



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%

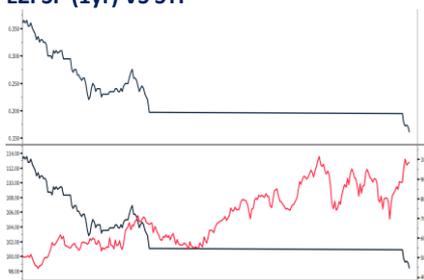
Major Shareholders

-	-
-	-

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.

Joel Ng
65 6202 1192
joel.ng@kgi.com

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)
Revalued Assets [A]	79		1,460.0	KGI Estimates of market value of PPE + Other assets
- Total Liabilities			(1,630.9)	As at End-2017
- Reduction up to US\$371mn (securityholders+secured+others)			371.0	Full conversion of bonds and secured lending
Net Liabilities post-conversion [B]			(1,259.9)	
Equity Value (USD)			200.1	Revalued Assets [A] - Net Liabilities post-conversion [B]
Pavillion investment (USD)			37.0	S\$50mn assuming full exercise of options
New funds from Security holders (USD)			105.0	US\$95mn (Security holders) + US\$10mn (Others)
Equity Value w/ new funds (USD)			342.1	
Shares outstanding (mn)			4,630.8	235mn placement shares + options to Pavillion 2,322mn shares to securityholders
Equity/share (USD)			0.074	
Equity/share (SGD)			0.100	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
Total	Up to 6,583	100%	Up to 371	Up to 486

Source: Company presentation

KGI's Ratings

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

Disclaimer

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities. This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. You should independently evaluate particular investments and consult an independent financial adviser before dealing in any securities mentioned in this report.

This report is confidential. This report may not be published, circulated, reproduced or distributed and/or redistributed in whole or in part by any recipient of this report to any other person without the prior written consent of KGI Securities. This report is not intended for distribution and/or redistribution, publication to or use by any person in any jurisdiction outside Singapore or any other jurisdiction as KGI Securities may determine in its absolute discretion, where the distribution, publication or use of this report would be contrary to applicable law or would subject KGI Securities and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by KGI Securities to be reliable. However, KGI Securities makes no representation as to the accuracy or completeness of such sources or the Information and KGI Securities accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. KGI Securities and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of KGI Securities and its connected persons are subject to change without notice. KGI Securities reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) KGI Securities, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) KGI Securities, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; and (3) the officers, employees and representatives of KGI Securities may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business".)

However, as of the date of this report, neither KGI Securities nor its representative(s) who produced this report (each a "research analyst"), has any proprietary position or material interest in, and KGI Securities does not make any market in, the securities which are recommended in this report.

Each research analyst of KGI Securities who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of KGI Securities or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including KGI Securities' total revenues, a portion of which are generated from KGI Securities' business of dealing in securities.

Copyright 2018. KGI Securities (Singapore) Pte. Ltd. All rights reserved.