

# Q4 2022 Earnings Presentation

22<sup>nd</sup> February 2023

Q4



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# Q4 2022 highlights – tighter utilisation rounding off a stronger year



## Financial highlights (US\$)

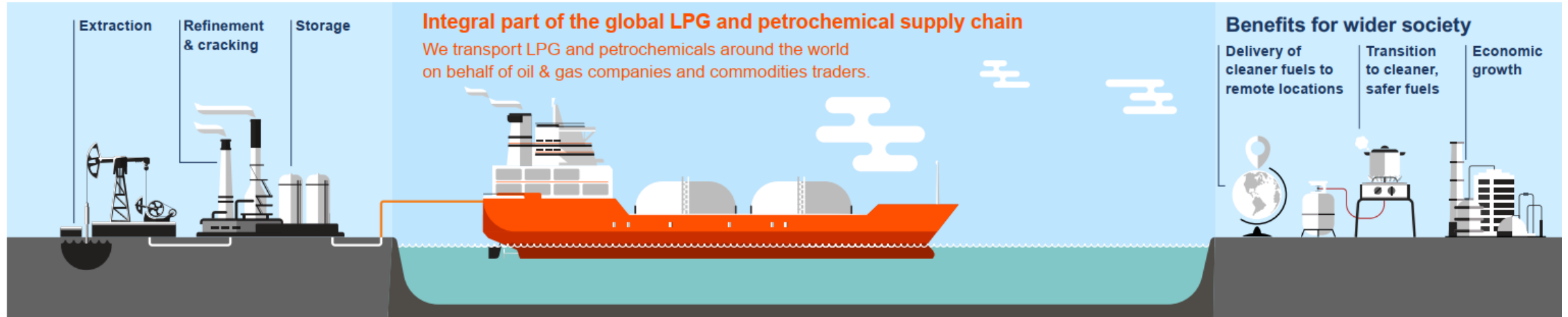
	Q4 2022	Q4 2021	Q4 22 vs Q4 21	FY 2022	FY 2021	FY 22 vs FY 21
Revenue	\$90.0m	\$91.3m	-1.4%	\$362.3m	\$332.2	+9.1%
EBITDA	\$26.7m	\$30.4m	-12.1%	\$118.2m	\$112.7m	+4.9%
Net profit	\$0.2m	-\$2.1m	+110.0%	\$21.4m	\$12.0m	+78.4%
EPS	\$0.00	-\$0.01	n.m.	\$0.13	\$0.08	+64.4%

## Key indicators

TCE/calendar day	\$11,618	\$11,337	+2.5%	\$11,549	\$11,124	+3.8%
Total OPEX/day	\$5,857	\$5,415	+8.2%	\$5,298	\$4,975	+6.5%
Total G&A/day	\$1,271	\$935	+35.9%	\$1,086	\$1,069	+1.6%
Calendar days (owned/chartered-in)	6,023	6,354	-5.2%	24,218	23,375	+3.6%
Fleet operational utilisation	95.3%	92.7%	+2.8%	93.0%	91.7%	+1.4%
LTIF (Lost-Time Injury Frequency Rate)	0.00	0.44		0.23	0.82	
AER / Carbon intensity	25.24	23.75	+6.3%	24.43	23.00	+6.2%

- Q4 2022 Net profit of \$ 0.2million, FY 2022 \$21.4 million.
- EBITDA of \$26.7 million, FY 2022 \$118.2 million.
- ROE 0.2%, FY 2022 4.5% / ROCE 1.8%, FY 2022 4.4 %.
- Cash of \$78.5 million
- Cash dividend \$0.03875 per share payable in March, bringing to a total FY 2022 \$0.067 per share.

## LPG and Petrochemicals supply chain



### About us

1. World leader in shipping pressurised and semi-refrigerated gasses that are key to global clean energy supply chain.
2. 67-strong fleet focused on smaller gas carrier sector. \*(eff. 15.02.23)
3. BW Epic Kosan 'BWEK' is listed on the Euronext Growth market, Oslo Børs.
4. Headquartered in Singapore with offices in Copenhagen, Manila and Tokyo.

### Our capabilities

1. Large and highly skilled in-house team of seafarers and onshore staff. Culture focused on safety and wellbeing of employees and the needs of our customers.
2. Highest standards of safety, health and environmental care. Aiming for Zero Harm. Innovative use of technology and information.
3. Long-term relationships with our clients. Constantly strive to deliver the best solutions.
4. Fully integrated company with significant commercial and technical capability across high-intensity short-sea/coastal trades as well as long-haul transportation.
5. The scale to manage our response to climate change - sustainability, decarbonisation and future fuels.

