

Avance Gas

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# Q2 2019

22 August 2019



# Disclaimer

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.

# Company Representatives

Ulrik Andersen - CEO  
Peder Simonsen – CFO

# Agenda

- 1 Financials Q2 2019
- 2 Market update
- 3 Outlook

# 1 Financials Q2 2019

## Key financial highlights

In \$ thousands (unless stated otherwise)	Three months ended	Three months ended
	30-Jun-2019	31-Mar-2019
<b>Income statement:</b>		
TCE earnings	40,440	14,017
Operating expenses	(10,464)	(10,019)
A&G expenses	(1,554)	(1,143)
Depreciation and amortization expenses	(10,242)	(10,614)
Non-operating expenses	(8,345)	(7,425)
Net profit (loss)	9,835	(15,184)
Net profit (loss) per share (diluted) (\$)	0.15	(0.24)
<b>Balance sheet:</b>	30-Jun-2019	31-Mar-2019
Total assets	877,860	870,534
Total liabilities	528,758	525,147
Cash and cash equivalents	66,962	65,163
Total shareholders' equity	349,102	345,187
<b>Cash flows:</b>	30-Jun-2019	31-Mar-2019
Net cash from (used in) operating activities	460	(1,448)
Net cash from (used in) investing activities	5	(53)
Net cash from financing activities	1,235	19,494
Net increase in cash and cash equivalents	1,799	17,874

Key performance indicators (\$/day):*	30-Jun-2019	31-Mar-2019
TCE	32,275	11,133
TCE (discharge to discharge)	34,520	10,619
OPEX	8,214	7,952
A&G	1,220	907

\* TCE calculated basis operating days. OPEX and A&G calculated basis calendar days. Operating days is calendar days less offhire/drydock days. Waiting days are included in operating days.

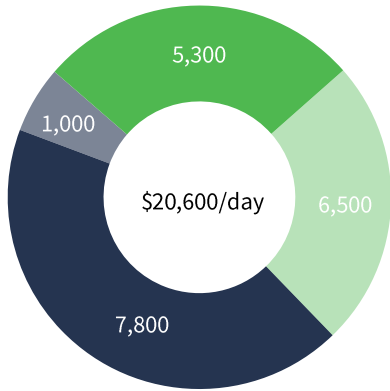
- Completed full refinancing of outstanding debt
- In the process of ordering three additional exhaust cleaning systems
- 1-year TC at \$1.2m per month
- Mr. Ulrik Andersen new CEO
- 80% of total Q3 2019 ship days fixed at approx. \$45,000/day.
- Representing approx. \$115 million p.a. in free cash flow
- Today's liquidity approx. \$91 million



