INITIATION | APPAREL & ACCESSORIES RETAILERS ▪ SINGAPORE

THE HOUR GLASS LIMITED

(HG SP / AGS.SI)

Worth the waitlist

Alyssa Tee | +65 6202 1193 | alyssa.tee@kgi.com

Investment Highlights

- **Structural scarcity supports pricing power and resilient earnings.** The Hour Glass's multi-decade partnerships with Rolex, Patek Philippe, Audemars Piguet and F.P. Journe provide access to allocation-constrained inventory that is difficult for new entrants or e-commerce platforms to replicate. This positioning supported 15% revenue growth and 32% profit-after-tax growth in FY26 despite weakness across the broader luxury sector.
- **Regional wealth growth expands the addressable client base.** With 87% of FY26 revenue derived from South East Asia and Oceania, The Hour Glass is exposed to a growing concentration of private wealth in Singapore and the wider region. Singapore manages approximately US$4.6trn in AUM, while its US-dollar millionaire population rose 2.2% YoY to 244,000 in 2025. These trends provide a supportive, although indirect, demand backdrop for premium watches.
- **Net cash and recurring cash flow provide downside protection and capital-return optionality.** The group ended FY26 with zero bank borrowings and S$157.5mn of cash, while generating S$219.9mn in operating cash flow. It also permanently cancelled 59.4mn treasury shares previously repurchased for S$112.3mn. We conservatively forecast DPS of 6.0 cents, leaving upside if management raises the payout or undertakes further buybacks.
- **Key debate: Gross-margin stabilisation.** Gross margin declined from 33.6% in FY23 to 30.4% in FY26. Our base case assumes gradual stabilisation as the Australian acquisition's mix effects normalise and brand price increases flow through, but the FY27 margin trajectory is the key validation point for this assumption.

Valuation & Action.

We initiate coverage on The Hour Glass Limited with an **OUTPERFORM** rating and a 12-month target price of **S$3.94**, based on a DCF valuation using an 8.8% WACC and 2.0% terminal growth rate. The current valuation does not fully reflect the durability of the group's premium-brand allocation advantages, bank-debt-free balance sheet and recurring cash generation. Re-rating may be gradual, with FY27 gross-margin stabilisation and further capital returns representing the principal near-term monitoring points.

Risks.

Key downside risks include (i) weaker demand in the premium-watch segment; (ii) further gross-margin compression; (iii) reduced allocations or increased direct retail by brand principals; (iv) adverse foreign-exchange movements; (v) low trading liquidity.

OUTPERFORM	
Last close (S$)	2.61
12M Target Price (S$)	3.94
Previous TP (S$)	N/A
Previous Recommendation	N/A
Upside / (Downside) (%)	50.82
TRADING DATA	
Market Cap (S$mn)	1,668.07
Issued Shares (mn)	639.11
3M Avg Daily Vol (mn)	0.11
3M Avg Daily Val (S$mn)	0.29
Free Float (%)	20.27
MAJOR SHAREHOLDERS (%)	
TYC Investment Pte L	59.05
Tay Jin Wee	8.61
Tay Chwan Yun	5.79

Source: Bloomberg, as of 15 July 2026

Financials & Key Operating Statistics

YE Mar (S$'mn)	2025	2026	2027F	2028F	2029F
Revenue	1,162.9	1,338.2	1,405.1	1,447.3	1,490.7
PATMI	135.8	179.4	168.6	174.8	186.7
EPS (S$ cents)	20.94	27.79	26.38	27.34	29.21
EPS growth (%)	(12.3%)	32.7%	(5.1%)	3.7%	6.8%
DPS (S$ cents)	6.00	6.00	6.00	6.00	6.00
Div Yield (%)	2.3%	2.3%	2.3%	2.3%	2.3%
Net Profit Margin (%)	11.7%	13.4%	12.0%	12.1%	12.5%
Net Gearing (%)	(13.2%)	(14.5%)	(18.8%)	(24.6%)	(28.5%)
P/E (x)	12.5x	9.4x	9.9x	9.5x	8.9x
P/B (x)	1.8x	1.6x	1.4x	1.2x	1.1x

** FY26A DPS of 6.0 cents (2.0 cents interim; 4.0 cents final). FY27-31E conservatively assumes DPS is held at 6.0 cents, toward the bottom of management's stated guide of approximately 25%-50% of distributable profits. With net cash building through our forecast period, we see scope for the payout to rise; we do not model this and regard it as upside optionality.*

Source: Company data, KGI Research estimates

Table of Contents

Company Background

Founded in 1979, The Hour Glass is a leading specialist watch retailer, operating over 70 multi-brand and monobrand boutiques across 15 cities in South East Asia, North East Asia and Oceania. Its portfolio includes leading watchmakers such as Rolex, Patek Philippe, Audemars Piguet and F.P. Journe, alongside a broader range of brands including Tudor, Omega and Hublot.

In FY26, group revenue increased 15.1% YoY to S$1.34bn, while profit after tax rose 31.9% to S$179.5mn despite weakness across the broader luxury sector. Gross margin moderated to 30.4% from 30.9% in FY25, while the group ended the year with S$157.5mn of cash and bank balances and no loans or borrowings.

The group's competitive advantage rests on its long-standing relationships with selective watchmakers and its access to sought-after inventory. Management has streamlined mature-market networks into fewer, larger boutiques and increased the use of monobrand formats for strategic partners. We believe these initiatives should deepen brand relationships and strengthen the retail experience, although they also increase dependence on a concentrated group of brand principals.

