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PRESENTATION

Operator

Good afternoon, ladies and gentlemen. Thank you for standing by, and welcome to the Navigator Holdings Conference Call on the Fourth Quarter 2017 Financial Results. We have with us Mr. David Butters, Chairman, President and Chief Executive Officer; Mr. Niall Nolan, Chief Financial Officer; and Mr. Oeyvind Lindeman, Chief Commercial Officer of the company. (Operator Instructions) I must advise you that this conference is being recorded today, and I now pass the floor to one of your speakers to Mr. Butters. Please go ahead, sir.

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

Thank you, Jeannie. Welcome all to the Navigator's Fourth Quarter 2017 Earnings Conference Call. Niall Nolan, our Chief Financial Officer, is here in New York with me. And also joining from our London office is Oeyvind Lindeman, our Chief Commercial Officer.

As you probably have seen last night after the market closed, we released our fourth quarter earnings report, along with a summary of full year's results. Niall will cover the details of the release shortly, but needless to say, they continue to reflect the poor trading conditions that began near the end of 2016 and continued throughout 2017.

There was only modest comfort in the fact that our fourth quarter reflected a small profit compared to a small loss in our third quarter. For the year, Navigator reported a profit of $5.3 million after an extraordinary charge of $3.5 million associated with debt redemption.

Now with the international LPG shipping industry generally reporting losses across the board, our positive results is a reflection of the scale, flexibility and diversity of our fleet. Our ability to ship out of the softness in the LPG segment into transporting petrochemical gases and our ability to offer contracts of affreightment soften the impact of the negative LPG market. Scale and flexibility are important to Navigator's success.

Just as importantly, our employees in the U.K. and in Poland did an outstanding job in anticipating the changing market and positioned the company to maximize utilization and minimize costs. I really want to commend them for doing such a great job. It is a terrific team we have.

Now 2017 highlighted other important nonfinancial milestones. For example, we took the liberty of the remaining 5 newbuilding vessels, increasing our fleet to 38 at year-end. The newbuilding program is now complete. Any swirl of newbuildings will be against firm long-term charters, and I would hope to report further on this subject as the year progresses.

Second, 4 vessels were taken into our in-house management. And with an additional vessel brought in-house in January, we now directly manage 9 of our vessels. We expect more to come in 2018. This shift to in-house management is not necessarily to reduce cost, but rather to maximize quality and quality control over our vessel operations. Operating petrochemical gas vessels is exceedingly complicated. And with increasing activity that we see in ethane and ethylene, we must maintain our technical lead as the dominant carrier of complex cargoes. This is critically important to us and our customers.

On the commercial front, we accomplished several goals we set out for ourselves in the beginning of the year. And the one, we commenced a 3-year charter with Braskem on 2 of our ethane capable handysize vessels. These vessels will transport cargoes from Enterprise's existing ethane terminal at Morgan's Point, Texas to Braskem's ethylene complex in Brazil.

And secondly, shortly after year-end, we renewed our contract of affreightment with Mitsubishi, which utilizes 3 ethylene vessels in transporting product from Targa's terminal in Houston to locations in Europe and the Far East.

And finally, and probably most importantly, during the year, we entered into a 50-50 joint venture with Enterprise Product Partners to build an ethylene export terminal along the U.S. Gulf Coast. Just recently, we solidified that preliminary agreement with an announcement that the joint venture has secured long-term contracts from 2 anchor tenants, enabling the joint venture to move forward with the terminal construction.

One of the tenants is Flint Hills Resources that is a subsidiary of Koch Industries and is a merchant ethylene provider. The second tenant is a major Japanese trader. We expect the terminal to be operational by the first quarter of 2020, and we are confident in securing further long-term contracts as we continue to see strong customer interest.

Our desire to join Enterprise in owning and operating the export terminal is simply the result of what we are seeing in the U.S. petrochemical industry. A massive expansion is underway with expenditures of over $100 billion expected on new construction. That just alone, $100 billion on new construction. This expenditure on new manufacturing facility is a direct result of the U.S. petrochemicals industry's access to some of the world's cheap hydrocarbons, especially natural gas and natural gas liquids. Much of the expenditure is focused on ethylene, where capacity is expected to increase by nearly 50%. Most of the incremental ethylene will be kept on shore and processed further. But Europe is currently short of ethylene, and there is a strong and growing demand in Asia. We expect these markets to attract the bulk of the U.S. exports.

Up to this point, the restraint on greater ethylene exports has been the lack of proper infrastructure, including an efficient export terminal. Our joint venture with Enterprise is expected to change all that. Enterprise's connectivity to the Texas, Louisiana ethylene pipeline carter is second to none. For example, they are connected to all crackers in both states. And in addition, they are constructing an underground ethylene storage facility in a Mont Belvieu salt dome, and plans are underway to build an ethylene pipeline from that Mount Belvieu storage facility to the Gulf Coast that will pass close to the area of our planned terminal. This connectivity will make for an extremely cost-efficient network to move ethylene from a producer's cracker to an international export facility and ongoing access to European and Far East markets on what we hope are Navigator vessels.

