Lum Chang Creations (LUCC SP)

Rerating Ingredients In Place From Mainboard Transfer And Liquidity Enhancement

Highlights

- LCC's Mainboard transfer remains on track, meeting all requirements for its SGX Mainboard listing.
- LCC's placement and bonus issue enhance its capital base, trading liquidity, and readiness for Mainboard listing.
- Maintain BUY with a higher target price of S$0.510. Catalysts include a successful Mainboard transfer and stronger order wins.

Analysis

- **Conditions for Mainboard transfer satisfied.** Lum Chang Creations (LCC) recently announced that it has satisfied all conditions attached to the SGX-ST's Approval-in-Principle for its transfer from the Catalist Board to the Mainboard. The final condition, being confirmation of compliance with Catalist Rule 408(7) and Mainboard Rule 213, was submitted on 1 Jul 26 after the successful completion of the proposed placement on 30 Jun 26. As at that date, public shareholding spread stood at 25.44% with 663 shareholders. This Mainboard transfer also underscores management's confidence in the sustainability of the group's core business and its readiness to progress to the next stage of growth.
- **Placement completion.** LCC recently completed its placement of 35.0m shares (15.0m new, 20.0m existing sold by Lum Chang Holdings (LCHL) and Mr Lim) at S$0.759 per share, raising gross proceeds of approximately S$11.4m and net proceeds of S$10.8m, drawing participation from institutional and high net worth investors. Total issued share capital rose from 315m to 330m shares, with LCHL remaining the largest shareholder at 64.2%. Proceeds will fund regional expansion, high-end residential fit-out projects, M&A opportunities, and working capital, while also lifting LCC's public float to meet Mainboard requirements.
- **Bonus issue doubling share count.** LCC completed its bonus issue of 330m new shares on a one-for-one basis, with bonus shares credited to shareholders' CDP accounts on 13 Jul 26. Total issued share capital has increased from 330m to 660m shares. The bonus shares are now listed and quoted on Catalist with effect from 9.00am on 13 Jul 26. This bonus issue supports LCC by enlarging its share base and improving trading liquidity, aligning with the company's positioning for a broader institutional shareholder base as it transitions to the Mainboard.

Key Financials

Year to 30 Jun (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	59.0	113.6	127.6	136.4	150.2
EBITDA	7.0	16.8	29.0	32.4	36.0
Operating profit	6.6	16.2	27.2	30.4	33.8
Net profit (rep./act.)	4.7	12.9	23.0	26.0	29.1
Net profit (adj.)	4.7	12.9	23.0	26.0	29.1
EPS (S$ cent)	0.8	2.3	3.5	3.9	4.4
PE (x)	22.2	8.1	5.4	9.5	8.5
P/B (x)	7.9	4.9	3.3	4.5	3.3
EV/EBITDA (x)	30.0	12.6	7.3	6.5	5.9
Dividend yield (%)	112.0	3.7	2.8	3.2	3.5
Net margin (%)	8.0	11.4	18.0	19.1	19.4
Net debt/(cash) to equity (%)	(80.0)	(121.1)	(103.7)	(101.2)	(100.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	40.6	74.6	78.4	56.0	44.2
Consensus net profit (S$m)	-	-	23	27	29
UOBKH/Consensus (x)	-	-	1.00	0.97	1.00

Source: LCC, UOB Kay Hian

BUY (Maintained)	
Share Price	S$0.375
Target Price	S$0.510
Upside	+36.0%
Previous TP	S$0.390

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Stock Data

GICS Sector	Industrials
Bloomberg ticker	LUCC SP
Shares issued (m)	660.0
Market cap (S$m)	247.5
Market cap (US$m)	191.6
3-mth avg daily t'over (US$m)	0.4

Price Performance (%)

52-week high/low: S$0.555 / S$0.150

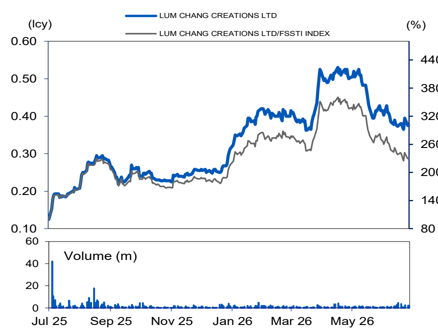
1mth	3mth	6mth	1yr	YTD
(9.2)	(7.4)	39.9	n.a.	45.3

