

Metrocon Holdings Limited

(HATT SP / WYO.SI)

Breaking Ground on the Next Growth Phase

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Investment Highlights

- **Specialist exposure to Singapore's construction pipeline.** Metrocon's foundation engineering capabilities position it to capture opportunities across public housing, infrastructure and institutional developments. Its established project track record and main-contractor relationships support contract acquisition, while the planned BCA CR08 upgrade from L5 to L6 could broaden direct public-sector tender opportunities.
- **S\$85.25 million order book provides visibility and diversification potential.** Outstanding piling and groundwork contracts stood at approximately S\$85.25 million as at 15 June 2026, equivalent to 1.4 times FY2025 revenue, with execution expected over the following 24 months. Third-party orders represented 83.6% of the backlog, indicating potential to broaden the customer base from FY2025, when LBD Engineering contributed 64.1% of revenue.
- **Operating leverage and broader services support earnings potential.** FY2025 revenue increased 67.5% to S\$61.07 million, while gross margin expanded to 11.4% from 6.7% and administrative expenses remained broadly stable, lifting net profit to S\$4.20 million. Expansion into ground improvement, earthworks and soil disposal offers additional growth opportunities, with sustainable earnings dependent on disciplined execution, cash collection and control of expansion costs.
- **Planned L6 upgrade support the next growth phase.** Approximately S\$3.0mn of intended net placement proceeds will support manpower, business expansion and compliance costs associated with the planned CR08 L6 upgrade. If approved, L6 registration would remove the contract-value ceiling for direct public-sector tenders, broadening Metrocon's access to larger foundation packages and potentially reducing reliance on related-party referrals.

Valuation & Action.

We initiate coverage on Metrocon Holdings Limited with an **OUTPERFORM** rating and a 12-month target price of **S\$0.28**. Our target price implies upside of 21.74% from current levels.

Risks.

Key downside risks include (i)Operational risks, (ii)Market and macroeconomic risks, (iii) Input-cost and resource risks, (iv)Customer and related-party risks, (v)Working-capital and credit risks, (vi)Regulatory, safety and environmental risks, and (vii)Expansion and earnings-normalisation risks

OUTPERFORM

Last close (S\$)	0.23
12M Target Price (S\$)	0.28
Previous TP (S\$)	-
Upside / (Downside) (%)	21.74

TRADING DATA

Market Cap (S\$m)	5.93
Issued Shares (mn)	25.24
3M Avg Daily Vol (mn)	N.A
3M Avg Daily Val (S\$m)	N.A
Free Float (%)	24.45

MAJOR SHAREHOLDERS (%)

LBD Engineering Pte Ltd	63.14
Skyone Holdings Sdn Bhd	12.18
Charlotte Tay	0.23

Financials & Key Operating Statistics

YE Dec (S\$'000)	2024	2025	2026F	2027F	2028F
Revenue	36,471	61,072	71,600	74,625	74,375
PATMI	547	4,197	7,265	7,613	7,075
EPS (S\$ cents)	0.31	2.37	4.11	4.30	4.00
EPS growth (%)	n.m.	666.7%	73.1%	4.8%	(7.1%)
DPS (S\$ cents)	-	-	0.71	1.23	1.29
Div Yield (%)	-	-	309.5%	535.8%	561.4%
Net Profit Margin (%)	1.5%	6.9%	10.1%	10.2%	9.5%
EV/EBITDA (x)	20.6x	8.9x	5.8x	5.4x	5.6x
P/E (x)	64.6x	8.4x	4.9x	4.6x	5.0x
P/NAV (x)	6.8x	3.8x	1.8x	1.4x	1.2x

Source: Company data, KGI Research estimates

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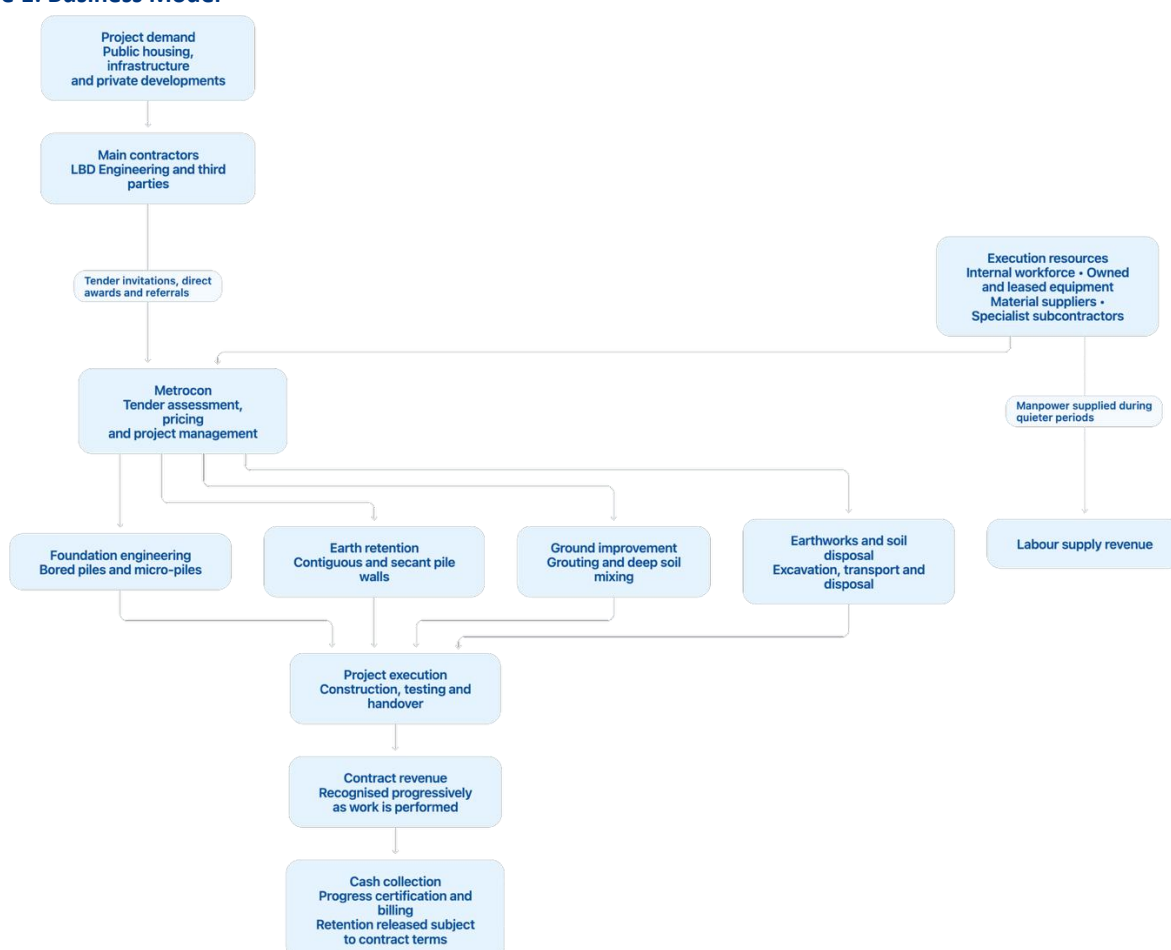
Company Background

Metrocon Pte. Ltd. is a Singapore-based specialist in geotechnical foundation engineering, providing subsurface construction services that support buildings and infrastructure. Its capabilities span foundation piling, earth-retaining structures, ground improvement and earthworks. The company operates primarily as a specialist subcontractor to main contractors, serving residential, institutional and infrastructure developments.

