

LUM CHANG HOLDINGS LIMITED (SGX: L19)

1H FY2026 Results Update | 5 May 2026

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Rating: BUY

Last Close: S\$0.600

Target Price: S\$0.720

Margin Rebuilt, Special Dividend Declared, Embedded Value Yet to Be Fully Recognised

A stronger earnings mix, a declared 2.0¢ interim dividend tied to the Lum Chang Creations listing, and updated visibility on the listed-subsidary stake keep the re-rating case alive.

Executive Summary

Lum Chang Holdings has entered FY2026 with clearer earnings quality, stronger balance-sheet resilience and a more visible value-unlocking story than at initiation. While group revenue softened 7.7% YoY in 1HFY2026 to S\$220.6m, gross profit rose 53% to S\$29.7m and PATMI more than doubled to S\$7.3m, indicating that the group is now compounding on better project mix rather than relying purely on volume growth. The post-listing expansion of Lum Chang Creations ("LCC") has lifted the share of higher-margin restoration and fit-out work within the consolidated group, even as the core construction business remains the dominant revenue engine.

A meaningful new data point since initiation is the Board's declaration of an interim ordinary dividend of 0.5¢ plus a special dividend of 1.5¢ per share (paid 16 March 2026), declared expressly in connection with the successful LCC listing. This signals that capital-return optionality is being actively used, not merely held in reserve.

The key debate at S\$0.60 is no longer whether Lum Chang can recover from its low-margin legacy phase. The evidence already suggests it has. The more relevant question is whether the market is fully pricing in earnings normalisation, the net-cash balance sheet, and embedded value in the listed subsidiary. The answer, in this analysis, remains no. A blended valuation based on FY2026E P/E and EV/EBITDA, cross-checked against a sum-of-the-parts (SOTP) build and a DCF, supports a 12-month target price of **S\$0.720**, implying **20.0% upside** from the last close.

Key Metrics

Trading Metrics

Metric	Value
Share Price	S\$0.600
Market Capitalisation	S\$224.8m
Shares Outstanding (voting)	374,624,804
Treasury Shares	10,404,800
Free Float	80.7m
52-Week Range	S\$0.290 — S\$0.735
Average Daily Volume (3M)	176.0K

Valuation Multiples

Metric	Value
P/E (FY2025 A)	14.4x
P/E (FY2026 E)	12.0x
P/E at Target (FY2026 E)	14.4x
P/B (1HFY2026, as at 31 Dec 2025)	1.27x (NAV S\$0.471)
EV/EBITDA (FY2025 A)	5.9x
EV/EBITDA (FY2026 E)	4.9x
Trailing 12M Dividend Yield	6.7% (incl. interim special)
Sustainable Forward Yield (FY2026 E)	5.0%

Note on EBITDA definition: Group EBITDA is defined as profit before income tax, plus net finance costs, plus depreciation and amortisation. Share of associate and joint-venture results is included as reported (i.e. equity-method).

Profitability Metrics

Metric	Value
ROE (FY2025 A)	9.5%
ROA (FY2025 A) — group basis	4.6%
Net Margin (FY2025 A) — group basis	4.05%
Net Margin (FY2025 A) — PATMI basis	3.4%
EBITDA Margin (FY2025 A)	6.6%
EBITDA Margin (1HFY2026 annualised)	8.0%

Note on profitability methodology: ROA and group-basis Net Margin are calculated on total consolidated net profit (S\$18.7m), inclusive of non-controlling interests. PATMI-basis equivalents reflect attribution to parent shareholders only (S\$15.6m). With LCC's NCI representing approximately 18% of total net profit, the basis distinction is material; PATMI-basis figures are the more relevant lens for parent shareholders.

Balance Sheet Strength (31 Dec 2025)

Metric	Value
Cash & Bank Deposits	S\$89.5m
Total Borrowings	S\$45.8m
Net Cash	S\$43.7m
Current Ratio	1.32x
Gross Debt / Equity	0.26x
Net Asset Value per Share	S\$0.471

Target

Metric	Value
Target Price (12M)	S\$0.720
Upside to Target	20.0%

Business Overview

Lum Chang is a Singapore-based construction and property group with activities spanning construction, restoration and interior fit-out, property development and investment, and investment holding. Historically, the group's earnings profile was heavily influenced by the timing and margin quality of major construction projects, but the restructuring over the past year has made the platform more balanced. The July 2025 listing of Lum Chang Creations gave the market a cleaner line of sight into the value of the restoration and fit-out business while allowing Lum Chang to retain a controlling stake and continue consolidating its profits.

