



Avance Gas

**Q3 2021**

25 November 2021



# 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 of \$31.6 million or \$27,548/day (including ballast cost of \$689/day linked to the three TC contracts below).
- Entered into three Time Charter Agreements for a period of 2 years at an average hire level of approximately \$30,000/day net to Owners.
- US exports have been strong but inventory levels have been below 5-years average causing high US LPG prices.

## Financials

- EBITDA of \$19.4 million, net profit of \$4.2 million and EPS of \$0.06.
- Solid cash position of \$102 million end Q3 and \$105 million at the date of this report.
- Declared a dividend of \$0.05 per share corresponding to 91% of net profit or \$3.8 million for Q3.

## Key event

- In September 2021, Hemen Holding Limited launched a mandatory offer to acquire all shares in Avance Gas.
- In October 2021, the final results of the mandatory offer were announced and following the settlement, Hemen Holding Limited owns 59,382,696 shares in Avance Gas representing approximately 76.70% of the registered share capital and voting rights in the Company.



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# FINANCIAL HIGHLIGHTS





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# FINANCIAL HIGHLIGHTS Q3 2021



In US\$ thousands (unless stated otherwise)	3m ended Q3-2021	3m ended Q2-2021	9m ended Q3-2021	9m ended Q3-2020
<b>Income Statement</b>				
TCE earnings	<b>31,597</b>	30,697	<b>110,080</b>	102,838
Operating profit before depreciation expense	<b>19,446</b>	18,077	<b>72,870</b>	66,031
Net profit	<b>4,221</b>	1,473	<b>24,617</b>	24,068
Earnings per share (diluted) \$	<b>0.06</b>	0.02	<b>0.34</b>	0.37
<b>Balance Sheet</b>				
Total assets	<b>936,773</b>	948,024	<b>936,773</b>	897,238
Total liabilities	<b>405,161</b>	421,302	<b>405,161</b>	444,668
Cash and cash equivalents	<b>102,293</b>	107,928	<b>102,293</b>	75,882
Total shareholder's equity	<b>531,612</b>	526,722	<b>531,612</b>	452,570
<b>Cash flows</b>				
Net cash from operating activities	<b>16,315</b>	3,460	<b>58,150</b>	61,584
Net cash used in investing activities	<b>(8,137)</b>	(33,631)	<b>(42,128)</b>	(13,444)
Net cash from (used in) financing activities	<b>(13,838)</b>	42,381	<b>10,358</b>	(56,288)
Net increase (decrease) in cash and cash equivalents	<b>(5,660)</b>	12,217	<b>26,380</b>	(8,148)
<b>Key performance indicators (\$/day)</b>				
TCE (discharge to discharge)	<b>27,229</b>	28,774	<b>30,904</b>	30,132
TCE (IFRS 15)	<b>27,548</b>	27,730	<b>32,597</b>	31,141
OPEX	<b>8,610</b>	9,311	<b>9,118</b>	8,828
A&G	<b>1,549</b>	1,357	<b>1,367</b>	792

## Key highlights

- 
 TCE \$27,548/day compared \$27,730 in Q2, commercial utilization of 99%. TCE for the third quarter includes ballast cost for three TC contracts of \$689/day
- 
 TC coverage 34% in Q3 2021 at an average TCE rate of ~\$29,500/day
- 
 Equity ratio of 56.7% and solid cash position of \$102.3 million
- 
 Declared a dividend of \$0.05 cent per share for the third quarter

