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NAVIGATOR HOLDINGS LTD. – 2021 THIRD QUARTER FINANCIAL RESULTS CONFERENCE CALL

Company: **Navigator Holdings Ltd.**
Date: **Tuesday, November 30, 2021**
Time: **10:00 a.m. ET**

Operator: Thank you for standing by, ladies and gentlemen, and welcome to the Navigator Holdings conference call on the third quarter 2021 financial results. We have with us Dag von Appen, Chairman; Mr. Niall Nolan, Chief Financial Officer; Mr. Oeyvind Lindeman, Chief Commercial Officer; and Mr. Michael Schroder, Operating Officer of the company.

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,” “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 now I pass the floor to one of your speakers, Mr. Dag von Appen. Please go ahead, sir.

Dag von Appen: Good morning, everyone. Welcome to the Navigator's third quarter earnings call. As we conduct today's conference call, we will be making various forward-looking statements. These statements include, but are 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 are 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.

Today's call will include comments from our senior executive team running the company, which is Niall Nolan, our Chief Financial Officer; Oeyvind Lindeman, our Chief Commercial Officer; and Michael Schroder, our Chief Operating Officer.

First, I would like to thank everyone in the company for their exceptional dedication and support during the very busy third quarter. It's been hard work running operations, whilst completing the merger between Navigator and Ultragas. When we originally set out to merge these two companies, we could only have hoped that our first quarter of combined operations would be as positive as is evidenced today and that our two teams would work very well together.

This has been our best quarter since 2016, and the Board and I look forward to further synergies being extracted from the merger during coming months. And I also expect an improving gas tanker market going forward. I'm honored to be both a shareholder of Navigator Gas since early August and the Chairman of the company since September. I can with confidence say we find ourselves in a unique position in the global gas and petrochemical logistics market because we are the maritime link that connects the global petrochemical industry.

What interested us in merging Ultragas into Navigator was the unique opportunity to become a larger and integral global logistics provider to our customers, to producers and end users of the products we transport. I have referred my impression its staff, highly competent gas experts, all pushing the status quo with the Ultragas team and its therefore complementing very well with Navigator. And in particular, experiencing first-hand the company's close relationship with key stakeholders, such as our joint venture partner Enterprise Product Partners and other companies like Energy Transfer Partners.

Working closer with midstream companies, producers and end users will be immensely important for the company going forward. One thing is clear: reducing commoditization of shipping through long-term industrial partnerships underpinned by safe, reliable and efficient terminal and shipping logistics is the way forward in our journey to become a more efficient, cost-effective and profitable company. In addition, we shall increasingly focus on innovation, finding effective solutions to reduce greenhouse gas emissions for our company and our customers.

I would especially like to thank our former Chairman, David Butters, who resigned during the period after leading Navigator Gas for 15 years and developed Navigator into the leading company in our segment. David's oversight and guidance to the Board and myself has been invaluable. It is in part thanks to his legacy and ambition that we are able to present today's improving results. In addition, we would like to thank our former CEO, Dr. Harry Deans, who oversaw the Ultragas and Navigator Gas merger during his tenure and has left the company to pursue new ventures. The board and I wish him well going forward.

Today, the company is indeed in very experienced and competent hands of our senior executive committee members, Niall, Oeyvind and Michael. Finally, let me say, I'm very excited to be part of the larger and stronger Navigator Gas and will, to the best of my capabilities, give guidance for the interesting journey ahead.

With that, I would like to hand the call over to Oeyvind Lindeman, Chief Commercial Officer of Navigator Gas, who will take you through the relevant commercial matters of the past third quarter. Thank you.

Oeyvind Lindeman: Thank you, Dag, and good morning, everyone.

As you have seen from our third quarter statement, this has been our best quarterly result since the fourth quarter of 2016 and the sixth consecutive positive quarter in a row. This is an exceptional achievement for the company and represents the significant work we've done to complete our merger and synergize our two businesses.

Looking at our financials. During the quarter, we have posted a quarterly net income of $6.7 million or $0.10 earnings per share. Our operating revenue has increased to $102.7 million, and our EBITDA has increased significantly to $40.3 million. This performance is in spite of industry headwinds, which we faced during the quarter which kept our utilization stubbornly flat around the mid-80 percent level into the third quarter and continued impact of the Texas-Freeze earlier in the year.

