NAVIGATOR HOLDINGS

Moderator: David Butters
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OPERATOR: This is Conference # 9091277

Operator: Thank you for standing by, ladies and gentlemen, and welcome to the Navigator Holdings conference call on the first quarter 2020 financials results.

We have with us Mr. David Butters, Executive Chairman; Mr. Harry Deans, Chief Executive Officer; Mr. Niall Nolan, Chief Financial Officer; and Mr. Oeyvind Lindeman, Chief Commercial Officer.

At this time, all participants are in a listen-only mode. There'll be a presentation followed by a question and answer session. At which time, if you wish to ask a question, please press "star" "1" on your telephone keypad and wait for your name to be announced.

I must advise you that this conference is being recorded today.

And I'll now pass the floor to one of your speakers, Mr. Butters. Please go ahead, sir.

David Butters: Thank you and good morning, everyone, and welcome to Navigator's First Quarter 2020 Earnings Call.

As we conduct today's conference call, we'll be making various forward-looking statements. These statements include, but not limited to, future expectations, plans and prospects from both a financial and operational perspective. These forward-looking statements are based on management assumptions, forecasts and expectations as of today's date and, as such, subject to material risks and uncertainties. Actual results may differ significantly from our forward-looking information and financial forecast. Additional information about these factors and assumptions are included in our annual and quarterly reports filed with the Securities and Exchange Commission.

Now we are a few weeks later than normal in reporting our first quarter 2020 results but considering that we only filed our 2019 20-F about 20 days ago, we believe that the coordination with our new accounting team at EY is improving, and we will be able to progress from here.

Many of you know that for the last 18 months or so, we have been talking about Navigator's road to 2020. We believe and still believe that during 2020, our operational fate would improve dramatically as various infrastructure projects would be completed and lead to a significant pickup in our export volumes on our specialized vessels. Those projects are namely – the Mariner East 2 and Mariner East 2X projects along the Delaware River; the completion of the Repauno, the new Repauno export terminal, again, on the Delaware River; our important ethylene export terminal in the joint venture with Enterprise in the Gulf of Mexico along the Houston Ship Channel; and lastly, the important West Coast Canada and British Columbia export terminal that is expected will to be completed next year.

Unfortunately, shortly after we exited 2019 and into 2020, we were hijacked by the insidious and unexpected novel coronavirus, which shut down global trade and slowed down, but did not stop our voyage. Ironically, we, the victims of the hijack are now wearing the face mask. But our team will outline this morning why we believe and have hope that we are now back on the road, albeit somewhat delayed. To give us a better insight on all of that, we will have speaking this morning, Harry Deans, our Chief Executive Officer; Niall Nolan, our Chief Financial Officer; and Oeyvind Lindeman, our Chief Commercial Officer. So why don't we have Harry begin and give us an outline of what has happened over the last quarter? Harry?

Henry Deans: Thank you, David, and good morning to everybody on the call. I hope you're all well and keeping safe. It's hard to believe we are now entering our 11th week of lockdown. Our offices around the world remain closed, and our business is now run remotely from numerous home offices in several countries around the globe. This is a new normal. Remote working with all it entails has become a new modus operandi. I'm pleased to say our investment in robust information technology platforms and systems has paid off, allowing our team to interact seamlessly with each other, our customers and our vessels.

Thankfully, the COVID-19 pandemic shows some early signs of abating. China and several other economies, especially in Southeast Asia, have reemerged from their lockdowns and have restarted manufacturing, thus providing a much easier stimulus for the global economy. North America and Europe, albeit a few months behind, are also beginning to cautiously ease this recording in lockdown measures and they talk about plans for a phased opening up. When this happens, it should jump-start both production and consumer demand.

It's indeed early days on the road to recovery. However, the gradual lifting of lockdown will benefit the global economy, which has been severely buffeted by the effects of the pandemic, and we may witness the resurgence of a healthy ethylene arbitrage to Asia with differentials doubling from record all-time lows in the month. We've also seen an uptick in both propylene and butadiene export cargoes as producers attempt to balance local supply and demand with global export opportunities to maintain high-traffic utilization rates.

In anticipation of the restrictions being lifted by national governments, Navigator Gas is working hard on a phased return to what's planned for our onshore personnel. Now this plan is not entirely straightforward as it must respect both social distancing guidelines and other measures, so we will only return when legislation allows and when the company believes it is safe to do.

