Singapore Company Focus

Tuan Sing Holdings

Bloomberg: TSH SP | Reuters: TSHS.SI **Refer to important disclosures at the end of this report**

DBS Group Research . Equity 16 Jun 2020

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BUY

(Initiating Coverage)
Last Traded Price (15 Jun 2020): S$0.235 (**STI :** 2,684.63)
Price Target 12-mth: S$0.38 (62% upside)

Potential Catalyst: Divestment of non-core businesses and other M&A activity, value unlocking of Gultech, redevelopment of assets

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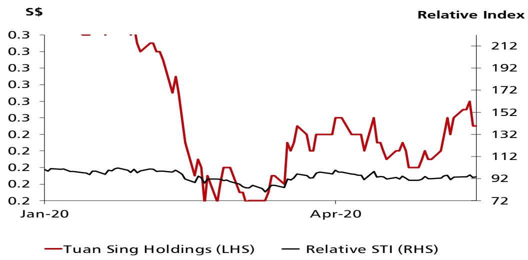
Price Relative



Forecasts and Valuation

FY Dec (S$m)	2019A	2020F	2021F	2022F
Revenue	311	328	383	347
EBITDA	72.0	76.0	98.2	93.4
Pre-tax Profit	42.0	20.9	46.3	43.5
Net Profit	33.2	18.9	38.8	32.7
Net Pft (Pre Ex.)	0.01	18.9	38.8	32.7
EPS (S cts)	2.80	1.60	3.27	2.75
EPS Pre Ex. (S cts)	0.00	1.60	3.27	2.75
EPS Gth (%)	(75)	(43)	105	(16)
EPS Gth Pre Ex (%)	(100)	nm	105	(16)
Diluted EPS (S cts)	2.80	1.60	3.27	2.75
Net DPS (S cts)	0.60	0.60	0.60	0.60
BV Per Share (S cts)	93.2	94.2	96.8	99.0
PE (X)	8.4	14.7	7.2	8.5
PE Pre Ex. (X)	nm	14.7	7.2	8.5
P/Cash Flow (X)	13.6	6.2	19.6	10.0
EV/EBITDA (X)	25.5	23.0	17.5	17.8
Net Div Yield (%)	2.6	2.6	2.6	2.6
P/Book Value (X)	0.3	0.2	0.2	0.2
Net Debt/Equity (X)	1.4	1.3	1.2	1.1
ROAE (%)	3.0	1.7	3.4	2.8

GIC Industry : Real Estate
GIC Sector: Real Estate Holding & Development
Principal Business: Tuan Sing Holdings Limited an investment holding company with interest mainly in property

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

Under-appreciated asset play

- Initiate coverage with BUY and SOTP-based TP of S$0.38
- Attractive valuation at 0.27x P/NAV or -2 SD of 5-year mean
- Australian hotel business set to recover with relaxation of COVID-19 measures
- Potential value unlocking of Gultech to transform counter into partial tech play

Deep value play. We initiate coverage on Tuan Sing with a BUY call and TP of S$0.38, implying upside of c.60%. We see catalysts emerging for Tuan Sing in the medium term through the (i) potential value unlocking activities of a divestment or receipt of dividend from Gul Technologies (Gultech) amongst other non-core businesses, and (ii) rebound in performance of its core investment properties post COVID-19 outbreak. The stock is currently trading at a 5-year low on a P/BV perspective (-2 standard deviation [SD]).

Value unlocking of high growth Gul Technologies could reap Tuan Sing S$0.23 per share. Gultech's contribution to Tuan Sing has grown by a CAGR of 26% over the past five years. Going forward, we think this may be a good time for Tuan Sing to reap dividends from Gultech. We believe that an uptrend in the semiconductor cycle could lead to further rapid growth as China's integrated circuit production soars. In addition, a potential divestment to streamline its portfolio towards its core property business could bring in c.S$270m, in our estimates, or 23 Scts per share (based on a conservative valuation of 11.0x FY20F PE).

Property business to remain profitable in 2020. While COVID-19 has impacted Tuan Sing's two hotels in Australia, we believe that a recovery is imminent due to the two properties' large focus on the domestic market (estimated at c.75% of FY19 revenue) and the easing of Australian interstate movement restrictions. On the property development end, c.S$165m of pre-sales from previous projects are set to be recognised over FY20-FY21 with a further boost expected from the Peak Residence project. These should help offer earnings visibility and mitigate the downside stemming from COVID-19.

Valuation:

SOTP-based TP of S$0.38. We assume a valuation of 11.0x FY20F PE for Gultech, a 65% discount to RNAV, and a further 10% conglomerate discount to obtain an SOTP-based TP of S$0.38.

Key Risks to Our View:

Resurfacing of COVID-19 could lead to further construction delays and factory disruptions, FX risk, and soft office market.

At A Glance

Issued Capital (m shrs)	1,184
Mkt. Cap (Sm/USm)	278 / 200
Major Shareholders (%)	
Nuri Holdings S Pte Ltd	53.1
Koh Wee Meng	5.9
Free Float (%)	41.0
3m Avg. Daily Val (US$m)	0.08

Live more, Bank less

ed: TH/ sa: JC, PY, CS / contributed by YWB

Live more, Bank less

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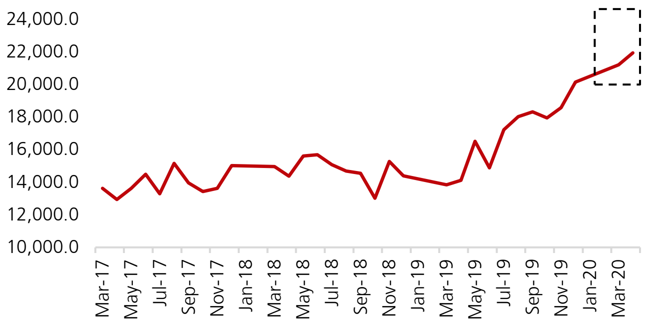
Investment Summary

Initiate with BUY and TP of S$0.38. We believe Tuan Sing is significantly undervalued as it is currently trading near a multi-year low of 0.26x P/NAV. This represents a level close to -2SD and warrants an appropriate relook at Tuan Sing for its (i) regular cashflows from its staple of commercial properties and hospitality assets, and (ii) potential value unlocking events as management looks to streamline its portfolio.

While the COVID-19 outbreak has impacted Tuan Sing's hospitality properties in Australia (33% of FY19 revenue), the gradual reopening of the Australian domestic travel market will limit the properties' downtime and contain the losses somewhat. We project that the hospitality business could be set to recover substantially given its high exposure to the domestic market and an easing of Australian interstate movement restrictions.

There are also other bright spots in its portfolio. Despite the COVID-19 outbreak, Gultech is expected to perform well in FY20F led by a pickup in data storage demand.

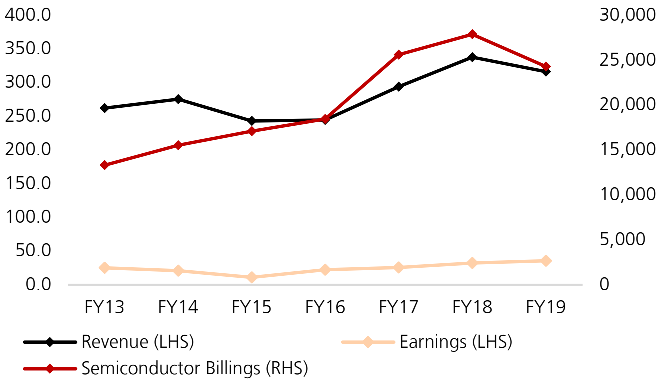
China's semiconductor integrated circuit production (mn pieces)



Source: CEIC, DBS Bank

China-focused Gultech a force to be reckoned with. Gultech has performed strongly in recent years. The company contributed S$21.7m to Tuan Sing's FY19 net profit of S$32.7m and could stand to benefit from an uptrend in the semiconductor cycle in our view. Notably, Gultech reported a strong 1Q20 driven by two factors. Firstly, data storage demand is on the rise and this has increased demand for PCBs. Indeed, Micron, a leader in NAND and DRAM memory, recently revised its FY20Q3 sales guidance to US$5.2-5.4bn from US$4.6-5.2bn previously. Secondly, Gultech has captured new orders from its competitors which struggled to operate as a result of COVID-19. We believe this has helped solidify the company's reputation as a choice PCB producer in such uncertain times.

