



**FLEX LNG**

# **Third Quarter 2023 Result Presentation**

November 8, 2023



# FORWARD-LOOKING STATEMENTS

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MATTERS DISCUSSED IN THIS PRESENTATION MAY CONSTITUTE FORWARD-LOOKING STATEMENTS. THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 PROVIDES SAFE HARBOR PROTECTIONS FOR FORWARD-LOOKING STATEMENTS IN ORDER TO ENCOURAGE COMPANIES TO PROVIDE PROSPECTIVE INFORMATION ABOUT THEIR BUSINESS. FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS CONCERNING PLANS, OBJECTIVES, GOALS, STRATEGIES, FUTURE EVENTS OR PERFORMANCE, AND UNDERLYING ASSUMPTIONS AND OTHER STATEMENTS, WHICH ARE OTHER THAN STATEMENTS OF HISTORICAL FACTS.

FLEX LNG LTD. ("FLEX LNG" OR "THE COMPANY") DESIRES TO TAKE ADVANTAGE OF THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND IS INCLUDING THIS CAUTIONARY STATEMENT IN CONNECTION WITH THIS SAFE HARBOR LEGISLATION. THE WORDS "BELIEVE," "EXPECT," "FORECAST," "ANTICIPATE," "ESTIMATE," "INTEND," "PLAN," "POSSIBLE," "POTENTIAL," "PENDING," "TARGET," "PROJECT," "LIKELY," "MAY," "WILL," "WOULD," "SHOULD," "COULD" AND SIMILAR EXPRESSIONS IDENTIFY FORWARD-LOOKING STATEMENTS.

THE FORWARD-LOOKING STATEMENTS IN THIS PRESENTATION ARE BASED UPON VARIOUS ASSUMPTIONS, MANY OF WHICH ARE BASED, IN TURN, UPON FURTHER ASSUMPTIONS, INCLUDING WITHOUT LIMITATION, MANAGEMENT'S EXAMINATION OF HISTORICAL OPERATING TRENDS, DATA CONTAINED IN THE COMPANY'S RECORDS AND OTHER DATA AVAILABLE FROM THIRD PARTIES. ALTHOUGH FLEX LNG BELIEVES THAT THESE ASSUMPTIONS WERE REASONABLE WHEN MADE, BECAUSE THESE ASSUMPTIONS ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES AND CONTINGENCIES WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT AND ARE BEYOND THE COMPANY'S CONTROL, THERE CAN BE NO ASSURANCE THAT THE COMPANY WILL ACHIEVE OR ACCOMPLISH THESE EXPECTATIONS, BELIEFS OR PROJECTIONS. FLEX LNG UNDERTAKES NO OBLIGATION, AND SPECIFICALLY DECLINES ANY OBLIGATION, EXCEPT AS REQUIRED BY LAW, TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

IN ADDITION TO THESE IMPORTANT FACTORS, OTHER IMPORTANT FACTORS THAT, IN THE COMPANY'S VIEW, COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE DISCUSSED IN THE FORWARD-LOOKING STATEMENTS INCLUDE: UNFORESEEN LIABILITIES, FUTURE CAPITAL EXPENDITURES, THE STRENGTH OF WORLD ECONOMIES AND CURRENCIES, GENERAL MARKET CONDITIONS, INCLUDING FLUCTUATIONS IN CHARTER RATES AND VESSEL VALUES, CHANGES IN DEMAND IN THE LNG TANKER MARKET, THE LENGTH AND SEVERITY OF THE COVID-19 OUTBREAK, THE IMPACT OF PUBLIC HEALTH THREATS AND OUTBREAKS OF OTHER HIGHLY COMMUNICABLE DISEASES, CHANGES IN THE COMPANY'S OPERATING EXPENSES, INCLUDING BUNKER PRICES, DRY-DOCKING AND INSURANCE COSTS, THE FUEL EFFICIENCY OF THE COMPANY'S VESSELS, THE MARKET FOR THE COMPANY'S VESSELS, AVAILABILITY OF FINANCING AND REFINANCING, ABILITY TO COMPLY WITH COVENANTS IN SUCH FINANCING ARRANGEMENTS, FAILURE OF COUNTERPARTIES TO FULLY PERFORM THEIR CONTRACTS WITH THE COMPANY, CHANGES IN GOVERNMENTAL RULES AND REGULATIONS OR ACTIONS TAKEN BY REGULATORY AUTHORITIES, INCLUDING THOSE THAT MAY LIMIT THE COMMERCIAL USEFUL LIVES OF LNG TANKERS, POTENTIAL LIABILITY FROM PENDING OR FUTURE LITIGATION, GENERAL DOMESTIC AND INTERNATIONAL POLITICAL CONDITIONS, POTENTIAL DISRUPTION OF SHIPPING ROUTES DUE TO ACCIDENTS OR POLITICAL EVENTS, VESSEL BREAKDOWNS AND INSTANCES OF OFF-HIRE, AND OTHER FACTORS, INCLUDING THOSE THAT MAY BE DESCRIBED FROM TIME TO TIME IN THE REPORTS AND OTHER DOCUMENTS THAT THE COMPANY FILES WITH OR FURNISHES TO THE U.S. SECURITIES AND EXCHANGE COMMISSION ("SEC").

FOR A MORE COMPLETE DISCUSSION OF CERTAIN OF THESE AND OTHER RISKS AND UNCERTAINTIES ASSOCIATED WITH THE COMPANY, PLEASE REFER TO THE REPORTS AND OTHER DOCUMENTS THAT FLEX LNG FILES WITH OR FURNISHES TO THE SEC.

THIS PRESENTATION IS NOT AN OFFER TO PURCHASE OR SELL, OR A SOLICITATION OF AN OFFER TO PURCHASE OR SELL, ANY SECURITIES OR A SOLICITATION OF ANY VOTE OR APPROVAL.

# THIRD QUARTER HIGHLIGHTS



## RESULTS

- Q3 Revenues of \$94.6m in line with guidance of \$90-95m
- Net Income and Earnings per share of \$45.1m and \$0.84 respectively
- Adj. Net Income and Adj. Earnings per share<sup>(1)</sup> of \$36.1m and \$0.67 respectively

## RECENT EVENTS

- All 13 LNGCs back in full operation after we completed docking of three ships in Q2
- Seasonally stronger spot market positively impacting Flex Artemis earnings as guided
- Well balanced LNG market with high gas storage levels in Europe prior winter season

## GUIDANCE

- Revenues to pick up to ~\$97-99m in Q4 i.e. high end of \$90-100m guidance
- FY-2023 Revenues to be ~\$370m in line with guidance
- FY-2023 Adj. EBITDA<sup>(1)</sup> to be in line with guidance \$290-295m

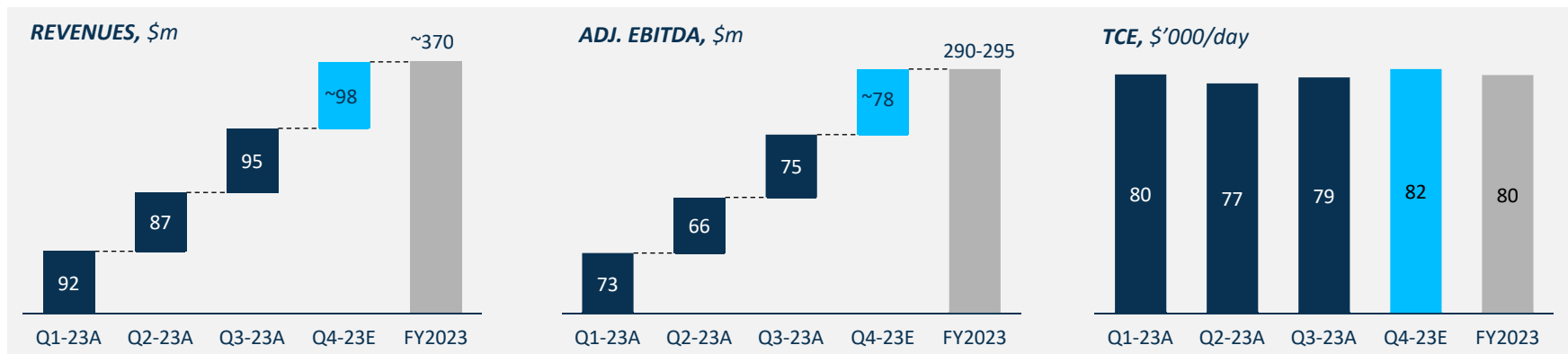
## DIVIDEND

- Declaring ordinary dividend of \$0.75 per share and special dividend of \$0.125 per share
- Dividend per share the last twelve months is \$3.375 providing a yield of ~11%<sup>(2)</sup>
- Strong financial position, \$429m in cash and no debt maturities prior 2028

