



Avance Gas

Q2 2020

26 August 2020



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.

FINANCIAL HIGHLIGHTS Q2 2020



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income Statement	30-Jun-2020	31-Mar-2020
TCE earnings	34,285	44,059
Operating expenses	(10,925)	(11,020)
A&G expenses	(775)	(1,327)
Depreciation and amortization expenses	(10,354)	(10,353)
Non-operating expenses	(5,520)	(6,262)
Net profit	6,711	15,097
Earnings per share (diluted) (\$)	0.11	0.24
Balance Sheet	30-Jun-2020	31-Mar-2020
Total assets	885,329	892,689
Total liabilities	486,503	499,070
Cash and cash equivalents	84,546	85,867
Total shareholders' equity	398,826	393,619
Cash Flows	30-June-2020	31-Mar-2020
Net cash from operating activities	21,521	36,255
Net cash used in investing activities	(11,025)	(21,121)
Net cash used in financing activities	(11,882)	(15,108)
Net decrease in cash and cash equivalents	(1,321)	(42)
Key performance indicators (\$/day):*	30-Jun-2020	31-Mar-2020
TCE (IFRS 15)	28,932	44,990
TCE (Discharge to discharge)	28,453	40,143
OPEX	8,576	8,650
A&G	608	1,042

* 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 \$28,932/day and 94% commercial utilisation for the fleet in Q2



Five ships have completed special survey and four scrubbers have been installed



TC coverage 21% in H2 2020 at an average TCE rate of ~\$33,500/day

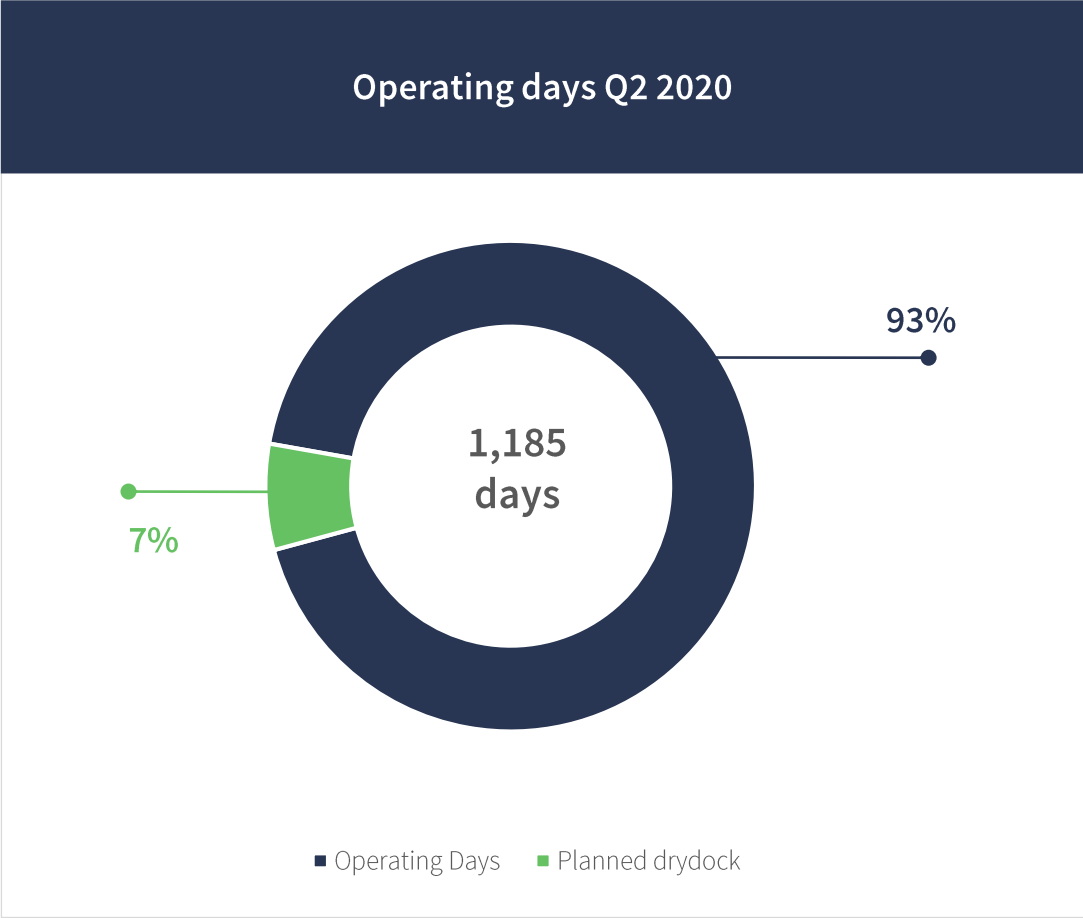


Sale of Avance for a price of \$35 million



Received credit approval for a \$45 million refinancing of *Pampero* in a sale leaseback transaction

