Avance Gas

# Q1 2021

27 May 2021

# 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.

# HIGHLIGHTS

## Commercial

- TCE $42,552/day on load to discharge basis TCE $36,754/day on a discharge to discharge basis
- Strong commercial performance despite extreme cold weather in the US
- 97% commercial utilisation

## Financials

- Gross operating profit of $35.3 million, net profit of $18.9 million and EPS of $0.30
- Solid cash position of $95.7 million end Q1 and $146.0 million at the date of this report
- Dividend of $0.14 per share corresponding to 57% of net profit running annualised yield of ~10%*)

## Key subsequent events

- Successfully completed equity private placement of $65 million strengthening the balance sheet and funding of the newbuilding program
- Increased its dual fuel VLGC newbuilding program from four to six 91,000 cbm vessels taking an important step towards de-carbonisation
- Received credit approval for the financing of the two first dual fuel newbuildings for delivery in Q4 and Q1 2022 in a $104 million Facility

*) *Dividend yield based on share price NOK 44.78 and USD 8.3*

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# FINANCIAL HIGHLIGHTS

# FINANCIAL HIGHLIGHTS Q1 2021

| In $ thousands (unless stated otherwise) | Three months ended | Three months ended |
|---|---|---|
| Income Statement | 31-Mar-2021 | 31-Dec-2020 |
| TCE earnings | 47,786 | 41,260 |
| Gross Operating Profit | 35,348 | 29,156 |
| Net profit | 18,924 | 46,839 |
| Net profit adjusted for reversal of impairment | 18,924 | 13,106 |
| Earnings per share (diluted) ($) | 0.30 | 0.73 |
| Earnings per share (diluted) ($) adjusted for reversal of impairment | 0.30 | 0.21 |
| Balance Sheet | 31-Mar-2021 | 31-Dec-2020 |
| Total assets | 901,698 | 897,238 |
| Total liabilities | 429,243 | 444,668 |
| Cash and cash equivalents | 95,711 | 75,882 |
| Total shareholders' equity | 472,455 | 452,570 |
| Cash Flows | 31-Mar-2021 | 31-Dec-2020 |
| Net cash from operating activities | 38,229 | 17,370 |
| Net cash used in from investing activities | (360) | (18,521) |
| Net cash used in financing activities | (18,039) | (688) |
| Net increase (decrease) in cash and cash equivalents | 19,830 | (1,839) |

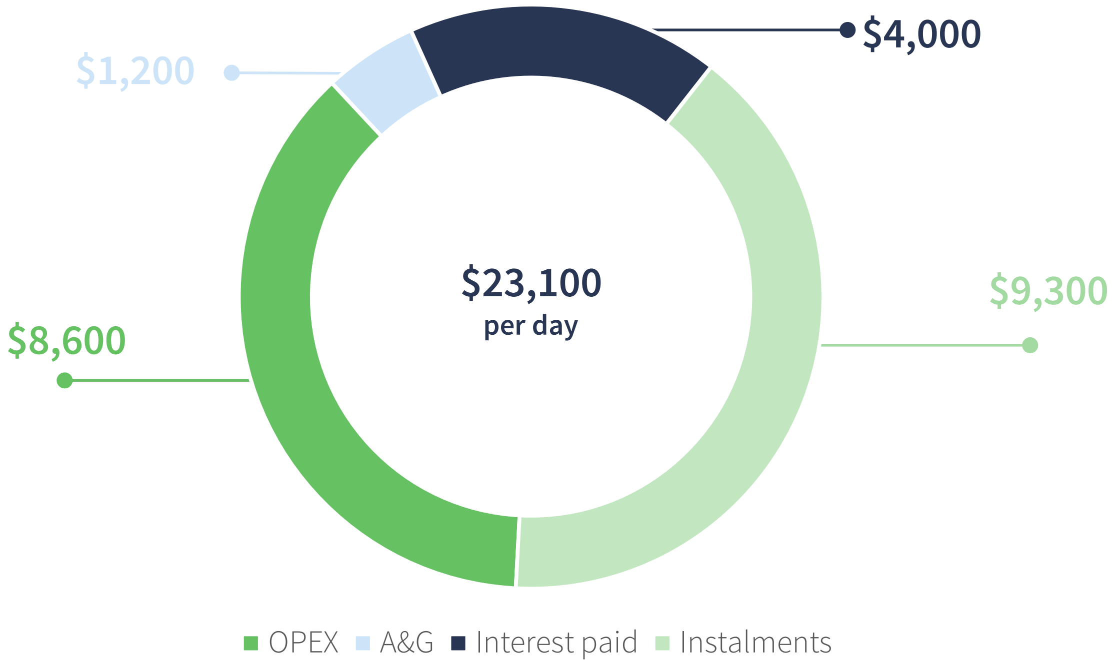
| Key performance indicators ($/day):* | 31-Mar-2021 | 31-Dec-2020 |
|---|---|---|
| TCE (Discharge to discharge) | 36,754 | 40,759 |
| TCE (IFRS 15) | 42,552 | 36,130 |
| Operating expense ('OPEX') | 9,440 | 9,419 |
| Administrative and general expenses ('A&G') | 1,191 | 701 |

*) *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.*

- TCE $42,552/day on load to discharge basis TCE $36,754/day on a discharge to discharge basis
- TC coverage 30% in Q1 2021 at an average TCE rate of ~$30,000/day
- Declared dividend of $0.14 per share for Q1 corresponding to 57% of net profit or $10.7 million
- Equity ratio of 52.4% and solid cash position of $95.7 million
- Strong cash position of $146 million at the date of this report

