

## THE STRAITS TRADING COMPANY LIMITED

Initiation of Coverage | 17 June 2025

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Rating: BUY

Last Close: S\$1.460

Target Price: S\$2.200

Upside: 50.68%

### Straits Trading: Asset-Rich, Market-Overlooked

#### 1. Investment Summary

**The Straits Trading Company Limited** (“Straits Trading”; SGX: S20) is a Singapore-listed diversified conglomerate with strategic holdings across the **specialty mining and metals** sector and **real estate investment and development**, both locally and regionally.

As of June 2025, Straits Trading has a market capitalisation of approximately **S\$660 million**, based on 450.8 million outstanding shares trading at around **S\$1.46 per share**. The stock is currently trading at a significant **discount to intrinsic value**, presenting a compelling deep-value opportunity for institutional investors.

We initiate coverage with a **BUY** recommendation. Straits Trading is **deeply undervalued relative to its net asset base**, and we expect multiple **near-term catalysts** — including the **monetisation of its ESR stake**, strategic property recycling, and capital reallocation — to unlock substantial shareholder value.

Our **target price is S\$2.20**, based on a **0.7× discount to our RNAV estimate of S\$3.20 per share**, implying **~50% upside** from current levels. At present, the stock trades at just **0.46× book value** (FY2024 NAV: S\$3.19) and at a **~55% discount to its estimated realisable NAV**.

Our **FY2025 forecasts** project a recovery to profitability, with expected **revenue of ~S\$600 million** and **net profit of ~S\$25 million**, translating to **EPS of ~5.5 Singapore cents**. We anticipate a full-year **dividend payout of 8 cents**, supported by strong cash reserves and monetisation proceeds. **ROE is projected at ~2%**, reflecting the transition phase post-ESR divestment and improved balance sheet flexibility.

- **Key Catalysts:**

- (1) **Asset monetisation** – Completion and potential sale of development projects (e.g. Straits City in Penang) and recycling of mature assets;
- (2) **ESR stake exit** – ~S\$360M cash proceeds from the privatisation of ESR to significantly deleverage the balance sheet, reducing interest expense and enabling reinvestment;

- (3) **Operational upswing** – Higher tin prices and production efficiency gains at 52%-owned Malaysia Smelting Corp (MSC), alongside post-pandemic recovery in hospitality (boosting JV Far East Hospitality’s performance);
  - (4) **Strategic initiatives** – New growth avenues like senior living developments in Malaysia (Ipoh /Penang) now in planning phase and potential capital market actions (e.g. value-unlocking via REITs or asset spin-offs).
- **Key Risks:**
    - (1) **Market cycle & FX** – Property valuations remain sensitive to interest rates and foreign exchange (GBP/AUD) swings; tin prices are cyclical and a downturn would hit MSC’s earnings.
    - (2) **Execution** – Large development projects (Straits City) and new ventures (senior living) carry execution and demand risks.
    - (3) **Leverage & Liquidity** – Straits Trading’s net gearing was ~82% in; while ESR disposal proceeds will pare debt, higher interest rates still elevate financing costs.
    - (5) **Regulatory/ESG** – Stricter environmental regulations or carbon taxes could impact mining operations (MSC is mitigating this via a modern smelter and energy-saving initiatives); any adverse mining or property policy changes in key markets (Malaysia, Australia, UK) pose risks.

Management is addressing these risks through proactive capital management (e.g. diversified funding sources, maintaining hefty cash reserves of S\$449M) and strategic portfolio shifts (focus on resilient sectors like logistics and independent living assets).

## 2. Company Overview

Founded in 1887, Straits Trading is one of Singapore’s oldest conglomerates. Historically known for tin mining and smelting, the company has evolved into a multi-sector investment group with operations and interests in **resources, property, and hospitality**. Its **core business segments** include:

- **Resources (Tin Mining & Smelting):**

A 52%-owned stake in **Malaysia Smelting Corporation Berhad (MSC)**, one of the world’s leading independent tin producers. MSC’s smelter (recently relocated to a new Pulau Indah facility) and mines in Malaysia anchor this segment. Tin operations provide significant revenue (~87% of FY2024 sales) and have a long heritage in the group. Straits Trading’s involvement in tin dates back to its origins, and MSC’s dual listing in Kuala Lumpur and SGX offers transparency. The segment’s principal activities span smelting tin concentrates into refined tin metal, sales of refined tin and by-products, and selected investments in other metal/mineral resources.

- **Real Estate:**

Real estate has become Straits Trading's largest asset driver, comprising **property investment, development, sales and leasing, and real estate fund management**. The group owns a diversified property portfolio via its wholly-owned vehicle **Straits Real Estate (SRE)**, which invests globally (Australia, China, Japan, Korea, UK) in various asset classes (office, retail, logistics, etc.). Notable projects include the ongoing "**Straits City**" development in Penang, Malaysia – a mixed-use waterfront township on Penang's mainland (Butterworth) co-developed with MSC. Straits Trading also holds strategic real estate-related investments, such as a ~4% stake in **ESR Group Ltd**, a leading Asia-Pacific logistics real estate platform (this stake is being divested via a HK\$13/share privatisation). Until 2022, Straits Trading had a stake in ARA Asset Management (a real estate fund manager), which it divested at a significant gain. Overall, real estate contributes ~12–15% of group revenue (via property rental and sales) but a much larger share of assets and valuation.

- **Hospitality:**

A 30% joint venture stake in **Far East Hospitality Holdings (FEHH)** aligns Straits Trading with hospitality assets and hotel management. FEHH (the remaining 70% owned by Far East Orchard Ltd) operates an extensive hotel portfolio (including the Oasia, Village, Rendezvous brands) primarily in Singapore and regional markets. Straits Trading's share of FEHH is equity-accounted, contributing to the group via **associate earnings** (no direct revenue line). In addition, Straits Trading opened the **Crowne Plaza Penang Straits City** hotel in August 2024 within its Penang development, strengthening its hospitality footprint. Management remains cautiously optimistic on hospitality's outlook as travel recovers in 2025, though rising costs and economic uncertainty could temper near-term growth.

- **Others/Investments:**

The "Others" segment covers corporate-level investments and services, including treasury operations and securities investments. Notably, Straits Trading holds a ~10.08% stake in **SDAX**, a digital securities exchange platform. The group has also implemented innovative financing, launching a S\$55M multi-tranche commercial paper program on SDAX (raising S\$11.86M in Jan 2025). This segment also includes the corporate expenses and the legacy **exchangeable bond** linked to ESR shares (S\$370M 4-year bond issued in 2023) which is classified as a derivative liability and debt at the holding level.

### **Geographical Footprint:**

Straits Trading's operations span **Asia-Pacific and Europe**. The tin mining is in Malaysia (Perak) and smelting in Malaysia (Port Klang) with sales worldwide (tin is a globally traded commodity). The property portfolio is geographically diversified: key markets include **Australia, Japan, China, South Korea, Malaysia, and the UK** for SRE's investments. In Malaysia, the group has significant real estate exposure via Straits City in Penang and other development land. In Singapore, the company historically owned iconic properties (it previously owned the Straits Trading Building in Singapore's CBD). The hospitality JV FEHH is centered in Singapore with expanding presence in Australia, Europe, Japan, etc.

## Shareholding & Governance:

Straits Trading is majority-owned by the **Tecity Group**, the investment vehicle of the late Tan Chin Tuan's family led by Ms. **Chew Gek Khim**. Through entities like **The Cairns Pte Ltd**, the family controls ~66.3% of Straits Trading's shares, providing stable, long-term oriented ownership. Ms. Chew Gek Khim has been Executive Chairman since 2008, spearheading the company's strategic transformation. Under her stewardship, Straits Trading has shifted from a traditional tin mining firm into a modern investment conglomerate, monetising legacy assets (e.g. the sale of ARA in 2022) and redeploying capital into new growth areas. The board comprises experienced directors, including independent members heading key committees (e.g. Mr. Tan Chian Khong, Audit Committee chairman; Mr. Lau Cheng Soon, Remuneration and Risk Committee chairman). This governance structure balances family control with professional oversight. The group's stated strategy is "**building sustainable growth and value**" by active capital recycling, prudent financial management, and leveraging its diverse asset base.

## 3. Investment Thesis

Straits Trading offers a compelling **3-point investment thesis**:

### 1. Deep Value Unlocked by Asset Recycling:

The stock's valuation implies a steep ~50–60% discount to Straits Trading's sum-of-parts RNAV. This reflects a classic conglomerate discount and past underperformance, but the gap is set to **narrow** as management unlocks asset value. The company has a proven track record of monetising investments at opportune times – for instance, the divestment of ARA Asset Management in 2022 realized a hefty gain, and now the sale of the ESR stake will convert a non-yielding asset into cash. Our RNAV estimate is ~S\$3.20/share, built up from the market value or appraised value of key holdings (properties, MSC stake, hospitality JV) less net debt. Straits Trading is trading at barely ~0.46x book, which is significantly lower than peers in both property and resources sectors (most Singapore mid-cap developers trade at 0.6–0.7x book, and mining peers at closer to NAV). This **valuation gap** provides a margin of safety – investors are effectively getting the company's real estate at distressed prices and the tin business for free. With management actively **recycling capital** and potentially deploying cash into higher-return opportunities, there is room for a re-rating. A 15% RNAV discount (typical for developers) on S\$3.20 yields ~S\$2.72, suggesting substantial upside. The recent stability in office and hospitality asset values (after earlier write-downs) and prospective recovery (as interest rates peak) further support asset revaluation potential. Simply put, Straits Trading's sum-of-parts is worth significantly more than its current market cap – and catalysts are in place to start realising that value.

### 2. Structural Growth & Sector Tailwinds:

Straits Trading is positioned to benefit from favourable **sector dynamics** in its key businesses. In **resources**, tin demand is underpinned by structural trends such as electronics (solder), electric vehicles, and renewable energy (tin is used in solar panels). MSC, as one of the largest tin smelters, stands to gain if tin prices continue their recovery – already in 2H2024, higher average tin prices drove better performance. MSC is also improving productivity (new smelting technology and mine expansion) which should lower costs and boost output.

