



Avance Gas

Q4 2019

27 February 2020



# FORWARD LOOKING STATEMENTS

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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.

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# FINANCIAL HIGHLIGHTS Q4 2019



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
<b>Income Statement</b>	<b>31-Dec-2019</b>	<b>30-Sep-2019</b>
TCE earnings	65,024	54,272
Operating expenses	(9,893)	(10,419)
A&G expenses	(1,545)	(1,292)
Depreciation and amortization expenses	(10,354)	(10,636)
Non-operating expenses	(6,373)	(7,240)
Net profit	36,814	24,685
Net profit per share (diluted) (\$)	0.58	0.39
<b>Balance Sheet</b>	<b>31-Dec-2019</b>	<b>30-Sep-2019</b>
Total assets	899,048	893,496
Total liabilities	487,937	521,973
Cash and cash equivalents	85,909	83,625
Total shareholders' equity	411,111	371,523
<b>Cash Flows</b>	<b>31-Dec-2019</b>	<b>30-Sep-2019</b>
Net cash from operating activities	52,226	32,225
Net cash used in investing activities	(4,371)	(4,397)
Net cash used in financing activities	(45,919)	(11,000)
Net increase in cash and cash equivalents	2,284	16,663
<b>Key performance indicators (\$/day):*</b>	<b>31-Dec-2019</b>	<b>30-Sep-2019</b>
TCE (Discharge to discharge)	51,358	44,295
TCE (IFRS 15)	51,047	42,700
OPEX	7,681	8,089
A&G	1,200	1,003

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



TCE \$51,047/day and 100% commercial utilisation for the fleet in Q4



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



Entered into shipbuilding contracts for two 91,000 CBM, LPG Dual Fuel VLGCs for delivery Q4 2021 and Q1 2022

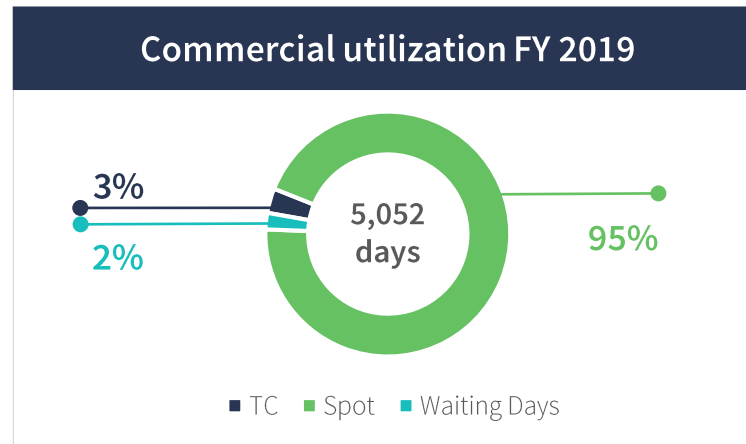
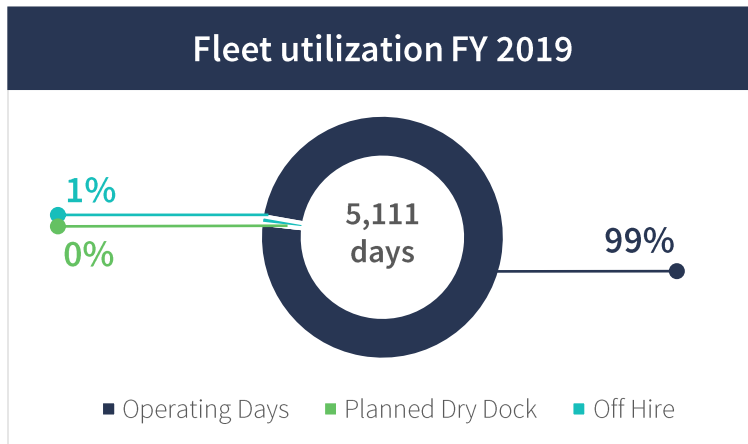
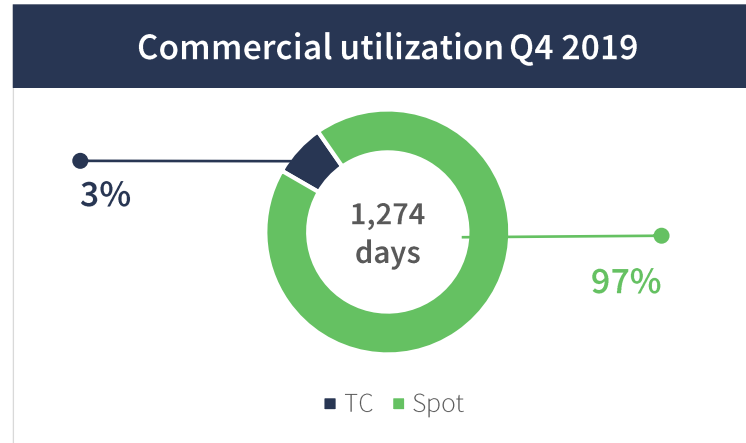
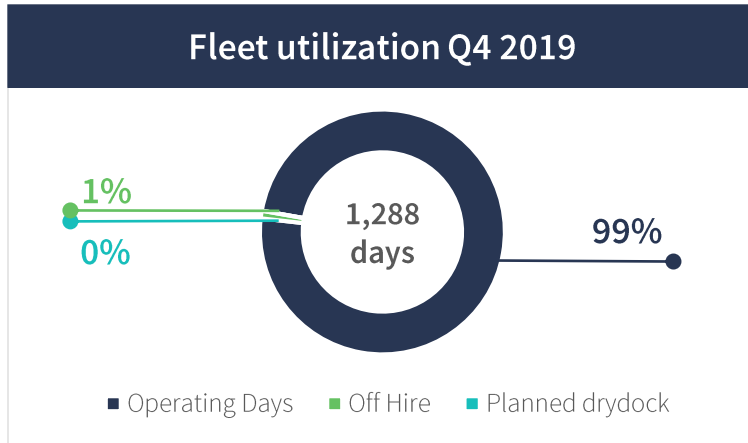


