Singapore Company Guide

Ezion Holdings

Version 15 | Bloomberg: EZI SP | Reuters: EZHL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

10 Apr 2018

BUY (Upgrade from FULLY VALUED)

Last Traded Price (12 Mar 2018): S$0.20 (STI : 3,449.96)

Price Target 12-mth : S$0.29 (46% upside) (Prev S$0.13)

Analyst

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What's New

- Successful refinancing exercise provides 6-year runway with minimum repayment and interest
- Potential strategic partners boost prospects; utilisation and day rates improving
- Temasek-linked Pavilion Capital's strategic investment a confidence booster
- Upgrade to BUY; TP lifted to S$0.29

Price Relative

Forecasts and Valuation

FY Dec (US$m)	2016A	2017A	2018F	2019F
Revenue	318	193	240	318
EBITDA	204	46	119	184
Pre-tax Profit	(31)	(1,015)	7	62
Net Profit	(34)	(1,018)	7	59
Net Pft (Pre-Ex, Aft Pref Div)*	14	(131)	7	59
EPS (S cts)	(2.1)	(64.4)	0.2	1.1
EPS Pre Ex, Aft Pref Div (S cts)	0.9	(8.3)	0.2	1.1
EPS Gth (%)	nm	nm	nm	511
EPS Gth Pre Ex, Aft pref div	(89)	nm	nm	511
Net DPS (S cts)	0.0	0.0	0.0	0.0
BV Per Share (S cts)	83.1	19.3	20.0	22.9
PE (X)	nm	0.0	105.6	17.3
PE Pre Ex, Aft Pref Div (X)	21.9	nm	105.6	17.3
P/Cash Flow (X)	2.1	4.8	14.8	5.9
EV/EBITDA (X)	7.8	36.6	15.4	9.2
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	0.2	1.0	1.0	0.9
Net Debt/Equity (X)	1.0	4.5	1.5	0.6
ROAE (%)	(3.3)	(125.6)	1.3	6.1
Earnings Rev (%):			-	-
Consensus EPS (S cts):		0.9	1.7	1.8
Other Broker Recs:		B: 0	S: 5	H: 0

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Phoenix rising from the ashes

Upgrade to BUY; TP S$ 0.29, based on 1.4x FY18 book value. Ezion is poised to re-rate from its current insolvency valuation, catalysed by: i) successful refinancing exercise provides 6-year runway; ii) improving utilisation and day rates drives earnings recovery; iii) Temasek-linked Pavilion Capital as strategic investor boosts confidence; and iv) potential strategic partners brighten growth prospects. Ezion's shares are expected to resume trading on 17-Apr-2018.

Strategic industrial partners on the way? Ezion remains in talks with strategic partners that could offer financial support or liftboat assets to tap the demand recovery. We believe potential tie-ups with prominent industry players enhances Ezion's growth prospects, which would otherwise be constrained by its high gearing level. This serves as a catalyst for further re-rating.

Where we differ. We are more hopeful on Ezion's turnaround. While it has also been hit hard by the recent oil crisis, Ezion is among the few surviving players with a niche competitive edge in liftboats, a segment with brighter demand/supply outlook relative to other offshore support vessels.

Valuation:

We value Ezion based on 1.4x FY18 book value, in line with the valuation multiple ascribed to SGX-listed peer POSH post massive impairments, arriving at a target price of S$ 0.29. Our FY18F book value has factored in ~US$1.1bn total impairments made in 2015-2017 and assumes full conversion and exercise of bondholders' warrants.

Key Risks to Our View:

Slower recovery. Falling oil price below US$50/bbl, might hit O&G activities, and thus drag demand and day rates improvement for liftboats. This poses downside risks to our earnings forecasts.

At A Glance

Issued Capital (m shrs)	2,074
Mkt. Cap (Sm/USm)	409 / 311
Major Shareholders (%)	
Thiam Keng Chew	10.5
Macarios Pte Ltd	7.4
Macarios Pte Ltd	6.9
Free Float (%)	82.1

ICB Industry : Oil & Gas / Oil Equipment; Services & Dist

WHAT'S NEW

Temasek-linked Pavilion Capital comes onboard

Pavilion Capital coming in as strategic investor

Investing up to S$50m, representing 10% of current enlarged share cap (or 3.4% on fully diluted share cap). On 6-Apr, Ezion announced that it has entered into an agreement with Pavilion Capital Fund Holdings Pte Ltd (Pavilion) for the subscription of 96.153m new shares in Ezion at an issue price of S$0.208 and 137.614m non-listed and non-transferable share options for S$1, with each option carrying the right to subscribe for one new share at the exercise price of S$0.218 per share. The options are exercisable within 3 years from issuance date.

The issue and exercise prices represent 6-11% premium to last traded price, but at 16-21% discount to the exercise price of warrants issued to existing stakeholders.

Rationale. The proceeds raised will be used mainly for business expansion and the pursuit of new business opportunities, joint ventures or partnerships with various strategic industry partners, and for working capital purposes.

Prominent strategic investor boosts confidence. Pavilion is a Singapore-based private equity investment firm. It is a subsidiary of Pavilion Capital Pte Ltd, which is owned by Temasek Holdings Pte Ltd.