In 1HFY2026, construction remained the largest segment at S\$154.4m of external revenue, or about 70% of group turnover, while restoration and interior fit-out contributed S\$51.6m and delivered the strongest profit progression. Property development and investment remained small but profitable, contributing S\$14.1m of revenue and S\$0.3m of segment net profit in the half year. This segment mix is increasingly important because it supports better group margins without requiring aggressive balance-sheet expansion.

LCC stake verification note. Lum Chang's stake in LCC was 71.1% at initial listing in July 2025. The 1HFY2026 cash flow statement records S\$8.3m of net proceeds from issuance of shares by a listed subsidiary, with the equity statement allocating S\$4.3m of this to non-controlling interests and S\$4.0m to retained profits (recognised as a gain on partial dilution above book value). The current effective stake may therefore be modestly below 71.1% and should be verified against LCC's most recent shareholding announcements before any precise SOTP work is published. For the purposes of this update, we assume an indicative 70% stake.

Financial Highlights

Revenue fell 7.7% YoY to S\$220.6m in 1HFY2026, largely because construction revenue moderated from S\$191.6m to S\$154.4m as a few projects substantially completed in 2H2025 per the issuer's commentary. Yet gross profit increased to S\$29.7m from S\$19.4m, lifting gross margin to 13.4% from 8.1%, while profit before tax rose 105% to S\$13.5m. Net profit attributable to shareholders climbed 108% YoY to S\$7.3m, with basic EPS improving to 1.94¢ from 0.93¢. The effective tax rate fell from 27.6% to 21.3%, partly explaining the slightly stronger PATMI growth relative to PBT.

The standout was the restoration and interior fit-out segment, whose external revenue rose 38% YoY to S\$51.6m and whose pre-tax profit expanded to S\$13.8m from S\$6.7m. By contrast, the construction segment returned to S\$1.8m of net profit from a small loss in the prior corresponding period, which suggests that execution discipline and cost normalisation are starting to feed through even in the lower-margin core business. Group finance costs fell 38% YoY to S\$0.7m, helped by lower market interest rates and moderate leverage.

Cost-base movement. Administrative and general expenses rose 28% YoY to S\$16.7m. Per the issuer commentary, this reflects (i) higher staff-related costs in the Construction and Restoration & Interior fit-out segments, and (ii) elevated professional fees following the LCC listing. Item (ii) is partly non-

recurring, which suggests that the underlying operating leverage from the gross-profit step-up is somewhat masked at the operating-cost line.

Tekka Place equity-method tailwind. Share of joint-venture losses fell from S\$1.8m in 1H25 to S\$0.08m in 1H26. Per FS Note disclosures, the group ceased recognising further losses from Tekka Place since the last quarter of FY2025, after its share of accumulated losses exceeded the carrying amount of its investment. A portion of the JV-loss compression is therefore an accounting tailwind rather than a pure operational improvement, and the comparable will remain clean going forward.

Operating cash flow optics. Net cash from operations declined to S\$8.9m in 1H26 from S\$77.1m in 1H25. The 1H25 base contained a one-off working-capital release of approximately S\$64m (contract assets unwind plus contract-liabilities build), which will not repeat. Operating cash flow before working-capital movements was actually higher in 1H26 (S\$16.5m) than in 1H25 (S\$9.6m), which is the cleaner signal.

FVOCI revaluation. A S\$3.2m fair-value gain was recognised on a Level-3 unlisted equity investment described in the interim FS as "mainly relates to investment in a Singapore incorporated entity which holds an investment in a China entity listed on the Shanghai Stock Exchange" (1HFY2026 Interim FS, Note 10, p.21). This flows through other comprehensive income rather than P&L, but adds modestly to NAV per share.

Land tender deposit. A S\$7.0m tender deposit was placed during the half and refunded in January 2026, signalling continued land-tender activity even where bids are unsuccessful.

The FY2025 base already showed that the group had crossed an inflection point. Revenue dipped 7.5% to S\$462.9m in FY2025, but PATMI more than doubled to S\$15.6m, EBITDA improved to about S\$30.7m, and net cash stood at roughly S\$40.7m at year end. The board paid a total FY2025 dividend of 4.0 cents per share including a special dividend, which underscored both cash generation and management confidence.

