

May 17, 2015

Dynagas LNG Partners

Solid Results with Highly Attractive Yield

Industry View In-Line	Stock Rating Equal-weight	Price Target \$23.00
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DLNG reported solid 1Q results with distributable cash flow above estimates. DLNG's current annualized distribution of \$1.69 offers a generous 8.6% yield with 1.2x coverage ratio. The dropdown of two already contracted vessels, could grow another 9% by year-end suggesting ~9.5% a 1-yr forward yield

DLNG reports solid 1Q. DLNG posted 1Q results in-line with estimates, with distributable cash flow of \$18.0m or \$0.51 per unit during the quarter, above our \$16.4m (\$0.39/sh) estimate. Net revenue of \$34.9m was in line with consensus' and our estimates. EBITDA of \$27.7m was also in line. DLNG maintained its quarterly distribution at \$0.4225, offering an annualized yield of 8.6% at the current price, with 7.8x P/DCF in 2015 (vs. MLP peer group average 5.1% and 18.7x). (See: [Exhibit 2](#))

Highly attractive dividend with high growth. DLNG has grown its fleet from 3 vessels at the time of its IPO in 4Q13 to 5 vessels (2 tri-fuel and 3 steam turbine). The current fleet has an average charter duration of 4.8 years, with the earliest expiration in 3Q17. DLNG's dropdown pipeline comprises 3 vessels on the water and 2 newbuilds which are expected to be delivered in 2015. We expect DLNG to complete its next dropdowns in 2Q and 4Q of this year. However, management plans to finance the dropdowns with 55-60% equity and CEO Tony Lauritzen noted that issuing equity at the current share price may not be in shareholder's best interest. At its current yield of 8.6%, DLNG trades at a premium to its peers. We see this as an attractive entry point, especially considering management reiterated its commitment to growing the distribution by 10% per annum.

LNG shipping outlook remains positive despite near-term market weakness. While rates for modern 160k cbm LNG carriers have deteriorated to \$33kpd (-54% YoY), DLNG's fleet's contract coverage keeps the company well insulated from the current market weakness. We expect the LNG carrier market to be much tighter by the time DLNG's charter contracts begin to expire. We estimate ~150mtpa of new LNG capacity is scheduled to come online through 2020. As a result, we expect that the market will need ~70 more newbuilds in addition to the 143 currently on order to serve these projects. Our revised \$23 PT (from \$24) values the company based on a 3-year target yield of 8.5% as we expect distribution to grow to ~\$1.85 by the end of the year from the dropdown of the two contracted newbuilds and reach ~\$1.95 after the remaining 3 vessels held by the sponsor have secured long-term contracts.

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Dynagas LNG Partners (DLNG.N, DLNG US)

Maritime Industries / Marshall Islands

Stock Rating	Equal-weight
Industry View	In-Line
Price target	\$23.00
Shr price, close (May 15, 2015)	\$20.24
Mkt cap, curr (mm)	\$718
52-Week Range	\$25.50-13.66

Fiscal Year Ending	12/14	12/15e	12/16e	12/17e
ModelWare EPS (\$)	1.58	1.72	1.93	1.82
Prior ModelWare EPS (\$)	-	1.77	1.82	1.78
P/E	10.4	11.8	10.5	11.1
Consensus EPS (\$)[§]	1.54	1.75	1.86	1.98
Div yld (%)	9.4	8.7	9.3	9.1

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
[§] = Consensus data is provided by Thomson Reuters Estimates
 e = Morgan Stanley Research estimates

QUARTERLY MODELWARE EPS (\$)

Quarter	2015e		2016e		2016e	
	2014	Prior	Current	Prior	Current	Current
Q1	0.37	-	0.43a	0.45	0.49	0.49
Q2	0.34	0.45	0.38	0.43	0.45	0.45
Q3	0.42	0.46	0.47	0.48	0.51	0.51
Q4	0.44	0.47	0.43	0.45	0.48	0.48

e = Morgan Stanley Research estimates, a = Actual Company reported data

Exhibit 1: Results vs. Estimates (\$ million)

1Q 15	Actual	MS. % Δ	Consensus. %Δ
Revenue	34.9	35.5 -2%	35.6 -2%
EBITDA	27.7	27.7 0%	27.5 1%
Net Income	15.2	14.8	13.1
DCF	\$0.51	\$0.39	

