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Skylink Holdings Limited

(SCG SP / XZB.SI)

Strong post-RTO performance; integrated ecosystem scaling

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Investment Highlights

- **FY26 results review.** Skylink posted strong inaugural post-RTO results, with revenue rising 34.1% YoY to S$35.36m, gross profit up 45.9% YoY to S$9.91m and gross profit margin improving 2.3ppt to 28.0%. Excluding the non-recurring non-cash RTO accounting effect and one-off RTO listing expenses, underlying operating profit before tax and net profit increased 64.3% and 61.7% YoY to S$4.70m and S$4.43m, respectively. Operating cash flow remained healthy at S$11.97m.
- **Commercial vehicle leasing remained the core growth engine.** Leasing revenue increased 37.8% YoY to S$26.05m, supported by a larger fleet, higher utilisation and stronger long-term contract mix. Fleet size rose to 1,366 vehicles, while total active contracts increased to 1,264, with 1,151 contracts of one year and above. The segment's gross margin improved to 17.9%, despite higher COE-driven depreciation.
- **COE and EV transition support FY27 leasing growth.** Elevated COE prices raise fleet acquisition costs and depreciation but also make outright vehicle ownership more expensive for SMEs, improving the relative appeal of leasing. With around 21% of commercial vehicles reaching the 10-year lifecycle and management planning to add around 100 vehicles over the next year, of which around 90% are expected to be EVs.
- **Credit business prioritises higher-yield loan-book growth.** Credit revenue dipped 4.5% YoY to S$3.60m due to higher hirer settlements and Rule-of-78 interest recognition, but the loan book stayed healthy at S$66.24m. Management continues to focus on discount-loan-book growth, with new 2HFY26 originations carrying higher yields, stable funding costs and less than 0.5% general bad-debt provision recognised in 2HFY26.
- **Engineering segment becoming a stronger profit lever.** Engineering revenue rose 54.3% YoY to S$5.71m, while gross margin expanded to 56.5%. Growth was supported by maiden service contracts from SBS Transit and F&N Foods, the Chuang Li Partners bodywork-customisation acquisition, and a new Jurong Port Road facility that will almost double specialist workshop area to 33,300 sq ft.

Valuation & Action.

We maintain our **OUTPERFORM** rating on Skylink Holdings Ltd with an unchanged 12-month target price of **S$0.58**, based on our DCF-derived equity valuation with a 13.5% WACC and a 2% terminal growth rate.

Risks.

Key downside risks include (i) weaker SME demand or delayed vehicle replacement cycles; (ii) asset-quality deterioration in the credit book; (iii) higher COE prices, depreciation and residual-value pressure; (iv) execution risk in EV fleet expansion and workshop ramp-up; (v) higher staff and compliance costs after listing; and (vi) leverage and funding-cost risk given the asset-backed growth model.

OUTPERFORM

Last close (S$)	0.22
12M Target Price (S$)	0.58
Previous TP (S$)	0.58
Previous Recommendation	OP
Upside / (Downside) (%)	170.65
TRADING DATA	
Market Cap (S$mn)	46.11
Issued Shares (mn)	214.46
3M Avg Daily Vol (mn)	0.75
3M Avg Daily Val (S$mn)	0.19
Free Float (%)	33.03
MAJOR SHAREHOLDERS (%)	
Regal Partners RE Lt	54.19
Teh Wing Kwan	12.48
Oversea-Chinese Bank	0.44

Financials & Key Operating Statistics

YE Mar (S$'mn)	2025	2026	2027F	2028F	2029F
Revenue	26.4	35.4	49.3	52.7	79.0
PATMI	2.7	4.4	6.7	7.1	10.0
EPS (S$ cents)	52.61	2.13	2.98	3.17	4.47
EPS growth (%)	34.6%	(96.0%)	40.1%	6.5%	40.8%
DPS (S$ cents)	-	1.00	0.59	0.89	0.95
Div Yield (%)	-	4.7%	2.8%	4.2%	4.4%
Net Profit Margin (%)	10.4%	12.5%	13.6%	13.6%	12.7%
Net Gearing (%)	1284.1%	509.5%	540.4%	366.1%	454.7%
P/E (x)	0.5x	12.0x	8.6x	8.0x	5.7x
P/B (x)	0.2x	2.6x	2.2x	1.8x	1.4x