In **real estate**, Straits Real Estate is allocating capital to resilient sectors with tailwinds: logistics warehouses (benefiting from e-commerce and supply-chain diversification), **independent senior living** residences (rising demand from aging demographics in Asia-Pacific), and “flexible living” or co-living spaces that cater to new urban lifestyles. These niches offer higher yields and growth than traditional office/retail. For example, the group’s venture into **senior living** is timely – targeting healthy retirees (age 55–70) with projects in Malaysia, where demand is growing.

In **hospitality**, the ongoing travel rebound post-COVID is a tailwind: Singapore expects tourist arrivals to continue rising in 2025, and overseas destinations (Australia, Europe, Japan) are seeing improved tourism as well. FEHH is leveraging this by refurbishing hotels and pursuing new management contracts to expand its portfolio. Meanwhile, **Penang’s economic boom** (thanks to semiconductor manufacturing growth and infrastructure investments) augurs well for Straits Trading’s developments and newly opened hotel there. In short, each segment has positive industry forces – be it rising commodity prices, demographic shifts, or post-pandemic recovery – that provide **structural upside** to Straits Trading’s earnings and NAV in the medium term.

### 3. Turnaround Momentum & Financial Resilience:

After a difficult FY2023 where the group dipped into losses, Straits Trading delivered a notable **turnaround in FY2024** – returning to overall profitability (total comprehensive income) and improving its core operating metrics. Net profit attributable to owners, while still a small loss of S\$7.2M for FY2024, improved significantly from a S\$28.6M loss the previous year. EBITDA jumped +57% to S\$124.4M, reflecting better underlying cash generation. This momentum is set to continue into FY2025, driven by multiple factors:

- (i) a sharp drop in finance costs post-ESR sale (the ~S\$360M cash will be used to pay down debt, saving an estimated S\$15–20M interest annually);
- (ii) stronger contributions from MSC as tin operations benefit from higher efficiency and potentially steadier FX (the ringgit’s strength hurt FY2024 profits, but such effects may moderate);
- (iii) absence of one-off derivative losses – in 2023–24, the “Others” segment was dragged by fair value losses on the exchangeable bond’s derivative component, but with the ESR deal that bond is likely to be redeemed, removing this volatility.

**Financially, the group is becoming more resilient:** it ended 2024 with S\$448.8M in cash and has proactively raised medium-term funding at reasonable cost (e.g. a 4-year S\$130M MTN at 4.7% and digital CP issuances at ~3.7%). Net gearing peaked at ~82% in 2024 and is expected to **drop significantly** after the ESR transaction (pro forma gearing will fall closer to ~50–55% by our estimates). This improved balance sheet will give Straits Trading headroom to seize new investments or withstand market turbulence. Meanwhile, the company has maintained its **dividend payout** throughout the pandemic and downturn – it raised dividends from 4¢ to 8¢ over the years and intends to sustain 8¢ per share going forward, signalling confidence in its cash flows. Investors are paid a ~5.5% yield to wait for the recovery. In summary, Straits Trading is emerging from a trough, with better earnings visibility and stronger financial footing, which should support a re-rating as consistency returns to its results.

## 4. Business Segment Analysis

Straits Trading has three key operating segments – **Resources, Real Estate, and Hospitality** – each with distinct business models and outlooks. Below we analyze each segment’s performance and prospects, along with a look at the group’s investment holdings.

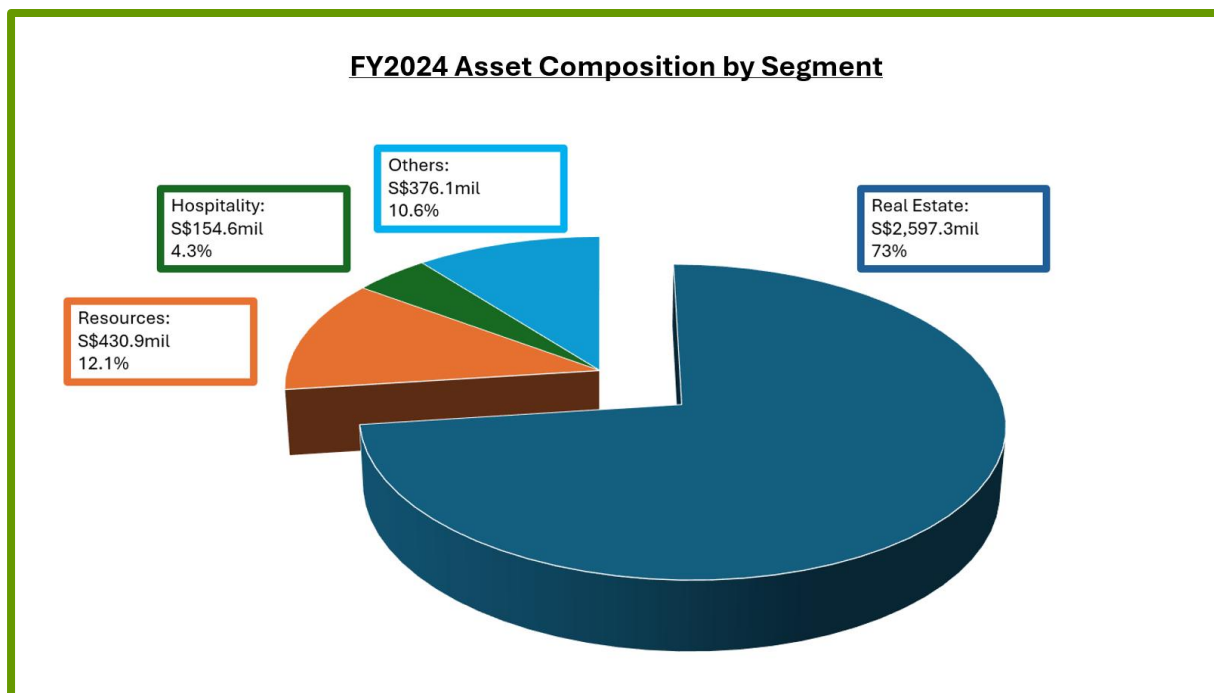


Figure 1: Straits Trading FY2024 Asset Composition by Segment.

Real estate assets make up 73% of the group’s **S\$3.56B total assets**, far outweighing resources (12.1%) and hospitality (4.3%). This reflects Straits Trading’s transformation into a predominantly property-backed company even though tin mining contributes the majority of revenue. The “Others” category (10.6%) includes cash and investments like the ESR stake and SDAX, but also corporate debt.

### **Resources (Tin Mining & Smelting – via 52% of MSC)**

The resources segment is Straits Trading’s revenue workhorse, contributing **S\$494.1M in FY2024 revenue (87.5% of group)**. MSC’s business model covers the **upstream** (mining of tin ore at its Rahman Hydraulic Tin mine in Perak, Malaysia) and **midstream** (smelting tin concentrate into refined tin ingots at its smelter). In 2024, MSC produced higher volumes of refined tin, benefiting from the full ramp-up of its new **Pulau Indah** smelter which replaced the old Butterworth facility. The segment achieved an operating profit of S\$44.9M in FY2024, but net profit to Straits Trading was only S\$12.3M (with S\$15.4M going to minority interests).

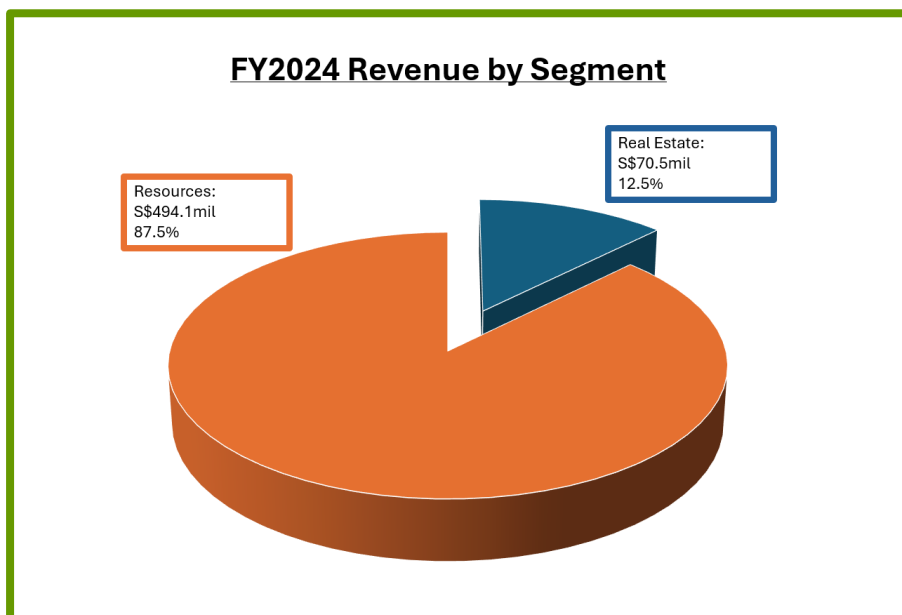


Figure 2: Straits Trading FY2024 Revenue by Segment.

**FY2024 performance:** Resources PATMI (profit after tax & NCI) was slightly lower than FY2023, mainly due to forex losses from a stronger MYR vs USD, which hurt smelting margins. This was largely offset by better tin mining profits thanks to higher average tin prices in 2024. In 2H2024, the segment saw a notable uptick, with PATNCI improving on the back of increased refined tin sales volume and pricing.

