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TIONG WOON CORPORATION HOLDING LIMITED

BUY

Share Price:	S$0.505
Target Price:	S$0.88
Upside:	74.3%

COMPANY DESCRIPTION

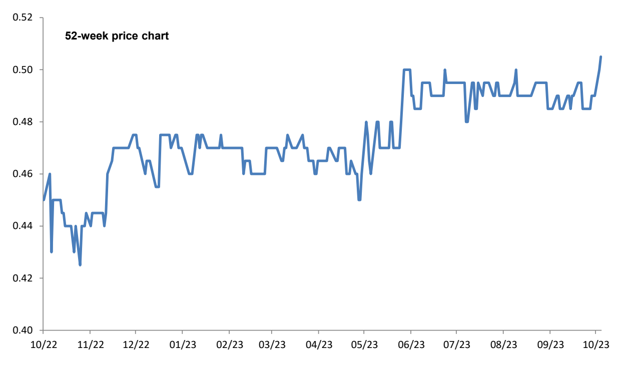
Listed on the SGX Mainboard since 1999, Tiong Woon is a leading one-stop integrated heavy lift specialist and service provider, supporting mainly the oil and gas, petrochemical, infrastructure and construction sectors, with proven track records of more than 40 years.

Name	TIONG WOON CORPORATION HOLDING LIMITED
Bloomberg Code	TWC SP EQUITY
3M Avg Daily Trading Vol (k)	71.2
3M Avg Daily Trading Vol (S$'000)	34.9
Major Shareholder / Holdings	Ang Family (39.9%)
Shares Outstanding (m)	232.2
Market Capitalisation (S$m)	117.3
52 week Share Price High/Low	S$0.51 / S$0.40

STOCK PRICE PERFORMANCE

	1M	3M	12M
Absolute Return (%)	3.1	1.0	9.8

PRICE CHART



Source : Bloomberg

Evolution Of A New Global Lifting Powerhouse

Key Investment Thesis

1. TWC is a regional heavyweight in the heavy lift industry, currently trading at a significantly undervalued level.

2. There exists a notable perception gap between the market's perception and reality regarding TWC's capabilities, which are on par with international industry giants, yet remain relatively unknown. This presents a strong potential for a re-rating.

3. TWC stands out as one of the few publicly listed companies maintaining a positive outlook, driven by the upswing in the petrochemical and construction sectors within the region.

The seeds that Tiong Woon sowed pre-pandemic are now starting to bear fruit as it experiences broad-based growth locally and abroad by winning contracts against international peers. With construction projects in Singapore forming the bread and butter for TWC, regional/overseas petrochemical projects will be the nitrous to propel TWC's profitability towards the previous high of $22mln last seen in FY14.

To satiate the robust demand regionally, TWC will add high-margined cranes with greater lifting capabilities to ride the construction and petrochemical upcycle through FY24. With TWC's operating leverage, we are confident project visibility will pave the way for margin expansion, increased profitability and dividends. Despite profits at a record high since its last downturn in FY17, TWC is far from the cycle peak and trading at distressed valuations of 0.4x PB, 6.2x FY24F PE and 2.7x FY24F EV/EBITDA. We thus continue to maintain a BUY on TWC with a target price of S$0.88, pegged to 40% discount to peers EV/EBITDA. We think that this is the appropriate method to value TWC given its consistent cash flows. A 40% discount is ascribed due to TWC's small market cap and low trading liquidity.

We believe the time for a sector rerating is imminent and Tiong Woon remains the cheapest and the biggest laggard in the construction industry, which should translate into supernormal gains for investors in time to come.

KEY FINANCIALS

FYE June (S$mln)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F
Revenue	115	98	117	125	113	123	136	149	164
Gross Profit	27	25	33	43	42	49	54	64	68
Growth		*-4.5%*	*28.0%*	*32.3%*	*-1.4%*	*16.4%*	*9.7%*	*18.2%*	*6.3%*
Net Profit	-9.9	2.8	2.8	7.6	9.9	11.4	15.7	18.8	21.4
Growth		*-128.3%*	*0.0%*	*171.4%*	*30.3%*	*15.1%*	*37.8%*	*19.8%*	*13.8%*
Gross Margins	23.0%	26.0%	30.0%	34.0%	37.6%	40.2%	39.9%	43%	41%
Net Margins	N.A	2.9%	2.4%	6.1%	8.8%	9.3%	11.6%	12.6%	13.0%
Dividend/Share (cts)	0	0	0.2	0.3	0.4	0.5	1.0	1.2	1.4
EPS (cts)	-4.2	0.5	1.3	3.3	4.3	4.9	6.8	8.1	9.2
Payout (%)	N.M	N.M	16%	9%	9%	10%	15%	15%	15%
PB Ratio (x)	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.3
PE Ratio (x)	N.M	41.5	41.5	15.3	11.7	10.2	7.4	6.2	5.4

Source: Bloomberg, Lim & Tan Research

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We highlight the following investment thesis:

1. **TWC is a regional heavyweight in the heavy lift industry, currently trading at a significantly undervalued level.**

TWC is a lifting powerhouse that has competed successfully against the likes of international competitors such as Mammoet and Sarens by winning contracts against them. However, the market has failed to recognize TWC and has unfairly punished TWC's share price.

