



Avance Gas

# First Quarter Results 2022

May 25, 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 Income of \$46.9 million corresponding to TCE rate of \$37,608/operating day or \$37,161/calendar day.
- Took delivery of our first two dual fuel newbuildings – delivered on variable hire Time Charter Agreements for 2 years.
- Strong fundamentals and freight market environment currently trading above \$50,000/day basis a modern scrubber vessel.

## Financials

- EBITDA of \$34.8 million, net profit of \$24.3 million and EPS of \$0.32 equalling ROE (book value) of ~17% on annualized basis.
- Declared a dividend of \$0.20 per share corresponding to 63% of net profit or \$15.3 million for the first quarter 2022.
- Entered into two contracts to sell the 2008-built VLGCs Thetis Glory and Providence – total net cash proceeds of \$48.3 million at delivery.

## Key subsequent event

- In May 2022, the Company refinanced existing bank debt in a \$555 million Sustainability Linked Financing at attractive terms lowering our cash break even level with \$1,800/day for the 9 VLGCs while also significantly boosting our current available liquidity from \$126 million to a pro forma cash of ~\$200 million in cash. Additionally, we have secured financing for the newbuildings #3 & #4 with an accordion option to finance the remaining newbuildings #5 & #6.

# CURRENT FLEET STATUS



Fleet					
Vessel	Built	Shipyard	CBM	2022	2023
Iris Glory	2008	Daewoo	83.700	TC Fixed rate	TC Fixed rate - Q3
Venus Glory	2008	Daewoo	83.700	TC Fixed rate	TC Fixed rate - Q4
Promise	2009	Daewoo	83.800	TC Fixed rate	TC Fixed rate - Q4
Mistral (scrubber)	2015	Jiangnan	83.000	Spot	Spot
Monsoon (scrubber)	2015	Jiangnan	83.000	Spot	Spot
Breeze (scrubber)	2015	Jiangnan	83.000	Spot	Spot
Passat (scrubber)	2015	Jiangnan	83.000	Spot	Spot
Sirocco (scrubber)	2015	Jiangnan	83.000	Spot	Spot
Levant (scrubber)	2015	Jiangnan	83.000	Spot	Spot
Chinook	2015	Jiangnan	83.000	Spot	Spot
Pampero	2015	Jiangnan	83.000	Spot	Spot
Avance Polaris (LPG dual fuel)	2022	Daewoo	91.000	TC Variable rate	TC Variable rate
Avance Capella (LPG dual fuel)	2022	Daewoo	91.000	TC Variable rate	TC Variable rate

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



17 Very Large Gas carriers (VLGCs) including four VLGCs on order



Six highly efficient Dual-Fuel VLGCs with strong earnings capacity while at the same time lowering our carbon footprint



Reducing the average age of the fleet by ~3 years since 1<sup>st</sup> of January 2021 by selling older units and contracting newbuildings



Balanced Chartering portfolio with long term Time Charter Contracts at fixed and variable rate while maintaining market exposure

# DUAL FUEL VLGCS – STATE-OF-THE-ART SHIPS



## DUAL FUEL LPG - PERFORMANCE

- ✓ Reducing emissions by:
  - SOx (96%)
  - Particle pollution (90%)
  - CO2 (~40% ) compared to 2010 Korean built VLGC design at 16 knots
- ✓ EEXI compliant & top CII rating
  - Best fuel efficiency VLGC design available on the market
  - Extra cargo capacity while running on LPG for propulsion
  - Shaft generator enables “zero running” of fuel oil in the auxiliary engines while sailing
- ✓ Preparing for ammonia as fuel
  - Invested in modifications during the newbuilding phase preparing for ammonia as fuel for the remaining four newbuildings
  - Ammonia is a source of zero emission fuel provided that the safety challenges

## ESG INTEGRATED INTO OUR BUSINESS MODEL

- ESG & GRI reporting & materiality assessment
- Monitoring & investing in new technology
- Welcome new regulations related to climate change
- Sustainability linked financing with support from banks
- LPG - key factor in addressing negative health impacts associated with harmful emissions








# FINANCIAL HIGHLIGHTS Q1 2022

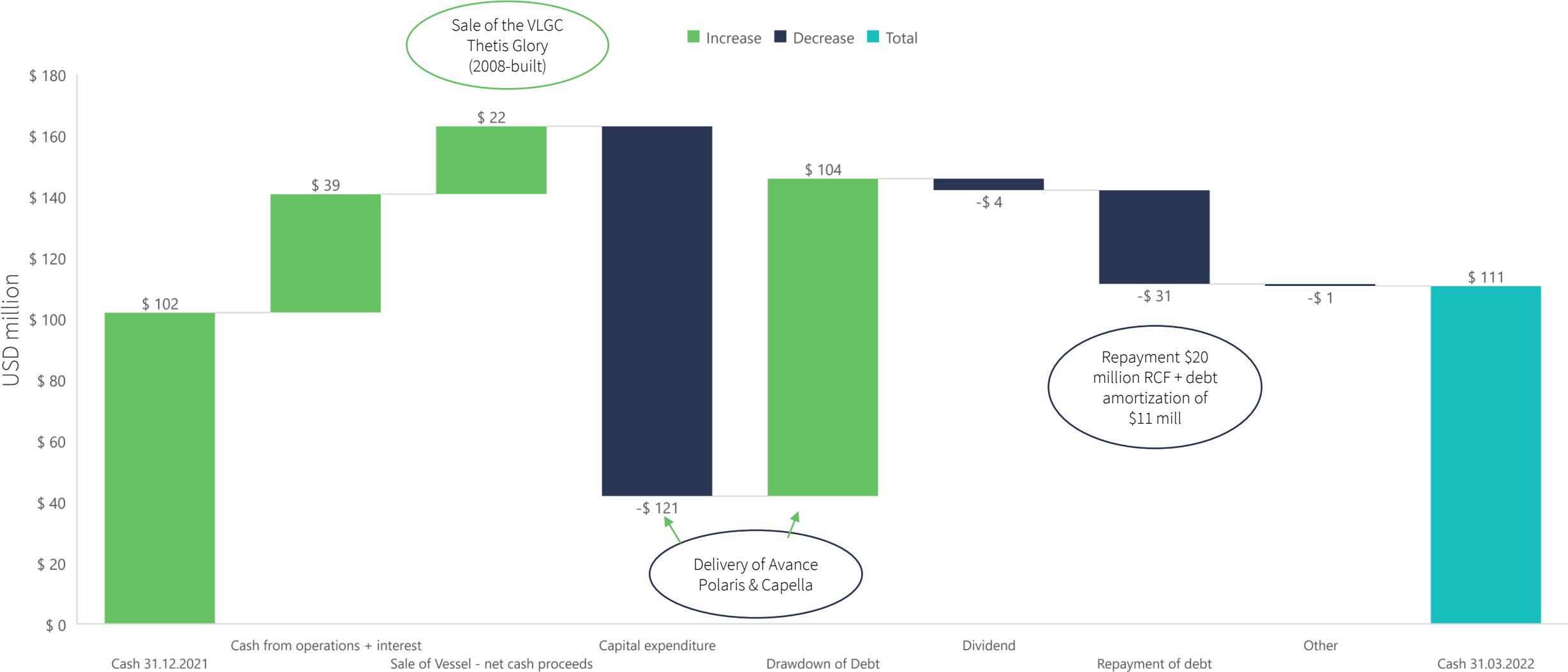


In US\$ thousands (unless stated otherwise)	3m ended Q1-2022	3m ended Q4-2021
<b>Income Statement</b>		
TCE earnings	46,860	32,908
Operating profit before depreciation expense	34,773	21,559
Net profit	24,306	7,492
Earnings per share (diluted) \$	0.32	0.10
<b>Balance Sheet</b>		
Total assets	1,023,892	955,383
Total liabilities	452,652	416,215
Cash and cash equivalents	110,641	101,910
Total shareholder's equity	571,240	539,168
<b>Cash flows</b>		
Net cash from operating activities	38,859	15,258
Net cash used in investing activities	(75,712)	(18,051)
Net cash from (used in) financing activities	45,617	2,328
Net increase (decrease) in cash and cash equivalents	8,764	(465)
<b>Key performance indicators (\$/day)</b>		
TCE (discharge to discharge)	35,084	30,065
TCE (IFRS 15)	37,608	27,631
OPEX	8,459	8,139
A&G	1,126	1,350

