



Avance Gas

Fourth Quarter Results 2022

February 28, 2023

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.

Q4-22 HIGHLIGHTS



RESULTS

Q4-22 TCE (load-to-discharge) of \$46,500/day, in line with guidance of \$45-50,000/day.
Q4-22 TCE (discharge-to-discharge) of \$55,800/day, slightly ahead of guidance \$50-55,000/day
Q4-22 Net profit of \$34.7 million (EPS of \$0.45) and \$89.0 million (EPS of \$1.16) for FY 2022

RECENT EVENTS

Successfully took delivery of our third dual fuel VLGC, Avance Rigel, from DSME on February 9, 2023
Sold the 2009-built Promise in Nov '22 with a book gain of \$7.9 million with cash release of \$20m
During Q4 we covered one ship on FFA ~\$47,500/day for calendar year 2023 by hedging freight and fuel

GUIDANCE

We are now 98% booked for Q1-23 with a TCE of ~\$55,000/day on a discharge-to-discharge basis
TCE expectation for Q1-23 of ~\$58,000/day on load-to-discharge basis
Currently we are booking Q2-23 days and we are so far 61% booked at attractive numbers

DIVIDEND

Declaring a dividend of \$0.50 per share for Q4-22
Total declared dividend \$1.10 per share for fiscal year 2022
Attractive Dividend yield of ~16% ⁽¹⁾ based on last four quarterly dividends

(1) Annualized yield given share price of NOK 70.5 with USDNOK 10.4

HIGH EXPOSURE TO A STRONG MARKET



Vessel	Built	EGCS	LPG	NH3	2022				2023				2024			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Iris Glory	2008				Fixed TC								Spot/open			
Venus Glory	2008				Fixed TC								Spot/open			
Breeze	2015	v			Spot/open				Spot/open				Spot/open			
Chinook	2015				Variable TC				Spot/open				Spot/open			
Levant	2015	v			Spot/open				Spot/open				Spot/open			
Mistral	2015	v			Spot/open				Spot/open				Spot/open			
Monsoon	2015	v			Spot/open				Spot/open				Spot/open			
Pampero	2015				Spot/open				Fixed TC				Spot/open			
Passat	2015	v			Spot/open				Spot/open				Spot/open			
Sirocco	2015	v			Spot/open				Spot/open				Spot/open			
Polaris	2022		v		Variable TC								Spot/open			
Capella	2022		v		Variable TC								Spot/open			
Rigel	2023		v	v*	Yard				Spot/open				Spot/open			
Avior	2023		v	v*	Yard				Spot/open				Spot/open			
Castor	2024		v	v	Yard				Yard				Spot/open			
Pollux	2024		v	v	Yard				Yard				Spot/open			

Docking Feb '23
Docking May '23

FFA coverage	133%	100%	100%	100%
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Type of employment	Fixed TC	Variable TC	Spot/open	Yard
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* Can burn NH3 (ammonia) subject main engine modification, but not carry NH3

WE ARE COMMITTED TO MAXIMIZING SHAREHOLDER VALUE



	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	FY22
Earnings per share	\$0.10	\$0.32	\$0.24	\$0.15	\$0.45	\$1.16
Dividends per share	\$0.05	\$0.20	\$0.20	\$0.20	\$0.50	\$1.10

Decision Factors

Earnings and cash flow	✓	✓	✓	✓	✓
Market outlook	✓	✓	✓	✓	✓
Backlog and visibility	✓	✓	✓	✓	✓
Liquidity position	✓	✓	✓	✓	✓
Covenant compliance	✓	✓	✓	✓	✓
Debt maturities	✓	✓	✓	✓	✓
Capex liabilities	✓	✓	✓	✓	✓
Other considerations	✓	✓	✓	✓	✓

TCE improved to \$46,500 on l2d basis and \$55,800 d2d basis in Q4-22

We are able to replicate TCE (d2d) in Q1-23 and bookings in Q2-23 are so far good

Three ships on fixed hire rate, three on variable hire and ~1 ship on FFA

Cash position of \$224m at end of year 2022 provides robust cushion

We are passing all debt covenants with flying green colors

First scheduled maturities in 2027

All remaining newbuildings are fully financed with \$6m positive cash effect

Things happen, especially in shipping, but we are fully prepared

HIGHLIGHTS FROM THE INCOME STATEMENT



Key financial highlights				
Income Statement (in million \$)	Q4 2022	Q3 2022	FY 2022	FY 2021
TCE earnings	53	39	183	143
Operating Profit before depreciation	41	28	136	94
Net profit	35	12	89	32
Earnings per share (diluted) (\$)	0.45	0.15	1.16	0.44
Per day figures (in \$)	Q4 2022	Q3 2022	FY 2022	FY 2021
TCE (Discharge to discharge)	55,813	32,939	40,000	30,684
TCE (Load to discharge)	46,478	32,954	38,236	31,302
Operating expense ('OPEX')	8,738	8,230	8,403	8,871

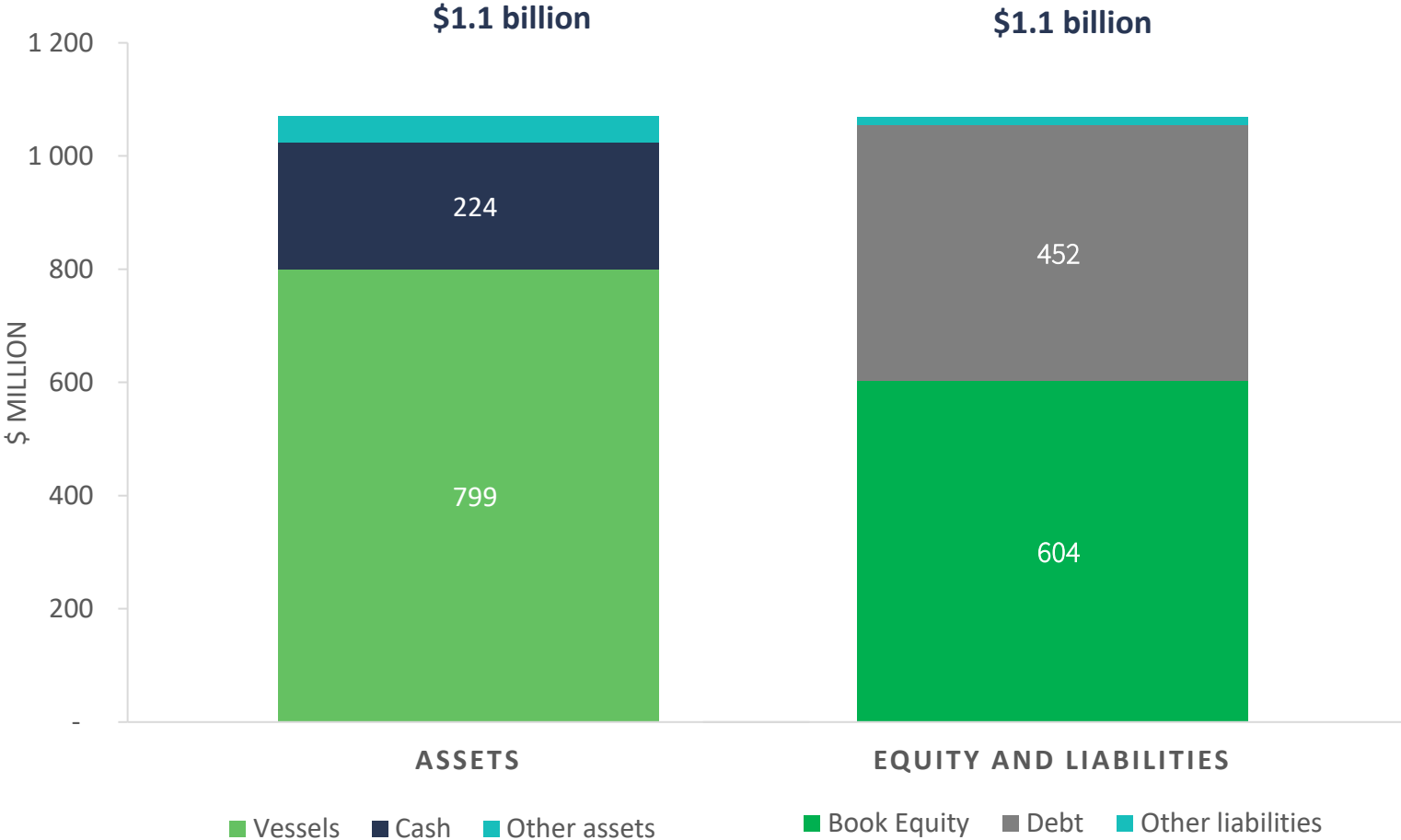
Comments

- TCE of \$46,500/day for Q4 – within guidance of \$45-\$50,000/day
- Net profit of \$34.7 million and \$89.0 million for the three and twelve months - strongest YTD results since 2015
- Sold three older ships during the year resulting in a total gain of \$18.6 million
- Total gain on interest rate hedges - \$26.5 million in 2022 recognised below net profit and through other comprehensive income (OCI), the profit will be recognized in P&L until 2028
- Attractive dividend yield of 16% for the fiscal year 2022

STRONG BALANCE SHEET



Balance sheet end December 2022 (in US\$ million)



Comments

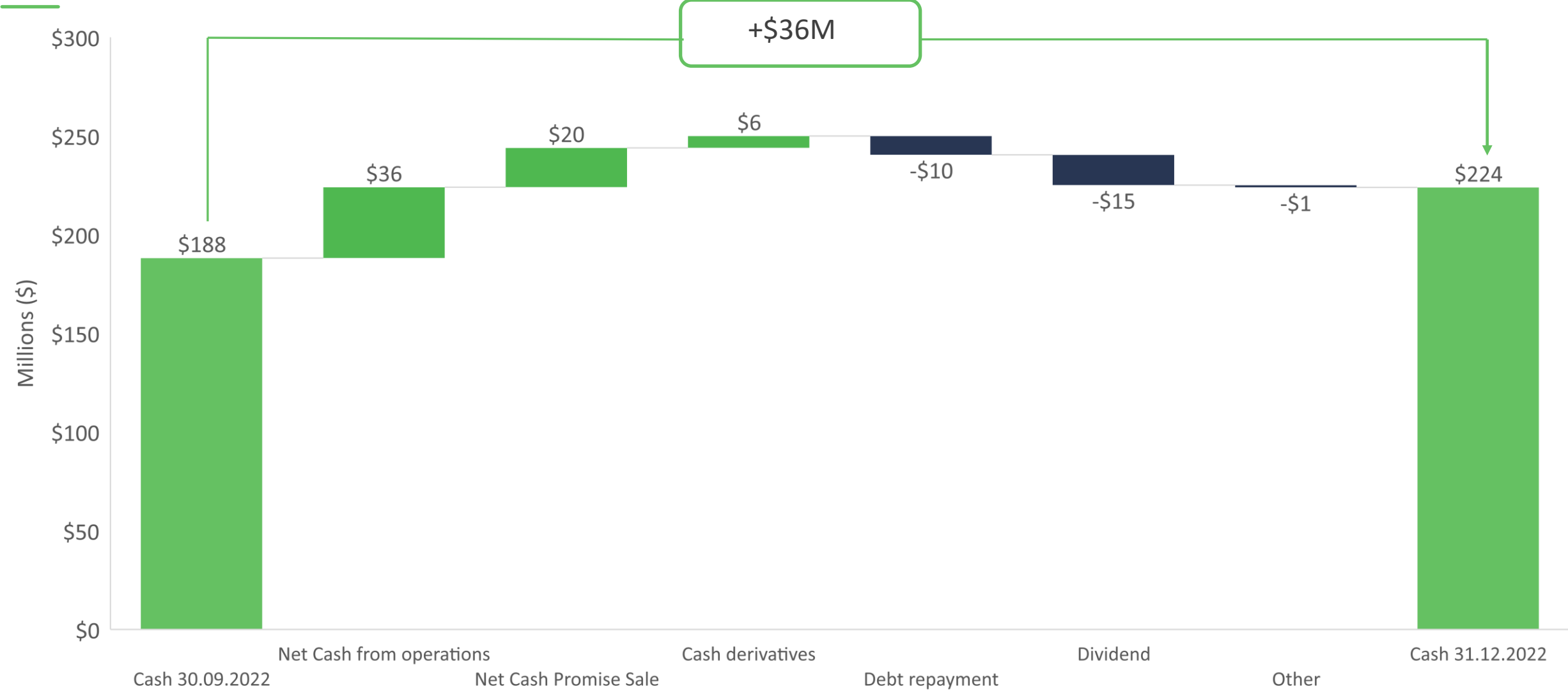
Our assets consist of:

