Golar LNG

Seger Fund Proposal

Presented by Nick Bale, Derek Ballas, Sam Macalpine

Agenda

Golar LNG

1	COMPANY OVERVIEW
2	INDUSTRY AND MACROECONOMIC ANALYSIS
3	FINANCIAL OVERVIEW
4	DCF AND RATIO ANALYSIS
5	FINAL RECOMMENDATION AND INVESTMENT RISKS

Company Description

Golar LNG

- Golar LNG operates in the LNG production segment. They own and operate a fleet of FLNG vessels.
- They typically lease their FLNG vessels to super major oil companies, like BP, with long-term contracts usually between 5-10+ years
- Company makes money 2 ways, a fixed fee and a variable rate based on natural gas prices(European/Dutch prices) and oil prices
- GLNG strengthens its position in the LNG industry by investing in many LNG production ventures as well as LNG infrastructure development projects

Existing FLNG Assets

FLNG Hilli (in operation)

FLNG Gimi (under construction)

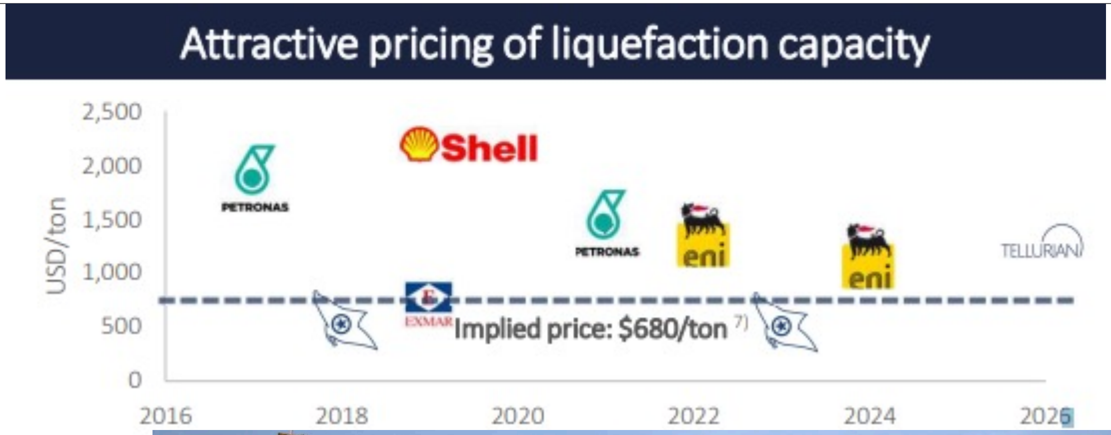
Existing LNGC Assets

Fuji (for MKII FLNG conversion)

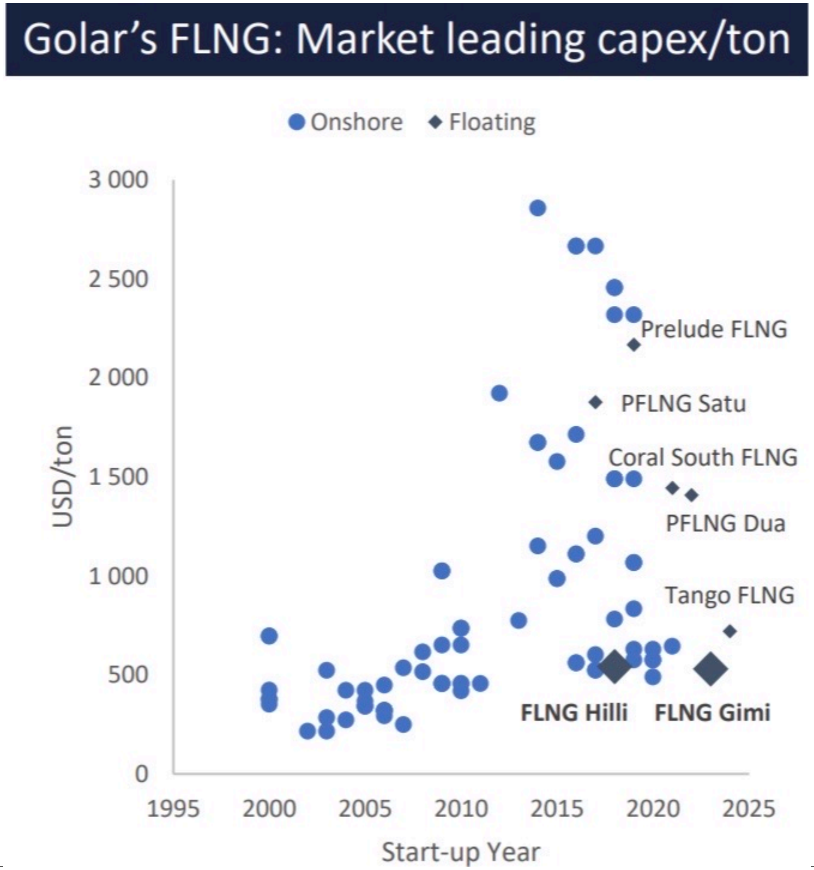
Golar Arctic[2)]