Safe, reliable, efficient operations are at the very heart of what we do as a company. Our vessels continue to safely ply their trades surpassing the world portions with much-needed cargoes to keep the global economy from tipping over. Single-handedly, sea fearers have kept global trade moving and, in so doing, helped feed, clothed and warmed humanity. This has come at some considerable personal costs as the ubiquitous travel restrictions and quarantine regulation, together with the suspension or heavy curtailment of many flight routes have forced the company and the third-party managers to temper or to suspend all crew changes until it was safe and feasible to do so.

I'm very pleased to report that in the last few weeks, we have carefully, with meticulous planning, managed to relieve almost 3 dozen crew from around 10 of our vessels. This is real progress, however, with many more crew waiting for well-deserved overdue leave, this unfortunately is currently the exception rather than the rule. Again, I want to pass on my heartfelt thanks to all our officers and crew for their professionalism, their dedication and their sheer determination to keep product flowing and people safe during the current crisis.

Talking about safety, it'd be remiss of me if I didn't say a big, big thank you to all our in-house managed vessels, which collectively have now gone well over 548 days without a lost time incident. Tearfully, I'd say, keep looking after each other, well done and stay safe. Our teams continue to work with the flag states, the classification societies, the various inspection institutions and, of course, our charterers to extend the validity of current inspections and certificates or to postpone or alter mandatory dry dockings and inspections as they become due. This pragmatic approach, coupled with the additional measures our ports have called and put in place, has ensured that our operations continue without any major disruptions at comparable levels to 2019. Inevitably, some routine maintenance work has had to be postponed as current restrictions have prevented qualified third-party personnel from boarding the vessels.

I'm very pleased to announce that our Morgan's Point joint venture, ethylene terminal is now 95 percent sold out with another take-or-pay offtake agreement being signed in April. The terminal is now fully functional and throughput is ramping up with the monthly throughput expected to exceed 45,000 tons in June. With this ramp-up, we expect to see improving financial returns from our terminal and see them filter to their bottom line.

As is evidenced in the forecast in the supplemental information pack, phase 2 of our terminal joint venture, which is the construction of the ethylene tank, is progressing safely, on time and on budget. From the internal tank picture, you can get some feel for the huge scale of our cathedral-like ethylene storage tank. The tank is on track to be fully operational by the end of the year.

Previously, we announced the Luna Pool with Greater Gas and Pacific Gas, and that is now up and running. Live operations began in the second quarter with all 14 vessels expected to have joined the Luna Pool by the end of Q2, which will provide customers with increased flexibility and improved access to ethylene-ready vessels.

As previously discussed, as the COVID-19 pandemic and its economic impacts became apparent, our utilization rates dropped from those achieved in January, running at mid-80 percent levels in February, March and April, rates last seen in mid-2019. Now it's early days and too early to call a change, but our May utilization rates have improved and are expected to reach around the 90 percent level, which is very encouraging. This is testament to the increasing global economic activity as lockdown measures are eased, coupled with improving arbitrage activities and the ramping up of the throughput of our Morgan's Point export terminal. Thankfully, handysize TCE rates are less volatile than other sectors and have been pretty resilient with only a marginal 5 percent reduction in rates at the end of Q1.

As a company, we continue to reduce discretionary spend while minimizing working capital and CapEx and, thus, preserving cash and liquidity. In the following weeks and months, we will take further steps to increase our liquidity in the market, more of which will be outlined by Niall in his prepared remarks.

Navigator is a robust, resilient and innovative company. Our terminal's now starting to get fully into its stride………

Operator: Ladies and gentlemen, please stand by whilst I reconnect your speaker.

Niall Nolan: I think I shall take over as Harry was on his last sentence. He was just saying that Navigator Gas is a robust, resilient and innovative company. And our terminal is now starting to get fully into its stride, both operationally and financially, and our shipping business is ready and well placed to benefit from the economic upturn when it occurs. And with that, he was going to pass it over to me, but I think he was having power cut issues this morning, - the challenges of working from home.

