# GasLog Partners LP (GLOP)

*Updated April 30th, 2022 by Nikolaos Sismanis*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $4.80 | **5 Year CAGR Estimate:** | 5.9% | **Market Cap:** | $220.8 M |
| **Fair Value Price:** | $4.80 | **5 Year Growth Estimate:** | 5.0% | **Ex-Dividend Date:** | 05/06/2022 |
| **% Fair Value:** | 100% | **5 Year Valuation Multiple Estimate:** | 0.0% | **Dividend Payment Date:** | 05/12/2022 |
| **Dividend Yield:** | 0.8% | **5 Year Price Target** | $6.13 | **Years Of Dividend Growth:** | N/A |
| **Dividend Risk Score:** | C | **Retirement Suitability Score:** | F | **Rating** | Hold |

## 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 April 28th, 2022, GasLog Partners LP reported its Q1 results for the period ending March 31st, 2022. Revenues came in at $85.46 million, 1.9% lower year-over-year. The slight decrease in revenues was primarily due to 112 more spot days in 2022 compared to the first quarter of 2021 and softer daily time charter equivalent rates for these spot days. Lower daily TCE rates were due to the premium winter spot market ending much earlier this year than in 2021. Adjusted net income in Q1 came in at $31.8 million, 11% lower year-over-year, as a result of the decrease in revenues and a $1.6 million increase in general and administrative expenses. Adjusted net income per unit of $0.41, which was 18% lower year-over-year, was further damaged by an increase in the number of common units outstanding.

The company remains focused on deleveraging. During Q1, it repaid $35 million of debt, reducing its heavy long-term borrowings to $987 million. It also repurchased approximately $10 million of preference units in the open market, saving around $2.4 million in preferred annual distributions. At the end of the year, the company's fleet had an average age of 9.8 years. The average charter duration of the partnership's fleet was around 1.3 years. We expect FY2022's (adjusted) EPU at $1.60. This is due to a favorable LNG market later in the year, including strong growth in European demand amid the need for LNG infrastructure as the continent focuses on energy security following the ongoing war in Ukraine.

## Growth on a Per-Share Basis

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2027 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EPU[1] | --- | --- | $0.75 | $2.38 | $2.18 | $2.09 | $1.77 | ($1.43) | $0.55 | ($0.47) | ***$1.60*** | ***$2.04*** |
| DPS | --- | --- | $0.58 | $1.76 | $1.91 | $2.02 | $2.11 | $2.20 | $0.27 | $0.04 | ***$0.04*** | ***$0.06*** |
| Units[2] | --- | --- | 14.3 | 21.8 | 24.5 | 41.0 | 45.4 | 46.8 | 47.5 | 47.5 | ***51.1*** | ***55.0*** |

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 few years, has also contributed to units suffering amid impairment losses, as was the case in 2019, for example. The partnership currently operates with improved fleet uptime (99.4% in Q1), though LNG shipping spot rates are not particularly as a healthy supply of vessels absorbs the increased demand. Deleveraging

[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.
*Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.*

should reduce financial expenses and help EPU grow. However, it's somewhat speculative to project future EPU given the possibility of spot rate headwinds at any point in the medium-term. We feel EPU growth of 5% going forward is a prudent estimate. We have embedded a trivial growth rate of 10% in our DPS calculations due to the currently depressed payouts. Still, future distributions also remain highly speculative as GasLog Partners allocates most of its operating cash flows towards improving the balance sheet. Management's comments in the earnings call make clear DPU growth is not a priority.

## Valuation Analysis

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Now | 2027 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Avg. P/E** | --- | --- | 40.0 | 9.0 | 9.0 | 10.9 | 13.8 | -14.8 | 6.4 | N/A | ***3.0*** | ***3.0*** |
| **Avg. Yld.** | --- | --- | 1.9% | 8.2% | 9.7% | 8.8% | 8.6% | 10.4% | 23.5% | 0.9% | ***0.8%*** | ***1.1%*** |

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. We believe that the P/E will remain relatively stable as GasLog continues to deleverage, hopefully resulting in freeing up of cash for a distribution hike. With all of its operating cash currently used exclusively on deleveraging and paying the preferred dividends, GLOP's distributions, the units' yield, and the valuation multiple are all likely to remain depressed.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