# WE ARE WALKING THE TALK



<i>Guidance figures</i>	<b>Q1-23A</b>	<b>Q2-23A</b>	<b>Q3-23A</b>	<b>Q4-23E</b>	<b>FY2023</b>	<b>FY2023 guidance as per Q4-2022</b>
<b>Revenues</b>	\$92.5m	\$86.7m	\$94.6m	~\$98m	\$370m	~\$370m
<b>Adj. EBITDA</b>	\$72.5m	\$66.2m	\$74.7m	~\$78m	\$290-295m	~\$290-295m
<b>TCE, \$'000/day<sup>(1)</sup></b>	\$80.2/day	\$77.2/day	\$79.2/day	~\$82.0/day	~\$80.0/day	~\$80.0/day

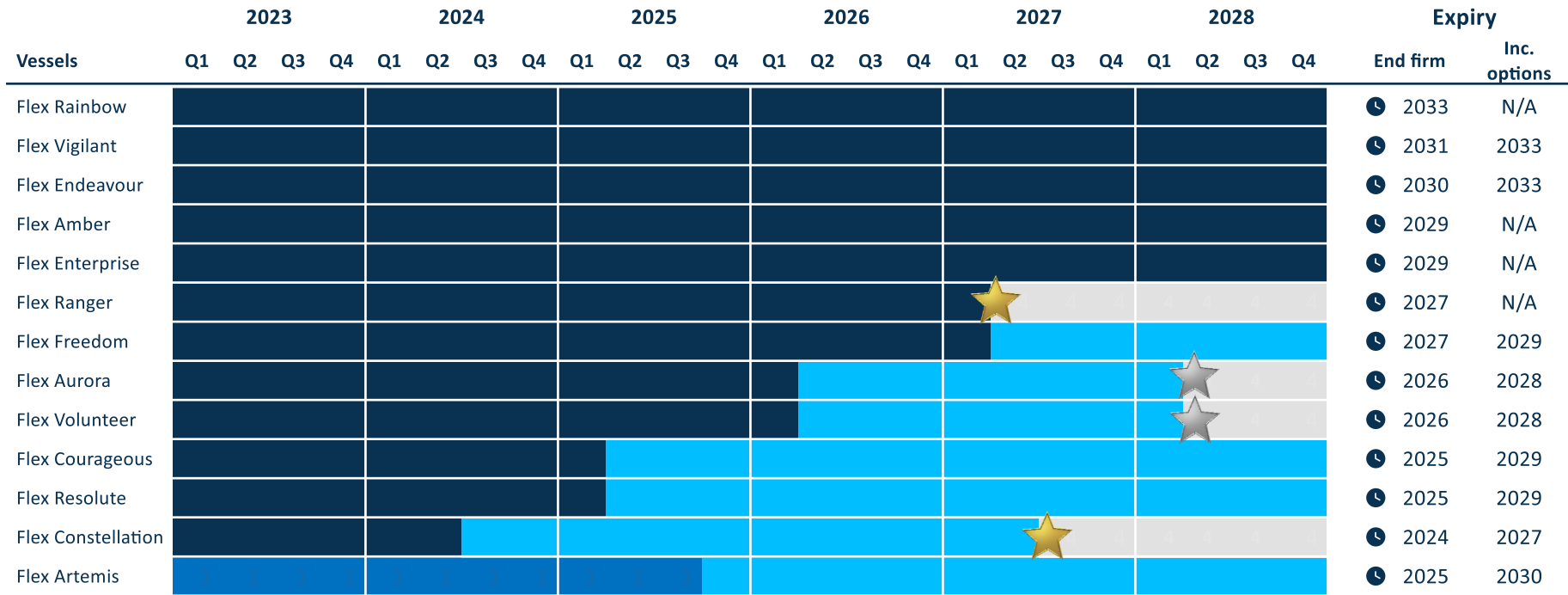


Note: TCE is non-GAAP measures. A reconciliation to the most directly comparable GAAP measure is included in the earnings report

# HIGH CONTRACT COVERAGE – ATTRACTIVE 2027 & 2028 POSITIONS



51 years of minimum contract backlog which may increase to 77 years with charterers' extension options



Fixed hire
  Variable hire
  Options
  Open/Spot
 NOT APPLICABLE

# EARNINGS BELONG TO SHAREHOLDERS



	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	LTM
<b>Adjusted Earnings per Share<sup>(1)</sup></b>	<b>\$0.61</b>	<b>\$0.79</b>	<b>\$1.02</b>	<b>\$0.66</b>	<b>\$0.53</b>	<b>\$0.67</b>	<b>\$2.88</b>
Ordinary Dividend per Share	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$3.00
Special Dividend per Share	\$0.50		\$0.25			\$0.125	\$0.375
<b>Total distribution</b>	<b>\$1.25</b>	<b>\$0.75</b>	<b>\$1.00</b>	<b>\$0.75</b>	<b>\$0.75</b>	<b>\$0.875</b>	<b>\$3.375</b>

## Decision Factors

Earnings and cash flow	✓	✓	✓	✓	✓	✓
Market outlook	✓	✓	✓	✓	✓	✓
Backlog and visibility	✓	✓	✓	✓	✓	✓
Liquidity position	✓	✓	✓	✓	✓	✓
Covenant compliance	✓	✓	✓	✓	✓	✓
Debt maturities	✓	✓	✓	✓	✓	✓
Capex liabilities	✓	✓	✓	✓	✓	✓
Other considerations	✓	✓	✓	✓	✓	✓

Note: 1) Adjusted EPS is a non-GAAP measure. A reconciliation to the most directly comparable GAAP measure is included in the earnings report

# KEY FINANCIAL HIGHLIGHTS



Income statement (\$m)	Q3-2023	Q2-2023	Δ\$	YTD Q3-2023	YTD Q3-2022	Δ\$
Revenues	94.6	86.7	7.9	273.8	250.0	23.8
Operating expenses	(16.9)	(17.3)	0.4	(49.9)	(47.2)	(2.7)
<b>Operating income</b>	<b>56.2</b>	<b>48.2</b>	<b>8.0</b>	<b>159.4</b>	<b>139.6</b>	<b>19.8</b>
Net interest expenses <sup>1</sup>	(20.9)	(21.0)	0.1	(63.2)	(44.0)	(19.2)
Unrealized gains on derivatives	9.0	10.9	(2.0)	12.0	66.7	(54.7)
<b>Net income</b>	<b>45.1</b>	<b>39.0</b>	<b>6.1</b>	<b>100.6</b>	<b>146.6</b>	<b>(46.0)</b>
EPS (\$/share)	0.84	0.73	0.11	1.87	2.76	(0.88)
Adjusted EBITDA (\$m)	74.7	66.2	8.5	213.4	193.3	20.2
Adjusted net income (\$m)	36.1	28.2	7.8	99.5	96.2	3.3
Adj. EPS (\$/share)	0.67	0.53	0.15	1.85	1.81	0.04

