

TAT HONG HOLDINGS LTD
2Q/1HFY2016 RESULTS
13 NOVEMBER 2015

TAT HONG HOLDINGS LTD

2Q/1HFY2016 Results

Fleet Update

Outlook and Prospects

2QFY2016 Results Summary

Revenue

- **Declined 10.1% to S$137.4 million**
  - Lower revenue posted by all Divisions except Distribution which posted a 12.5% increase
  - Excluding the impact of a subsidiary that was divested in 2QFY2015 and the depreciation of the AUD, Group revenue declined 2%

Gross Profit Margin

- **Decreased 5.2% pts to 31.6%**
  - Lower GP margins across all Divisions except Distribution

Profit Before Tax

- **Declined 56.6% to S$7.1 million**

Due mainly to:

- Lower revenue and gross profit margin
- Lower forex gains of $4.4 million
- Lack of disposal gains (S$0.2million vs S$4.8 million on disposal of a subsidiary in 2QFY2015)
- Higher finance cost of S$0.5 million from higher interest rates
- S$0.2 million share of loss from associates and JVs vs S$2.9 million share of profit in 2QFY2015

Partially offset by :

- Lower operating costs of S$14.8 million primarily in the areas of manpower, repair and maintenance costs , commission expenses and depreciation as well as the effect of the weaker AUD

Comparisons are made against 2QFY2015 ended 30 September 2014

2QFY2016 Results Summary

PATMI

- **Declined 61.7% to S$4.4 million**
  - Lower PBT partially offset by lower tax expenses and share of profit attributable to minority interests
  - Underlying profit (excluding one-off gains and foreign exchange effects) improved 100% over 2QFY2015 (S$4.0 million in 2QFY2016 vs S$2.0 million in 2QFY2015)

Balance Sheet

- **Healthy balance sheet**
  - Net gearing as at 30 September: 0.76 times
  - Cash and cash equivalents: S$54.1 million
  - NTA and NAV per share: S$0.99 and S$1.02, respectively
  - EPS: 0.7 Singapore cents

Comparisons are made against 2QFY2015 ended 30 September 2014

Measures to Improve Operating Performance

1) Reduce manpower cost

- Wage freeze in Singapore and Australia
- Implemented stringent hiring policy especially in Australia and Singapore
- Re-sizing staffing levels. Reduction in headcount in the past year contributed mainly by:
  - ➢ Australia (-60)
  - ➢ Indonesia (-47)
  - ➢ Singapore (-16)

Employees at 30 Sep 2014	Employees at 30 Sep 2015
4,443	**4,329**

Measures to Improve Operating Performance

2) **Reduce under-utilised assets/De-fleet**

- Crawler/mobile crane fleet reduced by 21 units from last year
- Disposal of under-utilised general equipment by TBG

3) **Better asset management**

- Unlocked cash from sale and leaseback of property in Australia
- Disposed property in Malaysia as part of the Group's efforts to restructure Malaysian operations for greater efficiency
- Co-location and closure of some of TBG's General Equipment Rental outlets with its Crane Hire or Distribution depots

4) **Strict Capex Control**

- Capex in 1HFY2016 was S$30.2m compared with S$59.7m in 1HFY2015

5) **Exit/scale down unprofitable businesses**

- Continued scaling down the excavator sales business in Indonesia

Financial Highlights

S$'m	2QFY2015	2QFY2016	*Change +/- (%)*	1HFY2015	1HFY2016	*Change +/- (%)*
Revenue	152.8	**137.4**	*-10.1*	317.0	**276.7**	*-12.7*
Gross Profit	56.3	**43.4**	*-22.9*	116.1	**88.0**	*-24.2*
Gross Profit Margin (%)	36.8%	**31.6**	*-5.2 pts*	36.6	**31.8**	*-4.8 pts*
EBITDA	44.7	**34.8**	*-22.1*	84.3	**67.0**	*-20.5*
PBT	16.5	**7.1**	*-57.0*	26.7	**12.8**	*-52.1*
PATMI	11.5	**4.4**	*-61.7*	17.4	**7.2**	*-58.6*
PATMI Margin (%)	7.5	**3.2**	*-4.3 pts*	5.5	**2.6**	*-2.9 pts*

Financial Highlights

S$'m	As at 31 Mar 2015	As at 30 Sep 2015
Fixed Assets (PP&E)	919.3	**875.6**
Inventories	186.5	**170.4**
Debtors (Current & Non-current)	204.7	**234.0**
Cash & Cash Equivalents	93.3	**54.1**
Shareholders' Equity	650.8	**638.5**
NTA per share (S$)	1.00	**0.99**
NAV per share (S$)	1.03	**1.02**
Net gearing (times)	0.77	**0.76**

