



Avance Gas

Q1 2020

28 May 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 Q1 2020



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income Statement	31-Mar-2020	31-Dec-2019
TCE earnings	44,059	65,024
Operating expenses	(11,020)	(9,893)
A&G expenses	(1,327)	(1,545)
Depreciation and amortization expenses	(10,353)	(10,354)
Non-operating expenses	(6,262)	(6,373)
Net profit	15,097	36,814
Net profit per share (diluted) (\$)	0.24	0.58
Balance Sheet	31-Mar-2020	31-Dec-2019
Total assets	892,689	899,048
Total liabilities	499,070	487,937
Cash and cash equivalents	85,867	85,909
Total shareholders' equity	393,619	411,111
Cash Flows	31-Mar-2020	31-Dec-2019
Net cash from operating activities	36,255	52,226
Net cash used in investing activities	(21,121)	(4,371)
Net cash used in financing activities	(15,108)	(45,919)
Net increase in cash and cash equivalents	(42)	2,284
Key performance indicators (\$/day):*	31-Mar-2020	31-Dec-2019
TCE (IFRS 15)	44,990	51,047
OPEX	8,650	7,681
A&G	1,042	1,200

*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 \$44,990/day and 97% commercial utilisation for the fleet in Q1



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



Entered into a \$50 million interest rate swap at a fixed rate of 0.98%

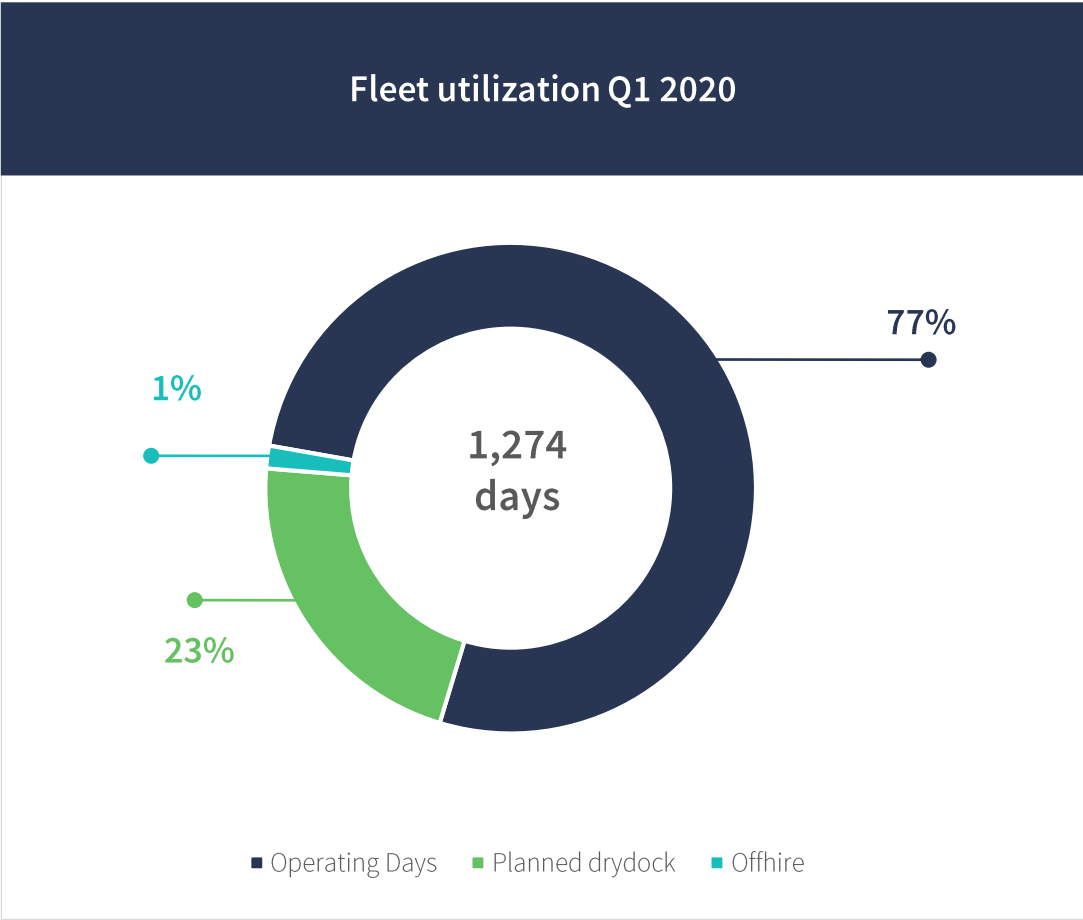


Drawdown of \$15 million under the \$515 million credit facility



Distributed \$19.1 million in dividend in March

DRYDOCKING PROGRAM 2020



Five of nine scheduled dockings completed



Four of six planned scrubbers installed



