

# Third Quarter 2018 Results Presentation

27 November 2018



FLEX LNG

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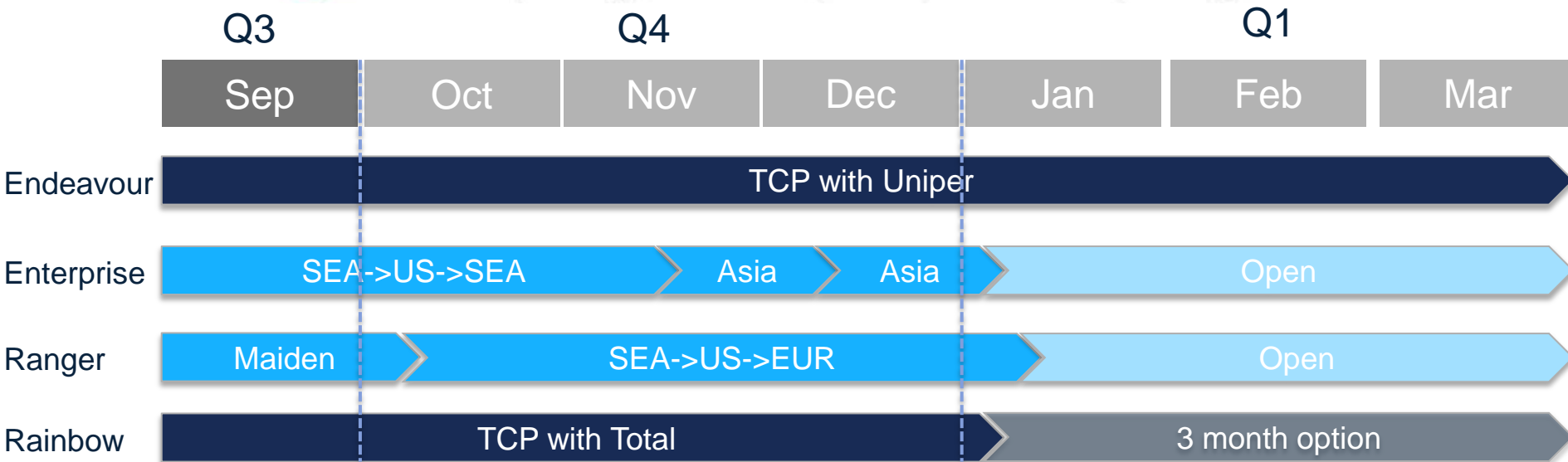


# Company Highlights

- Flex LNG became the largest owner/operator of 5th generation LNGC with the acquisition of five additional LNGCs in October
- Sister vessels Flex Ranger and Flex Rainbow operationally during Q3 after delivery from SHI on 22 June and 9 July respectively
- Burgeoning LNGC market with all-time high spot rates achieved in Q4
- Significantly improved results with EBITDA in Q3 of \$ 12.7m vs \$ 3m in Q2
- Due to well positioned fleet and buoyant market, revenues expected to increase from \$19m in Q3 to \$ ≈35m in Q4



# Q4 guidance:



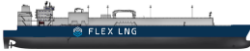

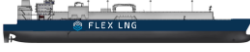










Revenue guidance for fourth quarter<sup>1</sup>: \$ ≈35m vs. \$ 19m in third quarter

<sup>1</sup> Revenue guidance subject to regular operation and acceptance of vessels by charterers

# Unique fleet comprising of 13 modern 5<sup>th</sup> generation LNGCs

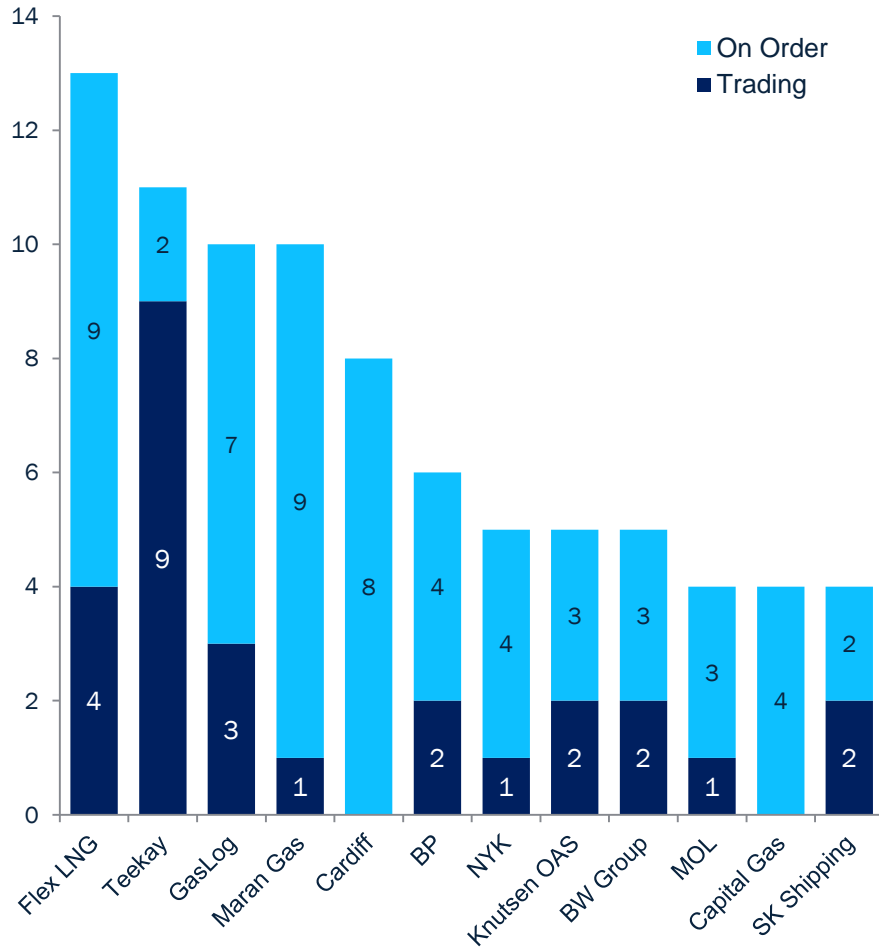
ME-GI and X-DF vessels are the most fuel-efficient and technically advanced LNGCs