We continue to make good progress on contracts to transport the ethylene tons that will move through our terminal, but we are sensitive to charters concerned about the exposed conversion of (inaudible). Oeyvind will cover the commercial side of our business shortly.

The short-term business outlook remains about the same as we have seen in the fourth quarter, although, recently, we have seen some modest improvement. Previously, I mentioned 2 opportunities that could provide a boost to our medium-term activity. The first is the opening of Enterprise's strategic plant on the Gulf Coast. After months of delay due to mechanical problems, the plant is now producing on-spec propylene on a consistent basis. This plant is designed to serve the international market and handysize vessels, the ideal size to move the propylene. Handy vessels should begin to see consistent business from this propylene plant over the coming months.

The second important development suggesting a medium-term recovery will be the completion of the Mariner East 2 pipeline. The latest announcement from Energy Transfer Partners is that they now expect the line to be completed by the end of this year's second quarter. As a reminder, this is a 275,000 barrel a day LPG pipeline extending from the Utica fields in Eastern Ohio through the Marcellus and termining at Marcus Hook on the Delaware River. When finally on operation, these incremental barrels will support the VLGC market, the mid-size carriers, as well as our handys. We especially like the Marcus Hook location as it has a competitive edge over the Gulf Coast terminal because of its proximity to Europe, and the fact that many of the European ports and terminals cannot accommodate larger vessels.

VLGCs will, however, gain the most from the completion of ME2. While we have been anticipating the completion of ME2 for some time, what surprised us was the announcement and the comment from ETP's management that they expect to complete the construction of ME3 or ME2 access, I refer to it, by the summer of 2019. This line is slated to carry an additional 275,000 barrels a day, and we were not anticipating the pipeline to be brought online for another few years.

Apparently, much of the lateral drilling under rivers and roads for the ME 2X is being done simultaneously with ME2, so that the new line can be constructed quickly. If this ME2 line is constructed and done on the time line I outlined by ETP, this will have a significant impact on all LPG carriers, and certainly will make the East Coast terminal a strong competitor against the Gulf Coast terminals, especially for European destinations.

Now as I look back to a few years ago, I can reflect on the promise that the structural change is taking place in the petroleum and petrochemical industries held for the LPG shipping companies, and especially for Navigator, but partly due to the collapse in the price of oil and the investment uncertainty caused by oil's low price, and partly the result of unanticipated delays in plant and pipeline construction. Much of that promise has been deferred.

But this past year, in spite of the poor trading conditions, we have begun to see small footprints potentially leading us to an accelerated change. Our long-term ethane contracts with Braskem, strong interest by Mitsubishi to renew their ethylene export trade and a strong backing from producers and traders for new ethylene export terminal as well as the open expression of interest to support a third Northeast LPG pipeline, all these independent signs suggest that in the long term, the promise can be fulfilled. But as the past has proven, anything can upset those plans.

And now I'd like to pass the call over to Niall, who'll cover the actual performance and opportunity conditions.

Niall J. Nolan - *Navigator Holdings Ltd. - CFO*

Thanks, David. The financial performance for the 3 months ended December 31, 2017, which generated a net income of $1.4 million or $0.03 per share, was a welcome uplift from the small loss reported in the third quarter.

As a consequence of the fourth quarter's results, net income for the full year of 2017 was $5.3 million, equating to $0.10 per share, and that is after a $3.5 million or a $0.06 per share write-off in the first quarter of 2017 associated with the refinancing of our Norwegian bond in February 2017.

Revenue of $76.7 million for the fourth quarter compared to $75.5 million for the fourth quarter of 2016 and revenue for the 12 months of 2017 of $298.6 million was not dissimilar from the $294.1 million generated during 2016.

However, during the fourth quarter, we did generate an additional $8.8 million as a result of having 4 extra vessels in the quarter relative to the fourth quarter of 2016. But this increase was offset by a $6.7 million decrease as customers for the fall in charter rates, $22,758 per day during Q4 of 2016 to $20,586 per day from the recent quarter.

In addition, revenue reduced by $1.7 million as a result of a small drop in utilization to 87.2% during the quarter from 87.6% in the fourth quarter of last year. David mentioned we now operate a total of 38 vessels, having taken the delivery of our final newbuilding in November last year, and of which 14 are ethane/ethylene capable. During the quarter, we commenced 3-year charters for 2 of our vessels carrying ethane from the U.S. Gulf to Brazil. And since the year-end, we have renewed the contract of affreightment, which will utilize up to 3 vessels for the majority of 2018, transporting ethylene from the U.S. Gulf to the Far East.

