

Hoegh MLP Is A Hold And Maybe A Buy For Some

Jan. 13, 2022 4:12 PM ET | Höegh LNG Partners LP (HMLP) | 29 Comments | 17 Likes

Summary

- Hoegh MLP is an excellent company subject to an inadequate insider takeover bid.
- Many comments on SA articles about Hoegh show massive dissatisfaction among the MLP unitholders, including myself. A Norwegian investment newspaper has called it a hijack.
- That bid now faces legal challenges.
- I cannot add much to that but will express my reasons for staying with HMLP.
- They are mostly the same as those in a 2020 article in which I featured HMLP as a buy.



alvarez/E+ via Getty Images

Hoegh MLP ([HMLP](#)) is a world leader in LNG Floating Storage and Regasification Units - FSRUs. Those vessels can also be used to transport LNG.

An excellent SA article on [Hoegh by Andres Rueda](#) and its ability to **sustain the high dividend** was published on March 30, 2020. Nonetheless the market punished HMLP as it did most companies in the Covid panic.

An MLP is structured to pay dividends and one was paid reliably every quarter from early 2015 then increased over the next 2 years to the equivalent of \$1.75 per unit on annualised basis which meant around 10% - rather nice and especially knowing it was safe given statements by the Chairman, such as "All our assets are operating according to contracts, and we are in close dialogue with all our customers to make sure any issues are addressed in a coordinated manner".

Similar statements had been made regularly in quarterly reports when *contractual problems* with a customer in Indonesia had long been known - since around 2015 - if I am putting statements from the customer into context correctly.

Those statements from the Chairman and others I mention later in this article are [all press releases from the Hoegh MLP's website](#) unless otherwise stated.

The Board did not read that SA article nor those regular Chairman comments and cut the dividend from that \$1.75 to \$0.04 punishing the stock price still further.

The board's reasons were subsequently found to be shallow and formed the basis for their inadequate takeover bid that is being disputed.

I shall expand on that dispute later but first will say more about the company and why I like it - seemingly the same reasons those insiders want it all for themselves.

Hoegh MLP

FSRUs have established themselves as the preferred mode of access to the global LNG market, with multiple clear advantages over traditional onshore import terminals.

- Less capital intensive (c. 1/2 of the installation cost)
- Faster to install (down to 6 months vs. 4-5 years)
- Flexibility (to relocate the FSRU or use it as an LNG Carrier)

In addition to the standard FSRU setup with pipeline to shore with regasified LNG, it can serve as a hub for LNG such as:

- Small-scale distribution at sea - reloading LNG to smaller carriers serving other demand centers
- Small-scale distribution onshore - reloading LNG on to trucks for onwards distribution by road
- Bunkering - providing LNG as marine fuel, directly or by smaller shuttles
- Connectivity to shore - adaptable to local conditions by jetty or other mooring solutions

The vessels normally work on long term, fixed rate contracts and can also be used for short term emergency back up use plus those mentioned above.

It costs an enormous amount of money to build onshore facilities and often they take years to get approved by bureaucracies determined to stop anything from happening.

While they bicker **LNG demand is going up** and will continue to do so done many years to come [as shown in this research by Shell](#).

At present parts of Europe have an energy crisis due to lack of gas and are competing with China and India to get LNG. I wrote about that in a recently published article [T'Winners for Twenty Twenty Two: Tellurian and Chart Industries](#)

In normal times I could easily have included HMLP as one of those but the inadequate buy-out offer has totally upended normal times in value and ethical terms leading to...

The Dispute

The buy-out offer by HLNG is not really an offer in any normal meaning of the word because unit holders are not being given the choice of rejecting it. The "offerers" intend to take something we own as partnership unit holders at a price much less than most of us paid for it. The people judging over the fairness of this appear to be loaded in HLNG's favour

The board used an alleged contract infringement by a customer in Indonesia as the main reason in order to conserve cash because a refinancing had been interrupted and the top company, HLNG, had insufficient money to tide things over. At the same time, they said they would continue operating the FSRU on site in Indonesia as required by the very contract they claim the other side had breached.

