

# Pan-United Corporation Ltd

Volume catches up; surprise margin improvement

## SINGAPORE | CONSTRUCTION | 1H23 RESULTS

- 1H23 earnings beat our expectations, at 63% of FY23e, due to widening gross margins to 21.3% (+1.6% pt YoY) on improved product mix. Construction activities picked up from May, and PanU's volume in 1H23 caught up to level that of 1H22.
- The company expects volume to rise in 2H23, with buoyant demand from public and private housing developments and infrastructure projects. We think the higher gross margin is sustainable, due to: 1) a higher mix of products which offer low-carbon solutions to the customers; and 2) higher fees from batching services offer to HDB construction work. Credit risks have risen with some construction companies facing distress. However, the impact on PanU is manageable as it supports mainly government projects.
- We raised our FY23e net earnings estimates by 36%** to account for the higher margin. Maintain BUY with unchanged TP of S\$0.50. The business generates strong operating cash flow, underpinning a dividend yield of 5%.

### Results at a glance

Y/E 31 Dec (S\$m)	1H22	1H23	YoY	Comments
Revenue	337.4	360.2	6.8%	Volume caught up from May. Flat YoY.
Operating profit	16.2	18.4	13.7%	Improved product mix
Operating margin (%)	4.8	5.1		
Associates	3.6	2.0	-43.8%	Divestment of granite quarry in Apr 23
Finance cost	(1.0)	(1.6)		Higher interest rate
<b>Pretax profit</b>	<b>18.8</b>	<b>18.8</b>	<b>0.0%</b>	
Net profit	14.5	15.2	4.5%	
Discontinued operations	(1.0)	0.7		Quarry business
<b>Net profit after discontinued op</b>	<b>13.5</b>	<b>15.9</b>	<b>17.8%</b>	

Source: Company, PSR

### The Positives

+ **Volume picked up from May** despite the lull in the first four months, with the clampdown on construction work for safety checks. 1H23 volume was flat YoY.

+ **Gross margin rose 1.6ppt to 21.3%**. We think the improvement was derived from a better product mix as it sold more differentiated products such as those which offer low-carbon solutions, and higher fee income from batching services.

+ **Net cash increased to S\$18mn** (Dec 22: S\$10mn). Cash generation remains strong, with free cash flow of S\$0.03/share. Receivable days have risen to 85 days (Dec22: 72 days) mainly due to the higher volume ramp-up at quarter end. While credit risk of the construction industry has risen, we think the impact on PanU is small as it supplies mainly to infrastructure projects.

### The Negative

- **Malaysia and Vietnam markets remained weak.**

### Outlook

RMC volume is expected to rise further in 2H23, while prices are expected to stay firm. We raise our FY23e earnings forecast by 36% to factor in higher gross margin.

**Maintain BUY with unchanged TP of S\$0.50**



StocksBnB.com

14 August 2023

### BUY (MAINTAINED)

LAST CLOSE PRICE	SGD 0.395
FORECAST DIV	SGD 0.020
TARGET PRICE	SGD 0.500
<b>TOTAL RETURN</b>	<b>31.6%</b>

### COMPANY DATA

BLOOMBERG CODE:	PAN SP
O/S SHARES (MN) :	698
MARKET CAP (USD mn / SGD mn) :	204 / 276
52 - WK HI/LO (SGD) :	0.45 / 0.37
3M Average Daily T/O (mn) :	0.05

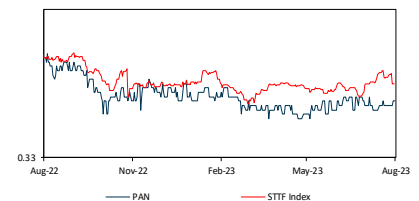
### MAJOR SHAREHOLDER (%)

