

## GOLAR LNG LIMITED (GLNG)

# GLNG: Formally Hits Go Button On MKII

## Commerical Detail

**Golar (GLNG) Reaches FID On MKII FLNG Conversion.** On 9/17, **GLNG** announced FID on the 3.5 MTPA MKII FLNG project and signed a \$1.6B EPC contract with CIMC Raffles for the MKII FLNG conversion of LNGC *Fuji LNG*. Under the EPC contract, Black & Veatch will provide the liquefaction technology, detailed engineering and commissioning support, as it had done for **GLNG's** previous MKI conversions (*Hilli* and *Gimi*). The conversion is expected to be delivered in Q4'27 and **GLNG** holds an option for a second MKII FLNG unit for delivery within 2028. **GLNG** noted the total project budget is \$2.2B, inclusive of the vessel conversion, yard costs, spares, and voyage related costs to deliver the vessel to the project site, translating to a delivery price of ~\$600/ton of LNG. To date, **GLNG** has spent ~\$300MM of the total conversion cost and is ~63% complete on long lead item procurement.

**Our Initial Thoughts.** The MKII FID marks a significant milestone for **GLNG**, it's 3<sup>rd</sup> FLNG asset and 2<sup>nd</sup> (technically) ordered on spec. While it's certainly a sign of commercial conviction, there's still a lingering question of *where the asset will go*. The most likely scenarios involve the MKII going to PAE in Argentina. **GLNG** currently holds an option to swap the 3.5MTPA MKII for the 2.4MTPA *Hilli* in PAE's project in Argentina for the 3.5MTPA MKII FLNG unit, which would release the *Hilli* to find employment elsewhere (where we know there's firm interest, albeit not at the price points desired). Alternatively, the MKII could be used as a 2<sup>nd</sup> FLNG asset for PAE, provided the requisite pipe and inland infrastructure is built. Of those options, the 2<sup>nd</sup> (should it come together) would likely be the best-case scenario for **GLNG**, as it would more closely align the assets with the nameplate production ramp, avoiding lower utilization (a dynamic **GLNG** investors are familiar with). The key here is the optionality. We believe there are a number of FLNG projects picking up momentum globally – which we'll touch on in our post-Gastech notes, and executing on the MKII just makes sense – particularly compared to potentially losing the berth.

**Valuation & NAV.** Amid the bullish sentiment from the FID, we'd be remiss to not highlight that what was *effectively* announced was simply a CAPEX commitment. The guidance around ~\$500MM of annual EBITDA based on *potential charter terms inline with the most recent long-term FLNG charter agreements* implies an attractive entry multiple on the asset, but it's illustrative. There's going to be an inclination for the Street to price in the asset and accretion at those levels, and while we tend to think that level of cash generation could be in the ball-park, it's well outside of what we're hearing around other opportunities, and there's still execution risk in play. Ultimately, we think **GLNG** can continue to thread the needle here and end up with at least 3, if not 4-5 FLNG assets in play by the end of the decade, we'll continue to reflect that execution risk and lack of commercial clarity in our NAV model.

**Price Target:** \$42 (from \$38) based on 1.0x our probability-weighted NAVe of \$42/share. **Outperform.**

...continued

Stock Rating	Outperform
Price Target	\$42.00
Current Price	\$33.99
Upside/Downside	23.6%

52 Week Range \$19.94-\$36.52



Source: FactSet

Market Cap (\$MM)	\$3,563
Enterprise Value (\$MM)	\$4,803
Dividend Yield	2.91%
CF Yield	N/A
P/E (NTM)	15.2x
EV/EBITDA (NTM)	N/A
Debt to Cap	25%

