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Event	BW LPG Q4 2023 Earnings Presentation
Date	29 March, 1pm Oslo/ 8pm Singapore/ 7am New York
Hosts	Kristian Sørensen, CEO Samantha Xu, CFO

OPENING

Welcome to BW LPG's Fourth Quarter Financial Results Presentation. Bringing you through the presentation today are CEO Kristian Sørensen and CFO Samantha Xu.

We are pleased to answer questions at the end of the presentation. Should you have any, please type them into the Q&A channel 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 Kristian.

CEO – KRISTIAN SØRENSEN

Hi everyone and welcome to our 2023 Q4 presentation. I am joined today by our CFO Samantha and together we will take you through the slides.

Q4 ended the strongest year on record for BW LPG. We achieved a TCE income per available day of USD 76,000 in a steaming hot VLGC market and together with a strong performance from our Product Services team we had a net profit after tax of USD 162 million for the quarter and a full year NPAT of USD 493 million, our highest ever.

After the first full calendar year in operation as the new and expanded trading team, Product Services generated a net accounting profit of USD 18 million in Q4, this is after adjusting for G&A and tax provisions from the earlier announced USD 27 million quarterly profit. We have also scheduled to return USD 30 million to the shareholders in Q2 following a substantial cash generation during 2023.

Given the strong quarter for our company, our board has declared a dividend of 90 cents per share which brings our year-to-date dividend per share to USD 3.46. This represents a 98% payout of our annual earnings and an annualised dividend yield of 28%.

The quarter was eventful also on other fronts. We are moving forward with our dual listing in New York which will likely take place in Q2 this year on the New York Stock Exchange. We have had road shows in the US where we received strong interest in our company's and the sector's story, and we are confident that a listing in New York will expand our investor universe in the future and increase liquidity of our shares.

Our company also made a milestone announcement on 30 November 2023 with the announcement of a signed joined venture with our Indian partners Confidence Petroleum and Ganesh Benzoplast, to invest in the development of a new LPG import terminal in India. In addition, and as part of the agreement, we have just concluded a USD 30 million investment in Confidence Petroleum which gives us a strategic 8.5% ownership in the company to participate and get a foothold in the distribution of LPG in India.

As we move into 2024, the VLGC market has again proven itself as exceptionally volatile with rates dropping more than 90% in three weeks due to cold weather in the US which increased US LPG prices and halted US exports. At the same time, the sudden availability of more Panama Canal transit slots reduced the sailing distance and put pressure on rates. However, since January, rates have increased sharply, and we are currently seeing rates in the USD 40,000 range per day in the Middle East as well as the US Gulf with a contango in the FFA market for 2024 and we maintain our positive view for the year backed by sound fundamentals. Those are the highlights. Next slide, please.

The massive volatility is something we have experienced previously and if we move to Slide 6, we compared this year's drop and recovery in rates with 2022 and 2023. And the story has repeated itself starting with a cold front in the US which closed the LPG price arbitrage between the US and Far East and the willingness to pay for shipping. On top of this, we had a surprising turnaround in the availability of Panama Canal transits which reduced the sailing distance and increased the supply of ships.

However, when the temperature in the US Gulf coast normalises, prices recalibrate, and exports restart which again push shipping rates up. We are also now seeing a busier transit program in the Panama Canal, driven by more containerships which takes up capacity and is expected to re-introduce more inefficiency to the VLGC fleet.

If we turn to Slide 7, the US exports for February are record high and driving the recovery of the rates together with fleet inefficiencies absorbing capacity. Looking at the FFA market illustrated by the red line, it is pricing second half 2024 in the USD 50-60,000 per day range.

The new building deliveries have been a focus point over the last years and the pace in new vessels hitting the water is coming off sharply after the first quarter this year and remains limited for the next 24 months. We do however monitor the large number of VLAC newbuilding orders this quarter for 2027 delivery which may bring uncertainty to the development of the VLGC market in the longer term if the Ammonia export projects do not materialise or are delayed.

We have reduced our forecast for North American exports for the year, following the cold snap in January. We anticipate the Middle Eastern exports to be stable this year before they start growing on the back of the massive LNG expansion in the region.

To sum up, we maintain our positive view for 2024 based on solid underlying fundamentals and added by returning inefficiencies in the fleet, especially around the Panama Canal, and abating newbuilding deliveries.

Moving on to the financial performance for our core shipping segment. We achieved a historical high TCE performance of USD 76,000 per available day for the fourth quarter. This figure includes fixed Time Charters and derivative hedges. The spot fleet achieved a TCE of USD 108,300 per day, excluding waiting days.

For the first quarter, around 83% of our available days are fixed at an average of USD 55,000 per day. As highlighted earlier, we saw a sharp decline in spot rates down to less than USD 10,000 per day which impacts the guidance rate together with a number of previously fixed ships ending up sailing trans-Atlantic voyage from the US after a long ballast from the Far East. We anticipate that we will recoup this ballast cost for the voyages in the next quarter.

