March 20, 2025

Maybank

ST Engineering (STE SP)

Investor Day Takeaways

BUY

Share Price	SGD 6.57
12m Price Target	SGD 7.10 (+8%)
Previous Price Target	*SGD 5.70*

Industrials

Singapore

Plotting efficient growth; Maintain BUY, raise TP to SGD7.10

STE has set high single-digit top line and low-to-mid teen bottom line growth targets for the next five years. Defense, digital businesses and smart city projects will anchor growth. Efficiency improvement will lead to improved bottom lines. From 2026 onwards, STE will pay out a third of earnings growth as incremental dividends. Surplus cash will be reinvested or used to enhance balance sheet flexibility. We raise our DCF-based TP to SGD7.1 on higher operating cash flows and lower WACC. While valuation is steep at 23.4x PE, visibility of earnings/dividend growth and strong thematic of defence keeps us on BUY.

High single-digit revenue growth

STE has set a SGD17b revenue target for 2029 implying c.9% CAGR from 2024. This excludes any M&As or disposals/cessations. Individual business segments of CA, DPS and USS are expected to grow at c. 6%, 9% and 12%, respectively. Digital business, spanning across DPS and USS, is expected to grow the fastest at 17% albeit from a low base. The growth drivers are broadly unchanged with focus on growing international market share and capturing synergies by cross-selling and implementing reusable/dual-use technology modules esp. for smart city projects. The above targets imply broad-based growth normalisation though M&As helped in prior years.

Focus on productivity, capital efficiency

Net profit is expected to grow by up to 5%pts. faster than revenue from 2024 to 2029. Higher margin product and project mix, improvements in operating and working capital efficiency and lower interest and amortisation expenses will enable positive jaws. STE targets SGD200m of savings pa, or c. 2%pt of 2024 operating cost base, through such measures. STE will undertake portfolio optimisation and pursue asset light businesses such as its Aviation Fund platform to improve capital efficiency. New dividend policy emphasises reinvesting for growth and/or lower gearing.

Maintain BUY

We tweak our FY25/26/27 EPS estimates by +0.5%/-2.9%/-2.2% factoring in revenue and profit guidance and adjusting tax rates/MI. We raise our DCF-based TP to SGD7.1 on higher op. cash flows and lower WACC. Retain BUY on earnings visibility, steady execution and favourable thematic.

FYE Dec (SGD m)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	10,101	11,276	12,161	13,184	14,330
EBITDA	1,456	1,614	1,856	2,172	2,474
Core net profit	586	702	850	974	1,103
Core EPS (cts)	18.8	22.5	27.2	31.2	35.3
Core EPS growth (%)	9.6	19.7	21.0	14.6	13.2
Net DPS (cts)	16.0	17.0	18.0	19.3	20.7
Core P/E (x)	20.7	20.7	24.1	21.1	18.6
P/BV (x)	4.4	4.9	6.3	5.5	4.8
Net dividend yield (%)	4.1	3.6	2.7	2.9	3.2
ROAE (%)	24.1	27.4	30.2	30.8	30.3
ROAA (%)	4.0	4.6	5.1	5.4	6.0
EV/EBITDA (x)	12.5	12.5	13.5	11.5	10.3
Net gearing (%) (incl perps)	209.1	182.7	131.2	109.5	108.4
Consensus net profit	-	-	843	943	na
MIBG vs. Consensus (%)	-	-	0.8	3.3	na

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Company Description

STE is an engineering conglomerate with business in commercial aerospace, urban solutions & SATCOM and defence & public security.

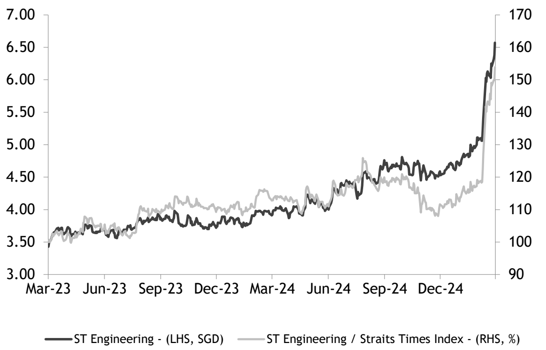
Statistics

52w high/low (SGD)	6.57/3.87
3m avg turnover (USDm)	24.8
Free float (%)	48.1
Issued shares (m)	3,122
Market capitalisation	SGD20.5B
	USD15.4B

Major shareholders:

Temasek Holdings Pte Ltd. (Investment Co	49.8%
Capital Research & Management Co. (Globa	2.0%
The Vanguard Group, Inc.	1.7%