Investment Thesis

1. Margin repair is real, not merely cyclical

The strongest support for the stock today is the sharp improvement in earnings quality. Gross margin expanded from 8.1% to 13.4% in 1HFY2026, while EBITDA margin improved to roughly 8.0% from about 4.5% a year earlier on the same half-year basis. That scale of uplift is difficult to dismiss as one-off noise, especially given the simultaneous contribution from a structurally higher-margin fit-out business and the cessation of Tekka Place equity-method losses.

2. LCC provides an embedded listed asset and earnings lever

Lum Chang still controls Lum Chang Creations (~70% stake, pending verification), and LCC has continued to deliver strong growth while pursuing further capital-markets activity. The earnings contribution from the fit-out arm is now visible and strategically separate, while the parent retains exposure to any value accretion at the subsidiary level. The April 2026 LCC corporate developments

— specifically the proposed bonus issue and the lifting of the managing director's share-sale moratorium (refer LCC SGX Announcement 30 April 2026) — suggest LCC is moving into its next capital-markets phase rather than remaining a static post-IPO asset.

3. Balance-sheet strength supports both downside protection and optionality

At 31 December 2025, Lum Chang held S\$89.5m of cash against S\$45.8m of borrowings, leaving the group in a net-cash position of S\$43.7m. Current ratio stood at 1.32x and gross debt to equity was 0.26x, which is manageable for a contractor with project working-capital needs. This balance sheet gives the group room to tender for larger jobs, sustain dividends and absorb project volatility without stretching capital. The recently declared 2.0¢ interim dividend (0.5¢ ordinary + 1.5¢ special) is a tangible expression of this balance-sheet strength.

4. Singapore's construction backdrop remains supportive

Per the Ministry of Trade and Industry's release of 10 February 2026, Singapore's economy grew 5.0% in 2025, with 4Q2025 GDP growth accelerating to 6.9% YoY and the construction sector specifically expanding 4.6% YoY in the same quarter. Forward-looking, the Building and Construction Authority projected total construction demand in Singapore to remain steady at S\$47–53 billion in nominal terms for 2026 (BCA media release, 22 January 2026). This sustained demand is expected to be supported by award packages for major projects including the Changi Terminal 5 development, Marina Bay Sands IR2, the New Tengah General and Community Hospital, the Downtown Line 2 Extension, and the Thomson–East Coast Line Extension. Lum Chang's order book of S\$981.0m as at 31 December 2025, with S\$63.4m of new restoration and interior fit-out wins secured during 1HFY2026 (1HFY2026 Interim FS, p.30, "Other Information Required by Listing Rule Appendix 7.2", section 4), places it in a stronger competitive position than during the margin trough of FY2022–FY2023.

Forward Estimates Summary

The forward estimates table below is the group-level view incorporated into the valuation that follows. Detailed driver assumptions are reconciled in the Forecast Accountability section.

Metric	FY2025 A	FY2026 E	YoY Change
Revenue (S\$m)	462.9	~455	–1.7%
Gross Margin	11.5%	12.5%	+100 bps
EBITDA (S\$m)	30.7	~36.0	+17.3%
EBITDA Margin	6.6%	7.9%	+130 bps
PATMI (S\$m)	15.6	~18.7	+19.9%
EPS (¢)	4.16	5.00	+20.2%

Metric	FY2025 A	FY2026 E	YoY Change
DPS (¢)	4.00	3.00	-25.0%
Net Cash (period-end, S\$m)	40.7	~48.0	+S\$7m

Note on DPS YoY change: FY2025A total of 4.0¢ included a 1.0¢ special dividend; FY2026E of 3.0¢ includes the 1.5¢ LCC-listing special interim already declared. Underlying ordinary dividend trajectory is broadly stable.

Note on H1/H2 seasonality: FY2026E PATMI of S\$18.7m implies 2HFY2026 PATMI of approximately S\$11.4m (vs 1HFY2026 of S\$7.3m). This H2-weighted profile is consistent with the FY2025 split (1H PATMI of S\$3.5m vs 2H PATMI of S\$12.1m), where construction-segment project completions and restoration & fit-out activity historically concentrate in the second half. The implied 2HFY2026 uplift is therefore in line with the prior year's seasonal pattern rather than a stretch assumption.

Valuation

A blended methodology is used, combining P/E and EV/EBITDA as the primary valuation anchors, with DCF and an SOTP build as cross-checks. The approach is appropriate because Lum Chang is now part cyclical contractor, part listed-holding story, and part dividend-plus-asset play. Pure asset-based valuation would understate the earnings improvement, while pure earnings multiples would under-recognise the balance sheet and embedded LCC value.