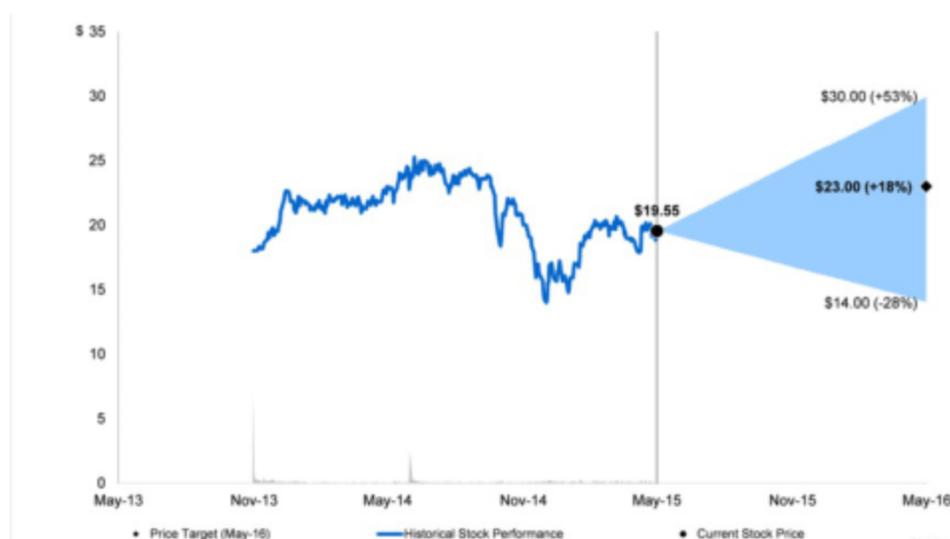
Source: Company Data, Thomson Reuters, Morgan Stanley Research

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For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

Risk-Reward Snapshot: Dynagas LNG Partners (DLNG, Equal-weight, PT: \$23)

Risk-Reward View: Distribution Growth Driving Valuation



Source: Thomson Reuters; Morgan Stanley Research estimate

Price Target \$23 Derived from our base case.

Bull \$30
 Next 12-month distribution to ~\$1.95 @ 6.5% Yield
 3-yr distribution CAGR: 5-6%
 3-year fwd yield: 6.5-7%

Dropdown pipeline increases as the sponsor finds firm contracts for all the newbuilds. Growing global liquefaction capacity drives shipping demand and rates higher, as further projects are announced. Dropdowns from parent accelerate as delivered vessels find long-term contracts, while there are further significant acquisition announcements. DLNG builds its capacity and increases its annualized distribution to over \$1.90 within 2015. As the dropdown pipeline expands and dividend distribution growth increases the stock trades at lower yield.

Base \$23
 Next 12-month distribution ~\$1.85 @ 8% Yield
 3-yr distribution CAGR: 3.5%
 3-yr fwd yield: ~8.5%

Dropdown of the remaining contracted vessels owned by the sponsor proceeds before the end of 2015. DLNG acquires the vessels owned by its sponsor that have firm long-term charter contracts, expanding its fleet to 7 ships before the end of 2015, raising its distribution close to \$1.85. The long-term outlook for LNG shipping remains strong as new LNG supply is expected to grow significantly beyond 2016-17, allowing DLNG's sponsor to secure profitable contracts for the un-contracted newbuilds.

Bear \$14
 NAV at \$12/sh
 P/NAV: 115%

Significant project delays and growing orderbook drives LNG rates lower and postpones DLNG growth ambitions. Liquefaction capacity experiences serious delays and regulatory hurdles slow the development of planned projects. LNG vessels continue to be delivered as scheduled, while new vessel orders are placed. LNG rates start dropping as the market faces problems of oversupply. Investors start having concerns about the rechartering of existing vessels at lower levels increase. DLNG's stock drops below the issue price making dropdowns harder. The stock trades at a slight premium to NAV.

Investment Thesis

- Growing modern ice class fleet that can achieve a premium over market rates.
- Strong pipeline of dropdowns with vessels already chartered to top counterparties.
- Favorable demand fundamentals for LNG as growth in liquefaction capacity additions accelerate after 2015.

Key Value Drivers

- Modern fleet of ice class LNG carriers that can achieve premium rates and are very flexible in trading
- Distribution offering an attractive yield that is set to grow with dropdowns.
- Highly experienced management with successful track record in the shipping industry.

Potential Catalysts

- Dropdowns allow DLNG to increase its distribution.
- Stock gets valued at a lower dividend yield, like its larger peers.
- Additional vessel acquisition and signing of long-term contracts..

Risk to Our Price Target

- Counterparty risk on long-term charters.
- Distribution growth does not materialize as expected.
- Deterioration of the supply-demand balance increases rechartering risk for DLNG vessels.
- Vessel oversupply and delayed activation of liquefaction capacity weigh on market.
- Small size compared to peers.