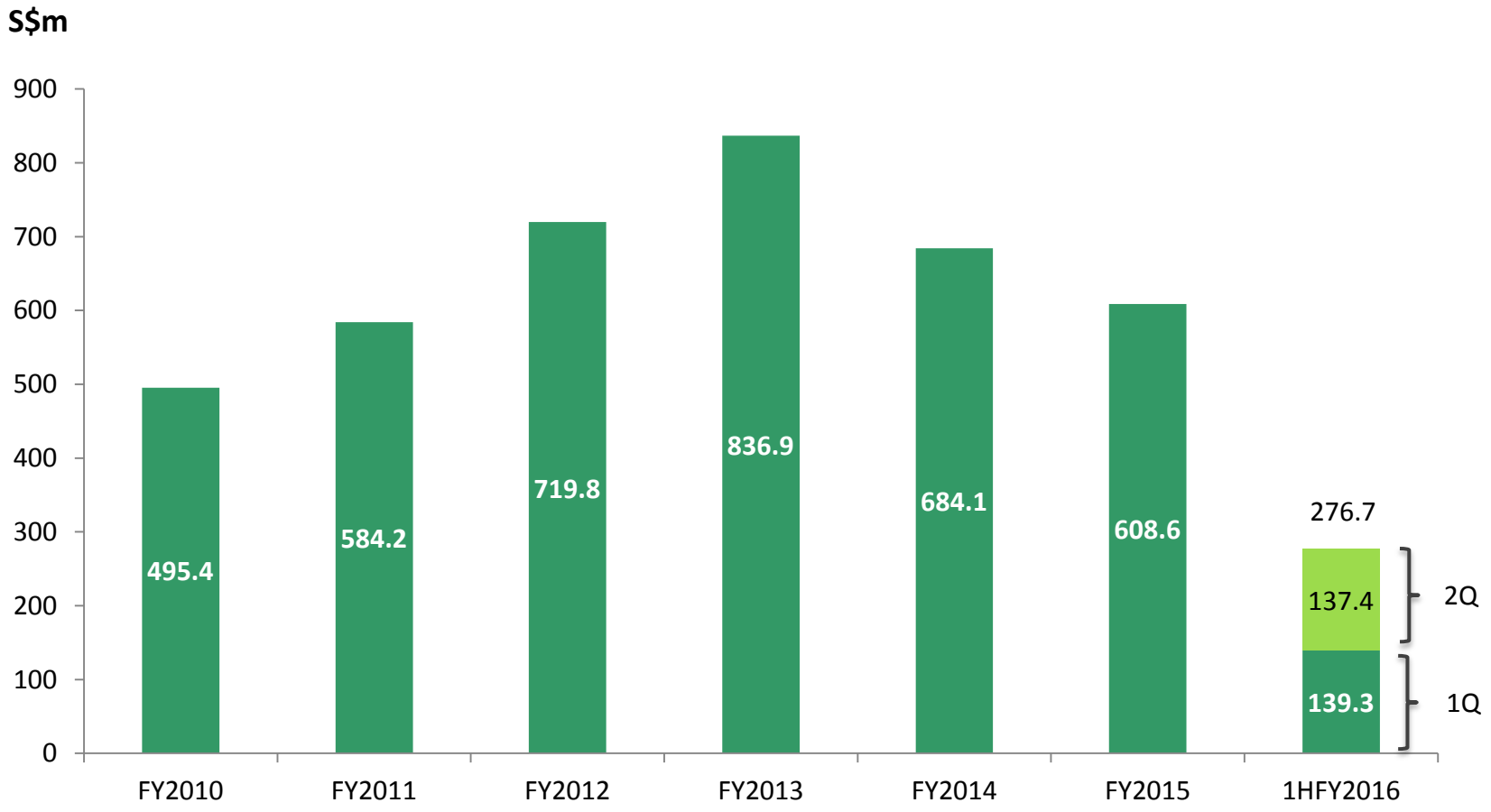
Disposal of properties , plant and equipment, depreciation, translation loss from weaker AUD:SGD partially offset by stronger RMB: SGD, equipment purchases and reclassification from inventory to PPE

Reclassification to PPE and reduction in inventories in Indonesia and Australia

Net repayment of loans

Primarily due to reduction in currency translation reserve

Revenue Trend



Segmental Revenue Highlights

1. Crane Rental

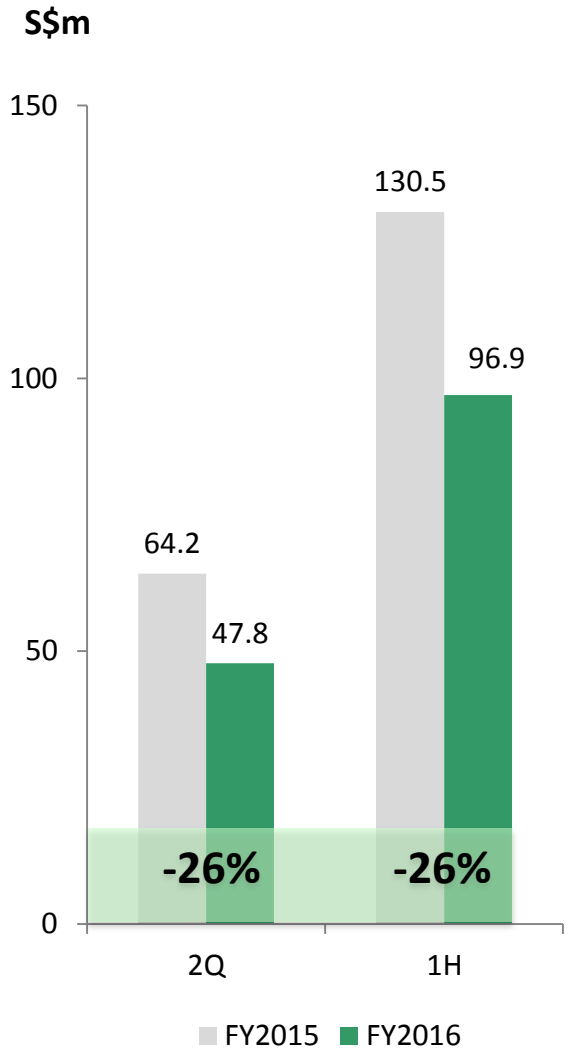
Revenue decreased 26% to S$47.8 million

- Singapore: Lack of contribution from a divested subsidiary and lower barge rental income, partially compensated by better project income
- Australia: Completion of projects, lower activity levels in the mining and LNG sectors as well as a 13% depreciation of the AUD against SGD
- Malaysia: Increased down time due to inspections and maintenance prior to deployment to new projects and lower rental rates from new projects
- Thailand: Completion of projects

Partially mitigated by better performance from:

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

Excluding the effects of the disposal of a subsidiary and weaker AUD:SGD, the revenue decline was 17.4%