NG HAN WHATT	61.2%
--------------	-------

### PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	0.0	3.9	(8.2)
STTF RETURN	5.2	3.3	4.8

### PRICE VS. STTF



Source: Bloomberg, PSR

### KEY FINANCIALS

Y/E Dec (S\$ 'mn)	FY21	FY22	FY23e	FY24e
Revenue	586	703	738	829
Gross Profit	108	133	148	166
EBIT	26	36	45	54
NPAT	19	23	34	41
P/NAV (x)	1.4	1.3	1.2	1.1
P/E (x)	15.0	12.0	8.2	6.8
ROE (%)	9.8%	13.3%	15.6%	17.2%

Source: Company, PSR

### VALUATION METHOD

Discounted cash flow

Peggy Mak (+65 6212 1852)  
 Research Manager  
 peggymak@phillip.com.sg

## Financials

### Income Statement

Y/E Dec (\$'mn)	FY20	FY21	FY22	FY23e	FY24e
<b>Revenue</b>	<b>405</b>	<b>586</b>	<b>703</b>	<b>738</b>	<b>829</b>
Cost of sales	(320)	(478)	(571)	(591)	(663)
<b>Gross Profit</b>	<b>85</b>	<b>108</b>	<b>133</b>	<b>148</b>	<b>166</b>
Staff costs	(33)	(43)	(49)	(48)	(54)
Depreciation & amortisation	(24)	(21)	(22)	(21)	(21)
Other expenses	(24)	(22)	(32)	(35)	(38)
Share of results of associates	0	5	6	1	1
<b>EBIT</b>	<b>5</b>	<b>26</b>	<b>36</b>	<b>45</b>	<b>54</b>
Net finance expenses	(3)	(2)	(3)	(3)	(3)
<b>Profit before tax</b>	<b>2</b>	<b>24</b>	<b>34</b>	<b>42</b>	<b>51</b>
Taxation	(0)	(4)	(6)	(8)	(9)
<b>Net Profit</b>	<b>2</b>	<b>20</b>	<b>28</b>	<b>35</b>	<b>42</b>
Minority interests	(0)	(0)	(0)	(1)	(1)
Discontinued operations	0	(1)	(4)	0	0
<b>Profit attributable to owners</b>	<b>1</b>	<b>19</b>	<b>23</b>	<b>34</b>	<b>41</b>

