**Start of Transcript**

Operator: Ladies and gentlemen, thank you for standing by and welcome to the FY2019 earnings release call. 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. I must advise this conference is being recorded today, 13 February 2020. I would now like to hand the conference over to your first speaker for today, Mr Charles Maltby. Please go ahead sir.

Charles Maltby: Thank you very much Leslie. My name is Charles Maltby, the CEO of Epic Gas Limited and I would like to welcome you to today's call to discuss our results for Q4 and full year 2019. I'm joined today by our CFO Uta Urbaniak-Sage.

Before we start, I would ask you to read and reflect on the disclaimer on slide two. Moving onto slide three, Q4 2019 highlights. During Q4 2019 we grew revenue by 10% year on year to $43.1 million. However, our time charter equivalent revenues of $9,388 per vessel calendar day was 6% lower compared to the $9,935 earned in Q4 2018 and the $9,965 earned in Q3 2019 as lower than expected activity levels in some regions impacted utilisation through most of the quarter.

We ended the quarter with a net loss of $1 million and a full year net loss of $3 million, excluding one off refinancing costs. We work hard afloat and ashore to improve safety. Our fleets lost time injury frequency rate or LTIFR was 0.67 for the quarter, an improvement from a year ago when our LTIFR was 0.83. Our environmental goal to reduce $CO_2$ from 2018 levels improved to 1.9% from 1.67% in the previous quarter.

We ended the year with 44 vessels on the water. Our fleet capacity is now 320,900 cubic metre, which is 23% higher than a year ago. During the quarter we completed refinancing of 22 vessels which has resulted in an annualised saving of $4.1 million. We also exercised a purchase option of a modern 11,000 cubic metre vessel that has been on bareboat charter-in since Feb 2015. The benefit of this financing work will be more evident during 2020. We have also been able to increase forward cover time charter equivalent by 6% year on year to 10,668 per calendar day across 37% of our available days.

Moving to slide four, we are driving a different business today than five years ago. We are a customer focused organisation and our investment into primarily larger pressurised vessels over the past five years has been driven by upsizing in customer demand, new and increasing trade and larger vessel economics.

The average capacity of our vessels has increased from 4,500 cubic meter to 7,300 cubic metre. This increased capacity in average vessel size are delivering steady increases in earnings over time.

Slide five, to look at the vessel supply and order book. There are a total of 334 pressure vessels over 3,000 cubic meter non-Chinese flagged on the water today including three 5,000 cubic metre new builds that deliver during the quarter. There are eight new builds scheduled to be delivered in 2020 and nine in 2021. Collectively these give a total of 92,000 cubic meters of capacity due to be delivered over the next two years, representing a 5.3% increase in the existing 1.73 million cubic metre fleet capacity and broadly matches the 5.1% of existing fleet capacity that are 28 years and over and potential candidates for scrapping.

The smaller-sized semi-ref fleet that on occasion can compete or overlap on certain trades with pressure vessels has an orderbook of four vessels to be delivered in 2020 including two of the more expensive ethylene capable vessels.

There is also one small size multi-gas carrier that is scheduled for delivery in 2021. This new build capacity of 27,300 cubic metre equates to total gross semi-ref fleet growth of approximately 1.9%.

The new build orderbook must be measured in the context of the potential scrapping pool. In the international fleet today, there are 24 pressure vessels in a similar size segment, 14 non-ethylene semi-ref vessels and six ethylene capable vessels that are aged 28 years or over.

Moving now to demand, slide six. Growing demand for LPG. Global seaborne LPG volumes are forecast to continue to grow. Increased US natural gas liquid production and export capacity and strong Asian demand remain the key drivers of the seaborne trade. Drewry estimates that global seaborne LPG volumes reached 104.5 million tonnes in 2019, 5.3% higher than the 99.3 million tonnes in 2018 with a forecast of 5.7% increase due this year in 2020. Market analysts anticipate seaborne trade can grow to nearly 130 million tonnes by 2030.

LPG exports from the USA increased to record levels this quarter, up by 5% from the third quarter, which was also a record quarter and up by 20% year on year. Butane exports often carried on pressurised vessels such as those within the Epic Gas fleet have gained 49% year on year.

In Asia, whilst LPG imports by China and India remain the key drivers, countries like Indonesia, Philippines, Thailand and Vietnam are expected to continue growing during the next five years.