Major Shareholders	%
Lum Chang Holdings	67.2
Lim Thiam Hooi	10.9

Balance Sheet Metrics

FY26 NAV/Share (S$)	0.06
FY26 Net Cash/ Share (S$)	0.06

Price Chart



Source: Bloomberg

Company Description

Lum Chang Creations Ltd operates as a property management, interior designing and construction firm.

Stock Impact

- **Strong 1HFY26 results.** LCC reported 1HFY26 revenue of S$53.5m, representing a growth of 31% yoy, largely driven by increased work progressed recognised. Net profit also rose to S$11.0m in 1HFY26, +104% yoy, driven by the group's strong operational performance. Gross profit margin expanded by 12.4ppt to 33.5% in 1HFY26, largely attributed to efficient cost management, better resource utilisation, as well as economies of scale. LCC's board also declared an interim dividend of 2.5 S cents per share for 1HFY26, +13.6% compared with FY25 final dividend of 2.2 S cents, underscoring LCC's robust financial position, backed by a cash position of S$46.7m.
- **Inclusion in the MSCI Global Micro Cap Index.** In addition to delivering strong 1HFY26 results, LCC was included in the MSCI Global Micro Cap Indexes – Singapore Index. The inclusion underscores growing investor recognition of the group's strategic direction, resilient business model, and strengthening financial performance. It is also expected to enhance LCC's visibility among international institutional investors, improve share liquidity, and broaden its shareholder base.
- **Strong orderbook continues to drive momentum.** LCC maintained a healthy orderbook of approximately S$144m as at end-3QFY26, supported by new projects wins comprising of a S$21.7m contract for Covenant Evangelical Free Church and a S$3.2m contract for Baba House at Neil Road. Collectively, these projects build upon the current vibrant project pipeline and enhance revenue visibility and provide earnings support over the next two years.
- **Dominant player in a niche sector backed by a strong track record.** Founded in 2018, LCC is one of the Singapore's leading urban revitalisation specialists in providing conservation and restoration works, complemented by its expertise in interior fitout works as well as addition and alteration works. LCC is a dominant player with an estimated market share of 15.7% in the urban revitalisation specialist industry according to Converging Knowledge. The company has a proven track record in completing various projects including St James Power Station, National Museum of Singapore, Bedok Community Hospital, and Singapore Marriot Tang Plaza Hotel.

Valuation/Recommendation

- **Maintain BUY with a higher target price of S$0.51,** implying 36.0% upside, following LCC's recent placement and bonus issue. Our target price is pegged to 13.0x 2027F PE, which we believe is justified by LCC's improving earnings visibility, sustained earnings growth and expanding orderbook. It is also currently trading at 9.5x 2027F PE, a 14% discount to peers' average.
- In our view, LCC's strong orderbook momentum is expected to continue to provide earnings visibility. Strong revenue and earnings growth should continue to underpin share price performance and re-rating potential (2024-27 earnings CAGR: 67.2%).

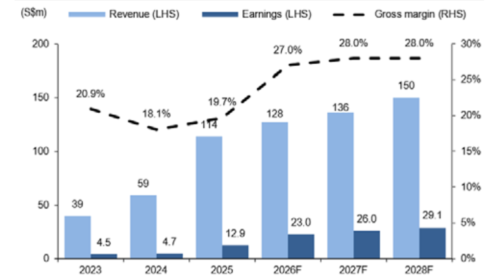
Earnings Revision/Risk

- We raise our FY26/27 earnings estimates by 78%/84% respectively on the back of stronger 1HFY26 earnings. We expect LCC's strong orderbook to continue translating into stronger revenue and earnings growth.