Price Performance



	-1M	-3M	-12M
Absolute (%)	29	43	68
Relative to index (%)	30	38	37

Source: FactSet

Abbreviations explained
CA - Commercial Aerospace
DPS - Defence and Public Security
USS - Urban Solutions and SATCOM
DCF - Discounted cash flow
WACC - Weighted average cost of capital

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1. Investor Day Highlights

Fig 1: New 5 year targets – 2024 to 2029

SGDb.	New targets 2029, SGDb.	CAGR (2024-2029), %	Comments (Targets exclude M&As and divestments)
Revenue	17.0	9	Group revenue to grow >2.5x global GDP growth rate to SGD17b; Excluding impact of Transcore (assuming revenue of SGD740m for FY2024), growth rates for 2024-2029 is same as achieved growth rate of 2020-2024
Commercial Aerospace (CA)	6.0	6	CA revenue to grow by 2x aerospace industry growth rate to SGD6b; The 6% growth rate is lower than the estimated 7.4% growth for commercial aerospace revenue from 2019 to 2024
Defense & Public Security (DPS)	7.5	9	DPS revenue to >SGD7.5b, USD11b> addressable market over 5 yrs
Urban Solutions & SATCOM (USS)	3.5	12	USS revenue is derived from above guidance
Net profit	1.1-1.4	9-14	Group net profit to exceed group revenue CAGR by up to 5 percentage points
Net profit margin, %	6.4-8.0		
Dividend per share, SGDc.			18c. per share for FY2025 (4c. Interim per quarter and 6c final subject to shareholder approval); FY2026 onwards - Barring unforeseen circumstances, as the company achieves progressively higher full-year net profit, it will pay out about ⅓ of its YoY increase in net profit as incremental dividends. The company will pay dividends on a quarterly basis.
Payout ratio, %			Incremental payout ratio of 33%. Reinvesting for growth. Accumulated free cash flow to be used for debt repayment or opprtunistic M&A in aerospace, smart city or defense verticals
Annual capex, SGDm	c.500		
Other revenue trends			
Smart City	4.5	11	SmartCity to grow 3.5x global GDP to SGD4.5b, Grow double digit revenue CAGR in international markets
Digital business	1.3	17	Revenue to grow >2x,
DPS ex digital business	6.2	7	
SmartCity ex digital business	3.2	9	

Source: Maybank IBG Research

Fig 2: Performance versus 2021 IR Day targets

SGDb.	2020	2024	CAGR (20-24), %	Comments (vs. 2021 IR Day targets)
Revenue	7.2	11.3	12	Achieved target of SGD11b (2x to 3x of global GDP growth rate), Transcore M&A in mid-2022, estimated 2021 revenue of USD545m, profit of USD108m and order book of USD1.2b
Commercial Aerospace	2.3	4.4	17	Achieved target of >SGD3.5b of revenue
Defense & Public Security	3.7	4.9	7	Achieved target of digital revenue >SGD500m, Acquired D'Crypt in 2024
Urban Solutions & SATCOM	1.1	2.0	15	
EBIT	0.6	1.1	16	
Net profit	0.5	0.7	8	
Net profit margin, %	7.3	6.2		
Dividend per share, SGDc.	15	17		
Payout ratio, %	90	75		
Annual capex, SGDm	310	465		
Other revenue trends				
Smart City	1.5	2.7	16	SmartCity target of doubling revenue to SGD3.5b by 2026 from 2020 is work in progress, Transcore included from mid-2022. SmartCity revenue includes USS and digital business revenue
Digital business	0.4	0.6	11	Revenue more than tripled from 2020; Digital business spans across DPS and SmartCity categorization
DPS ex digital business	3.3	4.3	7	
SmartCity ex digital business	1.1	2.1	18	

