

**MONEY TALK**

**TIONG WOON (TWC SP)**

**Undervalued service provider to the O&G industry**

We initiate coverage on Tiong Woon with a BUY recommendation and a target price of S\$0.455 pegged to its industry peers' P/B average of 0.83x. Serving primarily the Oil & Gas (O&G) industry, Tiong Woon is an integral crane operator for oil majors in an industry that has high barriers to entry due to safety concerns. At 0.64x P/B, Tiong Woon is trading at a 23% discount to its local peers average P/B of 0.83x, offering value investors a huge margin of safety. The ability to consistently record strong gains from disposal of equipment suggests a possible understatement in fair value of assets, making valuation even more compelling.

**INVESTMENT HIGHLIGHTS**

- **An integrated one-stop service provider.** Tiong Woon is the 15<sup>th</sup> largest crane owner in the world. Providing a comprehensive set of project management services, from the planning and design of an integrated lifting and haulage service to the installation of dangerous Oil and Gas (O&G) structures (eg oil rigs), Tiong Woon plays an integral role in supporting its customers in the O&G industry.
- **Serving a defensive niche.** Deriving 70-80% of its revenue from the O&G industry, Tiong Woon's earnings are relatively more resilient in nature as these service contracts are longer term in nature and can be recurring. Safety issues pertaining to the O&G industry also create high barriers to entry to the industry.
- **Deep discount to book value offers high margin of safety.** Tiong Woon is trading at 0.64x P/B, which is at a 23% discount to its local peers' average P/B of 0.83x. The depressed valuation offers investors a high margin of safety.
- **Possibly undervalued assets make valuation even more compelling.** While the resale value depends on current market conditions, Tiong Woon has typically been able to resell its equipment above book value. In the last five FYs, we noted that Tiong Woon was able to record strong gains from the disposal of property, plant and equipment (PPE) of about 29-274% in excess of its book value, suggesting the possible understatement in fair value of PPE in its balance sheet.
- **Possible stock re-rating on the cards.** Affected by poor market sentiments as some of the industry peers' earnings disappoint, Tiong Woon's share price has remained depressed since last year despite a strong earnings rebound in FY13. However, we note the recent price strengthening in its locally listed peers of between 16.7%-40.7%, suggesting a possible re-rating could be on the cards, as Tiong Woon plays catch up to its peers.
- **HQ redevelopment to bring cost savings and new recurring income source.** Tiong Woon is in the midst of redeveloping its HQ to add 1ha of parking space, a 500-bed workers' dormitory and about 320,000sf of warehouse space. We expect Tiong Woon to enjoy cost savings and a new recurring income source with the leasing of the dormitory and the warehouse space. The redevelopment is however expected to be only completed by end-15 (ie 2HFY16 onwards).

**KEY FINANCIALS**

Year to 30 June (S\$m)	2012	2013	2014F	2015F	2016F
Net turnover	148.0	200.5	180.5	207.5	217.9
EBITDA	30.9	55.2	58.2	60.3	68.7
Operating profit	2.5	26.3	28.3	28.9	31.9
Net profit (rep./act.)	(5.8)	16.3	22.0	19.1	20.1
Net profit (adj.)	(2.5)	18.3	18.9	19.1	20.1
Adjusted EPS (cents)	(1.0)	3.8	4.1	4.1	4.3
Adjusted PE (x)	NA	9.2	8.5	8.5	8.2
P/B (x)	0.7	0.7	0.6	0.6	0.6
Dividend yield (%)	1.1	1.1	1.1	1.1	1.1
Adjusted Net margin (%)	(1.7)	9.1	10.4	9.2	9.2
Net debt/(cash) to equity (%)	29.2	31.6	27.0	28.1	51.3
Interest cover (x)	1.0	10.9	9.9	9.4	6.5
ROE (%)	(1.1)	7.6	7.3	7.0	6.9

Source: Bloomberg, UOB Kay Hian

**BUY**

**(Initiate Coverage)**

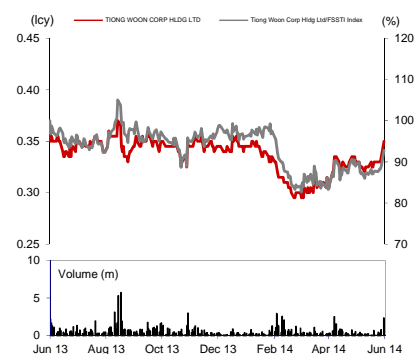
Share Price	S\$0.350
Target Price	S\$0.455
Upside	30.0%