1Q15 Earnings Comparison

Exhibit 2: 1Q15 Earnings Comparison

(\$ In Millions)	Actual			MS (E)		Street	Actual vs.		Actual		Change		MS (E)	Street	MS vs.	MS	Street
	1Q 15	1Q 15	1Q 15	1Q 15	1Q 15	1Q 15	MS	Street	1Q 14	4Q 14	Y-o-Y	Q-o-Q	2Q 15	2Q 15	Street	QoQ	QoQ
Net TCE revenue	34.9	35.5	35.6	-2%	-2%				20.6	35.6	70%	-2%	35.5	38.6	-8%	2%	11%
Direct vessels operating expense	(5.5)	(6.1)							(3.1)	(5.6)	76%	-2%	(6.1)				
Management fees	(1.2)	(1.2)							(0.7)	(1.2)			(1.2)				
General and administrative expenses	(0.5)	(0.6)							(0.6)	(0.6)			(0.6)				
EBITDA	27.7	27.7	27.5	0%	1%				16.2	28.3		-2%	27.7	30.3	-9%	0%	9%
Depreciation & amortization	(6.0)	(6.3)							(3.3)	(6.1)			(6.3)				
EBIT	21.7	21.4	21.0						12.8	22.2			21.3	23.6			
Interest expense	(6.9)	(7.0)							(1.9)	(6.9)			(7.0)				
Interest income	-	0.1							-	-			0.1				
Non-controlling interest	-	-							-	-			-				
Taxes	-	-							-	-			-				
Other	0.4	0.4							0.1	0.4			0.4				
Net Income (Operating)	15.2	14.8	13.1						11.0	15.7			14.9	14.8	1%	-2%	-3%
less G.P. 2% Interest in Net Income	-	-							-	-			-				
less G.P. Incentive Distributions	-	-							-	-			-				
Net Income Available for LP (Operating)	15.2	14.8							11.0	15.7			14.9				
Reconciliation to GAAP Income:																	
Other financial items	-	-							-	-			-				
Profit from sale of assets	-	-							-	-			-				
Extraordinary (reactivation costs)	(0.3)	-							-	(0.3)			-				
NET INCOME (GAAP)	14.9	14.8							11.0	15.3			14.9				
Total units outstanding (m)	35.5	42.3							30.0	35.5			42.2				
Per unit data																	
LP Income per unit (GAAP)	0.42	0.38							0.37	0.43			0.38				
LP Income per unit (Operating)	0.43	0.38	0.41						0.37	0.44			0.38	0.43			
Distributable cash flow per unit	0.51	0.39							0.37	0.52		-3%	0.39				-23%
Distribution per unit	0.423	0.423							0.365	0.423			0.443				5%
payout ratio as % of distributable cash flow	83%	109%											113%				
Distributable Cash Flow Reconciliation																	
EBITDA	27.7	27.7							11.0	28.3			27.7				
Less: Interest	(6.5)	(7.0)							3.3	(6.5)			(7.0)				
Less: Maintenance Drydocking	(0.9)	(0.9)							(0.5)	(0.9)			(0.9)				
Less: Maintenance Capex	(2.7)	(3.4)								(2.7)			(3.3)				
Other	0.4	-							0.3	0.4			-				
Distributable cash flow	18.0	16.4							14.2	18.6		-3%	16.5				
Common unit distribution coverage	2.6x	1.4x							2.2x	2.1x			1.8x				
Total unit distribution coverage	1.2x	0.9x							1.1x	1.2x			1.0x				
Financial Position																	
Net Debt	528	644							183	539			630				
Fleet Value	977	977							564	988			967				
Net Debt / Fleet Value	54%	66%							47%	55%			65%				
Net Debt / EBITDA	4.8x	5.8x							4.7x	4.8x			5.7x				
Fleet & Operations																	
Average Daily Rate, net (\$kpd)	78	78							76	77		0%	78				0.5%
Average daily opex (\$kpd)	12.2	13.3							11.6	12.1		1%	13.3				9.0%
Average daily management fees and G&A (\$kpd)	3.8	3.8							4.7	3.8		1%	3.8				-0.2%
Vopex, inc. G&A (\$kpd)	16.0	17.2							16.3	15.9		1%	17.1				6.8%
Average # of vessels	5.0	6.0							3.0	5.0			6.0				

Revenue of \$34.9m (-2% QoQ) was in-line with consensus' and our

Source: Company Data, Morgan Stanley Research

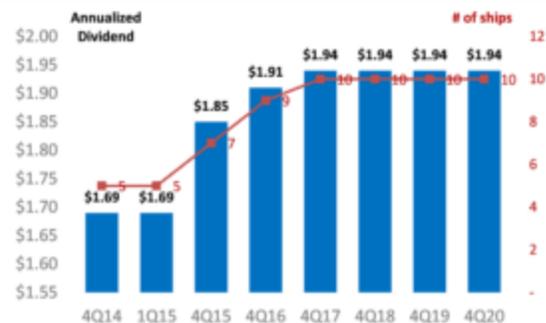
Valuation & Dividend

Exhibit 3: Valuation Summary

Current price per unit	\$19.6		
Yield to Growth			
Current annualized distribution	\$1.69		
Next 12 months distribution	\$1.88		
3-year distribution CAGR	3.5%		
2Q 18 fwd Annualized Distribution	\$1.94		
Target 3-yr Forward Yield	8.5%		
Price Target	\$23.0		
Current yield	8.6%		
1-Year Forward Yield	9.6%		
1-Year Target Yield	8.2%		
Upside	17.6%		
Total Return	27%		
Dividend Discount Model			
Current annualized distribution	\$1.69		
CAGR Yr 1-4	2.3%		
CAGR Yr 4-9	0.5%		
Terminal dividend yield	9.0%		
Average coverage ratio	1.1x		
Discount rate	9.0%		
Terminal discount rate	9.5%		
Equity value per unit in 12-18 months	\$23.2		
Discounted Cash Flow (only current fleet)			
Net DCF per unit	\$13.3		
DCF value per vessel (\$m)	202		
Price/DCF per unit	147%		
Price Target / DCF per unit	173%		
EV/DCF value	122%		
Target EV/DCF value	135%		
Discounted Cash Flow (including 15 dropdown vessels)			
Net DCF per unit	\$13.8		
DCF value per vessel (\$m)	217		
Price/DCF per unit	141%		
Price Target / DCF per unit	166%		
EV/DCF value	114%		
Target EV/DCF value	166%		
NAV Liquidation Value			
NAV per unit	\$12.1		
Bear Case (-115% of NAV)	\$14.0		
Downside	-28%		
EV/EBITDA			
	EBITDA	EV/EBITDA	Target EV/EBITDA
2015e	125	11.1x	12.6x
2016e	173	10.6x	11.6x
2017e	202	10.6x	11.6x
2018e	209	10.5x	11.4x