Gultech's historical earnings vs US Semiconductor Equipment Billings 3-month Average (US$m)

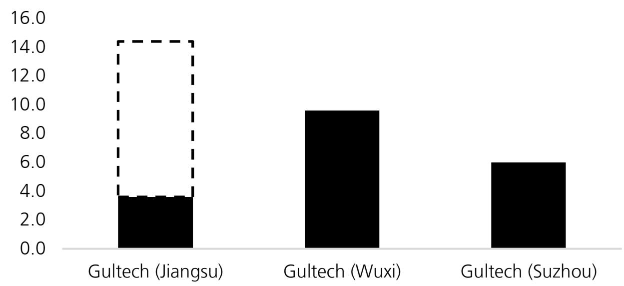


Source: Company, CEIC, DBS Bank

While we do expect some impact on Gultech's performance for FY20F stemming from COVID-19, we believe Gultech could still see strong growth and we forecast a 15.0% growth in Gultech's profit for FY20F. Aside from data storage, the company has exposure to other information and communication technology products through Wistron which has seen increased demand. Visteon, a customer in the automotive sector, has also ramped up production in China post-lockdown and expects to return to pre-COVID-19 levels in 2Q20.

Value unlocking of Gultech may be imminent. Gultech's capacity is targeted to rise by c.56% from 19.2m sq ft to 30.0m sq ft in 2020. We believe this production capacity is sufficient to meet new demand which could mean a lower need for capital expenditure outlays going forward. As a result, Gultech may begin paying dividends to Tuan Sing. Another option on the table is a divestment of Gultech to unlock value. Indeed, Tuan Sing has indicated its intention to divest non-core assets such as Gultech, should a good opportunity arise. Based on a conservative valuation of 11.0x FY20F PE, this may bring in c.S$270m in our estimates or 23 Scts per share.

Jiangsu factory has built up capacity over the years (mn sq ft)



Source: Company, DBS Bank

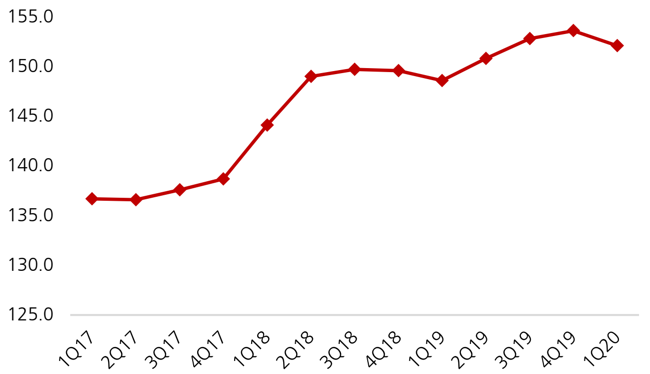
Indonesian developments light the way forward although impact is likely to remain small for now. A key piece of Tuan Sing's strategy lies in the Opus Bay integrated mixed development in Indonesia. Tuan Sing has acquired c.1.25m sqm of land next to the Waterfront Ferry Terminal in Batam and envisions the development to consist of hotels, MICE facilities, retail outlets, attractions and residential buildings. The Group will begin with an asset enhancement of the ferry terminal before developing 300 villas over 5-6ha of land. This will be followed by the construction of 1,500 serviced apartments. Tuan Sing expects to launch Phase 1 of the project and commence construction in 2H20.

We believe this is a positive for Tuan Sing and would create a pipeline of medium-term projects for the company. One seemingly interesting observation is that the lease for c.850,000 sqm of land related to the project expires in 2034. However, according to local practices, we believe the lease term can be extended by a typical period of 30 years for a small fee.

Property development in Singapore: Private property demand has been dampened for now, but projects have hit key development milestones. Based on the URA Private Residential Price Index (PPI), Singapore private residential prices fell 1.0% q-o-q in 1Q20 compared to a 0.5% rise the previous quarter. Considering that the Circuit Breaker measures only began in April, private residential prices could see a larger impact over the next few quarters. Indeed, we have projected the PPI to drop by 5%-10% in 2020. Additionally, current travel restrictions could also dent near-term demand for private residences, especially luxury-end projects in the near term.

For Tuan Sing, this may mean lower take-up and sales prices for its development projects in Singapore with the yet to be launched Peak Residence likely to be the most affected. That said, we estimate that FY20F revenue for the property segment could grow by c.43% as sales from the Kandis Residence and Mont Botanik projects are progressive recognised.

Private property prices fell in 1Q20



Source: URA, DBS Bank

Recent loosening in regulations have also provided respite. Following recent revisions to Qualifying Certificate (QC) rules in 1Q20 and the COVID-19 temporary bill, Tuan Sing will no longer be required to pay QC extension charges for its en-bloc projects (Peak Residences, Mont Botanik). All its projects will also enjoy an additional six months in timeline to complete selling its projects before being subjected to the additional buyer's stamp duty (ABSD), we see this as positive for the Group.

Additionally, Tuan Sing's properties have done relatively well. Notably, from March - May 2020, Tuan Sing sold eight units (out of 57 available) of Mont Botanik and four units (out of 33 available) of Kandis Residence.

Sales rates of Tuan Sing's Singapore properties (as at May 20)

Project	Launch	Expected TOP	Units	Booked/sold (%)	Estimated GDV	Estimated Cost	Estimated Margin (%)
Peak Residence	2H20	2H22	90	0%	NA	NA	NA
Mont Botanik	Aug-18	4Q21	108	55%	136	98	27.5
Kandis Residence	Aug-17	2H20	130	78%	125	104	17.2

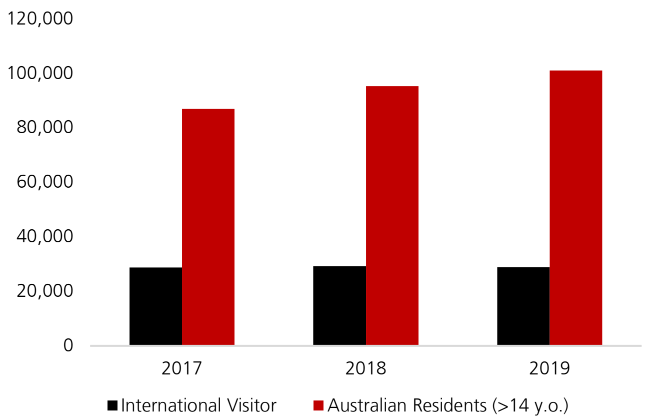
Source: Company, DBS Bank

Australian hospitality segment to bounce back from COVID-19. Tuan Sing's hotel businesses in Australia have not been spared from COVID-19. The Grand Hyatt Melbourne has suspended its operations for three months while the Hyatt Regency Perth served a month as a quarantine venue for the Western Australia Department of Health. The moves came as visitor arrivals to Australia tumbled 60.3% y-o-y in March as a result of travel restrictions imposed. We understand that the COVID-19 outbreak came as operations at the Hyatt Regency Perth were improving. In the period prior to COVID-19, the hotel saw occupancies in excess of 90% (compared to 75.7% for FY19). While losses for the segment are expected this year, Australia's JobKeeper scheme could help mitigate some of the impact. Encouragingly, we estimate that 75% of Tuan Sing's guests are Australian. Indeed, in 2019, international visitors only spent a total of 28.8m nights in Australian hotels compared to 101.0m nights by domestic residents.

