

**DMG & Partners Research  
CONSTRUCTION**

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**Construction**

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

**Stock Profile/Statistics**

Bloomberg Ticker	TWC SP
STI	2,858.66
Issued Share Capital (m)	371.6
Market Capitalisation (S\$m)	85.5
52 week H   L Price (S\$)	0.45   0.196
Average Volume ('000)	259.6
YTD Returns (%)	-43.9
Net gearing (x)	0.31
Altman Z-Score	1.32
ROCE/WACC	0.008
Beta (x)	1.32
Book Value/share (S¢)	59.6

**Major Shareholders (%)**

Ang Choo Kim & Sons	38.98%
Amundi	4.48%
Ang Kah Hong	0.97%

**Share Performance (%)**

Month	Absolute	Relative
1m	15.00%	7.87%
3m	-13.21%	-12.33%
6m	-36.99%	-28.12%
12m	-50.54%	-40.90%

**6-month Share Price Performance**

**1QFY12 Results Review**

Private Circulation Only

**TIONG WOON**

SELL	CO
Price	S\$0.23
Previous	S\$0.19
Target	S\$0.19

**Light at the end of the tunnel?**

Tiong Woon's (TWC) 1QFY12 earnings were above our expectations, on the back of increased business activity across all segments. While earnings were down 24.6% YoY due to higher minority interest, there were some bright spots, including 1) revenue rising by 25.1% YoY, 2) gross margin expansion was seen and 3) utilisation rate has picked up. Consequently, we have raised our FY12 and FY13 earnings from S\$1.6m to S\$4.1m and S\$2.3m to S\$4.5m respectively, on the back of higher turnover and gross profit margins. While TWC's balance sheet remains strong, concerns of a prolonged economic slowdown remains, which may lead to project delays. Maintain SELL and TP of S\$0.19, based on 0.3x FY12 P/B (the trough level TWC traded at during the last global financial crisis).

**Earnings above expectations.** TWC earnings for 1QFY12 came in above our expectations, largely due to higher than expected turnover and gross profit margins achieved. Earnings came off 24.6% from S\$1.3m in 1QFY11 to S\$1.0m this quarter, attributable to a jump in minority interest. PAT was up 17.6% YoY, coming in at S\$1.5m this quarter. Revenue grew 25.1% YoY on increased business activity from its Heavy Lift and Haulage, Marine Transportation, Fabrication and Engineering and Trading segments. Gross margins inched up 2.8ppt from 25.6% to 28.4% in 1QFY12. Higher utilisation rates in this quarter was also observed – from ~60% a year ago to 65.4% this quarter (4QFY11:65%).

**Lifting earnings estimates.** Management is seeing more project enquiries, particularly from the oil and gas sector. TWC's recent project wins - two deals secured in Nov to supply heavy equipment and marine transportation in Myanmar and Malaysia for oil and gas projects and a contract secured in Oct for heavy lifting and installation works with leading global engineering company JGC Corporation at a Singapore refinery project related to an oil major, appears to reaffirm that view. On the back of a stronger than expected performance in 1QFY12, we raise our FY12 and FY13 earnings estimates from S\$1.6m to S\$4.1m and S\$2.3m to S\$4.5m respectively, primarily on a 16.6% increase in turnover across its Heavy Lift and Haulage, Marine Transportation and Fabrication and Engineering segments, as well as marginally higher gross profit margins (from 25% to 25.5%).

FYE Jun (S\$m)	FY09	FY10	FY11	FY12F	FY13F
Turnover	202.3	148.4	106.9	138.4	151.9
Net profit	42.3	23.9	1.0	4.1	4.5
chg YoY	51.4%	-43.5%	-96.0%	334.3%	8.5%
Consensus net profit	-	-	-	6.3	9.2
EPS (S¢)	12.5	6.6	0.3	1.1	1.2
DPS (S¢)	0.4	0.4	0.4	0.4	0.4
Div Yield (%)	1.7%	1.7%	1.7%	1.7%	1.7%
ROE (%)	27.7%	12.0%	0.4%	1.9%	2.0%
ROA (%)	15.1%	7.1%	0.3%	1.9%	1.8%
P/E (x)	1.8	3.5	89.9	20.7	19.1
P/B (x)	0.4	0.4	0.4	0.4	0.4

Source: Company data and DMG estimates

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### Results Table (S\$m)