# CASH FLOW YTD 2021



## Cash movements YTD 2021 (stated in thousand \$)

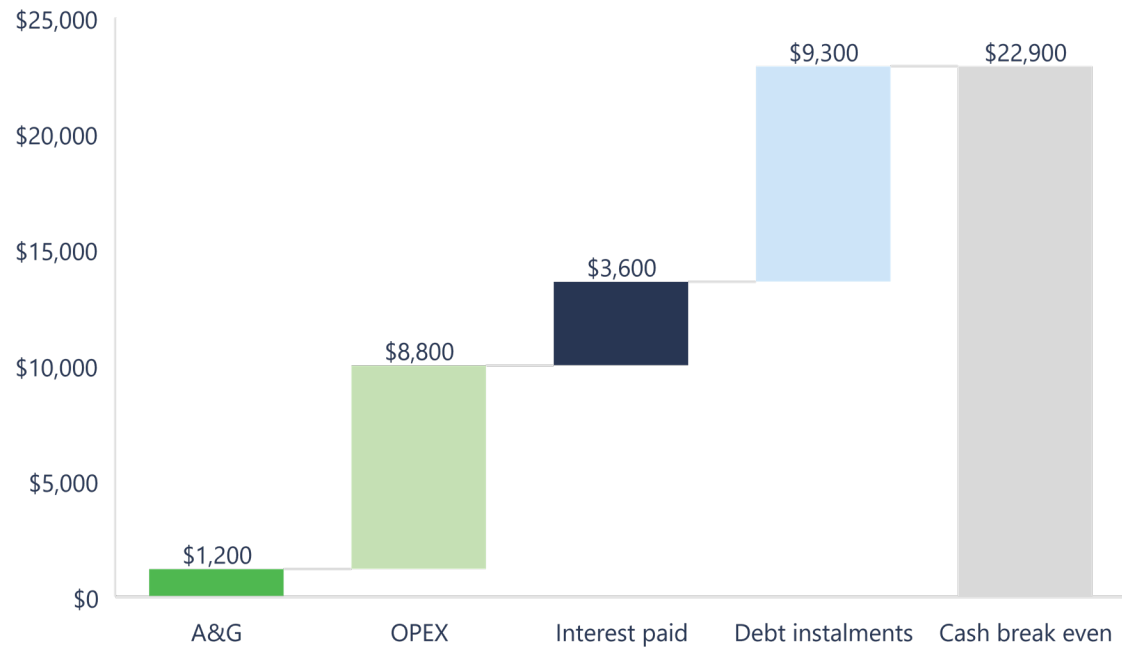


- Accumulated, \$78 million newbuilding pre-delivery CAPEX is paid as of the date of this report

# CASH BREAK EVEN AND FLEET EMPLOYMENT



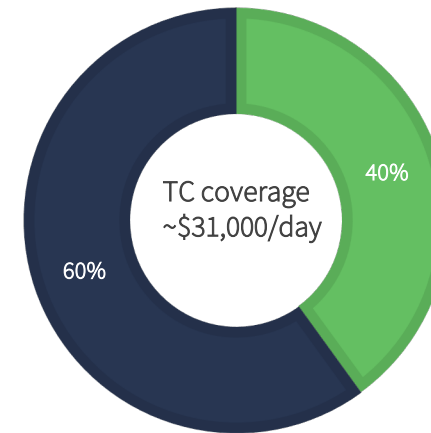
## Estimated cash break even/day FY 2021



- Operating cash break even (CBE) levels calculated basis cash costs/calendar days
- Expect to achieve attractive financing for newbuilding three-six lowering the average CBE for the fleet

## Fleet employment

■ TC coverage Q4 2021 ■ Spot Q4 2021



- TCE of \$28,000/day contracted for 94% of vessel days for Q4 including TC coverage and ~50 days waiting time (Northbound) in the Panama canal.
- Current TC coverage is 23% at ~\$30,000/day in 2022
- Current market sentiment above \$40,000/day - expect improvements in Q1 2022 bookings