In the near term, while travel might remain subdued, we believe Tuan Sing's hotels may achieve FY20F average occupancies of between 45% and 50%. Hotels have been allowed to reopen in both Melbourne and Perth while travel restrictions for domestic residents into and out of Victoria have been lifted. Barring a second wave of infections, these moves should boost occupancies in 2H20.

Tuan Sing is positioning well for recovery. The asset enhancement initiative (AEI) at Fortescue Centre (which is adjoined to Hyatt Regency Perth) will boost the vibrancy of the area and be completed in December 2021. Included in the AEI plan is the refurbishment of the office and retail plaza and an addition of retail space. Post-AEI, Hyatt Regency Perth could see better occupancies for both its hotel beds and office space. Notably, Pan Pacific Perth, which is located nearby, saw average occupancies of 84% in FY19.

Australian residents make up bulk of hotel stays ('000)



Source: Australian Bureau of Statistics, DBS Bank

Tuan Sing's key investment properties

Property	Lease	NLA (sq ft)	Interest (%)	FY19 Occupancy (%)	As at Mar 2020 Occupancy (%)
18 Robinson 	999-year from 1884/1885 99-year from 2013 for 17% of land	191,965	100.0	23*	72*
Robinson Point 	Freehold	134,367	100.0	80	90
Link@896 Dunearn Road 	Part Freehold Part 999-year from 1884	202,708	100.0	66**	73**
Fortescue Centre @ Hyatt Regency Perth 	Freehold	253,568	100.0	55	NA

Tuan Sing's key investment properties (cont'd)

Property	Lease	NLA (sq ft)	Interest (%)	FY19 Occupancy (%)	As at Mar 2020 Occupancy (%)
Commercial Centre @ Grand Hyatt Melbourne 	Freehold	32,550	100.0	98	NA

**18 Robinson obtained TOP in Jan 2019 and is in the midst of ramping up*
***Link@896 commenced additions & alterations in 2019 which will be completed by 2020*
Source: Company, DBS Bank

Valuation

SOTP valuation of S$0.38 gives potential upside of c.60%. In valuing Tuan Sing, we divided the Group into a few parts, namely the property business, SP Corporation, Gultech, and other equity-accounted investments (such as Sanya Summer Real Estate and Goodwill Property Investment).

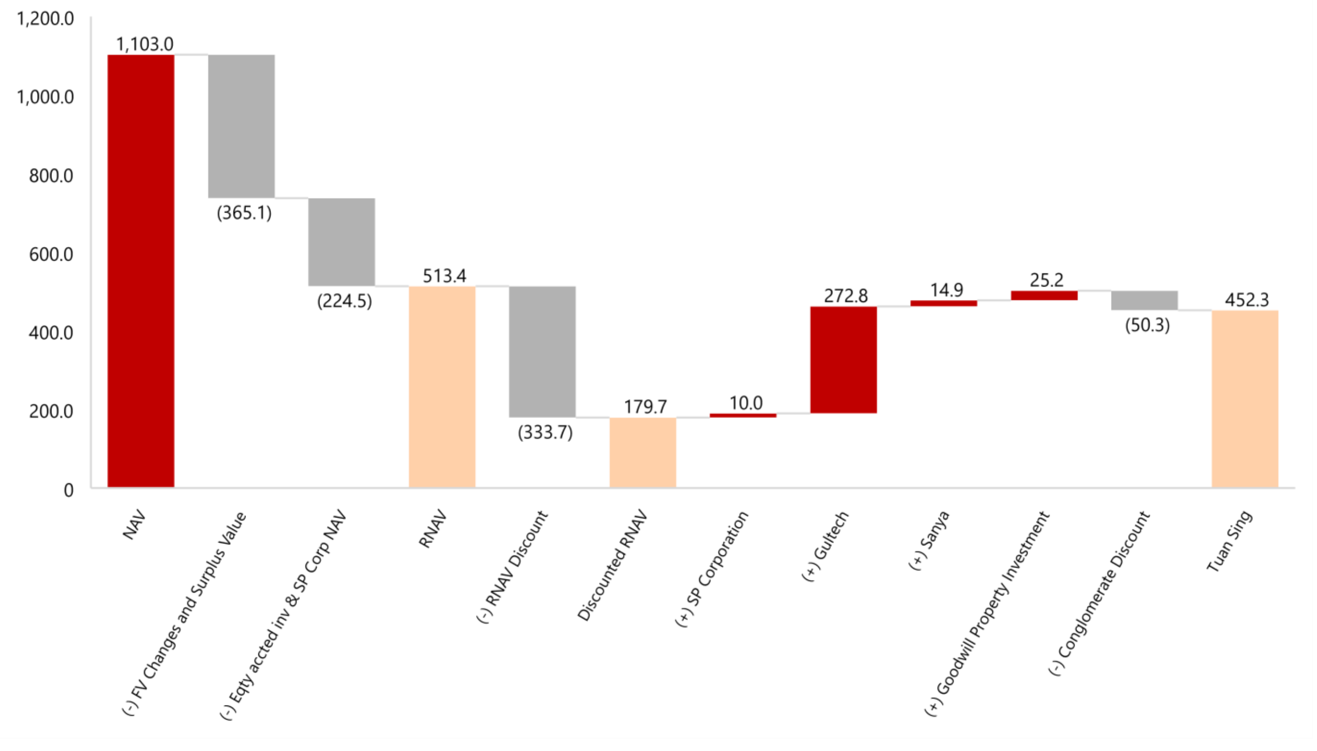
We assigned a FY20F PE valuation of 11.0x to Gultech given that its Singapore peers trade between 8.5x and 14.6x. We believe this is a conservative estimate as Gultech's Chinese peers are trading at above 25.0x FY20F PE. Imputing 11.0x as the multiple, Gultech is valued at S$613.0m, putting Tuan Sing's 44.5% interest at S$272.8m.

Tuan Sing's property business RNAV valuation stood at S$513.4m before discount. Using a conservative 65% discount to RNAV, Tuan Sing's property business would be worth S$179.7m. Our RNAV valuation accounted for the surplus values of Tuan Sing's development projects and conservative estimates for key properties such as 18 Robinson and Link@896 Dunearn Road. Excluded from the valuation were the surplus value of the Peak Residence project and the NAVs of SP Corporation and Tuan Sing's equity-accounted investments.

Other equity-accounted investments were also revalued. We assigned no value to Hypak and Pan-West given their small size and history of losses. Sanya Summer Real Estate and Goodwill Property Investment were revalued to cost while SP Corporation was assigned a market value of S$10.0m.

Altogether, we computed an SOTP-based TP of S$0.38 after applying a 10% conglomerate discount. This valuation implies a PNAV of -2SD from the multi-year mean. The valuation excludes any possible developments related to Opus Bay.

