



Avance Gas

Q2 2021

19 August 2021



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.

HIGHLIGHTS



Commercial

- TCE \$27,730/day on load to discharge basis and TCE \$28,774/day on a discharge to discharge basis in line with guidance
- High US export volumes but unfavourable LPG price differential had a dampening effect on the freight market
- US Gulf freight market improved the past weeks with a premium to freight rates out of the Middle East where export volumes are underperforming

Financials

- EBITDA of \$18.1 million, net profit of \$1.5 million and EPS of \$0.02
- Solid cash position of \$108 million end Q2 and \$110 million at the date of this report
- Declared a dividend of \$0.02 per share corresponding to 100% of net profit or \$1.5 million for Q2

Key events

- Successfully completion of the \$104 million sustainability-linked term facility with a bank syndicate
- Successfully completed equity private placement of \$65 million strengthening the balance sheet and funding of the newbuilding program



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FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS Q2 2021



In US\$ thousands (unless stated otherwise)	3m ended Q2-2021	3m ended Q1-2021	6m ended Q2-2021	6m ended Q2-2020
Income Statement				
TCE earnings	30,697	47,786	78,483	78,344
Operating profit before depreciation expense	18,077	35,348	53,424	54,297
Net profit	1,473	18,924	20,396	21,808
Earnings per share (diluted) \$	0.02	0.30	0.29	0.34
Balance Sheet				
Total assets	948,024	901,698	948,024	897,238
Total liabilities	421,302	429,243	421,302	444,668
Cash and cash equivalents	107,928	95,711	107,928	75,882
Total shareholder's equity	526,722	472,455	526,722	452,570
Cash flows				
Net cash from operating activities	3,460	38,229	41,689	57,776
Net cash used in investing activities	(33,631)	(360)	(33,991)	(32,146)
Net cash from (used in) financing activities	42,381	(18,039)	24,342	(26,990)
Net increase (decrease) in cash and cash equivalents	12,217	19,830	32,040	(1,360)
Key performance indicators (\$/day)				
TCE (discharge to discharge)	28,774	36,754	32,793	33,738
TCE (IFRS 15)	27,730	42,552	35,195	36,193
OPEX	9,311	9,440	9,376	8,613
A&G	1,357	1,191	1,274	825

