Wallenius Wilhelmsen

Wallenius Wilhelmsen ASA

Q1 Report 2022

Highlights – Q1 2022

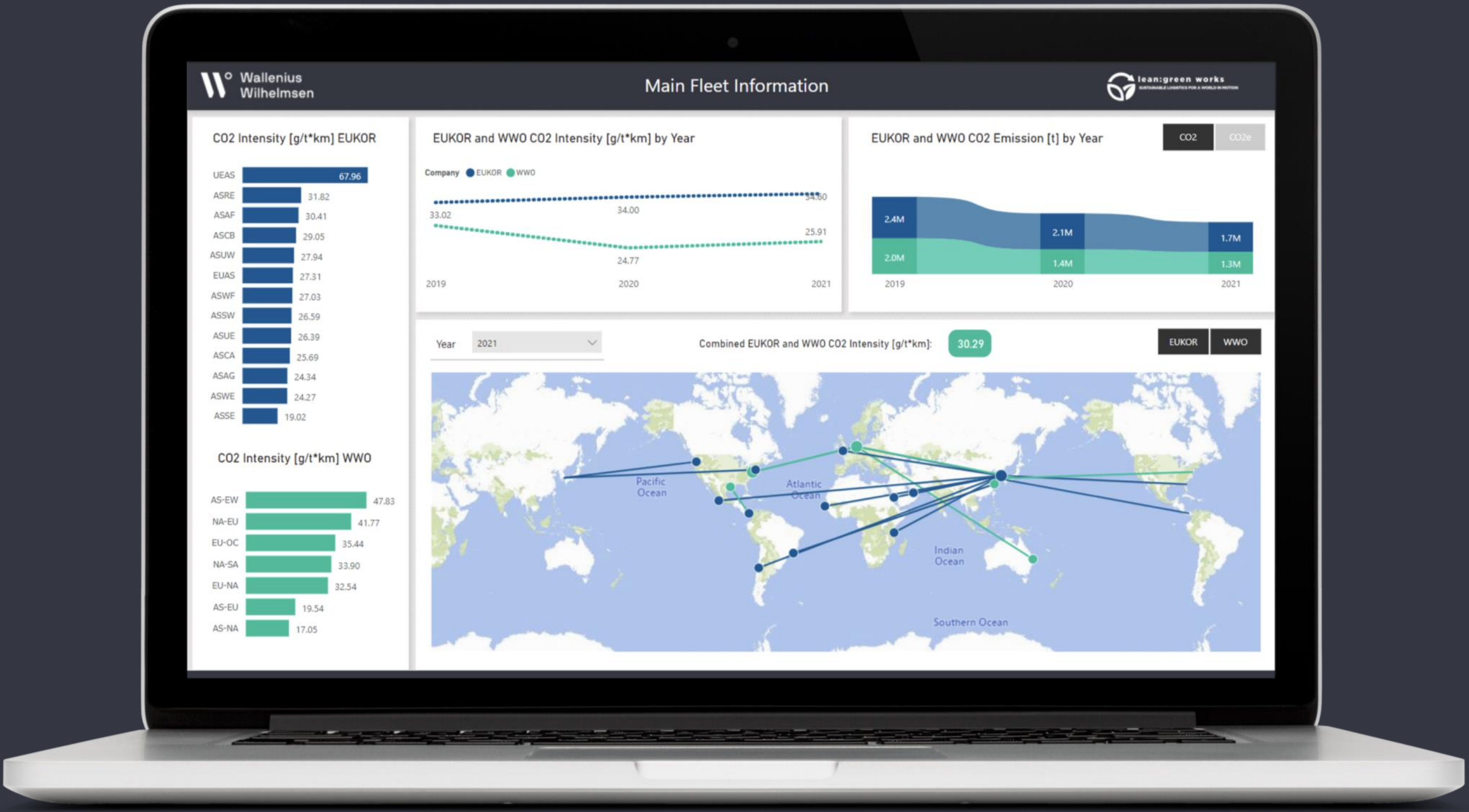
- Strong EBITDA of USD 309m driven by the shipping segment
- Some margin pressure due to fuel prices and supply chain issues
- Cash position increased to USD 759m driven by solid EBITDA
- Limited direct impact on business from war in Ukraine
- Issue of NOK 1.25bn sustainability-linked bond
- AGM approved the USD 63.5m dividend, and appointed Hans Åkervall and Yngvil Eriksson Åsheim as new members of the board

Wallenius Wilhelmsen

Agenda

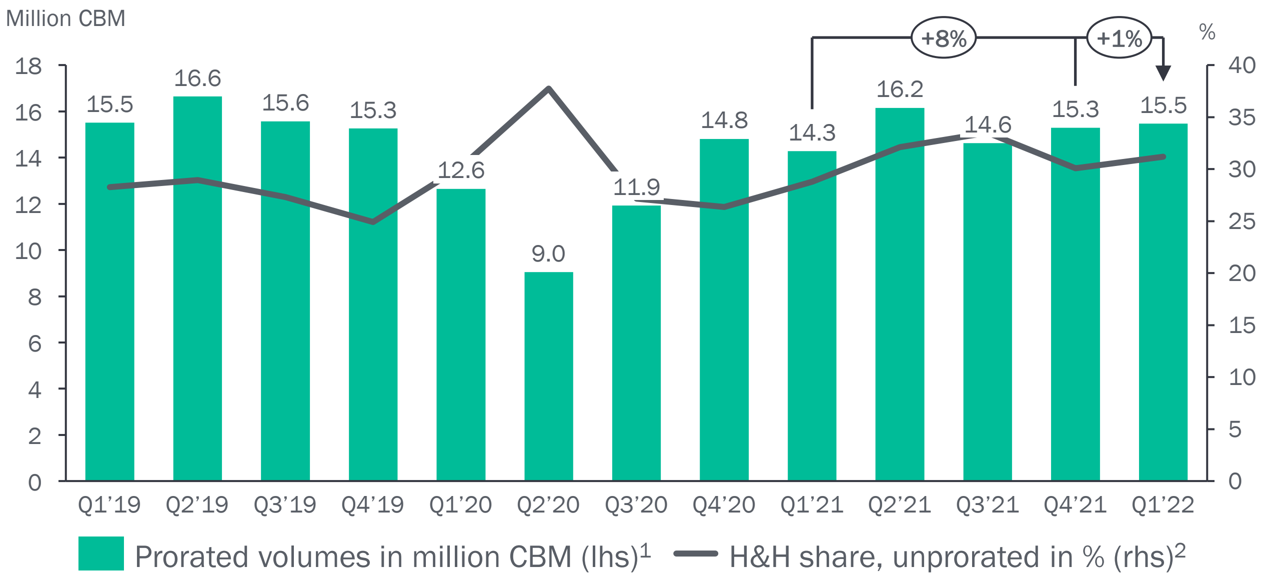
1. **Shipping update**
2. Logistics update
3. Financial update
4. Prospects and Q&A

Shipping update

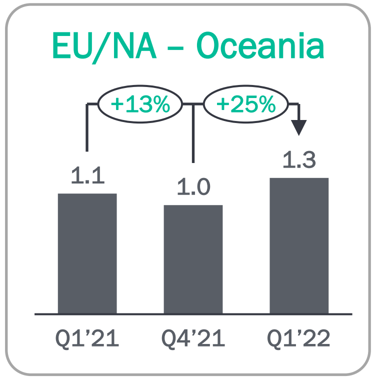


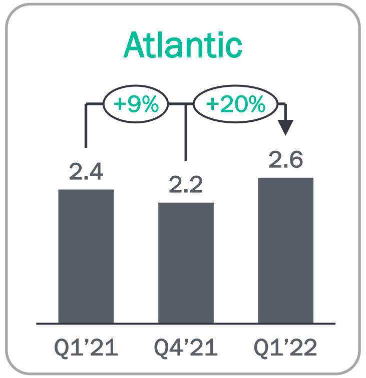
Shipping volumes up 1% QoQ despite seasonality and operational disruptions

