

ST Engineering Ltd

Full of orders

SINGAPORE | CONGLOMERATE | 1Q25 UPDATE

- 1Q25 revenue was within expectations at 23% of our FY25e forecast. Defence led the growth with an 18% YoY rise to S\$1.3bn. New orders spiked 45% YoY to S\$4.4bn, driving up the outstanding order book 8% to S\$29.8bn.
- On tariffs, the first-order financial impact is immaterial. Engine MRO work conducted in China does import parts from the US. ST Engineering will not absorb the cost of the 125% duties on such parts. Any cancellation of such business could impact revenue of S\$40mn per month. We view the banning of US-made aircraft parts from entering China as only raising the risk of grounding the local airline fleet.
- We maintain our FY25e earnings. Our DCF TP is raised to S\$8.20 (prev. S\$6.10) as we increased our terminal growth forecast to 3% (prev. 2%). Defence spending has seen a structural uplift due to security and supply chain concerns. ST Engineering will ride on this wave of spending together with its growing scale in commercial aerospace and new thrust from urban solutions. Our ACCUMULATE recommendation is maintained.

Results at a glance

Y/E Dec (\$\$ mn)	1Q25	1Q24	YoY	Comments
Revenue	2,921	2,703	8.1%	
- Commercial Aerospace (CA)	1,153	1,152	0.1%	Airframe and engine MRO but weak PTF.
- Defence & Public Security (DPS)	1,322	1,123	17.7%	Broad based growth.
- Urban Solutions & Satcom (USS)	446	429	4.0%	
Order Book (\$\$bn)	29.8	27.7	7.6%	
New contract wins (\$\$bn)	4.4	3.0	45.0%	DPS and CA orders jumped 63% and 55% respectively.
Orders to be delivered (\$\$bn)	7.3	6.5	12.3%	
DPS (cents)	4.0	4.0	0.0%	

Source: Company, PSR Note# Limited financials were provided in the 1Q25 update.

The Positive

+ Strength in DPS revenue and new orders. DPS revenue jumped 18% YoY to S\$1.32bn. The growth was broad-based, and more project milestones pushed up revenue. New orders in 1Q25 were robust with a 63% jump to S\$2.7bn. In digital business, there were orders from GPU data centre infrastructure and AI-related projects such as command and control, training, and defence products.

The Negative

- PTF drag for CA. Revenue in the CA division was flat despite the growth in engine MRO. The lack of aircraft has been a drag on the passenger-to-freighter (PTF) revenue. On the flip side, a lack of aircraft leads to increased flying hours and extended use of engines, leading to more MRO work.

Outlook

The outlook for ST Engineering remains healthy. The order book to be delivered is up 12.3% YoY (1Q24: +12.1%). Demand for DPS remains the key growth driver, with robust demand continuing in terms of ammunition, platforms, and MRO. Countries are raising defence budgets and diversifying their supply base. Key markets overseas are the Middle East and Europe. On CA, there has been no PTF cancellation, but the lack of feedstock will be a drag to FY25e earnings. But the rising scale in airframe and engine MRO is expected to raise margins. USS is building order momentum in new regions, particularly in ASEAN, for mobility infrastructure such as rail and road.

Maintain ACCUMULATE with a higher TP of S\$8.20 (prev. S\$6.10)



StocksBnB.com

10 May 2025

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 7.630
FORECAST DIV	SGD 0.200
TARGET PRICE	SGD 8.200
TOTAL RETURN	10.1%

COMPANY DATA

BLOOMBERG CODE:	STE SP
O/S SHARES (MN) :	3,122
MARKET CAP (USD mn / SGD mn) :	18232 / 23632
52 - WK HI/LO (SGD) :	7.62 / 3.88
3M Average Daily T/O (mn) :	9.69