Figure 1: Geographic footprint and operating structure

Region	Key markets	Operating structure	FY26 revenue exposure	Investment relevance
South East Asia	Singapore, Malaysia, Thailand and Vietnam	Wholly owned retail operations in Singapore and Malaysia; Thailand and Vietnam exposure primarily through THG Prima Times, a 49%-owned associate	Included within the 87% combined contribution from Southeast Asia and Oceania	Core client and earnings base, supported by Singapore's position as a regional wealth hub
Oceania	Australia and New Zealand	Wholly owned subsidiaries; Australian network expanded through the acquisition of four Rolex boutiques in FY26	Included within the 87% combined contribution from Southeast Asia and Oceania	Key growth market and principal source of recent inorganic expansion; acquisition mix may dilute group gross margin
North East Asia	Hong Kong, Japan and Mainland China	Predominantly wholly owned retail operations	13% of FY26 external revenue	Smaller earnings contribution, but provides exposure to Japanese and Greater China luxury-watch demand

Source: Company, KGI Research

The group's most significant recent transaction was the A$90mn acquisition of four Rolex boutiques in Australia, expanding its Oceania network from three boutiques in 2019 to 15 boutiques across six cities by end-FY26. The acquisition provides an additional two months of consolidated contribution in FY27 but may dilute group gross margin because of the higher proportion of monobrand revenue.

Principal earnings streams

The Hour Glass reports one operating business—the retail and distribution of watches and other luxury products—across two geographic segments. South East Asia and Oceania contributed 87% of FY26 external revenue, while North East Asia accounted for 13%. In addition to watch retailing, reported earnings include fair-value and rental contributions from investment properties and equity-accounted earnings from associates.

Figure 2: Principal earnings streams

Segment	Description
Watch Retail	Sale of luxury, mid-range and entry-level Swiss timepieces across multi-brand and monobrand boutiques. The primary revenue driver, accounting for the substantial majority of group revenue (S$1.34bn in FY26).
Investment Properties	A portfolio of freehold and leasehold commercial properties in Singapore and Hong Kong, held for capital appreciation and rental income. Investment properties generated a S$20.3mn fair value gain in FY26 (FY25: S$6.5mn loss).
Associates	Equity stakes in watch retail associates, primarily in Vietnam and Thailand. The group's share of associates' results contributed S$15.6mn to FY26 earnings.

Source: Company, KGI Research

The Tay family controls more than 70% of the company. Founder and Executive Chairman Dr Henry Tay and Group Managing Director Michael Tay provide strategic continuity and strong alignment with long-term shareholders. However, the concentrated ownership structure contributes to a public float of approximately 25.5% and limited trading liquidity.

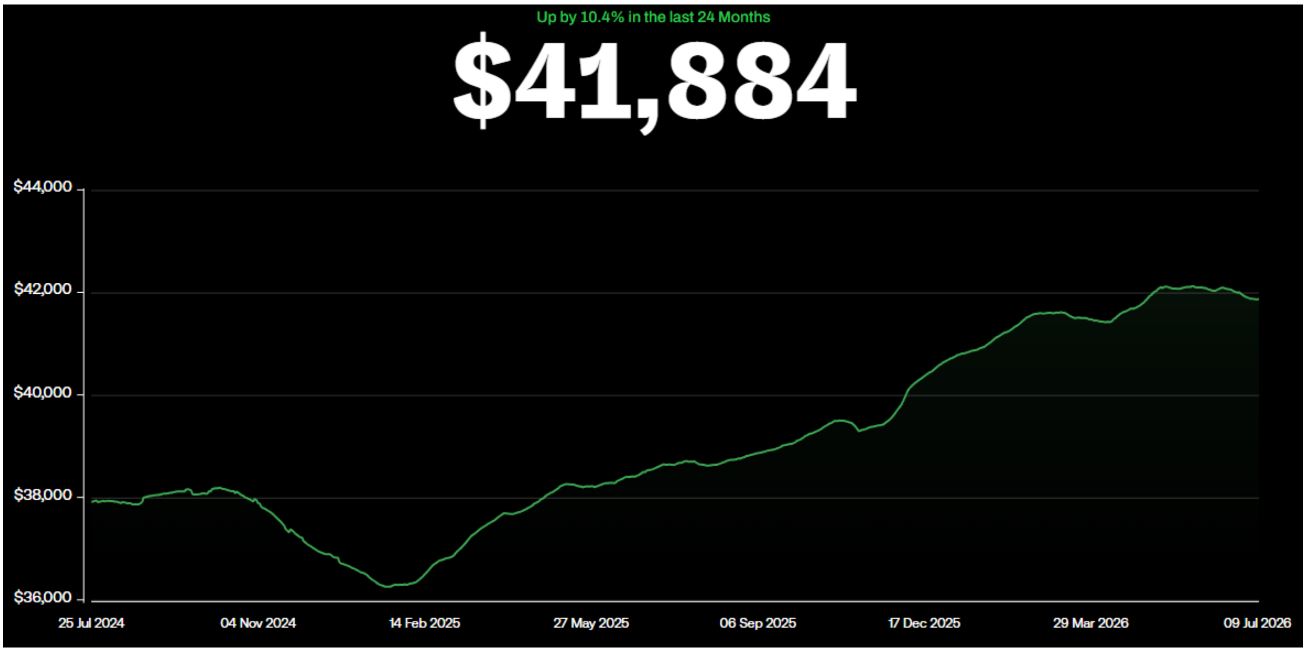
Investment Thesis

Scarce brand allocations create a durable competitive moat

Demand for the most desirable luxury-watch references continues to exceed brand-controlled supply. The Hour Glass's multi-decade relationships with Rolex, Patek Philippe, Audemars Piguet and F.P. Journe provide access to inventory that is difficult for new entrants or e-commerce platforms to replicate. Limited availability and extended waiting periods reinforce the exclusivity of highly sought-after models and encourage collectors to maintain longer-term relationships with authorised retailers. These relationships reflect trust, client access, premium retail locations and execution built over several decades.

The Bloomberg Subdial Watch Index tracks the prices of the 50 most-traded pre-owned luxury watches by value and serves as an indicator of secondary-market sentiment for leading brands such as Rolex, Patek Philippe and Audemars Piguet. Over the past 24 months, the index has increased by 10.4%, indicating that secondary-market demand and pricing for leading luxury-watch references remain resilient despite broader volatility in the watch market. This reinforces the strategic value of The Hour Glass's access to allocation-constrained inventory, although customers unwilling to wait for authorised allocations may instead transact through the resale market, resulting in potential sales leakage from authorised retailers.

