



Avance Gas

Q4 2021

22 February 2022



# 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.

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

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# HIGHLIGHTS



## Commercial

- TCE of \$32.9 million or \$27,631/day for the fourth quarter and \$143 million or \$31,302/day for the full year 2021
- We had a TC coverage of ~40% in the fourth quarter 2021 at an average TCE rate of \$31,000/day
- For the year 2022, current TC coverage is 38% consisting of three vessels at an average rate of \$30,000/day and three vessels with floating hire

## Financial

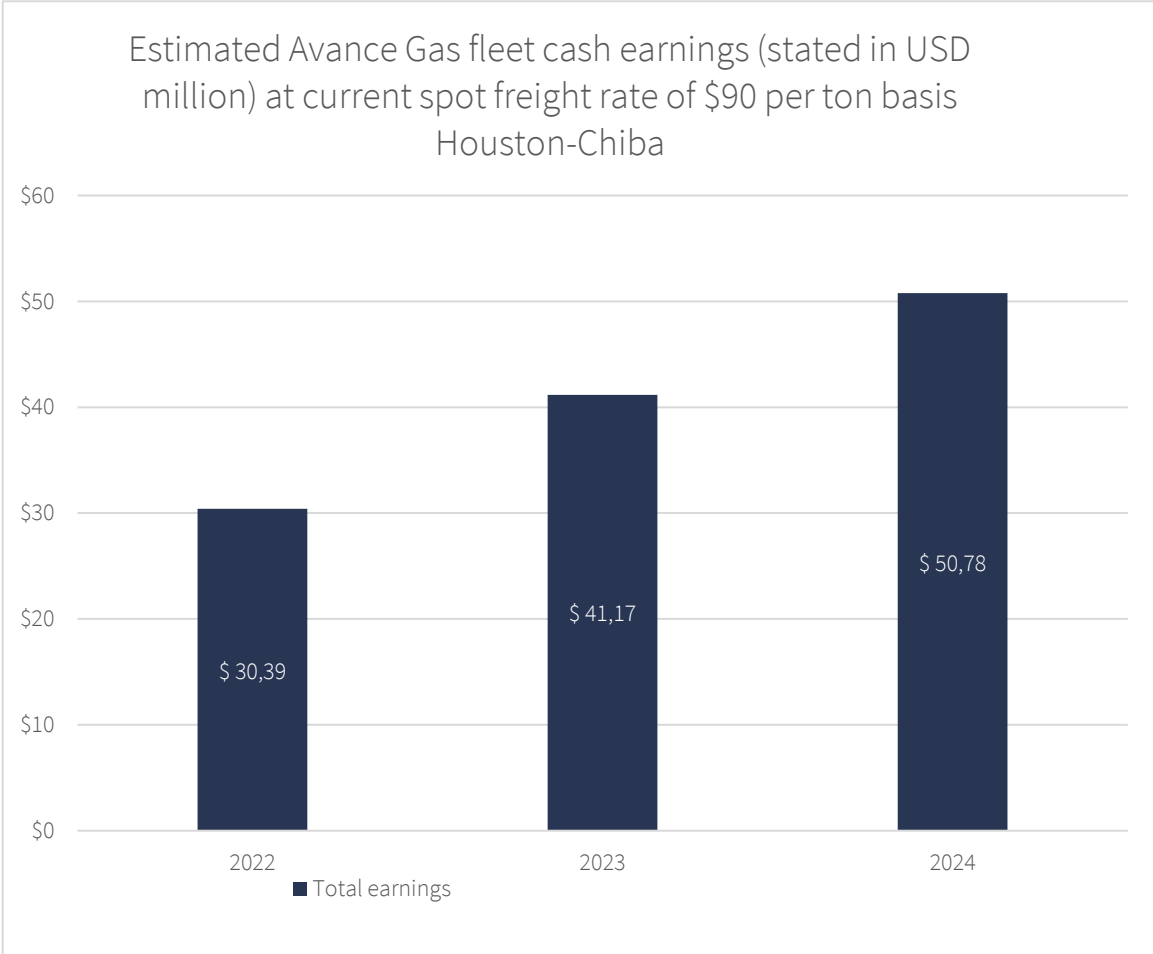
- EBITDA of \$21.6 million, net profit of \$7.5 million and EPS of \$0.10 for the fourth quarter and EBITDA of \$94.4 million, net profit of \$32.1 million and EPS of \$0.44 for the full year 2021
- Successfully completed a sale leaseback transaction generating approximately \$16.6 million in net cash proceeds
- Declared a dividend of \$0.05 per share corresponding to 50% of net profit or \$3.8 million for Q4

## Key subsequent event

- In January 2022, the Company took delivery of *Avance Polaris*, the first of its six 91,000 cbm VLGC newbuildings from DSME Shipyard in South Korea
- In January 2022, the Company entered a contract to sell the 2008-built VLGC *Thetis Glory* with delivery in February after her current voyage
- In January 2022, the Company entered into a Time Charter Agreement for a period of 2 years for the second dual fuel VLGC, *Avance Capella*



# DUAL FUEL VLGCS PHASED INTO OUR FLEET – EXTRA EARNINGS POWER & REDUCING EMISSIONS



\* Based on freight rate at \$90 per ton Houston-Chiba including 6 days waiting time in the Panama Canal, VLSFO \$705 per ton and cash break even of \$22,500 per day for the fleet



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# FINANCIAL HIGHLIGHTS





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# FINANCIAL HIGHLIGHTS Q4 2021



