

Trinidad and Tobago NGL Limited Results for the First Quarter Ended March 31, 2017

Earnings Per Share

For the First Quarter Ended March 31, 2017 (Q117), Trinidad and Tobago NGL Limited (TTNGL) reported Earnings Per Share (EPS) of \$0.37, up 85.00 per cent or \$0.17 per share on the corresponding period's EPS of \$0.20 in fiscal 2016.

Financial Highlights (Q117 on Q116)

	Q117	Q116	\$ Change	% Change	YE16
	\$'000	\$'000	Q117 - Q116	Q117 - Q116	\$'000
			\$'000		
Income					
Share of profit from investment in joint venture	57,227	31,087	26,140	84.09%	163,955
Interest income	186	0	186	0.00%	219
Total Income	57,413	31,087	26,326	84.68%	164,174
Expenses					
Impairment reversal	0	0	0	0.00%	17,831
Legal and professional fees	(129)	0	(129)	0.00%	(704)
Other expenses	0	(688)	688	-100.00%	(956)
Profit/(loss) before tax	57,284	30,399	26,885	88.44%	180,345
Income tax expense	(358)	(190)	(168)	88.42%	(777)
Profit/(loss) for the period	56,926	30,209	26,717	88.44%	179,568
EPS					
Basic	\$0.37	\$0.20	\$0.17	85.00%	\$1.16
Diluted	\$0.37	\$0.20	\$0.17	85.00%	\$1.16

TTNGL's earnings are derived from its 39 per cent shareholding in Phoenix Park Gas Processors Limited (PPGPL), whose core business consists of natural gas processing and the export of natural gas liquids (NGLs), namely propane, butane and natural gasoline.

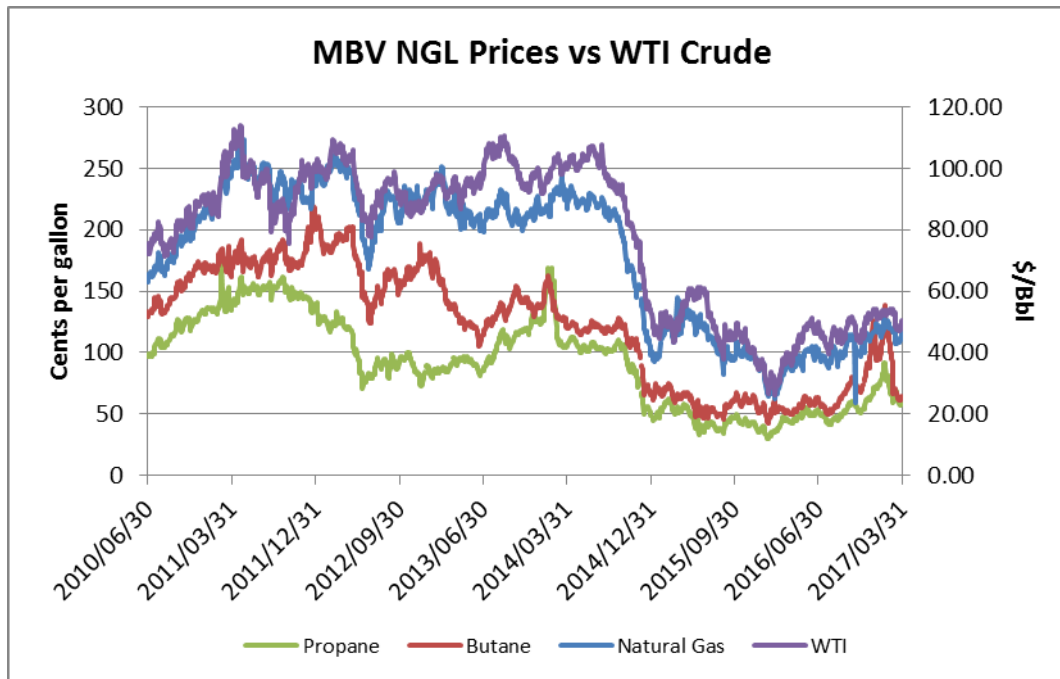
Share of Profit from its Investment in Joint Venture, PPGPL, rose an outstanding 84.09 per cent or \$26.14MM from \$31.09MM in Q116 to \$57.23MM in Q117. Interest Income amounted to \$0.19MM in Q117 which resulted in Total Income closing the period under review at \$57.41MM, up 84.68 per cent or \$26.33MM from Q116's total of \$31.09MM.

During Q117, TTNGL incurred Legal and Professional Fees of \$0.13MM which also included Director's fees and travelling allowance. Thus Profit Before Tax for the three month period totaled \$57.28MM, up 88.44 per cent or \$26.89MM from \$30.40MM in Q116.