In total, we have 43.3% of our operating days for 2018 already committed at an average rate of $23,477 per day. There were no dry docking schedule for 2017, but we did take the opportunity to dry dock one vessel, Navigator Orion, 6 months early before she commenced for a 3-year time charter with Braskem. 6 further vessels are scheduled to dry dock for special service during 2018 at an anticipated aggregate cost of approximately $8 million.

Voyage expenses, both for the fourth quarter and the full year, increased by $800,000 and $14.3 million, respectively. But all voyage costs or pass-throughs are recovered by increased revenue. During this fourth quarter, 59% of our operating days is related to time charters with 41% voyage or spot charters. For those vessels on voyage charters, petrochemicals accounted for 81% of the spot operating days; and LPG, 19%. For time charters, the reverse was true, with 78% of days transporting LPG, 12% petrochemicals and 10% ammonia. Vessel operating expenses, or OpEx, increased by 19.2% to $27 million for the fourth quarter compared to $22.6 million for the fourth quarter of 2016, principally as a result of the increased number of vessels in our fleet. The daily rate of vessel operating expenses increased slightly to an average of $7,795 per day during the quarter or $7,635 for the full year of 2017 compared to $7,467 per day and $7,925 per day for the fourth quarter and 12 months of 2016, respectively.

General and admin and corporate expenses increased to $4.1 million for the quarter from $3.7 million for the comparative period of 2016 as a result of higher office lease costs as well as additional costs incurred in facilitating in-house technical management. We now provide in-house technical management for 9 vessels, and we plan a further 6 or 7 vessels to be taken into in-house technical management over the course of 2018.

Net interest expense for the quarter was $9.3 million, an increase of $400,000 compared to the fourth quarter of 2016, principally as a result of approximately $1.4 million of interest relating to increased bank debt associated with the 5 newbuilds delivered during 2017 and additional $1.1 million being expensed, which in Q4 2016 was capitalized relating to installments made on our newbuild vessels. And these increases were partly offset by a quarterly saving of $875,000, following the refinancing of our Norwegian bond in February of '17.

EBITDA for the 3 months ended December 31, 2017 was $29.6 million, taking EBITDA to $120.8 million for the full year of 2017. And as I mentioned at the outset, net income for the fourth quarter was $1.4 million or $0.03 per share against or at -- giving $5.3 million for the full year or $0.10 per share.

With respect to the balance sheet, we had $61.8 million in our accounts at the end of December 31 and an additional $41.9 million available from 2 revolving credit facilities for general corporate purposes. We had bank debt at $782 million at the year-end. Following the completion of our newbuilding program, our vessel's book value stood at $1.74 billion at December 31, 2017. With respect to the financing of the terminal project, we have sufficient resources to fund the initial element of the terminal investment from cash on balance sheet, the unrestricted $41.9 million available from 2 existing credit facilities that I referred to earlier.

In addition, we have unleveraged vessels. But we are confident this is a very financeable project, and we're in dialogue with banks as well as infrastructure funding institutions and others to finance this project. And now I'll hand you over to Oeyvind.

Oeyvind Lindeman - *Navigator Holdings Ltd. - Chief Commercial Officer*

Good morning, all. Our fourth quarter revenue was generated by 42% LPG, 53% petrochemicals and 5% ammonia. The revenue from petrochemical trade increased by 3% compared to third quarter, reducing the LPG proportion with the same amount. Our reinvolvement in petrochemical deep-sea trades has manifested itself during 2017, and particularly for spot voyage charters. The petrochemical earnings days, as a percentage of total spot voyage charter days, increased from 77% for 2016 to 84% for 2017.

Our quarter-on-quarter utilization picked up a few percentage points to 87% during fourth quarter compared to 85% during third quarter. Some of this can be attributed to the delivery of the second time charter vessel to Braskem, as David and Niall briefly referred to earlier.

More broadly, I think the market is cautiously optimistic going forward due to the various green shoots we referred to during the last earnings conference call and David's comments earlier this morning. The class from 12-month time charter assessment, as an example, for handysize semi-refrigerated ships improved by 18% during the quarter from $355,000 a month at the beginning of October to 42,000 -- $420,000 per calendar month at 31st December 2017.

Our assessment for the beginning of the year indicates the continuation, albeit modestly, as David mentioned, of this trend across day rates and utilization. We are continuing to negotiate ethylene freight contracts with various parties associated with the terminal. The pace has picked it up somewhat since the announcement. And to date, we have concluded one contract, and others are at various stages in the pipeline. And with that, we can open the floor.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question from Berenberg comes from the line of Donald McLee.

Donald Delray McLee - *Berenberg, Research Division - Analyst*

Just to start with the COA renewal, was that simply an extension of the prior contract? Or were there any changes to the charter rate? And what's the remaining duration there?

Oeyvind Lindeman - *Navigator Holdings Ltd. - Chief Commercial Officer*

Yes. Some of those -- Donald, some of those details are confidential, but it's an extension of a previous contract we had in 2017 taking ethylene from U.S., more specifically a cargo terminal, to a destination across the world. So global destination, Europe and Far East. So it's an extension of something that we've been doing for a little while with Mitsubishi.