In US\$ thousands (unless stated otherwise)	3m ended Q4-2021	3m ended Q3-2021	12m ended Q4-2021	12m ended Q4-2020
<b>Income Statement</b>				
TCE earnings	<b>32 908</b>	31 597	<b>142 988</b>	144 098
Operating profit before depreciation expense	<b>21 559</b>	19 446	<b>94 429</b>	95 188
Net profit	<b>7 492</b>	4 221	<b>32 109</b>	70 906
Earnings per share (diluted) \$	<b>0,10</b>	0,06	<b>0,44</b>	1,11
<b>Balance Sheet</b>				
Total assets	<b>955 383</b>	936 773	<b>955 383</b>	897 238
Total liabilities	<b>416 215</b>	405 161	<b>416 215</b>	444 668
Cash and cash equivalents	<b>101 910</b>	102 293	<b>101 910</b>	75 882
Total shareholder's equity	<b>539 168</b>	531 612	<b>539 168</b>	452 570
<b>Cash flows</b>				
Net cash from operating activities	<b>15 258</b>	16 315	<b>73 554</b>	78 954
Net cash used in investing activities	<b>(18 051)</b>	(8 137)	<b>(60 179)</b>	(31 965)
Net cash from (used in) financing activities	<b>2 328</b>	(13 838)	<b>12 540</b>	(56 976)
Net increase (decrease) in cash and cash equivalents	<b>(465)</b>	(5 660)	<b>25 915</b>	(9 987)
<b>Key performance indicators (\$/day)</b>				
TCE (discharge to discharge)	<b>30 065</b>	27 229	<b>30 684</b>	32 862
TCE (IFRS 15)	<b>27 631</b>	27 548	<b>31 302</b>	32 418
OPEX	<b>8 139</b>	8 610	<b>8 871</b>	8 968
A&G	<b>1 350</b>	1 549	<b>1 363</b>	771

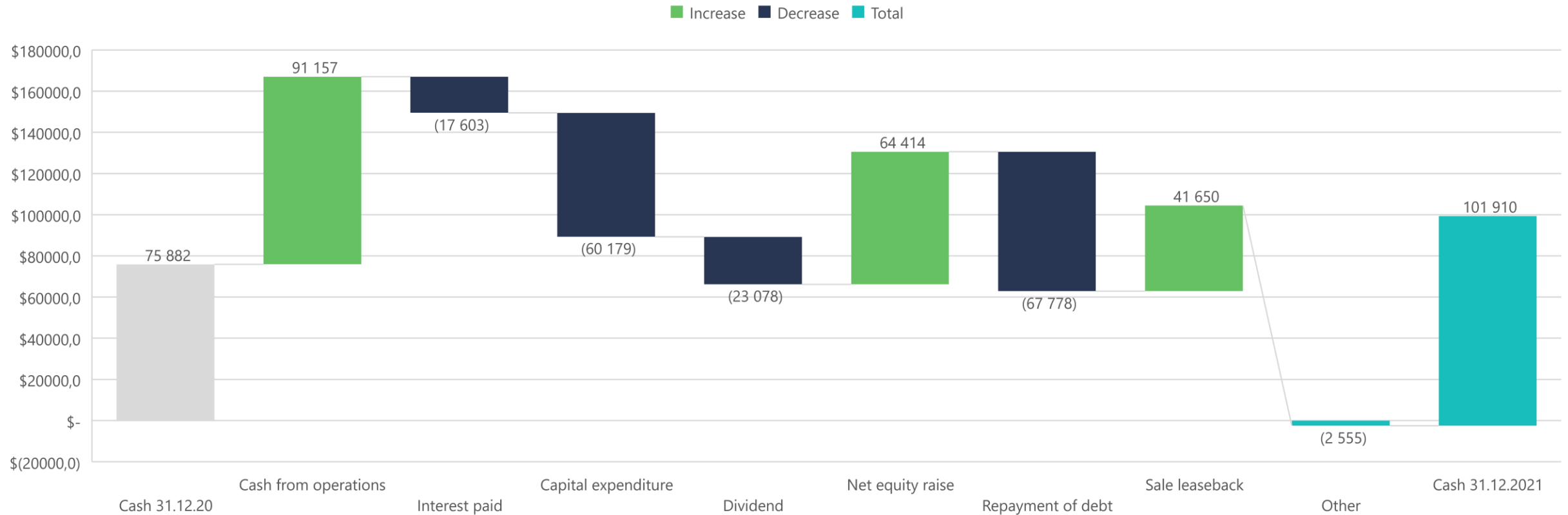
## Key highlights

- 
 TCE \$27,631/day for the fourth quarter compared \$27,548 in Q3, commercial utilization of 96.7%. TC coverage 40% in Q4 2021 at an average TCE rate of ~\$31,000/day
- 
 Successfully executed a sale leaseback transaction of the VLGC Iris Glory generating approximately \$16.6 million in net cash proceeds
- 
 The Board declared a dividend of \$0.05 per share for the fourth quarter 2021
- 
 Equity ratio of 56.4% and robust cash position of \$101.9 million at year end 2021

# CASH FLOW YTD 2021



Cash movements YTD 2021 (stated in thousand \$)

