

STRATEGY – SINGAPORE

Small/Mid Caps

Retail Investors' Webinar Highlights

We highlight key discussion points from our monthly webinar on small/mid cap trends for retail investors earlier this week. The recent tariff developments have sparked investor concerns over stock impact, whether to hold cash or buy the dip, and more. In this note, we share our take on the recent market sell-off and explore value in three small/mid cap stocks, namely PropNex, China SunSine and Oiltek.

WHAT'S NEW

- **Uncertainty over final tariffs continues to loom at the outset of the 90-day pause.** US President Trump has issued a 90-day pause on tariffs for “non-retaliating countries”, reducing the tariffs to 10% across the board. Meanwhile, he has raised tariffs on China to at least 125%, effective immediately. We note that the list of countries the pause would cover has yet to be disclosed.
- **Singapore equities may face indirect challenges,** stemming from global supply chain disruptions, weaker external demand, and rising production costs as companies adapt to the rapidly changing trade environment.
- **We identify three small/mid cap stocks** that should outperform relative to Singapore equities. These stocks stand out for their potential to deliver above-average earnings growth, robust balance sheet, attractive PE multiples and ability to offer solid dividend yield: **a) PropNex** (beneficiary of tailwinds in the residential property industry and potential special dividends), **b) China SunSine** (global leader in rubber accelerators and attractive dividend yield of 6%), and **c) Oiltek International** (solid orderbook growth and multiple positive developments in 2025). More details can be found on the next page.

KEY DISCUSSION POINTS WITH THE RETAIL INVESTORS

- **Will these stocks be affected by Trump's tariffs?** We see no impact on PropNex, which operates an asset-light business model that is almost 100% exposed to Singapore public and private property sales, resales and rentals. As for stocks with China exposure like China SunSine, Trump's proposed additional tariffs on China could lead investors to shy away from it. However, we reiterate that China SunSine has a low 2% US export share, while tyre manufacturers will likely be subject to tariffs and pass on the costs to their end-customers. Oiltek also has a minute 2% revenue exposure to the US, and is thus relatively immune from direct tariff impact.
- **Holding cash vs buying the dip.** Given the current volatility in the stock market, it is easy to be inclined to hold cash while waiting for further developments on the trade war and market shifts. In our view, the recent market sell down presents a good opportunity to accumulate quality stocks at attractive valuations. Our stock picks have market leadership, earnings growth potential and war chests to support share buybacks.
- **Comparing Oiltek to palm oil companies.** Oiltek is primarily a B2B provider, supplying equipment and its solutions to B2C palm oil producers like Wilmar International, Golden Agri-Resources and Sime Darby Plantation. In our view, Oiltek is less exposed to commodity price volatility (eg CPO prices) than palm oil companies are, as its earnings are largely tied to service contracts. Furthermore, it has an asset-light business, high ROE and provides more direct exposure to the sustainable aviation fuel (SAF) space, which is expected to see strong potential growth.
- **Maintaining market leadership.** PropNex has maintained its lion's share of the market in Singapore through its reputable brand, large sales force, and focus on training and technology. China SunSine leads the market thanks to its loyal customer base, consistent capacity expansion and established track record of compliance with environmental laws.

VALUATION OVERVIEW

Company	Ticker	Rec	Price @ 9 Apr 25 (lcy)	Target Price (lcy)	Upside/ (Downside) to TP (%)	Market Cap (US\$m)	PE 2024	PE 2025	PE 2026	P/B 2025	P/B 2026	ROE 2025	Yield 2025
Propnex	PROP SP	BUY	1.05	1.30	23.8	576	19.0	14.6	13.8	5.8	5.3	41.4	5.7
China SunSine	CSSC SP	BUY	0.50	0.63	27.3	350	6.1	5.9	5.6	0.6	0.5	10.0	6.1
Oiltek	OTEK SP	BUY	0.96	1.44	50.0	102	15.4	13.4	12.2	4.4	3.7	36.0	3.2