Figure 3: Bloomberg Subdial Watch Index, Jul 2024-Jul 2026



Note: The Bloomberg Subdial Watch Index tracks secondary-market price trends for the 50 most-traded pre-owned luxury watches by transaction value. It is an indicator of resale-market sentiment and does not directly measure prices relative to official retail prices.

Source: Subdial, Bloomberg

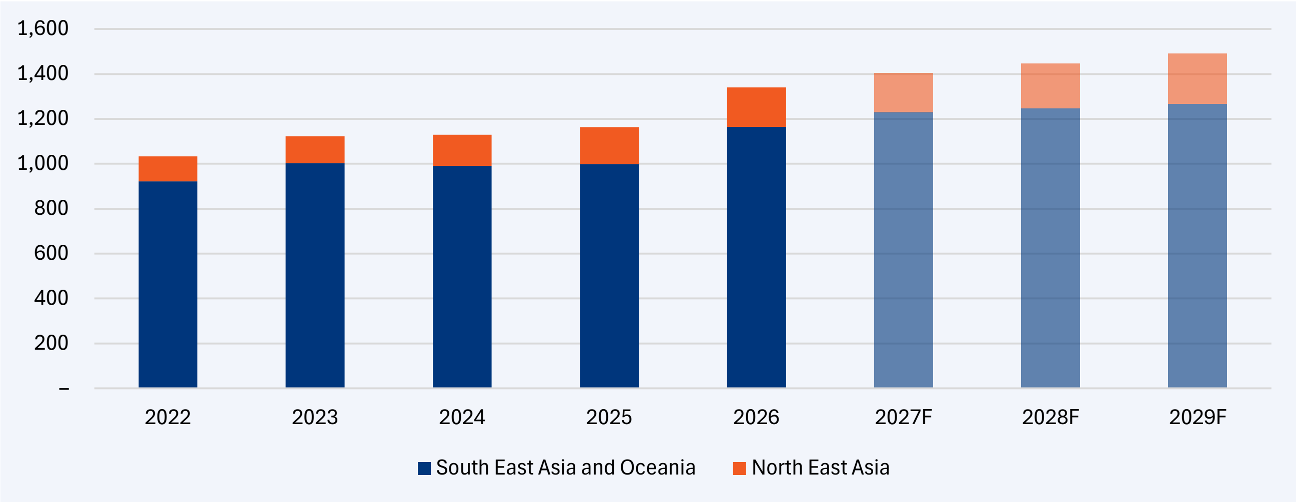
We believe scaled specialist retailers with established client relationships, premium locations and long-standing brand partnerships are better positioned to preserve access to scarce inventory. The Hour Glass's strategy of consolidating its mature-market network into fewer, larger boutiques and increasing its use of monobrand formats should further deepen these relationships. However, greater reliance on a concentrated group of brand principals also exposes the group to the risk of reduced allocations or further expansion of directly operated retail channels, as discussed under Key Risks.

Regional wealth growth expands the addressable client base

South East Asia and Oceania accounted for approximately 87% of The Hour Glass's FY26 external revenue, giving the group meaningful exposure to the region's expanding pool of private wealth. PwC's Asset and Wealth Management Revolution: Asia Pacific 2026 report estimates that Singapore manages approximately US$4.6trn in assets under management. Meanwhile, the UBS Global Wealth Report 2026 placed Singapore's US-dollar millionaire population at approximately 244,000 in 2025, representing 2.2% YoY growth. The Monetary Authority of Singapore's revised single-family-office framework, which took effect in June 2026, should further strengthen the city's position as a regional wealth-management hub.

Data from the Singapore Department of Statistics also point to resilient luxury-related spending. Retail sales in the Watches and Jewellery category rose 11.7% YoY in May 2026, well ahead of the 3.0% growth recorded for total retail sales. While these indicators are not direct proxies for The Hour Glass's performance, they suggest a growing base of affluent consumers and a supportive demand environment without requiring substantial expansion of the group's existing boutique network.

Figure 4: Revenue by Geographic Segment (S$'mn), 2022-2029F



Source: Company, KGI Research

Strong cash generation supports reinvestment and capital returns

The Hour Glass generated S$219.9mn of operating cash flow in FY26, while inventory turnover improved to 2.6x from 2.4x despite inventories increasing 10.3% YoY to S$362.2mn. The group ended the year with S$157.5mn of cash and no bank borrowings, providing flexibility to fund boutique upgrades, selective acquisitions and shareholder returns.

This balance-sheet strength should be considered alongside S$209.3mn of IFRS 16 lease liabilities, which largely reflect the cost of maintaining premium retail locations rather than conventional bank debt. Beyond its core retail operations, the group owns investment properties and holds S$107.1mn of investments in associates, which contributed S$15.6mn of equity-accounted earnings in FY26. Taken together, recurring cash generation, bank net cash and a diversified asset base provide meaningful capital-allocation flexibility.

Valuation & Peer Comparison

We derive a fair value of S$3.94 per share for The Hour Glass, representing 50.8% upside from the current share price of S$2.61. Our target price is based on a discounted cash flow valuation using an 8.8% WACC and 2.0% terminal growth rate and is cross-checked against the trading valuations of listed watch and jewellery retailers.

Our base case assumes 5.0% revenue growth in FY27E, followed by annual growth of 3.0% through FY31E. We assume flat unit volumes, with revenue growth primarily supported by the full-year contribution from the acquired Australian Rolex boutiques and continued brand-led price increases. The valuation is further supported by the group's access to allocation-constrained premium brands, zero bank borrowings and consistent cash generation.

