



Liquefied Natural Gas Ltd (LNG.ASX)

Trade Deal Would Increase Magnolia Offtake Chances

Event:

- US-China trade deal progress.

Investment Highlights:

- Trade deal between US and China is in 'final stages', countries close to finalising a pact:** China has reportedly offered to lower tariffs on a host of US products including farm, chemical, automotive, and other products, while the US could potentially remove sanctions on Chinese products. While the exact timing and terms remain fluid, we view progress on this front as a powerful potential catalyst for LNG, and greatly increases the likelihood of Magnolia offtake announcements.
- Finalised trade deal would remove perceived overhang for Chinese offtake partners for US LNG, with a resolution catalysing offtake in our view.** We note the company continued to make substantial progress with Asian counterparties over the December quarter despite 'uneven trade rhetoric'. LNG also noted progress with European counterparties, so offtake agreements are not wholly reliant on Chinese offtakers.
- We are of the view that the company has effectively leveraged IDG Energy's network for progress and momentum on Magnolia offtake.** We hold the view that the IDG Energy relationship has elevated and advanced negotiations for LNG; but for the uncertainty caused by the recent US-China trade tension, offtake agreements with Chinese customers were less likely to precede a US-China rapprochement.
- The company recently filed an application to amend the capacity and increase the export of LNG up to 8.8Mtpa from 8Mtpa,** which we view as an additional encouraging update.
- We continue to anticipate future updates on Magnolia offtake will signal FID.**
- The company remains well funded with A\$36.6M cash and no debt at 31 December.** Net operating cash outflow was A\$10.5M for the December quarter, with the uptick from prior quarters due to one time charges for work performed with Kinder Morgan Louisiana Pipeline (KMLP) and KSJV, as well as work on the project's pipeline capacity and engineering, and EPC elements.

Earnings, Valuation and Recommendation:

- We have an unchanged recommendation of Speculative Buy for LNG.** Any Further progress on or the finalisation of a US-China trade deal will have a positive impact on the chances of Magnolia offtake announcements.
- We continue to note 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 FID.
- Key catalysts for the stock include:** continued recovery in global demand to catch up to LNG supply; progress on US-China trade; securing contracted offtake agreements; final investment decision; construction.

Disclosure

The analyst does not own LNG securities. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 1,027,069 LNG shares.

Cranport Pty Ltd owns 5,100,000 LNG shares.

Refer to disclosures at end of report for details.

Recommendation

Previous	Speculative Buy
Risk	Very High

Price Target

Previous Target	N/A
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Share Price (A\$)

ASX Code	LNG
52 week low - high (A\$)	0.40-0.815

Capital structure

Shares on Issue (M)	571
Market Cap (A\$M)	266
Net Cash/(Debt) (A\$M)	37
EV (A\$m)	229
Options (M)	17
Warrants (M)	0
12mth Av Daily Volume ('000)	1,950

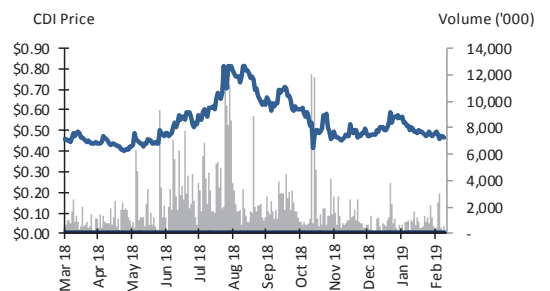
Board

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	10.9%
Mulliner Investment Ltd	9.9%
Valinor Management LLC	7.3%

Price Graph



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