



Avance Gas

Q3 2019

26 November 2019



FORWARD LOOKING STATEMENTS



This presentation contains forward looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as “anticipate”, “believe”, “continue”, “estimate”, “expect”, “intends”, “may”, “should”, “will” and similar expressions. The forward-looking statements in this presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although Avance Gas believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this presentation by such forward-looking statements.

The information, opinions and forward-looking statements contained in this presentation speak only as at its date and are subject to change without notice.

FINANCIAL HIGHLIGHTS Q3 2019



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income Statement	30-Sep-2019	30-Jun-2019
TCE earnings	54,272	40,440
Operating expenses	(10,419)	(10,464)
A&G expenses	(1,292)	(1,554)
Depreciation and amortization expenses	(10,636)	(10,242)
Non-operating expenses	(7,240)	(8,345)
Net profit	24,685	9,835
Net profit per share (diluted) (\$)	0.39	0.15
Balance Sheet	30-Sep-2019	30-Jun-2019
Total assets	893,496	877,860
Total liabilities	521,973	528,758
Cash and cash equivalents	83,625	66,962
Total shareholders' equity	371,523	349,102
Cash Flows	30-Sep-2019	30-Jun-2019
Net cash from operating activities	32,225	460
Net cash (used in) from investing activities	(4,397)	5
Net cash (used in) from financing activities	(11,000)	1,235
Net increase in cash and cash equivalents	16,663	1,799
Key performance indicators (\$/day):*	30-Sep-2019	30-Jun-2019
TCE (Discharge to discharge)	44,295	34,520
TCE (IFRS 15)	42,700	32,275
OPEX	8,089	8,214
A&G	1,003	1,220

*TCE calculated basis operating days. OPEX and A&G calculated basis calendar days. Operating days is calendar days less offhire/drydock days. Waiting days are included in operating days.



Repaid the \$35 million top up tranche, removing limitations and reducing cash break even by approx. \$350/day