295 offhire days in Q1



Estimate ~100 days directly related to COVID-19

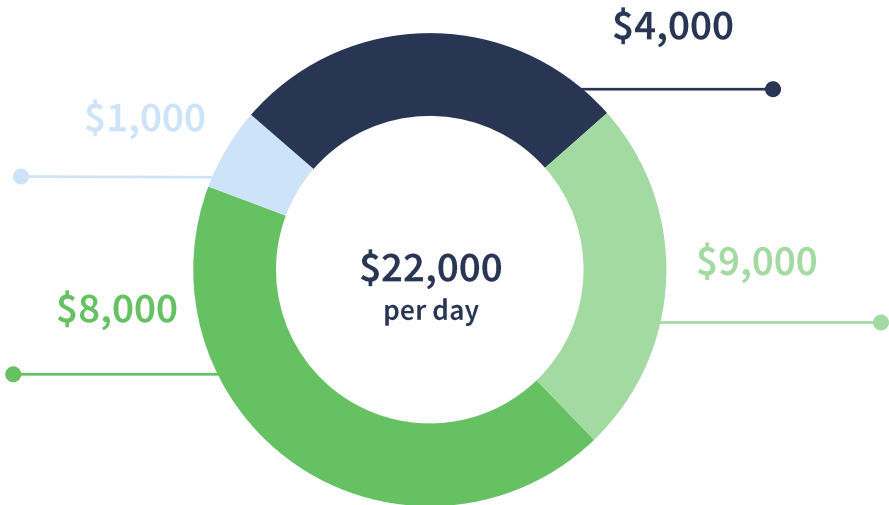


Assessing all alternatives in programming completion of DD program

FY 2020 – ESTIMATED CBE AND COVERAGE

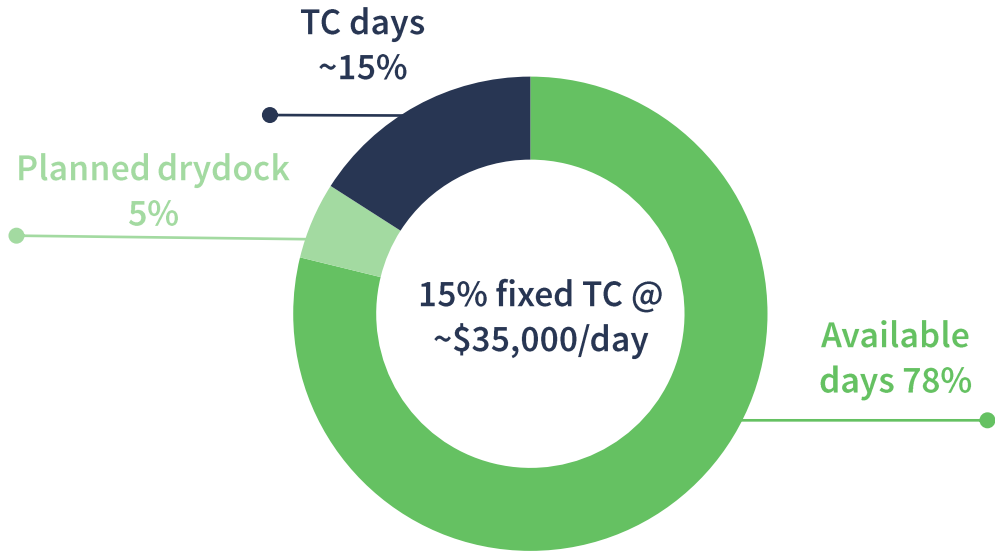


Estimated CBE (\$/day) FY 2020



■ OPEX ■ A&G ■ Interest Paid ■ Installments

TC Coverage – Remainder of 2020



■ Available days ■ Planned drydock ■ Fixed days



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MARKET FUNDAMENTALS

STRONG FIRST QUARTER DESPITE TURBULENCE



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



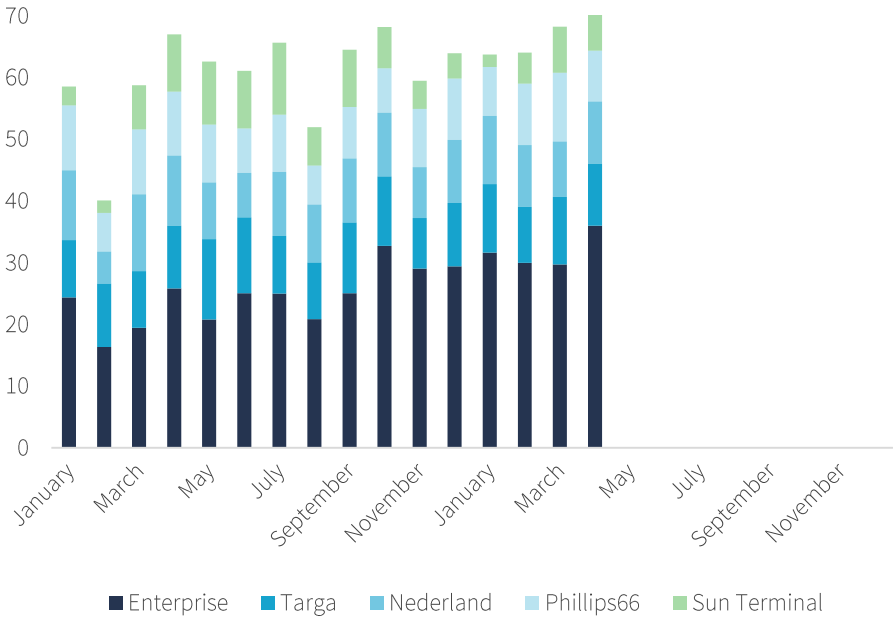
- ✓ Strong US exports and Asian demand
- ✓ IMO 2020 and shipyard disruptions
- ✓ COVID 19 and OPEC +

