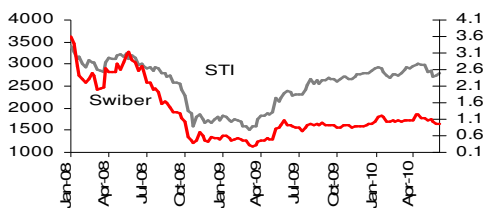


14 June 2010

Maintain

BUY

Previous Rating: BUY

Current Price: S\$0.945
Fair Value: S\$1.38


Reuters Code	SWBR.SI
ISIN Code	AK3
Bloomberg Code	SWIB SP
Issued Capital (m)	508
Mkt Cap (S\$m / US\$m)	480 / 346
Major Shareholders	
Pang Yoke Min	10.8%
Free Float (%)	58.6%
Daily Vol 3-mth ('000)	8,259
52 Wk Range	0.725 - 1.280

(US\$ m)	FY08	FY09	FY10F	FY11F
Revenue	428.4	393.4	583.5	690.7
EBIT	37.0	23.4	63.0	81.4
P/NTA (x)	1.4	1.2	1.0	0.8
EPS (S cts)	12.9	9.6	15.7	17.4
PER (x)	7.1	9.6	5.8	5.2

Swiber Holdings Ltd

More opportunities in the pipeline

Huge opportunity in the Middle East. According to Upstream, Saudi Aramco is set to invite bids for at least US\$1b of offshore fabrication work related to its Wasit gas programme. Bids are due to be submitted probably as early as September, with contract awards targeted for Mar 2011¹. There is a possibility that Swiber may participate in the bidding, considering that it is also looking at opportunities in the Middle East and has a JV partner in Rawabi Holding, a Saudi Arabian company that may increase its bidding chances. Given the huge workscope which could see as many as 13 wellhead platforms and hundreds of kilometers of pipelines, Sembcorp Marine's SMOE may also emerge as a bidder.

More work available from ONGC. Meanwhile, Upstream also reported that India's ONGC has re-opened the tender on the EPIC (engineering, procurement, installation and commissioning) contract for its delayed US\$1.3b B-193 cluster fields' development after Ramunia Holdings failed to provide a bank guarantee². Swiber has already announced five contract wins YTD, and though the customer names have not been disclosed, it is likely that many belong to the same customer, India's Oil and Natural Gas Corporation (ONGC), according to news reports. Though there is high concentration risk, the possibility of a credit default should be low given that ONGC is a state-owned company. India is also keen to develop its resources and intensify its search for energy assets to fuel its growing economy.

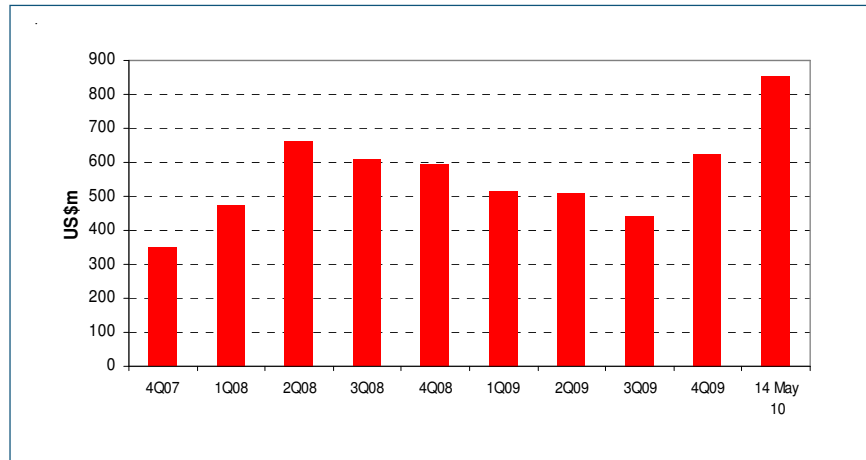
On the right track for expansion. Demand for field development work in Asia and the Middle East remains strong, although competition during the bidding process is fierce as well. Swiber has already gained a strong foothold in places such as Malaysia, Brunei and India. Should it replicate its success in the Middle East, the group's prospects should be even brighter, assuming there is good cost control. This is because Swiber focused on the SE Asian market in the past and most of its work (e.g. installation work) previously could only be done in 2Q and 3Q of the year given weather patterns. Now work can also be done in other quarters of the year with different monsoon patterns in the new markets. Hence with a stronger order book and a bright outlook for offshore field development, we maintain our **BUY** rating and S\$1.38 fair value estimate. Risks include disruptions due to unexpected events, leading to cost overruns and lost revenue.

