



Avance Gas

Q3 2020

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25 November 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.

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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# FINANCIAL HIGHLIGHTS Q3 2020



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
<b>Income Statement</b>	<b>30-Sep-2020</b>	<b>30-Jun-2020</b>
TCE earnings	24,494	34,285
Operating expenses	(11,830)	(10,925)
A&G expenses	(930)	(775)
Depreciation and amortization expenses	(10,120)	(10,354)
Non-operating expenses	(5,183)	(5,520)
Net profit	2,260	6,711
Earnings per share (diluted) (\$)	0.04	0.11
<b>Balance Sheet</b>	<b>30-Sep-2020</b>	<b>30-Jun-2020</b>
Total assets	853,553	885,329
Total liabilities	450,583	486,503
Cash and cash equivalents	77,633	84,546
Total shareholders' equity	402,970	398,826
<b>Cash Flows</b>	<b>30-Sep-2020</b>	<b>30-June-2020</b>
Net cash from operating activities	3,809	21,521
Net cash used in investing activities	18,702	(11,025)
Net cash used in financing activities	(29,298)	(11,882)
Net decrease in cash and cash equivalents	(6,850)	(1,321)
<b>Key performance indicators (\$/day):*</b>	<b>30-Sep-2020</b>	<b>30-Jun-2020</b>
TCE (Discharge to discharge)	23,283	28,453
TCE (IFRS 15)	21,524	28,932
OPEX	9,256	8,576
A&G	728	608

\* 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 \$23,283/day on a discharge to discharge basis and 98% commercial utilisation for the fleet in Q3



Completion of sale of *Avance* generating approx. \$17 million in net cash proceeds and approx. \$6 million in book profit



Signed the sale leaseback transaction of *Pampero* generating \$10 million in cash and CBE of approx. \$19,500/day

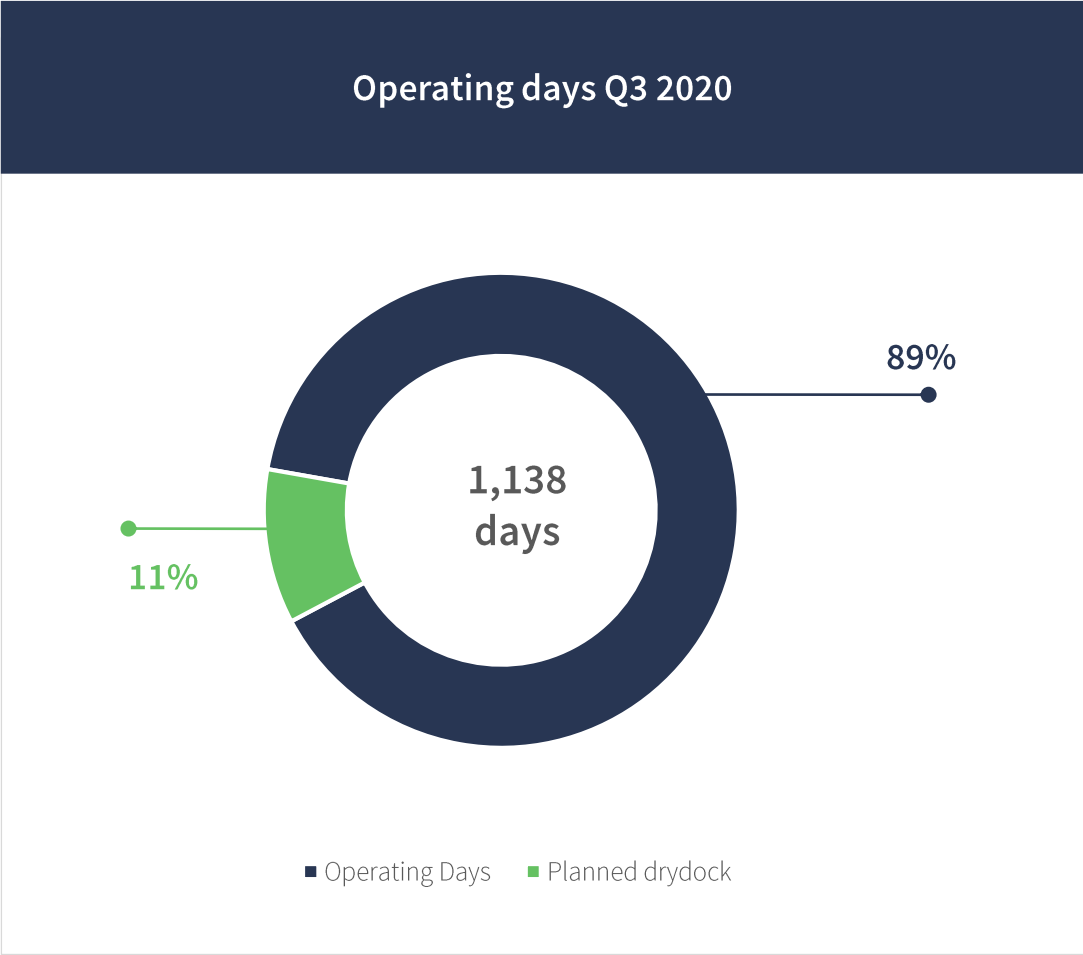


TC coverage of 35% in Q4 2020 at an average TCE rate of ~\$31,000/day



TCE rate of approx. \$40,000/day contracted for 90% of vessel days for the fourth quarter

