Cool Company Ltd. Q4 2022 Business Update

February 28, 2023

This release includes business and financial updates for the quarter and twelve months ended December 31, 2022. The formation and funding of Cool Company Ltd. (“CoolCo” or the “Company”) and the phased acquisition of the Company’s initial eight TFDE vessels, The Cool Pool Limited, and the shipping and FSRU management organization from Golar LNG Limited commenced in January 2022 and concluded on June 30, 2022. As a result of these acquisitions, results for the year ended December 31, 2022 ("FY 2022") include consolidated successor period and combined carve-out predecessor period results which on an aggregate basis represent the full year results for 2022. The three months ended December 31, 2022 ("Q4" or the "Quarter") only include a consolidated successor period. The subsequent acquisition of four LNG carriers on November 10, 2022 from an affiliate of EPS Ventures Ltd ("EPS"), has been treated as asset acquisitions, so the results for these four vessels are included within the successor period from the acquisition date.

Q4 Highlights and Subsequent Events

- Generated total operating revenues of $90.3 million for the Quarter, compared to $65.8 million for the third quarter 2022 ("Q3") with net income of $33.1 million and earnings per share of $0.68 for Q4;
- Achieved average Time Charter Equivalent Earnings ("TCE")[1] of $83,600 per day for Q4, compared to $73,200 per day for Q3;
- Adjusted EBITDA[1] of $58.6 million for Q4, compared to $42.4 million for Q3;
- Commenced previously announced three-year charter from October 2022 at approximately $120,000 per day;
- Agreed another three-year charter that commenced in February 2023 at a rate that averages $120,000 per day over the charter period;
- Raised approximately $170 million in a primary equity offering on November 2, 2022 to fund the equity consideration for the acquisition of four special purpose vehicles ("SPVs"), each holding one contracted LNG carrier, for an aggregate purchase consideration of approximately $660 million on November 10, 2022 (the balance was funded through the assumption of a $520 million term loan facility of which a principal repayment of approximately $20 million was made on November 14, 2022);
- Entered into an option agreement expiring June 30, 2023 to acquire two Hyundai Samho LNG carrier newbuild contracts (the "newbuild option") with scheduled deliveries in second half of 2024;
- Announced the sale of the *Golar Seal* in February 2023, the oldest vessel in the fleet for $184.3 million (with the buyer assuming all costs associated with the vessel’s forthcoming scheduled dry-dock), releasing approximately $94 million, after repayment of its associated debt, that will be available to fund the acquisition of the two Hyundai Samho LNG carriers in the event the Company decides to exercise the newbuild option;
- Publicly filed a registration statement for direct listing of the Company's shares on the New York Stock Exchange (“NYSE”), subject to the registration statement being declared effective, with the intention of listing around mid-March 2023 under the ticker of “CLCO” (which would be the common ticker for NYSE and Euronext Growth Oslo); and
- In accordance with its dividend policy announced in the Quarter, the Company declared a dividend for Q4 of $0.40 per share, to be paid on March 10, 2023 to all shareholders of record on March 3, 2023.

Richard Tyrrell, CEO, commented:

“At its IPO a year ago, CoolCo outlined its intention to target growth by consolidation and to focus on shareholder returns by allocating its free cash-flow to equity primarily to dividends. I am pleased to see us deliver on both as a result of steps taken during and subsequent to the fourth quarter. We acquired four high-spec, in-service vessels on attractive terms, placed two of our existing vessels on highly attractive charters, and on the back of a strong set of Q4 results were able to declare our first quarterly dividend. Through the sale of the Golar Seal, the earliest vessel in our fleet to be built, we are demonstrating our disciplined approach to locking in shareholder value. The valuation highlights the re-pricing of the LNG carrier market and strategic value of such LNG infrastructure assets in providing crucial energy security. A 2.5x cash-on-cash return in little more than 12 months since CoolCo’s formation shows the considerable upside potential in our fleet.