Weber ESG Quartile	2 <sup>nd</sup> (Average)
Carbon Disclosure	Yes

## Energy Infrastructure

**Greg Wasikowski, CFA**

646-993-0694

greg.wasikowski@webberresearch.com

**Alexander Bidwell**

347-352-4417

alexander.bidwell@webberresearch.com

...continued

Figure 1. Updated Webber GLNG NAV

Probability-Weighted NAV		Corporate	Owned LNG Carriers <sup>(1)</sup>	Mark I <sup>(4)</sup> (up to 2.7MTPA)	Mark II <sup>(4)</sup> (up to 3.5MTPA)	Mark III <sup>(4)</sup> (up to 5.0MTPA)	FLNG Hilli Episeyo <sup>(5)</sup>				Tortue FLNG - BP Gimi (#3) <sup>(5, 6)</sup>	Avenir Small Scale LNG
(\$ in Millions Except Per Share Amount)	Total						Hilli: Asset/Toll (94.6% of Trains 1,2)	Hilli: Brent-Linked CF (Trains 1-2) <sup>(7)</sup>	Hilli: PAE (Base) <sup>(2)</sup>	Hilli: PAE Brent-Linked CF <sup>(8)</sup>		
Normalized EBITDA (for JVs, just GLNG's share)	\$2,519			\$270	\$350	\$1,250	\$170	\$47	\$244	\$38	\$151	
Multiple	6.4x			8.0x	8.0x	6.0x	2.3x	2.3x	9.0x	7.0x	8.5x	
Forward Asset Value	\$16,938		\$115	\$2,160	\$2,800	\$7,500	\$383	\$105	\$2,196	\$263	\$1,279	\$138
Cash <sup>(1)</sup>	\$547	\$547										
Probability Weighting				5%	75%	10%	100%	100%	75%	90%	100%	100%
Probability Weighted Asset Value	\$6,746			\$108	\$2,100	\$750	\$383	\$105	\$1,647	\$236	\$1,279	\$138
Associated Forward Debt (including GLNG's JV Share)	\$6,458	\$200	\$11	\$810	\$1,050	\$3,400	\$546				\$441	
Other Assets	\$270		\$270									
Stock Price												
GLNG Ownership (%)											70%	23%
Implied Value	\$5,206	\$347	\$374	\$68	\$1,313	\$410	-\$163	\$105	\$1,647	\$236	\$838	\$31
Share Count	104	104	104	104	104	104	104	104	104	104	104	104
Forward NAV/Share (Undiscounted by Asset)	\$50.05	\$3.34	\$3.60	\$0.65	\$12.62	\$3.94	(\$1.57)	\$1.01	\$15.84	\$2.27	\$8.06	\$0.30
Forward NAV/Share Per Asset (Discounted)	\$42.37	\$3.34	\$3.60	\$0.50	\$9.75	\$2.79	(\$1.57)	\$1.01	\$12.77	\$1.83	\$8.06	\$0.30
GLNG Probability-Weighted NAV (Discounted)	\$42											

(1) \$115MM asset reflects a steam vessel value based on our DCF Carrier Value Curve and \$11MM represents debt associated with the remaining LNG carrier, Golar Arctic. \$547MM represents cash and restricted cash.  
 (2) Assumes \$244MM base for PAE Contract, based on 90% utilization on 2.45 MTPA and \$2.6/mmbtu base tariff.  
 (3) \$383MM Reflects 94.6% of the existing Hilli value, post dropdown (5% owned by Keppel, 0.4% owned by B&V).  
 (4) Comped against Tortue EBITDA  
 (5) \$1,279MM reflects the value of the converted Gimi FLNG (represents GLNG's 70% stake).  
 (6) Gimi's \$151MM preliminary EBITDA estimate is based on company's guidance of \$215MM annual EBITDA (represents its 70% stake).  
 (7) Assumes \$75/bbl Brent (crude) price over life of contract, and a slope between \$60-100/bbl, which equates to roughly \$3.1MM of EBITDA for every dollar beyond \$60/bbl (GLNG has an 89.1% economic interest in Brent-linked earnings)  
 (8) Assumes \$75/bbl Brent (crude) price over life of contract, and a slope between \$60-100/bbl, which equates to roughly \$2.5MM of EBITDA for every dollar beyond \$60/bbl (GLNG has an 89.1% economic interest in Brent-linked earnings)