## Comments:

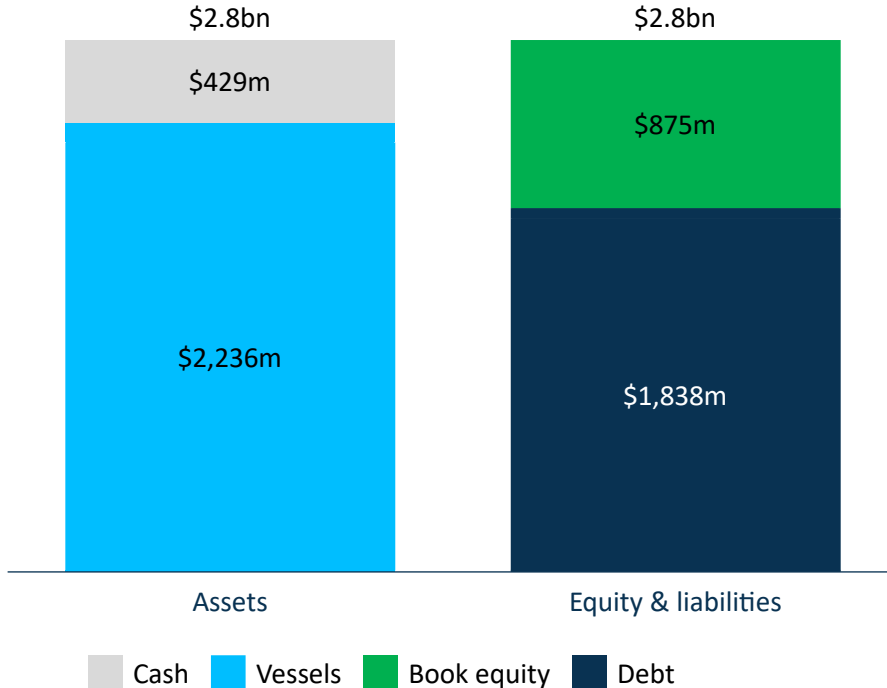
*Revenues: Full quarterly income from the three vessels which carried out drydocking during the second quarter, and higher variable index charter revenues from Flex Artemis*

*TCE<sup>1</sup> per day: Q3 \$79,207, and \$78,888 for the nine months ended September, 30*

*Opex per day: Q3 \$14,161, and \$14,071 for the nine months ended September, 30*

*Net interest expenses of \$20.9m in Q3-23, vs. \$21.0m in Q2. Includes \$6.7m in realized cash gains on derivatives in Q3-23, vs. \$6.2m in in Q2-23*

# ROBUST AND CLEAN BALANCE SHEET



- 13 modern LNGCs (9x MEGIs, 4x X-DFs)
- Average fleet age of 3.9 years as per end Q3
- Ample cash position of \$429m
- Book equity ratio of 32% although the fleet was acquired at historical low prices compared to today's newbuilding prices. Book equity values thus reflect historical cost adjusted with regular depreciations



# FLEXIBLE FUNDING PORTFOLIO WITH NO MATURITIES PRIOR 2028



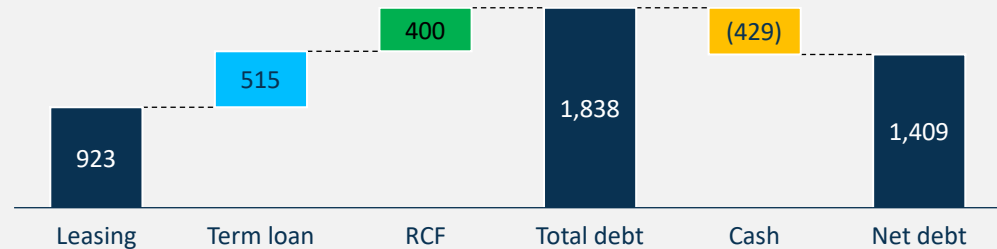
## Resilience:

- No debt maturities prior 2028
- Sound split between traditional bank financing and leasing
- Geographically diverse set of lenders (US, Europe & Asia)

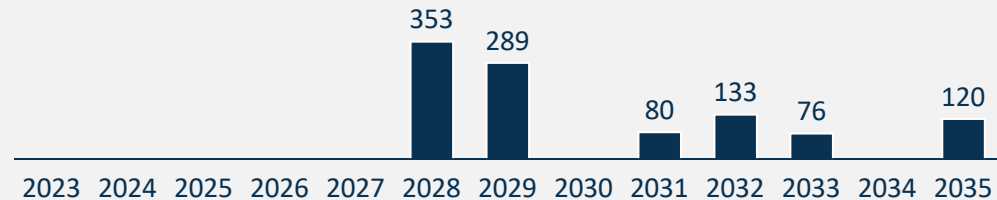
## Optionality:

- Attractive loan terms
- \$400m in RCF provides optionality for counter-cyclical opportunities as well as cash management optimization

Debt position Q3-23, \$m



Debt maturity profile<sup>1</sup>, \$m



Note: 1) Debt maturity profile assume that Flex LNG will utilize our option to extend the \$330m SLB by two years.

# SIGNIFICANT DELEVERAGING EMBEDDED IN THE CAPITAL STRUCTURE



The long-term debt is repaid **1.7x faster** than the ships are depreciated, **equivalent to \$40m per year**, while the net leverage is already modest ~40% on current market capitalization

## Depreciation, assumptions per vessel:

Average book value: \$172m  
Economic life: 35 years  
Scrap value: \$15m

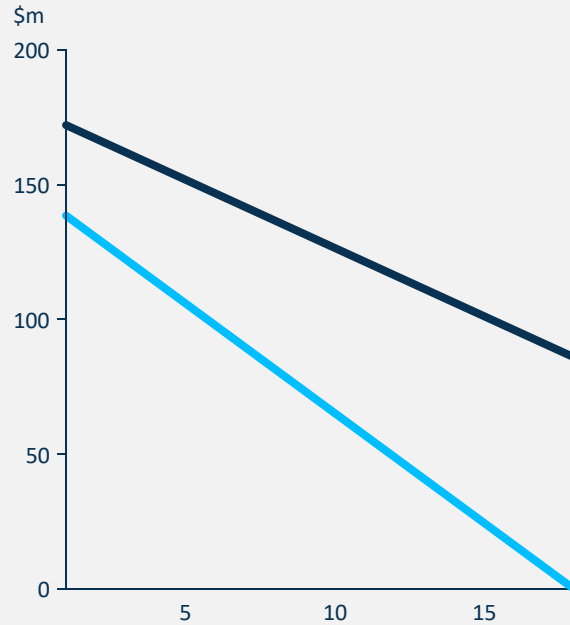
**Depreciation per year: \$5m**

## Leverage, assumptions per vessel:

Avg. gross debt amount: \$138.5m  
Avg. repayment profile: 21 years age adjusted

**Amortization per year: \$8m**

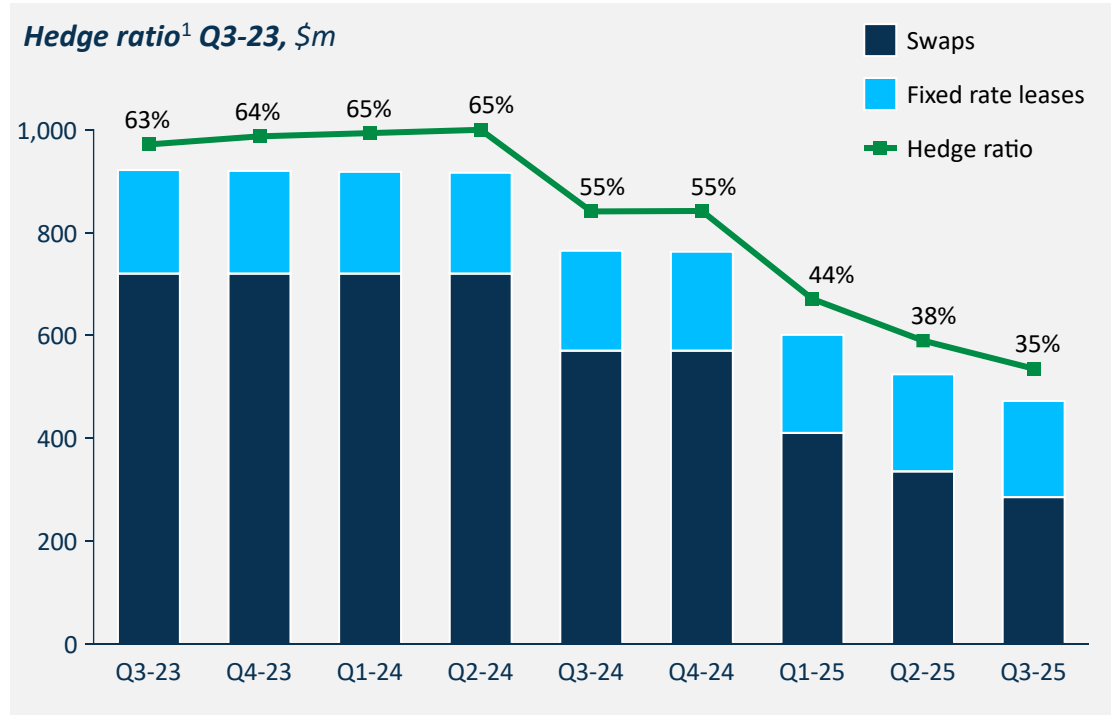
**The difference is \$3m p.a per vessel or \$40 p.a for the fleet**



