



**FLEX LNG**

**Q3-2020 presentation**

**November 17, 2020**



# FORWARD-LOOKING STATEMENTS

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MATTERS DISCUSSED IN THIS PRESENTATION MAY CONSTITUTE FORWARD-LOOKING STATEMENTS. THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 PROVIDES SAFE HARBOR PROTECTIONS FOR FORWARD-LOOKING STATEMENTS IN ORDER TO ENCOURAGE COMPANIES TO PROVIDE PROSPECTIVE INFORMATION ABOUT THEIR BUSINESS. FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS CONCERNING PLANS, OBJECTIVES, GOALS, STRATEGIES, FUTURE EVENTS OR PERFORMANCE, AND UNDERLYING ASSUMPTIONS AND OTHER STATEMENTS, WHICH ARE OTHER THAN STATEMENTS OF HISTORICAL FACTS.

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FOR A MORE COMPLETE DISCUSSION OF CERTAIN OF THESE AND OTHER RISKS AND UNCERTAINTIES ASSOCIATED WITH THE COMPANY, PLEASE REFER TO THE REPORTS AND OTHER DOCUMENTS THAT FLEX LNG FILES WITH OR FURNISHES TO THE SEC.

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# HIGHLIGHTS

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## Commercial

- Weak spot market in Q2/Q3 due to Covid-19 affecting freight demand
- Significantly improved market in Q4 with freight rates >\$100,000
- 100% technical availability of ships despite pandemic
- Taken delivery of four newbuildings between July and October

## Finance

- TCE<sup>(1)</sup> of \$47kpd in Q3 in line with guidance “similar TCE as Q2”
- Adj. net income<sup>(1)</sup> of \$1.2m in Q3 (Net income of \$3.8m)
- \$533m debt available for \$512m remaining capex at quarter-end
- Free cash end Q3 of \$76m (\$102m post Amber delivery in October)

## Outlook

- Q4-20 is 98% booked with TCE guidance of \$70-75,000 per day<sup>(2)</sup>
- ~2/3 of available days in Q1-21 already booked
- Reinstating dividend, with \$0.10 per share declared for Q3

1) TCE rate and Adjusted net income/(loss) are non-GAAP measures. A reconciliation to the most directly comparable GAAP measure is included in the Q3-20 earnings report

2) Subject normal operation and up-time on vessels

# WELL POSITIONED FLEET



## Fixed hire TCs

- Flex Ranger
- Flex Aurora
- Flex Resolute

## Variable hire TCs

- Flex Enterprise
- Flex Artemis
- Flex Amber

## Spot market

- Flex Endeavour
- Flex Rainbow
- Flex Constellation
- Flex Courageous

## Newbuildings

- Flex Freedom (Jan-21)
- Flex Volunteer (Feb-21)
- Flex Vigilant (May-21)

*98% of available days in Q4 booked with expected TCE of 70-75.000 per day<sup>(1)</sup>*

*~2/3 of available days (including two newbuildings) in Q1-21 booked<sup>(1)</sup>*

1) Subject normal operation and up-time on vessels



## Ensuring safety of crew and cargo

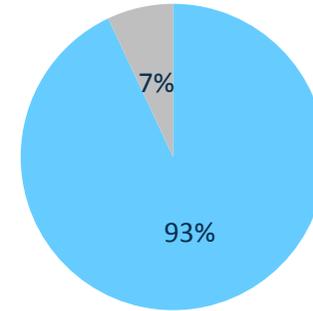
- Standard Operating Procedures for joining and off-signing crew with quarantine and PCR testing
- Outbreak management plan and emergency drills
- Conducted remote ship visits, class surveys, change of management and SIREs
- Carried out 32 crew changes during May-Oct
- Taken delivery of four newbuildings between July and October



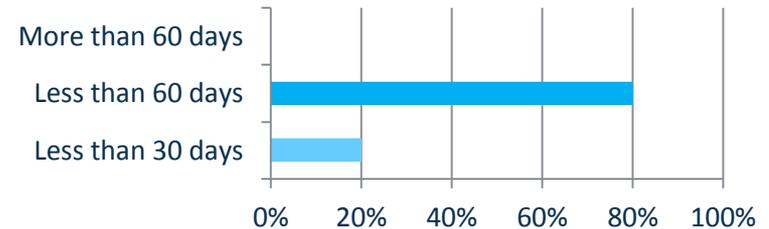
25 September 2020

**400,000 seafarers stuck at sea as crew change crisis deepens**

## Minimizing extended ship stays



■ On time ■ Overdue



# INCOME STATEMENT



<i>(in thousands of \$ except per share data)</i>	<i>Three months ended</i>	
	<b>Sep 30, 2020</b>	<b>Jun 30, 2020</b>
Vessel operating revenues	33,147	25,753
Voyage expenses	(1,121)	(316)
Vessel operating expenses	(8,545)	(6,460)
Administrative expenses	(1,570)	(1,567)
Depreciation	(10,704)	(8,584)
<b>Operating income/(loss)</b>	<b>11,207</b>	<b>8,826</b>
Interest income	8	14
Interest expense	(9,945)	(9,498)
Gain/(loss) on derivatives	2,116	(6,648)
Foreign exchange gain/(loss)	503	701
Other financial items	(23)	(11)
<b>Income/(loss) before tax</b>	<b>3,866</b>	<b>(6,616)</b>
Income tax credit/(expense)	(44)	(41)
<b>Net income/(loss)</b>	<b>3,822</b>	<b>(6,657)</b>
<b>Earnings/(loss) per share</b>	<b>0.07</b>	<b>(0.12)</b>
<b>Adjusted EBITDA</b>	<b>21,888</b>	<b>17,399</b>
<b>Adjusted net income/(loss)</b>	<b>1,203</b>	<b>(710)</b>
<b>Adjusted earnings/(loss) per share</b>	<b>0.02</b>	<b>(0.01)</b>