Source: Webber Research & Advisory, LLC estimates, Company filings

Figure 2. GLNG Asset Level Obligations Vs. Market Value

(\$MM)	Contractual Debt / Lease Obligation 6/30/2024	Webber Est. Market Value	Implied Equity Value
<b>GLNG LNG Carriers (Spot) - Debt/Capital Lease Obligations</b>			
Golar Arctic (Steam)	\$11	\$37	\$26
<b>Total</b>	<b>\$11</b>	<b>\$37</b>	<b>\$26</b>
<b>Non-VIE Debt</b>			
Norwegian Bond	\$200		
<b>Capital Lease Obligations</b>			
Golar Hilli Episeyo (94.55%)	\$546	\$2,464	\$1,918
Gimi (70%)	\$441	\$236	(\$205)
<b>Total Contractual Debt</b>	<b>\$1,198</b>	<b>\$2,738</b>	<b>\$1,740</b>

Source: Webber Research & Advisory, LLC estimates, Company filings

Figure 3. GLNG Repayment Schedule

(\$MM)	2024	2025	2026	2027	2028
<b>Capital Lease Obligations Between Golar And The Lessor VIE</b>					
Golar Hilli Episeyo	(\$21)	(\$42)	(\$42)	(\$42)	(\$42)
<b>Total</b>	<b>(\$21)</b>	<b>(\$42)</b>	<b>(\$42)</b>	<b>(\$42)</b>	<b>(\$42)</b>
<b>Non-VIE Debt</b>					
Norwegian Bond	\$0	(\$200)	\$0	\$0	\$0
Golar Arctic (Steam)	(\$11)	\$0	\$0	\$0	\$0
Gimi	(\$29)	(\$58)	(\$58)	(\$58)	(\$58)
<b>Total Contractual Capital Repayments</b>	<b>(\$61.2)</b>	<b>(\$300.5)</b>	<b>(\$100.5)</b>	<b>(\$100.5)</b>	<b>(\$100.5)</b>

Source: Webber Research & Advisory, LLC estimates, Company filings

**Important Disclosures, Disclaimers and Limitations of Liability Certification.** The views expressed herein reflect the personal views of the research analyst(s) on the subject securities or issuers referred to. No part of any Webber Research & Advisory LLC ("Webber") research analyst's compensation is or will be directly or indirectly related to the specific recommendations or views expressed.

This publication has been reviewed by Webber in order to verify compliance with Webber's internal policies on timeliness, against insider trading, disclosures regarding ratings systems, conflicts, and disciplinary matters.

**No Advice or Solicitation.** Webber is an independent research provider and is not a member of the FINRA or the SIPC and is not a registered broker-dealer or investment adviser. The reader acknowledges the following: (1) you are capable of making your own investment decisions and are not doing so in reliance of the content provided in this document; (2) neither Webber or any individual author of this material is recommending or selling any securities to you; and (3) the content contained herein has not been tailored to any person's specific investment objectives and is not intended or provided as investment advice.

The information contained herein is not intended to be an inducement, invitation or commitment to purchase, provide or sell any securities, or to provide any recommendations on which individuals should rely for financial, securities, investment or other advice or to make any decision. Information herein is for informational purposes only and should not be construed by a potential subscriber as a solicitation to effect or attempt to effect transactions in securities, or the rendering of personalized investment advice for compensation. Webber will not render specific investment advice to any individual or company and the content contained herein has not been tailored to the individual financial circumstances or objectives of any recipient. The securities and issuers discussed herein may not be suitable for the reader.

Webber recommends that readers independently evaluate each issuer, security or instrument discussed herein and consult any independent advisors they believe necessary prior to making any investment decisions. Investment decisions should be made as part of an overall portfolio strategy and you should consult with professional financial, legal and tax advisors prior to making any investment decision.

**For Informational Purposes Only.** This publication is provided for information purposes only, is not comprehensive and has not been prepared for any other purpose. All information contained herein is provided "as is" for use at your own risk. The views and information in this publication are those of the author(s) and are subject to change without notice. Webber has no obligation and assumes no responsibility to update its opinions or information in this publication. The information contained in this publication whether charts, articles, or any other statement or statements regarding market, stocks or other financial information has been obtained from sources that Webber believes to be reliable, however Webber does not represent, warrant or guarantee that it is accurate, complete or timely. Nothing herein should be interpreted to state or imply that past results are an indication of future performance.