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

There wouldn't have been many changes to that, Donald.

Donald Delray McLee - *Berenberg, Research Division - Analyst*

Okay. And then just in terms of the duration, was the -- I know it's for the majority of 2018. Was that something kind of you guys wanted? Or was that more on the charter than -- just trying to see what the employment process were there.

Oeyvind Lindeman - *Navigator Holdings Ltd. - Chief Commercial Officer*

The traditional duration for those kind of contracts, a normal contract of affreightment, in tradition, has been 12-month renewal. That's -- so there's nobody pushing for either/or, but it's kind of industry stat right now.

Donald Delray McLee - *Berenberg, Research Division - Analyst*

Okay. Then just switching to the fleet. Following the delivery of the Navigator Prominence, your fleet's fully delivered. How do you think about a potential dividend here based on the cash flow from that fully delivered fleet versus some of the anticipated cash flows from the terminal JV?

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

Donald, given our result of excess cash, and if we would just be sitting still, we would generate right now what the full fleet delivered. We will be generating a lot of excess cash. But our business is, to what I distressed, is a structurally changing business with a great deal of promise. And I think what we are seeing potential expansions of existing business, potential changes and new opportunities. While those exist at attractive returns, I think the company is best off to preserve that cash and giving us the opportunities to execute on attractive opportunities. When those opportunities do not exist anymore and we have a fully developed fleet, that type of activity of distribution of excess cash will be a prominent consideration. Right now, we're seeing a lot of opportunities to employ cash. The trouble is we have so many that it will be an issue of how to choose and what kind of menu we want to attract.

Donald Delray McLee - *Berenberg, Research Division - Analyst*

Okay, fair enough. And then a couple of quick ones on the terminal. So I know you mentioned that the frequency, I believe, of potential off-take discussions has picked up since the contract announcement in February. How has that impacted any potential charting negotiation for volumes coming out of the terminal?

Oeyvind Lindeman - *Navigator Holdings Ltd. - Chief Commercial Officer*

Yes. As mentioned, Donald, we've done one contract associated with the new terminal, and we're working with a host of other parties for additional freight contracts. So we can't really disclose more than that, but there are movements.

Operator

Now from Evercore, your next question comes from the line of Jon Chappell.

Jonathan B. Chappell - *Evercore ISI, Research Division - Senior MD & Fundamental Research Analyst*

David, a couple of other questions on the terminal. First, to be perfectly clear, is construction underway? Has FID taken place? And if not, what still needs to take place before you can move forward with the next steps?

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

Jon, it's a real project. We've entered into contracts with Flint Hills to deliver product beginning in 2020. That's a given. And so with a Japanese trader, that's a given. We are obligated to start and produce that stuff. I'll just leave it there. When you say, beginning construction, lots of engineering goes on before, and that's what they're doing. I mean, it takes time to work out some specifics and put those specifics out for bid. But that's all in the process and the hands of Enterprise. But the important thing you should recognize is that we are committed to deliver ethylene to our 2 anchored tenants. Period.

Jonathan B. Chappell - *Evercore ISI, Research Division - Senior MD & Fundamental Research Analyst*

Okay. So then with that in mind and a 2-year kind of clock ticking right now before the first quarter of 2020, could you reveal a bit more of the economics? And let's take the shipping part out of it because I know that that's still under negotiation, and we'll see how many ships actually from your fleet end up being booked for those cargoes. But you mentioned they're contemplating the financing for up to $200 million. Is that roughly your spend on the terminal? And what are some of the other economics that we think about as far as returns, how that flows through your income statement, whether it's through revenue or income?

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

Okay. So the $200 million that we mentioned is what we're going to seek financing for. That doesn't necessarily mean that's a 50% contribution to the terminal, okay? We haven't disclosed the cost of the terminal, and Enterprise feels pretty strongly that we do not. So we intend to finance $200 million. A good part of that will be part of the -- our share of the terminal. And as far as economics, Jon, I mean, this is a project that we are equal in ownership and returns with Enterprise. And their criteria for investment has been pretty much along the lines of ours. And ours are pretty much focused on this project, along the lines of what is our alternative to do with money that is investing in ships. So our return on the terminal is not unlike what we would expect to get from building a ship against the contract. The good part about our terminal is we've got exceptionally strong anchor tenants, and everyone we are talking to about further tenants that will be coming in are equally strong in their financials. But it's a very low risk project as far as we're concerned. And returns, however, will be pretty much in line with what we would get from investing in one of our LPG carriers. I can't be any more specific than that. Timing of the money is much over the 2-year period as construction complete -- it's taking place with a bit of emphasis on the second year as opposed to the first year. And as Niall pointed out, we're very comfortable in what kind of cash resources we have today and the kind of cash we're generating to have no particular needs over the -- but we will finance ahead of that. And hopefully, you'll see. But it's extremely financeable project infrastructure. It's on land with strong tenants, with strong partner. It's an ideal project that is attracting a lot of attention from banks and financial institutions. But we're taking our time. We want to be prudent. We want to get the best deal with the lowest cost possible, but as an attractive, independent project for us as well as for Enterprise.

