PhillipCapital

Ezion Holdings Limited

Darkness before dawn

SINGAPORE | OIL & GAS | INITIATION

- 5 or 6 additional units will be put to work in FY17, lifting up average fleet utilisation from 65% to 78%. Utilisation rates may have seen a bottom.
- Working fleet replenishment is expected to offset negative impact from possible further drop in charter rates.
- Conversion of units into more economical Mobile Offshore Production Units (MOPUs), together with offshore wind sector redeployment, is expected to create new demand for these new fleet.
- Temporary liquidity crunch will be alleviated.
- We initiate coverage on Ezion with a **Buy** rating and a target price of **S$0.48** based on discounted free cash flow to firm (FCFF) valuation with weighted average cost of capital (WACC) of 8.9%, implying an upside of 57.4%.

Investment Thesis

- **Persistent dim outlook: oil prices are not due for a sustainable recovery yet due to uncertainties of output cut**

The possible plan to cut total OPEC output to between 32.5mb/d to 33mb/d will be decided at the OPEC meeting by end of November 2016. If the supply cut does not fall below 32.69mb/d, the glut of oil will continue, based on estimated world oil demand for 2017.

- **Contagion from drilling-related activities spreading through to operational activities in the upstream sectors**

Capital expenditure (CAPEX) cut on exploration and production has led to operating expenditure (OPEX) reduction among the industry.

- **Offshore wind market sees bright prospects**

The upswing in offshore wind infrastructure development will pull up the demand for related facilities such as wind turbine, foundations, and vessels.

Investment Actions

We initiate on Ezion with a **"Buy"** rating and a target price of **SG$0.48** based on discounted free cash flow to firm (FCFF) valuation with weighted average cost of capital (WACC) of 8.9%.

21 November 2016

Buy (Initiation)

CLOSING PRICE	SGD 0.305
FORECAST DIV	SGD 0.000
TARGET PRICE	SGD 0.480
TOTAL RETURN	57.4%

COMPANY DATA

O/S SHARES (MN) :	2,074
MARKET CAP (USD mn / SGD mn) :	614 / 871
52 - WK HI/LO (SGD) :	0.61/ 0.21
3M Average Daily T/O (mn) :	29.18

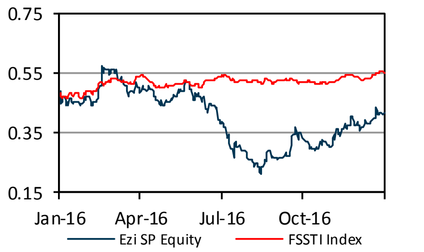
MAJOR SHAREHOLDERS (%)

THIAM KENG CHEW	13.4%
MACARIOS PTE LTD	6.9%
COMMONWEALTH BANK OF AUSTR	4.9%
PRUDENTIAL PLC	4.7%
FIRST STATE INVESTMENT ICVC	4.5%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	9.3	22.4	(13.7)
STI RETURN	2.8	7.4	18.9

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, USD mn	FY15	FY16e	FY17e	FY18e
Revenue	351	332	379	430
Gross profit	118	65	77	102
EBIT	37	68	82	108
Net profit	37	44	68	98
ROE (%)	3%	3%	4%	5%
ROA (%)	1%	1%	2%	3%

Source: Company Data, PSR est.

VALUATION METHOD

DCF (WACC: 8.9%; Terminal g: 10%)

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MCI (P) 118/10/2015
Ref. No.: SG2016_246

Company Background

- Involved in the market of offshore energy including fossil and non-fossil, Ezion Holdings Limited (Ezion), together with its subsidiaries, is a global specialised offshore assets provider.
- Currently, the group is engaged in the development, ownership, and chartering of two main asset classes, self- and non-self-propelled services rigs (Service Rigs) and Mobile Offshore Production Units (MOPUs).
- With the footprint extended to regions owning rich oil and gas resources, including Asia Pacific, Middle East, West Africa, North Sea, and the Americas, the group has established longstanding and solid relationships with market majors such as Chevron, Saudi Aramco, and Shell.
- As of Jun-16, the fleet size of service rigs was reported at 26, 17 of which were in operation, and the rest under construction or maintenance.
- To diversify the product mix, Ezion has entered the non-traditional energy market like offshore wind. Apart from redeploying service rigs in North Sea previously, in Jun-16, the group announced its entry into China's offshore wind farm market through collaboration with two state-owned corporations in China, Sinotrans &CSC and China Huadian.

Investment Thesis

Persistent dim outlook: oil prices are not due for a sustainable recovery yet due to uncertainties of output cut

The oil rout, which started from mid of 2014, went through a price plunge from more than US$100/bbl to mid-US$20/bbl in one and a half years. Moving into 2Q16, the short-term rally that lasted for 3 months lifted the oil price (Brent) up to c.US$53/bbl. Thereafter, the price has been fluctuating between US$40/bbl and US$54/bbl since mid of 2016.