**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):	129.9
3-mth avg t'over (US\$m):	0.1

**PRICE CHART**



Source: Bloomberg

**ANALYST**

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**Valuation**

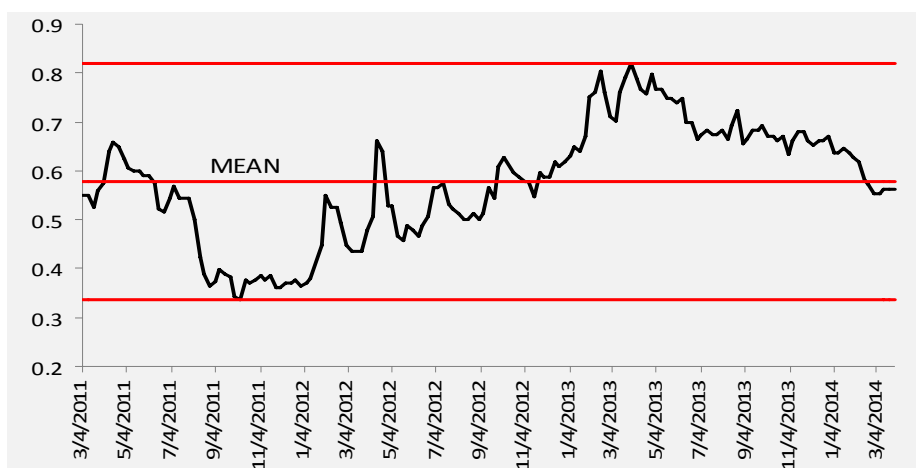
We initiate coverage on Tiong Woon with a BUY recommendation and target price of S\$0.455, pegged to its industry peers' P/B average of 0.83x. Our target price is near the upper end of Tiong Woon's 3-year historical P/B band (0.33x-0.82x), which we think is justifiable given that Tiong Woon's earnings are also theoretically more resilient than its peers. (as they are mainly serving the O&G sector which has higher barriers to entry due to safety requirements) Our target price has an implied FY15F PE of 11.0x.

**FIGURE 1: PEER COMPARISON**

Company	Share Price (S\$)	Market Cap (US\$)	PE FY13 (x)	PE FY14 (x)	P/B FY13 (x)	P/B FY14 (x)	Net gearing FY13 (%)	ROE FY13 (%)	EBITDA margin FY13 (%)	Net Margin (%) FY13	Crane fleet (est)	Tonnage (est)	Utilization (est)
Tat Hong	0.845	425	7.3	16.6	0.83	0.80	60.14	10.52	24.86	9.30	1,575	251,431	70-80%
Sin Heng	0.21	96	7.4	8.4	1.01	0.95	9.36	13.51	16.01	7.33	147	14,658	>80%
Hiap Tong	0.185	46	9.9	13.9	0.78	0.77	71.74	7.37	47.04	11.94	110		
<b>Average</b>			<b>7.51</b>	<b>14.97</b>	<b>0.86</b>	<b>0.83</b>	<b>52.79</b>	<b>10.79</b>	<b>24.89</b>	<b>9.16</b>	<b>1,252</b>		
Tiong Woon	0.35	130	9.2	n.a.	0.68	n.a.	31.64	7.61	27.51	9.13	431	47,101	60-70%

Source: Bloomberg, Companies, UOB Kay Hian

**FIGURE 2: OUR TARGET PRICE PEGGED TO 0.83X P/B IS NEAR THE UPPER END OF TIONG WOON'S 3 YEAR HISTORICAL P/B BAND.**



Source: Bloomberg

**FIGURE 3: SENSITIVITY ANALYSIS**



P/B	TP
0.93	0.510
0.88	0.482
0.83	0.455
0.78	0.427
0.73	0.400

Source: UOB Kay Hian

### Investment Highlights




**15th largest crane owner in the world.** According to the IC50 2013 survey by International Cranes and Specialised Transport magazine, Tiong Woon is the 15<sup>th</sup> largest crane owning company in the world and top 10 crawler crane-owning company.

**FIGURE 4: TIONG WOON'S FLEET PROFILE AS AT 31 DEC 13**

Fleet	Equipment	Capacity	Combined total	
Heavy Lift	Various types of cranes	8-1,600 tonnes	431 units	
Heavy Haulage	<ul style="list-style-type: none"> <li>- Prime Mover</li> <li>- Low beds</li> <li>- Trailers</li> <li>- Self Propelled Modular Trailers</li> </ul>	Transport capacity up to 4,500 tonnes	270 units	
Marine Transportation	<ul style="list-style-type: none"> <li>- Tugboats</li> <li>- Barges</li> </ul>	500-3,200 horsepower/120-300 feet	20 units	

Source: Tiong Woon

**FIGURE 5: KEY BUSINESS DIVISIONS WITH A STRONG FOCUS ON DOWNSTREAM OIL & GAS INDUSTRY**

Business Divisions	% contribution to FY13 EBIT	Description	
Heavy Lift and Haulage	99.9%	Manage turnkey projects from the planning and design of heavy lift and haulage requirements to the execution stage when the equipment is lifted, transported, erected and installed at the client's site.	
Marine Transportation	2.3%	Provide marine transportation using the Group's own tugboats and barges for offshore marine services.	
Engineering Services	-6.9%	Offer engineering services such as berth and jetty construction, rock and shore protection, dredging, reclamation and revetment works.	
Trading	4.7%	Trade heavy equipment and spare parts and provide after-sales services. Distributor and agent for IHI & XCMG crawler cranes, XCMG mobile cranes, JASO & Zoomlion tower cranes in Singapore and the region.	

