Wallenius Wilhelmsen

Wallenius Wilhelmsen ASA

Q3 2022

Highlights – Q3 2022

- Revenue and EBITDA at all-time high, improving across all segments
- Solid rates and fuel surcharges, combined with continued high utilization in Shipping
- Solid financial position with net debt to adj. EBITDA at 2.3x
- Wenche Agerup appointed new Chief People Officer
- Xavier Leroi appointed new Chief Operating Officer of Shipping segment
- No remaining anti-trust provisions after conclusion of last known customer settlement

Agenda

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

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

LV SALES

LV DEEPSEA

QoQ Q3-22
(unit growth)

+9.8%

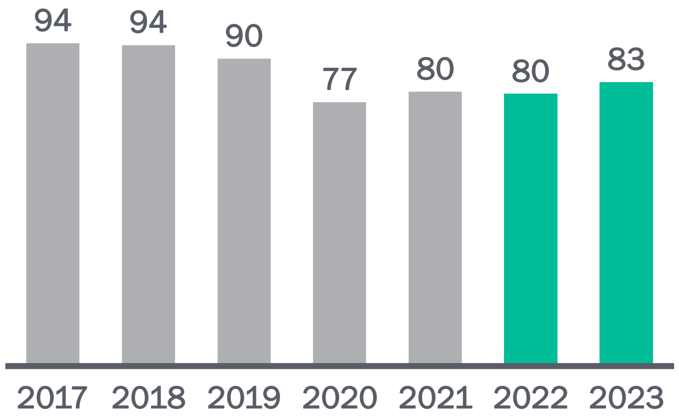
+5.8%

- **China drive LV sales** recovery
- **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 improved production figures**
- **Availability of semiconductors gradually becoming better**
- 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

Machinery exports reach another all-time high but outlook softens

CONSTRUCTION

MINING

AGRICULTURE

YoY Q3-22
(unit growth)

	CONSTRUCTION	MINING	AGRICULTURE
YoY Q3-22 (unit growth)	+16.4%[1]	+10.0%[2]	+4.1%[1]

Construction

- Declining **construction activity** and industry **sentiment**
- Record **machinery exports** and decade-high **order backlogs**
- Cooling **machinery orders**

Mining

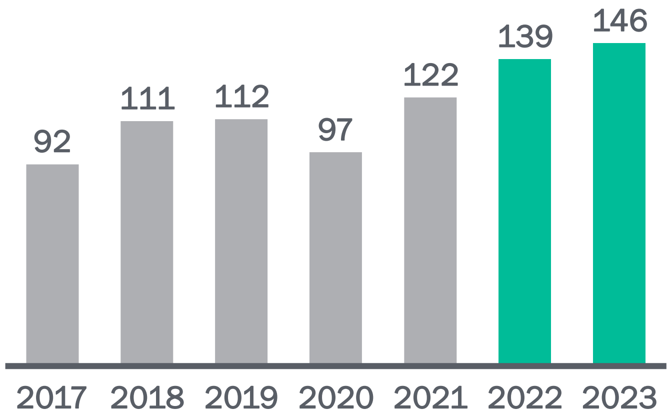
- Steep pullback in **metal prices**
- Strong **miner profits** and positive **capex outlook**
- Supportive machinery **replacement cycle**

Agriculture

- Further decline in **food prices**
- Weak **sentiment** despite supportive **farm earnings**
- Low machinery **inventories** and extended **order backlogs**

EQUIPMENT PRODUCER SALES OUTLOOK[3]

Million USD



Source: [1]IHS Markit | World construction & agriculture equipment exports (equipment valued >20 kUSD) (Units last 3 months, YoY) per August 2022. Data is limited to countries having reported customs data as per October 25, 2022. [2]Caterpillar Resource Industries retail sales (USD YoY based on unit sales as reported primarily by dealers) | [3]Factset Data and Analytics (October 24th, 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 construction/mining/agriculture equipment only

High utilization rate expected to continue through 2023

Easing of current supply chain inefficiencies will add capacity

GLOBAL FLEET*

End Q3
(end Q2)

#94 (75)	#106 (106)	96% (96%)
vessels in orderbook	vessels built from 1981 until 2002	fleet utilization rate in 2023

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

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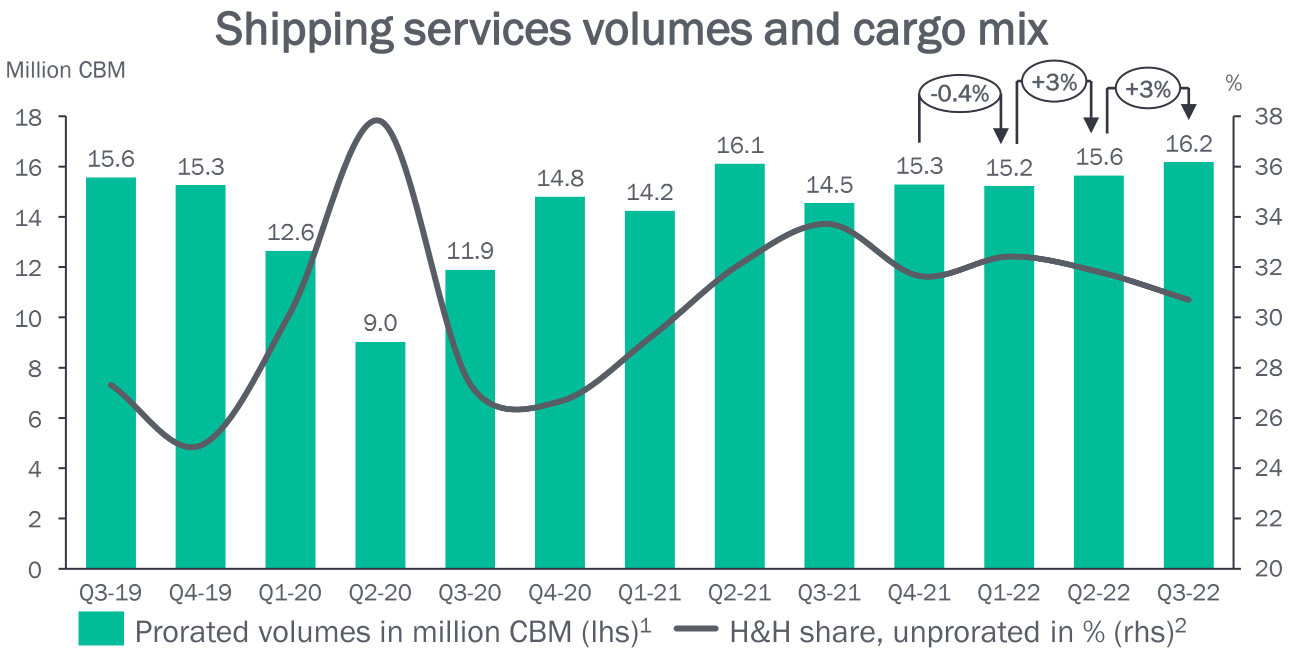
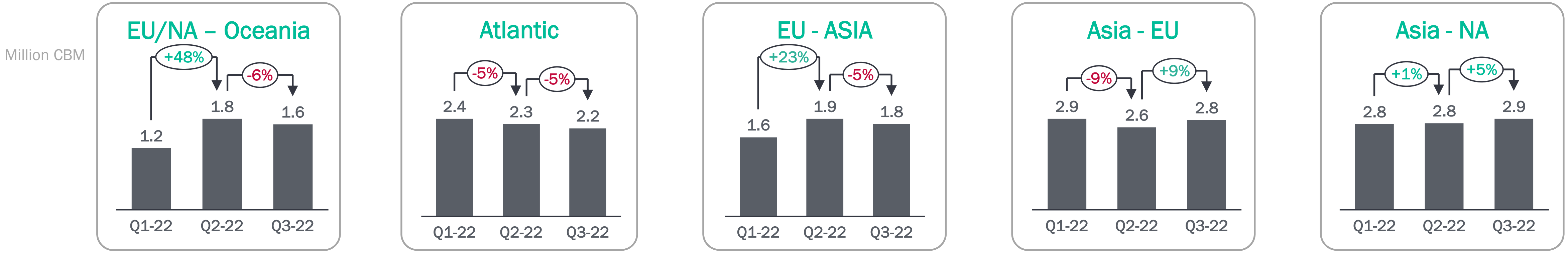
Shipping update