In my view Indonesia is an important part of this story. I had many years experience dealing with Indonesia when heading up the operations of leading US and German companies in the region. Indonesia is one of the most corrupt countries in the world. [Transparency International ranks it the 102nd out of the 180 countries that it measures.](#) For comparison the US is number 25.

Almost anything can be arranged there for a price! All dealing with it know about that and normally ensure payments are secure before supplying goods or services.

That should have been even more so with this customer - PGN - because it was known it supposedly had [little money](#) in 2015. Indonesian state-owned gas firm PT Perusahaan Gas Negara, PGN, is a unit of Pertamina. One's head spins as since it is state owned it has money!

In any event if a customer stops paying - and this is the case anywhere in the world - the normal thing is to stop supplying the goods or services. The vessel could have easily been moved elsewhere and earned money on short term contracts. HMLP continued to supply its services as normal!

When the issue was brought to light [HMLP never spelled out the details of the problem as this report on the dispute in July, 2021, makes clear](#). Nor did they tell us that the customer - PGN - was seeking to terminate the contract in 2015 as mentioned in that report. Statements such as this for the 3rd quarter of 2019 were the norm in quarterly reports since; Steffen Føreid, Chief Executive Officer and Chief Financial Officer stated: "*Höegh LNG Partners' assets all performed according to contract and at 100% availability in the quarter*".

This statement in the 3rd quarter 2020 results from the Sveinung J.S. Støhle, the then Chairman of Höegh LNG Partners and President & CEO of Höegh LNG repeated that and made a reassuring comment about customers: "All our assets are operating according to contracts, and we are in close dialogue with all our customers to make sure any issues are addressed in a coordinated manner"

Other sources of news not long after tell a different story. This one by [Argus Media](#) stated "Utilisation at the Lampung import terminal has held low since it came on line in 2014, receiving just three cargoes so far this year with no deliveries in 2020 and six a year earlier."

HMLP supposedly just continued to work as normal and instead they used the dispute that seemingly was not affecting operations to cut the dividend and now as an excuse to buy-out the company at a low price. Strange they suddenly found money to buy a company they had told us they had no money to rescue just a short time before when "*all our assets are performing according to contract.*"

This active takeover planning mostly appears to have started around the time the board of HLNG was taken over by Morgan Stanley appointees - the four named as a Director below:

Havard Furu	Chief Executive Officer, Chief Financial Officer of Hoegh LNG GP LLC	-	46	2020
Tonesan Amissah	Director of Hoegh LNG GP LLC	-	--	2021
Alberto Donzelli	Director of Hoegh LNG GP LLC	-	--	2021
Carlo Ravizza	Director of Hoegh LNG GP LLC	-	--	2021
John Veech	Director of Hoegh LNG GP LLC	-	56	2021
Kathleen Mcallister	Independent Director of Hoegh LNG GP LLC	-	57	2017
Robert Shaw	Independent Director of Hoegh LNG GP LLC	-	65	2014
David Spivak	Independent Director Hoegh LNG GP LLC	-	53	2014

Officers and Directors data as of Dec 28, 2021,

One of those is the top man of Morgan Stanley Infrastructure Partners: "Mr. Alberto Donzelli serves as Director of Hoegh LNG GP LLC of the Company. Mr. Alberto Donzelli is a Managing Director and co-head of Europe for MSIP. He also serves as a director of Hoegh LNG Holdings Ltd. ("Hoegh LNG)". The bios of all the directors and that quote is from the [company website list of directors](#)

None of the executive directors - including the CEO who is described as being interim on that list - has any experience actually managing such a company! And none of those appointed in 2021 has any management experience in a similar company at all nor in a related sector.

Morgan Stanley is not among my favourites as it did something similar with a Chinese company that I invested in on the NYSE that got hijacked in a smart way and investors lost all.

No doubt it employs an army of lawyers to ensure what it does is legal but being legal does not make it correct. As do not steal because the law tells us not to, we don't because we know it to be wrong.