ME-GI	High Pressure ME-GI with Partial Reliquefaction System	ME-GI with Full Reliquefaction System	Low pressure X-DF
  Ranger (2018) Rainbow (2018)	    Endeavour (2018) Enterprise (2018) Constellation (2019) Courageous (2019)	   Resolute (2020) Reliance (2020) Freedom (2020)	    Aurora (2020) Amber (2020) Vigilant (2021) Volunteer (2021)

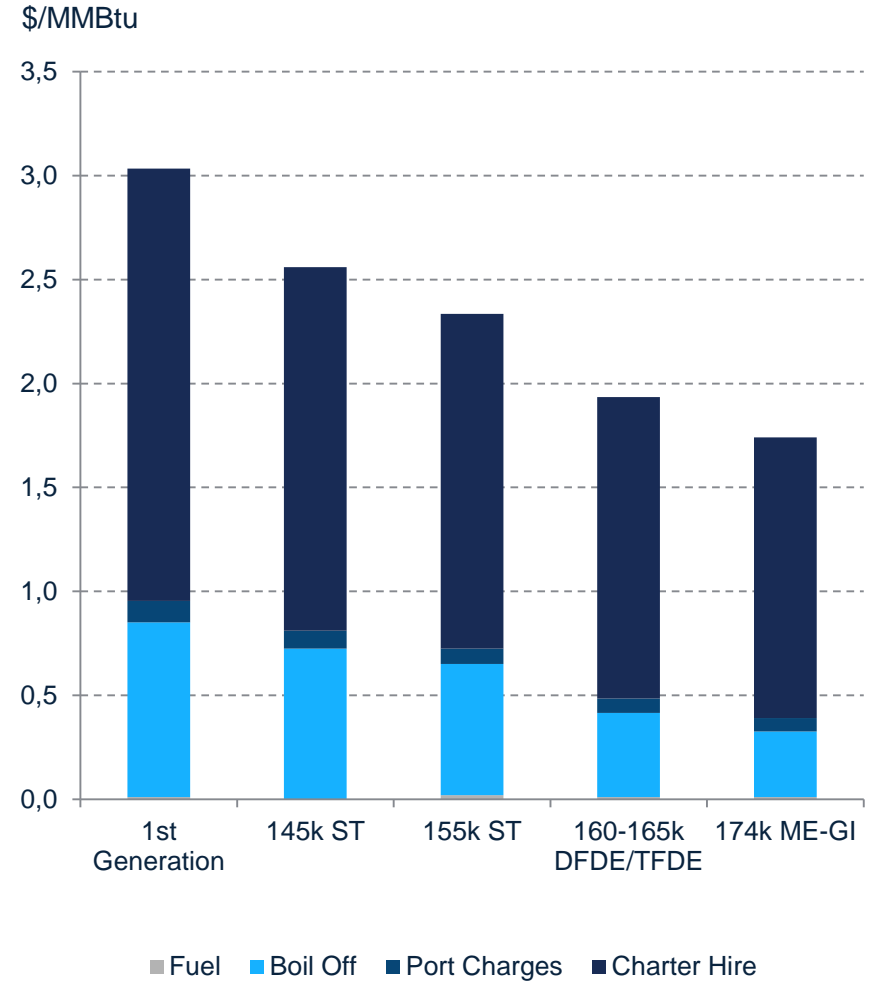
- Three 173,400 CBM LNGC newbuildings at DSME with ME-GI engines and Full Reliquefaction System
- Two additional 174,000 CBM LNGC newbuildings with X-DF engines at HSHI
- Favourable slots from mid-2019 to early 2021

# The leading owner of 5<sup>th</sup> generation LNGCs

Flex LNG is the largest owner of 5<sup>th</sup> gen LNG vessels



Unit transportation costs (round trip US gulf to China)



(1) Assuming speed of 16.5 knots (~74 days round trip), term charter rate of USD 70k/day, boil off gas priced at USD 5 / mmbtu, port cost of USD 250k, and allowance for port fees and loading discharge time. Source: Poten & Partners

# Income Statement

Unaudited Figures in USD, 000	Q3 2018	Q2 2018	YTD 2018
Voyage revenues	19 008	7 048	41 108
Voyage related costs	-5 167	-3 108	-20 183
Administrative expenses	-1 132	-929	-2 858
<b>EBITDA</b>	<b>12 709</b>	<b>3 011</b>	<b>18 067</b>
Depreciation	-5 477	-2 753	-10 541
<b>EBIT</b>	<b>7 232</b>	<b>258</b>	<b>7 526</b>
Finance income	72	79	324
Finance cost	-6 124	-3 174	-11 270
Hedge gain	-1	-20	-37
<b>EBT</b>	<b>1 179</b>	<b>-2 857</b>	<b>-3 457</b>
Income tax expense	-	-	-2
<b>Net Income (loss)</b>	<b>1 179</b>	<b>-2 857</b>	<b>-3 459</b>

- Increased income due to sister vessels Flex Ranger and Flex Rainbow in operation
- Improved results from two spot vessels, Flex Enterprise and Flex Ranger, due to better market conditions
- Net Income for the quarter of \$ 1.2m

