GasLog Partners LP (GLOP)

Updated July 27th, 2021 by Nikolaos Sismanis

Key Metrics

Current Price:	$4.27	**5 Year CAGR Estimate:**	2.7%	**Market Cap:**	$216M
Fair Value Price:	$4.60	**5 Year Growth Estimate:**	0.0%	**Ex-Dividend Date:**	08/06/2021
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.5%	**Dividend Payment Date:**	08/12/2021
Dividend Yield:	0.9%	**5 Year Price Target**	$4.60	**Years Of Dividend Growth:**	N/A
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Last Dividend Increase:**	N/A

Overview & Current Events

GasLog Partners is an international owner and operator of liquefied natural gas ("LNG") carriers. Since its IPO in 2014, the company has grown its fleet from 3 to 15 vessels, of which ten have TFDE propulsion technology and five are Steam vessels. All of the vessels were provided (bought from) to the company by GasLog Ltd. (to be taken private), which controls the partnership through ownership of its general partner. The company generates approximately $300 million in annual revenues and is based in Piraeus, Greece.

On July 27th, 2021, GasLog Partners LP reported its Q2 results for the period ended June 30th, 2021. Revenues came in at $70.35 million, 16.7% lower year-over-year. This decline was attributed to two reasons. Firstly, due to 3 dry-dockings spanning 82 scheduled off-hire days during the quarter, and secondly, due to higher exposure to spot rates following the expirations of the initial multi-year time charters of three of GasLog's Steam vessels with Shell, which were at higher rates compared to their current re-contracted rates.

Net income came in at $14.7 million, 79.2% higher year-over-year, as a result of lower financial costs and an impairment loss of $18.8 million recorded in Q2- 2020. The company remains focused on deleveraging. During Q2, it repaid $18.8 million of debt, reducing its heavy long-term borrowings to $1.12 billion. At the end of the quarter, the company's fleet had an average age of 9 years. The average charter duration of the partnership's fleet was around two years. We expect FY2021's EPU at $1.15, from our previous estimate of $1.21, due to slightly weaker results than previously expected.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPU[1]	---	---	---	$0.75	$2.38	$2.18	$2.09	$1.77	($1.43)	$0.55	***$1.15***	***$1.15***
DPS	---	---	---	$0.58	$1.76	$1.91	$2.02	$2.11	$2.20	$0.82	***$0.04***	***$0.06***
Units[2]	---	---	---	14.3	21.8	24.5	41.0	45.4	46.8	47.5	***47.5***	***50.0***

GLOP's growth-oriented strategy since its IPO has definitely achieved growing its fleet, but at a great cost. The partnership has issued heavy amounts of common units, preferred shares, and long-term debt, which have deteriorated unitholders' value. GLOP's preferred shares, for example, were issued with initial yields from 8% to 8.625%, pressuring the bottom line and burdening the company heavily on the liability side of the balance sheet. As a result, the unit price has collapsed from its past levels, further increasing the cost of equity, resulting in more expensive acquisitions and thin profitability. Heavy distribution cuts followed as a result. The company's heavy exposure in the LNGC spot market, which has seen weak rates over the past couple of years, has also contributed to units suffering amid impairment losses, as was the case in 2019, for example. The partnership currently operates with improved charter coverage of 75% of its fleet, while LNG shipping spot rates have lately benefited from sustained LNG demand and increasing prices in the major import markets of Europe and Asia. While deleveraging should reduce financial expenses, helping EPU grow, in order to price in for the possibility of spot rate headwinds at any point in the medium term, it's very speculative to project future

[1] GLOP's legal structure is that of a Partnership, so the company reports in units instead of shares.

[2] Unit count is in millions.

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EPU. Hence, we expect stable results. We have embedded a growth rate of 10% in our DPS calculations due to the currently depressed payouts. Still, future distributions also remain highly speculative.

Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	---	---	---	40.0	9.0	9.0	10.9	13.8	---	6.4	***3.7***	***4.0***
Avg. Yld.	---	---	---	1.9%	8.2%	9.7%	8.8%	8.6%	10.4%	23.5%	***0.9%***	***1.4%***

Over the past couple of years, GLOP's units have collapsed, as investors have lost faith in receiving any tangible capital returns for a virtually unknown timeframe. This is evident in GLOP's massive valuation compression. While deserved, we believe that the valuation multiple will gradually expand as deleveraging hopefully frees up some cash for a distribution hike. Therefore, we expect it to converge towards a P/E of 4 in the medium-term. With all of its operating cash currently flowing exclusively on deleveraging and paying the preferred dividends, GLOP's distributions, the units' yield, and the valuation multiple are all likely to remain depressed, nonetheless.