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# MARKET UPDATE

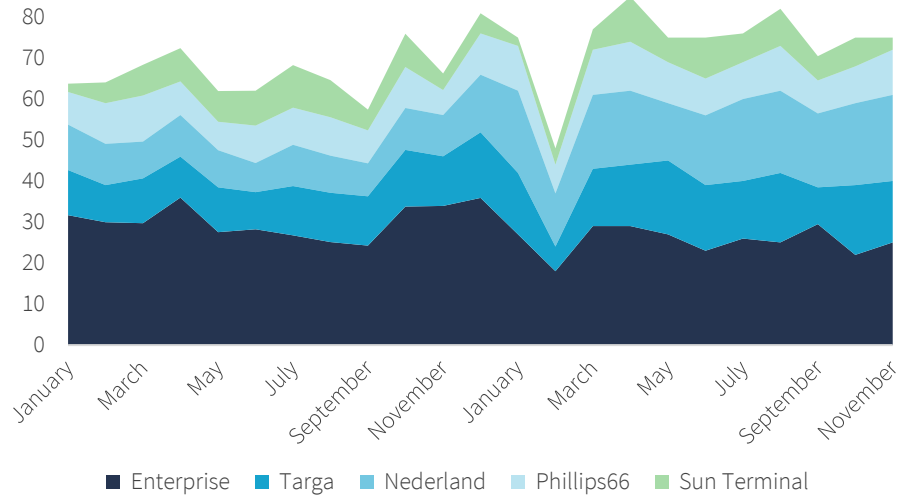




# VLGC LIFTINGS 2020 - 2021 YTD

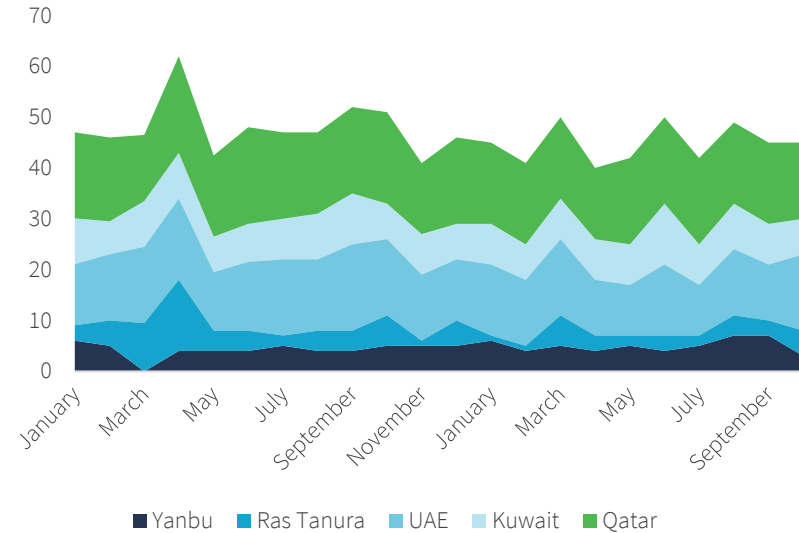


## US VLGC Liftings by terminal



- ✓ US Gulf and USEC VLGC exports were 80 cargoes on a monthly average for the third quarter compared to 78 cargoes in Q2.
- ✓ US exports have been strong but inventory levels are below 5-years average.
- ✓ High US LPG prices have narrowed the LPG price arbitrage between US-Asia.