Factors impacting oil price vary, including economic growth, demographic changes, technological innovations, and so forth. Amongst all, oil supply and demand balance is the fundamental that results in price volatility and drives short-term trend (1 to 3 years). Apparently, the current supply glut is still casting an overhang on oil prices. Year to date, two impactful events- the liftings of Iran oil sanction and US crude oil export ban, had caused volatilities on supply side, and especially the former increased the uncertainty as to whether OPEC nations will be able to come to a consensus on an output cut.

According to November OPEC Monthly Oil Market Report (MOMR) 2016, the world oil demand in 2016 is estimated to be 94.4 mb/d. Deducting the supply amount of 62.48mb/d from non-OPEC and OPEC NGLs, the shortage is estimated to be 31.91 mb/d, shown in Figure 1. Energy Information Administration (EIA) revealed that OPEC crude output rose to a record of 33.64mb/d in Sep-16, as Iraq pumped at an all-time high of 4.78 mb/d and Libya reopened ports. The possible plan to cut output to between 32.5mb/d to 33mn/d will be decided at the OPEC meeting by end of November 2016. If the supply cut does not fall below 32.69 mb/d, the glut will continue based on estimated world oil demand for 2017.

Figure 1. Supply/demand balance forecast for 2017, mb/d

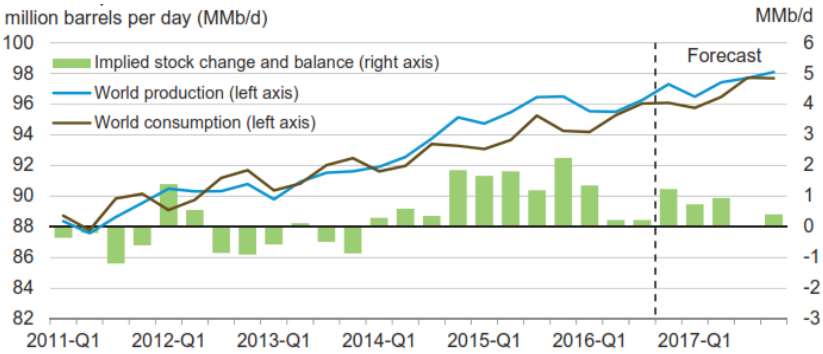
	2016	1Q17	2Q17	3Q17	4Q17	2017
(a) World oil demand	**94.40**	**94.61**	**94.71**	**96.37**	**96.48**	**95.55**
Non-OPEC supply	56.20	56.67	56.17	56.09	56.79	56.43
OPEC NGLs and non-conventionals	6.29	6.36	6.40	6.45	6.52	6.43
(b) Total non-OPEC supply and OPEC NGLs	**62.48**	**63.02**	**62.57**	**62.53**	**63.31**	**62.86**
Difference (a-b)	**31.91**	**31.58**	**32.14**	**33.84**	**33.17**	**32.69**

*Note: * 2017 = Forecast.*
Totals may not add up due to independent rounding.

Source: MOMR Nov

On the other hand, EIA's November short-term energy outlook (STEO), shown in Figure 2, forecasts the supply/demand gap to minimise in 3Q17, resulting in close to zero net oil stock temporarily, but it still leaves over supply in full 2017.

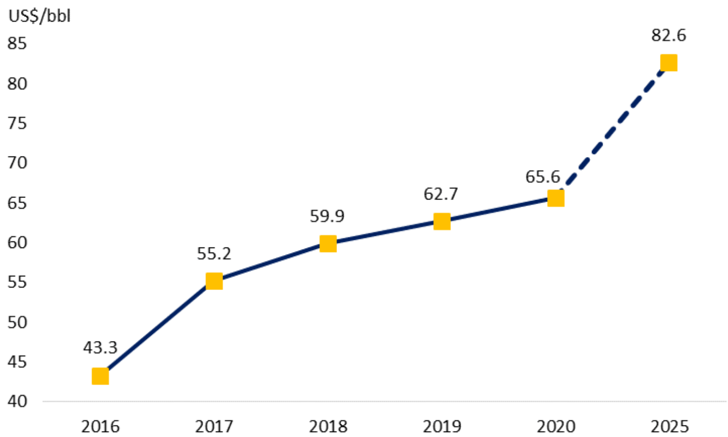
Figure 2. World liquid fuels production and consumption balance



Source: STEO Oct, EIA

Ideally if OPEC members can abide by the agreement of production cut to relieve the supply glut, further drops in oil price could be stemmed in 2017. Nonetheless, the prevailing oversupply makes it difficult for oil price to revert to the peak levels in 2007-08 and 2010-14, where it was consistently above US$90/bbl. The Wold Bank Commodity Markets Outlook (CMO) in October 2016, provided oil price projection to 2025, shown in Figure 3.

