

Preliminary financial information for first quarter 2022



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OSLO / SINGAPORE, 24 May 2022 – BW Epic Kosan Ltd. (ticker “BWEK”, “BW Epic Kosan” or the “Company”) today announced its unaudited financial and operating results for the first quarter ended March 31, 2022. All amounts reported in US Dollars unless otherwise stated.

The Company started to prepare consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) with effect from 1 January 2022. This is the first Earnings Release under IFRS, and all prior period information is reclassified to conform to IFRS presentation.

Q1 2022 Highlights

Financial Highlights (US\$)	Q1 2022	Q1 2021	Q122 vs Q121 (%)	Q4 2021	Q122 vs Q421 (%)
Revenue	\$90.6m	\$59.8m	+51.5%	\$95.5m	-5.1%
EBITDA	\$33.3m	\$21.1m	+57.8%	\$25.6m	+30.1%
Net Profit	\$9.1m	\$7.0m	+30%	-\$13.7m	+166.4%
EPS	\$0.06	\$0.06	+0.0%	-\$0.09	+166.7%
Key Indicators					
TCE/Calendar Day	\$11,726	\$10,912	+7.5%	\$11,337	+3.4%
Total Opex/day	\$4,957	\$4,418	+12.2%	\$5,415	-8.5%
Total G&A/day	\$1,053	\$1,208	-12.8%	\$1,020	+3.2%
Calendar Days (owned/chartered-in)	6,170	4,618	+33.6%	6,354	-2.9%
Fleet operational utilisation	92.7%	93.3%	-0.6%	92.7%	+0.0%
LTIF (Lost-Time Injury Frequency Rate)	0.00	0.00		0.44	
A.E.R. / Carbon Intensity	23.69	22.35	+6.0%	23.75	-0.3%

- Q1 2022 Net Profit of \$9.1 million
- EBITDA of \$33.3 million
- ROE 8.0% / ROCE 6.1%
- Cash of \$54.8 million
- Interim cash dividend of \$0.028219 per share

Charles Maltby, Chief Executive Officer of BW Epic Kosan, commented:

“The increased scale of our fleet combined with improving market conditions and effective cost management has helped us deliver a first quarter net profit of \$9.1 million, a 30% year on year increase. Our ROE at 8.0% has continued to improve.

During the quarter we sold a 2007 built 5,000cbm vessel in line with our strategy to focus on larger and younger tonnage, benefiting also from a stronger market for such assets. We ended the quarter with 76 vessels in our fleet. Our strategy remains to focus on the LPG, petrochemicals, and speciality gases sector, grow the average size of our fleet and maintain an attractive average age.

Our fleet mix, which includes pressurised, semi-refrigerated and ethylene capable vessels, combined with an improving underlying market, saw our time charter earnings (TCE) per calendar day for the first quarter increase by 7.5% year on year to \$11,726 per day (+\$814 per day). Our underlying operational expenses (OPEX) costs increased by 12.2% to \$4,957 per day (+\$539 per day), impacted by the change in our fleet to include the semi-refrigerated and ethylene vessels with higher running costs, and on account of Covid 19 costs. Our G&A is reducing as we benefit from economies of scale following the merger, with the first quarter down by almost 13% year on year.

We are monitoring the conflict in Ukraine and implementing measures to minimize the impact on our staff, operations, and financial results. None of our vessels are currently chartered to or owned by Russian companies or trade in Russia or Ukraine.

We are not immune to global inflation, with our OPEX impacted in areas such as crew costs, lube oils and spares. Covid-19 OPEX increases related primarily to crew change expenses and freight forwarding costs for spares, and increased offhire for our fleet as we positioned vessels to facilitate crew changes and meet quarantine requirements.

We are focused on customer service and operational integration of our business to increase our earnings potential, reduce our costs, enhance our efficiency including through digitalisation, and work towards the IMO emissions targets for 2030 and 2050. We are working alongside industry partners not only to reduce emissions, but also on projects that support wider decarbonisation, such as shipping related to carbon capture and storage. Many of our vessels are capable of carriage of future clean fuels including ammonia, and with modest investment, other speciality gases such as CO₂.

Our year-on-year emissions have increased by 6% with an AER of 23.69g of CO₂/dwt-tm because of increased utilisation and fuel consumption in our larger fleet, partially offset by investments in carbon emission reduction, such as silicon paints and other energy saving initiatives.

We observe the increase in global commodity prices and energy cost and are concerned about the impact of energy costs, including LPG, for developing economies. However, driven by increasing supply of LPG, we anticipate 3.7% growth in LPG seaborne trade over 2022, whilst smaller gas vessel fleet growth forecasts are 2.2% before any scrapping, which should result in further positive earnings momentum.

