

Denne melding til obligasjonseierne er kun utarbeidet på engelsk. For informasjon vennligst kontakt Nordic Trustee AS

To the bondholders in:

ISIN: NO 001 0785959 - 7.75 per cent. Navigator Holdings Ltd. Senior Unsecured Callable Bond Issue 2017/2021

Oslo, 10 September 2019

Notice of a Written Resolution

1. INTRODUCTION

Nordic Trustee AS acts as trustee (the “**Bond Trustee**”) for the holders of bonds in the abovementioned bond issue (the “**Bond Issue**,” or the “**Bonds**”) issued by Navigator Holdings Ltd. (the “**Issuer**” or the “**Company**”).

All capitalized terms used but not defined herein shall have the meaning assigned to them in the bond terms for the Bond Issue made between the Bond Trustee and the Issuer on 9 February 2017 (the “**Bond Terms**”). References to Clauses and paragraphs are references to Clauses and paragraphs of the Bond Terms.

The Issuer has requested that the Bond Trustee issues this request for a Written Resolution pursuant to Clause 16.5 (Written Resolutions) of the Bond Terms to consider approval of the Proposed Resolution (as defined below).

As a precautionary measure for the reasons described below, and in order to substantially align the terms of the Bond Terms with the current terms of the Issuer’s bank loans, the Issuer requests certain amendments to the Interest Coverage Ratio covenants. It is also proposed that an extended restriction on the Issuer’s ability to pay Dividends be inserted to reflect the banks’ corresponding conditions.

The information in this Notice of Written Resolution regarding the Issuer, market conditions and described transactions is provided by the Issuer, and the Bond Trustee expressly disclaims all liability whatsoever related to such information.

2. BACKGROUND

In January 2018, Navigator Ethylene Terminals LLC, a subsidiary of the Company, and Enterprise Product Partners formed a 50/50 joint venture (the “**Joint Venture**”) to build a world scale ethylene export marine terminal with name plate capacity of 1 million tons annually and refrigerated storage for 30,000 tons of ethylene (the “**Terminal**”).

The rationale for the Terminal project was to overcome the current insufficient infrastructure for increased deep-sea exports of ethylene out of the United States and thereby benefit from the continued international ethylene arbitrage through tolling agreements with off-takers. The Terminal is expected to provide stable cash flows (the Joint Venture assumes no product risk and the operational costs are mainly linked to fixed contracts). Currently, more than half of the Terminal’s capacity is committed to three parties on 5 to 7 years throughput contracts. The last throughput contract was signed in Q2 2019. The international ethylene price arbitrage has continued to increase over the last quarter, and Navigator has received strong indications of demand for the remaining capacity.

The construction of the Terminal is progressing as planned and on budget and expected to be operational from the end of Q4 2019 with the refrigerated storage tank expected to be completed in late 2020, about one quarter earlier than previously projected. It is anticipated that the Terminal's throughput capacity during the first year of operation and prior to the refrigerated storage tank becoming operational will be between 60% to 75% of the total expected annual capacity of 1 million tonnes. Once fully operational, the Terminal is estimated to absorb shipping capacity for 8-12 ethylene capable handy-size gas carriers and thereby likely to significantly support supply/demand dynamics for the current global ethylene carrier fleet which currently comprises 32 vessels on water and 2 new buildings on order. As the clear market leader in the segment with 14 ethylene capable vessels, Navigator is uniquely positioned to benefit from the projected supply/demand improvement.

Due to a combination of a challenging earnings environment and increased bunker prices for the Company's liquefied gas carriers and as a precautionary measure, the Company in June 2018 obtained approval from its banks to amend its interest coverage ratio in each of its bank loan facilities. The covenant, requiring the ratio of EBITDA to Net Interest Cost to be at least 2.50 or 3.00 times was amended to 2.00 times, up to and including September 30, 2020. In addition, the definition of interest under these facilities now excludes interest due or payable relating to debt financing obtained by the Company in relation to its obligations associated with the construction of the Terminal. Under the terms of these amendments, the payment of dividends by the Company are prohibited until on or after December 31, 2020. At the time, the Company was comfortable that it would comply with the covenants in the Bond Issue.