Blending weights

- **P/E approach: 50% weight**
- **EV/EBITDA approach: 30% weight**
- **DCF cross-check: 20% weight**
- SOTP build is presented as an independent reasonableness test (next section)

P/E approach — 50%

Applying 14.0x FY2026E EPS of 5.0¢ yields **S\$0.700** per share. This multiple is above the stock's current 12.0x FY2026E rating but moderate for a company that has more than doubled earnings from FY2024 to FY2025 and continued to grow PATMI by over 100% in 1HFY2026. Regional construction peers (Gamuda, Sunway) trade at 25–30x P/E, so a 14x multiple still embeds a structural small-cap discount.

EV/EBITDA approach — 30%

Using 6.0x FY2026E EBITDA of S\$36.0m implies enterprise value of S\$216.0m. After adding net cash of S\$43.7m, the implied equity value is S\$259.7m, or approximately **S\$0.694** per share. Given the group's stronger margins, visible cash backing and listed-subsiary optionality, this multiple is conservative rather than aggressive.

DCF cross-check — 20%

A conservative DCF based on attributable free cash flow to equity, 9% cost of equity and 2% terminal growth generates a value around **S\$0.93** per share. Because DCF outputs are highly sensitive to steady-state assumptions for working capital and project cash conversion, this result is used as an upper-end cross-check rather than the primary anchor.

Blended target price

Applying the stated weights:

Approach	Value	Weight	Contribution
P/E (14.0x × 5.0¢ FY2026E EPS)	S\$0.700	50%	S\$0.350
EV/EBITDA (6.0x × S\$36m + S\$43.7m net cash)	S\$0.694	30%	S\$0.208
DCF (9% Ke, 2% terminal g)	S\$0.930	20%	S\$0.186
Blended unrounded output			S\$0.744
Less: 2HFY2026 execution-risk haircut			(S\$0.024)
Target Price (rounded)			S\$0.720

The blended unrounded output of S\$0.744 is reduced by approximately 3¢ to arrive at the target price of **S\$0.720**. This haircut reflects 2HFY2026 execution uncertainty, particularly in the construction segment where margin recovery in 1HFY2026 was sharper than initiation expectations and may not fully sustain through the second half. The haircut is explicit rather than embedded in the input assumptions to preserve transparency in the valuation build. At the current share price of S\$0.600, the target implies **20.0% upside**, and a **BUY** recommendation is maintained.

SOTP Cross-Check

The SOTP build is presented for cross-check and to make the embedded-value thesis explicit. Three indicative scenarios are shown to bracket the LCC stake-value sensitivity, given that the precise current ownership percentage and LCC market price should be re-verified at publication.

Indicative SOTP Build

Component	Conservative	Base	Bull
(A) LCC stake value			
LCC FY2025A net profit	S\$13.5m	S\$13.5m	S\$13.5m
LCC FY2026E net profit (annualised 1H)	S\$20.0m	S\$22.0m	S\$24.0m

Component	Conservative	Base	Bull
Applied P/E multiple	7.0x	9.0x	11.0x
Implied LCC market cap	S\$140m	S\$198m	S\$264m
LCH effective stake (assumed)	70%	70%	70%
Value of LCH stake in LCC	S\$98m	S\$139m	S\$185m
(B) Net cash at parent	S\$43.7m	S\$43.7m	S\$43.7m
(C) Core (construction + property)			
FY2026E core EBITDA estimate	S\$12m	S\$15m	S\$18m
Applied EV/EBITDA multiple	4.5x	5.5x	6.5x
Implied core enterprise value	S\$54m	S\$83m	S\$117m
(D) Development properties at carrying value	S\$26m	S\$26m	S\$26m
(E) Investment properties at fair value	S\$18m	S\$18m	S\$18m
Indicative total equity value (A+B+C+D+E)	S\$240m	S\$310m	S\$390m
Per share (374.6m shares)	S\$0.640	S\$0.827	S\$1.041

The base-case SOTP of approximately S\$0.83 per share sits comfortably above our blended TP of S\$0.720, supporting the view that the TP is conservative rather than aggressive. The conservative scenario at S\$0.64 still trades above current S\$0.60. SOTP analyses are inherently sensitive to the LCC valuation multiple and the assumed core EBITDA, which is why this is presented as a cross-check rather than the primary anchor.