Low likelihood of another massive impairment

FY17 results hit by impairment. As earlier guided, Ezion posted a loss of US$1.0bn for FY17. This was attributable largely to impairment on PPE (property, plant and equipment), receivables and loans to JV which in total amounted to US$897m in 4Q17. Stripping impairment and net forex loss, core loss was approx. US$100m for FY17.

Ezion has reversed c.US$50m revenue in 2017, as the customers were not making payments for the charters. Hence, 1Q-3Q 2017 financials will be restated.

Marked down c.90% of book value. During 2015-2017, Ezion has taken c.US$780m impairments on PPE, representing ~33% of the Property, Plant and Equipment balance as of end 3Q15. In addition, it has also impaired c.US$370m on trade receivables. The total impairments of US$1,155m has marked down its book value by c.90%. We believe the likelihood of further major impairments in the near term should be low after the massive exercise in 4Q17, and improving sector outlook.

Net gearing increased from 1.1x to 4.5x post impairment. However, it would be lower at <1.0x assuming full conversion and exercise of warrants.

On a positive note, Ezion recorded **positive operating cash flow of** c. US$20m in 4Q2017 and US$60m in FY2017.

Total impairments made during 2015-2017

	Liftboat	Jackups	Offshore Support Vessels	Total
Total Impairment (2015-2017)	**54**	**813**	**288**	**1,155**
on PPE	0	621	160	**781**
on receivables	54	193	128	**374**
Net book value				
As of end 2017 (US$ m)	672	580	138	**1,390**
Implied value per unit (US$ m)	56	29	3	

Source of all data: Company, DBS Bank

Set on recovery path

Utilisation is improving. Given the higher oil prices, O&G activity is picking up, driving demand for service rigs. Ezion's operating rig fleet has increased to 17 units as of end 4Q17 from 15 in end 2016 as Ezion managed to deploy 4 additional liftboats – 3 to the offshore oil and gas industry and 1 to the offshore windfarm industry. Utilisation for its liftboats hovered at around 70% in FY17 and is expected to rise to >90% by the end of this year; jackups were only 19% utilised in FY17 but should improve to 50% this year.

Disposal of old jackups. Ezion sold 2 jackups in 1Q18 and plans to dispose of another 5 units, reducing its jackup fleet to 13 units. We understand that the potential resale value for these earmarked units have been taken into consideration during the assessment for impairment and any disposal losses should not be huge.

Day rates see signs of recovery. Day rates, especially for jackup rigs, have been on a declining trend since the oil crisis and continued to see downward pressure last year. Average rates were down at least 50% from rates prior to the crisis. We are now seeing some signs of rate recovery. Average day rates for liftboats could improve from last year's estimated ~US$30k level to US$40k on average. As for jackups, day rates are also rebounding. Average day rates for jackups could normalise to ~US$30k level this year from FY17's estimated average rate of ~US$54k, in the absence of legacy contracts and commencement of charters at lower rates.

Ezion's fleet as of end Dec-2017

Fleet	Liftboats	Jackups	Offshore Support Vessels
Total units	12	20	44
Units deployed	9	8	7
Expected disposals	-	7	25-30
Expected additions	2	-	-
Utilisation & Day rates			
Est. Average Utilisation	72%	19%	17%
Est. Average Day Rates (US$/day)	30,400	54,500	7,500
Net book value			
As of end 2017 (US$ m)	672.3	580.1	137.5
Implied value per unit (US$ m)	56	29	3

Source: Company, DBS Bank Estimate

Successful Refinancing Exercise

Received blessings from all stakeholders on refinancing exercise. The refinancing exercise, which has been approved by its lenders, security holders and shareholders:

i) Gives Ezion a 6-year runway as going-concern is no longer an issue;
ii) Provides additional credit line of US$118m for working capital;
iii) Reduces depreciation expense by approx. US$60m, and leads to interest savings of US$30m from bank loans and US$28m from securities issued; and
iv) Allows Ezion to seek Strategic Partners and Investors to strengthen its balance sheet and expand the liftboat fleet.

Through the exercise, Ezion is looking to reduce its indebtedness to a more sustainable level:

(i) Secured lenders: The refinancing proposal with secured lenders was finalised on 7 Feb 2018. Key terms include: (a) minimal fixed principal repayments over the next six years, (b) decreasing the interest rates for such loan facilities substantially (reduction of interest costs by up to USD30m p.a.) and (c) extending a new working capital line of up to USD118m to help fund the deployment of vessels over the next one year.