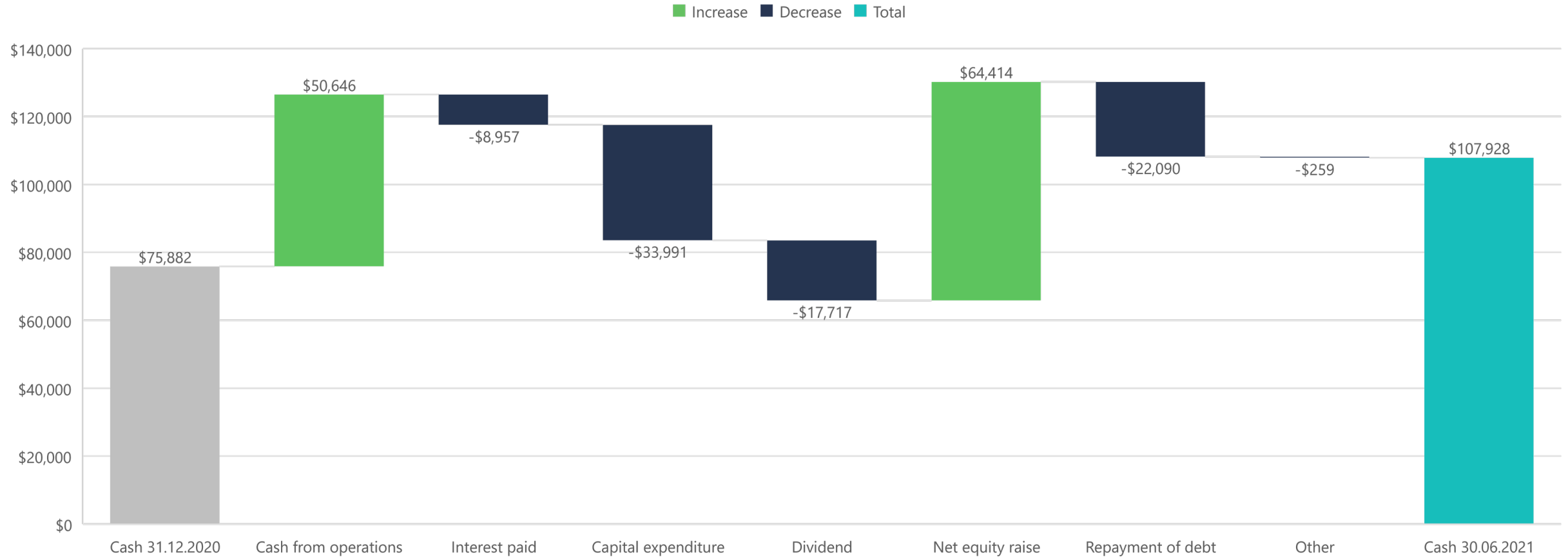
Key highlights

- 
 TCE \$27,730/day on load to discharge basis TCE \$28,774/day on a discharge to discharge basis, commercial utilization of 96%
- 
 TC coverage 30% in Q2 2021 at an average TCE rate of ~\$30,000/day
- 
 Signed sustainability-link financing agreement of \$104 million for newbuildings 1 and 2
- 
 Equity ratio of 55.6% and solid cash position of \$107.9 million
- 
 Strong cash position of \$110 million at the date of this report

CASH FLOW DURING THE FIRST HALF 2021



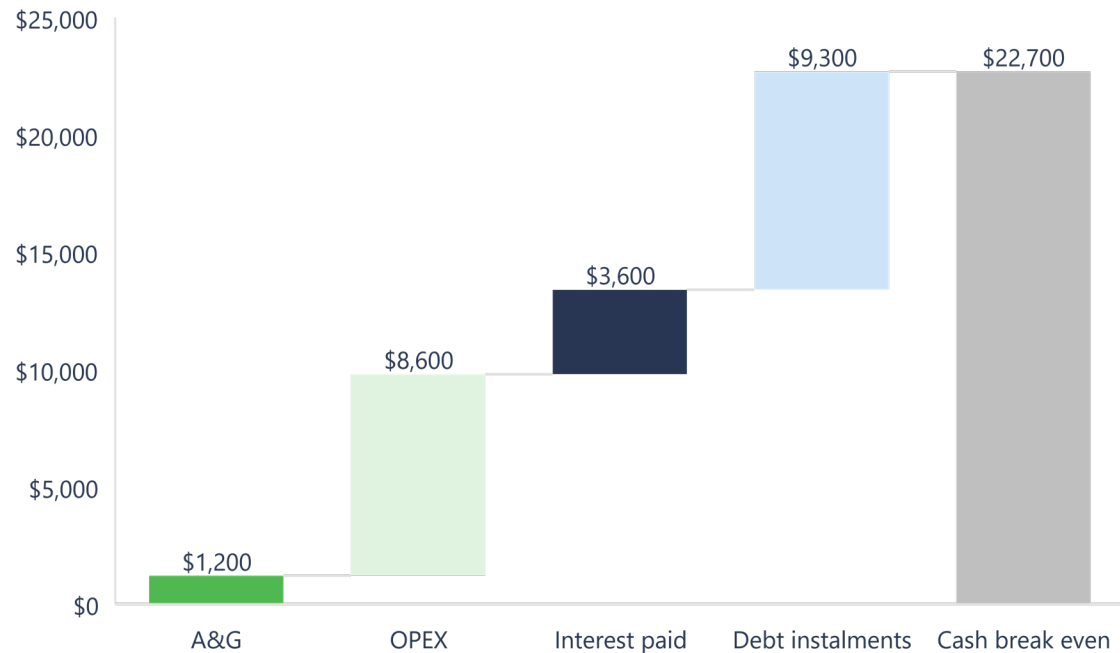
Cash movements first half 2021 (stated in thousand \$)



