Capital Link

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OPERATOR: This is Conference # 4572278.

Operator: Thank you for standing by, ladies and gentlemen, and welcome to the Navigator Holdings conference call on the fourth quarter and year-end 2020 financial 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 will be a presentation followed by a question-and-answer session, at which time if you wish to ask a question, please press star and one on your telephone keypad and wait for an automated message stating your line is open.

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

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

David J. Butters: Thank you, and good morning, everyone, and welcome to the Navigator Fourth Quarter Earnings Conference Call.

Now as we conduct today's conference call, we will be making various forward-looking statements, and these statements include, but they are not limited to future expectations, plans and prospects from both the financial and operational perspective.

These forward-looking statements are based on management's assumptions, forecasts and expectations as of today's date and are, as such, subject to material risks and uncertainties. Actual results may differ significantly from our forward-looking information, financial forecasts. Additional information about these factors and assumptions are included in our annual and quarterly reports filed with the Securities and Exchange Commission.

Well, today's call will include comments from Harry Deans, CEO; Niall Nolan, our Chief Financial Officer; and Oeyvind Lindeman, our Chief Operational Officer – Commercial Officer. So Harry, why don't you take the call from here.

Henry Deans: Thanks, David. So good morning to everybody on the call. I hope you're all well and keeping safe. It's hard to believe that it's now well over a year since we entered our first lockdown with most of us thinking it would last for maybe three or four weeks at most, how wrong we were. We are now in the second or third wave of infection and new more virulent variants have unfortunately emerged.

Frankly, science and modern medicine have succeeded in rapidly developing effective vaccines to combat this disease. Four vaccines and counting have now been approved and have been rolled out worldwide, albeit the vaccine programs are inconsistent and patchy based across nations and geographies.

Although overall, the business environment started to improve in the second half of 2020, it is clear that the global business activity continues to be impacted by COVID-19 flare-ups and the new strains. We expect this overhang to remain until vaccination levels rise significantly.

Turning to our Q3 call, we said that we were once again running our business remotely from our home offices worldwide. At that time, we expected that this would be the case well into Q1 2021, if not beyond. We now expect that to last well into Q2 of this year.

U.S. LPG production and exports have been remarkably resilient throughout the pandemic, and there was no sign of that changing in Q4. The trend continued into 2021 throughout January and into mid-February when the southern freeze, or storm Uri, brought snow and then seasonally cold weather to the U.S. Gulf Coast.

The winter storm caused a huge amount of disruption to upstream, midstream, refinery and cracker production across the region with the majority of capacity shutting down. By our estimates, we think at the height of the cold snap, almost 100 percent of Texas' ethylene capacity and approaching 80 percent of all U.S. olefins capacity was taken offline. Frankly to speak, we have seen a sharp bounce back in production with the vast majority of operations already restarted or in the process of being ramped up.

I'm pleased to report that the business was again profitable in Q4 for the third quarter in succession. Our performance bounced back after the impact on Q3 of the Gulf hurricanes with a net income of $3.4 million and an adjusted EBITDA of $32 million, both of which were an improvement on the same period last year.

The quarterly and year-to-date operating revenue, net income and EBITDA have all improved substantially when compared to 2019. Our Morgan's Point ethylene joint venture terminal with the fourth quarter EBITDA of $2.1 million was again profitable for the quarter, and indeed, finished in profit for the whole year.

Utilization rates finished 2020 as it began strongly with a sharp recovery in the quarter and month-on-month increases. Q4 fleet utilization was much stronger at 91 percent, with December utilization, that numbers lasted in January 2020, of around 95 percent. January 2021 continued with all that you had left off. Unfortunately, the recovery in the utilization rates faltered when the southern freeze hit, bringing down the vast majority of U.S. cracker capacity, virtually all PDH production and severely impacting most fractionation capacity in the Gulf.

This storm, together with the Mont Belvieu pipeline and subsequent ethylene joint venture terminal force majeures, caused major supply interruptions. Rapid vessel rescheduling and repositioning enabled us to find alternative employment for the majority of our ethylene vessels. Nevertheless, utilization rates have dipped to around the mid-80 percent level in February and are expected to stay at those levels for the remainder of Q1.

