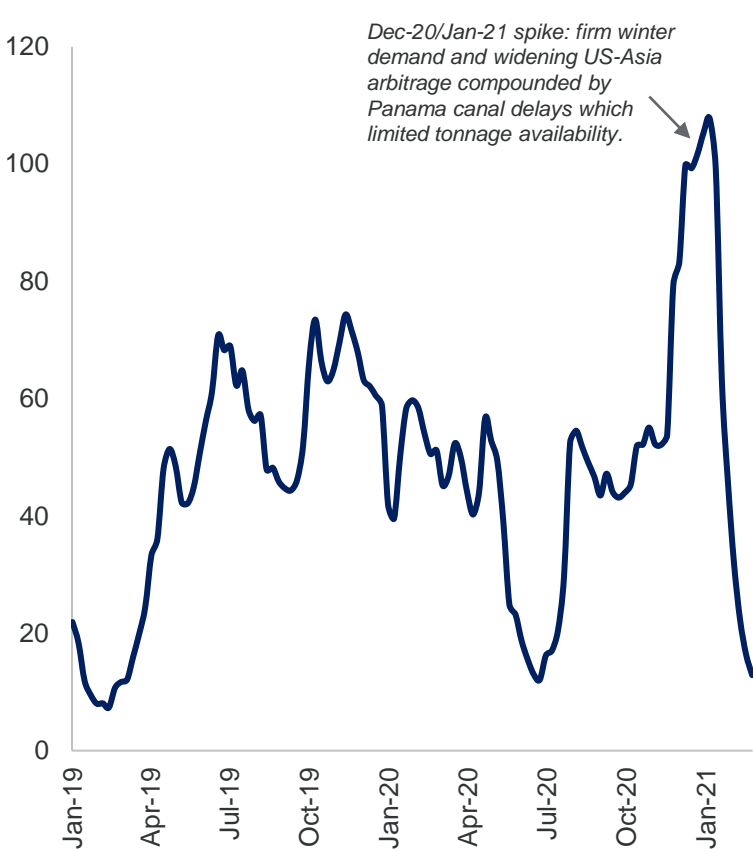
Avg. Spot VLCC Earnings, \$000/day



Avg. Spot 160k LNG Earnings, \$000/day



VLGC Earnings, AG-East, \$000/day

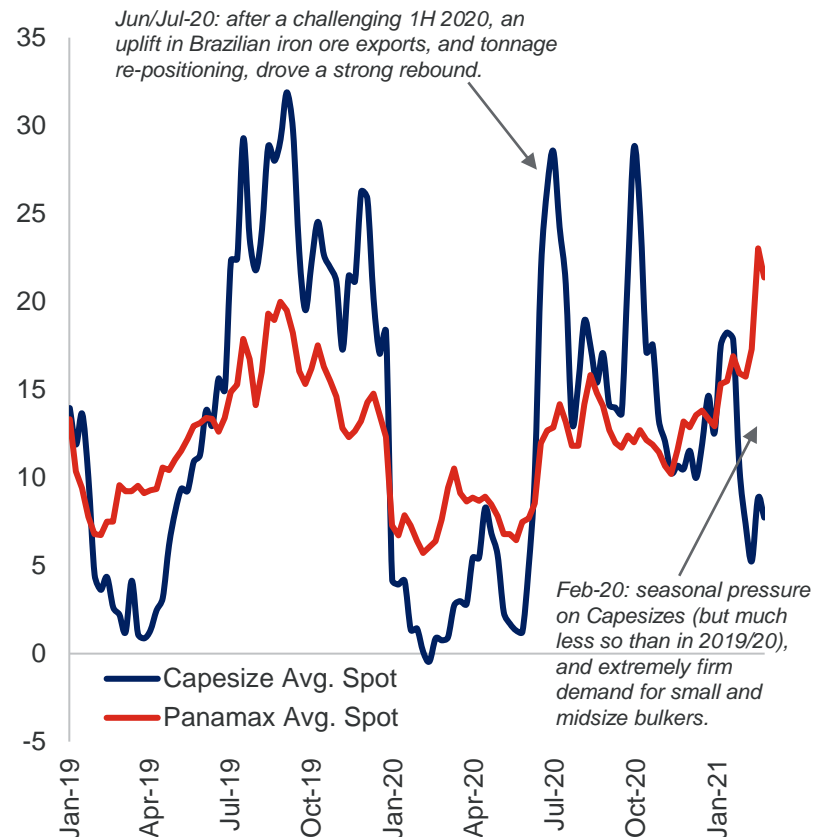


Source: Clarksons Research

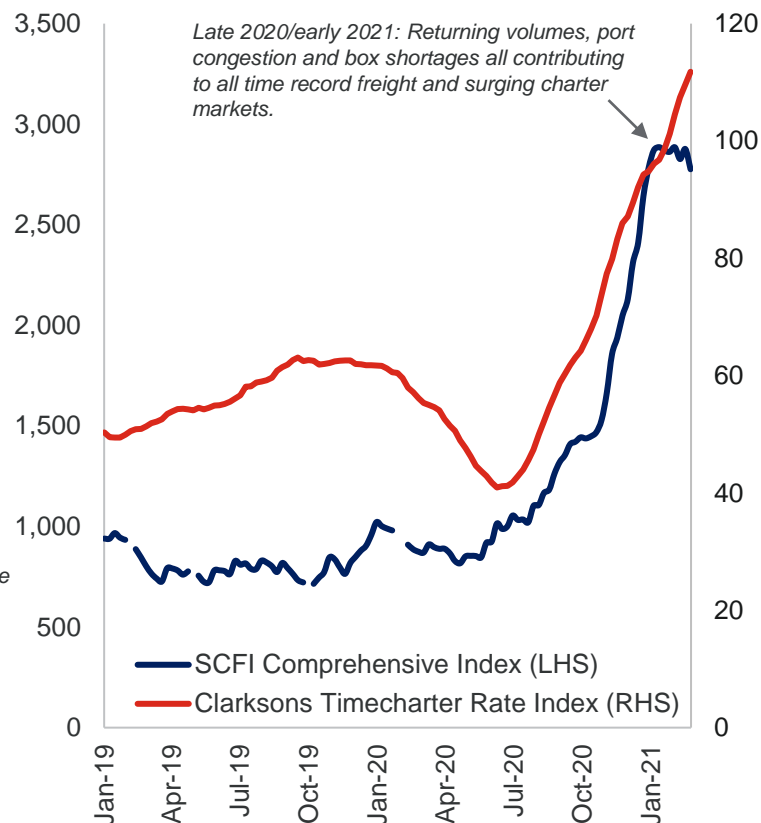
Increased Volatility (Continued)...

...Strong Chinese volumes and congestion in dry; record container freight...

