



Ever Glory United Holdings Ltd.

(EGUH SP / ZKX.SI)

Capitalising on Singapore's construction landscape

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- **Strong revenue growth, margin pressure.** Ever Glory experienced significant growth in 1H24, with revenue rising 20.9% YoY due to an increased number of ongoing M&E engineering projects. However, gross profit decreased by 18.6% YoY as higher-margin projects were completed in FY2023. To mitigate inflationary pressures, the company is closely monitoring project costs and exploring diversification into property development.
- **Strong order book.** Ever Glory has ongoing M&E projects including Lentor Modern, iQuest and Heart of Yew Tee, all scheduled for completion after 2H25. These projects demonstrate the company's strong orderbook and involvement in high-profile developments.
- **Public housing demand surge.** Singapore's post-pandemic public housing boom continues, with the government launching 19,600 Build-To-Order (BTO) flats in 2025 and targeting 100,000 units by 2027. This surge in public housing projects is a key growth driver for Ever Glory's M&E services.
- **Favorable market outlook.** Singapore's construction sector is projected to expand further, with total construction demand forecasted between S\$47bn and S\$53bn in 2025, up from an estimated S\$44.2bn in 2024. This growth is fueled by public infrastructure projects, public housing developments and private sector initiatives. Over the medium term (2026-2029), annual construction demand is expected to range between S\$39bn and S\$46bn, ensuring long-term tailwinds for Ever Glory's business.
- **Interim dividend.** An interim dividend of S\$0.005 per ordinary share was distributed on 11 November 2024.

Financials & Key Operating Statistics				
YE Dec (\$'000')	2020	2021	2022	2023
Revenue	16,459	18,772	27,980	47,478
Gross profit	1,204	805	2,890	10,954
PAT	918	605	1,767	6,831
EPS (cents)	-	-	1.35	4.35
EPS growth (%)	-	-	-	222%
DPU (Cents)	-	-	-	2.5
Div Yield (Y%)	-	-	-	6.4%
Net Profit Margin (%)	5.6%	3.2%	6.3%	14.4%
Net Gearing (%)	-	-	23.1%	22.2%

Source: Company data, KGI Research

Company Background. Ever Glory United Holdings Limited (Ever Glory) is a Singapore-based company specializing in mechanical and electrical (M&E) engineering services, catering to both public and private sector projects. The Group offers a comprehensive suite of services for various building types, including HDB flats, private residences, schools, mixed-use properties, commercial buildings, and industrial facilities. Its core construction segment, which focuses on M&E engineering services, contributes over 95% of revenue, while its nascent property development segment accounts for less than 5%. This diversification reflects Ever Glory's strategic

approach to expanding its business portfolio and enhancing long-term growth prospects.

1H24 financial results. Ever Glory reported a 20.9% YoY revenue growth to S\$32.11mn in 1H24, up from S\$26.56mn in 1H23, driven by an increase in ongoing M&E projects. However, gross profit declined by 18.6% YoY from S\$8.25mn in 1H23 to S\$6.71mn in 1H24, primarily due to the completion of higher-margin projects in FY23 and inflationary pressures impacting profitability. To address these challenges, the management is actively monitoring project costs and pursuing new tenders to expand its order book, ensuring sustainable revenue growth.

Figure 1: Key financial highlights

(\$'000)	1H23	1H24	YoY Change
Revenue	26,560	32,108	20.9%
Gross profit	8,249	6,711	(18.6%)
GPM	31.1%	20.9%	
PAT	5,485	5,724	4.4%
NPM	20.7%	17.8%	

Source: Company, KGI research

Strategic initiatives. Ever Glory is strategically diversifying its revenue streams by venturing into property development. Its joint development project, a 20-unit residential flat development, is scheduled for completion by the end of 2028. The Group is also exploring additional opportunities in property development and potential acquisitions.

