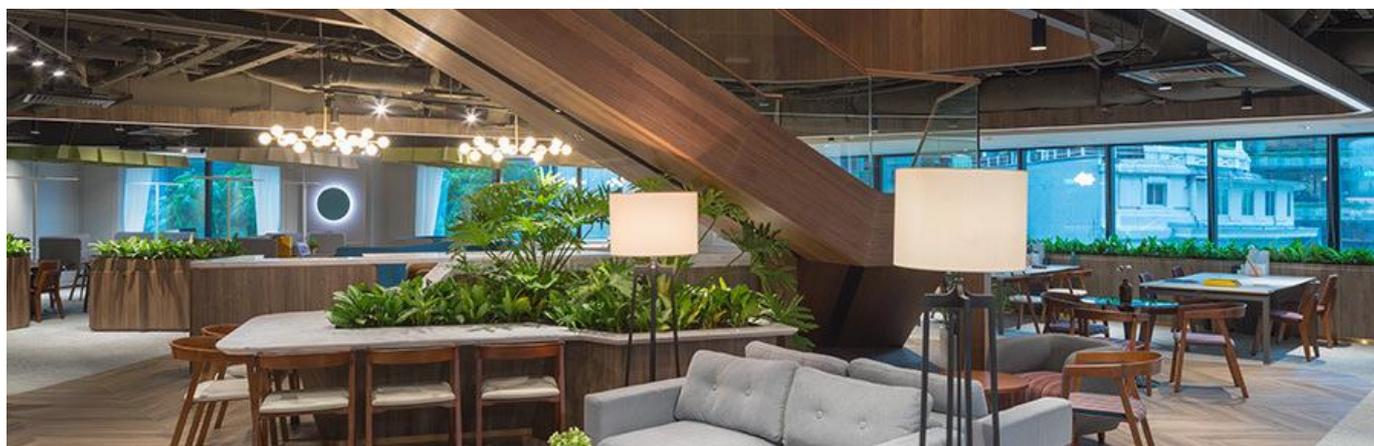


10 in 10 – Lincotrade & Associates (SGX Code: BFT)

10 Questions in 10 Minutes with SGX-listed companies



10 Questions for Lincotrade & Associates

Company Overview

Established in 1991 and based in Singapore, Lincotrade & Associates (Lincotrade) is engaged in the provision of interior fitting-out services, additions and alterations (A&A) works and other building construction services primarily for the following three segments: (a) commercial premises, such as offices, hotels, shopping malls and food and beverage establishments; (b) residential premises such as condominium developments; and (c) showflats and sales galleries. With a proven track record since its inception, Lincotrade’s customers include major private property developers, public organisations and construction companies in Singapore. [Link to stock screener company page](#).

SGX Code: BFT	BBG: LINASC SP	RIC: LINO.SI
Market cap on 19 Feb (S\$m)		34.1
Price on 19 Feb (S\$)		0.198
52 wk high/low (S\$)		0.29 - 0.055
12m ADTV (S\$)		2,529
Shares Outstanding (m)		172.0
Float		10.5%
P/E (LTM)		13.7
P/B (LTM)		3.2
Dividend Yield		1.92%

Source: Bloomberg, Refinitiv, Company (19 Feb 2024)