**Outlook:** The outlook for MSC is optimistic. The company has completed the **planned closure of the old Butterworth plant**, which will eliminate the high costs associated with that legacy facility. All smelting is now at the modern Pulau Indah plant, driving efficiency gains (lower manpower and energy costs, reduced carbon footprint). On the mining side, MSC is **expanding output** via new mining methodologies and joint ventures to exploit additional tin deposits. These efforts should raise production and productivity in coming years. Tin prices have recovered from 2023 lows, though they remain volatile; MSC's breakeven costs are falling with the new plant, which means profitability should improve even at moderate tin prices. A risk is the tin market's cyclical nature and global demand (e.g. any electronics slowdown). However, MSC's strategic moves (and a debt paydown at MSC level using cash reserves) position it well for the next upcycle. Straits Trading's plan to possibly **monetize part of its MSC stake** or jointly develop MSC's surplus land (like Butterworth) could unlock further value – indeed, the Straits City development in Penang is co-owned with MSC, effectively turning former industrial land into a growth asset.

## Real Estate

This segment encapsulates Straits Trading's property investments and is the largest value driver (73% of assets). The business model is twofold:

- (i) direct property investments via Straits Real Estate (rental income, trading gains from property sales), and

- (ii) real estate fund/asset management (including stakes in managers or platforms, though after selling ARA, Straits Trading mainly invests on its own or through partnerships).

**FY2024 performance:** The real estate segment had a strong rebound. It posted S\$17.6M PATMI in FY2024, a sharp swing from a S\$35.6M loss in FY2023. The return to profit was chiefly due to **net fair value gains** on investment properties, totalling S\$60.3M of gains in 2024, versus a S\$25.8M valuation loss in 2023. These gains came from the segment's assets in Australia, South Korea and the UK – markets where property values stabilized or rose slightly after prior year declines. Notably, in 2H2024, Straits Real Estate recorded valuation uplifts in its Australian and UK properties. Rental income was steady at S\$70.5M for the year, reflecting high occupancy and resilient rents across the portfolio (e.g. logistics assets). On the flip side, the segment saw **lower dividend and interest income** from investments, as one of its JVs in Australia pared down a note (and ESR's dividend was lower). Financing costs for real estate were significant at S\$38.8M, as SRE carries property-level debt and the group's MTN borrowing.

**Outlook:** Cautiously positive. Straits Real Estate will continue its strategy of **active portfolio management** – expect selective asset disposals in the next 1–2 years to capitalize on any price recovery (management indicated willingness to divest assets “at an appropriate time” for gains). The group is also redeploying capital into sectors supported by secular trends: for instance, it is planning its first **independent senior living projects** in Ipoh and Penang, aiming to tap the undersupplied retiree housing market in Malaysia. These projects are in early planning, so contributions may come in 2–3 years, but could yield attractive returns given land cost advantages. The real estate segment's near-term performance will hinge on external factors: interest rates (a decline would uplift property values, a rise would pressure them), and forex (a stronger SGD can erode overseas asset values – this was a factor in prior NAV dips). Encouragingly, macro indicators are improving: global inflation is moderating and rates are peaking, which should eventually support real estate valuations. Straits Trading's property portfolio is also geared towards niches like logistics and residential-for-rent which have solid demand. We expect the segment to remain profitable in FY2025, albeit with smaller revaluation gains than 2024 unless markets rally. A key catalyst here is **asset monetisation**: for example, the Company could sell a stabilized asset (possibly one of its Australian or Japanese properties) to crystallize gains and recycle capital. The mention of potential asset disposals and a “capital recycling business model” signals that investors could see real estate gains flow through intermittently, supplementing the steady rental income.

### **Hospitality (30% FEHH JV)**

In the hospitality segment, Straits Trading does not consolidate revenue – instead, its share of profit from the 30%-owned FEHH and other hotel JVs is recorded in “Share of results of associates/JVs”. FEHH's business model spans **hotel ownership and operations**. It owns ~20 hotels (mostly in Singapore, some in Australia, Germany, Denmark, Malaysia) and manages over 90 hotels including those it does not own, under brands like Oasia, Quincy, Village, etc. Straits Trading's strategic partner here is Far East Orchard Ltd (Far East Organization's listed arm), which provides synergy in hospitality management.

**FY2024 performance:** The hospitality segment contributed S\$5.6M PATMI, up from a small profit in 2023. The improvement came mainly from higher contributions of overseas associates and JVs in Australia/Europe (likely referring to TFE Hotels, a European JV of FEHH) as travel recovered, and a **reversal of an impairment** on hotel assets that had been booked in the prior year. In 2H2024, the segment's PATNCI rose thanks to that impairment write-back (possibly related to a hotel asset revaluation upward) and despite the absence of a one-off FX gain that had benefited 2H2023. Essentially, the underlying operating metrics – occupancy and RevPAR (revenue per room) – improved in 2024 as tourism rebounded strongly in Singapore (where FEHH has its core hotels). FEHH also resumed expansion: it signed new management contracts and pursued asset enhancements.

**Outlook:** The hospitality outlook is **cautiously optimistic**. Singapore anticipates continued tourism recovery into 2025, potentially approaching pre-pandemic visitor numbers. This bodes well for hotel room rates and occupancy, although a looming recession or slower Chinese outbound travel could temper growth. FEHH is mitigating risks by refreshing its properties and looking for strategic partnerships to expand (asset-light growth via management agreements). It is also open to capital recycling – e.g. FEHH might divest a non-core hotel if valuations are favourable, which would bring one-time gains and cash for reinvestment. One specific tailwind for Straits Trading is the **Penang project**: the Crowne Plaza Penang Straits City opened in Aug 2024, and as noted, Penang is experiencing an influx of business and leisure travel due to industrial growth and improved connectivity (new Penang airport expansion, rail link from Thailand). This hotel is expected to ramp up occupancy through 2025, contributing to FEHH's results and showcasing the Straits City development as a vibrant destination. We expect hospitality segment earnings to improve modestly in FY2025, though cost pressures (inflation in wages/energy) could limit margin expansion. Overall, hospitality provides Straits Trading with stable dividend income (FEHH has historically paid dividends to its owners) and a play on Singapore's high-barrier hotel market – an asset that could itself be monetized (the stake in FEHH) at some point if a compelling offer arises.

### **Investment & Others**

Outside the core segments, Straits Trading's other investments include the **ESR Group stake**, **SDAX stake**, and cash holdings. As of FY2024, the ESR stake (169.1M shares, ~4% of ESR) was carried at S\$353.1M fair value. The privatisation of ESR has been **approved in June 2025**, and Straits Trading has elected the Cash Alternative (HK\$13 per share). This will net ~S\$359.7M for the group in July 2025. The immediate plan is to **repay borrowings** with this cash, namely the S\$370M exchangeable bond due 2027 (which had contributed to the high gearing). Post-ESR, Straits Trading will still hold a 10% interest in SDAX (a fintech/digital exchange platform) as a strategic investment – while not yet profitable, this stake positions the company in a new economy sector and facilitated its innovative CP issuance. The "Others" segment also incurs central costs (about S\$46M finance costs in 2024 allocated here, largely for the exchangeable bond and corporate loans) and fair value movements of derivatives. In FY2024, the derivative on the bond (tied to ESR share price) swung to a loss of ~S\$23M vs a gain prior year, which hurt the segment. With ESR conversion option off the table (privatisation at HK\$13 is below the bond's conversion price), this volatility is gone.

**Outlook for investments:** The key development is the influx of cash from ESR sale – beyond debt repayment, any surplus could be redeployed. We see the potential for Straits Trading to perhaps **increase its stake in MSC** if an opportunity arises (tightening its grip on the tin business) or to seed

new property funds (similar to how it seeded ARA in the past). Another scenario is returning capital to shareholders (e.g. special dividends or share buybacks) given the lack of immediate cash needs – however, management’s stance has been to maintain funds for “potential opportunities”. Straits Trading did seek renewal of a share buyback mandate in 2024, indicating willingness to buy back stock if it remains undervalued (no buybacks have been executed yet). In essence, the “Others” segment is transitioning from a **drag** (high financing cost, ESR mark-to-market loss) to a **support** (net cash position, lower interest burden). This should greatly improve overall earnings quality and give the group strategic flexibility.

## 5. Financial Overview

We present a three-year financial snapshot (FY2022–FY2024) to illustrate Straits Trading’s financial trajectory, followed by an analysis of key drivers, margins, balance sheet, and dividend policy.

The group’s revenue has been relatively stable, hovering around S\$500–565M, while net profits swung widely due to one-off items. In FY2022, Straits Trading recorded a *huge* net profit of S\$551M, chiefly from the divestment of its stake in ARA Asset Management (reflected in “other income” of S\$635M). Excluding that one-time gain, underlying 2022 profit was much lower. FY2023 saw revenue dip 6.8% to S\$491.7M, as tin sales fell on weaker prices and volumes, though property revenue grew. The company swung to a net loss of S\$28.6M in 2023, hit by **valuation losses on properties** (S\$75M fair value drop in 2022, S\$25.8M drop in 2023), higher interest costs, and the absence of big divestment gains. In FY2024, revenue rebounded +14.8% to S\$564.6M– tin mining revenue recovered +16% (on price and volume uptick) and property revenue rose +5.6% with new rental contributions. The group returned to a small after-tax profit of S\$11.0M in 2024 (and a loss of S\$7.2M attributable to owners after NCI). The improvement was mainly driven by **S\$60.3M net fair value gains on investment properties** (vs losses before), which swung the real estate segment to black. However, bottom-line was still dampened by a **fair value loss on the exchangeable bond’s derivative** (~S\$18M net of tax impact) and high financing expenses. EBITDA margin expanded to ~22% in 2024 (EBITDA S\$124.4M) from ~16% in 2023 (EBITDA S\$79.5M), reflecting better cost absorption and the contribution of revaluation gains.