Entered into a \$15 million scrubber financing tranche under the \$515 million credit facility



Board announced a dividend of \$0.30/share

# OPERATING PERFORMANCE



100% commercial utilization in Q4



DD/Scrubber project progressing

- ✓ Two ships completed end February
- ✓ Expect four ships re-enter service Mar-May
- ✓ All options evaluated for last two ships
- ✓ Drydocking in Malaysian Shipyard



Offhire impacted by Corona virus

- ✓ Est. 45-50 days pr. ship (DD+scrubber)
- ✓ ~70% of 2020 estimated drydock days completed in Q1



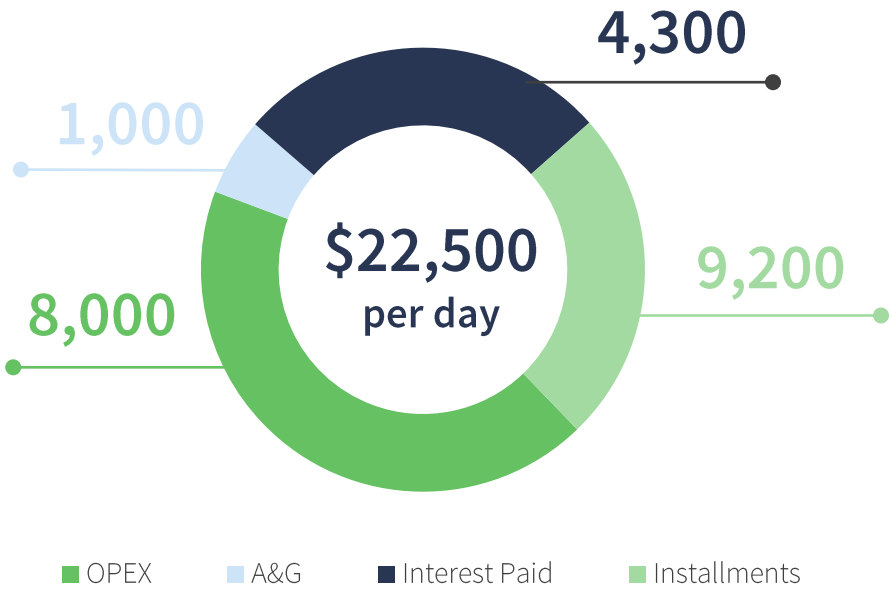
Avance due for intermediate survey in Q4

\*Operating days is calendar days less offhire/drydock days. Waiting days are included in operating days.