CASH BREAK EVEN AND FINANCING PROFILE

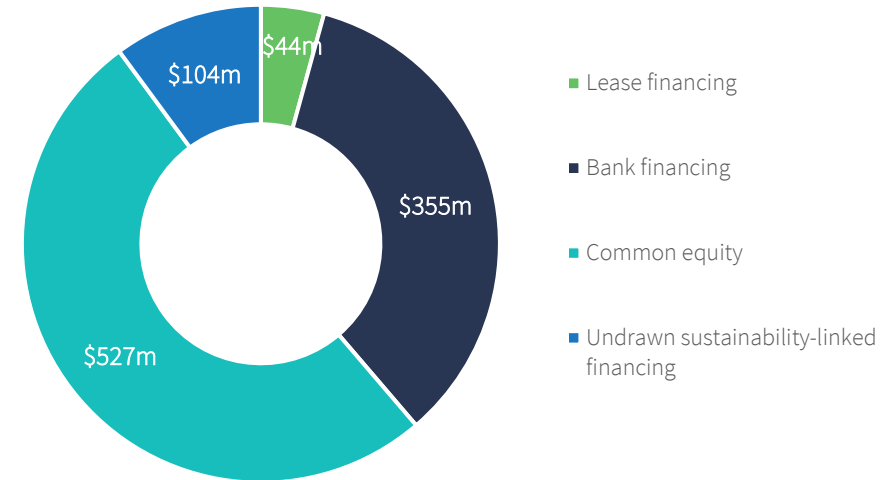


Estimated cash break even/day FY 2021



- Operating cash break even levels calculated basis cash costs/calendar days of the fleet
- Remaining pre-delivery CAPEX of ~\$97 million on our newbuilding program as of 30th of June 2021, assuming a normalised debt financing of \$52 million/vessel

Financing profile



- No debt maturity before June 2024
- Outstanding debt of \$398.6 million as of June 2021
- Sustainability-linked financing to be drawn upon delivery of the two first newbuildings
- Newbuilding four-six expected to be fully secured at attractive terms
- Diversified portfolio of lenders



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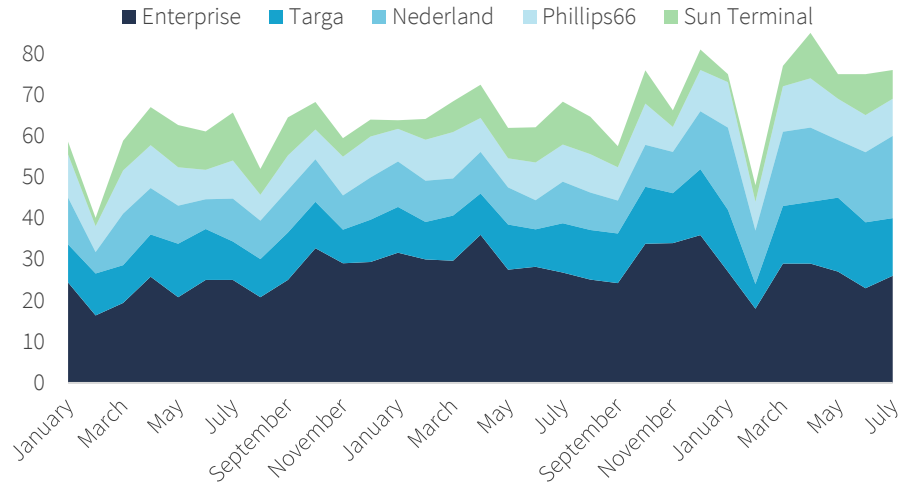
MARKET UPDATE