LNG carrier	Built	Retired	Age (yrs.)
Baltic Energy	1983	2021	38
Caribbean Energy	1980	2021	41
Med. Energy	1984	2021	37
North Energy	1983	2021	38
Ramdane Abane	1981	2021	40
South Energy	1980	2021	41
Dahlia	1979	2022	43
Adriatic Energy	1983	2023	40
Golar Gandria	1977	2023	46
Grace Energy	1989	2023	34
Spirit FSRU	1981	2023	42
<b>Average age @ retirement:</b>			<b>40</b>

Average retirement age for LNGCs have been about 40 years in line with technical life

# INTEREST RATE RISK MANAGED BY ACTIVE HEDGING STRATEGY



- Balance sheet value of interest rate swap portfolio totals \$67.5m
- The notional value of the swap portfolio is \$720m, with an average duration of 3.6 years fixed at 1.35%
- We have fixed rate leases of \$200m with an average rate of 3.94%
- Since January 2021, our total gains (both realized and unrealized) from interest rate hedging amounts to \$128m

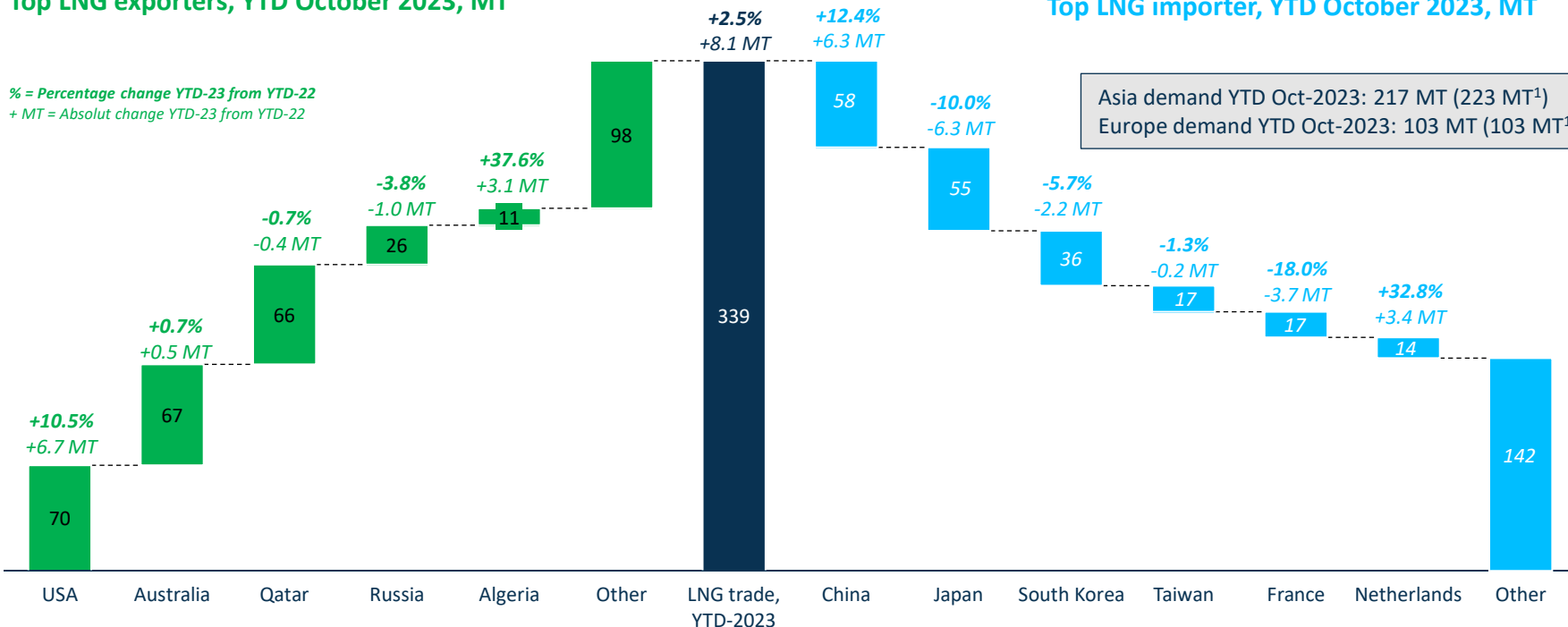
Note: 1) Hedge ratio estimated net of undrawn RCF facilities

# TRADE UP ~3%, CHINA AND EUROPE COMPETING FOR SPOT LNG



## Top LNG exporters, YTD October 2023, MT

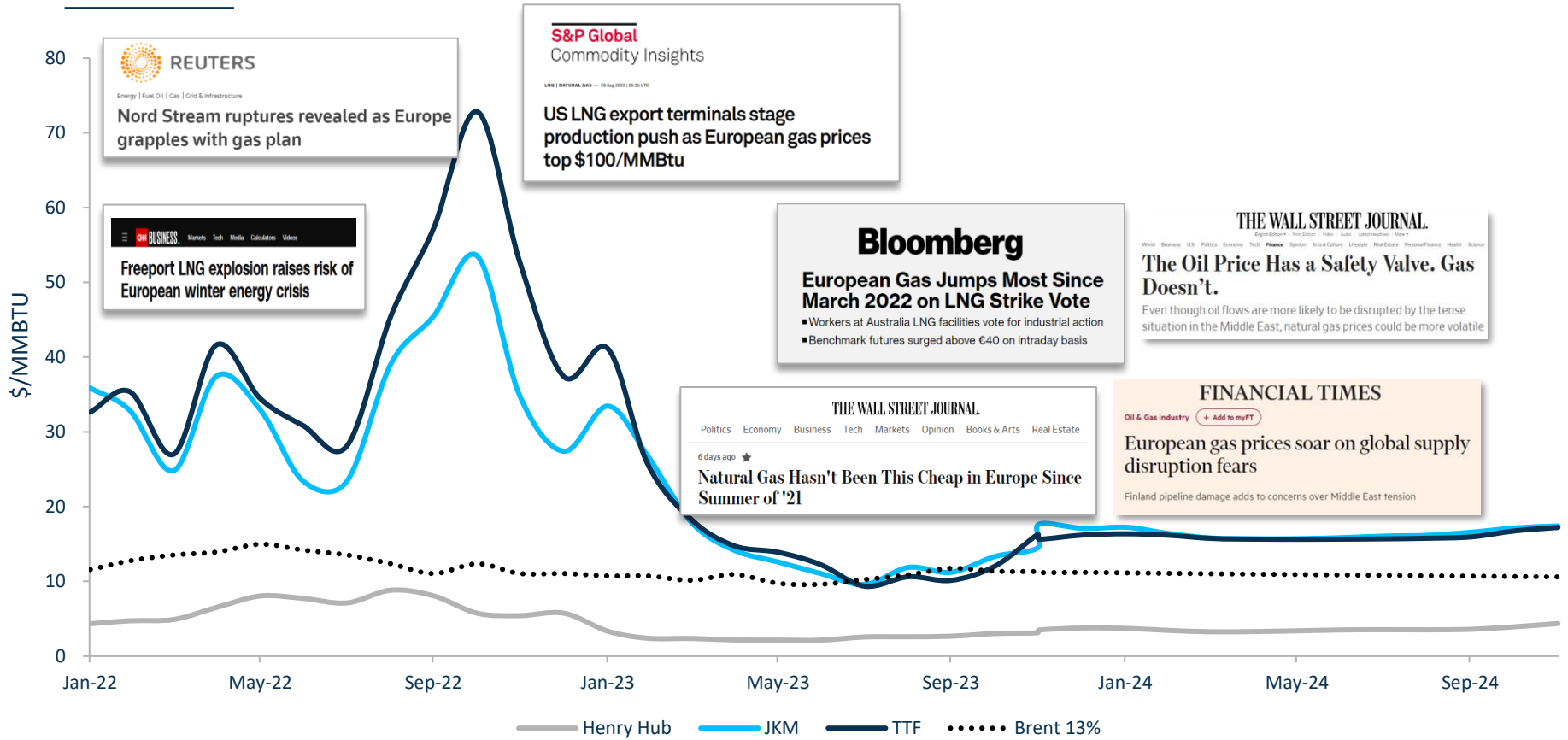
% = Percentage change YTD-23 from YTD-22  
+ MT = Absolut change YTD-23 from YTD-22



