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Event	BW LPG Q1 2023 Earnings Presentation
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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 First Quarter 2023 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, Lisa. Welcome to our Q1 2023 results presentation for the financial period ended 31st March 2023. As always, I am joined today by our Deputy CEO and Head of Strategy Kristian Sørensen, CFO Elaine Ong; and EVP Commercial, Niels Rigault.

The year has started off very strongly. On the shipping side, with an expanded fleet through our pool vessels, we have positioned ourselves to benefit from this strong market and capture value for our shareholders. Our Product Services division also delivered a solid first full quarter as an expanded team. Let me move on to the highlights for the quarter. Please turn to Slide 4.

Like many of our quarters, Q1 of 2023 was also an eventful one. Our shipping business delivered the highest historical daily TCE on record with US$60,900 per available day, with a commercial utilization of 97%. This is despite taking some cover earlier this year at lower levels, as Q1 is often challenging.

The payoff of investing in our 15 dual-fuel propulsion vessels is now becoming more and more visible. In addition to the environmental benefit of using LPG as fuel, it also makes commercial sense as burning LPG is cheaper than burning compliant fuel. Because of this, we have experienced great interest in our retrofitted ships from our customers. The sale of BW Thor in March generated additional liquidity of US$54 million and a net book gain of US$17 million.

Q1 was also the first full quarter after the combination of BW Product Services and Vilma LPG Trading. Product Services delivered a net result after tax of US$3 million and traded about 1 million tons of physical LPG during the quarter.

In sum, the above activities contribute to our strong liquidity position of US$532 million and net leverage ratio down to 21%. And with this liquidity position, we’re able to return more dividends to shareholders, and for Q1, we announce a dividend of US$0.95 per share, equaling an annualised dividend yield of 44%. If this continues, that’s less than 2 ½ year payback.

The Board has also resolved to initiate a new share buy-back program for the purchase of shares up to a maximum of US$50 million. Details on execution will be provided when the new share buy-back program is launched.

Switching to our market outlook, we are still positive – but expect volatility to remain. The current oil price is conducive to continued strong export growth from The US and steady growth from the Middle East. We also see that margins for Chinese PDH plants have been improving, which is important for LPG demand. Further, we expect fleet inefficiencies to continue to lend support to rates. 36 VLGCs are due to drydock from June to the end of 2023 and waiting times at the Panama Canal are likely to increase as the world's merchant fleet expands in the coming years.

Recently announced capacity expansions for US LPG export terminals also enable more LPG to be shipped in the years ahead. And finally, before I hand over the Niels, after the end of Q1, we sold and delivered BW Odin and BW Austria. These two sales generate additional liquidity of approximately US$113 million, and result in a combined net book gain of approximately US$26 million.

Those are the highlights. Niels will now take you through the Market and Shipping Performance segments.

EVP (Commercial) – Niels Rigault

Greetings to all, let's turn to Slide 6 in the presentation.

The VLGC freight market had a very strong performance in the first quarter of 2023: The average spot TCE for the first quarter was set at

US$70,000 per day, historically the second strongest market performance for the first quarter and significantly higher than previous years, surpassing expectations.

Initial fears of a market downturn due to poor Chinese PDH margins, global economic outlook, and new vessel deliveries were proven wrong. Will this continue going forward? While we can't say for certain, we think there are good reasons to be optimistic and I would like to highlight six of them.

1. **Strong US Export Growth**: Record-high inventories and expected stability to decline in domestic consumption indicate robust US export potential.
2. **Sustained Asian Demand**: Asian LPG demand remains strong, exemplified by increased run-rates of Chinese PDH plants driven by improved operating margins.
3. **Market Inefficiencies**: Various inefficiencies within the LPG trade, including congestion at the Panama Canal, port delays, weather conditions, and geopolitical/regulatory factors.
4. **Absorption of Newbuild Fleet**: Although 28 VLGCs are still scheduled for delivery in 2023, the impact of this supply growth is expected to be partially mitigated by the drydocking of 36 VLGCs throughout the year.
5. **Increased Newbuild Prices**: Rising prices of newbuild vessels contribute to higher time charter (TC) freight rates.

6. **Market Dynamics Shift**: Notably, a significant shift has occurred in LPG shipping, where traders and oil majors have transformed into ship-owners, resulting in a market increasingly oriented toward long shipping, reducing incentives to drive down rates.

If we take a slightly longer view of the VLGC market, we see a significant slowdown in fleet growth in 2024, with just 14 newbuildings expected to be delivered. Furthermore, considering the substantial LPG export expansions in both the US and the Middle East, coupled with shipyards being fully booked until the second half of 2026, this scenario presents promising opportunities in the LPG shipping sector. Now, let's move to slide 11 to discuss our performance.

Our TCE performance for Q1 2023 achieved a new record since our company's listing in 2013. However, we did not expect the market to be so volatile and strong. At the start of this year, spot rates developed very much in line with seasonal trends; and conventional data implied that this would continue. As a result, we took cover in TC and the paper market to protect the downside which lowered our performance compared to the overall spot market. Our remaining TC out coverage for 2023 is at 31% with an average rate of USD 38,900 per day and our TC in book for 2023 is covered with a US$29 million profit. For 2024 we currently only have 4% coverage, but we see strong demand from the market to fix 2-3 years' time charterers at historically strong rates. Our LPG retrofit ships are popular due to their fuel efficiencies and could obtain 13-15% unlevered returns for TC contracts.