### Outputs

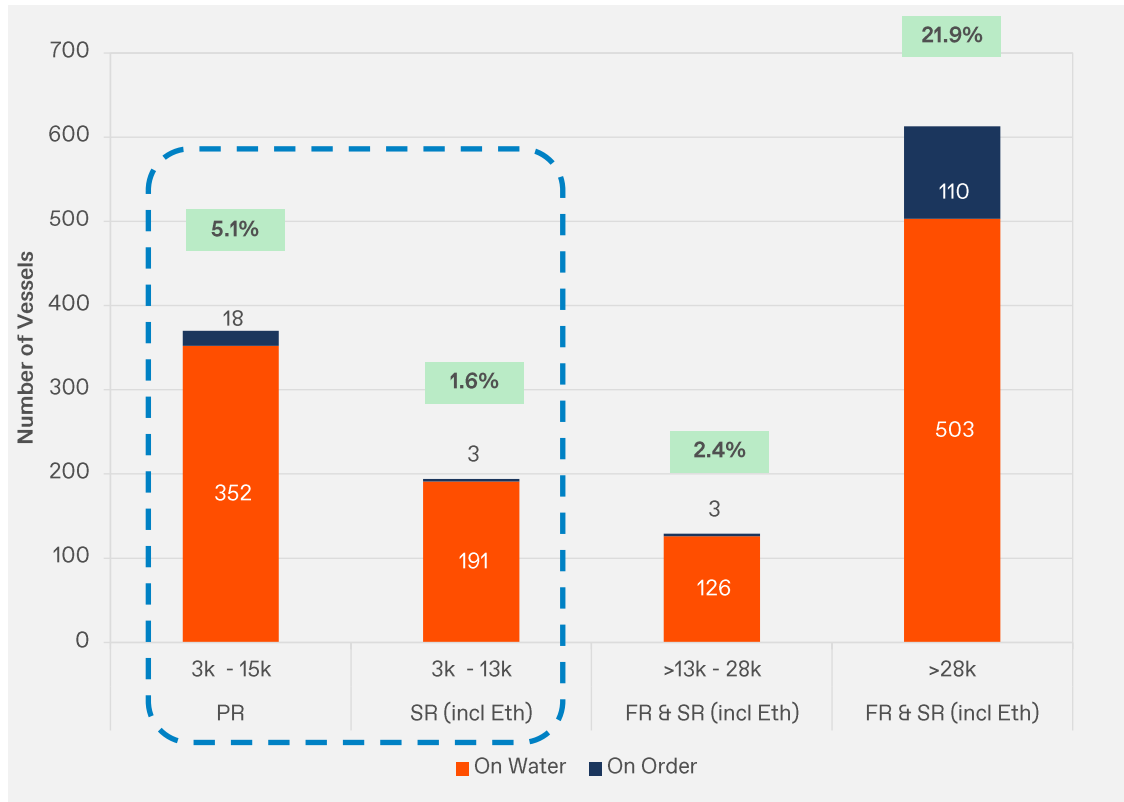
1. Revenue and EBITDA growth.
2. Secure supply of energy and speciality gases around the world.
3. Low carbon solutions for our customers' transportation needs in line with our commitment to our chosen UN SDGs.

