

**AmFraser****RETAIL RESEARCH**

Small/Mid-Cap | Construction Machinery

MICA (P) 248/07/2008

# Tiong Woon Corporation Holdings

## Upside Surprise in Heavy Lift and Haulage Segment

**ACCUMULATE (Maintained)**

27 Aug 2009

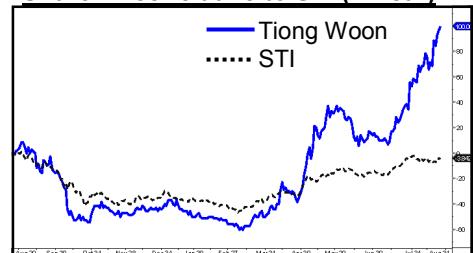
- Upside surprise in revenue and profit.** Tiong Woon achieved 28% and 50% YoY increase in revenue and net profit respectively. The set of results are above our expectations. Their heavy lift and haulage segment came in strongly, contributing S\$130.6m to total revenue of S\$202.3m and S\$52.2m of profit. The Company's full-year net profit was S\$50.8m due to a S\$6.2m loss in the fabrication and engineering business, which essentially comprises their 64-ha Bintan yard.
- Delay in pipe-laying barge.** As we have pointed out in our initialisation report dated June 09, the main financial strain on Tiong Woon is their building of the pipe-laying barge S\$65m for NorCE. While the Company has recognised 86% completion as revenue, according to the contract, no progressive payment has been received. A large part of the cost of construction is funded via short-term debt, so this heightened liquidity risk is only mitigated by the Company's strong cashflow in their core heavy lift and haulage business. Management has stated as one of their strategy to focus on the fabrication business but we do not foresee any major progress here until the day the client signs on the line to accept delivery of the vessel.
- Continued strength in core segment.** Management has expressed optimism that the industries that they cater to, i.e. O&G, power generation and petrochemical sectors in the Asia Pacific region, will continue to grow strongly. Barring another prolonged dip in the global economy, we tend to agree.
- Final dividend of 0.4 cents per ordinary share.** This represents an yield of 0.6% as at yesterday's closing price of 70 SG cents.
- Fair value increased to 94 SG cents but maintain at ACCUMULATE.** We continue to be bullish about Tiong Woon's core heavy lift and haulage business. Prospects remain bright and margins are good. However, because the barge remains a chink in the armour, we prefer to be prudent and advise investors to remain in slow accumulation mode.

**Our Recommendation**

<b>Fair Value (SGD)</b>	<b>0.94</b>
Last close price (SGD)	0.70
Holding period	12-18 mth

**Company & Stock Data**

Market cap (SGD Mil)	236.3
12-mth trailing P/E	5.6x
Price-to-book	1.3x
12-mth Dividend yield	0.57%
52-wk high	0.72
52-wk low	0.14
30D average volume	10.4mil
30D average value	5.6mil
Free float	49.6%
Beta	1.32

**Share Price relative to STI (1-Year)**

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	2008	2009	2010F	2011F	2012F
Revenue	157,773	202,280	201,634	213,362	223,342
EBITDA	58,863	74,620	82,006	88,024	93,491
Net Profit	28,295	42,410	46,542	50,938	54,109
Rev Growth	58.1%	28.2%	-0.3%	5.8%	4.7%
Net Profit Growth	24.4%	49.9%	9.7%	9.4%	6.2%
EPS (SGD cts)	8.28	12.54	13.62	14.91	15.84
ROE	20.5%	23.8%	20.8%	18.7%	16.7%
EBITDA Margin	37.3%	36.9%	40.7%	41.3%	41.9%
Free Cashflow	(41,368)	(1,445)	107,270	48,082	52,192

Please see important disclosures at the end of this publication

## INCOME STATEMENT

In SGD '000	Adjusted 30-Jun-08	Adjusted 30-Jun-09	Forecast 30-Jun-10	Forecast 30-Jun-11	Forecast 30-Jun-12
Revenue	157,773	202,280	201,634	213,362	223,342
Cost of Sales	101,969	126,787	118,771	126,108	131,795
<b>Gross Profit</b>	<b>55,804</b>	<b>75,493</b>	<b>82,863</b>	<b>87,253</b>	<b>91,547</b>
Interest Income	217	75	321	628	974
Other Operating Income	9,261	8,124	8,065	8,534	8,934
<b>Total Operating Income</b>	<b>65,281</b>	<b>83,692</b>	<b>91,250</b>	<b>96,415</b>	<b>101,455</b>
Operating Expenses	26,322	30,935	34,517	35,650	37,308
<b>Operating Profit/(loss)</b>	<b>38,959</b>	<b>52,757</b>	<b>56,733</b>	<b>60,766</b>	<b>64,147</b>
Interest (expense)	(3,068)	(3,199)	(2,675)	(1,528)	(1,189)
Other non-op income/ (exp)	(1,985)	1,249	2,016	2,134	2,233
<b>Profit Before Tax</b>	<b>33,906</b>	<b>50,807</b>	<b>56,074</b>	<b>61,371</b>	<b>65,191</b>
<i>Less: Income tax exp/ (credit)</i>	5,611	8,397	9,533	10,433	11,083
<b>Profit after tax</b>	<b>28,295</b>	<b>42,410</b>	<b>46,542</b>	<b>50,938</b>	<b>54,109</b>
<i>Less: Minority Interest</i>	331	84	559	611	649
<b>Net Profit/(loss) att to ord. S/H</b>	<b>27,963</b>	<b>42,326</b>	<b>45,983</b>	<b>50,326</b>	<b>53,459</b>
<b>EBITDA</b>	<b>58,863</b>	<b>74,620</b>	<b>82,006</b>	<b>88,024</b>	<b>93,491</b>
<b>Free Cashflow</b>	<b>(41,368)</b>	<b>(1,445)</b>	<b>107,270</b>	<b>48,082</b>	<b>52,192</b>
<b>EPS (SGD cts)</b>	<b>8.28</b>	<b>12.54</b>	<b>13.62</b>	<b>14.91</b>	<b>15.84</b>

