

MITA No. 013/06/2008

21 April 2009

# Neptune Orient Lines Ltd

Initiating Coverage

## SELL

### \$S1.40

### Fair Value: \$S0.815

Stock Code:  
 Reuters: NEPS.SI  
 ISIN Code N03  
 Bloomberg: NOL SP

Event: Initiate Coverage

#### General Data

Issued Capital (m)	1,475
Mkt Cap (\$m/US\$m)	2,065/1,367
Major Shareholder	
Temasek Holdings	(68%)
Free Float (%)	32.0%
NAV per share (US cents)	167
Daily Vol 3-mth ('000)	12,278
52Wk High (\$)	4.160
52Wk Low (\$)	0.850

## Caught in stormy seas

**Caution: Stormy seas.** Neptune Orient Lines Ltd (NOL) is a global container shipping, terminals and logistics company. It ranks among the Top 10 players in the global container shipping industry. We liken NOL to a sturdy ship that has been caught in a disastrous storm - no doubt it is a sound company helmed by an experienced management team, but macro conditions are working against it and the challenges are expected to persist. The shipping industry is directly exposed to global economic forces. Ongoing recessionary woes have resulted in a severe slump in consumer demand and global trade, hurting carriers across the board, with many predicting losses for the year. The International Monetary Fund (IMF) has recently warned of a protracted global recession, quashing optimism over green shoots of recovery. In its statement, it said that "the downturn is likely to be unusually severe and recovery is expected to be sluggish".

**Fragile industry outlook.** The weak industry outlook is further exacerbated by excess capacity supply, driving down the already weak freight rates to economically unviable levels. Among NOL's main trade lanes, only the Intra-Asia route remains profitable. The Transpacific route is hovering precariously around its breakeven level, while the Asia-Europe route is chalking up losses. With more tonnage slated for delivery between 2009 and 2011, the industry will continue to struggle with supply overhang, delaying the recovery process.

**Expect losses for the next two years.** Having incurred a net loss of US\$149m in 4Q08, the group expects losses to widen to US\$240m in 1Q09 on worsening business operating conditions coupled with a seasonally quiet quarter. Losses are almost a definite for FY09 and even FY10 - we are projecting a US\$422.5m loss in FY09 followed by a narrower US\$170.2m loss in FY10, implying the absence of dividend payouts. Management has put in place several cost-reduction initiatives that could result in cost savings of US\$550m for the year. We expect these measures to take some pressure off the group's earnings in subsequent quarters.

**Lacking catalysts.** A sustained recovery of the real economy and resumption of trade flows are prerequisites for NOL's revival. For now, the protracted slump will weigh on profitability. We see no near term catalysts for the stock and initiate coverage with a **SELL** rating and \$S0.815 fair value estimate, based on 0.4x FY09F NTA. Risks to our assumptions include a speedier-than-expected global economic recovery and positive macro news flow which could lift sentiment.

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Year to 31 Dec	Turnover (US\$m)	EBIT (US\$m)	Net Profit (US\$m)	EPS (US cents)	EPS Growth (%)	PER (x)	Div Yield (%)
FY 07	8,160.0	619.4	522.8	35.3	41.8	2.7	10.0
FY 08	9,285.1	164.1	83.1	5.6	-84.1	16.7	5.7
FY 09F	6,542.5	-341.0	-422.5	-28.6	nm	-	-
FY 10F	6,902.9	-87.7	-170.2	-11.5	nm	-	-

Please refer to the important disclosures at the back of this document.

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Neptune Orient Lines Ltd (NOL) is a Singapore-based global container shipping, terminals and logistics company. Its principal activities centre around container shipping, where it is ranked among the Top 10 global players in terms of capacity. Its major shareholder, Temasek Holdings, holds 68% of the group's issued capital.

Listed on the SGX Mainboard, NOL is a component of the Straits Times Index.

## **SECTION A: INDUSTRY OVERVIEW**

**The boom of international trade.** Globalisation has led to a boom in international trade in the past decade. Over the last 15 years, growth of world trade has outpaced global GDP growth by over four times. The rapid growth was fuelled by globalisation and trade liberalisation. The shipping sector, being the most cost competitive mode of long haul transport, has been a key beneficiary of booming world trade. Total throughput of wet and dry cargo has surged by 55.6% and 105.2%, respectively, over the last 15 years.

**China and its role in international trade.** China's industrialisation played an important role in the international trade boom. The widespread popularity of low-cost Chinese exports led to strong demand for container trade, while the country's heavy imports of industrial raw materials helped to support demand for bulk shipping. China's active role in international trade elevated demand for the Transpacific trade route, which at over 17% of total volume (as of 2006), forms the world's largest container trade.

**Sectors within the shipping industry.** The shipping industry consists of three main sectors: containerships, dry bulk and tankers. NOL operates within the containerships sector. Key characteristics of each sector are drawn out in Exhibit 1.

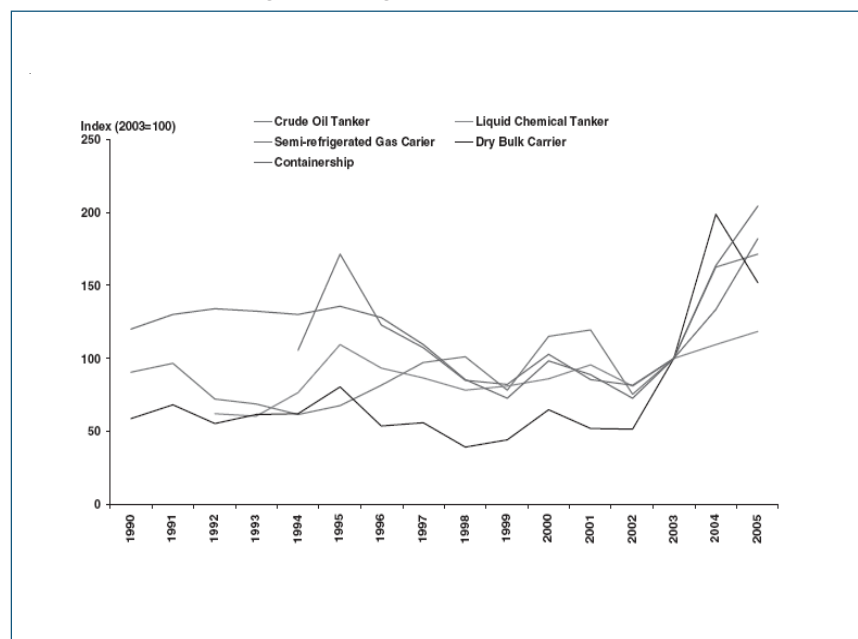
**Exhibit 1: Summary of shipping markets**

	Containerships	Dry Bulk	Tankers
Cargo type	-Manufactured and semi-manufactured goods	-Industrial raw materials (e.g. iron ore) -Agricultural commodities (e.g. grain)	-Crude oil -Refined oil products -Chemicals -Liquefied gases
Customers	-Multinational corporations -Importers -Exporters	-Power utilities -Steelmakers -Grain houses -Commodity traders	-Oil companies -Oil traders -Large oil consumers -Refineries -Government agencies
Mode of carry	Cellular containerships	Bulk ships	Tank ships
Charter terms	Term	Spot	Spot
Tonnage growth from 1990 - 2005	312.6%	68.8%	55.6%

Source: OIR, *Maritime Strategies Int'l*, NOL

**Low correlation between sectors.** Given the diversity of cargo and characteristics between the various shipping sectors, correlation in freight cycles and earnings is low, as Exhibit 2 illustrates. Fundamental demand and supply within each market are the key determinants of freight rates and revenue.