Navigator experienced a positive start to the year during the first quarter of 2019 after a strong finish to 2018 carried over into January, with strong returns on both LPG and petrochemical fixtures. However, the initial momentum in the market failed to carry over as a number of far-reaching incidents occurred. Further sanctions were imposed on Venezuela which forced six handy-size vessels, two of which were Navigator's vessels, to cease the trade and seek alternative employment. In a segment with 118 vessels, which out of 25 vessels were trading in the spot market, an influx of such unanticipated vessel capacity to the spot market has put pressure on earnings. Furthermore, there were European chemical plant turnarounds which reduced traditional long-haul petrochemical exports to Asia and the import of U.S. ethylene which typically heads trans-Pacific, cutting handy-size-ton mile demand. The market headwinds have put pressure on the Company's financial performance to an extent that, as disclosed in its Q2 2019 press release, the Company expects that the interest coverage ratio at the end of each such quarter will be substantially near the required minimum under the Bond Terms. As such, the Company is now seeking to align the interest coverage ratio of the Bond Issue with its other debt arrangements.

The Company expects to be fully compliant with all of its other financial covenants being, Equity Ratio of 30% and a minimum Liquidity of USD 25 million. As per 2Q 2019, the actual reported levels were 51.1% and USD 47.3 million respectively, a further USD 35 million were available under the Company's revolving credit facilities.

The Company expects the strain on its financial performance to be temporary in nature supported by the Terminal commencing operations and an expectation for gradual improvements in charter rates. In Q1 2019, the Company entered into a comprehensive, multi-year contract of affreightment utilizing up to four ethylene vessels until December 2025. These additional time charter commitments indicate a firming in utilization in the near term as the market tightens and sentiment improves. Furthermore, the Terminal is expected to commence operations from the end of Q4 2019, and once operational, the contribution from the Terminal will significantly improve the Company's consolidated EBITDA given the current level of contracted throughput agreements.

The Terminal is fully financed (including already contributed equity and funds available under the Company's revolving credit facilities) and is expected to commence operations about one quarter ahead of the original schedule and at a cost below the original budget. Navigator's share of the capital cost is estimated to be USD 155 million of which USD 113 million has been contributed as of 12 July 2019. The remaining scheduled contributions is an additional USD 31 million this year and USD 21 million for 2020.

3. THE PROPOSED RESOLUTION

The Issuer proposes that the Bond Terms is amended to reflect the following amendments (the "**Proposed Resolution**"):

- **Amend clause 13.5 (c) Interest Coverage Ratio**
Amend from "not less than 2.25" to "not less than 2.00"
- **Amend definition: "Net Interest Cost"**
Amend to "means the aggregate gross cash interest costs of the Group related to the Group's interest-bearing debt less any Joint Venture Interest Expense and less the aggregate gross cash interest income of the Group (to be calculated on a 12-month rolling basis)."
- **Insert new definition: "Joint Venture Agreement"**
Joint Ventura Agreement means the joint venture agreement dated 31 January 2018 between Navigator Ethylene Terminals LLC, a Group Company and Enterprise Products Operating LLC entered into in relation to an ethylene marine export terminal to be constructed at Morgan's Point, Houston, United States of America.
- **Insert new definition: "Joint Venture Interest Expense"**
Joint Venture Interest Expense means those interest charges incurred by a Group Company in relation to the financing of the contributions and investments of Navigator Ethylene Terminals LLC in connection with the Joint Venture Agreement.
- **Amend clause 13.4 (a) Dividend Restrictions:**
Amend to "The Issuer shall not declare or make any dividend payment, repurchase of shares or make other distributions or payments to its shareholders or on any Subordinated Loans, whether in cash or in kind, including without limitation any total return swaps or instruments with similar effect (a "Distribution"), except Distributions not exceeding 50% of the Issuer's cumulative consolidated net profit after taxes from 1 January 2020, payable at the earliest from 1 January 2021 based on the Issuer's audited annual accounts."

4. AMENDMENT FEE

As a compensation, the Issuer offers to pay to the Bondholders a one-time amendment fee of 0.50% (flat) of the face value of the Bonds, payable 10 Business Days after the Proposed Resolution has been accepted with the required majority pursuant to clause 16.5 (g) of the Bond Terms and with record date at the end-of-business 2 Business Days before such payment.

5. EVALUATION OF THE PROPOSED RESOLUTION

5.1 The Issuer's evaluation

In the Issuer's opinion, the Proposed Resolution constitutes a balanced and fair proposal, which will enable the Company to align its financial covenants across its bank and bond financing agreements.

5.2 The Bond Trustee's disclaimer/non-reliance

The request is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee. The Bondholders must independently evaluate whether the Proposed Resolution is acceptable.