# FY 2021 – ESTIMATED CBE AND OUTLOOK

## Estimated CBE ($/day) FY 2021




## Key events 2021 ->

- Successfully completed equity private placement of $65 million strengthening the balance sheet and funding of the newbuilding program
- Received credit approval for the financing of the two first dual fuel newbuildings for delivery in Q4 and Q1 2022 in a $104 million facility with an average cash break even of $20,000/day
- TCE of $28,000/day contracted for 95% of vessel days for Q2. TC coverage 23% in Q2-Q4 at an average rate ~ $31,000/day
- No scheduled drydockings before 2023 and no debt maturity before 2023
- Strong long term fundamentals and significant free cash flow generation potential

# STRONG CASH FLOW AND DIVIDEND POTENTIAL – EXISTING FLEET

## Strong cash flow potentitial

Super earnings power through high scrubber penetration

- ~46% of fleet scrubber fitted with estimated $4.0k higher TCE/day vs non-eco VLGCs**

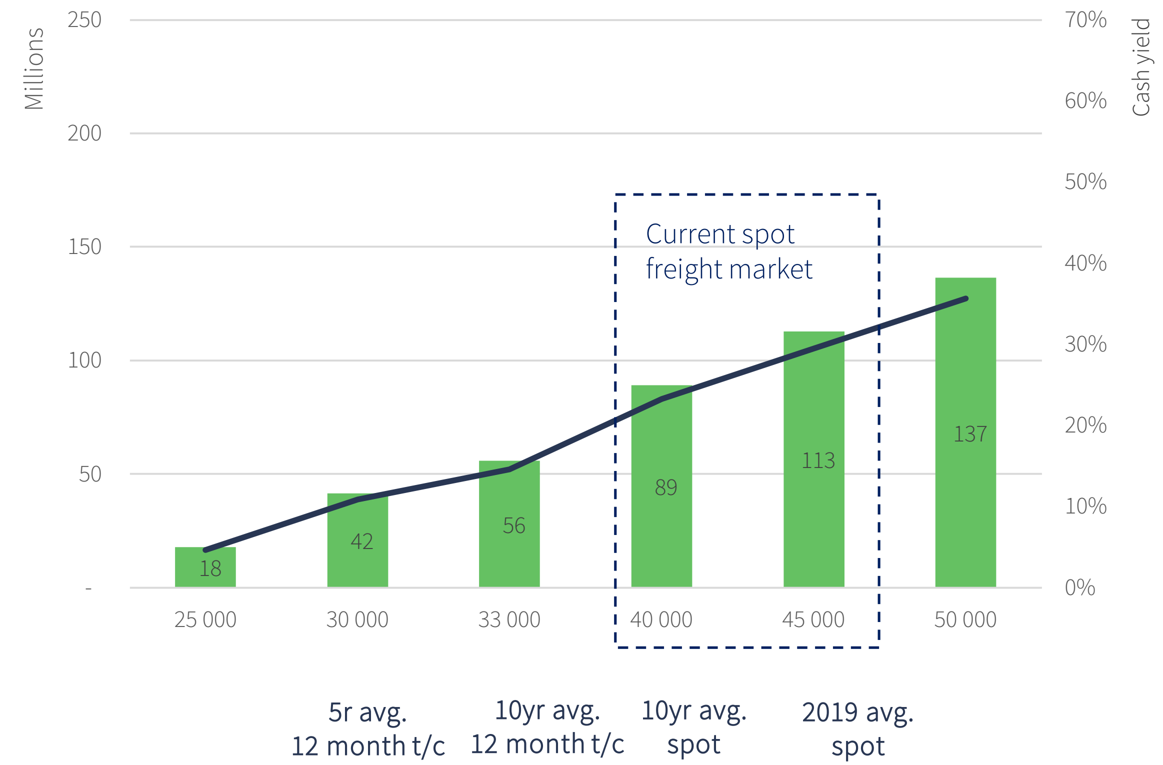
Cash break even of $23k/day for existing fleet for 2021 and $20k/day for newbuilds

- No dry-dockings before 2023
- No debt maturities before 2024

Strong balance sheet and commitment to return capital to shareholders

- TCE rate Q1 2021 of $42,552/day load to discharge (IFRS 15)
- TCE rate Q2 2021 of $28,000/day discharge to discharge
- Cash position of $146 million at the date of this report

## Annualised cash flow & yield sensitivity analysis*




*) Cash flow calculated based on CBE rates subtracted from X-axis TCE rates, adding $10,000/v/d for newbuilds with LPG propulsion and $4,070 /v/d for scrubber fitted vessels. Cash flow yield calculated on fully delivered and annualized cash flow basis divided by market cap of $416million
**) Premium for dual fuel based on Houston - Chiba via Panama Canal, 57 days roundvoyage, 320 seadays/year, average yearly consumption (365 days) 10y old VLGC 36.4m tonnes/day compared to duel fuel newbuild of 25.8m tonnes/day, 2022 forward price propane (Mont Belvieu) of $335/tonne vs VLSFO $459/tonne, extra cargo intake of 4,820 tonnes at current Houston-Chiba freight rate of $90/tonne. 1/3 of higher order intake utilised. Premium for scrubber benefits based on Houston - Chiba via Panama Canal, 57 days round voyage, 320 seadays/year, average yearly consumption (365 days) 10y old VLGC 36.4m tonnes/day, 2022 forward price VLSFO (Singapore) of $459/tonne vs HSFO (Singapore) $331/tonne
Source: Bloomberg, Clarksons SIN

# STRONG CASH FLOW AND DIVIDEND POTENTIAL – ADDING 2 NEWBUILDINGS

## Superior earnings capacity and competitive CBE

Super earnings power through high dual fuel- and scrubber penetration

- ~40% of fleet scrubber fitted with estimated $4.0k higher TCE/day vs non-eco VLGCs**
- ~13% of fleet dual fuel with up to $10.0k higher TCE/day vs non-eco VLGCs**