Following payment of our first dividend in 2021, and in line with the Company's dividend policy set in May 2021, the Board will review dividend payments twice per year, and has determined an interim dividend of \$0.028219 per share for payment on 13 June 2022."

Conference Call and Slide Presentation

A live Zoom meeting to discuss these results is scheduled for 24 May 2022 at 08:00 AM (New York) / 01:00PM (London) / 08:00PM (Singapore).

A slide presentation will be shared during the Zoom meeting and will be accessible on the Investor Relation page of the Company's website. www.bwek.com

Please register in advance for this webinar via the following link:

https://us06web.zoom.us/webinar/register/WN_xSW3sVQxQhmtbaFho3F4Ow

After registering, you will receive a confirmation email containing information about joining the webinar.

A replay will be available shortly after the conclusion of the live event on the Investor Relations page of the Company's website.

About BW Epic Kosan

BW Epic Kosan Ltd. owns and operates the world's largest fleet of gas carriers providing seaborne services for the transportation of liquefied petroleum gas, petrochemicals, and other speciality gases. The Company controls a fleet of 75 vessels which serve the international supply chains of leading oil majors and commodity traders throughout Asia, Europe, Africa, and the Americas. The Company has significant commercial and technical capability across pressurised, semi-refrigerated, refrigerated gas and petrochemical transportation, and aims to deliver customers the best solution for their transportation needs, along with leading service and operational standards. The Company is headquartered in Singapore, with Copenhagen as a regional office alongside offices in London, Manila, and Tokyo. The Company's shares are listed and tradable on Euronext Growth Oslo under the symbol "BWEK."

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For regular updates on BW Epic Kosan please follow:



Forward Looking Statements

Matters discussed in this press release may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words “believe,” “anticipate,” “intends,” “estimate,” “forecast,” “feel,” “project,” “plan,” “potential,” “may,” “should,” “expect,” “pending” and similar expressions identify forward-looking statements.

Gas Market Overview

The LPG trade has remained robust against a backdrop of the ongoing Russia-Ukraine conflict, high energy and feedstock prices and supply disruptions. Drewry’s latest research has estimated that sea-borne LPG trade in 2021 increased by 5.4% from the previous year to 112.5 million tonnes, and with a related 9.5% growth in tonne-mile demand. In 2022, a further 3.7% increase to 116.7 million tonnes and a related 4.2% growth in tonne-mile demand is forecast. The global seaborne Olefins (Ethylene, Propylene, Butadiene, VCM) trade is estimated to have increased to 16.1 million tonnes in 2021, equivalent to a year-on-year (yoy) gain of 6.5%, with a further 1.4% gain expected in 2022.

China, India, Japan, and South Korea remain the main demand drivers and together imported over 16 million tonnes of LPG in the first quarter of 2022 as reported by Kpler, up 8.9% yoy. China’s LPG demand is driven by its petrochemical sector with producers favouring LPG over naphtha. US cargoes now account for over 35% of total Chinese imports. Indian LPG demand is from the residential and retail sectors and imports have risen by 3.7% yoy.

USA LPG seaborne LPG exports exceeded 12 million tonnes in the first quarter, a 3.7% yoy gain. Whilst approximately 50% of these volumes were bound for Asia, exports to Europe picked-up in March as a tight market drove pricing higher. The Middle East exported over 9.8 million tonnes of LPG during the quarter, up by almost 10% yoy, and 1.2% higher than the previous quarter, as oil production picked up driven by higher oil prices.

In the petrochemical trade, ethylene exports out of the USA have continued to grow, gaining 14% from the previous quarter and a remarkable 132% from a year ago. Over 90% of these cargoes were destined for Europe on account of favourable pricing. Supply of propylene in Asia is expected to increase with new plants coming on-line which will offer long haul trading opportunities to the West.

Smaller Gas Carrier Market

The small gas carrier market in Europe remained tight which pushed up freight levels. The benchmark 1,800 tonnes Butane Tees-ARA freight rate was \$72/tonne at the end of the quarter, 38% higher than at the start of the year. LPG demand remained high as distributors built-up their inventories. Moroccan butane imports on small gas carriers rebounded in March following three months of reducing volumes with a quarter-on-quarter (qoq) gain of almost 9%. LPG exports from the USA on the smaller vessels reduced by 3% qoq with deliveries to Caribbean and Central American countries accounting for 97% of these exports.