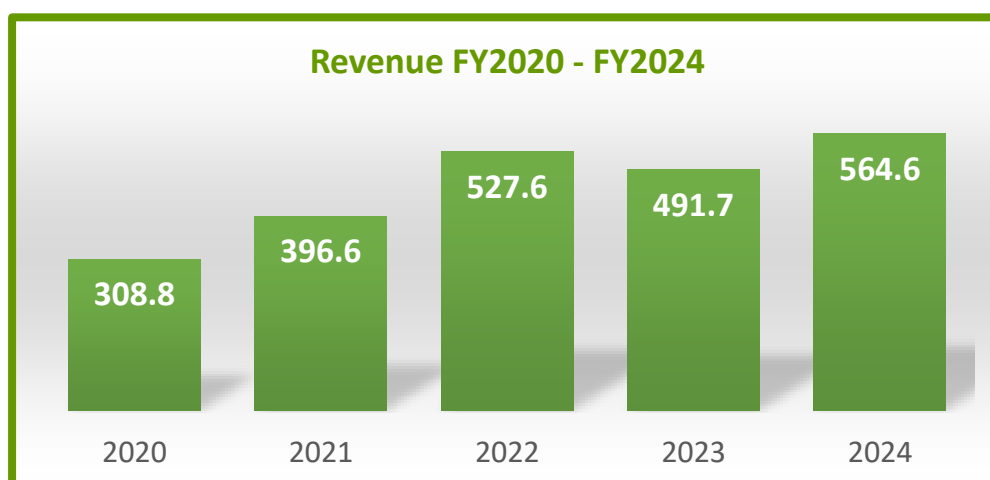


Figure 3: Straits Trading Revenue FY2020 - FY2024

## Financial Highlights

	2024	2023	2022	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000
Total revenue	564,627	491,659	527,620	396,559	308,891
Earnings before interest, tax, depreciation and amortisation	124,434	79,475	613,378	401,045	133,848
Profit before tax	25,063	(11,633)	562,984	362,070	95,957
Profit attributable to owners of the Company	(7,226)	(28,567)	551,259	234,254	51,483
Shareholders' funds	1,438,226	1,460,035	1,737,443	1,771,382	1,537,998
<b>PER SHARE</b>					
Earnings per share (cents)	(1.6)	(6.4)	127.0	57.6	12.7
Dividend per share (cents)	8.0	8.0	* 58.0	8.0	6.0
Net asset value per share (\$)	3.19	3.26	3.86	4.35	3.78
<b>FINANCIAL RATIOS</b>					
Return on equity (%)	(0.5)	(1.8)	31.4	14.2	3.4
Net gearing (%)	82.0	72.8	60.8	46.7	42.4

\* In addition to the cash dividend of 8.0 cents per share, the Company also distributed special dividend via distribution *in specie* in 2022, comprising 17,686,975 ordinary shares of Straits Trading and 48,510,280 ordinary shares of ESR Group Limited.

	2024	2023	2022	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>STATEMENT OF FINANCIAL POSITION</b>					
Total non-current assets	2,717,205	2,657,323	2,842,152	2,603,979	2,260,346
Total current assets	841,781	782,225	659,384	583,927	825,600
<b>TOTAL ASSETS</b>	<b>3,558,986</b>	<b>3,439,548</b>	<b>3,501,536</b>	<b>3,187,906</b>	<b>3,085,946</b>
Equity attributable to owners of the Company	1,438,226	1,460,035	1,737,443	1,771,382	1,537,998
Non-controlling interests	141,878	137,426	137,055	163,468	188,940
<b>TOTAL EQUITY</b>	<b>1,580,104</b>	<b>1,597,461</b>	<b>1,874,498</b>	<b>1,934,850</b>	<b>1,726,938</b>
Total non-current liabilities	1,153,090	1,445,224	1,143,829	622,547	684,790
Total current liabilities	825,792	396,863	483,209	630,509	674,218
<b>TOTAL LIABILITIES</b>	<b>1,978,882</b>	<b>1,842,087</b>	<b>1,627,038</b>	<b>1,253,056</b>	<b>1,359,008</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,558,986</b>	<b>3,439,548</b>	<b>3,501,536</b>	<b>3,187,906</b>	<b>3,085,946</b>

**Key Drivers & Profitability:** The predominant revenue driver is the tin business (volatile based on commodity prices), whereas profitability is increasingly driven by **investment gains/losses and financing costs**. Straits Trading's **gross profit and operating profit** are not explicitly broken out in reports, but we note that the tin segment operates on relatively thin margins (MSC's smelting margins can swing with metal prices and forex). In 2024, MSC's cost of tin mining & smelting rose 17.8% to S\$422.5M which roughly tracked the revenue rise, indicating stable gross margins. The property segment's rental yields likely compressed due to higher interest expense but was bolstered by the large fair value uplift. A major swing factor for Straits Trading's profitability has been "**other income**": e.g. the ARA sale gain in 2022 (which yielded a massive profit that year) and the absence of such gains in 2023 which contributed to losses. Looking ahead, core operating profits should stabilize: tin operations are profitable at current prices, and rental income covers property operating expenses and interest with some buffer. The reduction in **interest expense** post-ESR will significantly improve net margins – finance costs were S\$90.6M in FY2024, consuming 16% of revenue. Approximately half of that (the bond interest and some MTN interest) could be saved after debt paydown. We project net finance cost in FY2025 could drop to ~S\$50 million range, boosting pre-tax profit. On the cost side, **employee expenses** were S\$39.2M in 2024, relatively flat and not a major swing factor. Depreciation is modest (S\$8.4M in 2024) since many properties are investment properties (valued directly) and tin plant heavy assets sit in MSC.

**Margins:** Net profit margin for owners was -1.3% in 2024 (improved from -5.8% in 2023). We expect a return to low-single-digit net margins in 2025 (perhaps ~4–5% to owners), which is acceptable given the large asset base generating substantial non-P/L economic value (via revaluations and share of JV gains). Return on Equity (ROE) was negative in 2023–24 for owners; on an underlying basis (excluding one-offs), ROE is in the low single digits. This underscores the value-unlocking thesis – current earnings do not reflect the real economic potential of the assets.

**Balance Sheet & Gearing:** Straits Trading's financial position is strong in asset terms but burdened by debt. As of 31 Dec 2024, **total assets** were S\$3.559B, comprising S\$1.1B of investment properties, S\$0.8B of property held for sale/development, S\$0.4B of investments in associates (FEHH, JVs), S\$0.42B of quoted equity investments (ESR, etc.), S\$0.45B cash, and other assets (tin inventory, receivables). **Shareholders' equity** was S\$1.438B (NAV per share S\$3.19). **Net asset value** has declined from S\$4.35/share in 2021 to S\$3.19 in 2024, mainly due to property devaluations, FX translation losses, and the mark-to-market drop in ESR stake. Management explained that rising interest rates (which depress property values in UK/Australia) and the office sector's structural headwinds cut NAV, but they expect some recovery as rates stabilise and have taken a "wait-and-see" approach on selling at depressed prices.

**Debt:** Total borrowings were about S\$1.53B at end-2024 (implying net debt ~\$1.08B after cash). The bulk is medium-term debt: S\$370M exchangeable bond, S\$130M MTN, MSC's bank loans (~MYR 300M), and SRE's property loans. This resulted in a high net gearing of ~82% in 2024 (net debt/equity). Management has been comfortable with higher leverage as it expanded assets, noting the balance sheet "remains healthy" with \$3.56B of assets and ample cash. They proactively raised funds at reasonable cost ahead of needing them (e.g. locking in 3.25% rate on the exchangeable bond) to ensure liquidity for opportunities.

**Post-FY2024 events:** With the ESR cash of S\$359.7M coming in, the company will **pay down debt significantly**, potentially cutting net gearing to ~ fifty-odd percent. Specifically, we expect the \$370M

bond to be fully redeemed (if not converted by bondholders) – interestingly, if ESR’s privatisation had not materialised, the bond could have remained outstanding, but bondholders likely will opt for redemption since conversion is out-of-money and Straits Trading itself is taking the cash offer. The debt reduction not only improves leverage ratios but also interest coverage (which was rather low in 2023–24).

**Cashflow:** Straits Trading’s operating cash flow is chiefly from MSC’s tin sales and property rental income. In FY2024, operating cash flow (before changes in working capital) was healthy, but the group had significant outflows for investment properties (capex) of S\$118.7M – likely funding project developments and acquisitions by SRE. The financing inflows (debt) covered these investments. Going forward, with fewer new investments until some recycling happens, we expect positive free cash flow, aided by lower interest outgo. Also, the group sits on hidden **liquidity** in the form of readily marketable securities (post-ESR, they still have some REIT or equity holdings worth tens of millions) and unencumbered properties that could be refinanced if needed. Overall, we view the **balance sheet risk** as substantially reduced after the ESR-related deleveraging – gearing will be more comfortable and liquid assets will form a larger share of the portfolio.

**Dividend Policy:** Straits Trading has maintained a consistent dividend despite volatile earnings. It has paid **8.0 Singapore cents per share annually** for the past few years. Notably, this dividend was sustained (and even doubled from 4¢ prior to 2013) through the pandemic and loss-making 2023, reflecting the board’s commitment to reward shareholders. In FY2024, the 8¢ dividend amounted to a S\$35.85M payout – slightly above the year’s net profit, but covered by cumulative retained earnings. The dividend was declared as an “interim” dividend with a scrip option (shareholders could opt to receive shares instead of cash) a mechanism often used to conserve cash.

For FY2025, management **aims to maintain 8¢** if possible, citing a philosophy of sustainable and gradually increasing payouts. However, this will depend on recurring cash profits. Our forecast of \$25M net profit in 2025 does not fully cover an 8¢ (\$36M) distribution, but with cash from asset sales and a large cash balance, the company can comfortably bridge any shortfall. The dividend yield at current price is ~5.5%, very attractive in the context of Singapore’s market (far above the ~3–4% STI average). This yield is underpinned by **recurring income streams** – Straits Trading generates steady cash inflows from MSC (which itself pays dividends and management fees to Straits), from rental properties, and from dividends on its investments.

