INVESTORCOMMS

BW LPG

Event	BW LPG Q1 2024 Earnings Presentation
Date	30 May, 1pm Oslo/ 7pm Singapore/ 7am New York
Hosts	Kristian Sørensen, CEO Samantha Xu, CFO

OPENING

Welcome to BW LPG's First Quarter 2024 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 function 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 2024 Q1 presentation. Thank you for taking time to join us today as we present our financial results and recent events. It has been a busy period for our company. Let's turn to Slide 4.

We delivered another strong quarter with a result of USD 150 million net profit after tax on the back of a strong time charter equivalent of USD 61,500 per available day which includes a positive IFRS adjustment of USD 26 million.

We booked a net gain of USD 20 million from the sale of the BW Princess and it was another good quarter by our trading unit BW Product Services showing a profit of USD 21 million where we subsequently returned

USD 30 million to its shareholders in April through the pre-announced capital return.

The quarterly NPAT translates into an earnings per share of USD 1.07 and the board has declared USD 1 per share in dividends which is equivalent to 106% of the earnings from our shipping activities which calculates to an annualised dividend yield of 22% basis Tuesday's closing price in New York.

On the shipping side we have mutually agreed with Vitol to terminate their pool and charter back arrangement. There is no financial impact anticipated from the termination of the agreement and we look forward to continuing doing business together in the day-to-day chartering market.

For our trading activity, we are very happy to announce that Product Services have concluded a multi-year extension of their cargo contract with Enterprise Product Partners which will significantly improve our optionality and ability to capture profit in the LPG value chain. In addition, the transaction is enabling us to grow our business at a time when growing in shipping is more expensive than ever and it bolsters our business model for the future markets.

The expansion of our trading volumes will be financed by trading facilities already in place and the value at risk (VaR) is anticipated to increase from approximately USD 6 million to 8 million, reflecting the balanced trading portfolio that Product Services is running.

And finally, we are very proud about our milestone dual listing on the New York Stock Exchange. The reception in the US investor market has been

very satisfactory reflected in a 27% increase in our USD denominated share price since the listing, and the share trading volume in the US is picking up.

Turning over to our market outlook, we maintain our positive view on the sector with several indicators pointing in the right direction, both in the underlying LPG commodity market as well as the supply/demand balance in the VLGC market, even without disruptions in the Panama Canal. Let us turn to page 6 for a closer look at the market fundamentals.

The US production and export volumes are still the locomotives of the LPG growth story and continue to deliver on the upside of expectations. According to recent EIA figures, the production and export volumes are up 8% and 14% respectively year-to- date compared to same period last year and we maintain our positive view on the US export volumes for 2024-2025.

We regard the CAPEX plans by the US terminal companies as a positive sign for the future US LPG export volumes and believe they will remove any potential bottle necks for the medium term.

The Middle East exports are expected to be stable for this year unless OPEC decides on any cut back reversals, while we anticipate more volumes to come on stream from next year onwards from Abu Dhabi and later Qatar.

The increasing LPG exports from the US and the Middle East are meeting a growing demand side in Asia, both for industrial purposes, well represented by rapidly increasing demand by the Chinese PDH plants,

and from the residential sector, especially in the Indian sub-continent and Southeast Asian countries.

The Indian demand for LPG is now consuming about half of the Middle East exports, making the rest of the Asian market increasingly dependent on US LPG exports to meet the underlying and higher demand which follows growing population and prosperity.

Also worthwhile to note is that LPG, by being a byproduct from oil and natural gas production, has a history of always being priced to clear and eventually finding a home since no producers want to store LPG for a prolonged period. And this market dynamic makes it a competitively priced energy source which easily penetrates new markets since it is relatively easy to handle compared with other energy sources which require much higher infrastructure investments.

Looking at the global VLGC fleet balance for the next 18 - 24 months, it is a sharply abating curve of newbuilding deliveries when we move into the second half of this year. We only have a handful of VLGCs set for delivery from the yards while the global fleet is approaching 400 units. For 2025 only a dozen vessels are scheduled for delivery. Yards are still talking deliveries for new orders more than three years forward and this gives us good visibility of the market for the next 18-24 months.