Source: Company data, KGI Research estimates

Business Updates

FY26 post-RTO performance shows scalability of integrated platform

Skylink's FY26 update showed strong execution following the successful RTO of Sincap Group in September 2025. Revenue increased 34.1% YoY to S$35.36m, driven mainly by Commercial Vehicle Leasing and Engineering, while gross profit increased faster at 45.9% YoY to S$9.91m as the gross margin improved to 28.0%. Excluding the non-recurring non-cash RTO accounting effect and one-off listing expenses, underlying operating profit before tax increased 64.3% YoY to S$4.70m, and net profit increased 61.7% YoY to S$4.43m. The Company also generated net operating cash flow of S$11.97m, supporting the view that the business model is cash-generative despite its asset-backed balance-sheet expansion.

The core Commercial Vehicle Leasing segment remains the primary recurring-revenue engine. Segment revenue rose 37.8% YoY to S$26.05m, supported by larger fleet size, active contract growth and a stronger long-term contract base. The fleet expanded from 1,231 vehicles in FY25 to 1,366 in FY26, while active contracts increased from 1,060 to 1,264; contracts of one year and above rose to 1,151, which improves earnings visibility. Under Skylink's leasing arrangements, lessees are responsible for vehicle operating expenses such as fuel costs, reducing direct exposure to fuel-price volatility.

The Credit segment reported a modest 4.5% YoY revenue decline to S$3.60m, mainly due to early settlements by hirers and the front-loaded nature of hire-purchase interest recognition under the Rule of 78. However, the loan book remained healthy at S$66.24m as at 31 March 2026. Management continues to prioritise loan-book growth, particularly higher-yield new originations in 2H26, while funding costs remained largely stable. This segment is strategically important because it supports customer retention and allows Skylink to monetise vehicle demand even when customers prefer ownership over leasing.

Engineering is emerging as a larger margin and ecosystem lever. Segment revenue rose 54.3% YoY to S$5.71m, supported by higher MRO and body-customisation volumes, maiden service contracts from SBS Transit and F&N Foods, and capacity expansion. The new Jurong Port Road lease, with a built-up area of 15,000 sq ft, will almost double specialist workshop areas to 33,300 sq ft and expand capability in commercial and heavy-duty vehicles, body fabrication and spray-painting works. The acquisition of Chuang Li Partners further adds bodywork customisation expertise, talent and customer relationships.

Outlook

COE cycle supports leasing demand, but capex discipline remains key

Elevated COE prices should remain a mixed but broadly supportive factor for Skylink in FY27. On the cost side, higher COE prices increase the acquisition cost of commercial vehicles and raise depreciation expenses for the Group's leasing fleet, as already reflected in FY26. Despite this pressure, Skylink still delivered FY26 gross profit growth and margin expansion, suggesting that stronger utilisation, disciplined pricing and segment mix can help offset higher fleet costs.

On the demand side, high COE prices make outright vehicle ownership more expensive for SMEs, increasing the relative attractiveness of leasing as a lower-upfront-cost and flexible mobility solution. Management noted that around 21% of commercial vehicles are reaching the 10-year lifecycle, creating replacement decisions for SMEs, while Skylink plans to add around 100 vehicles over the next year, with about 90% expected to be EVs.

Loan-book growth remains a key capital-allocation priority

Loan-book growth is expected to remain a management priority. The Credit business has demonstrated the ability to scale through asset-backed block discounting facilities, and the Company's deck indicates that S$100,000 of equity capital can support a S$1.0m loan book using 90% loan-to-value block facilities. While this leverage model raises balance-sheet intensity, it can also produce attractive returns if asset quality remains stable and funding access remains available. The Company indicated less than 0.5% general bad-debt provision in 2H26, supported by a high-quality asset portfolio.

Engineering capacity should lift margins and cross-sell opportunities

Engineering should increasingly support Group margins and customer stickiness. The segment provides internal fleet servicing, third-party MRO and commercial-vehicle customisation, which allows the Group to capture more value across the vehicle lifecycle. The expansion to 33,300 sq ft of specialist workshop area and the Chuang Li Partners acquisition should broaden the service scope, particularly in bodywork customisation and heavy-vehicle maintenance, where management highlighted higher maintenance margins. Admin expenses rose sharply in FY26 due to higher headcount, including 35 additional hires, but the briefing suggests the pace of increase is unlikely to repeat in FY27.