Source: Company Data, Morgan Stanley Research

Exhibit 4: Dividend Growth Forecast



Source: Company Data, Morgan Stanley Research

Exhibit 5: Distribution Growth & Coverage Ratio

	4Q14	1Q15	4Q15	4Q16	4Q17	4Q18	4Q19	4Q20
sh flow per share	\$2.09	\$2.39	\$2.59	\$2.88	\$2.80	\$2.82	\$2.81	\$2.78
terly distribution	\$1.69	\$1.69	\$1.77	\$1.88	\$1.94	\$1.94	\$1.94	\$1.94
YoY growth			4.7%	6.2%	3.2%	0.0%	0.0%	0.0%
Dividend Yield	8.6%	8.6%	9.1%	9.6%	9.9%	9.9%	9.9%	9.9%
Coverage Ratio	1.2x	1.2x	1.1x	1.2x	1.1x	1.1x	1.1x	1.1x
units outstanding	35.5	35.5	46.9	54.6	58.3	58.3	58.3	58.3
YoY growth			32.1%	16.4%	6.9%	0.0%	0.0%	0.0%
# of ships	5	5	7	9	10	10	10	10

Source: Company Data, Morgan Stanley Research

Exhibit 6: DCF Valuation

DCF Existing Fleet Value (m)				DCF @ 8.0% for fixed days, 9.0% for open days and LT rates of \$75.0kpd		
	# of vessels	Avg. Age	Avg. Value	Total	\$ m	\$ per share
FSRU	-	-	-	-	1,011	28.5
LNG carrier - Tri-fuel	2	1.9	248	495	(0)	(0.0)
LNG carrier - Steam-turbine	3	7.9	172	515	14	0.4
DCF Fleet Value (m)	5	5.5	202	1,011	24	0.7
DCF of Remaining Capex				0	2	0.0
Investments				-	-	-
Total debt				52%	(565)	(15.9)
Current liabilities				52%	(13)	(0.4)
DCF Valuation					471	13.3
# of units outst. (diluted)					35.5	
DCF per unit					\$ 13.3	
Price / DCF					147%	
EV / DCF Fleet Value					122%	
DCF Fleet Value					999	
DCF Fleet Value per vessel					202	
EV per vessel					244	

Source: Company Data, Morgan Stanley Research estimates

Exhibit 7: DLNG's Fleet Value & NAV Estimate

Charter-Inclusive Fleet Value (m)				NAV - PV of charter & charter-free vessel value at expiration		
	# of vessels	Avg. Age	Avg. Value	Total	\$ m	\$ per share
FSRU	-	-	-	-	967	27.2
LNG carrier - Tri-fuel	2	1.9	221	443	-	-
LNG carrier - Steam-turbine	3	7.9	175	524	14	0.4
Fleet Value (m)	5	5.5	193	967	24	0.7
Other current assets					2	0.0
Investments					-	-
Total debt				55%	(565)	(15.9)
Current liabilities				55%	(13)	(0.4)
NAV					428	12.1
# of units outst. (diluted)					35.5	
NAV per unit					\$ 12.1	
Price / NAV					162%	
EV / Adj. Fleet Value					128%	
Adj. Fleet Value					955	
Liquidation Value per vessel					193	
EV per vessel					244	