Comparisons are made against 2QFY2015 ended 30 September 2014

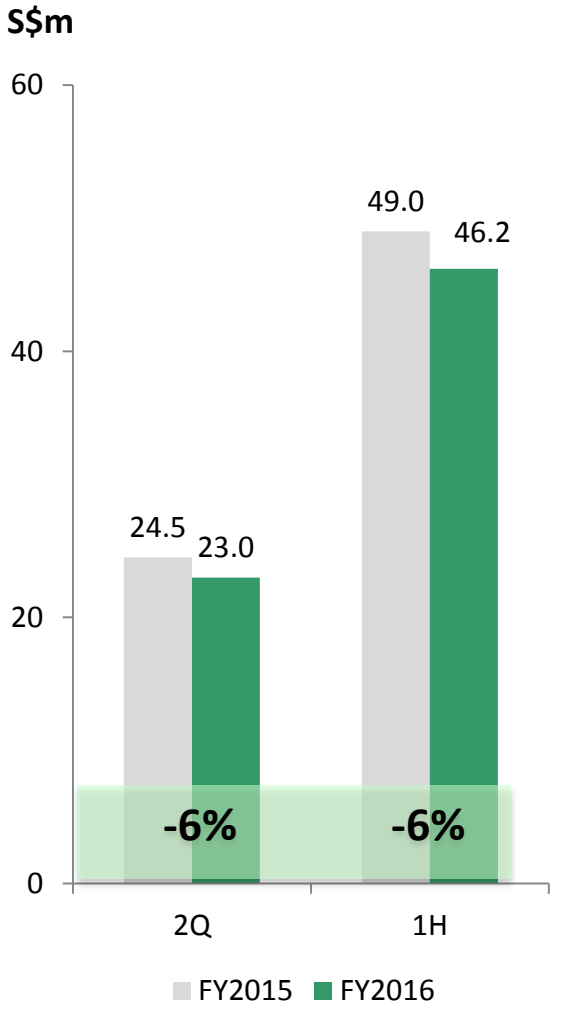
Segmental Revenue Highlights

2. Tower Crane Rental

Revenue decreased 6% to S$23.0 million

- Completion of projects and the transfer of cranes from a dormant subsidiary to other subsidiaries resulted in lower utilisation rates

Partially mitigated by the appreciation the RMB against SGD. Excluding this favourable impact, revenue would have declined 13.9%



Comparisons are made against 2QFY2015 ended 30 September 2014

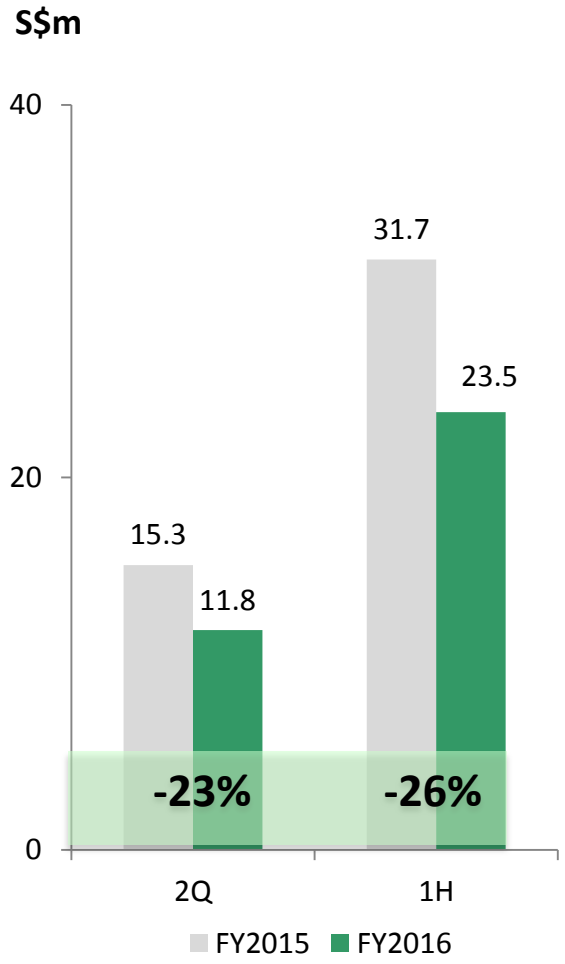
Segmental Revenue Highlights

3. General Equipment Rental

Revenue declined 23% to S$11.8 million

- Competitive market conditions and increased pricing pressures resulting in lower rental rates
- Exacerbated by 13% depreciation of the AUD against the SGD

Excluding the foreign exchange effect, revenue declined by 11.8%



Comparison s are made against 2QFY2015 ended 30 September 2014

Segmental Revenue Highlights

4. Distribution

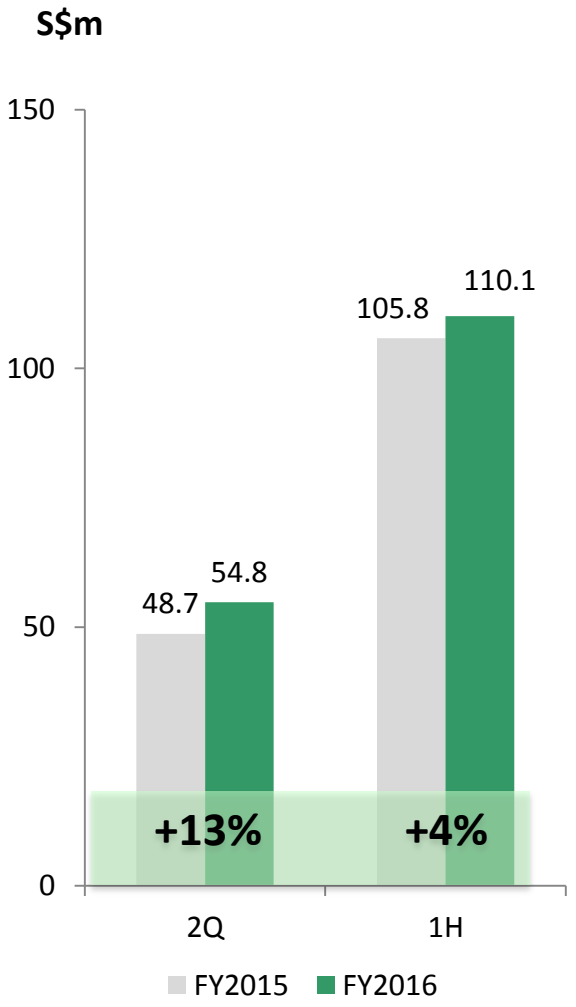
Revenue increased by 13% to S$54.8 million

- Australia: Increased sales of used equipment as part of the on-going de-fleeting exercise partially offset by lower spare parts sales and the depreciation the AUD against SGD
- Overseas markets: Increase in the sale of cranes to Hong Kong, Japan, Brunei and Thailand

Partially offset by:

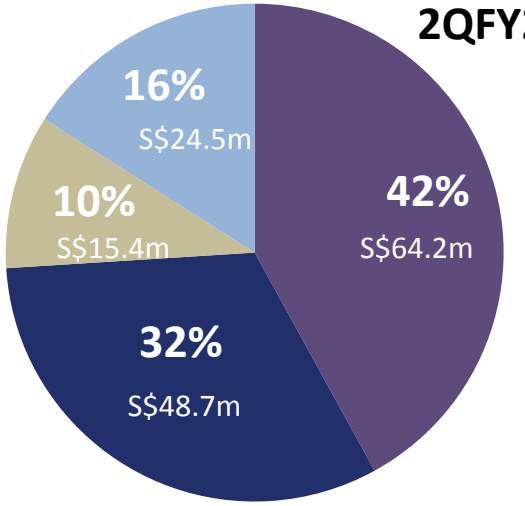
- Decline in sales to Malaysia and lower demand in Singapore amidst stiffer competition