Acquired one additional scrubber, bringing the total order to six



Extended TC with Vilma for *Mistral* until December 2021 at \$1.2/month

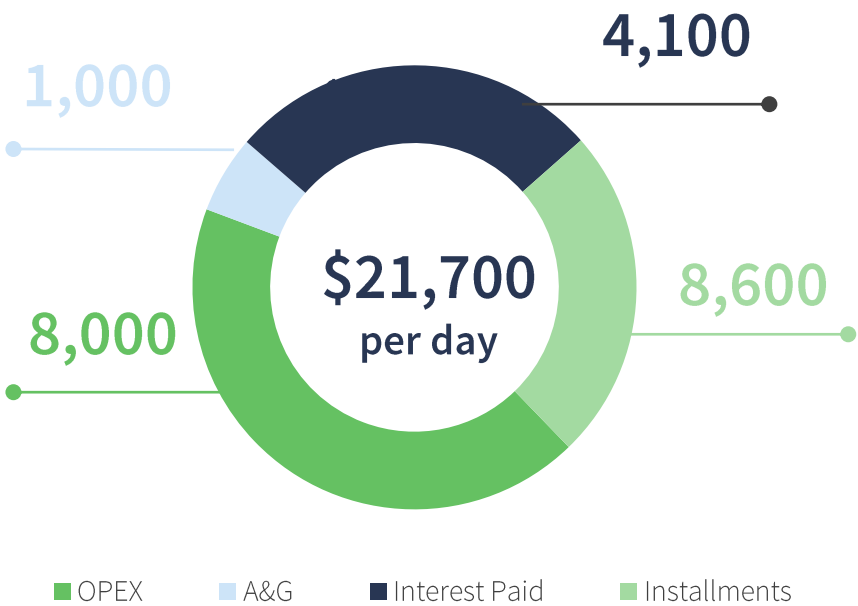


88% of total Q4 2019 ship days fixed above \$50,000/day

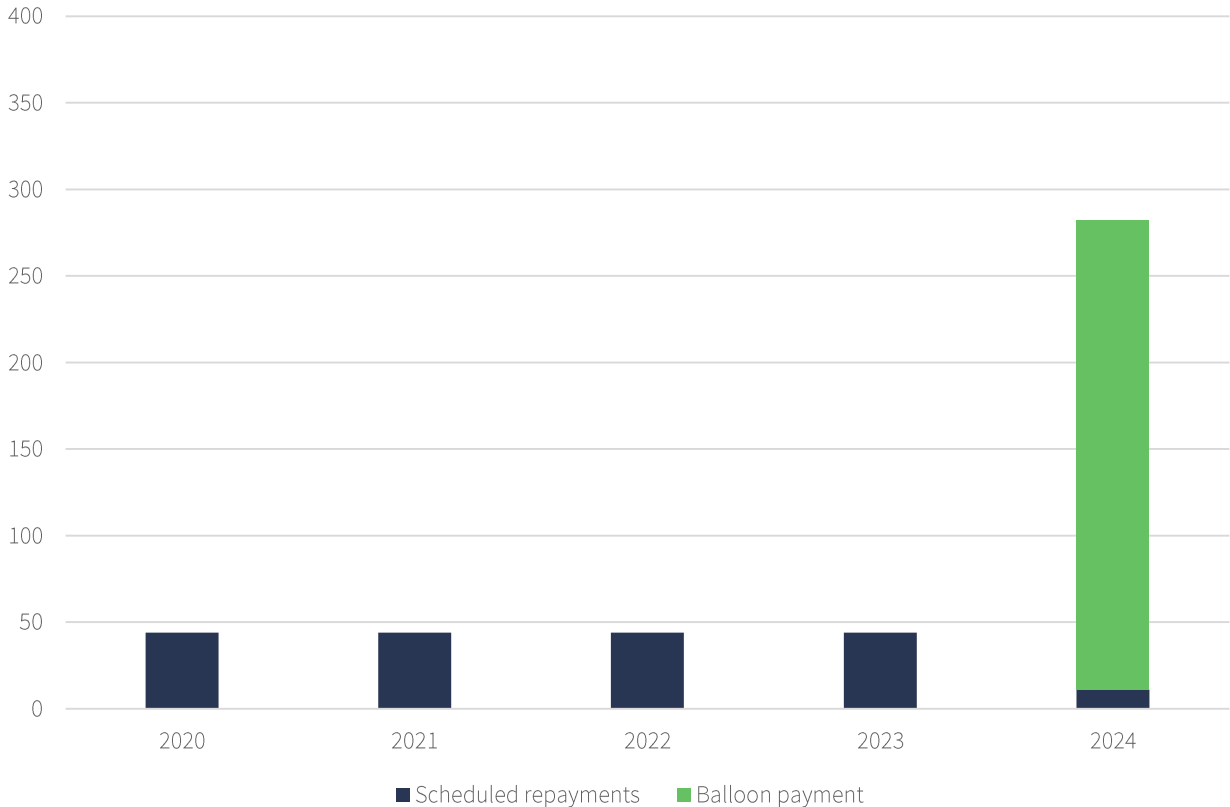
SIGNIFICANT DEBT REDUCTION LOWERING CBE



Estimated CBE (\$/day) FY 2020



No debt maturities until 2024



SIGNIFICANT CASH FLOW GENERATION POTENTIAL

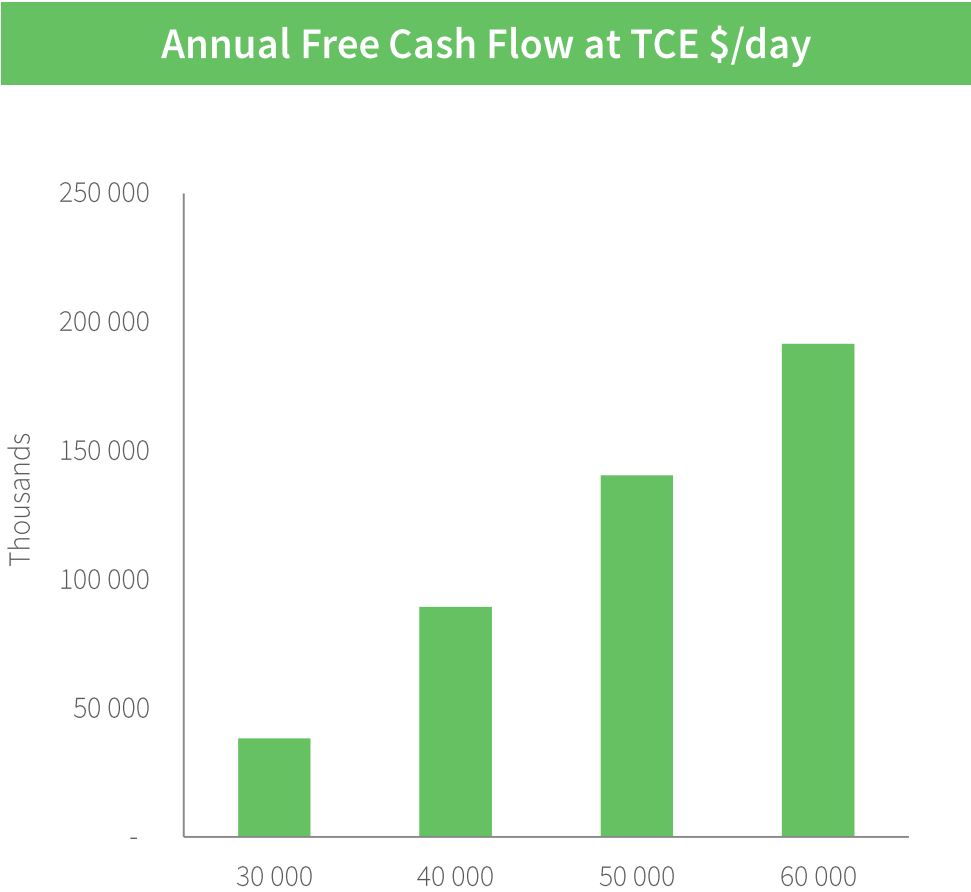


- ✓ 7% debt reduction

- Removing restrictive covenants
 - App. \$350/day lower CBE
 - Debt/Total Asset ratio 54.5%
- ✓ Six scrubbers by Q1