The key uncertainty in our valuation is the group's gross-margin trajectory. Gross margin declined from 33.6% in FY23 to 30.4% in FY26, and our forecasts assume a gradual stabilisation as acquisition and product-mix effects normalise. This is our assessment rather than guidance confirmed by management.

Valuation methodology

- Revenue assumptions: We forecast revenue growth of 5.0% in FY27E, supported by the annualisation of the Australian acquisition and continued brand-led price increases. Growth is expected to moderate to 3.0% annually from FY28E.
- DCF assumptions: Our valuation applies an 8.8% WACC and a 2.0% terminal growth rate. Based on the group's reported IFRS 16 lease liabilities, we treat capitalised leases as debt-like obligations and reflect them in the equity-value bridge.

Figure 5: DCF Valuation

DCF VALUATION *All amounts in S$'000 unless otherwise stated* *Year ended 31 Mar*	*Projected* FY2027	FY2028	FY2029	FY2030	FY2031
EBIT	227,429	234,252	248,733	263,872	271,788
Tax rate	22.6%	22.6%	22.6%	22.6%	22.6%
EBIT (1-T)	**176,030**	**181,311**	**192,519**	**204,237**	**210,364**
(+) D&A	47,388	48,809	42,820	36,427	37,520
(-) Change in NWC	(40,876)	(20,786)	(39,307)	(41,334)	(40,991)
(-) Capex	(20,622)	(21,241)	(21,878)	(22,534)	(23,210)
Free Cash Flow	**161,920**	**188,094**	**174,155**	**176,796**	**183,684**
Free Cash Flow to Firm	161,920	188,094	174,155	176,796	183,684
Terminal Value					2,765,635
Total FCFF to be Discounted	**161,920**	**188,094**	**174,155**	**176,796**	**2,949,318**
PV of Free Cash Flow	**152,539**	**162,865**	**138,631**	**129,382**	**1,984,241**
Enterprise Value	**2,567,658**				
(-) Debt	(209,348)				
(+) Cash	157,526				
Equity Value	**2,515,836**				
Current Shares Outstanding ('000)	639,107				
Fair Value / Share (S$)	**3.936**				
Current Share Price (S$)	2.610				
Upside / (Downside)	**50.8%**				

Note: Current shares outstanding of 639.1mn are as of 6 July 2026 and reflect share repurchases completed up to the valuation cut-off date. No future share buybacks are assumed in our forecasts. The FY26 annual report reported 640.1mn issued shares excluding treasury shares based on its shareholding statistics as of 5 June 2026, excluding share buybacks carried out on 4-5 June 2026.

Source: KGI Research

Peer comparison

At 9.4x trailing P/E, The Hour Glass trades broadly in line with Cortina Holdings and above smaller Hong Kong-listed peers, but below Watches of Switzerland Group. The discount to WOSG likely reflects a combination of lower liquidity, smaller free float, geographic mix and differences in expected growth, rather than a single factor. The Hour Glass compares favourably on net margin and bank net cash, although peer comparisons are affected by differences in reporting periods, business mix and lease accounting.

Figure 6: Peer Comparison

Ticker	Company	Last Price	Mkt Cap (S$m)	Div Yield (%)	Net Gearing (%)	P/E Current	Rev Growth (%)	Gross Margin (%)	Net Margin (%)
HG SP	**HOUR GLASS LTD/THE**	**SGD 2.61**	**1668.1**	**2.6**	**4.8**	**9.4**	**15.1**	**30.4**	**13.4**
CTN SP	CORTINA HOLDINGS	SGD 3.75	620.9	0.6	5.9	9.6	13.5	N/A	6.6
398 HK	ORIENTAL WATCH HOLDINGS	HKD 3.3	265.1	1.6	-41.4	8.9	-0.8	31.1	5.3
887 HK	EMPEROR WATCH & JEWELLERY	HKD 0.255	305.0	5.0	-11.5	4.0	10.2	30.9	8.0
WOSG LN	WATCHES OF SWITZERLAND GROUP	GBp 779.5	3146.1	0.0	76.8	18.3	10.7	13.0	5.4
—	**Peer Average**	**-**	**1084.3**	**1.8**	**7.4**	**10.2**	**8.4**	**25.0**	**6.3**

**Dividend yields on Bloomberg trailing basis and may differ from our computed FY26A yield of 2.3%.*

Source: Bloomberg (as at 6 Jul 2026), KGI Research

Catalysts and monitoring points

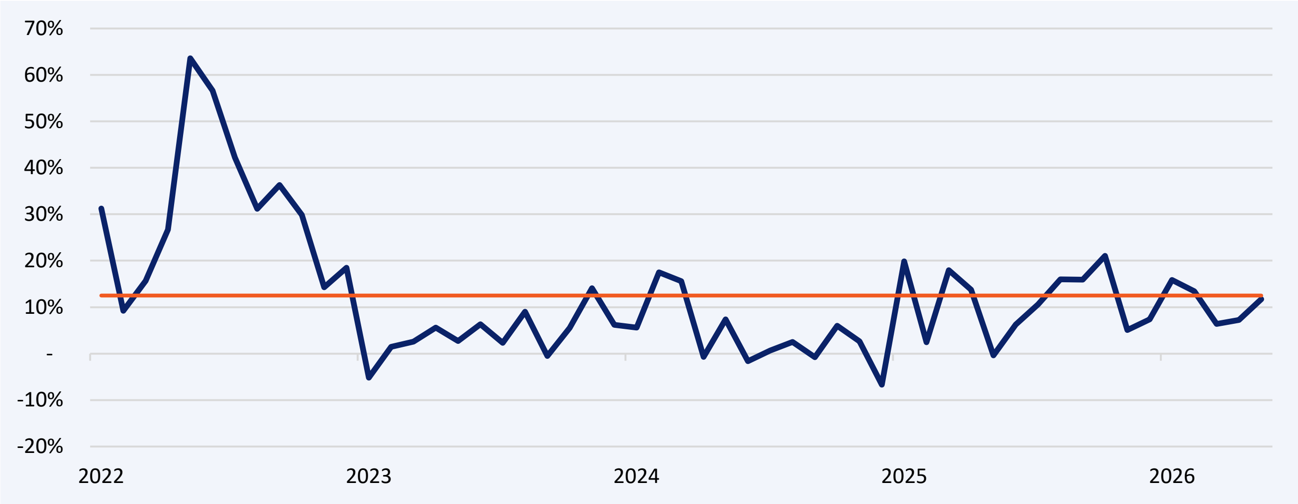
Re-rating is likely to depend on execution rather than a single event. The nearest potential catalysts are evidence that FY27 gross margin is stabilising, a full-year earnings contribution from the Australian boutiques, continued brand-led price increases and renewed capital returns as net cash accumulates. Failure to stabilise gross margin would be the clearest indication that the current valuation discount reflects structural margin pressure rather than a temporary acquisition and product-mix effect.