- 12 existing VLGCs on the water (we took delivery of Avance Rigel in February 2023)
- Pre-delivery newbuilding capital expenditures for four dual fuel VLGCs of which two with delivery in 2023 and two ships set for delivery 2024
- Significant cash balance of \$224m

Solid equity ratio of 56%

Price/book ratio ~0.75x despite three recent sales at well above book values

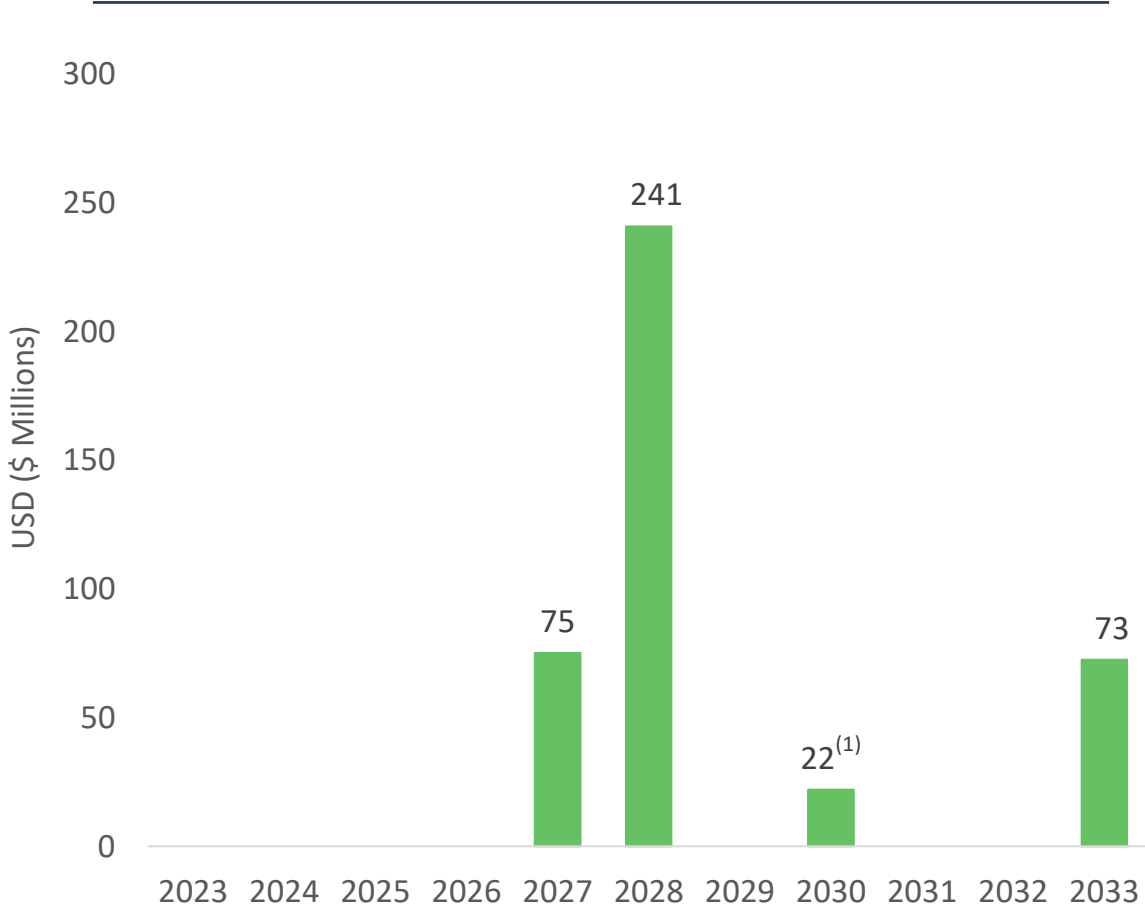
ALL TIME HIGH CASH POSITION



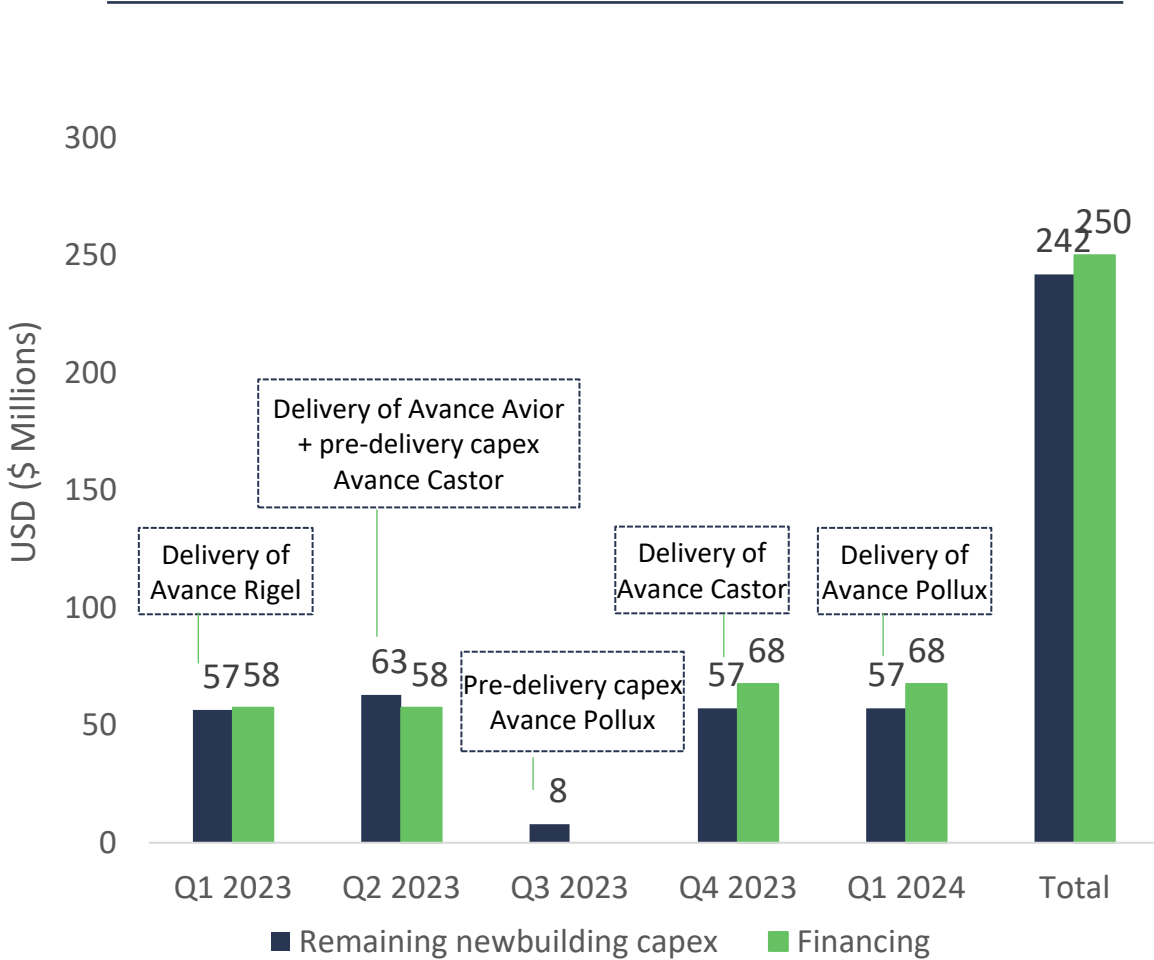
STAGGERED DEBT & NO UNFUNDED NEWBUILDING CAPEX



Debt maturities (balloon payments)



Remaining newbuilding capex - fully financed

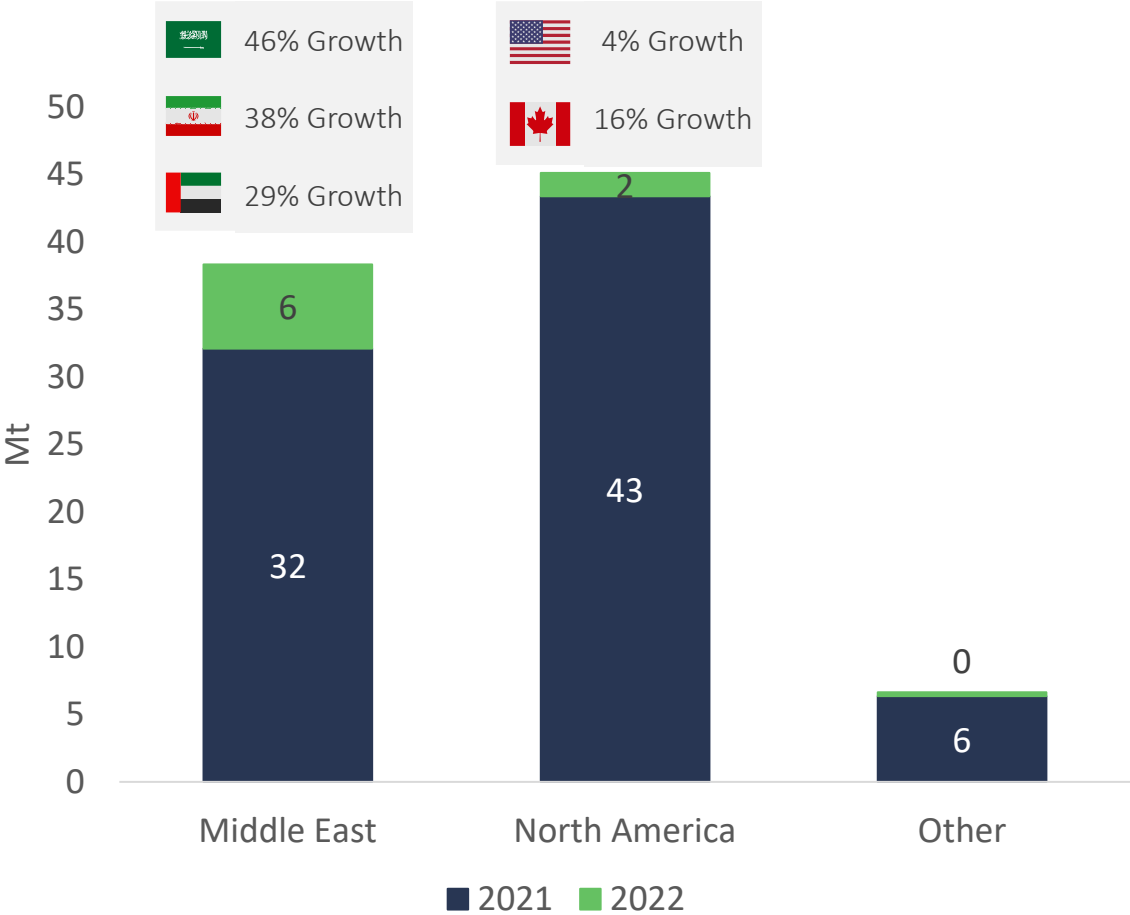


(1) Lessor has a one-time put option to terminate the SLB in 2025 providing one years' notice