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

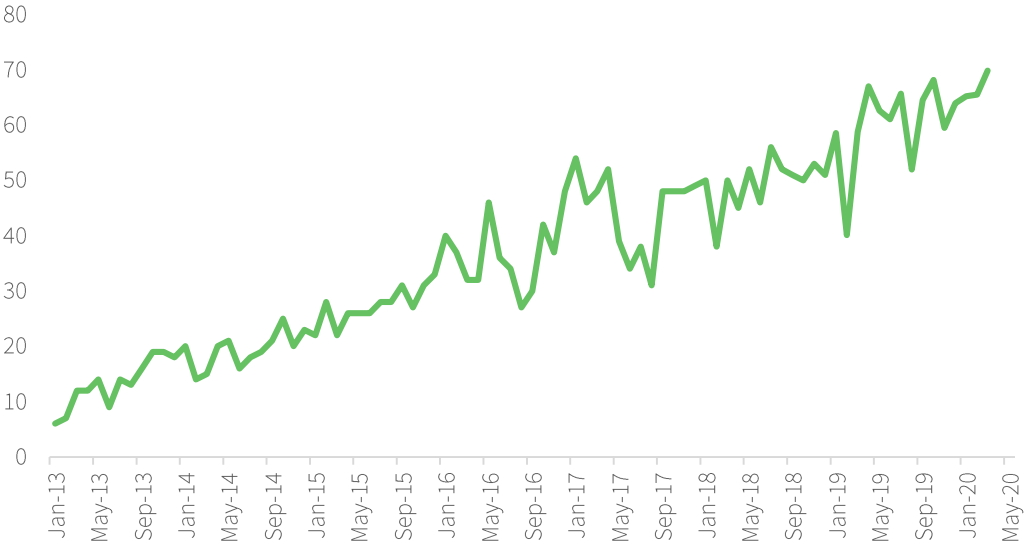
RECORD HIGH EXPORTS IN Q1



U.S. VLGC Liftings 2019-2020



US VLGC liftings 2013-2020

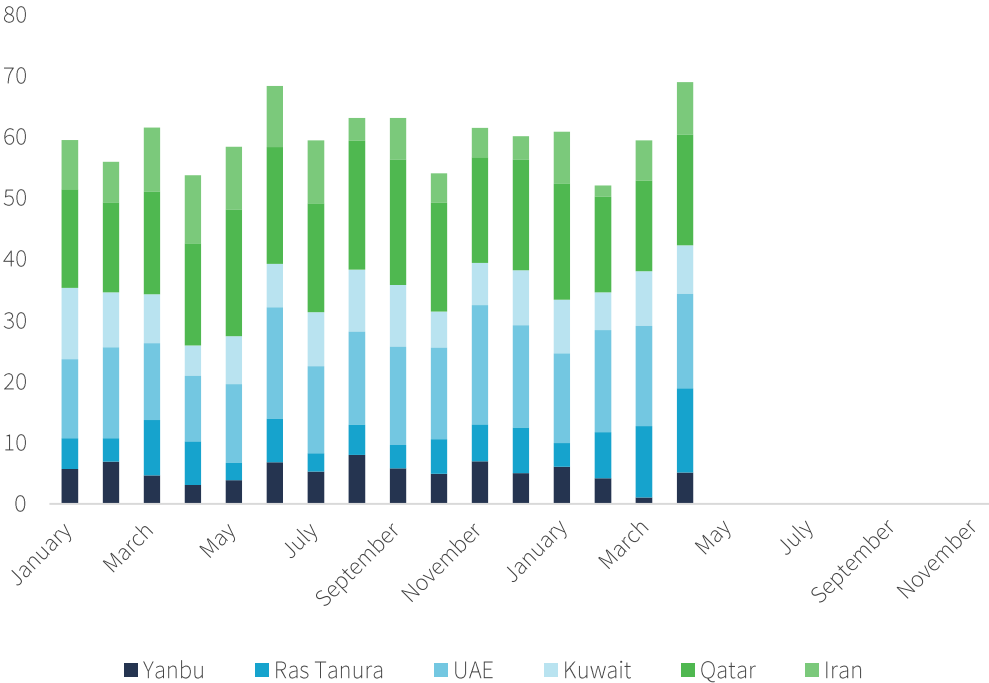


Source: IHS Markit

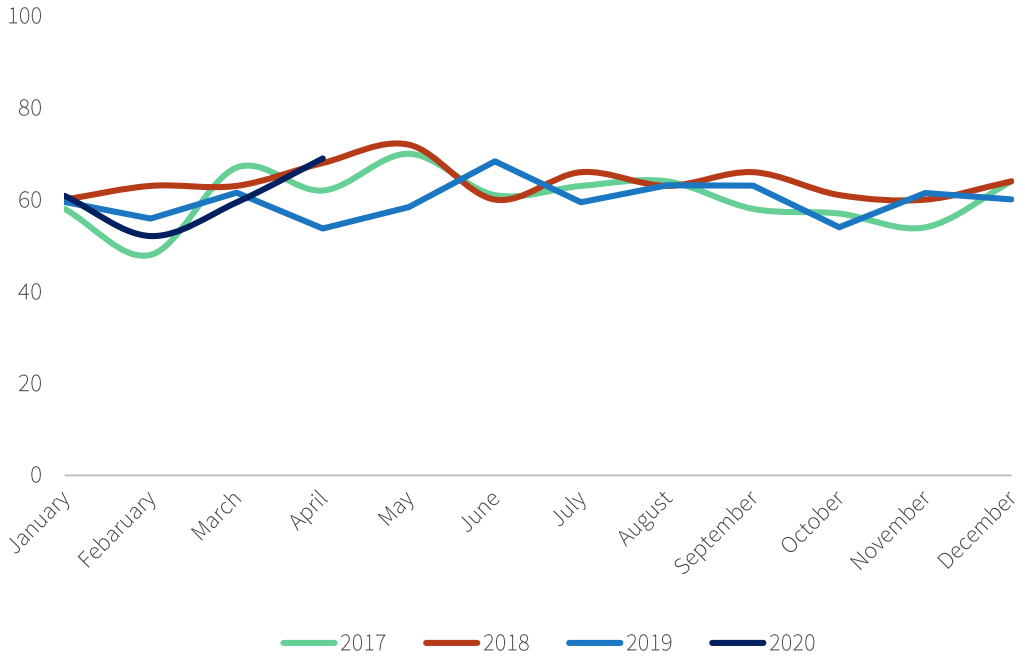
EXPECT STEADY MIDDLE EAST EXPORTS



Number of VLGC Liftings Middle East 2019-2020