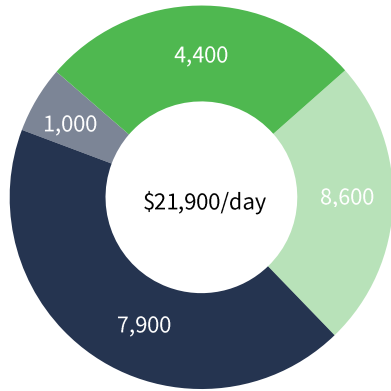
# Financials Q2 2019

## Significant cash generation in a strong freight market

Est cash break even (\$/day) FY 2019



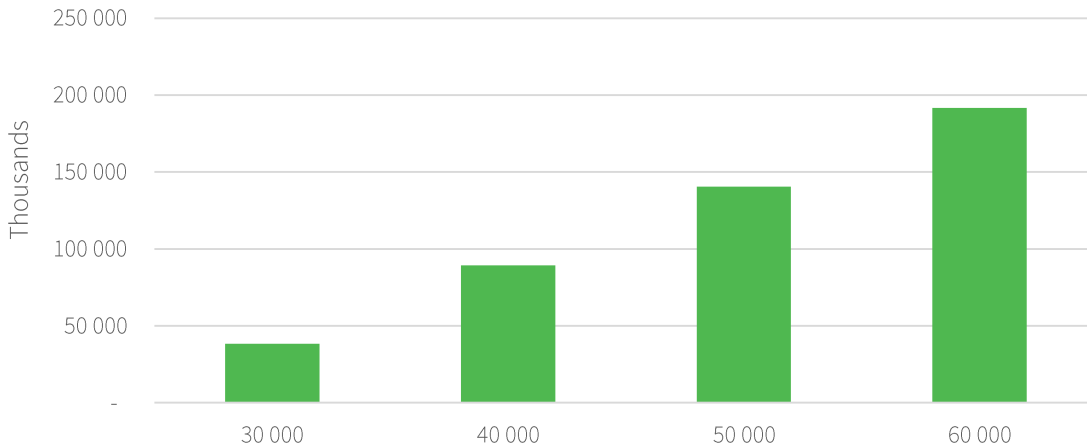
Est cash break even (\$/day) FY 2020



■ OPEX ■ A&G ■ Interest Paid ■ Installments

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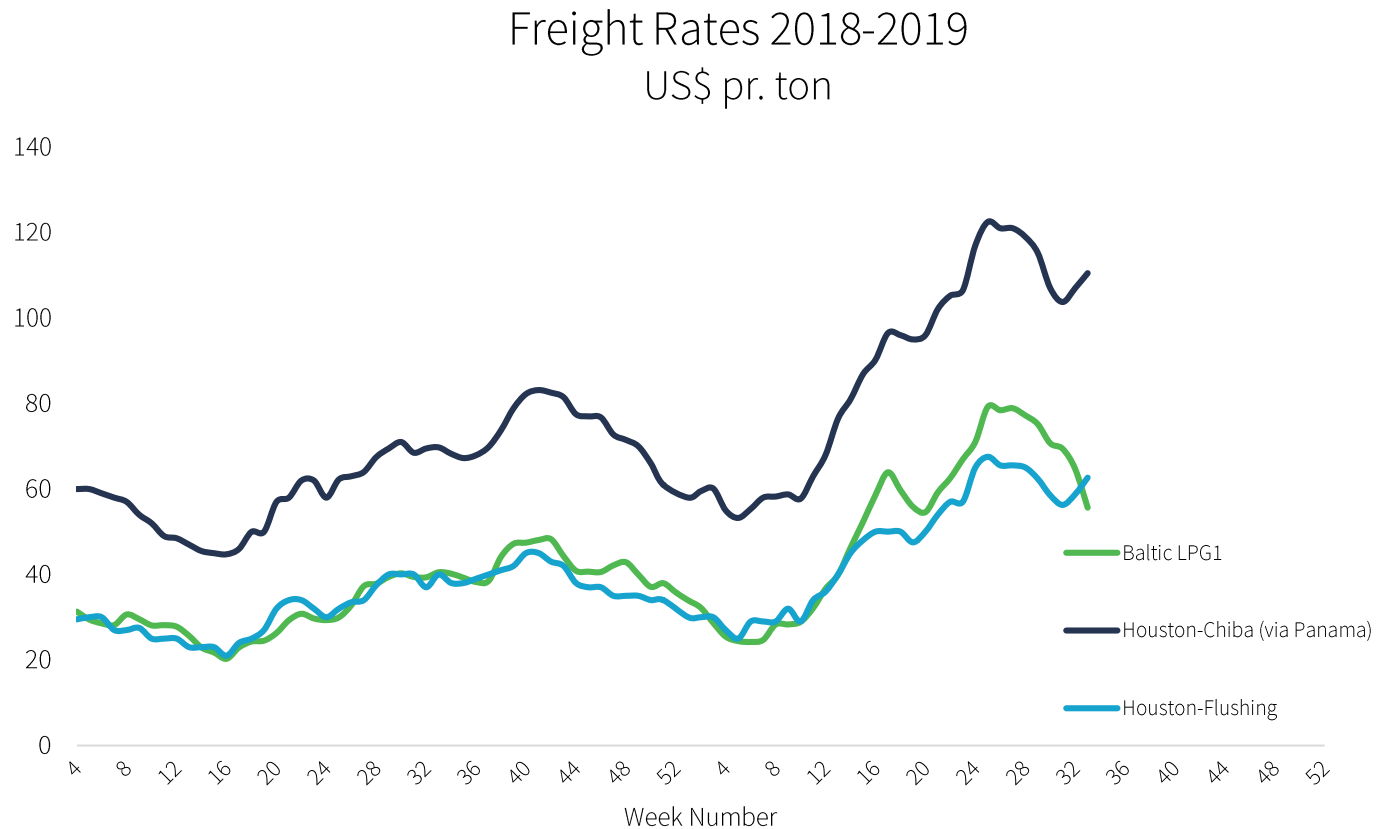
Free cash flow at TCE\$/day