Figure 3. Average spot crude oil forecast



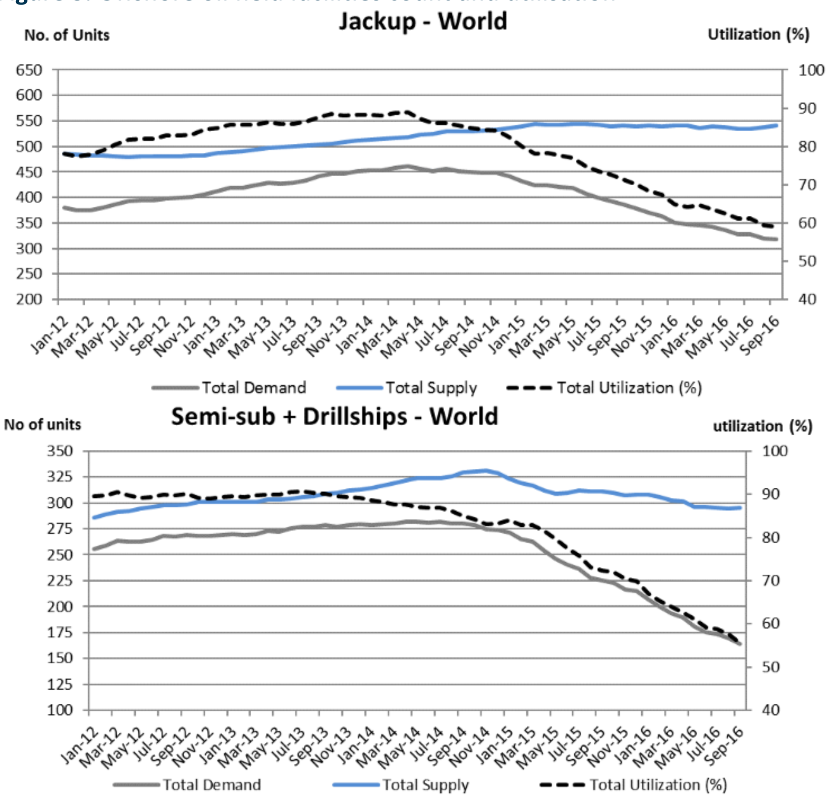
Source: CMO Oct, Wold bank, PSR

Contagion from drilling-related activities spreading through to operational activities in the upstream sectors

Swinging oil prices provide arbitrage opportunities for short-term market speculators, but it does not help those upstream oil majors to reverse the difficulties faced in exploration and production, which are longer-term focused, and does not mark to market on short term basis. As we mentioned above, oil price has seemingly bottomed out early this year. From the low of US$26/bbl in Feb-2016, oil prices have recovered 73% to US$45/bbl currently, but upstream drilling activities have not seen actual improvement, referring to Figure 3. Year to date, the utilisation rate of global offshore oil field facilities such as jack-ups, semi-submersibles, and drillships continues to drop. Meanwhile, the gap between demand and supply has been widening. As of Sep-16, the average utilisation rate dropped below 60% for these mega machineries. Accordingly, the average day rate, the daily payment from oil companies to rig contractors, tanked by more than 50% from peak when oil was trading above US$100/bb.

Based on IHS petrodata, the current respective global day rate of jack-ups (Southeast Asia 361-400 IC), semisubs (>7,500 ft), and drillships (>7,500 ft) averaged below US$40,000 (down c.75% since 2015), below US$280,000 (down c.35% since 2015), and below US$300,000 (down c.38% since 2015) respectively. Thus, market expenditure in drilling-related activities that is revenue generating unit was cut, and we can infer that overhead costs incurred from downstream activities, for example, development and maintenance, would likely be cut as well.

