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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**Form 6-K**

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**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**For the Quarter Ended March 31, 2023**

**Commission File Number 001-36202**

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**NAVIGATOR HOLDINGS LTD.**

**(Translation of registrant's name into English)**

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**c/o NGT Services (UK) Ltd  
10 Bressenden Place  
London, SW1E 5DH  
United Kingdom  
(Address of principal executive office)**

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

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**NAVIGATOR HOLDINGS LTD.**

**REPORT ON FORM 6-K FOR THE THREE MONTHS ENDED MARCH 31, 2023**

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## Management's Discussion and Analysis of Financial Condition and Results of Operations

*Unless the context otherwise requires, all references in this report to "Navigator Holdings," "our," "we," "us" and the "Company" refer to Navigator Holdings Ltd., a Marshall Islands corporation. All references in this report to our wholly-owned subsidiary "Navigator Gas L.L.C." refer to Navigator Gas L.L.C., a Marshall Islands limited liability company. As used in this report, unless the context indicates or otherwise requires, references to "our fleet" or "our vessels" refers to the 56 vessels we owned and operated as of May 19, 2023.*

*This section should be read in conjunction with the interim financial statements and notes thereto presented elsewhere in this report, as well as the audited historical consolidated financial statements and notes thereto of Navigator Holdings Ltd. included in our Annual Report on Form 20-F, filed with the United States Securities and Exchange Commission, or the SEC, on April 4, 2023 (the "2022 Annual Report"). Among other things, those financial statements include more detailed information regarding the basis of presentation for the following information. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and are presented in U.S. Dollars unless otherwise indicated.*

### Overview

We are the owner and operator of 56 liquefied gas carriers, which includes the world's largest fleet of handysize liquefied gas carriers. We also own a 50% share in an ethylene export marine terminal at Morgan's Point, Texas on the Houston Ship Channel (the "Ethylene Export Terminal") through a joint venture (the "Export Terminal Joint Venture").

In September 2022, the Company entered into a joint venture (the "Navigator Greater Bay Joint Venture") with Greater Bay Gas Co. Ltd. (Liberia) ("Greater Bay Gas") for the purpose of acquiring a total of five ethylene vessels. The Greater Bay Joint Venture is owned 60% by the Company and 40% by Greater Bay Gas and is fully consolidated. The Greater Bay Joint Venture acquired two 17,000 cbm, 2018-built ethylene capable liquefied gas carriers, *Navigator Luna* on December 20, 2022 and *Navigator Solar* on January 17, 2023, and three 22,000 cbm, 2019-built ethylene capable liquefied gas carriers, *Navigator Castor* and *Navigator Equator* on March 24, 2023 and March 27, 2023, respectively, and *Navigator Vega*, on April 13, 2023. These vessel acquisitions allowed the Company to increase its share of the Pool points, according to which Luna Pool earnings are allocated between the Pool Participants and with this latest acquisition, the Company controls all the vessels in Luna Pool.

Our liquefied gas carrier fleet currently consists of 42 handysize liquefied gas carriers, which we define as those with capabilities between 15,000 and 24,999 cubic meters, or "cbm". In addition, we have five larger 37,300 – 38,000 cbm midsize liquefied gas carriers; five 12,000 cbm ethylene carriers and four smaller 3,770 – 9,000 cbm semi-refrigerated liquefied gas carriers. Of our total fleet of 56 liquefied gas carriers, 25 are ethylene or ethane capable gas carriers.

Our handysize liquefied gas carriers typically transport LPG on short or medium routes that may be uneconomical for smaller vessels and can call at ports that are unable to support larger vessels due to limited onshore capacity, absence of fully-refrigerated loading infrastructure and/or vessel size restrictions. These handysize liquefied gas carriers are amongst the largest semi-refrigerated vessels in the world, which also makes them the ideal choice for transporting petrochemicals on long routes, typically intercontinental.

We play a vital role in the liquefied gas supply chain for energy companies, industrial consumers and commodity traders, with our sophisticated vessels providing an efficient and reliable 'floating pipeline' between the parties. We carry LPG for major international energy companies, state-owned utilities and reputable commodities traders. LPG, which consists of propane and butane, is a relatively clean alternative energy source with more than 1,000 applications, including as a heating, cooking and transportation fuel and as a petrochemical and refinery feedstock. LPG is a by-product of oil refining and natural gas extraction, and shale gas, principally from the U.S.

We also carry petrochemical gases for numerous industrial users. Petrochemical gases, including ethylene, propylene, butadiene and vinyl chloride monomer, are derived from the cracking of petroleum feedstocks such as ethane, LPG and naphtha and are primarily used as raw materials in various industrial processes, like the manufacture of plastics, vinyl and rubber, with a wide application of end uses. Our vessels also carry ammonia for the producers of fertilizers, a main use of ammonia for the agricultural industry, and for ammonia traders.

We own a 50% share in our Ethylene Export Terminal at Morgan's Point, Texas on the Houston Ship Channel through our Export Terminal Joint Venture. Our Ethylene Export Terminal, which comprises an ethylene chiller unit and an ethylene cryogenic storage tank with a capacity of 30,000 tons, has the capacity to export approximately one million tons of ethylene per year and is capable of loading ethylene-capable gas carriers at rates of 1,000 tons per hour. The Export Terminal Joint Venture has entered into several take or pay offtake agreements, which had initial minimum terms of five years with aggregate minimum throughput commitments of 938,000 tons of ethylene annually, or 94% of the terminal's nameplate capacity. In November 2022, we announced our intention to participate in a capital project under our Export Terminal Joint Venture, together with our joint venture partner, to extend the Ethylene Export Terminal, ("Terminal Expansion Project") under the existing joint venture agreement. When completed, the Terminal Expansion Project is expected to provide

significant additional ethylene refrigeration capacity for the Export Terminal Joint Venture (expanding the export capacity from approximately one million tons per year to at least 1.55 million tons per year of ethylene). Construction of the expansion has commenced and is expected to be completed in the second half of 2024, at which time the additional terminal capacity would begin commercial service. The total capital contributions required from us to the Export Terminal Joint Venture for the Terminal Expansion Project are expected to be approximately \$125 million in cash contributions, commencing in the second quarter of 2023 and ending in the fourth quarter of 2024 which we expect to finance using existing cash resources, distributions from the Export Terminal Joint Venture during the course of the expansion and additional debt.

## Our Fleet

The following table sets forth our vessels as of May 19, 2023:

Operating Vessel	Year Built	Vessel Size (cbm)	Employment Status	Current Cargo	Time Charter Expiration Date
<b>Ethylene/ethane capable semi-refrigerated midsize</b>					
Navigator Aurora	2016	37,300	Time Charter	Ethane	December 2026
Navigator Eclipse	2016	37,300	Time Charter	Ethane	March 2026
Navigator Nova	2017	37,300	Time Charter	Ethane	September 2026
Navigator Prominence	2017	37,300	Time Charter	Ethane	March 2025
<b>Ethylene/ethane capable semi-refrigerated handysize</b>					
Navigator Pluto*	2000	22,085	Spot Market	Ethylene	—
Navigator Saturn*	2000	22,085	—	—	—
Navigator Venus*	2000	22,085	Spot Market	Ethylene	—
Navigator Atlas*	2014	21,000	Spot Market	Ethylene	—
Navigator Europa*	2014	21,000	Time Charter	Ethane	December 2023
Navigator Oberon*	2014	21,000	Spot Market	Ethylene	—
Navigator Triton*	2015	21,000	Spot Market	Ethylene	—
Navigator Umbrio*	2015	21,000	Time Charter	Ethylene	December 2023
Navigator Luna*	2018	17,000	Spot Market	Ethylene	—
Navigator Solar*	2018	17,000	Spot Market	Ethylene	—
Navigator Castor*	2019	22,000	Spot Market	Ethylene	—
Navigator Equator*	2019	22,000	Spot Market	Ethylene	—
Navigator Vega*	2019	22,000	Time Charter	Ethylene	October 2023
<b>Ethylene/ethane capable semi-refrigerated smaller size</b>					
Happy Condor**	2008	9,000	Unigas Pool	—	—
Happy Pelican**	2012	6,800	Unigas Pool	—	—
Happy Penguin**	2013	6,800	Unigas Pool	—	—
Happy Kestrel**	2013	12,000	Unigas Pool	—	—
Happy Osprey**	2013	12,000	Unigas Pool	—	—
Happy Peregrine**	2014	12,000	Unigas Pool	—	—
Happy Albatross**	2015	12,000	Unigas Pool	—	—
Happy Avocet**	2017	12,000	Unigas Pool	—	—
<b>Semi-refrigerated handysize</b>					
Navigator Aries	2008	20,750	Time Charter	LPG	January 2024
Navigator Capricorn	2008	20,750	Time Charter	LPG	July 2023
Navigator Gemini	2009	20,750	—	—	—
Navigator Pegasus	2009	22,200	Time Charter	Propylene	September 2023
Navigator Phoenix	2009	22,200	Time Charter	Ammonia	August 2023
Navigator Scorpio	2009	20,750	Time Charter	LPG	January 2024

<b>Operating Vessel</b>	<b>Year Built</b>	<b>Vessel Size (cbm)</b>	<b>Employment Status</b>	<b>Current Cargo</b>	<b>Time Charter Expiration Date</b>
Navigator Taurus	2009	20,750	Time Charter	Ammonia	July 2023
Navigator Virgo	2009	20,750	Time Charter	LPG	July 2023
Navigator Leo	2011	20,600	Time Charter	LPG	December 2023
Navigator Libra	2012	20,600	Time Charter	LPG	December 2023
Atlantic Gas	2014	22,000	Time Charter	LPG	August 2023
Adriatic Gas	2015	22,000	Time Charter	LPG	November 2023
Balearin Gas	2015	22,000	Spot Market	LPG	—
Celtic Gas	2015	22,000	Time Charter	LPG	June 2023
Navigator Centauri	2015	21,000	Time Charter	LPG	May 2024
Navigator Ceres	2015	21,000	Time Charter	LPG	June 2024
Navigator Ceto	2016	21,000	Time Charter	LPG	May 2024
Navigator Copernico	2016	21,000	Time Charter	LPG	May 2024
Bering Gas	2016	22,000	Spot Market	Butadiene	—
Navigator Luga	2017	22,000	Time Charter	LPG	July 2024
Navigator Yauza	2017	22,000	Time Charter	LPG	July 2024
Arctic Gas	2017	22,000	Time Charter	LPG	June 2023
Pacific Gas	2017	22,000	Time Charter	LPG	November 2023
Semi-refrigerated smaller size					
Happy Falcon**	2002	3,770	Unigas Pool	—	
<b>Fully-refrigerated</b>					
Navigator Glory	2010	22,500	Time Charter	Ammonia	June 2025
Navigator Grace	2010	22,500	Time Charter	Ammonia	January 2024
Navigator Galaxy	2011	22,500	Time Charter	Ammonia	December 2023
Navigator Genesis	2011	22,500	Time Charter	Ammonia	January 2024
Navigator Global	2011	22,500	Time Charter	LPG	June 2023
Navigator Gusto	2011	22,500	Time Charter	Ammonia	March 2024
Navigator Jorf	2017	38,000	Time Charter	Ammonia	August 2027

\* denotes our owned vessels that operate within the Luna Pool

\*\* denotes our owned vessels that operate within the independently managed Unigas Pool

## **Recent Developments**

### **Share Repurchase Program**

The Company previously announced the Board's authorization for a share repurchase program of up to \$50.0 million of its common stock, to be implemented via open market purchases, privately negotiated transactions, or in accordance with an approved trading plan (under Rule 10b5-1). In December 2022, the Company commenced the share buyback program. As of March 31, 2023, the Company had purchased and canceled 2,622,149 shares of common stock for a total amount of approximately \$33.6 million (an average price of \$12.73 per share). Since March 31, 2023, the Company has purchased and canceled a further 1,187,798 shares of common stock for a total amount of approximately \$16.4 million, thereby completing the \$50.0 million share repurchase program.

### **Ethylene Export Terminal**

The Ethylene Export Terminal had a throughput during the first quarter of 2023 totaling 250,731 metric tons, compared to 267,110 tons during the first quarter of 2022.

We, together with our joint venture partner have agreed to the Terminal Expansion Project, increasing the export capacity from approximately one million tons per year to at least 1.55 million tons and up to three million tons per year. Long lead items have already been ordered and construction which is expected to be completed in the second half of 2024, has commenced. The total capital contributions required from us to the Export Terminal Joint Venture for the Terminal Expansion Project are expected to be approximately \$125 million which the Company expects to finance using existing cash resources, distributions from the Export Terminal Joint Venture during the course of the expansion and additional debt.

### **Sale of the Navigator Orion**

On May 2, 2023, the Company sold and delivered its vessel, *Navigator Orion*, a 2000-built 22,085 cbm ethylene capable semi-refrigerated handysize carrier to a third party for \$20.9 million.

### **Shipping Trends**

Charter rates for the handysize LPG vessel segment continued an upward trajectory through the first quarter of 2023. Both the handysize 12-month market assessment for semi-refrigerated and fully-refrigerated vessels increased by \$10,000 per calendar month ("pcm") to \$760,000 pcm, and \$740,000 pcm respectively, and the handysize ethylene assessment increased \$85,000 pcm to \$975,000 pcm during the first quarter.

