Moderator: Charles Maltby
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OPERATOR: This is Conference # 5474909

Operator: Thank you for standing by ladies and gentlemen and welcome to the Epic Gas call on the third quarter 2018 financial results. We have with us Mr. Charles Maltby, chairman and chief executive officer and Ms. Uta Urbaniak-Sage, chief financial officer of the company.

At this time all participants are in a listen only mode, there will be a presentation followed by a question and answer session. At which time if you wish to ask a question, please press star one on your telephone keypad and wait for your name to be announced.

I must advice you that this conference is being recorded today and we now pass the floor to one of your speakers, Mr. Charles Maltby, please go ahead sir.

Charles Maltby: Thank you, Sofie. Welcome to today's call to discuss our results for the third quarter 2018. My name is Charles Maltby, chairman and CEO of Epic Gas Limited and I'm joined today by our chief financial officer Uta Urbaniak-Sage.

Moving straight to slide three, our third quarter highlights. The third quarter has been busy for us as we continued to focus on optimising our scale, with an efficient and cost-effective platform, concluding with 38 vessels on the water. At the end of the third quarter 2018, we achieved a total of 3,567 vessel calendar days, and earned a revenue of $40.8 million, which is up by 18% year over year. The fleet's Time charter equivalent revenues of $10,132 per vessel calendar day increased by 27%, whilst our operating expenses decreased 6% year over year to $4,010 per day. Adjusted EBITDA amounted

to $13.8 million, a very significant 94% improvement over Q3 2018. Overall, we report a Net Profit of $1.3 million, an improvement of $7.0 million from a year ago.

Slide four, vessel supply. New build supply has eased considerably. In Q3 2018, there were no new build pressurized vessels delivered into the international fleet. Two vessels were sold for scrap, a 28 year old 4,000 cubic meter pressurized pressure and a 29 year old 4,200 cubic meter ethylene capable vessel. There are three new build pressure vessels expected to be delivered in Q4 2018, four in the whole of 2019 and three in 2020, representing an approximate one percent increase annually in existing fleets capacity which we believe to be the lowest supply growth in any bulk commodity shipping sector. The smaller sized semi-fleet, that on occasion can compete or overlap on certain trades with the pressure vessels, has an order book of just six vessels which includes two of the more expensive ethylene capable types.

This newbuild capacity equates to a low net fleet growth of 0.9% in 2018 and 2019, and 1.8% in 2020.

Further, this newbuild capacity must also be seen in the context of scrapping and the potential scrapping pool. Year to date in 2018, 5 pressurised and 11 small-sized semi-ref Ethylene capable vessels average age 30.7 years were scrapped. Looking ahead, there are 11 pressurised and 15 smaller-sized semi-ref vessels that are aged 28 years and over in the international fleet. We expect that higher operating costs and relatively high capital investments required by new regulations, such as increased fuel costs with IMO 2020 and ballast water treatment systems, will compel owners to consider scrapping these units.

Slide five, demand global trade and drivers. Global seaborne LPG volumes are expected to grow this year to 96.4 million tonnes, 2.6% higher than the 94.0 million tonnes achieved in 2017, with a stronger growth of over 6% anticipated for 2019. USA's LPG exports are robust, 30% higher than from a year ago. India and China's demand for LPG remain strong drivers of the seaborne trade – whilst China's import volumes averaging 4.65 million tonnes a quarter have remained flat this year, India's imports reached a record 3.4 million tonnes this quarter, up by 40% compared to the previous quarter. Our fleet remains actively engaged as a "last tonne-mile distributor" of LPG and stands to gain from strong underlying demand growth in long-term LPG consumption driven by evolving energy fundamentals and increasing supplies

of LPG, highlighted by our involvement in ship to ship operations, a point we will revisit later.

Slide six, demand in regional trade. For USA exports, as we saw on the previous slide, the overall volumes are up, and the year on year data shows a 44% increase in exports for the pressurised and small sized semi-ref vessels. Cargoes were destined mostly to the Caribbean and Central America, with one trans-Atlantic cargo to the Mediterranean.

Demand is expected to grow in Indonesia, Philippines, Vietnam and in countries in West Africa, South Africa and the Eastern Mediterranean, as planned infrastructure is developed. Pakistan, Bangladesh and Sri Lanka remain significant demand growth centres. In the Middle East, Sudan and Yemen are growing markets too, though inadequate infrastructure and port security hamper imports and port turnarounds. Pointing to two specific examples, the Basrah Gas terminal in Iraq has continued to upgrade infrastructure to support its increasing export volumes. Secondly, in Bangladesh, LPG consumption is very quickly gaining ground in a country where less than 1% of its 250 million population uses LPG. Imports shipped into Bangladesh, primarily on pressurised vessels, have more than doubled over the last 12 months, with approximately 400,000 tonnes imported in the first three quarters this year compared to 190,000 tonnes in the same period last year.

