

Singapore Company Update

Tuan Sing Holdings

Bloomberg: TSH SP | Reuters: TSHS.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

28 Feb 2022

DBS is supported by the Research Talent Development Grant Scheme which aims to groom research talent to expand research coverage of small-mid cap SGX listed companies

BUY

Last Traded Price (25 Feb 2022): S\$0.45 (STI : 3,294.47)
Price Target 12-mth: S\$0.63 (40% upside) (Prev S\$0.66)

Analyst

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What's New

- FY21 PATMI up 41.8% y-o-y to S\$83.7m as Robinson Point sale closes
- Australia reopening to drive Hospitality recovery
- GulTech stake sale completes, primed for potential IPO in 2023
- Maintain BUY with slightly lower TP of S\$0.63

Price Relative



Forecasts and Valuation

FY Dec (S\$m)	2020A	2021A	2022F	2023F
Revenue	197	245	284	304
EBITDA	70.4	50.4	76.5	84.1
Pre-tax Profit	59.9	84.1	21.6	25.6
Net Profit	59.0	83.7	20.0	21.8
Net Pft (Pre Ex.)	13.8	(1.9)	20.0	21.8
Net Pft Gth (Pre-ex) (%)	230,250.	nm	nm	9.1
EPS (S cts)	4.98	7.05	1.67	1.83
EPS Pre Ex. (S cts)	1.17	(0.2)	1.67	1.83
EPS Gth Pre Ex (%)	230,250	nm	nm	9
Diluted EPS (S cts)	4.98	7.05	1.67	1.83
Net DPS (S cts)	0.60	0.70	0.60	0.60
BV Per Share (S cts)	97.8	105	106	107
PE (X)	9.0	6.4	26.9	24.6
PE Pre Ex. (X)	38.6	nm	26.9	24.6
P/Cash Flow (X)	7.7	6.7	7.7	46.6
EV/EBITDA (X)	24.7	29.6	18.1	15.9
Net Div Yield (%)	1.3	1.6	1.3	1.3
P/Book Value (X)	0.5	0.4	0.4	0.4
Net Debt/Equity (X)	1.0	0.8	0.7	0.6
ROAE (%)	5.2	6.9	1.6	1.7
Earnings Rev (%)			(40)	(58)
Consensus EPS (S cts):			2.80	4.40
Other Broker Recs:		B: 1	S: 0	H: 0

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Positioning for its future

Investment Thesis:

Potential IPO of GulTech to crystallise hidden value. Since our initiation back in June 2020, Tuan Sing's share price has risen c.100%. We still see upside with a few catalysts ahead. The sale of a stake in GulTech Jiangsu to strategic partners could position the unit for an IPO while potential redevelopments at Grand Hyatt Melbourne and Link@896 could lift NAV.

Transformation into partial tech play in progress. GulTech's earnings have grown by a CAGR of c.16% in the past five years. While Tuan Sing's share of profit in GulTech could decline to a forecasted S\$24.0m due to the partial stake sale, GulTech's earnings growth may potentially accelerate further with help from its partners.

Resilient property market. The Singapore private property market has held up well amid the pandemic, and a successful sales launch of Peak Residence could catalyse share price.

Valuation:

Our TP of S\$0.63 is based on SOTP. We assume a valuation of 16.0x FY22F PE for GulTech, a 60% discount to RNAV of S\$937.5m. Our TP represents a P/NAV of 0.60x compared to 0.43x currently.

Where we differ:

We are the only broker covering the counter. That said, we have assumed more conservative valuations for Tuan Sing and with a 60% discount to RNAV.

