Credit Update | 26 August 2026

BW Offshore

Remains solid despite additional delay for BW Opal

The near-one-year delay to practical completion of BW Opal dominated the Q2 report and while the headlines looked bad, with an 18% reduction in EBITDA guidance, a USD125m impairment and USD65m of additional capex, we see limited impact for the credit, as the total cash flow hit is far smaller than the headlines suggest. We reaffirm Overweight and would add to BWO06 on any widening driven by the BW Opal noise. The credit story remains intact, with a net cash position (excl. non-recourse BW Opal) and an OCF backlog (excl. BW Opal) of c.USD800m, likely leaving the company in a position to take out the 2028 bond with cash in hand at maturity, with the main uncertainty still being newbuild capex.

Completion of BW Opal delayed until mid-2027

Practical completion of BW Opal is now guided to Q2 27, versus mid-2026 previously, due to the CO_2-removal system needing membrane replacement. The Opal-specific EBITDA guidance reduction is c.USD50m, but the cash effect is only c.USD10m, as the rest is amortisation of deferred revenue with no cash impact. There is a further USD65m of additional capex, but most of this is covered by the revenue the unit generates until practical completion, the point at which the 15-year firm contract commences. BWO also booked a USD125m impairment, meaning that a Q4 profit-linked dividend top-up is now unlikely and that the equity ratio moved from 30.0% to 28.3%, against the covenant at 25%. We see the delay as a negative but view it as more than reflected in the screen price at 104.25 (295bp), some 15bp wider than before the report. BWO06 still offers pick-up over oil-services peers in the low 200s, despite carrying, in our view, among the lowest credit risk in the sector.

Key figures

USDm	2023	2024	2025	2026E	2027E
Total sales	659	607	491	555	602
EBITDA (rep.)	306	318	221	267	385
EBITDA (adj.)	306	318	221	267	301
Net income	104	120	115	-12	84
FFO (rep.)	557	376	412	237	190
FFO (adj.)	547	362	414	228	174
Equity	1,195	1,247	1,293	1,206	1,216
Net debt	172	-74	-212	-103	-127
Net debt (adj.)	1,256	1,292	2,342	2,446	2,331
Ratios	**2023**	**2024**	**2025**	**2026E**	**2027E**
EBITDA margin	46.3%	52.4%	44.9%	48.2%	64.0%
Net debt/EBITDA (x)	0.6	-0.2	-1.0	-0.4	-0.4
Adj. net debt/adj. EBITDA (x)	4.1	4.1	10.6	9.1	7.7
FFO/net debt	324%	-505%	-195%	-231%	-149%
Adj. FFO/adj. net debt	44%	28%	18%	9%	7%
Net debt/total capital	10%	-5%	-14%	-8%	-10%

Source: Company data, Danske Bank Credit Research

Overweight

Energy

Corporate ticker: BWONO

Equity ticker: BWO NO

Market cap (NOKm): 7,123

Ratings:
S&P: NR / NR
Moody's: NR / NR
Fitch: NR / NR

ESG rating:
Sustainalytics ESG Risk Rating: 18

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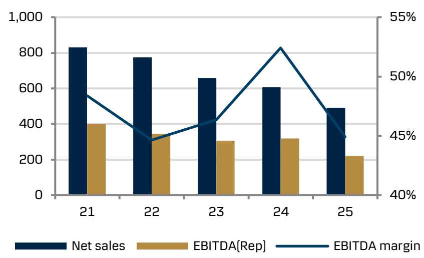
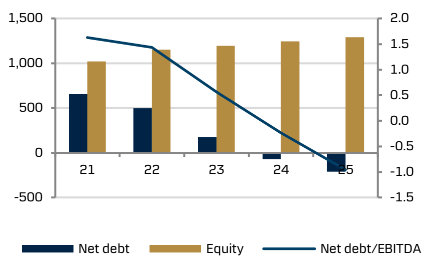
Profitability (USDm)



Source: Company data, Danske Bank Credit Research

Financial metrics (USDm)