# International SGC fleet – low newbuild supply with CAGR over three years of under 1.5%



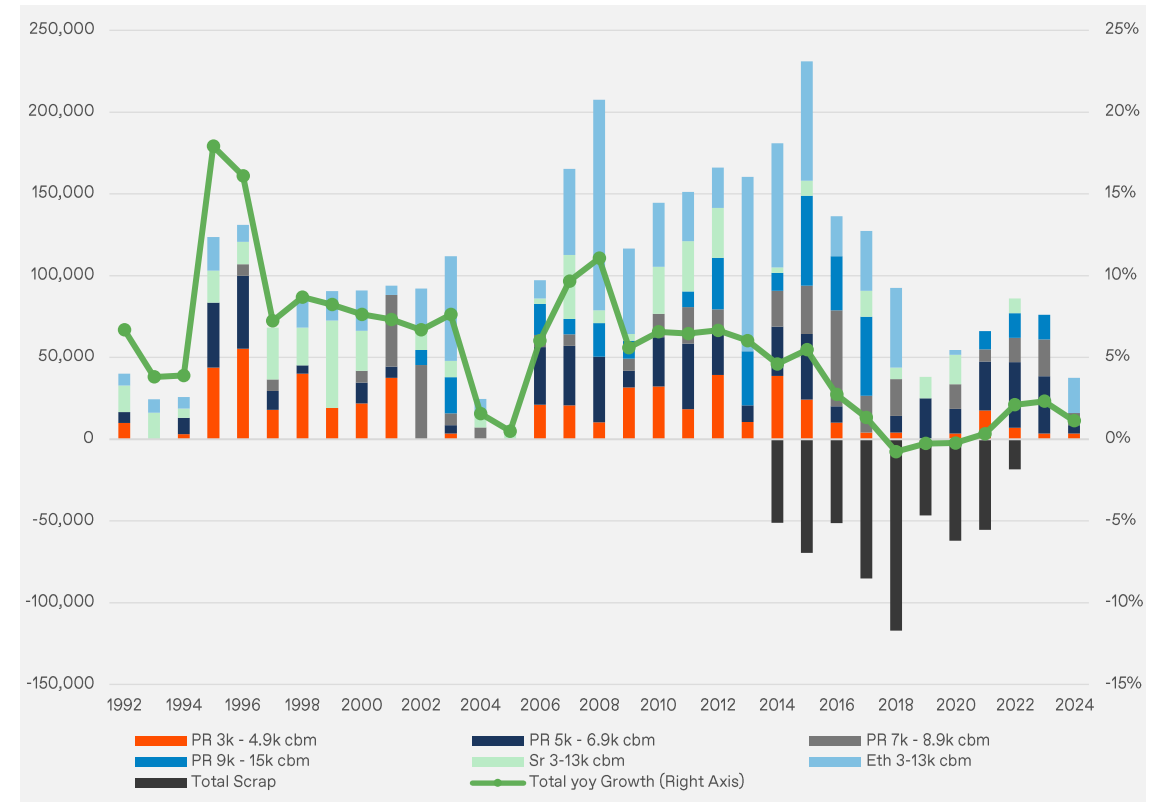
## LPG vessels order book

Source: Clarksons Register, Company Data



## Small Gas Carrier (SGC) - global fleet development

Source: Clarksons Register, Company Data



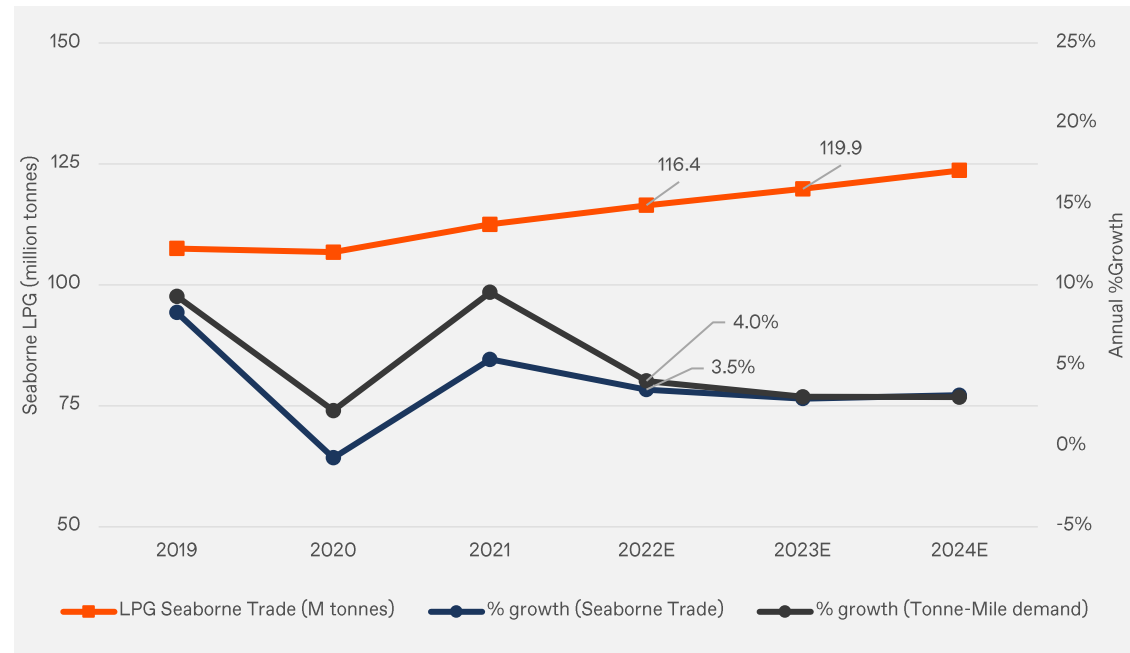
- > 1 x Pr 5,000 cbm, 1 x Pr 7,500 cbm (LPG dual fuel), 1 x Pr 15,000 cbm delivered during Q4 2022.
- > 12/6/2/1 newbuild SGCs to be delivered in balance 2023/24/25/26 representing a 2.3%/1.1%/0.3%/0.1% increase in existing fleet cubic capacity.
- > Increasing focus on dual fuel - 5/18 newbuild SGCs will be LPG or LNG dual fuel, respectively.
- > A scrapping pool of 24 x SGCs aged 30 years and over, with average annualised % scrapping in the SGC fleet over past 5 years of 1.9%.

Forecast 2023 smaller gas carrier fleet growth before any further scrapping +2.3%

## Global LPG seaborne trade 2022

est. 116.4m tonnes (+3.5% yoy) / tonne-miles (+4.0% yoy)

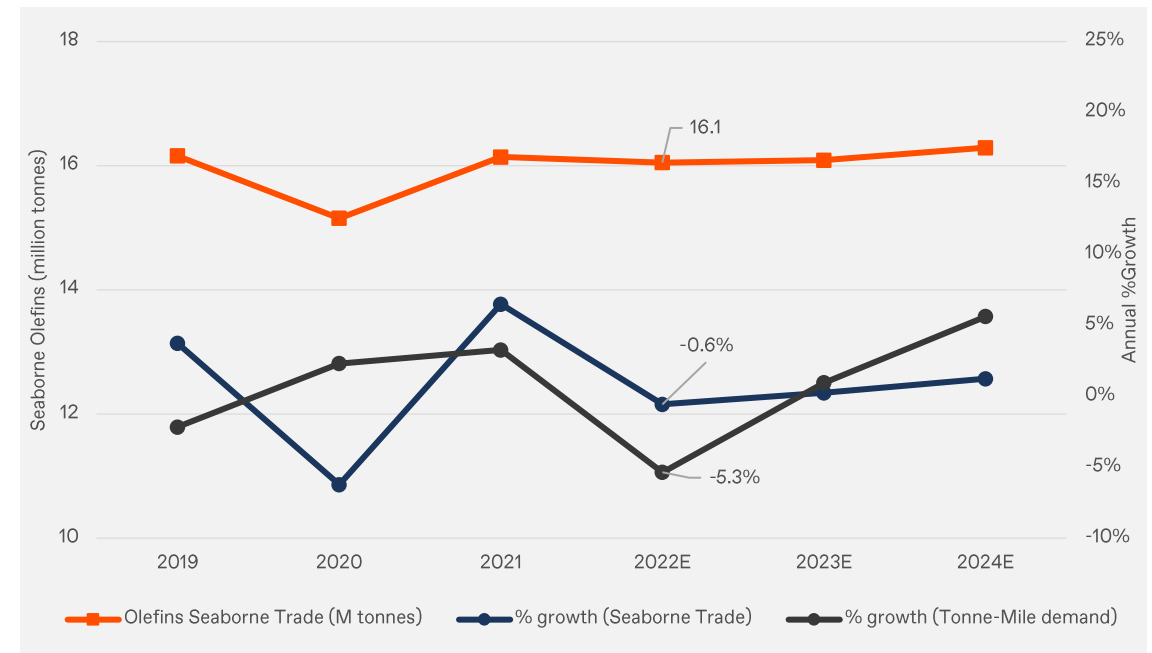
(Source: Drewry November 2022)



## Global olefins (ethylene, propylene, butadiene, VCM) seaborne trade 2022

est. 16.1m tonnes (-0.6% yoy) / tonne-miles (-5.3% yoy)

(Source: Drewry November 2022)



