

Capital Clean Energy Carriers Corp.
Fourth Quarter Financial Results
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Presenters

Jerry Kalogiratos, CEO
Brian Gallagher, EVP, Investor Relations
Nikos Tripodakis, CCO

Q&A Participants

Liam Burke – B. Riley Securities
Alexander Bidwell – Webber Research
Omar Nokta – Jefferies
Clement Molins – Value Investor's Edge

Operator

Thank you for standing by and welcome to the Capital Clean Energy Carriers Corp. fourth quarter 2024 financial results conference call. We have with us. Mr. Jerry Kalogiratos, Chief Executive Officer; Mr. Brian Gallagher, Executive Vice President, Investor Relations; and Mr. Nikos Tripodakis, 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, you will need to press star, one, on your telephone keypad and wait for your name to be announced.

I must advise you that this conference is being recorded today. The statements in today's conference call, there are not historical facts, including our expectations regarding acquisition transactions and their expected effect on us, cash generation, equity returns, our future debt levels, our ability to pursue growth opportunities, our expectations or objectives regarding future distribution amounts or unit buyback amounts, capital reserve amounts, distribution coverage, future earnings, capital allocation, as well as our expectations regarding market fundamentals and the employment of our vessels, including redelivery dates and charter rates may be forward-looking statements as such as defined in Section 21(e) of the Securities Exchange Act of 1934 as amended. These forward-looking statements involve risks and uncertainties that could cause the stated or forecasted results to be materially different from those anticipated. Unless required by law, we expressly disclaim any obligation to update or revise any of these forward-looking statements, whether because future events, new information, a change in our views or expectations to conform to actual results or otherwise. We make no prediction or statement about the performance of our common shares.

I would now like to hand over the call to your speaker today, Mr. Brian Gallagher. Please go ahead, sir.

Brian Gallagher

Thank you. Good morning or afternoon to wherever you are, and thanks for joining the Capital Clean Energy Carriers Q4 2024 earnings call. As a reminder, we'll be referring to the supporting slides available on our website as we go through today's presentation. So let's start with the highlights on slide three. After a very busy period for the company during 2024, the fourth quarter was more standard and routine. The company generated net income of \$20.8 million from continuing operations. From this, a dividend of \$0.15 cents per share has been declared. Of the five container vessels agreed to be sold, the company completed the sale of three of these within the quarter, one in January 2025, while the last one is expected to be delivered in early March to its new owners.

As discussed on our last call, we remain focused on improving the liquidity in our share and have initiated an ATM program to help us address that issue. We continue to work hard to improve and build the company profile and are pleased that we now have increased research coverage to seven analysts. That's up from three this time last year, and we look forward to delivering further initiatives in our capital market engagement during the year. We know and appreciate that this will take time, but we are aware that this is necessary to provide the group with a trading currency in the future and further strategic optionality.

The key event during the quarter was the challenging LNG spot market background, which not only was absent from its usual winter freight rally, but also saw rates hit multi-year lows driven by an oversupply of vessels and lower ton mile trading patterns. Capital Clean Energy Carriers is largely insulated from these short-term headwinds, but we believe there will be a silver lining to this market in terms of a rationalization of the supply side. Our new head of commercial operations, Nikos Tripodakis will run through this in detail much later.

With that, I'll hand it over to our Chief Executive Officer, Jerry Kalogiratos to run through the financials.

Jerry Kalogiratos

Thank you, Brian, and good morning or good afternoon, everybody. As you said, this was a more routine quarter for CC. Turning to the financial slide five, profit from continuing operations reached \$20.8 million. We derived the further \$72.2 million in one of gains this quarter from completing the sale of three out of the five container vessels we agreed to sell last quarter. We will continue to be opportunistic about the sale of the three remaining container vessels, as these are modern eco vessels with long-term cash flow attached.

We declared a dividend of \$0.15 for the quarter. I think that is a good opportunity to reflect on what we have delivered since the company's listing on NASDAQ in 2007. This quarter is the 71st consecutive quarter that the company has paid a cash dividend. In total, the company has returned. Its current market cap over \$1 billion back to shareholders in cash dividends and shares. Returning value to our shareholders is in our DNA, and we look forward for the

company to add further to that track record going forward, as our fleet under construction is delivered in 2026 and 2027.