- Vessel operating revenues of \$33.1m, up from \$25.8m for Q2-20
- Adjusted EBITDA<sup>(1)</sup> of \$21.9m up from \$17.4m for Q2-20
- Gain on derivatives of \$2.1m vs. loss of \$6.6m in Q2-20
- Net income of \$3.8m vs. net loss of \$6.7m for Q2-20
- Adjusted net income<sup>(1)</sup> of \$1.2m vs. adjusted net loss of \$0.7m for Q2-20

1) Adjusted EBITDA, Adjusted net income/(loss) and Adjusted earnings/(loss) per share are non-GAAP measures. A reconciliation to the most directly comparable GAAP measures are included in the Q3-20 earnings report

# BALANCE SHEET



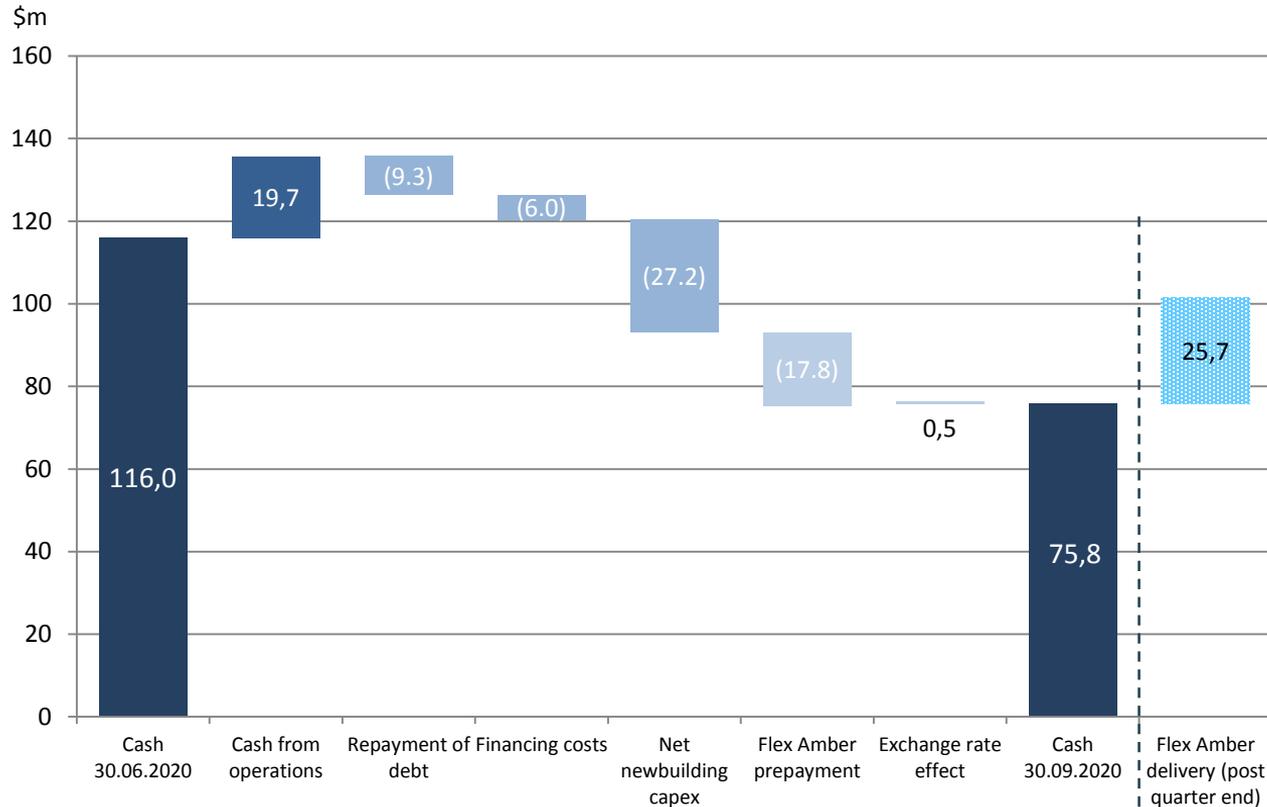
(in thousands of \$)

	Sep 30, 2020	Jun 30, 2020
<b>Assets</b>		
<b>Current assets</b>		
Cash, restricted cash and cash equivalents	75,813	115,993
Other current assets	22,609	20,312
<b>Non-current assets</b>		
Vessels and equipment, net	1,682,566	1,130,000
Vessel purchase prepayment	218,418	349,472
Other fixed assets	5	7
<b>Total Assets</b>	<b>1,999,411</b>	<b>1,615,784</b>
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Current portion of long-term debt	53,745	35,927
Derivative instruments	26,241	29,771
Other current liabilities	23,307	11,374
<b>Non-current liabilities</b>		
Long-term debt	1,079,766	726,252
Other non-current liabilities	0	2
<b>Total equity</b>	<b>816,352</b>	<b>812,458</b>
<b>Total Equity and Liabilities</b>	<b>1,999,411</b>	<b>1,615,784</b>

