

# Second Quarter Results 2023

August 30, 2023



Avance Gas





# 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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# Q2-23 HIGHLIGHTS



## RESULTS

Q2-23 TCE (load-to-discharge) of \$52,000/day ahead of guidance ~\$50,000/day

Q2-23 TCE (discharge-to-discharge) of \$50,800/day in line with guidance ~\$50,000/day

All-time high first half Net Profit of \$72 million with both Q1 & Q2 Net Profits of \$36 million per quarter

## RECENT EVENTS

We took delivery of our fourth dual fuel VLGC, Avance Avior, in May 2023

Contracted four mid-sized LPG/ammonia carriers in June and August for delivery 2025/2026

Extended the Chinook variable Time Charter to a Supermajor by 12 months to July 2024

## GUIDANCE

Q3-23 guidance of a TCE/day in the high \$50s on a discharge-to-discharge basis incl. FFA hedge deductions

Currently booking Q4 at attractive levels given attractive spot exposure of ~67% of fleet

Current market level at ~\$80,000/day basis Ras Tanura-Chiba for a modern non-scrubber vessel

## DIVIDEND

Declaring a quarterly dividend of \$0.50 per share providing a dividend yield of ~20%<sup>(1)</sup>

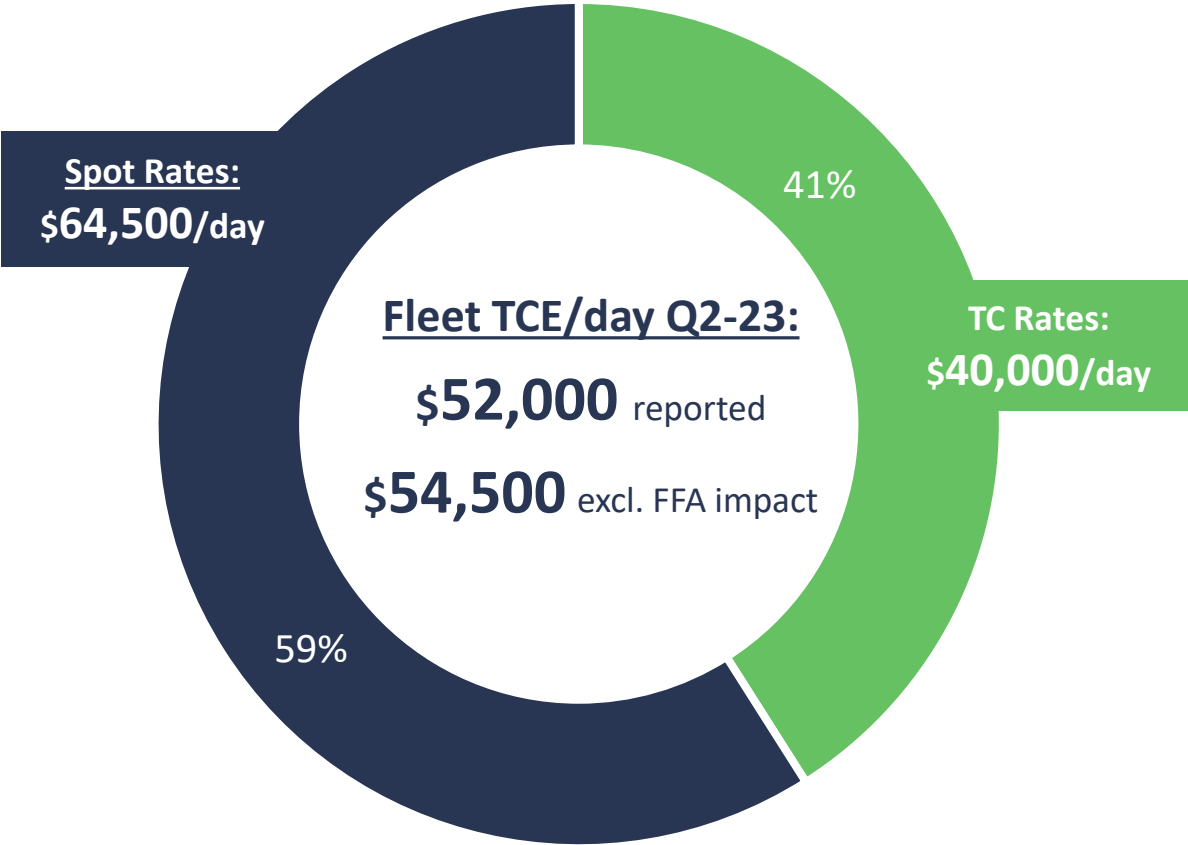
Dividend last twelve months of \$1.70 per share equating to 17%<sup>(1)</sup> dividend yield p.a.

(1) Annualised yield given share price of NOK 105 with USDNOK 10.6

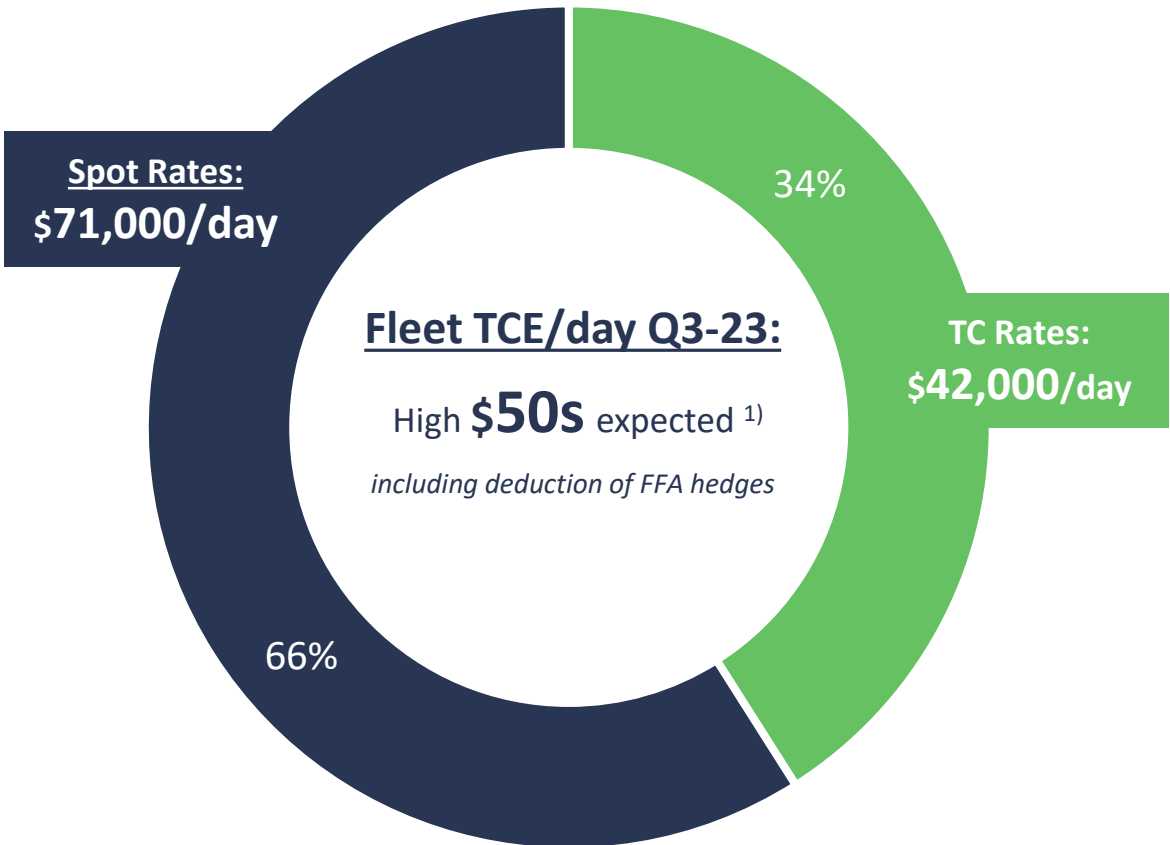
# CONTINUED STRONG COMMERCIAL PERFORMANCE



## Q2-Commercial Performance



## Q3-Commercial Guidance



(1) Fleet TCE/day guidance is basis discharge to discharge. Load to discharge figures expected to be slightly lower.

# FUTURE PROOFING THE AVANCE FLEET



<b>20</b> Vessels <sup>1</sup>	<b>10</b> Dual-fuel vessels	<b>6</b> Combined LPG and Ammonia Carriers
Avg. Age ~ <b>5.6</b> years <sup>2</sup>	<b>6</b> Scrubber fitted vessels <sup>1</sup>	<b>4</b> Vessels ready for Ammonia Engine

## 2008/2009 class

- Venus Glory (2008)
- Iris Glory (2008) **SALE PENDING**
- Promise (2009) **SOLD**
- Providence (2008) **SOLD**
- Thetis Glory (2008) **SOLD**

## 2015 eco class

- |                    |                    |
|--------------------|--------------------|
| Chinook            | Passat (scrubber)  |
| Pampero            | Sirocco (scrubber) |
| Mistral (scrubber) | Levant (scrubber)  |
| Monsoon (scrubber) | Breeze (scrubber)  |

## DF class

- Polaris (2022)
- Capella (2022)
- Rigel (2023)
- Avior (2023)
- Castor (2024)
- Pollux (2024)