Shipping volumes up 3% QoQ despite challenging operating environment



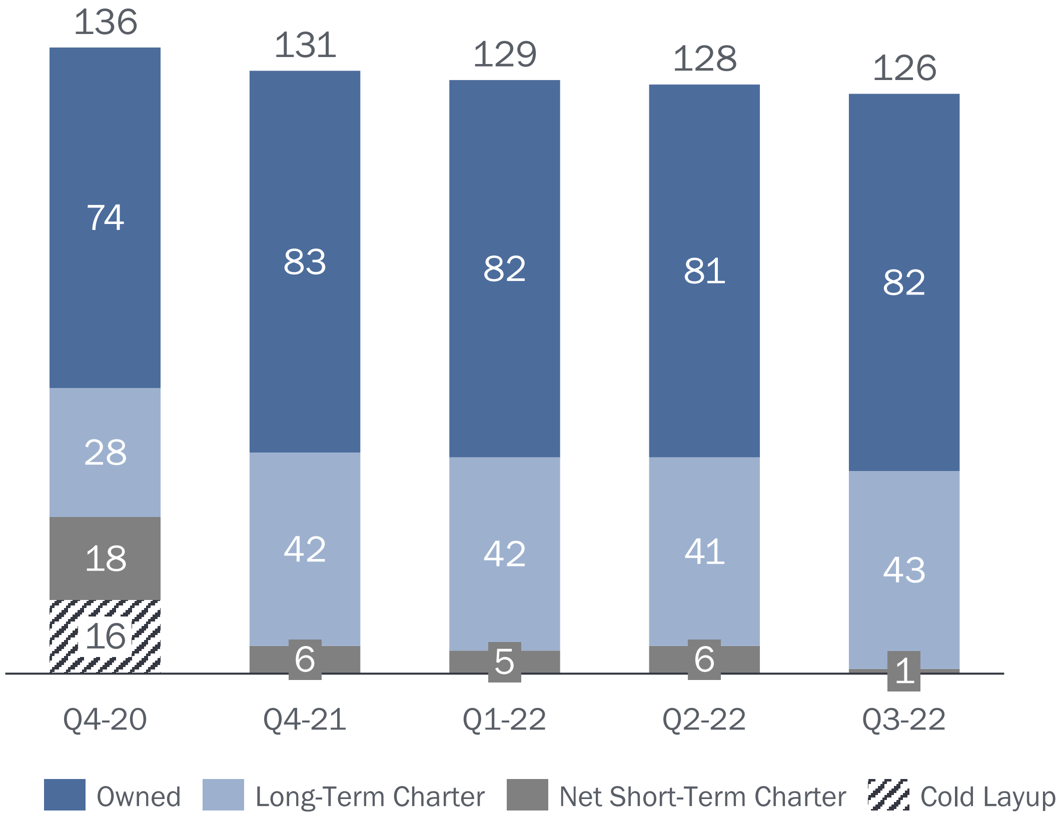
- Volume growth from exports out of Asia
- Net freight increased to USD 52.8 per cbm, up USD 1.4 per cbm QoQ due to trade mix
- Cargo mix (H&H share) at 31% Q3, down from 32% in Q2



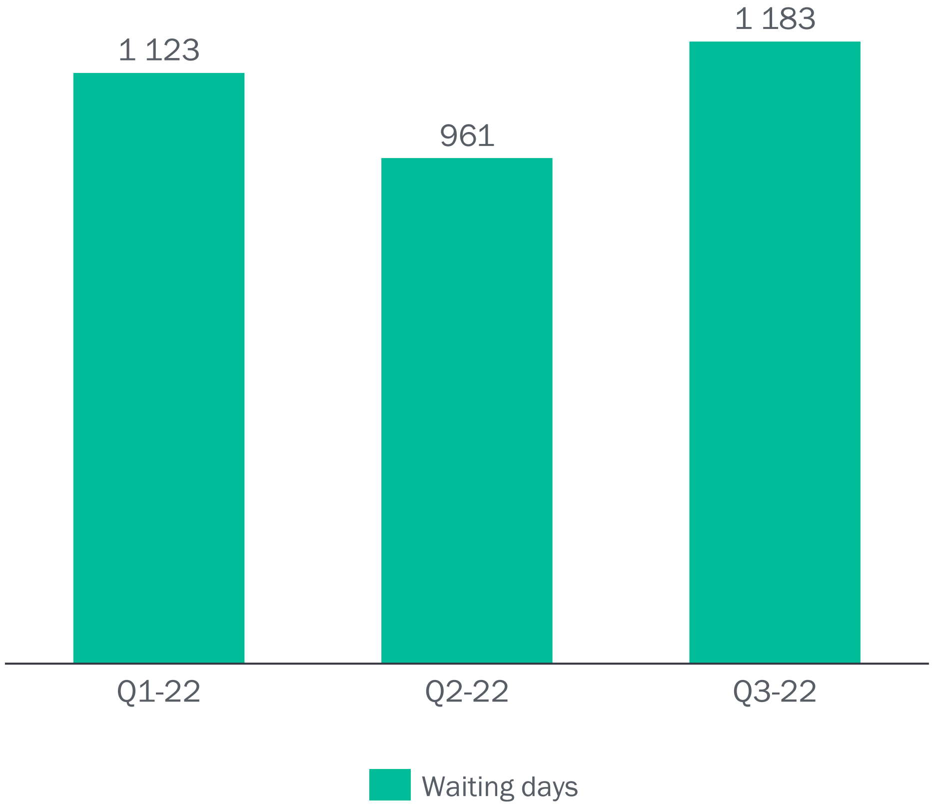
1) Total volume based on prorated volume in Shipping services (ex. Government services), i.e. volumes are split between months based on the sailing period onboard the vessel. Historical volume figures subject to change as figures are based on estimates and prorating
2) H&H share calculated based on unprorated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