What makes this story even more questionable in all ways is the timing. On December 6, 2021, HLNG made its takeover offer for HMLP. On December 24, 2021 - just 18 days later - HMLP announced **"the Partnership closed a refinancing of the commercial tranche's outstanding amount of \$15.5 million in full. The refinanced *PGN FSRU Lampung* debt facility's commercial tranche will amortize with equal quarterly installments to zero by June 2026"**

Suddenly that problem we were led to believe could lead HMLP into bankruptcy was solved. And, of course, that nice new board knew nothing about this when it made its takeover bid at a manipulated down low price.

Unsurprisingly some are questioning this, including the legality of it, and challenges were started long before this "problem" was solved.

I am not a lawyer and this is an investment idea article but I shall mention some views by others that challenge this takeover bid...

Challenges

First is one by a US law firm who made this announcement:

NEW YORK, Nov. 4, 2021 /PRNewswire/ -- **Quote: "Pomerantz LLP** announces that a class action lawsuit has been filed against Höegh LNG Partners LP ("Höegh LNG" or the "Partnership") (NYSE: [HMLP](#)) and certain of its officers. The class action, filed in the United States District Court for the District of New Jersey, and docketed under 21-cv-19613, is on behalf of persons or entities who purchased or otherwise acquired publicly traded Partnership securities between April 3, 2020 and July 27, 2021, inclusive (the "Class Period"). Plaintiff seeks to recover compensable damages caused by Defendants' violations of the federal securities laws under the Securities Exchange Act of 1934 (the "Exchange Act").

The Partnership was formed by Höegh LNG Holdings Ltd., a leading floating liquefied natural gas ("LNG") service provider. The Partnership's purported strategy is to own, operate, and acquire floating storage and regasification units ("FSRUs") and associated LNG infrastructure assets under long-term charters. The Partnership has interests in five FSRUs, including the *PGN FSRU Lampung* based in Indonesia. Through agreements and business structures briefly described below, the Partnership has a 100% economic interest in the *PGN FSRU Lampung*.

The complaint alleges that, throughout the Class Period, Defendants made materially false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) the Partnership was facing issues with the PGN FSRU Lampung charter; (2) as a result, the PGN FSRU Lampung charterer would state that it would commence arbitration to declare the charter null and void, and/or to terminate the charter, and/or seek damages; (3) the Partnership would need to find alternative refinancing for its PGN FSRU Lampung credit facility; (4) the PGN FSRU Lampung credit facility matured in September 2021, not October 2021 as previously stated; (5) the Partnership would be forced to accept less favorable refinancing terms with regards to the PGN FSRU Lampung credit facility; (6) Höegh LNG would not extend the revolving credit line to the Partnership past its maturation date; (7) Höegh LNG would reveal that it "will have very limited capacity to extend any additional advances to the Partnership beyond what is currently drawn under the facility"; (8) as a result of the foregoing, the Partnership would essentially end distributions to common units holders; (9) the COVID-19 pandemic was not the sole or root cause of the Partnership's issues in Indonesia, in 2019, before the pandemic, there were already a very low amount of demand in Indonesia for the Partnership's gas; (10) the auditing, tax, nor maintenance of PGN FSRU Lampung were not the sole or root cause(S) of the Partnership's issues in Indonesia; and (11) as a result, Defendants' statements about its business, operations, and prospects, were materially false and misleading and/or lacked a reasonable basis at all relevant times.

On July 27, 2021, the Partnership issued a press release which announced that: (i) the Partnership had reduced its quarterly cash distribution to \$0.01 per common unit, down from a distribution of \$0.44 per common unit in the first quarter of 2021; (II) the refinancing of the *PGN FSRU Lampung* credit facility, which had been scheduled to close by the end of the second quarter of 2021, was not yet completed due to the failure by the charterer of the *PGN FSRU Lampung* to consent to and countersign certain customary documents related to the new credit facility; (III) the *PGN FSRU Lampung* charterer stated that it will commence arbitration to declare the charter null and void, and/or to terminate the charter, and/or seek damages in relation to the operations of the vessel and its charter; (iv) the revolving credit line of \$85 million from Höegh LNG will not be extended when it matures on January 1, 2023; and (V) Höegh LNG will have very limited capacity to extend any additional advances to the Partnership beyond what is currently drawn under the facility.