TWC now trades at 0.4x PB, 6.2x FY24F PE and 2.7x FY24F EV/EBITDA and ROE has improved to 5.4% despite a strengthening balance sheet, signalling that TWC remains undiscovered by investors despite the considerable improvement in its latest results. Mgmt. has doubled dividends to a record high of 1.0 S cts and has been posting gradually positive outlooks with each passing result. Also, the construction sector is doing well as evidenced by the share buybacks, statement outlook, profits, and positive share price movements of the entire construction value chain such as Sin Heng, Hiap Tong, Centurion, Huationg, BRC Asia and Ley Choon amongst others.

2. **There exists a notable perception gap between the market's perception and reality regarding TWC's capabilities, which are on par with international industry giants, yet remain relatively unknown. This presents a strong potential for a re-rating.**

The perception is that crane companies are unpopular and unexciting, which often results in investors not paying heed to the likes of TWC, resulting in an unfavoured company with extremely cheap valuations. However, as No.19 (previously No.22) in the world (according to International Cranes June 2023 article), TWC has the capabilities to compete effectively against world No.1 Mammoet and No.2 Sarens. TWC's moat lies not just in its ability to provide large-capacity cranes to suit the local market's needs, but also in providing a range of solutions that are safe and timely to their prospective clients. TWC's heavy lifting and construction services, as well as their best-in-class capabilities, has allowed them to compete shoulder-to-shoulder in the international arena. We think this is an excellent achievement as Mammoet and Sarens are titans of the industry with long-standing histories.

With each passing project over the years, TWC has also been building their reputation and have constantly been ahead of the market by purchasing new and higher-margined heavier cranes to increase their capabilities, such as the tower cranes for Singapore's BTO push and the latest 2,200 tonnes crane as set out in their AR2023. However, this has gone unnoticed in recent years as TWC tries not to disclose positions that would alert competitors.

With their latest released AR2023, TWC is now trying to bridge that perception by listing out additions to its existing fleet and capital expenditure plans. With this in mind, we think it is only a matter of time before TWC and its perception gap are noticed by investors and thus, a re-rating lies on the horizon.

3. TWC stands out as one of the few publicly listed companies maintaining a positive outlook, driven by the upswing in the petrochemical and construction sectors within the region.

For the first time, TWC has mentioned that it "maintains a positive outlook" vs being "cautiously optimistic" 6 months ago. The reason for this positivity is due to "steady customer demand for its Heavy Lift and Haulage solutions, particularly in the petrochemical and construction sectors, as well as in key regional markets such as India, Saudi Arabia, and Thailand".

Explanation: The regions that TWC operates in are facing tailwinds from the higher construction demand post-COVID, higher oil prices and Final Investment Decisions (FID) that were not present since 2014. The worst is over for TWC since the 2014's oil price crash and TWC is now operating in a much better macro environment with better business prospects.

Locally, the recurring tower crane business continues to be backed by residential launches and BTO projects to meet supply-demand imbalances caused by COVID-19, which will need time to clear despite the Govt's effort to ramp up the supply of housing options. On the heavy lifting side that boasts higher margins, TWC has secured contracts to assist with constructing Singapore's Integrated Waste Management Facility (IWMF), which will start contributing in FY24.

TWC has also secured 2 heavy lifting projects in India against international competitors Mammoet and Sarens. This will meaningfully contribute to TWC's bottom line in FY24 with its heavy-lifting solutions that boast larger margins as razor-thin margins are commonplace within the construction industry.

In Saudi Arabia, TWC will be participating in mega infrastructure projects such as the Line Project and the NEOM project. Thailand is also identified as a growth segment and TWC is focusing on module fabricator and fabrication yard projects - TWC has an upcoming Gas Separation Project in Rayong, which should contribute positively in FY24. This growth in Saudi and Thailand is also evident from their recent FY23 results with its maiden contribution of c.9% of FY23's revenue.

Result Review

- 2H23 results came within expectations as revenue increased 37% to S$71.5mln due to a 37% and 41% increase in their Heavy Lift and Haulage and Marine segments, respectively. Although 2H23 gross profit improved 8.8% yoy to 25.8mln, it declined 9.3% on a HoH basis. We understand that 2H23 (Jan to June) is a traditionally weaker half due to the CNY lull period.

