Wallenius Wilhelmsen

Wallenius Wilhelmsen ASA

Q4 2022

Highlights – Q4 2022

- Q4 EBITDA at all-time high, boosted by margin improvements in all segments
- Full year revenue of USD 5bn and EBITDA of USD 1.5bn
- Net debt to adj. EBITDA of 1.9x, well within the new <3.5x target
- Proposed FY2022 dividend of USD 360m, 45% of net profit
- Pia Synnerman appointed new Chief Customer Office
- High activity expected in 2023 despite some softening in H&H and breakbulk

Agenda

1. **Market update**
2. Shipping update
3. Logistics update
4. Sustainability update
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6. Prospects and Q&A

Light vehicle sales still expected to increase this year despite cooling economy and consumer sentiment

LV SALES

LV DEEPSEA

QoQ Q4-22
(unit growth)

+5.5%

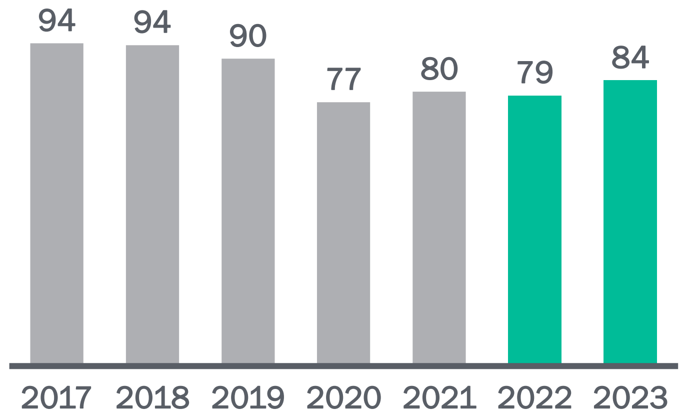
+7.3%

- **China reopening likely positive** medium and long term
- **The global economy under pressure** by inflation and high interest rates
- **Global LV sales were lower than underlying demand** from consumers

- On the supply side **we see continued improved production figures**
- **Availability of semiconductors gradually improving including distribution**
- The last time annual sales were at ~80m per year was in 2012

LIGHT VEHICLE SALES OUTLOOK

Million units



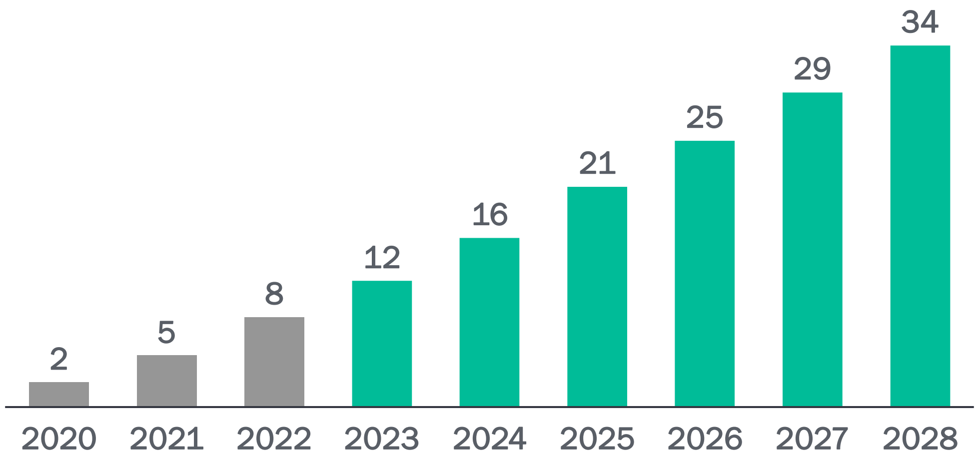
Source: S&P / Market Insight Wallenius Wilhelmsen

EV sales gain traction and China export contributes to deep sea volume growth

BEV sales are increasing, and forecast is regularly adjusted up

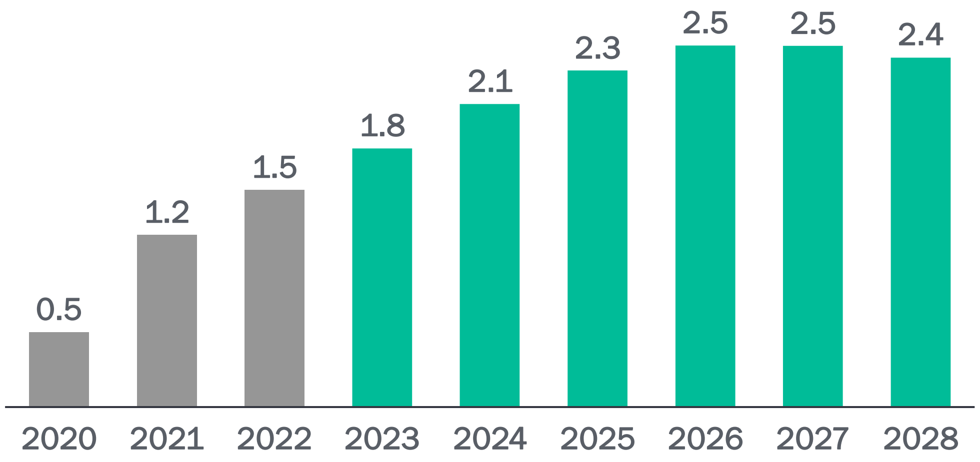
GLOBAL BATTERY ELECTRIC VEHICLE SALES OUTLOOK

Million units



EXPORT FROM CHINA LV DEEPSEA VOLUME

Million units



Source: S&P / Market Insight Wallenius Wilhelmsen

High & Heavy exports close to all-time highs but ordering activity softening

	CONSTRUCTION	MINING	AGRICULTURE
YoY Q4-22 (unit growth)	+17.4%[1]	+13.0%[2]	+8.8%[1]

CONSTRUCTION

- Soft **construction activity** and industry **sentiment**
- Near record **machinery exports**
- Softening **machinery orders** eating into backlogs

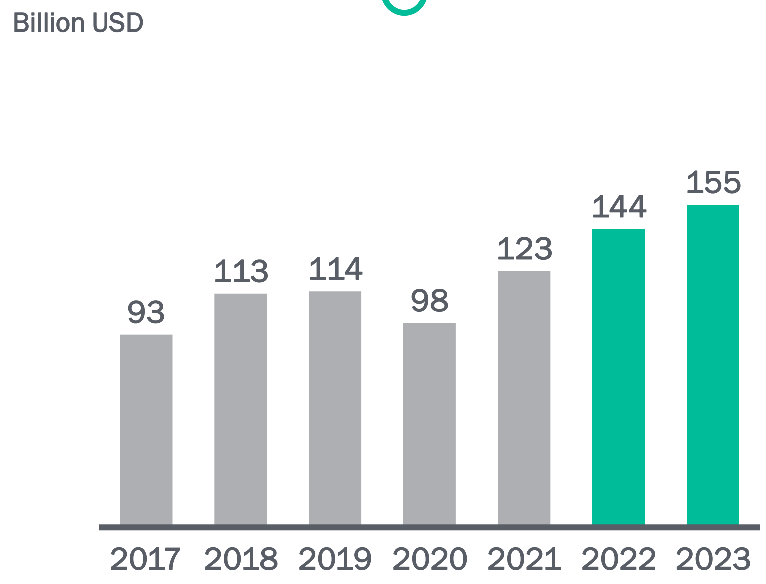
MINING

- **Metal prices** well above pre-pandemic levels
- Strong outlook for **miner profits** and **capex**
- **Miner ordering** shifting from machinery to aftermarket

AGRICULTURE

- **Food prices** well above pre-pandemic levels
- Improving **sentiment** and strong **farm earnings**
- Low machinery **inventories** and extended **order backlogs**