Valuation

We maintain our **OUTPERFORM** rating on Skylink Holdings with an unchanged 12-month target price of **S$0.58**, based on our DCF valuation. We apply a 13.5% WACC and 2.0% terminal growth rate, which we view as appropriate given the recurring-revenue profile of Skylink's commercial vehicle leasing segment, tempered by the higher leverage embedded in its block-discounting credit structure. The DCF yields an enterprise value of ~S$251.6m; deducting net debt of ~S$120.8m gives an equity value of ~S$130.8m, or S$0.58 per diluted share on 224.8m shares. At the current price of S$0.215, our target implies upside of approximately 170.6%. Key re-rating catalysts include faster-than-expected loan-book scaling with stable asset quality, demonstrable fleet cost reduction as the EV mix rises, and further institutional MRO contract wins that validate the Engineering segment's high-margin growth trajectory.

Figure 1: DCF Valuation Model

DCF Valuation	Projected			
All Amounts Denominated in SGD'000 unless otherwise stated				
Year ended 31 Mar	**2027**	**2028**	**2029**	**2030**
EBIT	7,298	7,799	11,748	13,510
Tax Rate	13.6%	13.6%	13.6%	13.6%
EBIT (1-T)	**6,305**	**6,738**	**10,150**	**11,673**
(+) D&A	11,363	17,338	14,738	14,851
(-) Change in NWC	12,365	15	118	15,114
(-) Capex	(5,120)	-	(13,650)	(13,650)
Free Cash Flow	**24,913**	**24,092**	**11,356**	**27,988**
Free Cash Flow to Firm	24,913	24,092	11,356	27,988
Terminal Value				248,239
Total FCFF to be Discounted	**24,913**	**24,092**	**11,356**	**276,227**
PV of Free Cash Flow	**25,712**	**21,907**	**9,095**	**194,912**
Enterprise Value	**251,626**			
(-) Debt	(131,519)			
(+) Cash	10,729			
Equity Value	**130,837**			
Diluted Shares Outstanding ('000)	224,846			
Fair Value / Share (SGD)*	**0.582**			
Current Share Price	0.215			
Upside / (Downside)	**170.6%**			

** Assuming full dilution from the issuance of S$5mn convertible bonds and 224,126 additional placement shares*

Source: KGI Research

Financial Summary

INCOME STATEMENT (S$'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue	26,373	35,362	49,326	52,660	78,985
Cost of sales	(9,428)	(11,207)	(22,673)	(18,997)	(39,762)
Gross profit	**16,945**	**24,155**	**26,654**	**33,663**	**39,223**
Selling & distribution	-	-	-	-	-
Administrative expenses	(4,144)	(7,680)	(7,892)	(8,426)	(12,638)
Other operating expenses	214	(47)	(101)	(100)	(100)
EBITDA	**13,015**	**16,428**	**18,661**	**25,137**	**26,485**
Depreciation & amortisation	(10,156)	(14,242)	(11,363)	(17,338)	(14,738)
Operating profit (EBIT)	**2,859**	**2,186**	**7,298**	**7,799**	**11,748**
Net finance income / (cost)	(335)	(393)	(541)	(540)	(520)
Other gains / (losses)	336	2,907	999	1,000	400
Profit before tax	**2,860**	**4,700**	**7,756**	**8,259**	**11,628**
Tax expense	(119)	(267)	(1,055)	(1,123)	(1,581)
Minority interests	-	-	-	-	-
Net profit (PATMI)	**2,741**	**4,433**	**6,701**	**7,136**	**10,046**
EPS (S$ cents)	52.61	2.13	2.98	3.17	4.47
DPS (S$ cents)	-	1.00	0.59	0.89	0.95