With our recently announced planned NYSE listing, we are also delivering on our intention to provide expanded access to CoolCo for US investors, broaden the investor base and drive trading liquidity in our shares. Despite seasonal market softness in the spot market for LNG carriers, the 12-month market remains strong and 2023 looks fundamentally tighter than 2022. Freeport LNG's export terminal in the US Gulf is now well into the process of restarting after several months offline, Europe will not have access to the same level of Russian pipeline gas as it previously relied upon, and Asia could soon outbid Europe for spot volumes, potentially pushing up ton miles. As one of the few listed LNG shipping companies with open tonnage this year and next, we look forward to securing additional contracts that reflect the re-priced LNG carrier charter market and realize significant value for shareholders, including for the two highly sought-after Hyundai Samho newbuildings on which we hold an option.”

Financial Highlights

The table below sets forth certain key financial information for Q4 2022 and FY 2022, split between Successor and Predecessor periods (as defined below).

	Q4	Twelve Months ended December 31, 2022

(in thousands of $, except TCE)	Successor	Successor	Predecessor	Total
Time and voyage charter revenues	79,032	183,567	37,289	220,856
Total operating revenues	90,255	212,978	43,456	256,434
Operating income	48,881	110,936	27,728	138,664
Net income	33,069	87,500	23,244	110,744
Adjusted EBITDA[1]	58,621	134,585	33,473	168,058
Average daily TCE[1] (to the closest $100)	83,600	73,000	57,100	69,800

Note: The commencement of operations and funding of CoolCo and the acquisition of its initial eight TFDE LNG carriers, The Cool Pool Limited and the shipping and FSRU management organization from Golar LNG Limited ("Golar") was completed in a phased process. It commenced with the funding of CoolCo on January 27, 2022 and concluded with the acquisition of the LNG carrier and FSRU management organization on June 30, 2022, with vessel acquisitions taking place on different dates over that period. Results for the twelve months that commenced January 1, 2022 and ended December 31, 2022 have therefore been split between the period prior to the funding of CoolCo and various phased acquisitions (the "Predecessor" period) and the period subsequent to the various phased acquisitions of such vessels and management entities (the "Successor" period). The combined results are not in accordance with U.S. GAAP and consists of the aggregate of selected financial data of the Successor and Predecessor periods. No other adjustments have been made to the combined presentation.

LNG Market Review

The Quarter commenced with the Japan/Korea Marker gas price ("JKM") at $40/MMBtu, the Dutch Title Transfer Facility gas price ("TTF") at $54/MMBtu and quoted TFDE headline spot rates of $226,000 per day. The freight market tightened seasonally early driven by cargo values, congestion at European terminals, and traders and portfolio players using vessels as storage to profit from a winter price contango. Virtually every modern carrier was under charterer control, resulting in an illiquid market dominated by the occasional sublet. Spot rates for a TFDE vessel reached as high as around $450,000 in late October. CoolCo took this opportunity to re-charter two of its available carriers, both on three-year charters: one charter commencing at the end of October at approximately $120,000 per day, and another commencing in Q1 2023 at a rate that steps down from a high level to a lower level and averages approximately $120,000 per day over the period of the charter.

By late November, an unwinding of vessels waiting to discharge in Europe, further delays to the restart of Freeport, and no arbitrage to pull cargoes east saw available vessels increase and spot rates declined from unprecedented heights, halving within two weeks. The year concluded with JKM at $28/MMBtu, TTF at $23/MMBtu and quoted TFDE headline spot rates of $148,000 per day. Sentiment in term rates remained strong despite spot rates coming under pressure.

Operational Review

CoolCo's fleet continued to perform well with no technical off-hire incurred during the Quarter. No idle time ahead of the vessel contract starting in late October meant that Q4 fleet utilization was 100%.

Business Development

During the Quarter, CoolCo completed the acquisition of four contracted LNG carriers, the 2021 built 2-stroke *Kool Orca*, 2020 built 2-stroke *Kool Firn*, and 2015 built TFDE vessels *Kool Boreas* and *Kool Baltic*. The four LNG carriers collectively add revenue backlog[1] of approximately $370 million excluding options and $1.2 billion including options. The estimated 2023 Adjusted EBITDA[1] attributable to these four vessels is expected to be approximately $80 million. Revenue backlog[1] as of December 31, 2022, from shipping fixtures to date amounts to approximately $950 million excluding options and approximately $1.68 billion including options, if exercised for the maximum duration.