VLGC LIFTINGS 2019 - 2021 YTD

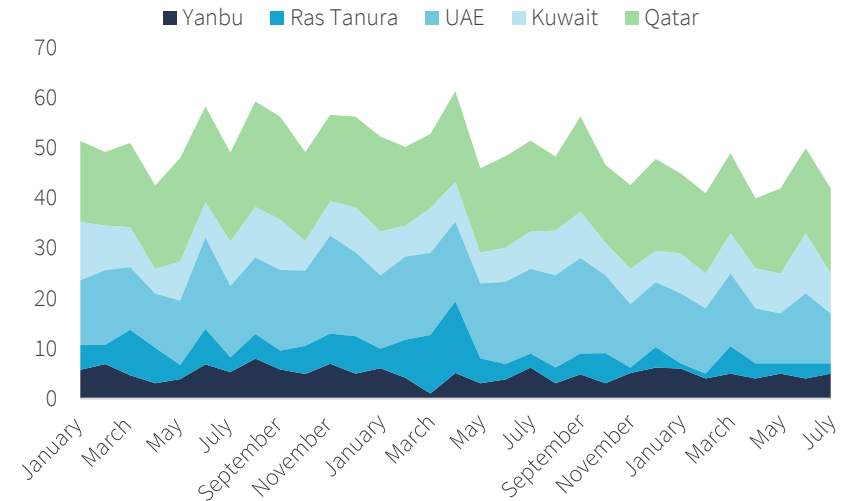


US VLGC Liftings by terminal



- ✓ US Gulf and USEC VLGC exports were 78 cargoes on a monthly average for the first quarter compared to 67 cargoes in Q1
- ✓ Despite record high number of US liftings in Q2, low US inventories narrowed the LPG price arbitrage
- ✓ Panama canal congestion expected to aid the market through 2021, currently varies between 5-10 waiting days

VLGC Liftings Middle East by Country

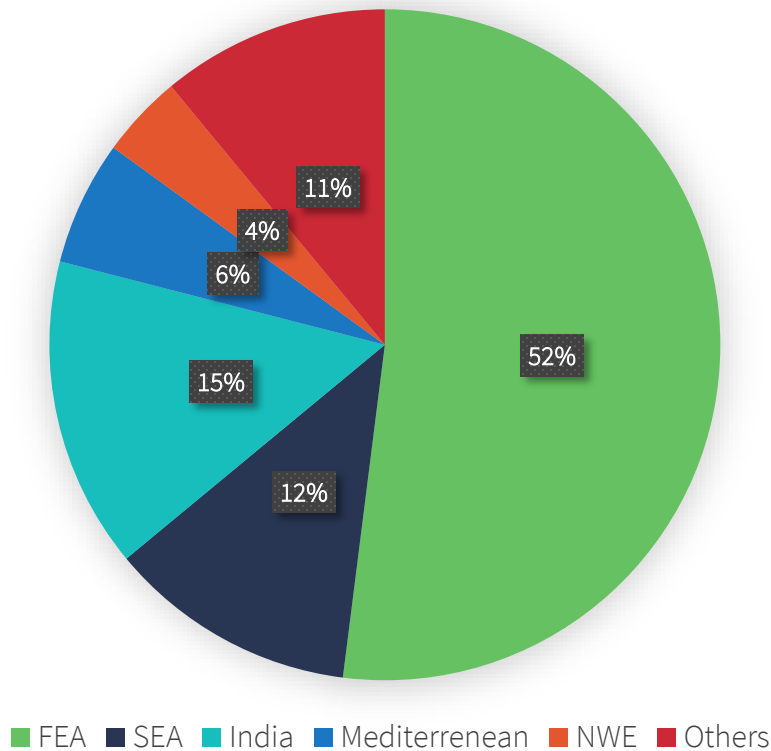


- ✓ ME exports (excl. Iran) continues with low volumes and were down to 48 cargoes on a monthly average in Q2 compared to 50 cargoes in Q1
- ✓ Re-emerge in 2021 pending on OPEC decisions and potential easing on Iran sanctions
- ✓ Increased OPEC+ output the next 13-14 months with 0.4 million barrels per day

