

MITA No. 010/06/2008

14 May 2009

SSH Corp Ltd

Maintain

HOLD

Previous Rating: HOLD

S\$0.21

Fair Value: S\$0.16

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

Event: Results

General Data

Issued Capital (m)	541
Mkt Cap (S\$m/US\$m)	114 /77
Major Shareholder	Aqua Terra (28.2%)
Free Float (%)	68.0
NTA per share (S cents)	21.7
Daily Vol 3-mth ('000)	3,546
52Wk High (S\$)	0.325
52Wk Low (S\$)	0.085

Results affected by provisions and industry factors

Soft 3Q09 in a challenging industry. SSH Corporation (SSH) reported a 14% YoY fall in 3Q09 revenue to S\$53.5m as the group continued to feel the impact from the economic downturn. Net profit fell 69% YoY to S\$2.1m, lower than expected, with gross profit margins affected by a provision for inventories write-down of S\$2.7m and higher other operating expenses arising from provision for impairment loss on leasehold property and foreign exchange losses. Gross profit margin for 3Q09 was 22%, lower as compared to 26% in 3Q08. Peers in the same industry have similarly been affected by the challenging business conditions with companies such as Hupsteel expecting to report a loss in its upcoming results and Asia Enterprises posting a 66% YoY fall in net profit for the past quarter.

Industry outlook remains bleak. From what we gather, steel distributors and end-users are likely to continue de-stocking amid scarce signs of a sustained recovery. Steel prices may also experience more downside risk if iron ore prices continue its downtrend in the face of weak demand. Steel demand in most sectors, (with the exception of the infrastructure industry aided by government expenditure), has to stabilize first, probably in the later part of this year, depending on a myriad of factors such as the efficacy of government stimulus packages worldwide, consumer sentiments, corporate investments and bank lending activities. SSH also said that the global economic slowdown has resulted in several projects being deferred amid softer prices for steel. The group's revenue has been affected mainly by lower steel prices and lower demand for its products.

Maintain HOLD. This latest set of results is a reflection of general business conditions across the industry, as seen by results of SSH's peers. If we were to exclude the provision for inventory write-down and property impairment, net profit would have been S\$5.4m instead of S\$2.1m. The group expects the rest of FY09 to remain challenging, which is the consensus view among most industry players. We are revising our earnings estimates downwards with the lower than expected results and now peg our fair value to 0.6x FY10F NTA (in line with peers) with lower earnings visibility and also fewer available consensus EPS estimates for the group's peers. As such our fair value is raised to S\$0.16 (prev S\$0.11). Maintain **HOLD**.

Low Pei Han

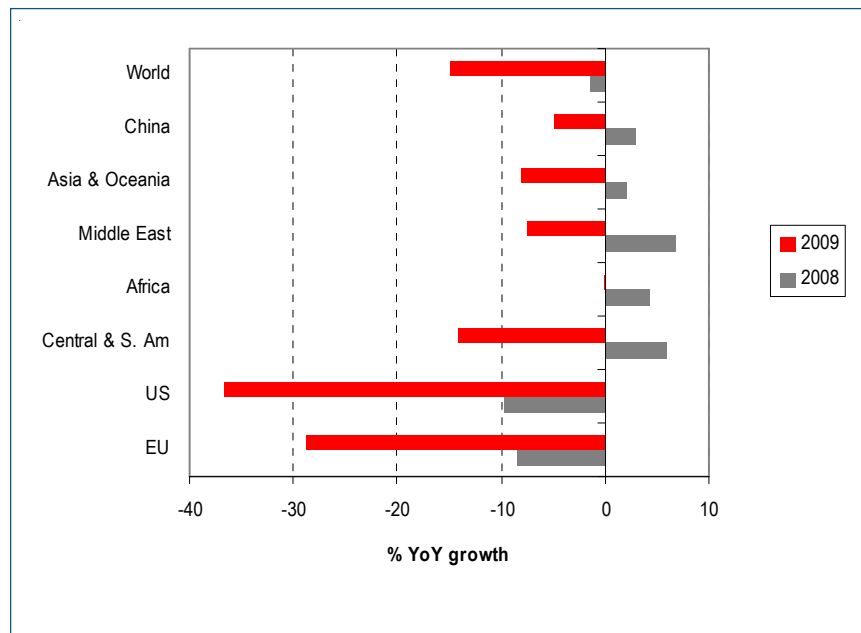
(65) 6531 9813

e-mail: LowPH@ocbc-research.com

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	230.8	31.6	22.4	4.2	-18.5	3.0
FY 10F	222.6	33.3	24.2	4.5	7.9	2.8

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

Exhibit 1: Apparent steel use



Source: World Steel Association

Exhibit 2: Peer comparison

Company	Price (\$)	Market Cap (\$m)	P/E		P/B (x)	P/Sales (x)
			Cur Yr (x)	Next Yr (x)		
Annaik	0.12	29.8	-	-	0.5	0.4
Aqua-Terra	0.24	84.2	7.1	6.9	0.8	0.3
Asia Enterprises	0.22	61.2	2.4	-	0.6	0.3
Federal International	0.27	85.0	-	-	0.8	0.4
HG Metal Manufacturing	0.14	77.1	-	-	0.5	0.1
Hupsteel	0.19	119.2	5.0	3.4	0.6	0.2
Lee Metal	0.13	57.5	-	-	0.6	0.0
Sin Ghee Huat	0.16	35.5	-	-	0.4	3.6
Average			4.8	5.1	0.6	0.7
SSH	0.21	113.5	4.4	4.0	1.1	0.5