On this news, the Partnership's common unit price fell \$11.57 per common unit, or 64%, to close at \$6.30 per common unit on July 28, 2021, on unusually heavy trading volume, damaging investors." **End quote.**

Something I find interesting is **the lack of statements from any of the overnight displaced former board members - their silence is deafening.**

The Chairman of the top company - part of the family that intends to own the whole business - said to a [Norwegian investment newspaper](#) "As also stated in the stock exchange announcement, the offer has already been unanimously recommended by the independent members of the company's board". That means the current board as described above.

Norwegian people are generally noted for principled behaviour and respect for others. Their [sovereign wealth/pension fund](#) is one of the largest in the world and is well known for its high standards. The [Transparency International index](#) **ranks Norway as one of the world's least corrupt countries** at number 7 out of the 180.

That above linked newspaper article had this in its sub headline:

"While it takes over 90 percent ownership to forcibly redeem in Norwegian companies, the Høegh family and Morgan Stanley need only 67 percent to hijack Bermuda-registered Høegh LNG." Their use of the word hijack describes how I and many others think of this. Those I know who live in Norway are disgusted by this situation that would not be allowed had the company been registered on Norway and not Bermuda.

Investors are too and have made many comments on SA articles about HMLP including especially comprehensive ones by **Annalene** in [Høegh LNG Partners gets \\$4.25/unit buyout offer](#). Annalene's comments are worth reading.

I and others are very unsatisfied with that offer and need to decide whether to...

Hold Or Buy

I especially like one rather ironic point. One of the excuses used to get rid of the old board was their lousy performance. A new board and a take-over by the top company would realise the true value of HMLP. Since then, one long term FSRU contract has been entered into with [New Fortress Energy](#) on less favourable terms than contracts arranged by the displaced board!

That however does not dilute my belief in the potential for HMLP and the takeover offer at \$4.25 is derisory, in my opinion. The actions of these people drove the price down to around \$3 so they could make an offer of 36% above that thus making their offer look honourable.

My calculations indicate that the dividend cut alone will provide sufficient money to repay the buy price in full in around 4 years. In other words, they are using my money to buy the company for themselves!

HMLP's excellent potential and dividend led me to originally buy 1340 units at \$17.70. I trusted management with their attempts to fix things in the dispute in Indonesia knowing from experience it is one of the most corrupt countries in the world and that anything can be fixed by paying the right amount of money to the right person. Based on that trust I bought more after they cut the dividend and now own 3400 until at an average cost of \$10.46 each.

That trust has been abused and there is nothing that I or other small unit holders can do about it because we are too small to join the legal action.

That action might take years but maybe we unit holders can force a better price. Some people have bought in or bought more driving the market price above the offer price. The last closing price was \$4.36 compared with the offer price of \$4.25. I am not knowledgeable with such things but cannot see how we can be compelled to sell to those insiders at less than the market price.

The safest thing we can do is hold and hope. I am tempted to buy more to get my average buy price down and help push up the market price more.

Analysts are forecasting a higher price.

Those at First Call expect **0.38 EPS** for next quarter with one strong buy, two holds and one sell. Their current **Price Target for HMLP** is **\$8.94**.

At the Financial Times this is the picture:

High: +358.7%. Price \$20.00

Med: +40.6%6. Price \$13.00

Low: -19.7%. Price \$3.50

I cannot see that low price occurring given the takeover offer price of \$4.25.

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High Dividend Opportunities is Seeking Alpha's #1 guided community for income investors.

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Seeking Alpha^α Marketplace

I will not be given a vote by those taking over HMLP so, instead, that FT high will certainly get my vote!

This article was written by

I am retired apart from managing family investments - mostly equities. I live near Zürich, Switzerland. I keep physically fit by walking and mentally fit by writing on philosophy, economics and politics. My writing is published internationally. My hobby is art - pencil on paper drawing. For those interested in my kind of ar

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Disclosure: I/we have a beneficial long position in the shares of HMLP either through stock ownership, options, or other derivatives. I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it (other than from Seeking Alpha). I have no business relationship with any company whose stock is mentioned in this article.

17 Likes

29 Comments

Comments (29)



Axius Holdings

Yesterday, 5:58 PM



Marketplace Comments (269)

[\\$BWP](#) [\\$AMID](#)

GPs screw over LPs.