The continued robustness of all three handysize vessel sub-segments is primarily attributed to the following factors. First, the geopolitical conflict around Ukraine continues to disrupt traditional ammonia trade flows. The Ukrainian port of Yuzhnyy, which historically exported approximately 10% of the world's seaborne ammonia, remains out of operation. In addition, ammonia originating from the Russian Baltic Sea area continues to experience delays and therefore European ammonia consumers were sourced the commodity from further distances, increasing ton mile and thus increasing the demand for handysize shipping. However, European ammonia demand has declined during the past month due to the normalization of natural gas prices, although the increased ammonia ship demand within the handysize segment has remained.

Secondly, the U.S. continues to export record volumes of LPG, increasing week on week, compared to the same time period last year. The U.S. exported a record 5.5 million tons of LPG during March 2023, providing improved employment opportunities across all the gas carrier segments.

Finally, North American ethane remains competitively priced enabling a sustainable floor for cheap domestic production of ethylene. The arbitrage for U.S. produced ethylene compared to international markets continues to be open, both to Europe and to Asia-Pacific consumers, which has given rise to continued throughput from our Ethylene Export Terminal, as well as demand for our ethylene capable vessels. The nameplate capacity ethylene exports from our terminal, in addition to significant U.S. ethane exports have supported an increase in the ethylene capable handysize ship segment.

## Unaudited Results of Operations for the Three Months Ended March 31, 2023 Compared to the Three Months Ended March 31, 2022

The following table compares our operating results for the three months ended March 31, 2022 and 2023:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2023	Percentage Change
	(in thousands, except percentages)		
Operating revenues	\$ 100,396	\$ 116,610	16.2%
Operating revenues – Unigas Pool	13,504	12,192	(9.7%)
Operating revenues – Luna Pool collaborative arrangements	5,877	7,200	22.5%
Total operating revenues	<u>119,777</u>	<u>136,002</u>	13.5%
Expenses:			
Brokerage commissions	1,407	1,694	20.4%
Voyage expenses	20,796	17,229	(17.2%)
Voyage expenses – Luna Pool collaborative arrangements	4,590	5,028	9.5%
Vessel operating expenses	38,051	41,672	9.5%
Depreciation and amortization	31,342	31,831	1.6%
General and administrative costs	6,343	6,755	6.5%
Profit from sale of vessel	(358)	—	—
Other income	(89)	(96)	7.9%
Total operating expenses	<u>102,082</u>	<u>104,113</u>	2.0%
Operating income	<u>17,695</u>	<u>31,889</u>	80.2%
Other income/(expense)			
Foreign currency exchange loss on senior secured bonds	(777)	—	—
Unrealized gain/(loss) on non-designated derivative instruments	15,242	(4,251)	—
Write off of deferred financing costs	—	(171)	—
Interest expense	(10,963)	(13,338)	21.7%
Interest income	<u>87</u>	<u>583</u>	570.1%
Income before taxes and share of result of equity method investments	21,284	14,712	(30.9%)
Income taxes	(393)	(1,164)	196.2%
Share of result of equity method investments	<u>6,503</u>	<u>5,302</u>	(18.5%)
Net income	<u>27,394</u>	<u>18,850</u>	(31.2%)
Net income attributable to non-controlling interest	<u>(356)</u>	<u>(64)</u>	(82.0%)
Net income attributable to stockholders of Navigator Holdings Ltd.	<u>\$ 27,038</u>	<u>\$ 18,786</u>	(30.5%)

**Operating Revenues.** Operating revenues, net of address commissions, was \$116.6 million for the three months ended March 31, 2023, an increase of \$16.2 million or 16.2% compared to \$100.4 million for the three months ended March 31, 2022. This increase was primarily due to:

- an increase in operating revenues of approximately \$9.7 million attributable to an increase in average monthly time charter equivalent rates, which increased to an average of approximately \$25,620 per vessel per day (\$779,275 per vessel per calendar month) for the three months ended March 31, 2023, compared to an average of approximately \$22,933 per vessel per day (\$697,549 per vessel per calendar month) for the three months ended March 31, 2022;

- an increase in operating revenues of approximately \$7.0 million attributable to an increase in fleet utilization, which rose to 96.2% for the three months ended March 31, 2023, compared to 89.5% for the three months ended March 31, 2022;
- an increase in operating revenues of approximately \$3.1 million attributable to a 151 day increase in vessel available days, or 3.9% for the three months ended March 31, 2023, compared to the three months ended March 31, 2022. This increase was in part as a result of the acquisition of three additional handysize vessels by the Navigator Greater Bay Joint Venture during the three months ended March 31, 2023 and in part as a result of fewer vessels in drydock for the three months ended March 31, 2023, compared to the three months ended March 31, 2022.
- a decrease in operating revenues of approximately \$3.6 million primarily attributable to a decrease in pass through voyage costs for the three months ended March 31, 2023, compared to the three months ended March 31, 2022.

The following table presents selected operating data for the three months ended March 31, 2022, and 2023, which we believe are useful in understanding the basis for movement in our operating revenues. It does not include our nine owned smaller vessels in the independent commercially managed Unigas Pool or the vessels owned by Pacific Gas in our Luna Pool prior to their acquisition by the Navigator Greater Bay Joint Venture.

	<u>Three Months Ended March 31, 2022</u>	<u>Three Months Ended March 31, 2023</u>
<b>Fleet Data:</b>		
Weighted average number of vessels	44.2	45.0
Ownership days	3,974	4,048
Available days	3,879	4,030
Earning days	3,471	3,879
Fleet utilization	89.5%	96.2%
Average daily time charter equivalent rate (*)	\$ 22,933	\$ 25,620

\* **Non-GAAP Financial Measure—Time charter equivalent:** Time charter equivalent (“TCE”) rate is a measure of the average daily revenue performance of a vessel. TCE is not calculated in accordance with U.S. GAAP. For all charters, we calculate TCE by dividing total operating revenues (excluding collaborative arrangements and revenues from the Unigas Pool), less any voyage expenses (excluding collaborative arrangements), by the number of earning days for the relevant period. TCE rates exclude the effects of the collaborative arrangements, as earning days and fleet utilization, on which TCE rates are based, are calculated for our owned vessels, and not the average of all pool vessels. Under a time charter, the charterer pays substantially all of the vessel voyage related expenses, whereas for voyage charters, also known as spot market charters, we pay all voyage expenses. TCE rate is a shipping industry performance measure used primarily to compare period-to-period changes in a company’s performance despite changes in the mix of charter types (i.e., spot charters, time charters and contracts of affreightment) under which the vessels may be employed between the periods. We include average daily TCE rate, as we believe it provides additional meaningful information in conjunction with net operating revenues, because it assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance. Our calculation of TCE rate may not be comparable to that reported by other companies.

#### **Reconciliation of Operating Revenues to TCE rate**

The following table represents a reconciliation of operating revenues to TCE rate. Operating revenues are the most directly comparable financial measure calculated in accordance with U.S. GAAP for the periods presented.

	<u>Three Months Ended March 31, 2022</u>	<u>Three Months Ended March 31, 2023</u>
(in thousands, except earning days and average daily time charter equivalent rate)		
<b>Fleet Data:</b>		
Operating revenues*	\$ 100,396	\$ 116,610
Voyage expenses*	<u>20,796</u>	<u>17,229</u>
Operating revenues less Voyage expenses	<u>79,600</u>	<u>99,381</u>
Earning days	3,471	3,879
Average daily time charter equivalent rate	\$ 22,933	\$ 25,620

\* Operating revenues and voyage expenses excluding collaborative arrangements and Unigas pool.

**Operating Revenues – Unigas Pool.** Operating revenues – Unigas Pool was \$12.2 million for the three months ended March 31, 2023 compared to \$13.5 million for the three months ended March 31, 2022 and represents our share of the revenues earned from our nine vessels operating within the Unigas Pool, based on agreed pool points.

**Operating Revenues – Luna Pool Collaborative Arrangements.** Pool earnings are aggregated and then allocated (after deducting pool overheads and managers' fees) to the Pool Participants in accordance with the Pooling Agreement. Operating revenues—Luna Pool collaborative arrangements was \$7.2 million for the three months ended March 31, 2023, compared to \$5.9 million for the three months ended March 31, 2022 and represents our share of pool net revenues generated by the other participant's vessels in the pool, prior to their acquisition by the Navigator Greater Bay Joint Venture. This increase was primarily as a result of increased charter rates achieved by the ethylene vessels in the Luna Pool for the three months ended March 31, 2023 compared to the three months ended March 31, 2022. Operating Revenues – Luna Pool Collaborative Arrangements will cease following the acquisition of *Navigator Vega* by the Navigator Greater Bay Joint Venture on April 13, 2023, which was the final vessel previously owned by the other pool participant.

**Brokerage Commissions.** Brokerage commissions, which typically vary between 1.25% and 2.5% of operating revenues, increased by \$0.3 million or 20.4% to \$1.7 million for the three months ended March 31, 2023, from \$1.4 million for the three months ended March 31, 2022, primarily due to an increase in operating revenues on which brokerage commissions are based.

**Voyage Expenses.** Voyage expenses decreased by \$3.6 million or 17.2% to \$17.2 million for the three months ended March 31, 2023, from \$20.8 million for the three months ended March 31, 2022. These voyage expenses are pass through costs, corresponding to a decrease in operating revenues of the same amount.

**Voyage Expenses – Luna Pool Collaborative Arrangements.** Voyage expenses – Luna Pool collaborative arrangements were \$5.0 million for the three months ended March 31, 2023, compared to \$4.6 million for the three months ended March 31, 2022. These voyage expenses – Luna Pool collaborative arrangements represent the other participant's share of pool net revenues generated by both our vessels and those of the Navigator Greater Bay Joint Venture in the pool. The net effect after deducting operating revenues – Luna Pool collaborative arrangements was that the other participant's vessels contributed \$2.2 million to the Company in the Luna Pool for the three months ended March 31, 2023, compared to the other participant's vessels contributing \$1.3 million to our vessels for the three months ended March 31, 2022.

**Vessel Operating Expenses.** Vessel operating expenses increased by \$3.6 million or 9.5% to \$41.7 million for the three months ended March 31, 2023, from \$38.1 million for the three months ended March 31, 2022. Average daily vessel operating expenses increased by \$739 per vessel per day, or 9.4%, to \$8,580 per vessel per day for the three months ended March 31, 2023, compared to \$7,841 per vessel per day for the three months ended March 31, 2022.

**Depreciation and Amortization.** Depreciation and amortization increased by \$0.5 million or 1.6% to \$31.8 million for the three months ended March 31, 2023, from \$31.3 million for the three months ended March 31, 2022. This increase was primarily as a result of the acquisition of three additional handysize vessels by the Navigator Greater Bay Joint Venture during the three months ended March 31, 2023. Depreciation and amortization included amortization of capitalized drydocking costs of \$4.6 million and \$4.1 million for the three months ended March 31, 2023 and 2022, respectively.

**General and Administrative Costs.** General and administrative costs increased by \$0.4 million or 6.5% to \$6.8 million for the three months ended March 31, 2023, from \$6.3 million for the three months ended March 31, 2022.

**Profit from Sale of Vessel.** No vessels were sold during the three months ended March 31, 2023. Profit from sale of vessel for the three months ended March 31, 2022 was \$0.4 million and related to the sale of the vessel, *Happy Bird*. The sale of *Navigator Neptune* in January 2022 was at book value, therefore there was no profit or loss on the sale of this vessel.

**Other Income.** Other income was \$0.1 million for both the three months ended March 31, 2023 and 2022 and consists of that portion of the management fees for commercial and administrative activities performed by the Company for the Luna Pool, relating to the other participant's vessels. Other income will cease once all the other participant's vessels are acquired by the Navigator Greater Bay Joint Venture.

### **Non-operating Results**

**Foreign Currency Exchange Loss on Senior Secured Bonds.** The Norwegian Kroner 2018 Bonds were repaid in December 2022 and no exchange gains and losses were recorded for the three months ended March 31, 2023. A foreign currency exchange loss of \$0.8 million was incurred for the three months ended March 31, 2022 as a result of the Norwegian Kroner strengthening against the U.S. Dollar, being NOK 8.7 to USD 1.0 as of March 31, 2022, compared to NOK 8.8 to USD 1.0 as of December 31, 2021.

**Unrealized Gains/ (Losses) on Non-designated Derivative Instruments.** The unrealized loss of \$4.3 million on non-designated derivative instruments for the three months ended March 31, 2023 relates to the fair value losses of our interest rate swaps across a number of our secured term loan and revolving credit facilities, as a result of decreases in forward U.S. Libor rates relative to the fixed rates applicable on these secured term loan and revolving credit facilities. This compared to unrealized gains on non-designated derivative instruments of \$15.2 million for the three months ended March 31, 2022, which primarily related to the fair value gains of our interest rate swaps of \$13.0 million, as a result of significant increases in forward U.S. Libor rates and a gain in our cross-currency interest rate swap of \$2.2 million, which was due to the strengthening of the Norwegian Kroner against the U.S. Dollar.