Stable fleet development, but port congestion remains challenging

WalWil Fleet



Port congestion



Fleet strategy

Announcement pushed back to 2023

Captain Lee

Our first female captain, and the third female captain in Korean commercial shipping history

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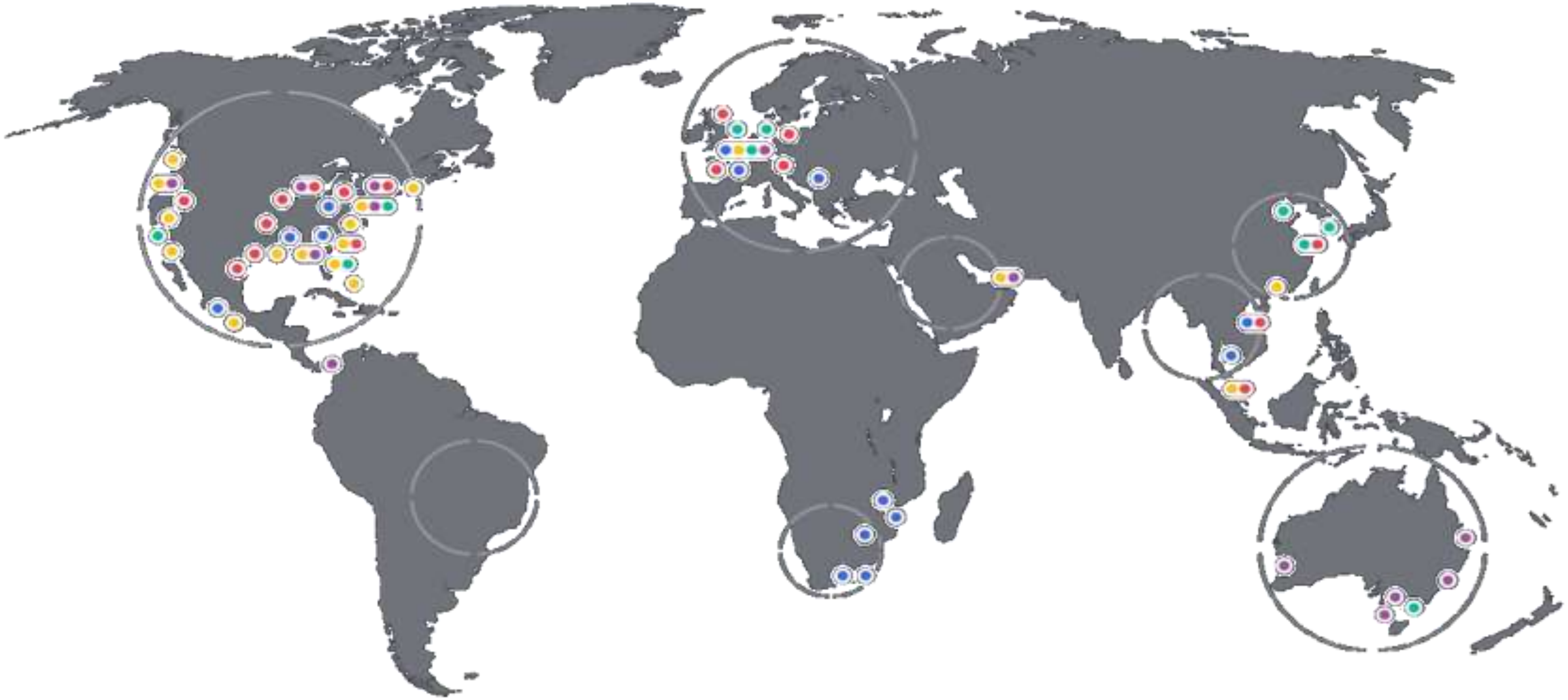
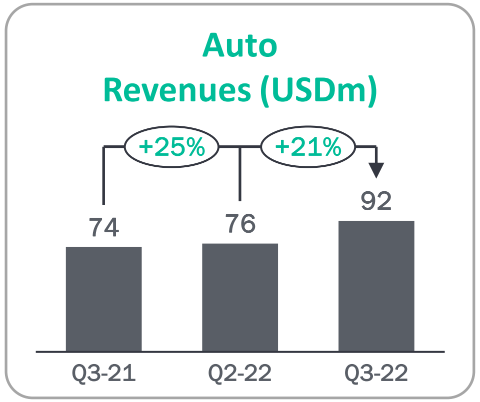
Logistic update

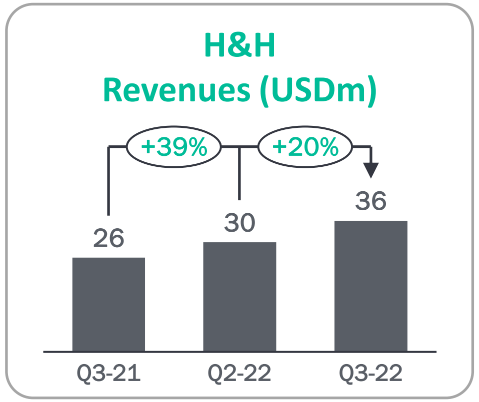
Zeebrugge processing center for High and Heavy (Excavators)

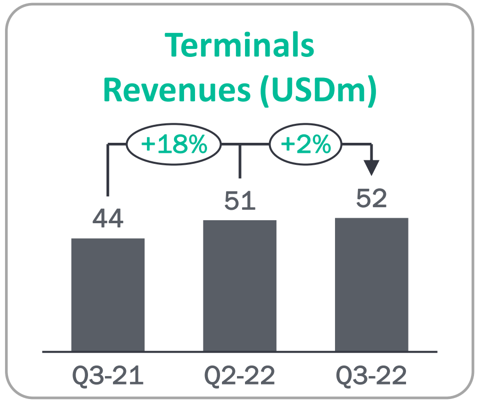
Logistics volumes and revenues improve across all products