Safety, Quality, Competitive Advantage, & Recession Resiliency

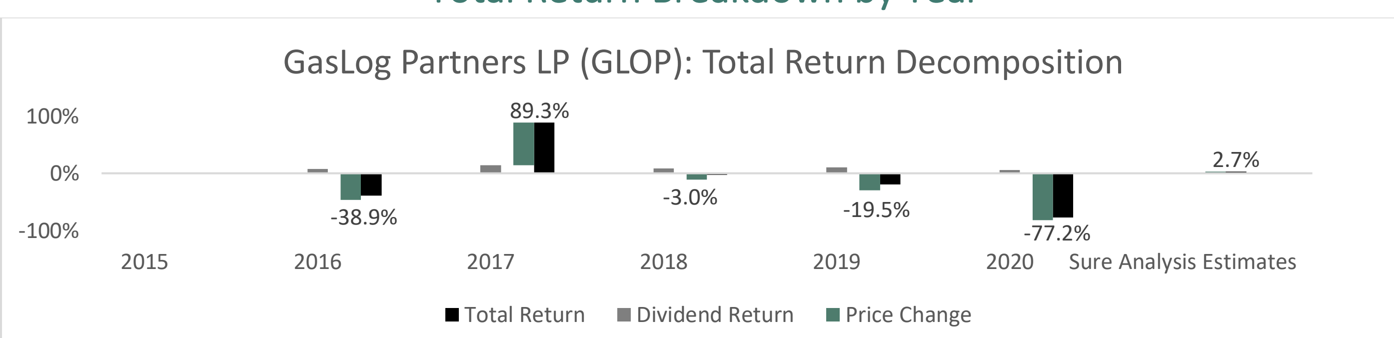
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	---	---	---	77%	74%	88%	97%	119%	---	149%	***3%***	***6%***

We consider the current payout levels as a token at their current rate as they are essentially suspended. While the general partner GasLog had retained a quality fleet (which is why it was taken private), GasLog Partners was provided with weaker drop downs at deals that were not shareholder-friendly. Hence, the state of the Partnership's balance sheet is quite decayed. Its heavy indebtedness and preferred stock obligations significantly weigh on GLOP's recession resiliency. If the LNG industry faces wild rate fluctuations, GLOP is likely to struggle with deleveraging, let alone come closer to potentially increasing its capital returns. The partnership does not have any noteworthy competitive advantages.

Final Thoughts & Recommendation

GasLog Partner's unitholders have suffered spectacular losses over the past few years, as its expensive fleet financing and impairments have deteriorated unitholder value. As the partnership is currently essentially operating to service and repay its liabilities, we expect minimal capital returns. That being said, the unit price is extremely depressed, and the slightest valuation expansion towards a higher multiple in the medium-term could greatly affect future returns. We forecast annualized returns of around 2.7%, primarily powered by the current distributions and modest multiple expansion. In any case, GLOP's future returns can be wildly unpredictable, heavily affected by the LNG market and its own cyclicality/rate-volatility. This, we rate GLOP a sell due to its unfavorable risk/reward ratio in its investment case.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue			64	184	249	317	402	383	379	334
Gross Profit			39	107	137	180	233	214	205	165
Gross Margin			60.5%	57.8%	55.1%	56.6%	58.1%	56.0%	54.2%	49.6%
SG&A Exp.			2	7	12	13	16	20	19	19
D&A Exp.			12	40	56	70	87	88	89	83
Operating Profit			37	100	125	167	218	195	186	146
Operating Margin			58.1%	54.1%	50.3%	52.5%	54.2%	50.8%	49.1%	43.9%
Net Profit			-	15	65	77	94	103	(37)	57
Net Margin			0.0%	7.9%	26.2%	24.3%	23.4%	26.8%	-9.9%	17.0%
Free Cash Flow			(421)	(661)	129	(297)	249	172	225	143

Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets			582	1,388	1,817	2,544	2,732	2,696	2,397	2,333
Cash & Equivalents			14	47	67	64	154	133	97	104
Accounts Receivable					6	5	4			
Inventories			1	2	2	3	3	3	3	3
Total Liabilities			426	834	1,074	1,624	1,606	1,443	1,431	1,379
Accounts Payable			1	3	3	3	5	8	17	14
Long-Term Debt			386	797	994	1,564	1,542	1,366	1,346	1,286
Shareholder’s Equity			156	554	743	920	1,126	1,253	966	954

Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets				1.5%	4.1%	3.5%	3.6%	3.8%	-1.5%	2.4%
Return on Equity			0.0%	4.1%	10.0%	9.3%	9.2%	8.6%	-3.4%	5.9%
ROIC				2.5%	7.3%	6.0%	6.1%	7.1%	-2.8%	4.3%
Shares Out.				14.3	21.8	24.5	41.0	45.4	46.8	47.5
Revenue/Share			6.53	9.69	8.70	9.76	8.67	8.90	8.18	6.73
FCF/Share			(42.8)	(34.8)	4.51	(9.13)	5.37	4.01	4.87	2.88

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.