

TAT HONG HOLDINGS LTD
FY2016 RESULTS
27 MAY 2016

TAT HONG HOLDINGS LTD

4Q/FY2016 Results

Fleet Update

Outlook and Prospects

4QFY2016 Results Summary

Revenue

- **Declined 7.2% to S$126.7 million**
  - Lower revenues from all Divisions except Tower Crane Rental which posted a 4% increase

Gross Profit Margin

- **Decreased 5.6% pts to 26.3%**
  - Higher margins from Tower Crane Rental and General Equipment Rental eroded by lower margins from Crane Rental and Distribution

Pre-tax Loss

- **Pre-tax loss of S$43.8 million compared with loss of S$18.3 million in 4QFY2015**

Due mainly to:

- Lower revenue and gross profit margin
- Forex loss of S$7.7 million compared with gain of $5.0 million in 4QFY2015
- S$32.5 million in goodwill and asset impairment charges compared with S$30.8 million in 4QFY2015
- S$0.3 million share of loss from associates and JVs vs S$0.9 million share of profit previous corresponding quarter
- Higher rental expense and provision for doubtful debts

Partially offset by :

- Lower staff costs

LATMI

- **Net Loss widened to S$39.8 million from $17.1 million in 4QFY2015**

Comparisons are made against 4QFY2015 ended 31 March 2015

FY2016 Results Summary

Revenue

- **Declined 13.2% to S$528.2 million**
  - Lower revenue posted by all Divisions

Gross Profit Margin

- **Decreased 4.6% pts to 30.2%**
  - Lower GP margins across all Divisions except Tower Crane Rental

Pre-tax Profit/Loss

- **Pre-tax Loss of S$37.9 million compared with pre-tax profit of S$18.4 million in FY2015**

Due mainly to:

- Lower revenue and gross profit margin
- Forex losses of S$14.9 million vs gain of S$12.0 million in FY2015
- Higher impairment charges of S$32.7 million compared with S$30.8 million previously
- Share of loss from associates and JVs of S$0.1 million vs S$4.4 million share of profit in FY2015

Partially offset by :

- Higher gains from disposal of non-core assets and equipment under the de-fleeting programme – S$33.1 million in FY2016 vs $21.2 million in FY2015
- Lower underlying operating costs (excluding impairments and foreign exchange loss) of S$20.3 million mainly in manpower, repair and maintenance costs , depreciation as well as the translation effect of a weaker AUD

Comparisons are made against FY2015

FY2016 Results Summary

LATMI/PATMI

- **Net loss of S$39.3 million compared with net profit of S$4.9 million in FY2015**
  - Lower tax expenses
  - Lower share of profit attributable to minority interests
  - Net loss (excluding impairment charges) was S$6.6 million
  - Steady profit (excluding impairments and one-off exceptional items) at S$8.9 million

Balance Sheet

- **Healthy balance sheet**
  - Net gearing: 0.71 times compared with 0.77 times as at 31 March 2015
  - Cash and cash equivalents: Improved S$37.4 million to S$130.7 million
  - NTA and NAV per share: S$0.93

Comparisons are made against FY2015

Measures to Improve Operating Performance

1) Reduce manpower cost

- Wage freeze in Singapore
- Wage cut in Australia
- Implemented stringent hiring policy especially in Australia and Singapore
- Re-sizing staffing levels.
  - ➢ Reduction in headcount contributed mainly by Australia (105), Indonesia (203) and Singapore (62)
  - ➢ Increase in headcount primarily in China (311) due to business expansion and Hong Kong (20) due to fleet expansion and higher utilisation rates

No of Employees at 31 March 2015	No of Employees at 31 March 2016
4,240	**4,254**

Measures to Improve Operating Performance

2) Reduced under-utilised assets

- Smaller crawler/mobile crane fleet (Mar-16: 627units, Mar-15: 647, Mar-14: 683)
- Disposed under-utilised general equipment by TBG which totalled S$10 million in value
- Depreciation charges fell S$8.9 million (FY2016: S$80.9 million vs FY2015: S$89.8 million)

3) Unlocked cash from non-core assets

- Unlocked cash from sale and leaseback of a property in Australia
- Disposed properties in Malaysia and Singapore as part of the Group's efforts to restructure operations for greater efficiency
- Total proceeds of S$73.5 million from disposal of PPE

4) Better Asset Management

- Strict capex control: Purchases of PPE at S$29.1 million vs S$78.0 million in FY2015
- Value of inventories declined S$39.6 million (FY2016: S$146.9 million vs FY2015: S$186.5 million)

Measures to Improve Operating Performance

5) Improved efficiency in the use of land and resources

- Co-location of TBG's General Equipment Rental outlets with other division's facilities
- Relocation of crane rental operations from 11 Gul Crescent to Tuas South, a purpose-built facility with a multi-storey warehouse enabling the intensive storage of crane booms

6) Exited/scaled down unprofitable businesses

- Exited the excavator distribution business in Indonesia
- Closure of a General Equipment Rental branch and 2 Specialised Transport units in Australia
- Disposed 1 barge due to the weak demand from the offshore and marine sector

Financial Highlights

S$'m	4QFY2015	4QFY2016	*Change +/- (%)*	FY2015	FY2016	*Change +/- (%)*
Revenue	136.6	**126.7**	*-7.2*	608.6	**528.2**	*-13.2*
Gross Profit	43.6	**33.3**	*-23.4*	212.1	**159.5**	*-24.8*
Gross Profit Margin (%)	31.9	**26.3**	*-5.6 pts*	34.8	**30.2**	*-4.6 pts*
(LBT)/PBT	(18.3)	**(43.8)**	*+138.8*	18.4	**(37.9)**	*NM*
(LATMI)/PATMI	(17.1)	**(39.8)**	*+133.1*	4.9	**(39.3)**	*NM*
(LATMI)/PATMI (excluding impairment charges)	13.7	**(7.3)**	*NM*	35.7	**(6.6)**	*NM*

Steady Underlying Performance

S$'m	4QFY2015	4QFY2016	*Change +/- (%)*	FY2015	FY2016	*Change +/- (%)*
(LATMI)/PATMI	(17.1)	**(39.8)**	*+132.7*	4.9	**(39.3)**	*NM*
Add impairment losses	30.8	32.5	*+5.5*	30.8	32.7	*+6.2*
(LATMI)/PATMI (excluding impairment charges)	13.7	**(7.3)**	*NM*	35.7	**(6.6)**	*NM*
Less property disposal gains	(11.8)	(9.3)	*-21.2*	(17.1)	(17.3)	*+1.2*
Add/less unrealised FX loss/(gain)	(4.0)	5.2	*NM*	(11.8)	14.0	*NM*
Add/(less) losses/(profits) from Indonesia excavator business	(2.3)	9.0	*NM*	-	14.2	*NM*
Add/less other one-off costs, provisions and earnings	0.4	3.7	*+825.0*	0.2	4.6	*NM*
Underlying PATMI/(LATMI)	(4.0)	**1.3**	***NM***	7.0	**8.9**	*+27.1*

