

DMG & Partners Research
CONSTRUCTION

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

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

Construction

Tiong Woon provides heavy haulage, transportation services, as well as offers crane rental/ trading services.

Stock Profile/Statistics

Bloomberg Ticker	TWC SP
STI	3,156.26
Issued Share Capital (m)	371.6
Market Capitalisation (S\$m)	133.8
52 week H L Price (S\$)	0.515 0.31
Average Volume ('000)	259.9
YTD Returns (%)	-12.2
Net gearing (x)	0.25
Altman Z-Score	1.53
ROCE/WACC	-0.31
Beta (x)	1.44
Book Value/share (S\$)	59.29

Major Shareholders (%)

Ang Choo Kim & Son	38.98%
Amundi	4.48%
Legg Mason International	3.39%

Share Performance (%)

Month	Absolute	Relative
1m	-10.00%	-4.23%
3m	-10.00%	-6.02%
6m	-18.18%	-20.77%
12m	-28.71%	-36.59%

6-month Share Price Performance**3QFY11 Results Review**

Private Circulation Only

TIONG WOON

SELL	CO
Price	S\$0.36
Previous	S\$0.30
Target	S\$0.30

Pick-up in activity from 2HFY12

We have cut our FY11 earnings forecasts for Tiong Woon (TWC) by 83.8% to S\$1.5m, on the back of expectations that contribution from previously deferred projects might kick in more substantially only in 1HFY12. While TWC's balance sheet remains strong, there is a lack of near term catalyst and in the face of intense competition, we are maintaining our SELL call. Our fair value of S\$0.30 is based on 6.6x FY12 P/E (1.5x standard deviation above TWC's 3.5-year historical average of 5.1x).

A loss-making quarter. TWC earnings for 3QFY11 came in below our and street's expectations, largely due to lower turnover achieved from its Heavy Lift and Haulage, Marine Transportation and Fabrication and Engineering business segments, higher effective tax rates and higher expenses. Earnings slumped from S\$9.6m in 3QFY10 to a loss of S\$0.2m this quarter, attributable to a 16.3% YoY decline in revenue due to reduced business activity, as well as the absence of a S\$10.6m one-off gain on disposal of property in 3QFY10.

Strong balance sheet. TWC's net gearing at 0.25x is low relative to its historical average of 0.57x. Its cash balance now stands at S\$31.5m, thus giving it the capability to buy more higher tonnage (>500 tonnes) cranes, which are still in demand and can fetch higher rental rates. Year-to-date, management has spent ~S\$29m on purchases of cranes, which are deployed for projects already secured.

Pick-up in business activity may reflect in 2HFY12 earnings. With the economic recovery and relatively high crude oil price, management is seeing an increased level of project enquiries, particularly from Vietnam, Thailand, India, Indonesia, Singapore and Malaysia. However, impact to the bottom line may emerge only in 2HFY12. Hence, we cut our FY11 earnings estimates by 83.8% to S\$1.5m, primarily on the back of lower turnover from its Heavy Lift and Haulage segment, with the over-supply situation of cranes still depressing rental and utilisation rates.

FYE Jun (S\$m)	FY08	FY09	FY10	FY11F	FY12F
Turnover	157.8	202.3	148.4	111.0	143.4
Net profit	28.0	42.3	23.9	1.5	16.5
% chg YoY	24.2%	51.4%	-43.5%	-93.9%	1036.4%
Consensus net profit	-	-	-	11.5	18.9
EPS (S\$)	8.3	12.5	6.6	0.4	4.4
DPS (S\$)	0.4	0.4	0.4	0.4	0.4
Div Yield (%)	1.1%	1.1%	1.1%	1.1%	1.1%
ROE (%)	23.2%	27.7%	12.0%	0.6%	7.0%
ROA (%)	13.4%	15.1%	7.1%	0.8%	4.9%
P/E (x)	4.3	2.9	5.4	92.0	8.1
P/B (x)	0.9	0.7	0.6	0.6	0.5

Source: Company data and DMG estimates

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Results Table (S\$m)

