Pan-United Corporation (PAN SP)

1H26: Leveraging Market Leadership to Capture Industry Growth

Highlights

- Pan-United's 1H26 revenue and earnings beat expectations by 6% and 4%, driven by strong RMC volume growth and better operational efficiencies.
- The company declared a higher interim dividend of 1.5 S cents (+50% yoy), implying a higher total dividend payout for 2026 with a payout ratio of 60%.
- Maintain BUY with a 32% higher target price of S$1.88 (S$1.42 previously), pegged to an unchanged 17x 2027F PE.

1H26 Results

Year to 31 Dec (S$m)	1H26	1H25	yoy (%)	2H25	hoh (%)
Total revenue	549.6	401.1	37.0	497.3	10.5
Gross profit	138.0	100.3	37.6	117.5	17.4
Gross margin (%)	25.1	25.0	+0.1 ppt	23.6	+1.5 ppt
Net profit	31.3	21.0	48.9	30.3	3.2
Net profit margin (%)	5.7	5.2	+0.5 ppt	6.1	(0.4) ppt

Source: Pan-United, UOB Kay Hian

Analysis

- **1H26 results ahead of expectations.** Pan-United Corporation (Pan-United) reinforced its position as Singapore's leading ready-mix concrete (RMC) supplier with an estimated 40% market share. 1H26 saw a record revenue of S$550m (+37% yoy) and net profit of S$31.3m (+49% yoy), exceeding our forecasts by 6% and 4%, respectively. The outperformance was largely driven by stronger-than-expected RMC volume growth in the group's concrete and cement (C&C) business, supported by growth in construction activities in Singapore, Malaysia, and Vietnam. Gross margin improved marginally by 0.1ppt to 25.1%, while net profit margin rose 0.5ppt to 5.7% on higher operating efficiencies, supported by a favourable sales mix. The C&C segment grew 37% yoy to S$544m, with a segmental net margin of 6.1%.
- **Higher interim dividend declared.** Pan-United declared a higher interim dividend of 1.5 S cents/share (+50% yoy), potentially implying a higher 2026 total dividend, following five years of dividend growth. We continue to expect a dividend payout of around 60%, in line with 2025, implying a 3.3% dividend yield for 2026, and supported by a net cash position of S$65.2m.
- **Capturing industry demand.** As of May 26, Singapore's demand for RMC grew 26% yoy to 6.75m m3, with RMC volume expected to reach 15m-16m m3 by end-26 (+3-9% yoy). Pan-United highlighted that its sales volume grew in line with the Singapore construction industry, re-emphasising its market leadership and ability to deliver and secure contracts over its peers.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	812	898	1,088	1,219	1,342
EBITDA	73	96	117	131	144
Operating profit	49	64	80	95	110
Net profit (rep./act.)	41	51	64	76	88
Net profit (adj.)	41	51	64	76	88
EPS (S$ cent)	5.9	7.3	9.2	10.8	12.6
PE (x)	26.2	21.1	16.6	14.1	12.2
P/B (x)	4.0	3.7	3.3	3.0	2.6
EV/EBITDA (x)	13.3	10.1	8.3	7.4	6.7
Dividend yield (%)	2.0	2.9	3.3	3.4	4.1
Net margin (%)	5.0	5.6	5.9	6.2	6.5
Net debt/(cash) to equity (%)	(34.5)	(30.8)	(32.6)	(44.5)	(42.9)
Interest cover (x)	21.1	26.3	39.1	43.9	48.3
ROE (%)	16.4	18.3	21.0	22.1	22.8
Consensus net profit (S$m)	-	-	63	73	78
UOBKH/Consensus (x)	-	-	1.02	1.04	1.12

Source: Pan-United, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	S$1.53
Target Price	S$1.88
Upside	+22.9%
Previous TP	S$1.42

Stock Data

Sector	Industrials
Bloomberg ticker	PAN SP
Shares issued (m)	699.6
Market cap (S$m)	1,070.3
Market cap (US$m)	842.6
3-mth avg daily t'over (US$m)	0.5

Price Performance (%)