Key Risks to Our View:

Resurgence of COVID-19 infections could lead to construction delays, factory and hotel disruptions, FX risk, soft office market

At A Glance

Issued Capital (m shrs)	1,202
Mkt. Cap (S\$m/US\$m)	541 / 400
Major Shareholders (%)	
Nuri Holdings S Pte Ltd	53.2
Koh Wee Meng	5.8
Free Float (%)	41.0
3m Avg. Daily Val (US\$m)	0.18
GIC Industry: Real Estate / Real Estate Holding & Development	



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ed: PV/ sa: PY, CS



Live more, Bank less

Tuan Sing Holdings

WHAT'S NEW

Positioning for its future

FY21 PATMI up 41.8% y-o-y, missing expectations

- FY21 revenue rose 24.7% y-o-y to S\$245.3m boosted by higher sale of development properties and better hotel revenue
- FY21 PATMI bounced 41.8% y-o-y to S\$83.7m largely due to the gain on sale of Robinson Point of S\$89.0m
- Tuan Sing has proposed a dividend of 0.7 Scts for the year with the option of electing for cash or scrip
- The Group's balance sheet continued to strengthen with net debt-equity declining to 0.75x
- Interest coverage ratio improved as well to an estimated 1.9x in FY21 from 1.4x in FY20

Real Estate Development

Revenue for real estate development rose 22.9% to S\$91.6m helped by revenue recognition of the Mont Botanik development as construction of the project progressed. However, the group recorded an adjusted EBIT loss of S\$8.2m as a result of higher construction costs and construction delays. For FY22F, we are projecting revenue of S\$81.7m on further revenue recognition of Mont Botanik and early sales of Peak Residence. Positively, adjusted EBIT is expected to improve to S\$9.9m as we expect prices of Peak Residence to factor in the increased construction costs.

Real Estate Investment

Real estate investment revenue and adjusted EBIT declined to S\$49.2m (-4.7% y-o-y) and S\$31.8m (-28.0% y-o-y) respectively due to the lack of contribution from Robinson Point which was disposed in June 2021. For FY22F, we have forecasted revenue and adjusted EBIT of S\$53.7m and S\$33.9m. We expect the Group to continue its momentum of improving occupancies and increasing average gross rental rates especially as Singapore continues to reopen.

Hospitality

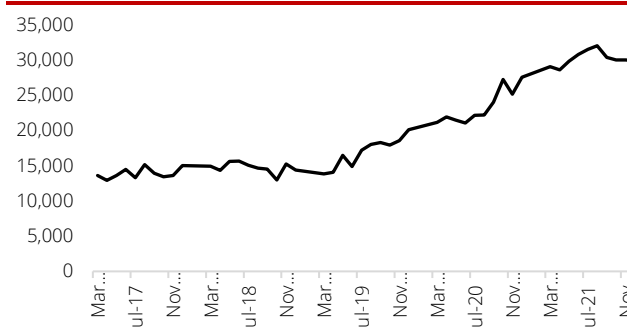
Australia reopening buoys Hospitality revenue, rising 39.0% to S\$45.1m in FY21. Adjusted EBIT also printed a profit of S\$1.4m in FY21, reversing from a S\$6.0m loss in FY20. The Group benefited from Hyatt Regency Perth's quarantine business and the reopening of Grand Hyatt Melbourne. As we enter FY22, we expect occupancies to ramp up as Australia further relaxes its pandemic restrictions. As such

we are forecasting revenue and adjusted EBIT of S\$68.3m and S\$5.4m respectively.

Other investments (GulTech)

Adjusted EBIT from other investments increased 5.6% to S\$26.4m in FY21 on higher scrap sales income. In FY21, GulTech Jiangsu embarked on its first steps towards a public listing, making strategic stake sales to private equity partners and local authorities totalling 17.5% of shares outstanding. Following the stake sale, due to minority interests, we are forecasting share of profit from other investments to decline slightly to S\$24.0m even as we expect GulTech to continue to see double digit growth.

China integrated circuit production peaked in August but remains elevated (mn pcs)



Source: CEIC

Maintain BUY with slightly lower SOTP-based TP of S\$0.63.

We lower our TP due to a slightly lower NAV base (as compared to 1H21) and the removal of a forecasted gain from the partial stake sale of GulTech Jiangsu. No gain should be recognised as the partial stake sale involves GulTech's subsidiary, GulTech Jiangsu. Our earnings were also revised down for FY22F and FY23F mainly due to a change in expected construction completion of Tuan Sing's development projects. Even as higher construction costs and property cooling measures dampen real estate development performance, we see new engines of growth in the near term from the real estate investment and hospitality segments as Singapore and Australia progressively reopens. We also see three potential catalysts for the stock: 1) IPO of GulTech Jiangsu which we believe is making progress 2) Potential redevelopment of Grand Hyatt Melbourne 3) Potential redevelopment of Link@896.