- Calendar year 2019 estimate is approx. \$20,600/day
- 2020 estimate is approx. \$21,900/day excluding scrubber and docking
- Continued strong cost focus while securing high quality service
- Refinancing in place, with unchanged normalized CBE
- A \$10,000/day change in TCE represents \$51 million in free cash flow

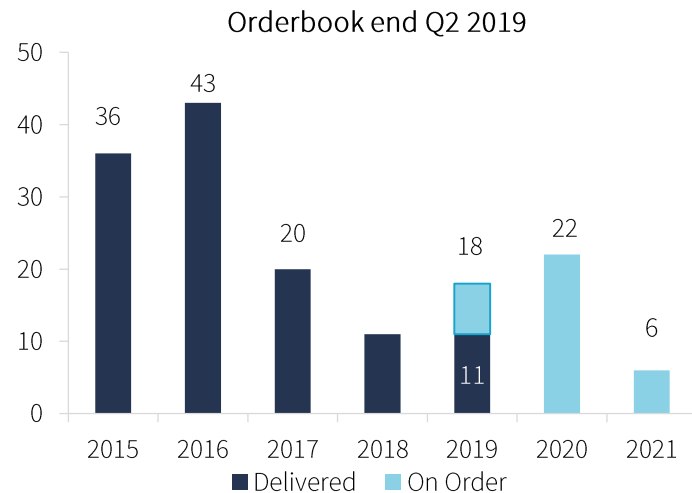
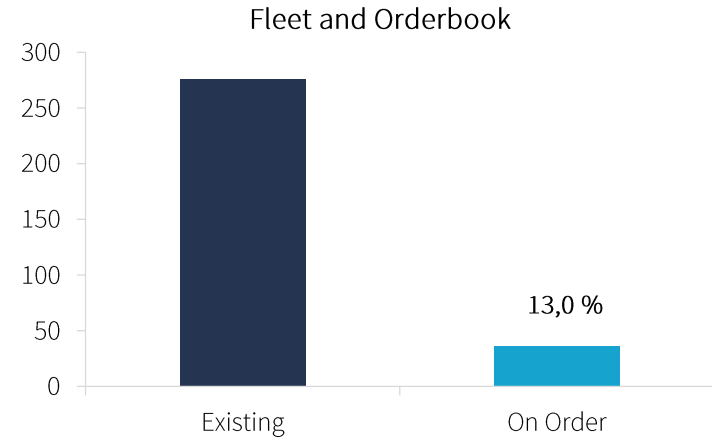
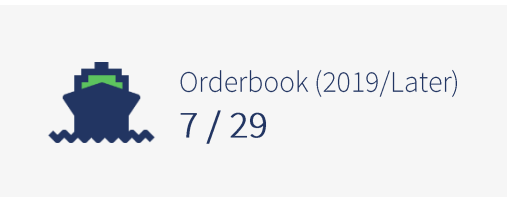
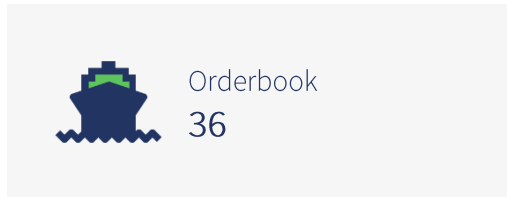
## 2 Market update

