

# Bonds Daily

## ABGSC Daily Report - Bonds

### Navigator Q2: miss on EBITDA due to e.g. continued challenging handysize market

Navigator reported revenues of USD 56m (-8.5% vs. consensus) and EBITDA of USD 23m (-18% vs. consensus). Fleet utilization was 85.2%, which is up 0.4pp from 84.8% during last quarter, while the average daily TC rates decreased 8.5% QoQ to USD 19.940pd from USD 21.782pd. At the same time, average daily vessel opex increased 24% to USD 5.735pd. At quarter end, the company had cash and cash equivalents of USD 47m, and capital commitments related to the terminal project of USD 65m to be paid during 2019 and 2020. Debt to EV was 63%. Navigator writes that the challenging handysize market seen during the first quarter continued into Q2, with additional fleet supply due to US sanctions upon PdVSA. Moreover, European chemical plant turnarounds reduced long-haul petrochem exports to Asia and US ethylene imports, reducing ton-mile demand. On the other hand, the supply of LPG volumes started to outpace vessel supply resulting in increasing rates, which had positive effects on the medium-gas carrier market. The time-lag to the smaller handysize market implies that Navigator is positive to the segment later in 2019, supported by the potential of moving vessels from petrochem trades to the LPG market.

### Polygon Q2: Sales growth slowed organically

Sales came in at EUR 157.8m (+7.3% y-o-y), while adj. EBITDA was EUR 11.3m (-2% y-o-y). Organic growth slowed in the quarter (+0.3% y-o-y) due to weaker demand in Europe overall compared to the strong second quarter of 2018 and fewer working days in the quarter. An unfavourable business mix, with fewer cases of water damage negatively affected earnings and major & complex claims compared to 2018. Polygon has been active on the acquisition front and purchased three companies during the period (The Plastic Surgeon, Tehokuvaus & Nettag) which has a combined sales of around EUR 27m. The Company state that the market for property damage control is relatively stable over time and is, by nature, characterised by a large share of annually recurring claims. Net debt over adjusted EBITDA was 4.4x in the quarter.

### Norske Skog granted additional CO2 compensation

Norske Skog's Saugbrugs mill has received significantly reduced CO2 compensation since 2013, but the Norwegian Ministry of Environment has now decided that it will grant Norske Skog Saugbrug full CO2 compensation for the years 2018-2020, according to a statement. This is partly due to investments made in green technology since the reduction was done. It results in extra payments to Norske Skog of NOK 31m in 2019, NOK 83m in 2020 and an estimated NOK 120m in 2021. As comparison, 2018 EBITDA was NOK 1,031m. *ABG Sundal Collier is acting as Joint Global Coordinator and Joint Bookrunner in respect of the potential offering of shares in Norske Skog AS and listing of the company's shares on the Oslo Stock Exchange*

| Stock market                | Today | 1D    | 1M      | 3M      | YTD      |
|-----------------------------|-------|-------|---------|---------|----------|
| OSE                         | 776   | 1.6%  | -5%     | -3%     | 5%       |
| OMX                         | 1,551 | 1.5%  | -4%     | -3%     | 10%      |
| SBX                         | 1,066 | 1.5%  | -3%     | -2%     | 15%      |
| OSX                         | 68    | 0.0%  | -17%    | -23%    | -18%     |
| VIX                         | 17    | -0.1% | 31%     | 5%      | -27%     |
| High Yield Indices (Spread) |       |       |         |         |          |
| Iltraxx Xover 5Y            | 275   | -10bp | 30bp    | 8bp     | -86bp    |
| HYG US                      | 471   | -12bp | 41bp    | 63bp    | -59bp    |
| BUHYEN                      | 418   | -25bp | 43bp    | 34bp    | -113bp   |
| Interest Rates Basis points |       |       |         |         |          |
| NIBOR 3M                    | 162   | 0.0bp | 6.0bp   | 17.0bp  | 37.0bp   |
| NIBOR 3Y SWAP               | 164   | 1.8bp | -20.0bp | -19.3bp | 3.8bp    |
| NIBOR 5Y SWAP               | 156   | 3.5bp | -29.3bp | -33.5bp | -17.5bp  |
| STBOR 3M                    | -2    | 0.9bp | 2.6bp   | 3.0bp   | 10.6bp   |
| STBOR 3Y SWAP               | -13   | 2.1bp | -17.1bp | -23.1bp | -29.4bp  |
| STBOR 5Y SWAP               | -5    | 3.1bp | -23.6bp | -34.3bp | -49.1bp  |
| US L3M                      | 218   | 0.0bp | -11.9bp | -34.3bp | -60.9bp  |
| US LIBOR 3Y SWAP            | 151   | 0.8bp | -35.1bp | -79.8bp | -105.7bp |
| US LIBOR 5Y SWAP            | 147   | 0.1bp | -41.2bp | -83.3bp | -106.1bp |
| Currencies                  |       |       |         |         |          |
| USD/NOK                     | 8.93  | 0%    | 5%      | 2%      | 2%       |
| EUR/NOK                     | 9.98  | 0%    | 4%      | 2%      | 1%       |
| SEK/NOK                     | 0.93  | 0%    | 2%      | 3%      | -4%      |
| Commodities                 |       |       |         |         |          |
| Oil - Brent (USD/bbl)       | 57.4  | 2%    | -14%    | -19%    | 4%       |
| Shipping Rates              |       |       |         |         |          |
| Baltic Dry Bulk             | 1,720 | 0%    | -5%     | 70%     | 34%      |
| Baltic Tank (Dirty)         | 628   | 0%    | 0%      | -38%    | -38%     |
| Baltic Tank (Clean)         | 492   | -1%   | -6%     | -51%    | -26%     |

