Tiong Woon ---Maintain NEUTRAL

Weak 4Q10, earnings visibility limited

EPS: ▼ TP: ▼

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- Tiong Woon delivered weak June-quarter results, with revenues down 30% YoY and earnings down 77% YoY. FY10 achieved just 89% and 70% of our full-year revenue and earnings estimates, respectively. Tiong Woon kept its final dividend at S$0.4 ct/share.
- All segments, except the marine transportation, witnessed a sharp fall in both revenue and earnings, with the heavy lift and haulage (at 71% of revenues) down 27% YoY and 83% YoY, respectively, on the back of lower fleet utilisation and rental rates.
- Near term, we expect the structural overcapacity in lower tonnage capacity cranes in Singapore (at 60%-plus of revenue) to dampen margins for the heavy lift and haulage segment, even as Tiong Woon targets further overseas growth drivers. We have factored in lower margins, and lowered our earnings estimates by 30-31%.
- While valuations at sub-1x P/B and 11% ROE are supportive, earnings visibility remains weak. We believe that Tiong Woon's earnings have reached a trough, and maintain our NEUTRAL rating. We have revised down our target price to S$0.45 from S$0.80.

Bbg/RIC	**TWC SP / TION.SI**	**Price (25 Aug 10 , S$)**	**0.40**
Rating (prev. rating)	**N (N) [V]**	**TP (Prev. TP S$)**	**0.45 (0.80)**
Shares outstanding (mn)	371.58	Est. pot. % chg. to TP	13
Daily trad vol - 6m avg (mn)	1.1	52-wk range (S$)	0.98 - 0.36
Daily trad val - 6m avg (US$ mn)	0.4	Mkt cap (S$/US$ mn)	148.6/ 109.2
Free float (%)	—		
Major shareholders	Ang Choo Kim & Sons (42.65%)		

Performance	**1M**	**3M**	**12M**
Absolute (%)	(7.0)	9.6	(42.0)
Relative (%)	(5.5)	(0.7)	(48.1)

Year	**6/09A**	**6/10A**	**6/11E**	**6/12E**	**6/13E**
Revenues (S$ mn)	202.3	148.4	159.8	170.1	175.9
EBITDA (S$ mn)	75.9	54.2	59.7	63.3	66.3
Net profit (S$ mn)	42.3	23.5	26.4	29.1	30.9
EPS (S$)	0.13	0.07	0.08	0.09	0.09
- Change from prev. EPS (%)	n.a.	n.a.	(31)	(30)	
- Consensus EPS (S$)	n.a.	n.a.	0.08	0.09	0
EPS growth (%)	51.4	(44.5)	12.5	10.1	6.4
P/E (x)	3.2	5.7	5.1	4.6	4.4
Dividend yield (%)	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x)	3.6	4.6	3.5	2.7	2.2
P/B (x)	0.8	0.6	0.5	0.5	0.4
ROE (%)	24.4	10.5	10.6	10.5	10.1
Net debt (net cash)/equity (%)	69.6	43.4	24.1	8.5	(1.3)

Note1:Tiong Woon is primarily in Heavy lift, heavy haulage & equipment installation works, Freight forwarding & transport services, and Trading of construction equipment..

Figure 1: Changes in our forecast

	FY11 estimates			FY12 estimates		
(S$ mn)	**New**	**Old**	**Chg. (%)**	**New**	**Old**	**Chg. (%)**
Revenue	**159.8**	**178.4**	**-10.4**	**170.1**	**189.6**	**-10.3**
EBITDA	59.7	76.7	-22.1	63.3	80.6	-21.5
Op. profit	34.1	48.4	-29.5	37.0	50.7	-27.0
PBT	31.8	47.1	-32.5	35.0	50.8	-31.0
Net profit	**26.4**	**38.6**	**-31.5**	**29.1**	**41.5**	**-29.9**
EPS (S$)	0.08	0.1	-31.5	0.09	0.1	-29.9
Op. margin	21.4	27.1		21.8	26.8	

Source: Credit Suisse estimates

Figure 2: Results summary

(S$ mn)	**FY10**	**FY09**	**YoY (%)**	**4Q10A**	**YoY (%)**	**FY10E (old)**	**12M % of FY09E**
Revenue	**148.4**	**202.3**	**-26.6**	**37.7**	**-30.1**	**167.4**	**88.6**
Heavy Lift Haulage	105.4	130.6	-19.3	27.0	-26.7	124.1	85.0
Marine Transportn	13.9	10.9	27.6	4.5	121.2	12.0	116.0
Trading	11.5	13.8	-16.6	5.0	-	12.4	92.7
Fabrication/ Engg	17.6	47.0	-62.7	1.2	-91.8	19.0	92.5
EBITDA	**57.6**	**75.9**	**-24.0**	**8.7**	**-55.9**	**72.2**	**79.9**
Op. profit	**30.5**	**54.0**	**-43.6**	**2.5**	**-82.4**	**45.0**	**67.7**
Interest	-2.7	-3.2	-14.2	-1.1	57.6	-3.1	88.1
Tax	-4.2	-8.4	-49.5	1.0	-183.6	-7.5	56.2
MI	0.0	-0.1	-131.0	-0.1	n.m	-0.1	-31.0
Net profit	**23.5**	**42.3**	**-44.5**	**2.2**	**-81.0**	**34.3**	**68.6**
EPS (S$)	0.070	0.125	-44.5	0.006	-83.5	0.101	68.6