Heavy Haulage was the star performer as TWC continues to execute projects in their key countries in Singapore, helped by the ongoing construction in Singapore. As a result, the overall profit for 2HFY23 came in at S$7.9mln, marking a commendable 38% yoy increase.

TWC has also highlighted that it is now positive in new markets such as Thailand, India, and the Middle East. During our discussion with TWC, we understand the following:

India: Growth is expected to resume in FY2024. Despite the 2H drop in revenue of 40% yoy from S$5.7mln to S$3mln, we understand that this was due to unfavourable currency movements. Otherwise, TWC's India business would have registered growth.

Moving ahead, TWC can look forward to high-budget O&G and fertiliser projects with HRRL Barmer Refinery, Nayara Energy and Indian Oil Corporation, Baroni. Upcoming projects of similar scale include Numaligarh Refinery Project, Indian Oil Corporation Baroda in 2023-2024 and more are expected in 2025-2026.

One of TWC's projects includes a fertiliser plant project which marks India's entry into coal gasification-based urea production. With an anticipated annual production capacity of 1.27 million tonnes of neem-coated urea, this project adopts an innovative approach by gasifying a blend of high-ash Indian coal and petcoke. The plant will be supplied with coal from the northern part of the North Arkhapal mine, allocated as a captive asset. Petcoke, another key feedstock, will be sourced from the Paradip refinery of Indian Oil. This project is also expected to last for a year and is expected to start in FY24.

TWC has also won a heavy lift contract in the Gujarat Refinery Expansion. The project aims to increase the refining capacity of the Gujarat Refinery from 13.7 to 18.0 MMTPA (Million Metric Tonnes Per Annum) and is expected to last for a year starting mid-FY24.

Both projects are multifaceted, and TWC's scope will see it providing a range of solutions ranging from project planning, engineering study to the eventual erection and usage of heavy equipment.

Examples include the J4 petrol refinery project and Dahej petrochemical complex, which are 2 major upcoming projects that will be awarded between US$3-4bln each.

The petrochemical sector in India is fast becoming a crucial role in India's economic progress and is expected to continue being a key driver of growth. In 2022, India was ranked the 6th largest player in the global petrochemical business, and this led to several big projects being started in India by both local and global players. Being a key heavy-lift solutions provider in India, we believe TWC will have a fair share of the growing pie in years to come.

Exhibit 1: Non-exhaustive list of Indian Projects available (TWC is a market leader in India)

India Projects	Players	Comments
J4 Petrol Refinery Project	Reliance Industries	-
Dahej Petrochemical Project	Reliance Industries	-
Exxon-Maharashtra	Exxon Mobil	Cost US$110mln to build lubricant manufacturing plant by 2025
Shell Gujarat	Shell	Cost Rs 3500 crore to build renewable energy facility ready by 2027
Vadinar CDU Expansion	Nayara Energy	Capacity of 515 thousands barrels per day by 2024
Panipat CDU Expansion	Indian Oil Corp	Capacity of 200 thousands barrels per day
Paradip CDU Expansion	Indian Oil Corp	Capacity of 200 thousands barrels per day
Ratnagiri Refinery Project	Indian Oil Corp/Bharat Petroleum/Hindustan Petroleum	To meet India's growing energy demands and establish India as refining hub

Source: LTS Research

TWC's deeper penetration into the Indian market is timely as India is expected to be the 2nd biggest contributor to upcoming project starts in Asia and will see 279 petrochemical projects from 2023 to 2027 due to expansion in economic growth, population increase and strong demand from sectors such as housing, construction, and automobiles. Thus, significant market share gained against strong competitors today will set the stage for further contract wins and provide decent earnings for the next 3 years.

To remain relevant, TWC is also building up its green capabilities to compete in the wind turbine sector to provide land support and enhance its current offering to potential customers.

Middle East: Due to the much higher oil prices, projects are rolling out quickly in Saudi Arabia to take advantage of the favourable O&G environment. With several projects underway (i.e. NEOM Project), we understand that Saudi projects are completing excavation, indicating the next stage of construction, i.e. cranes is underway, which lies within TWC's forte.

While we acknowledge TWC's bad experience with the Middle East a decade ago due to their difficulties in payment collection, TWC has now revised their receivable policies and customer due diligence to reduce bad debts. In FY23, TWC's bad debt has improved by nearly 50% compared to historical averages, and while TWC understands they cannot eliminate the risk, they would manage it tightly moving forward.

Helped by buoyant oil prices, petrochemical projects will also be up for grabs as Saudi's petrochemical industry continues to gain prominence as part of its liquids-to-chemicals strategy, which is aimed at reducing dependence on the upstream sector, diversify its economy, and create additional employment opportunities.

