

**SMART YIELD**  
INCOME STRATEGY



**Finding Efficient Frontiers**



**INVEST/STAY CONNECTED**

INITIAL REPORT DECEMBER 19, 2024

LAST UPDATED DECEMBER 19, 2024

**\$7.18 / Recommendation: BUY, target \$9.00**

## COOL COMPANY LTD.

We are expanding our coverage of shipping stocks due to the downturn in share prices and the upturn in dividend yields. The downturns are due to several factors relevant to each shipping type; Crude oil shipping has seen lower prices year over year due to an oil price decline and lower Asia demand. Although experiencing a monster benefit from the Yemini Houthis attacks on Red Sea shipping, container stocks were lower on concerns of normalization and fleet expansion. We maintain [our buy](#) on container shipping lessor Danaos Corp. due to the excellent fundamentals, high earnings and position as a lessor.

One of the brightest historical spots in shipping has been the liquified Natural Gas (LNG) segment. It has yielded huge profits due to the natural gas price differential between the U.S. and Asia and Europe (which recently was 4 X higher). However, LNG shipping also experienced a strong downturn in 2024 due to several factors: Future and current natural gas prices abroad reached a stasis which reduced the demand for LNG ships being used as storage. This released around 30 or so boats back into the shipping supply. And there has been a delay in completion of LNG export facilities in the U.S. This caused the available ships to exceed the available export capacity. This is expected to be relieved in the next 12 to 24 months because: North America's liquefied natural gas (LNG) export capacity is on track to [more than double](#) between 2024 and 2028 and 92 steam powered LNG shipping vessels older than 20 years are expected to be retired in the next 24 months. So, in general, the economics for LNG shipping remain strong and shipping rates are expected to normalize.

Cool Company Ltd. (CLCO) owns and operates a [fleet](#) of 13 LNG carriers in the spot market and on short- and longer-term charters. The company also manages an additional 2 LNG carriers. Due to the market, 2 newbuilds and 1 10-year-old boat, that went off charter in 2024, are currently operating in the spot market. In 2025, Cool has 2 more ships going off charter. This has led to our estimate for a 15% drop in revenues and a 20% drop in EBITDA for Cool in 2025. Management adjusted the dividend down to 60 cents as of the third quarter while maintaining a cash position of \$142 million. We expect the company to remain earnings positive through 2025 and maintain over 250% coverage on its current share dividend. The current Cool book value per share is over \$14 per share and we expect the LNG shipping market to normalize over the next 24 months. For these reasons we rate the shares as a buying opportunity with a yield of over 8%, and a price target of \$9.

### Company Stats & Estimates \$

|                              |                |
|------------------------------|----------------|
| Shares Outstanding           | 54             |
| Equity Market Cap            | 386            |
| EBITDA 2025 est.             | 184            |
| EV EBITDA multiple           | 6.48           |
| 2024 EPS                     | 1.69           |
| 2025 EPS                     | 0.92           |
| 2024 Cash Flow Yield         | 34.14%         |
| 2025 Dividend Coverage %     | 271%           |
| 2025 Current Cash Flow Yield | <b>22.67%</b>  |
| Enterprise Value             | 1,193          |
| <b>Long-Term Debt</b>        | <b>949</b>     |
| <b>Book Value / Share</b>    | <b>\$14.08</b> |
| Dividend Yield               | <b>8.36%</b>   |

[CLCO INVESTOR RELATIONS](#)  
[RECENT PRESENTATION](#)

Stock Chart CLCO



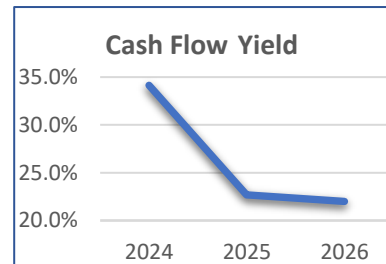
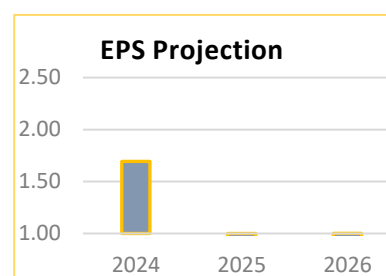
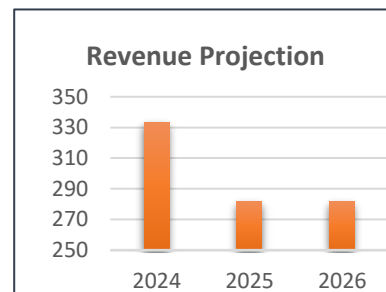
## BROXTON CAPITAL ADVISORS CLCO as of 6/30/2024