- Increase in vessels and equipment due to delivery of three newbuildings during the quarter, increasing the operating fleet from six to nine vessels at quarter end
- Vessel purchase prepayments of \$218.4m relates to remaining four newbuildings at quarter end, including \$17.8m prepaid on Flex Amber in July
- Total interest bearing debt of \$1,134m, following drawdown of first three tranches totalling \$387.4m under \$629m ECA facility<sup>(1)</sup>
- Equity ratio of 41%

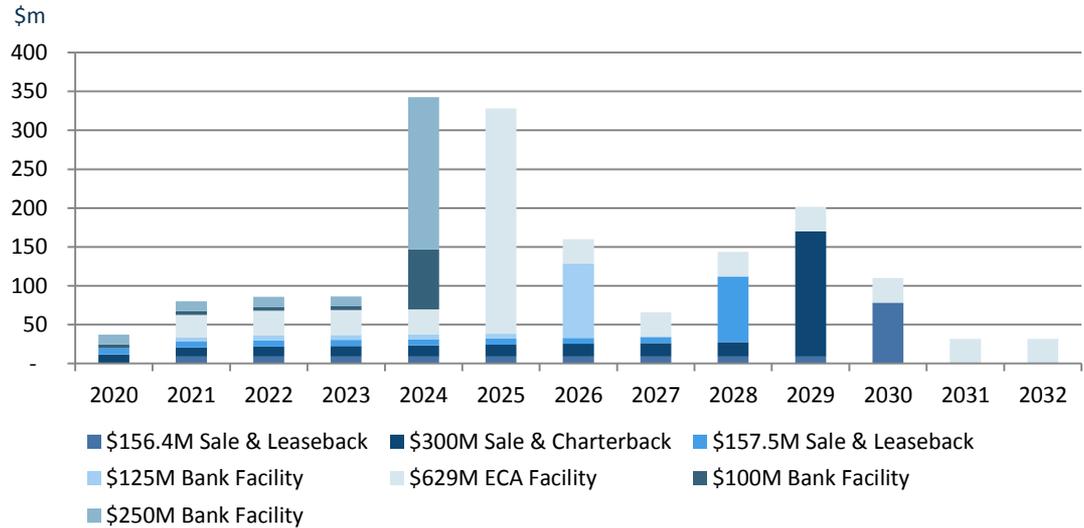
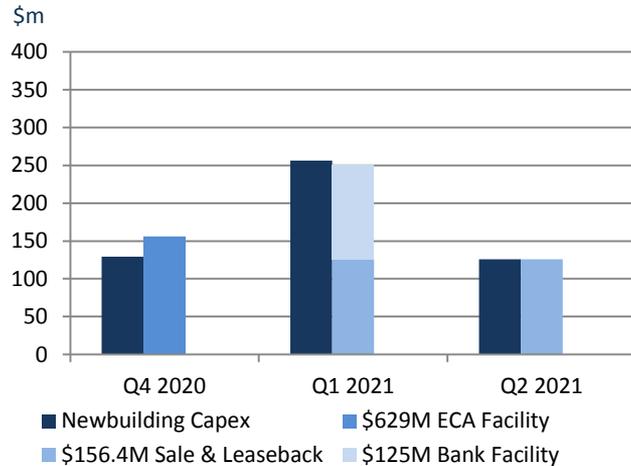
1) Long term debt is presented net of debt issuance cost

# CASHFLOW



- Cash flow from operations of \$19.7m
- Financing fees of \$6.0m include up-front and commitment fees on \$629m ECA facility and \$125m facility for Flex Volunteer
- Newbuilding capex of \$414.6m vs. drawdown of debt of \$387.4m, giving net newbuilding capex of \$27.2m
- \$17.8m prepaid on Flex Amber in July to postpone delivery to October
- \$156.4m sale and leaseback on Flex Amber executed beginning October, freeing up \$25.7m of liquidity post quarter end

# LONG-TERM FINANCING SECURED FOR ALL VESSELS



- Remaining capex of \$512m vs. secured financing of \$533m at quarter end, thereby boosting liquidity
- Long funding secured with first loan maturity in July 2024
- Staggered debt maturity profile, mitigating re-financing risk
- Well diversified pool of lenders with 15 different financial institutions

1) Newbuilding Capex based on acquisition price under respective purchase agreements, excluding change orders and pre-delivery expenses

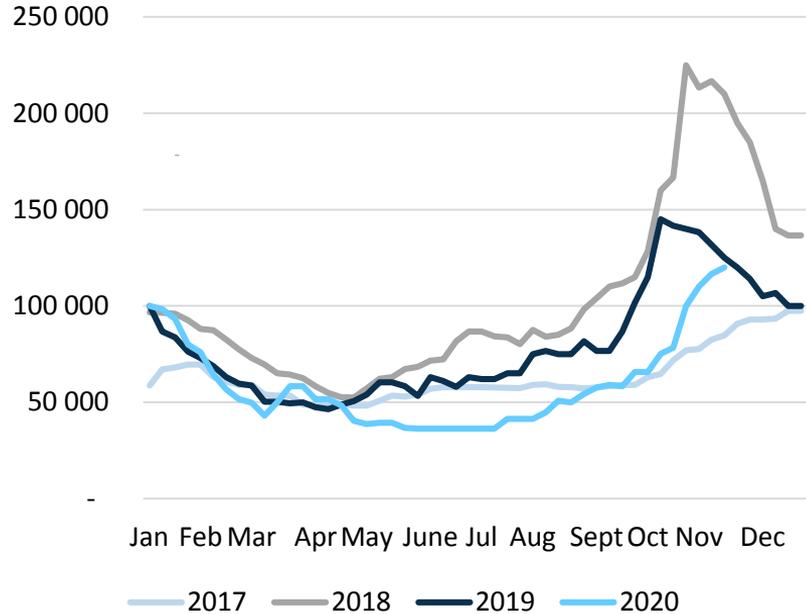
2) The \$125M Bank Facility and remaining tranches under the \$629m ECA facility remains subject customary closing conditions. Actual amount available for drawdown is subject fair market value test.