So if I may proceed and say that the results of the first quarter of 2020 show a headline loss of $8.5 million. This comprises a number of differing factors. First, this loss includes $3.7 million of foreign exchange losses, generally as a result of COVID-19. $2.5 million of which relates to a non-cash movement on our cross-currency swap associated with our NOK 600 million bond and $1.2 million associated with revaluation losses relating to a significant weakening of the Indonesian rupiah against the U.S. dollar. We receive Indonesian rupiah from Pertamina for the charter of three of our vessels trading in Indonesia. A significant part of these losses has reversed since March 31, after the markets have absorbed the initial shocks of COVID-19.

Secondly, the quarterly results included $3.0 million loss associated with the initial start-up operations of the ethylene terminal. As Harry has mentioned, the results for the terminal will improve during the second quarter as throughput volumes through the terminal ramp up. This leaves the loss relating to our vessels for the first quarter 2020 in the amount of $1.8 million compared to a loss of $3.3 million for the first quarter of 2019.

Operating revenue for the vessels was $81.3 million for the first 3 months, an increase of $5.2 million from the $76.1 million generated during the first quarter of 2019. This increase was partly as a result of vessel utilization increasing from 84.8 percent for the first quarter of last year to 89 percent for this most recent quarter, generating an additional $3.0 million of revenue. As Harry mentioned, January's utilization was 97.3 percent before COVID-19 negatively impacted February and March with utilization levels reducing to around 85 percent for those months.

Average charter rates fell back during the quarter to an average of $20,855 per day or $634,350 per month compared to $21,782 per day for the first quarter of last year. However, this first quarter 2020 charter rate is an increase of 3.2 percent from the $20,200 per day achieved last quarter – fourth quarter of 2019.

During the first quarter, the company undertook only one dry docking, principally as a result of yard closures associated with the impact of COVID-19. The company has received the necessary dispensations from development authorities for delay in drydockings in these unusual times. We were planning a total of 10 drydockings during 2020 at a provision cost of approximately $12.2 million. But at least 3 of these may be pushed back into 2021, depending on the impact and longevity of the effects of COVID-19. We currently have one vessel, Navigator Magellan in drydock in China and another scheduled for July this year.

Vessel operating expenses were $27.4 million for the first quarter or $7,925 per vessel per day, a decrease of 7 percent from the $29.5 million or $8,618 per vessel per day incurred in the comparative period of 2019.

General and administrative costs increased by 25.6 percent to $6 million for the 3 months ended March 2020. This increase primarily relates to uncrystallized foreign exchange losses on the revaluation of the Indonesian rupiah bank account at March 31, without which, the increase in general and administrative costs would be 1 percent. Since the end of March, the Indonesian rupiah has regained lost ground against the U.S. dollar, and as of yesterday, this $1.2 million loss at March 31 has reduced by about $750,000.

Interest for the first quarter was $12.4 million, a 1.8 percent increase or $200,000 from the interest incurred in the first quarter of 2019. This small increase is as a result of expensing interest relating to the ethylene terminal, whereas for the first quarter of last year, interest associated with the terminal's construction was capitalized. However, the reduction in U.S. LIBOR in most of our debt has, in a large part, offset this additional interest expense.

The ethylene terminal generated a loss of $3 million during the quarter, which is generally associated with the initial start up of operations. The terminal began operations in December last year. And as Harry mentioned and Oeyvind will discuss later, the ethylene terminal is now fully operational with throughput volumes ramping up.

As I mentioned at the outset, COVID-19-related foreign exchange losses accounted for $3.7 million; the initial start-up cost of the operations of the terminal cost $3.0 million and the vessels made a loss of $1.8 million, taking the total to $8.5 million loss for the quarter or 14 cents per share against a loss of $3.3 million or 6 cents per share for the first quarter of 2019.

Cash stood at $51 million at March 31 against the required liquidity covenant of $43.7 million. In addition, the company had a restricted cash balance of $15.2 million providing cash collateral against the unrealized losses on its cross-currency interest rate swap. The company was in compliance with all financial covenants on all its debt facilities at March 31, 2020. However, in the event that the Norwegian kroner weakens further against the U.S. dollar, additional cash security would be required to be deposited into the collateral account, thus providing less headroom on our liquidity maintenance covenant. That said, the exchange rate between the Norwegian kroner and the U.S. dollar yesterday enables the required cash collateral to be reduced to $9.3 million from the March 31 requirement of $15.2 million. We are also seeking to provide additional liquidity headroom by considering the refinancing of one of our vessel loan facilities, which could provide an additional cash flow of approximately $30 million and drawing down on the terminal credit facility, which could provide a further $40 million.

