

# Bonds Daily

## ABGSC Daily Report - Bonds

### Borr Drilling: Contract award for two premium jack-up rigs

Borr Drilling has been awarded contracts for the two premium jack-ups Grid and Gersemi with Pemex. The contracts are for 18 months and expected to commence in mid-2019. Borr Drilling indicated in its Fleet Status Report from March 5th that the Grid and Gersemi were in advanced negotiations for longer-term contracts – however we feel the markets did not take these contracts as firm. As such we expect a positive reaction from the equity. For the credit story, securing backlog is key and we remain confident that Borr will continue to deliver on this part.

### Container Shipping: MPC Container remains upbeat

In a Tradewinds article, CEO Constantin Baack argued that fundamental supply and demand remains positive for the feedership sector. He believes the sector is under-built, and sees encouraging signs in the charter market. Net fleet growth should slowdown in 2019, while IMO 2020 should contribute positively in limiting capacity due to off-hire for retrofits, tank cleaning and slow steaming. Baack stated that '19 and particularly '20 will be extremely interesting, and some charter terms are already reflecting an improving market, even though rates are not rising yet. MPC Container has put some money where its mouth is, having bought back 75,422 shares over the last weeks.

### Vantage Drilling: Two well contract for the Topaz Driller

Vantage Drilling secured two wells plus four one-well options for the Topaz Driller, with VAALCO Gabon. The work is expected to commence in Q3 2019 (when the Topaz Driller finishes its short-term charter with Eni Gabon). The firm period will occupy the rig throughout '19, while the option can stretch into Q2 '20.

Stock market	Today	1D	1M	3M	YTD
OSE	815	1.0%	3%	6%	10%
OMX	1,591	1.1%	2%	8%	13%
SBX	1,047	0.9%	2%	9%	13%
OSX	95	0.0%	-1%	6%	15%
VIX	14	0.0%	-17%	-38%	-42%

High Yield Indices (Spread)					
Itraxx Xover 5Y	271	0bp	-37bp	-64bp	-90bp
HYG US	403	4bp	-17bp	-45bp	-127bp
BUHYEN	388	-2bp	-21bp	-51bp	-142bp
ABG HY index	478	478bp	69bp	n.a.	n.a.

Interest Rates Basis points					
NIBOR 3M	136	2.0bp	8.0bp	7.0bp	11.0bp
NIBOR 3Y SWAP	169	2.5bp	5.6bp	0.2bp	9.2bp
NIBOR 5Y SWAP	181	2.5bp	3.1bp	-6.5bp	7.0bp
STIBOR 3M	-5	0.5bp	2.1bp	16.1bp	7.5bp
STIBOR 3Y SWAP	19	1.0bp	0.1bp	1.5bp	2.2bp
STIBOR 5Y SWAP	42	1.5bp	-1.3bp	-8.0bp	-2.5bp
US L3M	261	0.0bp	-8.3bp	-19.0bp	-18.3bp
US LIBOR 3Y SWAP	252	-0.5bp	-6.6bp	-33.5bp	-5.0bp
US LIBOR 5Y SWAP	250	-0.1bp	-6.7bp	-33.8bp	-3.6bp

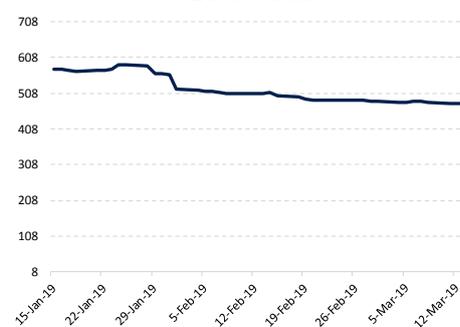
Currencies					
USD/NOK	8.57	0%	-1%	-1%	-2%
EUR/NOK	9.69	0%	-1%	-1%	-2%
SEK/NOK	0.92	0%	-1%	-3%	-5%

Commodities					
Oil - Brent (USD/bbl)	67.2	0%	4%	12%	22%

Shipping Rates					
Baltic Dry Bulk	677	4%	-47%	-52%	-47%
Baltic Tank (Dirty)	737	0%	-41%	-47%	-27%
Baltic Tank (Clean)	603	3%	-26%	-57%	-9%