Excluding the effect of the depreciation of the AUD, improvement in revenue was 22.4%

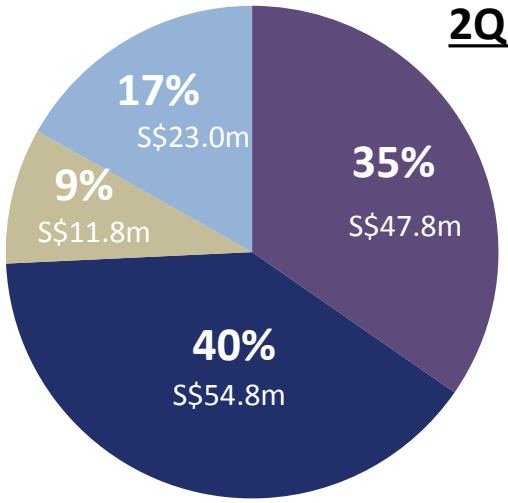


Comparisons are made against 2QFY2015 ended 30 September 2014

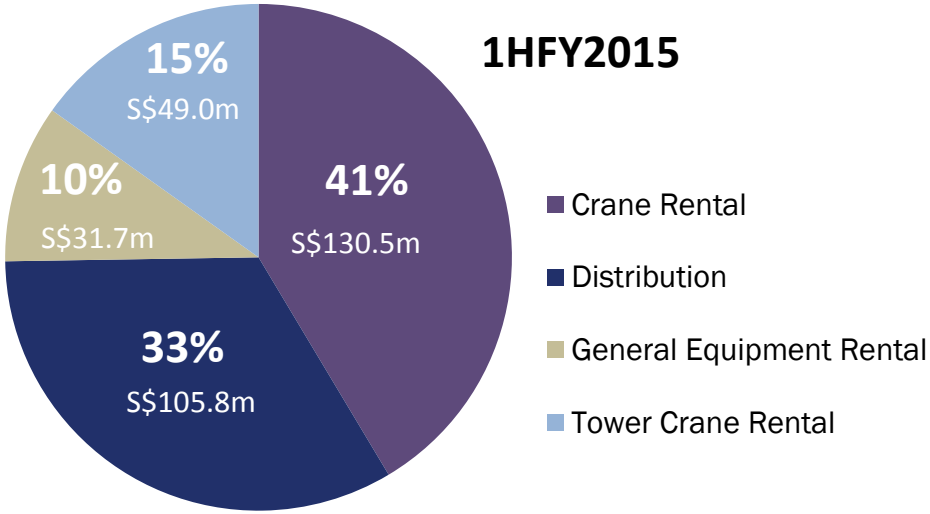
Revenue by Business Activity



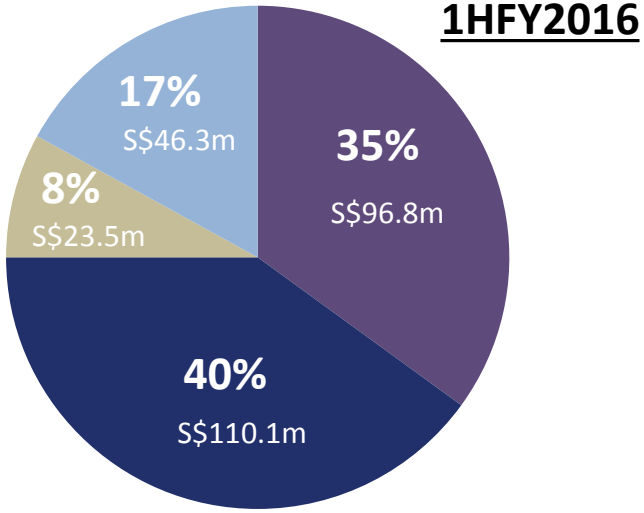
S$152.8 million



S$137.4 million

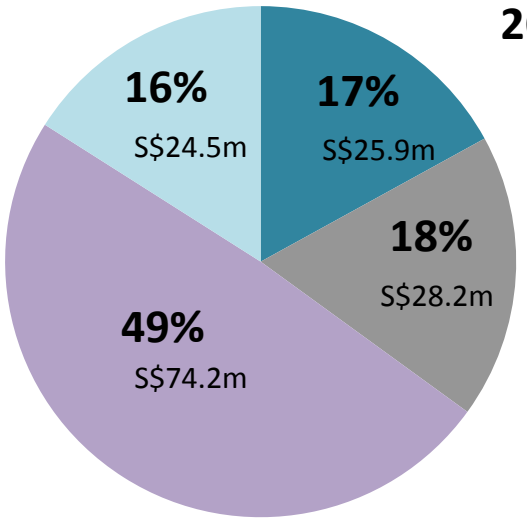


S$317.0 million



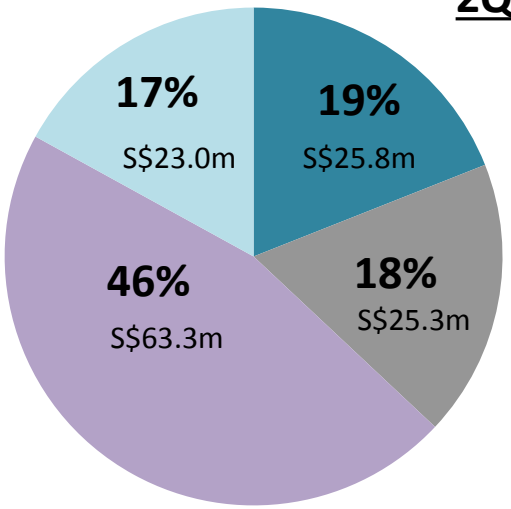