# DRY DOCKING PROGRAM 2020



7/8 dockings and 5/6 scrubbers installed per Q3



140 offhire days



95% of docking/scrubber CAPEX paid

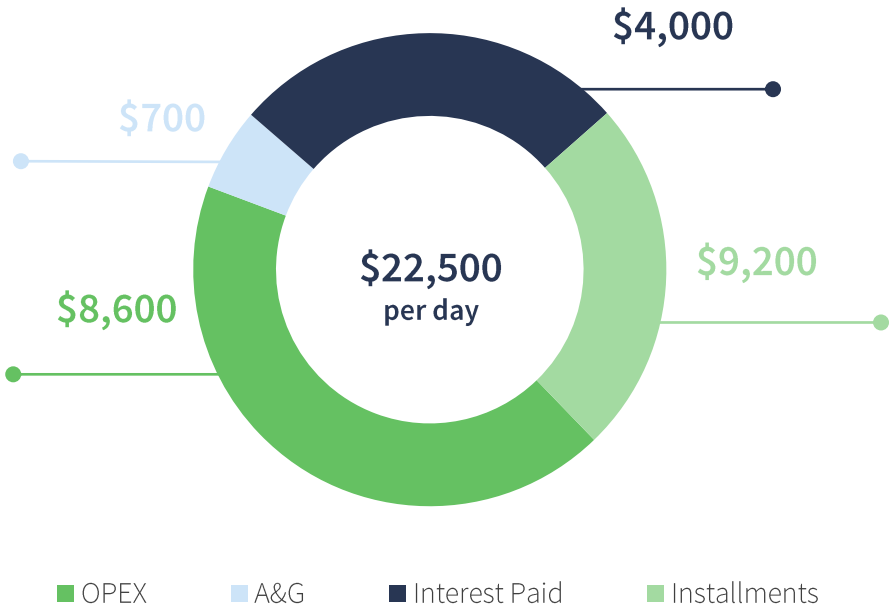


Program expected completed by December/Q1

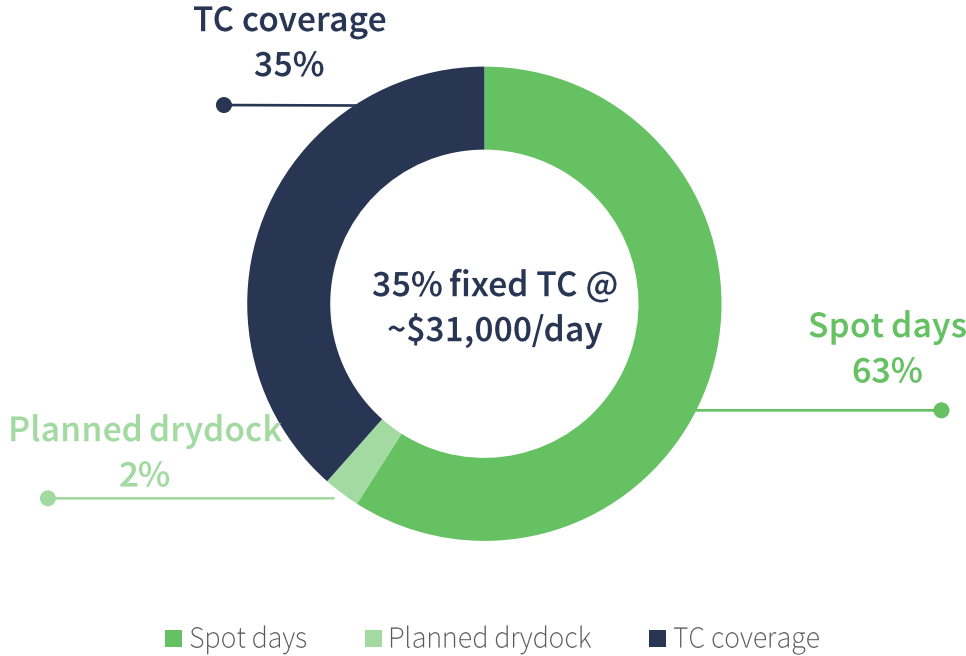
# FY 2020 – ESTIMATED CBE AND COVERAGE



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



