

Daily Review
 21 March 2013

TIONG WOON CORP

\$S0.385-TWC SP

- Tiong Woon (a one stop integrated service provider of cranes and heavy lifting equipment) has entered into a legally binding MOU with **Metech Energy Corp** to sell their loss making fabrication yard in Indonesia (Bintan).
- The fabrication yard lost \$3.8-3.9mln in the last 2 financial years and another \$1.3mln for 1H ended Dec '12 and is expected to be sold for \$18mln.
- As the net book value of the loss making yard is about \$11.7mln, the exceptional gain is about \$6.3mln.
- However, due to translation losses estimated at \$4.3mln, the net exceptional gain is about \$2mln.
- The above development is very positive for Tiong Woon as if not for the \$3.8-3.9mln losses incurred in the last 2 financial years, net loss last year (ended June '12) would have been \$1.9mln instead of the reported \$5.7mln and the previous year (year ended June '11) profit would have been \$4.8mln instead of only \$0.9mln.
- Net profit for 1H ended Dec '12 would have been \$10.4mln instead of \$9.1mln if not for the loss of \$1.3mln.
- The sale would help to stop the operating losses from the division and in the process help the company record an exceptional gain of \$2mln.
- More importantly, the \$18mln proceeds from the sale would help the company reduce its gearing of 20+% and also help fund their expansion of both crawler cranes and tower cranes as their utilization rates are currently hovering near the 80-90% level due to strong demand from the oil and gas sector as well as infrastructure sectors in Singapore (49%), Middle East (16%) and Malaysia (10%).
- As a result of the above positive development, previous consensus net profit forecast for full year ending June '13 of \$19mln (a turnaround from last year's loss of \$6mln) is likely to be conservative and to be revised upwards.
- We believe \$22mln profit is reasonable for full year ending June '13 giving a forward PE of 8x which is not expensive compared to peers such as **Tat Hong**'s 13x and **Sin Heng**'s 11x despite similar bright prospects and growth trajectories.
- **BUY.**

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