EQUIPMENT PRODUCER SALES OUTLOOK[3]



Source: [1]IHS Markit | World construction & agriculture equipment exports (equipment valued >20 kUSD) (Units last 3 months, YoY) per November 2022. Data is limited to countries having reported customs data as per January 25, 2023. [2]Caterpillar Resource Industries retail sales (USD YoY based on unit sales as reported primarily by dealers) | [3]Factset Data and Analytics (January 25th, 2023) | OEM revenue consensus estimates per calendar year (USD). Constituents: Volvo, Caterpillar, CNH, Hitachi, Deere, Terex, Doosan, Sandvik and AGCO. Estimates include sales of construction/mining/agriculture equipment only

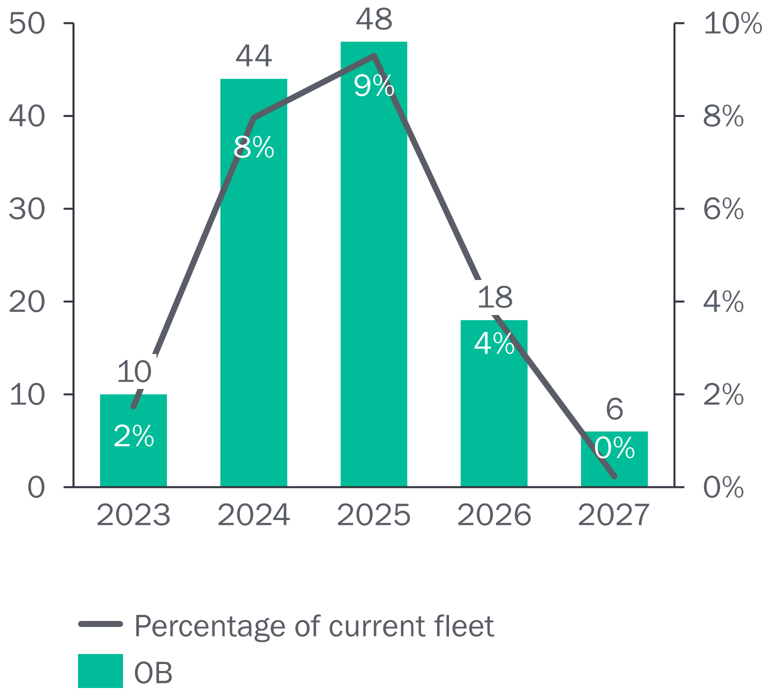
High utilization rate expected to continue through 2023

Increased orderbook leads to more uncertainty on supply-demand balance during 2024

GLOBAL FLEET*

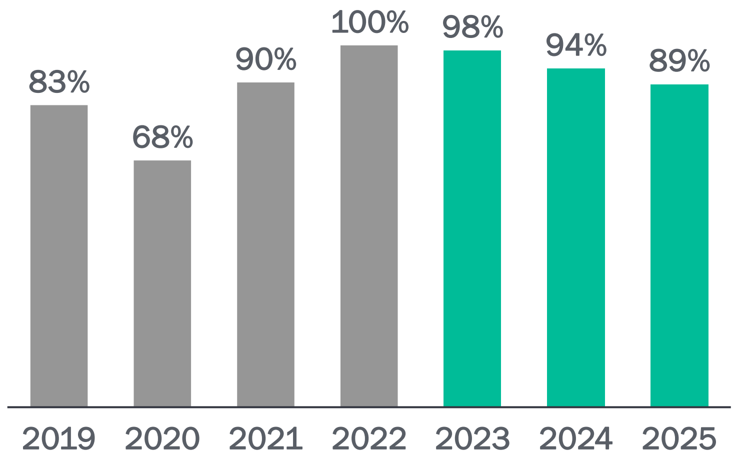
ORDERBOOK BY DELIVERY YEAR

# of vessels & percentage share of current fleet



UTILIZATION RATE

Percentage



Source: Clarksons, *for vessels above 4000 CEU OB. All vessels current fleet, Utilization rate calculated on the basis of total global fleet (supply) and vessel capacity (demand)

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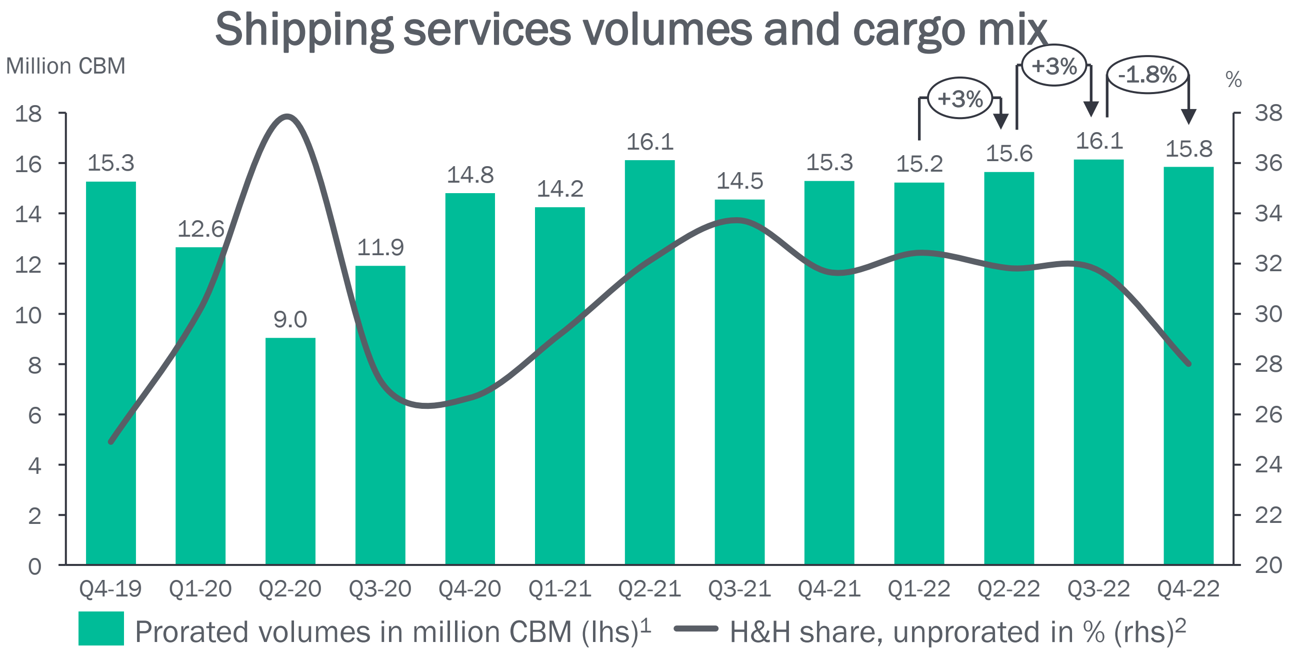
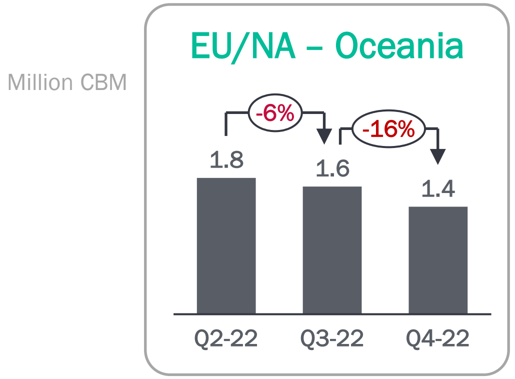
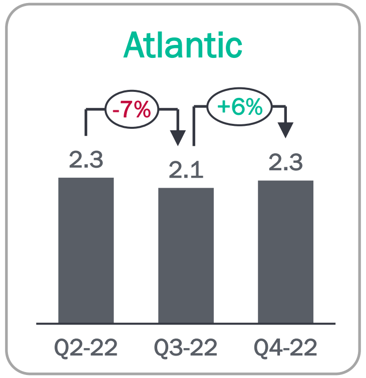
Shipping update

