THE FIXED INCOME CONTRARIAN

October 28, 2022

Cheniere Energy, Inc.

4.625% Senior Unsecured Notes due 10/15/28

(Buy)

Price (close):	92.752	**Yield-to-Maturity:**	6.09%
Rating:	Ba1/BB+	**Current Yield:**	4.98%
Outstanding:	$1.99 billion	**Yield-to-Worst**	6.09%
		Cusip:	16411RAK5
		Callable:	10/15/2023 @ 102.313
			10/15/2024 @ 101.156
(Data as of October 27, 2022)			10/15/2025 @ 100

PCS RESEARCH GROUP

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Exclusive Marketers of
The Fixed Income Contrarian Report

PCS Research Group LLC
88 Pine Street, Suite 3100
New York, NY 10005
research@pcsresearchservices.com
(212) 233-0100
www.pcsresearchservices.com

Research Team

Murray Stahl **Steven Bregman**

Rich Begun, Thérèse Byars, Ryan Casey, James Davolos, Peter Doyle

Matthew Houk, Utako Kojima, Eric Sites, Fredrik Tjernstrom, Steven Tuen

Investment Thesis

Cheniere Energy is an energy company that owns and operates terminals in the U.S. that process and export liquified natural gas ("LNG"). It owns and operates the Sabine Pass LNG terminal located in Cameron Parish, Louisiana as well as a second liquefaction and export facility in Corpus Christi, Texas.

For the past ten-plus years, the company has been engaged in the development and construction of its LNG processing facilities. The original plan called for a total of nine plants, or trains in industry speak, to be constructed. The last of these were completed earlier this year. Thus, Cheniere Energy has concluded the development stage and has now entered full production, with a total capacity of 45 million tonnes per annum. During this process, each train was put into operation soon after completion, so that they generated substantial revenues during this construction phase.

Cheniere Energy's policy is to secure long-term contracts with its customers for processing and delivering LNG and as a result, future sales are reasonably assured. To this end, roughly 95% of its capacity is contracted, with the average agreement lasting 17 years. Moreover, the company requires its customers to commit to two forms of payment. The first is a fixed payment that must be made regardless of whether the customer cancels future deliveries. This provides a measure of stability to Cheniere's earnings. The second is a variable component that is based on the amount of LNG delivered and is calculated as 115% of the spot price of natural gas. This ensures that Cheniere receives a margin on the gas processed and that it does not deliver LNG at a loss.

During the pandemic-stricken year of 2020, the company's business model was tested when customers canceled almost $1 billion of scheduled deliveries. Despite the challenges of imposed lockdowns, reduced economic activity and severe uncertainty, Cheniere Energy exited the year with only a slight year-over-year decline in revenues and a 59% profit decline. Yet, it still managed to produce higher cash flow, spurred by improved economies of scale and the fact that the lower GAAP results were due to certain non-cash charges related to mark-to-market accounting rules for long-term gas supply agreements.

Since then, its operating metrics have continued to improve, assisted by a rebound in natural gas prices. For example, total revenues increased from $9.3 billion in 2020 to over $15.8 billion in 2021. During the first half of 2022, the company produced revenues of $15.4 billion, which is more than double the $6.1 billion achieved during the comparable year-earlier period. In short, business is booming for the company.

As a result, Cheniere is in a position to produce substantial cash flow. Its adjusted EBITDA has risen from $3.9 billion in 2020 to $4.8 billion last year. During the first six months of 2022 alone, it produced EBITDA of $5.6 billion, which exceeded the total amount produced for the entire year of 2021. In fact, the cash flow is sufficiently large that the company does not anticipate leveraging the balance sheet further. On the contrary, Cheniere has utilized its cash flow to repay debt. Throughout 2021 and this year thus far, the company has repurchased a net $2.6 billion of bonds. As a consequence, its leverage ratio has been declining, from 10.7x in 2019 to just 3.5x presently, prompting the ratings agencies to upgrade Cheniere's debt.

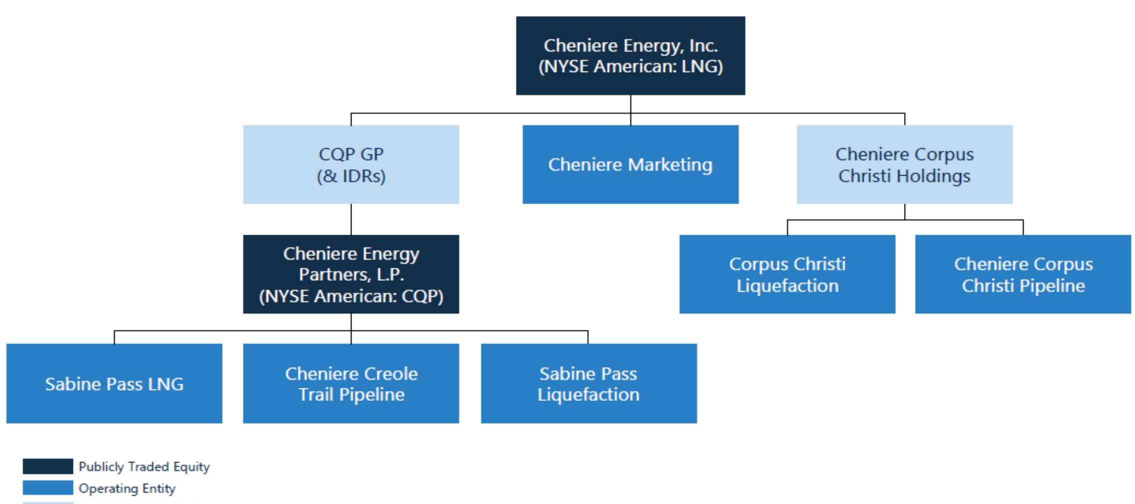
For these reasons, the Cheniere Energy notes do not appear to be highly risky, despite its non-investment grade rating. With a yield-to-maturity of 6.1% for a six-year maturity, the risk/return tradeoff is quite favorable for the prospective investor. As such, the Cheniere Energy 4.625% Senior Unsecured Notes due 2028 is recommended for purchase.

