

### COMPANY RESULTS

## Tiong Woon Corporation Holding (TWC SP)

FY24: Miss Expectations, But A Brighter FY25 Is On The Cards

For FY24, Tiong Woon posted earnings of S\$18m (+16% yoy), driven by a 6% yoy increase in revenue from its heavy lift operations across Singapore, Thailand, the Middle East and India. This missed our expectation by 14%, on lower-than-expected revenue growth from project delays. Management maintains a positive outlook as buoyant demand for its services is observed in Singapore and its other operating markets. Maintain BUY with a 3% lower target price of S\$0.87 (0.62x FY25F P/B).

### 2HFY24/FY24 RESULTS

Year to 30 Jun (S\$m)	2HFY24	hoh % chg	yoy % chg	FY24	yoy % chg
Revenue	67.9	(9.8)	(2.9)	143.1	5.4
Gross profit	26.1	(20.6)	1.3	59.0	8.9
Gross margin (%)	38.5	(5.2ppt)	1.7ppt	41.2	1.3ppt
PATMI	7.4	(30.9)	(12.2)	18.2	15.9
PATMI margin (%)	11.0	(3.3ppt)	(1.1ppt)	12.7	1.1ppt

Source: Tiong Woon, UOB Kay Hian

### RESULTS

- Results below expectations.** Tiong Woon Corporation Holding's (Tiong Woon) 2HFY24 revenue of S\$67.9m and PATMI of S\$7.4m missed our estimates, bringing FY24 revenue and PATMI to 90%/86% of our full-year forecasts respectively. The variance came from lower-than-expected heavy lift and haulage revenue as projects were delayed in Singapore and India. Gross profit rose 9% yoy to S\$59m, while gross margin was marginally higher at 41.2% due to higher-margin construction projects secured.
- Record dividend proposed.** Management has proposed a 50% yoy higher total dividend of 1.5 S cents/share (FY23: 1 S cent/share). We note that both absolute dividends and payout ratio have trended higher from FY18, in line with EPS growth.
- Heavy lift and haulage segment continues to be key growth driver.** Revenue grew 5% yoy, because of 6% yoy higher contribution from the heavy lift and haulage segment. By geographical markets, the growth was driven by India (+41% yoy), Singapore (+2% yoy), Middle East (+105% yoy) and Thailand (+83% yoy), and partially offset by Indonesia (-34%). As a result, profit from the segment marked a commendable 23% yoy increase.
- Management maintains a positive outlook.** Management remains positive on buoyant demand for its heavy lift and haulage services in Singapore, particularly in the petrochemical and construction sectors, and other markets like India, Saudi Arabia and Thailand. We expect Tiong Woon to continue to add on higher-margin heavier tonnage cranes to its fleet with its pipeline of business opportunities, as well as an uptick in utilisation as it meets customers' project requirements.

### KEY FINANCIALS

Year to 30 Jun (S\$m)	2023	2024	2025F	2026F	2027F
Net turnover	136	143	153	164	175
EBITDA	53	57	59	59	60
Operating profit	21	23	24	26	28
Net profit (rep./act.)	16	18	20	22	24
Net profit (adj.)	16	18	20	22	24
EPS (S\$ cent)	6.8	7.9	8.4	9.4	10.4
PE (x)	7.4	6.4	5.9	5.3	4.8
P/B (x)	0.4	0.4	0.4	0.3	0.3
EV/EBITDA (x)	2.0	1.8	1.8	1.8	1.7
Dividend yield (%)	2.0	3.0	3.7	4.7	5.2
Net margin (%)	11.6	12.7	12.8	13.3	13.8
Net debt/(cash) to equity (%)	8.1	3.8	(3.6)	(14.6)	(24.6)
Interest cover (x)	13.3	14.6	19.3	26.5	42.1
ROE (%)	5.5	6.0	6.1	6.5	6.8

Source: Tiong Woon, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	S\$0.50
Target Price	S\$0.87
Upside	+74.0%
(Previous TP)	S\$0.90

### 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):	89.7
3-mth avg daily t'over (US\$m):	0.0

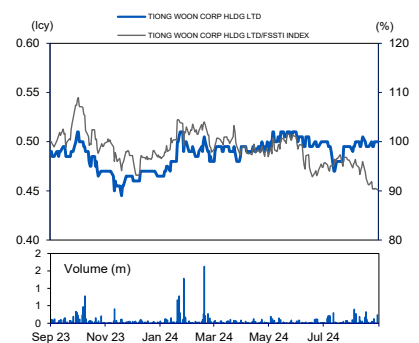
### Price Performance (%)

