

Event BW LPG Investor Presentation August 2024
Date 15 August, 3pm Oslo/ 9pm Singapore/ 9am New York
Hosts Kristian Sørensen, CEO Samantha Xu, CFO

OPENING

Welcome to BW LPG's Investor 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. Turning to slide two, 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

Thank you, Lisa, and good morning, afternoon, and evening, everyone. Thanks for joining us today. With me is our CFO Samantha, and together we are excited to share this milestone announcement. BW LPG has entered into a strategic transaction with Avance Gas to acquire all their 12 VLGCs.

This acquisition will increase our own VLGC fleet on the water by more than 40%, positioning BW LPG firmly in the VLGC market with continued robust prospects. In this presentation, we will provide details of and the rationale behind this transaction. First, some background on how this deal came together.



We started some non-binding discussions and dialogue with Avance Gas during Marine Money New York back in June. As discussions progressed, both parties decided that the deal should be structured as a ship-for-share plus cash transaction based on a balanced NAV-to-NAV evaluation to allow for a swift timeline and relatively low complexity. Thanks to improved liquidity and valuation of BW LPG shares through our recent US listing, we have been able to utilize our shares for this transaction, which was essential for us, and to show that we can grow our company following a period of high dividend returns to our shareholders.

This also allows us to draw moderately on our liquidity in the transaction. Once the main mechanism was agreed, we managed to come to agreement on various documents in a rather short time frame, and we wish to thank the Avance Gas team and all advisors for their professionalism and support, and we welcome Avance Gas as our second largest shareholder after the transaction is closed by end Q4.

Turning to Slide 3. For us to grow our own fleet at the current point in the cycle, we had a clear preference for a strategic transaction with scale and vessels on the water. With the current lead time at the yards, VLGC newbuildings can only be delivered in 2027, if not 2028, while vessels on water can immediately generate cash flow from when they are delivered. And through this transaction, we are acquiring a modern fleet of 12 VLGCs with earnings power already from next quarter. All 12 vessels have eco specifications, four have been fitted with LPG dual fuel propulsion technology, and six are equipped with scrubbers. The fleet has an average age of 6.8 years and thereby contributes to fleet renewal.



Let me walk you through the key financial details of the transaction. BW LPG has agreed to acquire the 12 VLGCs for a price of US\$ 1.05 billion including total debt of US\$ 500 million with the following breakdown.

- On the equity side, BW LPG will issue 19.282 million new shares amounting to US\$ 333 million; for the balance of the equity side there is a cash component of US\$ 217 million.
- The total debt of US\$ 500 million is split between bank debt of US\$ 368 million for 10 ships and US\$ 132 million pertaining to two lease facilities which are to be novated.
- Adding it all up, there is a total cash payment in this transaction of US\$ 585 million where US\$ 235 million will be drawn from our available cash resources and US\$ 350 million will be financed by a shareholder loan from BW Group, BW LPG's largest shareholder

Needless to say, we are pleased to have the support of BW Group for this transaction, providing a market-benchmarked bridge loan, and allowing us to secure competitive refinancing right after the vessel's deliveries.

This transaction represents a compelling opportunity to maximize shareholder value.

- We add commercial scale and operational leverage in a fundamentally strong VLGC market.
- We are expanding and renewing our fleet without growing the global orderbook. The acquired fleet is already on water and can be chartered out and generate revenue after delivery in next quarter.



- Before this transaction, our balance sheet has been very robust with a high equity ratio to serve and through this transaction we optimize our balance sheet.
- Our net leverage ratio will increase from 7% reported for Q1 to a range of 30-35% post transaction, and thereby maintaining a balance sheet to support continued shareholder distribution.

Turning to slide four, to illustrate the attractiveness of the deal structure, we will increase our own fleet on the water by 44%, from 27 to 39 vessels, and our operated fleet to more than 50 vessels through this transaction. We will issue 19.282 million new shares to finance this transaction, which represents a 15% increase in our outstanding shares. And by increasing our earnings potential by 44%, at the same time as we increase the number of shares by 15%, we believe with our positive market view that this transaction will be accretive and create good shareholder value. Next slide, please.

Following this transaction, BW LPG will have not only the world's largest fleet of VLGCs on water, but also the highest number of dual-fuel and scrubber-fitted vessels. This positions our company for improved commercial operation with better optimization, lower operational risk per vessel, and increased earnings potential.

This transaction also represents our long-term commitment to our core shipping business, and belief in the LPG market and export growth. With this acquisition, we will be able to deliver even more flexible service to our customers and expand our fleet at an opportune time with solid market prospects.



And lastly, it shows our commitment to LPG dual-fuel technology, which has proven to be a substantial cost saver, as well as reducing our emissions considerably. Next slide, please.

This slide may be familiar for many of you. We use it in a few investor meetings and presentations, and it gives a quick summary of our strategy. Over the last couple of years, we have invested successfully in the adjacent parts to shipping in the LPG value chain and increased our footprint outside of shipping while having an opportunistic approach to growth in the shipping space. This fleet acquisition shows our commitment and capacity to strike major transactions in our core shipping business, which are of strategic significance and commercial scale, and add value to our shareholders as well as clients and other stakeholders.

Our strategic decision to dual list on the New York Stock Exchange back in April has played a vital role in enabling this transaction with improved stock liquidity, broadly invested base, and a more robust pricing. We think today's announcement will further improve our attractiveness as a much larger listed shipping company, and support a larger market cap, and over time, enhanced stock liquidity.

Turning to Slide 7. Through this transaction, we increase our operating leverage, which improves our dividend yield potential. Simulating our time charter profile, we are able to deliver attractive dividend yield based on our dividend policy, and although the spot market is on its way back from a low point around US\$ 30,000 per day for loadings in the US Gulf, and is now trading in the mid US\$ 40,000 per day range, the time-charter market



is reflecting the expectations for the future with one to three year time charters fixed in the region of US\$ 50,000 per day recently.

Now on Slide 8. Just as BW LPG has done in similar transactions historically, we acquire a modern fleet without adding tonnage to the overall global fleet. This increases our competitiveness as the pace of the new building deliveries are sharply abating in the next 18 to 24 months.

Although the spot market has been slow lately, as mentioned, the market fundamentals remain strong on the back of expansion plans in the US LPG exports, and high import demand from Asia. Looking further out on the curve, the LPG story stands solidly on its own feet. We are committed to participating and building our position as a player in the LPG value chain, while we maintain our leading position in the VLGC markets.

Turning to Slide 9. In summary, we are excited to announce this significant transaction. We believe that this transaction will enhance our commercial scale and increase our operational leverage in a robust VLGC market. We believe that this will also solidify our earnings and dividend potential, and we look forward to your continued support for BW LPG. With that, I conclude my presentation. Back to you, Lisa.

Q&A

Host: Thank you, Kristian. 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. [...] There being no questions, Kristian, would you like to provide some closing remarks?

Kristian Sørensen: I'd like to say thanks for joining this call, and we look forward also to seeing you at our Q2 earnings presentation, next week, 22nd of August, where of course we are open for more questions, if there are any, regarding this transaction. Thanks for joining us.

CONCLUSION

Thank you for attending today's investor presentation. A recording and transcript will be made available on our website very soon. Have a good day and good night.