## VLGC Liftings Middle East by Country

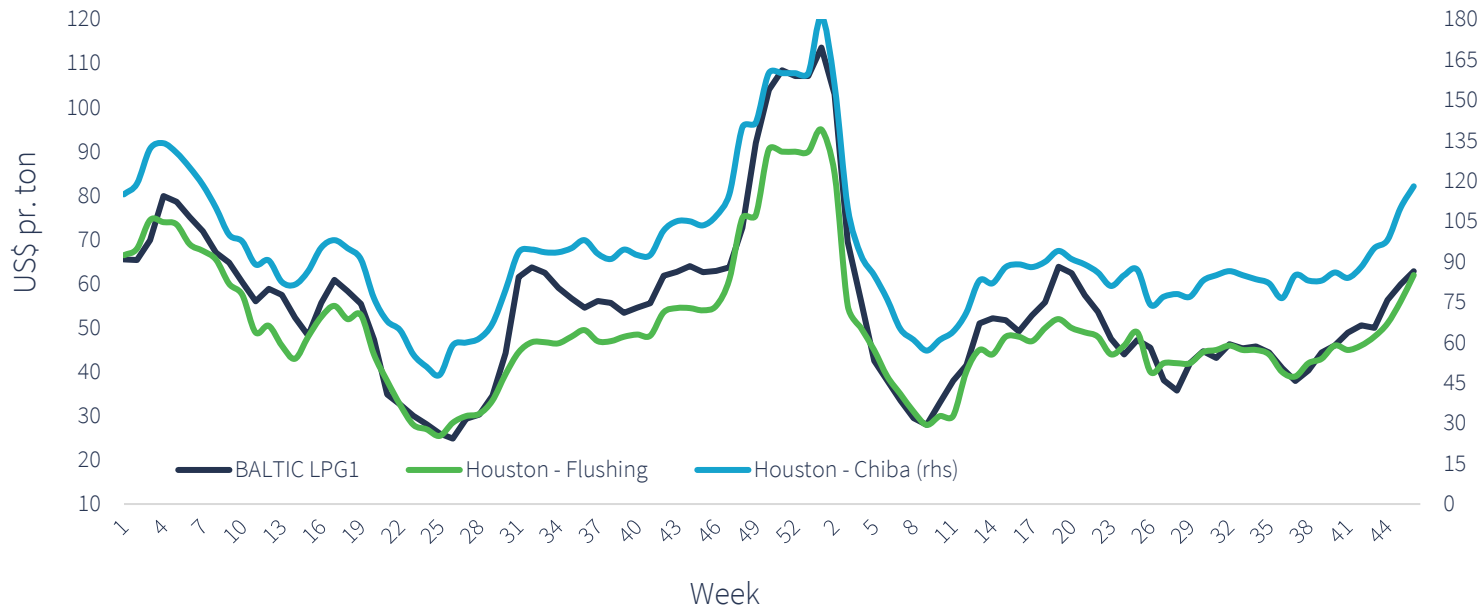


- ✓ ME exports (excl. Iran) remain at low volumes but were slightly up to 50 cargoes on a monthly average in Q2 compared to 48 cargoes in Q2.
- ✓ Despite the increase of production output, LPG exports have remained stagnant, approximately 5 cargoes lower than monthly average in 2019 pre-Covid.
- ✓ Re-emerge in 2022 pending on OPEC decisions and potential easing on Iran sanctions.