### Per share data (\$ cents)

Y/E Dec	FY20	FY21	FY22	FY23e	FY24e
BVPS	27.7	29.3	30.2	33.4	36.3
DPS	0.8	1.6	1.8	2.0	3.0
EPS	0.1	2.7	3.3	4.9	5.9

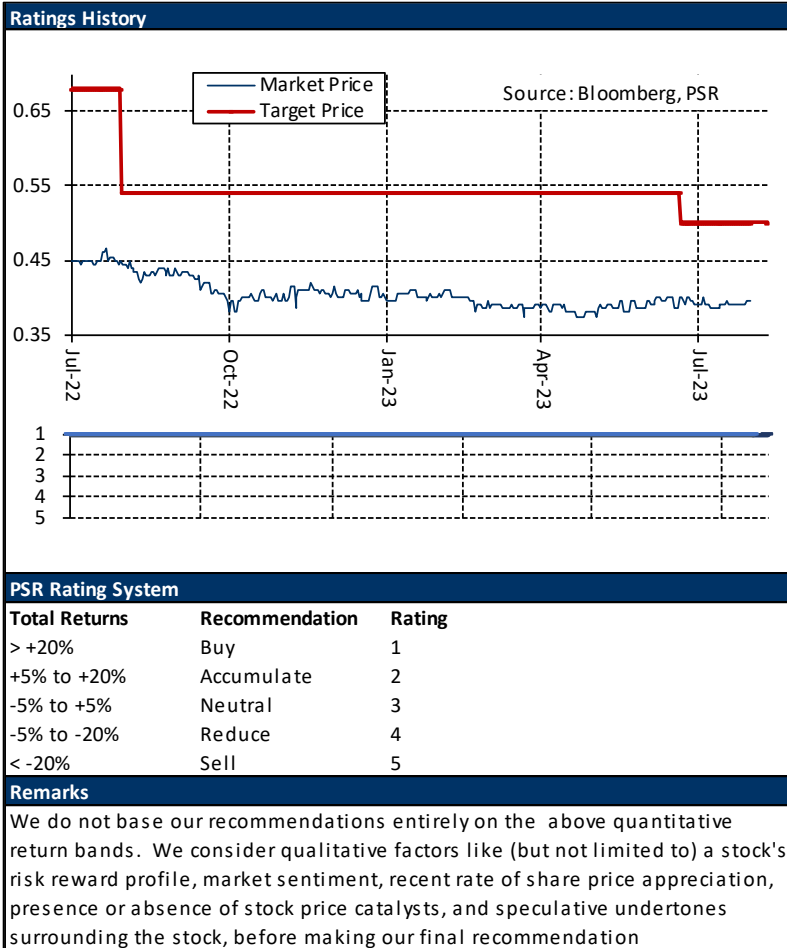
### Cash Flow

Y/E Dec (\$'mn)	FY20	FY21	FY22	FY23e	FY24e
<b>CFO</b>					
<b>Profit before tax</b>	<b>2</b>	<b>24</b>	<b>34</b>	<b>42</b>	<b>51</b>
Adjustments	27	22	17	22	23
WC changes	39	15	(24)	(19)	11
<b>Cash generated from ops</b>	<b>68</b>	<b>61</b>	<b>27</b>	<b>45</b>	<b>85</b>
Others	(8)	2	(1)	(10)	(10)
<b>Cashflow from ops</b>	<b>60</b>	<b>63</b>	<b>26</b>	<b>36</b>	<b>74</b>
<b>CFI</b>					
CAPEX, net	(6)	(6)	(11)	(10)	(10)
Others	(2)	(3)	(3)	4	-
<b>Cashflow from investments</b>	<b>(8)</b>	<b>(9)</b>	<b>(15)</b>	<b>(6)</b>	<b>(10)</b>
<b>CFF</b>					
Dividends paid to owners	(8)	(9)	(12)	(14)	(21)
Proceeds from borrowings, net	(26)	(47)	3	-	-
Others	0	(1)	(1)	-	-
<b>Cashflow from financing</b>	<b>(34)</b>	<b>(57)</b>	<b>(9)</b>	<b>(14)</b>	<b>(21)</b>
<b>Net change in cash</b>	<b>18</b>	<b>(3)</b>	<b>2</b>	<b>15</b>	<b>44</b>
Cash at the start of the period	50	68	64	65	80
Currency translation	(0)	0	(1)	-	-
<b>Ending cash</b>	<b>68</b>	<b>65</b>	<b>65</b>	<b>80</b>	<b>124</b>

