

CLARKSON PLC



# Results presentation

31 December 2021

Andi Case & Jeff Woyda

7 March 2022

# Agenda

**1**

Financial results

**2**

Markets

**3**

Outlook



# Highlights

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- Record year for underlying profit
- Particularly strong performance in Broking and Financial Services
- 19<sup>th</sup> consecutive year of dividend growth
- Forward order book going into 2022 is significantly larger than at the same time last year
- Robust balance sheet with increased free cash resources of £92.2m (2020: £81.1m)
- Successful rollout of **Sea/** products to clients during the year
- Medium-term macro environment for shipping favourable as demand / supply dynamics improving post pandemic
- Actively supporting the green transition in shipping and benefit from the expected economic and global trade recovery



CLARKSON PLC

# Financial results

Jeff Woyda

Chief Financial Officer and Chief Operating Officer

## Results summary

To 31 December

	2021 £m	2020 £m	
Revenue	443.3	358.2	+23.8%
Underlying profit before taxation (Before exceptional items and acquisition related costs)	69.4	44.7	+55.3%
Underlying earnings per share (Before exceptional items and acquisition related costs)	165.6p	106.0p	+56.2%

## Results summary

To 31 December

	2021 £m	2020 £m	
Revenue	<b>443.3</b>	358.2	+23.8%
Underlying profit before taxation (Before exceptional items and acquisition related costs)	<b>69.4</b>	44.7	+55.3%
Exceptional items*	-	(60.6)	
Acquisition related costs	<b>(0.3)</b>	(0.5)	
Profit/(loss) before taxation (after exceptional items and acquisition related costs)	<b>69.1</b>	(16.4)	
Underlying earnings per share (Before exceptional items and acquisition related costs)	<b>165.6p</b>	106.0p	+56.2%

\* \*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

	<b>Revenue 2021 £m</b>	Revenue 2020 £m	<b>Profit 2021 £m</b>	Profit 2020 £m	<b>Margin 2021</b>	Margin 2020
Broking	<b>340.0</b>	282.6	<b>73.6</b>	55.4	<b>21.6%</b>	19.6%
Financial	<b>56.0</b>	33.9	<b>13.3</b>	2.5	<b>23.8%</b>	7.4%
Support	<b>29.6</b>	24.9	<b>3.3</b>	1.7	<b>11.1%</b>	6.8%
Research	<b>17.7</b>	16.8	<b>6.1</b>	5.6	<b>34.5%</b>	33.3%

## USD v GBP Exchange Rate

GBP 1 is worth the following in USD

	2021	2020
Arithmetic average for the year	1.3760	1.2923
Spot rate at year end	1.3496	1.3669



## Sea/ related IT costs

to 31 December

	2021 £m	2020 £m
<b>Items taken to income statement</b>		
Non capitalized items ( <b>Sea/</b> only)	(8.5)	(5.4)
Amortisation	(1.4)	(0.5)
	2021 £m	2020 £m
Software-related intangible assets as at 1 January	15.6	9.8
Additions	2.8	6.3
Amortisation	(1.4)	(0.5)
Software-related intangible asset as at 31 December	17.1	15.6

## SeaFix/

EXECUTION

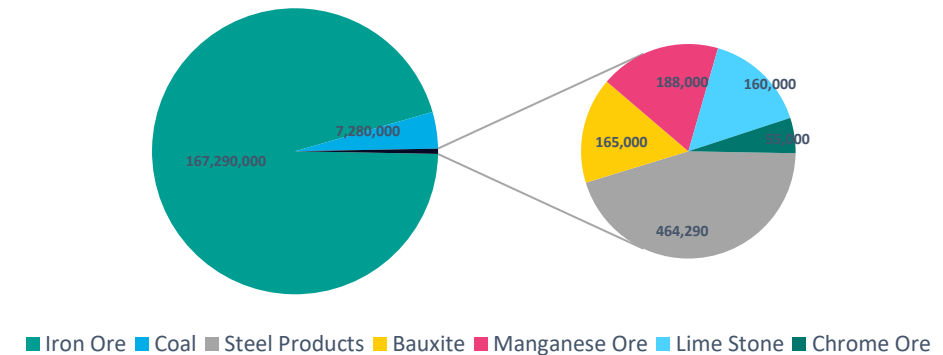
- Successfully launched the first freight trade negotiation platform backed by the industry and implemented by **5** out of the **10** largest mining corporations
- Signed up clients account for **60%** of the total seaborne iron ore trade. With clients on trial the market share will jump to **65%** of total seaborne iron ore volumes.
- Successfully on-boarded more than **200** owner/operators and brokers to the platform

## Sea/contracts

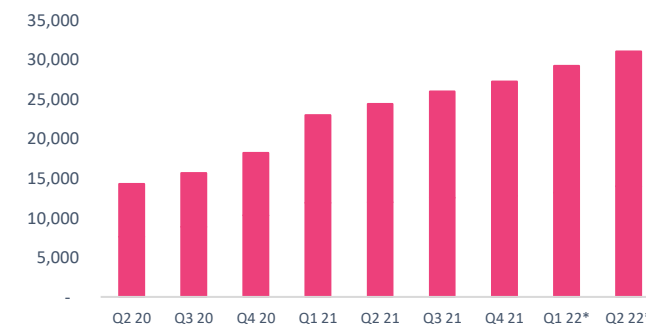
### DOCUMENTATION

- **62%** growth in fixture volume for FY 2021
- With signed but not fully rolled out clients an additional estimated **8,000** fixtures will be added to existing volumes
- Estimated **18%** market share in wet and dry markets

Cargo volumes (MT) concluded through platform in the first 12 months



Fixtures created



# Sea/

By Maritech

## SeaCarbon/

INTELLIGENCE

- Tracked and collected data for more than **166 million tons of cargo** covering **11 million nautical miles** and emitting **4.7 million tons** of CO<sub>2</sub>
- Introduced **pre fixture carbon estimation** capabilities within the Sea/ suite of products enabling our customers to assess carbon output for **every vessel** in the world fleet and **every voyage** completed

## Sea/analytics

INTELLIGENCE

- Launched Marine & Commodity flow market intelligence
- Commodities include **iron ore, coal, bauxite, grains, nickel ore...**
- Marine analytics include **fleet utilisation, port callings, vessel scheduling, vessel analysis, congestion, speeds...**
- Users include **press, commodity traders, shipping companies...**



## Sea/

PARTNERS

**RIGHTSHIP**

Compare vessels during pre-fixture negotiation incorporating Safety Score, GHG Rating and Dry Bulk Inspection statuses.

**VESON**  
NAUTICAL

Streamline data flow between Sea/contracts and Veson IMOS Platform

**WINDWARD<sup>®</sup>**  
Maritime AI

Optimise pre-fixture decisions with risk profiles on maritime entities aligned with OFAC's guidelines on deceptive shipping practices.

# Balance sheet

At 31 December

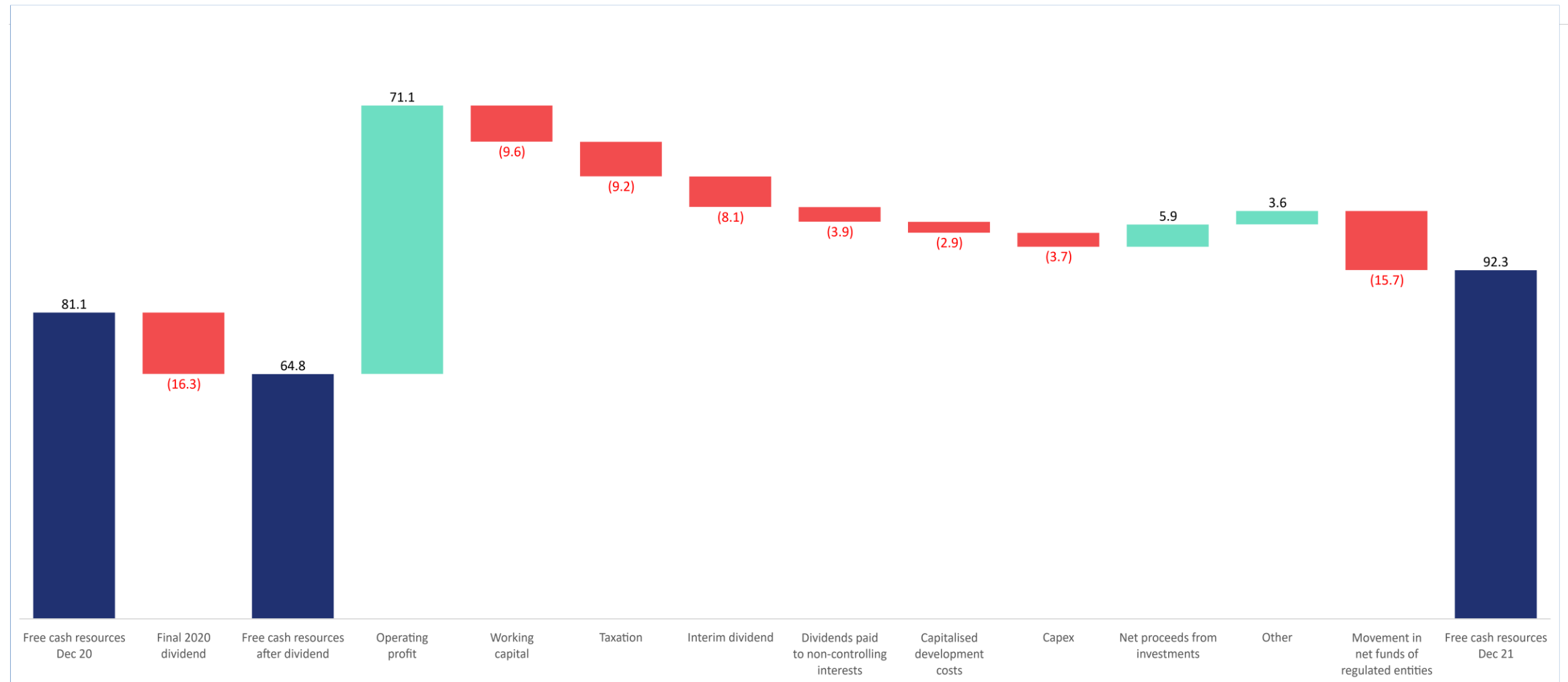
	2018 £m	2019 £m	2020 £m	<b>2021 £m</b>
Tangible fixed assets	29.3	28.9	28.6	<b>24.7</b>
Intangible fixed assets (software only)	5.4	9.9	15.6	<b>17.1</b>
Investments (relating to convertible bonds)	6.7	6.7	5.5	<b>0.7</b>
Investments (other)	4.8	4.8	2.9	<b>1.0</b>
	<b>46.2</b>	<b>50.3</b>	<b>52.6</b>	<b>43.5</b>
Working capital	18.9	14.0	10.4	<b>19.1</b>
Net available funds	73.4	84.7	95.4	<b>122.3</b>
	<b>92.3</b>	<b>98.7</b>	<b>105.8</b>	<b>141.4</b>
Pensions	14.0	11.0	12.0	<b>22.0</b>
Deferred tax	2.2	3.1	1.8	<b>(0.5)</b>
Leases	(8.1)	(10.8)	(11.1)	<b>(10.9)</b>
<b>Net assets before intangibles</b>	<b>146.6</b>	<b>152.3</b>	<b>161.1</b>	<b>195.5</b>
Intangibles (excluding software above)	288.0	228.3	167.3	<b>166.1</b>
<b>Net assets</b>	<b>434.6</b>	<b>380.6</b>	<b>328.4</b>	<b>361.6</b>

## Net available funds and free cash resources

	<b>31 December 2021 £m</b>	31 December 2020 £m
Cash and cash equivalents	<b>261.6</b>	173.4
Interest-bearing loans and borrowing	-	(0.1)
Current investment deposits	<b>9.6</b>	22.8
<b>Net cash equivalents</b>	<b>271.2</b>	<b>196.1</b>
Reserved for bonus (full cost)	<b>(148.9)</b>	(100.7)
<b>Net available funds</b>	<b>122.3</b>	95.4
Held by regulatory businesses	<b>(30.0)</b>	(14.3)
<b>Free cash resources</b>	<b>92.3</b>	81.1