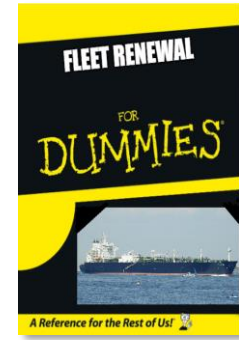
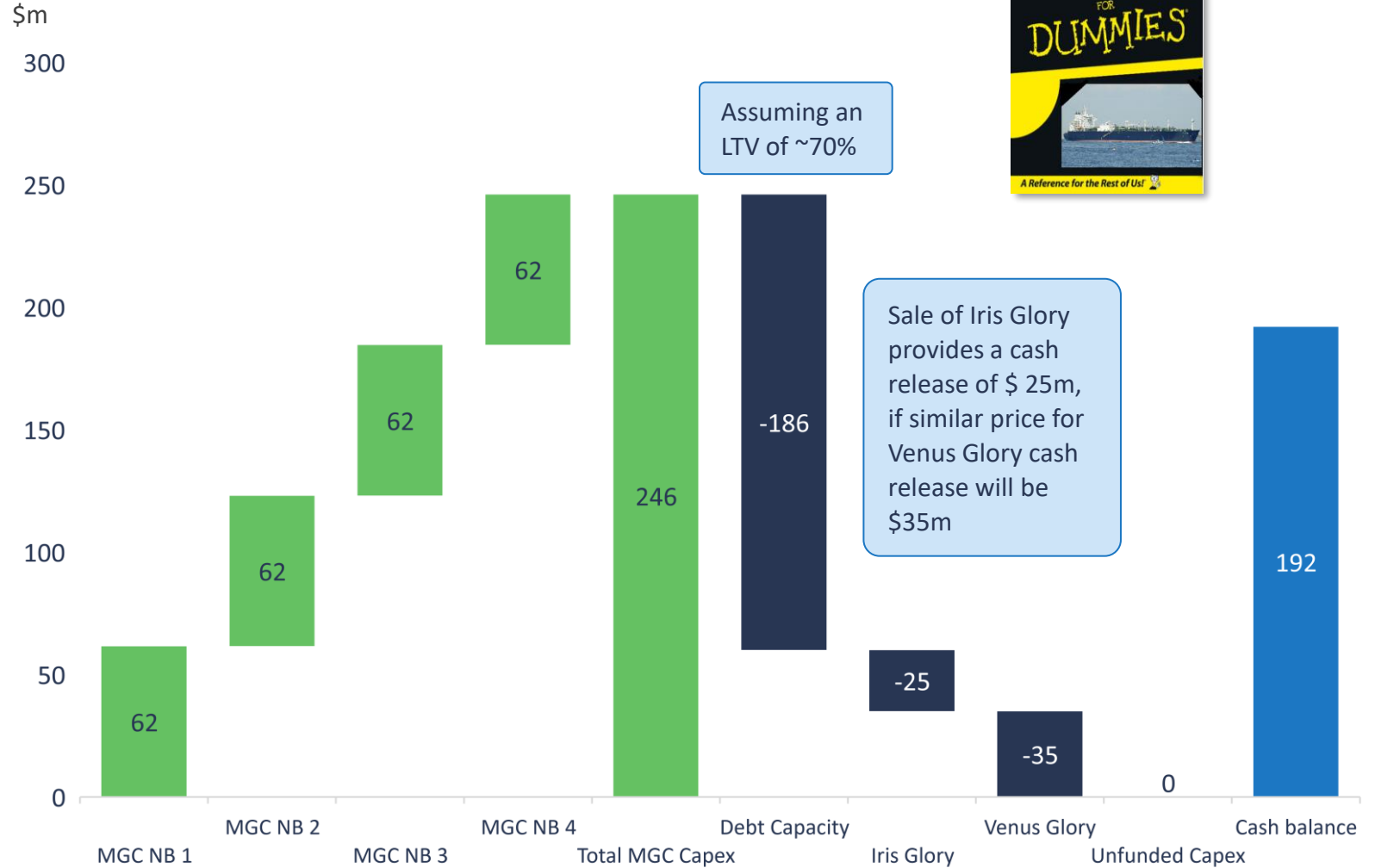
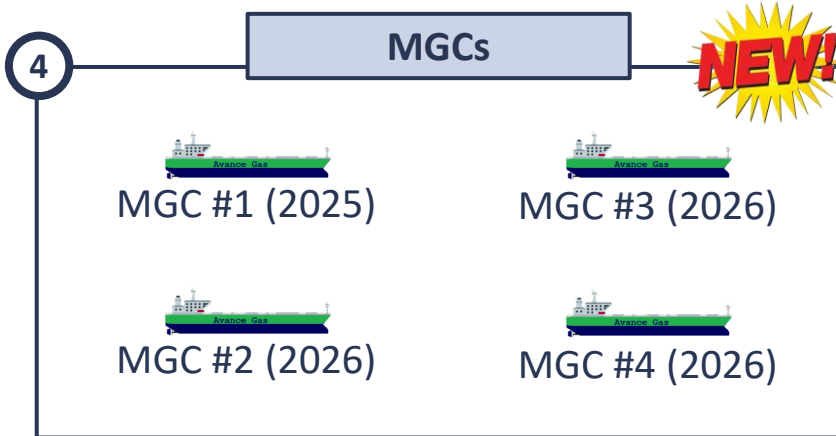
## MGCs

- MGC #1 (2025)
- MGC #2 (2026)
- MGC #3 (2026)
- MGC #4 (2026)

(1) Including vessels under construction and vessels held for sale  
 (2) Incl. VLGC newbuilds for delivery in 2024, but excluding vessel held for sale and MGCs

# FLEET RENEWAL FOR DUMMIES: 1 + 1 = 4

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# EXPANDING INTO AN ATTRACTIVE NEW SUB SEGMENT

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Acquiring four high spec MGCs at a very attractive price level with early delivery



## Attractive Vessels

- 4x 40,000 cbm high spec LPG and ammonia carriers
- Ships fitted with dual fuel engines as well as shaft generators reducing the carbon footprint whilst lowering opex
- Attractive price of just \$61.5m per vessel
- Short construction period in today's shipbuilding market with delivery in Q4-25, Q1-26, Q2-26 and Q4-26



## Increase exposure to ammonia trade

- Strong underlying fundamentals for LPG transportation
- Adding MGCs will increase exposure towards ammonia whilst broadening our LPG client base
- Long term ammonia trade is expected to increase significantly
- Currently the MGCs fleet accounts for almost half of all seaborne transportation of ammonia



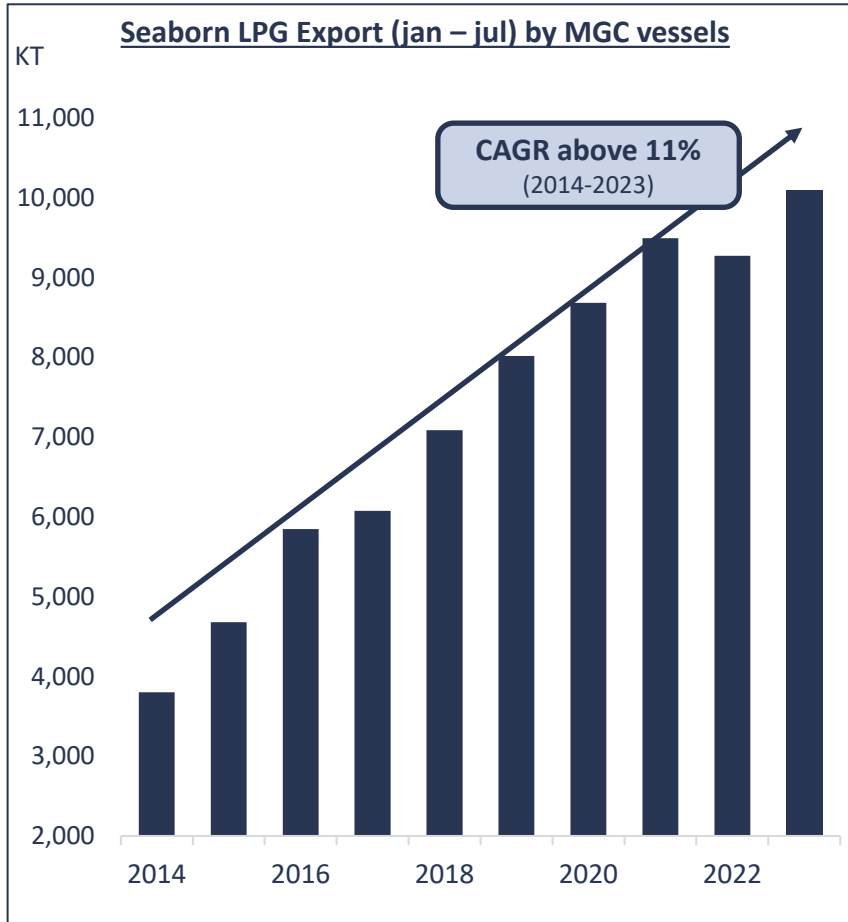
## Need for modern MGC tonnage

- Current world MGC fleet is aging with average age of 10+ years
- Approx. 25% of the current fleet will be above or close to 20 years prior to delivery of final newbuilding
- Modern vessels are increasingly more competitive due to stricter environmental regulation and improved fuel economy
- Limited availability of modern vessels as most newbuilds are already committed to TC