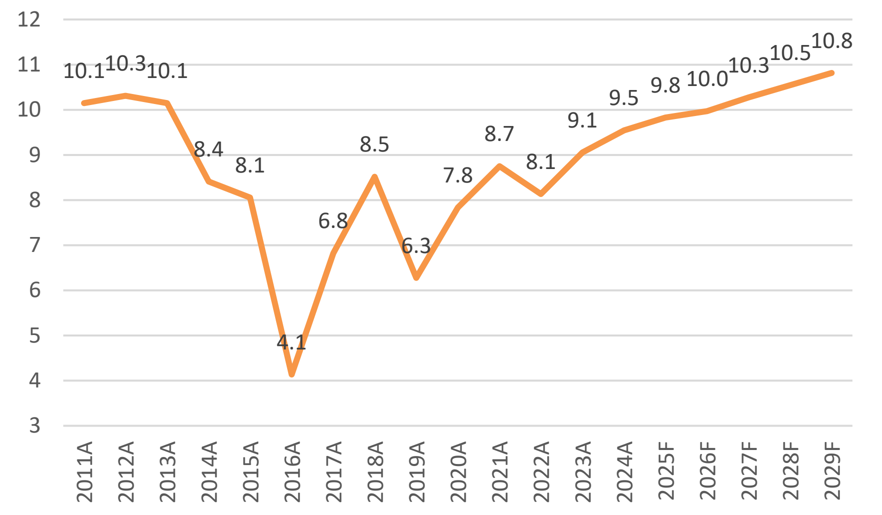
Source: Maybank IBG Research

Fig 3: Efficiency drivers

Operating efficiency	Comments
Scale effects from larger revenue base Higher margin product and project mix Procurement and productivity savings	Cumulative savings of SGD1b from 2025 to 2029; SGD200m annual savings equates to c.2%pts of FY2024 cost base (COGS + Operating expense). Key tools - Inventory/warehouse optimization, ERP, Offshore comptency center in Vietnam and Global procurement. Days inventory outstanding has grown from 61 days in 2019 to 67 days in 2024
Reduced interest expense	Debt repayment or New investment (capex or M&As)
Reduced amortization of intangibles	
Capital efficiency	**Comments**
Net working capital improvement	Discussed above
Continued capital recycling through M&As and divestments	16 divestments/cessations since 2016, 5 acquistiions since 2016 (TransCore, EFW, MRAS, Newtec, Glowlink, D'Crypt)
Asset light business of Aviation Fund Structure	USD3.5b of AUM by 2029, Short investment cycle, Low initial capital outlay, Fund mgmt fees

Source: Maybank IBG Research

Fig 4: Historical and forecasted EBIT margins, %



Source: Maybank IBG Research

Fig 5: Baseline cash flow generation scenario suggests upside to dividend barring major M&A and/or low gearing

SGDm.	2024	2025	2026	2027	2028	2029
Annual growth 11.5%						
EBITDA	1543	1721	1919	2139	2385	2660
Capex	-465	-500	-500	-500	-500	-500
Free Cash Flow		1221	1419	1639	1885	2160
Interest Expense		-300	-300	-300	-300	-300
Dividend		-561	-591	-624	-661	-703
Change in cash		360	528	715	924	1157
Cash outstanding	430	790	1318	2033	2957	4114
Dividend		561	591	624	661	703
Payout ratio, %	75	72	68	64	61	58
Dividend cover, x		0.6	0.9	1.1	1.4	1.6
DPS, SGDc.	17	18	18.96	20.04	21.23	22.57
EPS, SGDc.	22.53	25.12	28.01	31.23	34.82	38.83

Source: Maybank IBG Research The above scenario assumes EBITDA growth at mid-point of 9-14% of PATMI growth.

2. Estimate changes

Fig 6: Estimate changes

	NEW			OLD			% CHANGE		
SGDm	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
- Commercial Aerospace	4,700	5,025	5,373	4,786	5,164	5,572	-1.8%	-2.7%	-3.6%
- Defence & Public Security	5,428	5,916	6,390	5,428	5,808	6,098	0.0%	1.9%	4.8%
- Urban Solutions & SATCOM	2,205	2,419	2,748	2,126	2,250	2,381	3.7%	7.5%	15.4%
- Others	(172)	(176)	(181)	(172)	(176)	(178)	0.0%	0.5%	1.4%
Revenue	12,161	13,184	14,330	12,168	13,046	13,874	-0.1%	1.1%	3.3%
Gross profit	2,331	2,666	2,918	2,339	2,565	2,698	-0.3%	3.9%	8.2%
EBIT	1,195	1,314	1,472	1,179	1,297	1,427	1.3%	1.3%	3.2%
Net Profit	850	974	1,103	846	1,003	1,127	0.5%	-2.9%	-2.2%
Core EPS, cts	27.2	31.2	35.3	27.1	32.1	36.1	0.5%	-2.9%	-2.2%
DPS, cts	18.0	19.3	20.7	16.0	18.0	30.8	12.5%	7.4%	-32.8%

Source: Maybank IBG Research

We tweak our estimates in line with the revenue growth guidance for each sub-segment. As such, we lower revenue for commercial aerospace but raise for defence and public security as well as urban solutions and SATCOM business. Overall, FY26 and FY27 revenue estimates are up by 1.1% and 3.3% higher. Factoring in higher margin, we raise our EBIT estimate for the forecast years by 1.3% to 3.2%. However, PATMI is lower due to changes in tax rate and minority interests. We raise our dividend estimates for FY25 and FY26 to be in line with management guidance.