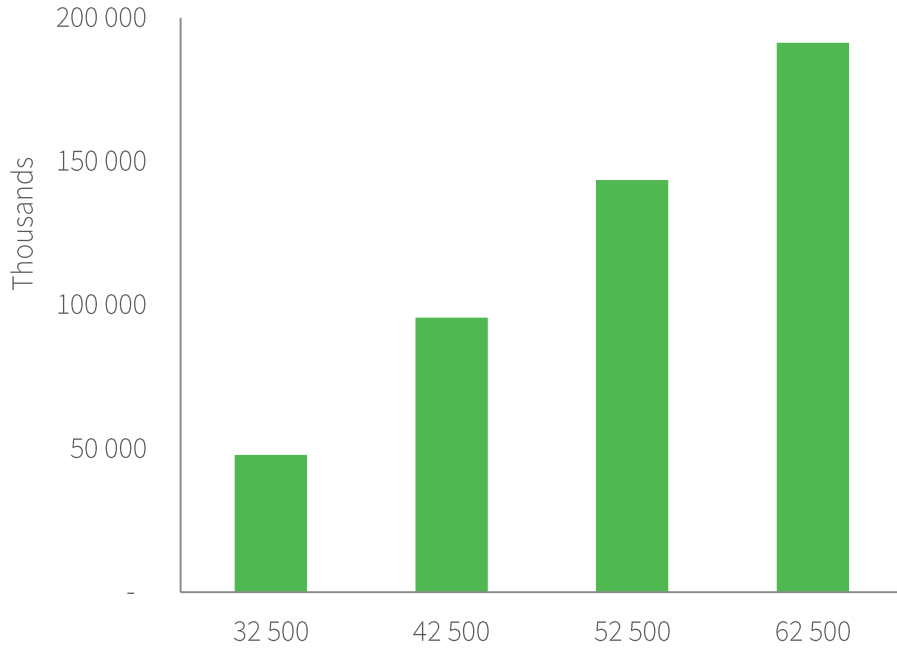
# FY 2020 – ESTIMATED CBE AND FREE CASH FLOW



## Estimated CBE (\$/day) FY 2020



## Annual Free Cash Flow at TCE \$/day\*



\* Adjusted for estimated planned offhire days in 2020



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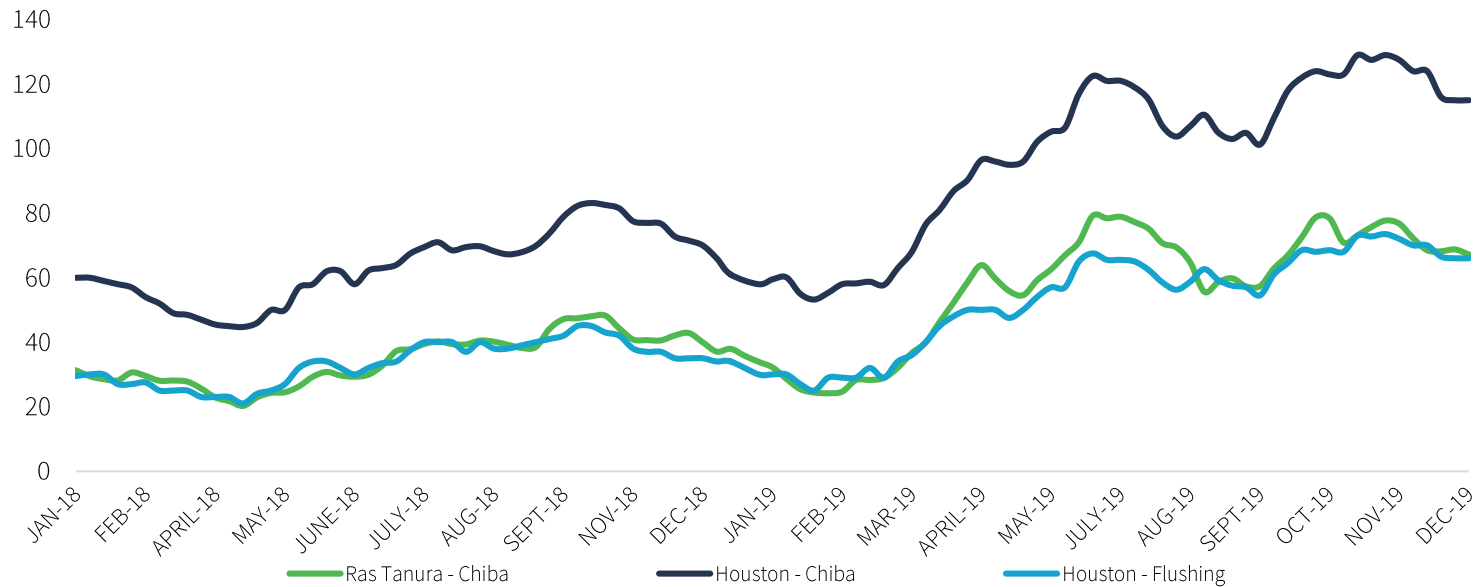
# MARKET FUNDAMENTALS