Year Ended Jun	1QFY11	1QFY12	% Chge YoY	4QFY11	% Chge QoQ	Comments
Revenue	28.8	36.0	25.1%	28.5	26.3%	The YoY decrease in turnover was mainly attributed to the increase in contributions from all business segments.
Cost of Sales	-21.4	-25.8	20.4%	-23.4	10.3%	
Gross Profit	7.4	10.2	38.7%	5.1	99.7%	Up YoY on improved gross profit margins.
Other income	0.6	0.6	13.0%	0.6	5.7%	
Administrative expenses	-0.2	-0.3	11.6%	-0.4	-27.2%	Up YoY with higher professional fees and general administrative expenses.
Other operating expenses	-6.0	-6.8	14.0%	-6.7	1.9%	Up YoY mainly due to provision for impairment loss on trade receivables.
Finance Costs	-0.1	-1.4	1318.0%	-0.3	354.5%	Up YoY due to currency translation loss of S\$0.5m relating to foreign currency denominated borrowings, versus a translation gain of S\$0.8m in previous year.
Share of profit/(loss) from associate	0.0	0.10	-590.5%	-0.01	-958.3%	
Profit before Taxation	1.6	2.47	54.0%	-1.65	-249.5%	
Taxation	-0.3	-1.0	191.1%	1.2	-181.2%	
Minority Interests	-0.1	0.5	-766.7%	0.3	84.6%	
Net profit attributable to shareholders	1.3	1.0	-24.6%	-0.7	-243.2%	

Source: Company data

## FINANCIALS

Year End Jun (S\$m)					
Income Statement					
	FY09	FY10	FY11	FY12F	FY13F
Revenue	202.3	148.4	106.9	138.4	151.9
Cost of sales	(126.8)	(104.9)	(81.6)	(103.1)	(113.2)
Other income	8.2	15.7	3.5	3.5	3.5
Operating Expenses	(29.7)	(28.8)	(26.0)	(29.6)	(31.7)
Other credits / (charges)	0.0	(0.0)	(0.1)	1.0	0.5
Finance costs (net)	(3.2)	(2.3)	(1.5)	(2.9)	(3.1)
Profit before tax	50.8	28.1	1.3	7.3	7.9
Tax	(8.4)	(4.2)	(0.4)	(1.2)	(1.3)
Profit including minority interest	42.4	23.9	0.8	6.1	6.6
Minority interest	0.1	(0.0)	(0.1)	1.9	2.1
Profit attributable to equity holders	42.3	23.9	1.0	4.1	4.5

Cash Flow					
	FY09	FY10	FY11	FY12F	FY13F
Operating cash flow before working capital changes	70.7	38.6	25.1	38.2	40.9
Working capital changes	(39.7)	(1.7)	63.1	(11.2)	(4.3)
Other operating cashflow	(0.5)	(1.0)	(0.9)	(1.2)	(1.3)
Net cash from operations	30.5	35.9	87.3	25.7	35.2
Net cash from investing activities	(20.8)	6.6	(10.8)	(35.0)	(35.0)
Net change in debt	(4.9)	(46.1)	(75.5)	5.3	5.6
Other financing cashflow	(4.6)	22.7	(4.7)	(4.4)	(4.5)
Net cash from financing activities	(9.5)	(23.4)	(80.2)	0.9	1.1
Net incr. in cash/cash equivalents	0.2	19.2	(3.7)	(8.3)	1.3
Cash at beginning of year	16.6	16.8	36.0	32.3	24.0
Cash at end of year*	16.8	36.0	32.3	24.0	25.3

Balance Sheet					
	FY09	FY10	FY11	FY12F	FY13F
Cash	16.8	38.3	34.7	24.0	25.3
Other current assets	128.4	125.5	56.7	70.0	76.7
Fixed assets	226.4	255.6	284.3	317.3	350.3
Non-current assets	0.3	0.3	1.5	1.1	1.1
Total assets	371.9	419.7	377.1	412.4	453.3
Current liabilities (excl. debt)	32.5	27.2	20.4	29.6	32.1
Debt	140.5	138.0	106.6	112.0	117.6
Other long term liabilities	21.3	25.0	26.4	38.8	66.5
Total liabilities	194.3	190.2	153.4	180.4	216.2
Shareholders equity	173.4	224.5	219.1	225.4	228.4
Minority interest	(4.3)	(5.0)	(4.6)	(6.6)	(8.7)
Total equity	177.7	229.5	223.7	232.0	237.1
Total equity and liabilities	371.9	419.7	377.1	412.4	453.3

Margins	FY09	FY10	FY11	FY12F	FY13F
Gross profit	37.3%	29.3%	23.7%	25.5%	25.5%
Pre-Tax	25.1%	19.0%	1.2%	5.3%	5.2%
Net Profit	20.9%	16.1%	0.9%	3.0%	3.0%

Growth	FY09	FY10	FY11	FY12F	FY13F
Revenue	28.2%	-26.6%	-27.9%	29.4%	9.7%
Pre-Tax	49.9%	-44.6%	-95.4%	468.1%	8.5%
Net Profit	51.4%	-43.5%	-96.0%	334.3%	8.5%
Tax rate	16.5%	15.1%	34.3%	17.0%	17.0%

\* includes pledged deposits in FY10

Source: Company data and DMG estimates

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**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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