Macroeconomic Outlook

Singapore wealth and retail conditions remain supportive

Data from the Singapore Department of Statistics show that sales in the Watches and Jewellery category rose 11.7% YoY in May 2026, outperforming the 3.0% growth in total retail sales. SingStat's Household Sector Balance Sheet also indicates that household net worth increased 6.7% YoY in 1Q26. While these indicators are supportive of discretionary spending, they are imperfect proxies for The Hour Glass, as the retail category includes jewellery and does not isolate the group's boutique sales.

Figure 7: Singapore Watches & Jewellery monthly retail sales YoY growth, 2022-May 2026



Note: The orange line represents the average monthly YoY growth over the period.

Source: Singapore Department of Statistics, KGI Research

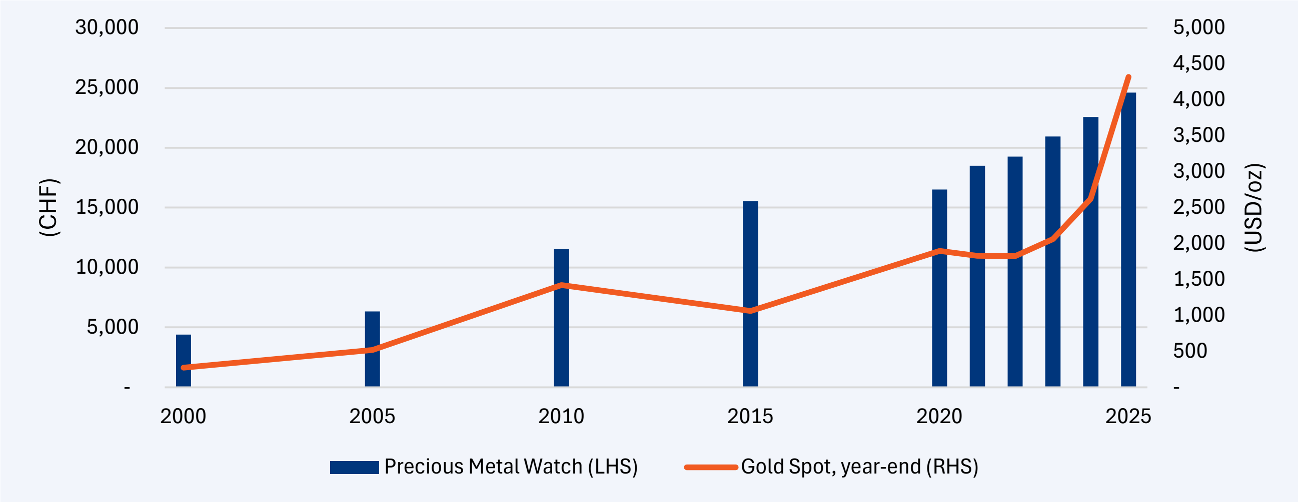
Regional private wealth broadens the potential client base

PwC's Asset and Wealth Management Revolution: Asia Pacific 2026 report estimates that Singapore manages approximately US$4.6trn in assets under management, reinforcing its position as a major regional wealth hub. Separately, the Monetary Authority of Singapore announced that its revised framework for Single Family Offices took effect on 15 June 2026. These developments should support the continued concentration of HNW and ultra-HNW individuals in Singapore, although the relationship between wealth inflows and luxury-watch purchases remains indirect.

FX, China and inflation remain the main macro swing factors

The Federation of the Swiss Watch Industry reported that Swiss watch exports to mainland China declined 21.4% YoY in May 2026, while exports to Hong Kong increased 3.4%, pointing to continued weakness and volatility in Greater China demand. Currency movements also affect the translation of earnings from the group's overseas operations. Meanwhile, higher material costs and brand-led price increases may support average selling prices but could reduce affordability and do not necessarily result in higher gross-margin percentages.

Figure 8: Annual Precious Metal Watch ASP (CHF) vs Gold Price (USD/oz), 2000-2025