Underlying PATMI/(LATMI) excludes mainly one-off property disposal gains, non-cash impairment losses, unrealised FX impact and results of Indonesia excavator business

Financial Highlights

S$'m	As at 31 Mar 2015	As at 31 Mar 2016
Fixed Assets (PP&E)	919.3	**802.4**
Inventories	186.5	**146.9**
Debtors (Current & Non-current)	204.7	**222.9**
Cash & Cash Equivalents	93.3	**130.7**
Shareholders' Equity	650.8	**585.7**
NTA per share (S$)	1.00	**0.93**
NAV per share (S$)	1.03	**0.93**
Net gearing (times)	0.77	**0.71**

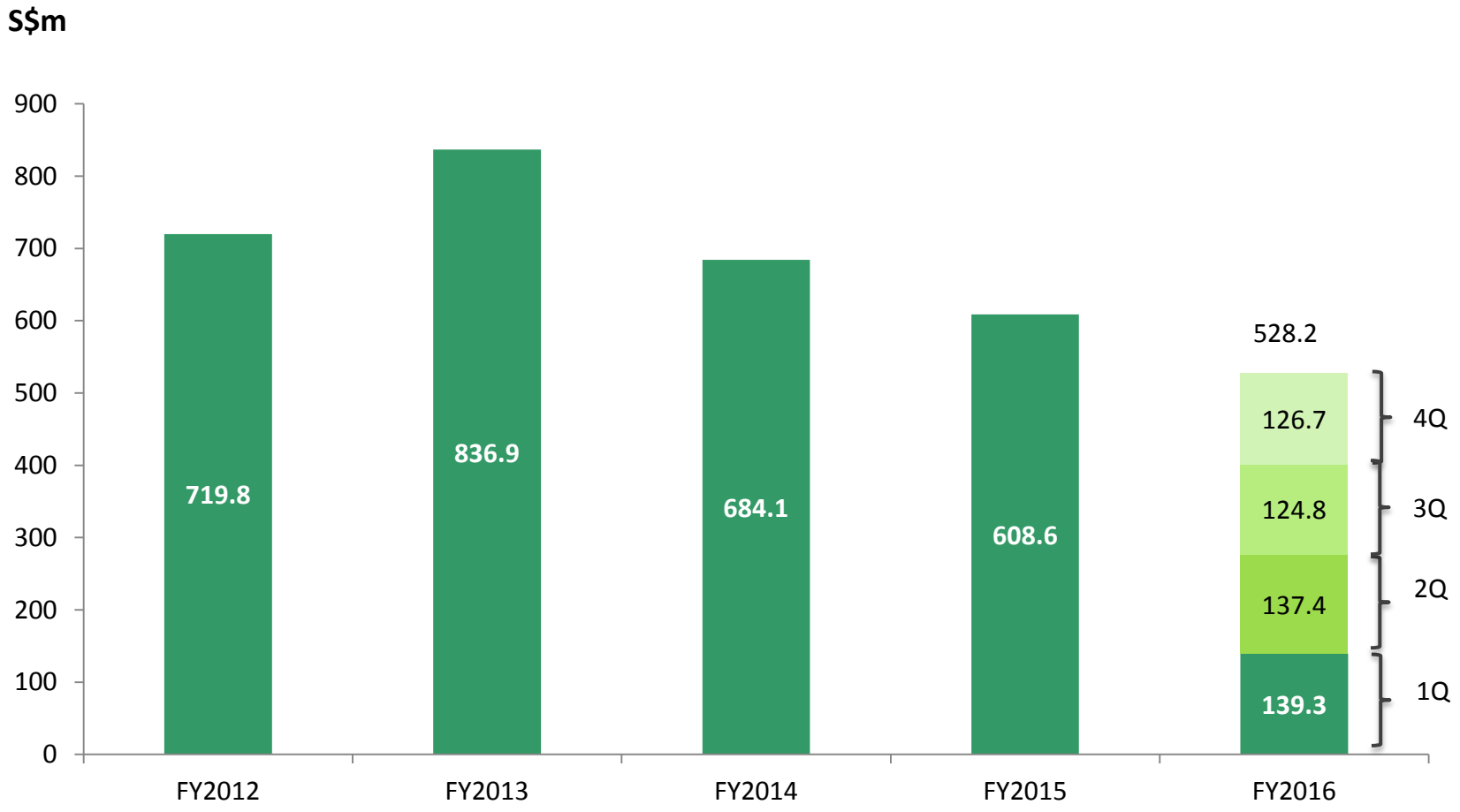
Disposal of PPE, depreciation, impairment loss, translation loss from weaker AUD:SGD and RMB:SGD as well as transfer of PPE to "assets held for sale", partially offset by equipment purchases and reclassification from inventory to PPE

Reclassification to PPE, reduction in excavator inventories in Indonesia and lower inventory levels in Singapore and Australia

Proceeds from the disposal of PPE, net draw down of term loans, operating cash flow surplus partially offset by net repayment of trust receipts, finance lease obligations and interest payments

Primarily due to reduction in currency translation reserve and accumulated profits

Revenue Trend



Segmental Revenue Highlights

1. Crane Rental

Revenue decreased 3% in 4QFY2016 to S$45.1 million and 21% in FY2016 to S$188.4 million

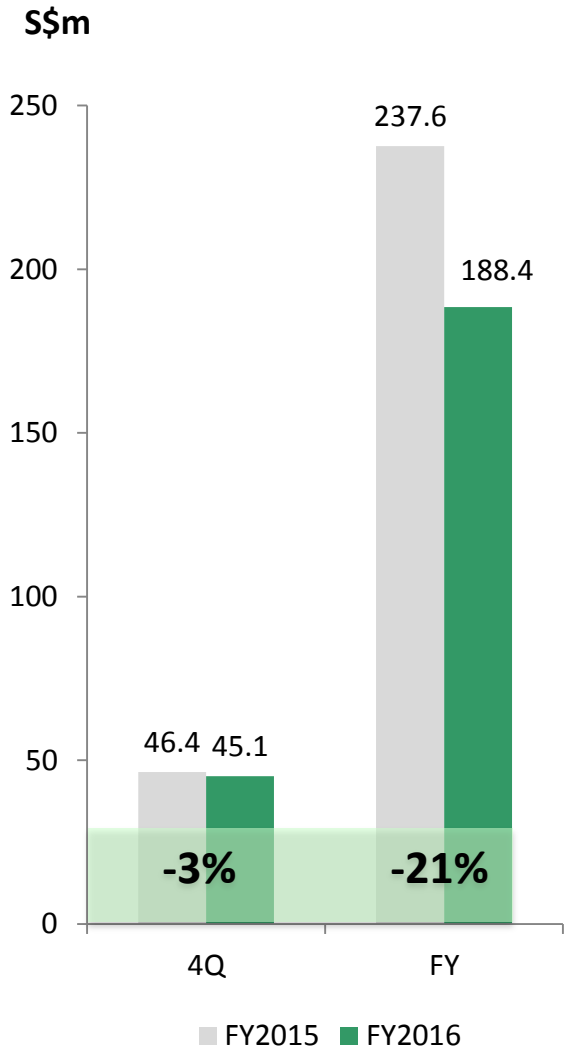
4Q & FY2016

- Australia: Completion of projects and intense competition compounded by weaker AUD:SGD
- Singapore: Lack of contribution of from a disposed subsidiary partially compensated by higher barge rental and project income
- Malaysia: Completion of projects
- Thailand: Completion of projects coupled with delay in the commencement of new projects

