

BEL NO

Newsflash
18 August 2016

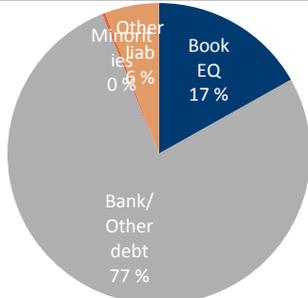
Belships

BEL NO / Shipping / Norway
Dry Bulk

Equity rating
BUY / TP NOK 4.00



Capital structure - Last reported



Enterprise value

MCap (USDm/NOKm)	16/ 129
Net debt FQ0 (USDm/NOKm)	75/ 629
EV FQ0 (USDm/NOKm)	91/ 758
Shares outst. (m)	47

Share data (price at 17 Aug 16)

Price (USD/NOK)	0.33/ 2.72
Target (USD/NOK)	0.49/ 4.00
Upside/Downside	47%
52 wk range (NOK)	1.96- 3.64
12m perf/OSEBX	- 22%/- 1%

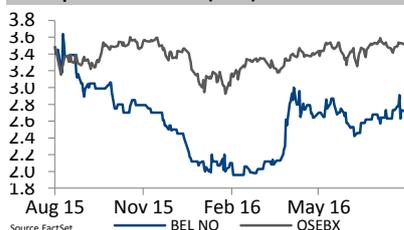
Valuation

NAV/sh (USD/NOK)	0.56/ 4.59
EV/GAV	0.90
P/NAV	0.59

Stock information

Free float	19%
3 mth avg vol ('000)	7
Beta 1 yr	0.8
Spread 1 yr	2.58%
Velocity 1 yr	7%
Volatility 90 days	43%
Risk	High

Share price last 12 mth (NOK)



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Contracted through the bottom

What's new: 2q16 results

Our take: Operationally above expectation. Solid contracts shield the results and balance sheet through the bottom of the cycle. Upgrade to Buy (Reduce)

BEL delivered second quarter results which were operationally above our expectations. The positive net result for the quarter ascribes to the company's solid contract coverage, with the entire fleet fixed on TCs. From this we also expect continued positive results going forward, which is a rare in the current dry bulk market. The company is thus nicely set up to weather this downcycle, and we upgrade the share to Buy (*Reduce*, TP NOK 2) with a NOK 4/share target price given our view that the market balance is set to improve going forward.

2q16 results: Operationally the second quarter results were better than expected upon lower operating costs. The EBITDA for the quarter came in at USD 3m which was stronger than our USD 2.7m expectation. Interest costs, however, were slightly higher than expected, which affected the bottom line negatively compared to our estimates – USD 0.4m vs. FStest of USD 0.8m.

Belships (USDm)	2q16	2q16e	Dev	1q16	2q15	2016E
Operating revenues	6.4	6.5	-0.2	6.0	5.6	25.1
EBITDA (adj.)	3.0	2.7	0.3	2.5	2.7	11.4
EBIT (adj.)	1.7	1.4	0.3	1.2	1.6	6.1
Pre-tax profit	0.4	0.8	-0.5	-16.4	-4.0	-14.9
Net income, reported	0.4	0.8	-0.5	-16.5	-4.0	-15.0
Net income, adjusted	0.4	0.8	-0.4	0	1	2
EPS (adj.)	0.01	0.02	-0.01	0.00	0.02	0.04
DPS	0.00	0.00	0.00	0.00	0.00	0.00

Valuation: We estimate a current NAV for Belships at NOK 4.6/share, which entails that the share is trading at a 41% discount. Our NOK 4/share target price is based on our end-2016 NAV expectation less a 25% discount given the low liquidity in the share. In our end-2016 NAV estimate we include a 10% increase in asset values, given recent developments in the SnP market and our positive view on the market balance going forward.

Fleet update: The company currently has three sailing Supramaxes and two Ultramaxs. All its five vessels are fixed on TCs, at average rates of USD ~12k/day with average expiry in early 2019. While we have a positive outlook on the dry bulk market, we believe that it will take some time before we see rates back above cash breakeven levels. Hence, we see Belships as well positioned to benefit from uplifts in valuation as asset values are forecast to improve, while it has good cash flows in the interim.

Valuation

The company is trading at a large discount to our current NAV estimate of NOK 4.6/share. When we include cash flows less depreciation for the remainder of the year in our end-2016 calculation, and add an assumed 10% increase in asset values, we arrive at NOK 5.3/share. Given the share's trading history and low liquidity we allow for a discount to this in our target price.

