

Pan-United Corporation Ltd

(SGX: P52)

Valuation leaves less room for upside

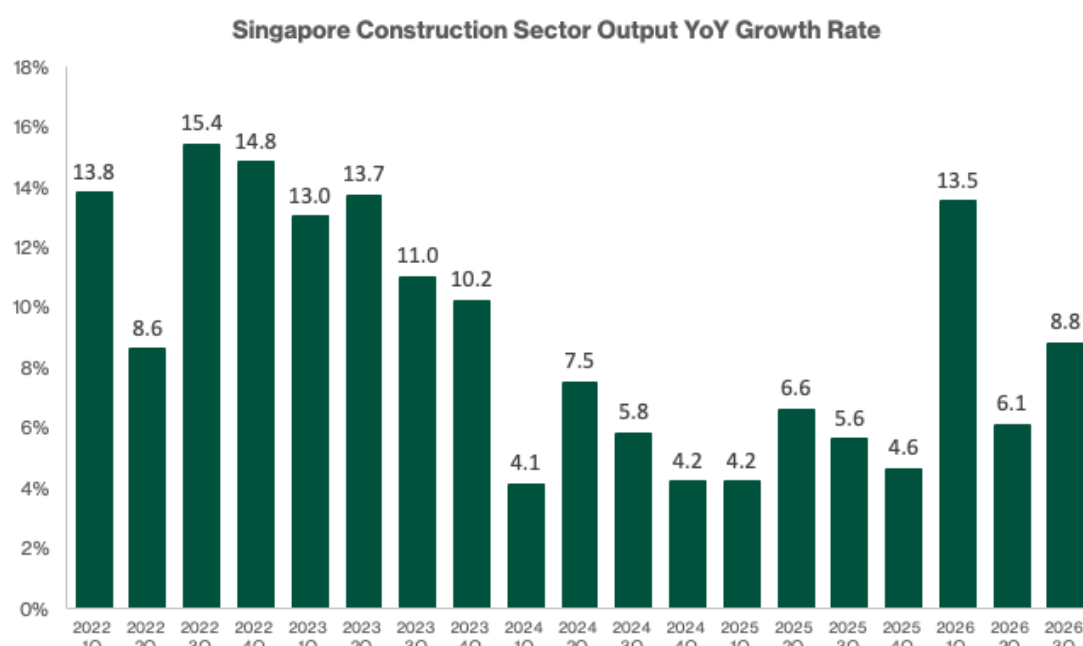
- **Construction activity remains healthy, but new project awards have slowed.** Singapore construction output grew 8.8% year-on-year in 3Q2026, accelerating from 6.1% in the preceding quarter. This should continue to support Pan-United's concrete volumes in the near term. However, construction contract awards in July and August totalled only about S\$2.6 billion, equivalent to around S\$1.3 billion per month versus S\$5.3 billion per month in 1H2026.
- **We remain positive on the underlying construction pipeline.** We do not think the latest data signals a sharp downturn. Projects already awarded should support construction activity and concrete demand into 2027, while further awards for Changi Airport Terminal 5 and the Marina Bay Sands expansion remain potential catalysts. However, the moderation in new awards reduces our confidence that the exceptional pace seen in 1H2026 can be sustained.
- **Earnings remain resilient, although growth could moderate.** Pan-United reported 49% year-on-year PATMI growth in 1H2026, with concrete sales volume rising about 26%. EBITDA margin improved to 11.1%, although management expects the benefit from fuel surcharges to normalise as oil prices ease. Management has indicated that overall 2H2026 performance may not differ significantly from 1H2026, suggesting healthy earnings but potentially slower growth following the strong first half.
- **Higher discount rates reduce our DCF valuation.** We raise the risk-free rate used in our DCF from 3.5% to 4.5%, lifting our cost of equity from 10.65% to 11.65% and WACC from about 10.3% to 11.2%. We keep our operating forecasts and 3.0% terminal growth assumption unchanged. The higher discount rate reduces our DCF value by about 11% to S\$1.67 per share.
- **Downgrade to NEUTRAL with a lower target price of S\$1.67.** We lower our target price for Pan-United to S\$1.67 from S\$1.88 and downgrade our rating to NEUTRAL from BUY. The change does not reflect a deterioration in the underlying business. Instead, higher bond yields have raised the required return on equities, while Pan-United's current valuation already reflects a significant amount of expected earnings growth. At S\$1.62, our revised target price implies upside of just 3.1%.
- **Valuation leaves less room for upside.** At S\$1.62, Pan-United trades at approximately 18.8x our FY2026 earnings estimate, around a 81% premium to the building-materials peer average of 10.4x.
- **Key Risks.** Key risks include construction-sector cyclicality, exposure to raw-material and energy cost inflation, competition from regional RMC suppliers, delays in major public projects, and slower-than-expected adoption of PanU's digital solutions.