# VLGC FREIGHT MARKET IMPACTED BY INEFFICIENCIES



Freight Rates 2020 – YTD 2021  
US\$ pr. ton

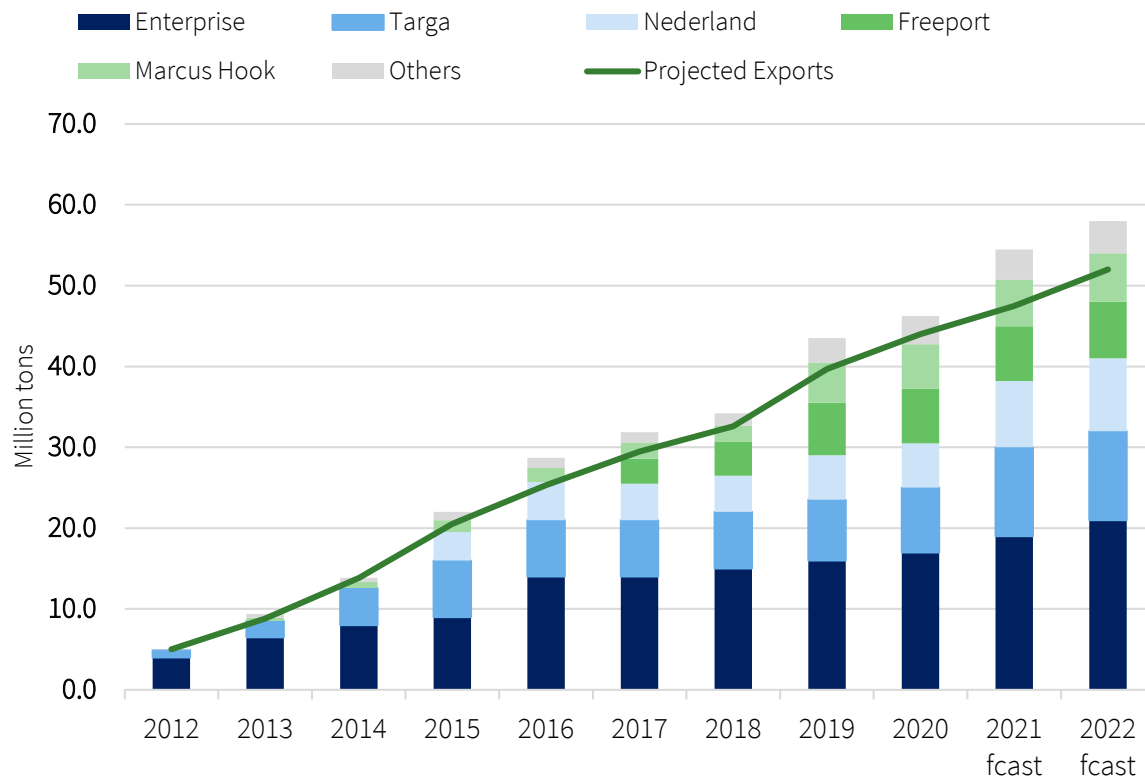


- ✓ Low US inventories narrowed the US-Asia price arbitrage in the third quarter.
- ✓ The Panama congestion continues on the back of strong LNG and container activity.
- ✓ Panama waiting currently varying from 6-23 waiting days on the ballast leg.
- ✓ Similar situation last year with strong freight rates due to high level of inefficiencies, lower arb this year.
- ✓ The spot AG market continues to underperform on the AG – Far East trade but Indian activity is soaring.

# U.S. LPG PRODUCTION AND INVENTORY SITUATION



## Strong U.S. LPG production and projected exports

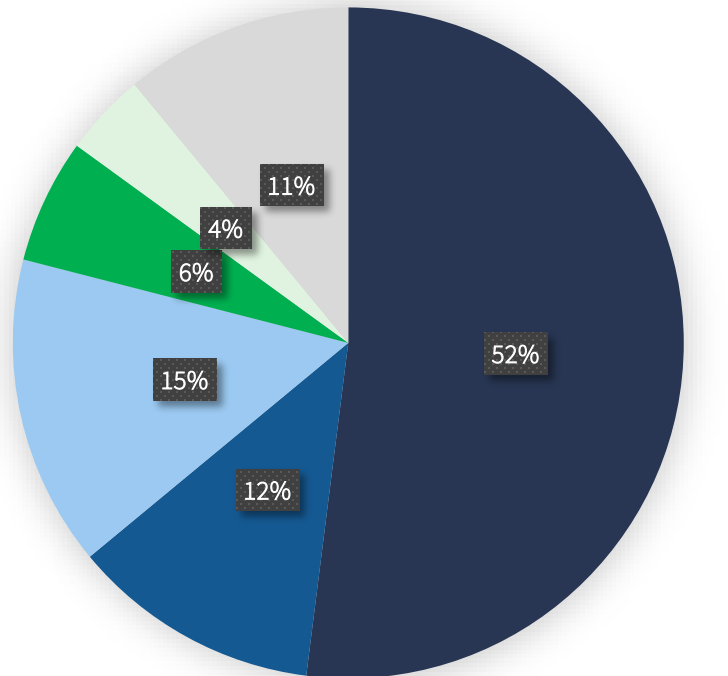


- ✓ US LPG production forecasts from EIA revised upwards, 6% y-o-y production growth forecasted for 2022.
- ✓ US Inventories is still below 5 years average causing high US LPG prices.
- ✓ Despite high US LPG prices there is solid demand in NE Asia due to energy crunch and growing number of PDH plants.
- ✓ US domestic consumption is forecasted to be flat/slightly decrease depending of unforeseen extreme weather condition.

# GROWTH IN ASIAN LPG DEMAND TO CONTINUE



## VLGC imports by regions est. 2021



■ FEA ■ SEA ■ India ■ Mediterranean ■ NWE ■ Others

Source: Fearnleys, IHS Markit, Clarksons

## New projects in Asia starting in 2021 and beyond

New Chinese PDH plants		
Start Up (est)	Location	Propane Req MT/Yr
February 2021	Fuqing, Fuzhou	0.83
February 2021	Ningbo	0.71
April 2021	Qingdao	1.10
Late 2022/23	Qinzhou	0.90
Late 2022/23	Lianyungang	0.84
2023	Ningbo	0.71
2023/23+	Quanzhou	1.20
2023	Lianyungang	0.81
Late 2023	Humen, Dongguan	0.75
<b>Total Propane required</b>		<b>7.85</b>