DRYDOCKING PROGRAM 2020 PER Q2



5/8 dockings and 4/6 scrubbers installed per Q2



75% of docking/scrubber CAPEX paid



89 offhire days



Chinook/Passat completed mid September

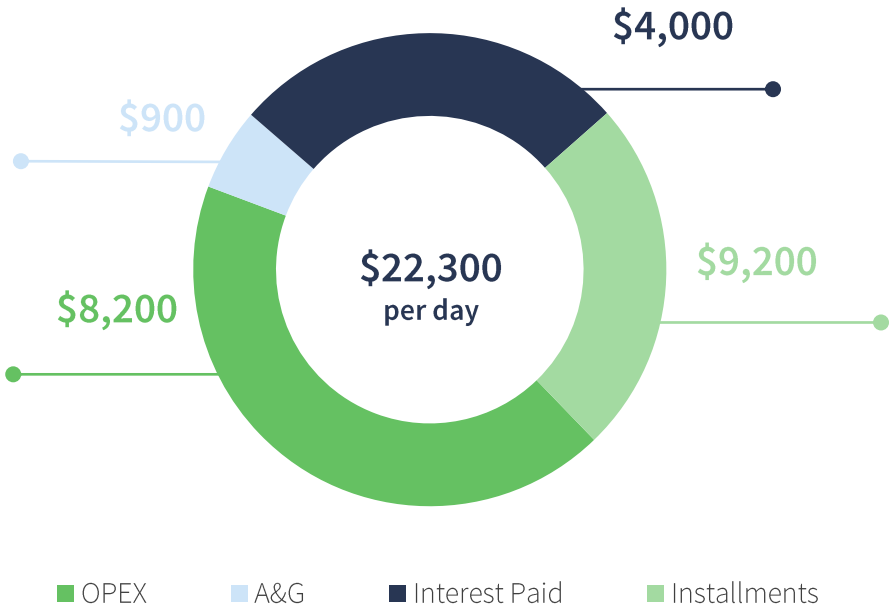


Program expected completed by November

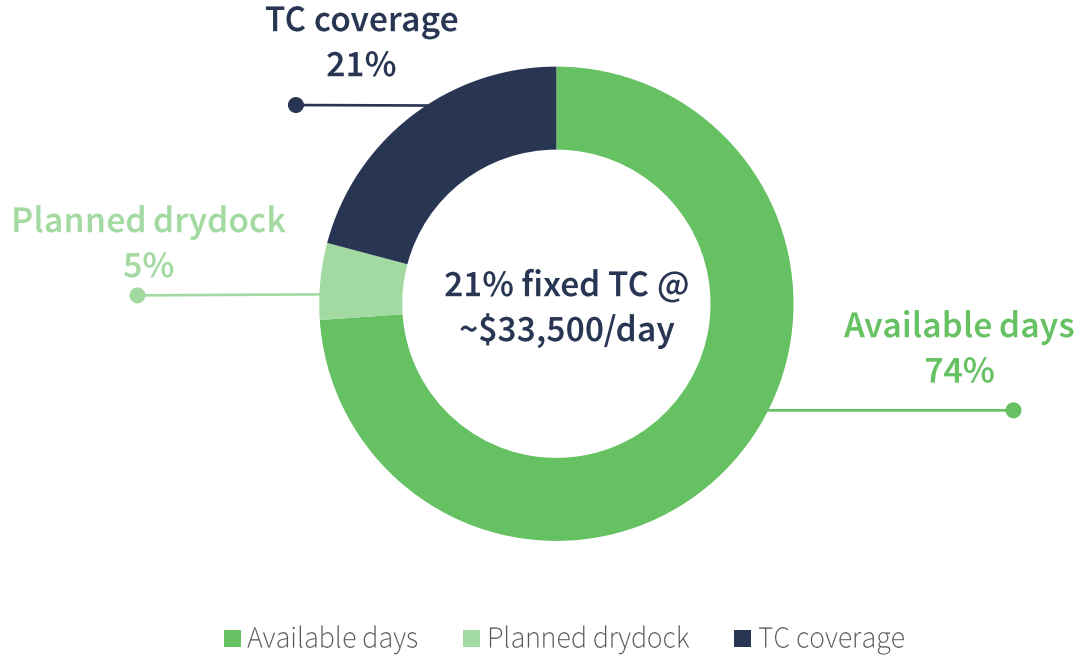
FY 2020 – ESTIMATED CBE AND COVERAGE