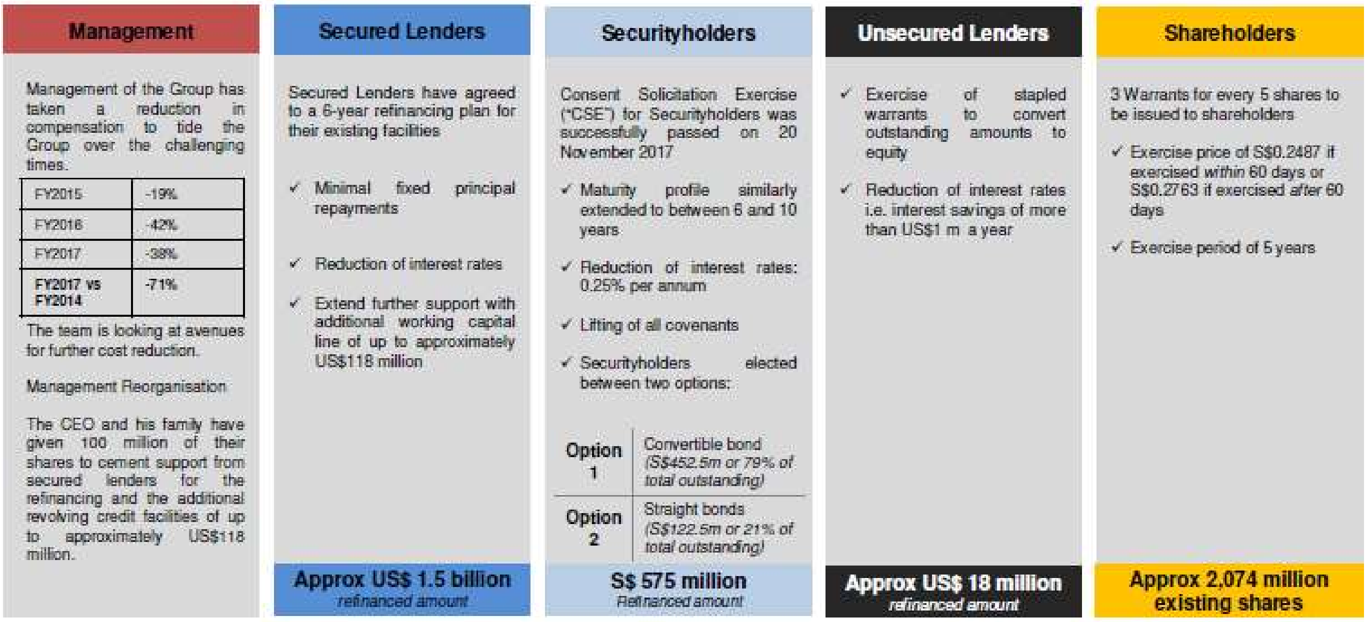
(ii) Bondholders: Series 003-007 bondholders are given the option to choose between Option A straight bond or Option B convertible bond (or a mix, if applicable), as broadly summarized in Appendix 1. Series 008 perpholders are given the option to choose between Option C straight bond or Option D convertible perpetual (or a mix, if applicable) as broadly summarized in Appendix 2. The Consent Solicitation Exercise (CSE) was successfully passed on 20 November 2017; 79% opted for the conversion options while 21% for the straight bond options. The reduction in coupon to 0.25% could save up to c.USD28m in interest cost.

(iii) Shareholders: Shareholders have approved the proposed refinancing exercise in the EGM held on 28 March 2018. Shareholders are offered three warrants for every five shares, exercisable within 5 years at S$0.2763 per share (or S$0.2487 per share if exercised within 60 days). New funds of up to c.USD381m could be raised;

(iv) Management team: Significant reduction of remuneration.

Series 009 Securities redeemed at principal on 5 Feb 2018. Series 009 is credit-wrapped and has the benefit of a committed loan facility provided by DBS.

Summary of Ezion's refinancing exercise



Source: Company

Ezion could raise over US$500m in new funds in this exercise, largely from existing shareholders' exercise of warrants and issue of new shares to strategic investors. The proceeds may be utilised to fund future expansion.

Assuming full conversion and exercise of warrants by end of 2019, book value could be lifted from current US$305m to ~US$1.2bn, **implying a book value of S$0.24. Net gearing should be reduced to <1x.**

In our model, we have factored in new shares issued for investors - Asdew and Pavilion in 1H18. For securityholders' warrants, we assume full conversion in the first 60 days incentivized by the 10% early conversion discount. As for secured lenders' and shareholders' warrants, we assumed conversions in 2019 as these warrants are not subject to 6-month reset of exercise price and hence shareholders are in no hurry to fork out cash to exercise till they are in the money.

Summary of Ezion's refinancing exercise

	No of shares (m)	% shareholding	Reduction of Refinanced Liabilities (US$ m)	New Funds Raised (US$ m)
Stakeholders				
Shareholders (Excl Pavilion)	Up to 3,673	54%	-	Up to 381
Securityholders	Up to 2,322	34%	Up to 320	Up to 95
Secured Lenders	Up to 236	3%	Up to 33	-
Others	Up to 352	5%	Up to 18	Up to 10
New strategic shareholder				
Pavilion Capital	Up to 238	3%	-	Up to 38
- new shares	*96*	*1%*	-	*15*
- options	*Up to 138*	*2%*	-	*Up to 23*
Total	**Up to 6,817**		Up to 371	Up to 524
Share cap as of end 2017	**2,074**			

Source: Company

Potential strategic industrial partner on the way?