Business segments

- **Foundation engineering:** Bored piles and micro-piles — Establish foundations for buildings and infrastructure. Bored piles accommodate heavier structural loads, while micro-piles suit sites with restricted access or working space.
- **Earth retention:** Contiguous bored pile walls and secant pile walls — Retain surrounding ground during excavation and basement construction. Secant pile walls provide greater resistance to water ingress.
- **Ground improvement:** Jet grouting, fissure grouting and deep soil mixing — Improve soil strength and stability, reduce permeability and support foundation performance.
- **Earthworks and soil disposal:** Substructure excavation, cut-and-fill works, soil transportation and disposal — Support site preparation and excavation, including transporting excavated soil to permitted disposal locations.

Figure 1: Business Model



Source: KGI Research

Corporate history & milestones

Incorporated in April 2016, Metrocon initially developed landed residential properties before discontinuing this business and entering foundation and geotechnical engineering in 2019. It became a subsidiary of LBD Engineering in 2023, expanded into ground improvement services in 2025, and commenced earthworks and soil disposal services in 2026. Under the proposed reverse takeover described in the circular, Metrocon would become the operating business of the listed entity, which would be renamed Metrocon Holdings Limited upon completion.

The proposed RTO establishes Metrocon as the listed operating business

Under the transaction described in the circular, Hatten Land proposes to acquire the entire shareholding of Metrocon Pte. Ltd. from LBD Engineering for S\$28.0 million, satisfied through the issuance of approximately 107.71 million consideration shares at S\$0.26 per share. Upon completion, the listed company would be renamed Metrocon Holdings Limited, with its core business changing to foundation and geotechnical engineering and related services.

The acquisition forms part of a broader restructuring involving a share consolidation, shares issued to scheme creditors and the funder, and a proposed compliance placement. These components determine the enlarged company's ownership and capital structure. Consequently, the acquisition consideration should be distinguished from the equity value of the enlarged listed group.

Figure 2: Principal terms of the proposed transactions

Component	Terms disclosed in the circular	Remarks
Acquisition	Purchase of 100% of Metrocon from LBD Engineering for S\$28.0m	Introduces Metrocon as the operating business
Consideration shares	107,705,689 shares at S\$0.26 each	Establishes LBD Engineering as the controlling shareholder
Share consolidation	Every 830 existing shares consolidated into one share	Rescales the existing share base
Scheme creditors' shares	22,374,979 shares at S\$0.26 each	Allocates equity to creditors under the restructuring
Funder shares	21,547,104 shares at S\$0.26 each	Allocates equity to the funder under the transaction arrangements
Compliance placement	Up to 25,000,000 new shares	Broadens share distribution and raises funds
Corporate changes	Proposed name change to Metrocon Holdings Limited and change of core business	Aligns the listed entity with its new operations

Source: Company

The circular sets out approximately 153.87 million shares before the compliance placement, of which LBD Engineering would hold approximately 70.0%. Assuming the issuance of all 25 million placement shares, the enlarged share base would increase to approximately 178.87 million, reducing LBD Engineering's interest to approximately 60.2%. It would therefore retain majority ownership under this scenario.

The structure provides continuity with Metrocon's existing parent and commercial network, but also concentrates voting power. Legacy Hatten shareholders would represent approximately 1.3% of the enlarged share base under the full-placement illustration. For valuation purposes, forecasts of per-share earnings and net assets should use the final issued share count, with subsequent incentive dilution assessed separately.

Figure 3: Illustrative post-transaction ownership

Shareholder / issuance category	Shares before placement	Ownership before placement	Shares after full placement	Ownership after full placement
LBD Engineering	107,705,689	70%	107,705,689	60%
Scheme creditors	22,374,979	15%	22,374,979	13%
Funder	21,547,104	14%	21,547,104	12%
Legacy shareholders	2,239,405	1%	2,239,405	1%
Compliance placement investors	—	—	25,000,000	14%
Total	153,867,177	100%	178,867,177	100%

Source: Company

At an illustrative placement price of S\$0.26, issuing 25 million shares would raise S\$6.50 million in gross proceeds, before placement and transaction expenses. Management's disclosed intended uses include working capital, workforce enhancement, costs associated with the planned L6 registration upgrade and the exploration of expansion opportunities. The financial benefit will depend on the final proceeds available and how effectively they are deployed. Using the S\$0.26 issue price, the pre-placement share count implies an equity value of approximately S\$40.01 million, increasing to approximately S\$46.51 million under the full-placement illustration.

Figure 4: Illustrative capitalisation at S\$0.26 per share

Metric	Before placement	After full placement
Shares outstanding (million)	153.87	178.87
Illustrative share price (S\$)	0.26	0.26
Implied equity value (S\$m)	40.01	46.51
Gross placement proceeds (S\$m)	—	6.50

Source: Company

Investment Thesis

Specialist exposure to Singapore's construction pipeline

Metrocon provides exposure to Singapore's construction pipeline through foundation and ground engineering services required during the early stages of building and infrastructure development. Its capabilities in bored piling, earth-retaining structures and ground improvement are relevant across residential, institutional and civil-engineering projects. We believe this breadth gives Metrocon several avenues for securing new work, supported by its disclosed experience in public housing, educational facilities and drainage infrastructure.

The company's disclosed assignments span HDB housing, private development, drainage infrastructure and educational facilities. These projects demonstrate experience across different site requirements and work scopes, including combinations of bored piling, contiguous pile walls and ground improvement. We believe this experience supports its credentials when approaching main contractors for comparable packages, while established customer relationships provide access to tender invitations and repeat work. The investment case rests on translating these credentials into commercially attractive awards rather than assuming participation in every major national development.

Figure 5: Metrocon's selected project experience

Projects	Subcontract value range	Scope of work	Relevance to future opportunities
Siglap Canal improvement and enhancement	Approximately S\$20-25m	Bored piling and ground improvement	Experience relevant to drainage and civil-engineering works requiring foundation and soil treatment capabilities
Development along Hillview Avenue	Approximately S\$20-25m	Bored piling	Demonstrates experience executing a sizeable building-foundation package
HDB Hougang Neighbourhood 1	Approximately S\$15-20m	Bored piling and contiguous pile wall	Combines residential foundation work with earth retention
HDB Tengah Park	Approximately S\$10-15m	Bored piling	Relevant credentials for further public-housing subcontract opportunities
Jurong Pioneer Junior College	Approximately S\$5-10m	Bored piling	Experience relevant to educational and institutional developments

Source: Company, KGI Research

Main-contractor relationships provide market access, with a potential additional route through higher tender eligibility. Metrocon primarily participates as a specialist subcontractor, allowing it to pursue work within larger developments through the main contractors responsible for delivery. Under the framework described in the circular, its CR08 Grade L5 registration permits direct public-sector tendering up to S\$16 million, while larger subcontract packages can be undertaken under appropriately qualified main contractors. The planned L6 upgrade could broaden direct tender access, although the company would still need sufficient technical resources, manpower, equipment and funding to execute larger commitments.

Figure 6: Metrocon's routes to construction opportunities

Route / capability	Position described in the circular	Investment implication
Specialist subcontracting	Main-contractor tender invitations, referrals and direct awards, including from LBD Engineering	Provides access to packages within larger developments
CR08 Grade L5 registration	Direct public-sector tender limit of S\$16m under the circular's stated framework	Defines existing direct tender eligibility; does not impose an equivalent ceiling on subcontract package size
Proposed CR08 Grade L6 upgrade	Planned removal of the direct public-sector tender-value ceiling, subject to approval	Could expand bidding options; should not be treated as completed or as a guarantee of awards
Complementary ground engineering services	Piling, earth retention and ground improvement; earthworks and soil disposal commenced in 2026	Could broaden the scope of work pursued on individual developments

Source: Company, KGI Research

We believe Metrocon's specialist capabilities and relevant project experience position it to compete for further work across Singapore's construction market. The clearest evidence of successful execution of this thesis would be new awards across multiple main contractors and end-markets, secured at margins that adequately compensate for project complexity and resource requirements.