### Summary:

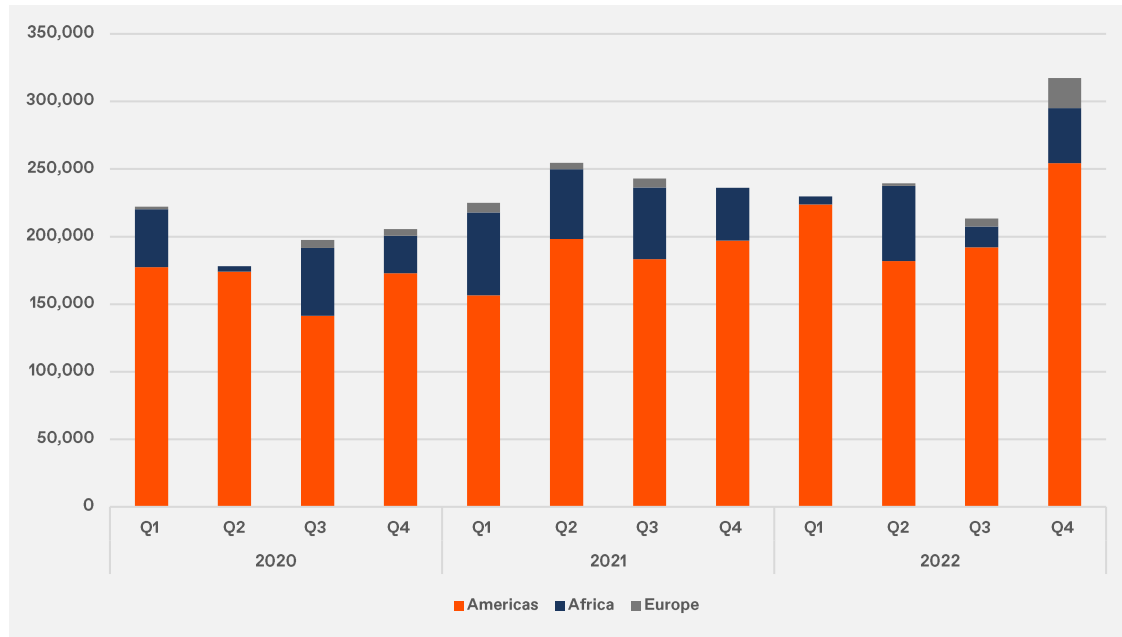
- > Global LPG / olefins seaborne trade estimated annual change +3.5% / -0.6% to 116.4 / 16.1 million tonnes in 2022.
- > Asia's lead importers of LPG increased imports by 3.6% year on year.
- > Ethylene exports out of the USA gained 36% from the previous quarter and 64% from a year ago.
- > Propylene tonnes from Far East Asia to West non-existent in second half 2022.
- > **Market outlook for demand is generally positive, but a full recovery is expected to take some time.**

# Small gas carriers US LPG exports and selected Asian LPG and petrochemical imports



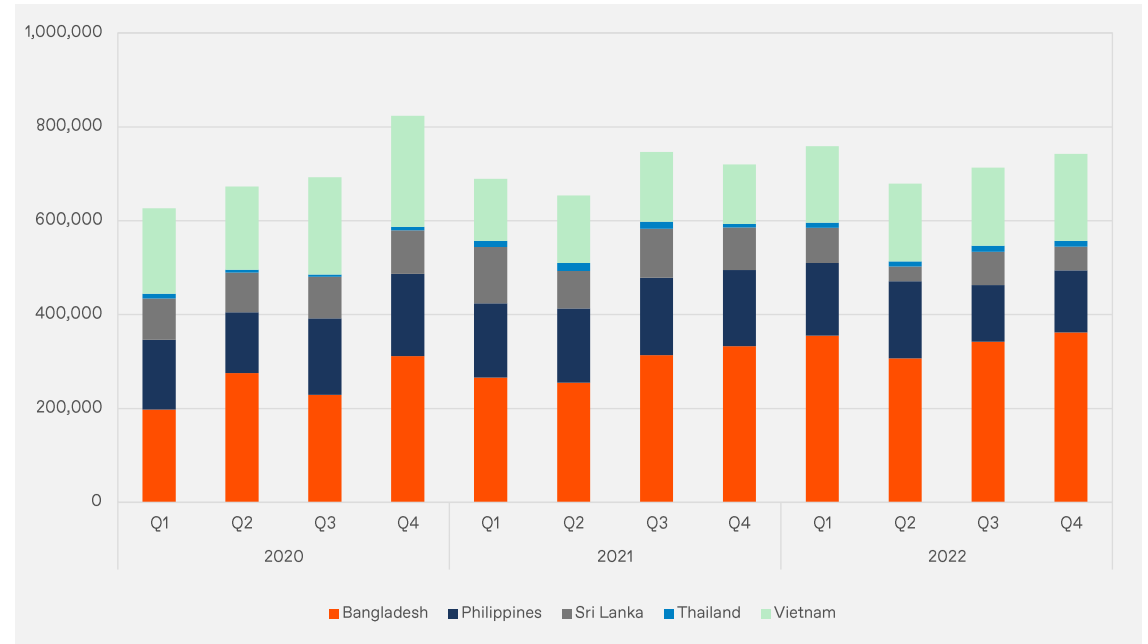
## US LPG Exports - small gas carriers

(Source: Kpler)



## Asia (selected countries) LPG imports - small gas carriers

(Source: Kpler)



## China olefins imports

(Source: China Customs Data)

(Tonnes)	2021				2022				Q4 %qoq	Q4 %yoy
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Propylene	630,103	615,047	587,897	661,317	583,757	417,279	685,677	650,549	-5%	-2%
Ethylene	552,250	491,828	469,674	553,995	489,681	436,493	510,673	630,701	24%	14%
VCM	269,272	248,222	253,925	196,882	268,029	173,918	261,908	218,273	-17%	11%
Butadiene	97,522	48,494	35,781	66,224	36,309	30,844	21,129	81,971	288%	24%

### Summary

- > US LPG - small gas carriers exports qoq / yoy +49% / +35%.
- > Asia LPG - small gas carriers imports qoq / yoy +4% / +3%.
- > Sri Lanka LPG imports impacted by economic crisis qoq / yoy -29% / -45%.
- > China's propylene and ethylene imports qoq -5% / +24%.

## Longer-term market history – 12-month time charter market (US\$/day)



Sector (grey background = our core)	Q4 2022 Market Trend (yoy)		10-year historical market average
Sr 20,500 cbm (Clarksons)	\$24,085	↑	\$23,361
Eth 8,250 cbm (Clarksons)	\$15,945	↑	\$16,124
Pr 11,000 cbm* (Grieg, BWEK, Braemar)	\$14,091	↑	\$14,015
Pr 7,500 cbm (Grieg, Gibson, BRS)	\$12,009	↑	\$11,149
Pr 5,000 cbm (Steem 1960)	\$9,742	↑	\$8,861
Pr 3,500 cbm (Steem 1960)	\$7,890	↑	\$7,295

\*10 Year Average is partially derived from the differential to 7,500cbm due to lack of data for 11,000cbm pre-Nov 2014

<https://bwek.com/investor-relations/reports-and-presentations/monthly-market-assessments>

- > All sectors are improving from longer-term market lows. The Eth 8,250 cbm remains below long-term average. Supply/demand fundamentals support further improvement.
- > Average BWEK Q4 2022 TCE of \$11,618 per calendar day (5%) below long-term market average of over \$12,294 per day.
- > Due to our scale (over 23,000 days) \$500 per day increase across our full fleet is equivalent to \$11.5m increased Revenue/EBITDA/P&L per annum.
- > To follow our market 'live' every month see our [website](#).