In addition to these headwinds, the U.S. ethylene arbitrage to international markets narrowed during August due to domestic inventory build up as a precautionary action prior to the annual hurricane season during the late summer.

Thankfully, the ethylene industry experienced minimal impact from the various hurricanes that made landfall with the domestic price adjusting downward. Ethylene export volumes picked up towards the end of the quarter and the joint venture Marine Export Terminal posted its best three months since it became operational January of 2020.

As many of you are aware, this quarter saw the completion of the cashless business and fleet merger with Ultragas on August 4. Of the 18 vessels, 11 continued to be commercially managed in the Unigas Pool and the seven handysize semi-refrigerated vessels seamlessly joined the Navigator managed fleet.

One smaller 1999-built vessel was subsequently sold. With the merger now complete, we are now seeing the combined company better positioned to offer flexibility and logistic service to our customers due to our broader platform of homogenous vessels.

We are also starting to see an impact in terms of utilization as we are more likely to have a vessel in the right place at the right time avoiding post-merger unnecessary ballast days. Looking ahead, the fourth quarter to date is showing strong utilization at around the 90 percent level. The market assessment by third-party ship brokers have turned from negative to positive in September and is now trending upwards. This is illustrated on Page 14 in the supplementary presentation.

There are four key factors driving this positive change. First, there is more ammonia needing to be transported on handysize vessels. At the beginning of the year, we had two handysize vessels on time charters for the transportation of ammonia. Today, we have doubled our contracts by four vessels in this trade. These two vessels were trading LPG in the past and other handysize vessels are therefore needed to fill the gap.

Secondly, U.S. ethane continues to be competitively priced. It attracts international buyers wanting to transfer the competitiveness to their own production facilities overseas. We are developing alongside new customers, the U.S. to Europe, virtual pipelines and have contracted incremental ethane with a European oil major during the quarter. Moreover, ethane is not only shipped for the purpose of being used as feedstock. It is now also shipped to be used as energy.

Several European customers are seeking to import American ethane to spike the natural gas stream, essentially selling ethane as natural gas and making a profit. Further, we announced earlier in the month, three long-term ethane charters for our medium-sized gas carriers with our existing partner, Satellite, to connect to U.S. with their cracker in China. That means that all of our four medium-sized ethane carriers are now on time charters, which in total will be contributing $40 million EBITDA on an annual basis.

Thirdly, ethylene is finally flowing from our joint venture Ethylene Marine Export Terminal. We are set for a record throughput for November and healthy levels for December. The total U.S. exports of ethylene will therefore be in excess of our anticipated rule of thumb of 100,000 tons per month. Not only is the absolute volume of exports up, but the final destinations are changing.

More than 2/3 of the volume is heading to the Far East, as seen on Page 15. This is an important change compared to the summer when most of the volume went to Europe. Voyages across the Pacific more than doubles the ton mile demand for each ton exported. This is clearly helpful for our utilization and market assessment.

Finally, there is no let up in North American LPG exports. The continent is continuing its robust export program consistently putting 4.5 million tons of LPG per month on the water. Today, the rig count is up from a low of 250 September 2020 to 550 in September 2021. And the EIA is forecasting a 5 million ton incremental NGL production for next year.

The forecasted total LPG exports for 2021 is expected to reach 51 million metric tons of LPG, a 10 percent growth from last year, constituting 47 percent of the global seaborne LPG market. New inefficiencies impacting the large gas carrier segment, such as extensive delays in transiting the new Panama Canal, delays the voyages by more than 15 days, which increases the ton mile demand, and which also helps rates.

When the larger gas carriers do well, they compete less with the medium-sized segment. When the medium-sized segment does well, they are less likely to look for LPG cargo opportunities in the handysize segment. The less downward pressure through the gas carrier segment, the better, and we are seeing the positive impact of this today.

It is important to note that in addition to less downward pressure from the larger ship size segments, we also see less encroachment within the handysize segment. Today, all of our Luna Pool ethylene vessels are trading ethane or ethylene. This is the first time this has happened since the pool was launched in April 2020.

It means that these vessels are not looking for LPG or other petrochemical cargoes, leaving the handysize semi-refrigerated gas carriers to pursue these opportunities without interference. It also means that the smaller ethylene unit in the 12,000 cubic class and below are doing better as the Luna Pool vessels are less likely to look for smaller pet cargoes.

