

On the Platter

Tiong Woon Corporation Holding Limited: YTD Results Up (BUY\S\$0.66\Target S\$1.29\Under Review)

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Tiong Woon (TW) released their results last Friday, with 3Q's net profit down 17% YoY to S\$5.3m. Turnover was up 49% to S\$42m, mainly attributed to the increase in revenue from both TW's Heavy Lift and Haulage and its Fabrication and Engineering Segments. 3Q's net profit was down 17% YoY to S\$5.3m on the back of a 92% YoY reduction of other miscellaneous gains (net) and an increase in other operating and financing expenses. Gross profit margin for 3Q08 was down from 41.3% in 3Q07 to 31.4% with a 74% YoY spike in cost of sales. Looking at the 9 months for 2008, TW's turnover was up 49% YoY at S\$107.9m and net profit was up 18% YoY at S\$16m.

Management remains optimistic on the outlook for its Oil and Gas and Petrochemical sectors both locally and overseas. They would continue to pursue opportunities in Infrastructure, Power Plants, Petrochemicals and Oil and Gas projects in key markets such as China, Thailand, Malaysia, Indonesia, Vietnam and the Middle East countries.

At the closing price of S\$0.655, our FY07 and FY08 estimated PER is 9.8x and 9.5x respectively. We have a BUY recommendation with a price target of S\$1.29 for this counter, which is currently under review.

F&N: Expects growth despite weaker sentiment (UNRATED\S\$4.92)

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2Q08 results. F&N recorded a revenue growth of 4.7% YoY to S\$1.1b in 2Q08, while net profit declined 9.8% YoY to S\$96.6m. On a quarterly basis, net profit declined 11.0% QoQ. For the first 6 months, net profit rose 11.7% YoY to S\$201.0m, on the back of a 12.0% increase in 1H revenue. Included in 2Q08 results was a forex loss of S\$9.2m, compared with a forex gain of S\$2.7m in 2Q07, while 2Q07 results included one-off gains that boosted 2Q07 net profit by S\$41.8m. Excluding the one-off items, net profit and PBIT would each have increased 27% YoY.

There was strong revenue contribution from its F&B businesses, which included contribution from its Nestle business. This helped to partially offset the lower revenue from its development properties. With the acquisition of Nestles Thailand and Malaysia operations, F&N is now the largest tinned milk producer in SEA.

The property business was the key earnings driver for the Group, contributing 60% to 2Q08 PBIT.

F & N's 1H08 performance was underpinned by strong contributions from its property-related segments, which include Development Property, Investment Property and REIT (Properties). Combined together, Properties made up 27.4% of 1H08 topline and 71.3% of 1H08 bottomline*. Although 1H08 revenue from Properties fell 7.1% YoY to S\$675.4m, bottomline increased 13.3% YoY to S\$143.3m. The improvement in 1H08 bottomline was helped by stellar performances from Investment Property and REIT, which chalked up a 42.6% and 53.7% YoY jump to S\$42.0m and S\$10.7m respectively. Attributable factors for the increased contributions include improved rentals and almost full occupancies. Development Property was largely unchanged, which posted a 0.6% YoY gain in bottomline contribution to S\$90.6m, largely coming from progressive recognition of previously sold projects in Singapore. However, it is important to note that 1H07 PBIT from Development Properties included one-off gains. Stripping these away, 1H08 PBIT from Development Properties would have climbed 12% to S\$126m.