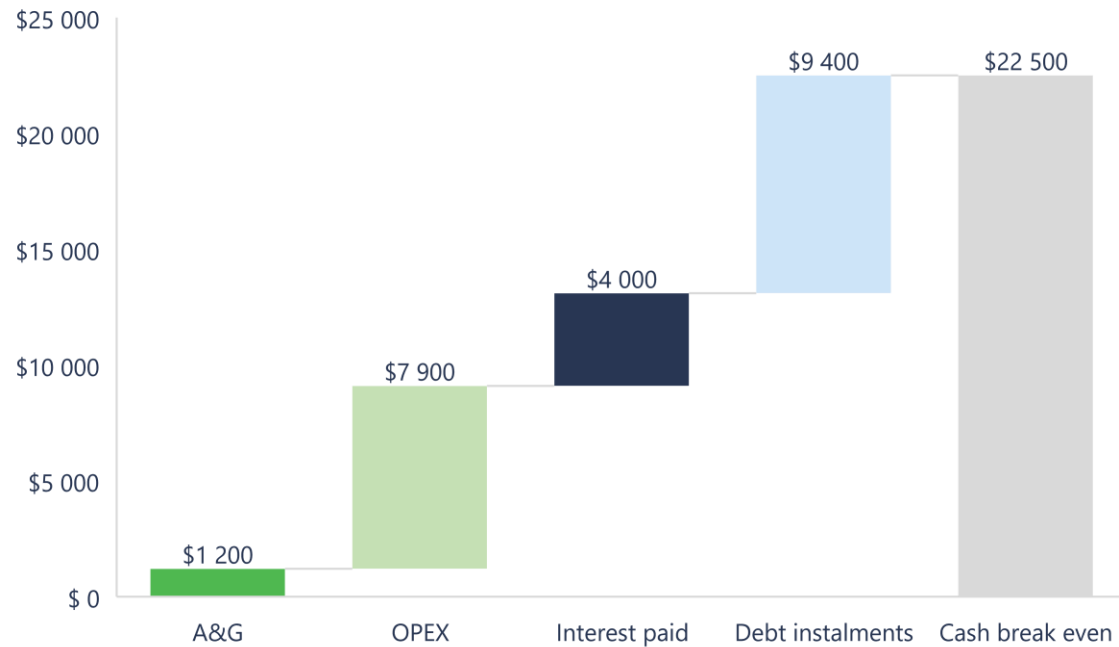


- Accumulated since 2019, \$157 million newbuilding CAPEX is paid as of the date of this report

# CASH BREAK EVEN AND FLEET EMPLOYMENT



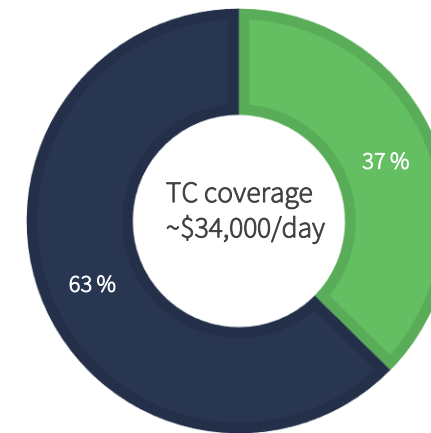
## Estimated cash break even/day FY 2022



- Operating cash break even (CBE) levels calculated basis cash costs/calendar days

## Fleet employment

■ TC coverage Q1 2022 ■ Spot Q1 2022



- TCE of \$40,000/day contracted for 80% of vessel days for Q1 including TC coverage
- Current TC coverage is 38% for the year 2022 ~ three vessels at an average TCE rate of \$30,000/day and three vessels with floating hire
- Current market sentiment with freight rates of \$25-30,000/day range depending on load area - expect healthy fundamentals in 2022





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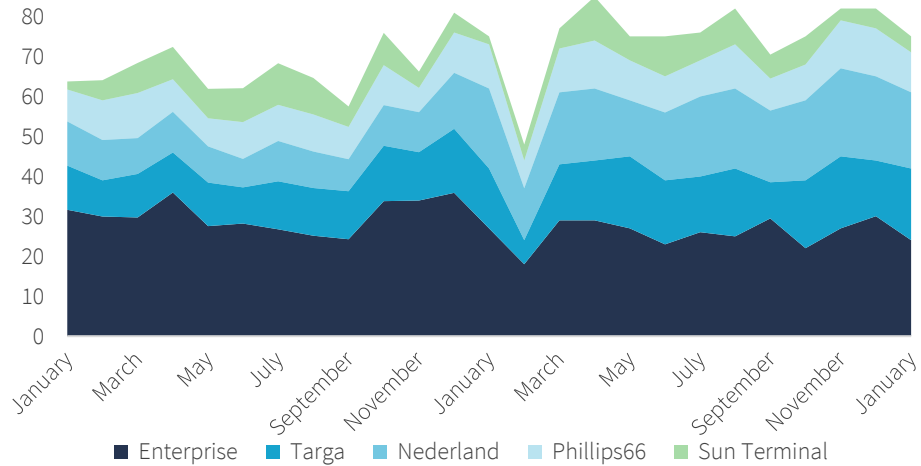
# MARKET UPDATE