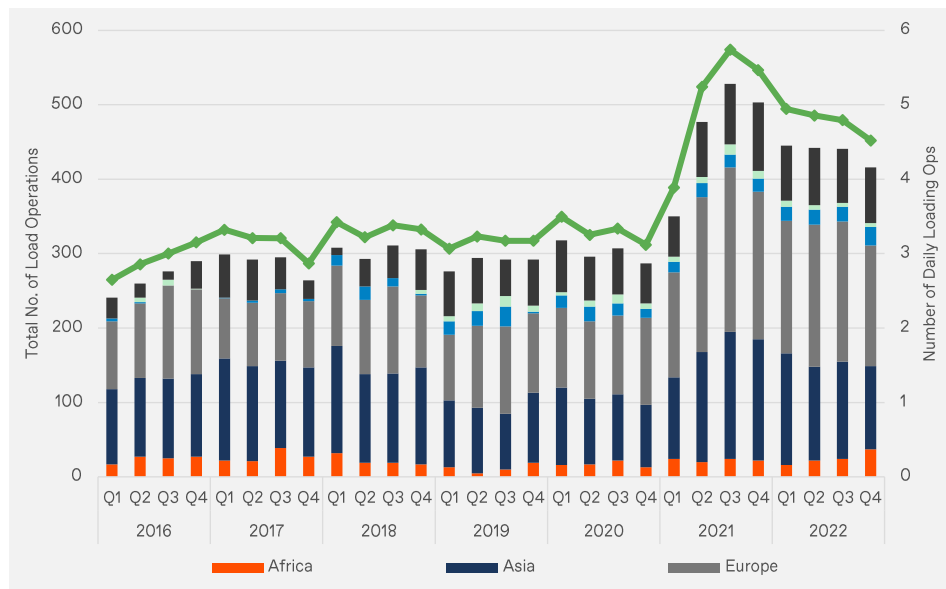


# Geographical and commodity diversity

## Provides optionality and earnings stability



### Diversified geographical trade route options higher in Asia, Europe and the Americas



### Benefits of diversified commodity & geography

- > Optionality on choice, diversified earnings, risk mitigation.
- > Maximising seasonal demand and weather impact.
- > Ability to flex between LPG and petrochemical markets.
- > Integral part of the global LPG supply chain of cleaner energy through ship-to-ship operations for last mile delivery.
- > Developing new customers, niche markets, and routes.
- > Maximising operational efficiencies.

### Diversified geographical location of fleet (as of 31 December 2022)

Vessels by segment	Americas	EMEA	Asia	Total fleet
Pr 3,500 cbm	4	1	2	7
SR 3,000 cbm		2		2
Pr 5,000 – 6,300 cbm		3	5	8
SR 6,000 cbm		4	1	5
Eth 6,000 cbm			3	3
Pr 7,000 – 7,500 cbm	3	7	3	13
Pr 9,500 cbm	2	2		4
Pr 11,000 cbm	2	8		10
Eth 8,000 – 12,000 cbm	1	6	10	17
<b>Total</b>	<b>12</b>	<b>33</b>	<b>24</b>	<b>69</b>

Fleet capacity (cbm) 522,517

Avg. vessel size (cbm) 7,573

### Cargo operations summary

- > Loaded 1.3 million tonnes (Q4), 5.5 million tonnes (FY 2022).
- > LPG (47%) 2.6 million tonnes, petrochemicals (53%) 2.9 million tonnes (FY 2022).
- > 416 load operations (Q4).
- > 4.5 load operations every day across the fleet/globe (Q4).
- > Cargo operations 960 (Q4), 4,000+ (FY 2022).
- > 265 different ports (Q4).

## Operating metrics

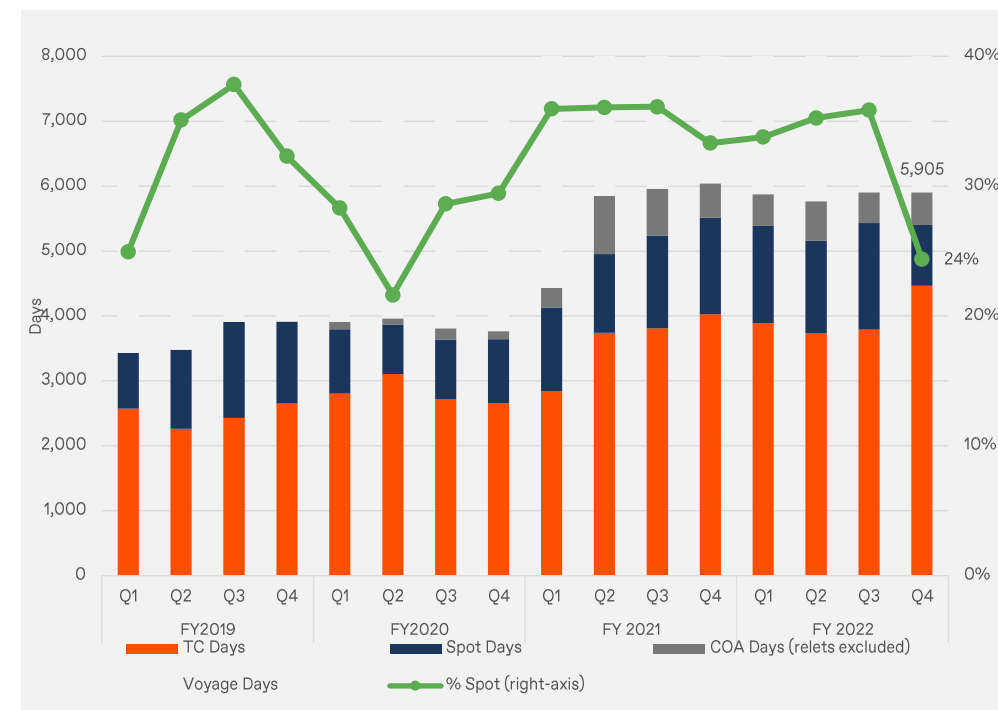
	Three-month period		Twelve-month period	
	ended December 31,		ended December 31,	
	2022	2021	2022	2021
Average number of vessels in period (1)	65.5	69.2	66.4	64.1
Number of vessels as of period end (2)	65	70	65	70
Average vessel age (years)	12.0	11.1	12.0	11.1
Fleet capacity at period end (cbm)	498,944	500,341	498,944	500,341
Average vessel size (cbm)	7,676	7,148	7,676	7,148
Fleet calendar days	6,023	6,354	24,218	23,375
Time charter days	4,466	4,028	15,875	14,413
Spot market days	935	1,489	5,502	5,427
COA days (relets excluded)	504	523	2,070	2,439
Voyage days (3)	5,905	6,040	23,447	22,279
Fleet utilisation (4)	98.0%	95.1%	96.8%	95.3%
Fleet operational utilisation (5)	95.3%	92.7%	93.0%	91.7%
Time charter equivalent earnings				
Per calendar day	\$11,617	\$11,337	\$11,549	\$11,124
Per voyage day	\$11,850	\$11,925	\$11,929	\$11,671
Operating expenses per calendar day (6)	\$5,857	\$5,415	\$5,298	\$4,975