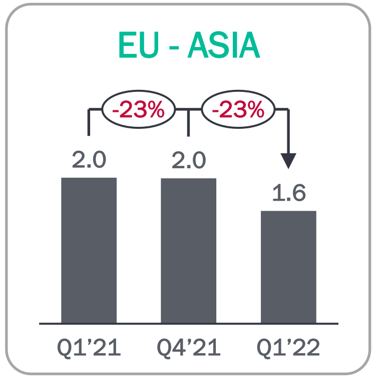
Shipping services volumes and cargo mix

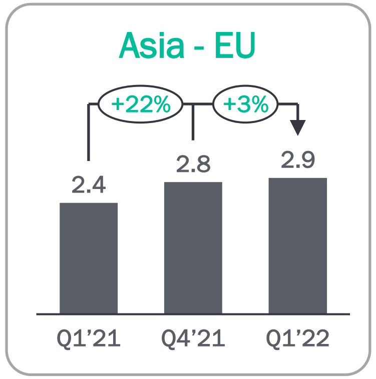


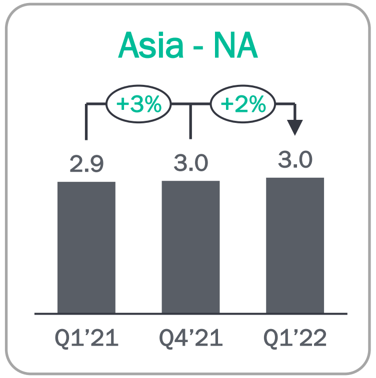
- Continued solid volumes in most trades, except EU-Asia mainly due to less sailings
- Port congestions creates further operational disruptions, we work hard to mitigate impact
- Cargo mix and contract renewals drive net freight rate to USD 52.2 per cbm, up from USD 49.7 in Q4
- Cargo mix (H&H share) at 31% Q1, up from 30% in Q4 on positive volume development











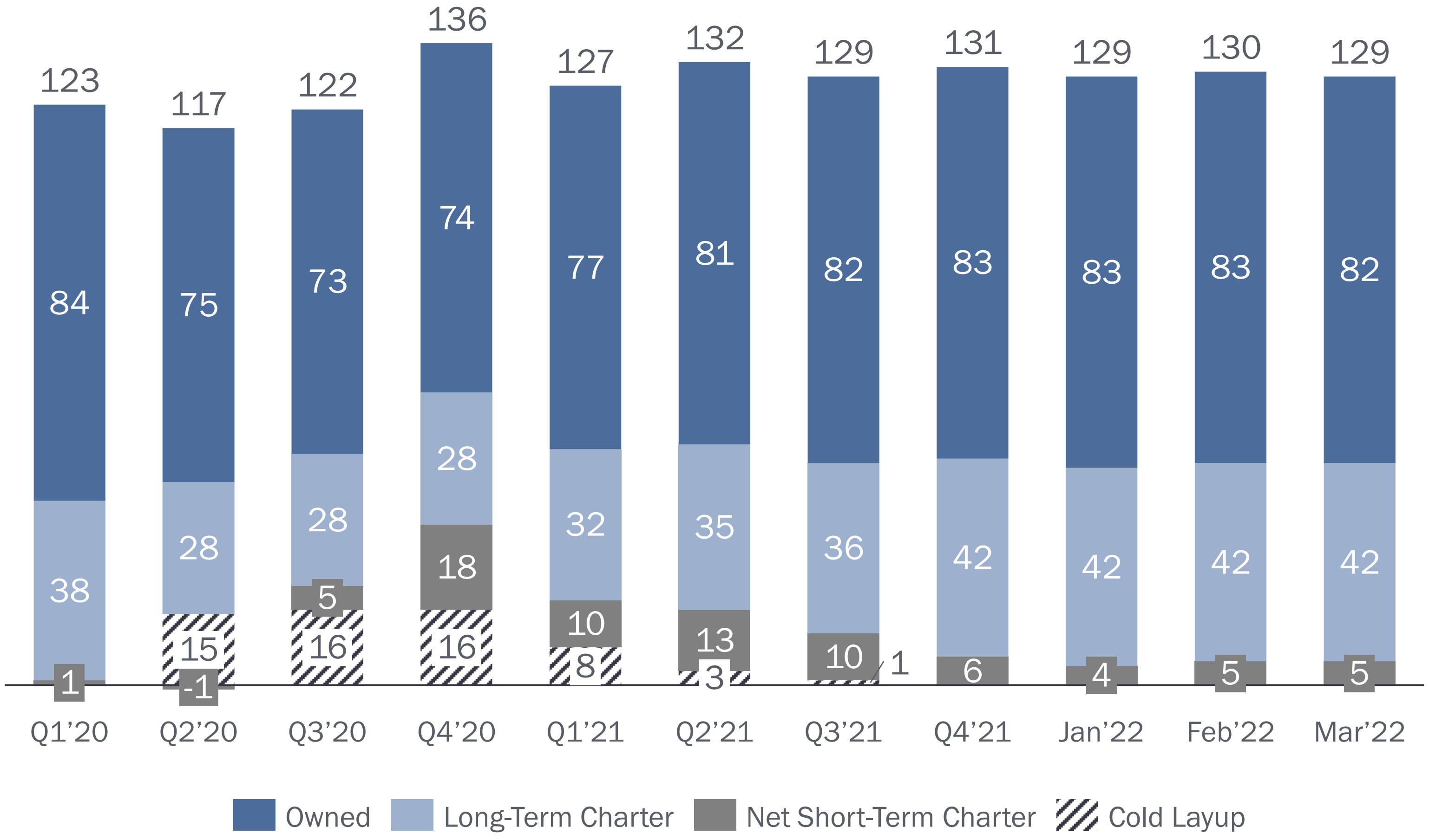
1) Total volume based on prorated volume in Shipping services (ex. Government services), i.e. volumes are split between months based on the sailing period onboard the vessel
2) H&H share calculated based on unprorated volumes, i.e. volumes loaded onto vessels during the quarter

Stable fleet development in Q1

Fleet capacity

- Total fleet at 129 vessels
  - One vessel sale from the government segment
  - Less usage of short-term charters
- No further newbuildings on order
- Time charter market remains tight

Controlled fleet + net short-term charters in # of vessels[1]



[1] Vessels in cold layup included owned and chartered vessels

High underlying auto demand from consumers not reflected in Q1 LV sales, 2022FY sales growth still expected

LV SALES

YoY Q1-22
(unit growth)