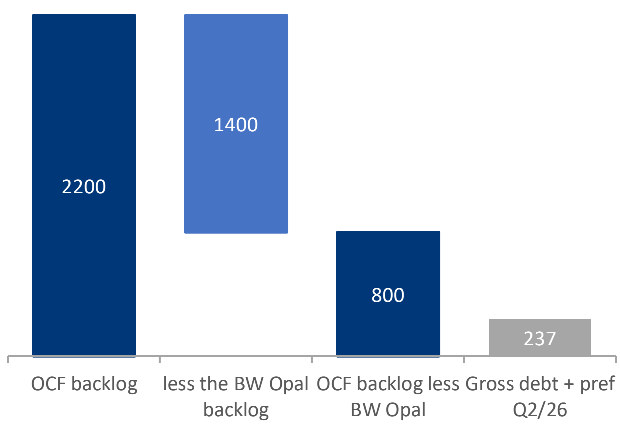
Source: Company data, Danske Bank Credit Research

Important disclosures and certifications are contained from page 9 of this report.

Cash backlog to more than cover debt maturities

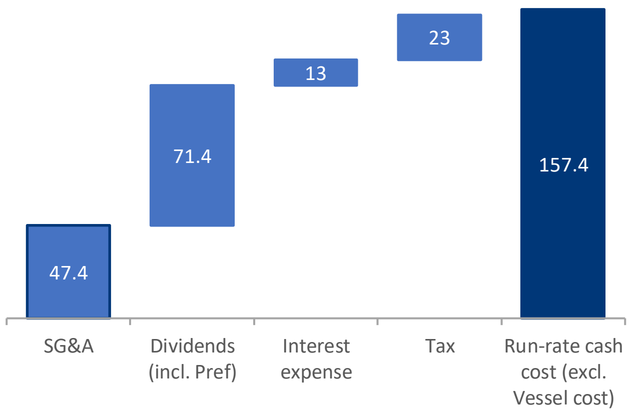
BWO has a reported net cash position of USD101m and an OCF backlog (97% firm) of approx. USD800m, both excluding BW Opal, which, on a net basis, would contribute USD30-40m in cash flow p.a. from contract start, while the debt in that structure is non-recourse. In addition, BW Energy has the option to buy BW Adolo in Sep/28 for USD100m, which we expect to be exercised. In sum, that leaves an accumulated net cash position, non-discounted and before other cash costs, of around USD730m until bond maturity. Then the current run-rate cash costs include dividend and preference share payments of around USD71m p.a., an SG&A run-rate of around USD47m p.a., interest expense of USD13m p.a. (which will come down as debt is paid down) and a run-rate on paid taxes of USD23m, in sum USD157m or close to USD400m until bond maturity. Lastly, BWO has USD140m in remaining committed investments, leaving the net cash position at maturity roughly estimated at USD190m. Furthermore, there is capex risk both in FPSO newbuilds and in its new venture. Still, we see the headroom as sufficient. Remember, on the initially USD2.3bn BW Opal project, BWO was supposed to inject only USD122m of equity, but that number has now grown to around USD315m because of the cost overrun. This gives us comfort on the newbuild risk for the bond that matures in Nov/28. Note that an FPSO newbuild has a construction time of around four years, following an S-curve, with the highest risk of cost overruns occurring at the end, as seen with BW Opal, and that part will be well after bond maturity.

Chart 1. Good backlog coverage versus gross debt (USDm)



Source: Company data, Danske Bank Credit Research estimates

Chart 2. Current run-rate cash cost of around USD157m (USDm)

