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4 May 2009

Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1920.3	70.7	3.8
Catalist	75.8	1.7	2.3
Finance	458.9	20.8	4.8
Property	385.3	14.7	4.0
Electronics	413.8	3.1	0.8
Vol (m)	2025.5	497.5	32.6
Val (S\$m)	1783.3	603.6	51.2

World Indices			
	Close	Chg	% Chg
Dow Jones	8212.4	44.3	0.5
Nasdaq	1719.2	1.9	0.1
S&P500	877.5	4.7	0.5
FTSE	4243.2	-0.5	0.0
KLCI	990.7	23.3	2.4
Hang Seng	15521.0	564.0	3.8
Nikkei	8977.4	149.1	1.7
SET	491.7	8.2	1.7
KOSPI	1369.4	30.9	2.3
TWSE	5992.6	378.5	6.7

Market Statistics (SG)			
STI 52-week range	1,455	3,270	
No. of gainers		372	
No. of losers		153	
No. of unchanged		172	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	99.5	0.4
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.0	0.0
Crude futures (US\$)	53.0	-0.1

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Key Idea

Singapore Post: Your dividend's in the mail

Singapore Post (SingPost) reported a 2.9% YoY fall in revenue to S\$115.6m and a 2.5% rise in net profit to S\$35.5m for 4Q09, in line with expectations. Mail revenue was lower due to a decline in international mail contribution while logistics revenue was steady against 4Q08. Rental and property-related income improved. The group is likely to undertake gradual capex plans with regards to its mail processing system around 2013 onwards though management has not arrived at a decision yet. The group also attributes most of the slowdown in earnings growth to the economic downturn rather than new competition. True to its relatively defensive nature, SingPost is paying out a final dividend of S\$0.025 per share, meeting our expectations of a full year payout of S\$0.0625 per share. This comes at a time when most companies are cutting or avoiding dividends altogether. Maintain **BUY** with S\$0.91 fair value estimate.

More reports:

- **Venture: Cautiously improving 2Q09 outlook**
- **CapitaCommercial Trust: Results above expectations**

News Headlines

- The Singapore government is allocating another S\$100m in enhanced measures that will be mostly directed at helping professionals, managers, executives and technicians (PMETs) on the employment front.
- According to BT, the combined 1Q09 profits of listed companies (as of Thursday) were down 39.5% YoY to S\$1.15b, a reflection of weaker demand amid a slowing global economy.
- A unit of Keppel Corp has received a notice from GSP Titan Ltd to terminate a shipbuilding contract worth S\$181m.
- ParkwayHealth is offering 34 fixed-fee packages for various surgical procedures to encourage patients not to put off surgery because of the economic downturn.
- Technics Oil & Gas reported a 31% YoY rise in 1Q09 revenue to S\$25.1m but incurred a 70% fall in net profit to S\$499k.
- Innovalues expects to report a loss for 1Q09 mainly due to lower revenue arising from the rescheduling of production at the request of customers, weak factory orders, and forex losses.
- Hupsteel expects to report a loss for 3QFY09 due to a decline in sales and lower gross profit margin.
- CDL Hospitality Reit has secured a S\$350m bank facility, secured by its properties in Singapore.
- The Management Development Institute of Singapore (MDIS) managed a "good record surplus" of almost S\$20m last year.

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

Singapore Post: Your dividend's in the mail

Results in line with expectations. Singapore Post (SingPost) reported a 2.9% YoY fall in revenue to S\$115.6m and a 2.5% rise in net profit to S\$35.5m for 4Q09, in line with expectations. For the whole year, revenue rose 1.8% to S\$481.1m while net profit was flat at S\$149.5m. Mail revenue was lower due to a decline in international mail contribution while logistics revenue was steady against 4Q08. Rental and property-related income improved with higher rental income from the Singapore Post Centre (SPC) as well as additional income from leasing of space at re-purposed post office buildings. This is commendable performance at a time when the country is facing its worst contraction since independence.

Capex needs for machines likely to be gradual. SingPost's mail-processing system cost the group about S\$100m in 1997-98 and it may either have to be replaced or upgraded around 2013-14. However, it is also likely that the group undertakes its capex plans gradually instead of incurring a lump sum expenditure in a single year. Management said they have yet to arrive at a decision and have entertained the option of funding capital needs by a combination of internal resources and additional debt if a huge revamp is needed. SingPost's net gearing is at 0.64x (all borrowings are bonds maturing 2013).

Impact of competition not great yet. Despite having new postal service operators coming on stream, the group attributes a large part of the slowdown in earnings growth to the economic downturn rather than new competition. We are optimistic of the group's ability to retain market share given that incumbents (and SingPost being the dominant player) are generally able to fare better than new entrants in a downturn. It is also good to note that most of the group's competitors are also its customers and there is some cooperation among the companies.

Maintain BUY. True to its relatively defensive nature, SingPost is paying out a final dividend of S\$0.025 per share, meeting our expectations of a full year payout of S\$0.0625 per share. This comes at a time when most companies are cutting or avoiding dividends altogether. We like SingPost for its strong operating cash flows though we note that it is not immune to the downturn and is likely to continue to feel its impact. Maintain **BUY** with S\$0.91 fair value estimate. *(Low Pei Han)*

Venture: Cautiously improving 2Q09 outlook

Tough 1Q09 as expected. Venture Corp (VMS) reported its 1Q09 results last weekend, where the results reflected a tough quarter as expected. Revenue fell 22.7% YoY to S\$725.5m, coming in about 4.5% shy of our forecast, as it had suffered sharp falls (~30%) in almost all segments of its business, except for Printing & Imaging (P&I). We note that it was due to the shift to a full product configuration model by a key customer, which resulted in positive revenue impact but without the attendant margin i.e. very little value-add from VMS on these products. Net profit slipped 50.8% YoY to S\$27.7m, and was 1.0% shy of our forecast. Despite excluding a forex gain of S\$9.1m and a marked-to-market impairment loss of S\$12.6m for its CDO, core earnings still showed a 57.2% YoY drop.

