

# ONE

**OCEAN NETWORK EXPRESS**

Financial Results for FY2020 3rd Quarter and  
Full Year Forecasts for FY2020

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# 1. FY2020 3rd Quarter Results

## Outline

In Q3, ONE's profit significantly increased to US\$944 Million compared to the same period last year (+US\$939Million) due to the sharp recovery in cargo demand and increases in the short-term freight market

- A steady recovery trend was observed in the global cargo volume. In Asia-North America trade, the cargo volume increased by approximately 25% and Asia-Europe trade also increased on a year to year basis.
- Severe shoreside and inland congestion became problematic due to a sharp increase in cargo volume and the resurgence of the COVID-19 epidemic caused turmoil within the entire global supply chain.
- As the cargo demand sharply recovered, the short-term freight market significantly increased.

## FY2020 3Q Results

	FY2019		
	1H Results	3Q Results	1Q-3Q Results
Revenue	5,984	2,914	8,898
Profit/Loss after Tax	126	5	131

FY2020		
1H Results	3Q Results	1Q-3Q Results
5,917	3,757	9,673
682	944	1,626

3Q	
Change (Mil US\$)	Change (%)
842	28.9%
939	20639%

(Million US\$)

1Q-3Q	
Change (Mil US\$)	Change (%)
775	8.7%
1,496	1146.2%

- Q3/FY2020 other results
- EBITDA : US\$1,293million
  - EBIT : US\$1,036million
  - Bunker Consumption : 933K MT
  - Liftings : 3,204K TEU

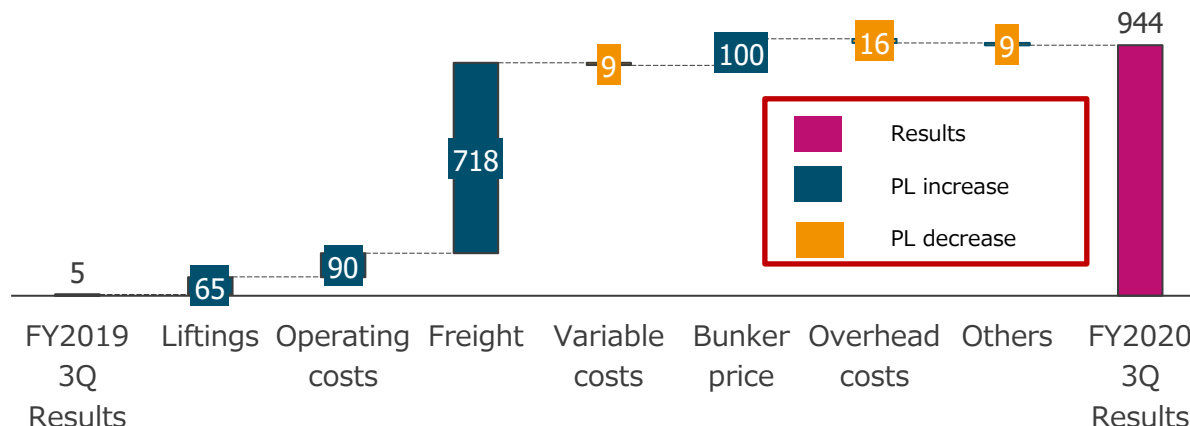
Bunker Price (US\$/MT)	427	417	424

328	314	323

-\$103
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-\$101
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## FY2020 3Q PL Analysis



- Liftings: Increased in Q3 on a Y to Y basis.
- Operating costs: Reduced due to improvements in the product. Vessels idled at many ports due to increased congestion and vessel turnover rate worsened.
- Freight: Largely improved due to short-term market.
- Variable costs: Cost saving initiatives are ongoing. However, additional costs increased due to shoreside and inland congestion.
- Bunker Price: Further decreased.
- Overhead costs: Agency fees increased
- Others: FX impact and reduced interest revenue due to lower interest rate, etc.

