MITA No. 010/06/2008

22 April 2009

SSH Corp Ltd

Maintain

HOLD

Previous Rating: HOLD

S$0.13

Fair Value: S$0.11

Stock Code:	
Reuters:	SSHL.SI
ISIN Code	S11
Bloomberg:	SSH SP
Event:	Update

General Data

Issued Capital (m)	541
Mkt Cap (Sm/USm)	70 / 47
Major Shareholder	Aqua Terra (28.2%)
Free Float (%)	68.0
NTA per share (S cents)	21.2
Daily Vol 3-mth ('000)	955
52Wk High (S$)	0.325
52Wk Low (S$)	0.085

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Waiting for signs of a sustained recovery

Steel prices continue to fall. Global steel prices have more than halved since peaking in Jul 08 due to a dramatic decline in demand. Producers such as ArcelorMittal and mills in China have cut back on production, hoping for de-stocking to run its path and waiting for recovery. Indeed, China's iron ore and carbon steel imports experienced a month-on-month increase for the first time in February this year since July last year. As China is a major player in the steel industry, its recovery is likely to boost steel prices. However with the still-murky global economic outlook and languishing US market whose auto industry is on the edge, having high expectations on the steel industry is asking too much from China.

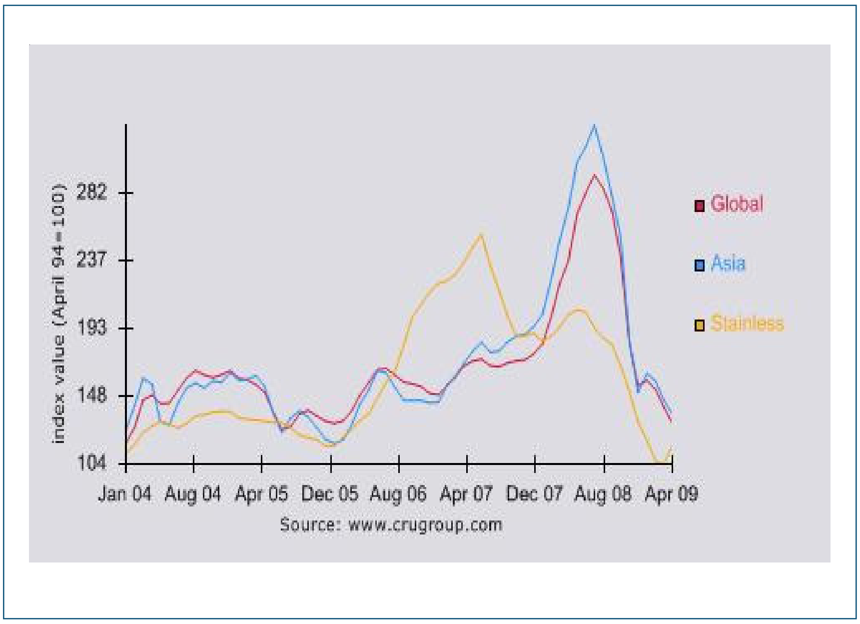
Support from industry diversification. SSH services the oil and gas, marine and petrochemical industries. The industry diversification will help cushion underperformance in any one sector, such as shipbuilding which has seen minimal new order flow. Shiprepair, though not immune in a recession, is likely to be less affected given that ships typically have to come in for repairs every 2.5 years. On the oil and gas front, though the EIA forecasts lower oil demand this year, there are still companies such as PT Perusahaan Gas Negara (Persero) Tbk that expect to raise capital expenditure by 33% to US$200m this year. Finally, if SSH is able to increase its exposure to the infrastructure industry (one of the few sectors left in Singapore that is enjoying robust growth), the more support it will have during this recession.

Waiting for signs of a sustained recovery. Market sentiment has improved, but we note that economic indicators are pointing otherwise. As such, the recent rally in smaller-cap stocks is unlikely to be fundamentally driven, and signs of a sustained recovery have to be present before we turn more bullish on the stock.

Maintain HOLD. SSH has a good business model and its tripartite relationship with KS Energy and Aqua-Terra Supply should result in synergies and increased business opportunities compared to a stand-alone stockist. Though there are early signs that demand in China may be picking up, SSH's main industries still require a sustained recovery in other parts of the world. We maintain our **HOLD** rating and fair value estimate of S$0.11.

