

# Tiong Woon -----Maintain NEUTRAL

## Small-cap heavy-weight

EPS: ▲ TP: ▲

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- Tiong Woon reported strong results for its FYJun09, with 28% YoY revenue growth, and earnings jumping 51% YoY, largely driven by its heavy lift/haulage unit (+ 32% YoY), and contribution from fabrication/engineering activities (+78% YoY).
- Net profit at S\$42.3 mn was ahead of consensus/our estimates, swung by positive surprise from the heavy lift/haulage unit, despite management's cautious stance a quarter ago. As primary driver of both revenue and earnings growth, we see stronger rental rate and fleet utilisation assumptions driving our earnings upgrade.
- Going forward, Tiong Woon will focus on ship repair services at its Bintan fabrication yard, given shorter activity duration and lower working capital outlay needs. We expect work to ramp up upon the launch of its maiden pipelay barge project (in September 2009).
- With Tiong Woon's growth outlook likely buoyed by investments into oil & gas and petrochemical sector activities in Asia, liquidity could continue to drive share price action for this micro-cap. But given limited visibility and with earnings momentum tapering, we stay NEUTRAL on our new S\$0.80 target price.

Bbg/RIC	TWC SP / TION.SP	Price (26 Aug 09, \$)	0.70
Rating (prev. rating)	N (N) [V]	TP (Prev. TP \$)	0.80 (0.45)
Shares outstanding (mn)	337.58	Est. pot. % chg. to TP	14
Daily trad vol - 6m avg (mn)	5.35	52-wk range (\$)	0.70 - 0.14
Daily trad val - 6m avg (US\$ mn)	1.7	Mkt cap (\$/US\$ mn)	236.3/ 163.9
Free float (%)	—	Performance	1M 3M 12M
Major shareholders	Ang Choo Kim & Sons (42.65%)	Absolute (%)	48.9 55.6 100.0
		Relative (%)	43.6 32.5 106.0
Year	6/08A	6/09A	6/10E 6/11E 6/12E
Revenues (\$ mn)	157.8	202.3	161.9 172.9 184.1
EBITDA (\$ mn)	56.7	75.9	72.6 76.5 80.4
Net profit (\$ mn)	28.0	42.3	34.6 38.4 42.4
EPS (\$)	0.08	0.13	0.10 0.11 0.12
- Change from prev. EPS (%)	n.a.	n.a.	37 72
- Consensus EPS (\$)	n.a.	n.a.	0.08 0.08 0.09
EPS growth (%)	24.2	51.4	(18.3) 11.0 7.7
P/E (x)	8.5	5.6	6.8 6.2 5.7
Dividend yield (%)	0.6	0.6	0.6 0.6 0.6
EV/EBITDA (x)	6.0	4.7	3.6 3.1 2.6
P/B (x)	1.8	1.4	1.1 1.0 0.8
ROE (%)	21.1	24.4	16.8 15.8 —
Net debt (net cash)/equity (%)	77.5	71.3	13.2 (0.5) —

Note 1: Tiong Woon is primarily in Heavy lift, heavy haulage & equipment installation works, Freight forwarding & transport services, and Trading of construction equipment.

### Other snippets

- Tiong Woon kept its final dividend at S0.4ct per share.
- Management also disclosed that about 86% of the revenue contribution for its maiden S\$64.8 mn pipe-laying barge project at its Bintan yard had been recognised as of end-June 2009.

### Valuation metrics

Company	Ticker	CS rating	Price	Year	EPS change (%)	TP (%)	Up/dn	EPS	EPS growth (%)	P/E (x)	Div. yld. (%)	ROE	P/B
			Local Target	T	T+1 T+2	Chg	(%)	T+1 T+2	T+1 T+2	T+1 T+2	T+1	(%)	(x)
HLA	HLA SP	U	1.66 1.60	12/08	0 0	0	(4)	0.2 0.2	42 12	10.6 9.5	3.0	8.5	1.1
Tat Hong	TAT SP	U	1.11 1.00	03/09	0 0	0	(11)	0.1 0.1	(18) 25	9.9 7.9	4.0	11.5	1.6
Tiong Woon	TWC SP	N	0.70 0.80	06/09	37 72	78	14	0.1 0.1	(18) 11	6.8 6.2	0.6	16.8	1.1
Yongnam	YNH SP	O	0.32 0.35	12/08	0 0	0	9	0.0 0.0	35 4	8.5 8.1	0	25.0	2.1