1. Describe Lincotrade’s name change, main business segments and revenue drivers.

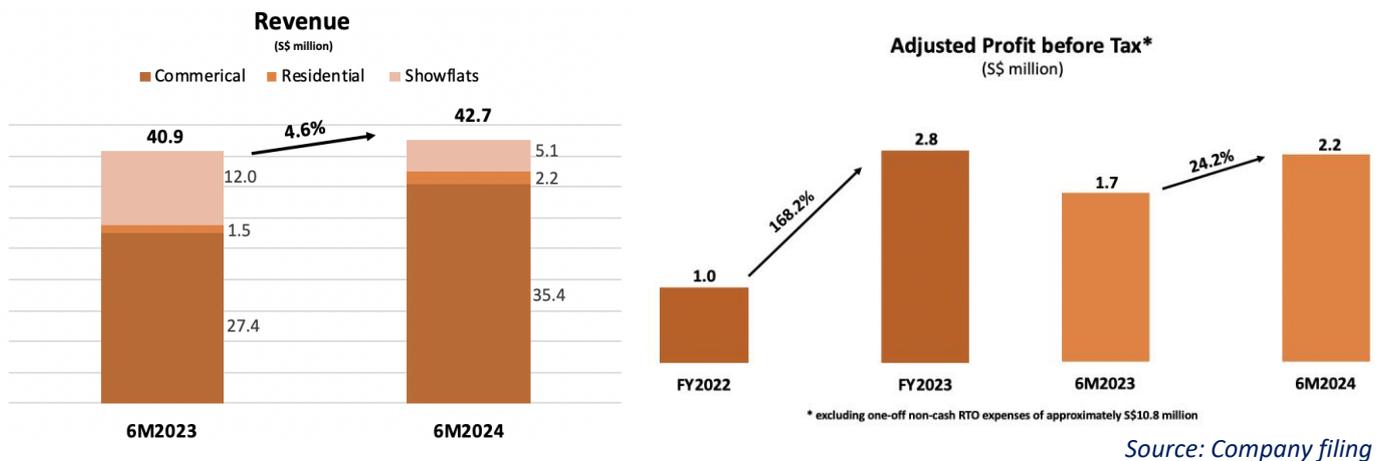
- After Fabchem China Limited’s acquisition in a reverse takeover (RTO), Lincotrade was listed on 8 August 2022. With a history of more than 30 years, we have emerged as a specialist in interior fitting-out works with a track record in commercial premises, residential premises and showflats.
- Since 2006, we have had our own in-house processing facility to process, assemble and manufacture carpentry products to support and complement our interior fitting-out services.
- Targeting three different market segments in the construction industry, our business model provides revenue diversification and resiliency within our operating market.
- In addition, we recently set up new subsidiaries in Malaysia and China to enhance the Group’s business model and harness new business opportunities. In January 2024, we have secured a successful tender for a factory in Singapore that is larger than our current premises that may cater to expected increase in business activities in the future.



Lincotrade’s commercial and hospitality projects

2. Why is Lincotrade’s core strategy to focus on increasing revenue contribution from its commercial segment rather than the residential and showflats segments?

- The commercial segment underlines the strength of our business model and project execution capabilities. This segment’s projects are typically larger in contract value, generally yield higher margins and can strengthen our order book.
- In January 2023, Lincotrade announced that it secured an Asset Enhancement Initiative (AEI) with a contract value of approximately S\$35 million for an integrated development expected to be completed by June 2024. In October 2023, we announced two new projects with an aggregate contract value of approximately S\$28.1 million, of which one project is for interior fitting-out services for a customer in the aviation sector.
- For our half-year results ended 31 December 2023 (“6M2024”), revenue increased by 4.6% to S\$42.7 million, from higher revenue contribution in our commercial and residential business segments. Excluding one-off non-cash RTO expenses of approximately S\$10.8 million, the adjusted profit before tax increased 168.2% and 24.2% in FY2023 and 6M2024 respectively compared to the same period a year ago.



3. What are Lincotrade’s mid-to long-term expansion plans in Asia and which areas will be in focus?

- Singapore will continue to be Lincotrade’s core focus and market. With optimistic growth expected from Singapore’s construction sector, there are various opportunities to harness with our business model targeting three different market segments within the construction industry.
- On our overseas initiatives, the Group’s subsidiary in Malaysia intends to expand our business outreach with interior fitting-out works, while for our China subsidiary, we aim to strengthen our manufacturing capacity and enhance the quality of our products.

4. What are some of Lincotrade’s competitive advantages that set you apart from your competitors?

- **Proven business track record:** We have over three decades of experience in the interior fitting-out industry, a competitive advantage in securing new projects.
- **Good relationships with suppliers, subcontractors and customers for many years:** Our commitment to punctuality resulted in us accumulating a good number of repeat customers.
- **In-house processing facilities:** Since 2006, we have had our own processing facility to process, assemble and manufacture carpentry products, allowing better control over quality, time and cost of processing.
- **Experienced and dedicated management team:** Our management team has over 20 years of diverse experience in the interior fitting-out industry, which is instrumental to our future growth and expansion of market share.

5. What are some ongoing market opportunities and trends within the construction industry and how is Lincotrade leveraging on them to strengthen your business?

