

Event	BW LPG Q4 and FY 2022 Earnings Presentation
Date	28 February 2023, 1pm Oslo/ 8pm Singapore
Hosts	Anders Onarheim, CEO Kristian Sørensen, Deputy CEO and Head of Strategy Elaine Ong, CFO Niels Rigault, EVP (Commercial)

OPENING

Welcome to BW LPG's Fourth Quarter and Full Year 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; and EVP Commercial Niels Rigault.

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, Lisa. Welcome to our Q4 and full year 2022 results for the period ending 31 of December last year. I'm joined today, as Lisa said, by Kristian Sørensen, Elaine Ong and Niels Rigault.

2022 was a hectic year for us at BW LPG. First of all, the past year has clearly demonstrated the relevance of our business in the context of continued global geopolitical and economic uncertainties. Energy security has become more important than ever, and we are playing our part as the largest VLGC owner and operator.



Many thanks to our employees at sea and on shore for their hard work in 2022. Together, we've delivered solid results. We completed the expansion of our Product Services business with the acquisition of the Vilma LPG team. We pressed on with our long-term commitment on fleet renewals, securing attractive prices for older tonnage while we continue to optimise operations and reduce costs with LPG propulsion and other onboard initiatives. We're also pleased to release our integrated annual report today, where we highlight how it's possible to combine profits with purpose. You can download the report from our website. We're well prepared for any and all market conditions, and we are confident in our ability to capture opportunities and create value for our shareholders.

Let me move on to the highlights for the quarter on Slide 4. We had a strong Q4 performance, which drove our NPAT for the year 28% higher than last year in 2021. For the fourth quarter, the TCE equivalent earnings were US\$ 55,000 per available day. This number is based on a load-to-discharge basis. However, in adjusting for IFRS 15, the discharge-to-discharge TCE earnings would be about US\$ 5,000 higher or around US\$ 60,000 per day. That's also communicated by our friends at Avance Gas earlier today. This has allowed a US\$ 0.52 dividend, representing a dividend yield of 26% for the quarter and 16% for the year. This is in line with our stated policy of paying out 75% of NPAT when net leverage is below 30%. The Board has further upgraded our dividend policy such that our intended payout will be 100% of NPAT when net leverage falls below 20%. And in the current environment, this could be a reality in the not-too-distant future. We also bought back almost six million shares at around NOK 60 per share, amounting to US\$ 35 million.



We successfully incorporated Vilma's LPG trading operations into our Product Services business in November. And with that, BW LPG has a new office in Madrid. The operations and the collaboration are going well, and Kristian will give you more details on that later.

It was another active quarter on the asset management side, and we concluded the sale and delivery of the *BW Prince* in October and entered into agreements to sell *BW Austria*, *BW Odin*, and *BW Thor* at prices averaging 35% above newbuild-equivalent. We also exercised purchase options for the *BW Messina* and *BW Kyoto* as part of our active asset management strategy. Vessel sales were done comfortably at above net book values, while the new ships coming into our fleet were done at good discounts, providing good shareholder value. Notably, we further developed the BW LPG pool with the addition of nine vessels from Vitol and Product Services. I'd like to dwell here for a moment. I think it's a great testament both to our team, but also to our clients, in the way our customers are showing their confidence in BW LPG. Even though we are increasing our trading presence, we are still viewed as the premier shipping company within the VLGC space.

On the market, we reiterate our positive view on 2023 despite the large newbuild order book. This is driven by strong U.S. exports growth and steady growth in Middle East. Chinese PDH plants starting up again after China's lockdown; increased shipping inefficiencies from the heavy dry dock schedule and Panama Canal transit congestion; and also new regulations, notably EXI and the CII. This will also slowly but steadily have an impact.

With this, I hand it over to Niels.



EXECUTIVE VICE PRESIDENT (COMMERCIAL) – NIELS RIGAULT

Thank you, Anders; good morning and afternoon to all of you listening. Since we have much to discuss this quarter, I want to start on Slide 10 with some key points about our operating fleet. Although we have been actively selling ships for the last three years, we still control a large, diversified fleet of 48 VLGC. We operate the largest LPG propulsion fleet of 16 vessels and the largest scrubber fleet of 14. In addition, we have the largest VLGC spot pool ready to benefit the solid and volatile market. Let's turn to Slide 12 and talk about the shipping highlights for the quarter.

Selling high and buying low is a simple strategy but is only sometimes easy to execute. We continue using the strong second-hand market to divest our older vessels. This quarter, we sold three ships with a total net book gain of US\$ 42 million. Buying vessels or building vessels in today's market is expensive. However, we grew our owned fleet by two vessels at a discount using purchase options through the TC-in fleet.

BW Kyoto had a Japanese yen purchase option, we took advantage of the historically weak yen, and declared the option at an attractive arbitrage compared to today's high asset values. We also declared the purchase option on *BW Messina* at an attractive price. She will be an excellent candidate to retrofit with LPG propulsion in the future.



