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LINCOTRADE & ASSOCIATES HLDS LTD

(LINASC SP / BFT.SI)

Record FY26 results and S$70m contract extend growth runway

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Investment Highlights

- **FY26 earnings beat was driven by volume rather than margin.** Revenue increased 75.8% YoY to S$129.5mn, 23.9% above our initiation forecast, as Lincotrade converted its order book faster than expected. PATMI more than tripled to S$8.1mn and was 22.4% ahead of our forecast. However, group gross margin declined from 15.0% in 1H26 to 12.2% in 2H26 despite higher revenue, indicating that the earnings beat was principally volume driven.
- **Working capital absorbed the increase in earnings.** Contract assets increased 203.7% to S$22.4mn and total trade and other receivables rose 63.2% to S$28.4mn. Consequently, S$12.4mn of operating cash flow before working-capital movements was converted into a S$2.3mn operating cash outflow. Bills payable increased to S$26.2mn to fund the higher level of project activity. Cash conversion is now the principal financial issue.
- **Record S$70mn contract materially extends earnings visibility.** Lincotrade's order book stood at S$106.2mn at 30 June 2026. The subsequent S$70.0mn educational-institution contract lifts the illustrative pro-forma order book to approximately S$176.2mn. The contract commenced on 1 August 2026 and runs for approximately 54 months, providing a multi-year revenue anchor rather than a one-year earnings uplift.
- **FY27 growth requires continued order-book replenishment.** Our S$143.2mn FY27F revenue forecast assumes S$63.7mn from the June 2026 order book, S$14.3mn from the S$70.0mn contract and S$65.2mn from new contracts and shorter-duration work. The required new work represents approximately 39% of estimated FY26 gross order intake.

Valuation & Action.

We maintain our **OUTPERFORM** and raise our 12-month target price to **S$0.511** from S$0.366. Our target price is based on a DCF valuation using an 11.29% WACC and 2.0% terminal growth rate. The increase reflects the stronger-than-expected FY26 results, higher earnings forecasts and improved revenue visibility following the S$70.0mn contract award.

Risks.

Key downside risks include (i) project execution and revenue recognition delays; (ii) working-capital and cash conversion risk; (iii) fixed-price contract exposure to cost inflation; (iv) subcontractor and foreign-worker availability risk; (v) data centre execution risk; and (vi) order-book replenishment risk.

OUTPERFORM	
Last close (S$)	0.33
12M Target Price (S$)	0.51
Previous TP (S$)	0.37
Previous Recommendation	OP
Upside / (Downside) (%)	54.94
TRADING DATA	
Market Cap (S$mn)	59.69
Issued Shares (mn)	180.89
3M Avg Daily Vol (mn)	0.14
3M Avg Daily Val (S$mn)	0.05
Free Float (%)	13.78
MAJOR SHAREHOLDERS (%)	
Soh Loong Chow	25.17
Tan Jit Meng	22.11
Henry Wee	22.01

Financials & Key Operating Statistics

YE Jun (S$'mn)	2025	2026	2027F	2028F	2029F
Revenue	73.6	129.5	143.2	160.1	169.3
PATMI	2.6	8.1	9.8	11.7	12.5
EPS (S$ cents)	1.49	4.54	5.41	6.41	6.89
EPS growth (%)	12.0%	204.7%	19.2%	18.5%	7.5%
DPS (S$ cents)	0.66	1.78	1.08	1.28	1.38
Div Yield (%)	10.5%	5.8%	3.3%	3.9%	4.2%
Net Profit Margin (%)	3.5%	6.2%	6.9%	7.3%	7.4%
Net Gearing (%)	65.4%	81.1%	34.0%	2.6%	(19.6%)
P/E (x)	4.2x	6.7x	6.1x	5.1x	4.8x
P/B (x)	0.9x	2.8x	2.2x	1.6x	1.3x