In the East, LPG imports into Bangladesh remained flat compared to the previous quarter but gained almost 30% yoy. Imports into Sri Lanka were impacted by the country's economic crisis - volumes dropped 20% qoq and 38% yoy. China's ethylene and propylene imports in the first quarter were lower by 12% qoq. The Covid breakout and associated lockdowns in China created supply disruptions and impacted demand, whilst low margins impacted petrochemical production. Propylene tonnes from Far East Asia to Europe declined progressively in the first quarter due to restricted supply on account of plant maintenance which meant there were fewer west-bound cargoes available for ships to re-position to the stronger market.

	Q1 2022 12M TC Market Rates by CBM Ship Size				
	PR 3,500	PR 5,000	PR 7,500	PR 11,000	ETH 8,250
Average Day Rate	\$ 7,795	\$ 9,603	\$ 11,551	\$ 13,846	\$ 15,288
Change vs Q4 2020	↑ 12%	↑ 13%	↑ 7%	↑ 5%	↑ 2%

There are a total of 347 pressure vessels (non-Chinese flagged over 3,000cbm) on the water which includes five newbuilds that delivered during the quarter. The international pressure vessel order book has seven more newbuilds scheduled to be delivered in 2022, seven in 2023 and two in 2024, a total of 112,000cbm. This represents a 6.2% increase in the existing 1.82 million cbm fleet capacity. If we consider the existing older tonnage, there are 17 ships totalling approximately 60,000cbm that are aged 30 years and older which are potential scrapping candidates, representing 3.3% of existing fleet capacity.

The smaller-sized semi-ref fleet that can compete with the pressure vessels has a total order book of three vessels which are scheduled for delivery in 2023. This newbuild capacity of 15,000cbm equates to a 3.0% increase in existing semi-ref fleet capacity. There are three 7,200cbm dual-fuel ethylene vessels under order for delivery in 2024, which represents a 2.3% increase in existing fleet capacity. Amongst the older units in the fleet, six non-ethylene vessels and three ethylene vessels are 30 years and older which may be scrapped, and equivalent to 3.2% of existing fleet capacity.

We note growth in adjacent tonnage, with two 7,500cbm CO2/LPG carrier newbuilds scheduled for delivery in 2024 for a Carbon Capture Utilisation and Storage (CCUS) project in North-West Europe.

The present combined small gas carrier fleet has a forecast total expected net fleet growth before any further scrapping of 2.2% for 2022 and 2.4% for 2023. In the adjacent handy-sized sector, there are three ethylene capable and five non-ethylene newbuilds that will deliver in 2022-2024, representing an 8.7% increase in existing fleet capacity.

Our Business

In Q1 2022 the company loaded over 1.4 million tonnes, a 31% increase from a year ago, reflecting our larger fleet size and revenue days following the combination with Lauritzen Kosan. We engaged in 1,131 cargo operations in 198 different ports. Petrochemical cargoes made up 53% of the cargoes lifted with the balance 47% being LPG.

We ended the quarter with a core fleet of 68 vessels with a total capacity of 488,141 cbm and an average size and age of 7,179cbm and 12.1 years, respectively. We also have eight additional vessels with a total capacity of 66,157cbm under our commercial management.

At quarter-end we had nine vessels operating in the Americas, 41 in the Europe/Middle East/Africa (EMEA) belt and 26 in Asia. During the quarter, our vessels performed a total of 81 ship-to-ship (STS) operations, approximately 24% lower than the previous quarter. The number of STS operations have decreased off East India.

During the first quarter, the fleet experienced 297 technical off-hire days, which included the impact of five planned dry docks, and 46 days due to Covid-19 related delays and associated crew transfers. This resulted in fleet availability of 95.2% and an operational utilisation of 92.7%.

Revenue

The Company reported revenue of \$90.6 million, up 51.5% year on year for the first quarter 2022. Time Charter Equivalent earnings per calendar day of \$11,726 were 7.5% higher than the \$10,912 earned in the corresponding period of 2021.

As of 31 March 2022, the Company was approximately 41% covered for 2022, with 8,274 voyage days covered at an average daily Time Charter Equivalent rate of \$11,787 leaving 12,067 calendar days open for the rest of the year.

Operating Expenses

Vessel operating expenses increased 39.7% from \$19.9 million in Q1 2021 to \$27.8 million in Q1 2022 reflecting the Company's increase in fleet calendar days by 33.6%, alongside the addition of semi-refrigerated and ethylene capable vessels which are more expensive to operate. Covid-19 related opex amounted to at least \$1.2 million in Q1 2022 (\$0.5m in Q1 2021). On a per calendar day basis, operating expenses increased by 12.2% from \$4,418 in Q1 2021 to \$4,957 in the first quarter of 2022.