Source: Company Data, Morgan Stanley Research

Income Statement

Exhibit 8: Dynagas Partners – Income Statement

INCOME STATEMENT (in USD millions)																						
	TQ 14	2Q 14	3Q 14	4Q 14	TQ 15	2Q 15	3Q 15	4Q 15	TQ 16	2Q 16	3Q 16	4Q 16	TQ 17	2Q 17	3Q 17	4Q 17	2013	2014	2015	2016	2017	2018
Reported revenue	21	20	28	36	35												63	105	35	-	-	-
Fixed Days Revenue						35	44	44	51	51	59	59	63	57	64	58	21	-	124	221	242	219
Open Days Revenue						-	-	-	-	-	-	-	-	5	7	11	-	-	-	-	23	56
Net TCE Revenue	21	20	28	36	35	35	44	44	51	51	59	59	63	62	71	69	84	105	159	221	265	275
Direct vessels operating expense	3.0%	(3)	(3)	(5)	(6)	(6)	(7)	(8)	(9)	(9)	(10)	(10)	(11)	(12)	(13)	(13)	(12)	(17)	(27)	(38)	(50)	(53)
Dry docking cost		-	-	-	-	-	-	-	-	-	-	-	(1)	(1)	-	-	-	-	-	-	(2)	-
Management fees		(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(4)	(5)	(7)	(9)	(10)
General and administrative expenses		(1)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(0)	(2)	(2)	(2)	(2)	(2)
EBITDA	16	16	22	28	28	28	35	35	40	40	46	46	48	46	55	53	69	82	125	173	202	209
Depreciation		(3)	(4)	(5)	(6)	(6)	(8)	(8)	(10)	(10)	(11)	(11)	(12)	(12)	(14)	(14)	(14)	(18)	(28)	(41)	(53)	(56)
EBIT	13	12	17	22	22	21	27	27	31	31	35	35	36	34	41	39	55	65	96	132	149	153
Interest expense		(2)	(2)	(3)	(7)	(7)	(7)	(8)	(9)	(9)	(10)	(10)	(11)	(12)	(12)	(13)	(10)	(14)	(29)	(38)	(48)	(50)
Interest income		-	-	-	-	0	0	0	0	0	0	0	0	0	0	0	-	-	0	1	1	1
Other		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(0)	1	2	2	2	2
Earnings before taxes	11	10	14	16	15	15	20	19	23	22	26	25	25	23	29	27	46	51	69	96	104	106
Tax	0.0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	11	10	14	16	15	15	20	19	23	22	26	25	25	23	29	27	46	51	69	96	104	106
Non-controlling interest		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income Available for LP (Operating)	11	10	14	16	15	15	20	19	23	22	26	25	25	23	29	27	46	51	69	96	104	106
Reconciliation to GAAP Income:																						
Other financial items																	-	-	-	-	-	-
Profit from sale of assets																	-	-	-	-	-	-
Impairments/ Extraordinary / Other				(0)	(0)												-	(0)	(0)	-	-	-
Net Income (GAAP)	11	10	14	15	15	15	20	19	23	22	26	25	25	23	29	27	46	51	69	96	104	106
LP Income per unit (GAAP) - basic	\$ 0.37	\$ 0.34	\$ 0.42	\$ 0.43	\$ 0.42	\$ 0.38	\$ 0.47	\$ 0.43	\$ 0.49	\$ 0.45	\$ 0.51	\$ 0.48	\$ 0.46	\$ 0.40	\$ 0.50	\$ 0.46	\$ 1.52	\$ 1.56	\$ 1.70	\$ 1.93	\$ 1.82	\$ 1.81
LP Income per unit (GAAP) - diluted	\$ 0.37	\$ 0.34	\$ 0.42	\$ 0.43	\$ 0.42	\$ 0.38	\$ 0.47	\$ 0.43	\$ 0.49	\$ 0.45	\$ 0.51	\$ 0.48	\$ 0.46	\$ 0.40	\$ 0.50	\$ 0.46	\$ 1.52	\$ 1.56	\$ 1.70	\$ 1.93	\$ 1.82	\$ 1.81
LP Income per unit (Operating) - diluted	\$ 0.37	\$ 0.34	\$ 0.42	\$ 0.44	\$ 0.43	\$ 0.38	\$ 0.47	\$ 0.43	\$ 0.49	\$ 0.45	\$ 0.51	\$ 0.48	\$ 0.46	\$ 0.40	\$ 0.50	\$ 0.46	\$ 1.52	\$ 1.57	\$ 1.71	\$ 1.93	\$ 1.82	\$ 1.81
Distributable cash flow per unit	\$ 0.41	\$ 0.41	\$ 0.46	\$ 0.52	\$ 0.60	\$ 0.60	\$ 0.66	\$ 0.65	\$ 0.69	\$ 0.67	\$ 0.73	\$ 0.72	\$ 0.69	\$ 0.65	\$ 0.74	\$ 0.70	\$ 1.98	\$ 1.80	\$ 2.50	\$ 2.81	\$ 2.77	\$ 2.77
Distribution - Common Units	\$ 0.37	\$ 0.37	\$ 0.39	\$ 0.42	\$ 0.42	\$ 0.44	\$ 0.44	\$ 0.46	\$ 0.46	\$ 0.47	\$ 0.47	\$ 0.48	\$ 0.48	\$ 0.49	\$ 0.49	\$ 0.49	\$ 0.17	\$ 1.54	\$ 1.77	\$ 1.88	\$ 1.93	\$ 1.94
Distribution - Subordinated Units	\$ 0.37	\$ 0.37	\$ 0.39	\$ 0.42	\$ 0.42	\$ 0.44	\$ 0.44	\$ 0.46	\$ 0.46	\$ 0.47	\$ 0.47	\$ 0.48	\$ 0.48	\$ 0.49	\$ 0.49	\$ 0.49	\$ 0.17	\$ 1.54	\$ 1.77	\$ 1.88	\$ 1.93	\$ 1.94
Distribution - GP Interest Unit Equivalent	\$ 0.37	\$ 0.37	\$ 0.39	\$ 0.90	\$ 0.90	\$ 4.40	\$ 4.40	\$ 8.87	\$ 8.87	\$ 11.36	\$ 11.36	\$ 13.84	\$ 13.84	\$ 16.33	\$ 16.33	\$ 16.33	\$ 0.17	\$ 2.02	\$ 18.57	\$ 45.43	\$ 62.82	\$ 65.31
Common units	15.0	15.8	20.5	20.5	20.5	27.2	27.2	31.9	31.9	35.8	35.8	39.6	39.6	43.3	43.3	43.3	15.0	20.5	31.9	39.6	43.3	43.3
Subordinated units	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Total number of LP units outstanding	30.0	30.8	35.5	35.5	35.5	42.2	42.2	46.9	46.9	50.8	50.8	54.6	54.6	58.3	58.3	58.3	30.0	35.5	46.9	54.6	58.3	58.3
Weighted average number of units, basic	30.0	30.4	33.1	35.5	35.5	38.8	42.2	44.5	46.9	48.8	50.8	52.7	54.6	56.4	58.3	58.3	30.0	32.2	40.3	49.8	56.9	58.3
Weighted average number of units, diluted	30.0	30.4	33.1	35.5	35.5	38.8	42.2	44.5	46.9	48.8	50.8	52.7	54.6	56.4	58.3	58.3	30.0	32.2	40.3	49.8	56.9	58.3
Yield	6.7%	6.4%	6.5%	8.9%	8.6%	9.1%	9.1%	9.5%	9.5%	9.6%	9.6%	9.8%	9.8%	9.9%	9.9%	9.9%	0.9%	7.9%	9.1%	9.6%	9.9%	9.9%
Total units coverage	1.12x	1.12x	1.18x	1.24x	1.20x	1.04x	1.17x	1.09x	1.16x	1.11x	1.21x	1.16x	1.09x	0.99x	1.16x	1.08x	1.11x	1.11x	1.16x	1.16x	1.08x	1.07x