- Processing volume and accessorization up for Auto and H&H
- Terminals up on strong volume in Oceania from China
- Inland slightly up on stronger volume in US and Asia







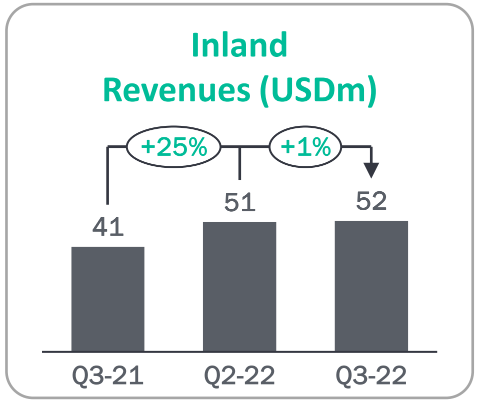


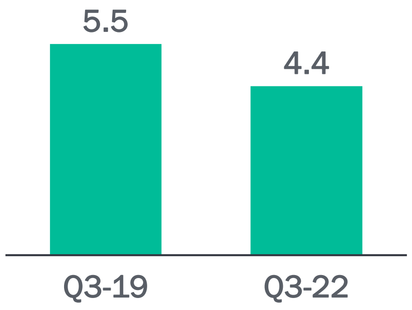
Illustration shows WW Logistics locations: OEM/In plant VPC VPC OEM/In plant EPC EPC Terminals Inland Transportation

Chip shortage situation improving but still significant upside in volumes

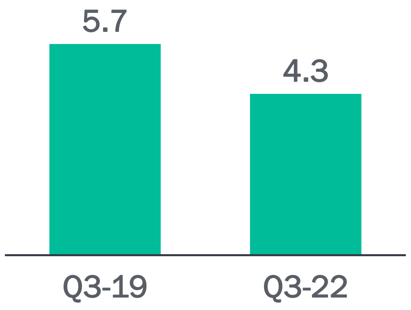
Units per quarter in millions

LOGISTICS – key markets for Light Vehicles

North America LV Volume



Europe LV Volume



- Semiconductor shortage hindered production and sales in Q3, expected to improve
- Still pent-up demand, however vulnerable as negative global economic development looms

- Still sourcing issues leading to low production and inability to meet consumer demand
- OEMs focusing on low-emission vehicles leading to changed sales mix instead of increased volume

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

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Sustainability targets lagging short term due to challenging operative environment

- No serious personnel injuries but LTIF in Logistics not acceptable
    - Challenging with high churn of labor

- Total CO_2 footprint increasing due to speed and congestion
- CO_2 intensity improving due to high cargo volumes

Principles of Governance	People	Planet	Prosperity
			

	Q2-22		Q3-22
LTIF Shipping* per million man-hours exposed	0.46	↗	0.67
LTIF Logistics* per million man-hours worked	15.68	↗	17.54
Total CO_2 Million tonnes, Shipping and Government services	1.09	↗	1.13
CO_2 Intensity Grams per tonne km (EEOI)	30.0	↘	29.7

*No serious injuries in Q3

The first global shipping company to adopt a fully AI-based approach to voyage optimization

- Announced partnership with DeepSea Technologies in Q3
- Data-driven voyage optimization (e.g., speed and route)
  - Advanced AI models combining vessel model, sensor data and weather forecasts
  - Real-time decision support to ship and shore organization
  - 7% fuel savings achieved during trial on several vessels
  - Targeting 10% fuel savings when fully adopted
- Roll out to 65 vessels by year end 2022, and the rest to follow

TradeWinds
The Global Shipping News Source

Latest News | Tankers | Bulkers | Containerships | Gas | ESG | e-paper

LATEST JOBS **Data Analyst - Hong Kong**

Wallenius Wilhelmsen claims a shipping first in AI

Wallenius Wilhelmsen expects to cut consumption by 10% after turning to voyage optimisation completely based on artificial intelligence

7 September 2022 7:15 GMT *UPDATED 12 September 2022 13:37 GMT*

By **Bob Rust** in **Oslo**

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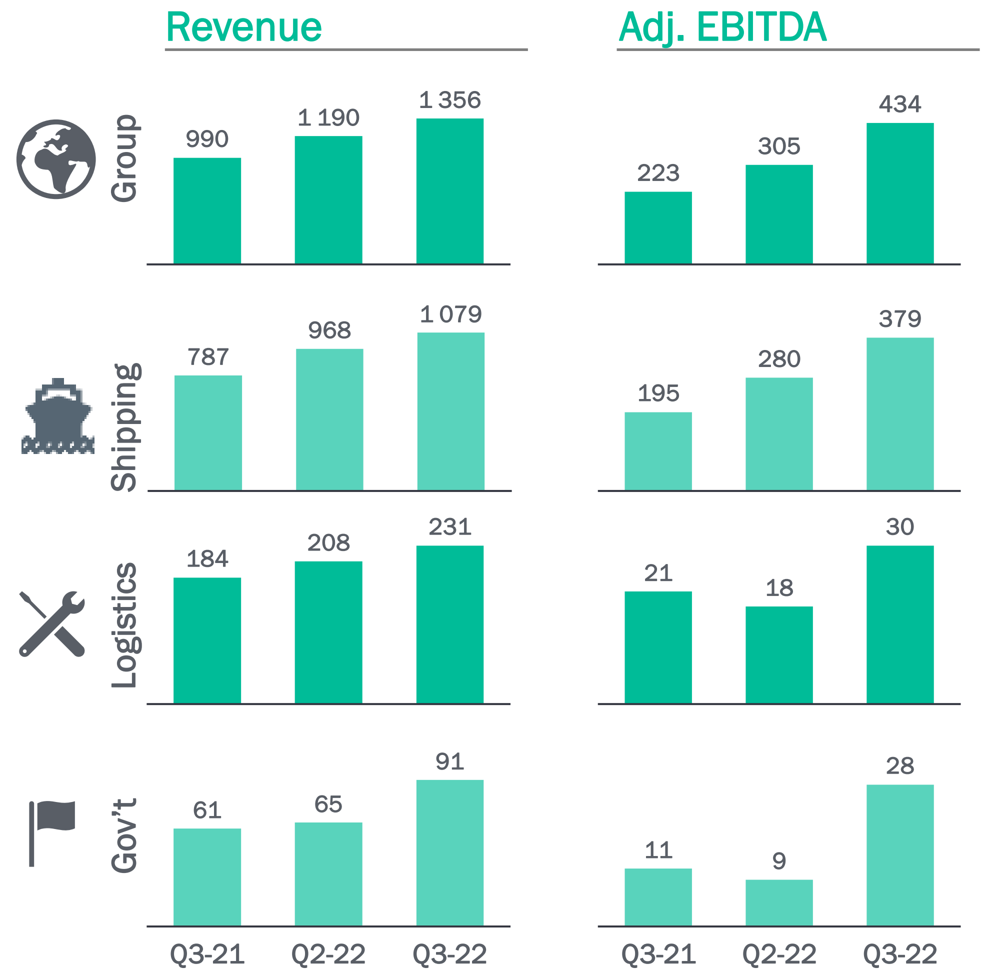
Wallenius Wilhelmsen

