

COMPANY UPDATE

**Tiong Woon Corporation Holding (TWC SP)**

Well-positioned To Benefit From Upturn In Construction And Oil & Gas Sectors

Tiong Woon is well-positioned to benefit from the construction and oil & gas upcycles. Its outlook has turned positive on the back of a strong project pipeline. FY23 earnings grew 38% yoy and dividend doubled to 1.0 S cents. For FY24, we expect earnings to grow 20% yoy, driven by higher utilisation rates and healthy growth in crane rental rates. Maintain BUY and target price of S\$0.85, pegged to 0.7x FY24F P/B (+1SD above the P/B mean). Tiong Woon is trading at an attractive FY24F PE of 6.2x and P/B of 0.4x.

WHAT'S NEW

- **Well-positioned to benefit from construction and oil & gas industries upcycles.** With comprehensive ownership of more than 500 cranes, some of which can have a capacity of up to 2,200 tonnes, Tiong Woon Corporation Holding (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. 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 and Tuas Mega Port. The Housing & Development Board has launched around 23,000 flats a year in 2022-23, a huge jump from the 48,509 flats launched in 2019-21 (16,170 flats per year). Construction of more new petrochemical plants could also increase demand for cranes.
- **Positive outlook driven by strong project pipeline.** In the latest outlook statement, Tiong Woon has highlighted "a positive outlook" vs being "cautiously optimistic" six months ago. This 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. The regions that Tiong Woon operates in are facing tailwinds from the higher construction demand, higher oil prices and final investment decisions. In Singapore, the recurring tower crane business continues to be backed by residential launches and public housing projects to meet supply-demand imbalances. On the heavy lifting side that boasts higher margins, Tiong Woon has secured contracts to assist with constructing Singapore's Integrated Waste Management Facility, which will start contributing in FY24. Tiong Woon has also secured two heavy lifting projects in India against international competitors Mammoet and Sarens. This will meaningfully contribute to earnings in FY24 with its heavy-lifting solutions that generate better margins. In Saudi Arabia, Tiong Woon will be participating in mega infrastructure projects.
- **Expect FY24 to grow 20% yoy after a strong 38% yoy growth in FY23.** For FY24, we expect Tiong Woon's earnings to grow 20% yoy after a strong year in FY23, where Heavy Haulage was the star performer as Tiong Woon continues to execute projects, helped by the increased construction activities in Singapore. Tiong Woon's strong earnings growth will be driven by the improved utilisation rates and higher rental rates of its cranes due to demand from contractors. As of FY23, the average utilisation rate of the company's cranes was only 48%. We expect to see a double-digit growth in Tiong Woon's crane rental rates in FY22 and FY23, 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	153	167	177
EBITDA	48	53	57	57	57
Operating profit	17	21	23	26	27
Net profit (rep./act.)	11	16	19	21	23
Net profit (adj.)	11	16	19	21	23
EPS (S\$ cent)	4.9	6.8	8.1	9.2	10.0
PE (x)	10.2	7.4	6.2	5.4	5.0
P/B (x)	0.4	0.4	0.4	0.4	0.3
EV/EBITDA (x)	2.9	2.7	2.5	2.4	2.4
Dividend yield (%)	1.0	2.0	3.1	4.1	5.0
Net margin (%)	9.3	11.6	12.3	12.9	13.1
Net debt/(cash) to equity (%)	21.5	8.1	6.3	(4.5)	(14.3)
Interest cover (x)	17.5	13.3	18.2	24.8	37.9
ROE (%)	4.1	5.5	6.2	6.7	6.8

Source: Tiong Woon, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.50
Target Price	S\$0.85
Upside	+70.0%

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):	115.9
Market cap (US\$m):	84.9
3-mth avg daily t'over (US\$m):	0.0

