4QFY10 RESULTS

26 August 2010

SINGAPORE

Tiong Woon Corporation

Outlook still tentative

UNDERPERFORM	Maintained
S$0.40	Target: S$0.37
	Mkt.Cap: S$149m/US$109m
	Construction

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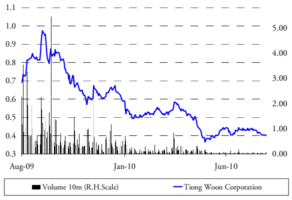
- **Above; maintain Underperform.** 4Q10 core net profit of S$2.0m (-84% yoy) was above our estimate but below consensus, with FY10 core net profit of S$7.7m (-82% yoy) forming 120% of our forecast. The outperformance stemmed from better-than-expected revenue from its heavy lift and trading segments. In view of a still-murky outlook, however, we leave our FY11-12 core net profit estimates intact while introducing FY13 forecasts. Our target price of S$0.37 is unchanged, still based on 7.2x CY11 P/E (10% discount to its mid-cycle multiple of 8x). TWC declared a final dividend of 0.4 Sct/ share. We continue to see de-rating catalysts from weak Singapore operations.
- **Revenue above our expectation.** Yoy, revenue fell in all segments in 4Q10 with the exception of marine transport, where sales were up 121% to S$4.5m from two new charter contracts. Better-than-expected contributions from its heavy lift & haulage (S$27m, -26.6% yoy) and trading (4Q10 +S$5m, 4Q09 -S$12m) businesses lifted the number above our expectation. India was the bright spark, with 30% yoy sales growth in FY10 while contributions from other markets declined.
- **Weak margins continued to depress bottom line.** With utilisation and average rental rates still far below their peaks in FY09, gross margins (4Q10 27.5%; 4Q09 34%) remained below their historical 33-43%. There was some consolation on a qoq basis, with margins improving 1% pt from 26.5% in 2Q-3Q10. This was the result of a gradual recovery in utilisation rates in 4Q10 that lifted FY10 utilisation to 67.8%, from 62-65% in 9M10. Opex was up 15% yoy on the back of higher staff costs as the group increased headcount to support overseas projects.
- **Still cautious with a glimmer of hope.** The supply of cranes in Singapore remains excessive against the number of construction projects ongoing/ coming on stream. With the local market still expected to account for the bulk of TWC's turnover (FY10 62%, FY09 66%), we remain cautious on TWC's FY11 outlook. A recovery would hinge on a pick-up in overseas projects, in our view, that could make up for the continued weakness in Singapore.

Results comparison

FYE Jun (S$ m)	**4QFY10**	**4QFY09**	**yoy % chg**	**qoq % chg**	**12MFY10 Cum**	**12MFY09 Cum**	**yoy % chg**	**Prev. FY10F**	**Comments**
Revenue	37.8	54.0	*(30.0)*	*33.2*	148.4	202.3	*(26.6)*	140.4	Above: higher-than-exp heavy lift & trading
Operating costs	(29.0)	(36.5)	*(20.6)*	*30.2*	(110.0)	(134.6)	*(18.3)*	(104.8)	Above: in line with higher revenue
EBITDA	8.8	17.4	*(49.7)*	*44.0*	38.4	67.7	*(43.2)*	35.6	Above
EBITDA margin (%)	23.2	32.3			25.9	33.5		25.4	In line
Depn & amort.	(6.3)	(5.8)	*8.2*	*5.4*	(23.7)	(21.9)	*8.4*	(22.5)	Above: due to fleet expansion
EBIT	2.5	11.6	*(78.6)*	*1,857.5*	14.7	45.8	*(67.9)*	13.1	Above
Interest expense	(0.7)	(0.7)	*(5.2)*	*14.2*	(2.3)	(3.2)	*(28.3)*	(2.2)	Above
Interest & invt inc	(0.8)	2.4	*(135.4)*	*(232.2)*	(0.5)	8.2	*(106.2)*	0.9	Below
Associates' contrib	(0.0)	-	-	-	(0.0)	-	-	-	
Exceptionals	0.8	-	-	*(92.9)*	16.2	-	-	15.4	Above: gain on disposal of property
Pretax profit	**1.8**	**13.3**	*(86.6)*	*(84.7)*	**28.1**	**50.8**	*(44.6)*	**27.2**	Above
Tax	1.0	(1.2)	*183.6*	*147.4*	(4.2)	(8.4)	*(49.5)*	(5.4)	Below
Tax rate (%)	(54.3)	8.7			15.1	16.5		19.8	
Minority interests	0.0	0.0	*600.0*	-	0.0	(0.1)	*131.0*	0.0	
Net profit	**2.8**	**12.2**	*(77.2)*	*(71.1)*	**23.9**	**42.3**	*(43.5)*	**21.8**	Above
Core net profit	**2.0**	**12.2**	*(83.9)*	*205.3*	**7.7**	**42.3**	*(81.8)*	**6.4**	Above
EPS (cts)	0.8	3.6	*(78.7)*	*(71.1)*	6.6	12.5	*(47.2)*	5.9	Above
Core EPS (cts)	0.5	3.6	*(85.0)*	*205.3*	2.1	12.5	*(83.0)*	1.7	Above