GROWTH IN ASIAN LPG DEMAND TO CONTINUE

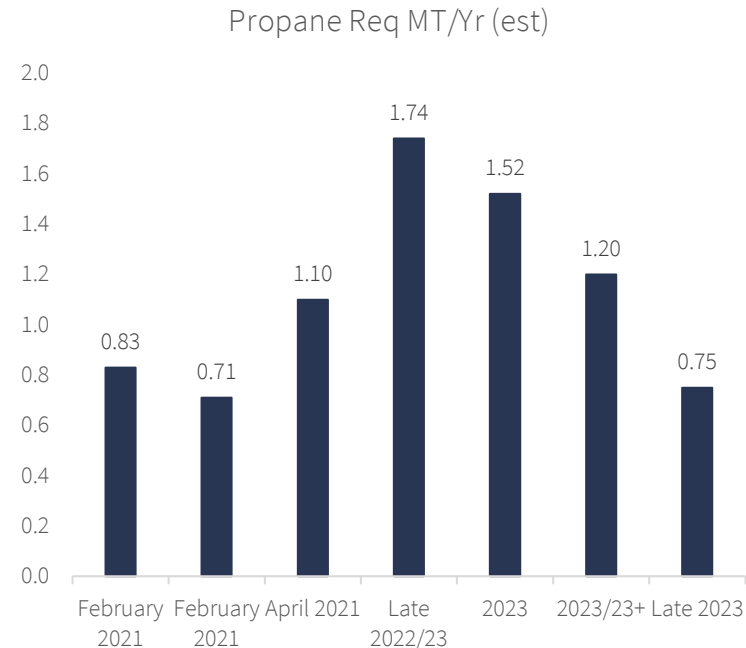


VLGC imports by regions YTD 2021



Source: Fearnleys, IHS Markit

New PDH start ups in China commencing 2021 ->

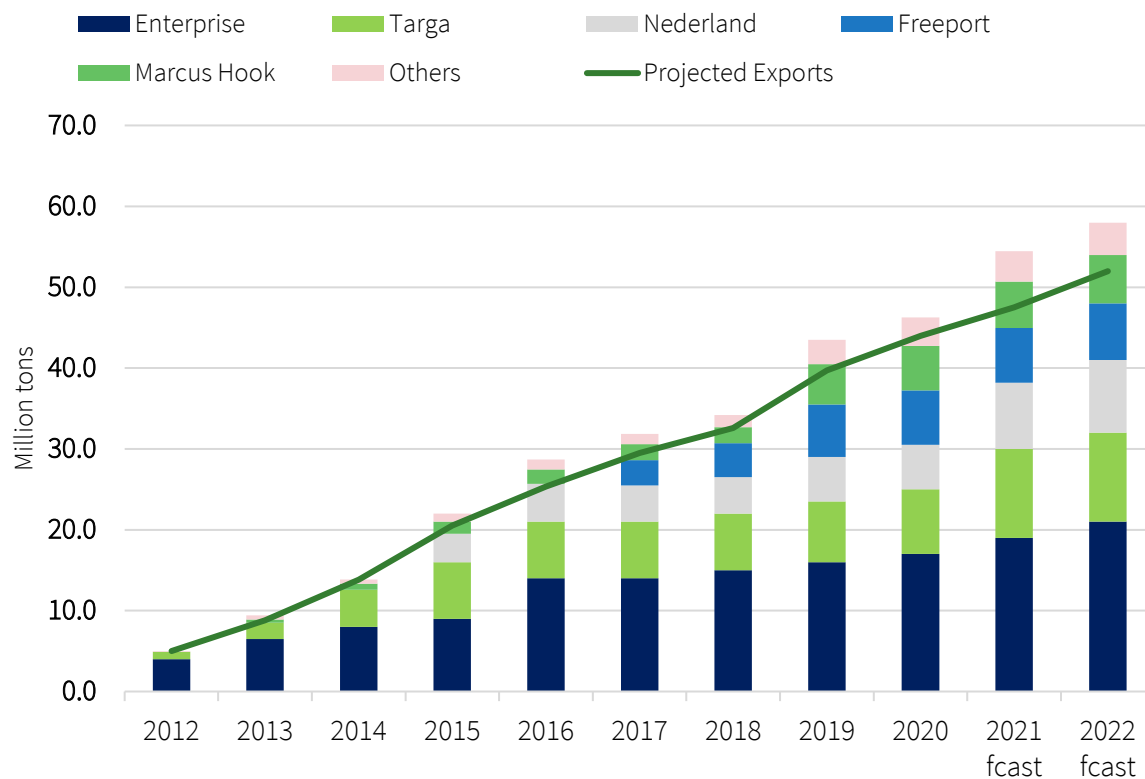


- ✓ ~80% of global VLGC demand in Asia
- ✓ Year-on-year Indian import growth of 7% surprising on the positive side
- ✓ Chinese LPG demand is set to grow significantly followed by India being the second largest import region
- ✓ PDH plants and new flexible steam crackers will drive demand for LPG import in 2021 while Chinese residential demand growth expected to be more modest

U.S. LPG PRODUCTION FORECAST IMPLIES PRODUCTION GROWTH



Strong U.S. LPG production and projected exports



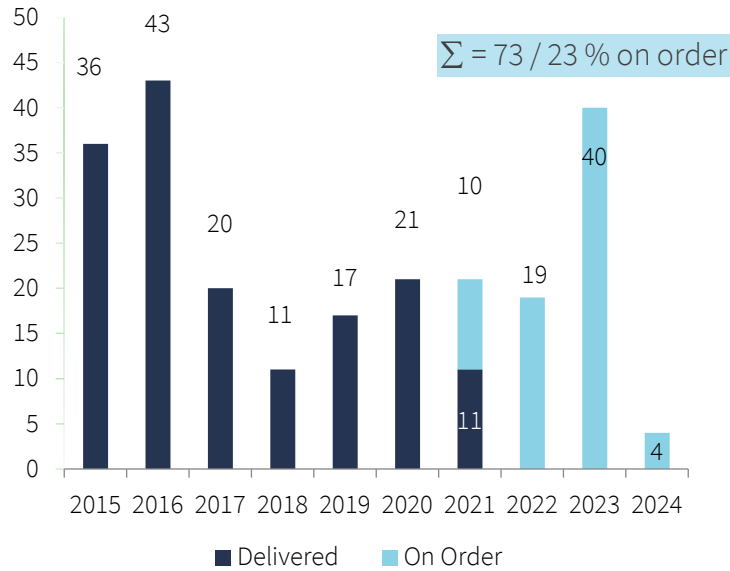