Company Description

Founded in 1996, Cheniere Energy is a liquified natural gas company that owns and operates LNG terminals in the U.S. that processes and exports liquified natural gas. In 2016, it became the first company to export LNG and it is currently the leading producer of liquified natural gas in the United States; worldwide, it is the second largest LNG operator.

Cheniere Energy, Inc. operates as a holding company, with two primary operating subsidiaries. The first is Cheniere Energy Partners, L.P. (CQP), a publicly traded master limited partnership in which Cheniere is the General Partner (with a 2.0% GP Interest) and in which it also holds a 48.6% limited partner interest. CQP is the owner and operator of the Sabine Pass properties. The second subsidiary is Cheniere Corpus Christie Holdings. It is wholly owned by the parent and houses the Corpus Christie operations.

Exhibit 1: Cheniere Energy Corporate Structure



Source: Company presentation

Operations

Cheniere owns and operates the Sabine Pass LNG terminal located in Cameron Parish, Louisiana. This LNG processing and export facility is situated on the Sabine-Neches Waterway, which is less than four miles from the Gulf Coast. This facility began the planning and regulatory approval process for liquefaction in 2010. Before that, Cheniere was an oil and gas exploration company. At the time, management believed that the abundance of natural gas in the U.S. could position the country as a formidable LNG exporting nation. The exploration activities were ultimately abandoned, and the entire strategy of the company was altered towards building LNG facilities in Louisiana and Texas. While this rather maverick concept took over a decade to operationalize, Cheniere is now at the forefront of U.S. LNG exportation.

At these types of facilities, Cheniere receives natural gas through purchase agreements with a variety of pipeline companies. The gas is processed, or liquefied, through a procedure that cools the gas to a temperature of -260°F, converting it to a liquid form. This process shrinks the volume of gas by 600 times, allowing it to be efficiently contained within LNG tanker carriers. The tankers then load the carriers at the company's ports on the Gulf Coast, which are transported to the end customer (where it is ultimately converted back to gas form through regassification).

Currently, the Sabine Pass LNG facility has six terminals, which are also called trains, that are operational and have been commercially transporting LNG since 2016. The last of the six trains just completed construction in February of this year. The aggregate nominal production capacity of the facility is approximately 30 million tonnes per annum ("MTPA"). The site also has regasification facilities, including five LNG storage tanks (17 billion cubic feet equivalent, or Bcfe, of capacity), as well as two marine berths (with an additional one under construction) that can accommodate vessels of up to 266,000 cubic meters of capacity.

Responding to the growing worldwide demand for LNG, and the availability of natural gas reserves in the U.S., Cheniere constructed a second liquefaction and export facility in Corpus Christi, Texas. This plant is located on 2,000 acres owned or controlled by Cheniere and is strategically placed southeast of the oil and gas fracking activities in West Texas. This location has three trains that are fully constructed and operational, with a production capacity of 15 MTPA of LNG. It also has three LNG storage tanks with aggregate capacity of 10 Bcfe and two marine berths.

Presently, the company plans to construct an additional seven smaller trains at this location that will contribute an additional of 10 MTPA.

In order to reduce its financial risk, Cheniere's policy is to secure long-term sales agreements with its commercial and government LNG customers. It typically targets organizations with strong financials and highly regarded credit ratings, such as Royal Dutch Shell, PetroChina, and Total S.A. These contracts are structured for at least 20-year terms (with extension rights) and involve two forms of payment.

The first is a fixed component that involves a sum that must be paid regardless of whether the customer cancels future deliveries— referred to as a take-or-pay provision—that effectively represents a non-refundable security deposit/placeholder fee, guaranteeing the customer's portion of Cheniere's production will be available.

The fixed fees do not generally upend the customer's economic equilibrium but are also sufficiently large enough that the contract cannot be taken lightly. This is important inasmuch as the customer still retains financial flexibility to manage the inevitable variations in LNG spot prices, and not be beholden to a pre-established lump sum payment that could place it in financial hardship. Yet, even if the customer were to delay or cancel a scheduled delivery from Cheniere, the existing contract remains in force, so that the customer is still obliged to make future purchases as contracted.

This feature effectively reduces Cheniere Energy's financial risk, given the vast sums required to construct the facility. This is superior to the traditional agreements among energy companies. An illustrative example would be the offshore oil rig industry. Oil producers enter into long-term service contracts with rig providers at daily operating rates that are largely influenced by the prevailing price of oil. When oil prices decline substantially, rendering the drilling activities uneconomical, the oil producers will pay a one-time termination fee, or even litigate the contract in court. While the rig providers do generally receive some financial compensation for terminated contracts, the recurring revenue stream is lost.