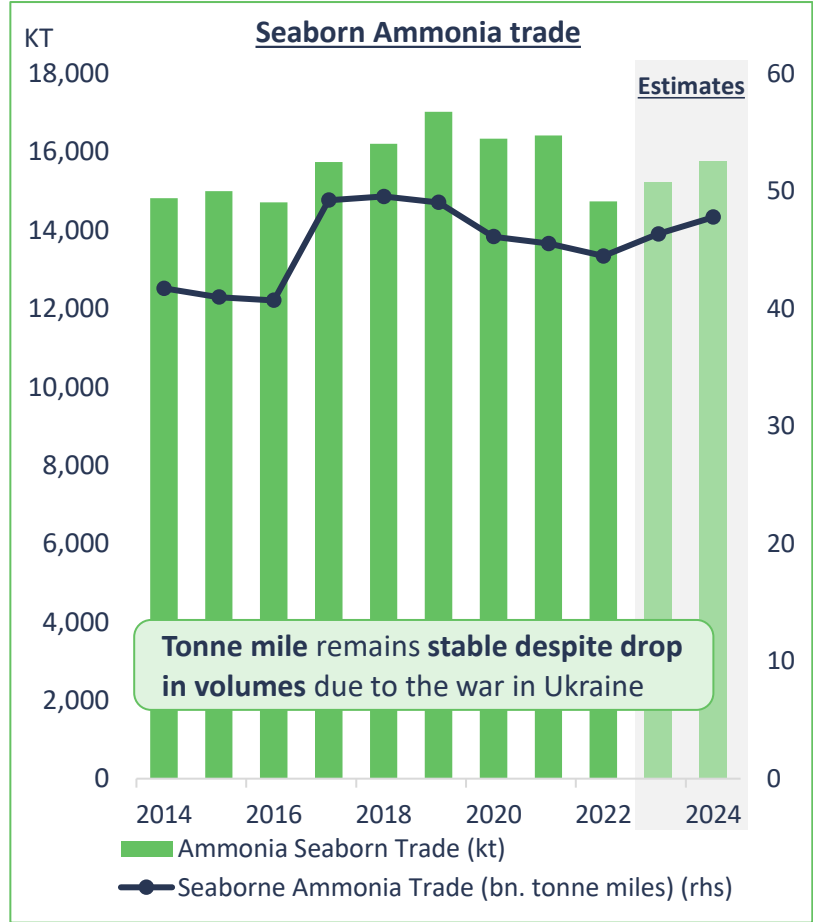
# INCREASING EXPOSURE TOWARDS ATTRACTIVE MGC SEGMENT



## 1 Underlying demand for MGC tonnage is solid



## 2 MGCs carry half of current ammonia volumes



## 3 Strong outlook for ammonia

- Increased use of ammonia in new applications such as shipping fuel, power generation and hydrogen carrier expected
- Production locations to be based on availability- and cost of energy, and not on demand
- Hence, long-term outlook for both trading and seaborne transportation of ammonia are highly compelling

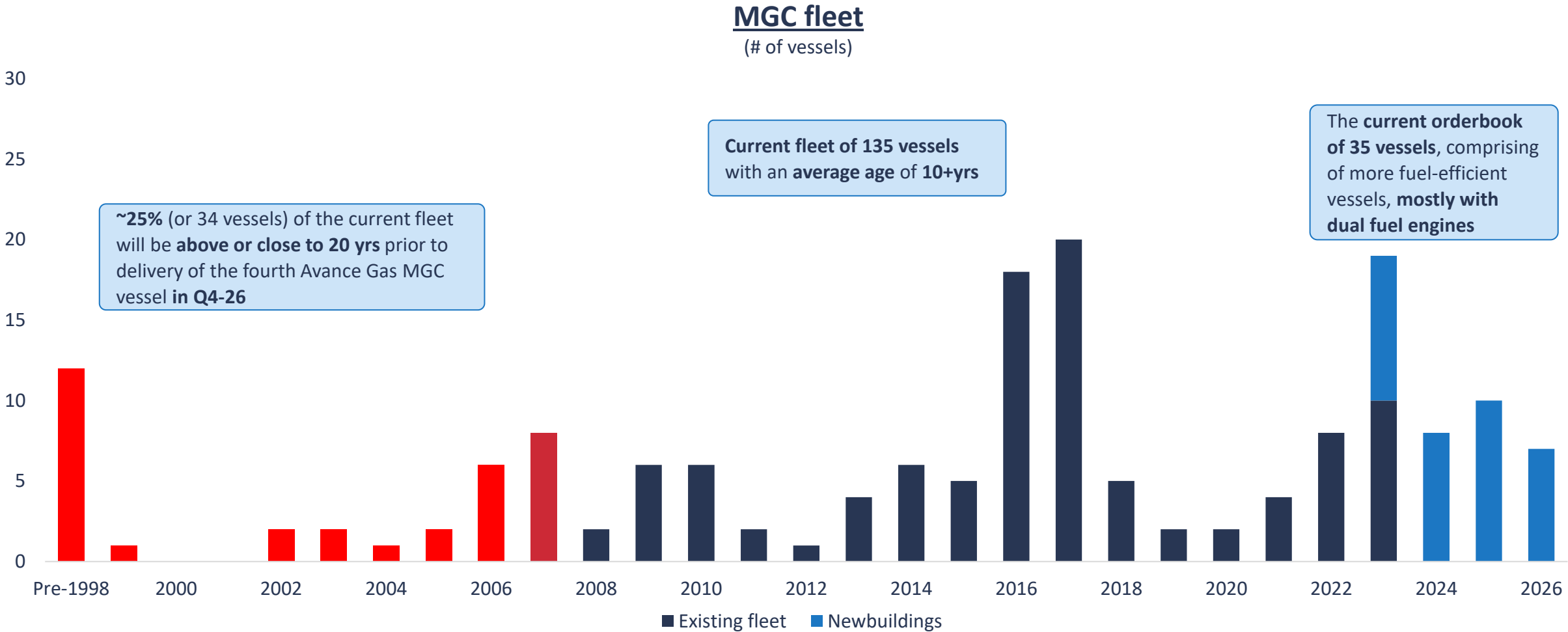
**Ammonia market (mt) anticipated to grow<sup>1</sup>**

Category	Ammonia Market (mt)
2021	180
Conv. uses	230
New uses	280
2050E	520

Source: Kpler, Clarksons, Yara  
 (1) From Yara's capital markets presentation 2023



# AGING MGC FLEET WITH RENEWAL NEED



~25% (or 34 vessels) of the current fleet will be **above or close to 20 yrs** prior to delivery of the fourth Avance Gas MGC vessel in Q4-26

Current fleet of 135 vessels with an average age of 10+ yrs

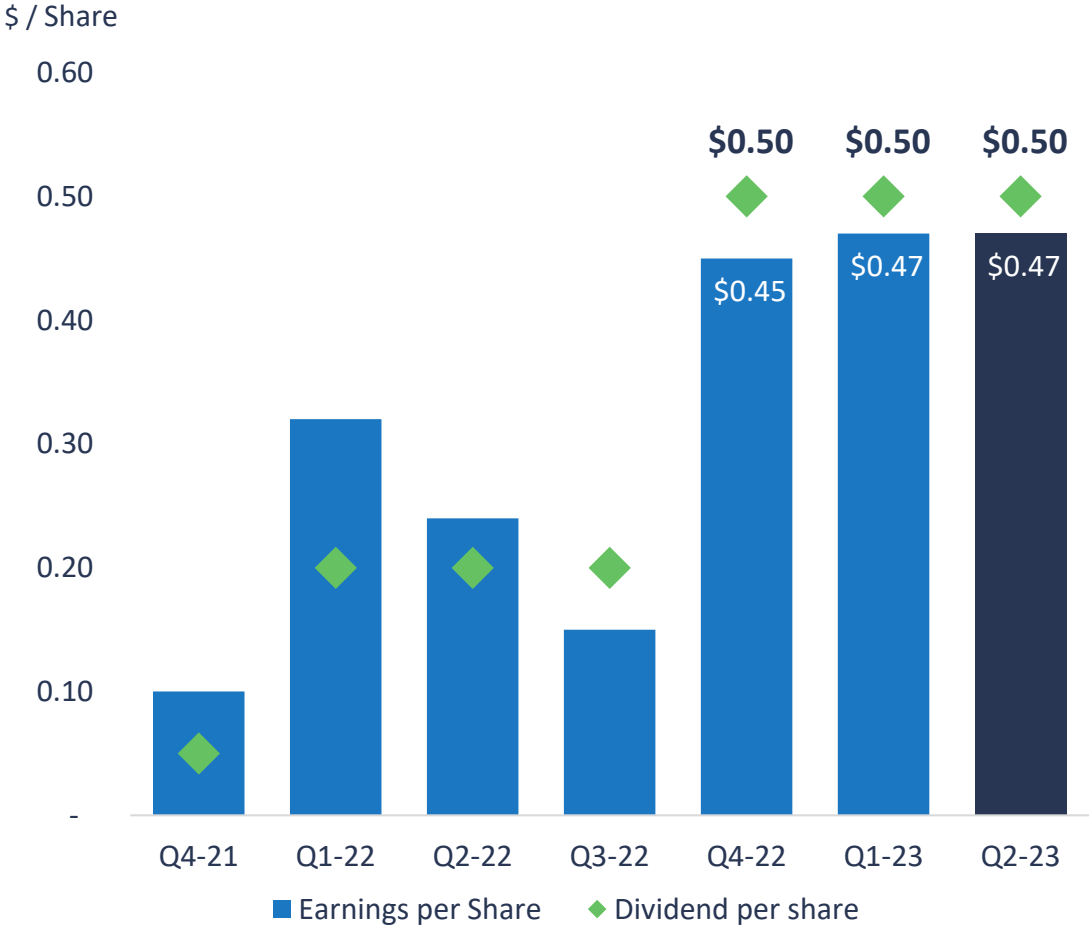
The current orderbook of 35 vessels, comprising of more fuel-efficient vessels, mostly with dual fuel engines

Source: Fearnleys  
Note: Overview including four new AGAS MGC orders

# RAMPING UP DIVIDEND IN LINE WITH INCREASED EARNINGS



## Dividend distribution



## Dividend decision criteria's

	Q1-23	Q2-23	
1 Earnings and cashflow	✓	✓	Strongest ever 1H profit of \$72m
2 Market outlook	✓	✓	Q3-23 TCE/day bookings are in the high \$50s and FFAs suggest solid levels for Q4-23
3 Backlog and visibility	✓	✓	Three ships on fixed hire rate, two on variable hire and two ship hedged by FFAs
4 Liquidity	✓	✓	Solid cash position of ~\$192m end Q2-23
5 Covenant compliance	✓	✓	Significant buffer to all debt covenant thresholds
6 Debt maturities	✓	✓	Staggered debt maturity profile with no debt maturities prior to 2027
7 Capex liabilities	✓	✓	MGCs to be financed closer to delivery, cash balance and cashflow sufficient to fund predelivery CAPEX
8 Other Considerations	✓	✓	Robust balance sheet capable of handling a potential sudden downturn in the market