Source: Company data, KGI Research estimates

Business Updates

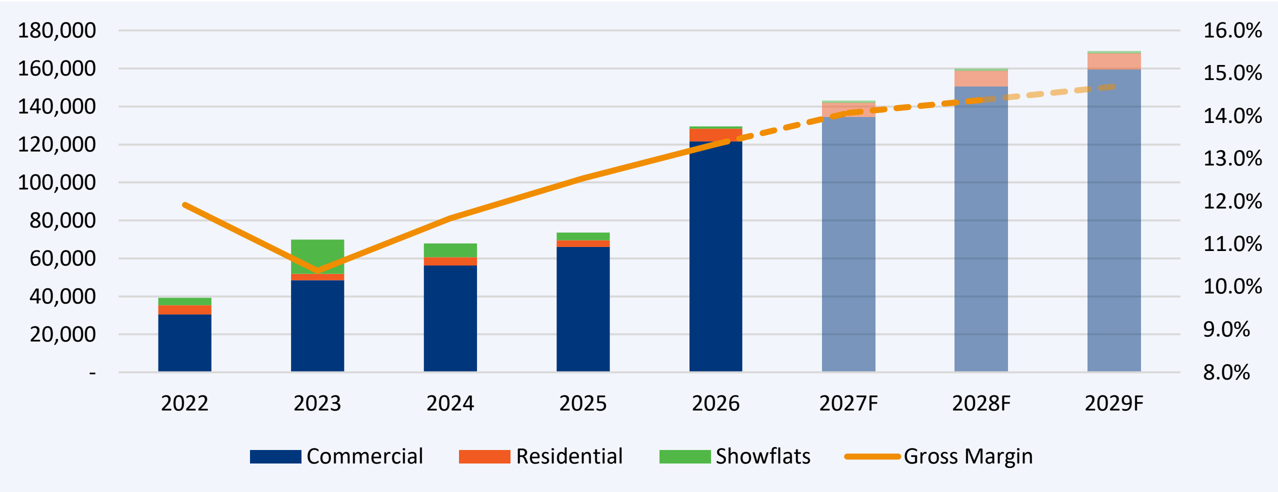
FY26 beat on revenue conversion, but margin quality was mixed

Lincotrade reported record FY26 revenue of S$129.5mn, an increase of 75.8% from S$73.6mn in FY25 and 23.9% above our initiation forecast. Commercial revenue increased 84.0% to S$121.6mn and accounted for 93.9% of group revenue. Residential revenue rose 91.6% to S$6.8mn, while showflat revenue declined 72.3% to S$1.1mn as the group continued shifting towards larger commercial projects.

Gross profit increased 87.1% to S$17.3mn, while administrative expenses rose by only 11.4% to S$4.1mn. This operating leverage lifted PBT by 243.7% to S$10.3mn and PATMI by 215.3% to S$8.1mn. FY26 PATMI was approximately 22.4% above our initiation forecast. Group gross margin increased from 12.5% in FY25 to 13.3% in FY26. However, gross margin declined from approximately 15.0% in 1H26 to 12.2% in 2H26, while commercial gross margin fell from 14.6% to 12.4%. We therefore view the FY26 beat as principally volume-driven rather than evidence of a structural improvement in project margins.

We forecast gross margin to recover to 14.1% in FY27F and improve gradually to 14.7% by FY29F, supported by project selection, operating leverage and cost benefits from the Tuas facility. Given the weaker 2H26 margin, the pace of recovery remains an important forecast sensitivity.

Figure 1: Group revenue and gross margin – historical and forecasted



Source: Company, KGI Research

Cash conversion lagged reported earnings

Lincotrade generated S$12.4mn of operating cash flow before working-capital movements. However, S$13.2mn was absorbed by working capital, principally through a S$15.0mn increase in contract assets and an S$11.0mn increase in trade and other receivables, partly offset by a S$13.0mn increase in trade and other payables. After interest and tax payments, the group recorded a S$2.3mn operating cash outflow.