## KEY HIGHLIGHTS

-  TCE \$37,608/day for the first quarter compared \$27,631 in Q4, commercial utilization of 97.4%. TC coverage 37% in Q1 2021 at an average TCE rate of ~\$34,000/day
-  Net profit of \$24.3 million or earnings per share of \$0.32 – annualised ROE (book) of 17%
-  Recognised a gain on sale of the 2088-built VLGC Thetis Glory of \$6.3 million
-  The Board declared a dividend of \$0.20 per share for the first quarter 2022
-  Equity ratio of 55.8% and robust cash position of \$110.6 million at the end of Q1 2022 with refinancing boosting our cash availability into the second quarter

# CASH FLOW MOVEMENTS – Q1 2022



# NEW ATTRACTIVE LONG-TERM FINANCING SECURED

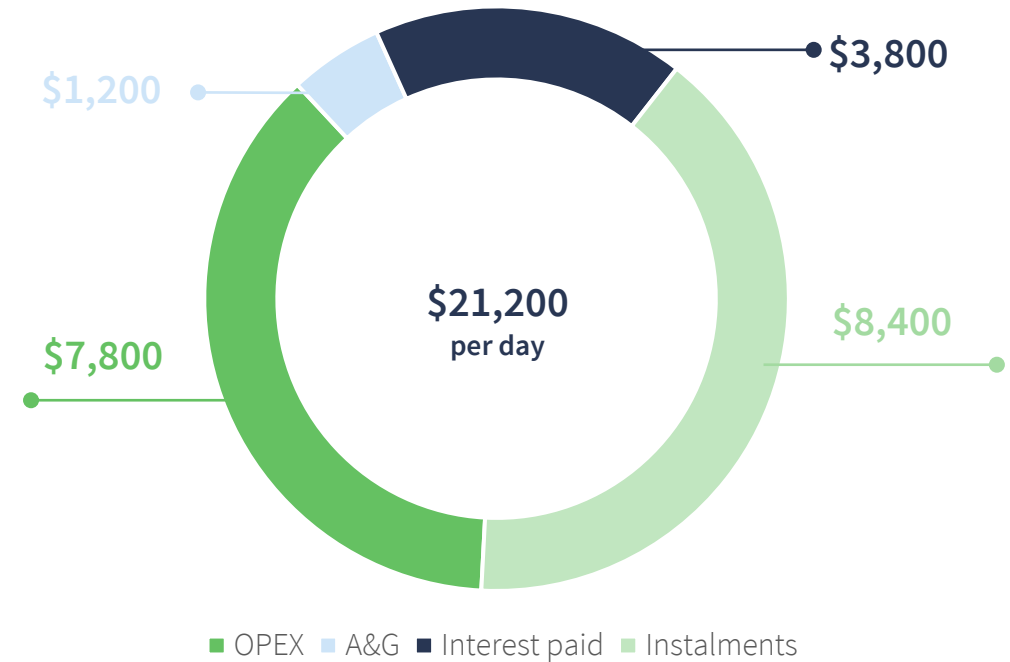


## KEY MAIN TERMS

### \$555 million Sustainability Linked Facility

- \$200 million Term Loan - financing 9 VLGCs
- \$125 million Revolving Credit Facility - financing 9 VLGCs
- \$115 million Newbuilding Facility – financing the newbuildings #3 & #4
- \$115 million Newbuilding Facility accordion option – option to finance the newbuildings #5 & #6
- Repayment profile: 20 years age-adjusted
- Maturity: January 2028
- Margin: SOFR + 220 bps (equalling LIBOR + ~195 bps)
- Sustainability Linked Margin Adjustment included
- Significantly lowering our Cash Break Even (CBE) with \$1,800/day for the 9 VLGCs refinanced and \$1,300/day for the entire Avance Gas fleet including the newbuildings #3 - #6

