

Pan-United Corporation Ltd

Still optimistic despite slower project take-off



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SINGAPORE | CONSTRUCTION | 2H24 RESULTS

- 2H24 revenue and PATMI were below expectations due to slower-than-expected project take-off. FY24 revenue/PATMI were at 94%/97% of our FY24e forecast. Gross profit/EBITDA were within expectations at 101%/101%. Final dividends jumped 28% YoY to 2.3 cents, bringing total FY24 DPS to 3.0 cents (FY23: 2.3 cents).
- Amidst the slower-than-expected project take-off, we expect the volume of RMC in 2025 to remain stable at 13.8mn cubic meter (2024:13.4mn cubic meter). We believe additional revenue from major construction projects will be reflected only in 2H25e.
- We maintain our BUY recommendation with a higher TP of S\$0.75 (prev. S\$0.68). We adjusted FY25e revenue/PATMI by -5%/+3% to reflect slower project take-off but higher profit margins. WACC is lowered to 11% (prev: 15%) to reflect healthier balance sheet and growth rate is raised to 1.5% (prev: 1%) to reflect Pan-United's significant market share and future additional barriers to entry from the Jurong Port batching plant site. Pan-United trades at an attractive FY25e dividend yield of 4.9%.

Results at a glance

SGD mn	2H24	2H23	YoY	Comment
Revenue	427.6	414.0	3.3%	Driven by volume and price growth
Gross profit	92.6	84.3	9.8%	
Gross Margin	21.7%	20.4%	1.3%	Higher mix of low-carbon products
EBITDA	54.2	50.8	6.6%	
EBITDA Margin	12.7%	12.3%	0.4%	
PATMI	22.3	20.4	9.0%	
Net cash	91.6	43.1	112.5%	Driven by higher earnings and lower debts
DPS - Final (cents)	2.3	1.8	28%	

Source: Company, PSR

The Positives

+ Higher margins driven by a higher mix of low-carbon products. Gross margins climbed 1.3% YoY in 2H24, due to strong demand for low-carbon products, which make up more than 50% of Pan-United's volume.

+ Increase in net cash due to higher earnings. Pan-United's net cash increased by 112.5% YoY in 2H24, driven by higher revenues and lower borrowings. We believe Pan-United's healthy balance sheet is well-positioned to carry out the planned capital expenditure of c.S\$60mn in FY25e for the new batching plant in Jurong Port.

+ Higher dividend yield and payout ratio. FY24 DPS increased to 3.0 cents (FY23: 2.3 cents). Pan-United increased its dividend payout ratio to 51.3% (FY23: 44.9%), reflecting a higher dividend yield of around 4.9% (FY23: c.3.8%).

The Negative

- Slower-than-expected project take-off. FY24 Revenue and PATMI came in below our estimates due to project delays. We believe additional revenue from major construction projects will be reflected only in 2H25e. Terminal 5 construction in 1H25 involves underground infrastructure works, which are expected to last until August 2025 before concrete works commence.

28 February 2025

BUY (Maintained)

CLOSING PRICE	SGD 0.615
FORECAST DIV	SGD 0.030
TARGET PRICE	SGD 0.750
TOTAL RETURN	26.8%

COMPANY DATA

Bloomberg CODE:	Pan SP
O/S SHARES (MN):	699
MARKET CAP (SGD bn / USD bn):	319 / 427
52 - WK HI/LO (SGD):	0.66 / 0.42
3M Average Daily T/O (mn):	0.14

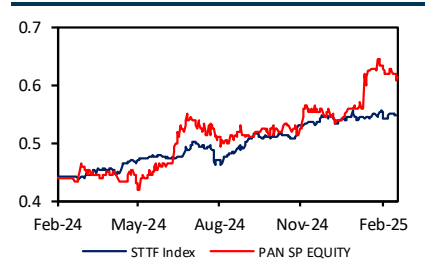
MAJOR SHAREHOLDERS

Ng Han Whatt	56.7%
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TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	(0.8)	9.7	11.7
STTF RETURN	3.0	4.7	4.0

PRICE VS. NASDAQ



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, (\$mn)	FY23	FY24	FY25e	FY26e
Revenue	774.1	812.3	870.0	958.4
Gross Profit	161.0	175.8	187.9	207.0
EBITDA	71.4	79.0	85.3	98.7
PATMI	34.3	40.9	45.3	51.9
P/NAV(x)	1.8	1.6	1.6	1.7
P/E (x)	12.4	10.4	9.4	8.5
ROE	15.0%	16.1%	16.9%	19.6%

Source: Company, PSR

VALUATION METHOD

Discounted Cash-Flow, WACC 11%, g 1.5%

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Outlook

Construction demand forecasted by the BCA over the next four years increased by 23% from S\$34.5bn to S\$42.5bn midpoint. Pan-United, which maintains a significant market share of c.40% in ready-mix concrete and its low-carbon concrete solutions, is well-positioned to capture this demand. The batching plant site in Jurong Port will also serve as a barrier to entry as high CAPEX is required for new entrants.