Order-book visibility, supported by a recovering earnings base

Metrocon's secured order book provides a meaningful foundation for future project activity. As at 15 June 2026, outstanding piling and groundwork contracts totalled approximately S\$85.25 million, equivalent to 1.40 times FY2025 revenue of S\$61.07 million. Management expects these contracts to translate into revenue over the following 24 months. This provides visibility into committed work and supports resource planning, although the timing of revenue recognition will depend on site readiness, construction schedules and execution progress.

Figure 7: Secured order book provides a sizeable base of future work

Indicator	Value	Remarks
Outstanding order book at 15 June 2026	S\$85.25m	Meaningful base of secured piling and groundwork contracts
FY2025 revenue	S\$61.07m	Historical reference for assessing backlog scale
Order book / FY2025 revenue	1.40x	Backlog exceeds one year of historical revenue
Expected recognition window	24 months following 15 June 2026	Visibility extends beyond a single reporting year
Third-party share of order book	83.6%	External customers account for most secured work
Implied third-party order value	Approximately S\$71.27m	Substantial project commitments outside related-party business

Source: Company, KGI Research

The order-book composition also points to potential customer diversification. LBD Engineering contributed 64.12% of FY2025 revenue, demonstrating the importance of this relationship to Metrocon's historical activity. By comparison, third-party customers represented 83.6% of the June 2026 outstanding order book, equivalent to approximately S\$71.27 million. We view this as evidence of Metrocon's ability to secure work from external customers and an opportunity to broaden its revenue base as these projects progress. However, a high third-party share does not establish low customer concentration: the distribution of these orders among individual counterparties remains important.

Figure 8: Historical customer exposure and prospective revenue mix

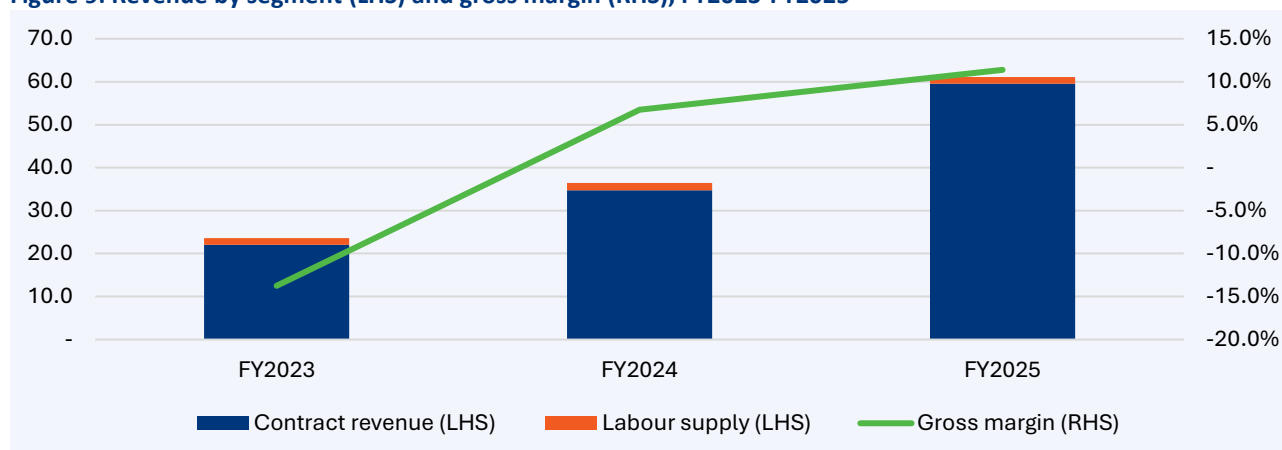
Measurement basis	Category	Share	Remarks
FY2025 recognised revenue	LBD Engineering	64.12%	Significant historical reliance on one related-party customer
FY2025 recognised revenue	Other customers	35.88%	Includes customers other than LBD Engineering; not exclusively third parties
Order book at 15 June 2026	Third-party orders	83.60%	External customers dominate outstanding secured work
Order book at 15 June 2026	Remaining orders	16.40%	Cannot be attributed entirely to LBD Engineering from the available breakdown

Source: Company, KGI Research

We view the combination of a substantial secured backlog and a predominantly third-party order mix as supportive of Metrocon's operating outlook. Successful execution could broaden its customer base and strengthen its position as an independent specialist subcontractor. The investment case will strengthen further if external contract wins are accompanied by sustained margins, continued order replenishment and timely cash collection.

Capacity expansion could support growth, subject to returns and funding

Metrocon's revenue increased by 67.5% to S\$61.07 million in FY2025, following growth of 54.7% in FY2024. The FY2025 increase reflected additional projects secured during the year and progressive revenue recognition from construction works. Gross profit rose from S\$2.46 million to S\$6.96 million, with gross margin improving from 6.7% to 11.4%. This followed a gross loss in FY2023, demonstrating a substantial recovery in operating performance.

Figure 9: Revenue by segment (LHS) and gross margin (RHS), FY2023-FY2025


Source: Company, KGI Research

The improvement indicates that revenue expanded faster than direct project costs. However, the historical recovery does not establish that margins will continue to rise at the same pace. Future profitability will depend on the pricing and mix of incoming contracts, resource utilisation, material costs and execution against project budgets. Our assessment is that maintaining disciplined tender selection will be particularly important as Metrocon expands its workload.

Figure 10: Revenue growth accompanied by a recovery in gross margins

S\$ million, unless stated	FY2023	FY2024	FY2025
Revenue	23.6	36.5	61.1
Revenue growth (%)	—	54.7	67.5
Gross profit/(loss)	(3.3)	2.5	7.0
Gross margin (%)	(13.8)	6.7	11.4
Profit/(loss) before tax	(5.8)	0.6	4.2
Net profit/(loss)	(5.8)	0.6	4.2

Source: Company

Administrative and other operating expenses remained broadly stable at approximately S\$3.15–3.16 million in FY2024–FY2025, despite the substantial increase in revenue. Consequently, these expenses declined from 8.6% to 5.2% of revenue. This enabled a larger proportion of incremental gross profit to contribute to earnings.

Between FY2024 and FY2025, gross profit increased by approximately S\$4.51 million, while administrative expenses rose by only around S\$0.01 million. Profit before tax increased by approximately S\$3.68 million, even as other income declined. The improvement therefore reflects stronger profitability from the core project business. Nevertheless, future forecasts should incorporate additional listed-company overheads and the staffing costs required to support expansion.

Figure 11: Administrative expenses declined relative to revenue

S\$ million, unless stated	FY2023	FY2024	FY2025
Revenue	23.6	36.5	61.1
Revenue growth (%)	—	54.7	67.5
Gross profit/(loss)	(3.3)	2.5	7.0
Gross margin (%)	(13.8)	6.7	11.4
Profit/(loss) before tax	(5.8)	0.6	4.2
Net profit/(loss)	(5.8)	0.6	4.2

Source: Company

Valuation & Peer Comparison

We value Metrocon at S\$0.28 per share, applying 7.0x P/E to FY2028E earnings of S\$7.08m, or 4.00 Singapore cents per share on 176.87m post-placement shares. This implies 40% upside to the S\$0.20 placement price. Our valuation rests on a sustained improvement in project profitability and replenishment of the order book, with a multiple that recognises specialist foundation-engineering exposure while retaining a discount to the regional specialist benchmark.