We did not make any capital contributions to the export terminal joint venture during the first quarter of 2020. However, since the quarter end, we did contribute $7.5 million to the JV and financed this contribution by an initial drawdown on the company's terminal credit facility. We have therefore, now contributed an aggregate $133 million of the total anticipated cost of $150 million of the terminal.

The terminal credit facility is in the amount of $75 million, and although the banks have only formally approved a total available amount of $36 million thus far, we believe that as the ethylene terminal is now approximately 95 percent contracted, the full $75 million will be available, against which, we have utilized $7.5 million and have only $17 million of capital contributions to the joint venture to make over the course of the next 6 to 12 months. The balancing amount would increase our cash position and our liquidity covenant headroom.

At March 31, total debt stood at $871.4 million. Although the company does not have any debt securities maturity in 2020, it does have $100 million Norwegian bond maturing in February 2021, thereby requiring the liability to be moved from the long-term liabilities to current liabilities in our balance sheet for the first time.

As we referred to last quarter, we had anticipated refinancing this bond with a like-for-like bond prior to the COVID-19 outbreak. However, in the event the capital markets do not sufficiently return to enable our financing of this bond in the coming months, we are considering alternatives, which include either an extension to the maturity or a capital raise in the form of a sale and leaseback for a number of our vessels.

And with that, I thank you, and I will hand you over to Oeyvind.

Oeyvind Lindeman: Thank you, Niall.

The Clarksons 12-month time charter assessment for semi-refrigerated vessels increased from $645,000 a month to $695,000 a month in January, reflecting an encouraging start of the year with utilization, as you've heard, at 97 percent. At the end of January, it became apparent that the COVID-19 was something more than a localized issue in Wuhan. The World Health Organization declared it to be an emergency of international concern on the 30th of January and characterized it as an a pandemic on the 11th of March. Our eastern countries went into lockdown, which were swiftly followed by the rest of the world. As we all know, economic activity fell drastically impacting demand for shipping services. As you have heard from Harry & Niall, our utilization reduced to the mid-80 percent level for February and March and April, and the Clarksons assessment declined 5 percent to $665,000 a month at the end of the quarter.

Handysize LPG demand remained largely unaffected as the key source of demand for this product is relatively inelastic associated with domestic usage for heating and cooking. This demand is less affected by commodity substitutes and price volatility, which, in comparison, influences the larger gas carriers in a more profound way. For example, when naphtha is efficiently price competitive compared to LPG, the petrochemical industry will evaluate the cracker economic and take positions whether or not to switch feedstock. Such substitution effect has been evident in the recent period with low oil price.

The minority of LPG being exported from the U.S. goes long haul on larger vessels. And fluctuations in the amount of exports, either due to price arbitrage or seasonal domestic demand, has a large impact on this to a very large gas carrier segment. Handysize vessels, however, are catering for regional distribution and is only moving a fraction of the annual 40 million ton of LPG export from the U.S. During the first quarter, our own vessels transported only 100,000 tons from the U.S. for local distribution. And this 100,000 tons is only 10 percent of the LPG volume Navigator carried on our vessels elsewhere in the world during the same period.

Not surprisingly, global petrochemical demand fell during the COVID period due to less manufacturing and less consumption. Some pockets of the industry have been doing well, though, with increasing demand for food – plastics for food packaging and personal protection equipment, such as we see every day, face masks.

Generally, European and American producers facing low domestic demand are continuously evaluating weather to reduce the operating rates at the crackers or export excess petrochemicals. Many are opting for the latter. We noticed during the month of May a pickup in deep-sea exports of butadiene from Europe to Asia and ethylene and propylene from America to Asia on handysize vessels. It logically dictates that the ongoing easing of lockdown regulations are slowly encouraging demand. Price arbitrage of ethylene, for example, were at an all-time low in Asia during the month of April at $300 a ton delivered. But today, has now more than doubled, reaching $700 a ton within delivery. This is encouraging time for exports. And this ties well in with the ramping up of the Morgan's Point ethylene terminal exports. At the targa, an enterprise estimated first half 2020 ethylene exports, more than half of the volume will be handled on our own or controlled vessels.