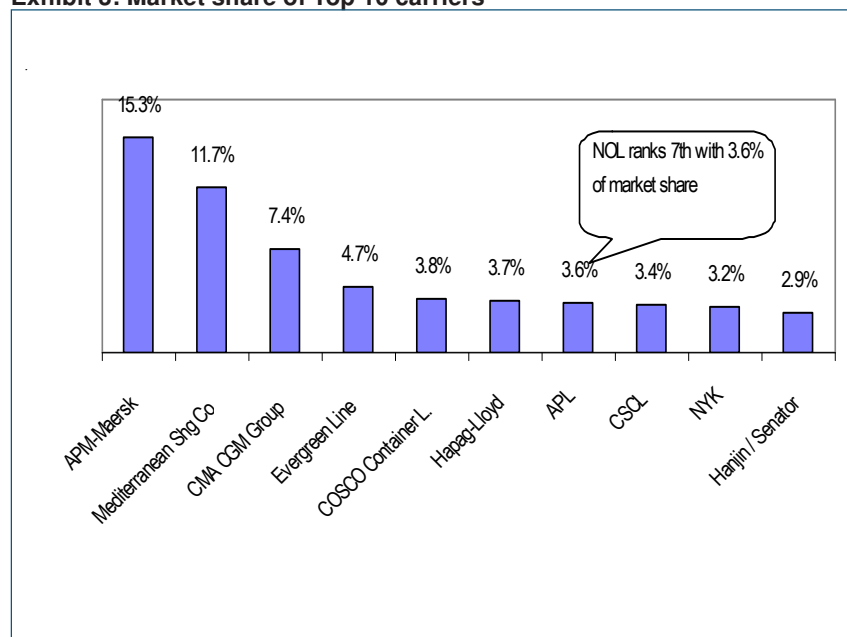
**Exhibit 2: Relative freight earnings across sectors**



Source: *Maritime Strategies Int'l*

**Fragmented industry.** The containership industry is a fragmented one with the largest player, Maersk Lines, accounting for 15.3% of market share. Other than the top three industry leaders, all carriers account for less than 5% of global market share. NOL ranks 7th and forms 3.6% of global capacity. The fragmented nature of the industry has promoted an active mergers and acquisitions scene, since inorganic growth is the quickest means to market share expansion.

**Exhibit 3: Market share of Top 10 carriers**



Source: AXS-Alphaliner, 26 Mar 09

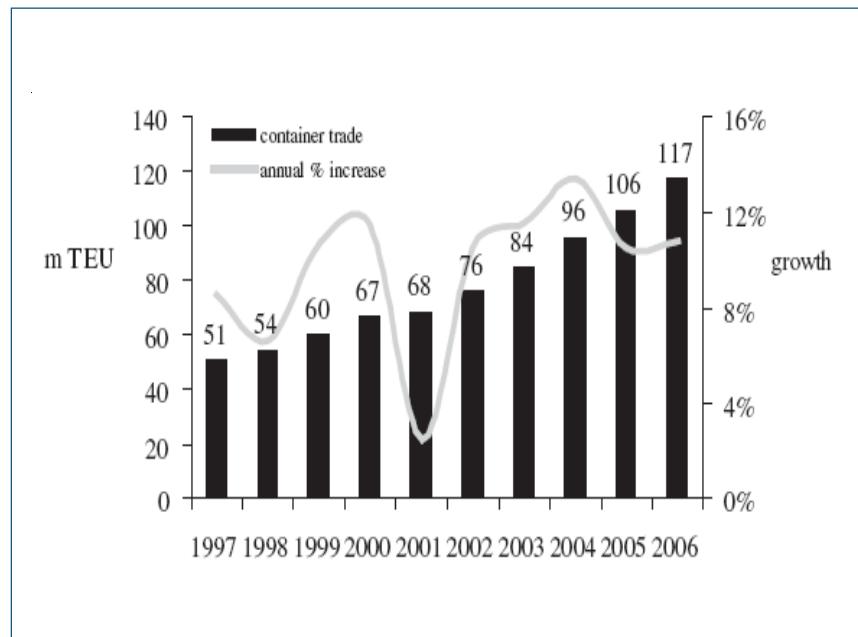
**BOOM OF THE CONTAINERSHIP INDUSTRY**

**Celebrating containerships.** Containerships were the shipping industry's rising stars during the period from 1990 to 2005. This sector outperformed its peers with an impressive 312.6% growth in tonnage, far outpacing the dry bulk market's 68.8% growth and the tanker market's 55.6% growth.

The container shipping sector is relatively young as compared to the more mature dry bulk and tanker markets. Its rapid growth has been attributed to two key factors: booming trade of manufactured goods and improvement in productivity. International trade of manufactured goods gained momentum as outsourcing of production to low-cost Asian countries gained popularity. At the same time, infrastructural improvements enhanced the cost-efficiency of container shipping, spurring demand for container shipping and fuelling the growth of this sector.

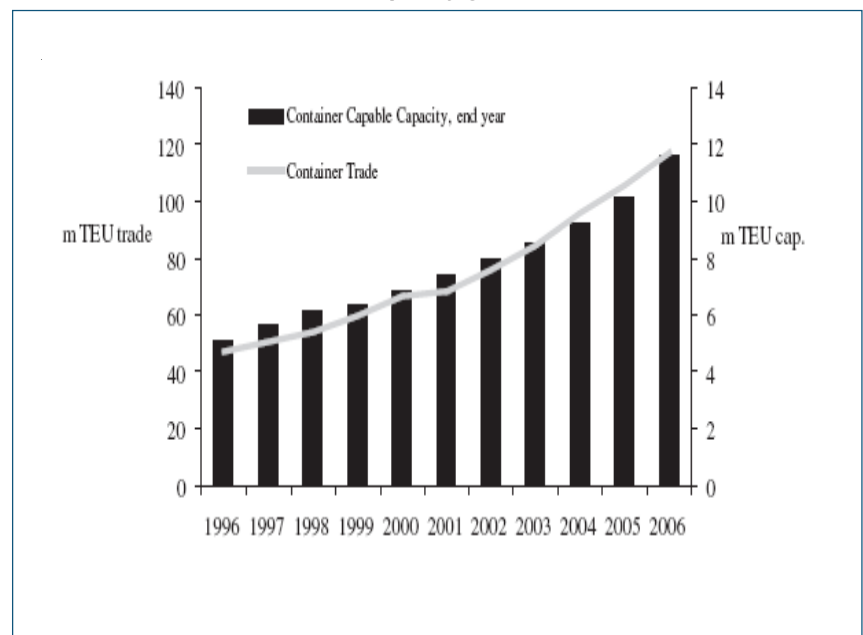
**Escalating freight rates and ballooning order books.** Insatiable demand for container trade and strong freight rates prompted aggressive increases in container capacity over the past decade (Exhibits 4 and 5) as supply rushed to catch up with demand. Freight rates generate countercyclical supply responses: an increase in rates encourages order inflows for shipbuilding and discourages scrapping of old vessels. This has the effect of increasing supply until equilibrium is met, albeit with a lagged effect that could take several years. The converse applies in an environment of falling freight rates.