-5.4%

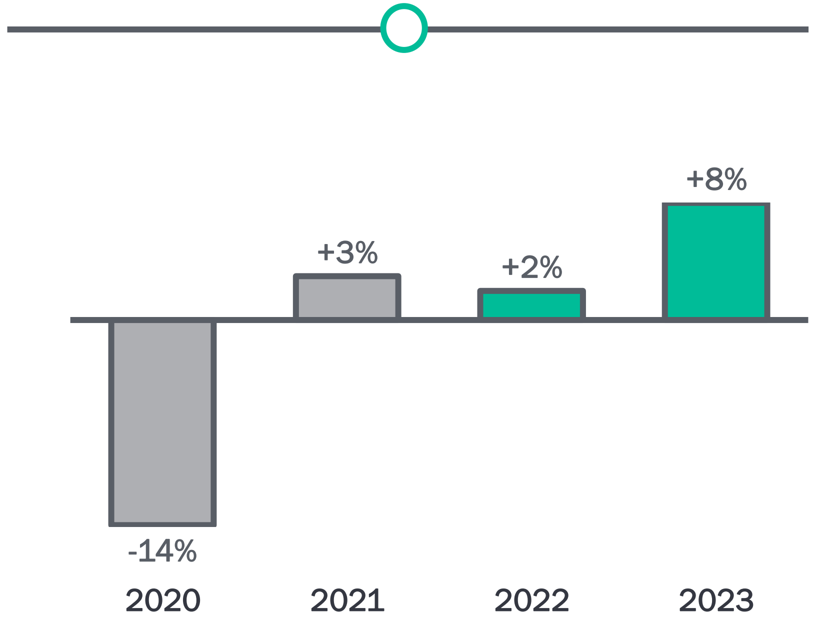
- **We still expect increased sales figures despite the unrest in Eastern Europe,** however inflation might reduce consumer confidence
- **Global LV** sales do not reflect the high underlying demand from consumers
- On the supply side **production does not hold up**
- **Supply chain constraints** prevent increased production

LV DEEPSEA

-5.9%

- Semiconductor shortage holding back production as:
  - **Vehicles more advanced over the past 5-10 years**
  - **Increased competition** from consumer electronics
  - **Long lead-time** to ramp up capacity

LIGHT VEHICLE SALES OUTLOOK



Source: IHS Markit / Market Insight Wallenius Wilhelmsen. Arrows indicate YoY growth compared to last quarter.

Strong H&H demand despite additional headwinds on both supply and demand side

	CONSTRUCTION	MINING	AGRICULTURE
YoY Q1-22[1,2] (unit growth)	+24%	N/A	+2%

CONSTRUCTION

- Increasing **construction activity**
- Solid **builder sentiment**
- Strong **machinery demand**
- Accelerating **machinery prices**
- Moderating **order growth**
- Depleted machinery **inventories** and robust **order backlogs**

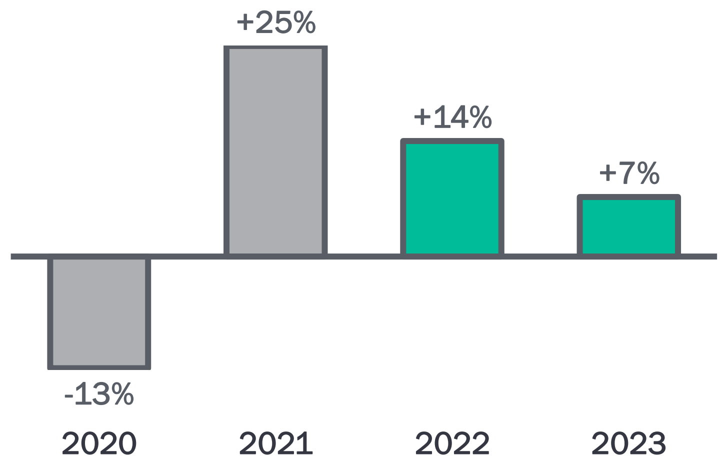
MINING

- **Metal prices** significantly above pre-pandemic peaks
- **Miner profits** at all-time high
- Positive **miner capex** guidance revisions
- Uncertain Chinese **demand prospects**
- Strong **machinery demand** – still well-below prior highs

AGRICULTURE

- Strong **farm income** from food prices at all-time high
- **Farm margins** under pressure from cost inflation
- Moderating industry **sentiment**
- Positive but moderating **equipment demand**
- Depleted **inventories** and strong **order backlogs**

EQUIPMENT PRODUCER SALES OUTLOOK[3]



Source: [1]IHS Markit | World construction & agriculture equipment exports (avg. equipment value >20 kUSD) (Units last 3 months, YoY) per January 2022. Data is limited to countries having reported customs data as per April 3rd, 2022. Arrows indicate YoY growth compared to last quarter. [2]Parker Bay | Large Mining Equipment Deliveries (Units last quarter YoY). N/A: Q1-22 data not yet available. [3]Factset Data and Analytics (April 25th, 2022) | OEM revenue consensus estimates per calendar year (USD). Constituents: Volvo, Caterpillar, CNH, Hitachi, Deere, Terex, Doosan, Sandvik, Epiroc and AGCO. Estimates include sales of constr./mining/agri. equipment only

Tight tonnage situation - limited recycling and still moderate orderbook

New orders have a lead time of 3-4 years. Easing of current supply chain inefficiencies will add capacity

GLOBAL FLEET*

End Q1 (end Q4)	#43 (43)	#51 (39)	94% (96%)
	vessels built between 1983 and 1997	vessels in orderbook	fleet utilization rate in 2022

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

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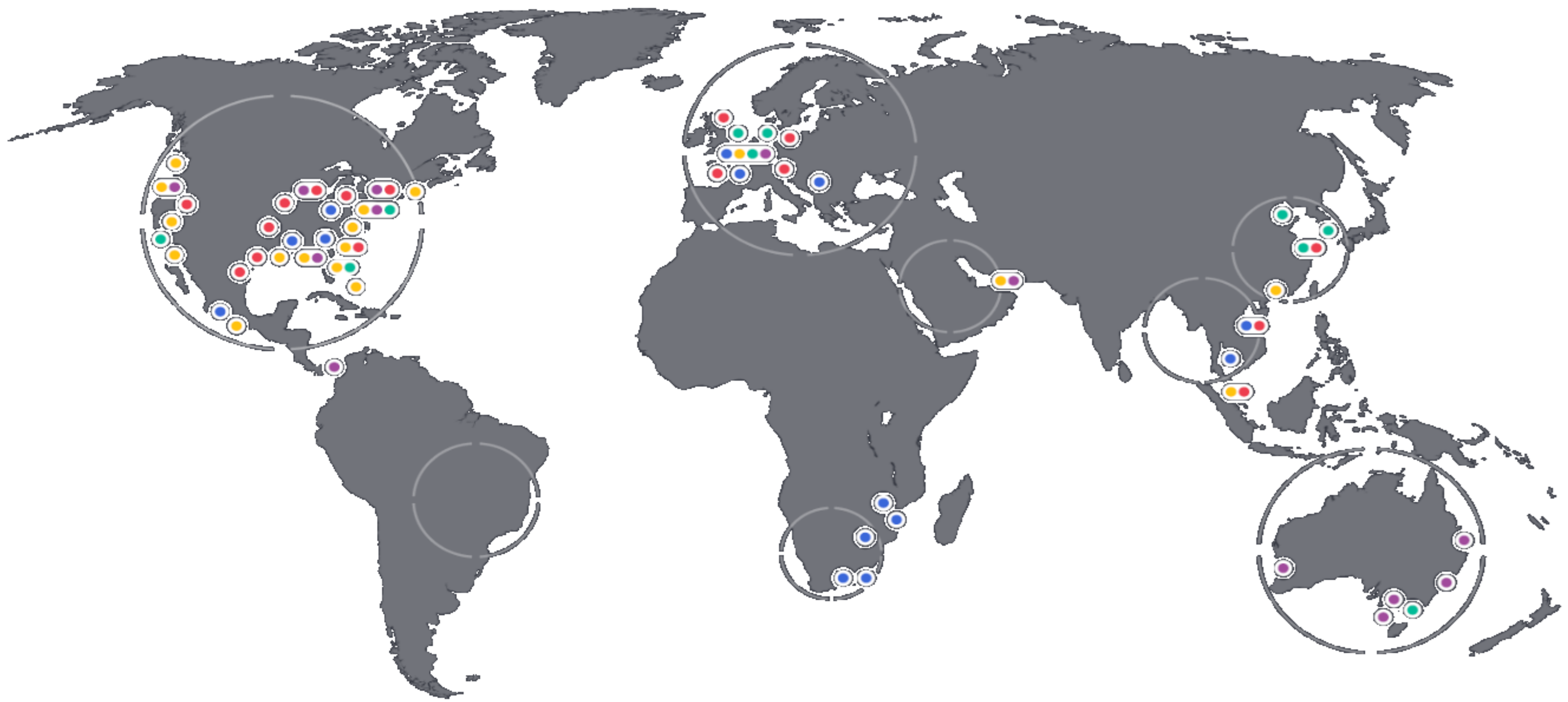
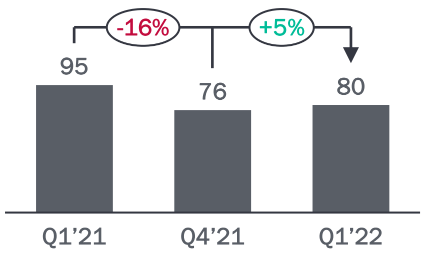
Logistics update