Estimated CBE (\$/day) FY 2020



TC Coverage – 2H 2020



COVID 19 IMPACTED VOLATILE SECOND QUARTER



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



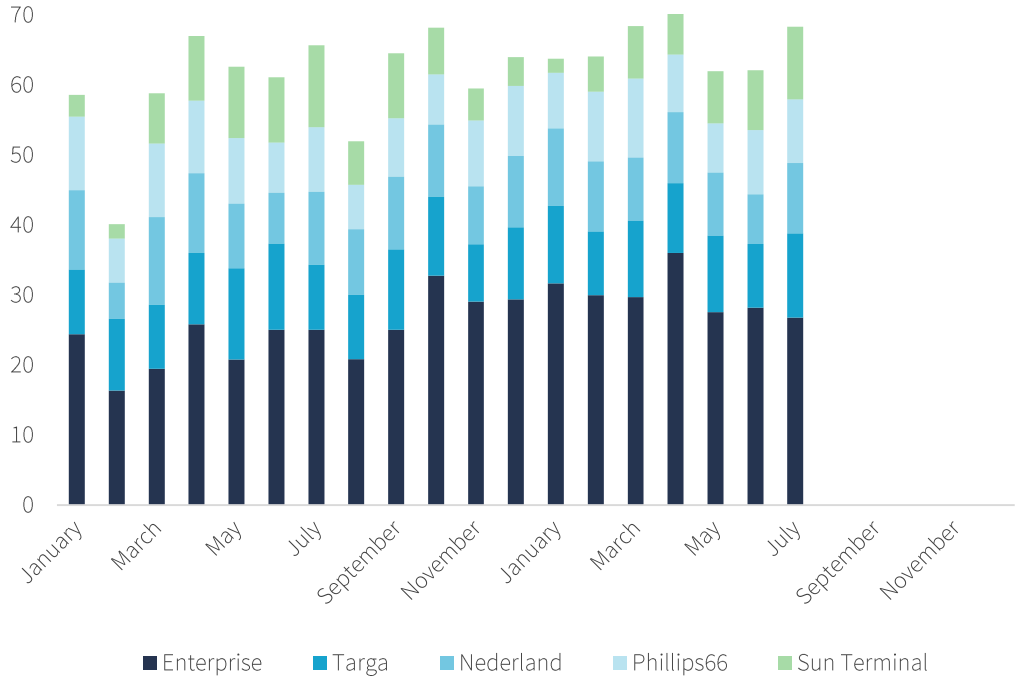
- ✓ Turbulence lowering trading activity
- ✓ COVID 19 - volatile demand
- ✓ Strong Q3 rebound due to slowsteaming and drydocking while demand returns