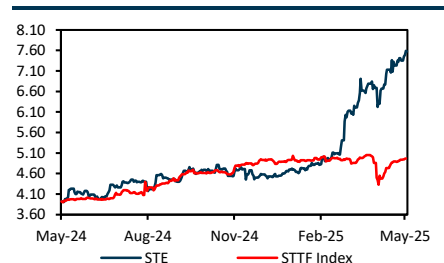
MAJOR SHAREHOLDER

TEMASEK HOLDINGS	50.9%
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TOTAL RETURN (%)

	1MTH	3MTH	YTD
COMPANY	22.9	52.8	64.0
STTF RETURN	10.5	2.0	4.1

PRICE VS. STTF



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (\$\$mn)	FY23	FY24	FY25e	FY26e
Revenue	10,101	11,276	12,787	13,542
Gross Profit	1,973	2,174	2,508	2,642
EBIT	915	1,076	1,234	1,311
PATMI	586	702	858	938
P/NAV (x)	9.7	8.9	8.2	7.7
P/E (x)	40.5	33.8	27.7	25.3
Dividend yield	2.1%	2.2%	2.6%	3.1%
ROE	23.8%	26.3%	29.5%	30.3%

Source: Company, PSR

VALUATION METHOD

DCF (WACC 6.8%, Terminal g 3%)

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Financials

Income Statement

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
Revenue	9,035	10,101	11,276	12,787	13,542
Cost of sales	(6,158)	(7,336)	(7,803)	(7,712)	(8,480)
Gross Profit	1,699	1,973	2,174	2,508	2,642
Selling and distribution	(195)	(179)	(207)	(234)	(230)
Administration	(727)	(753)	(797)	(895)	(948)
Others	(75)	(184)	(165)	(205)	(217)
Associates and joint venture	33	58	71	60	63
EBIT	735	915	1,076	1,234	1,311
Net finance expenses	(138)	(210)	(214)	(195)	(174)
Profit before tax	597	704	863	1,039	1,137
Taxation	(54)	(100)	(133)	(161)	(174)
Net Profit	543	604	729	878	963
Minority interests	(8)	(18)	(27)	(20)	(25)
PATMI	535	586	702	858	938

Per share data (\$\$ cents)

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
BVPS	77.0	79.0	85.8	93.4	99.5
DPS	16.0	16.0	17.0	20.0	24.0
EPS	17.2	18.8	22.6	27.6	30.1

Cash Flow

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
CFO					
Pretax profit	597	704	863	1,039	1,137
Adjustments	618	722	725	732	726
WC changes	(442)	(101)	274	(166)	(10)
Cash generated from ops	774	1,326	1,862	1,605	1,853
Others	(173)	(147)	(144)	(344)	(335)
Cashflow from ops	601	1,179	1,718	1,262	1,519
CFI					
CAPEX, net	(763)	(540)	(480)	(500)	(500)
Others	(3,809)	340	66	60	60
Cashflow from investments	(4,571)	(201)	(414)	(440)	(440)
CFF					
Dividends paid to owners	(695)	(499)	(499)	(622)	(747)
Proceeds from borrowings, net	4,491	(430)	(400)	(400)	-
Others	(26)	(297)	(323)	-	-
Cashflow from financing	3,770	(1,226)	(1,222)	(1,022)	(747)
Net change in cash	(201)	(248)	82	(201)	332
Cash at the start of the period	816	602	353	430	229
Currency translation	(14)	(0)	(5)	-	-
Ending cash	602	353	430	229	561

