

COMPANY RESULTS

**Pan-United Corporation (PAN SP)**

1H24: Strong Results Reflect Singapore's Construction Boom

For 1H24, PUC reported higher earnings of S\$384.7m (+6.8% yoy), propelled by Singapore's thriving construction sector. PUC also posted a higher EBITDA of S\$35.0m (+17.9% yoy), driven by a better performance from its concrete & cement business. Backed by favourable tailwinds, PUC's earnings are expected to continue its upward trajectory going into 2H24, which is typically the stronger half of the year. As PUC is trading at attractive valuations, we maintain BUY with the same target price of S\$0.71.

1H24 RESULTS

Year to 31 Dec (\$m)	1H24	1H23	yoy % chg	2H23	hoh % chg
Revenue	384.7	360.2	6.8	414.0	(7.1)
Gross Profit	84.7	78.1	8.6	86.1	(1.5)
EBITDA	37.1	31.4	17.9	40.0	(7.3)
Core PATMI	18.6	14.1	31.3	22.6	(18.0)
Gross Margin (%)	22.0	21.7	0.4ppt	20.8	1.2ppt
EBITDA Margin (%)	9.6	8.7	0.9ppt	9.7	(0.1ppt)
Core PATMI Margin (%)	4.8	3.9	0.9ppt	5.5	(0.6ppt)

Source: PUC, UOB Kay Hian

RESULTS

- Robust results.** Pan-United Corporation (PUC) reported higher 1H24 revenue and core PATMI of S\$384.7m (+6.8% yoy) and S\$18.6m (+31.3% yoy) respectively, forming 45% and 42% of our full-year estimates. This in line with our expectations given that 1H is seasonally weaker historically. 1H24 revenue growth was driven by higher construction demand while margins improved due to a favourable project mix and better operating leverage from its Concrete and Cement (C&C) business. Consequently, 1H24 gross and net margins rose by 0.4ppt yoy and 0.9ppt yoy respectively. We anticipate further margin improvements from ongoing digitalisation of its operations and a resolute orderbook.
- Higher interim dividend.** The group declared an interim 1H24 dividend of 0.7 S cents/share (1H23: 0.5 S cents/share), implying an annualised dividend yield of around 3%. We maintain our expectations that PUC would declare a final dividend of 2.1 S cents/share, taking total 2024 dividends to 2.8 S cents/share (2023: 2.3 S cents/share), implying an annualised dividend yield of around 5.5% and payout ratio of 44%.
- Poised for growth from strong ready-mix concrete (RMC) demand and healthy construction pipeline.** PUC faces a favourable outlook buoyed by substantial orderbooks across both public and private sectors, coupled with intensified construction activities. This positive trend is reflected in PUC's contract awards. From Jan-May 24, the total value of contracts secured reached S\$15.2m, marking a significant 42.1% yoy increase (1H23: S\$10.7m). Notably, May 24 saw an exceptional surge in contract awards of S\$5.2m, more than double the typical monthly average of around S\$2.3m.

KEY FINANCIALS

Year to 31 Dec (\$m)	2022	2023	2024F	2025F	2026F
Net turnover	703	774	856	933	1,008
EBITDA	50	66	77	88	101
Operating profit	27	43	54	66	78
Net profit (rep./act.)	28	36	45	54	64
Net profit (adj.)	28	36	45	54	64
EPS (S\$ cent)	3.9	5.1	6.4	7.8	9.2
PE (x)	12.9	10.0	7.9	6.5	5.5
P/B (x)	1.7	1.5	1.4	1.2	1.1
EV/EBITDA (x)	6.3	4.8	4.1	3.6	3.1
Dividend yield (%)	3.5	4.5	5.5	6.9	7.8
Net margin (%)	3.9	4.6	5.2	5.8	6.4
Net debt/(cash) to equity (%)	(4.7)	(18.6)	(17.5)	(23.5)	(28.3)
Interest cover (x)	19.6	19.2	24.9	28.7	32.6
ROE (%)	13.2	16.1	18.3	20.0	21.0
Consensus net profit	-	-	43	47	54
UOBKH/Consensus (x)	-	-	1.05	1.16	1.18