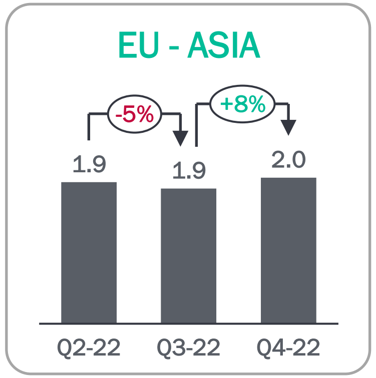
Shipping volumes down 2% from high Q3 levels on fewer vessels in operation

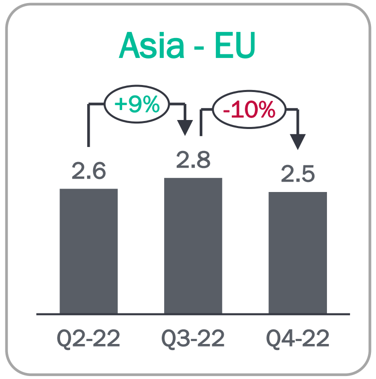


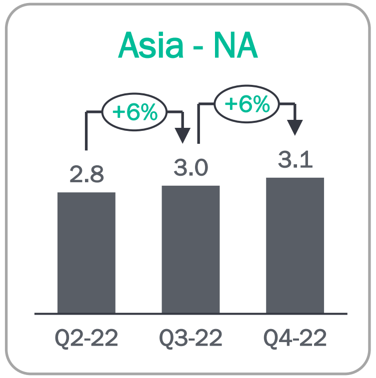
- Lower volumes out of Asia and fewer vessels in operation in Q4, while stable volumes from Europe/US
- Net freight decreased to USD 52 per cbm, down USD 1 per cbm QoQ due to trade and cargo mix
- On a full-year basis, net freight per cbm increased 12% from 2021 to 2022
- Cargo mix (H&H share) at 28% Q4, down from 32% in Q3







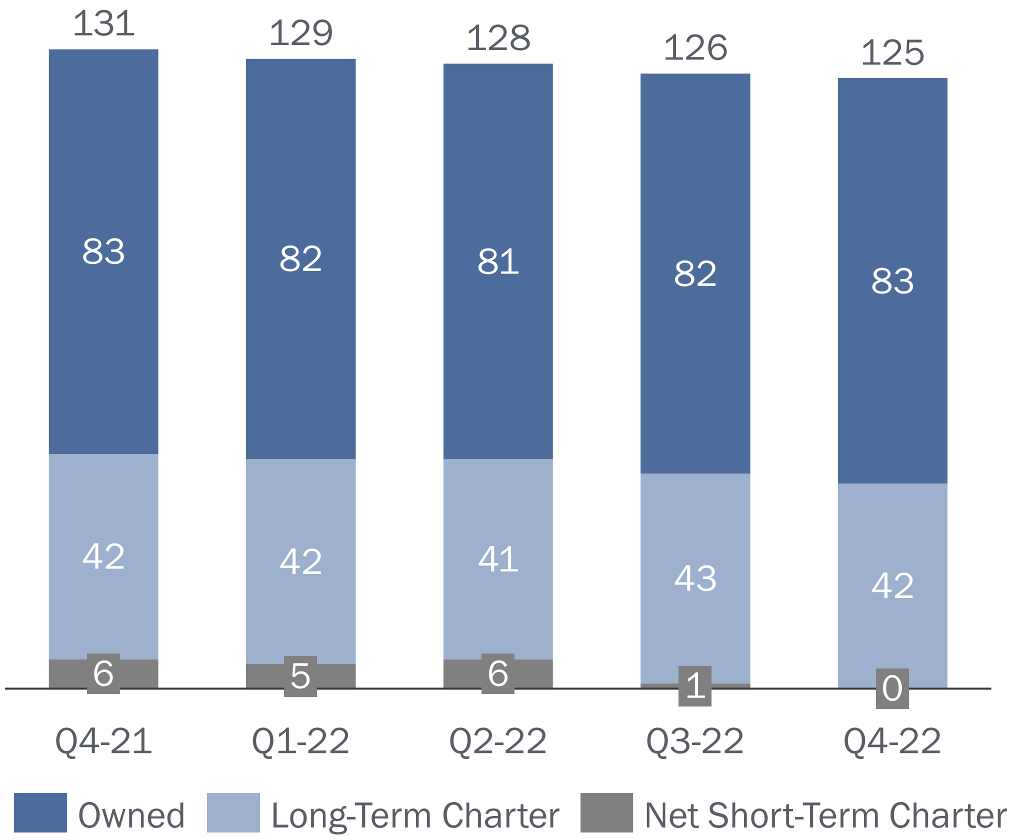




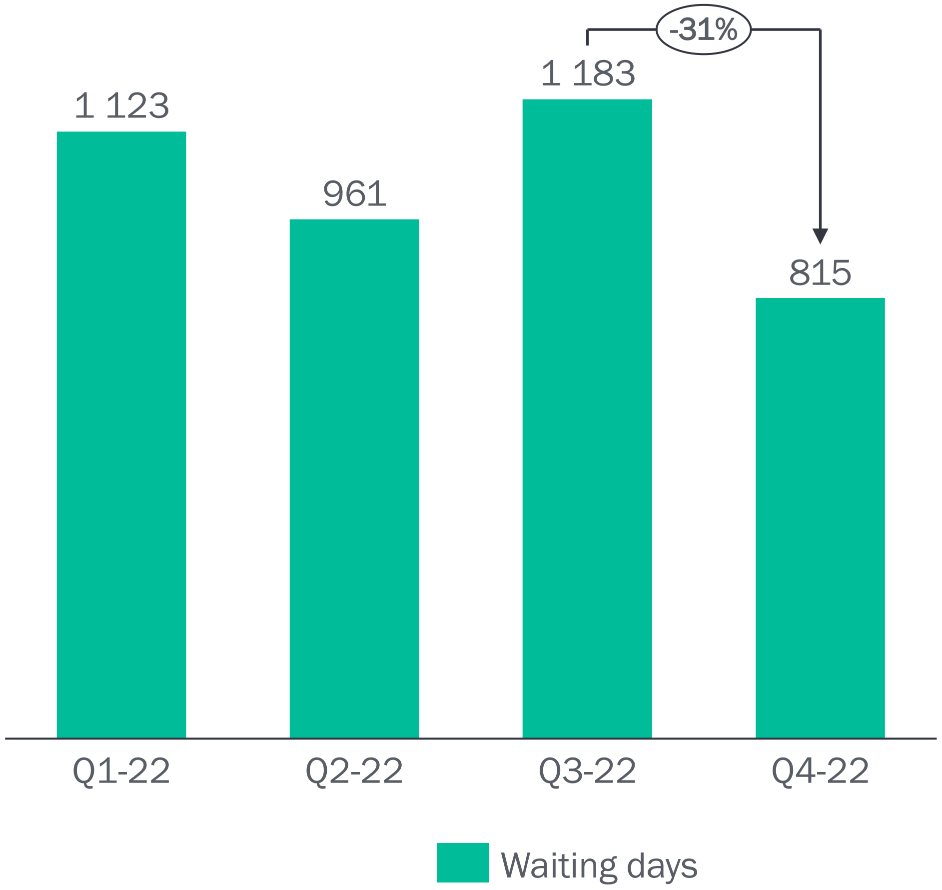
1) Total volume based on prorated volume in Shipping services (ex. Government services), i.e. volumes are split between months based on the sailing period onboard the vessel. Historical volume figures subject to change as figures are based on estimates and prorating
2) H&H share calculated based on unprorated volumes, i.e. volumes loaded onto vessels during the quarter