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# UNSEASONAL FOURTH QUARTER



## Freight Rates 2018 – 31<sup>st</sup> December 2019 US\$ pr. ton



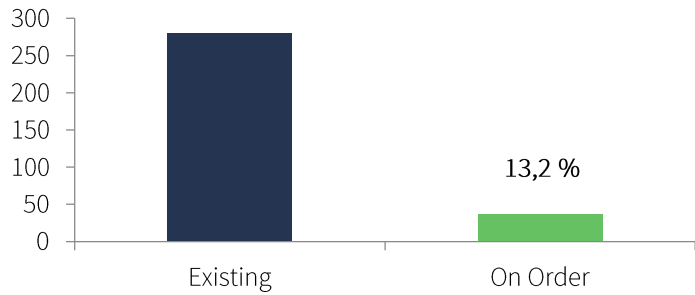
- ✓ Favourable LPG pricing / record export
- ✓ Attack on Saudi Oil installations (end Q3)
- ✓ Increasing bunker costs

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

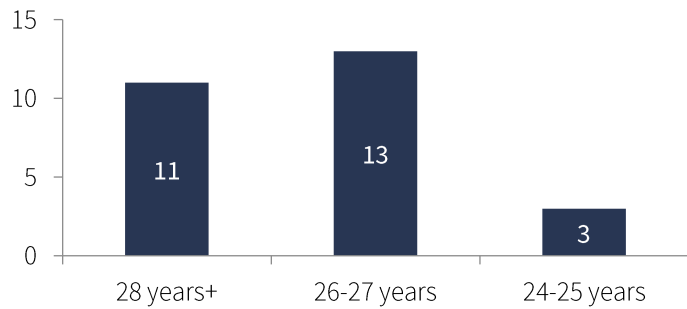
# MODEST VLGC ORDERBOOK



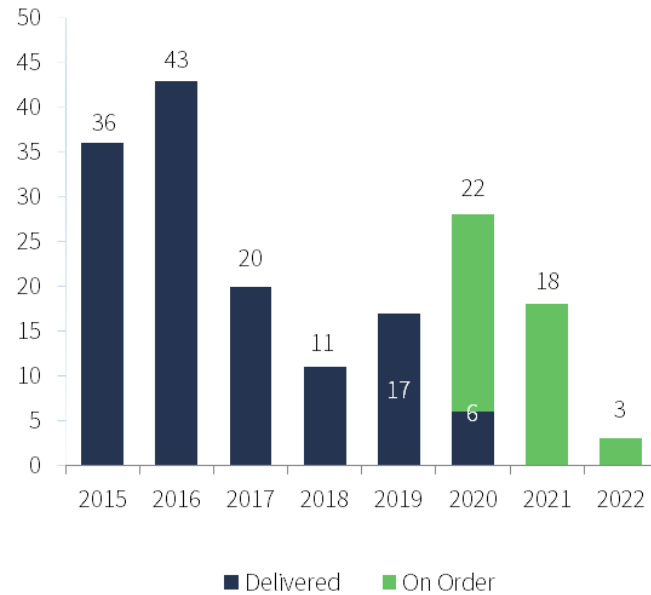
## Fleet and Orderbook



## Fleet 25 years and older



## Orderbook end January 2020



- ✓ Orderbook at 13% of existing fleet
- ✓ 26 ships older than 25 years
- ✓ COVID-19
- ✓ IMO 2020 disruptions