So, to summarize - the market fundamentals for both the LPG commodity market and the VLGC market are strong and reflected in the current rate level which is fluctuating between USD 60 - 70,000 per day. The FFA market is priced for the remainder of this year at levels in the region low-mid USD 60,000s per day and this is without any serious delays in the

Panama Canal which continue to be a wild card also in the future. And with this, I am pleased to let Samantha take you through commercial performance and our financials.

CFO – SAMANTHA XU

Thank you, Kristian. And hello everyone.

For the first quarter 2024, we delivered a TCE of USD 59,400 per calendar day and USD 61,500 per available day. A continued solid performance. We have a healthy coverage through our time charter and FFA portfolio which represent about 37% of our shipping exposure. For the second quarter, we have fixed 84% of the available days at about USD 49,000 per day.

For 2024, our time charter-out fleet generates a profit of around USD 25 million over our time charter-in fleet. Additionally, more shipping capacity that is fixed on time charters during the quarter is estimated to generate about USD 39 million for 2024, up from USD 19 million as reported in Q1.

Turning to Slide 11, Product Services delivered a solid performance in the beginning of the year. In Q1 2024, it yielded a net profit of USD 20 million and increased its net asset value to USD 82 million as of end March. The net profit was contributed by a gross profit of USD 33 million after netting off G&A and tax provisions. The gross profit includes realised gains of USD 18.7 million, an unrealised cargo and derivatives gains of USD 14 million.

The reported net profit does not include the unrealised physical shipping valuation, which is USD 31 million at end-March based on our internal valuation.

This shipping valuation dropped from previous quarter, reflecting a decline of 12-month freight forward market at end-March compared with the substantially higher market in Q4.

For Q1, we reported an average VaR of USD 5 million on a well-balanced trading book including cargoes, shipping, and derivatives. As announced earlier, we concluded a multi-year contract with Enterprise Products Partners in Texas. The contract will have the potential to double our volume out from the US Gulf, providing Product Services with a strong cargo position. Next slide please.

Moving to the financial highlights. In Q1, we continued with a good business performance and reported a net profit after tax of USD 150 million on a consolidated basis. This includes USD 10 million in profit from BW LPG India and USD 21 million from Product Services. The net profit also includes a positive adjustment of USD 26 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 1.07 per share this quarter, mainly contributed by our core Shipping business. This translates into an annualised earnings yield of 38% when compared against our share price at the end of March.

We reported a net leverage ratio of 7% in Q1, a decrease from 21% at the end of December. This substantial decrease was mainly due to repayment of our shipping term loan, decrease in restricted cash held for derivative margin requirements, and decrease in Product Services short term trade finance drawn at the end of Q1.

On the basis of the low net leverage ratio and considering the business performance and capital requirement ahead, the Board declared a dividend of USD 1 per share in Q1. This represents a 93% payout ratio of Q1 total profit, or 106% shipping NPAT. The dividend payout reflects our commitment to return value to our shareholders, as we continue to deliver a high dividend yield of 22% when calculated based on yesterday's share price.

Our balance sheet ended the quarter with a shareholder's equity of USD 1.7 billion. Our annualised Q1 return on equity and capital employed were 37% and 30% respectively. In Q1, our daily OPEX came in at USD 8,700 per day due to higher-than-expected maintenance and repair expenses. For 2024, we expect our owned fleet's operating cash breakeven to be about USD 17,300 per day.

Our liquidity continues to remain healthy. On a consolidated basis, we ended Q1 with USD 661 million in liquidity, including USD 314 million in cash, and USD 347 million in undrawn revolving credit facilities which will support our upcoming capital expenditure.

Ship financing debt stood at USD 244 million as at end-March, comprised of the balanced ship finance term loan, well spread out with no major repayment until 2026. Trade finance drawn stood at a moderate level of USD 167 million, or 21% of our USD 796 million line, leaving a healthy headroom for growth.

With that, I conclude my update. Back to you, Lisa.

Q&A

Host: 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. […] We have two questions. [Participant 1], please go ahead.