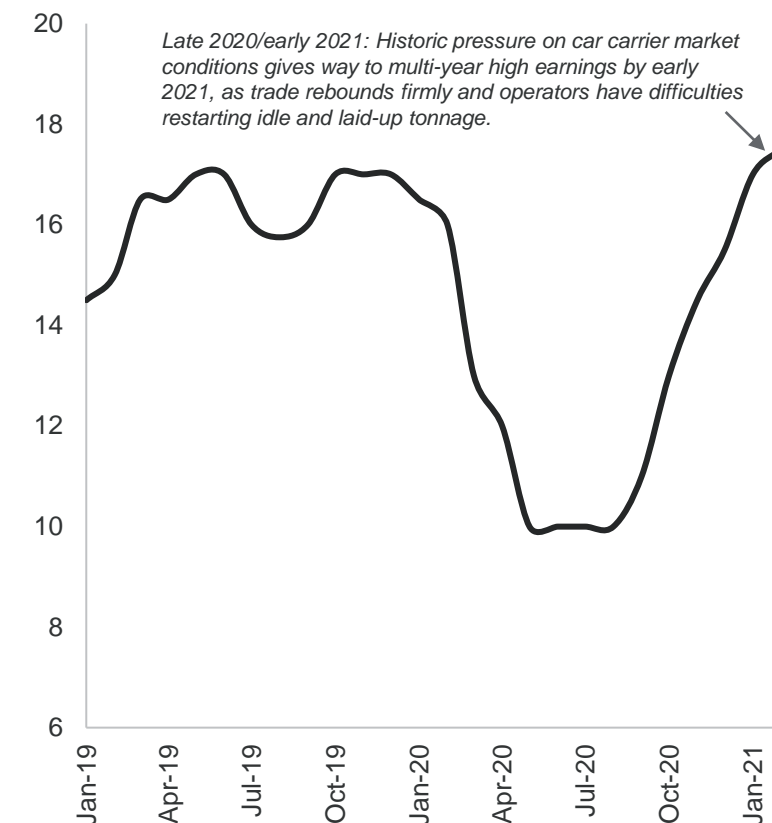
Capesize & Panamax Earnings, \$000/day



Container Freight & Charter Rates



6,500 ceu Car Carrier 1yr TC Rate, \$000/day

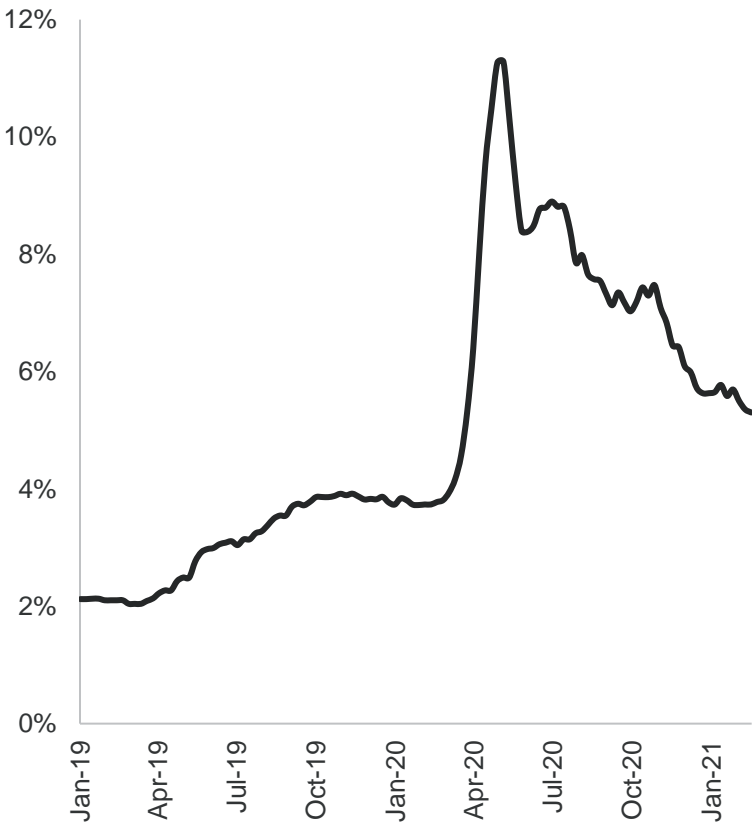


Source: Clarksons Research

Shipping Segment Complexities...

...Floating storage unwinding; idle boxships well below peak; bulker congestion rising...

Tanker Storage, % Dwt



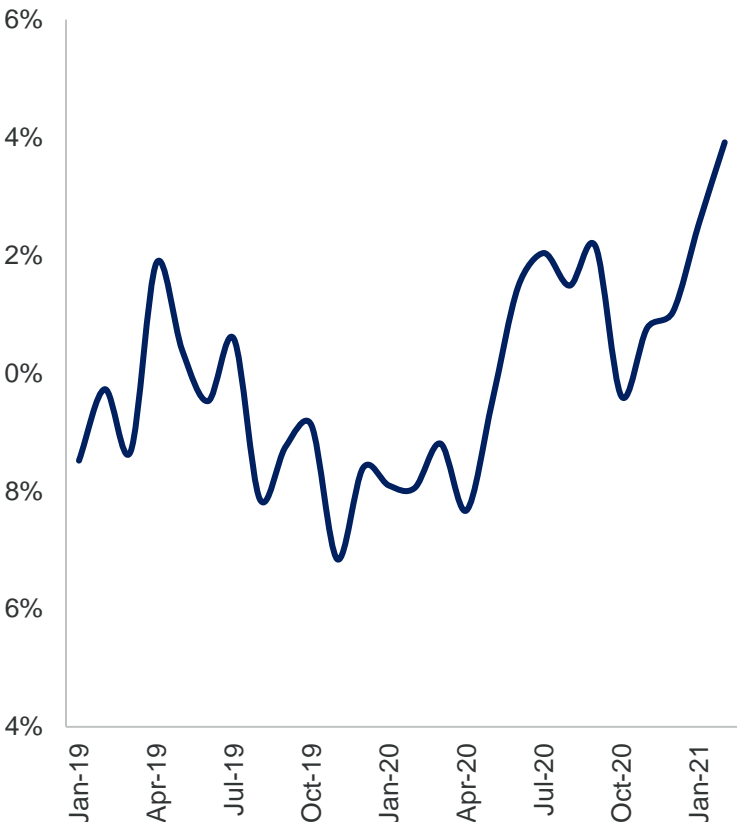
Source: Clarksons Research. Vessels believed to be employed in the storage of oil or oil products. This includes laden vessels that have been stationary for a period of 14 days+, as well as other vessels which are considered to be engaged in storage based on the latest available information. Criteria 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. Data up to end-2020.

Capesize Port Congestion, % of Vessels

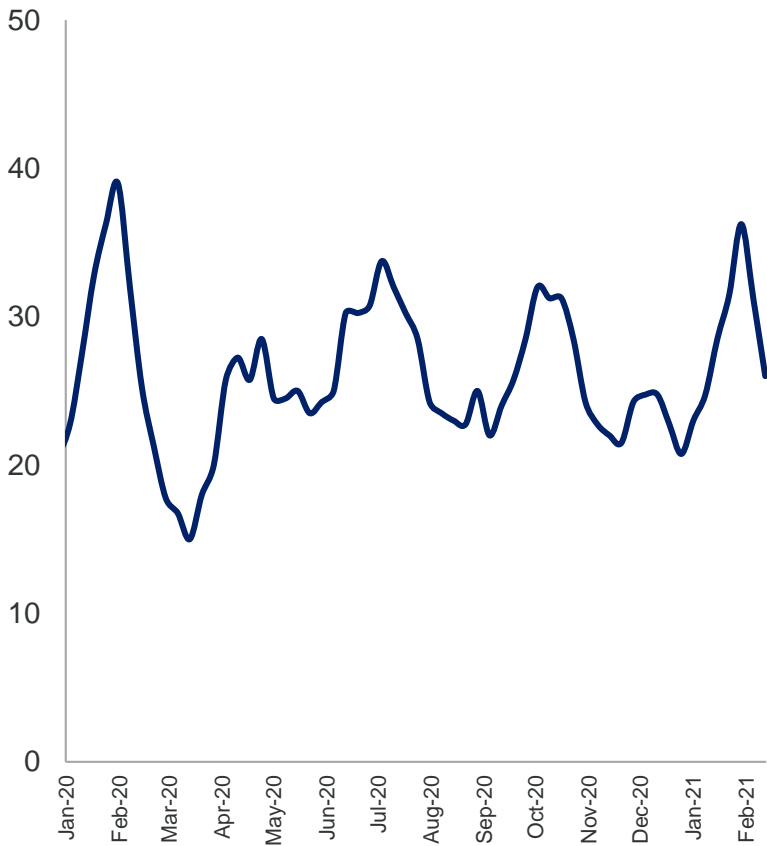


Source: Clarksons Research, industry sources. As at start of month specified.

