INVESTORCOMMS

BW LPG

Event	BW LPG Q3 2022 Earnings Presentation
Date	16 November, 1pm Oslo/ 8pm Singapore/ 7am New York
Hosts	Anders Onarheim, CEO Kristian Sørensen, Deputy CEO and Head of Strategy Elaine Ong, CFO Niels Rigault, EVP (Commercial) Pontus Berg, EVP (Technical and Operations)

OPENING

Welcome to BW LPG's Third Quarter 2022 Financial Results Presentation. Bringing you through the presentation today are CEO Anders Onarheim; Deputy CEO and Head of Strategy Kristian Sørensen; CFO Elaine Ong; EVP Commercial Niels Rigault; and EVP Technical and Operations Pontus Berg.

We are pleased to answer questions at the end of the presentation. Should you have any, please type them into the chat box in your Zoom panel. You may also use the “raise hand” option. This presentation held on Zoom is also being recorded. I'll now turn the call over to our CEO, Anders Onarheim.

CEO – ANDERS ONARHEIM

Thank you Glenn. Reflecting a truly international nature of shipping and also BW LPG, we speak to you from three locations today. Kristian and myself from Oslo, Elaine and Pontus from Singapore and Niels from New Delhi, India.

Our Indian subsidiary, BW LPG India is welcoming our stakeholders at LPG Week, an event organized by the World LPG Association. Since we cannot bring everyone on board a vessel, we've harnessed technology to bring a vessel to you. So if you are in India, come by to see a virtual reality model of BW Cedar, an Indian flag VLGC managed by our partner, Synergy Group.

It has been a busy quarter for the team BW LPG. Our acquisition of Vilma Oil's LPG trading operation that was announced last quarter has been approved by the Spanish regulatory authority. We've had solid financial results, and we're also well prepared for the upcoming environmental regulations. Geopolitical and economic uncertainties continue to cloud the outlook of the market. We're working hard to contribute to energy security by delivering LPG safely and sustainably around the world. With increasing demand for natural gas, we're also seeing a growing awareness of the possibilities for LPG. In many ways, we're surfing this wave of increased production of oil and gas. More on this later.

Some key highlights and figures for the quarter. Our average day rate was USD 38,200 per available days during the quarter, with a very good 98% commercial utilization. This compares very favorably to our colleagues in the industry, and I think it really underlines the importance of having critical mass in the fleet.

We have ample liquidity of USD 365 million, and a net leverage ratio of 25%. 93% of our floating interest debt is hedged at an average rate of 2.1% before margin for next half decade. We also sold and delivered one VLGC, the BW Prince in October, generating USD 44 million in liquidity with a book gain of USD 2 million.

And last, but certainly not least, we received, as I said, the approval from the Spanish authorities for the acquisition of Vilma's LPG trading operation. We are very excited to be welcoming our new colleagues, and I'm happy to see that the team is working hard to complete the transaction by the end of this year. Kristian will give you more details here later.

We continue with our 75% payout policy for dividends, and we returned USD 0.25 per share for the third quarter. This brings our total dividend payments up to USD 102 million so far in 2022. For our market outlook, we continue to have a positive view of 2023. Niels will elaborate on this, but just to give you a quick primer, we expect strong export growth from both the U.S. and Middle East coupled with stable retail demand and recovery in demand from the Far East petrochemical industry.

We also expect the implementation of the new regulations, the EEXI and the CII to reduce the effective supply of the VLGC fleet, and that certain shipping inefficiencies will continue into next year. And thus certain shipping efficiencies will certainly continue into next year. So that's the highlights and outlook. But before we go to the next slide, Kristian will now share some additional details on the Vilma LPG trading transaction and what we can look forward to in the future. Kristian?

DEPUTY CEO AND HEAD OF STRATEGY – KRISTIEN SØRENSEN

Thanks, Anders. Yes, as you mentioned, as a subsequent event since the end of Q3, we are pleased to announce that we recently received the Spanish Authority's approval for our acquisition of Vilma's LPG trading activities. We expect to close this transaction by the end of the year. And following the closing, we will increase our trading activities under the name BW LPG Product Services, with presence in Singapore, Madrid as well as Oslo.