Partially mitigated by better performance from:

- Indonesia: Better contribution by PT World Wide Equipment from new contracts

Excluding the effects of weaker AUD and the disposal of a subsidiary in 2QFY2015, revenue declined 14% in FY2016



Comparisons are made against 4Q ended 31 March 2015 & FY2015

Segmental Revenue Highlights

2. Tower Crane Rental

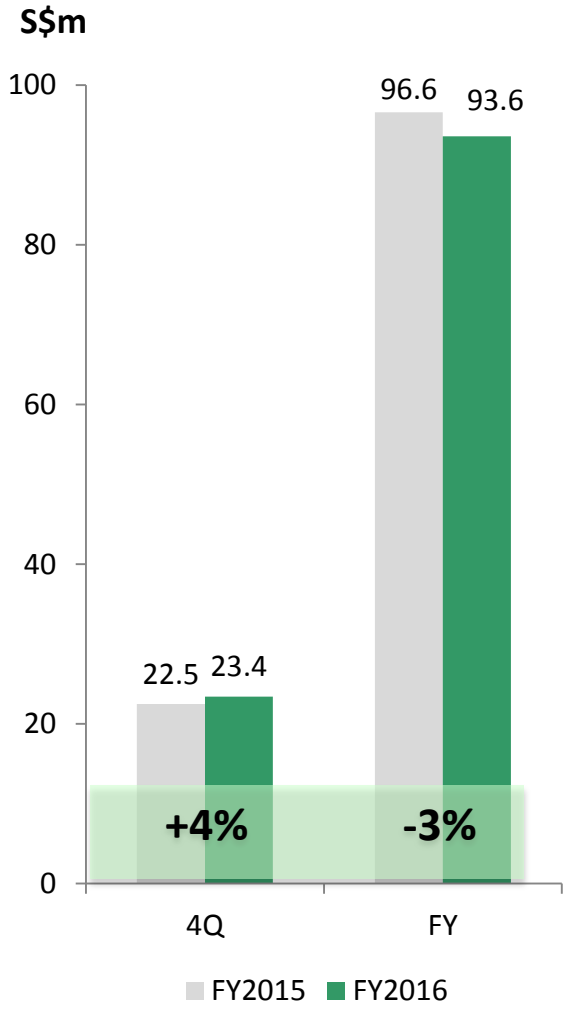
Revenue improved 4% in 4QFY2016 to S$23.4 million but declined 3% in FY2016 to S$93.6 million

4Q

- Higher utilisation due to commencement of new projects

FY2016

- Weaker turnover in the first 3 quarters due to completion of projects and the transfer of cranes from inactive subsidiaries to active ones, partially compensated by better revenue in 4QFY2016



Comparisons are made against 4Q ended 31 March 2015 & FY2015

Segmental Revenue Highlights

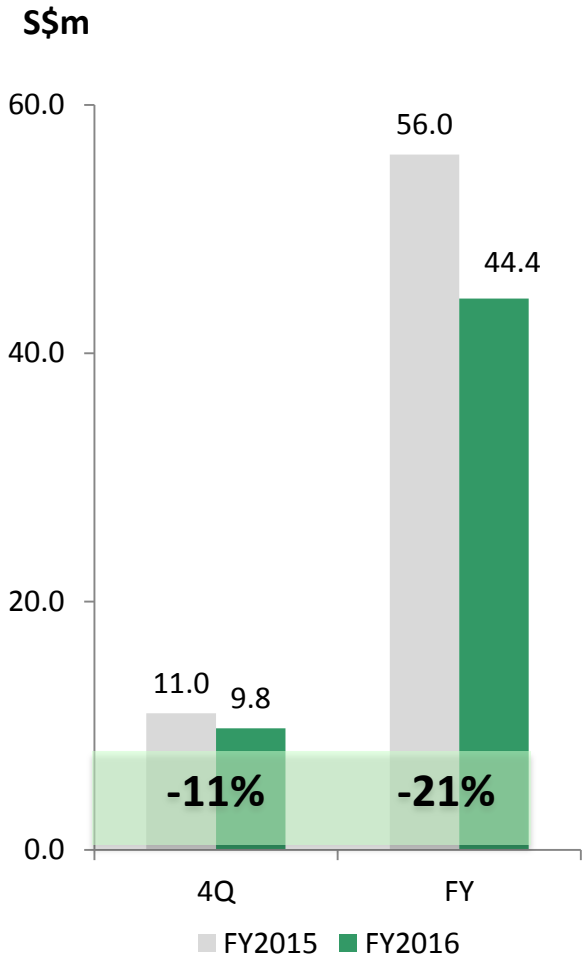
3. General Equipment Rental

Revenue declined 11% in 4QFY2016 to $9.8 million and 21% to S$44.4 million in FY2016

4Q & FY2016

- Competitive pressure on hire rates due to intense competition
- Massive oversupply of equipment in the market due to continued lack of public investment and weak private construction
- Exacerbated by depreciation of AUD:SGD

Excluding the foreign exchange effect, revenue declined 8% in 4QFY2016 and 13% in FY2016



Comparisons are made against 4Q ended 31 March 2015 & FY2015

Segmental Revenue Highlights

4. Distribution

Revenue declined 15% to S$48.4 million in 4QFY2016 and 8% to S$201.8 in FY2016

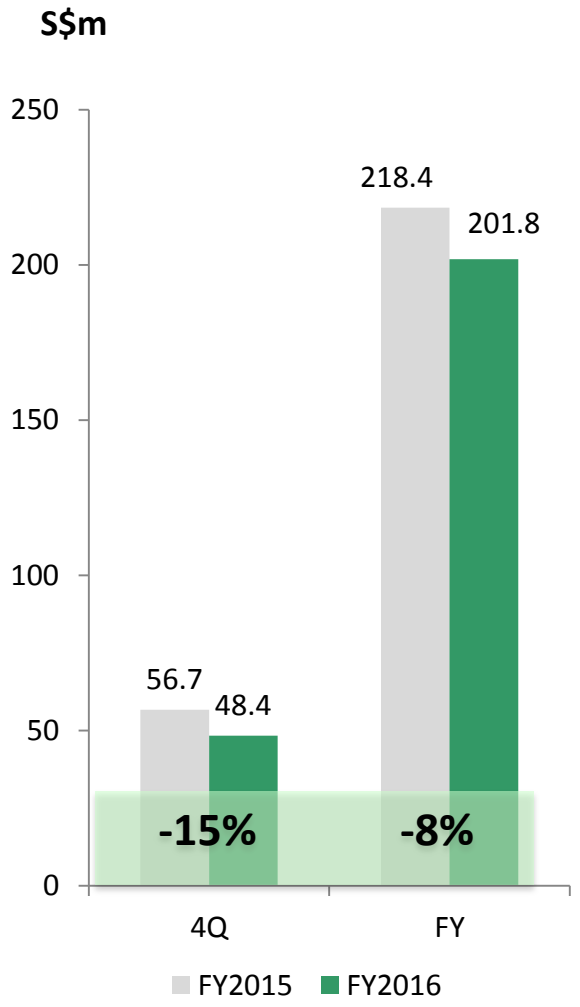
4Q & FY2016

- Indonesia: Continued scaling down of excavator sales
- Singapore: Lower demand
- Overseas markets: Lower sales to Japan

