GasLog Partners: parents, daughters and gas tankers

By Barry Parker from New York

Last week GasLog Partners LP filed a prospectus that sets the stage for a public listing of up to $203m worth of its partnership units, similar to shares in a corporation.

This new entity, expected to be priced between $19 and $21 per unit, is an offshoot of GasLog, the LNG specialist headed by the highly respected Graham Westgarth, which went public in April 2012. At a price of $20 per unit, the annualised yield would be 7.5%. For comparison, Dynagas LNG Partners yields 6.7%, Golar LNG Partners yields 6.75%, and Teekay LNG yields 6.46%.

GasLog the sponsor of the partnership, currently has a fleet of 21 ships, including 14 vessels on the water, including three secondhand ships that were acquired from BG Group- the company's leading charterer, in April 2014, and three additional secondhand ships being acquired from BG Group. Additionally, seven LNG carriers are on order from Samsung with deliveries scheduled mainly in 2016.

On a recent Capital Link conference call, shipping investment banker Eric Schless from Wells Fargo Securities, explained that "...it's not a coincidence that the parent companies are the incubators of MLPs". MLPs, are a specific form of partnership structure most familiar from the oil pipeline business, but the designation can be applied to shipping companies transporting liquid barrels or LNG.

As contemplated, the new partnership will purchase three 155,000 m3 2013-built vessels from the parent/sponsor: the GasLog Shanghai, GasLog Santiago, and the GasLog Sydney. The vessels are all on charter to BG, with expiries in 2018 and 2019 followed by optional periods. Once the offering is complete, and assuming $20/unit pricing, the capitalisation of the partnership will be $571m - including approximately $300m of existing bank debt (with lenders including KEXIM, DNB, ABN, Nordea and Citi) transferred to the new entity.

On the same Capital Link conference presentation, discussing relationships between parent and daughter companies generally, Schless, added that: "There's a symbiotic relationship between the two." In this case, the two entities will be joined at the hip. The partnership will have the option of purchasing up to 12 additional vessels, including five on order, from GasLog, within three years of commencement on charters- 10 to BG and two for Shell.

The broader context is that MLP universe continues to grow; these structures are permitted for US listed companies in businesses related to energy supply chains. There are now approximately 130 true MLPs, with seven involved in maritime activity. There are additional shipping securities structured as partnerships that do not fit the precise U.S. tax definitions of MLPs. The Wells Fargo banker, in his remarks, said: “Investors are viewing shipping as a proxy for the overall economy, particularly energy.” As he reiterated, “An interesting way to play [the] energy supply chain is to invest in a shipping company that’s moving LPG or LNG.” Several investment packagers are including shipping holdings within their funds that hold baskets of MLPs.

As an example, a listing of the holdings in one Exchange Traded Fund (an ETF, similar to a mutual fund), the “Yorkville High Income MLP ETF” with $290 million of assets, reads like a “Who’s Who” of shipping partnerships. Its major holdings include Teekay Offshore Partners, Teekay LNG Partners, Golar LNG Partners, Navios Maritime Partners, and Capital Products Partners. Also on its list is Seadrill Partners, a vehicle which is an offshoot of Seadrill. Once the new GasLog partnership is launched, fund packagers such as Yorkville ETF Advisors will have an additional security to place in their portfolios.