# Movement in free cash resources

1 January 2021 to 31 December 2021





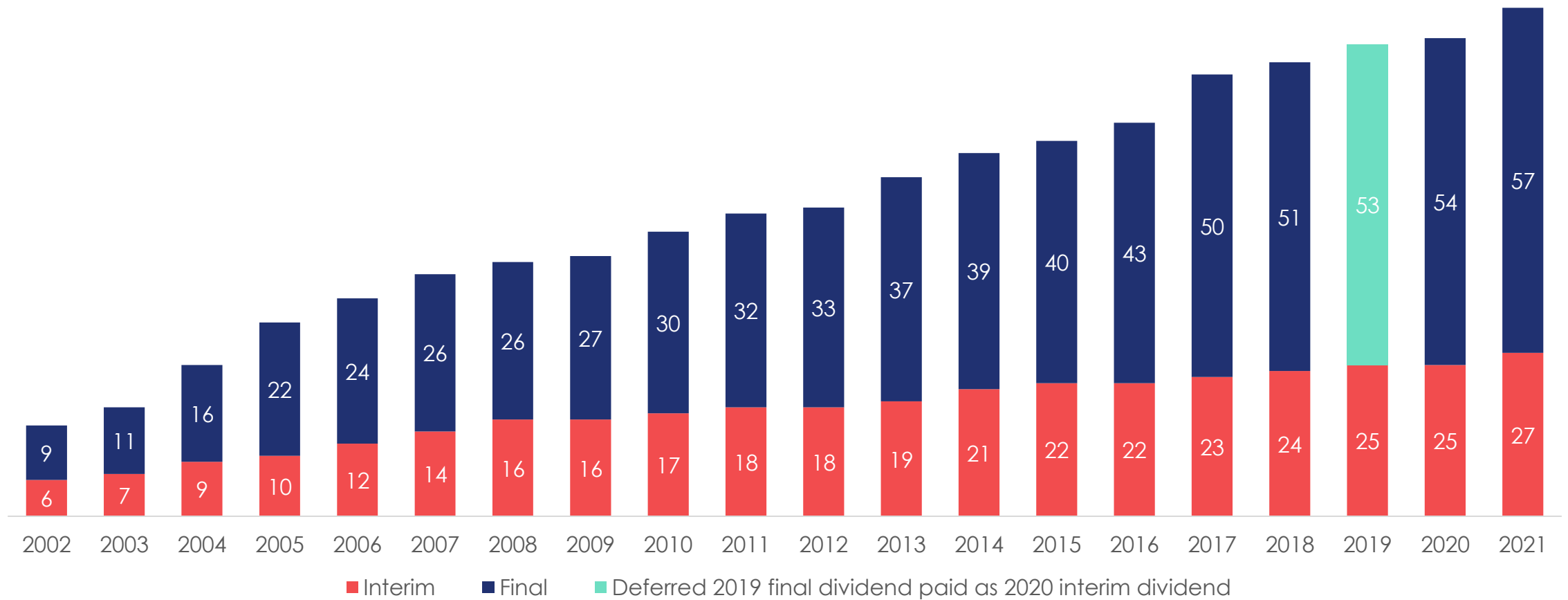
## Forward Order Book (FOB)

For invoicing in the following year

	2021 for 2022 US \$m	2020 for 2021 US \$m
Directors' best estimate of deliverable FOB	165	116

# Dividend history

19 years of progressive dividend



# Clarksons ESG

As the global leader in shipping, we believe it's our role to support smarter, more sustainable trade across the maritime industry.

We are committed to being a responsible business, working with our clients, people and communities to make a positive contribution to the world we live in.

## Helping our clients

Devising and executing decarbonisation strategies for our clients.

## The Clarkson Foundation

Creating meaningful, lasting change around the world.

## Holding ourselves accountable

We're embedding new ways of thinking and working as the norm to ensure a brighter future for all.

# Our approach to reporting

We hold ourselves accountable for becoming a more sustainable business

## Gender Pay Gap Reporting

Published annually, this report sets out differences in mean and median pay between all male and female employees, differences in mean and median bonus pay between all male and female employees, the proportion of men and women receiving a bonus, and the distribution of men and women between pay band quartile.

## TCFD reporting framework

We'll be reporting against this framework for the first time in our 2021 Annual Report and have identified the actions we need to take to reach full compliance.

## EcoVadis Sustainability Reporting

This sustainability assessment requires us to provide evidence of having implemented a structured sustainability management system. The assessment focuses on various policies, implemented measures, certifications and key performance indicators (KPIs). Our recent EcoVadis assessment placed Clarksons in the top 15% of our sector. We were awarded the EcoVadis Silver Medal after being rated against 21 CSR criteria across four themes: Environment, Labour and Human Rights, Fair Business Practices and Sustainable Procurement. This certification asserts our dedication to building a better future. For our clients, our stakeholders and the world. Today, tomorrow and beyond.

## Scope 1, 2 and 3 emissions

Clarksons has been measuring its Scope 1, Scope 2 and some limited Scope 3 emissions since 2013 as required by the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 and more recently the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.



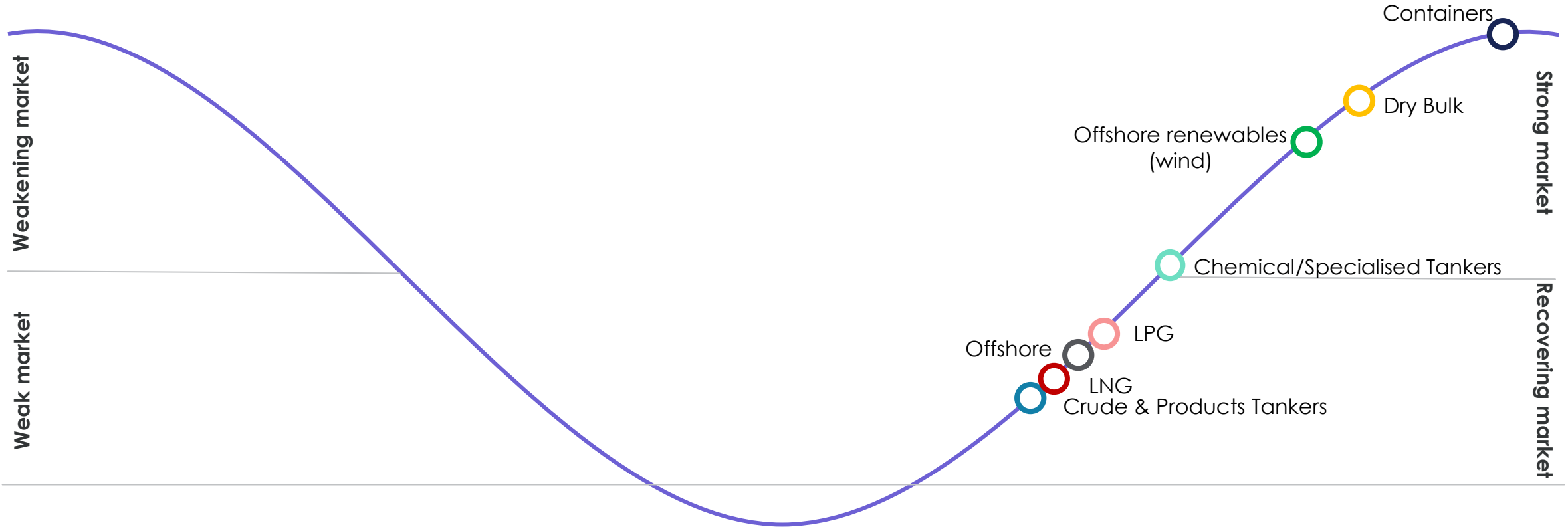
CLARKSON PLC

# Markets

Andi Case  
Chief Executive Officer

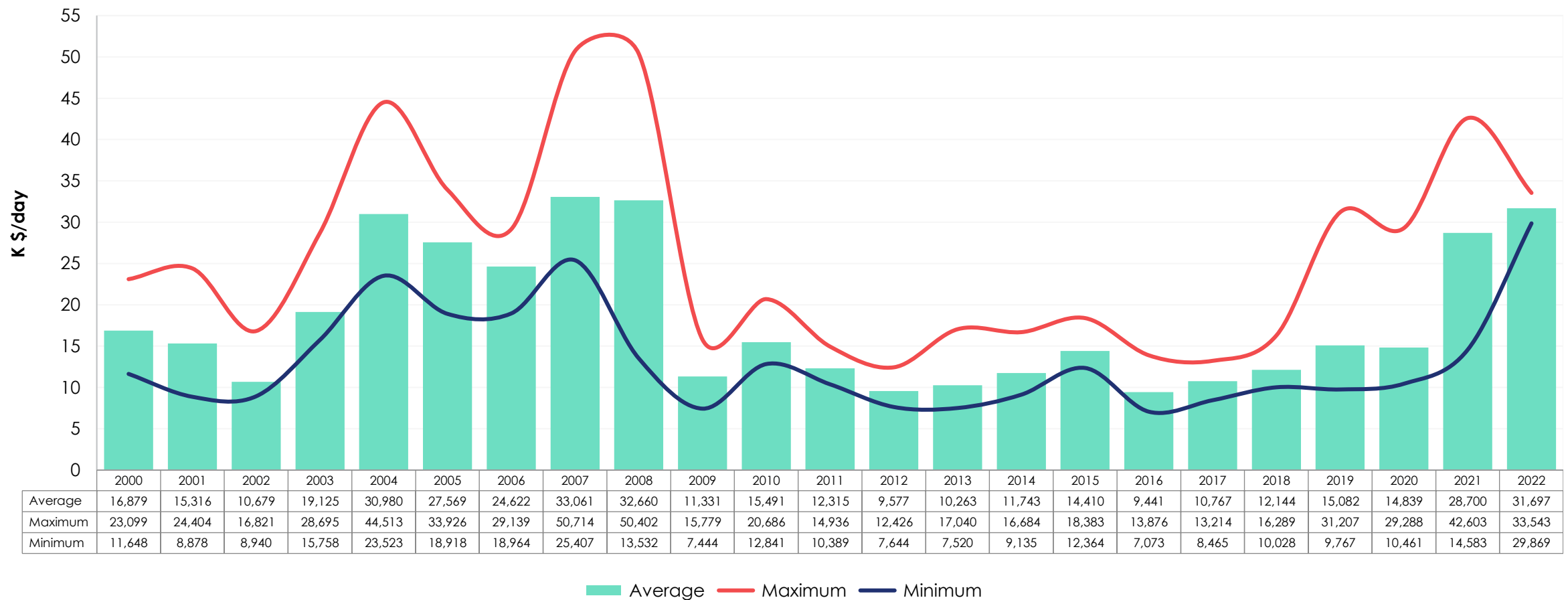
# Where are we in the cycle?