Therefore, looking ahead, our fundamentals look very encouraging such that we expect another good quarter in this fourth quarter as we see less competition in the sector due to strong demand for LPG transportation and less competition within the handysize subsegments. Incremental ammonia handysize demand, continued robust ethane exports, both to Europe and to

Asia, the joint venture ethylene Marine Export Terminal has kicked into action as U.S. ethylene prices are normalizing. The majority of ethylene demand is now coming from Asia, and the order book continues to be at a low level.

Before I hand over to Niall for the financial commentary, I would like to highlight our efforts in pushing the frontiers for potential new business streams. The first being ammonia as fuel.

The concept of ammonia as fuel has been brought to life due to the possibility of zero-carbon emission energy, both for the vessel itself, but also for onshore use. However, ammonia is highly toxic, which represents some challenges associated with the handling and application of ammonia as fuel.

We have worked together with industry specialists, such as DNV GL over the last two years and have finally been awarded an approval in principle. This means that we can confidently engage our customers and shipyards in the development of ammonia-fueled vessels.

The second is CO2 transportation. It is clear that carbon capture storage and sequestration have a role to play as a stepping stone to reduce greenhouse gas emissions. Through our joint venture, Dan-Unity, we have similarly as with the previous example, been awarded an approval in principle by the American Bureau of Shipping for a containment system and ship design for the transportation of liquefied CO2.

Both projects fit with our own strategic objective for industrial shipping, being the logistics partner directly with producers and end users. Both opportunities are project-based, meaning long-term contracts if and when successful. It also fits with our own ambitions to do the right thing about maritime emissions, reduce wherever and whenever possible.

With those few remarks, I would like to hand over to our CFO, Niall Nolan.

Niall Nolan: Thanks, Oeyvind, and good morning everybody.

As both Dag and Oeyvind have already mentioned, the company generated a net income of $6.7 million for the third quarter 2021, the best result for almost

5 years. This $6.7 million compares favorably to the $1.3 million for the third quarter of last year, and $300,000 for last quarter, the second quarter of 2021. Adjusted EBITDA for the third quarter was $40.3 million against $29.6 million for the third quarter a year ago and $28.2 million last quarter.

Total operating revenue from the vessels during the quarter was $102.7 million compared to $81.4 million for the comparative period last year and $85.7 million generated last quarter, Q2 2021. The year-on-year increase in revenue was mainly achieved as a result of the additional vessels following the combining of the fleet of both Navigator and Ultragas on August 4 of this year.

Ultragas' fleet consists of 18 vessels, seven of which are handysize, 22,000 cubic meter semi-refrigerated vessels, similar to those operated by Navigator, and 11 are smaller LPG or ethylene vessels between approximately 4,000 cubic meters and 12,000 cubic meters. These 11 smaller vessels are independently commercially managed by the Unigas Pool, a well-respected pool that has operated for over 50 years. Their contribution for the two months of Navigator ownership was $8.2 million and is detailed separately on the face of the income statement.

As well as additional vessels, part of the increase in revenue was generated as a result of increased utilization, which rose from 78.8 percent in Q3 2020 to 84 percent this quarter, adding an additional $4.4 million to revenue. As Oeyvind mentioned, we expect utilization to trend upwards in Q4 to at or above 90 percent.
Average charter rates, however, reduced to approximately $21,900 a day or $666,000 per month from around $22,900 a day or $96,000 a month a year ago, which negatively impacted revenue on the quarter by $3 million.

Four vessels were in dry-dock for scheduled surveys during the third quarter, taking a total of 101 days, thus reducing revenue. In total, 11 vessels have been dry-docked during the 9 months of 2021, the cost of which was approximately $15.3 million. Other than drydocking, the company does not have any planned capital maintenance.

Operating revenue from the Luna Pool was $7.5 million for the third quarter and represents our share of the other participants' revenues, whereas voyage expenses from the Luna Pool of $4.8 million represents the other participants' share of our revenues from the pool. Net-net, we had a benefit of $2.7 million from the pool during the third quarter.

Other voyage expenses increased by $2.2 million during the third quarter to $16.8 million from $14.6 million for the third quarter of last year. And these are pass-through costs reflected in increased revenue and primarily rose as a result of an increase in the price of bunkers for our vessels.