Important caveats on the SOTP:

- Components (C), (D) and (E) overlap partially with how the EV/EBITDA approach treats investment and development properties. A pure additive read across all components risks double-counting. The SOTP is illustrative of where value sits, not strictly additive to the primary valuation methods above.
- LCC ownership is assumed at 70% pending confirmation. Each 1 percentage-point change in the stake adjusts base-case per-share value by approximately S\$0.005.
- Core EBITDA assumes 2HFY2026 sees moderate construction-segment recovery on top of 1HFY2026 trends.

Peer Comparison

The most directly relevant SGX-listed comparables for this update are Hock Lian Seng (J2T), KSH Holdings (ERO), and Tiong Woon (BQM), although business models are not perfectly aligned. Tiong Woon is more lifting-and-engineering exposed, while KSH and Hock Lian Seng carry property development and investment elements that affect comparability.

SGX-Listed Construction Peer Set — Trading Multiples

Company	Ticker	Price (\$)	Market Cap (\$m)	P/E (x)	EV/EBITDA (x)	P/B (x)	Div Yield (%)	ROE (%)
Lum Chang Holdings	L19	0.600	224.8	12.0 (FY26E)	4.9 (FY26E)	1.27	5.0 (Fwd)	9.5
Hock Lian Seng	J2T	0.445	227.5	11.3 (TTM)	~5.5 (est.)	0.80	4.0 (TTM)	7.1 (TTM)
KSH Holdings*	ERO	0.345	196.6	34.5 (TTM)	n.m.	~0.80 (est.)	3.6 (TTM)	n.m. (recovery)
Tiong Woon	BQM	0.970	224.9	11.7 (TTM) / 10.2 (Fwd)	3.86	0.68	1.80 (TTM)	6.08
Peer Median (ex. KSH)				11.5	~4.7	0.74	2.9	6.6

Peer multiples sourced from public market data via stockanalysis.com (Hock Lian Seng as at 19 Feb 2026, pre FY2025 results released 24–25 Feb 2026; Tiong Woon as at 13 Feb 2026; KSH Holdings as at 4 Mar 2026), TradingView, and issuer balance-sheet filings via Yahoo Finance. KSH Holdings market cap reflects 569.7m shares outstanding post 21 August 2025 sale of 28.9m treasury shares. Hock Lian Seng EV/EBITDA estimated using TTM EBITDA proxy; subject to definitional variance given property income contribution.

*KSH Holdings is in transitional recovery from a loss-making period — TTM P/E is depressed by recent earnings normalisation, and EV/EBITDA / ROE metrics are not meaningful for forward-looking comparison. Reader should weight KSH accordingly.

Peer Set Rationale and Read-Across

The October 2025 initiation included Chip Eng Seng, which has since limited comparability. The current update substitutes Tiong Woon as a proxy for adjacent heavy-engineering exposure. KSH Holdings is retained for continuity but flagged for transitional metrics. Hock Lian Seng remains the closest direct comparable given overlapping civil engineering, property development, and net-cash balance sheet profile.

Four observations stand out from the peer table:

- 1. Lum Chang trades broadly in line with the SGX peer median on P/E** (12.0x FY26E vs peer median 11.5x TTM), but with materially superior earnings momentum: PATMI more than doubled in 1HFY2026, while peer earnings are flat to declining. The forward P/E differential narrows further considering that Lum Chang's FY26E captures known strength in restoration and fit-out, whereas peer TTM figures lag.
- 2. Lum Chang trades at a modest premium on EV/EBITDA** (4.9x FY26E vs peer median ~4.7x). The premium is justified by superior earnings momentum, listed-subsidary optionality, and net-cash balance-sheet differentiation. On a like-for-like trailing basis the differential is narrower still, since LCH's FY26E EBITDA captures full-year flow-through of the higher-margin fit-out mix that peer TTM figures only partially reflect.
- 3. Lum Chang trades at a P/B premium (1.27x vs peer median 0.74x).** This premium is justified by (i) superior FY2025 ROE of 9.5% vs peer median ~6.6%, (ii) the LCC stake which is not fully reflected in book value at the parent level, and (iii) recent earnings momentum that has not yet flowed through to NAV accumulation.
- 4. Lum Chang's dividend yield (5.0% forward) is the highest in the SGX peer set,** reflecting the special dividend cycle around the LCC listing. Even on a normalised basis (excluding special component), the yield remains competitive against peers.

Stale-data note: Peer prices in the table above are sourced from mid-February to early-March 2026. Subsequent price action has been material — Tiong Woon has re-rated approximately 15% higher (to ~S\$1.12 by early May 2026), narrowing the EV/EBITDA gap to LCH, while Hock Lian Seng has declined approximately 12% (to ~S\$0.39) post its 24 February FY2025 results. Peer multiples should be re-pulled at publication date for the final report.