As is typical, the U.S. Gulf cracker issues dramatically reduced the available olefins supplies, causing domestic prices to spike and leading to the slam shut of the healthy ethylene arbitrage to Asia. But despite this split, nothing has fundamentally changed. There are plentiful supplies of the most advantaged olefin feedstock in the U.S. ethane, which coupled with olefins overcapacity and the efficient equity market, will ensure that the ARB will recover as units ramp up, the tanks are replenished and the product, again, is priced to move.

Turning now to crew release. I am pleased to report we have made further progress on overdue crew changes in Q4 and the face of ever-changing legislation and restrictions. Navigator, together with countless other owners and ship managers, have signed a Neptune Declaration on seafarer well-being and crew changes. This declaration asks that all seafarers are recognized as key workers and requests that a coordinated pan-governmental approach be adopted to facilitate crew changes under internationally agreed health procedures.

It's a testament to the hard work, the dedication and restricted teams to the new gold standard hygiene protocols of our seafarers. The Navigator Gas was fortunate not to experience a single confirmed COVID case in any of our 38 vessels in 2020.

Talking about safety. We are proud of the efforts we have taken together with our partners to keep people safe, both physically and emotionally, and to keep the product in the tanks. Our overall fleet safety performance was the best in record. We increased our number of near-miss reports, which is a leading safety indicator, while reducing the frequency of actual incidents.

We've now reached a significant milestone, having surpassed 800 days without a lost time incident on our in-house managed fleet. When it comes to safety, though, we all know that you're only as good as your last second what, so we continue to be vigilant.

In late December, we completed Phase 2 of our Morgan's Point ethane JV terminal when the 30,000 kiloton refrigerated ethylene storage tank was sufficiently – was successfully commissioned and brought into service, and this can be seen in the supplemental pack.

On the 23rd of December, we reached a crucial milestone when the Navigator Atlas loaded the first cargo directly from the tank. Utilizing the time facilitates faster vessel loading with speeds increasing almost tenfold. This new capability will allow us to increase throughput whilst improving efficiency for our customers as we reach the 1 million tons nameplate capacity.

By any metric, this construction project has exceeded all its targets with a safe, on time and below budget completion. And this is all the more impressive as the majority of the construction took place in the middle of the COVID-19 global pandemic.

I'd like to take this opportunity to thank everybody involved in the successful delivery of this remarkable and unique project. We are now confident that we'll be able to exceed the terminal 1 million tons nameplate capacity by at least 10 percent without any significant investment.

Overall, Q4 was a good quarter for our business with momentum building month on month. We safely emerged from the Q3 weather headwinds and saw the resulting improvements in our utilization rates. Our ethylene JV terminal finished the year strongly with an annual throughput of over 420,000 tons, which was an excellent performance when you consider that Phase 1 was not fully commissioned until April with the refrigerated tank coming onstream in late December.

Once the weather related to U.S. olefin production issues and the force majeures subside, this tank capacity will dramatically boost the terminal throughput bringing with it stable cash flows from our take-or-pay contracts, and this will help offset any volatility in the shipping business.

The handysize new-build vessel order book continues at all-time historical lows, and this can be seen on Slide 13 in the supplemental presentation. This, combined with a startup or the imminent startup of the three new North American export facilities, including our own Morgan's Point ethylene joint venture, the Repauno terminal and the Prince Rupert facility, will help underpin firming vessel utilization rates.

This, coupled with the healthy ethane arbitrage and the reopening of the U.S.-Asia ethylene arbitrage, together with increasing demand for ethane and LPG in China, will help these exports and should bring improved options for both the handysize segment and for Navigator Gas.

With those few remarks, I'd like to hand you over to our CFO, Niall Nolan. Niall?

Niall Nolan: Thanks, Harry, and good morning, all. As Harry referred to the fourth quarter results, with the fourth quarter results, the company has generated a profit in three of the last four quarters of 2020. That is excluding the unprecedented first quarter when COVID was initially determined a global pandemic and the world, including the currency markets, collectively held its breath.

