



Tiong Woon Corporation Holding Ltd

Just Passed the Deepest Point
AmFraser

RETAIL RESEARCH

MICA (P) 248/07/2008

HOLD (Upgraded)

27 Aug 2010

- Q4 results capped a lacklustre FY.** Tiong Woon ("TWC") saw a QoQ improvement in revenue from S\$28.4m to S\$37.8m. The bulk of this increase was from their core 'Heavy Lift and Haulage' and 'Trading' segments, which rose 20.4% QoQ to S\$27.0m and 618% QoQ to S\$5.0m respectively. It would appear we were too pessimistic in our topline forecast by 30.3% but we were rather close when it came to the bottomline (FY10 NPAT was S\$23.9m vs our estimate of S\$22.9m). With no major extraordinary losses in this quarter, this meant that the operating environment was still tough in Q4.
- Margin-squeeze in tough environment.** Segment net margin for 'Heavy Lift and Haulage' in Q4 improved to 15.6% from 12.3% in Q3. This is still a far cry from the 30% last seen in Q1 and Q2. Management mentioned that the situation should improve when the bigger projects start in late-2010 or early-2011. By then, utilisation should improve from the ~65% achieved in Q4. TWC's 'Trading' segment suffered from a slim net margin too at 2.8%. Segment net profit (before tax) of S\$140K reversed the loss of S\$137K in Q3. We are not optimistic of a significant improvement in the margins amid uncertainty in the global economic outlook.
- Strategy to stem red ink from yard.** Management has communicated their strategy to reverse 4 quarters of losses in their Bintan yard by focusing more on ship repair. The yard is disadvantaged by being further from Singapore than their more strategically-located Batam competitors. To mitigate this, the Company assures vessel owners that repair work will begin within 2 days the vessels are sent in. The large size of the yard should allow each vessel to be up-slipped, repaired and re-launched independently. However, competition will be stiff with most yards focusing on repair jobs due to the dearth of newbuild contracts. Their competitiveness will be enhanced after further work is done to deepen the slipway to a depth of 5m at low tide. We will be monitoring this segment closely as a successful turnaround will do wonders to the bottomline.
- Final dividend declared.** TWC declared a first and final dividend of 0.4 SG cents, an yield of 0.95% based on last close of S\$0.42
- The trough has been marked.** The Company took longer than we expected to get past the lowest point. But we believe things should get better from here on, even if the pace of recovery may be slow. Management is optimistic that India, Vietnam, the Middle East and Indonesia will provide the booster to their Heavy Lift and Haulage segment. We believe now may be the right time to re-look at a badly-beaten down stock and prepare for the eventual upturn. We have reviewed our earnings model and raised our FV to 55 SG cents. Upgrade from 'Sell' to '**HOLD**' recommendation.

Our Recommendation

Fair Value (SGD) 0.55

Last close price (SGD) 0.42

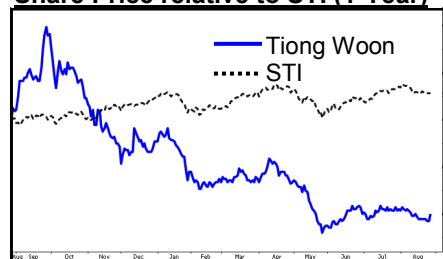
Holding period 12 months

Company & Stock Data

Market cap (SGD Mil)	156.1
12-mth trailing P/E	6.4x
Price-to-book	0.7x
12-mth Dividend yield	0.95%
52-wk high	0.99
52-wk low	0.36
30D average volume	344K
30D average value	144.6K
Free float	54.2%
Beta	1.28

Source: Bloomberg

Share Price relative to STI (1-Year)



Source: Bloomberg

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	2009	2010	2011F	2012F	2013F
Revenue	202,280	148,392	161,084	169,741	184,677
EBITDA	74,620	54,905	59,431	62,640	69,012
Net Profit	42,410	23,901	24,218	26,247	30,270
Rev Growth	28.2%	-26.6%	8.6%	5.4%	8.8%
Net Profit Growth	49.9%	-43.6%	1.3%	8.4%	15.3%
EPS (SGD cts)	12.54	6.62	6.44	6.98	8.05
ROE	23.8%	10.4%	9.5%	9.4%	9.8%
EBITDA Margin	36.9%	37.0%	36.9%	36.9%	37.4%
Free Cashflow	(1,445)	30,095	97,911	27,723	30,255