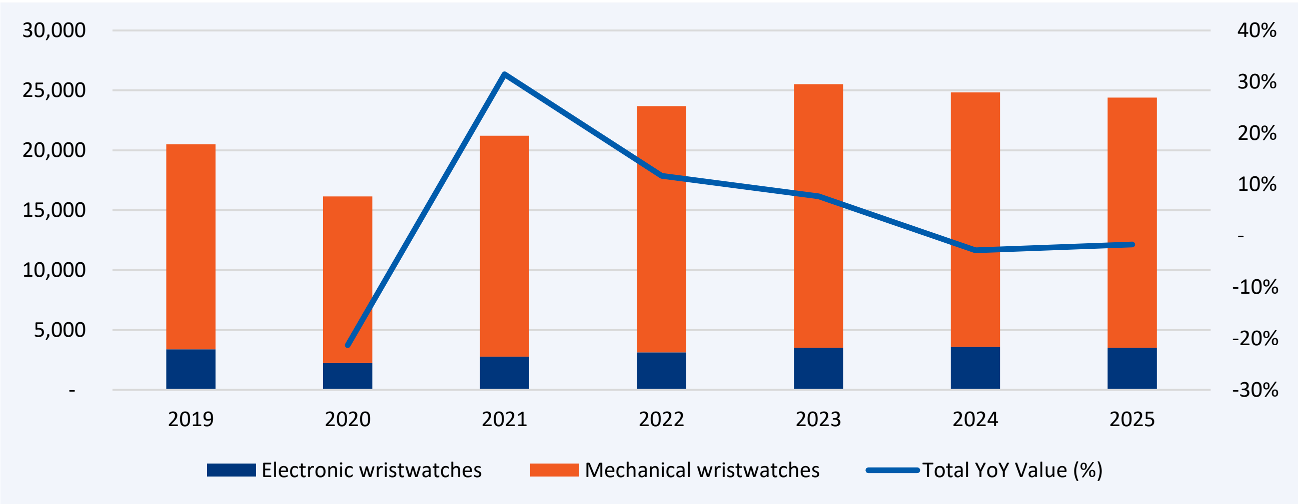
Source: Federation of the Swiss Watch Industry FH, Bloomberg, KGI Research

Industry Outlook

Price-tier performance remains volatile, with premium resilience emerging in May

According to the Federation of the Swiss Watch Industry, Swiss wristwatch exports declined 1.7% YoY to CHF24.4bn in 2025, while unit shipments fell by a sharper 4.8% to 14.6mn units, indicating that export value remained more resilient than volume. Following a strong post-pandemic recovery between 2021 and 2023, total export value moderated in 2024 and 2025 but remained well above pre-pandemic levels.

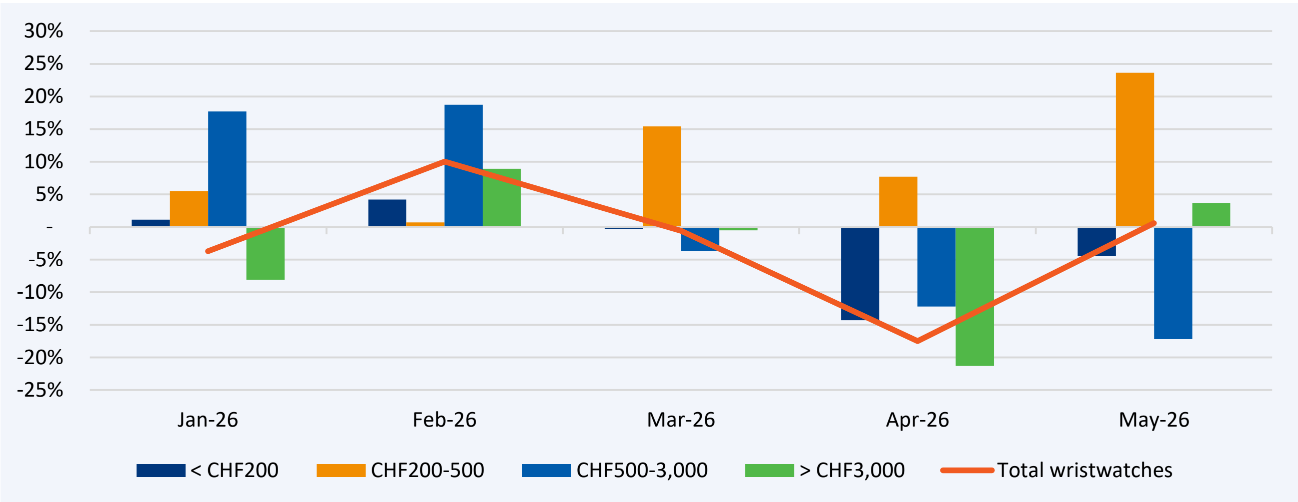
Figure 9: Swiss watch exports by movement type (CHF'mn), 2019-2025



Source: Federation of the Swiss Watch Industry FH, KGI Research

Monthly data published by the Federation of the Swiss Watch Industry show considerable volatility across price categories in early 2026. While total wristwatch export value increased in February and May, performance varied materially across the different export-price bands.

Figure 10: Swiss wristwatch export value growth by price category, Jan-May 2026 (% YoY)



Note: Price categories are based on Swiss export prices rather than final retail prices.

Source: Federation of the Swiss Watch Industry FH monthly export reports, January-May 2026; KGI Research

The above-CHF3,000 segment underperformed the CHF500-3,000 category in January, February and April, before showing greater relative resilience in March and May. In May 2026, export value for watches priced above CHF3,000 increased 3.7% YoY, compared with a 17.2% contraction in the CHF500-3,000 segment. While the latest data are supportive of The Hour Glass's premium-brand positioning, a longer period of outperformance would be required to establish a sustained trend.

Brand price increases support revenue per unit, but not necessarily margins

Reuters reported that Rolex raised average prices by 6.2% in January 2026, followed by a further average increase of 5% for gold watches in June 2026. The same report noted that selected Cartier gold models recorded price increases of up to 10%. For authorised retailers such as The Hour Glass, higher retail prices should support average selling prices and absolute gross profit per unit, although gross-margin percentages will depend on corresponding changes in wholesale costs and product mix. Company data show that The Hour Glass's gross margin declined from 33.6% in FY23 to 30.4% in FY26, suggesting that acquisition and sales-mix effects may have offset part of the benefit from brand-led price increases. This remains our interpretation and has not been confirmed by management.

