

Bonds Daily

ABGSC Daily Report - Bonds

Infront Q2: business as usual, but surprisingly strong profitability

Please note that the figures reported today does not include Vwd group as integration is expected in Q3. Hence, it only includes Q2 figures for the "old" Infront set-up.

The company reported sales that were fairly in line of NOK 106m (+2.4% vs. ABGSCe), while surprising positively on profitability posting an EBITDA adj. of NOK 21m (NOK 18.6m IFRS 16 adj. which is +19% vs. ABGSCe). The quarter is adjusted for roughly NOK 11m in M&A related transaction costs. We do not put too much weight into the beat on sales, although, it certainly is positive that Infront achieved positive organic growth (especially in Sweden). However, Infront delivers underlying margins above our expectations, with EBITDA adj. margin 2.4pp stronger than anticipated. The figures reflect Infront on a stand-alone basis, as Infront states that Vwd Group will first be consolidated into the figures from Q3 - expected. In terms of outlook, Infront writes that they expect to allocate significant resources to the integration of Vwd Group in H2'19. In that regard, the company has initiated the consolidation of data feeds and licenses, and expects to realise majority of the cost savings within the initial 12 months (some subscriptions have long cancellation period, which was known beforehand). Lastly, Infront also anticipates organic growth in all business segments for 2019 as a whole. Overall, a report on the positive side. The company will hold a webcast today at 10am.

Stock market	Today	1D	1M	3M	YTD
OSE	775	0.5%	-4%	-4%	4%
OMX	1,543	0.6%	-4%	-2%	10%
SBX	1,062	0.7%	-4%	0%	15%
OSX	64	0.0%	-20%	-17%	-22%
VIX	16	-0.1%	31%	0%	-32%

High Yield Indices (Spread)	Today	1D	1M	3M	YTD
Itraxx Xover 5Y	265	-9bp	28bp	-13bp	-96bp
HYG US	472	-17bp	42bp	29bp	-58bp
BUHYEN	399	-25bp	25bp	4bp	-131bp

Interest Rates Basis points	Today	1D	1M	3M	YTD
NIBOR 3M	159	2.0bp	0.0bp	10.0bp	34.0bp
NIBOR 3Y SWAP	162	3.7bp	-17.5bp	-24.5bp	1.8bp
NIBOR 5Y SWAP	155	5.8bp	-21.2bp	-34.4bp	-18.2bp
STIBOR 3M	-2	0.2bp	4.6bp	-0.9bp	11.2bp
STIBOR 3Y SWAP	-18	2.1bp	-11.3bp	-29.6bp	-34.0bp
STIBOR 5Y SWAP	-10	3.8bp	-15.9bp	-38.2bp	-53.8bp
US L3M	215	0.0bp	-11.7bp	-37.5bp	-64.4bp
US LIBOR 3Y SWAP	148	4.3bp	-31.1bp	-64.7bp	-109.0bp
US LIBOR 5Y SWAP	142	3.4bp	-36.9bp	-69.8bp	-111.4bp

Currencies	Today	1D	1M	3M	YTD
USD/NOK	8.94	0%	3%	3%	3%
EUR/NOK	9.91	-1%	3%	2%	0%
SEK/NOK	0.93	0%	1%	2%	-4%

Commodities	Today	1D	1M	3M	YTD
Oil - Brent (USD/bl)	60.3	0%	-5%	-12%	10%

Shipping Rates	Today	1D	1M	3M	YTD
Baltic Dry Bulk	2,061	0%	2%	93%	61%
Baltic Tank (Dirty)	659	0%	5%	-38%	-35%
Baltic Tank (Clean)	458	-1%	-3%	-57%	-31%

Source: Bloomberg

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

Hoegh Q2: miss on EBITDA, but that's okay – we await the fourth tender

The company reported revenues of USD 76m (vs. consensus of USD 80m), while reporting an EBITDA of USD 46m (vs. consensus of USD 52m). The deviation to consensus is driven by Höegh Gallant having off-hire and maintenance work during the quarter. Moreover, HLNG performed extensive engine overhaul while in dry-dock, which usually is part of regular opex and spread out over time. The company had total liquidity of USD 401m (includes SLB financing of USD 206m and RCF of USD 63m), that compares to capital commitments of USD 171m relating to FSRU #10, USD 5m in some equipment and remaining capex to the Avenir project of USD 18m to be paid through 2019. In terms of outlook, HLNG has exclusivity on three FSRU projects with expected start-up around 2020/21 (already known, subject to FID), and is in the final tender round for a forth project. Outcome of the latter is expected in near future, according to the company. From a market perspective, the company lists of 33 potential FSRU projects that could reach FID within 2024, which compares to an orderbook of 10 units of which 7 are purpose-built with delivery through 2022. As such, the market outlook remains strong. Although a miss on reported figures, the report remain a non-event in our view, as the miss is not due to softer underlying performance.