Cautious approach to short-term charters despite capacity needs

Stable long term fleet in 2022



Port congestion remains high but improving



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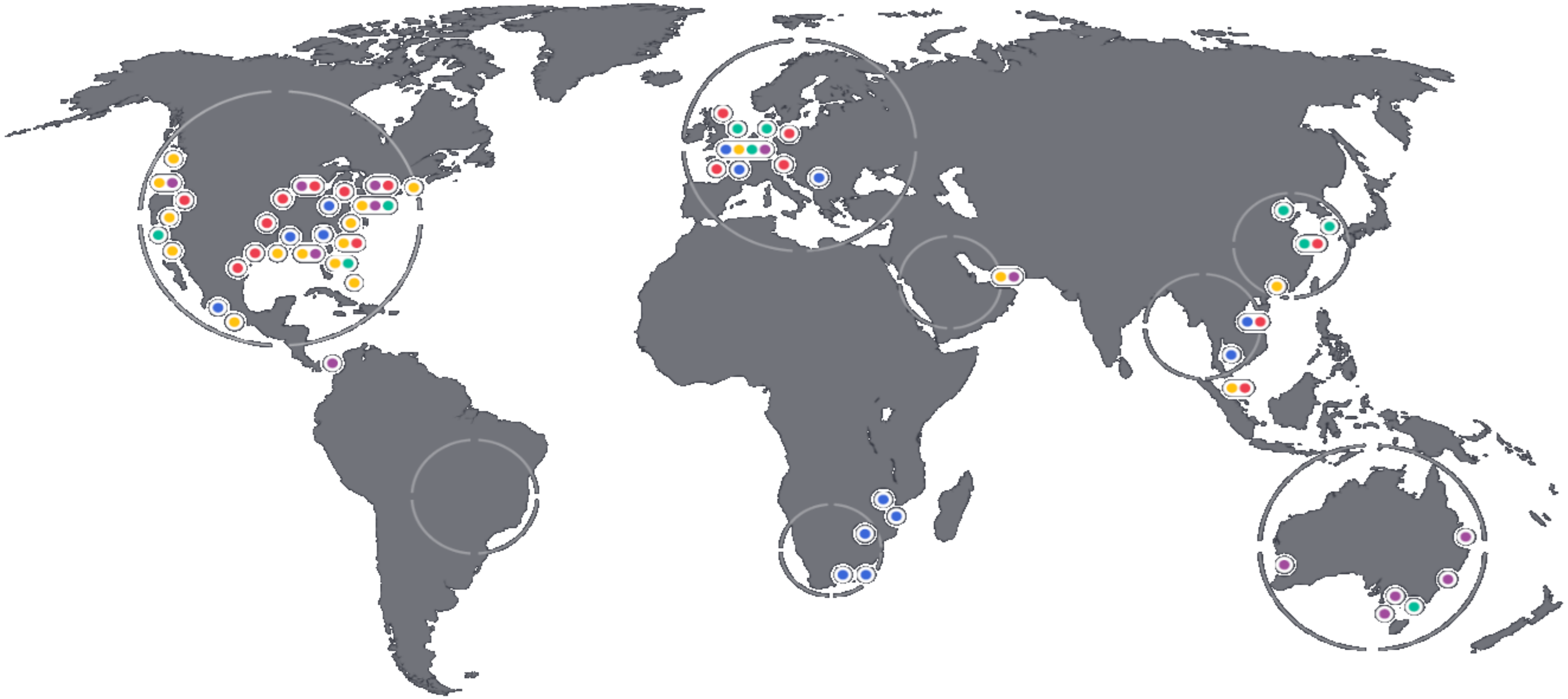
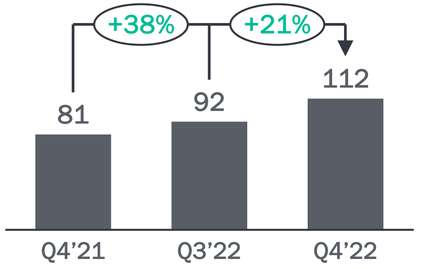
Logistics update

Logistics volumes and revenues continue improving across all products

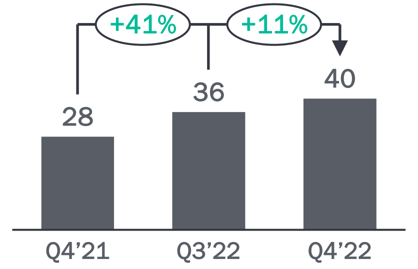


- Auto saw strong growth in processing and accessorization volumes
- Terminals boosted by high storage revenue and positive effects from fumigation seasonality
- H&H had strong processing volumes and storage, particularly in the US and Asia

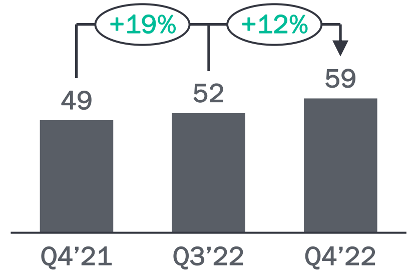
Auto
Revenues (USDm)



H&H
Revenues (USDm)



Terminals
Revenues (USDm)



Inland
Revenues (USDm)

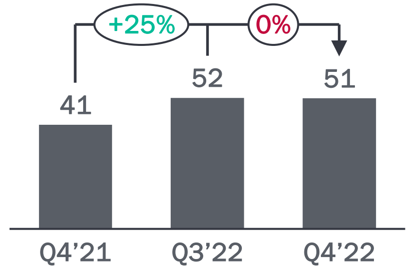


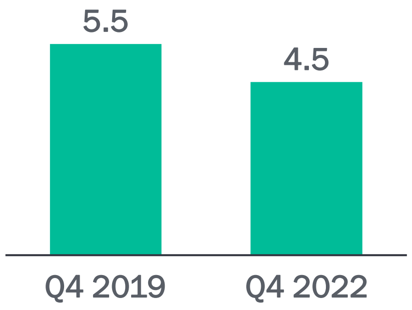
Illustration shows WW Logistics locations: OEM/In plant VPC, VPC, OEM/In plant EPC, EPC, Terminals, Inland Transportation