Company Description- Benefits of FLNG

- Own 2 out of 6 in the world
- Ability to move is unique and allows the company to reach better opportunities
- Golar's FLNG vessels can produce LNG at 40-50% of the cost of a land-based LNG facility
- Industry capacity extremely limited by time and capex to build leading to great terms for already built vessels
- FLNG vessels can be deployed in areas that lack the necessary onshore infrastructure.



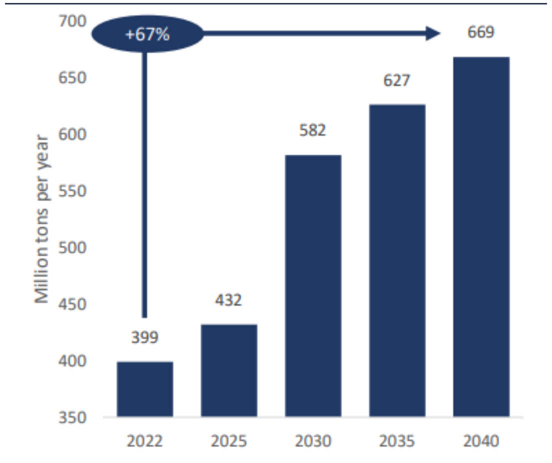
Company Description- Benefits of FLNG



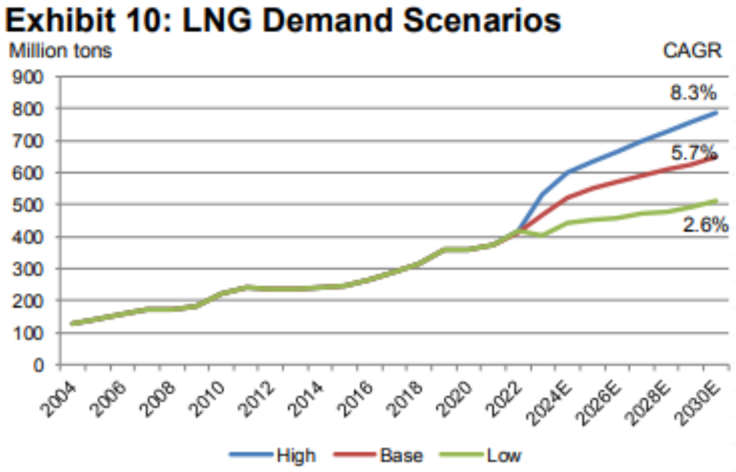
Golar LNG

Industry Analysis – LNG and Natural Gas

- LNG considered the bridge fuel of the energy transition
- Being heavily invested into by oil supermajors – huge energy growth market
- Demand continuing to increase
- Ukraine War significantly increased LNG demand to Europe