Source: Tiong Woon

Unlike its local listed peers, Tiong Woon has a strong business focus on the O&G industry. About 70-80% of Tiong Woon's revenue is derived from the O&G and petrochemical industry, with the remaining 20-30% from the construction industry.

Rental operations. Tiong Woon leases heavy lift and haulage equipment (eg Prime movers, trailers). The rental contracts may range from several hours to as long as two years. Typical customers include contractors from the construction, O&G and petrochemical industries, which require heavy lift and haulage services at their work site.

**FIGURE 6: TIONG WOON'S EQUIPMENT AT WORK**



Source: Tiong Woon

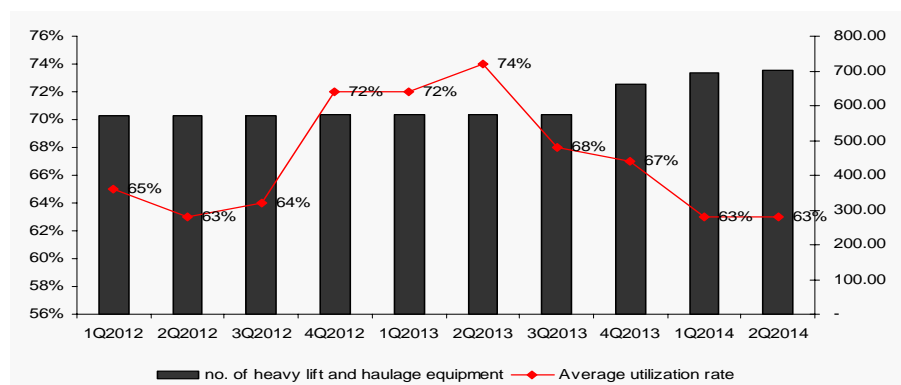
**FIGURE 7: PEER COMPARISON**

	Tiong Woon	Tat Hong	Sin Heng
Market cap (US\$m)	124	425	96
Crane Fleet	431	1,600	150
Total Tonnage	47,101	250,000	14,658
Utilisation rate	60-70%	70-80%	>80%

Source: Companies, UOB Kay Hian

Room for margin improvement. Tiong Woon's average fleet utilisation rate is about 60%. Utilisation rates were higher in 2013 due primarily to a major project at Jurong Aromatics Corporation's (JAC) complex, and the acquisition of new equipment. With a low utilisation rate of about 60%, we believe it leaves room for improvement in margins if Tiong Woon is able to ramp up utilisation.

**FIGURE 8: LOW AVERAGE FLEET UTILISATION RATE LEAVES ROOM FOR MARGIN EXPANSION IF UTILISATION RATE IMPROVES**



Source: Tiong Woon, UOB Kay Hian

**More than just an equipment rental operator.** Tiong Woon differentiates itself from other crane operators by providing a comprehensive project management service apart from bare crane rental. Primarily serving the O&G industry, Tiong Woon also helps to transport and install the heavy and dangerous O&G structures (eg oil rigs).

These service project contracts are longer term in nature and earnings are theoretically more resilient. Safety requirements pertaining to the O&G industry also increases the barriers to entry. Tiong Woon is also involved in the regular shutdown maintenance of oil rigs, which provides a recurring source of income for the company.

**Turnkey project engineering services.** Besides rental of equipment, Tiong Woon also provides provide turnkey project engineering services such as advisory services from the planning and design of an integrated lifting and haulage service to the transportation and installation of the heavy equipment.

Using one of Tiong Woon's recently completed project as an illustration:

In Feb 13, Tiong Woon successfully completed the Roll-On-Roll-Off (RORO), haulage and lifting work for one of Asia's tallest and largest xylene splitter columns at Jurong Aromatics Corporation's (JAC) complex in Jurong Island, Singapore. At 108-metre tall and weighing 1,147 tonnes, the column is assumed to be the world's third largest in terms of weight and height, and requires complex calculations and logistic coordination for the transportation and installation of the column.

To successfully transport and install the column, Tiong Woon

1. Designed and constructed a temporary RORO jetty at Jurong Island, temporary road works, and modification for the transportation from RORO jetty to the installation site.
2. Transported, lifted and installed 62 other pieces of equipment for the JAC project.
3. Equipment deployed include the 600-tonne Terex Demag CC2800-1, 300-tonne Terex Demag CC1800, and 64-axle Goldhofer self-propelled modular trailers.


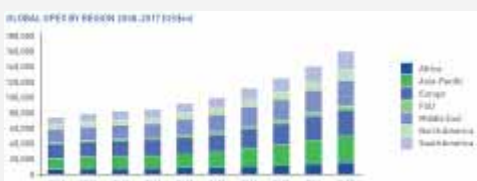

**FIGURE 9: TRANSPORTING AND INSTALLING ONE OF ASIA'S TALLEST AND LARGEST XYLENE SPLITTER COLUMNS AT JAC**



Source: Tiong Woon

**Favourable industry outlook to drive earnings.** Tiong Woon typically serves customers from the O&G, petrochemical, infrastructure and construction industries.

