Address
10 Pasir Panjang Road, #17-02
Mapletree Business City
Singapore 117438

Contact
+65 6705 5588
Investor.relations@bwlpg.com
www.bwlpg.com

Investor Relations – Q1 2025 Earnings Presentation Transcript

Singapore • 20 May 2025

[Moderator]

Hello everyone. Good morning, good afternoon, good evening. A warm welcome to BWLPG's Q1 2025 Earnings Presentation. My name is Aline Anliker, and I'm the Head of Corporate Communications at BW LPG.

Today's presentation will be given by our CEO, Kristian Sørensen and our CFO, Samantha Xu. After the presentation, we will have a Q&A session. The questions can be put into the Q&A chat during the presentation, or you can raise your hand and ask your question directly once we move to the Q&A part.

Before we begin, I would like to highlight the legal disclaimers displayed on the current slide. Please also note that today's call is being recorded. And without further ado, I would now like to hand over to our CEO, Kristian.

[Kristian Sørensen, CEO]

Thank you, Aline, and hello everyone. Thank you for taking the time to be with us today as we review our first quarter 2025 financial results and recent developments. Let's turn to slide 4 please.

[Highlights]

For Q1, we reported a TCE income of $39,800 per available day and $38,800 per calendar day. This is above our guidance of $36,000 per day, thanks to the performance of our time charter portfolio. After minority interests, the Q1 profit was $46 million, equivalent to $0.30 per share and the Board of Directors has declared dividends of $0.28 per share which is equivalent to 75% of our shipping NPAT and translates to an annualized dividend yield of 10%.

We have been quite busy on the financing side, and have concluded a Japanese JOLCO lease for one vessel, the BW Kyoto, while we are at the final stages of refinancing a $380 million bank loan where we have received very strong interest from our banking group.

As per our trading update back in April, BW Product Services realised positions showed a solid $33 million in profit in Q1, but due to downward adjustment of the valuation of the unrealised positions, they reported a gross loss of $3.6 million and a net loss after tax of $12.5 million for the first quarter.

We'd like again to emphasise that it is the realised positions which generate the dividend capacity and that downward adjustment to the valuation of the unrealised positions does not necessarily mean the positions are loss making when they are realised in the future.

Into the second quarter, we reactivated the share buyback program after the share price dropped in the wake of the US/China tariff war. We're happy to see that the share price has improved significantly since then as the solid fundamentals in the LPG market played out. More about that later.

For our activities in India, two major events should be noted. The first is our sale of the 2015 built BW Chinook and BW Pampero to strengthen our Indian flagged fleet. This is a strong sign of our belief in the Indian LPG market.

Secondly, we have made the strategic decision to discontinue our involvement in the LPG import terminal outside Mumbai. This was a very difficult decision to make but given the increased geopolitical risk which our freight and trading activities are exposed to, we believe it is in our shareholders' best interests to focus our attention and resources on the key value drivers for our company.

Although this journey did not end as intended for us, I would like to thank our partners Confidence Petroleum and Ganesh Benzoplast for their cooperation on this project and wish them the best of luck going forward.

[Market Outlook]

Let's take a look at the market. Q1 was relatively uneventful compared to what unfolded as it moved into the second quarter.

As the Chinese retaliatory tariffs on US sourced goods and commodities were introduced, the US/China LPG trade came to a halt and freight rates tumbled. However, the solid fundamentals of the market prevailed and with high US LPG production, the export levels were unabated as US LPG volumes were shifted to other Asian import markets outside China.

The US terminal operators are moving forward with their expansion plans which will facilitate for further export growth, while the OPEC cut back reversals are expected to increase the Middle Eastern exports, with more export projects also on the horizon later in the decade.

We are closely monitoring the Panama Canal traffic, and there are indications that more ships are sailing around South Africa on their way from the US to alternative markets in India and Southeast Asia, driving up ton/mile as the sailing distances increase.

Another event which the whole industry closely monitored was the proposed sharp hike in the US port charges for Chinese built and/or Chinese-controlled vessels.

Ships arriving in ballast are exempted and the BW LPG fleet is set to trade as normal, but we are awaiting news from the second public hearing which is taking place this week whether any changes are proposed or made.

For the newbuilding market we'll take a closer look at the orderbook which is now counting 109 ships later in the presentation.