## 2. FY2020 Full Year Forecasts

### □ Outline

- In Q3, improvements in cargo volume and short-term freight rates resulted in US\$944 Million Net profit after tax. In Q4, seasonal factors such as lunar new year holidays or the resurgence of COVID-19 could affect demand. However, at present steady cargo volume is expected and a net profit of US\$ 900 mil after tax is forecasted.
- From the later half of 2020, the entire global supply chain experienced serious disruption due to a surge in cargo volume and operational restrictions caused by COVID-19. Actions to stabilize schedule integrity and to solve space and container shortage have been undertaken and reinforced. (Please refer page. 5)

### □ FY2020 Full Year Forecasts

(Unit: Million US\$)

\*As of end Oct 2020

	FY2020(Previous Forecasts*)		
	1H Results	2H Forecasts	Full Year Forecasts
Revenue	5,917	5,994	11,911
EBITDA	1,342	872	2,214
EBIT	846	371	1,217
Profit/Loss after Tax	682	245	928

Bunker Price (US\$/MT)	\$328	\$367	\$352
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	FY2019(Previous Year)		
	1H Results	2H Results	Full Year Results
Revenue	5,984	5,881	11,865
EBITDA	-	-	1,368
EBIT	-	-	422
Profit/Loss after TAX	126	-22	105

Bunker Price (US\$/MT)	\$427	\$456	\$441
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FY2020(Latest)					
1H Results	3Q Results	1Q-3Q Results	4Q Forecasts	2H Forecasts	Full Year Forecasts
5,917	3,757	9,674	4,000	7,757	13,674
1,342	1,293	2,635	1,235	2,528	3,870
846	1,036	1,882	990	2,026	2,872
682	944	1,626	900	1,844	2,526

\$328	\$314	\$323	\$376	\$346	\$337
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Full Year	
Change	Change (%)
1,763	14.8%
1,656	74.8%
1,655	136.0%
1,598	172.2%

- \$16
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Full Year	
Change	Change (%)
1,809	15.2%
2,502	182.9%
2,450	580.6%
2,421	2305.7%

- \$104
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# 3. COVID-19 Impact & Countermeasures

## COVID-19 impact & countermeasures

Outbreaking situation

- During Q3, global container volumes surged due to customers' inventory restock with a strong demand for consumer goods and medical products. Asia-North America trade volume increased in Q3 by 25% Y to Y. The Global cargo volume grew by 8% in Q3 Y to Y indicating a steady recovery trend, which is contrary to FY2020 1H when the cargo volume was seriously impacted by COVID-19.
- The resurgence of COVID-19 has led to labour shortages and operational restrictions in many locations, which has resulted in port congestion, longer port stays due to lower productivity and heavy rail and truck traffic.
- Increased container dwell times due to truck & chassis shortage and warehouse capacity shortages etc.
- Flexible crew changes became difficult due to international travel restrictions.



**Excessive strain on the entire global supply chain has caused turmoil throughout the world. Shipping lines have suffered vessel delays, a deterioration of schedule reliability, shortage of space and a lack of container availability have been observed.**



ONE'S Countermeasures

**Customer service oriented**

- Enhanced "Self-service" platform or live chat functions to cope with significantly increasing customer inquiries.
- Close communications with customers on container/space situation to maximize resources.

**Operation excellency**

- Chartered additional ships to recover schedule integrity and to rescue rolled-over cargo. Executed extra sailings.
- Maximized container procurement. Ordered a large number of containers in 2H which are phasing in upon delivery.
- Full utilization of ONE's own space as well as the execution of empty sweeper sailings to bring containers back to locations with strong demand.
- Enhanced collaboration with terminal operators since 1H for more efficient cargo operation.
- Vessel diversions and extra calls added where possible for crew changes along with closer cooperation with owners

**Quality of employee**

- The utmost priority has been given to employees' safety by enabling remote working globally.
- Initiatives to keep employees connected. CSR activities have been undertaken in many countries contributing to local societies.

## 4. FY2020 Actions

### Actions to achieve further competitiveness and differentiation towards FY2021 onwards

- Signed Letter of Intent with Shoei Shipping for 6 x 24,000TEU Ultra Large Container Ship under a 15 years long term charter hire contract. Vessels are equipped with the most advanced energy efficiency technology, with the aim for this series to be the most competitive in the industry.
- Announcement of the new THE ALLIANCE product for FY2021, offering greater capacity on trade lanes with greater cargo demand. Realizing more frequency, improved transit time and a wider coverage of port pairs.
- Announcement of new services in Intra-Asia trade, Europe and India/Middle East trade, where increased growth is expected.
- Targeting CO2 emission reductions by the continuation of the replacement of screw propellers or the upgrading of bulbous-bow etc. according to operating conditions.
- The enhancement of E-Commerce functions (Additional functions added related to rate quotation, booking and freight payment and, improvements to transportation status notices, documentation functions, Live Chat, etc.).