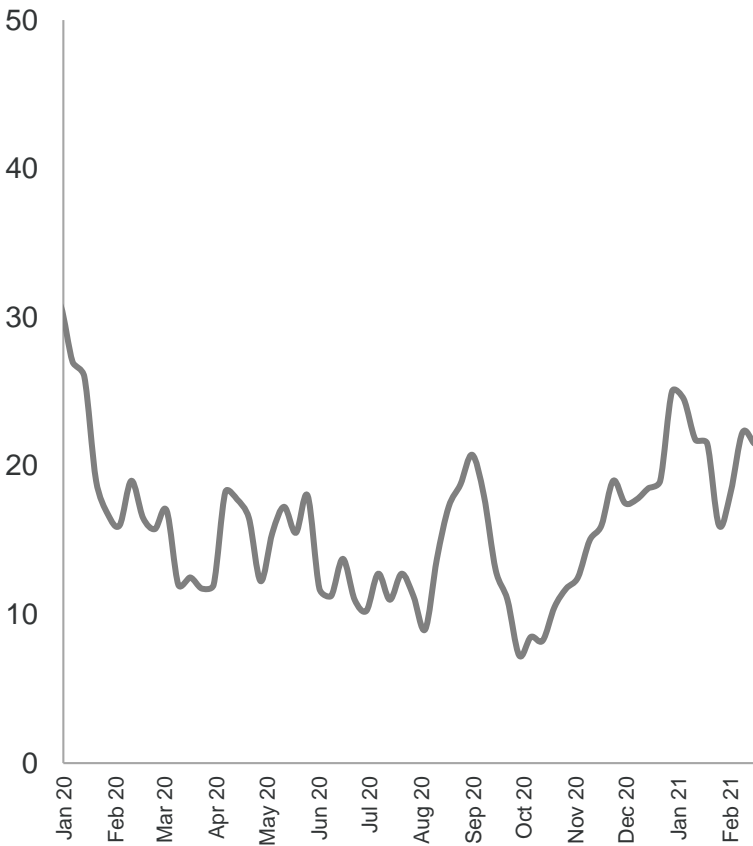
Supply-Side Activity Indicators

...shipyards managed disruption well; ordering and S&P picking up in recent months...

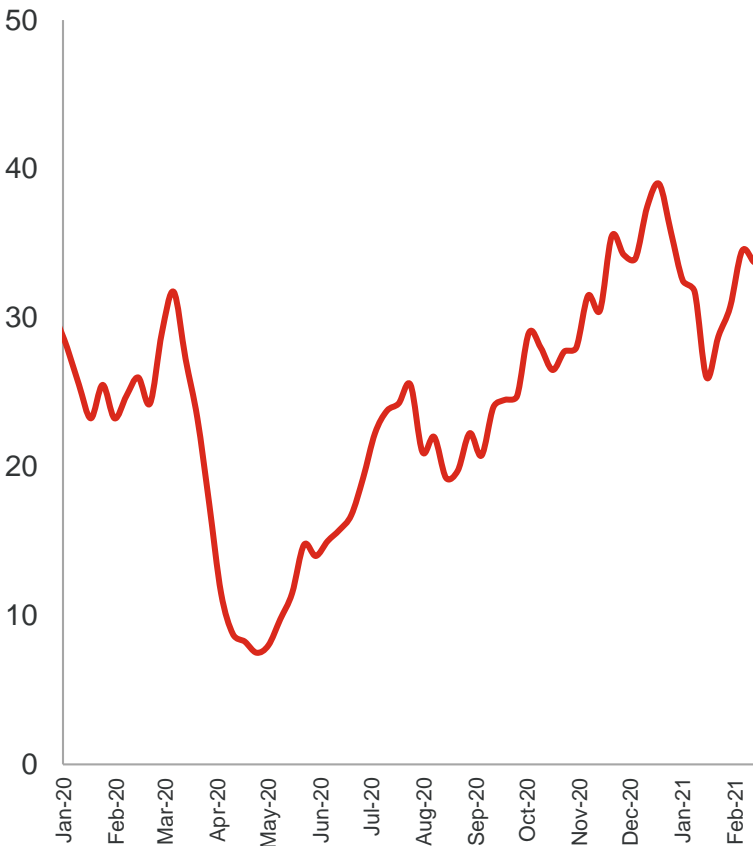
Deliveries (No. Vessels, 4wma)



Newbuild Contracts (No. Vessels, 4wma)



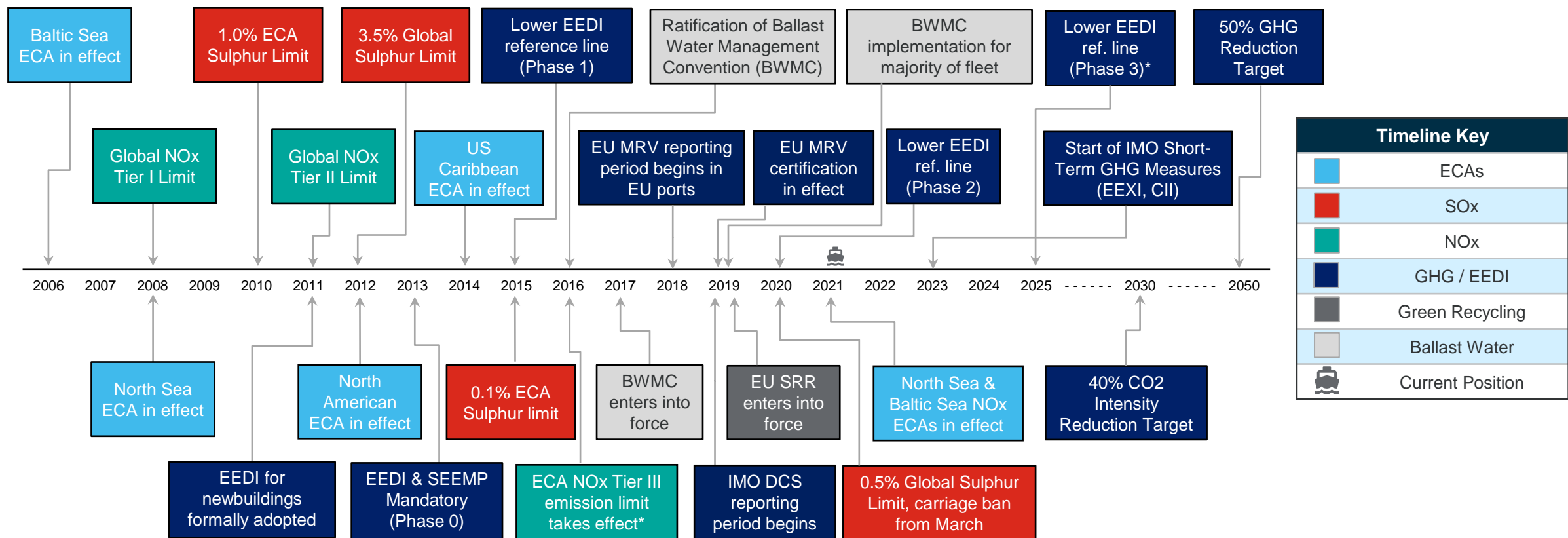
Secondhand Sales (No. Vessels, 4wma)



Source: Clarksons Research. Vessels of c.1,000+ GT. Weekly fleet data basis week ending date shown. '4wma' = 4 week moving average.

Environmental Pressures building...

