

# SECOND QUARTER 2018 EARNINGS CONFERENCE CALL PRESENTATION



# SAFE HARBOR

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# PANGAEA LOGISTICS SOLUTIONS LTD.

Logistics services and integrated chartering solutions provide attractive returns

## 1. Backhaul Trades

- **Generating profit from a cost center**
  - Backhauls enhance efficiencies
  - Minimal ballast time
- **Secured and defended by operational expertise, reputation, long-term contracts and repeat customer**



## 2. Ice Class Trades

- **Generating profit from limited supply of tonnage, lower costs and year-round demand**
- **Secured and defended by operational expertise, and ownership of specialized 1A ice-class fleet**



## 3. Customized Logistics Trades

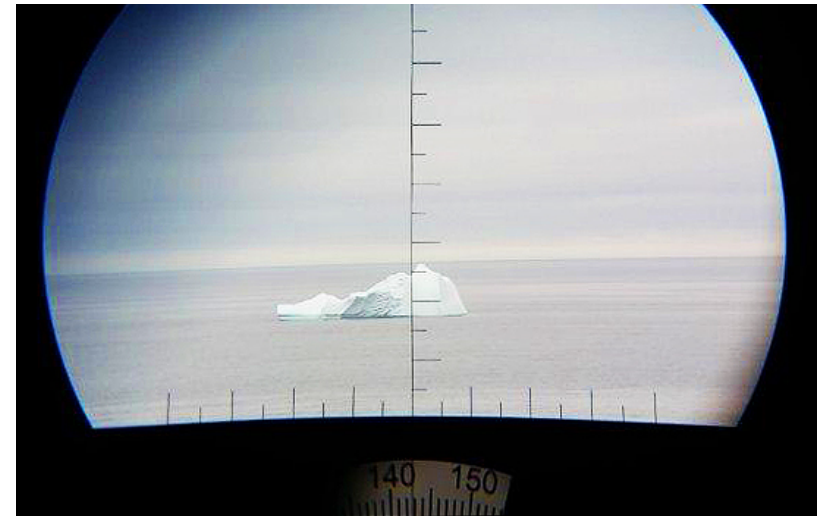
- **Generating profit from customized and complete solutions within niche dry bulk logistics trades**
  - Providing strong earnings over the long term
  - Designing custom made loading and discharge systems in critical ports, as well as optimizing delivery terms via implementation of new processes and services
- **Secured and defended by operational expertise and embedded customer relationships**



# PANGAEA LOGISTICS SOLUTIONS LTD.

## Pangaea concentrates on cargo movements to:

- Identify movements that require our expertise in logistics and operations
- Capitalize on movements where we can utilize our specialized fleet
- Reduce ballast legs and other costs
- Assist customers in unique or difficult trades



**Allowing Pangaea to capture additional freight margin for the valued services it provides**



# BUSINESS HIGHLIGHTS

## Q2-2018 Results

Consistent  
improvement

- Adjusted EBITDA<sup>(1)</sup> of \$13.7 million
- Net income of \$5.8 million
- Income from operations of \$8.4 million

## Fleet

Working Fleet

- 2006 built Panamax delivered on August 1, 2018
- 21 drybulk ships and one barge in owned and controlled fleet

## Operations

Extensive and varied  
experience

- Operating 47 vessels on average during Q2-2018
- 11.3 million tons loaded on 175 voyages performed for 99 clients