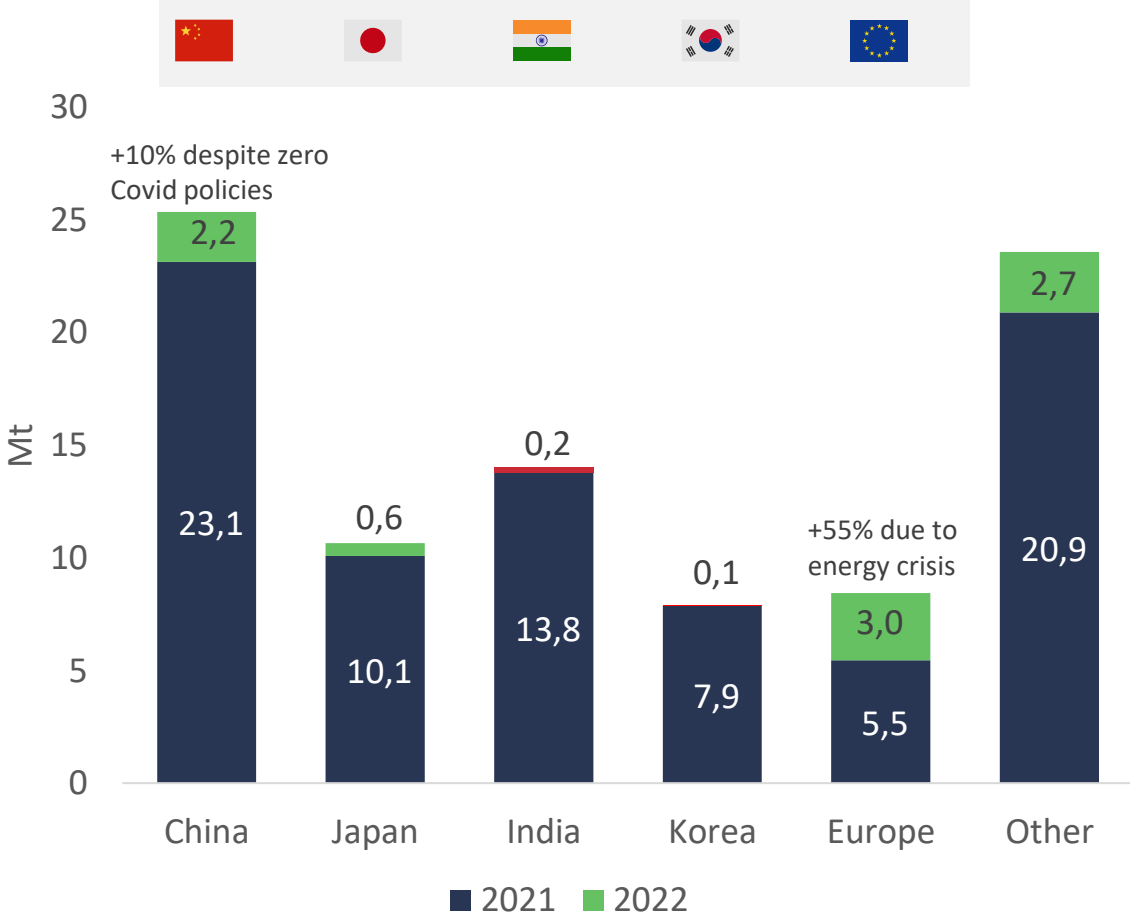
VLGC TRADE GREW 10% IN 2022



LPG exported on VLGCs, 2022 versus 2021

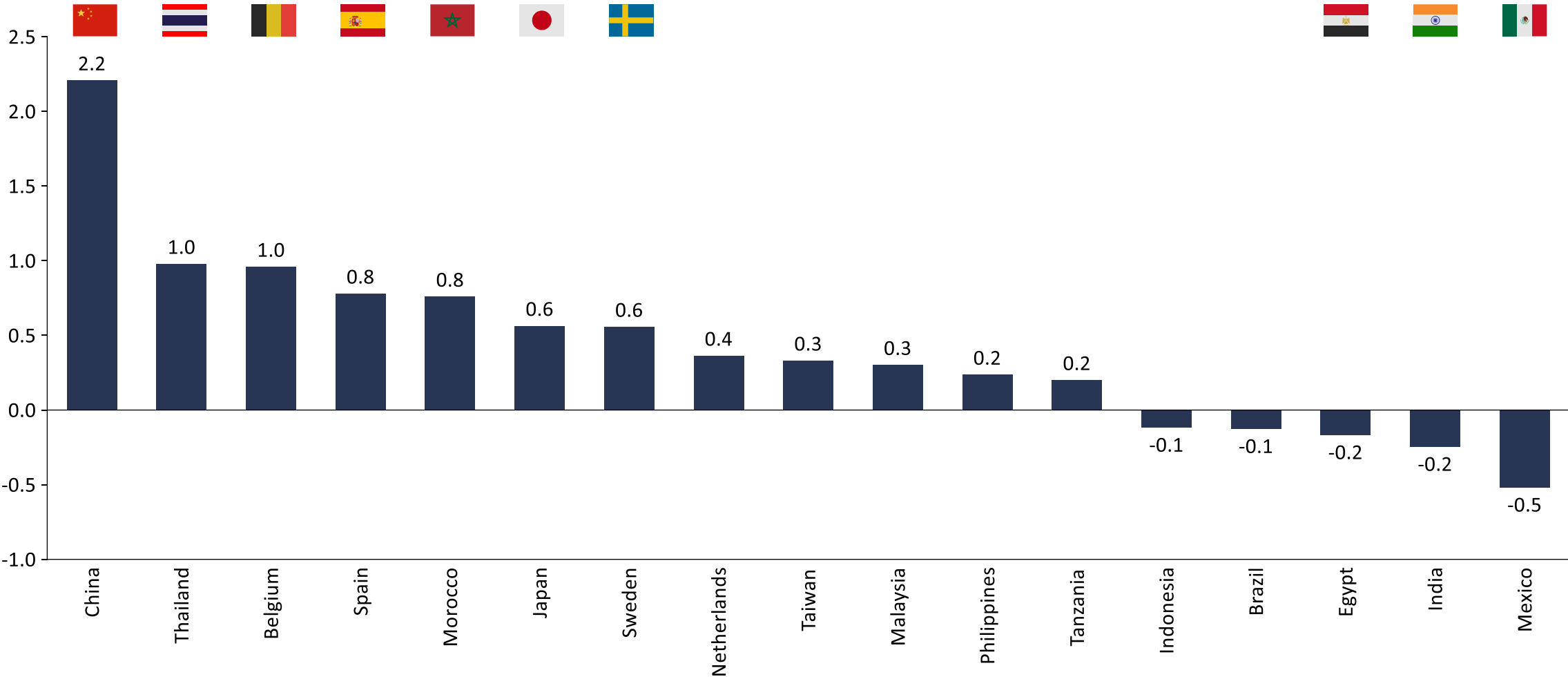


LPG imported on VLGCs, 2022 versus 2021



Source: Kpler

KEY CHANGES IN IMPORTS DURING 2022

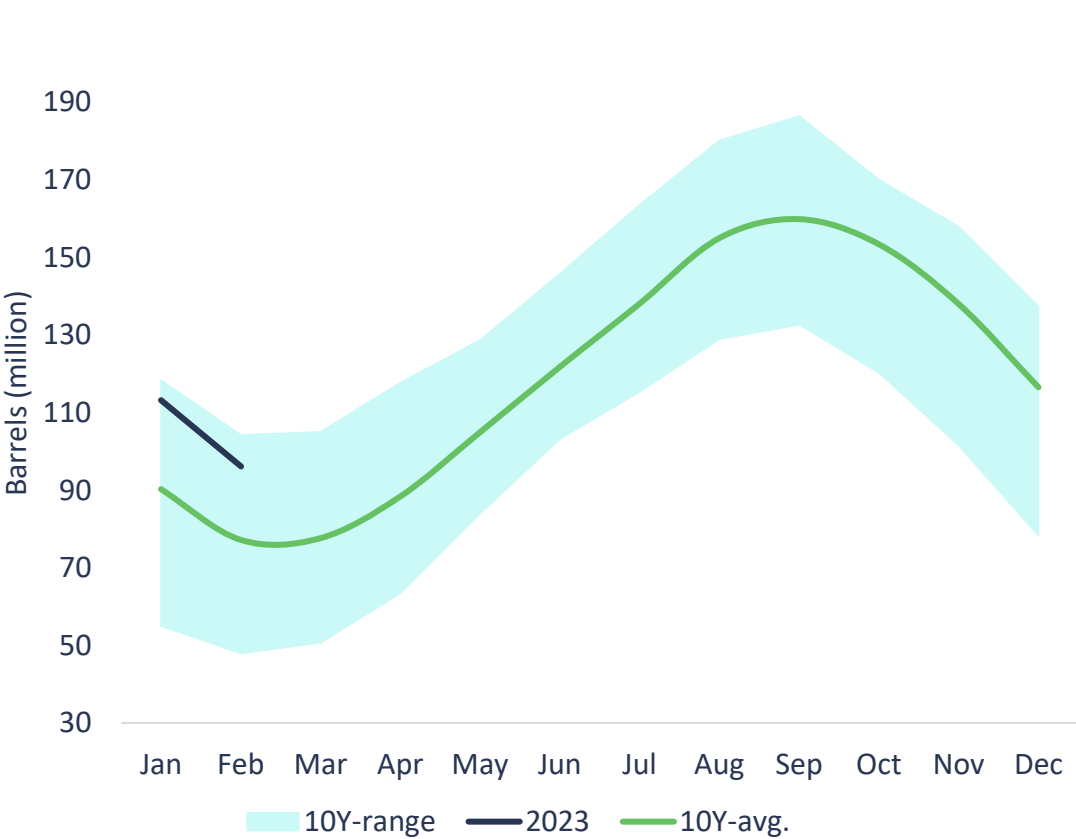


Source: Kpler

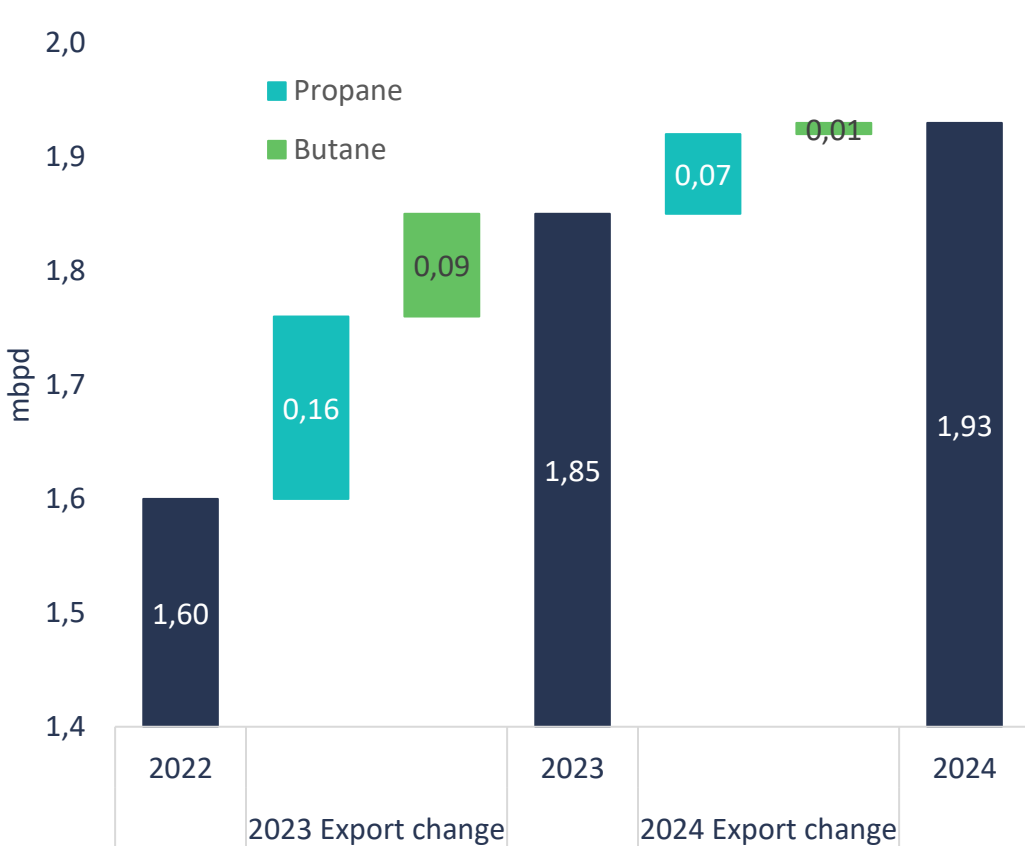
US POSITIONED TO BOOST EXPORTS IN 2023



US inventories trending 25% above the 10-year average



