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Operator: Ladies and gentlemen, thank you for standing by and welcome to the Epic Gas first quarter 2020 earnings release conference 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 you will need to press star-one on your telephone. I must advise you that this conference is being recorded.

I would now like to hand the conference over to your first speaker today, Mr Charles Maltby. Thank you, please go ahead.

Charles Maltby: Hello, my name is Charles Maltby, CEO of Epic Gas Limited and I would like to welcome you to today's call to discuss our results for Q1. I am joined today by our Chief Financial Officer, Uta Urbaniak-Sage. Before we start, I would like to draw your attention to the disclaimer on slide 2.

Slide 3, Q1 2020 highlights. During the first quarter, driven by our increasing vessel size and stronger market, we grew revenue by almost 21% year-on-year to $48 million. Our time charter equivalent revenues of $10,246 per vessel calendar day were 5.4% higher compared to Q1 2019 and 9.1% higher than Q4 2019.

We were involved with a higher number of cargo operations and due to improved utilisation, loaded over 30% more tonnes this quarter compared to the prior quarter. Our fleet capacity is now 320,900 cubic metres, which is 20% higher than a year ago. We ended the quarter with a net profit of $2.3 million.

We work hard, afloat and ashore, to improve safety. Our fleet's lost time injury frequency rate, or LTIFR, was 0.66 for the quarter, an improvement from a year ago when our LTIFR was 0.74.

Our environmental goal to reduce CO2 from 2018 levels improved to 2.8% from 1.9% in the previous quarter. We also navigated IMO 2020 to ensure our vessels are fully compliant, are using fully compliant low sulphur fuels, leading to an average 77.3% reduction in sulphur oxides, or SOX emissions per deadweight hour across our fleet, as compared to 2019.

We have also been able to increase the forward cover time charter equivalent by 6% year-on-year to 10,619 per calendar day, across 47% of our available days.

Slide 4, who we are. Epic Gas is 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, evolving energy fundamentals, new and increasing trade, alongside increasing supplies and larger vessel economics.

We are an integral part of the LPG supply chain, primarily for LPG into domestic or residential markets over the last mile or regionally on a global basis. Domestic or residential demand accounted for approximately 42% of total LPG demand in 2019 and is regarded as a dominant LPG consumption sector by industry experts. The focus on diversified global growth markets, increased capacity and average vessel size are delivering steady increases in earnings over time.

Slide 5, vessel supply. There are a total of 335 pressure vessels over 3000 cubic metre on the water today, including the two 5000 cubic metre newbuilds that delivered during the first quarter. There are six newbuilds scheduled to deliver over the remainder of 2020 and nine in 2021.

Collectively, these give a total of 82,000 cubic metre due to be delivered by the end of 2021, representing a 4.7% increase in the existing 1.74 million cubic feet capacity and broadly matches the 4.6% of existing fleet capacity that are 28 years and over and potential scrapping candidates.

The smaller sized semi-ref fleet, that on occasion can be compete or overlap on certain trades with pressure vessels, has an order book of three vessels to be delivered in 2020, including two of the more expensive ethylene type vessels. There is also one small-sized multi-gas carrier that is scheduled for delivery in 2021. This newbuild capacity total of 18,200 cubic metres equates to a total gross semi-ref fleet growth of approximately 1.2%.

The newbuild order book must be measured in the context of the potential scrapping pool. In the international fleet today there are 22 pressure vessels and in a similar size segment, 12 non-ethylene semi-ref vessels and six ethylene capable vessels that are aged 28 years and over.

Slide 6, growing demand, global trade and drivers. Global seaborne LPG volumes are forecast to continue to grow, though at a lower rate than previously anticipated. The COVID-19 pandemic and a low oil price environment have significantly impacted global markets, including the LPG trade dynamics.

Drewry reviewed the impact of COVID-19 in relation to China and lowered their 2020 forecast for seaborne LPG trade from 110.5 million tonnes to 108.2 million tonnes and related tonne-mile demand growth is down from 6.3% to 4.5%.

Meanwhile, LPG exports from the USA have increased to record levels during the first quarter, up by 1% from the fourth quarter of 2019, which was also a record quarter, and up by 31% year-on-year. Butane exports often carried on pressurised vessels, such as those within the Epic Gas fleet, have gained 53% year-on-year.

In Asia, despite the volatility, China and India remain the key demand drivers. China's PDH plants and other petrochemical units have begun to restart and the 24% first quarter-on-quarter drop in LPG imports are expected to recover. However, it is prudent to bear in mind that China's derivatives production is also dependent on global economic recovery and demand.

