



## CONSTRUCTION

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## Stock Profile/Statistics

Bloomberg Ticker	TWC SP
STI	2,178.13
Issued Share Capital (m)	337.6
Market Cap (S\$m)	123.2
52 week H L Price (S\$)	0.645   0.135
Average Volume (3m) '000	2,117
YTD Returns (%)	87.2
Net gearing (x)	0.77
Altman Z-score	1.91
Beta	1.43
ROCE/WACC	3.01
Book Value/share (S\$)	0.48

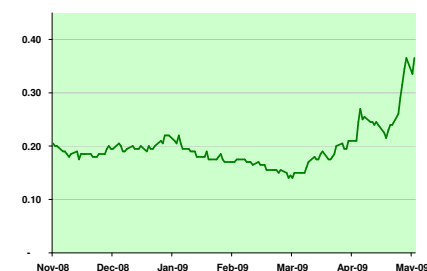
## Major Shareholders

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

## Share Performance (%)

Month	Absolute	Relative
1m	73.81%	57.75%
3m	108.57%	79.30%
6m	78.05%	55.96%
12m	-41.60%	-10.09%

## 6 month Share Price



## 3QFY09 Results Review

Private Circulation Only

## TIONG WOON

NEUTRAL  
Price  
Target

Maintain  
S\$0.365  
S\$0.33

## Strong results but slowdown ahead

**Robust results for 3QFY09.** Tiong Woon's (TWC) turnover for 3QFY09 rose 26% YoY, from S\$42.1m to S\$52.8m. This increase in revenue is attributable to an increase in revenue from its Heavy Lift and Haulage (HLH) and Fabrication and Engineering segments. In line with the robust turnover achieved, PATMI jumped 38% YoY to \$7.1m.

While gross profit has increased 22% YoY to S\$16.1m on the back of an increase in turnover and higher margins enjoyed from its HLH projects, gross profit margin for 3QFY09 has eased to 30.5% from 31.4% in 3QFY08. We understand this decline is due to the Fabrication and Engineering and Marine segments.

**Pipe Lay Barge (PLB)'s construction on schedule.** Management reiterated that the PLB's construction (currently >70% completed) is on schedule, the vessel is expected to be launched in Jul 09. As such, the full payment for the project would only be in Aug or Sep. TWC's client, Singapore-based Norce Offshore Pte Ltd, is currently attempting to extend the validity of the LC meant for this project from Jun to Sep. Post delivery of the vessel, we estimate net gearing would decline from 77% currently back to more normal levels of ~40%.

**Maintaining capex plans.** Management indicated that TWC's capex plan for the next six months to be ~S\$20m for the purchase of cranes and tugboats. This is in line with prior guidance of ~S\$30-40m that is set aside for fleet renewal each year.

**Signs of activity slowdown?** We note that both the Marine and Trading segments could be reflecting signs of a slow down - PBT for both segments are down, with Marine suffering losses and Trading down 51% YoY. In response to our queries, management mentioned sales of cranes under the Trading segment totalled two units this quarter versus five in the previous year. Utilisation rate for the Marine segment was 40% this quarter and management expects it to pick up only next quarter.

**Maintain fair value of S\$0.33.** We are maintaining our fair value of S\$0.33 and our NEUTRAL call on the stock, based on 4x FY10F earnings.

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

### Results Review

(in S\$m)	3QFY08	3QFY09	YoY % Chg	2QFY09	QoQ % Chg
Revenue	42.1	52.8	25.5%	50.1	5.5%
Cost of sales	-28.9	-36.7	27.2%	-28.5	28.7%
Other income	-0.5	0.9	-281.9%	1.6	-43.7%
Operating Expenses	-5.4	-7.1	30.2%	-7.6	-7.0%
Other credits / (charges)	-	-	-	-	-
Finance costs (net)	-0.9	-0.8	-3.5%	-0.8	1.1%
Profit before tax	6.4	9.1	42.1%	14.7	-38.2%
Tax	-1.1	-2.0	81.3%	-2.7	-26.9%
Profit including minority interest	5.3	7.2	34.2%	12.1	-40.7%
Minority interest	0.2	0.1	-69.8%	0.0	50.0%
Profit attributable to equity holders	5.2	7.1	37.8%	12.0	-41.0%

### Income Statement

Year Ended Jun (S\$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

Source: Company and DMG Estimates

## FINANCIALS

### Balance Sheet

Year Ended Jun (S\$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

### Cash Flow Statement

Year Ended Jun (S\$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

### 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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