Valuation methodology

P/E is our primary valuation method because it captures the depreciation and tax costs that ultimately determine shareholder earnings in an equipment-intensive contractor. EV/EBITDA provides a balance-sheet cross-check but cannot substitute for an assessment of replacement capital expenditure and cash conversion. We do not assign a separate premium to the listing, industry relationships or potential tender eligibility upgrades; these must translate into profitable awards before entering earnings or valuation.

FY2028E is a normalised earnings anchor rather than the highest profit year in the forecast. Net income rises from S\$4.20m in FY2025 to S\$7.27m in FY2026E and S\$7.61m in FY2027E, before easing to S\$7.08m in FY2028E. The selected year therefore incorporates some moderation after the initial recovery. It nevertheless assumes a materially stronger earnings base than the historical business: FY2028E net profit is 69% above FY2025 reported profit and 83% above FY2025 normalised profit of S\$3.87m, excluding the S\$0.32m onerous-contract provision release.

Figure 12: Earnings normalisation supports the valuation anchor

S\$m	2025A	2026E	2027E	2028E	2029E
Revenue	61.07	71.60	74.63	74.38	81.26
Gross margin	11.4%	16.0%	16.5%	16.2%	16.0%
Net profit	4.20	7.27	7.61	7.08	7.49
Net margin	6.9%	10.1%	10.2%	9.5%	9.2%
EPS on valuation shares (S cents)	2.37	4.11	4.30	4.00	4.24
P/E at S\$0.20 (x)	8.4	4.9	4.6	5.0	4.7

Source: KGI Research

The equity denominator matters following the restructuring and placement. We use the full post-placement share base rather than FY2026 weighted-average shares of 161m. The latter produces statutory-model EPS of 4.51 cents and would overstate per-share value if applied to all outstanding shares. Our S\$0.28 is an FY2028 earnings-based fair value. The peer comparison is accordingly a valuation reference rather than a matched-period arbitrage.

Figure 13: KGI's multiples valuation

P/E VALUATION		EV/EBITDA VALUATION	
P/E multiple (x)	7.0x	EV/EBITDA multiple (x)	3.8x
Profit for FY28F (S\$'000)	7,075	EBITDA for FY28F (S\$'000)	10,229
No. of shares outstanding ('000)	176,868	Implied enterprise value	38,495
Earnings per share (EPS, S\$)	0.0400	(-) Debt	(242)
EPS (cents)	4.00	(+) Cash	11,269
Fair value / share (S\$)	0.280	Implied equity value	49,523
Current share price (S\$)	0.200	No. of shares outstanding ('000)	176,868
Upside / (downside)	40.0%	Fair value / share (S\$)	0.280
		Current share price (S\$)	0.200
		Upside / (downside)	40.0%

Source: KGI Research

Peer comparison

We separate business comparability from the valuation at which Singapore contractors trade. The primary group comprises eight regional foundation and piling-related contractors: CSC, Pintaras Jaya, Econpile, Aneka Jaringan, Chinney Kin Wing, Vicon, Seafco and Pylon. This is the most relevant starting point for project execution, tendering and equipment intensity, although geography, construction mix, and accounting periods prevent a strict like-for-like comparison. Global specialists provide a quality reference; broader SGX contractors provide a domestic trading reference.

Figure 14: Regional peer comparison

Ticker	Company	Last Price	Mkt Cap (\$m)	Div Yield (%)	Net Gearing (%)	P/E Current	P/E Fwd	EV/EBITDA Fwd 1Y	Rev Growth (%)	Gross Margin (%)	Net Margin (%)
MPL SP	Metrocon Holdings Limited	SGD 0.200	35.4	-	-0.6	8.4	5.8	5.8	67.5	11.4	6.9
Primary Valuation Peers											
CSC SP	CSC HOLDINGS LTD	SGD 0.011	38.2	-	100.9	14.5	N/A	N/A	18.5	9.6	0.7
PINT MK	PINTARAS JAYA BHD	MYR 1.22	63.0	-	-26.4	8.0	7.2	1.4	33.1	15.1	6.2
ECON MK	ECONPILE HOLDINGS BHD	MYR 0.125	55.2	-	5.1	22.3	20.8	5.9	37.1	9.7	2.0
ANEKA MK	ANEKA JARINGAN HOLDINGS BHD	MYR 0.105	22.7	-	27.7	128.0	N/A	N/A	22.2	8.8	2.0
1556 HK	CHINNEY KIN WING HOLDINGS LT	HKD 0.25	60.6	5.7	-82.2	3.2	N/A	N/A	-8.6	21.5	5.9
3878 HK	VICON HOLDINGS LTD	HKD 0.215	16.7	-	-16.2	22.9	N/A	N/A	-22.1	6.0	1.9
SEAFKO TB	SEAFKO PCL	THB 2.88	87.2	-	0.8	5.7	8.2	5.5	21.0	22.2	10.8
PYLON TB	PYLON PCL	THB 3.76	108.0	1.5	-24.6	9.7	9.9	6.2	83.0	22.9	14.2
—	Primary average		56.4	1.0	-1.9	26.8	11.5	4.8	23.0	14.5	5.5
Global Quality Reference											
KLR LN	KELLER GROUP PLC	GBP 2956	3482.8	4.2	14.2	13.2	11.9	5.8	3.4	N/A	4.6
1905 JP	TENOX CORP	JPY 1445	87.3	4.2	-55.2	14.2	N/A	N/A	-11.1	19.0	4.5
1914 JP	JAPAN FOUNDATION ENGINEERING	JPY 802	193.6	4.4	5.0	7.3	N/A	N/A	-9.7	17.0	6.1
—	Global average		1254.6	4.3	-12.0	11.5	11.9	5.8	-5.8	18.0	5.0
Trading / Liquidity Reference											
SGX valuation anchors											
BBR SP	BBR HOLDINGS (S) LTD	SGD 0.22	70.9	1.6	42.4	16.9	N/A	N/A	-15.8	18.2	1.8
OKP SP	OKP HOLDINGS LTD	SGD 0.695	373.3	0.6	-56.4	7.1	7.1	3.3	23.0	32.4	19.8
HLSH SP	HOCK LIAN SENG HOLDINGS LTD	SGD 0.275	140.2	4.3	-22.5	N/A	N/A	N/A	1.5	8.2	9.1
HUAGL SP	HUATONG GLOBAL LTD	SGD 0.535	100.7	2.8	-28.4	5.3	6.1	3.2	32.0	16.5	6.4
LEY SP	LEY CHOON GROUP HOLDINGS LTD	SGD 0.076	114.4	1.6	1.7	11.4	N/A	N/A	10.3	17.2	6.9
KOH SP	KOH BROTHERS GROUP LTD	SGD 0.245	101.1	0.0	-2.4	5.4	N/A	N/A	38.2	11.9	5.6
SOIL SP	SOILBUILD CONSTRUCTION GROUP	SGD 0.585	387.2	0.7	-71.3	5.4	5.6	2.5	50.8	15.8	10.8
—	SGX anchor average		184.0	1.6	-19.6	8.6	6.2	3.0	20.0	17.2	8.6

Source: Bloomberg consensus, KGI Research

The median is more useful than the headline average. The primary group's current P/E mean of 26.8x is dominated by Aneka Jaringan at 128.0x; the median is 12.1x. Removing Aneka reduces the mean to 12.3x, illustrating why the unadjusted average should not anchor Metrocon's multiple. A high P/E on a low earnings base need not indicate a premium-quality franchise. We retain the company in the peer set but avoid allowing one extreme observation to determine fair value.