Source: *Company, CIMB Research*

Price chart



Source: Bloomberg

Financial summary

FYE Jun	2009	2010	2011F	2012F	2013F
Revenue (S$ m)	202.3	148.4	162.6	189.0	194.2
EBITDA (S$ m)	67.7	38.4	40.7	47.0	26.0
EBITDA margins (%)	33.5%	25.9%	25.0%	24.9%	13.4%
Pretax profit (S$ m)	50.8	28.1	20.1	26.5	27.1
Net profit (S$ m)	42.3	23.9	16.7	22.0	23.5
EPS (S cts)	12.5	6.6	4.5	5.9	6.3
EPS growth (%)	51.4%	(47.2%)	(32.1%)	31.8%	6.9%
P/E (x)	3.2	6.0	8.9	6.8	6.3
Core EPS (S cts)	12.5	2.1	4.5	5.9	6.6
Core EPS growth (%)	51.4%	(83.0%)	111.5%	31.8%	11.4%
Core P/E (x)	3.2	18.8	8.9	6.8	6.1
Gross DPS (S cts)	0.4	0.6	0.6	0.6	0.6
Dividend yield (%)	1.0%	1.5%	1.5%	1.5%	1.5%
P/BV (x)	0.8	0.7	0.6	0.6	0.5
ROE (%)	27.7%	12.0%	7.2%	8.8%	8.7%
Net gearing (%)	77.5%	71.3%	19.0%	10.9%	1.9%
P/FCFE (x)	(8.0)	17.6	10.2	8.1	11.0
EV/EBITDA (x)	3.9	6.5	6.0	4.9	8.3
% change in EPS estimates			-	-	-
CIMB/Consensus (x)			0.7	0.8	-

Source: Company, CIMB Research, Bloomberg

Figure 1: Segmental revenue

Revenue (S$ m)	4Q10	4Q09	yoy %
Heavy Lift & Haulage	27.0	36.8	-26.6%
Marine Transportation	4.54	2.05	121%
Trading	5.00	(12.02)	n.m
Fabrication & Engineering	1.24	27.14	-95.4%
Total	**37.8**	**54.0**	**-30.0%**

Source: Company, CIMB Research

Figure 2: Sector comparisons

	Bloomberg ticker	Recom.	Price (Local)	Target price (Local)	Mkt cap (US$ m)	Core P/E (x) CY2010	Core P/E (x) CY2011	3-yr EPS CAGR (%)	P/BV (x) CY2010	ROE (%) CY2010	Div yield (%) CY2010
Tiong Woon	TWC SP	U	0.40	0.37	109	12.1	7.7	N/A	0.6	9.4	1.5
Tat Hong	TAT SP	O	0.90	1.21	328	9.7	7.4	24.5	0.9	9.6	3.6
Yongnam	YNH SP	O	0.23	0.39	210	5.2	4.8	15.9	1.2	25.7	2.4
Simple average						**9.0**	**6.7**	**18.6**	**0.9**	**14.9**	**2.5**

O = Outperform, N = Neutral, U = Underperform, TB = Trading Buy and TS = Trading Sell
Source: Company, CIMB Research

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NEUTRAL: The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.	**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.
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TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.	**TRADING BUY:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 3 months.
TRADING SELL: Expected negative total returns of 15% or more over the next 3 months.	**TRADING SELL:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 3 months.

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