- Funded by cash on hand
 - No material committed CAPEX until 2023
 - Improved competitiveness for the fleet
- ✓ Strong cash flow

- 85% of fleet docked by Q1 2020
 - Significant free cash flow expected
 - Scrubbers benefit approx. \$2-5,000/day*



* assuming \$50-150/ton HFO/VLSFO spread



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MARKET FUNDAMENTALS

Q3 SHOWED GREAT RESILIENCE



Freight Rates 2018 – 1st November 2019 US\$ pr. ton



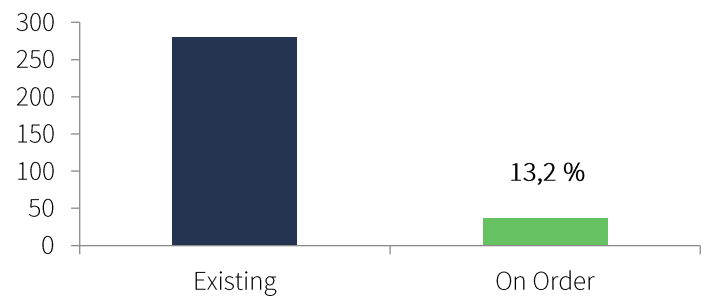
Source: The Baltic Exchange, Clarksons, Poten & Partners, Fearnleys

- ✓ Favourable LPG pricing
- ✓ U.S. exports in Q3 up 15% y-o-y
- ✓ Attack on Saudi Oil installations

