

# Construction

## Finding Alpha As Construction Valuations Re-rate

### Highlights

- Singapore construction sector is set to outperform, with strong construction demand and orderbook visibility of 2-4 years.
- Maintain OVERWEIGHT. Top picks are CENT (Target: S\$1.90), RGL (Target: S\$0.56) and TWC (Target: S\$1.11).

### Analysis

- **Singapore's construction upcycle is firmly intact**, driven by the convergence of post-COVID project catch-up and a new wave of infrastructure investments. Following pandemic disruptions, previously delayed projects are now being executed alongside newly launched developments, resulting in elevated construction activity. Construction demand rebounded sharply from the COVID trough, with BCA construction demand averaging S\$30b-40b per annum in recent years, compared with below S\$30b during the pandemic. Listed contractors typically report orderbook visibility of 2-4 years (see table on RHS), reflecting the strong momentum. Several major developments, including the relocation of Paya Lebar Airbase, remain outside near-term demand forecasts, providing longer-term upside.
- **Public sector anchors demand.** Major projects include the Deep Tunnel Sewerage System (DTSS), coastal protection and flood mitigation works, desalination and NEWater plants, and transport-related developments such as new MRT lines and Changi Terminal 5. PUB states that the entire Deep Tunnel Sewerage System (DTSS) programme has an estimated cost of around S\$10b covering its full network and water reclamation plants. Meanwhile, the Cross Island Line (CRL) is estimated to cost over S\$40b, reinforcing long-term visibility. Government-linked projects typically account for most industry workloads, reducing counterparty risk and earnings volatility.
- **Maintain OVERWEIGHT on Singapore's construction sector.** Since our previous construction sector note, the sector has undergone a meaningful valuation re-rating, with average 2025 PE raised from 9.5x to 13x and 2026 PE lifted from 8x to 10x. Our top picks are Centurion (Target: S\$1.90), Reclaims Global (S\$0.56) and Tiong Woon (Target: S\$1.11).

### Peer Comparison

Company	Ticker	Rec	Price @ 19 Jan 26 (lcy)	Target Price (lcy)	Market Cap (S\$m)	Last Year End	2025 (x)	2026 (x)	2027F (x)	2025 (x)	2026 (x)	2027F (x)	Yield (%)
BRC Asia	BRC SP	BUY	4.19	4.9	1,150	Sept-25	12.2	11.9	11.2	2.23	2.1	2.0	5.1
Centurion	CENT SP	BUY	1.42	1.9	1,194	Dec-24	11.5	10.8	9.9	0.97	0.9	0.9	2.8
Hong Leong Asia	HLA SP	BUY	2.69	2.82	2,013	Dec-24	15.4	14.2	13.1	1.82	1.7	1.5	2.0
Pan-United	PAN SP	BUY	1.18	1.33	825	Dec-24	17.2	15.0	13.4	2.87	2.6	2.4	3.8
Reclaims Global	RGL SP	BUY	0.435	0.56	66	Jan-25	13.9	12.1	10.5	2.18	2.0	1.8	3.9
Soon Hock	SHOCK SP	BUY	0.635	0.71	197	Dec-24	5.4	4.2	3.8	1.34	1.1	0.9	6.0
Tiong Woon	TWC SP	BUY	0.93	1.11	216	Jun-25	11.2	9.1	8.1	0.67	0.6	0.6	2.3
Wee Hur	WHUR SP	NR	0.875	n.a.	804	Dec-24	n.a.	n.a.	n.a.	2.47	2.3	1.2	1.6
Soilbuild Construction	SOIL SP	NR	0.92	n.a.	609	Dec-24	10.6	8.7	8.0	4.67	3.3	2.5	2.2
GRC	GRC SP	NR	0.145	n.a.	491	Jun-25	29.6	n.a.	n.a.	3.39	n.a.	n.a.	n.a.
OKP	OKP SP	NR	1.25	n.a.	384	Dec-24	10.4	9.6	n.a.	n.a.	n.a.	n.a.	n.a.
Koh Brothers Eco	KBE SP	NR	0.083	n.a.	234	Dec-24	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Lum Chang	LCH SP	NR	0.64	n.a.	240	Jun-25	15.4	n.a.	n.a.	1.43	n.a.	n.a.	n.a.
Hock Lian Seng	HLSH SP	NR	0.445	n.a.	227	Dec-24	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
KSH	KSHH SP	NR	0.34	n.a.	194	Mar-25	11.3	9.2	n.a.	n.a.	n.a.	n.a.	5.3
Nam Lee	NLPM SP	NR	0.705	n.a.	171	Sept-25	6.9	n.a.	n.a.	0.92	n.a.	n.a.	n.a.
Ley Choon	LEY SP	NR	0.096	n.a.	145	Mar-25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Huatong	HUAGL SP	NR	0.615	n.a.	109	Dec-24	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sin Heng	SHHM SP	NR	0.7	n.a.	76	Dec-24	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hor Kew	HKC SP	NR	1.31	n.a.	68	Dec-24	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Isoteam	ISO SP	NR	0.082	n.a.	65	Jun-25	11.2	8.2	6.8	1.21	1.1	0.9	3.7
CSC	CSC SP	NR	0.016	n.a.	56	Mar-25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Sector Average</b>							<b>13.0</b>	<b>10.3</b>	<b>9.4</b>	<b>2.0</b>	<b>1.8</b>	<b>1.5</b>	<b>3.5</b>