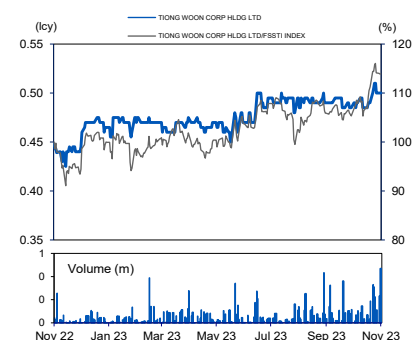
Price Performance (%)

52-week high/low	S\$0.510/S\$0.425			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
3.1	1.0	6.4	11.6	7.5

Major Shareholders

	%
Ang Family	39.0
FY24 NAV/Share (S\$)	1.34
FY24 Net Debt/Share (S\$)	0.08

PRICE CHART



Source: Bloomberg

ANALYST(S)

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### STOCK IMPACT

- Second-largest crane operator in Singapore with about 80% revenue derived locally.**

Tiong Woon is a leading heavy lift specialist supporting mainly the construction, oil & gas, infrastructure and petrochemical sectors. It has been listed on the SGX since 1999 and has more than 40 years of track record. Headquartered in Singapore, the company has a strong regional presence with establishments in 12 other countries. It is ranked 19th globally in the IC Tower Index for 2023 in terms of crane capacity. We expect a strong construction upturn and resumption of more oil & gas capex to be the key growth drivers.
- Economic moat from size, track record and unique capabilities.** Being the 19th largest player globally, Tiong Woon has the capabilities to compete effectively against world No.1 Mammoet and No.2 Sarens. Tiong Woon'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 its clients. Tiong Woon's heavy lifting and construction services, as well as its capabilities, has allowed it to compete in the international arena. With each completed project over the years, Tiong Woon has also been building its reputation and has constantly been ahead of the market by purchasing new and better margined heavier cranes to increase its capabilities, such as the tower cranes for Singapore's BTO push and the latest 2,200 tonnes crane as set out in its 2023 annual report.

### EARNINGS REVISION/RISK

- We maintain our financial estimates.

### VALUATION/RECOMMENDATION

- Maintain BUY and target price of S\$0.85**, pegged to 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

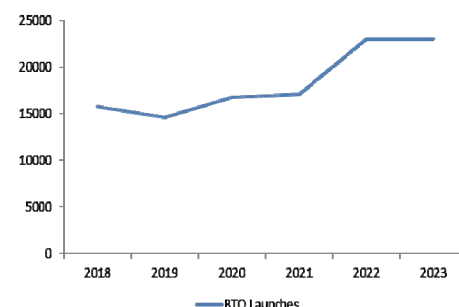
- Better-than-expected earnings from higher crane rental rates and utilisation rate.
- Better-than-expected dividend and share buybacks.
- Potential takeover offer by other larger crane companies given the attractive P/B valuation.

### TIONG WOON'S PROJECTS UNDERTAKEN IN 2023

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: Tiong Woon, UOB Kay Hian

### ANNUAL BTO LAUNCHES



Source: HDB, UOB Kay Hian

### HISTORICAL P/B BAND



Source: Bloomberg, UOB Kay Hian

### PIPELINE OF MAJOR CONSTRUCTION PROJECTS IN SINGAPORE

Upcoming construction projects	Start	End	Est. cost
Toa Payoh Integrated Development			
Alexandra Hospital Redevelopment			
Public Housing	2022-25		S\$8b-10b in 2021
Integrated Hospital @ Bedok			
Singapore Science Centre Relocation			
Cross Island Line	2020	2029	S\$41b
Tuas Mega Port	2015	2040	>S\$20b
Changi Airport T5	2020	2030	S\$10b
North-South Corridor	2017	2026	S\$954m
Great Southern Waterfront	2024-29	n/a	n/a
Integrated Resorts Extension	2019	2025	S\$9b
Crisp Project (Exxon Mobil)	2020	2023	Multi-billion
Linde Project (Jurong Island)	2019	2023	S\$1.9b
Deep Tunnel Sewage System (Phase 2)	2017	2025	S\$6.6b

