


CONSTRUCTION

Selena Leong
 +65 6232 3898
 selena.leong@dmgaps.com.sg

Terence Wong, CFA
 +65 6232 3896
 terence.wong@dmgaps.com.sg

Stock Profile/Statistics

Bloomberg Ticker	TWC SP
STI	2,628.43
Issued Share Capital (m)	337.6
Market Cap (S\$m)	259.0
52 week H L Price (S\$)	0.715 0.135
Average Volume (3m) '000	6,529
YTD Returns (%)	259.0
Net gearing (x)	0.70
Altman Z-score	1.79
Beta	1.32
ROCE/WACC	2.98
Book Value/share (S\$)	0.51

Major Shareholders

Ang Choo Kim & son	42.9%
Credit Agricole Asset Mgmt	4.93%

Share Performance (%)

Month	Absolute	Relative
1m	45.83%	43.82%
3m	55.56%	38.15%
6m	324.24%	261.74%
12m	100.00%	102.91%

6 month Share Price

FY09 Results Review

Private Circulation Only

TIONG WOON
BUY
Price
Target
Upgrade
S\$0.70
S\$0.95
Another record year of earnings

Tiong Woon (TWC) posted another year of record earnings – up 51% YoY at S\$42.3m, with its Heavy Lift and Haulage segment being a key contributor. A 0.4S¢ dividend was declared, similar to last year's. Management is optimistic on outlook, mentioning that opportunities are not lacking in certain key markets in Asia and the Middle East. Upgrade to BUY, new fair value of S\$0.95.

FY09 earnings exceeded our expectations. Revenue was up 28% YoY to S\$202.3m, on the back of strong contribution from its Heavy Lift and Haulage (HLH) segment (+32% YoY). Gross margins also improved from 35.4% in FY08 to 37.3% in FY09, due to higher margins from its HLH projects. Consequently, earnings rose 51% YoY to hit a new high of S\$42.3m.

Dividend of 0.4S¢ declared. TWC declared a final dividend of 0.4S¢ per share, payable in Nov 09. This translates into a dividend payout ratio of 3.2%.

Pipe-lay barge's (PLB) update. Management mentioned that the vessel is expected to be launched in Sep 09, with the delivery of the PLB targeted to be two to three months from then.

Upgrade on more optimistic outlook. Management has expressed cautious optimism in the outlook for power generation, oil and gas and petrochemical sectors in the near term, in key markets like China, Indonesia, Vietnam, India and the Middle East. We are revising our FY10 earnings estimates for TWC, as well as introducing our FY11 earnings forecasts. FY10 earnings is now estimated to come in at S\$53.2m (up from a conservative S\$28m previously - the new forecast includes the one-off S\$10.5m gain on property sale by its subsidiary announced recently). FY11 earnings are estimated to hit S\$55.3m. Based on 6x FY10F earnings (up from 5x previously with improved investors' sentiment), with TWC's construction peers trading at 8.2x current earnings, our new fair value is S\$0.95 (versus S\$0.415 previously). We are upgrading our call to a BUY, on its strong performance with a more optimistic outlook.

FYE Jun (S\$m)	FY07	FY08	FY09	FY10F	FY11F
Turnover	99.8	157.8	202.3	219.8	266.1
Net Profit	22.5	28.0	42.3	53.2	55.3
% chg YoY	155.0%	24.2%	51.4%	25.8%	3.8%
EPS (S¢)	6.7	8.3	12.5	15.8	16.4
DPS (S¢)	0.4	0.4	0.4	0.4	0.4
Div Yield (%)	0.6%	0.6%	0.6%	0.6%	0.6%
ROE (%)	23.2%	23.2%	27.7%	26.5%	21.7%
ROA (%)	14.1%	13.4%	15.1%	16.7%	15.3%
P/E (x)	10.5	8.5	5.6	4.4	4.3
P/B (x)	2.2	1.8	1.4	1.0	0.8

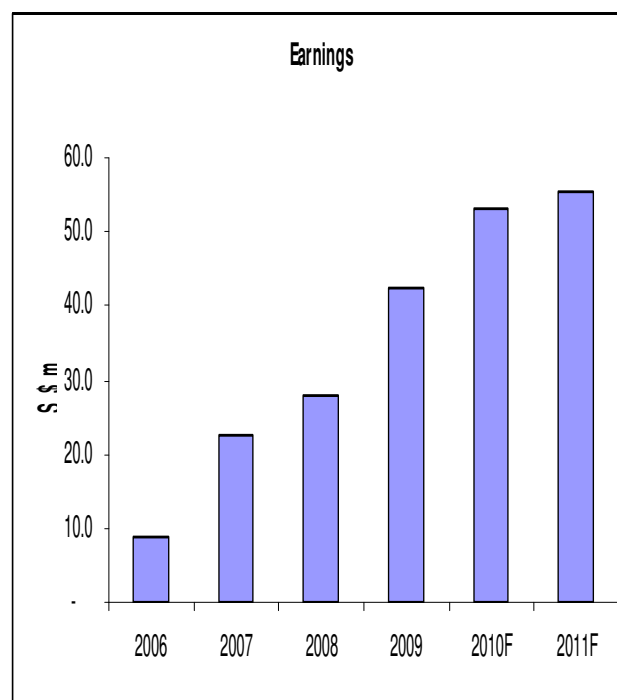
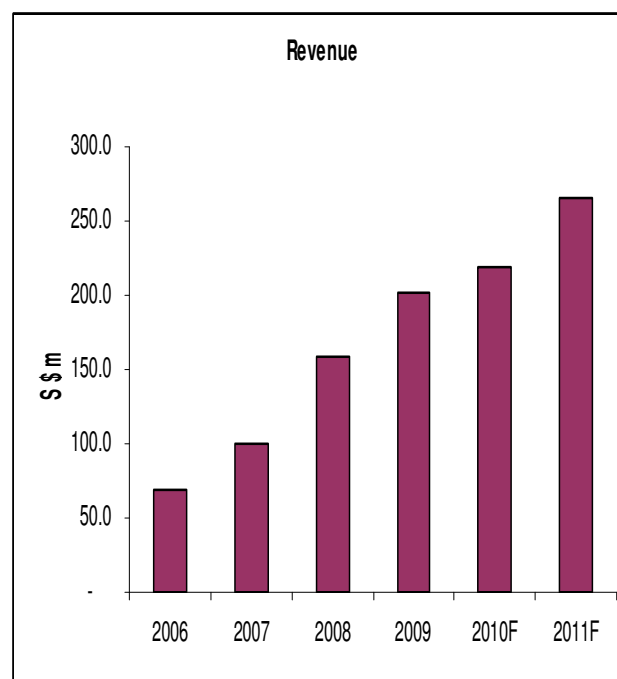
Source: Company and DMG Estimates

