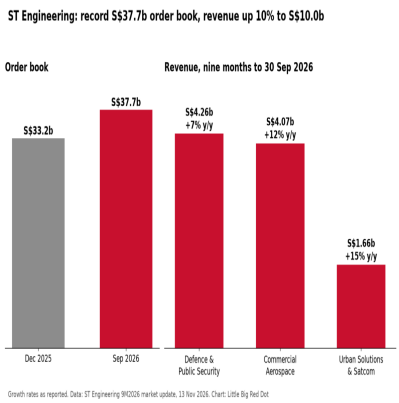


ST Engineeringâ??s record order book is real, but at 31 times earnings the shares are a hold

Description

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The call

Singapore Technologies Engineering (SGX: S63), the defence, aerospace and smart-city engineering group, is our pick today. The call is hold, on a 12-month horizon.

The shares closed at S$9.67 on Friday, 13 November 2026, down 0.92% on the day. That is the latest price going into this morningâ??s session. The company released its nine-month market update that morning. The stock traded between S$9.47 and S$9.77 on volume of about 5.3 million shares.

The 52-week range is S$8.07 to S$11.63. The low came on 17 December 2025 and the high on 9 April 2026. The stock is about 17% below that high and about 20% above the low. Market value is about S$30.2 billion, and Temasek owns 51.0%.

What went right

The top line is growing across the group. Revenue for the nine months to 30 September rose 10% to S$10.0 billion, or 13% after adjusting for the sale of LeeBoy. Third-quarter revenue rose 9% to S$3.4 billion (ST Engineering 9M2026 market update, 13 November 2026). All three businesses grew: Defence and Public Security by 7% to about S$4.3 billion, Commercial Aerospace by 12% to about S$4.1 billion, and Urban Solutions and Satcom by 15% to S$1.66 billion.

The order book is the headline. It stood at a record S$37.7 billion at the end of September, up from S$33.2 billion at the end of 2025. Contract wins in the nine months came to S$13.2 billion, with S$5.6 billion in the third quarter alone (SGX announcement, 27 October 2026). DBS Group Research called that a record quarter, up 14% from a year earlier and 93% from the second quarter (DBS, 27 October 2026). About S$3.1 billion of the book is due for delivery in the rest of 2026.

Costs are falling as a share of sales. Operating expenses were 9.0% of revenue over the nine months, a record low, against 10.2% for 2025, excluding the iDirect impairment, and 12.1% for 2022. Phillip Securities Research estimates that operating costs fell about 3% in dollar terms to S$899 million despite higher revenue, and puts savings at about S$300 million in the nine months, â??largely from procurementâ?• (Phillip Securities Research, 16 November 2026).

Profit has been growing much faster than revenue. In the first half, net profit rose 27.1% to S$512.1 million on revenue up 11.1% to S$6,573 million, and earnings per share rose to 16.43 cents from 12.93 cents (SGX 1H2026 results announcement, 13 August 2026). Operating cash flow rose 26% to S$960 million.

The satcom business, long a drag, is close to turning. EBIT in the Urban Solutions and Satcom division rose about fourfold to S$46 million in the first half, and Phillip expects satcom to â??turn positive from 4Q26â?•.

Defence demand is a tailwind. Maybank Research, when it upgraded the stock to buy, argued that â??global defence spending is on the rise led by Europe, Japan and the Middle Eastâ?• (Maybank Research, 14 March 2026). Phillip says the groupâ??s land platforms are â??gaining traction in Europe pending a full production rampâ?•. Third-quarter wins included a five-year 40mm ammunition supply contract with the UK Ministry of Defence.

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The dividend is rising too. The third-quarter payout is 5.0 cents, up from 4.0 cents a year earlier, taking the nine-month total to 14.0 cents.

What did not

Commercial Aerospace slowed. Revenue in the division grew 15% in the first half but only 7% in the third quarter. DBS had flagged the risk before the update: third-quarter aerospace orders were flat at S$1.4 billion, â??implying c.1.0x book-to-bill following just 0.9x in 2Q26, raising concerns that segmental revenue growth could moderateâ?•.

The order mix is weaker than the headline. DBS says â??the entire y/y increase in contract wins came from USS, which accounted for 43% of total orders but typically carries lower marginsâ?•. About two-thirds of those Urban Solutions and Satcom wins were two Taiwan rail contracts with â??seven-to-eight-year execution timelinesâ?•, while defence wins â??declined 25% y/yâ?•. DBS views the quarter â??as decent rather than standoutâ?•.

Orders also trail last year. DBS says nine-month wins â??remain c.6% below last yearâ??s levelâ?•. Management has guided for 2026 wins at least comparable with 2025â??s S$18.7 billion, which DBS calculates needs another S$5.5 billion in the fourth quarter.

There is no profit number for the quarter. The update gave revenue, orders and the dividend only, so margins and earnings will not be known until the full-year results, for which no date has been announced.

The balance sheet carries more short-term debt. At 30 June, borrowings were S$4,726.6 million against bank balances and liquid funds of S$293.6 million. The group swung to net current liabilities of S$401.0

million, from net current assets of S$607.0 million at the end of 2025, after a US$700 million note due in May 2027 was reclassified as current. The company says its Aaa and AA+ credit ratings from Moodyâ??s and S&P give it â??ready access to refinancingâ?•, and its US commercial paper is backed by an undrawn S$1.6 billion revolving credit facility. Net borrowings of about S$4.4 billion are roughly 1.8 times equity attributable to shareholders.