Forward coverage is also narrow. Only four primary peers have forward P/E and EV/EBITDA observations. Their P/E median is 9.05x versus an 11.53x mean, while their EV/EBITDA median is 5.70x versus a 4.75x mean. Econpile's 20.8x forward P/E lifts the earnings average; Pintaras Jaya's 1.4x EV/EBITDA pulls down the enterprise-value average. Using medians reduces the effect of these extremes without assuming either is erroneous.

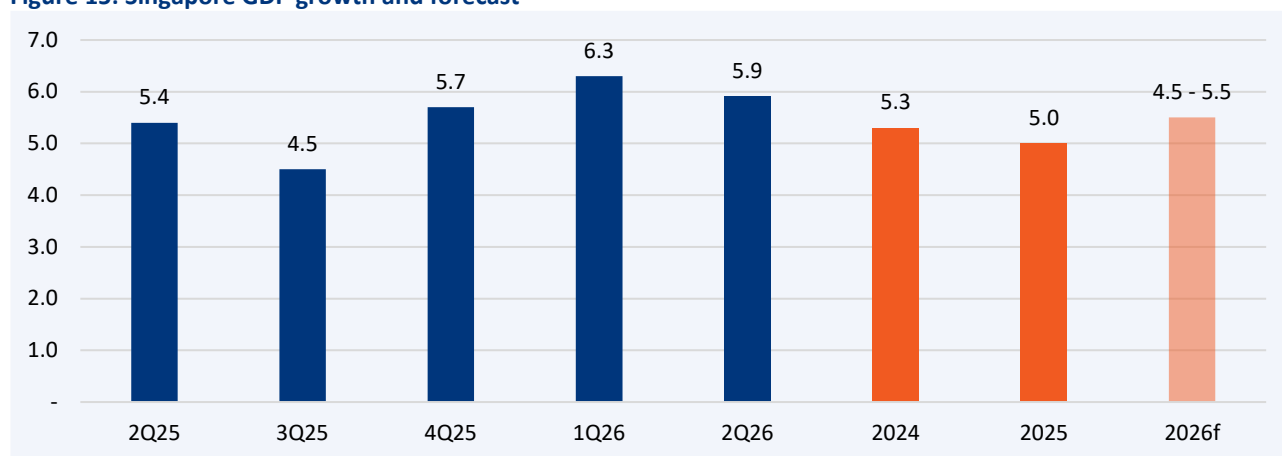
Metrocon's 7.0x selected P/E sits approximately 23% below the regional forward median. That discount is directionally appropriate for a smaller company with a short-listed operating record and concentrated project exposure. It is not a precise measure of undervaluation, because Metrocon's denominator is FY2028E while the peer estimates are generic forward periods. Nor does the screen's 5.8x Metrocon forward P/E reconcile with our 4.9x FY2026E or 4.6x FY2027E at S\$0.20; we therefore use the analyst schedule consistently when discussing Metrocon's prospective returns.

Macroeconomic Outlook

Stronger economic growth provides a supportive operating backdrop

Singapore's macroeconomic outlook has strengthened materially since the earlier initiation reports were published. The Ministry of Trade and Industry upgraded its 2026 GDP growth forecast to 4.5–5.5%, from 2.0–4.0%, after the economy expanded by 5.9% YoY in 2Q26 and 6.1% during 1H26. Growth has been supported by manufacturing, wholesale trade and financial services, alongside firm domestic investment activity. The improved economic environment should support business confidence and the continued implementation of public- and private-sector development programmes, although Metrocon's activity will remain more directly tied to construction awards and site commencement schedules than to headline GDP growth.

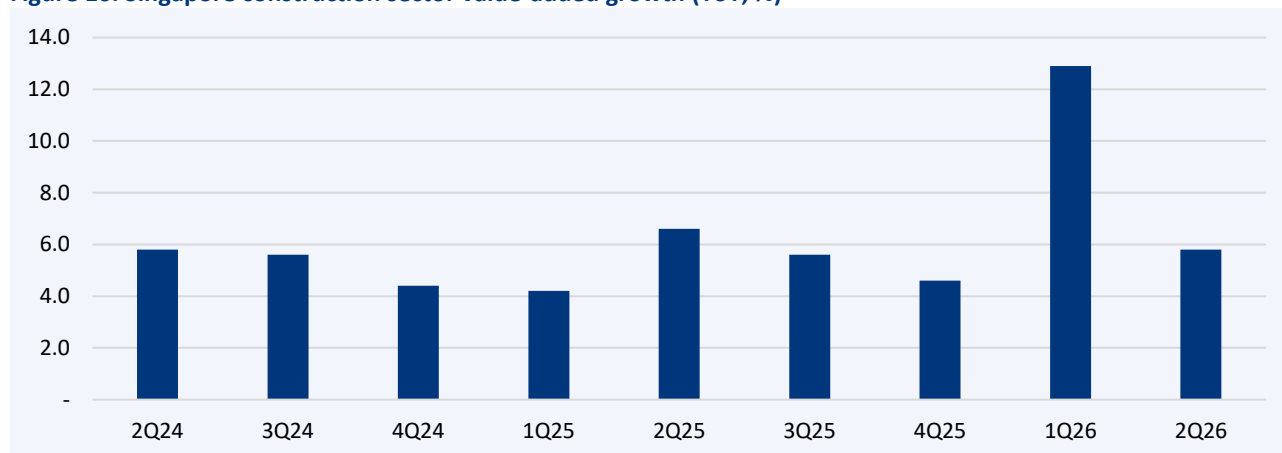
Figure 15: Singapore GDP growth and forecast



Source: MTI Singapore, KGI Research

Construction remained one of Singapore's faster-growing domestic sectors. Construction value-added expanded by 5.8% YoY in 2Q26, following 12.9% growth in 1Q26, with both public- and private-sector construction output increasing during the quarter. Gross fixed capital formation also grew by 8.4% YoY, including a 9.4% increase in private-sector investment and 4.6% growth in public-sector investment. This indicates that the construction cycle remains expansionary even as its pace normalises from the strong start to the year.

Figure 16: Singapore construction sector value-added growth (YoY, %)