## SIGNIFICANTLY LOWERING OUR CASH BREAK EVEN

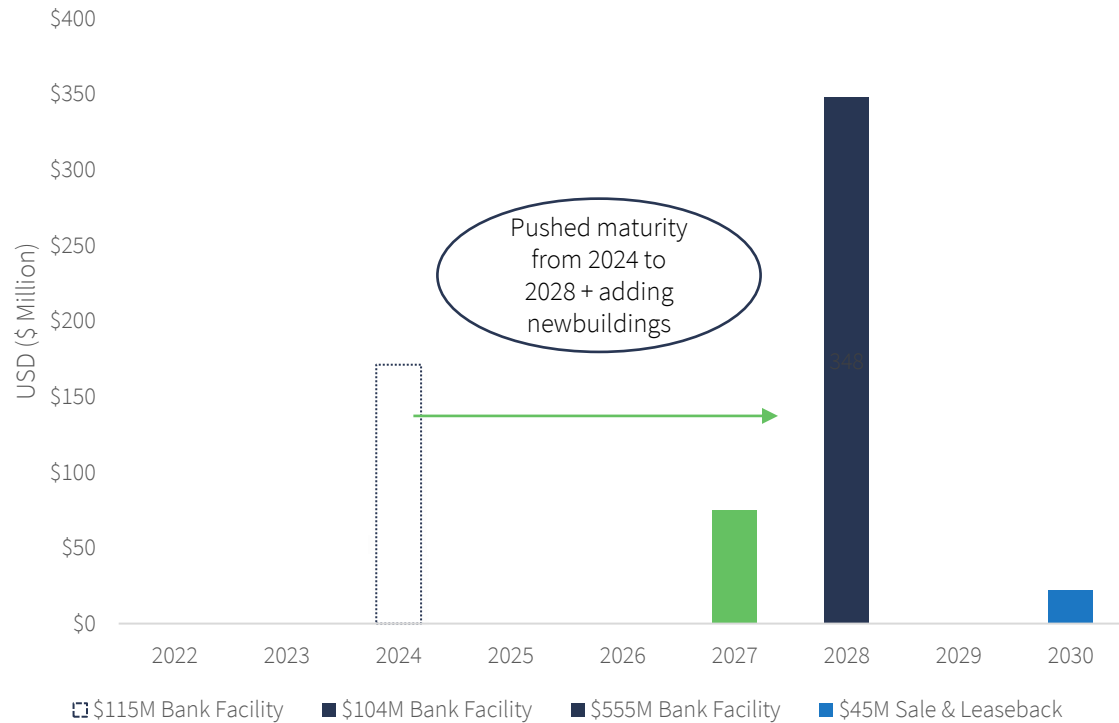




# STAGGARD DEBT & VERY LIMITED UNFUNDED CAPEX

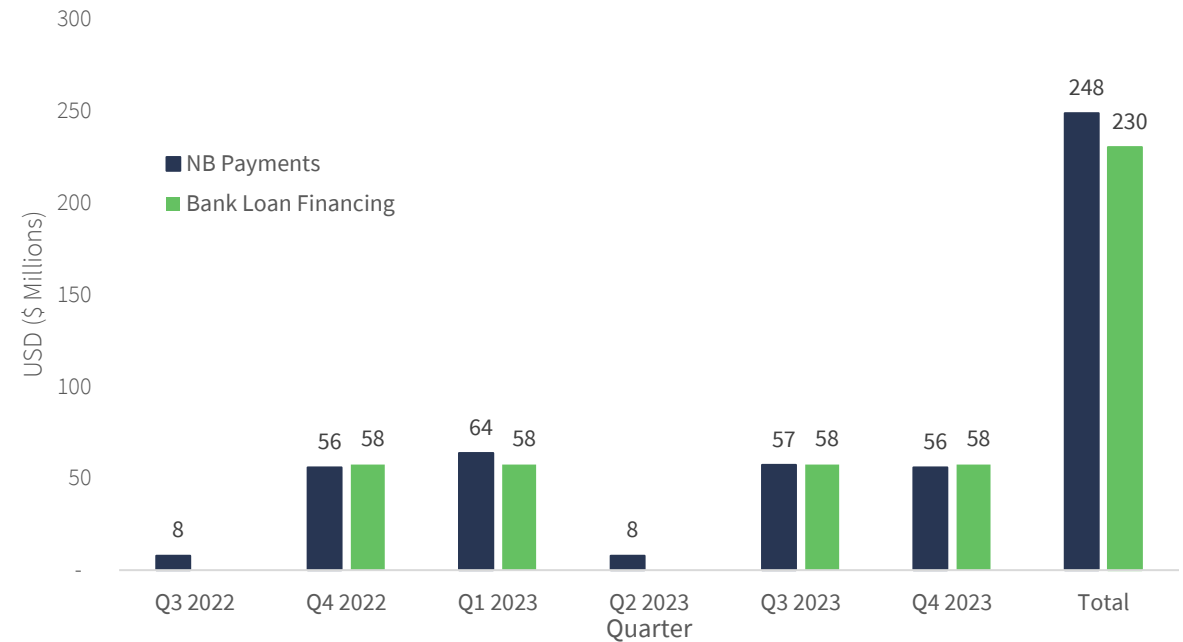


## DEBT MATURITY PROFILE



- No debt maturity before February 2027, except of \$45 million sale leaseback bears a put option in favour of the leasing house from 2025. The above assumes that the accordion option is declared to finance newbuildings #5 & #6 with banks.

## QUARTERLY NEWBUILDING CAPEX

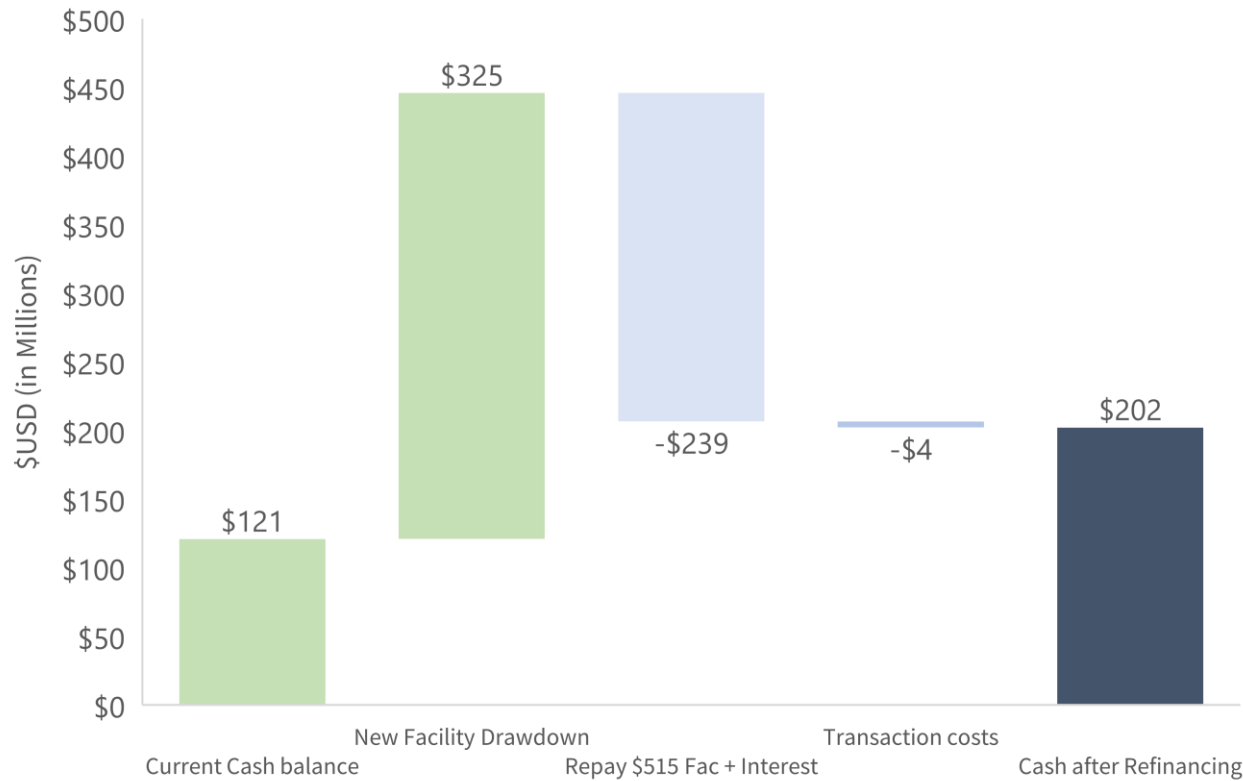


- Limited unfunded newbuilding CAPEX of approx. \$20 million funded from cash flow from operations is less than 2 months in current freight rate market environment.