Voyage expenses were \$18.2 million, up from \$9.4 million in Q1 2021. The increase is a result of increased bunker fuel related expenses as well as the Company's increased scale and voyage charter activity year over year, up from 1,592 in Q1 2021 to 1,984 spot market days in Q1 2022. As a percentage of total voyage days, spot market days accounted for 33.8% in Q1 2022, down from 35.9% in Q1 2021.

Charter-in costs decreased from \$4.8 million in Q1 2021 to \$2.6 million in Q1 2022 due to the re-delivery of chartered-in tonnage. As of 31 March 2022, the Company had ten ships on inward charter arrangements, three on a bareboat basis and seven on time charter basis.

General and Administrative (G&A) expenses decreased 12.8% year over year from \$1,208 to \$1,053 per calendar day, for the first quarter of 2022. On lumpsum basis they increased from

\$5.9 million in Q1 2021 to \$7.3 million in Q1 2022 due to an increase in the number of employees and office lease in Copenhagen following the combination to form the larger BW Epic Kosan in March 2021.

General and Administrative expenses, in our integrated model, include the cost of commercial and technical management of our fleet as well as all ownership and corporate-level general and administrative expenses.

Finance and other expenses

Finance expenses increased from \$3.9 million to \$4.8 million year over year due to increased debt across our larger fleet following the business combination with Lauritzen Kosan and three further vessel acquisitions in 2021. The Company has outstanding bank indebtedness and finance leases of \$452.4 million.

Sale-and-Purchase

In line with its strategy to focus on larger tonnage, the Company sold a 2007 built 5,000cbm vessel in March 2022. The sale will not have a material impact on the Company's future earnings.

Share Options

As previously reported, the Company granted 637,870 new share options to members of the management. Each option gives the option holder the right to purchase one share in the Company at an exercise price of NOK 21.83 which is equal to the volume weighted average of the share price over the thirty working days prior to the grant date. The options will vest on the third anniversary of the grant date and automatically expire six years after the grant date. This new grant brings the total options outstanding to 3,390,734.

Dry Dockings

We are required to dry dock each vessel once every five years until it reaches 15 years of age, after which we choose to dry dock the applicable vessel every two and a half to three years. In the interim, there are shorter-duration, less-costly intermediate surveys. We capitalize dry dock costs and amortize these costs on a straight-line basis over the period between the docks.

During Q1 2022, we completed four special survey and one intermediate survey dry dockings. For the remainder of 2022 we are planning eight special survey and two intermediate survey dry dockings with a total expected off-hire time of 239 calendar days.

Dividends

The Board has declared an interim cash dividend of \$ 0.028219 per share amounting to \$4.5 million. The shares will be traded ex-dividend from 1 June 2022. The dividend will be payable on 13 June 2022 to shareholders on record as of 2 June 2022.

Outlook

Positive first quarter results driven by a strong market in the West. However, there is uncertainty in the market on account of the situation in Ukraine, strict Covid lockdowns in China impacting demand and logistic programmes, high energy prices, and negative margins in the petrochemical industry.

The new build vessel supply remains balanced with a small gas carrier fleet growth forecast of 2.2% before scrapping in 2022. However, ordering of new vessels has picked up in the larger LPG segments, and whilst commodity and technology costs are driving yard prices higher, we note that a number of newbuild orders now placed for smaller vessels are for dual fuel LPG or LNG.

BW Epic Kosan has a strong foundation in scale and operational capability for future success and is working to optimise performance from its fleet both in economic and environmental terms, whilst working with partners on projects in areas such as ammonia and CO₂ shipping. The fine tuning of our fleet with asset transactions highlights the Company's ability to evolve its fleet positively and deliver profitable growth.

We are seeing increased levels of profitability in part because of operational focus and capital discipline along with support from a firmer ongoing market environment.

Balance Sheet (Unaudited)