Tuan Sing Holdings

Company Background

Tuan Sing Holdings Limited (Tuan Sing) is a Singapore-based investment holding company with core interests in property development, property investment and hotel ownership. The Group's real estate businesses are mainly focused in the key Asia Pacific markets of Singapore, China, Indonesia

and Australia. The Group also has interests in printed circuit board (PCB) manufacturing, commodity trading and production of polypropylene packaging bags. In recent years, GulTech, the Group's PCB manufacturing arm, has grown in importance and contributions to Tuan Sing's profit.

Interim Income Statement (S\$m)

FY Dec	2H2020	1H2021	2H2021	% chg yoy	% chg hoh
Revenue	105	144	101	(3.4)	(29.6)
Cost of Goods Sold	(81)	(108)	(81)	(0.2)	(25.2)
Gross Profit	24	36	21	(14.2)	(42.6)
Other Oper. (Exp)/Inc	(3)	(20)	(27)	683.6	36.6
Operating Profit	21	17	(6)	(128.9)	(136.2)
Other Non Opg (Exp)/Inc	0	0	0	-	-
Associates & JV Inc	11	17	11	(0.8)	(33.6)
Net Interest (Exp)/Inc	(21)	(23)	(19)	11.6	18.0
Exceptional Gain/(Loss)	42	90	(3)	nm	nm
Pre-tax Profit	53	101	(17)	nm	nm
Tax	(1)	(1)	(1)	52.4	42.9
Minority Interest	0	1	1	182.2	30.8
Net Profit	52	101	(17)	nm	nm
Net profit bef Except.	10	11	(14)	nm	nm
EBITDA	40	41	5	(86.8)	(87.0)
Margins (%)					
Gross Margins	23.0	25.1	20.4		
Opg Profit Margins	19.7	11.5	(5.9)		
Net Profit Margins	49.9	70.0	(16.8)		

Source of all data: Company, DBS Bank

Tuan Sing Holdings

SOTP Valuation

Development Properties	Interest (%)	Number of Units	Surplus Value (\$m)
Mont Botanik	100	108	2.4
Peak Residence	70	90	17.4

Key Investment Properties	NLA (sq ft)	Est. Market Value (\$m)	Change in FV (\$m)
18 Robinson	191,449	640.1	(31.4)
Link@896 Dunearn Road	202,708	258.5	(129.5)

SOTP Breakdown	\$m
NAV	1,261.4
Total Surplus Value	22.6
Total Change in FV	(117.2)
Less: NAV of Equity Accounted Investments, SP Corporation and Goodwill Property Inv	(229.3)
RNAV	937.5
Discount to RNAV	60%
Discounted RNAV	375.0
Add: GulTech (based on FY22F P/E of 16.0x)	324.4
Add: SP Corporation	15.0
Add: Sanya Summer Real Estate	14.9
Add: Goodwill Property Investment	25.0
Total	754.3
Number of shares (millions)	1,195
Share Price	S\$0.63

Tuan Sing Holdings

Segmental Breakdown

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenues (\$m)					
Real Estate Investment	108	51.7	49.2	53.7	59.4
Real Estate Development	101	74.6	91.6	81.7	58.4
Hospitality	101	32.5	45.1	68.3	105
Industrial Services	0.0	37.4	59.2	80.3	80.3
Total	311	197	245	284	304
Adjusted EBIT (\$m)					
Real Estate Investment	(0.8)	44.2	31.8	33.9	39.3
Real Estate Development	3.87	3.08	(8.2)	9.86	7.09
Hospitality	1.54	(6.0)	1.43	5.39	7.49
Industrial Services	21.8	(0.7)	(0.6)	0.0	0.0
Others	4.51	25.0	26.4	24.0	27.0
Total	8.83	54.1	36.4	58.6	66.4
Adjusted EBIT Margins					
Real Estate Investment	(0.8)	85.5	64.6	63.1	66.2
Real Estate Development	3.6	6.0	(16.6)	18.4	11.9
Hospitality	1.5	(18.5)	3.2	7.9	7.1
Industrial Services	N/A	(1.7)	(1.0)	0.0	0.0
Total	2.8	27.5	14.8	20.6	21.9