Source: PUC, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.51
Target Price	S\$0.71
Upside	+39.2%

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.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	PAN SP
Shares issued (m):	697.7
Market cap (S\$m):	355.8
Market cap (US\$m):	273.5
3-mth avg daily t'over (US\$m):	0.1

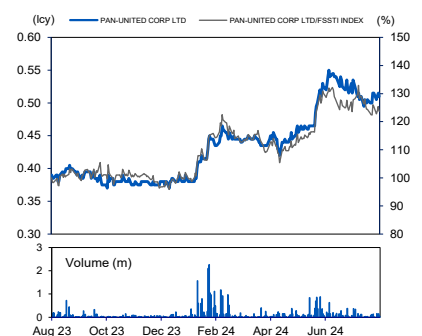
Price Performance (%)

52-week high/low	S\$0.550/S\$0.370			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(3.8)	10.9	17.2	30.8	34.2

Major Shareholders

-	-
FY24 NAV/Share (S\$)	0.37
FY24 Net Cash/Share (S\$)	0.06

PRICE CHART



Source: Bloomberg

ANALYST(S)

**Llleythan Tan**  
+65 65906624  
yirong@uobkayhian.com

STOCK IMPACT

- PUC is beneficiary of Singapore's pivot to sustainable concrete.** Singapore's goal of achieving net-zero emissions by 2050 is likely to boost demand for eco-friendly construction materials. As a manufacturer of green products like PanU Green and PanU Carbon Mineralisation Concrete (PanU CMC+), PUC is poised to capitalise on this growing market trend. PUC offers 300+ specialised concrete products, with more than half being green certified. It aims to only sell low-carbon concrete by 2030, with over 50% of its current volume being low-carbon. PUC holds a prominent position in the CMC production market. According to EPD International, PUC leads worldwide in CO2 savings through CMC manufacturing, and ranked as the second largest producer of CMC.
- Strong growth in Singapore's construction sector...** Building and Construction Authority (BCA) projected the total construction demand in 2024 to be between S\$32b and S\$38b. This trend is further highlighted by figures as of end-May 24, which show a 12% yoy increase in demand for RMC and a 6% yoy increase in Singapore's overall construction output. These indicators point to a favourable environment for the C&C industry, signalling substantial growth prospects and lucrative opportunities within the sector. The public sector demand is fuelled by new Housing Development Board (HDB) projects and major infrastructure initiatives, including contracts for the Cross Island MRT line and Tuas Port expansions. Meanwhile, the private sector continues to thrive with residential developments, mixed-use properties and industrial facilities.
- ... translates to robust pipeline ahead.** The upcoming wave of construction projects is expected to boost growth in the residential, commercial and infrastructure sectors. This trend will likely benefit suppliers to the construction industry, particularly cement providers, who can expect increased orderbooks and revenue. As a dominant player with a 40% domestic market share, PUC is well-positioned to capitalise on this momentum, serving as a strong proxy for Singapore's burgeoning construction sector.
- Recovery in overseas operations in Vietnam and Malaysia.** Malaysia's construction industry maintains a positive outlook, particularly in Johor, driven by demand for data centres, semiconductor factories and industrial parks. However, reduced diesel subsidies and new sales taxes would increase business costs. In Vietnam, management shared that the real estate market may see a gradual rebound due to expected implementation of property-related laws. 1H24 geographical revenue from Malaysia and Vietnam increased by 9.4% yoy.

EARNINGS REVISION/RISK

- We make no changes to our earnings estimates.** For 2024-26, we estimate total revenue at S\$855m-S\$1,008m (three-year CAGR of 9.2%) and core earnings at S\$45m-64m (three-year CAGR of 21.6%). This comes on the back of the strong construction and concrete demand and higher demand for RMC. Given its commanding market share, we expect PUC to participate in major projects that will underpin earnings for the next few years.
- Higher operating costs.** PUC is subjected to higher operating costs due to tight manpower and volatility in energy prices which may affect margins.