Partially mitigated by:

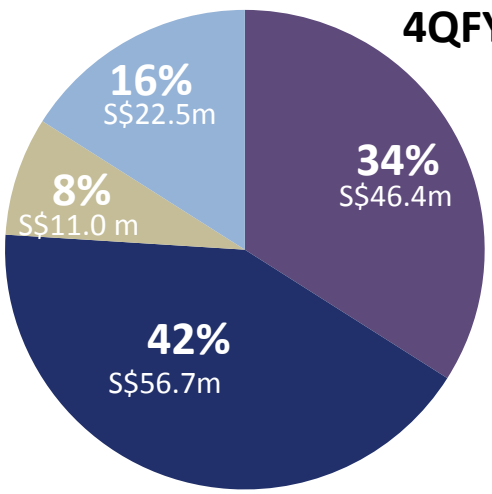
- Overseas markets: Higher sales to Malaysia and Hong Kong
- Australia: Improved sales of equipment and spare parts, partially eroded by weaker AUD:SGD

Excluding the effect of a weaker AUD, revenue declined 12% in 4QFY2016 and 2% in FY2016

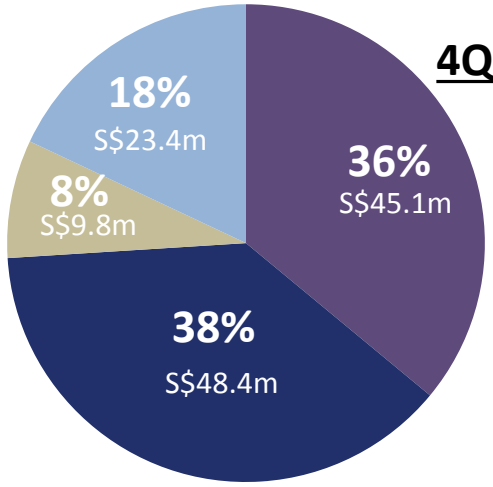


Comparisons are made against 4Q ended 31 March 2015 & FY2015

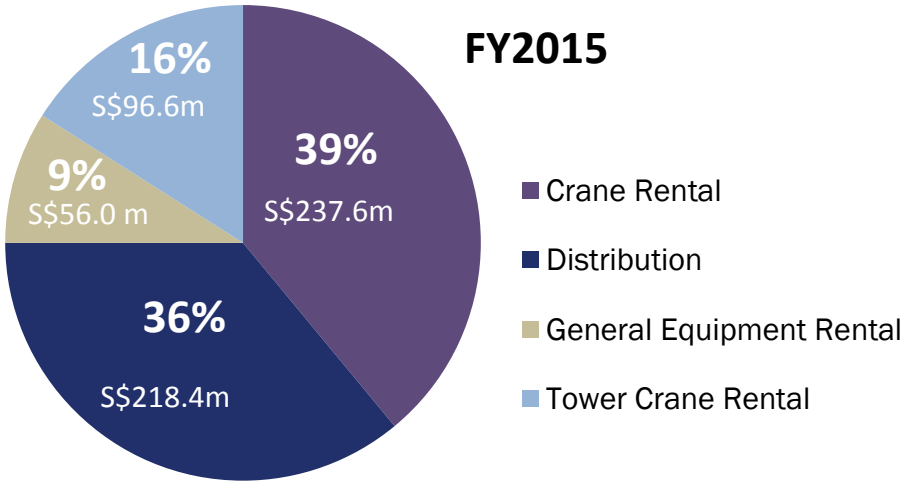
Revenue by Business Activity



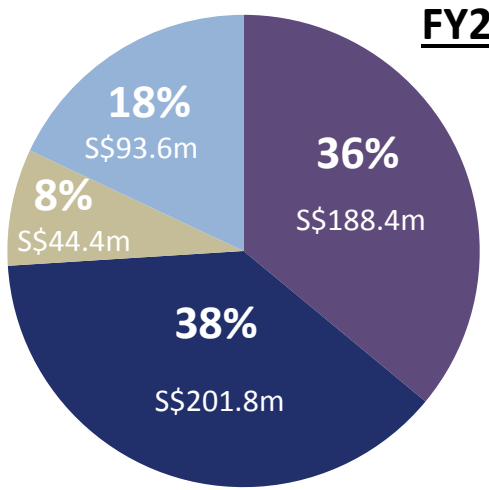
S$136.6 million



S$126.7 million

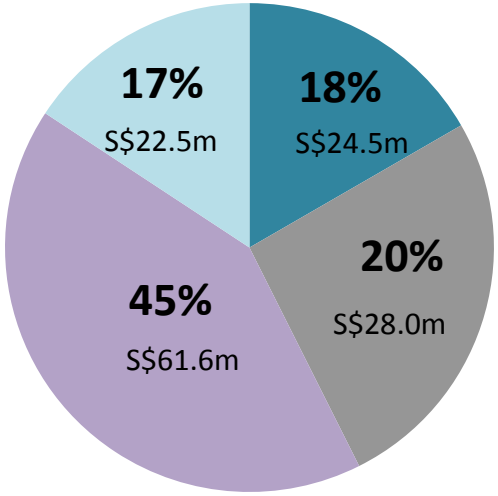


S$608.6 million



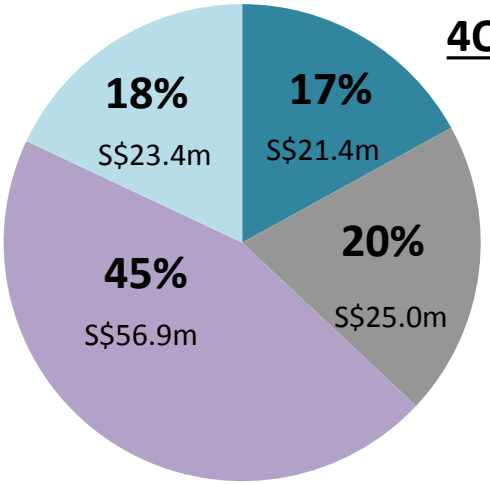
S$528.2 million

Revenue by Region



4QFY2015

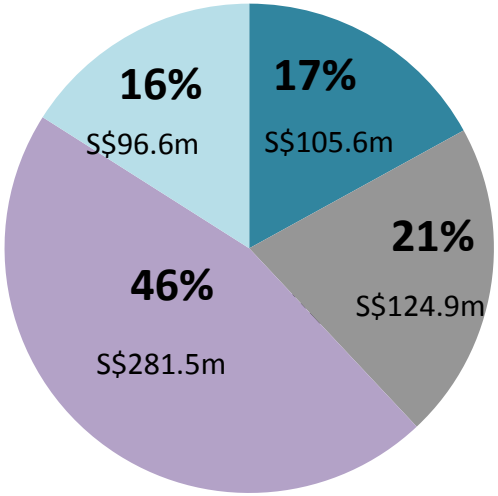
S$136.6 million



4QFY2016

S$126.7 million

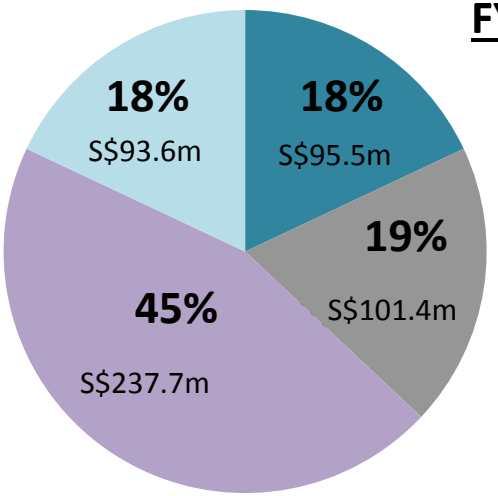
FY2015



S$608.6 million

- Singapore
- SEA + HK
- Australia
- China

FY2016



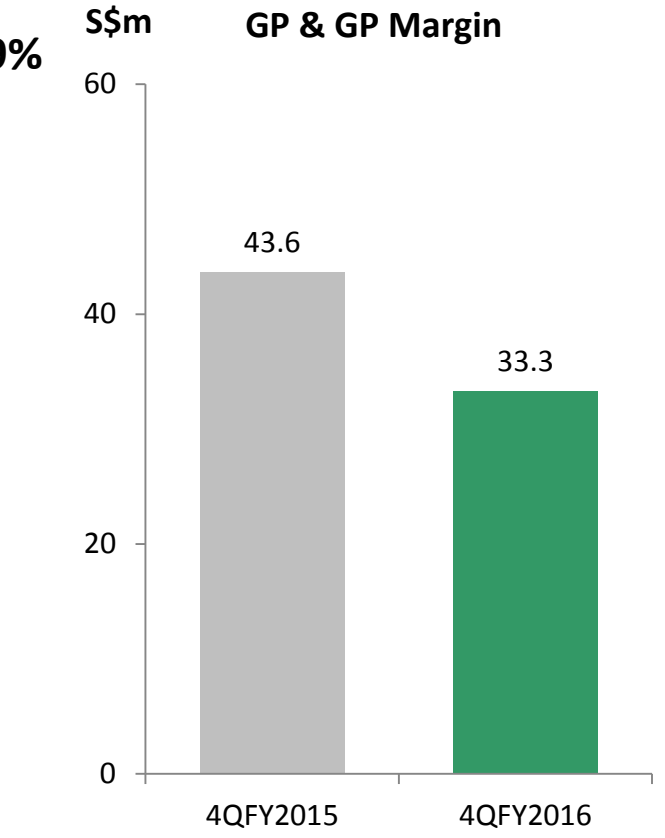
S$528.2 million

Gross Profit and Gross Profit Margin (4Q)

