

Tiong Woon ----- Maintain OUTPERFORM

First quarterly interims: strong momentum in heavy haulage

EPS: ▼ TP: ◀▶

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- Tiong Woon has for the first time reported quarterly interims, and for its 3Q08, revenues were up 49% YoY, driven largely by its heavy lift and haulage business which jumped 30% YoY, and a S\$6.9 mn contribution from its fabrication/engineering operations.
- Lower utilisation rates at the marine transportation business due to vessel maintenance during the quarter, S\$0.6 mn in start-up losses incurred at the fabrication yard as operations ramp up, and a stronger contribution from the lower-margin trading business (up 27% YoY), caused earnings to decline 18% YoY.
- Tiong Woon's heavy haulage division's PBT margin, up from 25% to 26%, reflects continued demand strength and tight supply in the crane market, and bodes well for Tat Hong, which we expect to witness similarly strong earnings profile for the March quarter.
- At the briefing, management reiterated its aim to add another 90 cranes to Tiong Woon's fleet in the Middle East (of 60 currently) over the next two years, and to remain focused on the buoyant oil and gas sector. We have adjusted earnings marginally, but kept our S\$0.90 TP intact. Maintain OUTPERFORM.

pipe-laying barge project remains on track, and management expects more than 30% completion by end Jun-08.

Figure 2: Results summary comparison

(\$mn)	3Q08	3Q07	YoY (%)	FY08E (old)	9M % of FY08E
Revenue	42.1	28.3	48.8	154.8	69.7
- Heavy Lift Haulage	23.7	18.3	29.9	93.0	73.0
- Marine Transportation	2.5	2.9	-15.1	15.3	64.7
- Trading	9.0	7.1	27.1	8.7	163.6
- Fabrication/ engineering	6.9	0.0	-	37.9	42.1
EBITDA	12.4	11.5	8.1	53.4	67.2
Op. profit	7.3	7.8	-6.4	33.3	65.0
Interest income/ (expense)	-0.9	-0.3	169.1	-3.1	77.8
PBT	6.4	7.5	-14.3	30.2	63.7
Tax	-1.1	-1.0	2.9	-5.4	60.4
MI	-0.2	-0.2	14.7	-0.2	102.5
Net profit	5.2	6.3	-17.9	24.5	64.1
EPS (\$)	0.015	0.019	-17.9	0.073	64.1

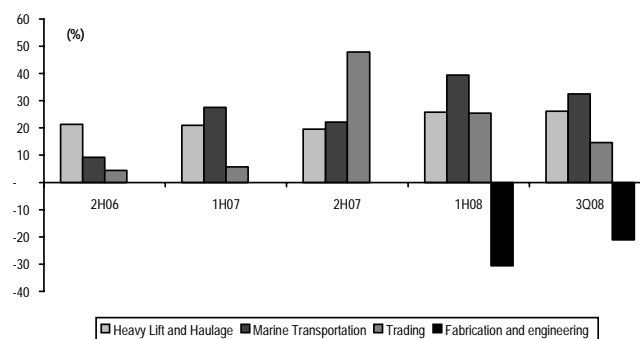
Source: Company data, Credit Suisse estimates.

Figure 3: Key forecast changes

(\$mn)	FY08E			FY09E		
	New	Old	Chg. (%)	New	Old	Chg. (%)
Revenue	150.2	154.8	-3.0	200.8	199.6	0.6
- Heavy Lift Haulage	93.0	93.0	0.0	112.7	112.7	0.0
- Marine Transportation	13.6	15.3	-11.1	17.7	20.0	-11.1
- Trading	19.9	8.7	130.0	22.9	10.0	130.0
- Fabrication/ engineering	23.7	37.9	-37.5	47.4	56.9	-16.7
EBITDA	52.7	53.4	-1.4	66.3	65.8	0.9
Op. profit	32.5	33.3	-2.3	45.3	44.8	1.3
Interest income/ (expense)	-3.1	-3.1	0.0	-3.3	-3.3	0.0
PBT	29.4	30.2	-2.6	42.0	41.4	1.4
Tax	-5.3	-5.4	-2.6	-7.6	-7.5	1.4
MI	-0.2	-0.2	0.0	-0.2	-0.2	0.0
Net profit	23.9	24.5	-2.6	34.2	33.7	1.4
EPS (\$)	0.07	0.10	-2.6	0.10	0.10	1.4

Source: Company data, Credit Suisse estimates.

Figure 4: Profit before tax margins



Source: Company data, Credit Suisse estimates.