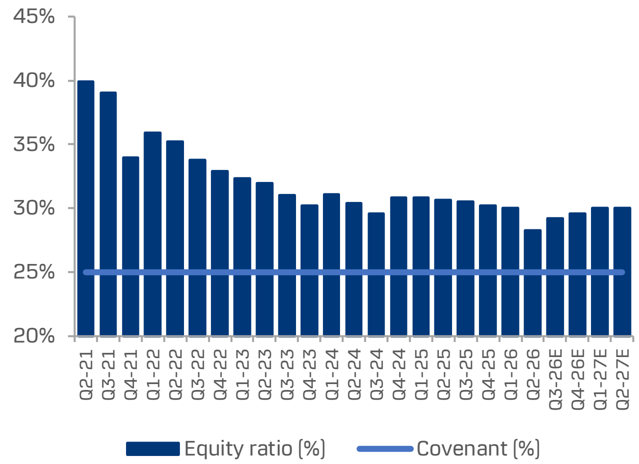


Note that the cash costs are current run-rate and are expected to come down until 2028. Source: Company data, Danske Bank Credit Research estimates

Equity ratio covenant provides creditor protection

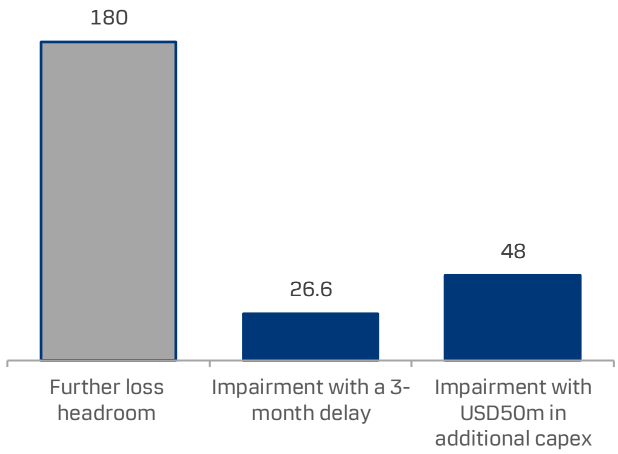
The USD125m impairment BWO took in the quarter on the back of the delay and additional investment in BW Opal led to the equity ratio moving from 30.0% in Q1 26 to 28.3% in Q2 26. The bonds have a maintenance covenant at 25%, and we estimate USD180m of further loss headroom to that covenant. BWO highlights that an additional three-month delay would lead to an impairment of USD26.6m, while an additional capex need of USD50m would lead to an impairment of USD48m. Hence, the headroom should be sufficient, as the situation would need to be more than twice as severe as the current guidance. Note that the equity ratio has been negatively impacted by BW Opal accounting, which includes both the finance liability and deferred revenues, as the client, Santos, has made prepayments to help finance the newbuild, thereby requiring less equity from BWO. The company did approach the market in Oct/25 to try to amend the covenant to adjust for prepayments, as it highlighted that the covenant could become a limitation in a scenario in which BWO undertook another construction project with a high share of client prepayments. We see the headroom as more than sufficient with the current structure but see a potential need for BWO to amend if the Bay du Nord FPSO ends up with a similar structure.

Chart 3. Equity ratio development



Source: Company data, Danske Bank Credit Research estimates

Chart 4. Headroom for additional loss (USDm)

