

**GICS:** Materials/Metal & Glass Containers

**Business Summary:** Founded in 1969, Broadway Industrial Group (BIGL) is a leading manufacturer of precision-machined components and foam plastic products. It was listed on the Main Board of the Singapore Stock Exchange in November 1994.

**Country of Incorporation:** Singapore

**Head Office Location:** 65 Chulia Street #48-03/04, OCBC Centre, Singapore 049513

**Place of Operations:** Singapore, China, Thailand, U.S.

**Website:** www.bigl.com.cn, www.compartgroup.com

**IR Contact:** Casey Wong | casey@bigl.com.sg | +65-6236 0088

**Analyst:** Janice Chong



**Results Review**

- BIGL's 2009 recurring net profit of SGD26.9 mln (+5.2% YoY) was within our expectations. On a QoQ basis, 4Q09 net profit grew by 16.1% to SGD10.1 mln, mainly due to forex gains and stronger sales (+8.1% QoQ).
- Segment wise, both its precision components and foam plastic business posted revenue declines for the year given the pricing pressure for hard disk drive (HDD) components and the slowdown in China exports, respectively. Despite the revenue setback (-9.3% YoY) in 2009, BIGL managed to bolster earnings on the back of cost control measures and improved operational efficiencies. As a result, EBITDA margin grew to 13.8% vs. 11.2% in 2008.
- Meanwhile, net gearing continued to trend downwards to 0.25x as at Dec. 31, 2009 (from 0.57x in the preceding year) due to debt repayment and lower capital spending. As management intends to leverage on its current production capacities without incurring any substantial capex, we expect net gearing to slide further.
- A final dividend of 2 cents/share was declared during the quarter, bringing total DPS to 3 cent representing a 23% payout ratio (based on recurring earnings) for 2009.

**Earnings Outlook / Estimates Revision**

- We increase our earnings projections for 2010-2011 by 5.5%-7%, after raising our EBITDA margin assumptions. We now expect BIGL's recurring net profit to grow by 30.8% YoY to SGD35.2 mln in 2010 and by 8.0% YoY to SGD38.0 mln in 2011, in view of a stronger recovery in its components business.
- Management expects margins to remain stable for 2010, but foresees pressures in the foam plastics segment given the increased competition and anticipated slowdown in China's exports.
- We see the precision components unit benefiting from the strong HDD demand and the recovery in the chip sector. The HDD sector – a major end user of BIGL's components business, is expected to see stronger demand in line with the uptrend in PC sales and the incessant growth in digital content which will fuel demand for greater data storage.

**Investment Risks**

- Investment risks include the emergence of new technology displacing HDD, volatile crude oil prices, foreign exchange fluctuations and a prolonged economic downturn which would hurt demand for its products.

**Key Stock Statistics**

52-week Share Price Range (SGD)	0.14 - 0.93
Avg Vol - 12 months ('000 shares)	1,541.5
Price Performance (%)	
- 1 month	-2.8
- 3 month	50.0
- 12 month	489.7
No. of Outstanding Shares (mln)	206.6
Free Float (%)	37.7
Market Cap (SGD mln)	176.6
Enterprise Value (SGD mln)	226.7
Major Shareholders (%)	
Wong Sheung Sze	36.4
Lew Syn Pau	9.5
Aegis Portfolio Managers & Aegis Private	7.5

**Per Share Data**

	2008	2009	2010E	2011E
FY Dec.				
Book Value (SG cents)	83.07	95.28	109.11	124.52
Cash Flow (SG cents)	29.9	30.0	31.4	32.9
Reported Earnings (SG cents)	10.9	15.4	17.0	18.4
Dividend (SG cents)	2.0	3.0	3.0	3.0
Payout Ratio (%)	16.1	23.0	17.6	16.3
PER (x)	7.9	5.5	5.0	4.6
P/Cash Flow (x)	2.9	2.8	2.7	2.6
P/Book Value (x)	1.0	0.9	0.8	0.7
Dividend Yield (%)	2.3	3.5	3.5	3.5
ROE (%)	15.8	14.6	16.7	15.8
Net Gearing (%)	56.9	25.5	11.7	0.9

All required disclosures and analyst certification appear on the last two pages of this report. Additional information is available upon request.