Potential white knights boost growth. Successful refinancing is half the battle. Ezion remains in talks with potential strategic partners that are synergistic with its existing liftboat business and financial investors to strengthen its balance sheet and position it to ride the sector's recovery. Having strategic shareholders is a critical weapon required to win the other half of the battle i.e. earnings recovery. Financial backing will be required to grow Ezion's operating fleet to tap demand for liftboats and Mobile Offshore Production Units (MOPUs).

Future strategy: Focus on liftboat, MOPU and windfarm segments; go asset light. Ezion retains its competitive edge in liftboat business, being the first and only player familiar with liftboat operations in the region, and thus will focus on growing its liftboat fleet going forward. Management will also explore opportunities in MOPU to re-deploy the existing jackups. The windfarm business in China is shaping up. The first unit was put to work in 3Q17 and the second liftboat for is expected to be delivered by end of 2018.

Given the balance sheet concern, Ezion should adopt asset light model and capitalise on future strategic partners' financial muscle to grow its business. This could be done in the form of a JV and/or leasing model as Ezion provides its rig operating expertise and existing business network.

Appendix 1: Brief CSE Summary for Series 003 – 007

Brief CSE Summary
Series 003: Ezion 4.7% 2019
Series 004: Ezion 4.6% 2018
Series 005: Ezion 4.85% 2019
Series 006: Ezion 5.1% 2020
Series 007: Ezion 4.875% 2021

SERIES 003-007

As part of Extraordinary Resolution 1,
Bondholders can choose from (i) Option A, (ii) Option B or (iii) a mix of Option A and Option B (if applicable)

	Option A (Straight Bond)	Option B (Convertible Bond)
Maturity Extension	7 years	6 years
Coupon (semi-annual pymt)	0.25% p.a.	0.25% p.a.
Total Redemption Premium	6% (106% at Redemption) + ARP (if applicable)	-
Additional Redemption Premium ("ARP") → % increase to Redemption Premium → Applicable if ARP is > 0%	ARP calculation (%): **(A-B)/B x 6.0** A: VWAP 30d on the 15th day immediately prior to the redemption date B: Higher of VWAP 30d after issue of Option A and SGD0.2763 * Based on the VWAP of the Refinancing Series A Bonds	-
Early Redemption	Callable after 5 years, with Redemption Premium + ARP (if applicable)	Callable if <10% of bonds remain outstanding, at par
Conversion period	-	Anytime within 5 years
Conversion Price	-	Refer to below
Financial Covenants	To be removed in entirety	To be removed in entirety
Delisting Put Option	Yes	Yes
Events of Default	Yes, but cross default clause excludes the Series 009 Securities	Yes, but cross default clause excludes the Series 009 Securities

Number of days aft Series B issuance

When to convert?	≤ 60 days	> 60 days; ≤ 180 days	> 180 days
Conversion Price	**Early Conversion Pricing →** SGD0.2487/share - 10% discount to **Initial Conversion Price**	**Initial Conversion Price** → SGD0.2763/share - Determined based on 10% discount to Ezion's VWAP 6m of SGD0.307	Conversion Price is reset every 6 months (VWAP 6m) - Floored at Minimum Conversion Price of SGD0.2763/share
# of shares (Convert per SGD50k tranche)	201,045	180,962	Depends on conversion price
Bonus Warrants - To get the Bonus Warrants, Series B must be converted in tranches of SGD50,000 - Warrants are transferrable/ tradeable - Proceeds from the exercise of the warrants by the securityholders will be placed into the Warrant Proceeds Account* (conditional usage, as per Supplemental Consent Solicitation Statement)	- **50,000 Warrants** for **every SGD50,000** Series B Bonds converted - SGD0.2763 per Warrant (10% discount to six-month VWAP). Each Warrant provides holder to subscribe for one share. - Exercisable within 24 months after Series B Bonds issue date	- **25,000 Warrants** for **every SGD50,000** Series B Bonds converted - SGD0.2763 per Warrant (10% discount to six-month VWAP). Each Warrant provides holder to subscribe for one share. - Exercisable within 24 months after Series B Bonds issue date	- No warrants to be issued

Please refer to the Ezion's Third Informal Securityholders Meeting Presentation Slides for more details. Please note that the summary is non-exhaustive and clients should refer to the Notice of Meetings for full terms and conditions.

* Ezion may use up to 80% of the funds on deposit to make payments related to the new securities or the amended Series 008 securities and the remaining up to 20% of the funds shall not be used for payments arising from or in connection with any loans made to the Issuer or any of its subsidiaries or any direct vessel expenses.

The information contained herein is purely for informational purposes only and does not constitute legal, financial, tax or other professional advice. It is recommended that you read all the relevant documentation pertaining to the consent solicitation exercise and, if required, seek independent financial and other professional advice. The bank accepts no liability with respect to the use of the information contained herein..