Now, the quarter showed operating income from continuing operations of \$20.8 million, up from \$1.1 million during the comparative quarter last year. Interest charges rose as the fleet increased in size to \$36.7 million compared to \$25.8 million during the same quarter last year. At the same time, interest charges were lower by approximately \$4 million compared to the previous quarter, Q3 '24, reflecting the softening of software.

Now turning to slide six. We see that our balance sheet continues to grow with the addition of new vessels and our asset base as of year-end 2024 was over a billion higher than the same period last year. Also, our leverage ratio has improved quarter-on-quarter reflecting improved cash generation on the basis of the net cash proceeds generated on the sale of three out of the five container vessels we agreed to sell back in September. Importantly, our net leverage fell below 50% at the year end. We expect our capital base to consolidate now for a period, as we have no delivery scheduled until early 2026.

Turning now to the next slide, slide seven. On slide seven, you can see a revenue backlog of \$2.5 billion, remaining highly diversified with no counterparty having more than 20% share. \$2.2 billion of this backlog is expected to come from our LNG assets. Our remaining starting duration is at seven years, and we expect to add to this strength as we start again taking deliveries of our new builds in 2026 onwards and fixing long-term employment for these assets.

Before moving now to slide nine and our LNG market slides, I would like to introduce our new Chief Commercial Officer, Nikos Tripodakis, who will run through these slides and be available to answer your questions at the end of the call. Nikos joins us from the LNG trading side at Hartree Partners, building on a decade embedded in various roles in the LNG sector. Welcome, Nikos, and over to you.

Nikos Tripodakis

Thank you, Jerry, and good afternoon, everybody. Thank you for inviting me to speak on this call. I would like to start with slide nine in the presentation, and I would like to briefly talk about the current state of the LNG freight market, the reasons that led to this market and our view of how the market will develop in the future. Despite the LNG demand reaching its seasonal peak in the fourth quarter and global gas prices reaching a multi-month high, the LNG freight market remained under pressure, dropping to all-time seasonal lows.

This weakness is the product of a simultaneous increase in supply and reduction in ton mile demand for LNG carriers lifting US cargos, a situation which ramped up throughout the year but reached its peak in Q4. On the supply side, delays of certain liquefaction projects left the vessels that were delivering against those projects exposed to the spot and short-term markets, thus adding significant pressure on charter rates for those periods. Specifically, throughout

2024, the LNG carrier fleet grew by 62 ships, whereas global energy trade grew marginally by just around 1.7% due to limited project startups, mainly from the US.

The delivery ramp up of vessels throughout the year was significant, starting with 12 deliveries in the first quarter and ending with 23 deliveries by the fourth quarter. On the demand side, the weakness in the JKNTTF [ph] spread driven by subdued demand in Asia and stronger than expected demand in Europe on the back of supply outages and colder weather, led to an erosion in total mile demand and a further increase in the supply of vessels in the Atlantic basin. The combination of the above led to a significant drop in short-term charter rates in Q4, as is evident in slide nine.

What is also demonstrated in the same chart, however, is that despite the weakness in the short-term markets, rates for longer periods display greater resilience on the back of stronger fundamentals, starting from the second half of the decade. Long-term charter rates still command a significant premium compared to short-term rates, with the latest fixture for a period of over 10 years for a modern two stroke vessel in 2027, reported close to \$90,000 per day. Long-term rates are supported by limited availability of new buildings, the expectation that demand for those new buildings will outpace supply, as well as high new building prices both for the ships on the water, but also for any new orders.

Turning to slide 10, as is indicated in the chart, the order book comprises 317 vessels. Of those, only 18, including our ships, are charter free, representing a very low ratio of just 6% of open new buildings to total order book. At the same time, as mentioned, new billing prices remain almost at all-time highs, around \$260 million for a new order, preventing a surge of speculative orders. A key part of our thesis, however, is what happens to the older technology vessels, which are covered in slide 11.

The current weakness in the spot and short-term markets is expected to accelerate the commercial removal of older, smaller and less efficient vessels approaches that increased in pace last year, with a record high of eight older steam turbine vessels being sold for scrap. Currently, around 200 vessels, which is approximately 32% of the current fleet are older steam turbine vessels. Turning to slide 10 to expand on this point, it is clear from the chart on the left-hand side that the re-delivery profile of those ships is ramping up, while the long-term charters under which most of these vessels operate are not expected to be renewed for a combination of commercial and environmental reasons.