EIA forecasts 16% export growth in 2023 and 4% in 2024

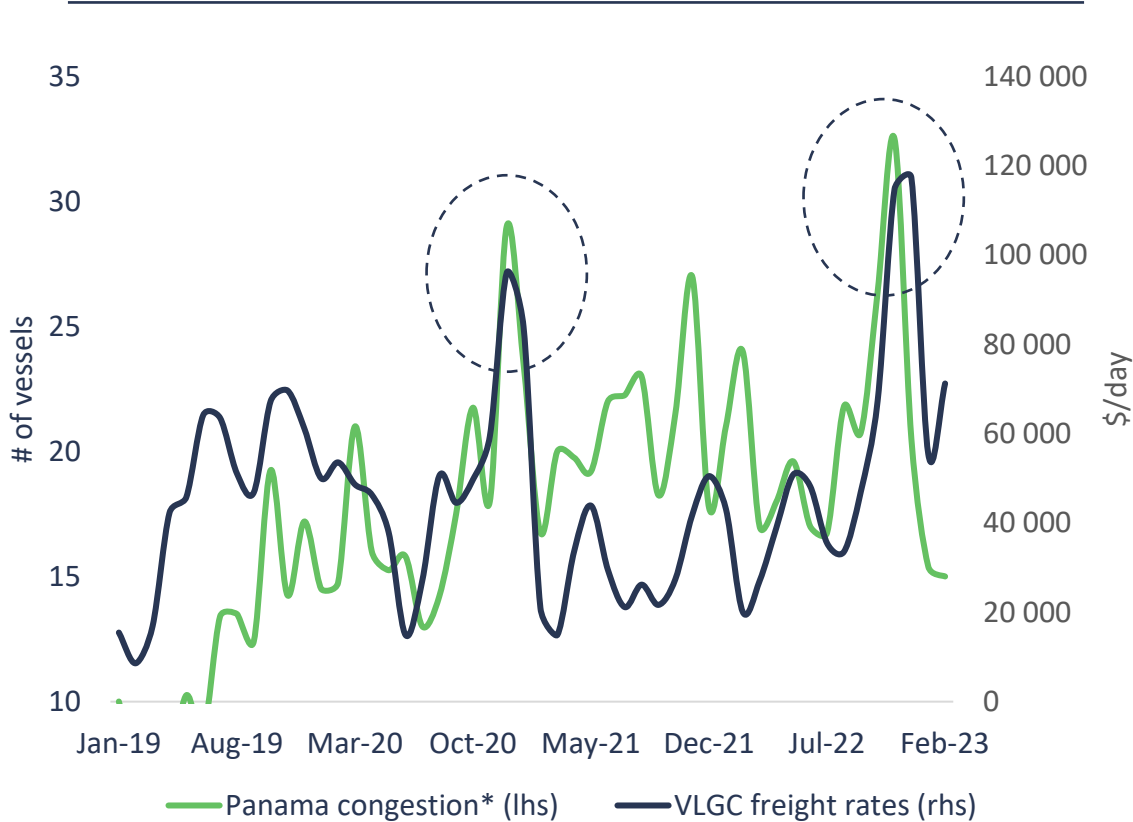


Source: EIA

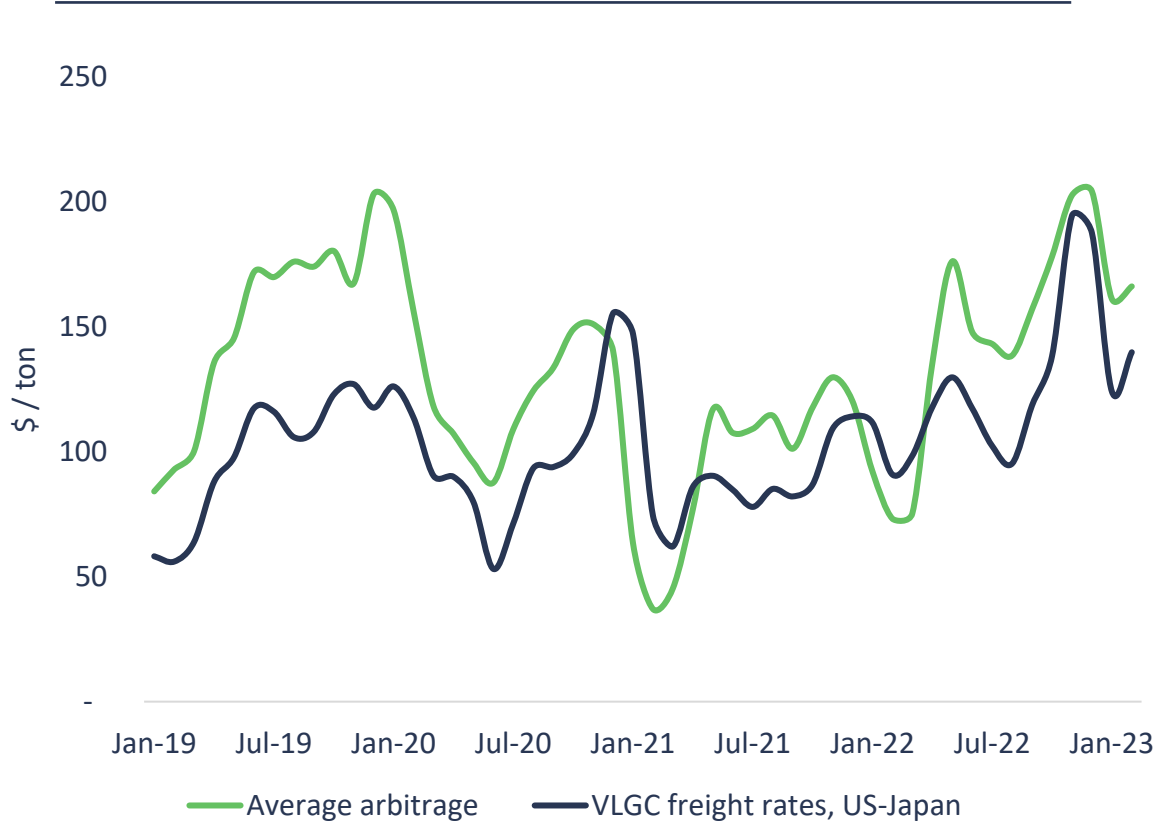
PANAMA AND ARBITRAGE SUPPORT FREIGHT



Panama Canal congestion versus VLGC freight rates

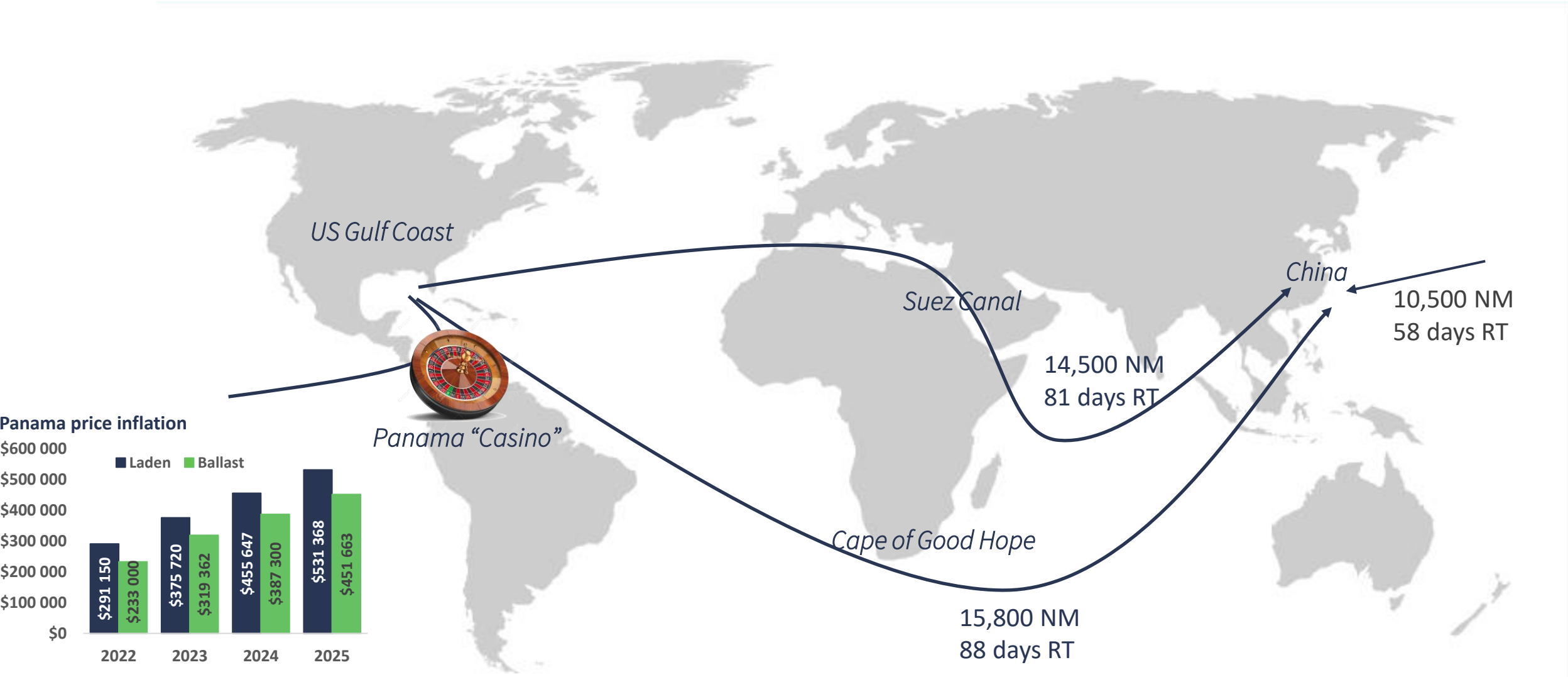


Arbitrage versus VLGC freight rates from US-Japan



Source: Kpler
Panama Canal congestion measured as count of vessels waiting more than three days average for the month