Q2 was strong, average blended increase 91%

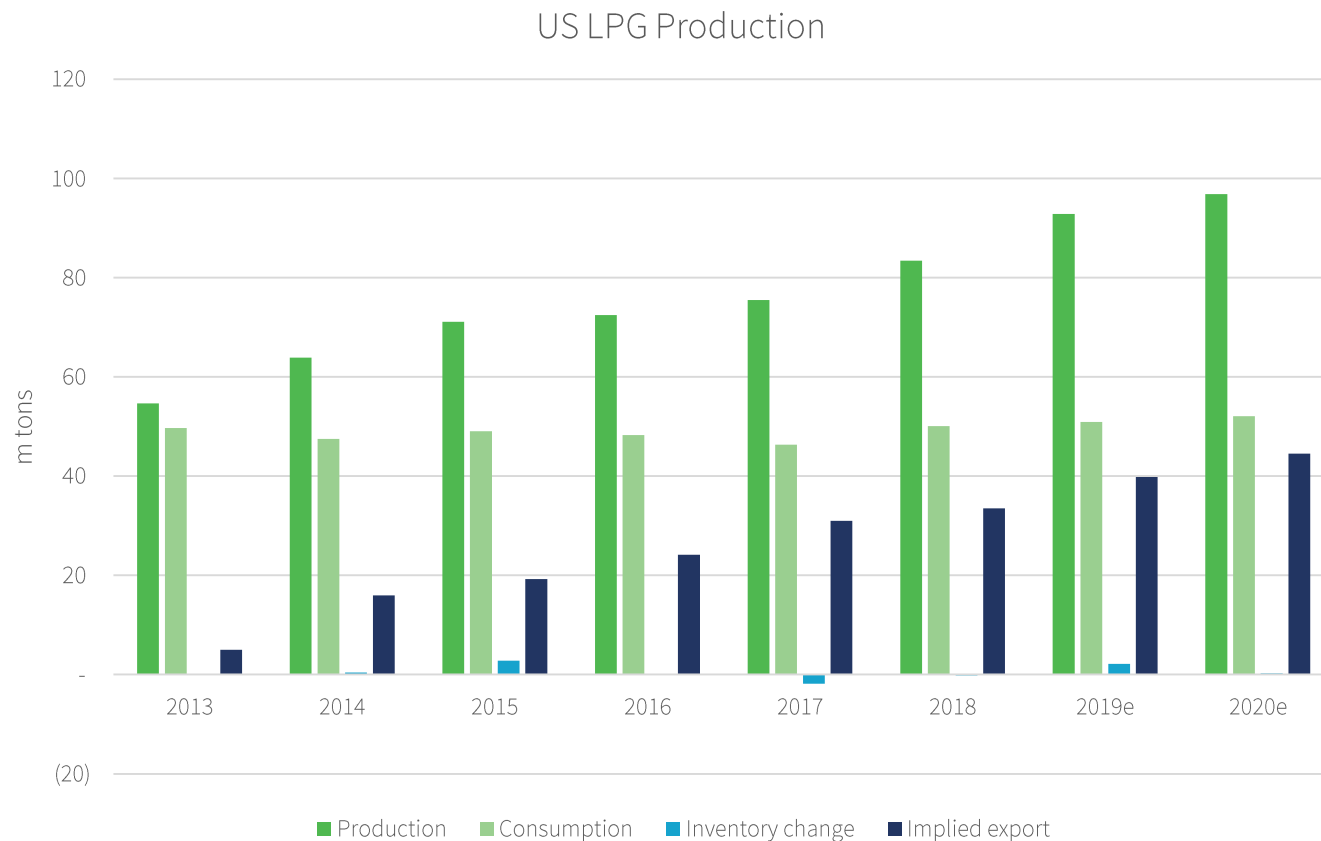


## 2 Market Update – Fleet Supply

Orderbook stands at 13% of total fleet



## Increasing U.S. LPG production

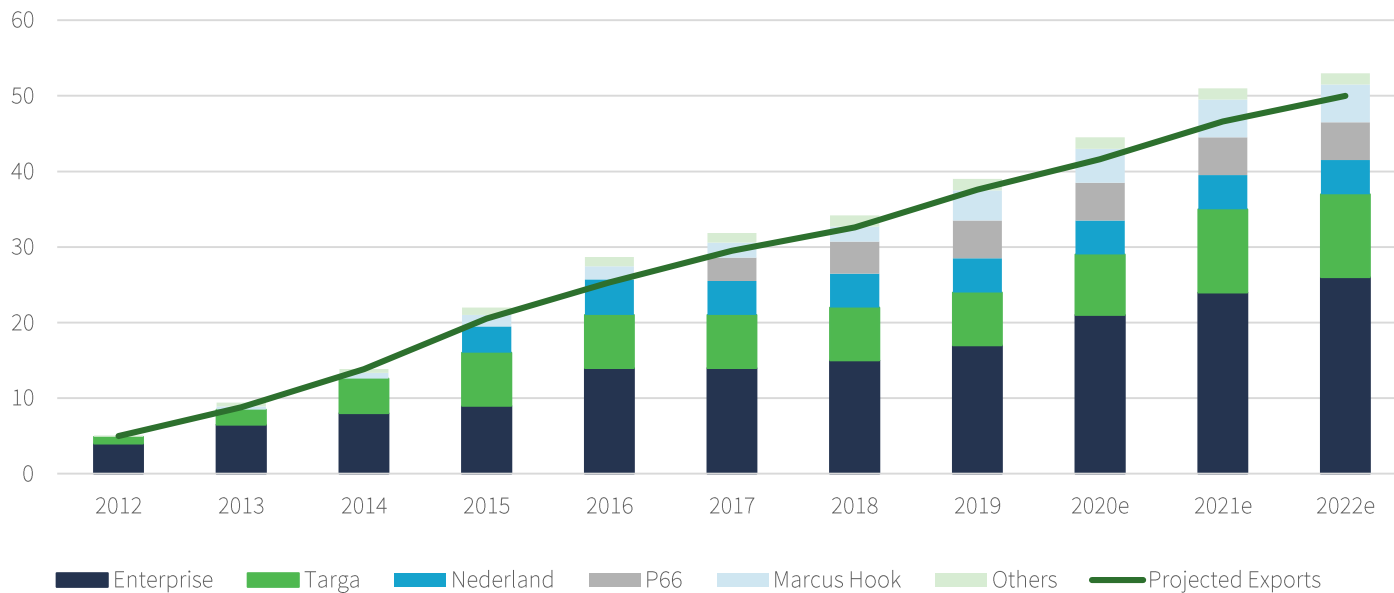