# VLGC LIFTINGS 2020-2022

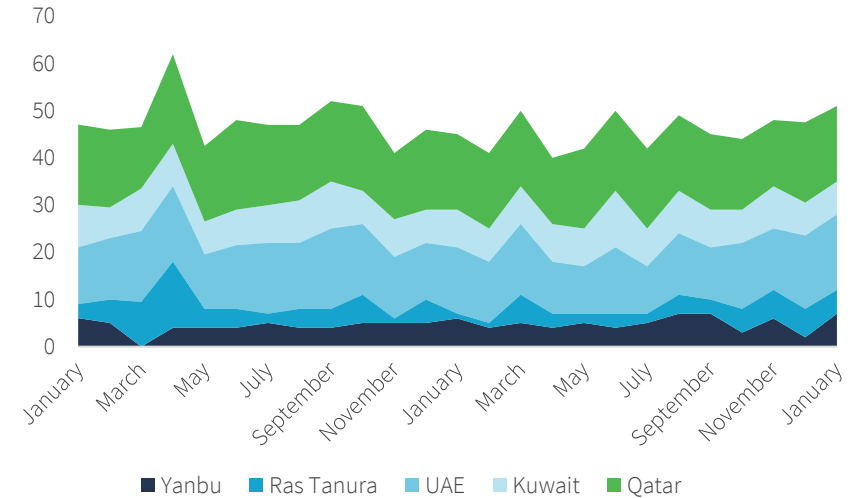


## US VLGC Liftings by terminal



- ✓ US Gulf and USEC VLGC exports were 82 cargoes on a monthly average for the 4th quarter compared to 80 cargoes in Q3. November & December exports reached 85 cargoes per month
- ✓ On the average US exports in Q4 2021 were up six cargoes per month compared to Q4 2020 which demonstrates the robustness in the US LPG export capacity
- ✓ Demand side in Asia and Europe showed inelastic demand pattern

## VLGC Liftings Middle East by Country



- ✓ Middle East exports (excl. Iran) remain at reduced volumes and Q4 exports were steady at 50 VLGC cargoes monthly. The average for the year ended at the same 50 cargoes per month which is down from 53 VLGC liftings monthly for 2020
- ✓ We expect a gradual increase of Middle East LPG exports pending on OPEC decisions and potential easing on Iran sanctions
- ✓ India is increasing its share of the Middle East exports while US exports continue to find its home in the Far East

# VLGC FREIGHT MARKET IMPACTED BY INEFFICIENCIES



Freight Rates 2020 – YTD 2022  
US\$ pr. ton

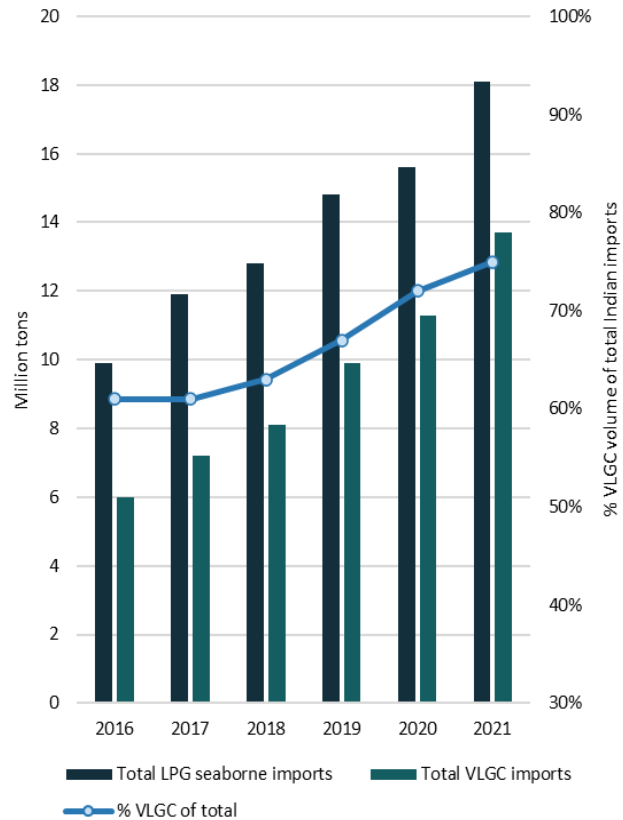


- ✓ A busy winter market pushed rates and earnings significantly up
- ✓ The Panama congestion continues to absorb capacity and add inefficiency to the global VLGC fleet
- ✓ Sharp increase in Q4 for VLGCs ballasting from Asia to USG via Suez or Cape of Good Hope
- ✓ Ballast leg from China to USG via Suez or Cape of Good Hope represents 10-13 days longer ballast than via Panama
- ✓ Additional inefficiency from discharge port congestions in Asia