Source: Compnay, DBS Bank

Appendix 2: Brief CSE Summary for Series 008 (PERPs)

Brief CSE Summary
Series 008: Ezion 7% Perp

SERIES 008

As part of Extraordinary Resolution 1,
Perpholders can choose from (i) Option C, (ii) Option D or (iii) a mix of Option C and Option D (if applicable)

	Option C (Straight Bond)	Option D (Convertible Perp)
Maturity Extension	10 years	N.A. (Perpetual)
Coupon (semi-annual pymt)	0.25% p.a.	0.25% p.a.
Step-Up Margin / Step-Up Date		1% p.a. after 7 years, and shall increase by 1% p.a. on each Reset Date (every one year after the Step-Up Date)
Total Redemption Premium	7.5% (107.5% at Redemption) + ARP (if applicable)	-
Additional Redemption Premium ("ARP") → % increase to Redemption Premium → Applicable if ARP > 0%	ARP calculation (%): **(A-B)/B x 7.5** A: VWAP 30d on the 15th day immediately prior to the redemption date B: Higher of VWAP 30d after issue of Option C and SGD0.2763 * Based on the VWAP of the Refinancing Series C Bonds	-
Early Redemption	Callable after 5 years, with Redemption Premium + ARP (if applicable)	Callable after 7 years, at par
Conversion period	-	4 years
Conversion Price	-	Refer to below
Financial Covenants	To be removed in entirety	To be removed in entirety
Delisting Put Option	Yes	Yes
Events of Default	Yes, but cross default clause excludes the Series 009 Securities	No change to original Series 008 Securities Event of Default

Number of days aft Series D issuance

When to convert?	≤ 60 days	> 60 days; ≤ 180 days	> 180 days
Conversion Price	**Early Conversion Pricing →** SGD0.2487/share - 10% discount to **Initial Conversion Price**	**Initial Conversion Price** → SGD0.2763/share - Determined based on 10% discount to Ezion's VWAP 6m of SGD0.307	Conversion Price is reset every 6 months (VWAP 6m) - Floored at Minimum Conversion Price of SGD0.2763/share
# of shares (Convert per SGD50k tranche)	201,045	180,962	Depends on conversion price
Bonus Warrants - To get the Bonus Warrants, Series D must be converted in tranches of SGD50,000 - Warrants are transferrable/ tradeable - Proceeds from the exercise of the warrants by the securityholders will be placed into the Warrant Proceeds Account* (conditional usage, as per Supplemental Consent Solicitation Statement)	- **50,000 Warrants** for **every SGD50,000** Series D Securities converted - SGD0.2763 per Warrant (10% discount to six-month VWAP). Each Warrant provides holder to subscribe for one share. - Exercisable within 24 months after Series D Securities issue date	- **25,000 Warrants** for **every SGD50,000** Series D Securities converted - SGD0.2763 per Warrant (10% discount to six-month VWAP). Each Warrant provides holder to subscribe for one share. - Exercisable within 24 months after Series D Securities issue date	- No warrants to be issued

Please refer to the Ezion's Third Informal Securityholders Meeting Presentation Slides for more details. Please note that the summary is non-exhaustive and clients should refer to the Notice of Meetings for full terms and conditions.

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Source: Compnay, DBS Bank

CRITICAL DATA POINTS TO WATCH

Critical Factors

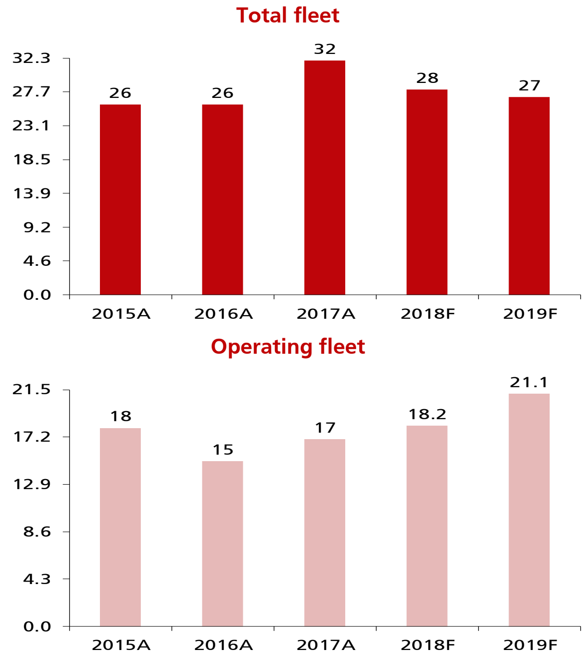
Successful refinancing exercise provides 6-year runway. The refinancing proposal, which has been approved by its lenders, security holders and shareholders: i) gives Ezion a 6-year runway as going-concern is no longer an issue; ii) provides additional credit line of US$118m for working capital; iii) reduces depreciation expense by approx. US$60m, and leads to interest savings of US$30m from bank loans and US$28m from securities issued; and iv) allows Ezion to seek Strategic Partners and Investors to strengthen its balance sheet and expand the liftboat fleet.

Strategic partners boost growth prospects. Successful refinancing is half the battle. Ezion remains in talks with potential strategic partners that are synergistic with its existing liftboat business and financial investors to strengthen its balance sheet and position it to ride the sector's recovery. Having strategic shareholders is a critical weapon required to win the other half of the battle i.e. earnings recovery. Financial backing will be required to grow Ezion's operating fleet to tap demand for liftboats and Mobile Offshore Production Units (MOPUs).

