INVESTORCOMMS BW LPG

Event	BW LPG Q2 2023 Earnings Presentation
Date	29 August, 1pm Oslo/ 7pm Singapore/ 7am New York
Hosts	Anders Onarheim, CEO Kristian Sørensen, Deputy CEO and Head of Strategy Niels Rigault, EVP (Commercial) Iver Baatvik, Interim CFO, Head of Investor Relations and Corporate Development

OPENING

Welcome to BW LPG's Second Quarter and First Half 2023 Financial Results Presentation. Bringing you through the presentation today are CEO Anders Onarheim, Deputy CEO and Head of Strategy Kristian Sørensen, EVP Commercial Niels Rigault and Interim CFO, Head of Investor Relations and Corporate Development Iver Baatvik.

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. Before we begin, we wish to highlight the legal disclaimers shown on the current slide. This presentation, held on Zoom, is also recorded. I now turn the call over to BW LPG CEO Anders Onarheim.

CEO – ANDERS ONARHEIM

Thank you, Lisa. Welcome to our Q2 2023 results presentation for the financial period ended 30th June 2023. It has been a strong first half year for BW LPG, and we have been busy. On the shipping side, our expanded fleet with new pool vessels allowed us to capture value in the buoyant market at an impressive 99 percent utilization. Kudos to the commercial team.

VLGC rates surged well above the seasonal averages from recent years. As an example, TCE rates for the Ras Tanura – Chiba trade route was twice the average of that in in the same period last year. Our India business is also delivering steady returns, and we are actively looking to increase our presence further in this fast-growing market.

We are very pleased to see that our strategy developed over the last several years, including an expanded position in the value chain and disciplined fleet renewal, is starting to bear fruit. Our Product Services business is developing nicely, and Kristian will give you some further details of developments here. Also, we are extremely pleased to see sharp improvements in the uptime on running our retrofits on LPG. The fuel savings are substantial, and the CO2 and other footprints drastically reduced.

In this favorable market, we continue to generate substantial free cash flow and our balance sheet is rock solid. Reflecting this, we did a share buy-back through a reverse book building process in June, and we continue to return capital to our shareholders through attractive dividends. For the first half of 2023, we will have distributed nearly NOK 20 per share. This equals an annualized dividend yield in excess of 30 percent. Let’s move on to the Highlights for the quarter on Slide 4.

As mentioned, this quarter we had a 99 percent commercial utilization for our fleet, and an average TCE of US$52,500 per available day. We report a trading-profit-adjusted result of US$112 million, which is equivalent to an earnings of US$0.81 per share.

We enjoy ample available liquidity of US$492 million with a low net leverage ratio of 19 percent. This leaves plenty of room for dividends and share buy-backs. We have updated our dividend policy to include the difference between Product Services trading profit and reported NPAT. For the second quarter, we announce a dividend of 81 cents per share, which translates into an annualised yield of 28 percent.

We are also pleased to announce that we have decided to work towards a dual-listing of LPG shares in the US. A US listing is expected to expand the potential investor universe for the BW LPG share, and thus improve the underlying trading activity. With our strong expected financial returns and an attractive dividend policy, we anticipate good interest from a broader group of US investors. Given the increasing importance of US shale activities for LPG shipping, we also find it interesting to engage with knowledgeable investors in the US market. More information will be announced when available.

After the end of the quarter, we amended our US$400 million Senior Secured Facility, converting US$110 million of Term Loan into a revolving Credit Facility with all other terms unchanged. Switching to our market outlook. We reiterate our positive view for 2023 and for 2024, amid high volatility. Key reasons for this include:

- An oil price that is very much conducive to continued strong US exports and steady export growth from the Middle East;
- New PDH plants coming on stream in China – and we see that the new plants being commissioned often have a high operating rate;

- The delivery of VLGC newbuildings will slow down considerably after January 2024 which will set the stage for an interesting year;
- In fact, shipyards are now booked all the way into 2027, so there is little change of increasing the near to medium term VLGC deliveries.

While the factors mentioned above do paint a positive picture for the VLGC shipping market, it's also important to remind ourselves that things can change quickly. We are mindful of the current uncertain macroeconomic environment, especially in China, and how much this can impact both investments in and demand for LPG. Let me echo Mikael Skov of Hafnia. A continued strong VLGC market requires a strong degree of discipline with respect to ordering of newbuilds. Those are the highlights. Niels will now take you through the Market and Shipping Performance segments.