Volumes improved as customers experienced fewer chip related shut-downs

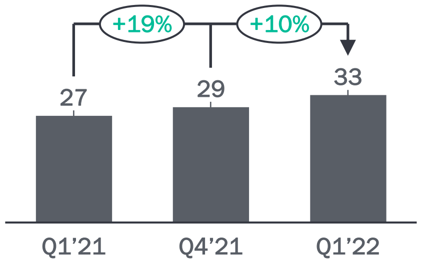


- Increased auto volumes as production plants experienced fewer disruptions
- H&H revenue largely up on lower margin inland transportation business
- Terminals positively impacted by shipping volumes and seasonality
- EMEA/APAC revenue up on stronger volume and fumigation seasonality

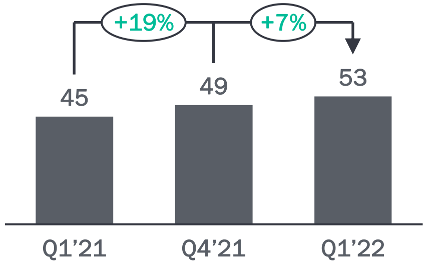
Solutions America (Auto) Revenues (USDm)



Solutions America (H&H) Revenues (USDm)



Terminals Revenues (USDm)



EMEA/APAC Revenues (USDm)

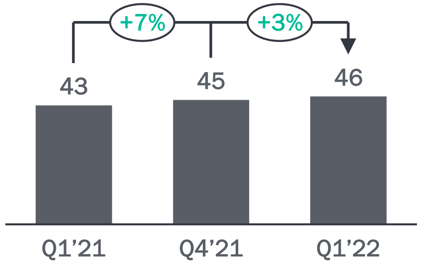


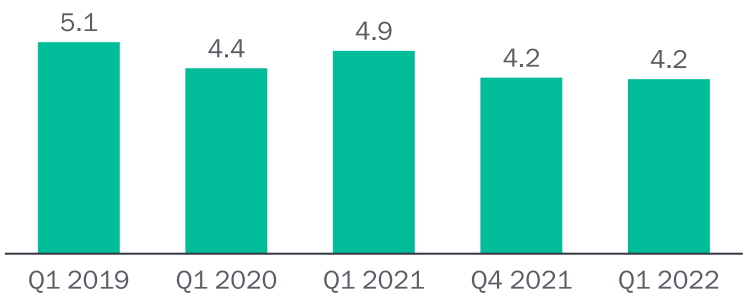
Illustration shows WW Logistics locations: OEM/In plant VPC   VPC   OEM/In plant EPC   EPC   Terminals   Inland Transportation

Chip shortage continues to impact key logistics market, while end-user demand remain solid despite increased inflation

Units per quarter in millions

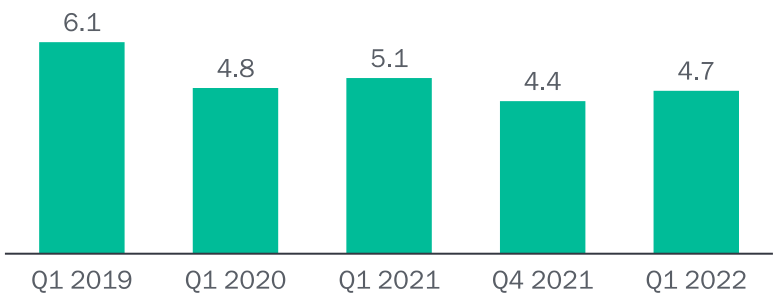
LOGISTICS – key markets for Light Vehicles

North America LV Volume



- Consumer confidence high as job figures solid and interest rates low
- Supply is tight due to semiconductor shortage
- OEMs prioritize most profitable vehicles and average price is record high
- Inventories record low

Europe LV Volume



- Partial lock-down in selected markets due to Covid dampen off some sales
- Major sourcing issues leading to low production and dealers unable to meet consumer demand
- OEMs focusing on low-emission vehicles leading to a change of sales mix rather than increased volume

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

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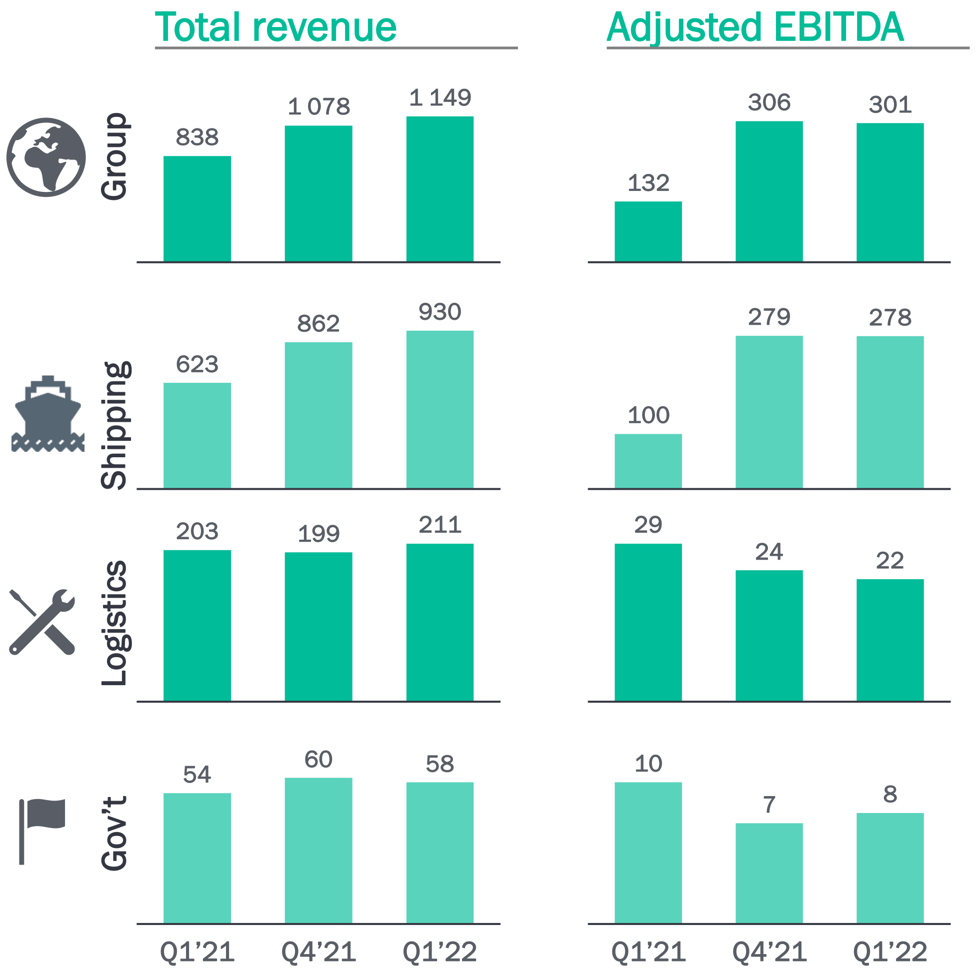
Financial highlights ◆ Q1 2022

