

LINCOTRADE & ASSOCIATES HLDS LTD

(LINASC SP / BFT.SI)

Built for scale, booked for growth

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Investment Highlights

- **Record S\$117.2mn order book anchors near-term revenue visibility.** The order book nearly tripled from S\$39.5mn in Jun 2024. Management expects ~60% to be recognised in 2H26 and 30% in FY27; we conservatively assume ~44% in 2H26 to reflect execution and certification risk on a rapidly expanding portfolio. A ~S\$200mn tender pipeline with a 40-50% historical win rate supports order replenishment, underpinned by Lincotrade's BCA L6 grading and growing commercial fit-out track record.
- **Commercial and data-centre mix shift is lifting margins.** Commercial projects represent 89.6% of the order book; 1H26 gross margin expanded 2.8ppt to 15.0% alongside 58.2% YoY revenue growth. Data-centre projects (~23% of backlog) carry higher complexity and typically command better margins, adding a margin-accretive dimension to the commercial mix. We expect continued mix improvement to sustain gross margins within management's 12-15% medium-term target, with upside should data-centre contribution grow.
- **Operating capacity ramp-up in Tuas Factory, enhancing asset backing and recurring income.** Carrying value of ~S\$13.1mn compares with a bank valuation of ~S\$19.0mn (per management). Subject to the receipt of TOP and relevant authority approvals, ~100 dormitory beds are expected to be available for rental at S\$450 per bed per month, implying potential annual rental income of approximately S\$540k.
- **Earnings inflection supports a rising dividend and improving operating leverage.** 1H26 net profit of S\$3.9mn has already exceeded full-year FY25's S\$2.6mn. Fixed-cost absorption should drive further operating leverage as revenue scales toward management's S\$100mn target. Management has committed to a minimum 40% payout for FY26, twice its formal 20% policy floor, with capex moderating after FY26 to support sustained shareholder returns.

Valuation & Action.

We initiate coverage on Lincotrade & Associates with an **OUTPERFORM** rating and a 12-month target price of **S\$0.366**, based on a DCF approach (WACC: 8.26%; terminal growth rate: 2.0%), implying 14.4% upside. A record order book, ongoing mix shift towards higher-margin commercial and data centre-related projects, and a meaningful FCF inflection from FY27 as Tuas-related capex concludes and working capital normalises underpin our positive view.

Risks.

Key downside risks include (i) project execution and revenue recognition delays; (ii) working-capital and cash conversion risk; (iii) fixed-price contract exposure to cost inflation; (iv) subcontractor and foreign-worker availability risk; (v) data-centre execution risk; and (vi) order book replenishment risk.

OUTPERFORM

Last close (S\$)	0.32
12M Target Price (S\$)	0.37
Previous TP (S\$)	N/A
Previous Recommendation	N/A
Upside / (Downside) (%)	14.43
TRADING DATA	
Market Cap (S\$mn)	58.16
Issued Shares (mn)	181.76
3M Avg Daily Vol (mn)	0.09
3M Avg Daily Val (S\$mn)	0.03
Free Float (%)	14.19
MAJOR SHAREHOLDERS (%)	
Soh Loong Chow	25.01
Tan Jit Meng	22.00
Henry Wee	21.90

Financials & Key Operating Statistics

YE Jun (S\$'mn)	2024	2025	2026F	2027F	2028F
Revenue	67.9	73.6	104.5	112.9	120.8
PATMI	2.3	2.6	6.6	6.2	6.4
EPS (S\$ cents)	1.33	1.49	3.62	3.38	3.52
EPS growth (%)	(125.4%)	12.0%	142.8%	(6.5%)	4.1%
DPS (S\$ cents)	0.70	0.66	1.45	1.02	1.06
Div Yield (%)	3.8%	10.5%	4.5%	3.2%	3.3%
Net Profit Margin (%)	3.4%	3.5%	6.3%	5.5%	5.3%
Net Gearing (%)	55.0%	65.4%	38.4%	14.9%	(2.9%)
P/E (x)	13.8x	4.2x	8.8x	9.5x	9.1x
P/B (x)	3.0x	0.9x	3.2x	2.6x	2.1x

*FY26E DPS based on management's committed minimum 40% payout ratio for FY26. FY27-28E DPS assumes a conservative 30% payout in the absence of formal guidance beyond FY26, with reference to management's stated 20% policy floor.

Source: Company data, KGI Research estimates

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Company Background

Established in 1991 and based in Singapore, Lincotrade & Associates Holdings Limited (“Lincotrade” or the “Group”) is an interior fitting-out specialist with more than 30 years of operating history. The Group provides interior fitting-out services, additions and alterations (“A&A”) works and other building construction services and has completed more than 200 projects for customers including major private property developers and construction companies in Singapore. Lincotrade is registered with the BCA under the CR06 Workhead with a L6 grade, allowing it to tender for government jobs with no tender limits, and has operated its own in-house carpentry processing facility since 2006 to support project delivery, quality control and cost management.

Lincotrade's core business remains anchored in Singapore, with revenue generated mainly from commercial, residential and showflat projects. In recent years, the Group has expanded its platform through new subsidiaries in Malaysia and the PRC, while also diversifying into property development through a 30% stake in Linc Venture Land Sdn. Bhd., which is developing The Shang Residence, a 449-unit freehold residential project in Kuchai Lama, Kuala Lumpur with a GDV of RM300mn and targeted completion in 2029. In FY25, the Group reported revenue of S\$73.6mn, up 8.5% YoY, mainly driven by higher commercial revenue and improved gross margins from 11.6% in FY24 to 12.5% in FY25.

Figure 1: Group structure

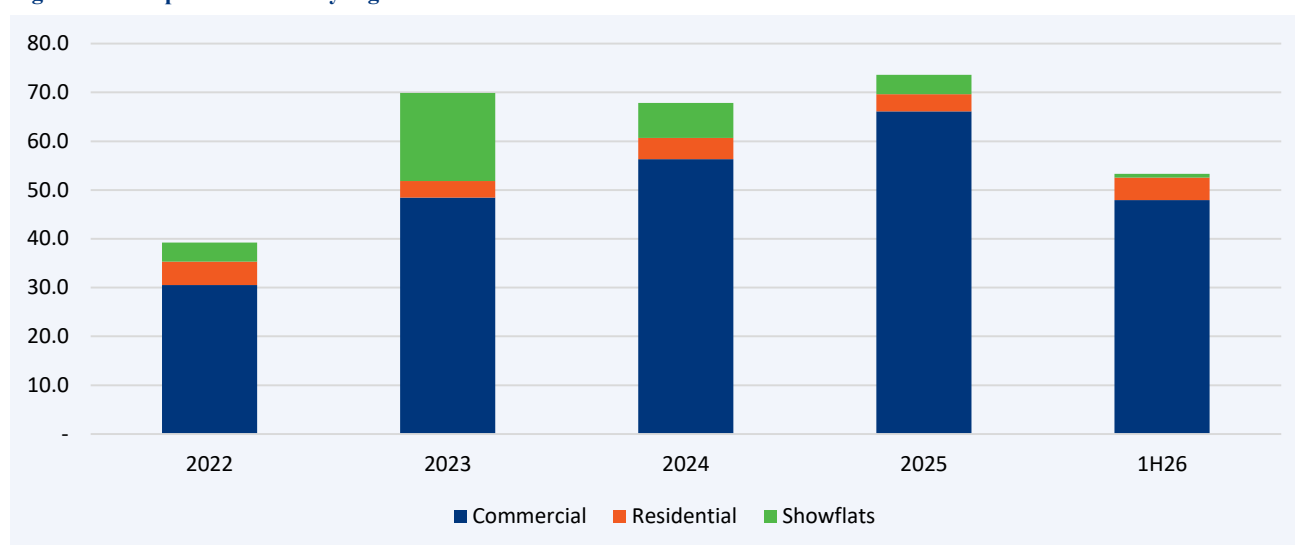
Entity	Domicile	Ownership	Principal Activities
Lincotrade & Associates Pte Ltd	Singapore	100%	Core interior fitting-out and A&A operating subsidiary
Lincotrade & Associates (Malaysia) Sdn. Bhd.	Malaysia	55%	Malaysia fit-out expansion platform
Buenos Interior Solutions Pte. Ltd.	Singapore	60%	Interior solutions-related subsidiary
Lincotrade (Dongguan) Furniture Manufacturing Co., Ltd.	PRC	75%	Carpentry and manufacturing capacity support
Lincotrade Capital Pte. Ltd.	Singapore	100%	Investment holding platform
Linc Venture Land Sdn. Bhd.	Malaysia	30% (assoc)	Property development and investment holding