**Exhibit 4: World container trade and annual growth, 1997 - 2006**



Source: Clarkson Research, Feb 07

**Exhibit 5: Container trade and capacity growth, 1996 - 2006**



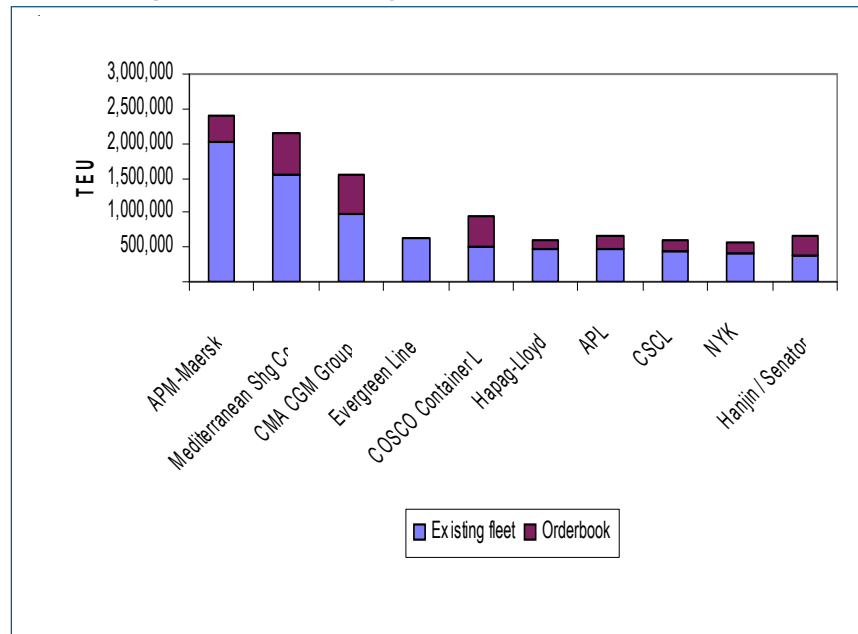
Source: Clarkson Research, Feb 07

**BUST OF THE CONTAINERSHIP INDUSTRY**

**The tides have turned.** The recent global economic downturn brought a sharp and abrupt end to the era of booming container markets. What started off as a financial crisis quickly spread to the real economy with credit lines being frozen, manufacturing output shrinking and jobs being cut. This directly hit consumption across all sectors ranging from automotives to retail. As a result, international trade dwindled and demand for freight evaporated. Many shipping lines, including NOL, are expecting to post losses in 2009.

**Bulky order books are now a bane.** Unfortunately, the countercyclical supply response to dwindling demand has yet to set in owing to timing mismatches. The container industry is still slated to take delivery of new vessels ordered during boom times, which will be delivered over the next few years. This is expected to create an industry supply overhang and further dampen the already weak freight rates, adding to the pain of vessel operators and delaying the recovery process. Exhibit 6 illustrates the proportion of new vessels coming on board relative to existing fleet sizes of the Top 10 carriers. Some carriers, such as COSCO, are expecting significant increases in capacity

**Exhibit 6: Top 10 carriers' existing fleet and order book**

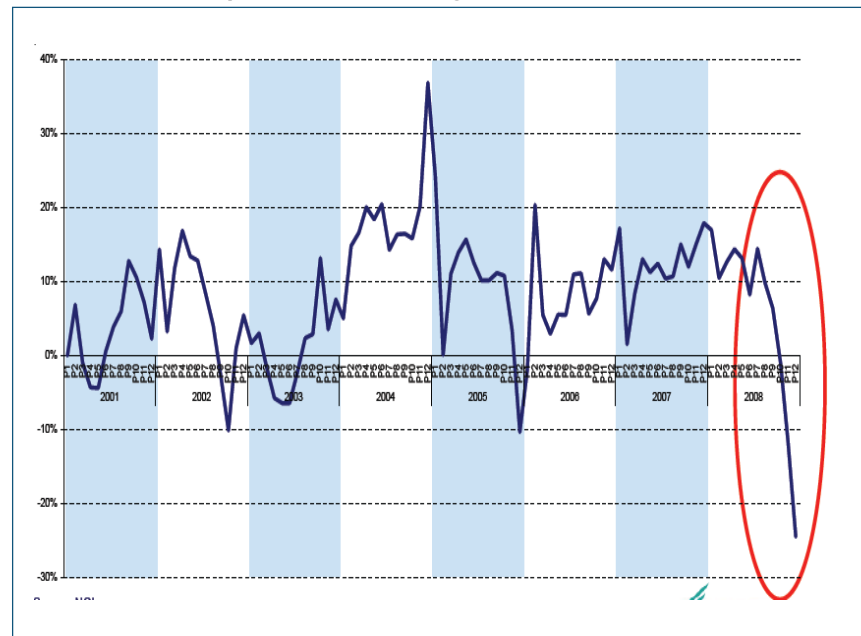


Source: AXS-Alphaliner

**SECTION B: CHALLENGES**

**Low demand, excess supply.** The inherent problem facing NOL and the containership industry is one of excess supply coupled with a severe absence of demand. Freight rates have been driven down to economically unviable levels as a result. Shipping lines are now struggling with unprofitable freight rates on top of the lack of demand for their services, which has been reflected in the sharp deterioration in trade volume.

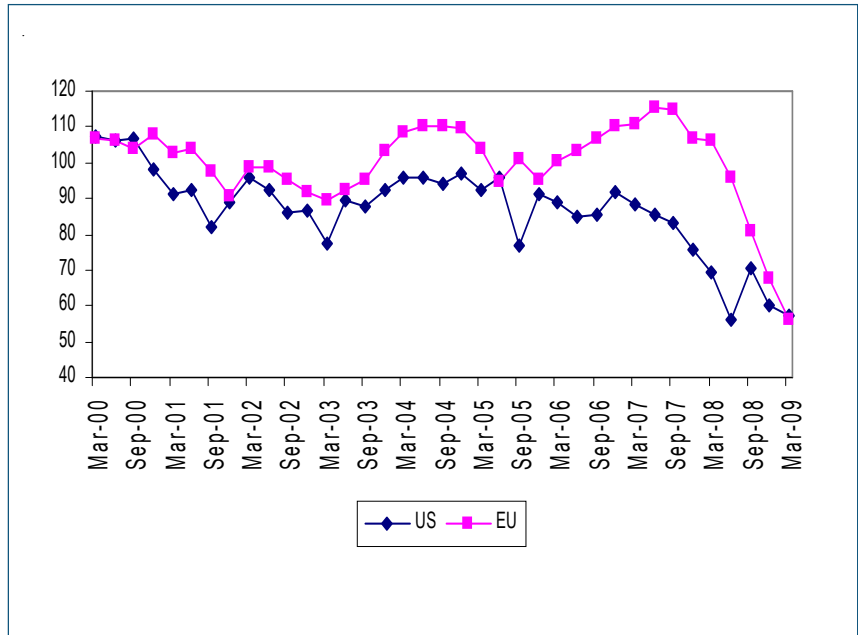
**Exhibit 7: NOL YoY period volume change**



