



CHINA
DEVELOPMENT
FINANCIAL

ASL Marine Holdings Ltd

(ASL SP/ASML.SI)

Not Rated

Price as of 27 Sep 2017	0.11
12M target price (S\$)	-
Previous target price (S\$)	-
Upside (%)	-

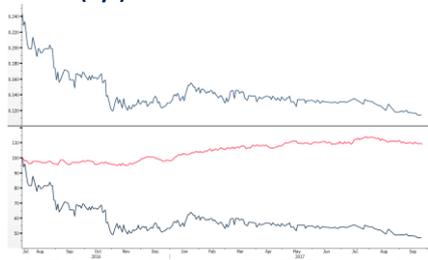
Trading data

Mkt Cap (S\$m) / (US\$m)	72 / 53
Issued Shares (m)	629.3
Ave Daily Traded (3-Month) Vol / Val	0.1m / \$0.0m
52 week lo / hi	\$0.11 / \$0.17
Free Float	32.7%

Major Shareholders

Ang Family	67.2%
Fidelity	8.6%

ASL SP (1yr) VS STI



Source: Bloomberg

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See the last page for important disclosures.

Sailing through one of the worst industry downturns

Event

We recently met up with ASL's management to get an update after we noted concerns on its debt levels and ability to survive this downturn in its current capital structure. On a positive note, management had outlined a clear strategy to focus on generating sufficient cash flows from its non-oil & gas business. The group had successfully negotiated the extension of the maturity of its bonds by three years. In addition, the group had raised S\$25m from a rights issue in January 2017, which went towards working capital for its ongoing projects.

Impact

The group still faces a challenging year ahead but is better positioned - albeit with the risk of another fund-raising exercise - to sail through one of the worst industry downturns this century.

Valuation & Action

The group had taken a S\$54m impairment in 4Q17 for receivables, inventories and PP&E. However, given the prolonged downturn in the offshore & marine sector where asset prices have declined >40% from their peak, we expect that there could potentially be more impairments and write-downs to bring asset values to market reality. Hence, to buffer in a margin of safety in our analysis of ASL's fair value, we applied a 50% discount to its current assets, which mainly consisted of inventories, vessels under construction and receivables. In addition, we discounted its PP&E (\$612m as at end Jun-17) by 15% to derive a fair value of S\$0.10 for the group.

On a positive note, ASL's senior management team, who are also its largest shareholders, have displayed a commitment to ensure the survivability of the group. They had committed to their 67% share of the rights issue in December 2016. It has also secured a five-year S\$99.9m club term loan facility from local banks for its working capital needs. If we were to assume a positive operating cash flow of >S\$10m per quarter going forward (FY17 CFO:S\$77m) – sufficient to cover interest costs and minimal maintenance capex - ASL would be in a secure position to tide through the current downturn with its current capital structure.

Risks

We do not rule out another capital raising exercise to strengthen its balance sheet should industry fundamentals deteriorate further. Risks of further impairments and write-downs.

Financials & Key Operating Statistics

YE June (S\$ m)	2013	2014	2015	2016	2017
Revenue	465.4	509.8	184.2	364.4	342.3
Net Income	44.5	22.1	7.9	2.0	-71.7
EPS (Cents)	10.5	5.2	1.9	0.5	-13.4
EPS grth (%)	37.5	-50.3	-64.1	-75.1	na
P/E (x)	1.1	2.2	6.1	24.5	0.0
DPS (SG Cents)	2.0	1.0	0.4	0.0	0.0
Div Yield (%)	17.4	8.7	3.5	0.0	0.0
Net Margin (%)	9.6	4.3	4.3	0.5	-20.9
Net Debt (\$m)	381.7	472.7	465.6	567.5	513.4
Price / Book (x)	0.6	0.7	0.4	0.3	0.2
ROE (%)	11.0	5.3	1.9	0.5	-18.9

Source: Company Data, KGI Research

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Rating	Definition
	KGI Securities Research's recommendations are based on an Absolute Return rating system.
BUY	>10% total return over the next 12 months
HOLD	-10% to +10% total return over the next 12 months
SELL	<-10% total return over the next 12 months

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