

Bonds Daily

ABGSC Daily Report - Bonds

Pioneer Property Group: Considering strategic alternatives

Pioneer today announced that it has during the last months experienced strong interest from both institutional investors offering long-term debt financing and from third parties regarding acquiring shares/assets in the group. As such, the BoD is considering several strategic alternatives incl. the possibility of a recapitalisation of Pioneer Property Group. The PLOPPR Float 05/28/21 bonds first call is at 102.75 on 1 July 2019 (currently quoted at 101/102). The preference shares on the other hand is callable at NOK 130 per share until July 2020 (Friday close was NOK 102 per share). We view the fact that one of the vehicles in the Adolfsen system attracts such strong interest from debt and equity investors as a key positive in general. As a reminder, Hospitality Invest owns about 1/3 of the common shares in Pioneer Property Group, and including what the Adolfsen brother owns directly they control the majority of the shares in Pioneer. This news is positive for bondholders in Pioneer Public Properties and Preference shareholders in Pioneer Property Group and also somewhat positive for bondholders in Hospitality Invest as it now potentially will monetize its investment in Pioneer.

Igas announces «significant advancement in UK shale prospectivity»

Igas has just announced an update regarding the SR-01 well at Springs Road in North Nottinghamshire. It ash encountered hydrocarbon bearing shale sequence of 250 meters, including the upper and lower Bowland shale. Significant gas indications were observed throughout the shale section. More analysis will be presented in Q2, while drilling into tertiary targets (after successful primary and secondary) are now being drilled. We estimate that the secured bond is well backed by the conventional oil production alone, and we consider the potential value in the shale gas resources to offer significant upside optionality for the company.

GasLog drop downs GasLog Glasgow to GasLog Partners LP

GasLog has sold the GasLog Glasgow for USD 214m (includes USD 1m of positive net working capital). The GasLog Glasgow is a 2016built 174,000cbm TFDE LNGC carrier, and is on a 10y contract with Royal Dutch Shell through June 2026. The NPV8 (Jan 19-June 2026) backlog of the contract is estimated at USD 128m, as such GasLog Partners is implicitly pricing 10y TFDE vessels at around USD 80m, which compares to newbuild parity of USD ~90m if we assume a 20y lifetime. With an annual EBITDA of USD 23.5m, the implied EV/EBITDA multiple is 9.1x. The ship has USD 134m of bank debt on the ship, which will carry on in GasLog Partners. The transaction will release USD 80m of cash for Gaslog, which is positive and in our view increases the likelihood of the GasLog 2021's being called on May 27th. Our credit view remains unchanged, as the transaction is in line with previous acquisitions and the company's strategy of recycling capital.

Stock market	Today	1D	1M	3M	YTD
OSE	797	-0.6%	2%	4%	7%
OMX	1,559	0.0%	2%	9%	11%
SBX	1,026	-0.1%	2%	10%	11%
OSX	88	0.0%	-6%	-7%	7%
VIX	16	0.0%	-2%	-29%	-31%

High Yield Indices (Spread)	Today	1D	1M	3M	YTD
Itraxx Xover 5Y	290	5bp	-28bp	-66bp	-72bp
HYG US	417	4bp	-12bp	-36bp	-112bp
BUHYEN	406	8bp	-11bp	-41bp	-124bp
ABG HY index	482	482bp	65bp	n.a.	n.a.

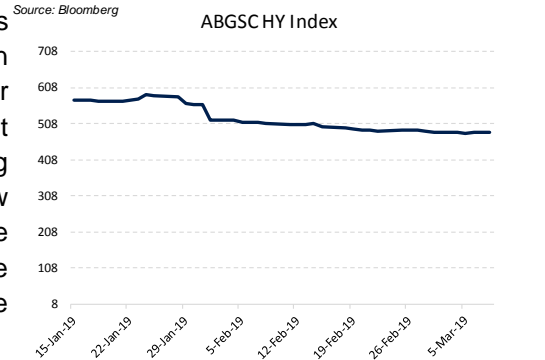
Interest Rates Basis points	Today	1D	1M	3M	YTD
NIBOR 3M	132	2.0bp	6.0bp	3.0bp	7.0bp
NIBOR 3Y SWAP	163	-1.3bp	-2.4bp	-7.9bp	2.8bp
NIBOR 5Y SWAP	175	-2.3bp	-4.5bp	-14.5bp	1.0bp
STBOR 3M	-6	0.6bp	1.9bp	22.9bp	6.6bp
STBOR 3Y SWAP	18	-0.6bp	1.7bp	-0.1bp	1.7bp
STBOR 5Y SWAP	39	-1.5bp	-1.9bp	-10.9bp	-4.6bp
US L3M	260	-0.4bp	-10.0bp	-17.9bp	-19.7bp
US LIBOR 3Y SWAP	253	-1.2bp	-4.4bp	-29.6bp	-3.9bp
US LIBOR 5Y SWAP	251	-1.1bp	-5.1bp	-29.7bp	-2.7bp