Source: NOL

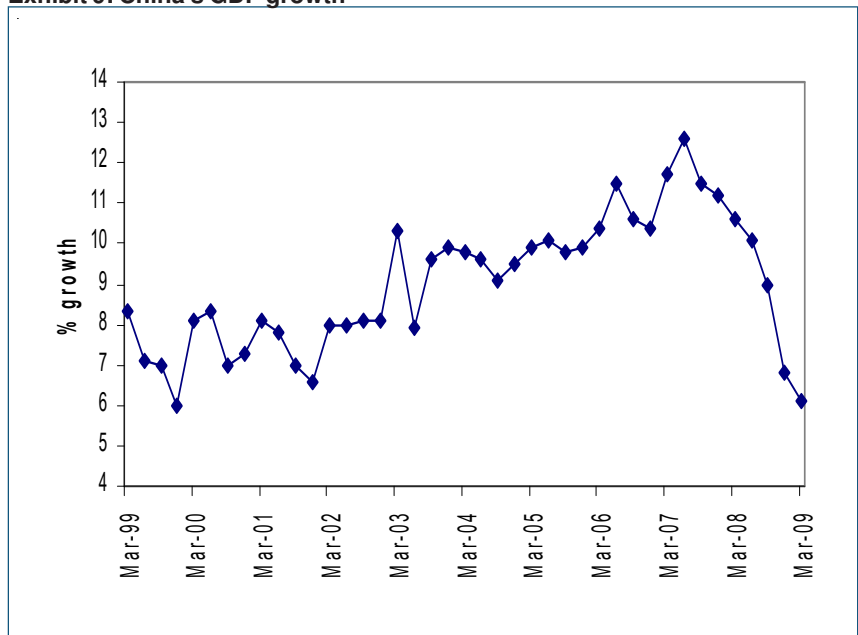
**International trade likely to remain muted in the near term.** Global macroeconomic data suggests that international trade is likely to remain muted in the near term. US retail sales remain sickly, global consumer confidence has taken a dive, volatility of exchange rates have generally grown more pronounced (thereby increasing forex risk and discouraging international trade to some extent), and China's GDP growth has slowed to its weakest pace in a decade, dragged down by weak exports. The outlook for China's export market remains pessimistic, with market watchers speculating that China will need to rely on domestic demand, rather than exports, to sustain growth. This implies a continued drought for international trade and the shipping industry.

Exhibit 8: Consumer confidence, US and EU



Source: Bloomberg

Exhibit 9: China's GDP growth

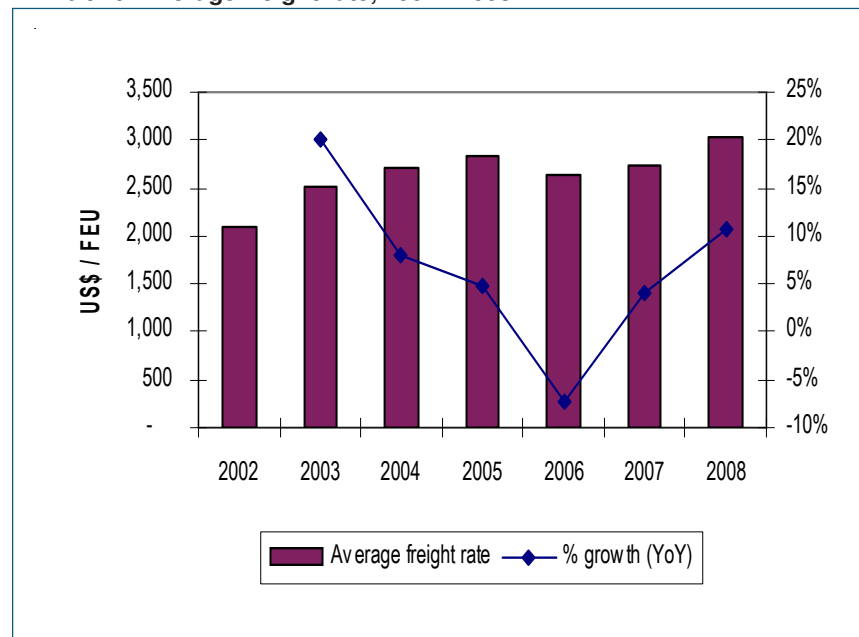


Source: Bloomberg

**Tight credit markets crimp international trade.** Weak demand is further exacerbated by the tight global credit markets. As banks have turned increasingly cautious in granting letters of credit (LCs), importers and exporters have been severely handicapped with buyers left unable to fund large inventory purchases, dealing a further blow to international trade flows. Confidence in credit markets must be restored before trade flows can recover.

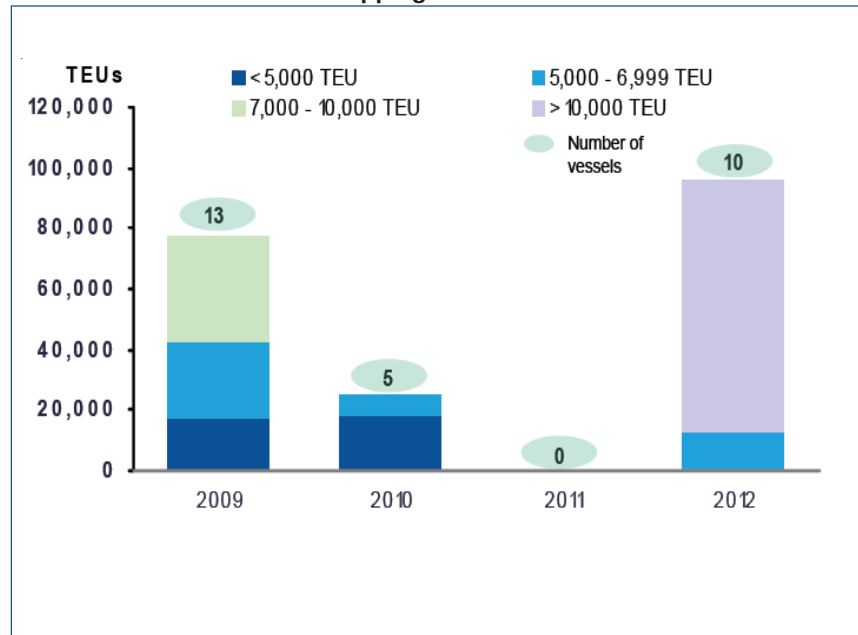
**Overhang from excess tonnage.** We highlighted earlier that the containership industry, which will be forced to take delivery of new vessels ordered during boom times, faces an imminent supply overhang. NOL is no exception. Having enjoyed a 45% increase in average freight rates between 2002 and 2008 (Exhibit 10), the group has committed to purchase or charter 28 new vessels which will be delivered over 2009 to 2012. While some deliveries have been delayed to 2012, there remains a sizeable portion which will be delivered this year, as Exhibit 11 illustrates. We fear that these could nullify the group's ongoing capacity reduction efforts.

**Exhibit 10: Average freight rate, 2002 - 2008**



Source: NOL, OIR

Exhibit 11: NOL's container shipping vessel commitments



Source: NOL

**Economically unviable freight rates.** Owing to excess supply, freight rates have fallen to economically unviable levels, eroding both revenue and profitability of container carriers. Among NOL's three main trade lanes, only the Intra-Asia route (which accounts for 35% of volume) remains profitable. The Transpacific route (33% of volume) is hovering precariously around its breakeven level, while the Asia-Europe route (18% of volume) is chalking up losses.

Various carriers, including market leader Maersk Lines, have recently attempted to raise freight rates, citing "unsustainability of current rates" and "continually improving demand". NOL, too, has similarly raised freight rates for its Asia-Europe routes in an attempt to restore freight rates to a sustainable level.