Ticker	P52
Rating	Neutral (from Buy)
Price Target*	S\$1.67 (from S\$1.88)
Price (13 Oct)	S\$1.62
Upside/Downside:	+3.1%

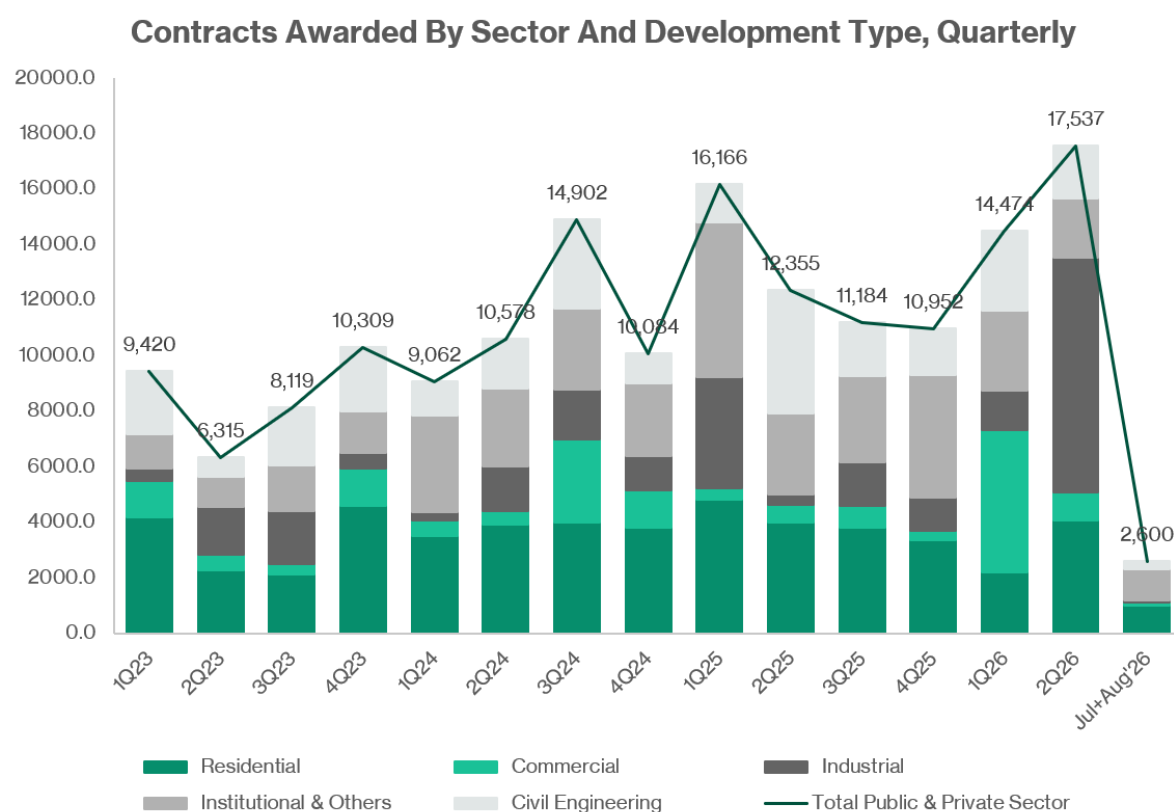
*Target price is for 12 months

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Figure 1: Singapore construction sector output YoY growth rate