**Rating System.** Webber Research's ratings of the stocks of issuers are based on a stock's total forecasted return over the next 12 months. Webber divides its coverage into three ratings: Outperform, Market Perform, or Underperform (see definitions below), backed by a 12 Month price target. Each analyst has a single price target on the stocks that they cover. The price target represents that analyst's expectation of where the stock will trade in the next 12 months. Upside/downside scenarios, where provided, represent identified potential upside/potential downside to each analyst's price target over the same 12-month period. Outperform - Current stock price generally represents upside to our 12-month price target of 20%+. Underperform - Current stock price generally represents downside to our 12-month price target of 20%+. Market Perform - Current stock generally represents limited opportunities on both the long and short side over 12-month period.

The entire contents of this publication should be carefully read, including the definitions of all ratings. No inferences of its contents should be drawn from the ratings alone.

**Disclaimer Regarding Forward Looking Statements.** The information herein may include forward looking statements which are based on our current opinions, expectations and projections. All ratings and price targets are subject to the realization of the assumptions on which analyst(s) based their views. The assumptions are subject to significant uncertainties and contingencies which may change materially in response to small changes in one or more of the assumptions. No representation or warranty is made as to the reasonableness of the assumptions that contributed to the rating or target price or as to any other financial information contained herein. Webber undertakes no obligation to update or revise any forward looking statements. Actual results could differ materially from those anticipated in any forward looking statements. Nothing herein should be interpreted to state or imply that past results or events are an indication of future performance.

From time to time Webber and/or its employees act as consultants for companies within its covered sectors. The materials provided by Webber Research include investment research from individuals that are also registered representatives of an unaffiliated broker-dealer, which has and may receive compensation from issuers or companies under coverage. To mitigate any potential conflicts of interest, the individuals adhere to the policies and protocols of both Webber and the broker-dealer as well as any applicable restrictions published and provided by the company.

**IRS Circular 230 Prepared Materials Disclaimer.** Webber does not provide tax advice and nothing contained herein should be construed to be tax advice. Please be advised that any discussion of U.S. tax matters contained herein (including any attachments) (i) is not intended or written to be used, and cannot be used, by you for the purpose of avoiding U.S. tax-related obligations or penalties; and (ii) was written to support the promotion or marketing of the transactions or other matters addressed herein. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

**No Warranties.** Webber disclaims to the fullest extent permitted by law any warranties and representations of any kind, whether express or implied, including, without limitation, warranties of merchantability or fitness, for any purpose and accuracy or for any other warranty which may otherwise be applicable or created by operation of law, custom, trade usage or course of dealings. Webber makes no representation that (i) the content will meet your requirements, (ii) the content will be uninterrupted, timely, secure, or error free, or (iii) the information that may be obtained from the use of the content (including any information and materials herein) will be compliant, correct, complete, accurate or reliable. THERE ARE NO WARRANTIES EXPRESSED OR IMPLIED, AS TO ACCURACY, COMPLETENESS, OR RESULTS OBTAINED FROM ANY INFORMATION.

**Disclaimer of Liability.** We shall not accept any liability with respect to the accuracy or completeness of any information herein, or omitted to be included herein, or any information provided, or omitted to be provided, by any third party. We shall not be liable for any errors or inaccuracies, regardless of cause, or the lack of timeliness, or for any delay, error or interruption in the transmission thereof to the user. TO THE FULLEST EXTENT PERMITTED BY LAW IN YOUR JURISDICTION, IN NO EVENT SHALL WEBBER BE LIABLE FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL PUNITIVE, SPECIAL OR INCIDENTAL OR OTHER DAMAGES ARISING OUT OF THE CONTENT.

Reproduction and Distribution Strictly Prohibited. © Copyright Webber Research & Advisory LLC. No part of this publication or its contents may be downloaded, stored in a retrieval system, further transmitted, or otherwise reproduced or redistributed in any manner without the prior written permission of Webber. The contents herein are directed at, and produced for the exclusive use of Webber clients and intended recipients. No license is granted to Webber clients and/or the intended recipient Webber will not treat unauthorized recipients of this publication