Timeline of each cycle not defined and varies



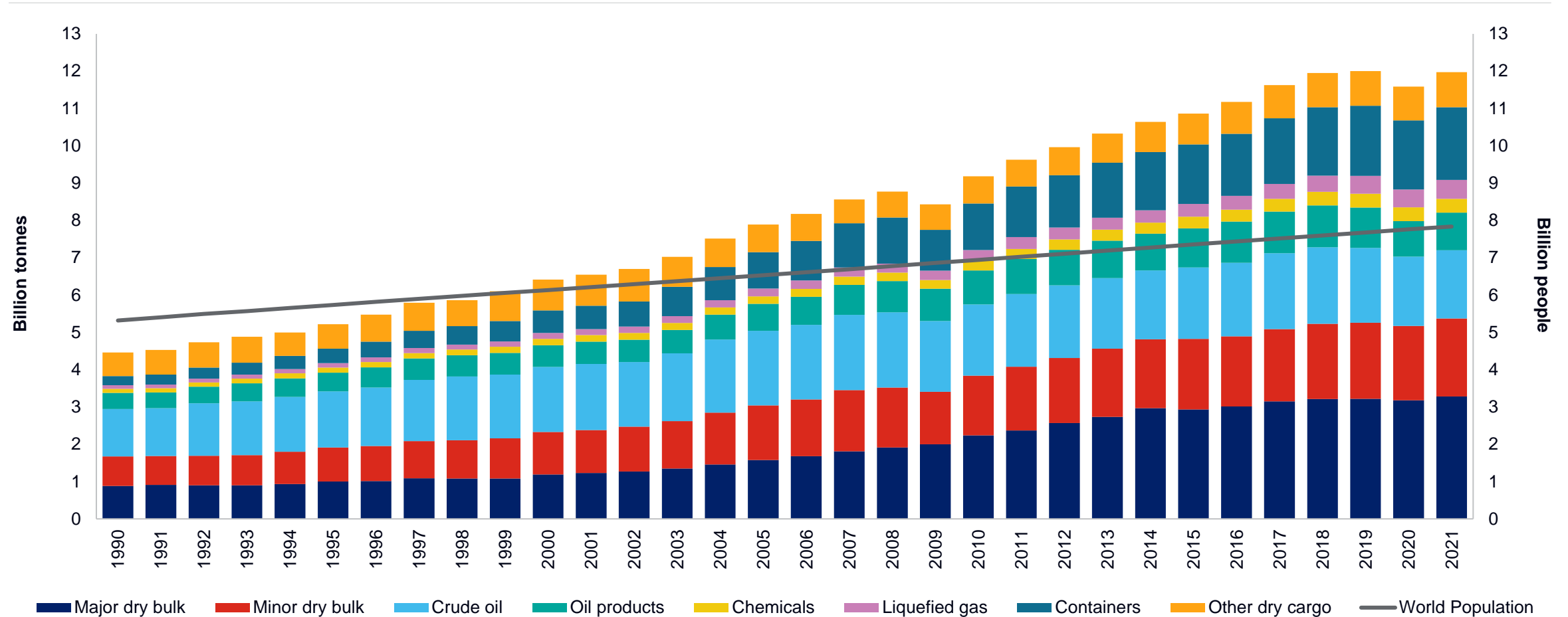


# ClarkSea Shipping Index



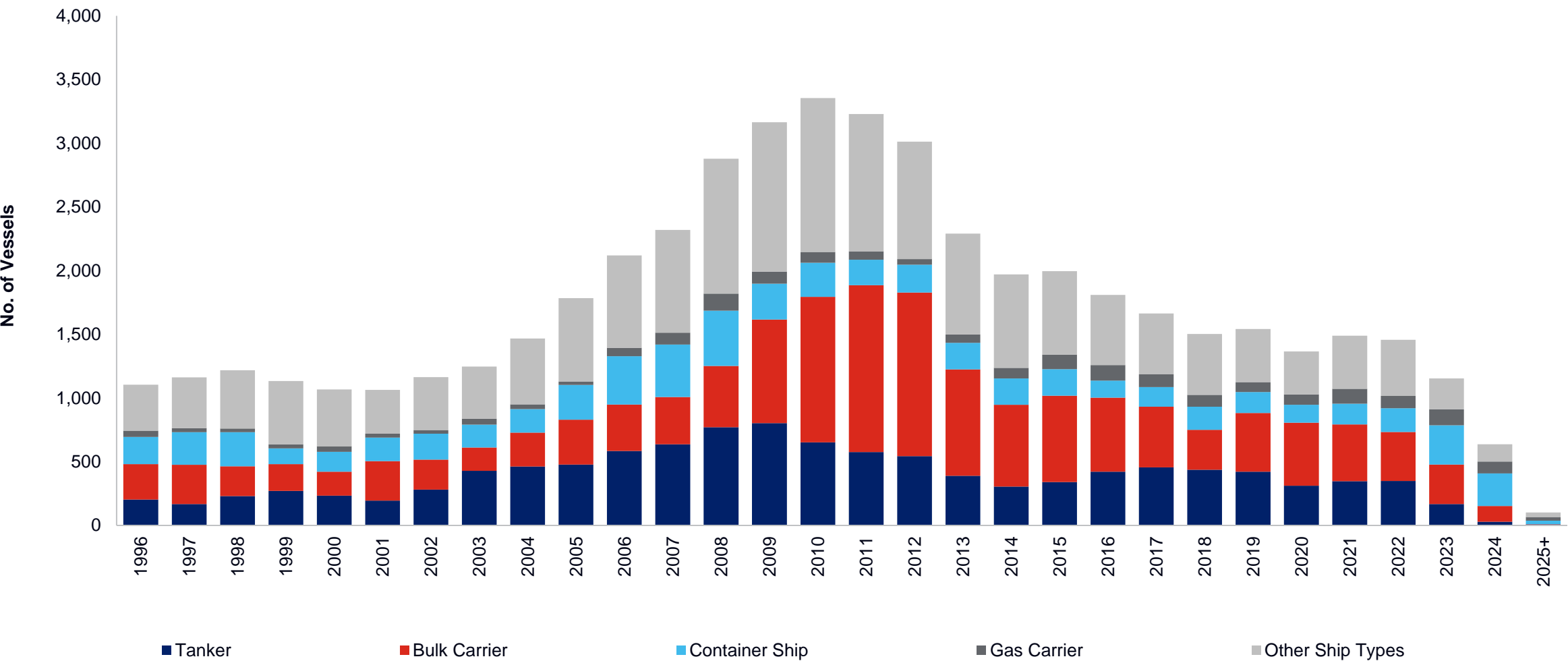
Source: Clarksons. Data to 18 February 2022

# World Seaborne Trade – Historic



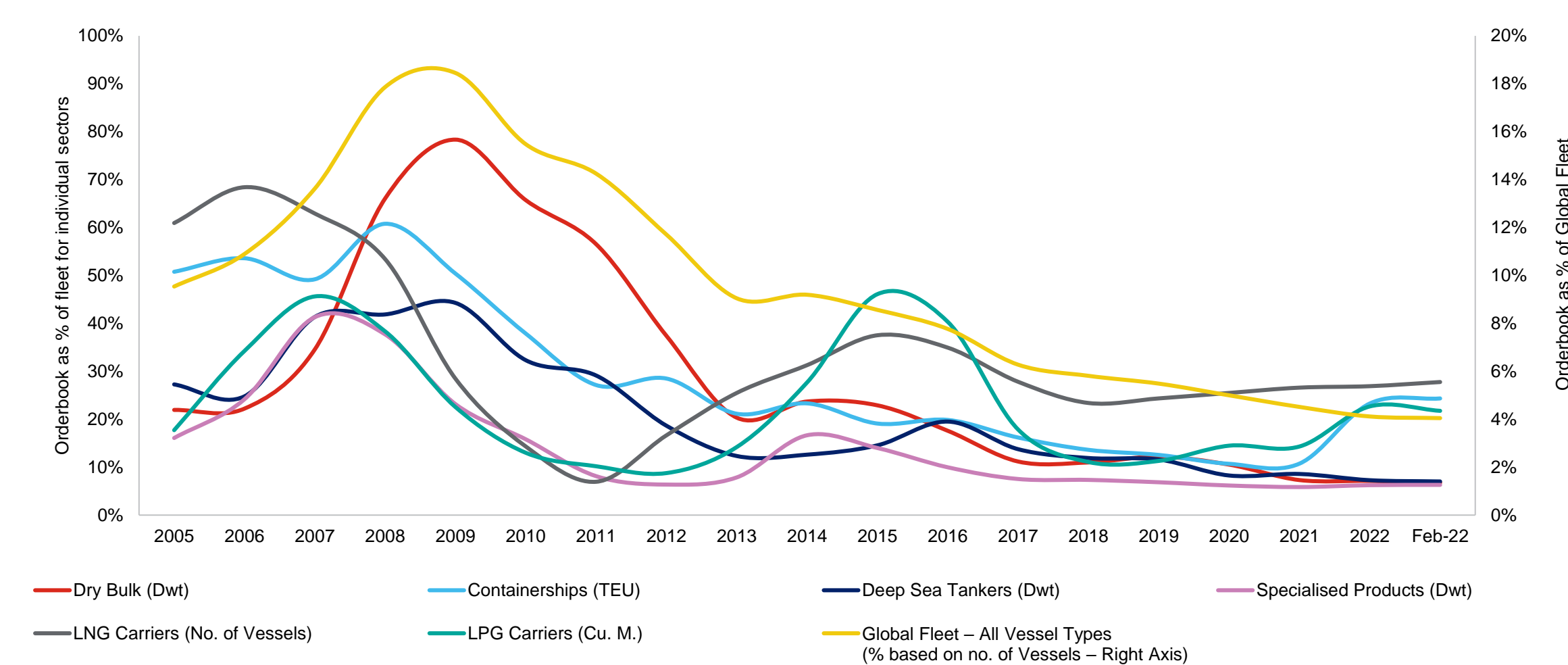
Source: Clarksons/US Census Bureau

# All Types\* Fleet Deliveries & Orderbook



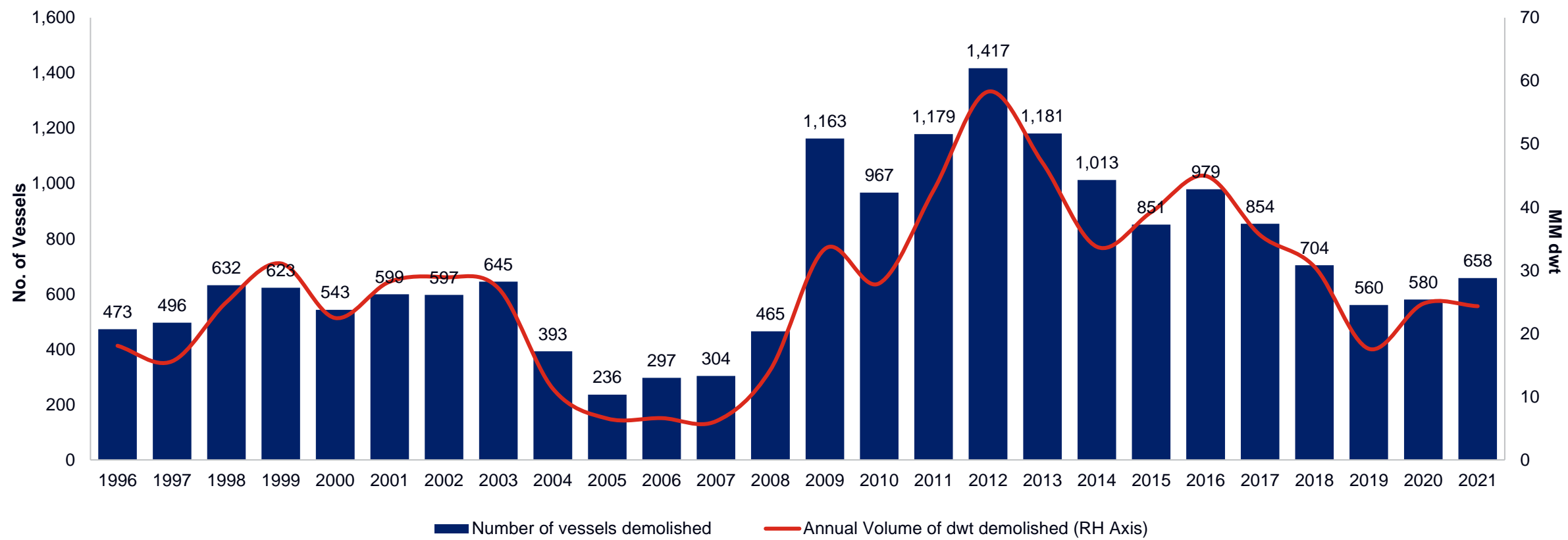
Data Source: Clarksons. \*Not including fishing vessels, GT less than 1,000 vessels

# Orderbook as % of Fleet



Source: Clarksons. Start of the year.