Source: Bloomberg

ABGSC HY Index



Source: ABG Sundal Collier

#### ABGSC Credit Research

Alexander Jost	+47 22 01 60 88	<a href="mailto:alexander.jost@abgsc.no">alexander.jost@abgsc.no</a>
Haakon Amundsen	+47 22 01 60 25	<a href="mailto:haakon.amundsen@abgsc.no">haakon.amundsen@abgsc.no</a>
Rikard M. Braaten	+47 22 01 60 86	<a href="mailto:rikard.braaten@abgsc.no">rikard.braaten@abgsc.no</a>
Andreas Johannessen	+47 22 01 60 31	<a href="mailto:andreas.johannessen@abgsc.no">andreas.johannessen@abgsc.no</a>
Eric Wahlström	+46 8 566 286 25	<a href="mailto:eric.wahlstrom@abgsc.se">eric.wahlstrom@abgsc.se</a>

### Upbeat companies presenting at ABGSC's Oil, Oil Service and Shipping conference

Yesterday 14 companies presented at the annual ABG Sundal Collier's Oil, Oil Service and Shipping conference in London yesterday. The general mood amongst the management of the companies was upbeat, with the oil companies showing for solid cash flow generation in the years to come, which dripples down on the oil service companies.

- Healthy fundamentals and gradual improvements in all segments.
- Oil companies have strong cash flow and healthy economics with oil around USD 65/bbl.
- Large, international oil companies have been conservative when it comes to spending over the last years. In addition, the large oil companies have grown in size and are therefore continuing the trend to care less about small- to mid-size projects. This has created opportunities for companies like AkerBP, IPCO, Noreco and BWO to acquire assets that go under the radar for the large international companies.
- Oil companies have started spending more money, which has led to increased utilization and prices in most oil service segments. This trend seems to continue in 2019.

Below is a three bullet summary of each of the company's present that have bonds outstanding

#### Aker BP (B): Confident on the attractive dividend plan

- The CFO, David Tønne, was firm in the commitment to its attractive dividend plan of USD 750m with USD 100m/yr growth. The implied dividend yield for 2019 is ~6%. While not covered by cash flows in the near term, it is supported by the current low debt level and the growing production base.
- Aker BP is undergoing a strategic shift from M&A to organic growth, as find costs are favorable to the most recent prices seen in M&A transaction. Aker BP will drill 15 wells in '19 vs 10 in '18
- Targets OPEX reductions, from current USD 12.5/bbl to USD 7/bbl in 2023 with digitalization being one of the drivers

[Read our latest report](#)

#### PGS (H): "Unlikely to need an equity issue"

- The PGS CFO held a great presentation. In fact, probably one of the best we have heard from him ever. He told of an impressive, positive development that has taken place in PGS over the last 1-2 years with costs coming down, improving MC economics and a well positioned fleet – in particular towards the high end 4D market where PGS has a very strong position. The CFO, Gottfred Langseth, repeated that he would like to have PGS' NIBD "not to exceed USD500-600m", which compares to the current level of ~USD1.1bn. He said that he thinks the current debt level is "manageable and that he thinks PGS is unlikely to need an equity issue.
- PGS sees a gradually improving market for all its segments. He repeated that PGS has seen contract prices up ~35%.
- The CFO said he sees a steady market for securing pre-funding. He did not want to give any comments about 2019 late-sales expectations, but seemed generally optimistic.

[Read our latest report](#)

#### Polarcus (B): Prices are rising, focus is turning to the next winter season

- The CEO, Duncan Eley, repeated that Polarcus has seen contract price up ~25% YoY for 2019 work and that they are testing prices further up.
- Mr. Eley said that he is highly comfortable that the unbooked Q3'19 vessel capacity will be booked with solid prices.
- As of now, there are few tenders out for Q4'19. However, the upcoming winter is Polarcus management's main focus at the moment. The CEO said he is optimistic that volume will be significantly higher next winter than what it has been over the last few years.

[Read our latest report](#)

### **Seadrill (B): Signalling faith in the floater market recovery**

- CEO Anton Dibowitz is preaching discipline among drilling contractors being critical of locking in rigs for long-term work at current dayrate levels.
- Marketed UDW utilization is approaching the 80% threshold, allowing for incremental pricing increases when bidding for new work.
- Seadrill is in the market buying back its secured note, removing expensive debt from its balance sheet, and signalling faith in the floater market recovery.

