

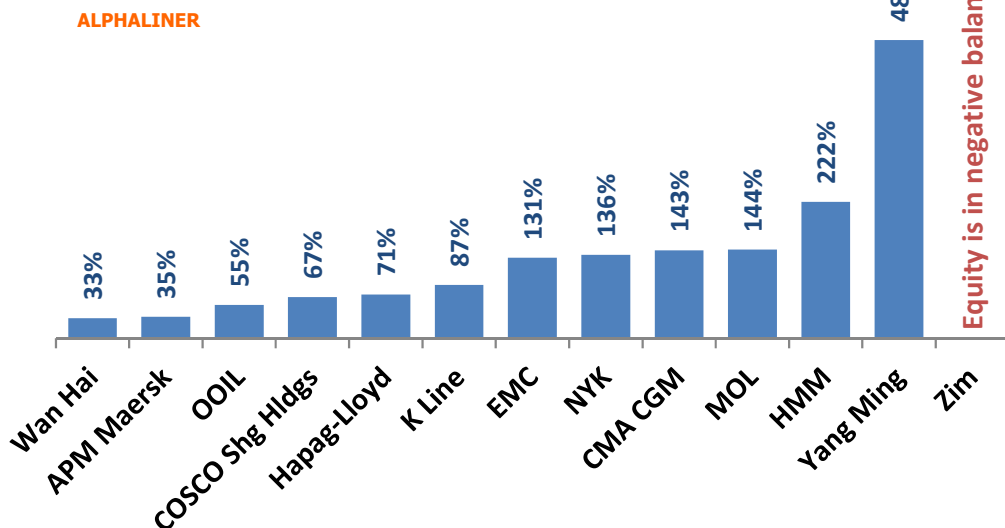


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Chart of the week

Carriers Net Debt-to-Equity Ratio as at end Dec 2016

Net Debt based on total financial debt less cash



- Yang Ming currently has the highest debt-equity gearing ratio amongst all of the main carriers, apart from Zim whose equity remains in negative balance.
- Yang Ming's financial restructuring efforts announced so far, including its proposed stock consolidation and an initial injection of \$54 M in new equity, are still insufficient to address Yang Ming's weak balance sheet position.
- Positive earnings remain elusive due to its ineffectual cost efficiency program, coupled with the weak market environment that have continued to erode its capital base.
- Concrete details of its comprehensive recapitalization plan have not been provided by Yang Ming, but it is expected to include a significantly higher level of cash injections by Yang Ming's stakeholders. Taiwan's National Development Fund (NDF) and the Ministry of Transport and Communications (MOTC) have a combined shareholding in Yang Ming of 36.62%.

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Yang Ming recapitalisation plan fails to calm market jitters

Yang Ming has suspended trading of its shares on the Taiwan Stock Exchange for two weeks from 20 April to 3 May 2017 in order to allow it to reduce the number of outstanding shares by 53.3% from 3.004 Bn to 1.404 Bn shares.

The move follows the resolution approved at Yang Ming's extraordinary shareholders' meeting on 22 December 2016 to consolidate the company's stock and write off NT\$16.005 Bn (\$527 M) of accumulated losses. The same amount will be removed from Yang Ming's share capital account, with no cash-flow impact while overall shareholder's equity will also remain unchanged.

Although Yang Ming stated in its latest customer advisory issued on 24 April that the reverse stock split will be followed by an "infusion of new capital", it did not provide any details of the identity of the new investors, the timing of the infusion or the amount of the cash to be injected. Despite having more than four months to prepare for it, Yang Ming's sketchy disclosures of its recapitalisation plan have added to market concerns over its financial health.

According to its last two customer advisories, Yang Ming continued to point to a market recovery to boost its operating income but positive earnings have remained elusive for the Taiwanese carrier. Yang Ming is expected to book another net loss in the first quarter of 2017, based on Alphaliner's projections, as its revenue performance has continued to tumble compared to the fourth quarter of 2016. It failed to maintain the positive rate momentum in January, with February and March revenue numbers registering declines.