Source: Company Data, Morgan Stanley Research estimates

Cash Flow Statement

Exhibit 9: Dynagas LNG Partners – Cash Flow Statement

CASH FLOW STATEMENT (in USD millions)																
	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15	4Q 15	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17
Net Income	11	10	14	15	15	20	19	23	22	26	25	25	23	29	27	
+Depreciation & amortization	3	4	5	6	6	6	8	8	10	10	11	11	12	12	14	14
+Stock-based compensation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Gain on asset disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	0	5	4	(1)	6	-	-	-	-	-	-	-	-	-	-	-
Cashflow from Operating Activities	15	19	23	21	26	21	28	27	32	32	37	36	38	35	43	41
Vessels acquisition	-	(210)	(195)	(0)	-	-	-	-	-	-	-	-	-	-	-	-
Assumed vessel dropdowns	-	-	-	-	-	(241)	-	(245)	-	(224)	-	(224)	-	(224)	-	-
Vessels disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cashflow from Investing Activities	-	(210)	(195)	(0)	-	(241)	-	(245)	-	(224)	-	(224)	-	(224)	-	-
Decrease (increase) in restricted cash	-	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution to for acquisition/Contributions from predecesso	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Equity	(1)	120	(1)	(0)	(0)	133	-	98	-	90	-	90	-	90	-	-
Share buyback	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Debt & capital leases	-	340	250	-	-	109	-	147	-	134	-	134	-	134	-	-
Financing fees	(6)	(6)	(0)	(1)	0	-	-	-	-	-	-	-	-	-	-	-
Repayment of bank debt	(6)	(218)	(5)	(5)	(6)	(6)	(7)	(7)	(8)	(8)	(9)	(9)	(11)	(11)	(12)	(12)
Repayment of debt to related parties & bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayment of long-term debt	(6)	(219)	(5)	(5)	(5)	(5)	(7)	(7)	(8)	(8)	(9)	(9)	(11)	(11)	(12)	(12)
Repayments of capital lease obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to GP	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Dividend paid to LP	(5)	(11)	(13)	(14)	(15)	(15)	(19)	(19)	(22)	(22)	(24)	(24)	(26)	(26)	(28)	(28)
Other	0	(20)	(68)	0	0	-	-	-	-	-	-	-	-	-	-	-
Cashflow from Financing Activities	(11)	202	164	(20)	(20)	221	(25)	220	(30)	194	(34)	190	(38)	186	(41)	(41)
Change in Cash & Cash Equivalents	3	11	(9)	1	6	1	2	2	2	1	3	3	(0)	(2)	2	(1)
Cash at beginning period	6	9	20	11	12	18	19	22	24	26	27	31	33	33	31	32
Cash at end period	9	20	11	12	18	19	22	24	26	27	31	33	33	31	32	32
Restricted Cash	22	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24
Cash & Equivalents	31	44	35	36	42	43	46	48	50	51	55	57	57	55	56	56