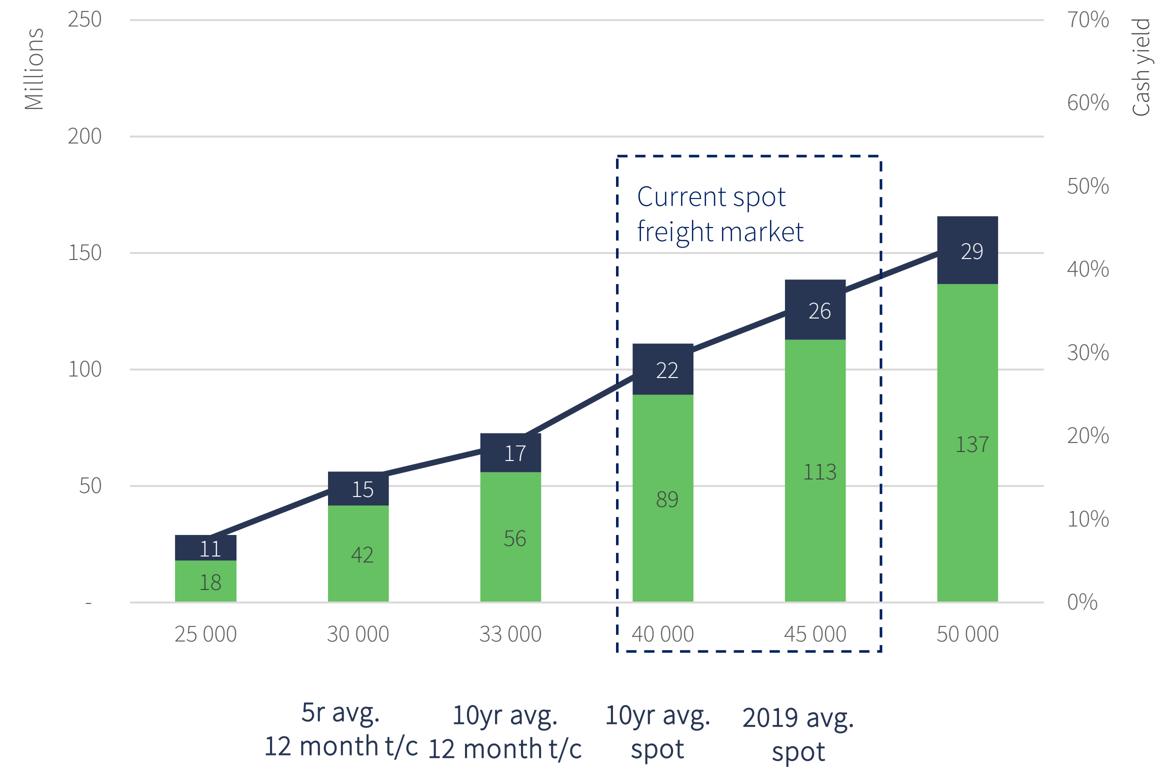
Cash break even of $23k/day for existing fleet for 2021 and $20k/day for newbuilds

- No dry-dockings before 2023
- No debt maturities before 2024

Strong balance sheet and commitment to return capital to shareholders

- TCE rate Q1 2021 of $42,552/day load to discharge (IFRS 15)
- TCE rate Q2 2021 of $28,000/day discharge to discharge
- Cash position of $146 million at the date of this report

## Annualised cash flow & yield sensitivity analysis*




*) Cash flow calculated based on CBE rates subtracted from X-axis TCE rates, adding $10,000/v/d for newbuilds with LPG propulsion and $4,070 /v/d for scrubber fitted vessels. Cash flow yield calculated on fully delivered and annualized cash flow basis divided by market cap of $416million
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Source: Bloomberg, Clarksons SIN

# STRONG CASH FLOW AND DIVIDEND POTENTIAL – ADDING 4 NEWBUILDINGS

## Superior earnings capacity and competitive CBE

Super earnings power through high dual fuel- and scrubber penetration

- ~35% of fleet scrubber fitted with estimated $4.0k higher TCE/day vs non-eco VLGCs**
- ~24% of fleet dual fuel with up to $10.0k higher TCE/day vs non-eco VLGCs**

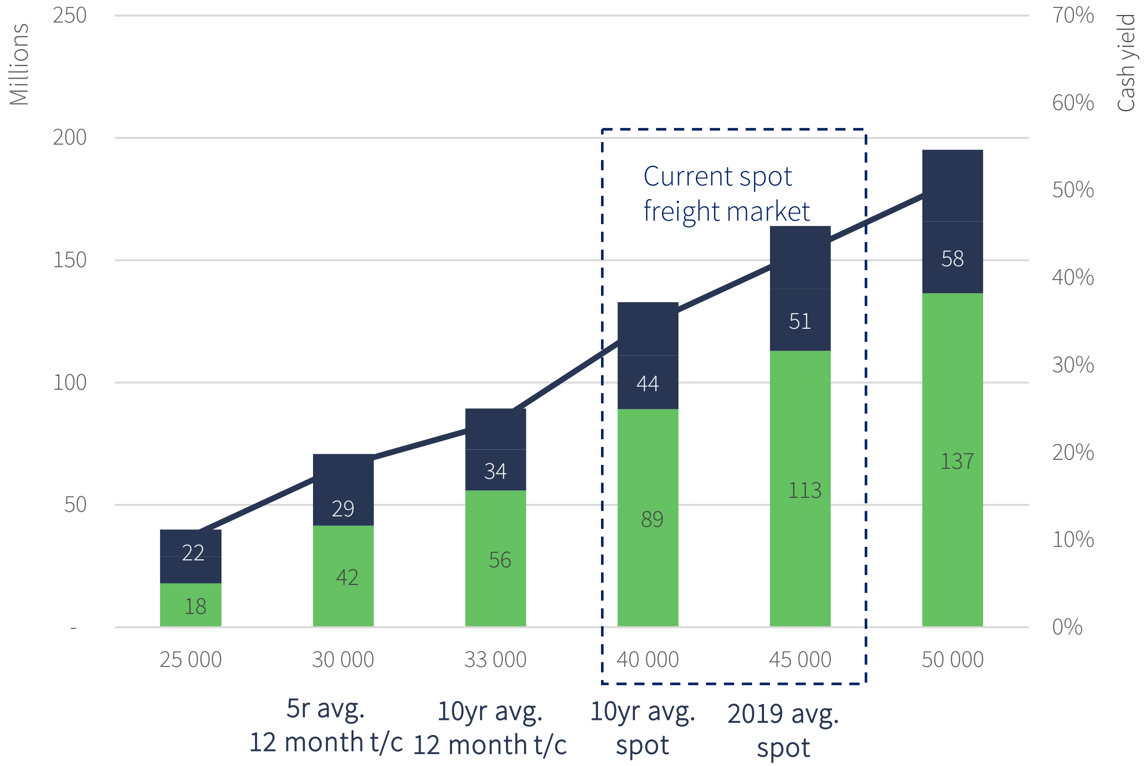
Cash break even of $23k/day for existing fleet for 2021 and $20k/day for newbuilds