S$276.7 million

Revenue by Region



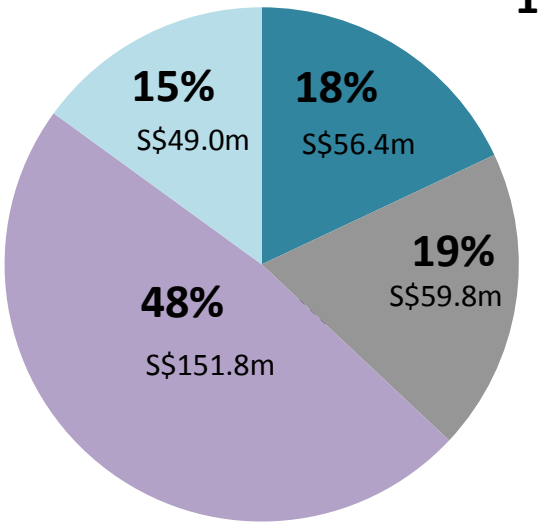
2QFY2015

S$152.8 million



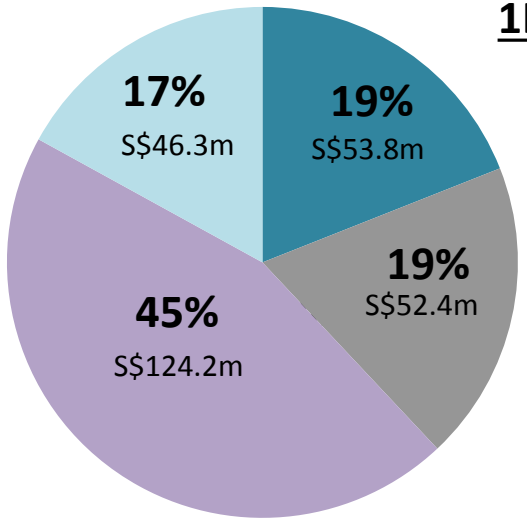
2QFY2016

S$137.4 million



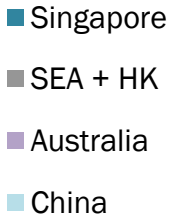
1HFY2015

S$317.0 million



1HFY2016

S$276.7 million

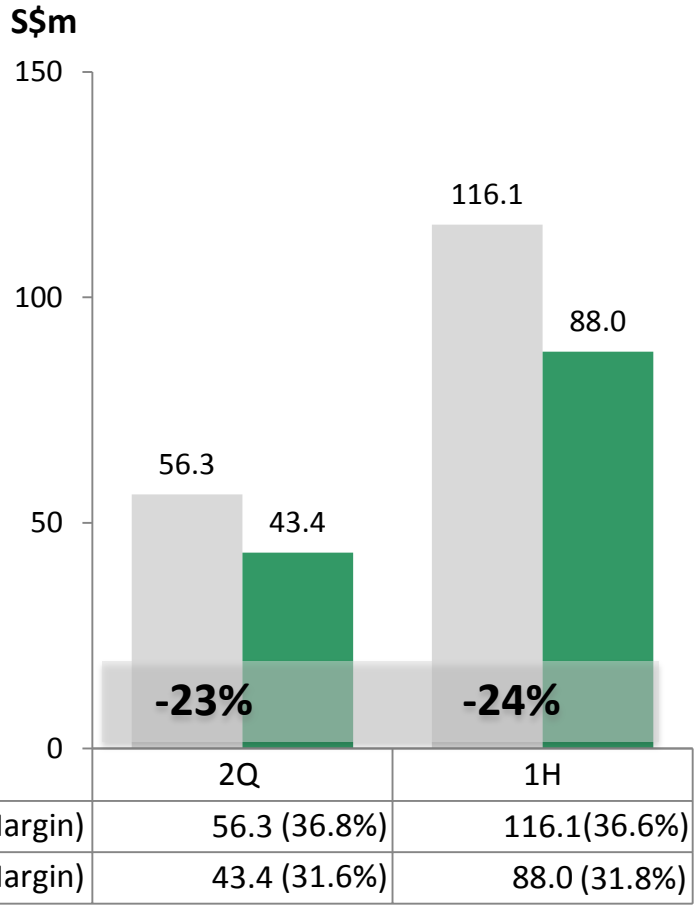


Gross Profit and Gross Profit Margin

Gross profit fell 23% to S$43.4 million whilst gross profit margin (GPM) declined to 31.6% from 36.8%