# Balance Sheet

Unaudited Figures in USD, 000	YTD 2018	YE 2017		YTD 2018	YE 2017
Newbuildings and capitalized costs	0	594 937	Share capital	3 680	3 680
Vessel purchase prepayment	146 073	72 000	Share premium	885 453	885 323
Vessels	820 371	3	Other equity	-372 382	-368 902
<b>Total non-current assets</b>	<b>966 444</b>	<b>666 940</b>	<b>Total equity</b>	<b>516 751</b>	<b>520 101</b>
			Other financial liabilities	437 443	160 000
			<b>Total non-current liabilities</b>	<b>437 443</b>	<b>160 000</b>
Inventory	1 508	1 041	Current portion of long-term debt	23 365	0
Other current assets	3 850	6 568	Current liabilities	10 816	4 409
Cash and cash equivalents	16 574	9 961	<b>Total current liabilities</b>	<b>34 182</b>	<b>4 409</b>
<b>Total current assets</b>	<b>21 932</b>	<b>17 570</b>	<b>Total liabilities</b>	<b>471 625</b>	<b>164 409</b>
<b>TOTAL ASSETS</b>	<b>988 376</b>	<b>684 510</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>988 376</b>	<b>684 510</b>

- Balance sheet consist of four vessels on the water and four under construction
- Vessel purchase prepayments of \$ 146 million relates to 2019/20 newbuildings
- Total interest bearing debt of \$ 461 million relates to \$ 315m TLF and Rainbow SLB
- Equity ratio of 52% and very solid liquidity situation given availability of \$ 270 million Sterna RCF

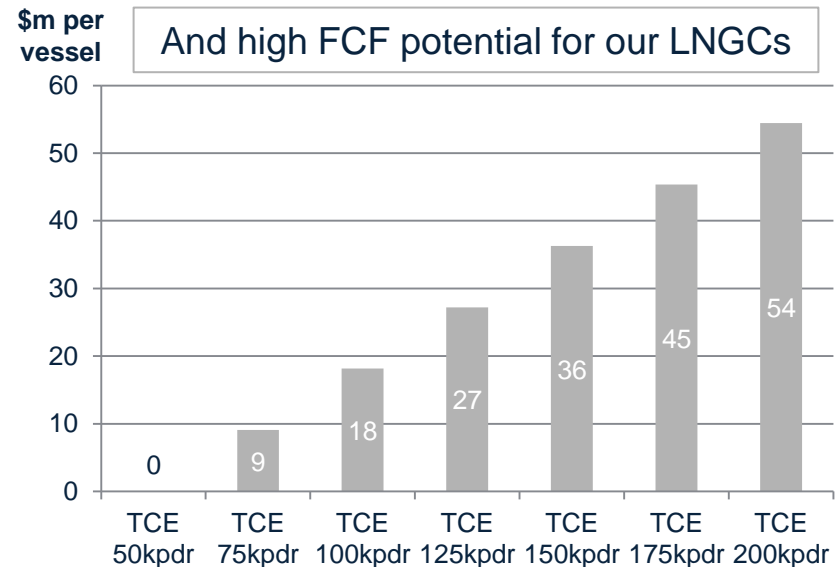
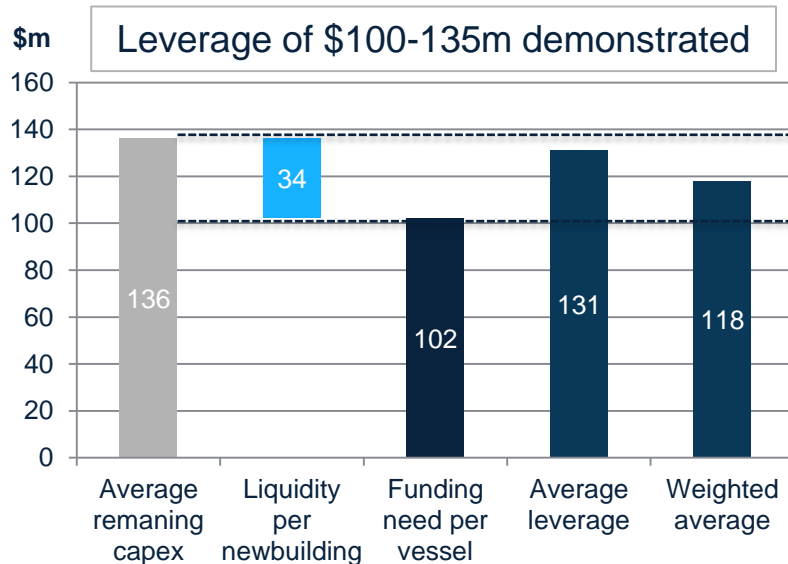
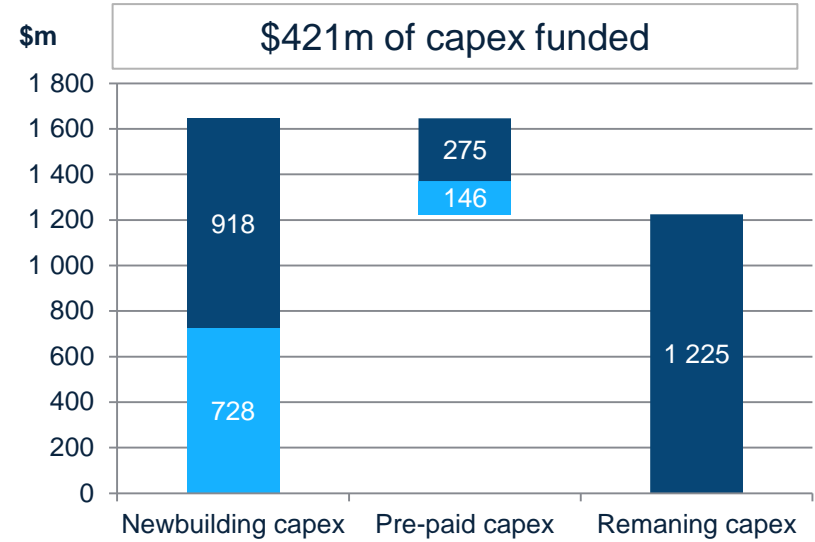
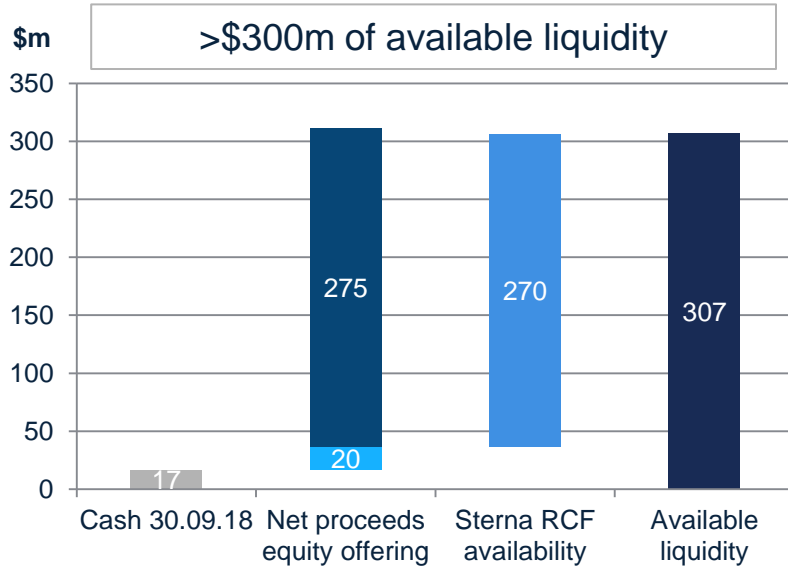