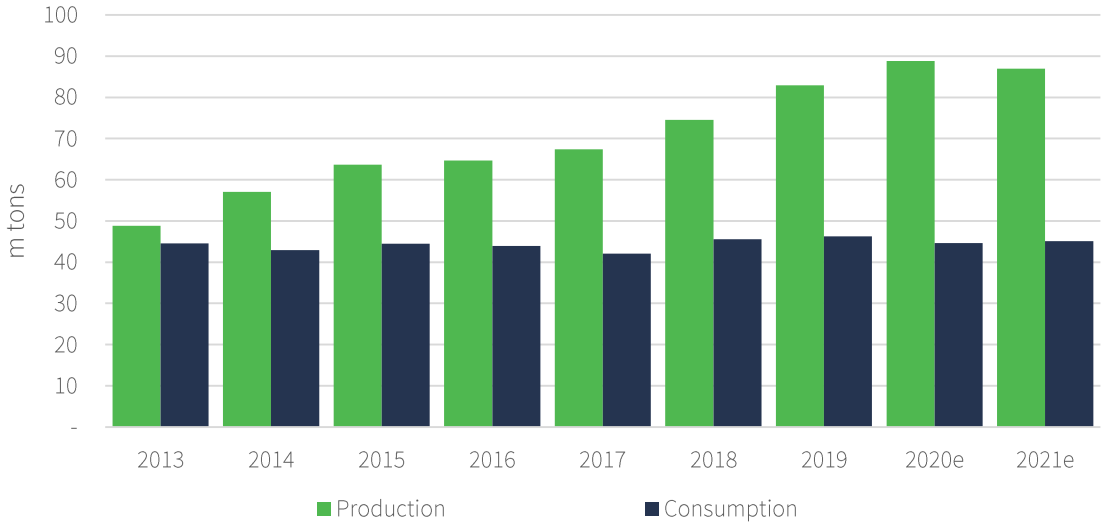
Source: Company, Fearnleys, Steem1960, Nordic Shipping