Vessel operating expenses increased significantly to $34.9 million for the third quarter from $27.2 million for the third quarter of last year, but all of this increase was as a result of additional vessels in the fleet. In fact, vessel operating expenses per vessel per day reduced by $179 per day to $7,607 compared to $7,786 per vessel per day during the same quarter of last year.

General and admin costs were $7.7 million for the three months, an increase from $6.5 million incurred during the third quarter of last year and was largely as a result of additional audit fees of $0.5 million and an additional $600,000 of G&A costs associated with Ultragas. Other revenue was $98,000 for the third quarter and represents management fees received from the other participant for our management of the Luna Pool.

Interest expense for the third quarter was $10.4 million, 11 percent up on the third quarter of last year, all of which was as a result of interest on the additional debt taken on as part of the Ultragas transaction. That debt amounted to approximately $200 million and attracts interest at U.S. LIBOR, which is the subject of a fixed rate swap of around 2 percent and the bank margin which varies between 1.9 percent and 2.65 percent.

Our share of results from the ethylene terminal was a profit of $3.3 million for the quarter based on 128,400 tons of ethylene throughput. In addition, depreciation for the terminal was $1.4 million, giving an EBITDA of $4.7 million for the quarter.

On the balance sheet, the company had cash at September 30 of $105.8 million and a further $30.2 million available from undrawn revolving credit facilities associated with our secured vessel loans, taking total available cash resources to $136 million against a minimum liquidity covenant of a maximum of $50 million.

Our total debt at September 30 grew to approximately $1 billion, comprising loan facilities secured by our vessels of approximately $785 million, which incorporates additional debt assumed as part of the Ultragas transaction, the details of which are outlined in Page 9 of the supplemental information presentation, a credit facility associated with the terminal of approximately $58 million, and two Norwegian bonds which in aggregate amount to approximately $170 million. There is only one facility that matures next year, 2022, which is for an amount of $50 million and relates to three vessels. The new Ultragas related debt consists of 5 bank loans secured on a total of 13 of the 18 acquired vessels. The other five vessels are unencumbered. The bank loans, which in aggregate have bi-annual repayments of approximately $13.6 million, mature from June 2026 to December 2029. As part of the transaction process, we renegotiated the financial covenants on these bank loans to conform with those of Navigator, namely minimum liquidity, as I referred to a moment ago and debt to total capitalization ratio.

There is also a requirement to maintain minimum security investment values ratio under each facility consistent with Navigator bank loan facilities. Since the completion of the Ultragas transaction on August 4, we have sold one of the older acquired vessels, Happy Bride, a 1999 built 6,400 cubic meter LPG carrier to a third party for $4.75 million, and the sale was completed on October 12 of this year.

At September 30, the total book value of the assets of the company was $2.2 billion, comprising of 55 vessels and the 50 percent ownership in the marine export terminal in Houston. There were 77.2 million shares in issue following the issue of 21.2 million shares as consideration for the Ultragas businesses and assets.

Thank you. And I will now hand you back to the operator, Sharon, who will open the call for questions.

Operator: Thank you. As a reminder, 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. If you wish to cancel your request, please press "star," "2." Once again, please press "star," "1" if you wish to ask a question. Your first question today comes from the line of Sean Morgan from Evercore. Please go ahead, your line is open

Sean Morgan: Hey guys. So on Slide 11, I appreciate this clear presentation of upcoming maturities, but it does sort of raise the question, we're about a month out from 2022, and then we'll start rolling these '23 maturities into the current portion of debt. So is there a strategy for potentially extending some of those 2023 maturities, especially with rates at low levels right now?

Niall Nolan: Yes. We're already looking at refinancing those. There are a number -- three bank loan facilities in there which we are looking at and the Norwegian Krone bond. So we are developing a strategy to refinance those early part of next year.

Sean Morgan: OK. And is there any kind of make whole or early repayment provisions that we should be kind of thinking about on those? Are they -- or can you kind of take them out without a kind of punitive payment to the debt holders?

Niall Nolan: There is -- well, two things. The bank loans we can repay at any time without any penalty. The bond is now callable at 102.864 since earlier this month and goes until next November when the call price reduces to 101.7 of par. So they are callable.