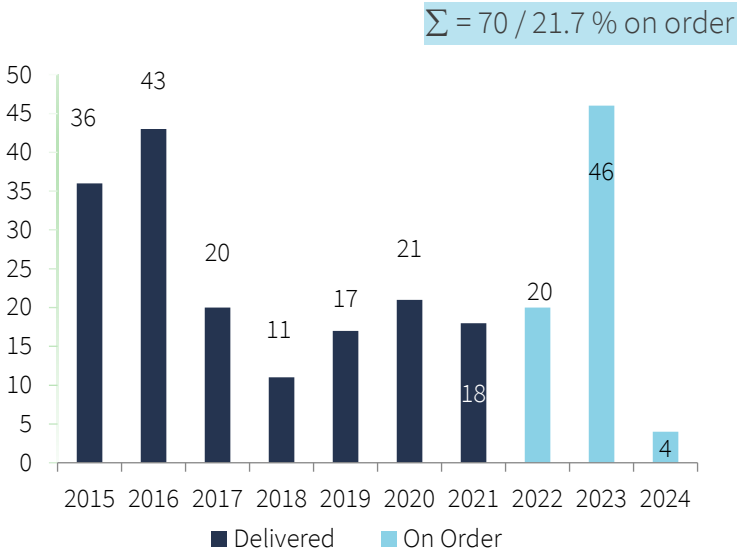
- ✓ ~80% of global VLGC demand in Asia.
- ✓ Residential demand in Indian sub-continent and SE Asia is expected to grow further.
- ✓ Chinese LPG demand is set to grow significantly followed by India being the second largest import region.
- ✓ PDH plants and new flexible steam crackers will drive demand for LPG import in 2022-23 while Chinese residential demand growth expected to be more modest.

# VLGC ORDER BOOK REMAINS CHALLENGING FOR 2023-24



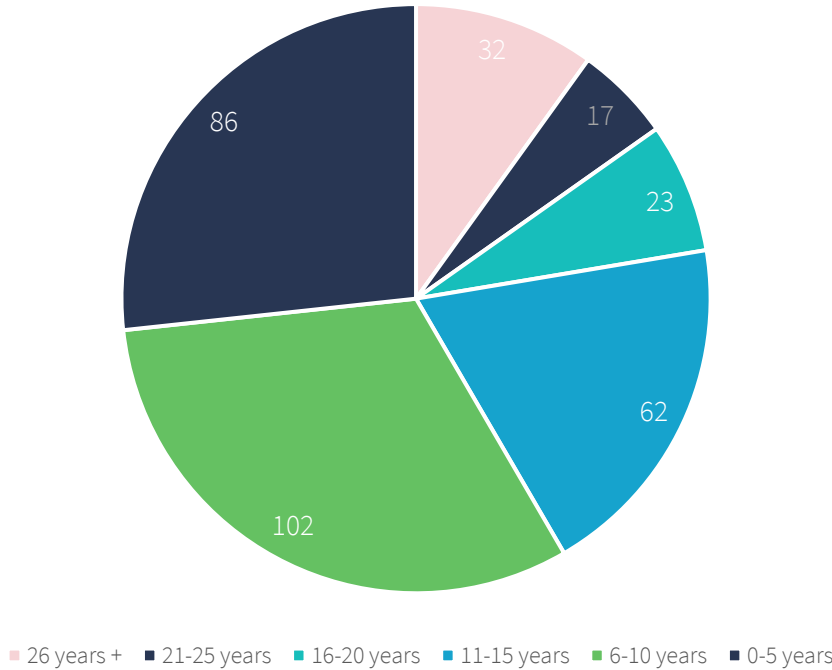
## Orderbook November 2021

Σ = 322 VLGC trading fleet



Source: Fearnleys

## VLGC fleet age profile



- ✓ Average age of the fleet ~ 10 years.
- ✓ ~25% of deliveries in 2022 is absorbed by dry-dockings.
- ✓ 32 ships (10%) older than 25 years.
- ✓ ~75% of the orderbook committed on TC.
- ✓ EEXI – may trigger speed reduction and increased scrapping – approximately 150 VLGCs will be affected.

# PANAMA CONGESTION



## Panama Canal Waiting Time (New Locks)



Source: Poten & Partners, Fearnleys

## Increased congestion expected in the years ahead

- ✓ 23% of all Panama transits are LPG carriers
- ✓ VLGCs will not be able to book slots more than 14 days in advance
- ✓ Increased chance of congestion due to limited capacity in the neo-locks
- ✓ LNG, container and passengers ships are preferred vessels to transit the Panama canal

# SUMMARY & OUTLOOK



## Summary

- TCE/day of \$27,548 for Q3 2021 in line with guidance.
- Despite low US inventories and unfavourable LPG price differentials, Asian demand stayed firm.
- Declared cash dividend of \$0.05 per share amounting to \$3.8 million, totalling \$23 million in cash dividend payment in 2021.