[Participant 1]: Hi. Just a question, Kristian. You are saying that growth in shipping now is challenging or expensive, depending on how you want to frame it. But then what's the alternative? Because of course if you exclude the debt on BW India, you are debt-free. Your cash earnings are significantly higher than your net profits. So obviously we are entering a stage where you are either going to build substantial cash coffers or you are going to have to pay out more. Are you considering doing some kind of extraordinary payout or how should we think about your balance sheet a year or two down the road at the current market outlook?

Kristian Sørensen: Thank you. Like you say, it is not our aim to be debt-free. But it is hard for us to find profitable ways to invest at the moment and thereby increase our debt side. When it comes to dividends, that is something and the balance sheet composition is something which we always discuss with the Board. I don't want to rule out anything, but this is something which is at the Board's discretion, and we will see what the future brings. If we raise debt, it should be against projects that we believe are creating value for the company and the shareholders.

[Participant 1]: Okay, thank you. That's fair. And just on the market now. We are seeing some time charter activity and I think we're seeing two, three-year deals now being done, at USD 50,000 a day, which is approximately where it should be also based on share prices, at least. What are you seeing? And if I may ask, are you surprised about the strength you have seen over the past few months compared to where we were? It has been quite a turnaround in sentiment, at least in a few months' time.

Kristian Sørensen: If you look at US exports specifically, it is fair to say that they have surprised us on the upside. The resilience in the US production and export volumes is more than we anticipated. But again, we do see that on the time charter front, there are discussions out there with and among market players who need shipping going forward. And if you need a ship these days, you simply must pay up. I think that is the way it works. So, I believe you referred to a three-year deal around USD 50,000, which is something we are not surprised to see. There are other market participants who are also looking for ways to cover their shipping needs in the future. So, I wouldn't be surprised if we see other time charters done at around the same level.

[Participant 1]: Okay. And one final one. We're sitting some distance away from this, but obviously you are seeing quite decent investment activity into both fractionating capacity, export capacity, et cetera, out of the US. Given your relationship to Enterprise, on the production side, is that potentially becoming a bottleneck as you see it? It doesn't look like infrastructure is going to be a bottleneck, but given the drilling activity

we're now seeing and expectations ahead, is that at all becoming anyone's fear or is it just business as usual?

Kristian Sørensen: I would say that we wouldn't have seen the recent investments done by the terminal operators and other players in the US shale gas market had it not been for them actually believing in the shale gas story also going forward. And the fact that, for instance, Energy Transfer bought WTG midstream, is another sign of these big operators and terminal operators consolidating because they see there is still an upside potential in the US.

[Participant 1]: Thank you very much.

Host: Thank you. [Participant 2], please go ahead.

[Participant 2]: Hello. Firstly, a quick question on the Vitol ships. You write that there is no financial impact from it, but could you share some of the background behind those ships being pulled from the pool?

Kristian Sørensen: Well, this was a pool participation with a shipping capacity charted back kind of COA (Contract of Affreightment), which was tested for a year, and it didn't work out as intended. And then we amicably agreed with Vitol that let's rather meet in the spot market. So, there is no drama at all in any way.

[Participant 2]: Good to hear. You also write that the Panama passages now is normalized, but I suppose then you refer, of course, to your market. In the overall market, it's still a substantial reduction in the number of transits. And to the best of my knowledge, there is still a substantial auction premium to be paid. Part one of my question is, what is the auction premiums these days? And two, it will be good if you can elaborate on

what the consequence of still hefty payments to use the canal is impacting the VLGC markets.

Kristian Sørensen: Yes. On the Panama Canal side, there has been great fluctuations in the auction price. And we have seen levels from USD 700,000 per day up to USD 1.8 million a couple of weeks ago, and then it fell back to USD 500,000 again. As far as I can recall, it's back to USD 700,000 thereabouts. As a daily auction, it is hard to predict, but there are definitely big fluctuations from week to week. And I think in general, you can say that there has been a willingness to pay to get the ships through the Canal, both from the charterer’s side and from the owner's side. But in general, the Panama Canal capacity - it is what it is. The more ships we have coming into the market, we anticipate that there will be congestion in and around the Panama Canal also in the future, because the capacity is pretty much fixed. And especially during the high season, it's going to be more congested than what we see today.

[Participant 2]: That's what we anticipate at least. But I read you as if you are now paying the auction fees and use the Canal predominantly, and not opting to do the long Cape of Good Hope.