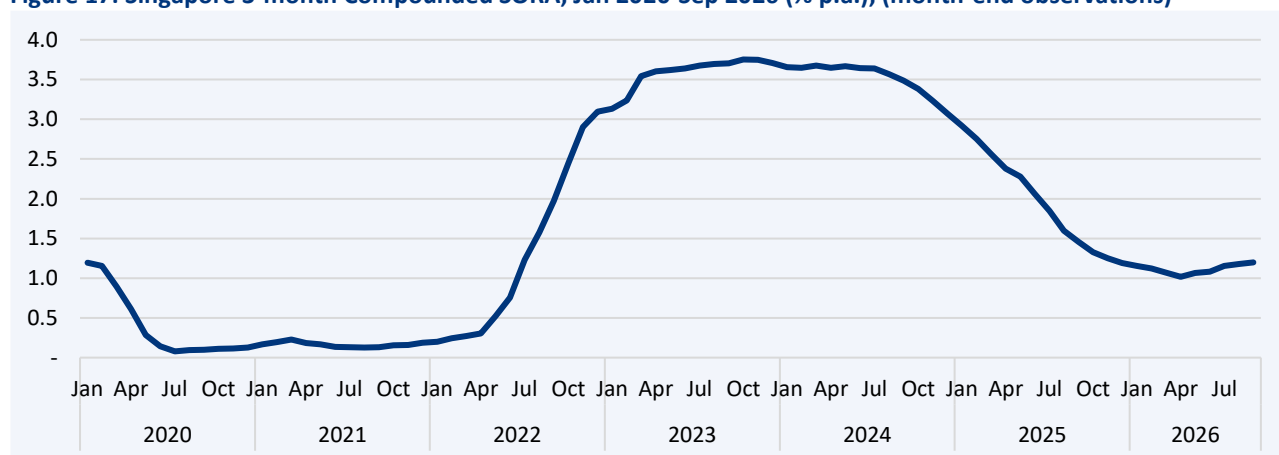


Source: MTI Singapore, KGI Research

Lower SORA supports more favourable financing conditions

Singapore's interest-rate environment has eased materially from the elevated levels seen in early 2025. The 3-month Compounded Singapore Overnight Rate Average ("SORA"), a key reference rate for Singapore-dollar floating-rate loans, stood at approximately 1.20% as of 10 September 2026, compared with around 3.0% at the beginning of 2025. This should lower financing and working-capital costs across the construction value chain, while improving project feasibility and developers' willingness to commence or accelerate new developments. For Metrocon, the immediate direct benefit is limited given that the Group had no bank borrowings as of 31 December 2025. Nevertheless, a more accommodative financing environment could indirectly support tender opportunities and reduce the cost of future credit facilities as the Group expands its operating capacity. We note, however, that Singapore operates an exchange-rate-centred monetary policy framework rather than setting a domestic policy interest rate; consequently, SORA remains sensitive to global interest-rate developments and Singapore-dollar liquidity conditions, and a renewed increase could weigh on private-sector construction demand.

Figure 17: Singapore 3-month Compounded SORA, Jan 2020-Sep 2026 (% p.a.), (month-end observations)



Source: MAS, KGI Research

Construction employment is expanding, but productivity remains a constraint

Construction recorded Singapore's strongest sectoral employment growth in 2Q26, adding approximately 7,100 workers QoQ. Improved manpower availability should support site mobilisation and project execution as the industry's workload rises. However, construction value-added per actual hour worked declined by 0.1% YoY during the quarter, highlighting that higher headcount has yet to translate into clear productivity gains. This reinforces the importance of equipment utilisation, worker training and project coordination for specialist contractors such as Metrocon.

The manpower environment should become more flexible over the medium term. From January 2027, mandatory overseas testing for new construction Work Permit holders from China and Thailand will cease, before the change is extended to all source countries from January 2028. Firms will be able to bring workers into Singapore and complete the relevant skills testing locally. The revised pathway could shorten recruitment lead times, although employers will assume greater responsibility for selection, training and ensuring that workers pass the required tests.

Cost conditions remain manageable but exposed to project-specific volatility

Economy-wide consumer inflation was contained at 1.8% YoY in 2Q26, but construction contractors remain exposed to equipment rental, diesel, logistics, cement, steel and labour costs. The Government's extension of cost-sharing support for higher diesel and bitumen costs on eligible critical public-sector contracts to 30 September 2026 illustrates that sector-specific input pressures remain present. For Metrocon, the practice of having main contractors procure and supply key materials such as concrete and steel reinforcement can partially reduce working-capital requirements and raw-material price exposure. Its expansion into earthworks and soil disposal, however, increases its direct exposure to vehicle utilisation, diesel and transport costs.

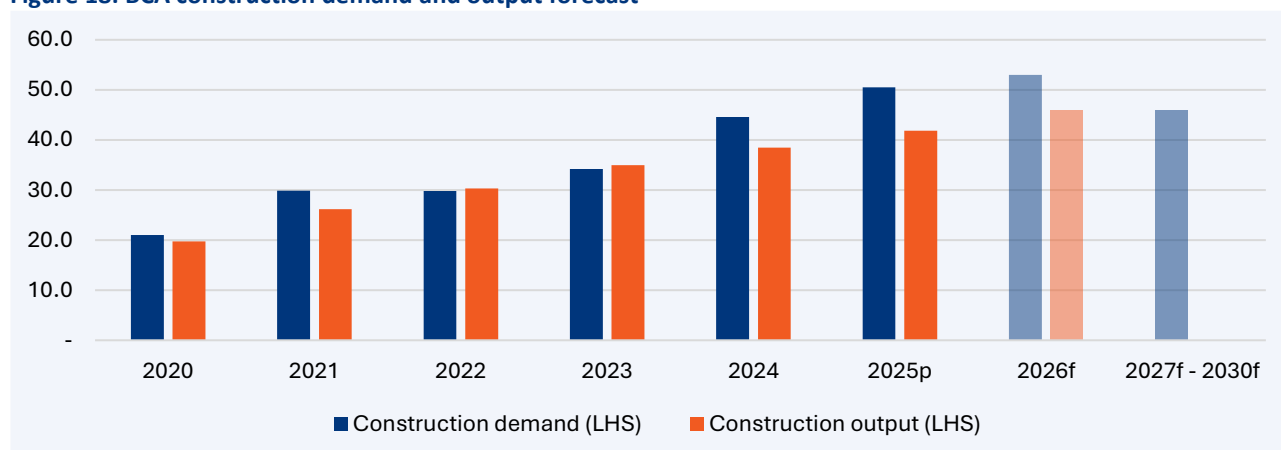
Overall, the macroeconomic backdrop remains supportive for Metrocon's core Singapore market. The principal macro risks are delays to major project awards, renewed construction-cost inflation, foreign-worker availability and changes in private development sentiment.

Industry Outlook

Construction demand should remain elevated through 2026

The Building and Construction Authority expects Singapore construction demand to remain between S\$47bn and S\$53bn in 2026, broadly in line with preliminary actual demand of S\$50.5bn in 2025. Construction output, which measures certified progress payments and therefore relates more directly to contractor billings, is forecast to rise to S\$43-46bn in 2026 from approximately S\$41.7bn in 2025. The midpoint represents growth of around 7%, supported by the high level of contracts awarded since 2023.

Figure 18: BCA construction demand and output forecast



Source: BCA Singapore, Department of Statistics Singapore, KGI Research

The mix of projected demand is favourable for foundation and geotechnical contractors. BCA forecasts S\$11.6-13.4bn of civil-engineering demand, S\$13.5-15.3bn of institutional and other work, and combined public and private residential demand of S\$11.2-12.3bn in 2026. These segments typically require piling, earth-retention, ground-improvement and excavation packages during the early stages of construction. In our view, this gives foundation contractors earlier exposure to the current award cycle than downstream finishing and fit-out contractors.

Public infrastructure and housing provide a multi-year project pipeline

Near-term demand is supported by construction packages for Changi Airport Terminal 5, the Marina Bay Sands expansion, the new Tengah General and Community Hospital, the Downtown Line 2 Extension and the Thomson-East Coast Line Extension. BCA expects annual construction demand to average S\$39-46bn from 2027 to 2030, supported by Changi T5, HDB construction, the redevelopment of National University Hospital at Kent Ridge, several junior colleges and the new SUSS City Campus.

Public housing provides an additional recurring source of foundation work. HDB plans to launch approximately 19,600 BTO flats in 2026 and had 127 housing projects under construction at the beginning of the year, up from 110 a year earlier. This pipeline is particularly relevant to Metrocon given its history of HDB-related work in Tengah, Hougang and Yishun, as well as its latest soil-improvement contract for a 1,976-unit public-housing development.

Civil-engineering, drainage and rail works should also sustain demand for technically complex foundation packages. Metrocon's past work within live canals, MRT and LRT reserve zones, and densely developed residential areas demonstrates experience in the constrained-site conditions commonly encountered in Singapore's infrastructure pipeline.

