



## Liquefied Natural Gas Ltd (LNG.ASX)

### IDG Energy taking an interest

#### Event:

- **A\$28.2M placement with IDG Energy Investment Group.**

#### Investment Highlights:

- **A\$28.2M share placement:** LNG has announced it has entered into a binding agreement with IDG Energy Investment Group Ltd (650.HK) for a share placement of 56.4M LNG shares at A\$0.50/share. The placement price is at a 14.1% premium to the 30 day VWAP of A\$0.44 for the period ended 1 June.
- Following share placement close, IDG Energy Investment will hold a 9.9% interest in LNG. Settlement is expected to be completed on or before 15 June 2018, and issued shares will be voluntarily escrowed for 180 days after closing. The company notes there are no outstanding conditions precedent for close.
- **Shores up LNG balance sheet:** we estimate the company will have more than A\$50M cash at placement close, with share placement gross proceeds of A\$28.2M, before costs. At current cash burn rate (A\$5.7M in FY18Q3a), the placement proceeds ensure the company's runway well into CY2020. The company will use net proceeds for continuing Magnolia LNG offtake marketing efforts and general corporate purposes.
- **Strategic partner with Asian networks:** IDG Energy Investment is a Hong Kong listed investment holding company focused on global energy assets investment and management. It has a wide-ranging portfolio along the LNG value chain, including investments in China's first non-state-owned LNG receiving terminal at Guandong and a significant Canadian LNG export terminal under development. Other energy assets include an upstream crude oil block in China, and an Eagle Ford shale block. IDG Energy Investment is affiliated with IDG Capital which has US\$20B assets under management.
- **Leveraging IDG network to translate into Magnolia offtake momentum:** we hold the view there is potential for the company to leverage its strategic partnership with IDG to its established networks to facilitate Magnolia LNG offtake agreements. Additional opportunities to market LNG volumes exist given IDG Energy Investment's portfolio of infrastructure investments, including regasification interests.
- **Targeting FID by CY18e end:** we continue to hold the view future updates on Magnolia offtake will signal FID. The company has expectations for FID near CY18e end, and this placement signals strong interest from a large, strategic, connected partner. LNG continues detailed negotiations with a range of new, emerging, and traditional buyers across Europe and Asia; we are hopeful that the IDG placement brings additional credibility weight as well as introduction access to established Asian networks to lock down offtake.

#### Earnings, Valuation and Recommendation:

- **We have an unchanged recommendation of Speculative Buy for LNG.** LNG's Magnolia is shovel ready, fully permitted, and has a guaranteed production EPC contract in place, as it works towards securing offtake agreements for the proposed Magnolia project ahead of an investment decision.
- **Key catalysts for the stock include:** continued recovery in global demand to catch up to LNG supply; securing contracts totalling 6Mtpa output (75% of 8Mtpa nameplate); final investment decision; construction.

Recommendation	Speculative Buy
Previous	Speculative Buy
Risk	Very High
Price Target	N/A
Previous Target	N/A
Share Price (A\$)	\$ 0.50
ASX Code	LNG
52 week low - high (A\$)	0.37-0.71
Capital structure	
Shares on Issue (M)	514
Market Cap (A\$M)	257
Net Cash/(Debt) (A\$M)	28
EV (A\$m)	229
Options (M)	15
Warrants (M)	0
12mth Av Daily Volume ('000)	1,987
Board	
Mr Paul J. Cavicchi	Non-Executive Chairman
Mr Gregory Vesey	MD and CEO
Mr Richard Beresford	Non-Executive Director
Ms Leeanne Bond	Non-Executive Director
Mr Philip D. Moeller	Non-Executive Director
Mr D. Michael Steuert	Non-Executive Director
Major Shareholders	
The Baupost Group LLC	12.1%
Valinor Management LLC	8.2%

#### Price Graph



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**The analyst does not own LNG securities.**

**Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 1,191,069 LNG shares.**

**Cranport Pty Ltd owns 5,750,000 LNG shares.**