- ✓ US LPG production forecasts from EIA revised upwards, 3.4% production increase forecasted for 2021
- ✓ Expansion in US terminal such as Targa, Nederland and Markus Hook starting to materialize
- ✓ Total rig count for oil & gas increased suggesting that US production may exceed EIA's estimate
- ✓ US domestic consumption is forecasted to be flat/slightly decrease

VLGC ORDER BOOK

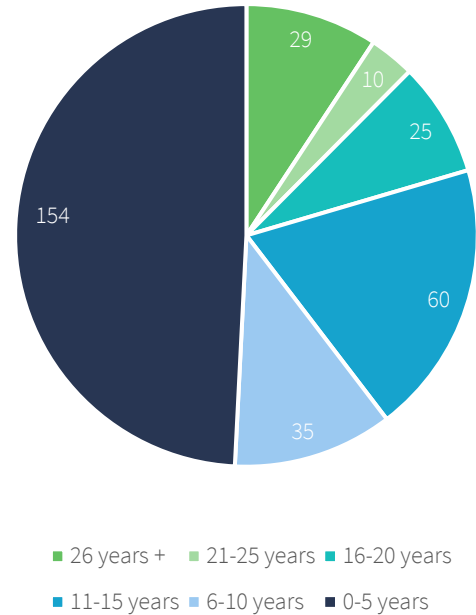


Orderbook April 2021

$\Sigma = 313$ VLGC trading fleet



VLGC fleet age profile



- ✓ Increased ordering activity
- ✓ ~20-25% of fleet to drydock p.a. in 21-22
- ✓ 30 ships older than 25 years in 2021
- ✓ EEXI and other regulations – may trigger speed reduction and increased scrapping towards 2025