We keep benefitting from our TC-in fleet and continue to explore arbitrage opportunities in the time charter markets. We have now locked in a US\$ 27 million net profit for 2023 on the TC-in book. The 2023-time charter remains strong at US\$ 40,000 - US\$ 50,000 per day average rates depending on the propulsion technology. Our LPG retrofits continue to have good interest in the market, and we have recently fixed out one of them for a three-year TC to an oil major at a premium compared to a newbuild LPG propulsion vessel.

This quarter we have taken a big step up on the BW LPG pool, growing the total pool to over 30 vessels, making it the largest VLGC spot pool in the world. We thank Vitol, Exmar, and our Product Services team for their trust in the pool's ability to continue outperforming the market, and we welcome more owners to join. An expanded LPG pool for BW LPG allows us to provide even better services to our clients. In addition, it gives us better market intelligence and creates an additional revenue stream for the business. Let's move to Slide 13 and talk about our performance.

New for this quarter, we illustrated the net gross profit generated from our TC-in and TC-out positions. We have secured US\$ 27 million for 2023 for our existing TC in book. The remaining backlog of the TC-out



book is expected to generate an additional US\$ 47 million in time-charter revenue. We have covered 30% of all our 2023 days at US\$ 38,000 per day, with 80% fixed for the first quarter at US\$ 54,000 per day.

For 2023, we will repeat a positive market outlook despite the order book. However, we continue to expect extreme volatilities and abnormal seasonality. This was observed in the first quarter when spot rates quickly bounced back to over US\$ 70,000 per day, driven by robust demand from China and export growth from the US. In hindsight, we were a bit conservative and early when taking the coverage for the first quarter. But, with 70% spot exposures, a positive market outlook and a large, diversified fleet, we are confident that we will be able to navigate through the market, and 2023 will continue to be a strong year for us. Let's turn to Slide 14 to talk about our TC-in fleet.

We made another slide to illustrate the earnings power of the TC-in fleet. At US\$ 40,000-day rates, our current TC-in fleet can generate around US\$ 30 million in a year. Now, we have nine vessels on time charter in at an average rate of US\$ 27,600.

For my last slide, please turn to Slide 15 to give some context on our business in India. We have eight VLGCs sailing under the Indian flag



and do about 25% of all LPG imports into India. Seven of them are trading in the TC market at an average rate of US\$ 35,000 per day, and one is serving the strong spot market and is currently installing a scrubber during her drydock. All ships have drydocks which are due within 12 months, and six of them have completed their drydocks within budget.

BW India is a perfect example illustrating our strategy for maximising the returns on our assets. The lean organisation structure, low-cost operation and stable earnings allowed BW India to achieve a strong return on equity of 19% for 2022. With such a noticeable presence in India, we are regularly presented with new business opportunities and are constantly evaluating how we can best develop these prospects for BW India. This includes both infrastructure and downstream activities.

And with that, I will hand the floor over to Kristian, who will update you on BW Product Services.

DEPUTY CEO AND HEAD OF STRATEGY – KRISTIA SØRENSEN

Thank you, Niels. Yes, as Niels says, we have several transactions to report since last quarter, but it remains important for us to show the great benefits we and other shipping companies obtain from burning LPG as marine fuel.



It is cleaner, cheaper and comes with a higher energy equivalent than VLF SO, and burning LPG is an important step on our decarbonization journey. It is with excitement we can say that the VLGC segment is a shipping segment which has fully embraced the new technology with Owners taking active investment decisions leading to a more environmentally friendly shipping industry. Turning to Slide 17 on Product Services.

Moving on to our newly expanded business unit BW Product Services on slide 17, we are very pleased to advise that the company acquisition, integration of the Vilma team, its trading portfolio and time-charter vessels have been concluded in a successful way. In addition to BW Product Services' presence in Singapore and Oslo, we have now also opened a new office in Madrid. Through the transaction, BW LPG have increased the fleet under our commercial control with five modern vessels and in 2022 the combination of BW Product Services' old trading portfolio and the acquired Vilma portfolio represented a total of five million tons of physical cargoes traded.

The chartering activities between BW LPG and BW Product Services are done on market terms to ensure optimal commercial decisions are made on both sides. There is no obligation on either side to charter spot vessels if more attractive alternatives are available in the market. However, as an example of our improved optionality we swiftly secured off-the-market employment for a handful of our vessels in January when the freight market softened, and our trading team needed the logistical flexibility our fleet could provide.



As you will see from our financials, the Vilma transaction came with a price of approximately US\$ 50 million for 85% of the company, the remaining 15% is held by key employees in BW Product Services. In addition, we have earmarked another US\$ 50 million as a working capital revolver for our trading activities. In order to give a correct picture of BW Product Services' trading portfolio and activities, we value all, except the time charter-in positions, based on the mark-to-market principle on a 12 months forward rolling basis. We believe looking 12 months forward gives a good estimate of the value of the portfolio, given the liquidity and availability of benchmark reference prices. This means that positions extending beyond 12 months are not reported in the financial accounts.