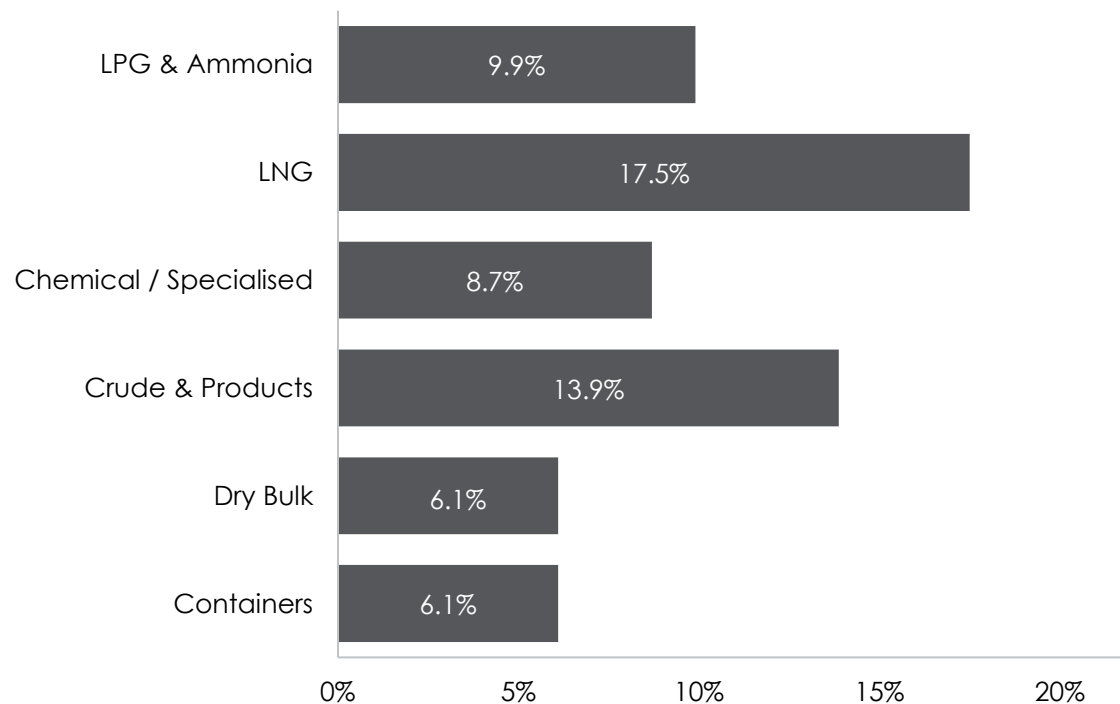
# Demolition Trends



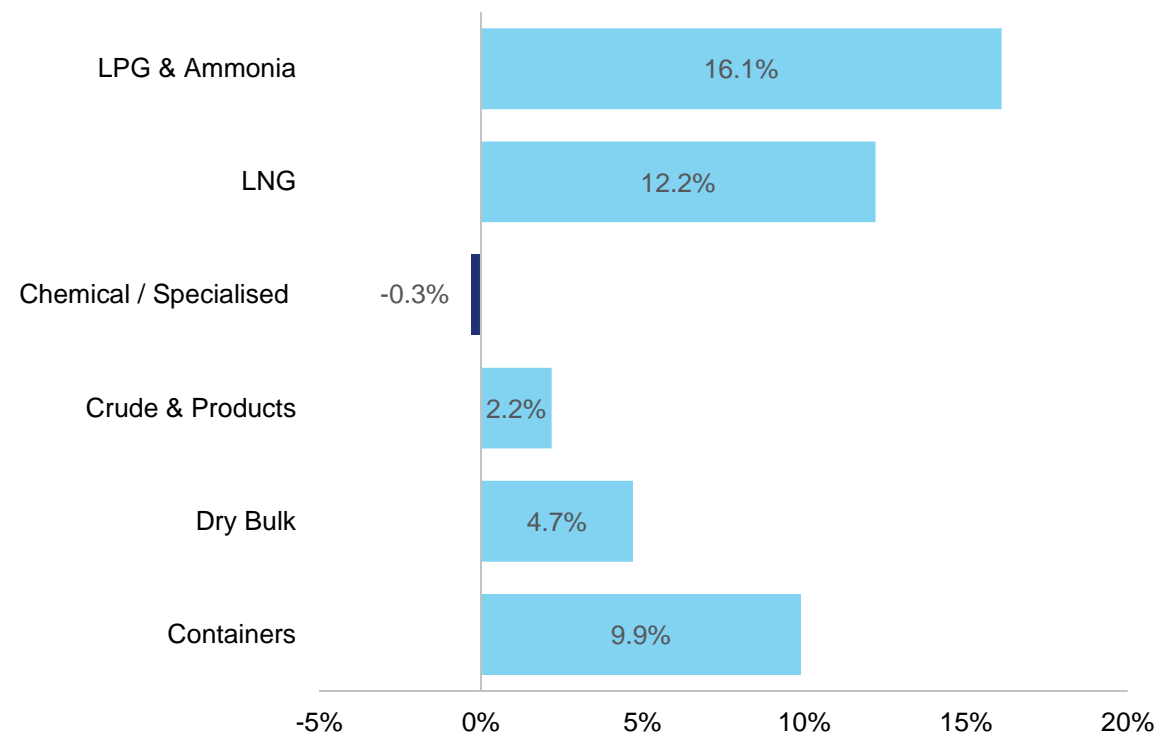
Source: Clarksons. Data to January 2022

# Sector Fundamentals Outlook Comparison

**Demand Growth**  
(BN Tonne-Miles\*, % Chg 2021–2023)



**Fleet Growth**  
(% Chg 2021–2023)



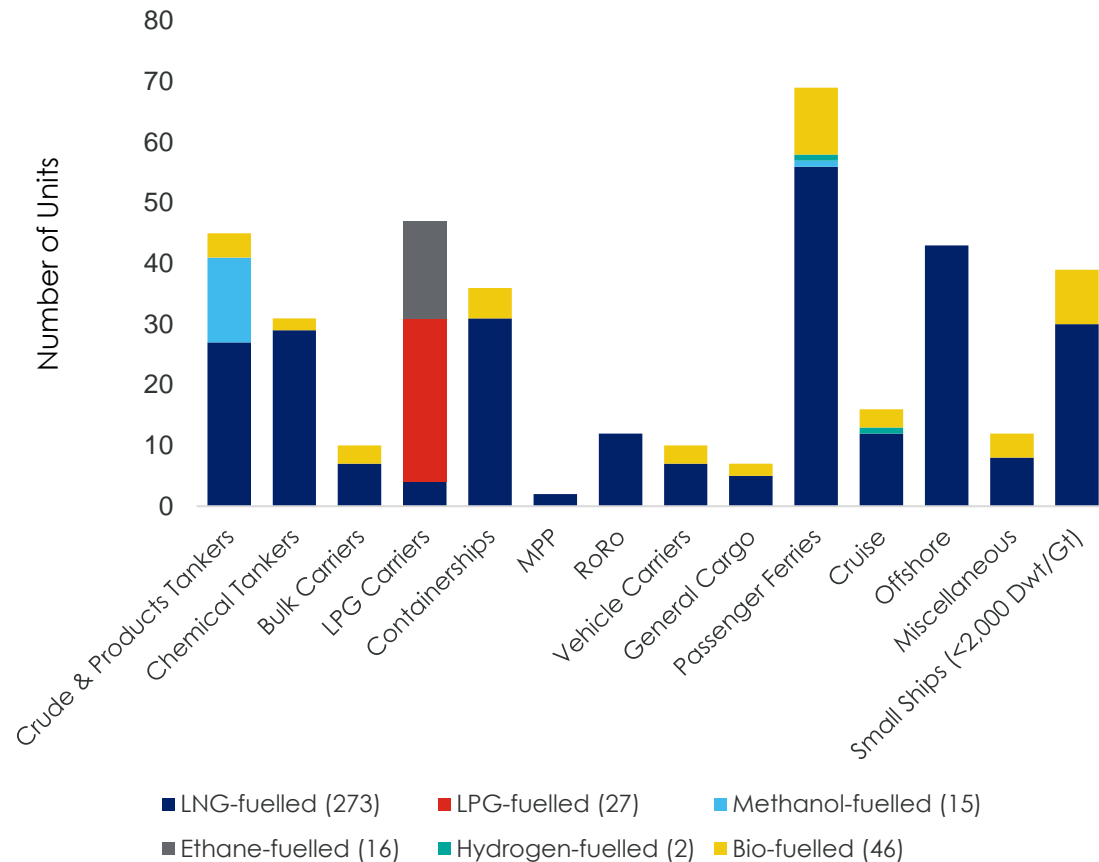
Data Source: Clarksons. \*LNG and Oil Tanker Demand Growth account for fleet productivity and floating storage developments as well as tonne-miles, and are measured in cbm/dwt demand respectively. Container Demand Growth basis TEU-mile trade.



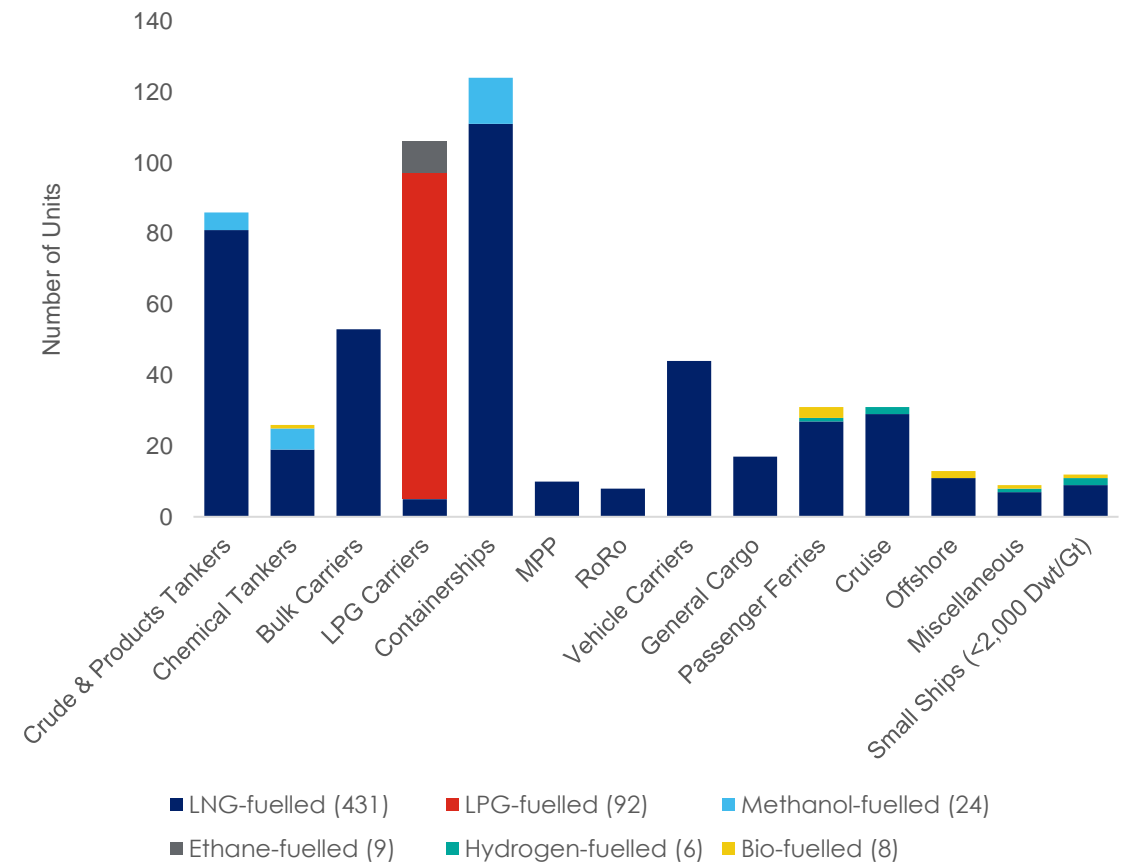
# Green Transition – LNG Fuel has seen the biggest adoption across the Fleet

Increasingly orders are for alternative fuels

**Existing Vessels already burning Alternative Fuels  
(excl. LNG carriers)**



**Orderbook to be burning Alternative Fuels  
(excl. LNG carriers)**

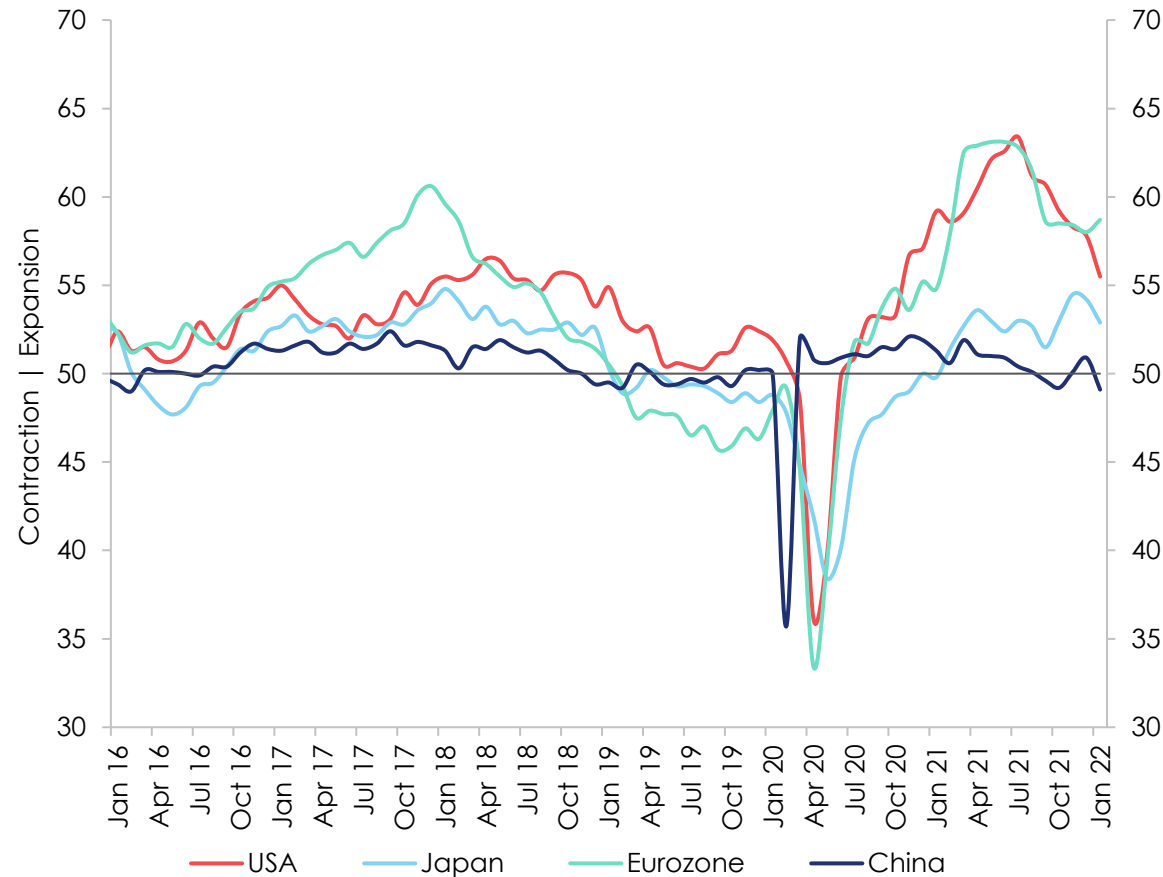


Source: Clarksons Research | Note: Based on February 2022 data. Distinction of vessels using Battery/Hybrid technology or propulsion is not presented in the above charts.