# ASIAN LPG DEMAND

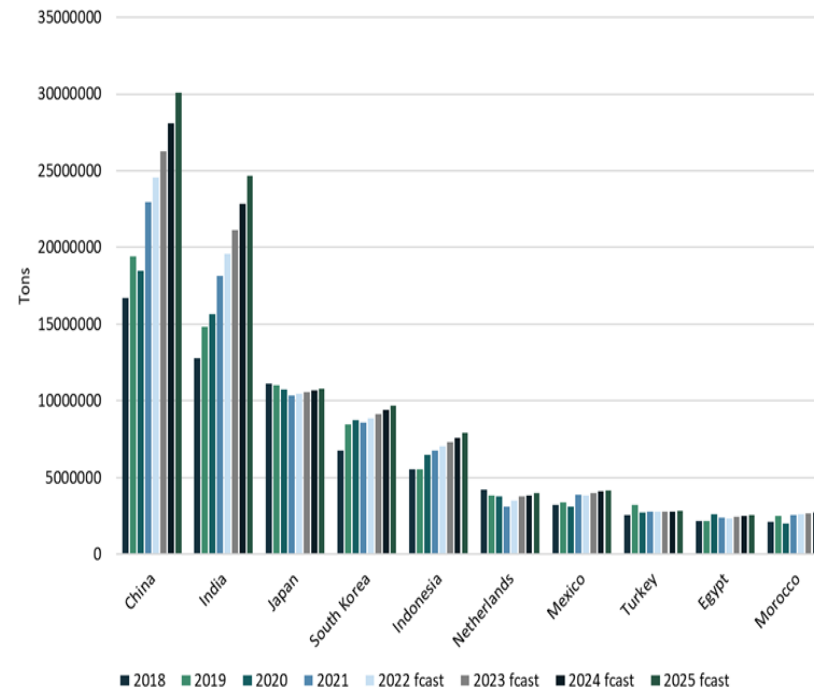


## India imports 2016- 2021



Source: Fearnleys, IHS Markit

## Major import regions forecast -> 2025



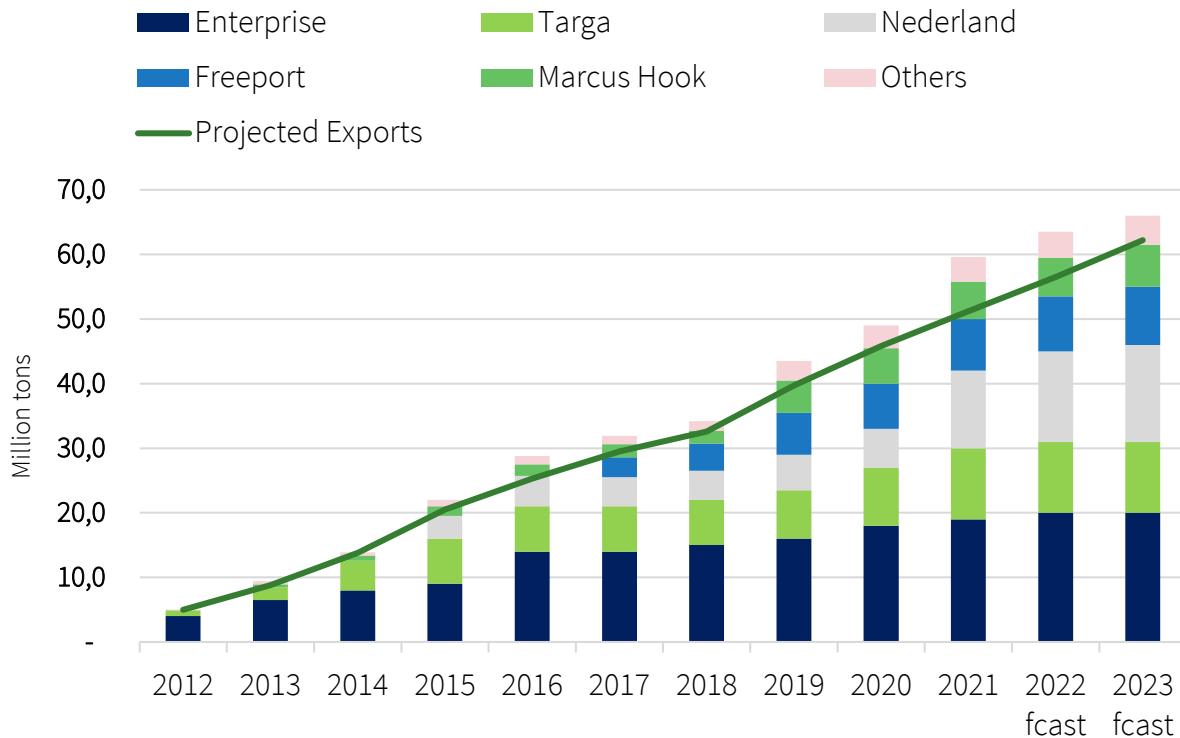
- ✓ Indian LPG imports primarily sourced from the Middle East
- ✓ VLGCs increasing its share of Indian seaborne imports, 22 VLGCs on TC to Indian charterer and active spot chartering
- ✓ Chinese LPG demand is becoming more petchem driven and more than offsetting the gradual decline in the residential sector as natural gas grids are developed in urban areas
- ✓ Furthermore, LPG demand from SE Asia, Japan and Korea is supplementing the flow of cargoes from West to East



# U.S. LPG PRODUCTION AND PROJECTED EXPORTS



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



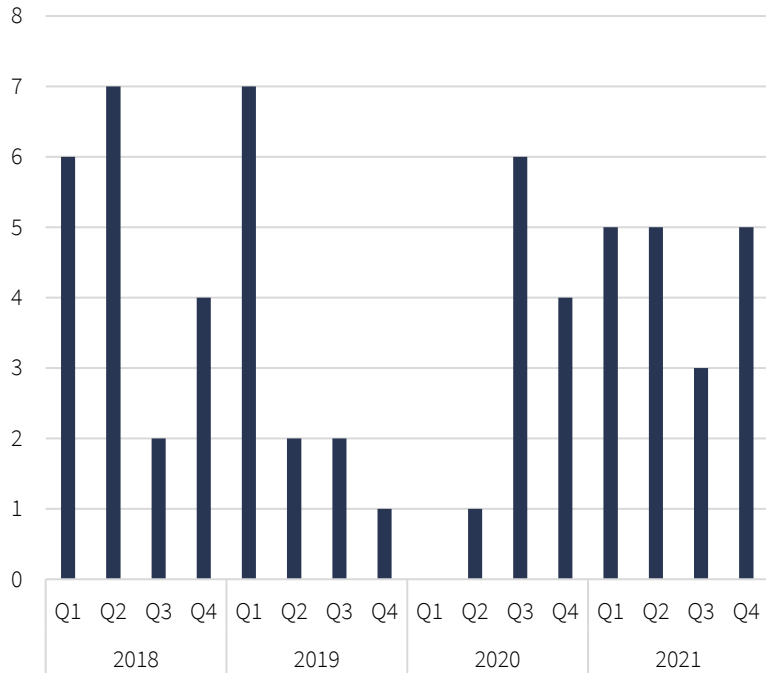
Source: Fearnleys, EIA

- ✓ US projected exports from EIA suggest an increase of 10% growth for 2022
- ✓ Signs of increased US drilling activity
- ✓ High demand for hydrocarbons globally expected to support demand for US LPG
- ✓ US domestic consumption is forecasted to be flat/slightly decrease except for periods with seasonal weather variations