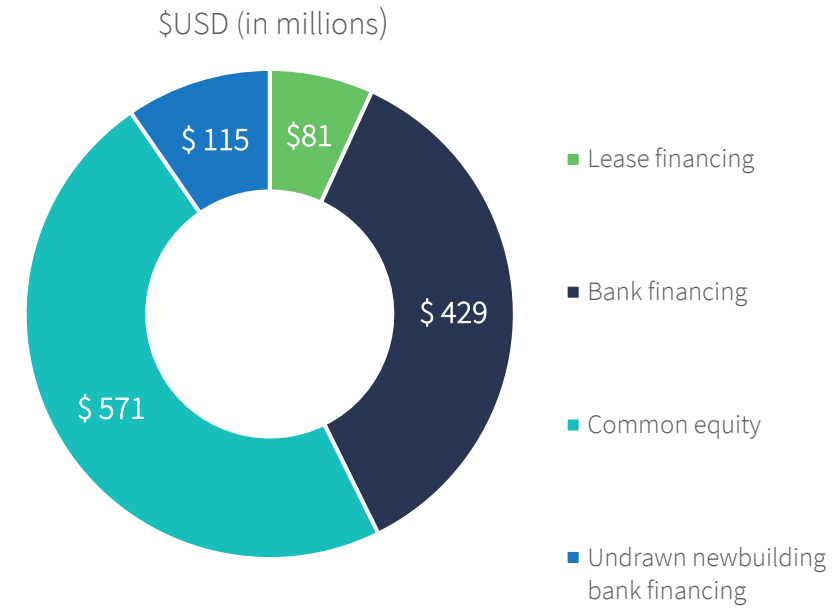
# REFINANCING SIGNIFICANTLY BOOST OUR CASH POSITION



## PRO FORMA CASH POSITION TODAY

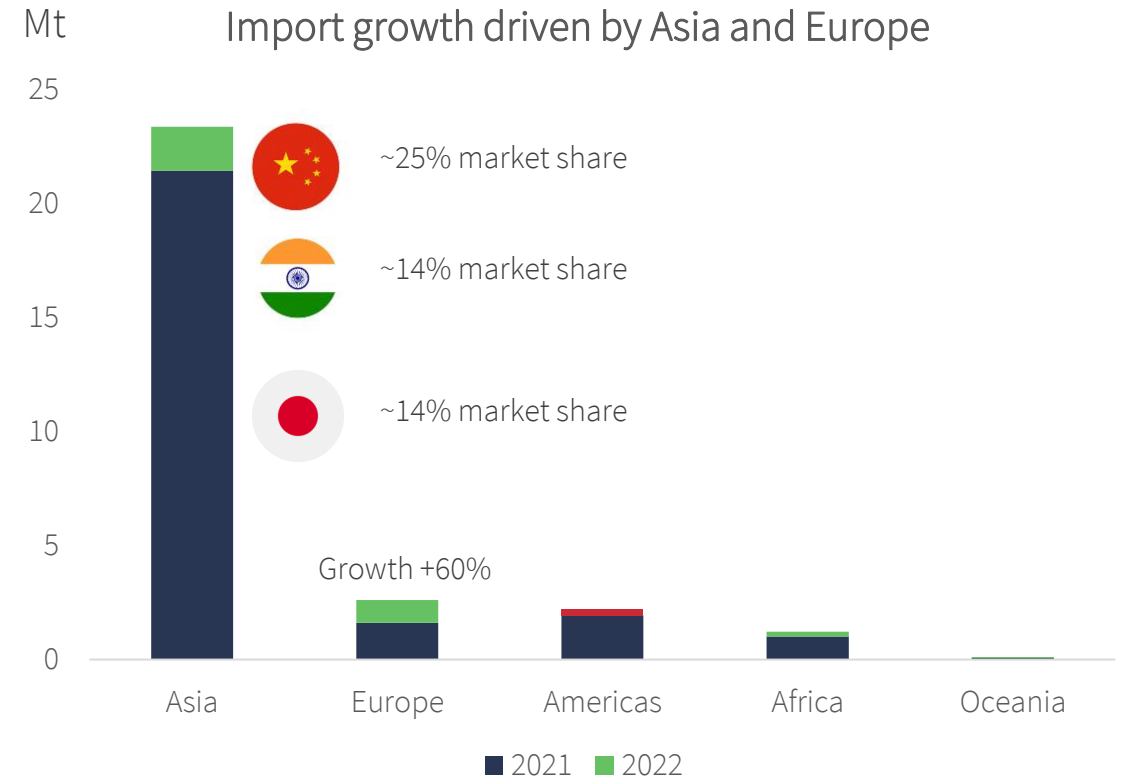
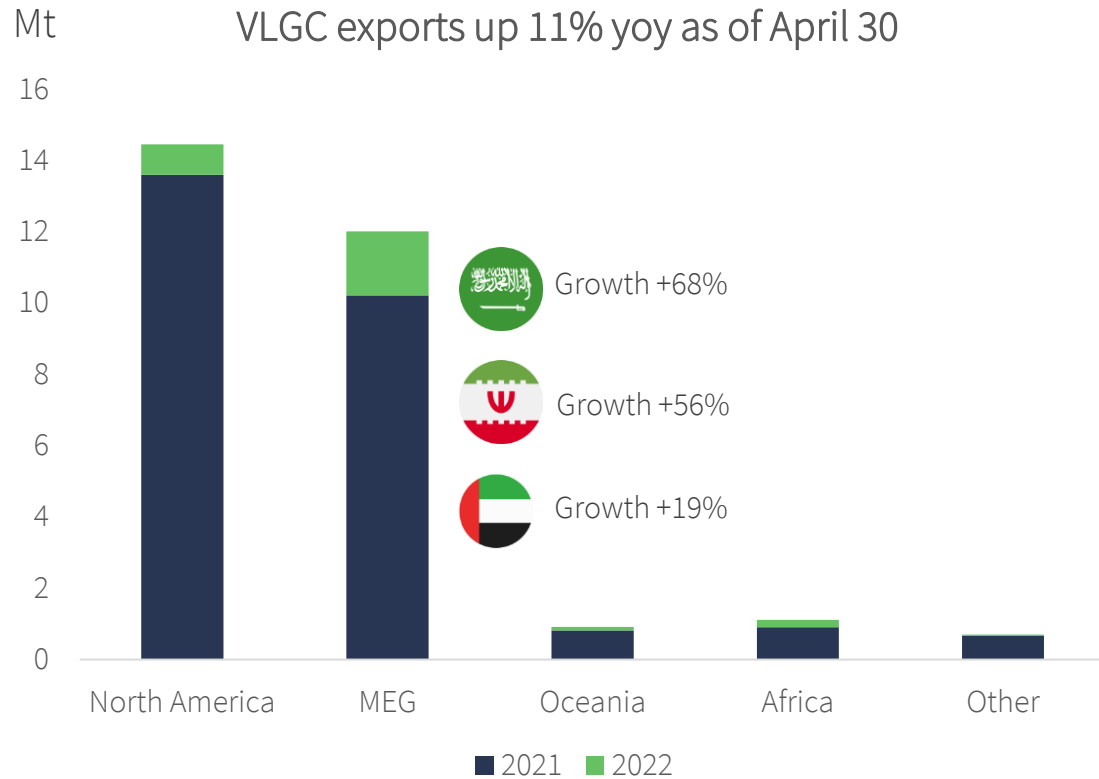


## FINANCING PROFILE – MARCH 31, 2022



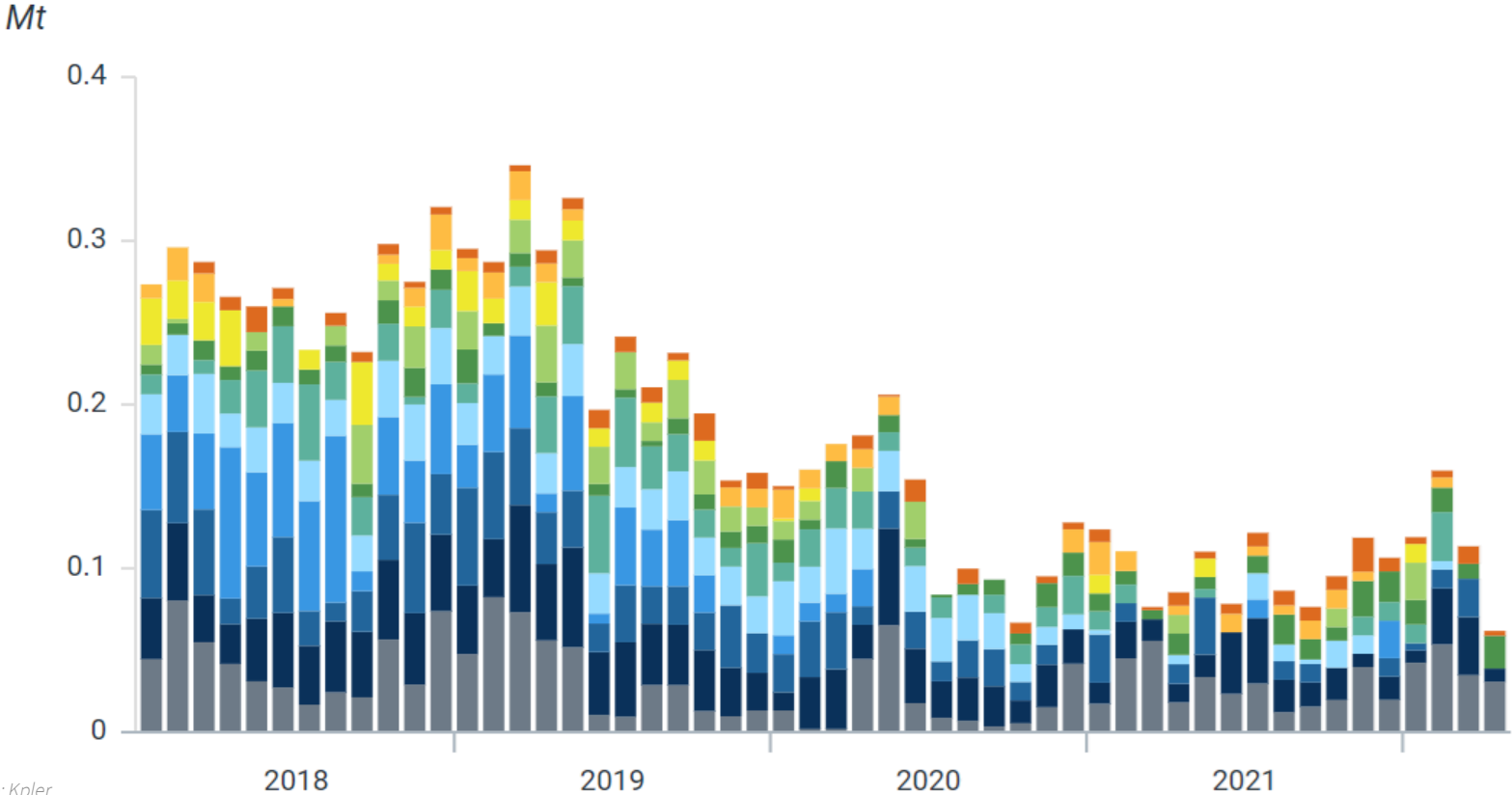
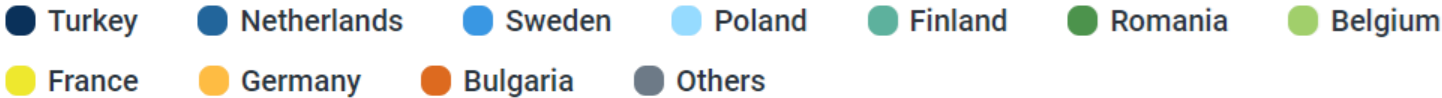
- All bank financing is Sustainability Linked Loan Facility
- Diversified access to sources of funds
- Banking group consist of 9 well reputational banks/financiers