CoolCo has also entered into an attractive option agreement to acquire newbuild contracts for two 2-stroke LNG carriers scheduled to deliver in second half of 2024. The exercise price for each carrier is $234 million and the option is exercisable until June 30, 2023. Only four to six uncontracted newbuilds deliver ahead of these two vessels and CoolCo is receiving significant interest from potential charterers seeking long-term contracts. The Company expects to agree accretive contracts and secure attractive financing prior to exercising the option.

Financing and Liquidity

As of December 31, 2022, CoolCo had cash and cash equivalents of $129.1 million and total short and long-term debt, net of deferred finance charges, of $1,138.3 million. Total CoolCo Contractual Debt[1] comprised of $540.4 million in respect of the six vessel bank financing facility maturing in March 2027 (the "$570 million bank facility"), $500.6 million in respect of the four vessel bank financing facility maturing in May 2029 (the "$520 million bank facility"), and $210.3 million in respect of the two sale and leaseback facilities maturing in January 2025 (*Ice* and *Kelvin*). Total CoolCo Contractual Debt[1] stood at $1,251.3 million.

During Q4, we entered into further floating interest rate (SOFR) swap agreements for an additional notional amount of $167.2 million, resulting in the $570 million bank facility being fully hedged at an average fixed rate of 3.37% and an average all-in rate of 6.12%. The swap agreements started in October 2022, maturing in February 2027, and follow the amortization profile of the $570 million bank facility.

Following the announcement in February 2023 of the sale of *Golar Seal,* to be completed in March 2023, cash and cash equivalents will be augmented by approximately $94.0 million of released cash, after the repayment of its associated debt of approximately $88.0 million. This provides a substantial pool of funding that can be used for the equity portion of the newbuild option, if we exercise the option, and the pursuit of other potential business development opportunities.

Corporate and Other Matters

As of December 31, 2022, CoolCo had 53,688,462 shares issued and outstanding. Of these, 26,790,545 (49.9%) were owned by EPS, 4,463,846 (8.3%) were owned by Golar LNG Limited and 22,434,071 (41.8%) were publicly owned.

On February 14, 2023, CoolCo publicly filed a registration statement with the U.S. Securities and Exchange Commission ("SEC"), with the intention of directly listing its shares on the NYSE. Subject to the registration statement being declared effective by the SEC, the Company's shares are expected to be listed for trading on the NYSE from around mid-March 2023 onwards under the ticker "CLCO". The ticker on the Euronext Growth Oslo will therefore be changed from "COOL" to "CLCO". No CoolCo securities will be issued in connection with the share listing on the NYSE.

In line with the Company's variable dividend policy, the Board has declared a Q4 dividend of $0.40 per ordinary share. The record date is March 3, 2023 and the dividend will be paid on March 10, 2023.

Outlook

Although the short-term market has been negatively impacted by an unwinding of the winter storage play and an easing of congestion, new developments are expected to strengthen an already tight underlying market in 2023. An increasing share of Europe's LNG imports will be received by FSRUs where cargoes take longer to discharge. The carbon intensity indicator ("CII") rules that came into effect on January 1 will likely reduce the trading flexibility of steam turbine vessels. A re-opening China is expected to compete for more spot traded LNG, adding ton miles as it does. Freeport is returning to market and will re-employ up to 30 vessels once fully ramped up, and there are no uncommitted newbuilds delivering this year. With two vessel openings in 2023, at a seasonally strong time of year, CoolCo is one of the only publicly listed vessel owners exposed to this market.