The spot market has taken a sharp upturn as the exports were back on track from the US and the Middle East. We are currently fixing vessels around the $50,000 per day mark from the US while the Middle East is trading around the $60,000 per day range.

[Short-Term Tariff Implications]

On this slide, we're trying to show the market turmoil we went through when the Chinese introduced their import tariffs on US sourced LPG. Overnight, it became uneconomical to ship US cargoes to China, its largest export market, and prices for delivered LPG in Asia came off quickly.

There were talks about US cargoes being canceled and withdrawn from exports, and the first week the spot rates went from $40,000 per day to $10,000 per day in three days. It was a swift and brutal reaction, but it took out the downside and the market could quickly thereafter start repricing itself.

Non-Chinese players quickly moved in to capitalize on the situation, and after a couple of days the market bounced back with increasing freight rates reflecting the high activity level.

A very strong force in the LPG market is the fact that it is a supply driven bi-product from crude oil and natural gas production, and LPG which is not consumed domestically in the US must eventually be priced to clear in the international markets.

We were, however, somewhat surprised to see that the US prices remained quite resilient, while the increase of the landed price in the Far East supported freight rates to increase while the US Mont Belvieu prices remained stable, at least so far.

The 90 days tariff relief announcement led to another upswing in the freight market as more players tried to secure shipments.

Over the last two weeks, the arb has narrowed and there is currently kind of a stand-off between Mont Belvieu prices and the Far East prices while shipping remains tight with more ships diverting to a very active Middle East market.

[Changed LPG Trade Patterns]

The LPG market is extremely dynamic and adapts very quickly to market conditions. And as you can see on this slide, new trades emerged within days and weeks after the Chinese import tariffs were introduced. Chinese import demand was met by cargo swapping and reshuffling of Middle Eastern and other non-US LPG cargoes, while US cargoes increasingly changed destinations to Japan, Korea and Southeast Asia.

India being the second largest importer of LPG played a key role in the new trade pattern which emerged, and we saw the first US cargoes shipped all the way from the US to India.

From a shipping perspective, sailing distances increased somewhat and the more inefficient LPG supply chain supported freight rates to rebound.

[Robust Supply Fundamentals]

The fundamentals of the LPG market remain robust, and the US production of LPG is rising unabated backed by oil price in the low $60 per barrel. We do, however, recognize that the lower oil price may lead to reduced production of LPG, although more US LPG will come from natural gas production going forward.

Terminal expansion plans are going ahead as previously announced and is in our view a positive sign for shipping demand in the future.

[VLGC Fleet and Newbuildings]

Let's take a look at the orderbook before Samantha walks you through the financials.

The total orderbook is now at 109 ships by including vessels scheduled for delivery in 2029.

There is attention on the Chinese built part of the 406 strong sailing fleet, and currently we count 50 of these as built in China, while 26 units are on order from Chinese yards.

Drydockings continue to absorb capacity from the global VLGC fleet. We are heading into a higher pace of drydockings in the months ahead, which should be positive for the rate environment.

And then I leave the floor to you, Samantha.

[Samantha XU, CFO]

Thank you Kristian, and hello everyone.

[Shipping Performance]

Please follow me to slide 12 and have a closer look at our shipping performance. For this quarter, we are very pleased to report a TCE per calendar day of $38,800 or per available day of $39,800, over a 96% fleet utilisation after deducting technical offhire and waiting time.

Address
10 Pasir Panjang Road, #17-02
Mapletree Business City
Singapore 117438

Contact
+65 6705 5588
Investor.relations@bwlpg.com
www.bwlpg.com

The healthy result achieved in a volatile market was a strong statement to our commercial strategy, consistently taking on fixed rate time charter and FFA to coverage in a stronger market and provide support when spot markets are under pressure.

In Q1, the time charter portfolio was 41% of the total shipping exposure, among which 30% is fixed rate time charter, supporting the earning when the spot market softened. For Q2 2025, we have fixed 79% of the available fleet days at about $35,000 per day.

Looking ahead, we have secured total 30% of our portfolio with fixed rate time charters and FFA hedges at $45,000 per day and $50,600 per day respectively.

For 2025, our time charter-out fleet is estimated to generate a profit of around $24 million over our time charter-in fleet. And on top of that the balance of our fixed time charter-out portfolio estimated to generate $137 million for 2025.