Number of VLGC Liftings Middle East

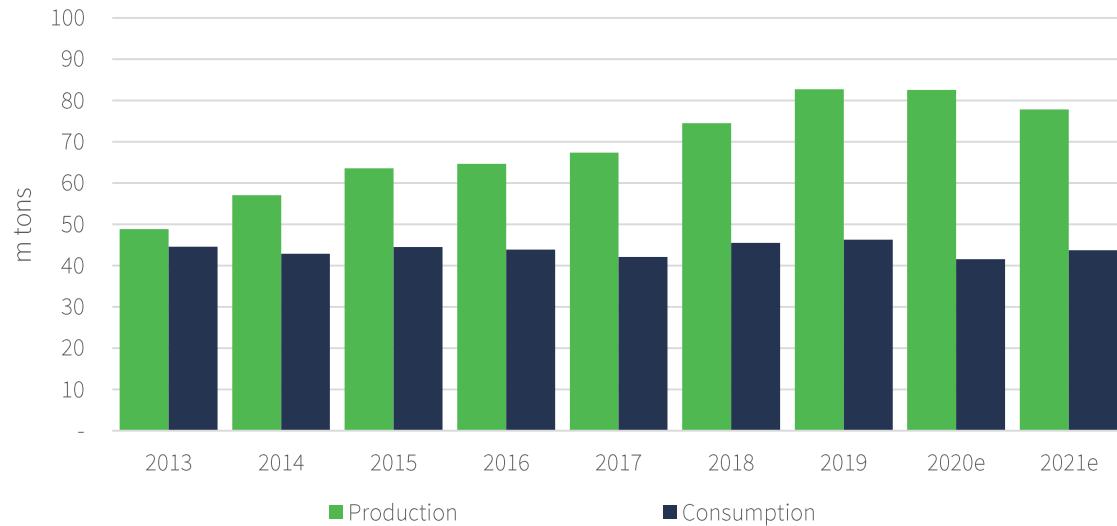


Source: IHS Markit

U.S. LPG PRODUCTION FORECAST SENSITIVE TO OIL PRICES

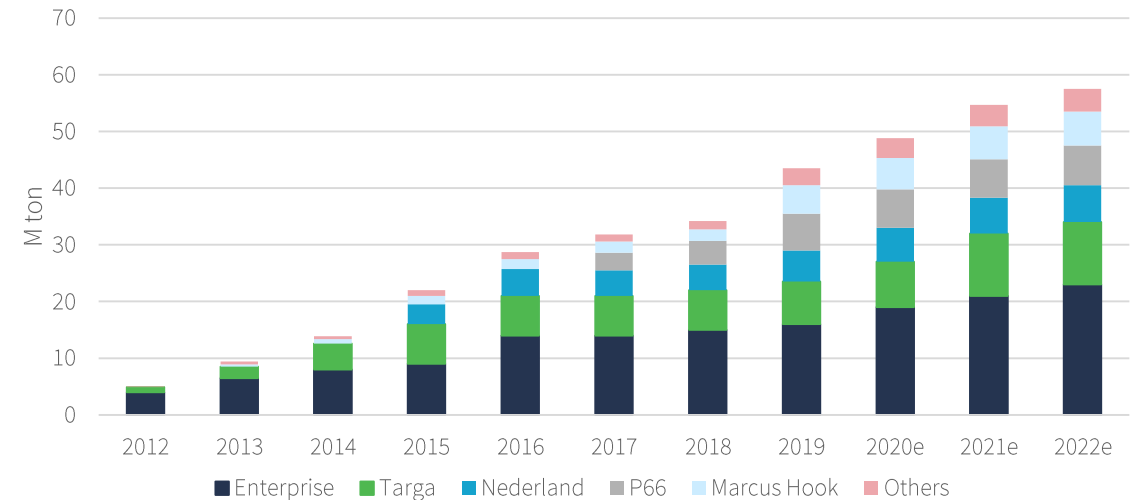


U.S. LPG production



Source: EIA

U.S. export capacity



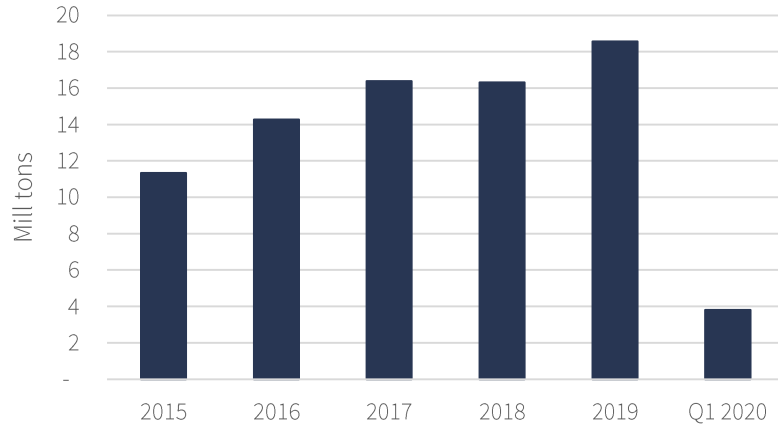
Source: Fearnleys Research