# INCOME STATEMENT AND KEY FINANCIAL FIGURES



Income Statement (in million \$)	Q2 2023	Q1 2023	Variance
TCE earnings	63	62	0.2
Operating Profit before depreciation	52	51	0.3
Depreciation	(12)	(11)	(1)
Net finance expense	(4)	(4)	0.1
Net profit	36	36	(0.6)
Earnings per share (\$)	0.47	0.47	-
Per day figures (in \$)	Q2 2023	Q1 2023	Variance
TCE (Discharge to Discharge)	50,826	55,500	(4,674)
TCE (Load to Discharge)	52,015	58,379	(6,365)
Operating expense ('OPEX')	8,003	8,626	(623)

- TCE of \$52,000/day for Q2, above guidance of \$50,000/day. TCE Earnings maintained due to more vessel days as we took delivery of Avance Avior
- Spot market considerably stronger than FFA coverage of \$47,500/day, thereby a loss of \$2,500/day is recognized thru TCE earnings
- Interest expense in line with the first quarter despite increase in interest rates due to high hedge ratio (~90%)
- Net profit of \$35.7 million or EPS of \$0.47 - results for Avance Gas. Net profit year to date of \$72 million or EPS of \$0.94 is the best first half result ever
- Annualised return on book equity ~24%

# BALANCE SHEET AND KEY FINANCIAL FIGURES



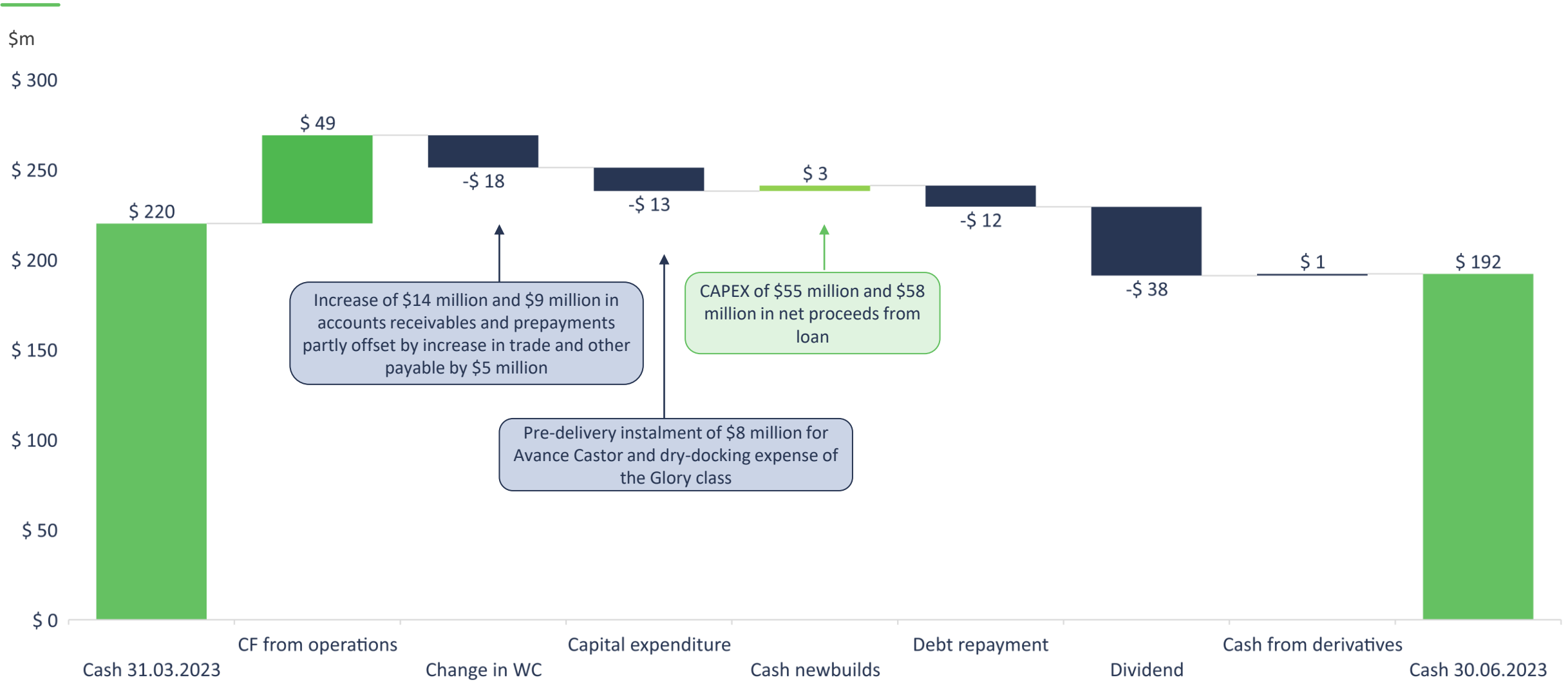
Balance Sheet (in million \$)	Q2 2023	Q1 2023	Variance
Cash & cash equivalents	192	219	(28)
VLGCs & newbuildings under construction	907	850	56
Other assets	68	42	26
<b>Total assets</b>	<b>1,166</b>	<b>1,112</b>	<b>54</b>
Total liabilities	576	511	64
Total shareholders' equity	590	601	(10)
<b>Balance sheet ratios</b>	<b>Q2 2023</b>	<b>Q1 2023</b>	<b>Variance</b>
Book equity ratio	51%	54%	-3%
Loan to value <sup>1</sup>	51%	55%	-4%

- Total assets consist primarily of 14 VLGCs on water as well as two dual fuel VLGC and two MGC under construction. Two additional MGC newbuilds were contracted after quarter-end.
- Avance Rigel was delivered during the first quarter 2023 while Avance Avior was delivered during second quarter on May 30, 2023
- Reasonable loan to value of ~51%
- Maintained a strong book equity ratio ~ 51% at quarter-end
- Significant cash balance of \$192 million

1) Loan to value: total broker value of all vessels including newbuildings divided by total outstanding financing and committed financing for undrawn loans