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

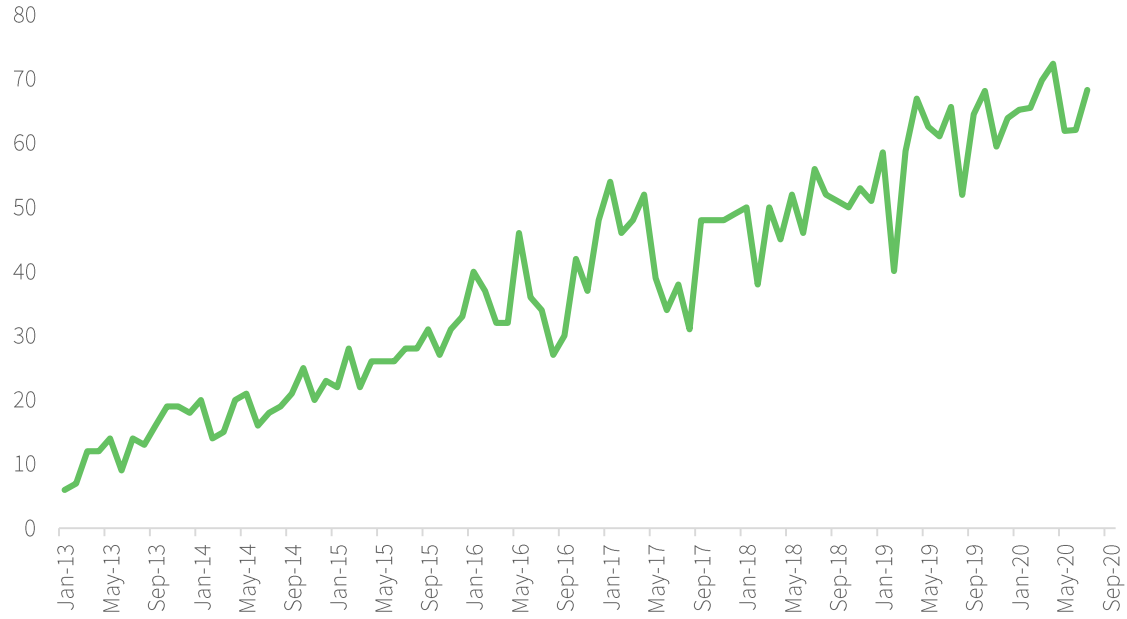
STRONG US EXPORT RECOVERY IN JULY



US VLGC Liftings 2019-2020



US VLGC Liftings 2013-2020

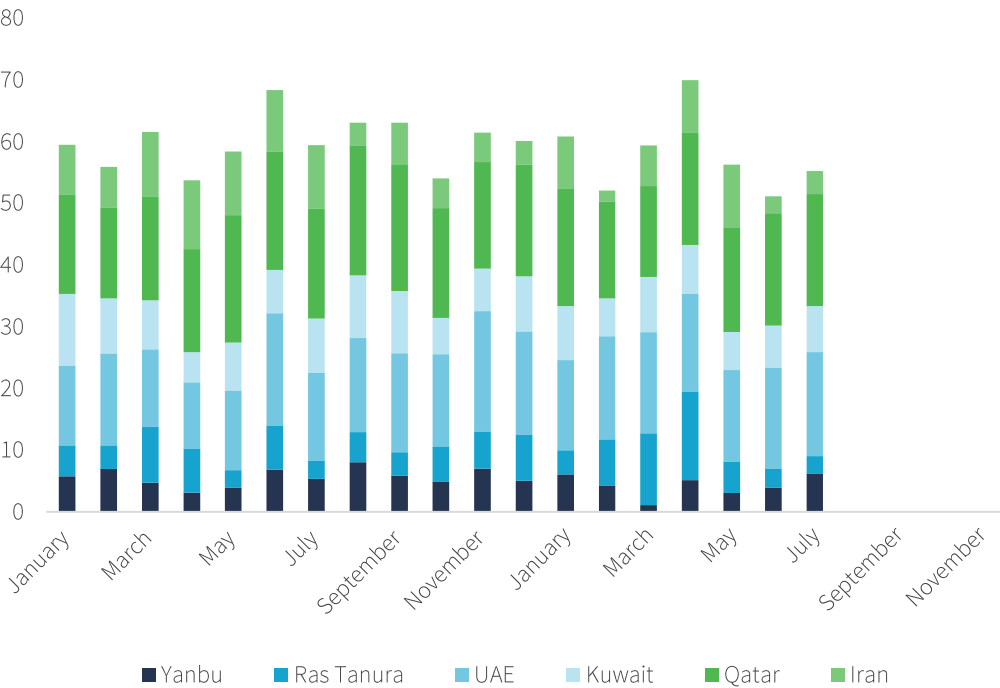


Source: IHS Markit

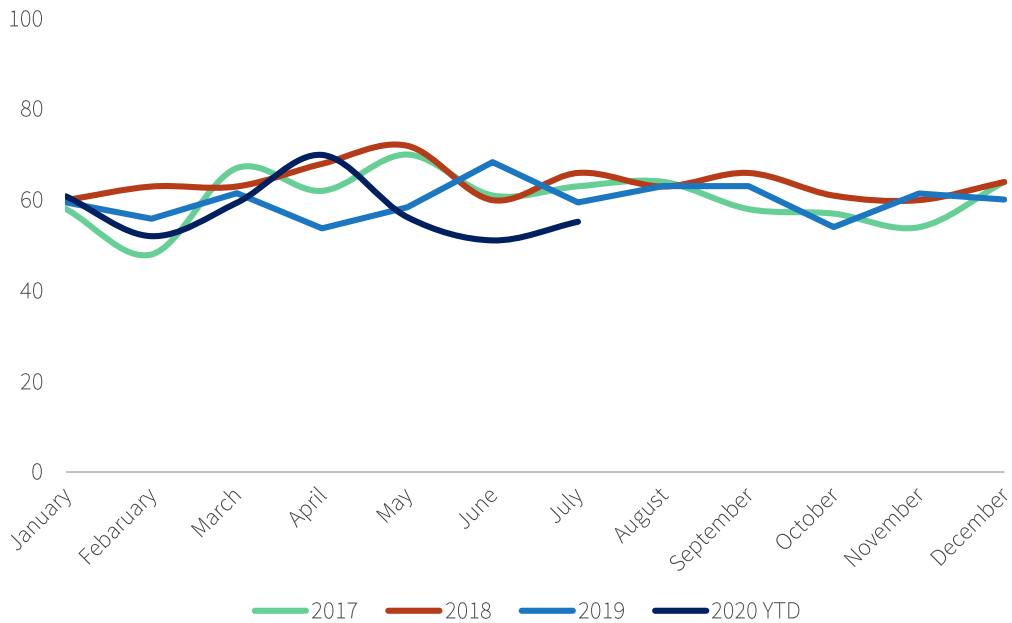