In line with its growth strategy, Ever Glory acquired Fire-Guard Engineering Pte Ltd, a specialist fire protection subcontractor, for S\$5.6mn. This acquisition complements the Group's existing M&E engineering services, enabling it to offer a more comprehensive suite of solutions. The integration of Fire-Guard's expertise is expected to enhance cost efficiency, expand its network, and position Ever Glory for larger projects. The financial impact of this acquisition has been reflected in the 1H24 results.

Sustainability driven growth. As the backlog of pandemic-delayed projects normalises, demand in Singapore's construction sector is expected to be sustained by regulatory changes and sustainability initiatives. The introduction of the Mandatory Energy Improvement (MEI) regime under the amended Building Control Act, effective from 3Q25, will require energy audits and efficiency improvements for highly energy intensive buildings. This aligns with Singapore's goal to green 80% of buildings by 2030 under the Singapore Green Building Masterplan. Additionally, the rising carbon tax, set to

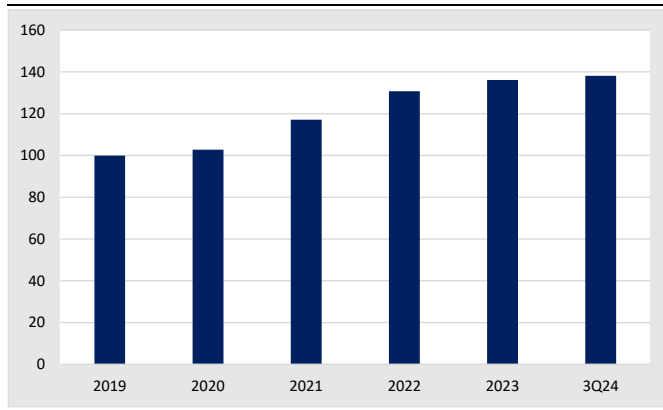
increase to 45-80 per tonne by 2030, further incentivises building owners to adopt energy-efficient measures. Ever Glory is well-positioned to capitalise on these trends, leveraging its expertise in M&E engineering to provide sustainable construction solutions and energy efficiency retrofits.

Regulatory transformation and CoreNet X Implementation.

Singapore’s construction industry is undergoing a digital transformation to boost productivity and streamline regulatory approvals. The CoreNet X platform, which will be mandatory for large projects (≥30,000 sqm) from October 2025 and for all projects by October 2026, aims to reduce approval timelines by 20%. This will benefit M&E service providers like Ever Glory, allowing for faster project execution and improved operational efficiency. Additionally, government grants supporting CoreNet X adoption could help smaller firms offset software and training costs, creating a smoother transition for industry stakeholders.

Navigating inflationary challenges. Inflation remains a key challenge for Ever Glory, driving up raw material prices and labor costs, which are critical expenditure areas for its M&E engineering services. Despite a 20.9% YoY revenue growth in 1H24, the Group’s gross profit declined by 18.6% YoY, primarily due to the completion of higher-margin projects in FY23 and inflationary pressures escalating construction costs. To mitigate these challenges, Ever Glory is closely monitoring project costs and actively pursuing new tenders to expand its order book, ensuring sustainable revenue growth.

Figure 2: Tender price index (2010=100), as of Nov 2024

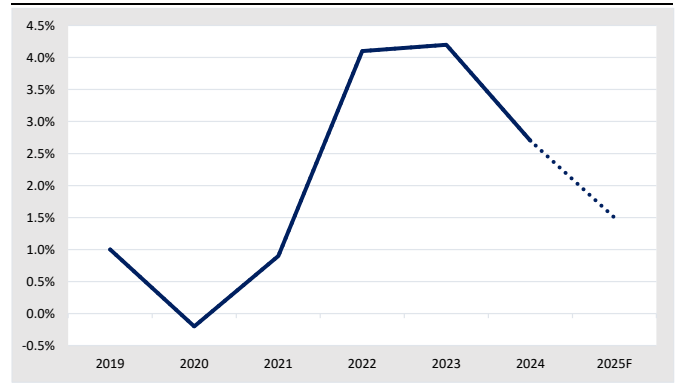


Source: [Building and Construction Authority](#), KGI research

Macro outlook

Singapore’s inflationary pressures have eased, with core inflation averaging 2.7% in 2024, down from 4.2% in 2023, and projected to further decline to 1.5-2.5% in 2025. This provides some relief for Ever Glory by stabilizing key input costs such as raw materials and labor.