Note [\\$L](#) just lost a case in regards to the [\\$BWP](#) heist

 Reply  Like



Henrik Alex

Yesterday, 3:58 PM



Contributor **Premium** Comments (34.64K)

Uuuh, conspiracy theories now not only showing up in the comments sections...

 Reply  Like



Mike 1113

Yesterday, 1:23 PM



Premium

Marketplace

Comments (49)

Just got done reading information on Bermuda Law. This is a great article, but the HMLP has provided so little information on the takeover, I am not sure which scenario is being attempted for the takeover.

uk.practicallaw.thomsonreuters.com/...

Reply Like



HWPlainview

Yesterday, 6:23 PM



Comments (29)

[@Mike 1113](#) Actually I think HMLP is a Marshall Islands company.

Reply Like



Henrik Alex

Yesterday, 6:41 PM



Contributor

Premium

Comments (34.64K)

[@HWPlainview](#)

Yes, incorporated on the Marshall Islands but the company's principal executive offices are located in Bermuda.

Reply Like



Alr8908

Yesterday, 11:13 AM



Premium

Marketplace

Comments (75)

Thanks for the article and the new perspective on this debacle. I just sold the small position I had added recently in the preferred. If this bunch is that ethically challenged, I cannot imagine why anyone would want to invest money with them. I think taking your lumps and moving on makes the most sense.

Reply Like



jpk53

Yesterday, 11:06 AM



Premium

Marketplace

Comments (4)

I wonder if there is any chance a country or entity needing a FSRU (Lampung) , might make a tender offer of say \$18 to \$25 to buy all the units in HMLP. I wonder what HNLG would do.

Reply Like



det.sci

Yesterday, 3:22 PM



Comments (178)

[@jpk53](#) I think the insiders at the parent company already own the majority shares. I was wondering about an outside bid as well, but realistically, no one else can make an offer.

Reply Like



Mike 1113

Yesterday, 10:02 AM



Premium

Marketplace

Comments (49)

Thanks for writing the article. Two pieces of information that I find very beneficial. They need 67% of the common to vote to approve and the Board has voted to approve the sale. I also contacted the SEC the Day the \$4.25 bid was placed and complained that this was marked manipulation. At that point my whole view of the company changed, and was still hoping they just did the low bid to stabilize pricing in case loans used stock pricing as part of their equation to call a loan. The low price continues to depress the stock. Very disappointed that the board has approved the bid. Surprised that there was no announcement.

Reply Like



James Hanshaw

Yesterday, 7:33 AM



Contributor

Premium

Comments (8.32K)

Author's Reply I do not know how to do it but, if others do, I would recommend they take this to the SEC. Despite this kind of thing being one of the reasons for their existence the SEC has a reputation for being unresponsive and ignoring contact from people with a genuine need for their help. Hopefully someone reading this - or anyway is a cheated unit holder - knows how to penetrate that seemingly impenetrable mass.

Reply Like (1)



asdente

Yesterday, 6:05 AM



Comments (21)

Thanks for this, James. I think that something can be done, and I've emailed you. I would just mention here that PGN has reportedly continued to pay as per its existing contract, and HMLP has similarly continued to supply the FSRU's service.

Reply Like



James Hanshaw

Yesterday, 7:08 AM



Contributor

Premium

Comments (8.32K)

Author's Reply [@asdente](#) Thank you for that. I could not find confirmation that PGN had continued to pay. I also do not know the contract details. It maybe that payment was required whether the FSRU worked full time or only part time. In any case there has been a miss mash by HMLP over this and a refinancing that was used as the reason to cut the dividend.

Reply Like



ofirm

Yesterday, 6:39 PM



Premium

Marketplace

Comments (3.39K)

[@James Hanshaw](#) the standard contract is that available days are days chargeable to the customer.

Reply Like



Tigerbond

Comments (490)

Yesterday, 12:39 AM



"Morgan Stanley is not among my favourites as it did something similar with a Chinese company that I invested in on the NYSE" - which company was that?

Reply Like



James Hanshaw

Contributor

Premium

Comments (8.32K)

Yesterday, 7:10 AM



Author's Reply @Tigerbond I do not want to go into details with names. It was a Chinese company that got its NYSE listing by reversing into a listed shell company.