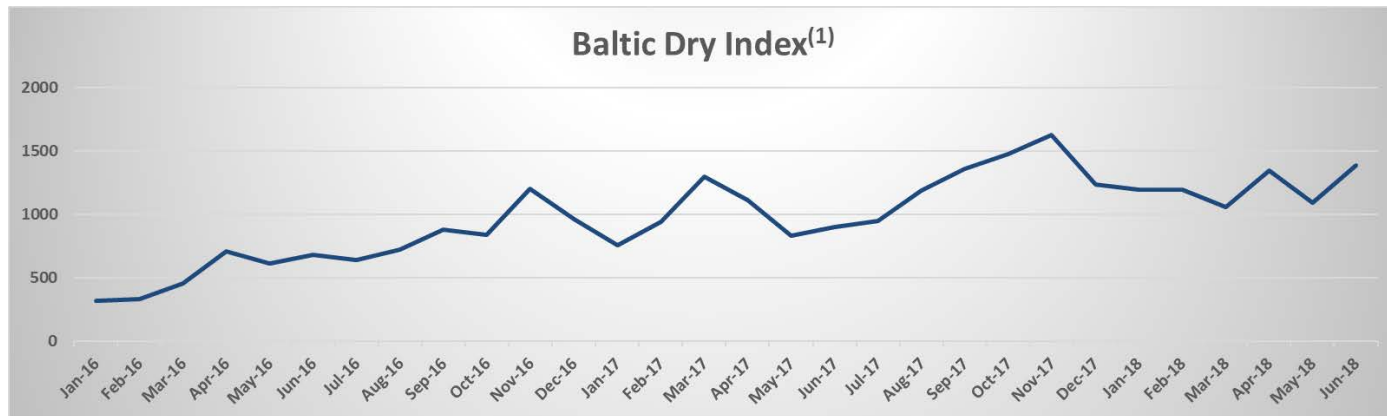
1) **Adjusted EBITDA** is a non-GAAP measure and represents income or loss from operations before depreciation and amortization, loss on sale and leaseback of vessel, and when applicable, loss on impairment of vessels and certain non-recurring items.

# DRIVERS OF PERFORMANCE

**Customer Focus:** Long-term, fixed contract employment and recurring business with new and longstanding customers

**Targeted Business:** Specialty tonnage provides superior returns – 27% premium over average market rates in Q2 – 2018

**Rate Environment:** The Baltic Dry Index average for the quarter was up 34% over last year; increase in average and volatility favor our model



<sup>(1)</sup> Per reported indices



# FINANCIAL HIGHLIGHTS

- 71% increase in net revenue, reflecting improvement in market fundamentals
- Dramatic increases in working capital and operating cash flows
- Strategic use of equity in owned vessels to raise cash for investment in high quality ships



# SELECTED INCOME STATEMENT DATA

(in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues:				
Voyage revenue	\$ 81,848	\$ 80,231	\$ 152,167	\$ 157,919
Charter revenue	14,976	11,193	23,630	17,959
	<b>96,823</b>	91,424	<b>175,796</b>	175,879
Expenses:				
Voyage expense	38,027	38,597	68,196	79,869
Charter hire expense	30,684	33,174	53,380	56,375
Vessel operating expenses	10,047	9,074	19,896	17,666
General and administrative	4,379	3,141	8,507	6,656
Depreciation and amortization	4,391	3,712	8,729	7,654
Loss on sale and leaseback of vessels	860	4,915	860	9,205
Total expenses	<b>88,388</b>	92,614	<b>159,568</b>	177,424
Income (loss) from operations	<b>8,435</b>	(1,190)	<b>16,229</b>	(1,546)
Total other expense, net	<b>(1,562)</b>	(2,986)	<b>(3,821)</b>	(2,634)
Net income (loss)	<b>6,873</b>	(4,176)	<b>12,408</b>	(4,179)
(Income) loss attributable to noncontrolling interests	<b>(1,100)</b>	(561)	<b>(2,310)</b>	789
Net income (loss) attributable to Pangaea Logistics Solutions Ltd.	<b>\$ 5,773</b>	\$ (4,737)	<b>\$ 10,098</b>	\$ (3,390)
Adjusted EBITDA <sup>(1)</sup>	<b>\$ 13,686</b>	\$ 7,437	<b>\$ 25,818</b>	\$ 15,313

1) **Adjusted EBITDA** is a non-GAAP measure and represents income or loss from operations before depreciation and amortization, loss on sale and leaseback of vessel, and when applicable, loss on impairment of vessels and certain non-recurring items.





# SELECTED BALANCE SHEET & CASH FLOW DATA

(in thousands)

## Current Assets

Cash and cash equivalents

Accounts receivable, net

Other current assets

Total current assets

	June 30, 2018 (unaudited)	December 31, 2017
\$	48,920	\$ 34,532
	18,383	21,089
	32,553	27,389
	99,855	83,010
Restricted cash	3,500	4,000
Fixed assets, including leased vessels, net	331,024	336,287
<b>Total assets</b>	<b>\$ 434,379</b>	<b>\$ 423,297</b>

## Current liabilities

Accounts payable, accrued expenses and other current liabilities

Related party debt

Current portion long-term debt and capital lease obligations

Other current liabilities

Total current liabilities

\$	29,967	\$ 29,181
	4,522	7,010
	20,784	20,765
	15,362	13,054
	70,635	70,010

Secured long-term debt and capital lease obligations, net

	142,416	142,631
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Total Pangaea Logistics Solutions Ltd. equity