Exhibit 2: Non-exhaustive list of Middle East Projects available (Expanding judiciously in Middle East)

Middle East Projects	Players	Comments
NEOM	Saudi Govt.	Megacity to include floating industrial complex, trade hub, resorts etc.
Line (Part of NEOM)	Saudi Govt.	Smart linear City over 170km area
Al Zour	Kuwait Integrated Petroleum	US$16bln cost. To supply 225,000 bmd of low-sulphur fuel oil for power generation
Ras Tanura and Riyadh refineries	Aramco	3 400,000 b/d greenfield refineries undergoing brownfield projects

Source: LTS Research

Singapore: Singapore continues to be TWC's cash cow for FY23, with the relaxation of COVID-19 measures signalling the imminent construction boom to make up for lost time.

With pump-priming measures from the government and big upcoming projects (i.e. Greater Southern Water Front, RWS Rejuvenation, MRTs/ LRTs), TWC can expect revenue visibility and growth in the Singapore segment over the next few years.

We note that TWC has won a contract to work on the upcoming IMWF project that will take c.9 months to complete. Given the heaver lifting requirements needed for this project, we expect much better margin contribution as TWC activates heavier cranes to complete this project.

Exhibit 3: Non-exhaustive list of SG Projects available (Robust addressable market ahead)

Singapore Projects	Start	End	Est. Cost	Comments
Toa Payoh Integrated Development	2022-2025		S$8-$10bln in 2021	New in BCA Outlook
Alexandra Hospital Redevelopment				New in BCA Outlook
Public Housing				
Integrated Hospital @ Bedok				New in BCA Outlook
Singapore Science Centre Relocation				New in BCA Outlook
Cross Island Line	2020	2029	S$40.7 bln	3 phases. Cost is probably closer to double digit S$bln.
Tuas Mega Port	2015	2040	>S$20 bln	Developed in 4 phases; operations to start in 2021
Integrated Waste Management Facility	2021	2025	S$3bln	In Phases, first one to complete by 2025
Changi Airport T5	2020	2030	S$10 bln	
North-South Corridor	2017	2026	S$954 mln	Est. cost is value contracts awarded thus far
Greater Southern Waterfront	2024-2029	??	??	Size is ~6x Marina Bay
Integrated Resorts Extension	2019	2025	S$9 bln	Few Phases. 5k jobs created
Crisp Project (ExxonMobil)	2H19	2023	Multi-Bln	Suspended due to Covid-19. Unsure if cancelled (?)
Linde Project (Jurong Island)	2H19	2023	S$1.89 bln	Ongoing despite Covid-19
Deep Tunnel Sewage System (Phase 2)	2017	2025	S$6.6 bln	Phase 1 completed in 2007

Source: LTS Research

TWC's FY23 Annual Report

- In their latest annual report, TWC has also released a non-exhaustive list of projects that they have been working on in FY23, which displays their range of capabilities in the crane business.

Exhibit 4: TWC's scope of work for FY23 (Strong order visibility over next 2 years)

Country	Location	Equipment	Scope of Work
Singapore	Jalan Buroh	250 & 500 Tonnes Mobile Crane	Dismantling of Pedestrian Overhead Bridge
Singapore	Ang Mo Kio	64 Tonnes Tower Cranes	Heavy Lifting Services
Singapore	Collyer Quay	750 Tonnes Mobile Crane	Heavy Lifting Services
Singapore	Jurong Port	750 Tonnes Mobile Crane	Tandem lifting of a 140 Tonnes generator
Singapore	Pasir Ris	180-600 Tonnes Crawler Cranes & 700 Tonnes Mobile Crane	Heavy Lifting Services
Singapore	Circuit Road	20 & 32 Tonnes Tower Cranes	Heavy Lifting Services
Singapore	Hougang	20 & 64 Tonnes Tower Cranes	Heavy Lifting Services
Singapore	Tuas	Prime Mover Modular Trailers	Transportation Services
Singapore	Woodlands	20 Tonnes Tower Crane	Construction of RTS Link
Singapore	Pandan Crescent	Tug & Barge	Sea Transportation Services
Singapore	Yishun	64 Tonnes Tower Cranes	Heavy Lifting Services
Malaysia	Johor	600 Tonnes Crawler Cranes	Heavy Lifting Services
India	Gujarat	1,600 Tonnes Crawler Cranes	Heavy Lifting Services
India	Rajasthan	550 Tonnes Crawler Cranes	Heavy Lifting Services
Brunei	Sungei Liang Industrial Park	700 Tonnes Mobile Crane	Heavy Lifting Services
Saudi Arabia	Al Hassa	80 & 120 Tonnes Crawler Crane	Heavy Lifting Services