- 1) The number of days each vessel (excluding vessels under commercial management) was a part of our fleet during the period divided by the number of calendar days.
- 2) Excluding vessels under commercial management.
- 3) Calendar days net of off-hire days associated with major repairs, dry docks or special or intermediate surveys.
- 4) Calculated by dividing voyage days by fleet calendar days.
- 5) Calculated by dividing voyage days, excluding commercially idle days, by fleet calendar days.
- 6) Time charter-in vessels excluded.

### Highlights:

- > BW Epic Kosan has a loyal, consistent client base and focuses on meeting customer needs, with flexibility between time charter, voyage charter, contract of affreightment ('COA') and spot contracts – with 2022 seeing steady COA revenue days.
- > Reducing impact of pandemic expenses on OPEX, but inflationary pressure on crew wages, leading to increased OPEX per day by 6.5%.
- > Maintenance is conducted as efficiently as possible, with minimal idle days.

## Voyage days



# Key financials

## Income statement and cash flow FY2022



### Income statement

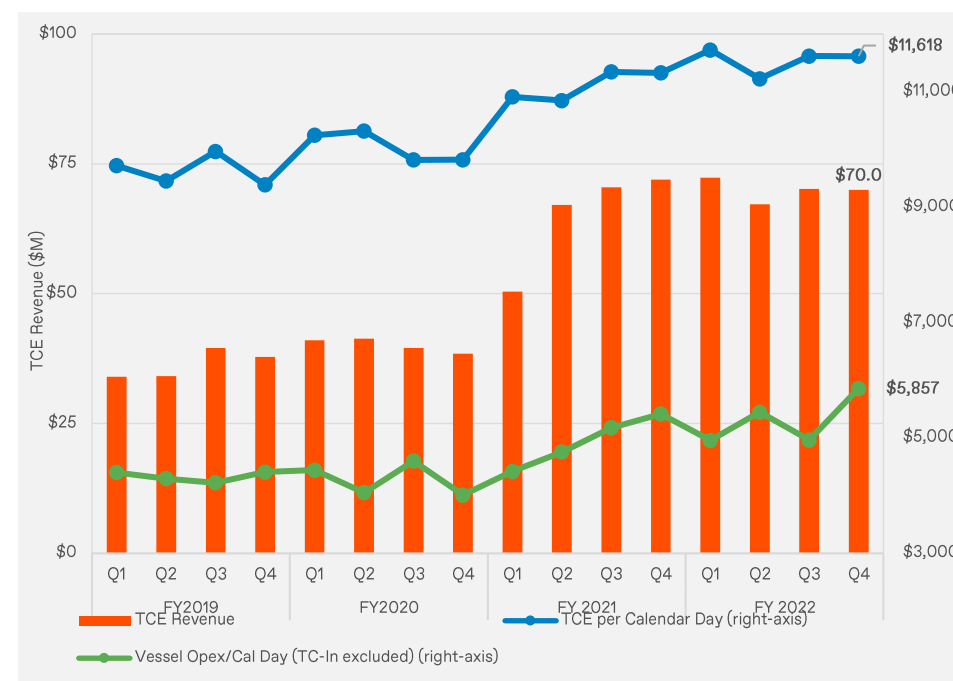
All amounts in US\$ millions	Q4 2022	Q4 2021	FY 2022	FY 2021
<b>TCE Income</b>	<b>70.0</b>	72.0	<b>279.7</b>	260.0
Other income/(expenses)	0.8	0.8	1.5	3.2
Brokerage commissions	(1.7)	(1.7)	(7.0)	(6.2)
Charter-in costs	(3.8)	(2.1)	(12.9)	(5.0)
Vessel operating expenses	(30.5)	(32.0)	(114.0)	(111.7)
General and administrative expenses	(8.1)	(6.6)	(29.1)	(27.6)
<b>Operating profit/ (loss) before depreciation, amortisation, and impairment (EBITDA)</b>	<b>26.7</b>	30.4	<b>118.2</b>	112.7
Depreciation and amortisation	(18.1)	(19.0)	(73.0)	(71.3)
Impairment loss, gain/(loss) on sale of vessels	(4.5)	(8.0)	(4.4)	(9.3)
<b>Operating profit/(loss) (EBIT)</b>	<b>4.1</b>	3.3	<b>40.8</b>	32.1
Interest and finance costs	(4.9)	(5.0)	(19.4)	(19.0)
Foreign exchange gain/(loss)	0.2	(0.0)	(0.3)	(0.1)
Finance expense – net	(4.7)	(5.0)	(19.7)	(19.1)
Profit and loss before income taxes	(0.6)	(1.7)	21.2	13.0
Income tax expense	0.9	(0.4)	0.2	(1.0)
<b>Net profit/(loss) after tax</b>	<b>0.2</b>	(2.1)	<b>21.4</b>	12.0
Other comprehensive income/(loss) (1)	(0.6)	2.6	17.3	6.2
<b>Total comprehensive income/(loss)</b>	<b>(0.4)</b>	0.4	<b>38.7</b>	18.2

(1) From time to time, the Company enters into derivative contracts in the form of interest rate swaps to mitigate the risk of interest rate fluctuations. These derivatives are used to hedge the Company's borrowings. The unrealised mark to market gains or losses on these instruments are recognised under 'Other comprehensive income/(loss)'.