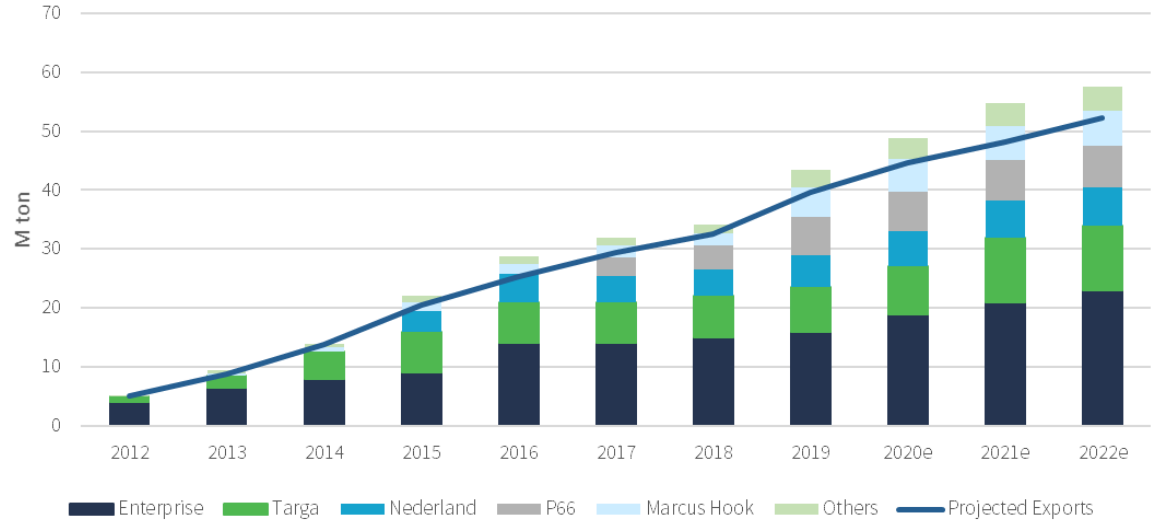
# STRONG U.S. LPG PRODUCTION AND AMPLE EXPORT CAPACITY



## Increasing U.S. LPG production



## Increasing U.S. export capacity



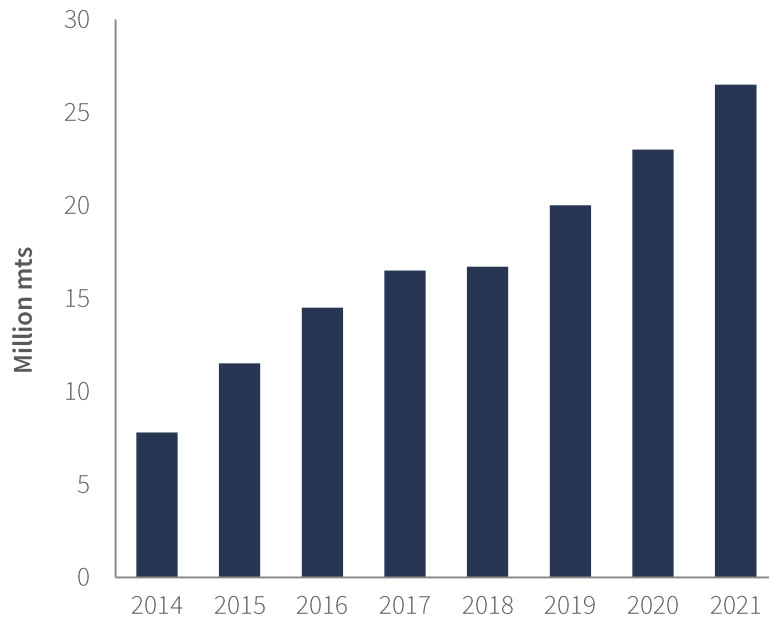
Source: EIA and Fearnleys Research

# STRONG GROWTH IN THE ASIAN LPG DEMAND



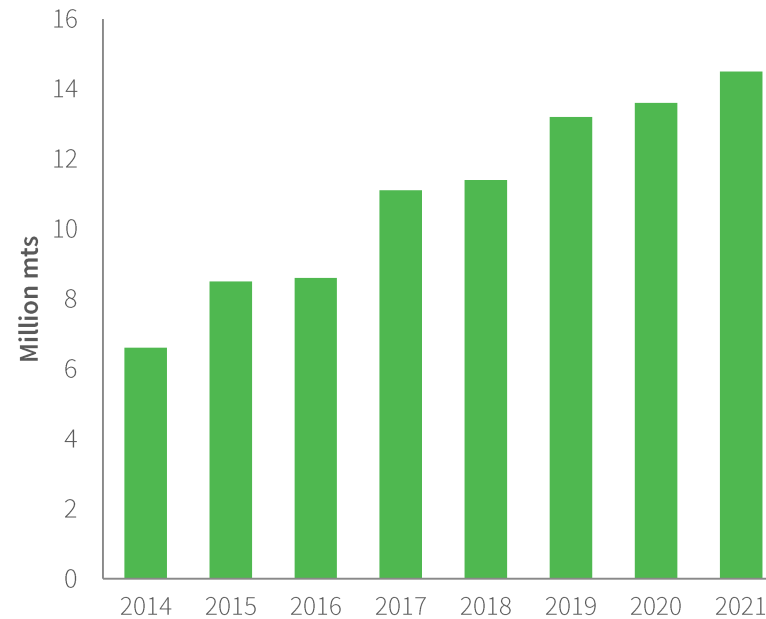
PDH and domestic

## LPG Imports China



Cooking / heating

## LPG Imports India



✓ 80% of global demand in the East

✓ China up 23% (2018 => 2019)

✓ India up 20% (2018 => 2019)

✓ COVID-19

Source: Fearnleys,, Reshamwala Shipbrokers, Steem



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# DUAL-FUEL VLGC

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# THE ADVANTAGES OF THE DUAL-FUEL VLGC