Maintain BUY with higher TP of S\$0.75 (prev. S\$0.68)

We adjusted FY25e revenue/PATMI by -5%/+3% to reflect slower project take-off but higher profit margins. WACC is lowered to 11% (prev: 15%) to reflect healthier balance sheet and growth rate is raised to 1.5% (prev: 1%) to reflect Pan-United's significant market share and future additional barriers to entry from the Jurong Port batching plant site.

Financials

Income Statement

Y/E Dec (\$\$mn)	FY22	FY23	FY24	FY25e	FY26e
Revenue	703.3	774.1	812.3	870.0	958.4
Cost of sales	(570.6)	(613.1)	(636.5)	(682.1)	(751.4)
Gross Profit	132.7	161.0	175.8	187.9	207.0
Staff costs	(48.7)	(57.5)	(58.0)	(60.9)	(67.1)
Other expenses	(31.8)	(34.8)	(41.2)	(44.4)	(44.1)
Share of results of associates	5.9	2.8	2.5	2.6	2.9
EBITDA	58.1	71.4	79.0	85.3	98.7
Depreciation & amortisation	(21.7)	(22.7)	(24.2)	(24.1)	(29.0)
EBIT	36.4	48.7	54.8	61.2	69.7
Net finance expenses	(2.6)	(3.4)	(3.4)	(4.4)	(4.6)
Profit before tax	33.8	45.3	51.3	56.8	65.1
Taxation	(6.1)	(9.7)	(10.2)	(11.2)	(12.9)
Net Profit	27.7	35.7	41.2	45.6	52.3
Minority interests	(0.2)	(0.1)	(0.3)	(0.3)	(0.4)
Discontinued operations	(4.2)	(1.3)	-	-	-
PATMI	23.3	34.3	40.9	45.3	51.9

Per share data (\$\$ cents)

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
EPS	3.3	4.9	5.9	6.5	7.4
DPS	1.8	2.3	3.0	3.0	3.0
BVPS	30.5	60.6	65.0	71.6	80.6