The second, a variable component, of Cheniere's fee structure is based on the amount of LNG delivered to customers. These clients pay 115% of the Henry Hub spot price per MMBtu delivered, ensuring a 15% premium over the market price. Therefore, while the company is exposed to the underlying commodity price over time, it will not be forced to deliver LNG at below market prices and should always receive this premium over the market rate, thus maintaining a positive spread. In effect, these provisions provide a more steady and dependable revenue stream compared to the typical company operating in the oil and gas industry.

Financial Review

Although Cheniere Energy has approximately 95% of its total anticipated production volume under long-term take-or-pay style contracts, the company did experience a very modest revenue decline in 2020 resulting from the economic effects of the worldwide COVID-19 pandemic lockdowns. During the year, LNG prices dropped to a record low and the company experienced some customer cancellations, although it did receive compensation in the form of the take-or-pay payments. In these instances, the customers elected to postpone or cancel the LNG gas delivery from Cheniere but were still contractually obligated to purchase LNG in subsequent periods. Usually, the notice to cancel must be communicated within a specific timeframe (e.g., 60 days before scheduled loading), which allows Cheniere to manage its raw materials cost; the company can reduce the purchase of natural gas and avoid holding unsold LNG. In 2020, the company recognized just under $1 billion of revenues associated with LNG cargoes for which customers elected to not take delivery. Accordingly, notwithstanding the cancellations, the revenue decline was less than 4% year-over-year (from $9.7 billion in 2019 to $9.3 billion in 2020). To put that in perspective, the 2020 revenue figure was still 17% higher than the level achieved in 2018.

Exhibit 2: Cheniere Energy Summary Earnings (2018-2020)

	2018	2019	2020
Total revenues	$ 7,987	$ 9,730	$ 9,358
Cost of sales	4,597	5,079	4,161
Operating & maintenance expense	613	1,154	1,320
Development expense	7	9	6
SG&A	289	310	302
Depeciation & amortization	449	794	932
Impairment expense	8	23	6
Operating income	2,024	2,361	2,631
Interest expense	(875)	(1,432)	(1,525)
Loss on extinguishment of debt	(27)	(55)	(217)
Interest rate derivative gain/(loss)	57	(134)	(233)
Other income/(expense)	48	(25)	(112)
Pre-tax income	1,227	715	544
Taxes	(27)	517	(43)
Net income	1,200	1,232	501
Net income attrib. to non-control interest	729	584	586
Net incomme attrib. to common stockholders	$ 471	$ 648	$ (85)

($ in millions)

Source: Company reports

Although the company improved its gross margins and produced greater operating efficiency, its net income declined from $1.2 billion to $501 million (or a small GAAP loss of $85 million for the year, after deducting net income for non-controlling interests versus net income of $648 million in the prior year). This was attributable to $515 million of non-cash charges to commodity derivatives related to long-term marketing agreements for the purchase of natural gas and certain gas supply agreements that require mark-to-market accounting, which is an annually fluctuating non-cash figure. Moreover, Cheniere recorded $217 million of losses resulting from the extinguishment of debt.

On a cash basis, Cheniere Energy remained very profitable. For the year, the company produced $1.2 billion in operating cash flow on $9.3 billion of revenue, which was quite an achievement considering the economic disruptions that transpired in 2020.

The financials appear even more favorable on an adjusted EBITDA basis. The company calculates that adjusted EBITDA reached $3.96 billion in 2020, which is a considerable increase from 2019's EBITDA figure of $2.94 billion. The primary difference between the two years is attributable to the previously mentioned mark-to-market adjustments.

Exhibit 3: Cheniere Energy Adjusted EBITDA (2019-1H2022)

	2019	2020	2021	1H2021	1H2022
Income from operations	$ 2,361	$ 2,631	$ (701)	$ 1,210	$ 864
Depreciation & amortization expense	794	932	1,011	494	547
Loss/(gain) from changes in fair value of FX derivatives	(355)	215	4,450	711	4,198
Total non-cash compensation expense	123	108	100	61	70
Impairment expense & loss on asset disposal	23	6	5	(1)	3
Inremental cost from COVID-19 response	-	69	2	-	-
Consolidated adjusted EBITDA	$ 2,946	$ 3,961	$ 4,867	$ 2,475	$ 5,682

($ in millions)

Source: Company reports

As the pandemic receded and the business environment normalized, Cheniere Energy experienced a rapid recovery. Total revenues soared 69% to $15.8 billion, as the price of natural gas recovered from a low of $1.74 per million Btu ("MMBtu") in April 2020 to over $5 per MMBtu during the year. However, the higher gas price also increased the company's cost of sales, from $4.1 billion in 2020 to $13.7 billion in the following year. Despite the record revenues and little change in its other operating expenses, such as maintenance or SG&A, Cheniere actually produced a GAAP loss. For the year, it recorded net income of $(1.5 billion) versus a profit of $501 million in 2020.