EVP (COMMERCIAL) – NIELS RIGAULT

Thank you, Anders, and hello to everyone listening. Let's direct our attention to Slide 6 of the presentation. The second quarter presented volatility but showed stronger performance than expected, marking it as the third-best quarter in VLGC history. This is notable since Q2 is typically seen as the weakest. Freight rates experienced a dip, reaching a low of US$40,000 per day. However, throughout the quarter, spot freights displayed a sharp upward trend. By the end of June, the number surpassed triple-digit TCE figures on all main routes. This quarter's robust performance can be attributed to two main factors:

1. China's substantial purchases to boost their LPG inventories in response to heightened demand within their petrochemical sector.
2. A surge in exports from the Middle East, especially from Saudi Arabia, due to reduced domestic consumption. Compared to the same timeframe in 2022, there was a 19 percent growth in the MEG.

In sum, 562 VLGCs were loaded in Q2 worldwide, marking a 5 percent increase from the record levels witnessed in Q1. As we look ahead, our outlook on the market remains optimistic, and concerns regarding the order book are reduced. The global fleet has already received 50 percent of the 42 VLGC newbuildings set for delivery this year. Neither utilization nor rates have been adversely impacted thus far.

Let's move to Slide 11 to delve into our shipping performance. Our TCE performance for Q2 stood at US$ 52,500 per available day for the entire fleet, accounting for our fixed TCs and derivatives. Our available days for this quarter were bolstered by a booming spot market, where we realized an average rate of US$63,900 per day, excluding waiting time and fixed positions.

Considering the current unpredictable market, escorted by several uncertain factors, we remain committed to safeguarding the downside at an optimal level. For the remainder of 2023, 34 percent of our fleet is covered on TC, with an average rate of US$38,200 per day. Evaluating our TC in and TC out balance, we've fully covered our TC in book for 2023, securing a profit of US$43 million. Additionally, 9 percent of our calendar days are hedged through derivatives, at an average rate of US$36,800 per day.

For 2024, our fixed contract coverage is currently at 12 percent. This figure sits at the lower threshold of our desired downside protection. We're targeting coverage similar to 2023, aiming for 20-30 percent fixed-rate coverage from the TC market and roughly 10 percent through paper hedges. However, anticipated rates for 2024 could surpass 2023 levels. To provide some perspective on potential achievements in the time charter market, recent TC contracts for next year, spanning two years, are obtaining a range between US$40,000 - US$50,000 per day, depending on ship technology. Predictions for the FFA/derivative market next year hover around the mid/low US$50,000s per day.

For Q3, approximately 84 percent of our available days are fixed at an average rate of around US$65,000 per day, inclusive of FFA and TC impacts. The achieved spot rate stands at US$84,000 per day. Given the continued robust performance of the current spot market, Q3's final earnings are poised to be notably strong.

Before giving the word to Kristian and since I have your attention, I would like to thank Anders Onarheim. Being Head of Commercial under your watch has been an honor. Your nose for good business and excellent decisions have made our shareholders richer. Numbers never lie. And since you started on the 9th of December 2019, shareholders have experienced a 200 percent return on their equity. On behalf of everyone at BW LPG and your shareholders, thank you, Anders. Kristian, I'll pass it to you.

DEPUTY CEO AND HEAD OF STRATEGY – KRISTIAN SØRENSEN

Thank you very much, Niels, kind words here to Anders. Well deserved, Anders. And let's move on to Product Services performance. As announced in July we reported an accounting loss of US$31 million in Q2 due to the time lag effect between the derivative positions and the 12 months forward rolling valuation of the physical shipping positions. For better transparency we have illustrated the discrepancy between the accounting P&L and how the trading book is valued internally

Our internal valuation of the five TC-in in vessels increased with US$34 Million for the quarter, giving an estimated Non-GAAP Trading profit of US$3.2 million for Q2. This reflects a continued strong development in the 12-month forward freight market for VLGCs, which is the period for which we use to evaluate freight positions in Product Services.

As you can see, the VAR is relatively stable and the portfolio is well balanced between cargoes, shipping and derivatives from a trading book perspective, and so far in Q3 we have seen that the tables are turning on the back of profitable positions. After nine months of operation, we are very happy to see how the BW PS platform provides BW LPG with improved information flow, optionality and enlarged footprint. Product Services are also looking at expanding the physical presence in key markets to broaden the platform and trading portfolio. Next slide please.

