

## Money Talk

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### Tiong Woon Corporation (TWC SP) Bottoming out

NOT RATED

Price/Target

S\$0.24/n.a.

Mkt. Cap/F. Float

S\$111m/59%

#### Fundamental View

##### Valuation

- Tiong Woon is trading at a 50% discount to its book value of 47.8 cents with a dividend yield of 1.7%.

##### Our View

- We only expect margins to improve in 1HFY13 from an increased in both utilisation rate and rental rates. We believe that operating margin from the Heavy Lift fell from 5.5% in FY11 to 2.7% in FY12 as the group had to cope with depressed rates and rising costs. With the demand from infrastructure projects rising in the region, rental rates have normalised to 85% and utilisation rate is also expected to improve from the current 66% to 80% for FY13.
- Tiong Woon is also actively seeking opportunities in the emerging markets after setting up a representative office in Myanmar and securing one contract to supply heavy equipment for a pipeline-laying project there. For Vietnam, Tiong Woon has a JV with Chi Deh Crane Engineering and Giant Project Service Corp to target steel-related infrastructure projects going forward.
- The Fabrication & Engineering business continued to be in the red of S\$5.9m from higher subcontractor and equipment rental costs as well as an impairment loss of S\$1.5m on trade receivables. Management revealed that contracts for newbuild of marine vessels are hard to come by due to a lack of track record despite fulfilling many of the specifications. The group is running at an operating cost of S\$0.5m per month and is considering of downsizing the 65ha operations in Bintan.

##### Financials Highlights

- Tiong Woon reported a loss of S\$4.8m in FY12 from a profit of S\$0.9m last year. This is despite a 41% increase in revenue to S\$151.2m, driven by a rise in revenues from all business segments.
- Revenue from Heavy Lift and Haulage grew 34% yoy to S\$114.8 million as the group took on larger integrated projects. However, pre-tax profit was only S\$0.2m (FY11: S\$5.0m) as it had to make provision of S\$3.4m for impairment loss on trade receivables. We understand from management that these receivables were mainly from a series of customers in India's oil & gas sector. Marine Transportation's revenue jumped 70% yoy to S\$16.4m from an increased utilisation rate of its tugboats and barges. Pre-tax profit for the segment was S\$1.7m compared to a loss of S\$0.2m in FY11 partly due to a contribution of S\$0.8m from associated companies.
- The group also generated positive net cash flow from operations of S\$35.5m for FY12 and has S\$22.8m cash.

#### Peer Comparison

Company	Ticker	Price (\$S)	Market Cap (\$S\$m)	PE FY11 (x)	P/B FY11 (x)
YONGNAM HLDGS	YNH SP	0.230	290	5.08	0.96
TAT HONG HLDGS	TAT SP	1.165	579	12.42	1.03
<b>Average</b>				<b>8.75</b>	<b>0.99</b>
TIONG WOON CORP	TWC SP	0.240	111	-	0.49

Source: Bloomberg, UOB Kay Hian

#### Technical View



Source: Nextview

The stock appears to be forming a bottom with immediate support levels at S\$0.23/0.195 and higher lows are forming. Immediate resistances are at S\$0.285 and S\$0.35 respectively.

#### Financials

FYE 30 Jun (\$S\$m)	2010	2011	2012
Net Turnover	148.4	106.9	151.2
Gross Profit	43.5	25.3	32.3
EBITDA	24.0	24.9	26.3
EBIT	0.3	(1.0)	(2.1)
PATMI	23.9	1.0	(4.8)
EPS (cts)	5.77	0.23	-1.10
P/E (x)	4.1	103.8	n.a.
P/B (x)	0.4	0.5	0.5
Dividend Yield (%)	1.5	1.5	1.7
PATMI Margin (%)	16.1	0.9	(3.2)
Net Gearing (%)	44.4	33.2	29.0
Interest cover (x)	0.1	(0.3)	10.2
ROE (%)	12.0	0.4	-

Source: Bloomberg

#### Background

Tiong Woon is an integrated services provider for the oil & gas and petrochemicals industries and specialises in heavy lift and installation of process equipment. It is the 14th largest crane owning company worldwide by International Cranes and Specialised Transport, a reputable trade magazine, in its IC50 2012 survey. It is one of the top 10 companies in the world in terms of crawler crane ownership and also one of the top 10 companies in the world to have a single largest crane of 1,600-tonne lift and above, namely, its Terex Demag CC 8800-1 crane.

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