- No dry-dockings before 2023
- No debt maturities before 2024

Strong balance sheet and commitment to return capital to shareholders

- TCE rate Q1 2021 of $42,552/day load to discharge (IFRS 15)
- TCE rate Q2 2021 of $28,000/day discharge to discharge
- Cash position of $146 million at the date of this report

## Annualised cash flow & yield sensitivity analysis*

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Source: Bloomberg, Clarksons SIN

# STRONG CASH FLOW AND DIVIDEND POTENTIAL– ADDING 6 NEWBUILDINGS

## Superior earnings capacity and competitive CBE

Super earnings power through high dual fuel- and scrubber penetration

- ~32% of fleet scrubber fitted with estimated $4.0k higher TCE/day vs non-eco VLGCs**
- ~32% of fleet dual fuel with up to $10.0k higher TCE/day vs non-eco VLGCs**

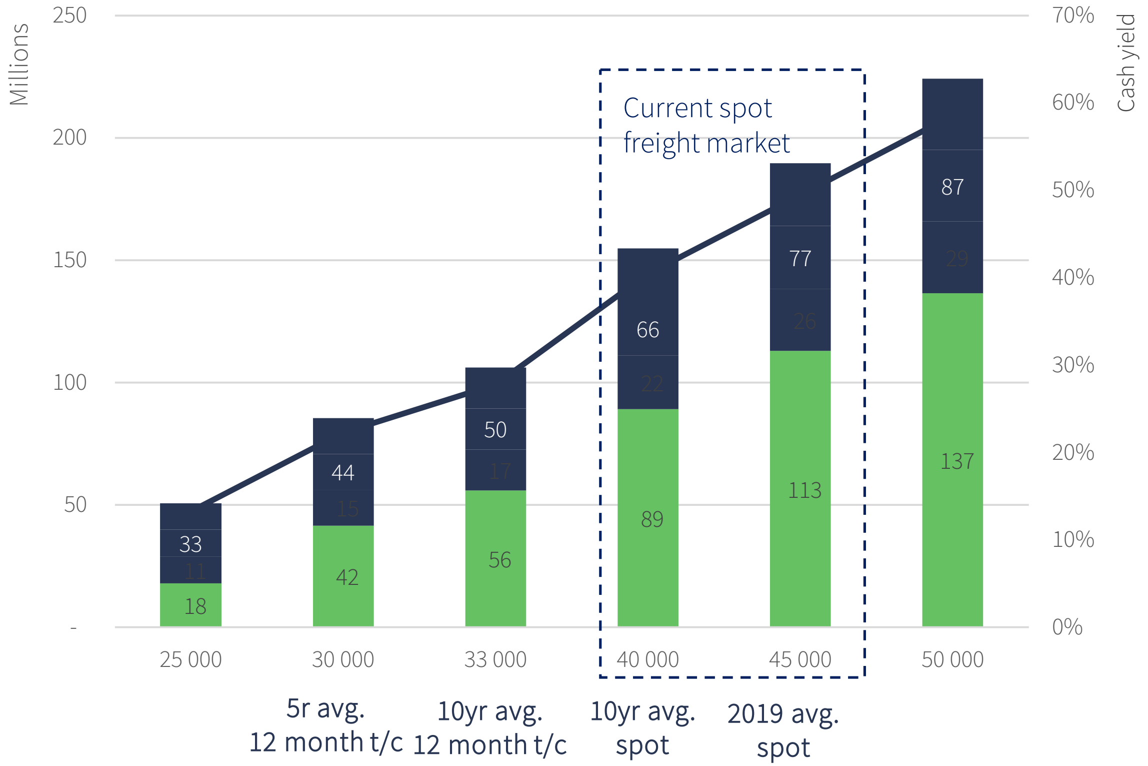
Cash break even of $23k/day for existing fleet for 2021 and $20k/day for newbuilds

- No dry-dockings before 2023
- No debt maturities before 2024

Strong balance sheet and commitment to return capital to shareholders

- TCE rate Q1 2021 of $42,552/day load to discharge (IFRS 15)
- TCE rate Q2 2021 of $28,000/day discharge to discharge
- Cash position of $146 million at the date of this report

## Annualised cash flow & yield sensitivity analysis*

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Source: Bloomberg, Clarksons SIN

