

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	2,981.17
Issued Share Capital (m)	371.6
Market Capitalisation (S\$m)	85.5
52 week H L Price (S\$)	0.415 0.196
Average Volume ('000)	264.0
YTD Returns (%)	48.8
Net gearing (x)	0.37
Altman Z-Score	1.28
ROCE/WACC	0.09
Beta (x)	1.24
Book Value/share (S¢)	59.2

Major Shareholders (%)

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

Share Performance (%)

Month	Absolute	Relative
1m	48.84%	38.07%
3m	39.13%	34.84%
6m	20.75%	17.39%
12m	-21.95%	-16.57%

6-month Share Price Performance

2QFY12 Results Review

Private Circulation Only

TIONG WOON

SELL	CO
Price	S\$0.32
Previous	S\$0.19
Target	S\$0.275

Still facing headwinds

Tiong Woon's (TWC) 2QFY12 earnings were below our expectations (-52.9% YoY), on the back of lower than expected gross profit margin and an unrealised FX loss of S\$1.1m. Stripping out the FX loss, 2QFY12 PBT would be relatively flat, down 0.8% YoY at S\$0.7m. While TWC's balance sheet remains strong and business activity seems on the rise, it is facing an aggressive pricing environment with increased competition and higher costs. We factor in the financial impact of TWC's rights issue - 1 rights share for 4 existing shares issued at S\$0.11 per rights (trading of rights expected in early Mar) and peg our valuation to a higher 0.5x FY12/13 blended P/B (average TWC traded at during the last global financial crisis) and derive a higher TP of S\$0.275 (previously S\$0.19 based on trough valuation during the crisis of 0.3x FY12 P/B). With the 45% surge in price in the last month, we are maintaining our SELL recommendation.

Results below expectations. TWC's earnings for 2QFY12 came in below our expectations at S\$0.2m, largely on the back of an unrealised FX loss of S\$1.1m and lower than expected gross margins achieved. Earnings came off 52.9% from S\$0.5m in 2QFY11 to S\$0.2m this quarter, despite a 48.9% YoY growth in revenue. Excluding the FX loss, 2QFY12 PBT would be down 0.8% YoY, coming in at S\$0.7m. 2QFY12 revenue came in at S\$38.6m on increased business activity from its Heavy Lift and Haulage (HLH), Marine Transportation, Fabrication and Engineering and Trading segments. Gross margins declined 5.3ppt from 24.9% a year ago to 19.5% in 2QFY12 (1QFY12: 28.4%, 4QFY11: 18%).

A better 2H may be on the cards. While utilisation rates in the Marine Transport segment jumped from 39% a year ago to 71% this quarter (1QFY12: 65%) on the back of a few chartered contracts executed within the quarter, utilisation rates remained flattish at TWC's earnings' driver, the HLH segment. 2QFY12 utilisation came in at 63% (1QFY12: 65%). Management is seeing more project enquiries and we understand the company is currently busy with various projects secured on Jurong Island. TWC's recent project win – a contract awarded by Hyflux's subsidiary to be an EPC contractor of Tuaspring Desalination Plant (the world's largest desalination plant, estimated to cost Hyflux S\$890m) to lay intake and outfall pipeline works, appears to reaffirm the above. With the possibility of a better 2H performance, we leave our estimates unchanged.

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	-	-	-	4.1	4.5
EPS (S¢)	12.5	6.6	0.3	1.0	1.0
DPS (S¢)	0.4	0.4	0.4	0.4	0.4
Div Yield (%)	1.3%	1.3%	1.3%	1.3%	1.3%
ROE (%)	27.7%	12.0%	0.4%	1.8%	1.9%
ROA (%)	15.1%	7.1%	0.3%	1.8%	1.8%
P/E (x)	2.6	4.8	125.0	31.2	33.2
P/B (x)	0.6	0.5	0.5	0.6	0.6

Source: Company data and DMG estimates

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Results Table (S\$m)

Year Ended Jun	2QFY11	2QFY12	% Chge YoY	1QFY12	% Chge QoQ	Comments
Revenue	25.9	38.6	48.9%	36.0	7.1%	The YoY increase in turnover was mainly attributed to the increase in contributions from all business segments.
Cost of Sales	-19.5	-31.0	59.4%	-25.8	20.4%	
Gross Profit	6.4	7.5	17.0%	10.2	-26.3%	
Other income	1.0	-1.0	-197.2%	0.6	-259.4%	Down YoY due to an exchange loss of S\$1.9m.
Administrative expenses	-0.3	-0.4	14.0%	-0.3	41.0%	Up YoY with higher professional fees incurred.
Other operating expenses	-5.8	-6.6	14.3%	-6.8	-2.5%	Up YoY mainly due to an increase in manpower expenses and a provision for impairment loss on trade receivables.
Finance Costs	-0.6	0.0	-95.2%	-1.4	-98.0%	Down YoY due to currency translation gain of S\$0.8m relating to foreign currency denominated borrowings, versus a translation gain of S\$0.3m in previous year.
Share of profit/(loss) from associate	0.0	0.1	-396.7%	0.10	-13.6%	
Profit before Taxation	0.7	-0.4	-156.6%	2.47	-116.5%	
Taxation	-0.4	0.3	-179.3%	-1.0	-130.8%	
Minority Interests	-0.2	-0.3	120.0%	0.5	-171.0%	
Net profit attributable to shareholders	0.5	0.2	-52.9%	1.0	-76.9%	

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)	5.0	(4.9)
Net cash from financing activities	(9.5)	(23.4)	(80.2)	10.3	0.7
Net incr. in cash/cash equivalents	0.2	19.2	(3.7)	1.1	0.9
Cash at beginning of year	16.6	16.8	36.0	32.3	33.4
Cash at end of year*	16.8	36.0	32.3	33.4	34.3

Balance Sheet					
	FY09	FY10	FY11	FY12F	FY13F
Cash	16.8	38.3	34.7	33.4	34.3
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	421.8	462.3
Current liabilities (excl. debt)	32.5	27.2	20.4	30.0	32.5
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	180.8	216.6
Shareholders equity	173.4	224.5	219.1	234.4	237.1
Minority interest	(4.3)	(5.0)	(4.6)	(6.6)	(8.7)
Total equity	177.7	229.5	223.7	241.0	245.7
Total equity and liabilities	371.9	419.7	377.1	421.8	462.3

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

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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