

# Ezion Holdings Limited

Given six years breathing room



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- Ezion has resolved the restructuring and refinancing plans involving all the stakeholders. On full conversion of various instruments, share capital will rise to 6,583mn shares (currently: 2,074mn).
- Bulk of instruments conversion/exercise price per share is S\$0.2487 (early exercise) or S\$0.2763.
- Created 6 years runway for Ezion to refocus on improving business operation and relieving the debt burden.
- It is expected to resume trading on 16-Apr.

Ezion Holdings Limited (Ezion) held the analyst briefing on 4-Mar to share the results of several rounds of restructuring and refinancing plans involving banks, creditors, and shareholders over past 6 months. On the debt side, secured lenders, securityholders, and unsecured lenders agreed to the new refinancing plans that extended the maturity and reduced the interest rates. On the equity side, shareholders accepted the issuance of warrants.

## Key takeaways from the briefing

**Resolution for secured lenders:** Total refinanced amount was c.US\$1.5bn. Over 6 years, Ezion will pay a minimal fixed principal amount on schedule. Banks will also lower the interest rate (Libor + cost of funds) and extend further support with additional working capital line of up to c.US\$118mn. The extended amount will be exclusively and strictly funded the existing operating assets, meaning that the fund is prohibited from dividend payout, loan repayment, or even procurement of new vessels.

**Resolutions for securityholders:** Total refinanced amount was S\$575mn. The maturity profile will be extended by 6 to 10 years. Securityholders accepted 0.25% interest rates and lifting of all covenants. The majority of the holders opted for Option 1 - convertible bonds (S\$452.5mn) and the rest opted for Option 2 - straight bonds (S\$122.5mn). The conversion price will be reset every 6 months.

**Resolutions for unsecured lenders:** Total refinanced amount was c.US\$18mn. The unsecured lenders will exit via the exercise of stapled warrants to convert outstanding amounts to equity, and the exercise price will be reset every 6 months. Meanwhile, they accepted a reduction of interest rates as well.

**Resolutions for shareholders:** Shareholders will be issued 3 warrants for every 5 shares with an exercise period of 5 years. The exercise price will not be reset.

## Outlook moving forward:

1. See Figure 1, the impact of execution of the refinancing plans, assuming full conversion of bonds and exercise of warrants, is shown below.
2. The net gearing as of Dec-17 was 4.5x. It is expected to drop back to 1.5x in 6 years on the conditions: 1). Full conversion of bonds; 2). Charter rates remain flat and comparable to the current level; 3). No more units are deployed; 4). No new capital injection.
3. There will be US\$30mn of savings from bank loans and US\$28mn of savings from securities per annum.
4. This is a 6 years runway for Ezion to refocus on improving business operation and relieving debt burden.

## Company Visit

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):	0.37 / 0.197
3M Average Daily T/O (mn):	N/A

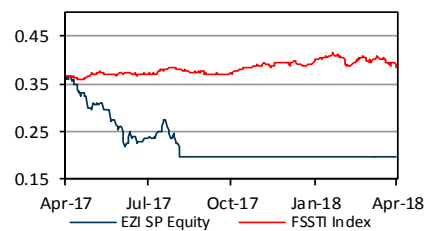
## MAJOR SHAREHOLDERS (%)

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	N/A	N/A	N/A
STIRETURN	(17)	(12)	10.5

## PRICE VS. STI



Source: Bloomberg, P.SR

## KEY FINANCIALS

Y/E Dec	FY 14	FY 15	FY 16	FY 17
Revenue	387	351	318	193
Gross profit	196	118	61	2
EBIT	24	37	(1)	(997)
Net profit	224	37	(34)	(1018)
ROE (%)	17%	9%	N.M	N.M
ROA (%)	8%	4%	N.M	N.M

Source: Company, P.SR

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5. Moving forward, Ezion is looking for a strategic partner in order to pull in capital injection or further expand the business scale and scope.

**Figure 1: Impact of the proposed financing**

Stakeholders	No. of shares (in mn)	% shareholding	Reduction of refinanced liabilities (US\$m)	New funds raised (US\$m)	Comments
<b>Current</b>	2,074	32%	N/A	N/A	
<b>Post-refinancing</b>					
Shareholders	1,599	24%	N/A	381	Mainly from 3 warrants for every 5 shares
Securityholders	2,322	35%	320	95	Mainly from Series B convertible bonds
Secured lenders	236	4%	33	0	Mainly from warrants issued
Others	352	5%	18	10	Mainly from new shares issued
<b>Total</b>	<b>6,583</b>	<b>100%</b>	<b>371</b>	<b>486</b>	

Source: Company, PSR

**Business updates and outlook:** As shown in Figure 2, the current fleet size that has been deployed is 24 units. Moving forward, the group will mainly focus on the deployment of lifeboats and aims to expand the fleet size of the segment. Meanwhile, mobile offshore production units (MOPU) will be in demand the foreseeable future as major oil companies have been cutting down the capex on exploration and development. If Ezion gets new funding externally, it may convert some rigs and vessels into MOPU. In terms of geographic opportunities, management sees demand from the wind farm on the east and south coast in China and the gradual recovery in oil and gas sector in Southeast Asia.

**Figure 2: Group fleet as of Dec-17**

	Liftboat	Jack-up rig	Offshore support vessel	Total
Total units	12	20	44	76
Deployed	9	8	7	24
To be deployed	2	0	0	2
To be sold	0	7	25-30	32-37

Source: Company, PSR

Ezion is expected to resume trading on 16-April.

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