### Statement of cash flows

All amounts in US\$ millions	FY 2022	FY 2021
Cash from operating activities	<b>117.9</b>	112.2
Cash from investing activities	<b>9.5</b>	(37.8)
Cash from financing activities	<b>(106.4)</b>	(80.1)
Net Increase in cash and cash equivalents	<b>21.0</b>	(5.7)
Cash and cash equivalents at the beginning of the year	<b>41.8</b>	47.5
<b>Cash and cash equivalents at end of the period (excl. restricted cash)</b>	<b>62.8</b>	41.8

### Time charter equivalent ('TCE') revenue and opex



#### Highlights:

- > FY2022 Net profit of \$21.4 million.
- > ROE 4.5%.
- > Change from US GAAP to IFRS with effect from 1 January 2021.

# Key financials

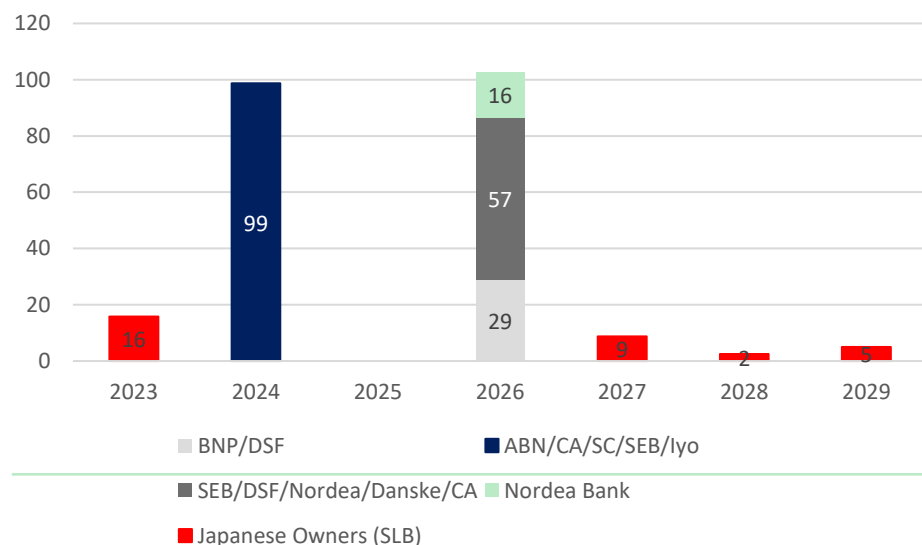
## Balance sheet 31 December 2022



### Balance sheet

All amounts in US\$ millions	31 December 2022	31 December 2021
Cash	78.5	58.0
Other current assets	100.5	68.3
Vessels	761.3	857.9
Right-of-use assets	35.3	22.0
Other non-current assets	11.7	0.8
<b>Total assets</b>	<b>987.3</b>	<b>1,006.9</b>
Current liabilities	143.8	133.3
Non-current liabilities	355.1	419.4
Total shareholders' equity	488.4	454.2
<b>Total liabilities and equity</b>	<b>987.3</b>	<b>1,006.9</b>

### Debt maturities (in US\$m)



- > **Book value of vessels of \$761 million, below latest broker FMV estimates.**
- > **NAV basis broker FMV of \$575 million or \$3.60/share.**
- > **Healthy cash position**
  - \$78.5 million.
- > **Annual dividend policy instigated in May 2021**
  - Interim dividend of \$0.028219 per share paid in June 2022
  - Interim dividend of \$0.03875/share, equivalent to \$6.18 million, payable in March 2023.
- > **Strong relationships with key ship finance banks**
  - Bank debt and lease liabilities: \$438 million
  - No major loan expiry until 2024
  - Net leverage of 43%.
- > **Capped interest rate exposure**  
\$242m (=75% of bank debt) hedged via interest rate swaps at a weighted average rate of 1.14%.
- > **Fleet development Q4 2022**
  - Sold two pressurised LPG carriers (6,300cbm, 2000 built and 3,600cbm, 2011 built)
  - Subsequent events: sold two 3,600cbm, 2011 built pressurised LPG carriers and re-delivered two 3,300 SR LPG carriers under time charter.

## Q4 2022 Summary

- > Improving revenue and TCE are driven by a tighter market.
- > OPEX costs increased reflecting a reduction in Covid-19-related expenses and some combination synergies, albeit offset by global inflationary pressures.
- > Higher G&A/day in Q4, FY 2022 \$1,086/day (+1.6% yoy).
- > Net profit of US\$0.2 million, FY 2022 \$21.4m (+78.4% yoy).
- > ROE for the quarter 0.2%, FY 2022 4.5%.
- > Healthy cash position of US\$78.5 million, and stable long-term financing.

## Outlook

- > LPG demand expected to remain firm. Favourable intra-region pricing for petrochemicals presently providing incremental tonne-mile demand. 2023 global seaborne trade annual growth forecast is positive for LPG at 2.9%, and a more modest 0.2% for olefins. China has removed strictest Covid-19 measures.
- > Uncertainty in the market on account of high energy prices, inflationary pressure, and negative margins in the petrochemical industry.
- > Low Fleet growth of 2.3% (before scrapping) expected in 2023.
- > Focus on IMO 2030 and IMO 2050, working to deliver decarbonisation, including through shipping-related projects for carbon capture and storage.