Financial highlights ◆ Q3 2022

(USDm, unless noted)



	Q2-22		Q3-22
Net profit	126	↗	246
Adj. EBITDA margin (%)	25.6%	↗	32%
Cash	821	↗	1 063
Net debt	3 257	↘	3 041

Adj. ROCE* (%) Δ

11.6 — Y +7.9; Q +2.8

Equity ratio (%) Δ

38.8 — Y +3.0; Q +1.3

ND/Adj. EBITDA (x)** Δ

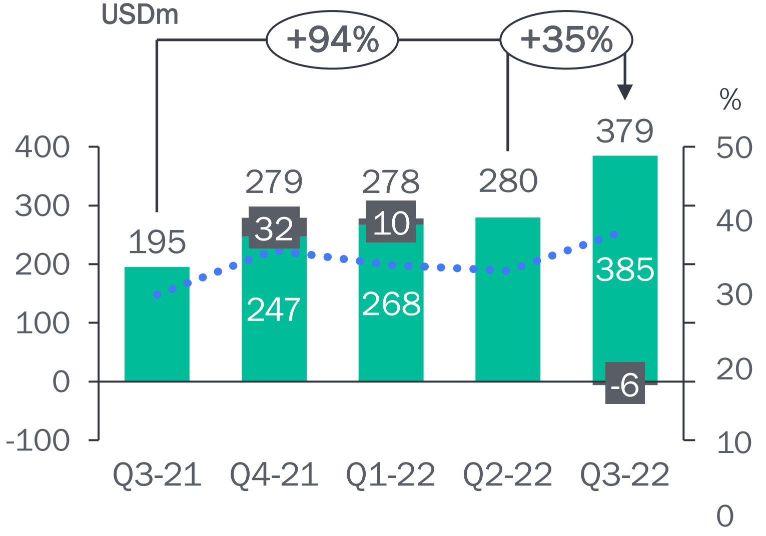
2.3 — Y -2.5; Q -0.6

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

** Based on last twelve month adj. EBITDA

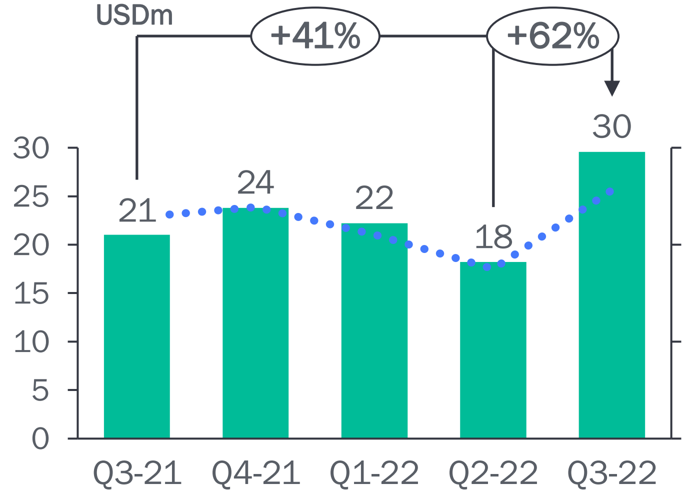
All segments contributed to significant EBITDA growth QoQ and YoY

Shipping – Adj. EBITDA [1]



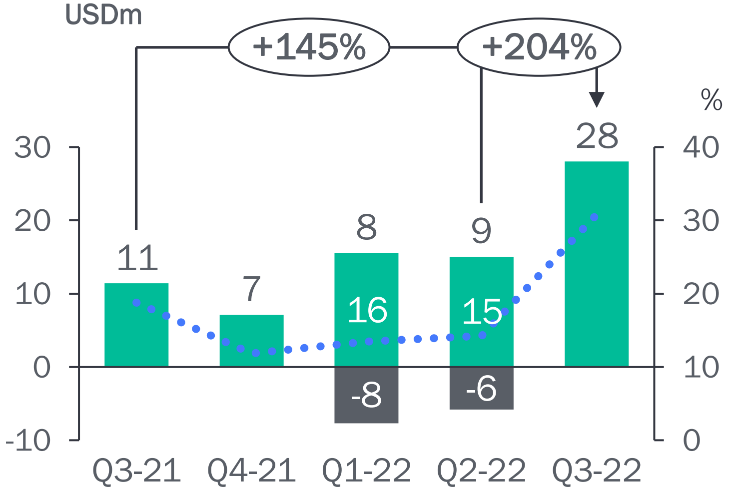
- QoQ EBITDA significantly up due to revenue increase and margin improvement
- YoY EBITDA significantly up due to increased demand and rates, as well as fuel surcharges

Logistics – Adj. EBITDA



- QoQ EBITDA driven by Auto, H&H and Terminals shifting the balance to higher margin business
- YoY EBITDA up as volumes increased in H&H and Terminals

Government – Adj. EBITDA [1]