Next slide please.

[Product Services Performance]

On Product Services side, the business posted a realised gain of $33 million for Q1, a very strong quarter delivered.

On the unrealised open positions, we reported a negative change in mark-to-market valuation on our cargo of $51 million which offset by a positive paper positions change of $15 million. This brought Product Services' trading result to a gross loss of $4 million for the quarter.

After accounting for other expenses which mainly comprise of general and administrative expense accruals, Product Services reported a net loss after tax of $12.5 million.

As we mentioned in the previous quarters, the large sum of mark-to-market valuation change is due to the gradual phasing-in of our multiple year term contract which reflects value adjustments in time of a volatile market. While the value is significant, it reflects the delta between the balance sheet dates, and will continue to see fluctuations before the position are realised.

As at the end of Q1 2025, Product Services' book equity position stands at $53 million. This was after a dividend of $65 million paid out to shareholders as reported in our Q4 earnings call.

As usual, we would like to highlight that the reported book equity does not include the unrealised fiscal shipping position of $8 million which was based on our internal valuation.

In Q1, our average value at risk (VAR) was $5 million, reflecting a well-balanced trading book including cargoes, shipping and derivatives, including the impact of the increased term contract volume as mentioned earlier.

[Financial Highlights]

Going on to our financial highlights.

We reported a net profit after tax of $67 million, including a profit of $48 million from BW LPG India and a $12.5 million loss from Product Services.

Profit attributable to equity holder of the Company was $46 million for quarter, which translates to an earnings per share of $0.30, and an annualised earning yield of 11% when compared against our share price at the end of March.

We reported a net leverage ratio of 31% in Q1, a slight decrease from 32% reported at the end December, due to the release of a restricted cash held in brokerage accounts of $30 million and a reduction of total borrowing of $45 million.

For Q1, the Board declared a dividend of $0.28 per share, which translates to a 75% payout of our Shipping profits.

For the period end, our balance sheet reported shareholder's equity of $1.9 billion. The annualised return on equity, and on capital employed for Q1 were 14% and 10% respectively.

Our Q1 OPEX was $8,400 per day, largely in line with previous periods. For 2025, we estimate our own fleet's operating cash breakeven to be $19,300, and total fleet's operating cash breakeven, which including the time charter-in vessels to be $21,700. All-in-cash breakeven is estimated to be $25,000, some improvement than our previous estimate, but still elevated than last year, driven by 2025 drydock program and higher financing costs.

[Financial Structure and Repayment Profile]

On the liquidity side, as at the end of Q1, we continue to maintain an ample position of $633 million, supported by $262 million in cash and $371 million in undrawn revolving credit facilities. This position was attributed to our meticulous financing planning to replenish liquidity as growth continues. Our recently concluded JOLCO financing contributed $65 million while we took delivery of BW Kizoku.

The repayment profile is sustainable with major repayment only kicking in after 2029. We're also in the process of concluding a $380 million bank financing on a competitive term. Once it's done, it will replace the shareholder loan from BW Group which was arranged during the fleet acquisition and further enhance our liquidity. This financing is not expected to increase the current leverage ratio.

On the Product Services side, trade finance utilisation stood at a moderate level of $224 million, or 28% of our available credit line, giving sufficient room for future trading needs.

With that, I would like to conclude my updates, and back to you, Aline.

[Moderator]

Thank you, Samantha, and thank you, Kristian. We would now like to open the call for your questions.

[Q&A]

Please type your questions 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, so please press unmute before speaking. We will start with the verbal questions first before moving on to the chat. So please, if you have a question, you might just raise your hand.

And I see a question here from Kushal. If you could please unmute yourself.

[Kushal]

Thank you. Thanks for the opportunity. I just wanted to understand the broader strategy on the India LPG terminal business. I just noted that we are moving out of the contract with Ganesh Benzoplast as well as Confidence Petroleum where we wanted to set up this LPG import terminal. Why was this decision taken specifically given the fact that now volumes are moving from US to India directly? The LPG volume, which I'm referring to. That is my first question. Thank you.