Additionally, periodic asset disposals provide liquidity for special payouts or buybacks if deemed appropriate. We note that the company did not declare a final dividend for FY2023 at the 2024 AGM, instead using an interim label – possibly to retain flexibility in timing. The next dividend (FY2024’s 8¢) will be paid on 30 June 2025.

In summary, we expect Straits Trading to at least maintain its 8¢ annual dividend, implying a payout ratio that might exceed 100% of 2025 earnings but is supported by its strong balance sheet. The dividend policy sends a **positive signal** of controlling shareholders’ alignment with minority investors – indeed, Ms. Chew’s family, as 66% owners, also benefits from stable dividends. This income component provides downside protection and patience for the value-unlocking thesis to play out.

## 6. Valuation & Peer Comparison

We value Straits Trading on a **Revalued Net Asset Value (RNAV)** basis, given the asset-rich nature of its businesses. Our RNAV S\$3.20 per share is derived from a sum-of-parts, marking each major asset to a reasonable market value and then subtracting net debt. Below is a breakdown of the components:

- **Property Portfolio (Straits Real Estate + Development projects):** Valued at ~S\$1.55 billion for Straits Trading's stake. We use the book value of investment properties (which already incorporates FY2024 fair values) plus estimated surplus on development land. Notably, the land under development in Penang (Straits City) is carried at cost; independent appraisals of the land's current value suggest an uplift of ~S\$30–40M above book, part of which was recognized as an S\$8.6M write-back in 2023. We conservatively include a S\$20M surplus for development properties. SRE's other investments (in funds or JVs) are taken at carrying value (which in most cases equals fair value). Thus, total real estate RNAV is around S\$1.57B.
- **Malaysia Smelting Corp (Resources):** Straits Trading's 52.0% stake in MSC (listed on Bursa Malaysia) is valued at market price. As of mid-June 2025, MSC's market cap is ~MYR 970M (roughly S\$300M). Straits' share is ~S\$156M. This is close to the stake's carrying value in Straits Trading's books (the NCI portion of MSC was S\$141.9M, implying total MSC net assets ~\$296M at end-2024) – so book value and market value are aligned. We use S\$156M in RNAV. (Note: MSC's stock trades at ~13x P/E and ~1x P/B, so it is fairly valued; any rerating of tin prices could lift MSC's share price, providing upside to RNAV).
- **Far East Hospitality (Hospitality):** 30% JV stake valued at ~S\$160M. We base this on FEHH's net book value (Straits' share is S\$154.6M at end-2024). Hospitality assets in Singapore are in high demand, and recent transactions (e.g. CDL Hospitality Trusts acquisitions) suggest hotel values are rebounding. FEHH's portfolio (over 13 owned hotels with ~3,500 rooms) could be worth well above its book. However, given limited disclosure, we keep it at book RNAV. This leaves upside potential if FEHH were monetized via a sale or IPO.
- **ESR Stake:** Valued at the agreed privatisation value. Straits Trading's 4.0% stake in ESR yields HK\$2.198B (S\$359.7M) in cash. Post-transaction, this will appear as cash on the balance sheet. We include the full S\$359.7M.
- **Other Investments:** We include the 10% **SDAX** stake at its book value (~S\$20M, the cost of investment) – SDAX is a private startup, so this is a small portion of RNAV. There are also some **quoted securities** in the "Others" portfolio (approximately S\$80M of FVOCI equities as at end-2024). These are likely stakes in REITs or funds; we take them at fair value as given.
- **Cash and Debt:** We adjust for pro-forma net debt post-ESR. At end-2024, debt was ~S\$1.53B and cash S\$448.8M, so net debt ~S\$1.08B. After receiving S\$359.7M from ESR and using it to repay debt, net debt falls to ~S\$720M. Additionally, Straits raised S\$11.86M from the SDAX commercial paper in Jan 2025 (which is short-term debt essentially). We include that but it's minor. Thus, **Net Debt for RNAV** ≈ S\$720M.

## Revalued Net Asset Value (RNAV) Computation

Asset Segment	Estimated Value (\$ million)
Property Assets	1,570
Malaysia Smelting Corp	156
Hospitality (FEHH stake)	160
Cash (net of ESR)	~0
Investments (SDAX, funds, securities)	100
<b>Gross Asset Value</b>	<b>~1,986</b>
Less: Net Debt	-720
<b>Equity RNAV</b>	<b>~1,266</b>
Shares Outstanding (M)	450.8
<b>RNAV per Share</b>	<b>~S\$2.81</b>

Note: This base-case RNAV is conservative, as it largely reflects **book values** for property and investments, and **excludes upside revaluation**.

**Valuation Upside and Target Price Derivation:** Beyond the **base-case RNAV estimate of S\$2.81 per share**, there are several upside scenarios that support a more optimistic valuation for Straits Trading.

- First, the group's **property portfolio**, which forms the bulk of its asset base, has room for revaluation. If we assume a tightening of capitalisation rates or market-driven appreciation of its Singapore and Australian real estate assets, the portfolio's value could rise meaningfully above book.
- Second, the **hospitality segment**, held through the joint venture with Far East Orchard, is currently valued on the books at cost. However, applying a more market-reflective valuation, such as a **10x EV/EBITDA multiple**, would result in a significantly higher fair value for this segment.
- Third, **external broker estimates**, prior to the monetisation of the ESR stake, had assigned Straits Trading an RNAV as high as **S\$3.21 per share**. These independent assessments underscore the persistent valuation gap the market places on the group.

We estimate a bull-case RNAV of **S\$3.50** per share, factoring in a recovery in office valuations, asset monetisation, and development upside. Taking the midpoint of **S\$3.20** and applying a **30% holding company discount** for structural complexity and execution risk, we derive a fair value of **S\$2.24**. For prudence and clarity, we round this to a **12-month target price of S\$2.20**.

This target represents a **modest re-rating** from the current ~55% RNAV discount. It reflects our belief that the market will begin to price in Straits Trading's clearer value proposition, underpinned by **ESR stake monetisation, ongoing deleveraging, and improved visibility on capital allocation** in a post-restructuring phase.

**Peer Comparison:** Straits Trading is a unique hybrid of real estate and resources, so there is no perfect peer. We compare it to two sets of peers – **Singapore property investment companies** and **regional mid-cap miners** – to gauge valuation.

- **Property peers:** Singapore-listed developers/investment companies like *Ho Bee Land, OUE Limited, Hotel Properties Ltd (HPL)* trade at P/B ratios of ~0.4x to 0.6x and offer dividend yields

of 3–5%. For example, Ho Bee (with UK/SG office exposure) is ~0.5× book, HPL ~0.6×. Straits Trading at 0.46× is in line with this depressed sector range. However, Straits' **ROE** is lower than most pure-play developers currently (due to losses in 2023–24), whereas Ho Bee and others still had positive core earnings. That said, those peers also had earnings declines from property devaluations. On a Price-to-RNAV basis, SG developers often trade at 40–50% discounts; Straits Trading's ~55% discount to RNNAV is slightly wider than average, which we attribute to its conglomerate nature and smaller cap (less liquid). As the company simplifies (selling ESR, possibly paring other holdings) and demonstrates earnings recovery, we expect its **valuation gap to narrow** towards peer norms.

- **Resource peers:** Pure tin miners/smelters are few (MSC is actually a peer but consolidated). Global peers in specialty metals trade at ~5–8× EV/EBITDA and 10–15× P/E. If we segregate MSC's contribution, Straits' look-through P/E is hard to compute (because of many one-offs). But consider that MSC itself trades at ~13× trailing P/E; applying that to Straits' share of MSC earnings (S\$12.3M in 2024) implies ~S\$160M value – consistent with our RNNAV. On EV/EBITDA, Straits Trading's enterprise value is ~\$1.33B (market cap + net debt) and 2024 EBITDA was \$124M, so EV/EBITDA ~10.7×. This is higher than many mining firms due to the low EBITDA contribution from property assets (which carry value beyond EBITDA). For a better comparison, consider **dividend yield**: Straits' 5.5% yield stands out as superior to most property peers (often ~3%) and even many mining stocks (which might yield ~4–5%). This suggests the stock could attract yield-focused investors if the dividend is perceived as sustainable. In fact, Straits Trading's yield is closer to large-cap developers that have REIT-like payouts (e.g. Hongkong Land at ~5% yield).

In terms of **earnings growth**, we expect Straits Trading to swing from losses to modest profits in FY2025–26, whereas property peers might have flat or declining profits if property markets stay soft. Straits could show superior earnings *momentum* off a low base (EPS turning from -1.6¢ to +5–6¢). This turnaround narrative is not fully captured in the stock's multiples yet.

Another peer angle is **conglomerates**: If we compare to investment holding companies (like Hong Leong Finance or Boustead Singapore), those typically trade at 0.5–0.7× book when prospects are stable. Straits is below that range, implying either scepticism or simply under-the-radar status. We believe it is the latter – Straits Trading is not widely covered by analysts (only 1–2 broker reports in the last year). As the catalysts we identified materialize, there is a good chance of increased investor attention and possibly a re-rating closer to at least 0.7× book (which would be ~\$2.20/share, our target).

To summarize the peer view: Straits Trading's valuation is **undemanding**. The stock trades in line or cheaper than peers on asset multiples, yet offers a higher yield and a unique combination of exposure (tin + global real estate) that provides diversification. The near-term improvement in balance sheet (deleveraging) also sets it apart – many property peers are grappling with high debt and rising financing costs, while Straits is actively cutting its debt now (thanks to the ESR monetisation). This should improve its **credit profile** and possibly its equity valuation (lower risk merits higher P/B). We note one risk in comparison: Straits Trading's liquidity (stock trading volume) is modest given the 66% family ownership – so it may not re-rate to full RNNAV without a catalyst like a takeover or major asset spin-off. However, the current discount provides a comfortable cushion, and the downside is further

protected by the company's ongoing share buyback mandate (if activated, buybacks at <0.5× book would be very accretive).