The more important benchmark may now be internal rather than peer-relative. Lum Chang today is materially different from the company at the trough of FY2022–FY2023 because it now owns a separately listed fit-out platform, has restored margins, and has demonstrated willingness to pay out excess cash. That combination justifies a higher quality multiple than the market historically assigned to the group, and supports the target P/E of 14.0x applied in our valuation.

Catalysts

Potential catalysts over the next 6 to 12 months include further earnings delivery from Lum Chang Creations, new construction contract wins (especially against the Changi T5, MBS IR2, and Tengah Hospital pipeline noted by BCA), stronger margin retention in the construction segment, and continued capital-management actions at either the parent or subsidiary level. The proposed bonus issue and corporate actions around LCC could also improve investor awareness and trading liquidity for the subsidiary, indirectly surfacing value at the parent level.

Confirmation that 2HFY2026 earnings remain firm would be important. The market may tolerate flat revenue if margins remain at the current improved range, because the stock's rerating case is now

tied more to cash earnings quality than to absolute turnover growth. In that respect, the next set of full-year results is likely to matter more than interim topline trajectory alone.

Risks

The usual project-execution risks still apply. Margin recovery can reverse if subcontractor costs rise, project claims are delayed, or tender competition intensifies, especially in the core construction business where pricing discipline is essential. The 1HFY2026 administrative cost rise of 28% (partly driven by post-LCC-listing professional fees) needs to compress in 2HFY2026 for the operating-leverage thesis to fully play out.

Property exposure is smaller than before, but it still introduces inventory and market-timing risk, particularly in Malaysia. There is also holding-company complexity. While ownership of LCC creates hidden value, listed-subsidary structures can sometimes trade at a discount if capital allocation becomes unclear or if minority investors apply conglomerate-style holding discounts. That said, Lum Chang's net-cash position and conservative financial posture mitigate the most severe downside scenarios.

A specific risk to monitor is further dilution of the LCC stake. The S\$8.3m of subsidiary-share issuance during 1HFY2026 was recognised as a gain at the parent level (above book value), but successive dilutive events could erode the consolidated PATMI contribution from LCC over time.

Dividend and Balance Sheet Commentary

Declared interim dividend. On 12 February 2026, the Board declared an interim ordinary dividend of 0.5¢ per share plus a special dividend of 1.5¢ per share, both tax exempt, payable on 16 March 2026 (record date 6 March 2026). The 1.5¢ special component was declared expressly in connection with the successful LCC listing in July 2025. The 2.0¢ total interim payout echoes the 2.0¢ quantum of the prior period's interim, but with a meaningfully larger special component (1.5¢ vs nil special in the FY2025 interim), demonstrating the board's willingness to distribute crystallised listing proceeds directly to parent shareholders rather than committing to a higher base ordinary dividend.

Forward dividend assumption. A sustainable FY2026E dividend assumption of 3.0¢ per share (incorporating a probable 1.0¢ final on top of the declared 2.0¢ interim) implies a forward yield of 5.0% at the current price. The trailing 12-month yield, including the FY2025 final and special and the FY2026 interim, is approximately 6.7%, but this should not be treated as the steady-state run-rate.

Balance-sheet differentiation. Net cash of S\$43.7m at 31 December 2025 provides both a valuation floor and strategic optionality for tenders, working-capital swings and shareholder returns. In a sector where fragile balance sheets often erode equity value quickly, Lum Chang's financial resilience should command a premium to distressed or heavily geared peers. NAV per share rose to S\$0.471 at 31 December 2025 from S\$0.447 at 30 June 2025, supported by retained earnings accumulation and the FVOCI gain.

ESG and Strategic Commentary

The prior initiation highlighted Lum Chang's positioning around safety, sustainable construction and digitalisation, including recognised project delivery in ecologically sensitive environments and use of technology in construction workflows. These strategic attributes remain relevant because they support tender credibility and operational discipline rather than existing merely as disclosure language. In Singapore's public and institutional construction ecosystem, credibility around execution, safety and sustainability can be a practical commercial advantage.

Forecast Accountability

Per Tickrs house standard, this section reconciles the October 2025 initiation forecasts against 1HFY2026 actuals, identifies the key drivers of variance, acknowledges where the initiation was conservative or otherwise, and states the revised assumptions underlying this update.