[Kristian Sørensen, CEO]

Thank you. You know the terminal investment for BW LPG was estimated somewhere between $10 and $15, which is, compared to the balance sheet, a relatively modest investment for our company. And like in any other greenfield infrastructure projects, there is a certain complexity, of course, when you construct a terminal. And given the challenging market environment and geopolitical turmoil, the management has had to make the decision to focus on the core value drivers of our company, which are shipping and trading. So it's not an easy decision we have made, but it's simply because of the circumstances where we have to focus our attention and resources and time on our shipping and trading activities.

[Kushal]

Thank you. That's all from my side.

[Moderator]

Thank you. Anyone else who would like to raise his/her hand? Yes, I have next up John Dixon. If you would unmute yourself, please.

[John]

Kristian, I wanted to ask a question about the share buyback. I know you said that it was concluded, but, of course, things here in the United States, on the United States market, a very simple announcement by the President can have a huge impact on the stock market and on the stock prices as we've seen. Are you guys still open to continuing to buyback shares should they fall to a lower level as they did prior?

[Kristian Sørensen, CEO]

Thanks, John. You know, the main way we return value to our shareholders is through the dividends. That's something which is not going to change. But if you look at the Annual General Meeting last week, we renewed a share buyback program, which is to be reactivated when the Directors find it timely. So I guess the answer to your question is that yes, we do have a new share buyback program in place, but our main way of returning value to our shareholders will remain the dividend payouts.

[John]

Sounds good, Kristian. Thank you.

[Moderator]

Thank you. We have also a question by Climent.

[Climent]

Hi, good afternoon and thank you for taking my questions. I wanted to start by asking about your time charter portfolio. Do you have extension options on your existing time charter contracts? And if so, are those included on slide 21? And secondly, as you think about your time charter portfolio, would you prefer to increase the number of TC-ins or -outs amidst current market conditions?

[Kristian Sørensen, CEO]

Thank you, Climent. When it comes to options on our time charters, some of the time charters do have options, but they are on the charter sites. So we do not include these optional periods because they are to be declared by the charterers. And that is on the Indian fleet, primarily. So on our side, we do not have any options to extend the period on the time charters that we have in our fleet at the moment.

Like I said before, we have an aim to increase the share of time charters in our shipping portfolio. So we are constantly working to try to increase the number of time charters, and also its share of the fleet exposure that we have. And as I have mentioned before, I think if we can come back to a level around 40% we had before the Avance Gas transaction, I think we will be quite happy with doing so. But it's not like we're rushing into securing time charters at levels we don't find attractive. So this is something we are working on constantly, but it has to be done and conducted in the right way, so to say.

[Climent]

That's helpful. Thank you. My second question was on the trading segment. Could you talk a bit about how the tariff turmoil affected operations? And whether you have any visibility on Q2 results?

[Kristian Sørensen, CEO]

Yes, thanks. When it comes to Product Services trading portfolio, that's shifting day by day and week by week. So I'd rather refrain from commenting specifically on that. And we will have as you may know a new trading update in the middle of July, I think it is, annd we will provide you with a status for the second quarter by that time. But I think it's difficult for us to comment on that since the portfolio is like any other training portfolio shifting on a daily and weekly basis.

[Climent]

Makes sense. That's all from me. Thank you for taking my questions.

[Moderator]

Thank you as well. Anyone else who would like to raise their hand? We have a few questions in the chat as well, but let's see if someone else wants to ask the question verbally. And if not right now, we can just move to the questions in the chat. So the first one is from Vassilis: ”Would you say that the recent VLGC spot rate strength is partly attributed to front loading relating to US/China 90 day trade truce”?

[Kristian Sørensen, CEO]

Thank you, Vassilis. The strength in the spot market today is - like I also mentioned in the presentation - due to the strong fundamentals of the market, with very good export levels from the Middle East supporting continued growth in exports from the US. But of course, when you have a tariff relief like we are currently having, it does definitely impact the market, the freight market and activity in the market positively. So I would say that it is contributing.

[Moderator]

Thank you. We have some more hands raised. Let's go with Markus. If you could please unmute yourself.

[Markus]

Yes, thank you very much. This is Markus from Germany. Just a quick question on finishing the business with the Indian terminal investment. Is there any impact in quarter two on one-time cost? Thank you.

[Samantha Xu, CFO]

Thank you for your question. So it's a very early stage for our involvement in the terminal project in India. So at this point in time there is no significant sunk cost that we need to account for.

[Markus]

Thank you.