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM; Source: Company data, Credit Suisse estimates

Figure 1: Results summary comparison

(\$ mn)	FY09	FY08	YoY (%)	FY09E (old)	12M % of FY09E
Revenue	202.3	157.8	28.2	184.9	109.4
- Heavy Lift & Haulage	130.6	99.2	31.6	109.4	119.4
- Marine Transportation	10.9	12.6	-13.3	12.4	87.6
- Trading	13.8	19.6	-29.6	15.7	88.0
- Fabrication & Engineering	47.0	26.4	78.1	47.4	99.1
EBITDA	79.5	56.7	40.3	72.4	109.8
Op. profit	54.0	36.8	46.9	46.9	115.1
Interest income/ (expense)	-3.2	-3.1	3.7	-4.3	74.7
Tax	-8.4	-5.6	49.7	-7.7	109.4
Net profit	42.3	28.0	51.4	34.6	122.3
EPS (\$)	0.125	0.083	51.4	0.103	122.3

Source: Company data, Credit Suisse estimates.

Figure 2: Earnings change

(\$ mn)	FY10E			FY11E		
	New	Old	Chg. (%)	New	Old	Chg. (%)
Revenue	161.9	127.5	26.9	172.9	127.4	35.7
Op. profit	45.4	34.1	33.0	48.2	28.7	68.1
Net profit	34.6	25.2	37.3	38.4	22.3	72.1

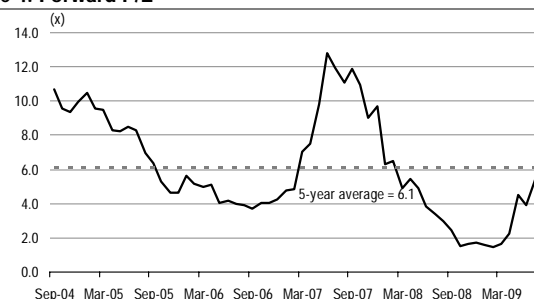
Source: Company data, Credit Suisse estimates.

Figure 3: Fleet profile

(# units)	FY07	FY08	1Q09	2Q09	3Q09	4Q09
Lifting	266	293	311	314	317	321
Hydraulic truck cranes ( 50T to 500T)	93	96	106	104	105	105
Crawler cranes (50T to 1,250T)	93	100	110	114	115	115
Rough terrain cranes (20T to 80T)	23	33	33	33	34	38
Lorry cranes (10T to 45T)	7	9	9	9	9	9
Tower cranes (8T to 12T)	50	55	53	54	54	54
Haulage	163	185	191	186	186	191
Prime movers	31	42	47	43	43	46
Low beds	32	32	32	32	32	32
Specialised trailers	11	21	31	31	31	33
Trailers	78	79	79	78	78	78
Tow trucks	11	11	2	2	2	2
Total	429	478	502	500	503	512

Source: Company data, Credit Suisse estimates.

Figure 4: Forward P/E



Source: Bloomberg, Company data, Credit Suisse estimates.

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**Companies Mentioned** (Price as of 26 Aug 09)

Tiong Woon Corp. (TION.SI, S\$0.70, NEUTRAL [V], TP S\$0.80)

Hong Leong Asia (HLAA.SI, S\$1.66, UNDERPERFORM [V], TP S\$1.60)

Tat Hong Holdings Ltd (TAT.SI, S\$1.11, UNDERPERFORM [V], TP S\$1.00)

Yongnam Holdings Ltd (YNAM.SI, S\$0.32, OUTPERFORM [V], TP S\$0.35)