Source: Bloomberg

#### ABGSC Credit Research

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**Gaming Innovation Group: Launches online casino with SkyCity**

On 21 May, GiG announced that it had partnered with SkyCity Entertainment Group to deliver a turnkey online casino solution. SkyCity is one of Australasia’s leading gaming, entertainment and hospitality groups with world-class casino facilities in both New Zealand and Australia. SkyCity is a listed company in both New Zealand and Australia, currently trading at an EV of around EUR 1.8bn. The launch of the online casino was scheduled to take place during Q3 this year. Reportedly, revenues for 2019 will not be materially affected, while this contract is expected to deliver a significant contribution to the revenues in 2020 and onwards. Yesterday, at 16:30 (just after Norwegian close), GiG announced the launch of the online casino. The shares in GiG is listed both in Norway and Sweden, and while the shares closed down 4.5% in Norway it closed up 23% in Sweden – that has one hour longer opening hours i.e. until 17:30. We are a little puzzled by the reaction in the equity market as this newsflow should be expected following the announcement on 21 May. However, it is a strong sign that GiG manages to attract large Tier 1 clients, and deliver its projects on schedule and we see this as a stamp of another stamp of approval of its business model. In summary, we see this as a small positive for the GiG bonds. GiG will report its Q2 '19 figures next Wednesday, 14 August.

**Euronav: secured USD 100m credit facility to be employed towards its IMO 2020 strategy**

On its conference call y'day, Euronav disclosed that it has secured an USD 100m credit facility ahead of IMO 2020. The company CEO said the facility would be used towards “preparation for IMO 2020 and in particular fueling strategy of our fleet”. Euronav has previously said that it will use two ULCCs to store fuel. The ULCC Oceania sailed to Spain earlier this month to get more fuel before heading to Malaysia, according to TradeWinds. As we wrote in yesterday’s daily, Euronav will hold a seminar in early September to provide more details of their IMO 2020 strategy.

**Velcora: To redeem its outstanding bond**

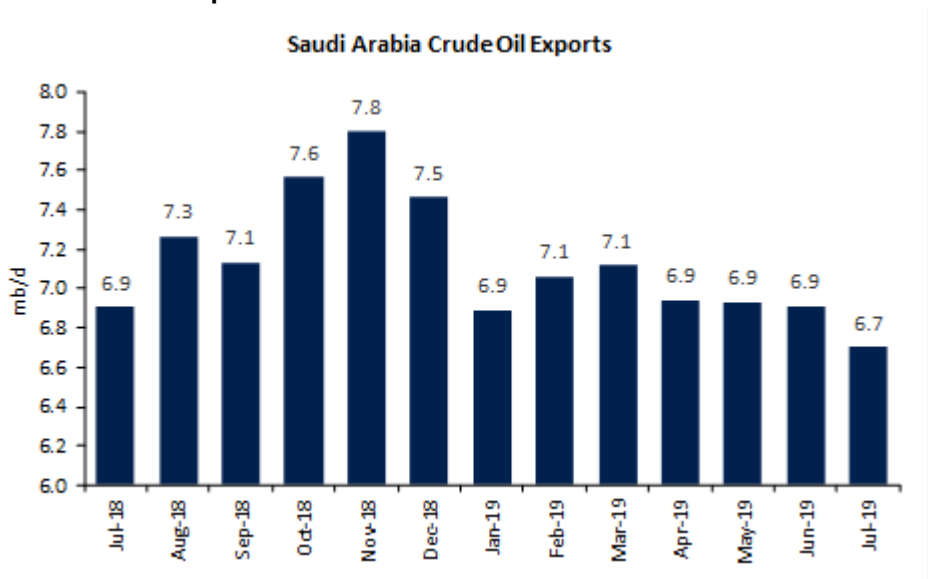
Following the announced acquisition of Velcora by IDEX Corporation in mid-July, the Company now announced that it will exercise its right to make an early redemption of its outstanding bond. The bonds will be redeemed at 104% of par, and payment date is expected 3 September.

**Saudi Arabia plans to limit oil exports in the next two months**

According to a Bloomberg article from yesterday evening, Saudi Arabia plans to maintain its crude oil exports below 7mb/d in August and September to balance the market and help reduce global oil inventories, citing a Saudi oil official.

The minister also said the country’s September production would drop m-o-m and that OPEC+ will meet for the ministerial monitoring meeting in Aby Dhabi on September 12 to review the market.

**Saudi Crude Oil Exports**



Source: ABG Sundal Collier, Bloomberg

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