

Trinidad and Tobago NGL Limited Results for the Year Ended December 31, 2016

Earnings Per Share

For the Year Ended December 31, 2016 (YE16), Trinidad and Tobago NGL Limited (TTNGL) reported Earnings Per Share (EPS) of \$1.16, down 51.67 per cent or \$1.24 per share on the corresponding period's EPS of \$2.40 in fiscal 2015.

Financial Highlights (YE16 on YE15)

	YE16 \$'000	YE15 \$'000	\$ Change YE16 - YE15 \$'000	% Change YE16 - YE15
Income				
Share of profit from investment in joint venture	163,955	136,279	27,676	20.31%
Interest income	219	0	219	0.00%
Total Income	164,174	136,279	27,895	20.47%
Expenses				
Impairment reversal	17,831	235,195	(217,364)	-92.42%
Legal and professional fees	(704)	(55)	(649)	1180.00%
Other expenses	(956)	(282)	(674)	239.01%
Profit/(loss) before tax	180,345	371,137	(190,792)	-51.41%
Income tax expense	(777)	(305)	(472)	154.75%
Profit/(loss) for the period	179,568	370,832	(191,264)	-51.58%
EPS				
Basic	\$1.16	\$2.40	-\$1.24	-51.67%
Diluted	\$1.16	\$2.40	-\$1.24	-51.67%

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.

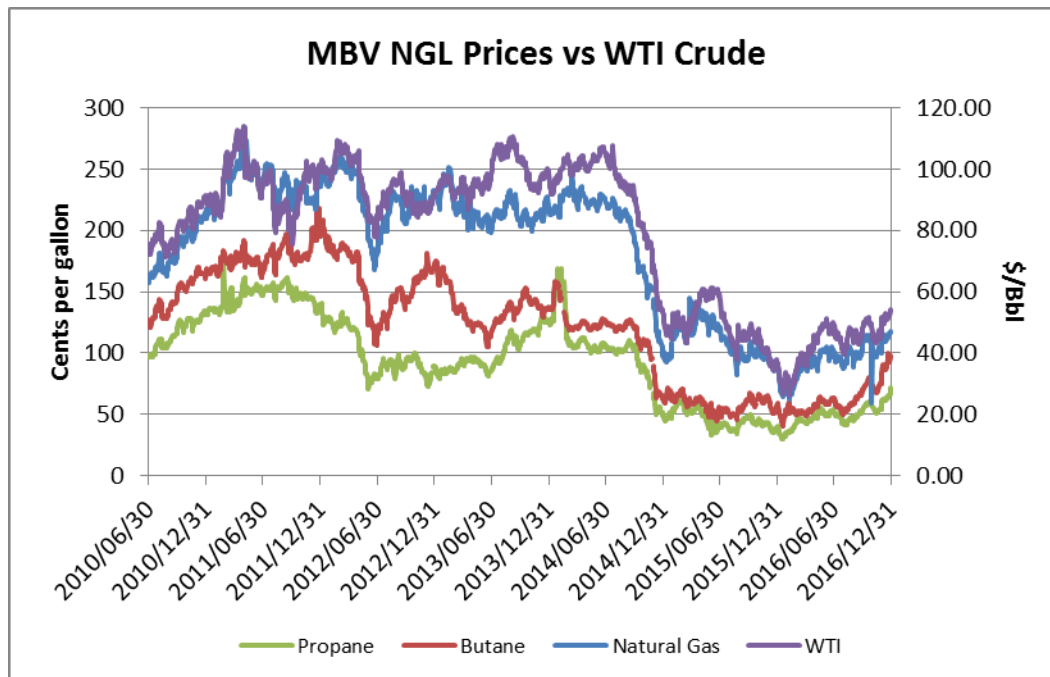
For YE16, the Share of Profit from Investment in Joint Venture, PPGPL, rose 20.31 per cent or \$27.68MM from \$136.28MM in YE15 to \$163.96MM in YE16. As stated by the Chairman, this improved performance at PPGPL was directly linked to the deliberate efforts of the Company to rationalize expenses in the face of lowered NGLs production caused by continued gas supply challenges and lowered NGL product prices. The Chairman further added that while NGL product prices stabilized in 2016, it was 2 per cent lower in 2016 than in 2015.

In 2016, TTNGL recorded an Impairment Reversal of \$17.83MM, in relation to a \$1.1B impairment loss that was recognized in 2014. This reversal is in addition to the impairment reversal of \$235.20MM that was reported in 2015. Excluding these one-offs, TTNGL would have reported EPS of \$0.88 in YE15 and \$1.05 in YE16 which is an improvement of 19.32 per cent.