# SOLID CASH POSITION OF \$192M AT QUARTER-END

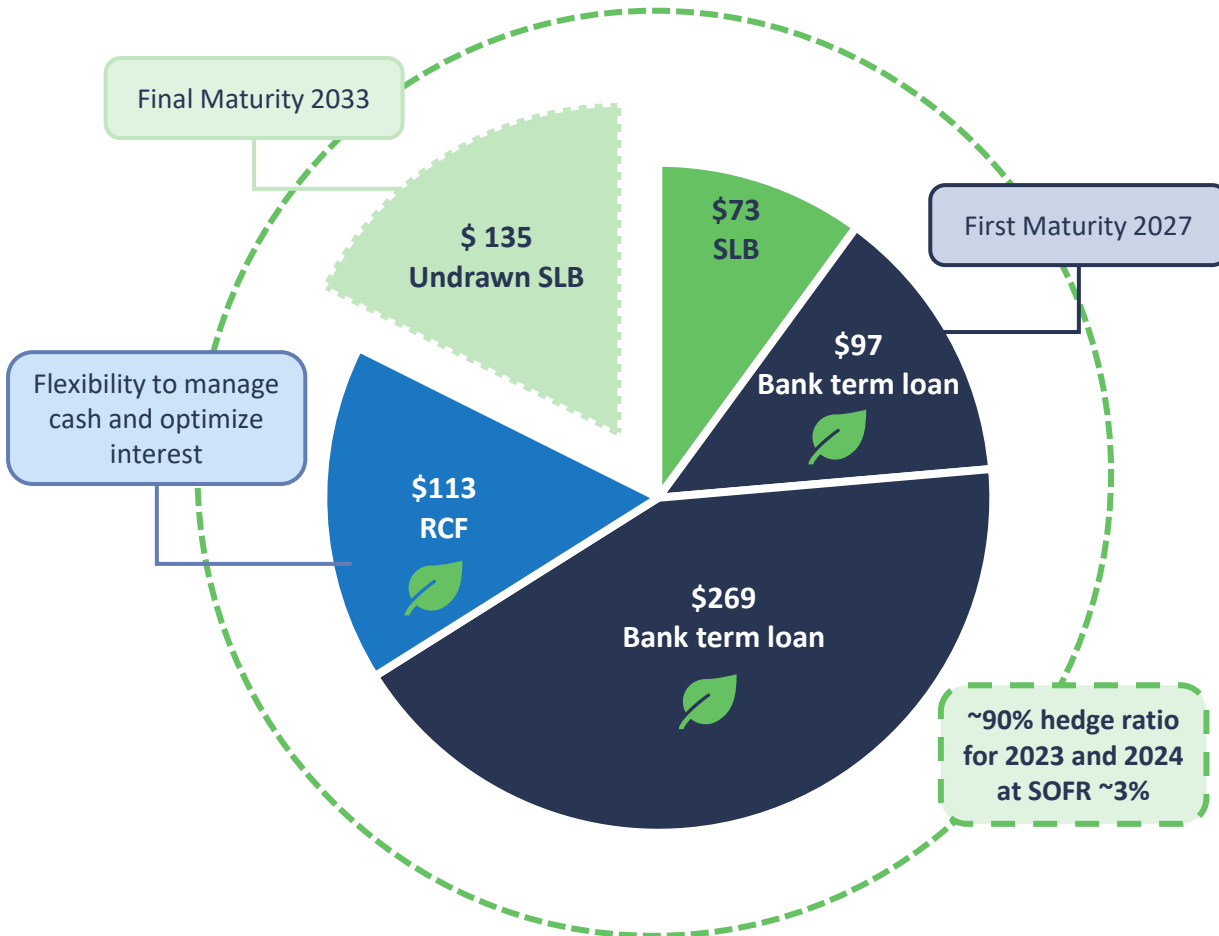


# FLEXIBLE FINANCING STRUCTURE & VLGC NEWBUILDS FULLY FUNDED



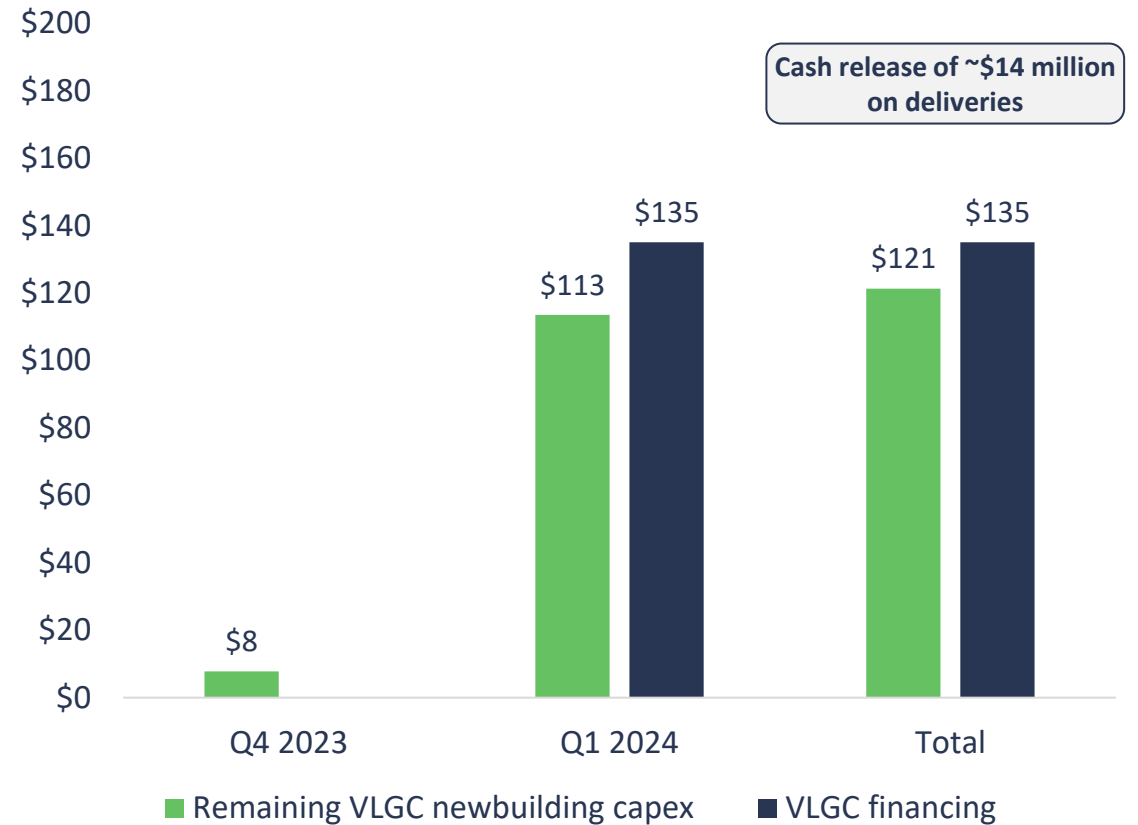
## Outstanding debt and committed financing Q2-2023

(in million \$)



## VLGC Newbuilding financing exceeds remaining capex

(in million \$)