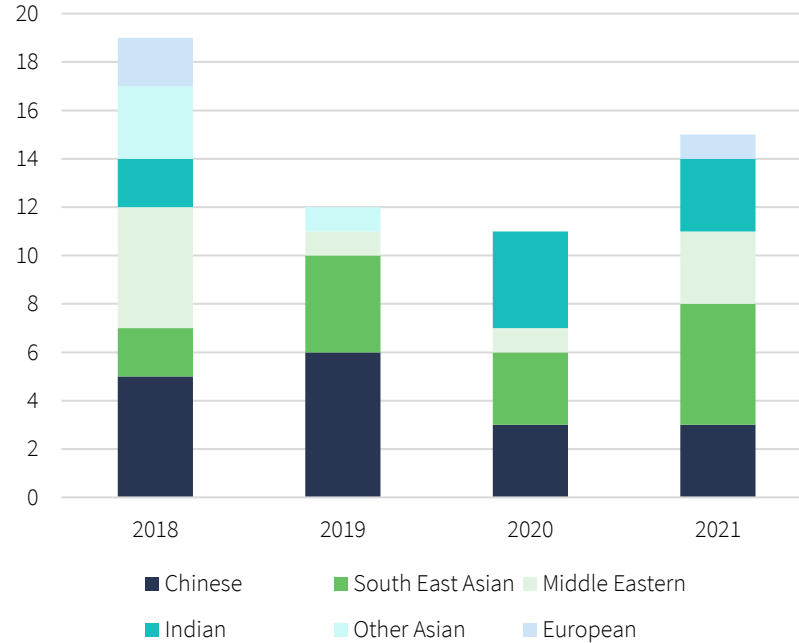
# VLGC SECONDHAND MARKET HISTORICALLY ACTIVE



## Number of VLGC sales



## VLGC buyers by region



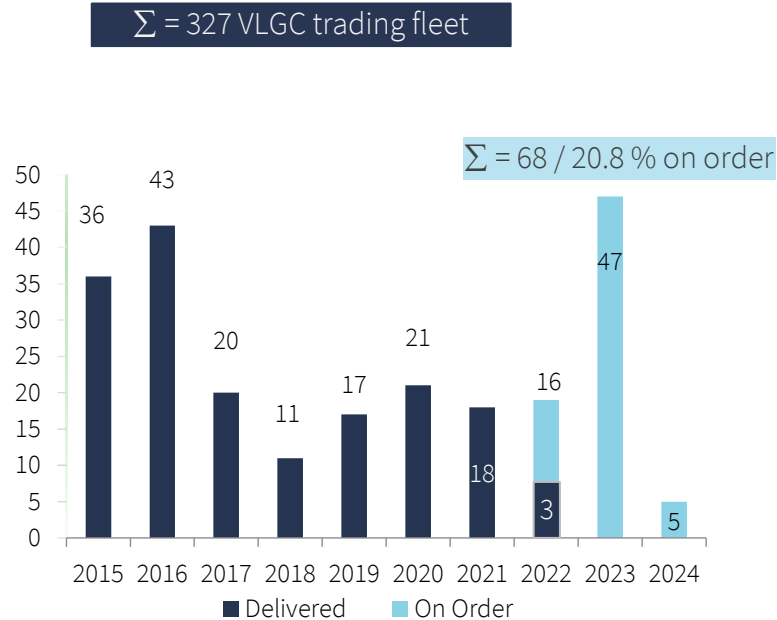
- ✓ 2021 was the most active SnP year since 2018
- ✓ Secondhand prices maintained at attractive levels compared to NB parity
- ✓ Avance Gas continue to offload 12-15 year old VLGCs to Asian buyers
- ✓ Except for vessels sold to service the Indian market most vessels disappear from the conventional VLGC market
- ✓ The secondhand activity goes hand-in-hand with the increasing LPG demand in India and SE Asia

Source: Gibson Shipbrokers

# VLGC ORDER BOOK FOR 2023-24



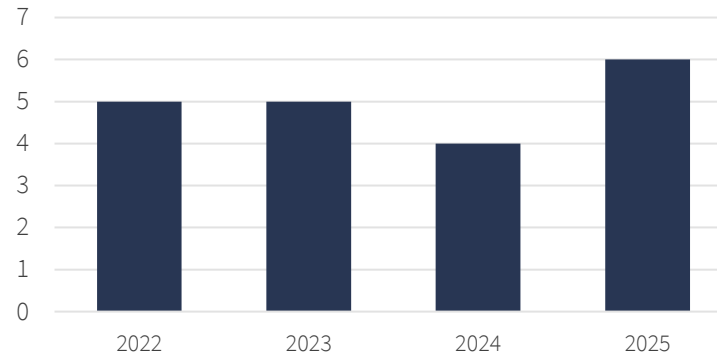
## Orderbook February 2022



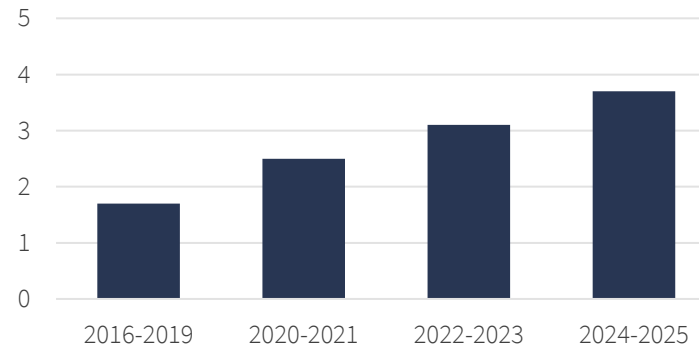
Source: Fearnleys

## VLGC fleet inefficiency accelerating

Estimated nr of DDs expressed in VLGC eqv.