In conclusion, our **fair value estimate** of S\$2.20 is equivalent to ~0.7× forward book and a 30% RNAV discount, which we find reasonable for a holding company with improving fundamentals. Should Straits Trading execute well on its strategy and market conditions turn favourable (property rebound, tin rally), the stock could eventually approach 0.9–1.0× book (the levels at which assets might be realized in a breakup scenario), offering significant upside beyond our base target.

## 7. Catalysts and Upside Scenarios

We identify several catalysts that could drive Straits Trading's share price closer to its intrinsic value in the next 12–18 months:

- **Major Asset Monetisation Events:** Straits Trading's "tradeable" assets present opportunities for chunky cash inflows. One such catalyst is the potential **sale of mature properties**. For instance, the group could divest a stabilized office or logistics asset from Straits Real Estate to realize gains and recycle capital. Management has indicated that gains from divestment of properties are part of its business model (capital recycling). A notable possibility is the **Straits City Penang project** – portions of this large development (commercial land plots or the new hotel) could be sold or injected into a REIT once they reach stabilisation. Given Penang's growth as an investment hub (boosted by government infrastructure initiatives and its semiconductor industry), demand for Straits City assets by third-party investors could be strong. Any monetisation there would unlock development value currently not reflected on the balance sheet (development assets are at cost). Similarly, the **Crowne Plaza Penang hotel**, once showing a few quarters of performance, might attract interest from hospitality trusts or investors looking for exposure in Penang – a sale at a decent cap rate would both generate profit and prove project viability.
- **Deleveraging and Interest Savings:** The **exit from ESR** is a concrete catalyst underway. Shareholders are set to see the benefit of a significantly **de-risked balance sheet** after July 2025, when ~S\$360M cash is received and debts are repaid. This is transformative – net gearing could drop by ~30 percentage points and annual interest expense may fall by up to S\$15M. The market often rewards such improvements in financial health with a higher equity valuation (lower risk, higher equity portion of EV). We expect Straits Trading's **interest coverage ratios** to strengthen visibly in 2H2025, which could prompt a credit rating upgrade or simply greater investor confidence. Additionally, **creditor-driven catalysts** could emerge: for example, with gearing down, Straits might refinance remaining debt at lower rates or explore asset-backed financing at the subsidiary level to unlock trapped value (e.g. an MSC spin-off or debt against Straits City). Each such move would highlight the improved financial flexibility of the group.
- **Operational Turnaround at MSC (Resource Upside):** MSC is on the cusp of benefiting from the completed move to the new smelter and enhanced mining efforts. A sustained rise in tin prices above USD 30,000/tonne (currently around mid-20k) could significantly boost MSC's earnings. For perspective, MSC has a high operating leverage to tin prices – any price increase

flows largely to the bottom line since fixed costs are now lower (post-Butterworth closure). If tin prices rally due to, say, renewed electronics demand or supply constraints, MSC's profit and dividend upstream to Straits could surge. Moreover, MSC is *actively seeking JV partners* to expand mining – a new discovery or project could be a positive surprise. Straits Trading could also seek to **list MSC on SGX** (it is already secondary listed as ticker NPW) or monetize part of its stake if valuations become rich. An MSC-specific catalyst is not off the table: the tin industry is consolidating, and MSC as a strategic asset might attract interest from larger metal players (though there are no indications of a sale currently). In summary, a stronger MSC performance or strategic move would lift Straits Trading's RNAV and possibly prompt a re-rating in line with resource peers.

- **Privatisation/Strategic Investor Potential:** Given the wide RNAV discount, Straits Trading could itself become a target. The Chew family already owns 66% – they have increased their stake gradually (via open market and participating in scrip dividends). If the market continues to undervalue the company, the family could consider taking it private at a premium. Even if not an outright privatisation, a strategic investor might be invited at the subsidiary level. For instance, Straits could sell a stake in Straits Real Estate to a sovereign fund or partner to co-invest in its pipeline, which would implicitly mark SRE's value higher than book. Any such corporate action – management buyout, partial stake sale, or restructuring (like spinning off the property arm into a separately listed entity) – would be a strong catalyst unlocking value. While we are not specifically predicting a privatisation, we note the **downside protection** it offers: with NAV >S\$3/share, minority shareholders have reason to expect any buyout to be much higher than the current \$1.46 price.
- **Continued Hospitality Recovery and Expansion:** On the softer side, a full rebound in global travel can drive earnings upside beyond our base case. FEHH could see occupancy and room rates in Singapore hit new highs if tourism exceeds forecasts (especially with China's reopening gathering pace). Each 5% increase in RevPAR might translate to ~S\$2–3M additional profit to Straits (via FEHH). Additionally, FEHH's strategy to sign new management contracts (asset-light growth) can add high-margin fee income. An upside scenario is if FEHH manages to acquire or build new hotels in target markets (like Japan or Europe) with minimal capital outlay, growing its earnings base. While hospitality is a smaller piece of Straits, a thriving FEHH improves overall sentiment and could itself be an IPO candidate in a bull market, unlocking value for Straits.
- **Macro Tailwinds:** Straits Trading would benefit disproportionately from certain macro scenarios. For example, a pivot to **monetary easing** in developed markets (Fed rate cuts) would likely boost property valuations in its key markets (Australia, UK). The group estimated that much of its NAV decline was tied to rising rates; a reversal could recoup some of that lost NAV. Similarly, if the SGD weakens (after a period of strength), the translated value of overseas properties and earnings would rise – given Straits has assets in AUD, GBP, MYR, JPY, any broad USD strength or SGD moderation helps. Finally, a robust **global growth scenario** (despite current modest projections) where both industrial demand (tin) and real estate markets are buoyant would create a sweet spot where both major segments outperform simultaneously, delivering earnings upside and NAV growth.

In all, Straits Trading has multiple levers that could positively surprise investors. The company's diversified nature means it can spring either a **transaction-driven catalyst** (sale, acquisition, restructuring) or an **operational catalyst** (earnings beat). The current undervaluation suggests the market is pricing in very few catalysts; thus any material positive development could lead to a sharp re-rating.

## 8. Risks & Mitigations

Investors in Straits Trading should be aware of several risks, but also note the mitigations the company has in place:

- **Market Risk – Property Downturn:** As a large portion of Straits Trading's assets are real estate, a further downturn in property markets (due to recessions or sustained high interest rates) could erode NAV and reduce rental income. The company already suffered from the office sector's structural issues (remote work) which hit valuations in its portfolio.  
**Mitigation:** The portfolio is diversified across geographies and sectors, reducing reliance on any single market. The group has pivoted to more resilient segments like logistics and needs-based residential, which have structural demand drivers. Additionally, Straits adopts a long-term view – it avoided fire-selling assets at the trough, instead taking a “wait-and-see” stance for values to recover as interest rates stabilise. This patience is enabled by its strong liquidity position. The company also continuously **enhances assets** (through AEI) to maintain competitiveness and value.
- **Commodity Price & Operational Risk (MSC):** Tin price volatility directly impacts MSC's revenue and profit. A sharp decline in tin prices (e.g. due to global demand slump or substitution) would hurt the resources segment. Operationally, MSC faces mining risks (reserve depletion, extraction challenges) and smelting risks (metal recovery rates, input cost fluctuations).  
**Mitigation:** MSC has among the lowest unit costs globally for tin smelting after its new plant, giving it some buffer to remain profitable at lower prices. It also actively hedges some commodity and forex exposure when appropriate. On mining, MSC is extending its mine life by expanding into new adjacent lands and using JV partners to share risk. Straits Trading, on its part, treats MSC as a strategic stake and can adjust its holding (increase or decrease) if industry prospects change – effectively managing exposure. Notably, tin demand medium-term is supported by electronics and EV growth, which provides some floor to prices.
- **Foreign Exchange Risk:** The group earns a significant portion of revenue and holds assets in foreign currencies (MYR, AUD, GBP, RMB, JPY). In FY2024, the stronger SGD reduced translated earnings and NAV, as noted (e.g. AUD/GBP weakness contributed to weaker performance). A continued strengthening of SGD could similarly impact reported profits and valuations.  
**Mitigation:** Straits Trading maintains natural hedges where possible – for instance, debt is often taken in local currency to fund local assets, buffering the net exposure. As of 2024, ~52% of debt is in MYR (MSC's loans) offset by MYR assets, etc. The company can also use financial hedges; it likely hedged some AUD exposure when it issued AUD notes from a JV (hence interest income fluctuation). Over the long run, currency movements tend to even out, and

the group's multi-currency asset base actually provides diversification. Any extreme currency movement typically also affects asset values (e.g. if GBP drops, UK property yields adjust), so the economic impact is less than the accounting impact in many cases.

- **Interest Rate & Financing Risk:** High interest rates not only reduce property values but also increase borrowing costs. Straits Trading's interest expense nearly doubled from 2022 to 2023 following rate hikes and new debt. If rates remain elevated or credit markets tighten, the group could face higher refinancing costs or difficulty raising new debt.

**Mitigation:** The proactive approach to funding has been a hallmark – Straits locked in a 4-year bond at 3.25% in mid-2023 before rates climbed further, and raised an MTN at 4.7% which is moderate. The upcoming deleveraging using ESR cash will reduce absolute debt and thus exposure to rate swings. Management emphasizes *prudent capital management* – maintaining ample liquidity and staggering debt maturities. The group's successful issue of digital commercial paper on SDAX also shows it is tapping alternative channels for short-term funding at competitive rates. In worst-case scenarios, Straits Trading could pare back investments or sell assets to generate cash (it has liquid securities and potentially saleable properties) to avoid distress. The existence of strong backing from the Tan family might also mean shareholder loans or equity injection is an option if ever needed (though currently not at all in question).

- **Execution Risk – Development & New Ventures:** Straits Trading's expansion into senior living and the large-scale Straits City project entail execution risks – construction delays, cost overruns, marketing and take-up risk for the developments. The senior living venture is a new business area for the group, which may face a learning curve or mis-estimation of demand.