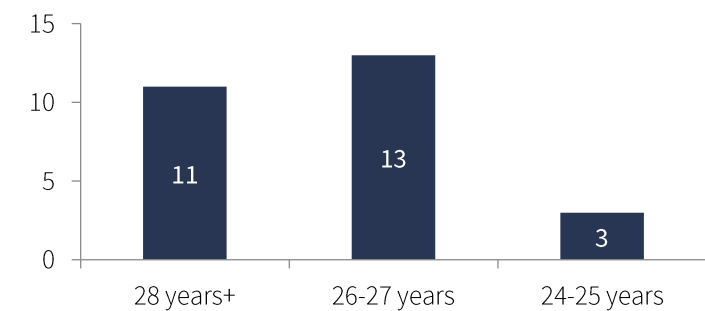
MODEST VLGC ORDERBOOK



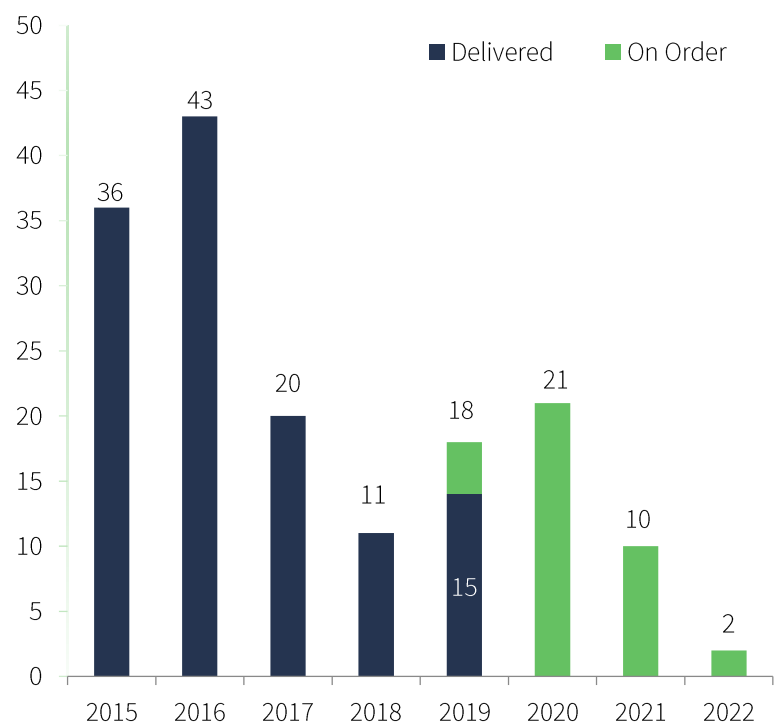
Fleet and Orderbook



2020 Fleet 25 years and older



Orderbook end October 2019



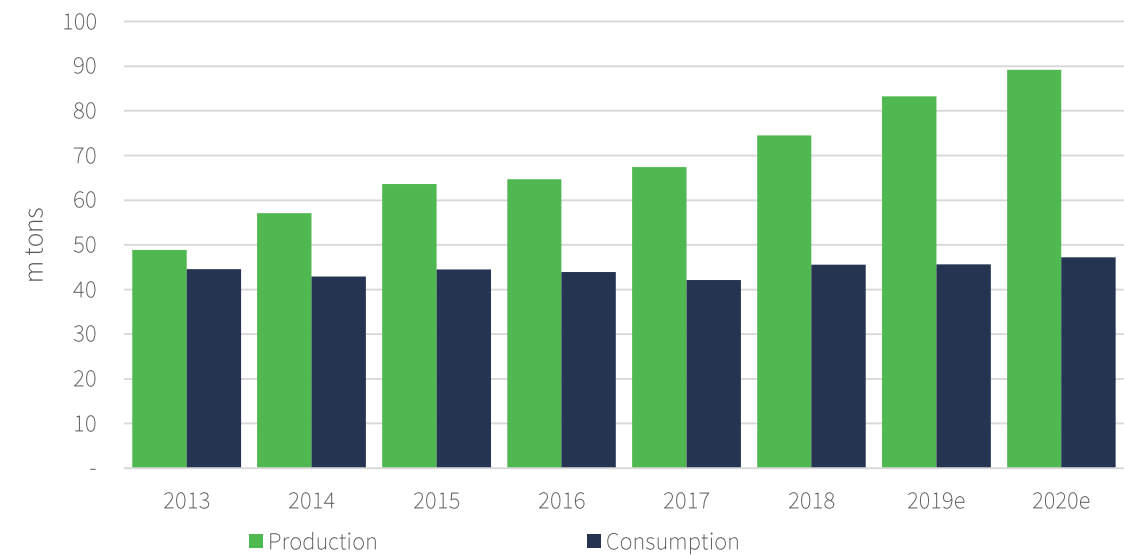
- ✓ Orderbook at ~13% of existing fleet
- ✓ 26 ships older than 25 years in January 2020
- ✓ IMO 2020 disruptions