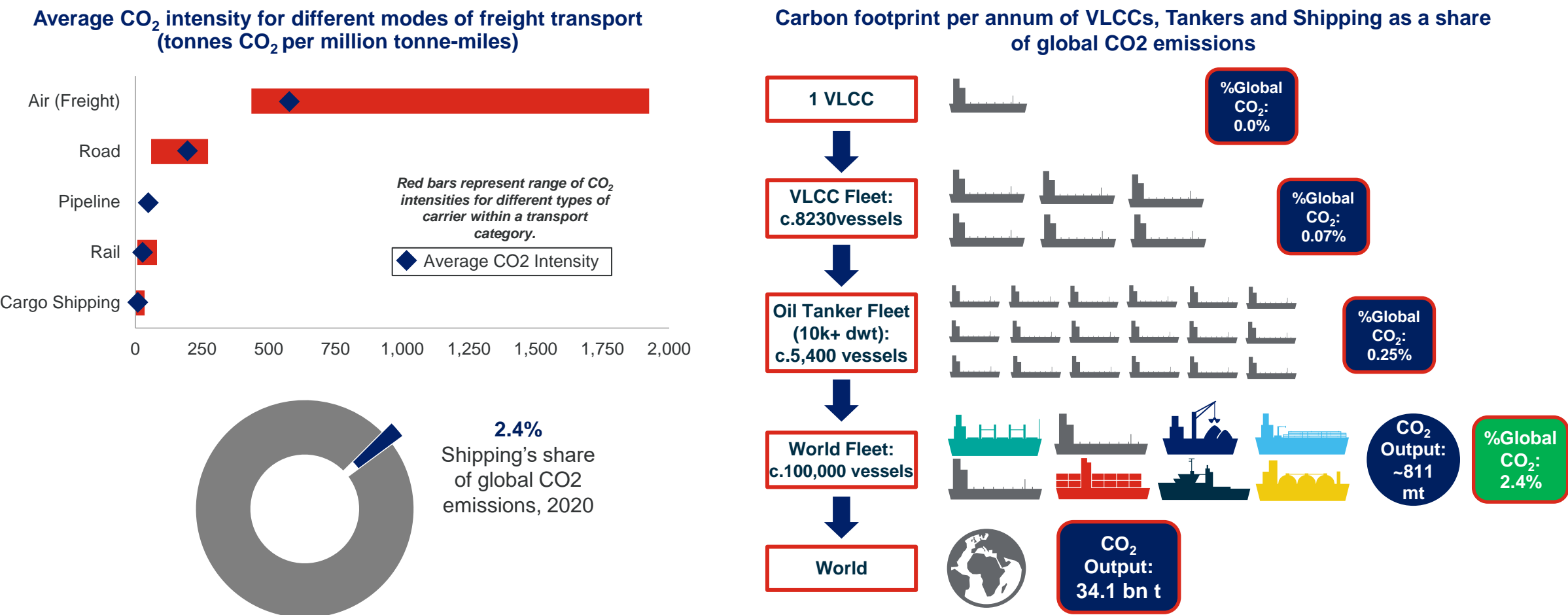
...IMO targets 50% CO2 reduction by 2050; regulatory timeline accelerating & policy decisions ramping up; technology uncertain; Green Transition key industry focus ...



Source: Clarksons Research, February 2021. *EEDI phase 3 requirements brought forward to April 2022 for containerships, gas carriers, general cargo ships and most cruise ships..

Shipping's Carbon Footprint...

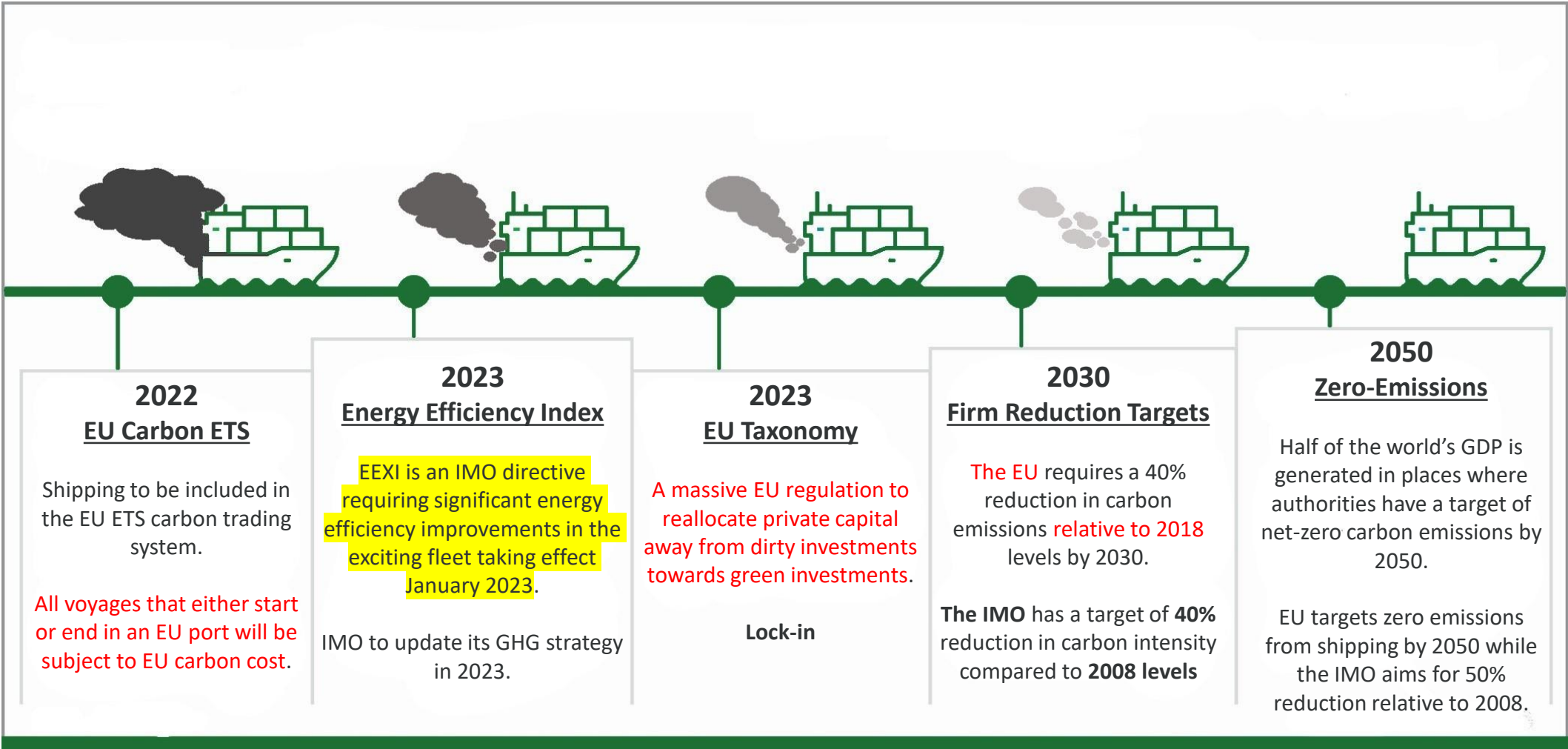
...Shipping accounts for 2.4% of global CO₂ emissions, but remains the most carbon efficient mode of transport...



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, Pipeline and Air freight basis averages of a range of estimates provided by a UCL study for the IMO in 2015. Red bars extend from the lowest estimate provided to highest estimate provided in IMO MEPC 68 Inf. 24. 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 January 2021 estimates for 2020.