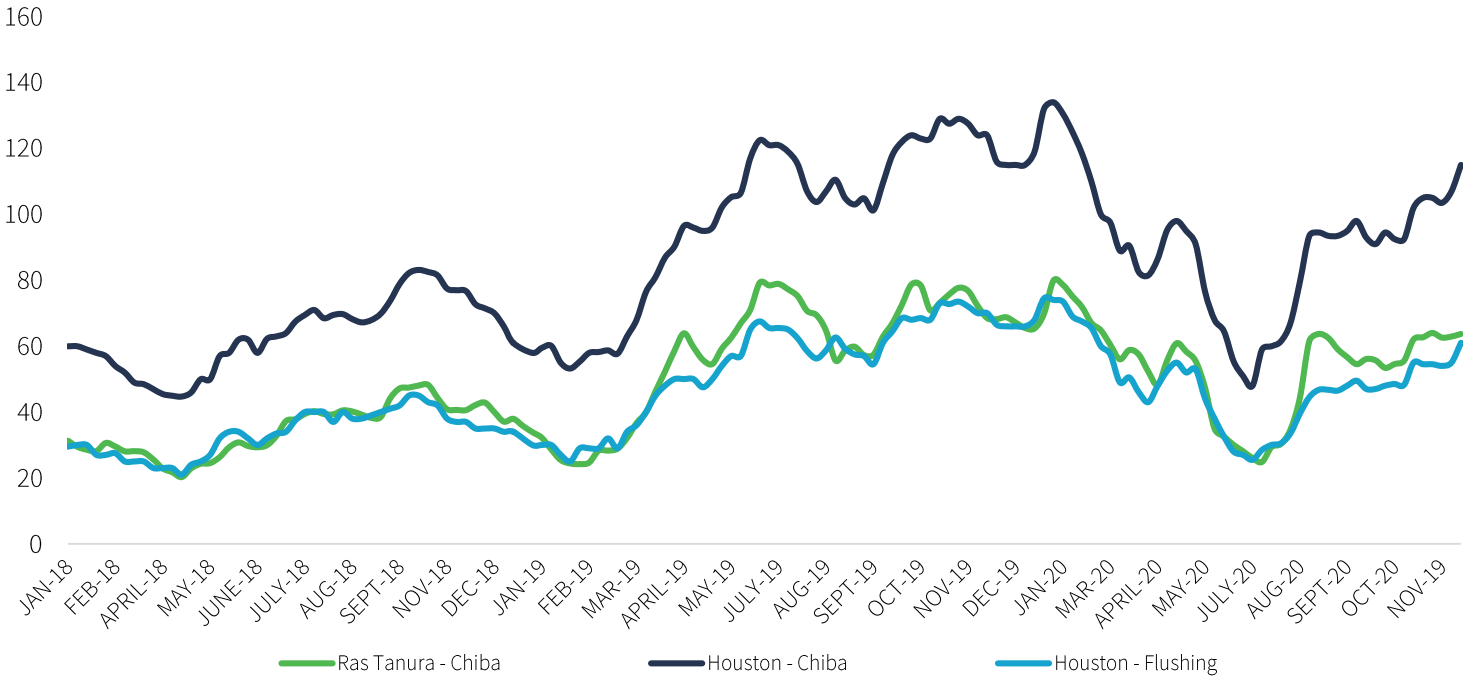
## TC Coverage – Q4 2020



# STRONG REBOUND IN Q3 – INCREASED EXPORT CAPACITY



Freight Rates 2018 – YTD 2020  
US\$ pr. ton



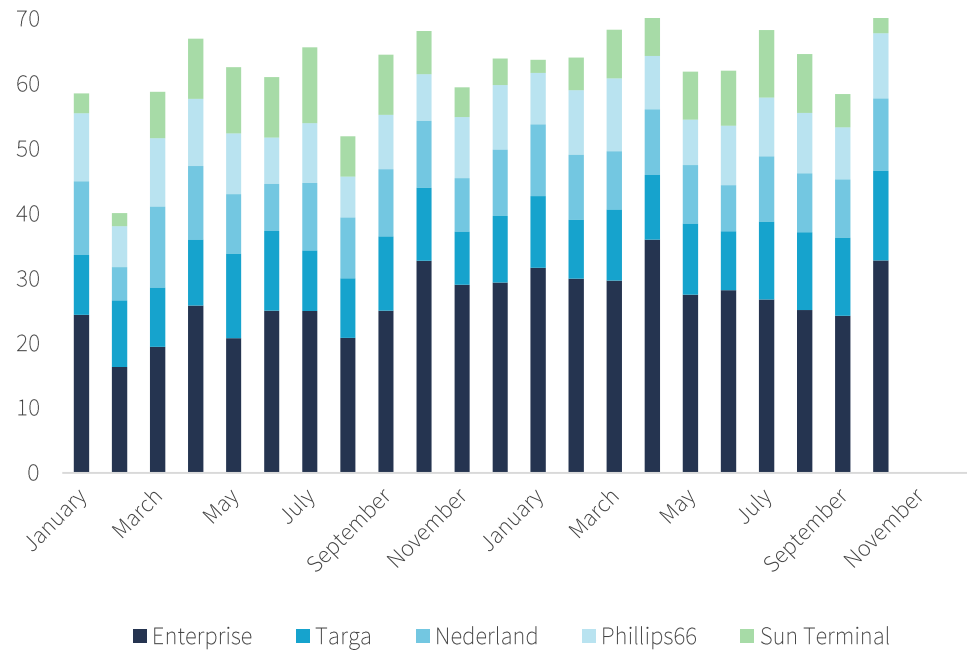
- ✓ Returning Asian demand and propane price spreads
- ✓ Increased LPG export capacity
- ✓ Arbitrage opened