Prosafe: had a good Q2 – somewhat muted near-term outlook

Prosafe reported USD 53m in EBITDA in Q2 after 71.6% utilisation, positively impacted by net USD 16m in one-offs including reversal of accrued lay-up costs on Eurus. Underlying EBITDA of USD 36.9m was still solid vs. ABGSCe USD 26m and Nordic core cons. of USD 33m (where some included the special items). The NIBD ended at USD 1.125bn, close to our expectations. PRS has 10 ongoing tenders vs 16 in Q1, and states there is limited opportunities for work in the rest of '19. The merger process with Floatel is ongoing, but we note that while the competition authorities review was previously guided to complete in August, no expected completion date has been provided today. Hence, it may be that this takes longer than initially expected. More colour on this is expected at today's call at 10 CET. We are likely to make 5-10% positive underlying '19 EBITDA revision (more on reported basis), as the Q2 beat is somewhat offset by trimming of utilisation estimates for H2'19.

Beerenberg reported strong yoy improvement in Q2

Beerenberg released its Q2 report yesterday evening. Q2 revenues of NOK 534m was up 52% yoy, and compares to our NOK 446m forecast. EBITDA of NOK 53m (vs ABGSCe NOK 43m), with the beat mainly driven by the higher activity levels, as margins of 10% was close to our expectation. The company states that revenue growth is driven by both higher activity on newbuilds and maintenance work under existing frame agreements. NIBD of NOK 832m includes NOK 63m of IFRS 16 lease effects and implies 6.1x LTM NIBD/EBITDA. It looks like credit metrics has now started to slowly improve and the company states tendering activity in Q2 has been high.

Wallenius Wilhelmsen: Q2 in line, auto and H&H trade weakening

Q2 EBITDA came in at USD 211m (ABGSC at USD 212m and consensus at USD 216m). Volumes were below expectations at 17 CBM (ABGSC at 18 CBM), with the weakness being driven by WALWIL's continued drive to remove unprofitable auto business. The removal helped to improve profitability and increase the share of the more lucrative H&H cargoes, thus helping gross revenue per CBM to rise to USD 47.1 CBM (ABGSC at 46.5 CBM). WALWIL's presentation highlights how global car sales and exports in Q2'19 are down 4.9% and 3.1 % y-o-y, respectively, thus helping to epitomise the pervasive weakening in seaborne automobile trade. In line with these negative developments, WALWIL's auto volumes were down 10% in the quarter, lower than our -4% estimate, with the larger than expected drop probably due to the removal of unprofitable business on top of weakening markets. As it pertains to H&H trade, the presentation illustrates that construction equipment export growth is expected to be 0% in 2019, a negative revision from the previous quarterly presentation's 2% growth. Agriculture equipment exports expectations for 2019 also decreased to 1% from 4%. With WALWIL H&H volumes flat y-o-y in Q2'19, we continue to expect flattish growth in 2019, with no visible upside potential. With no strong argumentation provided for automobile and H&H volumes to improve, we expect to hold our view of negative volume growth in 2019. Our conviction is supported by the fact that volumes have experienced negative growth for a third successive quarter. As such, we anticipate minor estimate revisions.

Alm Equity: Soft earnings in the second quarter

Sales were SEK 387m (-44% y-o-y), while EBIT was SEK 19m (-78% y-o-y). In total, 1040 units are in production and 667 units are classified as units under on-going management. In 1H'19, 29 units were sold (-81% y-o-y). Looking at Alm's planned de-consolidation of properties, the Company will complete many projects during the coming four quarters, which should give the balance sheet a liquidity boost. We believe the current liquidity position of SEK 269m in combination with a pipeline of projects which will be completed during the coming year should imply a relatively low risk on its bond maturing in march next year.

Oscar Properties Q2: Calls to extra AGM

Total sales were SEK 334m (-56% y-o-y), while EBIT was -SEK 17m (vs. 43.3m). its earnings was positively affected by the divestment of Nackastrand for SEK 240m and negatively affected by a write-down of SEK 50m in relation to the liquidation of Allegro Project. During Q2, the company completed 11 (0) units and had 36 (26) bookings, the company also sold 8 (22) units. In total 184 units are under production (1,114), of which 90% are sold. The liquidity position was SEK 253m in Q2. The Company also announced that it summons to an extra AGM in September which has to aim to enable the company to make a rights issue to find new funding. The company will also make an exchange offer to holders of OP's preference shares with the aim to complete the previously announced and cancelled offer into B2 shares.

