

Event BW LPG Q3 2024 Earnings Presentation

Date 2 December, 2pm Oslo/ 9pm Singapore/ 8am New York

Hosts Kristian Sørensen, CEO
Samantha Xu, CFO

OPENING

Welcome to BW LPG's Third Quarter 2024 results. The presentation today will be given by our CEO, Kristian Sørensen and our CFO, Samantha Xu. Afterwards, we will open up for a question-and-answer session.

Before we begin, I would like to highlight the legal disclaimers displayed on the current slide. Please also note that today's call is being recorded. I will now give the word to Kristian.

CEO – KRISTIAN SØRENSEN

Hi everyone and thank you for taking time to join us today as we present our financial results and recent events. It has been another eventful quarter for our company. Let's turn to slide four.

Our TCE income per available day ended at 46,800 USD, somewhat lower than previous quarter, but slightly above our guiding of 43,000 USD per day. The market went through a rollercoaster during the quarter with rates fluctuating in the range from low 20 thousand dollar per day and back into the 50 thousand within a short period of time.

In addition to a great job done by our chartering team by navigating through the ups and downs, we are pleased to see that our downside



protection through our timecharter portfolio and FFAs took out quite a lot of this volatility.

We are also very happy with the new ships starting to enter our fleet, and as of today we have 5 out of the 12 acquired Avance Gas ships safely delivered. As explained in this slide, another 4 ships are expected to be delivered with share issued in time with right to receive dividends for Q3.

The board has declared a dividend of 42 cents per share which translates to 100% payout of the NPAT from our shipping activities.

Moving on to Product Services and as per our trading update in October, our trading activities benefitted from a considerable uptick in the 12 months forward Mark-to-market valuation of their trading portfolio, reflected in a net accounting profit of 58 million dollars.

Although we are glad to see that the forward trading portfolio is becoming more valuable, the volatility in the trading market may drive the portfolio valuation up or down before the positions are realized.

And it is important to understand that it is the profitable realised trading positions which matter as we move forward when they are eventually converted to cash in the bank.

Two subsequent events since end September were the refinancing of our 400 million dollar revolving credit facility which is now replaced by a new seven years and larger facility of 460 million dollars. Samantha will comment more on this later.



In addition, we recently announced two sale and purchase transactions where we sold the 2007 vintage vessel BW Cedar from our India subsidiary at around 65 million dollars, while declaring a purchase option on the 2019 built BW Kizoku at just below 70 million which is equivalent to a newbuilding price in the mid 80 million. This is a strong testament to our business model which creates optionality along the way allowing us to harvest profit.

Our market outlook for Q4 and next year is positive as the export levels from the US Gulf have stabilized after a period of maintenance and slightly reduced exports.

However, it is important to note that a small market like the VLGC market is quite sensitive to only a few cargoes being added or taken out from the market, and at the moment freight rates in the US Gulf seem to have found an equilibrium level plus/minus 40 thousand dollars per day. There is currently little to no delays around the Panama Canal, which means there is an upside potential from today's rate level.

Let us turn to page six for a closer look at the market fundamentals.

The market volatility we have been through lately is well illustrated in this slide. When you see the rate movements against the variation in US Gulf coast loadings on the right side of the slide, it shows how finely balanced the VLGC market is at the moment with no delays in Panama.



Turning to page seven.

I use to say that our market is driven by three engines; exports from the US Gulf, exports from the Middle East and the availability of Panama Canal slots for VLGCs.

The next round of US export capacity increase starts in the second half of next year as Energy Transfer increase their ethane and LPG export capacity at the Nederland terminal in the US Gulf. The Enterprise terminal follow-up in 2026 with their planned expansion. We estimate that the North American export will increase another 10 million mt from 2024-26 on the back of increased production of oil and natural gas in the US combined with the increased terminal capacity.

In the Middle East, the growth in export volumes is expected to ramp up from 2026 as Qatar commence the expansion of their new LNG trains. Abu Dhabi's LNG project is about two years later.

The Panama Canal remains a wild card in our market and unexpectedly we can see that the number of container vessels passing through the canal so far in Q4 has come down, leaving more slots available for VLGCs and consequently more VLGCs sailing the shortest route from the US Gulf to Asia.

Whether we will see more congestion in Panama is hard to predict, but the number of daily slots in the neo-Panama locks is fixed at 10 transits totally both directions combined, so it takes only a couple of additional container or LNG vessels to pass through, to tilt the availability of transit slots in the other direction.



Let's turn to slide eight for a look at the LPG demand side.

The picture is pretty much unchanged since our last update, and directionally the Asian region continue to grow their appetite for LPG in their residential sector in the Indian sub-continent as well as Southeast Asia, while the pet chem sector in China specifically continue to expand their consumption of propane as feedstock.