Source: Company, KGI Research

Business segments

- Commercial — Offices, hotels, F&B establishments and shopping malls.
- Residential — Condominium developments.
- Showflats — Showflats and sales galleries.
- Property development — Share of results from Linc Venture Land Sdn. Bhd. (30% owned subsidiary).

Figure 2: Group revenue mix by segment



Source: Company, KGI Research

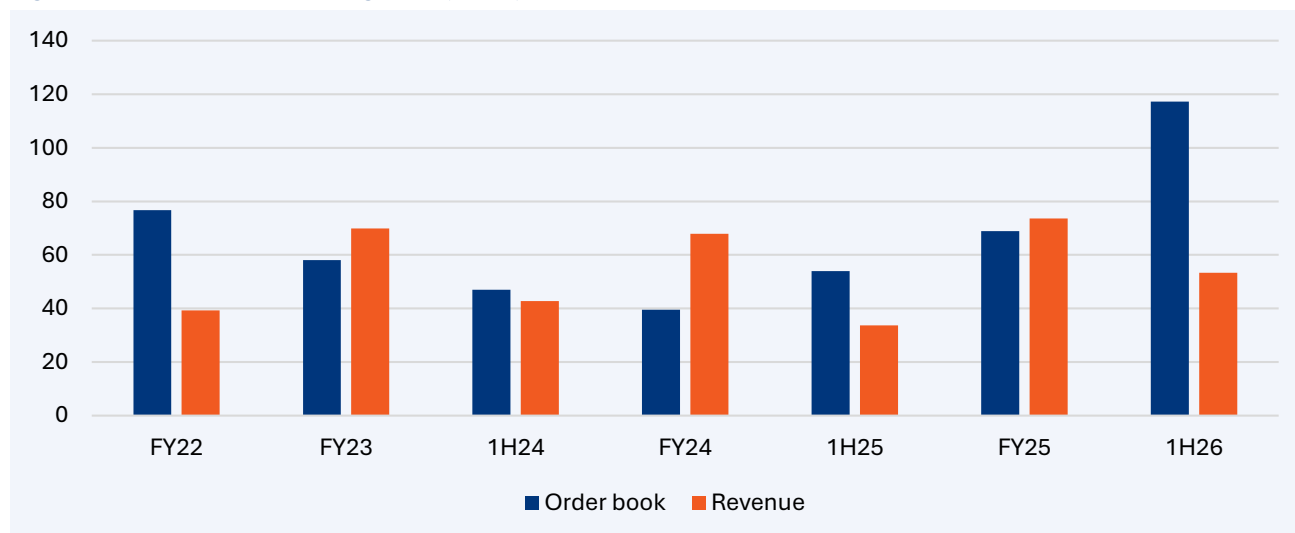
Investment Thesis

Record order book underpins FY26-FY27 revenue visibility

Lincotrade's growth outlook is supported by a sharp expansion in its order book, which reached a record S\$117.2mn as of 31 Dec 2025, up from S\$68.9mn as of 30 Jun 2025 and S\$39.5mn as of 30 Jun 2024. The current order book is expected to be generally fulfilled over the next two years, providing clearer revenue visibility than historical project-based run-rates. Management estimates that approximately 60% of the order book could be recognised in 2H26, 30% in FY27 and the remaining 10% in FY28 onwards. In our forecasts, we adopt a more conservative assumption of approximately 44% order book recognition in 2H26, below management's guidance, to reflect execution and certification risk on a rapidly expanding portfolio, arriving at our FY26E revenue forecast of S\$104.5mn.

Beyond the existing backlog, Lincotrade's tender pipeline provides further order-book replenishment potential. Management disclosed a tender book of approximately S\$200mn and an estimated historical win-rate of 40-50%, while the Group continues to prioritise commercial projects in Singapore. This supports a multi-year growth runway, particularly as Lincotrade leverages its established track record, BCA L6 grading and experience in larger-scale interior fitting-out projects to tender for higher-value contracts.

Figure 3: Orderbook and revenue growth (S\$'mn)



Source: Company, KGI Research

Commercial and data-centre mix shift drives margin expansion

Lincotrade's strategic shift towards commercial projects is improving both revenue scale and margin quality. Commercial projects accounted for 89.6% of the Group's order book as at FY25, and management has indicated that commercial projects generally yield higher margins. This mix shift was evident in 1H26, where commercial revenue rose 66.0% YoY to S\$47.9mn, driving Group revenue up 58.2% YoY to S\$53.3mn. Gross profit almost doubled to S\$8.0mn, while gross margin improved by 2.8ppt to 15.0%, supported by higher-margin commercial projects and effective cost management at the PRC subsidiary.

Data-centre projects introduce a higher-margin, higher-complexity element to the revenue mix. Should the Group sustain its order-book conversion while holding gross margins within the 12-15% medium-term target, operating leverage should become increasingly evident as revenue scales towards the S\$100mn level identified by management. Lincotrade secured a new S\$29.1mn data-centre project in 1H26, targeted for completion in 2026, while management indicated that approximately 23% of the outstanding order book relates to data-centre projects. These projects generally command better margins due to higher complexity, with management indicating a premium above standard commercial projects, providing a margin-accretive opportunity as Lincotrade deepens its execution track record in this segment.

Tuas Factory strengthens capacity, cost control and asset backing

The Tuas Factory enhances Lincotrade's operating platform as the Group scales into larger commercial and data-centre projects. Located at 5 Tuas Avenue 12, the facility has a land area of approximately 6,498.50 sqm and gross floor area of approximately 5,490.41 sqm, including a 204-bed ancillary workers' dormitory. The facility supports the Group's operational requirements and future growth needs, while also providing better control over worker accommodation, production capacity and project execution.