Figure 3. Offshore oil field facilities count and utilisation

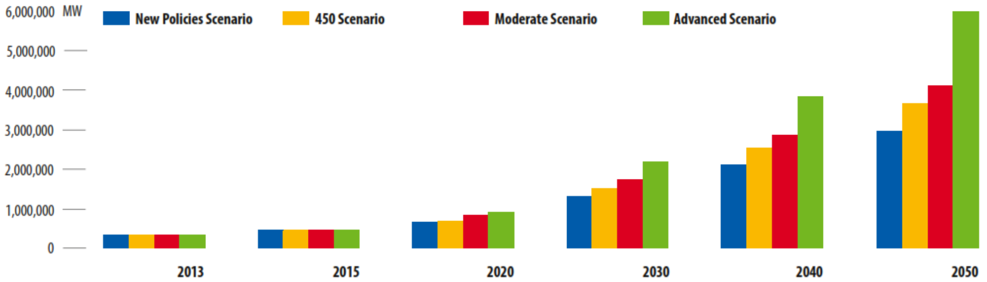


Source: Offshore Summary Oct 2016, Lorentzen & Stemoco

Offshore wind market sees bright prospects

According to Global Wind Energy Outlook 2016 (GWEO), the global annual wind installation capacity reached 63 gigawatt (GW) in 2015 with 17% y-o-y growth, resulting in 433 GW of wind power spinning worldwide. In offshore wind sector, total installations rose 3.4 GW to over 12 GW in 2015, of which 91% (11,034 megawatt (MW)) are located across 11 European countries, 8.4% is mainly distributed in China, and the remaining 0.6% is shared by Japan and South Korea. GWEO forecasts positively the long-term outlook through 4 scenarios, IEA's New Policies Scenario (NPS), IEA 450 Scenario, and GWEC moderate Scenario, GWEC Advanced Scenario, shown in Figure 4. The most pessimistic scenario, which is NPS, projects that total wind power capacity will grow by 47.8% from 432.7 GW in 2015 to 639.5 GW in 2020, while the most optimistic view from GWEC Advanced Scenario assumes it will double up in over 5 years, achieving 879.4 GW in 2020.

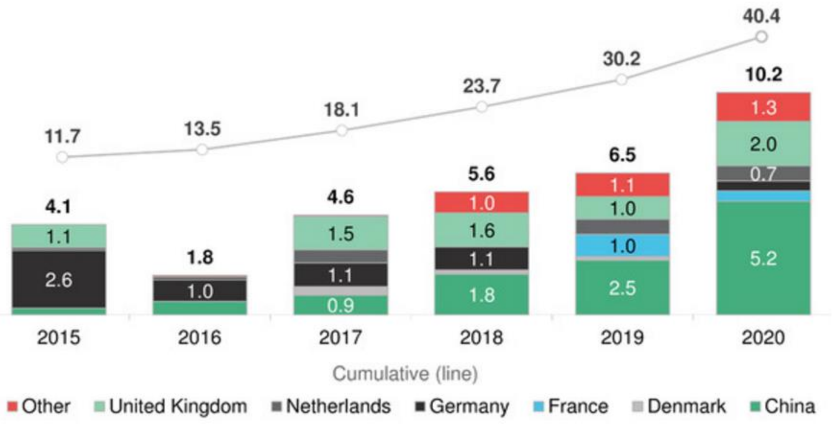
Figure 4. Global cumulative wind power capacity



Source: GWEO 2016

Though offshore wind power sector constitutes a small portion of the big pie, it shows stunning potential growth over the next 5 years based on Bloomberg New Energy estimation, see Figure 5. China will take the lead in new installations, becoming the most rapid offshore wind development markets (Figure 6 shows the fields in China under development). According to European Wind Energy Association (EWEA), as of 2015, 26.4 GW of consented offshore wind farms in Europe could be constructed over the next decade. A total of 63.5 GW of projects are in the planning phase. Accordingly, we expect that the upswing in offshore wind infrastructure development will pull up the demand for related facilities such as wind turbine, foundations, and vessels. By providing offshore supporting vessels (OSV) like liftboats, offshore and marine companies are well positioned to capture more businesses, thereby they can relieve pressures due to weak demand from traditional oil and gas sector.

Figure 5. Global offshore wind installation forecast, 2015-2020 (GW)



Source: Bloomberg New Energy Finance

Figure 6. Key areas for offshore windfarm development in China

Source: Company

To sum up, supply glut obstructs the recovery of international oil price, whose volatility is subject to market sentiment and whether OPEC output cut can be achieved. Correspondingly, the upstream oil and gas sector continues to suffer under the trough of the cycle in the near term. Until the oil price finds a solid base to mitigate the downward pressure, cost optimisation will prevail among the sector. On the other hand, it is also an opportunity for traditional oil and gas companies to strategize the future portfolio allocation between fossil fuels and renewable energy, since the latter one owns immeasurable room to grow.

Investment Merits

Fleet utilisation is expected to increase, offsetting negative impact from downward pressures on chartering rate

Ezion has been focusing on downstream services that are connected to exploration and drilling activities such as field development, production & maintenance, and decommissioning, and it is not immune to suffering from oil market woe. Management guided that currently the group's average chartering rate dipped by 20% to 25% in FY15. The group was relatively insulated from day rate reduction when oil price was trading above US$60/bbl, which is the level that oil companies are willing to maintain the OPEX on well service rigs and other OSVs, because costs that are incurred to reactivate idled drilling rigs and related facilities are higher than maintenance costs that are incurred to keep them active.