The trade pattern which has developed over the last years on the back of increased LPG demand in India deserves attention. The country is absorbing close to 50% of the Middle East exports, and all countries further East in Asia are increasingly dependent on sourcing LPG from the US, underpinning the growing need for long haul shipping.

Turning to page nine.

There is good visibility on the newbuilding deliveries over the next 18 months, and for 2025 we have 13 vessels on our list.

Worthwhile to note is that the number of ships going into drydocks in 2025 will more than double from this year as we count approximately 80 ships due for dry dock next year.

And then I leave the floor to you, Samantha.

Turning to page eleven.

CFO – SAMANTHA XU

Thank you, Kristian. And hello everyone, we are pleased to share that we delivered a solid shipping performance in a volatile quarter. For Q3, we



achieved a 98% fleet utilisation, and a TCE of 46,500 USD per calendar day of US\$46,800 per available day.

Maintaining a healthy time charter and FFA portfolio has been the key to success. In Q3, the portfolio represents about 45% of our shipping exposure. For the fourth quarter, we have fixed 90% of the available days at about US\$36,000 per day.

For 2024, our time charter-out fleet generates a profit of around US\$31 million over our time charter-in fleet. The remaining of our fixed time charter-out portfolio is estimated to generate US\$69 million for year 2024.

Turning to page twelve.

As shared in our earlier trading update, Product Services booked a strong quarter and yielded a net profit of US\$58 million. The result was contributed by gross profit of US\$71 million after netting off G&A and tax provisions.

The gross profit includes an unrealised marked to market gain of US\$86 million, which consists of open cargo positions and hedges, offset by US\$14 million realised trading loss. The unrealised gain is expected to be realised in the future periods, although some volatilities are expected to impact the final realised result to be higher or lower.

At the end of Q3 2024, Product Services' Book Equity position arrived at US\$128 million.



We would like to highlight that, the reported book equity does not include the unrealised physical shipping position of US\$17 million which was based on our internal valuation.

You can recall we have announced a multi-year term contract with Enterprise Products Partners back in Q2. The related physical volume has started to phase in our 12 months rolling Marked-to-Market valuation. As such, we expect greater volatility in our unrealised positions in the future quarters.

For Q3, our average VAR (value at risk) was 5 million US dollars on a well-balanced trading book including cargoes, shipping and derivatives.

Turning to page thirteen.

Moving on to our financial highlights. On the back of good performance from both Shipping and Product Services, we reported a net profit after tax of US\$120 million in Q3, including a profit of US\$12 million from BW LPG India and US\$58 million from Product Services.

Profit attributable to equity holders of the Company was US\$105 million for the quarter, which translates to earnings per share of 79 cents (\$0.79/share). This translates into an annualised earnings yield of 23% when compared against our share price at the end of September.

We reported a net leverage ratio of 21% in Q3, an increase from 12% reported at the end of June. The net leverage ratio change was driven mainly by increase in short term trade finance and margin requirements; deposit paid for the Avance Gas fleet acquisition and increase in lease liabilities from the exercise of the purchase option for BW Kizoku. The



factors impacting net leverage ratio as outlined above are mostly temporary.

The delivery of Avance Gas vessels commenced in November and is expected to be complete by the end of Q4. When the fleet delivery finalises, we expect that our net leverage ratio will gradually increase to an approximate range of 30-35% as we draw down on our financing facilities.

For Q3, The Board declared a dividend of 42 cents per share, a 100% payout of Shipping NPAT. This excludes the dividends to be paid to newly issued shares to Avance Gas shareholders and ensures that the existing shareholders are fully paid for.

This shows our confidence to deliver growth to our business and our continuous commitment to return value to our shareholders.

The balance sheet ended the quarter with a shareholder's equity of US\$1.6 billion. Our annualised Q3 return on equity, and capital employed were 30% and 26% respectively.

Our YTD OPEX arrived at 8,400 dollars, a slight reduction from last quarter. For 2024, we expect our owned fleet's operating cash breakeven to be about US\$18,800 per day, and US\$22,800 per day for the whole fleet including time charter vessels.

Turning to page fourteen.

As you can see, we continue to have a healthy repayment profile with outstanding shipping loan of US\$216 million, of which US\$120 million is



a term loan for BW LPG India, due to be refinanced in 2026. A very manageable position.

On the liquidity side, we ended Q3 with a strong position of US\$750 million, paving the way for the Avance Gas fleet delivery. The vessels deliveries have been smoothly taking place since November and scheduled to complete by end this month.

- Post delivery, our liquidity is expected to remain healthy at a level of US\$552 million, supported by our shareholder loan, and the 7-year RCF of US\$460 million newly signed in November. We will also evaluate and start refinancing our vessels in early 2025 following Avance fleet delivery.