**Interest Expense.** Interest expense increased by \$2.4 million, or 21.8%, to \$13.3 million for the three months ended March 31, 2023, from \$11.0 million for the three months ended March 31, 2022. This is primarily as a result of increases in U.S. Libor and SOFR rates.

**Income Taxes.** Income taxes related to taxes on our subsidiaries incorporated in the United States of America, as well as other countries around the world where we have subsidiaries. Income taxes increased to \$1.2 million for the three months ended March 31, 2023, compared \$0.4 million for the three months ended March 31, 2022, primarily as a result of current and deferred taxes on our portion of the profits from the Ethylene Export Terminal.

**Share of Result of Equity Method Investments.** The share of the result of the Company's 50% ownership in the Export Terminal Joint Venture was an income of \$5.3 million for the three months ended March 31, 2023, compared to an income of \$6.5 million for the three months ended March 31, 2022. This decrease is a result of decreased volumes exported through the Ethylene Export Terminal, of 250,731 tons for the three months ended March 31, 2023, compared to 267,110 tons for the three months ended March 31, 2022, as well as a decrease in throughput charges which is correlated to US domestic natural gas pricing.

**Non-Controlling Interest.** We entered into a sale and leaseback arrangement in November 2019 with a wholly-owned special purpose vehicle ("lessor SPV") of a financial institution. Although we do not hold any equity investments in this lessor SPV, we have determined that we are the primary beneficiary of this entity and accordingly, we are required to consolidate this VIE into our financial results. The net income attributable to the financial institution was \$0.3 million and is presented as the non-controlling interest in our financial results for both the three months ended March 31, 2023, and 2022.

In September 2022, the Company entered into the Navigator Greater Bay Joint Venture to acquire five ethylene vessels, *Navigator Luna*, *Navigator Solar*, *Navigator Castor*, *Navigator Equator* and *Navigator Vega*. The Joint Venture is owned 60% by the Company and 40% by Greater Bay Gas. The Navigator Greater Bay Joint Venture is accounted for as a consolidated subsidiary in our consolidated financial statements, with the 40% owned by Greater Bay Gas accounted for as a non-controlling interest. A loss attributable to Greater Bay Gas of \$0.2 million is presented as the non-controlling interest in our financial results for the three months ended March 31, 2023.

## **Liquidity and Capital Resources**

### ***Liquidity and Cash Needs***

Our primary sources of funds are cash and cash equivalents, cash from operations, undrawn bank borrowings and proceeds from bond issuances. As of March 31, 2023, we had cash, cash equivalents and restricted cash of \$190.9 million.

Our secured term loan facilities and revolving credit facilities require that the borrowers have liquidity of no less than (i) \$35.0 million or \$50.0 million, as applicable to the relevant loan facility, or (ii) 5% of total debt which was \$50.3 million as of March 31, 2023, whichever is greater. Please see “—Secured Term Loan Facilities and Revolving Credit Facilities”, and “2020 Senior Unsecured Bonds” below.

Our primary uses of funds are drydocking expenditures, voyage expenses, vessel operating expenses, general and administrative costs, expenditures incurred in connection with ensuring that our vessels comply with international and regulatory standards, financing expenses, quarterly repayment of bank loans and the Terminal Expansion Project. In addition to operating expenses, our medium-term and long-term liquidity needs relate to debt repayments, repayment of bonds, potential future vessel newbuildings or vessel acquisitions and or other terminal projects.

As of March 31, 2023, we had \$1,003.8 million in outstanding obligations, which includes principal repayments on long-term debt, including our bonds, commitments in respect of the Navigator Aurora Facility and office lease commitments. Of the total outstanding obligations, \$120.2 million matures during the twelve months ending March 31, 2024, and \$883.6 million matures after such date.

We believe, given our current cash balances, that our financial resources, including the cash expected to be generated within the year, will be sufficient to meet our liquidity and working capital needs for at least the next twelve months, taking into account our existing capital commitments and debt service requirements.

### ***Capital Expenditures***

Liquefied gas transportation is a capital-intensive business, requiring significant investment to maintain an efficient fleet and to stay in regulatory compliance.

We currently have no newbuildings on order. However, we may place newbuilding orders or acquire additional vessels as part of our growth strategy. We have committed to invest further in terminal infrastructures, such as expanding our existing Ethylene Export Terminal. The total capital contributions required from us to the Export Terminal Joint Venture for the Terminal Expansion Project are expected to be approximately \$120-\$130 million.

In September 2022, the Company entered into the Navigator Greater Bay Joint Venture to acquire five ethylene vessels, four of which were acquired by March 31, 2023. The fifth vessel, *Navigator Vega* was purchased on April 13, 2023 for \$48.8 million. The Joint Venture is owned 60% by the Company and 40% by Greater Bay Gas. The vessel was financed through commercial bank finance, with the remainder being capital contributions from the Company and Greater Bay Gas.

### Cash Flows

The following table summarizes our cash, cash equivalents and restricted cash provided by / (used in) operating, investing and financing activities for the three months ended March 31, 2023 and 2022:

	<u>Three months ended March 31, 2022</u>	<u>Three months ended March 31, 2023</u>
	(in thousands)	(in thousands)
Net cash provided by operating activities	\$ 34,216	\$ 39,257
Net cash provided by/(used in) investing activities	34,365	(133,144)
Net cash (used in)/provided by financing activities	(24,482)	130,908
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(202)	648
Net increase in cash, cash equivalents and restricted cash	<u>\$ 43,897</u>	<u>\$ 37,669</u>

**Operating Cash Flows.** Net cash provided by operating activities for the three months ended March 31, 2023 increased to \$39.3 million, from \$34.2 million for the three months ended March 31, 2022, an increase of \$5.0 million. This increase was primarily due to an increase in net income of \$12.2 million, (after adding back the unrealized gains and loss on derivative instruments and our share of the result from equity method investments); a decrease in drydocking payments of \$1.5 million, offset by changes in working capital of \$8.5 million during the three months ended March 31, 2023, compared to the three months ended March 31, 2022.

Net cash flow from operating activities depends upon charter rates attainable, fleet utilization, fluctuations in working capital balances, repairs and maintenance activity, amount and duration of drydocks, changes in interest rates and foreign currency rates.

We are required to drydock each vessel once every five years until it reaches 15 years of age, after which we drydock vessels every two and a half to three years. Drydocking each vessel, including travelling to and from the drydock, takes approximately 30 days in total. Drydocking days generally include approximately 5-10 days of voyage time to and from the drydocking shipyard and approximately 15-20 days of actual drydocking time. Two of our vessels completed their respective drydockings during the three months ended March 31, 2023, with a further seven vessels scheduled for drydocking during the remainder of 2023.

We estimate the current cost of the five-year drydocking of one of our vessels is approximately \$1.0 million, the ten-year drydocking cost is approximately \$1.3 million, and the 15 year and 17 year drydocking costs are approximately \$1.5 million each. We spend significant amounts of funds for scheduled drydocking (including the cost of classification society surveys) of each of our vessels. As our vessels age and our fleet expands, our drydocking expenses will increase. Ongoing costs for compliance with environmental regulations are primarily included as part of our drydocking, such as the requirement to install ballast water treatment plants, and classification society survey costs, with a balance included as a component of our operating expenses.

**Investing Cash Flows.** Net cash used in investing activities was \$133.1 million for the three months ended March 31, 2023 primarily as a result of \$142.8 million for the acquisition of three vessels by the Navigator Greater Bay Joint Venture, offset distributions received from our investment in the Export Terminal Joint Venture of \$8.4 million.

Net cash provided by investing activities of \$34.4 million for the three months ended March 31, 2022 primarily consisted of \$26.5 million relating to proceeds received from the sale of two of our vessels, distributions received from our investment in the Export Terminal Joint Venture of \$7.6 million and insurance recoveries on existing damage claims of \$0.9 million; offset by investment of \$0.5 million in ballast water treatment systems which are being retrofitted on our vessels during dry dock to comply with the requirements of the Ballast Water Management Convention.

**Financing Cash Flows.** Net cash provided by financing activities was \$130.9 million for the three months ended March 31, 2023 primarily as a result of the drawdowns of \$91.8 million on our Greater Bay JV Secured Term Loan to partially finance the acquisition of three vessels; as well as \$20.4 million received as capital contribution from the non-controlling interest for those vessels; a drawdown of \$200.0 million on our March 2023 Secured Term Loan, which provided the financing to repay two maturing secured term loan facilities totaling \$132.2 million; scheduled quarterly loan repayments of \$16.1 million and \$28.1 million on our share repurchase program.

Net cash used in financing activities of \$24.5 million for the three months ended March 31, 2022, related to regular quarterly repayments on our secured term loan facilities of \$22.9 million and an extemporaneous repayment of \$1.6 million on the Navigator Aurora Facility held within our consolidated lessor VIE.

## Terminal Facility

**General.** In March 2019, Navigator Ethylene Terminals LLC (“Marine Terminal Borrower”), our wholly-owned subsidiary, entered into a Credit Agreement (the “Terminal Facility”) with ING Capital LLC and SG Americas Securities, LLC for a maximum principal amount of \$75.0 million, to be used for the payment of capital contributions to our Export Terminal Joint Venture for construction costs of our Ethylene Export Terminal

**Term and Facility Limits.** The Terminal Facility is now converted into a term loan with a final maturity of December 31, 2025. Based on the committed throughput agreements for the Ethylene Export Terminal, a total of \$69.0 million was drawn under the Terminal Facility of which \$37.0 million was outstanding as of March 31, 2023.

**Interest.** The Terminal Facility is subject to quarterly repayments of principal and interest. Interest is payable at a rate of U.S. Libor plus 275 to 300 basis points over the remaining term of the facility. We have entered into floating to fixed interest rate swap agreements for approximately 80% of the amounts drawn under the Terminal Facility. The U.S. Libor element of the interest rate payable by the Marine Terminal Borrower under these interest rate swap agreements is 0.369% and 0.3615% per annum.

**Financial Covenants.** Under the Terminal Facility, the Marine Terminal Borrower must maintain a minimum debt service coverage ratio (as defined in the Terminal Facility) for the prior four calendar fiscal quarters (or shorter period of time if data for the prior four fiscal quarters is not available) of no less than 1.10 to 1.00.

**Restrictive Covenants.** The Marine Terminal Borrower can only pay dividends if the Marine Terminal Borrower satisfies certain customary conditions to paying a dividend, including maintaining a debt service coverage ratio for the immediately preceding four consecutive fiscal quarters and the projected immediately succeeding four consecutive fiscal quarters of not less than 1.20 to 1.00 and no default or event of default has occurred or is continuing. The Terminal Facility also limits the Marine Terminal Borrower from, among other things, incurring indebtedness or entering into mergers and divestitures. The Terminal Facility also contains general covenants that will require the Marine Terminal Borrower to vote its interest in the Export Terminal Joint Venture to cause the Export Terminal Joint Venture to maintain adequate insurance coverage and maintain its property (but only to the extent the Marine Terminal Borrower has the power under the organizational documents of the Export Terminal Joint Venture to cause such actions).

## Secured Term Loan Facilities and Revolving Credit Facilities

**General.** Navigator Gas L.L.C., our wholly-owned subsidiary, and certain of our vessel-owning subsidiaries have entered into various secured term loan facilities and revolving credit facilities as summarized in the table below. For additional information regarding our secured term loan facilities and revolving credit facilities, please read “Item 5—Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Secured Term Loan Facilities and Revolving Credit Facilities” in the 2022 Annual Report.

The table below summarizes our secured term loan and revolving credit facilities as of March 31, 2023:

Facility agreement date	Original facility amount	Principal amount outstanding	Interest rate	Loan maturity date
	(in millions)			
March 2019	107.0	70.4	US Libor + 240 BPS	March 2025
September 2020	210.0	173.0	Comp SOFR + 250 BPS	September 2025
October 2019*	69.1	46.4	Term SOFR + 185 BPS	October 2026
August 2021 Amendment and Restatement Agreement	67.0	46.6	US Libor + 190 BPS	June 2026
DB Credit Facility A	57.7	20.4	US Libor + 205 BPS	April 2027
Santander Credit Facility A	81.0	29.1	US Libor + 205 BPS	May 2027
DB Credit Facility B	60.9	29.2	US Libor + 205 BPS	December 2028
Santander Credit Facility B	55.8	27.9	US Libor + 205 BPS	January 2029
December 2022	111.8	105.5	Term SOFR + 209 BPS	September 2028
Greater Bay JV Secured Term Loan	151.3	118.3	Term SOFR + 220 BPS	December 2029
March 2023 Secured Term Loan	200.0	200.0	Comp SOFR + 210 BPS	March 2029
Total	\$1,171.6	\$ 866.8		

\* The October 2019 loan facility relates to the Navigator Aurora Facility held within a lessor entity (for which legal ownership resides with financial institutions) that we are required to consolidate under U.S. GAAP into our financial statements as a variable interest entity. Please read Note 15—Variable Interest Entities to the unaudited condensed consolidated financial statements for additional information.

