

# Bonds Daily

## ABGSC Daily Report - Bonds

### Crayon Q2: EBITDA in line – case more or less de-risked

Gross profit came in at NOK 494m, 6% above our NOK 465m estimate. EBITDA came in at NOK 105m, 1% above our NOK 104m estimate. Adjusting the EBITDA for share based compensation and other income and expenses, the operational performance is even stronger at NOK 124m. Cash on balance is now NOK 708m, leading to a NIBD of NOK -225m. Company increases its guidance for FY '19 with an expected EBITDA of NOK 286-316m (up from NOK 225-250m). The bond matures in April 2020 and with such a strong cash balance, cash generation and improved guidance we believe the case is more or less completely de-risked. Mind also that there is a no distribution clause in the bond term sheet, hence if the new strong majority owner One Equity Partners want to tap in to the liquidity pool to extract dividends, it needs to deal with bondholders first. The call schedule is 101.725 until 5<sup>th</sup> October, thereafter at 100 until maturity (what is shown in bberg is incorrect).

Stock market	Today	1D	1M	3M	YTD
OSE	768	-0.4%	-6%	-6%	3%
OMX	1,533	0.1%	-6%	-5%	9%
SBX	1,053	0.0%	-5%	-4%	14%
OSX	65	0.0%	-18%	-27%	-21%
VIX	21	0.2%	66%	38%	-9%
High Yield Indices (Spread)					
ltraxx Xover 5Y	288	6bp	45bp	-3bp	-73bp
HYG US	498	19bp	69bp	71bp	-32bp
BUHYEN	426	9bp	53bp	32bp	-105bp
Interest Rates Basis points					
NIBOR 3M	164	1.0bp	8.0bp	18.0bp	39.0bp
NIBOR 3Y SWAP	164	-0.3bp	-20.3bp	-20.3bp	3.8bp
NIBOR 5Y SWAP	156	-0.3bp	-29.0bp	-33.0bp	-17.5bp
STIBOR 3M	-3	-0.7bp	1.7bp	-0.4bp	9.4bp
STIBOR 3Y SWAP	-14	-0.9bp	-18.0bp	-24.3bp	-30.6bp
STIBOR 5Y SWAP	-7	-2.0bp	-25.8bp	-35.4bp	-51.3bp
US L3M	218	0.0bp	-12.8bp	-34.4bp	-61.8bp
US LIBOR 3Y SWAP	148	-7.2bp	-33.2bp	-70.9bp	-108.8bp
US LIBOR 5Y SWAP	143	-8.2bp	-39.9bp	-75.7bp	-110.4bp
Currencies					
USD/NOK	8.92	0%	4%	2%	2%
EUR/NOK	10.00	1%	4%	2%	1%
SEK/NOK	0.93	0%	2%	3%	-4%
Commodities					
Oil - Brent (USD/bbl)	58.6	0%	-12%	-19%	7%
Shipping Rates					
Baltic Dry Bulk	1,774	1%	-8%	72%	38%
Baltic Tank (Dirty)	626	0%	0%	-39%	-38%
Baltic Tank (Clean)	485	-1%	-7%	-53%	-27%

Source: Bloomberg

### Pacific Drilling Q2: EBITDA spot-on consensus

The company reported drilling revenues spot on consensus of USD 76m (incl. USD 3.8m in reimbursable revenues), and posted an EBITDA of USD 16m (-2.5% vs. consensus, and USD 6-8m higher than its Q1-guidance). Reported opex was flat QoQ, meaning there were no cost-inflation despite higher drilling revenues, while SG&A was slightly down QoQ due to “cost control and process optimization initiatives implanted during Q1”. Revenue efficiency was 97.4% (-0.7pp QoQ) during the quarter, and PACD added to its backlog as Pacific Santa Ana was extended by Total for one well in Mauritania. Otherwise, the company writes that the ramp-up of Pacific Khamsin goes according to plan, and that PACD continues to put rigs to work while also focusing to deliver improved EBITDA. However, the company guides Q3 revenues of USD 49-54m, and EBITDA in the negative USD 21-23m range. Capex for the full year is upped USD 10m to USD 50-60m. The company ended the quarter with USD 306m in cash and cash equivalents (USD 314m including restricted cash). From a market perspective, the CEO commented that they are observing gradually strengthening of the deepwater drilling market, and that customers are issuing tenders for one-to-multiple years terms. The demand has especially been strong in the US GoM, on the back of operators approaching their lease commitment-well deadlines. PACD will hold a global conference call today at 10am Central time (17.00 Oslo-time).

#### ABGSC Credit Research

Rikard M. Braaten	+47 22 01 60 86	rikard.braaten@abgsc.no
Glenn Kringhaug	+47 22 01 61 62	glenn.kringhaug@abgsc.no
Andreas Johannessen	+47 22 01 60 31	andreas.johannessen@abgsc.no
Haakon Amundsen	+47 22 01 60 25	haakon.amundsen@abgsc.no
Eric Wahlström	+46 8 566 286 25	eric.wahlstrom@abgsc.se

### Gaming Innovation Group: Divesting Highroller

This morning GiG announce it divests its B2C brand Highroller to a company called Ellmount Gaming for a total price of EUR 7m, to be received through monthly instalments over the 48 months contract period, starting seven months after this date. Ellmount Gaming will as part of the deal become a B2B customer of GiG and continue to operate Highroller using GiG's Platform Services, Front End solution and Managed Services.