Gross profit fell 24% to S$33.3 million whilst gross profit margin (GPM) fell 5.6% pts to 26.3% in 4QFY2016 from 31.9%

Lower GPM from Crane Rental and Distribution and higher GPM from Tower Crane Rental and General Equipment Rental:

- Crane Rental: Declined to 43.2% from 49.1% primarily due to lower margins in Australia from pricing pressure and lower utilisation rates
- Tower Crane Rental: Increased to 37.7% from 21.8% as a result of higher utilisation and lower depreciation and crane operator costs
- General Equipment Rental: Increased to 40.9% from 39.0%
- Distribution: Declined to 2.1% from 20.5% due to the sale of excavators in Indonesia and aged inventory at reduced margins coupled with provision for stock obsolescence for excavators. Excluding the impact of the Indonesian excavator business, GPM was 12.9%



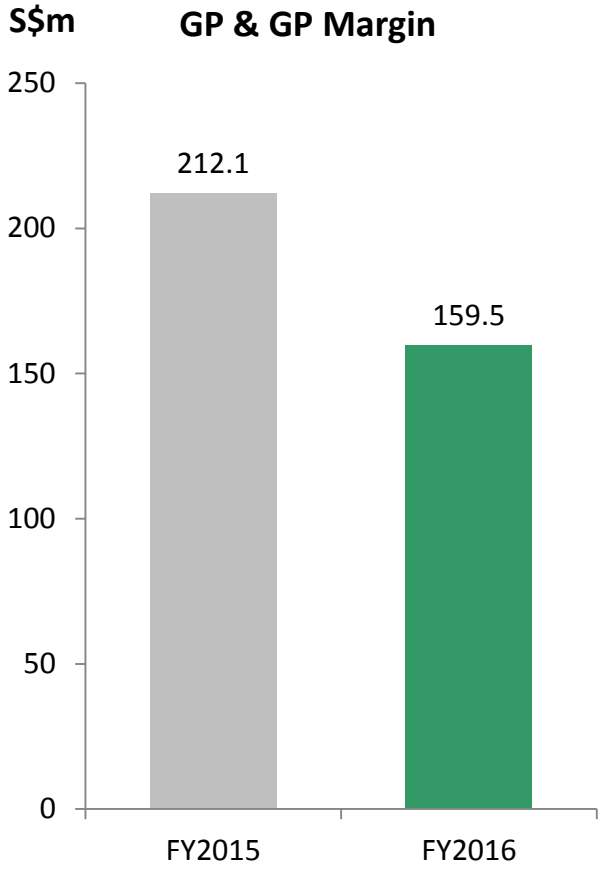
GPM (%)	31.9	26.3

Gross Profit and Gross Profit Margin (FY)

Gross profit fell 24.8% to S$159.5 million whilst Gross Profit Margin (GPM) declined 4.6% pts to 30.2% in FY2016 from 34.8%