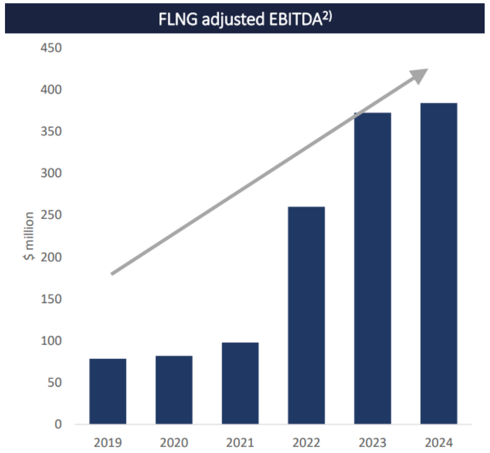


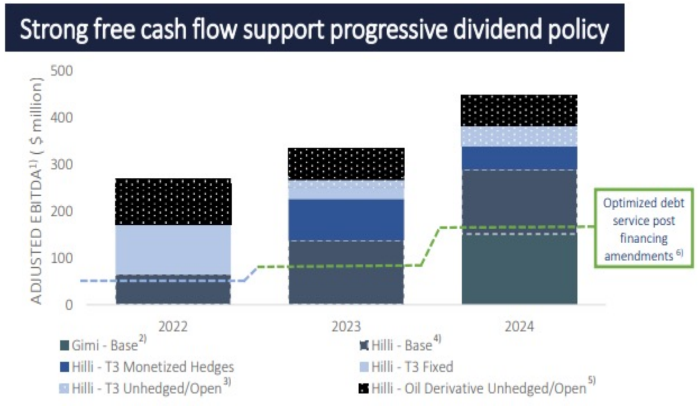
- Global LNG demand forecast to grow[1)] by ~70% by 2040 or 3% CAGR



Financial Overview – Large Future Cashflow Increases

- Legacy FLNG vessel to be rechartered in 2026, current utilization at 58%, management plans to increase this at a new location
- New FLNG vessel #2 to launch in Q4 2023, contracted for 90-100% utilization with BP
- FLNG vessel #3 planned, launch in 2026 with "better terms then current charters"
- Baseline EBITDA expected to double from 2022 to 2024

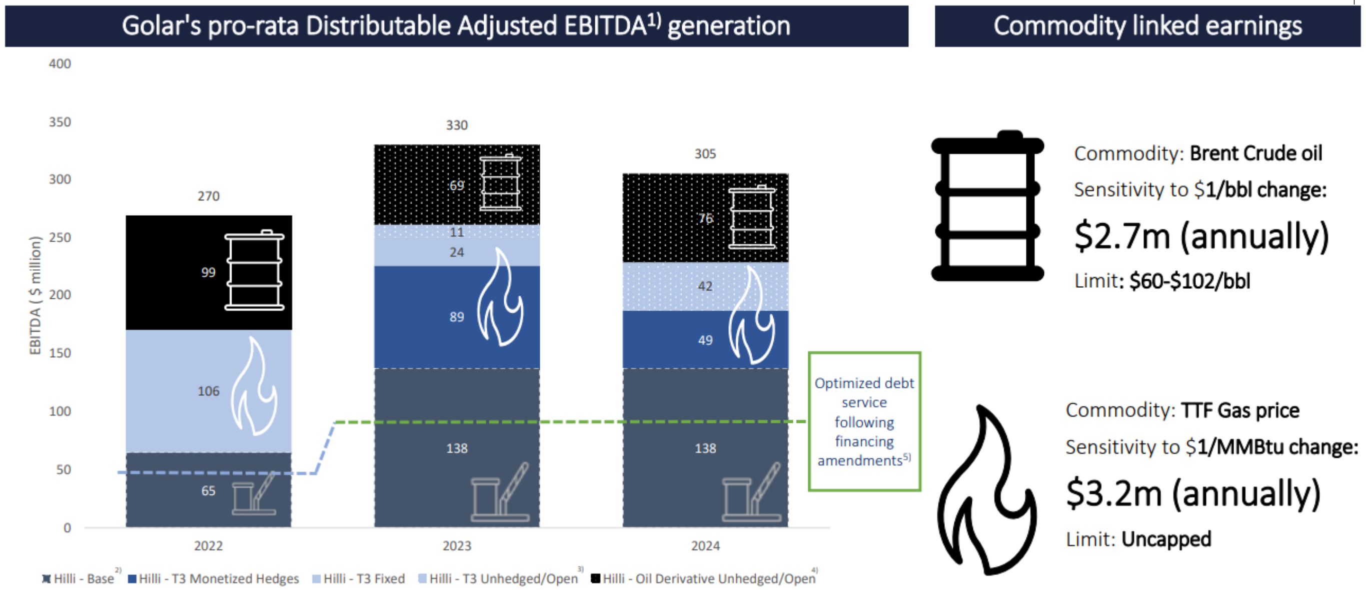




Golar LNG

Financial Overview – Unique Earnings Structure

- The spike in gas prices following the Ukraine War allowed the company to produce $1 billion in FCF in 2022. This has allowed for significant deleveraging
- This chart represents only one ship, but illustrate how earnings can change from year to year
- Can completely finance themselves with no variable commodity-based earnings