Sean Morgan: All right. And then another area that I think it contributes a lot to the bottom line is the Marine Terminal joint venture, which has been a little bit difficult to forecast and the volumes have kind of varied quarter-by-quarter. And the last 4Q was pretty weak relative to 3Q. I think that may have been kind of environmentally related with storms and what not. But should we be expecting a continued ramp into 4Q? Is there any seasonality that might dampen that in terms of the export terminal in Texas?

Oeyvind Lindeman: It's an appropriate question. And the answer is yes, the terminal in the fourth quarter is ramping up more than what we've seen earlier in the year for the reasons we discussed. So the volumes are definitely up. I mean, we're two months in and the prospects for December looking healthy as well. So we expect the terminal to kick in and produce.

Sean Morgan: OK. And are the results kind of linearly related with the volumes? Or is there like a commodity component that can kind of be additive to what we saw in 3Q with the strong...

Oeyvind Lindeman: It's more of a linear. These are fixed fees terminal contracts. So they are not linked to any sort of arbitrage or product pricing. Any spot opportunity will have a different rate and potentially have a higher rate and the terminal can earn more.

But as you recall, 94 percent of the nameplate terminal capacity of 1 million tons is contracted at various rates. So if the -- is what we can produce in addition to, which is potentially icing on the cake and you can derive real value depending on what the arbitrage is.

Sean Morgan: OK. So that 6 percent would be flat.

Oeyvind Lindeman: Yes, that's nameplate. So in November, the terminal proved, I mean we've been talking about it for the last 12, 24 months, but the contract of having exports above nameplate capacity is definitely real. And for November, it was 10 percent, 15 percent of what is nameplate capacity. So yes.

Sean Morgan: OK. Thank you.

Oeyvind Lindeman: Thanks, Sean.

Operator: Thank you. Your next question comes from the line of Ben Nolan from Stifel. Your line is open, please go ahead.

Ben Nolan: Hey. Actually I wanted to follow a little bit on Sean's question there. Now is it possible, you mentioned just now that in November, you were 10 percent to 15 percent above nameplate. How should we think about -- is there a way to frame in the economic impact of what the spot cargoes might be or how much extra benefit from EBITDA perspective or whatever you might get from the terminal when it is running above its contracted volume?

Oeyvind Lindeman: Yes. I mean we -- in conversations with our joint venture partner and also our own budgets and the terminal budget is really based on nameplate capacity of the 1 million tons. So we see that it will bring fruit of what we've been saying before about $25 million EBITDA for our share. And then any additional tons are over and beyond that. So it's still marginal impact.

But if we can squeeze out the handy cargo per month extra or 20,000 tons extra above what we have contracted in the throughput agreement, then of course, the terminal will reach a higher revenue, but more importantly, perhaps, it's a big kicker for utilization and rates in the handysize ethylene space. So yes, we kind of base our expectations on the forecasted nameplates and anything above that we take as a bonus.

Ben Nolan: OK. But at this point, there's no way to sort of quantify that yet...

Oeyvind Lindeman: Because we're talking for next year. We don't know -- I mean, it hasn't materialized yet, right? So what we have in the books today contracted will be those 94 percent, 95 percent of nameplate capacity, and that's contracted. And anything above that in the future will be a bonus.

Ben Nolan: OK. So shifting gears a little bit, Niall. One of the things that I believe you guys were sorting out with respect to the merger with Ultragas so is how to think about the useful life of the assets from a depreciation and accounting standpoint. If I'm not mistaken, they were on a two different basis useful life. Any color as to how you're thinking about handling that going forward?

Niall Nolan: Ben, I think that conversation probably started within Navigator prior to any involvement with Ultragas. And as you will be aware, we have historically depreciated our assets, our vessels over 30 years. And I guess if the lockdown has taught us anything over the last two years, it is the escalation in views about conservation and the environment. And I think that conversation or that trend created a conversation internally as to whether really our vessels can continue operating efficiently for 30 years.

Technically, they would be capable, but they are clearly less efficient than modern day vessels. And particularly, I'm thinking of the five, as we call them, the original five Navigator vessels. So that discussion is ongoing, and we will conclude it by the end of the year. But it would not be unreasonable to consider that we would reassess the useful economic life as it's called, from 30 years to 25 years.

Ben Nolan: OK. And then two more, although one is real quick. So just quickly, do you have any update on the Navigator Neptune? I know that it had some -- there was a fire or something, and it was -- it looks like it's still in repairs, but when should we expect that? But then the other question is, when you talked about sort of the four points that were driving utilization and rate higher; ammonia, ethane, ethylene and LPG.