Source: Company, Phillip Securities Research (Singapore) Estimates

### Balance Sheet

Y/E Dec (\$'mn)	FY20	FY21	FY22	FY23e	FY24e
<b>ASSETS</b>					
PPE & Investment Properties	174	166	148	137	125
Others	11	12	14	15	16
<b>Total non-current assets</b>	<b>186</b>	<b>179</b>	<b>161</b>	<b>152</b>	<b>141</b>
Cash and cash equivalents	68	64	65	80	124
Inventories	24	24	23	12	28
Trade and other receivables	117	125	153	180	183
Others	8	5	19	11	11
<b>Total current assets</b>	<b>217</b>	<b>218</b>	<b>260</b>	<b>283</b>	<b>345</b>
<b>Total Assets</b>	<b>402</b>	<b>397</b>	<b>421</b>	<b>435</b>	<b>487</b>
<b>LIABILITIES</b>					
Trade and other payables	80	98	107	104	132
ST borrowings	45	21	28	28	28
Others	9	13	23	18	20
<b>Total current liabilities</b>	<b>134</b>	<b>132</b>	<b>157</b>	<b>150</b>	<b>180</b>
LT borrowings	43	25	27	27	27
Others	23	26	19	19	19
<b>Total non-current liabilities</b>	<b>66</b>	<b>51</b>	<b>46</b>	<b>46</b>	<b>46</b>
<b>Total liabilities</b>	<b>199</b>	<b>183</b>	<b>203</b>	<b>195</b>	<b>226</b>
<b>EQUITY</b>					
Share Capital	13	13	13	13	13
Retained profits	182	193	202	222	243
Others	-	(1)	(3)	(1)	(1)
<b>Total equity</b>	<b>195</b>	<b>205</b>	<b>211</b>	<b>233</b>	<b>254</b>
Minority interests	8	8	7	7	7
<b>Total equity and liabilities</b>	<b>402</b>	<b>397</b>	<b>421</b>	<b>435</b>	<b>487</b>
<b>Valuation Ratios</b>					
Y/E Dec	FY20	FY21	FY22	FY23e	FY24e
P/E (x)	266.5	14.8	11.8	8.1	6.7
P/B (x)	1.4	1.3	1.3	1.2	1.1
EV/EBITDA (x)	10.3	6.1	5.1	3.9	2.8
Dividend yield (%)	2.0	4.1	4.6	5.1	7.5
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	-47.3%	44.6%	20.1%	5.0%	12.2%
Gross profit	-36.2%	27.0%	23.2%	11.3%	12.2%
EBIT	-83.4%	401.7%	38.6%	23.8%	19.2%
PBT	-93.4%	1280.9%	41.2%	25.5%	20.4%
<b>Margins</b>					
Gross profit margin	20.9%	18.4%	18.9%	20.0%	20.0%
EBIT margin	1.3%	4.5%	5.2%	6.1%	6.5%
Net profit margin	0.3%	3.2%	3.3%	4.6%	5.0%
<b>Key Ratios</b>					
ROE	0.8%	9.8%	13.3%	15.6%	17.2%
ROA	0.4%	4.9%	6.8%	8.1%	9.1%
Net Gearing (%)	9.8%	net cash	net cash	net cash	net cash



**Head of Research**

 Paul Chew – [paulchewkl@phillip.com.sg](mailto:paulchewkl@phillip.com.sg)
**Technical Analyst**

 Zane Aw – [zaneawyx@phillip.com.sg](mailto:zaneawyx@phillip.com.sg)
**Credit Analyst**

 Shawn Sng – [shawnsngkh@phillip.com.sg](mailto:shawnsngkh@phillip.com.sg)
**US Technology Analyst (Hardware & Marketplaces)**

 Maximilian Koeswoyo – [maximilian@phillip.com.sg](mailto:maximilian@phillip.com.sg)
**Contact Information (Singapore Research Team)**
**Property | REITs**

 Darren Chan – [darrenchanrx@phillip.com.sg](mailto:darrenchanrx@phillip.com.sg)
**Property | REITs**

 Liu Miaomiao – [liumm@phillip.com.sg](mailto:liumm@phillip.com.sg)
**US Technology Analyst (Digital Media & Entertainment)**

 Jonathan Woo – [jonathanwookj@phillip.com.sg](mailto:jonathanwookj@phillip.com.sg)
**Research Admin**

 Qystina Azli – [qystina@phillip.com.sg](mailto:qystina@phillip.com.sg)
**Banking & Finance**

 Glenn Thum – [glennthumjc@phillip.com.sg](mailto:glennthumjc@phillip.com.sg)
**Conglomerate | Transport**

 Peggy Mak – [peggymak@phillip.com.sg](mailto:peggymak@phillip.com.sg)
**US Technology Analyst (Software/Services)**

 Ambrish Shah – [amshah@phillipventuresifsc.in](mailto:amshah@phillipventuresifsc.in)
**Contact Information (Regional Member Companies)**
**SINGAPORE**

**Phillip Securities Pte Ltd**  
Raffles City Tower  
250, North Bridge Road #06-00  
Singapore 179101  
Tel +65 6533 6001  
Fax +65 6535 6631  
Website: [www.poems.com.sg](http://www.poems.com.sg)

**JAPAN**

**Phillip Securities Japan, Ltd.**  
4-2 Nihonbashi Kabuto-cho Chuo-ku,  
Tokyo 103-0026  
Tel +81-3 3666 2101  
Fax +81-3 3666 6090  
Website: [www.phillip.co.jp](http://www.phillip.co.jp)