**FIGURE 10: FAVOURABLE INDUSTRY OUTLOOK**

Industry	Outlook																																		
Oil & Gas	<p><b>Buoyant offshore CAPEX and OPEX spending.</b> According to Scottish Enterprise, the total CAPEX in 2013-17 for the global offshore market is expected to increase 73% from the total (2008-12) CAPEX to US\$614b, with Asia Pacific expected to attract the greatest share of global CAPEX.</p> <p>Operating expenditure (OPEX) is also expected to grow by 55% over 2013-17 to a total of US\$640b (2008-12 total OPEX: US\$413b). Total (2013-17) OPEX spending in Asia Pacific and MENA is expected to grow 74% and 52% respectively compared to total (2008-12) OPEX spending.</p> <p>2014 is expected to be another busy year for Tiong Woon, with an estimated 20% increase in demand for maintenance jobs from the O&amp;G industry.</p>	<p><b>FIGURE 11: RISING GLOBAL OFFSHORE CAPEX SPENDING (2008-17) US\$M</b></p>  <p>Source: Scottish-Enterprise</p> <p><b>FIGURE 12: RISING GLOBAL OFFSHORE OPEX SPENDING (2008-17) US\$M</b></p>  <p>Source: Scottish-Enterprise</p>																																	
Petrochemical	<p><b>Continued government support for the local petrochemical industry.</b> According to IHS, Singapore is one of the top Asian Oil refiners with a crude refining capacity of about 1.4m bbl/day in 2012. To maintain its lead in the chemicals and energy sectors, the government has pledged to continue supporting these industries through initiatives such as the enhancement of the infrastructure on Jurong Island.</p> <p>Heartened by the continued support of the government, companies have been investing heavily in Singapore's Jurong Island. Following the completion of its multi-billion-dollar plant expansion in Jurong, ExxonMobil is looking to build facilities to manufacture premium halobutyl rubber and Escorez hydrogenated hydrocarbon resin at its newly expanded complex. Royal Vopak, the world's largest independent liquid bulk tank storage service provider, has also invested in the first Southeast Asian independent import Liquefied Petroleum Gas (LPG) facility at Jurong Island, Singapore, with an initial capacity of 80,000 cbm. The LPG facility is expected to be completed by 1Q16.</p>	<p><b>FIGURE 13: SINGAPORE IS ONE OF ASIA'S TOP OIL REFINERS IN 2012</b></p> <table border="1" data-bbox="965 1153 1460 1489"> <thead> <tr> <th>Country</th> <th>approx. crude capacity (1,000 barrels/day)</th> <th>No. of refineries</th> </tr> </thead> <tbody> <tr> <td>China</td> <td>11,600</td> <td>54</td> </tr> <tr> <td>Japan</td> <td>4,800</td> <td>30</td> </tr> <tr> <td>India</td> <td>4,300</td> <td>22</td> </tr> <tr> <td>South Korea</td> <td>2,800</td> <td>6</td> </tr> <tr> <td>Singapore</td> <td>1,400</td> <td>3</td> </tr> <tr> <td>Taiwan</td> <td>1,300</td> <td>4</td> </tr> <tr> <td>Indonesia</td> <td>1,000</td> <td>8</td> </tr> <tr> <td>Thailand</td> <td>580</td> <td>4</td> </tr> <tr> <td>Malaysia</td> <td>540</td> <td>7</td> </tr> <tr> <td>Vietnam</td> <td>140</td> <td>1</td> </tr> </tbody> </table> <p>Source: U.S. Energy Information Administration, Oil &amp; Gas Journal, HIS</p>	Country	approx. crude capacity (1,000 barrels/day)	No. of refineries	China	11,600	54	Japan	4,800	30	India	4,300	22	South Korea	2,800	6	Singapore	1,400	3	Taiwan	1,300	4	Indonesia	1,000	8	Thailand	580	4	Malaysia	540	7	Vietnam	140	1
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Taiwan	1,300	4																																	
Indonesia	1,000	8																																	
Thailand	580	4																																	
Malaysia	540	7																																	
Vietnam	140	1																																	
Construction and Infrastructure	<p><b>Construction demand to remain robust.</b> Despite the slowdown in the residential segment, construction demand is likely to remain strong with civil engineering, institutional and industrial demand offsetting the decline in demand from the residential segment. The Building and Construction Authority (BCA) forecasts construction demand for 2014 at S\$31b-38b, on a par with the S\$35b construction demand in 2013.</p>	<p><b>FIGURE 14: LOCAL CONSTRUCTION DEMAND TO REMAIN ROBUST IN 2014</b></p>  <p>Source: BCA</p>																																	

Source: UOB Kay Hian

To improve operational efficiency, Tiong Woon is in the midst of redeveloping its office at 15 Pandan Crescent. The land has a remaining lease period of about 30 years. The new premise will add 1ha of parking space on the rooftop, a 500-bed workers' dormitory and about 320,000sf of warehouse space.