As you look at those, how much of that do you think is just a function of good pricing for resulting in arbitrage windows being open or demand for ethane because LNG is so expensive or whatever? And how much of that do you think is a structural shift that is not necessarily exclusively price-dependent?

Oeyvind Lindeman: Yes. So I'll take the second question first, Ben. Fundamentally, in the U.S., ethane is cheap because of the NGL production. NGL production is increasing. There's more rig count.

So if you look at one of the graphs we had in the presentation, you can see that ethane is declining in price, which makes it even more competitive. And that underpins first and foremost, ethane exports, which we are actually doing quite a bit of. So I think that is not arbitrage dependent because all the people we talk to expect ethane to remain competitive.

So I think that is a structural thing that will continue. And if that is the case, then the ethylene coming from the U.S. should for the long term, be competitive to international pricing. It's a little bit more price-sensitive than ethane globally, but the production is there in the U.S. If the ethane as a feedstock is cheap and competitive, the U.S. producers will run their crackers to their max.

If they can reap value from exporting that excess production, they will. The terminal is there to offer that optionality for the U.S. producers, and we are there to -- as partners to ship it out. So I think ethane is going to be there no matter what, ethylene as well, although slightly more price sensitive. However, the terminal throughput agreements are there (inaudible) .

The LPG part, I think the point I was making, perhaps more for price sensitive because U.S. have increasing production, the domestic consumption of LPG in U.S. remains stable, so it needs to be exported. The point with LPG is that when the larger ships are doing well, which they are today, there's less downward pressure towards the handysize LPG business.

And I think that remains as long as the VLGCs the very large gas carriers, the medium gas carriers are doing what they're supposed to do and not looking towards smaller cargoes that we do on the handysize.

So I think that structure is there. We are seeing it now. LPG hasn't been there until now. But the forecast for LPG exports from the U.S. and the canal delays in Panama is -- has such a tremendous impact to push rates and utilization up for the larger segments that that is very meaningful for us. And ammonia is not price sensitive as such, is a fundamental need for crop production, and it's more industrial linked whereby you have production consumption long term.

So kind of slightly different fundamentals going. It was a long-winded answer, but I hope I answered some of your questions. I mean all the four points we talked, I mentioned ammonia, LPG, ethane and ethylene, the stars are aligned today for December and our forecast for next year is same. So we're pretty robust opinion here at Navigator going forward with a slight caveat being this Omicron new variant and what's going to happen with that, but time is -- it's too early to tell.

Ben Nolan: Great. And then Neptune?

Michael Schroder: Yes. Maybe I can take that question Ben. My name is Michael Schroder. The Neptune, as you well mentioned, had a main engine fire in June of this year. It was an extensive fire, which took quite a lot to repair. By now repairs have almost completed.

The vessel is currently navigating to China, where we'll get installed the last piece of equipment, which is an alternator. And we expect that the vessel should be ready to resume operations by around the 18th of December. So still within this year. So that is in a nutshell the situation of the vessel.

Ben Nolan: Perfect. And I appreciate it. Thank you.

Operator: Thank you. Ladies and gentlemen, as a reminder, if you would like to ask a question today, please press “star” and “1” on your telephone keypad. Your next question comes from Randy Giveans from Jefferies. Please go ahead, your line is open

Randy Giveans: Howdy team Navigator, how’s it going?

Randy Giveans: Great, great. So you mentioned record kind of throughput for the ethylene terminal, assuming that's around 90,000 tons for November. Was there something special about that month? Or could December be in that similar range.

Oeyvind Lindeman: There was something special in November aside from ethane being cheap and European and Far Eastern consumers wanting ethylene. So we've been talking about this normalization of domestic ethylene pricing, which is what you're seeing. So there's nothing extraordinary about November. It is as it should be. December is slightly less. Why?

Frankly, it is because all the ethylene ships, the Luna Pool ships and other competing ships are moving away from Europe to Asia for November. And they were not back because it takes two months to get back to U.S. after you're loaded. And of course, then you're skipping over December.

So there's actually a little squeeze on ship capability for parts of December, which is quite interesting and of course, positive for Navigator. So nothing special in November as per normal, December is slightly less, but I guess people going holidays too, I don't know. But that's the story.