Technical and regulatory barriers support established specialists

Competition remains fragmented, spanning established local piling companies, regional specialists and the specialist arms of larger contractors. Metrocon identifies BBR Piling, CSC Holdings, Asia Piling and Pintary Foundations among its

competitors. Contract awards depend on price, engineering capabilities, rig availability, method options, safety performance, financial capacity and previous delivery record.

BCA registration creates a meaningful distinction between operators. Metrocon's CR08 L5 registration currently permits direct public-sector tenders of up to S\$16mn, whereas L6 carries an unlimited tendering limit. L6 applicants are also subject to higher financial, track-record and personnel requirements, while CR08 applicants must hold the relevant Specialist Builder licence. An upgrade would therefore expand Metrocon's addressable public-sector market but should be viewed as a substantive capability milestone rather than an automatic administrative progression.

High demand supports opportunities, but tender discipline remains important

The strong industry pipeline does not guarantee higher margins. A crowded tender market, fixed-price contracts, uncertain ground conditions and aggressive competitor pricing can erode project returns. Foundation contractors also face site-handover, design, utility-diversion and soil-condition risks that may delay execution or increase costs.

Metrocon's selective tendering approach, customer-supplied material arrangements and ability to lease additional machinery should help manage these risks. Nevertheless, profitability will depend on appropriate contingencies, project mix, variation recovery and maintaining high utilisation without overcommitting equipment or manpower.

Company Outlook

Order book provides near-term visibility, but conversion depends on execution

Metrocon reported an order book of approximately S\$85.25mn as of 30 June 2026, representing around 1.4 times FY2025 revenue. The figure excludes a S\$0.75mn soil-improvement subcontract secured in August 2026 for a 1,976-unit public-housing development. The new work will use deep cement mixing and is expected to be completed by 2031, demonstrating the Group's expansion beyond conventional bored piling into ground-improvement services.

The order book provides useful multi-period visibility, with the circular indicating that the workload is generally expected to be executed over approximately 24 months. However, it should not be treated as a revenue forecast. Recognition remains dependent on-site progress, provisional-quantity remeasurement, variation orders, certification and the progress of the underlying main contracts.

Revenue growth and margin recovery have strengthened the operating base

Metrocon Pte. Ltd.'s audited revenue increased from S\$23.6mn in FY2023 to S\$36.5mn in FY2024 and S\$61.1mn in FY2025, representing cumulative growth of approximately 159%. Gross margin improved from a negative 13.8% in FY2023 to 6.7% in FY2024 and 11.4% in FY2025, while PAT recovered from a S\$5.8mn loss to profits of S\$0.5mn and S\$4.2mn, respectively.

The latest unaudited subsidiary update remains constructive. Metrocon Pte. Ltd. recorded 1H26 revenue of S\$24.4mn, gross profit of S\$4.7mn and PAT of S\$2.1mn. Gross margin improved to 19.4%, while net margin reached 8.6%. Excluding approximately S\$1.0mn of listing expenses, adjusted PAT was S\$3.1mn and adjusted net margin was 12.7%.

The improvement should be assessed against full-year project mix rather than mechanically annualised. Metrocon Pte. Ltd. was acquired only on 31 July 2026, meaning its 1H26 results were not consolidated into the listed Group. FY2026 Group results will also contain reverse-acquisition and other legacy-company accounting items that reduce comparability with the underlying operating subsidiary.

Broader ground-engineering capabilities increase addressable opportunities

Metrocon has expanded from bored and micro-piling into contiguous and secant pile walls, jet and fissure grouting, deep soil mixing, earthworks and soil removal. This allows the Group to tender for a larger portion of the groundworks package and may improve coordination across critical early-stage construction activities.

Selected major projects disclosed in the circular include:

Project	Scope	Contract-value range	Status
Siglap Canal improvement and enhancement	Bored piling and ground improvement	S\$20-25mn	Ongoing since December 2023
Hillview Avenue	Bored piling	S\$20-25mn	Completed June 2021
HDB Hougang Neighbourhood 1	Bored piling and contiguous pile wall	S\$15-20mn	Completed December 2024
HDB Yishun Neighbourhood 4	Bored piling	S\$15-20mn	Completed November 2019
HDB Tengah Park	Bored piling	S\$10-15mn	Completed April 2022
Jurong Pioneer Junior College	Bored piling	S\$5-10mn	Completed January 2026
Project CE	Bored piling and earthworks	S\$5-10mn	Ongoing since February 2026
Kranji Primary School	Bored piling and earthworks	S\$5-10mn	Ongoing since February 2026

The Group also disclosed completed works within the Anchorvale LRT reserve, Cuscaden Road and Park House MRT tunnel reserve zones, a live canal between Bukit Timah and Dunearn Road, and constrained sites in Kallang and Balestier. Ongoing technically demanding work includes bored piling and jet grouting within the Siglap live canal, piling within the Bayshore MRT tunnel reserve zone and piling adjacent to existing landed housing in Hougang.

This track record is relevant because restricted-access sites, variable soil conditions and work near operational infrastructure place greater weight on methodology, monitoring, safety and delivery reliability.

Asset-light scaling supports flexibility but creates reliance on leased capacity

Metrocon maintains six piling rigs, one micro-pile rig, three pile breakers and one prime mover, and owns six tipper trucks to support its earthworks and soil-disposal operations. Additional rigs, vehicles and support equipment are leased when required. This reduces upfront capital expenditure and allows capacity to be aligned with project demand.

The model also benefits from customers bulk-purchasing and supplying concrete and reinforcement steel, reducing inventory requirements and exposure to raw-material price volatility. Conversely, the Group remains dependent on access to leased machinery and must ensure that rental commitments are supported by sufficient utilisation. Expansion into tipper-truck operations also introduces additional maintenance, driver and fuel-cost exposure.

Compliance-placement proceeds support the next phase of expansion

Metrocon's 23.0mn-share compliance placement at S\$0.20 per share raised S\$4.6mn of gross proceeds and approximately S\$3.0mn of intended net proceeds. The disclosed allocation comprises S\$1.5mn for manpower, S\$1.2mn for business-expansion opportunities, including fleet and equipment rentals, and S\$0.3mn for administrative and compliance expenses associated with the CR08 L6 upgrade.

The placement provides working-capital and execution headroom while restoring the public float required for trading. The placement shares are expected to be listed on 15 September 2026, alongside the scheduled resumption of trading following completion of the reverse takeover.

L6 registration is the clearest medium-term capacity catalyst

An upgrade from CR08 L5 to L6 would allow Metrocon to tender directly for public-sector projects without a contract-value ceiling. This could expand the Group's role from specialist subcontractor on large projects to direct participant in larger foundation packages, improving its addressable market and potentially reducing reliance on related-party project referrals.

However, the application had not commenced as at the circular's latest practicable date. Investors should monitor the timing of submission and approval, compliance with the higher financial and personnel requirements, and whether the Group has sufficient management, equipment and working capital to execute larger packages without weakening project returns.

Working capital and customer concentration require close monitoring

Contract assets rose from S\$5.0mn in FY2023 to S\$8.2mn in FY2024 and S\$16.4mn in FY2025 as Metrocon's project volume expanded. This compared with cash of only S\$0.3mn at end-FY2025. Although approximately S\$7.3mn of the contract assets had subsequently been billed, FY2025 operating cash flow of S\$1.3mn remained well below PAT of S\$4.2mn. Certification, billing and collection will therefore be central to the quality of earnings as the order book converts.