	2013	2014	2015	2016	2017	2018
Net Income	46	51	69	96	104	106
+Depreciation & amortization	14	18	28	41	53	56
+Stock-based compensation	-	-	-	-	-	-
-Gain on asset disposal	-	-	-	-	-	-
Other	(15)	8	6	-	-	-
Cashflow from Operating Activities	44	76	103	137	157	162
Vessels acquisition	-	(405)	-	-	-	-
Assumed vessel dropdowns	-	-	(487)	(448)	(224)	-
Vessels disposal	-	-	-	-	-	-
Other	-	-	-	-	-	-
Cashflow from Investing Activities	-	(405)	(487)	(448)	(224)	-
Decrease (increase) in restricted cash	(15)	(2)	-	-	-	-
Distribution to for acquisition/Contributions from predecesso	-	-	-	-	-	-
Issuance of Equity	139	119	231	179	90	-
Share buyback	-	-	-	-	-	-
Proceeds from Debt & capital leases	220	590	256	269	134	-
Financing fees	(1)	(7)	0	-	-	-
Repayment of bank debt	(281)	(235)	(23)	(35)	(48)	(49)
Repayment of debt to related parties & bonds	-	-	-	-	-	-
Repayment of long-term debt	(381)	(235)	(23)	(35)	(46)	(49)
Repayments of capital lease obligations	-	-	-	-	-	-
Dividends paid to GP	-	(0)	(0)	(2)	(3)	(4)
Dividend paid to LP	-	(43)	(67)	(91)	(109)	(113)
Other	(0)	(88)	0	-	-	-
Cashflow from Financing Activities	(39)	334	396	320	66	(166)
Change in Cash & Cash Equivalents	6	6	12	9	(1)	(4)
Cash at beginning period	0	6	12	24	33	32
Cash at end period	6	12	24	33	32	27
Restricted Cash	22	24	24	24	24	24
Cash & Equivalents	28	36	48	57	56	51

Source: Company Data, Morgan Stanley Research estimates

Balance Sheet

Exhibit 10: Dynagas Partners – Balance Sheet

BALANCE SHEET (in USD millions)																							
	1Q 14	2Q 14	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15	4Q 15	1Q 16	2Q 16	3Q 16	4Q 16	1Q 17	2Q 17	3Q 17	4Q 17	2013	2014	2015	2016	2017	2018	
Assets																							
Cash & Equivalents	9	20	11	12	18	19	22	24	26	27	31	33	33	31	32	32	6	12	24	33	32	27	
Restricted Cash - short term	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Prepaid Expenses & Other Current Assets	2	1	1	2	2	2	2	2	2	2	2	2	2	2	2	2	0	2	2	2	2	2	
Vessels:																							
Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Vessels at Cost	540	750	945	945	945	1,186	1,186	1,432	1,432	1,656	1,656	1,879	1,879	2,103	2,103	2,103	540	945	1,432	1,879	2,103	2,103	
Accumulated Depreciation	(91)	(94)	(99)	(105)	(111)	(117)	(125)	(133)	(143)	(152)	(163)	(175)	(187)	(200)	(214)	(228)	(87)	(105)	(133)	(175)	(228)	(284)	
Total Fixed Assets (book)	450	656	846	840	834	1,069	1,061	1,298	1,289	1,503	1,492	1,705	1,692	1,904	1,890	1,876	453	840	1,298	1,705	1,876	1,820	
Restricted Cash - long term	22	24	24	24	24	24	24	24	24	24	24	24	24	24	24	24	22	24	24	24	24	24	
Other assets	6	5	10	10	9	9	9	9	9	9	9	9	9	9	9	9	7	10	9	9	9	9	
Total Assets	488	706	893	867	867	1,124	1,118	1,357	1,350	1,566	1,558	1,773	1,761	1,970	1,957	1,942	489	867	1,357	1,773	1,942	1,882	
Liabilities & Equity																							
Other current liabilities, excl. debt	9	11	15	13	18	18	18	18	18	18	18	18	18	18	18	18	9	13	18	18	18	18	
Total Debt	214	336	580	575	570	674	667	808	800	926	917	1,041	1,031	1,154	1,142	1,130	220	575	808	1,041	1,130	1,081	
Other liabilities	2	2	2	1	1	1	1	1	1	1	1	1	1	1	1	1	2	1	1	1	1	1	
Shareholder's Equity	263	358	296	298	298	430	431	530	530	620	621	712	710	796	796	793	258	298	530	712	793	762	
Liabilities & Shareholders' Equity	488	706	893	867	867	1,124	1,118	1,357	1,350	1,566	1,558	1,773	1,761	1,970	1,957	1,942	489	867	1,357	1,773	1,942	1,882	
Number of vessels owned end period	3	4	5	5	5	6	6	7	7	8	8	9	9	10	10	10	3	5	7	9	10	10	
Weighted number of vessels	3.0	3.1	4.0	5.0	5.0	5.0	6.0	6.0	7.0	7.0	8.0	8.0	9.0	9.0	10.0	10.0	3.0	3.8	5.5	7.5	9.5	10.0	
Capacity (DWT million)	0.2	0.3	0.4	0.4	0.4	0.5	0.5	0.6	0.6	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.2	0.4	0.6	0.8	0.8	0.8	
Capacity (Cbm million)	0.4	0.6	0.8	0.8	0.8	0.9	0.9	1.1	1.1	1.2	1.2	1.4	1.4	1.6	1.6	1.6	0.4	0.8	1.1	1.4	1.6	1.6	
Average age (years)	6.7	5.4	4.7	5.0	5.2	5.5	5.7	6.0	6.2	6.5	6.7	7.0	7.2	7.5	7.7	8.0	6.4	5.0	6.0	7.0	8.0	9.0	