3) Repayment schedule based on contracted delivery dates for newbuildings. The 12-year ECA tranche under the \$629m ECA facility will mature at same time as the \$250m commercial tranche if commercial tranche is not refinanced on terms acceptable to the ECA lenders

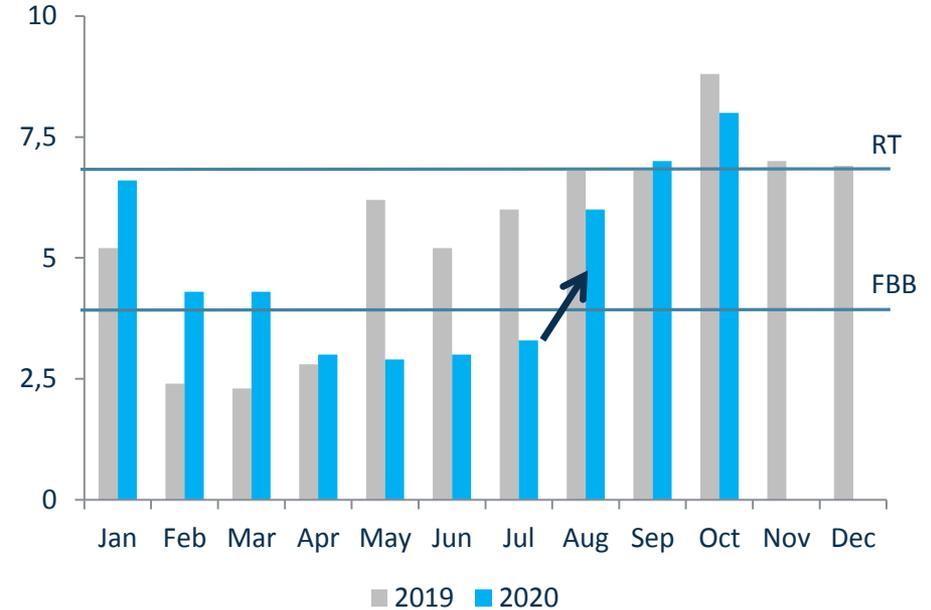
# SPOT MARKET REVIEW



## Spot LNGC headline freight rates per day (MEGI/XDF)



## Ballast bonus conditions sharply improved in Q3

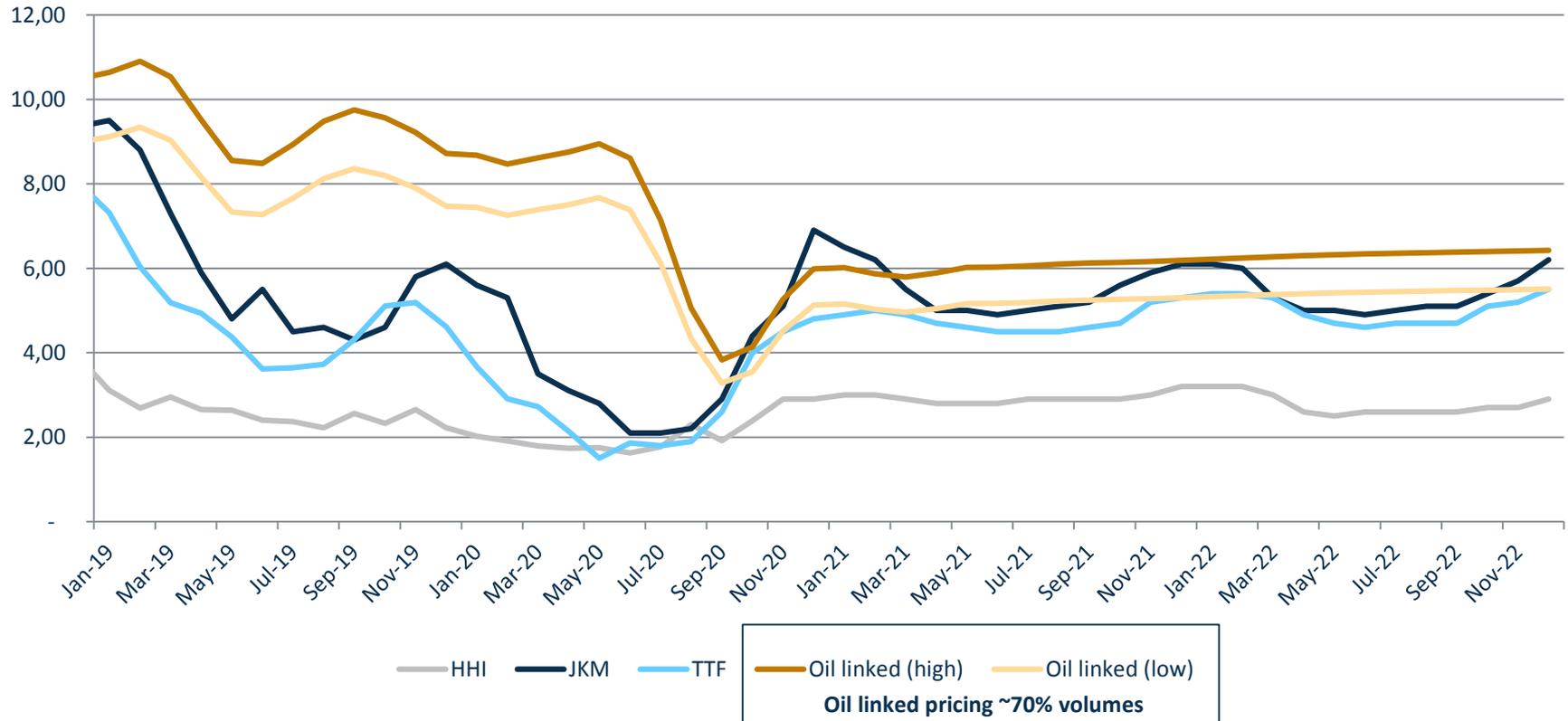