RESULTS (USDm)



	Q4-21		Q1-22
Net profit	98	↗	177
Adj. EBITDA margin	28.4%	↘	26.2%
Cash	710	↗	759
Net debt	3 418	↘	3 294

KEY FINANCIAL METRICS

Adj. ROCE* (%)	△	
7.8	Y	+6.5
	Q	+2.1

Equity ratio (%)	△	
37.4	Y	+3.2
	Q	+1.4

ND/Adj. EBITDA** (x)	△	
3.2	Y	-3.3
	Q	-0.8

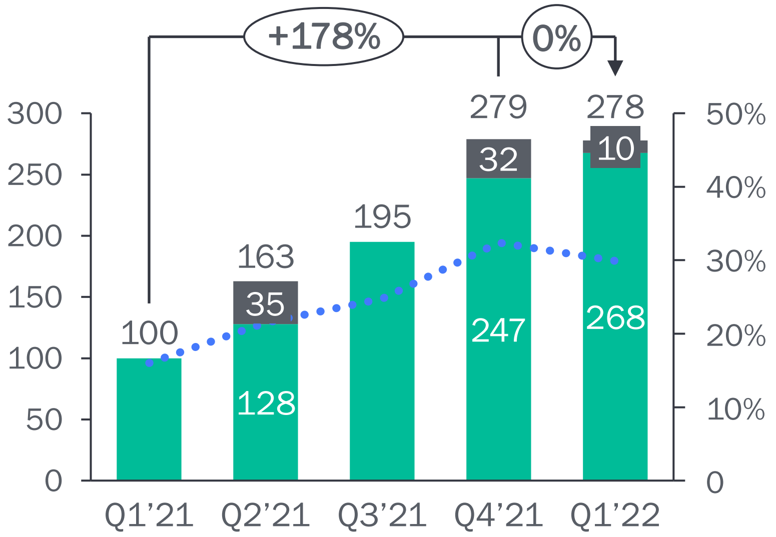
* ROCE calculated as last twelve months average, based on adj. EBIT

** Based on last twelve month adj. EBITDA

Shipping continues to deliver high EBITDA, government flat QoQ, while logistics margins come under pressure

Shipping – Adj. EBITDA [1]

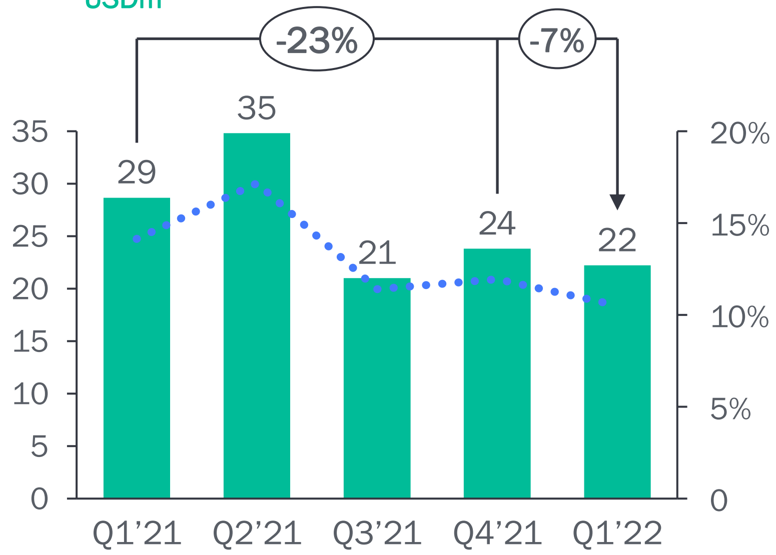
USDm



- QoQ EBITDA[1)] up due to solid freight rates, volume growth, and efficient operations
- YoY EBITDA[1)] significantly up due to return of demand and volumes

Logistics – Adj. EBITDA [1]

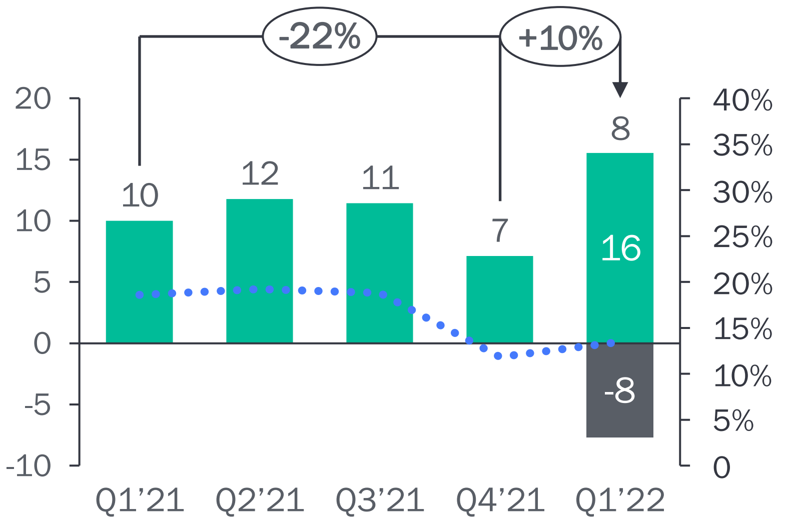
USDm



- QoQ EBITDA decreased mainly due to increased fuel cost (H&H) and shift towards low-margin services
- YoY EBITDA fell as Americas (auto) volumes dropped due to chip shortages

Government – Adj. EBITDA [1]

