

CONSTRUCTION

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Stock Profile/Statistics

Bloomberg Ticker	TWC SP
STI	2,734.39
Issued Share Capital (m)	371.6
Market Cap (\$m)	191.4
52 week H L Price (\$\$)	0.985 0.14
Average Volume (3m) '000	4,570.3
YTD Returns (%)	-18.9
Net gearing (x)	0.46
Altman Z-score	2.39
Beta	1.36
ROCE/WACC	1.10
Book Value/share (\$\$)	0.57

Major Shareholders

Ang Choo Kim & Son	38.98%
Amundi	4.48%

Share Performance (%)

Month	Absolute	Relative
1m	-23.70%	-16.92%
3m	-28.97%	-29.95%
6m	-10.43%	-17.69%
12m	202.94%	142.41%

6 month Share Price

2QFY10 Results Review

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BUY
Price Target **Maintain**
S\$0.515
S\$0.72

Down but not out

We have raised our FY11 earnings forecasts (+10.7%), on the back of an expected pick-up from its Heavy Lift and Haulage (HLH) segment as the economy improves. Outlook remains positive as we still see a stable flow of projects in the oil and gas arena and the Indian market could potentially be an additional kicker. However, with the drag from TWC's exposure to the construction sector (~30% of revenue) and the weakened investors' sentiment recently, we have revised our fair value down to S\$0.72 (S\$0.89 previously), based on industry average of 6.5x FY10 P/E. Maintain BUY.

Weaker 2QFY10 earnings versus peak, but in line with expectations. TWC turnover for 2QFY10 declined 25.2% YoY to S\$37.5m, attributable to lower contributions from its HLH, Marine Transportation and Trading segments. Gross profit margin was down 16.4ppt YoY to 26.6% on the back of lower revenue and lower margins for the more recent projects secured during the crisis. Consequently, PATMI declined 55% YoY to S\$5.42m.

Payment for pipe lay barge (PLB) likely in Jun. Norce Offshore Pte Ltd has extended the validity of the LC from end Nov 09 to Jun 10. Post receipt of the payment (~S\$20-30m, net of loans) for the PLB, we estimate net gearing would decline from 0.46x currently to ~0.3x. Receipt of this receivable would also beef up its war chest and may enable TWC to buy more higher tonnage (>500 tonnes) cranes which are still in demand.

Utilisation rates may pick up in 3Q. Utilisation rates of its cranes fell to 65% from 72% in 1QFY10, largely due to the weaker utilisation rates for the small to medium tonnage cranes. Utilisation rates may rise as more cranes will be deployed to the Exxon Mobil project as the project's progress picks up speed.

India – the next frontier? We suspect some project wins from the Indian market to be brewing, as TWC had set up an office there and deployed four of the heavier tonnage cranes to India. Thus, we believe the company may be negotiating some projects there. This could be a potential catalyst for 2HFY10.

FYE Jun (\$m)	FY07	FY08	FY09	FY10F	FY11F
Turnover	99.8	157.8	202.3	189.7	247.8
Net Profit	22.5	28.0	42.3	40.0	47.2
% chg YoY	155.0%	24.2%	51.4%	-5.5%	18.0%
EPS (S¢)	6.7	8.3	12.5	11.1	12.7
DPS (S¢)	0.4	0.4	0.4	0.4	0.4
Div Yield (%)	0.8%	0.8%	0.8%	0.8%	0.8%
ROE (%)	23.2%	23.2%	27.7%	19.3%	17.8%
ROA (%)	14.1%	13.4%	15.1%	12.4%	12.7%
P/E (x)	7.7	6.2	4.1	4.7	4.1
P/B (x)	1.6	1.3	1.0	0.8	0.7