Asia demand is also pulling in propylene from the U.S. And at the time of writing, we have 2 of our vessels carrying this cargo from U.S. to Asia. It is the first time that this trade is taking place in more than a decade and showing some green shoots. As a result of petrochemical demand slowly picking up, our utilization, as you heard, is regaining lost ground and we expect to reach the 90 percent level during the month of May.

12 of – out of the 19 spot vessels we have are currently employed in deep-sea petrochemical voyages. And 6 of the 7 available handysize ethylene carriers are trading ethylene. There are currently 12 handysize ethylene vessels operating in the Luna Pool with the 2 remaining ships expected to enter during the month of June. This Pool creates a critical mass for us to better service our customers' needs. The petrochemical ocean going market is structured and oriented for voyage charters and spot opportunities, which creates a benefit in deploying a larger fleet to optimize, add value to the client logistics.

All in all, we are seeing green shoots in terms of ramping up of deep-sea petrochemical trades, particularly for ethylene, and handysize LPG is somewhat sheltered due to the nature of its demand and its lower reliance on U.S. LPG exports. However, the COVID pandemic and its impact on our markets remain uncertain as to how it will affect the near term.

With that, I will thank you and I will hand you back to David.

David Butters: Yes. I think we can now open up the call for a Q&A period please.

Operator: Thank you very much, sir. Ladies and gentlemen, if you wish to ask a question, please press "star" "1" on your telephone keypad and wait for your name to be announced.

Our first question is from Ben Nolan from Stifel.

Ben Nolan: Yes. And it's good to hear those comments from Oeyvind at the end there about utilization picking up and more petchems. Sort of along those lines, I thought it was interesting that you signed the last contract for the ethylene terminal in April when really everything was super locked down. Could you maybe talk through what your customers are saying or how maybe conversations are going about potential additional contracts for future expansion or some of those kind of things about the longer-term outlook of customers with respect to the ethylene?

David Butters: Oeyvind can handle that one.

Oeyvind Lindeman: Yes. From the customer perspective, Ben, literally, it's a race. Because of the dramatic increase of ethylene delivered price in Asia that we've seen over the last 3 to 4 weeks, so there's a run on the various ethylene terminals there's 2 of – in U.S., combined. So at the moment, U.S. ethylene price still remain very attractive, competitively attractive at now $250 a ton or less, and people are trying to buy it at $700-plus in Asia. So this arbitrage is really encouraging spot trades and is obviously helpful for the existing contractual customers at the terminal to realize and crystallize gains.

So literally, any available terminal space is being investigated for ethylene export for the month of June. And that is why also Harry mentioned earlier that we anticipate June to be quite, as per estimates, around the 45,000, 50,000 tons of exports of ethylene in June. So the question is, is this the start of a bull run on ethylene for over the summer? Time will tell, but Asia easing up from lockdown, restarting manufacturing, demand going up or back slowly to where it was, is encouraging. So the terminal operators are trying to optimize all the available jetty space to export as much as they can. The U.S. have the excess volume available in the various storage caverns, it's a matter of getting it through the terminal, onto the ships and off to Asia. I don't know whether that answers your question.

Ben Nolan: No. That was very helpful. Go ahead, David.

David Butters: Let me just add one thing. I think you made a very important point. Right smack in the middle of a shutdown globally, we had a customer sign up for a long-term 200,000 tons a year, which says something. It says a hell of a lot as far as I'm concerned.

But let me just step back and reflect that in January of this year, I was in Houston talking to our counterparts on the terminal. And the question and the conversation wasn't about when we were going to expand the terminal, but it was how, what configuration, how quickly could we do it and the need for it. Of course, 3 weeks later, we're in the midst of this pandemic and all that conversation is off the table. But the attractiveness of the expansion is still outstanding because the cost to double that size is a fraction of what the original cost simply because you don't need a lot of the extra equipment there. You don't need additional storage because the storage that's being built right now can accommodate significant expansion, the doubling of the size. So that conversation, of course, is off the table at the moment. But I do believe that if we have any kind of resolution of this pandemic, we will see that conversation back on the table and move forward on it.

Ben Nolan: OK. That's helpful.