The Tuas Factory also provides asset-backed value and the potential for modest recurring rental income. The Group is currently awaiting TOP approval from the relevant authorities, following completion of the additions and alterations works. Subject to receipt of TOP and relevant authority approvals, management expects to rent out around 100 of the 204 dormitory beds at S\$450 per bed per month, implying potential annual rental income of approximately S\$540k. The asset provides embedded balance-sheet value, with the Tuas Factory carried at approximately S\$13.1mn, against a bank valuation of approximately S\$19.0mn per management.

Profit inflection supports shareholder returns while funding growth

Lincotrade has reached a profit inflection point, with 1H26 net profit attributable to owners of S\$3.9mn already surpassing FY25's full-year net profit of S\$2.6mn. This earnings acceleration reflects stronger revenue recognition, higher gross margins and a more favourable commercial project mix. If the Group continues converting its order book into revenue while maintaining gross margins within management's 12-15% medium-term target range, operating leverage could become more visible as revenue scales towards the S\$100mn level identified by management.

Shareholder returns are also becoming more prominent. Lincotrade declared a 0.88 Singapore cent interim dividend for 1H26, representing an approximately 41% payout ratio, and management has committed to a minimum 40% payout for FY26, above its formal dividend policy of at least 20%. While future dividends should still be assessed against working-capital needs, capex and investment opportunities, the stronger earnings base and expected moderation in Tuas-related capex after FY26 provide a more supportive backdrop for balancing growth and shareholder returns.

Valuation & Peer Comparison

We value Lincotrade at a fair value of **S\$0.366/share**, implying 14.4% upside from the current share price of S\$0.320. Our valuation is based on a DCF approach (WACC: 8.26%; terminal growth rate: 2.0%), supported by stronger earnings visibility from its record order book, continued mix shift towards higher-margin commercial and data centre-related work, and improving operating leverage as revenue scales. FY26 free cash flow is expected to be S\$0.7mn, as a working capital build driven by order book ramp-up (S\$3.7mn outflow) and Tuas-related capex (S\$3.6mn) absorb most of the operating cash generation. FCF inflects sharply to S\$6.0mn in FY27 as capex normalises to maintenance levels and project collections improve, before rising to S\$6.6mn in FY28 and S\$9.2mn in FY29 as the order book converts and margin recovery takes hold. At the current share price, we believe the market undervalues Lincotrade's step-change in order book visibility, FY27 earnings inflection and improving free cash flow profile.

Valuation methodology

- Discount rate: We apply a WACC of 8.26%, based on a cost of equity of 9.7% and an after-tax cost of debt of 4.2%.
- Terminal value: We apply a 2.0% terminal growth rate to capture cash flows beyond FY30.
- Equity value bridge: Discounting projected free cash flows and terminal value gives an enterprise value of S\$74.9mn. After deducting debt of S\$20.8mn and adding cash of S\$12.6mn, we arrive at an equity value of S\$66.7mn.
- Fair value: Based on 182.0mn diluted shares outstanding, our valuation implies a fair value of S\$0.366/share, representing 14.4% upside from the current share price of S\$0.320.

Figure 4: DCF Valuation

DCF VALUATION <i>All amounts in S\$'000 unless otherwise stated</i> <i>Year ended 30 June</i>	<i>Projected</i>				
	FY2026	FY2027	FY2028	FY2029	FY2030
EBIT	8,364	7,880	8,371	8,730	8,820
Tax rate	17.0%	17.0%	17.0%	17.0%	17.0%
EBIT (1-T)	6,942	6,541	6,948	7,246	7,321
(+) D&A	1,083	1,334	1,211	1,100	1,000
(-) Change in NWC	(3,721)	(1,781)	(1,495)	983	(3,766)
(-) Capex	(3,600)	(100)	(100)	(100)	(100)
Free Cash Flow	703	5,994	6,563	9,229	4,455
Free Cash Flow to Firm	703	5,994	6,563	9,229	4,455
Terminal Value					72,624
Total FCFF to be Discounted	703	5,994	6,563	9,229	77,079
PV of Free Cash Flow	700	5,514	5,576	7,243	55,875
Enterprise Value	74,908				
(-) Debt	20,824				
(+) Cash	12,572				
Equity Value	66,656				
Diluted Shares Outstanding ('000)	182,028				
Fair Value / Share (S\$)	0.366				
Current Share Price (S\$)	0.320				
Upside / (Downside)	14.4%				

Source: KGI Research

Peer comparison

Lincotrade trades at 9.3x TTM P/E, representing a discount to the peer average of 13.6x, while offering a significantly higher dividend yield compared to the peer average of 1.2%. We view part of this discount as justified by Lincotrade's smaller market capitalisation of S\$58.2mn, higher net gearing of 65.9%, and gross margin of 12.5% and net margin of 3.5%, both below the peer averages of 18.9% and 6.9%, respectively. However, the valuation discount appears attractive given Lincotrade's stronger revenue growth of 8.5%, above the peer average, as well as its record order book and improving exposure to higher-margin commercial and data centre-related projects. Against this backdrop, we believe the current

valuation does not fully reflect the Group's improved earnings visibility, dividend profile and potential margin recovery as project mix improves and operating scale increases.

Figure 5: Peer comparison

Ticker	Company	Last Price	Mkt Cap (\$m)	Div Yield (%)	Net Gearing (%)	P/E Current	Rev Growth (%)	Gross Margin (%)	Net Margin (%)
LINASC SP	LINCOTRADE & ASSOCIATES HOLD	SGD 0.32	58.2	10.5	65.9	9.3	8.5	12.5	3.5
LUCC SP	LUM CHANG CREATIONS LTD	SGD 0.83	261.5	-	-110.9	18.0	92.5	19.7	11.4
TSNG SP	TIONG SENG HOLDINGS LTD	SGD 0.088	40.6	0.0	172.7	N/A	-43.9	-0.4	-11.1
HKC SP	HOR KEW CORP LTD	SGD 1.11	57.8	1.2	61.7	6.3	-16.2	35.8	18.5
ATTIKA SP	ATTIKA GROUP LTD	SGD 0.405	54.6	2.5	62.3	16.4	-32.4	20.5	8.9
—	Peer Average	-	103.6	1.2	46.5	13.6	0.0	18.9	6.9

