UOBKayHian

Company – Results | Singapore

Friday, 14 August 2026

Hong Leong Asia (HLA SP)

1H26: Double-digit Growth Drives Better-than-expected Results

Highlights

- 1H26 revenue of S$3,129m and PATMI of S$92m beat our forecasts at 52% and 65% respectively, driven by double-digit growth across both segments.
- HLA declared an interim dividend of S$0.03/share for 1H26 (1H25: S$0.02), backed by a strong net cash position and following an enlarged share base.
- Maintain BUY with a lower target price of S$4.70, due to an enlarged share base. Our target price also implies a 48% upside.

1H26 Results

Year to 31 Dec (S$m)	1H25	1H26	yoy%
Revenue	2,829.0	3,129.3	10.6
- Powertrain solutions	2,339.9	2,732.8	16.8
- Building Materials	310.2	384.8	24.1
Gross profit	427.5	597.2	39.7
Net profit after tax	121.2	198.4	63.7
Net profit attributable to shareholders	56.0	91.9	64.2
Gross profit margin (%)	15.1	19.1	+4.0 ppt
PATMI margin (%)	2.0	2.9	+0.9 ppt

Source: HLA, UOB Kay Hian

Analysis

- **1H26 results better than expected.** 1H26 revenue grew 17.6% yoy to S$3,129m, accounting for 52% of our forecast, driven by double-digit growth across both powertrain solutions and building materials (BMU) business segments. PATMI grew 64.1% yoy to S$91.9m, beating expectations and representing 65% of our full-year forecasts. Bottom line growth was driven by higher profitability in both business segments, and further supported by contribution from the recent Yong Tai Loong (YTL) acquisition in Apr 26 that broadens HLA's Singapore building materials offering.
- **Higher interim dividend underpins strong earnings trajectory.** Hong Leong Asia (HLA) declared an interim dividend of S$0.03/share for 1H26 (1H25: S$0.02/share; +50% yoy). This is backed by stronger earnings, alongside a strong net cash position of around S$1.08b. Notably, the higher payout comes despite an enlarged share base from a placement in May 26, which raised total shares outstanding by 6.7% to 798.1m as at end-June (end-25: 748.1m). Even after this dilution, the 50% DPS increase still outpaced share count growth, underscoring management's confidence in the earnings trajectory.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	4,249	5,182	6,092	6,539	6,955
EBITDA	150	254	431	446	475
Operating profit	63	170	272	287	316
Net profit (rep./act.)	87	113	165	172	185
Net profit (adj.)	87	113	165	172	185
EPS (S$ cent)	11.7	15.1	20.7	21.6	23.1
PE (x)	27.3	21.1	15.4	14.7	13.7
P/B (x)	2.3	2.2	2.1	1.9	1.8
EV/EBITDA (x)	21.0	12.5	7.3	7.1	6.7
Dividend yield (%)	1.3	1.6	2.3	2.4	2.5
Net margin (%)	2.1	2.2	2.7	2.6	2.7
Net debt/(cash) to equity (%)	(47.1)	(77.5)	(66.3)	(62.5)	(59.6)
Interest cover (x)	4.4	11.1	16.9	18.8	20.0
ROE (%)	9.0	10.7	14.4	13.7	13.5
Consensus net profit (S$m)	-	-	151	179	213
UOBKH/Consensus (x)	-	-	1.10	0.96	0.87

Source: HLA, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	S$3.18
Target Price	S$4.70
Upside	47.8%
Previous TP	S$4.90

Stock Data

Sector	Industrials
Bloomberg ticker	HLA SP
Shares issued (m)	798.1
Market cap (S$m)	2,538.1
Market cap (US$m)	1,982.4
3-mth avg daily t'over (US$m)	4.2

Price Performance (%)

52-week high/low: S$3.88/S$1.70

1mth	3mth	6mth	1yr	YTD
20.9	(16.8)	(4.5)	81.7	32.5

Major Shareholders (%)

Hong Leong Investment Hldgs	75.23
Kwek Leng Peck	1.39

Balance Sheet Metrics

FY26 NAV/Share (S$)	1.50
FY26 Net Debt/Share (S$)	0.99

Price Chart

Source: Bloomberg

Company Description

HLA is part of the Hong Leong Group and is involved in diesel engine production in China via its part ownership of NYSE-listed China Yuchai as well as building materials in Malaysia and Singapore.

