Tiong Woon --Maintain NEUTRAL

Strong interims; guiding for a 10-15% sequential fall in crane rental rates **EPS: ▲ TP: ◄►**

Su Tye Chua / Research Analyst / 6212 3014 / sutye.chua@credit-suisse.com

- Tiong Woon delivered strong December 2008 quarter results with net profit jumping 75% YoY to S$12.1 mn, on revenue growth of 38% YoY, driven by strength in its heavy lift and haulage (up 46% YoY), and trading operations (up 251% YoY).
- Excluding S$1.2 mn in gains from the disposal of seven units of used cranes during the quarter, core earnings would have jumped by 68% YoY, with six months-to-date results achieving 59% and 63% of our full-year revenue and earnings estimates, respectively.
- Management has hinted at a peaking of the crane rental market, and guiding for rates to decline by 10-15% sequentially in 2H09. Like competitor Tat Hong (reporting interims on 13 February), tight credit markets are challenging its trading/distribution operations.
- We have raised our estimates by 1-4%, but maintain our target price at S$0.25. While Tiong Woon's operational outlook remains firmly supported by the many ongoing oil and gas activities and the rollout of the public sector infrastructure projects, its low liquidity is likely to impede share price performance. Maintain NEUTRAL rating.

Bbg/RIC	TWC SP / TION.SI	Price (11 Feb 09, S$)			0.17
Rating (prev. rating)	N (N) [V]	TP (S$) (prev. TP)			0.25 (0.25)
Shares outstanding (mn)	337.58	Est. pot. % chg. to TP			47
Daily trad vol–6m avg (mn)	0.7	52-wk range (S$)			0.78 - 0.16
Daily trad val–6m avg (US$ mn)	0.1	Mkt cap (S$/US$ mn)			57.4/ 38.1
Free float (%)		**Performance**	**1M**	**3M**	**12M**
Major shareholders	Ang Choo Kim &	Absolute	(22.7)	(15.0)	(76.7)
	Sons (42.65%)	Relative	(19.0)	(10.8)	(61.2)

Year	6/07A	6/08A	6/09E	6/10E	6/11E
Revenues (S$ mn)	99.8	157.8	154.4	152.7	129.3
EBITDA (S$ mn)	40.4	56.7	68.0	59.6	50.3
Net profit (S$ mn)	22.5	28.0	31.1	24.5	17.9
EPS (S$)	0.07	0.08	0.09	0.07	0.05
- Change from prev. EPS (%)	n.a.	n.a.	1	4	0
- Consensus EPS (S$)	n.a.	n.a.	0.09	0.10	0.00
EPS growth (%)	155.4	24.2	11.0	(21.1)	(27.0)
P/E (x)	2.5	2.1	1.8	2.3	3.2
Dividend yield (%)	2.6	2.4	2.7	2.1	1.6
EV/EBITDA (x)	2.7	2.8	2.1	1.6	1.6
P/B (x)	0.5	0.4	0.4	0.3	0.3
ROE (%)	20.8	21.1	19.1	13.2	0.0
Net debt/equity (%)	48	78	54	21	net cash

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

Figure 1: Fleet Summary – lifting

Lifting	31-Dec-08	30-Sep-08	Change
Hydraulic truck cranes (50T to 500T)	104	106	-2
Crawler cranes (50T to 1,250T)	114	110	4
Rough terrain cranes (20T to 80T)	33	33	0
Lorry cranes (10T to 45T)	9	9	0
Tower cranes (8T to 12T)	54	53	1
Total	**314**	**311**	**3**

Source: Company data, Credit Suisse estimates.

Figure 2: Results summary comparison

(S$ mn)	2Q09A	2Q08A	YoY (%)	FY09E (old)	6M % of FY09E
Revenue	**50.1**	**36.3**	**37.8**	**163.2**	**58.5**
- Heavy lift haulage	33.0	22.6	45.8	114.6	56.2
- Marine transportation	3.6	3.7	-3.4	15.2	45.3
- Trading	8.7	2.5	250.9	4.9	184.5
- Fabrication and engineering	4.8	7.5	-36.3	28.5	53.3
EBITDA	20.9	17.7	18.1	66.5	58.5
Operating profit	**15.6**	**8.6**	**81.7**	**41.0**	**69.3**
Interest income/ (expense)	-0.8	-0.9	-9.2	-3.3	49.9
PBT	14.8	7.7	92.0	37.7	75.2
Tax	-2.7	-0.4	651.8	-6.8	77.9
Net profit	**12.1**	**6.9**	**75.3**	**31.8**	**72.5**
Exceptionals	1.2	0.4	-	-	-
Core net profit	**10.9**	**6.5**	**67.8**	**30.6**	**62.6**
EPS (S$)	0.036	0.022	65.4	0.091	75.3

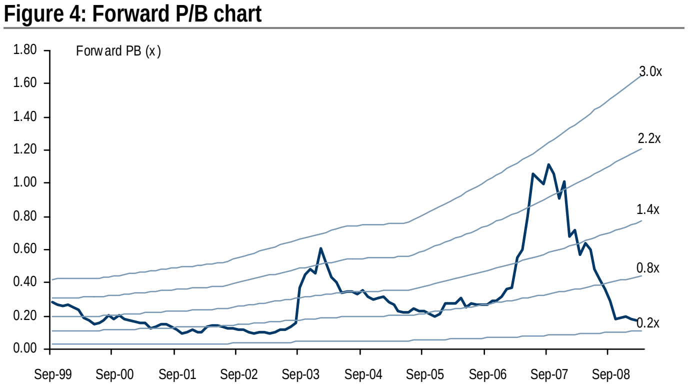
Source: Company data, Credit Suisse estimates.