Reply Like



davexplorr

Comments (37)

13 Jan. 2022



I issued a complaint to the SEC a month ago, and got no response to date. However, it's encouraging that the author thinks a vote 67% is required to approve the take over. Please don't sell your stock before the vote, because the buyer might secretly be HNLG, Morgan Stanley or a straw-man related party. I urge all to vote NO!

Reply Like



James Hanshaw

Yesterday, 7:17 AM



Contributor

Premium

Comments (8.32K)

Author's Reply @davexplorr HNLG controls over 67% of the vote - it is the Hoegh family or one of them that wants to own the whole and delist all. I suspect Morgan Stanley's involvement is in arranging that and - in 2-3 years time when the full potential of the company has been put into place - they will seek a new listing at a price around the price they should be paying us know - say around \$17.70 which was my original buy-in price. Nothing changed since except this big manipulation by insiders.

↪ Reply Like (2)



Supply

Yesterday, 12:10 PM



Comments (72)

@James Hanshaw @davexplorr The prospectus filed with the SEC and available on the HMLP web site includes the details for HMLP units. Limited call rights are at 80% ownership. The GP has a fiduciary duty to unit holders, including being fair and reasonable. However, a majority vote of units carries the day.

↪ Reply Like



Jop88

13 Jan. 2022



Premium

Marketplace

Comments (236)

I'm surprised to read that Morgan Stanley is part of this hijack. Seems strange that they would sully their reputation for such a small amount.

↪ Reply Like (1)



det.sci

13 Jan. 2022



Comments (178)

@Jop88 engineered this hijack more likely

↪ Reply Like (2)



jpk53

13 Jan. 2022



Premium

Marketplace

Comments (4)

I want to thank you for your insight, and I owe you a debt of gratitude for writing this article. I now understand that the HMLP board is conspiring with the buyer and at the same time telling the world that it is independent. I suppose that they have been informed by their army of lawyers that no one is going to jail.

↪ Reply Like (1)



James Hanshaw

Yesterday, 7:22 AM



Contributor

Premium

Comments (8.32K)

Author's Reply @jpk53 We have to wait and see if the legal action against them - for doing things their lawyers must have helped design - goes the full course or they improve the offer price considerably.

↪ Reply Like



costasco

13 Jan. 2022



Comments (43)

What is the legal case to force the largest shareholder to drop or significantly increase the offer? I can't see one. What I have seen though in multiple similar cases in the USA, Europe, Russia is that there is nothing preventing a large shareholder from exploiting a price weakness to launch a low-ball takeover.

↪ Reply Like (1)



James Hanshaw

Yesterday, 7:23 AM



Contributor

Premium

Comments (8.32K)

Author's Reply @costasco The situation here is that they engineered that low-ball price.

↪ Reply Like (1)



det.sci

Yesterday, 10:25 AM



Comments (178)

[@costasco](#) As James said, they engineered a problem where there wasn't one. Disavowing the revolver just when it was needed was material. It created this small window of uncertainty, and now while the offer is in progress the price can't recover. It's blatant fraud.

Reply Like (1)



rhythmbreakdown2

13 Jan. 2022



Marketplace Comments (1.07K)

Can the board sink the cumm preferred stock and with that the divvy? IMHO they cannot.

Reply Like (2)



det.sci

13 Jan. 2022



Comments (178)

[@rhythmbreakdown2](#) They can delist it and just stop paying. Plenty of examples of this play.

Reply Like (3)



James Hanshaw

Yesterday, 7:26 AM



Contributor **Premium** Comments (8.32K)

Author's Reply [@rhythmbreakdown2](#) They have just announced the next dividend payment. I think they are trying to ensure they are seen to be behaving responsibly. They do not need to cut the dividend. They have engineered the stock price down low enough already.

Reply Like (3)



rhythmbreakdown2

Yesterday, 10:07 AM



Marketplace

Comments (1.07K)

@James Hanshaw correct. If they stop the pref div, it implies bankruptcy, which they are not. Also, then the stock div cannot be paid no matter how small.

↩ Reply

👍 Like