Chip shortage situation improving but still significant upside in auto volumes

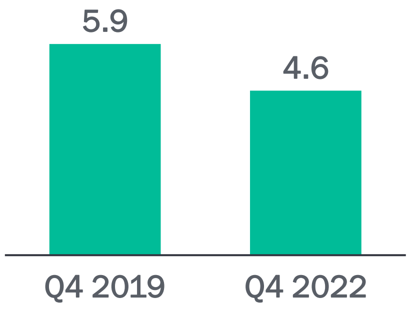
Units per quarter in millions

LOGISTICS – key markets for Light Vehicles

North America LV Volume



Europe LV Volume

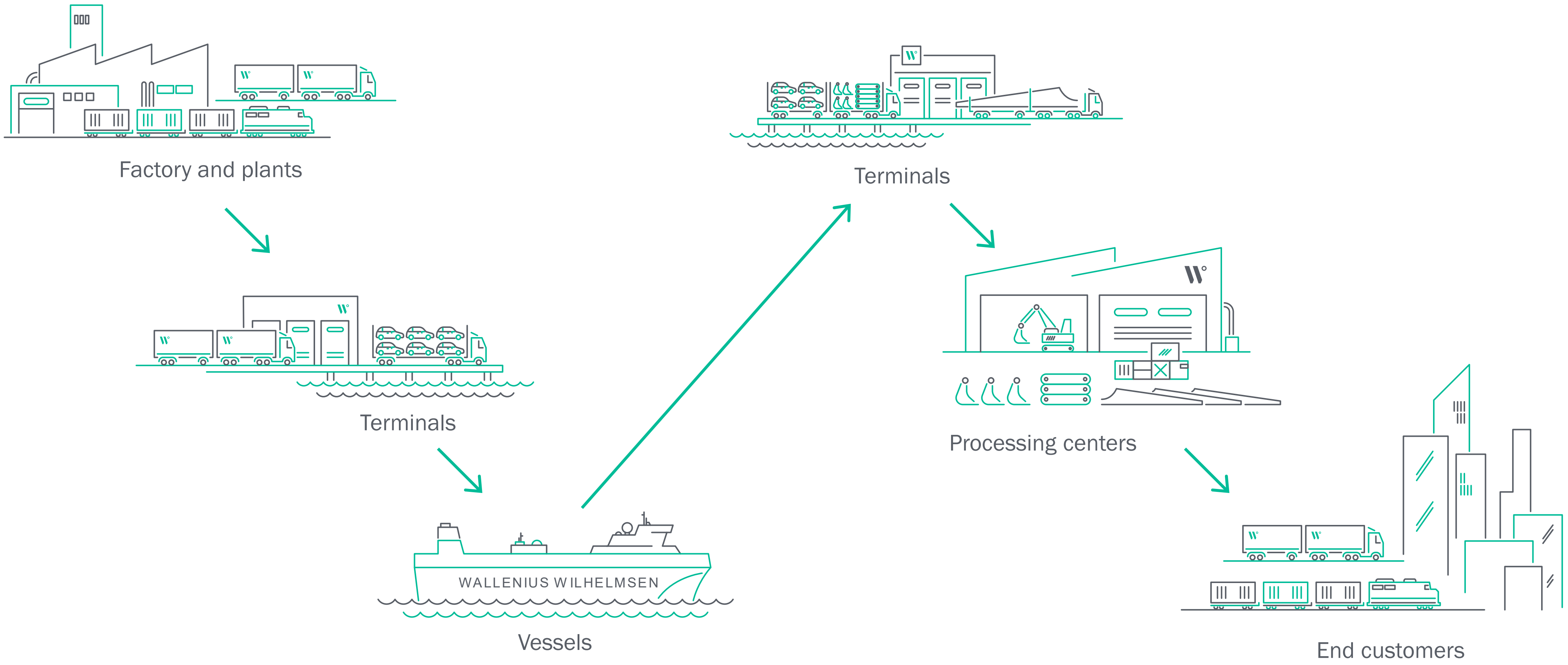


- Semiconductor shortage hindered production and sales in this quarter
- Semiconductor production and distribution expected to improve
- Still pent-up demand, however negative global economic development looms

- Still sourcing issues leading to constrained production not meeting consumer demand
- European exports a bright spot in Q4
- OEMs focusing on low-emission vehicles leading to changed sales mix

Source: S&P. Volumes include all North American and European light vehicle production, both for domestic sales and for export abroad, plus imports

NIO – benefitting from the full end-to-end capability of Wallenius Wilhelmsen



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Committed to safe and sustainable operations

- Seafarer on chartered vessel tragically lost at sea in November
- Clear improvement in logistics safety performance (LTIF)
  - Challenges remain, including high churn of labor
- Total CO_2 footprint is stable compared to previous quarter
- Small increase in CO_2 intensity on lower H&H volumes in Q4

Principles of Governance	People	Planet	Prosperity
			

	Q3-22		Q4-22
LTIF Shipping* per million man-hours exposed	0.67	↘	0.45
LTIF Logistics* per million man-hours worked	17.54	↘	14.16
Total CO_2 Million tonnes, Shipping and Government services	1.14	↔	1.14
CO_2 Intensity Grams per tonne km (EEOI)	29.7	↗	30.1

*No serious injuries in Q4

Orcelle Wind project received EU funding, the next step wing-sail testing

- The project with partners secured EUR 9m in EU funding in Q4
- The concept is an important part of our decarbonization strategy
- The design has the potential to reduce absolute CO_2 emissions by up to 90%*
- Next step is to test wing-sail on land in 2023 and on an existing Wallenius Wilhelmsen vessel in 2024

*Compared to similar size PCTC sailing Atlantic trade at 16 knots port to port

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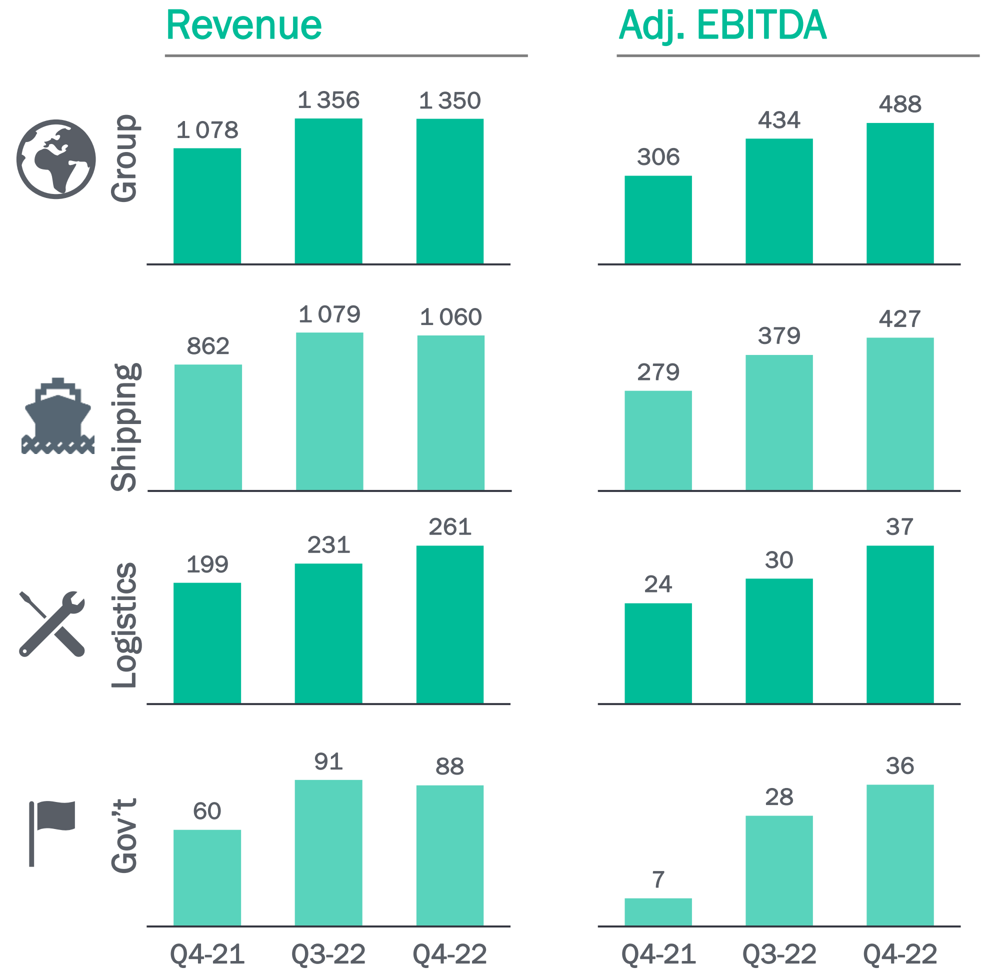
Financial highlights ◆ Q4 2022

(USDm, unless noted)



	Q3-22		Q4-22
Net profit	246	→	246
Adj. EBITDA margin (%)	32%	↗	36%
Cash	1 063	↗	1 216
Net debt	3 041	↘	2 872

Financial targets

ROCE* (%) Δ
13.7 — Y +8.0, Q +2.1

Equity ratio (%) Δ
41.8 — Y +5.8, Q +3.0

Leverage ratio (x)** Δ
1.9 — Y -2.1, Q -0.4

* ROCE calculated as LTM adj. EBIT / LTM average capital employed
** Leverage ratio calculated as net interest-bearing debt / LTM adj. EBITDA

