liftboats worth US$75.4 mn in January, a three-legged lattice BH 335
US$175 mn in July.
secured its first decommissioning contract for a large liftboat in the
operator in the Middle East, saw high utilisation across its liftboat fleet
resilient despite the fall in oil prices. Gulf Marine Services, a liftboat
offshore support vessel fleet, demand for liftboats has been relatively
lower than expected due to growing competition in the liftboat market. Based on the Credit Suisse proprietary liftboat model, we estimate that there are 11 liftboats operating in Asia Pacific currently, but the fleet of liftboats could grow by about 50-60 units from 80 units just one year ago.

We maintain our UNDERWEIGHT stance on the offshore and
marine sector, as we expect supply pressures to lead to lower
returns for offshore assets, even if demand were to pick up with a
recovery in oil prices.

Figure 1: Valuation table

<table>
<thead>
<tr>
<th>Rating</th>
<th>Cor.</th>
<th>Price</th>
<th>Target Price</th>
<th>Mkt Cap (US$m)</th>
<th>Ave 3M T/O (mn)</th>
<th>P/E</th>
<th>P/B</th>
<th>Div yield (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keppel Corp</td>
<td>N</td>
<td>8.18</td>
<td>10.00</td>
<td>10,876</td>
<td>28.3</td>
<td>9.6</td>
<td>1.4</td>
<td>5.9</td>
</tr>
<tr>
<td>Ezion Holdings</td>
<td>U</td>
<td>0.95</td>
<td>1.00</td>
<td>1,092</td>
<td>11.2</td>
<td>5.3</td>
<td>0.7</td>
<td>0.1</td>
</tr>
<tr>
<td>GMS</td>
<td>NR</td>
<td>128.50</td>
<td>n.a</td>
<td>702</td>
<td>0.3</td>
<td>7.1</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Triyards</td>
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<td>n.a</td>
<td>108</td>
<td>0.2</td>
<td>3.8</td>
<td>n.a</td>
<td>2.9</td>
</tr>
<tr>
<td>Falcon Energy</td>
<td>NR</td>
<td>0.22</td>
<td>n.a</td>
<td>132</td>
<td>0.1</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>Swissco</td>
<td>NR</td>
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<td>n.a</td>
<td>192</td>
<td>0.2</td>
<td>6.5</td>
<td>0.9</td>
<td>5.1</td>
</tr>
<tr>
<td>Baker Tech</td>
<td>NR</td>
<td>0.24</td>
<td>n.a</td>
<td>174</td>
<td>0.2</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
</tr>
<tr>
<td>Eversendai</td>
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<td>n.a</td>
<td>199</td>
<td>0.4</td>
<td>10.4</td>
<td>0.8</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Source: Company data, Credit Suisse estimates, Thomson Reuters consensus

Liftboat a pocket of strength within weak offshore market
Liftboats are self-propelled, self-elevating offshore working platforms used for the maintenance of production platforms. Compared to a sharp decline in utilisation for the global offshore drilling rig and offshore support vessel fleet, demand for liftboats has been relatively resilient despite the fall in oil prices. Gulf Marine Services, a liftboat operator in the Middle East, saw high utilisation across its liftboat fleet at 95% in its operational update in May 2015. In June 2015, it further secured its first decommissioning contract for a large liftboat in the North Sea at a dayrate in line with previous guidance. Triyards has announced five newbuild liftboat contracts YTD, with two four-legged liftboats worth US$75.4 mn in January, a three-legged lattice BH 335 unit in April and two enhanced BH450 series liftboats worth US$175 mn in July.

Supply growing with low barriers to entry
We believe there is potential for supply of liftboats to grow significantly, due to the low barriers to entry to the market. In our view, the most significant barrier to entry would be the stringent pre-qualification process and rigorous operational standards required by the NOCs. This might be the case particularly after Gulf Drilling International’s liftboat Rumailah collapsed while operating on a field off Qatar for Maersk Oil in July. The unit was built at Gulf Piping in Abu Dhabi. On the other hand, the low capital cost required in building a liftboat relative to a drilling rig, as well as the significant number of yards that can build to third-party liftboat designs, present significant opportunities for new entrants to build up a fleet rapidly.

Intensifying competition in Asia Pacific liftboat market
Based on the Credit Suisse proprietary liftboat model, we estimate there are 11 liftboats operating in Asia Pacific currently, but the fleet of liftboats could grow by at least 17 units by 2018. With an estimated 1,700 platforms in Asia Pacific, this would bring the platform-to-liftboat ratio to 61:1. While Asia Pacific still remains under-penetrated compared to the US GoM and West Africa, the growth potential falls to about 50-60 units from 80 units one year ago.

Falcon Energy: Management of Falcon Energy indicated that it will build a few liftboat assets to grow its marine business. In March 2015, Falcon Energy appointed Mr James William Noe as its Chief Operating Officer of the Marine and Liftboat division. Mr Noe was previously Executive Vice President of Hercules Offshore, and is currently in the process of building up a liftboat fleet.

Swissco: In Sept-14, Swissco announced it has acquired a liftboat to be completed in two years’ time and plans to deploy it in Southeast Asia.

Crystal: In July 2015, Crystal Heights announced a contract with Keppel for a high specification liftboat worth US$85 mn for delivery in 4Q17. Crystal Heights is a shareholder of TS Drilling and FTS Derricks, which had contracted jackup rigs with Keppel previously. This is Keppel’s second liftboat contract in 2015, following a contract by Gulf Drilling International to construct a liftboat to support operations in offshore Qatar. Keppel’s liftboats incorporate features including a helideck that can accommodate the heaviest helicopters, a large versatile deck space, as well as its proven jacking and fixation system.

Triyards: Of the five liftboat orders YTD, two units are for a US-based operator, and two are for a Southeast Asia-based operator.

Baker Tech: Following an initial announcement in July 2014, Baker Tech has commenced the construction of its first liftboat, designed by its wholly owned subsidiary, in November 2014.

Vahana Offshore/Eversendai: Malaysia-based Vahana Offshore is constructing two liftboats at Eversendai’s yard in UAE, due for delivery in February and May 2016.

Atlantic Navigation: In May 2014, UAE-based Atlantic Navigation ordered a newbuild liftboat with a Chinese shipyard for US$46 mn, and is looking to deploy the unit in Malaysia once delivered in Dec-15.

Mekers Machinery: In June 2015, China-based Mekers Machinery ordered two liftboats at Shanghai Bestway for US$58 mn each, with expected delivery in 2017-18.

Tianjin Haiheng Ship Engineering: The China-based company ordered four liftboat units (Haiheng 8-11) with China Merchants Heavy Industry in July 2015, with delivery for all units before September 2017.

ASL Marine: Management of ASL Marine indicated that it might be building a number of liftboats on a speculative basis, which can thereafter be sold or chartered out.