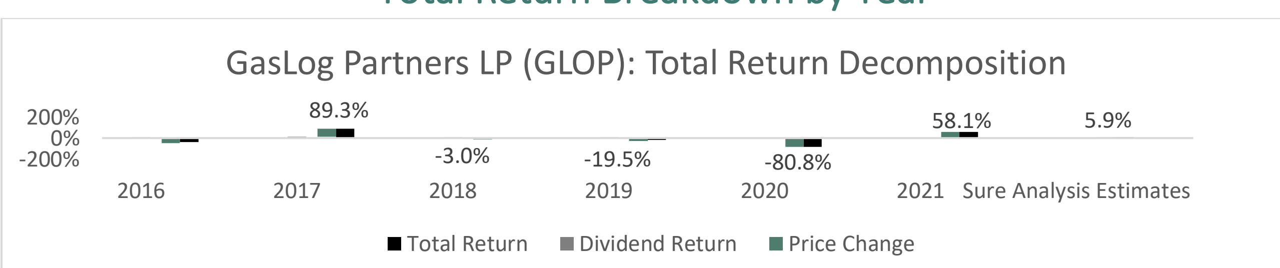
| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2027 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Payout** | --- | --- | 77% | 74% | 88% | 97% | 119% | --- | 49% | --- | 3% | ***3%*** |

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 unitholder-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 investors suffered spectacular losses in the past, as its expensive fleet financing and impairments deteriorated unitholder value. As the partnership continues to operate to mainly service and repay its liabilities, we expect minimal capital returns. That said, the industry is currently enjoying strong tailwinds, which could accelerate GasLog's efforts in improving the balance sheet going forward. We estimate annualized returns of around 5.9%, primarily powered by decent EPU growth prospects in the medium-term. Still, GLOP's returns can be wildly unpredictable, heavily affected by the LNG market and its own cyclicality/rate volatility. Hence, we rate GLOP a hold.

## Total Return Breakdown by Year

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## Income Statement Metrics

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | | 64 | 184 | 249 | 317 | 402 | 383 | 379 | 334 | 326 |
| Gross Profit | | 39 | 107 | 137 | 180 | 233 | 214 | 205 | 165 | 158 |
| Gross Margin | | 60.5% | 57.8% | 55.1% | 56.6% | 58.1% | 56.0% | 54.2% | 49.6% | 48.5% |
| SG&A Exp. | | 2 | 7 | 12 | 13 | 16 | 20 | 19 | 19 | 13 |
| D&A Exp. | | 12 | 40 | 56 | 70 | 87 | 88 | 89 | 83 | 85 |
| Operating Profit | | 37 | 100 | 125 | 167 | 218 | 195 | 186 | 146 | 145 |
| Operating Margin | | 58.1% | 54.1% | 50.3% | 52.5% | 54.2% | 50.8% | 49.1% | 43.9% | 44.5% |
| Net Profit | | - | 15 | 65 | 77 | 94 | 103 | (37) | 57 | 5.7 |
| Net Margin | | 0.0% | 7.9% | 26.2% | 24.3% | 23.4% | 26.8% | -9.9% | 17.0% | 1.7% |
| Free Cash Flow | | (421) | (661) | 129 | (297) | 249 | 172 | 225 | 143 | 214 |

## Balance Sheet Metrics

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | | 582 | 1,388 | 1,817 | 2,544 | 2,732 | 2,696 | 2,397 | 2,333 | 2,132 |
| Cash & Equivalents | | 14 | 47 | 67 | 64 | 154 | 133 | 97 | 104 | 146 |
| Accounts Receivable | | | | 6 | 5 | 4 | | | | --- |
| Inventories | | 1 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 |
| Total Liabilities | | 426 | 834 | 1,074 | 1,624 | 1,606 | 1,443 | 1,431 | 1,379 | 1,212 |
| Accounts Payable | | 1 | 3 | 3 | 3 | 5 | 8 | 17 | 14 | 10 |
| Long-Term Debt | | 386 | 797 | 994 | 1,564 | 1,542 | 1,366 | 1,346 | 1,286 | 1,086 |
| Shareholder's Equity | | 156 | 554 | 743 | 920 | 1,126 | 1,253 | 966 | 954 | 920 |

## Profitability & Per Share Metrics

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | | | 1.5% | 4.1% | 3.5% | 3.6% | 3.8% | -1.5% | 2.4% | 0.3% |
| Return on Equity | | 0.0% | 4.1% | 10.0% | 9.3% | 9.2% | 8.6% | -3.4% | 5.9% | 0.6% |
| ROIC | | | 2.5% | 7.3% | 6.0% | 6.1% | 7.1% | -2.8% | 4.3% | 0.5% |
| Shares Out. | | | 14.3 | 21.8 | 24.5 | 41.0 | 45.4 | 46.8 | 47.5 | 49.5 |
| Revenue/Share | | 6.53 | 9.69 | 8.70 | 9.76 | 8.67 | 8.90 | 8.18 | 6.73 | 6.59 |
| CF/Share | | (42.8) | (34.8) | 4.51 | (9.13) | 5.37 | 4.01 | 4.87 | 2.88 | 4.32 |

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