Henry Deans: And Ben, it's Harry here. Just from my perspective, even before we spend another cent over and above the CapEx that we've committed to the terminal, I think you've heard me say several times, we should be able to squeeze the assets a bit more. And typically, engineers love shiny things and they build excess capacity into the designs. So I'd be disappointed if we can squeeze at least another 100,000 tons throughput through our existing terminal that we've got once the tank is up and running. So I think there's an in-built expansion already priced into the CapEx before we have to spend more money on an additional work cost expansion.

Ben Nolan: Yes. So sort of following on with that, you're still under construction for the storage tank. Has all of this going on changed any of the timing there? Or could you maybe update us on when you expect the storage tank to be operational?

Henry Deans: Yes. Look, I can do that, David. We expect storage tanks to be operational towards the end of the year, sometime late November, early December. COVID hasn't affected it in any shape or form.

Ben Nolan: OK. That's good to hear. And then last and I'll turn it over. You guys have, by my account, a handful of vessels that are coming off contract. Some of them more shorter term, but I think there were some ethane contracts in there as well. Given sort of the commentary that you've outlined on ethylene, is there good appetite to charter ships on a longer-term basis right now? Or is that something that you're looking to do anyway? I'm curious. So....

Henry Deans: I mean our Luna pool has just been operational for a month or 2 months, including May. So I think we will get a lot of benefit from that in terms of critical mass and catering for the customer needs in terms of spot activities and contractual statements and that sort of stuff associated with petrochemical cargoes. So I think we need to get that straightened out and realize benefits from the Pool before we talk about consolidating further.

Ben Nolan: OK. Incidentally – and I was really thinking about some of the midsize, I think – there was I think one coming out of contract next month. Are those in the Pool?

Oeyvind Lindeman: They are not. The midsize ships which fits the box for Navigator in terms of being the most flexible ship, so they are large. They bring economies of scale for longer voyages. They could do propylene, ethylene, ethane, LPG, all those cargoes. So in terms of whether they will play a role with the Morgan's Point ethylene terminal, I think so, for sure. They're quite large. If anybody fills up 20,000 tons of ethylene today, it will be a world record. So let's see.

Operator: Our next question is from the line of Randy Giveans from Jefferies.

Randall Giveans: So you mentioned that utilization. It started the year great, 97 percent; fell down to maybe 85 percent February, most of March. Now I guess we're 2/3 through the second quarter. So just trying to get a sense for utilization and TCE rates compared to that first quarter, just to get a trend of revenue quarter-to-quarter.

Oeyvind Lindeman: As we talked on the call, Randy, the mid-80s utilization level continued into April. And then in May, we expect it to reach the 90 percent mark. It is early to see what it is for June yet. But May certainly looks to break the 90 percent mark, which is encouraging, considering where we've been and with all the havoc that this pandemic has caused.

Randall Giveans: Sure. And then on the rate side?

Oeyvind Lindeman: The rate – the closing 12-month time charter rates at the end of first quarter, $665,000 a month. And I think last week, they were down at $615,000, which is not a big decline considering – comparing our segment to other segments. So that's where the independent brokers are setting the market to be, at least on a contractor level. So we're not seeing a cliff dive, but utilization is going up, which is quite positive.

Randall Giveans: Got it. OK. All right. And then I guess secondly, turning to the joint venture. Obviously, you came back on getting 95 percent contracted on the volume side, how many cargoes have been exported from that ethylene terminal so far? And have all those gone on Navigator ships? And then secondly, it looks like the share results for the JV was a $3 million loss during the first quarter. What are your expectations for like the second quarter, third quarter kind of run rate? When do you expect that to be positive and by how much?

Oeyvind Lindeman: The volume question I can take. So first half estimate from January to June, terminal is expecting to do 110,000 tons. There was about 40,000, 45,000 tons during the first quarter. And then sort of second half of May and into June, we're looking at the remainder. So it's a big ramp-up from mid-May and into June, particularly because the arbitrage also is encouraging the trade. So of that volume from the Enterprise terminal, we've done about 52 percent of that from Navigator ships, so just above half.

Randall Giveans: OK.

Niall Nolan: On the performance, you're right, we did have a loss of $3 million for Q1. April what was pretty much of the same vintage. May, the volumes are ramping up and June where they're fully at capacity I think, or at least pre-tank capacity. So I would expect Q2, maybe around the breakeven, maybe as much as $1 million loss, but that would be the extent of it. And then Q3, which is also pre-tank, would be about $1.5 million of a profit. And post-tank, we've already suggested that the EBITDA would be around $25 million – $24 million, $25 million, which is $6 million a quarter.