CASH FLOW STATEMENT (S$'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Profit before tax	2,860	(7,063)	7,756	8,259	11,628
Depreciation & amortisation	10,156	14,242	11,363	17,338	14,738
Working capital changes	3,340	(8,298)	12,365	15	118
Tax paid	(228)	(231)	(1,055)	(1,123)	(1,581)
Other operating items	(121)	13,317	(2,257)	0	-
Operating cash flow	**16,007**	**11,967**	**28,171**	**24,489**	**24,902**
Capex	(1,970)	(7,010)	(5,120)	-	(13,650)
Acquisitions / disposals	2,259	9,632	-	-	-
Other investing items	665	5	-	-	-
Investing cash flow	**954**	**2,627**	**(5,120)**	**-**	**(13,650)**
Net debt drawdown / (repayment)	(16,016)	(26,394)	(17,735)	(32,056)	(9,922)
Dividends paid	-	-	(1,330)	(2,010)	(2,141)
Equity issuance / (buyback)	10	15,020	-	-	-
Other financing items	-	-	-	-	-
Financing cash flow	**(16,006)**	**(11,374)**	**(19,065)**	**(34,066)**	**(12,062)**
Net change in cash	**955**	**3,220**	**3,986**	**(9,577)**	**(810)**
Beginning cash	**2,568**	**3,523**	**6,743**	**10,729**	**1,152**
Ending cash	**3,523**	**6,743**	**10,729**	**1,152**	**342**

BALANCE SHEET (S$'000)	FY25A	FY26A	FY27E	FY28E	FY29E
Market Cap (S$mn)	3,523	6,743	10,729	1,152	342
Issued Shares (mn)	14,139	20,064	19,182	20,479	30,716
3M Avg Daily Vol (mn)	305	758	497	515	654
3M Avg Daily Val (S$mn)	90	-	-	-	-
Current assets	**18,057**	**27,565**	**30,409**	**22,146**	**31,713**
Property, plant & equipment	68,807	75,751	115,588	98,250	148,513
Intangibles & goodwill	-	1,750	1,750	1,750	1,750
Other non-current assets	24,192	24,739	37,551	39,958	58,971
Non-current assets	**92,999**	**102,240**	**154,889**	**139,958**	**209,233**
Total assets	**111,056**	**129,805**	**185,298**	**162,104**	**240,946**
Trade payables	12,553	9,584	21,447	22,896	34,342
Short-term borrowings	28,156	32,061	42,769	33,243	52,280
Other current liabilities	1,028	1,227	1,227	1,227	1,227
Current liabilities	**41,737**	**42,872**	**65,443**	**57,366**	**87,849**
Long-term borrowings	60,924	61,199	88,750	68,507	108,960
Other non-current liabilities	1,732	8,753	8,753	8,753	8,753
Non-current liabilities	**62,656**	**69,952**	**97,503**	**77,260**	**117,713**
Total liabilities	**104,393**	**112,824**	**162,945**	**134,626**	**205,562**
Shareholders' equity	6,663	16,764	22,135	27,261	35,166
Minority interests	-	217	217	217	217
Total equity	**6,663**	**16,981**	**22,352**	**27,478**	**35,383**

KEY RATIOS & VALUATION	FY25A	FY26A	FY27E	FY28E	FY29E
Revenue growth (%)	75.7%	34.1%	39.5%	6.8%	50.0%
Gross margin (%)	64.3%	68.3%	54.0%	63.9%	49.7%
EBITDA margin (%)	49.3%	46.5%	37.8%	47.7%	33.5%
Net profit margin (%)	10.4%	12.5%	13.6%	13.6%	12.7%
ROE (%)	41.1%	26.1%	30.0%	26.0%	28.4%
ROA (%)	2.5%	3.4%	3.6%	4.4%	4.2%
Net debt / equity (x)	12.8x	5.1x	5.4x	3.7x	4.5x
Net debt / EBITDA (x)	6.6x	5.3x	6.5x	4.0x	6.1x
Dividend payout (%)	-	47.0%	19.8%	28.2%	21.3%
P/E (x)	0.5x	12.0x	8.6x	8.0x	5.7x
EV/EBITDA (x)	6.7x	8.2x	9.5x	6.3x	8.2x
P/NAV (x)	0.2x	2.6x	2.2x	1.8x	1.4x
Dividend yield (%)	-	4.7%	2.8%	4.2%	4.4%

Source: Company, KGI Research estimates

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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.
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