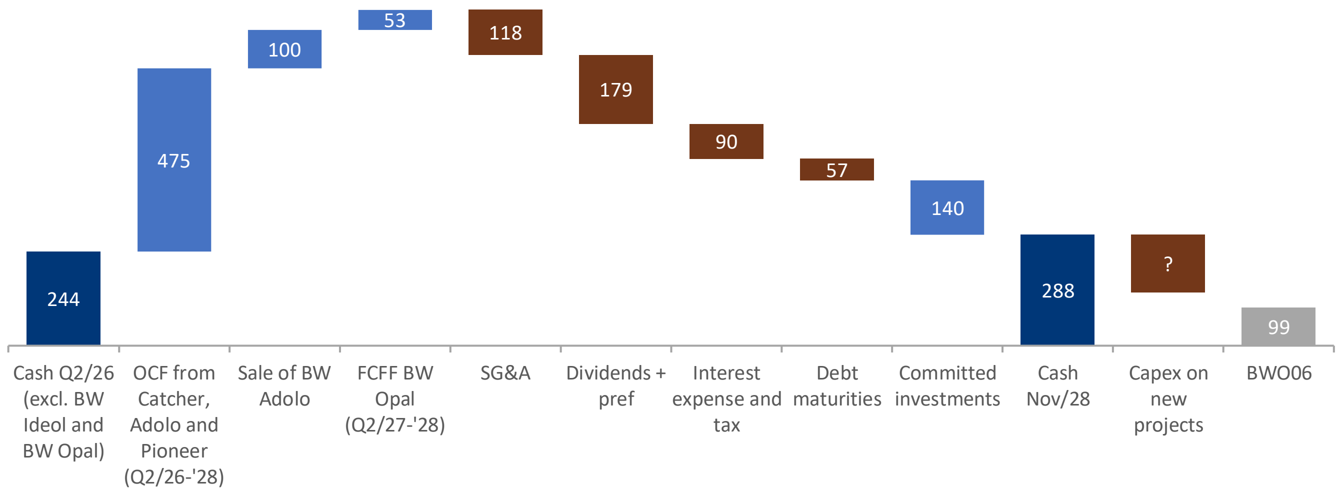


Source: Company data, Danske Bank Credit Research estimates.

Cash projection

From 2027, BWO's financials will be materially affected by BW Opal accounting, where the cash contribution is expected to be around USD30-40m p.a., while EBITDA is USD265-275m. This is why we focus only on cash flow generation in this report. Based on the numbers above, we forecast the following cash bridge, which also includes the debt maturities in 2026 and 2027, and arrive at a cash position of USD288m at the maturity of the BWO06 bond in Nov/28. This calculation does not include any capex for additional newbuilds, but although that is likely to occur, the structure of such newbuilds would likely limit the equity injection required. For instance, BWO took FID on BW Opal in Mar/21 and two years later, in Q1/23, had injected an estimated USD70m of equity into the project, based on its 51% ownership and the reported equity injection of USD137m.

Chart 5. Estimated cash bridge until bond maturity in Nov/28 (USDm)

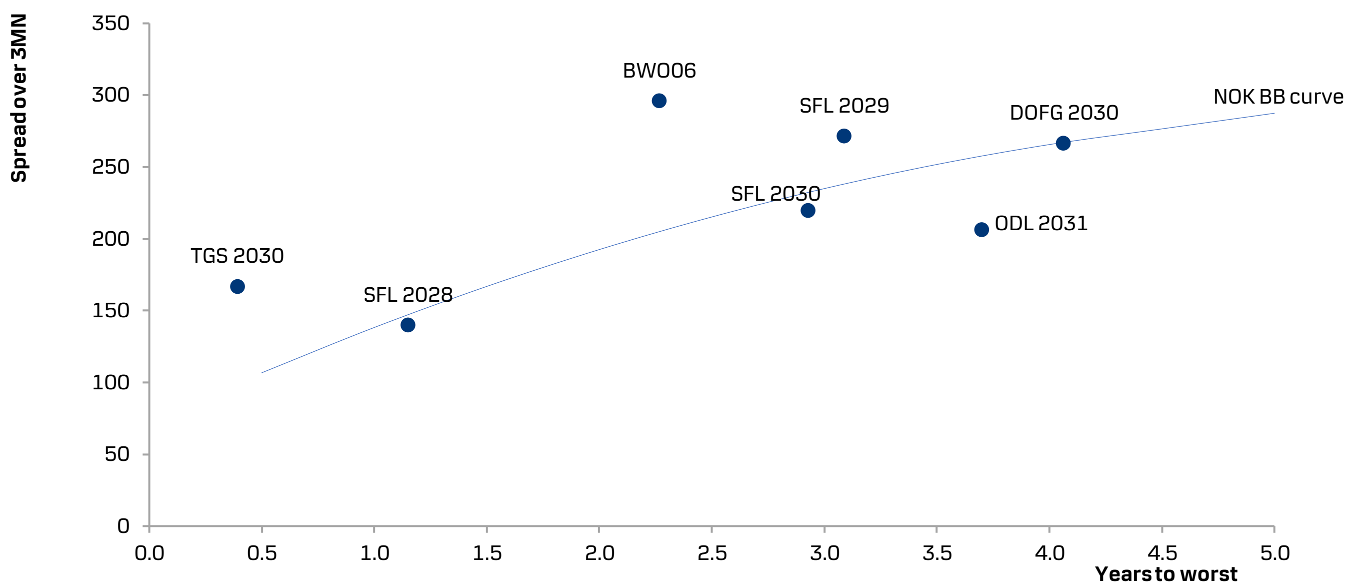


Source: Danske Bank Credit Research estimates.