Source: Singstat, data as of 14 Oct 2026

Figure 2: Singapore construction industry contracts awarded

Source: SingStat/BCA. Data as of 7 Oct 2026

Figure 3: Valuation comparison

Company Name	Ticker	Price	Market Value	Revenue growth (%)	EPS growth (%)	P/E (x)	P/BV (x)	Dividend Yield (%)	ROE (%)	Net debt/equity (x)
Pan-United	P52-SG	1.62	1,137.2	10.6	23.9	18.8	3.6	3.1	21.7	-0.2
International Cement Grp	KUO-SG	0.05	313.5	47.2	n.a.	4.3	0.9	0.0	24.9	0.1
Hafary	5VS-SG	0.64	273.4	9.1	8.4	10.1	1.8	2.9	18.9	1.7
EnGro /Singapore	S44-SG	1.20	142.4	33.5	1,540.2	3.2	0.5	4.2	16.0	-0.1
Hor Kew	BBP-SG	1.28	66.6	-16.2	-6.2	4.9	0.6	1.2	14.0	0.6
Hong Leong Asia	H22-SG	2.54	2,027.3	22.0	28.4	12.9	1.5	2.1	12.7	-0.7
Average						10.4	1.8	2.5	18.6	
Median						10.1	1.5	2.9	18.9	

Source: Factset. Prices as of 13 October 2026

Key risks

Exposure to cyclical construction demand

Pan-United remains highly dependent on Singapore's construction sector, which accounts for the vast majority of its revenue. Although BCA projects annual construction demand of S\$39 billion to S\$46 billion from 2027 to 2030, actual concrete consumption is tied to the timing of major public-sector projects such as Changi Terminal 5, MRT lines, and HDB developments. Any delays or deferments in these projects could reduce batching-plant utilisation and pressure margins.

Raw material cost volatility

Cement, aggregates, and admixtures form a significant portion of PanU's input costs. These materials are largely imported and subject to global price movements and freight costs. Sharp fluctuations – particularly in clinker and aggregates – could erode margins if PanU is unable to pass on cost increases quickly. While Pan-United has so far been able to pass through much of the higher energy and fuel costs, sustained raw-material volatility or a lag in repricing could still pressure margins.

Foreign exchange and supply chain risks

PanU faces FX exposure as raw materials are sourced in USD, MYR, and IDR. A stronger USD or regional currency volatility can raise procurement costs. Additionally, PanU's cross-border supply chains are exposed to trade restrictions, port congestion, or export policy changes in Malaysia and Indonesia, which could disrupt material availability.

Execution and operational disruptions

As a logistics-intensive business, PanU's performance depends on seamless coordination between batching plants, transport fleets, and job sites. Disruptions arising from labour shortages, equipment downtime, or weather conditions may lead to delivery inefficiencies and cost overruns. Increasing reliance on digital systems also heightens the importance of operational resilience and cybersecurity.

Digital platform scale-up risk

PanU's digital logistics platform, AiR Digital, is positioned as a future growth engine, but its adoption outside Singapore remains uncertain. Scaling in new markets requires regulatory readiness, contractor digital maturity, and ecosystem integration. Longer-than-expected commercialisation timelines could slow PanU's medium-term growth trajectory.

Environmental and carbon transition risks

Singapore's carbon tax rose to S\$45 per tonne of CO₂e in 2026 and 2027, with a view to reaching S\$50–80 by 2030, creating cost pressures for carbon-intensive materials such as cement. While PanU is a sustainability leader with initiatives like CarbonCure and ultra-low-carbon mixes, customer adoption may vary. Future tightening of environmental regulations may also require additional capital expenditure.

Competitive pressure in a fragmented industry

Despite its market leadership, PanU operates in a competitive ready-mix concrete market where pricing pressure increases during periods of softer demand. Smaller RMC players may compete aggressively on price, which could limit PanU's ability to expand margins even with superior product quality and logistics capabilities.

Macroeconomic and geopolitical risks

Broader macro risks – including higher interest rates, construction financing constraints, and geopolitical tensions – may impact developer sentiment, project commencements, or cross-border supply chains. These external factors can indirectly affect demand for concrete and pressure PanU's earnings visibility.