GROWTH IN ASIAN LPG DEMAND TO CONTINUE



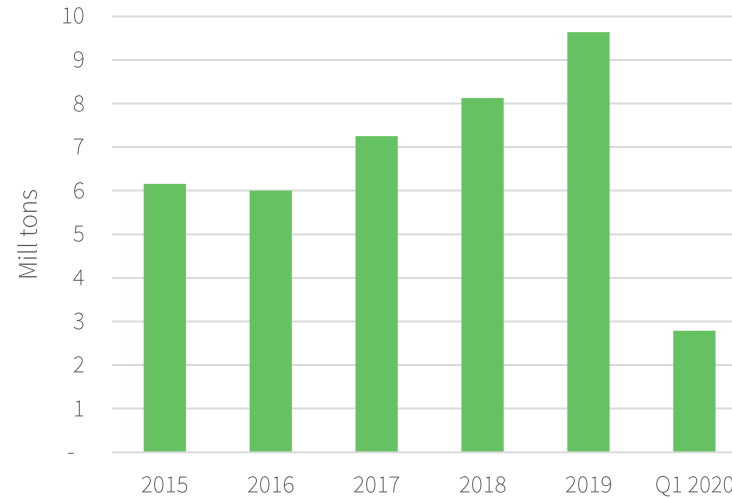
PDH and industrial

VLGC Imports China



Cooking / heating – residential

VLGC Imports India



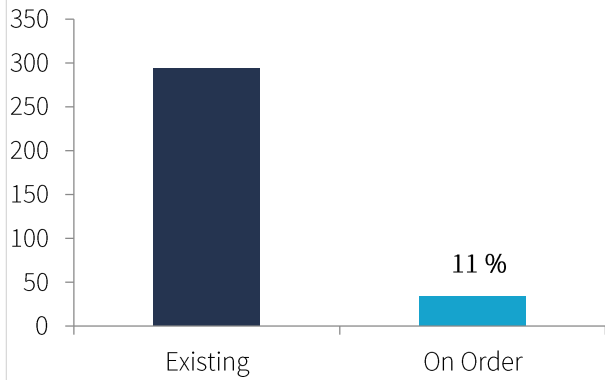
- ✓ ~80% of global demand in Asia
- ✓ ~70% of Asian demand is non-industrial
- ✓ COVID 19 – reduced 2020 demand
- ✓ Long term fundamentals healthy

