

Green Dragon Gas

Bond update

Debt maturity extensions

Green Dragon Gas (GDG) has announced that it has progressed discussions with the majority of its debt holders to extend existing debt maturities to 20 November 2018. Extensions are subject to the execution of amendments and an inter-creditor agreement between debt holders, and are expected to be finalised on or before 15 November 2017. GDG's Nordic Bond (US\$88m) will be extended to 20 November 2018 and the put option on GDG's convertible bond (US\$50m) will be extended to allow for conclusion of an inter-creditor agreement to provide it with the same security as the Nordic Bond Trustee but subordinated. Our current valuation and financial forecasts (shown below) are under review.

Year end	Revenue* (\$m)	EBITDA (\$m)	PBT** (\$m)	Debt (\$m)	Net cash/ (debt) (\$m)	Capex (\$m)
12/15	37.7	20.1	(0.1)	(135.2)	(108.3)	(47.8)
12/16	29.1	10.5	(12.3)	(144.1)	(127.9)	(14.4)
12/17e	31.9	16.1	(4.6)	(164.3)	(145.5)	(7.5)
12/18e	51.3	35.1	7.3	(216.3)	(202.6)	(36.5)

Note: *Including subsidy income. **PBT is normalised, excluding intangible amortisation, exceptional items and share-based payments. This step-up in revenues is contingent on ODP approvals in 2017, access to RBL debt and a significant step-up in GSS drilling activity.

Nordic bond: Bond maturity is to be extended by one year from 20 November 2017 to 20 November 2018, following execution of the amendment. Under the amendment, the bond interest rate will be 10% until 30 June 2018 and 12% thereafter until maturity. All interest will be accrued through 30 June 2018 and paid in cash thereafter. The bond redemption is to be increased to 107.5%, if not redeemed by 30 June 2018 at 102 as per the current bond.

Convertible bond: The convertible bond and Nordic bond extensions are expected to be effective with the inter-creditor agreement being executed. Once effective, GDG will have no debt obligation maturities through to 20 November 2018.

Edison view: In our view, this is a positive step for equity holders, and removes some uncertainty around imminent debt maturities assuming the inter-creditor agreement is signed by 15 November 2017. Our valuation and forecasts are currently under review but please see our [previous research publications](#) on GDG.

Oil & gas

31 October 2017

Price **60.13p**
Market cap **£94m**

Net debt (\$m) at 31 December 2016 127.9

Shares in issue 156.1m

Free float 20.4%

Code GDG

Primary exchange LSE

Secondary exchange N/A

Share price performance



Business description

Green Dragon Gas is one of the largest independent companies involved in the production and sale of coal bed methane (CBM) gas in China.

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