3. Valuation

We value STE using a DCF model and applying a WACC of 7.3% versus earlier input of 8.4%. This is due to lower risk free rate. Key changes are forecast changes as well long-term changes to be in line with mgmt.'s 2029 guidance. All in, this results in a higher target price of SGD7.1. New dividend policy indicates visibility of future earnings stream and its growth. Given that incremental payout ratio is lower than existing one, the new dividend policy also puts more emphasis on balance sheet flexibility to create headroom for inorganic and organic growth, lowering gearing and/or raising payout to further strengthen the yield + growth stock positioning. We maintain our BUY on the back of visible earnings and dividend growth, steady execution and the strong thematic of rising defence spending.

Overall, the investor day guidance suggests growth normalization and a focus on improving efficiency and earnings quality. We like the focus on productivity. EBIT margins are still shy of historical highs by c.80bps. Savings in procurement, offshore competency centers and improvement in working capital cycle should can help to bridge the gap. We think there is scope for capital recycling esp. as terrestrial and satellite communications seek interoperability. Inorganic opportunities may exist in aerospace business given MRO capacity has grown in pandemic years and new markets such as India grows.

Valuation is steep on an historical context, but we think, the thematic of defence spending is creating room for rerating. Global aerospace and defence ETFs are trading at a mean 25x EV/EBITDA. Applying the same to 2024 EBITDA of SGD1.3b for commercial aerospace and defence and public security segment results in an enterprise value of SGD32.9b and equity value of SGD25.1b after netting out segment liabilities net of group cash. This compares against current market cap of SGD19.9b and ascribes no value to urban solutions and SATCOM business and STE's associates and JVs.

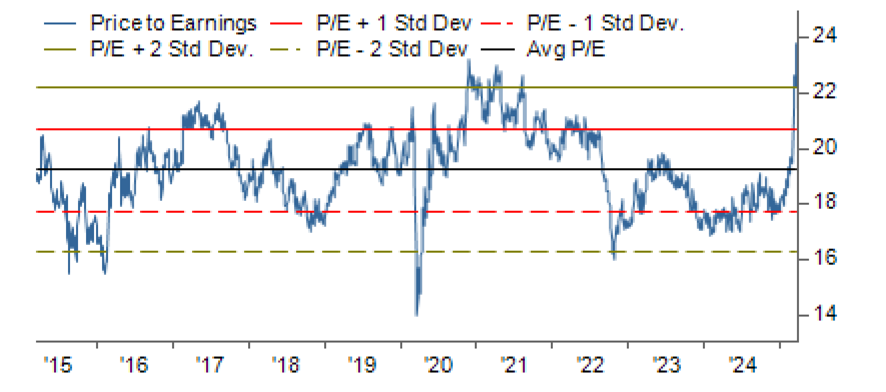
Fig 7: DCF valuation

FYE Dec (SGDm)	2022A	2023A	2024A	2025F	2026F	2027F	2028F	2029F	2030F
-Commercial Aerospace	3053	3966	4440	4700	5025	5373	5691	6029	6387
-Urban Solutions & SATCOM	1821	1981	2009	2205	2419	2748	3151	3614	4146
-Defence & Public Security	4320	4289	4971	5428	5916	6390	6837	7315	7828
-Others & Elimination	(158)	(134)	(145)	(172)	(176)	(181)	(184)	(188)	(193)
Revenue	9035	10101	11276	12161	13184	14330	15495	16770	18168
Growth YoY, %	17	12	12	8	8	9	8	8	8
EBIT	**735**	**915**	**1076**	**1195**	**1314**	**1472**	**1634**	**1814**	**1965**
Operating margin, %	8	9	10	10	10	10	11	11	11
- Adj for taxes	(54)	(100)	(133)	(155)	(177)	(199)	(219)	(247)	(270)
+ Depreciation	338	341	356	428	463	498	534	570	608
+ Amortisation	179	201	182	201	201	201	201	201	201
+ Working cap chgs	(731)	(101)	(104)	704	(292)	(244)	(172)	(177)	(177)
- Capex	(1056)	(603)	(613)	(650)	(634)	(645)	(656)	(667)	(679)
+ Investment income	40	56	68	64	66	67	69	71	73
FCFF	**(549)**	**709**	**832**	**1787**	**941**	**1150**	**1391**	**1564**	**1720**
Year	0	0	1	2	3	4	5	6	7
WACC (%)	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%	7.3%
Disc. factor (x)	1.00	1.00	0.93	0.87	0.81	0.75	0.70	0.65	0.61
Discounted FCF	**(549)**	**709**	**776**	**1551**	**761**	**866**	**977**	**1024**	**1049**