India's first quarter import levels dropped by 1% to 4.1 million tonnes compared to the previous quarter, but a recent spike in India's domestic demand and falling refinery production has subsequently led to a spike in imports.

Slide 7, demand and regional trade. In Q1, US export volumes on pressurised and small sized semi-ref vessels amounted to approximately 193,000 tonnes, up by 27% from the previous quarter. With pressurised vessels achieving a substantial growth in demand, moving a record high of 168,500 tonnes, up by 58% from the previous quarter and more than double from a year ago.

Cargoes destined for the Caribbean, Central America and West Africa increased significantly during the period. Whilst deliveries in the region remained the bulk of the cargoes, the trade transatlantic to West Africa has continued to grow, with nine deliveries this quarter compared to five at the end of last year.

Regular LPG deliveries into Morocco, Bangladesh, Sri Lanka, Vietnam and Philippines continued, as domestic LPG demand remains positive. We noticed a threefold increase in Pakistan imports in March, which could be related to refinery production slowdown and increased domestic demand caused by the COVID-19 lockdown.

In the petrochemical trade, Chinese propylene imports remain an important driver in the 3500 and 5000 cubic metre pressure vessel trade. China customs data showed that propylene imports in Q1 2020 were 41% lower than the previous quarter and 39% lower than from a year ago, which is a direct impact of the COVID-19 pandemic.

As I explained earlier, much depends on the global economic recovery and demand, which is the driver of the Chinese petrochemical derivatives industry, especially for this vessel size.

Slide 8, the 12-month time charter market. The large sized pressure vessels generally performed better than the small vessels during the quarter. Compared to Q1 2019, the average rates were down 8% and 6% respectively for 3500 and 5000 cubic metre sizes and down 2% for 7500 cubic metre and remained level for the 11,000 cubic metre.

The small-sized vessels experienced low activity levels in North West Europe and in Asia, as markets did not recover from a quieter than expected December, which rolled into early Asia Lunar New Year holidays and were then immediately followed by the onset of COVID-19.

In Asia, domestic LPG demand held up during the period, but the significantly lower petrochemical plant demand in China impacted propylene imports and consequently smaller pressurised vessels over the period.

In Europe, COVID-19 lockdowns have affected demand for petrochemical and refined products. The oil price slide has not helped refinery margins, as the destruction of demand, falling prices and storage constraints of refined products has led to significant slowdown in refinery production. This has led to several small size vessels that are usually involved in the intra-region LPG and petrochemical trade to sit idle and the consequential regional downward pressure on freight levels.

On a more positive note, Moroccan import demand for butane grew steadily, with 70,000 tonnes delivered in March, more than double the 30,000 tonnes they delivered in January. This was done mostly on the larger size pressure vessels, which helped maintain freight levels for this sector.

Slide 9, Epic Gas operations globally. In the first quarter, Epic Gas loaded 930,000 tonnes and was involved in 673 cargo operations in 156 different ports. LPG cargoes made up 79% 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 floor. Our business continues to be a global one. During Q1 2020 we had six vessels operating in the Americas, 27 in the EMEA belt and 11 in Asia.

Slide 10, Epic Gas LPG break bulk trade. Ship to ship, or STS, operations is an important part of our global business. During the first quarter of 2020 our vessels carried out 127 STS operations, which is equivalent to at least one STS operation every day and accounts for about a fifth of our global cargo operations.

Developing economies with high LPG demand growth rates are often constrained by infrastructure, shallow waters and limited storage facilities. These aspects of the trade make the pressurised ship an important part of the supply chain and the very essence of the last tonne mile delivery.

Whilst we are involved with STS operations on a global basis, in the last quarter we increased our operations of East India, Singapore and in the Caribbean.

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 7293 cubic metre and 9.4 years respectively, a 6.4% increase in average size from a year ago.

Our focus on the larger vessels within the sector continues. We have the youngest and largest global pressure fleet by capacity.

Slide 12, fleet performance. During the first quarter, the fleet experienced 95 technical off-hire days, which included three routine dry docks. This resulted in fleet availability of 97.6% and an operational utilisation of 92.9%.

We have 15 dry docks and intermediate surveys scheduled for the balance of the year. Early signs of some of the ongoing operational challenges caused by COVID-19 were visible by the end of the first quarter. For instance, our inability to deploy and repatriate crews, delays to spares and dry docks and quarantine issues in some ports. We will monitor events closely to make the most optimal commercial and operational decisions at the time going forwards.