SUMMARY & OUTLOOK



Summary

- TCE/day of \$28,774*) for Q2 2021 in line with guidance
- Declared cash dividend of \$0.02 per share amounting to \$1.5 million, totalling \$19.2 million cash dividend payment in 2021
- Strong US export despite limited price arbitrage to the Far East, continued demand growth in Asia. Middle East exports lagging

Financial

- Secured a sustainability-linked financing of the two first newbuildings for delivery Q4 2021 & Q1 2022
- TCE of \$28,000/day contracted for 77% of vessel days for Q3
- No debt maturity before 2024

Outlook

- US LPG production forecast implies production growth and Chinese LPG demand will drive LPG import growth followed by India sub continent and South-East Asia
- Panama canal congestions expected to continue
- The first dual fuel newbuilding is scheduled for delivery within the next 4-5 months

*) Discharge to discharge basis (IFRS 15: load to discharge)



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Q&A



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APPENDIX

AVANCE GAS – FLEET LIST

Fleet			
Vessel	Built	Shipyard	CBM
Iris Glory	2008	Daewoo	83.700
Thetis Glory	2008	Daewoo	83.700
Venus Glory	2008	Daewoo	83.700
Providence	2008	Daewoo	83.800
Promise	2009	Daewoo	83.800
Mistral	2015	Jiangnan	83.000
Monsoon	2015	Jiangnan	83.000
Breeze	2015	Jiangnan	83.000
Passat	2015	Jiangnan	83.000
Sirocco	2015	Jiangnan	83.000
Levant	2015	Jiangnan	83.000
Chinook	2015	Jiangnan	83.000
Pampero	2015	Jiangnan	83.000

On order			
Vessel	Delivery	Shipyard	CBM
Avance Polaris	2021-Q4	Daewoo	91.000
Avance Capella	2022-Q1	Daewoo	91.000
Dual Fuel VLGC TBN	2022-Q4	Daewoo	91.000
Dual Fuel VLGC TBN	2023-Q1	Daewoo	91.000
Dual Fuel VLGC TBN	2023-2H	Daewoo	91.000
Dual Fuel VLGC TBN	2023-2H	Daewoo	91.000



APPENDIX – FINANCIALS Q2 2021



In US\$ thousands (unless stated otherwise)	3m ended Q2-2021	3m ended Q1-2021	6m ended Q2-2021	6m ended Q2-2020
Income Statement				
Operating revenue	48,650	62,511	111,161	118,363
Voyage expenses	(17,953)	(14,725)	(32,678)	(40,019)
Operating expenses	(11,015)	(11,045)	(22,061)	(21,945)
Administrative and general expenses	(1,605)	(1,393)	(2,998)	(2,102)
Operating profit before depreciation expense	18,077	35,348	53,424	54,297
Depreciation and amortisation expense	(12,325)	(12,132)	(24,457)	(20,707)
Operating profit	5,752	23,216	28,967	33,590
Non-operating (expenses) income:				
Net finance expense	(4,279)	(4,292)	(8,571)	(11,782)
Income before tax	1,473	18,924	20,396	21,808
Income tax expense	-	-	-	-
Net profit	1,473	18,924	20,396	21,808
Earnings per share				
Basic	0.02	0.30	0.29	0.34
Diluted	0.02	0.30	0.29	0.34



TCE earnings of \$30.7 million, down from \$47.8 million in Q1-2021, impacted by the US cold snap leading into the first part of the second quarter.



Operating expenses of \$11.0 million, impacted by Covid-19 and freight cost.



Administrative and general expenses of \$1.6 million, up from \$1.4 million in Q1.



Depreciation of \$12.3 million up from \$12.1 million, reflecting capitalised drydock and scrubber installations.



