Bonds Daily

ABGSC Daily Report Bonds

Momox: One-offs cloud the picture

momox reported its third-quarter figures on Friday afternoon, and while the revenues of EUR 81m were above our expectations by 4%, the underlying EBITDA was hard to get a grip on. The company reported EUR -2m of EBITDA (Q2: EUR 7m), however, costs related to relocation and closure of the Neuenhagen warehouse, and certain costs related to changing the legal entity of the issuer, was included in the figure. We believe the company also had overlapping resources at both the old and new warehouse simultaneously during the quarter, leading to higher costs not expected to prevail. Moreover, due to changed consumer behaviour, we believe momox had to put on the marketing spending pants in order to grow, while also COGS in % of revenues increased 3.5pp q-o-q. Some of these effects should be transitional, while others may be more permanent in nature. momox experienced greatest demand for Fashion that in fact grew 35% y-o-y, while Books and Media were sluggish at -1% y-o-y. This likely explain the lower gross profit as Fashion has lower margins. Greater growth within fashion is a result of changed consumer behaviour following the opening of the society. No outlook comments were provided. We tried to get a hold of the management on Friday without luck, and we would need to revert once we have more clarity on the cost-base. Regardless, the quarter was not a cash-flow generating quarter due to the mentioned factors, with funds from operations at EUR -3.6m. Operational cash flow was EUR -10.5m due to also negative working capital movements, and with EUR 1.5m in capex related to the new warehouse, momox saw a negative effect on its cash and cash equivalents ending at EUR 36m - down from EUR 48m the previous quarter. Without being able to adjust the EBITDA figure precisely, we arrive at net leverage of 2.6x, while adjusted leverage naturally is lower. Overall, a report that leaves us with a question mark, and we expect the market to react the same. Although we refrain from concluding, for now, the fact remains that momox still has a moderate leverage level, all while the bond is indicated at +462-562bp. Still, we expect any potential bids to be opportunistic today.

International Personal Finance: Q3 report

IPF has semi-annual reporting. Bridging the gap between the quarters comes a less complex, KPI focused quarterly trading update in Q1 and Q3. The Q3 trading update was announced on 3 November (earlier this month) followed by a conference call the same, but today, IPF nonetheless releases a full set of quarterly financial accounts. We are told by the IR department that today's disclosure comes as a result of some technicalities regarding its secondary listing in Warsaw and that UK now has left the EU. IPF is in a process of delisting from Warsaw which would have avoided today's press release, but the process is taking slightly longer than expected which therefore require IPF disclosure its quarterly financial accounts in full today (60 days after quarter end). As our model is on a semi-annual basis, we stick to reported figures and its y-o-y development.

Revenues came in at GBP 137m, -6% y-o-y. YTD the figure is GBP 400m, -21% y-o-y. Importantly the loan loss provisions has changed considerably and is now only at GBP 17m in the quarter, -39% y-o-y. In YTD figures it is at GBP 28m, -87% y-o-y. This significant improvement in loan loss provisions brings with it a significant improvement in the KPI "revenues less impairment" which in the quarter came in at GBP 120m, +2% y-o-y while it in YTD figures is GBP 371m, +25% y-o-y. Our FY '21e "revenues less impairment" figure is estimated at GBP 596m which means we have GBP 125m YTG which again maps well with 50% of our H1 '21 estimate of GBP 245m being GBP 122m. Net receivables is now at GBP 695m, +3% q-o-q. At 30 sept, the equity to receivables ratio was 53.7% and the gearing ratio was 1.3x. The Group had total debt facilities of GBP 572m (GBP 407m of bonds and GBP 165m of bank facilities) and borrowings of GBP 475m, with undrawn facilities and non-operational cash balances of GBP 149m. Total cash balances at 30 September 2021 were GBP 92m and include GBP 52m that was not required for operational purposes but is available to drive receivables growth that is anticipated in Q4 and beyond. Fitch Ratings improved the outlook for IPF to Stable and reaffirmed its long-term credit rating of BB-. In summary and given the Q3 trading update (on headline KPIs) this report is not expected to affect the bond prices to any material degree.

BBERG: Reported decent Q3

Beerenberg released its Q3 report on Friday afternoon. Activity continued to increase with less CIVID restrictions, and revenues of NOK 563m were up 28% yoy and 9% sequentially. EBITDA was NOK 57m, somewhat below our NOK 64m estimate on lower activity in Benarx. Services delivered strong revenues of NOK 532m (+41% yoy) while benarx were impacted by delays on some projects, reporting revenues of NOK 51m, substantially below our NOK 91m forecast. Services had 10% margins as expected, was down to 6%, likely on the low activity. Cash flow was strong, with operating cash flow ending at NOK 107, support by positive WC movement, while the sale of NOK 50m in own bonds further boosted the cash position to NOK 195m. NIBD ended at NOK 664m, with LTM leverage at 2.7x. At first glance the report appears to be close to expectations, and we expect limited estimate revisions, unless the Benarx issues in the quarter persists.

OTIGA Group: Refinancing process announced

In a press release on Friday mid-day OTIGA Group announced that it has for some time been working on preparations for refinancing the bond loan, which matures on 8 July 2022. The group's ambition is to refinance the loan in a bank. The process is well advanced, and the board considers it likely that the bond loan will be refinanced in Q1'22. For reference the call schedule is 100.75 from 10 January 2022 to 7 July 2022.

Noreco: CEO leaving

This morning, Noreco announced that David B. Cook will leave the company effective today, on agreement with the Board. CFO Euan Shirlaw will take the role as Acting Managing Director, as well as CFO.

Seadrill: Ch 11 expected completed in early 2022

Seadrill released a market update for Q3 this morning, Seadrill had an order intake of USD 145m in Q3 and ended the quarter with USD 2.1bn in total backlog, and additionally added more than USD 0.55bn to the backlog after the quarter. The plan of reorganization is the most important event to follow, in our view. Seadrill now expects the reorganization to complete early 2022, which is slightly later than the "approximately 60 days", that was announced 26 October. As a reminder, the company will raise USD 350m in financing and reduce liabilities by USD 4.9bn to USD 0.7bn. Existing shareholders are left with 0.25% of the post-restructured company.

Analyst certification

I/We, , 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 26 November, 2021 unless otherwise noted.

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