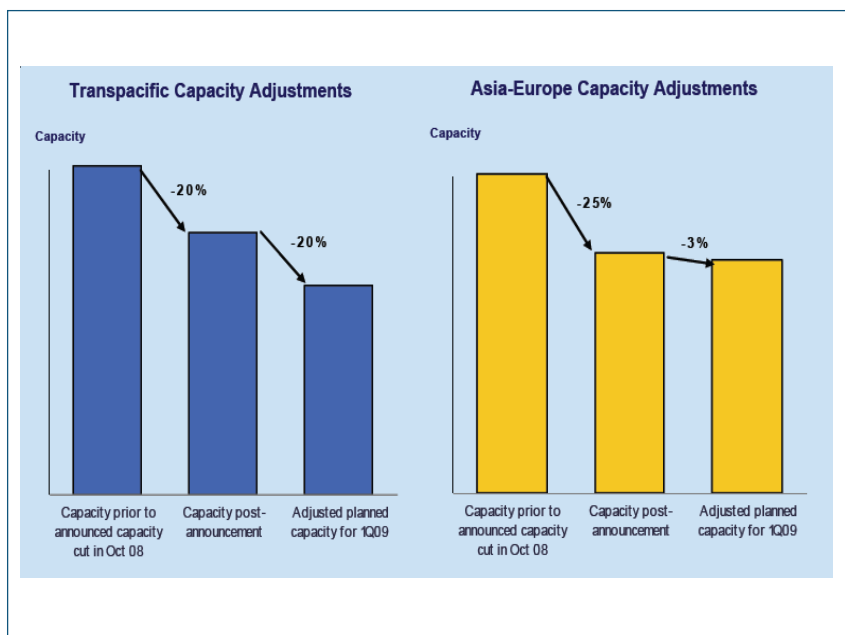
**Risk of 'trade-unfriendly' policies.** International trade depends heavily on economic policies and trade incentives (e.g. export tax rebates). Certain moves such as protectionism hurt international trade. The current economic recession has prompted policy reforms among several nations, sparking fears that some may favour protectionism in a bid to support domestic industries. Further uncertainty stems from decisions pertaining to the survival of sectors that rely on imports and exports. For instance, weakness of the auto and electronics industries will drag international trade flows.

**SECTION C: NAVIGATING THE STORM**

NOL has taken proactive measures to steer itself through the challenging operating environment. Most of these measures revolve around cost-reduction and asset yield optimisation.

**Capacity reduction by NOL...** NOL has cut its vessel capacity on major trade routes in response to lower demand. Transpacific capacity has been lowered by 20% while Asia-Europe capacity has been reduced by 25%. Further reductions of 20% and 3%, respectively, have been earmarked for 1Q09. The group's ongoing network adjustments will help to reduce variable costs and strengthen yield.

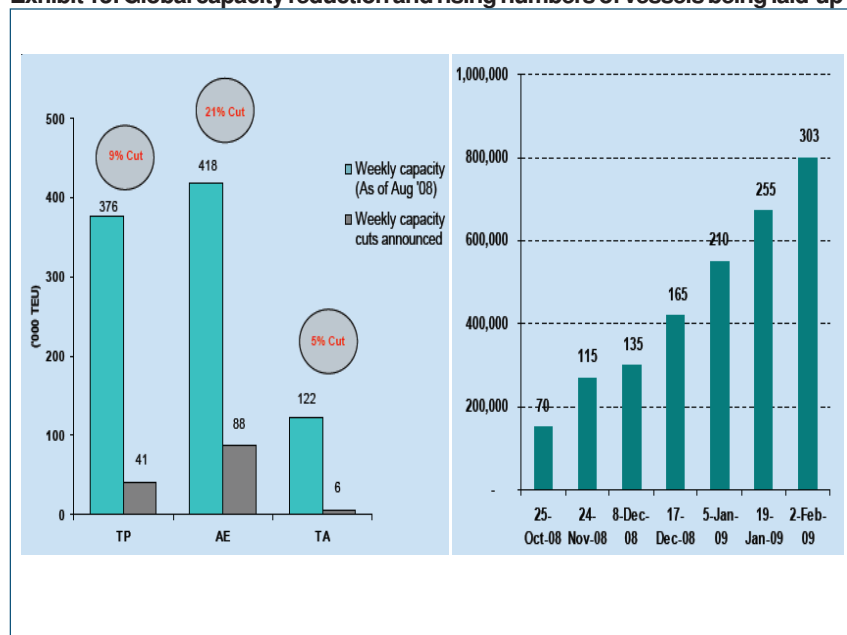
**Exhibit 12: Capacity reduction on major trade routes**



Source: NOL

**...Together with the global industry.** The global containership industry is similarly making concerted efforts to address the problem of excess capacity by trimming capacity in major trade routes. These efforts should stem the free-fall in freight rates and restore the industry's equilibrium in the medium term.

Exhibit 13: Global capacity reduction and rising numbers of vessels being laid-up



Source: NOL, AXS-Alphaliner

**Controlling fleet network.** On top of laying up excess vessels, NOL will seek to downsize its fleet by returning chartered vessels upon expiry and by delaying the delivery of new vessels that have been purchased. Out of its 130-strong fleet, 70% of which is chartered, where three charters are maturing in 2009, four in 2010, and 22 from 2011 onwards. In our view, such efforts will help to control NOL's fleet population, but only to a limited extent. The number of new vessels to be introduced into the system still exceeds the population of expiring charters, implying that NOL will continue to see a net gain in fleet size.

**Reducing capital expenditure.** NOL will reduce its capital expenditure in FY09 and limit its expenditure to just maintenance expenses. Its capex budget for FY09 is significantly lower at US\$142m, as compared to US\$882m in FY08 and US\$913m in FY07. This will help to preserve the group's cash position in anticipation of weak operating cash flows.

**Easing operating costs.** NOL has put in place several cost-reduction initiatives that could result in cost savings of US\$550m for the year. These initiatives include laying up of capacity, off-hiring of vessels and centralisation of processes. We expect these measures to take some pressure off the group's earnings in subsequent quarters.

In addition, NOL has sought to reduce labour costs by downsizing its labour force and by reducing payrolls of senior management. For instance, CEO Ron Widdows has recently taken 20% cut in basic pay, with the chairman and non-executive directors following in the same direction. Although these costs do not constitute a large portion of total operating costs, they could help to alleviate some cost pressure.

**Lifting freight rates.** Freight rates have fallen so drastically that some do not even cover variable transportation costs, such as on the Asia-Europe route. Having suffered such a drastic freefall of freight rates, global carriers have attempted to lift freight rates to more economically viable levels.

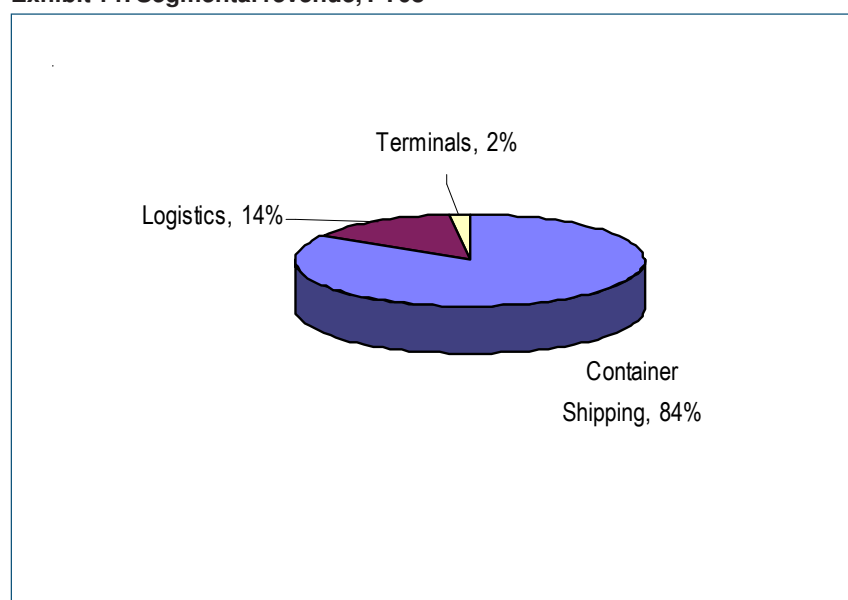
NOL has recently raised freight rates for its Asia-Europe routes in an attempt to restore freight rates to a more economically viable level. While we view these efforts positively, we remain sceptical over the magnitude of rate hikes given the weak demand for sea transportation amid the continuing economic recession.