**Cost savings and a new recurring income source.** Tiong Woon is expected to utilise about half of the beds in the workers' dorm for its own workers, with the rest of the beds being rented out for additional income. Currently, Tiong Woon is leasing external accommodation for its foreign workers at the market rate of about S\$300/bed/month. The completion of its own workers' dormitories is likely to provide cost savings for the company. Bulk of the 320,000sf of warehouse space will also be leased out for rental income. We understand from management that the contract has already been awarded and the new premise will be ready by end-15, and is likely to have a positive impact from 2HFY16 onwards.

Based on our back of the envelope calculation, we estimate the new redevelopment to increase net profit by about S\$1.3m p.a. with the profit contribution increasing as Tiong Woon pares down its loan.

**FIGURE 15: REDEVELOPMENT TO BRING COST SAVINGS AND NEW RECURRING INCOME SOURCE**

Warehouse space	320,000sf
Rental per sf	S\$1.6
Assumed occupancy rate	80%
Rental revenue p.a.	S\$4.9m
Net margin	70%
Net profit contribution	S\$3.4m
<b>Workers' dormitory</b>	
Beds	500
Assumed Occupancy rate	100%
Rental per bed	S\$300
Rental revenue p.a.	S\$1.8m
Net margin	40%
Cost savings and net profit contribution	S\$0.7m
Total cost savings and net profit	S\$4.2m
Construction costs	S\$80m
Borrowed amt	S\$72m
Interest rate	4%
Est annual interest	S\$2.9m
<b>Total annual net profit contribution (est)</b>	<b>S\$1.3m</b>
% contribution to FY16F net profit (assumed commencement from 2HFY16)	3%
% contribution to FY17F net profit (assumed full year contribution)	6%

Source: UOB Kay Hian

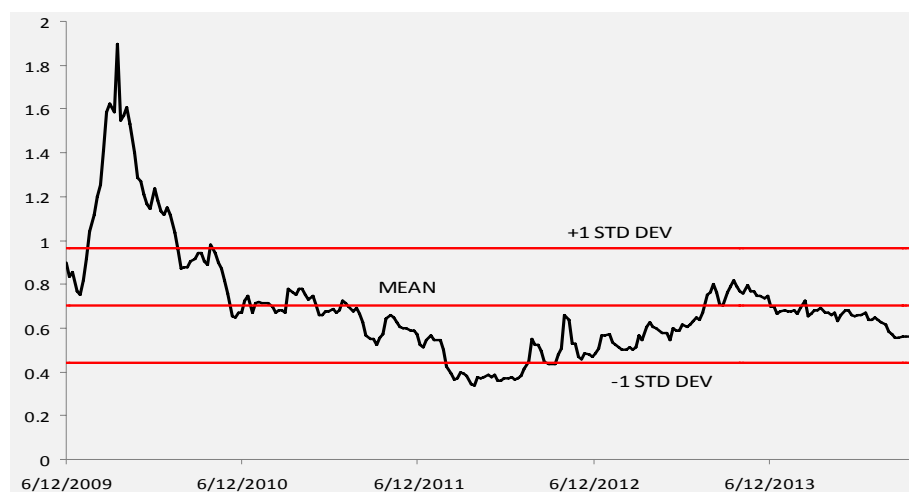
**Deep discount to book value offers high margin of safety.** At its current valuation, Tiong Woon offers great value at a fair price with a high margin of safety for value investors. At 0.64x P/B, Tiong Woon is trading at a 23% discount to its local peers' average P/B of 0.83x. Tiong Woon's net asset value (NAV) as at 31 Mar 14 was S\$0.5495/share.

**FIGURE 16: TIONG WOON IS TRADING BELOW ITS LOCAL PEERS' AVERAGE P/B OF 0.83X**

Company	Share Price (\$)	Market Cap (US\$)	PE FY13 (x)	PE FY14 (x)	P/B FY13 (x)	P/B FY14 (x)	Net gearing FY13 (%)
Tat Hong	0.845	425	7.3	16.6	0.83	0.80	60.14
Sin Heng	0.21	96	7.4	8.4	1.01	0.95	9.36
Hiap Tong	0.185	46	9.9	13.9	0.78	0.77	71.74
<b>Average</b>			<b>7.51</b>	<b>14.97</b>	<b>0.86</b>	<b>0.83</b>	<b>52.45</b>
Tiong Woon	0.35	130	9.2	n.a.	0.68	n.a.	31.64

Source: Bloomberg

FIGURE 17: TIONG WOON IS TRADING NEAR THE LOWER END OF ITS 5-YEAR HISTORICAL P/B BAND



Source: Bloomberg

**Possibly undervalued assets make valuation even more compelling.** While the resale value of used equipment (eg cranes) are dependent on current market conditions, we noted that Tiong Woon was able to record strong gains from disposal of property, plant and equipment (PPE) in the last five FYs. Most of the PPE disposed in the last five FYs are heavy lift equipment.