# STRONG GROWTH IN VLGC VOLUMES



Source: Kpler

# RUSSIAN SEABORN LPG EXPORTS ARE MINISCULE



Source: Kpler

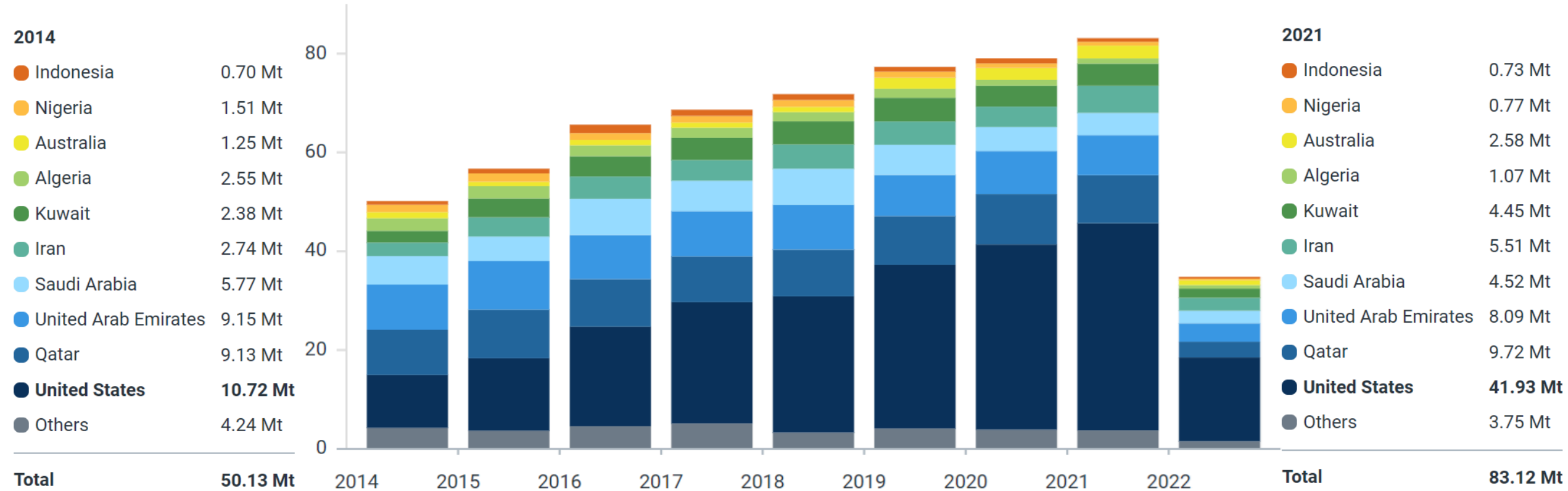
- ✓ Russian LPG exports were 1.2mt in 2021, representing about 1% of market. Primarily to Europe
- ✓ Russian has zero VLGC exports
- ✓ Most Russian LPG exports goes to Europe with these volumes now being replaced by LPG exports with longer sailing distances

# THE US SHALE BOOM HAS FUELED THE VLGC EXPORTS



- United States
- Qatar
- United Arab Emirates
- Saudi Arabia
- Iran
- Kuwait
- Algeria
- Australia
- Nigeria
- Indonesia
- Others

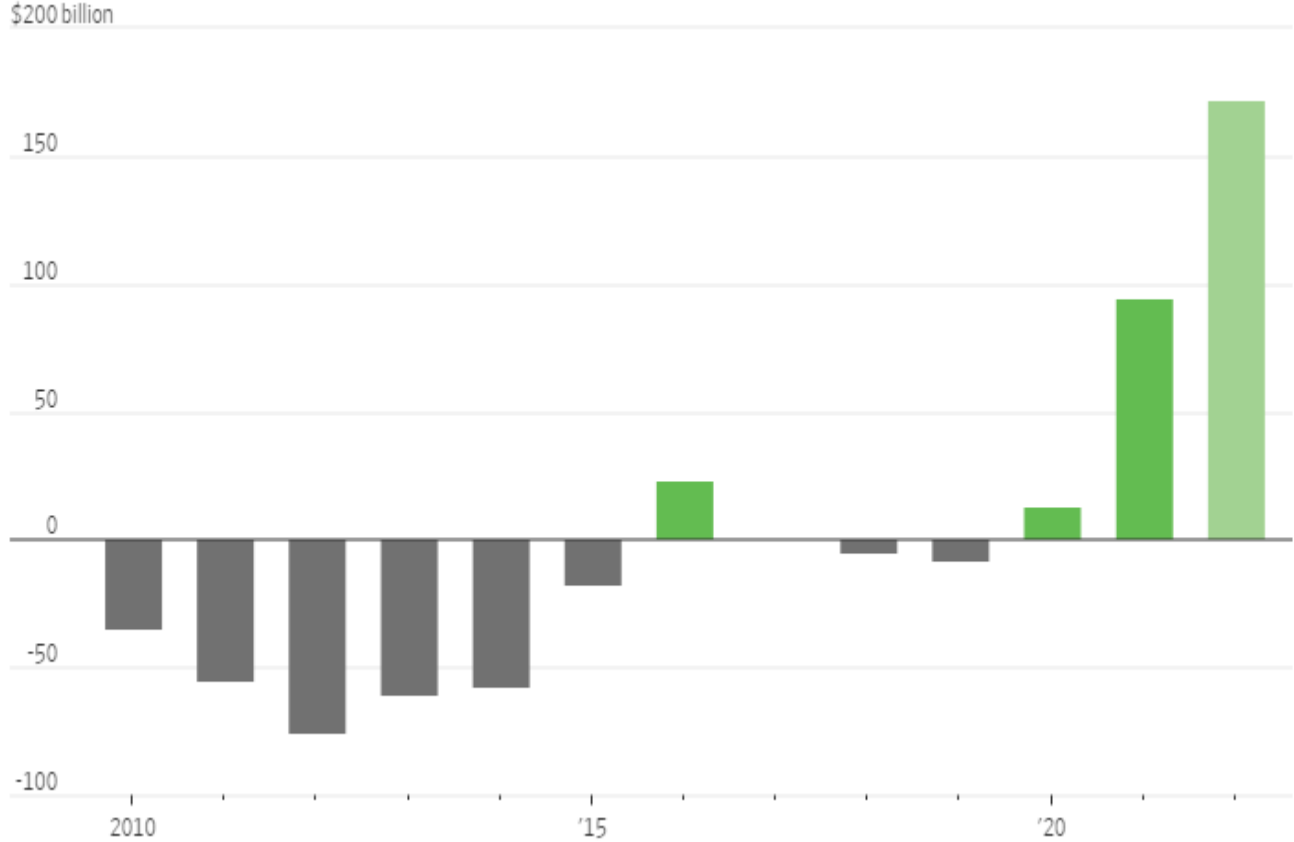
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# CAPITAL DISCIPLINE HAS BEEN HOLDING BACK PRODUCTION