Jonathan B. Chappell - *Evercore ISI, Research Division - Senior MD & Fundamental Research Analyst*

Yes, that's very helpful. And then just one for Oeyvind. You mentioned the move-up in the rates in your core fleet, as we've seen as well in shipbroker reports. And maybe David was a bit more conservative about the near-term outlook, at least in his comments. What's kind of driving that upturn? Are you pretty confident that the bottom is in now on the cycle? And given the fact that the order book for your size fleet has come down meaningfully across the industry, what's your kind of outlook for time chartering capabilities in 2018 as the market hopefully finds a floor and progresses?

Oeyvind Lindeman - *Navigator Holdings Ltd. - Chief Commercial Officer*

Yes, Jon. We talked about green shoots referencing them last time, and David picked up on them again coming onstream with the Mariner East 2, in particular propylene from Enterprise exports to Europe and other places. So those are milestones that we -- haven't happened yet. But the quoted time charter equivalent assessments increased by 18% over last quarter. And you can go ahead and look at what it is today, it's gone up by a little bit to date from fourth quarter. So it's slow. It's modest, but the early indications for the beginning of 2018 certainly shows that there are reasons to believe that these green shoots are taking hold. And that's across both LPG from AG, India, petrochemical trades, deep sea, still interest for that. We referred to the increase in voyage charter earning days in petrochemical increasing as well as revenue, and that benefits Navigator because of the size and the ships we have and the flexibility we have. So in terms of numbers, it's too early to say, but we believe that these early signs is encouraging. What that will be, time will tell.

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

The real change has to take place with these big transactions. The pipeline ME2 is very significant. ME3 is a complete change -- a game-changer. That -- if you lined up with 600,000, 700,000 barrels a day coming out of the East Coast, it's going to be an extremely competitive terminal against the Gulf Coast. They could, in fact, change the pricing of propane moving out. There's no storage in the East Coast. One of the problems in moving propane out of the Gulf Coast is they always have an option. The producers always have an option to pour in that -- the propane into the salt domes in Mont Belvieu waiting around for a price increase. That's not going to be the case in the East Coast. There is no storage. There's no salt dome. What is produced is going to be shipped on pipeline. And then when it arrives at Marcus Hook, it's got to get on ship. So that's going to be a different thing, a different element. But we have to wait. That's not happening now. It probably won't happen this year. It cannot really happen until Mariner East 3 or ME 2X is online, then there's real volume. That can change things materially. Otherwise, we're getting just incremental improvements at the moment. And indeed, there are some. But the real change, getting back to the kind of levels of rates and the kind of returns that we've experienced in the past few years, that has to wait for these mega deals. But those I have -- so we'll leave with what we have and maximize what we have until that comes.

Operator

Your next question from Wells Fargo comes from the line of Mike Webber.

Michael Webber - *Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Analyst*

I wanted to jump back to the ethylene terminal for a second. And I know you mentioned that you just kind of want to leave it. It's done. But I think you certainly understand, and I think most people in the line understand that within this space, getting the -- actually getting the FID is a pretty key milestone. So I think some clarity around what remaining -- what are the remaining hurdles associated with having a project that's far enough along, that both parties are willing to put out press releases out, especially something like EPV versus actually being able to say, "We've FID-ed this." A little bit of color there would be helpful because I think it's a bit of a stretch just to take words for you at this point.

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

Well, I think the answer to your question is a little vague, if I would, vague in the sense that we committed to build this thing. I think the issue is, have we settled -- have we finally settled on the proper location? And can it be moved here or moved there to be more cost-efficient? Engineering, wherever it may be, it will be the same type of facility that we've contracted for. So there are no real -- we're working with local taxing authorities, working out the final arrangements on various items. Local authorities are an important part of any kind of new construction, even on the Gulf Coast. But I mean, work, engineering, all of that is in full tilt. And contracts are real contracts. Our contracts on ships are real. So to me, there's not a great deal of -- I mean, we're committed. We're going certainly. It's going to be...

Michael Webber - *Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Analyst*

I'm sorry. Go ahead.

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

Go ahead.

Michael Webber - *Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Analyst*

Yes, and then maybe just a bit of color around the contracts on the shipping and kind of term, and then maybe any sort of contractual details. I guess, my question would be, is there enough flexibility in these contracts so you'd be able to service Flint Hills from, say, third-party volumes or something? Or you're committed to providing that capacity, but it wouldn't necessarily have to come from this facility?