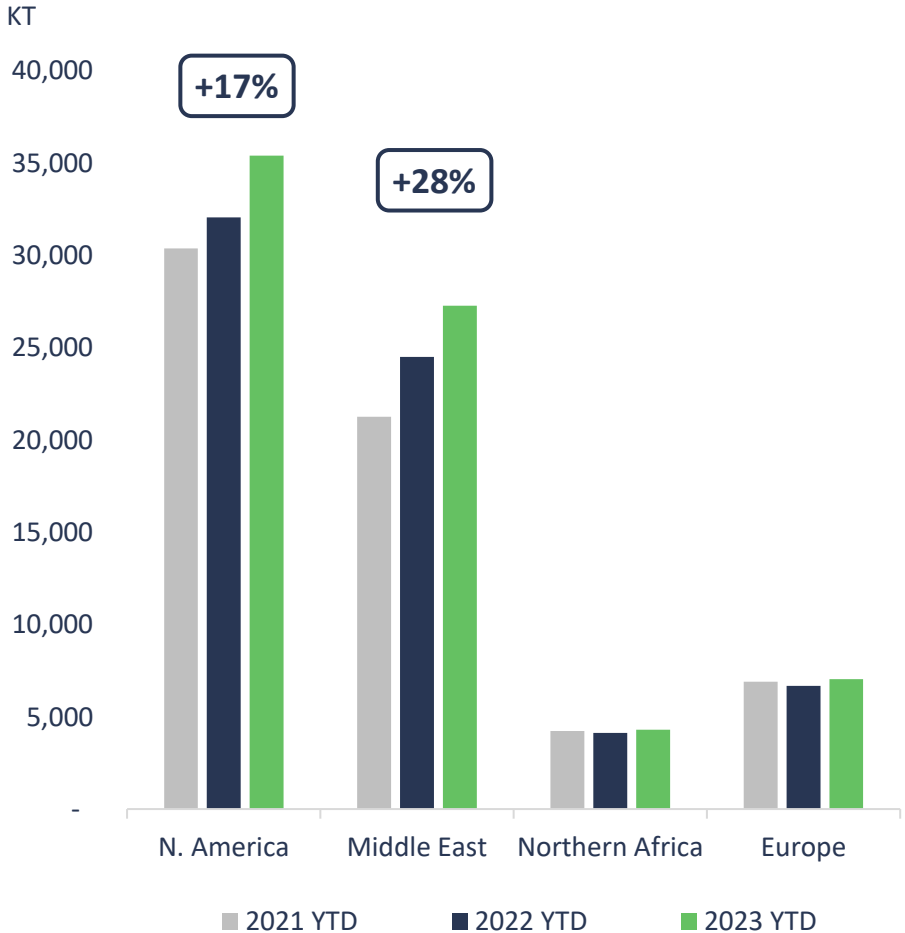


Green leaf icon illustrate sustainability linked financing

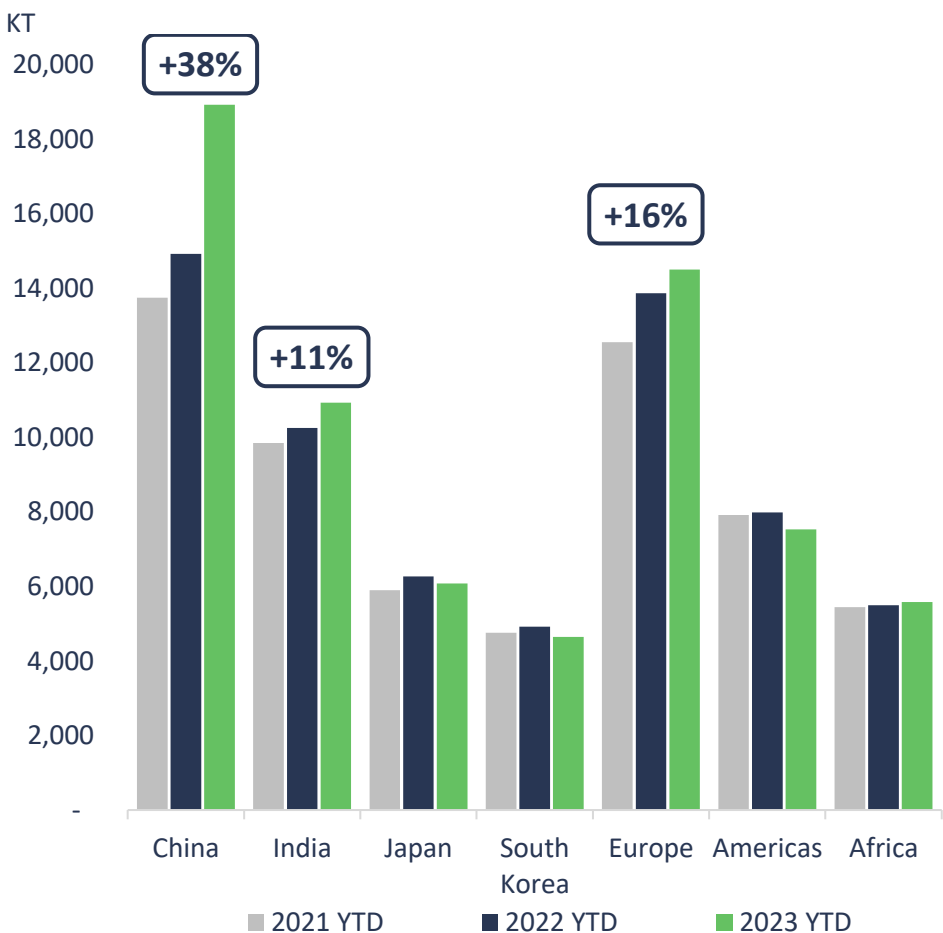
# STRONG DEMAND FOR SEABORNE TRANSPORTATION OF LPG



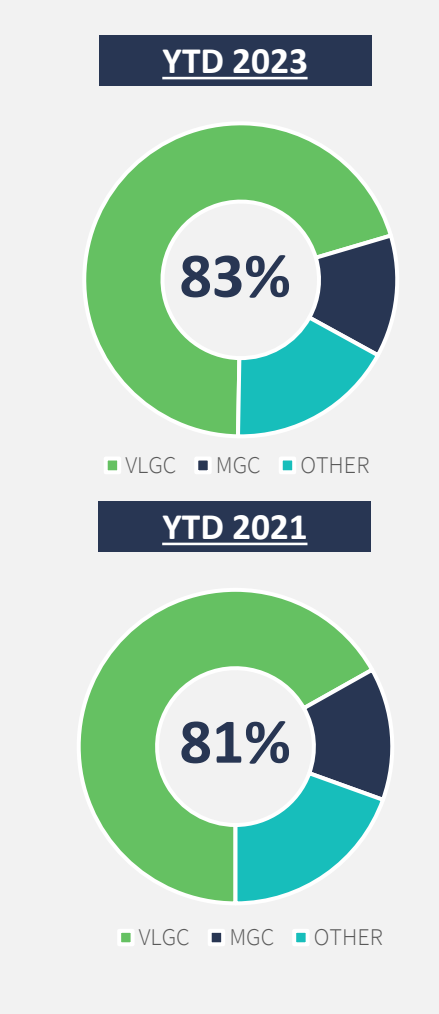
**Seaborne LPG export (Jan-Jul)**



**Seaborne LPG Imports (Jan-Jul)<sup>2</sup>**

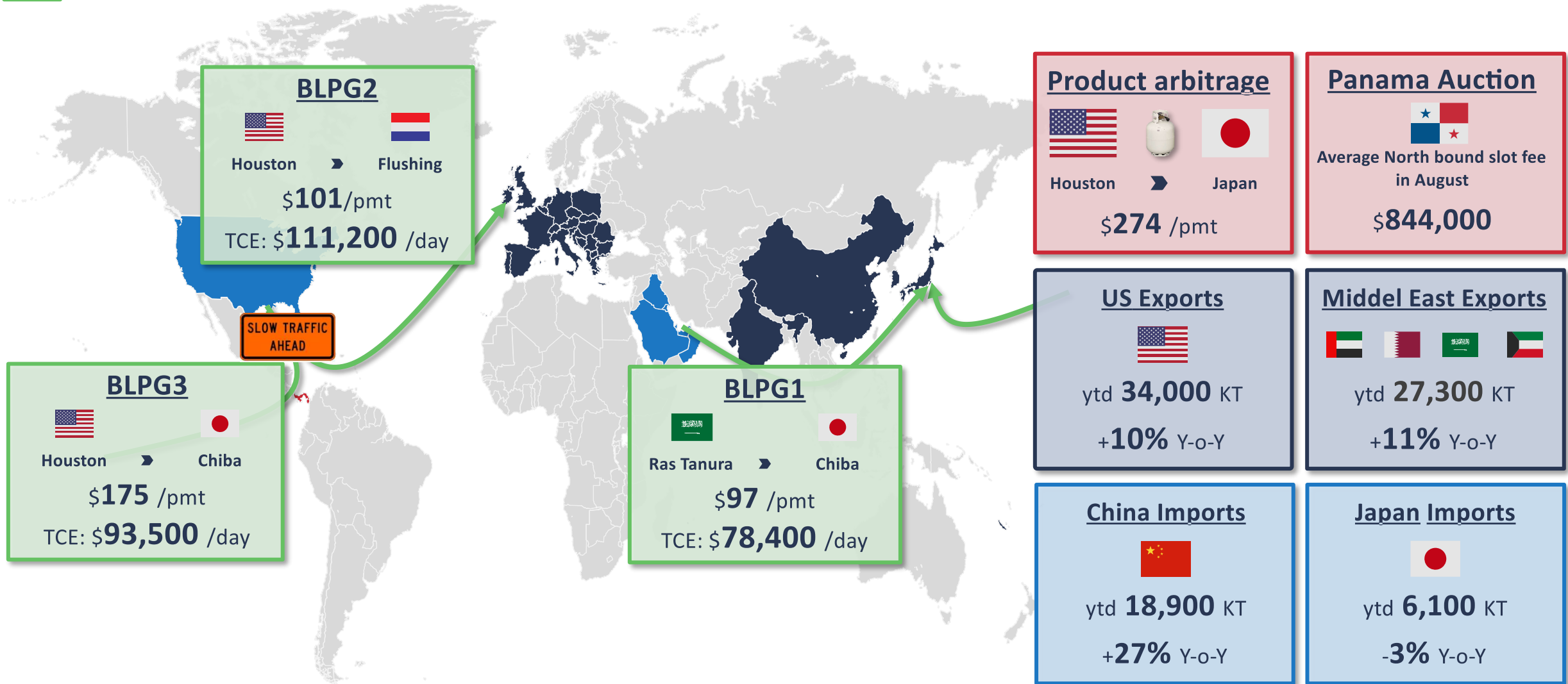


**VLGCs & MGC share<sup>1</sup>**



Source: Kpler  
 (1) As % of all seaborne LPG Export (Jan-Jul)  
 (2) Kpler export data based on cargo destination

# CONSTRUCTIVE FUNDAMENTALS FOR THE VLGC MARKET



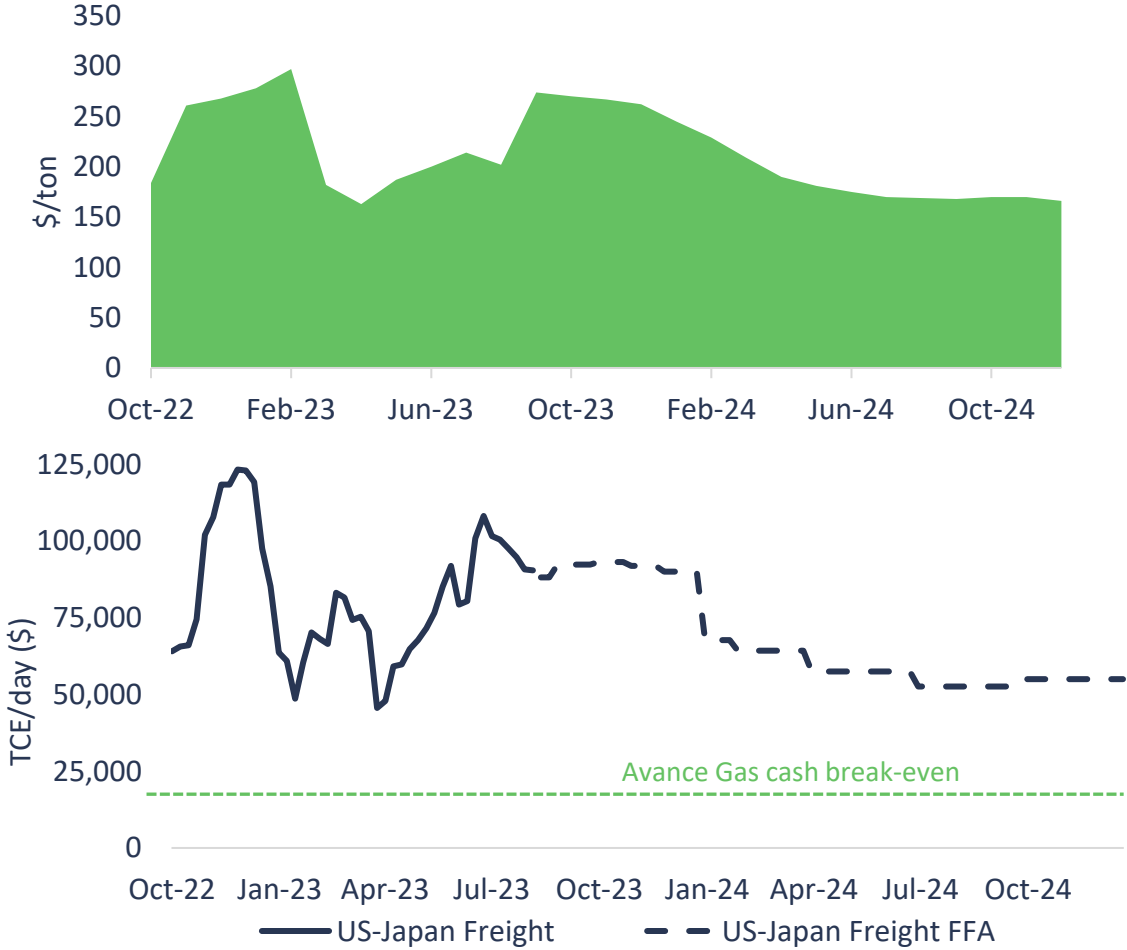
Source: Fearnley, Baltic Exchange, Gibson, Braemar and Kpler  
 Note: Baltic rates as of August 29<sup>th</sup>, 2023, TCE numbers from Gibson, import export figures as of end July 2023  
 (1) Panama northbound auction cost by Norton Lilly as of August 27, 2023



