

Singapore Result Snapshot

Tiong Seng Holdings

Bloomberg: TSNG SP | Reuters: TISE.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

1 Mar 2013

BUY S\$0.25 STI : 3,269.95

Price Target : 12-Month S\$ 0.33 (Prev S\$ 0.25)

Analyst

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Result Summary

FY Dec (\$\$ m)	4Q 2012	4Q 2011	3Q 2012	yoy chg	qoq chg
P&L Items					
Turnover	154.7	141.8	123.7	9.1	25.0
Gross Profit	14.1	13.4	16.0	5.3	(11.7)
Opg Profit	5.3	10.1	6.6	(47.4)	(20.0)
EBITDA	6.9	16.4	7.3	(58.0)	(5.7)
Net Profit	6.5	8.7	5.0	(25.3)	29.1
Other Data					
Gross Margin (%)	9.1	9.5	12.9		
Opg Margin (%)	3.4	7.1	5.3		
Net Margin (%)	4.2	6.1	4.1		

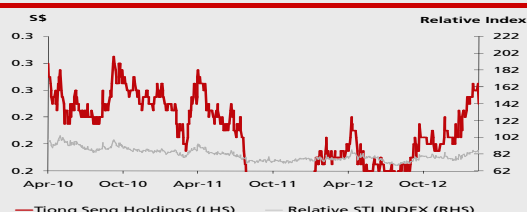
Financial Summary

FY Dec (\$\$ m)	2011A	2012A	2013F	2014F
Turnover	415	511	591	633
Operating Profit	17	21	33	32
EBITDA	24	29	41	39
Net Pft (Pre Ex.)	27	26	26	29
EPS (\$ cts)	3.5	3.4	3.3	3.7
EPS Pre Ex. (\$ cts)	3.5	3.4	3.3	3.7
EPS Gth (%)	(6)	(5)	0	12
EPS Gth Pre Ex (%)	(6)	(5)	0	12
PE Pre Ex. (X)	7.0	7.4	7.5	6.7
EV/EBITDA (X)	12.4	11.9	5.4	7.3
Net Div Yield (%)	4.0	4.0	4.0	4.0
P/Book Value (X)	0.9	0.9	0.8	0.7
Net Debt/Equity (X)	0.2	0.4	CASH	0.1
ROAE (%)	14.1	12.1	11.1	11.5

At A Glance

Issued Capital (m shrs)	766
Mkt. Cap (\$m/US\$m)	192 / 155
Avg. Daily Vol. ('000)	1,462

Price Relative



Source: Company, DBS Vickers

Robust Construction orderbook

- **FY12 results in line ; dividend of 1 Scts declared**
- **Robust S\$1.3b construction orderbook; property division to contribute meaningfully from FY13 onwards**
- **BUY, TP S\$0.33 based on 45% discount to SOTP**

Highlights

FY12 PATMI of S\$25.7m (-5% y-o-y) is slightly ahead of expectations. Tiong Seng Holdings (TSNG) reported a 23% y-o-y increase in its top-line to S\$511.4m for FY12. This was largely due to higher recognition of construction revenues for ongoing projects (S\$496.4m, +42%y-o-y) and higher sales of Cobiax, offsetting lower revenues from its property development division (S\$3.3m, <94% yoy) with the tail-end sales of its completed projects – Wenchang Broadway and the Tianmen Jinwan building. Profit from operations increased by 27% to S\$21.3m with operating margins remaining stable at c.11%. Profits from associates declined 55% y-o-y to S\$9.2m due to completion of various construction JV projects a year ago. Hence, net profit declined 5% to S\$25.7m. The group also declared a final dividend of 1Sct per share (payout ratio of c.30% and consistent from a year ago), translating to a yield of 4%.

Our View

Construction orderbook remains robust; investment in a pre-cast factory in Iskandar region. The outlook for the construction division – with a secured orderbook of S\$1.3bn – is projected to remain a relatively consistent contributor over FY13-14F, when a majority of the revenues are to be recognised. While management expects labour costs owing to the levies and tightening man-year-entitlements (MYE) to put pressure on margins in the next two years, the impact is likely to be fairly marginal (at c.S\$1m hike in cost) and lower than peers given the group's focus in automation and technology (through the automated pre-cast factory and formworks) in its construction activities. In addition, the group also acquired a site in Iskandar region to build another pre-cast factory.

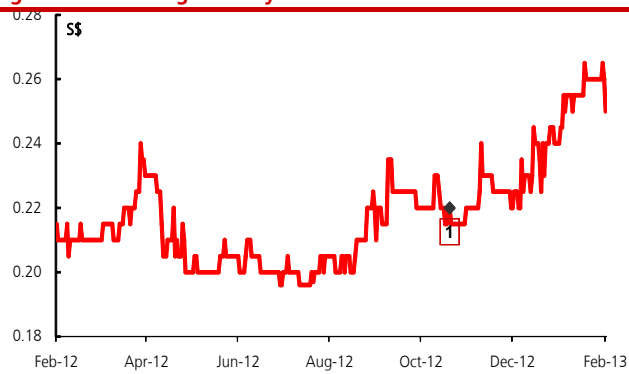
Property development to contribute in FY13. TSNG has begun construction for Phase 2/4 of Sunny Int'l project (83% sold out of 560 units) and is expected to recognise sales in the coming year. Its other development projects in Dagang, Tianjin and Suzhou are in various stages of planning and development and will underpin the stronger earnings in the coming years.

Recommendation

Maintain BUY, TP revised to S\$0.33. Our TP is revised upwards as we peg a higher P/E (8x vs 7x previously) for its construction division while maintaining a 45% discount to our SOTP.

Tiong Seng Holdings

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1:	15 Nov 12	0.22	0.25	Buy

Note : Share price and Target price are adjusted for corporate actions.

Source: DBS Vickers

DBSV recommendations are based on Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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