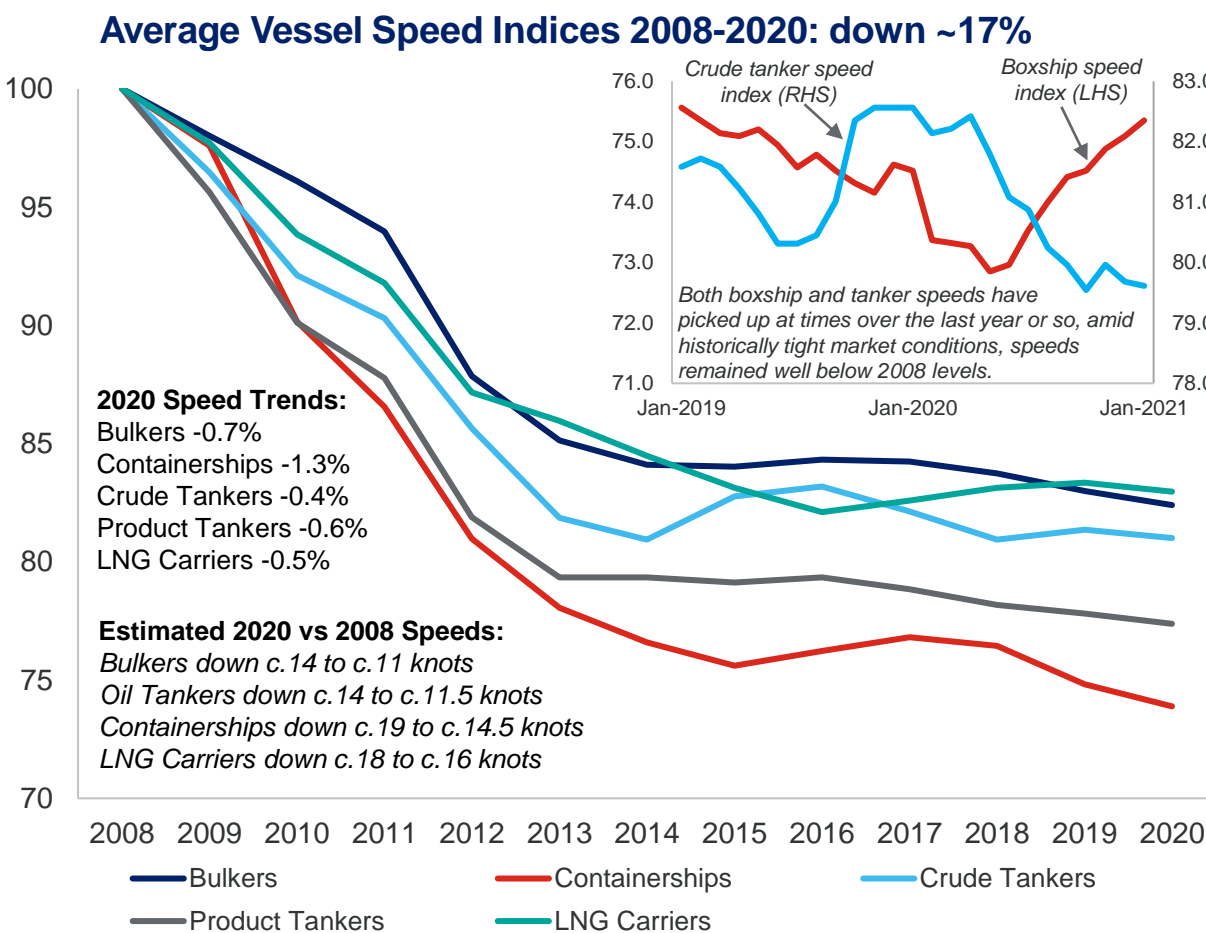
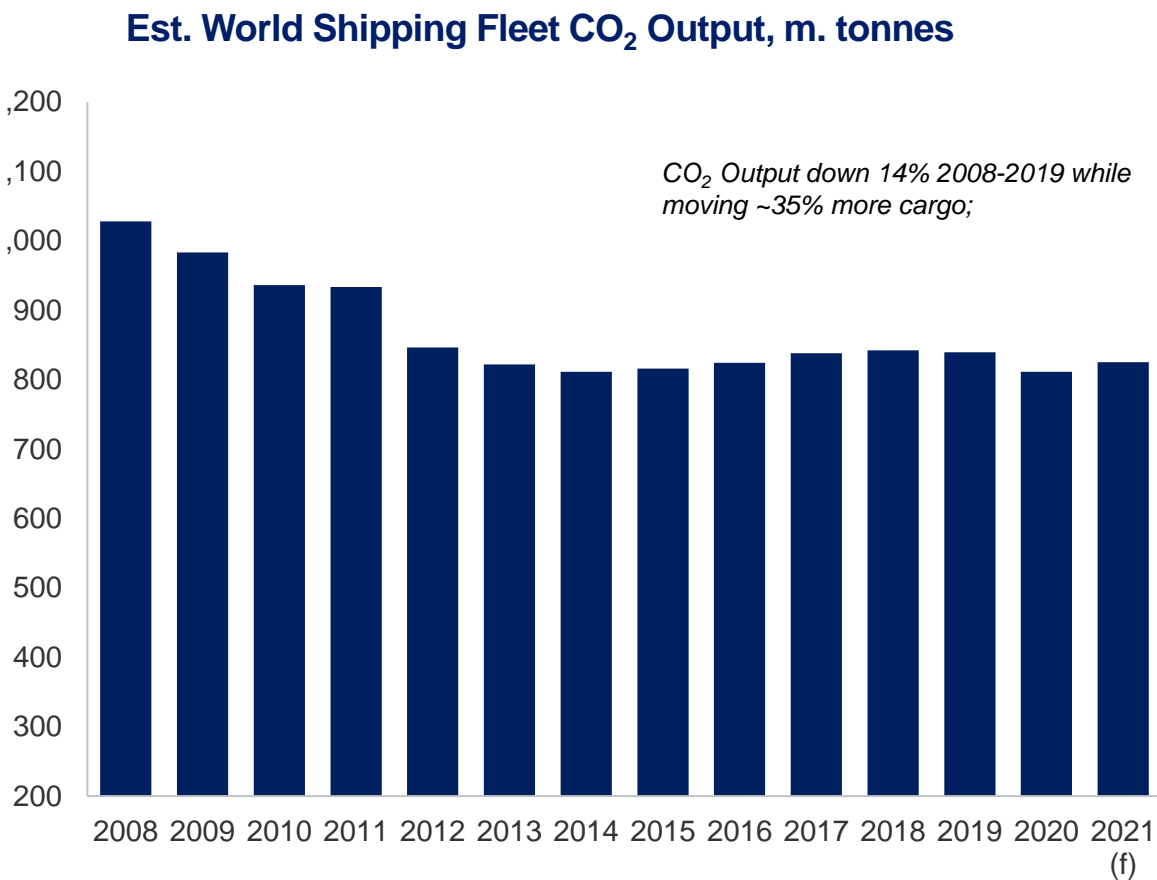
Major Regulations Leading To Zero Emissions

LNG as a ‘bridging fuel’ solution? ‘Zero-Carbon’ fuels required in the longer-term...



Reductions in CO₂...

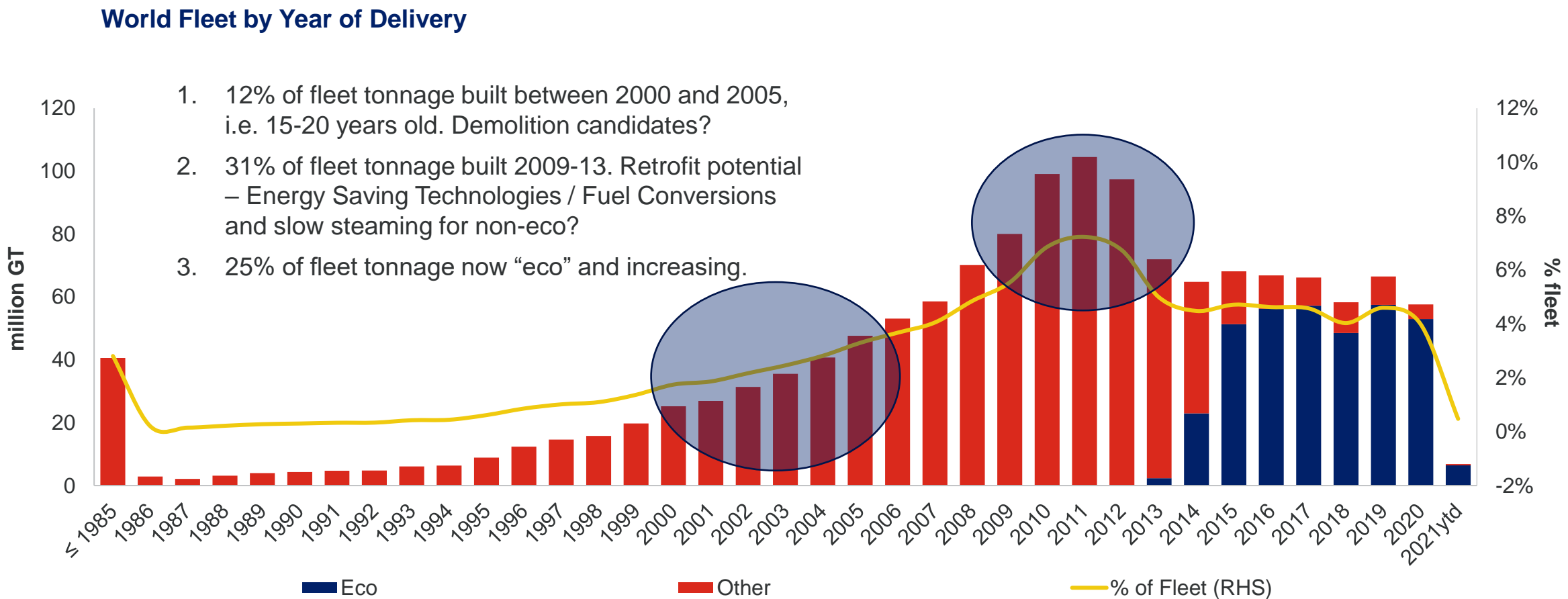
...Despite moving 35% more cargo since the financial crisis; driven by speed reductions and uptake of ‘eco’ vessels; speed a potential “lever” going forward...