## 2 Market update

### Increasing U.S. export capacity

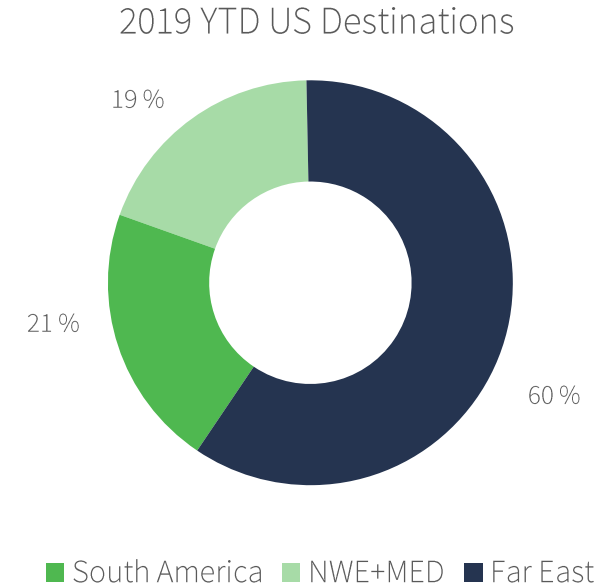
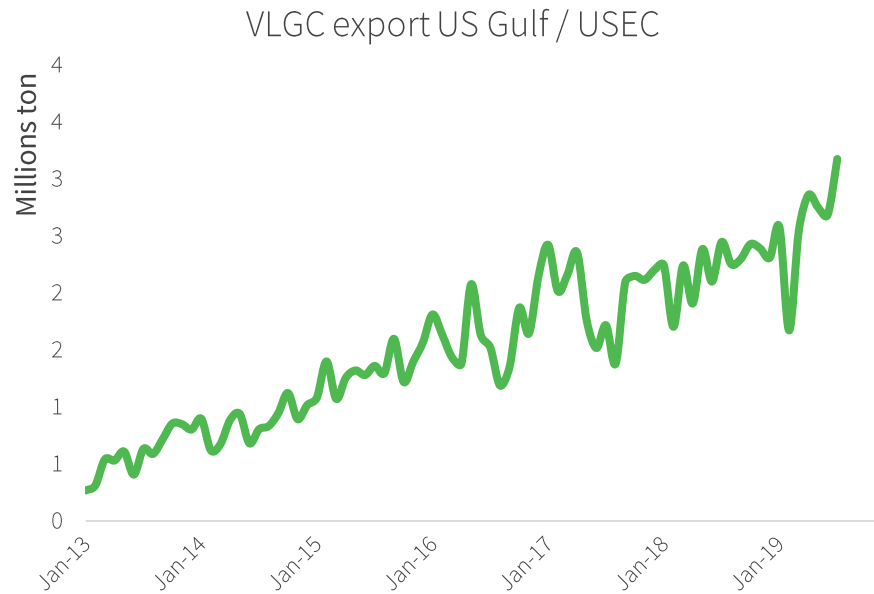
US LPG export capacity by terminal in million tons