Upside potential

Despite the recent developments, the high visibility of future cash flows at BW Offshore makes us view BWO06 as among the lower-risk credits in oil services, and we find the bonds attractive at the current price of around 104.25 (296bp/7.5%). As BWO06 is becoming de-risked, we see the closest peers as the non-recourse FPSO bonds from Modec and SBM, namely MVFPSO 6.748 06/01/34 and GNFPSO 5.198 06/15/34, which are priced at an average 50bp pick-up with Petrobras as the counterparty. Similar pricing for BWO06 would translate to around 200bp. Furthermore, we think the 30-100bp pick-up versus ODL, DOFG and TGS is unwarranted.

Chart 6. Relative value as of 25 August 2026



*Discount margin for NOK FRN, ASW spread for foreign currency

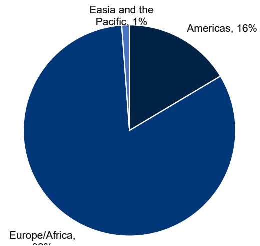
Source: Danske Bank Credit Research estimates

Company summary

Company description

BW Offshore is one of the world's largest lessor and operators of FPSO units (floating oil production, storage and offloading units). Incorporated in Bermuda, the company is listed on the Oslo Stock Exchange with BW Group being the majority shareholder with
around 50% ownership. The company's FPSO core fleet consists of three production units. BW Offshore's revenues are primarily generated by fixed lease contracts from these three FPSOs.

EBITDA breakdown, segments



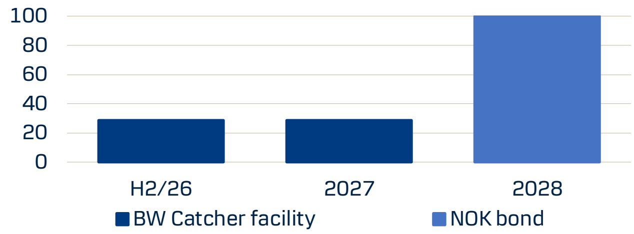
Key credit strengths

- Solid assets and backlog
- Prudent leverage and strong interest coverage
- Strong liquidity and proven access to capital markets
- Strong operational track-record

Key credit challenges

- High earnings concentration
- Recession risk increasing risk of contract termination
- Capital-intensive industry
- High ESG risk

Debt maturity profile (USDm)



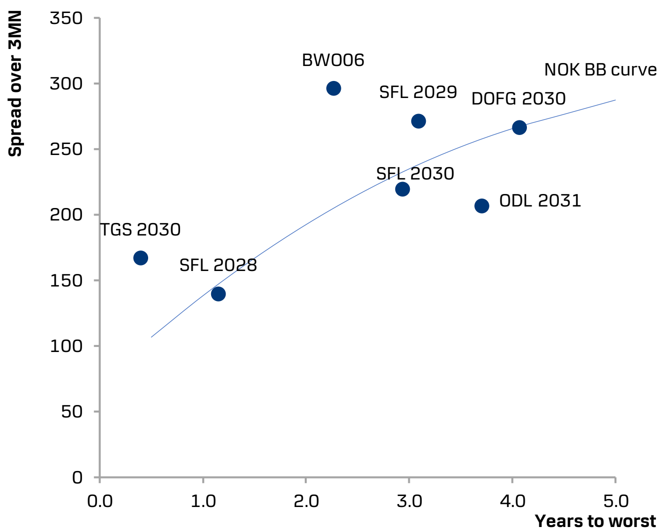
Main shareholders

Name	Votes (%)	Capital (%)
BW Group Ltd	48.8%	48.8%
Free float	51.2%	51.2%

Selected outstanding bonds

ISIN	Coupon	Currency	Maturity/call	Seniority	Amount
NO0013077560	N3M+500	NOK	Nov-28	Secured	1000mm