The board proposes a USD 360m dividend on the back of a strong result in 2022

	FY2022	FY2021	YoY (%)*
Total revenue	5,045	3,884	30%
Operating expenses	(3,497)	(3,054)	15%
EBITDA	1,548	830	87%
EBITDA adjusted	1,528	865	77%
EBIT	931	306	204%
Financial income/ (expense)	(104)	(108)	-4%
Tax income/ (expense)	(35)	(23)	52%
Profit for the period	794	177	350%
EPS	1.60	0.32	408%
ROCE	12.9%	4.5%	8.4%
ROCE adjusted	13.7%	5.7%	8.0%
EBITDA adjusted margin	30.3%	22.3%	8.0%

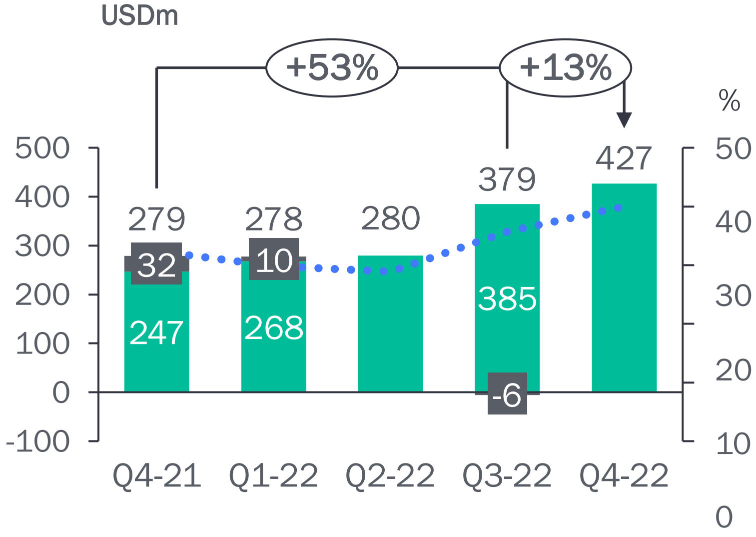
* For ROCE, ROCE adjusted, and EBITDA adjusted margin, % change represents absolute change in ratio

- 2022 is the strongest year for the group to date
- Proposed dividend reflects 45% of FY2022 profit and is in the high end of the 30-50% policy range
  - 42% of adjusted profit [1]
  - 53% of profit to owners [2]
- The dividend proposal is to be resolved by the annual general meeting on 26 April 2023
  - Proposal of USD 0.85 cent per share
  - Payable in two tranches (60% May / 40% November)
  - To be declared in USD and paid in NOK

1) Profit adjusted for non-cash items such as the change in the value of the put/call option in EUKOR and impairment of goodwill in logistics
2) Profit to non-controlling interests amounted to USD 116m for FY2022, primary related to the minority shareholder in EUKOR

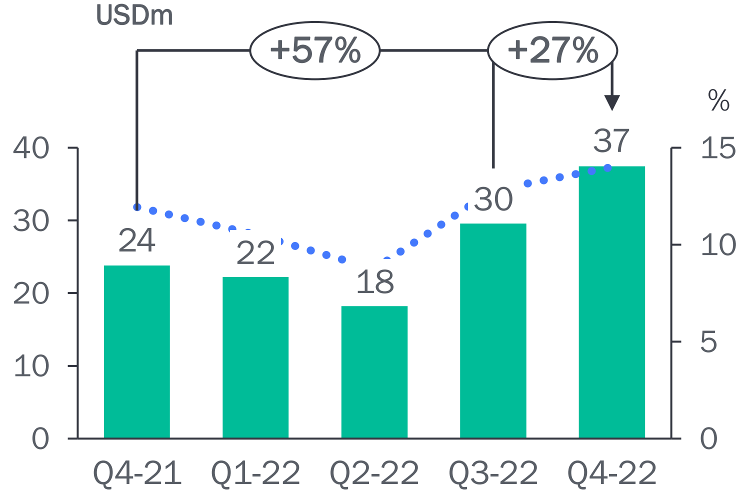
All segments contributed to significant EBITDA growth QoQ and YoY

Shipping – Adj. EBITDA [1]



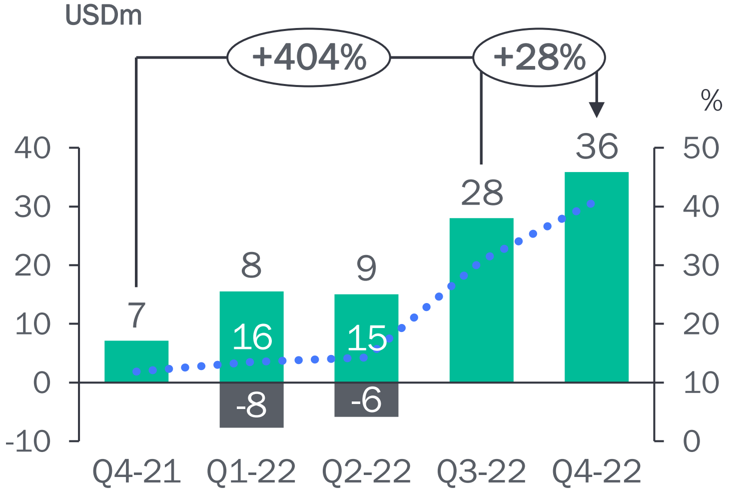
- QoQ EBITDA and margins significantly up due to lower fuel and voyage expenses
- YoY EBITDA significantly up due to tight global fleet and repricing of contracts

Logistics – Adj. EBITDA



- QoQ EBITDA up for all products, mainly driven by higher margins in terminal and H&H
- YoY EBITDA up as volumes increased in auto, H&H and terminal

Government – Adj. EBITDA [1]



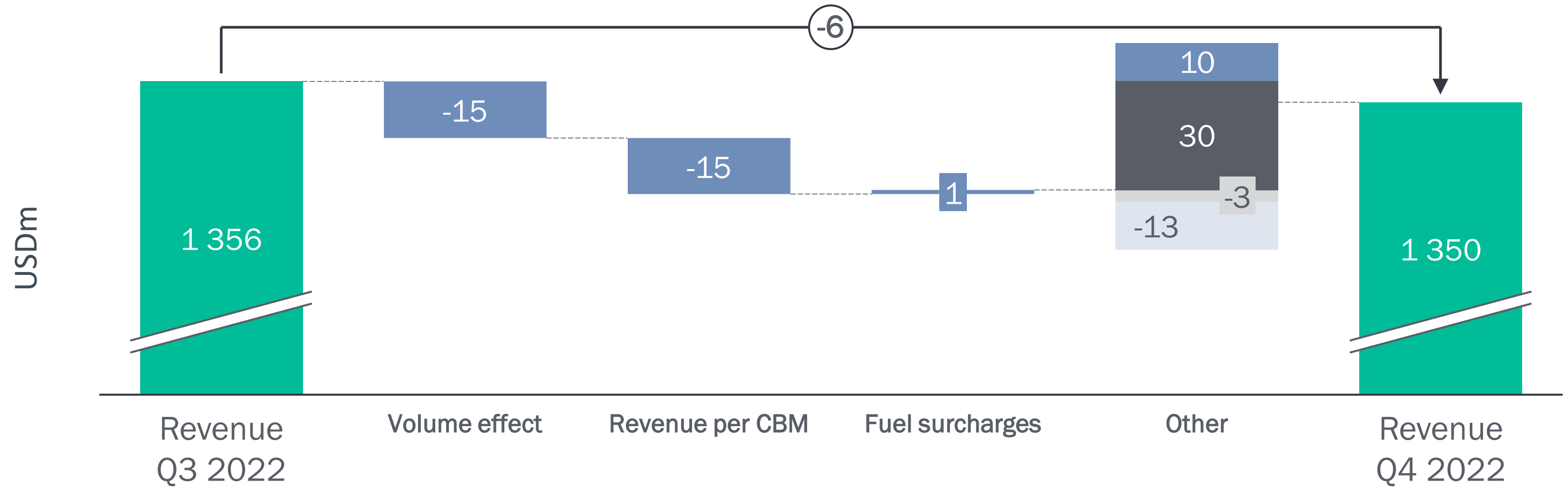
- QoQ EBITDA up on higher margin U.S. flag military and government cargo
- YoY EBITDA boosted by additional U.S. flag cargo due to increased NATO activity