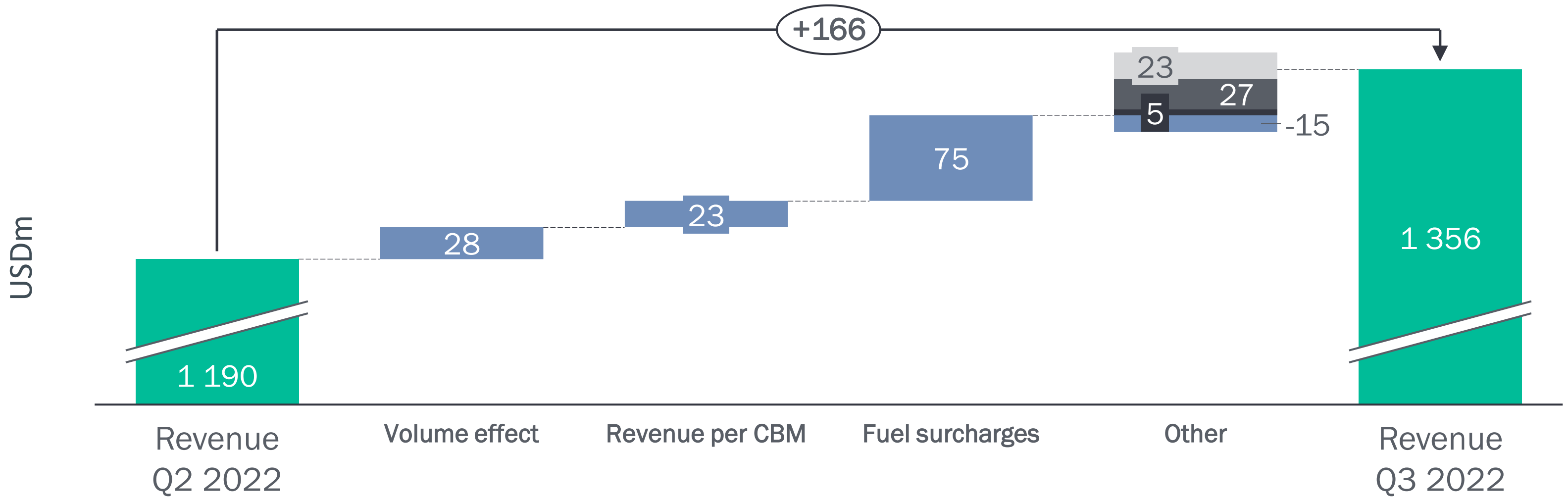
- QoQ up on increased U.S. flag cargo and U.S. flag civilian agency project cargoes
- YoY up on increased U.S. flag cargo, partially offset by higher cargo and vessel related costs

Extraordinary items EBITDA EBITDA margin

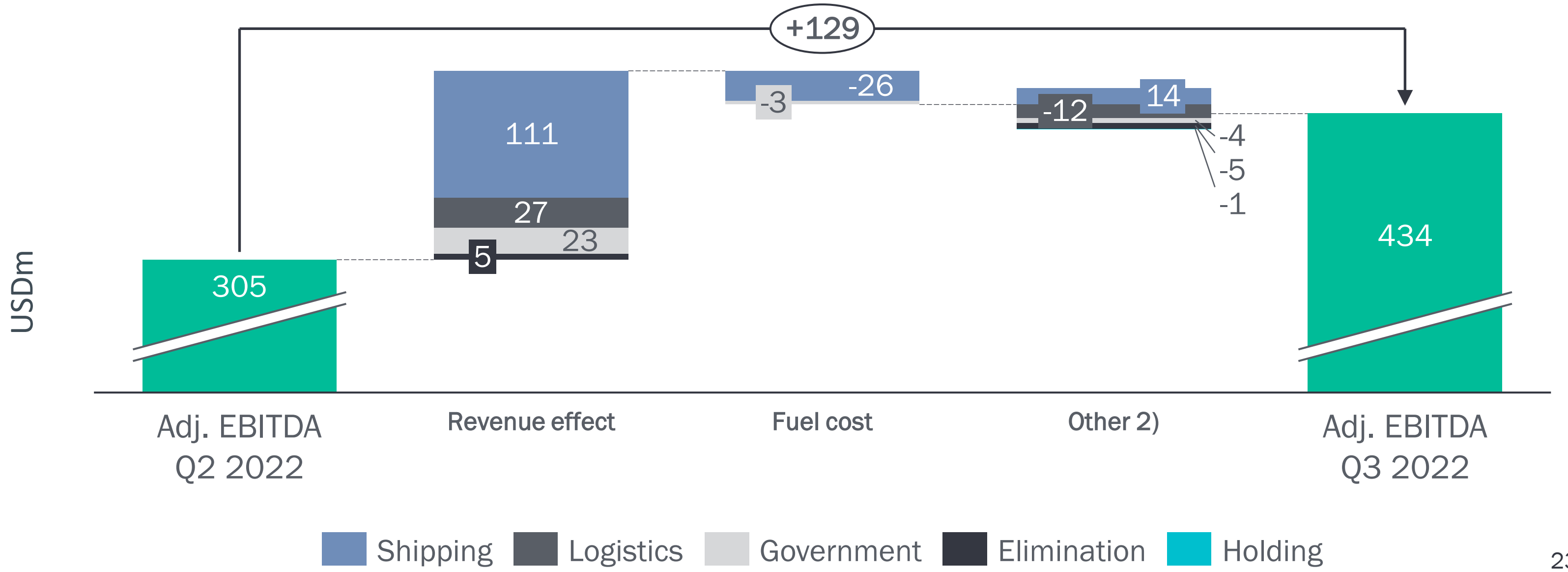
1) Adjusted for extraordinary items. Q4-21 and Q1-22 shipping and government adjustments related to vessel sales, and Q3-22 shipping adjustment related to reversal of unitrust provision

Revenue and EBITDA at all-time high, margins boosted by fuel effects

- **Revenue up USD 166m QoQ**
  - Increased volume and improved rates per CBM mainly driven by trade mix
  - Fuel surcharges increased on the higher global oil prices in previous quarter



