

MITA No. 010/06/2008

9 April 2009

Ezra Holdings Ltd

Maintain

BUY

Previous Rating: BUY

S\$0.795

Fair Value: S\$1.00

Stock Code:

Reuters: EZRA SI

ISIN Code 5DN

Bloomberg: EZRA SP

Event:

Results

General Data

Issued Capital (m)	586
Mkt Cap (S\$m/US\$m)	466/307
Major Shareholder	Lionel Lee (14.3%)
Free Float (%)	64.4
NAV per share (US\$)	0.65
Daily Vol 3-mth ('000)	6,862
52Wk High (S\$)	3.086
52Wk Low (S\$)	0.325

On track for growth in FY09

Q09 meets expectations. Ezra Holdings (Ezra) reported a 30% YoY rise in topline to US\$63m and a 21% YoY increase in bottomline to US\$14.9m. However, on a QoQ basis, most of Ezra's divisions registered flattish or decline in revenue contribution, partially due to lumpiness of its revenue. For its main offshore support division, this quarter was flat QoQ as no new vessels were delivered. The group's Marine Division and Energy Division registered 45% and 84% QoQ fall in revenue respectively due to the lumpy nature of revenues. However, as a group, this year will still see bottomline growth. As mentioned in our previous report, forex swings were minimal in this quarter.

Firm charter rates. Ezra announced new/extension of contracts for three of its vessels with rates holding firm. This implies that Ezra's young and deepwater capable assets have a stickiness in its rates unlike older and/or shallow water assets (vessels with BHP < 5000). Currently, only three of Ezra's 30 vessels are 5000BHP but these were built on the basis of very long, fixed rates, time charter projects ranging from 3 to 20 years. The industry's current dips in Anchor Handling Tug Supply (AHTS) vessel rates should leave Ezra largely unscathed.

Marine and Energy Divisions. The Marine Division has US\$145m in order book to be recognised over the next two years. This division will start to drive synergies within the group as it builds up its repair and maintenance services as well as design and engineering capabilities. Ezra's fledgling Energy Division will not see the same quantum registered in 1H09 as it embarks on smaller projects for 2H09. However, FY10 will see more excitement for this division as it takes deliveries of two self-propelled jack-ups. These will be deployed in high wind or rough sea conditions where even Dynamically Positioned vessels find it difficult to operate.

EOC updates. EOC's net profit of US\$10.1m for 1H09 missed our estimates by 12%. Management indicated that this quarter is not a good reflection of EOC's performance due to the mandatory dry docking of one of its vessels and the transition between projects. Its FPSO should also be coming online in May as forecasted.

Maintain BUY. Ezra remains one of our favourites for the mid cap Oil & Gas sector for its earnings resilience despite industry difficulties. Our fair value is tweaked slightly to S\$1.00 (prev. S\$1.01) as we refine our model.

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Year to 31 Aug	Turnover (US\$m)	Gross Profit (US\$m)	PATMI (US\$m)	EPS (US cents)	EPS Growth (%)	PER (x)	Div Yield (%)
FY 07	143.5	50.2	68.2	16.0*	50.3	3.3	13.4
FY 08	268.3	79.6	175.4	30.2*	88.8	1.8	9.4
FY 09F	318.3	92.6	59.8	10.2	-66.1	5.2	3.8
FY 10F	326.9	92.2	80.6	13.8	34.7	3.9	3.8