Source: Company Data, Morgan Stanley Research estimate

Dividend Discount Model

Exhibit 11: Dividend Discount Model

Dividend Discount Model per unit data	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
	2Q 15	2Q 16	2Q 17	2Q 18	2Q 19	2Q 20	2Q 21	2Q 22	2Q 23	2Q 24	2Q 25
Available distributable cash flow per unit		\$1.99	\$1.92	\$2.00	\$2.02	\$2.01	\$2.01	\$2.01	\$2.01	\$2.01	\$2.01
Actual paid distribution per unit	\$ 1.77	\$ 1.88	\$ 1.94	\$ 1.94	\$ 1.94	\$ 1.94	\$ 1.95	\$ 1.96	\$ 1.97	\$ 1.98	\$ 1.99
Coverage ratio	1.04x	1.11x	0.99x	1.05x	1.07x						
Paid distribution growth			3.2%	0.0%	0.0%	0.5%	0.5%	0.5%	0.5%	0.5%	9.0%
Terminal value of paid distribution											\$22.1
PV of paid distributions per unit		\$1.72	\$1.63	\$1.50	\$1.37	\$1.26	\$1.16	\$1.07	\$0.99	\$0.91	\$0.84
Sum of PV of paid distributions per unit	\$12.47										
PV of terminal value	8.92										
Equity value per unit	\$21.38										
Current annualized distribution	\$ 1.77										
Equity value per unit in 12 months	\$23.15										
Assumptions											
1-4-year paid distribution CAGR		2.3%									
5-9-year paid distribution CAGR		0.5%									
Terminal equity trading yield		9.0%									
Average coverage ratio		1.1x									
Discount rate		9.0%									
Terminal discount rate		9.5%									
Market implied discount rate before GP interest	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
GP share of distributions		0.1%	1.1%	2.4%	3.2%	6.2%	6.4%	6.5%	6.6%	6.8%	7.2%
Terminal discount rate											9.5%
Average discount rate	9.0%										

Source: Company Data, Morgan Stanley Research estimate

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(as of April 30, 2015)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)		
	COUNT	% OF TOTAL	COUNT	% OF TOTAL	% OF RATING IBC CATEGORY
Overweight/Buy	1166	35%	324	43%	28%
Equal-weight/Hold	1449	44%	336	45%	23%
Not-Rated/Hold	102	3%	12	2%	12%
Underweight/Sell	614	18%	78	10%	13%
TOTAL	3,331		750		

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Stock Price, Price Target and Rating History (See Rating Definitions)

Dynagas LNG Partners (DLNG.N) - As of 5/16/15 in USD
Industry : Maritime Industries



Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) ■
 Stock and Industry Ratings (abbreviations below) appear as + Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: Maritime Industries

COMPANY (TICKER)	RATING (AS OF)	PRICE* (05/15/2015)
Giannakoulis, Fotis		
Ardmore Shipping Corporation (ASC.N)	O (08/26/2013)	\$12.53
Baltic Trading Limited (BALT.N)	E (02/26/2012)	\$1.50
Box Ships Inc (TEU.N)	U (01/10/2014)	\$0.94
Costamare Inc (CMREN)	O (02/26/2012)	\$20.03
Diana Shipping Inc. (DSX.N)	E (02/24/2015)	\$7.23
Dry Ships Inc. (DRYS.O)	U (02/26/2012)	\$0.78
Dynagas LNG Partners (DLNG.N)	E (12/09/2013)	\$20.24
Euronav NV (EURN.N)	O (02/17/2015)	\$14.22
Frontline Ltd (FRO.N)	U (10/29/2012)	\$2.80
GasLog Ltd (GLOG.N)	O (02/20/2014)	\$21.54
GasLog Partners LP (GLOP.N)	O (06/02/2014)	\$26.43
Golar LNG Limited (GLNG.O)	O (02/26/2012)	\$48.30
Golar LNG Partners LP (GMLP.O)	E (02/20/2014)	\$27.98
Golden Ocean Group Ltd (GOGL.O)	E (04/25/2014)	\$5.15
Hoegh LNG Partners LP (HMLP.N)	E (09/02/2014)	\$21.10
Navigator Holdings Ltd (NVGS.N)	E (12/16/2013)	\$21.64
Navios Maritime Partners LP (NMMN)	U (11/03/2014)	\$10.98
Nordic American Tanker Shipping Ltd. (NAT.N)	E (10/29/2012)	\$12.45
Safe Bulkers (SB.N)	O (12/13/2013)	\$3.71
Scorpio Tankers Inc. (STNG.N)	E (08/26/2013)	\$9.50
Ship Finance International Ltd (SFL.N)	E (12/03/2013)	\$15.70
Star Bulk Carriers Corp (SBLK.O)	E (03/07/2014)	\$3.48
Teekay Corporation (TK.N)	E (02/26/2012)	\$47.58
Teekay LNG Partners LP (TGP.N)	E (12/06/2010)	\$36.75
Teekay Tankers Ltd. (TNK.N)	E (12/05/2014)	\$6.54
Tsakos Energy Navigation LTD (TNP.N)	O (08/20/2014)	\$9.50

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* Historical prices are not split adjusted.