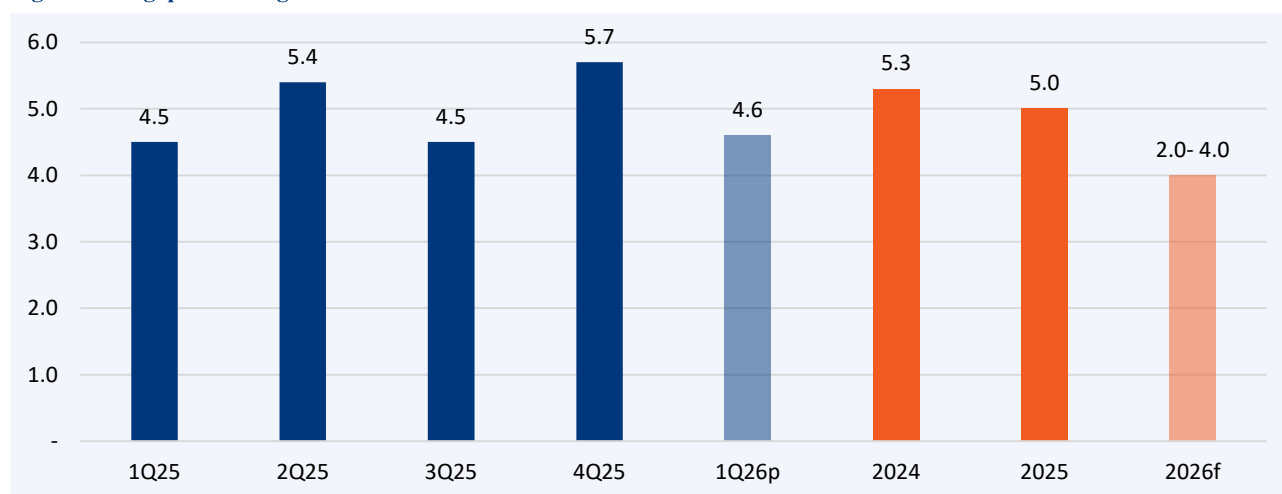
Source: Bloomberg consensus, KGI Research

Macroeconomic Outlook

Singapore growth outlook remains supportive for construction and fit-out demand

Singapore's macro backdrop remains broadly supportive for Lincotrade's core market. According to MTI, Singapore's economy expanded by 5.0% in 2025, exceeding both the advance estimate of 4.8% and MTI's official full-year forecast of "around 4.0%". For 2026, MTI has upgraded its GDP growth forecast from 1.0-3.0% to 2.0-4.0%, reflecting an improved near-term outlook. A firmer macro environment supports corporate confidence, commercial refurbishment, infrastructure investment and private-sector construction activity, although global economic risks and geopolitical uncertainty remain potential headwinds.

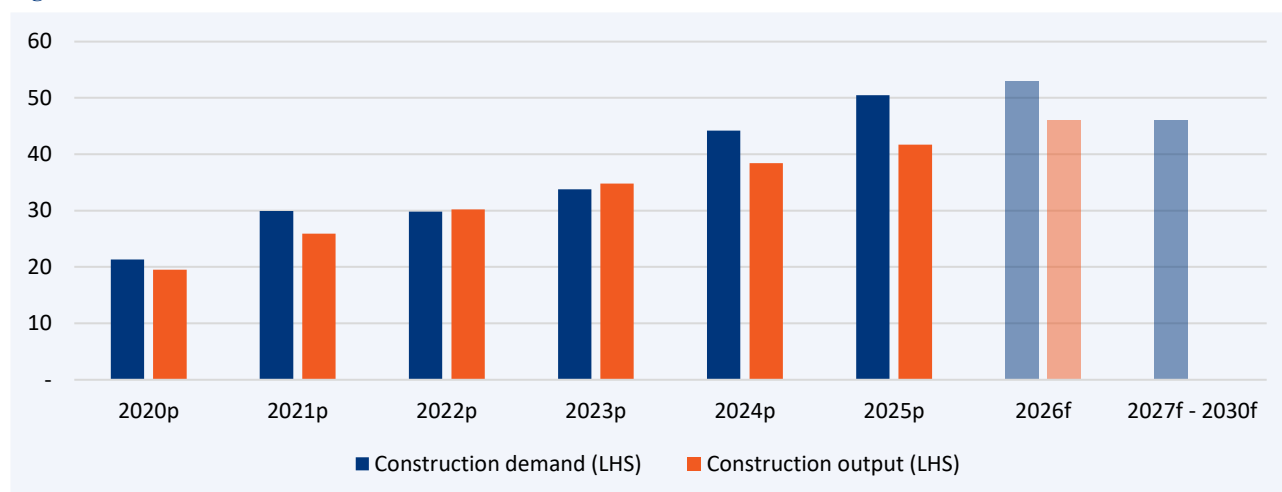
Figure 6: Singapore GDP growth and forecast



Source: MTI Singapore, KGI Research

Construction demand remains elevated through 2026 and into the medium term

According to BCA, Singapore's total construction demand is expected to remain steady at S\$47-53bn in 2026, broadly in line with preliminary actual demand of S\$50.5bn in 2025. Demand is supported by major projects including Changi Terminal 5, the Marina Bay Sands Integrated Resort expansion, the New Tengah General & Community Hospital, the Downtown Line 2 Extension and the Thomson-East Coast Line Extension. Over 2027-2030, BCA projects construction demand to average S\$39-46bn per year, underpinned by Changi T5, HDB Build-To-Order construction and large institutional developments including the NUH redevelopment at Kent Ridge, various junior colleges and the new SUSS City Campus. BCA has nonetheless cautioned that Changi T5 is a one-off project and that industry demand could moderate toward pre-pandemic levels following its completion in the mid-2030s, which is a longer-horizon consideration rather than a near-term concern for Lincotrade.

Figure 7: BCA demand forecast


Source: BCA Singapore, KGI Research

Construction output should remain healthy, supporting certified progress payments

BCA projects total construction output to rise to S\$43-46bn in 2026, compared with a preliminary estimate of approximately S\$41.7bn in 2025. This is particularly relevant for contractors such as Lincotrade, as construction output reflects the value of certified progress payments and therefore links more directly to revenue recognition, billing and cash conversion across ongoing projects. A high level of contract awards since 2023 should continue translating into site activity, progress claims and fit-out opportunities over the next 12-24 months.

Government policy is actively reducing manpower and productivity constraints

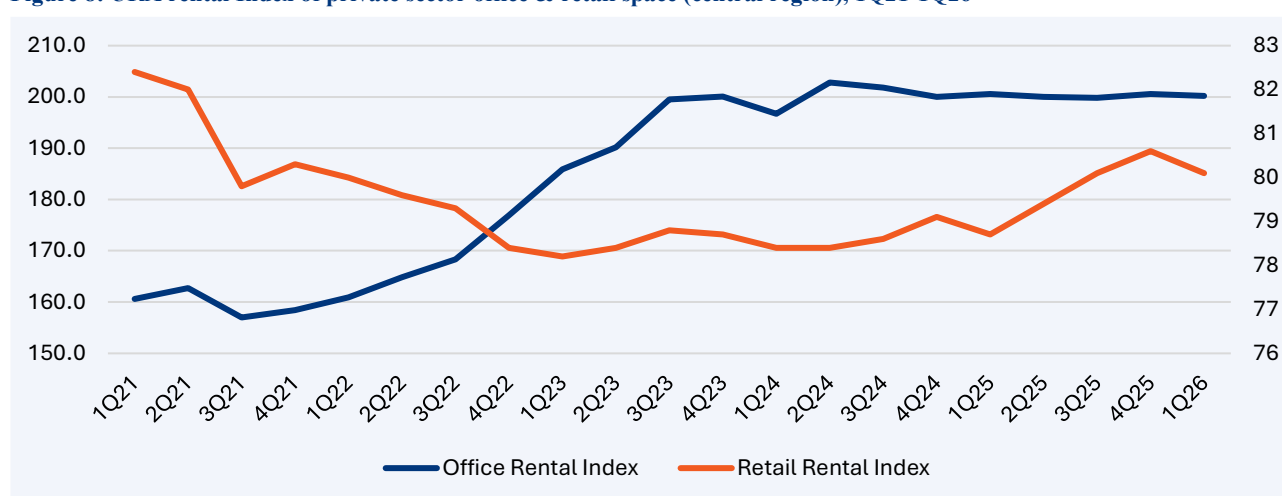
From January 2027, BCA has announced that construction firms will no longer be required to put new foreign workers from China and Thailand through mandatory overseas skills testing before entry into Singapore, with the change extended to all source countries from January 2028. BCA estimates this will cut hiring timelines for new work-permit holders from approximately four months to around one month, representing a material improvement in scheduling flexibility for contractors facing tight project timelines. Separately, a new tranche of the Productivity Solutions Grant took effect from April 2026, providing small and medium-sized enterprises with up to 50% of the costs of adopting digital solutions, construction robots and contract management tools. For Lincotrade, faster workforce mobilisation and access to productivity tools can support project delivery and cost management as the business scales.