### March 2023 Secured Term Loan

On March 20, 2023, the Company entered into a senior secured term loan with Nordea Bank ABP, ABN AMRO Bank N.V. Skandinaviska Enskilda Banken AB (Publ), and BNP Paribas S.A. to refinance the June 2017 Secured Term Loan and Revolving Credit Facility and the October 2016 Secured Term Loan and Revolving Credit Facility that were due to mature in June and October 2023 respectively.

The facility has a term of six years, maturing in March 2029 and is for a maximum principal amount of \$200.0 million which was fully drawn on March 28, 2023. The available facility amount shall be reduced quarterly by an amount of \$8.3 million followed by a final balloon payment in March 2029. Interest on amounts drawn is payable at a rate of SOFR plus 210 basis points.

This loan facility is secured by first priority mortgages on a total of ten of our owned vessels.

**Financial Covenants.** All of the secured term loan facilities and revolving credit facilities contain financial covenants requiring the borrowers, among other things, to ensure that:

- the borrowers have liquidity (including undrawn available lines of credit with a maturity exceeding 12 months) of no less than (i) \$35.0 million or \$50.0 million, or (ii) 5% of Net Debt or total debt, as applicable, whichever is greater; and
- the borrower must maintain a minimum ratio of shareholder equity or value adjusted shareholder equity to total assets or value adjusted total assets of 30%.

**Restrictive Covenants.** The secured facilities provide that the borrowers may not declare or pay dividends to shareholders out of operating revenues generated by the vessels securing the indebtedness if an event of default has occurred and is continuing. The secured term loan facilities and revolving credit facilities also limit the borrowers from, among other things, incurring indebtedness or entering into mergers and divestitures. The secured facilities also contain general covenants that will require the borrowers to maintain adequate insurance coverage and to maintain their vessels. In addition, the secured term loan facilities include customary events of default, including those relating to a failure to pay principal or interest, a breach of covenant, representation and warranty, a cross-default to other indebtedness and non-compliance with security documents.

Other than as stated, our compliance with the financial covenants listed above is measured as of the end of each fiscal quarter. As of March 31, 2023, we were in compliance with all covenants under the secured term loan facilities and revolving credit facilities.

The borrowers are also required to deliver semi-annual compliance certificates, which include valuations of the vessels securing the applicable facility from an independent ship broker. Upon delivery of the valuation, if the market value of the collateral vessels is less than 125% to 135% of the outstanding indebtedness under the applicable facilities, the borrowers must either provide additional collateral or repay any amount in excess of 125% to 135% of the market value of the collateral vessels, as applicable. This covenant is measured semi-annually on June 30 and December 31.



## 2020 Senior Unsecured Bonds

**General.** On September 10, 2020, we issued senior unsecured bonds in an aggregate principal amount of \$100.0 million with Nordic Trustee AS as the bond trustee (the “2020 Bonds”). The net proceeds of the issuance of the 2020 Bonds were used to redeem in full all of our previously outstanding 2017 Bonds. The 2020 Bonds are governed by Norwegian law and listed on the Nordic ABM which is operated and organized by Oslo Børs ASA.

**Interest.** Interest on the 2020 Bonds is payable at a fixed rate of 8.0% per annum, calculated on a 360-day year basis. Interest is payable semi-annually in arrears on March 10 and September 10 of each year.

**Maturity.** The 2020 Bonds mature in full on September 10, 2025 and become repayable on that date.

**Optional Redemption.** We may redeem the 2020 Bonds, in whole or in part at any time. Any 2020 Bonds redeemed; up until September 9, 2023 will be priced at the aggregate of the net present value (based on the Norwegian government bond rate plus 50 basis points) of 103.2% of par and interest payable up to September 9, 2023; from September 10, 2023 up until September 9, 2024, are redeemable at 103.2% of par, from September 10, 2024 up until March 9, 2025, are redeemable at 101.6% of par, and from March 10, 2025 to the maturity date are redeemable at 100% of par, in each case, in cash plus accrued interest.

Additionally, upon the occurrence of a “Change of Control Event” (as defined in the bond agreement for the 2020 Bonds, (the “2020 Bond Agreement”)), the holders of 2020 Bonds have an option to require us to repay such holders’ outstanding principal amount of 2020 Bonds at 101% of par, plus accrued interest.

**Financial Covenants.** The 2020 Bond Agreement contains financial covenants requiring us, among other things, to ensure that:

- we and our subsidiaries maintain a minimum liquidity of no less than \$35.0 million; and
- we and our subsidiaries maintain an Equity Ratio (as defined in the 2020 Bond Agreement) of at least 30%.

Our compliance with the covenants listed above is measured as of the end of each fiscal quarter. As of March 31, 2023, we were in compliance with all covenants under the 2020 Bonds.

**Restrictive Covenants.** The 2020 Bonds provide that we may declare or pay dividends to shareholders provided the Company maintains a minimum liquidity of \$60.0 million unless an event of default has occurred and is continuing. The 2020 Bond Agreement also limits us and our subsidiaries from, among other things, entering into mergers and divestitures, engaging in transactions with affiliates or incurring any additional liens which would have a material adverse effect. In addition, the 2020 Bond Agreement includes customary events of default, including those relating to a failure to pay principal or interest, a breach of covenant, false representation and warranty, a cross-default to other indebtedness, the occurrence of a material adverse effect, or our insolvency or dissolution.

## Lessor VIE Debt

In October 2019, we entered into a sale and leaseback transaction to refinance one of our vessels, *Navigator Aurora*, with a lessor, OCY Aurora Ltd, a special purpose vehicle (“SPV”) and wholly owned subsidiary of Ocean Yield Malta Limited. The SPV was determined to be a variable interest entity (“VIE”). We are deemed to be the primary beneficiary of the VIE, and as a result, we are required by U.S. GAAP to consolidate the SPV into our results. The loan described below under “—*Navigator Aurora Facility*” relates to the VIE. Although we have no control over the funding arrangements of this entity, we are required to consolidate this loan facility into our financial results.

Upon the occurrence of a “Change of Control Event” (as defined in the sale and leaseback agreement), the lessor has an option to require us to repurchase *Navigator Aurora* at 103% of the outstanding lease amount, plus costs and expenses directly attributable to the termination of the lessor’s financing arrangements, such as break costs for swap arrangements.

## *Navigator Aurora Facility*

In October 2019, the SPV, which owns *Navigator Aurora*, entered into secured financing agreements for \$69.1 million consisting of a USD denominated loan facility, the “*Navigator Aurora Facility*”. The *Navigator Aurora Facility* is a seven year unsecured loan provided by OCY Malta Limited, the parent of OCY Aurora Ltd., The *Navigator Aurora Facility* is subordinated to a further bank loan where OCY Aurora Ltd is the guarantor and *Navigator Aurora* is pledged as security. The *Navigator Aurora Facility* bears interest at 3-month Term SOFR, a credit adjustment spread, plus a margin of 185 basis points and is repayable by the SPV with a balloon payment on maturity. As of March 31, 2023, there was \$46.4 million in borrowings outstanding under the *Navigator Aurora Facility* (December 31, 2022, \$48.1 million).

### **Critical Accounting Estimates**

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. For a description of our material accounting policies, please read Note 2—Summary of Significant Accounting Policies to the 2022 Annual Report.

## **Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk from changes in interest rates and foreign currency fluctuations, as well as inflation. We use interest rate swaps to manage interest rate risks but do not use these financial instruments for trading or speculative purposes.

### ***Interest Rate Risk***

We are exposed to the impact of interest rate changes through borrowings that require us to make interest payments based on either SOFR or LIBOR. Our wholly-owned subsidiaries and certain of our vessel-owning subsidiaries are parties to secured term loan and revolving credit facilities that bear interest at an interest rate of U.S. LIBOR or SOFR plus 185 to 250 basis points. At March 31, 2023, \$548.0 million of our outstanding debt was subject to interest rate swaps and therefore is not exposed to changes in interest rate movements, whereas \$455.8 million was subject to variable interest rates. Based on this, a hypothetical variation in SOFR or U.S. LIBOR of 100 basis points would result in an increase of \$4.6 million in annual interest paid on our indebtedness outstanding as of March 31, 2023.

We use interest rate swaps to reduce our exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with our floating-rate debt. The Company is exposed to the risk of credit loss in the event of non-performance by the counterparty to the interest rate swap agreements.

### ***Foreign Currency Exchange Rate Risk***

Our primary economic environment is the international shipping market. This market utilizes the U.S. Dollar as its functional currency. Consequently, most of our revenues are in U.S. Dollars although some charter hires are paid in Indonesian Rupiah. Our expenses, however, are in the currency invoiced by each supplier, and we remit funds in the various currencies invoiced. We incur some vessel operating expenses and general and administrative costs in foreign currencies, primarily the Euro, Pound Sterling Danish Kroner and Polish Zloty and therefore there is a transactional risk that currency fluctuations could have a negative effect on our cashflows and financial condition. We believe these adverse effects would not be material and we have not entered into any derivative contracts to mitigate our exposure to foreign currency exchange rate risk during the first quarter 2023. However, we may enter into derivative or forward contracts to cover our foreign currency exposure in the future.

### ***Inflation***

We are exposed to increases in operating costs arising from various vessel operations, including crewing, vessel repair costs, drydocking costs, insurance and fuel prices as well as from general inflation and are subject to fluctuations as a result of market forces. Increases in bunker costs could have a material effect on our future operations if the number and duration of our voyage charters or COAs increases. In the case of the 44 vessels owned and commercially managed by us as of March 31, 2023, 35 were employed on time charter and as such it is the charterers who pay for the fuel on those vessels. If our vessels are employed under voyage charters or COAs, freight rates are generally sensitive to the price of fuel. However, a further sharp rise in bunker prices may have a temporary negative effect on our results since freight rates generally adjust only after prices settle at a higher level.

### ***Credit Risk***

We may be exposed to credit risks in relation to vessel employment and at times may have multiple vessels employed by one charterer. We consider and evaluate concentration of credit risk continuously and perform ongoing evaluations of these charterers for credit risk. At March 31, 2023, no more than four of our vessels were employed by the same charterer. We invest our surplus funds with reputable financial institutions, with original maturities of no more than three months, in order to provide the Company with flexibility to meet all requirements for working capital and for capital investments.

## **IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS**

This report on Form 6-K contains certain forward-looking statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto, including our financial forecast. In addition, we and our representatives may from time to time make other oral or written statements that are also forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business and the markets in which we operate as described in this report on Form 6-K. In some cases, you can identify the forward-looking statements by the use of words such as "may," "could," "should," "would," "expect," "plan," "anticipate," "intend," "forecast," "believe," "estimate," "predict," "propose," "potential," "continue," "scheduled," or the negative of these terms or other comparable terminology. Forward-looking statements appear in a number of places in this report. These risks and uncertainties include but are not limited to:

- future operating or financial results;
- pending acquisitions, business strategy and expected capital spending;
- operating expenses, availability of crew, number of off-hire days, drydocking requirements and insurance costs;
- fluctuations in currencies and interest rates;
- general market conditions and shipping market trends, including charter rates and factors affecting supply and demand;
- our ability to continue to comply with all our debt covenants;
- our financial condition and liquidity, including our ability to refinance our indebtedness as it matures or obtain additional financing in the future to fund capital expenditures, acquisitions and other corporate activities;
- estimated future capital expenditures needed to preserve our capital base;
- our expectations about the availability of vessels to purchase, or the useful lives of our vessels;
- our continued ability to enter into long-term, fixed-rate time charters with our customers;
- our vessels engaging in ship to ship transfers of LPG or petrochemical cargoes which may ultimately be discharged in sanctioned areas or to sanctioned individuals without our knowledge;
- the impact of the Russian invasion of Ukraine;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- global epidemics or other health crises such as the outbreak of COVID-19, including its impact on our business;
- potential liability from future litigation;
- our expectations relating to the payment of dividends;
- our ability to maintain appropriate internal control over financial reporting and our disclosure controls and procedures;
- our expectations regarding the financial success of the Ethylene Export Terminal and our related Export Terminal Joint Venture and our expectations regarding the completion of construction and financing, and the financial success of the Terminal Expansion Project;
- our expectations regarding the financial success of our Luna Pool collaborative arrangement and our Navigator Greater Bay Joint Venture; and
- other factors detailed from time to time in other periodic reports we file with the Securities and Exchange Commission.

All forward-looking statements included in this report on Form 6-K are made only as of the date of this report. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement. We expressly disclaim any obligation to update or revise any of these forward-looking statements, whether because of future events, new information, a change in our views or expectations, or otherwise. We make no prediction or statement about the performance of our common stock.