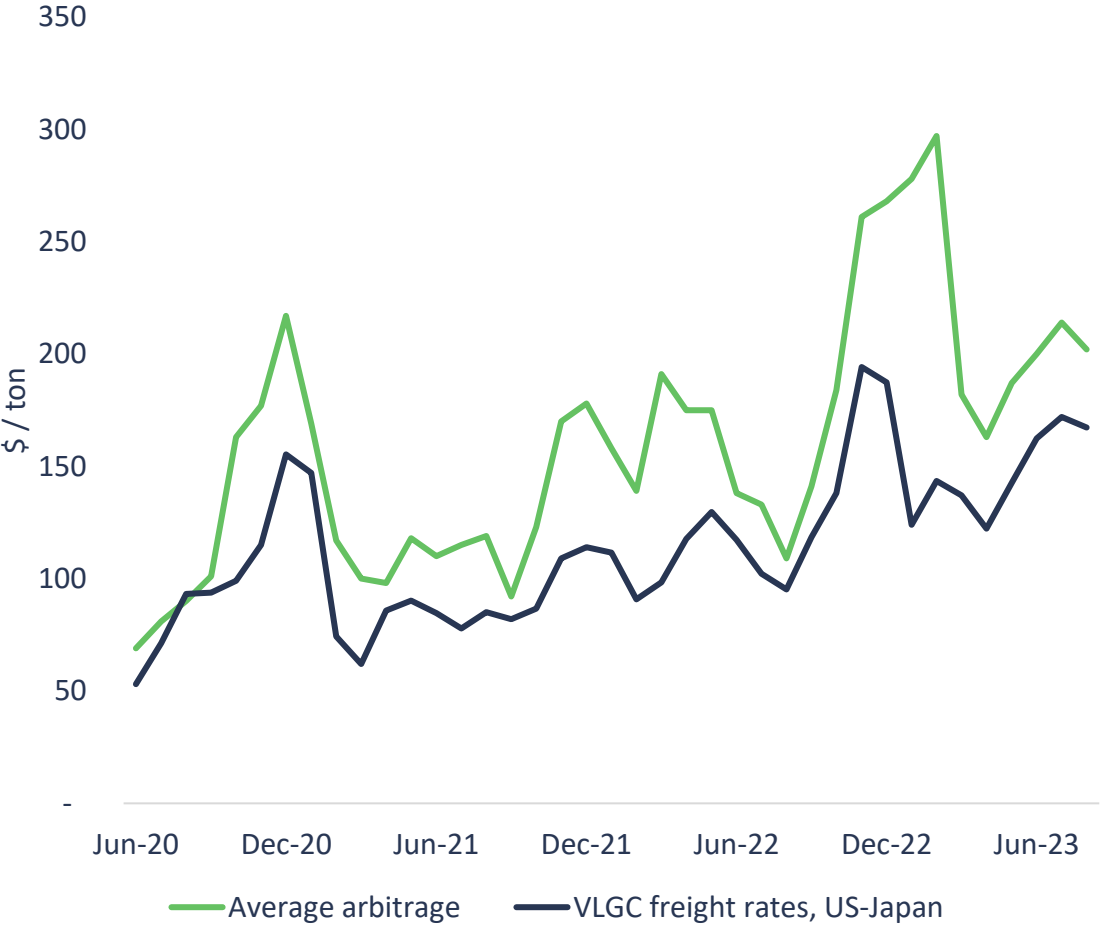
# STRONG PRODUCT ARBITRAGE SUPPORTING FREIGHT RATES



US Far East product arbitrage



Strong correlation between arbitrage and freight rates

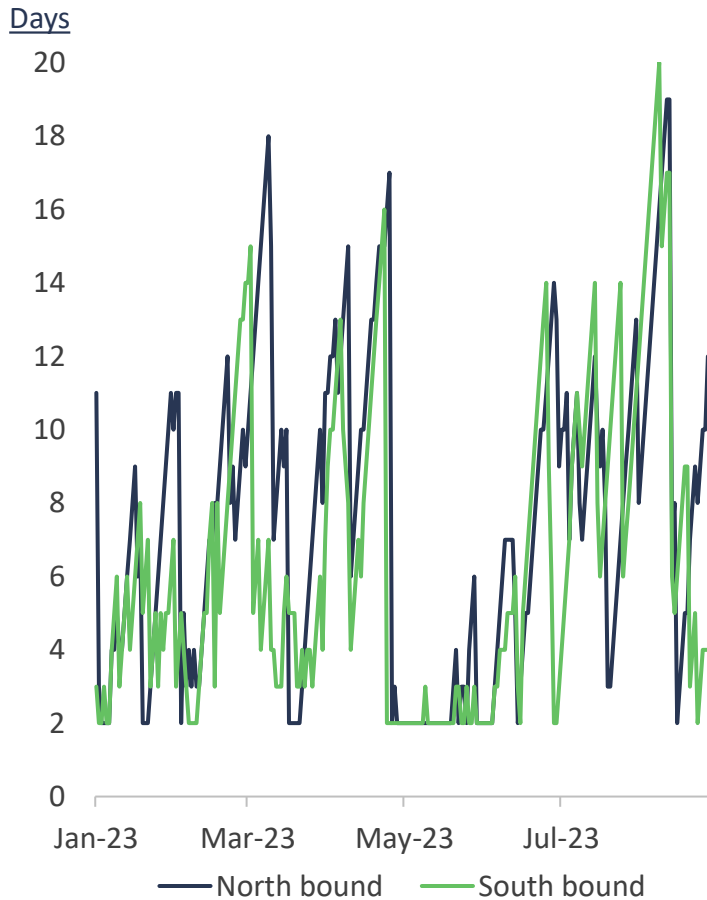


Source: Kpler, Argus and Company estimates

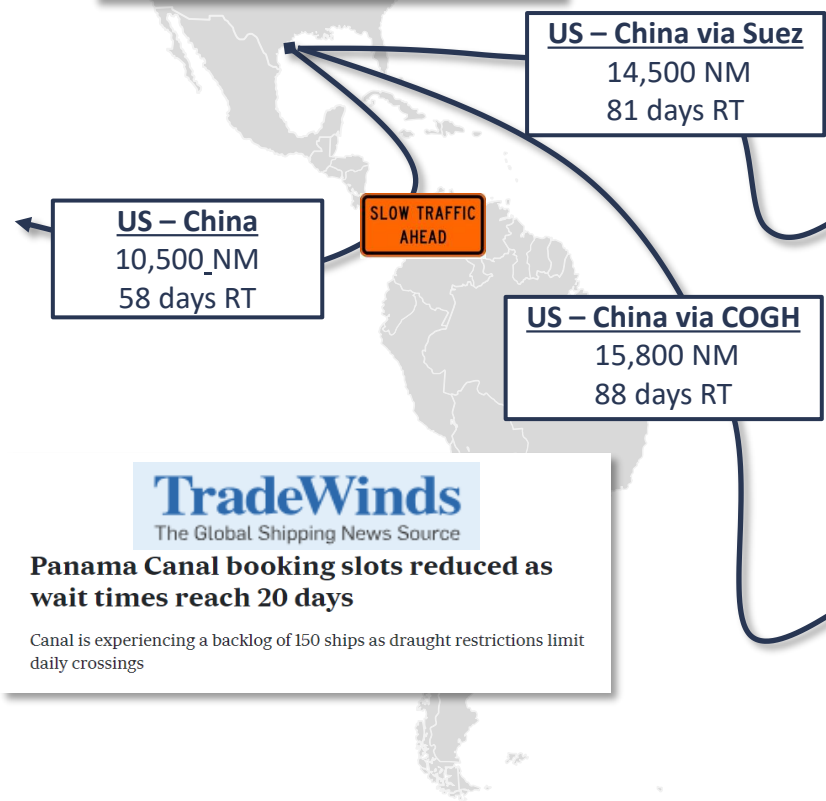
# PANAMA CANAL HAS BECOME “THE TRAFFIC JAM OF THE SEAS”



## Waiting time Panamax: Neo-Panamax



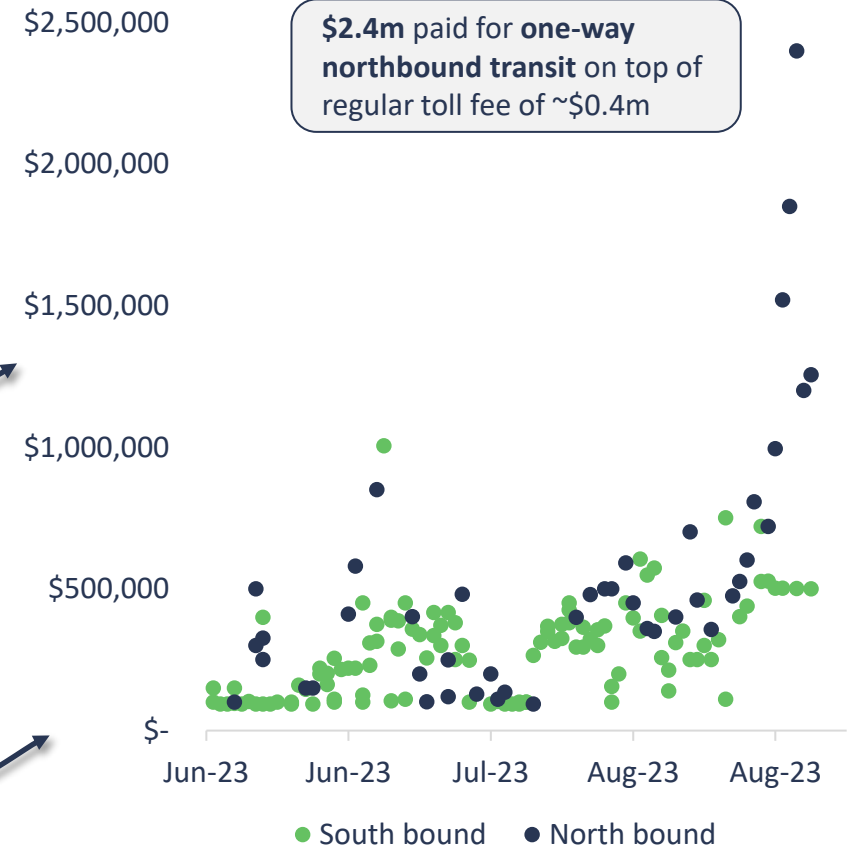
**THE WALL STREET JOURNAL.**  
 BUSINESS | LOGISTICS  
**The Panama Canal Has Become a Traffic Jam of the Seas**  
 More than 200 vessels are stuck on either side of the waterway as a serious drought cuts crossings



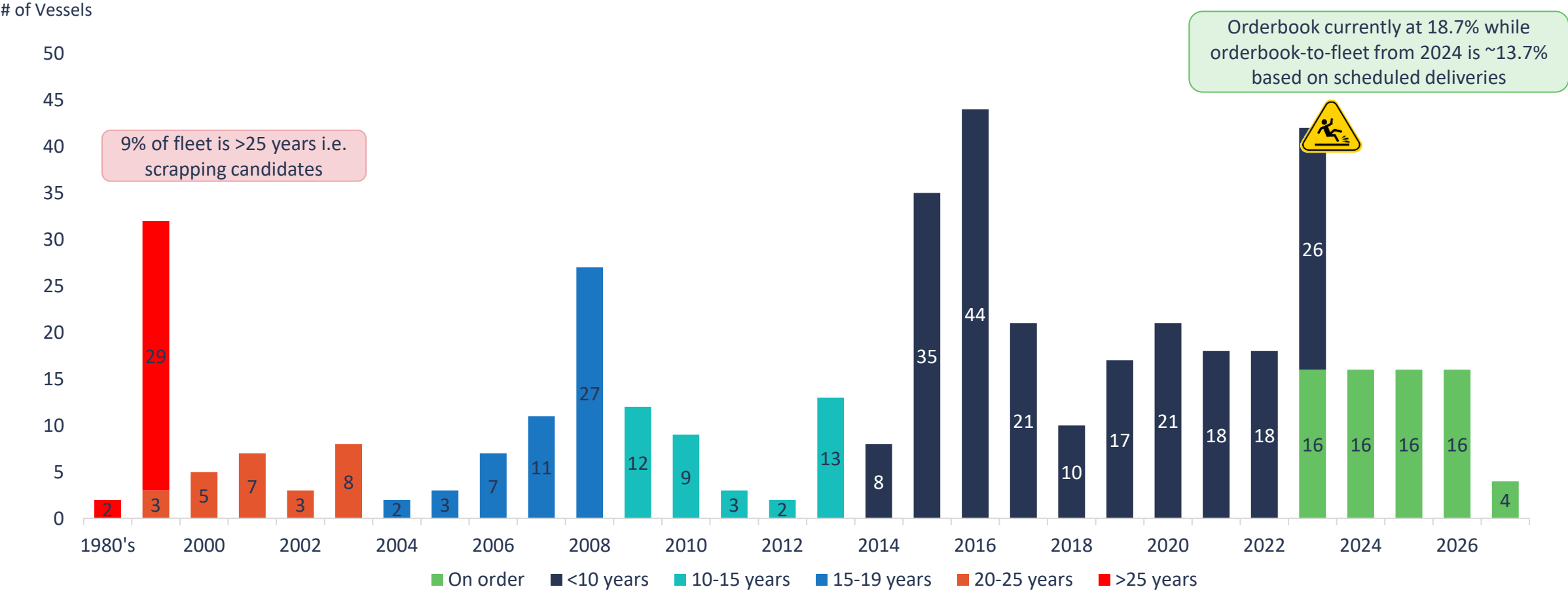
**TradeWinds**  
 The Global Shipping News Source