Redistribution or reproduction is prohibited without written permission. Copyright © 2010 The McGraw-Hill Companies, Inc.

Page 1 of 3

**Quarterly Performance**

FY Dec. / SGD mln	4Q09	4Q08	% Change
Reported Revenue	148.0	146.3	1.2
Reported Operating Profit	12.7	6.9	83.5
Depreciation & Amortization	-8.4	-8.7	-3.9
Net Interest Income / (Expense)	-1.0	-1.9	-46.6
Reported Pre-tax Profit	11.7	5.1	>100
Reported Net Profit	10.1	3.8	>100
Reported Operating Margin (%)	8.6	4.7	-
Reported Pre-tax Margin (%)	7.9	3.5	-
Reported Net Margin (%)	6.8	2.6	-

Source: Company data

**Profit & Loss**

FY Dec. / SGD mln	2008	2009	2010E	2011E
Reported Revenue	617.8	560.2	613.1	670.8
Reported Operating Profit	33.1	42.4	45.1	48.8
Depreciation & Amortization	-35.9	-34.8	-29.6	-29.7
Net Interest Income / (Expense)	-6.7	-5.0	-2.5	-1.6
Reported Pre-tax Profit	26.3	37.4	42.6	47.2
Effective Tax Rate (%)	13.5	14.7	17.0	19.0
Reported Net Profit	22.4	31.8	35.2	38.0
Reported Operating Margin (%)	5.4	7.6	7.4	7.3
Reported Pre-tax Margin (%)	4.3	6.7	7.0	7.0
Reported Net Margin (%)	3.6	5.7	5.7	5.7

Source: Company data, S&amp;P Equity Research

## Required Disclosures

### Standard & Poor's Equity Research Services

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC- London; Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong and Singapore, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

### Required Disclosures

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.

This company is not a customer of S&P or its affiliates.

### Other Disclosures

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"); in the United Kingdom by Standard & Poor's LLC ("S&P LLC"), which is authorized and regulated by the Financial Services Authority; in Hong Kong by Standard & Poor's LLC, which is regulated by the Hong Kong Securities Futures Commission; in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM"), which is regulated by the Securities Commission; in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS"), which is regulated by the Australian Securities & Investments Commission; and in Korea by SPIAS, which is also registered in Korea as a cross-border investment advisory company.

The research and analytical services performed by SPIAS, S&P LLC, S&PM, and SPIS are each conducted separately from any other analytical activity of Standard & Poor's.

A reference to a particular investment or security by Standard & Poor's and/or one of its affiliates is not a recommendation to buy, sell, or hold such investment or security, nor is it considered to be investment advice.

Standard & Poor's and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

### SGX Equity Research Insights ("SERI")

This report has been prepared by S&P LLC for purposes of SERI administered by Singapore Exchange ("SGX"). S&P will receive total compensation of SGD12,000 each year for providing research coverage on each participating listed company under SERI.

### Disclaimers

This material is based upon information that we consider to be reliable, but neither S&P nor its affiliates warrant its completeness, accuracy or adequacy and it should not be relied upon as such. With respect to reports issued to clients in Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. Neither S&P nor its affiliates guarantee the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Neither S&P nor its affiliates are responsible for any errors or omissions or for results obtained from the use of this information. Past performance is not necessarily indicative of future results.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material is not intended for any specific investor and does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

For residents of the U.K. This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, respectively.

For residents of Singapore - Anything herein that may be construed as a recommendation is intended for general circulation and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. Advice should be sought from a financial adviser regarding the suitability of an investment, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

For residents of Malaysia. All queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng or Ching Wah Tam.