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¹ "Aramco set to start race for Wasit gas". Upstreamonline. 11 June 2011.

² "Indian giant reopens the tender on B-193 cluster fields' subsea EPIC". Upstreamonline. 7 June 2011.

Exhibit 1: Stronger order book



Source: Company, OIR

Swiber's Key Financial Data

EARNINGS FORECAST					BALANCE SHEET				
Year Ended 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F	As at 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F
Revenue	428.4	393.4	583.5	690.7	Cash and cash equivalents	74.7	83.2	76.5	78.9
Cost of sales	-364.1	-337.1	-475.5	-552.5	Other current assets	318.1	523.9	464.9	445.0
Gross profit	64.3	56.3	107.9	138.1	Property, plant, and equipment	282.5	231.9	290.8	305.1
EBIT	37.0	23.4	63.0	81.4	Total assets	705.6	936.8	937.0	957.7
Net interest	-10.3	-13.0	-13.3	-10.3	Debt	281.3	230.7	208.1	114.3
Share of Assoc Profits & JV	2.8	4.8	6.0	6.0	Current liabilities excluding debt	10.5	110.1	84.0	40.9
Exceptional items	15.7	28.6	14.5	2.0	Total liabilities	498.5	633.5	570.5	519.9
Pre-tax profit	45.2	43.8	70.2	79.1	Shareholders equity	205.9	297.6	354.6	417.8
Profit for the year	39.5	39.0	63.2	71.2	Total equity	207.1	303.3	366.5	437.7
Profit attributable to shareholders	38.8	34.7	57.0	63.2	Total equity and liabilities	705.6	936.8	937.0	957.7
CASH FLOW					KEY RATES & RATIOS				
Year Ended 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F		FY08	FY09	FY10F	FY11F
Op profit before working cap. chang	49.7	42.1	80.5	99.7	Core EPS (S cents)	7.7	1.7	11.1	16.9
Working cap, taxes and int	-47.6	-91.3	-38.8	28.1	EPS (S cents)	12.9	9.6	15.7	17.4
Net cash from operations	2.2	-49.2	41.7	127.7	NTA per share (S cents)	68.2	82.0	97.6	115.1
Purchase of PP&E	-226.3	-83.9	-50.0	-50.0	Net profit margin (%)	9.1	8.8	9.8	9.1
Other investing flows	19.5	45.3	22.0	18.9	PER (x)	7.1	9.6	5.8	5.2
Investing cash flow	-206.7	-38.6	-28.0	-31.1	Price/NTA (x)	1.4	1.2	1.0	0.8
Financing cash flow	190.8	95.9	-23.2	-94.3	EV/EBITDA (x)	13.3	16.3	7.5	4.9
Net cash flow	-14.5	8.5	-9.5	2.4	Dividend yield (%)	0.0	0.0	0.0	0.0
Cash at beginning of year	97.7	74.7	83.2	76.5	ROE (%)	18.9	11.7	16.1	15.1
Cash at year end (incl. pledges)	74.7	83.2	76.5	78.9	Net gearing (%)	100.4	49.6	37.1	8.5

Source: Company data, OIR estimates

SHAREHOLDING DECLARATION:

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

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- For companies with less than S\$150m market capitalization, OIR's Buy = More than 30% upside from the current price; Hold = Trade within +/- 30% from the current price; Sell = More than 30% downside from the current price.

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For OCBC Investment Research Pte Ltd



Carmen Lee
Head of Research

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