Source: TWC FY23 Annual Report

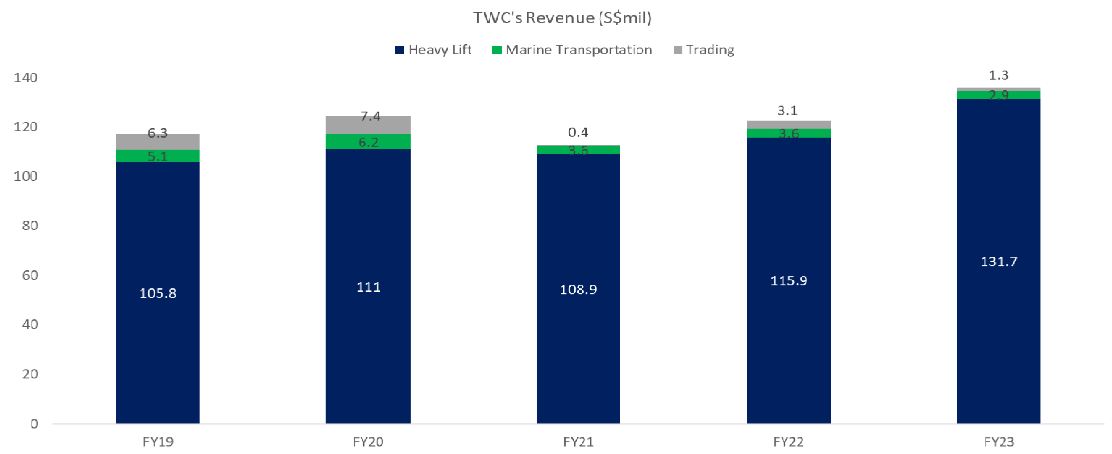
They have also listed some new cranes that they have bought, such as

1. XCMG XGC 17000 (1,250 Tonnes) Crawler Crane
2. SANY SCC 19800TM (1,600 Tonnes) Crawler Crane
3. SANY SCC 38000TM (2,200 Tonnes) Crawler Crane

We understand from management that TWC will be adding more cranes into their fleet to meet FY24's project requirements. We note that the SANY SCC 38000TM (2,200 Tonnes) Crawler Crane is their heaviest haulage crane to date and TWC has been expanding on capacity to take on even more complex projects. This signals to investors that FY24 should be a stronger year.

TIONG WOON CORPORATION HOLDING LIMITED

Exhibit 5: TWC Revenue Contribution by Segment (Increasing exposure to higher margined heavy lift biz segment)



Source: TWC, LTS Research

TWC has been continually upgrading their fleet, which has resulted in it now being ranked No.19 in the world.

Exhibit 6: World Ranking of Crane Firms (TWC - ranked 19th, jumping from 23rd last year)

RANK 2023	RANK 2022	COMPANY NAME	BASED	LARGEST CRANE	CAPACITY OF LARGEST CRANE	IC INDEX 2023
1	1 ▶	Mammoet	Netherlands	SK 350	5,000	3,557,556
2	2 ▶	Sarens	Belgium	Sarens SGC-250	5,000	2,911,238
3	3 ▶	Buckner Heavy Lift Cranes	USA	Liebherr LR 13000	3,000	1,469,571
4	4 ▶	Lampson International	USA	Lampson LTL-3000	2,722	1,280,105
5	5 ▶	BMS	Denmark	Liebherr LR 11350	1,350	1,250,990
6	6 ▶	Sanghvi Movers	India	Sany SCC8000A	800	1,168,656
7	7 ▶	Bigge Crane and Rigging	USA	Liebherr LR 11000	1,000	1,068,295
8	10 ▲	China Nuclear Industry Mechanical Engineering Co Ltd	China	Zoomlion ZCC32000NP	3,600	917,105
9	9 ▶	Shandong Gulf Lifting Engineering	China	Sany SCC98000TM	4,000	864,346
10	11 ▲	Sinopec Heavy Lifting and Transportation	China	XCMG XGC 88000	4,000	860,624
11	8 ▼	Maxim Crane Works	USA	Manitowoc 31000	2,300	813,437
12	12 ▶	Al Faris	Dubai, UAE	Liebherr LR 11000	1,000	679,011
13	15 ▲	Denzai Holdings Corporation	Japan	Liebherr LR 11350 P-1800	1,350	546,600
14	13 ▼	Tat Hong	Singapore	Terex CC 8800-1	1,600	535,610
15	16 ▲	Weldex	Scotland	Liebherr LR 11350	1,350	502,500
16	17 ▲	MIC	Japan	Terex CC 8800-1	1,600	496,697
17	18 ▲	Deep South Crane & Rigging	USA	VersaCrane TC 36000/2	2,700	491,759
18	19 ▲	Hovago Cranes	Netherlands	Liebherr LR 11000	1,000	484,120
19	23 ▲	Tiong Woon Crane and Transport	Singapore	Sany SCC38000TM	2,200	480,951
20	14 ▲	All Family of Companies	USA	Liebherr LR 11000	1,000	468,621
21	21 ▶	Barnhart Crane and Rigging	USA	Demag CC 8800	1,250	412,703
22	20 ▼	Al Jaber Heavy Lift	United Arab Emirates	Terex CC 8800-1 Twin	3,200	410,000
23	22 ▼	SoP&G	Russia	Demag CC 8800-1	1,600	382,380
24	26 ▲	Schmidbauer	Germany	Liebherr LR 11350	1,350	356,700
25	24 ▼	Marmon Crane Services	USA	Liebherr LTM 1750-9.1	800	348,267
26	25 ▼	Prangl	Austria	Terex AC 1000	1,000	343,597
27	27 ▶	Integrated Logistics	Kuwait	Terex CC 8800-1 with Boom Booster	1,600	332,659
28	29 ▲	TNT Crane & Rigging	USA	Liebherr LTM 1750-9.1	800	329,648
29	28 ▼	Uchimiya Transportation & Engineering	Japan	Demag CC 6800	1,250	316,741