Variance Table — Initiation (Oct 2025) vs 1HFY2026 Actual / FY2026E Revised

Line Item	Initiation FY2026E	1HFY2026 Actual	Annualised / FY2026E Revised	Variance vs Initiation
Revenue	~S\$480m	S\$220.6m	S\$455m	-5.2%
Gross Margin	~11.5%	13.4%	12.5%	+100 bps
EBITDA	~S\$30m	S\$17.6m	S\$36m	+20.0%
EBITDA Margin	~6.3%	8.0%	7.9%	+160 bps
PATMI	~S\$18.7m	S\$7.3m	S\$18.7m	In line
EPS	~5.0¢	1.94¢	5.0¢	In line
Net Cash (period-end)	~S\$45m	S\$43.7m	S\$48m	-S\$2m / +S\$3m
Order Book	~S\$980m	S\$981m	S\$1.0bn+	In line
Total DPS	~2.0–2.5¢	2.0¢ (interim)	3.0¢	+0.5–1.0¢

Key Drivers of Variance

Driver 1 — Construction-segment margin recovery exceeded initiation expectations. The construction segment recorded a 1HFY2026 net profit of S\$1.8m, against a small loss in 1H25. The initiation had projected gradual recovery; the realised pace is faster, implying that 2HFY2026 construction profitability could meaningfully outperform if maintained.

Driver 2 — LCC growth outpaced initiation modelling. The restoration and interior fit-out segment delivered S\$13.8m of pre-tax profit in 1H26, versus a full-year base of approximately S\$13.5m at LCC entity level in FY2025. The implied annualised pre-tax run-rate is materially ahead of the initiation's roll-forward.

Driver 3 — Tekka Place equity-method losses ceased. Share of joint-venture losses fell from S\$1.8m (1H25) to S\$0.08m (1H26). The cessation of further loss recognition from Tekka Place is partly an accounting tailwind, not pure operational improvement, and was not separately modelled at initiation.

Positives Acknowledged

The initiation correctly identified margin recovery, balance-sheet strength, and LCC value-unlock as the central thesis pillars. The S\$0.525 target price proved conservative; the realised 1HFY2026 outcome supports a higher target multiple. The order book has been replenished with S\$63.4m of new restoration and interior fit-out wins during the half, validating the LCC-as-growth-engine framing. Net cash held up despite higher dividend payouts (S\$7.5m vs S\$3.7m), confirming cash-generation quality.

Revised Assumptions

The following assumptions are revised in this update relative to the October 2025 initiation:

1. **FY2026E EBITDA: raised from approximately S\$30m to S\$36m**, reflecting margin retention from the 1HFY2026 base rather than reversion.
2. **Target P/E multiple: raised from 10.5x to 14.0x.** The expansion is justified by demonstrated earnings durability, the declared interim special dividend, the active LCC capital-markets cycle, and the cleaner equity-method comparable post-Tekka Place.
3. **Target EV/EBITDA multiple: lowered from 6.5x to 6.0x on a higher EBITDA base.** Despite the small multiple compression, the EV/EBITDA-derived TP improves from S\$0.63 (initiation) to S\$0.69 (this update), owing entirely to the higher EBITDA base. The net effect is a target price increase.
4. **FY2026E DPS: raised from approximately 2.0–2.5¢ to 3.0¢** (already 2.0¢ declared as interim).
5. **Target Price: raised from S\$0.525 to S\$0.720**, blending the above with a 20% DCF cross-check weight and an explicit 3¢ execution-risk haircut.
6. **LCC stake assumption: lowered from 71.1% to indicative 70%** pending verification, reflecting the partial dilution from 1HFY2026 subsidiary share issuance.

The cumulative effect of these revisions is the 37.1% increase in target price from S\$0.525 to S\$0.720. Of that increase, approximately two-thirds is attributable to the multiple rerating (driven by demonstrated earnings quality) and one-third to the higher earnings base.

Recommendation and Conclusion

Lum Chang remains a **BUY** with a 12-month target price of **S\$0.720**. The stock offers a still-unfinished re-rating story backed by better margins, a stronger earnings mix, net cash, a declared 2.0¢ interim dividend, and increasingly visible value in its listed fit-out subsidiary. At S\$0.60, the market is recognising the recovery, but not yet fully reflecting the quality of the rebuilt platform or the optionality embedded in the group structure. Lum Chang is no longer merely rebuilding margins. It is beginning to turn that rebuilt margin base into a broader re-rating in progress, with capital returns as a tangible expression of management confidence.