EXPECT STEADY MIDDLE EAST EXPORTS



VLGC Liftings Middle East by Country



VLGC Liftings Middle East 2017-2020

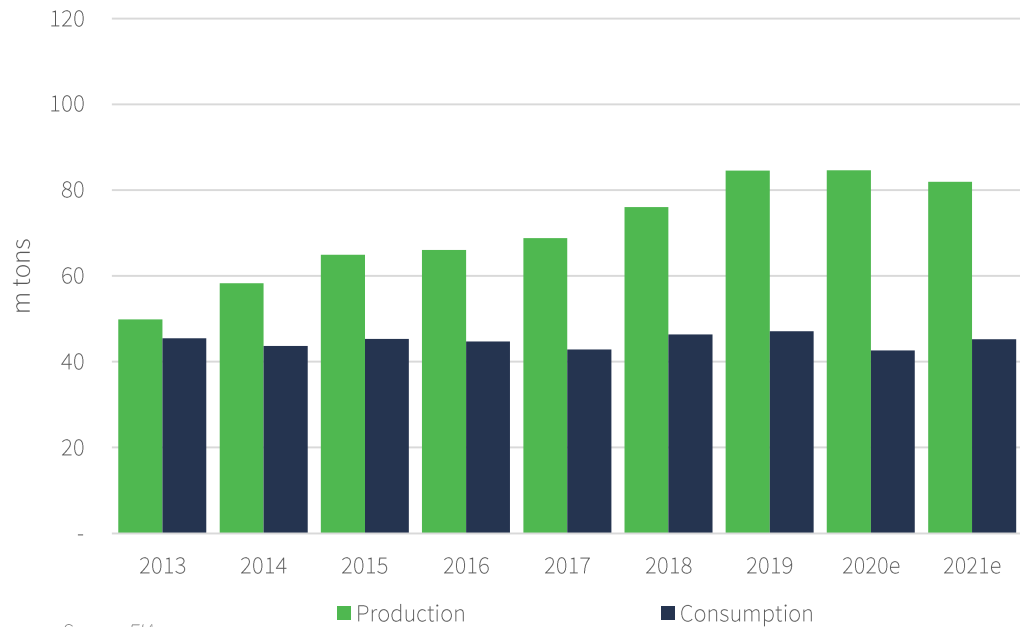


Source: IHS Markit

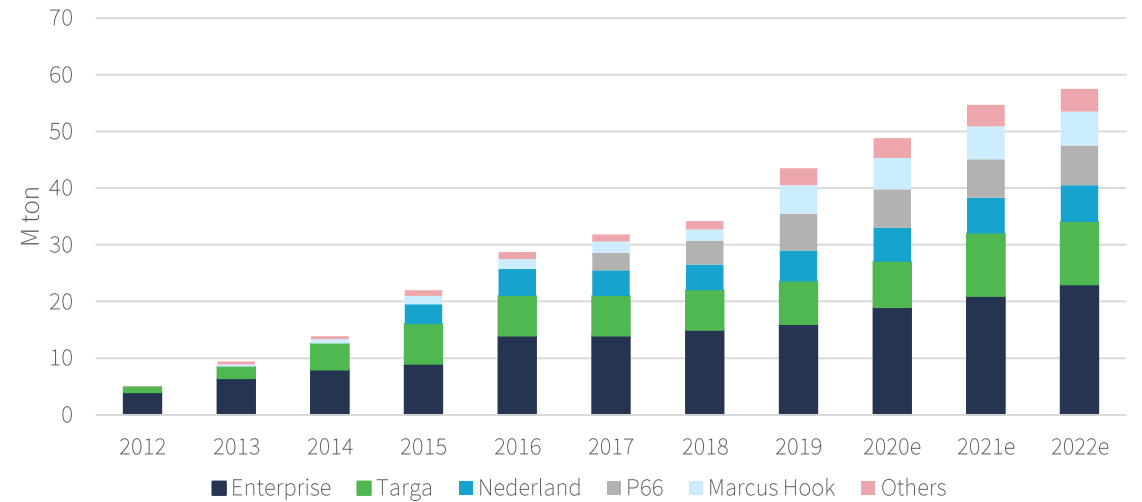
U.S. LPG PRODUCTION FORECAST SENSITIVE TO OIL PRICES