Operator: Our next question is from Sean Morgan from Evercore.

Sean Morgan: So I was wondering, you mentioned that the deep-sea petrochemical trade, especially down at the Far East, has been fairly resilient despite COVID and despite a lot of the trade issues going on with China. So I was wondering, if you look at some other markets like crude and even large-scale LPG and LNG, China has been kind of shadow banning a lot of imports from U.S. suppliers. But it seems like some of the propylene butadiene and some of the products you guys carry on a smaller vessel has been relatively unfazed by that. So I was wondering, do you have any insights as to why that was? It's just stronger demand that just supersedes any kind of trade implications? Or how would you sort of look at that?

Oeyvind Lindeman: Well, the tariff situation on propylene and ethylene and ethane, you can't speak to get dispensations on the people, on these players that, based from the U.S., are supporting and chartering our vessels. As far as I'm aware, they have these dispensations from China. So they're not facing the tariffs and therefore are equally competitive as products from elsewhere. So that is why some of the products are going from Asia, but – from U.S. to Asia. It's more also to do with the attractiveness of the price of U.S.-produced petrochemicals because the diesel is relatively cheap.

Therefore, with or without tariffs, they are competitive and they will move because the crackers are running at high operating margins, again, because diesel is relatively cheap. And for the Europeans, they are switching – we talked about the substitution effect of naphtha over LPG. So that has happened in Europe whereby more naphtha is being consumed as feedstock. And because you are doing enough signs that of LPG like the feedstock, you get more heavy for C4 products than butadiene.

So suddenly, they have more butadiene than normal. And with the lower domestic demand in Europe, therefore, they have access. And the guy who's going to buy is in Asia. And Asia I guess is 2 months ahead of the European lockdown and the manufacturing processes and so forth are sort of coming back. And they are buying this excess butadiene from Europe or the propylene from U.S. or the ethylene from U.S. So that's why we've seen the utilization pick up in the month of May. But that – those trades are hard to come by during February, March, April, but they seem to be slowly emerging back now.

Operator: Thank you very much. As a reminder, ladies and gentlemen, it's "star" "1" if you have a question.

The next is from Mike Webber.

Mike Webber: So I wanted to dig in a little bit on the contracting activity from April, obviously, stands out as kind of a data point that kind of runs against the grain. So without getting into too much detail, can you give us some color around the duration and the rate, for lack of a better term, on the business that you guys were able to sign in April relative to the business that underpins the initial investment?

Henry Deans: I think it's exactly the same as the previous ones.

Mike Webber: So identical in terms of the terms and returns to last rates?

Henry Deans: Yes. Oeyvind, correct me if I'm wrong, but I believe that's the case. Yes.

Oeyvind Lindeman: Yes. Mike, it's very similar in terms of duration and in terms of pricing (and rate of pay).

Mike Webber: So how should we think about that? Is that a conversation that's been going on since kind of the inception of the terminal itself? Or should we look at that as an indication that despite the volatility that if you guys were to engage in kind of new conversations around either an expansion or tapping into maybe some capacity beyond nameplate that we would expect similar economics there?

Is that on-the-run market indication? Or is that something that's of double legacy price indicator from when you guys started this closing?

David Butters: The joint venture has been in discussions with counterparties for a while, but they didn't have to sign it. So I think it's the sentiment that the counterparty wanted to say that when we're in the middle of the COVID crisis and so confident in the Board and arbitrage going forward long term. So hopefully that gets your correction, Mike.

(Mike Webber): No. That's a fair point. That's certainly positive. In terms of the notion of expanding, that's something we've heard elsewhere in the midstream space too around that facility specifically. David, I think you mentioned, obviously, the incremental investment wouldn't be on par with the amount of some costs that went into kind of getting the feel, get them up and running in the first place.

Can you give us a vague sense of scale around what kind of capital call we could be looking at if you guys were to expand that facility? And obviously, expanding that on the back of additional business would be good news for Navigator. But just trying to get a sense of what the capital cost could look like specifically because it seems like that would likely overlap with some significant refinancing activities you guys will be doing in the next 18 months.

David Butters: Sure. Harry, why don't you take that one?