**NAVIGATOR HOLDINGS LTD.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

	December 31, 2022 (in thousands, except share data)	March 31, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash, cash equivalents and restricted cash	\$ 153,194	\$ 190,863
Accounts receivable, net of allowance for credit losses	18,245	21,912
Accrued income	9,367	4,100
Prepaid expenses and other current assets	21,152	22,837
Bunkers and lubricant oils	8,548	10,463
Insurance receivable	1,452	—
Amounts due from related parties	16,363	20,333
Total current assets	<u>228,321</u>	<u>270,508</u>
<b>Non-current assets</b>		
Vessels, net	1,692,494	1,790,942
Assets held for sale	—	15,765
Property, plant and equipment, net	198	133
Intangible assets, net of accumulated amortization of \$417 (December 31, 2022: \$509)	239	196
Equity method investments	148,534	145,390
Derivative assets	21,955	17,704
Right-of-use asset for operating leases	3,625	3,577
Prepaid expenses and other non-current assets	1,372	355
Total non-current assets	<u>1,868,417</u>	<u>1,974,062</u>
<b>Total assets</b>	<u><u>\$ 2,096,738</u></u>	<u><u>\$ 2,244,570</u></u>
<b>Liabilities and stockholders' equity</b>		
<b>Current liabilities</b>		
Current portion of secured term loan facilities, net of deferred financing costs	\$ 99,009	\$ 117,197
Current portion of operating lease liabilities	219	238
Accounts payable	7,773	8,065
Accrued expenses and other liabilities	24,708	21,050
Accrued interest	4,211	2,970
Deferred income	23,108	23,823
Amounts due to related parties	595	555
Total current liabilities	<u>159,623</u>	<u>173,898</u>
<b>Non-current liabilities</b>		
Secured term loan facilities and revolving credit facilities, net of current portion and deferred financing costs	608,338	731,282
Senior unsecured bond, net of deferred financing costs	98,943	99,042
Operating lease liabilities, net of current portion	4,032	4,192
Deferred tax liabilities	4,250	4,828
Amounts due to related parties	48,140	46,476
Total non-current liabilities	<u>763,703</u>	<u>885,820</u>
<b>Total Liabilities</b>	<u>923,326</u>	<u>1,059,718</u>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity</b>		
Common stock—\$.01 par value per share; 400,000,000 shares authorized; 74,689,819 shares issued and outstanding, (December 31, 2022: 76,804,474)	769	747
Additional paid-in capital	798,188	798,368
Accumulated other comprehensive loss	(463)	(298)
Retained earnings	364,000	354,700
<b>Total Navigator Holdings Ltd. stockholders' equity</b>	<u>1,162,494</u>	<u>1,153,517</u>
Non-controlling interest	10,918	31,335
Total equity	<u>1,173,412</u>	<u>1,184,852</u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$ 2,096,738</u></u>	<u><u>\$ 2,244,570</u></u>

See accompanying notes to unaudited condensed consolidated financial statements.

**NAVIGATOR HOLDINGS LTD.**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	Three months ended March 31, (in thousands except share and per share data)	
	2022	2023
<b>Revenues</b>		
Operating revenues	\$ 100,396	\$ 116,610
Operating revenues - Unigas Pool	13,504	12,192
Operating revenues - Luna Pool collaborative arrangements	5,877	7,200
Total operating revenues	<u>\$ 119,777</u>	<u>\$ 136,002</u>
<b>Expenses</b>		
Brokerage commissions	1,407	1,694
Voyage expenses	20,796	17,229
Voyage expenses – Luna Pool collaborative arrangements	4,590	5,028
Vessel operating expenses	38,051	41,672
Depreciation and amortization	31,342	31,831
General and administrative costs	6,343	6,755
Profit from sale of vessel	(358)	—
Other Income	(89)	(96)
<b>Total operating expenses</b>	<u>102,082</u>	<u>\$ 104,113</u>
<b>Operating income</b>	<u>17,695</u>	<u>\$ 31,889</u>
<b>Other income/(expense)</b>		
Foreign currency exchange loss on senior secured bonds	(777)	—
Unrealized gain/(loss) on non-designated derivative instruments	15,242	(4,251)
Write off of deferred financing costs	—	(171)
Interest expense	(10,963)	(13,338)
Interest income	87	583
<b>Income before income taxes and share of result of equity method investments</b>	<u>21,284</u>	<u>\$ 14,712</u>
Income taxes	(393)	(1,164)
Share of result of equity method investments	6,503	5,302
<b>Net income</b>	<u>27,394</u>	<u>\$ 18,850</u>
Net income attributable to non-controlling interest	(356)	(64)
<b>Net income attributable to stockholders of Navigator Holdings Ltd.</b>	<u><u>\$ 27,038</u></u>	<u><u>\$ 18,786</u></u>
Earnings per share attributable to stockholders of Navigator Holdings Ltd.:		
Basic and diluted:	\$ 0.35	\$ 0.25
Weighted average number of shares outstanding:		
Basic:	77,193,048	75,955,162
Diluted:	<u>77,518,604</u>	<u>76,319,753</u>

**See accompanying notes to unaudited condensed consolidated financial statements.**

**NAVIGATOR HOLDINGS LTD.**  
**Condensed Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

	Three months ended March 31, (in thousands)	
	2022	2023
Net income	\$27,394	\$18,850
<b>Other comprehensive income:</b>		
Foreign currency translation (loss)/income	(55)	165
<b>Total comprehensive income:</b>	<u>\$27,339</u>	<u>\$19,015</u>
<b>Total comprehensive income attributable to:</b>		
Stockholders of Navigator Holdings Ltd.:	\$26,983	\$18,951
Non-controlling interest	356	64
<b>Total comprehensive income:</b>	<u>\$27,339</u>	<u>\$19,015</u>

**See accompanying notes to unaudited condensed consolidated financial statements.**

**NAVIGATOR HOLDINGS LTD.**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**(Unaudited)**

For the three months ended March 31, 2022:

	(In thousands, except share data)						
	Common stock			Accumulated Other Comprehensive Income (Loss)			
	Number of shares	Amount 0.01 par value	Additional Paid-in Capital	Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interest	Total
<b>Balance as of January 1, 2022</b>	<u>77,180,429</u>	<u>\$ 772</u>	<u>\$ 797,324</u>	<u>\$ (253)</u>	<u>\$ 316,008</u>	<u>\$ 3,603</u>	<u>\$ 1,117,454</u>
Restricted shares issued March 17, 2022	75,716	1	—	—	—	—	1
Net income	—	—	—	—	27,038	356	27,394
Foreign currency translation	—	—	—	(55)	—	—	(55)
Share-based compensation plan	—	—	136	—	—	—	136
<b>Balance as of March 31, 2022</b>	<u><u>77,256,145</u></u>	<u><u>\$ 773</u></u>	<u><u>\$ 797,460</u></u>	<u><u>\$ (308)</u></u>	<u><u>\$ 343,046</u></u>	<u><u>\$ 3,959</u></u>	<u><u>\$ 1,144,930</u></u>

For the three months ended March 31, 2023:

	(In thousands, except share data)						
	Common stock			Accumulated Other Comprehensive Income (Loss)			
	Number of shares	Amount 0.01 par value	Additional Paid-in Capital	Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interest	Total
<b>Balance as of January 1, 2023</b>	<u>76,804,474</u>	<u>\$ 769</u>	<u>\$ 798,188</u>	<u>\$ (463)</u>	<u>\$ 364,000</u>	<u>\$ 10,918</u>	<u>\$ 1,173,412</u>
Restricted shares issued March 15, 2023	47,829	—	—	—	—	—	—
Net income	—	—	—	—	18,786	64	18,850
Foreign currency translation	—	—	—	165	—	—	165
Investment by non-controlling interest	—	—	—	—	—	20,353	20,353
Repurchase of common stock	(2,162,484)	(22)	—	—	(28,086)	—	(28,108)
Share-based compensation plan	—	—	180	—	—	—	180
<b>Balance as of March 31, 2023</b>	<u><u>74,689,819</u></u>	<u><u>\$ 747</u></u>	<u><u>\$ 798,368</u></u>	<u><u>\$ (298)</u></u>	<u><u>\$ 354,700</u></u>	<u><u>\$ 31,335</u></u>	<u><u>\$ 1,184,852</u></u>

**See accompanying notes to condensed unaudited consolidated financial statements.**

**NAVIGATOR HOLDINGS LTD.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

	Three Months ended March 31, 2022	Three Months ended March 31, 2023
	(in thousands)	
<b>Cash flows from operating activities</b>		
Net income	\$ 27,394	\$ 18,850
<b>Adjustments to reconcile net income to net cash provided by operating activities</b>		
Unrealized (gains)/losses on non-designated derivative instruments	(15,242)	4,251
Depreciation and amortization	31,342	31,831
Payment of drydocking costs	(4,426)	(2,908)
Amortization of share-based compensation	136	180
Amortization of deferred financing costs	1,002	922
Share of result of equity method investments	(6,503)	(5,302)
Profit from sale of vessel	(358)	—
Unrealized foreign exchange loss on senior secured bonds	777	—
Other unrealized foreign exchange gain/(loss)	152	(23)
<b>Changes in operating assets and liabilities</b>		
Accounts receivable	10,671	(3,667)
Insurance claim receivable	(516)	322
Bunkers and lubricant oils	(970)	(1,915)
Accrued income and prepaid expenses and other current assets	(6,634)	4,599
Accounts payable, accrued interest, accrued expenses and other liabilities	5,147	(3,913)
Amounts due to related parties	(7,758)	(3,970)
<b>Net cash provided by operating activities</b>	<u>34,216</u>	<u>39,257</u>
<b>Cash flows from investing activities</b>		
Additions to vessels and equipment	(546)	(142,883)
Distributions from equity method investments	7,593	8,446
Purchase of other property, plant and equipment	(2)	28
Net proceeds from sale of vessels	26,449	—
Insurance recoveries	871	1,265
<b>Net cash provided by/(used in) investing activities</b>	<u>34,365</u>	<u>(133,144)</u>
<b>Cash flows from financing activities</b>		
Proceeds from secured term loan facilities	—	291,813
Issuance costs of secured term loan facilities	—	(3,151)
Repurchase of share capital	—	(28,108)
Repayment of vessel financing to related parties	(1,628)	(1,664)
Repayment of secured term loan facilities and revolving credit facilities	(22,854)	(148,335)
Cash received from non-controlling interest	—	20,353
<b>Net cash (used in)/provided by financing activities</b>	<u>(24,482)</u>	<u>130,908</u>
Effect of exchange rate changes on cash, cash equivalent and restricted cash	(202)	648
<b>Net increase in cash, cash equivalents and restricted cash</b>	<u>43,897</u>	<u>37,669</u>
<b>Cash, cash equivalents and restricted cash at beginning of period</b>	<u>124,223</u>	<u>153,194</u>
<b>Cash, cash equivalents and restricted cash at end of period</b>	<u>\$ 168,120</u>	<u>\$ 190,863</u>
<b>Supplemental Information</b>		
Total interest paid during the period, net of amounts capitalized	\$ 11,606	\$ 14,178
Total tax paid during the period	<u>\$ —</u>	<u>\$ 169.1</u>

**See accompanying notes to condensed unaudited consolidated financial statements.**

**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

**1. General Information and Basis of Presentation**

*General Information*

Navigator Holdings Ltd. (the “Company”), the ultimate parent company of the Navigator Group of companies, is registered in the Republic of the Marshall Islands. The Company has a core business of owning and operating a fleet of liquefied gas carriers. As of March 31, 2023, the Company owned and operated 56 gas carriers (the “Vessels”) each having a cargo capacity of between 3,770 cbm and 38,000 cbm, of which 25 were ethylene and ethane capable vessels.

The Company entered into a joint venture (the “Navigator Greater Bay Joint Venture”) with Greater Bay Gas Co. Ltd. (“Greater Bay Gas”) in September 2022, and has acquired two 17,000 cbm, 2018-built ethylene capable liquefied gas carriers and three 22,000 cbm, 2019-built ethylene capable liquefied gas carriers. The fifth vessel, a 22,000 cbm, 2019-built ethylene capable liquefied gas carrier was acquired on April 13, 2023. The vessels are currently commercially managed by the in-house Luna Pool and technically managed by the third party, PG Shipmanagement of Singapore.

The Company owns a 50% share, through a joint venture (the “Export Terminal Joint Venture”), of an ethylene export marine terminal at Morgan’s Point, Texas on the Houston Ship Channel ( the “Ethylene Export Terminal”), capable of exporting in excess of one million tons of ethylene per year. Unless the context otherwise requires, all references in the consolidated financial statements to “our”, “we” and “us” refer to the Company.

Two of our vessels, Navigator Leo and Navigator Libra are on ten year time charters to a Russian counterparty and these charters are scheduled to expire in December 2023. These time charters cannot be terminated earlier without the consent of both parties, unless the counterparty was to become a sanctioned entity or our dealings with that counterparty were to be otherwise prohibited by sanctions, which would render the charters void. The counterparty remains unsanctioned.

*Basis of Presentation*

The unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and related Securities and Exchange Commission (“SEC”) rules for interim financial reporting. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In our opinion, all adjustments consisting of normal recurring items, necessary for a fair statement of financial position, operating results and cash flows have been included in the unaudited interim condensed consolidated financial statements and related notes. The unaudited interim condensed consolidated financial statements and related notes should be read in conjunction with the audited consolidated financial statements and related notes for the year ended December 31, 2022 included in our Annual Report on Form 20F filed with the SEC on April 4, 2023 (the “2022 Annual Report”). The year-end condensed balance sheet data was derived from the audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America. The results for the three months ended March 31, 2023, are not necessarily indicative of results for the year ending December 31, 2023, or any other future periods.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company, its subsidiaries and Variable Interest Entities (“VIE”) for which the Company is a primary beneficiary and are also consolidated (please read Note 15—Variable Interest Entities for additional information). All intercompany accounts and transactions have been eliminated in consolidation.