In 2025, more than half of the steam fleet, which is around 120 vessels, are still operating under long-term charters. However, this number is expected to drop to just 36 ships by 2030. Given the current age profile of the steam fleet and their upcoming fourth and fifth special surveys, a large portion of these vessels is expected to retire or possibly sold for alternative use. That covers the supply side on LNG shipping, and I would like now to turn to the demand side with slide 13.

Even though LNG supply was flat year-on-year in 2024, an incremental of 200 million tons per annum of LNG liquefaction capacity that has taken FID and is currently under construction is expected to come online between 2025 and 2030, along with an additional approximately 150 to 170 million tons, which are awaiting regulatory and investment approvals, approvals that are only expected to be accelerated under the new US administration. As a result, the growth in global LNG supply, stemming from an increase in liquefaction capacity later this decade, suggests that demand for electric cars is expected to outpace current supply over the coming years and lead to a tightening market from 2026 or 2027 onwards.

In summary, when looking further ahead, the long-term prospects for modern LNG carriers remain robust, especially for state-of-the-art, latest generation vessels, such as those controlled by CCEC. The combination of removals of older technology ships and the increasing liquefaction capacity between 2025 and 2030 provides fertile ground for modern energy carriers, and demand for those vessels is expected to exceed supply, leading to a tightening market and healthy charter rates during the second half of the decade.

Our charter profile, looking at slide 14, remains robust, solid with a \$2.2 billion revenue backlog, all with blue chip counterparties, where we have long and strong relationships. Looking at our open positions and in terms of strategy, we will continue to have an opportunistic approach and look to diversify our open positions, both in terms of when we fix and for how long we fix for. While we continue to seek long-term employment for some of our open positions in 2026 and 2027, we also see value in the midterm space, let's say three to five years, as we aim to stagger and see value in spreading and diversifying our delivery profile.

That concludes with the slides on the LNG market, and I will now pass the floor back to Jerry.

Jerry Kalogiratos

Thank you, Nikos. So, slide 16 looks at our fleet today and the growth we have in place with 16 more vessels scheduled to join the company by 2027. Our LNG fleet on the water will be augmented by six new vessels, growing the core LNG fleet by 50% by the third quarter of 2027. 10 mid-sized gas carriers will be on the water by that final LNG carrier delivery, reflecting in full [inaudible] a gas transportation and solution company.

For the moment, we still retain three containers which have long-term employment in place for the next eight years, with options to extend by up to further six years beyond that. These vessels give a strategic optionality, which we will consider going forward. As Nikos outlined in his remarks, there are strong grounds to see the LNG market rebalancing some time from 2026 onwards. The current short-term freight rate headwinds should, as he illustrated, generate the vessel supply response as older technology vessels exit the fleet. Importantly, the company will have a very young fleet delivering the lowest unit freight cost possible to take to our customers with the lowest environmental footprint, both critical aspects for success, given the commercial requirements and the emerging regulatory environment when it comes to carbon and methane emissions.

So, to conclude, and before we take questions, please turn to the summary slide, number 17. In short, Capital Clean Energy Carriers are expected to control the largest LNG [inaudible] carrier fleet available to investors upon delivery. In addition to the other 10 multi gas vessels, the company has considerable contract coverage of seven years already, and strong visibility on cash flows, while we believe that we have an advantage over many of our peers in only being invested in the latest gas technology vessels with almost all hardened [ph] [inaudible] capabilities.

Finally, we will continue our endeavors to raise the public profile of the company and its trading liquidity. As Brian pointed out at the beginning of the call, we have undertaken a number of initiatives that have started bearing fruit, including the increased analyst coverage and wider engagement with the investor community, and expect also the ATM to help incrementally in that direction. We appreciate, of course, that building our profile will take time, but we're pleased and proud of the progress we have made in just 12 months and look forward to making further gains on our objectives going forward.

With that, I will hand it back to the operator for Q&A. Thank you for your attention.