Ezion's updated fleet is shown in Table 1. The day rate and charter value are based on the company announcement of the contracts, but they are not exactly the amount that Ezion has been collecting, because the contractors have renegotiated those rates with the group due to their reduction of operating expenditure. According to the guidance from management, the Group agreed on lower renegotiated rates for some contracts in the best interests for both parties, to prevent a default on the contracts. Those highlighted fleets on the table should raise our concern, since this batch of contracts will be renewed or initiated by mid-2017. Considering the current and forward-looking oil market conditions, the pessimistic sentiment is still overhanging. If the oil price keeps wandering at US$40/bbl or even seeks another bottom, Ezion could be forced to accept lower rates.

Table 1. Liftboat and service rig fleet

Unit	Charter type	Start date	End date	Day rate (US$)	Charter value (US$mn)
Under operation					
Under company					
Liftboat 1	Time Charter	Jan-16	May-17	30,137	11.0
Liftboat 3	Bareboat	Jan-16	Dec-20	32,877	12.0
Liftboat 4	Time Charter	Jan-16	Dec-16	43,836	16.0
Liftboat 6	Time Charter	Jul-12	Dec-17	43,836	16.0
Liftboat 17	Time Charter	May-15	May-17	60,000	21.9
Liftboat 19	Time Charter	Feb-16	Jan-21	54,795	20.0
Service rig 8	Bareboat	Aug-16	Dec-17	40,000	14.6
Service rig 23	Bareboat	Jan-14	Dec-16	72,877	26.6
Service rig 25	Bareboat	Jan-14	Dec-16	43,836	16.0
Service rig 27	Bareboat	Sep-14	Aug-18	46,233	16.9
Service rig 29	Bareboat	Apr-15	Mar-19	33,699	12.3
Service rig 32	Bareboat	Mar-15	Feb-18	71,233	26.0
Service rig 36	Bareboat	Sep-15	Aug-22	40,753	14.9
Under JVs					
Liftboat 9	Time Charter	Jan-17	Dec-18	44,384	16.2
Service rig 20	Bareboat	Fed-13	Feb-18	60,000	21.9
Service rig 21	Bareboat	Feb-13	Feb-18	60,000	21.9
Service rig 26	Bareboat	Jul-13	Jul-18	60,000	21.9
Under upgrades & conversion					
Liftboat 5	Time Charter	Jun-17	May-20	41,096	15.0
Liftboat 13	Bareboat	Jan-17	Dec-19	20,000	7.3
Liftboat 24	Bareboat	Apr-17	Mar-19	33,000	12.0
Service rig 7	Bareboat	Jul-17	Jun-22	47,945	17.5
Service rig 11	Bareboat	Apr-17	Mar-18	40,000	14.6
Service rig 12	Bareboat	Jul-17	Jun-19	30,000	11.0
Service rig 14	Bareboat	2H-18		25,000	9.1
Service rig 16	Bareboat	Apr-17	Mar-19	41,096	15.0
Service rig 18	Bareboat	Jun-17	May-20	110,137	40.2
Under construction					
Liftboat 30	Time Charter	Jul-17	Jun-20	47,562	17.4
Service rig 10	Bareboat	2H-18		40,000	14.6
Service rig 15	Bareboat	2H-18		40,000	14.6
Service rig 33	Bareboat	Mar-17		40,000	14.6
Service rig 34	Bareboat	2H-18		32,055	11.7
Service rig 35	Bareboat	2H-18		35,068	12.80

Source: Company, PSR

However, there will be 5 units that are under upgrades and conversion gradually joining the working fleet no later than 3Q17, shown in Table 2. Correspondingly, the overall utilisation rate supposedly will increase by 13 percentage points from 65% in FY16 to 78% in FY17 on average. Therefore, we expect this replenishment of working fleet to offset the negative impact from contingent drop of day rate, increasing top line and improving margins.

Table 2. Fleet status and evolution

	4Q15	1Q16	2Q16	3Q16	End 2016/ Bgn 2017	End 2017	End 2018
Service rigs completed	26	26	26	26	28	29	33-37
Service rigs working	18	17	17	17	22/23	27/28	33-37

Source: Company, PSR

Product mix is under transformation

Ezion has scheduled conversion of several service rigs and liftboats into MOPUs and redeployment of part of the existing fleets to wind energy fields. Service rig 10, 14, and 15 will be redeployed as MOPUs in the upcoming 2 years. These three MOPUs will be allocated to South East Asia. Service rig 8 has been serving in North Sea for wind farm accommodation, which will be also applied to Service rig 11 and 16. Liftboat 13 and 24, on the other hand, are planned to be sent to China to support wind turbine and foundation installation.