## SECTION D: SEGMENTAL HIGHLIGHTS

NOL's operations can be categorised into three business segments.

- (i) Container shipping. This refers to its global container transportation operations. It covers the major trade lanes such as Transpacific, Intra-Asia, Transatlantic, Latin America and Asia-Europe. Container shipping forms the bulk of NOL's revenue.
- (ii) Logistics. This segment provides supply chain management services including warehousing, distribution networks and information technologies.
- (iii) Terminals. NOL operates container terminals as an integral part of shipping.

**Exhibit 14: Segmental revenue, FY08**



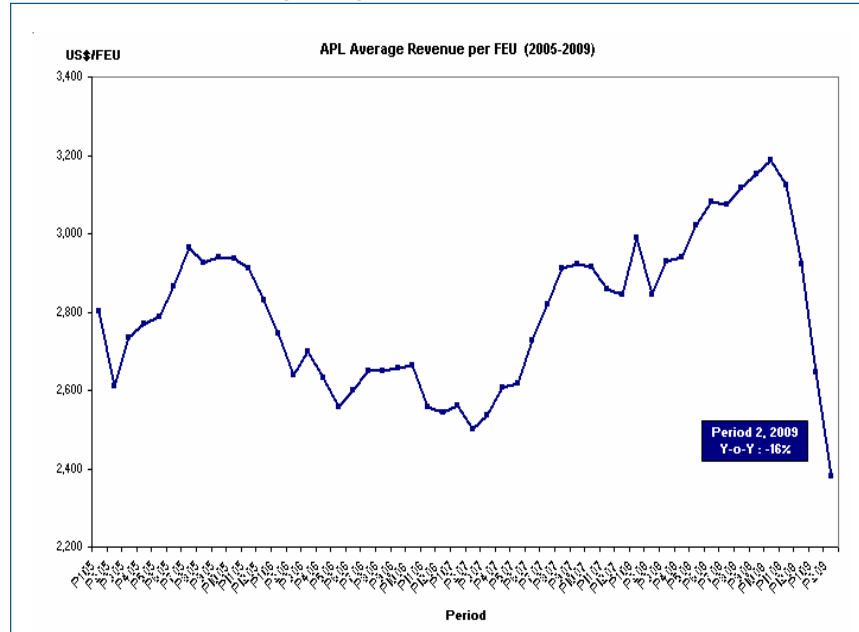
Source: NOL, OIR

### CONTAINER SHIPPING

**Contraction across all trade lanes.** Volume declined across all trade lanes in 4Q08. The Transpacific route was the hardest hit with a 25% YoY contraction. Asia/Middle East was the least affected with a 3% decline. The picture remains bleak in FY09 - container shipping volumes have declined 30% YTD as compared to the same period a year ago. We are projecting a 23% decline in FY09, followed by a 2% growth in FY10.

**Falling freight rates.** Freight rates paint a similarly awry picture. Average revenue per FEU (Forty-foot Equivalent Unit) fell sharply in 4Q08 due to a combination of lower Bunker Adjustment Factor (BAF) collections and falling core freight rates, and continued sliding in early FY09. YTD freight rate has registered a 14% decline. We expect NOL's average freight rate to fall 15% in FY09 before recovering by 4% in FY10.

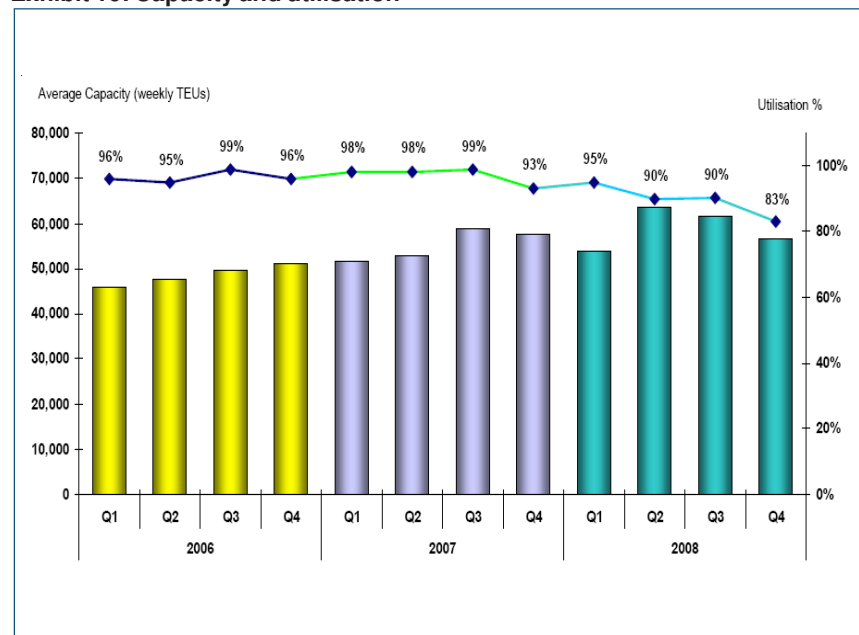
Exhibit 15: NOL's average freight rate as of 6 Mar 09



Source: NOL

**Decline in utilisation rate raises red flag.** In 4Q08, the container shipping segment's utilisation rate fell to distressed levels seen during the previous crisis in 2002, setting off alarm bells. From its usual level of >90%, utilisation fell to just 83% in 4Q08. In comparison, utilisation rate was recorded at 80% - 85% during the previous downturn in 2002. Management is tackling the low utilisation by reducing capacity via vessel lay-ups.

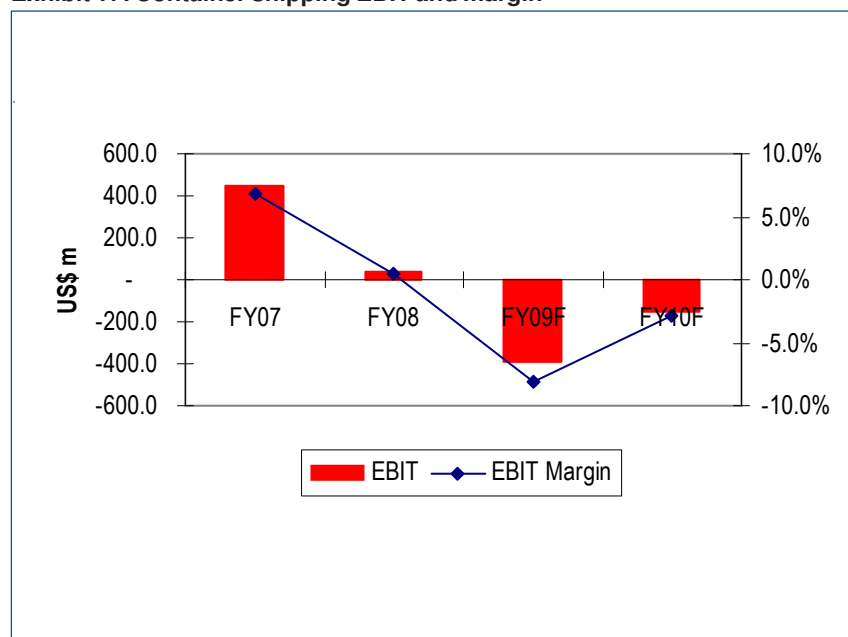
Exhibit 16: Capacity and utilisation



Source: NOL

**EBIT could be in the red.** The container shipping segment's EBIT plunged by 92% to US\$34.0m in FY08 on pronounced weakness in 2H08. In fact, it slipped into a US\$143.0m loss in 4Q08. As macro conditions have not improved significantly since 4Q08, we remain pessimistic over this segment's outlook and are expecting losses to persist in FY09 and FY10. Our projections imply a US\$394.9m loss in FY09 followed by a narrower US\$148.2m loss in FY10 at the EBIT level.