# Cashflow

Unaudited Figures in USD, 000	Q3 2018	YTD 2018
Net Income (loss)	1 179	-3 457
Working capital adjustments	-1 378	3 600
Other non-cash items	5 440	10 553
<b>Net cash flow from operating</b>	<b>5 241</b>	<b>10 696</b>
Newbuilding capex	-44 714	-234 560
Advanced payment for new build assets	-	-73 600
<b>Net cash flow used in investing</b>	<b>-44 714</b>	<b>-308 160</b>
Net proceeds from issue of shares	-	-
Net proceeds from issuance of debt	155 925	584 613
Repayment of debt	-177 537	-280 163
Other	76	-373
<b>Net cash flow from financing</b>	<b>-21 536</b>	<b>304 077</b>
<b>Net cash flow</b>	<b>-61 010</b>	<b>6 613</b>
Cash balance at the beginning of period	77 584	9 961
<b>Cash balance at the end of period</b>	<b>16 574</b>	<b>16 574</b>

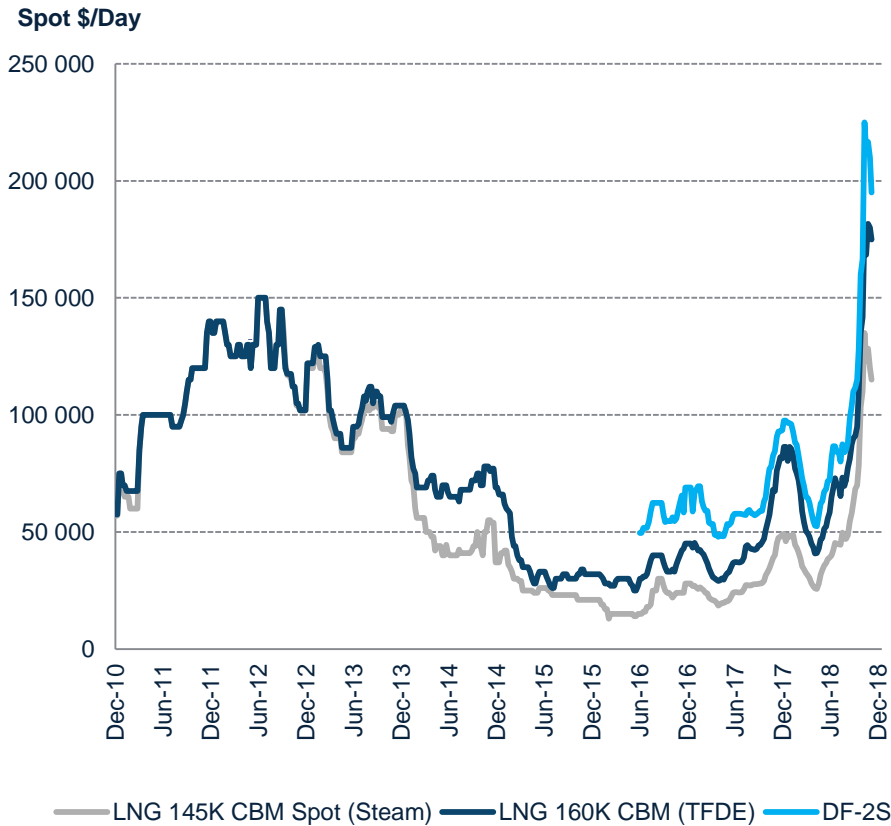
- Positive operational cashflow of about \$ 5.2m and \$ 10.7m for Q3 and YTD respectively
- About \$ 235m of newbuilding capex in connection with deliveries during 2018
  - About \$7m each for Flex Endeavour/Enterprise
  - About \$110m each for Flex Ranger/Rainbow
- Prepayment of \$73.6m in connection with acquisition of newbuildings Flex Aurora and Flex Amber
- Raised \$ 472.5m of external finance through bank loans and Rainbow SLB
  - Repaid Sterna RCF in full (outstanding \$160m at beginning of year)
  - Thus \$270m is currently available under this facility