Exhibit 4: Cheniere Energy Summary Earnings (2020-1H2022)

	2020	2021	1H2021	1H2022
Total revenues	$ 9,358	$ 15,864	$ 6,107	$ 15,491
Cost of sales	4,161	13,773	3,540	13,088
Operating & maintenance expense	1,320	1,444	707	808
Development expense	6	7	3	8
SG&A	302	325	154	173
Depeciation & amortization	932	1,011	494	547
Impairment expense	6	5	(1)	3
Operating income	2,631	(701)	1,210	864
Interest expense	(1,525)	(1,438)	(724)	(706)
Loss on extinguishment of debt	(217)	(116)	(59)	(46)
Interest rate derivative gain/(loss)	(233)	(1)	(1)	2
Other income/(expense)	(112)	(22)	10	8
Pre-tax income	544	(2,278)	436	122
Taxes	(43)	713	4	10
Net income	501	(1,565)	440	132
Net income attrib. to non-control interest	586	778	376	256
Net incomme attrib. to common stockholders	$ (85)	$ (2,343)	$ 64	$ (124)

($ in millions)

Source: Company reports

As in previous years, Cheniere's GAAP earnings were impacted by the non-cash mark-to-market changes in its derivatives portfolio, amounting to $5.9 billion in 2021. On a cash basis, the company was quite profitable, producing operating cash flow of $2.4 billion, which was double the prior year's $1.2 billion.

As natural gas prices remain at elevated levels, the same trend—rapid expansion in Cheniere's scope of operations—has continued into the current year. It bears noting that during the first half of 2022, the company produced total revenues of $15.4 billion, equaling the full year figure achieved last year and more than double the prior year's comparable six-month period. However, it recorded mark-to-market derivative losses of $4.5 billion, reducing the organization's net income to just $132 million (and resulting in a net loss of $124 million for the common stockholders).

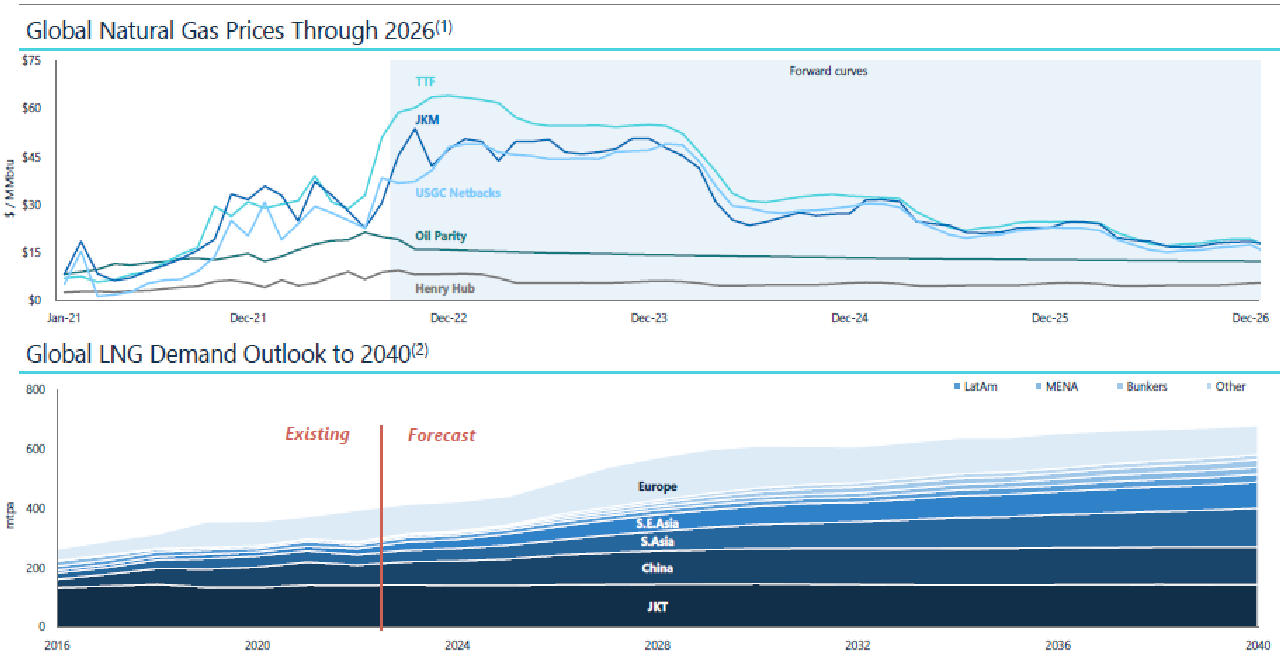
Again, on a cash flow basis, Cheniere Energy was exceptionally profitable, producing operating income of $5.1 billion in the first six months of 2022, up substantially from the

$1.3 billion produced in the prior year's period. Having $1.0 billion of capital expenditures, free cash flow amounted to $4.1 billion for the first half of 2022. Since it is cash flow that determines solvency risk, it can be readily observed that on this basis, Cheniere Energy's credit risk is very low.

Looking forward, the LNG market is expected to double between 2022 and 2040, courtesy of a growing worldwide population as well as a shift from legacy fossil fuels (coal and oil) to cleaner energy sources, which include natural gas. Natural gas is sometimes referred to as a "bridge fuel" because it is recognized that "clean" electricity production methods such as from solar and wind are unable to fully support the current amount of electric consumption.

Natural gas is viewed as an acceptable substitute because it produces less emissions than coal and oil, but is also in plentiful supply and can be used to produce electricity on demand. This is critical to renewable energy installations, because they produce interruptible power due to the vicissitudes of weather conditions and require an "always-on" source of back-up power.

Exhibit 5: Global LNG Supply Forecast



Source: Company presentation dated 9/12/22

More recently, the demand for LNG from Europe has become acute due to the initiation of the Russian conflict with Ukraine in February. Since the European Union embargoed Russian fossil fuels as a form of punishment, countries such as Germany and the United Kingdom have increasingly come to rely on imported LNG for their energy needs.