PANAMA SCHEDULING RISK DRIVES TON/MILE

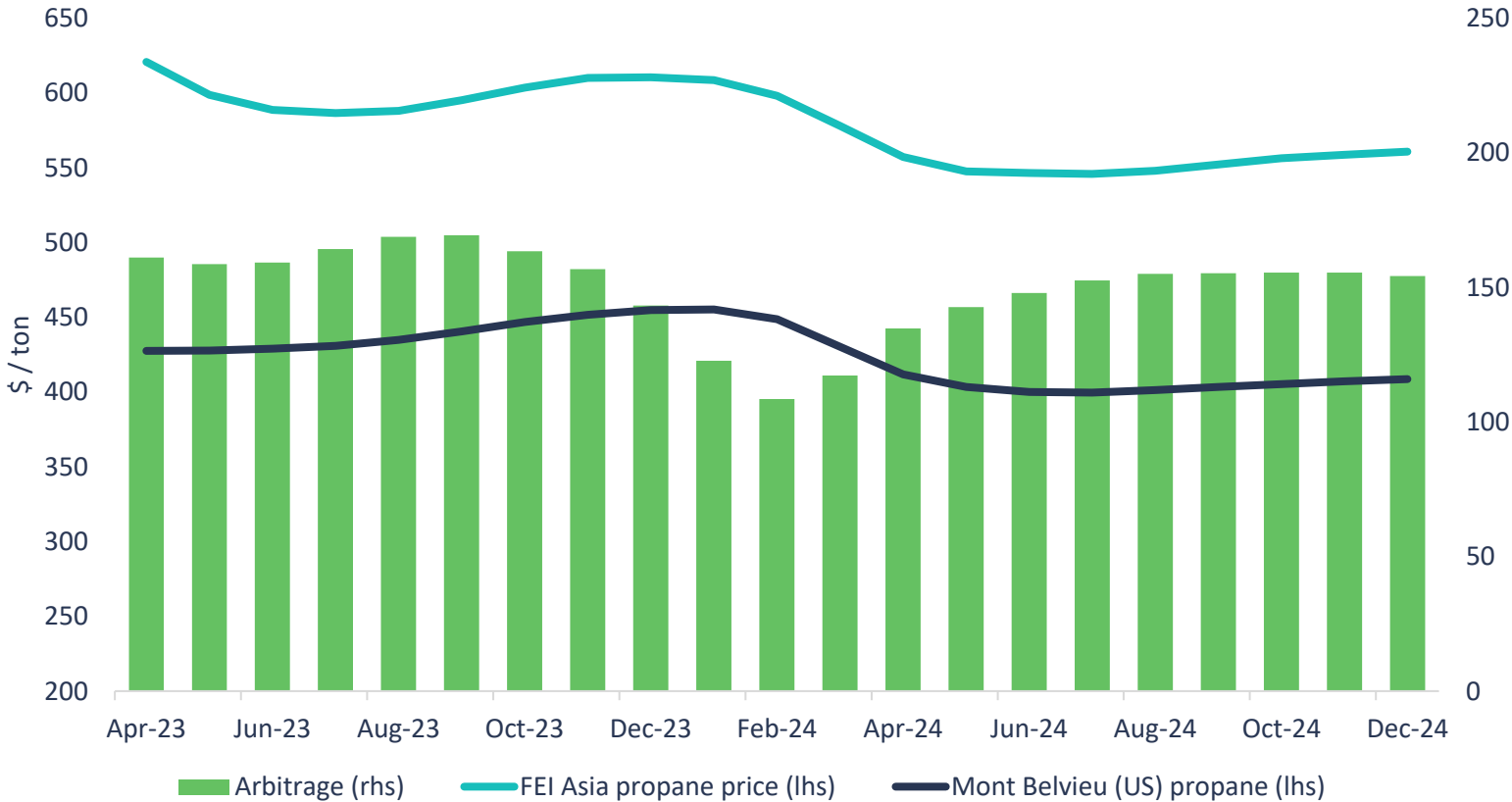


Source: Kpler
Round-Trip days calculated without waiting time

STRONG ARBITRAGE SUPPORTING FREIGHT MARKET



Forward prices for propane support arbitrage for 2023-24



TCE potential

Scrubber-vessels:
 2023: ~\$74,000/day
 2024: ~\$62,000/day

Non-scrubber:
 2023: ~\$67,000/day
 2024: ~\$56,000/day

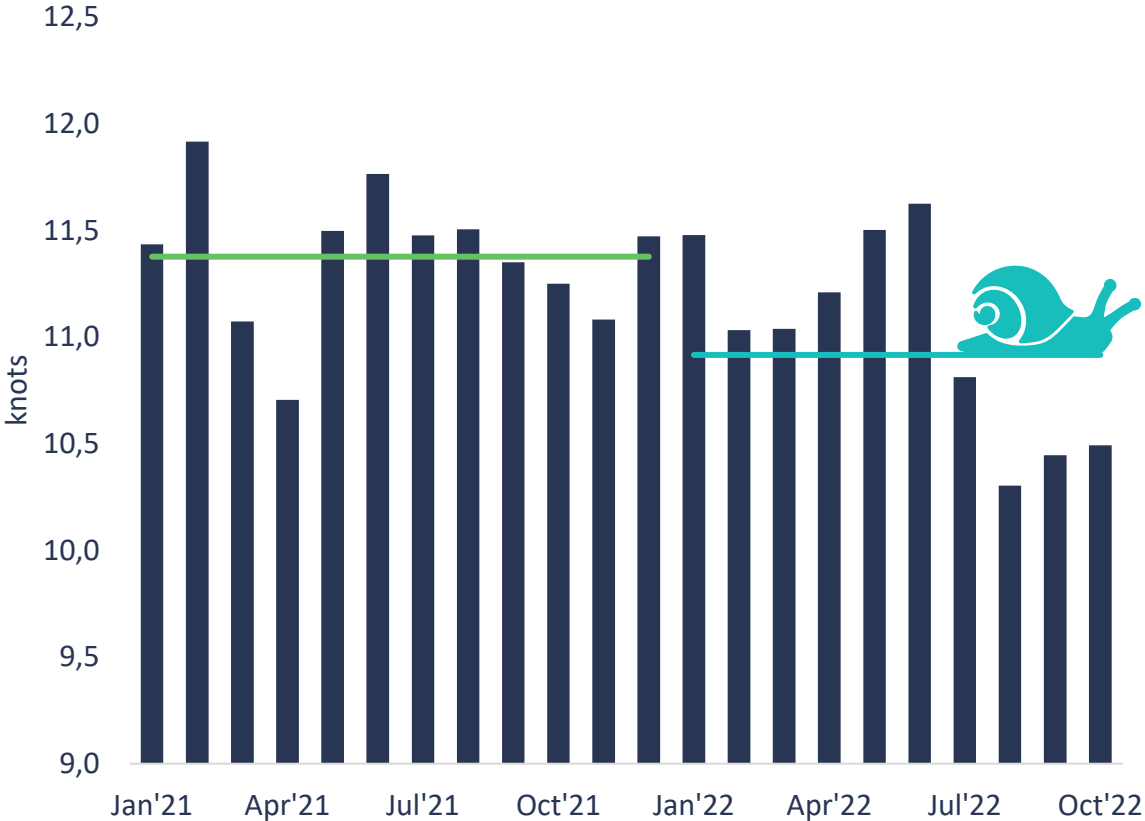
Assuming full arbitrage is captured by the shipowner which will depend on supply/demand of ship vs cargoes

Source: CME (Asian price assumed 2 months forward)
 VLSFO at \$550/ton for 2023 and \$520/ton for 2024 and HSFO at \$390/ton for 2023/24

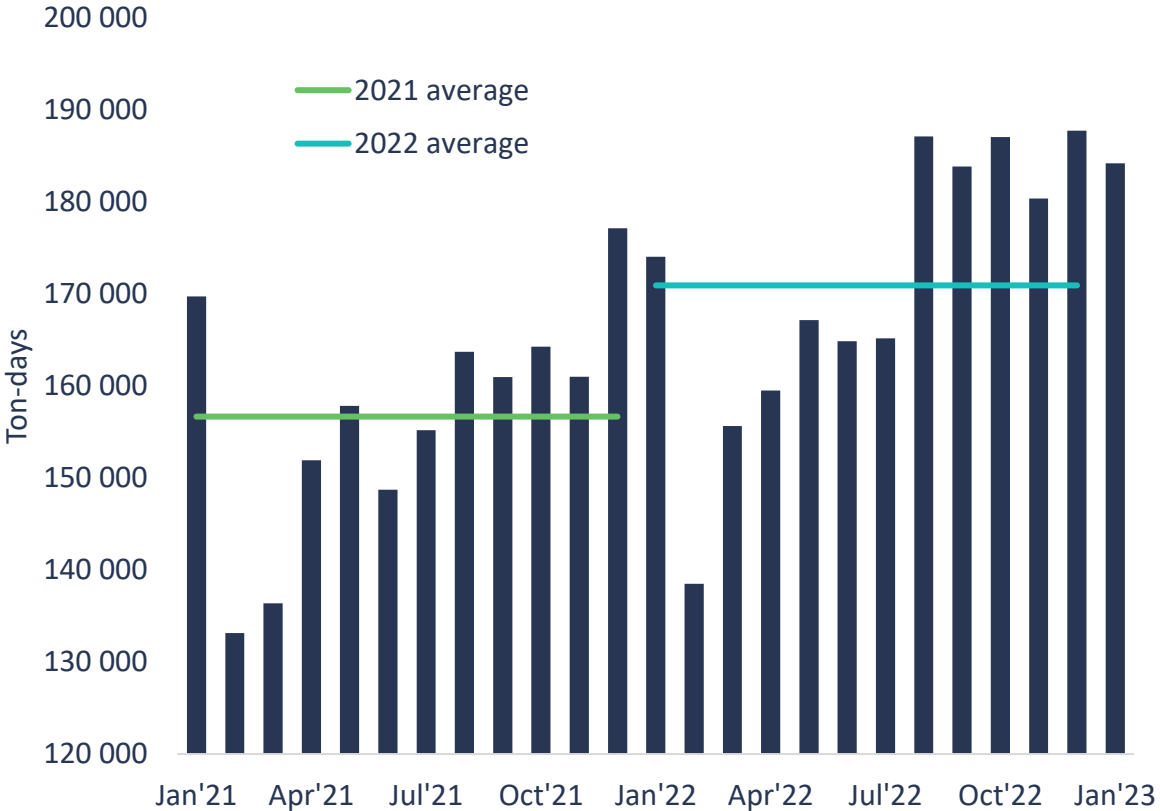
SLOW SPEED IS HERE TO STAY WITH CII IMPLEMENTED 2023