Industry Outlook

Commercial fit-out remains supported by office, retail and hospitality activity

Singapore's commercial property market presents a stable but mixed backdrop heading into 2026. According to URA's 1Q26 real estate statistics, office rents declined 0.2% QoQ in 1Q26, reversing a 0.4% increase in 4Q25, while the island-wide office vacancy rate edged further down to 10.8%. Retail rents also softened, declining 0.6% QoQ in 1Q26 after rising 0.6% in the prior quarter, though island-wide retail vacancy held steady at 6.3%. While near-term rental momentum has cooled, underlying occupancy trends remain relatively firm. Landlords and tenants continuing to invest in the quality of commercial spaces, alongside a broader flight-to-quality trend as occupiers upgrade to or within Grade A office buildings, should sustain recurring refurbishment, repositioning and fit-out demand for contractors with Lincotrade's commercial capabilities.

Figure 8: URA rental Index of private sector office & retail space (central region), 1Q21-1Q26



Source: Urban Redevelopment Authority (URA), KGI Research

Tourism and hospitality infrastructure support a longer-term fit-out pipeline

Singapore's tourism sector delivered a record performance in 2025, with 16.9 million international visitor arrivals and tourism receipts of S\$32.8bn, the highest on record, according to STB. For 2026, STB projects receipts of S\$31.0-32.5bn and arrivals of 17-18 million, reflecting a measured outlook given Middle East-related headwinds and their knock-on effects on consumer spending and travel patterns. Lincotrade's exposure to hotels, malls and food and beverage establishments positions it as a downstream beneficiary of refurbishment cycles and asset-enhancement initiatives linked to tourism and consumer footfall.

Looking further ahead, a significant pipeline of new hospitality and leisure infrastructure is taking shape. A purpose-built Singapore Cruise Centre is scheduled to open at HarbourFront in July 2026. The Greater Sentosa master plan will develop Sentosa and Pulau Brani into a world-class tourism destination over the next two decades, with Pulau Brani alone spanning 120 hectares of new hotels, attractions and mixed-use development. A new MICE hub at Straits View near Marina Bay is also being planned, with a Request for Proposal expected to be called in 2027. These projects collectively represent a multi-year construction and fit-out pipeline, with potential downstream benefit for commercial fit-out contractors.

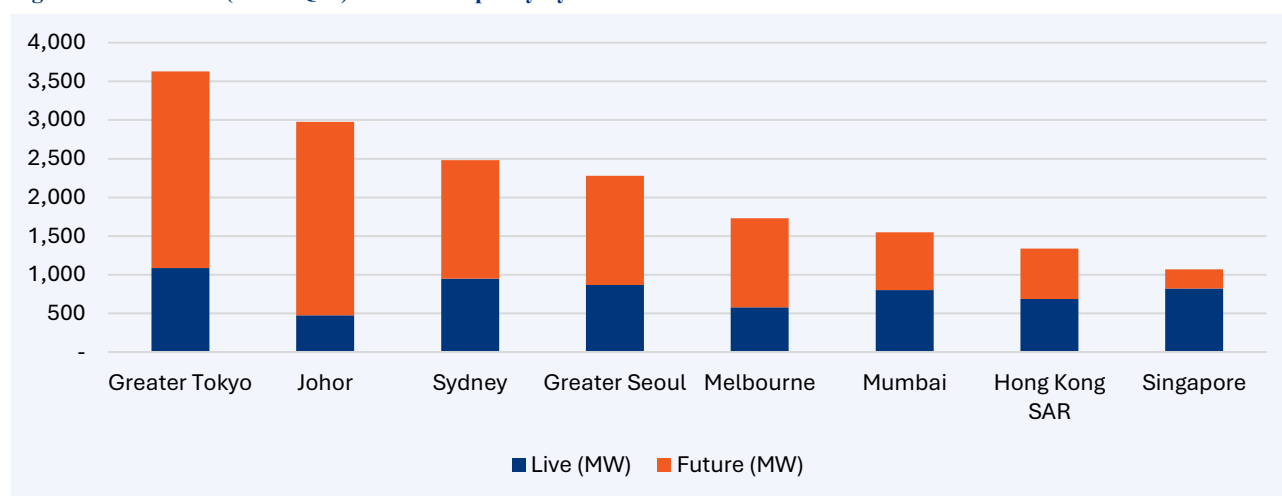
Data-centre demand creates a specialised fit-out and retrofit growth segment

Singapore's data-centre market is operating under acute capacity constraints. According to CBRE's 2026 Asia Pacific Data Centre Trends and Outlook report, Singapore's live data centre base stood at approximately 821MW as at 1Q26, with occupancy above 95%. The upcoming supply pipeline stands at only 247.5MW, a mismatch CBRE expects to persist given long development lead times, geographic constraints that limit new builds largely to Jurong Island, and power availability remaining the principal bottleneck. Rents are expected to trend stable to slightly upward through 2026. IMDA's Green Data

Centre Roadmap targets at least 300MW of additional capacity through energy efficiency and green energy deployments, while JTC has set aside approximately 20 hectares on Jurong Island for the country's largest low-carbon data centre park, with potential capacity of up to 700MW, providing a longer-term supply pathway.

Beyond new builds, CBRE flags the AI-readiness of existing stock as a growing industry concern, with many legacy facilities not designed for current AI workloads. This is creating demand for facility refresh, retrofit, energy optimisation and sustainability-led upgrades, work that falls squarely within the fit-out scope. For Lincotrade, this retrofit pipeline is a meaningful opportunity that complements its core commercial capabilities and could provide a durable stream of data-centre-related work even as greenfield supply remains constrained. CBRE also rates Singapore as the most constrained data centre market in the Asia-Pacific region across all four development bottleneck categories (power, construction costs, skilled labour and environmental risk), which reinforces the premium placed on execution-capable contractors with proven sector experience.