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

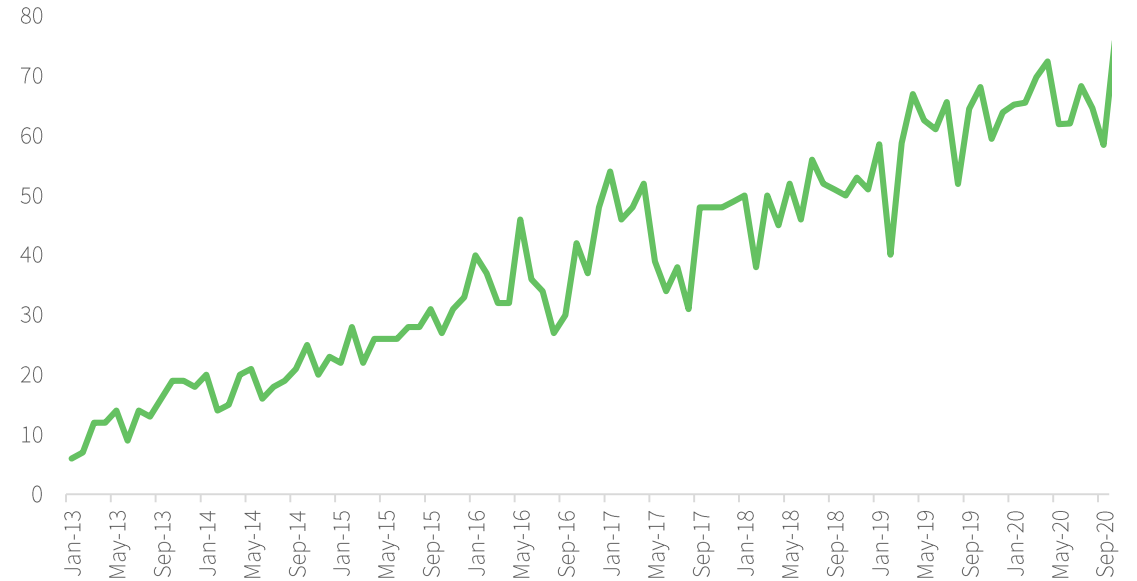
# STRONG US EXPORT RECOVERY IN JULY



US VLGC Liftings 2019-2020



US VLGC Liftings 2013-2020

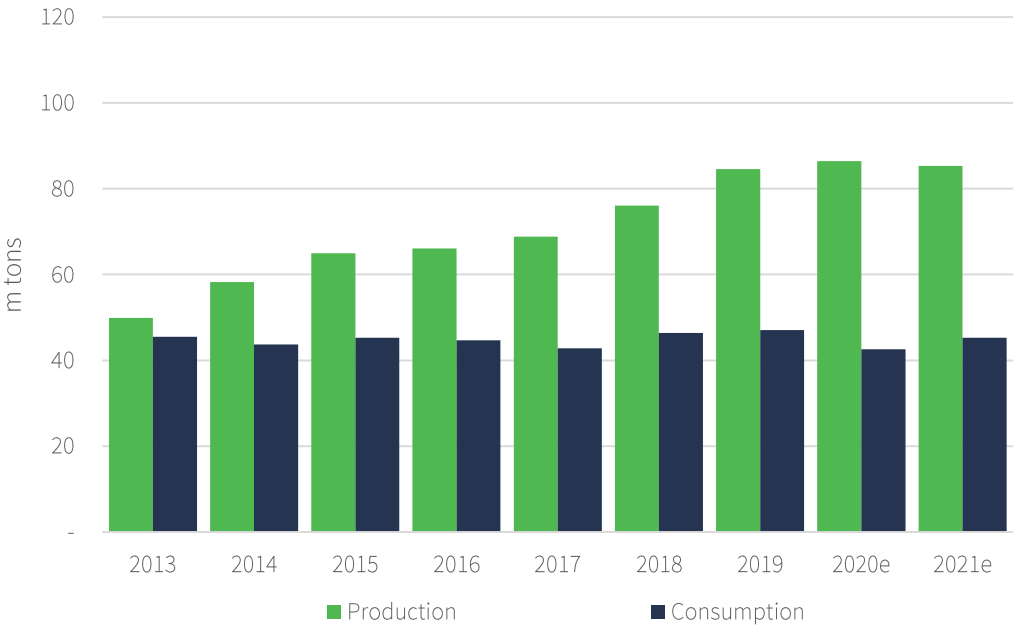


Source: IHS Markit