DCF summary	**SGDm**	**Key assumptions**	**%**
Terminal Value (TV)	32,317	Risk Free Rate (%)	2.5
TV: Implied EV/EBITDA (x)	7.9	Risk Premium (%)	6.5
		Cost of Equity	8.0
FCFF: 2025-2030 explicit forec	6,229	Cost of debt (or YTM of bond)	3.7
FCFF: TV	19,390	After-tax cost of debt	3.3
Less: Net Debt (Cash)	5,391	Current Net Debt proportion	64.6
FCFE	**20,228**	LT Net Debt proportion	15.0
O/s shares	3,123	**WACC**	**7.3**
FCFE per Share (SGD/share)	**7.10**	**LT Growth Rate**	**2%**

Source: Maybank IBG Research

Fig 8: 1 year Forward PE chart



Source: FactSet

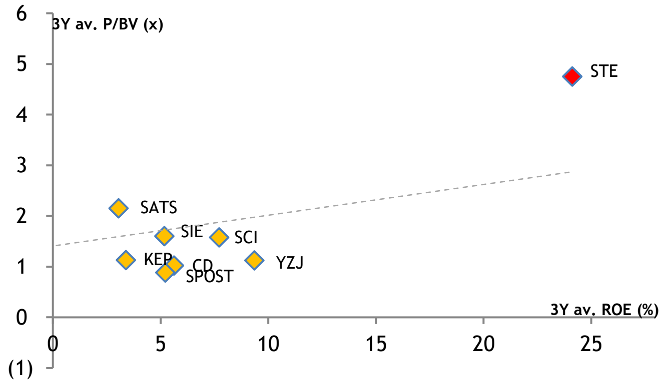
4. Risks

Moderation of growth and margins in commercial aerospace, slower-than-expected turnaround of urban solutions and SATCOM business, wage inflation, dilutive M&As and integration challenges. Any impairments in TransCore from lack of order wins in congestion pricing.

Value Proposition

- STE has a 50-year history as Singapore's primary defence contractor. In recent decades it has successfully evolved its operations to tap the commercial marketplace and presently the split between commercial and defence derived revenues is roughly 55:45.
- STE's operating segments are aligned by the commercial aerospace, urban solution & satellite communication and defence & public security sectors.
- The value proposition it offers customers is the ability to leverage a deep pool of engineering expertise across multiple sectors to deliver tailored solutions.
- STE is also one of the largest and non-airline affiliated aviation MRO providers in the world.

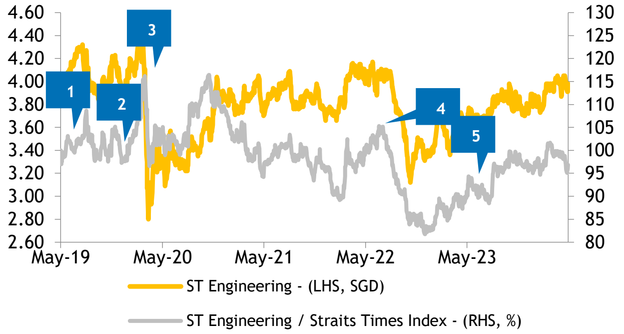
Singapore large-cap industrials - historical P/BV vs ROE



Source: Company

Price Drivers

Historical share price trend



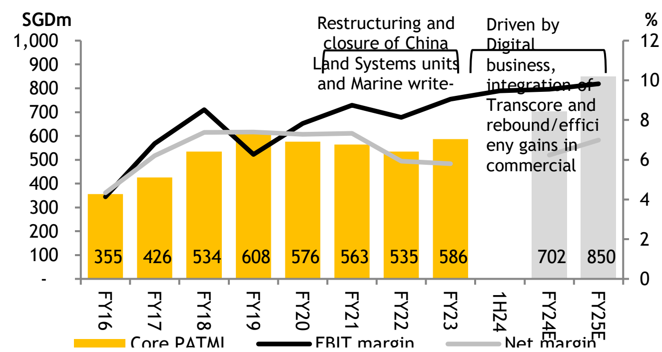
Source: Company, Maybank IBG Research

1. Multiple stock rating upgrades from the street.
2. Large contract win of SGD1b with options up to SGD2.6b for US marine subsidiary VT Halter Marine after a prolonged dry spell of material contract awards.
3. Global pandemic strikes causing huge disruption to aviation industry.
4. Singapore Technologies Engineering is marking its largest acquisition to date with the USD2.68b (SGD3.64b) all-cash offer for a group of entities under Roper Technologies focused on transport management systems.
5. Gradual rebound in MRO business, demand for PTF business and growth in Digital business within Defence and Public Security business

Financial Metrics

- Key factors driving our expectation of a blended margin recovery in FY23-FY25E: higher EBITDA margin from aerospace, growth of digital business and monetisation from inorganic growth.
- Aside from improving margins, robust aerospace and defence order books with relatively stable smart city initiatives underpin our 15% core PATMI CAGR forecast.
- We expect ROE to rebound from 24% in FY23 to 27% by FY26E.