# Manufacturing PMIs

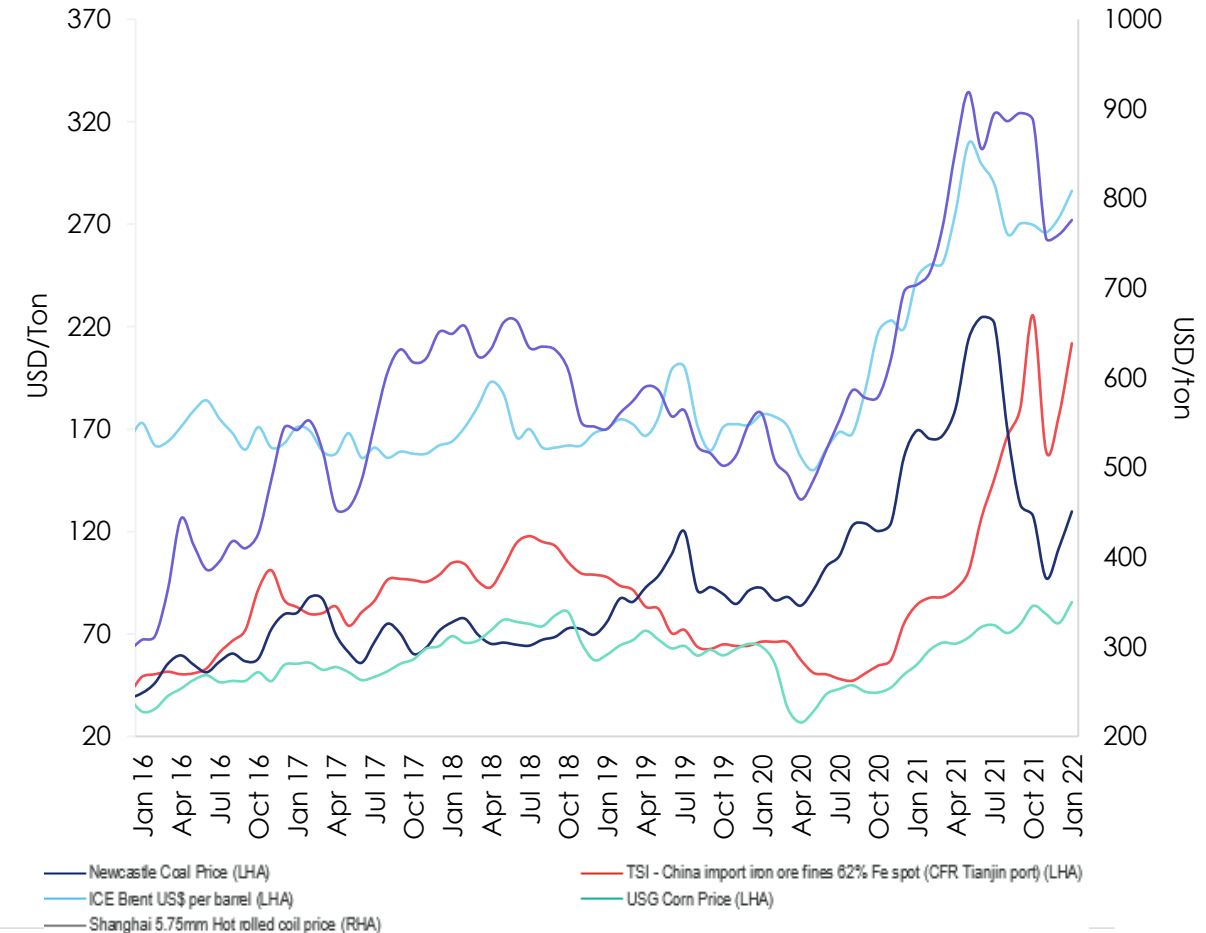
Widespread fiscal stimulus in support of world steel demand and in turn drybulk raw materials

## Manufacturing PMIs in Big 4 Economies



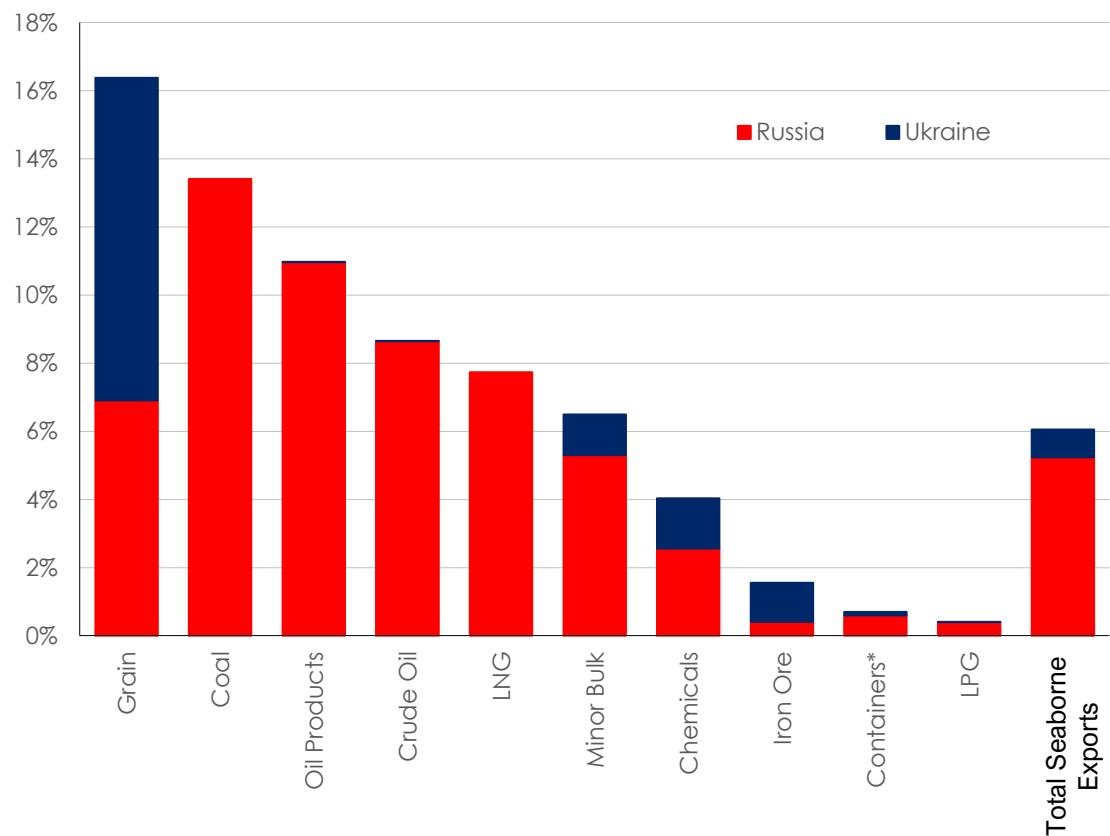
Sources: IHS Markit, Caixin, Refinitiv, Clarksons SIN, Trading Economics

## Selection of Commodity Prices

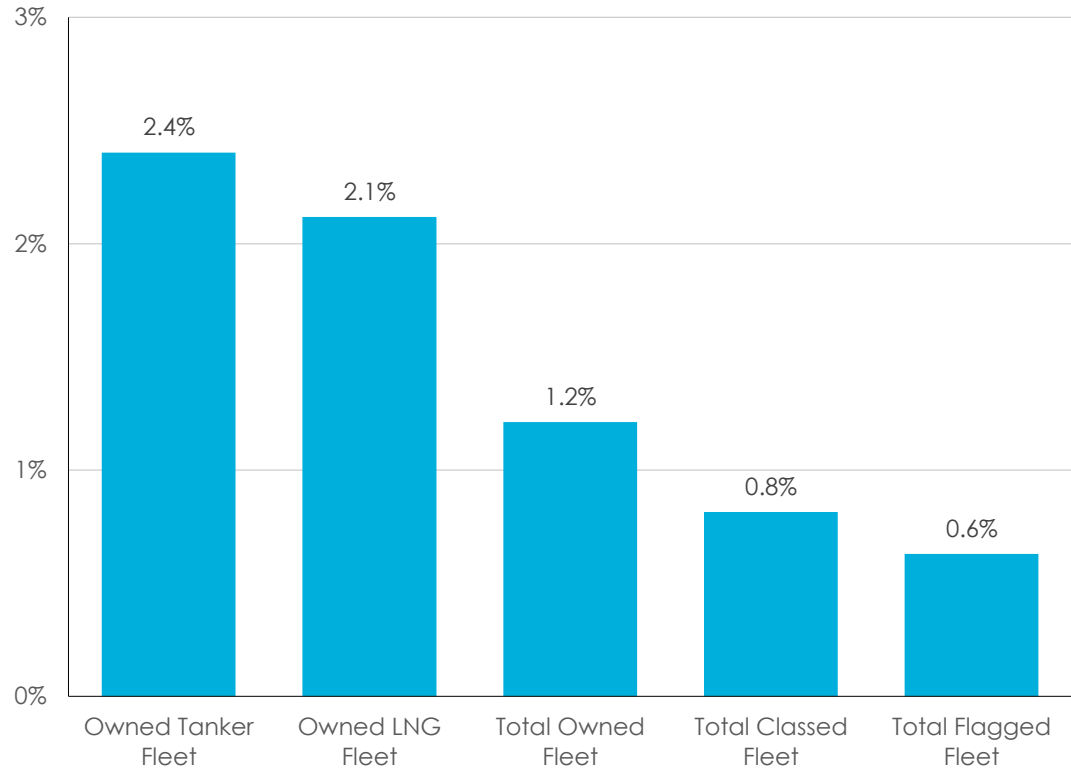


# Russia And Ukraine's Maritime Role In Context

% Of Global Seaborne Exports (2021)



Russian Fleet, % Of Global (GT)



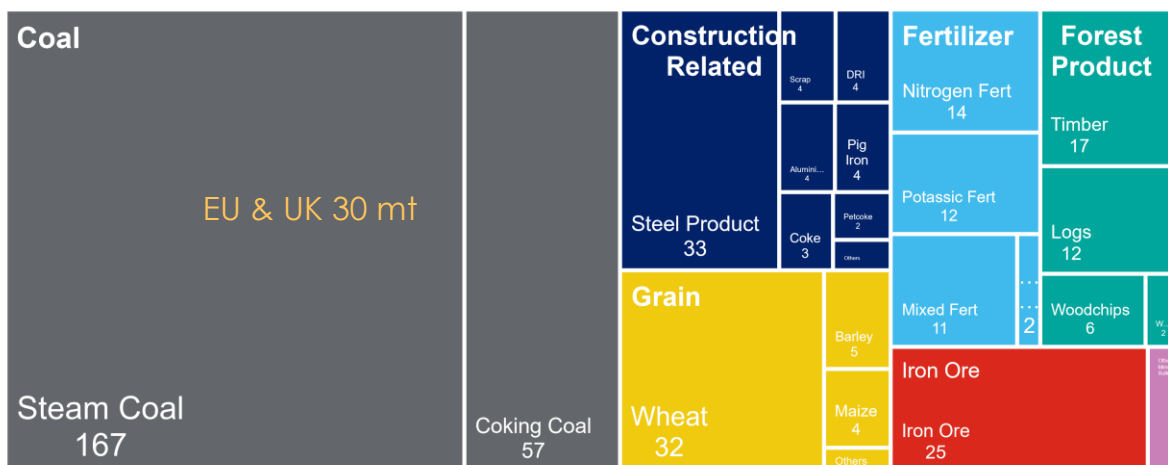
The Russian owned fleet totaled 2,943 vessels of 18.1m GT at start Feb-22

Source: Clarksons Research. February 2022

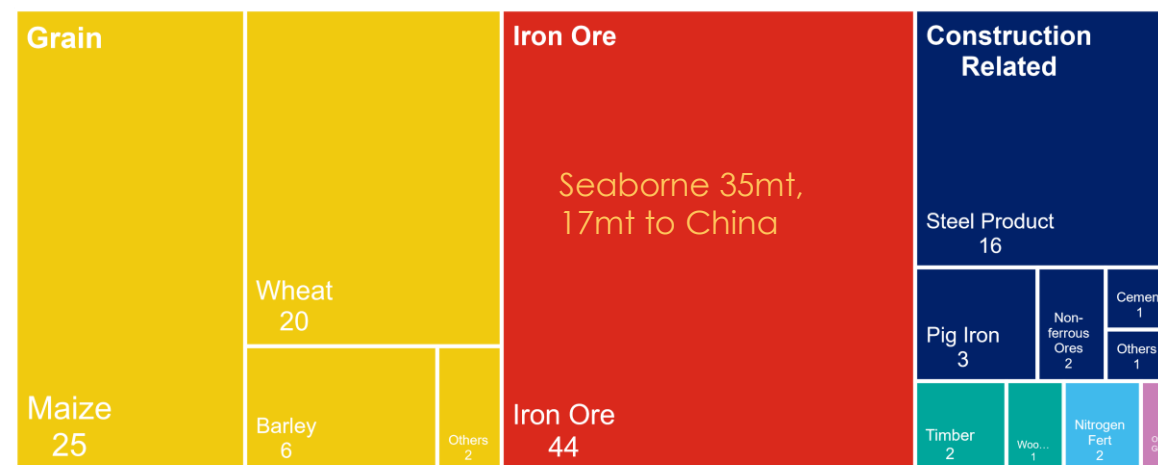
# Russia & Ukraine Dry Bulk Exports

Russia exported 430mt and Ukraine exported 125mt in 2021

Russia Main Dry Bulk Exports in 2021 (in Mt)