**Exhibit 17: Container shipping EBIT and margin**



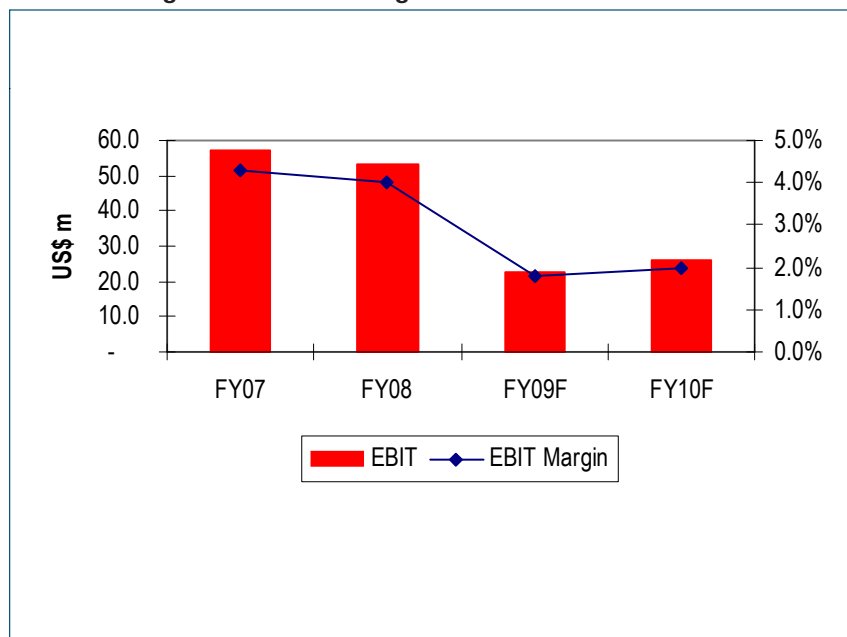
Source: NOL, OIR estimates

## **LOGISTICS**

**Trade flows the key determinant.** The logistics segment is the next highest contributor, forming 14% of the group's FY08 revenue. Earnings are derived from supply chain management services such as storage and distribution, and are a function of trade activity. According to the World Bank's forecast, global trade could fall 6.1% in 2009 before recovering 4% in 2010. We expect revenue from NOL's logistics segment to follow a similar trend.

**Sharp contraction in EBIT margin.** EBIT from this segment fell by 7% to US\$53.0m in FY08. More importantly, EBIT margin, which has typically held steady at 4% over the last four years, came under pressure in 4Q08 and narrowed to just 1.8%. Our projection assumes that the weak 4Q08 EBIT margins will persist in FY09 and FY10, bringing our EBIT estimates to US\$22.4m and US\$25.9m, respectively.

Exhibit 18: Logistics EBIT and margin

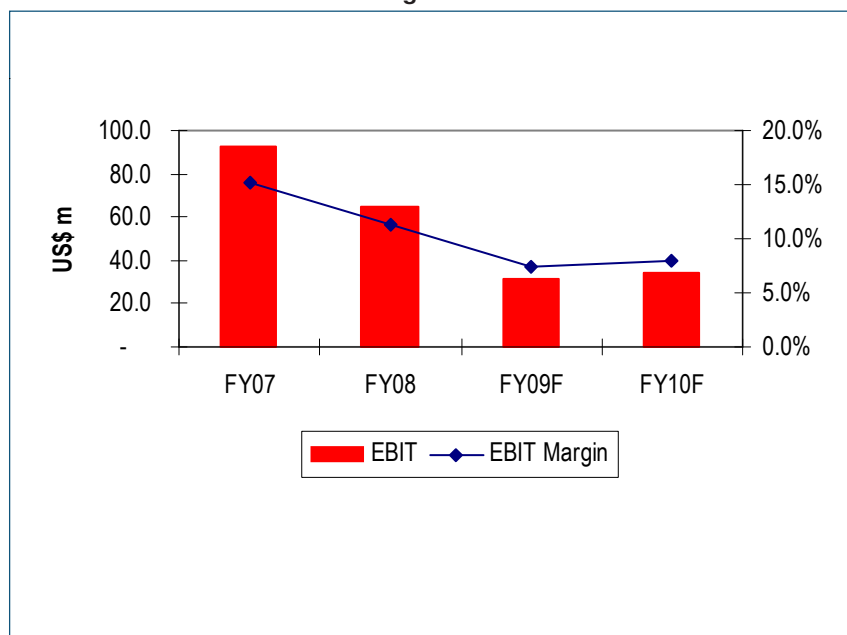


Source: NOL, OIR estimates

**TERMINALS**

**Not spared from receding trade volumes.** Operation of container terminals is an integral part of NOL's container shipping business. Earnings are closely tied to container shipping volumes. We expect revenue and EBIT to decline in FY09 as global trade volumes recede. In addition, we anticipate a contraction in average revenue per lift (a performance indicator measuring revenue per unit volume handled), bringing our FY09 and FY10 EBIT estimates to US\$31.5m and US\$34.6m, respectively.

Exhibit 19: Terminals EBIT and margin

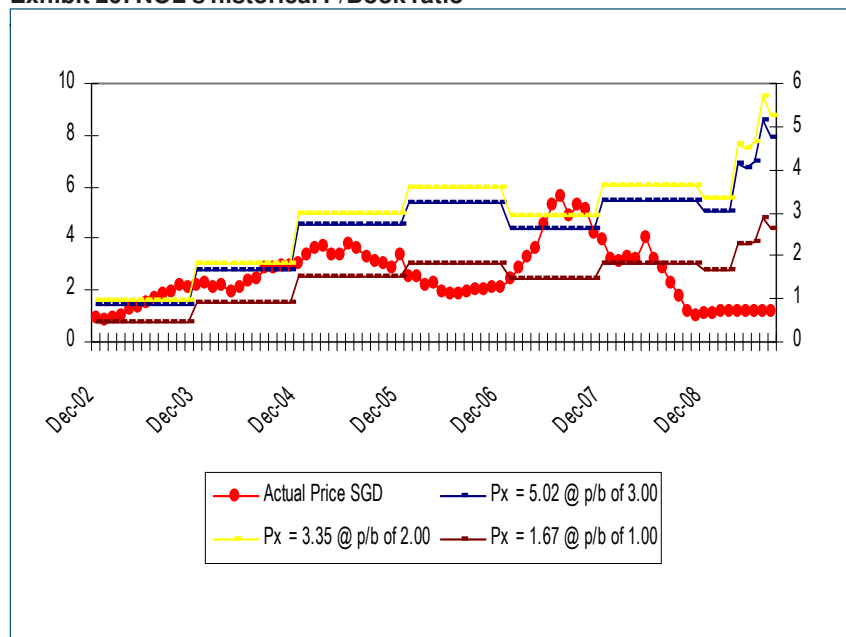


Source: NOL, OIR estimates

**SECTION E: VALUATION AND RECOMMENDATION**

**Not at its trough yet.** NOL reached a low of 0.4x NAV during the trough of its cycle in 2002. It currently trades at 0.7x FY09F NAV, which is still some way from the previous low. We are of the view that the market has not fully priced in the severity of the current cyclical downturn, and believe that the stock could face more downside risk.