Expecting PATMI and margin improvements



Source: Company

Swing Factors

Upside

- Higher-than-expected passenger to freighter work from airlines upgrading their passenger fleets with cargo growth supportive.
- Better-than-expected margins if aircraft OEMs slow down their aftermarket expansion (as order books are full).
- The recent Polar Vessel contract win aside, a broader recovery in marine orders from a demand rebound for oilfield services vessels and specialised ship repair.
- Order book growth from US defence and infrastructure project wins, an area that STE has been pursuing but where large contracts have been few and far in-between.

Downside

- Ongoing rise in inflation could see a supply crunch in aircraft materials and equipment.
- Structural threat from aircraft OEMs like Boeing and Airbus becoming more aggressive in expanding in the aftermarket-MRO space.
- Major disruption in airborne cargo growth due to the aftermath of a US-China trade war could hurt aircraft PTF conversion demand.

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Risk Rating & Score[1]	30.9
Score Momentum[2]	-0.1
Last Updated	19 Nov 2021
Controversy Score[3] (Updated: 07 Jun 2022)	2- Customer Incident

Business Model & Industry Issues

- Given the nature of the aviation engineering industry, which accounts for about 2% of direct CO2 global emissions, this number is expected to increase given the projected expansion of air travel. STE's greenhouse gas emissions reduction programme is strong. Furthermore, its carbon intensity trend is observed to have moderately declined over the past three years.
- The aerospace & defence industry is exposed to bribery and corruption risks through its close business relationship with government officials and bodies, and the competition for a limited number of high-value contracts. STE has a policy of zero tolerance in fraud and corruption practices. There were no reported cases of bribery and corruption in 2022.
- Being the largest government contractors, the group is entrusted with managing, storing and processing highly confidential information. Cyberattacks could result in data breaches and leaks of confidential documents, which can have serious consequences on national security matters, and impact companies' costs and operations. The company has average preparedness measures to address data privacy and security issues and has been implicated in minor controversies related to the issue.

Material E issues

- In FY22, STE achieved a 30% absolute GHG emissions reduction as compared to FY21. This translated to a 37% reduction in GHG emissions intensity, which is on track to achieve the Group's target of a 50% reduction by FY30E.
- The Group designed eco-engine wash services – EcoPower which has significant environmental benefits. It washes more than 9,000 aircraft engines annually using innovative and environmentally-friendly processes. These result in fuel savings, which translate to an estimated emissions avoidance of 500,000 tonnes CO2e annually as well as the recovery and reuse of around 2m litres of water.
- In FY22, STE's Singapore operations recycled 75% of 5,900 tonnes of waste generated. The recyclables included wood, metal, batteries and paper products.

Material S issues

- Total Group economic contribution of SGD8.7b, which includes: (i) bought in material and services; (ii) employee wages, salaries and benefits; and (iii) dividends and others.
- As at end Dec 2021, 78% of the workforce is male while 22% is female with 14% turnover rate. Among them, about 14% of female and 15% of male employees are managers.
- In FY22, accident frequency (+37.5% YoY) and severity rate (-5% YoY) per million manhours has been on the uptrend. One of the key factors that contributed to the increase is human error in complying with safety procedures. Key mitigating measures have been imposed through cross sharing of best practices within the global operations.
- Positioning employees for the future of work through workforce transformation programmes including upskilling and reskilling initiatives. Average training of 22.5 hours per employee.

Key G metrics and issues

- STE's board comprises 13 directors and an alternate director. The current board composition has: 9 independent & non-executive directors, 3 non-independent & non-executive director and 1 executive director/ group president & CEO. There are 2 women directors and 11 men directors on the board.
- The nomination, audit, investment and remuneration committees are chaired by independent and non-executive directors.
- The board consists of members with established track record in various industries. The company has a majority standard for election of directors and the company has a resignation policy for directors failing to receive a majority of votes.
- As of March 2022, STE principal shareholders, with stake sizes in percentage of ordinary shares were as follows: Temasek Holdings (49.8%), Capital Research & Management (3.3%) and BlackRock Fund Advisors (1.4%).
- To date, STE has never received or been the subject of any legal action in relation to anti-competitive behaviour and violations of anti-trust and monopoly legislation. There were no reported cases of bribery and corruption in 2021.