## Top LNG importer, YTD October 2023, MT

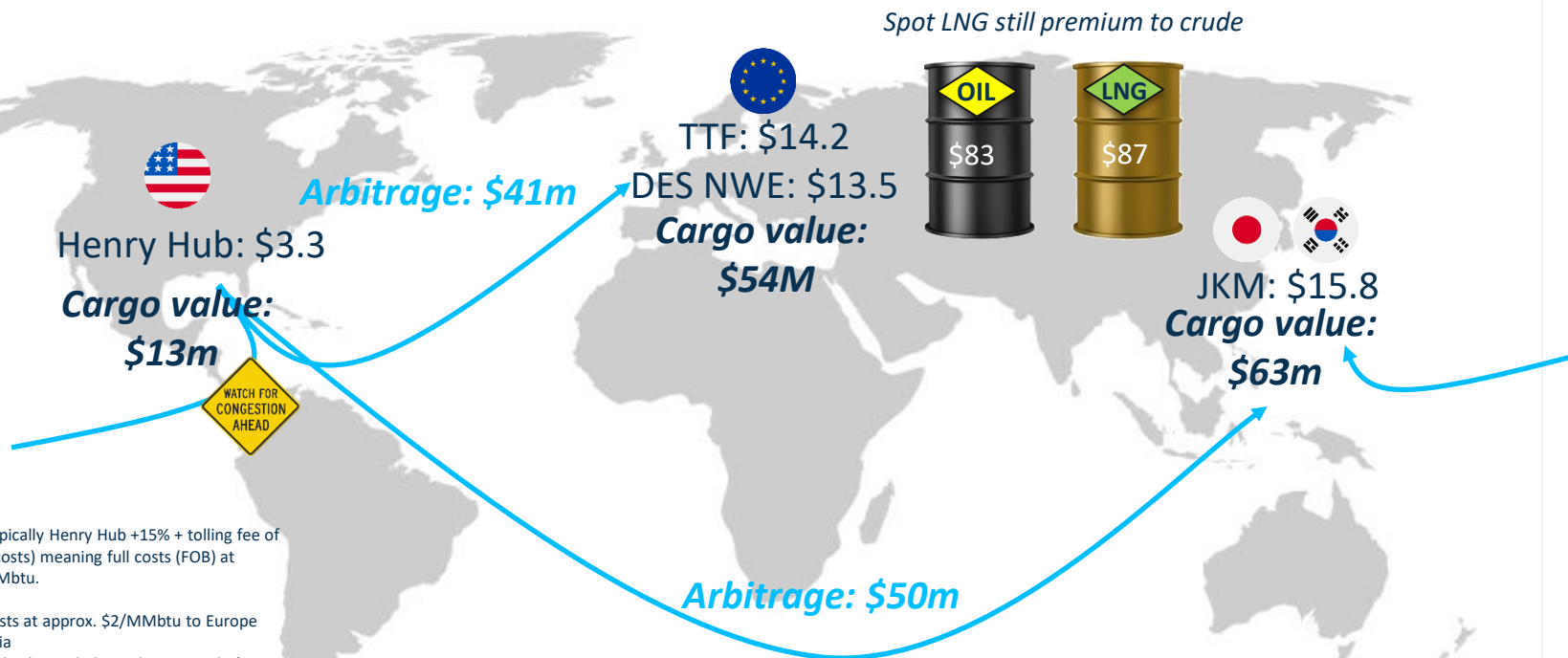
Asia demand YTD Oct-2023: 217 MT (223 MT<sup>1</sup>)  
Europe demand YTD Oct-2023: 103 MT (103 MT<sup>1</sup>)

# SUPPLY EVENTS CONTINUE TO DRIVE GAS PRICE VOLATILITY



Sources: Energy Aspect, CNN, Reuters, S&P Global, WSJ, Bloomberg, Financial Times, CME

# BALANCED LNG MARKET BUT SPOT LNG STILL PREMIUM TO CRUDE



Full price US cargo typically Henry Hub +15% + tolling fee of \$2-3 (however sunk costs) meaning full costs (FOB) at approx. \$5.8-\$6.8/MMbtu.

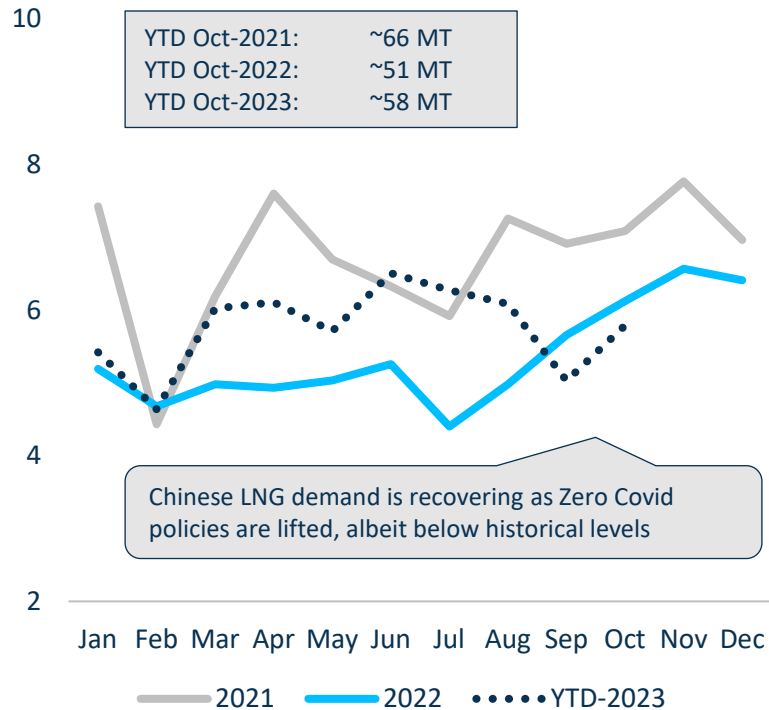
Then add shipping costs at approx. \$2/MMbtu to Europe and \$5/MMbtu to Asia (shipping cost could also be sunk depending on trader's shipping position)

