



Rating
Hold

North America
Bermuda

Industrials
Shipping

Company
Teekay LNG Partners

Reuters TGP.N Bloomberg TGP US Exchange NYS Ticker TGP

Date
15 November 2018

Results

Price at 14 Nov 2018 (USD)	14.41
Price Target	17.00
52-week range	20.75 - 13.95

Q3 first look

Teekay LNG Partners reported Q3 adjusted EPS of \$0.16, below our \$0.26 estimate and consensus of \$0.27. The EPS miss was driven by a lower than expected topline with net revenue of \$115.4M missing consensus of \$124.7M due to softer results for the Gas segment. Despite the miss, TGP was able to grow net income 44% sequentially and increase cash flow from vessel ops (CFVO) 15% as the company continues to take delivery of its newbuild program. To this point, Teekay has taken delivery of eight vessels YTD and has another seven on order (Plus Bahrain regas terminal), all of which are already contracted out on long-term charters which will be immediately accretive to EPS/CF. The company announced that it intends to amend its tax structure to be treated as a corporation instead of a partnership (subject to shareholder approval). One of the reasons for our Hold-rated initiation last month was due to uncertainty over TGP's corporate structure. While the company is set-up as an MLP, Teekay runs the business like a C-Corporation with a current distribution coverage ratio in the 4.0x range. The move would give TGP more flexibility to delever and explore growth prospects. While the transition could allow for a valuation uplift over time (no longer valued on yield), there could be near-term headwinds given potential turnover in the shareholder base along with tax implications. Teekay announced 2019 distribution guidance of \$0.76 per unit, 36% growth compared to 2018 but below market expectations as TGP elects to keep a coverage ratio above 4.0x which speaks to the company's desire to transition away from being an MLP. Teekay sold two older Suezmax crude tankers during the quarter for combined proceeds of \$29M, a strong price as TGP took advantage of firming crude tanker markets to dispose of non-core assets. While TGP will continue to ramp cash generation over coming quarters, we remain Hold rated as we prefer peers with more spot exposure given where we are in the cycle. **Net/net** We would expect a slightly negative reaction to the stock to reflect the Q3 miss. While the company has hinted at moving away from its MLP status, the announcement could also weigh on today's trading. The company will host a conference call today at 11 am ET. Dial-in is 888-204-4368 (U.S.) and 647-484-0478 (Int'l) with passcode 7444729.

Valuation & Risks

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15 November 2018
 Shipping
 Teekay LNG Partners



Appendix 1

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Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
Teekay LNG Partners	TGP.N	14.41 (USD) 14 Nov 2018	14

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Historical recommendations and target price. Teekay LNG Partners (TGP.N)

(as of 11/14/2018)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

** Analyst is no longer at Deutsche Bank

1. 10/10/2018 Hold, Target Price Change USD 17.00 Chris, CFA Snyder

Equity Rating Key

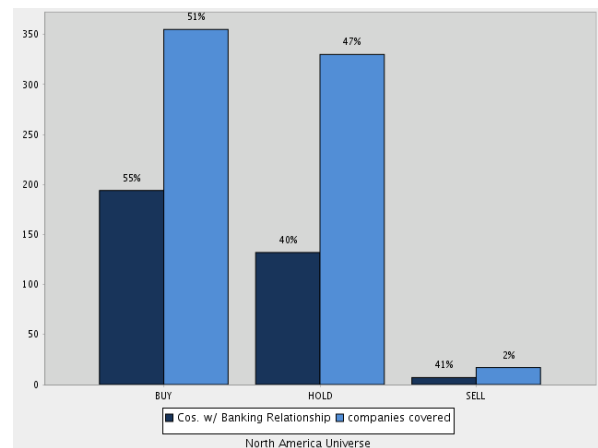
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Equity rating dispersion and banking relationships



15 November 2018
Shipping
Teekay LNG Partners



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15 November 2018

Shipping

Teekay LNG Partners



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15 November 2018
 Shipping
 Teekay LNG Partners



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15 November 2018

Shipping

Teekay LNG Partners



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15 November 2018
Shipping
Teekay LNG Partners



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