

Singapore Result Snapshot

Tiong Seng Holdings

Bloomberg: TSNG SP | Reuters: TISE.SI

DBS Group Research . Equity

16 Aug 2011

Expect strong 2H11 performance

BUY S\$0.193

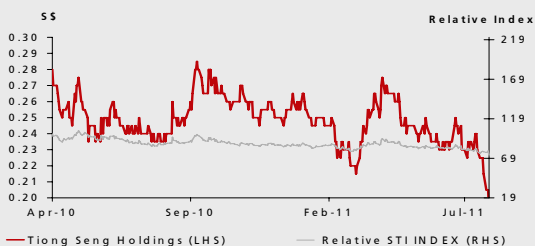
Price Target : S\$ 0.31

Reporting Period	Performance	Mkt Cap	FY	EPS Pre-Ex (\$ cts)	EPS Gth Pre-Ex (%)	EPS Revision	PE (x)	PBV (x)	Net Dividend Yield (%)
2Q 2011	In Line	S\$146m	2010A	2.8	(48)		6.8	0.8	5.3
		US\$120m	2011F	4.1	47	-	4.6	0.7	5.3
			2012F	4.4	7	-	4.3	0.7	5.3

Result Summary

FY Dec (\$ m)	2Q2010	2Q2011	yoy chg
P&L Items			
Revenues	70.2	83.9	19%
Gross Profit	9.5	13.1	39%
Other operating costs	(5.0)	(9.3)	88%
Other income	0.5	0.0	nm
Operating profit	4.1	8.1	98%
Net interest inc/(exp)	(0.2)	(0.2)	-1%
JV/Associate income	2.9	4.4	55%
Exceptional Gain/(Loss)	0.0	0.0	nm
Pretax Profit	7.7	9.9	30%
Net Profit	6.7	9.2	38%
 Gross Margin (%)	13%	16%	
Operating Margin (%)	6%	10%	
Pretax Profit margin (%)	11%	12%	

Price Relative



Segmental breakdown

	2Q10 S\$m	2Q11 S\$m	YoY Chg
Construction	64.0	80.6	26%
Development Properties	5.9	1.1	-82%
Sale of goods	-	2.0	Na
Rental Income & Others	0.3	0.2	-14%
Total revenues	70.2	83.9	19%

Source: Company, DBS Vickers

At a Glance

- **2Q11 PATMI of S\$9.2m in line**
- **Recognition of property development projects in China to lift 2H11 earnings**
- **BUY, S\$0.31 TP offers 63% upside**

Comment on Results

Results in line. Tiong Seng reported a 19% increase in topline to S\$83.9m on the back of higher construction revenues recognized (S\$80.6m, +26% y-o-y) due to the increase in work done for new/on-going projects (Wharf Residences, Volari, Hotel at Upper Pickering Street, NUS Staff housing and Hundred Trees project), coupled with new contribution from the sales of goods from Cobiax group (S\$2.0m) offsetting lower recognition of property sales in China. Operating expenses increased accordingly, in line with an increase in work done to support its new construction. Associate income saw a hike to S\$4.4m due to the completion of certain construction JV projects. As a result, net profit increased 38% to S\$9.2m.

2H11 results expected to be boosted by recognition of property projects in China. We note that the group has sold an additional 12 units but has not recognized revenues at Tianjin Jinwan building (construction completed). Furthermore, we expect Tiong Seng to book revenues from the sales at Sunny International project phase 1 in 2H11; the group is in the process of handing over the units of phase 1 to buyers currently. In addition, the recent winning of a site tender in Suzhou should ensure a steady stream of development projects from its China property ventures in the coming years.

Recommendation

BUY, TP S\$0.31 maintained. The group continues to offer strong earnings visibility with a construction order book of S\$1.1bn. The completion of its pre-fabrication hub in 4Q11 coupled with its investment in Cobiax will enable the group to increase its cost efficiencies and thus stay ahead of competition in the years ahead. Our TP is based on a 35% discount to our SOTP.

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

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

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Share price appreciation + dividends

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