- Construction sector: The Building and Construction Authority (BCA) projects the total construction demand, or the value of construction contracts to be awarded, to range between S\$32 billion and S\$38 billion in nominal terms in 2024.
- Moving ahead, BCA expects a steady improvement in construction demand over the medium term. It is projected to reach between S\$31 billion and S\$38 billion per year from 2025 to 2028.
- The robust macro trends within Singapore's construction industry bodes well for the Group as a specialist in interior fitting-out services.



Source: Construction Prospects 2024, BCA

6. What are some of the ESG initiatives that Lincotrade has endeavored in?

- Our quality management team has been certified to ISO 9001 since January 2008. The Group has an established environmental management system that has been certified to ISO 14001 since October 2017.
- We have plans to install a solar photovoltaic system that can generate renewable energy for our operations at our new factory premises at Tuas.
- The Group has been using environmentally-friendly materials, such as laminate and veneer made from reconstructed or recycled material, in our projects to reduce lumbering of forests.
- The Group was awarded the Singapore Green Label by the Singapore Environmental Council for our wooden panel doors which are made from renewable and sustainable materials.

7. What are some of the Group's potential catalysts that investors can be excited about in the near term of 1 to 2 years?

- Focusing on larger value projects:** Part of our business strategy is to leverage on our established market position to take on larger value projects, such as hotels and commercial buildings. We aim to build on the momentum after securing the AEI contract of S\$35 million, being the largest single contract secured by the Group to date.
- Clear growth roadmap in domestic and overseas markets:** We will continue to actively pursue new quality projects within our three business categories to strengthen our order book and sustain our operating margins.
- In addition, the Group has the flexibility to further diversify our business model to include property development, property investment and property management, as and when appropriate opportunities arise.
- To enhance our business diversity and target new business opportunities overseas, the Group has set up subsidiaries in Malaysia and the People's Republic of China. These domestic and overseas organic initiatives will be undertaken with a disciplined financial approach.
- The Group also participated in the INDEX Saudi Arabia 2023, Saudi Arabia's premier interior design, furniture and fit-out trade event at Riyadh, Saudi Arabia to explore new business opportunities in the Middle East.

8. What is Lincotrade's value proposition to its shareholders and potential investors? What do you think investors have overlooked?

- The Group generated net cash flow of approximately S\$4.6 million from operating activities during 6M2024 and as at 31 December 2023, our cash and cash equivalents increased to approximately S\$15.7 million, as compared to our market capitalisation of approximately S\$34 million as at 31 December 2023.
- Our consistent performance and healthy liquidity position have allowed us to declare our maiden interim dividend in 6M2024. With our dividend policy (policy to distribute at least 20% of net profit attributable to shareholders of the Company), we believe this is another tangible approach to reward shareholders.
- We have a clear growth roadmap driven by both domestic and overseas organic initiatives.

9. There has been a rise in geopolitical tensions, leading to more countries favoring protectionist policies. What are some of the Group's challenges with international trade and how is it overcoming them?

- We have established good and stable business relationships with our suppliers that have allowed us to gain more reliability and flexibility in procuring our building materials.
- We process, assemble and manufacture carpentry products in our own in-house processing facility, which has complemented and provided immense support for our interior fitting-out services. It will continue to provide us with better control over the quality, time and cost of processing, which in turn will ensure compliance with our customers' specifications and timelines in future.

10. Why should investors take a closer look at Lincotrade?

- We have a proven business track record, in which we have completed interior fitting-out projects for various types of premises, ranging from commercial premises such as offices, hotels, food and beverage centres, shopping malls, residential developments, to mixed development premises such as academic buildings and medical centres.
- Our synergistic business model within the interior fitting-out industry provide us with capabilities to target both short-term projects (showflats) and long-term projects (commercial and residential projects).
- We have a clear growth roadmap that is driven by both domestic and overseas initiatives and undertaken with a disciplined financial approach.
- We have adopted a dividend policy to distribute at least 20% of net profit attributable to shareholders of the Company.

10 in 10 – 10 Questions in 10 Minutes with SGX-listed companies

Designed to be a short read, 10 in 10 provides insights into SGX-listed companies through a series of 10 Q&As with management. Through these Q&As, management will discuss current business objectives, key revenue drivers as well as the industry landscape. Expect to find wide-ranging topics that go beyond usual company financials.

This report contains factual commentary from the company's management and is based on publicly announced information from the company.

For more, visit sgx.com/research.

For more company information, visit www.lincotrade.com.sg
Click [here](#) for Lincotrade's latest Half Yearly Financial Results.

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