*Oil priced linked cargoes at ~\$10-12 also providing healthy arbitrage*

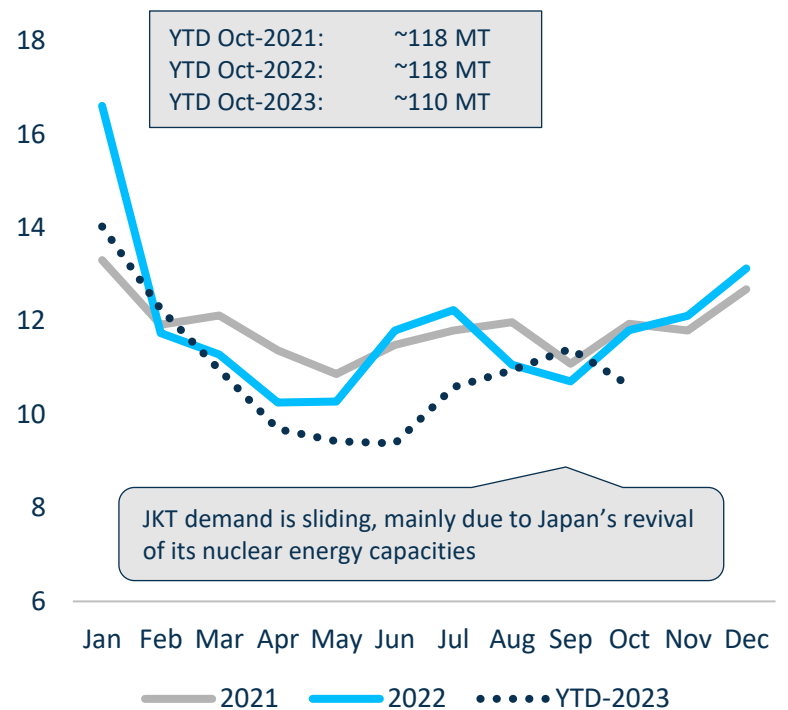
# CHINESE LNG DEMAND RECOVERING, REST OF NORTHEAST ASIA MUTED



## China LNG imports, MT



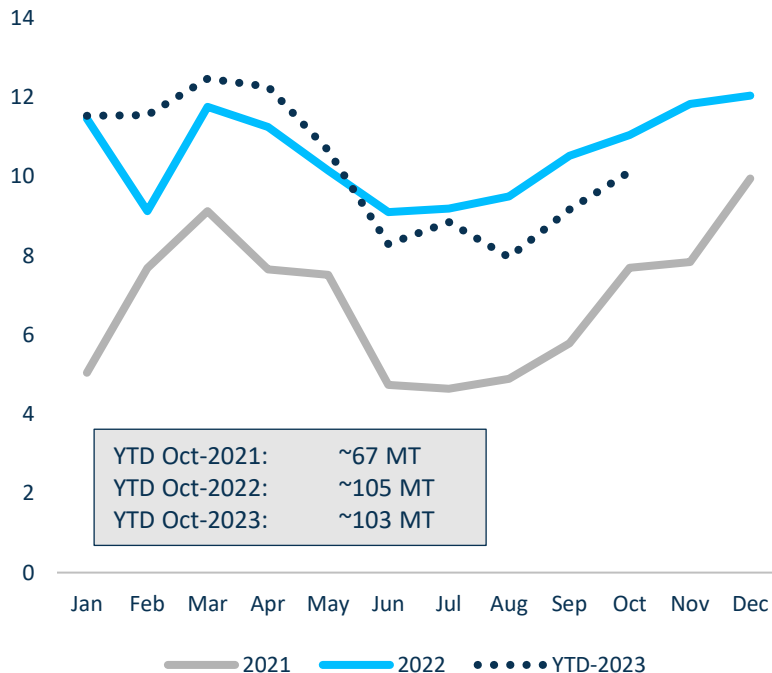
## Japan/Korea/Taiwan (JKT) LNG imports, MT



# FULL STORAGE CAPACITY THIS WINTER IN EUROPE

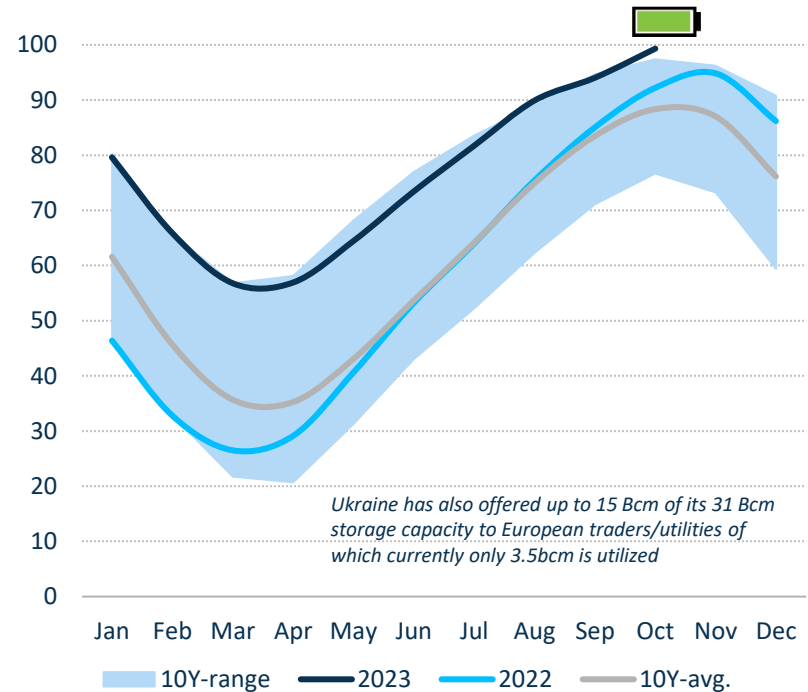


## European LNG imports, MT



YTD Oct-2021:	~67 MT
YTD Oct-2022:	~105 MT
YTD Oct-2023:	~103 MT

## EU natural gas storage inventory, % of full



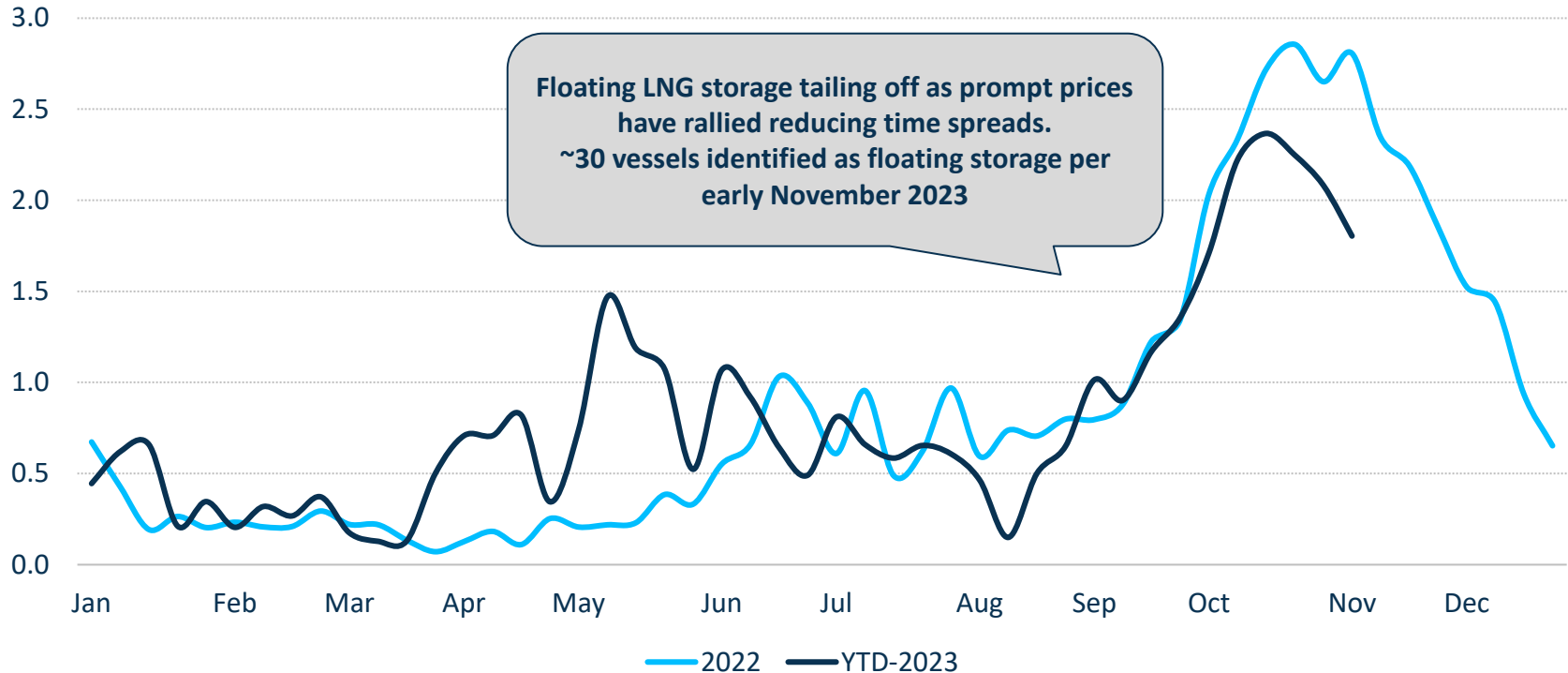
*Ukraine has also offered up to 15 Bcm of its 31 Bcm storage capacity to European traders/utilities of which currently only 3.5bcm is utilized*