Share Price Catalyst

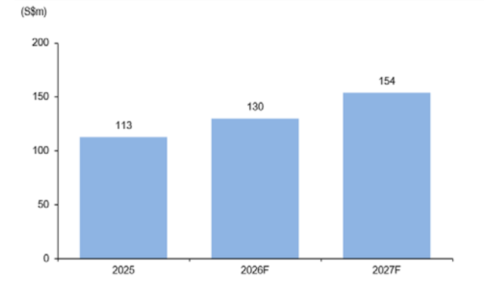
- Successful Mainboard transfer.
- Stronger order wins.

Revenue And Earnings Forecasts



Source: LCC, UOB Kay Hian

Orderbook Growth (2025-27F)



Source: LCC, UOB Kay Hian

Profit & Loss

Year to 30 Jun (S$m)	2025	2026F	2027F	2028F
Net turnover	113.6	127.6	136.4	150.2
EBITDA	16.8	29.0	32.4	36.0
Deprec. & amort.	0.6	1.8	2.0	2.2
EBIT	16.2	27.2	30.4	33.8
Total other non-operating income	0.0	0.0	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	0.3	0.5	0.7	1.0
Pre-tax profit	16.5	27.7	31.2	34.8
Tax	(3.0)	(4.7)	(5.1)	(5.7)
Minorities	(0.6)	0.0	0.0	0.0
Net profit	12.9	23.0	26.0	29.1
Net profit (adj.)	12.9	23.0	26.0	29.1

Balance Sheet

Year to 30 Jun (S$m)	2025	2026F	2027F	2028F
Fixed assets	4.5	5.0	5.4	5.9
Other LT assets	5.0	5.0	5.0	5.0
Cash/ST investment	27.0	40.1	57.6	77.8
Other current assets	30.6	34.0	36.4	40.1
Total assets	67.2	84.1	104.4	128.8
ST debt	0.3	0.3	0.4	0.4
Other current liabilities	40.4	41.2	43.2	47.2
LT debt	1.0	1.0	1.0	1.0
Other LT liabilities	2.3	2.3	2.3	2.3
Shareholders' equity	21.3	37.4	55.6	76.0
Minority interest	2.0	2.0	2.0	2.0
Total liabilities & equity	67.2	84.1	104.4	128.8

Cash Flow

Year to 30 Jun (S$m)	2025	2026F	2027F	2028F
Operating	22.6	21.7	27.0	30.6
Pre-tax profit	13.5	23.0	26.0	29.1
Tax	(1.0)	(4.7)	(5.1)	(5.7)
Deprec. & amort.	0.6	1.8	2.0	2.2
Associates	0.0	0.0	0.0	0.0
Working capital changes	6.8	(2.7)	(0.3)	0.4
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	2.7	4.2	4.4	4.8
Investing	(1.7)	(1.8)	(1.7)	(1.7)
Capex (maintenance)	0.0	0.0	0.0	0.0
Investment	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(1.7)	(1.8)	(1.7)	(1.7)
Financing	(5.3)	(6.9)	(7.8)	(8.7)
Dividend payments	(5.0)	(6.9)	(7.8)	(8.7)
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(0.4)	0.0	0.0	0.0
Others/interest paid	0.0	0.0	0.0	0.0
Net cash inflow (outflow)	15.5	13.0	17.5	20.2
Beginning cash & cash equivalent	11.5	27.0	40.1	57.6
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	27.0	40.1	57.6	77.8

Key Metrics

Year to 30 Jun (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	14.8	22.7	23.8	23.9
Pre-tax margin	14.5	21.7	22.9	23.2
Net margin	11.4	18.0	19.1	19.4
ROA	26.8	30.4	27.6	24.9
ROE	74.6	78.4	56.0	44.2
Growth				
Turnover	92.5	12.4	6.9	10.1
EBITDA	139.3	72.7	11.8	11.0
Pre-tax profit	143.3	67.9	12.5	11.7
Net profit	173.4	78.2	13.1	11.7
Net profit (adj.)	173.4	78.2	13.1	11.7
EPS	173.4	51.2	13.1	11.7
Leverage				
Debt to total capital	5.2	3.2	2.2	1.7
Debt to equity	6.0	3.4	2.3	1.8
Net debt/(cash) to equity	(121.1)	(103.7)	(101.2)	(100.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.