Source: Fearnleys, IHS Markit

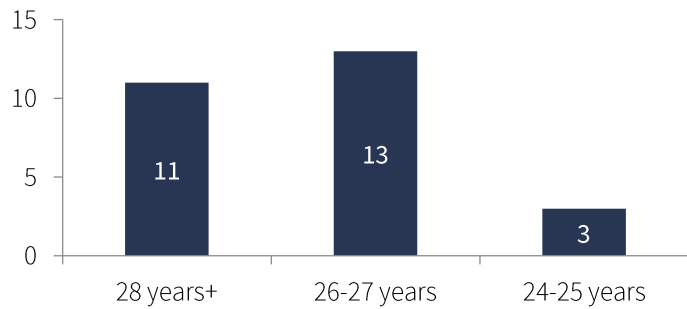
MODEST VLGC ORDERBOOK



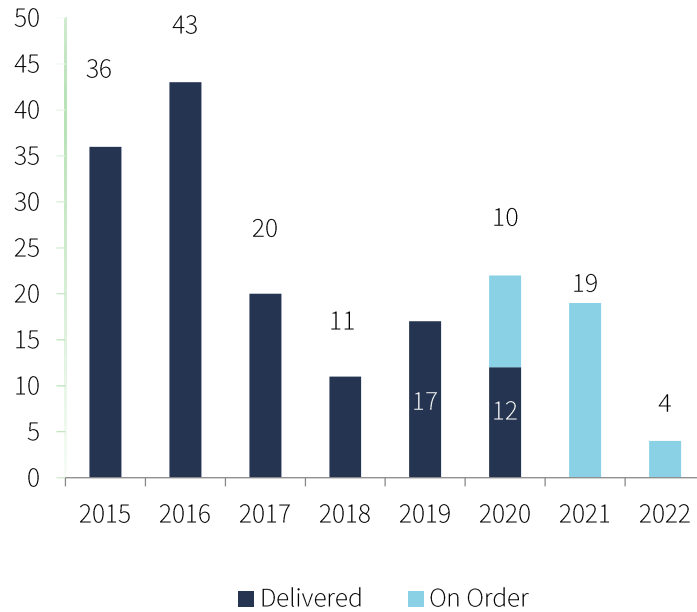
Fleet and Orderbook



2020 Fleet 25 years and older



Orderbook April 2020



- ✓ No new orders since January

- ✓ ~20-25% of fleet to drydock p.a. in 20-22

- ✓ 27 ships older than 25 years

- ✓ Scrubber and LPG retrofit

Source: Company, Fearnleys, Steem1960, Nordic Shipping

CONCLUSION

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Supply

- ✓ Reasonable orderbook – slippage expected
- ✓ 20-25% of fleet to drydock annually in 2020-22
- ✓ 12-15 ships are recycling candidates

Production and demand

- ✓ U.S. LPG production under pressure
- ✓ LPG production forecast and price arb sensitive to oil prices
- ✓ Asian demand in returning to normal

Outlook

- ✓ Follow oil price and COVID recovery closely
- ✓ 15% TC coverage in remainder of 2020
- ✓ Potential for positive forecast revisions with oil price recovery