Industry consolidation favours established retail partners

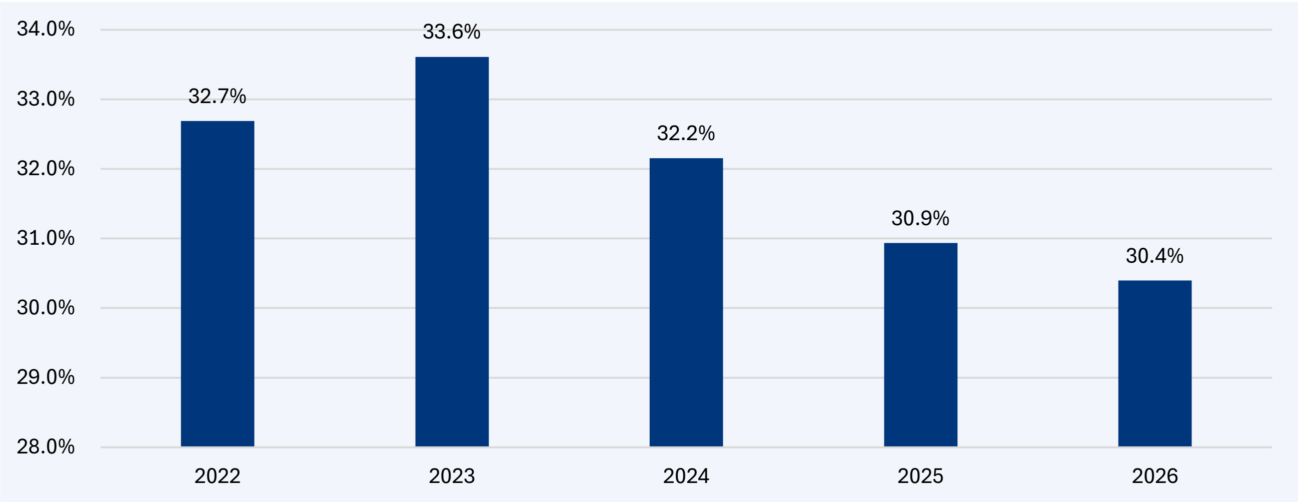
The Hour Glass's FY26 Annual Report noted that 29 of the Swiss watch industry's 50 largest brands recorded declines in 2025, with approximately one-third posting double-digit falls. Management also distinguished between brands with genuine pricing authority and weaker brands whose propositions increasingly need to be defended at the point of sale. We believe specialist retailers whose portfolios are anchored by brands with enduring authority should be better positioned through the industry's structural reset. However, dependence on a concentrated group of brand principals also exposes retailers to the risk of reduced allocations or further expansion of directly operated retail channels.

Key Risks

Demand, inventory and margin risk

A broadening of luxury-market weakness into the >CHF3,000 segment would pressure sales, inventory turnover and gross margin. Group gross margin has already declined 320bps from FY23 to FY26, while the inventory allowance increased to S$9.5mn. A weaker China recovery, rapid changes in precious-metal and brand pricing, or a shift toward lower-margin products could delay the margin stabilisation assumed in our forecasts.

Figure 11: Gross Margin Trend (FY22-FY26)



Source: Company, KGI Research

Brand allocation and channel risk

The investment case depends on continued access to Rolex, Patek Philippe, Audemars Piguet and other selective brands. Reduced allocations, changes to authorised-dealer terms or increased direct retail by brand principals could materially affect revenue, margins and the competitive moat underpinning our valuation. This concentration is difficult to quantify because the group does not disclose revenue by brand.

Fixed-cost, FX and property-valuation risk

Premium retail leases create a meaningful fixed-cost base, with S$209.3mn of IFRS 16 lease liabilities at FY26. Earnings are also exposed to the translation of AUD, HKD, THB, MYR, VND and JPY operations. Separately, changes in the fair value of investment properties flow through reported profit, creating earnings volatility unrelated to the core retail business.

Ownership, succession and liquidity risk

The Tay family's control provides long-term alignment but creates succession and key-person dependence around the group's brand relationships and curation strategy. With a public float of approximately 25.5% and low average daily trading liquidity, institutional transactions may also result in outsized share-price movements.

Financial Summary

INCOME STATEMENT (S$'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	1,162,874	1,338,223	1,405,134	1,447,288	1,490,707
Cost of sales	(803,162)	(931,461)	(972,506)	(1,001,681)	(1,031,732)
Gross profit	**359,712**	**406,762**	**432,628**	**445,607**	**458,975**
Selling & distribution	-	-	-	-	-
Administrative expenses	(72,969)	(79,975)	(85,818)	(88,393)	(91,045)
Other operating expenses	(55,785)	(30,314)	(71,993)	(74,153)	(76,377)
EBITDA	**230,958**	**296,473**	**274,817**	**283,061**	**291,553**
Depreciation & amortisation	(48,062)	(52,621)	(47,388)	(48,809)	(42,820)
Operating profit (EBIT)	**182,896**	**243,852**	**227,429**	**234,252**	**248,733**
Net finance income / (cost)	(7,464)	(9,358)	(9,692)	(8,543)	(7,650)
Other gains / (losses)	-	-	-	-	-
Profit before tax	**175,432**	**234,494**	**217,737**	**225,709**	**241,083**
Tax expense	(39,349)	(55,032)	(49,114)	(50,912)	(54,380)
Minority interests	(272)	(35)	(35)	(35)	(35)
Net profit (PATMI)	**135,811**	**179,427**	**168,588**	**174,762**	**186,668**
EPS (S$ cents)	20.94	27.79	26.38	27.34	29.21
DPS (S$ cents)	6.00	6.00	6.00	6.00	6.00