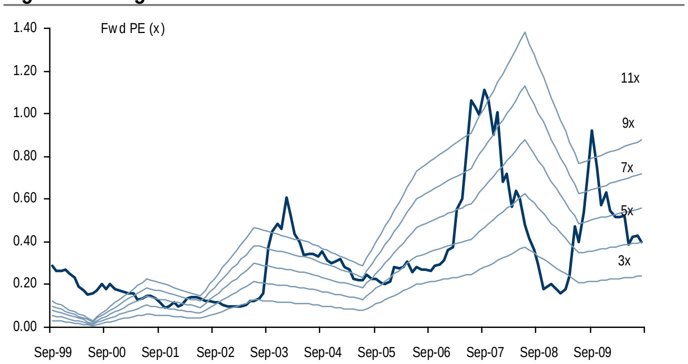
Source: Company data, Credit Suisse estimates

Figure 3: Fleet profile

	FY07	**FY08**	**FY09**	**1Q10**	**2Q10**	**3Q10**	**4Q10**
Lifting	**266**	**293**	**321**	**333**	**334**	**346**	**348**
Hydraulic truck cranes (50-500T)	93	96	105	116	118	123	124
Crawler cranes (50-1,250T)	93	100	115	115	113	116	119
Rough terrain cranes (20-80T)	23	33	38	38	39	41	39
Lorry cranes (10-45T)	7	9	9	9	9	9	9
Tower cranes (8-12T)	50	55	54	55	55	57	57
Haulage	**163**	**185**	**191**	**191**	**192**	**190**	**190**
Prime movers	31	42	46	46	46	46	46
Low beds	32	32	32	32	33	33	33
Specialised trailers	11	21	33	33	33	31	31
Trailers	78	79	78	78	78	78	78
Tow trucks	11	11	2	2	2	2	2
Total	**429**	**478**	**512**	**524**	**526**	**536**	**538**

Source: Company data

Figure 4: Tiong Woon P/E band chart



Source: Company data, Credit Suisse estimates

Companies Mentioned *(Price as of 25 Aug 10)*
Tiong Woon Corp. (TION.SI, S$.40, NEUTRAL [V], TP S$.45)

Disclosure Appendix

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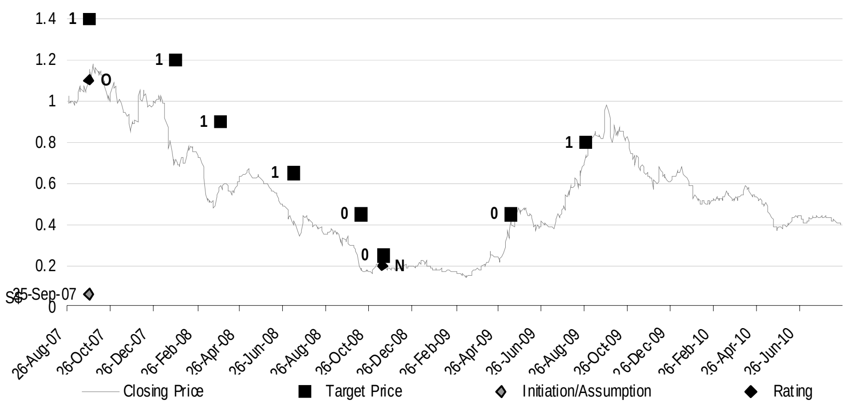
3-Year Price, Target Price and Rating Change History Chart for TION.SI

TION.SI Date	Closing Price (S$)	Target Price (S$)	Rating	Initiation/ Assumption
25-Sep-07	1.1	1.4	O	X
24-Jan-08	.685	1.2		
28-Mar-08	.59	.9		
09-Jul-08	.41	.65		
14-Oct-08	.19	.45		
13-Nov-08	.2	.25	N	
13-May-09	.425	.45		
27-Aug-09	.735	.8		



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Price Target: (12 months) for (TION.SIXXX)

Method: Our target price of S$0.45 for Tiong Woon (TION.SI) is based on the conservative end of the range of values suggested by price to earnings (P/E), price to book (P/B) and dividend yield comparisons with peers within the heavy equipment supply industry, the Singapore mid-cap space and the Singapore market generally. We have reinforced this methodology with discounted cash flow analysis using a 13.7% cost of capital (a 3.5% risk-free rate, a 7.5% equity risk premium, a beta of 1.8, and a 6% cost of debt) and a 1% terminal growth rate.

Risks: Risks to our target price of S$0.45 for Tiong Woon (TION.SI) are: 1) a slowdown in construction demand, 2) execution risk on projects won resulting in cost overruns, 3) credit risk, due to default in payments from customers, 4) regulatory risk from government bodies and 5) raw material cost pressure.

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