

# Ezion Holdings

(EZI SP/EZHL.SI)

## SELL - Maintain

Price as of 24 Apr 2018	0.16
12M target price (S\$)	0.10
Previous target price (S\$)	0.25
Upside / (Downside) (%)	(36.7)

## Trading data

Market Cap (S\$m)	361.3
Issued Shares (m)	2,257.9
Ave Daily Traded (3-Month) Vol / Val	11.1m / \$2.1m
52 week lo / hi	\$0.16 / \$0.34
Free Float	87.3%

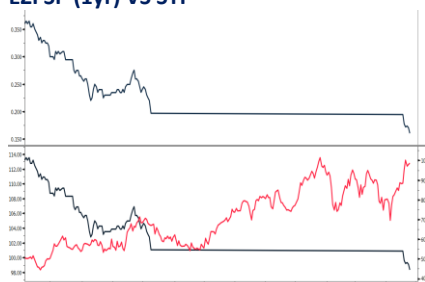
## Major Shareholders

-	-
-	-

## Previous Recommendations

Date	Rating	Share Price (S\$)	Target Price (S\$)
15-May-18	SELL	0.340	0.250
21-Mar-17	SELL	0.340	0.200
11-Nov-17	SELL	0.330	0.200
1-Sep-16	HOLD	0.220	0.200
11-Aug-16	HOLD	0.290	0.260

## EZI SP (1yr) VS STI



Source: Bloomberg

## Caution still warranted

### Event

Ezion resumed trading on 16 April 2018 after its stock was suspended in August 2017. There were several notable events over the past month, including its 2017 full-year results and investment by Pavillion Capital Fund Holdings (Pavillion).

### Impact

On a positive note, we have to give credit to Ezion's management for working hard to have all stakeholders on board its refinancing plan. We are also encouraged that the group is in discussions with strategic partners and investors, including China Merchants & Great Wall Ocean, to strengthen its position in the liftboat business. Industry sentiment has indeed improved on the back of Brent oil prices >US\$70 per barrel. However, we remain cautious on Ezion's outlook over the next three years as cashflow remains tight and as fundamentals in its specific sectors are still challenged by asset oversupply.

### Valuation & Action

We maintain our SELL recommendation with a fair value of 10 SG cents, based on our RNAV estimates. Our assumptions are based on holders of the US\$575mn in securities fully exercising their debt-to-equity swap options and warrants. Together with secured lenders and other stakeholders, the total reduction in liabilities amounts to US\$371mn. We have also assumed US\$142mn in new funds raised from the full exercise of options/warrants by Pavillion and by the security holders.

A key metric to watch will be its cashflow generation over the next three years given the depressed rates and oversupply of rigs and offshore vessels in the industry. Ezion's balance sheet remains highly leveraged and may require another rights/placement to strengthen it.

### Risks

Downside risks are higher-than-expected capex to upgrade and convert vessels, and delays in receivables collection. Key upside factors include a sustained rally in crude oil prices above US\$80 driven by geopolitical problems.

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See the last page for important disclosures.

**Figure 1: RNAV**

Asset type	Fleet size	Estimated Value/ Vessel (US\$m)	Total Value (US\$m)	Remarks
Liftboats	14	40.0	560.0	
Service rigs / jackups	20	10.0	200.0	
OSV	6	8.0	48.0	
Landing craft	3	7.0	21.0	
Tugboats	12	3.0	36.0	
Barges	24	2.0	48.0	
Other assets (JV, associates)		547.0	547.0	US\$98mn (JV), 81mn (Associates), 76mn (Others), US\$82mn (receivables), 46mn (Cash)
<b>Revalued Assets [A]</b>	<b>79</b>		<b>1,460.0</b>	KGI Estimates of market value of PPE + Other assets
<b>- Total Liabilities</b>			<b>(1,630.9)</b>	As at End-2017
<b>- Reduction up to US\$371mn (securityholders+secured+others)</b>			<b>371.0</b>	Full conversion of bonds and secured lending
<b>Net Liabilities post-conversion [B]</b>			<b>(1,259.9)</b>	
<b>Equity Value (USD)</b>			<b>200.1</b>	Revalued Assets [A] - Net Liabilities post-conversion [B]
<b>Pavillion investment (USD)</b>			<b>37.0</b>	S\$50mn assuming full exercise of options
<b>New funds from Security holders (USD)</b>			<b>105.0</b>	US\$95mn (Security holders) + US\$10mn (Others)
<b>Equity Value w/ new funds (USD)</b>			<b>342.1</b>	
<b>Shares outstanding (mn)</b>			<b>4,630.8</b>	235mn placement shares + options to Pavillion 2,322mn shares to securityholders
<b>Equity/share (USD)</b>			<b>0.074</b>	
<b>Equity/share (SGD)</b>			<b>0.100</b>	Forex @ 1.35 SGD/USD

Source: KGI Research

**Figure 2: Company profile**

Ezion Holdings owns and charters offshore assets to support the offshore energy markets. The company owns one of the youngest and largest fleet of self-propelled service rigs (liftboats) in the world.

Source: KGI Research

**Figure 3: Assuming full conversion of bonds and exercise of warrants, post-refinancing.**

Stakeholders	No. of Shares (in millions)	% Shareholding	Reduction of Refinanced Liabilities (US\$ million)	New Funds Raised (US\$ millions)
Shareholders	Up to 3,673	56%	-	Up to 381
Securityholders	Up to 2,322	35%	Up to 320	Up to 95
Secured Lenders	Up to 236	4%	Up to 33	-
Others	Up to 352	5%	Up to 18	Up to 10
<b>Total</b>	<b>Up to 6,583</b>	<b>100%</b>	<b>Up to 371</b>	<b>Up to 486</b>

Source: Company presentation

**KGI's Ratings**

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

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