

COMPANY RESULTS

Tiong Woon Corporation Holding (TWC SP)

1HFY24: Results Above Expectations On Strong Industry Upcycle

Tiong Woon's 1HFY24 earnings of S\$11m (+50% yoy) beat our expectation and formed 57% of our full-year estimate. It delivered a 14% yoy growth in revenue and a 3.4ppt increase in net margin due to more heavy lift and installation projects in Singapore, Thailand, the Middle East and India. We believe Tiong Woon is a beneficiary of the construction industry upcycle in Singapore and expect FY24 EPS to grow 32% yoy. Maintain BUY with a 6% higher target price of S\$0.90 (0.7x FY24F P/B).

1HFY24 RESULTS

Year to 30 Jun (S\$m)	1HFY24	1HFY23	yoy % chg
Revenue	75.3	65.9	14.2
Gross profit	32.9	28.4	15.8
Gross margin (%)	43.7	43.1	0.6ppt
PATMI	10.9	7.2	50.4
Net margin (%)	14.4	11.0	3.4ppt

Source: Tiong Woon, UOB Kay Hian

RESULTS

- Results above expectations.** Tiong Woon Corporation Holding (Tiong Woon) reported 1HFY24 earnings of S\$10.9m (+50.4% yoy), accounting for 57% of our full-year estimate and beating our expectation. The significant increase is attributable to a 14.2% yoy rise in revenue to S\$75.3m, as well as a S\$2.0m gain on disposal of assets (1HFY23: S\$0.4m) and S\$0.6m lower currency exchange loss (-20% yoy). Gross margin also improved by 0.6ppt to 43.7%, as a result of higher-margin construction projects secured.
- Revenue growth driven by more construction projects in Singapore.** Revenue grew a remarkable 14.2% yoy to S\$75.3m, primarily from an increased number of heavy lift and installation projects in Singapore, Thailand, the Middle East and India during the period. The majority of Tiong Woon's revenue continues to be derived from Singapore, which comprised 75% of 1HFY24 revenue (1HFY23: 73% of revenue). This was offset by fewer construction projects secured in Indonesia and fewer chartering jobs obtained in 1HFY24.
- Expect FY24 earnings to grow 32% yoy, bolstered by strong project pipeline.** We expect Tiong Woon's FY24 earnings to increase by 32% yoy, supported by the higher construction activity level in Singapore. In Jan 24, the Building and Construction Authority (BCA) projected Singapore's construction demand to reach S\$31b-38b from 2025 to 2028. As a prominent integrated heavy lift specialist and service provider, Tiong Woon is in a favourable position to benefit from Singapore's COVID-19-related construction demand. The strong demand by contractors will drive up utilisation rates and rental rates of cranes, leading to both top-line and bottom line growth for Tiong Woon. As of FY23, the average utilisation rate of the company's cranes was only 48%. We anticipate growth in Tiong Woon's utilisation and rental rates in FY24, which will be the key earnings growth driver.

KEY FINANCIALS

Year to 30 Jun (S\$m)	2022	2023	2024F	2025F	2026F
Net turnover	123	136	159	172	184
EBITDA	48	53	59	60	60
Operating profit	17	21	25	28	30
Net profit (rep./act.)	11	16	21	23	25
Net profit (adj.)	11	16	21	23	25
EPS (S\$ cent)	4.9	6.8	8.9	10.1	10.9
PE (x)	10.3	7.5	5.7	5.0	4.6
P/B (x)	0.4	0.4	0.4	0.4	0.3
EV/EBITDA (x)	2.8	2.6	2.3	2.3	2.3
Dividend yield (%)	1.0	2.0	3.4	4.4	5.4
Net margin (%)	9.3	11.6	13.0	13.6	13.8
Net debt/(cash) to equity (%)	21.5	8.1	5.9	(5.5)	(15.5)
Interest cover (x)	17.5	13.3	18.9	25.9	39.6
ROE (%)	4.1	5.5	6.8	7.3	7.4

Source: Tiong Woon, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.505
Target Price	S\$0.90
Upside	+80.4%
(Previous TP)	S\$0.85)

COMPANY DESCRIPTION

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

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	TWC SP
Shares issued (m):	231.8
Market cap (S\$m):	117.1
Market cap (US\$m):	86.9
3-mth avg daily t'over (US\$m):	0.0

Price Performance (%)