* Includes divestments

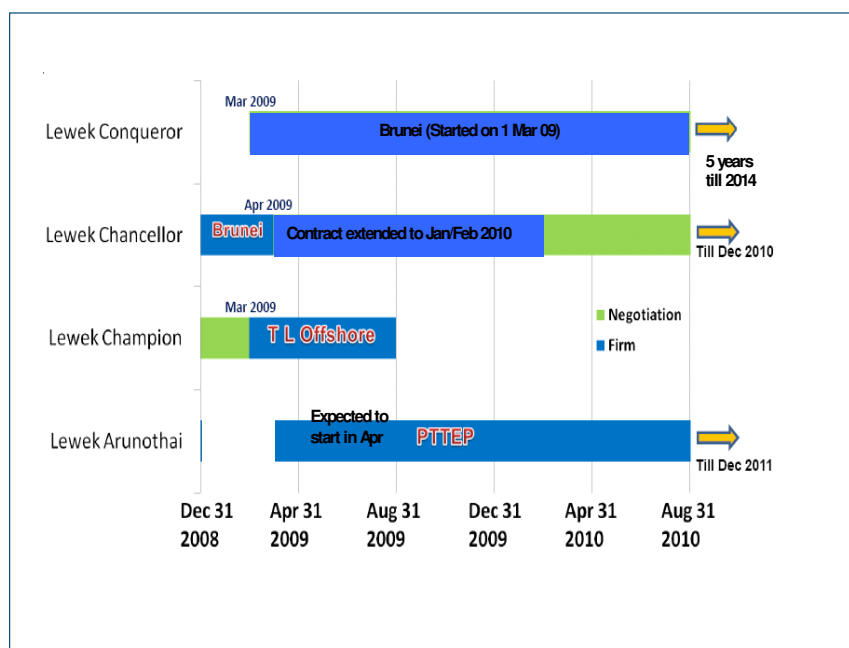
Please refer to the important disclosures at the back of this document.

Exhibit 1: Sum of The Parts Valuation

	Equity stake	Valuation type	Multiple (x)	Net profit / Mkt cap (m)	US\$ value per share	Shares out	Comments
Business Units							
				FY10F			
Core Offshore Support & Marine Services	100.0%	PER	5	54.8	273.9	0.47	585,839,990
EOC Limited	48.9%	PER	4	25.8	103.2	0.18	
Ezion Holdings	15.0%	Mkt cap		100.0	15.0	0.03	
Total					392.1	\$1.00	Converted to SG\$

Source: OIR estimates

Exhibit 2: Updated charter terms for EOC's vessels



Source: EOC Limited

EOC vessel status update

Conqueror (Crane barge). This vessel underwent a mandatory dry docking for two months in Jan and Feb 09. Management has updated that it has started on its long term project in Brunei on 1 Mar 09. As such, this vessel will provide a long term stable base load to the group.

Chancellor (Crane barge). We clarified that the contract is a 6-month contract with an option for 3 months extension. The US\$8.8m contract will give EOC earnings till Jan/Feb 2010.

Champion (pipe lay vessel). Lower contribution as it took on time charter contract vs higher valued construction project in the previous corresponding quarter albeit with the same customer. While time charter contracts (vs construction contracts) give lower revenue, margins are better.

Arunothai (gas FPSO). Management updated that the FPSO is finally in the stage of receiving gas. While contribution could actually start in 1-3 weeks, we factor in effective contribution only from May 09 (2HFY09).

Ezra's Key Financial Data

Ezra Results	2Q08	2Q09	% Chg	1Q09	% Chg
Year Ended 31 Aug (US\$ m)	(US\$m)	(US\$m)	(YoY)	(US\$m)	(QoQ)
Total Revenue	48.6	63.0	29.8%	113.0	-44.2%
Offshore support division	38.4	47.6	23.8%	50.1	-5.1%
Marine services (Engr & Fabrication)	10.2	12.7	24.6%	23.0	-44.9%
Energy Services US\$	0.0	6.4	NM	39.9	-84.0%
Cost of Sales	-31.6	-39.9	26.1%	-84.3	-52.7%
Gross Profit	16.9	23.1	36.6%	28.7	-19.4%
Other operating income	0.8	1.4	68.3%	-10.6	NM
Admin expenses	-7.6	-7.8	2.4%	-7.3	7.1%
Operating Profit	10.2	16.8	64.7%	10.9	54.4%
Interest income	2.3	0.9	-61.9%	2.0	-55.8%
Finance expenses	-1.4	-2.4	70.6%	-2.2	4.8%
Share of associate	2.5	3.0	17.0%	2.0	47.1%
Share of JV	0.4	0.2	-47.2%	-0.2	NM
Profit before income tax	14.0	18.5	31.6%	12.4	49.0%
Income Tax	-1.7	-3.5	114.1%	-2.8	25.1%
Profit after tax	12.4	14.9	20.6%	9.6	56.1%
Minority Interests	0.0	0.0	NM	-0.3	NM
Profit after tax and MI	12.4	14.9	20.6%	9.3	61.1%