Source: Bloomberg, UOB Kay Hian

TOP SMALL/MID CAP PICKS

Company	Rec	Target Price (\$)	Share Price (\$)	% Upside
PropNex	BUY	1.30	1.05	23.8
China SunSine	BUY	0.63	0.50	27.3
Oiltek	BUY	1.44	0.96	50.0

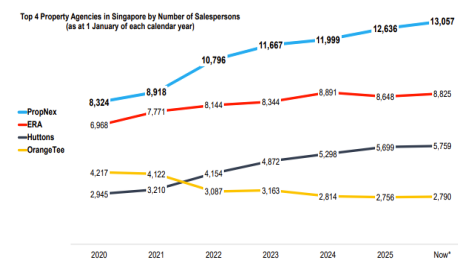
Source: Bloomberg, UOB Kay Hian

GEOGRAPHICAL MIX (REVENUE)

Company	Singapore	China	Rest of Asia	US	Others
PropNex	100				
China SunSine		57	33	2	8
Oiltek			87	2	10

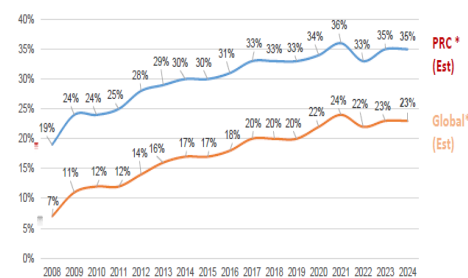
Source: UOB Kay Hian

PROP NEX – LARGEST SALES FORCE IN SINGAPORE



Source: PropNex

CHINA SUNSINE – WORLD'S AND CHINA'S LARGEST ACCELERATORS PRODUCER



Source: China SunSine

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• Our top picks are as follows:

PropNex (PROP SP/BUY/Target: S\$1.30)

- PropNex reported 2024 net profit of S\$40.9m (-14% yoy) on revenue of S\$783m (-7% yoy), missing our and consensus estimates. The revenue decline was due to the timing of revenue recognition as property sales were very strong in the latter half of 2H24. The 3,420 units transacted for private new home sales in 4Q24 (triple that of the previous quarter) should positively impact 1H25 earnings.
- PropNex proposed a final dividend of S\$0.03/share and a special dividend of S\$0.025/share, bringing the total 2024 dividend to S\$0.0775/share (or a 140% payout ratio) and the highest since its listing in 2017. We do not rule out the possibility of another special dividend from its 1H25 results, which we expect to be strong.
- In our view, PropNex faces a favourable property market outlook in 2025 given the volume of new launches which will total around 13,000 units. This is nearly double the number seen in 2024. We note that recent new launches in 1Q25 such as The Orié in Toa Payoh and Lentor Central Residences in Ang Mo Kio sold 86% and 93% respectively on their opening sales weekends.
- Our target price of S\$1.30 is based on a 17.6x 2025F PE, or 1.5SD above the company's average PE since 2021.

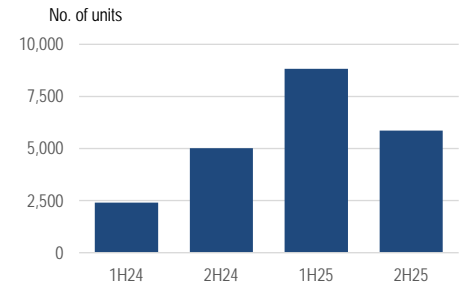
China SunSine Chemical (CSSC SP/BUY/Target: S\$0.63)

