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Right Place, Right Time

There's a very high premium when investing in energy infrastructure companies on getting the cycle timing right. City Different Investments' Vinson Walden argues that the stars are aligned on that front for Norway-based Golar LNG.

Asked for some historical context on portfolio holding Golar LNG, Vinson Walden of City Different Investments pulls no punches: "It was a classic, multi-year value trap that was too complicated, too cyclical and had too much leverage," he says. "Happily, we were watching from the sidelines." Above $65 in 2014, the company's stock by mid-2020 was at $6.

Walden's take on Golar today is far different. Having streamlined its operations and its balance sheet, the company today is a pure play on liquefied natural gas [LNG]. It owns two LNG tankers and stakes in three listed LNG companies – New Fortress Energy [NFE], Cool Co. [Oslo: COOL] and Avenir LNG [Oslo: AVENIR] – but its primary assets are two giant Floating Liquefied Natural Gas (FLNG) facilities, one up and running off the coast of Cameroon and the other due to be put in service, offshore in Africa under a long-term contract with British Petroleum, by the end of next year. These vessels process offshore gas by cleaning, cooling and preparing it for transport in liquefied form. They can be redeployed to where they're most needed multiple times over their lifespans.

The company appears to have gotten its act together at an opportune time. Walden expects demand for natural gas in general and LNG in particular to remain strong as a cleaner alternative to oil and coal. LNG's transportability allows plentiful gas reserves in remote parts of the world, such as offshore Africa, to compensate for often-limited reserves in high-population-density areas, as in much of Asia.

The calculus for LNG has changed even further with the war in Ukraine. Prior to the war, European countries relied on natural gas for roughly 25% of their energy needs, and 40% of that gas came from Russia. As countries aggressively move to access non-Russian energy sources, LNG will likely play an increasing role. Germany, for example, recently announced plans to build two large LNG regasification facilities to help it wean its reliance on Russian oil and gas.

The improved prospects for Golar haven't been lost on the market – its shares at a recent $25.50 have doubled this year – but Walden believes there's considerable upside to come. Based on the excellent ex-

INVESTMENT SNAPSHOT

Golar LNG
(Nasdaq: GLNG)

Business: Operator of Floating Liquefied Natural Gas [FLNG] facilities that transform gas for transport to customers worldwide.

Share Information (@5/27/22):

Price	**25.45**
52-Week Range	10.01 – 26.60
Dividend Yield	0.0%
Market Cap	$2.75 billion

Financials (TTM):

Revenue	$454.0 million
Operating Profit Margin	86.1%
Net Profit Margin	161.6%

Valuation Metrics
(@5/27/22):

	GLNG	S&P 500
P/E (TTM)	n/a	21.1
Forward P/E (Est.)	10.7	17.6

Largest Institutional Owners
(@3/31/22 or latest filing):

Company	% Owned
Orbis Investments	10.7%
Cobas Asset Mgmt	9.6%
Rubric Capital Mgmt	6.3%

Short Interest (as of 5/15/22):

Shares Short/Float	3.7%

GLNG PRICE HISTORY

THE BOTTOM LINE

The company appears to have gotten its operational and financial house in order at an opportune time in the cycle for liquefied natural gas, says Vinson Walden. At a peer-level 10x EV/EBITDA multiple on his 2024 estimates, the stock would trade at just over $40.

Sources: Company reports, other publicly available information perience with the first FLNG facility, he's confident the second will start up on time and deliver on management's profitability goals. With both vessels up and running, he believes the company can earn around $450 million in EBITDA by 2024, which at what he considers a reasonable peer-level 10x EV/EBITDA would translate into a share price of just over $40.

One potential kicker to the upside: The company is actively assessing whether the changing supply/demand dynamics for LNG argue for it greenlighting two more FLNG assets. It expects to make a decision on that this summer, for completion likely in 2025 or 2026. "I won't give the hyperbolic scenario," he says, "but if that happens, it's very likely to create a lot of additional value." VII

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