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

No, it's from this -- from a facility that we would own. But the reality is, Mike, is there is no really other -- any other ethylene out of the U.S., period, all right? One terminal at Targa, which we have -- we occupied that. And probably 90% of the activity out of that terminal is on the Navigator ships. That facility is controlled by Mitsubishi. So no one can get ethylene, period, out of the U.S. We need the infrastructure to be built up, and we need the pipeline, the storage, the terminal, the berthing. All of that is critical to a cost-efficient export facility. That's what we're going to build. And the beauty is the complete footprint that Enterprise has already, and then the connectivity is unparalleled. They're connected to every ethylene cracker. Pipe -- storage, all excess -- anybody who's producing excess from their own needs at the moment can -- will be able to move it on a pipeline owned by Enterprise into the storage facility at Mont Belvieu, which is going to be a renovated salt dome. It stays there, and then can connect very easily with a pipeline from that facility to the Gulf Coast export ethylene terminal. So it's going to be a seamless transaction and extremely efficient. And we'll be able to load that vessel of us in 1/14 of the time it takes to load a vessel at Targa. So it's -- there will be no competitor to it. There's no other source of ethylene, is it? This should be attracted. This is why it's so highly attractive.

Michael Webber - *Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Analyst*

Okay, that's helpful. And David, forgive me if I missed this somewhere in the presentation materials, but can you give the big sketch of the terms of the transportation agreement you guys have signed for that array in terms of funnels?

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

I don't -- I'll let Oeyvind answer anything further. But listen, when Flint Hills, who has merchant ethylene, or anybody who's going to be taking off offload of ethylene from the terminal and going to be selling it to different customers around the world, the last thing they want people to know, a competitor to know is how long they've got a vessel, what size vessel. Because a size will tell you where it's going. So everyone is a bit foxy, unfortunately, Mike, but I think you can understand why they are because they're (inaudible) various customers. And so can I leave it there and let Oeyvind...

Michael Webber - *Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Analyst*

Yes, I guess, my primary question is whether it's an asset you have in your current suite or whether it will be something new.

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

Oh, no, no. We have it in our fleet. We will -- the potential that we may have to add additional vessels. But at the moment, we consider it with existing. We have the handys that are there. We have the midsized ethylene carriers. We have an ideal sized fleet and diversity to handle anything.

Michael Webber - *Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Analyst*

Okay. And then last one, and I'll turn it over. In terms of funding, one, do you think you can organically fund the equity associated with the project? But then, two, in terms of, I guess, maybe what the early outlook would be for capital calls on this development, do you think you need to over-equitize it and/or kind of bridge it before you can get long-term financing. Just maybe if now you can give a bit of detail and color in terms of what we should expect in terms of how that project should impact your capital stack.

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

Okay. First of all, I don't think -- I don't see any need for equity -- our equity to be put into that project, okay? It has all the element of projects enhancing. A great partner, an experienced partner, a partner who has built facilities like this. We have proven technology. We have contracts already for a substantial portion of the capacity of that type on a long-term basis with outstanding credits. You can't find a better set of financial criteria to move forward on a project financing. So I do not see necessarily for us to raise any equity capital to finance this transaction. And we have a good leeway before we even have to draw on outside capital to keep up with Enterprise as we move forward. We already have $10 million up, and we -- I don't know. Is that helpful?

Michael Webber - *Wells Fargo Securities, LLC, Research Division - Director & Senior Equity Analyst*

No, no, it is. It's certainly important to get -- to make it clear around the lack of a need for new equity. The early capital call schedule would be helpful from a modeling perspective, and then just how -- kind of how we think about your forward liquidity going forward. And maybe too early before you have the detail, but if you haven't had any, it'd be helpful.

Niall J. Nolan - *Navigator Holdings Ltd. - CFO*

I think, Mike, it's spread -- generally, it's spread equally over the 2-year construction period, perhaps with a bit of a lag upfront because, as David said, a lot of it is engineering rather than hard build. But it's -- I said last quarter that it's probably 40% in the first year and 60% in the second year, something of that area. But it's not hugely different from just evenly spread.

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

An important thing to understand, too, and that one of the biggest costs here is associated with the storage. There is a lot of welding involved in very high-cost, specialized metals that go into a storage on ethylene because remember that it has to be chilled to, let's say, minus 103 degrees centigrade. So it's cold, and it's specialized. That takes probably the longest to complete, and there is a good chance that what we will -- because there is very strong interest to get ethylene as quickly as possible by the producers. And they want it, and the market wants it earlier than later. So what we're planning to do is once the chiller gets installed, and that is basically a fabrication and an assembly on site. Once that is up, we'll be able to run from the pipeline from Mont Belvieu. The ethylene comes in. It will get chilled. And then from our chiller, it can go directly into the vessel at the berth site. That is a slower process. It may take a few days to load one of our vessels, but it starts revenue generation 3 to 4 months prior to completion. Once the storage is completed, then, of course, the chiller -- the storage will be fed by the chiller directly. And then product will be loaded from -- to the ship via the storage tanks. So we can stop the revenue generation earlier than the completion of it. And therefore, that takes some degree of finance when that -- all of those things were being worked out in detail. The point is awful strong. They're pushing and pushing to get that product out as fast as possible because there's a great demand for it, and we're going to do that.