This slide is a tribute to our technical and operations team as well to our crew onboard our vessels who have enabled us to capitalize significantly on our retrofit program. As the spread between compliant fuel and LPG widened, our cost savings in first half of the year is more than US$4.5 million on top of a considerable reduction in emissions from our fleet.

We are realizing the environmental, operational and financial benefits of LPG propulsion, and LPG remains a cost-effective and readily available fuel which we still believe is under-communicated as an important transition fuel towards our zero-carbon journey. First half of this year our retrofit program generated an IRR of approximately 25 percent and shows our ability to develop projects that generates solid returns to our shareholders.

BW Product Services, the development of BW India as well as our Dual Fuel Retrofit Program are examples of strategic decisions which have been made to build a more robust company that is well positioned to meet the regulatory requirements in the future at the same time as we continue to generate solid returns.

In the coming years we will carry on the journey that was started under Anders' tenure and the incoming management will continue to build a returned focused business which is sustainable both financially and environmentally. Although asset prices currently are elevated, you can expect us to continue our pursue to renew the fleet and invest more into the LPG value chain. Over to you, Iver.

INTERIM CFO, HEAD OF INVESTOR RELATIONS AND CORPORATE DEVELOPMENT – IVER BAATVIK

Thank you, Kristian. Starting with the income statement, on a consolidated basis for the second quarter, we reported a net profit after tax of US$78 million, this includes a US$9.5 million in profit from BW LPG India, the US$31 million reported loss from Product Services, as well as a US$27 million gain from the sale of BW Odin and BW Austria.

As explained by Kristian, adjusting the result to reflect the trading profit, results ended at US$112 million, which after adjusting for minorities, as we hold 52 percent of BW India and 85 percent of BW Product Services, translates into an adjusted earnings per share of US$0.81 this quarter. Given the net leverage ratio at 19 percent, the Board has decided to declare a Q2 dividend of US$0.81 per share, equating to a pay-out ratio of 100 percent of our trading-profit-adjusted results.

Our Balance sheet ended the quarter with a shareholder's equity of US$1,532 million, and when adjusting for the US$460 million excesses in broker values over book values, we reach an adjust NAV per share of NOK150, an uplift from book values of about US$3 per share after adjusting for minority interest in BW India.

Our positive free cash flow of US$195 million this quarter was derived mainly from our strong operating cash flows of US$ 150 million and a positive capex inflow of US$45 million. The capex inflow is the net from the purchase of BW Messina, selling of BW Austria and BW Odin and two drydocking's in the quarter. Our return on equity and capital employed for Q2 2023 were 20 percent and 14 percent respectively.

Next, we move on to some key statistics on our shipping business. Daily OPEX came in at US$8,800 per day, largely due to higher maintenance and repair expenses. For 2023, we expect our operating cash breakeven for our own fleet, to be at about US$19,100 per day. This is down US$500 per day from our Q1 report, driven by early repayment for debt.

Slide 15 provides a summary of our liquidity position. On a consolidated basis, we ended the quarter with close to half a billion in liquidity, made up of US$251 million in cash, net of US$80 million held in broker margin accounts, and US$241 million in undrawn revolving credit facilities. Ship financing debt at the end of June was at US$397 million. Subsequently, to reduce our debt costs, but maintain flexibility, we repaid US$110 million under the US$400 million facility and increased the revolving credit facility with the same with all other terms unchanged.

We also reduced our interest rate hedges, by about US$100 million to US$238 million, maintaining a hedged rate at 2.1 percent. The gain on the unwinding of the interest hedges will be amortised over the remaining loan period.

On the trade financing side, we are on track to further expand our lending group and upsize our lines to US$800 million. For perspective, these lines would allow up to about US$8 million tons of yearly traded physical LPG volumes from US to the Far East under current market conditions. At the end of June, only US$48 million, or 7 percent, of our current US$660 million in lines have been used, – with US$16 million related to advances drawn and US$32 million in Letter of Credit issuances. The low utilization is due to timing issues, and we expect it to average higher in the coming quarters though maintaining healthy headroom. Back to you, Anders.

CEO – ANDERS ONARHEIM

Thank you, Iver. I would like to take this opportunity to thank all the stakeholders on the call. It's been a privilege to interact with all of you. As I go into my last month as CEO, I can assure you that Kristian, Niels and the team will continue to work hard to create long-term value for all stakeholders. I will remain a key shareholder in BW LPG but I also promise the team here that I will not ask difficult questions on the next earnings call. 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 Second Quarter and First Half 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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