Financial summary

Y/E Dec (\$\$ millions)	FY23	FY24	FY25	FY26E	FY27E	Y/E Dec (\$\$ millions)	FY23	FY24	FY25	FY26E	FY27E
Income Statement						Cash Flow					
Revenue	774	812	898	1,076	1,203	Operating Cash Flow					
Other income	3	3	3	3	3	Pretax profit	38	42	57	61	76
Raw materials, subcontract costs and other direct costs	-613	-637	-685	-820	-914	Adjustments	27	29	36	37	40
Staff costs	-57	-58	-71	-97	-108	Working capital changes	-0	19	-11	-11	-8
Depreciation and amortisation expenses	-23	-24	-33	-38	-41	Others	3	2	2	0	0
Other expenses	-38	-45	-46	-47	-47	Cash flow from operations	61	88	80	87	107
Net finance income/expenses	-3	-3	-3	-1	-1	Investing Cash Flow					
Share of results of associates	3	2	1	1	1	CAPEX	-12	-19	-50	-38	-33
Profit before tax	45	51	66	78	97	Others	4	4	2	0	0
Tax	-10	-10	-14	-17	-21	Cash flow from investments	-8	-15	-48	-38	-33
Minority interests	0	0	1	1	1	Financing Cash Flow					
Profit attributable to owners	36	41	51	60	75	Dividends paid	-13	-18	-23	-35	-35
Balance Sheet						Others	-40	-14	-15	-10	-10
Assets						Cash flow from financing	-53	-32	-39	-45	-45
PPE	164	172	209	227	236	Net change in cash	1	42	-6	4	29
Others	14	13	9	3	-4	Beginning cash	65	64	107	100	103
Total non-current assets	178	186	218	230	232	Ending cash	64	107	100	103	133
Cash & cash equivalents	64	107	100	103	133	Per share data (\$\$ cents)					
Trade & other receivables	183	169	186	222	249	Book value per unit	33.3	37.9	41.5	45.1	50.7
Others	28	38	41	45	49	Distribution per unit	2.3	3.0	4.5	5.0	5.0
Total current assets	276	314	326	371	430	Earnings per unit	5.1	5.8	7.2	8.6	10.7
Total assets	454	500	544	601	663	Valuation					
Liabilities						P/E (x)	31.7	27.7	22.4	18.8	15.2
ST borrowings	12	13	10	10	10	P/B (x)	4.9	4.3	3.9	3.6	3.2
Trade & other payables	134	146	159	190	212	EV/EBITDA (x)	16.0	13.8	10.6	9.1	7.5
Others	20	21	30	22	22	Dividend yield (%)	1.4	1.9	2.8	3.1	3.1
Total current liabilities	166	181	199	223	245	Ratios					
LT borrowings	9	2	0	0	0	ROE (%)	15.4	15.4	17.5	19.1	21.0
Others	41	46	49	57	56	ROA (%)	7.8	8.2	9.3	10.0	11.3
Total non-current liabilities	50	48	49	57	56	Net Gearing (x)	net cash	net cash	net cash	net cash	net cash
Total liabilities	216	229	248	280	301	Margins (%)					
Equity						EBIT margin	5.9	6.3	7.6	7.3	8.1
Share Capital	13	13	13	13	13	Net margin	4.6	5.0	5.6	5.6	6.2
Retained Earnings	222	254	279	304	344	Share Price	1.62	1.62	1.62	1.62	1.62
Others	-2	-2	-1	-1	-1	No of shares ('000)	697	700	700	700	700
Total Owner's Equity	232	265	290	316	355	Market cap ('000)	1,129	1,133	1,135	1,135	1,135
Minority interests	6	6	5	6	6	Enterprise Value ('000)	1,086	1,042	1,045	1,042	1,012
Total Equity	238	271	296	321	362	EBITDA	68	75	99	114	136
Total Liabilities and Equity	454	500	544	601	663						

Source: Company data, Beansprout research.

Disclosure Appendix

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