Sustainable oil price rebound. Oil price is a leading indicator and key rerating catalyst for the O&G sector. The positive reversal in capex trend will inject cash flow into the eco-system and filter through to service providers next year. This should stimulate demand for Ezion's service rigs.

Utilisation and day rates set to rise. Utilisation for its liftboats hovered at around 70% in FY17 and is expected to rise to >90% by the end of this year; jackups were only 19% utilised in FY17 but should improve to 50% this year. Day rates are now seeing some signs of rate recovery as well. Average day rates for liftboats could improve from last year's estimated ~US$30k level to US$40k on average. As for jackups, day rates are also rebounding. Though, average day rates for jackups could normalise to ~US$30k level this year from FY17's estimated average rate of ~US$54k, in the absence of legacy contracts and commencement of charters at lower rates.

Diversification of income stream; Windfarm venture shaping up. China had set a target of 5GW of installed offshore wind capacity by 2015 and 30GW by 2020 in its current 5-year plan. It is behind schedule with approximately only 2.5GW offshore wind capacity installed. A liftboat would facilitate installations of 200MW offshore wind capacity a year. Assuming 27.5GW of wind capacity to be installed over the next five years or 5.5GW per year, 25-30 liftboats would be required in China. Ezion has signed an MOU (Memorandum of Understanding) with one of the top five largest state-owned power generation enterprises in China – Huadian – and several partners to speed up the installation of offshore windfarms using liftboats. The first service rig for a China windfarm was delivered in 3Q17 and second unit is expected by end 2018.



Source: Company, DBS Bank

Balance Sheet:

Net gearing shot up from 1.1x to 4.5x post massive impairment of ~US$900m in 4Q17. Book value was written down to US$305m. Assuming full conversion and exercise of all warrants & options, the net gearing would be reduced to <1.0x.

Share Price Drivers:

Oil price rebound. Oil price is a leading indicator and key re-rating catalyst for the O&G sector as the market has widely priced in the weak earnings and new lower norm of oil prices. We believe Ezion will be a major beneficiary to ride the upturn.

Utilisation and charter rates. The utilisation and day rates have plunged by at least 50% the past three years and are expected to pick up in 2018. Securing new/renewal of charter contracts at good rates is a key earnings driver.

Key Risks:

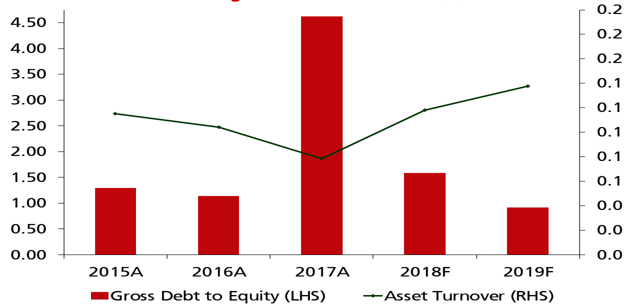
Slower recovery. Falling oil price below US$50/bbl might hit O&G activities, and thus drag demand and day rates improvement for liftboats. This poses downside risks to our earnings forecasts.

Keener competition. The rising acceptance and growing demand for liftboats have attracted new entrants to the market. We estimate that there are c.20 new liftboats currently under construction, of which majority is near completion.

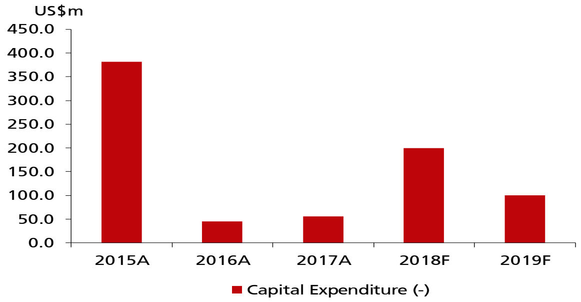
Company Background

Ezion provides service rigs and offshore logistics support services to the offshore oil & gas industry. It was one of the first companies to introduce liftboats in Asia and the Middle East regions. Ezion had a total of 32 service rigs delivered and 17 service rigs in operation as of Dec-2017. It is expected to take delivery of two liftboats in 2018-2019 and dispose of 7 jackrup rigs.

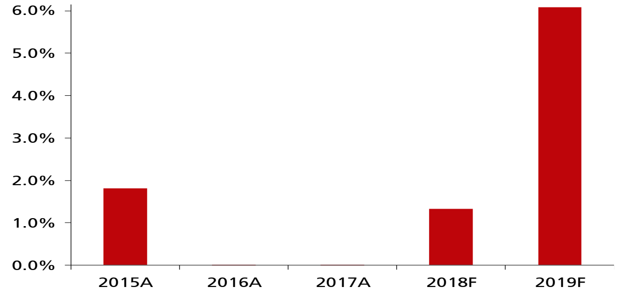
Leverage & Asset Turnover (x)



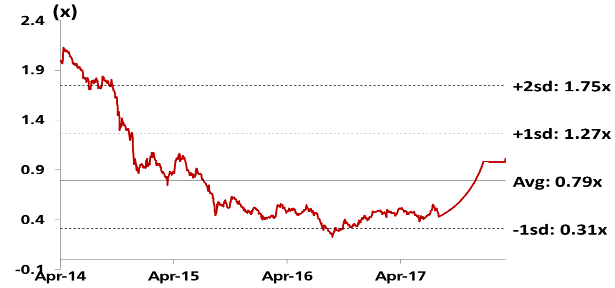
Capital Expenditure



ROE (%)