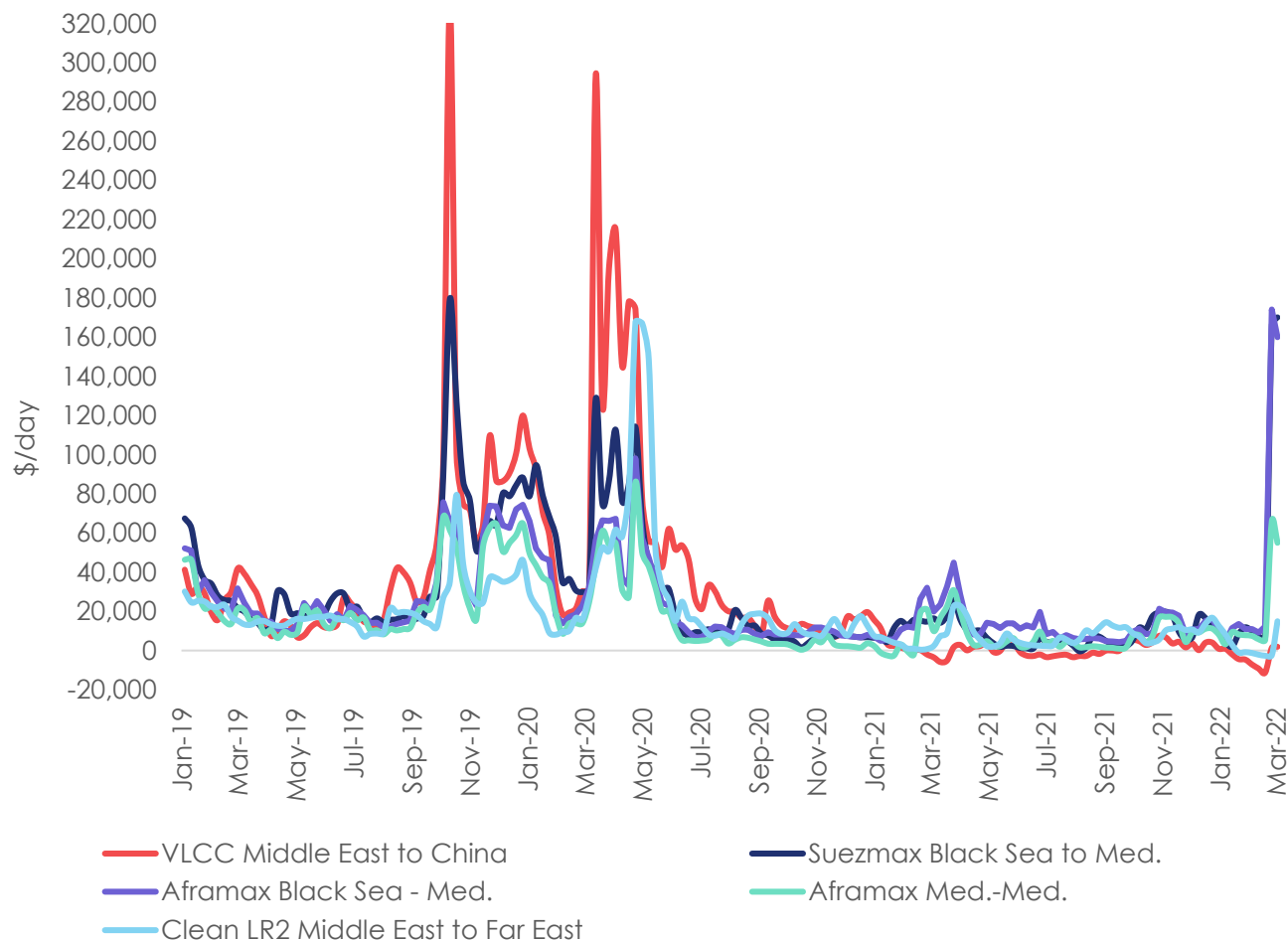
Ukraine Main Dry Bulk Exports in 2021 (in Mt)



- Immediate implications - Closure of Ukraine ports led to a loss in seaborne trade to be replaced by other supplying countries adding to the tonnemile demand.
- Russia & Ukraine combined account for about 35% of global wheat trades and 20% of global corn trades, but substitute supply mainly from Argentina, EU, Australia & US will positively impact tonne-mile demand. Over time, new crops will emerge and structural change to trade routes and traditional seasonality.
- Loss of Russian coal will leave a gap in the market with limited substitute capacity with the unwinding of new mining investment, which will speed up the investment in alternative fuels. In the meantime, the redirection of trades such as long-haul Australian cargoes will find a new home in Europe.
- Loss in iron ore volumes from Ukraine is less than 2% of the iron ore seaborne market but leads to further tightening of the market driving-up the iron price which in turn speed up new mining expansion.

Source: GTT

# Russia/Ukraine Impact on the Tanker Market



## Short-term:

Immediate impact with several markets seeing spikes in rates.

## Medium-term and longer-term:

Strong potential for pivot away from short-haul Russian oil trade into Europe, to longer-haul replacement cargoes of crude oil and oil products.

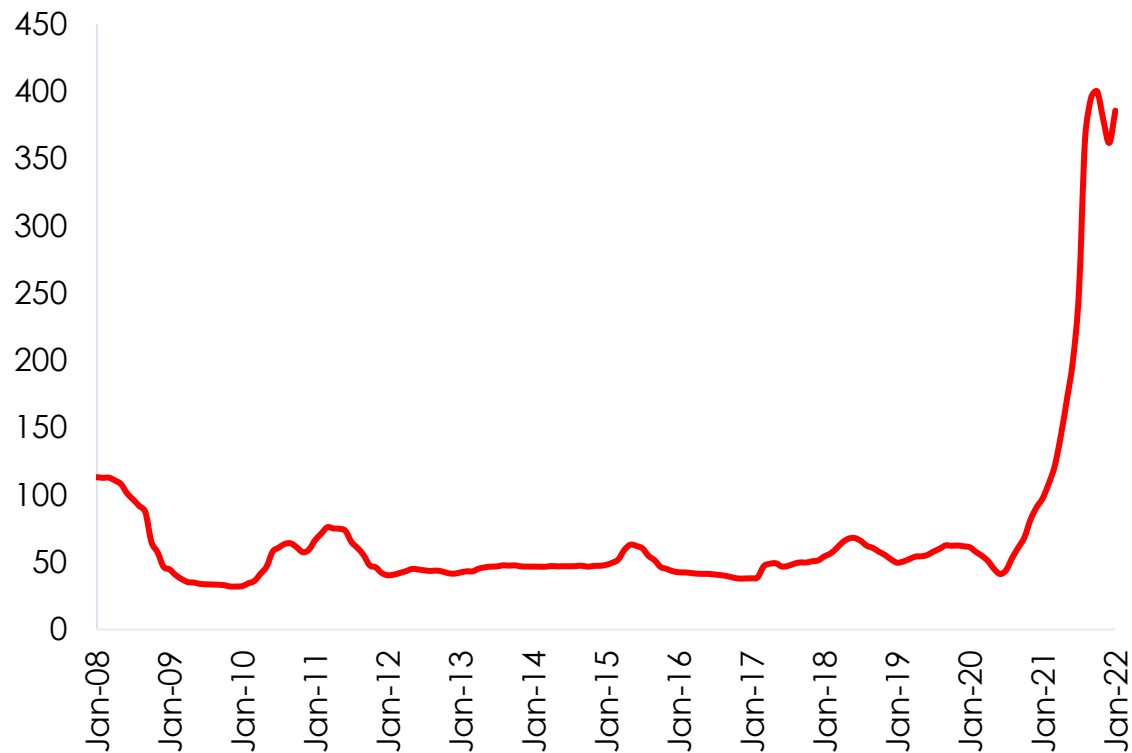
This situation could materialise very quickly, driving an abrupt and potentially long-lasting increase in crude and products trade tonne-miles.

Source: Clarksons. Latest data provisional as at 3<sup>rd</sup> March 2022

# Container Shipping Market Trends

Extraordinary all-time record box freight and vessel charter markets

## Containership Charter Rate Index



## Spot Container Freight Rate Index (SCFI)



Source: Clarksons Research, SSE

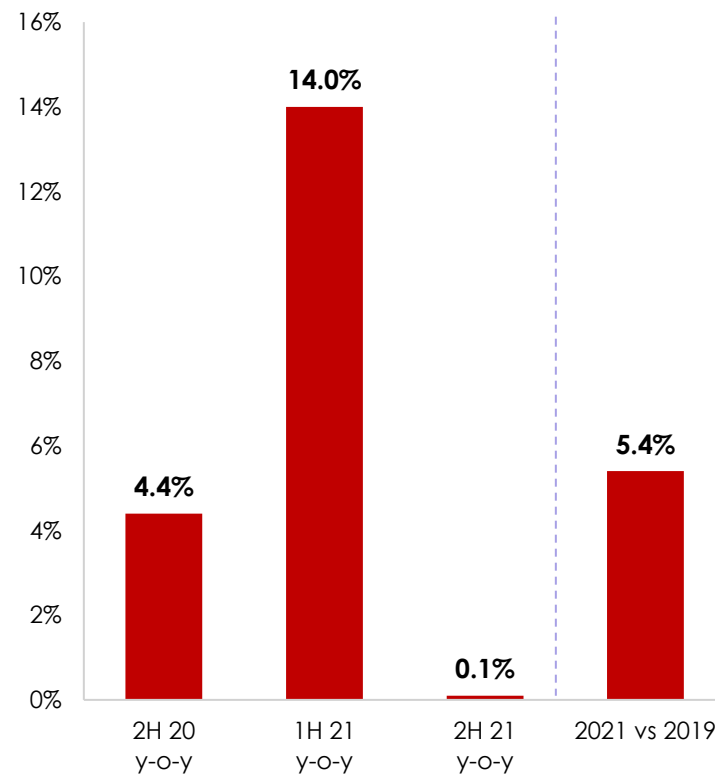


# Container Shipping Sector “Perfect Storm”

Combination of factors driving spectacular markets

## Rebounding Volumes

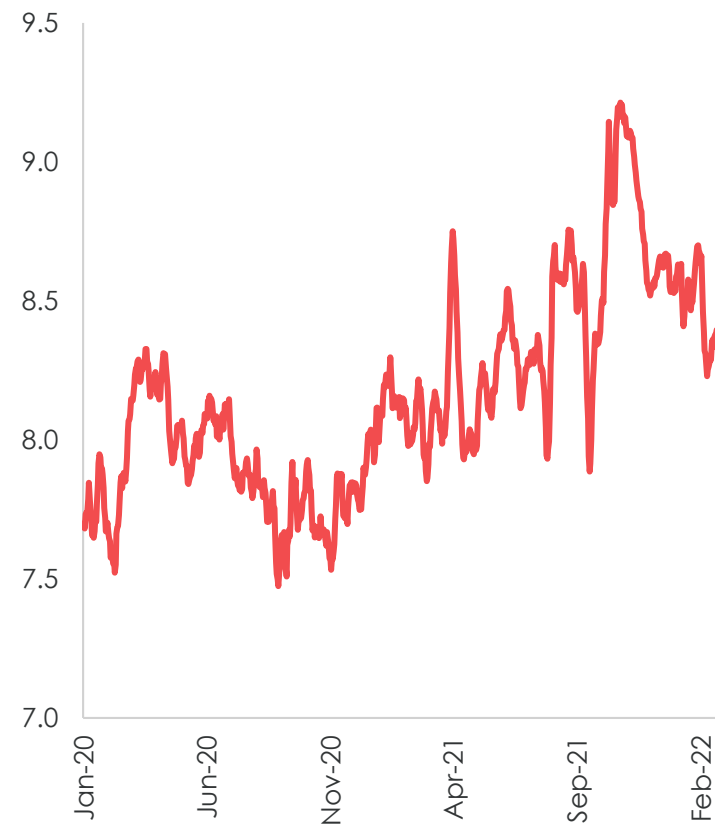
Global Container Trade



Source: Clarksons Research, CTS

## “Disruption Upside” / Congestion

Boxships In Ports Globally, mTEU, 7 dma



## Moderate Supply Growth

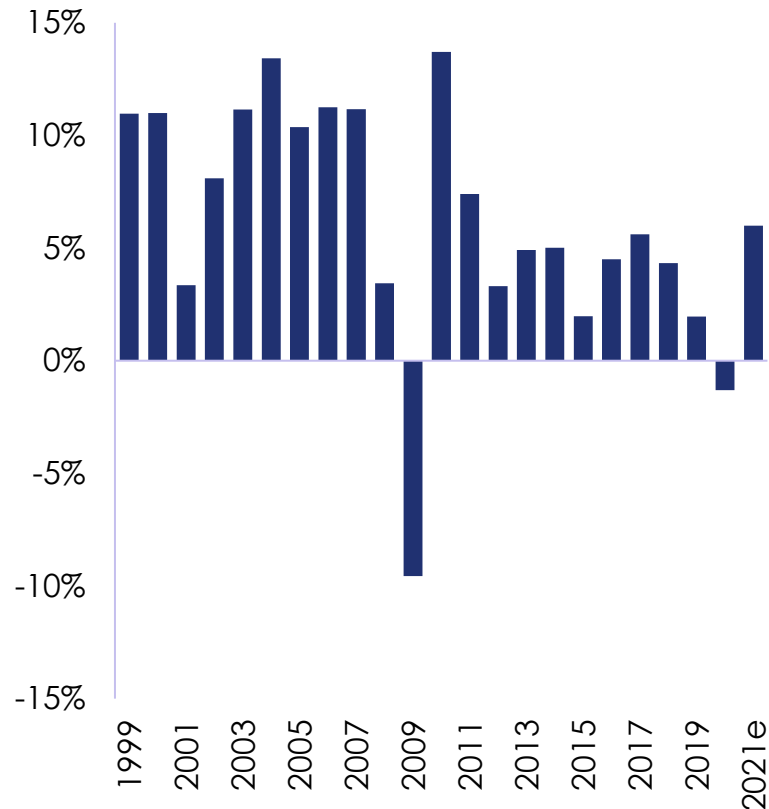
Containership Fleet Capacity Growth, % y-o-y