## Unrivalled Performance

- ✓ Lower consumption
- ✓ Larger cargo intake
- ✓ Cheaper fuel. No mixing risk. Reduced bunkering time
- ✓ Green profile enables attractive financing terms
- ✓ Better speed
- ✓ Vessel designed as Dual-Fuel

1) Source MAN Engine

2) Reduction per cbm per nm compared to 2008 built vessel (Tier II)

## Reducing Emissions Significantly

- ✓ **Reducing emissions<sup>1+2</sup>:**
  - SOx (99.6%)
  - Particle pollution (90%)
  - CO<sub>2</sub> (28%)
  - NOx (81%)
- ✓ **“Initial IMO Strategy on Reduction of GHG emissions”**
  - By 2030
    - Reduce CO<sub>2</sub> emissions by 40%
  - By 2050
    - Reduce CO<sub>2</sub> emissions by 70%
    - Reduce GHG by 50%
  - Each target compared to 2008 levels

# 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

## Other

- ✓ COVID-19
- ✓ ~70% of 2020 DD days completed by Q1
- ✓ Significant cash flow generation expected



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Q&A

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# APPENDIX

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# APPENDIX – FINANCIALS FY 2019



In \$ thousands (unless stated otherwise)	Twelve months ended	Twelve months ended
<b>Income Statement</b>	<b>31-Dec-2019</b>	<b>31-Dec-2018</b>
TCE earnings	173,553	69,560
Operating expenses	(40,795)	(39,627)
A&G expenses	(5,534)	(4,976)
Depreciation and amortization expenses	(41,846)	(40,662)
Non-operating expenses	(29,382)	(27,456)
Net profit	55,951	(43,215)
Net profit per share (diluted) (\$)	0.88	(0.68)
<b>Balance Sheet</b>	<b>31-Dec-2019</b>	<b>31-Dec-2018</b>
Total assets	899,048	870,795
Total liabilities	487,937	506,227
Cash and cash equivalents	85,909	47,289
Total shareholders' equity	411,111	364,568
<b>Cash Flows</b>	<b>31-Dec-2019</b>	<b>31-Dec-2018</b>
Net cash from (used in) operating activities	83,463	(5,768)
Net cash used in investing activities	(8,816)	(12,237)
Net cash (used in) from financing activities	(36,190)	2,976
Net increase (decrease) in cash and cash equivalents	38,457	(15,027)
<b>Key performance indicators (\$/day):*</b>	<b>31-Dec-2019</b>	<b>31-Dec-2018</b>
TCE (Discharge to discharge)	35,220	14,250
TCE (IFRS 15)	34,309	14,345
OPEX	7,983	7,755
A&G	1,083	974

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



Full year 2019 TCE rate at \$35,220/day, compared to \$14,250/day in 2018 on a discharge to discharge basis



OPEX and A&G slightly higher mainly due to one-off items, run rate maintained at expected levels



Signed and closed a new \$515 million credit facility, fully refinancing all outstanding debt



Entered into 6 scrubber retrofit contracts, considering alternatives for last two wind class ships



Entered into shipbuilding contracts for two 91,000 CBM, LPG Dual Fuel VLGCs for delivery Q4 2021 and Q1 2022



# APPENDIX – FINANCIALS Q4 2019



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income Statement	31-Dec-2019	30-Sep-2019
Operating revenue	90,324	70,890
Voyage expenses	(25,300)	(16,618)
Operating expenses	(9,893)	(10,419)
Administrative and general expenses	(1,545)	(1,292)
<b>Operating profit before depreciation expense</b>	<b>53,586</b>	<b>42,561</b>
Depreciation and amortization expenses	(10,354)	(10,636)
<b>Operating profit</b>	<b>43,232</b>	<b>31,925</b>
<b>Non-operating (expenses) income:</b>		
Finance expense	(6,757)	(7,251)
Finance income	281	11
Foreign currency exchange gain	103	-
Income tax expense	(45)	-
<b>Net profit</b>	<b>36,814</b>	<b>24,685</b>
<b>Profit per share:</b>		
Basic	0.58	0.39
Diluted	0.58	0.39