FINANCIALS

Year End Jun (\$m)					
Income Statement					
	FY07	FY08	FY09	FY10F	FY11F
Revenue	99.8	157.8	202.3	219.8	266.1
Cost of sales	(60.1)	(102.0)	(126.8)	(137.8)	(166.3)
Other income	7.4	7.5	8.2	9.0	9.9
Operating Expenses	(20.3)	(26.3)	(29.7)	(32.9)	(38.4)
Other credits / (charges)	0.0	0.0	0.0	10.5	0.0
Finance costs (net)	(1.9)	(3.1)	(3.2)	(4.2)	(4.4)
Profit before tax	24.8	33.9	50.8	64.4	66.9
Tax	(2.1)	(5.6)	(8.4)	(10.6)	(11.0)
Profit including minority interest	22.7	28.3	42.4	53.8	55.8
Minority interest	0.2	0.3	0.1	0.5	0.6
Profit attributable to equity holders	22.5	28.0	42.3	53.2	55.3

Balance Sheet					
	FY07	FY08	FY09	FY10F	FY11F
Cash	13.6	16.6	16.8	55.3	63.2
Other current assets	38.0	85.3	128.4	76.5	103.7
Fixed assets	154.9	196.3	226.4	264.3	311.5
Non-current assets	0.1	2.0	0.3	1.1	0.2
Total assets	206.6	300.2	371.9	397.2	478.6
Current liabilities (excl. debt)	18.5	26.7	32.5	20.1	14.3
Debt	65.8	119.5	140.5	105.5	110.8
Other long term liabilities	10.6	17.3	21.3	39.0	66.4
Total liabilities	94.9	163.5	194.3	164.6	191.5
Shareholders equity	108.0	132.7	173.4	227.8	281.7
Minority interest	(3.7)	(4.0)	(4.3)	(4.8)	(5.4)
Total equity	111.7	136.7	177.7	232.7	287.1
Total equity and liabilities	206.6	300.2	371.9	397.2	478.6

Cash Flow					
	FY07	FY08	FY09	FY10F	FY11F
Operating cash flow before working capital changes	33.3	47.4	70.7	83.1	96.1
Working capital changes	(1.8)	(40.9)	(39.7)	41.8	(31.6)
Other operating cashflow	(0.9)	(0.7)	(0.5)	(0.8)	(1.1)
Net cash from operations	30.6	5.8	30.5	124.0	63.4
Net cash from investing activities	(37.2)	(39.9)	(20.8)	(45.0)	(55.0)
Net change in debt	13.8	41.4	(4.9)	(35.0)	5.3
Other financing cashflow	(3.3)	(4.3)	(4.6)	(5.6)	(5.8)
Net cash from financing activities	10.6	37.1	(9.5)	(40.5)	(0.5)
Net incr. in cash/cash equivalents	3.9	3.0	0.2	38.5	7.9
Cash at beginning of year	9.6	13.6	16.6	16.8	55.3
Cash at end of year	13.6	16.6	16.8	55.3	63.2



Source: Company and DMG Estimates

DMG & Partners Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
Malaysia Headquarters OSK Investment Bank Bhd. 20 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : + (60) 3 2333 8333 Fax : + (60) 3 2175 3333	Hong Kong Office OSK Securities Hong Kong Ltd. 1201-1203, 12/F, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : + (852) 2525 1118 Fax : + (852) 2537 1332	Singapore Office DMG & Partners Securities Pte. Ltd. #22-01 Ocean Towers 20 Raffles Place Singapore 048620 Tel : +(65) 6438 8810 Fax : +(65) 6535 4809	Jakarta Office PT OSK Nusadana Securities Plaza Lippo, 14 th Floor, Jl. Jend. Sudirman Kav. 25. Jakarta 12920 Indonesia Tel : + (6221) 520 4599 Fax : + (6221) 520 4505	Shanghai Office OSK (China) Investment Advisory Co. Ltd. Room 6506, Plaza 66 No. 1266 Nanjing Road (West) Shanghai 200040 China