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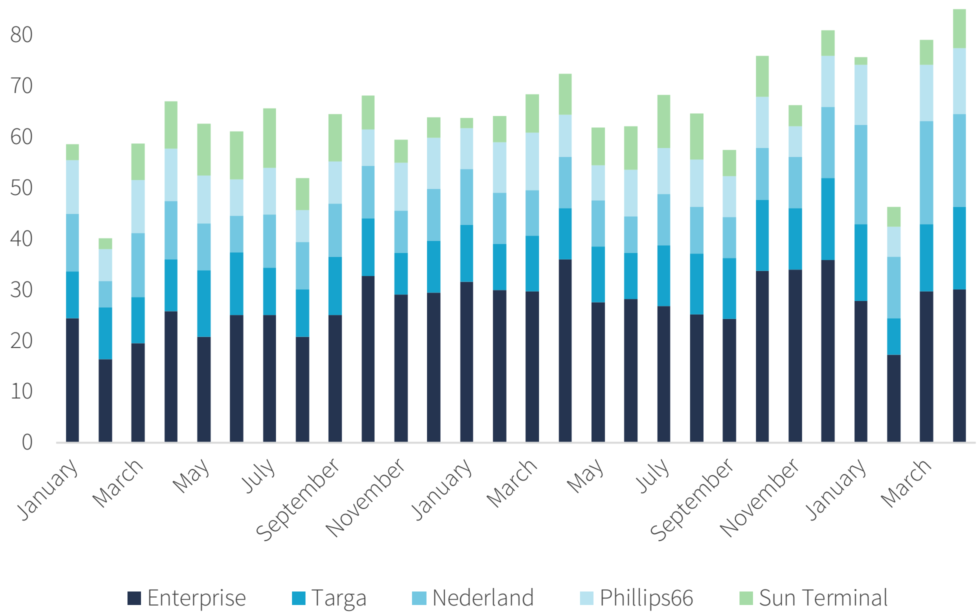
# MARKET UPDATE

# ALL TIME HIGH US LIFTINGS IN APRIL 2021

## US VLGC Liftings 2019 - YTD 2021

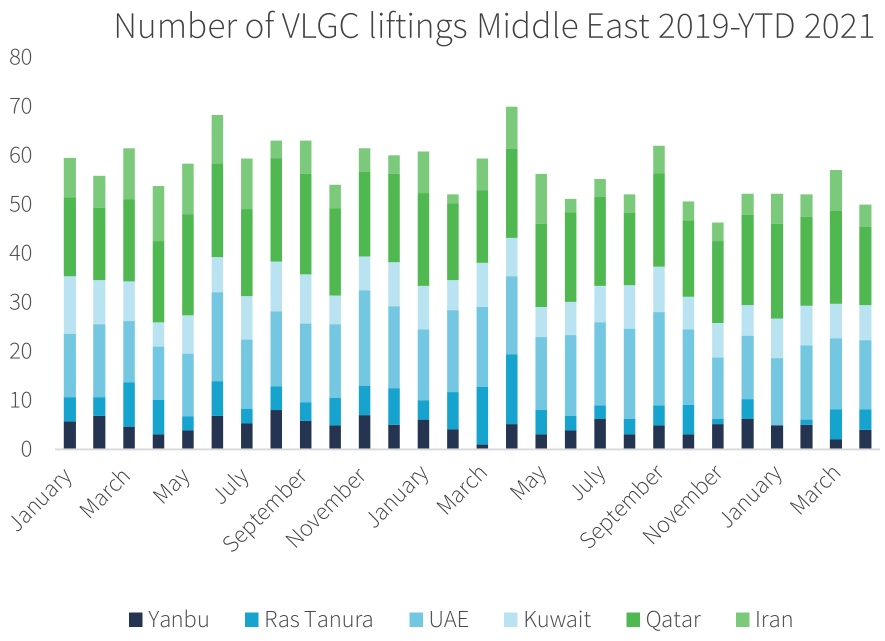



- US Gulf and USEC VLGC exports were 67 cargoes on a monthly average for the first quarter compared to 74 cargoes in Q4
- US production impacted by the big freeze in February but demonstrated strength and rebounded quickly
- Record high number of lifting's counting to 89 cargoes in April

*Source:* IHS Markit

# EXPECT SLIGHT INCREASE IN MIDDLE EAST EXPORTS

## VLGC Liftings Middle East by Country

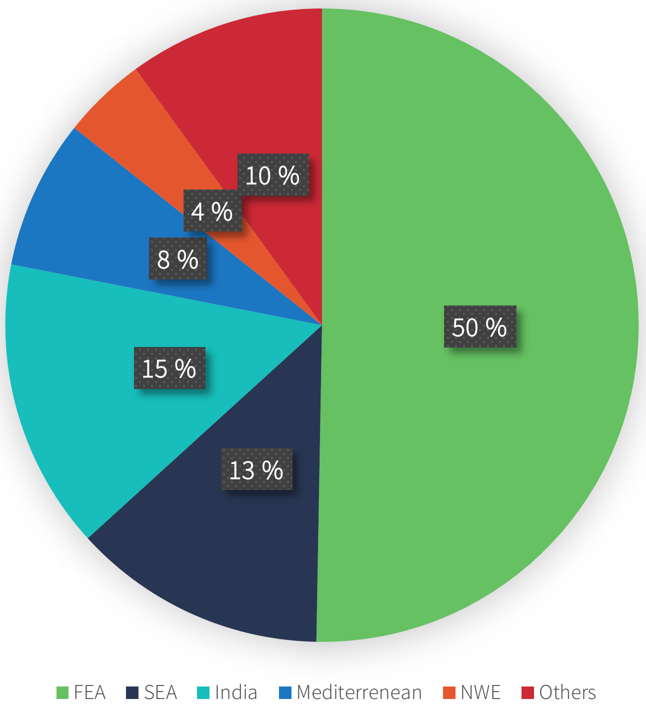



- The Middle East export decreased 10% in 2020
- ME exports were 54 cargoes on a monthly average in Q1 compared to 50 cargoes in Q4
- Expect increasing output from May and further growth in the second half and into 2022
- Re-emerge in 2021 pending on OPEC decisions and potential easning on Iran sanctions