Source: Company and DMG Estimates

FINANCIALS

Year End Jun (\$\$m)						Cash Flow					
Income Statement	FY07	FY08	FY09	FY10F	FY11F		FY07	FY08	FY09	FY10F	FY11F
Revenue	99.8	157.8	202.3	189.7	247.8	Operating cash flow before working capital changes	33.3	47.4	70.7	79.2	91.9
Cost of sales	(60.1)	(102.0)	(126.8)	(123.3)	(158.6)	Working capital changes	(1.8)	(40.9)	(39.7)	19.1	(24.7)
Other income	7.4	7.5	8.2	9.0	9.9	Other operating cashflow	(0.9)	(0.7)	(0.5)	(8.0)	(9.4)
Operating Expenses	(20.3)	(26.3)	(29.7)	(33.4)	(37.7)	Net cash from operations	30.6	5.8	30.5	90.3	57.8
Other credits / (charges)	0.0	0.0	0.0	10.5	0.0	Net cash from investing activities	(37.2)	(39.9)	(20.8)	(66.0)	(51.0)
Finance costs (net)	(1.9)	(3.1)	(3.2)	(4.1)	(4.4)	Net change in debt	13.8	41.4	(4.9)	(36.7)	5.2
Profit before tax	24.8	33.9	50.8	48.4	57.1	Other financing cashflow	(3.3)	(4.3)	(4.6)	21.6	(5.8)
Tax	(2.1)	(5.6)	(8.4)	(8.0)	(9.4)	Net cash from financing activities	10.6	37.1	(9.5)	(15.2)	(0.7)
Profit including minority interest	22.7	28.3	42.4	40.4	47.7	Net incr. in cash/cash equivalents	3.9	3.0	0.2	9.1	6.2
Minority interest	0.2	0.3	0.1	0.4	0.5	Cash at beginning of year	9.6	13.6	16.6	16.8	25.9
Profit attributable to equity holders	22.5	28.0	42.3	40.0	47.2	Cash at end of year	13.6	16.6	16.8	25.9	32.1

Balance Sheet						Margins					
	FY07	FY08	FY09	FY10F	FY11F		FY07	FY08	FY09	FY10F	FY11F
Cash	13.6	16.6	16.8	25.9	32.1	Gross profit	39.8%	35.4%	37.3%	35.0%	36.0%
Other current assets	38.0	85.3	128.4	96.3	123.4	Pre-Tax	24.9%	21.5%	25.1%	25.5%	23.0%
Fixed assets	154.9	196.3	226.4	287.6	334.8	Net Profit	22.5%	17.7%	20.9%	21.1%	19.0%
Non-current assets	0.1	2.0	0.3	1.1	1.1						
Total assets	206.6	300.2	371.9	410.9	491.4						
Current liabilities (excl. debt)	18.5	26.7	32.5	18.2	19.3						
Debt	65.8	119.5	140.5	103.7	108.9						
Other long term liabilities	10.6	17.3	21.3	42.5	70.5						
Total liabilities	94.9	163.5	194.3	164.5	198.8						
Shareholders equity	108.0	132.7	173.4	241.8	287.5						
Minority interest	(3.7)	(4.0)	(4.3)	(4.7)	(5.2)						
Total equity	111.7	136.7	177.7	246.5	292.7						
Total equity and liabilities	206.6	300.2	371.9	410.9	491.4						

Growth						Growth					
	FY07	FY08	FY09	FY10F	FY11F		FY07	FY08	FY09	FY10F	FY11F
Revenue	44.3%	58.1%	28.2%	-6.2%	30.7%	Revenue	44.3%	58.1%	28.2%	-6.2%	30.7%
Pre-Tax	100.5%	36.6%	49.9%	-4.8%	18.0%	Pre-Tax	100.5%	36.6%	49.9%	-4.8%	18.0%
Net Profit	155.0%	24.2%	51.4%	-5.5%	18.0%	Net Profit	155.0%	24.2%	51.4%	-5.5%	18.0%
Tax rate	8.4%	16.5%	16.5%	16.5%	16.5%	Tax rate	8.4%	16.5%	16.5%	16.5%	16.5%

Source: Company and DMG Estimates

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