

2. Tiong Woon Corp – 1H08 Results (Rohan Suppiah, DID: 64321455)

Previous Day Closing price: S\$0.72

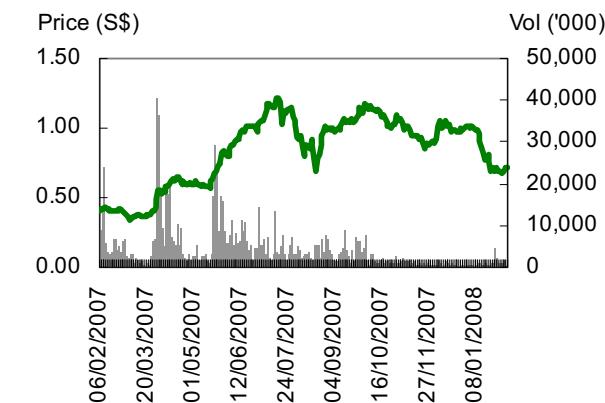
Recommendation: BUY (maintained)

Target price: S\$1.23 (maintained)

- ◆ **Solid set of results, above expectations:** Tiong Woon Corporation (TWC) posted 1H08 net profit of S\$10.6m, ahead of our expectation of S\$9.7m. Heavy Lift and Haulage, unsurprisingly, was the main contributor, growing its business segment by 52% yoy. This was driven by strong demand across the construction industry, primarily the industrial and oil & gas segments.
- ◆ **Outlook still positive:** Demand for cranes and heavy lifting equipment will remain tight across all industries, driven by high demand across all segments, including residential and commercial construction. More importantly, the Singapore construction sector will remain immune to the likely global economic slow-down. TWC's business outlook therefore remains highly positive.
- ◆ **Full year earnings can still surprise:** As mentioned, 1H08 results were ahead of our forecasts. However, we are still maintaining our full-year forecast of S\$24.8m, with potential upgrades as and when we determine the progress of its pipelay barge project in its Bintan yard.
- ◆ **Maintain Buy, TP S\$1.23,** Target price is based on our new earnings and a PEG of 0.4x. 3-year earnings CAGR stands at 28% p.a. TWC remains one of our top picks as a safe play versus recession-exposed industries such as export and manufacturing.

Year End Jun	2006	2007	2008E	2009E	2010E
Sales (S\$m)	69.2	99.8	193.4	220.2	279.0
Pre-tax (S\$m)	12.4	24.8	32.6	37.7	46.6
Net profit (S\$m)	8.8	22.5	24.8	28.7	35.0
EPS (cts)	2.6	6.7	7.4	8.5	10.4
EPS growth (%)	-30.9	155.0	10.3	15.4	22.1
PER (x)	27.5	10.8	9.8	8.5	6.9
EV/EBITDA (x)	11.2	8.9	6.5	5.7	4.7
Yield (%)	0.4	0.7	1.0	1.1	1.4

Price Chart



Source: Bloomberg