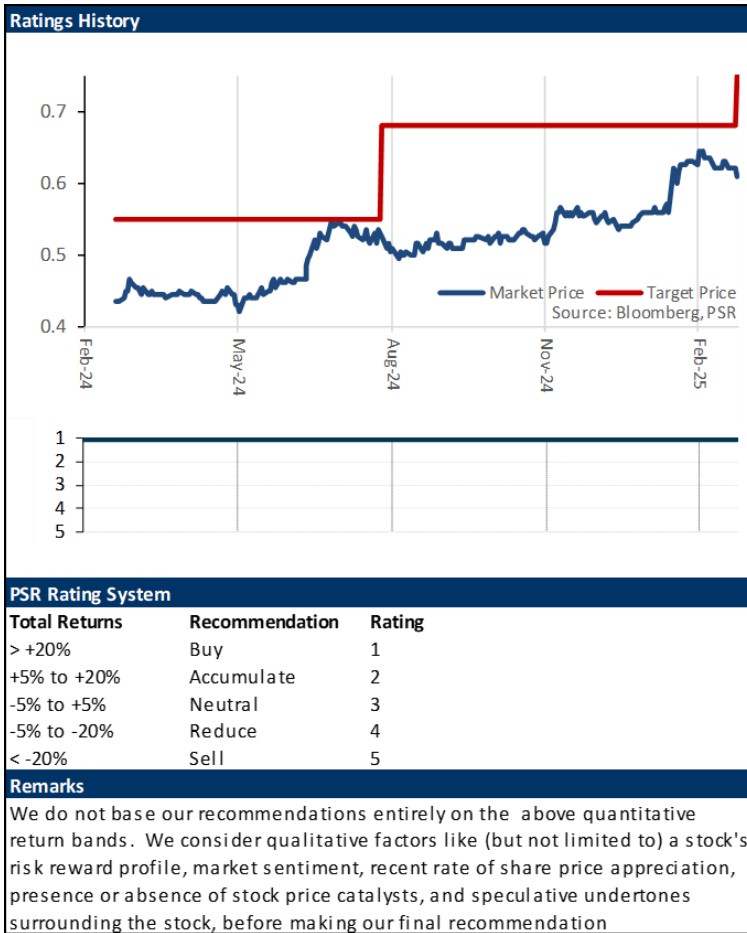
Cash Flow

Y/E Dec (\$\$mn)	FY22	FY23	FY24	FY25e	FY26e
CFO					
Profit before tax	33.8	45.3	51.3	56.8	65.1
Adjustments	17.4	25.4	29.4	10.5	13.8
WC changes	(24.5)	(0.3)	18.4	14.5	(6.0)
Cash generated from ops	26.7	70.4	99.1	81.8	72.9
Others	(6.1)	(9.2)	(11.2)	-	-
Cashflow from ops	20.6	61.3	88.0	81.8	72.9
CFI					
CAPEX, net	(11.5)	(9.7)	(16.3)	(60.9)	(28.8)
Others	2.1	2.1	1.5	2.0	2.0
Cashflow from investments	(9.4)	(7.6)	(14.7)	(58.9)	(26.8)
CFF					
Dividends paid to owners	(11.5)	(13.0)	(17.9)	(25.4)	(25.4)
Proceeds from borrowings, net	3.0	(38.8)	(14.2)	(0.1)	(0.1)
Others	(0.7)	(1.2)	0.6	0.6	0.6
Cashflow from financing	(9.3)	(53.0)	(31.5)	(24.9)	(24.9)
Net change in cash	8.0	9.8	52.9	(2.0)	21.3
Cash at the start of the period	64.1	64.6	64.4	107.0	105.0
Currency translation	(1.4)	(0.9)	0.9	-	-
Ending cash	64.6	64.4	107.0	105.0	126.3

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec (\$\$mn)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
PPE & Investment Prop.	147.6	163.5	172.3	211.2	212.9
Others	13.9	14.3	13.2	14.9	16.4
Total non-current assets	161.5	177.9	185.5	226.1	229.3
Cash	64.6	64.4	107.0	107.0	107.0
Inventories	23.2	18.9	25.5	31.0	34.1
Trade receivables	153.0	183.3	169.3	190.7	212.7
Others	19.0	9.5	12.4	10.0	10.0
Total current assets	259.9	276.0	314.2	338.7	363.8
Total Assets	421.4	453.9	499.7	564.7	593.1
LIABILITIES					
Trade and other payables	(106.8)	(134.3)	(146.1)	(188.3)	(207.4)
ST borrowings	(27.7)	(12.1)	(13.4)	(12.1)	(12.1)
Others	(166.1)	(180.9)	(222.0)	(241.9)	(241.9)
Total current liabilities	(157.1)	(166.1)	(180.9)	(222.0)	(241.9)
LT borrowings	(27.0)	(9.2)	(2.0)	(22.5)	(29.2)
Others	(18.9)	(41.0)	(45.9)	(53.0)	(52.1)
Total non-current liab.	(45.9)	(50.3)	(47.9)	(75.5)	(81.4)
Total liabilities	(203.0)	(216.3)	(228.8)	(297.5)	(323.3)
EQUITY					
Share Capital	12.6	12.6	12.6	12.6	12.6
Retained profits	202.3	221.6	254.2	254.2	254.2
Others	3.4	3.3	4.1	(1.5)	(1.5)
Total equity	218.4	237.6	270.9	265.3	265.3
Minority interests	7.0	5.7	5.6	5.6	5.6
Total equity and liabilities	421.4	453.9	499.7	562.8	588.6
Valuation Ratios					
Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/E (X)	18.3	12.4	10.4	9.4	8.5
P/B (X)	2.0	1.8	1.6	1.6	1.7
EV/EBITDA (X)	5.6	4.4	4.4	4.0	3.8
Dividend yield (%)	3.0%	3.8%	4.9%	4.9%	4.9%
Growth & Margins					
Growth					
Revenue	19.8%	10.1%	4.9%	7.1%	10.2%
Gross profit	36.0%	40.8%	11.4%	5.4%	16.4%
EBITDA	19.2%	23.0%	10.5%	8.0%	15.8%
Net profit	25.0%	46.9%	19.1%	10.8%	14.7%
Margins					
Gross margin	18.9%	20.8%	21.6%	21.6%	21.6%
EBITDA margin	8.3%	9.2%	9.7%	9.8%	10.3%
Net profit margin	3.3%	4.4%	5.0%	5.2%	5.4%
Key Ratios					
ROE	10.8%	15.0%	16.1%	16.9%	19.6%
ROA	5.5%	7.8%	8.6%	8.5%	9.0%
Net Gearing	10.2%	20.2%	14.5%	11.6%	9.9%



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