In addition, we plan for up to five of Vilma's VLGCs to enter the BW LPG pool over the coming months, which will have a consolidating effect on the freight market. BW LPG Product Services will report on their own trading book and will operate on market terms like any other player in the market, and expect to start reporting on the contribution to BW LPG's EBITDA at the next earnings release.

When we ramp up the Product Services activities, we will add another layer to BW LPG's commercial portfolio, which we are confident will increase our optionality and ability to adjust our exposure in the growing LPG markets. And as mentioned many times before, thanks to its versatility, green profile and competitive pricing, LPG is increasingly regarded as an alternative to more cost energy sources, and we look forward to participating in this growing market with an even larger footprint than before. Back to you, Anders.

CEO – ANDERS ONARHEIM

Thank you, Kristian. We're currently experiencing a very strong LPG shipping market. And as is often the case, there are multiple elements contributed to this happening. Strong demand for natural gas in Europe has certainly contributed to the high gas prices and consequently, higher exports out of the U.S. also for LPG.

The very large increase in LNG exports out of the U.S. have also contributed to longer waiting times for Panama Canal transits. Today, we're seeing in excess of 20 days. And even if there are more US originated voyages going to Europe instead of Asia, the negative ton-mile impact of this is offset by increased Middle East exports.

Going forward, we also expect additional PDH plants in China to grow demand for LPG further. Niels will talk more about this. But for the very near term, we continue to enjoy a highly favourable spot rate environment, and with a vessel shortage for cargoes coming out of the Middle East Gulf and other shipping inefficiencies, spot rates could see continued support. At the same time, I think it's healthy to remind ourselves that rates well above USD 100,000 per day tend not to last forever. And we expect continued volatility also in this market even though the underlying fundamentals look quite good.

With that being said, I'll hand the floor over to Niels, who'll talk more about the outlook and our commercial performance. Niels?

EVP (COMMERCIAL) – NIELS RIGAULT

Thank you, Anders, and good evening from India. Please turn to Slide 7. So we continue to have a positive view towards 2023, even with the high newbuilding deliveries. The main reasons are, as Anders mentioned, the expectation for solid growth in both the U.S. and the Middle East exports. We also see a recovery in Chinese LPG demand, supported by new PDH plants coming on stream with expected recovering margins.

And we should not forget about fleet inefficiencies such as the Panama Canal. Regulations such as EEXI will have an impact on the speed of the VLGC fleets, and Pontus will talk more about the effects. The VLGC market will also face a heavy dry docking schedule next year. 67 VLGC to be dry-docked, which is about the double compared to this year.

Let's look closer at the third quarter and turn to Slide 8. For the third quarter, U.S. exports were steady compared to last year. Middle East, on the other hand, grew by substantial 23% compared to the same quarter last year. This growth was led by Saudi Arabia, Iran and Emirates. The majority of these export found a home in Asia, mainly China and India.

China actually increased their imports despite continued lockdown measures in place. While Indian imports were down during the quarter, we expect the full year to show growth due to the strong activity in October and November. European imports from the U.S. continued to grow, up by 143% in Q3 compared to last year.

Let's dive a little bit into what 2023 will look like from a supply and demand perspective. Slide 9 shows the expected export growth from the main LPG hubs, more than 10% growth in the U.S. and more than 5% growth out of the Middle East.

On Slide 10, and on the graph to the left, we have illustrated how we expect the new VLGC delivery next year to be absorbed by both demand growth and market inefficiencies. We expect increased export will absorb approximately 45% of the new vessel capacity. In addition, we also expect Panama Canal delays to continue. And with the introduction of new regulation, it could potentially absorb newbuilding fleet's supply of about 30%. As a result, we expect a firm freight market for next year. But since inefficiencies plays a large part of it, we will continue to expect a very volatile market going forward. However, with our critical mass in the spot market, we are ready to face this challenge.

For my last slide before handing over to Pontus, please turn to Slide 12. Anders has already touched on the rate figures, so I only add that we have booked 80% of our Q4 available days at an average rate of USD 50,000 per day. And that we have covered 17% for 2023 at USD 34,100 time charter days. And with that, let me hand over the floor over to Pontus. Thank you.