Relative valuation



*Discount margin for NOK FRN, ASW spread for foreign currency

Source: Company data, Bloomberg, Danske Bank Credit Research [all charts and tables]

Summary table

Income statement (USDm)	2023	2024	2025	2026E	2027E
Total sales	659	607	491	555	602
Operating expenses	-354	-289	-271	-288	-217
EBITDA	306	318	221	267	385
EBITDA adjusted	306	318	221	267	301
Depreciation and amortisation	-168	-177	-95	-204	-195
EBIT	138	141	126	64	190
Net interest	-25	-14	10	-47	-78
Pre-tax profit	113	127	136	17	111
Tax	-10	-7	-21	-29	-27
Net income	104	120	115	-12	84
Balance sheet (USDm)	**2023**	**2024**	**2025**	**2026E**	**2027E**
Fixed assets	2,836	3,141	3,376	3,374	3,251
Goodwill					
Associates	385	226	211	200	200
Other non-current assets	213	199	184	173	173
Working capital assets	156	173	114	74	67
Cash and cash equivalents	361	306	395	228	222
of which restricted cash					
Other current assets	2	0	2	26	26
Total assets	3,953	4,045	4,281	4,074	3,939
Total assets (adj.)					
Total interest-bearing debt	533	231	183	125	95
Total interest-bearing debt adjusted	1,617	1,598	2,737	2,673	2,553
Net interest-bearing debt	172	-74	-212	-103	-127
Net interest-bearing debt adjusted	1,256	1,292	2,342	2,446	2,331
Working capital liabilities	230	138	179	29	18
Other current liabilities	21	14	10	12	12
Other non-current liabilities	941	1,049	1,171	1,253	1,148
Total equity	1,195	1,247	1,293	1,206	1,216
Total equity and liabilities	3,953	4,045	4,281	4,074	3,939
Total equity and liabilities (adj.)					
Cash flow statement (USDm)	**2023**	**2024**	**2025**	**2026E**	**2027E**
EBITDA	306	318	221	267	385
Tax paid	-15	-18	-15	-14	-14
Other cash flow from operations	267	76	207	-16	-181
Funds from operations (FFO)	557	376	412	237	190
FFO (adjusted)	547	362	414	228	174
Change in working capital	-1	-16	-21	-50	-3
Operating cashflow (CFO)	559	363	409	187	186
CFO (adjusted)	539	349	418	178	171
Capex	-805	-380	-333	-111	-73
Divestments/acquisitions of businesses	-4	176	0	-25	0
Free operating cashflow (FOCF)	-64	-1	-62	27	114
FOCF (adjusted)					
Dividend paid	-19	-50	-59	-67	-45
Share buyback					
Free cashflow (FCF)	-73	-31	-103	-30	75
Other investing activities	10	19	18	10	5
Debt repayment	-631	-311	-108	-101	-30
Funding shortfall	-694	-323	-193	-122	50
New debt	0	0	76	0	0
New equity	0	0	9	2	0
Other financing activities	-41	-35	-33	-31	-28
Change in cash	131	-55	81	-168	-6

