

Singapore Result Snapshot

Tiong Seng Holdings

Bloomberg: TSNG SP | Reuters: TISE.SI

DBS Group Research . Equity

15 Nov 2012

BUY S\$0.22 STI : 2,978.03

Price Target : 12-Month S\$ 0.25

Analyst

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Result Summary

| FY Dec (\$\$ m) | 3Q20 12 | 3Q20 11 | 2Q20 12 | yoy cha | qoq cha |
|----------------------|------------|------------|------------|------------|------------|
| P&L Items | | | | | |
| Turnover | 123.7 | 127.3 | 130.0 | (2.8) | (4.8) |
| Gross Profit | 16.0 | 10.5 | 11.7 | 51.9 | 36.3 |
| Opg Profit | 6.6 | 0.4 | 3.7 | 1,774. | 78.8 |
| EBITDA | 7.3 | 7.1 | 9.8 | 2.8 | (25.0) |
| Net Profit | 5.0 | 6.8 | 9.2 | (26.1) | (45.1) |
| Other Data | | | | | |
| Gross Margin (%) | 12.9 | 8.3 | 9.0 | | |
| Opg Margin (%) | 5.3 | 0.3 | 2.8 | | |
| Net Margin (%) | 4.1 | 5.4 | 7.1 | | |

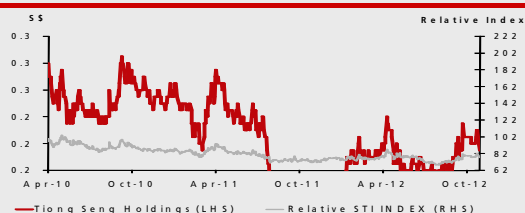
Financial Summary

| FY Dec (\$\$ m) | 2011A | 2012F | 2013F | 2014F |
|----------------------|-------|-------|-------|-------|
| Turnover | 415 | 479 | 537 | 489 |
| Operating Profit | 17 | 19 | 24 | 17 |
| EBITDA | 24 | 27 | 31 | 24 |
| Net Pft (Pre Ex.) | 27 | 24 | 24 | 25 |
| EPS (\$ cts) | 3.5 | 3.1 | 3.2 | 3.3 |
| EPS Pre Ex. (\$ cts) | 3.5 | 3.1 | 3.2 | 3.3 |
| EPS Gth (%) | (6) | (13) | 3 | 3 |
| EPS Gth Pre Ex (%) | (6) | (13) | 3 | 3 |
| PE Pre Ex. (X) | 6.2 | 7.1 | 6.9 | 6.7 |
| EV/EBITDA (X) | 11.5 | 6.9 | 5.8 | 11.3 |
| Net Div Yield (%) | 4.5 | 4.5 | 4.5 | 4.5 |
| P/Book Value (X) | 0.8 | 0.8 | 0.7 | 0.7 |
| Net Debt/Equity (X) | 0.2 | CASH | CASH | 0.2 |
| ROAE (%) | 14.1 | 11.1 | 10.6 | 10.2 |

At A Glance

| | |
|-------------------------|-----------|
| Issued Capital (m shrs) | 766 |
| Mkt. Cap (\$m/US\$m) | 169 / 138 |
| Avg. Daily Vol. ('000) | 365 |

Price Relative



Robust orderbook of S\$1.3bn

- 9M12 performance ahead on construction projects
- Strong order book of S\$1.3bn boosts earnings visibility
- Maintain BUY, TP S\$0.25, pegged to 45% discount to SOTP valuation

Highlights

3Q12 results boosted by construction contracts. Tiong Seng Holdings (TSNG) reported a 3% decline in topline to S\$123m, largely due to absence of sales of properties (S\$0.4m vs S\$48.0m a year ago) as its projects are not recognised prior to completion. Construction revenues for new and ongoing projects increased 57% y-o-y to S\$119.4m with contributions from newly awarded projects kicking in. Construction margins were higher at 11.7% vs 10.5% in 3Q11. But, higher staffing costs and the lack of meaningful contribution from its property sales segment led to PATMI declining 26% y-o-y to S\$5.0m. TSNG's financial metrics remain robust with net cash position of S\$25m.

YTD performance ahead. YTD performance was ahead, with 9M12 PATMI of 19.4m (+7% y-o-y) on the back of a 31% rise in topline due to a 64% rise in recognition in construction revenue. Major projects that contributed to revenue were the hotel at Upper Pickering Street, public sector projects like the NUS staff housing at Kent Vale, Waterway Terraces 1 and 2, and private condominium projects like Tree House, Hundred Trees and The Glyndebourne. The strong pipeline of construction projects is expected to compensate for the lack of recognition of property development projects in 2012 (none of its projects are expected to TOP this year).

Our View

New phases of residential development projects to be launched from 3Q12; construction orderbook remain robust at S\$1.3bn.

TSNG has begun the construction for Phase 2/4 of Sunny Int'l project and Phases 1-3 (out of 7 Phases) for its Equinox project. The above projects have been launched and sales should pick up pace from 3Q12, but meaningful contribution is expected only from FY13 onwards once these phases have received TOP. The construction division – with an orderbook of S\$1.3bn – continues to present a strong support to earnings over FY12-13, and should pick up the slack of its property division in FY12.

Recommendation

A "high tech" contractor. TSNG has been lauded for its productivity push through the adoption of 5D Building Information Modelling (BIM) in line with the authorities push for improving productivity in the construction sector. Moreover, TSNG's automated pre-fab hub and its propriety Cobiax, which are gaining acceptance industry-wide in Singapore, should help the company better face labour/cost pressures felt within the construction industry. Maintain BUY, TPS\$0.25 pegged to 45% discount to SOTP.

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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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