Kristian Sørensen: No, it depends on where we are discharging in Asia. So if you are in Northeast Asia, you try to see whether it's possible to go back via the Panama Canal. If not, you go around South Africa on the way back to the US. But it depends on where you are coming open after discharge.

[Participant 2]: And there is a view on the situation in and around the Panama Canal before you decide on which direction to go. And that applies also to the laden leg, the front haul.

Kristian Sørensen: On the front haul, it is negotiated on a case-by-case basis with the charterer. You typically have a rate to go around the Cape, or you can have a rate to go via the Panama Canal. But this is something that is discussed with the charterers on a case-by-case basis, depending on the situation at the ~~end~~ point in time at the Panama Canal.

[Participant 2]: Okay. A final question from me. It's pricey, but just how pricey is it really? Because you sold some old ships last year, which I think is fair to say surprised most people on sort of the upside of those prices. If you were to dispose of some of your 15- and 16-year tonnage, what would that price be?

Kristian Sørensen: Well, I think the last reference point is a deal done by Petredec, where they may have sold it in the low USD 80 million. But I can double check that number.

[Participant 2]: But would you sell at those prices, Kristian?

Kristian Sørensen: We have no plans to sell any more ships at the moment. And the reason for that is also because if you sell ships at one point, you start reducing your capacity to generate revenues. It is important for us to keep a certain size to be able to generate revenues also in the future.

[Participant 2]: Understood. Thank you.

Host: The next question comes from [Participant 3]. Please go ahead.

[Participant 3]: Thank you, [details redacted]. I have a question related to the PDH plants in China. If you can comment on recent market intelligence regarding the margins there, which have been weak lately. Do

you think this is a consequence of increased capacity, or do you think it's a consequence of softer demand?

Kristian Sørensen: I think when you look at the PDH plants run rate, they have been weak to relatively weak for quite a long period of time. But we still see that they continue to run and new PDH plants are opening. And many of them are also linked to other petrochemical projects in China. So, we don't really see any big change in this since the last half year or so or even longer. For us, there is no change in the way we regard the Chinese demand from the PDH side.

[Participant 3]: Thank you.

Host: Now for questions from the Q&A channel. We have one question here from [Participant 4] asking about the TCE guiding for the second quarter, which is lower than the actual Q1 TCE. And does this mean that the net profit for Q2 is expected to decrease?

Samantha Xu: I'm happy to answer the question. Let's remember that the timing when we fixed the TCE-out to secure our earnings and hedge for the position was earlier than the quarter reported. We also come from an extremely strong, historically high trade market last quarter 2023. Hence, by comparison, we feel it's a little bit low. But be assured that compared with our USD 17,300 operating cash breakeven, USD 49,000 is a very healthy rate. This doesn't mean that the net profit will necessarily be a decrease when compared with this quarter. The reality is that we do not know until the book is closed. There are also other elements, for example, product services performance, as well as other accounting-related factors that can impact the net result.

Host: Next we have a question from [Participant 5], which slightly overlaps the previous one. Your guidance of TCE revenue per available day for the second quarter at USD 49,000 per day is down compared to last year's TCE revenue of USD 52,500 per available day. Can you give more details on the reasons why? What is your guidance with regards to the impact of this on earnings? Will the decrease in net finance expenses - which helped earnings in the first quarter - be able to offset the TCE revenue per available day's decline in the second quarter?

Samantha Xu: Thanks for the question. I believe that was answered early on. As for the net finance expenses, let me reassure you […] we are almost debt-free at the moment. In addition to that, we also run a very healthy cash management program, which means that the net finance expenses will be trending low as well.

Kristian Sørensen: To comment on the reasons why it's coming off compared to the TCE revenue of USD 52,500, this is because of the events in the first quarter, and a backlog on the earnings and revenues. So, since we had this sharp rate drop in January, we are not immune to it. And it affects some of the positions also into the second quarter.

Host: 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. Once again, 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. […]

Kristian Sørensen: I think we are coming to the end of the presentation here. So thanks, everyone, for the questions and for your participation. And I think we can round it off there.

CONCLUSION

We have come to the end of today's presentation. Thank you for attending BW LPG's First Quarter 2024 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.

*****