Apparently, the group is diversifying the product portfolio in terms of value chain. Compared to conventional platforms and jack-ups, MOPUs are increasingly adopted by oil companies, which have been cutting back on cost expenditure, especially operating expenses. Being more economically and operationally feasible, MOPUs fulfil the austerity needs of oil companies. Besides, the supply of MOPUs is far from saturation.

A MOPU is a movable platform that can be reallocated from site to site. It can serve the same duty as those conventional fixed platforms. MOPU's costs of construction, conversion, and decommission are lower than conventional

The supply and demand of wind power is also much less volatile than oil. From the long-term perspective, renewable energy as a substitute for fossil fuel is still a global mainstream. Moving into offshore wind, a niche market, mitigates the impact from oil market turmoil by providing a stable income stream, since day rates for service rigs operating in wind farms have lower downside risks.

How Do We View Ezion?

Temporary liquidity crunch will be alleviated

As of Jun-16, Ezion had US$371mn short-term loans due in a year, of which US$180mn will be rolled over, and the remaining US$91mn needed to be paid off by year end. The cash on hand in 2Q16 was reported at US$181mn. Moving to 3Q16, Ezion replenished c.US$100mn cash via right issuance in Aug-16 and repaid US$40mn borrowings. Currently, the reported cash amounted to US$255mn and the balance of short-teams amounted to US$353mn, shown in Table 2. Management expects US$51mn will be fully repaid in 4Q16. Referring to Table 3, the first repayment of US$42mn to bonds will be due in Aug-18. Considering the small quantum and far repayment date from now, we do not expect this to cause financial burden on Ezion in the near term.

Ezion has sought debt restructuring (payment term extension) for remaining debts, and 4 out of 5 banks approved the plan. Management is positive on the final approval to be reached by all 5 banks. We expect that the group will hold US$194mn cash by end of FY16, and the amount is enough to cover working capital as well as capex for the next two quarters.

Table 2. Total liabilities as of Sep-16

Sep-16 (US$'000)	Carrying amount
Financial liabilities	
Current	352,928
Non-current	796,352
Sub total	**1,149,280**
Notes payable	393,706
Total	**1,542,986**

Table 3. Notes payables as of Dec-15

Dec-15 (US$'000)	Year of maturity	Notes payable
	Aug-18	41,730
	Jan-19	35,201
	May-19	77,529
	Mar-20	38,651
	Jun-21	102,376
	Aug-20	83,204
Total		**378,691**

Source: Company, PSR

Bigger wind farm market in Europe but higher growth market in China

By end of 2015, there were 84 offshore wind farms in 11 European countries, which are more mature markets. Though China failed to achieve the target of 5 GW of installed offshore wind capacity by 2015, it still aims to reach 30 GW capacity by 2020, as stated in the 13th Five Year plan. We think Ezion has more room to develop its presence in the China market. Sending two fleets to enter the China wind farm market is just a trial run for Ezion, since the group entered into a strategic cooperation agreement with China Huadian Corporation Group and formed a JV with Sinotrans & CSC Holdings Co., Ltd. Both strategies are expected to bring a higher volume of demand to Ezion on an ongoing basis.

Key assumptions & valuation

Given Ezion is substantially leveraged with more than 50% debt-to-asset ratio, and the nature of the business relies on cash flow, we decide to use discounted free cash flow to firm (FCFF) to value Ezion. As shown in the table below, we derive FY16e target price of SG$0.48 based on WACC of 8.9% from cost of equity of 11.4% and cost of debt of 7.1% (after tax).

We initiate Ezion with a **Buy** rating based on TP of S$0.48, implying an upside of 57.4%.

US$'000	FY16e	FY17e	FY18e	Terminal value
CFO	110,807	183,031	221,878	
Interest	(28,815)	(28,212)	(27,942)	
Tax rate	5.4%	5.4%	5.4%	
FCInv	(55,000)	(120,000)	(150,000)	
FCFF	83,066	89,719	98,311	1,262,610
WACC	8.9%			
Growth rate	1.0%			
Present value	76,303	82,414	90,306	978,620
PV of the firm	1,227,643			
PV of equity	568,458			
Weighted average shares, baisc	1,594,582,000			
Price (US$)	0.36			
Price (SG$)	0.48			
Beta	1.4			
Risk free rate	3.1%			
Equity risk premium	5.9%			
Cost of equity	11.4%			
Equity/Asset	46.3%			
Cost of debt, before tax	7.5%			
Tax rate	5.4%			
Cost of debt, after tax	7.1%			
Debt/Asset	53.7%			

Source: PSR

Investment Risks

Here we list the key risks for consideration:

