

**AmFraser**

Tiong Woon Corporation Holdings

Placement of New Shares

Small/Mid-Cap | Construction Machinery

MICA (P) 248/07/2008

RETAIL RESEARCH

BUY (Maintained)

8 Oct 2009

- **Placement of 34m new shares at 83 SG cents.** This represents 10.1% of the total issued number of shares prior to the placement and 9.2% of the enlarged share capital. The price is at a 1.6% discount to the volume-weighted average market price of 84.36 SG cents based on trades done on 6 Oct 09. Net proceeds from the fund raising is estimated at S\$27.3m if the new shares are fully subscribed.
- **Usage of funds.** Tiong Woon has stated that 50% of the proceeds will be used for acquiring heavy lifting equipment and the remainder is for general working capital. With their gearing at 0.79 as at 30 Jun 09, we feel the Management is being prudent by raising some cash through equity for further expansion rather than piling on further debt. The fact that their share price has recovered to a historical PE of 7x certainly made the move more attractive.
- **Buoyant O&G industry.** With confidence returning that the worst of the economic crisis is behind us, more O&G projects are being finalised. Hence, we are quite optimistic that the Company will not face a dearth of opportunities in the regions that they are strong in.
- **FV reduced to S\$1.06 to reflect dilution but maintain BUY.** We feel that the placement itself is not enough of a catalyst for us to adjust our profit forecasts. Hence, assuming the placement is fully subscribed, the EPS will be diluted which reduces our FV to \$1.06. This is still 21% above the last close price of 87.5 SG cents and we reiterate our BUY recommendation.

Our Recommendation

Fair Value (SGD)	1.06
Last close price (SGD)	0.875
Holding period	12 mth

Company & Stock Data

Market cap (SGD Mil)	295.4
12-mth trailing P/E	6.98x
Price-to-book	1.7x
12-mth Dividend yield	0.46%
52-wk high	0.99
52-wk low	0.14
30D average volume	12.9m
30D average value	10.7m
Free float	49.6%
Beta	1.35

Share Price relative to STI (1-Year)

	2008	2009	2010F	2011F	2012F
Revenue	157,773	202,280	201,634	213,362	223,342
EBITDA	58,863	74,620	83,137	90,271	96,777
Net Profit	28,295	42,410	46,597	50,990	54,048
Rev Growth	58.1%	28.2%	-0.3%	5.8%	4.7%
Net Profit Growth	24.4%	49.9%	9.9%	9.4%	6.0%
EPS (SGD cts)	8.28	12.54	12.39	13.56	14.37
ROE	20.5%	23.8%	18.5%	17.0%	15.4%
EBITDA Margin	37.3%	36.9%	41.2%	42.3%	43.3%
Free Cashflow	(41,368)	(1,445)	93,172	34,339	38,712

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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
Gross Profit	55,804	75,493	82,863	87,253	91,547
Interest Income	217	75	387	691	901
Other Operating Income	9,261	8,124	8,065	8,534	8,934
Total Operating Income	65,281	83,692	91,316	96,479	101,382
Operating Expenses	26,322	30,935	34,517	35,650	37,308
Operating Profit/(loss)	38,959	52,757	56,799	60,829	64,074
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
Profit Before Tax	33,906	50,807	56,140	61,434	65,118
<i>Less: Income tax exp/ (credit)</i>	5,611	8,397	9,544	10,444	11,070
Profit after tax	28,295	42,410	46,597	50,990	54,048
<i>Less: Minority Interest</i>	331	84	559	612	649
Net Profit/(loss) att to ord. S/H	27,963	42,326	46,037	50,378	53,400
EBITDA	58,863	74,620	83,137	90,271	96,777
Free Cashflow	(41,368)	(1,445)	93,172	34,339	38,712
EPS (SGD cts)	8.28	12.54	12.39	13.56	14.37

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	58,805	77,552	100,855
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	242,348	257,257	271,131
Other Assets	9,086	6,582	6,582	6,582	6,582
Total Assets	300,190	371,934	369,289	406,209	445,632
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	248,805	296,765	347,601
Total Liabilities and Equity	300,190	371,934	369,289	406,209	445,632

CASHFLOW STATEMENT In SGD '000	Adjusted 30-Jun-08	Adjusted 30-Jun-09	Forecast 30-Jun-10	Forecast 30-Jun-11	Forecast 30-Jun-12
Profit before Tax	33,906	50,807	56,140	61,434	65,118
Write-back Depreciation	19,905	21,863	26,338	29,443	32,703
Write-back Amortisation	-	-	-	-	-
Interest income	(217)	(75)	(387)	(691)	(901)
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)	(9,544)	(10,444)	(11,070)
Other operating items	-	-	-	-	-
Cashflow from Operations	5,804	30,474	137,169	80,031	86,443
(Purchase) / Disposal of PPE	(52,921)	(27,670)	(44,272)	(46,486)	(48,810)
Interest received	216	75	387	691	901
Sale of / (invest in) financial assets	(14)	-	-	-	-
Debt raised / (repaid)	(102,427)	(99,389)	(75,153)	(13,064)	(13,064)
Equity raised / (bought back)	-	-	27,300	-	-
Interest paid	(2,958)	(3,215)	(2,675)	(1,528)	(1,189)
Beginning Cash	13,565	16,579	16,802	58,805	77,552
Ending Cash	16,579	16,802	58,805	77,552	100,855
FINANCIAL RATIOS	Adjusted 30-Jun-08	Adjusted 30-Jun-09	Forecast 30-Jun-10	Forecast 30-Jun-11	Forecast 30-Jun-12
Profitability					
Gross Profit Margin	35.4%	37.3%	41.1%	40.9%	41.0%
EBITDA Margin	37.3%	36.9%	41.2%	42.3%	43.3%
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%	18.5%	17.0%	15.4%
ROA	9.4%	11.4%	12.6%	12.6%	12.1%
Growth (Y-o-Y)					
Revenue	58.1%	28.2%	-0.3%	5.8%	4.7%
EBITDA	53.2%	26.8%	11.4%	8.6%	7.2%
Pre-tax Income	36.6%	49.8%	10.5%	9.4%	6.0%
Net Income	24.4%	49.9%	9.9%	9.4%	6.0%
Financial Structure					
Networth Ratio	45.5%	47.8%	67.4%	73.1%	78.0%
Debt-to-equity Ratio	87.4%	79.1%	26.3%	17.6%	11.3%
Operational Efficiency					
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

AmFraser Securities Wednesday Evening Seminars

Date	Time	Topic	Speaker
7-Oct, Wed	6.30pm to 8.00pm	Successful Short Term Trading	Najeeb Jarhom, Head of Retail Research
14-Oct, Wed	6.30pm to 8.00pm	Using Advance Online Features	Hock Shiang, Head of Internet Trading
21-Oct, Wed	6.30pm to 8.00pm	US Trading and Opportunities	Myo Tun, Experienced US Market Dealer
28-Oct, Wed	6.30pm to 8.00pm	How to Trade Warrants Seminar	Henry Ng/ Macquarie Capital Securities
4-Nov, Wed	6.30pm to 8.00pm	Listed Small/ Mid Cap Selections	Winston Peak, Retail Research Analyst
11-Nov, Wed	6.30pm to 8.00pm	Successful Short Term Trading	Najeeb Jarhom, Head of Retail Research
18-Nov, Wed	6.30pm to 8.00pm	Malaysian/ Indonesian Opportunities in Resource Sector	Junaidi Liem, Experienced Dealer

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