# Well capitalized for growth

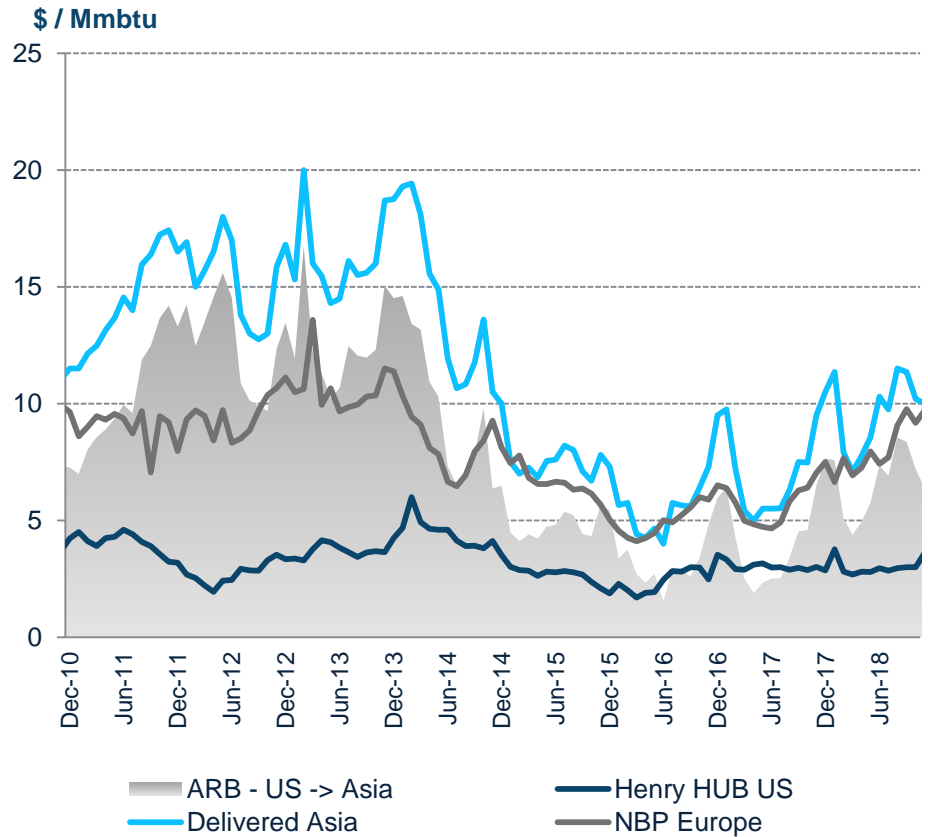


# All time high LNGC rates

Estimated weekly average LNGC spot rates



Natural Gas Prices by Region and Arbitrage US -> Asia

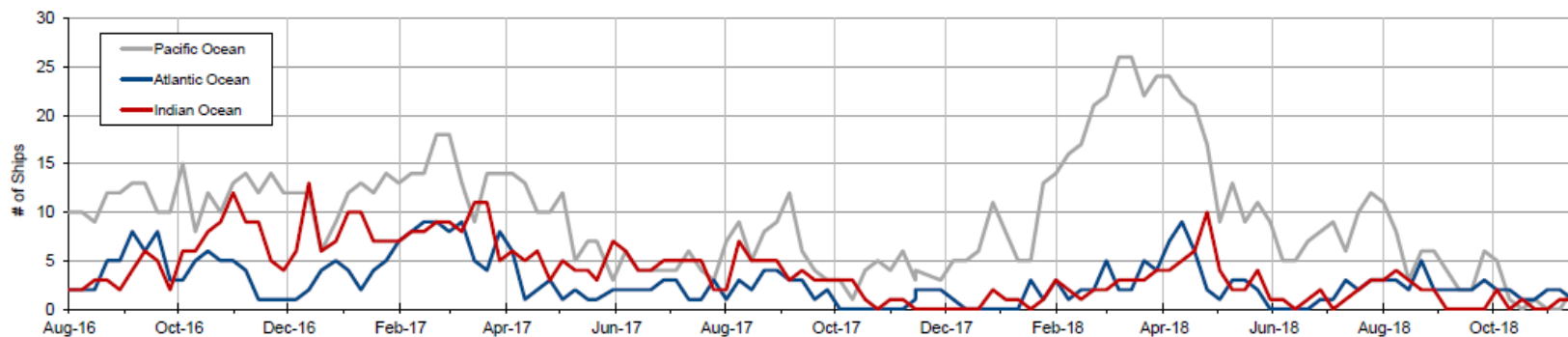


- Charter rates for dual fuel 2 stroke LNGC (5<sup>th</sup> gen) of around \$200kpd
- Unusual strong European gas prices have limited re-export out of Europe so far this winter

# And the market is sold out

Spot Market; Daily Rates (\$)				
Type of vessel	Atlantic	Middle East Pacific	Pacific	Average
174 cmb 2-stroke	185 000	190 000	195 000	190 000
160 cmb TFDE	170 000	175 000	175 000	173 333
145 cmb ST	95 000	100 000	100 000	98 333
Ballast Bouns	RT+POS	RT+POS	RT+POS	RT+POS

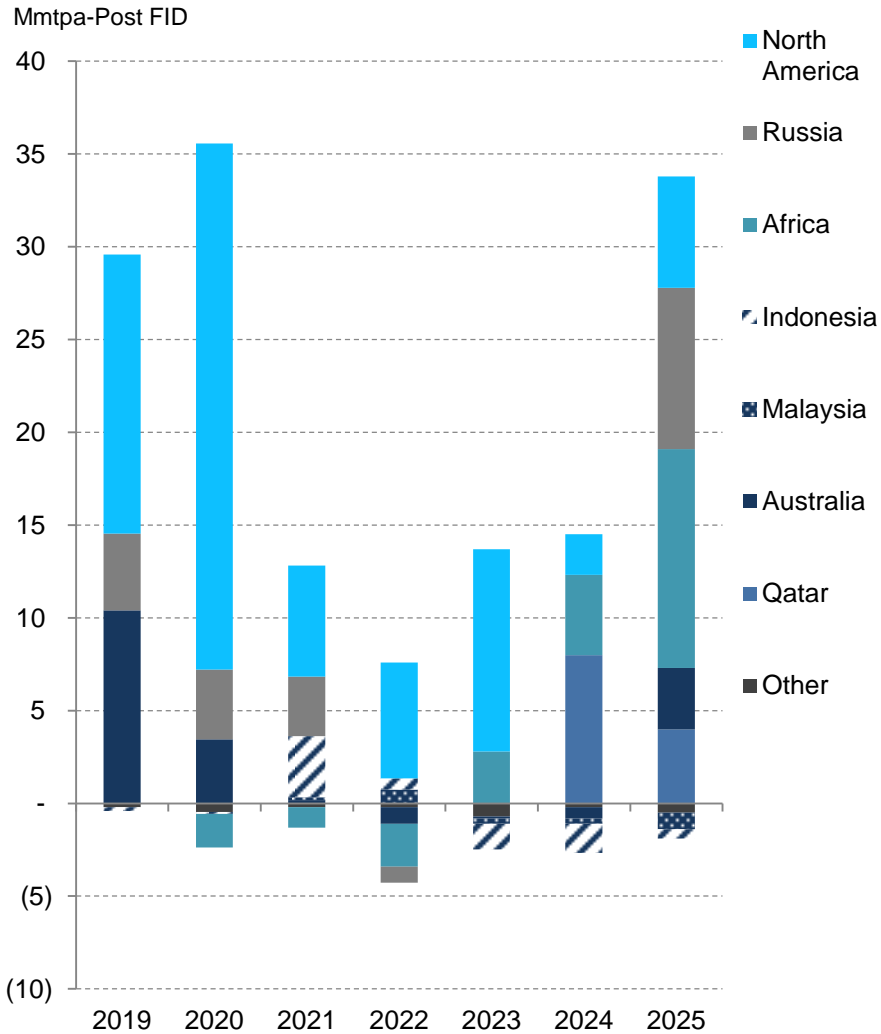
Available spot vessels in different basins