52-week high/low	S\$0.515/S\$0.445			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
1.0	(2.0)	4.2	3.1	8.7

### Major Shareholders

Ang Family	39.0
FY25 NAV/Share (S\$)	1.41
FY25 Net Cash/Share (S\$)	0.05

### PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Four-position jump in IC100 Cranes Index reflects the group's growth and strong capabilities.** IC100 is the global ranking of crane-owning companies, according to its total maximum load moment rating of its crane fleets. As of Jun 24, Tiong Woon was the 15th largest crane-owning company in the world, up from 19th in 2023. The gain demonstrates its noticeable increase in crane fleet capacity and commitment to sustained growth.
- Better FY25 ahead with buoyant construction demand in Singapore...** Singapore makes up the majority (75%) of its revenue, and continues to grow with annual construction demand projected to reach S\$31b-38b from 2025-28 according to the Building and Construction Authority (BCA). This is driven by public housing developments and major projects like the Cross Island Line, Marina Bay Sands expansion and the new Bedok integrated hospital. Besides working on BTO projects, Tiong Woon is engaged in the construction of the Integrated Waste Management Facility which requires heavy lifting. The group also won a contract to work on the upcoming Cross Island Line project, pointing to better top-line and margins next year.
- ...and growth in regional markets.** Tiong Woon has achieved remarkable growth in Thailand, with revenue increasing fourfold in two years to S\$6.2m. While it makes up a small 4% of FY24 revenue, we note that its contribution has been rising. Management has identified Thailand as a fast-growth market, and is taking on module and jacket fabricator projects which require significant heavy-lifting capabilities. Revenue from the Middle East has also doubled to S\$6.3m, and we expect moderate growth in FY25 as Tiong Woon continues to participate in projects. As for India, revenue growth may see a slowdown as the monsoon period and logistical challenges have led to project delays.
- Positioned to sustain payouts with strong cash flow and improving balance sheet.** Tiong Woon has continued to strengthen its balance sheet over the years, by both increasing cash and reducing debt. Its net gearing ratio has more than halved and reached 3.8% in FY24 (FY23: 8.1%). Additionally, the group consistently generates strong operating cash flows (FY24: S\$39m) and has a history of increasing its dividend payments since 2018. We are of the view that Tiong Woon is well positioned to sustain its dividend payout ratio.

EARNINGS REVISION/RISK

- We lower our FY25/26 revenue estimates by around 11% while adding FY27 forecasts,** as project delays in the construction industry may persist. However, we have raised gross profit margin estimates slightly by 1ppt as we expect greater utilisation of higher-margin heavy lifting cranes. Hence, our FY25/26 earnings forecasts have fallen by 5%/7% respectively.

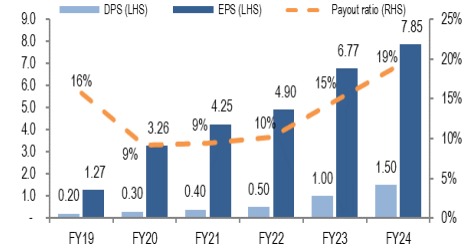
VALUATION/RECOMMENDATION

- Maintain BUY with a lower target price of S\$0.87 (S\$0.90 previously),** pegged to a lower 0.6x FY25F P/B (0.7x FY24F P/B previously). This is based on 1SD above Tiong Woon's historical 15-year average P/B, due to a solid earnings growth trajectory backed by the construction upcycle.

SHARE PRICE CATALYST

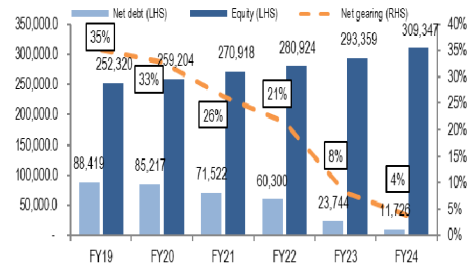
- Better-than-expected earnings from higher crane rental and utilisation rates.
- Better-than-expected dividend and share buybacks.
- Potential takeover offer by other larger crane companies given the attractive P/B valuation.