Figure 3: Singapore’s yearly core inflation (2019 – 2025F)



Source: [Monetary Authority of Singapore](#)

Global trade tensions, particularly the imposition of tariffs, have introduced a complex pricing dynamic. While tariffs typically increase costs for the imposing country, they have led to a decline in global commodity prices as exporters adjust prices downward to sustain demand. This benefits Ever Glory by lowering costs for essential materials like steel and copper. However, this advantage is counterbalanced by supply chain disruptions and indirect cost increases, such as higher logistics and regulatory expenses, which could impact overall project costs and timelines.

Despite these challenges, Ever Glory is well-positioned to navigate the shifting landscape. Expected government support, such as subsidies or price stabilization measures, will mitigate cost pressures. This favorable environment allows Ever Glory to enhance cost efficiency while capitalizing on Singapore's growing construction market.

Industry outlook

Growth trajectory for Singapore’s construction sector.

Singapore’s construction industry is set for further expansion in 2025, with projected growth of 6.3% to 19.9%, following an estimated 30.8% YoY increase in 2024. Total contract awards are expected to range between S\$47bn and S\$53bn in 2025, reflecting a sustained upward trend in construction demand. The Building and Construction Authority (BCA) attributes this growth to two key factors:

- **Rising tender prices:** Increased material costs and potential labour shortages are driving tender prices higher.
- **Surge in public housing and infrastructure projects:** Government efforts to address housing demand are accelerating public sector developments, alongside large-scale infrastructure projects.

Major projects such as Changi Airport Terminal 5, public housing upgrades, and Marina Bay Sands expansion will be key drivers of demand in 2025. Over the medium term (2026-2029), construction demand is projected to average S\$39bn to S\$46bn annually, underpinned by public sector initiatives such as:

- Cross Island Line (Phase 3) and Downtown Line extension to Sungei Kadut
- Expansion of healthcare and educational facilities
- 19,600 Build-To-Order (BTO) flats to be launched in 2025, exceeding the government’s five-year target of 100,000 HDB units by 2027

Opportunities in public and private sector developments.

Public sector projects will remain a major driver of construction demand, while private sector demand is also expected to stay resilient. Government Land Sales (GLS) residential developments, integrated resort expansions, and commercial and industrial redevelopments will continue to support private sector activity, such as the expansion of Marina Bay Sands. Real construction demand in 2025 is expected to reach between S\$35bn and S\$39bn, representing 0.3% to 11.7% growth over pre-pandemic levels in 2019.

While Changi Airport Terminal 5 will be a one-off project, BCA expects sustained demand from high-specification industrial buildings, educational developments, healthcare facilities, and mechanical & engineering (M&E) contracts related to rail infrastructure. Additionally, major community projects, waste management facilities, and school rejuvenation programs will contribute to sector growth.