**Exhibit 20: NOL's historical P/Book ratio**



Source: Bloomberg

**Exhibit 21: Peers comparison**

	Currency	Price	Mkt Cap (m)	Net Margin (%)	Historical PER (x)	Est Per (x)	P/Bk (x)	Trough P/Bk (x)	Div Yield	ROE (%)
Evergreen	TWD	17.75	54,332	37.3	5.0	60.4	0.8	0.6	5.7	16.4
Hanjin	KRW	21900	1,935,266	3.4	5.1	N.A.	0.5	0.4	2.8	11.0
Wan Hai	TWD	15.15	32,521	10.6	5.2	18.9	1.0	0.9	7.5	20.0
Cosco	HKD	7.15	138,135	18.0	2.0	3.8	1.1	0.6	1.1	47.9
Yang Ming	TWD	12.1	31,006	5.3	5.1	26.4	0.6	0.5	4.0	12.9
<b>Average</b>				<b>14.9</b>	<b>4.5</b>	<b>27.4</b>	<b>0.8</b>	<b>0.6</b>	<b>4.2</b>	<b>21.6</b>
NOL	SGD	1.4	2,065	0.9	16.7	N.A.	0.6	0.4	0.0	3.4

Source: Bloomberg, OIR estimates

**Trades at discount to peers.** NOL has historically traded at a slight discount to its peers in terms of P/Book, possibly due to its lower profit margin and ROE. During the previous cyclical trough, NOL's peers traded at an average of 0.6x NAV, while NOL traded at 0.4x. They currently trade at 0.8x NAV vs. NOL's 0.6x FY08 NAV. We believe that the industry will continue to trade at discount to book values given the muted outlook, with NOL trading at a discount to its peers.

**Lacking catalysts; initiate with SELL.** In view of the IMF's pessimistic stance on the global economy, coupled with NOL's bearish guidance, we opine that global trade flows could remain weak for a protracted period. Real economic recovery, which remains lacking, is key to reviving trade flows. We see no near term catalysts for the stock and initiate coverage on NOL with a **SELL** rating and S\$0.815 fair value estimate, based on 0.4x FY09F NTA, in line with its previous trough valuation. Risks to our assumptions include a speedier than expected global economic recovery and intermittent positive macro news flow which could lift sentiment.

## NOL's Key Financial Data

### EARNINGS FORECAST

Year Ended 31 Dec (US\$ m)	FY07	FY08	FY09F	FY10F
Revenue	8,160.0	9,285.1	6,542.5	6,902.9
Cost of sales	-6,865.6	-8,329.0	-6,149.9	-6,212.6
Gross Profit	1,294.4	956.1	392.5	690.3
Other gains	74.6	52.9	0.0	0.0
Expenses	-749.6	-844.9	-733.6	-778.0
EBIT	619.4	164.1	-341.0	-87.7
Finance costs	-44.0	-34.9	-41.0	-41.0
Share of associates / JV profit	10.4	8.0	4.0	4.0
Profit before tax	585.9	137.2	-378.0	-124.7
Tax	-53.9	-48.9	-37.9	-38.6
Profit for the year	532.0	88.3	-416.0	-163.3
Minority interests	9.2	5.1	6.5	6.9
Profit attributable to shareholders	522.8	83.1	-422.5	-170.2
EPS (US cents)	35.3	5.6	-28.6	-11.5
<b>Profitability Ratios</b>				
Gross margin (%)	15.9%	10.3%	6.0%	10.0%
EBIT margin (%)	7.6%	1.8%	-5.2%	-1.3%
PBT margin (%)	7.2%	1.5%	-5.8%	-1.8%
Net profit margin (%)	6.4%	0.9%	-6.5%	-2.5%

**BALANCE SHEET**

<b>As at 31 Dec (US\$ m)</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
Cash and cash equivalents	504.4	429.2	291.4	276.8
Trade receivables	1,044.7	828.7	523.4	483.2
Inventories	161.1	159.0	111.2	103.5
Other current assets	173.9	73.6	73.6	73.6
Property, plant, and equipment	2,812.8	3,642.6	3,555.2	3,464.9
Other non-current assets	311.8	311.4	311.4	311.4
<b>Total assets</b>	<b>5,008.7</b>	<b>5,444.6</b>	<b>4,866.2</b>	<b>4,713.4</b>
Debt	591.5	1,244.6	1,367.0	1,367.0
Current liabilities excluding debt	1,489.7	1,468.2	1,192.1	1,201.7
Non-current liabilities excluding debt	220.3	227.2	218.5	219.4
<b>Total liabilities</b>	<b>2,301.5</b>	<b>2,940.0</b>	<b>2,777.6</b>	<b>2,788.1</b>
Shareholders equity	2,661.9	2,460.5	2,038.0	1,867.8
Minority interests	45.3	44.0	50.6	57.5
<b>Total equity</b>	<b>2,707.2</b>	<b>2,504.6</b>	<b>2,088.6</b>	<b>1,925.3</b>
<b>Total equity and liabilities</b>	<b>5,008.7</b>	<b>5,444.6</b>	<b>4,866.2</b>	<b>4,713.4</b>
NAV per share (US cents)	181.4	167.3	138.2	126.6
NTA per share (US cents)	179.1	165.3	136.2	124.6

**CASH FLOW**

<b>Year Ended 31 Dec (US\$ m)</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
Operating profit before working cap. changes	861.1	498.9	-107.6	146.5
Working capital changes, taxes and interests	-33.2	0.9	-10.5	-21.2
<b>Net cash from operations</b>	<b>827.9</b>	<b>499.8</b>	<b>-118.1</b>	<b>125.3</b>
Purchase of property, plant and equipment	-911.8	-879.0	-142.0	-140.0
Other investing flows	48.4	36.0	0.0	0.0
<b>Investing cash flow</b>	<b>-863.5</b>	<b>-843.1</b>	<b>-142.0</b>	<b>-140.0</b>
Financing cash flow	-154.4	268.1	122.3	0.0
<b>Net cash flow</b>	<b>-189.9</b>	<b>-75.1</b>	<b>-137.8</b>	<b>-14.7</b>
Cash at beginning of year	694.3	504.4	429.2	291.4
Cash at end of year	504.4	429.2	291.4	276.8

**Key Ratios**

PER (x)	2.7	16.7	-3.3	-8.1
Price/NAV (x)	0.5	0.6	0.7	0.7
Price/NTA (x)	0.5	0.6	0.7	0.8
EV/EBITDA (x)	1.7	5.1	-22.0	17.4
Dividend yield (%)	10.0	5.7	0.0	0.0
ROE (%)	19.6	3.4	-20.7	-9.1
Net gearing (%)	3.3	33.1	52.8	58.4

*Source: Company data, OIR estimates*

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The analyst/analysts who wrote this report holds NIL shares in the above security.

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