DIVIDEND PAYOUT RATIO, DIVIDEND AND EARNINGS PER SHARE (FY19-FY24)



Source: Tiong Woon, UOB Kay Hian

NET DEBT, EQUITY AND NET GEARING RATIO (FY19-FY24)



Source: Tiong Woon, UOB Kay Hian

HISTORICAL P/B BAND



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
<b>Net turnover</b>	<b>143.1</b>	<b>153.2</b>	<b>163.9</b>	<b>175.3</b>
EBITDA	56.6	59.4	59.4	59.8
Deprec. & amort.	33.3	35.3	33.5	31.8
EBIT	23.3	24.1	26.0	28.0
Total other non-operating income	3.8	2.6	2.6	2.6
Associate contributions	(0.1)	0.0	0.0	0.0
Net interest income/(expense)	(3.9)	(3.1)	(2.2)	(1.4)
<b>Pre-tax profit</b>	<b>23.2</b>	<b>23.6</b>	<b>26.3</b>	<b>29.1</b>
Tax	(4.9)	(4.0)	(4.5)	(5.0)
Minorities	(0.1)	0.0	0.0	0.0
<b>Net profit</b>	<b>18.2</b>	<b>19.6</b>	<b>21.8</b>	<b>24.2</b>
Net profit (adj.)	18.2	19.6	21.8	24.2

### CASH FLOW

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
<b>Operating</b>	<b>39.3</b>	<b>43.9</b>	<b>58.4</b>	<b>58.4</b>
Pre-tax profit	23.2	23.6	26.3	29.1
Tax	(4.9)	(4.0)	(4.5)	(5.0)
Deprec. & amort.	33.3	35.3	33.5	31.8
Associates	0.1	0.0	0.0	0.0
Working capital changes	(12.6)	(14.1)	0.9	1.0
Non-cash items	(2.7)	0.0	0.0	0.0
Other operating cashflows	3.0	3.1	2.2	1.4
<b>Investing</b>	<b>(11.7)</b>	<b>(15.0)</b>	<b>(15.0)</b>	<b>(15.0)</b>
Capex (growth)	(27.8)	(15.0)	(15.0)	(15.0)
Investments	3.0	3.0	3.0	3.0
Proceeds from sale of assets	(2.7)	(3.0)	(3.0)	(3.0)
Others	(23.5)	(25.1)	(24.2)	(23.4)
<b>Financing</b>	<b>(2.3)</b>	<b>(2.3)</b>	<b>(2.3)</b>	<b>(2.3)</b>
Dividend payments	5.0	0.0	0.0	0.0
Proceeds from borrowings	(22.3)	(19.7)	(19.7)	(19.7)
Loan repayment	(3.9)	(3.1)	(2.2)	(1.4)
Others/interest paid	4.1	3.8	19.2	20.0
<b>Net cash inflow (outflow)</b>	<b>77.4</b>	<b>81.1</b>	<b>84.9</b>	<b>104.1</b>
Beginning cash & cash equivalent	0.0	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>81.5</b>	<b>84.9</b>	<b>104.1</b>	<b>124.2</b>

### BALANCE SHEET

Year to 30 Jun (\$m)	2024	2025F	2026F	2027F
<b>Fixed assets</b>	<b>363.6</b>	<b>344.5</b>	<b>327.2</b>	<b>311.4</b>
Other LT assets	16.7	15.5	14.4	13.4
Cash/ST investment	81.1	84.9	104.1	124.2
Other current assets	57.6	66.4	70.9	75.6
<b>Total assets</b>	<b>519.1</b>	<b>511.4</b>	<b>516.6</b>	<b>524.5</b>
ST debt	19.7	19.7	19.7	19.7
Other current liabilities	87.2	77.6	82.7	88.1
LT debt	73.1	53.5	33.8	14.1
Other LT liabilities	29.7	34.0	34.3	34.7
Shareholders' equity	309.3	326.6	346.1	367.9
Minority interest	0.0	0.0	0.0	0.0
<b>Total liabilities &amp; equity</b>	<b>519.1</b>	<b>511.4</b>	<b>516.6</b>	<b>524.5</b>

### KEY METRICS

Year to 30 Jun (%)	2024	2025F	2026F	2027F
<b>Profitability</b>				
EBITDA margin	39.5	38.8	36.3	34.1
Pre-tax margin	16.2	15.4	16.0	16.6
Net margin	12.7	12.8	13.3	13.8
ROA	3.6	3.8	4.2	4.6
ROE	6.0	6.1	6.5	6.8
<b>Growth</b>				
Turnover	5.4	7.0	7.0	7.0
EBITDA	7.4	5.0	0.1	0.6
Pre-tax profit	14.3	1.6	11.5	10.9
Net profit	16.0	7.4	11.5	10.9
Net profit (adj.)	16.0	7.4	11.5	10.9
EPS	16.0	7.4	11.5	10.9
<b>Leverage</b>				
Debt to total capital	23.1	18.3	13.4	8.4
Debt to equity	30.0	22.4	15.5	9.2
Net debt/(cash) to equity	3.8	(3.6)	(14.6)	(24.6)
Interest cover (x)	14.6	19.3	26.5	42.1

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