Operator

Now your next question from Jefferies comes from the line of Randy Giveans.

Randall Giveans - *Jefferies LLC, Research Division - Equity Analyst*

So one quick question on that Enterprise export terminal, to be clear. So in addition to the Flint Hills contract, will you be able to satisfy all of the shipping needs of this joint venture with your current fleet? Or will there will be some project-specific newbuildings required?

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

Yes. Oeyvind, tell me.

Oeyvind Lindeman - *Navigator Holdings Ltd. - Chief Commercial Officer*

Well, the existing ethylene fleet sailing on the 7 seas today are capable of loading all the -- accommodating all the volume on the nameplate capacity terminal. So we have the largest fleet on handysize and mid-size. So offering the flexibility for the customers on that. We can -- so our fleet, the majority loading from the terminal and other competing or competitors to ours. So we are able to service the volume. Now what happens to other volume that is currently traded elsewhere in the world? So the jury is still out on that, what needs and what types or shapes and the timing on those. But we're pretty comfortable we can do a large chunk of the volume that is anticipated to be exported from this terminal by ourselves because of the fleet we have.

Randall Giveans - *Jefferies LLC, Research Division - Equity Analyst*

Perfect. So no mandate by Enterprise saying, "We need specific vessels to this specific project?"

THOMSON REUTERS

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

No. And they wouldn't give us the mandate. It's the end user that would, Randy.

Randall Giveans - *Jefferies LLC, Research Division - Equity Analyst*

Perfect. Okay. I'm just done checking there. Now on the fleet growth side, it looks like there hasn't any newbuilding ordering since April 2017. So is that mostly due to a lack of financing? Or just showing, hey, the LPG owners have capacity discipline? And then, secondly, when could you get a newbuilding at either 22,000 or a 35,000 ethane-specific carrier delivered if you ordered it today?

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

One thing, if I were a shipowner and looking at the kind of returns generated by LPG, and you've said it, I would be hesitant to put money into it. So that's what I think is the main culprit -- not culprit, the main beneficiary of us that people are reluctant to put money up in a very small industry. I mean, LPG is small. The handy space, the petrochemical size is even smaller. We're not talking of a huge industry here. Even with ethane and ethylene, relative to propanes, it's a small business. Terribly important, it could be extremely profitable, but it's not a huge industry. So -- and particularly, as I stressed in my comments, this is a complex business. Handling petrochemicals, petrochemical gases, ethane, ethylene, you're dealing with temperatures and complex molecules that just aren't there in carrying LNG, very simple, or even straight propane. So there are limited number of people who have the technical team back on land that can solve all the engineering issues and cargo issues that are normal for carrying these complex business molecules. So that's one thing. Yes, price finance availability is probably an issue. I think the banks have retrenched. We have great relationships in there and certainly encouraging to us. But I think it's just the fact, Randy, that it's a limited market with very few experienced operators, with a limited amount of technical talent associated with this business and relationships. And I also stress the importance in this business the need for scale. I wouldn't want to own 3 or 4 petrochemical gas carriers. It's not big enough. You don't have the talent enough. You can't afford to give contracts of affreightment. So scale is critical. Size is important. Technical ability is important. I would have thought that these are the issues that restrict owners from running after shipyards to builders type of vessel. But there are crazy people, and it always can happen, but I think those are serious and legitimate issues why one would see a somewhat muted newbuild program.

Randall Giveans - *Jefferies LLC, Research Division - Equity Analyst*

Sure. And who wants to compete with you all anyway? So I understand that. But looking at if you were to order a newbuilding, how long would that take? Is it 18 months? Is it 24 months? Is it 30 months?

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

Well, at least 2 years. These are complex vessels. (inaudible) of shipyards. And this is not an Aframax dry cargo vessel or whatever, these are complex vessels to build. There are only a few shipyards in the world that can do this. So we're talking 24 months. And by the way, just as a reflection, 24 months, that's about the time our vessels -- our ethylene terminal will be completed. So if you were trying to compete our one another vessel other than the Navigator, you're already in trouble.

Randall Giveans - *Jefferies LLC, Research Division - Equity Analyst*

Fair enough. All right. One more quick one. So you said scheduled 2018 dry docking, I think, was 6 vessels and around $8 million. Do you have those numbers for 2019?

Niall J. Nolan - *Navigator Holdings Ltd. - CFO*

Not off the top of my head. I recall there's about 9 vessels, and I think it's $11.5 million in total.

Randall Giveans - *Jefferies LLC, Research Division - Equity Analyst*

Okay. That's our number as well, $8 million to $10 million. And then lastly, sorry, you said 40 -- was it 43% of 2018 was already committed, and at what dollar per day rate?