EARNINGS FORECAST				
Year Ended 31 Aug (US\$ m)	FY07	FY08	FY09F	FY10F
Revenue	143.5	268.3	318.3	326.9
Gross profit	50.2	79.6	92.6	92.2
Other operating income	50.1	137.9	-6.6	5.9
Admin expenses	-21.3	-46.4	-30.7	-36.0
Finance income	1.0	6.8	5.0	4.9
Finance cost	-5.5	-6.6	-7.4	-6.5
JV and associates	1.0	12.6	17.6	29.1
Pre-tax profit	75.5	184.1	70.4	89.5
Tax	-6.5	-7.7	-10.3	-9.0
Net profit	69.1	176.3	60.1	80.6
PATMI	68.2	175.4	59.8	80.6
PATMI ex EI	32.1	49.9	59.8	80.6
Earnings per share (US\$cents)	16.0	30.2	10.2	13.8
Fully diluted earnings per share (US\$cents)	16.0	30.2	10.2	13.8
EPS growth	50.3%	88.8%	-66.1%	34.7%
EPS ex EI	5.6	8.6	10.2	13.8
EPS ex EI growth	50.3%	52.1%	19.0%	34.7%
Revenue revision	NA	NA	1.6%	1.6%
Net profit revision	NA	NA	1.0%	-1.1%
EPS ex EI revision	NA	NA	1.1%	-1.1%
Profitability ratios				
Gross profit margin (%)	34.9	29.7	29.1	28.2
Net profit margin (%)	48.1	65.7	18.9	24.6

BALANCE SHEET**As at 31 Aug (US\$ m)**

	FY07	FY08	FY09F	FY10F
Cash and equivalents	24.9	153.1	109.2	54.6
Other current assets	392.8	195.8	226.2	214.7
Fixed assets	122.1	182.6	303.8	485.5
Other long term assets	98.0	180.5	175.5	185.5
Total assets	637.7	711.9	814.7	940.2
ST and LT Debt	125.1	195.1	247.3	299.0
Other current liabilities	226.1	131.9	141.3	145.8
Other long term liabilities	8.4	14.5	17.5	18.0
Total liabilities	359.7	341.5	406.1	462.8
Shareholders equity incl reserves	278.1	370.4	408.6	477.4
Total equity and liabilities	637.7	711.9	814.7	940.2
NTA per share (US\$ cents)	48.7	62.3	68.3	80.0
NAV per share (US\$ cents)	48.8	63.7	69.7	81.5

CASH FLOW**Year Ended 31 Aug (US\$ m)**

	FY07	FY08	FY09F	FY10F
Profit/(Loss) before working cap. changes	38.5	47.8	72.7	90.9
Working capital changes	-16.5	-30.4	-22.8	-3.5
Net cash from operations	22.0	17.4	49.9	87.4
Capex	-196.8	-127.4	-137.2	-207.2
Other investing flows	-9.6	22.6	20.3	25.2
Total investing cash flow	-206.5	-104.7	-116.9	-182.0
Change in equity	50.2	0.0	0.0	0.0
Net change in debt	142.8	95.7	52.2	51.7
Dividends paid	-7.7	-36.1	-29.1	-11.7
Total financing cash flow	215.9	202.1	23.2	40.0
Net cash flow	31.4	114.7	-43.9	-54.6
Cash at beginning of year	8.2	39.9	153.1	109.2
FD and cash pledged	-15.0	0.1	0.0	0.0
Cash at end of year	39.9	153.1	109.2	54.6

Key Ratios

PER (x)	3.3	1.8	5.2	3.9
Price/NTA (x)	1.1	0.9	0.8	0.7
Dividend yield (%)	13.4	9.4	3.8	3.8
ROA (%)	10.8	24.8	7.4	8.6
ROE (%)	24.8	47.6	14.7	16.9
Net gearing (x)	0.4	0.1	0.3	0.5
PE growth (x)	0.1	0.0	-0.1	0.1

Source: Company data, OIR estimates

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The analyst/analysts who wrote this report holds NIL shares in the above security.

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For OCBC Investment Research Pte Ltd



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