The results of operations are subject to seasonal and other fluctuations, and are therefore not necessarily indicative of results that may otherwise be expected for the entire year.

Management has evaluated the Company’s ability to continue as a going concern and considered the conditions and events that could raise substantial doubt about the Company’s ability to continue as a going concern within 12 months after these financial statements are issued. As part of the assessment, management has considered the following:

- the current financial condition and liquidity sources, including current funds available and forecasted future cash flows;
- any likely effects of global epidemics or other health crises, such as the COVID-19 pandemic;
- the effects of the conflict in Ukraine on the Company’s business, including potential escalations or wider implications on other countries as well as possible effects of trade disruptions; and
- the environmental effect on vessels Energy Efficiency Existing Ship Index (“EEXI”) and related impact of these regulations on vessel impairment.

Management has determined that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

A discussion of the Company's significant accounting policies can be found in the Company's consolidated financial statements included in the 2022 Annual Report. There have been no material changes to these policies in the three months ended March 31, 2023.

#### *Recent Accounting Pronouncements*

There are no other accounting pronouncements that are expected to have a material impact affecting the future financial reporting by the Company.

## **2. Operating revenues**

The following table compares our operating revenues by the source of revenue stream for the three months ended March 31, 2022 and 2023:

	Three months ended March 31, (in thousands)	
	2022	2023
<b>Operating revenues:</b>		
Time charters	\$ 55,508	\$ 76,392
Voyage charters	44,888	40,218
Voyage charters from Luna Pool collaborative arrangements	5,877	7,200
Operating revenues from Unigas Pool	13,504	12,192
<b>Total operating revenues</b>	<b>\$119,777</b>	<b>\$136,002</b>

#### **Time charter revenues:**

As of March 31, 2023, 33 of the Company's 47 operated vessels (excluding the nine vessels operating within the Unigas Pool) were subject to time charters, 20 of which will expire within one year, ten of which will expire within three years, and three of which will expire between three to five years from the balance sheet date. (December 31, 2022: 34 of the Company's 44 operated vessels were subject to time charters, 25 of which will expire within one year, five of which will expire within three years and four of which will expire between three to five years). The estimated undiscounted cash flows for committed time charter revenues expected to be received on an annual basis for ongoing time charters, as of March 31, 2023 is as follows:

	(in thousands)
Within 1 year:	\$ 226,540
2 years:	\$ 83,012
3 years:	\$ 61,434
4 years:	\$ 22,623
5 years:	\$ 3,261

For time charter revenues accounted for under Topic 842, the amount of accrued income on the Company's unaudited condensed consolidated balance sheets as of March 31, 2023, was \$2.0 million (December 31, 2022: \$3.9 million). The amount of hire payments received in advance under time charter contracts, recognized as a liability and reflected within deferred income on the Company's unaudited condensed consolidated balance sheets as of March 31, 2023, was \$23.8 million (December 31, 2022: \$23.0 million). Deferred income allocated to time charters will be recognized ratably over time, which is expected to be within one month from March 31, 2023.

#### **Voyage Charter revenues**

Voyage charter revenues, which include revenues from contracts of affreightment, are shown net of address commissions.

As of March 31, 2023, for voyage charters and contracts of affreightment, services accounted for under Topic 606, the amount of contract assets reflected within accrued income on the Company's unaudited condensed consolidated balance sheets was \$8.3 million (December 31, 2022: \$8.6 million). Changes in the contract asset balance at the balance sheet dates reflect income accrued after loading of the cargo commences but before an invoice has been raised to the charterer, as well as changes in the number of the Company's vessels contracted under voyage charters or contracts of affreightment. The amount of contract liabilities reflected within deferred income on the Company's unaudited condensed consolidated balance sheets was nil as of March 31, 2023 (December 31, 2022: nil).

The period opening and closing balance of receivables from voyage charters, including contracts of affreightment, was \$4.7 million and \$14.2 million, respectively, as of March 31, 2023 (December 31, 2022: \$11.1 million and \$5.1 million, respectively) and is reflected within net accounts receivable on the Company's unaudited condensed consolidated balance sheets.

The amount allocated to costs incurred to fulfill a contract with a charterer, which are costs incurred following the commencement of a contract or charter party but before the loading of the cargo commences, was \$3.5 million as of March 31, 2023 (December 31, 2022: \$2.8 million) and is reflected within prepaid expenses and other current assets on the Company's unaudited condensed consolidated balance sheets.

**Voyage and Time charter revenues from Luna Pool collaborative arrangements:**

Revenues from the Luna Pool collaborative arrangements for the three months ended March 31, 2022 and 2023, which are accounted for under ASC 808 – Collaborative Arrangements, represent our share of pool net revenues generated by the other Pool Participant's vessels in the Luna Pool. These include revenues from voyage charters and contracts of affreightment, which are accounted for under Topic 606 in addition to time charter revenues, which are accounted for under Topic 842.

**3. Vessels, net**

	Vessel (in thousands)	Drydocking (in thousands)	Total (in thousands)
<b>Cost</b>			
January 1, 2023	\$ 2,326,477	\$ 62,035	\$ 2,388,512
Additions to vessels and equipment	142,883	—	142,883
Additions	209	2,907	3,116
Write-offs of fully amortized assets	—	(408)	(408)
Transfer to assets held for sale	(51,041)	(2,749)	(53,790)
<b>March 31, 2023</b>	<b>\$ 2,418,528</b>	<b>\$ 61,785</b>	<b>\$ 2,480,313</b>
<b>Accumulated Depreciation</b>			
January 1, 2023	\$ 670,495	\$ 25,523	\$ 696,018
Charge for the period	27,179	4,607	31,786
Write-offs of fully amortized assets	—	(408)	(408)
Transfer to assets held for sale	(37,585)	(440)	(38,025)
<b>March 31, 2023</b>	<b>\$ 660,089</b>	<b>\$ 29,282</b>	<b>\$ 689,371</b>
<b>Net Book Value</b>			
December 31, 2022	\$ 1,655,982	\$ 36,512	\$ 1,692,494
<b>March 31, 2023</b>	<b>\$ 1,758,439</b>	<b>\$ 32,503</b>	<b>\$ 1,790,942</b>

The cost and net book value of the 33 vessels that were contracted under time charter arrangements (please read Note 2—Operating Revenue for additional information) was \$1,704.2 million and \$1,213.0 million, respectively, as of March 31, 2023 (December 31, 2022: \$1,776.0 million and \$1,236.0 million, respectively, for 34 vessels contracted under time charters).

The net book value of vessels that serve as collateral for the Company's secured term loan and revolving credit facilities (please read Note 6—Secured Term Loan Facilities and Revolving Credit Facilities, for additional information) was \$1,477.6 million as of March 31, 2022 (December 31, 2022: \$1,420.9 million).

The cost and net book value of vessels that are included in the table above and are subject to financing arrangements (please read Note 15—Variable Interest Entities for additional information) was \$83.6 million and \$65.2 million, respectively, as of March 31, 2023. (December 31, 2022: \$83.6 million and \$66.1 million, respectively).

The Navigator Greater Bay Joint Venture acquired one 17,000 cbm, 2018-built ethylene capable liquefied gas carriers and two 22,000 cbm, 2019-built ethylene capable liquefied gas carriers during the three months ended March 31, 2023 for an aggregate consideration of \$142.9 million. These were financed by a \$91.8 million drawdown on a secured term loan, a \$20.4 million equity contribution from Greater Bay Gas and \$30.7 million from available cash on hand.

**4. Assets held for sale**

	December 31, 2022	March 31, 2023
As of January 1,	\$ 25,944	—
Reclassification from Vessels	—	15,765
Vessel's disposal	(25,944)	—
<b>Total assets held for sale</b>	<b>\$ —</b>	<b>\$ 15,765</b>

*Navigator Orion*, a 2000 built 22,085 cbm Ethylene capable semi-refrigerated handysize carrier was held for sale as at March 31, 2023, and was subsequently sold and delivered on May 2, 2023.

## 5. Equity Method Investments

Interests in investments which are accounted for using the equity method and are recognized initially at cost and subsequently include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees.

As of December 31, 2022 and March 31, 2023, we had the following participation in investments that are accounted for using the equity method:

	December 31, 2022	March 31, 2023
Enterprise Navigator Ethylene Terminal L.L.C. ("Export Terminal Joint Venture")	50%	50%
Unigas International B.V. ("Unigas")	33.33%	33.33%
Dan Unity CO2 A/S	50%	50%
Luna Pool Agency Limited ("Pool Agency")	50%	50%

### Export Terminal Joint Venture

In January 2018, the Company entered into definitive agreements creating the Export Terminal Joint Venture. As of December 31, 2022, we had contributed to the Export Terminal Joint Venture \$146.5 million being our total share of the capital cost for the construction of the Ethylene Export Terminal.

Cumulative interest and associated costs capitalized on the investment in the Export Terminal Joint Venture are being amortized over the estimated useful life of the Ethylene Export Terminal, which began commercial operations with the export of commissioning cargoes in December 2019. As of March 31, 2023 the unamortized difference between the carrying amount of the investment in the Export Terminal Joint Venture and the amount of the Company's underlying equity in net assets of the Export Terminal Joint Venture was \$5.5 million (December 31, 2022: \$5.8 million). The costs amortized in the three months ended March 31, 2023, and 2022, were each \$0.1 million and are presented in the share of result of the equity method investments within our consolidated statements of operations.

Equity method gains, excluding amortized costs, recognized in the share of result of equity method investments for the three months ended March 31, 2023, were \$5.3 million (Three months ended March 31, 2022: \$6.5 million).

### Unigas International B.V. ('Unigas')

Unigas based in the Netherlands is a commercial and operational manager of seagoing vessels capable of carrying liquefied petrochemical and petroleum gases on a worldwide basis. Unigas International is operator of the Unigas pool. The Company owns 33.33% interest equity interests in Unigas and accounts for it using the equity method. It was recognized initially at fair value and subsequent to initial recognition, the consolidated financial statements includes the Company's share of the profit or loss and other comprehensive income of equity accounted entity.

### Dan Unity CO2 A/S

In June 2021, one of the Company's subsidiaries entered into a shareholder agreement creating an equally owned joint venture, Dan Unity CO2 A/S, a Danish entity, to undertake commercial and technical projects relating to seaborne transportation of CO2.

We account for our investment using the equity method as our ownership interest is 50% and we exercise joint control over the Dan Unity CO2 A/S operating and financial policies. As of March 31, 2023, we have recognized the Company's initial investment at cost along with the Company's share of the profit or loss and other comprehensive income of equity accounted investees. We disclose our proportionate share of profits and losses from equity method unconsolidated affiliates in the statement of operations and adjust the carrying amount of our equity method investments on the balance sheet accordingly.

### Luna Pool Agency Limited

In March 2020, the Company collaborated with Pacific Gas Pte. Ltd. and Greater Bay Gas Co. Ltd. ("Greater Bay Gas") to form and manage the Luna Pool. As part of the formation, Luna Pool Agency Limited, (the "Pool Agency"), was incorporated in May 2020. The pool participants jointly own the Pool Agency on an equal basis, and both have equal board representation. As of March 31, 2023, we have recognized the Company's initial investment of one British pound in the Pool Agency within equity method investments on our consolidated balance sheets. The Pool Agency has no activities other than as a legal custodian of the Luna Pool bank account and there will be no variability in its financial results, as it has no income, and its minimal operating expenses are reimbursed by the Pool Participants.

The table below represents movement in the Company's equity method investments, as of December 31, 2022, and March 31, 2023:

	<u>December 31, 2022</u>	<u>March 31, 2023</u>
	(in thousands)	
Equity method investments at January 1	\$ 150,209	\$ 148,534
Share of results	25,794	5,302
Distributions received from equity method investments	(27,469)	(8,446)
<b>Total equity method investments</b>	<b><u>\$ 148,534</u></b>	<b><u>\$ 145,390</u></b>

## 6. Secured Term Loan Facilities and Revolving Credit Facilities

The following table shows the breakdown of all secured term loan facilities and total deferred financing costs split between current and non-current liabilities at December 31, 2022 and March 31, 2023:

	<u>December 31, 2022</u>	<u>March 31, 2023</u>
	(in thousands)	
<b>Current Liability</b>		
Current portion of secured term loan facilities	\$ 101,558	\$ 120,238
Less: current portion of deferred financing costs	(2,549)	(3,041)
Current portion of secured term loan facilities, net of deferred financing costs	<u>\$ 99,009</u>	<u>\$ 117,197</u>
<b>Non-Current Liability</b>		
Secured term loan facilities and revolving credit facilities net of current portion, excluding amount due to related parties	\$ 612,349	\$ 737,146
Amount due to related parties*	48,140	46,476
Less: non-current portion of deferred financing costs	(4,011)	(5,864)
Non-current secured term loan facilities and revolving credit facilities, net of current portion and non-current deferred financing costs	<u>\$ 656,478</u>	<u>\$ 777,758</u>

\* Amount due to related parties relates to the Navigator Aurora Facility held within a lessor entity (for which legal ownership resides with a financial institution) that we are required to consolidate under U.S. GAAP into our financial statements as a variable interest entity.

