

**Tiong Woon**
**3Q09 stronger than expected on heavy haulage and lift margins**

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**Maintain NEUTRAL**
**EPS: ▲ TP: ▲**

- Tiong Woon delivered stronger-than-expected March 2009 quarter results, with revenues up 26% YoY and net profit jumping 39% YoY, driven primarily by its heavy lift and haulage segment (+24% YoY), and higher revenue recognition from its maiden shipbuilding project, currently at more than 70% completion.
- Going forward, management expects utilisation rates for its marine transportation fleet to improve QoQ, and is guiding for flattish YoY revenues for its heavy haulage and lift segment in FY10E, given the peaking of crane rental rates. Tiong Woon also strategises to focus on ship repair services at its Bintan fabrication yard, given its shorter duration and lower working capital outlay needs.
- We have raised our FY09/10E earnings by 3-12%, after adjusting our revenue assumptions across its four business segments, but largely factoring in stronger heavy haulage and lift margins. Consequently, we have raised our DCF-based target price to S\$0.45 (previously S\$0.25), but keep our rating at NEUTRAL given the stock's low liquidity and recent outperformance.

Bbg/RIC	TWC SP / TION.SI	Price (12 May 09, S\$)	0.37		
Rating (prev. rating)	N (N) [V]	TP (S\$) (prev. TP)	0.45 (0.25)		
Shares outstanding (mn)	337.58	Est. pot. % chg. to TP	23		
Daily trad vol-6m avg (mn)	1.4	52-wk range (S\$)	0.64 - 0.14		
Daily trad val-6m avg (US\$ mn)	0.2	Mkt cap (S\$/US\$ mn)	123.2/84.0		
Free float (%)		Performance	1M 3M 12M		
Major shareholders	Ang Choo Kim & Sons (42.65%)	Absolute	73.8 108.6 (41.6)		
		Relative	48.7 64.4 (13.1)		
Year	6/07A	6/08A	6/09E	6/10E	6/11E
Revenues (S\$ mn)	99.8	157.8	184.9	127.5	127.4
EBITDA (S\$ mn)	40.4	56.7	72.4	60.5	54.7
Net profit (S\$ mn)	22.5	28.0	34.6	25.2	22.3
EPS (\$)	0.07	0.08	0.10	0.07	0.07
- Change from prev. EPS (%)	n.a.	n.a.	12	3	25
- Consensus EPS (\$)	n.a.	n.a.	0.10	0.08	0.08
EPS growth (%)	155.4	24.2	23.9	(27.2)	(11.5)
P/E (x)	5.5	4.4	3.6	4.9	5.5
Dividend yield (%)	1.2	1.1	1.4	1.0	0.9
EV/EBITDA (x)	4.3	4.0	3.0	2.4	2.2
P/B (x)	1.1	0.9	0.7	0.7	0.6
ROE (%)	20.8	21.1	20.9	13.3	0.0
Net debt/equity (%)	48	78	56	13	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	30-Sep-08	31-Dec-08	31-Mar-09
Hydraulic truck cranes (50T to 500T)	106	104	105
Crawler cranes (50T to 1,250T)	110	114	115
Rough terrain cranes (20T to 80T)	33	33	34
Lorry cranes (10T to 45T)	9	9	9
Tower cranes (8T to 12T)	53	54	54
<b>Total</b>	<b>311</b>	<b>314</b>	<b>317</b>

Source: Company data, Credit Suisse estimates

**Valuation metrics**

Company	Ticker	CS Rating	Price		EPS chg (%)		TP (%)	Up/dn (%)	EPS		EPS grth (%)		P/E (x)	Div. yld (%)	ROE (%)	P/B (x)	
			Local	Target	T+1	T+2			Chg	T+1	T+2	T+1	T+2				
HLA	HLA SP	N	0.98	0.70	0	0	(1)	(28)	0.1	0.1	(6)	7	9.5	8.9	5.1	10.4	0.6
Tat Hong	TAT SP	N	0.96	0.75	0	0	0	(18)	0.1	0.1	(17)	(6)	6.5	6.9	6.1	15.7	1.2
Tiong Woon	TWC SP	N	0.37	0.45	12	3	80	23	0.1	0.1	24	(27)	3.6	4.9	1.4	20.9	0.7
Yongnam	YNH SP	N	0.20	0.11	0	0	0	(42)	0.0	0.0	(7)	(27)	7.7	10.6	0.0	18.7	1.4

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

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**Figure 2: Results summary**