Average speed of the fleet was 4% lower in 2022 vs 2021



This led to ton-days being 9% higher in 2022 vs 2021

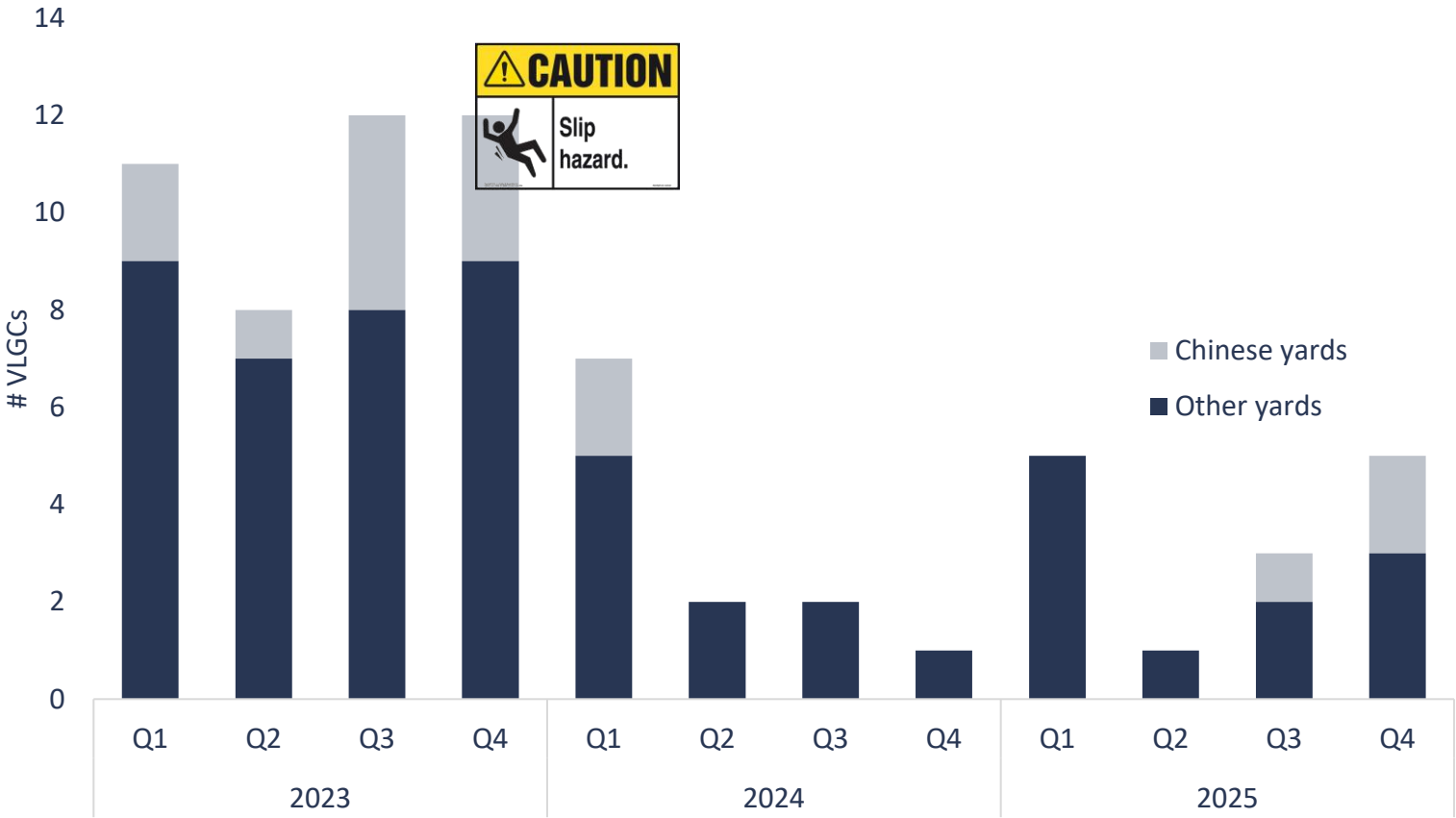


Source: Kpler

SLIPPAGE AND DRYDOCKING REDUCE FLEET AVAILABILITY

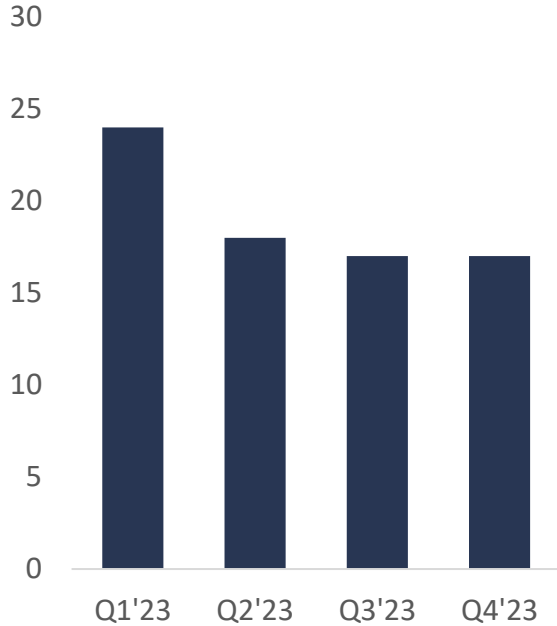


Orderbook for delivery next three years



Scheduled VLGC maintenance

76 VLGCs are scheduled for maintenance over the course of 2023, which will reduce available capacity



Source: Clarksons SIN and Energy Aspects



FIVE REASONS TO WORRY ABOUT VLGC STOCKS

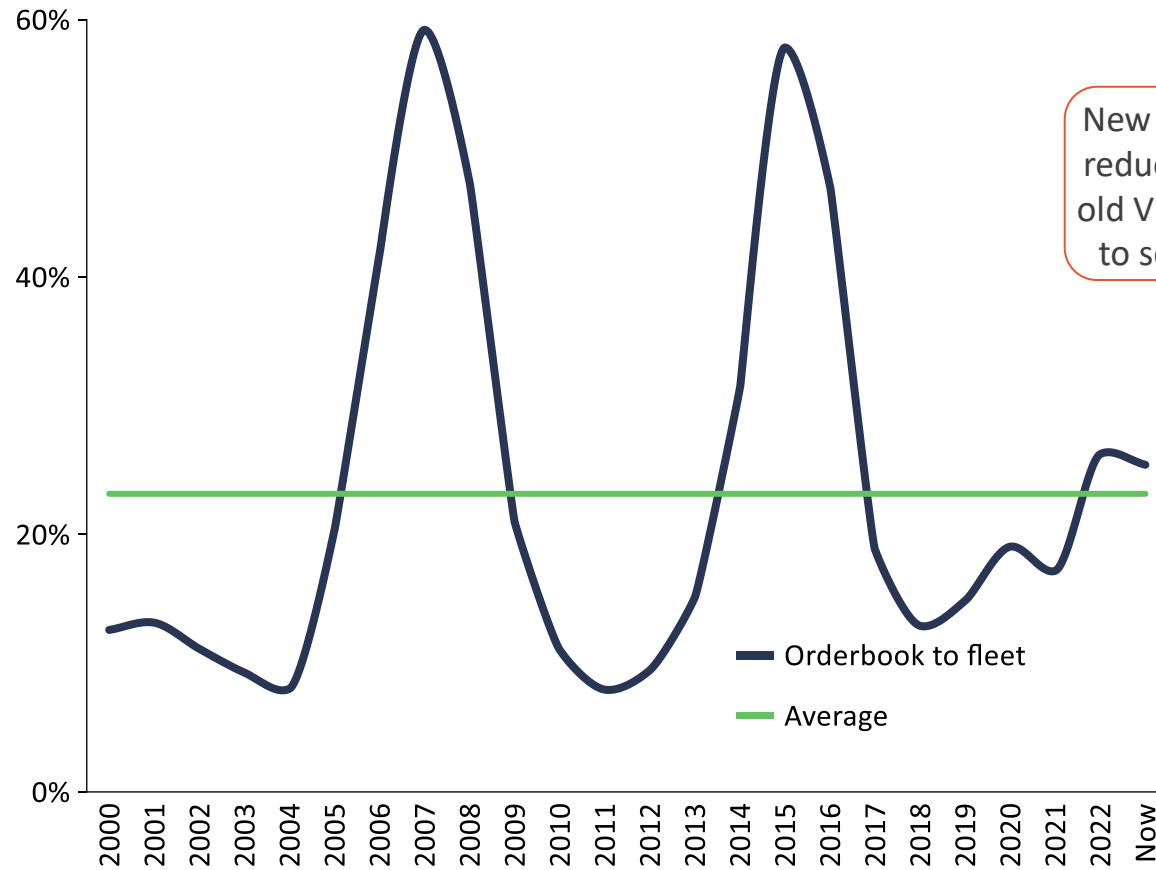


MYTHBUSTERS
SPECIAL VLGC EDITION

1. THE ORDER BOOK IS TOO BIG

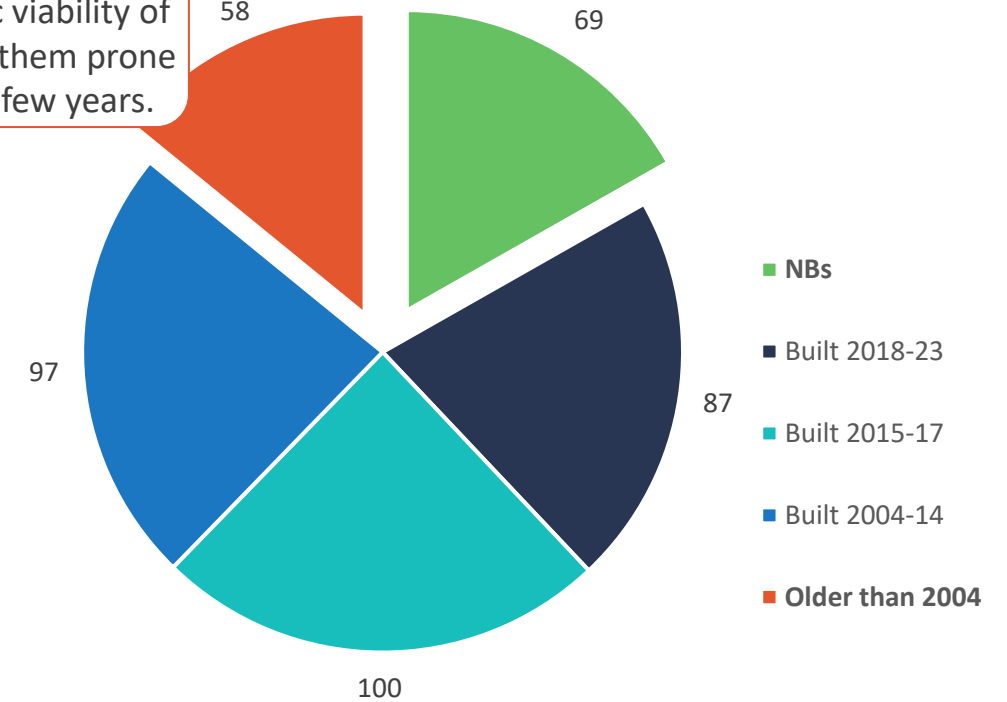


Orderbook is at 25%, just above the 23% average since 2000



VLGC fleet cut in five; NB outnumber scrap potential, but barely

New regulations (EEXI and CII) reducing economic viability of old VLGCs, making them prone to scrapping next few years.