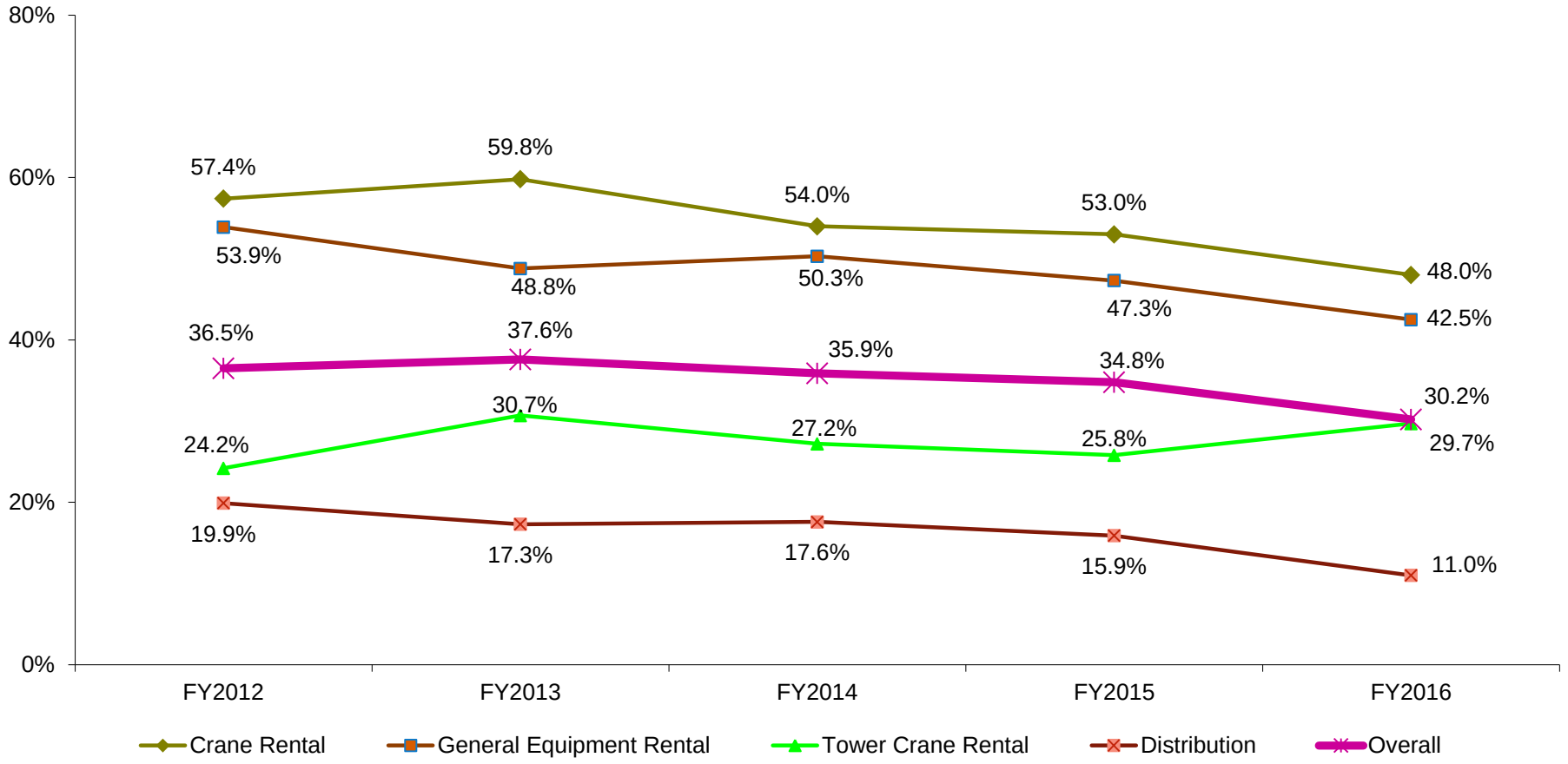
GPM fell across all divisions except Tower Crane Rental:

- Crane Rental: Declined to 48.0% from 53.0% due to lower margins in Australia from higher outsourcing costs, pricing pressure and lower utilisation rates
- Tower Crane Rental: Improved to 29.7% from 25.8% due to lower crane operator, outsourcing and transport costs, partially eroded by lower utilisation in the first 3 quarters
- General Equipment Rental: Decreased to 42.5% from 47.3% due to pricing pressure and higher cross-hire charges
- Distribution: Declined to 11.0% from 15.9% due to sale of excavators and aged inventory at reduced margins and provision for stock obsolescence for excavators in Indonesia