Risks	Remarks
Upside	
Substantial rise in oil price	Oil price rallies and stablises above US60/bbl, operating expenditure (OPEX) is expected to rebound, resulting in higher charter rate recovery
FX risk	Strengthened US$ can increase the reporting earnings in S$
Solvency	Succeeding in debt restructuring relieves financial burden and enables cash flow hoard
Downside	
Further dip in oil price	Oil price falls below current US$40/bbl to US$50/bbl, OPEX will be shrunk, resulting in lower charter rate
FX risk	Weakened US$ can decrease the reporting earnings in S$
Solvency	Failure in debt restructuring forces the company to repay loans on due, suppressing cash flows, or even disposing assets to make payment

Peer comparison

Company	Bloomberg Ticker	Mkt Cap (SGD mn)	EV (SGD mn)	EV/EBITDA TTM	P/E (5-YR HIS)	FRW 1YR P/E	P/B	Net D/E (%)	ROA (%)	ROE (%)
Ezion Holdings Ltd	EZI SP	632.5	2,388.1	12.1	12.9	7.2	0.3	110.7	-0.6	-1.4
Pacc Offshore Services Holdings Ltd	POSH SP	552.6	1,389.3	16.8	#N/A N/A	#N/A N/A	0.4	51.5	-9.6	-15.7
CH Offshore Ltd	CHO SP	186.8	184.3	8.4	#N/A N/A	#N/A N/A	0.8	Net Cash	2.0	2.7
Mermaid Maritime PCL	MMT SP	180.9	205.8	4.5	#N/A N/A	18.1	0.4	15.6	-36.2	-51.4
Ezra Holdings Ltd	EZRA SP	126.4	2,043.6	#N/A N/A	24.1	#N/A N/A	0.2	72.2	-18.1	-71.6
Nam Cheong Ltd	NCL SP	125.8	601.4	43.5	12.0	#N/A N/A	0.3	91.5	-1.5	-4.3
Vallianz Holdings Ltd	VALZ SP	61.1	619.6	8.8	17.4	2.0	0.2	126.0	1.9	8.2
KS Energy Ltd	KST SP	48.5	474.6	#N/A N/A	#N/A N/A	#N/A N/A	0.5	173.2	-34.5	-113.3
Atlantic Navigation Holdings Singapore Ltd	ATL SP	38.8	144.2	11.2	#N/A N/A	#N/A N/A	0.3	21.0	1.3	2.3
Swissco Holdings Ltd	SWCH SP	35.1	432.3	#N/A N/A	8.8	#N/A N/A	#N/A N/A	70.4	-76.2	#N/A N/A
Marco Polo Marine Ltd	MPM SP	21.2	259.0	14.6	7.9	#N/A N/A	0.1	117.7	-2.4	-6.1
Average				**15.4**	**13.9**	**9.1**	**0.3**	**82.1**	**-17.3**	**-27.7**

Source: Bloomberg, Phillip Securities Research (Singapore) Estimates

Financials

Income Statement

Y/E Dec, USD mn	FY14	FY15	FY16e	FY17e	FY18e
Revenue	**387**	**351**	**332**	**379**	**430**
Gross profit	196	118	65	77	102
EBITDA	**317**	**172**	**207**	**240**	**279**
Depreciation & Amortisation	103	135	139	157	171
EBIT	**214**	**37**	**68**	**82**	**108**
Net Finance (Expense)/Inc	(17)	(22)	(29)	(28)	(28)
Associates & JVs	28	23	8	16	20
Profit Before Tax	226	38	46	70	100
Taxation	(2)	(2)	(2)	(2)	(3)
Profit After Tax	224	37	44	68	98
Non-controlling interest	(0.1)	-	-	-	-
Net Income, reported	224	37	44	68	98
Net Income, adj.	**224**	**37**	**44**	**68**	**98**

Per share data

Y/E Dec	FY14	FY15	FY16e	FY17e	FY18e
EPS, basic (Cents)	15.90	1.54	2.78	4.27	6.12
EPS, diluted (Cents)	15.55	1.51	2.74	4.21	6.03
DPS, basic (Cents)	0.09	-	-	0.10	0.10
DPS, diluted (Cents)	0.08	-	-	0.10	0.10
BVPS, basic	0.97	0.79	0.92	1.04	1.17
BVPS, diluted	0.95	0.77	0.91	1.03	1.16

