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13 April 2009

Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1828.5	44.6	2.5
Catalist	70.9	1.7	2.5
Finance	432.4	14.3	3.4
Property	371.3	10.7	3.0
Electronics	358.2	4.2	1.2
Vol (m)	1653.6	584.5	54.7
Val (S\$m)	1194.9	199.8	20.1

World Indices			
	Close	Chg	% Chg
Dow Jones	8083.4	246.3	3.1
Nasdaq	1652.5	61.9	3.9
S&P500	856.6	31.4	3.8
FTSE	3983.7	58.2	1.5
KLCI	941.4	23.5	2.6
Hang Seng	14901.4	426.6	2.9
Nikkei	8964.1	48.1	0.5
SET	453.9	9.8	2.2
KOSPI	1336.0	19.7	1.5
TWSE	5782.0	114.2	2.0

Market Statistics (SG)			
STI 52-week range	1,455	3,270	
No. of gainers		382	
No. of losers		132	
No. of unchanged		173	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	100.4	0.2
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.1	0.0
Crude futures (US\$)	51.9	-0.4

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Key Idea

Swiber Holdings: Reducing debt, but valuations look stretched

According to a recent article by upstreamonline, Thai contractor CUEL is planning to buy Swiber's derrick pipelay barge. In such a case, Swiber's leverage ratio may be reduced if the group channels the proceeds to pay off some of its debt. The group has also undertaken a few activities to pare down its debt. Although the above is positive news, we note that 1Q09 earnings may continue to feel the impact of previous delays in vessel deliveries. Management expects net gearing (1x as of 31 Dec 08) to fall with delivery of vessels under its sales and leaseback programme, but this is heavily dependent on timely vessel deliveries. We are keeping our FY09/10 estimates and fair value estimate of S\$0.35 but are downgrading the stock to a **SELL** purely based on valuations.

More reports:

- **Willas-Array Electronics: Negatives largely priced in**

News Headlines

- Richard Stanley of DBS passed away on Saturday morning.
- Thailand declared a state of emergency in Bangkok yesterday, spurring anti-government demonstrators to step up protests across the capital.
- China plans to create a US\$10b investment cooperation fund and offer US\$15b in credit to its South-east Asian neighbours.
- CapitaLand said while substructure works for the Raffles City Bahrain project are progressing on site and nearing completion, the main construction contract tender has yet to be called.
- A unit of Keppel Corporation has secured a S\$518m contract to build an Energy-from-Waste plant in the UK.
- Memtech International said its sales had consistently improved from January to March but expects to report a loss in 1Q09.
- Asia Pacific Breweries has established a S\$1b multicurrency medium term note programme.
- Cityneon Holdings said its sales order book has increased to S\$77m as at 27 Mar 09 with new orders in the Middle East and Singapore.
- For the rest of this year, Starhub will roll out 'Happy Treats' every Sunday for its pre-paid customers to retain and expand market share in its mobile pre-paid customer base.
- Japan Foods has opened a Japanese-theme food court while closing one restaurant and is intending to close three more outlets.
- Amid the difficult outlook for the hotel industry this year, Global Hyatt Corporation is keeping its eye on promising markets such as China, Vietnam and India.

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

Swiber Holdings: Reducing debt, but valuations look stretched

Barge sale may help reduce debt. According to an article by upstreamonline ("CUEL buys Swiber barge", 8 Apr 09), Thai contractor CUEL is planning to buy Swiber's derrick pipelay barge, Swiber Chai, after signing a sale and purchase agreement with Swiber Holdings (Swiber). If CUEL buys the barge, it will reduce Swiber's leverage ratio if the group channels the proceeds to pay off some of its debt. As seen by recent events (ICON Capital taking a 51% stake in Victorious LLC, Swiber selling interest in OBT Holdings), the group has been trying to increase its cashflow

1Q09 earnings may be impacted by vessel delays. Although the above is positive news, it is worth noting that 1Q09 earnings may continue to feel the impact of previous delays in vessel deliveries. There was an unexpected delay in the delivery of two vessels, Swiber Concorde (pipelay barge) and Swiber Supporter (dive-support work barge) which hugely impacted 4Q08 earnings, and though both have been delivered (Supporter in Jan 09 and Concorde in Feb 09), higher operating costs and the delay in work schedule may affect earnings.