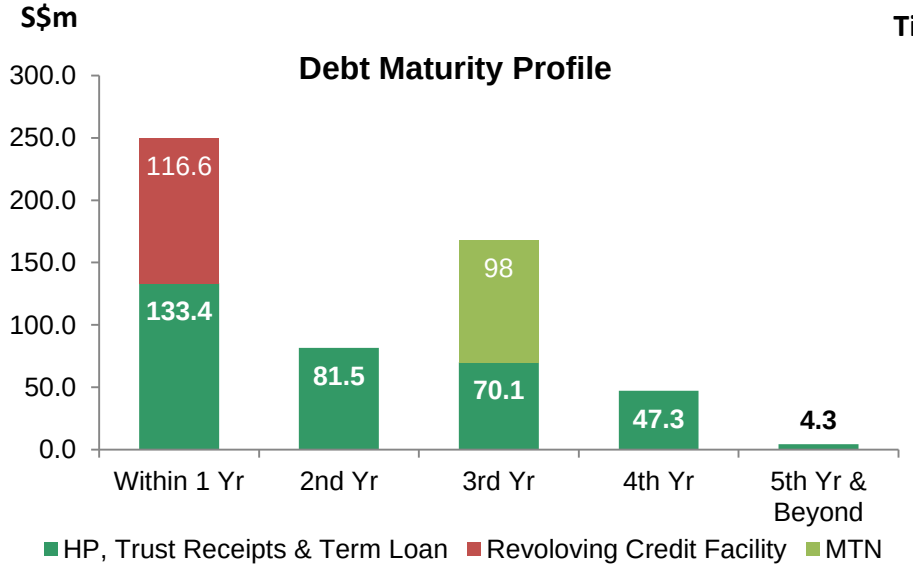


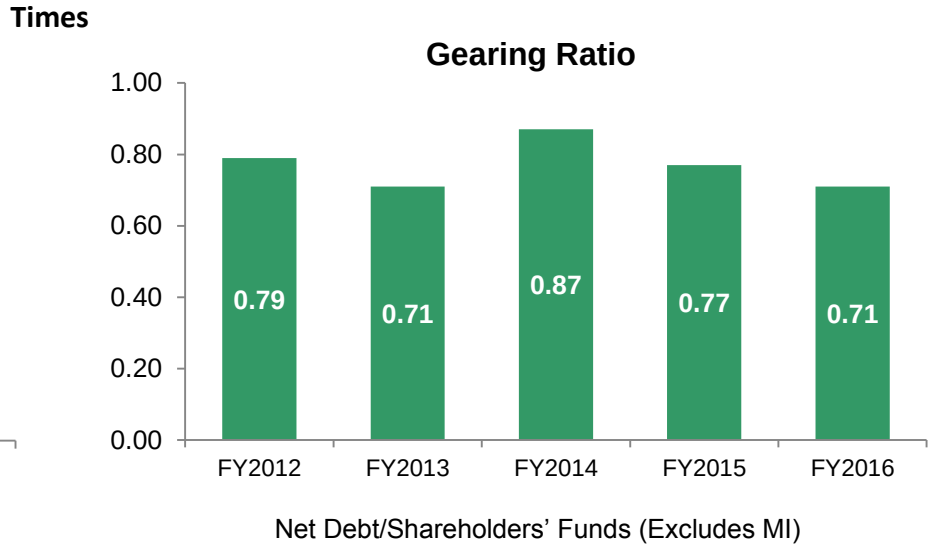
GPM (%)	34.8	30.2

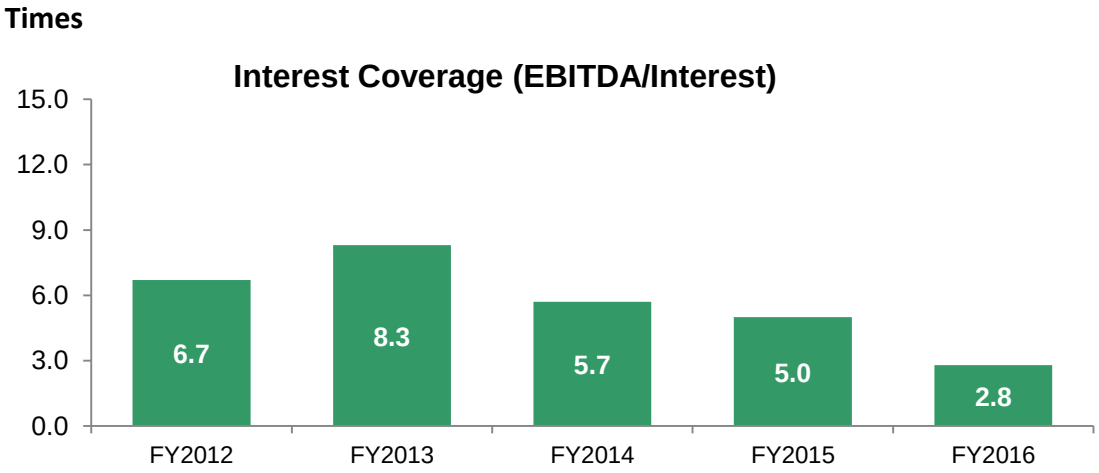
Gross Profit Margin Trend



Prudent Capital Management (as at 31 March 2016)







4Q/FY2016 Results

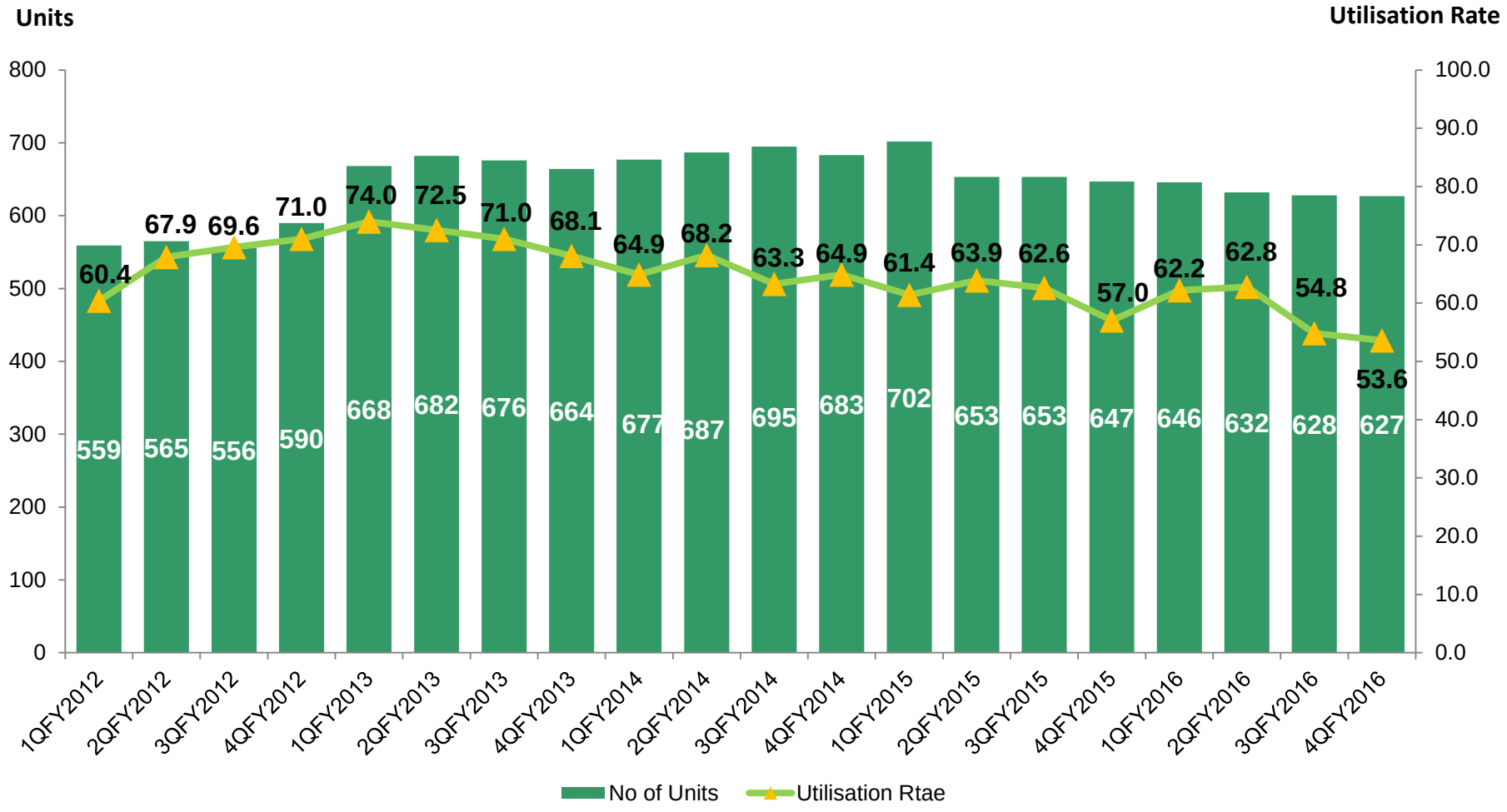
Fleet Update

Outlook and Prospects

Crawler/Mobile Crane Fleet

Size (Tonnes)	No. of Cranes *As at 31 March 2015*	No. of Cranes *As at 31 March 2016*
< 99 MT	408	**388**
100 – 199 MT	125	**123**
200 – 299 MT	81	**78**
> 300 MT	33	**38**
Total Units	647	**627**
Total Tonnage	75,390	**76,436**
Group Overall Utilisation Rate (based on tonnage)	57.0%	**53.6%**