Income Statement (\$m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Revenue	311	197	245	284	304
Cost of Goods Sold	(239)	(148)	(189)	(213)	(228)
Gross Profit	71.5	48.6	56.8	71.1	75.9
Other Opng (Exp)/Inc	(31.8)	(16.6)	(44.9)	(32.8)	(32.9)
Operating Profit	39.8	32.0	11.9	38.2	43.0
Other Non Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	21.6	25.6	28.3	25.9	28.9
Net Interest (Exp)/Inc	(52.5)	(43.0)	(41.6)	(42.5)	(46.3)
Exceptional Gain/(Loss)	33.2	45.2	85.5	0.0	0.0
Pre-tax Profit	42.0	59.9	84.1	21.6	25.6
Tax	(9.4)	(1.4)	(2.3)	(2.7)	(3.2)
Minority Interest	0.53	0.48	1.84	1.13	(0.6)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	33.2	59.0	83.7	20.0	21.8
Net Profit before Except.	0.01	13.8	(1.9)	20.0	21.8
EBITDA	72.0	70.4	50.4	76.5	84.1

Includes gain of sale of Robinson Point of c.\$90m

Growth

Revenue Gth (%)	(7.6)	(36.7)	24.7	15.8	6.8
EBITDA Gth (%)	0.8	(2.1)	(28.5)	51.8	9.9
Opg Profit Gth (%)	(8.7)	(19.5)	(62.9)	222.0	12.5
Net Profit Gth (Pre-ex) (%)	(100.0)	nm	nm	nm	9.1

Margins & Ratio

Gross Margins (%)	23.0	24.7	23.2	25.0	25.0
Opg Profit Margin (%)	12.8	16.3	4.8	13.5	14.2
Net Profit Margin (%)	10.7	30.0	34.1	7.0	7.2
ROAE (%)	3.0	5.2	6.9	1.6	1.7
ROA (%)	1.1	1.9	2.8	0.7	0.8
ROCE (%)	1.1	1.1	0.4	1.3	1.4
Div Payout Ratio (%)	21.4	12.1	10.0	35.6	32.6
Net Interest Cover (x)	0.8	0.7	0.3	0.9	0.9

Source: Company, DBS Bank

Tuan Sing Holdings

Interim Income Statement (\$m)

FY Dec	2H2019	1H2020	2H2020	1H2021	2H2021
Revenue	159	91.9	105	144	101
Cost of Goods Sold	(119)	(67.4)	(80.8)	(108)	(80.7)
Gross Profit	40.3	24.4	24.1	36.1	20.7
Other Oper. (Exp)/Inc	(20.7)	(13.2)	(3.4)	(19.5)	(26.7)
Operating Profit	19.6	11.3	20.7	16.6	(6.0)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	11.3	14.3	11.4	17.0	11.3
Net Interest (Exp)/Inc	(28.2)	(21.8)	(21.2)	(22.9)	(18.8)
Exceptional Gain/(Loss)	33.4	3.20	42.0	90.1	(3.3)
Pre-tax Profit	36.1	6.98	52.9	101	(16.8)
Tax	(5.2)	(0.5)	(0.9)	(1.0)	(1.4)
Minority Interest	0.67	0.11	0.37	0.80	1.04
Net Profit	31.6	6.61	52.4	101	(17.1)
Net profit bef Except.	(1.8)	3.41	10.4	10.6	(13.7)
EBITDA	34.9	25.6	40.2	40.8	5.31

Growth

Revenue Gth (%)	5.2	(42.3)	14.3	37.1	(29.6)
EBITDA Gth (%)	1.2	(26.7)	57.5	1.4	(87.0)
Opg Profit Gth (%)	(3.1)	(42.3)	83.4	(20.1)	(136.2)
Net Profit Gth (%)	1,825.2	(79.1)	692.3	92.2	(116.9)

Margins

Gross Margins (%)	25.3	26.6	23.0	25.1	20.4
Opg Profit Margins (%)	12.3	12.3	19.7	11.5	(5.9)
Net Profit Margins (%)	19.8	7.2	49.9	70.0	(16.8)