ASSET VALUE OVERVIEW	MV as-is	Implied	End-16
Ships	78	70	85
Assets under construction	0	0	0
Charter-adjustment	24	21	24
Other	4	3	4
Gross Asset Value	105	94	113
Net debt	-75	-75	-78
Remaining Capex	0	0	0
Other	-3	-3	-3
Sum	-78	-78	-78
NAV	26	16	31
No. of shares	47	47	47
Currency (USD/NOK)	8.22	8.22	8.22
NAV/share USD	0.56	0.33	0.65
NAV/share local	4.6	2.7	5.3
P/NAV	0.59	1.00	0.51
EV/GAV	0.90	1.00	0.84

Disclaimers

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Issued by Fearnley Securities AS on 20 March 2015

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Definitions of key terms:

Buy:	When price target is more than 15 % above market price.
Accumulate:	When target price is within 5-15 % above market price.
Reduce:	When target price is +5 % to -15 % below market price.
Sell:	When target price is 15 % or more below market price.

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High risk:	beta above	1.2
Medium risk:	beta range	1.0 – 1.2
Low risk:	beta at or less than	1.0

Fearnley assess the risk in the recommendation in relation to Oslo Børs Benchmark index (OSEBX). Fearnley apply the beta as main risk assessment criterion to our recommendations. The risk assessment is in addition based on a consideration of the individual companies business and financial risk profile.

Note that Fearnley’s equity coverage encompasses solely companies within the following sectors: Shipping, Oil services, Seafood and Oil E&P. These sectors are cyclical by nature and will over time presumably have a higher volatility than the overall market. The reason for choosing Oslo stock exchange as a benchmark in our risk assessment is that Oslo stock exchange has a high content of these sectors.

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Definitions of key terms:

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Hold:	The risk premium is considered as acceptable relative to credit risk (Prior to April 11 2016 defined as Accumulate)
Sell:	The risk premium is considered as not acceptable relative to risk (Prior to April 11 2016 defined as Accumulate)

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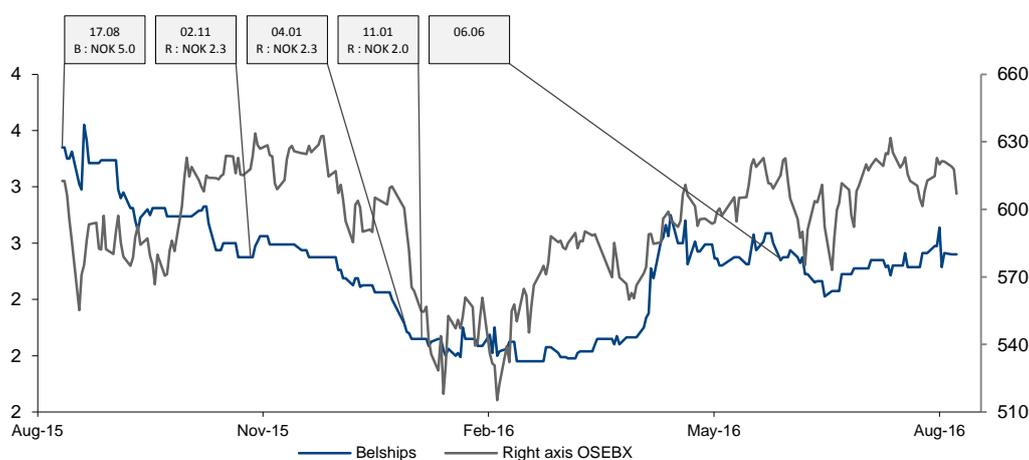
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Previous recommendations

Belships - Equity Reco: BUY, Price Target: NOK 4.00



B=Buy, A=Accumulate, R=Reduce, S=Sell

Data source: FactSet/Fearnley Securities

Credit Recommendation changes for Belships

Date	Credit Recommendation
17.08	B: NOK 5.0
02.11	R: NOK 2.3
04.01	R: NOK 2.3
11.01	R: NOK 2.0
06.06	

Please contact us at fondsweb@fearnleys.no to receive an overview of, or additional information about, Fearnley’s Recommendations in the financial instruments of the issuing company the last 12 months, including data on changes in Recommendations. Please be aware that certain informal Recommendations may be excluded.

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Company Name	Analyst's holding		Others		Last updated
	Equities	Bonds	Equities	Bonds	
AWILCO LNG	-	-	5 260 050	-	30.04.2016
Deep Sea Supply	880	-	-	-	30.04.2016
Statoil	33	-	-	-	30.04.2016

The shares in Awilco LNG are held by a parent company and represents 7,76% of the total equity in this issuer.

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Last updated: 12 July 2016

- Belships ASA
- Eagle Bulk Shipping Inc
- Frontline Ltd
- Havyard Group ASA
- Prosafe SE

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The following table shows quarterly statistics on the overall ratio of Fearnley Securities' recommendations of equities, including a split with respect to issuers where Fearnley Securities has provided investment banking services the last 12 months.

Rating distribution				Investment banking relationship			
Buy	Accumulate	Reduce	Sell	Buy	Accumulate	Reduce	Sell
29%	24%	20%	27%	0%	0%	0%	100%

Last updated: 16 June 2016

Previous Reports

Date	Title	Reason
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