# Fleet list

(as of 15 February 2023)



Pressurised		
Cbm	Vessel name	Built
3-4,900 cbm	Epic Caledonia	2014
	Epic Curacao	2014
	Inge Kosan	2011
	Monica Kosan	2011
	Emily Kosan	2012
	Helle Kosan	2010

5-6,900 cbm	Epic St. Ivan	2015
	Epic St. Agnes	2015
	Epic St. Croix	2014
	Epic St. Thomas	2014
	Cougar	2013
	Epic St. Vincent	2008
	Epic St. Kitts	2008
	Epic St. Lucia	2008
Epic St. Martin	2008	

Pressurised		
Cbm	Vessel name	Built
7-8,900cbm	BWEK Bornholm	2022
	Epic Bali	2010
	Epic Barnes	2002
	Epic Bermuda	2001
	Epic Borneo	2010
	Epic Baluan	2017
	Epic Beata	2011
	Epic Bolivar	2002
	Epic Bonaire	2016
	Epic Boracay	2009
	Epic Borinquen	2016
	Epic Breeze	2020
Epic Burano	2002	

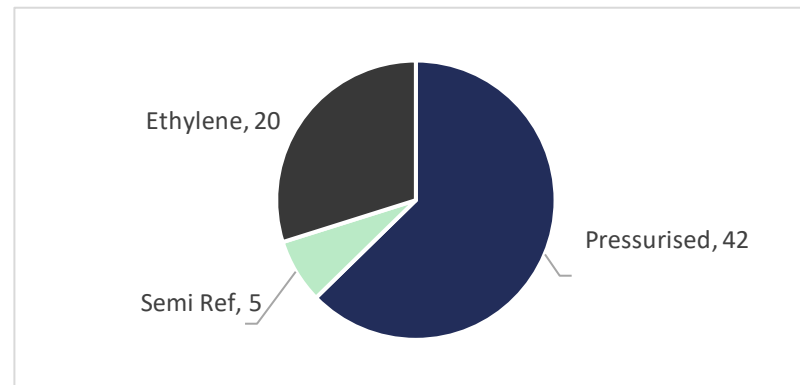
Pressurised		
Cbm	Vessel name	Built
9-12,000 cbm	Chelsea	2008
	Epic Manhattan	2007
	Epic Madeira	2006
	Westminster	2011
	Epic Salina	2017
	Epic Samos	2016
	Epic Shikoku	2016
	Epic Sentosa	2016
	Epic Sicily	2015
	Epic Susak	2015
	Epic Susui	2015
	Epic Sula	2015
Epic Sunter	2015	
Epic Sardinia	2017	

Ethylene		
Cbm	Vessel name	Built
5-6,9 cbm	Seapeak Camilla	2010
	Seapeak Pan	2009
	Seapeak Cathinka	2009

7-8,900 cbm	Henrietta Kosan	2008
	Isabella Kosan	2007
	Alexandra Kosan	2008
	Leonora Kosan	2009
	Helena Kosan	2007
Victoria Kosan	2009	

9-12,000 cbm	BWEK Anholt	2008
	Bow Guardian	2008
	Stina Kosan	2008
	Sophia Kosan	2008
	Stella Kosan	2008
	Kathrine Kosan	2008
	Kamilla Kosan	2008
	JBU Schelde	2008
	Seapeak Napa	2003
	Seapeak Unikum	2011
	Seapeak Vision	2011

Semi-Refrigerated		
Cbm	Vessel name	Built
5-6,9 cbm	Tessa Kosan	1999
	Tenna Kosan	1998
	Tilda Kosan	1999
	Tanja Kosan	1999
	Tristar Dana	2010



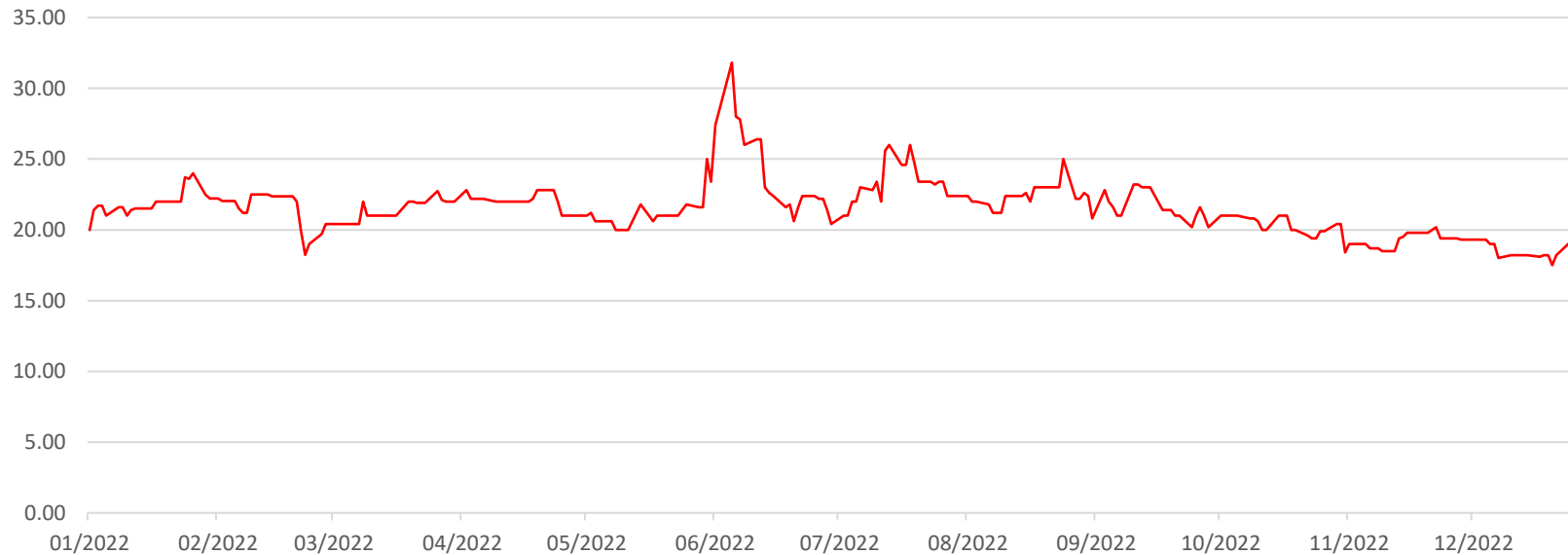
**Total – 67 owned and operated vessels**

# Key information on BW Epic Kosan shares



## Share price 1 Year / NOK

Euronext Growth Oslo: BWEK



Market cap (31/12/22) : NOK 2,996.1m / US\$ 303.6m  
Shares outstanding (31/12/22) : 159,467,033  
Dividend policy : Target of 50% of annual net profit subject to Board review and approval  
Website : [www.bwek.com](http://www.bwek.com)

# Thank you



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