We are confident to maintain a healthy leverage and financing structure, as well as a sustainable repayment profile with a larger fleet.

On the Product Services side, trade finance drawdown stood at a moderate level of US\$248 million, or 30% of our available credit line, leaving a healthy headroom for growth.

With that, I'd like to conclude my updates. And back to you, Kaia.

Q&A

Host: Thank you, Samantha.

We would now like to open the floor for your questions. Should you have questions, please type them into the Q&A channel. You can also click the raise hand button to ask your question verbally. Please note that participants have been automatically muted. Please press unmute before speaking.



[Participant 1]: Quick question on the process of taking delivery of the vessels from Avance. To what extent should one expect cost to come in earlier than revenues? Is it more or less back-to-back? Or should we, for instance, use a month sort of overlap here?

Kristian Sørensen: Thanks, Petter. I can just start off with saying that, of course, we pay for the ships now and you know, when you fix the ships for the next voyage, we are not able to invoice before the vessel is about to discharge as per normal shipping practice. There will be like normal a delay, you can say, because we are not able to invoice our charters before the voyage that the ships have performed is finished.

[Participant 1]: Okay. I understand there will obviously be a cash flow effect here, but in terms of your P&L bookings, I suppose...

Samantha Xu: Yes, from the commercial side it is what Kristian had just explained. Maybe let me shed some light from an accounting perspective. As the vessel is being delivered, we will be drawing down our financial facilities to finance each of the vessels. I think for the details, Petter, you can very well refer to the earlier deal structure so to get a sense of how much it needs to be draw down. I won't be able to give you absolute number as the delivery is spread across November to end of December. Additionally, you should expect the depreciations will come in as we take ownership as well.

[Participant 1]: Yes, naturally. Okay. Thank you. Just one more from me then. Because from the asset market, it seems as if prices are still holding up to, well, more or less the same levels that we saw in the first half of the year as well. If you were to do something on the newer side now, how do



you think that is going to compare to the Avance transaction? is it sort of any data points that we could use to either mark the current resale price up or down from the Avance transaction?

Kristian Sørensen: I think the market for the assets and let's say sale and purchase market is pretty much unchanged for the new ships since last quarter. So, I think there is no real change from the last, I would say six to eight months in terms of valuation for newer ships or new buildings. If that answers your questions.

[Host]: we have another question here. Jorgen, please go ahead.

[Participant 2]: Thank you. Hello, Kristian, Samantha. You are now taking on a bit more debt as part of the VLGC acquisition from Avance, and you have a pretty rigid net leverage ratio dividend policy. Could you provide any more information about what we potentially need to account for to adjust the net leverage for the short-term effects that you mentioned, Samantha, or is that sort of set in stone and how to think about dividend payouts going forward?

Kristian Sørensen: Well, I can start off by saying that the dividend policy is what it is, but it's always up to the Board to finally declare the dividend. There's no change in that respect. It's hard for the management to comment any further on the future dividend payouts. But the dividend policy is what it is.

[Participant 2]: All right. And Samantha, I don't know if you have anything to add on, or if that's then irrelevant in terms of the net leverage ratio



where you talked about short-term events or short-term impacts from Product Services?

Samantha Xu: Yeah, I think Jorgen, you are referring to my comments about Q3 that some elements are driving up the leverage ratio. I have mentioned a couple of things that for example, the Product Services are drawing on the trade finance and the margin finance, etc. As you know very well that (drawdown) is a reflection of how to say, in a slice of time of the number of cargoes that are carrying on our balance sheet and that would change by days. So that's what I meant as a temporary effect, similarly for the purchase of a BW Kizoku as well. So that's due to the accounting rules that we have to gross up the effect, which drive up the leverage ratio. Once we take over the vessel it would just be reflected as normal asset.

[Participant 2]: All right, thank you. And then finally for me on the Product Services part of the business and just to make sure that we understand correctly, but the way you book this is sort of on a 12-month forward-looking basis, right. So when we're talking about length in the unrealized positions, that would be sort of a fair working assumption.

Kristian Sørensen: Yes. The forward positions are spread, as we always have, over a 12-month forward rolling period. That's right.

[Participant 3]: Hi, good afternoon. Thank you for taking my questions. I wanted to start by asking about the Q3 TCE. Considering the guidance you provided alongside Q2 earnings, it seems the load-to-discharge accounting has a positive impact on earnings. Could you talk a bit about that? And secondly, do you expect load-to-discharge accounting to once



again have an impact on Q4 earnings relative to the guidance you provided?

Kristian Sørensen: Yeah. I can say on the general basis and then Samantha can also fill in here that, when the market is going up, the mechanism is that, there is a negative IFRS adjustment. When the market is going down, you have a positive IFRS adjustment. So that is the way IFRS is smoothing out the fluctuations during the year. That's just to explain the mechanism on a general basis. Samantha, if you could comment on the IFRS adjustment for this quarter specifically?