Non-operating expenses of \$4.3 million, stable from Q1-2021.



A reported net profit of \$1.5 million compared to a net profit of \$18.9 million in Q1 2021.

APPENDIX – FINANCIALS Q2 2021



In US\$ thousands (unless stated otherwise)	June 30, 2021	March 31, 2021
Balance sheet		
ASSETS		
Cash and cash equivalents	107,928	95,711
Trade and other receivables	20,635	7,444
Inventory	5,298	3,320
Prepaid expenses and other current assets	8,334	10,034
Total current assets	142,195	116,509
Property, plant and equipment	739,292	749,528
Newbuildings	64,714	32,493
Derivative financial instruments	1,823	3,168
Total non-current assets	805,829	785,189
Total assets	948,024	901,698
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of interest-bearing debt	42,976	43,118
Trade and other payables	3,735	825
Derivative financial instruments	6,246	6,106
Accrued voyage expenses and other current liabilities	6,298	6,035
Total current liabilities	59,255	56,084
Long-term debt	351,955	362,600
Derivative financial instruments	10,092	10,559
Total non-current liabilities	362,047	373,159
Share capital	77,427	64,528
Paid-in capital	431,366	379,851
Contributed capital	94,915	94,791
Retained loss	(51,177)	(41,926)
Treasury shares	(11,351)	(11,351)
Accumulated other comprehensive loss	(14,458)	(13,438)
Total shareholders' equity	526,722	472,455
Total liabilities and shareholders' equity	948,024	901,698



Total assets of \$948.0 million up from \$901.7 million in Q1 primarily due to net increase in cash and cash equivalents of \$12.2 million, capitalised instalments and other related expenses in the newbuilding program of total \$32.2 million, increase in receivables, offset by regular depreciations of the fleet of \$12.3 million.



Net interest-bearing debt of \$394.9 million, down from \$405.7 million in Q1 following scheduled repayments.





Shareholders' equity was \$526.7 million and an equity ratio at 55.6% up from 52.4% in Q1.


APPENDIX – FINANCIALS Q2 2021





In US\$ thousands (unless stated otherwise)	3m ended Q2-2021	3m ended Q1-2021
Cash flow statement		
Cash flows from operating activities		
Cash generated from operations	7,932	42,714
Interest paid	(4,472)	(4,485)
Net cash flows from operating activities	3,460	38,229
Cash flows used in investing activities:		
Capital expenditures	(33,631)	(360)
Net cash flows used in investing activities	(33,631)	(360)
Cash flows (used in) from financing activities:		
Payment of dividend	(10,723)	(6,994)
Proceeds from issue of share capital	64,414	-
Repayment of long-term debt	(11,045)	(11,045)
Drawdown of long-term debt	-	-
Payment of cash settled share options	(265)	-
Net cash flows from in financing activities	42,381	(18,039)
Effect of exchange rate changes on cash	7	(1)
Net increase in cash and cash equivalents	12,217	19,829
Cash and cash equivalents at beginning of period	95,711	75,882
Cash and cash equivalents at end of period	107,928	95,711

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Cash flow from operating activities was \$3.5 million, compared to \$38.2 million in Q1. Trade receivables of ~\$20 million received in July 2021.
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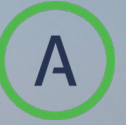
Investing activities for the quarter includes instalments paid in the newbuilding program of \$31.3 million, and scrubber installation of \$2.3 million.
- 

Cash dividend payment of \$10.7 million in June.
- 

Cash flows from financing activities were positive \$42.4 million, reflecting net proceeds from from the issue of ordinary shares of \$64.4 million, offset by scheduled repayments of debt and paid dividend for Q1-2021.
- 

Cash position at quarter-end was \$107.9 million and available liquidity at the date of this report is approx. \$110.0 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



Avance Gas
Bryggegate 3
0112 Oslo, Norway



+47 22 00 48 00



www.avancegas.com

Investor Relations



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

Stock Exchange



ticker: AGAS