# 5. Reference

## (Liftings, Utilization Rates, Freight Index in Major Trades)

(Unit: 1,000TEU)

Liftings / Utilization by Trades		FY2019						
		1Q	2Q	1H	3Q	4Q	2H	Full Year
Asia - North America Eastbound	Lifting	669	773	1,442	665	585	1,250	2,692
	Utilization	86%	94%	90%	93%	92%	93%	91%
Asia - Europe Westbound	Lifting	460	488	947	440	443	882	1,830
	Utilization	87%	95%	91%	92%	100%	96%	93%

FY2020			
1Q	2Q	1H	3Q
610	765	1,375	730
96%	100%	98%	103%
347	419	766	402
96%	98%	97%	102%

Asia - North America Westbound	Lifting	350	310	660	320	331	650	1,310
	Utilization	47%	37%	42%	42%	49%	45%	44%
Asia - Europe Eastbound	Lifting	323	328	651	362	325	687	1,339
	Utilization	64%	64%	64%	72%	67%	69%	67%

327	328	654	368
51%	43%	47%	54%
290	289	579	331
75%	70%	73%	80%

(Unit: 100 = average freight rates as of FY2018 1Q)

Freight Index by Trades		FY2019						
		1Q	2Q	1H	3Q	4Q	2H	Full Year
Asia - North America Eastbound		103	105	104	104	110	107	105
Asia - Europe Westbound		100	101	100	98	111	105	102

FY2020			
1Q	2Q	1H	3Q
110	119	115	140
106	103	104	125

- Liftings, Utilization Rates: Due to the sudden increase in demand coupled with shore side and inland congestion, equipment is in serious short supply. The utilization rate was maintained at 100% or more on both Asia-North America and Asia-Europe trades.
- Freight Index : Both Asia-North America trade and Asia-Europe trade increased by a rise in the short-term freight market.

# 6. Reference (Fleet Structure & Service Structure)

## ▣ Fleet Structure

Size		1)As of end Sep. 2020	2)As of end Dec. 2020	2)-1)
>= 20,000 TEU	Capacity (TEU)	120,600	120,600	0
	Vessels	6	6	0
10,500 - 20,000 TEU	Capacity (TEU)	411,600	411,600	0
	Vessels	30	30	0
9,800 - 10,500 TEU	Capacity (TEU)	100,100	100,100	0
	Vessels	10	10	0
7,800 - 9,800 TEU	Capacity (TEU)	383,326	383,326	0
	Vessels	43	43	0
6,000 - 7,800 TEU	Capacity (TEU)	197,287	177,216	▲ 20,071
	Vessels	30	27	▲ 3
5,200 - 6,000 TEU	Capacity (TEU)	83,992	89,458	5,466
	Vessels	15	16	1
4,600 - 5,200 TEU	Capacity (TEU)	103,731	103,731	0
	Vessels	21	21	0
4,300 - 4,600 TEU	Capacity (TEU)	62,952	67,271	4,319
	Vessels	14	15	1
3,500 - 4,300 TEU	Capacity (TEU)	21,162	33,193	12,031
	Vessels	5	8	3
2,400 - 3,500 TEU	Capacity (TEU)	63,151	71,143	7,992
	Vessels	24	27	3
1,300 - 2,400 TEU	Capacity (TEU)	12,009	13,951	1,942
	Vessels	7	8	1
1,000 - 1,300 TEU	Capacity (TEU)	10,626	9,584	▲ 1,042
	Vessels	10	9	▲ 1
< 1,000 TEU	Capacity (TEU)	0	0	0
	Vessels	0	0	0
<b>Total</b>	<b>Capacity (TEU)</b>	<b>1,570,536</b>	<b>1,581,173</b>	<b>10,637</b>
	<b>Vessels</b>	<b>215</b>	<b>220</b>	<b>5</b>

## ▣ Service Structure

(FY2020 Q3 Structure of dominant and non-dominant space)