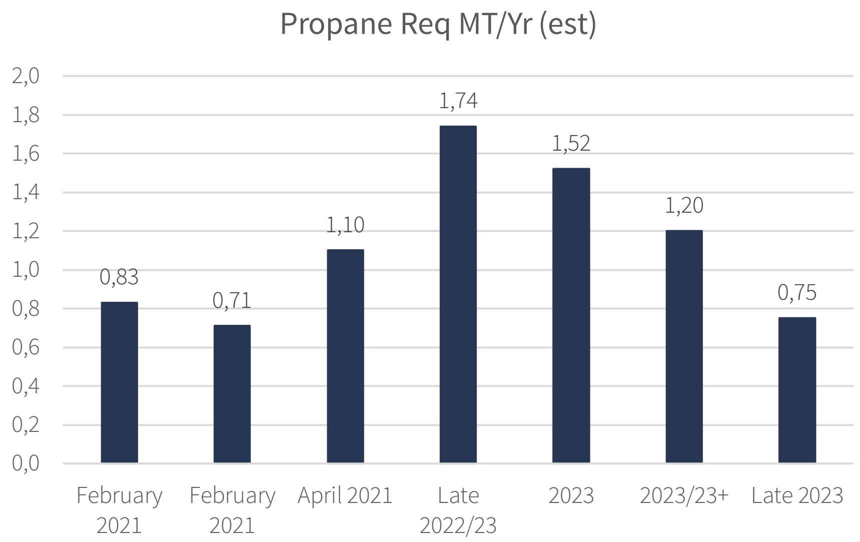
*Source:* IHS Markit

# GROWTH IN ASIAN LPG DEMAND TO CONTINUE

## VLGC imports by regions 2020




## New PDH start ups in China commencing 2021 ->

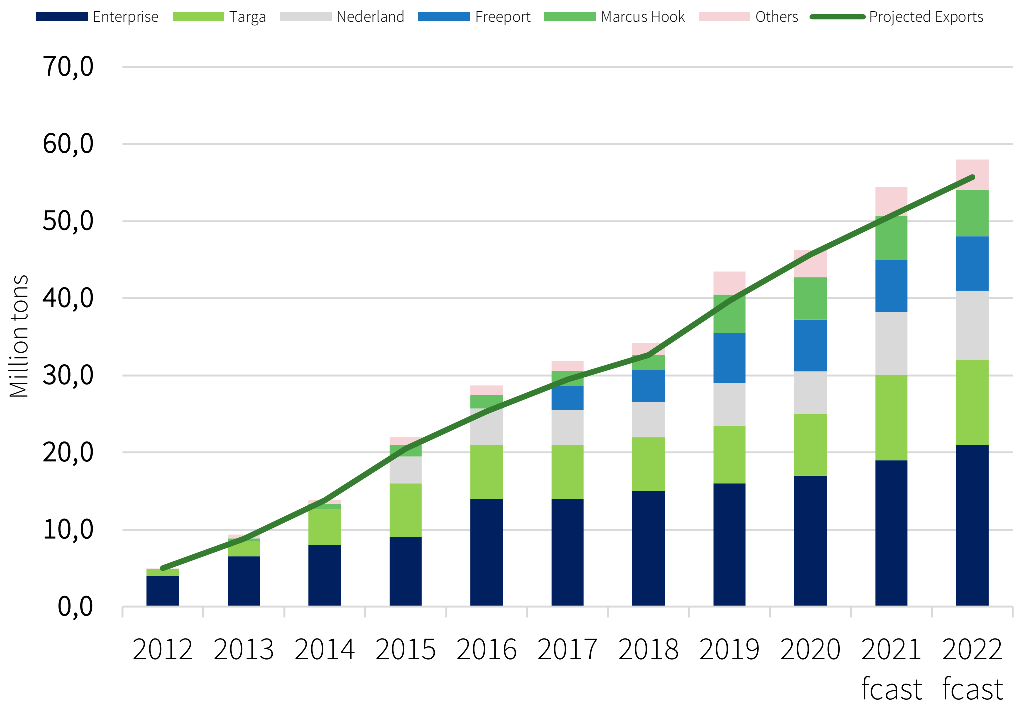



- ~80% of global VLGC demand in Asia
- YTD import growth of 24% y-o-y in India – expected to slow down on the balance of the year
- Chinese LPG demand is set to grow significantly
- PDH plants and new flexible steam crackers will drive demand for LPG import in 2021 while residential demand growth expected to be more modest

*Source: Fearnleys, IHS Markit*

# U.S. LPG PRODUCTION FORECAST IMPLIES PRODUCTION GROWTH

## Strong U.S. LPG production and projected exports

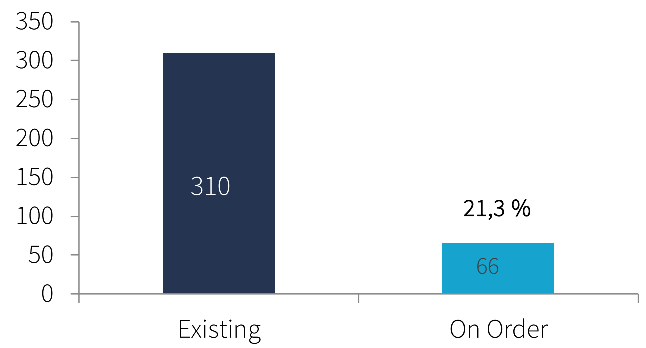



*Source: Fearnleys*

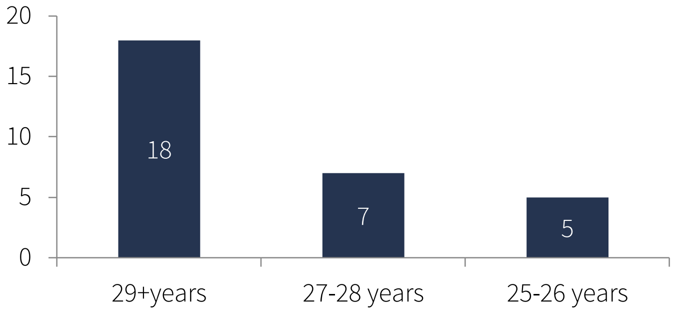
- Strong US exports in 2020, off to a volatile start 2021. Bullish outlook for the balance of the year
- Expansion in US terminal such as Targa, Nederland and Markus Hook starting to materialize
- EIA forecast shows no signs of negative growth, 3% production increase forecasted for 2021
- With the expectation of LPG production growth and flat domestic consumption indicate more US exports volumes in 2021