Tuan Sing valuation waterfall chart (S$m)



Source: DBS Bank

SOTP Valuation

Development Properties	Interest (%)	Number of Units	Surplus Value (S$m)
Kandis Residences	100	130	4.7
Mont Botanik	100	108	13.0

Key Investment Properties	NLA (sq ft)	Est. Market Value (S$m)	Change in FV (S$m)
18 Robinson	191,965	540.0	(141.5)
Robinson Point	134,367	315.5	(58.9)
Link@896 Dunearn Road	202,708	202.7	(185.3)

SOTP Breakdown	S$m
NAV	1,103.0
Total Surplus Value	17.7
Total Change in FV	(382.8)
Less: NAV of Equity Accounted Investments, SP Corporation and Goodwill Property Inv*	(224.5)
RNAV	**513.4**
Discount to RNAV	65%
Discounted RNAV	**179.7**
Add: Gultech (based on FY20F P/E of 11.0x)	272.8
Add: SP Corporation	10.0
Add: Sanya Summer Real Estate	14.9
Add: Goodwill Propery Investment	25.2
Total	**502.6**
Conglomerate Discount	10%
Est. Tuan Sing Market Value	**452.3**
Number of shares (millions)	1,185
Share Price	**S$0.38**

**equity accounted investments also include Sanya Summer Real Estate*
Source: DBS Bank

Gultech's peer comparables (as of 15 Jun 2020)

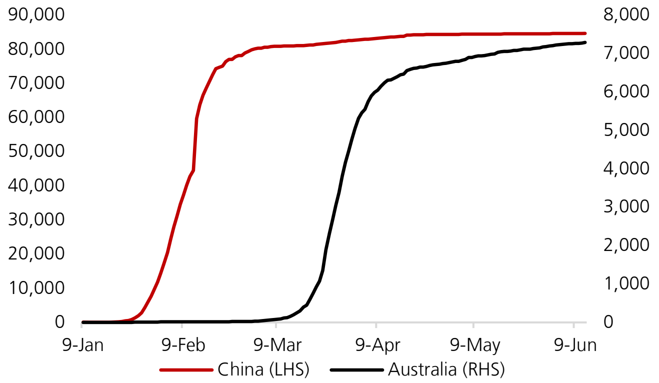
	Last Price (S$)	Market Cap (S$m)	FY19 Earnings (S$m)	P/E FY20F	P/E FY21F	FY20F Yield (%)
Singapore						
Gul Technologies	NA	613.0 (est.)	48.5	11.0 (est.)	NA	NA
AEM Holdings	2.99	820.1	52.8	9.9	10.0	2.5
UMS Holdings	0.88	469.4	37.9	11.9	10.4	5.8
Valuetronics Holdings	0.54	234.9	31.5	9.8	9.3	5.2
Frencken Group	0.79	335.6	41.0	8.3	7.5	3.7
Hi-P International	1.03	831.1	78.4	14.1	11.8	1.9
Venture Corporation	15.06	4,350.7	332.6	13.9	12.4	4.6
Average	NA	NA	NA	10.8	9.6	3.6
China	(RMBm)	(RMBm)	(S$m)			
Shennan Circuits Co Ltd-A	150.64	71,569.7	250.6	41.0	32.6	0.8
Shenzhen Suntak Circuit Technology	17.86	15,788.7	104.7	26.0	20.7	2.1
Aoshikang Technology	52.18	7,715.8	52.4	NA	NA	NA
Average	NA	NA	NA	33.5	26.6	1.5

Source: Bloomberg Finance L.P., DBS Bank

Key Risks

Resurgence in COVID-19. A steep rise in global COVID-19 cases could lead to travel and business disruptions. For Tuan Sing, this could mean the Grand Hyatt Melbourne and Hyatt Regency Perth experiencing a longer bout of low occupancies driven by travel bans. Tuan Sing is also exposed to shutdowns in China. The Group, through its investment in GulTech, has three printed circuit board manufacturing plants in China that could face temporary closure if China were to implement another shutdown.

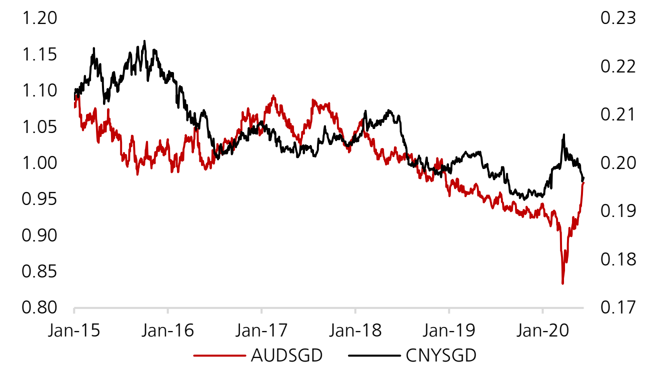
Cumulative COVID-19 cases in Australia and China



Source: DBS Bank

Foreign exchange risk. In FY19, Australia and China accounted for 38% and 6% of Tuan Sing's revenue respectively. A 10% weakening of the Australian Dollar (AUD) against the Singapore Dollar (SGD) would lead to a loss of S$3.5m and vice versa. Prior to the COVID-19 outbreak, both the AUD and Chinese Yuan (CNY) were depreciating steadily against the SGD. Both currencies have since recovered significantly against the SGD although the CNY has continued its decline. To mitigate this, Tuan Sing relies on natural hedges through its business operations such as its hospitality business in Australia.

AUD and CNY had historically depreciated against the SGD



Source: Bloomberg Finance L.P., DBS Bank

Regulatory risk. Property development projects typically take 3-5 years to complete. Within this span of time, government regulations could change which could impact demand. For example, additional buyer stamp duty rates were raised in 2018 which directly increased the cost of purchasing residential properties.

Collapse in key commodity prices and trading volume. Tuan Sing owns 80.2% of SP Corporation, a company whose main business lies in the trading of coal (c.88% of SP Corporation's revenue). Decreases in the average selling price of coal could hurt the company's revenue while a decline in trading volume is likely to lower profit.

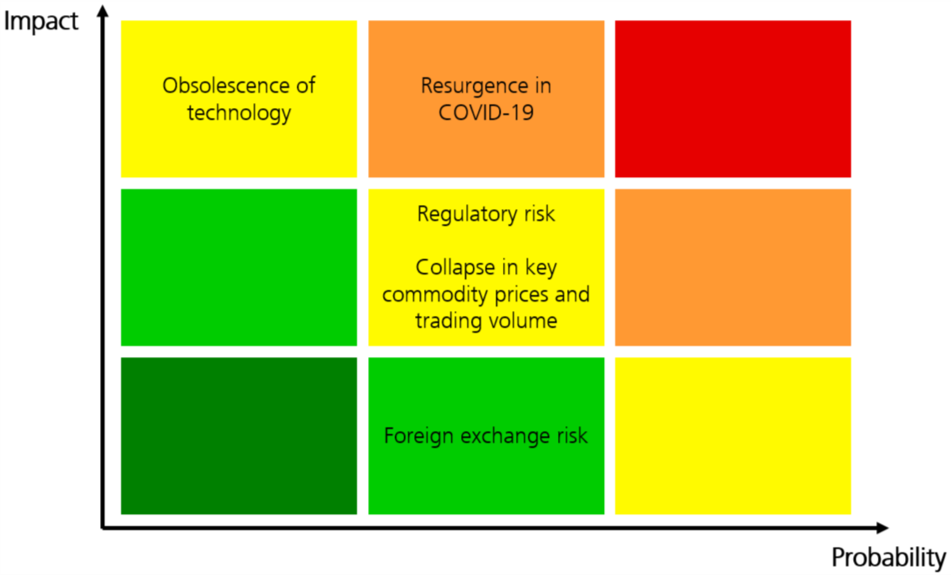
Obsolescence of technology. As a player in the fast-changing printed circuit board (PCB) sector, Gultech has had to upgrade its facilities to keep up with technological developments in the industry. For example, a thinner PCB is typically more difficult to manufacture, especially at high quantities. Rapid technological advancement could thus render GulTech's facilities obsolete or less efficient to operate if timely upgrades are not made.