- Enterprise Q3 2019 (ca. 9 cargoes pcm)
- Enterprise Q3 2020 (ca. 14 cargoes pcm)
- Targa expansion 2020 (ca. 6 cargoes pcm)

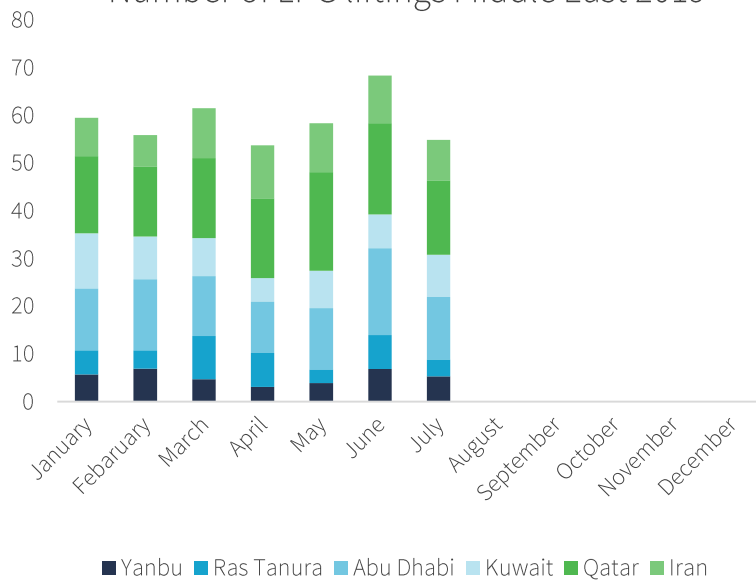
## 2 Market update

Increasing US export – primarily long-haul

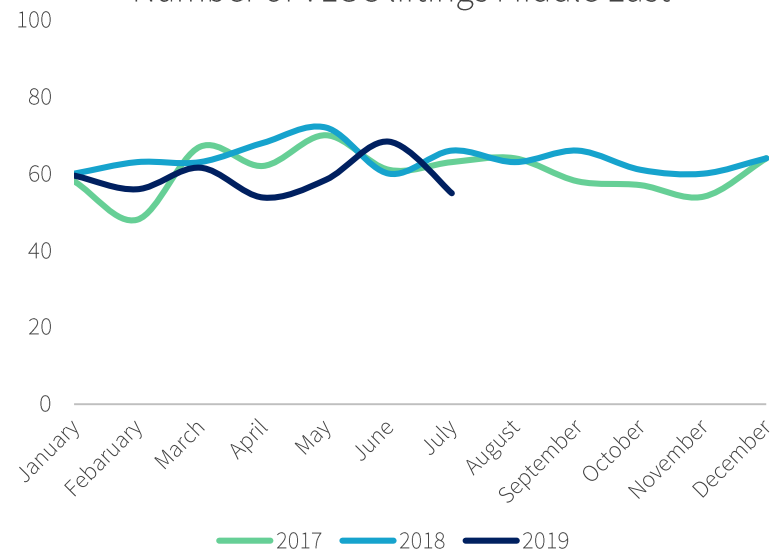


## Flat Middle East exports

Number of LPG liftings Middle East 2019



Number of VLGC liftings Middle East



Market has adapted to the US / China trade war



## 3 Outlook and conclusions

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### Positive market outlook, significant cash generation

- Avance Gas recently refinanced at attractive CBE \$21,900 estimated for 2020
- Significant cash generation – ~\$115 million free cash flow p.a.
  
- Limited VLGC contracting
- Potential for removal of older fleet
  
- Strong US LPG production growth
- Marginal consumption growth
- Further expansions of the US export capacity
  
- Trade war with no expected impact on VLGC market
- IMO 2020 disruptions
  
- Business review process

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# Appendix



## Financials – Q2 2019

## Income Statement

(\$ 000s)	Three months ended 30 June 2019	Three months ended 31 March 2019
Operating revenue	61,663	27,745
Voyage expenses	(21,223)	(13,728)
Operating expenses	(10,464)	(10,019)
Administrative and general expenses	(1,554)	(1,143)
<b>Operating profit before depreciation expense</b>	<b>28,422</b>	<b>2,855</b>
Depreciation and amortization expenses	(10,242)	(10,614)
<b>Operating loss</b>	<b>18,180</b>	<b>(7,759)</b>
<b>Non-operating income (expenses):</b>		
Finance expense	(8,430)	(7,423)
Finance income	80	4
Foreign currency exchange gain (loss)	5	(6)
<b>Net profit (loss)</b>	<b>9,835</b>	<b>(15,184)</b>
<b>Loss per share:</b>		
Basic	0.15	(0.24)
Diluted	0.15	(0.24)