The $3.4 million profit generated during the fourth quarter compares very favorably against the $2.8 million loss in the fourth quarter of 2019, and indeed, the $1.5 million profit in the prior quarter. That resulted in a small loss of $400,000 for the full year 2020 against the $16.7 million loss for the full year of 2019.

EBITDA for this fourth quarter was $32 million, with 2 point million – $2.1 million being generated from the operations of the terminal, following a weak October as a result of Hurricane Laura, as discussed on our last earnings call, and $29.9 million from the shipping segment.

Total operating revenue from the vessels during the quarter was $87.4 million, an increase of $6 million from the $81.4 million generated last quarter, and 11 – and an increase of $11.3 million from the $76.1 million generated during the fourth quarter of last year. This quarter's $84 million was achieved by an increase in average charter rates, which rose to just over $21,100 per day or $642,500 per month from around $20,200 per day or $615,000 per month for the fourth quarter of 2019. Average charter rates across the full year averaged

$21,500 a day, a relatively small increase overall from the $20,800 per day achieved in 2019.

Utilization improved during the quarter, achieving 91 percent relative to 78.8 percent for the prior quarter, and utilization for the full year 2020 was overall the same as 2019 at 86.8 percent.

The Luna Pool earnings, which are aggregated and allocated to pool participants in accordance with pool points, resulted in a net gain to the other participants in the pool of $500,000 during the fourth quarter. But overall, the other participants' vessels contributed $400,000 to our vessels in the Luna Pool since its formation at the beginning of April 2020.

Revenue also increased by $1.4 million due to an increased number of days that the vessels were trading during the year as a result of 2020 being a leap year and as a consequence of less days being taken up for dry – vessel drydockings. Nine vessel drydockings were undertaken during 2020, taking a total of 224 days, two vessels less than planned as a result of delays associated with COVID-19. The cost of these nine drydockings was approximately $10.2 million, the two delayed dockings, along with 12 others, are planned for 2021 at a total cost of $18 million. And as I'll mention later, this is the only planned capital expenditure of the company during 2021.

Voyage expenses increased significantly during the quarter, but these are pass-through costs reclaimed by increased operating revenue. The increase was primarily as a result of canal transits, both Suez and Panama, which collectively rose from five transits during Q4 of '19 to 26 for the most recent quarter and from 22 transits during the full year of '19 to 71 transits in 2020. And LPs are between $100,000 and $150,000 per transit. And the increase in number is partly as a result of additional cargoes, principally ethylene moving between the U.S. Gulf and the Far East.

Vessel operating expenses were $28.4 million for the fourth quarter, equating to $8,119 per vessel per day, and $109.5 million for the full year, equating to $7,873 per vessel per day, which is a 2 percent decrease from the vessel OpEx incurred during the full year 2019.

General and administrative costs were $6.3 million for the fourth quarter, similar to that of the fourth quarter of 2019. However, G&A costs for the year were just under $24 million, a 14.3 percent increase from the $21 million incurred in 2019. This $3 million increase principally comprised of $1.2 million for additional audit and internal control-related fees, $1 million on terminal – additional terminal insurance and on crystallized losses of $400,000 relating to the Indonesian Rupiah and terminal formation legal fees of $0.5 million.

The other income of $100,000 for the fourth quarter, $200,000 for the year relates to management fees received from our management of the Luna Pool. Interest costs for the fourth quarter were $9.1 million, which was almost 26 percent less than the fourth quarter of last year as a result of reductions in U.S. LIBOR. Similarly, interest costs reduced by 15.5 percent year-on-year with interest of $41.1 million for the year to December 2020.

The share of results of the equity accounted joint venture, which is the ethylene terminal, generated a profit of $700,000 for the fourth quarter after a slow start to the quarter in October as a result of the effects of Hurricane Laura discussed earlier.

Net income for the fourth quarter, as mentioned, was $3.4 million or $0.06 per share compared to a loss for the fourth quarter of 2019 of $2.8 million, and this resulted in a small loss for the full year 2020 of $400,000.

The balance sheet remains very strong, and we've undertaken a number of refinancings this past year to further strengthen it, including the refinancing of the $100 million Norwegian bond, a $210 million vessel loan refinancing and the $69 million drawdown on the terminal credit facility.