52-week high/low: S$1.74 /S$1.00

1mth	3mth	6mth	1yr	YTD
(6.1)	2.7	15.9	30.8	31.9

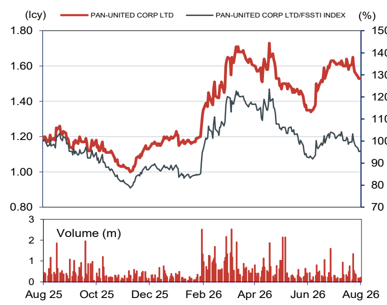
Major Shareholders (%)

Ng Family	56.9
Phillip Securities	5.4

Balance Sheet Metrics

FY26 NAV/Share (S$)	0.46
FY26 Net Cash/ Share (S$)	0.15

Price Chart



Source: Bloomberg

Company Description

Pan-United Corporation is an Asian multinational corporation specialised in concrete solutions and concrete technologies. The company develops high-performance, sustainable concrete products and related building materials.

- **Healthy balance sheet despite working-capital build.** Net cash stood at S$65.2m at end-Jun 26. Operating cash flow remained positive at S$27.0m despite higher receivables and inventories as revenue expanded; management indicated that turnover days were broadly stable. With batching plants running at high utilisation, 2026 capex is guided at S$30m-40m, including new capacity mainly in eastern Singapore.
- **Strong project visibility.** Pan-United secured S$430m of RMC supply contracts for Changi Airport Terminal 5 last year, to be delivered over five years, with contributions expected to become more meaningful from late-26. This enhances earnings visibility and highlights its ability to secure large-scale infrastructure projects. The group also supplies projects across public housing, healthcare and MRT expansions, reinforcing its position as a preferred partner to public and private developers. Management expects further contract awards in the near to medium term.
- **Ongoing momentum in Singapore's construction upcycle.** Singapore's construction outlook remains resilient after total demand reached S$50.5b in 2025. BCA forecasts S$47b-53b of contracts to be awarded in 2026, with S$31.0b already awarded as of 1H26, while annual demand is projected at S$39b-46b over 2027-30. Major public infrastructure, including Changi Airport Terminal 5, MRT lines, healthcare campuses and accelerated housing programmes, should support a multi-year uptrend in construction activity and benefit Pan-United.
- **Broadly steady 2H26 expected.** Management expects 2H26 results to be broadly similar to 1H26. Gross profit per unit and ASPs may normalise as energy-related costs ease and sales mix shifts, while the monsoon season and recurring supply-chain disruptions remain execution risks. Malaysia's growth is supported by private sector and data centre demand, while Vietnam remains more private sector-driven; Pan-United is taking a measured approach to overseas expansion given longer payment terms and higher credit risk.

Valuation/Recommendation

- **Maintain BUY with a 32% higher target price of S$1.88 (S$1.42 previously),** after raising our forecasts following the stronger-than-expected 1H26 results. We also roll our valuation base over to 2027 to better reflect expected strong contract roll outs in 2027. Our target price is pegged to an unchanged 17x 2027F PE, representing a 30% premium to regional peers' average of 13x.
- We believe this premium is warranted given Pan-United's superior profitability and ROE of 21%, backed by its dominant market share and resilient margins. The stock is currently trading at 14x 2027F PE, offering upside potential as it continues to benefit from Singapore's infrastructure upcycle.

Earnings Revision/Risk

- We raise our 2026-28 revenue and earnings forecasts by 10%/13%/14% and 12%/15%/15% respectively, following strong Singapore RMC demand momentum in 1H26, further operational efficiencies coming from Pan-United's AiR Digital system solution, as well as more profit contribution from Changi Airport Terminal 5 from late-26 onwards.

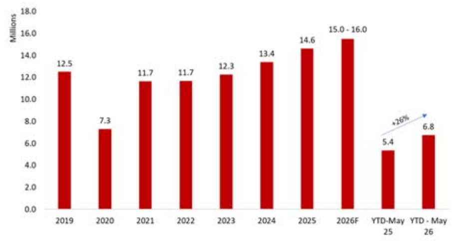
Share Price Catalyst

- a) Earnings-accretive acquisitions, b) better-than-expected number of infrastructure projects awarded, or c) higher-than-expected dividends.