Customer concentration is another material consideration. Related party LBD Engineering accounted for 64.1% of FY2025 revenue and 26.6% of purchases. The relationship provides project flow, machinery and material access, but also creates counterparty and interested-person-transaction exposure. Growth in direct third-party customers would improve the independence and diversification of Metrocon's earnings base.

Key Risks

Operational risks

Metrocon's projects are exposed to unforeseen ground conditions, design changes and site delays that could increase costs, defer revenue recognition and expose the Group to liquidated damages. Project profitability also depends on the accuracy of estimated costs to completion. Upward revisions to these estimates or remedial works could reduce recognised margins and create earnings volatility.

Market and macroeconomic risks

Weaker economic conditions, higher financing costs or changes in public-sector development priorities could delay project commencements and contract awards. Competitive tendering may also encourage Metrocon to submit more aggressive bids to replenish its order book. While this could support revenue visibility and resource utilisation, it may compress margins if insufficient contingencies are included for execution and cost risks.

Input-cost and resource risks

Metrocon is exposed to fluctuations in material, equipment rental, fuel, labour and subcontracting costs. Where additional costs cannot be fully recovered from customers, increases beyond the Group's original estimates could directly erode project margins. Shortages of skilled workers, machinery or reliable subcontractors could also constrain execution capacity, delay project completion and raise operating costs.

Customer and related-party risks

LBD Engineering accounted for 64.12% of Metrocon's FY2025 revenue and also supplies operating resources used by the Group. This creates significant dependence across project awards, collections and project execution. A reduction in contracts, payment delays or changes to the availability of supplied resources could materially affect Metrocon's performance, while effective oversight is required to manage potential conflicts of interest and protect minority shareholders.

Working-capital and credit risks

Metrocon's cash collection depends on the timely certification of completed works, approval of variation orders, release of retention sums and customer payments. Delays or disputes could weaken cash conversion and increase funding requirements even where revenue has already been recognised. Contract assets of S\$16.39mn as at end-FY2025 highlight this exposure, while customer financial distress could result in impairments or bad debts.

Regulatory, safety and environmental risks

Workplace accidents or environmental breaches could result in penalties, work stoppages, third-party claims and reputational damage. Changes in manpower policies or contractor-registration requirements could also raise operating costs or constrain execution capacity. Delays in obtaining the targeted L6 registration could defer Metrocon's ability to pursue larger direct-tender opportunities.

Expansion and earnings-normalisation risks

Metrocon's planned investments in additional equipment, staffing and new services could increase costs before generating sufficient incremental revenue. If new contracts are not secured at the expected pace, weaker utilisation of machinery and manpower could dilute margins and reduce investment returns. Higher recurring listed-company expenses and a normalised tax burden could also moderate earnings growth relative to FY2025.

Financial Summary

INCOME STATEMENT (\$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	36,471	61,072	71,600	74,625	74,375
Cost of sales	(34,015)	(54,108)	(60,144)	(62,312)	(62,304)
Gross profit	2,456	6,964	11,456	12,313	12,071
Administrative and other expenses	(3,155)	(3,160)	(3,452)	(3,818)	(4,099)
EBITDA	2,766	6,364	9,875	10,600	10,229
Depreciation & amortisation	(2,148)	(2,087)	(1,514)	(1,732)	(1,885)
Operating profit (EBIT)	618	4,276	8,362	8,868	8,344
Net finance income / (cost)	(70)	(50)	(11)	(16)	(21)
Other gains / (losses)	-	-	-	-	-
Profit before tax	547	4,226	8,351	8,852	8,323
Tax expense	-	(29)	(1,086)	(1,239)	(1,248)
Minority interests	-	-	-	-	-
Net profit (PATMI)	547	4,197	7,265	7,613	7,075
adj. EPS (\$ cents)	0.31	2.37	4.11	4.30	4.00
DPS (\$ cents)	-	-	0.71	1.23	1.29

CASH FLOW STATEMENT (\$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Net Income	547	4,197	7,265	7,613	7,075
Depreciation & amortisation	2,148	2,087	1,514	1,732	1,885
Working capital changes	(1,167)	(4,700)	1,373	(279)	66
Tax paid	-	-	-	-	-
Other operating items	(122)	(246)	11	16	21
Operating cash flow	1,406	1,339	10,163	9,082	9,047
Capex	(515)	(841)	(1,790)	(1,866)	(1,859)
Proceeds from disposal of PP&E	1,519	-	-	-	-
Other investing items	0	0	-	-	-
Investing cash flow	1,004	(841)	(1,790)	(1,866)	(1,859)
Interest Paid	(70)	(50)	(11)	(16)	(21)
Dividends paid	-	-	(1,259)	(2,180)	(2,284)
Repayment of lease principal	(589)	(166)	(150)	(150)	(150)
Other financing items	(1,301)	(603)	3,000	0	0
Financing cash flow	(1,961)	(819)	1,580	(2,346)	(2,455)
Net change in cash	449	(321)	9,953	4,870	4,732
Beginning cash	179	629	308	11,269	16,140
Ending cash	629	308	11,269*	16,140	20,872

FY26 Pro Forma Basis*

BALANCE SHEET (\$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Trade Receivables	1,833	1,144	2,354	2,453	2,445
Other receivables and prepayments	3,958	183	358	373	372
Contract Assets	8,188	16,395	17,900	18,656	18,594
Bank Balances and Cash	629	308	11,269	16,140	20,872
Current assets	14,608	18,030	31,881	37,622	42,283
Property, plant & equipment	5,390	4,475	3,863	4,247	4,472
Deferred tax assets	29	-	-	-	-
Other non-current assets	0	-	-	-	-
Non-current assets	5,418	4,475	3,863	4,247	4,472
Total assets	20,026	22,505	35,744	41,869	46,754
Trade payables	5,281	5,565	8,239	8,536	8,535
Other payables and accrued expenses	5,325	6,347	6,917	7,166	7,165
Contract Liabilities	2,488	225	1,074	1,119	1,116
Other current liabilities	1,081	195	83	109	134
Current liabilities	14,174	12,332	16,313	16,930	16,949
Non-current lease liabilities	646	770	242	317	392
Other non-current liabilities	-	-	-	-	-
Non-current liabilities	646	770	242	317	392
Total liabilities	14,820	13,101	16,554	17,246	17,340
Share capital	500	18,000	475,289	475,289	475,289
Reserves and share application money	4,706	(8,596)	(456,099)	(450,666)	(445,875)
Total equity	5,206	9,404	19,190	24,623	29,414

KEY RATIOS & VALUATION	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue growth (%)	54.7%	67.5%	17.2%	4.2%	(0.3%)
Gross margin (%)	6.7%	11.4%	16.0%	16.5%	16.2%
EBITDA margin (%)	7.6%	10.4%	13.8%	14.2%	13.8%
Net profit margin (%)	1.5%	6.9%	10.1%	10.2%	9.5%
ROE (%)	10.5%	44.6%	37.9%	30.9%	24.1%
ROA (%)	2.7%	18.7%	20.3%	18.2%	15.1%
Net debt / equity (x)	0.5x	0.1x	(0.5x)	(0.6x)	(0.7x)
Net debt / EBITDA (x)	0.9x	0.1x	(1.0x)	(1.4x)	(1.9x)
Dividend payout (%)	-	-	17.3%	28.6%	32.3%
P/E (x)	64.6x	8.4x	4.9x	4.6x	5.0x
EV/EBITDA (x)	20.6x	8.9x	5.8x	5.4x	5.6x
P/NAV (x)	6.8x	3.8x	1.8x	1.4x	1.2x
Dividend yield (%)	-	-	3.6%	6.2%	6.5%

Source: Company, KGI Research estimates

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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.
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