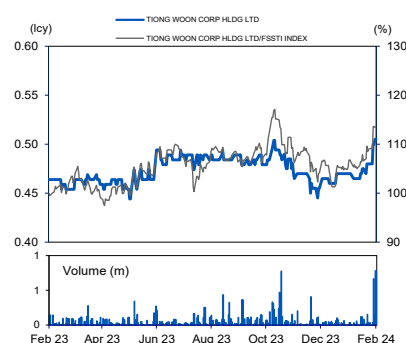
52-week high/low S\$0.504/S\$0.444

1mth	3mth	6mth	1yr	YTD
7.4	5.2	4.3	7.6	9.8

Major Shareholders

	%
Ang Family	39.0
FY24 NAV/Share (S\$)	1.35
FY24 Net Cash/Share (S\$)	0.08

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Well-positioned to benefit from construction industry upcycle.** With comprehensive ownership of more than 500 cranes, some of which can have a capacity of up to 1,600 tonnes each, Tiong Woon is in a good position to benefit from the strong resumption of activities in Singapore's construction sector and rising capex in the oil & gas industry. One such example is Tiong Woon's new contract awarded by Sinohydro Corporation, for the provision of crane services for the construction of the Integrated Waste Management Facility project in Tuas, Singapore. This will commence in 2HFY24 and is expected to contribute to top-line growth for FY24 and FY25. Additionally, the construction sector will have strong demand for cranes in the coming years driven by accelerating construction of public housing and new mega infrastructure projects including the Cross Island Line, Changi Airport T5, Tuas Mega Port and the North South Corridor.
- Strengthening market presence in Thailand via collaboration with world's top-heavy lift player.** In Dec 23, Tiong Woon announced its strategic alliance with Mammoet Asia Holding B.V. (Mammoet), which has the world's largest fleet of heavy lifting equipment including >1,000 cranes, in Thailand. This will enable Tiong Woon to increase its customer outreach in the region and expand its service offerings to both existing and new customers in Thailand. The company has also successfully acquired multiple assets from Mammoet, such as transportation and heavy lifting equipment, to boost its revenue from Thailand. Management expects the alliance and asset acquisition to capture growth in Thailand, from which revenue contributions made up 3.7% of 1HFY24 revenue.

EARNINGS REVISION/RISK

- We increase our FY24/25/26 revenue estimates by approximately 4%,** as we expect more projects to drive crane utilisation rates during the year. We maintain gross profit margin estimates at 40-41%. As a result, our earnings estimates across FY24-26 are raised by 9-10%.

VALUATION/RECOMMENDATION

- Maintain BUY with a 6% higher target price of S\$0.90 (S\$0.85 previously),** pegged to an unchanged 0.7x FY24F P/B, 1SD above Tiong Woon's historical 15-year average P/B, to capture the strong earnings growth potential in the industry upcycle.

SHARE PRICE CATALYST

- Better-than-expected earnings from higher crane rental and utilisation rates.
- Better-than-expected dividend and share buybacks.
- Potential takeover offer by other larger crane companies given the attractive P/B valuation.

HISTORICAL P/B BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (\$m)	2023	2024F	2025F	2026F
Net turnover	135.8	158.9	172.4	183.6
EBITDA	52.7	58.9	59.7	59.8
Deprec. & amort.	32.1	33.4	31.8	30.3
EBIT	20.6	25.4	28.0	29.5
Total other non-operating income	3.5	2.6	2.6	2.6
Associate contributions	0.1	0.0	0.0	0.0
Net interest income/(expense)	(4.0)	(3.1)	(2.3)	(1.5)
Pre-tax profit	20.3	24.9	28.2	30.6
Tax	(4.6)	(4.2)	(4.8)	(5.2)
Minorities	0.0	0.0	0.0	0.0
Net profit	15.7	20.7	23.4	25.4
Net profit (adj.)	15.7	20.7	23.4	25.4

BALANCE SHEET

Year to 30 Jun (\$m)	2023	2024F	2025F	2026F
Fixed assets	343.0	325.8	310.1	295.8
Other LT assets	16.7	15.5	14.4	13.4
Cash/ST investment	75.5	59.4	75.9	93.1
Other current assets	56.3	73.1	78.8	83.5
Total assets	491.5	473.7	479.2	485.8
ST debt	20.8	20.0	20.0	20.0
Other current liabilities	46.6	50.0	53.9	57.0
LT debt	78.5	57.7	37.7	17.7
Other LT liabilities	52.4	33.9	34.4	34.8
Shareholders' equity	293.4	312.2	333.3	356.3
Minority interest	(0.1)	(0.1)	(0.1)	(0.1)
Total liabilities & equity	491.5	473.7	479.2	485.8

CASH FLOW

Year to 30 Jun (\$m)	2023	2024F	2025F	2026F
Operating	43.5	25.4	56.1	56.0
Pre-tax profit	15.7	20.7	23.4	25.4
Tax	(4.6)	(4.2)	(4.8)	(5.2)
Deprec. & amort.	32.1	33.4	31.8	30.3
Associates	0.1	0.0	0.0	0.0
Working capital changes	(4.3)	(31.8)	(1.4)	(1.1)
Non-cash items	(2.7)	0.0	0.0	0.0
Other operating cashflows	7.3	7.3	7.1	6.7
Investing	5.3	(15.0)	(15.0)	(15.0)
Capex (growth)	(3.6)	(15.0)	(15.0)	(15.0)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	7.2	0.0	0.0	0.0
Others	1.8	0.0	0.0	0.0
Financing	(29.2)	(26.5)	(24.6)	(23.8)
Dividend payments	(1.2)	(1.9)	(2.3)	(2.3)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(24.0)	(21.5)	(20.0)	(20.0)
Others/interest paid	(4.0)	(3.1)	(2.3)	(1.5)
Net cash inflow (outflow)	19.6	(16.1)	16.5	17.2
Beginning cash & cash equivalent	55.9	75.5	59.4	75.9
Ending cash & cash equivalent	75.5	59.4	75.9	93.1

KEY METRICS

Year to 30 Jun (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	38.8	37.1	34.7	32.5
Pre-tax margin	14.9	15.7	16.4	16.6
Net margin	11.6	13.0	13.6	13.8
ROA	3.2	4.3	4.9	5.3
ROE	5.5	6.8	7.3	7.4
Growth				
Turnover	10.8	17.0	8.5	6.5
EBITDA	8.7	11.8	1.5	0.0
Pre-tax profit	23.7	22.7	13.4	8.3
Net profit	37.8	31.6	13.4	8.3
Net profit (adj.)	37.8	31.6	13.4	8.3
EPS	38.0	31.6	13.4	8.3
Leverage				
Debt to total capital	25.3	19.9	14.8	9.6
Debt to equity	33.8	24.9	17.3	10.6
Net debt/(cash) to equity	8.1	5.9	(5.5)	(15.5)
Interest cover (x)	13.3	18.9	25.9	39.6

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