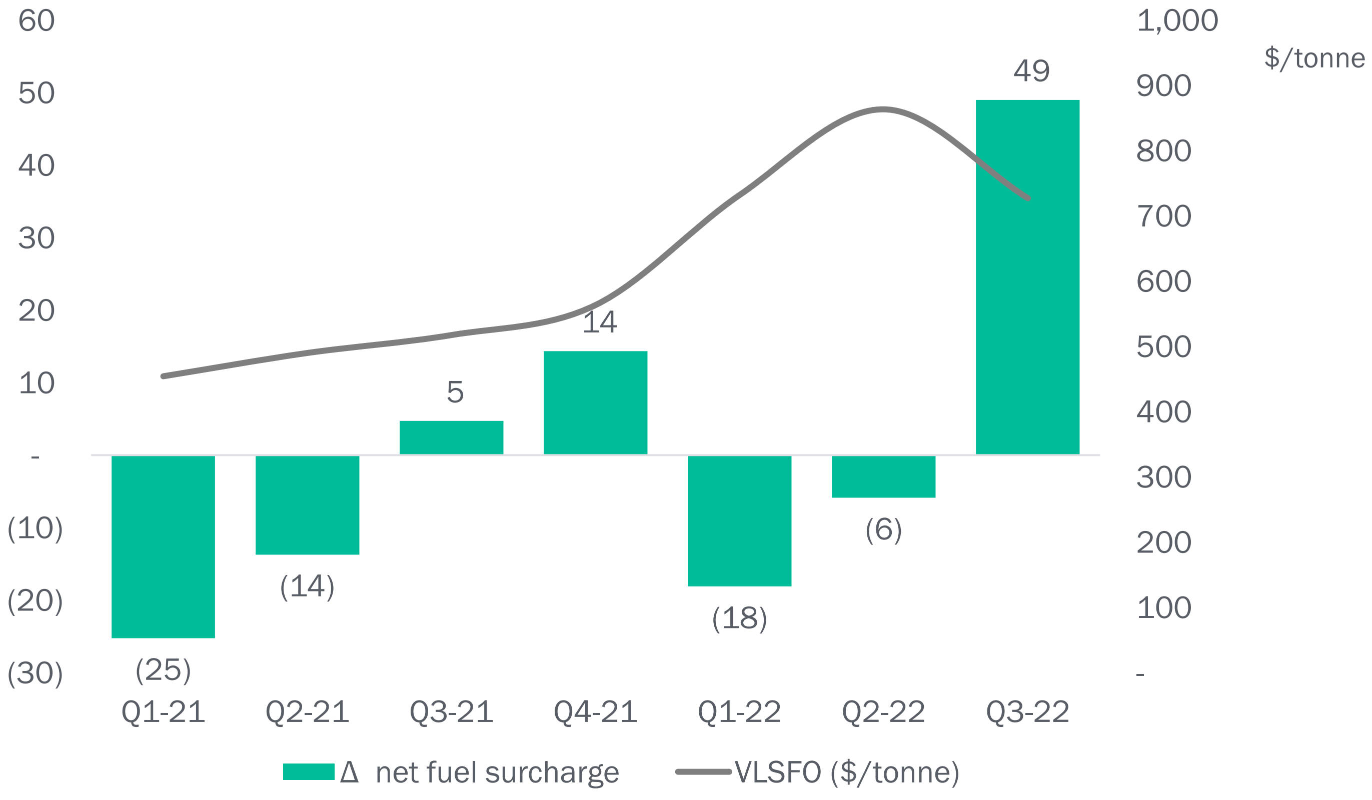
- **EBITDA[1)] up USD 129m QoQ**
  - Improvement across all segments
  - Fuel surcharges outweigh fuel cost increase
  - Increase in revenues only partly countered by increased costs



1) Adjusted for reversal provision anti-trust, USD 6m (Q2 Adjusted for gain on vessel sale, USD -6m)
2) Cargo- and other voyage expenses, ship operating expenses, charter expenses, manufacturing cost, other opex and SG&A expenses)

Positive net fuel surcharge effect in Q3

QoQ change in net fuel surcharge effect



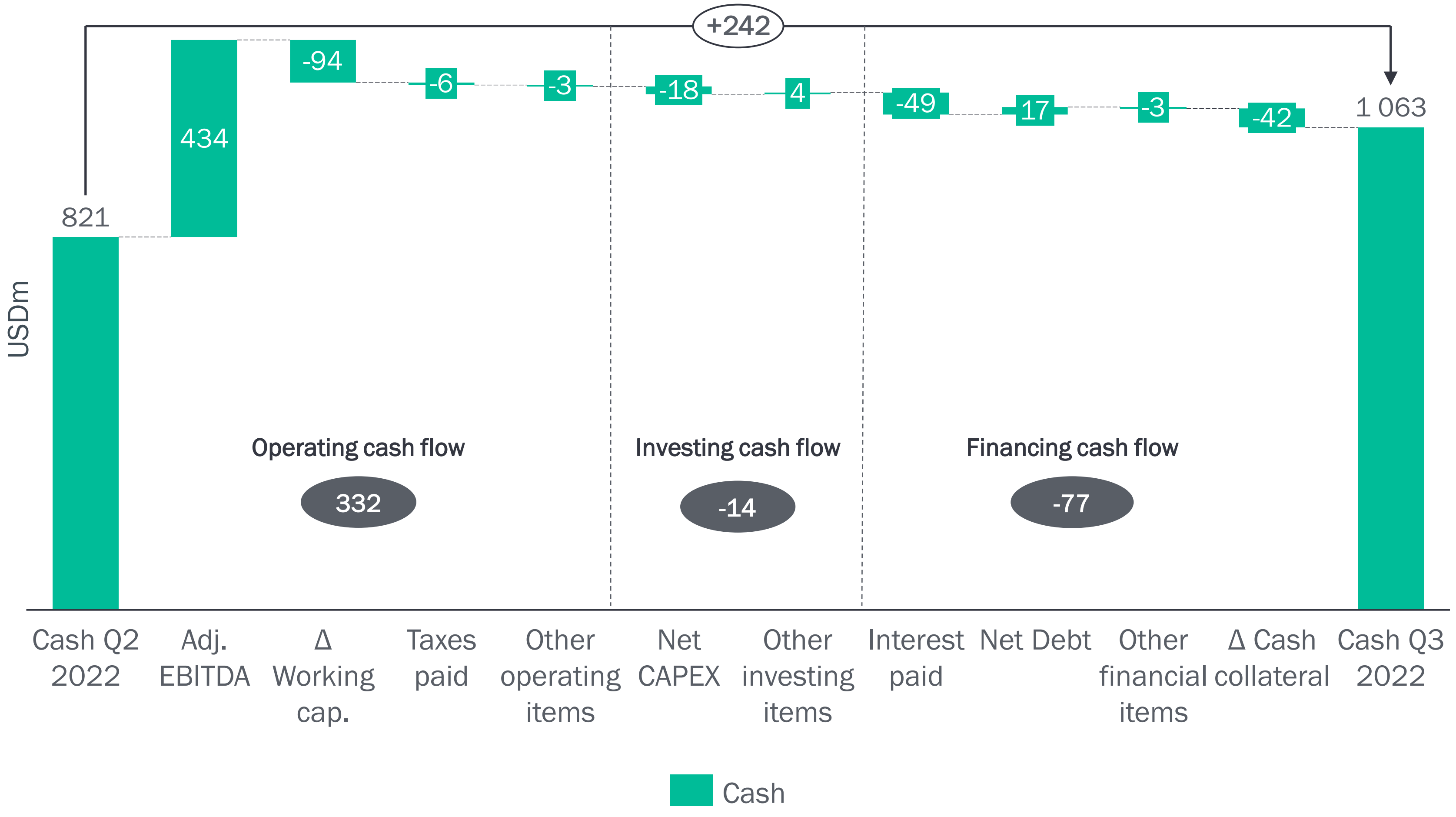
- **Net fuel surcharge effect = change in surcharge revenue less change in fuel cost**
  - Effect will be negative in periods when prices rise, and vice versa
  - Fuel surcharges lag fuel prices by 3 to 5 months
  - Impacted by fleet utilization, trade / customer / cargo mix, fuel inventory and contract reference fuel prices
- Over time, 1:1 coverage of the change in fuel costs

