ABG SUNDAL COLLIER

Bonds Daily

ABGSC Daily Report - Bonds

Seadrill Q2: strong EBITDA beat due to maintenance timing – unchanged outlook

The company reported revenues of USD 321m (+9% vs. ABGSCe, +7% vs. consensus), while EBITDA adj. surprised on the positive side with USD 69m (+26% vs. ABGSCe and consensus). Ahead of the report, Seadrill had guided for an EBITDA of USD 55m, and the deviation to guidance is due to timing of maintenance costs. Economic utilization for the Seadrill Group was 88% for floaters, 99% for jackups, and 99% for tender rigs – in total 93%. From a liquidity perspective, Seadrill had cash and restricted cash of USD 1.5bn, and an order backlog totalling USD 1.9bn (Q1: 2bn) – of which the company expects to consume USD 450m during the remainder of 2019. For Q3, Seadrill guides an EBITDA adj. of 70-75m that compares to our estimate of USD 61m ahead of the report. In terms of outlook, the CEO commented that although short-term work still is competitive, they are observing improving rates and terms for longer work – especially in HE, high-end UDW, and premium jackups. This is consistent with the market outlook from its Q1-report, hence, it is unchanged. Moreover, the company writes that it observes opportunities for its idle jackups as dayrates continue to trend towards USD 100kpd, while the current rate outlook in general does not justify any reactivations of stacked units. The SDRL '25s are indicated at around 13% (or +1187bp when subtracting the Dollar-swap).

SiccarPoint H1'19: P&L somewhat below, but decent cash flow and operational progress

SiccarPoint reported H1'19 revenues of USD 106m vs. our estimate of USD 119m, and EBITDAX of USD 82m vs. our estimate of USD 92m. The miss vs. our estimates seem to be driven by both somewhat lower production and lower realized prices. Cash flow was, however, in line with what we expected with free cash flow of USD 54m. Liquidity end of H1'19 was USD 472m (USD 281m in cash and USD 191m in undrawn facilities).

At end of H1'19. The group had 2P reserves of 180 mmboe vs. 156 mmboe end of 2018, and 2P+2C of 573 mmboe vs. 479 mmboe end of 2018. This has been driven by upgrades at Cambo, Schiehallion and Mariner. The key milestones going forward are production ramp-up at Mariner, sanctioning the initial phase of the Cambo development (H1'20), follow on work in the Blackrock area to build on the 2019 discovery well, and working with operator Equinor on the re-scoping of the Rosebank project.

DOF Subsea Q2: Challenging refinancing

DOF Subsea released its Q2 report this morning. EBITDA (management reporting) was NOK 445m, which is up from NOK 305m in Q2'18 and NOK 365m q-o-q. The company expects that the Group's EBITDA for H2'19 will be higher than H1'19.

Stock market	Today	1D	1M	3M	YTD
OSE	772	1.3%	-3%	-4%	4%
OMX	1,539	1.3%	-4%	-1%	9%
SBX	1,057	1.3%	-4%	0%	14%
OSX	65	0.0%	-17%	-17%	-21%
VIX	17	-0.1%	25%	0%	-27%
High Yield Indices (Spread)					
Itraxx Xover 5Y	270	-9bp	21bp	-14bp	-91bp
HYG US	485	-12bp	49bp	44bp	-45bp
BUHYEN	420	-19bp	39bp	20bp	-110bp
Interest Rates Basis points					
NIBOR 3M	156	-2.0bp	-2.0bp	7.0bp	31.0bp
NIBOR 3Y SWAP	159	5.0bp	-20.9bp	-27.4bp	-0.8bp
NIBOR 5Y SWAP	152	6.2bp	-25.8bp	-38.0bp	-21.5bp
STIBOR 3M	-2	0.0bp	4.1bp	-0.6bp	10.7bp
STIBOR 3Y SWAP	-19	2.3bp	-15.0bp	-30.7bp	-35.4bp
STIBOR 5Y SWAP	-13	4.3bp	-22.0bp	-41.5bp	-57.1bp
US L3M	214	0.0bp	-14.7bp	-38.5bp	-65.8bp
US LIBOR 3Y SWAP	147	5.9bp	-30.9bp	-65.7bp	-109.6bp
US LIBOR 5Y SWAP	143	5.8bp	-36.4bp	-69.5bp	-110.7bp
Currencies					
USD/NOK	8.98	0%	4%	3%	3%
EUR/NOK	9.95	0%	3%	2%	1%
SEK/NOK	0.93	0%	1%	2%	-4%
Commodities					
Oil - Brent (USD/bl)	59.7	2%	-6%	-12%	9%
Shipping Rates					
Baltic Dry Bulk	2,067	-1%	-6%	94%	61%
Baltic Tank (Dirty)	649	0%	4%	-39%	-36%
Baltic Tank (Clean)	455	0%	-5%	-57%	-32%