### March 2023 Secured Term Loan

On March 20, 2023, the Company entered into a senior secured term loan with Nordea Bank ABP, ABN AMRO Bank N.V. Skandinaviska Enskilda Banken AB (Publ), and BNP Paribas S.A. to refinance the June 2017 Secured Term Loan and Revolving Credit Facility and the October 2016 Secured Term Loan and Revolving Credit Facility that were due to mature in June and October 2023 respectively.

The facility has a term of six years, maturing in March 2029 and is for a maximum principal amount of \$200.0 million which was fully drawn on March 28, 2023. The available facility amount shall be reduced quarterly by an amount of \$8.3 million followed by a final balloon payment in March 2029. Interest on amounts drawn is payable at a rate of SOFR plus 210 basis points.

This loan facility is secured by first priority mortgages on a total of ten of our owned vessels.

## 7. Senior Unsecured Bond

In September 2020, the Company issued senior unsecured bonds in an aggregate principal amount of \$100.0 million with Nordic Trustee AS as the bond trustee (the "2020 Bonds"). The net proceeds of the issuance of the 2020 Bonds were used to redeem in full previously issued bonds. The 2020 Bonds are governed by Norwegian law and listed on the Nordic ABM which is operated and organized by Oslo Børs ASA.

The 2020 Bonds bear interest at a rate of 8.0% per annum and mature on September 10, 2025. Interest is payable semi-annually in arrears on March 10 and September 10.

The following table shows the breakdown of our senior unsecured bond and total deferred financing costs as of December 31, 2022 and March 31, 2023:

	<u>December 31, 2022</u>	<u>March 31, 2023</u>
	(in thousands)	
<b>Senior Unsecured Bond</b>		
Total Bond	\$ 100,000	\$ 100,000
Less deferred financing costs	(1,057)	(958)
<b>Total Bond, net of deferred financing costs</b>	<b><u>\$ 98,943</u></b>	<b><u>\$ 99,042</u></b>



## 8. Derivative Instruments Accounted for at Fair Value

The following table includes the estimated fair value of those assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2022 and March 31, 2023.

<u>Fair Value Hierarchy Level</u>	<u>Fair Value Hierarchy Level</u>	December 31, 2022	March 31, 2023
		Fair Value Asset (Liability) (in thousands)	Fair Value Asset (Liability) (in thousands)
Interest rate swap agreements assets	Level 2	21,955	\$ 17,704

The Company uses derivative instruments in accordance with its overall risk management policy to mitigate our risk to the effects of unfavorable fluctuations in foreign exchange and interest rate movements.

The Company held no derivatives designated as hedges as of March 31, 2023 and December 31, 2022.

Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. The fair value accounting standard establishes a three tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Include other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

### Interest Rate risk

In July 2020, the Company entered into floating-to-fixed interest rate swap agreements with ING Capital Markets LLC (“ING”) and Societe Generale (“SocGen”) with a termination date of December 31, 2025, to run concurrently with the Terminal Facility. Under these agreements, the notional amounts of the swaps are 80% of the amounts drawn under the Terminal Facility. The interest rate receivable by the Company under these interest rate swap agreements is 3-month LIBOR, calculated on a 360-day year basis, which resets every three months in line with the dates of interest payments on the Terminal Facility. The interest rate payable by the Company under these interest rate swap agreements is 0.369% and 0.3615% per annum to ING and SocGen respectively.

As of March 31, 2023, these interest rate swaps had a fair value asset of \$1.7 million (December 31, 2022, a fair value asset of \$2.1 million) and there were unrealized losses of \$0.4 million (December 31, 2022, an unrealized gain of \$1.5 million) on the combined fair value of the swaps for the three months ended March 31, 2023. (Three months ended March 31, 2022, an unrealized gain of \$1.0 million).

The Company has a number of existing vessel loan facilities with associated fixed interest rate swaps. These fixed interest rate swaps are entered into with two of the financial institutions which were lenders on the loan facilities, being: Banco Santander Chile SA and Deutsche Bank AG London. Each loan tranche comprises of two fixed interest rate swaps covering 70% and 30% respectively of the notional value of the outstanding loan amounts in each tranche. The interest rate receivable by the Company under these interest rate swap agreements is 6-month LIBOR, calculated on a 360-day year basis, which resets every six months in line with the dates of interest payments on the Term Loan Facilities. The interest rate payable by the Company under these interest rate swap agreements is in the range between 1.627% and 2.137% per annum to the financial institutions detailed above.

As of March 31, 2023, the interest rate swaps had a fair value asset of \$6.5 million (December 31, 2022: a fair value asset of \$7.4 million) and unrealized loss of \$0.9 million on the combined fair value of the swaps for the three months ended March 31, 2023 (Three months ended March 31, 2022: an unrealized gain of \$4.8 million)

In December 2021, the Company entered into new floating to fixed interest rate swap agreements on our September 2020 Secured Revolving Credit Facility with a termination date of September 2025 to run concurrently with the facility. The interest rate receivable by the Company under these interest rate swap agreements is 3-month LIBOR, calculated on a 360-day year basis, which resets every three months in line with the dates of interest payments on the Secured Revolving Credit Facility. The interest rate payable by the Company under these interest rate swap agreements is 1.296% per annum, calculated on a 360-day year basis.

As of March 31, 2023, these interest rate swaps had a fair value asset of \$9.6 million (December 31, 2022: a fair value asset of \$12.5 million) and recorded an unrealized loss of \$3.0 million for the three months ended March 31, 2023 (Three months ended March 31, 2022: an unrealized gain of \$7.3 million).

All interest rate swaps above are remeasured to fair value at each reporting date and have been categorized as level two on the fair value measurement hierarchy. The remeasurement to fair value has no impact on the cash flows at the reporting date. There is no requirement for cash collateral to be placed with the swap providers under these swap agreements and there is no effect on restricted cash as of March 31, 2023.

#### Foreign Currency Exchange Rate risk

All foreign currency-denominated monetary assets and liabilities are revalued and are reported in the Company's functional currency based on the prevailing exchange rate at the end of the period. These foreign currency transactions fluctuate based on the strength of the U.S. Dollar. The remeasurement of all foreign currency-denominated monetary assets and liabilities at each reporting date results in unrealized foreign currency exchange differences but do not impact our cash flows.

#### Credit risk

The Company is exposed to credit losses in the event of non-performance by the counterparties to the interest rate swap agreements. As of March 31, 2023, the company is exposed to credit risk as the interest rate swaps were in an asset position from the perspective of the Company. In order to minimize counterparty risk, the Company only enters into derivative transactions with counterparties that are reputable financial institutions, highly rated by a recognized rating agency.

The fair value of our interest rate swap agreements is the estimated amount that we would pay to sell or transfer the swap at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counterparties. The estimated amount is the present value of future cash flows, adjusted for credit risk. The Company transacts all of these derivative instruments through investment-grade rated financial institutions at the time of the transaction. The amount recorded as a derivative asset or liability could vary by a material amount in the near term if the credit markets are volatile or if credit risk were to change significantly.

The fair value of our interest rate swap agreements at the end of each period is most significantly affected by the interest rate implied by the benchmark interest yield curve, including its relative steepness. Interest rates and foreign exchange rates have experienced significant volatility in recent years in both the short and long term. While the fair value of our swap agreements is typically more sensitive to changes in short-term rates, significant changes in the long-term benchmark interest, foreign exchange rates and the credit risk of the counterparties or the Company also materially impact the fair values of our swap agreements.

#### 9. Fair Value of Financial Instruments Not Accounted for at Fair Value

The principal financial assets of the Company as of March 31, 2023, and December 31, 2022 consist of cash, cash equivalents, and restricted cash and accounts receivable. The principal financial liabilities of the Company as of March 31, 2023, and December 31, 2022, consist of accounts payable, accrued expenses and other liabilities, secured term loan facilities, revolving credit facilities and the 2020 Bond.

The carrying values of cash, cash equivalents and restricted cash, accounts receivable, accounts payable, accrued expenses and other liabilities are reasonable estimates of their fair value due to the short-term nature or liquidity of these financial instruments.

Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. The fair value accounting standard establishes a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Include other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs which are supported by little or no market activity.

The 2020 Bonds are classified as a level two liability and the fair values have been calculated based on the most recent trades of the bond on the Oslo Børs prior to March 31, 2023. These trades are infrequent and therefore not considered to be an active market.

The fair value of secured term loan facilities and revolving credit facilities is estimated to approximate the carrying value in the balance sheet since they bear a variable interest rate, which is reset quarterly. This has been categorized at level two on the fair value measurement hierarchy as of March 31, 2023.

The following table includes the estimated fair value and carrying value of those assets and liabilities where the fair value does not approximate to carrying value. The table excludes cash, cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses and other liabilities because the fair value approximates carrying value and, for accounts receivable and payable, are due in one year or less.

Financial Asset/Liability	Fair Value Hierarchy Level	December 31, 2022		March 31, 2023	
		Carrying Amount Asset (Liability)	Fair Value Asset (Liability) (in thousands)	Carrying Amount Asset (Liability)	Fair Value Asset (Liability)
2020 Bonds (note 7)	Level 2	(100,000)	(99,000)	(100,000)	(99,500)
Secured term loan facilities and revolving credit facilities (note 6)	Level 2	(762,047)	(762,047)	\$ (903,880)	\$ (903,880)

## 10. Earnings per share

Basic earnings per share is calculated by dividing the net income available to common stockholders by the average number of common shares outstanding during the periods. Diluted earnings per share is calculated by adjusting the weighted average number of common shares used for calculating basic earnings per share for the effects of all potentially dilutive shares. The following table shows the calculation of both the basic and diluted number of weighted average outstanding shares for the three months ended March 31, 2022, and 2023:

	Three months ended March 31,	
	2022	2023
Basic and diluted income available to common stockholders of Navigator Holdings Ltd. (in thousands)	\$ 27,038	\$ 18,786
Basic weighted average number of shares:	77,193,048	75,955,162
Effect of dilutive potential share options:	<u>325,556</u>	<u>364,591</u>
Diluted weighted average number of shares	<u><u>77,518,604</u></u>	<u><u>76,319,753</u></u>

## 11. Share-Based Compensation

### Share Awards

On March 15, 2023, under the Navigator Holdings Ltd. 2013 Long-Term Incentive Plan (the “2013 Plan”) the Company granted a total of 47,829 restricted shares, 36,327 of which were granted to other non-employee directors and 11,502 of which were granted to the officers and employees of the Company. The weighted average value of all shares was \$12.45 per share. The restricted shares granted to the non-employee directors vest on the first anniversary of the grant date and the restricted shares granted to the officers and employees of the Company vest on March 15, 2026, being the third anniversary of the grant date.

In March 2023, 45,864 shares were previously granted to non-employee directors under the 2013 Plan with a weighted average grant value of \$10.65 per share, vested at a fair value of \$311,992. In addition, 12,159 shares were granted in 2020 to officers and employees of the Company, all of which had a weighted average grant value of \$7.90 vested at a fair value of \$159,667.

On March 17, 2022, under the 2013 Plan the Company granted a total of 75,716 restricted shares, 57,402 of which were granted to non-employee directors and 18,314 of which were granted to the officers and employees of the Company. The weighted average value of all shares was \$10.65 per share. The restricted shares granted to the non-employee directors vest on the first anniversary of the grant date and the restricted shares granted to the officers and employees of the Company vest on March 17, 2025, being the third anniversary of the grant date. In April 2022, two non-employee directors resigned from the Board of the Company, and the 11,538 restricted shares granted to them vested immediately upon their resignation.

In March 2022, 29,295 shares were previously granted to non-employee directors under the 2013 Plan with a weighted average grant value of \$10.26 per share, vested at a fair value of \$311,992. In addition, 28,497 shares were granted in 2019 to officers and employees of the Company, all of which had a weighted average grant value of \$11.06, vested at a fair value of \$312,612.

Restricted share grant activity for the year ended December 31, 2022, and the three months ended March 31, 2023, was as follows:

	Number of non-vested restricted shares	Weighted average grant date fair value	Weighted average remaining contractual term
Balance as of January 1, 2022	103,487	\$ 9.92	1.06 years
Granted	85,716	10.83	
Vested	(71,504)	10.64	
Forfeited	<u>(2,006)</u>	<u>9.11</u>	
Balance as of December 31, 2022	115,693	\$ 9.92	1.06 years
Granted	47,829	12.45	
Vested	(58,023)	10.07	
Balance as of March 31, 2023	<u><u>105,499</u></u>	<u><u>\$ 11.24</u></u>	<u><u>1.54 years</u></u>

We account for forfeitures as they occur. Using the graded straight-line method of expensing the restricted stock grants, the weighted average estimated value of the shares calculated at the date of grant is recognized as compensation cost in the unaudited condensed consolidated statement of operations over the period to the vesting date.

During the three months ended March 31, 2023, the Company recognized \$180,355 in share-based compensation costs relating to share grants (three months ended March 31, 2022: \$136,995). As of March 31, 2023, there was a total of \$1,207,052 unrecognized compensation costs relating to the expected future vesting of share-based awards (December 31, 2022: \$619,869) which are expected to be recognized over a weighted average period of 1.54 years (December 31, 2022: 1.06 years).