EVP (TECHNICAL AND OPERATIONS) – PONTUS BERG

Thank you very much, Niels, and good evening to all of you from Singapore. So the team continues to keep our focus on best-in-class operations. As we put the final touches to ensure full compliance with upcoming environmental regulations. To date, we have conducted close to 600 port calls and Panama Canal transits, and the team continues to target just-in-time arrivals to save bunkers, reduce emissions and serve our customers' interests best possible.

Year-to-date, we have consumed 22,340 tons of LPG fuel saving over USD 6 million in fuel costs versus compliant fuel. We have also reduced our CO_2 emissions by over 12,000 tons. Combining high-tech ships with smart operations, we are in a strong position to meet the new green regulations coming into force next year.

Turning to next slide. The key message we wish to leave you with is that come 1st January 2023, it remains business more or less as usual for BW LPG. All our vessels will be able to fulfill their commercial obligations. With available data, we can, however, see that 50% of the current world VLGC fleet will need to slow down to various degrees as a direct result of the EEXI regulations coming into force.

EEXI, or Energy Efficiency existing ship Index, determines the efficiency of the design of current vessels on the water. If the efficiency of the vessel does not meet the required baseline, mitigation methods such as engine power reduction, i.e., slowdown, or using less carbon intense fuels such as LPG will be needed.

CII, our Carbon Intensity Indicator, is an operational grade indication on how efficiently a ship conducts the voyages. Every year, from 2023, our vessel would be rated from A to E, where E or derating for three consecutive years means that a plan must be implemented to achieve C rating or better. The easiest and cheapest way to achieve C-Class or better if you are E or D is to reduce the engine power and thus slow down your vessel, else one would be looking at various retrofits such as sails, ducts or CO2-efficient fuel conversions, again, such as LPG, for example. It does remain to be seen how these new regulations will impact the overall business in the months to come. However, our fleet remains operable and all vessels will be able to fulfill their commercial obligations. And in particular, our 15 LGIP vessels will maintain maximum service speed for the foreseeable future. On this note, over to you, Elaine.

CFO – ELAINE ONG

Thanks, Pontus, and a very good day to all of you. I'll walk you through the key financial highlights from our third quarter. Starting with our per day statistics, our VLGC fleet generated USD 37,200 per calendar day during the quarter. Daily vessel OpEx came in above budget at USD 7,900 per day, largely due to higher manning expenses, escalating cost of lubricants with high oil price and inflationary pressures on the cost of stores and spares.

For 2022, our operating cash breakeven for our total fleet, including our chartered-in vessels, is at USD 22,800 per day. EBITDA for the quarter was USD 93 million, which represents an EBITDA margin of 71%. And we ended the quarter with a net profit of USD 46 million. This translates into an earnings per share of USD 0.32. With our net leverage ratio at 25% this quarter, our Board has declared an interim dividend of USD 0.25 per share, equating to a payout ratio of 77% of NPAT.

At 30th September, we had USD 133 million of cash, USD 2.2 billion in total assets, of which USD 1.6 billion relates to the carrying value of our vessels. Our positive free cash flow of USD 58 million this quarter was derived mainly from our strong operating cash flows, as there were minimum Capex since our LGIP retrofit program was already completed in the previous quarter. Our return on equity and capital employed this quarter were 10% and 13%, respectively. We ended the quarter with a total equity of USD 1.5 billion, which translates to NAV per share of USD 10.50.

Here on Slide 16 is an update on our financing structure and debt repayment profile. During the quarter, we drew down on our USD 198 million Indian debt facility for the BW Loyalty. She was the last of eight vessels going into our Indian subsidiary. Our outstanding bank debt was at USD 442 million at the end of September. Our gross debt currently stands at USD 609 million. This includes USD 64 million in advances drawn on our trade finance facilities and USD 106 million in lease liabilities from our time charter in vessels.

With a cash balance of USD 122 million, net of USD 11 million held in broker margin accounts and USD 243 million undrawn revolving credit facilities, we ended the quarter with USD 365 million of available liquidity and a net debt of USD 487 million. In today's rising interest rate environment, our interest rate hedges have sheltered us from the recent rate hikes as over 90% of our long-term debt is now hedged at a fixed rate of 2.1% before margin for the next five years. On this note, let me open the floor for questions. Back to you, Glen.

[…]

CONCLUSION

We have come to the end of today’s presentation. Thank you for attending BW LPG’s Third Quarter 2022 Financial Results presentation. Have a good day and good night.

*****