Revenue And Profit Trend

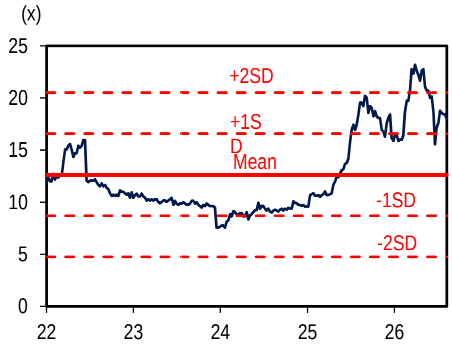
Source: Pan-United, UOB Kay Hian

Singapore RMC Demand



Source: BCA, UOB Kay Hian

Historical PE Band



Source: Pan-United, Bloomberg UOB Kay Hian

Profit & loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	898.4	1,087.9	1,219.0	1,341.9
EBITDA	96.4	117.1	131.2	144.5
Deprec. & amort.	32.6	36.6	36.3	34.2
EBIT	63.8	80.5	94.9	110.2
Total other non-operating income	4.3	4.3	4.3	4.3
Associate contributions	1.2	1.2	1.2	1.2
Net interest income/(expense)	(3.7)	(3.0)	(3.0)	(3.0)
Pre-tax profit	65.6	82.9	97.4	112.7
Tax	(14.3)	(18.0)	(21.2)	(24.4)
Minorities	(0.6)	(0.6)	(0.6)	(0.6)
Net profit	50.7	64.4	75.6	87.7
Net profit (adj.)	50.7	64.4	75.6	87.7

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Fixed assets	208.8	207.0	195.0	187.6
Other LT assets	8.9	8.9	8.9	8.9
Cash/ST investment	99.8	116.0	171.4	184.7
Other current assets	226.3	239.2	249.2	276.3
Total assets	543.8	571.0	624.5	657.5
ST debt	10.5	10.5	10.5	10.5
Other current liabilities	188.8	183.1	198.5	186.9
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	40.7	40.7	40.7	40.7
Shareholders' equity	290.4	323.3	361.5	406.1
Minority interest	5.4	5.4	5.4	5.4
Total liabilities & equity	543.8	571.0	624.5	657.5

Cash flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	80.0	83.1	117.8	83.9
Pre-tax profit	65.6	82.9	97.4	112.7
Tax	(8.7)	(18.0)	(21.2)	(24.4)
Deprec. & amort.	32.6	36.6	36.3	34.2
Associates	(1.2)	0.0	0.0	0.0
Working capital changes	(11.1)	(18.6)	5.3	(38.6)
Non-cash items	0.1	0.0	0.0	0.0
Other operating cashflows	2.7	0.0	0.0	0.0
Investing	(47.7)	(34.8)	(24.4)	(26.8)
Capex (growth)	(50.1)	(34.8)	(24.4)	(26.8)
Investment	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.1	0.0	0.0	0.0
Others	2.3	0.0	0.0	0.0
Financing	(38.7)	(32.1)	(38.0)	(43.7)
Dividend payments	(23.5)	(32.1)	(38.0)	(43.7)
Proceeds from borrowings	7.0	0.0	0.0	0.0
Loan repayment	(12.4)	0.0	0.0	0.0
Others/interest paid	(9.8)	0.0	0.0	0.0
Net cash inflow (outflow)	(6.4)	16.2	55.4	13.3
Beginning cash & cash equivalent	107.0	99.8	116.0	171.4
Changes due to forex impact	(0.8)	0.0	0.0	0.0
Ending cash & cash equivalent	99.8	116.0	171.4	184.7

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	10.7	10.8	10.8	10.8
Pre-tax margin	7.3	7.6	8.0	8.4
Net margin	5.6	5.9	6.2	6.5
ROA	9.7	11.6	12.6	13.7
ROE	18.3	21.0	22.1	22.8
Growth				
Turnover	10.6	21.1	12.1	10.1
EBITDA	32.2	21.6	12.0	10.1
Pre-tax profit	27.7	26.5	17.4	15.7
Net profit	24.1	27.0	17.3	16.0
Net profit (adj.)	24.1	27.0	17.3	16.0
EPS	24.1	27.0	17.3	16.0
Leverage				
Debt to total capital	3.4	3.1	2.8	2.5
Debt to equity	3.6	3.2	2.9	2.6
Net debt/(cash) to equity	(30.8)	(32.6)	(44.5)	(42.9)
Interest cover (x)	26.3	39.1	43.9	48.3