## Financial

- Signed a term sheet for refinancing of Iris Glory (2008) in a sale leaseback transaction – cash release of ~\$16.6 million.
- Exploring attractive financing on the remaining newbuildings for delivery in 2H 2022 & 2023.
- TCE of \$28,000/day contracted for 94% of vessel days for Q4 including ~50 days waiting time (Northbound) in the Panama canal.

## Outlook

- The VLGC freight market is improving into the winter months with current earnings above \$40,000/day for modern scrubber fitted vessels.
- Chinese petrochemical plants (PDH) feedstock demand is set to grow with an incremental demand growth of 9% y-o-y in 2022, US and ME exports are expected to increase.
- Avance Gas will take delivery of the two first dual fuel newbuildings in January and February 2022.





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Q&A

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# APPENDIX

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# 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	2022-Q1	Daewoo	91.000
Avance Capella	2022-Q1	Daewoo	91.000
Avance Rigel	2022-Q4	Daewoo	91.000
Avance Avior	2023-Q1	Daewoo	91.000
Avance Castor	2023-2H	Daewoo	91.000
Avance Pollux	2023-2H	Daewoo	91.000








# APPENDIX – FINANCIALS Q3 2021





In US\$ thousands (unless stated otherwise)	3m ended Q3-2021	3m ended Q2-2021	9m ended Q3-2021	9m ended Q3-2020
<b>Income Statement</b>				
<b>Operating revenue</b>	<b>47,381</b>	<b>48,650</b>	<b>158,542</b>	<b>154,686</b>
Voyage expenses	(15,784)	(17,953)	(48,462)	(51,848)
Operating expenses	(10,298)	(11,015)	(32,359)	(33,775)
Administrative and general expenses	(1,853)	(1,605)	(4,851)	(3,032)
<b>Operating profit before depreciation expense</b>	<b>19,446</b>	<b>18,077</b>	<b>72,870</b>	<b>66,031</b>
Depreciation and amortisation expense	(11,369)	(12,325)	(35,826)	(30,827)
<b>Operating profit</b>	<b>8,077</b>	<b>5,752</b>	<b>37,044</b>	<b>41,033</b>
<b>Non-operating (expenses) income:</b>				
Net finance expense	(3,856)	(4,279)	(12,427)	(16,965)
<b>Income before tax</b>	<b>4,221</b>	<b>1,473</b>	<b>24,617</b>	<b>24,068</b>
Income tax expense	-	-	-	-
<b>Net profit</b>	<b>4,221</b>	<b>1,473</b>	<b>24,617</b>	<b>24,068</b>
<b>Earnings per share</b>				
Basic	0.06	0.02	0.34	0.37
Diluted	0.06	0.02	0.34	0.37


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TCE earnings of \$31.6 million, up from \$30.7 million in Q2-2021.
- 

Operating expenses of \$10.3 million, down from \$11.0 in previous quarter. Operating expenses still impacted by Covid-19 and freight cost.
- 

Administrative and general expenses of \$1.9 million, up from \$1.6 million in Q2.
- 

Depreciation of \$11.4 million reflects normalized depreciations.
- 


Non-operating expenses of \$3.9 million, down from \$4.3 million in Q2, reflecting lower net debt and interest rate and capitalized borrowing cost.
- 

A reported net profit of \$4.2 million compared to a net profit of \$1.5 million in Q2 2021.