# PROMPT RALLY IN LNG PRICES HAS REDUCED FLOATING STORAGE



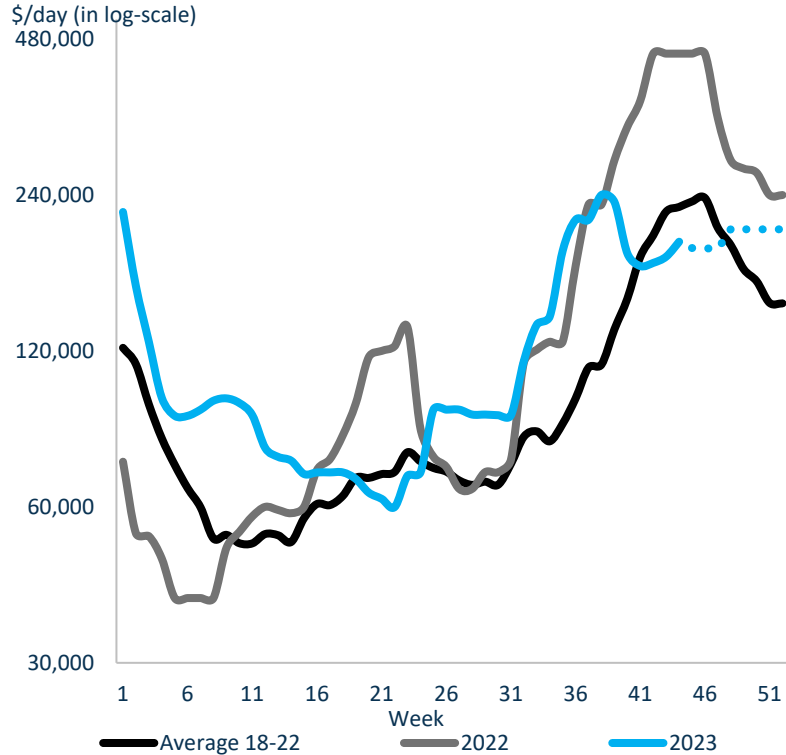
## Daily floating storage, MT



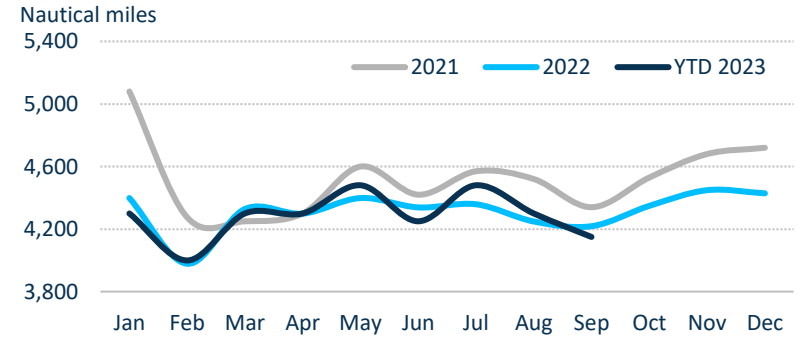
# SEASONAL STRONGER SPOT FREIGHT MARKET PRIOR PEAK SEASON



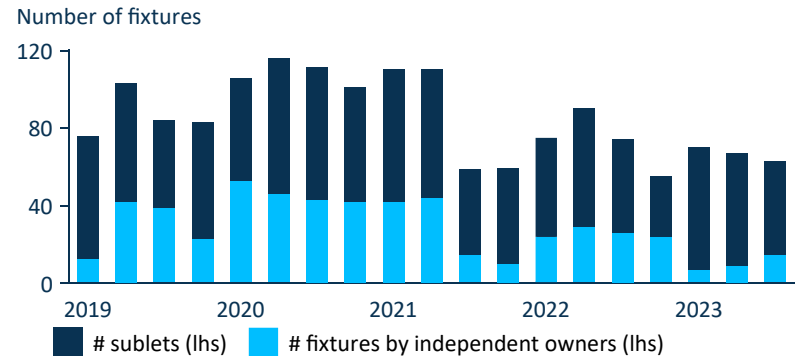
## Headline (2-stroke) spot rates



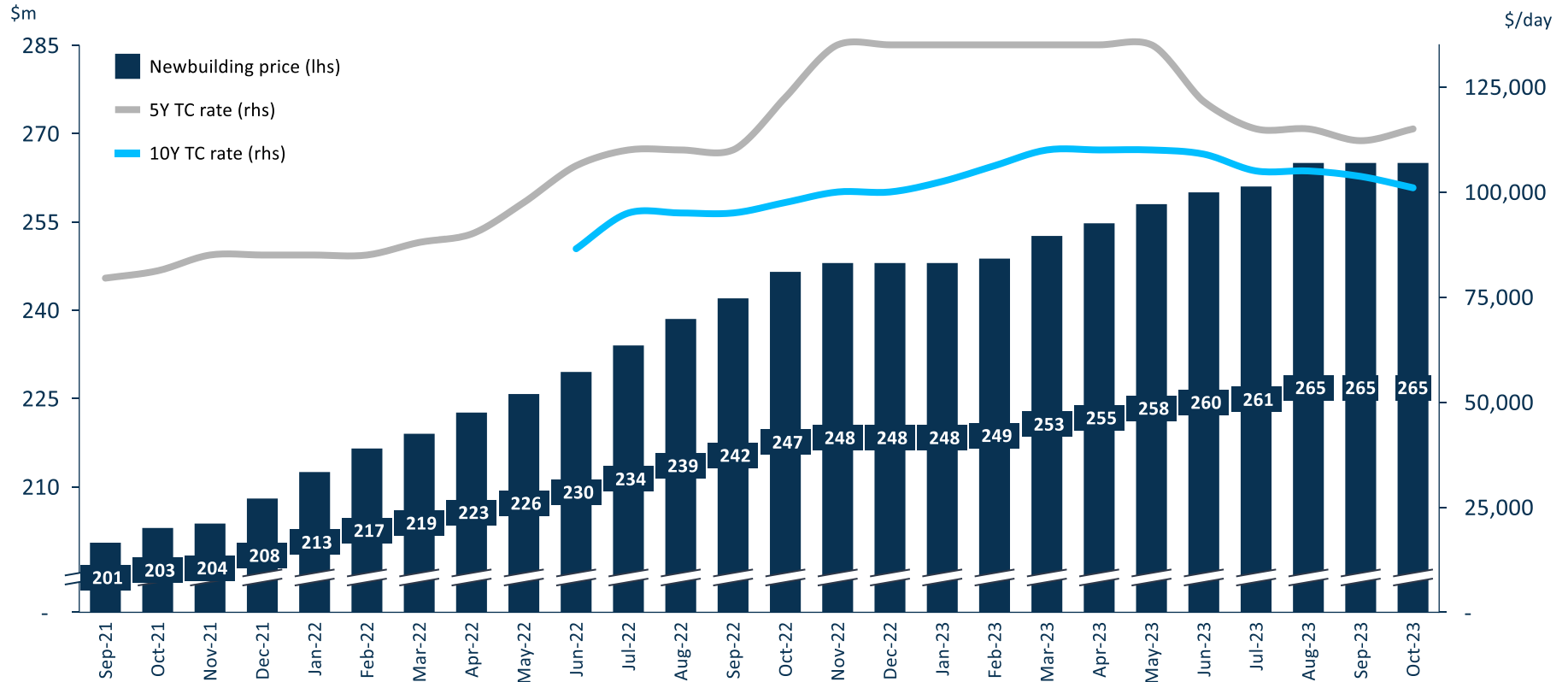
## Average distance per laden voyage



## # of fixtures by independent owners vs. sublets (short term)



# NEWBUILDING PRICES AND TERM RATES STABILIZED



# WAITING FOR THE NEXT WAVE OF LNG TO COME ONSTREAM

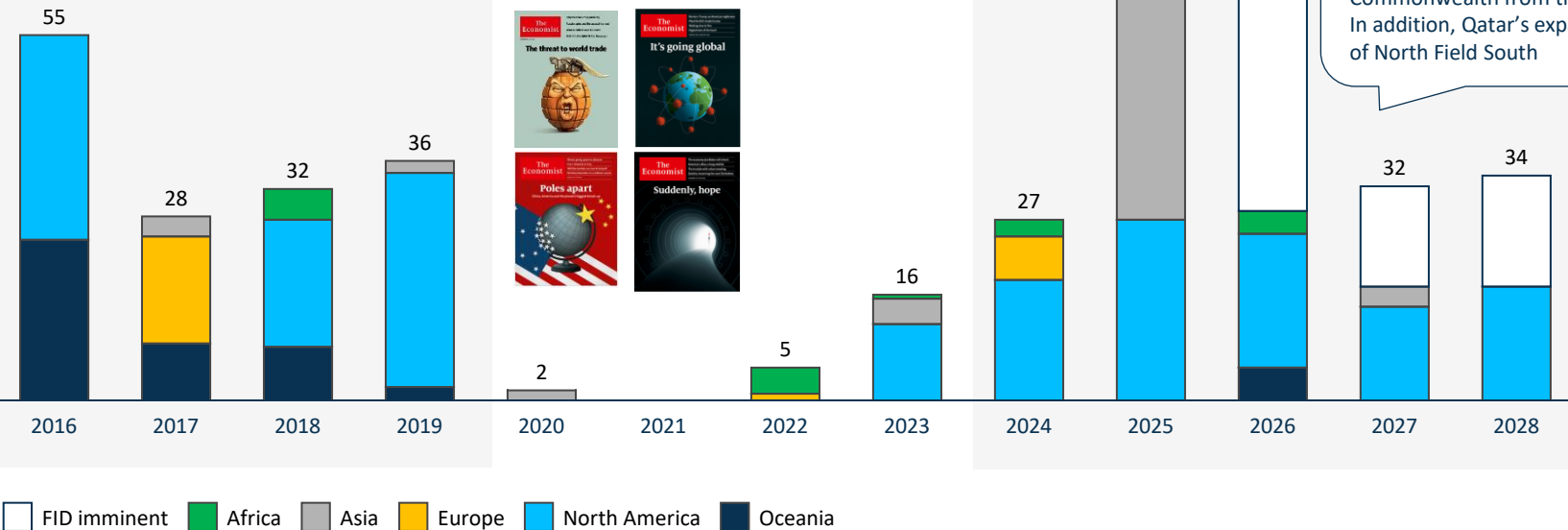