Source: ICT Crane Index

TIONG WOON CORPORATION HOLDING LIMITED

Exhibit 7: TWC's tonnage through the years (Adding Heavy Tonnage Cranes due to higher margins)

Year	Total Tonnage (Tonne - Meters)	Total Number of Cranes
2020	354594	391
2021	368815.77	402
2022	366730.27	389
2023	480951.42	382

Source: LTS Research, TWC

Valuations

- TWC trades at a distressed valuation 0.4x PB, 6.2x FY24F PE and 2.7x FY24F EV/EBITDA in the midst of an industry upcycle. Even when compared to its peers, TWC remains cheap in terms of most financial metrics such as forward PE, PB and EV/EBITDA. TWC's balance sheet and operational cash flow remain strong, and we foresee no issues despite the current hawkish interest rate environment.

We also note TWC's gradually positive outlook with each passing semi-annual result despite a historically conservative management, and that it did its first maiden share buyback in Aug 2022 at today's price range of $0.48. With strong operating cash flows and a solid balance sheet, the risk to reward in an investment in TWC today is extremely attractive.

Recall that Tat Hong was privatized at 0.75x PB in 2018 when it was loss-making and at the trough of the cycle and that Denzai Holdings acquired a 71% majority stake in Huationg at a supposed 1.0x PB in 2020. In comparison, TWC is profit-generating and operating in an industry upcycle that has only just begun and is now trading at 0.4x PB.

Exhibit 8: Crane Takeover Valuations (TWC 0.4x PB ratio is a steal)

Company	Take over PB	Comments
TWC	0.4x	Current PB
Tat Hong	0.75x	Privatization
MS Holdings	0.5x	Privatization
Huationg	>1x	Majority 71% stake bought by Denzai

Source: LTS Research

Exhibit 9: Construction peers (TWC 2.7x EV/EBITDA is way cheaper than sector average 8.1x)