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Dec, (\$'mn)	FY22	FY23	FY24	FY25e	FY26e
ASSETS					
PPE & Investment Properties	2,076	2,076	2,115	2,288	2,430
Others	6,761	6,673	6,783	6,512	6,258
Total non-current assets	8,837	8,749	8,898	8,800	8,688
Cash and cash equivalents	602	353	431	230	561
Inventories	1,684	1,897	2,061	2,253	2,389
Trade and other receivables	1,152	1,581	1,461	1,752	1,855
Others	2,689	2,798	3,371	3,371	3,371
Total current assets	6,127	6,630	7,324	7,605	8,175
Total Assets	14,964	15,379	16,221	16,405	16,863
LIABILITIES					
Trade and other payables	2,826	3,155	3,486	3,802	4,031
ST borrowings	3,628	2,564	2,945	2,545	2,545
Others	1,551	1,604	1,808	1,820	1,833
Total current liabilities	8,005	7,322	8,239	8,167	8,409
LT borrowings	2,907	3,544	2,876	2,876	2,876
Others	1,399	1,760	2,155	2,155	2,155
Total non-current liabilities	4,306	5,304	5,032	5,032	5,032
Total liabilities	12,311	12,627	13,270	13,199	13,441

EQUITY

Share Capital	896	896	896	896	896
Retained profits	1,473	1,563	1,779	2,015	2,206
Others	29	0	(5)	(5)	(5)
Minority interests	255	293	280	300	325
Total equity	2,653	2,752	2,951	3,206	3,423
Total equity and liabilities	14,964	15,379	16,221	16,405	16,864

Valuation Ratios

Y/E Dec	FY22	FY23	FY24	FY25e	FY26e
P/E (x)	44.4	40.5	33.8	0.0	25.3
P/B (x)	9.9	9.7	8.9	0.0	7.7
EV/EBITDA (x)	25.1	21.4	18.1	2.8	14.9
Dividend yield (%)	2.1	2.1	2.2	2.6	3.1

Growth & Margins

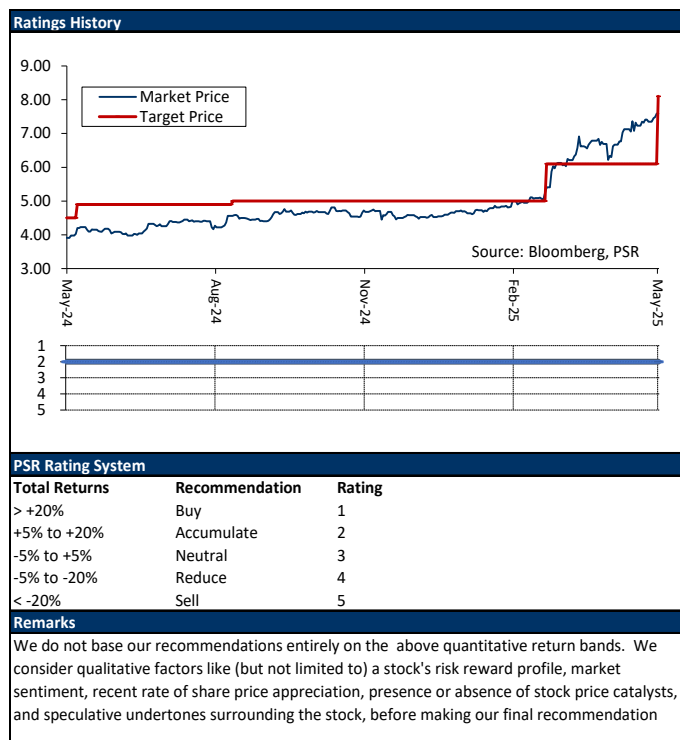
Growth					
Revenue	17.4%	11.8%	11.6%	13.4%	5.9%
Gross profit	10.7%	16.1%	10.2%	15.4%	5.4%
EBIT	9.1%	24.4%	17.7%	14.6%	6.2%
PATMI	-6.2%	9.6%	19.7%	22.2%	9.3%

Margins

Gross profit margin	18.8%	19.5%	19.3%	19.6%	19.5%
EBIT margin	8.1%	9.1%	9.5%	9.7%	9.7%
Net profit margin	5.9%	5.8%	6.2%	6.7%	6.9%

Key Ratios

ROE	22.3%	23.8%	26.3%	29.5%	30.3%
ROA	4.4%	5.5%	6.2%	7.2%	7.4%
Net Gearing	223.6%	209.1%	182.7%	161.9%	142.0%



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