# GROWING VLGC ORDER BOOK

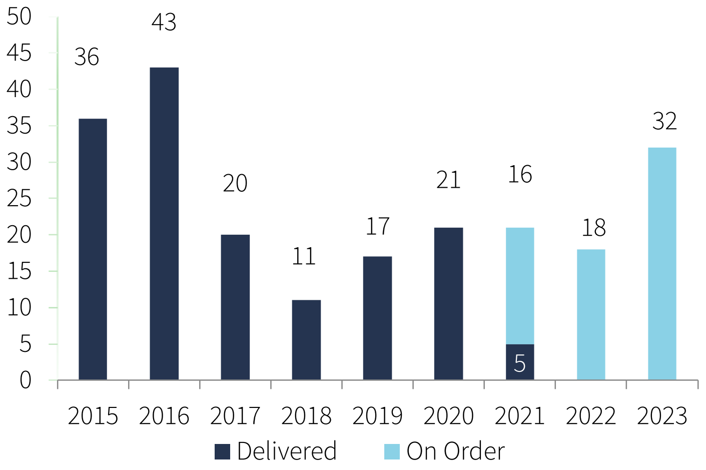
## Fleet and Orderbook




## Fleet 25 years and older




## Orderbook April 2021




- Increased ordering activity
- ~20-25% of fleet to drydock p.a. in 21-22
- 30 ships older than 25 years in 2021
- Special surveys and LPG retrofit
- EEXI – implying reduction in max speed (IMO meeting in June 2021)

*Source: Company,*

# DUAL FUEL – PREPARING FOR A SUSTAINABLE FUTURE

## Avance Gas newbuilding program

| # | CBU | Delivery |
|---|---|---|
| 1 | 91k | Nov-21 |
| 2 | 91k | Feb-22 |
| 3 | 91k | Nov-22 |
| 4 | 91k | Feb-23 |
| 5 | 91k | 2H-2023 |
| 6 | 91k | 2H-2023 |

The newbuilding program will be fully funded through the $65 million private placement assuming a normalised financing structure at delivery

## Reducing GHG emissions

- Significantly lower $CO_2$ emissions estimated at 39,5% compared to a 2010 Korean built VLGC design at 16 knots
- Fully dual fuel specification with shaft generators removing the requirement to burn 5-7 metric tons of hydrocarbon fuel/day
- Estimated reduction in SOx (99.6%) and particle pollution (90%)
- Vessels are intended to be prepared for ammonia as fuel positioning ourselves for a zero-carbon fuel solution

## Supports UN Sustainable Development Goals

- Climate Action
- Life below water
- Peace, justice and strong institutions
- Good health and well-being

# CONCLUSION

## Supply

- Growing orderbook ahead of stricter emission regulations
- 20-25% of fleet to dry dock annually in 2021-22
- 30 ships older than 25 years

## Production and demand

- Increased US exports for 2021 and improving arbitrage fundamentals
- Oil price rebound should increase US production forecast
- Increasing demand in India, China and South Korea

## Outlook

- TCE rate of approx. $28,000/day* contracted for 95% of vessel days for the second quarter
- Strong fundamentals and fully tradeable fleet utilizing significant cash flow generation potential
- Investment in six dual fuel newbuildings taking an important step towards de-carbonisation while contributing to a greener shipping industry

*) Discharge to discharge basis.

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# Q&A

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# APPENDIX

# AVANCE GAS – FLEET LIST

| Fleet | | | |
|---|---|---|---|
| **Vessel** | **Built** | **Shipyard** | **CBM** |
| Iris Glory | 2008 | Daewoo | 83.700 |
| Thetis Glory | 2008 | Daewoo | 83.700 |
| Venus Glory | 2008 | Daewoo | 83.700 |
| Providence | 2008 | Daewoo | 83.800 |
| Promise | 2009 | Daewoo | 83.800 |
| Mistral | 2015 | Jiangnan | 83.000 |
| Monsoon | 2015 | Jiangnan | 83.000 |
| Breeze | 2015 | Jiangnan | 83.000 |
| Passat | 2015 | Jiangnan | 83.000 |
| Sirocco | 2015 | Jiangnan | 83.000 |
| Levant | 2015 | Jiangnan | 83.000 |
| Chinook | 2015 | Jiangnan | 83.000 |
| Pampero | 2015 | Jiangnan | 83.000 |
| **On order** | | | |
| Dual Fuel VLGC TBN | 2021-Q4 | Daewoo | 91.000 |
| Dual Fuel VLGC TBN | 2022-Q1 | Daewoo | 91.000 |
| Dual Fuel VLGC TBN | 2022-Q4 | Daewoo | 91.000 |
| Dual Fuel VLGC TBN | 2023-Q1 | Daewoo | 91.000 |
| Dual Fuel VLGC TBN | 2023-2H | Daewoo | 91.000 |
| Dual Fuel VLGC TBN | 2023-2H | Daewoo | 91.000 |