Appendix

A. Income Statement Summary

S\$ m	FY2024 A	FY2025 A	1HFY2025 A	1HFY2026 A
Revenue	500.4	462.9	239.0	220.6
Gross Profit	41.1	53.3	19.4	29.7
Gross Margin	8.2%	11.5%	8.1%	13.4%
EBITDA	20.3	30.7	10.7	17.6
PATMI	7.4	15.6	3.5	7.3
EPS (¢)	1.96	4.16	0.93	1.94
DPS (¢)	1.0	4.0	2.0	2.0

Note on DPS in half-year columns: The 2.0¢ shown for 1HFY2025 and 1HFY2026 reflects the interim dividend declared in respect of each period. In both cases the dividend was declared after the relevant period-end balance sheet date and paid in the subsequent half-year (FY2026 interim of 2.0¢ declared 12 February 2026, paid 16 March 2026).

B. Balance Sheet Summary

S\$ m	30 Jun 2025 A	31 Dec 2025 A
Cash & Bank Deposits	80.7	89.5
Total Borrowings	40.0	45.8
Net Cash	40.7	43.7
Shareholders' Equity	167.3	176.6
NCI	6.2	12.0
Total Equity	173.5	188.6
Total Assets	405.2	422.9
Current Ratio (x)	1.26	1.32
NAV per Share (S\$)	0.447	0.471

C. Segment Summary — 1HFY2026

S\$ m	Construction	Restoration & Fit-Out	Property	Inv. Holding	Total
External Revenue	154.4	51.6	14.1	0.5	220.6
Segment Pre-tax	1.8	13.8	0.5	(2.6)	13.5
Segment Net Profit	1.8	11.2	0.3	(2.7)	10.6

D. Valuation Footnotes

- Market capitalisation is based on share price of S\$0.600 and 374,624,804 voting shares outstanding (treasury shares of 10,404,800 excluded).
- FY2026E EPS of 5.0¢ reflects annualised and normalised earnings based on 1HFY2026 performance with moderation assumptions for 2HFY2026.
- EV/EBITDA uses 31 December 2025 gross debt and cash balances.
- DCF and SOTP are used as cross-checks. SOTP components partially overlap with EV/EBITDA treatment of property assets; the SOTP is illustrative of value composition, not strictly additive to the primary valuation methods.
- 52-week range and average daily volume require live SGX terminal data and are pending population prior to publication.
- LCC ownership stake is assumed at 70% pending verification against LCC's most recent shareholding announcements; the initiation level was 71.1%.

E. Peer Footnote

- Peer comparisons are indicative given differing mixes between construction, engineering services, logistics lifting, and property development across SGX-listed names.
- Peer set updated from initiation: Tiong Woon added; Chip Eng Seng removed for limited comparability.
- KSH Holdings retained for continuity but acknowledged to be in transitional recovery; TTM metrics not meaningful for forward-looking comparison.
- Peer multiples sourced from stockanalysis.com, TradingView, valueinvesting.io, and Yahoo Finance balance-sheet data (various dates between 13 February 2026 and 4 March 2026); to be re-verified against Bloomberg / SGX terminal as at publication date. Material price action since sourcing dates is acknowledged in the read-across stale-data note.

F. Source References

Primary source: Lum Chang Holdings Limited, *Condensed Interim Consolidated Financial Statements (Unaudited) for the six months ended 31 December 2025*, dated 12 February 2026 (specific notes referenced inline: Note 10 p.21 for FVOCI valuation; p.30 §4 for order book disclosure).

Secondary sources: Tickrs Financial Singapore, *Lum Chang Holdings Ltd — Initiation of Coverage*, 13 October 2025; Building and Construction Authority media release, 22 January 2026; Ministry of Trade and Industry GDP release, 10 February 2026 (Singapore 2025 GDP +5.0%; 4Q2025 +6.9% YoY; construction sector 4Q2025 +4.6% YoY); SGX company announcements (LCC corporate actions, April 2026 — specific announcement number to be inserted before publication; KSH Holdings treasury share sale announcement, 21 August 2025).

Peer data sources: stockanalysis.com (J2T overview accessed 19 Feb 2026 — pre FY2025 results released 24–25 Feb 2026; ERO statistics accessed 4 Mar 2026; BQM statistics accessed 13 Feb 2026); valueinvesting.io (BQM EV/EBITDA timestamped 13 Feb 2026); Yahoo Finance (J2T balance sheet, FY2024 equity); TradingView (J2T and ERO EBITDA data).

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