Estimated change in Neo panamax waiting days



Seaborne LPG trade expected to grow 7% in 2022



~25% of deliveries in 2022 is absorbed by dry-dockings



Waiting time around the Panama Canal is expected to increase



More ships ballasting long route from Asia via Suez Canal or Cape Good Hope to USG



EEXI and CII- final details to be decided during IOM meeting in June, we anticipate service speed reduction for about 150 VLGCs

# SUMMARY & OUTLOOK



## Summary

- TCE/day of \$27,631 for Q4 2021 in line with guidance and \$31,302 for the full year 2021
- Declared cash dividend of \$0.05 per share amounting to \$3.8 million, totalling \$19.8 million in dividend declared for the financial year 2021
- The Panama congestion continues to absorb capacity and add inefficiency to the global VLGC fleet at the same time as seaborne LPG trade continues to grow

## Financial

- Executed a sale leaseback transaction – cash release of ~\$16.6 million in December 2021
- During 2021, Avance raised \$65 million in equity, secured \$145.7 million in Sustainability linked bank loan and sale leaseback financing executed in December 2021
- TCE of \$40,000/day contracted for 80% of vessel days for Q1 2022

## Outlook

- Strong US LPG production and projected export growth of 10% for 2022
- Chinese petrochemical plants (PDH) feedstock demand is set to grow with an incremental demand growth of 9% y-o-y in 2022, US and ME exports are expected to increase
- Avance Gas will take delivery of the second and third dual fuel newbuildings in February 2022 and Q4 2022





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Q&A

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# APPENDIX

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# AVANCE GAS – FLEET LIST

Fleet			
Vessel	Built	Shipyard	CBM
Iris Glory	2008	Daewoo	83.700
Thetis Glory (sold – delivery Feb 2022)	2008	Daewoo	83.700
Venus Glory	2008	Daewoo	83.700
Providence	2008	Daewoo	83.800
Promise	2009	Daewoo	83.800
Mistral (scrubber)	2015	Jiangnan	83.000
Monsoon (scrubber)	2015	Jiangnan	83.000
Breeze (scrubber)	2015	Jiangnan	83.000
Passat (scrubber)	2015	Jiangnan	83.000
Sirocco (scrubber)	2015	Jiangnan	83.000
Levant (scrubber)	2015	Jiangnan	83.000
Chinook	2015	Jiangnan	83.000
Pampero	2015	Jiangnan	83.000
Avance Polaris (LPG dual fuel)	2022	Daewoo	91.000


On order			
Vessel	Delivery	Shipyard	CBM
Avance Capella (LPG dual fuel)	2022-Q1	Daewoo	91.000
Avance Rigel (LPG dual fuel)	2022-Q4	Daewoo	91.000
Avance Avior (LPG dual fuel)	2023-Q1	Daewoo	91.000
Avance Castor (LPG dual fuel)	2023-2H	Daewoo	91.000
Avance Pollux (LPG dual fuel)	2023-2H	Daewoo	91.000





# APPENDIX – FINANCIALS Q4 2021




In US\$ thousands (unless stated otherwise)	3m ended Q4-2021	3m ended Q3-2021	12m ended Q4-2021	12m ended Q4-2020
<b>Income Statement</b>				
<b>Operating revenue</b>	<b>52 135</b>	<b>47 381</b>	<b>210 677</b>	<b>205 716</b>
Voyage expenses	(19 227)	(15 784)	(67 689)	(61 618)
Operating expenses	(9 734)	(10 298)	(42 093)	(45 040)
Administrative and general expenses	(1 615)	(1 853)	(6 467)	(3 870)
<b>Operating profit before depreciation expense</b>	<b>21 559</b>	<b>19 446</b>	<b>94 429</b>	<b>95 188</b>
Depreciation and amortisation expense	(11 382)	(11 369)	(47 209)	(41 705)
<b>Operating profit</b>	<b>10 177</b>	<b>8 077</b>	<b>47 220</b>	<b>93 045</b>
<b>Non-operating (expenses) income:</b>				
Net finance expense	(2 187)	(3 856)	(14 613)	(22 054)
<b>Income before tax</b>	<b>7 990</b>	<b>4 221</b>	<b>32 607</b>	<b>70 991</b>
Income tax expense	(498)	-	(498)	(85)
<b>Net profit</b>	<b>7 492</b>	<b>4 221</b>	<b>32 109</b>	<b>70 906</b>
<b>Earnings per share</b>				
Basic	0,10	0,06	0,44	1,11
Diluted	0,10	0,06	0,44	1,11


- 

TCE earnings of \$32.9 million, up from \$31.6 million in Q3-2021.
- 

Operating expenses of \$9.7 million, down from \$10.3 in previous quarter.
- 

Administrative and general expenses of \$1.6 million, down from \$1.9 million in Q3.
- 

Depreciation of \$11.4 million reflects normalized depreciations.
- 

Non-operating expenses of \$2.2 million, down from \$3.9 million in Q3, reflecting lower net debt and interest rate.
- 





A reported net profit of \$7.5 million compared to a net profit of \$4.2 million in Q3 2021.