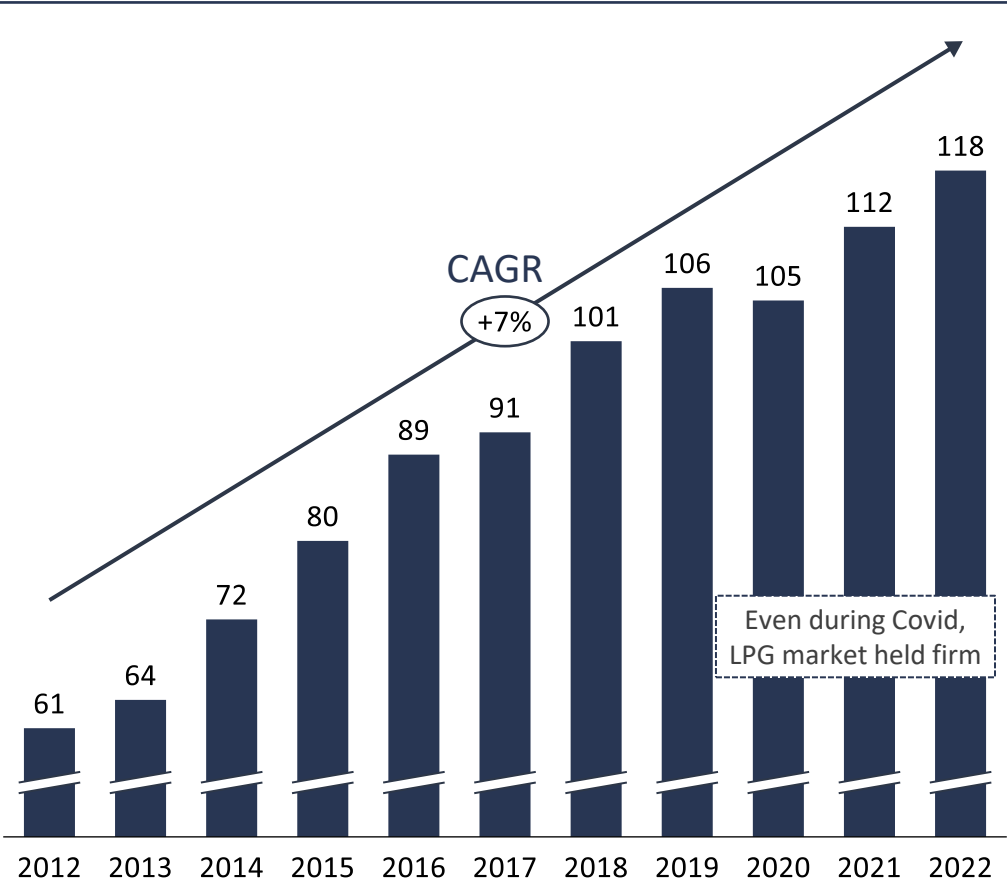


Source: Clarkson SIN

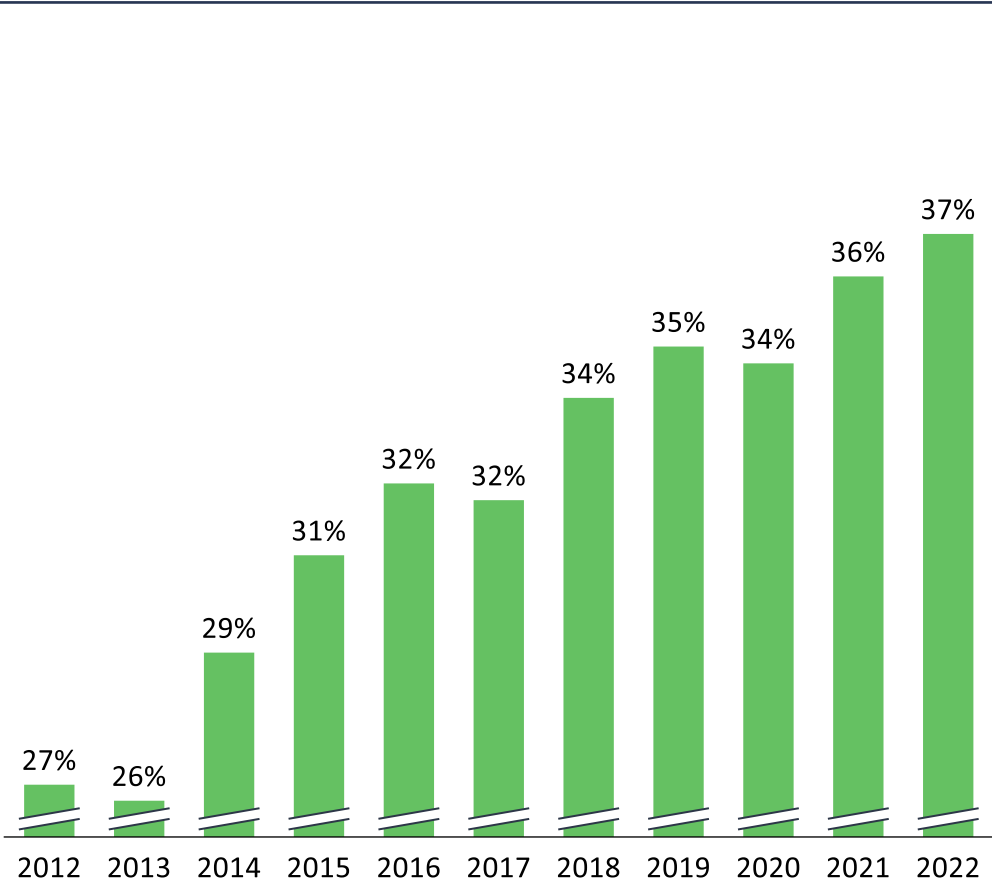
2. LPG IS A MATURE MARKET WITH LIMITED GROWTH



Seaborne trade in LPG



Seaborne trade, share of total LPG consumption



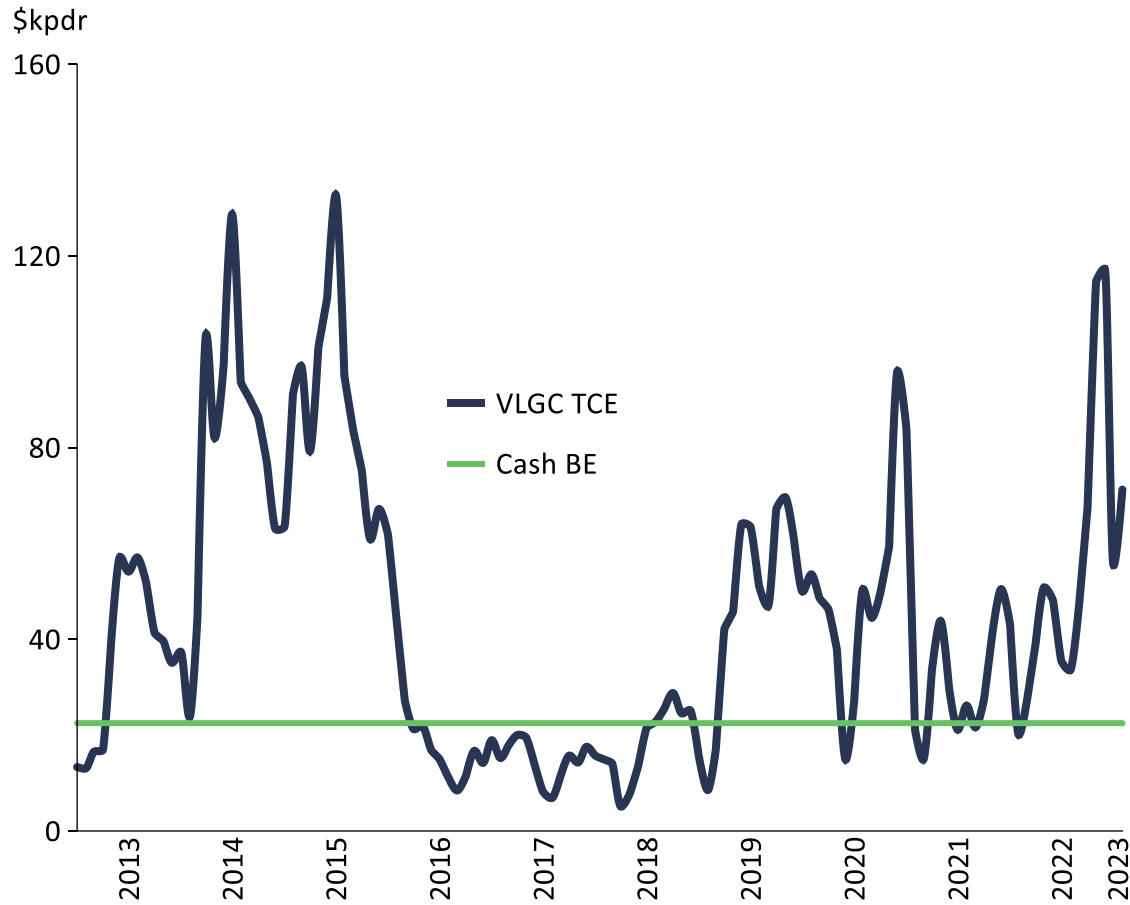
Source: Clarkson SIN, Kpler

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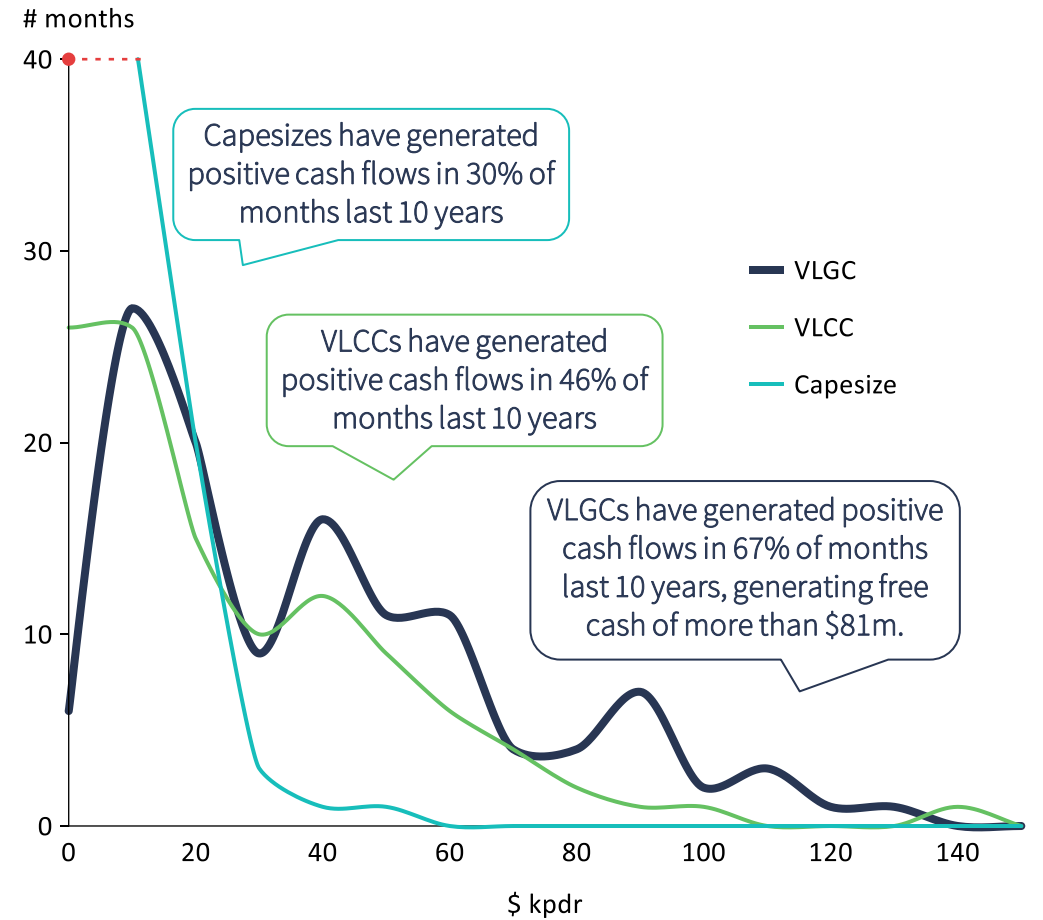
3. VLGC RATES ARE VERY VOLATILE



Volatile VLGC earnings, but profitable in 2/3 of months



Monthly TCE in \$/day, distributed from lowest to highest



Source: Clarkson SIN. Assumed CBEs: VLGC \$22.5kpd, VLCC \$25kpd, Cape \$15kpd

4. NAPHTHA CAN EASILY KILL ECONOMICS



Propane vs naphtha steam cracking

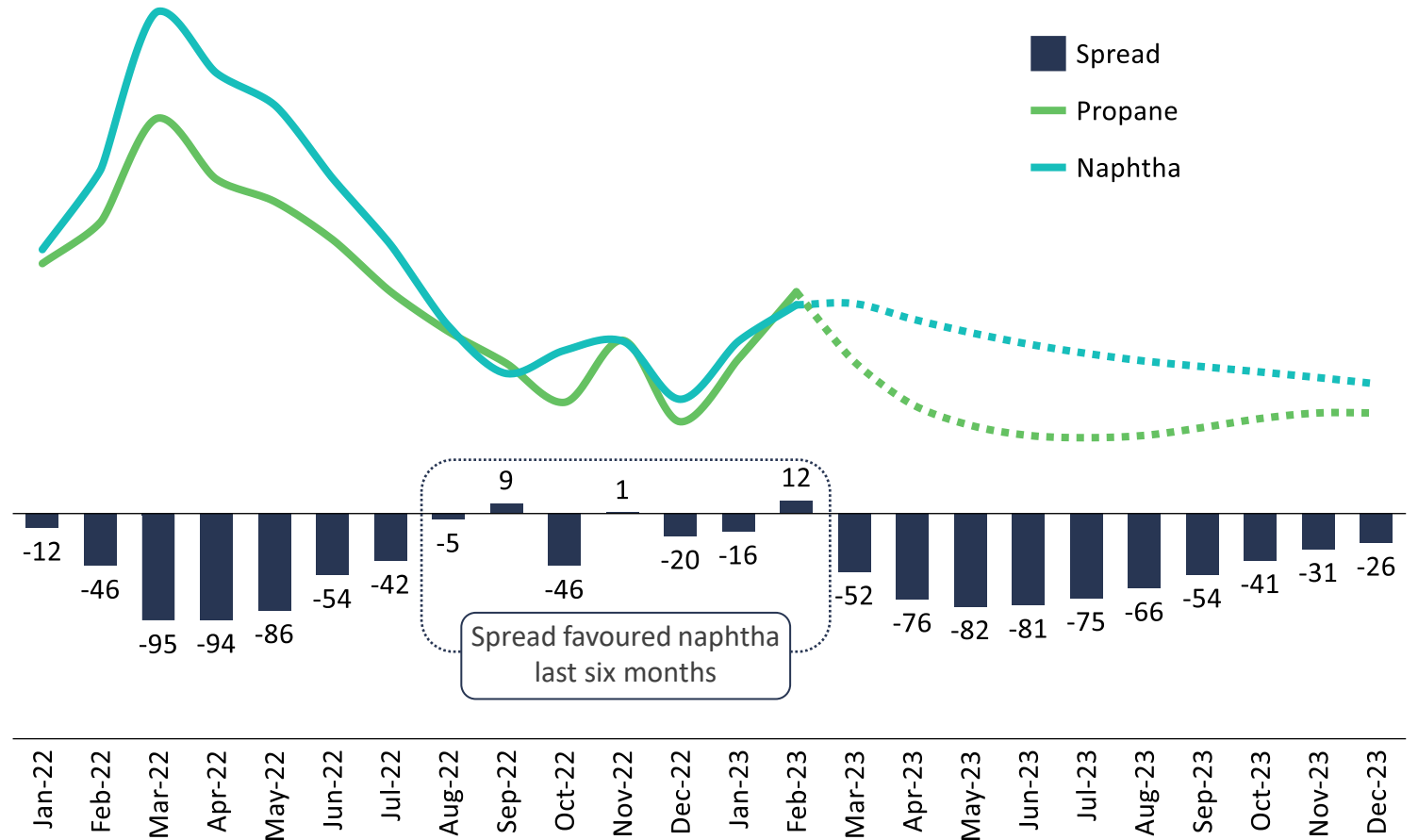
Costly propane could enable feedstock switching as operators of flexi-crackers — chemical production units that can switch between naphtha and propane as a feedstock — aim to maximize naphtha both in Europe and Asia.