1) Adjusted for extraordinary items. Q4-21 and Q1-22 shipping and government adjustments related to vessel sales, and Q3-22 shipping adjustment related to reversal of antitrust provision

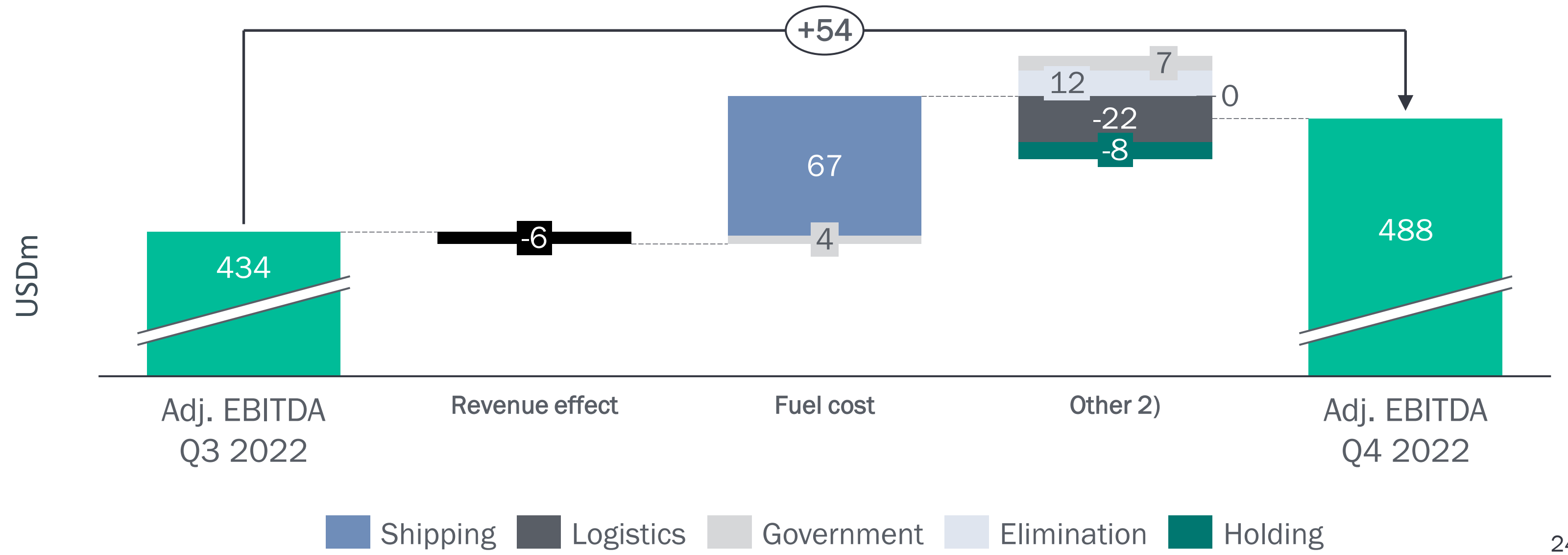
Extraordinary items EBITDA EBITDA margin

EBITDA once again at all-time high, margins improving across all segments

- Revenue down USD 6m QoQ
  - Lower volume and reduced net freight rates in shipping driven by cargo and trade mix
  - Fuel surcharges maintained at a high level
  - Higher volumes for logistics for all products



- Adj. EBITDA[1)] up USD 54m QoQ
  - Improvement across all segments with improved margins
  - Decrease in fuel costs while stable fuel surcharges

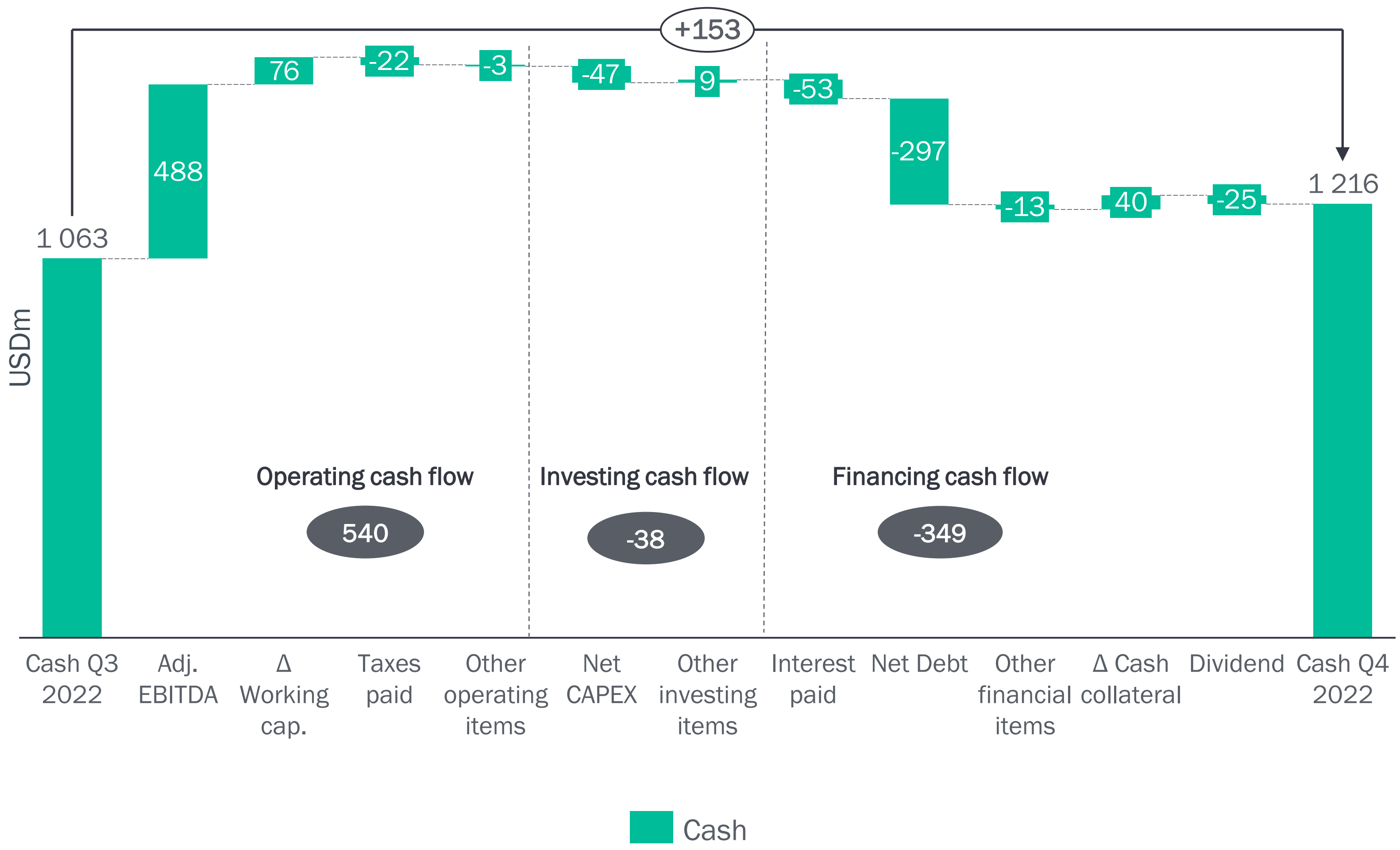


1) No adjustments in Q4 (Q3 Adjusted for USD 6m reversal of provision)
2) Cargo- and other voyage expenses, ship operating expenses, charter expenses, manufacturing cost, other opex and SG&A expenses)