**THAILAND**

**Phillip Securities (Thailand) Public Co. Ltd**  
15th Floor, Vorawat Building,  
849 Silom Road, Silom, Bangrak,  
Bangkok 10500 Thailand  
Tel +66-2 6351700 / 22680999  
Fax +66-2 22680921  
Website [www.phillip.co.th](http://www.phillip.co.th)

**UNITED STATES**

**Phillip Capital Inc**  
141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel +1-312 356 9000  
Fax +1-312 356 9005  
Website: [www.phillipusa.com](http://www.phillipusa.com)

**INDIA**

**PhillipCapital (India) Private Limited**  
No.1, 18th Floor, Urmi Estate  
95, Ganpatrao Kadam Marg  
Lower Parel West, Mumbai 400-013  
Maharashtra, India  
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969  
Website: [www.phillipcapital.in](http://www.phillipcapital.in)

**MALAYSIA**

**Phillip Capital Management Sdn Bhd**  
B-3-6 Block B Level 3 Megan Avenue II,  
No. 12, Jalan Yap Kwan Seng, 50450  
Kuala Lumpur  
Tel +603 2162 8841  
Fax +603 2166 5099  
Website: [www.poems.com.my](http://www.poems.com.my)

**INDONESIA**

**PT Phillip Securities Indonesia**  
ANZ Tower Level 23B,  
Jl Jend Sudirman Kav 33A  
Jakarta 10220 – Indonesia  
Tel +62-21 5790 0800  
Fax +62-21 5790 0809  
Website: [www.phillip.co.id](http://www.phillip.co.id)

**FRANCE**

**King & Shaxson Capital Limited**  
3rd Floor, 35 Rue de la Bienfaisance 75008  
Paris France  
Tel +33-1 45633100  
Fax +33-1 45636017  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**AUSTRALIA**

**Phillip Capital Limited**  
Level 10, 330 Collins Street  
Melbourne, Victoria 3000, Australia  
Tel +61-03 8633 9803  
Fax +61-03 8633 9899  
Website: [www.phillipcapital.com.au](http://www.phillipcapital.com.au)

**TURKEY**

**PhillipCapital Menkul Degerler**  
Dr. Cemil Bengü Cad. Hak Is Merkezi  
No. 2 Kat. 6A Caglayan  
34403 Istanbul, Turkey  
Tel: 0212 296 84 84  
Fax: 0212 233 69 29  
Website: [www.phillipcapital.com.tr](http://www.phillipcapital.com.tr)

**HONG KONG**

**Phillip Securities (HK) Ltd**  
11/F United Centre 95 Queensway  
Hong Kong  
Tel +852 2277 6600  
Fax +852 2868 5307  
Websites: [www.phillip.com.hk](http://www.phillip.com.hk)

**CHINA**

**Phillip Financial Advisory (Shanghai) Co Ltd**  
No 550 Yan An East Road,  
Ocean Tower Unit 2318,  
Postal code 200001  
Tel +86-21 5169 9200  
Fax +86-21 6351 2940  
Website: [www.phillip.com.cn](http://www.phillip.com.cn)

**UNITED KINGDOM**

**King & Shaxson Capital Limited**  
6th Floor, Candlewick House,  
120 Cannon Street,  
London, EC4N 6AS  
Tel +44-20 7426 5950  
Fax +44-20 7626 1757  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**CAMBODIA**

**Phillip Bank Plc**  
Ground Floor of B-Office Centre, #61-64,  
Norodom Blvd Corner Street 306, Sangkat  
Boeung Keng Kang 1, Khan Chamkamorn,  
Phnom Penh, Cambodia  
Tel: 855 (0) 7796 6151/855 (0) 1620 0769  
Website: [www.phillipbank.com.kh](http://www.phillipbank.com.kh)

**DUBAI**

**Phillip Futures DMCC**  
Member of the Dubai Gold and  
Commodities Exchange (DGCX)  
Unit No 601, Plot No 58, White Crown Bldg,  
Sheikh Zayed Road, P.O.Box 212291  
Dubai-UAE  
Tel: +971-4-3325052 / Fax: + 971-4-3328895

**Important Information**

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

**IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES**

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.