Cash at the year-end stood at $59.3 million. We had a further $51 million available from undrawn facilities for general corporate proposes, including from the terminal facility. During the quarter, we contributed $2 million to the export terminal joint venture from the latter facility.

And since the year-end, we have contributed what we believe will be the final $4 million, taking our total contributions for the terminal development to

$146.5 million, which is under budget, and as Harry mentioned, delivered on time and safely, all of which is a major achievement in the current environment, or frankly, at any time for a project of this type.

The two final contributions to the terminal JV were drawn from the terminal credit facility, along with another $14 million since the year-end for general corporate purposes, resulting in that facility being fully drawn at $69 million. As the construction of that terminal has now reached practical completion, the terminal facility construction loan has converted into a five-year amortizing term loan, attracting interest at U.S. LIBOR plus 2.75 percent.

Our total debt at December 31 stood at $850.2 million, which includes five vessel secured facilities, two Norwegian bonds and the terminal facility. There are no maturities on any of these facilities during this year. And with the exception of an $18 million repayment in March next year, there are no maturities on any facility until Q4 2022. The company was, of course, in compliance with all its financial covenants on all its debt facilities at December 31, 2020.

Thank you, and I will now hand you over to Oeyvind.

Oeyvind Lindeman: Thanks, Niall. During 2020, we safely loaded, transported and delivered 5.2 million metric tons of liquefied gases to our customers all over the world. Out of the 5.2 million metric tons, 5 percent of the volume was loaded in South America, 15 percent from the Middle East, 24 percent from Europe, 26 percent from North America and 29 percent from Asia.

This shows the diversified international nature of our trades, which underpins resilience to fluctuations in any one region. However, as you have heard from Harry's commentary, North America plays an increasingly important role in the supply and exports of petrochemical handysize cargoes.

Petrochemical cargoes constitute about 47 percent of our total earnings days, and each cargo on average takes often more than two months to complete due to the transcontinental nature of these trades. In comparison, LPG cargoes take on average 10 days to complete. Therefore, any change to petrochemical exports, even a small quantity, can affect the segment, our fleet and our utilization.

The lingering impact of Hurricane Laura, the strongest hurricane on record making landfall in Louisiana, was seen going into October. Towards the second half of October, the U.S. ethylene industry fundamentals normalized, as seen on Page 9 of the supplemental material, with prices coming down and ethylene exports recommencing.

Despite approximately 10 days of tank commissioning during December at the joint venture terminal, it managed to export about 60,000 tons, up from 20,000 tons in October and 10,000 tons less than a high in January 2021. The impact is often first seen in our utilization rates.

Our utilization rates went from mid-80 percent level during October to above 90 percent for November and December. And the change can be really attributed to the normalization of U.S. ethylene pricing and availability and the market dynamics seem to be working efficiently as prices came down a month after Hurricane Laura.

We had 61 percent market share of all ethylene cargoes being exported from the U.S. during the quarter, which translate into seven voyages for employment for five vessels during the period. LPG exports on handysize vessels from the East Coast increased during the period, going from two cargoes in November to five in December, reaching a peak of 10 cargoes in January.

We have not seen such activity from Marcus Hook export complex since back in 2015 and '16. Most of this LPG went across the Atlantic, translating to a demand of an extra five handysize vessels during the month. Therefore, any incremental volume, even small, needing handysize transportation has the potential to influence the supply-demand balance in a segment consisting of only 120 vessels.

Conversely, there is a downside to a finely balanced market. As you've heard previously, the southern freeze caused an expected ripple effects through the entire value chain from February onwards. U.S. ethylene price increased dramatically. Asian price followed the suit to attract volume from other parts of the world to substitute the shortfall from America. The U.S.-Asia arbitrage closed resulting in limited exports.

The industry is expected to revert back to fundamental oversupply, though. Why? Because ethane's flatline during both Hurricane Laura and the southern freeze remains cost effective for U.S. producers.

The silver lining from the southern freeze is twofold to us. Due to the high U.S. domestic ethylene price, producers are highly motivated to get production back up at full utilization, minimizing time for the industry to return to normal. The same happened post-Hurricane Laura with ethylene pricing decreasing from a high of $600 a ton in September to $400 a ton at the end of the quarter.