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Q&A



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APPENDIX

APPENDIX – FINANCIALS Q1 2020



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
Income Statement	31-Mar-2020	31-Dec-2019
Operating revenue	68,135	90,324
Voyage expenses	(24,076)	(25,300)
Operating expenses	(11,020)	(9,893)
Administrative and general expenses	(1,327)	(1,545)
Operating profit before depreciation expense	31,712	53,586
Depreciation and amortization expenses	(10,353)	(10,354)
Operating profit	21,359	43,232
Non-operating (expenses) income:		
Finance expense	(6,157)	(6,757)
Finance income	2	281
Foreign currency exchange gain	(107)	103
Income tax expense	-	(45)
Net profit	15,097	36,814
Profit per share:		
Basic	0.24	0.58
Diluted	0.24	0.58



TCE earnings of \$44.1 million, down from \$65.0 million, reflecting less revenue days due to scheduled drydocking



Operating expenses of \$11.0 million, up from \$9.9 in Q4 mainly due to Covid-19 related increase in storing and crew costs



Administrative and general expenses of \$1.3 million, down from \$1.5 million due to non-recurring item in Q4



Non-operating expenses of \$6.3 million, in line with Q4 of \$6.4 million



A reported net profit of \$15.1 million, compared to a net profit of \$36.8 million in Q4 2019

APPENDIX – FINANCIALS Q1 2020



In \$ thousands (unless stated otherwise)	Three months ended	Twelve months ended
	31-Mar-2019	31-Dec-2019
Balance sheet		
Cash and cash equivalents	85,867	85,909
Receivables	17,008	26,068
Inventory	8,081	9,284
Other current assets	8,234	14,891
Total current assets	119,190	136,152
Property, plant and equipment	765,731	762,896
Newbuildings	7,768	-
Total non-current assets	773,499	762,896
Total assets	892,689	899,048
Current portion of long-term debt	42,876	42,895
Accounts payable	9,233	14,235
Related party payable balances	179	168
Accrued expenses (inc voyage expenses)	6,211	9,021
Current portion of derivative financial instruments	5,956	620
Other current liabilities	1,369	204
Total current liabilities	65,824	67,143
Long-term debt	314,365	310,148
Long-term revolving credit facilities	100,000	100,000
Long-term derivative financial instruments	18,881	10,646
Total non-current liabilities	433,246	420,794
Share capital	64,528	64,528
Paid-in capital	379,851	379,851
Contributed capital	95,039	94,945
Retained loss	(109,665)	(105,654)
Treasury shares	(11,351)	(11,351)
Accumulated other comprehensive loss	(24,783)	(11,208)
Total shareholders' equity	393,619	411,111
Total liabilities and shareholders' equity	892,689	899,048



Cash at end Q1 of \$85.9 million, unchanged from 31 December 2019



Total assets of \$892.7 million, versus \$899.0 million in the prior quarter



Net interest-bearing debt of \$457.2 million, compared with \$453.0 million, due to drawdown of \$15 million facility and scheduled repayments



Shareholders' equity was \$393.6 million and an equity ratio at 44.1%

APPENDIX – FINANCIALS Q1 2020



In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
Cash flow statement	31-Mar-2020	31-Dec-2019
Cash flows from operating activities:		
Cash flow from operations	42,092	58,846
Net Interest paid	(5,837)	(6,602)
Net cash flows from operating activities	36,255	52,226
Cash flows used in investing activities:		
Capital expenditures	(21,121)	(4,371)
Net cash flows used in investing activities	(21,121)	(4,371)
Cash flows used in financing activities:		
Exercise of share option	-	81
Dividend	(19,108)	-
Repayment of long-term debt	(11,000)	(46,000)
Drawdown of long-term debt	15,000	-
Net cash flows used in financing activities	(15,108)	(45,919)
Effect of exchange rate changes on cash	(68)	348
Net increase in cash and cash equivalents	26	2,284
Cash and cash equivalents at beginning of period	85,909	83,625
Cash and cash equivalents at end of period	85,867	85,909



Cash flow from operating activities was \$36.3 million, compared to \$52.2 million in Q4, reflecting less revenue days due to scheduled drydocking



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



Cash flow from financing activities was negative \$15.1 million, reflecting dividend payment of \$19.1 million, \$11 million in scheduled repayments offset by drawdown of \$15 million



Cash position at quarter-end was \$85.9 million and available liquidity at the date of this report is \$91 million



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