Cash Flow

Y/E Dec, USD mn	FY14	FY15	FY16e	FY17e	FY18e
CFO					
Net profits	224	37	44	68	98
Adjustments	54	207	135	157	166
WC changes	(62)	(32)	(67)	(39)	(39)
Cash generated from ops	215	213	113	185	224
Others	(2)	(4)	(2)	(2)	(3)
Cashflow from ops	**214**	**209**	**111**	**183**	**222**
CFI					
CAPEX, net	(451)	(257)	(55)	(120)	(150)
Others	(69)	(127)	4	(21)	(24)
Cashflow from investments	**(520)**	**(384)**	**(51)**	**(141)**	**(174)**
CFF					
Loans, net of repayments	171	92	(168)	55	25
Dividends to shareholders	(1)	(1)	-	-	(2)
Others	360	(37)	69	(33)	(34)
Cashflow from financing	**530**	**54**	**(99)**	**22**	**(11)**
Net change in cash	**224**	**(121)**	**(40)**	**64**	**37**
Effects of exchange rates	(18)	(20)	5	(3)	(3)
Ending cash	**371.5**	**229.8**	**194.3**	**255.0**	**288.7**

Balance Sheet

Y/E Dec, USD mn	FY14	FY15	FY16e	FY17e	FY18e
ASSETS					
PP&E	2,136	2,284	2,339	2,459	2,609
Associates & JVs	173	204	247	268	291
Others	14	12	3	4	5
Total non-current assets	**2,322**	**2,500**	**2,589**	**2,731**	**2,905**
Cash	372	230	194	255	289
Trade receivables	160	193	250	292	322
Others	128	186	134	148	155
Total current assets	**659**	**609**	**578**	**694**	**766**
Total Assets	**2,981**	**3,108**	**3,168**	**3,425**	**3,671**
LIABILITIES					
Notes payables	316	379	384	390	352
Finanical liabilities	892	851	783	822	863
Others	33	36	39	42	46
Total non-current liabilities	**1,241**	**1,266**	**1,206**	**1,254**	**1,261**
Trade payables	70	126	120	126	132
Finanical liabilities	288	418	325	335	355
Others	69	57	50	49	49
Total current liabilities	**427**	**601**	**495**	**510**	**537**
Total Liabilities	**1,668**	**1,867**	**1,701**	**1,764**	**1,798**
Shareholder Equity	**1,313**	**1,241**	**1,467**	**1,662**	**1,873**
Non-controlling interest	(0.01)	-	-	-	-

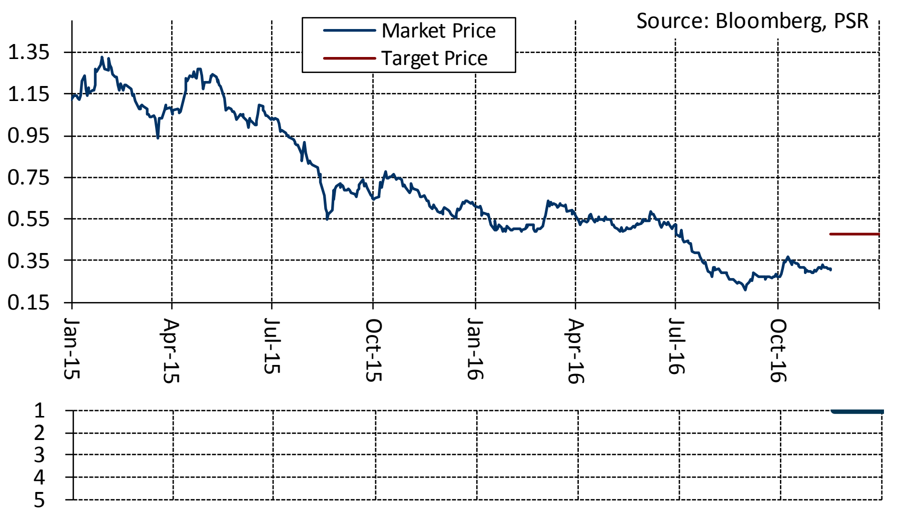
Valuation Ratios

Y/E Dec	FY14	FY15	FY16e	FY17e	FY18e
P/E (x)	5.11	27.95	12.77	8.33	5.81
P/B (x)	1.0	0.7	0.5	0.5	0.4
EV/EBITDA (x)	7.75	11.95	9.01	7.75	6.63
Dividend Yield (%)	0.1	-	-	0.2	0.2
Growth & Margins (%)					
Growth					
Revenue	37%	-9%	-5%	14%	13%
EBITDA	72%	-46%	21%	16%	16%
EBIT	54%	-83%	83%	22%	31%
Net Income, adj.	40%	-84%	21%	53%	43%
Margins					
EBITDA margin	82%	49%	62%	63%	65%
EBIT margin	55%	11%	20%	22%	25%
NPI margin	58%	10%	13%	18%	23%
Key Ratios					
ROE (%), adj.	17%	3%	3%	4%	5%
ROA (%), adj.	8%	1%	1%	2%	3%
Net Debt or (Net Cash)	809	1,039	914	902	930
Gearing (%)	62%	84%	62%	54%	50%

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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