Bbg/RIC	TWC SP / TION.S	Price (9 May 08, S\$)	0.66
Rating (prev. rating)	O (O) [V]	TP (\$\$) (prev. TP)	0.90 (0.90)
Shares outstanding (mn)	337.58	Est. pot. % chg. to TP	37
Daily trad vol-6m avg (mn)	0.7	52-wk range (\$\$)	1.22 - 0.48
Daily trad val-6m avg (US\$ mn)	0.4	Mkt cap (\$\$/US\$ mn)	221.1/ 162.1
Free float (%)		Performance	1M 3M 12M
Major shareholders	Ang Choo Kim & Sons (42.65%)	Absolute	13.9 (6.4) 11.0
		Relative	11.3 (13.2) 20.7
Year	6/06A	6/07A	6/08E 6/09E 6/10E
Revenues (\$\$ mn)	69.2	99.8	150.2 200.8 234.4
EBITDA (\$\$ mn)	25.3	40.4	52.7 66.3 72.4
Net profit (\$\$ mn)	8.8	22.5	23.9 34.2 37.4
EPS (\$\$)	0.03	0.07	0.07 0.10 0.11
- Change from prev. EPS (%)	n.a.	n.a.	-3 1 2
- Consensus EPS (\$\$)	n.a.	n.a.	0.07 0.10 0.11
EPS growth (%)	(24.9)	146.4	6.1 43.2 9.3
P/E (x)	24.2	9.8	9.3 6.5 5.9
Dividend yield (%)	0.5	0.7	0.6 0.8 0.8
EV/EBITDA (x)	9.8	6.8	5.0 3.8 3.0
P/B (x)	2.6	2.0	1.7 1.4 1.1
ROE (%)	10.3	20.8	18.3 21.0 18.8
Net debt/equity (%)	30	48	31 19 net cash

Note 1: Tiong Woon is primarily in Heavy lift, heavy haulage & equipment installation works, Freight forwarding & transport services, and Trading of construction equipment.

Other snippets

At the briefing, management shared that Tiong Woon was able to pass on increases in staff costs, largely for those of the more specialised crane operators, onto their customers. There are plans to train new personnel to cope with strong demand for heavy haulage equipment, although this is likely to take up to six to 12 months. Utilisation rate for Tiong Woon's marine transportation business was low at about 30% in the March quarter, as a large part of its fleet was scheduled for repairs and dry-docking works. Tiong Woon's maiden

Figure 1: Valuation Metrics

Company	Ticker	CS Rating	Price		EPS chg (%)		TP (%)	Up/dn (%)	EPS		EPS grth (%)		P/E (x)		Div. yld (%)	ROE (%)	P/B (X)
			Local	Target	T+1	T+2			T+1	T+2	T+1	T+2	T+1	T+2			
Tat Hong	TAT SP	O	2.17	3.5	0	0	0	61	0.2	0.2	65	35	13.1	9.6	3.8	24.0	3.0
Tiong Woon	TWC SP	O	0.66	0.9	0	0	0	37	0.1	0.1	9	38	9.0	6.6	0.6	18.7	1.7

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM Source: Company data, Credit Suisse estimates

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Companies Mentioned (Price as of 09 May 08)

Tiong Woon Corp. (TION.SI, S\$66, OUTPERFORM [V], TP S\$90)

Tat Hong Holdings Ltd (TAT.SI, S\$2.17, OUTPERFORM [V], TP S\$3.50)