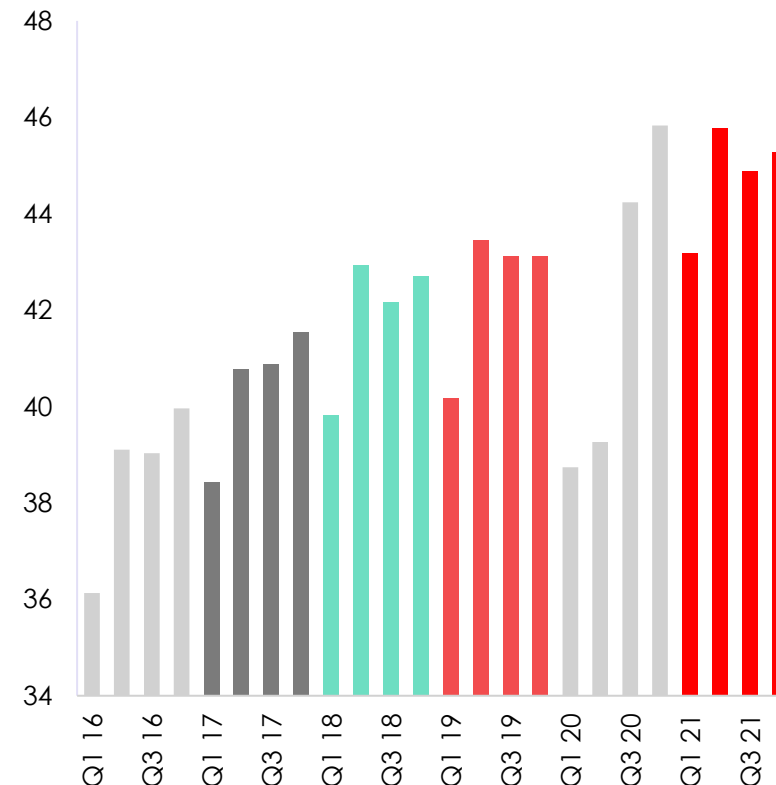
# Strong Global Box Trade Growth

Box trade volumes have rebounded to above pre-Covid levels

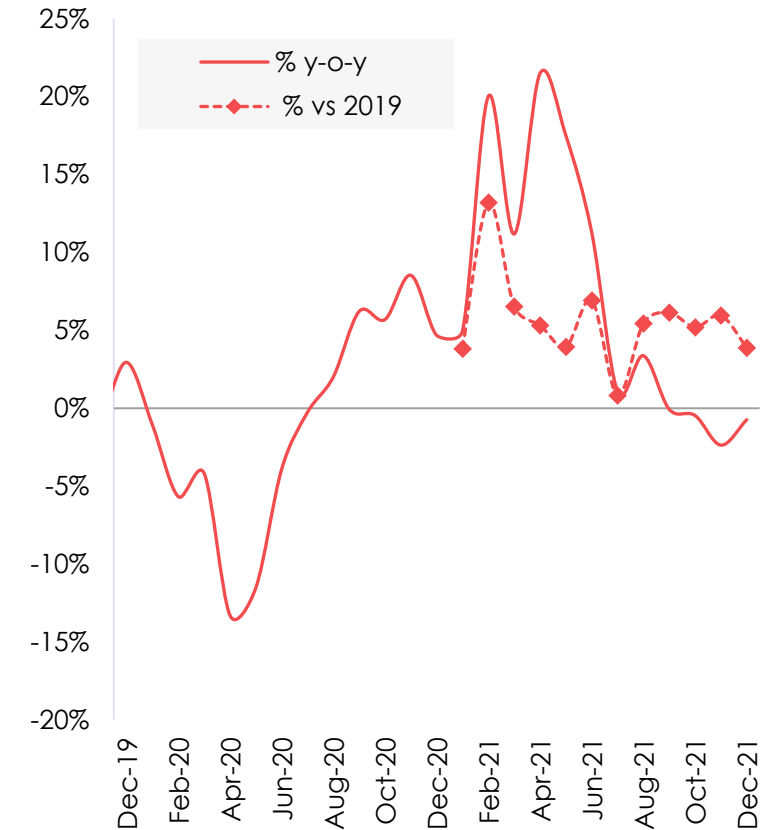
Annual Growth, % TEU



Global Volumes, Quarterly, mTEU



Monthly Growth, % y-o-y & % vs 2019



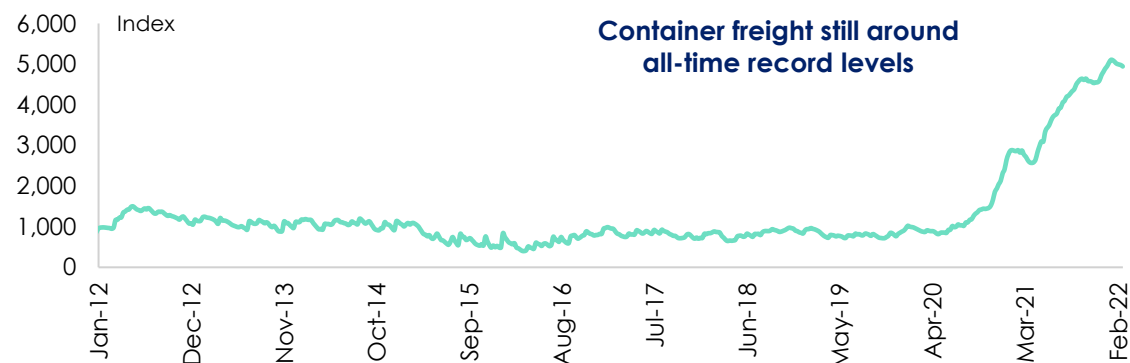
Note: Quarterly and monthly data from Container Trades Statistics basis selected 'basket' of trades representing around 85% of global container trade

Source: Clarksons Research, CTS

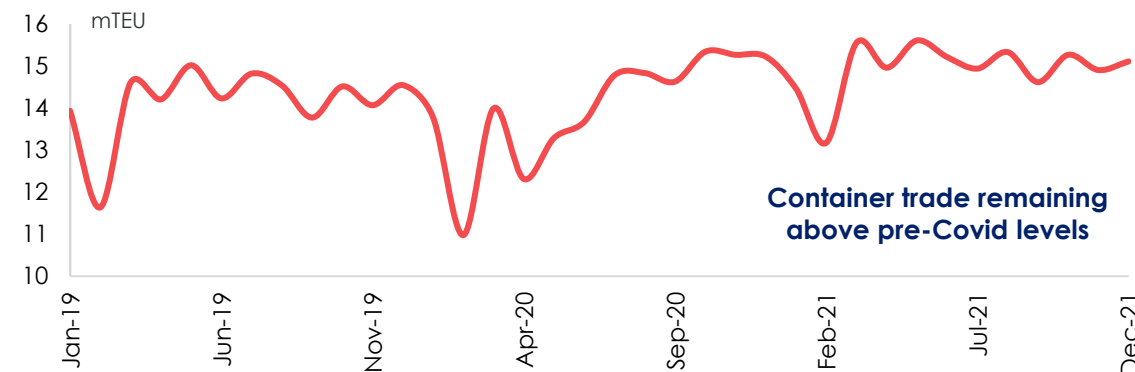
# Containership Market Momentum Still Extremely Firm

Near-term outlook highly positive, prolonged “disruption upside” through 2022

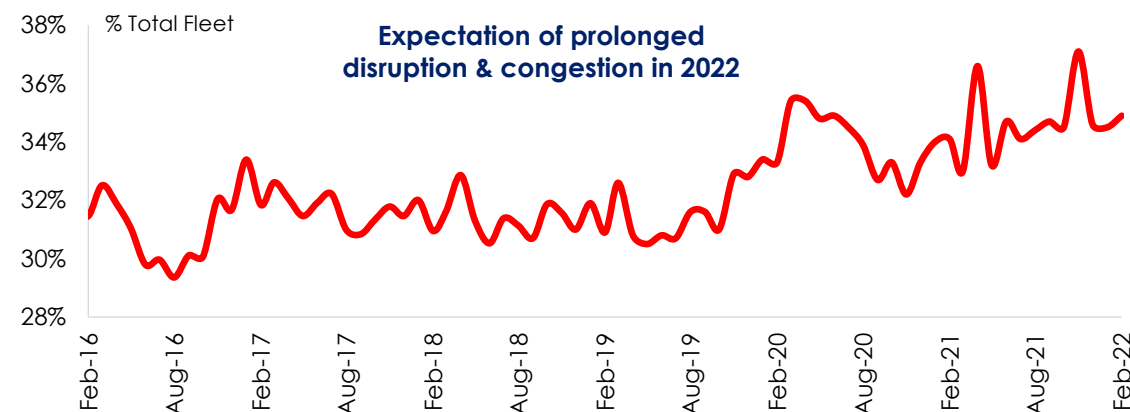
Spot Box Freight Rates, SCFI Comprehensive Index



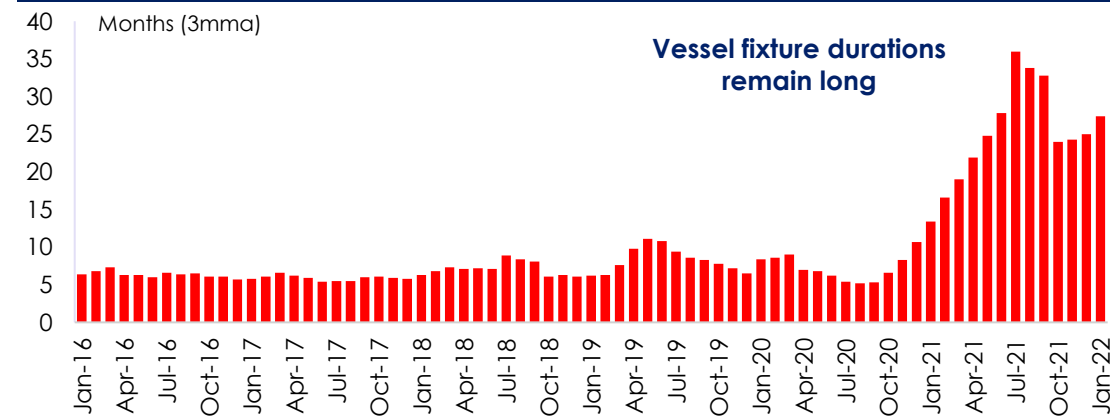
Global Seaborne Container Trade



Port Congestion, % Of Total Fleet Capacity At Port (7dma)

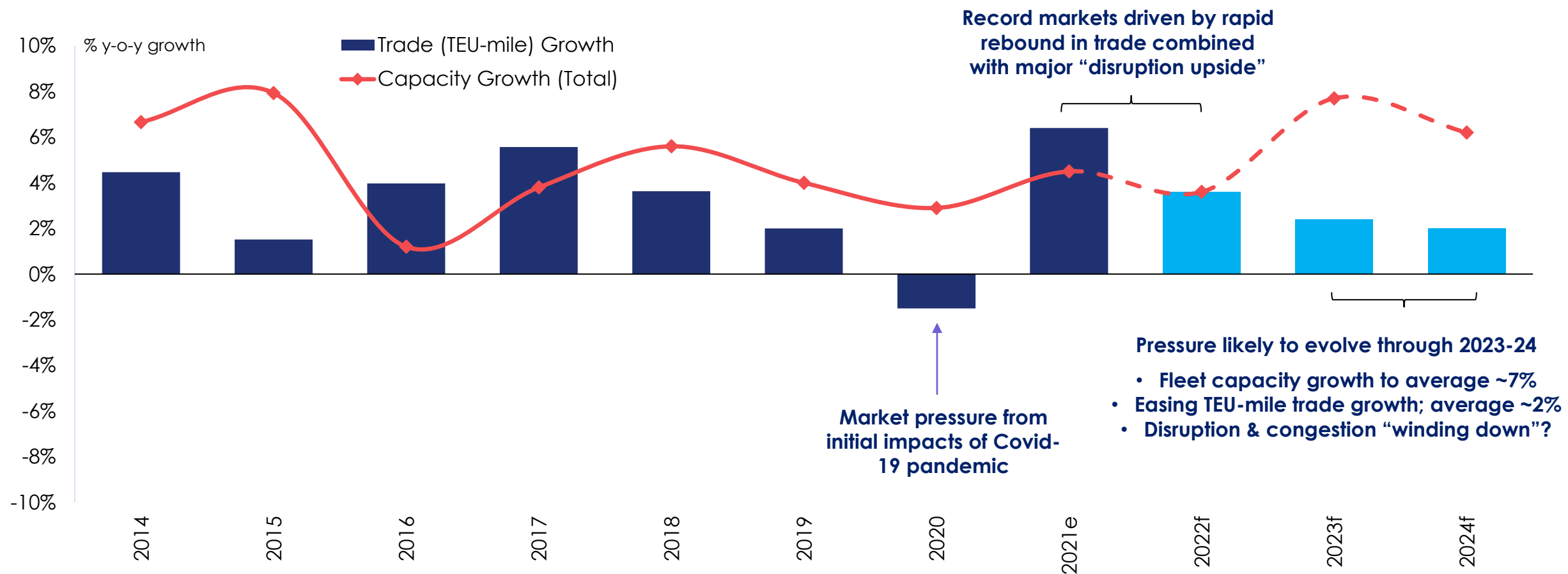


Average Reported Fixture Length (3mma)