Source: BCA, UOB Kay Hian

### PROFIT & LOSS

Year to 30 Jun (\$m)	2023	2024F	2025F	2026F
Net turnover	135.8	153.5	166.5	177.3
EBITDA	52.7	56.7	57.4	57.2
Deprec. & amort.	32.1	33.4	31.8	30.3
EBIT	20.6	23.2	25.6	27.0
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)
<b>Pre-tax profit</b>	<b>20.3</b>	<b>22.7</b>	<b>25.8</b>	<b>28.0</b>
Tax	(4.6)	(3.9)	(4.4)	(4.8)
Minorities	0.0	0.0	0.0	0.0
<b>Net profit</b>	<b>15.7</b>	<b>18.8</b>	<b>21.4</b>	<b>23.2</b>
Net profit (adj.)	15.7	18.8	21.4	23.2

### 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	58.1	72.6	87.7
Other current assets	56.3	70.8	76.4	80.9
<b>Total assets</b>	<b>491.5</b>	<b>470.2</b>	<b>473.5</b>	<b>477.8</b>
ST debt	20.8	20.0	20.0	20.0
Other current liabilities	46.6	48.4	52.2	55.2
LT debt	78.5	57.7	37.7	17.7
Other LT liabilities	52.4	33.7	34.2	34.6
Shareholders' equity	293.4	310.3	329.5	350.4
Minority interest	(0.1)	(0.1)	(0.1)	(0.1)
<b>Total liabilities &amp; equity</b>	<b>491.5</b>	<b>470.2</b>	<b>473.5</b>	<b>477.8</b>

### CASH FLOW

Year to 30 Jun (\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>43.5</b>	<b>24.1</b>	<b>54.2</b>	<b>53.9</b>
Pre-tax profit	15.7	18.8	21.4	23.2
Tax	(4.6)	(3.9)	(4.4)	(4.8)
Deprec. & amort.	32.1	33.4	31.8	30.3
Associates	0.1	0.0	0.0	0.0
Working capital changes	(4.3)	(31.3)	(1.3)	(1.1)
Non-cash items	(2.7)	0.0	0.0	0.0
Other operating cashflows	7.3	7.0	6.7	6.3
<b>Investing</b>	<b>5.3</b>	<b>(15.0)</b>	<b>(15.0)</b>	<b>(15.0)</b>
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
<b>Financing</b>	<b>(29.2)</b>	<b>(26.5)</b>	<b>(24.6)</b>	<b>(23.8)</b>
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)
<b>Net cash inflow (outflow)</b>	<b>19.6</b>	<b>(17.4)</b>	<b>14.6</b>	<b>15.1</b>
Beginning cash & cash equivalent	55.9	75.5	58.1	72.6
Ending cash & cash equivalent	75.5	58.1	72.6	87.7

### KEY METRICS

Year to 30 Jun (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	38.8	36.9	34.4	32.3
Pre-tax margin	14.9	14.8	15.5	15.8
Net margin	11.6	12.3	12.9	13.1
ROA	3.2	3.9	4.5	4.9
ROE	5.5	6.2	6.7	6.8
<b>Growth</b>				
Turnover	10.8	13.0	8.5	6.5
EBITDA	8.7	7.6	1.2	(0.2)
Pre-tax profit	23.7	11.9	13.8	8.4
Net profit	37.8	20.0	13.8	8.4
Net profit (adj.)	37.8	20.0	13.8	8.4
EPS	38.0	20.0	13.8	8.4
<b>Leverage</b>				
Debt to total capital	25.3	20.0	14.9	9.7
Debt to equity	33.8	25.0	17.5	10.8
Net debt/(cash) to equity	8.1	6.3	(4.5)	(14.3)
Interest cover (x)	13.3	18.2	24.8	37.9

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