The World LPG Association's 2019 annual report cites domestic use as being the largest LPG consumption sector, representing 44% of global LPG demand with strong growth continuing in rural China, Indonesia, Bangladesh, and across many countries in Africa.

Our fleet is actively engaged as a last ton-mile distributor of LPG, primarily for this domestic sector and stands to gain from the strong underlying demand growth in long term LPG consumption driven by the evolving energy fundamentals and increasing supplies.

Moving to slide seven. The regional trade demand. In Q4 US export volumes on pressurised and small sized semi-ref vessels amounted to approximately 153,000 tonnes up by 8% from the previous quarter. With pressurised vessels in a substantial growth in demand, moving a record high of 106,400 tonnes up by 9% from the previous quarter and up by 73% from a year ago.

Whilst cargo destinations remained mostly the Caribbean and Central and South American countries, five cargoes moved on the longer haul ton-mile routes to West Africa, an increase on the two deliveries in Q2 and four deliveries in Q3.

Bangladesh is a good example of the growth in the pressurised trade for domestic use where market players expect LPG imports to reach the one million tonne mark in 2019/20 up from 800,000 tonnes in 2018 and 550,000 tonnes in 2017.

In the petrochemical trade, Chinese propylene imports remain an important driver in the 3,500 and 5,000 cubic meter pressure vessel trade. China's customs data show that propylene imports in 2019 crossed the three million tonne mark, which is an increase of almost 10% from 2018. This demonstrates that a strong - a much larger underlying market for associated derivative products continues to positively impact Chinese domestic demand for propylene.

Slide eight, the longer-term market history at 12 month time charter market. Refineries undergoing maintenance in Europe towards the end of the third quarter saw higher offline capacity than a year ago, partly driven by IMO 2020 related work.

This spilled over into Q4 and activity levels did not pick up quickly enough to avoid downward pressure on freight levels, especially for smaller vessels in the European markets. Meanwhile, restrictions on production and export in some Middle Eastern countries also led to the redeployment of vessels to other regions where growth in demand for both longer haul ton-miles and petrochemicals has been more consistent.

Compared to Q4 2018 therefore, the average rates were down 6% for 3,500 cubic metres, down 8% for 5,000 cubic metres, up 2% to 3% for the 7,500 and about level for the 11,000.

Moving on to slide nine, our global operations. In the fourth quarter Epic Gas loaded 707,000 tonnes and was involved in 647 cargo operations in 138 different ports. LPG cargo has made up 76% of the cargoes lifted with the balance being petrochemicals.

This diversity in geography and commodity provides options for our fleet and relative stability in our earnings flow. Our business continues to be a global one. During Q4 2019 we had eight vessels operating in the Americas, 25 in the European, Middle East and Africa belt and 11 in Asia.

Slide 10, LPG break about trade. Global LPG trade has grown steadily in the past three years with incremental demand prevailing for all ship sizes. As a recognised provider of quality tonnage for the last ton-mile delivery we also benefit from the increased demand for larger vessels such as the VLGC and handysize. Growing LPG demand in developing economies where infrastructure is restricted or under-development, waterways shallow and storage facilities limited, has made a pressure ship an important part of the global supply chain.

This trade requires our vessels to make more complicated manoeuvres and go alongside larger LPG vessels, either stationary at anchorage or at sea or whilst the vessel continues to make way. Our vessels carried out 92 such ship to ship operations during the fourth quarter of 2019 with increased operations notable off East India and off East Africa

Slide 11, operating metrics. We ended the quarter with a fleet of 44 vessels with a total capacity of 320,900 cubic metre and an average size and age of 7,293 cubic metre and 9.4 years respectively. This is a just under 7% increase in average size from a year ago. Our focus on larger vessels within the sector continues, and we have today the youngest and largest global pressure fleet by capacity.

Slide 12, fleet performance. During the fourth quarter, our fleet experienced 113 technical off-hire days, which included three routine dry dockings. Dry dockings are typically scheduled every five years on younger vessels and 2.5 years on older vessels.

2019 had a higher than average docking schedule for our fleet. There were 12 routine dockings which resulted in fleet availability of 97.6% and an operational utilisation of 92.5%. The fleet traded under time charter for 67.3% of total voyage days in 2019, slightly down from the 73.7% a year ago.

Our fleet time charter equivalent earnings per calendar day in 2019 was $9,632 which was 1.4% higher than the $9,496 and 2018. Similarly, the time charter equivalent earnings per for each day of 9,873 was 2.2% higher than 2018.