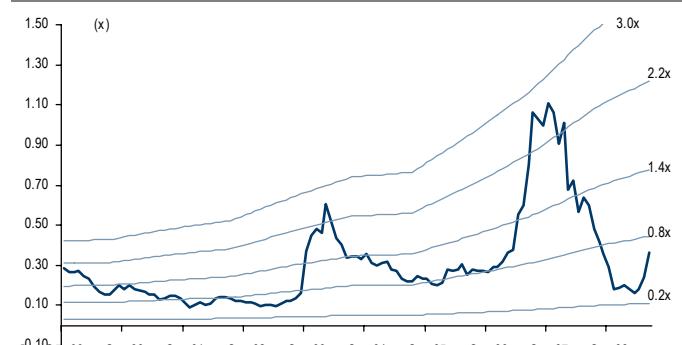
(S\$ mn)	3Q09A	3Q08A	YoY (%)	FY09E	9M % of (old)	FY09E
<b>Revenue</b>	<b>52.8</b>	<b>42.1</b>	<b>25.5</b>	<b>154.4</b>	<b>96.1</b>	
- Heavy lift & haulage	29.4	23.7	23.9	99.0	94.8	
- Marine transportation	2.0	2.5	-21.3	15.2	58.2	
- Trading	4.7	9.0	-47.7	11.7	116.9	
- Fabrication & engineering	16.8	6.9	143.9	28.5	112.2	
EBITDA	15.5	12.4	24.6	68.0	79.9	
Op. profit	10.0	7.3	36.7	42.5	90.1	
Interest income/ (expense)	-0.8	-0.9	-3.5	-4.3	57.8	
<b>PBT</b>	<b>9.1</b>	<b>6.4</b>	<b>42.1</b>	<b>38.3</b>	<b>98.0</b>	
Tax	-2.0	-1.1	81.3	-6.9	105.1	
<b>Net profit</b>	<b>7.1</b>	<b>5.1</b>	<b>38.9</b>	<b>31.5</b>	<b>95.9</b>	
Exceptionals	0.4	0.0	-	-	n.m.	
Core net profit	6.7	5.1	31.6	31.1	83.2	
<b>EPS (\$)</b>	<b>0.021</b>	<b>0.015</b>	<b>37.8</b>	<b>0.092</b>	<b>97.1</b>	

Source: Company data, Credit Suisse estimates

**Figure 3: Key earnings change**

(S\$ mn)	FY09 estimates			FY10 estimates		
	New	Old	Chg. (%)	New	Old	Chg. (%)
<b>Revenue</b>	<b>184.9</b>	<b>154.4</b>	<b>19.8</b>	<b>127.5</b>	<b>152.7</b>	<b>-16.5</b>
- Heavy lift haulage	109.4	99.0	10.5	93.1	84.2	10.5
- Marine transportation	12.4	15.2	-18.2	12.4	15.2	-18.2
- Trading	15.7	11.7	33.3	7.8	5.9	33.3
- Fabrication/ engineering	47.4	28.5	66.7	14.2	47.4	-70.0
EBITDA	72.4	68.0	6.4	60.5	59.6	1.4
Op. profit	46.9	42.5	10.3	34.1	33.3	2.6
PBT	42.6	38.3	11.4	31.1	30.3	2.8
<b>Net profit</b>	<b>34.6</b>	<b>31.1</b>	<b>11.5</b>	<b>25.2</b>	<b>24.5</b>	<b>2.9</b>
EPS (\$)	0.10	0.1	11.5	0.07	0.1	2.9

Source: Company data, Credit Suisse estimates

**Figure 4: Forward P/B chart**


Source: Bloomberg, Company data, Credit Suisse estimates

**Companies Mentioned (Price as of 12 May 09)**

Tiong Woon Corp. (TION.SI, S\$.37, NEUTRAL [V], TP S\$.45)  
 Hong Leong Asia (HLAA.SI, S\$.98, NEUTRAL [V], TP S\$.70)  
 Tat Hong Holdings Ltd (TAT.SI, S\$.96, NEUTRAL [V], TP S\$.75)  
 Yongnam Holdings Ltd (YNAM.SI, S\$.20, NEUTRAL [V], TP S\$.11)

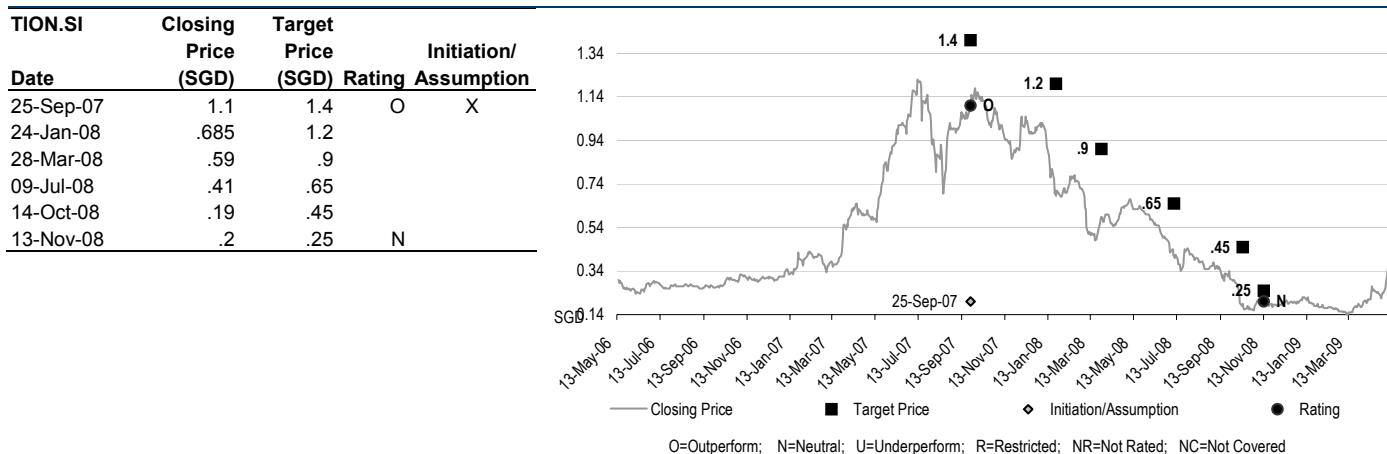
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### 3-Year Price, Target Price and Rating Change History Chart for TION.SI



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

**Method:** Our target price of S\$0.45 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\$0.45 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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