The current consensus is that the western countries have entered, or will soon be, in a recession, which could have an adverse effect on Cheniere's financial performance. However, as the 2020 results illustrate, even during severe economic weakness, the company has the ability to generate substantial cash flow and thus support its debt load. Even then, the demand for LNG might not be affected to a meaningful degree, considering that access to a secure energy supply is not just an economic issue; it is now a matter of national security.

Balance Sheet

In principle, the business of producing LNG is fairly simple. Cheniere receives natural gas through purchase agreements with a variety of pipeline companies. The gas is liquified, allowing it to be efficiently held and transported in LNG tanker carriers. The LNG is then loaded onto the ships at Cheniere's Gulf locations and ultimately transported to the end customer, where it is converted back to gaseous form for use.

The difficulty of executing this plan stems from the ability to raise the capital necessary to construct the facilities. Being the first in the U.S., Cheniere Energy secured an early mover advantage and was able to raise the funds necessary to accomplish its goal. To date, it has approximately $30.6 billion invested in its property, plant and equipment, net of depreciation, a not inconsiderable sum.

Given that its core facilities have been completed, most of the capital required for construction purposes has essentially ended. What remains will be the expenditures earmarked for the planned expansion of the Corpus Christi facility. The expansion was approved because almost all its current production capacity is already contractually secured. This Stage III Project is anticipated to have a construction cost of $5.5 billion and will provide up to seven additional midscale trains with total production capacity of 10 MTPA of LNG.

Historically, the majority of the funds were raised through debt issuance, and so, as of June 30th, the company had total debt of $28.3 billion and cash/cash equivalents of $2.6 billion.

Exhibit 6: Cheniere Energy Abbreviated Balance Sheet (1H2021-1H2022)

	1H2021	1H2022
Cash & cash equivalents	$ 1,404	$ 2,631
Restricted cash	413	335
Other current assets	3,239	3,220
Total current assets	5,056	6,186
Property, plant & equipment	30,288	30,659
Non-current derivative assets	69	144
Other non-current assets	3,845	4,324
Total assets	39,258	41,313
Current debt	366	2,270
Other current liabilities	4,327	5,286
Total current liabilities	4,693	7,556
Long-term debt	29,449	26,055
Derivative liabilities	3,501	7,133
Other non-current liabilites	1,648	1,764
Total equity	(2,571)	(3,562)
Non-controlling interests	2,538	2,367
Total liabilities & stockholders' equity	$ 39,258	$ 41,313

($ in millions)

Source: Company reports

Given such a large debt balance, it is legitimate to question if Cheniere Energy could adequately support it. On this issue, one could look to the interest coverage as an indicator of distress. In 2020 the company produced $3.9 billion of EBITDA, even as it experienced pandemic-related cancellations. During that year, it recorded $1.5 billion of interest expense. Therefore, the company's interest coverage during the pandemic approached 2.6x, which was satisfactory. Subsequently, the interest coverage has improved to a large degree. For example, in 2021, the ratio rose to 3.4x and most recently, during the first half of 2022, interest coverage reached 8x, suggesting that the credit risk appears to be abating.

Exhibit 7: Cheniere Energy Interest Coverage (2020-1H2022)

	2020	2021	1H2021	1H2022
Adjusted EBITDA	$ 3,961	$ 4,867	$ 2,475	$ 5,682
Interest expense	1,525	1,438	724	706
Interest coverage	*2.6x*	*3.4x*	*3.4x*	*8.0x*

($ in millions)

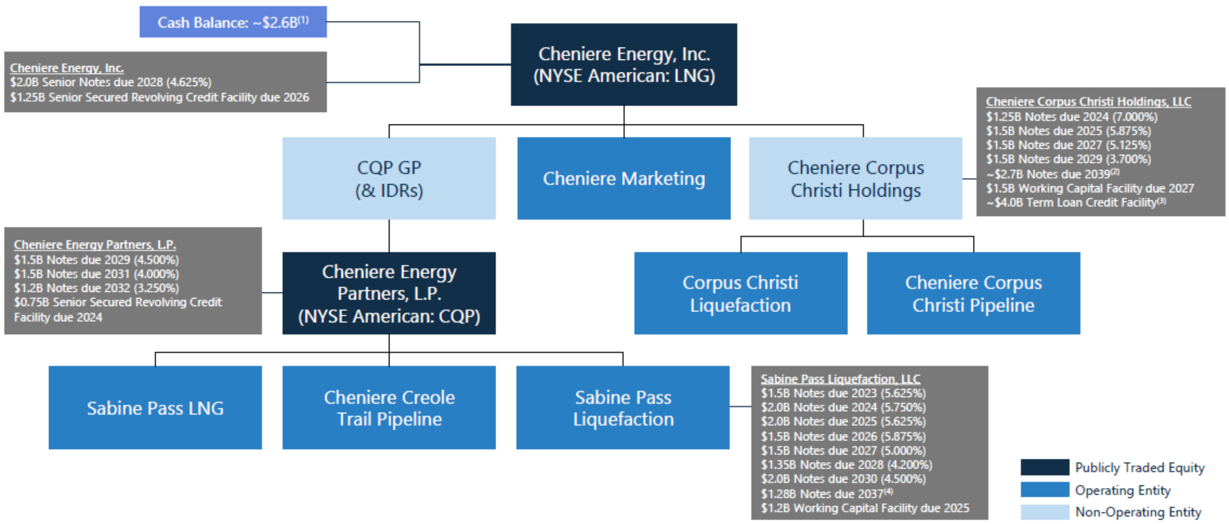
Source: Company reports

Now that the bulk of its construction program is effectively completed, the requirement for more debt capital has been eliminated so that its leverage will not rise appreciably going forward. Indeed, the easing of investment requirements in conjunction with the production of free cash flow at scale enables the company to reduce its overall leverage. Towards this end, Cheniere repurchased a net $899 million of bonds last year and an additional $1.7 billion during the first half of 2022.