Year Ended Jun	3QFY10	3QFY11	% Chge YoY	2QFY11	% Chge QoQ	Comments
Revenue	28.4	23.7	-16.3%	25.9	-8.4%	The YoY decrease in turnover was mainly attributed to the decrease in contributions from Heavy Lift and Haulage, Marine Transportation and Fabrication & Engineering segments.
Cost of Sales	-20.8	-17.4	-16.7%	-19.5	-10.9%	
Gross Profit	7.5	6.4	-15.3%	6.4	-1.0%	
Other income	12.1	1.3	-89.3%	1.0	25.9%	Down YoY mainly due to a gain of S\$10.6m from the disposal of No.13 Pandan Crescent in 3QFY10.
Administrative expenses	-0.4	-0.3	-17.8%	-0.3	-14.0%	Down YoY with lower professional fees and general administrative expenses.
Other operating expenses	-7.0	-6.3	-10.8%	-5.8	8.4%	Down YoY mainly due to an impairment loss on trade receivables in 3QFY10.
Finance Costs	-0.6	-0.5	-19.4%	-0.6	-20.0%	Lower YoY due to higher currency translation gains relating to borrowings offset by higher interest expenses of S\$0.2m.
Share of profit/(loss) from associate	0.0	0.0	N.M.	0.0	-46.7%	
Profit before Taxation	11.6	0.61	-94.7%	0.723	-15.1%	
Taxation	-2.0	-0.9	-54.4%	-0.4	144.6%	
Minority Interests	0.0	-0.1	N.M.	-0.2	-11.0%	
Net profit attributable to shareholders	9.6	-0.2	-101.9%	0.5	-136.2%	

Source: Company data

FINANCIALS

Year End Jun (\$\$m)					
Income Statement	FY08	FY09	FY10	FY11F	FY12F
Revenue	157.8	202.3	148.4	111.0	143.4
Cost of sales	(102.0)	(126.8)	(104.9)	(81.4)	(100.4)
Other income	7.5	8.2	15.7	2.6	8.5
Operating Expenses	(26.3)	(29.7)	(28.8)	(26.8)	(29.5)
Other credits / (charges)	0.0	0.0	(0.0)	0.0	0.5
Finance costs (net)	(3.1)	(3.2)	(2.3)	(2.1)	(2.6)
Profit before tax	33.9	50.8	28.1	3.3	20.0
Tax	(5.6)	(8.4)	(4.2)	(1.8)	(3.3)
Profit including minority interest	28.3	42.4	23.9	1.5	16.7
Minority interest	0.3	0.1	(0.0)	0.0	0.2
Profit attributable to equity holders	28.0	42.3	23.9	1.5	16.5

Cash Flow	FY08	FY09	FY10	FY11F	FY12F
Operating cash flow before working capital changes	47.4	70.7	38.6	27.1	65.5
Working capital changes	(40.9)	(39.7)	(1.7)	69.4	(9.4)
Other operating cashflow	(0.7)	(0.5)	(1.0)	(1.8)	(3.3)
Net cash from operations	5.8	30.5	35.9	94.7	52.8
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)	0.9
Other financing cashflow	(4.3)	(4.6)	22.7	(3.6)	(4.1)
Net cash from financing activities	37.1	(9.5)	(23.4)	(56.6)	(3.2)
Net incr. in cash/cash equivalents	3.0	0.2	19.2	3.2	14.6
Cash at beginning of year	13.6	16.6	16.8	36.0	39.1
Cash at end of year*	16.6	16.8	36.0	39.1	53.7

Balance Sheet	FY08	FY09	FY10	FY11F	FY12F
Cash	16.6	16.8	38.3	39.1	53.7
Other current assets	85.3	128.4	125.5	50.7	64.4
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	378.7	439.9
Current liabilities (excl. debt)	26.7	32.5	27.2	23.5	30.1
Debt	119.5	140.5	138.0	85.0	85.9
Other long term liabilities	17.3	21.3	25.0	39.7	73.2
Total liabilities	163.5	194.3	190.2	148.2	189.1
Shareholders equity	132.7	173.4	224.5	225.6	245.6
Minority interest	(4.0)	(4.3)	(5.0)	(5.0)	(5.1)
Total equity	136.7	177.7	229.5	230.6	250.8
Total equity and liabilities	300.2	371.9	419.7	378.7	439.9

Margins	FY08	FY09	FY10	FY11F	FY12F
Gross profit	35.4%	37.3%	29.3%	26.7%	30.0%
Pre-Tax	21.5%	25.1%	19.0%	2.9%	13.9%
Net Profit	17.7%	20.9%	16.1%	1.3%	11.5%

Growth	FY08	FY09	FY10	FY11F	FY12F
Revenue	58.1%	28.2%	-26.6%	-25.2%	29.2%
Pre-Tax	36.6%	49.9%	-44.6%	-88.4%	512.4%
Net Profit	24.2%	51.4%	-43.5%	-93.9%	1036.4%
Tax rate	16.5%	16.5%	15.1%	55.0%	16.5%

* includes pledged deposits in FY10

Source: Company data 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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DMG & Partners Research Pte. Ltd. (Reg. No. 200808705N)

Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
Malaysia Headquarters OSK Research Sdn. 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 Research Pte. Ltd. 10 Collyer Quay #09-02 Ocean Financial Centre Singapore 048315 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