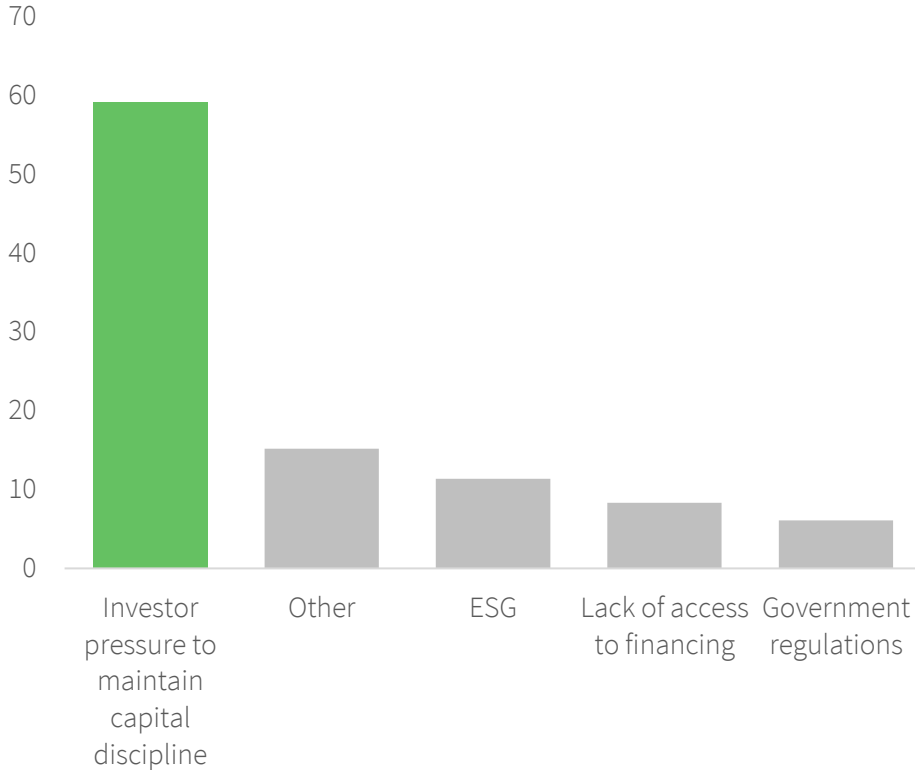


US Shale producers' annual free cashflow



Source: WSJ & Dallas FED

Which of the following is the primary reason that publicly traded oil producers are restraining growth despite high oil prices?

