

## Tiong Woon Corporation (TWC SP)

**Earnings growth on track with possible one-time gain in 2Q14.**

### Valuation

- Tiong Woon (TWC) is trading at a 33% discount to its book value of 52.2 S cents** with a dividend yield of 1.1%. As at 30 Sep 13, Tiong Woon had a fleet of 431 cranes in lifting assets, 262 vehicles and equipment in haulage assets and 17 tugs and barges in marine assets.

### Investment highlights

- TWC reported an 11% yoy increase in net profit to S\$4.6m in 1Q14**, driven by a rise in revenues and margins from the Heavy Lift and Haulage and Trading segments. Total revenue rose 3% yoy to S\$44.6m and gross profit jumped 30% to S\$14.8m with gross profit margin improving to 33% from 26% in 1Q13. The Heavy Lift and Haulage segment recorded a 6% yoy increase in revenue to S\$36.3m and contributed 81% of the Group's revenue.
- According to management, the company should see a slight improvement in utilisation rate after deploying two heavy tonnage cranes into Russia. On top of this, TWC will also be actively seeking oil and gas, petrochemical, power and construction projects in Myanmar, Vietnam and India.
- To reduce operating costs, TWC is currently evaluating the tenders** for the re-development of the new office and warehouse space at 15 Pandan Crescent. This property will add 1ha of parking space on the rooftop as well as a 500-bedded workers' dormitory. The company expects to lower their total manpower costs and there is also a possibility of renting out half of their dorms.
- TWC has sold its loss-making subsidiary** Tiong Woon Oil & Gas Services Pte Ltd for a sum of S\$18.0m. The subsidiary is in the business of marine fabrication and engineering works for oil and gas projects but has faced several challenges in getting new contracts due to a lack of track record. With the disposal, the company is likely to record a gain on disposal of approximately S\$2.7m in the next quarter.
- We re-iterate that Tiong Woon is not a pure crane rental operator.** Tiong Woon differentiates itself from other crane operators by providing a comprehensive project management service apart from bare crane rental. These service project contracts are longer term in nature (rates are locked in) and therefore, earnings are theoretically less volatile in nature.

### Key Financials

Year to 30 Jun (S\$m)	2011	2012	2013	1Q14	1Q14
Net Turnover	106.9	151.2	200.5	43.9	44.6
Gross Profit	25.3	32.3	59.1	11.2	14.8
EBITDA	24.9	27.0	51.6	10.1	14.6
EBIT	(1.0)	(1.4)	24.2	3.0	7.3
PATMI	1.0	(4.8)	17.6	4.1	4.6
EPS (cts)	0.23	-1.11	3.80	0.88	1.00
P/E (x)	154.6	n.a.	9.2	-	-
P/B (x)	0.7	0.7	0.7	0.7	0.7
Dividend Yield (%)	1.0	1.1	1.1	-	-
PATMI Margin (%)	0.9	(3.2)	8.8	9.4	10.3
Net Gearing (%)	33.2	30.1	31.9	30.3	37.6
Interest cover (x)	(0.3)	(0.4)	8.9	-	-
ROE (%)	0.4	(2.2)	7.7	-	-

## NOT RATED

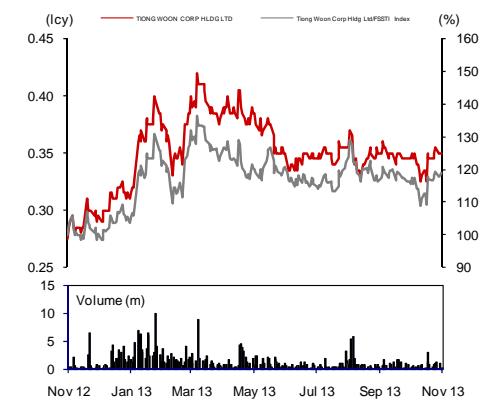
Share Price	S\$0.350
Target Price	-
Upside	-

### Company Description

Tiong Woon Corporation Holding Limited and its subsidiaries provide heavy lift, heavy haulage, transportation services, and engineering services. The Company also offers crane services, and provides wharfing and stevedoring services.

GICS sector	Industrials
Bloomberg ticker:	TWC SP
Shares issued (m):	464.5
Market cap (S\$m):	162.6
Market cap (US\$m):	130.2
3-mth avg t'over (US\$m):	0.2