# APPENDIX – FINANCIALS Q1 2021

| In $ thousands (unless stated otherwise) | Three months ended | Three months ended |
|---|---|---|
| Income Statement | 31-Mar-2021 | 31-Dec-2020 |
| Operating revenue | 62,511 | 51,030 |
| Voyage expenses | (14,725) | (9,770) |
| Operating expenses | (11,045) | (11,265) |
| Administrative and general expenses | (1,393) | (839) |
| Gross operating profit | 35,348 | 29,156 |
| Depreciation and amortisation expenses | (12,132) | (10,877) |
| Reversal of impairment losses | - | 33,733 |
| Operating profit | 23,216 | 52,012 |
| Non-operating (expenses) income: | | |
| Net finance expense | (4,292) | (5,088) |
| Profit before income tax expense | 18,924 | 49,924 |
| Income tax expense | - | (85) |
| Net profit | 18,924 | 46,839 |
| Earnings per share: | | |
| Basic | 0.30 | 0.74 |
| Diluted | 0.30 | 0.73 |

- TCE earnings of $62.5 million, up from $51.0 million
- Operating expenses of $11.0 million, slightly down from Q4 of $11.3 million, impacted by Covid-19 cost and seasonal up storing of spares and maintenance
- Administrative and general expenses of $1.4 million, up from Q4 of $0.8 million
- Depreciation of $12.1 million up from $10.9 million, reflecting capitalised drydock and scrubber installations. Reversal of previous recognised impairment of $33.7 million in Q4.
- Non-operating expenses of $4.3 million, down from $5.1 million in Q4.
- A reported net profit of $18.9 million compared to a net profit of $13.1 million excluding reversal of impairment in Q4 2020.

# APPENDIX – FINANCIALS Q1 2021

| In $ thousands (unless stated otherwise) | Three months ended | Three months ended |
|---|---|---|
| Balance sheet | 31-Mar-2021 | 31-Dec-2020 |
| Cash and cash equivalents | 95,711 | 75,882 |
| Trade and other receivables | 7,444 | 16,456 |
| Inventory | 3,320 | 4,358 |
| Other current assets | 10,034 | 7,558 |
| **Total current assets** | **116,509** | **104,254** |
| Property, plant and equipment | 749,528 | 761,159 |
| Newbuildings | 32,493 | 31,825 |
| Long-term derivative financial instruments | 3,168 | - |
| **Total non-current assets** | **785,189** | **792,984** |
| **Total assets** | **901,698** | **897,238** |
| | | |
| Current portion of long-term debt | 43,118 | 43,001 |
| Trade and other payables | 825 | 2,977 |
| Current portion of derivative financial instruments | 6,106 | 6,223 |
| Other current liabilities | 6,035 | 3,699 |
| **Total current liabilities** | **56,084** | **55,900** |
| Long-term debt | 274,490 | 285,434 |
| Long-term revolving credit facilities | 88,110 | 88,110 |
| Long-term derivative financial instruments | 10,559 | 15,224 |
| **Total non-current liabilities** | **373,159** | **388,768** |
| Share capital | 64,528 | 64,528 |
| Paid-in capital | 379,851 | 379,851 |
| Contributed capital | 94,791 | 94,780 |
| Retained loss | (41,926) | (53,856) |
| Treasury shares | (11,351) | (11,351) |
| Accumulated other comprehensive loss | (13,438) | (21,382) |
| **Total shareholders’ equity** | **472,455** | **452,570** |
| **Total liabilities and shareholders’ equity** | **901,698** | **897,238** |

- Cash Q1 of $95.7 million, up from Q4 due to increased cash flow from operations and less cash flows used in investing activities.
- Total assets of $901.7 million up from $897.2 million in Q4 primarily due to reduction in net debt and positive operational results.
- Net interest-bearing debt of $405.7 million, down from $416.5 million in Q4 following scheduled repayments.
- Shareholders’ equity was $472.5 million and an equity ratio at 52.4%

# APPENDIX – FINANCIALS Q1 2021

| In $ thousands (unless stated otherwise) | Three months ended | Three months ended |
|---|---|---|
| Cash flow statement | 31-Mar-2021 | 31-Dec-2020 |
| Cash flows from operating activities: | | |
| Cash flow from operations | 42,714 | 21,846 |
| Net Interest paid | (4,485) | (4,476) |
| Net cash flows from operating activities | 38,229 | 17,370 |
| Cash flows used in investing activities: | | |
| Capital expenditures | (360) | (18,521) |
| Net cash flows used in investing activities | (360) | (18,521) |
| Cash flows used in financing activities: | | |
| Payment of dividend | (6,994) | - |
| Repayment of long-term debt | (11,045) | (45,161) |
| Drawdown of long-term debt | - | 44,473 |
| Net cash flows used in financing activities | (18,039) | (688) |
| Effect of exchange rate changes on cash | (1) | 88 |
| Net increase (decrease) in cash and cash equivalents | 19,830 | (1,751) |
| Cash and cash equivalents at beginning of period | 75,882 | 77,633 |
| Cash and cash equivalents at end of period | 95,711 | 75,882 |

- Cash flow from operating activities was $38.2 million, compared to $17.4 million in Q4
- Distributed dividend of $7.0 million in March
- Cash flow from financing activities was negative $18.0 million, reflecting scheduled repayments of debt.
- Cash position at quarter-end was $95.7 million and available liquidity at the date of this report is approx. $146.0 million

# GLOSSARY

A&G = Administrative and general

CBE = Cash break even

EEXI = Energy Efficiency Existing Ship Index

FY = Fiscal year

IFRS = International Financial Reporting Standards

IMO = International Maritime Organisation

LPG = Liquefied petroleum gas

OPEX = Operating expenses

PDH = Propane Dehydrogenation

TC = Time charter

TCE = Time charter equivalent

VLGCs = Very large gas carrier


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## Investor Relations

https://www.avancegas.com/Investor-Relations

## Stock Exchange

ticker: AGAS