PB Band (x)



Source: Company, DBS Bank

Key Assumptions

FY Dec	2015A	2016A	2017A	2018F	2019F
Total fleet	26.0	26.0	32.0	28.0	27.0
Operating fleet	18.0	15.0	17.0	18.2	21.1

Segmental Breakdown

FY Dec	2016A	2017A	2018F	2019F
Revenues (US$ m)				
Liftboat	127	96	130	193
Jackups	157	76	91	111
Offshore Support Vessels	34	21	19	14
Total	318	193	240	318
Gross Profit (US$ m)				
Liftboat	45	37	60	107
Jackups	11	(35)	8	21
Offshore Support Vessels	5	0	7	2
Total	61	2	75	130
Gross Profit Margins (%)				
Liftboat	35.8	38.5	46.3	55.2
Jackups	7.1	(45.8)	8.6	19.3
Offshore Support Vessels	13.9	(1.3)	34.2	15.7
Total	19.2	0.9	31.1	41.0

Income Statement (US$ m)

FY Dec	2015A	2016A	2017A	2018F	2019F
Revenue	351	318	193	240	318
Cost of Goods Sold	(233)	(257)	(191)	(165)	(188)
Gross Profit	118	61	2	75	130
Other Opng (Exp)/Inc	(9)	(19)	(82)	(30)	(35)
Operating Profit	109	42	(80)	45	95
Other Non Opg (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	23	11	(16)	(12)	(6)
Net Interest (Exp)/Inc	(22)	(28)	(32)	(26)	(28)
Exceptional Gain/(Loss)	(72)	(56)	(886)	0	0
Pre-tax Profit	38	(31)	(1,015)	7	62
Tax	(2)	(3)	(3)	0	(2)
Minority Interest	0	0	0	0	0
Net Profit	37	(34)	(1,018)	7	59
Net Profit before Except.	109	23	(131)	7	59
Preference Dividend	(14)	(8)	0	0	0
Net Pft Pre-Ex, Aft Pref Div	95	14	(131)	7	59
EBITDA	267	204	46	119	184
Growth					
Revenue Gth (%)	(9.1)	(9.4)	(39.3)	24.3	32.5
EBITDA Gth (%)	(13.6)	(23.8)	(77.6)	161.3	54.3
Opg Profit Gth (%)	(38.9)	(61.5)	(290.7)	(155.9)	112.7
Net Profit Gth (%)	(83.6)	nm	nm	nm	742.9
Net Pft Pre-Ex Aft Perf Div Gth (%)	(46.7)	(85.1)	nm	nm	742.9
Margins & Ratio					
Gross Margins (%)	33.6	19.2	0.9	31.1	41.0
Opg Profit Margin (%)	31.1	13.2	(41.5)	18.7	30.0
Net Profit Margin (%)	10.5	(10.6)	(527.0)	2.9	18.6
ROAE (%)	1.8	(3.3)	(125.6)	1.3	6.1
ROA (%)	0.8	(1.4)	(41.2)	0.3	2.6
ROCE (%)	3.7	1.5	(3.5)	2.3	4.3
Div Payout Ratio (%)	0.0	N/A	N/A	0.0	0.0
Net Interest Cover (x)	5.0	1.5	(2.5)	1.8	3.5

Source: Company, DBS Bank

Quarterly / Interim Income Statement (US$ m)

FY Dec	3Q2016	4Q2016	1Q2017	2Q2017	3Q2017
Revenue	80	73	69	67	64
Cost of Goods Sold	(66)	(64)	(60)	(61)	(62)
Gross Profit	14	9	9	7	2
Other Oper. (Exp)/Inc	(2)	8	(18)	(10)	(11)
Operating Profit	12	16	(9)	(4)	(10)
Other Non Opg (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	5	(5)	4	(2)	5
Net Interest (Exp)/Inc	(7)	(6)	(7)	(7)	(8)
Exceptional Gain/(Loss)	0	(71)	0	11	0
Pre-tax Profit	10	(66)	(12)	(2)	(13)
Tax	(1)	(1)	(1)	(1)	0
Minority Interest	0	0	0	0	0
Net Profit	9	(67)	(13)	(3)	(14)
Net profit bef Except.	9	4	(13)	(13)	(14)
Preference Dividend	0	0	0	0	0
Net Pft (Pre-Ex, Aft Pref Div)	9	4	(13)	(13)	(14)
EBITDA	56	51	31	31	32
Growth					
Revenue Gth (%)	(4.7)	(9.0)	(5.6)	(1.8)	(5.5)
EBITDA Gth (%)	9.1	(7.6)	(40.1)	1.9	0.4
Opg Profit Gth (%)	5.5	33.8	(154.1)	(59.1)	165.5
Net Profit Gth (%)	15.3	(810.3)	(80.9)	(79.8)	433.3
Margins					
Gross Margins (%)	17.5	12.1	12.8	9.9	2.6
Opg Profit Margins (%)	15.3	22.6	(12.9)	(5.4)	(15.1)
Net Profit Margins (%)	11.8	(91.7)	(18.6)	(3.8)	(21.5)