# APPENDIX – FINANCIALS Q4 2021



In US\$ thousands (unless stated otherwise)	December 31, 2021	September 30, 2021
<b>Balance sheet</b>		
<b>ASSETS</b>		
Cash and cash equivalents	101 910	102 293
Trade and other receivables	21 232	15 488
Inventory	7 933	5 264
Prepaid expenses and other current assets	12 882	9 912
<b>Total current assets</b>	<b>143 957</b>	<b>132 957</b>
Property, plant and equipment	716 577	727 981
Newbuildings	92 609	73 582
Derivative financial instruments	2 240	2 253
<b>Total non-current assets</b>	<b>811 426</b>	<b>803 816</b>
<b>Total assets</b>	<b>955 383</b>	<b>936 773</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current portion of interest-bearing debt	44 574	42 993
Trade and other payables	8 009	2 133
Derivative financial instruments	5 691	6 136
Accrued voyage expenses and other current liabilities	7 413	5 100
<b>Total current liabilities</b>	<b>65 687</b>	<b>56 362</b>
Long-term debt	345 407	340 243
Derivative financial instruments	5 121	8 556
<b>Total non-current liabilities</b>	<b>350 528</b>	<b>348 799</b>
Share capital	77 427	77 427
Paid-in capital	431 366	431 366
Contributed capital	95 070	95 043
Retained loss	(44 825)	(48 488)
Treasury shares	(11 351)	(11 351)
Accumulated other comprehensive loss	(8 519)	(12 385)
<b>Total shareholders' equity</b>	<b>539 168</b>	<b>531 612</b>
<b>Total liabilities and shareholders' equity</b>	<b>955 383</b>	<b>936 773</b>

-  Total current assets of \$143.9 million up from \$133.0 million in Q3 primarily due to increase in receivables of \$5.7 million, increase in inventory of \$2.7 million and increase in prepaid expenses of \$3.0 million.
-  Total non-current assets of \$811.4 million up from \$803.8 million in Q3 due to regular depreciations of the fleet of \$11.4 million, offset by capitalised instalments, borrowing costs and other related expenses in the newbuilding program of total \$19.0 million.
-  Outstanding interest-bearing debt of \$394.5 million, down from \$387.5 million in Q3 following scheduled debt repayments and sale leaseback transaction.
-  Shareholders' equity was \$539.2 million corresponding to an equity ratio at 56.4% down from 56.7% in Q3.

# APPENDIX – FINANCIALS Q4 2021



In US\$ thousands (unless stated otherwise)	3m ended Q4-2021	3m ended Q3-2021	12m ended Q4-2021	12m ended Q4-2020
<b>Cash flow statement</b>				
<b>Cash flows from operating activities</b>				
Cash generated from operations	19 525	20 694	91 157	99 880
Interest paid	(4 267)	(4 379)	(17 603)	(20 926)
<b>Net cash flows from operating activities</b>	<b>15 258</b>	<b>16 315</b>	<b>73 554</b>	<b>78 954</b>
<b>Cash flows used in investing activities:</b>				
Net cash proceeds from sale of asset	-	-	-	34 257
Capital expenditures	(18 051)	(8 137)	(60 179)	(66 222)
<b>Net cash flows used in investing activities</b>	<b>(18 051)</b>	<b>(8 137)</b>	<b>(60 179)</b>	<b>(31 965)</b>
<b>Cash flows (used in) from financing activities:</b>				
Payment of dividend	(3 829)	(1 532)	(23 078)	(19 108)
Proceeds from issue of share capital	-	-	64 414	-
Repayment of long-term debt	(34 643)	(11 045)	(67 778)	(85 451)
Drawdown of long-term debt	41 650	-	41 650	59 473
Repayment of revolving credit facility	-	-	-	(11 890)
Transaction cost related to loans and borrowings	(672)	(745)	(1 709)	-
Payment of cash settled share options	(178)	(516)	(959)	-
<b>Net cash flows from in financing activities</b>	<b>2 328</b>	<b>(13 838)</b>	<b>12 540</b>	<b>(56 976)</b>
Effect of exchange rate changes on cash	82	25	113	(40)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(383)</b>	<b>(5 635)</b>	<b>26 028</b>	<b>(10 027)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>102 293</b>	<b>107 928</b>	<b>75 882</b>	<b>85 909</b>
<b>Cash and cash equivalents at end of period</b>	<b>101 910</b>	<b>102 293</b>	<b>101 910</b>	<b>75 882</b>



Cash flow from operating activities was \$15.3 million for the fourth quarter, compared to \$16.3 million in Q3.



Investing activities for the quarter includes instalments and related costs paid in the newbuilding program of \$18.0 million.



Cash dividend payment of \$3.8 million in December 2021.



Cash flows from financing activities were positive \$2.3 million for the fourth quarter, reflecting scheduled repayments of debt, sale leaseback and paid dividend for Q3-2021.



Cash position at quarter-end was \$101.9 million

# GLOSSARY



A&G = Administrative and general

CBE = Cash break even

CAPEX = Capital expenditure

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







# Avance Gas

## Contact Details



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## Investor Relations



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

## Stock Exchange



ticker: AGAS