Contract assets reached S$22.4mn, compared with S$7.4mn in FY25, mainly because completed work had yet to be certified and billed. Total trade and other receivables increased to S$28.4mn, while bills payable rose to S$26.2mn as the group used additional short-term financing to support its larger project pipeline.

Our valuation includes S$34.4mn of debt and lease liabilities and S$14.0mn of unrestricted cash, producing adjusted net debt of approximately S$20.4mn. Certification, billing and collection performance will be critical to reducing reliance on working-capital financing.

Tuas HQ should provide a full-year benefit in FY27

The Tuas HQ obtained its Temporary Occupation Permit in February 2026. Its 204-bed dormitory had 175 occupied beds on 30 June 2026, comprising 108 used by Lincotrade's foreign workers and 67 rented to subcontractors. Housing its own workers should reduce external accommodation costs, while beds rented to subcontractors can generate recurring income. FY27 will be the first full financial year reflecting these benefits. Following completion of the principal Tuas HQ works, approximately S$0.1mn of capital expenditure relates to the Tuas dormitory.

Linc Venture remained loss-making before project launch

Lincotrade's 30%-owned associate, Linc Venture Land, recorded a FY26 share of loss of S$0.24mn, compared with S$0.05mn in FY25. The investment was carried at approximately S$2.85mn on 30 June 2026. Linc Venture is developing The Shang Residence, a 449-unit freehold residential project in Kuchai Lama, Kuala Lumpur. The project is expected to launch in the second half of calendar 2026, with completion targeted for 2029. Initial sales take-up will be the principal indicator of its prospective contribution.

FY26 dividend payout ratio reached 40%

The board proposed a final dividend of 0.90 Singapore cents per share. Together with the interim dividend of 0.88 cents, this brings total FY26 DPS to 1.78 cents, representing approximately 40% of adjusted attributable profit. Management's stated dividend policy remains a payout of at least 20%. We conservatively apply a 20% payout from FY27F, resulting in forecast DPS of 1.08 cents and a dividend yield of approximately 3.2%. A higher payout would represent upside but will depend on improved cash conversion. We exclude the proposed Opto-Pharm acquisition from our forecasts and valuation pending definitive transaction terms.

Outlook

S$176mn pro-forma order book improves visibility, but FY27 still requires new wins

Lincotrade's order book stood at S$106.2mn on 30 June 2026, with the majority comprising commercial projects expected to be fulfilled over the following two years. The order book was 9.4% below the S$117.2mn recorded in December 2025 as revenue recognition outpaced new additions during 2H26. Based on the movement in the order book, we estimate that Lincotrade secured approximately S$166.8mn of gross order intake during FY26. The S$42.7mn of contracts announced for 4Q26 was already included in the June 2026 order book and should not be added again.

In July 2026, Lincotrade secured a S$70.0mn contract for addition and alteration and office fit-out works at a Singapore educational institution. The contract commenced on 1 August 2026 and runs for approximately 54 months. Assuming even recognition, it would contribute approximately S$14.3mn in FY27F. Adding the award to the year-end order book produces an illustrative pro-forma backlog of S$176.2mn, equivalent to 1.36x FY26 revenue. However, our S$143.2mn FY27F revenue forecast still requires approximately S$65.2mn of new contracts and shorter-duration work.

The required new work represents approximately 39% of estimated FY26 gross order intake. We therefore regard continued order-book replenishment as achievable but material. Our base case assumes further commercial and institutional wins but does not assume that another S$70.0mn contract is secured every year.

Figure 2: FY27F revenue bridge

	S$mn
Conversion of June 2026 order book	63.7
Contribution from S$70mn contract	14.3
Required new wins and shorter-duration work	65.2
FY27F revenue	**143.2**

Note: Required new wins represent approximately 39% of estimated FY26 gross order intake. The above is illustrative, not a company-reported figure.