Figure 9: CBRE live (as of 1Q26) vs future capacity by market



Source: CBRE Research (2026 Asia Pacific Data Centre Trends & Outlook), KGI Research

Residential and showflat work remains project-timing sensitive

Residential and showflat projects provide diversification for Lincotrade, but revenue contribution can be lumpy due to project timing and market competition. Developer activity was strong in 2025, with URA data showing 11,482 uncompleted private residential units launched and 10,815 units sold, both materially higher than 2024. Looking ahead, URA's 1Q26 pipeline data shows approximately 55,800 private housing units expected to be completed in the coming years, comprising around 27,300 units by 2028 and approximately 28,500 from 2029 onwards.

The near-term supply pipeline is substantial. The 1H26 Government Land Sales Confirmed List comprises approximately 4,575 residential units, around 50% above the average half-yearly Confirmed List supply over the past decade. HDB is also ramping up, targeting approximately 19,600 BTO flats in 2026 as part of a 2025-2027 commitment of 55,000 flats, which National Development Minister Chee Hong Tat indicated in May 2026 is likely to be exceeded given strong demand.

Looking further out, the Government's second-round Home Improvement Programme (known as HIP II) represents a new and distinct long-term demand driver. When HDB flats reach their 60-70 year mark, they will undergo a more extensive round of structural and technology-enabled upgrades than the first-round HIP. Given the age profile of Singapore's HDB stock, this programme will progressively create a recurring institutional refurbishment pipeline over coming decades. Lincotrade's own results nonetheless show that showflat revenue can decline sharply when larger projects are completed or competition intensifies, and near-term residential contribution should be treated as supplementary rather than structural to the earnings outlook.

Figure 10: Selected data centre project pipeline — Singapore and Malaysia

Market	Developer / Operator	Project / Location	Scale	Status
Singapore	DayOne	SG1, Singapore	20MW; ~40,000 sqm GFA	Groundbreaking Jul 2025; Phase 1 RFS 2026
Singapore	AirTrunk	SGP2, Loyang	70+MW	S\$2.25bn green loan secured Aug 2025; Singapore's largest-ever DC green loan
Singapore	Digital Realty	New DC developments, Singapore	>S\$4.3bn new investment; total commitment ~S\$7bn	Announced Apr 2026; AI-driven expansion of Singapore platform
Singapore	JTC / EDB	Jurong Island low-carbon DC park	Up to 700MW; ~20ha	Announced Oct 2025; supports medium-term Singapore DC capacity growth
Singapore	Keppel	Floating DC, 25 Loyang Crescent	25MW; 19.2MW waterborne module + shoreside; seawater-cooled	Construction underway; go live 2028; hyperscale customer secured; held in Keppel DC Fund II
Malaysia	Empyrion Digital	MY1, Nusajaya / SiLC, Johor	200+MW; five 40MW buildings	Earliest energisation Sep 2026; Phase 1 RFS Q4 2026
Malaysia	AirTrunk	JHB3 & JHB4, Iskandar Puteri, Johor	>280MW combined; MYR12bn	Announced Apr 2026; cements Johor as regional hyperscale
Malaysia	Equinix	Fourth Malaysia DC, Kuala Lumpur	>US\$190mn investment	Announced May 2026; expands Malaysia enterprise and colocation capacity
Malaysia	Racks Central	RCJM1, Iskandar Halal Park, Johor Bahru	90MW Phase 1; RCJM 2A & 2B each 175MW planned	Groundbreaking 2026; land for larger campuses acquired Mar 2026
Malaysia	Digital Halo	JHB1, Nusa Cemerlang Industrial Park, Johor	20MW Phase 1; >120MW full build-out	Topped out 2026; operational Q4 2026; fully leased to single hyperscale customer
Malaysia	AIMS Data Centre	New DC, Cyberjaya	Up to 200MW; ~US\$1.01bn / RM4bn investment	Land deal closed Feb 2026; AI-ready hyperscale; completion targeted 2027

Source: Company announcements, JTC Corporation / EDB, Data Center Dynamics, Digital News Asia, The Edge Malaysia, KGI Research

Malaysia provides optionality, particularly in data centres, but remains early-stage

Malaysia offers medium-term optionality for Lincotrade, particularly in data-centre-related work. According to MIDA, its DESAC scheme approved RM144.4bn in data-centre and cloud-computing investments between 2021 and mid-2025, supported by national digital blueprints including MyDIGITAL and the New Industrial Master Plan 2030. MDEC separately reported that approved digital investments from Singapore alone in 2025 amounted to RM25.18bn across data centres, AI development, mobility and blockchain infrastructure.

On the ground, CBRE's 2026 Asia Pacific report identifies Johor as the fastest-growing data centre market in the region, with live capacity expanding 53% YoY in 2025. The scale of committed investment is substantial. In April 2026, AirTrunk announced a MYR12bn investment to develop two new hyperscale campuses (JHB3 and JHB4) in Iskandar Puteri, adding 280MW of IT load and bringing its total Malaysia platform to over 700MW. Equinix is investing over USD190mn in its fourth Malaysia data centre in Kuala Lumpur, and Australia's NextDC launched its first overseas facility, KL1 (a 65MW Tier IV campus), in Kuala Lumpur in May 2026.

MIDA is actively driving localisation through structured vendor development programmes under DESAC, connecting international data centre operators with regional suppliers across precision cooling, power infrastructure and engineering services. This provides a potential channel for Singapore-based contractors with established track records to participate in Malaysia's data centre supply chain beyond direct project tendering.

The Johor-Singapore Special Economic Zone adds a further structural demand driver, with Iskandar Puteri, where AirTrunk's campuses are located, sitting within the SEZ's investment footprint. The zone has a stated ambition of generating RM260bn in GDP for Johor by 2030 and creating over 20,000 high-skilled jobs. Investors should note, however, that the JS-SEZ master plan and investment blueprint, originally scheduled for March 2026, was postponed for further inter-agency refinement, with a revised H1 2026 target. The regulatory framework underpinning the zone is therefore still being finalised, introducing some implementation uncertainty at the margin.

Lincotrade's Malaysia order book remains minimal for now, with management still in the tendering phase for higher-value data-centre projects, and the market drawing intense competition from both local and regional contractors. Malaysia should therefore be treated as meaningful upside optionality rather than a near-term earnings driver. The investment pipeline is real and growing, but conversion to recognised revenue remains a 2027 and beyond story.