1) Source: Affinity, Fearnleys and Company

# GLOBAL GAS PRICES RALLIED FROM SUMMER LOWS



\$/Mmbtu



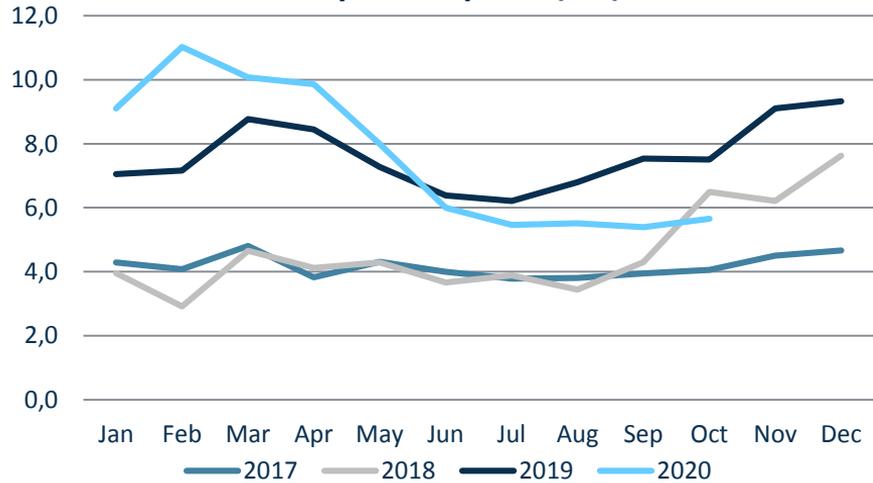
1) Source: CME, Energy Aspect, IGU

2) Oil linked (high) is 331 formula with 14% Brent slope while oil price (low) is 331 formula with 12% Brent slope

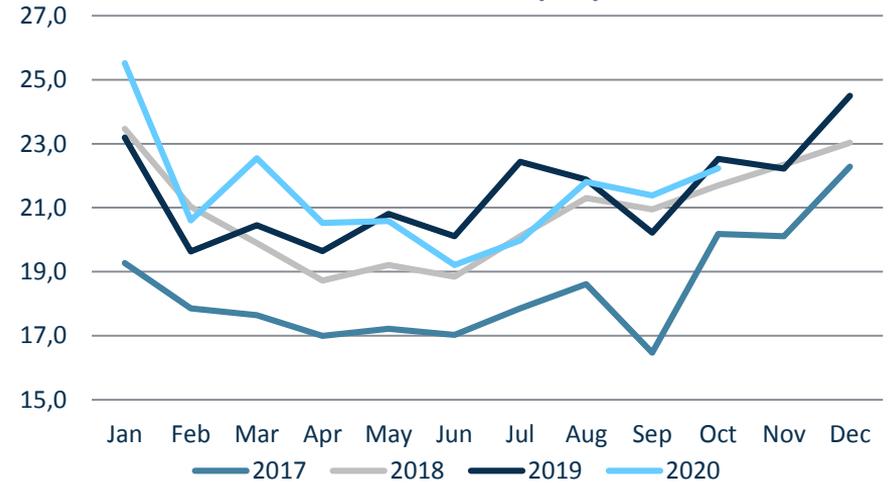
# FROM EUROPEAN SINK TO ASIAN PULL



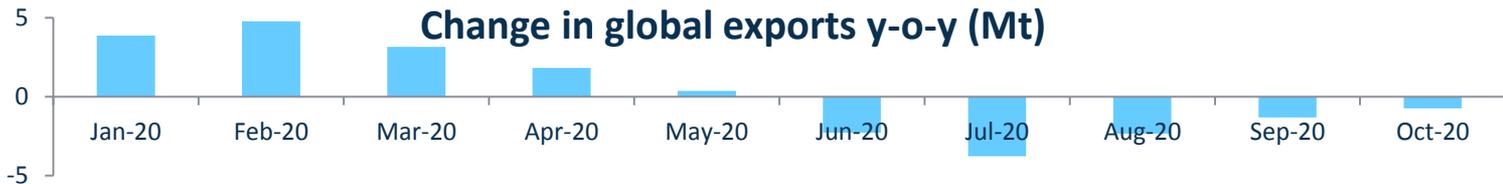
### European imports (Mt)