Figure 4: Construction demand forecast

Year	Construction demand (nominal, S\$bn)	Construction output (nominal, S\$bn)
2023P	33.8	34.8
2024P	44.2	38.4
2025F	47 - 53	39 - 42
2026F - 2029F	39 - 46 per year	-

*P: Preliminary, F: Forecast

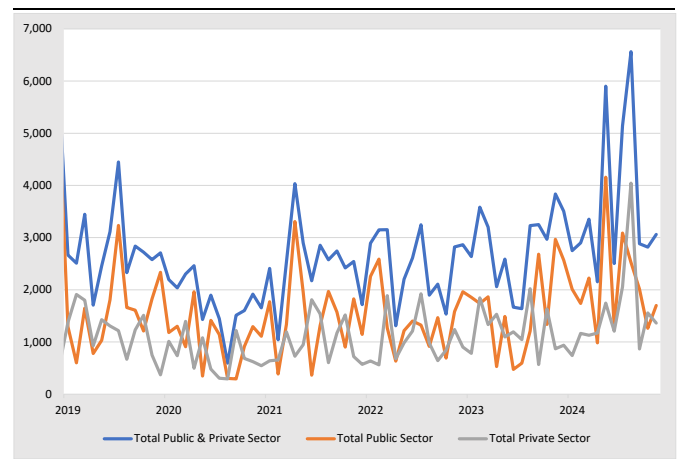
Source: [Building and Construction Authority](#), KGI Research

10-year growth opportunity. The Singapore government’s Green Towns Programme presents significant opportunities for Ever Glory, particularly in:

- **Smart Energy Management:** Installation of smart electrical sub-meters in HDB blocks to monitor energy consumption, creating demand for M&E services in installation, calibration, and maintenance.
- **Sustainability Infrastructure:** Upgrading public housing complexes with solar panels, water-efficient fittings, and food waste composting machines, allowing Ever Glory to participate in energy efficiency retrofits and infrastructure upgrades.

The initiative’s scalability across all HDB estates by 2030 provides long-term contract opportunities, enabling Ever Glory to strengthen its market position in the sector.

Figure 5: Contracts awarded by Sector and Development Type – Jan 2019 to Nov 2024



Source: [Department of Statistics Singapore](#), KGI Research

Decarbonisation and sustainability trends in construction.

Singapore’s construction sector is advancing its decarbonisation efforts as part of its net-zero carbon emissions target by 2050. The launch of Singapore Building Carbon Calculator and Concrete Environmental Product Declaration (EPD) generator will enable better measurement and reduction of embodied carbon emissions. Revised Singapore Green Building Services certification and a career conversion programme for sustainability professionals reinforce the government’s commitment to green building practices. With 80% of new developments required to meet Super Low Energy (SLE) standards by 2030, Ever Glory can leverage its expertise in energy-efficient solutions to align with these sustainability initiatives and secure future projects.

Company outlook

Singapore's construction sector is set for continued expansion in 2025, driven by public housing projects, major infrastructure developments, and sustainability initiatives. Ever Glory is well-positioned to capitalize on this growth through its core M&E engineering services, potentially benefiting from the government's commitment to 19,600 BTO flats in 2025 and other large-scale projects. Additionally, the company's acquisition of Fire-Guard Engineering enhances its capabilities in specialized M&E services, improving its competitiveness in securing larger projects. To diversify revenue streams and mitigate margin pressures, Ever Glory has expanded into property development, with its residential project scheduled for completion by 2028. While inflation and cyclical fluctuations in construction demand poses a challenge, the company's focus on cost efficiency, project execution, and strategic diversification positions it well for sustainable growth in the evolving landscape.

Key risks

Market dependence. The company's performance is highly sensitive to fluctuations in the Singaporean M&E market, including changes in construction activity, competition, and economic conditions.

Regulatory and policy risks. Changes in government regulations, policies, or incentives related to the construction industry (e.g., green building standards, labour regulations, tax policies) could negatively impact the company's operations, profitability, and competitive position.

Order book volatility. Revenue and profitability are subject to fluctuations due to the cyclical nature of the construction industry and variations in the success rate of tender bids and the timing of project deliveries.

Inflationary pressure. Rising material costs due to inflation will impact project profitability, particularly in projects with fixed-price contracts.

Lack of long-term contracts. The absence of long-term contracts with customers exposes the company to increased revenue and profitability volatility, as well as potential revenue shortfalls in periods of reduced project activity.

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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.
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