Lower GPM recorded across all divisions except Distribution

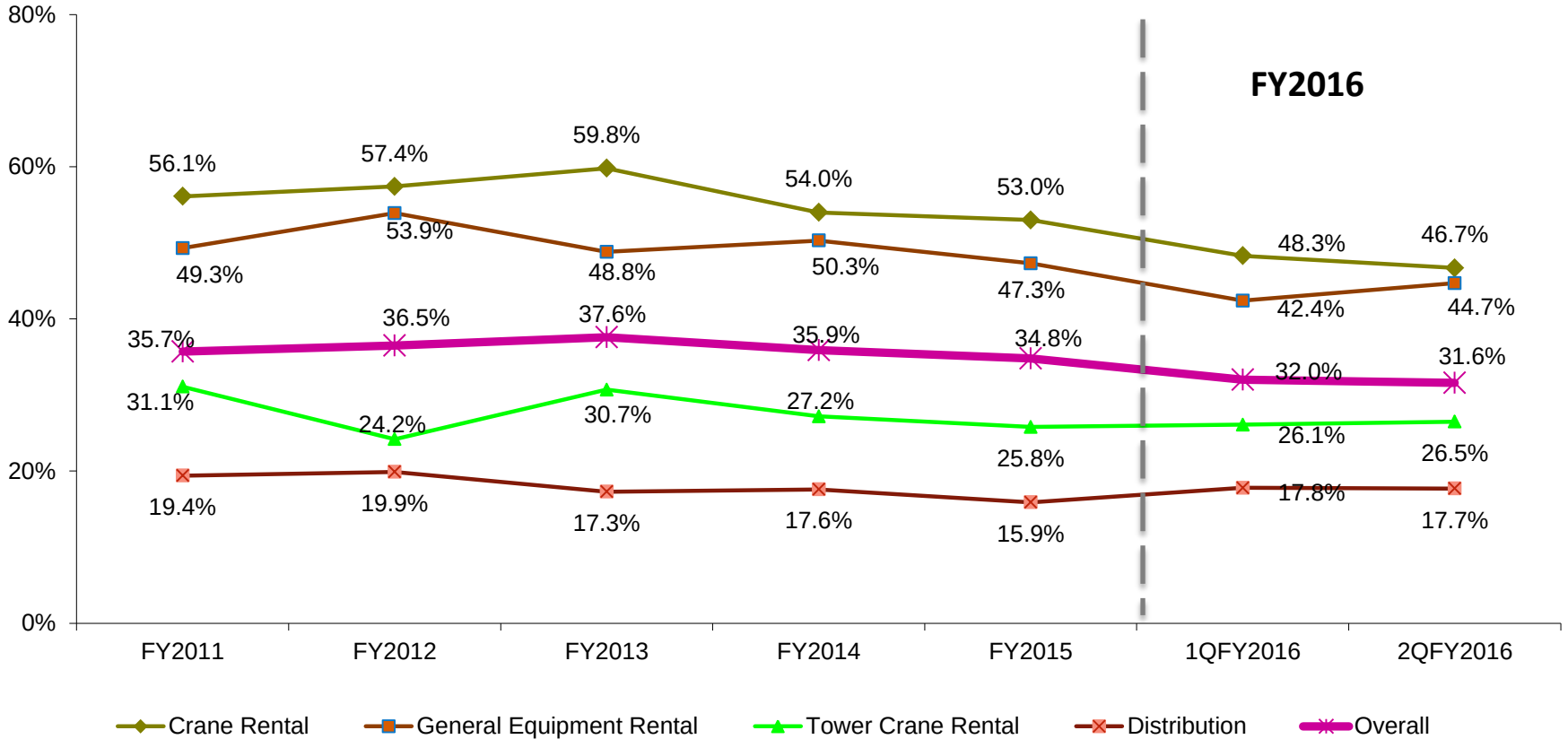
- Crane Rental: GPM fell 6.9% pts to 46.7% due to higher subcontractor costs in Australia whilst GPM for ASEAN and Hong Kong remained stable
- Tower Crane Rental: GPM fell 3.6% pts to 26.5% as a result of lower utilisation
- General Equipment Rental: GPM decreased by 5.4% pts to 44.7% due to pricing pressure and higher cross hire charges
- Distribution: GPM improved 3.7% pts to 17.7% on the back of increased sales and different product mix



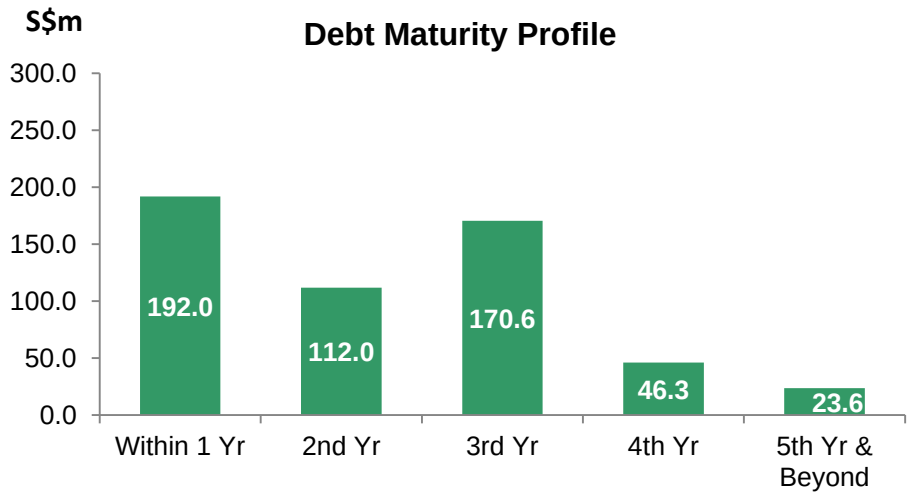
	2Q	1H
FY15 GP (GP Margin)	56.3 (36.8%)	116.1(36.6%)
FY16 GP (GP Margin)	43.4 (31.6%)	88.0 (31.8%)

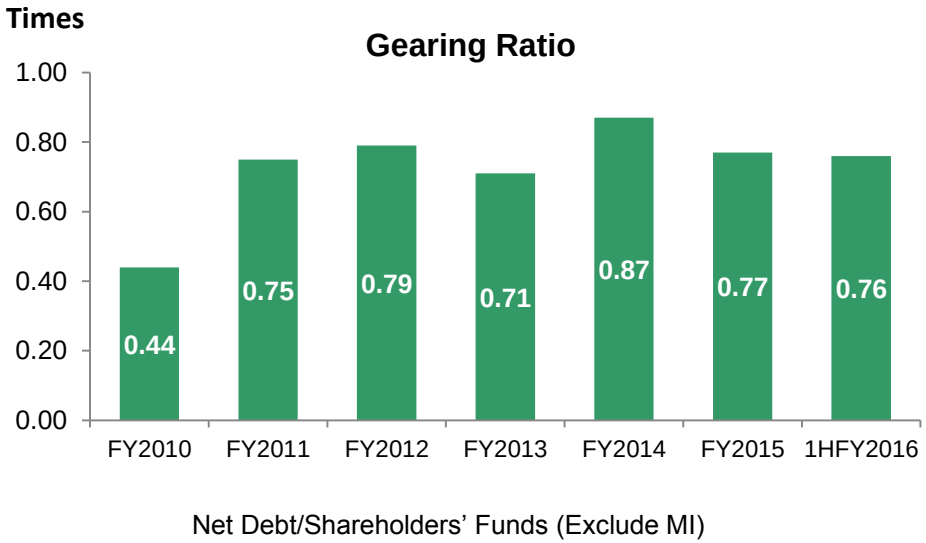
Comparison is made against 2QFY2015 ended 30 September 2014