Operator

Thank you. Ladies and gentlemen, if you would like to ask a question, please press star, one, on your telephone keypad and a confirmation tone will indicate your line is in the question queue. You may press star, two, if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

And our first question comes from the line of Liam Burke with B. Riley Securities. Please proceed.

Liam Burke

Yes. Thank you. Hi, Jerry. How are you?

Jerry Kalogiratos

Hi, Liam. I'm good. How are you good?

Liam Burke

Good. Thank you. With the rates being, I mean, at the bottom, I mean, put it mildly. Are there any assets available that you'd be interested in looking at, or are you happy with the six new builds that you have on order?

Jerry Kalogiratos

Interestingly enough, when you look at the fixtures that you see in this, as you say, quite challenging spot market. I'm not sure if there is a single one that is really being concluded, I

mean, for two stroke vessels, directly by owners. The overwhelming majority of these fixtures are [inaudible], so effectively, vessels that charters have chartered for long-term charters. And because of the delay with certain projects, they don't have the volume, so they are redeploying them in the market.

So, what I'm trying to say with this is that it's we don't yet have owners, and possibly we won't see it suffering to the extent that you will see distressed assets in the market. That's at least for two stroke vessels, I think TFDs [ph] and potentially steam turbine vessels, another story. And at the same time, new building prices have been quite steady. If anything, we have seen a data point which is not very different from what we have seen previously, so around the \$255 million, \$260 million mark. And we are hearing also of a number of projects that are out there and potentially will start a new round of ordering for some projects due for 2028 and 2029. So, shipyards would not be inclined to lower their prices. So, if there are assets out there that become increasingly interested in terms of price, or if we see again new building prices come down, of course, we would be interested in looking at it, but there is no indication of this just yet.

Liam Burke

Great. Thank you. And on the six new builds, have you started discussions with potential shippers on longer term charters, or long-term charters, or do you anticipate having to operate in the spot market when it looks like between recycling and new production coming online, they do just fine?

Jerry Kalogiratos

Let me pass this question onto Nikos, who's [inaudible] best to answer it.

Nikos Tripodakis

Hi and thank you for this question, and it's a reasonable question to ask. What we can say about this is that there have been multiple discussions and fixtures for medium to long-term charters over the last few months, and while the challenging sport and short-term charter market has resulted in weaker sentiment, and arguably some price erosion, we don't see that happening in the long-term space. As mentioned previously, the latest charter for a 10-year-plus is still in the \$90,000 per day range, and we don't see that situation changing from for 2026 and 2027 onwards.

We are under no pressure to give in on pricing, and with new deliveries being 12 or so months away, we continue to engage with charters, and hopefully we will have more to report going forward. For us, it still remains very important to stagger our charter explanations and our redelivery profile, and potentially also time some of these red deliveries towards the end of the decade, where we see the market potentially being very tight. So we're looking at everything, both midterm and long-term charters and we want to diversify what we're trying to do, but we hope to share more with you in the next few months.

Liam Burke

Great. Thank you, Nikos. Thank you, Jerry.

Jerry Kalogiratos

Thank you, Liam.

Operator

Again, ladies and gentlemen, if you would like to ask a question, please press star, one, on your telephone keypad. And the next question comes from the line of Alexander Bidwell with Webber Research. Please proceed.

Alexander Bidwell

Good afternoon. Thanks for the time.

Jerry Kalogiratos

Hi, Alex.

Alexander Bidwell

Taking a quick look at the liquid Co2 carriers, can you provide any update on the progress with commercial discussions for those assets?

Jerry Kalogiratos

Sure. Here, I think we went over, if you want, the more long-term fundamentals of that business in the previous quarter. But overall, as we have said in the past, these vessels are due for delivery in 2026, spread across the quarters. I think, given the trajectory of The CCUS projects, that they will need shipping, which is from, mostly from 2028, 2029 onwards. And as we have said in the past, the idea is that these vessels, being multi gas carriers, will be deployed in the short-term to medium-term market, let's say, in the LPG and [inaudible] business. Actually, we see quite a bit of interest, because in the handy size LPG [inaudible] segment, which is where these ships belong to, 22,000 cubic segments, there is a very small order book. I mean, in addition to our ships, there's another four or five ships that are in order, and it tends to be quite an [inaudible] fleet profile.