- **Powertrain solutions segment extends its winning streak.** This segment remained the primary growth engine, with revenue rising 16.8% yoy to S$2.73b and PAT up 61.8% yoy to S$156.7m. Engine unit sales grew 10.9% yoy to 277,684 units, with truck engine sales up 20.4% yoy, well ahead of China's commercial vehicle industry growth of 5.8%. Off-road demand was also strong, with marine and genset units up 42.0% yoy and industrial units up 15.8% yoy. Margin expansion was driven by a richer mix of heavy-duty and export engines alongside scale and cost efficiencies. Management expects growth to continue, underpinned by rising demand for advanced engines from data centres and further export growth.
- **BMU steps up a gear.** BMU revenue rose 24.1% yoy to S$384.8m, with profit up 49.9% yoy to S$56.1m, a marked acceleration from the broadly flat performance seen previously. Singapore precast and ready-mix concrete demand stayed robust, lifting the precast orderbook to a record. Malaysia (Tasek) benefitted from better pricing and stronger associate contributions, offsetting higher fuel and logistics costs. The Apr 26 acquisition of YTL further strengthened the segment's architectural building products offering. Management expects healthy growth across precast, ready-mix concrete and architectural building products as orderbooks are delivered. By geography, Singapore and Malaysia BMU expect healthy demand from public and private projects, though the Middle East conflict continues to pressure fuel and logistics costs.
- **Further uplift to BMU business from recent YTL acquisition.** The S$90.7m YTL acquisition, completed in Apr 26, broadens HLA's Singapore BMU offering and was funded via the recent S$142.1m share placement, with S$40.2m already used to repay related borrowings and the remaining approximately S$50m earmarked for working capital, capex and potential overseas acquisition opportunities. Management's pro forma (assuming completion on 1 Jan 25) showed 2025 EPS rising 18.6% to S$0.1789 excluding one-offs, underscoring the deal's accretive nature. Since 1H26 only captured less than two months of contribution vs a full year in the pro forma, we expect a meaningful uplift in 2H26, with the full accretive impact flowing through from 2027.

Earnings Revision/Risk

- We raise our 2026-228 revenue and earnings forecasts by 2%/2%/2% and 18%/12/12% respectively to take into account stronger 1H26 performance, a higher margin profile mix going forward, as well as earnings accretion from the acquisition of YTL. We have also factored in S$1.8m-2.2m in interest costs given that this was funded by debt.
- **Risks**. We see key risks to the company being cyclical commercial vehicle demand and construction cost volatility, though current net cash positioning provides some downside resilience.

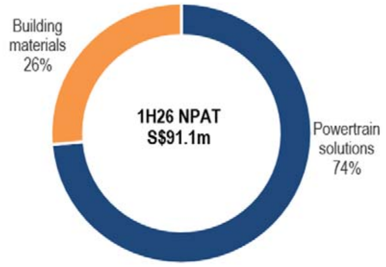
Valuation/Recommendation

- We maintain our BUY rating on HLA with a lower SOTP-based target price of S$4.70 (previously S$4.90), as we take into account the higher share base following the recent placement in May 26. We continue to expect a strong growth profile for HLA in 2H26.
- In our view, HLA's valuation multiples appear inexpensive as the company is trading at 2027F PE of 14.7x. Its ex-cash PE for 2026 is even lower at 10.6x, based on our 2026 net profit estimates, while delivering an ROE of 13.8%.

Share Price Catalyst

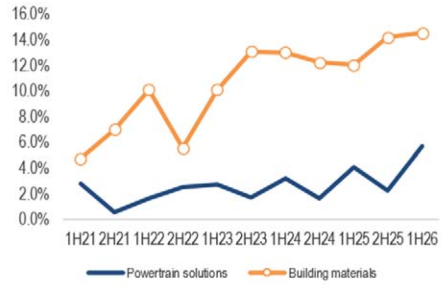
- Newsflow on the valuations of HLA's Guangxi Yuchai Marine and Genset Power as it heads towards its IPO in Hong Kong in 2026.
- Continued strong sales performance from its powertrain solutions segment.
- Sequential earnings recovery from its BMU segment in 1H26.
- Further value-unlocking initiatives at both the HLA and China Yuchai levels.