Friday, December 20, 2024

|                                       |             |             |             |
|---------------------------------------|-------------|-------------|-------------|
| share price                           | \$7.18      |             |             |
| <b>PROJECTIONS IN MM fiscal yr</b>    | 2024        | 2025        | 2026        |
| <b>Income Statement</b>               |             |             |             |
| <b>Revenue</b>                        | 333         | 282         | 282         |
| Operating Expenses                    | 176         | 164         | 164         |
| Operating Income                      | 157         | 118         | 117         |
| Operating Income %                    | 52.08%      | 47.08%      | 46.84%      |
| Net Income                            | 91          | 49          | 49          |
| Net Income / Share GAAP               | 1.69        | 0.92        | 0.91        |
| EBITDA                                | 226         | 184         | 183         |
| Cash Flow                             | 132         | 87          | 85          |
| <b>EV EBITDA multiple</b>             | <b>5.27</b> | <b>6.48</b> | <b>6.50</b> |
| Per Share dividend                    | 0.60        | 0.60        | 0.60        |
| <b>Projected Gross Dividend</b>       | 59          | 32          | 32          |
| Projected Dividend Coverage %         | 223%        | 271%        | 263%        |
| Cash Flow Yield                       | 34.1%       | 22.7%       | 22.0%       |
| <b>Valuations</b>                     |             |             |             |
| <b>Available Dist. Earnings Yield</b> | 34.1%       | 22.7%       | 22.0%       |
| <b>Projected Dividend Yield</b>       | 8.4%        | 8.4%        | 8.4%        |
| PE ratio                              | 4.2         | 7.8         | 7.9         |
| Enterprise Value                      | 1,193       | 1,193       | 1,193       |
| Equity Market Cap                     | 386         | 386         | 386         |
| <b>Capital Structure</b>              |             |             |             |
| <b>Shares outstanding</b>             | 54          |             |             |
| Long-Term Debt                        | 949         |             |             |
| <b>Cash Build</b>                     | <b>73</b>   | 128         | 180         |
| <b>Liquidity</b> as of 6/30/24        |             |             |             |
| Cash                                  | 142         |             |             |
| Borrowing Availability est.           | 120 +       |             |             |
| Total Current Assets                  | 97          |             |             |
| Current Liabilities                   | 281         |             |             |
| Ratio*                                | 35%         |             |             |
| <b>Book Value</b>                     |             |             |             |
| Equity Net                            | \$756       |             |             |
| Book Value / Share                    | \$14.08     |             |             |

NOTES:

\*Includes 175 mm in ST Debt



**Disclosures**

Previous reports are available upon request. Smart Yield Fund targets a mix of different security classes that contain the risk of loss. Investors should carefully consider the Fund's investment objectives and risk factors before investing. Investing involves risk, including possible loss of principal. Investors should consider the loss of principle and targeted returns are not guaranteed. Individual investors in Smart Yield are generally required to be accredited investors. Smart Yield is a fund operated through individual accounts creating the composite. Smart Yield Fund is a new product with an inception date of September 30, 2020, and as such does not have historical data. Asset Mix Projections on page 2 and 6, Smart Yield Portfolio Metrics on page 5 are estimated or targets of the fund. Asset class mix and targets may change based on the direction of the managers. Portfolio allocation projected annual return and beta assumption for each asset class on pages 7-10 are estimated. Beta for the fund and each asset class is estimated versus the S&P 500. The average beta for the entire fund is projected to be .32. Beta is a measure of the fund's volatility in relation to S&P 500 Index. This index has a beta of 1.0. The fund targets a total gross return before fees and expenses of 9.24%. The fund projects a blended return based on income securities and capital gains. Smart Yield attempts to continuously improve the value of investment portfolios by investing in corporate bonds, convertible bonds, other types of bonds (investment grade and sub-investment grade, [which may also have limited liquidity]), dividend paying equities, non-dividend paying equities, ETFs, including leveraged ETFs, and other securities. Fixed income risks include interest-rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in bond values. Credit risk refers to the possibility that the bond issuer will not be able to make principal and interest payments. 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