Balance Sheet (US$ m)

FY Dec	2015A	2016A	2017A	2018F	2019F
Net Fixed Assets	2,284	2,198	1,390	1,503	1,508
Invts in Associates & JVs	204	250	179	167	161
Other LT Assets	12	5	76	76	76
Cash & ST Invts	230	205	46	99	420
Inventory	0	0	0	0	0
Debtors	193	179	82	120	159
Other Current Assets	186	164	163	163	163
Total Assets	3,108	3,002	1,936	2,128	2,488
ST Debt	375	331	1,044	194	194
Creditor	116	112	93	56	77
Other Current Liab	109	49	103	96	99
LT Debt	1,230	1,160	365	1,000	900
Other LT Liabilities	36	34	26	26	26
Shareholder's Equity	1,241	1,315	305	755	1,191
Minority Interests	0	0	0	0	0
Total Cap. & Liab.	3,108	3,002	1,936	2,128	2,488
Non-Cash Wkg. Capital	153	182	49	131	146
Net Cash/(Debt)	(1,375)	(1,286)	(1,362)	(1,095)	(673)
Debtors Turn (avg days)	183.4	213.4	246.1	153.2	160.1
Creditors Turn (avg days)	345.8	391.6	759.9	346.0	262.8
Inventory Turn (avg days)	N/A	N/A	N/A	N/A	N/A
Asset Turnover (x)	0.1	0.1	0.1	0.1	0.1
Current Ratio (x)	1.0	1.1	0.2	1.1	2.0
Quick Ratio (x)	0.7	0.8	0.1	0.6	1.6
Net Debt/Equity (X)	1.1	1.0	4.5	1.5	0.6
Net Debt/Equity ex MI (X)	1.1	1.0	4.5	1.5	0.6
Capex to Debt (%)	23.8	3.0	4.0	16.8	9.1
Z-Score (X)	0.6	0.6	0.6	0.6	0.7

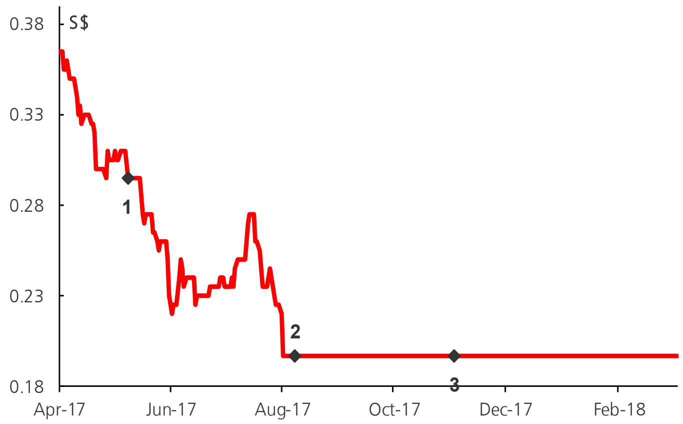
Source: Company, DBS Bank

Cash Flow Statement (US$ m)

FY Dec	2015A	2016A	2017A	2018F	2019F
Pre-Tax Profit	38	(31)	(1,015)	7	62
Dep. & Amort.	135	151	142	87	95
Tax Paid	(4)	(3)	(3)	(6)	0
Assoc. & JV Inc/(loss)	(23)	(11)	16	12	6
Chg in Wkg.Cap.	(32)	(43)	(28)	(75)	(18)
Other Operating CF	94	83	951	26	29
Net Operating CF	**209**	**146**	**64**	**50**	**173**
Capital Exp.(net)	(382)	(45)	(56)	(200)	(100)
Other Invts.(net)	(4)	0	0	0	0
Invts in Assoc. & JV	0	(29)	(19)	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	8	2	3	0	0
Net Investing CF	**(378)**	**(72)**	**(72)**	**(200)**	**(100)**
Div Paid	(1)	0	0	0	0
Chg in Gross Debt	180	(146)	(116)	(215)	(100)
Capital Issues	(87)	100	0	443	377
Other Financing CF	(38)	(38)	(37)	(26)	(29)
Net Financing CF	**54**	**(84)**	**(153)**	**202**	**249**
Currency Adjustments	(27)	(15)	3	0	0
Chg in Cash	(142)	(25)	(158)	52	322
Opg CFPS (S cts)	15.2	9.1	4.4	2.5	2.8
Free CFPS (S cts)	(10.9)	4.8	0.4	(3.0)	1.1

Source: Company, DBS Bank

Target Price & Ratings History



***Note**: Share price and Target price are adjusted for corporate actions.*

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	15 May 17	0.30	0.62	BUY
2:	15 Aug 17	0.20	0.13	FULLY VALUED
3:	10 Nov 17	0.20	0.13	FULLY VALUED

Source: DBS Bank
Analyst: Pei Hwa HO

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return i.e. > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 10 Apr 2018 08:22:02 (SGT)
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