PPGPL utilizes the Mont Belvieu (MBV) price as the reference point for its NGLs sales. As seen in *Graph 1* below, the prices of PPGPL's products (propane, butane and natural gasoline) have a

close correlation to crude oil prices and are thus exposed to the same price shocks that crude oil prices experience. The average price for West Texas Intermediate (WTI) crude oil for the year to May 2017 was US\$51/barrel, a significant increase from the low of US\$26.21 in February 2016. The United States Energy Information Administration (EIA) forecasts that WTI crude oil prices will average about US\$51/barrel in 2017 and \$54/barrel in 2018.

Graph 1



As stated by the Chairman, while PPGPL continues to be challenged by lower natural gas volumes to Point Lisas for processing, the improved performance at PPGPL was directly related to improved MBV prices, sustained cost management initiatives and initiation of planned market activity. As at May 2017, the MBV price of propane was up approximately 22 per cent, the price of butane was up 8 per cent and the price of natural gasoline was up 5 per cent when compared to prices in May 2016.

However, despite the increases in the prices of propane, butane and natural gasoline over the last year, we can see from *Graph 2* that the production of NGLs has been on a downward trajectory. Production of NGLs from PPGPL fell 16.18 per cent to 9.21 million barrels in 2016 from 10.99 million barrels in 2015. Q117 on Q116, production is down 9.08 per cent from 2.50 million barrels to 2.28 million barrels.

Additionally we can see from *Table 1* that exports of propane, butane and natural gasoline from PPGPL are on the decline. Exports of NGLs fell 21.47 per cent to 8.00 million bbls in 2016 from 10.18 million bbls in 2015. On a positive note, thus far for the year we are seeing improvements in the exports of NGLs moving from 2.09 million bbls in Q116 to 2.40 million bbls in Q117 which represents an increase of 14.66 per cent (see *Table 2*).

Graph 2

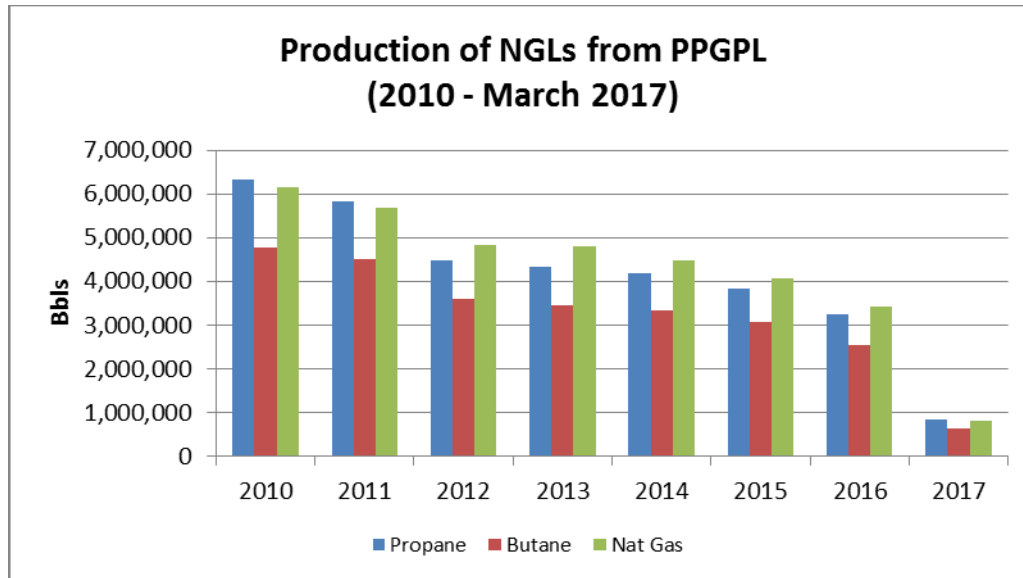


Table 1

Export of NGLs from PPGPL (in Bbls)				
	Propane	Butane	Natural Gasoline	Total
2000	2,829,480	1,679,493	2,147,260	6,656,233
2005	3,411,145	2,903,935	3,734,963	10,050,043
2010	6,082,201	4,640,252	6,179,884	16,902,337
2015	3,814,115	1,886,153	4,481,400	10,181,668
2016	3,012,370	1,380,530	3,603,083	7,995,983