Source: Bloomberg

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Proportionately consolidated NIBD stood at NOK 12.7bn, which is a tad down from NOK 12.8bn ending Q1. The company states that it has paid ordinary instalments and interest rate on outstanding debt during the quarter, but that the Group faced difficulties of obtaining a long-term refinancing of a vessel and the Group was given extension of this loan until end of November. The management and the Board are working on a long-term financial solution for the Group. DOF Subsea had NOK 1,092m in cash ending Q2 (liquidity covenant at NOK 500m) and NOK 1,645m in debt maturing during the rest of 2019. *ABG Sundal Collier is acting as financial advisor to DOF Subsea AS.*

DistIT AB: Q2 - restructuring largely done, time for growth

As expected, Q2'19 was tough with current restructuring efforts temporarily dragging. Sales were SEK 532m (-3% vs. ABGSCe at SEK 546m), up 4% y-o-y. The group, however, did not communicate organic growth vs. M&A growth, but we estimate: ~3% M&A and ~1% organic. Gross margin improved to 23.2% (22.0%) and benefitted from an increasing share of EMV sales and favourable B2B sales. As previously communicated, profitability was burdened by SEK 16m relating to restructuring costs mainly due to the integration of Aurora and Deltaco. Adjusted for the impact, EBIT was SEK 12m (-16% vs. ABGSCe at SEK 14m), on a margin of 2.3% (2.5%), ABGSCe 2.6%. With further restructuring costs in Q3'19 of SEK 8m communicated at the quarterly report, we lower our EBIT assumptions accordingly. DistIT expect total cost savings of its 2019 restructuring initiative of SEK 47m, expected to be realised in '21e at the latest. To account for associated risks, we implement ~75% into our numbers (~SEK 35m). Read the result report from the equity team here.

Serneke: Updated time-plan for Karlatornet

The Company announced that Karlatornet will be delayed by approximately one year. Move-in was originally scheduled for late 2021 and has now been moved to 2H 2022. The company state that the delay is the result of a reorganization of the project with the aim to optimize space and usage in addition to a funding process with a new potential partner regarding the financing of Karlatornet. Serneke state that the process is with an international organization and is expected to be finalized during Q3. The company also stated that 80% of the 594 apartments are sold.

Analyst certification

I/We, Andreas Johannessen, Eric Wahlström, Glenn Kringhaug, Haakon Amundsen, Rikard Magnus Braaten, the author(s) of this report, certify that not withstanding the existence of any such potential conflicts of interests referred to below, the views expressed in this report accurately reflect my/our personal view about the companies and securities covered in this report. I/We further certify that I/We have not been, nor am/are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Analyst valuation methods

When evaluating the credit risk of the issuer, we look at credit ratios, management and corporate strategy, business risk, industry risk and management risk appetite. Further, we look at dividend and financial policies. From this analysis and after an assessment of the asset values as well as any potential structural subordination, ABG Sundal Collier also estimates the company's default probability and the bond's recovery rate.

Important Company Specific Disclosure

For company specific disclosures including employee, partner and ABGSC holdings, Corporate Finance services market making, conflicts of interest of each company mentioned in this report for which ABG Sundal Collier provides coverage (unless it is initiating coverage), please refer to the research section of our website located at www.abgsc.com.

All prices are as of market close on 16 August, 2019 unless otherwise noted.

Disclaimer

Additional information available upon request. If reference is made in this report to other companies and ABG Sundal Collier provides research coverage for those companies details regarding disclosures may be found on our website www.abgsc.com.

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