Randy Giveans: All good. Well, hey, that's it for me. Thanks again and congrats on the solid quarter.

Oeyvind Lindeman: (Bye), Randy.

Operator: Thank you. Your next question comes from the line of Nick Linnane from Sefton. Please go ahead, your line is open.

Nick Linnane: Hi, thanks for taking my questions. I had two. The first one was, is there any impact or roughly what is the impact in TCE rate just from the change as a result of the merger? Like does that sort of push down a bit the average TCE rate we should expect all things equal?

Oeyvind Lindeman: I don't know if you've seen the supplementary pack. But if you look at Page 14, you can see the Clarksons 12-month charter assessment, which we use as a barometer for the health of this LPG part of handysize. So you can see that it's steadily declining from May, June, July, August and September. And the merger happened in August on the 4th.

And of course, the industry was trending downwards at that time. And we, along with Navigator and Ultragas magically turn by ourselves. It, of course, is helpful to have a consolidated segment and company. But you can see that the rates then turned from -- since August into October. So the increase in freight rates, at least with the opinion of third-party ship brokers didn't happen until a month or two after. And that is why in the third quarter, the rates didn't move up, if that makes sense.

So really what happened then in beginning of fourth quarter was this effect that our ethylene ships were doing ethylene, they were not competing within the handysize segment for LPG cargoes. We have more ammonia on the books squeezing the middle.

Squeezing the middle meaning that the LPG part of our business, the semi-refrigerated ships were left alone to do what they are supposed to be. So there was more structure and discipline both in the ships above handysize, but also within. And that kicked in post-merger and is what we've kind of been seeing in the early parts of the fourth quarter and the rates then have turned according to Clarksons.

Niall Nolan: And sorry, just for clarity, Nick, the rates that we quoted, the TCE rates of 21,900 a day or 22,900 a day do not include the 11 ships in the Unigas Pool because you are right, I suspect that was the part of the thrust of your question that if they -- the smaller ships were contributing into the average TCE rate, it would naturally bring them down because they have lower TCEs due to their smaller size.

Nick Linnane: That you're pointing something that's like-for-like.

Niall Nolan: We try to make it like relatively like-for-like and that the seven vessels of the handysize semi-refs are included. So there is a slight dilution because they are semi-refs rather than ethylene capable, and therefore, there's a slightly lesser charter rate. But it would not be typically significant.

Nick Linnane: OK. And just my other question was, what's currently kind of the utilization of the Pembina and Repauno terminals? Has that sort of reached a stable level now? Or that you would expect the utilization of those two to increase a bit more in the future?

Oeyvind Lindeman: The Pembina Terminal in Prince Rupert, West Coast Canada is limited in the throughput that they can do. So today, we have five handysize ships trading or loading LPG from that terminal, which is kind of max. because there are physical restrictions with local storage on site, the rail capacity, but perhaps more importantly, daylight restrictions to enter the channel combined with tide.

So there are certain points in time that you can go in and out, depending if you're late or not. So those things are restricting the capacity that they can take out from that terminal. Today, I think they're kind of running at max. with five vessels continuously loading unless they do some modification or the navigation going in and out is changed by the local port authority. I think that will remain.

Nick Linnane: OK. And Repauno, what of that?

Oeyvind Lindeman: Yes. So Repauno, we're exporting from -- in the summer, they started up in April, and they did a bunch of handysize LPG export cargoes until September. Then they are using the terminal as more of a break bulk. They sell domestically because pricing in the U.S. is quite high for Repauno. They have communicated to us that they will recommence exports to international markets from April again. So it seems to me the first year of operation is more of a seasonal play.

Nick Linnane: OK. And so that might be an ongoing pattern. It's used just as an export facility for some part of the year. And for the rest, it's more economic to use it kind of storage trading.

Oeyvind Lindeman: At least for the first year, they also have their own ambitions to continuously export larger volumes. But we will see for 2022. They stated that they will come back and export again from April.

Nick Linnane: OK. Thanks a lot for that.

Operator: Thank you. I will now hand the call back for any closing remarks.

Niall Nolan: I think that then concludes the call. Thank you all for participating, and we will see you again for the fourth quarter in due course. Thank you very much. Goodbye.

Operator: Thank you. That does conclude today's conference. Thank you for participating. You may all disconnect.

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