## Comments

- TCE earnings of \$40.4 million, down from \$14.0 million, reflecting improved freight market in the quarter
- Operating expenses of \$10.5 million, up from \$10.0 million in Q1 in line with normal variations during the year
- Administrative and general expenses slightly up from \$1.1 million in Q1, due to one off expenses
- Non-operating expenses—mainly financial expenses—of \$8.4 million, up from Q1 reflecting expensed debt issuance cost of previous outstanding debt
- A reported net profit of \$9.8 million, compared to a net loss of \$15.2 million in Q1



## Financials – Q2 2019

## Balance Sheet

(\$ 000s)	As of 30 June 2019	As of 31 March 2019
Cash and cash equivalents	66,962	65,163
Receivables	27,690	10,797
Inventory	4,125	3,488
Other current assets	4,774	6,492
<b>Total current assets</b>	<b>103,551</b>	<b>85,940</b>
Property, plant and equipment	774,309	784,585
Intangible assets	0	9
<b>Total non-current assets</b>	<b>774,309</b>	<b>784,594</b>
<b>Total assets</b>	<b>877,860</b>	<b>870,534</b>
Current portion of long-term debt	42,907	226,168
Short-term revolving credit facilities	-	100,000
Accounts payable	2,960	2,401
Accrued expenses (inc voyage expenses)	4,270	2,753
Current portion of derivative financial instruments	2,015	634
Other current liabilities	419	2,315
<b>Total current liabilities</b>	<b>52,571</b>	<b>334,271</b>
Long-term debt	366,521	135,742
Long-term revolving credit facilities	100,000	50,000
Long-term derivative financial instruments	9,666	5,134
<b>Total non-current liabilities</b>	<b>476,187</b>	<b>190,876</b>
Share capital	64,528	64,528
Paid-in capital	379,851	379,851
Contributed capital	95,366	95,374
Retained loss	(167,154)	(176,789)
Treasury shares	(11,867)	(11,867)
Accumulated other comprehensive loss	(11,622)	(5,710)
<b>Total shareholders' equity</b>	<b>349,102</b>	<b>345,387</b>
<b>Total liabilities and shareholders' equity</b>	<b>877,860</b>	<b>870,534</b>

## Comments

- Cash at end Q2 of \$67.0 million up from \$65.2 million end Q1
- Total assets of \$877.9 million, versus \$870.5 million in Q1
- Net total interest-bearing debt of \$509.4 million, compared with \$511.9 million
- Shareholders' equity was \$349.1 million and an equity ratio at 39.8%

## Financials – Q2 2019

## Cash Flow Statement

(\$ 000s)	Three months ended 30 June 2019	Three months ended 30 March 2018
<b>Cash flows from (used in) operating activities:</b>		
Cash flow from operations	14,289	4,794
Interest paid and arrangement fee	(13,829)	(6,422)
<b>Net cash flows from (used in) operating activities</b>	<b>460</b>	<b>(1,448)</b>
<b>Cash flows from (used in) investing activities:</b>		
Capital expenditures	5	(53)
<b>Net cash flows from (used in) investing activities</b>	<b>5</b>	<b>(53)</b>
<b>Cash flows from (used in) financing activities:</b>		
Repayment of long-term debt	(513,765)	(5,506)
Drawdown of long-term debt	515,000	-
Drawdown revolving credit facility	-	25,000
<b>Net cash flows from financing activities</b>	<b>1,235</b>	<b>19,494</b>
Effect of exchange rate changes on cash	98	(119)
<b>Net increase in cash and cash equivalents</b>	<b>1,799</b>	<b>17,874</b>
Cash and cash equivalents at beginning of period	65,163	47,289
<b>Cash and cash equivalents at end of period</b>	<b>66,962</b>	<b>65,163</b>

## Comments

- Net cash flow from operating activities was \$0.5 million in Q2, compared to negative \$1.5 million in Q1, due to higher freight rates offset by timing of freight payments
- Cash flow from investing activities reflects no dry-docking of the fleet in the quarter
- Net cash flow from financing activities was \$1.2 million compared to \$19.5 million in Q1
- Cash position at quarter-end was \$67.0 million