



DMG & Partners Research CONSTRUCTION

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Stock Profile/Statistics

Bloomberg Ticker	TWC SP
STI	2,938.74
Issued Share Capital (m)	371.6
Market Capitalisation (\$S)m	152.4
52 week H L Price (\$S)	0.985 0.36
Average Volume (3m) '000	394.1
YTD Returns (%)	-35.4
Net gearing (x)	0.43
Altman Z-Score	1.80
ROCE/WACC	0.80
Beta (x)	1.28
Book Value/share (\$S)	0.60

Major Shareholders (%)

Ang Choo Kim & Son	38.98%
Amundi	4.48%

Share Performance (%)

Month	Absolute	Relative
1m	-6.82%	-5.45%
3m	6.49%	-0.77%
6m	-20.39%	-27.22%
12m	-44.22%	-55.44%

6-month share price



4QFY10 Results Review

Private Circulation Only

TIONG WOON

NEUTRAL	Maintain
Price	\$S0.41
Target	\$S0.45

The worst is over, a better year ahead

We have raised our FY11 earnings forecasts for Tiong Woon (TWC) by 6.8% on the back of expectations that deferred projects would return by beginning 2011. In addition, we have introduced our FY12 earnings estimates to come in at \$S33.6m. As contribution from those projects might kick in only in 2HFY11, there is a lack of near term catalyst. We have revised our fair value down to \$S0.45 (\$S0.53 previously), based on industry average of 6.7x FY11 EPS. Maintain NEUTRAL but investors should buy on dips as it is trading at 32% below book value.

Weaker than expected 4QFY10. TWC earnings for 4QFY10 came in below our expectations, due to lower than forecasted fixed asset sales. 4QFY10 earnings dropped 77.2% YoY to \$S2.8m, attributable to a 30% YoY decline in revenue due to reduced business activity. Gross profit margin was down 6.5ppt YoY to 27.5% on the back of intense price competition within the industry.

Utilisation rate bottomed. Utilisation rate for its cranes remained relatively stable QoQ, hovering ~65% in 4QFY10, against 62% last quarter and 65% in 2QFY10. FY10 utilisation rates came in at 67.8%, below TWC's peak of ~80%. This was due to weaker demand for the small to medium tonnage cranes.

Deferred contracts to return. With the global financial crisis, many major projects were deferred. With the gradual economic recovery, management believes those projects would be coming back on stream by this year end or the beginning of 2011. In addition, TWC's efforts to spread its wings overseas (e.g. India, Vietnam) have been bearing fruit, with a strong pipeline of projects seen.

Accumulation opportunity - trading at 32.2% below book value. We raised our FY11 earnings estimates by 6.8% to \$S25.1m on the back of a more positive 2HFY11 and introduce our FY12 earnings to come in at \$S33.6m with a recovery in business activity. We bumped up our FY11 revenue by 15.5% on the brighter outlook for 2HFY11, but reduced gross margin to 30% (33% previously, FY10 – 29.3%), with intense competition in the industry. Based on a target P/E of 6.7x (peers' average) on FY11 earnings, we derive a new TP of \$S0.45.

FYE Jun (\$S)m	FY08	FY09	FY10	FY11F	FY12F
Turnover	157.8	202.3	148.4	174.8	208.4
Net Profit	28.0	42.3	23.9	25.1	33.6
% chg YoY	24.2%	51.4%	-43.5%	5.0%	33.8%
EPS (S¢)	8.3	12.5	6.6	6.8	9.0
DPS (S¢)	0.4	0.4	0.4	0.4	0.4
Div Yield	1.0%	1.0%	1.0%	1.0%	1.0%
ROE	23.2%	27.7%	12.0%	10.6%	12.7%
ROA	13.4%	15.1%	7.1%	7.4%	9.4%
P/E (x)	4.9	3.3	6.2	6.1	4.5
P/B (x)	1.0	0.8	0.7	0.6	0.5

Source: Company and DMG estimates

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FINANCIALS

Year End Jun (\$\$m)					
Income Statement	FY08	FY09	FY10	FY11F	FY12F
Revenue	157.8	202.3	148.4	174.8	208.4
Cost of sales	(102.0)	(126.8)	(104.9)	(122.4)	(143.8)
Other income	7.5	8.2	15.7	7.2	8.6
Operating Expenses	(26.3)	(29.7)	(28.8)	(27.6)	(30.4)
Other credits / (charges)	0.0	0.0	(0.0)	0.5	0.5
Finance costs (net)	(3.1)	(3.2)	(2.3)	(2.1)	(2.7)
Profit before tax	33.9	50.8	28.1	30.4	40.7
Tax	(5.6)	(8.4)	(4.2)	(5.0)	(6.7)
Profit including minority interest	28.3	42.4	23.9	25.4	33.9
Minority interest	0.3	0.1	(0.0)	0.3	0.3
Profit attributable to equity holders	28.0	42.3	23.9	25.1	33.6

Cash Flow	FY08	FY09	FY10	FY11F	FY12F
Operating cash flow before working capital changes	47.4	70.7	38.6	48.2	56.2
Working capital changes	(40.9)	(39.7)	(1.7)	52.0	(9.4)
Other operating cashflow	(0.7)	(0.5)	(1.0)	(5.0)	(6.7)
Net cash from operations	5.8	30.5	35.9	95.2	40.1
Net cash from investing activities	(39.9)	(20.8)	6.6	(35.0)	(35.0)
Net change in debt	41.4	(4.9)	(46.1)	(53.0)	4.3
Other financing cashflow	(4.3)	(4.6)	22.7	(3.6)	(4.2)
Net cash from financing activities	37.1	(9.5)	(23.4)	(56.6)	0.1
Net incr. in cash/cash equivalents	3.0	0.2	19.2	3.7	5.2
Cash at beginning of year	13.6	16.6	16.8	36.0	39.7
Cash at end of year*	16.6	16.8	36.0	39.7	44.9

Balance Sheet	FY08	FY09	FY10	FY11F	FY12F
Cash	16.6	16.8	38.3	39.7	44.9
Other current assets	85.3	128.4	125.5	77.5	91.8
Fixed assets	196.3	226.4	255.6	288.6	321.4
Non-current assets	2.0	0.3	0.3	0.4	0.4
Total assets	300.2	371.9	419.7	406.1	458.4
Current liabilities (excl. debt)	26.7	32.5	27.2	32.9	39.1
Debt	119.5	140.5	138.0	85.0	89.3
Other long term liabilities	17.3	21.3	25.0	33.7	43.2
Total liabilities	163.5	194.3	190.2	151.6	171.5
Shareholders equity	132.7	173.4	224.5	249.2	281.4
Minority interest	(4.0)	(4.3)	(5.0)	(5.2)	(5.6)
Total equity	136.7	177.7	229.5	254.5	286.9
Total equity and liabilities	300.2	371.9	419.7	406.1	458.4

Margins	FY08	FY09	FY10	FY11F	FY12F
Gross profit	35.4%	37.3%	29.3%	30.0%	31.0%
Pre-Tax	21.5%	25.1%	19.0%	17.4%	19.5%
Net Profit	17.7%	20.9%	16.1%	14.4%	16.1%

Growth	FY08	FY09	FY10	FY11F	FY12F
Revenue	58.1%	28.2%	-26.6%	17.8%	19.2%
Pre-Tax	36.6%	49.9%	-44.6%	8.0%	33.8%
Net Profit	24.2%	51.4%	-43.5%	5.0%	33.8%
Tax rate	16.5%	16.5%	15.1%	16.5%	16.5%

* excludes pledged deposits in FY08

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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