Source: Bloomberg, UOB Kay Hian

## OVERWEIGHT (Maintained)

Analyst(s)

Heidi Mo

heidimo@uobkayhian.com

+65 6590 6630

Tang Kai Jie

kaijietang@uobkayhian.com

+65 6590 6624

### Top Sector Picks

Company	Rec	Share Price (S\$)	Target Price (S\$)	% Upside
Centurion	BUY	1.42	1.9	33.8
Reclaims Global	BUY	0.435	0.56	28.7
Tiong Woon	BUY	0.93	1.11	19.4

Source: Bloomberg, UOB Kay Hian

### Outstanding Orderbook and Orderbook as a % of 2025 Revenue

Company	Orderbook (S\$m)	As a % of Revenue (%)
BRC Asia	1,900	122
Soilbuild Construction	1,190	218*
Koh Brothers Eco	1,100	492*
OKP	648.3	311*
Wee Hur	629	202*
Huatong	512.3	212*
KSH	500	396*
Ley Choon	350.3	272*
Hock Lian Seng	335	162*
CSC	270	69*
Isoteam	181.1	152

Source: Bloomberg, UOB Kay Hian

\*Normalised based on 1HFY25 results

### Soon Hock Enterprise (SHOCK SP/BUY/Target: S\$0.71)

- **Revenue re-phasing to reduce earnings volatility.** We revise our assumptions for Soon Hock Enterprise (SHE) to reflect a more disciplined and less lumpy revenue recognition profile. 2026 revenue is adjusted down by 30% to account for more prudent construction progress and handover assumptions, while 2027 revenue is raised by 63% as deferred recognition is expected to flow through. Consequently, 2026 earnings forecasts are revised down by 36% and 2027 earnings forecasts revised up by 45%.
- **Balance sheet inflection ahead.** We expect SHE to turn net cash by 2027, marking a meaningful de-risking compared with property developer peers that are projected to operate at net gearing of 0.5-1.2x. This strengthens financial flexibility and reduces refinancing risk.
- **Maintain BUY with a raised target price of S\$0.71 (S\$0.65 previously),** pegged to 1.2x 2026F P/B (0.9x previously) after considering its attractive 2026F yield of around 6%, higher ROE and balance sheet strength vs peers.

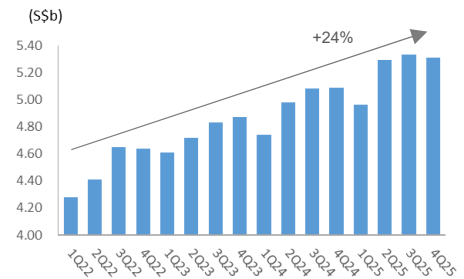
### Tiong Woon Corp (TWC SP/Upgrade To BUY/Target: S\$1.11)

- **Margin recovery lifts earnings by 13-26%.** Tiong Woon Corporation (TWC) is positioned for margin normalisation from FY26 onwards. Gross margins moderated to 38% in FY25, largely due to a higher reliance on cross-hiring of equipment, which increased direct costs amid strong project activity. As project scheduling normalises and fleet utilisation improves, reliance on cross-hiring is expected to ease, supporting a recovery in gross margins to above 40% from FY26 and lifting our FY26-28F earnings by 13%-26%.
- **Upgrade to BUY with a target price of S\$1.11 (S\$0.73 previously),** pegged to 0.75x FY26F P/B (+2SD to long-term mean), up from 0.5SD previously. This translates to 10.9x FY26F PE, in line with peers. Trading at just 9x PE, we believe the re-rating is justified by the margin recovery and sustained project momentum.

### Sector Catalyst/Risk

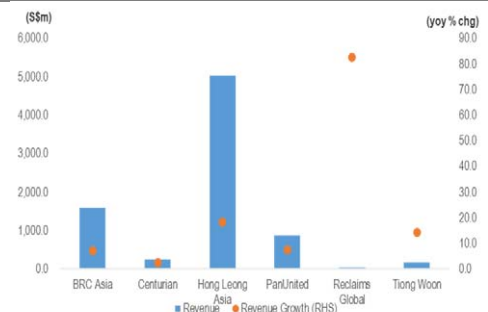
- Labour shortages or tightening foreign worker quotas may increase costs and constrain execution.
- Project execution risk on weather disruptions or site readiness may impact earnings visibility.
- Cost inflation risk may pressure margins.

### GDP from Construction in Singapore By Quarter



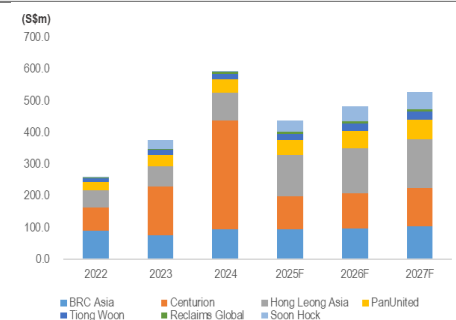
Source: Department Of Statistics Singapore

### Construction Firms' Revenue Growth (2025F)



Source: Respective companies, UOB Kay Hian

### Construction Firms' Earnings Forecasts



Source: Respective companies, UOB Kay Hian

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