Reported earnings are also noisy. For 2025, reported net profit was S$463 million against S$851 million on the companyâ??s base operating measure, which strips out impairments on its iDirect satellite business and Jet-Talk (ST Engineering FY2025 results, 27 February 2026). No sale of iDirect has been announced.

The numbers behind the call

These measures use Fridayâ??s close of S$9.67. The calculations are ours unless stated.

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Measure	Value	Basis
Price to earnings, trailing core	about 31.4 times	30.78 cents of core EPS over the 12 months to 30 June 2026
Price to earnings, trailing reported	about 52.7 times	18.34 cents of reported EPS, depressed by the 2025 impairments
Price to earnings, 2026 / 2027 / 2028 forecasts	about 29.1 / 25.4 / 22.4 times	UOB Kay Hian EPS forecasts of 33.2, 38.1 and 43.2 cents (14 August 2026)
Price to book	about 11.9 times	Net asset value of 80.93 cents a share at 30 June 2026
Dividend yield, base ordinary	about 1.9%	18.0 cents base ordinary dividend for 2025
Dividend yield, including 2025 special	about 2.4%	23.0 cents total for 2025
Market value	about S$30.2 billion	About 3,119.3 million shares

UOB Kay Hian forecasts earnings per share rising roughly 14% a year in 2027 and 2028 (UOB Kay Hian, 14 August 2026). That growth is what the valuation depends on. At about 25 times 2027 earnings, the stock needs it simply to hold its multiple, and the 17% fall from April has removed some of the premium, not all of it. DBS puts it plainly: â??Following the sector-wide de-rating, we believe investors will be more demanding, looking for clearer evidence of earnings growth rather than headline contract wins alone.â?•

The market is jumpy too. On 6 November the shares fell 5.5% to S$9.26 in a single session, as a global tech and semiconductor sell-off pushed the Straits Times Index down 2.2%.

What the brokers say

Each rating carries the date of the brokerâ??s report. Only Phillip has published since the nine-month update. The rest were written between August and October, mostly when the stock traded above S$10.

Broker	Rating	Target price	Report date	Change from S$9.67
Phillip Securities Research	Buy	S$13.00	16 November 2026	about +34%
DBS Group Research	Buy	S$12.40	27 October 2026	about +28%
UOB Kay Hian	Buy	S$11.75	14 August 2026	about +22%
OCBC Group Research	Buy	S$12.50	13 August 2026	about +29%
CGS International	Add	S$11.50, from S$11.05	14 August 2026	about +19%
Maybank Research	Buy	S$12.50	14 August 2026	about +29%
RHB Research	Buy	S$12.70, from S$12.30	23 September 2026	about +31%
Goldman Sachs	Buy	S$13.20	18 September 2026	about +37%
J.P. Morgan	Hold	S$11.20	4 August 2026	about +16%

Phillipâ??s target is based on discounted cash flow, and it kept its 2026 earnings forecast unchanged after the update. UOB Kay Hianâ??s S$11.75 is 27 times its 2028 forecast, and CGS Internationalâ??s S$11.50 is 30 times 2027. Maybank first set S$12.50 in its March upgrade. The OCBC and CGS International figures come from published summaries of their reports, and the RHB, Goldman Sachs and J.P. Morgan ratings and dates come from market data services rather than the reports themselves.

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Across 17 analysts tracked by S&P Global, the consensus rating is buy, with an average target of S$11.74 and a range of S$8.00 to S$13.20. J.P. Morgan is the only named broker we found without a buy or add rating.

Risks

Commercial Aerospace is the near-term worry, with revenue growth halving in the third quarter and orders only replacing what is delivered. Defence awards are, in DBSâ??s words, â??subject to timing uncertainties â?•, and a shift towards lower-margin rail work could weigh on margins. Add refinancing of the US$700 million note due in May 2027, the risk of further one-off charges, and a high multiple that leaves the shares exposed when markets sell off.

What to watch

The 5.0-cent third-quarter dividend goes ex on 23 November and is paid on 8 December 2026 (ST Engineering investor relations). Fourth-quarter contract wins are the next real test: S$5.5 billion or more, tilted towards defence and aerospace, would answer the mix question. The full-year results, with a final dividend to be proposed in February 2027, will show whether the cost savings are reaching the bottom line, and whether satcom has turned profitable as Phillip expects.

The verdict

ST Engineering is one of the best-run industrial businesses on the Singapore market. Core earnings are growing in the mid-20s per cent, costs are falling as a share of revenue, the order book is at a record, satcom is nearly at breakeven and the dividend is rising. Every named broker but one rates it a buy, and the dated targets sit 16% to 37% above the price.

A great company is not automatically a great price, though. At about 31 times trailing core earnings, 29 times this yearâ??s forecast and 12 times book, with a base yield under 2%, the shares already assume years of double-digit growth. The quarter added two flags: aerospace growth slowed to 7%, and the record order intake leaned on long-dated, lower-margin rail contracts while defence wins fell. With no profit figures due until the full-year results, there is little to lift the shares in the near term beyond fourth-quarter orders, and most targets were set before the sector de-rated.

We would move to buy if fourth-quarter wins reach S$5.5 billion or more with a recovery in defence and aerospace orders, or on a pullback to around S$9.00, about 23.6 times UOB Kay Hianâ??s 2027 forecast. We would move to sell if aerospace growth slips into the low single digits, if the full-year results show margin gains stalling, or if the company misses its 2026 order guidance.

Research by Warren.

This is general information, not financial advice, and does not take into account your objectives or financial situation.

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