**Panama Canal booking slots reduced as wait times reach 20 days**  
 Canal is experiencing a backlog of 150 ships as draught restrictions limit daily crossings

## Auction price for spot Neo-Panamax slot



# RENEWAL OF THE VLGC FLEET AHEAD OF NEW REGULATIONS



Source: Clarkson SIN, as of August 29, 2023

# Q2-23 HIGHLIGHTS



## RESULTS

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## DIVIDEND

Declaring a quarterly dividend of \$0.50 per share providing a dividend yield of ~20%<sup>(1)</sup>

Dividend last twelve months of \$1.70 per share equating to 17%<sup>(1)</sup> dividend yield p.a.

(1) Annualised yield given share price of NOK 105 with USDNOK 10.6



# Q&A and Appendix

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# APPENDIX – COMMENTS TO THE INCOME STATEMENT



Income Statement (in thousands \$)	Q2 2023 3-months	Q1 2023 3-months	Variance 3-months
Operating revenue	84,575	77,042	7,533
Voyage expenses	(22,006)	(14,693)	(7,313)
Operating expenses	(9,724)	(9,756)	32
Administrative and general expenses	(1,296)	(1,325)	29
<b>Operating profit before depreciation expense</b>	<b>51,549</b>	51,268	281
Depreciation and amortisation expense	(11,525)	(10,547)	(978)
Gain on Sale	-	-	-
<b>Operating profit</b>	<b>40,024</b>	40,721	(698)
Finance Expense	(5,864)	(5,337)	(527)
Finance Income	1,692	1,225	467
Foreign currency exchange losses	(95)	(237)	142
Tax expense	(50)	(51)	1
<b>Net profit</b>	<b>35,707</b>	36,321	(615)
Earnings per share:			
Basic	0.47	0.47	-
Diluted	0.46	0.47	(0.01)

- TCE earnings (net of operating revenue and voyage expenses) of \$62.6 million for the second quarter, up from \$62.3 million in previous quarter due to more vessel days as we took delivery of the VLGC Avance Avior in May 2023.
- Operating expenses were \$9.7 million, equaling a daily average of \$8,003/day. This compares to \$9.7 million or \$8,626/day for the first quarter. Operating expenses are down as we have taken delivery of two newbuildings year to date 2023 requiring less maintenance and repair.
- Administrative and general expenses (A&G) were \$1.3 million, in line with the first quarter. A&G/day was \$1,067 for the second quarter and \$1,171 as we have more vessel days.
- Finance expenses increased by \$0.5 million from the first quarter primarily due to higher net average debt and rising interest rates which was offset by interest rate hedges. Finance income consist of interest income from cash deposits
- Net profit of \$35.7 million or EPS of \$0.47 down from net profit of \$36.3 million or EPS of \$ 0.47.

# APPENDIX – COMMENTS TO THE BALANCE SHEET



Balance Sheet (in thousands \$)	Q2 2023 30.06.2023	Q1 2023 31.03.2023	Variance 3-months
<b>ASSETS</b>			
Cash and cash equivalents	191,619	219,469	(27,850)
Trade and other receivables	27,660	13,883	13,777
Inventory	7,626	5,073	2,553
Prepaid expenses and other current assets	19,333	12,487	(6,846)
Derivative financial instruments (current)	9,797	7,273	2,524
<b>Total current assets</b>	<b>256,035</b>	<b>258,185</b>	<b>(2,150)</b>
Property, plant and equipment (PPE)	865,681	791,801	73,880
Newbuildings	41,108	58,550	(17,442)
Derivative financial instruments (non-current)	3,362	3,480	(118)
<b>Total non-current assets</b>	<b>910,151</b>	<b>853,831</b>	<b>56,320</b>
<b>Total assets</b>	<b>1,166,186</b>	<b>1,112,016</b>	<b>54,170</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current portion of interest-bearing debt	42,921	40,110	2,831
Trade and other payables	6,621	2,194	4,427
Accrued voyage expenses and other current liabilities	12,748	10,259	2,489
Derivative financial instruments	10,753	-	10,753
<b>Total current liabilities</b>	<b>73,063</b>	<b>52,563</b>	<b>20,500</b>
Long-term debt	502,711	458,812	43,899
<b>Total non-current liabilities</b>	<b>502,711</b>	<b>458,812</b>	<b>43,899</b>
Share capital	77,427	77,427	-
Paid-in capital	431,366	431,366	-
Contributed capital	95,130	94,951	179
Retained loss	(10,186)	(7,597)	(2,589)
Treasury shares	(11,351)	(11,351)	-
Accumulated other comprehensive loss	8,025	15,845	(7,820)
<b>Total shareholders' equity</b>	<b>590,412</b>	<b>600,641</b>	<b>(10,229)</b>

- Total assets consist primarily of cash and 14 VLGCs on water and 2 dual fuel newbuildings under construction. The increase in PPE and decrease in newbuildings are primarily due to delivery of the newbuildings, Avance Rigel and Avance Avior
- Solid cash balance of \$192 million
- Derivative financial instruments consist of positive market to market value on interest rate swaps of \$13.1 million and negative market to market on forward freight agreements (FFA) and bunker hedges of \$10.7 million
- Total outstanding interest-bearing debt of \$545 million equalling a loan to value of 51% at quarter end
- Total shareholders' equity was \$590.4 million at quarter end and decreased by \$10.2 million during the quarter mainly due to net profit of \$35.7 million being offset by paid dividend of \$38.3 million for the first quarter 2023 and decrease in other comprehensive income of \$7.8 million

# APPENDIX – COMMENTS TO THE CASH FLOW



Cash flow statement (in thousands \$)	Q2 2023 3-months	Q1 2023 3-months	Variance
Cash flows from operating activities:			
Cash generated from operations	35,482	53,455	(17,973)
Interest paid	(4,764)	(5,845)	1,081
<b>Net cash flows from operating activities</b>	<b>30,718</b>	47,610	(16,892)
Cash flows used in investing activities:			
Net proceeds from sale of assets	-	-	-
Capital expenditures	(67,785)	(60,919)	(6,866)
<b>Net cash flows used in investing activities</b>	<b>(67,785)</b>	(60,919)	(6,866)
Cash flows (used in) from financing activities:			
Dividends Paid	(38,297)	(38,297)	-
Repayment of long-term debt	(11,734)	(9,566)	(2,168)
Proceeds from loans and borrowings, net of transaction costs	58,200	56,705	1,495
Settlement of share options	-	-	-
Cash settlement of derivatives	1,073	-	1,073
<b>Net cash flows from (used in) in financing activities</b>	<b>9,241</b>	8,843	398
Net increase in cash and cash equivalents	(27,827)	(4,465)	(23,362)
Cash and cash equivalents at beginning of period	219,469	224,243	(4,773)
Effect of exchange rate changes on cash	(24)	(308)	284
Cash and cash equivalents at end of period	191,619	219,469	(27,851)

- Cash and cash equivalents were \$191.6 million on 30 June 2023, compared to \$ 219.5 million on 31 March 2023. Cash flow from operating activities was \$30.7 million, compared with \$ 47.6 million for the first quarter of 2023.
- Net cash flow used in investing activities was \$67.8 million and relates to delivery of Avance Avior, the fourth of six dual fuel newbuildings. This compares with a net cash flow from investing activities of \$ 60.9 million for the first quarter 2023 which relates to delivery of Avance Rigel, the third of six dual fuel newbuildings.
- Net cash flow from financing activities was \$9.3 million, including repayments of debt of \$11.7 million, proceeds from loans and borrowings of \$58 million in relation to delivery of Avance Avior, cash proceeds from settlement of derivatives of \$1.1 million and payment of dividend of \$38.3 million for the fourth quarter.

# GLOSSARY

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A&G = Administrative and general

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CBE = Cash break even

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CAPEX = Capital expenditure

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EEXI = Energy Efficiency Existing Ship Index

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EPS = Earnings Per Share

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FY = Fiscal year

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IFRS = International Financial Reporting Standards

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IMO = International Maritime Organisation

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LPG = Liquefied petroleum gas

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OPEX = Operating expenses

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PDH = Propane Dehydrogenation

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RCF = Revolving Credit Facility

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SLB = Sale Leaseback

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TC = Time charter

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TCE = Time charter equivalent

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VLGCs = Very large gas carrier



## Contact Details



Avance Gas  
Bryggegate 3  
0112 Oslo, Norway

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+47 23 11 40 00

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[www.avancegas.com](http://www.avancegas.com)

## Investor Relations



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

## Stock Exchange



ticker: AGAS