Source: Company, Fearnleys, Steem1960, Nordic Shipping

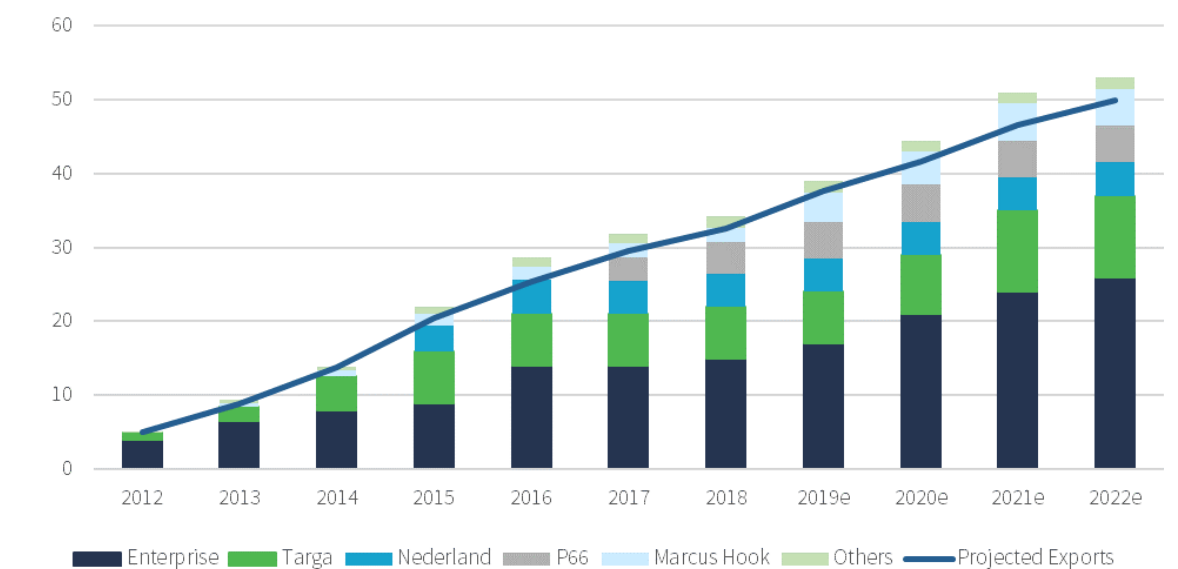
THE GROWTH IN THE U.S. LPG PRODUCTION AND EXPORT CAPACITY CONTINUES



Increasing U.S. LPG production



Increasing U.S. export capacity

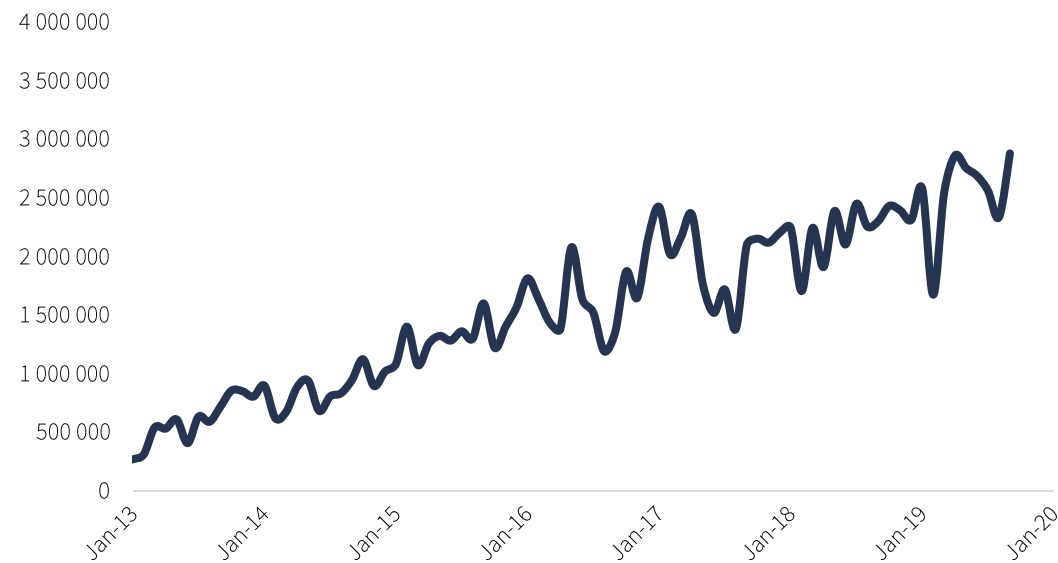


Source: EIA and Fearnleys Research

THE INCREMENTAL U.S. EXPORT IS PRIMARILY LONG-HAUL

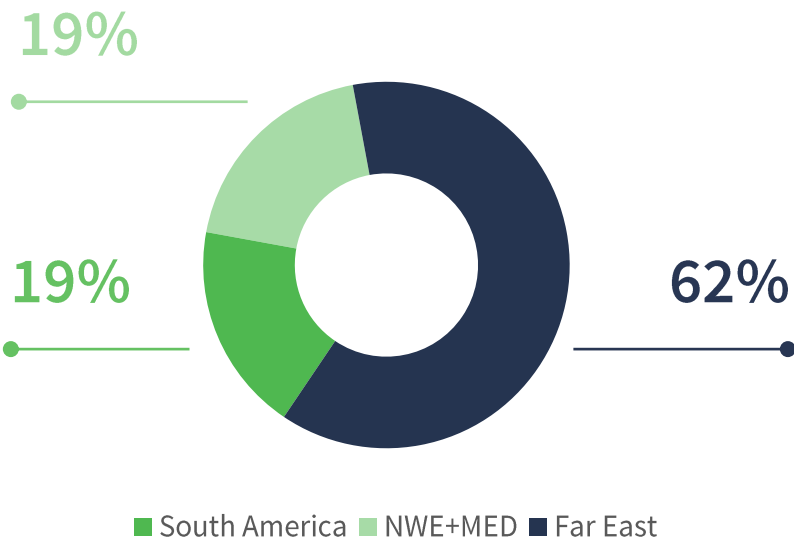


VLGC export U.S. Gulf/USEC (million/mts)