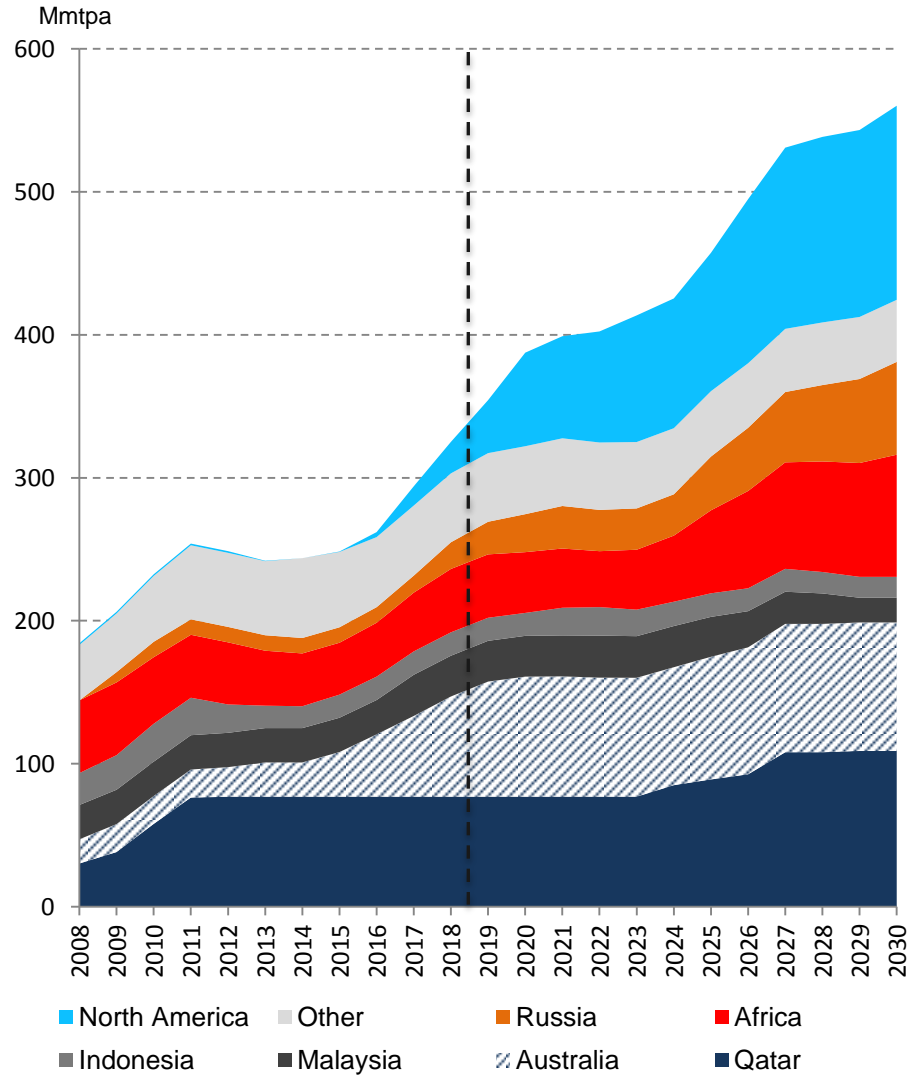
- Vessel availability significantly reduced as charterers absorbed tonnage to secure capacity for the winter season