Disclosure Appendix

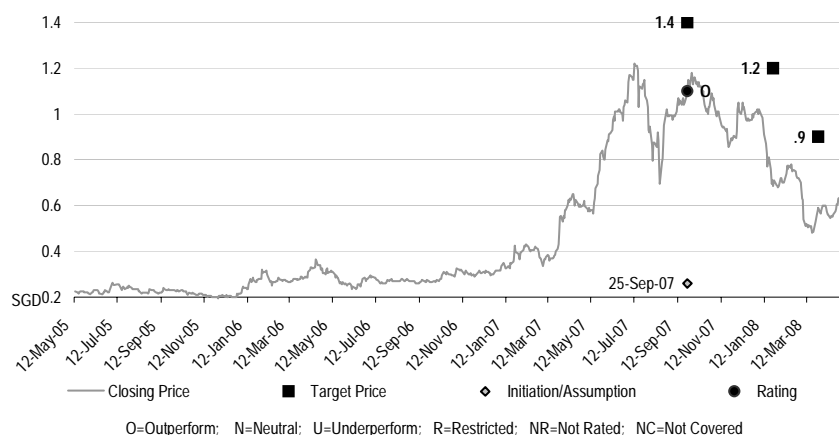
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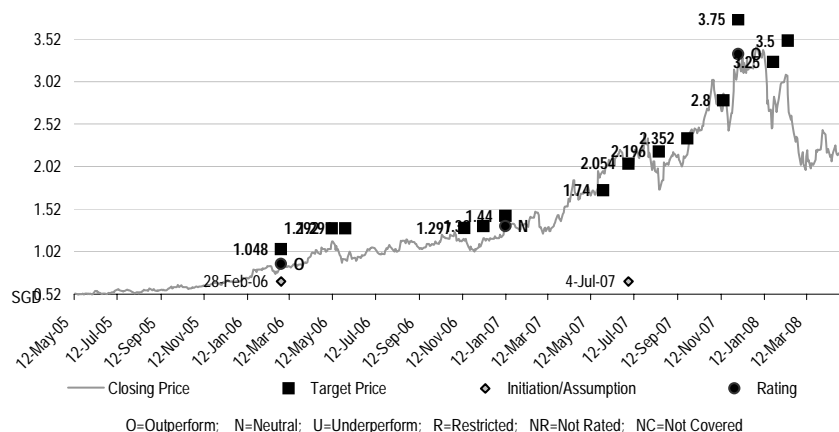
3-Year Price, Target Price and Rating Change History Chart for TION.SI

TION.SI	Closing Price	Target Price	Initiation/
Date	(SGD)	(SGD)	Rating Assumption
25-Sep-07	1.1	1.4	O X
24-Jan-08	.685	1.2	
28-Mar-08	.59	.9	



3-Year Price, Target Price and Rating Change History Chart for TAT.SI

TAT.SI	Closing Price	Target Price	Initiation/
Date	(SGD)	(SGD)	Rating Assumption
28-Feb-06	.875	1.048	O X
11-May-06	1.14	1.292	
30-May-06	.93	1.291	
14-Nov-06	1.15	1.297	
11-Dec-06	1.18	1.32	
11-Jan-07	1.32	1.44	N
29-May-07	1.97	1.74	
04-Jul-07	2.06	2.054	X
16-Aug-07	1.75	2.196	
25-Sep-07	2.16	2.352	
15-Nov-07	2.88	2.8	
06-Dec-07	3.34	3.75	O
24-Jan-08	2.68	3.25	
14-Feb-08	2.87	3.5	



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Price Target: (12 months) for (TION.SI)

Method: Our target price of S\$0.90 for Tiong Woon (TION.SI) is based on the conservative end of the range of values suggested by price to earnings (P/E), price to book (P/B) and dividend yield comparisons with peers within the heavy equipment supply industry, the Singapore mid-cap space and the Singapore market generally. We have reinforced this methodology with discounted cash flow analysis using a 11.3% cost of capital (a 3% risk-free rate, a 7% equity risk premium, a beta of 1.5, and a 6% cost of debt) and a 3% terminal growth rate.

Risks: Risks to our target price of S\$0.90 for Tiong Woon (TION.SI) are: 1) a slowdown in construction demand, 2) execution risk on projects won resulting in cost overruns, 3) credit risk, due to default in payments from customers, 4) regulatory risk from government bodies and 5) raw material cost pressure.

Price Target: (12 months) for (TAT.SI)

Method: Our target price of S\$3.50 for TAT.SI is based on the conservative end of the range of values suggested by PER, P/B and dividend yield comparisons with peers within the heavy equipment supply industry, the Singapore mid-cap space and the Singapore market generally. We have reinforced this methodology with discounted cash flow analysis using a 10.6% cost of capital (3.0% risk free rate, 7.0% equity risk premium, beta of 1.2, and 6% cost of debt) and a 2% terminal growth rate.

Risks: Risks to the achievement of our S\$3.50 target price for TAT.SI include, but are not limited to, the following: (a) Exposure to currency fluctuations especially AUD, which comprises about 65% of TAT's revenue. An appreciation of SGD against regional currencies (especially AUD) would adversely impact TAT's earnings. (b) A regional downturn in construction would negatively impact TAT's business. (c) Major project cancellations in the energy sector would also hurt the earnings and valuations because a significant portion of the forecasted rental earnings relates to this sector. (d) The risk of overinvestment in the stock of cranes. (e) Larger than expected increase in the cost of growing the Australian general rental footprint through acquisitions. (f) Loss of market share by TAT's main customers - the major international contractors.

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