Source: Company data, KGI Research estimates

Singapore construction demand remains supportive

Singapore's Building and Construction Authority expects construction demand of S$47bn-S$53bn in 2026 and construction output of S$43bn-S$46bn, with the output midpoint approximately 7% above the preliminary 2025 level. For 2027-2030, BCA forecasts annual construction demand of S$39bn-S$46bn, supported by major transport, healthcare, education and housing projects. This provides a favourable tender pipeline for Lincotrade as it develops a track record in larger commercial and institutional projects. Competitive pricing, fixed-price exposure and subcontractor costs will nevertheless remain important determinants of margins.

Data centre exposure remains medium-term optionality

According to Malaysian Investment Development Authority, Malaysia approved RM95.8bn of data centre and cloud-computing investments during 1H26, indicating a supportive regional pipeline for digital infrastructure. Lincotrade has experience in data centre fit-out work, but its Malaysia subsidiary generated only S$1.3mn of FY26 revenue, compared with S$4.0mn in FY25. We therefore treat Malaysian data centres as contract-win optionality rather than a material contributor to our base forecasts.

The Shang Residence could contribute from FY28

Our model forecasts a S$0.15mn share of associate loss in FY27F, followed by contributions of S$1.12mn in FY28F and S$0.76mn in FY29F as The Shang Residence progresses. According to the National Property Information Centre of Malaysia, Malaysia recorded more than 32,000 completed unsold residential units worth RM16.37bn in 1Q26, while completed unsold serviced apartments reached 19,263 units worth RM16.52bn. Although demand will depend on the project's location, pricing and positioning, the figures indicate a competitive sales environment. Initial take-up at launch will therefore be the key indicator, with slower sales likely to delay the timing of associate profits.

Earnings forecasts raised

We raise FY27F and FY28F revenue forecasts by 26.8% and 32.5% respectively, reflecting the FY26 beat, faster order-book conversion and the S$70.0mn contract award. Our revised revenue forecasts are S$143.2mn in FY27F, S$160.1mn in FY28F and S$169.3mn in FY29F. We raise FY27F and FY28F PATMI forecasts by 59.9% and 82.0% respectively, to S$9.8mn and S$11.7mn. PATMI is forecast to reach S$12.6mn in FY29F. The key sensitivities are continued order-book replenishment, recovery in project margins and conversion of contract assets and receivables into cash.

Valuation

We raise our 12-month target price to S$0.511 from S$0.366. The increase reflects the stronger-than-expected FY26 results, higher earnings forecasts and improved revenue visibility following the S$70.0mn educational-institution contract. Our revised DCF applies an 11.3% WACC and a 2.0% terminal growth rate. The higher discount rate partly offsets the earnings upgrades and provides a more conservative allowance for Lincotrade's size, limited trading liquidity, working-capital requirements and project-execution risks. The DCF forecasts free cash flow of approximately S$9.2mn in FY27F, S$11.1mn in FY28F and S$13.4mn in FY29F as earnings expand and working capital normalises.

Key valuation assumptions

- Revenue increases to S$143.2mn in FY27F, S$160.1mn in FY28F and S$169.3mn in FY29F through execution of the existing order book, contribution from the S$70.0mn contract and approximately S$65mn of additional work during FY27F.
- Lincotrade continues to replenish its order book through commercial, institutional and data centre contract wins, although we do not assume that another S$70.0mn contract is secured every year.

- Gross margin improves from 13.3% in FY26 to 14.1% in FY27F and 14.7% by FY29F, supported by project selection, operating leverage and the first full-year contribution from the Tuas facility.
- Working capital normalises as completed work is certified and billed, allowing operating cash flow to recover from negative S$2.3mn in FY26 to S$8.9mn in FY27F. Capital expenditure falls following completion of the principal Tuas works, with approximately S$0.1mn relating to the Tuas dormitory.