This has resulted in a debt/EBITDA leverage ratio of 3.5x at the present time. Longer term, the company targets a run-rate leverage ratio of approximately 4x. For reference, its leverage ratio was 10.7x in 2019, 7.9x in 2020 and 6.2x in 2021. Cheniere believes that this will enable it to maintain investment grade credit metrics throughout the Stage III construction process.

At this point, it is worth noting that, although Cheniere reports almost $30 billion of debt on its balance sheet, the 4.625% notes under discussion are the only series of debt that are issued at the holding company/parent level. The overwhelming majority of the company's borrowings originate at the operating subsidiary level: Cheniere Energy Partners, Cheniere Corpus Christi Holdings and Sabine Pass Liquefaction.

Exhibit 8: Cheniere Energy Debt Summary (as of June 30, 2022)



Source: Company presentation dated 9/12/22

It can be observed that the bonds issued by the operating subsidiaries—Cheniere Corpus Christi Holdings and Sabine Pass Liquefaction—are deemed investment grade, carrying a rating of BBB. Meanwhile, the holding companies, meaning Cheniere Energy and CQP, are judged to be non-investment grade, with ratings in the BB level.

This suggests that the bonds under discussion do not contain a de facto elevated credit risk as it relates to the underlying business operation. Indeed, the business itself appears to be well-regarded by the ratings agencies. The lower rating merely reflects a penalty for the location of the bonds within corporate structure. With that said, the outlook is improving. In February 2022, S&P upgraded its rating from BB to BB+ and Moody's re-rated the bonds from Ba3 to Ba1 in September.

Indeed, the record will show that Cheniere Energy (as well as its operating subsidiaries) have earned upgrades throughout its operating history. As its operating results continue to improve, its creditworthiness should also rise.

Exhibit 9: Cheniere Energy Historical Credit Rating Upgrades (2016-YTD2022)

	Cheniere Energy, Inc.		Cheniere Energy Ptnrs.		Corpus Christi Hldgs.*		Sabine Pass*	
Period	Moody's	S&P	Moody's	S&P	Moody's	S&P	Moody's	S&P
Prior ratings	*Ba3*	*B+*	*n/a*	*n/a*	*Ba2*	*n/a*	*Ba3*	*BB+*
2016		BB-					Ba1	BBB-
2017			Ba2	BB			Baa3	
2019					Ba1	BBB-		
2022	Ba1	BB+		BB+				

Source: Company reports, Bloomberg

Investment Summary

Cheniere Energy is the leading producer of liquified natural gas in the United States. It has been developing its facilities for over ten years and has just reached completion of its final facility. The company has a policy of securing long-term contracts with its customers, which provides a degree of protection from unanticipated declines in demand and ensures that its production is fully allocated for guaranteed purchases through take-or-pay agreements. As such, its cash flow is reasonably assured.

Given the increase in energy prices, Cheniere's results have been very robust, with EBITDA in the most recent year-to-date period more than doubling. This has allowed the company to deleverage its balance sheet, and therefore its credit risk should improve. As a consequence, the stated yield to maturity of 6.1% for the company's senior notes appears attractive, relative to the observed risk. Therefore, the Cheniere Energy 4.625% Senior Unsecured Notes due 2028 are recommended for purchase.

CHENIERE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (1)
(in millions, except share data)

	June 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,631	$ 1,404
Restricted cash and cash equivalents	335	413
Trade and other receivables, net of current expected credit losses	1,883	1,506
Inventory	746	706
Current derivative assets	273	55
Margin deposits	169	765
Other current assets	149	207
Total current assets	6,186	5,056
Property, plant and equipment, net of accumulated depreciation	30,659	30,288
Operating lease assets	2,255	2,102
Derivative assets	144	69
Goodwill	77	77
Deferred tax assets	1,276	1,204
Other non-current assets, net	716	462
Total assets	$ 41,313	$ 39,258
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 141	$ 155
Accrued liabilities	2,599	2,299
Current debt, net of discount and debt issuance costs	2,270	366
Deferred revenue	141	155
Current operating lease liabilities	598	535
Current derivative liabilities	1,793	1,089
Other current liabilities	14	94
Total current liabilities	7,556	4,693
Long-term debt, net of premium, discount and debt issuance costs	26,055	29,449
Operating lease liabilities	1,623	1,541
Finance lease liabilities	56	57
Derivative liabilities	7,133	3,501
Other non-current liabilities	85	50
Stockholders' deficit		
Preferred stock: $0.0001 par value, 5.0 million shares authorized, none issued	—	—
Common stock: $0.003 par value, 480.0 million shares authorized; 276.6 million shares and 275.2 million shares issued at June 30, 2022 and December 31, 2021, respectively	1	1
Treasury stock: 26.2 million shares and 21.6 million shares at June 30, 2022 and December 31, 2021, respectively, at cost	(1,529)	(928)
Additional paid-in-capital	4,277	4,377
Accumulated deficit	(6,311)	(6,021)
Total Cheniere stockholders' deficit	(3,562)	(2,571)
Non-controlling interest	2,367	2,538
Total stockholders' deficit	(1,195)	(33)
Total liabilities and stockholders' deficit	$ 41,313	$ 39,258