Source:  IHS Markit

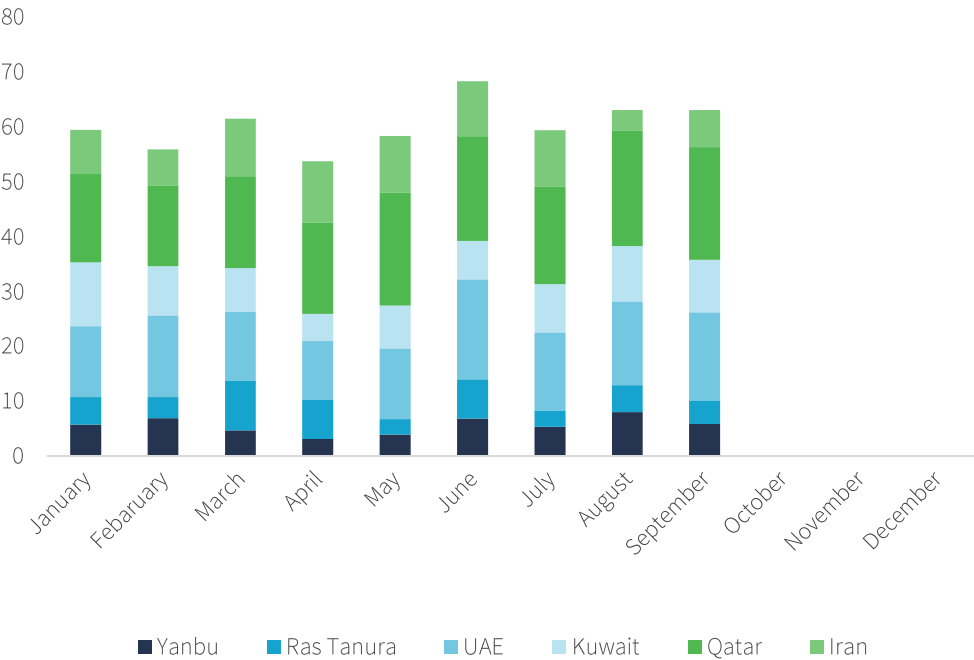
2019 YTD U.S. Destinations



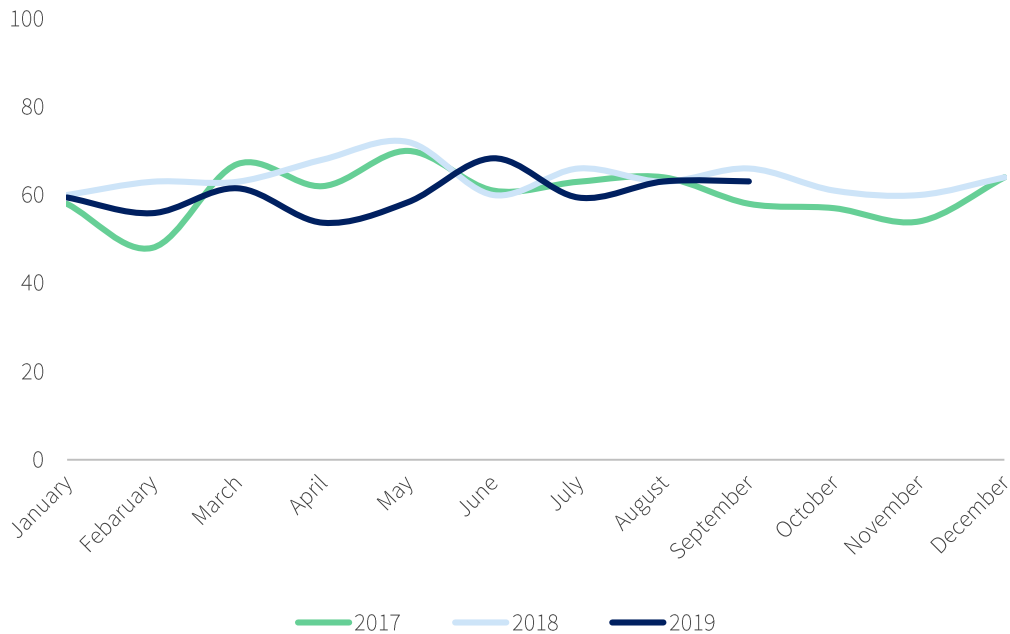
STEADY MIDDLE EAST EXPORTS



Number of LPG Liftings Middle East 2019



Number of VLGC Liftings Middle East

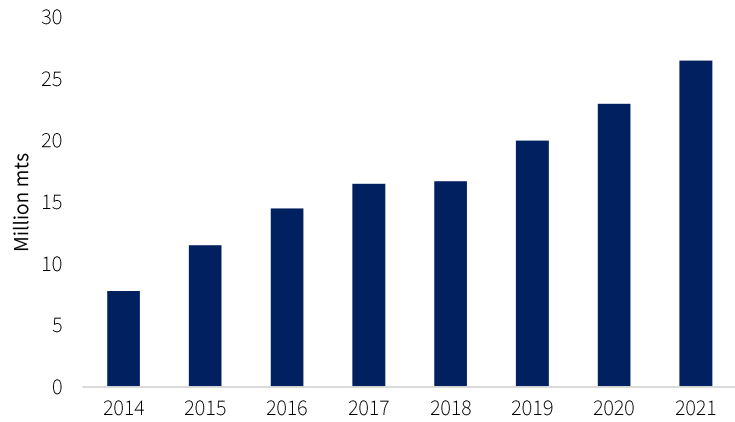


Source:  IHS Markit

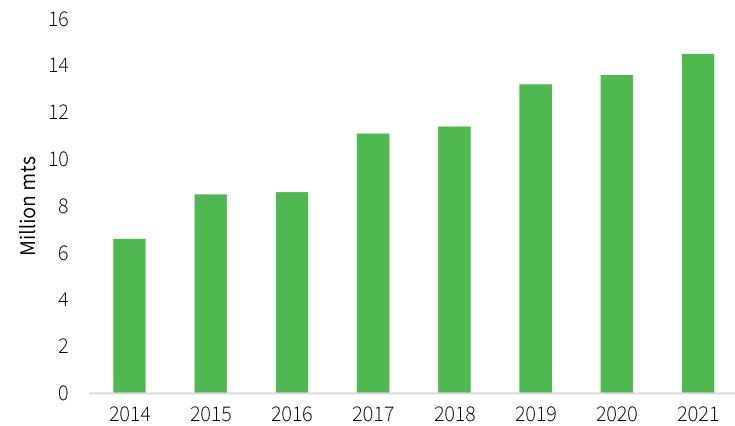
STRONG GROWTH IN THE ASIAN LPG DEMAND



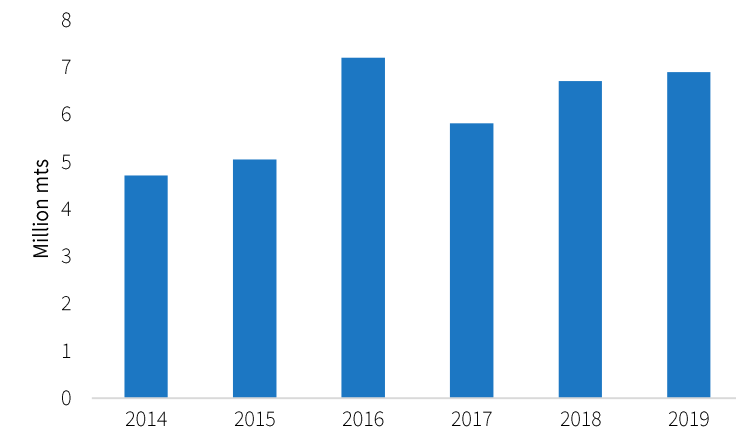
LPG Imports China



LPG Imports India



LPG Imports South Korea



PDH



Cooking



Autogas



Petrochemical / PDH

Source: Fearnleys,, Reshamwala Shipbrokers, Steem



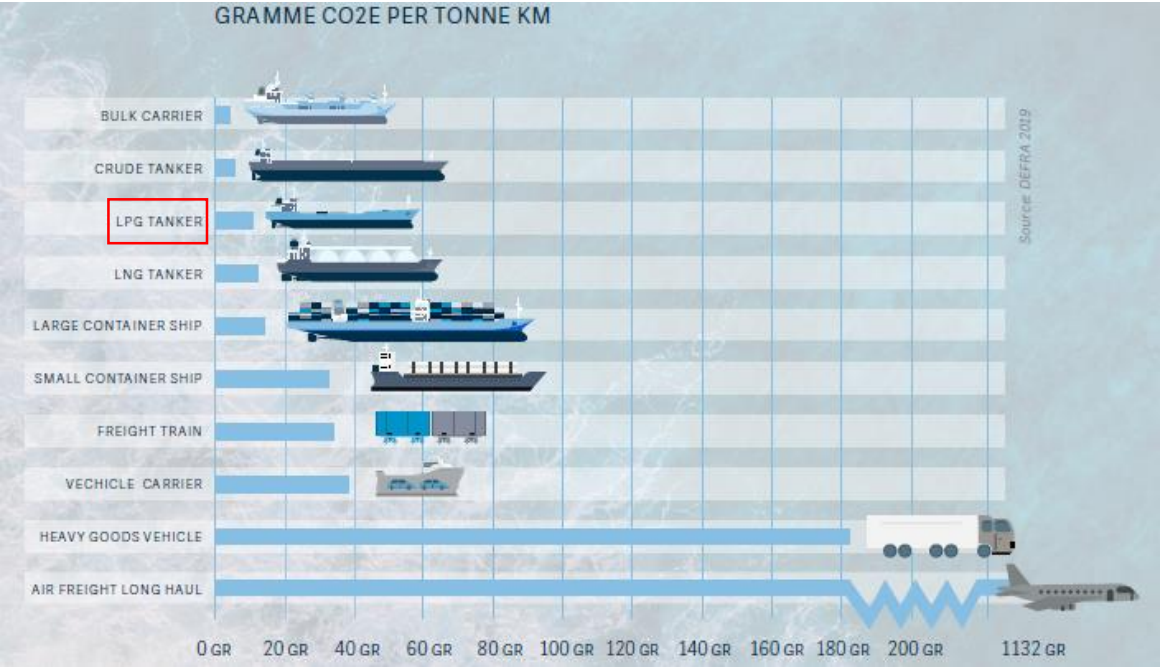
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ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Shipping industry and emissions

- ✓

Shipping is the most carbon-efficient long-distance transportation



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- ✓

Avance Gas has set up an ESG reporting framework, including climate accounting, based on internationally recognized standards and methodologies



- ✓

Three UN Sustainable Development Goals



CONCLUSION



Supply

✓ Reasonable orderbook

✓ IMO 2020 disruptions

Production and demand

✓ Strong growth in the U.S. LPG production

✓ Further expansion of the U.S. export capacity

✓ Increasing demand in India, China and South Korea

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✓ Repayment of \$35 million (7%) long-term debt