U.S. LPG production



U.S. export capacity



GROWTH IN ASIAN LPG DEMAND TO CONTINUE

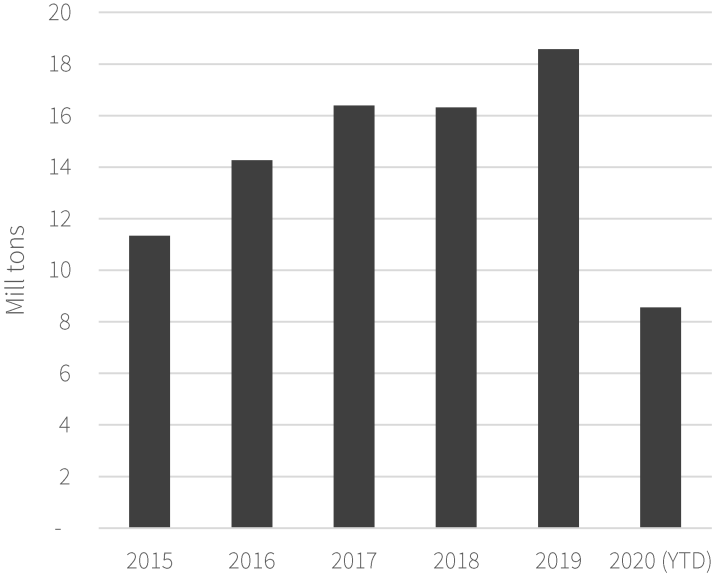


PDH and industrial

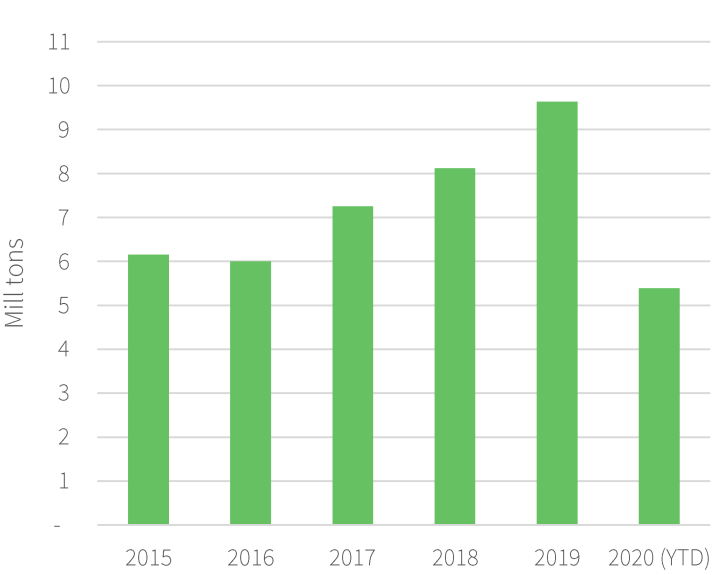


Cooking / heating – residential

VLGC Imports China



VLGC Imports India



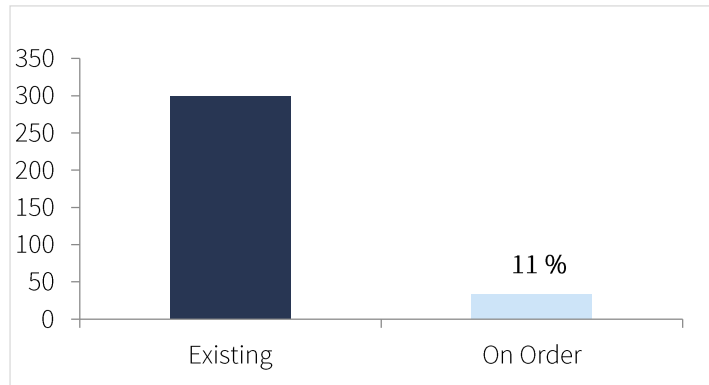
- ✓ ~80% of global demand in Asia
- ✓ ~70% of Asian demand is non industrial
- ✓ Chinese Q2 imports up 25% from Q1
- ✓ Long term fundamentals healthy

Source: Fearnleys, IHS Markit

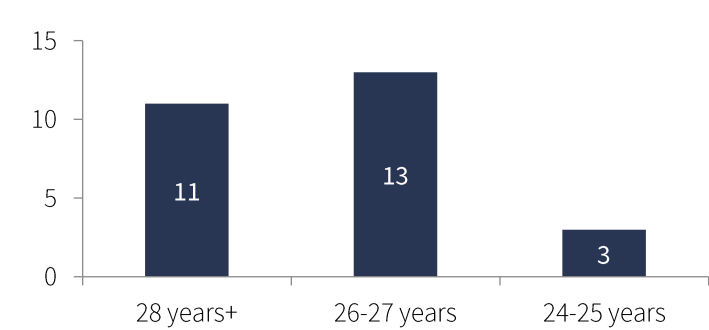
MODEST VLGC ORDERBOOK



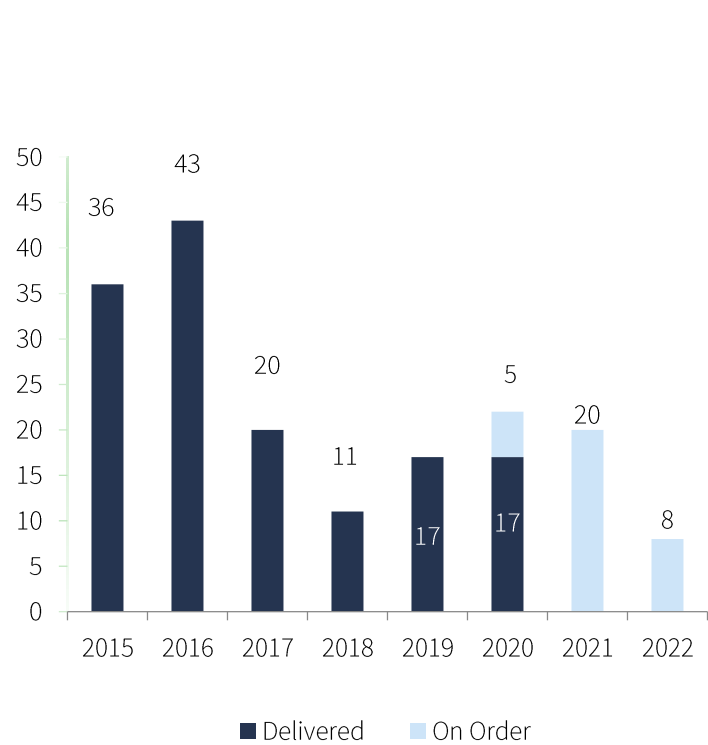
Fleet and Orderbook



2020 Fleet 25 years and older



Orderbook July 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

Source: Company, Fearnleys, Steem1960, Nordic Shipping

THE DUAL-FUEL VLGC – THE FUTURE



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 emissions¹⁺²:**
 - SOx (99.6%)
 - Particle pollution (90%)
 - CO₂ (28%)
 - NOx (81%)
- Slowsteaming combined with existing technology enables compliance with IMO 2030 CO₂ reduction target
- ✓ **“Initial IMO Strategy on Reduction of GHG emissions”**
 - By 2030
 - Reduce CO₂ emissions by 40%
 - By 2050
 - Reduce CO₂ 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