### Asian demand (Mt)

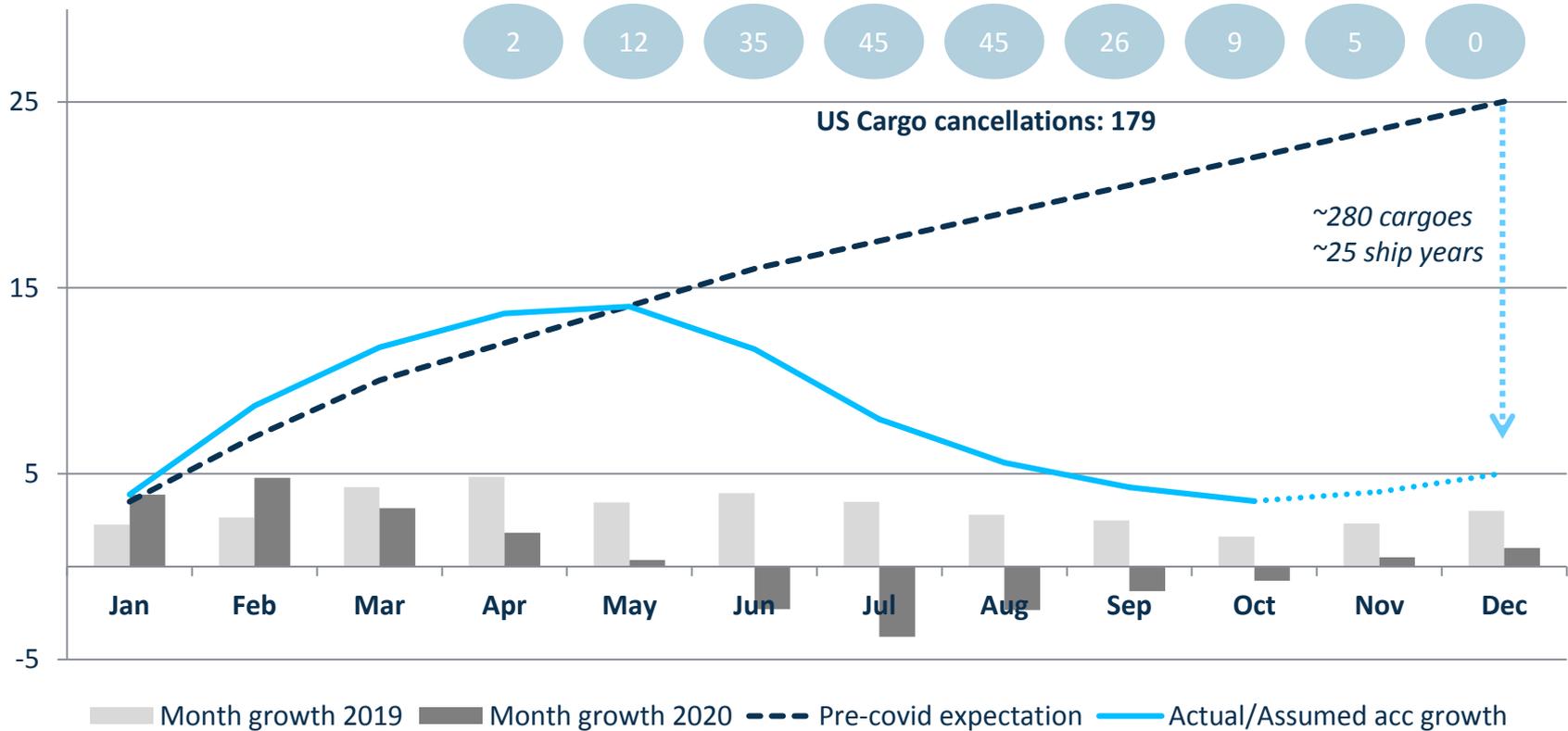


### Change in global exports y-o-y (Mt)



1) Source: Kpler

# WE EXPECT ~20MT LOST EXPORTS DUE TO COVID-19



1) Source: Platts, Kpler, Energy Aspects, Poten and Company