FIGURE 18: TIONG WOON RECORDED ANNUAL GAIN ON DISPOSAL OF PPE IN THE LAST FIVE FYs

S\$m	2009	2010	2011	2012	2013
Gain on disposal of PPE	4.82	5.64*	5.13	2.29	4.54
Proceeds from disposal of PPE	6.57	25.05	17.63	4.92	13.63
BV at point of disposal	1.76	19.41	12.50	2.63	9.09
% gain	274%	29%	41%	87%	50%

\* excludes S\$10.6m gain from disposal of property at No. 13 Pandan Crescent

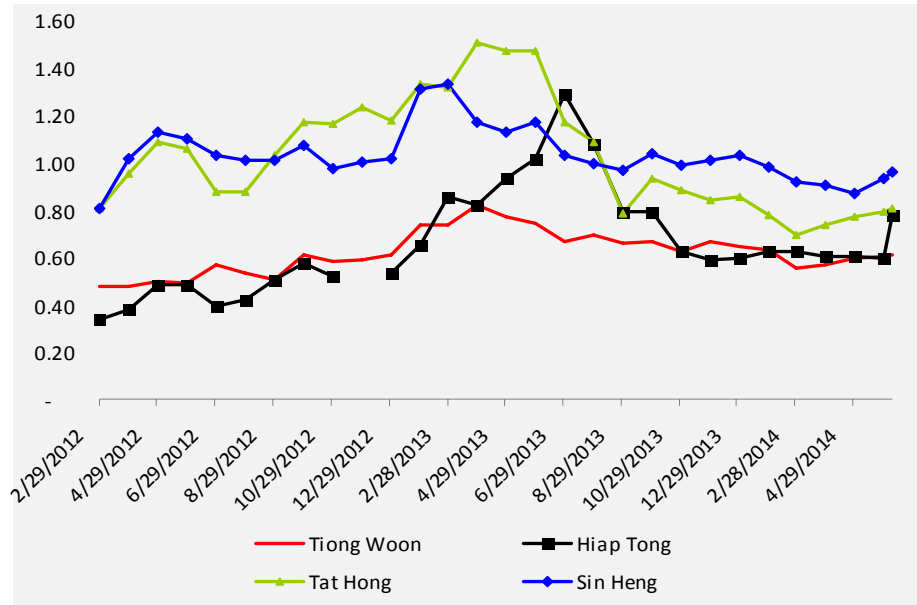
Source: Tiong Woon, UOB Kay Hian

Based on a back of the envelope calculation, we noted that Tiong Woon has been able to record 29-274% gain on disposal of PPE in excess of its book value. This suggests that that the assets of Tiong Woon could be undervalued by about 20% depending on market conditions. With the strong marketability and possible understatement of underlying PPE (which made up 70% of its total assets), current valuation of Tiong Woon looks even more compelling now.

**Possible stock re-rating on the cards.** Affected by poor market sentiments as some of the industry peers' earnings disappoint, Tiong Woon's share price has remained depressed since last year, even though FY13 saw a strong earnings recovery from a loss marking FY12.



**FIGURE 19: STOCK RE-RATING COULD BE ON THE CARDS AS TIONG WOON PLAYS CATCH UP TO ITS PEERS.**



Source: Bloomberg, Companies, UOB Kay Hian

Tiong Woon is currently trading at 0.64x P/B which is the lowest among its locally listed peers. Given the strong marketability of its assets, and recent price strengthening among its local peers of about 25% (16.7%-40.7%), we see a possible stock re-rating on the cards for Tiong Woon, which could be playing catch up to its peers.

**FIGURE 20: TIONG WOON IS TRADING AT A STEEP DISCOUNT TO ITS PEERS, WHICH LEAVES ROOM FOR FURTHER UPSIDE AS IT PLAYS CATCH UP TO ITS PEERS.**