# Containership Supply-Demand Outlook

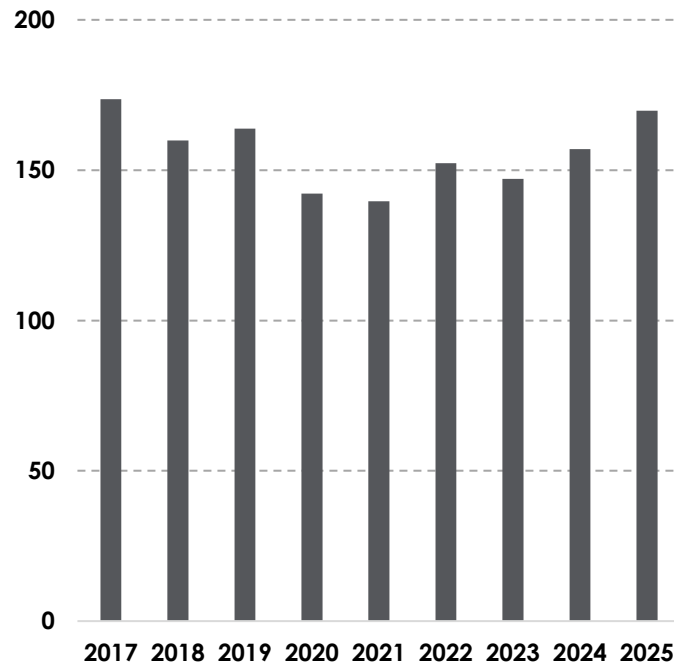
Outlook for 2022 very positive, pressures could evolve through 2023-24



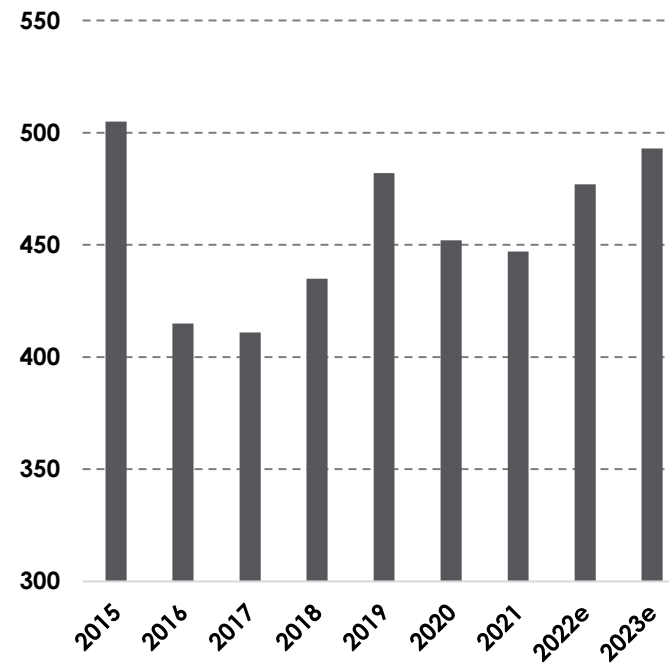
Source: Clarksons Research, February 2022

# Offshore seeing recovery in traditional Oil and Gas and continued strong growth in Offshore Wind (I)

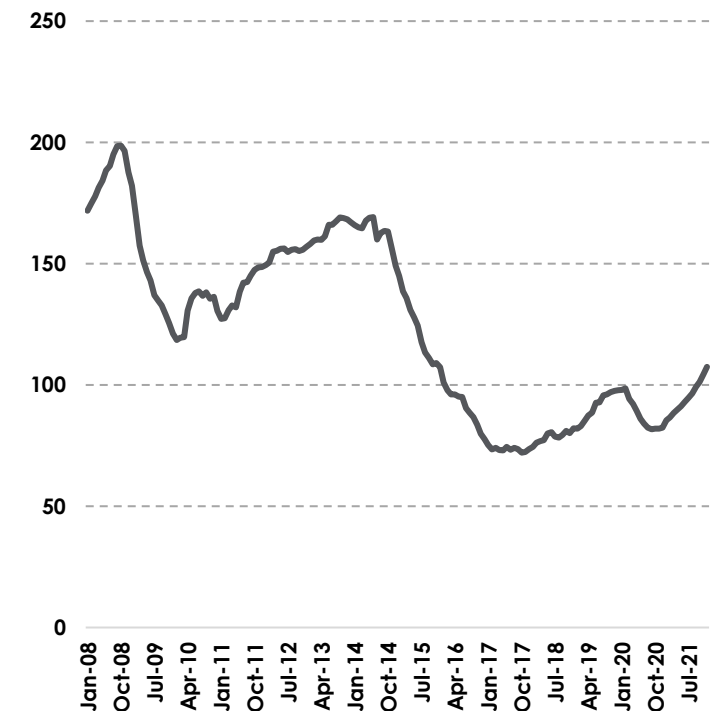
Offshore E&P-spending turning (USDbn)



Offshore rig count increasing again



OSV rates improving (Clarksons OSV index)

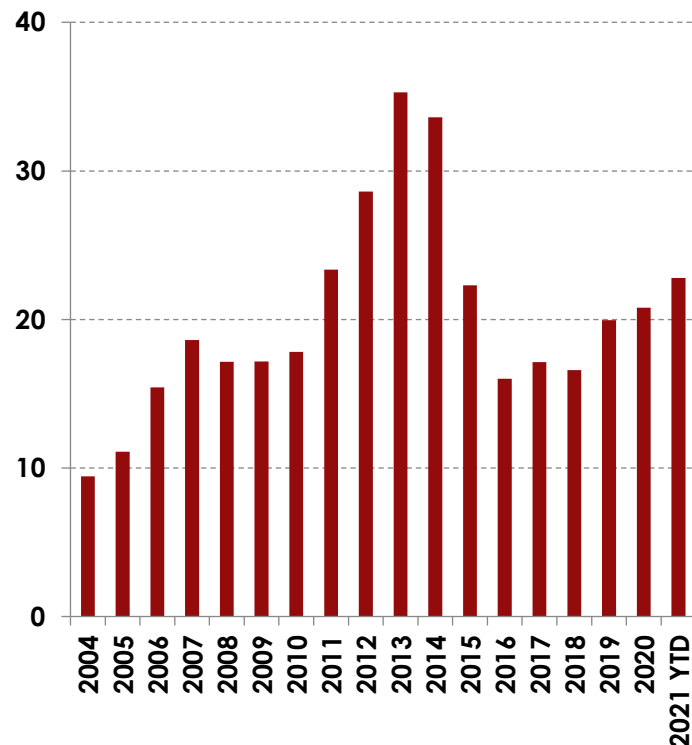


Note: Offshore rig count corresponds to contracted and forecast contracted rigs, encompassing jackups and floaters

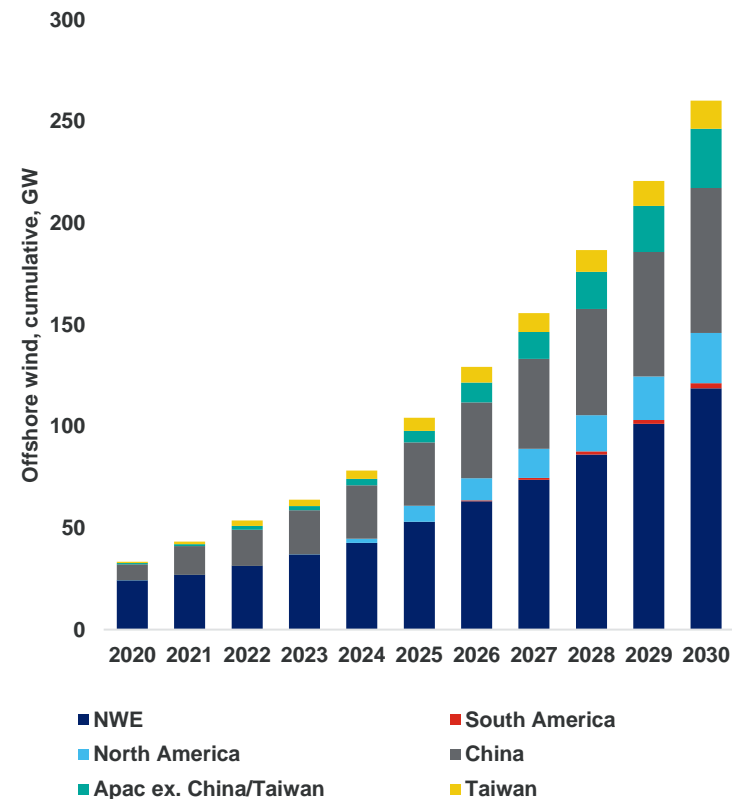
Source: Rystad Energy; RigLogix; Clarksons Research; Clarksons Platou

# Offshore seeing recovery in traditional Oil and Gas and continued strong growth in Offshore Wind (II)

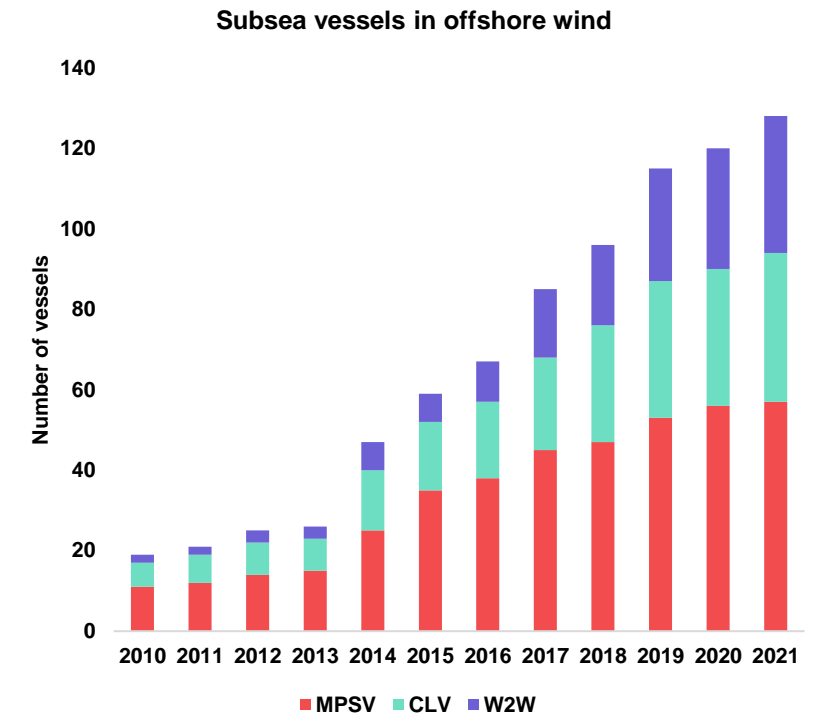
Subsea EPC backlog building (USDbn)



Strong growth in Offshore Wind (GW)



Strong Wind demand for Subsea O&G vessels



Note: Subsea EPC backlog represents Subsea 7, TechnipFMC Subsea division and Saipem E&C Offshore Construction division. Subsea vessels in Offshore Wind corresponds to Subsea O&G vessels with a track-record of at least one Wind project over the past 24 months or which are marketed/designed for Offshore Wind work  
Source: Saipem, TechnipFMC; Subsea 7; Clarksons Research; Clarksons Platou



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Outlook



# Outlook

## Tailwinds vs Headwinds

### Headwinds...?

#### Exchange rate

USD vs  
GBP,NOK...

#### Black Swan

Covid-19 - is it  
over

War – how long  
and how deep

#### Sentiment

Uncertainty  
  
Inflation

### Tailwinds

#### Markets

##### Supply side challenged

- Lack of  
finance
- Shipyard  
sustainability
- Design  
evolution

##### Regulation & Client GHG Focus

- 2030
- 2050

##### Renewables

Growing global  
market requiring  
maritime skills

Sea/

#### Company

##### Forward order book

US \$165m +  
US\$49m

##### Cash generation and debt free

##### Progressive dividend policy in 19<sup>th</sup> year





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# Thank you

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