USDm



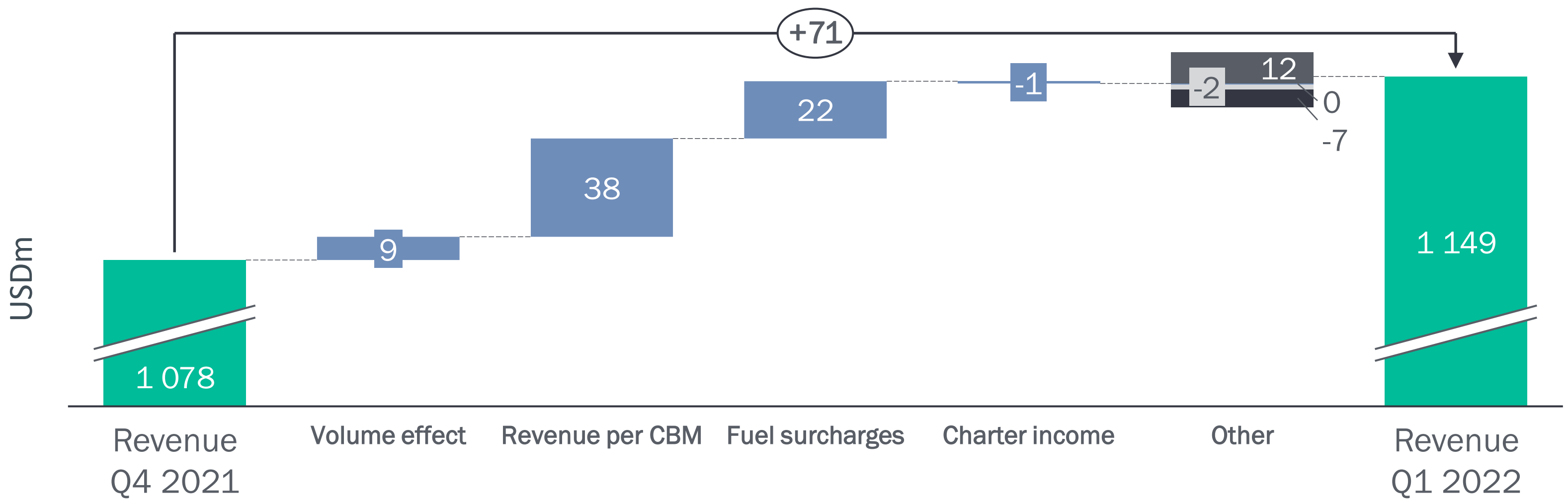
- QoQ EBITDA[1)] grew moderately; improved charter results partially countered by lower U.S. flag cargo activity
- YoY EBITDA[1)] dropped, negatively impacted by significantly higher fuel prices

1) Adjusted for extraordinary items. Q4-21 and Q1-22 shipping and government adjustments related to vessel sales

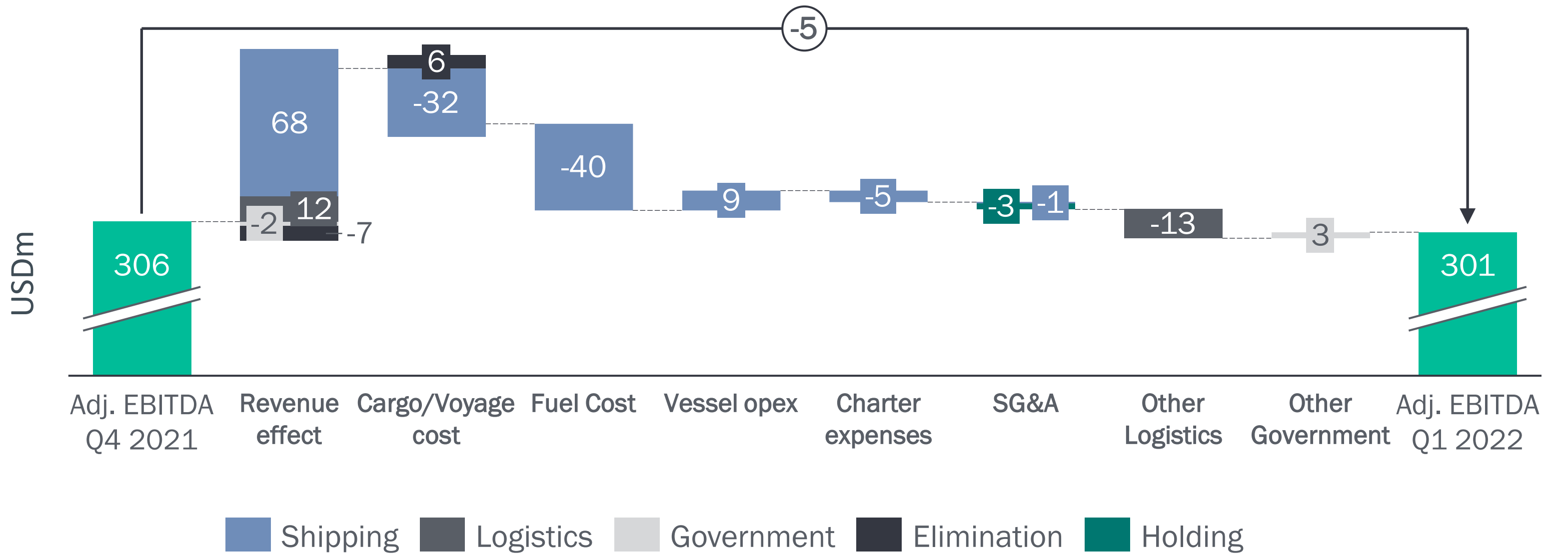
Extraordinary items EBITDA EBITDA margin

Revenues increased QoQ, while adjusted EBITDA was flat on cost pressure

- **Revenue up USD 71m QoQ**
  - Higher rates per CBM driven by cargo mix and renegotiated contracts
  - Fuel surcharges increase on rising global oil prices



- **EBITDA[1] down USD 5m QoQ**
  - Increase in revenues countered by increasing cost across the business
  - Fuel cost increases more than outweigh surcharges