Figure 3: DCF Valuation

DCF VALUATION *All amounts in S$'000 unless otherwise stated*	*Projected*				
Year ended 30 June	**FY2027**	**FY2028**	**FY2029**	**FY2030**	**FY2031**
EBIT	12,751	13,635	15,265	16,116	16,999
Tax rate	17.0%	17.0%	17.0%	17.0%	17.0%
EBIT (1-T)	**10,583**	**11,317**	**12,670**	**13,377**	**14,109**
(+) D&A	1,324	1,201	1,091	992	903
(-) Change in NWC	(2,643)	(1,272)	(233)	3,490	(4,977)
(-) Capex	(100)	(100)	(100)	(100)	(100)
Free Cash Flow	**9,164**	**11,146**	**13,428**	**17,759**	**9,935**
Free Cash Flow to Firm	9,164	11,146	13,428	17,759	9,935
Terminal Value					109,080
Total FCFF to be Discounted	**9,164**	**11,146**	**13,428**	**17,759**	**119,015**
PV of Free Cash Flow	**8,393**	**9,170**	**9,926**	**11,796**	**71,033**
Enterprise Value	**110,317**				
(-) Debt	34,388				
(+) Unrestricted Cash	14,036				
(+) Investment in associate	2,850				
(-) NCI	324				
Equity Value	**92,491**				
Diluted Shares Outstanding ('000)	180,892				
Fair Value / Share (S$)	**0.511**				
Current Share Price (S$)	0.330				
Upside / (Downside)	**54.9%**				

Source: KGI Research

Valuation and recommendation

We maintain OUTPERFORM with a 12-month target price of S$0.511, representing approximately 54.9% upside from the current share price of S$0.330. The principal support for our valuation is the combination of the S$106.2mn year-end order book, the subsequent S$70.0mn contract award, materially higher earnings forecasts and an expected recovery in cash generation. The target price requires timely execution of the S$70.0mn project, positive operating cash flow, stable or improving gross margins and continued order-book replenishment. Another year of negative operating cash flow or a material deterioration in project margins would weaken the valuation case.

Financial Summary

INCOME STATEMENT (S$'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	73,643	129,497	143,158	160,061	169,270
Cost of sales	(64,408)	(112,217)	(123,008)	(137,049)	(144,407)
Gross profit	**9,235**	**17,280**	**20,151**	**23,012**	**24,862**
Selling & distribution	-	-	-	-	-
Administrative expenses	(3,652)	(4,068)	(5,011)	(5,122)	(5,078)
Other operating expenses	(1,274)	(1,665)	(1,215)	(1,933)	(2,668)
EBITDA	**4,309**	**11,547**	**13,925**	**15,957**	**17,116**
Depreciation & amortisation	(1,148)	(973)	(1,324)	(1,201)	(1,091)
Operating profit (EBIT)	**3,161**	**10,574**	**12,601**	**14,755**	**16,025**
Net finance income / (cost)	(155)	(241)	(494)	(405)	(599)
Other gains / (losses)	-	-	-	-	-
Profit before tax	**3,006**	**10,333**	**12,107**	**14,350**	**15,425**
Tax expense	(386)	(2,263)	(2,058)	(2,440)	(2,622)
Minority interests	(63)	(7)	(201)	(238)	(256)
Net profit (PATMI)	**2,557**	**8,063**	**9,848**	**11,673**	**12,547**
EPS (S$ cents)	1.49	4.54	5.41	6.41	6.89
DPS (S$ cents)	0.66	1.78	1.08	1.28	1.38