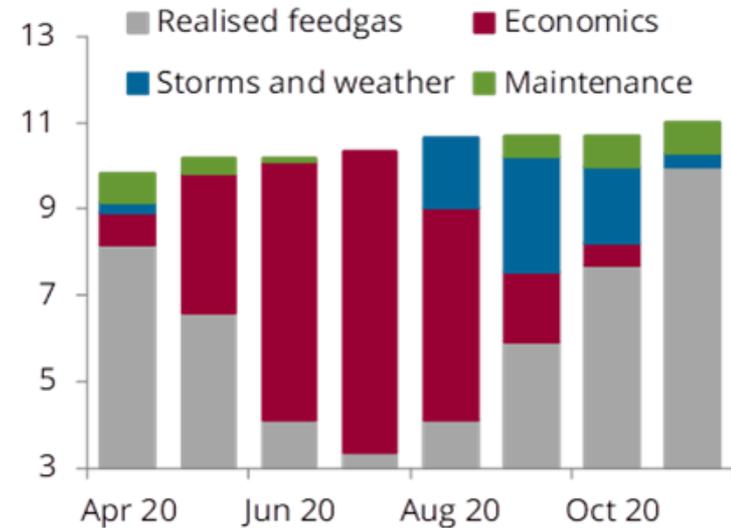
# US FEEDGAS TO LNG EXPORT PLANTS FULLY RECOVERED



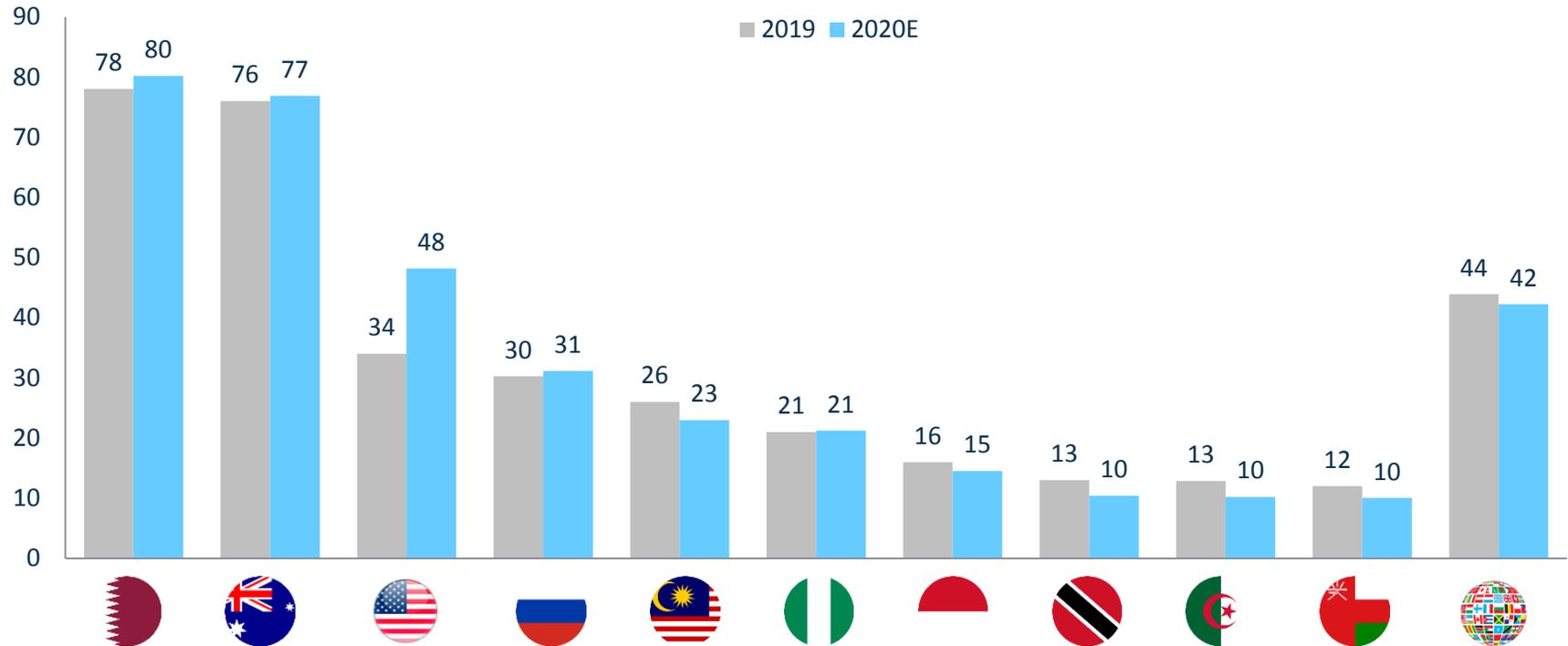
## Total feedgas delivered to US LNG export plants



