GasLog Partners LP (GLOP)

Updated May 20th, 2021 by Nikolaos Sismanis

Key Metrics

Current Price:	$3.28	**5 Year CAGR Estimate:**	6.3%	**Market Cap:**	$165M
Fair Value Price:	$4.24	**5 Year Growth Estimate:**	0.0%	**Ex-Dividend Date:**	08/14/2021[1]
% Fair Value:	77%	**5 Year Valuation Multiple Estimate:**	5.2%	**Dividend Payment Date:**	08/20/2021
Dividend Yield:	1.2%	**5 Year Price Target**	$4.24	**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 May 6th, 2021, GasLog Partners LP reported its Q1 results for the period ended March 31st, 2021. Revenues came in at $87 million, 5% lower year-over-year. This was due to the expirations of the initial multi-year time charters of the Methane Rita Andrea and the Methane Shirley Elisabeth with a subsidiary of Royal Dutch Shell, whose contracted rates were higher than the current ones. This was partially offset by Methane Heather Sally achieving higher revenues in the spot market after the expiration of its initial multi-year charter with Shell in January 2021 and decreased off-hire days for scheduled dry-dockings. Net income was $35.4 million, 150% higher than Q1-2020, due to lower financial costs and the company's one-off derivatives loss last year. Consequently, earnings per unit were $0.57 vs. $0.14 last year. The company remains focused on deleveraging. During Q1, it repaid $36 million of debt, reducing its heavy long-term borrowings to $1.15 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 2 years. We expect FY2021's EPU at $1.21, due to upcoming scheduled dry-docking for 5 vessels.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPU[2]	---	---	---	$0.75	$2.38	$2.18	$2.09	$1.77	($1.43)	$0.55	***$1.21***	***$1.21***
DPS	---	---	---	$0.58	$1.76	$1.91	$2.02	$2.11	$2.20	$0.82	***$0.04***	***$0.06***
Units[3]	---	---	---	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

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[1] Estimated dates based on past dividend dates

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

[3] Unit count is in millions.

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price in for the possibility of spot rate headwinds at any point in the medium term, it's very speculative to project future EPU. Hence, we expect stable results. When asked in the earnings call, management reassured investors that it would continue focusing on deleveraging before a potential distribution increase. Hence, we have embedded a growth rate 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	***2.7***	***3.5***
Avg. Yld.	---	---	---	1.9%	8.2%	9.7%	8.8%	8.6%	10.4%	23.5%	***1.2%***	***1.3%***

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. 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.

Safety, Quality, Competitive Advantage, & Recession Resiliency

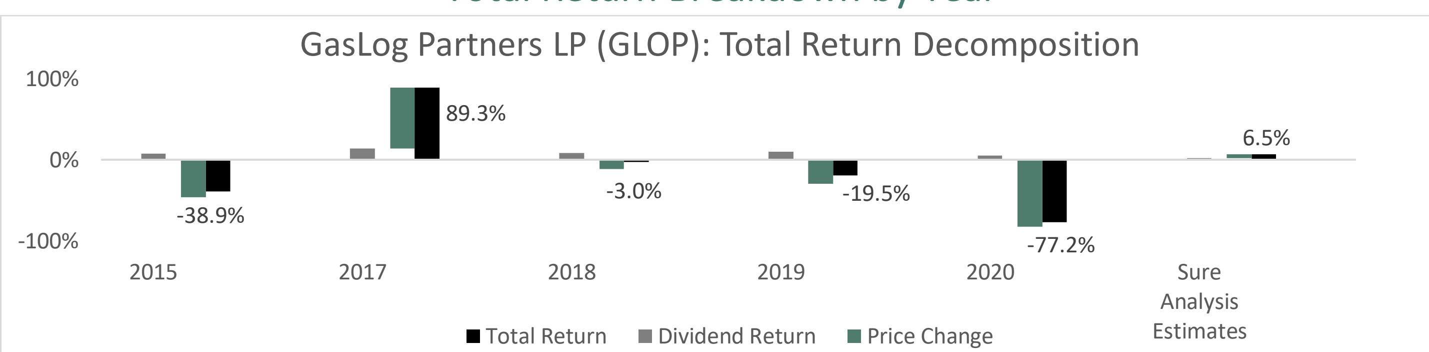
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	---	---	---	77%	74%	88%	97%	119%	---	149%	***3%***	***5%***

We consider the current payout levels, as they are essentially suspended, being just a token at their current rate. While the general Partner GasLog had retained a quality fleet (why it is to be taken private), GasLog Partners was provided with weaker drop downs at deals that were not so 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 company does not have any noteworthy competitive advantages.

Final Thoughts & Recommendation

GasLog Partner's unitholders have suffered spectacular losses over the past few years, as the company's expensive fleet financing and impairments have deteriorated unitholder value. As the company 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 fairer multiple in the medium-term could greatly affect future returns. We are forecasting annualized returns of around 6.5%, primarily powered by such a potential expansion as the partnership improves its balance sheet. However, GLOP's future returns can be wildly unpredictable, heavily affected by the LNG market and its own cyclicality/rate-volatility. We rate GLOP a Hold, though with numerous risks attached.

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.