

## Disappointing Q3 release – some will be given back in Q4

*Avance delivers an EPS of USD 0.39 in Q3, some 35% below expectations. The reason is purely lower TCE-rates, with significantly higher 'load-to-discharge' accounting impact (will be given back in Q4) – and FFA-hedges that contributed negatively. The company maintains a USD 0.5/share dividend – and bullish market comments into 2024. With updated Q4 guidance we will see a big improvement vs. Q3 and would preliminary expect Q4 EPS of ~USD 0.75, up from our previous 0.71 est. but below current consensus. Priced at ~1.3x NAV there is limited room for error in AGAS, but we emphasize that we still should expect positive revisions for 2024. AGAS has reached our TP – we will revert with updated estimates and recommendation/TP*

### Deviation table

		Actual			Q3'23e		Deviation	
		Q3'22	Q2'23	Q3'23	Cons.	PAS	vs. Cons.	Pareto
Revenues	USDm	39	63	59	75	75	(21)%	(21)%
Operating costs	"	(11)	(11)	(13)	(13)	(12)	3%	14%
<b>EBITDA adj.</b>	"	<b>28</b>	<b>52</b>	<b>46</b>	<b>62</b>	<b>63</b>	<b>(26)%</b>	<b>(27)%</b>
EBIT	"	17	40	35	-	52	-	-
<b>EBIT adj.</b>	"	<b>17</b>	<b>40</b>	<b>35</b>	<b>51</b>	<b>52</b>	<b>(30)%</b>	<b>(32)%</b>
Pre-tax profit	"	12	36	30	-	47	-	-
Net profit (reported)	"	12	36	30	-	47	-	-
<b>Net profit (adjusted)</b>	"	<b>12</b>	<b>36</b>	<b>30</b>	<b>45</b>	<b>47</b>	<b>(33)%</b>	<b>(36)%</b>
<b>EPS (adjusted)</b>	<b>USD</b>	<b>0.16</b>	<b>0.47</b>	<b>0.39</b>	<b>0.59</b>	<b>0.61</b>	<b>(33)%</b>	<b>(36)%</b>
DPS	"	0.20	0.50	0.50	0.55	0.50	(9)%	-

  

Segments/Other key items		Q3'22	Q2'23	Q3'23	Cons.	PAS	Cons.	Pareto
Net debt	USDm	302	354	389	-	359	-	8%
Capex	"	(9)	(68)	(21)	-	(35)	-	-
<b>VLGC TCE (calculated on 100%)</b>	<b>USD/day</b>	<b>32,700</b>	<b>51,500</b>	<b>45,990</b>	<b>-</b>	<b>58,200</b>	<b>-</b>	<b>(21)%</b>

Source: Pareto Securities Equity Research, FactSet, Company

### Negative impact from FFAs

- Calculated TCE rate on 100%-basis of ~46,000/day. The effect from 'load-to-discharge' accounting said to be USD 8,600/day. At Q2 release the company said 'slight' effect to be expected. This will be given back in Q4
- Effect from FFA-hedges said to be USD 8,280/day – this should be seen as normal TC-coverage
- Dividend kept at 0.5, as expected by us – and a 13% yield
- Q4 guidance strong as expected – and even if we account for additional FFA impact, remain conservative in their load-to-discharge accounting impact – we peg Q4 EPS at USD 0.76 (previous est. 0.71. consensus at 0.84)

### Positive revisions still incoming

- The VLGC market remains 'red hot', and we emphasize that while spot rates also reached these levels in Q4 last year – propane price spreads were much narrower then (thus shipping got ~100% of the arb) and TC-rates did not at all follow suit (1Y TC quote roughly 2x last year at ~USD 80,000/day now). Avance states that it is now starting to book Q1 coverage at current levels
- So, even though FFA-hedges and TC coverage on one vessel will continue to prevent the company from generating full spot rates in 2024 – we expect positive revisions. Preliminary, assuming USD 65,000/day next year – we would see EPS in the USD 2.5 – 3/range – vs. current consensus of 2.3
- AGAS enjoys a big premium vs. fellow Oslo-listed BW LPG, and at ~1.3x NAV there is unfortunately little room for error. We could see NAV reaching NOK 160 – 170 by YE'24 though and expect the share to re-price within this range today. The AGAS share has reached our TP, and we will revert with updated (positive) revisions

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