Table 2

Export of NGLs from PPGPL (in Bbls)				
	Propane	Butane	Natural Gasoline	Total
Jan-17	311,409	139,336	329,692	780,437
Feb-17	329,007	240,431	305,010	874,448
Mar-17	176,978	249,304	319,222	745,504
Total	817,394	629,071	953,924	2,400,389
Export of NGLs from PPGPL (in Bbls)				
	Propane	Butane	Natural Gasoline	Total
Jan-16	336,460	159,814	301,989	798,263
Feb-16	166,018	107,231	299,259	572,508
Mar-16	264,583	158,152	300,006	722,741
Total	767,061	425,197	901,254	2,093,512

PPGPL also receives revenue by fractionating NGLs supplied by Atlantic LNG Company of Trinidad and Tobago's (ALNG) liquefied natural gas plants and then marketing the products from ALNG Train 1 and ALNG Trains 2 and 3. *Table 3* shows that NGL sales from ALNG have also been on the decline due in part to gas curtailment issues.

Table 3

NGL Sales & Deliveries from ALNG (Bbls)					
	Train 1	Train 2	Train 3	Train 4	Total
2010	2,445,563	1,015,611	2,091,624	2,912,463	8,465,261
2011	2,251,742	1,021,871	1,948,180	2,590,625	7,812,418
2012	1,959,139	821,048	1,827,133	2,220,309	6,827,629
2013	1,875,133	888,023	1,542,135	2,511,934	6,817,225
2014	1,707,057	1,009,807	1,525,289	2,272,400	6,514,553
2015	1,511,206	917,766	1,124,935	2,071,747	5,625,654
2016	1,367,323	423,512	789,500	2,033,404	4,613,739

Overall, TTNGL continues to operate in an environment of lower commodity prices and gas supply shortages resulting in lower production levels. On a positive note, we should start to see some recovery as the following projects due to come on stream in 2017 and beyond, should assist in alleviating some of the gas supply constraints and thus boost gas production:

- On June 1, 2017, BP Trinidad and Tobago (bpTT) announced that it has made two significant gas discoveries with the Savannah and Macadamia exploration wells, offshore Trinidad. The results of these wells have unlocked approximately two trillion cubic feet (tcf) of gas in place to underpin new developments in these areas post 2021.
- bpTT announced on June 1, 2017 the sanction for the development of its Angelin offshore gas project. The development will include four wells and will have a production capacity of approximately 600 million standard cubic feet of gas per day (mmscf/d). Drilling is due to commence in the third quarter of 2018 and first gas from the facility is expected in the first quarter of 2019.
- Another major bpTT project expected to yield additional gas supply in the third quarter of 2017 is the Juniper Project. Juniper is projected to add up to 590 mmscf/d of natural gas when fully operational.
- In Q217, bpTT announced the start-up of the Trinidad Regional Onshore Compression (TROC) project – one of seven major upstream projects bpTT expects to bring online in 2017. When fully onstream, the TROC facility has the potential to deliver approximately 200 mmscf/d of gas per day.
- On March 15, 2017, a new gas export agreement was signed between the Government of Venezuela and the Government of Trinidad and Tobago to supply gas to Trinidad through the National Gas Company of Trinidad and Tobago and Shell. The agreement covers the construction, operation and maintenance of a gas pipeline that goes from the Dragon Field located in the north-east of the Paria Peninsula, Sucre State, to the Hibiscus Field in Trinidad. The supply from the Dragon field is estimated at producing between 200 and 300 mmscf/d within two to three years.

With increased production, exports of NGLs from PPGPL should also see some improvement.



Second Public Offering

Offer for sale by the National Gas Company of Trinidad and Tobago Limited of its 40,248,000 Class B Shares in Trinidad and Tobago NGL Limited at \$21.00 per share. The Offer opened on Monday June 5, 2017 and is expected to close on Wednesday June 28, 2017. If fully subscribed, the Offer would raise \$845.208MM.

At the current price of \$21.01 the trailing P/E ratio is 15.8 times and the historic dividend yield is 7.14 per cent. Dividend payments received from PPGPL are in US dollars and this offers investors a hedge against the depreciation of the TT dollar against the US dollar. TTNGL has the highest dividend yield on the Trinidad and Tobago Stock Exchange. In addition, going forward, TTNGL has the option to declare and pay dividends in either TT dollars or US dollars.

Financial Year End	December 31
Symbol on TTSE	NGL
Issued Share Capital	116.10MM
Market Capitalization	\$2.50B
Current Price (as at June 7, 2017)	\$21.01
52 Week Price Range	\$20.30 - \$24.75
Trailing EPS	\$1.33
Trailing Price to Earnings Multiple	15.8 x
Current Book Value/Share	\$21.08
Price to Book	1.0 x
Return on Equity	6.9%
Return on Assets	6.7%
Dividend Yield	7.1%

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