CASH FLOW STATEMENT (S$'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Profit before tax	175,432	234,494	217,737	225,709	241,083
Depreciation & amortisation	48,062	52,621	47,388	48,809	42,820
Working capital changes	(19,594)	1,543	(40,876)	(20,786)	(39,307)
Tax paid	(42,256)	(43,726)	(49,114)	(50,912)	(54,380)
Other operating items	(309)	(25,033)	1,700	1,700	1,700
Operating cash flow	**161,335**	**219,899**	**176,835**	**204,521**	**191,917**
Capex	(26,372)	(31,245)	(20,622)	(21,241)	(21,878)
Acquisitions / disposals	3,321	(62,087)	200	-	-
Other investing items	(81,938)	(10,488)	(616)	(89)	(91)
Investing cash flow	**(104,989)**	**(103,820)**	**(21,038)**	**(21,329)**	**(21,969)**
Net debt drawdown / (repayment)	(26,677)	(56,666)	-	-	-
Dividends paid	(51,848)	(38,780)	(38,346)	(38,346)	(38,346)
Equity issuance / (buyback)	(3,515)	(13,189)	-	-	-
Other financing items	(34,034)	(36,789)	(46,832)	(41,277)	(36,965)
Financing cash flow	**(116,074)**	**(145,424)**	**(85,178)**	**(79,623)**	**(75,311)**
Net change in cash	**(59,728)**	**(29,345)**	**70,619**	**103,568**	**94,636**
Change in FX	**190**	**(2,333)**	**-**	**-**	**-**
Beginning cash	**228,942**	**169,404**	**137,726**	**208,345**	**311,913**
Ending cash	**169,404**	**137,726**	**208,345**	**311,913**	**406,549**

BALANCE SHEET (S$'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash & equivalents	178,689	157,526	228,145	331,713	426,349
Trade receivables	31,815	28,871	34,379	35,410	36,472
Inventories	328,305	362,189	387,838	411,650	452,266
Other current assets	10,694	4,015	5,508	4,401	4,518
Current assets	**549,503**	**552,601**	**655,869**	**783,174**	**919,606**
Property, plant & equipment	205,649	247,389	248,526	249,903	251,322
Intangibles & goodwill	6,895	99,887	98,717	97,017	95,317
Other non-current assets	417,146	542,157	536,140	529,283	529,014
Non-current assets	**629,690**	**889,433**	**883,383**	**876,203**	**875,653**
Total assets	**1,179,193**	**1,442,034**	**1,539,252**	**1,659,377**	**1,795,258**
Trade payables	58,916	88,230	80,003	82,954	85,443
Short-term borrowings	54,811	-	-	-	-
Other current liabilities	43,918	56,103	52,427	49,574	47,359
Current liabilities	**157,645**	**144,333**	**132,431**	**132,528**	**132,802**
Long-term borrowings	-	-	-	-	-
Other non-current liabilities	80,723	214,569	193,413	176,989	164,240
Non-current liabilities	**80,723**	**214,569**	**193,413**	**176,989**	**164,240**
Total liabilities	**238,368**	**358,902**	**325,844**	**309,517**	**297,041**
Shareholders' equity	926,676	1,069,718	1,199,960	1,336,376	1,484,698
Minority interests	14,149	13,414	13,449	13,484	13,519
Total equity	**940,825**	**1,083,132**	**1,213,409**	**1,349,860**	**1,498,217**

KEY RATIOS & VALUATION	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue growth (%)	2.9%	15.1%	5.0%	3.0%	3.0%
Gross margin (%)	30.9%	30.4%	30.8%	30.8%	30.8%
EBITDA margin (%)	19.9%	22.2%	19.6%	19.6%	19.6%
Net profit margin (%)	11.7%	13.4%	12.0%	12.1%	12.5%
ROE (%)	15.3%	18.0%	14.9%	13.8%	13.2%
ROA (%)	11.8%	13.7%	11.3%	10.9%	10.8%
Net debt / equity (x)	(0.1x)	(0.1x)	(0.2x)	(0.2x)	(0.3x)
Net debt / EBITDA (x)	(0.5x)	(0.5x)	(0.8x)	(1.2x)	(1.5x)
Dividend payout (%)	38.2%	21.6%	22.7%	21.9%	20.5%
P/E (x)	12.5x	9.4x	9.9x	9.5x	8.9x
EV/EBITDA (x)	7.2x	5.9x	5.9x	5.3x	4.8x
P/NAV (x)	1.8x	1.6x	1.4x	1.2x	1.1x
Dividend yield (%)	2.3%	2.3%	2.3%	2.3%	2.3%

** FY26A DPS of 6.0 cents represents a 21.6% payout of reported EPS and approximately 24% of EPS excluding the S$20.3mn investment-property fair-value gain. We forecast DPS of 6.0 cents through FY31E, below management's stated payout range of approximately 25%-50% of distributable profits. Our estimates assume no future share buybacks beyond those completed as at our valuation cut-off date. While the company is seeking renewal of its share purchase mandate, the timing and quantum of future purchases remain discretionary. Further capital returns therefore represent upside to our base case.*

Source: Company, KGI Research estimates

KGI's Ratings

The following table summarises the ratings convention used by KGI Securities in this and other research reports.

Rating	Definition
Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Underperform (U)	We take a negative view on the stock. The stock is expected to underperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon
Not Rated (NR)	The stock is not rated by KGI Securities.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.

Disclaimer

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. You should independently evaluate particular investments and consult an independent financial adviser before dealing in any securities mentioned in this report.

This report is confidential. This report may not be published, circulated, reproduced or distributed and/or redistributed in whole or in part by any recipient of this report to any other person without the prior written consent of KGI Securities. This report is not intended for distribution and/or redistribution, publication to or use by any person in any jurisdiction outside Singapore or any other jurisdiction as KGI Securities may determine in its absolute discretion, where the distribution, publication or use of this report would be contrary to applicable law or would subject KGI Securities 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 KGI Securities to be reliable. However, KGI Securities makes no representation as to the accuracy or completeness of such sources or the Information and KGI Securities accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. KGI Securities and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of KGI Securities and its connected persons are subject to change without notice. KGI Securities reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) KGI Securities, 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) KGI Securities, 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; and (3) the officers, employees and representatives of KGI Securities 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".)

However, as of the date of this report, neither KGI Securities nor its representative(s) who produced this report (each a "research analyst"), has any proprietary position or material interest in, and KGI Securities does not make any market in, the securities which are recommended in this report.

Each research analyst of KGI Securities 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 KGI Securities 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 KGI Securities' total revenues, a portion of which are generated from KGI Securities' business of dealing in securities.