	153,714	145,351
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Non-controlling interests

	67,614	65,304
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Total stockholders' equity

	221,328	210,656
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**Total liabilities and stockholders' equity**

<b>\$</b>	<b>434,379</b>	<b>\$ 423,297</b>
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## Cash flows for the six months ended:

Net cash provided by operating activities

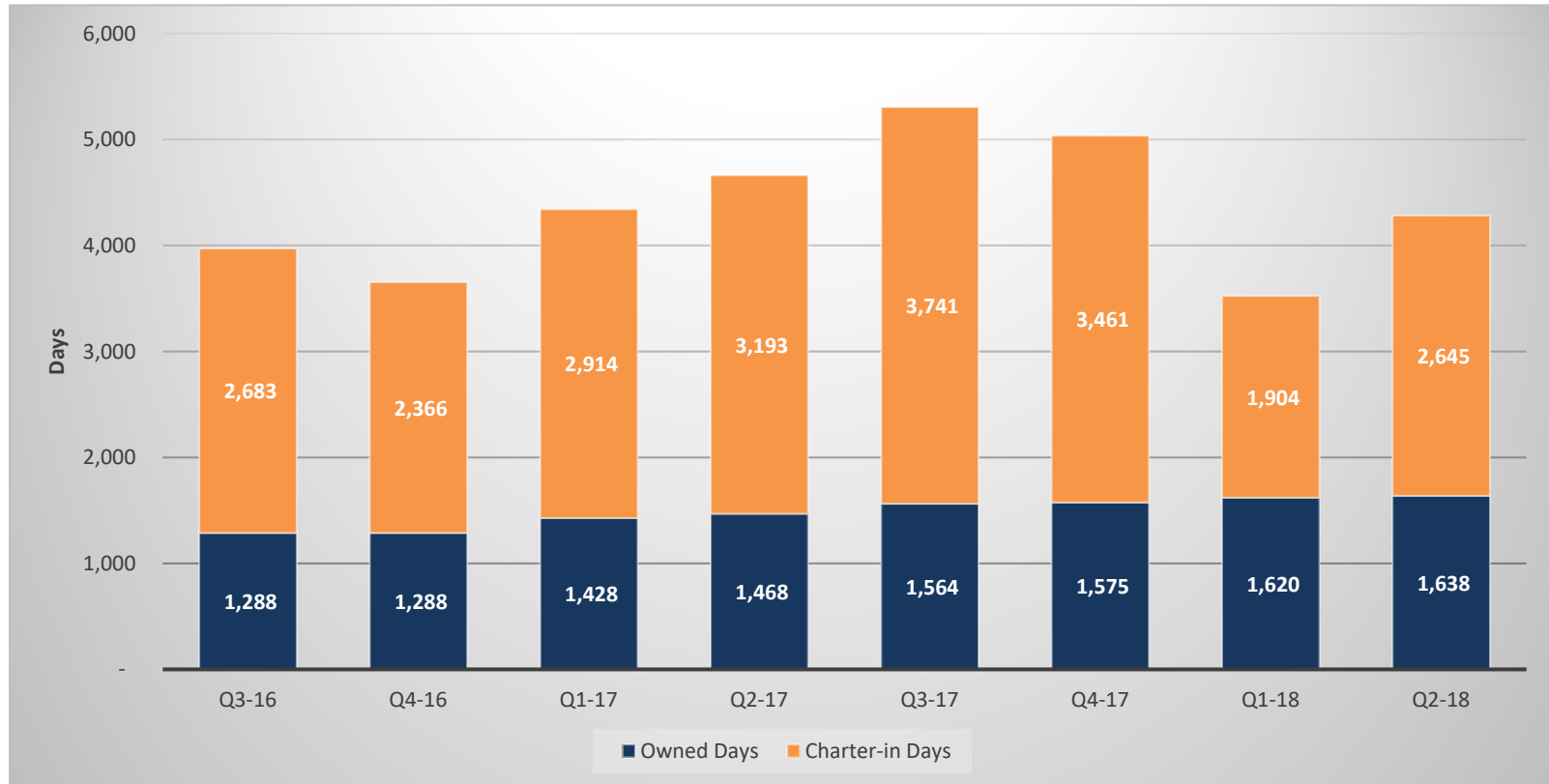
Net cash used in investing activities

Net cash (used in) provided by financing activities

	June 30, 2018 (unaudited)	June 30, 2017 (unaudited)
\$	20,806	\$ 8,351
\$	(2,846)	\$ (47,696)
\$	(4,072)	\$ 44,358



