SINGAPORE EQUITY
Investment Research

DMG & Partners SECURITIES

1H08 RESULTS UPDATE

Private Circulation Only

OFFSHORE & MARINE

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TIONG WOON CORP

BUY	**Maintained**
Price	**SGD0.72**
Target	**SGD1.29**

Heavy lift and haulage rates still the key

Stock Profile/Statistics

Bloomberg Ticker	TWC SP
STI	3,038.42
Issued Share Capital (m)	337.58
Market Capitalisation (SGDm)	243.06
52 week H | L Price (SGD)	1.26| 0.335
Average Volume ('000)	4,119
YTD Returns (%)	-28.71
Net gearing (x)	0.60
Altman Z-Score	3.53
ROCE/WACC	0.46
Beta (x)	1.46
Book Value/share (SGD cents)	34.5

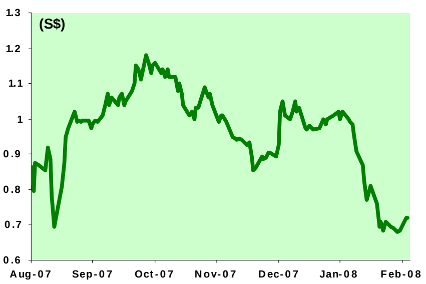
Major Shareholders (%)

Ang Choo Kim & Son	42.9
JP Morgan Chase	8.0
Credit Agricole AM	5.7
Credit Agricole Indosuez	1.7

Share Performance (%)

Month	Absolute	Relative
1m	-28.0	-19.1
3m	-27.3	-11.2
6m	-16.8	-10.3
12m	75.6	79.3

6-month Share Price



Tiong Woon announced a healthy set of 1H08 results yesterday, fairly in line with our estimates. Turnover registered a 49% gain yoy (S$65.8m vs. S$44.1m), while NPAT also locked in a similar increase in the comparative period (S$10.6m vs. S$7.1m). Gross margins remain intact (37.2%) mainly on the back of well supported global lifting & haulage rates. Its Fabrication & Engineering segment made its debut and maiden revenue contribution of S$9.1m. Going forward, management expects a breezy picture mainly from the support of climbing hiring rates in the Heavy Lift & Haulage segment and significant contributions in downstream oil & gas projects from the Middle East and Asia Pacific Region.

Cranes doing the main business lifting. Tiong Woon's haulage business continues to grow at a rapid pace, with revenue increasing 52% yoy to S$44.2m. More importantly, PBT margins rose 4.8 ppt in 1H08 vs. 1H07, which indicates that lifting & haulage rates continue to be on the uptrend, growing 10% - 15% annually. This can also be reaffirmed through its Trading segment, with absolute revenue figures falling 19% yoy due to a global shortage of supply lifting cranes. However, PBT for this segment increased 258% yoy, which clearly indicates higher ASPs of heavy lifting equipment, translating into much higher margins. An extra 20 smaller capacity China-made cranes (addition of 2,500 tons capacity) will be delivered this year end, costing about S$6m.

Marine transportation needs a further gloss. This segment suffered a 14% drop in top line due to lower utilisation rates for its current smaller sized vessels, and fewer integrated haulage and marine projects undertaken by the Group. PBT for this segment recorded a 22% rise yoy however, and PBT margins remain robust, rising 11.8 ppt during the period. Management is mitigating the lower utilisation problem by investing in bigger tugs to boost their ROI. One larger AHT should be added to its fleet by June this year, and another 2 to 3 sizeable units are due to be delivered in the next financial year, all amounting to S$14m worth of investment.

Valuation. Judging from its past two financial years, the Group's 1H results normally forms between 40-45% of its FY results. Using this trend, we do expect its top line and net profit numbers to meet our estimates of S$114.9m and S$23.2m respectively. Buoyed by effervescent Oil & Gas and Petrochemical sectors that the Group is heavily exposed to, we do see its financial performance to remain strong going forward, with the Middle East market a key future contributor.

We maintain our BUY recommendation with a 15x blended FY08/09 forward PE rating, and our previous price target of S$1.29.

FYE June (S$ m)	FY05	FY06	FY07	FY08f	FY09f
Turnover	70.5	69.2	99.8	144.9	210.9
Net Profit	8.5	8.8	22.5	23.2	34.9
% chg	(11.0%)	3.5%	154.9%	3.1%	50.4%
EPS (S cents)	3.6	2.7	6.7	6.9	10.4
DPS (S cents)	0.3	0.3	0.4	0.5	0.5
Div. yield (%)	0.4	0.4	0.6	0.7	0.7
ROE	16.5%	12.5%	23.2%	19.3%	23.2%
ROA	11.8%	9.4%	14.1%	11.6%	15.0%
PER (x) at S$0.72	20.0	26.6	10.8	10.5	7.0
P/BV (x)	2.9	2.8	2.3	1.8	1.4

DMG & Partners Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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