Financial Overview – Only Industry Company with Low Debt

- Ukraine War allowed the company to delever leading to significantly lower debt then competitors
- Ability to finance continued growth without stretching leverage ratios unlike competitors
- Able to handle higher for longer rates

Total Golar cash and TTF hedging receivable[8)]	~$1bn
Adjusted Golar's share of Contractual Debt, net of Total Golar Cash[8)]	$190m
Shareholder return	$0.25/q dividend & $150m buyback program

Ticker	Net Debt/ Cap	Debt/ EBITDA	2023E EV/EBITDA	2024E EV/EBITDA
GLNG	12.8%	3.6x	9.6x	6.7x
NFE	70.2%	4.9x	6.0x	5.2x
EE	59.1%	2.0x	7.0x	7.2x
LNG	65.8%	2.4x	7.5x	11.0x
FLNG	64.8%	6.5x	10.7x	10.4x
Average	**52.0%**	**3.2x**	**7.5x**	**7.5x**

Ratio Analysis

- P/E below competitors even with earnings growth and $1b cash on balance sheet
- Price to FCF of 8 indicates an ability for reinvestment, dividends, and share buybacks
- Similar to utilities, industry cash flow is typically hampered by large debt burdens

Key Ratio Analysis					
Firm	**GLNG**	**NFE**	**EE**	**LNG**	**Average**
FWD P/E	**11.7**	11.7	23.0	15.4	15.4
P/E TTM	**25.9**	17.3	14.4	5.1	15.7
FWD EV/EBITDA	**6.7**	5.2	7.0	11.0	0.0
Price/FCF	**8.0**	9.8	8.0	5.0	7.7
Debt/Equity	**0.41**	3.50	0.35	3.85	2.03
Debt/Assets	**0.28**	0.59	0.21	0.60	0.42

Discounted Cash Flow Analysis

- WACC of 8.95%
- Long term growth rate of 2.46%
- Fair value per share of 42.57
- Beta of 0.68
- **76.2% Undervalued**

Price Target: $42.57

		Long-Term Growth Rate				
	$ 42.57	0.50%	1.25%	2%	2.81%	3.50%
WACC	6%	55	65	79	102	133
	7%	43	50	59	72	88
	8.95%	28	32	37	43	49
	10%	23	26	29	33	38
	11%	19	21	24	27	30

Terminal Value		
Numerator	$	494,301
Denominator		6.94%
Terminal value	$	7,121,461
Present value of terminal value	$	4,639,835
Add first five years	$	(78,087)
Enterprise value	$	4,561,748
Less: Net debt	$	34,292
Equity value	**$**	**4,596,040**
Value per share	$	42.57
Share price as of 10/21/23	$	24.16
% Undervalued		**76.22%**

Investment Risks

Interest Rates

- Cost to borrow goes up significantly
- Could hinder growth going forward
- Currently able to borrow for a newbuild at SOFR + 336 bps, but all current debt is swapped for fixed at 2.46%

Commodity Prices

- Brent oil prices fall below $60 and natural gas prices fall further
- Unlikely due to current market tightness and geopolitical tensions

Technological Risk

- Newbuild could be above cost and take longer to build

Market Risk

- General equity risk
- Recession risk could drive down price in short/medium term
- Recession could lower commodity prices

Final Recommendation

- Propose buying $13,000 or 5% of the portfolio
- Great stock for growth at a reasonable price
- Industry leader in a growing energy market
- Cheap at 11x p/e compared to 17x S&P 500

Total Golar cash and TTF hedging receivable[8)]	~$1bn
Adjusted Golar's share of Contractual Debt, net of Total Golar Cash[8)]	$190m
Shareholder return	$0.25/q dividend & $150m buyback program