INCOME STATEMENT

In SGD '000	Adjusted 30-Jun-09	Adjusted 30-Jun-10	Forecast 30-Jun-11	Forecast 30-Jun-12	Forecast 30-Jun-13
Revenue	202,280	148,392	161,084	169,741	184,677
Cost of Sales	126,787	104,908	109,818	115,852	124,513
Gross Profit	75,493	43,484	51,266	53,889	60,164
Interest Income	75	88	78	104	120
Other Operating Income	8,124	15,647	6,443	6,790	7,387
Total Operating Income	83,692	59,219	57,787	60,783	67,671
Operating Expenses	30,935	28,020	27,384	29,216	31,876
Operating Profit/(loss)	52,757	31,199	30,403	31,567	35,795
Interest (expense)	(3,199)	(2,295)	(2,835)	(1,641)	(1,172)
Other non-op income/ (exp)	1,249	(764)	1,611	1,697	1,847
Profit Before Tax	50,807	28,140	29,179	31,623	36,470
<i>Less: Income tax exp/ (credit)</i>	8,397	4,239	4,960	5,376	6,200
Profit after tax	42,410	23,901	24,218	26,247	30,270
<i>Less: Minority Interest</i>	84	(26)	291	315	363
Net Profit/(loss) att to ord. S/H	42,326	23,927	23,928	25,932	29,907
EBITDA	74,620	54,905	59,431	62,640	69,012
Free Cashflow	(1,445)	30,095	97,911	27,723	30,255
EPS (SGD cts)	12.54	6.62	6.44	6.98	8.05

BALANCE SHEET

In SGD '000	Adjusted 30-Jun-09	Forecast 30-Jun-10	Forecast 30-Jun-11	Forecast 30-Jun-12	Forecast 30-Jun-13
Cash & cash equivalents	16,802	38,274	63,963	73,125	85,093
Trade and Other Rec	118,407	118,866	47,893	49,871	53,981
Inventory	1,282	3,298	1,504	1,587	1,706
Construction contracts WIP	2,431	141	-	-	-
Property, plant & equip (net)	226,430	255,573	254,382	252,531	249,934
Other Assets	6,582	3,569	3,569	3,569	3,569
Total Assets	371,934	419,721	371,311	380,684	394,283
Trade Payables	28,855	24,118	17,757	19,058	20,487
Borrowings	140,473	137,959	68,192	51,144	34,096
Other Liabilities	24,929	28,152	33,090	33,523	34,270
Total Common Equity	177,677	229,492	252,271	276,959	305,430
Total Liabilities and Equity	371,934	419,721	371,311	380,684	394,283

CASHFLOW STATEMENT In SGD '000	Adjusted 30-Jun-09	Forecast 30-Jun-10	Forecast 30-Jun-11	Forecast 30-Jun-12	Forecast 30-Jun-13
Profit before Tax	50,807	28,140	29,179	31,623	36,470
Write-back Depreciation	21,863	23,706	29,028	31,074	33,217
Interest income	(75)	(88)	(78)	(104)	(120)
Interest expense	3,199	2,295	2,835	1,641	1,172
Other non-cash adjustments	(5,138)	(15,438)	-	-	-
Change in working capital	(39,676)	(1,705)	71,486	(328)	(2,052)
Income taxes paid	(506)	(996)	(4,960)	(5,376)	(6,200)
Cashflow from Operations	30,474	35,914	127,489	58,530	62,487
(Purchase) / Disposal of PPE	(27,670)	(18,405)	(29,448)	(30,920)	(32,466)
Interest received	75	88	78	104	120
Debt raised / (repaid)	(1,133)	(38,490)	(69,767)	(17,048)	(17,048)
Equity raised / (bought back)	-	27,254	-	-	-
Interest paid	(3,215)	(3,070)	(2,835)	(1,641)	(1,172)
Beginning Cash	16,579	16,802	38,274	63,963	73,125
Ending Cash	16,802	38,274	63,963	73,125	85,093

FINANCIAL RATIOS	Adjusted 30-Jun-09	Forecast 30-Jun-10	Forecast 30-Jun-11	Forecast 30-Jun-12	Forecast 30-Jun-13
<i>Profitability</i>					
Gross Profit Margin	37.3%	29.3%	31.8%	31.7%	32.6%
EBITDA Margin	36.9%	37.0%	36.9%	36.9%	37.4%
Pre-tax Income to Op Rev Ratio	24.1%	17.1%	17.4%	17.9%	19.0%
Net Profit Margin	21.0%	16.1%	15.0%	15.5%	16.4%
ROE	23.8%	10.4%	9.5%	9.4%	9.8%
ROA	11.4%	5.7%	6.5%	6.9%	7.7%
<i>Growth (Y-o-Y)</i>					
Revenue	28.2%	-26.6%	8.6%	5.4%	8.8%
EBITDA	26.8%	-26.4%	8.2%	5.4%	10.2%
Pre-tax Income	49.8%	-44.6%	3.7%	8.4%	15.3%
Net Income	49.9%	-43.6%	1.3%	8.4%	15.3%
<i>Financial Structure</i>					
Networth Ratio	47.8%	54.7%	67.9%	72.8%	77.5%
Debt-to-equity Ratio	79.1%	60.1%	27.0%	18.5%	11.2%
<i>Operational Efficiency</i>					
Acc Rec T/O (days)	94	131	110	110	110
Acc Payable T/O (days)	83	84	59	60	60
Inv T/O (days)	4	11	5	5	5
Cash Conversion Cycle (days)	14	59	56	55	55

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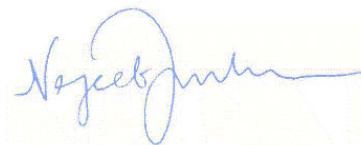
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