Secondly, all the U.S. PDH propane to propylene plants also shut, creating a surprising change. U.S., almost overnight, went from being a net exporter of propylene to becoming a net importer of propylene. U.S. domestic price of propylene almost tripled to $3,000 a ton. This presented us with an opportunity.

Four of our vessels, after completing discharge of butadiene and ethylene in Asia, changed grades and loaded propylene bound for America back across the Pacific. We effectively replaced a total of 150 would-be ballast days to 150 laden days. This illustrates that triangulation can be and is an upside for our handysize vessels.

We are looking forward to the commissioning and start-up of both Repauno export terminal in New Jersey and the Prince Rupert export terminal in British Columbia some time during the month of April. Our vessels as well as competitor vessels are currently being considered by various customers for both terminals and are undergoing technical assessment for compatibility.

Therefore, to sum up, expected normalization of the ethylene supply-demand balance in the U.S. and ramp-up of the two new LPG export terminals should have a positive influence to our segment going into the spring and summer months. Thank you.

David J. Butters: Thank you, Oeyvind, Harry and Niall. And let's open up the call now to question-and-answer session.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question please press star and one on your telephone keypad and wait for the automated message advising your line is open. Please then state your first and last name before you ask your question. If you wish to cancel your request, please press star and two.

Once again, please press star and one if you wish to ask a question. And star and two to cancel that request.

Thank you. We will now take our first question. Please go ahead. Your line is now open.

Omar Mostafa Nokta: Hi there. Omar Nokta from Clarksons Platou Securities.

David J. Butters: Good morning.

Omar Mostafa Nokta: Good morning, David. Thank you. Thanks for the overview. And just – this is a question that you get fairly often. But I wanted to ask it now with the marine terminal now officially completed, and you've obviously got all your ships on the water, you have no CapEx, and you're now starting to bring in cash without any commitments. The – how do you think about strategic priorities going forward? What's sort of the top things on your list here as you look ahead into '21 and into '22?

David J. Butters: Sure. If you don't mind, I'll try to answer that and share the answer with Harry. Look, you're right, our major capital expenditures are completed. The terminal is done, which required a fair amount of capital over the last couple of years. Our building program is completed. We're satisfied with the fleet that we have right now. Some renewal will be needed in the future as with every shipping company.

The immediate thing is to maximize what we have right now, that's our first really goal. And we're basically on that course at the moment, and I think it will unfold through 2021. If things go as we expect them, we would think that it would be logical at some point in the not-too-distant future to focus on perhaps increasing the capacity of our ethylene joint venture. That terminal can be expanded relatively inexpensively.

And as soon as we believe that the market is there and that we have fully exploited the existing capacity and tested its outside reaches, which I think we have yet to do, I think that could be an area where capital could be employed and employed extremely profitably. So that is – it's just the most obvious thing that we would think about as far as new engagement with capital.

Harry, do you have anything that you would add to that?

Henry Deans: Thanks, David. Yes. No, I fully concur. I think the other thing, Omar, is you heard in my remarks that we're confident we can get 10 percent now out of the terminal. And hopefully, we can get a bit more as well. We just need to run at consistent rates for a long enough period to see how much more we can get out of the terminal.

So without spending any major CapEx at all, so we're going to maximize what we've got, as David said. And the other thing, I guess, I would add is that we're always on the lookout for any consolidation or any other things we can do in the marketplace, obviously at the right price. We continue to assess that.

As David mentioned that our fleet, we will have to do some fleet renewal in the future as our – some of our fleet gets older. That's just the way it works in this industry, but we're equally looking to see if there's any investments we can make in our vessels to make them more sustainable and to reduce the CO2 and the carbon footprint. That's all I had to add, David.

David J. Butters: OK. Thank you, Harry. Omar, I think that's probably all we could say about – right at the moment about future capital expenditures.

Omar Mostafa Nokta: David and Harry, that's clear. And maybe just a follow-up. Wanted to ask about the terminal and the force majeure. Just generally – just a question, in this case, for instance, is that the declaration of the force majeure, for instance, does that cancel all together the flow that would have been used in the incoming revenue for the JV? Or does sort of the contract get extended by that one to two months where the pipeline wasn't operable?