Illustrated capabilities of PCB manufacturers

	GulTech	Hitech Circuits	PCBWay
Layer Count	2 - 20	1 - 38	3 - 24
Line Width/Spacing (mm)	0.1/0.1	0.075/0.075	0.09/0.08
Min Board Thickness (mm)	0.1	0.1	0.25
Max Board Thickness (mm)	3.0	6.0	4.5
Surface Treatment	OSP ENIG ENEPIG Hard gold Immersion Tin Immersion Silver	OSP ENIG Immersion Silver Immersion Tin HASL HASL Lead Free	OSP HASL HASL Lead Free ENIG Immersion Gold Immersion Tin

Source: Company, DBS Bank

Tuan Sing Risk Matrix



Source: DBS Bank

SWOT Analysis

Strengths	Weakness
• Owner of prized assets in Singapore and Australia including 18 Robinson, Robinson Point and Grand Hyatt Melbourne • Established connections and deep understanding of the Indonesian market • Property business supplemented by high growth of Gultech's PCB business	• High gearing a concern, but progress payments from Mont Botanik and Kandis Residence to help reduce debt

Opportunities	Threats
• Semiconductor upcycle and Chinese demand to buoy Gultech's growth • Possible redevelopment or enhancement of assets in portfolio such as Grand Hyatt Melbourne • Stake in Indonesian land (in Batam and Bali) may create pipeline of new projects	• Delayed project completions and vacant hotels if another round of lockdowns take place • Higher development costs in Singapore attributed to imminent rise in cost of foreign labour

Source: DBS Bank

Critical Factors

Land tender wins and acquisitions. Land tender wins have the potential to drive Tuan Sing's share price. Land tender wins represent an addition to Tuan Sing's land bank which translates into potential future profits and NAV uplifts in the longer term. Notably, the announcement of an acquisition of land in Batam in June 2016 led to a rise in share price of c.3.4% the day after. Similarly, the award of a S$123m site at Seletar Road in 2010 contributed to the more than 20% rise in share price over the next few days. However, successful wins and acquisitions may have different effects on the share price depending on market sentiment and the price paid (whether the cost of land was deemed to be worth the price).

Acquisitions, divestments and asset enhancement initiatives. Acquisitions, divestments and asset enhancement decisions impact Tuan Sing's immediate and future cash flows and thus will have an impact on share price. We observed that for the two weeks after a S$48.5m divestment of Century Warehouse in January 2019, the share price saw a c.5.3% gain. Likewise, Tuan Sing's share price saw significant positive rises after the announcement of a A$120m acquisition for the remaining 50% stake in Grand Hotel Group and the receipt of approval for AEI at Hyatt Centre.

Tuan Sing's recent acquisitions and divestments

Date	Value	Location
Apr-19	S$2.4m	Remaining 51% interest of land in Marina City, Batam
Mar-19	S$48.5m	Divestment of Century Warehouse
Aug-18	S$118.9m	Acquisition of Peak Court with Rich Capital
Jun-18	S$39.2m	Land in Batam through Goodworth Investments
Jun-18	RMB250m	49% Gultech Wuxi Plant
Apr-17	S$47.8m	Acquisition of land at No.1 Jalan Remaja, Singapore
Apr-17	S$365m	Acquisition of Sime Darby Centre

Source: Company, DBS Bank

Strong property sales rates. Strong property sales rates are an indicator of the quality and popularity of a development and have a direct impact on Tuan Sing's earnings. Shortly after the launch of Cluny Park Residence in March 2014, Tuan Sing reported that c.40% of 52 units had been sold, triggering a 6.5% appreciation in share price over the following two weeks. The impact on share price varies depending on the property market (whether weak or strong) and the sales performance of its projects.

Sales rates of Tuan Sing's upcoming properties (as at May 20)

Project	Completion	% of units sold
Mont Botanik	2021	55%
Kandis Residence	2020	78%

Source: Company, DBS Bank

Property-related regulations. Changes to these regulations can have a direct and significant impact on the demand and supply of properties. In recent years, the Singapore government has introduced property cooling measures in a bid to avoid a bubble.

While it is difficult to predict the details of any new regulations, the current weak economic sentiment caused by the COVID-19 outbreak should reduce the likelihood of more property cooling measures. In fact, the government has relaxed regulations. Tuan Sing is no longer required to 1) complete housing developments within five years from the land acquisition date, and 2) sell all units within two years from completion.

Key property cooling measures introduced in 2018

	Before 6 July 2018	After 6 July 2018
Additional Buyer's Stamp Duty		
Singapore Citizen:	7%	12%
2nd Property	10%	15%
3rd Property		
Singapore PRs:	5%	5%
1st Property	10%	15%
2nd Property	15%	20%
3rd Property		
	15%	25%
Foreigners:		
	15%	25% + 5%
Developers:		
Loan-to-Value Ratio:		
1st Property	80%	75%
2nd Property	50%	45%
3rd Property	40%	35%

Source: MAS, DBS Bank

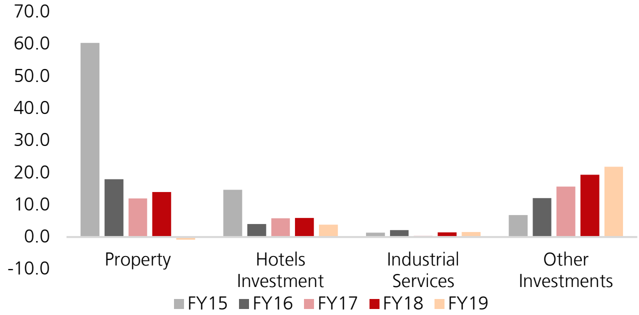
Tuan Sing's Historical Share Price (2000 – Present) (S$)

Source: Company, Bloomberg Finance L.P., DBS Bank

Financials

The other investments segment has grown steadily and is now the largest contributor to profit before tax and fair value adjustments (PBTFV). The segment generated S$21.8m of PBTFV in FY19 and was mainly driven by Gultech's improved performance. In contrast, PBTFV for the property and hotels investment segments have declined over the years while PBTFV for industrial services has remained flat. The outsized FY15 PBTFV for the property segment was due to revenue recognition of three Singapore properties (Seletar Park Residence, Sennett Residence and Cluny Park Residence) which had sold well. The subsequent decline was due to a reduction in projects.

Other investments now largest PBTFV contributor (S$m)

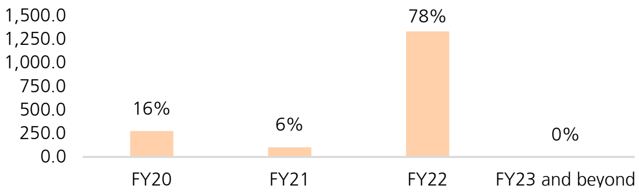


Source: Company, DBS Bank

For FY20F and FY21F, even as COVID-19 takes a toll on the economy, we expect Tuan Sing's property revenue and operating income to rise as the Group progressively recognises sales from the Kandis Residence and Mont Botanik projects which are 78% and 55% sold respectively. The Group could also see a 15.0% rise in share of associates income, driven by demand for Gultech's PCBs.

FY19 debt-equity was at 1.53x, increasing slightly from the previous year's 1.48x. The bulk of Tuan Sing's debt (91%) remains secured with the unsecured portion comprising medium-term notes (MTN). The Group enjoyed a weighted average cost of financing of 2.9% per annum in FY19 and had undrawn facilities of S$194.0m and cash and equivalents of S$89.0m. As such, we do not anticipate any short-term liquidity issues. Indeed, we note that Tuan Sing has paid off its S$150m 5 June 2020 MTN with no hiccups.