- ✓ Approx. \$30 million raised – predelivery CAPEX funded
- ✓ 21% TC coverage in remainder of 2020
- ✓ Positive US forecast revisions expected



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Q&A



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APPENDIX

APPENDIX – FINANCIALS Q2 2020



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income Statement	30-Jun-2020	31-Mar-2020
Operating revenue	50,228	68,135
Voyage expenses	(15,943)	(24,076)
Operating expenses	(10,925)	(11,020)
Administrative and general expenses	(775)	(1,327)
Operating profit before depreciation expense	22,585	31,712
Depreciation and amortization expenses	(10,354)	(10,353)
Operating profit	12,231	21,359
Non-operating (expenses) income:		
Finance expense	(5,697)	(6,157)
Finance income	23	2
Foreign currency exchange gain	154	(107)
Net profit	6,711	15,097
Earnings per share:		
Basic	0.11	0.24
Diluted	0.11	0.24



TCE earnings of \$34.3 million, down from \$44.1 million, reflecting lower freight rates



Operating expenses of \$10.9 million, in line with Q1 of \$11.0 million



Administrative and general expenses of \$0.8 million, down from \$1.3 million



Non-operating expenses of \$5.5 million, in line with Q1 of \$6.3 million



A reported net profit of \$6.7 million, compared to a net profit of \$15.1 million in Q1 2020

APPENDIX – FINANCIALS Q2 2020



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
	30-Jun-2020	31-Mar-2020
Balance sheet		
Cash and cash equivalents	84,546	85,867
Receivables	15,409	17,008
Inventory	4,303	8,081
Other current assets	6,908	8,234
Total current assets	111,166	119,190
Property, plant and equipment	766,395	765,731
Newbuildings	7,768	7,768
Total non-current assets	774,163	773,499
Total assets	885,329	892,689
Current portion of long-term debt	46,295	42,876
Accounts payable	11,075	9,233
Related party payable balances	277	179
Accrued expenses (inc voyage expenses)	3,354	6,211
Current portion of derivative financial instruments	6,001	5,956
Other current liabilities	30	1,369
Total current liabilities	67,032	65,824
Long-term debt	299,218	314,365
Long-term revolving credit facilities	100,000	100,000
Long-term derivative financial instruments	20,253	18,881
Total non-current liabilities	419,471	433,246
Share capital	64,528	64,528
Paid-in capital	379,851	379,851
Contributed capital	94,948	95,039
Retained loss	(102,954)	(109,665)
Treasury shares	(11,351)	(11,351)
Accumulated other comprehensive loss	(26,196)	(24,783)
Total shareholders' equity	398,826	393,619
Total liabilities and shareholders' equity	885,329	892,689



Cash at end Q2 of \$84.5 million, slightly down from Q1 due to timing of freight payments offset by CAPEX and scheduled debt repayment



Total assets of \$885.3 million down from \$892.7 million in Q1 primarily due to drydocking and scrubber installation offset by depreciation



Net interest-bearing debt of \$445.5 million, compared with \$ 457.2 million, due to scheduled debt repayments



Shareholders' equity was \$398.8 million and an equity ratio at 45.0%

APPENDIX – FINANCIALS Q2 2020



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
Cash flow statement	30-Jun-2020	31-Mar-2020
Cash flows from operating activities:		
Cash flow from operations	27,085	42,092
Net Interest paid	(5,564)	(5,837)
Net cash flows from operating activities	21,521	36,255
Cash flows used in investing activities:		
Capital expenditures	(11,025)	(21,121)
Net cash flows used in investing activities	(11,025)	(21,121)
Cash flows used in financing activities:		
Dividend	-	(19,108)
Repayment of long-term debt	(11,882)	(11,000)
Drawdown of long-term debt	-	15,000
Net cash flows used in financing activities	(11,882)	(15,108)
Effect of exchange rate changes on cash	66	(68)
Net increase in cash and cash equivalents	(1,321)	(42)
Cash and cash equivalents at beginning of period	85,867	85,909
Cash and cash equivalents at end of period	84,546	85,867



Cash flow from operating activities was \$21.5 million, compared to \$36.3 million in Q1, reflecting lower freight rates



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



Cash flow from financing activities was negative \$11.9 million, reflecting scheduled repayments



Cash position at quarter-end was \$84.5 million and available liquidity at the date of this report is \$78 million



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