Propylene imports into China have held up despite incremental Propane Dehydrogenation (PDH) capacity. This is primarily driven by an underlying demand for related derivative products. Monthly imports in the third quarter are understood to be around the 230,000 tonnes mark, broadly flat with the previous quarter.

Slide seven, the 12 month time charter market. The rebalancing between supply and demand has led to very encouraging signals from the freight market, with the 3,500cbm and 5,000cbm vessels continuing their positive run and the larger sized ships gaining traction as distinct demand growth absorbs marginal over supply, leading to both increased tonne mile demand and capacity utilisation, amidst occasional competition from larger vessels in some markets.

In the third quarter of 2018, the market rates for the 3,500cbm, 5,000cbm, 7,500cbm and 11,000cbm averaged $8,603, $9,752, $10,384 and $13,356 per

day, respectively. Compared to third quarter of 2018, average rates have increased 23% for 3,500cbm vessels, 13% for 5,000cbm vessels, 2% for the 7,500cbm vessels and 4% for the 11,000cbm vessels.

Slide eight, global operations. Epic Gas loaded 814,000 tonnes in the third quarter of 2018 and was involved in 703 cargo operations across 134 different ports. Our vessels performed approximately 3.4 load operations per day. LPG cargoes made up 77% of the cargoes lifted with the balance of 23% being petrochemical cargoes such as propylene. This diversity in geography and commodity provides flexibility and optionality for our fleet, and relative stability in our earnings floor.
Our business continues to be a global one, during Q3 2018, as on average 13% of our fleet was operating in the Americas, 48% in Europe/Middle East/Africa and 39% in Asia. We anticipate we will continue to build on our global presence in a similar pattern, with future enquiry from existing and new customers for both LPG and Petrochemical trades on a worldwide basis, using our global scale and commercial competence to reposition vessels as regional and seasonal demand allows.

Slide nine, ship to ship operations. The global LPG trade has grown significantly in the past three years, with material incremental demand prevalent for all ship sizes. As a recognised provider of quality tonnage for the "last tonne mile delivery", we also benefit from the increased demand for larger vessels such as VLGC and handysize, and have seen our operations in the LPG break bulk trade grow by leaps and bounds. This trade requires our vessels to make a more complicated manoeuvre and go alongside larger LPG vessels, either stationary at anchorage or at sea, or whilst the vessel continues to make way, in order to load and then deliver product to smaller restricted ports in global developing economies. Our vessels carried out 101 such ship-to-ship (STS) operations during the third quarter of 2018, with more operations in the Indian Ocean and in South East Asia compared to the previous quarter.

Slide 10, our operation metrics. We ended the quarter with a fleet size of 38 vessels with a total capacity of 259,900cbm and an average size and age of 6,839 cbm and 7.9 years respectively, a 3.9% increase in average size from a year ago. It is also perhaps a good moment to reflect that since the beginning of 2014, our planned fleet evolution with focused investment in the larger pressurised vessels has seen our average vessel size increase by 35%. Whilst our OPEX has remained similar, we have considerably altered the potential

earnings profile of the business, whilst also future proofing the fleet as customer demand up-sizes.

During the third quarter, the fleet experienced 52 technical off-hire days, with no scheduled dry-dockings and repairs. This resulted in fleet availability of 98.5% with operational utilisation of 94.9%. We have one scheduled docking remaining for the final quarter. The fleet traded under time charter for 75.4% of total voyage days during the third quarter compared to 74.7% in the same period a year ago. In respect to our forward coverage, we ended the quarter with 67% of calendar days for the remainder of 2018 covered at an average daily TCE rate of $9,985. For 2019, we have secured 19% coverage at a higher level of $9,999 per day. Subsequently, we have increased the value of our 2019 cover to $10,016 for 23% of projected calendar days.

I would now like to hand the call over to Uta to walk us through our financials.

Uta Urbaniak-Sage: Thank you, Charles. Moving on to slide 11 P&L: Looking at Q3 2018, we generated time charter equivalent earnings of $36.1m compared to the $30.7m we recorded in Q3 2017, primarily reflecting the improved market. Our TCE earnings per calendar day were a record $10,132 for Q3 2018, and 27% higher than the $7,960 we achieved in Q3 2017.