## BALANCE SHEET

In SGD '000	Adjusted 30-Jun-08	Adjusted 30-Jun-09	Forecast 30-Jun-10	Forecast 30-Jun-11	Forecast 30-Jun-12
Cash & cash equivalents	16,579	16,802	45,607	78,100	114,880
Trade and Other Rec	46,521	118,407	60,253	63,436	65,620
Inventory	1,218	1,282	1,302	1,382	1,444
Construct contracts due from cust	18,635		-	-	-
Construction contracts WIP	11,885	2,431	-	-	-
Property, plant & equip (net)	196,267	226,430	228,195	229,308	229,762
Other Assets	9,086	6,582	6,582	6,582	6,582
<b>Total Assets</b>	<b>300,190</b>	<b>371,934</b>	<b>341,938</b>	<b>378,808</b>	<b>418,288</b>
Trade Payables	12,297	28,855	13,669	14,520	15,173
Borrowings	119,467	140,473	65,320	52,256	39,192
Other Liabilities	31,732	24,929	41,495	42,668	43,666
Total Common Equity	136,694	177,677	221,453	269,364	320,257
<b>Total Liabilities and Equity</b>	<b>300,190</b>	<b>371,934</b>	<b>341,938</b>	<b>378,808</b>	<b>418,288</b>

CASHFLOW STATEMENT	Adjusted 30-Jun-08	Adjusted 30-Jun-09	Forecast 30-Jun-10	Forecast 30-Jun-11	Forecast 30-Jun-12
In SGD '000					
<b>Profit before Tax</b>	<b>33,906</b>	<b>50,807</b>	<b>56,074</b>	<b>61,371</b>	<b>65,191</b>
Write-back Depreciation	19,905	21,863	25,273	27,259	29,345
Write-back Amortisation	-	-	-	-	-
Interest income	(217)	(75)	(321)	(628)	(974)
Interest expense	3,068	3,199	2,675	1,528	1,189
Other non-cash adjustments	(9,265)	(5,138)	-	-	-
Change in working capital	(40,862)	(39,676)	61,946	(1,239)	(596)
Income taxes paid	(730)	(506)	(9,533)	(10,433)	(11,083)
Other operating items			-	-	-
<b>Cashflow from Operations</b>	<b>5,804</b>	<b>30,474</b>	<b>136,115</b>	<b>77,858</b>	<b>83,072</b>
(Purchase) / Disposal of PPE	(52,921)	(27,670)	(29,054)	(30,506)	(32,031)
Interest received	216	75	321	628	974
Sale of / (invest in) financial assets	(14)	-	-	-	-
Debt raised / (repaid)	(102,427)	(99,389)	(75,153)	(13,064)	(13,064)
Equity raised / (bought back)	-	-	-	-	-
Interest paid	(2,958)	(3,215)	(2,675)	(1,528)	(1,189)
<b>Beginning Cash</b>	<b>13,565</b>	<b>16,579</b>	<b>16,802</b>	<b>45,607</b>	<b>78,100</b>
<b>Ending Cash</b>	<b>16,579</b>	<b>16,802</b>	<b>45,607</b>	<b>78,100</b>	<b>114,880</b>

FINANCIAL RATIOS	Adjusted 30-Jun-08	Adjusted 30-Jun-09	Forecast 30-Jun-10	Forecast 30-Jun-11	Forecast 30-Jun-12
<b>Profitability</b>					
Gross Profit Margin	35.4%	37.3%	41.1%	40.9%	41.0%
EBITDA Margin	37.3%	36.9%	40.7%	41.3%	41.9%
Pre-tax Income to Op Rev Ratio	20.3%	24.1%	26.7%	27.6%	27.9%
Net Profit Margin	17.9%	21.0%	23.1%	23.9%	24.2%
ROE	20.5%	23.8%	20.8%	18.7%	16.7%
ROA	9.4%	11.4%	13.6%	13.4%	12.9%
<b>Growth (Y-o-Y)</b>					
Revenue	58.1%	28.2%	-0.3%	5.8%	4.7%
EBITDA	53.2%	26.8%	9.9%	7.3%	6.2%
Pre-tax Income	36.6%	49.8%	10.4%	9.4%	6.2%
Net Income	24.4%	49.9%	9.7%	9.4%	6.2%
<b>Financial Structure</b>					
Networth Ratio	45.5%	47.8%	64.8%	71.1%	76.6%
Debt-to-equity Ratio	87.4%	79.1%	29.5%	19.4%	12.2%
<b>Operational Efficiency</b>					
Acc Rec T/O (days)	108	94	110	110	110
Acc Payable T/O (days)	44	83	42	42	42
Inv T/O (days)	4	4	4	4	4
Cash Conversion Cycle (days)	68	14	72	72	72

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