Note: Figures are based on shipping services segment

Cash increased by USD 242m driven by solid EBITDA and proceeds from financing

Comments

- Working capital includes USD 42m paid in civil claims and settlements
- Net investing include vessel maintenance and various logistics investments
- Positive change in net debt due to refinancing and repayments
- Increased cash collateral due to USDNOK development
- Undrawn credit facilities increased USD 130m to USD 377m due to refinancing



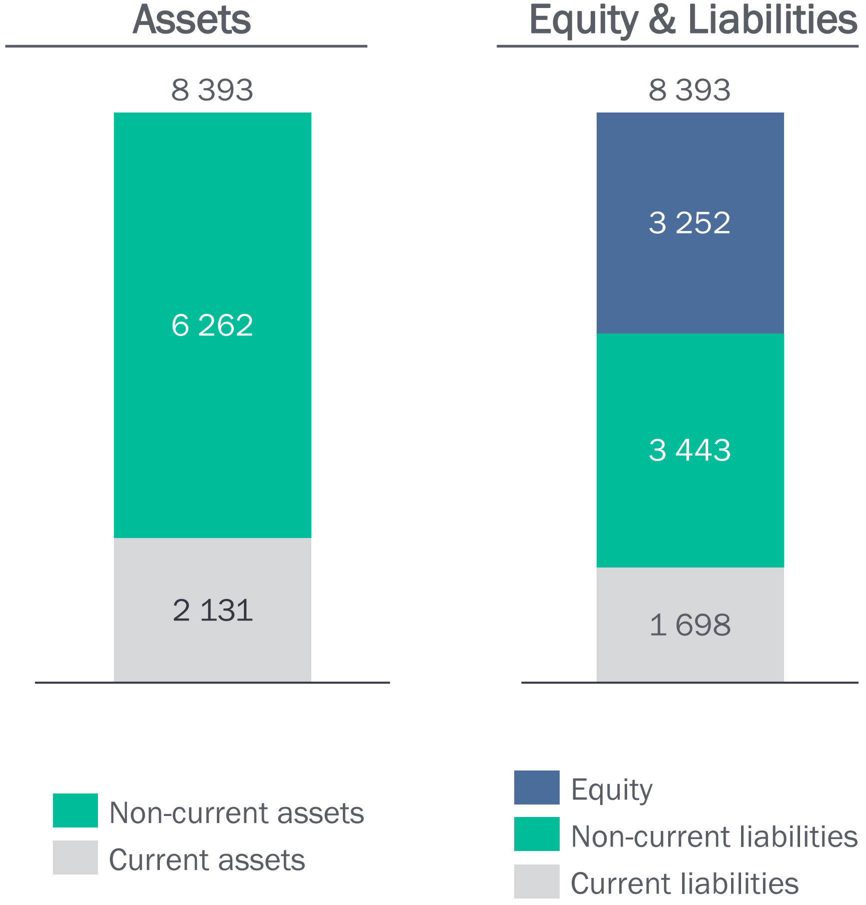
Solid balance sheet and strong liquidity position

Comments

- Equity ratio at 38.8%
- Net debt decreased to USD 3bn due to increased cash
- Q4-22 payments covered by cash:
  - USD 76m bond maturities
  - USD 25m dividend
  - USD 32m remaining anti-trust liabilities
- Manageable 2023 lease and bank maturities to be refinanced next 12 months

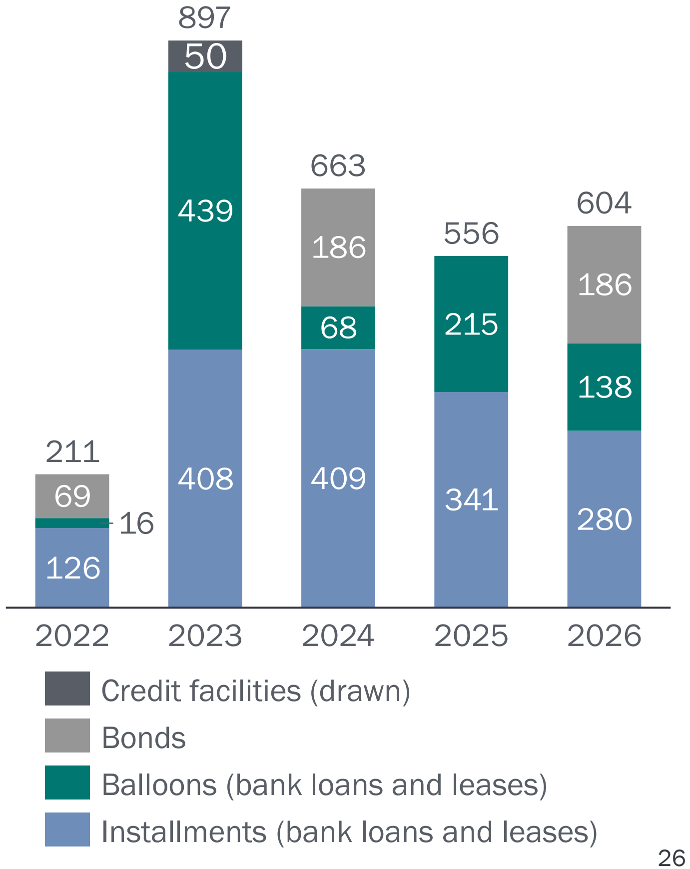
Balance Sheet per end Q3-22

USD million



Debt Maturity Profile

USD million



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Prospects

We continue to expect the supply-demand balance in shipping to remain **favorable during 2023** due to the overall global fleet situation.

We continue to **expect increasing light vehicle sales in 2023**, despite a shift from supply driven constraints to a **softening of demand**. Production, inventory, and sales levels of light vehicles are already constrained, providing support for continued volume growth despite reduced demand.

We see some **weakening in the sentiment for H&H equipment** due to the macro environment. However, volumes remain at **all-time high levels**.

The expected sales development of light vehicles and H&H equipment is supportive to both the shipping and logistics segments.

Potential risks include demand destruction from a **deeper than expected economic recession**, further disruptions to the global supply chains, **labor** cost and availability, and further escalation of geopolitical tensions.

Overall, we expect to further **strengthen our financial position** and drive shareholder value creation.

Q&A

Wallenius
Wilhelmsen

Thank you!