## Economics and then weather caused US shut-ins



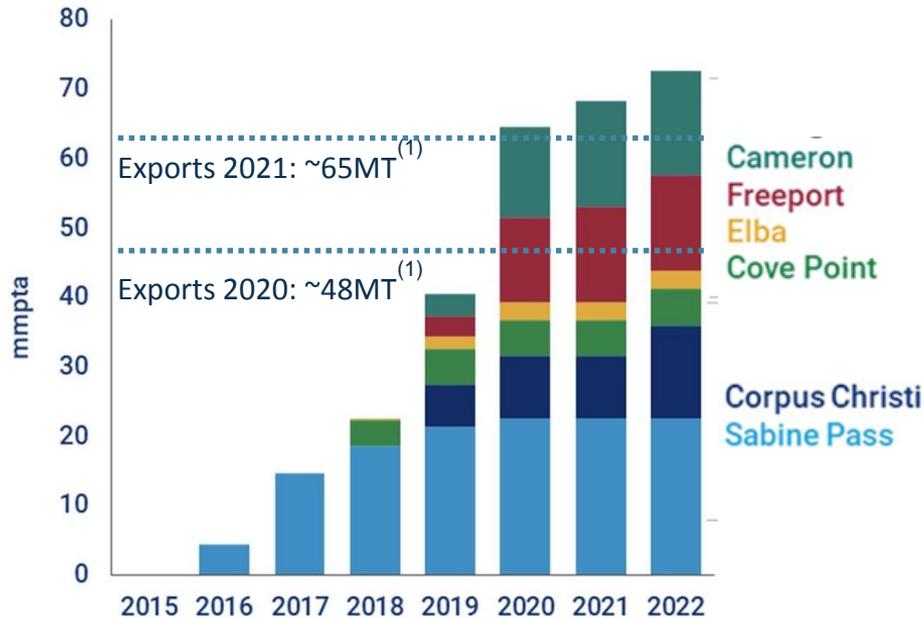
# US WAS THE MAIN DRIVER OF GLOBAL SUPPLY GROWTH IN 2020



# US EXPORTS WILL ALSO BE KEY FACTOR IN 2021



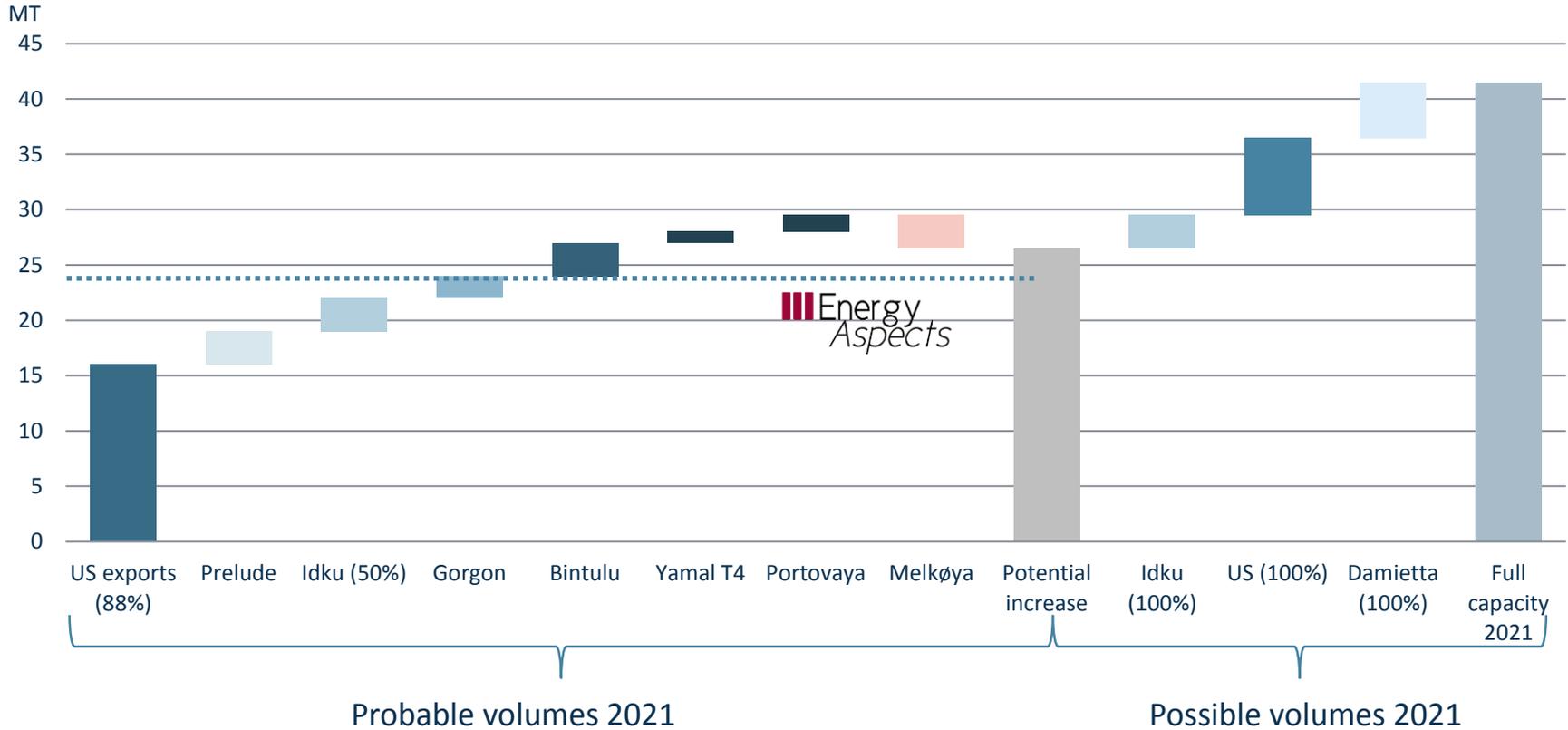
## US first wave LNG ramp-up



- US export capacity in 2020 ~62MT, while expected actual exports to be ~48MT
- Cancellation of ~13MT or ~180 US cargoes
- In 2021 US export capacity increases to ~71MT due to ramp up of plants in 2020 plus addition of Corpus Christi Train 3 (4.5MT) in Q1-21
- EIA expect US exports of ~65MT in 2021, an increase of ~16MT which would require ~32 ships
- This implies ~6MT of cargo cancellations in 2021 which is equal to ~85 cargoes
- Calcasieu Pass T1-9 (10.8MT) and Sabine Pass T6 (4.5MT) to start-up in 2022
- Golden Pass (15.6MT) expected start-up 2025

1) Source: EIA, Kpler, Energy Aspect and WoodMac

# SIGNIFICANT LNG AVAILABLE IN 2021 DESPITE LIMITED NEW VOLUMES



1) Source: Kpler, Energy Aspect, EIA

# SUMMARY

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- Flex LNG navigated safely through challenging freight markets in Q2 and Q3 due to Covid-19 pandemic
- Strong rally in global gas prices during the autumn has improved freight markets
- Expected TCE of \$70-75k per day in Q4
- Successful delivery of four newbuildings between July and October, all employed on fixed or variable TCPs
- Reinstating dividend, with \$0.10 per share declared for Q3
- Well positioned for post Covid-19 recovery with final three newbuildings joining the fleet next year, growing the fleet to 13 state-of-the-art LNG carriers



*Bon voyage!*



FLEX LNG