✓ Attractive CBE estimated at \$21,700/day for 2020

✓ Spot market exposure – bullish outlook

✓ Significant cash flow generation expected



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Q&A



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APPENDIX

APPENDIX – FINANCIALS Q3 2019



Income statement

(\$ 000s)	Three months ended 30 September 2019	Three months ended 30 June 2019
Operating revenue	70,890	61,663
Voyage expenses	(16,618)	(21,223)
Operating expenses	(10,419)	(10,464)
Administrative and general expenses	(1,292)	(1,554)
Operating profit before depreciation expense	42,561	28,422
Depreciation and amortization expenses	(10,636)	(10,242)
Operating profit	31,925	18,180
Non-operating (expenses) income:		
Finance expense	(7,251)	(8,430)
Finance income	11	80
Foreign currency exchange gain	-	5
Net profit	24,685	9,835
Profit per share:		
Basic	0.39	0.15
Diluted	0.39	0.15

Comments

- ✓ TCE earnings of \$54.3 million, up from \$40.4 million, reflecting improved freight market in the quarter
- ✓ Operating expenses of \$10.4 million, slightly down from Q2
- ✓ Administrative and general expenses of \$1.3 million down from \$1.6 million in Q2
- ✓ Non-operating expenses—mainly financial expenses—of \$7.3 million down from \$8.4 million in Q2 due to expensed debt issuance cost related to the refinancing in Q2
- ✓ A reported net profit of \$24.7 million, compared to a net profit of \$9.8 million in Q2 2019

APPENDIX – FINANCIALS Q3 2019



Balance sheet

(\$ 000s)	As of 30 September 2019	As of 30 June 2019
Cash and cash equivalents	83,625	66,962
Receivables	27,970	27,690
Inventory	5,237	4,125
Other current assets	8,403	4,774
Total current assets	125,235	103,551
Property, plant and equipment	768,261	774,309
Long-term derivative financial instruments	-	-
Total non-current assets	768,261	774,309
Total assets	893,496	877,860
Current portion of long-term debt	42,907	42,907
Accounts payable	3,268	2,960
Related party payable balances	239	116
Accrued expenses (inc voyage expenses)	5,834	4,270
Current portion of derivative financial instruments	2,221	2,015
Other current liabilities	3	303
Total current liabilities	54,472	52,571
Long-term debt	355,714	366,521
Long-term revolving credit facilities	100,000	100,000
Long-term derivative financial instruments	11,787	9,666
Total non-current liabilities	467,501	476,187
Share capital	64,528	64,528
Paid-in capital	379,851	379,851
Contributed capital	95,435	95,366
Retained loss	(142,469)	(167,154)
Treasury shares	(11,867)	(11,867)
Accumulated other comprehensive loss	(13,955)	(11,622)
Total shareholders' equity	371,523	349,102
Total liabilities and shareholders' equity	893,496	877,860

Comments

- ✓ Cash at end Q3 of \$83.7 million up from \$66.7 million end Q3. The increase reflects higher freight rates and timing of freight payment
- ✓ Total assets of \$893.5 million, versus \$877.9 million in the prior quarter
- ✓ Net total interest-bearing debt of \$498.6 million, compared with \$509.4 million, reflecting scheduled debt repayments
- ✓ Shareholders' equity was \$371.5 million and an equity ratio at 41.6%

APPENDIX – FINANCIALS Q3 2019



Cash flow statement

(\$ 000s)	Three months ended 31 December 2018	Three months ended 30 June 2019
Cash flows (used in) from operating activities:		
Cash flow from operations	39,106	14,289
Arrangement fee	-	(5,444)
Interest paid	(6,881)	(8,385)
Net cash flows (used in) from operating activities	32,225	460
Cash flows used in investing activities:		
Capital expenditures	(4,397)	5
Net cash flows used in investing activities	(4,397)	5
Cash flows (used in) from financing activities:		
Repayment of long-term debt	(11,000)	(513,765)
Drawdown credit facility	-	515,000
Net cash flows from (used in) financing activities	(11,000)	1,235
Effect of exchange rate changes on cash	(165)	98
Net increase in cash and cash equivalents	16,663	1,799
Cash and cash equivalents at beginning of period	66,962	65,163
Cash and cash equivalents at end of period	83,625	66,962

Comments

- ✓ Cash flow from operating activities was \$32.2 million, compared to \$0.5 million in Q3, as higher freight rates was offset by higher LIBOR rates
- ✓ Cash flow from investing activities reflects investments in dry-docking and scrubber units for the fleet
- ✓ Net cash flow from financing activities was negative \$11.0 million, in line with scheduled repayments
- ✓ Cash position at quarter-end was \$83.6 million compared with \$67.0 million in Q2



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