[Read our latest report](#)

### **BW Offshore (H): Contract extension on Pioneer expected within the next few months**

- The CFO, Knut Sæthre, emphasized in his presentation that operations are solid, and that there is a good market environment for both extensions on contracts that close in on expiry and in addition to acquire oil assets that go under the radar for the large international companies.
- For the BW Pioneer, operating in the US GoM, Mr. Sæthre stated that it expects the new operator, Murphy, to be eager to extend the lease (current contract expires in 2020). First, to a short-term contract, but thereafter a longer term contract potentially stretching towards 2030. A short-term contract could be seen within months.
- Following the recent acquisition of a 70% stake in the Maromba field offshore Brazil, from Petrobras, Mr. Sæthre expected the company to announce an acquisition of the remaining 30% stake from Chevron within the next few days. For acquisition of oil fields in general, he states that BW Offshore will continue to be opportunistic seeking acquisitions if it finds attractive opportunities for deployment of its FPSOs.

[Read our latest report](#)

### **Borr Drilling (B): Expects available premium jackup fleet to be contracted by the end of the year**

- CFO Rune Magnus Lundetrae says it's time to board the train as leading-edge jackup dayrates broke through the USD 100kpd threshold and tendering activity is back at 2011-12 levels.
- He expects Borr's available premium jackup fleet to be contracted by the end of the year, sticking to its disciplined bidding approach (USD 100-130kpd for 2019-21 work).
- He expects Mexico to provide the largest incremental demand growth over the next two years, leading to an overall tightening of the premium jackup market.

[Read our latest report](#)

### **Wallenius Wilhelmsen (S): Some uncertainty about future growth in car export volumes**

- CFO Rebekka Herlofsen thinks that the worst is behind, without providing guidance on 2019.
- More than half of the operational improvements (USD 56m out of USD 100m target) that are expected to provide margins improvements have been identified and confirmed.
- There is some uncertainty about future growth in car export volumes, while H&H could benefit from a gradual replacement cycle of margin equipment in Australia.

[Read our latest report](#)

### **Ocean Yield (B): The FPSO is key**

- The SVP Finance & IR, Marius Magelie, emphasized that the core focus for the company is to secure the FPSO Dhirubhai-1 with Aker Energy.
- Further, OCY is actively pursuing alternative options for the vessel, having been in discussions with six different oil companies, and having being in extensive discussions with an oil major.
- The Connector has been contracted with a short-term contract starting next week, Mr. Magelie eyes the market interest for the vessel as good.

[Read our latest report](#)

## Analyst certification

I/We, the author(s) of this report, certify that notwithstanding 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](http://www.abgsc.com).

All prices are as of market close on 14 March, 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](http://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  
 Glenn Kringhaug +47 22 01 61 62

### Construction & Real Estate

Tobias Kaj +46 8 566 286 21  
 Bengt Jonassen +47 22 01 60 98  
 Philip Hallberg +46 8 566 286 95  
 Glenn Kringhaug +47 22 01 61 62  
 Laurits Louis Kjaergaard +45 35 46 30 12

### Consumer Goods

Andreas Lundberg +46 8 566 286 51  
 Petter Nyström +47 22 01 61 35  
 Michael Vitfell-Rasmussen +45 35 46 30 16  
 Ludvig Kapanen +46 8 566 286 91

### Credit Research

Alexander Jost +47 22 01 60 88  
 Rikard Magnus Braaten +47 22 01 60 86  
 Andreas Johannessen +47 22 01 60 31  
 Haakon Amundsen +47 22 01 60 25  
 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

Michael Vitfell-Rasmussen +45 35 46 30 16

### Healthcare

Sten Gustafsson +46 8 566 286 93  
 Christopher W. Uhde +46 8 566 286 39  
 Daniel Thorsson +46 8 566 286 82  
 Glenn Kringhaug +47 22 01 61 62  
 Ole Henrik Bang-Andreasen +45 35 46 30 11

### 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

### 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

### Pulp & Paper

Martin Melbye +47 22 01 61 37  
 Glenn Kringhaug +47 22 01 61 62  
 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  
 Michael Vitfell-Rasmussen +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  
 Johan Nilsson Wall +46 8 566 286 41  
 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