During the first quarter, the fleet traded under time charter for 71.7% of total voyage days, compared to 75.1% a year ago. Our fleet time charter equivalent earnings per calendar day in the same period was $10,246, which was 5.4% higher than the $9718 a year ago. Similarly, the time charter equivalent earnings per voyage day of $10,494 was 5.9% higher than the $9911 earned in the first quarter of 2019.

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

Uta Urbaniak-Sage: Thank you, Charles. Moving on to slide 13, our P&L. In Q1 2020 we generated TCE revenues of $41 million, compared to the $34 million we recorded in Q1 2019, reflecting our increased fleet capacity and the improving market.

Our TCE earnings per calendar day were $10,246, up from the $9718 we achieved in the first quarter of 2019. Vessel operating expenses increased from $15 million to $17 million year-over-year, mainly due to the 12% increase in fleet calendar days.

Charter-in costs increased from $4.2 million to $4.5 million year-over-year, as we have time chartered in an additional modern LPG carrier in April of last year. As of quarter end, we had seven ships on inward charter arrangements, five on a bareboat basis and two on a time charter basis.

SG&A expenses decreased 10% on a per calendar basis from $1190 in Q1 last year, to $1076 in Q1 2020, as a result of managing our 12% fleet growth without additional headcount. On a lump sum basis it increased 2% from $4.2 million to $4.3 million year-over-year.

Finance expenses increased marginally from $4 million to $4.1 million year-over-year, as we increased our borrowings from $267.2 million to $342 million to finance the Company's fleet growth. Finance expenses were offset by a lower US dollar Libor and also a lower interest margin, following our fleet refinancing end of last year.

As of quarter end, we had interest rate swaps in place for $139 million. Subsequent to the quarter end, we hedged an additional $46 million at the weighted average swap rate of 0.56%.

The Company reported an EBITDA of $14.9 million, 37% up from the $10.9 million we achieved in the first quarter of 2019. We finished the quarter with a net profit of $2.3 million.

Moving on to slide 14, balance sheet. The book value of the fleet at period end was $597 million, below latest broker valuations. Our total debt, excluding operating leases, as of 31 March 2020 was $342.3 million. After reduction of cash of $52.3 million, our net debt is $290 million, or 49% of book value. Other than normal amortisation, we have no further loan expiration until mid-2023.

I will now hand back to Charles for a summary and outlook.

Charles Maltby: Thanks, Uta. Slide 15, the summary and outlook. We would like to conclude our presentation by sharing our outlook on the LPG market. We started the year with positive macrotrends of over 5% forecast growth in global LPG seaborne trade at that time, especially from North America and a forecast 2.2% growth in the pressurised fleet capacity for the year.

This implied a year ahead of steady progress and during the first quarter we delivered an increase in our revenues and utilisation. As the combined impact of COVID-19 rolled across the world, alongside the repercussions of OPEC disagreements during early March, the positive tailwinds have dissipated.

We must now be alert to our market recovery hitting the brakes sooner than expected. We can take some comfort from a large, efficient and sustainable younger fleet, no loan expiry until mid-2023 and a team afloat and ashore focused on the global delivery of LPG over the last mile, primarily to domestic or residential LPG markets, which are currently proving to be the most resilient.

Whilst there has been a subsequent recent order for three firm plus two optional pressurised vessels from a Chinese yard, with delivery expected to be in 2022, the order book remains limited and constrained by the need for new engine, hull and tank designs, required to meet the expectations for the future. And there has also been ongoing scrapping of both pressurised and semi-refrigerated vessels.

We have subsequently increased our cover for 2020 from 47% at the end of March to 48% today, at an average daily TCE rate of over $10,500 a day.

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: Ladies and gentlemen, we will now begin the question and answer session. If you wish to ask a question, please press star-one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the pound or hash key. Once again, if you wish to ask a question, please press star-one on your telephone keypad. Once again, if you wish to ask a question, you may press star-one on your telephone. There are no questions at this time. Presenters, please continue.

Charles Maltby: Thank you very much. Thank you for everyone making the time to join and listen today. We appreciate your interest in Epic Gas. If you would like to discuss further, please do contact Uta or I directly. In the meantime, we look forward to catching up in August 2020 for our second quarter 2020 earnings report. Please all take care, thank you.

Operator: Ladies and gentlemen, that concludes today's conference call. Thank you for participating, you may now all disconnect.

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