Source: Bloomberg, OIR

SSH's Key Financial Data

SSH Results Year Ended 30 Jun (\$ m)	3Q08 (\$m)	3Q09 (\$m)	% Chg (YoY)	2Q09 (\$m)	% Chg (QoQ)
Revenue	62.3	53.5	-14.1	55.1	-2.9
Cost of sales	-46.2	-41.8	-9.5	-40.7	2.7
Gross profit	16.1	11.7	-27.3	14.4	-18.8
Other operating income	0.4	0.8	94.7	2.6	-68.8
Distribution costs	-3.4	-3.7	8.8	-3.8	-2.6
Admin expenses	-3.6	-4.1	13.9	-4.8	-14.6
Other operating expenses	-0.2	-1.3	446.2	-1.0	30.0
Finance costs	-0.8	-0.4	-50.0	-0.5	-20.0
Share of profit in assoc & JV	0.1	0.0	nm	0.0	nm
Pre-tax profit	8.6	3.0	-65.2	6.9	-57.2
After-tax profit	6.9	2.1	-69.6	5.5	-61.8
EPS (cents)	1.3	0.4	-69.2	1.0	-58.8

EARNINGS FORECAST

Year Ended 30 Jun (\$ m)	FY07*	FY08	FY09F	FY10F
Revenue	175.2	249.3	230.8	222.6
Cost of sales	-130.6	-184.9	-171.9	-165.8
Gross profit	44.6	64.4	58.8	56.8
EBITDA	25.3	37.6	31.6	33.3
Depreciation & amortisation	-1.1	-1.3	-1.6	-1.3
Interest expense	-1.2	-2.6	-2.0	-2.0
Others	0.0	0.8	0.4	0.4
Pre-tax profit	23.0	34.5	28.3	30.4
Tax	-4.7	-6.8	-5.7	-6.1
Minority interests	-0.3	-0.1	-0.2	-0.2
Net profit	18.1	27.5	22.4	24.2
Earnings per share (cents)	3.4	5.1	4.2	4.5
Fully diluted earnings per share (cents)	3.3	5.1	4.2	4.5

BALANCE SHEET

As at 30 Jun (S\$ m)	FY07*	FY08	FY09F	FY10F
Cash	4.8	3.4	3.6	4.1
Other current assets	133.1	160.1	170.8	180.7
Fixed assets	12.3	12.9	15.0	16.2
Other long term assets	0.8	18.5	17.0	17.0
Total assets	151.0	194.9	206.3	218.0
Current liabilities less debt	24.7	36.3	28.4	26.8
Debt	40.0	39.0	20.0	18.0
Other long term liabilities	0.4	13.5	32.2	29.2
Total liabilities	65.0	88.8	80.7	74.0
Shareholders equity	84.8	104.9	124.2	142.6
Minority interests	1.1	1.3	1.5	1.5
Total equity and liabilities	151.0	194.9	206.3	218.0
NTA per share (cents)	15.8	19.5	23.1	26.5

CASH FLOW

Year Ended 30 Jun (S\$ m)	FY07*	FY08	FY09F	FY10F
Operating profit before working cap. changes	25.3	36.3	30.7	29.2
Working capital changes	-39.5	-19.9	-18.4	-10.8
Income tax	-3.2	-4.4	-4.6	-4.9
Net cash from operations	-17.3	12.0	7.6	13.5
Capex	-1.1	-2.0	-1.5	-2.0
Other investing flows	1.0	-11.3	0.7	1.6
Investing cash flow	-0.1	-13.3	-0.8	-0.4
Change in equity	0.0	0.1	0.0	0.0
Net change in debt	24.9	10.3	-0.2	-5.0
Dividends paid	-3.7	-5.8	-4.5	-5.6
Others	-1.2	-2.8	-2.0	-2.0
Financing cash flow	20.1	1.8	-6.7	-12.6
Other adjustments	0.1	-1.8	0.0	0.0
Net cash flow	2.8	-1.3	0.1	0.5
Cash at beginning of year	1.9	4.8	3.4	3.6
Cash at end of year	4.8	3.4	3.6	4.1

Key Ratios

PER (x)	3.7	2.4	3.0	2.8
Price/NTA (x)	0.8	0.6	0.5	0.5
EV/EBITDA (x)	4.1	3.0	3.6	3.3
Dividend yield (%)	6.6	12.8	6.6	8.2
ROIC (%)	12.1	14.2	11.0	11.2
ROE (%)	21.3	26.3	18.1	17.0
Debt/Equity	47.1	47.9	40.3	31.6
PE to growth (x)	0.1	0.0	-0.2	0.4

Source: Company data, OIR estimates

*FY07: 13 mths' contribution due to change in FY end

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Carmen Lee
Head of Research

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