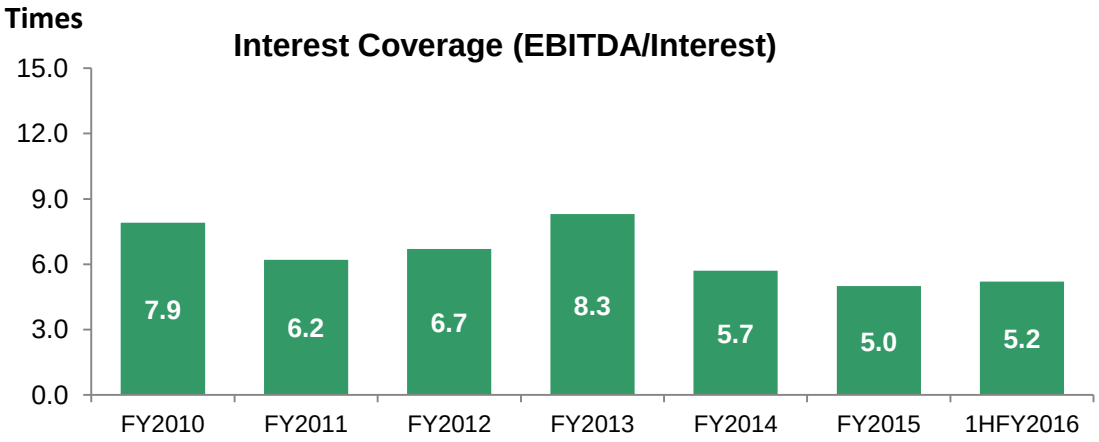
Gross Profit Margin Trend



Prudent Capital Management (as at 30 Sep 2015)







2Q/1HFY2016 Results

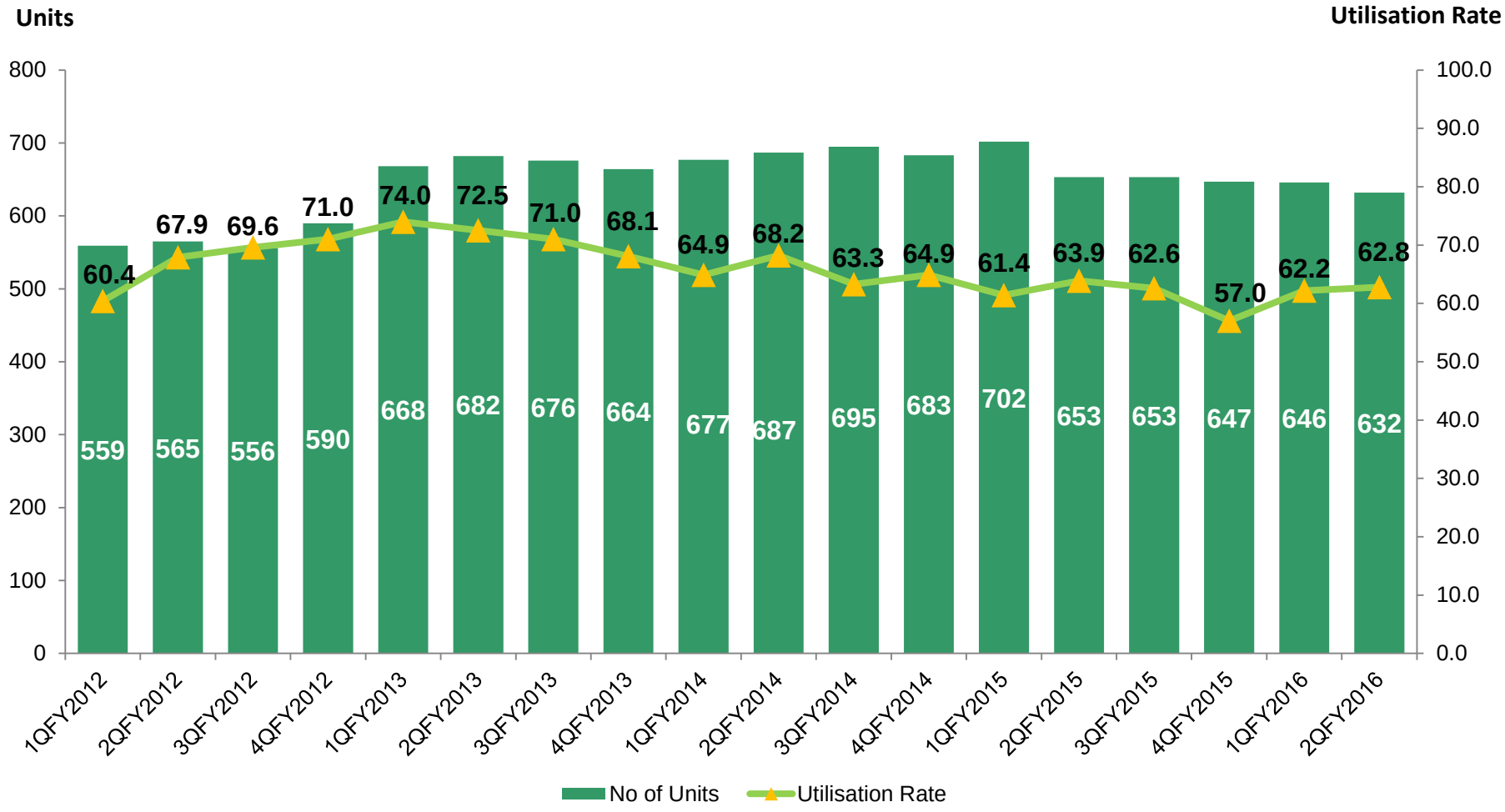
Fleet Update

Outlook and Prospects

Crawler/Mobile Crane Fleet

Size (Tonnes)	**No. of Cranes** *As at 30 Sep 2014*	**No. of Cranes** *As at 30 Sep 2015*
< 99 MT	407	**396**
100 – 199 MT	130	**117**
200 – 299 MT	78	**80**
> 300 MT	38	**39**
Total Units	653	**632**
Total Tonnage	78,030	**76,375**
Group Overall Utilisation Rate (based on tonnage)	63.9%	**62.8%**