Profit Before Tax closed the year under review at \$180.35MM, down 51.41 per cent or \$190.79MM from \$371.14MM in the YE15.

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 in 2016 was US\$43/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\$54/barrel in 2017 and \$56/barrel in 2018.

Graph 1



In addition to lower NGL product prices, *Graph 2* shows 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. 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 21.46 per cent to 8.00 million bbls in 2016 from 10.18 million bbls in 2015.

Graph 2

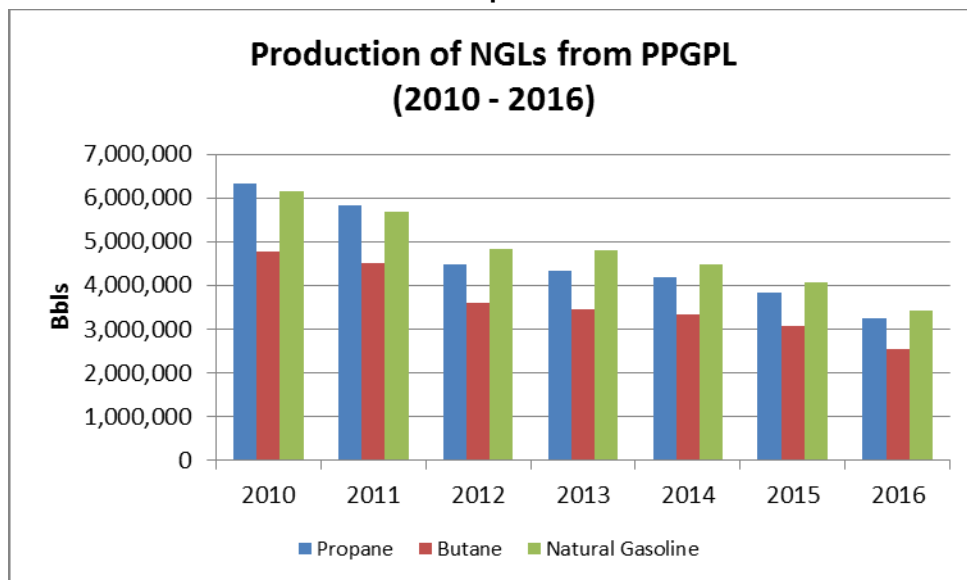


Table 1

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

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 2* shows that NGL sales from ALNG have also been on the decline due in part to gas curtailment issues.

Table 2

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:

- In the 2016/2017 budget review, the Minister of Finance mentioned that the Angostura Phase 3 oil and gas field and the Sercan gas field are expected to begin production in the fourth quarter of 2016. Production from these fields are then expected to improve in 2017 to 2018. The DeNovo and Angelin fields are anticipated to come on stream in 2018.
- BP Trinidad and Tobago's (bpTT) Juniper platform is likely to begin production in the third quarter of 2017. Juniper is expected to add up to 590 million standard cubic feet per day (mmscf/d) of natural gas when fully operational.
- 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. Venezuela's Minister of Petroleum, Nelson Martinez, stated that the initial idea is to start 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

In the 2016/2017 Budget, the Minister of Finance announced the proposed disposal by the National Gas Company of its residual 51 per cent shareholding in TTNGL. This measure is expected to generate revenue of \$1.5B.

Dividends

The Board of Directors declared a final dividend of \$1.00 per share (2015: \$1.00) which when coupled with the interim dividend of \$0.50 brings the total dividend paid for fiscal 2016 to \$1.50 (2015: \$1.50). The final dividend will be paid on April 12, 2017 to shareholders on record as at March 28, 2017.

At the current price of \$22.84 the P/E ratio is 19.7 times and the historic dividend yield is 6.57 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 one of the higher dividend yields on the Trinidad and Tobago Stock Exchange.

Financial Year End	December 31
Symbol on TTSE	NGL
Issued Share Capital	116.10MM
Market Capitalization	\$2.44B
Current Price (as at March 22, 2017)	\$22.84
52 Week Price Range	\$19.07 - \$24.75
EPS	\$1.16



**Equity Research
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Price to Earnings Multiple	19.7 x
Current Book Value/Share	\$21.71
Price to Book	1.1 x
Return on Equity	5.4%
Return on Assets	5.4%
Dividend Yield	6.6%

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