## Disclosure Appendix

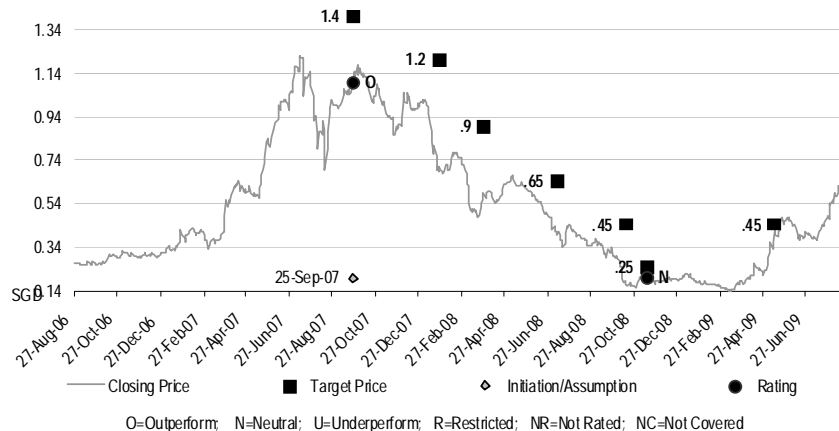
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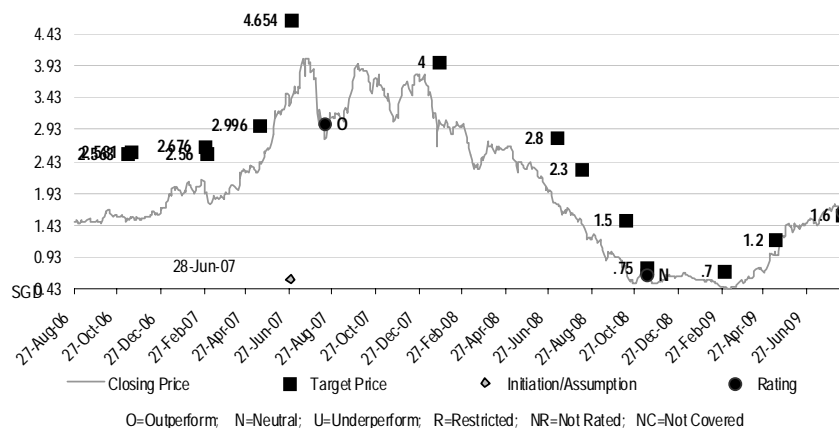
### 3-Year Price, Target Price and Rating Change History Chart for TION.SI

TION.SI	Closing Price	Target Price	Initiation/	
Date	(SGD)	(SGD)	Rating	Assumption
25-Sep-07	1.1	1.4	O	X
24-Jan-08	.685	1.2		
28-Mar-08	.59	.9		
9-Jul-08	.41	.65		
14-Oct-08	.19	.45		
13-Nov-08	.2	.25	N	
13-May-09	.425	.45		



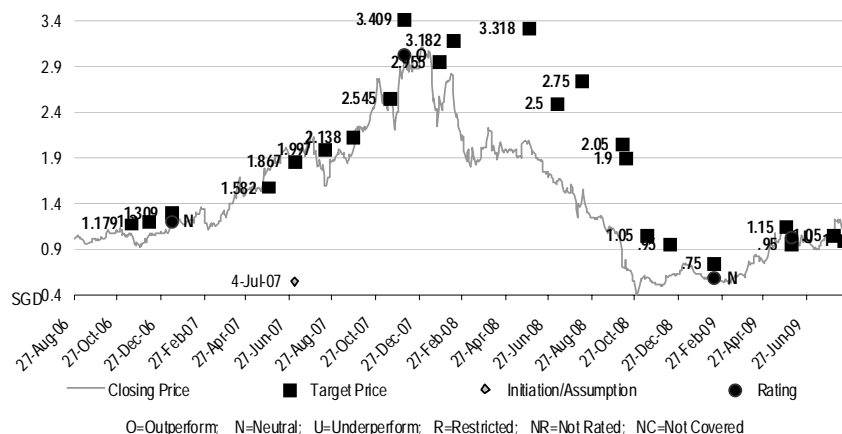
### 3-Year Price, Target Price and Rating Change History Chart for HLAA.SI