Figure 11: Asia Pacific live and future data centre capacity

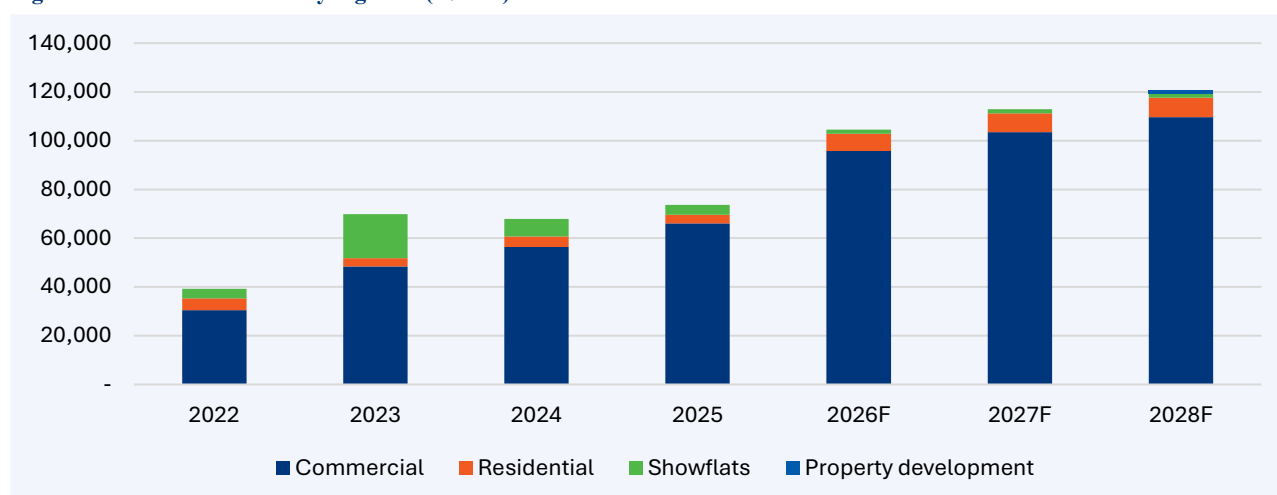

Source: CBRE Research (2026 Asia Pacific Data Centre Trends & Outlook)

Company Outlook

FY26 revenue likely to step up, but recognition depends on project progress

Lincotrade's 1H26 revenue of S\$53.3mn already represents 72.4% of FY25 revenue of S\$73.6mn, reflecting a significant acceleration in project execution. Management has indicated that approximately 60% of the S\$117.2mn order book could be recognised in 2H26, implying approximately S\$70mn of revenue recognition from existing order book alone in that period. Adding 1H26 actuals, this points to a materially stronger FY26 revenue base relative to FY25, subject to execution, certifications and billing timing. Simply annualising 1H26 revenue may therefore understate the near-term opportunity if order-book conversion guidance is achieved, although project-based revenue remains inherently uneven. The residual order book after 2H26 recognition (approximately 40% of S\$117.2mn, or roughly S\$47mn) provides a partial base for FY27 before new contract wins are considered, suggesting that visibility extends meaningfully into the next financial year. In our forecasts, we adopt a more conservative assumption of approximately 44% order book recognition in 2H26, below management's ~60% guidance, arriving at our FY26E revenue estimate of S\$104.5mn.

Figure 12: Revenue forecast by segment (S\$'000)



Source: Company, KGI Research

Commercial segment remains the key growth engine

The commercial segment is expected to remain the core earnings driver. Management intends to continue concentrating on commercial projects over the medium term, with data-centre work accounting for approximately 23% of the current order book. This mix is important because commercial projects generally yield higher margins and larger contract values, improving revenue visibility and scalability. In 1H26, commercial revenue contributed S\$47.9mn, representing close to 90% of Group revenue, underscoring Lincotrade's growth profile as firmly commercial-led. Beyond the visible December 2025 order book, our FY27 and FY28 revenue forecasts assume continued order book replenishment, supported by management's indicated tender pipeline of approximately S\$200mn and a historical win rate of 40-50%; failure to convert new tenders at a sufficient rate would represent a key downside risk to outer-year estimates.

Margin trajectory should improve with scale, but project mix remains the swing factor

Gross margins are expected to remain project-mix dependent. Management's medium-term target of 12-15% gross margin appears reasonable against FY25's 12.5% and 1H26's 15.0%. Operating leverage should become more visible as revenue scales toward approximately S\$100mn, as fixed overheads are spread across a larger project base. The key constraint is that subcontractor costs account for approximately 70% of cost of sales and most projects are fixed-price, making cost discipline and accurate contract pricing critical to sustaining margin improvement.

Working-capital and liquidity considerations

Working capital is a key area to monitor as Lincotrade scales. Contract assets rose to S\$21.4mn as at 31 December 2025 from S\$7.4mn as at 30 June 2025, driven by costs incurred on ongoing projects ahead of customer billings. Management expects approximately 80-90% of these contract assets to convert into billings by 30 June 2026, with supplier and subcontractor payment terms typically ranging from 60-90 days. Cash conversion should improve if certification and billing proceed as guided in 2H26, but large project ramps can create near-term funding needs. Investors should watch the contract asset balance in the 2H26 results closely, as a failure to convert the guided 80-90% into billings would be an early signal of execution or certification delays. It should also be noted that the Group's cash and cash equivalents balance includes fixed deposits pledged for bank facilities, which are not freely available for operational deployment; freely available cash is therefore lower than the headline balance sheet position suggests. Separately, Lincotrade's Term Loan B gearing covenant was breached in FY25, though the lender granted a waiver; investors should monitor gearing levels as the business scales to ensure headroom against facility covenants is maintained.

Capex should moderate after Tuas Factory completion

Capital expenditure should decline following the completion of the Tuas Factory A&A works. Management estimates FY26 growth capex at approximately S\$3.5mn, primarily for the Tuas Factory A&A, while maintenance capex is expected to be less than S\$100,000 per year. No material capex is anticipated for FY27-FY30 for current operations. This supports free cash flow recovery after the FY26 investment phase, provided working capital normalises and project collections proceed as expected.

Linc Venture's KL project likely to contribute from FY27 onwards

Linc Venture Land Sdn. Bhd., in which Lincotrade holds a 30% stake, has made meaningful progress on its maiden KL development. The Shang Residence, a 449-unit freehold residential project in Kuchai Lama with a gross development value of RM300mn, held a soft launch on 28 February 2026, with the show unit now open for viewing and the official launch targeted for July 2026. Construction is expected to complete by 2029. While the project's progression is an encouraging sign, associate profit recognition is unlikely to be material before FY27 at the earliest, given the development timeline. Any future share of profits, dividends or capital appreciation from Linc Venture would represent incremental upside to our forecasts, though property development carries a longer gestation period and requires careful capital management through the construction phase.

Key Risks

Project execution and revenue recognition risk

Lincotrade's revenue is recognised based on project progress and certification of completed works, meaning reported earnings are directly tied to on-site execution and third-party approval processes. Delays in site handover, design approvals, progress claim certification or regulatory clearances can defer revenue recognition and push billings into subsequent periods. Disputed variation orders or withheld interim certificates introduce further uncertainty, and failure to maintain execution discipline across a growing portfolio of concurrent projects could result in deferred revenue and weaker cash conversion.

Working-capital and cash conversion risk

Revenue recognition is driven by project progress while cash collection depends on billing certification, retention sums and client payment cycles. Contract assets rose significantly in 1H26, and any delay in certification or collection could weaken operating cash flow even when reported earnings remain healthy. Lincotrade's Term Loan B gearing covenant was breached in FY25 and a lender waiver was obtained; gearing headroom should be monitored as the business scales.

Fixed-price contract and cost inflation risk

The majority of Lincotrade's projects are awarded on a fixed-price basis, which provides revenue certainty but transfers cost-escalation risk to the Group. Any increase in subcontractor rates, labour costs, material prices or foreign-worker levies beyond budgeted levels would compress project margins directly, and price-fluctuation clauses in certain contracts may not fully offset broader cost inflation on longer or more complex projects.