### Share options

Share options issued under the 2013 Plan are exercisable between the third and tenth anniversary of the grant date, after which they lapse. The fair value of any option issued is calculated on the date of the grant based on the Black-Scholes valuation model. Expected volatilities are based on the historic volatility of the Company's stock price and other factors. The Company does not currently pay dividends and it is assumed this will not change. The expected term of the options granted is anticipated to occur in the range between 4 and 6.5 years. The risk-free rate is the rate adopted from the U.S. Government Zero Coupon Bond.

The movements in the outstanding share options during the year ended December 31, 2022, and the three months ended March 31, 2023, were as follows:

Options	Number of options outstanding	Weighted average exercise price per share	Aggregate intrinsic value
Balance as of January 1, 2022	310,856	21.37	\$ —
Issuance during the year	10,000	9.24	27,200
Balance as of December 31, 2022	320,856	20.99	\$ —
Issuance during the quarter	262,412	13.45	1,180,854
Balance as of March 31, 2023	583,268	17.59	\$ 1,207,654

The weighted-average remaining contractual term of options outstanding and exercisable at March 31, 2023 was 2.16 years (December 31, 2022: 2.41 years). During the three months ended March 31, 2023, the Company recognized \$22,028 in share-based compensation costs relating to options under the 2013 Plan (three months ended March 31, 2022: Nil). As of March 31, 2023, there were 310,856 share options that had vested but had not been exercised. The weighted average exercise price of the share options exercisable as of March 31, 2023 and December 31, 2022, was \$21.37.

The Company has employee stock purchase plans in place which is a savings-related share scheme where certain employees have the option to buy common stock at a 15% discount to the share price at the grant dates of August 8, 2022, and July 9, 2021. The employee stock purchase plans have three-year vesting periods, which will end on August 10, 2025 and July 9, 2024. No shares have been issued since inception of the scheme. Using the Black-Scholes valuation model, the Company recognized compensation costs of \$15,043 relating to employee stock purchase plans for the three months ended March 31, 2023 (for the year ended December 31, 2022: \$38,220).

## 12. Commitments and Contingencies

The contractual obligations schedule set forth below summarizes our contractual obligations as of March 31, 2023.

	2023	2024	2025	2026	2027	Thereafter	Total
	(in thousands)						
Secured term loan facilities and revolving credit facilities	\$ 94,479	\$120,743	\$290,335	\$104,935	\$65,258	\$181,634	\$ 857,384
Ethylene Export Terminal capital contributions <sup>1</sup>	43,000	79,000	2,348	—	—	—	124,348
2020 Bonds	—	—	100,000	—	—	—	100,000
Office operating leases <sup>2</sup>	223	1,004	1,248	1,036	1,239	—	4,750
Navigator Aurora Facility <sup>3</sup>	—	—	—	46,476	—	—	46,476
Total contractual obligations	\$137,702	\$200,747	\$393,931	\$152,447	\$66,497	\$181,634	\$1,132,958

<sup>1</sup> We have committed to invest further in terminal infrastructures, such as expanding our existing Ethylene Export Terminal. The total capital contributions required from us to the Export Terminal Joint Venture for the Terminal Expansion Project are expected to be approximately \$125 million.

<sup>2</sup> The Company occupies office space in London with a lease that commenced in January 2022 for a period of 10 years with a mutual break option in January 2027, which is the fifth anniversary of the lease commencement date. The annual gross rent under this lease is approximately \$1.1 million, with an initial rent-free period of 27 months, of which 13 months of the rent free period is repayable in the event that the break option is exercised.

The Company entered into a lease for office space in Houston that expires on March 31, 2025. The annual gross rent under this lease is approximately \$60,000.

The lease term for our representative office in Gdynia, Poland was revised during 2021 for an amended period to May 31, 2025. The gross rent per year is approximately \$64,000.

The Company occupies office space in Copenhagen, Denmark with a lease that commenced in September 2021 that expires in June 2025. The gross rent per year is approximately \$180,000.

The weighted average remaining contractual lease term for the above four office leases on March 31, 2023, was 3.62 years (December 31, 2022: 3.89 years).

3 The Navigator Aurora Facility is a loan facility held within a lessor entity (for which legal ownership resides with financial institutions) that we are required to consolidate under U.S. GAAP into our financial statements as a variable interest entity. Please read Note 15—Variable Interest Entities to our consolidated financial statements.

### 13. Operating Lease Liabilities

The Company's unaudited condensed consolidated balance sheets include a right-of-use ("ROU") asset and a corresponding liability for operating lease contracts where the Company is a lessee. The discount rate used to measure the lease liability presented on the Company's unaudited condensed consolidated balance sheets is the incremental cost of borrowing since the rate implicit in the lease cannot be determined.

The liabilities described below are for the Company's offices in London, Gdynia, Copenhagen and Houston which are denominated in various currencies. At March 31, 2023, the weighted average discount rate across the three leases was 2.98% (December 31, 2022: 2.87%).

At March 31, 2023, based on the remaining lease liabilities, the weighted average remaining operating lease term was 3.61 years (December 31, 2022: 3.88 years).

Under ASC 842, the ROU asset is a nonmonetary asset and is remeasured into the Company's reporting currency of the U.S. Dollar using the exchange rate for the applicable currency as at the adoption date of ASC 842. The operating lease liability is a monetary liability and is remeasured quarterly using the current exchange rates, with changes recognized in a manner consistent with other foreign-currency-denominated liabilities in general and administrative expenses in the unaudited condensed consolidated statements of comprehensive income.

A maturity analysis of the annual undiscounted cash flows of the Company's operating lease liabilities as of December 31, 2022 and March 31, 2023, is presented in the following table:

	December 31, 2022	March 31, 2023
	(in thousands)	(in thousands)
One year	\$ 924	\$ 297
Two years	1,246	1,256
Three years	1,209	1,177
Four years	1,211	2,020
<b>Total undiscounted operating lease commitments</b>	<b>\$ 4,590</b>	<b>\$ 4,750</b>
Less: Discount adjustment	(339)	(320)
<b>Total operating lease liabilities</b>	<b>4,251</b>	<b>4,430</b>
Less: current portion	(219)	(238)
<b>Operating lease liabilities, non-current portion</b>	<b>\$ 4,032</b>	<b>\$ 4,192</b>

### 14. Cash, Cash Equivalents and Restricted Cash

The following table shows the breakdown of cash, cash equivalents and restricted cash as of December 31, 2022 and March 31, 2023:

	December 31, 2022	March 31, 2023
	(in thousands)	(in thousands)
<b>Cash, Cash Equivalents and Restricted Cash</b>		
Cash and cash equivalents	\$ 146,560	\$ 181,386
Cash and cash equivalents held by VIE	108	951
Restricted cash	6,526	8,526
<b>Total cash, cash equivalents and restricted cash</b>	<b>\$ 153,194</b>	<b>\$ 190,863</b>

Amounts included in restricted cash represent cash in blocked deposit accounts that are required to be deposited in accordance with the terms of a number of secured term loans with banking institutions. These funds are not available for daily operational use.

## 15. Variable Interest Entities

As of March 31, 2023 and December 31, 2022, the Company has consolidated 100% of PT Navigator Khatulistiwa, a VIE for which the Company is deemed to be the primary beneficiary, i.e. it has a controlling financial interest in this entity with the power to direct the activities of a VIE that most significantly impact the entity's economic performance and has the right to residual gains or the obligation to absorb losses that could potentially be significant to the VIE. The Company owns 49% of the VIE's common stock, all of its secured debt and has voting control. All economic interests in the residual net assets reside with the Company. By virtue of the accounting principle of consolidation, transactions between PT Navigator Khatulistiwa and the Company are eliminated on consolidation.

In October 2019, the Company entered into a sale and leaseback to refinance one of its vessels, *Navigator Aurora* with OCY Aurora Ltd., a Maltese limited liability company. OCY Aurora Ltd. is a wholly owned subsidiary of Ocean Yield Malta Limited, whose parent is Ocean Yield ASA, a listed company on the Oslo stock exchange. The Company does not hold any shares or voting rights in OCY Aurora Ltd. Under U.S. GAAP the entity, OCY Aurora Ltd, is considered to be a VIE.

As of December 31, 2022, and March 31, 2023, the Company has consolidated 100% of OCY Aurora Ltd., the lessor variable interest entity ("lessor VIE") that we have leased *Navigator Aurora* from under a sale and leaseback arrangement. The lessor VIE is a wholly-owned, newly formed special purpose vehicle ("SPV") of a financial institution. The Company has concluded that it has a variable interest in the SPV because the bareboat charter has fixed price call options to acquire *Navigator Aurora* from the SPV at various dates throughout the 13 year lease/bareboat charter term, commencing from the fifth year, initially at USD 44.8 million. The call options are considered to be variable interests as each option effectively transfers substantially all of the rewards from *Navigator Aurora* to us and limits the SPV's ability to benefit from the rewards of ownership. The SPV is categorized under U.S. GAAP as a VIE and the Company has concluded it is the primary beneficiary and must therefore consolidate the SPV within its financial statements.

The Company has performed an analysis and concluded that the Company exercises power through the exercise of the call options in the lease agreement. The call options, although not an activity of the SPV, if exercised would significantly impact the SPV's economic performance as the SPV owns no other revenue generating assets. The options transfer to the Company the right to receive benefits as they are agreed at a predetermined price. The SPV is protected from decreases in the value of the vessel, as if the vessel's market value were to decline, the call option provides the SPV protection up to the point where it would not be economically viable for the Company to exercise the option. In addition, the Company has the power to direct decisions over the activities and care of the vessel which directly impact its value such as for the day-to-day commercial, technical management and operation of the vessel.

We own a 25% and 40% share in equity of Ultraship Crewing Philippines Inc. ("UCPI", "UltraShip Crewing") and Navigator Gas Services Philippines Inc. ("NSSPI"), respectively. These companies were established primarily to provide marine services as principals or agents to ship owners, ship operators, managers engaged in international maritime business and business support services, respectively.

The Company has determined that it has a variable interest in UCPI and NSSPI and is considered to be the primary beneficiary as a result of having a controlling financial interest in the entities and has the power to direct the activities that most significantly impact UCPI's and NSSPI's economic performance.

As of March 31, 2023, the VIE's had total assets and liabilities of \$209.1 million and \$91.4 million respectively which have been included in the Company's consolidated balance sheet as of that date (December 31, 2022: \$184.3 million and \$68.8 million, respectively).

## 16. Related Party Transactions

The following table summarizes our transactions with related parties for the three months ended March 31, 2022 and 2023:

	Three months ended	
	March 31, 2022	March 31, 2023
	(in thousands)	
<b>Net income / (expenses)</b>		
Luna Pool Agency Limited	\$ (18)	\$ (17)
Ocean Yield Malta Limited	(284)	(774)
Ultranav Business Support ApS	(249)	(32)
Naviera Ultranav Dos Limitada	(15)	—
Total	<u><u>\$ (315)</u></u>	<u><u>\$ (823)</u></u>

The following table sets out the balances due from related parties as of December 31, 2022 and March 31, 2023:

	<u>December 31, 2022</u>	<u>March 31, 2023</u>
	(in thousands)	
<b>Due from Related Parties</b>		
Luna Pool Agency Limited	\$ 12,334	\$ 14,502
Unigas Pool	4,009	5,831
Dan Unity	20	—
<b>Total</b>	<b>\$ 16,363</b>	<b>\$ 20,333</b>

The following table sets out the balances due to related parties as of December 31, 2022 and March 31, 2023:

	<u>December 31, 2022</u>	<u>March 31, 2023</u>
	(in thousands)	
<b>Due to Related Parties</b>		
Ocean Yield Malta Limited	\$ 48,684	\$ 47,010
Naviera Ultranav Dos Limitada	51	21
<b>Total</b>	<b>\$ 48,735</b>	<b>\$ 47,031</b>

As of March 31, 2023, Naviera Ultranav Dos Limitada is a 28.4% shareholder and was one of our principal shareholders. They may exert considerable influence on the outcome of matters on which our shareholders are entitled to vote, including the election of our directors to our board of directors and other significant corporate actions.

Ultranav Business Support ApS: On August 4, 2021, in connection with the Company's acquisition of the fleet and businesses of Othello Shipping Company S.A. and Ultragas ApS from Naviera Ultranav Limitada, we entered into a Transitional Services Agreement ("TSA") with Ultranav Business Support ApS ("UBS") to provide back office services, such as accounting and payroll, IT, treasury, financial controlling, tax and compliance, communications and CSR, HR, administrative and branding. The company pays UBS a fee for services provided of \$17,597 per month.

## 17. Subsequent Events

On April 13, 2023, the Navigator Greater Bay Joint Venture acquired its fifth vessel, a 22,000 cbm, 2019-built ethylene capable liquefied gas carrier, *Navigator Vega* for \$48.8 million.

On May 2, 2023, the Company sold and delivered the vessel, *Navigator Orion*, a 2000 built 22,085 cbm ethylene capable semi-refrigerated handysize carrier to a third party for \$20.9 million.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**NAVIGATOR HOLDINGS LTD.**

Date: May 22, 2023

By: /s/ Niall J Nolan

Name: Niall J Nolan

Title: Chief Financial Officer