Source: Company data, Danske Bank Credit Research

Summary table

Adjusted ratios (USDm)	2023	2024	2025	2026E	2027E
Sales growth	-15%	-8%	-19%	13%	8%
EBITDA margin	46.3%	52.4%	44.9%	48.2%	64.0%
Adj. EBITDA margin	46.3%	52.4%	44.9%	48.2%	50.0%
EBIT margin	20.9%	23.3%	25.5%	11.5%	31.5%
Adj. EBIT margin					
EBITDA interest coverage (x)	6.4	8.7	10.9	14.2	18.7
Adj. EBITDA interest coverage (x)					
EBIT interest coverage (x)	3.0	4.1	6.5	3.8	9.3
Adj. EBIT interest coverage (x)					
FFO interest coverage (x)	11.5	10.2	19.6	12.6	9.4
Adj. FFO interest coverage (x)					
CFO interest coverage (x)	11.5	9.9	19.4	10.0	9.2
Adj. CFO interest coverage (x)					
Net debt/EBITDA (reported) (x)	0.6	-0.2	-1.0	-0.4	-0.3
Net debt/EBITDA (x)	0.6	-0.2	-1.0	-0.4	-0.4
Adj. net debt/adj. EBITDA (x)	4.1	4.1	10.6	9.1	7.7
Debt/EBITDA (x)	1.7	0.7	0.8	0.5	0.2
Adj. debt/adj. EBITDA (x)	5.3	5.0	12.4	10.0	8.5
Debt/EBITDA (reported) (x)	1.7	0.7	0.8	0.5	0.2
FFO/net debt	323.6%	-505.2%	-194.6%	-230.6%	-149.3%
Adj. FFO/adj. debt	33.8%	22.7%	15.1%	8.5%	6.8%
Adj. FFO/adj. net debt	43.5%	28.0%	17.7%	9.3%	7.5%
FFO/debt	104.5%	162.4%	224.8%	189.5%	199.9%
Adj. total debt/total capital					
Net debt/total capital	10.0%	-5.0%	-14.3%	-7.7%	-9.7%
Adj. net debt/adj. total capital					
Yearly overview (USDm)	**2023**	**2024**	**2025**	**2026E**	**2027E**
Net Sales	659	607	491	555	602
EBITDA	306	318	221	267	385
Adj. EBITDA	306	318	221	267	301
EBIT	138	141	126	64	190
Net Income	104	120	115	-12	84
Capex	-805	-380	-333	-111	-73
FFO	557	376	412	237	190
Total debt	533	231	183	125	95
Net debt	172	-74	-212	-103	-127
Adjusted net debt	1,256	1,292	2,342	2,446	2,331
Equity (incl. minorities)	1,195	1,247	1,293	1,206	1,216
Ratios:					
Net debt to EBITDA	0.6x	(0.2x)	(1.0x)	(0.4x)	(0.3x)
Adj. net debt to EBITDA					
FFO to net debt	324%	-505%	-195%	-231%	-149%
Adj. FFO to net debt	44%	28%	18%	9%	7%

Source: Company data, Danske Bank Credit Research

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Recommendation structure

Investment recommendations are based on the expected development in the credit profile as well as relative value compared with the sector and peers.

As of 30 June 2026, Danske Bank Credit Research had investment recommendations on 189 corporate bond issuers. The distribution of recommendations is represented in the distribution of recommendations column below. The proportion of issuers corresponding to each of the recommendation categories above to which Danske Bank provided investment banking services in the previous 12 months ending 30 June 2026 is shown below.

Rating	Anticipated performance	Time horizon	Distribution of recommendations	Investment banking relationships
Overweight	Outperformance relative to peer group	6 months	26%	50%
Marketweight	Performance in line with peer group	6 months	60%	62%
Underweight	Underperformance relative to peer group	6 months	13%	44%

Changes to recommendation in the past 12 months:

Date	Old rec.	New rec.
23 Mar 2026	Marketweight	Overweight

Validity time period

This communication and the communications in the list referred to below are valid until the earlier of (a) dissemination of a superseding communication by the author, or (b) significant changes in circumstances following its dissemination, including events relating to the market or the issuer, which can influence the price of the issuer or financial instrument.

Investment recommendations disseminated in the preceding 12-month period

A list of previous investment recommendations disseminated by the lead analyst(s) of this research report in the preceding 12-month period can be found at *https://danskeci.com/ci/research/disclosures-and-disclaimers*. Select Credit Research recommendation history – Recommendation history.

Other previous investment recommendations disseminated by Danske Bank Credit Research are also available in the database.

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