Tuan Sing's debt maturity profile (FY19) (S$m)

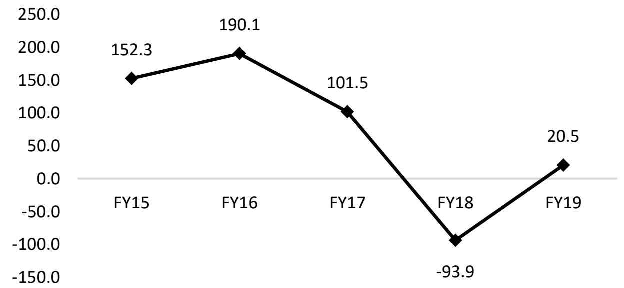


Source: Company, DBS Bank

Tuan Sing's interest coverage ratio has declined over the years, reaching a low of 0.9 in FY19. While this may be alarming, we believe that management is actively taking steps to manage its debt. Progress payments from the Kandis Residences and Mont Botanik projects should also help improve the ratio in the near term as debt is repaid. In addition, the potential receipt of dividends from Gultech could significantly boost Tuan Sing's cash flows.

Lumpy operating cash flows. Tuan Sing's operating cash flows have fluctuated over the years and are highly dependent on the progress of property development projects. For example, net cash from operating activities was the highest in FY16 following the completion of three Singapore residential development projects during the year.

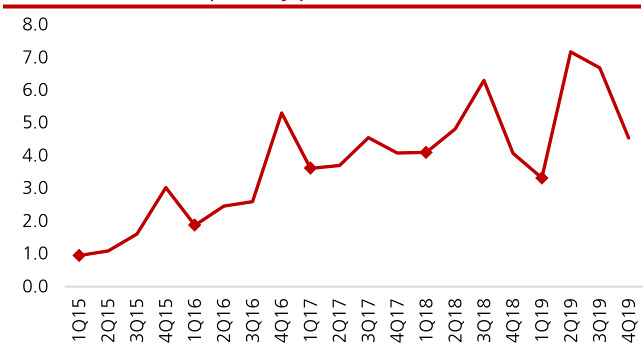
Operating cash flows have fluctuated over the years (S$m)



Source: Company, DBS Bank

Seasonality in Gultech's performance. The first quarter of every year has consistently been Gultech's poorest performing quarter. We believe this observed seasonality is due to the company's predominantly China exposure. The Chinese New Year holidays in China lead to long business closures that impact Gultech's performance in the first quarter.

Other investments quarterly profit (S$m)



Source: Company, DBS Bank

DBS
Live more, Bank less

Segmental Breakdown

FY Dec	2017A	2018A	2019A	2020F	2021F	2022F
Revenues (S$m)						
Property	100	81.9	108	154	184	126
Hotels investment	119	109	101	50.2	75.8	97.6
Industrial services	136	145	101	123	123	123
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.18	0.18	0.18	0.20	0.20	0.20
Total	356	336	311	328	383	347
PBTFV (S$m)						
Property	12.0	14.0	(0.8)	18.2	33.3	24.3
Hotels investment	5.87	5.95	3.87	(4.4)	1.52	4.88
Industrial services	0.40	1.42	1.54	1.48	1.48	1.48
Other investments	15.7	19.3	21.8	24.8	29.1	32.1
Others	11.2	7.13	4.51	4.51	4.51	4.51
Eliminations	(22.0)	(25.3)	(22.1)	(23.7)	(23.7)	(23.7)
Total	23.2	22.5	8.83	20.9	46.3	43.5

Spike due to construction completion of Mont Botanik resulting in recognition of sales

Australian hotels to progressively recover

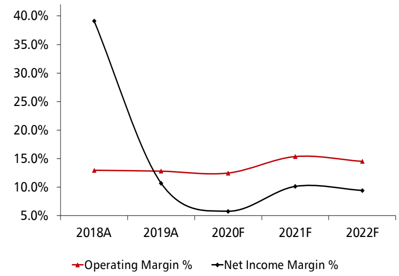
Source: Company, DBS Bank

Income Statement (S$m)

FY Dec	2017A	2018A	2019A	2020F	2021F	2022F
Revenue	356	336	311	328	383	347
Cost of Goods Sold	(291)	(267)	(239)	(262)	(295)	(267)
Gross Profit	**64.8**	**69.5**	**71.5**	**65.5**	**88.1**	**79.8**
Other Opng (Exp)/Inc	(28.3)	(26.0)	(31.8)	(24.7)	(29.2)	(29.4)
Operating Profit	**36.5**	**43.5**	**39.8**	**40.8**	**58.9**	**50.4**
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	15.7	19.2	21.6	24.8	29.1	32.1
Net Interest (Exp)/Inc	(29.0)	(40.2)	(52.5)	(44.7)	(41.7)	(38.9)
Exceptional Gain/(Loss)	44.8	113	33.2	0.0	0.0	0.0
Pre-tax Profit	**68.0**	**136**	**42.0**	**20.9**	**46.3**	**43.5**
Tax	(5.3)	(4.2)	(9.4)	(2.1)	(5.8)	(6.5)
Minority Interest	(0.1)	0.11	0.53	0.10	(1.8)	(4.3)
Preference Dividend	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	**62.6**	**132**	**33.2**	**18.9**	**38.8**	**32.7**
Net Profit before Except.	17.8	18.5	0.01	18.9	38.8	32.7
EBITDA	60.3	71.4	72.0	76.0	98.2	93.4
Growth						
Revenue Gth (%)	(11.9)	(5.6)	(7.6)	5.4	16.9	(9.4)
EBITDA Gth (%)	(9.7)	18.4	0.8	5.6	29.3	(4.9)
Opg Profit Gth (%)	(19.7)	19.2	(8.7)	2.7	44.2	(14.4)
Net Profit Gth (Pre-ex)	(43.0)	3.6	(100.0)	nm	104.7	(15.7)
Margins & Ratio						
Gross Margins (%)	18.2	20.7	23.0	20.0	23.0	23.0
Opg Profit Margin (%)	10.3	13.0	12.8	12.5	15.4	14.5
Net Profit Margin (%)	17.6	39.1	10.7	5.8	10.1	9.4
ROAE (%)	6.6	12.7	3.0	1.7	3.4	2.8
ROA (%)	2.6	4.7	1.1	0.6	1.3	1.1
ROCE (%)	1.5	1.6	1.1	1.3	1.8	1.5
Div Payout Ratio (%)	11.4	8.1	21.4	37.6	18.4	21.8
Net Interest Cover (x)	1.3	1.1	0.8	0.9	1.4	1.3

Source: Company, DBS Bank

Margins Trend



One-off wage subsidies from Australia and Singapore to reduce net operating expenses

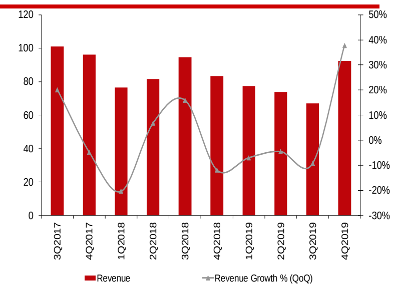
One-off gain mainly attributed to completion of redevelopment of 18 Robinson

Quarterly / Interim Income Statement (S$m)

