

Ezion Holdings Limited

To resolve through warrants, bonds and convertibles



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SINGAPORE | OIL AND GAS | UPDATE

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- Ezion attained the consent from banks on a conditional refinancing plan
- Proposal of restructuring of notes is awaiting approved
- Management drafted a strategic transformation plan
- Timetable for the subsequent events

Ezion Holdings Limited (Ezion) held the analyst briefing on 24-Oct, sharing recent updates of negotiations involving various stakeholders including banks, creditors, and shareholders. At present, Ezion has not defaulted on any existing notes nor bank loans. Operationally, it managed to fulfil the contract terms, making delivery and deployment on time. However, the group will undergo several key meetings to secure consent from creditors and shareholders to restructure its debt Jan-18.

Key takeaways from the briefing

Banks offered a conditional refinancing plan: 6 banks will provide up to US\$100mn to the group to fund its working capital. Meanwhile, banks are willing to take 200bps reduction of interest rate, which lightens Ezion interest burden of up to US\$30mn per annum. Moreover, banks can receive staple warrants to a portion of their loans if they decide to further lower interest rates. Ezion must repay a minimal fixed principal every month over the next 6 years. As a result, the group expects minimal positive net cash flows accordingly. However, all the terms are on the condition of the approval of consent solicitation statement (CSE) from noteholders of all series (Figure 1).

Ezion proposed options for creditors: As of Oct-17, the notes due within 4 years are shown in Figure 1. The group provided a [proposal](#) of notes restructuring for Series 003 - 007 and Series 008 respectively. The proposal included straight bonds of 7 and 10 years (0.25% coupon), convertible bonds (CB) and bonus warrants for early conversion of CB. It is worth noting that the warrants are detachable and non-tradable. Ezion will raise additional S\$344mn if warrants are fully exercised at the price of S\$0.2763. As a result, the proposal will trigger potential dilutions of existing shares, see Figure 2.

Figure 1. Notes payable

Notes	Due date	Nominal value (\$\$ mn)	Coupon rate
Series 003	2019	110	4.700%
Series 004	2018	60	4.600%
Series 005	2019	50	4.850%
Series 006	2020	55	5.100%
Series 007	2021	150	4.875%
Subtotal		425	
Series 008	Perpetual	150	7.00%
Total		575	

Source: Company, PSR

Rating suspended

CLOSING PRICE	SGD 0.197
FORECAST DIV	N/A
TARGET PRICE	N/A
TOTAL RETURN	N/A

COMPANY DATA

Bloomberg Code	EZISP
O/S SHARES (MN)	2,074
MARKET CAP (USD mn / SGD mn)	299 / 409
52 - WK HI/LO (SGD)	0.44 / 0.2
3M Average Daily T/O (mn)	2.48

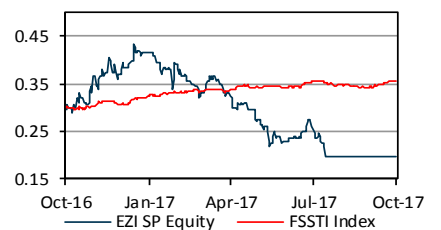
MAJOR SHAREHOLDERS (%)

THIAM KENG CHEW	10.5%
MACARIOS PTE LTD	7.4%
COMMONWEALTH BANK OF AUSTR	4.9%
M & G INVESTMENT MANAGEMENT	4.8%
PRUDENTIAL PLC	4.7%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	(16.2)	(36.5)	(36.5)
STIRETURN	4.0	17	211

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY 15	FY 16	FY 17e	FY 18e
Revenue	351	318	N/A	N/A
Gross profit	18	61	N/A	N/A
EBIT	37	(1)	N/A	N/A
Net profit	37	(34)	N/A	N/A
ROE (%)	0.09	N.M	N/A	N/A
ROA (%)	0.04	N.M	N/A	N/A

Source: Company, PSR

VALUATION METHOD

N/A

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Figure 2: Potential dilution to existing shareholders

	No. of shares (in mn)	% of shareholding
No of shares issued and outstanding as of Sep-17	2,074	31.3%
Existing warrants (2016) by shareholders	Up to 355	5.4%
Warrants (2018-Shareholders) to be issued to existing shareholders (assuming 100% exercised)	Up to 1,244	18.8%
Warrants (2018-Securityholders) to be issued to holders who exercise their conversion rights during the early conversion period (assuming S\$575mn in principal amount converted and 100% of the Warrants (2018-Securityholders) are exercised)	Up to 575	8.7%
Shares to be issued with respect to accrued interest (assuming 1. all opt for Option B and Option D 2. estimated interest accrued from immediately preceding interest payment date/distribution payment date prior to 20 Nov 2017 3. issued at minimum conversion price of S\$0.2763)	Up to 48	0.7%
Consent fee shares (assuming all securityholders are eligible for the consent fee)	Up to 13.8	0.2%
Conversion of refinancing Series B convertible bonds and amended Series 008 securities (assuming full conversion of S\$575mn at minimum conversion price with 10% discounted conversion price of S\$0.2487)	Up to 2,312	34.9%
Total	Up to 6,622	100%

Source: Company, PSR

Strategic transformation of deployment of assets: As per Figure 3, the current fleet size that has been deployed is 25 vessels, but 6 out of 8 service rigs have some collection problems. Moving forward, the group will conduct a strategic review, including:

1. Focusing on 100% deployment of liftboats (consider converting several service rigs into liftboats)
2. Expecting improvement of day rate from 2H18
3. Enhancing deployment of other assets
4. Minimise capex costs
5. Disposal of assets that generate low returns, require high capex, and are difficult to deploy due to oversupply

However, the prerequisite for the implementation of these plans is to clear the overhang of liquidity issues mentioned above.

Figure 3: Group fleet as of Oct-17

	Liftboat	Service rig	Offshore logistics vessel
Deployed	9	8	8
To be deployed	5	6	2
Undeployed	0	6	35

Source: Company, PSR

Timetable for subsequent events:**Figure 4: Expected timetable**

Event	Date
Notice of meeting for consent solicitation exercise (CSE)	23-Oct
Submission of circular to SGX for shareholders's EGM	4-Nov
Early consent fee eligibility	15-Nov
Consent solicitation exercise meeting	20-Nov
Adjourned CSE meeting (if required)	8-Dec
Shareholder's EGM	Early Jan-18

Source: Company, PSR

Investment actions

The resumption of trading suspension will be no early than shareholder's EGM. Therefore, neither recommendation nor rating is available as of now.

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