We see it as a positive datapoint that GiG executes on its strategy that is to focus on its main B2C brand Rizk going forward. Even though the cash inflow is received over several years, we believe an EV/Sales multiple of 5x is strong (the brand created an EBITDA of only -200k for H1 '19) and see the divestment as positive for bondholders. GiG will report its Q2 tomorrow morning.

**Cabonline: makes a SEK 125m write-down relating to its finish operations**

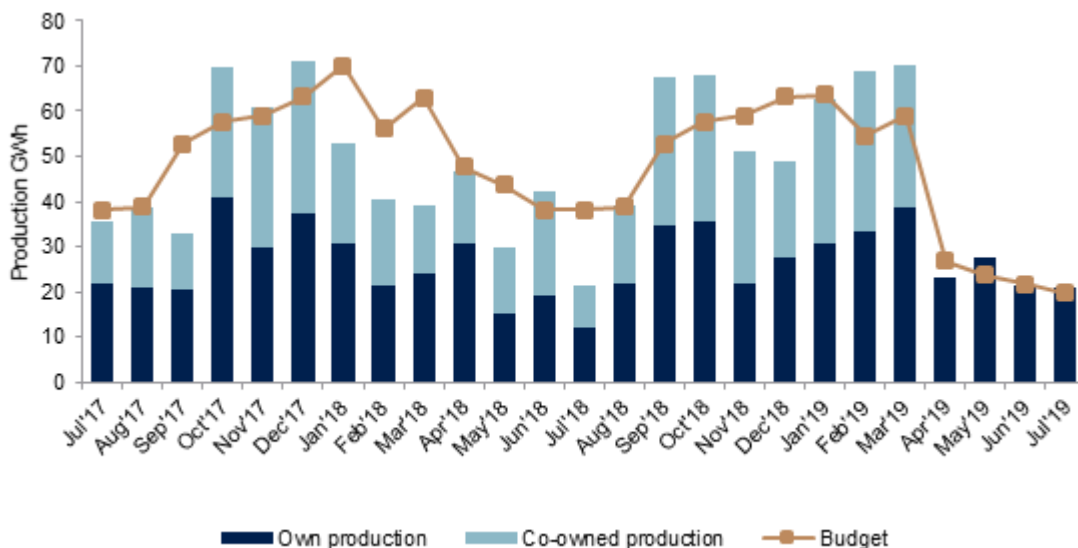
The Company announced that it will make an additional write-down relating to the acquisitions of Kovanen, Maankan Taksi and Inva-Taksi in Finland during 2017. The Company has previously made a SEK 155m write-down relating to the operations in Q4'18 and looking at the companies, they had combined sales of SEK ~340m when acquired, while the current accumulated goodwill write-down is SEK 280m. We see the news as an indication that the Finish operations will continue to perform poorly.

**Nova Austral: the company might lose their subsidy program**

According to a Bloomberg article y'day evening, the government's regional representative in Chile is quoted saying that Nova Austral risks losing their government subsidies as a result of the ongoing investigation. As a reminder, the company receives financial support under the Navarino Law, which inter alia includes 20% subsidy of sales. Over the past years, this has equaled roughly 60% of EBITDA (although Nova Austral has been more dependent on the subsidy during the past quarters). If the company is found guilty in altering the seabed to hide environmental damages and to obtain antibiotic-free certifications from the government, the farms will "most likely" be shut, according to the article. Earlier last week, El Mostrador (the newspaper that revealed the alleged fraud in the first place), published an article illustrating with pictures seabed alterations ([link to the article here](#)). Nova Austral has not published a statement on this matter, and we have been unable to get a comment from the company.

**Arise: Stronger than normal winds in July**

The company had stronger than normal winds during the month, which resulted in a total production of 20.9 GWh (vs. Arise budget of 19.6 GWh). All production came from wholly owned plants following the divestment of co-owned plants.



## Analyst certification

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All prices are as of market close on 12 August, 2019 unless otherwise noted.