HLAA.SI	Closing Price	Target Price	Initiation/	
Date	(SGD)	(SGD)	Rating	Assumption
9-Nov-06	1.52	2.563		
14-Nov-06	1.57	2.581		
27-Feb-07	2.06	2.676		
1-Mar-07	1.96	2.56		
16-May-07	2.42	2.996		
28-Jun-07	3.42	4.654		X
29-Jun-07	3.02	4.654		
15-Aug-07	3.02		O	
15-Nov-07	3.34	4.753		
24-Jan-08	3.01	4		
9-Jul-08	1.76	2.8		
13-Aug-08	1.45	2.3		
14-Oct-08	.8	1.5		
12-Nov-08	.655	.75	N	
3-Mar-09	.44	.7		
14-May-09	.96	1.2		
17-Aug-09	1.64	1.6	U	

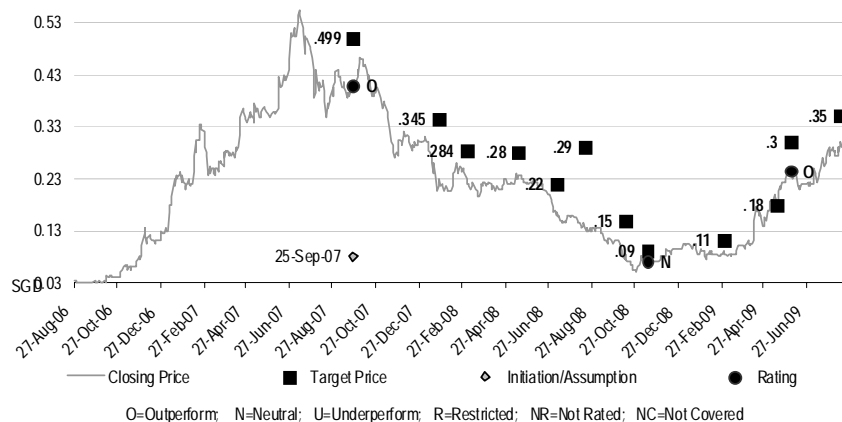


**3-Year Price, Target Price and Rating Change History Chart for TAT.SI**

TAT.SI Date	Closing Price (SGD)	Target Price (SGD)	Rating	Initiation/ Assumption
14-Nov-06	1.045	1.179		
11-Dec-06	1.073	1.2		
11-Jan-07	1.2	1.309	N	
29-May-07	1.791	1.582		
4-Jul-07	1.873	1.867		X
16-Aug-07	1.591	1.997		
25-Sep-07	1.964	2.138		
15-Nov-07	2.618	2.545		
6-Dec-07	3.036	3.409	O	
24-Jan-08	2.436	2.955		
14-Feb-08	2.609	3.182		
29-May-08	2.073	3.318		
9-Jul-08	1.645	2.5		
14-Aug-08	1.56	2.75		
9-Oct-08	.84	2.05		
14-Oct-08	.79	1.9		
13-Nov-08	.585	1.05		
15-Dec-08	.61	.95		
16-Feb-09	.595	.75	N	
29-May-09	1.11	1.15		
4-Jun-09	1.03	.95	U	
4-Aug-09	1.1	1.05		
18-Aug-09	1.14	1		


**3-Year Price, Target Price and Rating Change History Chart for YNAM.SI**

YNAM.SI Date	Closing Price (SGD)	Target Price (SGD)	Rating	Initiation/ Assumption
25-Sep-07	.41	.499	O	X
24-Jan-08	.215	.345		
4-Mar-08	.225	.284		
16-May-08	.235	.28		
9-Jul-08	.165	.22		
18-Aug-08	.135	.29		
14-Oct-08	.085	.15		
14-Nov-08	.07	.09	N	
2-Mar-09	.09	.11		
15-May-09	.185	.18		
4-Jun-09	.245	.3	O	
13-Aug-09	.295	.35		



