

Singapore Industry Flash Note

Singapore Rigbuilders

DBS Group Research . Equity

5 Apr 2012

Fires another salvo

SMM secured a jack up rig contract from QDI

Jack up orders worth US\$218.5m. SMM's subsidiary, PPL Shipyard has secured a US\$218.5m contract to build a jack-up rig from Gulf Drilling International Ltd (Q.S.C.) (GDI), one of the largest Middle East drilling companies.

Scheduled for delivery in 1Q 2013, the new rig will be built based on PPL Shipyard's Pacific Class 400 series, an established proprietary, high-specification design that are capable of operating in water depths of 400 feet and drilling to depths of 35,000 feet. This jack up is again on fast track delivery in 9 months, from PPL Shipyard, implying high margins of >15% up to 20%, given that this is a proprietary design and pricing is near the peak of US\$230m. As earnings will be recognized in 2013, this will provide some upside to 2013 earnings. The price is marginally higher than another fast track project secured by PPL yard in Feb 2012, for delivery in Nov 2012 for Safin Gulf at US\$213m.

The new contract will lift SMM's YTD order wins to **S\$2.7bn**, forming 45% of our full year expectation of S\$6bn, way ahead of its peers. **Maintain BUY on SMM, a prime beneficiary of the upcycle in semi-submersibles.**

Keppel Corporation secured FPSO upgrading projects from repeat customers

Two FPSO upgrading projects totaling S\$170m. Keppel has secured FPSO upgrading projects worth S\$170m in total from its long-term partners SBM Offshore N.V. (SBM Offshore) and Bumi Armada Berhad (Bumi Armada).

The first project is from SBM Offshore to refurbish and upgrade an existing FPSO vessel, FPSO Xikomba. Work on this FPSO unit is expected to be completed by 3Q 2013. Leased by Eni Angola S.p.A (eni) for 12 years for the development of Block 15/06, offshore Angola.

The second project is to modify and upgrade Bumi Armada's FPSO Armada Claire. This includes refurbishment and life extension works as well as installation and integration of topside modules. Work is expected to commence in 3Q 2012, and completed in 4Q 2013. Upon completion, FPSO Armada Claire will be deployed in the Balnaves Field, north-west Australia.

YTD order wins of S\$1.03b, including the LOI for Floatel's semi-submersible. The latest wins bring Keppel's YTD wins to S\$1b, forming 17% of our full year assumption of S\$6bn. **Maintain BUY on Keppel Corp.**

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	Price	Mkt Cap	Target Price	Rating
	S\$	US\$m	S\$	
Sembcorp Marine	5.23	8,672	5.85	BUY
Keppel Corporation	10.93	15,555	12.34	BUY

Source: DBS Vickers

Sembcorp Marine – BUY, TP \$5.85

FY Dec (S\$ m)	2010A	2011A	2012F	2013F
Revenue	4,555	3,960	5,320	6,352
EBITDA	1,087	891	987	1,038
Pre-tax Profit	1,078	915	926	966
Net Profit	860	752	751	773
Net Pft (Pre Ex.)	808	699	751	773
EPS (S cts)	41.4	36.1	36.1	37.1
EPS Pre Ex. (S cts)	38.9	33.6	36.1	37.1
EPS Gth (%)	22	(13)	0	3
EPS Gth Pre Ex (%)	13	(14)	7	3
Diluted EPS (S cts)	41.4	36.2	36.1	37.2
Net DPS (S cts)	36.1	25.0	25.0	26.0
BV Per Share (S cts)	125.1	115.9	127.0	139.1
PE (X)	12.6	14.5	14.5	14.1
PE Pre Ex. (X)	13.5	15.6	14.5	14.1
P/Cash Flow (X)	8.0	33.4	27.5	11.9
EV/EBITDA (X)	7.4	10.1	9.8	9.5
Net Div Yield (%)	6.9	4.8	4.8	5.0
P/Book Value (X)	4.2	4.5	4.1	3.8
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	38.4	30.0	29.7	27.9

Keppel Corporation – BUY, TP \$12.34

FY Dec (S\$ m)	2010A	2011A	2012F	2013F
Revenue	9,140	10,082	11,665	13,152
EBITDA	2,031	2,370	2,486	2,674
Pre-tax Profit	2,550	3,313	2,230	2,365
Net Profit	1,511	1,841	1,600	1,686
Net Pft (Pre Ex.)	1,307	1,491	1,600	1,686
EPS (S cts)	85.6	103.3	89.8	94.6
EPS Pre Ex. (S cts)	74.0	83.7	89.8	94.6
EPS Gth (%)	(8)	21	(13)	5
EPS Gth Pre Ex (%)	3	13	7	5
Diluted EPS (S cts)	85.6	103.3	89.8	94.6
Net DPS (S cts)	38.1	43.0	44.9	47.3
BV Per Share (S cts)	363.3	414.8	461.5	511.3
PE (X)	12.8	10.6	12.2	11.6
PE Pre Ex. (X)	14.8	13.1	12.2	11.6
P/Cash Flow (X)	42.9	nm	113.0	12.3
EV/EBITDA (X)	10.6	10.4	10.3	9.5
Net Div Yield (%)	3.5	3.9	4.1	4.3
P/Book Value (X)	3.0	2.6	2.4	2.1
Net Debt/Equity (X)	CASH	0.1	0.2	0.1
ROAE (%)	24.4	26.7	20.5	19.5

Source: Company, DBS Vickers

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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