[1]***Risk Rating & Score*** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. [2]***Score Momentum*** - indicates changes to the company's score since the last update – a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. [3]***Controversy Score*** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

FYE 31 Dec	FY23A	FY24A	FY25E	FY26E	FY27E
Key Metrics					
P/E (reported) (x)	19.7	18.9	24.1	21.1	18.6
Core P/E (x)	20.7	20.7	24.1	21.1	18.6
P/BV (x)	4.4	4.9	6.3	5.5	4.8
P/NTA (x)	(5.5)	(8.7)	(16.2)	(35.8)	(36.7)
Net dividend yield (%)	4.1	3.6	2.7	2.9	3.2
FCF yield (%)	nm	nm	0.8	nm	nm
EV/EBITDA (x)	12.5	12.5	13.5	11.5	10.3
EV/EBIT (x)	19.9	18.8	21.0	18.9	17.3
INCOME STATEMENT (SGD m)					
Revenue	10,101.0	11,275.7	12,160.7	13,183.7	14,330.0
EBITDA	1,456.1	1,614.3	1,856.4	2,172.0	2,474.0
Depreciation	(340.9)	(355.9)	(427.9)	(462.6)	(498.0)
Amortisation	(200.6)	(181.9)	(200.6)	(200.6)	(200.6)
EBIT	914.7	1,076.5	1,194.9	1,314.4	1,472.1
Net interest income /(exp)	(210.4)	(213.8)	(234.6)	(207.7)	(214.3)
Associates & JV	58.1	71.0	66.5	68.2	69.8
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	16.5	(0.1)	4.8	2.7	1.6
Pretax profit	704.2	862.7	1,031.6	1,177.5	1,329.3
Income tax	(99.8)	(133.5)	(154.7)	(176.6)	(199.4)
Minorities	(18.0)	(26.9)	(26.9)	(26.9)	(26.9)
Perpetual securities	0.0	0.0	0.0	0.0	1.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	586.5	702.3	849.9	973.9	1,102.9
Core net profit	586.5	702.3	849.9	973.9	1,102.9
Preferred Dividends	0.0	0.0	0.0	0.0	1.0
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	353.3	430.6	1,224.4	1,209.9	341.2
Accounts receivable	2,139.1	2,264.4	2,343.9	2,541.0	2,762.0
Inventory	4,137.4	4,628.7	5,092.9	5,521.4	6,001.4
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	2,076.2	2,114.6	3,179.8	3,351.0	3,497.6
Intangible assets	4,958.2	4,989.8	4,789.2	4,588.6	4,388.0
Investment in Associates & JVs	567.4	621.5	623.8	626.2	628.6
Other assets	496.2	566.7	566.7	566.7	566.7
Total assets	**14,727.8**	**15,616.1**	**17,820.7**	**18,404.7**	**18,185.5**
ST interest bearing debt	2,563.7	2,945.1	2,650.6	2,385.5	2,147.0
Accounts payable	3,205.2	3,537.3	4,181.3	4,458.2	4,813.4
LT interest bearing debt	3,544.4	2,876.4	2,858.9	2,881.7	2,824.1
Other liabilities	3,313.0	3,548.0	4,607.0	4,663.0	4,573.0
Total Liabilities	**12,626.6**	**12,906.7**	**14,298.1**	**14,388.5**	**14,357.1**
Shareholders Equity	2,459.3	2,670.4	2,958.2	3,370.1	3,911.0
Minority Interest	293.0	280.5	307.4	334.4	361.3
Total shareholder equity	**2,752.3**	**2,950.8**	**3,265.6**	**3,704.5**	**4,272.3**
Total liabilities and equity	**14,727.8**	**15,616.1**	**17,820.7**	**18,404.7**	**18,185.5**
CASH FLOW (SGD m)					
Pretax profit	704.2	862.7	1,031.6	1,177.5	1,329.3
Depreciation & amortisation	541.4	537.8	628.5	663.2	698.6
Adj net interest (income)/exp	210.4	213.8	234.6	207.7	214.3
Change in working capital	(100.8)	(103.9)	754.5	(191.8)	(144.5)
Cash taxes paid	(91.6)	(125.3)	(146.5)	(168.4)	(191.2)
Other operating cash flow	(2.0)	(2.5)	(2.3)	(2.4)	(2.5)
Cash flow from operations	1,261.4	1,382.4	2,500.0	1,685.5	1,903.7
Capex	(200.8)	(613.1)	(623.3)	(633.8)	(644.6)
Free cash flow	913.4	1,077.2	1,902.5	997.5	203.9
Dividends paid	(499.6)	(499.6)	(562.1)	(562.1)	(562.1)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(426.4)	(286.6)	(312.0)	(242.2)	(296.2)
Other invest/financing cash flow	(357.7)	94.2	(208.8)	(262.0)	(1,269.5)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(223.1)	77.3	793.8	(14.5)	(868.7)