## New liquification capacity coming onstream, MTPA

**2016-2019: First wave of LNG capacity from Australia and the US**

*US-China trade war and Covid-19 disrupted FID of new volumes creating a temporary draught in new volumes*

**2025-2029: Second wave of LNG capacity from US and Qatar**

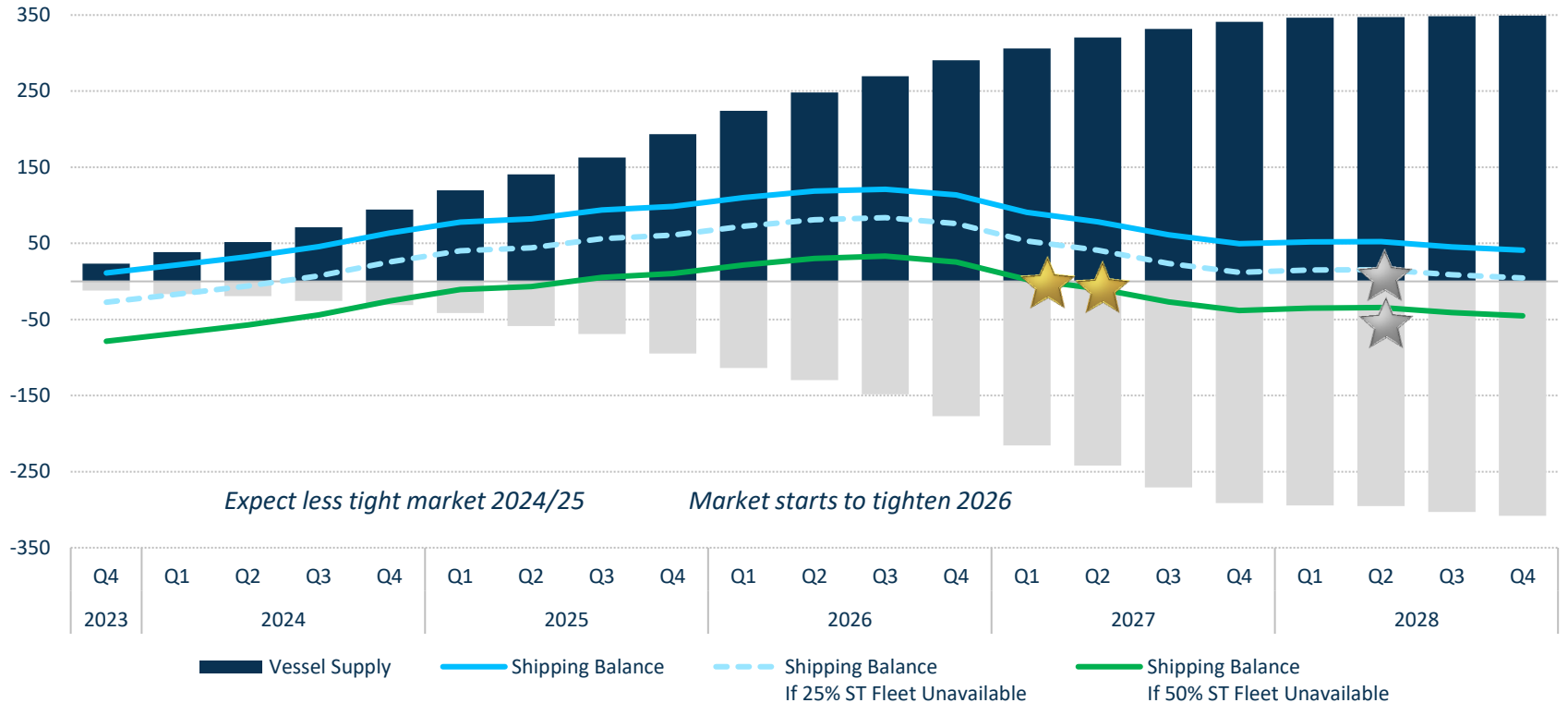


Imminent FID projects are coming from CP2, Delfin LNG, Freeport expansion, and Commonwealth from the US. In addition, Qatar's expansion of North Field South

# WE ARE WELL POSITIONED FOR NEXT TIGHTENING CYCLE



## LNG shipping balance, number of ships



# THIRD QUARTER HIGHLIGHTS



## RESULTS

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**Thank you!**

**Q&A**