Vessel operating expenses decreased from $16.5 million in Q3 2017 to $14.3 million in Q3 2018 mainly due to the reduction of our fleet calendar days by 8% and the re-delivery of two older bareboat vessels which had relatively higher opex than our modern ships. On a per calendar day basis, our opex was also reduced by 6% from $4,274 to $4,010 year over year.

We maintain a regular review on the impact of IMO2020, where owners have the option to fit scrubbers under CAPEX to clean high sulphur fuel, or alternatively consume low sulphur fuel under voyage expenses. Under the current known costs of suitable scrubber technology, the relatively low fuel consumption of our vessel type, alongside the anticipated availability and price differentials between low and high sulphur fuel, we are not planning any CAPEX to install scrubbers on any of our existing vessels, and will instead burn low sulphur fuel, with all material costs passed through to our customers. Charter-in costs decreased from $4.1 million in Q3 2017 to $3.7 million in Q3 2018 due to the re-delivery of two older 4,100cbm bareboat vessels in February and September, leaving us with 6 ships on traditional inward

bareboat charter.

Our SG+A expenses remained flat at $3.9 million in Q3 2018. However, on a per vessel calendar day basis they showed an increase of 8% to $1,092 reflecting both some exchange rate movement on our Singapore overheads, and our operation of 38 vessels during the quarter as compared to 42 vessels in Q3 2017. Our platform costs include the cost of commercial and technical management of our fleet as well as all corporate-level expenses, no fees are paid for services to any outside or affiliated entities.

Finance expenses decreased from $4.8m to $4.1m year over year due to the reduction of our debt by $25.7m year over year, and our refinancing work over the period. Interest rates are hedged for $147m of our debt at a weighted average interest rate of 2.03% which is below current USD 3m Libor.

The Company reported a record adjusted EBITDA of $13.8m, up 94% year over year.

We finished the quarter with a net profit of $1.3m, compared to a net loss of $5.7 million in Q3 2017.

Moving on to our balance sheet on slide 12, the book value of our fleet of 501 million is about 23 million below latest broker valuations, reflecting the improved market. In July, we have completed the refinancing of 5 LPG carriers in partnership with Crédit Agricole. The new US$ 34 million facility has a term of five years and has allowed us to reduce the margin by 85 bps. Loan proceeds were used to prepay the loan outstanding of $28.5million under existing facilities expiring in 2019. The balance of $5.5 million will be used for general corporate purposes.

We continue to focus on the long-term finance costs of our vessels, and have, subsequently to the quarter end, completed a sale-and-lease-back transaction of one vessel with a Japanese owner at lower financing cost. Sale proceeds were used to repay the outstanding loan under a facility expiring in November 2019. The balance of $5.8m will be used for general corporate purposes.

Following the refinancing of a total of 10 ships YTD, there are no further loan expiries before mid-2022. We will continue to work to optimise our finance costs as appropriate.

I would like to turn the call back to Charles to provide a summary and outlook.

Charles Maltby: Thank you, Uta. So if we move on to the last slide in the back, we'd like to conclude our presentation by sharing our outlook on the LPG market. We are optimistic as we continue to see improvement in freight rates due to lack of incremental capacity, a low orderbook, ongoing demand growth and ongoing potential scrapping in the pressurised and semi-ref LPG ship sector.

Epic Gas operates 38 vessels on the water with a leading sector capacity of 259,900 cbm, average size 6,839 cbm, and average age of 7.9 years. We have a fleet operational utilisation of 94.9%, TCE $10,132 per calendar day. As of today we have 23% of our calendar days covered for 2019 at $10,016 per day, with 77% open to the anticipated improving fundamentals.

Epic Gas has access to both the LPG and petrochemical markets, and calling 143 different ports over the quarter, our fleet operates globally, with 5 operating in the Americas, 18 in the Europe/Middle East/Africa, and 15 in Asia.

We have now reached the end of our presentation. Thank you for joining the call today, we will now take any questions you may have. Operator, please open the line.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question today please press star one on your telephone keypad and wait for an automated message advising your line is open.

Should you wish to cancel your request, please press star, two. Once again, that's star one if you do have a question today. Reminder, ladies and gentlemen it is star, one if you wish to ask a question. We appear to have no request at this time, please continue.

Charles Maltby: Thank you very much. Well, on behalf of everybody at Epic Gas, I'd like to thank you for making the time to join and listen today. We appreciate your interest in the company.

If you'd like to discuss further, please do contact Uta or I directly and in the meantime we look forward to catching up in February for our fiscal year end results. Thank you very much.

Operator: Thank you. Ladies and gentlemen, that does conclude your presentation for today. Thank you all for participating, you may now disconnect.

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