For the second quarter, we have booked 90% of our available fleet days at an average rate of US$50,000 per day. The lower fixed Q2 number compared to Q1 is due to the market dip we saw in March and April. The current spot market is on average, US$80,000 per day. So we expect to finalise the remaining days of Q2 at a strong note. The FFA market for Middle East, Japan indicates TCE at mid to high US$50,000 per day for the remainder of the year.

That was it. Kristian, over to you.

DEPUTY CEO AND HEAD OF STRATEGY – KRISTIAN SØRENSEN

Thank You Niels.

Before we move to the Product Services part, we believe it is worthwhile to say a few words about our strategy which remains steadfast by building a robust, return focused company by actively searching for attractively priced investments in shipping as well as LPG trading and onshore infrastructure projects.

BW LPG pioneered the dual fuel LPG propulsion technology through our retrofit program, a technology which today represents a fuel saving of approximately US$5,000 per day, and we are strong believers in the LPG dual fuel technology as well as closely monitoring the developments on the ammonia side. Accordingly, we will continue to look for opportunities to create shareholder value through attractive asset play transactions as well as using our time-charter portfolio and derivatives to adjust our market exposure.

If we flip to the Product Services update on the next slide, you will see that we report a net profit after tax in line with our April trading update of US$3.1 million, after depreciation of 17 million USD for the 5 time-charter-in vessels. You can expect Product Services to continue its conservative short-term approach to the market while we prepare for an activity ramp up in the medium term.

Some of you have asked us about the synergies between shipping and trading, and as guidance for first quarter our Product Services division fixed about 20% of the available ships for that specific quarter with a total physical volume of about 1 million tons traded.

Over to you, Elaine.

CFO – ELAINE ONG

Thanks, Kristian, and a very good day to all of you. On a consolidated basis, we reported a total of US$225 million in gross profit for Q1. This was largely driven by the strong TCE earnings from our shipping segment on the back of the sudden reopening of China with low inventories.

EBITDA came in at US$176 million, which represents an EBITDA margin of 78%. We recorded US$17 million of gains from the disposal of the BW Thor during the quarter. This brings us to a full year net profit after tax of US$131 million, US$3 million of which came from our Product Services segment. Our net leverage ratio came in at 21%, just above our 20% guidance for a payout of 100% of NPAT. Nevertheless, our Board has still decided to declare a Q1 dividend of 95% per share, equating to a pay-out ratio of 100% of NPAT.

At the end of March, we had US$329 million of cash and US$2.6 billion in total assets of which US$1.7 billion relates to the carrying value of our vessels. Compared to the latest second-hand broker valuations, we have a healthy headroom of US$380 million in excess of our book values.

Our positive free cash flow of US$171 million this quarter was derived mainly from our strong operating cash flows and a net positive investing cash flow of US$50 million, mainly from the sale of BW Thor. The positive cash flows were used to repay our term debt to return value to our shareholders, both in dividends paid and our continued share buyback. Our return on equity and capital employed for Q1 were 33% and 24%, respectively. We ended the quarter with a total equity of US$1.6 billion, which translates to an NAV per share of US$11.38 and NOK 119 per share.

Next, we move on to the financial performance of our two operating business segments. Starting with our Shipping business per day statistics. Our VLGC fleet generated US$200 million in TCE income or US$58,700 per calendar day for the quarter, which is a historical record high. Daily OpEx came in at US$8,600 per day, largely due to higher maintenance and repair expenses. Our shipping segment ended the quarter with a profit after tax of US$128 million. For 2023, we expect our operating cash breakeven for our total fleet, including our chartered-in vessels to be at US$23,100 per day.

Shifting focus to our expanded Product Services business. In Q1, we traded approximately 1 million metric tons of physical LPG, generating US$25 million in gross profit. Depreciation relating to the amortization of five right-of-use (ROU) assets was US$18 million, resulting in a US$7 million EBIT for this quarter. Other expenses comprised of the interest component of the ROU liabilities, G&A expenses and estimated taxes approximates US$4 million for the quarter.

Net of depreciation and other expenses, our Product Services business reported a profit after tax of US$3 million this quarter. Our trading portfolio reflected an average daily value at risk of about US$5 million for Q1 based on the standard 95% confidence level. Our committed capital in this business remains unchanged at US$100 million, which includes US$50 million in a revolving working capital facility used mainly to finance margin calls on our paper hedges.

Slide 15 provides a summary of our liquidity position. On a consolidated basis, we ended the quarter with over US$0.5 billion in liquidity, made up of US$209 million in cash, net of US$38 million held in broker margin accounts and US$241 million in undrawn revolving credit facilities. Ship Finance debt at the end of March is at US$413 million after all our scheduled repayments of existing term loans. Our revolving credit facilities remain undrawn.

On trade finance, we have expanded our facilities to US$580 million with support from multiple banks across Europe and Asia, and we are on track to further expand our lending group and upsize our lines to US$800 million. At the end of March, only US$278 million or 48% of our current US$580 million in lines have been used. US$71 million related to advances drawn, and US$207 million in letter of credit issuances.

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

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CONCLUSION

We have come to the end of today's presentation. Thank you for attending BW LPG's First Quarter 2023 Financial Results presentation. More information on BW LPG and BW Product Services are available at www.bwlpg.com and www.bwproductservices.com respectively.

Have a good day and good night.

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