FY Dec	3Q2018	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019
Revenue	94.7	83.3	77.5	73.9	67.0	92.3
Cost of Goods Sold	(76.8)	(64.5)	(61.0)	(60.2)	(52.0)	(67.0)
Gross Profit	**17.8**	**18.8**	**16.5**	**13.8**	**15.0**	**25.3**
Other Oper. (Exp)/Inc	(9.6)	(6.8)	(5.9)	(4.2)	(8.8)	(12.0)
Operating Profit	**8.29**	**12.0**	**10.6**	**9.57**	**6.23**	**13.3**
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	6.27	3.82	3.51	6.75	7.39	3.91
Net Interest (Exp)/Inc	(9.4)	(9.3)	(12.2)	(12.1)	(11.8)	(16.4)
Exceptional Gain/(Loss)	0.03	113	0.08	(0.3)	(0.7)	34.1
Pre-tax Profit	**5.21**	**120**	**2.02**	**3.93**	**1.12**	**35.0**
Tax	(1.4)	(0.3)	(1.8)	(2.4)	(0.8)	(4.4)
Minority Interest	(0.1)	0.0	0.0	(0.1)	(0.1)	0.77
Net Profit	**3.77**	**119**	**0.16**	**1.48**	**0.21**	**31.4**
Net profit bef Except.	3.73	6.22	0.08	1.74	0.93	(2.7)
EBITDA	16.7	18.0	16.1	18.4	15.7	19.2
Growth						
Revenue Gth (%)	15.9	(12.0)	(7.0)	(4.6)	(9.3)	37.7
EBITDA Gth (%)	8.1	7.9	(10.5)	13.9	(14.4)	22.1
Opg Profit Gth (%)	(0.9)	44.8	(11.6)	(9.8)	(34.9)	114.1
Net Profit Gth (Pre-ex)	19.8	66.5	(98.8)	2,185.5	(46.3)	(393.7)
Margins						
Gross Margins (%)	18.9	22.6	21.3	18.6	22.4	27.4
Opg Profit Margins (%)	8.8	14.4	13.7	13.0	9.3	14.5
Net Profit Margins (%)	4.0	143.4	0.2	2.0	0.3	34.0

Source: Company, DBS Bank

Revenue Trend

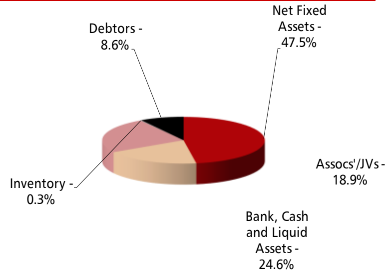


Balance Sheet (S$m)

FY Dec	2017A	2018A	2019A	2020F	2021F	2022F
Net Fixed Assets	447	426	414	408	438	431
Invts in Associates & JVs	93.2	118	138	163	192	224
Other LT Assets	1,600	1,747	1,826	1,826	1,826	1,826
Cash & ST Invts	217	133	172	212	184	146
Inventory	2.91	2.79	2.37	2.61	2.95	2.66
Debtors	89.2	76.1	70.4	74.3	86.8	78.6
Other Current Assets	194	409	374	320	251	200
Total Assets	2,642	2,912	2,997	3,004	2,979	2,908
ST Debt	279	884	281	100	300	300
Creditor	122	125	109	156	153	151
Other Current Liab	14.0	5.91	5.75	3.69	7.39	8.13
LT Debt	1,179	746	1,430	1,569	1,310	1,210
Other LT Liabilities	48.3	47.5	52.2	45.0	45.0	45.0
Shareholder's Equity	990	1,088	1,105	1,117	1,148	1,174
Minority Interests	10.6	14.7	14.1	14.0	15.8	20.1
Total Cap. & Liab.	2,642	2,912	2,997	3,004	2,979	2,908
Non-Cash Wkg. Capital	150	357	332	236	180	123
Net Cash/(Debt)	(1,241)	(1,497)	(1,539)	(1,457)	(1,426)	(1,364)
Debtors Turn (avg days)	127.1	89.7	86.1	80.6	76.8	87.0
Creditors Turn (avg days)	151.0	174.8	187.0	192.4	198.4	216.5
Inventory Turn (avg days)	4.2	4.0	4.1	3.6	3.6	4.0
Asset Turnover (x)	0.1	0.1	0.1	0.1	0.1	0.1
Current Ratio (x)	1.2	0.6	1.6	2.3	1.1	0.9
Quick Ratio (x)	0.7	0.2	0.6	1.1	0.6	0.5
Net Debt/Equity (X)	1.2	1.4	1.4	1.3	1.2	1.1
Net Debt/Equity ex MI (X)	1.3	1.4	1.4	1.3	1.2	1.2
Capex to Debt (%)	0.5	0.2	0.4	0.2	2.5	0.3

Source: Company, DBS Bank

Asset Breakdown



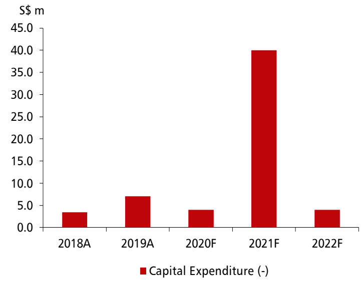
Cash Flow Statement (S$m)

FY Dec	2017A	2018A	2019A	2020F	2021F	2022F
Pre-Tax Profit	68.0	136	42.0	20.9	46.3	43.5
Dep. & Amort.	8.10	8.64	10.6	10.3	10.2	10.9
Tax Paid	(12.4)	(12.3)	(5.6)	(4.2)	(2.1)	(5.8)
Assoc. & JV Inc/(loss)	(15.7)	(19.2)	(21.6)	(24.8)	(29.1)	(32.1)
Chg in Wkg.Cap.	68.6	(136)	(32.3)	49.5	(11.0)	11.1
Other Operating CF	(15.1)	(70.9)	27.3	(7.2)	0.0	0.0
Net Operating CF	**102**	**(93.9)**	**20.5**	**44.6**	**14.2**	**27.8**
Capital Exp.(net)	(8.0)	(3.4)	(7.1)	(4.0)	(40.0)	(4.0)
Other Invts.(net)	(439)	(86.0)	35.1	48.5	63.9	45.5
Invts in Assoc. & JV	0.0	(14.9)	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0	0.0
Other Investing CF	4.29	(14.8)	(35.1)	0.0	0.0	0.0
Net Investing CF	**(443)**	**(119)**	**(7.1)**	**44.5**	**23.9**	**41.5**
Div Paid	(5.9)	(5.4)	(9.4)	(7.1)	(7.1)	(7.1)
Chg in Gross Debt	444	192	98.1	(42.7)	(58.9)	(100.0)
Capital Issues	0.0	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(38.5)	(54.4)	(78.8)	0.0	0.0	0.0
Net Financing CF	**400**	**132**	**9.84**	**(49.8)**	**(66.0)**	**(107)**
Currency Adjustments	(3.0)	(3.5)	(0.9)	0.0	0.0	0.0
Chg in Cash	55.3	(84.6)	22.4	39.3	(27.9)	(37.9)
Opg CFPS (S cts)	2.78	3.52	4.45	(0.4)	2.13	1.40
Free CFPS (S cts)	7.89	(8.2)	1.13	3.43	(2.2)	2.00

Estimated capex for Hyatt Regency Perth AEI

Source: Company, DBS Bank

Capital Expenditure



Company Background

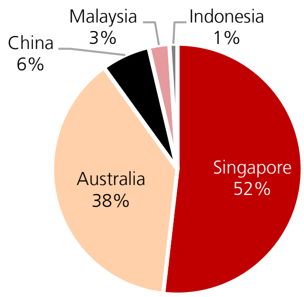
Corporate History. Tuan Sing Holdings Limited ("Tuan Sing") is a Singapore-based investment holding company with core interests in property development, property investment and hotel ownership. The Group's real estate businesses are mainly focused in the key Asia Pacific markets of Singapore, China, Indonesia and Australia. The Group also has interests in PCB manufacturing, commodity trading and production of polypropylene packaging bags.