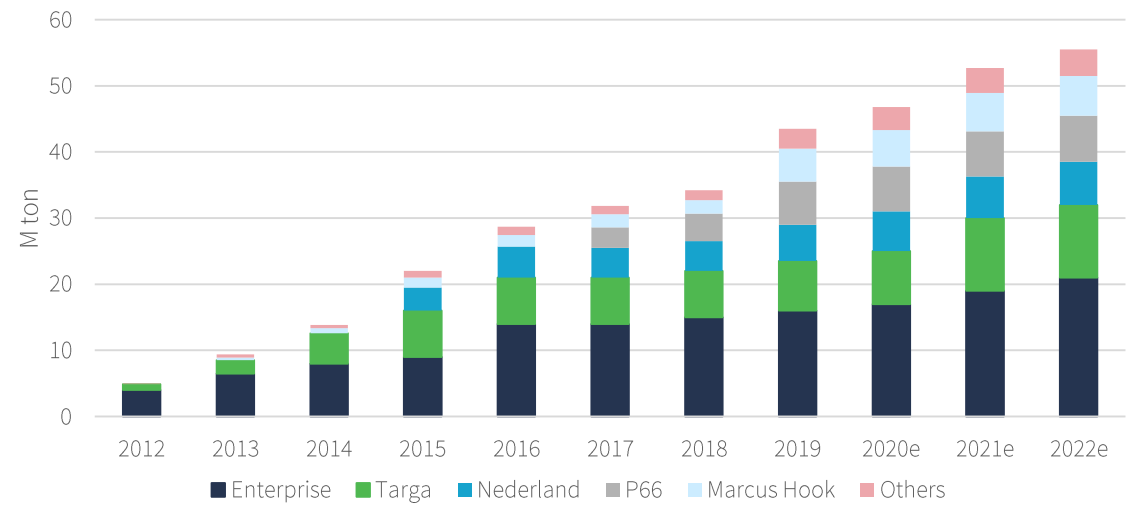
# U.S. LPG PRODUCTION FORECAST IMPLIES PRODUCTION GROWTH



## U.S. LPG production



## U.S. export capacity



Source: EIA

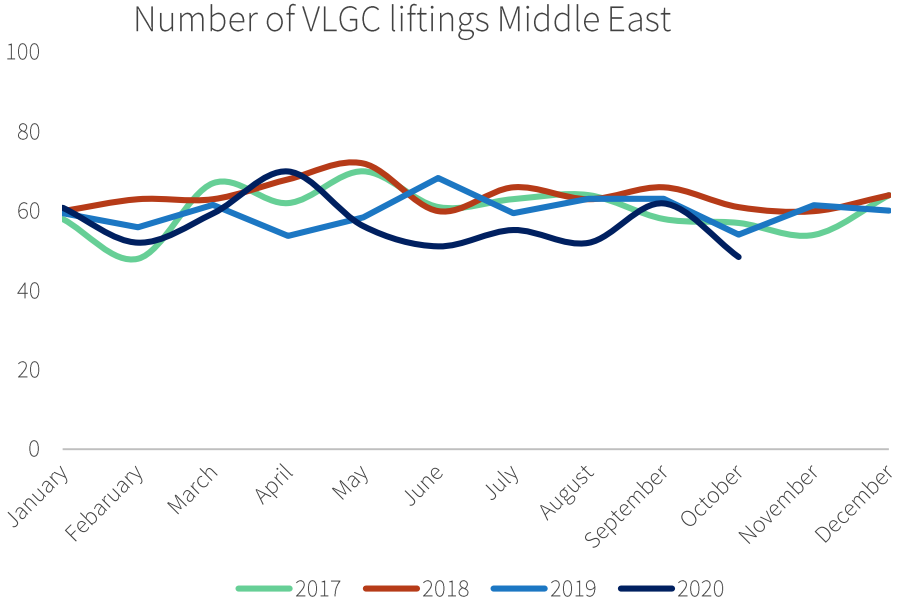
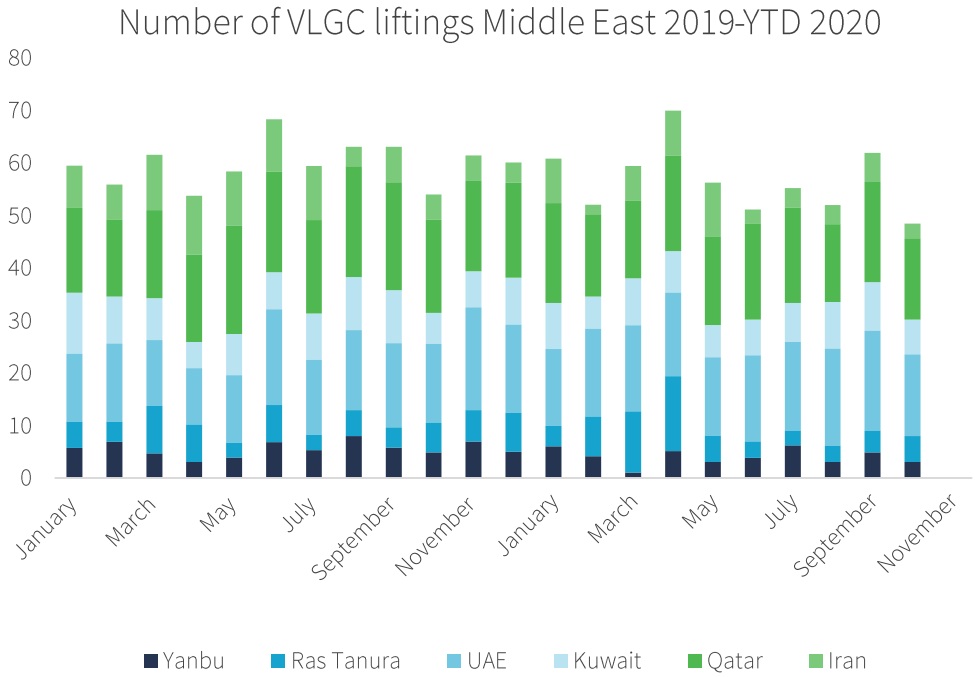