Niall J. Nolan - *Navigator Holdings Ltd. - CFO*

43.3%, yes.

Randall Giveans - *Jefferies LLC, Research Division - Equity Analyst*

And what was the...

Niall J. Nolan - *Navigator Holdings Ltd. - CFO*

The rate was $23,477 -- just under $23,500 a day.

Operator

Now your next question from Morgan Stanley comes from the line of Fotis Giannakoulis.

Fotis Giannakoulis - *Morgan Stanley, Research Division - VP, Research*

I would like to ask you, you talked about a potential of ordering some newbuildings with period contracts. Can you clarify what are the terms of these contracts and the duration of these contracts that if you are going to order, I mean, of these newbuildings?

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

Well, we need contracts before we -- then I can tell you what the rate -- what type and -- we do not have -- let's just put it this -- what I'm trying to stress, Fortis, is that we're not going to be building speculative vessels. We're going to be responding to customer needs. Those customer needs will come from need to move ethylene out of our terminal potentially. We're going to sell out our vessels, our fleet first, before we go into newbuilds. But once that happens, we will respond and go to the newbuild market if we have good, long-term, secure, high-credit contracts against that request. Other than the ethylene terminals supporting that activity, again, we're not going to build unless we have a response from a particular good customer about a specific need and willing to enter into firm, long-term contracts, and then we'll go visit the shipyards. But until that happens, no. Now what I was trying to suggest is that we are constantly visiting people, companies are coming to us, expressing their interest and needs and outlining what their goals and program is over the near term, and asking whether or not we would be in a position to provide any kind of shipping. When that discussion turns into negotiations, and those negotiations turn into contracts, then I'll have a specific. But I suggest that there are enough conversations going around, enough new projects being developed that it is likely that over the next 12 months, we will see some of those discussions turn into tangible contracts, and we will act accordingly. Is that helpful?

Fotis Giannakoulis - *Morgan Stanley, Research Division - VP, Research*

That's definitely very helpful.

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

We're going to keep our money until we have contracts. We're not going to be in a speculative business of newbuilds.

Fotis Giannakoulis - *Morgan Stanley, Research Division - VP, Research*

I want to ask about the non-ethylene fleet, which is still quite a sizable portion of your company. And you're increasing focus on the SCM petrochemical activities. I was wondering, what is the long-term plan for this portion of the fleet? Would you consider potentially either spin it off or sell it in order to deploy this capital to the petrochemical business? How do you think of your LPG business?

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

Well, LPG is important to give us the scale and size. I mean, most of our vessels are capable of carrying petrochemicals. I mean, the secret of being able to carry petrochemicals really is in the management, talent and engineering and team that you have onshore as well as the mechanical content of the steel and vessels that you own. The size and scope of our fleet gives us a closure that is unique. It gives us the ability to have an in-depth talent on shore, and it is all pretty much related. I think it's an integrated part of our business, whether it extends from carrying ammonia, which we do, to carrying simple propane, to carrying propylene, butadiene, ethylene. These are ethane. I mean, it's a pretty integrated part. The customers that we deal with often carry a multiple of cargoes. We carry, for example, ethane down to Brazil and pick up sometimes and move butadiene to somewhere from them or propylene somewhere. Now it's a very integrated business, Fortis, that I would not separate. And we have strengths in both sides limited to -- it's an unlimited ability and flexibility and diversity that really gives us at Navigator the strength and reputation that we have. Well, there will be no separation.

Fotis Giannakoulis - *Morgan Stanley, Research Division - VP, Research*

And one last question about the new low sulfur regulations. How do the LPG owners are planning to deal with it? Are you considering overtrading the propulsion of your vessels, so they can burn LPG, starting scrubbers? So what is the plan of your company and the other companies in the same sector?

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

I can't tell you what the other folks are doing. I mean, some of our vessels are capable of LNG pulp propulsion. If we're doing ethane -- if we have a long-term ethane project, such as we are doing with Borealis, that will have a long-term charter on one of our midsized vessels. We have the ability to fuel those vessels with ethane or LNG. I think as you have undoubtedly been aware of all the shipping companies are still -- are in the state of confusion of uncertainties, how they're going to handle these things. And most are opting for low sulfur, but we are developing a program and a plan. And I don't think we have a definitive answer for you today, and I certainly don't have one for the industry as a whole. Come see us.

Operator

And your next question from Maxim Group -- sorry?

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

So unfortunately, our time is up.

Operator

Okay, sir. So I shall pass the floor back to you for closing remarks.

David J. Butters - *Navigator Holdings Ltd. - Chairman, CEO and President*

Great. Well, it was an interesting quarter, and I think we're shaping up to be an interesting year. And I hope that we have a chance to speak with you again in a couple of months. Thank you for joining us.

Operator

Thank you very much indeed, gentlemen. And with many thanks to our speakers today, that does conclude the conference. Thank you all for participating, and you may now disconnect.