Cash increased by USD 153m driven by solid EBITDA, positive WC and reversed cash collateral

Comments

- Net CAPEX includes vessel and other maintenance, as well as intangible investments
- Decreased cash collateral due to USDNOK weakening in Q4
- Net debt include scheduled repayments and USD 78m in bond maturities
- Final FY21 dividend paid in November
- Undrawn credit facilities at USD 247m

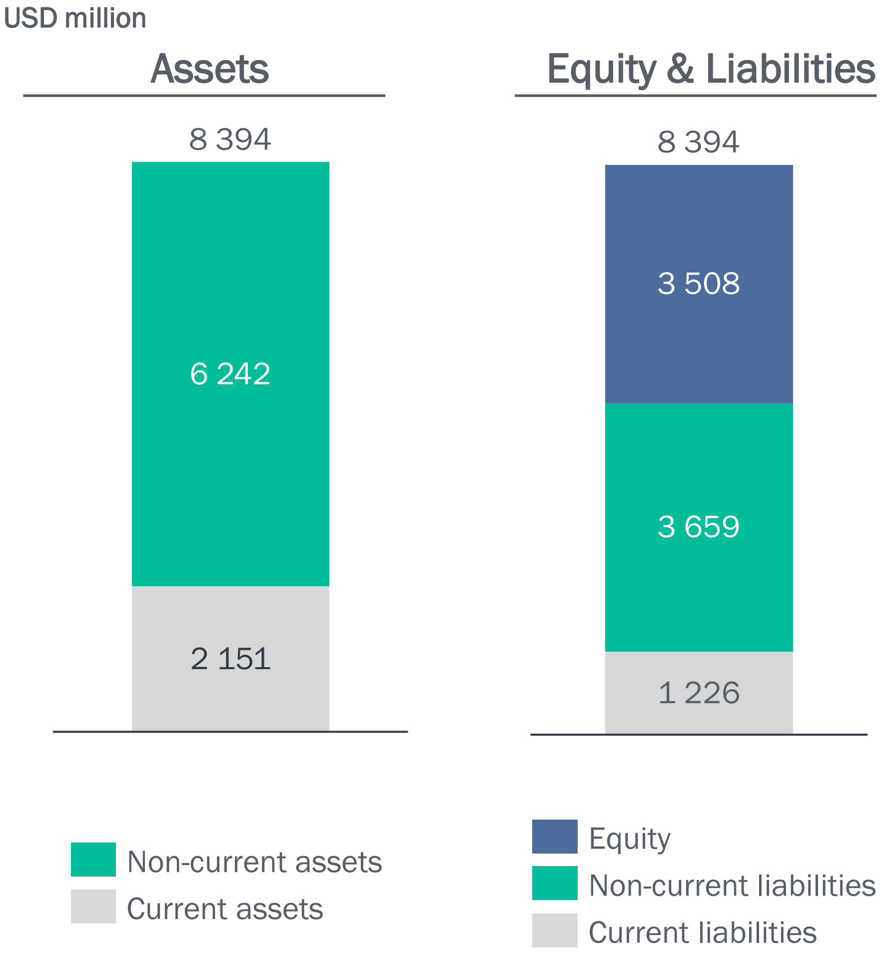


Solid balance sheet and strong liquidity position

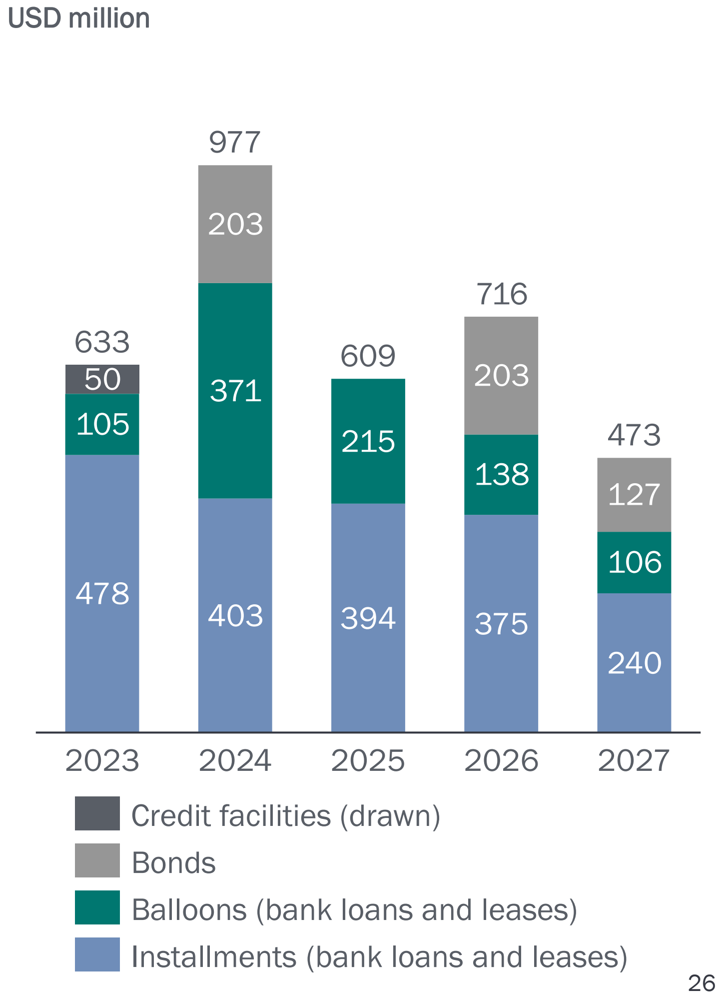
Comments

- Equity ratio at 41.8%
- Net debt decreased to USD 2.9bn due to increased cash
- No bond maturities until September 2024
- 2023 lease and bank maturities to be refinanced next 12 months

Balance Sheet per end Q4-22



Debt Maturity Profile



Financial targets and adjusted dividend policy clarify financial priorities

Financial targets		FY 2022
Return on capital employed (ROCE) > 8%	• Existing target • Last twelve months adj. EBIT divided by average capital employed	13.7%
Leverage ratio < 3.5x	• New target • Net interest-bearing debt divided by last twelve months adj. EBITDA	1.9x
Equity ratio > 35%	• New target • Book value of equity divided by book value of total assets	41.8%

Dividend policy		
Dividend payout 30-50% of profit[1]	• No material change • Adjusted to reflect that the board will consider the new financial targets and future capital requirements when deciding on dividend amount	45%

1) Dividend over time shall constitute between 30 and 50% of the company's profit after tax. Dividends will be declared in USD and paid out semi-annually.

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Prospects

2022 was an exceptional year for our shipping and terminal markets. Despite the current economic slowdown, we expect continued strong volumes and a tight market balance at least for the first part of 2023.

We see more uncertainty towards the second part of 2023 and into 2024, especially due to labor, the 2024 newbuild deliveries and any escalation of geopolitical tensions. Upside potential relates to pent-up demand for vehicles, the shift to low-emission vehicles and renewal of multi-year contracts at higher rates.

Overall, we expect to further strengthen our financial position in 2023, while enabling us to meet our financial targets and to remunerate shareholders. The strengthened financial position will serve us well in a period of increasing uncertainty.

Q&A

Wallenius Wilhelmsen

Thank you!