So, I think you should expect that as these vessels come closer to delivery, we will deploy them in that business. We are also discussing some long-term business with some charters. Some of them find quite interesting the flexibility of these assets, so the ability to do [inaudible] in the early years and then seamlessly go into the liquid Co2 business. And there are quite a few energy companies that are across this type of business, so the production of blue and green [inaudible] as well as into CCUS projects. So I think over the next few months, but especially closer to delivery, so towards the end of the year, we will have more news on employment.

Alexander Bidwell

All right. Thank you for the detail there. And just a quick follow-up, looking at the container vessels. Can you give a general sense of the S&P market at the moment, what sort of appetite are you seeing for those three remaining assets?

Jerry Kalogiratos

Container market remains quite robust, both in terms of asset values, as well as in terms of earnings and new building prices, which is an overall pattern, also remain quite high. So today, the replacement value of these assets will be closer to \$150 million. Of course, they are impaired, so to say. There's a cap on their evaluation because of the long-term charter rate. So this is more of a cash flow if you want exercise, given also that there is a number of two-year options after the end of the firm period, which is another eight to nine years depending on the ship.

So I think demand is quite robust. Movement of interest rates, though, probably is more correlated with the valuation of these vessels than actually the underlying container assets. We are quite opportunistic in the sense that if we see a good bid, we will look to take it. Otherwise, we are also happy to stay with this long-term cash flow underlying the gas business.

Alex Bidwell

All right. Thank you for the additional color there. That's all from my side. I'll turn it back over. Thank you, guys.

Jerry Kalogiratos

Thank you, Alex.

Operator

Once again, ladies and gentlemen, if you would like to ask a question, please press star, one, on your telephone keypad. And the next question comes from the line of Omar Nokta with Jefferies. Please proceed.

Omar Nokta

Thank you. Hey, guys. Good afternoon. Thanks for the update.

Jerry Kalogiratos

Hi, Omar.

Omar Nokta

Hi, Jerry. Just wanted to ask maybe just a couple questions, perhaps on the market, just to get a bit more kind of understanding, because clearly LNG spot rates, which you're not exposed, they have come off quite a bit, and it's been like that for perhaps maybe the past four or five months. We know there's oversupply with the delivery of the new buildings ahead of project startups. Could you maybe just talk a little bit about what you're actually seeing in the spot

market? Is it just simply too many vessels and not enough cargo to spread around or is the spot market itself just not seeing any action.

Jerry Kalogiratos

Thank you, Omar. I think I'll let Nikos take the difficult questions. Hold on.

Nikos Tripodakis

Hi, Omar, and thank you for this question. It's a very reasonable one in this market. The situation right now can be summarized by two main factors. One is in increasing supply, as you very accurately stated. There's been many projects that were supposed to deliver in 2024 and were delayed well into 2025 or even 2026. Golden Pass [ph] being one of them, with around 18 million tons of production, which equates to demand for around 30 ships. That's just one example. There are three or four more projects that were delayed for the same period. And also, the, as I mentioned during the presentation, the narrowing of the spread of the JKNTTF led to all of those vessels that Jerry referred to, being the [inaudible], targeting Europe as the best value destination, which led to a further increase of supply of vessels in the Atlantic basin.

What is more, looking down the forward curve for JKNTTF, that spread remains to be or that are, remains to be shut and vessels pointing to Europe. So that gives the charters and the sub letters, the confidence to look to charter the vessels for short-term periods, multi-month or one-year charters, and then be happy to play the spot market. Now, in terms of activity from the cargo side, there has been production and there have been FOB [ph] discussion and volumes, but all those fixtures just happen at low rates, because there's an oversupply of ships. Sorry, your question, the first part was, why the market in the state, which it is, which this is a summary, but did you follow up when do we expect this to improve, or how do we expect this to end?

Omar Nokta

Yeah. I guess that's more of a crystal ball question. Yeah. I mean, would it hurt to maybe get a sense from that.

Nikos Tripodakis

The timing on the correction is not really a crystal ball. It's just, it depends on many things, but the reasons that will drive the correction are very clear. And again, as mentioned in the presentation, they come down to two main factors. One is the fact that a third of the LNG carrier fleet right now, which are the steamships, cannot survive in this environment. They're not simply, even if you seek for alternative solutions like, let's say, FSU project, FSRU conversions, or even laying up, this is still a market in which the vessels will suffer for far too long, let's say, multi-month periods, and we simply have to see scrapping.