### Price Chart



Source: Bloomberg

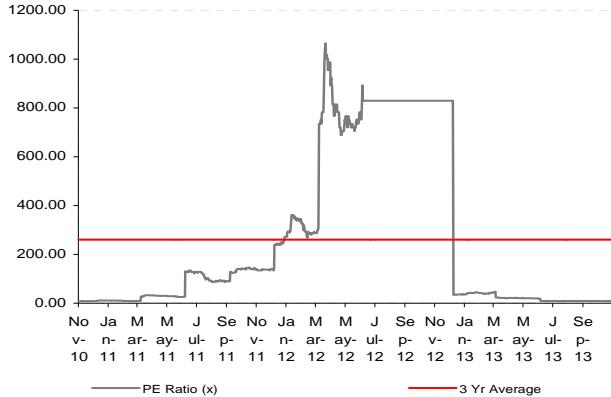
### Analyst

**Brandon Ng, CFA**  
+65 6590 6615  
brandonng@uobkayhian.com

## Bloomberg Consensus

Recommendation	Buy	Sell	Hold	Valuation Ratios	FY12	FY13	FY14	FY15
Income Statement	FY11	FY12	FY13F	FY14F				
31/07/2013	-	-	-	P/E	-	8.9	-	-
Target Price			-	EV/EBIT	-	-	-	-
Upside			-	EV/EBITDA	7.3	-	-	-
Revenue	151	201		P/S	0.8	0.8	-	-
Gross Income	32			P/B	0.6	-	-	-
Operating Income	-1			Div Yield (%)	1.5%	-	-	-
Pretax Income	-4			<b>Profitability Ratios %</b>				
Net Income Adjusted*	-5	18		Gross Margin	21.4	-	-	-
EPS Adjusted (S cents)	-0.01	0.04		EBITDA Margin	17.8	-	-	-
Dividends Per Share	0.00			Operating Margin	-0.9	-	-	-
Payout Ratio (%)		-	-	Profit Margin	-3.2	8.8	-	-
EBITDA	27			Return on Assets	-1.3	-	-	-
				Return on Equity	-2.2	-	-	-
Peer Comparison	Ticker	Price @ 21 Nov 13	Market Cap (US\$m)	----PE----		----P/B----		Yield FY13 (%)
				FY12 (x)	FY13 (x)	FY12 (x)	FY13 (x)	
Tat Hong Holdings Ltd	TAT SP	0.89	449	12.0	7.7	0.9	0.9	2.8
Yongnam Holdings Ltd	YNH SP	0.24	243	7.0	8.9	0.9	0.9	3.8
Kori Holdings Ltd	KHLL SP	0.5	40	6.3	-	1.4	-	-
Yongmao Holdings Ltd	YMAO SP	0.23	82	-	23.3	1.1	-	-
Sin Heng Heavy Machinery Ltd	SHHM SP	0.21	96	11.0	7.4	1.1	-	-
<b>Average</b>				<b>9.0</b>	<b>11.8</b>	<b>1.1</b>	<b>0.9</b>	<b>3.3</b>
Tiong Woon Corp Hldg Ltd	TWC SP	0.350	130	-	9.2	0.7	-	-

### Price Earnings Ratio (3 years average)



### Price to Book Ratio (3 years average)



Source: Bloomberg, UOB Kay Hian

## Technical View



## **Tiong Woon Corp (TWC SP, T06) -**

**Support: S\$0.30  
Resistance: S\$0.42**

The stock appears to retrace from S\$0.42 and currently has closed above S\$0.34. A break below the said level may suggest the stock moving towards S\$0.30. On the weekly chart, prices are currently trading above its middle Bollinger band.

Source: Bloomberg, UOB Kay Hian

## Important Disclosure

We have based this document on information obtained from sources we believe to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Expressions of opinion contained herein are those of UOB Kay Hian Research Pte Ltd only and are subject to change without notice. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of the addressee only and is not to be taken as substitution for the exercise of judgement by the addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities.

UOB Kay Hian and its affiliates, their Directors, officers and/or employees may own or have positions in any securities mentioned herein or any securities related thereto and may from time to time add to or dispose of any such securities. UOB Kay Hian and its affiliates may act as market maker or have assumed an underwriting position in the securities of companies discussed herein (or investments related thereto) and may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.

UOB Kay Hian (U.K.) Limited, a UOB Kay Hian subsidiary which distributes UOB Kay Hian research for only institutional clients, is an authorised person in the meaning of the Financial Services and Markets Act 2000 and is regulated by Financial Services Authority (FSA).

In the United States of America, this research report is being distributed by UOB Kay Hian (U.S.) Inc ("UOBKHUS") which accepts responsibility for the contents. UOBKHUS is a broker-dealer registered with the U.S. Securities and Exchange Commission and is an affiliate company of UOBKH. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact UOBKHUS, not its affiliate. The information herein has been obtained from, and any opinions herein are based upon sources believed reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. All opinions and estimates herein reflect our judgement on the date of this report and are subject to change without notice. This report is not intended to be an offer, or the solicitation of any offer, to buy or sell the securities referred to herein. From time to time, the firm preparing this report or its affiliates or the principals or employees of such firm or its affiliates may have a position in the securities referred to herein or hold options, warrants or rights with respect thereto or other securities of such issuers and may make a market or otherwise act as principal in transactions in any of these securities. Any such non-U.S. persons may have purchased securities referred to herein for their own account in advance of release of this report. Further information on the securities referred to herein may be obtained from UOBKHUS upon request.

<http://research.uobkayhian.com>

MCI (P) 122/03/2013  
RCB Regn. No. 198700235E