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# ABGSC Research Department

## Joint Global Head of Research

John Olaisen +47 22 01 61 87  
 Christer Linde +46 8 566 286 90

### Strategy

Christer Linde, Quant/Technical +46 8 566 286 90  
 Derek Laliberte +46 8 566 286 78  
 Bengt Jonassen +47 22 01 60 98

### Capital Goods

Anders Idborg +46 8 566 286 74  
 Olof Cederholm +46 8 566 286 22  
 Karl Bokvist +46 8 566 286 33

### Chemicals

Martin Melbye +47 22 01 61 37  
 Bengt Jonassen +47 22 01 60 98  
 Petter Nyström +47 22 01 61 35

### Construction & Real Estate

Tobias Kaj +46 8 566 286 21  
 Bengt Jonassen +47 22 01 60 98  
 Laurits Louis Kjaergaard +45 35 46 30 12

### Consumer Goods

Andreas Lundberg +46 8 566 286 51  
 Petter Nyström +47 22 01 61 35  
 Morten Raunholt Eismark +45 35 46 30 16  
 Ludvig Kapanen +46 8 566 286 91

### Credit Research

Rikard Magnus Braaten +47 22 01 60 86  
 Andreas Johannessen +47 22 01 60 31  
 Haakon Amundsen +47 22 01 60 25  
 Glenn Kringhaug +47 22 01 61 62  
 Eric Wahlström +46 8 566 286 25

### Financials

Magnus Andersson +46 8 566 294 69  
 Mads Thinggaard +45 35 46 30 18  
 Patrik Brattelius +46 8 566 286 64  
 Jan Erik Gjerland +47 22 01 61 16  
 Jonas Bru Lien +47 22 01 61 71

### Food & Beverages

Morten Raunholt Eismark +45 35 46 30 16

### Healthcare

Rickard Anderkrans +46 8 566 286 73  
 Daniel Thorsson +46 8 566 286 82  
 Victor Forssell +46 8 566 286 92  
 Jannick Lindegaard Denholt +45 35 46 30 13

### Investment Companies

Derek Laliberte +46 8 566 286 78

### IT

Aksel Øverland Engebakken +47 22 01 61 11  
 Daniel Thorsson +46 8 566 286 82  
 André Thormann +45 35 46 30 19  
 Simon Granath +46 8 566 286 32  
 Jesper Birch-Jensen +46 8 566 286 13

### Media

Aksel Øverland Engebakken +47 22 01 61 11  
 Derek Laliberte +46 8 566 286 78  
 Andreas Lundberg +46 8 566 286 51

### Metals & Mining

Martin Melbye +47 22 01 61 37  
 Bengt Jonassen +47 22 01 60 98  
 Petter Nyström +47 22 01 61 35

### Oil & Gas

John Olaisen +47 22 01 61 87  
 Karl Fredrik Schjøtt-Pedersen +47 22 01 61 65

### Oil Service

John Olaisen +47 22 01 61 87  
 Haakon Amundsen +47 22 01 60 25  
 Lukas Daul +47 22 01 61 39  
 Karl Fredrik Schjøtt-Pedersen +47 22 01 61 65

### Online Gaming

Aksel Øverland Engebakken +47 22 01 61 11  
 Erik Moberg +46 8 566 286 87  
 Stefan Knutsson +46 8 566 286 37  
 Jesper Birch-Jensen +46 8 566 286 13

### Pulp & Paper

Martin Melbye +47 22 01 61 37  
 Øystein Elton Lodgaard +47 22 01 60 26

### Renewable Energy

Casper Blom +45 35 46 30 15  
 Petter Nyström +47 22 01 61 35

### Retail

Andreas Lundberg +46 8 566 286 51  
 Ludvig Kapanen +46 8 566 286 91

### Seafood

Martin Kaland +47 22 01 60 67

### Services

Andreas Lundberg +46 8 566 286 51  
 Morten Raunholt Eismark +45 35 46 30 16  
 Victor Forssell +46 8 566 286 92

### Shipping & Transport

Dennis Anghelopoulos +47 22 01 60 37  
 Casper Blom +45 35 46 30 15  
 Lukas Daul +47 22 01 61 39

### Telecom Operators

Peter Kurt Nielsen +44 207 905 5631

### Utilities

Martin Melbye +47 22 01 61 37  
 Petter Nyström +47 22 01 61 35

### Small Caps

Daniel Thorsson +46 8 566 286 82  
 Laurits Louis Kjaergaard +45 35 46 30 12

#### Norway

Pb. 1444 Vika  
 NO-0115 OSLO  
 Norway  
 Tel: +47 22 01 60 00  
 Fax: +47 22 01 60 60

#### Sweden

Box 7269  
 SE-103 89 STOCKHOLM  
 Sweden  
 Tel: +46 8 566 286 00  
 Fax: +46 8 566 286 01

#### Denmark

Forbindelsesvej 12,  
 DK-2100 COPENHAGEN  
 Denmark  
 Tel: +45 35 46 61 00  
 Fax: +45 35 46 61 10

#### United Kingdom

10 Paternoster Row, 5th fl  
 LONDON EC4M 7EJ  
 UK  
 Tel: +44 20 7905 5600  
 Fax: +44 20 7905 5601

#### USA

850 Third Avenue, Suite 9-C  
 NEW YORK, NY 10022  
 USA  
 Tel: +1 212 605 3800  
 Fax: +1 212 605 3801

#### Germany

Schillerstrasse 2, 5. OG  
 DE-60313 FRANKFURT  
 Germany  
 Tel +49 69 96 86 96 0  
 Fax +49 69 96 86 96 99

#### Singapore

10 Collyer Quay  
 Ocean Financial Center  
 #40-07, Singapore 049315  
 Tel +65 6808 6082