CHENIERE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues				
LNG revenues	$ 7,873	$ 2,913	$ 15,213	$ 5,912
Regasification revenues	68	67	136	134
Other revenues	66	37	142	61
Total revenues	8,007	3,017	15,491	6,107
Operating costs and expenses				
Cost of sales (excluding items shown separately below)	5,752	2,154	13,088	3,540
Operating and maintenance expense	419	385	808	707
Development expense	3	2	8	3
Selling, general and administrative expense	77	73	173	154
Depreciation and amortization expense	276	258	547	494
Impairment expense and loss (gain) on disposal of assets	3	(1)	3	(1)
Total operating costs and expenses	6,530	2,871	14,627	4,897
Income from operations	1,477	146	864	1,210
Other income (expense)				
Interest expense, net of capitalized interest	(357)	(368)	(706)	(724)
Loss on modification or extinguishment of debt	(28)	(4)	(46)	(59)
Derivative gain (loss), net	(1)	(2)	2	(1)
Other income, net	3	4	8	10
Total other expense	(383)	(370)	(742)	(774)
Income before income taxes and non-controlling interest	1,094	(224)	122	436
Less: income tax provision (benefit)	181	(93)	(10)	(4)
Net income	913	(131)	132	440
Less: net income attributable to non-controlling interest	172	198	256	376
Net income (loss) attributable to common stockholders	$ 741	$ (329)	$ (124)	$ 64
Net income (loss) per share attributable to common stockholders —basic	$ 2.92	$ (1.30)	$ (0.49)	$ 0.25
Net income (loss) per share attributable to common stockholders —diluted	$ 2.90	$ (1.30)	$ (0.49)	$ 0.25
Weighted average number of common shares outstanding—basic	253.6	253.5	253.8	253.2
Weighted average number of common shares outstanding—diluted	255.9	253.5	253.8	254.7

HORIZON KINETICS

CHENIERE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash flows from operating activities		
Net income	$ 132	$ 440
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	547	494
Share-based compensation expense	79	63
Non-cash interest expense	5	14
Amortization of debt issuance costs, premium and discount	29	40
Reduction of right-of-use assets	280	172
Loss on modification or extinguishment of debt	46	59
Losses on derivative instruments, net	4,530	748
Net cash used for settlement of derivative instruments	(487)	(111)
Income on equity method investments	(9)	(8)
Deferred taxes	(32)	(7)
Repayment of paid-in-kind interest related to repurchase of convertible notes	(13)	(190)
Other	10	(1)
Changes in operating assets and liabilities:		
Trade and other receivables, net of current expected credit losses	(445)	33
Inventory	(44)	(66)
Margin deposits	596	(125)
Other current assets	40	(38)
Accounts payable and accrued liabilities	278	88
Deferred revenue	9	(33)
Total operating lease liabilities	(286)	(173)
Other, net	(93)	(26)
Net cash provided by operating activities	5,172	1,373
Cash flows from investing activities		
Property, plant and equipment	(1,023)	(440)
Proceeds from sale of fixed assets	—	68
Investment in equity method investment	(10)	—
Other	—	(11)
Net cash used in investing activities	(1,033)	(383)
Cash flows from financing activities		
Proceeds from issuances of debt	1,015	2,184
Redemptions and repayments of debt	(2,715)	(2,603)
Debt issuance and other financing costs	(43)	(20)
Debt modification or extinguishment costs	(30)	(41)
Distributions to non-controlling interest	(427)	(322)
Payments related to tax withholdings for share-based compensation	(55)	(43)
Repurchase of common stock	(565)	—
Dividends to shareholders	(170)	—
Other	—	8
Net cash used in financing activities	(2,990)	(837)
Net increase in cash, cash equivalents and restricted cash and cash equivalents	1,149	153
Cash, cash equivalents and restricted cash and cash equivalents—beginning of period	1,817	2,077
Cash, cash equivalents and restricted cash and cash equivalents—end of period	$ 2,966	$ 2,230

CHENIERE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (1)

(in millions, except share data)

	December 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,404	$ 1,628
Restricted cash and cash equivalents	413	449
Accounts and other receivables, net of current expected credit losses	1,506	647
Inventory	706	292
Current derivative assets	55	32
Margin deposits	765	25
Other current assets	207	96
Total current assets	5,056	3,169
Property, plant and equipment, net of accumulated depreciation	30,288	30,421
Operating lease assets	2,102	759
Derivative assets	69	376
Goodwill	77	77
Deferred tax assets	1,204	489
Other non-current assets, net	462	406
Total assets	$ 39,258	$ 35,697
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 155	$ 35
Accrued liabilities	2,299	1,175
Current debt, net of discount and debt issuance costs	366	372
Deferred revenue	155	138
Current operating lease liabilities	535	161
Current derivative liabilities	1,089	313
Other current liabilities	94	2
Total current liabilities	4,693	2,196
Long-term debt, net of premium, discount and debt issuance costs	29,449	30,471
Operating lease liabilities	1,541	597
Finance lease liabilities	57	57
Derivative liabilities	3,501	151
Other non-current liabilities	50	7
Commitments and contingencies (see Note 20)		
Stockholders' equity		
Preferred stock, $0.0001 par value, 5.0 million shares authorized, none issued	—	—
Common stock, $0.003 par value, 480.0 million shares authorized; 275.2 million shares and 273.1 million shares issued at December 31, 2021 and 2020, respectively	1	1
Treasury stock: 21.6 million shares and 20.8 million shares at December 31, 2021 and 2020, respectively, at cost	(928)	(872)
Additional paid-in-capital	4,377	4,273
Accumulated deficit	(6,021)	(3,593)
Total stockholders' deficit	(2,571)	(191)
Non-controlling interest	2,538	2,409
Total equity (deficit)	(33)	2,218
Total liabilities and stockholders' equity (deficit)	$ 39,258	$ 35,697