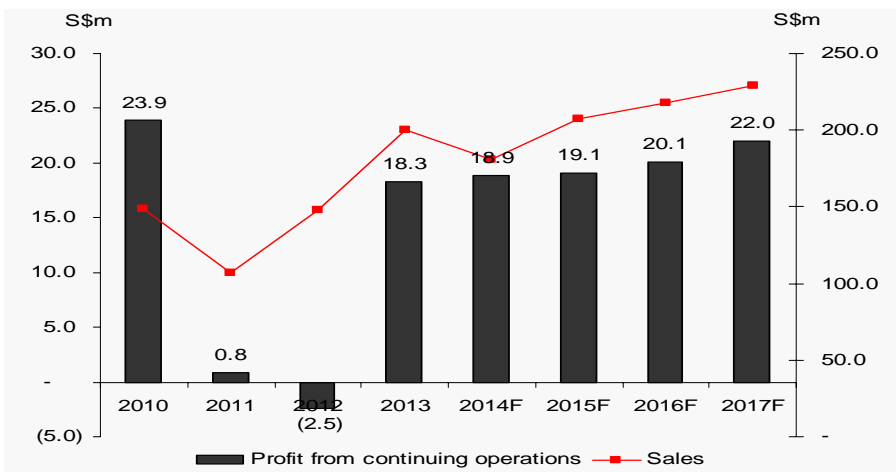
	Tiong Woon	Tat hong	Sin Heng	Hiap Tong
Year low	0.295	0.715	0.18	0.135
Price as at 9 June 2014	0.35	0.85	0.21	0.19
% change	18.6%	18.9%	16.7%	40.7%
BV as at 31 March 14	0.5495	1.05	0.2201	0.2394
current P/B	0.637	0.810	0.954	0.794
FY13 PE	9.23	7.35	7.00	10.16
FY14F PE	8.48	16.57	8.40	13.91

Source: Companies, UOB Kay Hian

### Earnings and Financials

Tiong Woon's net profit plunged in FY11 due to lower revenue and an omission of a one-time gain of S\$10.6m from disposal of property at No. 13 Pandan Crescent. While revenue recovered in FY12, Tiong Woon sank into a loss attributable mainly to higher losses in the fabrication segment (which has been discontinued), lower gain on disposal of PPE, higher provision for impairment loss on trade receivables and lower currency translation gain. With the discontinuation of the loss-making fabrication segment during the year, and better margins from the heavy lifting and haulage segment, net profit recovered strongly in FY13.

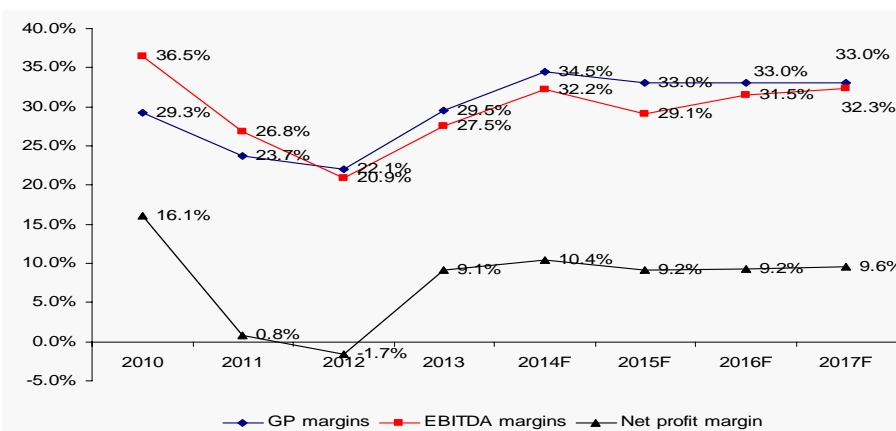
**FIGURE 21: NET PROFIT GROWTH TO ACCELERATE FROM FY16 WITH THE COMPLETION OF THE HQ REDEVELOPMENT**



Source: UOB Kay Hian

We forecast revenue to grow at a CAGR of 8.2% in 2014-17 (2010-13 revenue CAGR: 10.6%), driven by the heavy lift and marine segment as Tiong Woon rides on the increase in CAPEX and OPEX spending in the O&G industry. With the forecasted revenue growth and increased contributions from leasing of warehouse spaces and workers' dormitory, we conservatively forecast net profit from continuing operations to grow at a 3-year CAGR of 5.3% to S\$22m in FY17.

**FIGURE 22: MARGINS TO IMPROVE FROM FY16 AS NEW WAREHOUSE SPACE AND DORMITORY COMES ON BOARD**





Source: UOB Kay Hian

**Margins to normalise in FY15 before picking up from FY16.** Tiong Woon enjoyed higher margins for 1HFY14 due to higher margin projects in the heavy lift and haulage segment. We expect margins to normalise resulting in the dip in FY15. However, Tiong Woon's EBITDA and net profit margins are expected to improve from FY16, with the redevelopment of its HQ being completed at end-15 (mid-FY16). The new office will feature about 320,000sf of leasable warehouse space and a 500-bed workers' dormitory for Tiong Woon to house its own workers and lease half of the beds for additional income.

### Company Profile

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Fleet	Equipment	Capacity	Combined total	
Heavy Lift	Various types of cranes	8-1,600 tonnes	431 units	
Heavy Haulage	<ul style="list-style-type: none"> <li>- Prime Mover</li> <li>- Low beds</li> <li>- Trailers</li> <li>- Self Propelled Modular Trailers</li> </ul>	Transport capacity up to 4,500 tonnes	270 units	
Marine Transportation	<ul style="list-style-type: none"> <li>- Tugboats</li> <li>- Barges</li> </ul>	500-3,200 horsepower/120-300 feet	20 units	

Source: Tiong Woon

As a leading one-stop service provider to the O&G, petrochemical, infrastructure and construction sectors, Tiong Woon has four main business segments.