# EXPECT STEADY MIDDLE EAST EXPORTS



## VLGC Liftings Middle East by Country

## VLGC Liftings Middle East 2017-2020



Source: IHS Markit

# GROWTH IN ASIAN LPG DEMAND TO CONTINUE

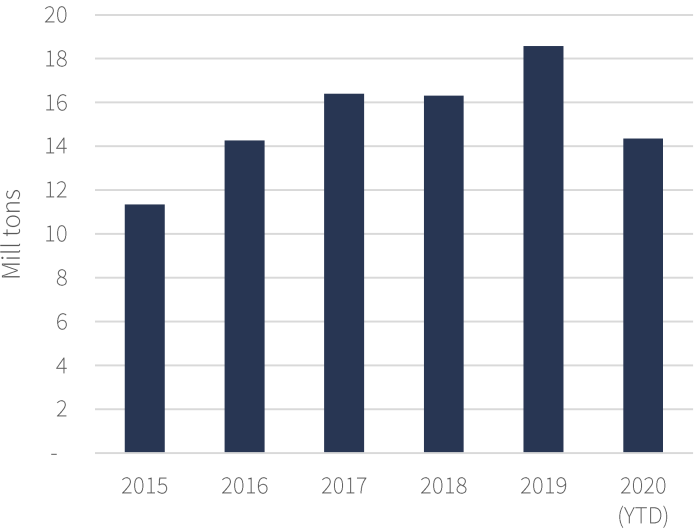


PDH and industrial

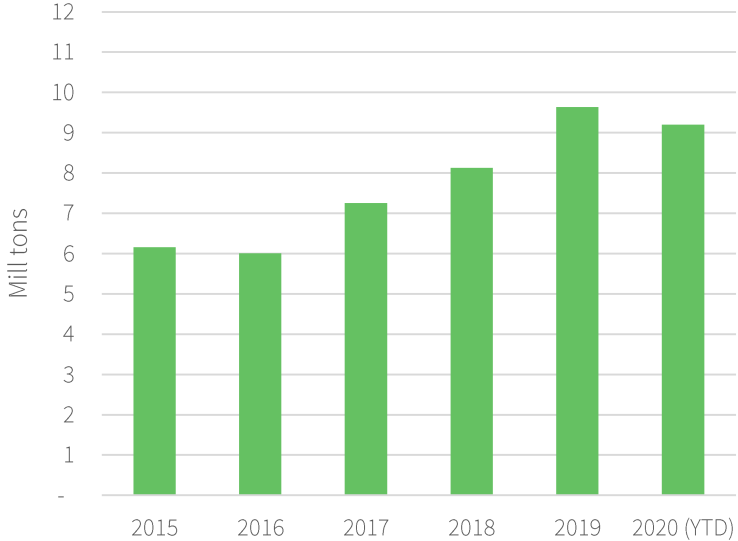


Cooking / heating – residential

VLGC Imports China



VLGC Imports India



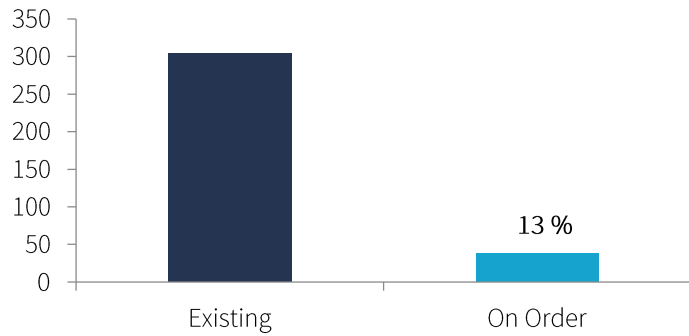
- ✓ ~80% of global demand in Asia
- ✓ ~70% of Asian demand is non industrial
- ✓ India imports up 20% YTD Q3 from YTD Q3 2019

Source: Fearnleys, IHS Markit

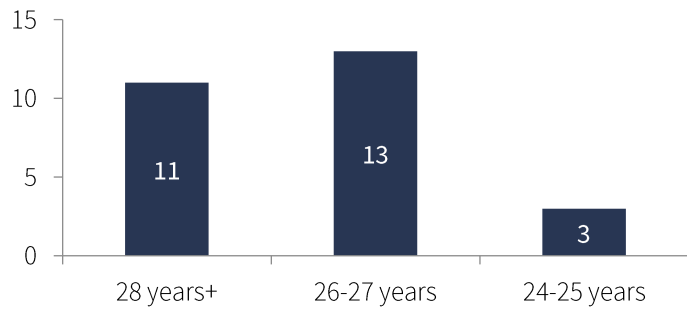
# MODEST VLGC ORDERBOOK



## Fleet and Orderbook

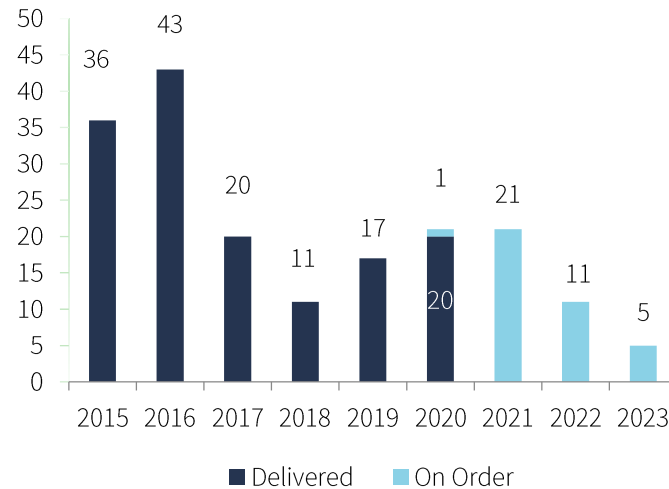


## 2020 Fleet 25 years and older



Source: Company, Fearnleys, Steem1960, Nordic Shipping

## Orderbook November 2020



- ✓ Limited new ordering
- ✓ ~20-25% of fleet to drydock p.a. in 20-22
- ✓ 27 ships older than 25 years
- ✓ Special surveys and LPG retrofit

# THE DUAL-FUEL VLGC AT A GLANCE



## Unrivalled Performance

- ✓ Fully dual fuel specification with shaft generators
- ✓ Cheaper fuel. No mixing risk. Reduced bunkering time
- ✓ Better speed
- ✓ Larger cargo intake
- ✓ Green profile enables attractive financing terms
- ✓ Low fuel consumptions

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 – moderate ordering activity
- ✓ 20-25% of fleet to drydock annually in 2020-22
- ✓ 12-15 ships are recycling candidates

## Production and demand

- ✓ Significant natural gas related production
- ✓ Improvements in US infrastructure
- ✓ Asian demand in returning to normal

## Outlook

- ✓ TCE rate of approx. \$40,000/day\* contracted for 90% of vessel days for the fourth quarter, 27% TC coverage in 2021 at \$30,000/day
- ✓ Completed special survey, 5/6 scrubbers and change of technical manager by Q4. No unfunded pre-delivery CAPEX in 2021
- ✓ Strong fundamentals and significant free cash flow generation potential
- ✓ Positive US forecast revisions

\*) Discharge to discharge basis.