# Glut of LNG coming to the market

Year on Year Change LNG Export Volumes



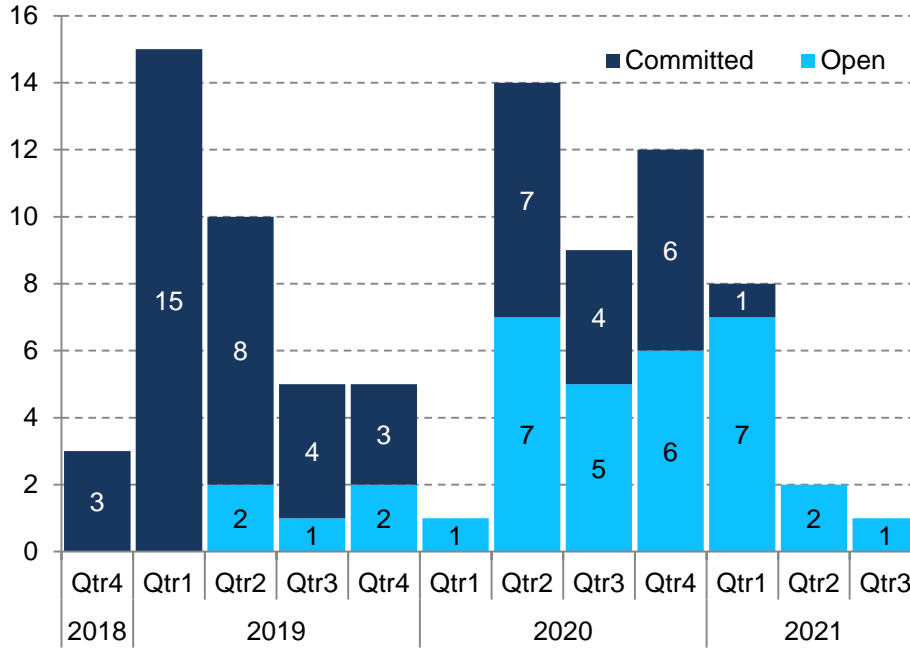
Post FID AND Likely LNG Export Projects



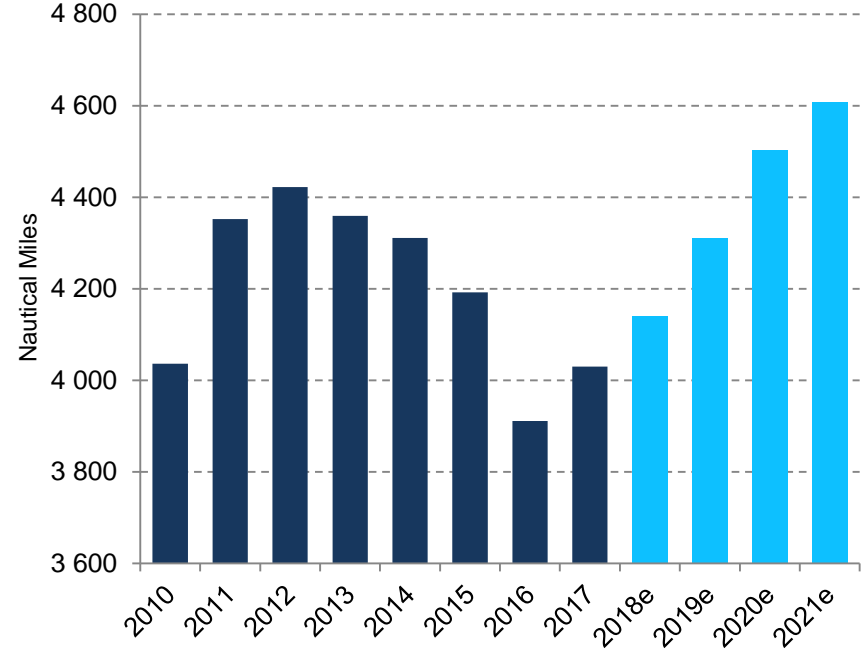


# Flex LNG controls a quarter of the open LNGCs in order book

## Order book for large LNG carriers

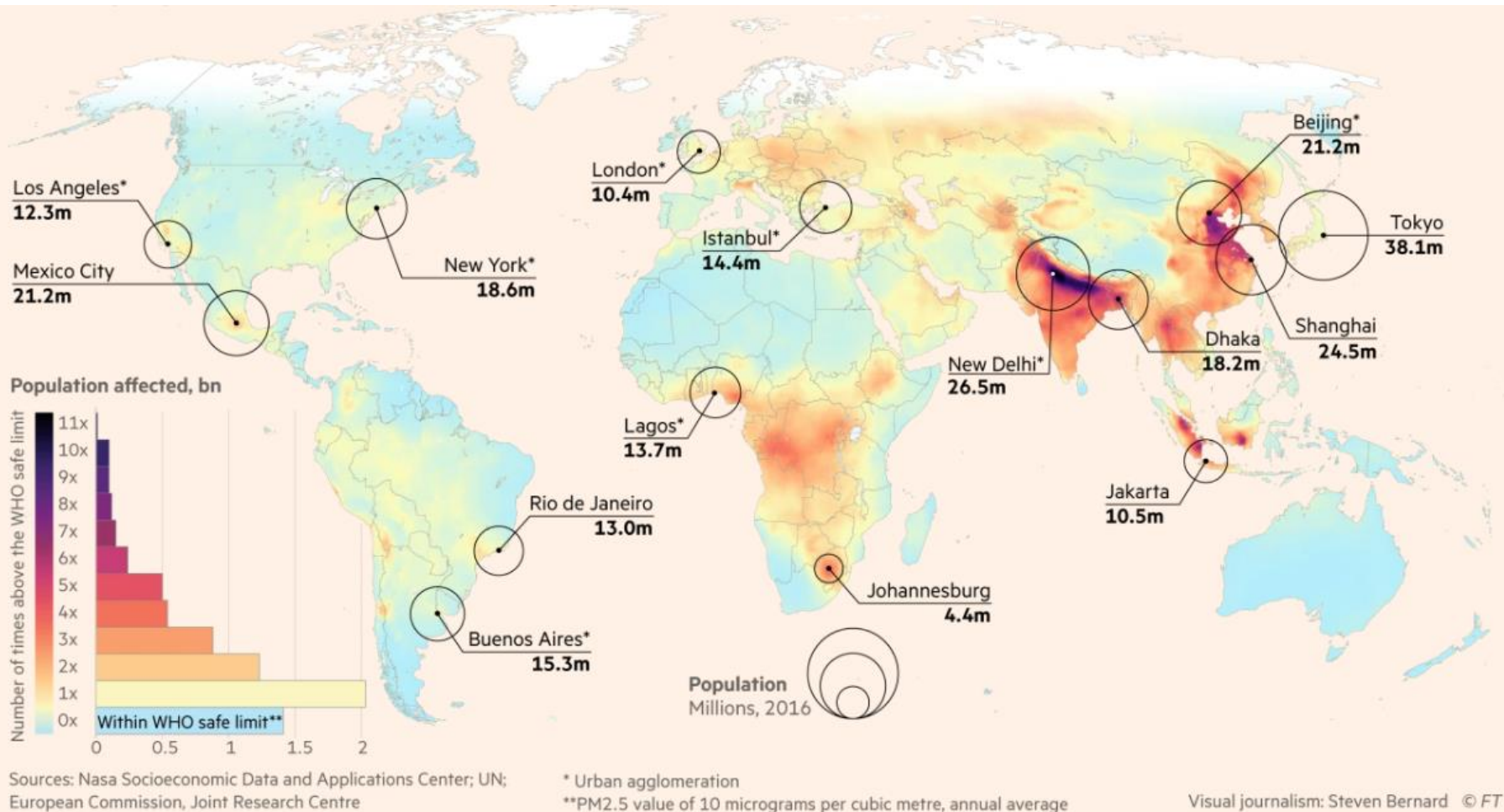


## Average sailing distances (laden)



- About 92 LNGC orders for delivery in the period until 2021 including 6 Arc 7 LNGCs
- Very limited open vessels before mid-2020
- Increased sailing distances supportive of LNGC demand