Approximately 160 million tons of new liquefaction is scheduled to deliver between now and 2026 that will require around 200 new carriers. With around 250 LNG carriers scheduled to deliver over the same timeframe, the market at first glance looks oversupplied. There is, however, a further 175 million tons of liquefaction in the US alone progressing through the Front End Engineering and Design process, supported by a government increasingly keen to fast-track development. This, together with the replacement of older, considerably less efficient steam vessels that come off contract over the same timeframe, could absorb a further 300 new vessels. A standard spec newbuild costs around $250 million and a vessel ordered today will most likely be delivered in 2027. Limited speculative ordering and high newbuild prices mean that long-term charter rates have increased from around $75,000/day to above $90,000/day, with premiums being paid for near-term availability. Reports indicate that a 10-year charter at a rate in the region of $105,000 per day has been agreed upon for a newbuild vessel delivering early in 2024. These are both positive datapoints for the second half of 2024 when the two vessels subject to the newbuild option are scheduled to be delivered.

FORWARD LOOKING STATEMENTS

This press release contains forward-looking statements which reflect management's current expectations, estimates and projections about its operations. All statements, other than statements of historical facts, that address activities and events that will, should, could or may occur in the future are forward-looking statements. Words such as "believe," "anticipate," "intend," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect," "could," "would," "predict," "propose," "continue," or the negative of these terms and similar expressions are intended to identify such forward-looking statements. These statements include statements relating to outlook, expected results and performance including expected Adjusted EBITDA, statements with respect to the newbuilds option, dividends, expected industry and business trends including expected trends in LNG demand, LNG vessel supply and demand, backlog, charter and spot rates, contracting, utilization, LNG vessel newbuild order-book and other non-historical matters. Our unaudited condensed consolidated financial statements are preliminary and subject to independent audit which may impact the condensed consolidated financial information included in this release. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict and actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are:

- general economic, political and business conditions including sanctions and other measures;
- general LNG market conditions, including fluctuations in charter hire rates and vessel values;
- changes in demand in the LNG shipping industry, including the market for our vessels;
- changes in the supply of LNG vessels;
- our ability to successfully employ our vessels;
- changes in our operating expenses due to inflationary pressures and volatility of supply and maintenance costs, including fuel or cooling down prices and lay-up costs when vessels are not on charter, drydocking and insurance costs;
- compliance with, our liabilities under, and changes in governmental, tax, environmental and safety laws and regulations;
- changes in governmental regulation, tax and trade matters and actions taken by regulatory authorities;
- potential disruption of shipping routes and demand due to accidents, piracy or political events;
- vessel breakdowns and instances of loss of hire;
- vessel underperformance and related warranty claims;
- our expectations regarding the availability of vessel acquisitions and our ability to complete the acquisition of the newbuild vessels;
- our ability to procure or have access to financing and refinancing; including financing for the newbuild vessels if such option is exercised;
- our continued borrowing availability under our credit facilities and compliance with the financial covenants therein;
- fluctuations in foreign currency exchange and interest rates;
- the continuing impact of the COVID-19 pandemic;
- potential conflicts of interest involving our significant shareholders;
- our ability to pay dividends;
- our limited operating history under the CoolCo name; and
- other factors that may affect our financial condition, liquidity and results of operations.

Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this press release. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

As a result, you are cautioned not to place undue reliance on any forward-looking statements which speak only as of the date of this press release. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless required by law.

Responsibility Statement

We confirm that, to the best of our knowledge, the unaudited condensed consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with accounting principles generally accepted in the United States (US GAAP) give a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations. To the best of our knowledge, the financial report for the year ended December 31, 2022 includes a fair review of important events that have occurred during the period and their impact on the unaudited condensed consolidated financial statements, the principal risks and uncertainties, and major related party transactions.

February 28, 2023
Cool Company Ltd.
Hamilton, Bermuda

Questions should be directed to:
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	Cyril Ducau (Chairman of the Board)
Richard Tyrrell - Chief Executive Officer	
	Antoine Bonnier (Director)
John Boots - Chief Financial Officer	
	Mi Hong Yoon (Director)
	Neil Glass (Director)

Peter Anker (Director)

Attachment

- Cool Company Ltd. Q4 2022 Business Update

Source: Cool Company Ltd.