David J. Butters: Harry, go ahead.

Henry Deans: David, shall I answer that? Yes, thanks, Omar. Unfortunately, coming from the chemical industry, I have a long history in force majeures, either declaring them or being in the receiving end, Omar. So I know probably how it works.

Basically, the force majeure suspends a contract for that period. It doesn't extend it. It just suspends it. And it means that the – whoever declares force majeure has got an obligation to go out and try and find alternative supplies as quickly as possible and then get back onto contractual terms again. So it doesn't extend it. It just suspends it. Does that answer your question, Omar?

Omar Mostafa Nokta: OK. It does. It does. That's clear. And then, I guess, you mentioned the – it's been remedied the mechanical issue and that scheduled start-up is for second half of March. Has it already started up? Or is it still planned to be for second half of March?

Henry Deans: Yes. Thanks, Omar. Yes, we're starting up as we speak. So there's a mechanical integrity issue on the pipeline that leads from the caverns to our terminal. And I'm glad to say that they are commissioning and starting up as we speak. So we're hoping to see product flowing imminently.

Omar Mostafa Nokta: OK. Thank you. Very good. I'll leave it at that. Thanks, guys.

David J. Butters: Thanks, Omar.

Operator: Thank you. We will now take our next question. Please go ahead. Your line is now open.

Sean Edmund Morgan: Hey, guys. It's Sean Morgan from Evercore. So to follow up on Omar's question in regards to the JV terminal and the contribution on the income statement. So I think it's been a little difficult to sort of accurately predict how that's going to be in part because it's just – it's coming in, in sort of below the operating line.

But when I sort of look at the results you guys had last quarter versus this quarter and sort of thinking about the ramp that I – at least, I was expecting, is that more of like the commodity arbitrage dictating that decline from 3Q? Or is that disruption from the hurricane?

And also given what we know now about the disruption – mechanical disruption in Q1 of 2021, sort of how do you think about just kind of that contribution that we're going to be seeing?

Henry Deans: Oeyvind, do you want to talk about the market, please? And then maybe Niall can follow up on the financials?

Oeyvind Lindeman: So Sean, what we mentioned in some of the commentary, the real reason of October reduction in utilization was the effects of the Hurricane Laura. It wasn't that much – it was only 20,000 tons of ethylene from the terminal during that period.

But then our utilization went – I'm talking to shipping now, went up in November and December to above 90 percent, and that is – majority is because of the increased output throughput from the terminal.

So in November and into December – it was 60,000 tons in December, and it was even more in January. So that has a positive impact on the shipping side. And there are take-or-pay contracts. And all things being equal in a normal world, whereby U.S. pricing is attractive internationally, then you'll see that flow going probably more than what the TSA agreement or the contracted volume is.

So that's the relationship, but underneath it all is the take-or-pay concept. So arbitrage opportunity really drives the additional tons, which is obviously beneficial on the shipping side.

David J. Butters: Did that explain that, Sean?

Sean Edmund Morgan: Yes. I mean, not entirely. I mean – so what's driving the negative decline? Is it the commodity arbitrage or was it the volumes?

David J. Butters: It functions – there's no downside on the commodity pricing because of the take-or-pay contracts.

Sean Edmund Morgan: OK. So it was volumes then …

David J. Butters: Yes, volumes. Now – and in the fourth quarter, there were two impacts on volumes. The first was Hurricane Laura, that shut things down, and there just wasn't the volume – the incremental volumes to take over.

The second part was the fact that in December, we had to fill the storage tanks. So we stopped exporting, loading into ships directly from the chiller. We loaded from the chiller into the storage tanks. So for a period of time during December, there were no volumes to export because they were being used to fill the tanks.

By the end of December, those tanks were filled. And in January, we began what we would call a normalized function. And it worked just supremely well during January, where volume and everything just was the way it should be.

So unfortunately, you won't – you'll see a distortion again in the fourth – in the first quarter of 2021, as you pointed out, simply because of the decrease that occurred in the southern part of the United States. But it shouldn't be – the commodity change, if there's a wide gap in the commodity arbitrage, well, that impact will only occur and be seen on incremental volumes over and above those committed on the long-term take-or-pay basis.