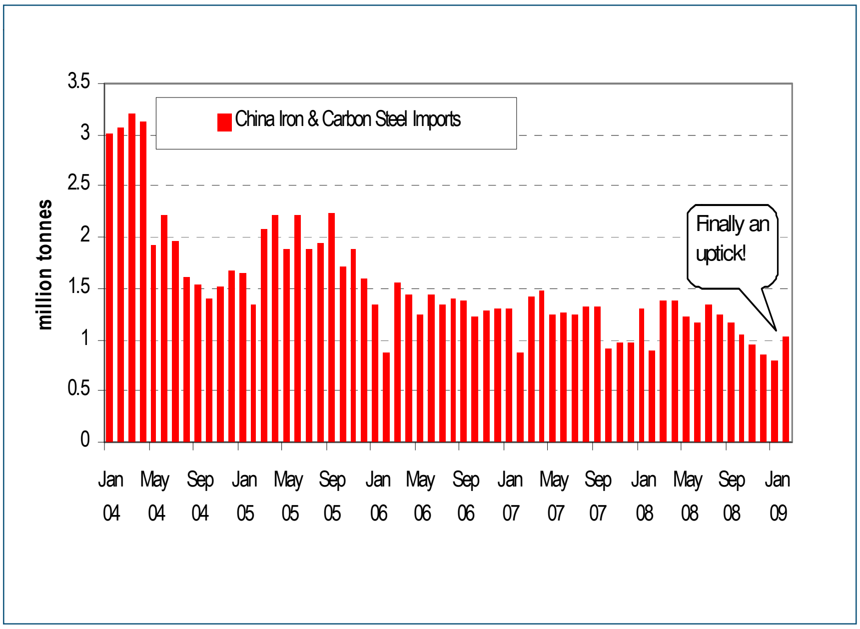
Year to 30 Jun	Turnover (S$m)	EBITDA (S$m)	Net Profit (S$m)	EPS (cents)	EPS Growth (%)	PER (x)
FY 07	175.2	25.3	18.1	3.4	-	3.7
FY 08	249.3	37.6	27.5	5.1	52.0	2.4
FY 09F	282.3	39.9	28.3	5.2	2.6	2.4
FY 10F	331.9	46.3	32.9	6.1	15.9	2.1

Exhibit 1: Steel prices



Source: CRU Steel price indices

Exhibit 2: China iron and carbon steel imports



Source: Bloomberg

SSH's Key Financial Data

EARNINGS FORECAST Year Ended 30 Jun (S$ m)	FY07*	FY08	FY09F	FY10F
Revenue	175.2	249.3	282.3	331.9
Cost of sales	-130.6	-184.9	-210.3	-247.2
Gross profit	44.6	64.4	72.0	84.6
EBITDA	25.3	37.6	39.9	46.3
Depreciation & amortisation	-1.1	-1.3	-1.7	-2.0
Interest expense	-1.2	-2.6	-2.5	-3.0
Others	0.0	0.8	0.1	0.0
Pre-tax profit	23.0	34.5	35.8	41.4
Tax	-4.7	-6.8	-7.2	-8.3
Minority interests	-0.3	-0.1	-0.4	-0.2
Net profit	18.1	27.5	28.3	32.9
Earnings per share (cents)	3.4	5.1	5.2	6.1
Fully diluted earnings per share (cents)	3.3	5.1	5.2	6.1

BALANCE SHEET As at 30 Jun (S$ m)	FY07*	FY08	FY09F	FY10F
Cash	4.8	3.4	8.6	8.1
Other current assets	133.1	160.1	184.0	210.4
Fixed assets	12.3	12.9	13.2	13.2
Other long term assets	0.8	18.5	18.5	18.4
Total assets	151.0	194.9	224.2	250.1
Current liabilities less debt	24.7	36.3	40.4	47.6
Debt	40.0	39.0	21.5	29.0
Other long term liabilities	0.4	13.5	32.3	17.3
Total liabilities	65.0	88.8	94.2	93.9
Shareholders equity	84.8	104.9	128.4	154.7
Minority interests	1.1	1.3	1.6	1.6
Total equity and liabilities	151.0	194.9	224.2	250.1
NTA per share (cents)	15.8	19.5	23.9	28.8

CASH FLOW Year Ended 30 Jun (S$ m)	FY07*	FY08	FY09F	FY10F
Operating profit before working cap. changes	25.3	36.3	38.7	41.7
Working capital changes	-39.5	-19.9	-20.7	-12.0
Income tax	-3.2	-4.4	-4.6	-7.0
Net cash from operations	-17.3	12.0	13.4	22.7
Capex	-1.1	-2.0	-1.5	-2.0
Other investing flows	1.0	-11.3	0.1	0.1
Investing cash flow	-0.1	-13.3	-1.4	-1.9
Change in equity	0.0	0.1	0.0	0.0
Net change in debt	24.9	10.3	1.3	-10.0
Dividends paid	-3.7	-5.8	-5.7	-8.2
Others	-1.2	-2.8	-2.5	-3.0
Financing cash flow	20.1	1.8	-4.9	-21.2
Other adjustments	0.1	-1.8	0.0	0.0
Net cash flow	2.8	-1.3	5.2	-0.5
Cash at beginning of year	1.9	4.8	3.4	8.6
Cash at end of year	4.8	3.4	8.6	8.1
Key Ratios				
PER (x)	3.7	2.4	2.4	2.1
Price/NTA (x)	0.8	0.6	0.5	0.4
EV/EBITDA (x)	4.1	3.0	2.8	2.2
Dividend yield (%)	6.6	12.8	8.4	12.1
ROIC (%)	12.1	14.2	12.7	13.3
ROE (%)	21.3	26.3	22.0	21.3
Debt/Equity	47.1	47.9	40.1	28.4
PE to growth (x)	0.1	0.0	0.9	0.1

Source: Company data, OIR estimates
****FY07: 13 mths' contribution due to change in FY end***

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