Figure 3: Key earnings change

	FY09E			FY10E		
(S$ mn)	New	Old	Chg. (%)	New	Old	Chg. (%)
Revenue	**154.4**	**163.2**	**-5.4**	**152.7**	**163.8**	**-6.8**
- Heavy lift haulage	99.0	114.6	-13.6	84.2	97.5	-13.6
- Marine transportation	15.2	15.2	0.0	15.2	15.2	0.0
- Trading	11.7	4.9	140.0	5.9	3.7	60.0
- Fabrication/engineering	28.5	28.5	0.0	47.4	47.4	0.0
EBITDA	68.0	66.5	2.3	59.6	57.4	3.9
Operating profit	**42.5**	**41.0**	**3.8**	**33.3**	**31.0**	**7.2**
Interest income/ (expense)	-4.3	-3.3	30.7	-3.0	-1.9	58.2
PBT	38.3	37.7	1.4	30.3	29.1	3.9
Tax	-6.9	-6.8	1.4	-5.4	-5.2	3.9
Core net profit	**31.1**	**30.6**	**1.5**	**24.5**	**23.6**	**4.0**
EPS (S$)	**0.09**	**0.1**	**1.5**	**0.07**	**0.1**	**4.0**

Source: Company data, Credit Suisse estimates.

Figure 4: Forward P/B chart



Source: Company data, Credit Suisse estimates.

Valuation metrics

Company	Ticker	CS rating	Price Local	Price Target	EPS chg. (%) T+1	EPS chg. (%) T+2	TP (%) Chg	Up/dn (%)	EPS T+1	EPS T+2	EPS grth. (%) T+1	EPS grth. (%) T+2	P/E (x) T+1	P/E (x) T+2	Div. yld. (%) T+1	ROE (%)	P/B (x)
HLA	HLA SP	N	0.56	0.75	0	0	0	34	0.2	0.1	(30)	(18)	3.2	3.9	10.7	14.8	0.4
Tat Hong	TAT SP	O	0.59	0.95	0	0	0	61	0.2	0.2	2	(9)	3.3	3.6	12.3	19.2	0.7
Tiong Woon	TWC SP	N	0.17	0.25	1	4	0	47	0.1	0.1	11	(21)	1.9	2.4	2.7	19.1	0.4
Yongnam	YNH SP	N	0.09	0.09	0	0	0	6	0.0	0.0	181	(22)	2.9	3.7	0.0	23.8	0.7

Note: O = OUTPERFORM, N = NEUTRAL, U = UNDERPERFORM

Source: Company data, Credit Suisse estimates

Companies Mentioned *(Price as of 11 Feb 09)*
Tiong Woon Corp. (TION.SI, S$.17, NEUTRAL [V], TP S$.25)
Hong Leong Asia (HLAA.SI, S$.56, NEUTRAL [V], TP S$.75)
Tat Hong Holdings Ltd (TAT.SI, S$.59, OUTPERFORM [V], TP S$.95)
Yongnam Holdings Ltd (YNAM.SI, S$.09, NEUTRAL [V], TP S$.09)

Disclosure Appendix

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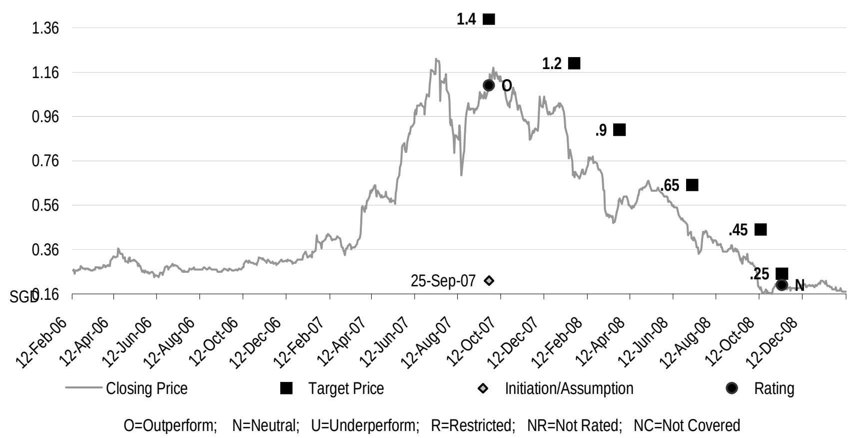
3-Year Price, Target Price and Rating Change History Chart for TION.SI

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



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

Method: Our target price of S$0.25 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$0.25 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.

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