- Bloomberg

The propane-naphtha discount considered viable for the switch could lately be as low as \$20-\$30/mt, traders said, in view of the trend in 2021 when LPG had been costlier than naphtha for at least nine months, keeping naphtha the major staple for Asian crackers.

- S&P

Spread between naphtha and propane with forward curves

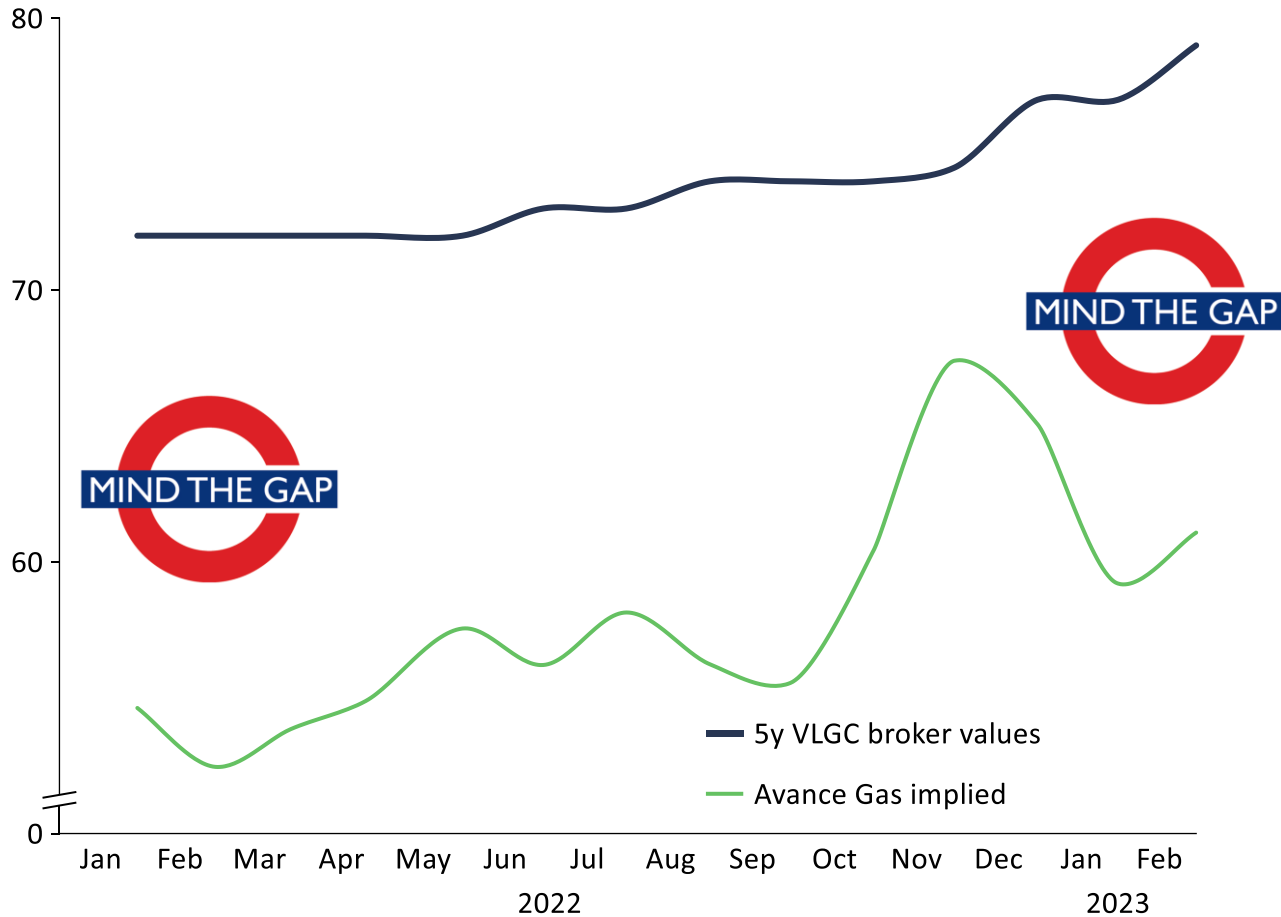


5. IT'S TOO LATE TO BUY THE STOCK



A

Avance implied value of 5-year VLGC versus broker values



Ships cheaper at the stock exchange than at yards or S&P market

2x 2008 VLGCs value each \$50m in line with recent re-sales with 2009 ships fetching \$50-60m

8x 2015 eco VLGCs each value \$70 in line with 5yr broker value of ~\$80m

6x DF VLGCs quoted at ~\$100m each

Fleet value: \$1,260m
 +Working capital and derivatives: \$31m
 - Remaining capex: \$242m
 - Net debt: \$228m
 = **Cost of buying/building company: \$821m**

Cost of building or buying Avance Gas: ~\$11 per share

Sources: Clarkson SIN, DNB Markets

MYTHBUSTERS
SPECIAL VLGC EDITION

Q4-22 HIGHLIGHTS



RESULTS

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Attractive Dividend yield of ~16% ⁽¹⁾ based on last four quarterly dividends

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Avance Gas

Thank you!

Q&A and
Appendix



APPENDIX – FINANCIALS Q4 2022



In \$ thousands (unless stated otherwise)	3m ended Q4-2022	3m ended Q3-2022	12m ended Q4-2022	12m ended Q4-2021
Income Statement				
Operating revenue	67 410	55 418	254 540	210 677
Voyage expenses	(13 914)	(16 302)	(71 504)	(67 689)
Operating expenses	(10 162)	(9 844)	(40 748)	(42 093)
Administrative and general expenses	(1 831)	(1 538)	(6 667)	(6 466)
Gross operating profit	41 503	27 734	135 621	94 429
Depreciation and amortisation expenses	(10 633)	(11 140)	(45 020)	(47 209)
Gain on disposal of asset	7 877	-	18 648	-
Operating profit	38 747	16 594	109 249	47 220
Non-operating (expenses) income:				
Net finance expense	(3 885)	(4 948)	(19 972)	(14 613)
Profit before income tax expense	34 862	11 646	89 277	32 607
Income tax expense	(151)	(42)	(285)	(498)
Net profit	34 711	11 604	88 992	32 109
Earnings per share:				
Basic	0.45	0.15	1.16	0.44
Diluted	0.45	0.15	1.16	0.44

COMMENTS

- TCE earnings of \$53.5 million, compared to \$39.1 million in the third quarter
- Operating expenses of \$10.2 million, compared to \$9.8 million in previous quarter
- Administrative and general expenses of \$1.8 million, compared to \$1.5 million in the previous quarter
- Depreciation of \$10.6 million, down from \$11.1 million in the previous quarter
- Non-operating expenses of \$3.9 million, down from \$4.9 million in Q3
- A reported net profit of \$34.7 million compared to a net profit of \$11.6 million in Q3 2022

APPENDIX – FINANCIALS Q4 2022



In \$ thousands (unless stated otherwise)	December 31, 2022	September 30, 2022
Balance sheet		
Cash and cash equivalents	224 243	188 222
Trade and other receivables	12 229	12 610
Inventory	4 975	6 403
Prepaid expenses and other current assets	15 101	8 719
Derivative financial instruments	5 988	3 031
Total current assets	262 536	218 985
Property, plant and equipment	715 866	768 190
Newbuildings	83 597	82 174
Derivative financial instruments	5 871	13 551
Total non-current assets	805 334	863 915
Total assets	1 067 870	1 082 900
Current portion of interest-bearing debt	37 278	39 666
Trade and other payables	4 556	4 474
Derivative financial instruments	-	565
Accrued voyage expenses and other current liabilities	7 866	4 833
Total current liabilities	49 700	49 538
Long-term debt	414 245	450 295
Total non-current liabilities	463 945	450 295
Share capital	77 427	77 427
Paid-in capital	431 366	431 366
Contributed capital	94 772	94 863
Retained loss	(5 620)	(25 013)
Treasury shares	(11 351)	(11 351)
Accumulated other comprehensive loss	17 331	15 775
Total shareholders' equity	603 925	583 067
Total liabilities and shareholders' equity	1 067 870	1 082 900

COMMENTS

- Total current assets of \$262.5 million, up from \$219.0 million in Q3. The increase is due to cash from operations and sale of Promise, offset by repayment of long-term debt and dividend payment.
- Total non-current assets of \$805.3 million, down from \$ 863.9 million in Q3 mainly due to sale of Promise
- Outstanding interest-bearing debt of \$451.5 million, down from \$490.0 million in Q3 due to scheduled debt repayments and repayment of Promise loan
- Shareholders' equity was \$603.9 million, corresponding to an equity ratio of 56.6%, up from 53.8% in Q3

APPENDIX – FINANCIALS Q4 2022



	3m ended Q4-2022	3m ended Q3-2022	12m ended Q4-2022	12m ended Q4-2021
Cash flow statement				
Cash flows from operating activities:				
Cash generated from operations	41 559	30 999	142 180	91 158
Net Interest paid	(5 680)	(5 073)	(19 057)	(17 603)
Net cash flows from operating activities	35 879	25 926	123 123	73 555
Cash flows used in investing activities:				
Net cash proceeds from sale of asset	49 398	-	141 525	-
Capital expenditures	(649)	(9 073)	(155 101)	(60 179)
Net cash flows used in investing activities	48 749	(9 073)	(13 576)	(60 179)
Cash flows used in financing activities:				
Payment of dividend	(15 320)	(15 317)	(49 787)	(23 078)
Proceeds from issue of share capital	-	-	-	64 414
Repayment of long-term debt	(39 130)	(10 247)	(364 840)	(67 778)
Proceeds from loans and borrowings, net of transaction costs	22	(1,210)	422 788	39 943
Settlement of share options	(516)	(163)	(933)	(959)
Cash settlement of derivatives	6 067	-	6 607	-
Net cash flows used in financing activities	(48 877)	(26 938)	13 295	12 542
Net increase (decrease) in cash and cash equivalents	35 751	(10 085)	122 842	25 918
Effect of exchange rate changes on cash	270	(302)	(509)	110
Cash and cash equivalents at beginning of period	188 222	198 609	101 910	75 882
Cash and cash equivalents at end of period	224 243	188 222	222 243	101 910

COMMENTS

- Cash flow from operating activities was \$35.9 million for the fourth quarter, compared to \$25.9 million in Q3
- Investing activities for the quarter includes sale of Promise and costs paid related to the newbuilding program
- Cash dividend payment of \$15.3 million in December 2022
- Cash flows used in financing activities were \$48.9 million for the fourth quarter, reflecting scheduled debt payments and payment of dividend. This was partly offset by cash from settlement of interest rate swaps of \$6.1 million
- Cash position at quarter end was \$224.2 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 11 40 00



www.avancegas.com

Investor Relations



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

Stock Exchange



ticker: AGAS