Source: Clarksons Research.

Fleet Renewal & Fuelling Transition...

...Fleet renewal needed but timing may be “uneven”; demolition, slower speeds and retrofitting of Energy Saving Technologies may also be a response to IMO 2030 / EEXI...

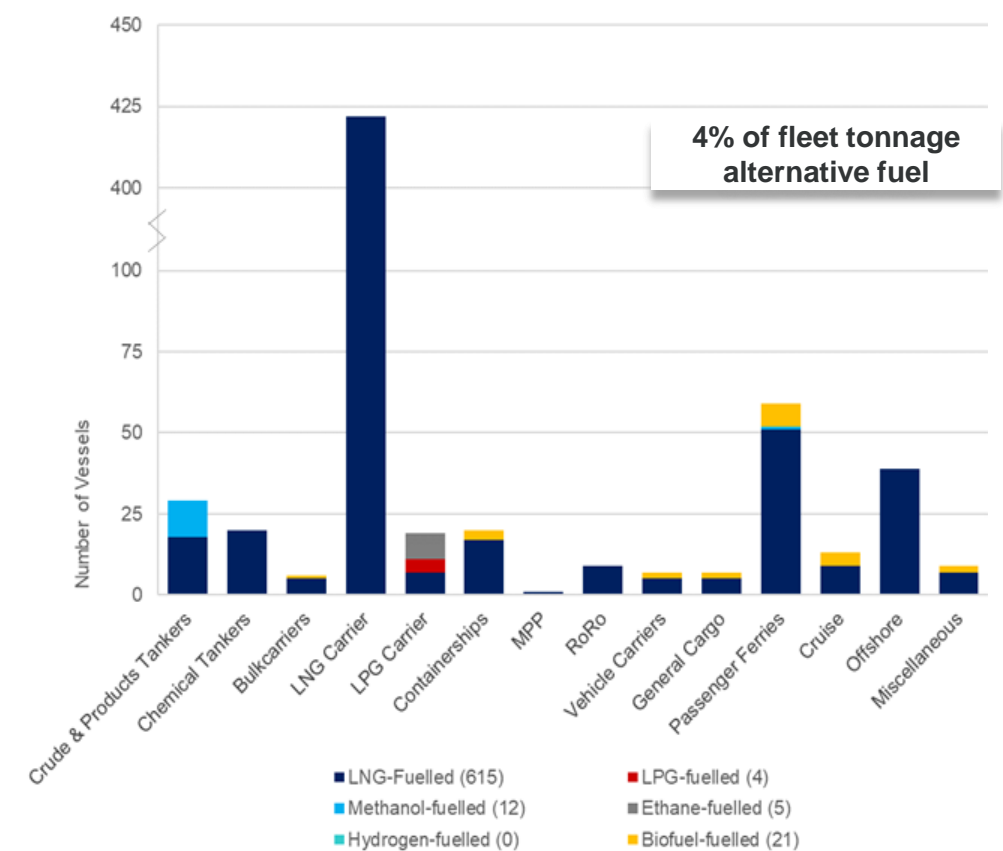


Source: Clarksons Research, February 2021. “Eco” – defined as vessel with electronic main engine contracted after Jan 2012.

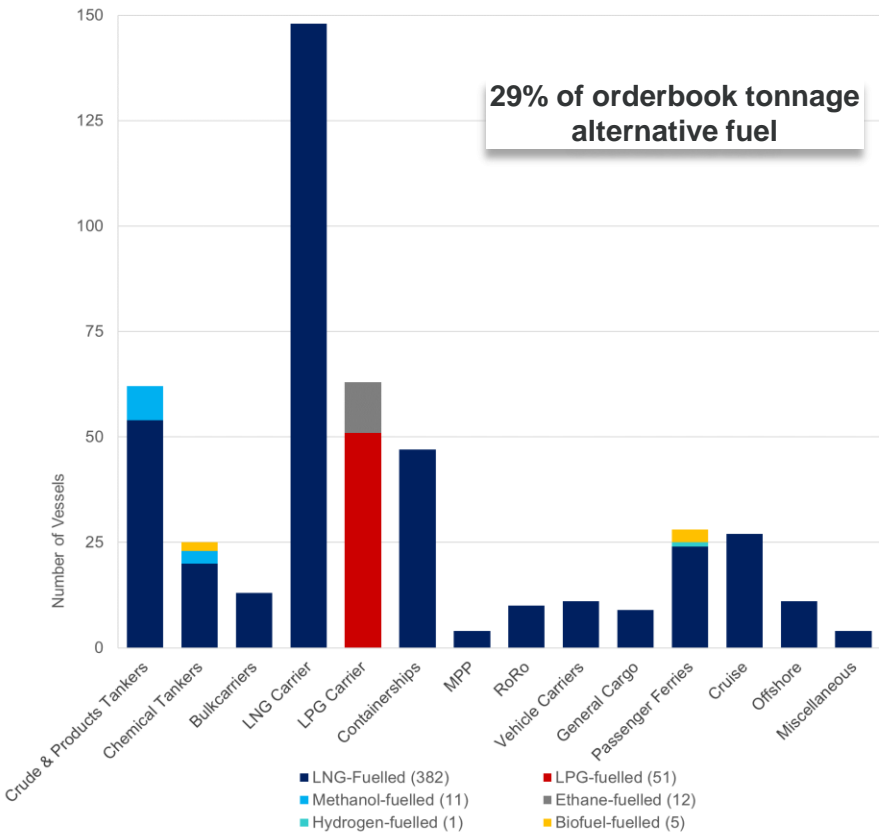
LNG Fuel gaining traction...

...But no clear winner as the “solution” fuel; LPG as a fuel also gaining traction; long term potential in other options ...

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



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

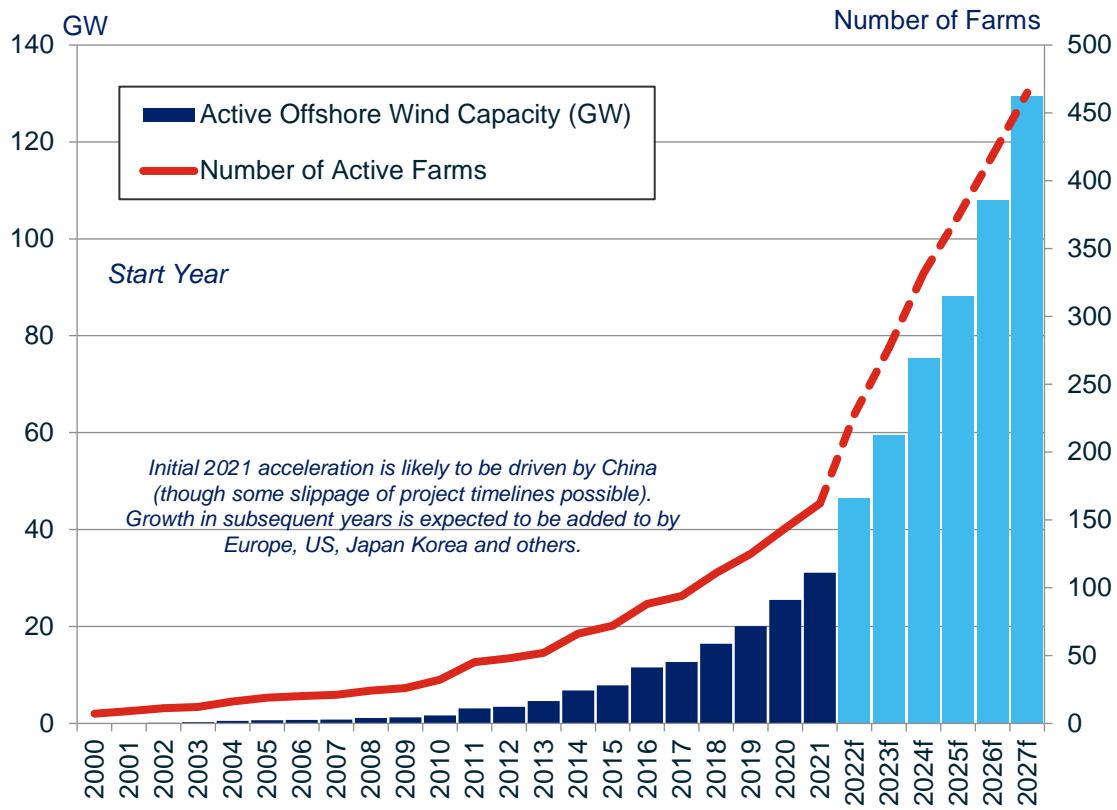


Source: Clarksons Research, Data As Of February 2021

Offshore Wind Industry Growth Accelerating...