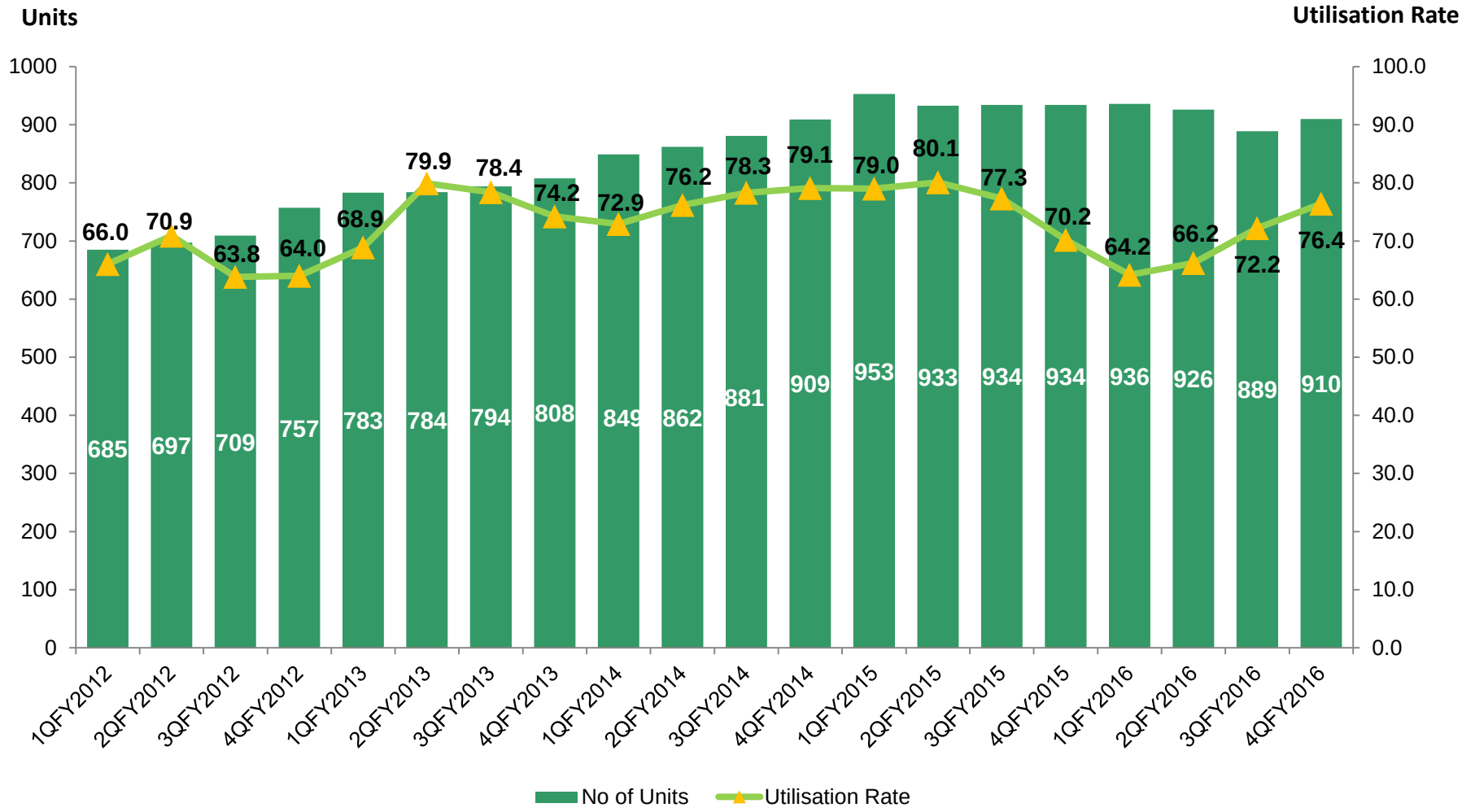
Crawler/Mobile Crane Utilisation Rate



Tower Crane Fleet

Size (Tonne-Metres)	**No. of Cranes** *As at 31 March 2015*	**No. of Cranes** *As at 31 March 2016*
≤ 80 TM	157	**149**
81 - 300 TM	677	**667**
300 - 900 TM	91	**85**
≥ 901 TM	9	**9**
Total Units	934	**910**
Total Tonne-Metres	188,399	**188,086**
Group Overall Utilisation Rate (based on tonne-metres)	70.2%	**76.4%**

Tower Crane Utilisation Rate



4Q/FY2016 Results

Fleet Update

Outlook and Prospects

Outlook and Prospects

The market weakness and the impending completion of projects in the ASEAN countries and in Australia will continue to impact the Crane Rental Division. Efforts to reduce operating costs through fleet rationalisation and operational restructuring will continue.

The Tower Crane Rental Division in the People's Republic of China is expected to perform well on the back of a strong pipeline of committed projects in the building, infrastructure, transport and power generation sectors.

The General Equipment Rental Division is expected to turn in a weak performance due to the lack of public projects and increased competition from oversupply of equipment in the Australia market.

Weak demand in the region and competitive market conditions will continue to affect the Distribution Division's performance.

The Group's performance in most of its key markets is expected to remain subdued in FY2017.



THANK YOU

TAT HONG HOLDINGS LTD

Appendix – On-going Projects

On-going Projects

SINGAPORE

- Downtown MRT Line
- Thomson MRT Line
- Thomson – East Coast MRT Line
- Jurong Island Exxonmobil Project
- HDB projects (various)
- Sengkang Hospital

THAILAND

- Bangkok Mass Transit System projects
- Buayai Train Underpass
- Phrannok Tunnel
- Highway projects
- Mae Jo and Khon Khaen Underpass projects

MALAYSIA

- Refinery & Petrochemical Integrated Development (RAPID) Project
- Cogen Power Plant (Pengerang)
- Integrated Aroma Ingredients Facility

HONG KONG

- Central - Wanchai Bypass
- XRL West Kowloon Terminal Station South Phase
- Hong Kong-Macau-Zhuhai Bridge projects including link roads
- Shatin-Central Link (MTR)







Projects in SE Asia and Hong Kong



On-going Projects

AUSTRALIA

- Gorgon LNG
- Ichthys (INPEX) LNG Project
- Wheatstone LNG Project
- Darwin LNG Plant Maintenance
- Mt Arthur Coal Mine
- Webb Dock Project

CHINA

- Power Plants /Stations:
  - Dalian HongYanhe (Nuclear)
  - Fujian Ningde (Nuclear)
  - Guangdong Taishan (Nuclear)
  - Guangdong Yangjiang (Nuclear)
  - Leshan Jiajiang (Nuclear)
  - QinShan Barracks (Nuclear)
  - Tianwan (Nuclear)
  - 11 other power stations
- Infrastructure:
  - Huang Railway
  - Chongqing North Station
  - Foshan West Station
  - Yuwan Railway
  - Shiyan Railway Station North Plaza
  - Shengyang Railway Station West Plaza
  - Tianhe Airport
- Large Projects:
  - Baiyulan Plaza
  - Nanjing Jiangsu Opera House
  - Shanghai International Airline Service Centre
  - Shanghai Pudong Finance Plaza
  - Tencent Beijing Headquarters
  - Hainan Sanya Financial Forum
  - KunMing Wancai City
  - Wuhan New World Centre
  - Shenzhen Hanjing Finance Centre
  - Shanxi International Finance Centre
  - JiuJiang International Finance Plaza



Projects in Australia







Projects in China



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