# TOTAL SHIPPING DAYS

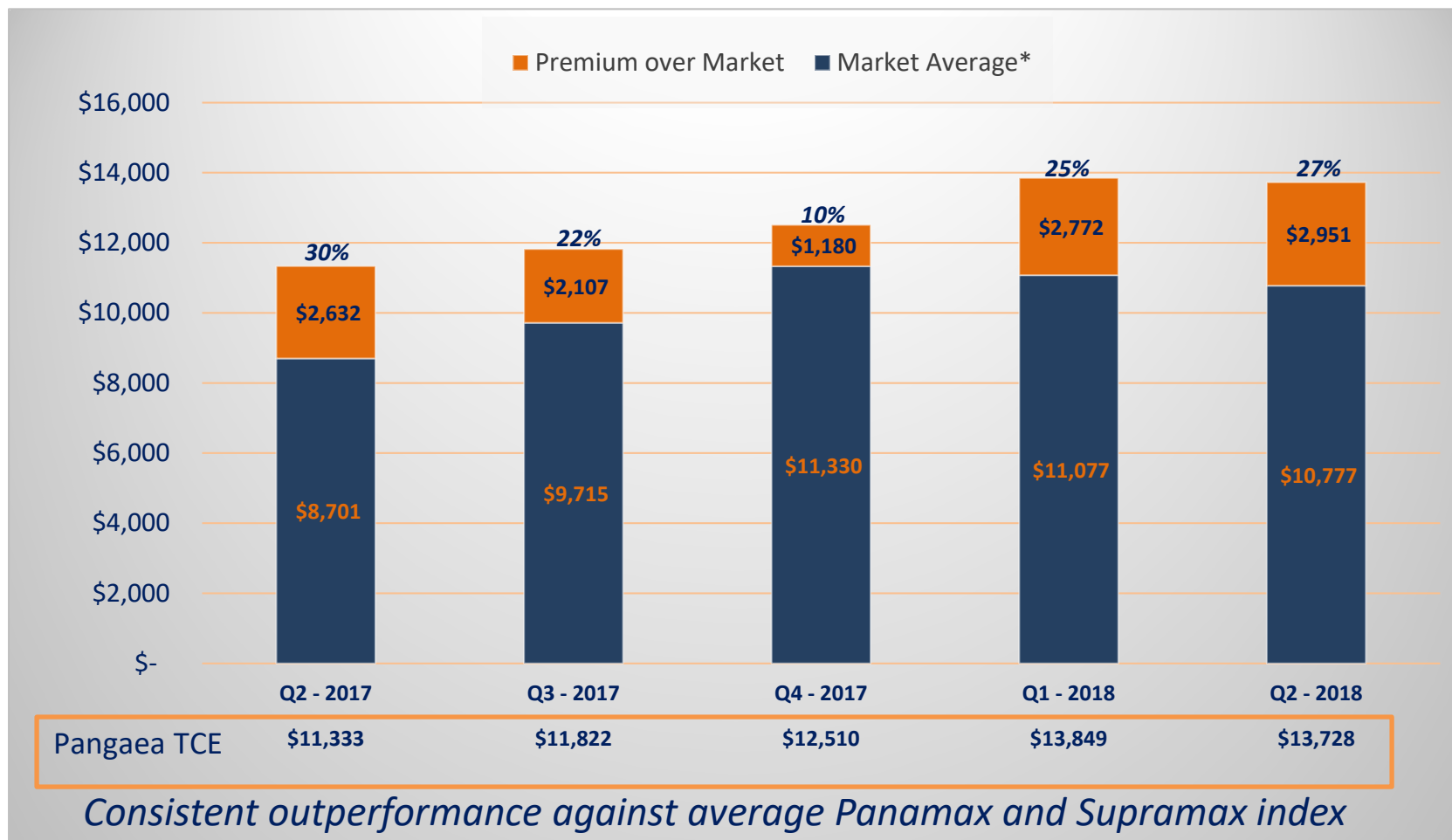


**Capital Efficiency:** Leveraged owned fleet by chartering-in market vessels

**Flexibility:** Short-term charters to react quickly and take advantage of arbitrage opportunities



# PANGAEA TCE v. AVERAGE MARKET TCE

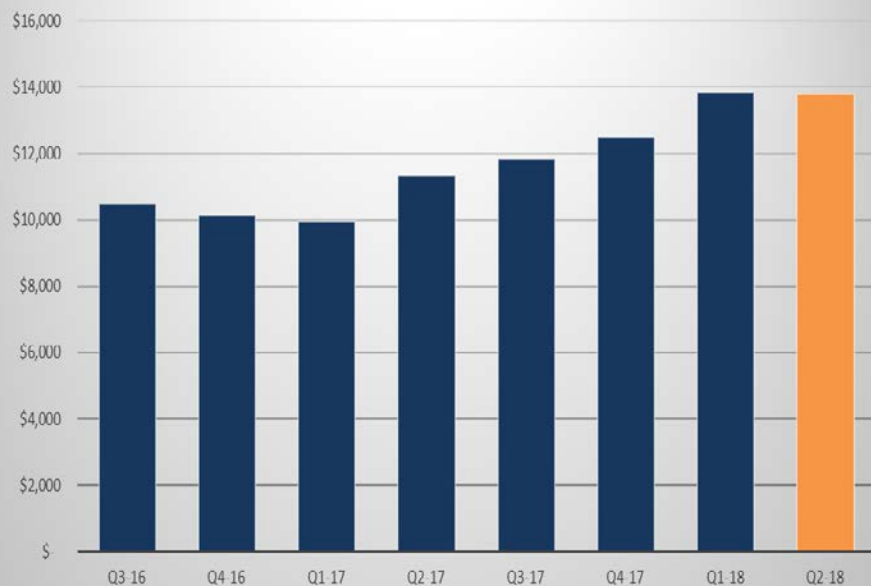


\*Average of the published Panamax and Supramax index

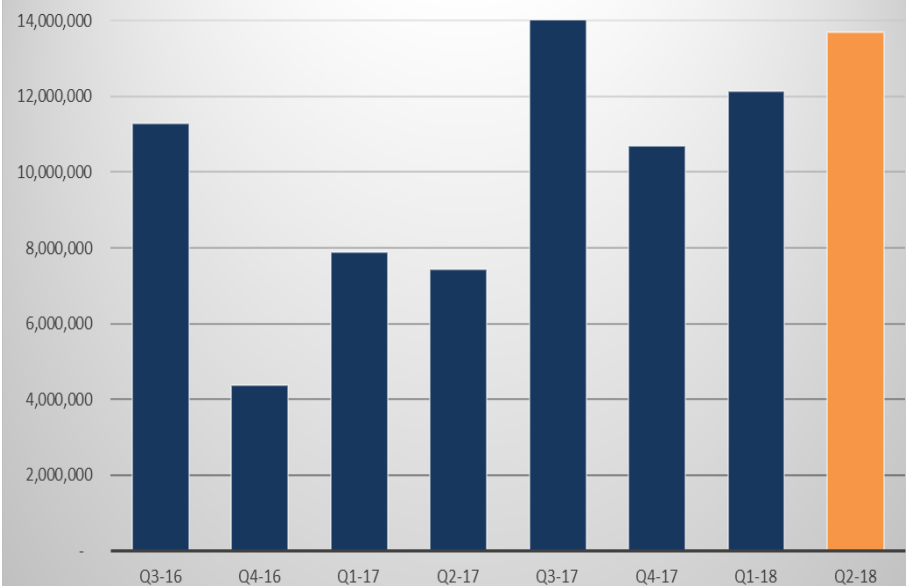


# FINANCIAL PERFORMANCE Q3-2016 THROUGH Q2-2018

TCE <sup>(2)</sup>



ADJUSTED EBITDA <sup>(1)</sup>