**FIGURE 24: KEY BUSINESS DIVISIONS WITH A STRONG FOCUS ON DOWNSTREAM OIL & GAS INDUSTRY**

Business Divisions	Description	
Heavy Lift and Haulage	Manage turnkey projects from the planning and design of heavy lift and haulage requirements to the execution stage when the equipment is lifted, transported, erected and installed at the client's site.	
Marine Transportation	Provide marine transportation using the Group's own tugboats and barges for offshore marine services.	
Engineering Services	Offer engineering services such as berth and jetty construction, rock and shore protection, dredging, reclamation and revetment works.	
Trading	Trade heavy equipment and spare parts and provide after-sales services. Distributor and agent for IHI & XCMG crawler cranes, XCMG mobile cranes, JASO & Zoomlion tower cranes in Singapore and the region.	

Source: Tiong Woon

## Risks

**Dependent on the O&G industry.** Deriving 70-80% of its revenue from the O&G industry, Tiong Woon is dependent on the CAPEX and OPEX spending of the industry. A slowdown in the O&G industry may negatively impact profitability.

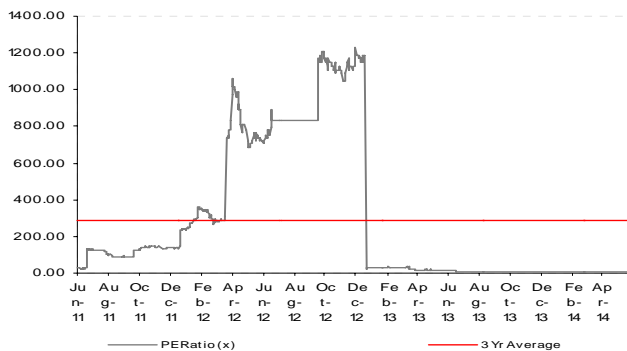
**Foreign exchange risk.** In FY13, Tiong Woon derived about 40% of its revenue from overseas. As such, a depreciation of the foreign currency against the Singapore dollar may negatively affect earnings.

**MONEY TALK**

**Bloomberg Consensus**

Recommendation	Buy	Sell	Hold	Valuation Ratios	6/12	6/13	6/14E	6/15E
9/6/2014	-	-	-	P/E	-	8.0	-	-
Target Price	-	-	-	EV/EBIT	74.5	11.0	-	-
Upside	-	-	-	EV/EBITDA	6.4	4.7	-	-
				P/S	0.8	0.8	-	-
				P/B	0.6	0.7	-	-
				Div Yield	1.5%	1.2%	-	-
<b>Income Statement</b>	6/12	6/13	6/14E	6/15E	<b>Profitability Ratios %</b>			
Revenue	148	201	-	-	Gross Margin	22.1	29.5	-
Gross Income	33	59	-	-	EBITDA Margin	21.0	25.1	-
Operating Income	3	22	-	-	Operating Margin	1.8	10.8	-
Pretax Income	(0)	24	-	-	Profit Margin	-3.3	8.8	-
Net Income Adjusted*	(5)	18	-	-	Return on Assets	-1.3	4.3	-
EPS Adjusted	(0.01)	0.04	-	-	Return on Equity	-2.2	7.7	-
Dividends Per Share	0.00	0.00	-	-				
Payout Ratio (%)		9	-	-				
EBITDA	31	50	-	-				
<b>Peer Comparison</b>	<b>Ticker</b>	<b>Price @ 9 Jun 14</b>	<b>Market Cap (\$m)</b>	<b>----PE----</b>	<b>----P/B----</b>	<b>Yield FY14F (%)</b>		
				<b>FY13 (x)</b>	<b>FY14F (x)</b>	<b>FY13 (x)</b>	<b>FY14F (x)</b>	
Tat Hong Holdings Ltd	TAT SP	0.85	428	7.3	16.7	0.8	n.a.	n.a.
Sin Heng Heavy Machinery Ltd	SHHM SP	0.21	96	7.4	8.4	1.0	1.0	3.8
Hiap Tong Corp Ltd	HTONG SP	0.19	47	10.2	14.3	0.8	0.8	-
Yongmao Holdings Ltd	YMAO SP	0.205	73	20.7	8.6	n.a.	n.a.	n.a.
Yongnam Holdings Ltd	YNH SP	0.25	253	56.8	19.2	1.0	1.0	2.0
Average				20.5	13.4	0.9	0.9	1.9
Tiong Woon Corp Hldg Ltd	TWC SP	0.35	130	9.2	n.a.	0.7	n.a.	n.a.

Price Earnings Ratio (3 years average)



Price to Book Ratio (3 years average)



Source: Bloomberg, UOB Kay Hian

**Technical View**



Source: Nextview

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

The stock appears to be supported at S\$0.30 after retracing from its 2013 highs. The stock may rebound towards S\$0.45 should prices continue to stay above S\$0.30 for further upside. Its MACD indicator has formed a bullish crossover above its centreline for now.

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