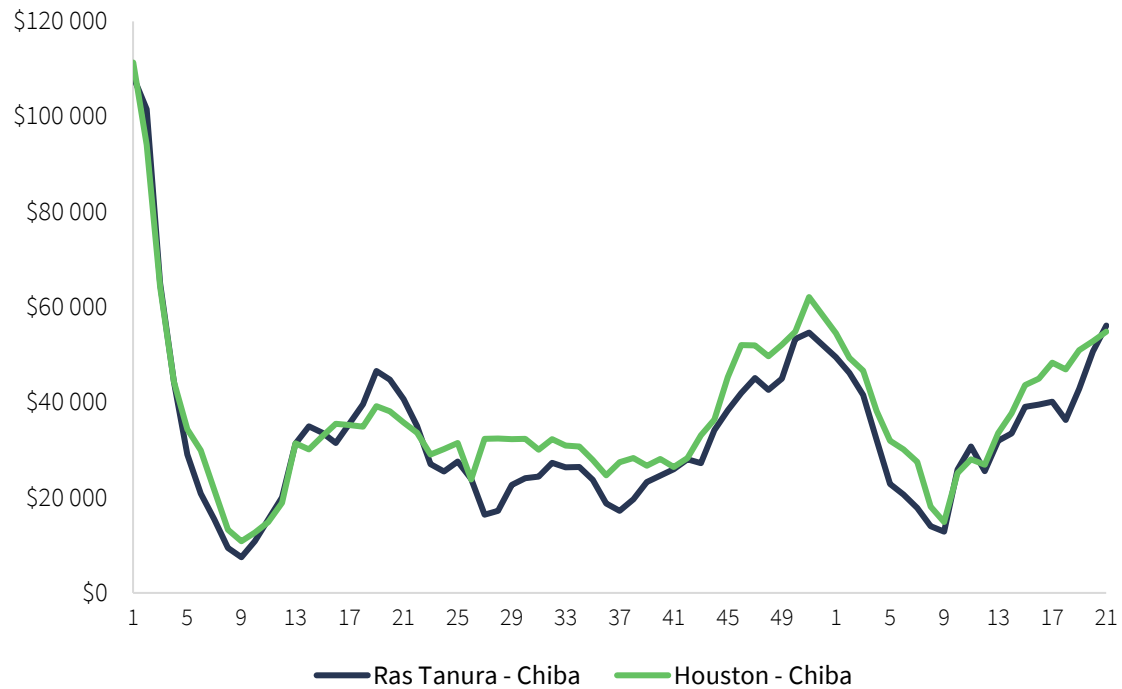


# VLGC FREIGHT MARKET SUPPORTED BY THE ARBITRAGE & INEFFICIENCIES

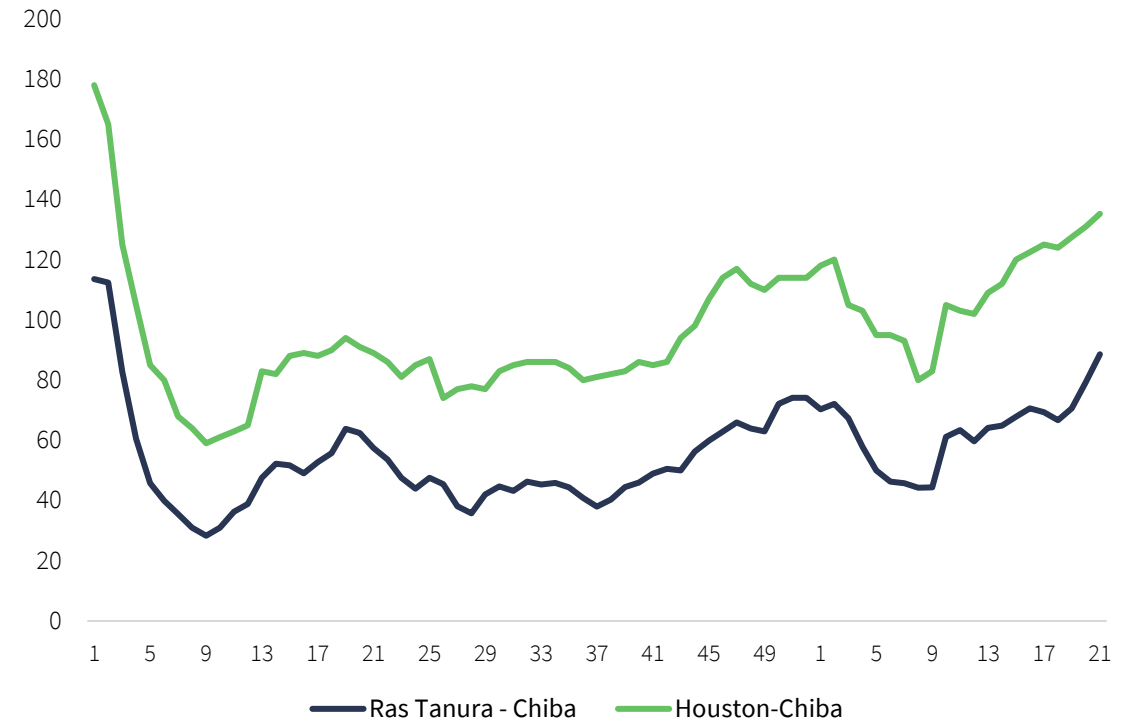


## FREIGHT RATES 2021 – 2022 – BROKER QUOTATIONS

Broker quotations \$ pr. day

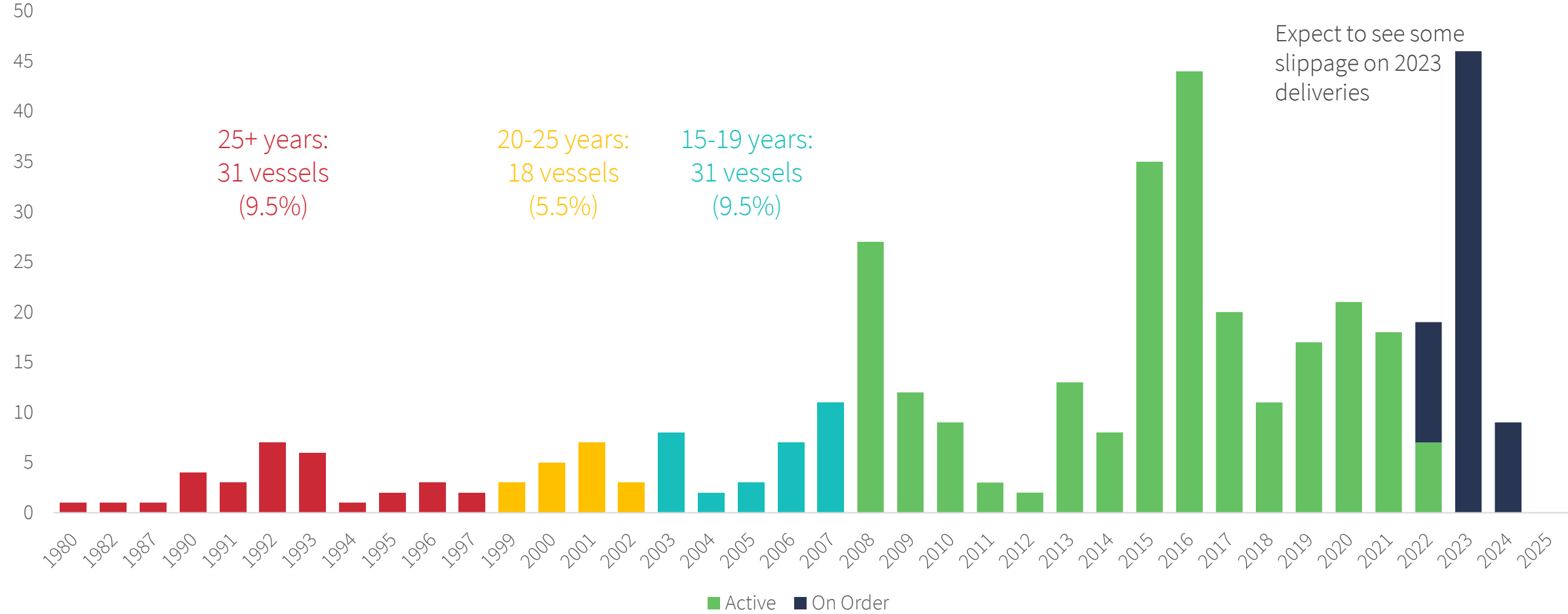


Broker quotations \$ pr. ton



Strong Outlook with BLPG1 (Ras Tanura – Chiba) FFA at ~\$75 in Q3/Q4-22 pr. ton while BLPG3 (Houston – Chiba) FFA at ~\$123 pr. ton

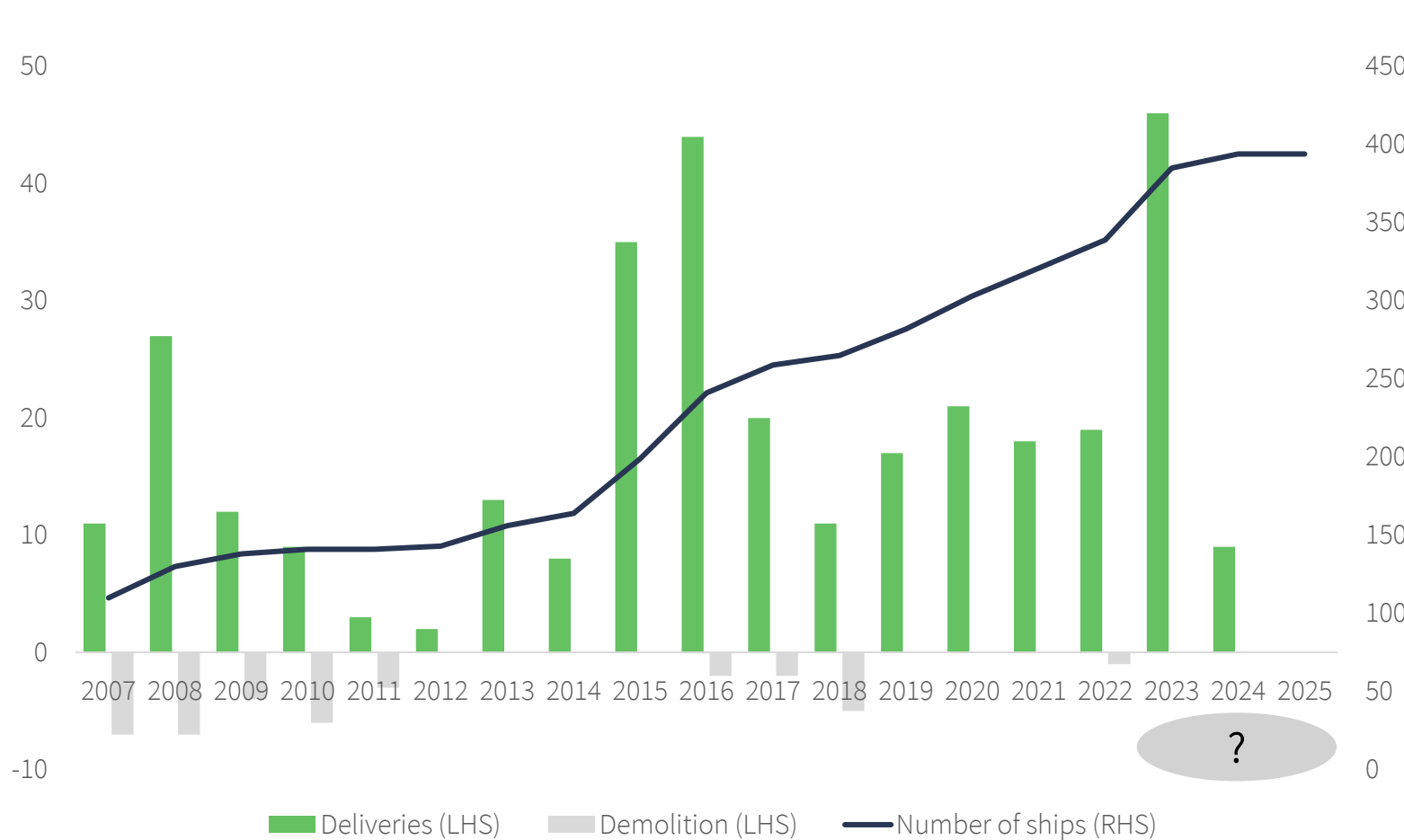
# A LARGE SHARE OF VLGC FLEET RETIREMENT CANDIDATES



Source: Clarksons



# SEVERAL DRIVERS FOR INCREASED DEMOLITION



- ✓ All newbuildings are LPG dual fuel ships creating a new market standard/tier
- ✓ EEXI & CII implementation from 2023 will penalize older ships resulting in higher scrapping and lower speed for non-eco ships
- ✓ High fuel prices also penalize older ships
- ✓ EU ETS implementation from 2024 will require carbon taxation for ships calling Europe
- ✓ Ballast leg from China to USG via Suez or Capt of Good Hope represents 10-13 days longer ballast than via Panama
- ✓ Around 30 ships involved in non-compliant trade