**Mitigation:** The group typically partners with experienced operators where needed. For senior living, while no partner is named, Straits will likely leverage local expertise and start with smaller-scale projects in Ipoh/Penang to test the concept. The capital commitment will be phased (currently in planning stage). For Straits City, the risk is mitigated by MSC's involvement (sharing cost) and Penang's strong economic fundamentals currently. Plus, being a mixed-use development, the project can be rolled out in phases aligned with market demand. The group has also shown discipline – e.g., it wrote down land when needed (then reversed when conditions improved), indicating conservative accounting and willingness to pause if market is not ready.

- **Regulatory & ESG Risk:** In mining, MSC must adhere to environmental and safety regulations. Any tightening (for example, environmental lawsuits or stricter emission controls on smelting) could raise costs or cap production. On the property side, regulations like property cooling measures, taxes or zoning laws can affect value and liquidity (though Straits' overseas diversification reduces single-market regulatory exposure). ESG concerns are rising, and Straits Trading, as a conglomerate, needs to manage its carbon footprint and community impact (especially given mining is a high-impact activity).

**Mitigation:** MSC is actively addressing ESG – the new smelter cuts carbon emissions per tonne by being more energy-efficient, and MSC is looking into solar and other initiatives (the Pulau Indah smelter likely employs modern pollution control). The group as a whole is aware of climate challenges as noted in its commentary and focuses on sustainable value creation. The board risk committee oversees such issues, and Straits has begun ESG disclosure in its annual reports. On regulatory front, Straits monitors changes and has compliance teams in each

region. Notably, MSC is dealing with a tax dispute (additional tax assessment of ~S\$9.5M in Malaysia); it is appealing, and even if it had to pay, the amount is not material to the group (and provisions exist). The company's large controlling shareholder and long history often afford it a stable relationship with authorities.

- **Liquidity & Concentration Risk:** The stock's trading liquidity is modest due to majority ownership, which could result in price volatility. Additionally, the largest contributor to group profits in many years has been one-off transactions (lumpy), which is not a stable earnings base.
- **Mitigation:** The company is taking steps to build a more resilient earnings base by **reducing leverage** (which lowers mark-to-market volatility from derivatives) and **expanding recurring income streams**. Over time, this should support a **re-rating**, as more consistent profits attract a broader investor base and improve share liquidity.

While the stock trades at a steep discount — **~0.46× book and ~0.45× RNAV** — part of this reflects its **limited float and low institutional turnover**. Unlike larger-cap REITs and developers, Straits Trading's shares see subdued daily volumes, contributing to its valuation gap. However, this also presents a **long-term accumulation opportunity** for patient capital, especially as **ongoing dividends and potential buybacks** help anchor downside risk.

In summary, while Straits Trading faces a variety of risks typical of a diversified conglomerate, none appear existential. The **key swing factor** remains market conditions (property cycle and tin cycle). We take comfort that management has navigated these cycles prudently – maintaining liquidity and adjusting strategy – which positions the company to weather downturns. The current risk/reward is attractive: many negatives are already reflected in the depressed stock price, while mitigations and upcoming improvements (deleveraging, operational efficiencies) are not yet fully appreciated by the market.

## 9. Management & Governance

Straits Trading's management team and governance structure inspire confidence through a mix of strategic vision, deep asset knowledge, and sound oversight practices.

**Leadership:** The company is led by **Executive Chairman Ms. Chew Gek Khim**, who has helmed the board since 2008. Ms. Chew is the granddaughter of the late banking magnate Tan Chin Tuan; through the family's investment arm (Tecity Group), she orchestrated the takeover of Straits Trading in 2008. Under her leadership, Straits Trading has undergone significant strategic shifts – from a static conglomerate to an active investment company. Ms. Chew's approach has been to **unlock value** from legacy assets and recycle capital into new growth areas, as evidenced by major transactions like the ARA sale and investments into ESR, FEHH, and overseas properties. She is known for being hands-on and having a long-term investment horizon, aligning with Straits Trading's 136-year heritage. Governance-wise, while Ms. Chew holds an executive role, she has brought in professional management for operating businesses (e.g., CEOs for MSC, SRE, etc., who run day-to-day operations). At the 2025 AGM, shareholders re-elected Ms. Chew Gek Hiang (her sister, a non-independent director) and other directors, indicating investor support for the current board composition.

**Board Composition:** The Board of Directors comprises a balance of family representatives and independent professionals. Besides Executive Chairman Chew Gek Khim and Non-Independent Director Chew Gek Hiang, there are several **Independent Directors**: for instance, **Mr. Tan Chian Khong**, a former audit partner, serves as Lead Independent Director and Audit Committee Chairman; **Mr. Lau Cheng Soon** heads the Remuneration Committee and sits on the Risk Committee; **Ms. Lin Diaan Yi** (recently re-elected) contributes her legal/regulatory expertise. This mix ensures robust debate and oversight over management decisions. The board committees (Audit, Nominating, Remuneration, Board Risk) are chaired by independents, satisfying Singapore corporate governance best practices. At the 2025 AGM, all directors standing for re-election (including independents Mr. Tan and Mr. Lau) were duly re-appointed with ~99% shareholder approval, reflecting shareholder trust.

**Major Shareholders & Alignment:** The Tan family ownership (66% via The Cairns Pte Ltd and related entities) aligns management's interests with shareholders. The controlling shareholder has demonstrated a commitment to enhancing long-term value and receiving returns primarily through overall value appreciation and dividends (as opposed to extraction via related party deals – in fact, there have been **no material interested party transactions** in recent reports). The family's willingness to **share rewards** is evident in the steady dividend growth from 4¢ to 8¢ over the years. They too benefit from the high dividend payouts (Cairns Pte Ltd receives 66% of all dividends), which incentivizes continued sustainable distributions.

**Transparency and Shareholder Engagement:** Straits Trading's disclosures are generally detailed – the company releases extensive financial statements (with segment breakdowns, comprehensive MD&A, and outlook commentary). Importantly, it proactively addresses shareholder questions. For example, prior to the 2025 AGM, the company published detailed answers to substantial questions from shareholders on SGXNet, covering topics from gearing to NAV declines, evidencing a willingness to engage and explain strategy. During the AGM, management handled queries about ESR's privatisation, debt rationale, cashflow generation, etc., in a candid manner. This level of engagement fosters trust. The company's website is updated with announcements and even the slides of results briefings, which is helpful for investors.

**Strategic Direction and Governance Practices:** The board and management have articulated a clear strategy: focus on **core competencies** (resources and real estate), pursue **opportunistic investments** where they have an edge (e.g., leveraging Far East ties in hospitality, Tecity's network in finance for deals like SDAX), and maintain **financial discipline**. Governance-wise, internal controls are in place – the Audit Committee, for instance, is chaired by an independent with financial expertise, ensuring rigor in financial reporting and audit processes. The risk management framework is overseen by the Board Risk Committee (which includes independent directors like Mr. Lau), covering areas from market risks to operational issues in subsidiaries. Straits Trading also aligns with governance guidelines in areas like director independence (e.g., majority independents when counting only non-family), remuneration (disclosed in bands, with a performance share plan in place for management as noted in the financials – tying compensation to performance over multiple years), and board renewal (new directors have joined over the past decade, maintaining a mix of experience and fresh perspectives). One noteworthy governance item: at the 2024 AGM, shareholders renewed the **Share Buyback Mandate**, authorizing the company to repurchase up to 10% of its shares. This can be an effective tool to enhance shareholder value if the stock remains undervalued – it signals the board's intent to have flexibility in capital return beyond dividends.

Finally, **sustainability governance** is evolving – Straits Trading has started issuing sustainability reports and the board likely evaluates ESG factors in decision-making (for example, balancing short-term profits from mining with environmental responsibilities). The management’s outlook statement explicitly cited climate challenges and the need for long-term stakeholder value, indicating awareness at the highest level.

In summary, Straits Trading’s management team is **experienced and shareholder-aligned**, driving a clear strategy to unlock value. The governance structures in place (independent oversight, active shareholder communication, prudent risk management) provide assurance that minority shareholders’ interests are respected. We see the stable stewardship by the Tan family as a positive – it provides patience and continuity for executing multi-year initiatives (like large-scale developments) that transient management might not undertake. The combination of strategic insight from the family and professional execution by management bodes well for the company’s future.

## 10. ESG & Sustainability

Straits Trading has steadily integrated Environmental, Social, and Governance (ESG) principles into its corporate strategy, risk management, and operational frameworks. In FY2024, ESG disclosures were presented as a core part of the annual report, with detailed narratives, KPIs, and forward-looking commitments. This reflects a shift from compliance-based sustainability reporting toward **value-driven ESG integration**, which is increasingly relevant for institutional investors.

**Environmental Stewardship:** Straits Trading operates in environmentally sensitive sectors, particularly mining and real estate. In response, it has adopted initiatives focused on:

- **Carbon footprint reduction:** Scope 1 and 2 emissions are now being disclosed for key operations, including MSC, with plans to expand into Scope 3.
- **Energy efficiency:** MSC reported continued implementation of smelting process improvements and transition to cleaner fuels where feasible.
- **Waste and water management:** The group follows best practices in industrial waste treatment and hazardous material control.
- **Climate risk awareness:** Management has begun referencing climate-related risks in forward-looking statements, signalling alignment with **TCFD** frameworks. This includes both physical risks (e.g., weather events affecting property) and transition risks (e.g., carbon taxation).

While not yet externally rated under major ESG indices, the company’s **voluntary disclosures and operational controls** position it well for future benchmarking and alignment with investor-driven climate agendas.

**Social Responsibility:** Straits Trading's social impact strategies focus on **employee well-being, diversity, safety, and community engagement**. Highlights include:

- **Workforce safety:** In industrial operations like MSC, strong focus is placed on workplace injury prevention and adherence to ISO safety protocols.