All amounts in US\$ M	31 March 2022	31 December 2021
Current assets		
Cash and cash equivalents	38.9	41.8
Trade and other receivables, net	45.0	42.5
Inventories	11.5	5.4
Assets held for Sale	8.0	18.2
Derivative financial instruments	10.8	2.3
Total Current assets	114.2	110.1
Non-current assets		
Trade and Other Receivables, net	0.4	0.2
Restricted Cash	15.9	16.2
Property, plant, and equipment	848.1	846.1
Right-of-use Assets	17.9	22.0
Deferred Tax Assets	0.1	0.1
Total Non-current assets	882.4	884.6
TOTAL ASSETS	996.7	994.7
Current liabilities		
Trade and Other Payables	30.3	34.9
Contract Liabilities	19.7	21.7
Finance lease liabilities	3.0	3.0
Current income tax liabilities	1.2	0.9
Borrowings	57.8	58.6
Derivative financial instruments	0.0	2.0
Lease Liabilities	9.3	12.2
Total Current liabilities	121.4	133.3
Non-current liabilities		
Lease Liabilities	8.2	9.3
Finance lease liabilities	3.7	4.5
Borrowings	387.9	405.5
Deferred income tax liabilities	0.1	0.1
Total Non-current liabilities	399.9	419.4
Total Liabilities	521.3	552.7
NET ASSETS	475.4	442.0
Equity		
Share capital	568.0	568.0
Share option reserves	4.7	4.9
Accumulated other comprehensive loss	11.3	0.1
Accumulated losses	(108.6)	(130.9)
Total Equity	475.4	442.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	996.7	994.7

Income Statement (Unaudited)

All amounts in US\$ M	Q1 2022	Q1 2021
Charter Revenue	90.6	59.8
Voyage expenses	(18.2)	(9.4)
TCE Income	72.3	50.4
Other Income/(expenses)	0.3	2.4
Address commissions	(1.6)	(1.0)
Charter-in costs	(2.6)	(4.8)
Vessel operating expenses	(27.8)	(19.9)
General and administrative expenses	(7.3)	(5.9)
Operating profit/ (loss) before depreciation, amortisation, and Impairment (EBITDA)	33.3	21.1
Depreciation and amortization	(19.0)	(10.0)
Impairment loss, Gain/(Loss) on sale of vessels	(0.1)	(0.1)
Operating Profit/(Loss) (EBIT)	14.2	11.0
Interest and finance costs	(4.8)	(3.9)
Foreign exchange gain/(loss)	0.0	(0.1)
Finance Expense - Net	(4.8)	(4.0)
Profit and Loss before income taxes	9.4	7.0
Income tax expense	(0.3)	0.0
Net Profit/(Loss) after tax	9.1	7.0
Other Comprehensive Income/(Loss)	11.2	3.6
Total Comprehensive Income/(Loss)	20.3	10.6

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

Statement of Cash Flows (Unaudited)

All amounts in US\$ M	Q1 2022	Q1 2021
Cash from operating activities	13.0	15.9
Cash from investing activities	3.2	(135.5)
Cash from financing activities	(19.4)	124.4
Net Increase in cash and cash equivalents	(3.1)	4.8
Cash and cash equivalents at the beginning of the year	58.0	55.5
Cash and cash equivalents at the end of the period (incl. restricted cash)	54.8	60.3

Total Indebtedness

All amounts in US\$ M	31 March 2022	31 December 2021
Finance Lease Liabilities	6.7	7.5
CTL – 2023	14.1	14.7
Japanese owners- 2027/2028/2029	61.3	62.7
Norwegian owner – 2023/2024	11.8	13.3
ABN/CA/SEB/SC/Iyo – 2024	142.5	150.0
BNP/DSF – 2026	50.5	51.8
SEB/DSF/Nordea/Danske/CA - 2026	133.5	138.2
Nordea – 2026	32.0	33.5
	452.4	471.6

Operating Metrics

	Q1 2022	Q1 2021
Average number of vessels in period (1)	68.6	51.3
Number of owned vessels as of period end (2)	68	68
Average vessel age (years)	12.1	11.4
Fleet capacity at period end (cbm)	488,141	479,833
Fleet calendar days	6,170	4,618
Time charter days	3,889	2,838
Spot market days	1,498	1,291
COA days (relets excluded)	486	301
Voyage days (3)	5,873	4,430
Fleet utilisation (4)	95.2%	95.9%
Fleet operational utilisation (5)	92.7%	93.3%
Time charter equivalent earnings		
Per Calendar Day	\$11,726	\$10,912
Per Voyage Day	\$12,319	\$11,375
Operating expenses per Calendar Day (6)	\$4,957	\$4,418

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

Reconciliation of Revenue to TCE Rate

Time charter equivalent (“TCE”) rate is a measure of the average daily revenue performance of a vessel. Our method of calculating TCE rate is to divide charter revenues net of voyage expenses by calendar days for the relevant time period, which may not be comparable to that reported by other companies. 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.

All amounts in US\$ M except per day amounts	Q1 2022	Q1 2021
Charter Revenue	90.6	59.8
Voyage Expenses	(18.2)	(9.4)
TCE Income	72.3	50.4
Calendar days	6,170	4,618
Average daily TCE rate	11,726	10,912



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