Since the mark-to-market valuation of the trading portfolio fluctuates from day-to-day and week-to-week, we will endeavor to announce a quarterly trading update after the expiry of each quarter so that our investors and analysts can manage their expectations ahead of our regular earnings release. Furthermore, we will also give a range guidance on the average Value At Risk (VAR) last quarter. Elaine, over to you.

CFO – ELAINE ONG

Thanks Kristian, and a very good day to all of you. Before I walk you through the key financial highlights, let me explain some changes made to how we present our financial results in light of our recent acquisition of Vilma's LPG trading operations in November.

First, you will see that our Product Services performance is now presented on a "gross" basis, showing gross revenue and cost of goods



sold. This provides better insights into the financial performance of Product Services' increased trading activities. And we have also included segment reporting in both our quarterly and annual reports which will show the achieved TCE income of our Shipping segment, and the Gross profit of our Product Services segment.

Now turning to the numbers. On a consolidated basis, we reported a total of US\$ 568 million in gross profit for the full year 2022. This was primarily derived from the strong TCE earnings of our Shipping segment. EBITDA came in at US\$ 408 million, which represents an EBITDA margin of 72%. We recorded US\$ 21 million in gains from the disposal of four vessels during the year. We ended 2022 with a full year net profit after tax of US\$ 239 million, and an earnings per share of US\$ 1.68.

With our net leverage ratio at 24% this quarter, our Board has declared a final dividend of US\$ 0.52 per share, equating to a pay-out ratio of 75% of fourth quarter NPAT. This brings our total dividends for 2022 to US\$1.28 per share, which translates into a 76% pay-out ratio on our full year NPAT. Our Board has also further enhanced our dividend policy to target a quarterly pay-out ratio of 100% NPAT when the net leverage ratio is below 20%. At 31 December, we had US\$ 236 million in cash, and 2.5 billion in total assets, of which 1.7 billion relates to the carrying values of our vessels. Based on the latest secondhand broker valuations, we still have a healthy US\$ 320 million headroom in the market values of our vessels over their carrying values.

Our positive free cash flow of US\$ 654 million this year was derived mainly from our strong operations with minimal capital expenditures as our LGIP retrofit program was completed by the first half of the year.



During the year, we also received US\$ 183 million in sales proceeds from the sale of four vessels, and a further US\$ 80 million as new equity from an external investor into our Indian subsidiary. The positive cash flows were used to repay our term debt, and for the expansion of our product services business. Our return on equity and capital employed for 2022 were 16% and 12% respectively. We ended the year with a total equity of US\$ 1.6 billion which translates to an NAV per share of US\$ 10.92.

Going forward, we will also provide a breakdown of the financial performance of our two operative business segments. Starting with our Shipping business - our VLGC fleet generated US\$ 40,600 per calendar day for 2022. Daily OPEX came in at US\$ 8,400 per day, largely due to higher manning expenses, escalation and cost of lubricating oils due to higher oil price and inflationary pressure on the cost of stores and spares. Our shipping segment generated a strong TCE income of US\$ 568 million in 2022. Looking at 2023, we expect our operating cash breakeven for our total fleet, including our chartered-in vessels, to be at US\$ 22,600 per day.

Now, shifting focus to our expanded product services business – in 2022, we lifted a total of 22 cargoes, generating US\$ 730 million in gross revenues. Following the expansion of our product services segment, we lifted eight cargoes in December alone, locking in approximately US\$ 200 million in gross revenues. Our Product Services team now operates a trading portfolio with a daily VAR range of US\$ 5-8 million, based on a standard 95% confidence level. The 95% confidence level implies that we expect only a 5% probability that the trading portfolio will incur a change in value of more than the expected VAR in a day. All-in, we have committed US\$ 100 million in capital for this business -



US\$ 50 million to acquire Vilma's LPG trading operations and US\$ 50 million in a revolving working capital facility used mainly to finance margin calls on our paper hedges.

Slide 20 provides a summary of our liquidity position. For better clarity, we have also separated our financings by business segments. On a consolidated basis, we ended the year with almost half a billion in liquidity - made up of US\$ 221 million in cash, net of US\$15 million held in broker margin accounts, and US\$ 242 million in undrawn revolving credit facilities. Ship financing debt at the end of December is at US\$ 428 million after all our scheduled repayments of existing term loans. Our revolving credit facilities remain undrawn.

On the trade financing side, we have increased our facilities by over US\$ 200 million and now have US\$ 522 million in place at the end of 2022. Our trade finance lending group has also expanded from four to nine banks spanning across Europe and Asia. We look forward to further expand this lending group as we aim to upsize our lines to US\$ 800 million. At the end of December, only US\$ 219 million, or 42%, of our current US\$ 522 million in lines have been used – with US\$ 53 million related to advances drawn and US\$ 166 million in Letter of Credit issuances.

On this note, let me open the floor for questions. Back to you, Lisa.

[...]



CONCLUSION

We have come to the end of today's presentation. Thank you for attending BW LPG's Fourth Quarter and Full Year 2022 Financial Results presentation. More information on BW LPG is available online at www.bwlp.com. Have a good day and good night.