I would now like to hand the call over to Uta to step through our financials. Thank you Uta.

Uta Urbaniak-Sage: Thank you Charles. Moving on to slide 13, P&L. Looking at 2019, we generated TCE revenues of $145.4 million compared to $135.1 million we recorded in 2018, reflecting our increased fleet capacity and the improving market.

Our TCE earnings per calendar day were $9,632 for the full year 2019, up from the $9,496 we achieved in 2018. Net operating expenses increased from $58.6 million to $62.9 million year over year, mainly due to the 6% increase in fleet calendar days.

Charter in costs increased from $14.9 million in 2018 to $19.1 million in 2019 as we have time chartered in two modern LPG carriers in January and April of last year,

As of year-end we had eight ships on inward charter arrangements, six on a bareboat basis and two on time charter basis.

SG&A expenses increased by less than 1% on a per calendar day basis from $1,129 in 2018 to $1,137 in 2019. On a lump sum basis from $16.1 to $17.2 million year over year. The primary incremental costs were related to one-off legal and professional fees from our equity raise of $60 million and refinancing work totalling $232 million during 2019.

Finance expenses increased from $16.6 million to $17.8 million year over year and include a one off write-off of deferred finance charges of $1.1 million related to one of our previous secured loan facilities.

We increased our borrowings related to the company's fleet expansion from $275.2 million to $350.5 million year over year.

Interest rates swaps are in place for $126 million, about 50% of our bank debt of $251 million at an average swap rate of 1.71%. The company reported an EBITDA of $44.8 million, slightly above the $43.9 million we achieved in 2018.

We finished the year with an operational loss of $3 million and after taking into account the one-off charges related to the refinancing, with a total net loss of $5.8 million.

Moving on to slide 14, our balance sheet. The book value of the fleet at period end is $603.8 million, below latest broker valuations. Our total debt excluding operating leases as of 31 December was $350.5 million. After reduction of cash of $49.8 million, our net debt was $300 million or 49.8% of book value.

We completed the refinancing of 22 ships in 2019, which leads to a reduction of our debt service by $4.1 million per annum. Other than normal amortisation, we have no other loan expiration until mid-2023. I will now hand back to Charles for a summary and outlook.

Charles Maltby: Thanks, Uta. Moving onto the last slide, slide 15 we would like to conclude our presentation by sharing our outlook on the LPG market. Whilst the end of 2019 and start of 2020 have had some regional headwinds in some of our markets dampening both freight levels and utilisation rates, the supply and demand fundamentals for the gas sector provide reasons to be optimistic.

The increasing rates for the larger VLGC and handysize sectors are providing some support. The trans-Atlantic pressure vessel trade has returned and grown during the year with an increasing number of USA cargoes bound for West African markets from long ton-mile routes.

We have subsequently increased our cover for 2020 from 37% at the end of December 2019 to 43% today at an average daily TCE rate of $10,634. We see a modest improvement in operational utilisation and positively evolving market rates for the larger vessels due to an order book that is under control, ongoing demand growth and ongoing potential scrapping in the pressurised and semi-ref LPG sector.

Epic Gas operates 44 vessels on the water on a global basis with a sector leading capacity of 321,000 cubic metre, at an average size of 7,293 cubic metre. This provides us with diversified earnings by nature of our access to a mix of commodities in both the LPG and petrochemical markets through our fungible fleet and our flexible customer offering and our global reach.

We can also see distinct opportunities for growth within our sector including through the recent purchase of modern second-hand vessels and the time charter-in of two vessels during the past year.

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

Operator: Thank you sir. Ladies and gentlemen, if you wish to ask a question on the telephone lines, please press star one on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press the pound or the hash key.

Once again, if you wish to ask a question, please press star one on your telephone keypad and wait for your name to be announced.

Once again, ladies and gentlemen, if you wish to ask a question, please press star one on your telephone keypad and wait for your name to be announced.

As there are no questions at this time, I'd like to hand the call back to your speakers.

Charles Maltby: Thank you very much, Leslie. Thank you for everyone making the time to join and listen today. We appreciate your interest in Epic Gas. If you'd like to discuss further, please do contact Uta or I directly. In the meantime, we look forward to catching up in May 2020 for our first quarter 2020 earnings report. Thank you very much.

Operator: Thank you, sir. Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect.

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