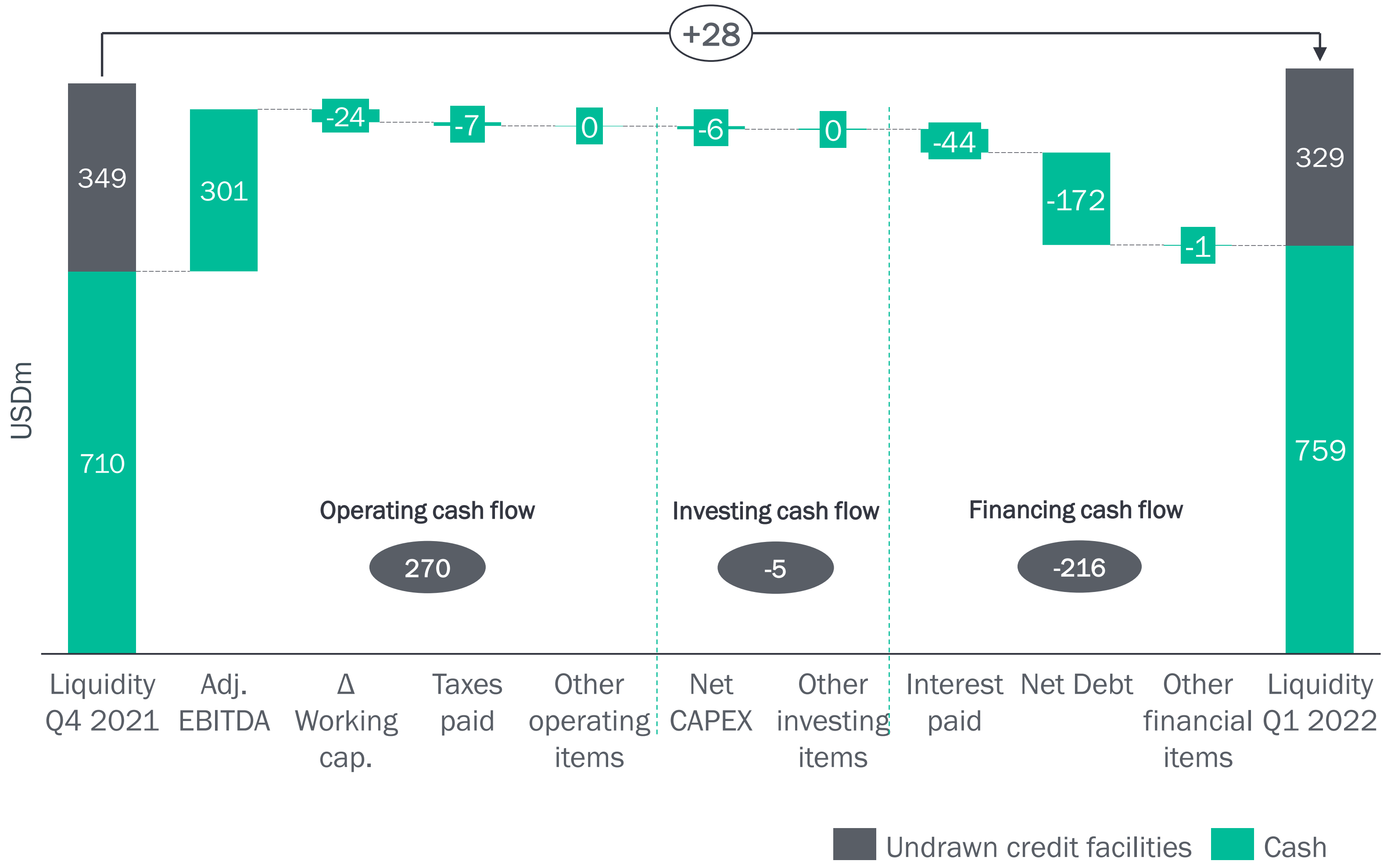


1) Adjusted for gain on vessel sale, USD -8m

Cash increased by USD 49m driven by solid EBITDA

Comments

- Working capital includes payment of USD 26m in customer settlements and fines
- Net capex includes i.e.:
  - USD 21m for the sale of an older vessel to the US government
  - USD 10m investment in our subsidiary ALS
  - Approximately USD 10m in drydocking
- Net debt flows include prepayment of deferred debt and a bond maturity, on top of regular instalments during the quarter



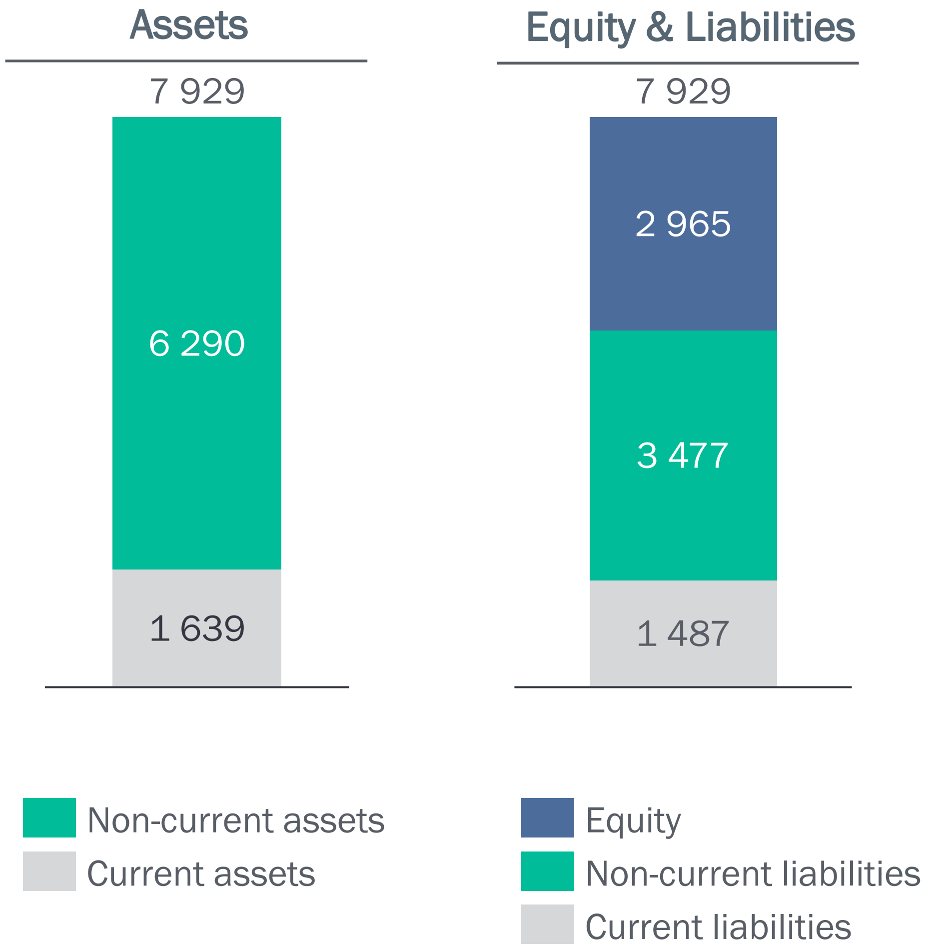
Solid balance sheet and strong liquidity position

COMMENTS

- Equity ratio at 37.4%
- Net debt down to USD 3.3bn
  - USD 49m of deferred debt instalments in WW Ocean prepaid
  - EUKOR facility refinanced with USD 20m increase in drawn debt
  - Intragroup vessel sales have triggered debt prepayment and new debt uptake
- 2022 bond maturities covered by SLB
- 2022 lease and bank maturities planned refinanced during the next 12 months