Småkraft: Equity issue formally finalised

On 27th June, Småkraft announced that it had undertaken an equity issue towards its existing shareholders. The amount was NOK 50m and the use of proceeds will be to finance the acquisition of a small-scale hydro plant and the construction loan to another small-scale hydro power plant under construction. Yesterday, it was announced that the equity issue formally was completed.

Borr Drilling: new chairman

Schlumberger's ex-CEO Paal Kibsgaard has been recommended as new chairman of the company. Will be interesting to see whether he buys shares. SLB hold ~14% of Borr.

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

This document has been prepared by ABG Sundal Collier which is the marketing name referring to all or any of ABG Sundal Collier ASA, ABG Sundal Collier AB or ABG Sundal Collier Partners LLP and any of their affiliated or associated companies and their directors, officers, representatives and employees.

This report is provided solely for the information and use of professional investors, who are expected to make their own investment decisions without undue reliance on this report. The information contained herein does not apply to, and should not be relied upon by, retail clients. This report is for distribution only under such circumstances as may be permitted by applicable law. Research reports prepared by ABG Sundal Collier are for information purposes only. The recommendation(s) in this report has (have) no regard to specific investment objectives and the financial situation or needs of any specific recipient. ABG Sundal Collier accepts no liability whatsoever for any losses arising from any use of this report or its contents. This report is not to be used or considered as an offer to sell, or a solicitation of an offer to buy. The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but ABG Sundal Collier makes no representation as to its accuracy or completeness and it should not be relied upon as such. All opinions and estimates herein reflect the judgment of ABG Sundal Collier on the date of this report and are subject to change without notice. Past performance is not indicative of future results.

The compensation of our research analysts is determined exclusively by research management and senior management, but not including investment banking management. Compensation is not based on specific investment banking revenues, however, it is determined from the profitability of the ABG Sundal Collier Group, which includes earnings from investment banking operations and other business. Investors should assume that ABG Sundal Collier is seeking or will seek investment banking or other business relationships with the companies in this report. The research analyst(s) responsible for the preparation of this report may interact with trading desk and sales personnel and other departments for the purpose of gathering, synthesizing and interpreting market information. From time to time, ABG Sundal Collier and its affiliates and any shareholders, directors, officers or employees thereof may (I) have a position in, or otherwise be interested in, any securities directly or indirectly connected to the subject of this report, or (II) perform investment banking or other services for, or solicit investment banking or other services from, a company mentioned in this report. ABG Sundal Collier relies on information barriers to control the flow of information contained in one or more areas of ABG Sundal Collier, into other areas, units, groups or affiliates of ABG Sundal Collier.

Norway: ABG Sundal Collier ASA is regulated by the Financial Supervisory Authority of Norway (Finanstilsynet); Sweden: ABG Sundal Collier AB is regulated by the Swedish Financial Supervisory Authority (Finansinspektionen); UK This report is a communication made, or approved for communication in the UK, by ABG Sundal Collier Partners LLP, authorised and regulated by the Financial Conduct Authority in the conduct of its business. US: This report is being distributed in the United States in accordance with FINRA Rule 1050(f)(3)(B) by ABG Sundal Collier Inc., a FINRA member which accepts responsibility for its content. Research analysts are not registered/qualified as research analysts with FINRA or the NYSE, and are not associated persons of ABG Sundal Collier Inc. and therefore not subject to FINRA Rule 2241, the research analyst conflict rules. Research reports distributed in the U.S are intended solely for "major institutional investors," as defined under Rule 15a-6 of the Securities Exchange Act of 1934. Each U.S major institutional investor that receives a copy of this research report by its acceptance represents that it agrees it will not distribute this research report to any other person. Any U.S. major institutional investor receiving this report who wishes to effect transactions in any securities referred to herein should contact ABG Sundal Collier Inc., not its affiliates. Further information on the securities referred to herein may be obtained from ABG Sundal Collier Inc., on request.

Singapore: This report is distributed in Singapore by ABG Sundal Collier Pte Ltd, which is not licensed under the Financial Advisers Act (Chapter 110 of Singapore). In Singapore, this report may only be distributed to institutional investors as defined in Section 4A(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) ("SFA"), and should not be circulated to any other person in Singapore.

This report may not be reproduced, distributed or published by any recipient for any purpose whatsoever without the prior written express permission of ABG Sundal Collier.

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.

© Copyright 2019 ABG Sundal Collier ASA

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