Source: Clarkson SIN

# SUMMARY & OUTLOOK



## Summary

- TCE/day of \$37,608 for Q1 2022 exceeding Bloomberg consensus
- Declared cash dividend of \$0.20 per share amounting to \$15.3 million or 63% of net profit – yield ~17% p.a.
- Refinancing of existing debt for 9 VLGCs - significantly reducing the cash break even and boosting available cash liquidity

## Commercial

- Sold the two 2008-built VLGCs Thetis Glory and Providence generating in total \$48.3 million in net cash proceeds at delivery
- Estimated TCE for the second quarter of \$35-36,000/day on a discharge to discharge basis and \$32-33,000/day on a load to discharge basis
- The Dual-Fuel VLGCs have a strong earnings capacity while lowering our carbon footprint

## Outlook

- Current freight market supported by growth in US export volumes combined with widening LPG price arbitrage, quoted at above \$50,000/day basis a modern scrubber vessel
- Strong export growth and inefficiency likely to alleviate the large orderbook coming in 2023
- Chinese petrochemical plants (PDH) feedstock demand is set to grow



Avance Gas

Q&A

APPENDIX

# 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 (sold – delivered May 2022)	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
Avance Capella (LPG dual fuel)	2022	Daewoo	91.000


On order			
Vessel	Delivery	Shipyard	CBM
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 Q1 2022




In US\$ thousands (unless stated otherwise)	3m ended Q1-2022	3m ended Q4-2021
<b>Income Statement</b>		
<b>Operating revenue</b>	<b>66,525</b>	<b>52,135</b>
Voyage expenses	(19,665)	(19,227)
Operating expenses	(10,667)	(9,734)
Administrative and general expenses	(1,420)	(1,615)
<b>Operating profit before depreciation expense</b>	<b>34,773</b>	<b>21,559</b>
Depreciation and amortisation expense	(12,105)	(11,382)
Gain on Sale	6,250	-
<b>Operating profit</b>	<b>28,918</b>	<b>10,177</b>
<b>Non-operating (expenses) income:</b>		
Net finance expense	(4,612)	(2,187)
<b>Income before tax</b>	<b>24,306</b>	<b>7,990</b>
Income tax expense	-	(498)
<b>Net profit</b>	<b>24,306</b>	<b>7,492</b>
<b>Earnings per share</b>		
Basic	0.32	0.10
Diluted	0.32	0.10

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TCE earnings of \$46.9 million, up from \$32.9 million in Q4-2021.

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Operating expenses of \$10.7 million, up from \$9.7 million in previous quarter.

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Administrative and general expenses of \$1.4 million, down from \$1.6 million in Q4.

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Depreciation of \$12.1 million, up from \$11.4 million in Q4, reflecting delivery of two new vessels and sale of one vessel.

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Non-operating expenses of \$4.6 million, up from \$2.2 million in Q4, reflecting higher net debt in Q1 and dividend from DNK received in Q4.

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A reported net profit of \$24.3 million compared to a net profit of \$7.5 million in Q4 2021.

# APPENDIX – FINANCIALS Q1 2022



In US\$ thousands (unless stated otherwise)	March 31, 2022	December 31, 2021
<b>Balance sheet</b>		
<b>ASSETS</b>		
Cash and cash equivalents	110,641	101,910
Trade and other receivables	5,944	21,232
Inventory	9,987	7,933
Prepaid expenses and other current assets	11,666	12,882
Derivative financial instruments (current asset)	348	-
Assets Held for Sale	42,191	-
<b>Total current assets</b>	<b>180,777</b>	<b>143,957</b>
Property, plant and equipment	789,484	716,577
Newbuildings	48,584	92,609
Derivative financial instruments	5,047	2,240
<b>Total non-current assets</b>	<b>843,115</b>	<b>811,426</b>
<b>Total assets</b>	<b>1,023,892</b>	<b>955,383</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current portion of interest-bearing debt	47,275	44,574
Trade and other payables	5,949	8,009
Derivative financial instruments	2,225	5,691
Accrued voyage expenses and other current liabilities	4,531	7,413
<b>Total current liabilities</b>	<b>59,980</b>	<b>65,687</b>
Long-term debt	392,619	345,407
Derivative financial instruments	53	5,121
<b>Total non-current liabilities</b>	<b>392,672</b>	<b>350,528</b>
Share capital	77,427	77,427
Paid-in capital	431,366	431,366
Contributed capital	94,969	95,070
Retained loss	(24,349)	(44,825)
Treasury shares	(11,351)	(11,351)
Accumulated other comprehensive loss	3,178	(8,519)
<b>Total shareholders' equity</b>	<b>571,240</b>	<b>539,168</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,023,892</b>	<b>955,383</b>

✓ Total current assets of \$180.7 million up from \$144.0 million in Q4 primarily due to Providence being reclassified to held for sale.

✓ Total non-current assets of \$843.1 million up from \$811.4 million in Q4 due capitalised instalments, borrowing costs and other related expenses in the newbuilding program of total \$122.4 million including final installments on the new vessels delivered, partially offset by depreciation of \$12.1 million and the sale of Thetis Glory during the quarter.

✓ Outstanding interest-bearing debt of \$444.6 million, up from \$394.5 million in Q4 due to drawdown of debt on two new vessels delivered, partially offset by repayment of debt on sale of the vessel and scheduled debt repayments.

✓ Shareholders' equity was \$571.2 million corresponding to an equity ratio at 55.8% down from 56.4% in Q4.

# APPENDIX – FINANCIALS Q1 2022



In US\$ thousands (unless stated otherwise)	3m ended Q1-2022	3m ended Q4-2021
<b>Cash flow statement</b>		
<b>Cash flows from operating activities</b>		
Cash generated from operations	43,096	19,525
Interest paid	(4,237)	(4,267)
<b>Net cash flows from operating activities</b>	<b>38,859</b>	<b>15,258</b>
<b>Cash flows used in investing activities:</b>		
Net cash proceeds from sale of asset	45,386	-
Capital expenditures	(121,098)	(18,051)
<b>Net cash flows used in investing activities</b>	<b>(75,712)</b>	<b>(18,051)</b>
<b>Cash flows (used in) from financing activities:</b>		
Payment of dividend	(3,830)	(3,829)
Proceeds from issue of share capital	-	-
Repayment of long-term debt	(27,810)	(34,643)
Drawdown of long-term debt	104,000	41,650
Repayment of revolving credit facility	(26,126)	-
Transaction cost related to loans and borrowings	(617)	(672)
Payment of cash settled share options	-	(178)
<b>Net cash flows from in financing activities</b>	<b>45,617</b>	<b>2,328</b>
Effect of exchange rate changes on cash	(33)	82
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>8,731</b>	<b>(383)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>101,910</b>	<b>102,293</b>
<b>Cash and cash equivalents at end of period</b>	<b>110,641</b>	<b>101,910</b>



Cash flow from operating activities was \$38.9 million for the fourth quarter, compared to \$15.3 million in Q4.



Investing activities for the quarter includes instalments and related costs paid in the newbuilding program of \$121.1 million and net receipts of \$45.4 million on sale of vessel.



Cash dividend payment of \$3.8 million in March 2022.



Cash flows from financing activities were positive \$45.3 million for the fourth quarter, reflecting drawdown of debt in relation to new vessels delivered of \$104 million, repayment of debt on sale of asset, scheduled repayments and payment of dividend of \$3.8 million.



Cash position at quarter-end was \$110.6 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