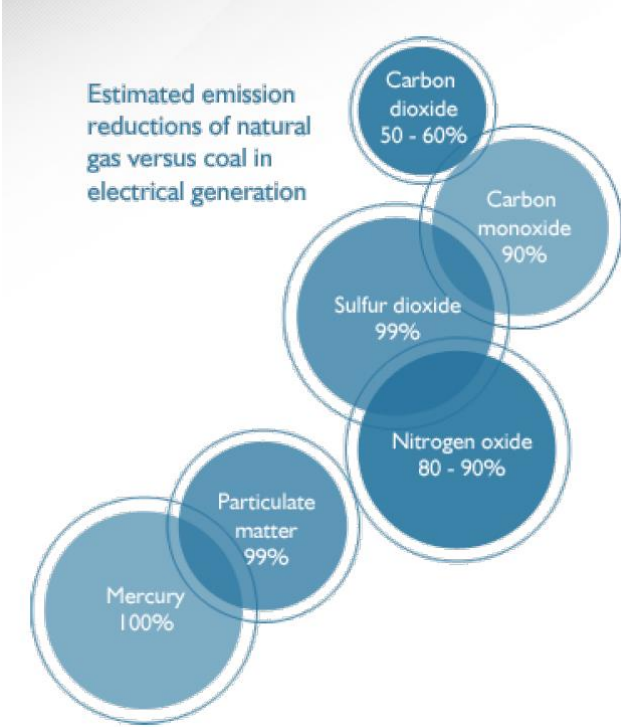
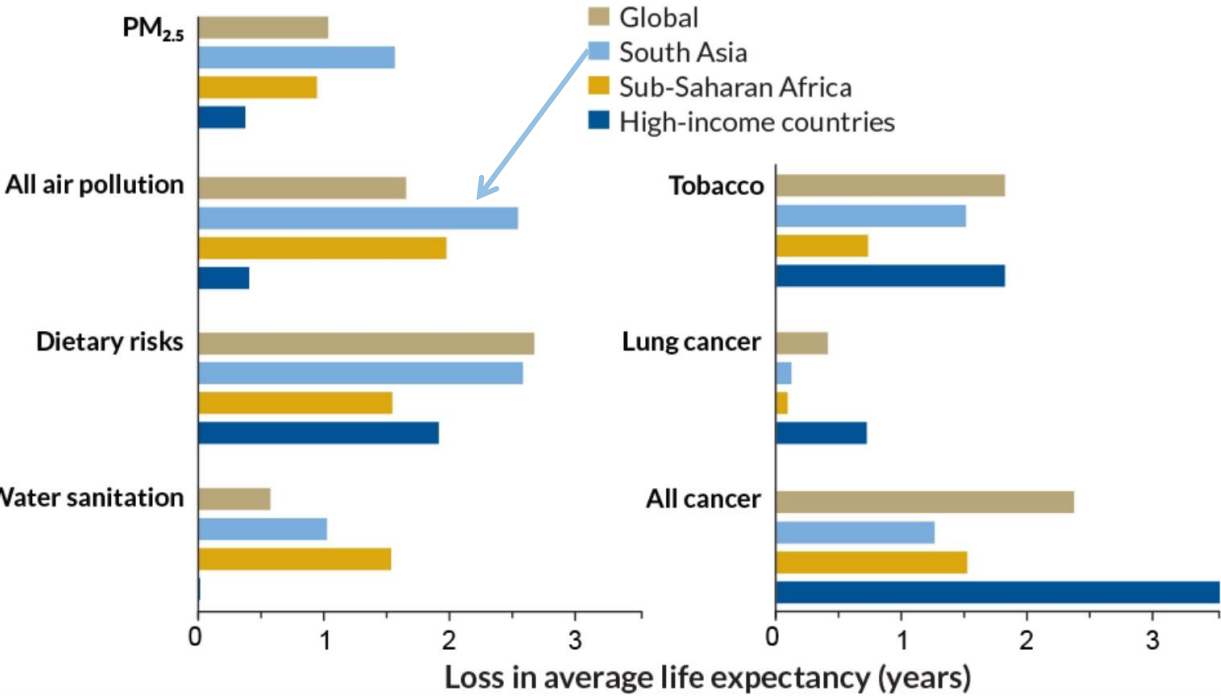
# Air pollution: a global problem



- 9 out of 10 people breathe unhealthy air.
- 6.5 million pre-mature deaths every year caused by outdoor and household air pollution.

# Switching to LNG is as much health policy as energy and/or environmental policy

How much different risks shorten life expectancy



- In South Asia, air pollution larger health risk than tobacco, cancer, water sanitation and on par with dietary risk
- If the air pollution improves from China's level to the American EPA standard level, that means that would improve everyone's education by around one year

# Summary and outlook

- Significantly improved financial performance in Q3 with black numbers reported
- Tight market with all-time high spot rates
- Fourth quarter already covered implying revenue guidance of \$ ≈35m vs. \$ 19m in third quarter
- Very favorable near term and long-term fundamentals for LNG transportation
- Flex LNG well positioned with a fleet of 13 modern LNGCs







# Q&A