

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.

NOT RATED

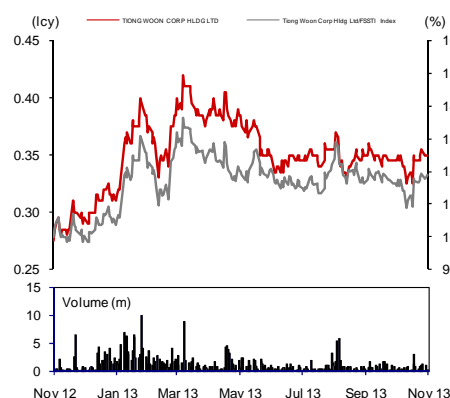
Share Price S\$0.350
Target Price -
Upside -

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

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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	-	-

Money Talk Singapore

22 November 2013

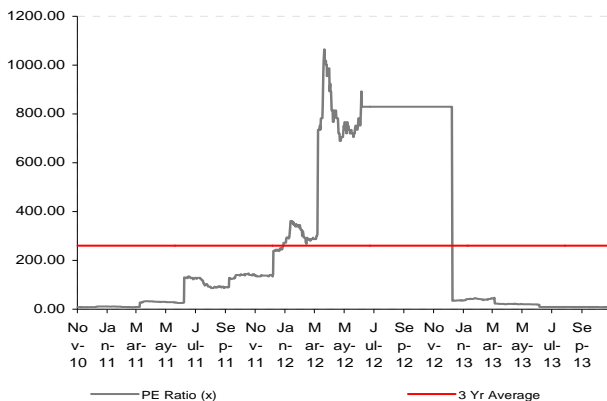
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Bloomberg Consensus

Recommendation	Buy	Sell	Hold	Valuation Ratios	FY12	FY13	FY14	FY15
31/07/2013	-	-	-	P/E	-	8.9	-	-
Target Price	-	-	-	EV/EBIT	-	-	-	-
Upside	-	-	-	EV/EBITDA	7.3	-	-	-
				P/S	0.8	0.8	-	-
				P/B	0.6	-	-	-
				Div Yield (%)	1.5%	-	-	-
Income Statement	FY11	FY12	FY13F	FY14F	Profitability Ratios %			
Revenue	151	201			Gross Margin	21.4	-	-
Gross Income	32				EBITDA Margin	17.8	-	-
Operating Income	-1				Operating Margin	-0.9	-	-
Pretax Income	-4				Profit Margin	-3.2	8.8	-
Net Income Adjusted*	-5	18			Return on Assets	-1.3	-	-
EPS Adjusted (S cents)	-0.01	0.04			Return on Equity	-2.2	-	-
Dividends Per Share	0.00							
Payout Ratio (%)								
EBITDA	27							

Peer Comparison	Ticker	Price @ 21 Nov 13	Market Cap (US\$m)	-----PE----- FY12 (x)	FY13 (x)	-----P/B----- FY12 (x)	FY13 (x)	Yield FY13 (%)
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	-	-
Average				9.0	11.8	1.1	0.9	3.3
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



Source: Bloomberg, UOB Kay Hian

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.

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