Sean Edmund Morgan: Got you. Yes. OK. So I didn't realize filling the tanks was going to actually disrupt the flow of exports. I thought that, that could be done simultaneously. So that actually clears it up quite well.

And then just also on the conversion of the finance facility for the construction of the JV terminal, when that converts to the term loan, is that a 25 basis point step-up in interest?

Niall Nolan: Yes, it is. So it went from U.S. LIBOR 2.5 – plus 2.5 percent to 2.75 percent.

Sean Edmund Morgan: OK. That's interesting because, yes, I would imagine with the construction done, it would be less risky, but that's good to know. OK. Thanks. That's all I have.

Operator: Thank you. As a reminder, ladies and gentlemen, if you wish to ask a question, please press star and one on your telephone keypad.

And we will now take our next question. Please go ahead. Your line is now open.

Randall Giveans: Howdy, gentlemen. It's Randy Giveans at Jefferies. How are you?

David J. Butters: Hey, Randy.

Randall Giveans: Hey. All right, so on the utilization, impressive number there, 91 percent for the fourth quarter. That said, you mentioned the Texas freeze, which we call frozen here in Houston. But how much of an impact to utilization should we expect from those winter storms?

So what should we expect utilization for in the first quarter of '21? And then also, how has this kind of improved utilization impacted the handysize shipping rates?

Oeyvind Lindeman: Randy, I hope it's not as cold in Houston as it was. Things are – but the ripple effect is still felt, even though we're in the middle of March. So to your question, January was strong, so similar to December, middle 90s percent. And then as Harry mentioned in his commentary, reverting back to the mid-80s during the remaining two, so we're back to where we were at in October last year we started looking at.

Randall Giveans: The full quarter weighted seems like a high 80s?

Oeyvind Lindeman: But it's not – if you compare to third quarter where, Niall mentioned, we had sub-80 percent, it doesn't look like that. That was a low point in 2020, which we are not seeing at the moment.

Randall Giveans: Right. Right. All right. So mid- to high 80s for the first quarter. Sounds fair.

Oeyvind Lindeman: Yes.

Randall Giveans: And then on the – in terms of rates?

Oeyvind Lindeman: It's kind of sideways. I mean we can – we peg ourselves against the Clarkson 12-month time charter assessment. And since January, it has reduced slightly from, say, $700 to $680. We haven't dropped as much as some of the other segments, which are more volatile. So it's around about that level.

Inside of – in terms of 12-month charters, $650 – between $650, $680. But spot market fluctuates, some are higher, some are lower. It all depends. The point is that it is not a crash like you've seen in some of the larger segments.

Randall Giveans: Sure. Sure. Understandably so. All right. And I guess, while I have you, Slide 12, you showed both the Repauno and the Pembina set to start in the coming weeks or maybe months, have you yet agreed to any exports or fixtures out of either project in the near term?

Oeyvind Lindeman: As far as we are aware, none have completed yet. There are discussions, negotiations ongoing. As I mentioned in my commentary that the vessels are being screened at both locations for the compatibility.

So both terminals, commercially and operationally, are gearing up for commencing exports in April, which is next month. So we've been talking about these two particular infrastructure projects for a while, but they're just around the corner, and we expect a positive influence once they get up and going.

Randall Giveans: Got it. So it sounds like by this time next call, we might have some fixtures that have been completed. Is that a fair assumption?

Oeyvind Lindeman: All going well, that handysize fixtures should be in the books. Time will tell who will do them, but for the handysize segment, which obviously is a large part of it is appears with it.

Randall Giveans: Yes. Noted. Good deal. Well, that is it for me. Thanks, fellas.

David J. Butters: Thank you.

Male: Thanks.

Operator: Thank you. We have no further questions at this time.

As a final reminder, ladies and gentlemen, if you wish to ask a question, please press star and one on your telephone keypad.

David J. Butters: Well, OK. If there are no further questions, I thank everyone for joining us this morning, and look forward to our next call.

Operator: Thank you very much. This concludes our conference call for today. Thank you all for participating. You may now disconnect. Speakers, please stand by.

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