Share Of Net Profit By Business Segment



Note: NPAT attributable to shareholders
Source: HLA

PAT Margin



Source: HLA

Financial Metrics By Segment

Segment	Metric	1H26	1H25	Change (%)
Powertrain Solutions	Volume (units)	277,684	250,396	10.9%
	Revenue	S$2.73b	S$2.34b	16.8%
	Profit After Tax	S$156.7m	S$96.8m	61.8%
	PAT Margin	5.7%	4.1%	+1.6ppt
Building Materials (incl. YTL)	Revenue	S$384.8m	S$310.2m	24.1%
	Profit After Tax	S$56.1m	S$37.4m	49.9%
	PAT Margin	14.6%	12.1%	+2.5ppt

Source: HLA

SOTP Valuation

Segment	Method	S$m	S$/share
Powertrain Solutions	15x PE	1,191	1.49
Building Materials	8.4x EBITDA	1,480	1.85
BRC Asia (20% stake)	UOBKH target price*	291	0.36
Sub-total		2,962	3.71
Add: Net cash		794	0.98
Total		3,755	4.70

**UOBKH's TP for BRC Asia of S$5.30 as at 13 May 26.*
Source: UOB Kay Hian

Profit & loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	5,182	6,092	6,539	6,955
EBITDA	254	431	446	475
Deprec. & amort.	84	159	159	159
EBIT	170	272	287	316
Total other non-operating income	90	90	90	90
Associate contributions	52	52	52	52
Net interest income/(expense)	(23)	(25)	(24)	(24)
Pre-tax profit	290	390	406	436
Tax	(76)	(78)	(81)	(87)
Minorities	(100)	(146)	(153)	(164)
Net profit	113	165	172	185
Net profit (adj.)	113	165	172	185

Balance Sheet

Year to 31 Dec (S$m)	2,025	2026F	2027F	2028F
Fixed assets	779	806	797	788
Other LT assets	862	918	918	918
Cash/ST investment	1,603	1,642	1,667	1,701
Other current assets	3,340	4,003	4,297	4,584
Total assets	6,583	7,369	7,679	7,992
ST debt	494	494	494	494
Other current liabilities	3,025	3,665	3,910	4,139
LT debt	264	355	355	355
Other LT liabilities	218	218	218	218
Shareholders' equity	1,091	1,198	1,310	1,430
Minority interest	1,493	1,418	1,354	1,300
Total liabilities & equity	6,583	7,347	7,640	7,936

Cash flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	594	473	458	473
Pre-tax profit	290	390	406	436
Tax	(55)	(78)	(81)	(87)
Deprec. & amort.	159	159	159	159
Associates	(52)	0	0	0
Working capital changes	74	(23)	(49)	(58)
Non-cash items	(0)	0	0	0
Other operating cashflows	180	25	24	24
Investing	(91)	(150)	(150)	(150)
Capex (growth)	(114)	(150)	(150)	(150)
Investment	0	0	0	0
Proceeds from sale of assets	1	0	0	0
Others	22	0	0	0
Financing	(221)	(283)	(284)	(288)
Dividend payments	(37)	(58)	(60)	(65)
Proceeds from borrowings	291	0	0	0
Loan repayment	(418)	(200)	(200)	(200)
Others/interest paid	(56)	(25)	(24)	(24)
Net cash inflow (outflow)	283	39	24	34
Beginning cash & cash equivalent	1,422	1,603	1,642	1,667
Changes due to forex impact	(6)	0	0	0
Ending cash & cash equivalent	1,699	1,642	1,667	1,701

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	4.9	7.1	6.8	6.8
Pre-tax margin	5.6	6.4	6.2	6.3
Net margin	2.2	2.7	2.6	2.7
ROA	1.8	2.4	2.3	2.4
ROE	10.7	14.4	13.7	13.5
Growth				
Turnover	22.0	17.6	7.3	6.4
EBITDA	68.8	69.8	3.4	6.6
Pre-tax profit	49.1	34.6	4.2	7.3
Net profit	29.4	46.3	4.2	7.3
Net profit (adj.)	29.4	46.3	4.2	7.3
EPS	29.4	37.2	4.2	7.3
Leverage				
Debt to total capital	22.7	24.5	24.2	23.7
Debt to equity	69.4	70.8	64.8	59.3
Net debt/(cash) to equity	(77.5)	(66.3)	(62.5)	(59.6)
Interest cover (x)	11.1	16.9	18.8	20.0