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Q&A

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# APPENDIX

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# APPENDIX – FINANCIALS Q3 2020



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income Statement	30-Sep-2020	31-Jun-2020
Operating revenue	36,323	50,228
Voyage expenses	(11,829)	(15,943)
Operating expenses	(11,830)	(10,925)
Administrative and general expenses	(930)	(775)
<b>Operating profit before depreciation expense</b>	<b>11,734</b>	<b>22,585</b>
Depreciation and amortization expenses	(10,120)	(10,354)
Gain on disposal of asset sale	5,829	
<b>Operating profit</b>	<b>7,443</b>	<b>12,231</b>
<b>Non-operating (expenses) income:</b>		
Finance expense	(5,258)	(5,697)
Finance income		23
Foreign currency exchange gain	75	154
<b>Net profit</b>	<b>2,260</b>	<b>6,711</b>
<b>Earnings per share:</b>		
Basic	0.04	0.11
Diluted	0.04	0.11



TCE earnings of \$24.5 million, down from \$34.3 million



Operating expenses of \$11.8 million, up from Q2 of \$10.9 million reflecting change of technical manager and Covid-19 cost



Administrative and general expenses of \$0.9 million, slightly up from Q2 of \$0.8 million



Sale of vessel *Avance* generates profit of \$5.8 million in Q3



Non-operating expenses of \$5.2 million, down from \$5.5 million in Q2, reflecting lower average debt and LIBOR rate



A reported net profit of \$2.3 million, compared to a net profit of \$6.7 million in Q2 2020



# APPENDIX – FINANCIALS Q3 2020



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
	30-Sep-2020	30-Jun-2020
<b>Balance sheet</b>		
Cash and cash equivalents	77,633	84,546
Receivables	11,516	15,409
Inventory	4,839	4,303
Other current assets	8,357	6,908
<b>Total current assets</b>	<b>102,345</b>	<b>111,166</b>
Property, plant and equipment	735,672	766,395
Newbuildings	15,536	7,768
<b>Total non-current assets</b>	<b>751,208</b>	<b>774,163</b>
<b>Total assets</b>	<b>853,553</b>	<b>885,329</b>
Current portion of long-term debt	45,823	46,295
Accounts payable	6,258	11,075
Related party payable balances	148	277
Accrued expenses (inc voyage expenses)	3,493	3,354
Current portion of derivative financial instruments	6,985	6,001
Other current liabilities	43	30
<b>Total current liabilities</b>	<b>62,750</b>	<b>67,032</b>
Long-term debt	274,584	299,218
Long-term revolving credit facilities	96,026	100,000
Long-term derivative financial instruments	17,223	20,253
<b>Total non-current liabilities</b>	<b>387,833</b>	<b>419,471</b>
Share capital	64,528	64,528
Paid-in capital	379,851	379,851
Contributed capital	94,787	94,948
Retained loss	(100,694)	(102,954)
Treasury shares	(11,351)	(11,351)
Accumulated other comprehensive loss	(24,151)	(26,196)
<b>Total shareholders' equity</b>	<b>402,970</b>	<b>398,826</b>
<b>Total liabilities and shareholders' equity</b>	<b>853,553</b>	<b>885,329</b>



Cash at end Q3 of \$77.6 million, down from Q2 due to CAPEX and scheduled debt repayment and prepayment, offset by sale Avance



Total assets of \$853.6 million down from \$885.3 million in Q2 primarily due to sale of Avance offset by CAPEX in NB and DD/Scrubber installation



Net interest-bearing debt of \$416.4 million, compared with \$ 445.5 million, due to scheduled debt repayments including \$17.4 million repayment of debt Avance



Shareholders' equity was \$403 million and an equity ratio at 47.2%

# APPENDIX – FINANCIALS Q3 2020



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
	30-Sep-2020	30-Jun-2020
<b>Cash flow statement</b>		
<b>Cash flows from operating activities:</b>		
Cash flow from operations	8,857	27,085
Net Interest paid	(5,049)	(5,564)
<b>Net cash flows from operating activities</b>	<b>3,808</b>	<b>21,521</b>
<b>Cash flows used in investing activities:</b>		
Sale asset	34,257	
Capital expenditures	(15,555)	(11,025)
<b>Net cash flows used in investing activities</b>	<b>18,702</b>	<b>(11,025)</b>
<b>Cash flows used in financing activities:</b>		
Repayment of long-term debt	(29,298)	(11,882)
<b>Net cash flows used in financing activities</b>	<b>(29,298)</b>	<b>(11,882)</b>
Effect of exchange rate changes on cash	(126)	66
<b>Net increase in cash and cash equivalents</b>	<b>(6,914)</b>	<b>(1,321)</b>
Cash and cash equivalents at beginning of period	84,546	85,867
Cash and cash equivalents at end of period	77,633	84,546



Cash flow from operating activities was \$3.8 million, compared to \$21.5 million in Q2



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



Cash flow from financing activities was negative \$29.3 million, reflecting scheduled repayments and repayment of debt *Avance* by \$17.4 million



Cash position at quarter-end was \$77.6 million and available liquidity at the date of this report is approx. \$86 million



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## Investor Relations



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## Stock Exchange



OSE: AVANCE