Now, the ramping up of scrapping and how quickly those vessels will be removed is a bit of a crystal ball, but our view is that at least 80 to 100 ships will be removed in the next three to four years. That's a supply side reaction, right? Now we have the demand side reaction, which

happens from 2026, 2027 onwards, with the new projects coming online, which, well, we see by 2030 based on current ideas and projects under construction, another 200 million tons will hit the water. That's demand for approximately 350 ships.

And if we account into that, projects that are close and have SPAs [ph] and are pending some regulatory approvals, which will be facilitated by the Trump administration, we could easily see another 170 million tons on top of those 200. So it's not a matter of if, but a matter of when the market will correct. And our view is that by mid-2027, we should see that inflection point. I hope that answers your question.

Omar Nokta

It does. Thank you. And then maybe, just as a follow-up, and I think Liam had asked this before, just in terms of the new buildings that you have, as those deliver, and if we're still in a soft market where you need to put them into spot trading, do you have the capability to do so in-house? Is there anything that you need to do in order to do that, or are you good to go from that respect?

Nikos Tripodakis

We are 100% good to go if we needed to do that, but that is not our strategy, and we would not have to do that. What we are trying to do, and there are currently active discussions for which I cannot go into too many details, but what we're trying to do is, as mentioned before, diversify our delivery profile into periods that we expect the market to be very tight. For example, let's say we have these new buildings in 2026. We look at anything from 15-year time charters to three- or four-year time charters.

If the latter takes place, then we take the vessels back in 2029 or 2030 where we see a significant supply deficit compared to the demand for LNG carriers. Whereas, if the former is the case, then we're still looking at very healthy time charter rates, which are around 90 plus, \$1,000 per day. So there's very low probability we would enter the spot market with those ships. We won't have to, and we will announce more as the months progress. We have time.

Omar Nokta

Indeed. OK. Yeah, very good. Oh, thank you for that. That's helpful color. I'll pass it over.

Operator

Thank you. Again, ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad.

Jerry Kalogiratos

Operator, it looks like there are no additional questions, so I would like to thank everybody for joining today's call.

Operator

I'm sorry, Jerry. I'm sorry, Jerry. We do have one more question.

Jerry Kalogiratos

Oh, great.

Operator

Yeah, it comes from the line of Clement Molins with Value Investor's Edge. Please proceed.

Clement Molins

Good afternoon. Thank you for taking my questions.

Jerry Kalogiratos

Hi, Clement.

Clement Molins

Most has already been covered, but I wanted to ask a question on the modeling side. The amount of fixed debt declined a bit quarter-over-quarter. Was that attributable to the sale of the container ships? And if so, should we expect an additional decline in Q1?

Jerry Kalogiratos

The vessels that we sold, the 5,000 EU vessels that we saw, they had no additional debt. So any decline in debt that you see is from scheduled debt amortization.

Clement Molins

Makes sense. And secondly, is there any potential for upsized refinancing's going forward should you need additional liquidity for upcoming opportunities?

Jerry Kalogiratos

So, what we are looking to do, and we are quite advanced in that, is to have also the ability to take pre-delivery for financing for certain of our new builds. Of course, with \$350 million in the [inaudible] already, plus, the expected proceeds from the sale of the fourth vessel, sorry, from the fifth vessel, we are obviously in quite a good place in terms of our liquid position. But having this pre-delivery financing option, it could be an additional liquidity lever for, as you say, potentially new opportunities, and it could be quite significant, by the way.

Clement Molins

Thanks for the color. Makes sense. That's all from me. Thank you for taking my questions.

Jerry Kalogiratos

Of course, thank you.

Operator

Thank you. Again, ladies and gentlemen. If you would like to ask a question, please press star, one, on your telephone keypad. Thank you. There are no further questions at this time. I'd like to turn the call back to Jerry Kalogiratos for closing comments.

Jerry Kalogiratos

Again, thank you all for joining us today.

Operator

This concludes today's conference. You may disconnect your lines at this time. Enjoy the rest of your day.