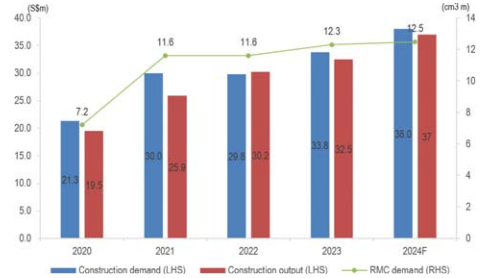
VALUATION/RECOMMENDATION

- Maintain BUY with the same target price of S\$0.71,** pegged to the same 11x 2024F PE. In our view, PUC's current valuation and dividend yield of 5.5% are attractive, in line with its strong business performance and growing demand for its products and services.

SHARE PRICE CATALYST

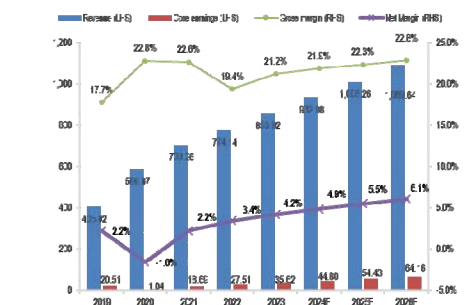
- Earnings-accretive acquisitions.
- Better-than-expected number of infrastructure projects awarded.
- Higher-than-expected dividends.

HISTORICAL CONSTRUCTION SECTOR DEMAND, OUTPUT AND RMC DEMAND



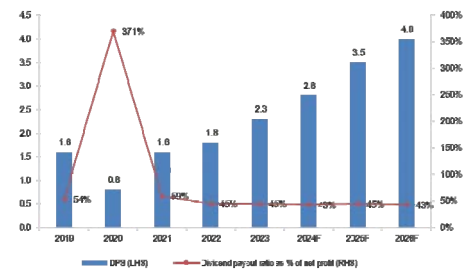
Source: BCA, MTI, UOB Kay Hian

REVENUE, CORE EARNINGS AND GROSS/NET MARGINS



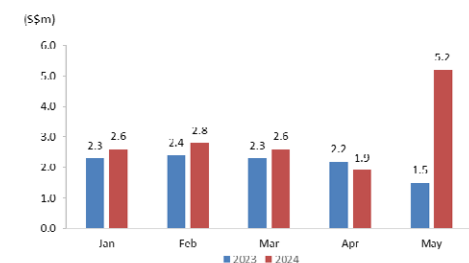
Source: PUC, UOB Kay Hian

INCREASING DIVIDENDS



Source: PUC, UOB Kay Hian

CONTRACTS AWARDED FROM JAN - MAY 2023 & 2024



Source: BCA, PUC, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Net turnover</b>	<b>774.1</b>	<b>855.6</b>	<b>933.0</b>	<b>1,008.3</b>
EBITDA	65.6	76.9	88.5	100.5
Deprec. & amort.	22.7	23.0	22.4	22.2
EBIT	42.9	53.9	66.1	78.4
Total other non-operating income	3.1	3.1	3.1	3.1
Associate contributions	2.8	2.8	2.8	2.8
Net interest income/(expense)	(3.4)	(3.1)	(3.1)	(3.1)
<b>Pre-tax profit</b>	<b>45.3</b>	<b>56.7</b>	<b>68.9</b>	<b>81.2</b>
Tax	(9.7)	(11.8)	(14.4)	(17.0)
Minorities	(0.1)	(0.1)	(0.1)	(0.1)
<b>Net profit</b>	<b>35.6</b>	<b>44.8</b>	<b>54.4</b>	<b>64.2</b>
Net profit (adj.)	35.6	44.8	54.4	64.2

