

DMG & Partners Research
CONSTRUCTION

Selena Leong
+65 6232 3898
selena.leong@dmgaps.com.sg

Terence Wong, CFA
+65 6232 3896
terence.wong@dmgaps.com.sg

Stock Profile/Statistics

Bloomberg Ticker	TWC SP
STI	2,938.74
Issued Share Capital (m)	371.6
Market Capitalisation (\$m)	152.4
52 week H L Price (\$)	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 (\$)	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 S\$0.41
Target S\$0.45

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 S\$33.6m. 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 S\$0.45 (S\$0.53 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 S\$2.8m, 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 S\$25.1m on the back of a more positive 2HFY11 and introduce our FY12 earnings to come in at S\$33.6m 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 S\$0.45.

FYE Jun (\$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

DMG & Partners Securities Pte Ltd may have received compensation from the company(s) covered in this report for its corporate finance or its dealing activities; this report is therefore classified as a non-independent report. Please refer to important disclosures at the end of this publication.

See important disclosures at the end of this publication

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

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

* excludes pledged deposits in FY08

Source: Company and DMG estimates

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

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%

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

DISCLAIMERS

This research is issued by DMG & Partners Research Pte Ltd and it is for general distribution only. It does not have any regard to the specific investment objectives, financial situation and particular needs of any specific recipient of this research report. You should independently evaluate particular investments and consult an independent financial adviser before making any investments or entering into any transaction in relation to any securities or investment instruments mentioned in this report.

The information contained herein has been obtained from sources we believed to be reliable but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions and views expressed in this report are subject to change without notice.

This report does not constitute or form part of any offer or solicitation of any offer to buy or sell any securities.

DMG & Partners Research Pte Ltd is a wholly owned subsidiary of DMG & Partners Securities Pte Ltd, a joint venture between OSK Investment Bank Berhad and Deutsche Asia Pacific Holdings Pte Ltd (a subsidiary of Deutsche Bank Group). DMG & Partners Securities Pte Ltd is a Member of the Singapore Exchange Securities Trading Limited.

DMG & Partners Securities Pte Ltd and their associates, directors, and/or employees may have positions in, and may effect transactions in the securities covered in the report, and may also perform or seek to perform broking and other corporate finance related services for the corporations whose securities are covered in the report.

As of 30 August 2010, DMG & Partners Securities Pte Ltd and its subsidiaries, including DMG & Partners Research Pte Ltd, **do not** have proprietary positions in the subject companies, except for:

- a) Nil
- b) Nil

As of 30 August 2010, none of the analysts who covered the stock in this report has an interest in the subject companies covered in this report, except for:

Analyst	Company
a) Nil	
b) Nil	

DMG & Partners Research Pte. Ltd. (Reg. No. 200808705N)

Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
Malaysia Research Office OSK Research Bank Bhd. 6 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : + (60) 3 9207 7688 Fax : + (60) 3 2175 3202	Hong Kong Office OSK Securities Hong Kong Ltd 12 th Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : + (852) 2525 1118 Fax : + (852) 2810 0908	Singapore Office DMG & Partners Securities Pte. Ltd. 20 Ocean Towers #22-01 Ocean Towers Singapore 048620 Tel : + (65) 6533 1818 Fax : + (65) 6532 6211	Jakarta Office PT OSK Nusadana Securities Indonesia Plaza Lippo, 14 th Floor, Jl. Jend. Sudirman Kav. 25. Jakarta 12920 Indonesia Tel : + (6221) 520 4599 Fax : + (6221) 520 4598	Shanghai Office OSK (China) Investment Advisory Co Ltd Room 6506, Plaza 66 No. 1266 West Nanjing Road Shanghai 200040 China Tel : + (8621) 6288 9611 Fax : + (8621) 6288 9633