Net gearing stands at 1x. The group's net debt-to-equity ratio stands at 1x as of 31 Dec 08 but management expects it to fall with the delivery of vessels under its sales and leaseback transactions. It is therefore imperative that deliveries of vessels under the sales and leaseback agreement are on time so as not to impact its cashflow (out of 15 sale and leaseback deals totaling US\$408m, eight have been delivered). To recap, the group has a S\$15m bond maturing in 8 May 09, on top of its existing bank loans (ST: US\$68.5m, LT: US\$57.7m as of 31 Dec 08). There are also remaining medium term notes that will mature in 2010 and 2011.

Downgrading to SELL. We are keeping our FY09/10 estimates and fair value estimate of S\$0.35 but are downgrading the stock to a **SELL** purely based on valuations. At current price, the market appears to have run ahead of Swiber's fundamentals which have benefited from the recent rally in oil and gas stocks. As mentioned in our previous report, we will re-look our valuation peg when the firm demonstrates margins stability. *(Low Pei Han)*

Willas-Array Electronics: Negatives largely priced in

2HFY09 may sink into red. Willas-Array Electronics (WAE) recently updated that the group had encountered a very soft 2HFY09 amid a fall-off in the global electronics demand. The worst was seen in Jan-Feb 2009, where the group suffered not only from a seasonally weak quarter but also from long holidays during Chinese New Year. Among the components, the industrial segment had held up the best. However, WAE is not expected to withstand the broad-based downturn in other segments. Consequently, WAE warns that 2HFY09 may not be profitable.

Outlook remains uncertain. Like many industry players, WAE has been aggressively cutting its inventory to a low level by selling excess inventory at lower ASPs. This reduction process had recently stabilized, and the group is starting to see orders returning after months of capacity reduction among its principals. While the group hopes that demand would pick up from April, it notes that the improvement in orders may not be sustainable and that the outlook remains uncertain. In addition, it believes that the recovery, if it occurs in FY10, is likely to be slow and gradual.

Financial position still healthy. On a brighter note, WAE assures that its financial position is still healthy. Thanks to its specialized team for credit checks, the amount of bad debts WAE incurred over the period is not expected to exceed that of last year (~47% of receivables are insured). To keep its costs down, the group is also embarking on a four-day week and other cost-cutting measures such as salary reduction and no pay leave. In the near-term, WAE is looking to benefit from the economic stimulus package rolled out by the Chinese government (for example, 3G telecommunications), and a strong, major customer who is taking the opportunity to expand its market share in China amid the downturn.

Upgrade to HOLD. We have adjusted our FY09F earnings to reflect a possible loss for the fiscal year. Due to the uncertain outlook, we now deem it inappropriate to base our fair value on earnings forecasts. As such, we adopt a price multiples based on NTA and peg it to 0.25x FY10F BV, near to its lowest-ever 0.24x P/BV since listing. This in turn yields a fair value of S\$0.06 (S\$0.04 on 4x blended FY09/10F EPS previously). As the share price has maintained around its current level lately, we believe the bulk of negatives have been priced in. Hence, we upgrade WAE from SELL to **HOLD**. *(Kevin Tan)*

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Monday	Tuesday	Wednesday	Thursday	Friday
13-Apr	14-Apr	15-Apr	16-Apr	17-Apr
SPH 2Q09 Miyoshi 1H09	US Mar PPI US Mar Advance Retail Sales	SGX 3Q09 SG Feb Retail Sales US Mar CPI US Mar Indust Production	M1 1Q09 China 1Q Real GDP US Mar Housing Starts	CMT 1Q09 SG Mar NODX/SG Mar Electronic Exports China Mar PPI & CPI/China Mar Ret Sales China Mar Fixed Assets Inv/China Mar Ind Prod US Apr U of Michigan Confidence
20-Apr	21-Apr	22-Apr	23-Apr	24-Apr
Evergro Prop/Keppel T&T/SPC 1Q09 US Mar Leading Indicators	K-REIT Asia 1Q09	Keppel Land 1Q09	Keppel Corp 1Q09 SG Mar CPI Aztech 1Q09	CSM/CapitaLand 1Q09 SMRT FY09
27-Apr	28-Apr	29-Apr	30-Apr	01-May
		Indofood 1Q09	Venture 1Q09 SG Mar Money Supply SG Mar Bank Loans & Advances SG 1Q Unemployment Rate	
04-May	05-May	06-May	07-May	08-May
	Noble 1Q09		StarHub 1Q09	
11-May	12-May	13-May	14-May	15-May
China Apr PPI/China Apr CPI	China Apr Trade Bal	China Apr Retail Sales China Apr Ind Production		SG Mar Retail Sales

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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