[Moderator]

Thank you. We have another question in the chat on Product Services from Arne: ”Congrats on the quarter. What is the confidence level for the Product Services’ VAR please”?

[Samantha Xu, CFO]

Thanks, Arne. I need to double check on that just to answer to you accurately. So if you don't mind I'll reach out to you on email.

[Moderator]

And then we have another question from Axel. ”Can you please explain the year-over-year increase in SG&A”?

[Samantha Xu, CFO]

Thank you for the question. So as we have mentioned, as part of the Product Services performance, we will gradually accrue for the bonuses-related expense based on the realised trading result. As for the year of 2023 and 2024 we have seen year-on-year improvement of the trading result, and also the same you can observe in Q1 2025 as well. So the G&A increase is largely attributed to the accrued reflected as part of G&A.

[Moderator]

Thank you, Samantha. And actually there has been another question from Arne, which I would also like to read out. "Could you give some more color on the decision to limit the share buybacks to only $2.7 million compared to a capacity of $20 million, if I remember correctly"?

[Kristian Sørensen, CEO]

Thanks, Arne. As you know, there are certain limitations when you execute on the share buybacks and how much you can buy every day. That is one reason for it. And the other reason was that the shares started to increase quite shortly after we activated the share buyback program. And we also had to end it because we were entering our blackout period where we are very much restricted to continue our share buyback program as we enter the blackout period, which is a month ahead of the earnings release.

[Moderator]

Thank you, Kristian. And I would just like to hand back to Samantha on Arne's first question.

[Samantha Xu, CFO]

Hi Arne, thank you for your patience. I just quickly checked with the team and confirmed my initial answer, which I know is accurate to the confidence level of the Product Services' VAR is 95 percentile.

[Moderator]

All right, thank you. There is another question in the chat from Pieter. "Last year the terminals were taking a larger share of the arbitrage and putting pressure on rates, but it seems that owners are again getting a more appropriate share. Do you expect this to continue"?

[Kristian Sørensen, CEO]

That's a very good question, Pieter. I think the answer to that is that every day, as I used to say, there is this arm wrestling between cargo owners, ship owners and the terminals on how much of the profit in the LPG's supply chain they can obtain. And the relative bargaining power of the shipping part of the value chain depends on the supply and demand of the vessels at that specific time. For this year, going forward, we see very little growth in the VLGC fleets. And with a continued export expansion plans from the US which we believe will mean more volumes for export from the US, it should be a good environment for shipping going forward simply because the supply demand balance is hopefully playing in the owners' favour.

[Moderator]

Thank you, Kristian. Do we have any more questions either verbally or in the chat? If so, please put them forward.

[Pause] It doesn't look like. Let me just double-check. No, nothing so far. Then I will hand back to Kristian to conclude the call.

[Kristian Sørensen, CEO]

Thank you, everyone, for joining us this quarter. And we look forward to seeing you again next quarter. Bye-bye everyone.

Address
10 Pasir Panjang Road, #17-02
Mapletree Business City
Singapore 117438

Contact
+65 6705 5588
Investor.relations@bwlpg.com
www.bwlpg.com

[Moderator]

Thank you very much. And this concludes BW LPG's Q1 2025 Earnings Presentation. The call transcript and recording will be available on our website shortly. And thank you all for dialing in. We wish you a good rest of your day.

About BW LPG

BW LPG is the world's leading owner and operator of LPG vessels, owning and operating a fleet of more than 50 Very Large Gas Carriers (VLGCs) with a total carrying capacity of over 4 million CBM. With five decades of operating experience in LPG shipping, an in-house LPG trading division and investment in LPG downstream distribution, BW LPG offers an integrated, flexible and reliable service to customers along the LPG value chain. Delivering energy for a better world - more information about BW LPG can be found at https://www.bwlpg.com.

BW LPG is associated with BW Group, a leading global maritime company involved in shipping, floating infrastructure, deepwater oil & gas production, and new sustainable technologies. Founded in 1955 by Sir YK Pao, BW controls a fleet of over 450 vessels transporting oil, gas and dry commodities, with its 200 LNG and LPG ships constituting the largest gas fleet in the world. In the renewables space, the group has investments in solar, wind, batteries, and water treatment.

For further information, please contact:

investor.relations@bwlpg.com

Kristian Sørensen
Chief Executive Officer

Samantha Xu
Chief Financial Officer