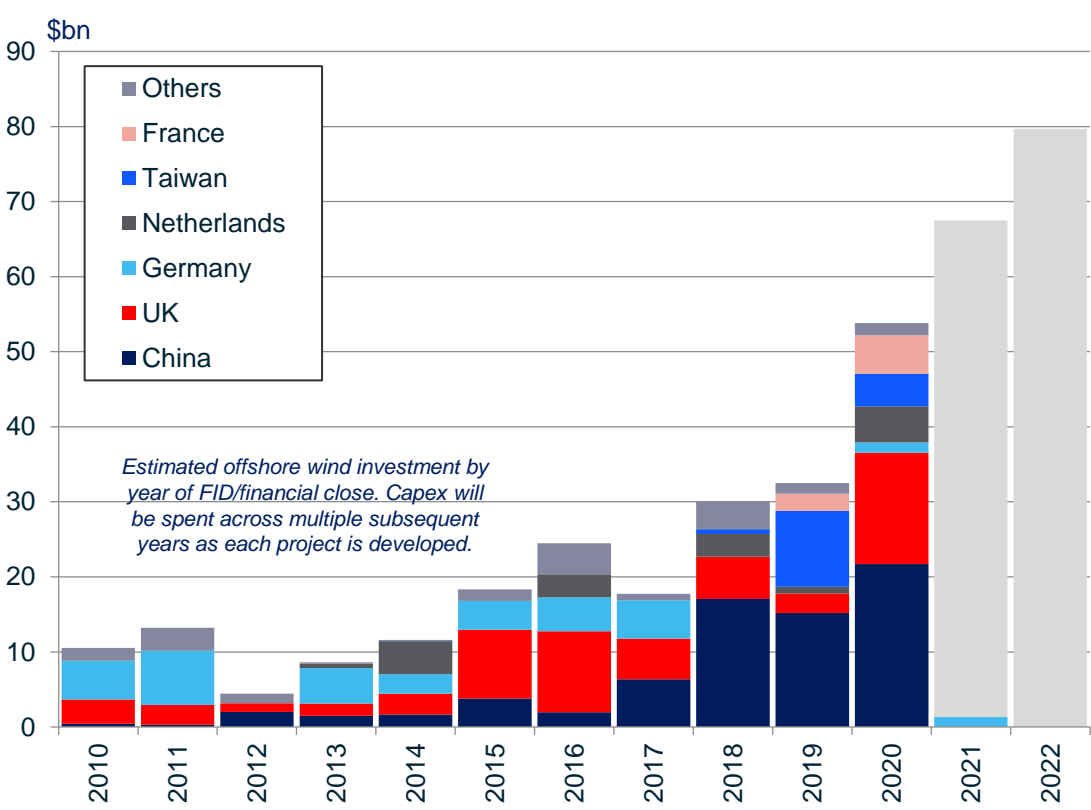
...10 year growth in MW capacity averages 24% as Energy Transition develops; record start ups and FIDs in 2020...

The Offshore Wind Industry Is Entering A Growth Phase



Data Source: Clarksons Research

...And Investment Is Increasing



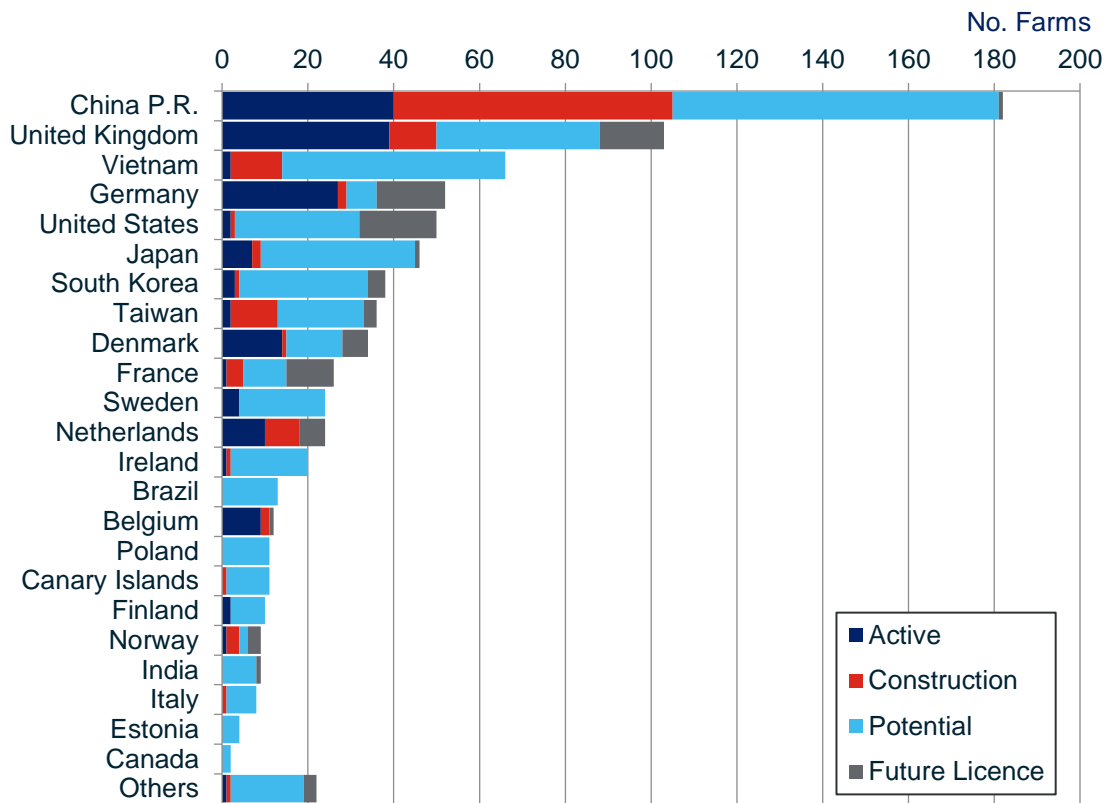
Data Source: Clarksons Research

Source: Clarksons Research, 2021.

Offshore Wind Industry Is Globalising...