Looking at our coverage for 2024, 23% of our fleet is already fixed under TC, with an average daily rate of USD 41,500. We've balanced our TC in and out commitments for 2024 and have already secured a USD 23 million profit. Additionally, 14% of our days are hedged with derivatives at an average of USD 56,500 per day. And with this, I am pleased to let Samantha take you through Product Services and our financials.

CFO – SAMANTHA XU

Thank you, Kristian. Let me continue to add some colour to Product Services' performance. The net asset value of Product Services increased by USD 18 million to USD 62 million at the end of December. The increase comes from the positive gross profit after netting off other expenses. In Q4, Product Services generated a gross profit of USD 32 million which includes USD 50 million of unrealised cargo and derivatives gains, offset by a USD 17 million realised loss during the quarter. The loss includes the depreciation from Product Services' lease-in vessels. Other expenses of USD 14 million largely comprise of G&A expenses including bonus provision, and additional income tax provisions.

The reported net profit does not include the unrealised mark-to-market valuation of physical shipping position which was excluded from the accounting result. Our internal valuation of these TC-in contracts at the end of December was USD 84 million. This positive value reflects the continued strong development in the 12-month forward freight market for VLGCs, which is the period we use to evaluate freight positions in Product Services.

Due to the increased volatility in the LPG product and freight markets in Q4, we reported a higher average VAR of USD 8 million on a well-balanced trading book including cargoes, shipping, and derivatives.

We continue to see good collaboration and synergy between Product Services and our shipping business through improved information flow, optionality and enlarged footprint. Focusing on profit, Product Services is also progressing the expansion of their physical presence in key markets as we aim to broaden the platform and trading portfolio. Next slide please.

Moving to the financial highlights, in Q4, we reported a net profit after tax of USD 162 million on a consolidated basis. This includes USD 16 million in profit from BW LPG India and USD 18 million in profit from Product Services. The net profit also includes a downward adjustment of USD 4 million related to the effects of IFRS 15 for the quarter, as the TCE for the straddling voyages over the quarter-end is recognised on a load-to-discharge basis.

We reported an earnings per share of USD 1.14 this quarter, mainly contributed by our core Shipping segment. This translates into an annualised earnings yield of 31% when compared against our year end share price. We reported a net leverage ratio of 21% in Q4. The Board declared a Q4 dividend of USD 0.90 per share. We have in total declared USD 3.46 per share including Q1 to Q3, or a 98% payout ratio in 2023. The dividend payout reflects our commitment to return value to our shareholders as we continue to deliver a high dividend yield of 28% when calculated on our share price at yesterday's closing.

Our balance sheet ended the quarter with a shareholder's equity of USD 1.6 billion. We continue to see a healthy headroom of more than USD 400 million comparing broker value with our fleet's book values. Our annualised Q4 return on equity and capital employed were 42% and 33% respectively.

In Q4, our daily OPEX came in at USD 8,200 per day due to slightly higher than expected maintenance and repair expenses. For 2024, we expect our owned fleet's operating cash breakeven to be about USD 17,600 per day. This is USD 1,000 per day lower than previous quarter, driven by early debt repayment.

Slide 15 provides a summary of our liquidity and financing structure. On a consolidated basis, we ended the year with close to half a billion in liquidity, consisting of USD 162 million in cash, net of USD 126 million held in broker margin accounts, and USD 295 million in undrawn revolving credit facilities. As of end December, ship financing debt outstanding was USD 311 million, of which USD 257 million was term loans and USD 54 million was revolving credit facilities.

Looking at trade finance, USD 319 million or 48% of our USD 660 million lines have been used as of end-Q4. With USD 85 million related to trade advances drawn and USD 234 million in Letters of Credit, this leaves a healthy headroom for growth. As of January 2024, we upsized our trade finance lines to USD 746 million with two additional lenders, increasing our headroom further to support future growth. In terms of overall repayment profile, excluding short-term trade advances, settlements are well spread out with no major repayment until 2026. With that, I conclude our Q4 update. Back to you, Lisa.

QUESTION AND ANSWER

Thank you, Samantha. We will open the floor for questions now. 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.

Host: We have one written question from [Participant]. Could you elaborate on how increased ammonia newbuildings may bring uncertainties to the VLGC market?

Kristian: Yes thank you for the question. Ammonia has for several decades been carried on board LPG vessels and today, mid-sized LPG vessels are the workhorses of the ammonia market. These new VLAC newbuildings are essentially VLGCs which are "spec-ed up", with strengthened tank structures such that they can carry up to 98% ammonia. But they can also shift their trading to LPG if the ammonia trade is not as lucrative or attractive as expected. So, these VLACs in theory, can also trade LPG.

Host: We have a question, [Participant], please go ahead.

[Participant]: Hello, Kristian and Samantha, this is [Participant] from [Company]. I want to ask for more flavor on the considerations around the payout rate this quarter on the dividend versus the EPS number you reported.

Kristian; Yes, hi [Participant]. First of all, we do not like to disappoint the market, but the fact is that we have a dividend policy which aims for an annual payout ratio of 75% of our shipping segment's NPAT if the net leverage ratio is between 20 and 30%, and 100% if it is below 20%. We have a net leverage of 21% and consequently the board decided to pay out 98% of the NPAT for the year, which generates a dividend yield of 28%. So it is in accordance with our dividend policy where we have an aim for our annual payout ratio.