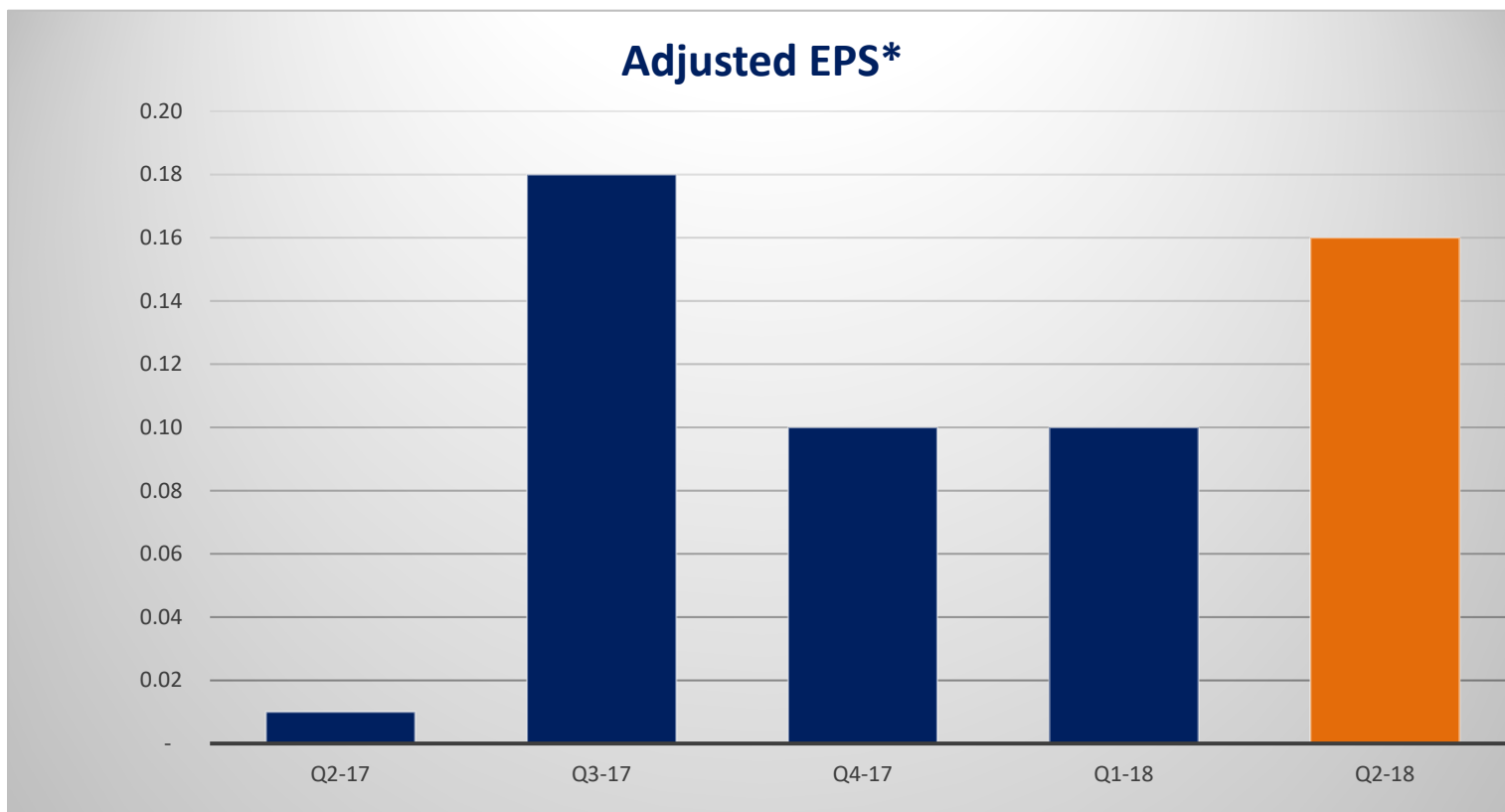
- 1) **Adjusted EBITDA** is a non-GAAP measure and represents income or loss from operations before depreciation and amortization, loss on sale and leaseback of vessels, and when applicable, loss on impairment of vessels and certain non-recurring items.
- 2) **TCE** is defined as total revenues less voyage expenses divided by the number of shipping days, which is consistent with industry standards. TCE rate is a common shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per-day amounts while charter hire rates for vessels on time charters generally are expressed in per-day amounts.





# ADJUSTED EARNINGS PER COMMON SHARE

Adjusted EPS LTM total \$0.54 per share



\*Adjusted earnings per share represents net income attributable to Pangaea Logistics Solutions Ltd. plus, when applicable, loss on sale and leaseback of vessel, loss on impairment of vessel and certain non-recurring charges, divided by the weighted average number of shares of common stock.