- **Talent development:** Staff are provided with structured training programs, and management succession plans are regularly reviewed.
- **Diversity and inclusion:** The group maintains gender diversity across non-executive board roles and senior leadership, although data on workforce diversity across the group remains limited.
- **Community involvement:** Through subsidiaries, the company participates in local engagement initiatives, particularly in areas where it operates physical assets, such as Malaysia and Australia.

**Governance and ESG Oversight:** Governance of ESG-related matters is robust, benefiting from the group's overall strong governance framework:

- **Board-level oversight:** ESG issues are overseen by the **Board Risk Committee**, which includes independent directors. Sustainability disclosures and ESG risks are reviewed alongside financial and operational risks.
- **Alignment with global frameworks:** The company has signalled intent to align with **SGX sustainability reporting guidelines, GRI, and TCFD**, with progress seen in climate-related disclosures and emissions reporting.
- **Sustainability-linked financing:** In FY2024, Straits Trading and its subsidiaries explored options for sustainability-linked or green financing, which may become a more prominent part of its capital structure.
- **No material related-party ESG concerns:** No major governance lapses or related-party controversies have been noted, and the company's adherence to responsible investment principles is evident in its allocation discipline and capital recycling strategies.

**Institutional Relevance:** For ESG-conscious institutional investors, Straits Trading presents a case of **solid foundational ESG practices** with tangible environmental metrics, maturing governance structures, and credible sustainability intentions.

Its approach is **measured, transparent, and operationally grounded**, rather than PR-driven. While there is room for deeper third-party benchmarking (e.g., MSCI ESG Ratings, Sustainalytics), the group's evolving ESG profile enhances its appeal in a landscape where **responsible capital allocation** and **climate resilience** are growing imperatives.

## **11. Conclusion & Recommendation**

Straits Trading presents a compelling **deep value investment** underpinned by solid assets and a clear roadmap for value realization. Our analysis leads us to a **BUY** recommendation with a target price of **S\$2.20**, representing ~50% upside from current levels. This target is grounded in a conservative RNAV valuation that still lies well below the company's last reported NAV of S\$3.19.

We base our optimism on the following concluding points:

- **Rejuvenated Investment Thesis:** The company has navigated through a rough patch (pandemic disruptions, rising rates) and is emerging leaner and poised for growth. The **3-point**

**thesis** – deep undervaluation, sector tailwinds, and turnaround momentum – is intact and gaining traction. With FY2024 marking a turnaround to profitability and significant de-risking actions taken (like the ESR exit), Straits Trading is positioned to deliver on the promise that its sum-of-parts holds.

- **Base-Case Valuation is Well-Supported:** Even assuming no heroic assumptions – just steady tin prices, stable rentals, and maintaining the 8¢ dividend – the stock deserves to trade closer to its book value. At our target S\$2.20, it would still be only ~0.7× P/B and offer a 3.6% yield (8¢), which is undemanding relative to peers. Thus, our target reflects a **base case** that assumes partial closing of the discount as the market gains confidence in Straits Trading's direction. In a more optimistic scenario (property valuations rebound, tin rallies, or a major asset sale at a premium), there is potential for the stock to overshoot our target and approach its underlying NAV (we note consensus, albeit sparse, has fair value estimates in the \$3+ range).
- **Income and Stability:** Importantly for investors, Straits Trading offers a blend of **value and yield**. The 5.5% dividend yield, which management is committed to sustaining, provides a tangible return while waiting for the value to unlock. The dividend is backed by recurring operating cash flows and the company's large reserve of retained earnings, making it relatively secure. This income aspect limits downside and rewards patience – aligning with the controlling shareholder's own interests.
- **Catalysts on the Horizon:** In the coming 12 months, we expect several **positive developments** to materialize: the deleveraging from the ESR sale will show up in H2 2025 results, likely improving earnings (via lower interest) and NAV (via the small gain); MSC's move to a single smelter should start reflecting in better margins and potentially higher dividends upstream; Straits Real Estate may crystallize a gain if they dispose of an asset or bring in partners for Straits City; and any advancement in the senior living projects (e.g. launch or joint venture) could add to the growth narrative. These are not far-fetched or distant events – they are part of the company's active strategy and some are already in motion. The market often re-rates stocks when such catalysts play out, and we want to be positioned ahead of that.
- **Sector Positioning:** As an investment, Straits Trading provides a unique exposure: it is both a play on the **global tin cycle** (a critical, finite resource with high-tech applications) and a play on **global real estate** (with a value tilt). In our view, this diversification is a strength – weaknesses in one segment can be offset by strengths in another (as seen in 2024 where property gains offset mining FX losses). With concerns of inflation easing and China's economy picking up, both commodities and property could do well in the next couple of years. Straits Trading sits at that intersection, which could attract investors who want a hedge across asset classes.

**Recommendation:** We recommend **BUY** with a 12-month target price of **S\$2.20**, and classify Straits Trading as a deep-value cyclical with dividend appeal. Key catalysts include successful execution of asset recycling and continued recovery in core operations, which we expect will drive a re-rating closer to RNAV. We advise investors to accumulate at current levels, keeping in mind the stock's moderate liquidity (accumulation over time might be prudent).

While risks exist (as detailed, e.g. market softness or execution delays), we believe these are mitigated and largely priced in. The risk-reward profile is skewed favourably – downside is cushioned by the strong asset base and insider support, whereas upside could be unlocked through management's ongoing initiatives or potential strategic moves. In a market where many property stocks trade at

discounts, Straits Trading stands out by actively taking steps to unlock its discount (rather than being passive).

In conclusion, Straits Trading offers a rare combination of **value, yield, and catalysts**. It is an “old guard” company with a new lease of life under visionary leadership. We expect the next year to validate the steps taken in 2024/25 and reward shareholders accordingly. With a 136-year legacy behind it and a proactive game plan ahead, Straits Trading is, in our view, a compelling turnaround-value story for institutional investors looking for medium-term upside with solid fundamentals.

#### Appendix: Financial Forecast Summary & RNAV Assumptions

Detailed financial forecasts, segment-level assumptions, and RNAV build-up tables are available upon request. Key line items in our FY2025 base-case model are as follows:

#### FY2025 Forecast and RNAV Model

SGD (mil)	FY2024 (Actual)	FY2025 (Forecast)
Revenue	564.6	600
EBIT	124.4	85
EBIT Margin	22.0%	14.2%
Finance Costs	90.6	50
PBT	25	40
NPAT	-7.2	25
EPS (cents)	-1.6	5.5
DPS (cents)	8.0	8.0

#### Segment EBIT Assumptions - FY2025

Segment	Forecast SGD (mil)	Key Assumptions
Resources	50	Tin price avg US\$27,000/ton
Real Estate	30	Rental income + trading profits, no reval gains
Hospitality	5	Share of 30% FEHH contribution

## RNAV Build-up - FY2025

Component	Value SGD (mil)
Property Assets	1570.0
MSC	156.0
Hospitality (FEHH stake)	160.0
Cash (ex-ESR)	0.0
Investments	100.0
Gross Asset Value	1986.0
Less: Net Debt	-720
Equity RNAV	1266.0
Share Outstanding (M)	450.8
RNAV per Sgare (SGD\$)	2.81

Our FY2025 revenue forecast of **~S\$600 million** is based on **FY2024 actual revenue of S\$564.6 million**, with an assumed **~6% growth** driven not by Singapore GDP but by **sector-specific tailwinds** — including a projected recovery in **global tin prices**, **incremental real estate income from overseas assets**, and **continued normalisation in hospitality occupancy**. Given Straits Trading's diversified and regionally spread asset base, the 6% top-line growth assumption remains defensible despite Singapore's subdued 0–2% GDP outlook.

The Ministry of Trade and Industry (MTI)'s 0–2% **Singapore GDP growth** forecast for 2025 reflects **broad-based national economic output**, not sector-specific performance. Straits Trading's business mix is only **partially linked to Singapore's GDP** and instead reflects **multi-geography, asset-driven performance**.

### ◆ 1. Geographic and Sector Diversification

- **Straits Trading's revenue is not Singapore GDP-correlated** in a linear way:
  - **Malaysia Smelting Corporation (MSC)** — the largest contributor — is exposed to **global tin prices** and export demand, not Singapore's growth.
  - **Property portfolio** spans **Australia, Malaysia, and Japan**, with Singapore forming just a portion of the real estate base.
  - **FEHH (Hospitality JV)** has significant exposure to **regional tourism and hotel operations** in Malaysia, Singapore, and Japan — more dependent on **cross-border travel** than Singapore's GDP per se.

### ◆ 2. Commodity Price Upside

- A key driver of forecast growth is an assumption that **average tin prices in FY2025 improve to ~US\$27,000/ton** from ~US\$25,000/ton in 2024 — a **+8% to 10% gain**.
- Tin is a **volatility-linked input** (not volume-driven), and even flat tonnage sales with better pricing can lift revenue materially for MSC.

◆ **3. Real Estate Rental & Sales Contributions**

- Property segment revenue includes **rental income** and **property inventory sales** (e.g., Penang, Australia).
- These are **transaction-based** and not fully tied to GDP growth.
- Forward delivery and sales already in progress (pre-committed or under option) can drive revenue even if the macro environment is slow.

◆ **4. Hospitality Recovery Lag**

- Hospitality operations (via FEHH) are **still in post-COVID catch-up mode**, meaning:
  - Room rates and occupancy have room to normalise further.
  - There is **growth potential off a low base**, decoupled from national GDP stagnation.

Sources: Financial data and growth figures are from company annual reports and SGX filings. Industry insights, regulatory reports and news are drawn from The Straits Times, Yahoo Finance, MinLaw, MTI, The Business Times and information publicly available.

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*Analyst Certification:* I, **Jaimes Chao**, hereby certify that the views expressed in this report accurately reflect my personal opinions about The Straits Trading Company Ltd and its securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

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