- China SunSine remained both the world's and China's largest accelerator producer in 2024, maintaining stable market shares of 23% and 35% respectively.
- In 2024, China SunSine achieved record sales of 214,094 tonnes (+3% yoy), driven by higher international sales volume (+11% yoy), particularly from Southeast Asia-based tyre manufacturers. With China's automobile sales up 5% yoy to 31.4m units, Chinese tyre makers offshoring production for cost and trade advantages, and the increased adoption of electric vehicles, China SunSine's volumes are set to continue growing.
- China SunSine provides an attractive yield of around 6%, supported by its strong cash position of Rmb2,074m (+23% yoy) as of end-24. This translates to Rmb2.18/share (S\$0.40/share) or around 80% of its market cap.
- Our target price of S\$0.63 is pegged to a 7.5x 2025F PE, or 1SD above the mean PE. The stock trades at an attractive valuation of 1.4x ex-cash 2025F PE.

Oiltek International (OTEK SP/BUY/Target: S\$1.44)

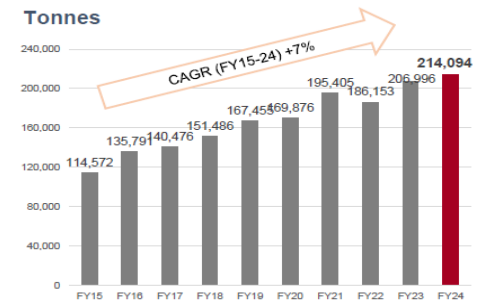
- Oiltek has announced several positive developments in 2025, including: a) transfer of listing to SGX mainboard; b) 2-for-1 bonus shares issue; and c) proposed partnership with Pertamina in the SAF sector. We believe further developments of the first two events, which will be tabled for approval in its AGM on 25 Apr 25, could improve trading liquidity and widen its shareholder base, while Pertamina JV is medium-term positive.
- Its orderbook also remained near record high at RM355m as of 12 Feb 25 (vs RM361m as of 7 Feb 24). This is expected to be fulfilled in the next 18 to 24 months.
- Our target price of S\$1.44 is based on a 20x 2025F PE, pegged to 0.8x PEG. We have ascribed a 20% discount to 1.0x PEG.

PROPNEK – SEQUENTIALLY STRONG LAUNCHES OF NEW UNITS IN SINGAPORE



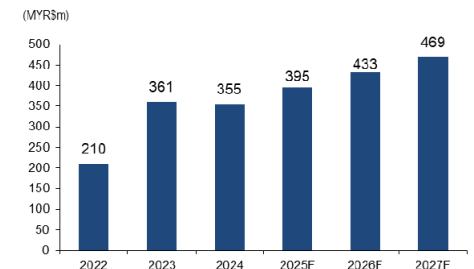
Source: PropNex, UOB Kay Hian

CHINA SUNSINE – GROWING SALES VOLUME



Source: China SunSine

OILTEK – STEADILY GROWING ORDERBOOK



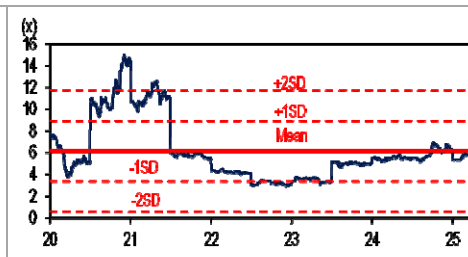
Source: Oiltek, UOB Kay Hian

PE CHART – PROPNEK



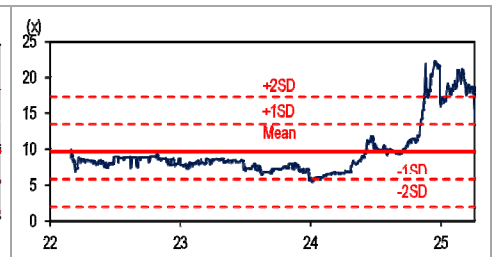
Source: PropNex, UOB Kay Hian

PE CHART – CHINA SUNSINE



Source: China SunSine, UOB Kay Hian

PE CHART – OILTEK



Source: Oiltek, UOB Kay Hian

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