CHENIERE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)

	Year Ended December 31, 2021	2020	2019
Revenues			
LNG revenues	$ 15,395	$ 8,924	$ 9,246
Regasification revenues	269	269	266
Other revenues	200	165	218
Total revenues	15,864	9,358	9,730
Operating costs and expenses			
Cost of sales (excluding items shown separately below)	13,773	4,161	5,079
Operating and maintenance expense	1,444	1,320	1,154
Development expense	7	6	9
Selling, general and administrative expense	325	302	310
Depreciation and amortization expense	1,011	932	794
Impairment expense and loss on disposal of assets	5	6	23
Total operating costs and expenses	16,565	6,727	7,369
Income (loss) from operations	(701)	2,631	2,361
Other expense			
Interest expense, net of capitalized interest	(1,438)	(1,525)	(1,432)
Loss on modification or extinguishment of debt	(116)	(217)	(55)
Interest rate derivative loss, net	(1)	(233)	(134)
Other expense, net	(22)	(112)	(25)
Total other expense	(1,577)	(2,087)	(1,646)
Income (loss) before income taxes and non-controlling interest	(2,278)	544	715
Less: income tax provision (benefit)	(713)	43	(517)
Net income (loss)	(1,565)	501	1,232
Less: net income attributable to non-controlling interest	778	586	584
Net income (loss) attributable to common stockholders	$ (2,343)	$ (85)	$ 648
Net income (loss) per share attributable to common stockholders—basic	$ (9.25)	$ (0.34)	$ 2.53
Net income (loss) per share attributable to common stockholders—diluted	$ (9.25)	$ (0.34)	$ 2.51
Weighted average number of common shares outstanding—basic	253.4	252.4	256.2
Weighted average number of common shares outstanding—diluted	253.4	252.4	258.1

CHENIERE ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Year Ended December 31, 2021	2020	2019
Cash flows from operating activities			
Net income (loss)	$ (1,565)	$ 501	$ 1,232
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization expense	1,011	932	794
Share-based compensation expense	140	110	131
Non-cash interest expense	19	51	143
Amortization of debt issuance costs, premium and discount	72	114	103
Reduction of right-of-use assets	393	291	350
Loss on modification or extinguishment of debt	116	217	55
Total losses (gains) on derivatives, net	5,989	211	(400)
Net cash provided by (used for) settlement of derivative instruments	(1,579)	74	138
Impairment expense and loss on disposal of assets	5	6	23
Impairment expense and loss on equity method investments	24	126	88
Deferred taxes	(715)	40	(521)
Repayment of paid-in-kind interest related to repurchase of convertible notes	(190)	(911)	—
Other	4	2	—
Changes in operating assets and liabilities:			
Accounts and other receivables, net of current expected credit losses	(799)	(154)	1
Inventory	(409)	21	11
Margin deposits	(741)	(13)	6
Other current assets	(101)	(14)	(24)
Accounts payable and accrued liabilities	1,144	54	52
Deferred revenue	55	(23)	22
Operating lease liabilities	(418)	(277)	(366)
Other, net	14	(93)	(5)
Net cash provided by operating activities	2,469	1,265	1,833
Cash flows from investing activities			
Property, plant and equipment	(966)	(1,839)	(3,056)
Proceeds from sale of fixed assets	68	—	—
Investment in equity method investment	—	(100)	(105)
Other	(14)	(8)	(2)
Net cash used in investing activities	(912)	(1,947)	(3,163)
Cash flows from financing activities			
Proceeds from issuances of debt	5,911	7,823	6,434
Redemptions and repayments of debt	(6,810)	(6,940)	(4,346)
Debt issuance and other financing costs	(53)	(125)	(51)
Debt modification or extinguishment costs	(82)	(172)	(15)
Distributions to non-controlling interest	(649)	(626)	(590)
Payments related to tax withholdings for share-based compensation	(48)	(43)	(19)
Repurchase of common stock	(9)	(155)	(249)
Cash dividends to shareholders	(85)	—	—
Other	8	3	4
Net cash provided by (used in) financing activities	(1,817)	(235)	1,168
Net decrease in cash, cash equivalents and restricted cash and cash equivalents	(260)	(917)	(162)
Cash, cash equivalents and restricted cash and cash equivalents—beginning of period	2,077	2,994	3,156
Cash, cash equivalents and restricted cash and cash equivalents—end of period	$ 1,817	$ 2,077	$ 2,994

HORIZON KINETICS

This report was produced by Horizon Kinetics ("HK"). The following persons employed by HK contributed to this report: Murray Stahl, Chairman, Steven Bregman, President, and Peter Doyle, Managing Director. HK is located at 470 Park Avenue South, New York, NY 10016. At the time of this report, there are no planned updates to the recommendations. To the extend HK has provided previous recommendations concerning the same issuer(s) during the preceding 12-month period, such recommendations do not differ from the recommendations contained here.

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