5.3 Support from the Bondholders

Prior to this Notice of Written Resolution being distributed, the Issuer has informed the Bond Trustee that it has received confirmation from a majority of the holders of the Voting Bonds that such holders support the Proposed Resolution.

5.4 Further information

For further information about the Issuer, please visit the Issuer's website www.navigatorgas.com/investor/

The Issuer has engaged Nordea Bank Abp, filial i Norge and Pareto Securities AS as the Issuer's financial advisors (the "**Advisors**") with respect to the Proposed Resolution. Accordingly, Bondholders may contact the Advisors for further information as follows:

Nordea Bank Abp, filial i Norge:
High yield sales desk
+47 22 48 77 04

Pareto Securities AS:
Fixed Income Sales
+47 22 87 87 70

The Advisors are acting solely for, and relying on information from, the Issuer in connection with the Proposed Resolution. No due diligence investigations have been carried out by the Advisors with respect to the Issuer, and the Advisors do not assume any liability in connection with the Proposed Resolution (including but not limited to the information contained herein).

6. WRITTEN RESOLUTION

It is proposed that the Bondholders resolve the following:

"The Bondholders approve the Proposed Resolution as described in section 3 in this Notice of a Written Resolution.

The Bondholders further authorize the Bond Trustee to enter into such agreements and documents, consent to such waivers and amendments, take any actions and do all such things on behalf of the Bondholders as may be necessary or desirable to support or give effect to the Proposed Resolution."

Bondholders are hereby provided with a voting request for a Written Resolution pursuant to Clause 16.5 of the Bond Terms. For the avoidance of doubt, no physical Bondholders' Meeting will be held.

For a vote to be valid, the Bond Trustee must have received a completed voting form in the form enclosed (the "**Voting Form**"), together with evidence of the Bondholder's holding of Bonds (as applicable) satisfactory to the Bond Trustee, by post, courier or e-mail to the address indicated in the Voting Form no later than 25 September 2019 at 13:00 hours (Oslo time) (the "**Voting Deadline**").

Notwithstanding the Voting Deadline, and subject to the provisions of Clause 16.5 (g) of the Bond Terms, the Proposed Resolution will become effective automatically upon receipt of affirmative votes by or on behalf of the Bondholders who at the date of this notice represent such majority of votes as would be required if the Proposed Resolution was voted on at a Bondholders' Meeting (which, for the avoidance of doubt, is 2/3 of the Voting Bonds pursuant to Clause 16.5 (d) of the Bond Terms) at which all Bondholders entitled to attend and vote thereat were present and voting.

Votes which are submitted are final and cannot be withdrawn. In the event that the Bonds, are transferred to a new owner after votes have been submitted in respect of such Bonds, the new Bondholders shall accordingly not be entitled to vote.

If the Bonds are held in custody – i.e. the owner is not registered directly in the VPS – evidence of holdings from the custodian must conform (i) the owner of the Bonds, (ii) the aggregated nominal amount of the Bonds, and (iii) the account number in VPS which the Bonds are registered.

The request is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee. The Bondholders must independently evaluate whether the proposed changes are acceptable.

Yours Sincerely

Nordic Trustee AS



Lars Erik Lærum

Enclosed:

Appendix 1:

Voting Form

VOTING FORM

ISIN NO 001 0785959 - 7.75 per cent. Navigator Holdings Ltd. Senior Unsecured Callable Bond Issue 2017/2021

The undersigned holder or authorised person/entity, votes either in favour or against the Proposed Resolution as defined in the Notice of a Written Resolution dated 10 September 2019:

☐

In favour of the Proposed Resolution

☐

Against the Proposed Resolution

ISIN NO 001 0785959	Amount of bonds owned
Custodian Name	Account number at Custodian
Company	Day time telephone number
	E-mail

Enclosed to this form is the complete printout from our custodian/VPS¹, verifying our bondholding in the bond issue as of _____ 2019.

We acknowledge that Nordic Trustee AS in relation to the Written Resolution for verification purpose may obtain information regarding our holding of Bonds on the above stated account in the securities register VPS.

Place, date

Authorized signature:

Return:

Nordic Trustee AS
PO Box 1470 Vika
N-0116 Oslo

Telephone: +47 22 87 94 00

E-mail: mail@nordictrustee.com

¹ If the Bonds are held in custody other than in the VPS, evidence provided from the custodian confirming that (i) you are the owner of the Bonds, (ii) in which account number the Bonds are held, and (iii) the amount of Bonds owned.