### CASH FLOW

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>61.3</b>	<b>55.5</b>	<b>64.0</b>	<b>72.5</b>
Pre-tax profit	44.2	56.7	68.9	81.2
Tax	(6.6)	(11.8)	(14.4)	(17.0)
Deprec. & amort.	22.7	23.0	22.4	22.2
Associates	(2.8)	0.0	0.0	0.0
Working capital changes	(0.3)	(12.4)	(12.9)	(13.9)
Non-cash items	2.4	0.0	0.0	0.0
Other operating cashflows	1.6	0.0	0.0	0.0
<b>Investing</b>	<b>(7.6)</b>	<b>(34.1)</b>	<b>(17.4)</b>	<b>(20.6)</b>
Capex (growth)	(11.9)	(34.1)	(17.4)	(20.6)
Proceeds from sale of assets	2.3	0.0	0.0	0.0
Others	2.0	0.0	0.0	0.0
<b>Financing</b>	<b>(53.0)</b>	<b>(12.5)</b>	<b>(17.4)</b>	<b>(20.9)</b>
Dividend payments	(13.0)	(19.4)	(24.2)	(27.7)
Issue of shares	0.2	0.0	0.0	0.0
Proceeds from borrowings	60.8	100.0	100.0	100.0
Loan repayment	(93.1)	(93.1)	(93.1)	(93.1)
Others/interest paid	(7.9)	0.0	0.0	0.0
<b>Net cash inflow (outflow)</b>	<b>0.6</b>	<b>8.9</b>	<b>29.2</b>	<b>31.1</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>64.6</b>	<b>64.4</b>	<b>73.3</b>	<b>102.5</b>
Changes due to forex impact	(0.9)	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>64.4</b>	<b>73.3</b>	<b>102.5</b>	<b>133.6</b>

### BALANCE SHEET

Year to 31 Dec (\$m)	2023	2024F	2025F	2026F
<b>Fixed assets</b>	<b>163.5</b>	<b>174.6</b>	<b>169.6</b>	<b>168.0</b>
Other LT assets	14.3	14.3	14.3	14.3
Cash/ST investment	64.4	73.3	102.5	133.6
Other current assets	211.6	223.4	242.5	261.2
<b>Total assets</b>	<b>453.9</b>	<b>485.6</b>	<b>529.0</b>	<b>577.1</b>
ST debt	12.1	12.1	12.1	12.1
Other current liabilities	154.0	153.4	159.7	164.4
LT debt	9.2	16.1	23.0	29.8
Other LT liabilities	36.3	36.3	36.3	36.3
Shareholders' equity	231.8	257.3	287.5	324.0
Minority interest	5.7	5.7	5.7	5.7
<b>Total liabilities &amp; equity</b>	<b>453.9</b>	<b>485.6</b>	<b>529.0</b>	<b>577.1</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	8.5	9.0	9.5	10.0
Pre-tax margin	5.9	6.6	7.4	8.1
Net margin	4.6	5.2	5.8	6.4
ROA	8.1	9.5	10.7	11.6
ROE	16.1	18.3	20.0	21.0
<b>Growth</b>				
Turnover	10.1	10.5	9.0	8.1
EBITDA	30.6	17.3	15.0	13.7
Pre-tax profit	34.1	25.1	21.5	17.9
Net profit	29.4	25.8	21.5	17.9
Net profit (adj.)	29.4	25.8	21.5	17.9
EPS	30.0	25.8	21.5	17.9
<b>Leverage</b>				
Debt to total capital	8.2	9.7	10.7	11.3
Debt to equity	9.2	10.9	12.2	12.9
Net debt/(cash) to equity	(18.6)	(17.5)	(23.5)	(28.3)
Interest cover (x)	19.2	24.9	28.7	32.6

## Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

**This report is prepared for general circulation.** It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

**IMPORTANT DISCLOSURES FOR U.S. PERSONS**

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

**Analyst Certification/Regulation AC**

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; 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, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W