Tuan Sing's non-real estate businesses

Business	Description	Interest
SP Corporation	Commodity trading	80.2%
Hypak Sdn Bhd	Manufacturing and marketing of polypropylene packaging bags	97.9%
Gul Technologies Singapore (Gultech)	Manufacturing of PCBs	44.5%
Pan-West (Private) Ltd	Retailing of golf-related products	49%

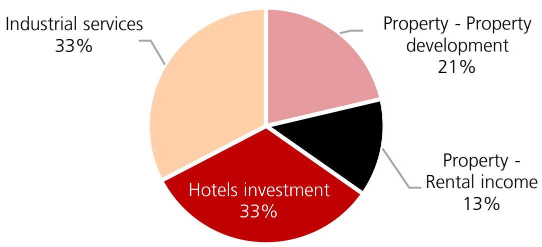
Source: Company, DBS Bank

Tuan Sing's FY19 geographic revenue split



Source: Company, DBS Bank

Tuan Sing's FY19 segment revenue split



Source: Company, DBS Bank

Tuan Sing's property segment is involved in the development of properties in Singapore, China and Indonesia. Properties that have been or are being developed by the Group include Sennett Residence and Mont Botanik Residence.

The property segment is also engaged in investment properties in Singapore, Australia and China. In FY19, the property development business and investment property business contributed 21% and 13% of Tuan Sing's top line respectively. A noteworthy development was the receipt of a Temporary Occupation Permit ("TOP") for the redeveloped investment property, 18 Robinson in 2019.

Mont Botanik Residence and 18 Robinson

Source: Company, DBS Bank

The hotel investments segment comprises two hotels in Australia, namely the Grand Hyatt Melbourne and Hyatt Regency Perth. Both hotels completed renovations in 2011 for a total cost of A$70.0m and saw occupancies of 91.0% and 75.7% respectively in FY19. The hotel investment segment contributed 33% of Tuan Sing's revenue in FY19.

The industrial services segment consists of two businesses, namely SP Corporation and Hypak Sdn Bhd. SP Corporation is involved in the trading of industrial commodities such as aluminium, coal and natural rubber. Hypak mainly deals with the manufacturing and marketing of polypropylene woven bags. Notably, while this segment constitutes a large proportion of Tuan Sing's revenue, the businesses are low margin in nature. Net margin for the industrial services segment was only 1.2% for FY19.

Tuan Sing also saw significant contributions from its other investments in Gul Technologies (GulTech) and Pan-West. The Group's FY19 net profit from these two businesses was S$21.7m. GulTech manufactures PCBs that serve sectors such as automotive, computer peripherals and healthcare. GulTech has three manufacturing plants in China, one each in Jiangsu, Suzhou and Wuxi. Pan-West is a distributor of golf-related lifestyle products that distributes golfing brands such as Cleveland Golf and Volvik exclusively in Malaysia and Singapore.

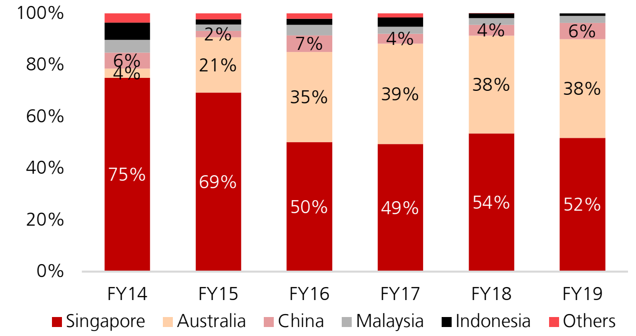
Gul Technologies Plant Capabilities

	Suzhou	Wuxi	Jiangsu
Plant Capacity (Kilo SF/mo)	750	900	300
Layer Count	2 - 20	2 - 20	2 – 20
Line Width/Spacing (mm)	0.1/0.1	0.04/0.04	0.04/0.04
Drill size – laser size (mm)	N/A	0.05	0.05
Min Board Thickness – 2L	0.5	0.1	0.1
Min Board Thickness – 4L	0.5	0.25	0.25

Source: Company, DBS Bank

Tuan Sing has geographically diversified its business with Singapore revenue dropping to 52% of revenue in FY19 from 75% in FY14. Conversely, revenue from Australia had risen to form 38% of FY19 revenue, up from 4% in FY14.

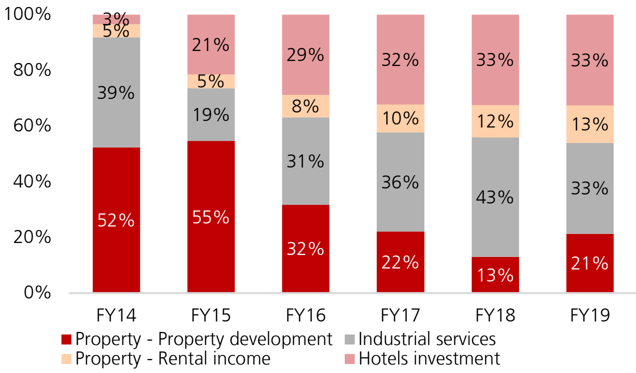
Share of Australian revenue has trended up



Source: Company, DBS Bank

This change could largely be attributed to a shift in the business model towards recurring income. Specifically, Tuan Sing acquired 50% of the remaining interest in Grand Hotel Group ("GHG") in December 2014. As a result, revenue from Australia rose due to GHG's focus in Australia. Recurring revenue as a percentage of total revenue also rose from 8% in FY14 to 46% in FY19.

Recurring revenue (rental and hotel revenue) has increased



Source: Company, DBS Bank

Management

Board composition. Tuan Sing's board saw a significant change in 2020 following the passing of Mr David Lee Kay Tuan (Non-independent Director) and the retirement of Mr Ong Beng Kheong (Chairman) and Mr Neo Ban Chuan (Independent Director). To date, Tuan Sing has not announced replacements for these directors.

Corporate governance. Tuan Sing was ranked 11^{th} on the Singapore Governance and Transparency Index in 2019 and is one of a few mid-cap companies in the top 20. The Group has also received awards such as the 2019 Singapore Corporate Awards – Best Managed Board (Bronze) and 2019 Singapore Corporate Governance Award runner-up in the Mid Capitalisation Category.

Key Management Team

Name & Position	Experience
Mr William Nursalim Alias William Liem *Chief Executive Officer and Executive Director*	Mr William Nursalim alias William Liem was appointed Chief Executive Officer in January 2008. He has been a board director of Tuan Sing Holdings since January 2004 and is responsible for the overall management of Tuan Sing. Mr Liem's career had spanned across the finance and real estate sector with roles at Lehman Brothers, GT Asia Pacific Holdings and Habitat Properties. He currently also serves as a director for companies linked to Tuan Sing including SP Corporation, Gul Technologies and Nuri Holdings. Mr Liem holds an MBA from the Massachusetts Institute of Technology and a Bachelor of Science in Business, University of California, Berkeley.
Mr Leong Kok Ho *Chief Financial Officer*	Mr Leong Kok Ho joined Tuan Sing in August 2018 and oversees Tuan Sing's financial reporting and treasury management matters. Mr Leong began his career at Coopers & Lybrand. Since then, he has accumulated a vast amount of experience through his stints as Chief Financial Officer at Singapore Exchange Securities Trading Limited and other companies listed on the New York Stock Exchange. Mr Leong graduated with a Bachelor of Accountancy degree from the National University of Singapore. He also holds an MBA from the University of Southern Queensland and is a member of both the Institute of Singapore Chartered Accountants and Singapore Institute of Directors.
Mr Darren Toh Peng Yeow *Chief Digital Officer*	Mr Darren Toh Peng Yeow joined Tuan Sing in April 2019. He is responsible for the Group's digital initiatives that could include IT solutions in retail, office and hospitality. Mr Toh started his career at Accenture and was promoted to Manager before he left. He also held several managerial positions at CapitaLand, M1 Limited and Resorts World Sentosa before he joined Tuan Sing as Chief Digital Officer. Mr Toh holds a Bachelor of Computing (Business Focus) degree from the National University of Singapore.

Source: Company, DBS Bank

DBS Bank 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 share price catalysts within this time frame)

**Share price appreciation + dividends*

Completed Date: 16 Jun 2020 07:39:28 (SGT)
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