Name	Market Cap (S$mn)	Stock Perf YTD%	P/E (x)	Forward PE(x)	EV/ EBITDA (x)	P/B(x)	ROE(%)	Bloomberg Net gearing (%)	ROA(%)	Div Yield	Analyst Consensus	Bloomberg Gearing	Net debt/ EBITDA	Int Cov ratio	Last Price	52w High	52wk Low
Crane																	
TIONG WOON CORP HLDG LTD	114.8	6.5%	7.3	6.4	2.7	0.4	5.5%	8.0%	3.2%	1.0%	--	33.8%	0.5%	5.6%	0.50	0.51	0.40
HIAP TONG CORP LTD	38.8	53.7%	2.8	--	2.4	0.4	16.0%	60.7%	7.4%	4.0%	--	72.6%	1.7%	9.5%	0.13	0.16	0.05
SIN HENG HEAVY MACHINERY LTD	51.3	0.8%	9.9	--	1.5	0.5	5.0%	-27.3%	4.2%	7.7%	--	9.0%	-2.2%	31.4%	0.46	0.47	0.36
Steel																	
NSL LTD	269.0	-13.3%	22.6	--	3.2	0.6	2.6%	-49.6%	2.0%	62.5%	--	9.2%	-8.7%	4.8%	0.72	1.13	0.71
UNION STEEL HOLDINGS LTD	37.4	48.4%	3.4	--	2.4	0.5	15.2%	22.9%	7.4%	1.1%	--	52.2%	0.8%	8.1%	0.95	0.95	0.28
BRC ASIA LTD	463.7	-3.2%	6.0	7.0	5.4	1.2	20.3%	76.1%	8.6%	7.1%	1.97	114.8%	1.3%	15.1%	1.69	1.82	1.54
ASIA ENTERPRISES HOLDING LTD	47.8	-11.4%	11.7	--	4.5	0.5	4.2%	-25.5%	3.6%	5.7%	--	9.2%	-1.5%	18.3%	0.14	0.16	0.14
Cement																	
PAN-UNITED CORP LTD	275.5	0.0%	10.0	8.6	5.0	1.3	11.8%	2.0%	6.1%	4.6%	0.52	31.6%	-0.1%	11.8%	0.40	0.44	0.37
ENGRO CORP LTD	112.8	-9.5%	--	--	4.4	0.4	-1.5%	-18.5%	-1.3%	2.7%	--	8.3%	-4.7%	15.1%	0.95	1.18	0.78
HONG LEONG ASIA LTD	460.0	-7.5%	10.8	6.8	6.6	0.5	4.6%	-4.2%	0.8%	3.3%	1.00	38.8%	-0.4%	4.1%	0.62	0.75	0.60
Painting																	
ISOTEAM LTD	29.9	-47.9%	6.1	6.1	5.5	0.6	9.9%	162.9%	2.6%	NA	0.09	188.6%	3.8%	1.4%	0.04	0.09	0.04
ALPINA HOLDINGS LTD	35.0	22.6%	226.7	--	--	1.3	0.5%	-11.0%	0.3%	0.6%	--	32.4%	-0.5%	11.9%	0.19	0.21	0.15
Piling & Excavator																	
CSC HOLDINGS LTD	28.1	-20.0%	--	--	57.0	0.3	-23.8%	91.6%	-7.3%	NA	--	109.9%	38.6%	-3.3%	0.01	0.01	0.01
Others																	
LEY CHOON GROUP HOLDINGS LTD	79.8	211.8%	8.6	--	2.6	1.6	20.6%	35.9%	9.5%	NA	--	51.5%	1.0%	5.0%	0.05	0.05	0.02
CHOO CHIANG HOLDINGS LTD	72.7	2.9%	8.1	7.7	--	1.2	--	-35.0%	NA	6.6%	--	5.4%	NA	96.5%	0.35	0.37	0.29
CENTURION CORP LTD	344.7	22.4%	4.5	5.0	9.6	0.5	11.0%	96.2%	4.9%	4.9%	0.57	105.9%	6.4%	3.3%	0.41	0.46	0.33
Median		**0.4%**	**8.3**	**6.9**	**4.5**	**0.5**	**5.5%**	**5.0%**	**3.6%**	**4.6%**		**36.3%**	**0.5%**	**8.8%**	**0.40**	**0.45**	**0.31**
Average		**16.0%**	**24.2**	**6.9**	**8.1**	**0.7**	**6.8%**	**24.1%**	**3.5%**	**8.6%**		**54.6%**	**2.4%**	**14.9%**	**0.47**	**0.55**	**0.38**

Source: LTS Research

Amongst its crane peers, we note the rising margins and profitability between TWC and its peers Sin Heng and Hiap Tong. With rising margins despite inflationary cost pressures, we think TWC is also a good inflation hedge as the price of TWC's cranes rises with the inflationary costs due to strong construction demand. As a result, TWC can dispose of their cranes at higher prices to offset inflationary pressures.

Exhibit 10: Crane Sector on Cyclical Upturn (All crane players to benefit from the biz cycle upturn)

	1HFY22	1HFY23		FY22	FY23
Tiong Woon Gross Margins	38.4%	39.9%		40.2%	36.8%
Tiong Woon Net Profit Margins	5.9%	12.1%		9.3%	11.6%
Tiong Woon Net Profit (S$'000)	3,580	8,437		11,328	15,655
Sin Heng Gross Margins	23.7%	26.3%			
Sin Heng Net Profit Margins	6.6%	9.5%			
Sin Heng Net Profit (S$'000)	1,751	3,312			
Hiap Tong Gross Margins	15.2%	24.9%		10.5%	27.7%
Hiap Tong Net Profit Margins	5.3%	17.1%		2.4%	14.0%
Hiap Tong Net Profit (S$'000)	8,251	1,820		1,608	13,844

Source: LTS Research

We also note that TWC has done its first maiden share buyback in 2022 at this price level of $0.48 and Sin Heng is currently still buying back shares in the market. We also observe companies operating in the same sector doing share buybacks.

Construction companies such as Sin Heng and Pan United are also aggressively buying back shares at current prices. Due to Covid-19, the upcycle in the construction firms was delayed, not disrupted and the sector has now recovered past that level as a result of the government's pump priming and corporates' bid to clear their backlog and take advantage of this inflationary period where oil and property prices remain elevated.