Subcontractor and labour availability risk

Subcontractors account for a significant share of Lincotrade's cost base and are integral to project delivery; any shortage, rate escalation or failure by subcontractors to meet programme requirements could affect timelines, increase costs and expose the Group to client claims. The Group is also subject to Singapore's foreign-worker regulatory framework, including Dependency Ratio Ceilings and Man-Year Entitlements, and any tightening of these policies or increase in levies could raise operating costs and limit workforce deployment at budgeted rates.

Data-centre execution risk

Data-centre projects differ meaningfully from standard commercial fit-out work in terms of complexity, execution pace and client expectations, with hyperscaler and colocation clients typically imposing strict programme deadlines and meaningful liquidated damages provisions. The need to coordinate multiple specialist MEP and IT-infrastructure subcontractors across compressed timelines increases interface risk, and execution missteps could result in financial penalties, margin erosion and reputational damage with clients that have non-negotiable delivery standards.

Order book replenishment risk

Lincotrade's current order book provides strong near-term revenue visibility, but sustaining growth over the medium term requires continuous conversion of new tenders into awarded contracts in a competitive bidding environment. A slowdown in new project wins could create revenue gaps as existing projects complete, while winning contracts at overly competitive prices to maintain backlog size would protect revenue visibility but risk diluting earnings quality and margins.

Customer concentration risk

Lincotrade's revenue is concentrated among a small number of customers, with the top customer accounting for 21.6% of FY25 revenue (S\$15.9mn) and the top three customers combined representing 43.6% (S\$32.1mn), based on AR25 disclosures. While concentration has improved materially from FY24 levels, when the top three accounted for 68.2% of revenue, the loss of or significant reduction in work from a key customer could create a material revenue gap that may not be immediately replaceable given the project-based nature of the business.

Financial Summary

INCOME STATEMENT (S\$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	67,862	73,643	104,528	112,920	120,802
Cost of sales	(59,986)	(64,408)	(90,292)	(97,530)	(104,277)
Gross profit	7,876	9,235	14,236	15,389	16,525
Selling & distribution	-	-	-	-	-
Administrative expenses	(3,262)	(3,652)	(4,181)	(4,743)	(5,194)
Other operating expenses	(966)	(1,274)	(609)	(1,432)	(1,749)
EBITDA	3,648	4,309	9,446	9,214	9,581
Depreciation & amortisation	(893)	(1,148)	(1,083)	(1,334)	(1,211)
Operating profit (EBIT)	2,755	3,161	8,364	7,880	8,371
Net finance income / (cost)	74	(155)	(268)	(308)	(488)
Other gains / (losses)	-	-	-	-	-
Profit before tax	2,829	3,006	8,096	7,572	7,883
Tax expense	(566)	(386)	(1,376)	(1,287)	(1,340)
Minority interests	30	(63)	(134)	(126)	(131)
Net profit (PATMI)	2,293	2,557	6,585	6,159	6,412
EPS (S\$ cents)	1.33	1.49	3.62	3.38	3.52
DPS (S\$ cents)	0.70	0.66	1.45	1.02	1.06

CASHFLOW STATEMENT (S\$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before tax	2,829	3,006	8,096	7,572	7,883
Depreciation & amortisation	893	1,148	1,083	1,334	1,211
Working capital changes	2,436	(3,198)	(3,721)	(1,781)	(1,495)
Tax paid	(567)	(469)	(352)	(1,394)	(1,277)
Other operating items	(77)	264	106	50	105
Operating cash flow	5,514	751	5,211	5,781	6,427
Capex	(10,332)	(1,149)	(3,600)	(100)	(100)
Acquisitions / disposals	2	(1,303)	-	-	-
Other investing items	189	145	126	127	155
Investing cash flow	(10,141)	(2,307)	(3,474)	27	55
Net debt drawdown / (repayment)	4,985	3,508	(918)	(918)	(918)
Dividends paid	(654)	(550)	(2,634)	(1,848)	(1,924)
Equity issuance / (buyback)	143	33	2,107	-	-
Other financing items	(1,254)	(936)	(387)	(404)	(476)
Financing cash flow	3,220	2,055	(1,833)	(3,170)	(3,318)
Net change in cash	(1,407)	499	(96)	2,639	3,164
Beginning cash	9,116	7,709	8,208	8,112	10,751
Ending cash	7,709	8,208	8,112	10,751	13,915

BALANCE SHEET (S\$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash & equivalents	11,527	12,572	12,676	15,515	18,879
Trade receivables	9,332	12,364	15,035	15,159	15,059
Inventories	156	612	989	1,069	1,143
Other current assets	3,286	9,303	12,636	14,579	16,259
Current assets	24,301	34,851	41,337	46,322	51,339
Property, plant & equipment	10,852	10,825	13,343	12,108	10,997
Intangibles & goodwill	-	-	-	-	-
Other non-current assets	4,652	6,302	7,633	7,686	7,643
Non-current assets	15,504	17,127	20,975	19,794	18,640
Total assets	39,805	51,978	62,312	66,116	69,979
Trade payables	11,088	17,824	21,027	21,377	21,427
Short-term borrowings	10,338	14,584	13,934	13,292	12,649
Other current liabilities	786	659	2,533	2,481	2,601
Current liabilities	22,212	33,067	37,494	37,149	36,677
Long-term borrowings	6,978	6,240	5,972	5,696	5,421
Other non-current liabilities	98	52	35	22	14
Non-current liabilities	7,076	6,292	6,007	5,718	5,435
Total liabilities	29,288	39,359	43,501	42,867	42,112
Shareholders' equity	10,404	12,410	18,468	22,779	27,268
Minority interests	113	209	343	469	600
Total equity	10,517	12,619	18,811	23,248	27,868

KEY RATIOS & VALUATION	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue growth (%)	(2.9%)	8.5%	41.9%	8.0%	7.0%
Gross margin (%)	11.6%	12.5%	13.6%	13.6%	13.7%
EBITDA margin (%)	5.4%	5.9%	9.0%	8.2%	7.9%
Net profit margin (%)	3.4%	3.5%	6.3%	5.5%	5.3%
ROE (%)	23.9%	22.4%	42.7%	29.9%	25.6%
ROA (%)	6.1%	5.6%	11.5%	9.6%	9.4%
Net debt / equity (x)	0.6x	0.7x	0.4x	0.1x	(0.0x)
Net debt / EBITDA (x)	1.6x	1.9x	0.8x	0.4x	(0.1x)
Dividend payout (%)	28.5%	21.5%	40.0%	30.0%	30.0%
P/E (x)	13.8x	4.2x	8.8x	9.5x	9.1x
EV/EBITDA (x)	8.8x	4.0x	6.9x	6.7x	6.0x
P/NAV (x)	3.0x	0.9x	3.2x	2.6x	2.1x
Dividend yield (%)	3.8%	10.5%	4.5%	3.2%	3.3%

*FY26E DPS based on management's committed minimum 40% payout ratio for FY26. FY27-28E DPS assumes a conservative 30% payout in the absence of formal guidance beyond FY26, with reference to management's stated 20% policy floor.

Source: Company, KGI Research estimates

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Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
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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Not Rated (NR)	The stock is not rated by KGI Securities.
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