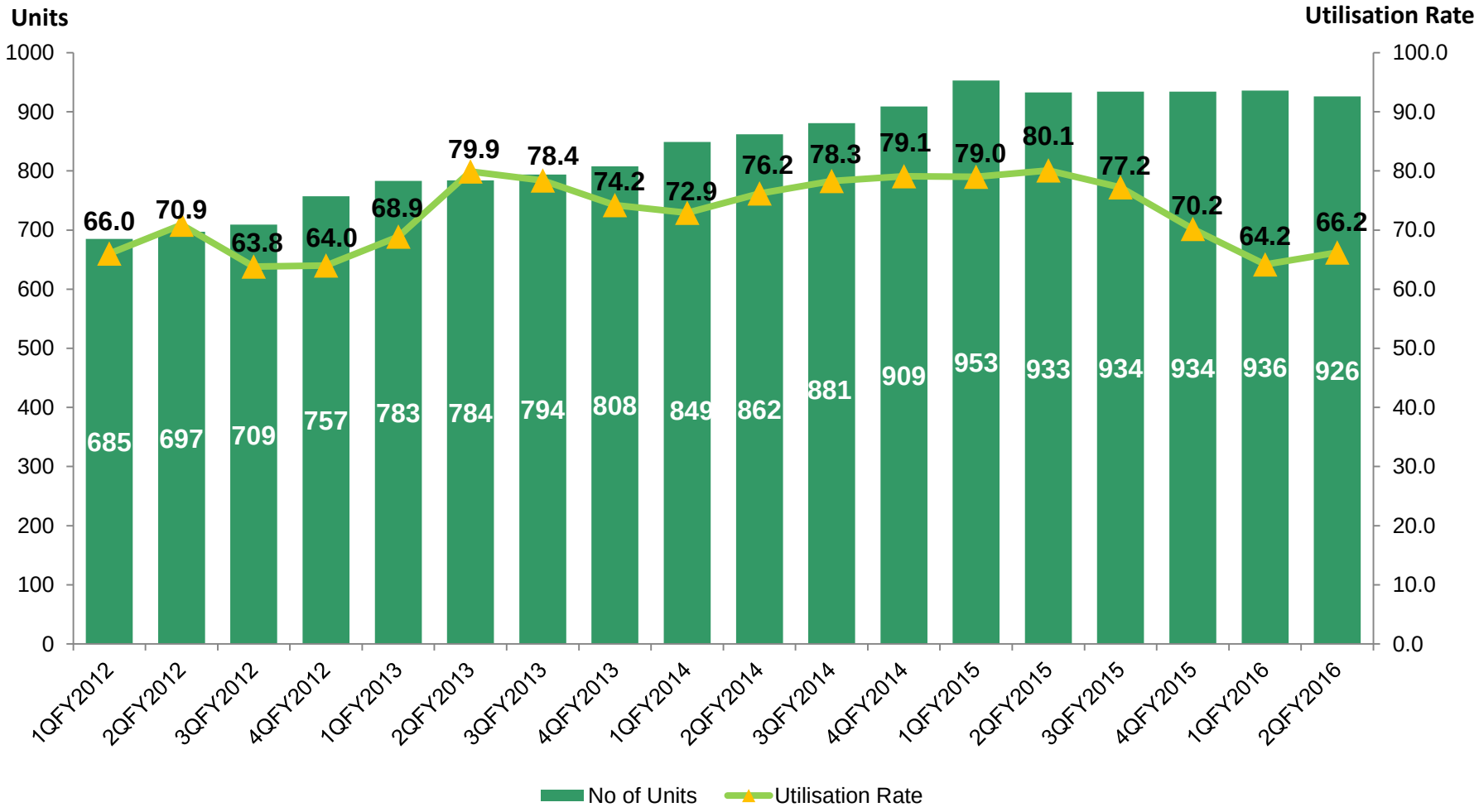
Crawler/Mobile Crane Utilisation Rate



Tower Crane Fleet

Size (Tonne-Metres)	**No. of Cranes** *As at 30 Sep 2014*	**No. of Cranes** *As at 30 Sep 2015*
≤ 80 TM	156	**153**
81 - 300 TM	674	**660**
300 - 900 TM	91	**92**
≥ 901 TM	5	**5**
Others	7	**16**
Total Units	933	**926**
Total Tonne-Metres	187,134	**187,474**
Group Overall Utilisation Rate (based on tonne-metres)	80.1%	**66.2%**

Tower Crane Utilisation Rate



2Q/1HFY2016 Results

Fleet Update

Outlook and Prospects

Outlook and Prospects

The market weakness in the ASEAN countries and Australia for Crane Rental is expected to adversely affect the Division's performance. The Crane Rental Division will continue to rationalise its fleet size and operational structure to reduce operating costs.

The General Equipment Rental Division is not expected to do well due to the slow recovery of the Australian construction sector.

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

The Tower Crane Rental division is expected to grow steadily in FY2016 on the back of a strong fleet size and new opportunities in the building, infrastructure, transport and power generation sectors in the People's Republic of China.

The Group is facing difficult economic and sectoral outlooks in its key markets and expects its performance to be depressed.



THANK YOU

TAT HONG HOLDINGS LTD

Appendix – On-going Projects

On-going Projects

SINGAPORE

- MRT Downtown Line
- MRT Thomson Line
- Jewel Project
- Jurong Island Exxonmobil Project
- Pasir Panjang Terminal Phase 4
- SRC Cogen Project
- Changi, Sengkang and Yishun Hospitals

THAILAND

- Bangkok Mass Transit System projects
- EPC (INPEX) Project
- Highway projects
- Mae Jo Underpass
- Institutional buildings – hospitals and universities

MALAYSIA

- Refinery & Petrochemical Integrated Development (RAPID) Project
- Module Fabrication for Wheatstone LNG Project
- Re-gassification Terminal 2 (RGT-2)
- 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
- Mt Arthur Coal Mine
- Longford Gas Plant Expansion

OTHERS

PNG:

- Ok Tedi Mining Tabubil
- Napa Napa Oil Refinery
- Puma Energy Refinery

CHINA

- Power Plants /Stations:
  - Dalian HongYanhe (Nuclear)
  - Fujian Ningde (Nuclear)
  - Guangdong Taishan (Nuclear)
  - Guangdong Yangjiang (Nuclear)
  - Leshan Jiajiang (Nuclear)
  - Plus 12 other power plant/power station projects across China
- Infrastructure:
  - Chongqing North Station
  - Foshan West Station
  - Yuwan Railway
  - Shiyan Railway Station North Plaza
  - Shengyang Railway Station West Plaza
  - Tianhe Airport T3
  - Hong Qiao Airport T1 Refurbishment
- Large Projects:
  - Baiyulan Plaza
  - Nanjing Jiangsu Opera House
  - Shanghai International Airline Service Centre
  - Shanghai Pudong Finance Plaza
  - Tencent Beijing Headquarters
  - Hainan Sanya Financial Forum
  - Kang Ting Health Industrial Park
  - Tencent Beijing Headquarters
  - Wuhan New World Centre
  - Shenzhen Hanjing Finance Centre



Projects in Australia



Projects in China







29