FYE 31 Dec	FY23A	FY24A	FY25E	FY26E	FY27E
Key Ratios					
Growth ratios (%)					
Revenue growth	11.8	11.6	7.8	8.4	8.7
EBITDA growth	16.3	10.9	15.0	17.0	13.9
EBIT growth	24.4	17.7	11.0	10.0	12.0
Pretax growth	17.9	22.5	19.6	14.1	12.9
Reported net profit growth	9.6	19.7	21.0	14.6	13.2
Core net profit growth	9.6	19.7	21.0	14.6	13.2
Profitability ratios (%)					
EBITDA margin	14.4	14.3	15.3	16.5	17.3
EBIT margin	9.1	9.5	9.8	10.0	10.3
Pretax profit margin	7.0	7.7	8.5	8.9	9.3
Payout ratio	85.2	75.6	66.1	61.9	58.6
DuPont analysis					
Net profit margin (%)	5.8	6.2	7.0	7.4	7.7
Revenue/Assets (x)	0.7	0.7	0.7	0.7	0.8
Assets/Equity (x)	6.0	5.8	6.0	5.5	4.6
ROAE (%)	24.1	27.4	30.2	30.8	30.3
ROAA (%)	4.0	4.6	5.1	5.4	6.0
Liquidity & Efficiency					
Cash conversion cycle	107.5	108.1	102.7	98.5	100.1
Days receivable outstanding	69.2	70.3	68.2	66.7	66.6
Days inventory outstanding	164.5	163.7	167.3	170.9	171.3
Days payables outstanding	126.1	125.9	132.9	139.1	137.8
Dividend cover (x)	1.2	1.3	1.5	1.6	1.7
Current ratio (x)	0.9	0.9	0.9	1.0	0.9
Leverage & Expense Analysis					
Asset/Liability (x)	1.2	1.2	1.2	1.3	1.3
Net gearing (%) (incl perps)	209.1	182.7	131.2	109.5	108.4
Net gearing (%) (excl. perps)	209.1	182.7	131.2	109.5	108.4
Net interest cover (x)	4.3	5.0	5.1	6.3	6.9
Debt/EBITDA (x)	4.2	3.6	3.0	2.4	2.0
Capex/revenue (%)	2.0	5.4	5.1	4.8	4.5
Net debt/ (net cash)	5,754.8	5,390.9	4,285.1	4,057.4	4,629.8

Source: Company; Maybank IBG Research

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The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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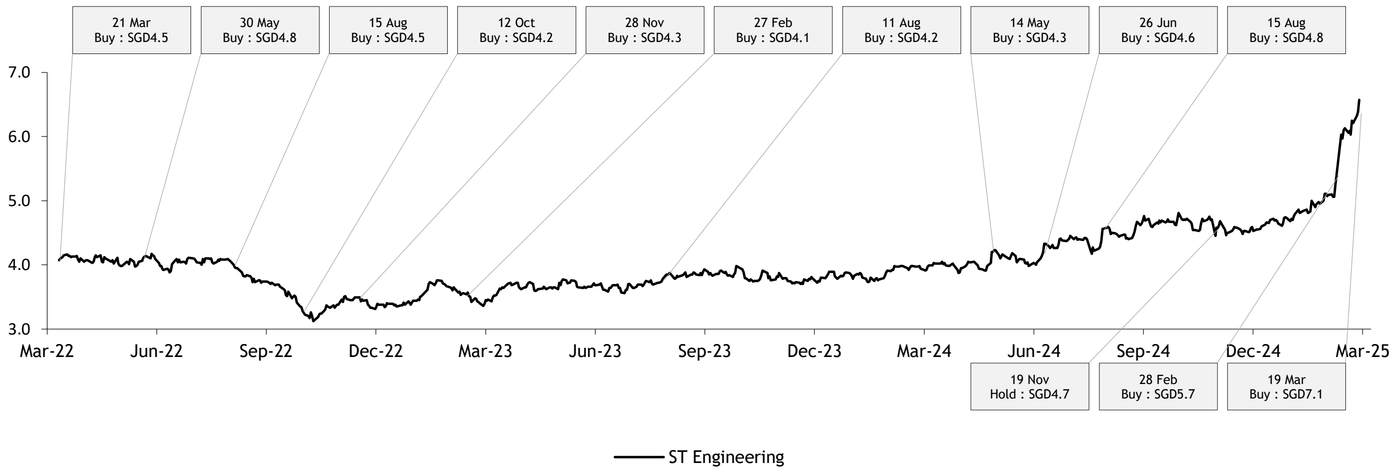
Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

Historical recommendations and target price: ST Engineering (STE SP)



Definition of Ratings

Maybank IBG Research uses the following rating system

BUY	Return is expected to be above 10% in the next 12 months (including dividends)
HOLD	Return is expected to be between 0% to 10% in the next 12 months (including dividends)
SELL	Return is expected to be below 0% in the next 12 months (including dividends)

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The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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