TCE earnings of \$65.0 million, up from \$54.3 million, reflecting improved freight market



Operating expenses of \$9.9 million, slightly down from Q3



Administrative and general expenses of \$1.5 million, up from \$1.3 million in Q3 due to non-recurring item



Non-operating expenses of \$6.4 million, down from \$7.2 million in Q3 due to lower debt and LIBOR rates



A reported net profit of \$36.8 million, compared to a net profit of \$24.7 million in Q3 2019

# APPENDIX – FINANCIALS Q4 2019



In \$ thousands (unless stated otherwise)	Twelve months ended	Nine months ended
	31-Dec-2019	30-Sep-2019
<b>Balance sheet</b>		
Cash and cash equivalents	85,909	83,625
Receivables	26,068	27,970
Inventory	9,284	5,237
Other current assets	14,891	8,403
<b>Total current assets</b>	<b>136,152</b>	<b>125,235</b>
Property, plant and equipment	762,896	768,261
<b>Total non-current assets</b>	<b>762,896</b>	<b>768,261</b>
<b>Total assets</b>	<b>899,048</b>	<b>893,496</b>
Current portion of long-term debt	42,895	42,907
Accounts payable	14,235	3,268
Related party payable balances	168	239
Accrued expenses (inc voyage expenses)	9,021	5,834
Current portion of derivative financial instruments	620	2,221
Other current liabilities	204	3
<b>Total current liabilities</b>	<b>67,143</b>	<b>54,472</b>
Long-term debt	310,148	355,714
Long-term revolving credit facilities	100,000	100,000
Long-term derivative financial instruments	10,646	11,787
<b>Total non-current liabilities</b>	<b>420,794</b>	<b>467,501</b>
Share capital	64,528	64,528
Paid-in capital	379,851	379,851
Contributed capital	94,945	95,435
Retained loss	(105,654)	(142,469)
Treasury shares	(11,351)	(11,867)
Accumulated other comprehensive loss	(11,208)	(13,955)
<b>Total shareholders' equity</b>	<b>411,111</b>	<b>371,523</b>
<b>Total liabilities and shareholders' equity</b>	<b>899,048</b>	<b>893,496</b>



Cash at end Q4 of \$85.9 million up from \$83.6 million end Q3.



Total assets of \$899.0 million, versus \$893.5 million in the prior quarter



Net interest-bearing debt of \$453.0 million, compared with \$498.6 million, due to prepayment of \$35.0 million and scheduled repayments



Shareholders' equity was \$411.1 million and an equity ratio at 45.7%

# APPENDIX – FINANCIALS Q4 2019



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
Cash flow statement	31-Dec-2019	30-Sep-2019
<b>Cash flows from operating activities:</b>		
Cash flow from operations	58,846	39,106
Net Interest paid	(6,602)	(6,881)
<b>Net cash flows from operating activities</b>	<b>52,226</b>	<b>32,225</b>
<b>Cash flows used in investing activities:</b>		
Capital expenditures	(4,371)	(4,397)
<b>Net cash flows used in investing activities</b>	<b>(4,371)</b>	<b>(4,397)</b>
<b>Cash flows used in financing activities:</b>		
Exercise of share option	81	-
Repayment of long-term debt	(46,000)	(11,000)
<b>Net cash flows used in financing activities</b>	<b>(45,919)</b>	<b>(11,000)</b>
Effect of exchange rate changes on cash	348	(165)
<b>Net increase in cash and cash equivalents</b>	<b>2,284</b>	<b>16,663</b>
Cash and cash equivalents at beginning of period	83,625	66,962
Cash and cash equivalents at end of period	85,909	83,625



Cash flow from operating activities was \$52.0 million, compared to \$32.2 million in Q3, reflecting the strong freight market and timing of freight payments



Cash flow from investing activities reflects investments in dry-docking and scrubber units for the fleet



Cash flow from financing activities was negative \$46.0 million, reflecting prepayment of \$35 million ahead of schedule and \$11 million in scheduled repayments



Cash position at quarter-end was \$85.9 million compared with \$83.6 million in Q3



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## Investor Relations



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## Stock Exchange



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