Henry Deans: Yes. No problem, Mike, it has to be just and true to the actual study. It's not to give any numbers. But typically, when you expand the facility you already have, I think all the civils are already there, all the concrete and the reinforcing's been done, the electricals are there, the pumps are there, the jetties are there, all the infrastructures there. And it typically sets the tone on what we'd normally take for a greenfield site. And I think it can be anywhere between 50 percent and 70 percent of a normal new build. So all things being equal, once you've expanded the assets to whatever you can get the maximum capacity to, that should be the most logical investment in the industry because you've already sort of pre-invested in all those civils and all the underpinning work that's required for the infrastructure for the tank.

Mike Webber: OK. So 50 percent to 70 percent seems reasonable – not holding into it, but just the sense of scale that seems – that's all in this ballpark we should be thinking on a preliminary basis statement if and when...

Henry Deans: Yes. That's just sort of rough rule of thumb, Mike, that's usually used in the chemical industry.

Operator: Our next question is from Jamie Mintzmyer from the (Value Investor).

Jamie Mintzmyer: Congrats on getting up to 95 percent on the take or pay. Just digging into that one first. That 95 percent, is that totally fixed price? Or is it a percentage like on a per-ton basis that fluctuates with the ethylene market?

Oeyvind Lindeman: It's a fixed price, nothing to do with the price of the product. So if demand or quoted price of ethylene moves from 1 day to the other, that doesn't influence the price terminal fee, that has nothing to do with the product.

Jamie Mintzmyer: Excellent. That's good to hear. And I heard your response to Mike Webber about a 50 percent to 70 percent sort of CapEx spend to model in there. I know you're on pause because of COVID, but if you decided, say, this fall or next winter to maybe pull the trigger and move forward with expansion, what would the time line be between the FID and actually rolling out that capacity?

Henry Deans: I'll take that one, but good question. It's difficult to say because you'll be working in amongst a live plant, which has its own limitations, as you can imagine. And that's why the CapEx estimate is a range because it all depends on what you've already got and if you're constrained for space, et cetera, et cetera. So it's quite difficult to say until you've actually properly worked up the project and done the proper analysis.

Jamie Mintzmyer: All right. It sounds like we'll need to circle back on that one and maybe hopefully, we'll get some color this fall or next winter. Just looking at the cash economics of the joint venture, it looks like you had I think you said about $9 million post quarter and then about $13 million-or-so excess CapEx left. You also mentioned you could draw down some more debt at the joint venture. So how do we think about that in terms of net cash right from March 31 into the end of 2020? What's the net cash call at the Navigator level?

Niall Nolan: If I understand your question, there's kind of two questions. One is the facility and one is what's left to draw. So we have now paid as of today, $133 million of the $150 million expected or budget, albeit that, that budget has some contingency in there, so it may not be the full $150 million. But assuming it is, we've got $17 million to go, which is principally the remainder on the construction of the tank.

From the facility, it's a $75 million total facility, of which we've drawn down so far just $7.5 million of that. So if you take the the $7 million we've already drawn down and assume we'll draw down the other $17 million to pay for the remaining tank, there's about $40-odd million, $40 million to $50 million, where essentially, we have overequitized the investment in the terminal. So we would draw down on that facility to rebalance – to do a true-up to rebalance those two [elements].

Jamie Mintzmyer: OK. Great. Well, we'll have to model that one out. As far as looking at remainder of joint venture financing, it sounds like the leverage ratio is quite low in terms of EBITDA. I think you guided EBITDA up to $25 million. I would speculate that you could get financing of 5x or more. Is there a possibility to expand that financing and pull some more cash back to the parent level? Or are you just going to keep it where it's at?

Niall Nolan: It is possible. But you've got to bear in mind that this is a joint venture, and there is no debt allowed within the joint venture entity itself. So each of the participants, i.e. ourselves and Enterprise have to finance the terminal – the proportion of the terminal, up in their own entities. And consequently, there is no security of the terminal allowed to be given to any debt providers, and that's a challenge. So therefore, the debt in our case, is to do with the existence and the quality of the offtake agreements, which is why it's proportionately being ramped up as the offtake agreements begin.

Operator: There are no further questions, so I'll hand back to your speakers for today.

David Butters: OK. Well, thank you very much, everyone, for joining us, and we look forward to our next meeting.

Operator: Ladies and gentlemen, thank you all for joining. You may now disconnect your lines.

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