


**CONSTRUCTION**

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**Corporate Update**

Private Circulation Only

**TIONG WOON**

**NEUTRAL**  
**Price**  
**Target** **S\$0.445**  
**S\$0.415**

**Evidence of credit easing - Norce's LC successfully extended**
**Stock Profile/Statistics**

Bloomberg Ticker	TWC SP
STI	2,333.70
Issued Share Capital (m)	337.6
Market Cap (S\$m)	150.2
52 week H L Price (S\$)	0.57   0.135
Average Volume (3m) '000	4,822
YTD Returns (%)	128.2
Net gearing (x)	0.77
Altman Z-score	1.91
Beta	1.42
ROCE/WACC	0.3
Book Value/share (S\$)	0.48

**Major Shareholders**

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

**Share Performance (%)**

Month	Absolute	Relative
1m	21.92%	17.65%
3m	196.67%	136.49%
6m	140.54%	99.89%
12m	-21.93%	2.40%

**6 month Share Price**


1) Client's Letter of Credit (LC) successfully extended, easing some concerns on the tight credit environment and potential collectability issues. 2) Pipe lay barge (PLB) on schedule for delivery in Jul, gearing estimated to ease to ~40% 3) No change to earnings estimates, fair value raised S\$0.415 with improved investor sentiment. 4) Maintain NEUTRAL due to earnings visibility concerns, but the news should be mildly positive.

**Norce Offshore extended LC's validity.** We spoke to management for an update yesterday. Tiong Woon's (TWC) client, Singapore-based Norce Offshore Pte Ltd, has successfully extended the validity of the LC meant for the payment of TWC's maiden ship building contract – the PLB project. Originally expiring in Jun, the LC has been extended to Sept 09. This piece of news put our minds at ease with regards to TWC operating in a tight credit environment and potential collection difficulties from their client.

**PLB's construction on schedule.** Management reiterated that the PLB's construction (currently >70% completed) is on schedule and that the vessel is expected to be launched in end Jun 09 with the delivery of the PLB targeted to be end Jul. We estimate the PLB to be ~85% completed. Post delivery of the vessel, we estimate net gearing would decline from 77% currently back to more normal levels of ~40%.

**Outlook hazy, maintain NEUTRAL.** While we are comforted by the high utilisation of its cranes (~80% as at end Mar) with its projects TWC currently has on hand, we remain concerned over the lack of earnings visibility post its major projects such as the Shell Houdini (due to be completed by beginning 2011). As such, we are maintaining our earnings estimates for TWC, with FY09 earnings estimated to come in at S\$34.2m and FY10 to hit S\$28m (-18.1% YoY). Based on 5x FY10F earnings (up from 4x previously, TWC's construction peers are trading at 7x forward earnings currently) with improved investors' sentiment, our new fair value will be S\$0.415 (versus S\$0.33 previously). We are maintaining our NEUTRAL call on the stock, with the stock price at S\$0.445.

FYE Jun (S\$m)	FY06	FY07	FY08	FY09F	FY10F
Turnover	69.2	99.8	157.8	189.1	165.0
Net Profit	8.8	22.5	28.0	34.2	28.0
% chg YoY	3.5%	155.0%	24.2%	22.3%	-18.1%
EPS (S¢)	2.71	6.67	8.28	10.13	8.30
DPS (S¢)	0.3	0.4	0.4	0.4	0.3
Div Yield (%)	0.82%	1.10%	1.10%	1.10%	0.82%
ROE (%)	12.5%	23.2%	23.2%	23.0%	15.7%
ROA (%)	9.4%	14.1%	13.4%	12.6%	9.7%
P/E (x)	13.5	5.5	4.4	3.6	4.4
P/B (x)	1.4	1.1	0.9	0.7	0.6

Source: Company and DMG Estimates

## FINANCIALS

### Income Statement

Year Ended Jun (\$m)	FY06	FY07	FY08	FY09F	FY10F
Revenue	69.2	99.8	157.8	189.1	165.0
Cost of sales	(43.8)	(60.1)	(102.0)	(119.2)	(103.9)
Other income	1.5	7.4	7.5	6.0	5.0
Operating Expenses	(13.1)	(20.3)	(26.3)	(28.7)	(28.1)
Other credits / (charges)	0.0	0.0	0.0	0.0	0.0
Finance costs (net)	(1.4)	(1.9)	(3.1)	(5.6)	(3.9)
Profit before tax	12.4	24.8	33.9	41.6	34.1
Tax	(3.4)	(2.1)	(5.6)	(7.1)	(5.8)
Profit including minority interest	9.0	22.7	28.3	34.5	28.3
Minority interest	0.2	0.2	0.3	0.3	0.3
Profit attributable to equity holders	8.8	22.5	28.0	34.2	28.0

### Balance Sheet

Year Ended Jun (\$m)	FY06	FY07	FY08	FY09F	FY10F
Cash	9.6	13.6	16.6	20.5	24.5
Other current assets	26.4	38.0	85.3	121.1	94.5
Fixed assets	109.0	154.9	196.3	217.3	222.3
Non-current assets	0.1	0.1	2.0	2.1	2.1
Total assets	145.2	206.6	300.2	361.0	343.3
Current liabilities (excl. debt)	10.9	18.5	26.7	27.5	27.0
Debt	35.4	65.8	119.5	141.0	97.0
Other long term liabilities	9.1	10.6	17.3	23.0	22.9
Total liabilities	55.4	94.9	163.5	191.5	146.9
Shareholders equity	85.9	108.0	132.7	165.2	191.8
Minority interest	(3.9)	(3.7)	(4.0)	(4.3)	(4.6)
Total equity	89.8	111.7	136.7	169.5	196.4
Total equity and liabilities	145.2	206.6	300.2	361.0	343.3

Source: Company and DMG Estimates

## FINANCIALS

### Cash Flow Statement

Year Ended Jun (\$m)	FY06	FY07	FY08	FY09F	FY10F
Operating cash flow before working capital changes	23.9	33.3	47.4	60.2	51.7
Working capital changes	(6.7)	(1.8)	(40.9)	(37.8)	25.7
Other operating cashflow	(0.3)	(0.9)	(0.7)	(0.7)	(0.8)
Net cash from operations	16.9	30.6	5.8	21.7	76.6
Net cash from investing activities	(24.9)	(37.2)	(39.9)	(27.8)	(18.8)
Net change in debt	(11.8)	13.8	41.4	17.0	(48.6)
Other financing cashflow	20.6	(3.3)	(4.3)	(7.0)	(5.2)
Net cash from financing activities	8.8	10.6	37.1	10.0	(53.8)
Net incr. in cash/cash equivalents	0.9	3.9	3.0	3.9	4.0
Cash at beginning of year	8.8	9.6	13.6	16.6	20.5
Cash at end of year	9.6	13.6	16.6	20.5	24.5

Source: Company and DMG Estimates

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**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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