

MITA No. 014/06/2008

11 March 2009

Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1485.8	28.8	2.0
Catalist	64.2	-0.3	-0.5
Finance	333.5	9.5	2.9
Property	292.4	7.9	2.8
Electronics	280.7	-25.4	-8.3
Vol (m)	973.6	144.1	17.4
Val (S\$m)	751.8	64.9	9.4

World Indices			
	Close	Chg	% Chg
Dow Jones	6926.5	379.4	5.8
Nasdaq	1358.3	89.6	7.1
S&P500	719.6	43.1	6.4
FTSE	3715.2	172.8	4.9
KLCI	855.3	-3.0	-0.3
Hang Seng	11694.1	349.5	3.1
Nikkei	7055.0	-31.1	-0.4
SET	417.4	6.1	1.5
KOSPI	1092.2	20.5	1.9
TWSE	4671.0	42.8	0.9

Market Statistics (SG)			
STI 52-week range	1,455	3,270	
No. of gainers		178	
No. of losers		214	
No. of unchanged		188	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	98.7	0.0
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.3	0.0
Crude futures (US\$)	45.6	-0.1

Key Idea

Chartered Semiconductor: Projects narrower loss, plans rights issue

Chartered Semiconductor announced that it is planning to raise ~US\$300m via a 27-for-10 rights offering to boost its financial position and fund its operations. In a separate announcement, it also issued its 1QFY09 mid-quarter update, maintaining its revenue guidance of US\$232-244m but projecting narrower net loss of US\$122-132m (US\$142-152m previously). This, it said, was due to an improvement in customer orders and subsequent positive impact on the per-unit cost of wafer. While businesses appear to be improving at Chartered (likewise, among foundry peers TSMC and UMC), we have left our FY09 revenue forecast intact in view of the limited order visibility. However, we have changed our gross margin assumptions, which effectively reduce our FY09F loss by 5.4%. As the rights issue is likely to go through (hence alleviating its financing issues), we also raise our valuation metric slightly to 0.4x FY09F NTA (0.3x previously). Accordingly, our ex-rights fair value stands at S\$0.06. Maintain **SELL** on further downside risks.

News Headlines

- Malaysian Finance Minister Najib Razak has unveiled a stimulus package of RM60b – the country's largest ever, amounting to nearly 9% of GDP – over 2009 and 2010.
- The SGX has issued a call for public consultation on the tweaking of settlement processes to cut non-delivery of shares.
- SATS has clinched the ground-handling deal for Tiger Airways, adding to existing budget carrier clients Cebu Pacific and Jetstar Asia.
- Private education institutions will soon have to get permission from the authorities before they can offer any course to the public.
- A unit of Goldtron Ltd has temporarily stopped work at its two factories in Wuxi in China but this has resulted in a strike by workers.
- Equation Corp, formerly Heshe Holdings, detailed plans to raise up to S\$10.3m in net proceeds from an issue of up to 529.84m shares.
- Azeus Systems Holdings expects to report substantially lower results for FY09 as compared to FY08. A unit of the group has also clinched an order worth HK\$9m from the Hong Kong government relating to an e-Tender Box system.
- Natural Cool held the official opening ceremony of its new corporate headquarters yesterday, which the group calls Singapore's first lifestyle hub.
- German engineering group M+W Zander said it has secured a contract worth more than 100m euros to design and build a data centre in Singapore for Japan Land's unit Jurong Data Centre Development Pte Ltd.

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Source: MasNet, Bloomberg, Business Times, Straits Times and others

Chartered Semiconductor: Projects narrower loss, plans rights issue

Planning rights issue. Chartered announced that it is planning to raise ~US\$300m via a 27-for-10 rights offering to boost its financial position and fund its operations. The rights share price of S\$0.07 represents a 44.0% discount to its last traded share price of S\$0.125. Pursuant to the offering, Chartered expects to issue ~6.9b new shares, giving rise to a theoretical ex-rights price of S\$0.085. Chartered's major shareholder, Temasek Holdings, has undertaken to subscribe for its pro-rata entitlement of 59.4% and committed to purchase up to 90% of the offering. This fund raising exercise, in our view, is completely credible and expected, given the limited financing options it has and the deepening losses it is expected to sustain in 1QFY09 and possibly the upcoming quarters. In fact, we have communicated in our last report that a capital injection may be necessary as its equity base is expected to be severely depleted by mounting losses. Following the completion of the offering (expected mid-April 2009), Chartered intends to consolidate the number of its shares in issue, for every 10 existing shares into one, but note that it is subject to approval by shareholders.

Expecting narrower 1QFY09 loss. Separately, Chartered provided its 1QFY09 mid-quarter update - maintaining its revenue guidance of US\$232-244m but projecting narrower net loss of US\$122-132m (US\$142-152m previously). This, it said, was due to due to improvement in customer orders and subsequent positive impact on the per-unit cost of wafer. The latest guidance is roughly in line with our sales forecast of US\$230.4m but compares significantly to our loss of US\$155.9m. Despite additional customer orders and seemingly stabilizing business, management warned that the macroeconomic environment continues to be challenging and business visibility remains limited. We note that industry watcher Gartner has recently anticipated the global semiconductor sales to decline 24.1% in 2009 (-33% in negative scenario, close to -32.5% in 2001 recession) before returning to +7.5% growth in 2010.

Reiterate SELL. While orders appear to be recovering at Chartered (likewise, among foundry peers TSMC and UMC), we have left our FY09 revenue forecast intact in view of the limited order visibility. However, we have changed our gross margin assumptions, which effectively reduce our FY09F loss by 5.4%. As the rights issue is likely to go through (hence alleviating its financing issues), we also raise our valuation metric slightly to 0.4x FY09F NTA (0.3x previously). Accordingly, our ex-rights fair value stands at S\$0.06. Maintain **SELL** on further downside risks. *(Kevin Tan)*

Monday	Tuesday	Wednesday	Thursday	Friday
09-Mar	10-Mar	11-Mar	12-Mar	13-Mar
	SG 2Q Manpower Survey China 2Q Manpower Survey/China Feb PPI China Feb CPI US Jan Wholesale Inventories	China Feb Trade Balance	China Feb Retail Sales China Feb Ind Production US Feb Advance Retail Sales	SG Jan Retail Sales US Jan Trade Balance US Mar U. of Michigan Confidence
16-Mar	17-Mar	18-Mar	19-Mar	20-Mar
US Feb Industrial Production	SG Feb NODX US Feb PPI US Feb Housing Starts			
23-Mar	24-Mar	25-Mar	26-Mar	27-Mar
SG Feb CPI				
30-Mar	31-Mar	01-Apr	02-Apr	03-Apr
	SG Feb Money Supply SG Feb Bk Loans			
06-Apr	07-Apr	08-Apr	09-Apr	10-Apr
				China Mar Trade Bal(11 Apr)

**Note: US Initial jobless claims released every Friday. MBA mortgage applications released every Wednesday*
 All US Tech results dates have been adjusted to Singapore Date

Please refer to the individual company's full report for additional disclosures

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