

Singapore Company Flash Note

Tiong Seng Holdings

Bloomberg: TSNG SP | Reuters: TISE.SI

DBS Group Research . Equity

18 Oct 2011

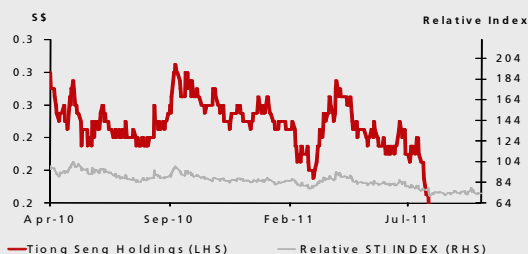
BUY S\$0.19 STI : 2,778.97

Price Target : 12-Month S\$ 0.31

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (\$ m)	2009A	2010A	2011F	2012F
Revenue	376	252	468	472
EBITDA	86	37	67	67
Pre-tax Profit	66	27	57	59
Net Profit	41	21	31	34
Net Pft (Pre Ex.)	41	21	31	34
EPS (\$ cts)	5.4	2.8	4.1	4.4
EPS Pre Ex. (\$ cts)	5.4	2.8	4.1	4.4
EPS Gth (%)	347	(48)	47	7
EPS Gth Pre Ex (%)	347	(48)	47	7
Diluted EPS (\$ cts)	5.4	2.8	4.1	4.4
Net DPS (\$ cts)	0.0	1.0	1.0	1.0
BV Per Share (\$ cts)	12.7	22.6	25.7	29.1
PE (X)	3.5	6.8	4.6	4.3
PE Pre Ex. (X)	3.5	6.8	4.6	4.3
P/Cash Flow (X)	2.3	nm	1.8	15.5
EV/EBITDA (X)	2.2	3.4	1.5	2.0
Net Div Yield (%)	0.0	5.3	5.3	5.3
P/Book Value (X)	1.5	0.8	0.7	0.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	51.5	15.8	17.0	16.0

Source of all data: Company, DBS Vickers, Bloomberg

Establishing itself as a "Green Contractor" in Singapore

Tiong Seng announced that the group has been awarded the S\$147m Housing Development Board (HDB) contract for the construction of 804 units for "Waterway Terraces II" in Punggol West. This follows the group's first contract win of S\$192m for the construction of 1,072 units (in a development known as "Punggol Terraces I" back in Apr'11). These 2 projects are part of HDB's vision of turning Punggol into an Eco-Town with Eco-friendly features.

The contract will include the construction of electrical substations, basement car parks, rain garden, green front, external works and related civil engineering works.

Our thoughts

This is another feature on the cap for Tiong Seng, which has gain traction in the development of "eco-building" niche with HDB. The group's continued focus in promoting work efficiency and productivity and its established track record in the construction of "green buildings" in Singapore, will ride on the emerging trend in the construction industry as developers focus on environmental sustainability.

The average cost/dwelling for this contract is estimated to be S\$182k, which is a slight increase to the S\$179k/unit that was awarded to Tiong Seng back in April. This could imply that gross margins on this project will remain relatively stable in an environment of increasing cost pressures (from raw materials, labour, etc).

While not expected to have a significant impact on the group's earnings in the current financial year, this contract will boost Tiong Seng's order book to S\$1.2bn, which is well ahead of peers in the construction industry, providing the group with good earnings visibility over the next 2 years.

We maintain our BUY call and TP of S\$0.31 (based on 35% discount to its SOTP).

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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