Currencies	Today	1D	1M	3M	YTD
USD/NOK	8.77	0%	2%	2%	1%
EUR/NOK	9.84	0%	1%	1%	0%
SEK/NOK	0.93	0%	0%	-1%	-4%

Commodities	Today	1D	1M	3M	YTD
Oil - Brent (USD/bl)	65.7	-1%	7%	10%	20%

Shipping Rates	Today	1D	1M	3M	YTD
Baltic Dry Bulk	649	-1%	-49%	-53%	-49%
Baltic Tank (Dirty)	742	-1%	-41%	-46%	-26%
Baltic Tank (Clean)	575	0%	-29%	-58%	-14%

Source: Bloomberg



Source: ABG Sundal Collier

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KCC: contemplated listing of Klaveness Combination Carriers AS

Today it was announced that Klaveness Combination Carriers (KCC NO) has engaged financial advisors in connection with its contemplated listing on the Oslo Stock Exchange, expected to take place in 2019. In connection with the contemplated listing, the Company may raise additional capital in order to fund additional investments in combination carriers. **ABG Sundal Collier is engaged as financial adviser in the contemplated listing of Klaveness Combination Carriers AS and any potential offering in connection therewith.**

Serneke: to construct elderly home and apartments in Gothenburg

The Company announced that it has signed a contract with Framtiden Byggutveckling for the construction of 125 apartments, commercial space and an elderly home. Total contract value is around SEK 315m and includes an option for a potential second phase with 101 apartments and SEK 168m in contract value. Construction start is estimated late 2019 or early 2020, with completion estimated in 2021 and 2022.

NAS: traffic figures in line

Ticket revenues in January is estimated at NOK 1.84bn, 1% below our estimate of NOK 1.87bn (consensus in-line with us). The yield is up 3% y-o-y to NOK 0.32. We had the yield up 4.5% y-o-y to NOK 0.32 (cons had it up 5.0%). The load factor continues down, but is better than our estimate: 81.5%, down 2.8pp y-o-y, while we expected the load down 4.0pp y-o-y to 80.3% (consensus also had the load down 4.0pp y-o-y). Capacity growth is in-line, up 15% y-o-y vs our estimate at 17% Unit revenue (RASK) of NOK 0.26 down 1% y-o-y (we had it down 0.5% while consensus had it flat y-o-y). Note that NAS also guided for a "slight RASK decline in February" at its Q4 presentation (7 Feb) and a 1% decline should be seen as in-line with their guidance. Given higher oil prices, NAS has a hedging gain as expected: NOK 917m (NOK 627m at the end of January). Note that punctuality improves y-o-y, up 8.8pp y-o-y to 83.5%. It's good to see that NAS has been able to reduce the massive load drop seen last months, i.e. 6pp in Dec '18 and Jan'19. However, that also means lower yield increase. Overall, we argue it's a better mix to in Feb vs January. The report is fairly in-line with expectations and should not trigger large estimate revisions in our view.

US rig count down 11 to 1,027 since last week – lowest level since April'18

Baker Hughes US rig count out on Friday afternoon, total rig count down 11 to 1,027

- Oil rigs down 9 to 834 – Oil rig count is up 5% Y-o-Y
- The horizontal rig count down 7 to 904
- Gas rigs down 2 to 193
- Rigs categorized as miscellaneous flat at 0
- Onshore rig count down 11 to 1,005 – lowest level since April'18
- Offshore rig count flat at 22
- The Q1'19 average rig count is down 2.0% since Q4'18

Reported corporate HY bonds traded in Oslo at Friday 8 March 2019

Issuer	Ticker	Volume	Price		Time to maturity	Yield	change
			06/03/2019	Credit spread			
DNO01	DNO01	3.2m	103.38	329	1.3	6.1%	0.0%
Genel Energy Finance L 14/19 7,50% USD C	GENEL01 PRO	1.6m	104.00	602	3.8	8.6%	0.5%
Höegh LNG Holdings Ltd. 17/22 FRN C	HLNG03	70.0m	100.13	496	2.9	6.2%	0.1%
Navigator Holdings Ltd 17/21 7,75% USD C	NAVIG02 PRO	5.0m	97.25	669	1.9	9.6%	-0.8%
Okea AS 17/20 7,50% USD C	OKEA01	4.2m	103.88	333	1.7	6.1%	0.8%

Source: ABG Sundal Collier, company data

Analyst certification

I/We, Alexander Jost, Andreas Johannessen, Eric Wahlström, 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.

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All prices are as of market close on 01 March, 2019 unless otherwise noted.

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