

Singapore Result Snapshot

Tiong Seng Holdings

Bloomberg: TSNG SP | Reuters: TISE.SI

DBS Group Research . Equity

9 Nov 2010

Over S\$1bn orderbook underpins earnings visibility

BUY S\$0.26

Price Target : S\$ 0.36

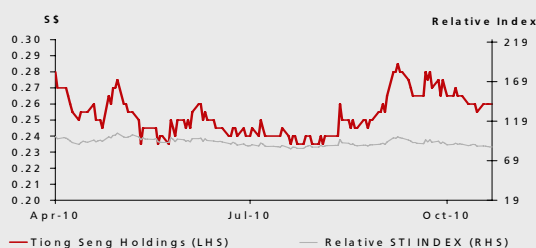
| Reporting Period | Performance | Mkt Cap | FY | EPS (S cts) | EPS Gth Pre-Ex (%) | EPS Revision | PE (x) | PBV (x) | Net Dividend Yield (%) |
|------------------|-------------|----------|-------|-------------|--------------------|--------------|--------|---------|------------------------|
| 3Q 2010 | In line | S\$199m | 2009A | 5.7 | 369 | - | 4.6 | 2.0 | 0.0 |
| | | US\$155m | 2010F | 3.9 | (31) | - | 6.6 | 1.1 | 0.0 |
| | | | 2011F | 5.0 | 27 | - | 5.2 | 0.9 | 0.0 |

Result Summary

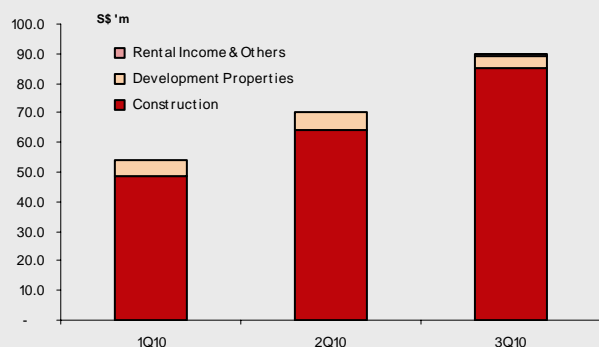
| FY Dec (S\$ m) | 3Q2009 | 3Q2010 | yoy chg |
|--------------------------|-------------|-----------|---------|
| P&L Items | | | |
| Sales | 84.0 | 90.0 | 7% |
| Gross Profit | 13.6 | 10.6 | -22% |
| EBIT | 6.8 | 5.2 | -23% |
| Exceptional Gain/(Loss) | 0.0 | 0.0 | Nm |
| Pretax Profit | 11.8 | 9.4 | -20% |
| PATMI | 9.8 | 7.5 | -24% |
| EPS (S cts) | 1.74 | 0.97 | |
| Gross Margin (%) | 16.2 | 11.8 | |
| BS & CF Items | | | |
| Net Cash/(Debt) | 3Q09* (8.6) | 3Q10 63.8 | |

* Pro-forma given IPO of Tiong Seng in Apr 2010.

Price Relative



Quarterly Segmental Revenues



Source: Company, DBS Vickers

At a Glance

- 3Q10 PATMI of S\$7.5m (-24% yoy, +11.9% qoq)
- Construction orderbook remains high at S\$1.07bn
- BUY, TP S\$0.36 offers 38% upside

Comment on Results

3Q10 PATMI of S\$7.5m (-24%yoy, +11.9% qoq). Tiong Seng reported 3Q10 PATMI of S\$7.4m on the back of 7% increase in topline to S\$90.0m, which was in line with estimates. The construction segment, which accounted for 94% of topline, achieved 10% growth yoy due to increase in construction work done in the quarter. Lower PATMI was largely due to lower contribution from JV projects (S\$3.2m -40%yoy) & reduced construction margins of 12% (vs 16.7% in 3Q09), slightly offset by recognition of higher margin property development income in 3Q10. Contribution from newly acquired (since Sep 10) direct sales and licensing of Cobiax technology also helped. Construction revenues from newly commenced projects (Hundred Trees, Tree House, NUS Staff Housing) were not recognized as they have not reached their first project milestones. These projects would have added \$19.1m to topline.

Recommendation

Construction order book of S\$1.07bn to be recognized progressively over the next 12-30 months will provide earnings visibility going forward. We expect the construction segment to remain the main contributor to topline in the coming quarters. After securing close to S\$600m worth of construction contracts YTD, the group continues to tender for more projects. We anticipate news-flow of more contract wins to provide re-rating opportunities for its share price in the near term.

Maintain BUY call, TP S\$0.36. The group would further strengthen its productivity and cost efficiency with its investment in its Prefabrication Hub and Cobiax Technology, ahead of its peers. Our TP is based on a 30% disc to our SOTP value of S\$0.50.

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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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