2Q09 outlook cautiously improving. Although management expects 2009 to remain challenging, it also noted that it has seen some improvements in some customers' forecasts; this has already resulted in monthly improvement in sales since late Feb. VMS will continue to pursue growth through addition of new customers, which we understand will be through its ODM projects - management revealed that there were >25 such projects under development and has made entry into the aerospace sector with a reputable new customer. In the longer term, it targets to develop as many as 10 solution enterprises from its existing operations (mainly those in product marketing and distribution channels) - to enhance its value creation.

Potential CDO writebacks. VMS has already almost fully marked down its original S\$167.8m CDO2 investment to S\$10.9m, and should credit markets improve, we can expect potential writebacks in the next few quarters; however, we prefer to remain conservative and only adjust our numbers if/when it get its full investment back by end Dec. Meanwhile, we believe our FY09 estimates already reflect the still uncertain environment and we will leave them intact until we see more concrete signs of recovery. As such, our fair value remains at S\$5.64 (based on 8x FY09F PER). As the stock has run up nearly 25% since our upgrade in March, and the current prices exceeds our fair value by 4.7%, we downgrade our rating to **HOLD**; but we still think that the company remains fundamentally sound and its S\$0.50/share dividend payout remains sustainable (8.4% yield). *(Carey Wong)*

CapitaCommercial Trust: Results above expectations

Results exceeded our expectations. CapitaCommercial Trust (CCT) delivered a strong set of 1Q09 results that exceeded our expectations. Gross revenue increased 34.5% YoY to S\$97.5m but on a QoQ comparison, the increase was a marginal 0.3% as higher contributions from the positive rental reversions of the office buildings were offset by the weaker contribution from Raffles City's hotel revenue. Property operating expenses increased 27.9% YoY due to its acquisitions but fell 12.6% QoQ as cost savings measures took effect. As such, net property income for 1Q09 increased 40.8% YoY and 6.5% QoQ to S\$69.9m. DPU for 1Q09 has also increased 25.1% YoY and 19.6% QoQ to 3.24 S-cents, translating to an annualized yield of 15.2%.

89% of FY09 forecast GRI locked in. During the first 4 months of 2009, CCT secured new leases and renewals for 335,800 sq ft of spaces. Positive rental reversion on a weighted average basis was ~49% higher than previously signed rents. This was also better than our expectations as we had expected weaker reversionary growth from CCT due to the declining office rental market. With that, CCT has now locked in 89% of our forecast gross rental income (GRI) for FY09, which amounts to S\$318.1m. An additional GRI of S\$35.8m had been locked in since CCT announced its FY08 results, which further enhanced DPU visibility for FY09.

Completed refinancing for FY09. CCT also announced that it had secured commitment for a 3-year secured term loan of up to S\$160m. The loan is secured against HSBC Building and the all-in margin for the term loan is 3% per annum, which is lower than what we have expected in the current tight credit market. As at end-1Q09, CCT had a gearing level of 38.3% which we think, is unsustainable in light of the falling rents and capital values of office buildings in Singapore. With another S\$885m and S\$1,012m (assuming early redemption by bond holders) of borrowings due for refinancing in FY10 and FY11, we continue to believe that an equity fund raising will be inevitable over the mid-term.

Fair value raised to S\$1.33; Maintain BUY. After a better-than-expected positive rental reversions in 1Q09, we are now raising our FY09 and FY10 DPU forecasts to 11.2 S-cents (previously 10.2 S-cents) and 9.9 S-cents (previously 8.7 S-cents) respectively, which translate to attractive FY09 and FY10 DPU yields of 13.1% and 11.5%. Our fair value has now been raised to S\$1.33 (previously S\$1.06). We maintain our **BUY** recommendation for CCT. *(Foo Sze Ming)*

Monday	Tuesday	Wednesday	Thursday	Friday
04-May	05-May	06-May	07-May	08-May
	Noble/STE 1Q09 GE 1Q09 RLS 3Q09	OCBC 1Q09 UOB 1Q09 Ausgroup 3Q09 (est)	StarHub/Hyflux 1Q09 Sino Env 1Q09 (est)	Koda 3Q09 (est) DBS 1Q09 SMM 1Q09
11-May	12-May	13-May	14-May	15-May
CDL 1Q09/SATS FY09 SIA EC 4Q09 China Apr PPI/China Apr CPI	Food Empire/NOL/Pan Utd 1Q09 SP Ausnet FY09 China Apr Trade Bal	Midas/Rotary/Wilmar 1Q09 MIIF 1Q09 China Apr Retail Sales China Apr Ind Production	SIA FY09 Olam 3Q09 Foreland 1Q09	SIA 4Q09 SG Mar Retail Sales
18-May	19-May	20-May	21-May	22-May
SG Apr NODX SG Apr Electronic Exports				
25-May	26-May	27-May	28-May	29-May
SG Apr CPI	SG Apr Indust Production	CitySpring 4Q09 (est) Willas Array FY09	Tat Hong 4Q09	SG Apr Money Supply SG Apr Bank Loans & Advances
01-Jun	02-Jun	03-Jun	04-Jun	05-Jun

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

RATINGS AND RECOMMENDATIONS:

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