# APPENDIX – FINANCIALS Q3 2021




In US\$ thousands (unless stated otherwise)	September 30, 2021	June 30, 2021
<b>Balance sheet</b>		
<b>ASSETS</b>		
Cash and cash equivalents	102,293	107,928
Trade and other receivables	15,488	20,635
Inventory	5,264	5,298
Prepaid expenses and other current assets	9,912	8,334
<b>Total current assets</b>	<b>132,957</b>	<b>142,195</b>
Property, plant and equipment	727,981	739,292
Newbuildings	73,582	64,714
Derivative financial instruments	2,253	1,823
<b>Total non-current assets</b>	<b>803,816</b>	<b>805,829</b>
<b>Total assets</b>	<b>936,773</b>	<b>948,024</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current portion of interest-bearing debt	42,993	42,976
Trade and other payables	2,133	3,735
Derivative financial instruments	6,136	6,246
Accrued voyage expenses and other current liabilities	5,100	6,298
<b>Total current liabilities</b>	<b>56,362</b>	<b>59,255</b>
Long-term debt	340,243	351,955
Derivative financial instruments	8,556	10,092
<b>Total non-current liabilities</b>	<b>348,799</b>	<b>362,047</b>
Share capital	77,427	77,427
Paid-in capital	431,366	431,366
Contributed capital	95,043	94,915
Retained loss	(48,488)	(51,177)
Treasury shares	(11,351)	(11,351)
Accumulated other comprehensive loss	(12,385)	(14,458)
<b>Total shareholders' equity</b>	<b>531,612</b>	<b>526,722</b>
<b>Total liabilities and shareholders' equity</b>	<b>936,773</b>	<b>948,024</b>

-  Total current assets of \$133.0 million down from \$142.2 million in Q2 primarily due to net decrease in cash and cash equivalents of \$5.6 million, and decrease in receivables of \$5.1 million.


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-  Total non-current assets of \$803.8 million down from \$805.8 million in Q2 due to regular depreciations of the fleet of \$11.4 million, offset by capitalised instalments and other related expenses in the newbuilding program of total \$8.9 million.

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-  Net interest-bearing debt of \$383.2 million, down from \$395.1 million in Q2 following scheduled repayments.

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-  Shareholders' equity was \$531.6 million and an equity ratio at 56.7% up from 55.6% in Q2.

# APPENDIX – FINANCIALS Q3 2021



In US\$ thousands (unless stated otherwise)	3m ended Q3-2021	3m ended Q2-2021	9m ended Q3-2021	9m ended Q3-2020
<b>Cash flow statement</b>				
<b>Cash flows from operating activities</b>				
Cash generated from operations	20,694	7,932	71,486	78,034
Interest paid	(4,379)	(4,472)	(13,336)	(16,450)
<b>Net cash flows from operating activities</b>	<b>16,315</b>	<b>3,460</b>	<b>58,150</b>	<b>61,584</b>
<b>Cash flows used in investing activities:</b>				
Capital expenditures	(8,137)	(33,631)	(42,128)	(47,701)
<b>Net cash flows used in investing activities</b>	<b>(8,137)</b>	<b>(33,631)</b>	<b>(42,128)</b>	<b>(47,701)</b>
<b>Cash flows (used in) from financing activities:</b>				
Payment of dividend	(1,532)	(10,723)	(19,249)	(19,108)
Proceeds from issue of share capital	-	64,414	64,414	-
Repayment of long-term debt	(11,045)	(11,045)	(33,135)	(52,180)
Drawdown of long-term debt	-	-	-	15,000
Transaction cost related to loans and borrowings	(745)	-	(891)	-
Payment of cash settled share options	(516)	(265)	(781)	-
<b>Net cash flows from in financing activities</b>	<b>(13,838)</b>	<b>42,381</b>	<b>10,358</b>	<b>(56,288)</b>
Effect of exchange rate changes on cash	25	7	31	(128)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(5,635)</b>	<b>12,217</b>	<b>26,411</b>	<b>(42,533)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>107,928</b>	<b>95,711</b>	<b>75,882</b>	<b>85,909</b>
<b>Cash and cash equivalents at end of period</b>	<b>102,293</b>	<b>107,928</b>	<b>102,293</b>	<b>43,376</b>



Cash flow from operating activities was \$16.3 million, compared to \$3.5 million in Q2.



Investing activities for the quarter includes instalments paid in the newbuilding program of \$8.1 million.



Cash dividend payment of \$1.5 million in September.

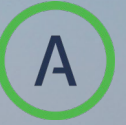


Cash flows from financing activities were negative \$13.8 million, reflecting scheduled repayments of debt, paid dividend for Q2-2021.



Cash position at quarter-end was \$102.3 million and available liquidity at the date of this report is approx. \$105.0 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

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## Investor Relations



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

## Stock Exchange



ticker: AGAS