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**Price Target:** (12 months) for (TION.SI)

**Method:** Our target price of S\$0.80 for Tiong Woon (TION.SI) is based on the conservative end of the range of values suggested by price to earnings (P/E), price to book (P/B) and dividend yield comparisons with peers within the heavy equipment supply industry, the Singapore mid-cap space and the Singapore market generally. We have reinforced this methodology with discounted cash flow analysis using a 13.7% cost of capital (a 3.5% risk-free rate, a 7.5% equity risk premium, a beta of 1.8, and a 6% cost of debt) and a 1% terminal growth rate.

**Risks:** Risks to our target price of S\$0.80 for Tiong Woon (TION.SI) are: 1) a slowdown in construction demand, 2) execution risk on projects won resulting in cost overruns, 3) credit risk, due to default in payments from customers, 4) regulatory risk from government bodies and 5) raw material cost pressure.

**Price Target:** (12 months) for (HLAA.SI)

**Method:** Our S\$1.60 target price for Hong Leong Asia is derived from a sum-of-the-parts (SOTP) valuation in which GPac was valued by discounted cash flow (DCF) and the other businesses were valued on no more than 6x FY09E earnings, which is a discount to the average multiples for China stocks, which is where most of HLA's operations take place. At S\$1.60 the stock would trade at a lower multiple for FY09E earnings than the average Singapore-listed stock, but with higher projected growth yet to come. The SOTP was supplemented by a three stage dividend discount model utilising a 11% cost of equity and 2% terminal growth rate and a payout ratio of 47% at the end of stage one.

**Risks:** The risks to our S\$1.60 target price for Hong Leong Asia include the following: 1) Downturn in the Singapore construction and property industry 2) execution risk related to the pace of the GPac production rollout; 3) the special risks that go along with competition with state-owned enterprises in China that may not require the same return on investment as HLA shareholders.

**Price Target:** (12 months) for (TAT.SI)

**Method:** Our target price of S\$1.00 for TAT.SI is based on the conservative end of the range of values suggested by price-earnings ratio (PER), price-to-book (P/B) and dividend yield comparisons with peers within the heavy equipment supply industry, the Singapore mid-cap space and the Singapore market generally. We have reinforced this methodology with discounted cash flow analysis using a 10.5% cost of capital (3.5% risk free rate, 6.5% equity risk premium, beta of 1.2, and 6% cost of debt) and a 0% terminal growth rate.

**Risks:** Risks to the achievement of our S\$1.00 target price for TAT.SI are (a) Exposure to currency fluctuations especially AUD (Australian dollar), which comprises about 65% of TAT's revenue. An appreciation of SGD against regional currencies (especially AUD) would adversely impact TAT's earnings. (b) A regional downturn in construction would negatively impact TAT's business. (c) Major project cancellations in the energy sector would also hurt the earnings and valuations because a significant portion of the forecasted rental earnings relates to this sector. (d) The risk of overinvestment in the stock of cranes. (e) Larger than expected increase in the cost of growing the Australian general rental footprint through acquisitions. (f) Loss of market share by TAT's main customers - the major international contractors.

**Price Target:** (12 months) for (YNAM.SI)

**Method:** Our target price of S\$0.35 for Yongnam (YNAM.SI) is based on the conservative end of the range of values suggested by price to earnings (P/E), price to book (P/B) and dividend yield comparisons with peers within the construction industry, the Singapore mid-cap space and the Singapore market generally. We have reinforced this methodology with discounted cash flow analysis using a 10.35% cost of capital (a 3% risk-free rate, a 6.5% equity risk premium, a beta of 1.8, and a 6% cost of debt) and a 0% terminal growth rate.

**Risks:** Risks to our target price of S\$0.35 for Yongnam (YNAM.SI) are 1) a slowdown in construction demand, 2) execution risk on projects won resulting in cost overruns, 3) credit risk, due to a default in payments from customers, 4) regulatory risks from government bodies, and 5) raw material cost pressure.

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