Exhibit 11: Company shares buyback (TWC bought back 400,000 shares for first time in 24 years)

	Year	Volume	Value (S$)	Price
Tiong Woon	2022	400,000	191,975	0.48
Sin heng	2017	605,800	211,450	0.35
	2021	600,000	236,000	0.39
	2023	734,700	304,757	0.41
Pan United	2021	1,398,200	455,258	0.33
	2022	5,464,000	2,158,814	0.40
	2023	2,543,300	1,001,308	0.39

Source: LTS Research

Balance Sheet

We note that TWC's balance sheet has been improving over the years with their increasing cash and decreasing debt. This has resulted in a lower gearing over the years to 8.1% in FY23. As a result, we have little concern over their financial risk despite the current hawkish environment.

Exhibit 12: Balance sheet over the years (TWC - Almost near debt neutral position)

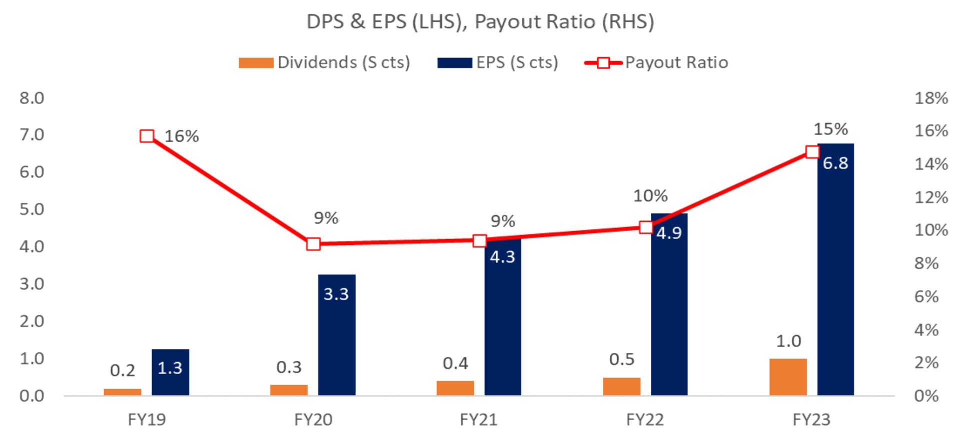
	2015	2016	2017	2018	2019	2020	2021	2022	2023
LT & ST Debt	135,666	135,981	125,176	106,719	102,574	124,601	117,034	116,274	99,248
Cash	19,828	14,258	10,879	8,502	14,155	39,384	45,512	55,974	75,504
Shareholders Equity	268,787	254,858	247,588	249,733	252,462	259,298	270,944	280,895	293,288
Gearing	43.1%	47.8%	46.2%	39.3%	35.0%	32.9%	26.4%	21.5%	8.1%
Operating Cash Flow	62,787	27,820	27,987	23,895	32,538	54,475	29,059	36,961	43,523

Source: LTS Research, TWC

Dividends

While absolute dividends are little, we note that the rising trend of increased absolute dividends per share are in line with EPS. In FY23, TWC doubled their dividends and paid out 15% of their profits as dividends.

Exhibit 13: Dividend trend FY19-FY23 (TWC - Paying highest dividends in 24 years)



Source: LTS Research, TWC

AGM Q&A

- Lastly, we summarize the salient points and key takeaways of the Q&A responses for their upcoming AGM 2023 that were posted recently, which serves to highlight TWC's capabilities and outlook.

1. TWC has a strong balance sheet and cash flow and will continue to renew and upgrade its fleet in a strategic and calibrated manner. Capital expenditure will be financed via internal resources and bank borrowings.
2. TWC was able to successfully meet customer's requirements and capture market opportunities. As such, they forecast steady customer demand for its heavy lift in Singapore, India, Saudi Arabia and Thailand. Accordingly, they will increase headcount to support the increased number of projects in 2024.
3. Projects in:
   a. Singapore includes the Integrated Waste Management Facility (IWMF) in Tuas
   b. Saudi includes various petrochemical projects such as the expansion of the Abu Ali Crude & KGP Gas Facilities in Jubail and the Gas Treatment & Sulphur Recovery Unit in Marjan
   c. India centre around petrochemical and infrastructure projects, which include providing heavy lifting and engineering services for the Coal Gasification Plant in Talcher and the construction of a new Vacuum Distillation Unit at Vadodara

4. Average utilization remains stable at 48% and forecast continued uptrend in revenue in FY2024, driven by their new higher-tonnage cranes (the heaviest being 2,200T to date which will commence work in 2024).
5. Despite the meteoric rise of dormitory prices, TWC has their own dormitory where majority of its team resides.
6. Sustainability: TWC has taken steps to minimize energy consumption and carbon footprint, with one of their yards being carbon-negative (generate more energy than it consumes).
7. TWC will propose a renewal of their Share Purchase Mandate to buy back shares when appropriate.

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