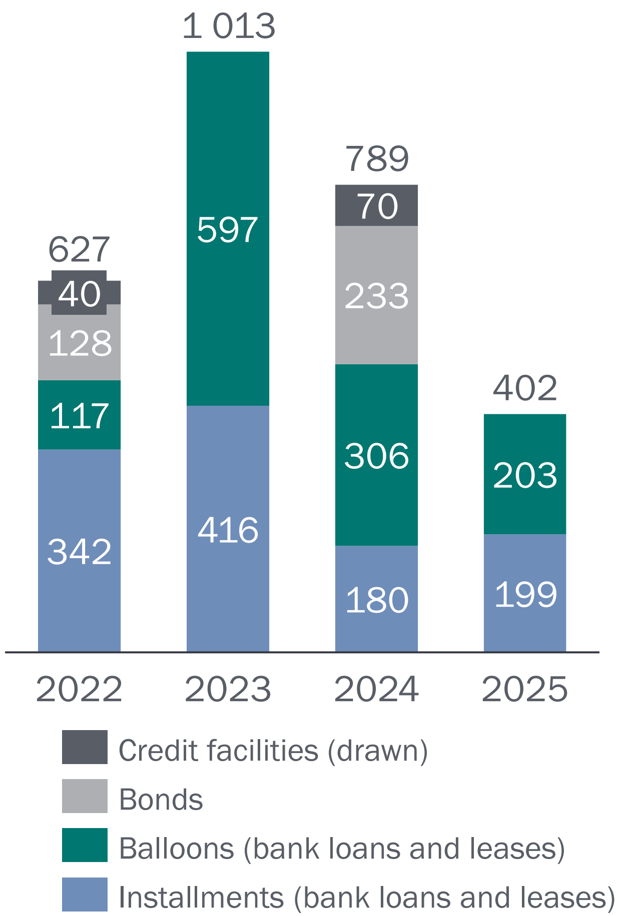
BALANCE SHEET 31.03.2022

USD billion

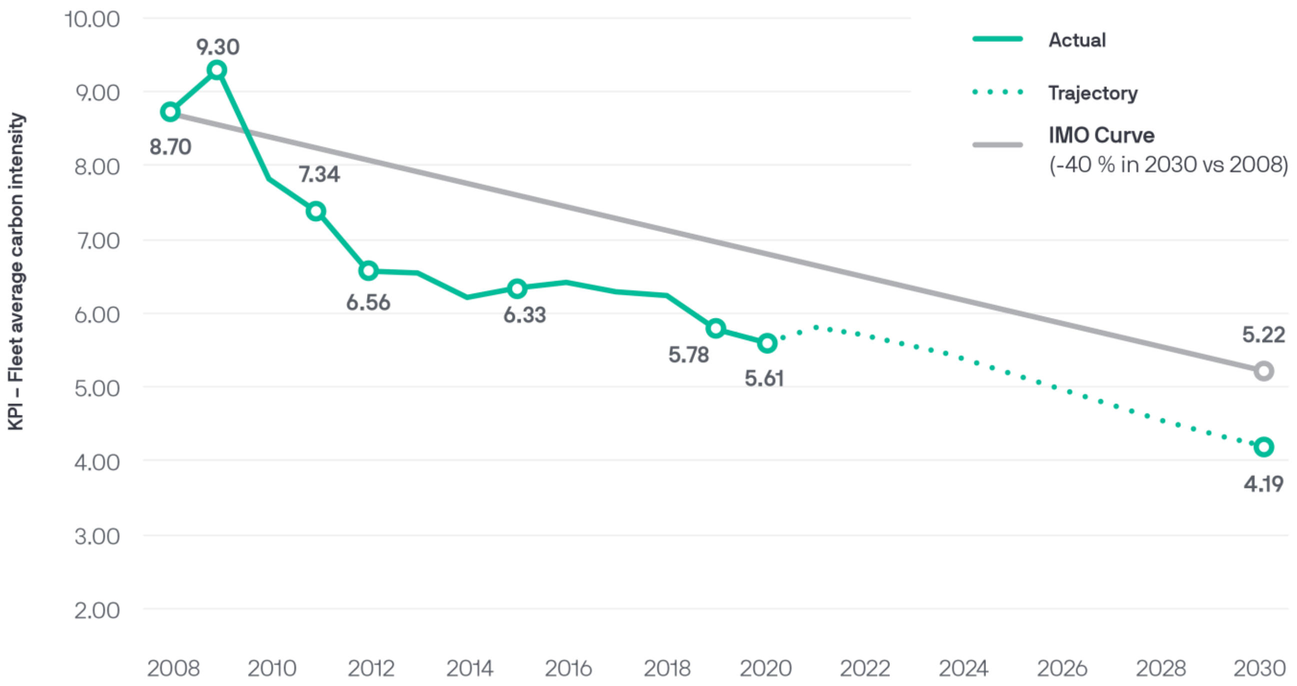


Debt Maturity Profile

USD million



In April we successfully issued our first sustainability-linked bond of NOK 1,250m



Our target implies a 52% reduction in our CO_2 intensity from 2008-2030, exceeding our IMO 2030 obligation for a 40% reduction

Sustainability-linked financing framework

- Target to reduce CO_2 intensity by 27.5% from 2019-2030
- Pricing mechanism linked to achieving the CO_2 intensity target

First Sustainability Linked Bond Issue

NOK 1,250m

2x oversubscribed

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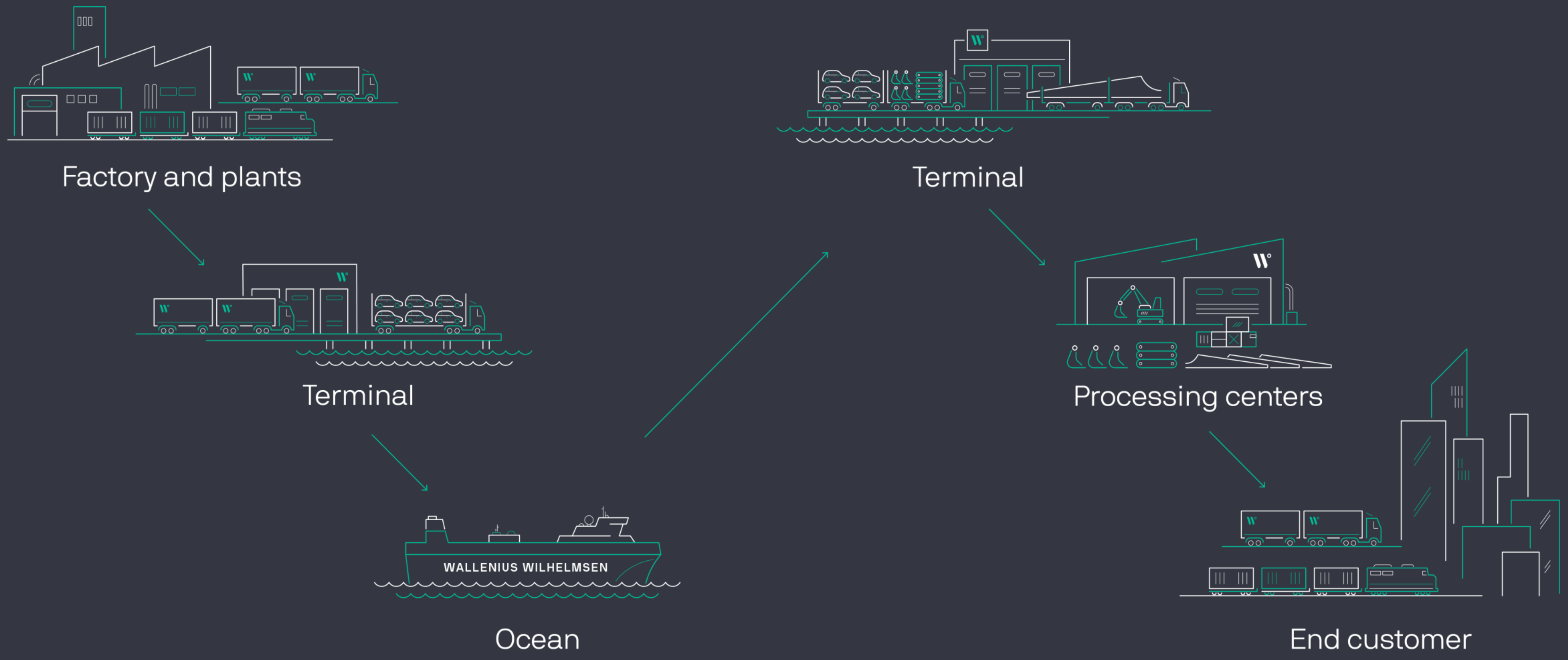
Prospects

- We continue to expect the supply-demand balance in shipping to remain favorable over the mid-term due to the overall global fleet situation. Logistics volumes will benefit from gradual improvement of automotive semiconductor chip supply expected during the latter part of 2022. This is expected to allow us to consolidate financial flexibility and help drive shareholder value creation in the absence of further volatility. Current disruptions to the global supply chains negatively impact the group and its customers.
- Potential risks include further disruptions to the global supply chains, operational impact from further Covid-19 outbreaks, fuel supply disruption, labor cost and availability, further escalation of the war in Ukraine and negative global economic developments.

Q&A



Factory and plants
Terminal
WALLENIUS WILHELMSEN
Ocean
Terminal
Processing centers
End customer