[Participant]: Okay thank you. And secondly if I may. The IFSR effects that you see with the very volatile markets, do you have any flavor on how that looks to be shaping up into next quarter, considering the guidance and what you have seen so far?

Samantha: From an IFRS 15 impact perspective, first of all, it's very difficult to anticipate what kind of effect it brings to the quarter till it has ended. This is because it very much depends on vessel deployment, and loading and discharge locations as well. Given that we have had both negative adjustments in the previous quarter and Q4, we see that the negative impact should be less, if not a reversal in this quarter. However, as you can appreciate, it's really hard to model this impact.

[Participant]: Okay thank you.

Host: Then we'll move to the next question from [Participant]. Kristian, you mentioned a risk that VLEC newbuilds potentially may trade in LPG but you then referred to the ammonia trade. I assume you meant VLAC newbuilds?

Kristian: Yes, you are right, [Participant]. It is ammonia carriers, not ethane carriers.

Host: We have a question here from [Participant]. When do you expect environmental regulations concerning the slower ship speeds to materialise?

Kristian: Well, the world's fleet of VLGCs has reduced speed on some of the vessels. You can see for instance our fleet trading in and out India is down to 14 knots these days, so we already see the impact of slower speeds. So, I would say that it is already ongoing.

Host: We have a question from [Participant]. What is your estimate of negative ton-mile demand impact for FY 2024 due to increased Panama Canal transits?

Kristian: If you turn it the other way around - if the ships are sailing from the US via South Africa towards the Far East, a rule of thumb is that it is approximately a 50% longer round voyage, depending on where you discharge in Asia of course. But if you go all the way to Japan via South Africa back and forth, it’s about 50% longer distance and then down to 45% if you go to the more western parts of Asia.

Host: And we have a question here from [Participant]. You had some tax expense in the fourth quarter of 2023 can you explain what drove this.

Samantha: I think you are referring to the tax we have disclosed for Product Services in Q4. The way we accrue tax is on a quarterly basis. And at year-end, we would true up the tax provision for the year. That is basically the full year's impact of the tax reflected in Q4, and we generated a positive profit for Product Services. From a tax rate perspective, we have different tax rates depending on where the business was conducted, in Singapore and Spain, so there would be different tax schemes as well. The effective tax rate is very difficult to calculate until the year-end. I will be happy to get back to you if you are interested after I have done some fact-finding for 2023.

Host: We have a question from [Participant]. What is your view on demand from China? What is the latest on PDH utilisation?

Kristian: We recognise that the Chinese economy is on a slower pace than what we have been used over the last years. The imports especially last year was very, very high in spite of this, because we know that they had a goal to capture more of the petrochemical markets. And we can see that PDH demand is increasing, but it is not like a linear increase going straight up. You also asked about the PDH utilisation rates - I don't have the latest but it was down to 60-70%, so there is some upside potential. However, I don't have the latest number in front of me, so I have to get back to you on that. But all in all, very positive for the increase of LPG imports to China despite the economic challenges that they have.

Host: We have a question. How many VLAC orders do you see in the order book?

Kristian: Vessels on order with ammonia-lifting capacity is 73 as far as I can see from my list. These are both VLGCs with ammonia-lifting capacity and then there are VLACs which have strengthened structures. In combination there are 73 in total on our list.

Host: We have one question. Do you plan on repurchasing any more shares?

Samantha: We had a share repurchase program announced in 2023 and we have already repurchased USD 13 million worth of shares, and remaining USD 37 million to go. Prior to that, we also had USD 15 million repurchase program in 2022 which we have finalised. We will continue to evaluate and get back to investors.

Host: We have another question from [Participant]. What do you think is current US LPG export capacity?

Kristian: We can see that in the US gulf they have increased their export capacity by removing restrictions on berthing on Targa and Enterprise terminals. We count close to 100 liftings in the Gulf Coast region per month, on a regular month. In addition, you have the US East Coast which account for approximately 5% of the US export volumes. And then you have on the West coast of Canada and the US, it's another 2-2.5 million tons on an annual basis as export capacity. What we have seen also is that about, according Fearnley's the shipbroker, it's about 6.5 million tons which are exported on midsize vessels, which are occupying the berths so if you exchange them with the VLGCs, in theory you can probably increase the VLGC lifting capacity out of the US even more. We do see that that the American terminals are very efficient if they need to, to export more than what we anticipate. For instance, what we have seen now in February is higher than what we expected. So about 100 berthings per calendar month in the US Gulf Coast is what we have seen.

Kristian: Ok that rounds off our quarterly earnings presentation so thank you everyone and see you next quarter.

CONCLUSION

We have come to the end of today's presentation. Thank you for attending BW LPG's Fourth Quarter 2023 Financial Results presentation. More information on BW LPG and BW Product Services is available at bwlpg.com and bwproductservices.com respectively. Have a good day and good night.

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