Balance Sheet (\$m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Net Fixed Assets	414	408	496	488	480
Invts in Associates & JVs	138	153	144	161	180
Other LT Assets	1,826	1,487	1,378	1,378	1,378
Cash & ST Invts	172	274	405	518	620
Inventory	2.37	2.15	2.13	2.40	2.57
Debtors	70.4	55.8	36.3	42.1	44.9
Other Current Assets	374	765	303	217	175
Total Assets	2,997	3,144	2,764	2,806	2,880
ST Debt	281	210	559	559	559
Creditor	109	154	92.8	124	132
Other Current Liab	5.75	302	11.6	6.64	7.14
LT Debt	1,430	1,255	794	798	848
Other LT Liabilities	52.1	49.3	45.8	45.8	45.8
Shareholder's Equity	1,105	1,160	1,250	1,263	1,278
Minority Interests	14.1	13.4	11.2	10.1	10.7
Total Cap. & Liab.	2,997	3,144	2,764	2,806	2,880
Non-Cash Wkg. Capital	332	367	237	131	83.3
Net Cash/(Debt)	(1,539)	(1,191)	(948)	(839)	(786)
Debtors Turn (avg days)	86.1	117.1	68.5	50.3	52.3
Creditors Turn (avg days)	187.0	353.8	252.1	196.6	216.4
Inventory Turn (avg days)	4.1	6.1	4.4	4.1	4.2
Asset Turnover (x)	0.1	0.1	0.1	0.1	0.1
Current Ratio (x)	1.6	1.6	1.1	1.1	1.2
Quick Ratio (x)	0.6	0.5	0.7	0.8	1.0
Net Debt/Equity (X)	1.4	1.0	0.8	0.7	0.6
Net Debt/Equity ex MI (X)	1.4	1.0	0.8	0.7	0.6
Capex to Debt (%)	0.4	0.4	0.1	0.3	0.3

Source: Company, DBS Bank

Tuan Sing Holdings

Cash Flow Statement (\$m)

FY Dec	2019A	2020A	2021A	2022F	2023F
Pre-Tax Profit	42.0	59.9	84.1	21.6	25.6
Dep. & Amort.	10.6	12.8	13.7	12.4	12.2
Tax Paid	(5.6)	(6.5)	0.05	(7.6)	(2.7)
Assoc. & JV Inc/(loss)	(21.6)	(25.7)	(28.3)	(25.9)	(28.9)
Chg in Wkg.Cap.	(32.3)	33.9	50.8	69.7	5.37
Other Operating CF	27.3	(5.2)	(40.7)	0.0	0.0
Net Operating CF	20.5	69.1	79.6	70.1	11.5
Capital Exp.(net)	(7.1)	(5.5)	(0.9)	(4.0)	(4.0)
Other Invts.(net)	35.1	(8.3)	(7.4)	41.2	42.0
Invts in Assoc. & JV	0.0	0.0	(23.0)	0.0	0.0
Div from Assoc & JV	0.0	9.35	65.7	8.75	9.86
Other Investing CF	(35.1)	71.5	451	0.0	0.0
Net Investing CF	(7.1)	67.1	486	45.9	47.9
Div Paid	(9.4)	(6.1)	(1.7)	(7.1)	(7.1)
Chg in Gross Debt	98.1	20.1	(396)	3.94	50.0
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(78.8)	(44.2)	31.5	0.0	0.0
Net Financing CF	9.84	(30.2)	(367)	(3.2)	42.9
Currency Adjustments	(0.9)	3.43	(1.3)	0.0	0.0
Chg in Cash	22.4	109	197	113	102
Opg CFPS (S cts)	4.45	2.97	2.43	0.04	0.52
Free CFPS (S cts)	1.13	5.36	6.63	5.53	0.63

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	08 Mar 21	0.32	0.46	BUY
2:	05 May 21	0.43	0.54	BUY
3:	10 Aug 21	0.54	0.66	BUY

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

Source: DBS Bank

Analyst: Woon Bing Yong
Derek TAN

DBS Bank recommendations are based on an 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 share price catalysts within this time frame)

*Share price appreciation + dividends

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Sources for all charts and tables are DBS Bank unless otherwise specified.

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