CASH FLOW STATEMENT (S$'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Profit before tax	3,006	10,333	12,107	14,350	15,425
Depreciation & amortisation	1,148	973	1,324	1,201	1,091
Working capital changes	(3,198)	(13,168)	(2,643)	(1,272)	(233)
Tax paid	(469)	(962)	(2,134)	(2,096)	(2,458)
Other operating items	264	515	245	(1,093)	(699)
Operating cash flow	**751**	**(2,309)**	**8,898**	**11,090**	**13,126**
Capex	(1,149)	(3,075)	(100)	(100)	(100)
Acquisitions / disposals	(1,303)	(1,730)	-	-	-
Other investing items	145	61	177	230	303
Investing cash flow	**(2,307)**	**(4,744)**	**77**	**130**	**203**
Net debt drawdown / (repayment)	3,508	13,163	(1,359)	(1,305)	(1,253)
Dividends paid	(550)	(2,738)	(1,970)	(2,335)	(2,509)
Equity issuance / (buyback)	33	2,140	-	-	-
Other financing items	(936)	316	(298)	(284)	(391)
Financing cash flow	**2,055**	**12,881**	**(3,627)**	**(3,924)**	**(4,153)**
Net change in cash	**499**	**5,828**	**5,348**	**7,297**	**9,176**
Beginning cash	**7,709**	**8,208**	**14,036**	**19,384**	**26,680**
Ending cash	**8,208**	**14,036**	**19,384**	**26,680**	**35,856**

BALANCE SHEET (S$'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash & equivalents	12,572	17,686	23,034	30,330	39,506
Trade receivables	12,364	23,547	23,533	24,557	24,115
Inventories	612	294	1,348	1,502	1,583
Other current assets	9,303	24,740	23,190	20,665	22,782
Current assets	**34,851**	**66,267**	**71,104**	**77,055**	**87,986**
Property, plant & equipment	10,825	13,238	12,014	10,913	9,922
Intangibles & goodwill	-	-	-	-	-
Other non-current assets	6,302	7,711	8,583	9,959	10,609
Non-current assets	**17,127**	**20,949**	**20,597**	**20,872**	**20,530**
Total assets	**51,978**	**87,216**	**91,702**	**97,927**	**108,516**
Trade payables	17,824	30,777	28,646	26,283	27,695
Short-term borrowings	14,584	28,447	26,102	25,058	24,056
Other current liabilities	659	2,031	1,964	2,300	2,456
Current liabilities	**33,067**	**61,255**	**56,712**	**53,641**	**54,206**
Long-term borrowings	6,240	5,540	6,526	6,264	6,014
Other non-current liabilities	52	312	276	257	238
Non-current liabilities	**6,292**	**5,852**	**6,802**	**6,521**	**6,252**
Total liabilities	**39,359**	**67,107**	**63,513**	**60,162**	**60,458**
Shareholders' equity	12,410	19,785	27,663	37,001	47,039
Minority interests	209	324	525	763	1,019
Total equity	**12,619**	**20,109**	**28,188**	**37,764**	**48,058**

KEY RATIOS & VALUATION	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue growth (%)	8.5%	75.8%	10.5%	11.8%	5.8%
Gross margin (%)	12.5%	13.3%	14.1%	14.4%	14.7%
EBITDA margin (%)	5.9%	8.9%	9.7%	10.0%	10.1%
Net profit margin (%)	3.5%	6.2%	6.9%	7.3%	7.4%
ROE (%)	22.4%	50.1%	41.5%	36.1%	29.9%
ROA (%)	5.6%	11.6%	11.0%	12.3%	12.2%
Net debt / equity (x)	0.7x	0.8x	0.3x	0.0x	(0.2x)
Net debt / EBITDA (x)	1.9x	1.4x	0.7x	0.1x	(0.6x)
Dividend payout (%)	21.5%	34.0%	20.0%	20.0%	20.0%
P/E (x)	4.2x	6.7x	6.1x	5.1x	4.8x
EV/EBITDA (x)	4.0x	5.9x	5.0x	3.8x	3.0x
P/NAV (x)	0.9x	2.8x	2.2x	1.6x	1.3x
Dividend yield (%)	10.5%	5.8%	3.3%	3.9%	4.2%

Source: Company, KGI Research estimates

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