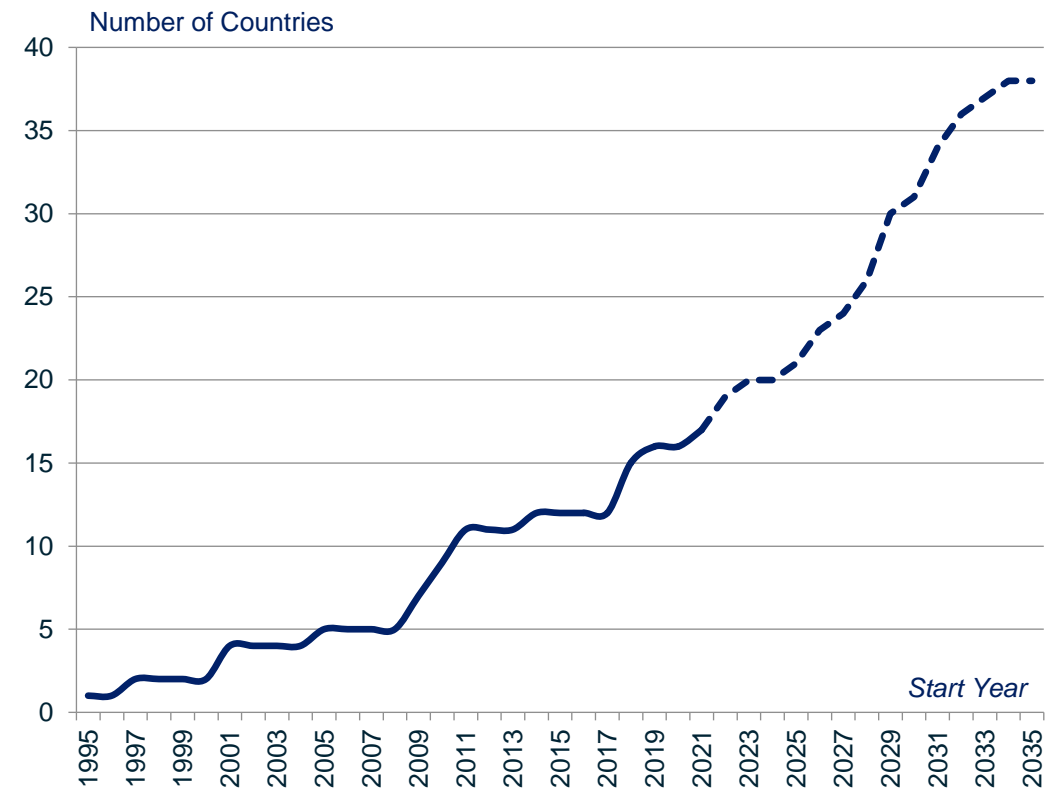
...The number of countries with active offshore wind expected to double during the 2020s...

Internationalisation Of The Offshore Wind Industry



Data Source: Clarksons Research

Number of Countries With Active Capacity



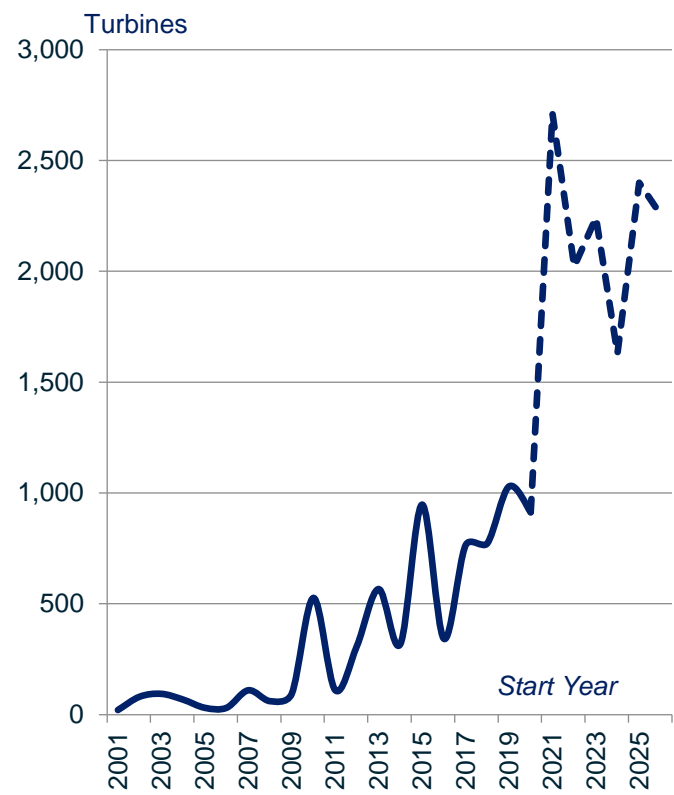
Data Source: Clarksons Research

Source: Clarksons Research, 2021.

And Will Require A New Generation Of Vessels ...

...Growth in the fleet of WTIVs and SOVs expected to help install turbines as big as 15MW...

Number of Turbine Start-Ups



Turbine Start-Ups: Avg Size



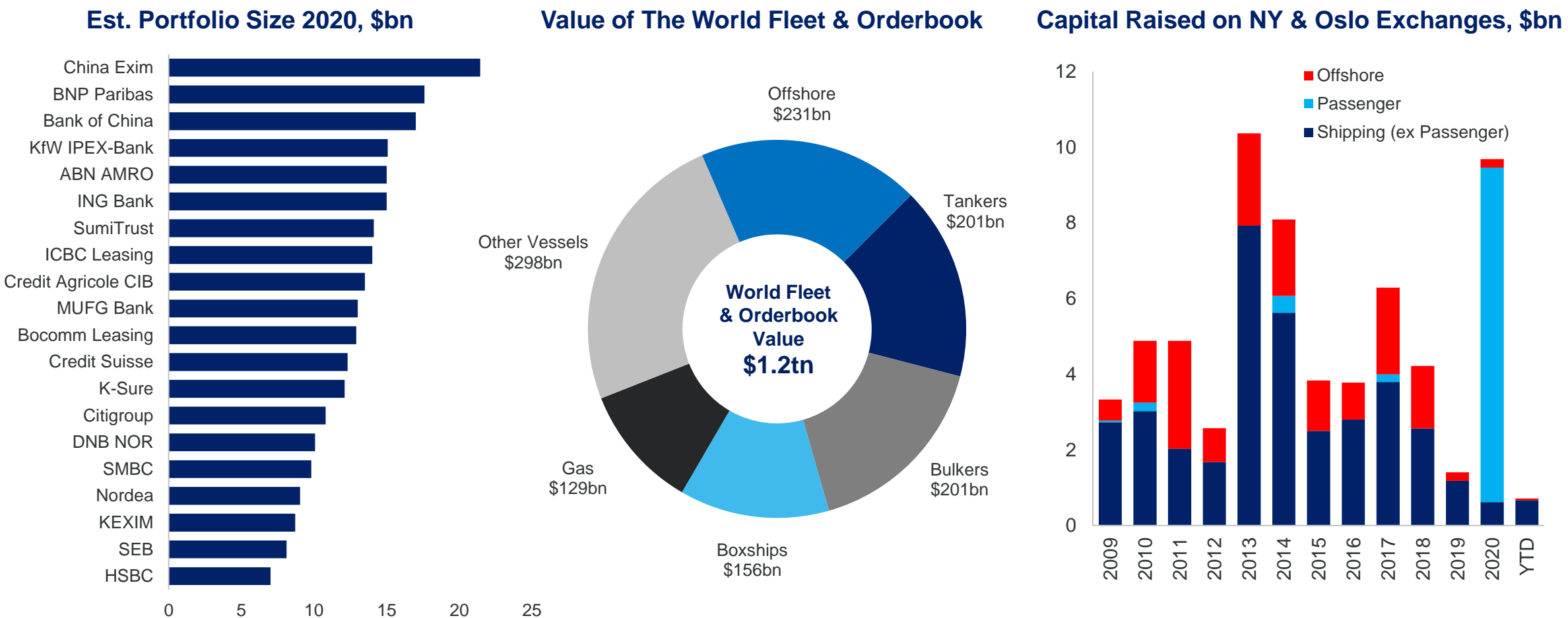
Turbine Start-Ups: Avg Rotor Diameter



Source: Clarksons Research 2021. Projections basis expected start-up dates for future projects. Subject to timeline slippage & offtake awards.

Financing requirements...

...Significant changes in financial landscape and now “Green Transition” and ESG focus for the next phase of Fleet Renewal; massive Renewables financing needed...



Portfolio size source: Clarksons Research / Marine Money / Petrofin / Industry Sources, Sep 2020. Value of fleet & orderbook as at start Feb 2021. Capital Raised includes IPOs, Initial OTCs and Follow-ons, YTD up to end Jan 2021.

Outlook



Clarkson PLC

Outlook

Tailwinds vs Headwinds



Thank You

Clarksons
Commodity Quay
St. Katharine Docks
London
United Kingdom
E1W 1BF
www.clarksons.com



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Commodity Quay, St. Katharine Docks, London, UK, E1W 1BF