Samantha Xu: Yes. I think Kristian, you captured most of the elements impacting IFRS 15. It also, of course, has something to do with when the cargo is -- when the vessel is being -- have laden or in a ballast voyage. In such a case, often we are not able to give a forward-looking estimate. It can only after we have closed a quarter, then we know exactly what's the impact. I would say to answer your question is that, yes, there will be impact. As for the quantum and the direction, it's hard to give you a guidance over there, Climent.

[Participant 3]: Makes sense. Thanks for the colour. And given the sale of the Cedar, should we expect net proceeds to be distributed from the India JV to the parent or is there any appetite to buy another vessel in the JV level? And secondly, could you provide an update on the infrastructure investments in India?

Kristian Sørensen: Yeah. On the sale of the Cedar, it's something which will take place, the delivery will take place in Q1. Then we will decide on how to distribute net proceeds and when we get to that point in time. We



will get back to you in the next earnings release on how we have dealt with that. When it comes to the infrastructure investments, there haven't been any major change since last time. But we are proceeding according to plan and hope to and expect to start the first phase of the construction of the terminal on this side of the new year, all going well.

[Participant 4]: Thank you. A question, kind of following up on Jorgen's question about Product Services. Can you give some colour on sort of -- I mean Q3 was a fantastic result in the P&L with a very large ARB and kind of more normalized rate, should we call it? Rates have been sort of flattish into Q4, while the arb has come down. Can you talk a little bit about sort of in general, the environment this leaves for the Product Services division? Is it more difficult to extract value at this point? And secondly, seeing as it's unrealized, a large portion of the gain in Q3, which you will then realize kind of in the following quarters, there is an argument to be made for paying out more than 100% of shipping NPAT because you will have a cash flow contribution from Product Services as well? Thank you.

Kristian Sørensen: Thanks, August. I can start with the last one. I mean, if you look at how we distributed the profits from Product Services and the capital return to us as shareholders, I think you will get kind of the answer to your last questions there. And I think with regards to the first question, if you can repeat your first question please.

[Participant 4]: It was a bit long, sorry. No, it's more about the market environment for Product Services now that the ARB has come in quite a lot, while shipping rates are more or less flattish from Q3?



Kristian Sørensen: Yes, I would say it's hard to guide exactly on how Product Services is performing from week-to-week and month-to-month because they have many handles to pull. They have physical cargoes, FOB cargoes. They have outlet positions in Europe and Asia, where they have deliveries and commitments fixed on certain price mechanisms. They have derivative positions and shipping positions. They have, I would say, a wide range of ways to create profit and value, even though the market is like you say, in a state where the arb is coming down and the shipping is also kind of flattish. I would say on a general basis, it's hard for us to comment specifically how they may perform in a market like this, except for that they have many ways of positioning themselves depending on the prevailing market conditions. I'm sorry, it's hard to be more specific, August.

[Participant 4]: No, no, that's great. Thank you very much. And then finally, just kind of a housekeeping question. G&A was down quite a lot this quarter. Any guidance there for Q4 and maybe also for depreciation as you over the Avance vessels?

Kristian Sørensen: I can just start off with the G&A because I think what we are doing is that we are accruing for bonus tax, etc, which is based on realized profits. And that will go a little bit up and down during the year because we do this on a quarterly basis, adjusting it. I think you have to see the G&A over the year to get the full picture of how the G&A is playing out because there are certain elements of bonus tax, etc, which is being adjusted from quarter to quarter. Samantha, would you like to add anything there?



Samantha Xu: Yeah, I think that's correctly said. I think if you're referring to contrast with the previous year, I would say that there is no drastic change is expected as we've seen last year.

Host: No more questions on the line. We have also answered a few incoming questions in the chat channel. Unless there are additional questions, I will round off the Q&A session.

Kristian Sørensen: It seems like we have answered all the questions here now. I'd like to thank everyone for joining us. That concludes our third quarter 2024 result presentation. Thanks everyone for dialling in and we wish you a good rest of your day wherever you are in the world.

Questions from the chat (answered directly in chat channel):

[Participant 5]: There is a discrepancy between the report and the presentation regarding the number of shares outstanding following delivery of all 12 Avance Gas vessels. The presentation says 151.6m, the report 152.7m. Please clarify.

Answer: The correct number of shares outstanding following the delivery of all 12 Avance Gas vessels will total 151.6 million shares.

[Participant 6]: I have a question about the new vessels you will get from Avance Gas. I understand that some part of the payments will be with stocks, but I did not understand if those stocks will be newly issued stocks, or it will the mother company sell some of the stocks it already poses?

Answer: There will be a tranche of new shares issued along with the delivery of each vessel.



This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies.