Initiation

Nordic Group

Bryan Goh

Equity Research

Strength in unity

Rating	**BUY** (as at 15 January 2026)
Last Close	SGD 0.43
Fair Value	SGD 0.59

- **Contract wins of SGD70m in Dec 2025 provide revenue visibility**
- **Strategic acquisitions into promising industries such as defence and sustainability offer improved long-term stability**
- **Initiate with BUY rating and potential price upside of 37% to our estimated fair value of SGD0.59. FY26 estimated dividend yield is also attractive at 4.9%**

Investment thesis:

Nordic Group (Nordic) is a global engineering solutions provider focused on areas including precision engineering, systems integration, environmental engineering, and maintenance. The continued resilience of Asian economies amidst current global macroeconomic uncertainties, Singapore's capital market reforms and Nordic's exposure to secular growth trends in tech, defence, and sustainability will also act as enablers for Nordic's growth in the longer term, making it an attractive investment opportunity.

Investment summary:

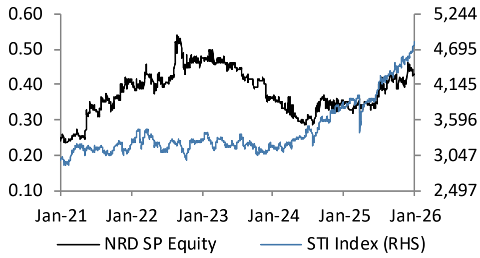
- **Active strategic acquisitions and broadening of revenue base** – As part of its growth strategy, Nordic has acquired seven companies since listing in 2010. Retroactively, Nordic's revenue compound annual growth rate (CAGR) of 9.3% from 2010 to 2024 suggests that acquisitions have had meaningful long-term impact on topline growth. The additions also provide strategic risk diversification benefits by securing distinct sources of revenue, with subsidiaries like **Starburst** and **Envipure** providing exposure to less correlated sectors like defence and sustainability. Consequently, such acquisitions stabilise revenue streams for more sustained returns in the long term. Nordic's ability to drive inorganic growth opportunities has been supported by its strong balance sheet. Its net gearing ratio stood at 13% as at end-FY24, and declined to a low level of 3% as at 30 September 2025.

- **Contract wins of SGD70.3m in Dec 2025** – Nordic has pivoted its revenue towards more stable avenues in maintenance services from project services, with the latter falling from 73.1% of revenue to 50.4% from FY15 to FY24, while the latter increased from 26.9%

Security information

Ticker	NRD SP EQUITY
Market Cap (m)	171.3
Daily turnover (m)	0.07
Free Float	25.8%
Shares Outstanding (m)	398.3
Top Shareholder	Chang Yeh Hong 54.9%

Price performance chart



Financial summary

SGD m	FY24	FY25E	FY26E
Revenue	158.4	167.9	179.3
EBITDA	28.6	28.3	29.4
Net income	17.5	19.7	20.8
EPS (S cents)	4.4	4.9	5.2
DPS (S cents)	1.8	2.0	2.1

Key ratios

	FY24	FY25E	FY26E
P/E (x)	9.8	8.7	8.2
P/B (x)	1.3	1.2	1.1
ROE (%)	14.2	14.5	14.2
ROA (%)	7.0	8.1	8.2
Net Gearing (%)	12.6	9.5	8.4
Dividend Yield (%)	4.1	4.6	4.9

Source: Bloomberg, Company, OCBC Group Research to 49.6% in the same period. Its order book strengthened to SGD209.2m (as at 30 September 2025) from SGD201.6m (as at end-FY24), and this was buttressed by a jump in maintenance contracts that provide increased revenue visibility to the group. Nordic subsequently announced SGD70.3m worth of contract wins in early December 2025 from new and repeat customers. From a sector viewpoint, we believe Nordic's exposure to defence and sustainability provides fundamental strength to their revenue base, as these sectors are part of the Singapore government's long-term initiatives, which saw spending in defence and sustainability increasing 59.1% and 97.7% to SGD20.9b and SGD3.3b respectively, from 2015 to 2024, according to data from SingStat.

- **Nordic's financials bottomed after interest rates peaked in 2024** – Nordic's revenue came under pressure in FY23 and FY24, declining 1.3% to SGD160.6m and by 1.4% to SGD158.4m respectively, due to project delays and higher labour costs. Nordic has cited rising interest rates and inflationary pressures as difficulties during this period, which were consistent with a sharp decline in Singapore's industrial production that registered an average year-on-year (YoY) growth of -4.4% per month from October 2022 to October 2023. Inflationary pressures also prompted cost of sales to surge 6.2% in FY23, eroding its gross profit margin from 28% in FY22 to 23% in FY23. FY24's gross profit margin held firm at 23% notwithstanding cost pressures and softer business sentiment. Furthermore, its FY24 PATMI recovered by 9.6% YoY due in part to lower marketing and distribution costs as well as administrative expenses. Looking ahead, we forecast revenue to grow by 5.0% and 7.6% in FY25 and FY26 respectively, underpinned by an expected recovery in project wins and continued growth in maintenance services due to a rebound in the industrials sector.

- **Rate cuts and disinflation provide support for industrial rebound** – The US Federal Reserve (Fed) commenced its rate cutting cycle in September 2024, which has resulted in the Fed Funds Rate (FFR) falling by 175 basis points (bps) as at 14 January 2026. Easing rates have bolstered economic activity and industrial demand, with Singapore's industrial production registering an average YoY growth of 6.4% per month from July 2024 to September 2025, which is nine percentage points (ppt) higher compared to the monthly average of the preceding 15-month period. We expect such developments to be favourable to Nordic, especially towards its project pipeline which is sensitive to demand. Global inflation has also fallen from 8.7% in 2022 to an estimated 4.2% in 2025 based on the IMF, which should provide relief and headroom for Nordic to expand its profit margins in the near term.

- **Initiate coverage on Nordic with a BUY rating and fair value (FV) estimate of SGD0.59** - Against a backdrop of resilient macroeconomic conditions and broader recovery in certain aspects of the industrials sector as well as consequent growth in forecasted earnings in FY26, we believe Nordic's price-to-earnings (P/E) multiple has room for expansion, given that it is trading at a discount to historical average levels. We apply a target P/E multiple of 11.3x, which is in-line with Nordic's 10Y historical trailing 12-month average P/E multiple, to our forecasted FY26 earnings per share (EPS) of 5.24 Singapore cents and thus derive a FV estimate of SGD0.59. Initiate coverage on Nordic with a BUY rating, with an attractive upside potential of 37%. Nordic also offers a decent FY26 dividend yield of 4.9%, based on our forecast and share price of SGD0.43.

Potential catalysts

- Accretive acquisitions which diversify and grow Nordic's revenue streams
- Continued resilience of Singapore and broader Asian economy against macro headwinds
- Stronger than expected government spending towards defence and sustainability

Investment risks

- Weaker than expected economic growth due to tariffs weighing on business sentiment and activity
- Resurgence of inflation, leading to reduced scope for rate cuts or even rate hikes
- Headwinds in the chemicals industry may drag overall revenue growth

Valuation analysis

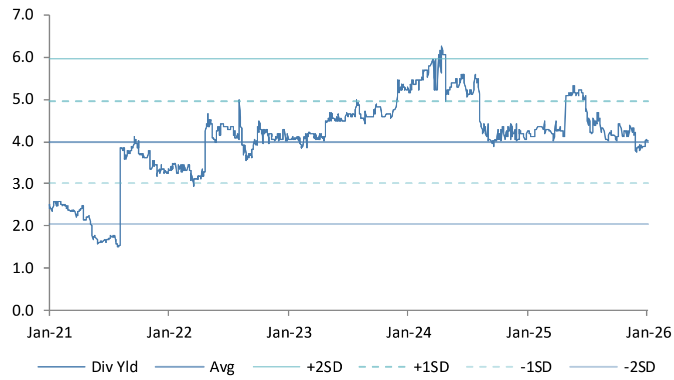
	Price/Earnings		Price/Book		Dividend Yield (%)		ROE (%)	
	FY23	FY24	FY23	FY24	FY23	FY24	FY23	FY24
NORDIC GROUP LTD (NRD SP)	9.0	8.0	1.2	1.1	5.3	4.1	14.0	14.2
SINGAPORE TECH ENGINEERING (STE SP)	20.7	20.7	4.9	5.4	4.1	3.4	24.1	27.4
DYNA-MAC HOLDINGS LTD (DMHL S)	8.7	7.1	0.9	0.9	4.8	4.2	10.2	13.4
NSL LTD (NSL SP)	10.1	9.7	2.1	1.8	2.4	2.5	22.0	20.3
MICRO-MECHANICS HOLDINGS LTD (MMH SP)	24.9	27.2	5.2	4.7	8.0	3.8	18.7	17.4

Source: Bloomberg, OCBC Group Research

Price/Earnings chart (x)

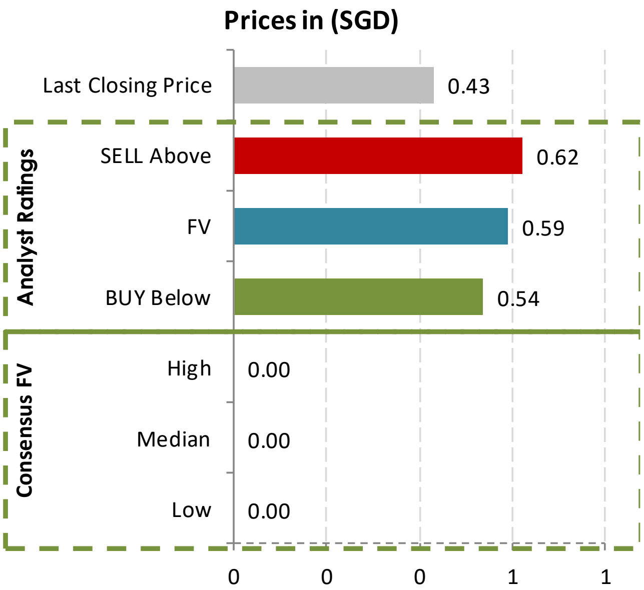
Source: Bloomberg

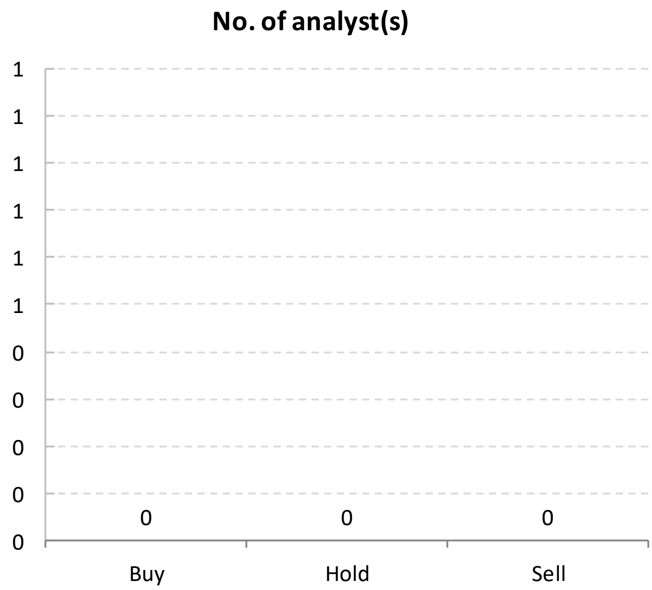
Dividend Yield chart (%)



Source: Bloomberg

Analyst ratings vs street ratings





Source: Bloomberg, OCBC Group Research

Company Overview

Listed on the Singapore Exchange (SGX) mainboard in 2010, Nordic Group is a global solutions provider offering engineering services across 12 industries, with 89% of its revenue generated by segments stemming from semiconductor, defence, infrastructure, marine, and downstream services as at 30 September 2025. Its main businesses are:

1) Systems integration
2) Maintenance, overhaul and trading
3) Precision engineering
4) Scaffolding services
5) Insulation services
6) Petrochemical and environmental engineering services
7) Cleanroom air and water engineering solutions
8) Structural engineering and construction services

Nordic is headquartered in Singapore, with presence in 18 jurisdictions, including factories in Malaysia, China, and the United Arab Emirates (UAE).

Exhibit 1: Nordic Group's global presence

Source: Company; as of FY24

Nordic's offerings are also classified to two core segments, namely project services and maintenance services, with a detailed breakdown in the table below. Project services are largely non-recurring and more cyclical, whereas maintenance services are recurrent and on a contract basis ranging from one to 10 years.

Exhibit 2: Segment breakdown

Project Services	Maintenance Services
- Engineering - Design - Fabrication - Procurement - Construction - Machining - Scaffolding Works - Insulation Services - Passive Fireproofing Services	- Maintenance and repair services - Trading and supply of material - Spare parts and components

Source: Company

Corporate Background and Strategy

Nordic was incorporated as Nordic Flow Control Pte Ltd in 1998, starting off as a service agent for marine control systems before becoming a provider of ship automation solutions. Since then, Nordic has focused on inorganic growth as a key driver for expansion, while leveraging organic growth to supplement the latter. Nordic has acquired seven firms as of 2025, with the majority (six) occurring since 2015. We believe one of its most significant acquisitions was Starburst in 2022, which allowed Nordic to gain exposure to the defence sector.

Nordic also engages in organic growth to support its business by expanding its product offerings and customer base. For instance, in 2014 it added automation and navigation systems to its systems integration product line. Similarly, Nordic onboarded onshore oil and gas customers in 2011 and government agencies like the Public Utilities Board (PUB) in 2017.

The Group has also made internal strategic shifts, with its 2023 Annual Report stating its intent to pivot towards maintenance services for stable income due to cyclical risks and cost pressures. With this recalibration, Nordic is likely to increase its focus on this area via investments and through potential acquisitions.

SWOT Analysis

We conducted a SWOT analysis in exhibit 3 to better understand Nordic's internal capabilities and external operating environment.

Exhibit 3: Nordic's SWOT Analysis

Strengths	**Weaknesses**
1. **Diversified revenue streams** straddling 11 industries, with 89% evenly distributed to their top 5 industries as of 9M25. This enables Nordic to better hedge against industry specific risks while also increasing its revenue base, thus improving resilience in revenue performance. 2. Historically exhibited **strong operating efficiencies**, with gross profit margin averaging 26.6% from FY15 to FY24. 3. Benefits from **healthy long-term revenue growth**. Although there may be near term volatility, Nordic has delivered a CAGR of 7.8% in its revenue from FY15 to FY24.	1. **Short term volatility in revenue** due to variability from the project services segment, which formed 50.4% of total revenue in FY24. This segment is less stable as it is dependent on project contracts, which fluctuate based on economic cycles. 2. **Inconsistent bottom-line performance**, as Nordic recorded YoY dips in its PATMI for four out of the seven periods from FY18 to FY24. 3. **Concentration risk in Singapore**, which formed 73.6% of its total revenue in FY24. Idiosyncratic risks to the region could lead to sizeable impact on its bottom lines.
Opportunities	**Threats**
1. **Enhancement of synergies** between existing subsidiaries to expand organic growth as another driver for revenue growth. 2. **Global themes like security and sustainability** alongside Singapore's long-term focus in these areas provide room for Starburst and Envipure to attain high growth by tapping on these trends. 3. **Aspects of the industrials sector which Nordic has exposure to are in an upcycle** due in part to Fed rate cuts alongside resilient Singapore economic growth, thus providing fundamental support for demand.	1. **Lower cost competition from the region**, such as China, India, and Malaysia. The Johor-Singapore Special Economic Zone (SEZ) can also act as a threat by offering Nordic's customers a lower cost alternative. 2. **Demand dynamics are cyclical** and dependent on macroeconomic conditions, making Nordic's revenue streams vulnerable during downturns, with project contracts the most at risk. 3. **Supply dynamics are also susceptible to macro factors**, especially raw material prices which are subject to geopolitical and inflation risk. Raw materials used as part of profit and loss totalled SGD45.7m in FY24, which is equivalent to 37.5% of Nordic's cost of sales that year.

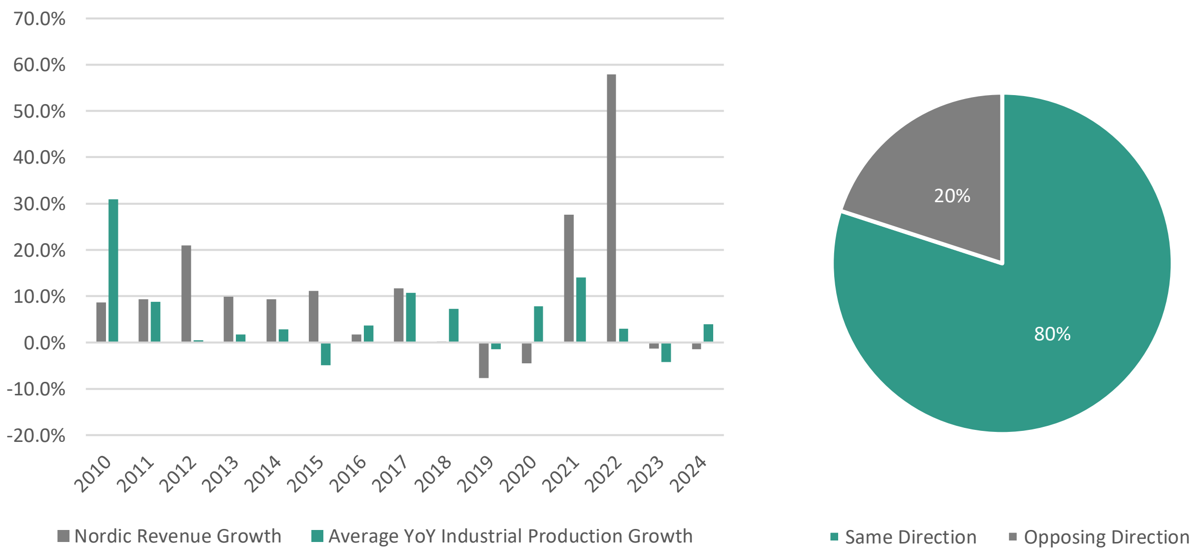
Source: OCBC Group Research, Company

Investment Highlights

1) Broad based recovery in Singapore's industrial production

Singapore's industrial activity has picked up, with industrial production increasing YoY for three consecutive months. Growth came in at 16.3% in September 2025, 28.9% in October 2025 and 14.3% in November 2025. The industrial upcycle comes amidst more clarity on the tariffs front and the Fed rate cut cycle, which saw the FFR fall 175 basis points (bps) from a peak of 5.25-5.50% in September 2024 to 3.50-3.75% in December 2025.

Exhibit 4: Nordic's revenue growth and Singapore's annual average YoY industrial production growth



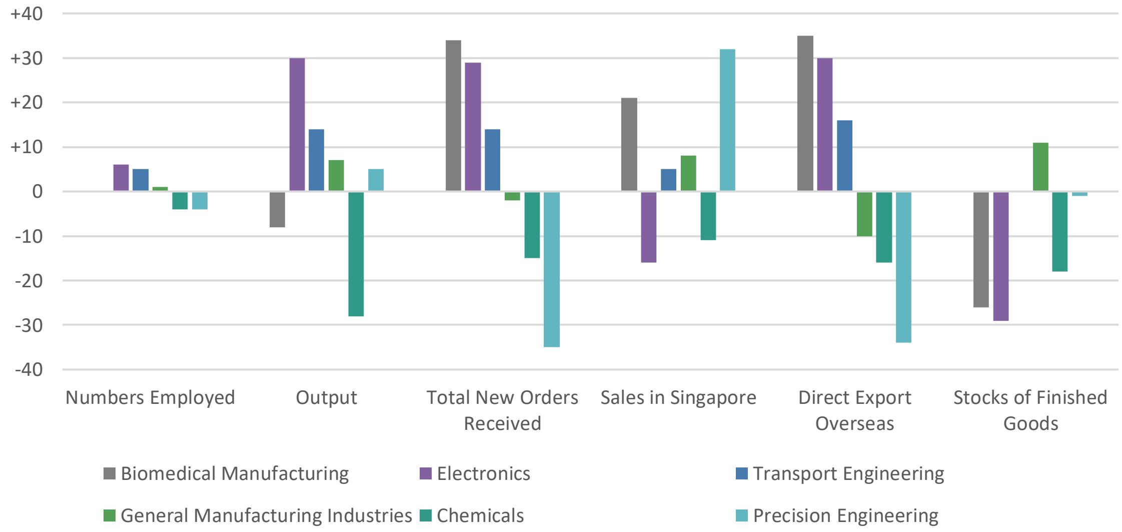
Source: EDB Singapore, Bloomberg, Company

With the Fed on a rate cut cycle, albeit a mild one, and Fed projections of a median longer run midpoint rate at 3% as at 10 December 2025, there exists some room for a lower interest rate trajectory from December 2025 levels which will continue to support industrials by stimulating economic growth and lowering cost of borrowing. Comparing Nordic's revenue growth since listing in 2010 against the annual average for Singapore's YoY industrial production growth in exhibit 4, we observe that directionally the datasets are closely associated, with both datasets moving in the same direction 80% of the time.

Following the rebound in Singapore's industrial production from its downcycle in 2023 and together with a more supportive rate environment, we expect Nordic's revenue growth to follow suit and, in the process, reversing its declines since FY22.

Aside from industrial production, business sentiment within the manufacturing sector has also been generally positive. The EDB business outlook survey for October 2025 to March 2026 show that business outlook has improved compared to the preceding six months in the manufacturing sector despite economic uncertainties. While chemicals and precision engineering recorded weaker sentiment, a closer look at the survey reveal that these sentiments are largely driven by concerns over external demands from exports, which Nordic is well positioned against.

Exhibit 5: Negative sentiment likely driven by overseas exports



Source: EDB Singapore
Note: "Net weighted balance" is the difference between the weighted percentage of 'up' responses and the weighted percentage of 'down' responses. A plus sign indicates a net upward movement, and a minus sign denotes a net downward trend.

A breakdown of exhibit 5, which shows the sector forecast by the EDB for the quarter of October to December 2025, demonstrates that the key drivers of negative sentiment in precision engineering and chemicals lie in total new orders received and direct export overseas. This likely stems from the uncertain trade environment post liberation day in April 2025, which has affected end consumer sentiment.

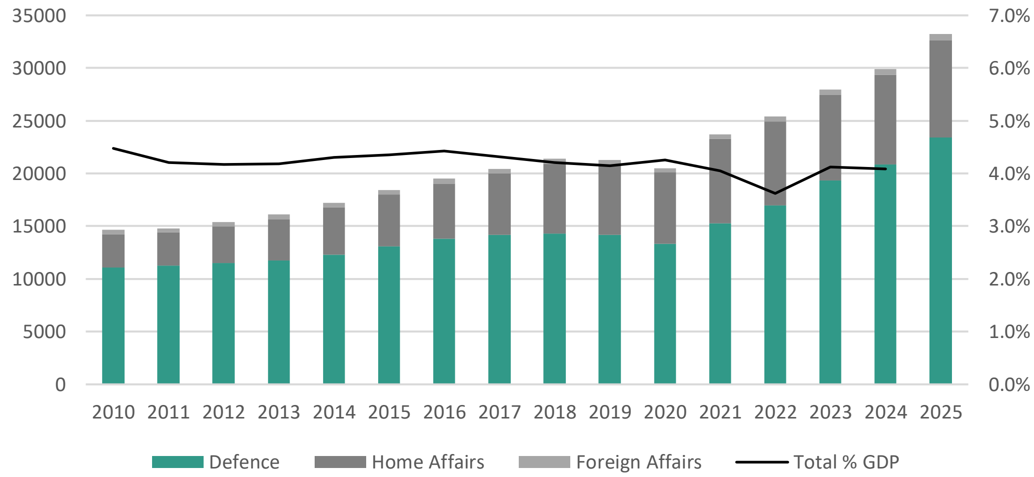
Surveys also consistently show chemicals, precision engineering as industries mostly likely to be weaker in the coming quarter, while electronics, biomedical manufacturing, transport engineering, and general manufacturing will likely strengthen. Nonetheless, we believe that Nordic's revenue will remain resilient. Firstly, while Nordic has 34% of its revenue from precision engineering and petrochemical segments as of 9M25, its geographical revenue base is mainly from Singapore (at 74%) and thus would likely be more resilient against trade uncertainties due to a stronger domestic focus. Secondly, its diversification in other segments like its systems integration business will offset some potential downsides. Altogether, we believe that these factors will enable Nordic's revenue streams to stay resilient despite tariff headwinds.

2) Long term global and local trends support Nordic's key strengths

Two of Nordic's subsidiaries, namely Envipure and Starburst, act as sturdy pillars for Nordic's business due to their exposure to defence, sustainability, and tech, which are expected to benefit from secular long-term growth prospects. Tapping into these sectors could subsequently provide Nordic with avenues for sustained organic revenue growth.

Defence
Recent conflicts in Europe and the Middle East have spurred a sharp rise in defence spending as countries shift their national priorities to address threats, with global military expenditure rising 9.4% YoY in USD terms in 2024, the highest levels since records began in 1988 by the Stockholm International Peace Research Institute.

Exhibit 6: Breakdown in Singapore's security spending



Source: Accountant General's Department, Singapore Department of Statistics
Note: Data for FY2025 are budgeted estimates, FY2024 data are revised estimates and data up to FY2023 are actual figures. No total % GDP estimates are available for FY2025.

For Singapore, defence and security continues to be a government priority in view of the current geopolitical climate, with the Ministry of Defence (MINDEF) aiming to keep military spending at 3% of GDP over the next decade. Investments made recently include the purchase of four F-35s in 2019 to upgrade the air force and the development of the Titan, a new infantry fighting vehicle for the army.

MINDEF's expenditures are grouped into three categories: investments in human capital, operating and development expenditure, and investments in new capabilities. Starburst's services fall under the second category, where infrastructural works like shooting ranges and tactical mock-ups play a key role in maintaining the Singapore Armed Forces (SAF) high state of readiness. A detailed breakdown of Starburst's offerings can be found in Appendix D. In June 2025, the SAF also announced that it is exploring the construction of another multi-mission range complex for national servicemen to do regular practice shoots. This presents direct opportunities for Starburst, given its speciality in providing training facilities.

Other large-scale MINDEF projects also offer opportunities, like the relocation of Paya Lebar Air Base in the 2030s to Tengah Air Base and Changi Air Base, which will require infrastructure development due to expansion works. Although capabilities are undisclosed, a 2024 statement by MINDEF showed that the new expansion will increase the frequency of flights by 15-20% at Tengah Air Base. Assuming this is proportional to the number of required hangars, we can expect Nordic to be well positioned to capture these opportunities under Starburst and other subsidiaries like Multiheight for scaffolding via synergistic offerings, thus leading to stronger growth via cross-subsidiary sales.

Furthermore, the Ministry of Home Affairs (MHA) and Singapore Police Force (SPF) also provide opportunities as the Singapore government maintains high vigilance against global terrorist threats. Holistically, we believe that global defence spending trends and Singapore's commitment to security provides strong backing to Starburst's revenue base via training infrastructure and solutions, which forms an integral part of Singapore's defence spending strategy.

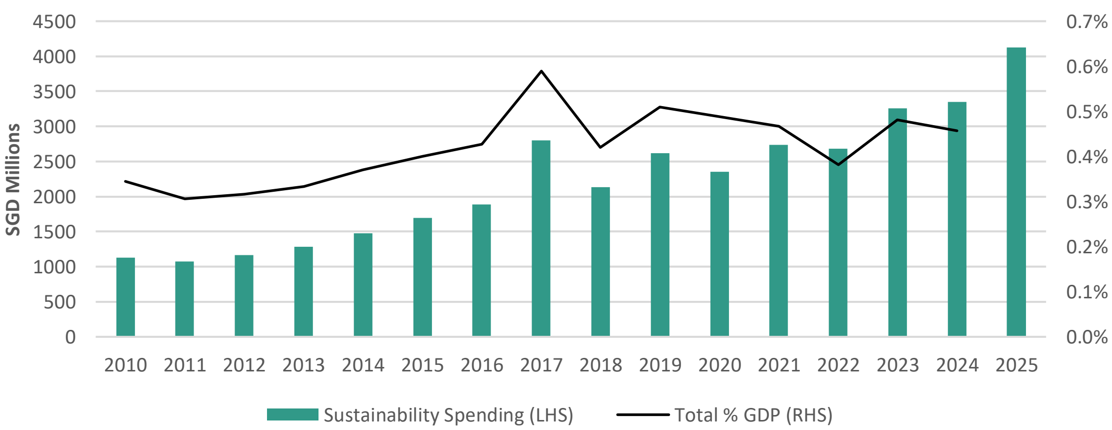
Sustainability

The Singapore government has also identified sustainability as a strategic priority via The Singapore Green Plan 2030. The plan aims to strengthen Singapore's commitments under the United Nations' (UN) 2030 Sustainable Development Agenda and Paris Agreement, thus positioning it to achieve its long-term goal of net zero emissions by 2050. Of the plan's five pillars, the Energy Reset pillar has the most relevance for Envipure, providing opportunities for its water, waste management and maintenance services.

In this segment, the government has planned for Tuas Nexus, which will be Singapore's first integrated waste and used water treatment facility. The facility is expected to be completed in phases from 2019 to 2028 and comprise the Tuas Water Reclamation Plant (Tuas WRP) and the Integrated Waste Management Facility (IWMF). Tuas WRP was completed in 2025, while the IWMF is planned to be completed by 2028. Both facilities present opportunities for water treatment and waste management for Nordic, alongside the need for maintenance services given the large capacity of Tuas WRP at 800,000 m^3 per day and the IWMF which will handle a total of 7,250 tonnes of waste per day.

Aside from waste and water, the National Environment Agency (NEA) has taken a strict approach to air pollution, with the Environmental Protection and Management Act of 1999 acting as the baseline for industrial standards. Considering that the NEA has also set long run targets to cut emissions like the 24-hour mean for sulphur dioxide by 60% and the annual mean for particulate matter 2.5 by 17% in the long run, air pollution control solutions offered by Envipure will likely benefit from stronger growth as the economy transitions to more cleaner systems.

Exhibit 7: Singapore government's spending on sustainability



Source: Accountant General's Department, Singapore Department of Statistics
Note: Data for FY2025 are budgeted estimates, FY2024 data are revised estimates and data up to FY2023 are actual figures. No total % GDP estimates are available for FY2025.

The Singapore government's strategic focus on sustainability can be summarised in its spending, which has attained a CAGR of 5.30% since 1997 to an all-time estimated high of SGD4.1b in 2025. We thus believe that Envipure will become an increasingly valuable asset to Nordic in the long run given sustainability tailwinds.

Technology

Lastly, Nordic stands to benefit indirectly from the technology boom. Its subsidiaries like Envipure, Avitools, and Multiheight have exposure to the semiconductor industry via its service offerings, with Envipure providing water treatment systems, Avitools for precision parts, and Multiheight for scaffolding. According to Deloitte, the chip industry average spending on research and development (R&D) as a percentage of its earnings before interest and tax (EBIT) has only increased since 2015, rising from 45% to an estimated 52% in 2024. We believe that the trend on increased R&D and innovation in technology will continue to drive expansion for the sector and provide a sustained base of clientele for Nordic in the longer run.

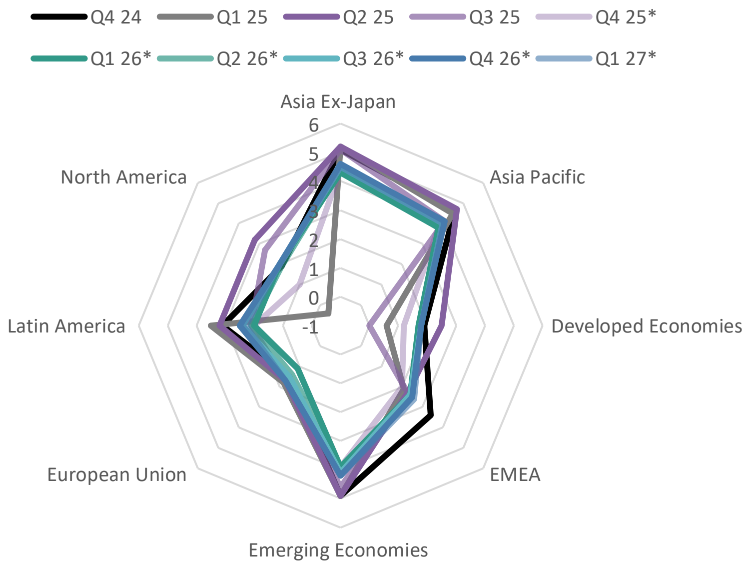
Moreover, from an end user perspective, semiconductors are expected to be in high demand in the future as according to the same study by Deloitte, almost all personal computers (PC) sold are expected to have AI powered features by 2028. Given that the global PC market is massive with over 260 million units expected to be sold in 2025, semiconductors remain well supported and in demand. We expect Nordic to be indirect beneficiaries, as auxiliary services like water systems, maintenance, and construction will be required as semiconductor businesses expand operations.

To summarise, we believe the broader trends of higher defence spending, institutional focus on sustainability, and the acceleration of technology provide strong long-term opportunities for Nordic to capitalise on given its existing presence, infrastructure, and networks in these industries.

3) Asian economic resilience and local advantages

Asian economies have been resilient despite macroeconomic headwinds from trade and geopolitical uncertainties. Looking at exhibit 8, we see that Asia Pacific is expected to perform the strongest globally, with GDP YoY growth to hold firm at an average of 4.5% per quarter from 4Q25 to 1Q27, according to Bloomberg consensus estimates, implying a spread of 3.3 percentage points (ppt) over the Eurozone and 2.6ppt over North America for averages in the same period. A key point is also the stability of growth, which is forecasted to be volatile in North America and developed economies, underscoring the asymmetric impact of macroeconomic headwinds on various regions. Crucially, it highlights the resilience of Asian economies in weathering these external shocks, which bodes well for Nordic as Asia forms 95% of its FY24 revenue.

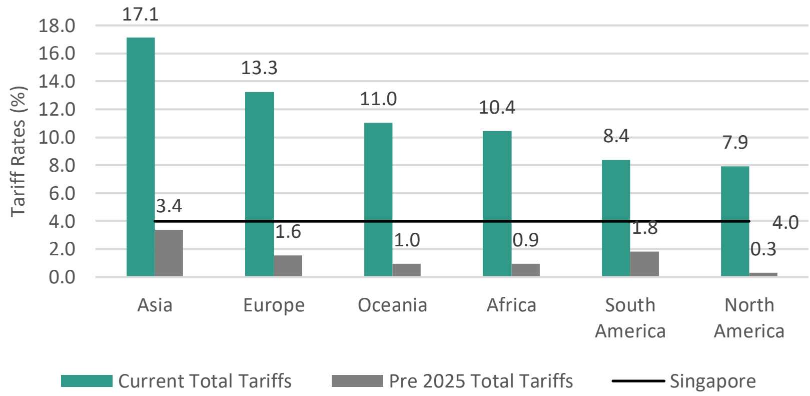
Exhibit 8: Asia is expected to attain higher and more stable growth despite macro headwinds



Source: Bloomberg, as at 5 December 2025
Note: * denotes periods that are forecasted, while those without are actual figures.

Another aspect is Singapore's advantage in having among the lowest tariffs rates from the US, thus placing the nation in a relative advantageous position as a shipment hub. According to the UN trade and development (UNCTAD), Singapore faces one of the lowest US total trade weighted tariffs (TTWT) globally on all exports, at 4%. This is contrasted against most countries which fall within the 10-20% range.

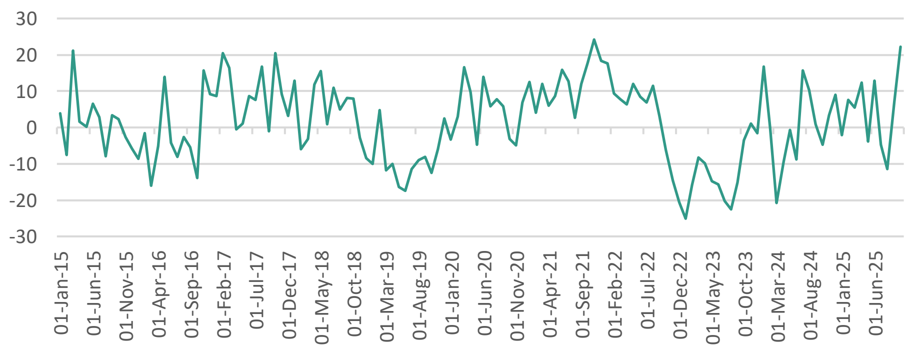
Exhibit 9: Average total trade weighted US tariffs on regions



Source: UN Trade and Development, UNCTAD

Exhibit 9 illustrates the point, showing the surge in US tariffs post liberation day in April 2025. In this case, the average of TTWT is shown across regions. Comparatively, Singapore ranks at the 17th percentile from lowest to highest TTWT, thus enjoying a lower rate compared to 83% of all nations worldwide. We believe these economic advantages will make Singapore a more competitive destination for trade and minimise the direct impact of TTWT on its exports, thus providing support for its economy in the short to medium term. This can be seen in current nonoil domestic exports shown in exhibit 10 below, which continued its uptrend despite tariff headwinds, with October 2025 data showing a 22.2% growth YoY against expectations at 7.5%.

Exhibit 10: Nonoil domestic exports continue uptrend despite tariff headwinds



Source: Bloomberg, EDB Singapore

With a resilient Singapore economy buoyed by strong exports, Nordic can be expected to benefit as business appetite and end consumer demand would likely remain robust.

4) Accretive strategic acquisitions

Nordic's business has also been driven by accretive acquisitions, which has seen its revenue attaining a CAGR of 9.3% since 2010. This figure is more than twice the CAGR of the gross domestic product (current prices) of goods producing industries in Singapore (includes manufacturing and construction) at 4.3% during the same period, thus illustrating the longer-term value adding benefits of such acquisitions on Nordic's overall business growth.

Furthermore, Nordic also benefits from diversifying its revenue streams through acquisitions, with revenue contribution by its services expanding from just systems integration and precision engineering in FY10 to seven different services segments by FY24, thus decreasing its exposure to idiosyncratic services risk in the longer term. It has also increased its industry exposure from five in FY14 to 12 in FY25 as part of its strategic acquisitions, which also helps to reduce industry related risk exposures. More importantly, these acquisitions enable Nordic to create exposures to industries that benefit from longer term tailwinds such as defence, sustainability, and tech sectors, thus providing it with sustained growth support.

Lastly, strategic acquisitions act as a node for synergistic elements within Nordic itself. Nordic is positioning its subsidiaries into service and solutions segments to increase group synergies by making it easier for customers to access group-wide solutions or services by engaging the required segment. Such restructuring enables Nordic to further extract value from its subsidiaries and produce value that is more than the sum of its parts.

Key Risks

1) An unexpected recession can hit hard

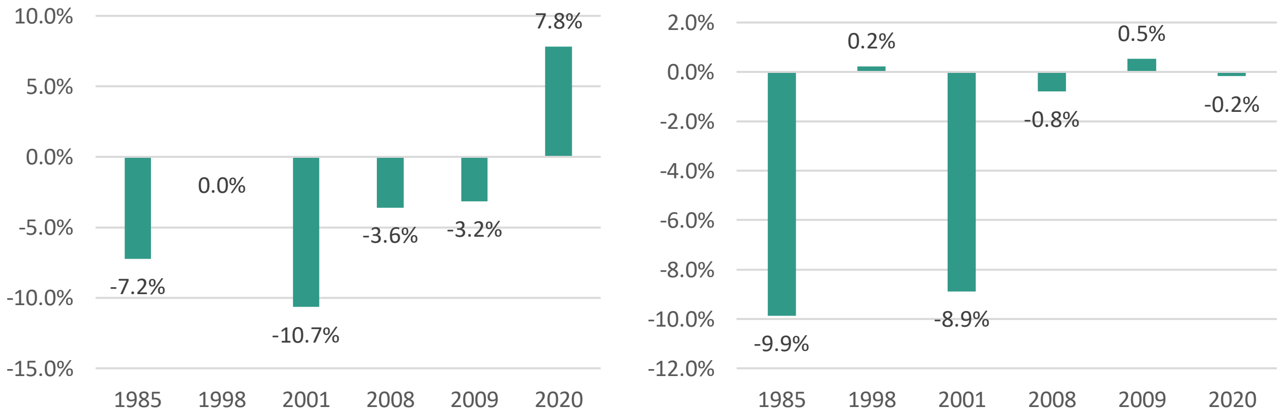
Being an industrial company, Nordic is susceptible to cyclicality, particularly in its project business which is dependent on macro conditions. From 2022 to 2024, Nordic experienced declining revenue growth partly due to project delays as interest rates soared and the economic outlook became more uncertain.

As of 2024, Nordic's revenue streams are evenly divided, with 49.6% of revenue from maintenance services and 50.4% from project services. While the firm is looking to increase its revenue exposure towards maintenance services as part of its strategic pivot, it takes time and resources. So, while we believe that this move is strategically beneficial, its results may not be seen till the longer term.

Although Singapore's economy has been doing well despite tariffs, there is still a risk of trade war escalation which may dampen business appetite. Moreover, the full impact of the tariffs has likely not been realised, as it takes time for costs to be passed to consumers. This creates another source of downside risk, as a stronger than expected tariff impact can dampen economic growth and external demand, thus impacting Nordic's revenue streams.

The Federal Reserve Bank of New York's yield curve indicator shows a 25% chance of a US recession in the next 12 months as of October 2025, suggesting that macroeconomic risk remains real and could weigh on Nordic in the shorter term. Historically, Singapore's industrial production has averaged a YoY contraction of 2.8% each month during recessionary years since independence, with goods producing industries contracting by 3.2% on average during the same period. We can thus expect Nordic's revenues to contract in a similar fashion during such periods.

Exhibit 11: Singapore's average monthly YoY industrial production growth during recessionary years (LHS) and Singapore's goods producing industry GDP growth during recessionary years (RHS)



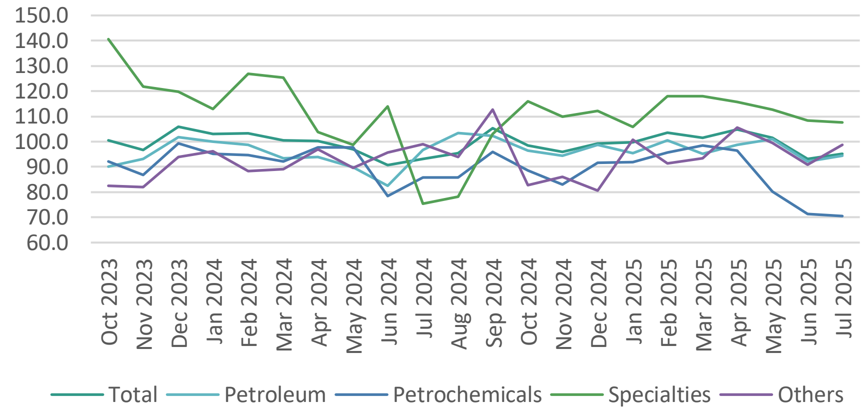
Source: OCBC Group Research, EDB Singapore, Singapore Department of Statistics, Bloomberg

2) Stronger Headwinds in the Chemicals Industry

Stronger headwinds in the petrochemical industry could drag Nordic's revenue in the shorter to medium term. Globally, oil prices are likely to remain weak, with OCBC Group Research forecasts as at 6 January 2026 for Brent to trade at USD59/bbl and WTI to trade at USD56/bbl in December 2026. The lower prices would place pressure on revenue for petroleum companies, which in turn will affect downstream demand for Nordic's petrochemical products and services as spending gets scaled back. Current overcapacity from China has also been a driver in suppressing oil prices by introducing greater supply.

In Singapore, petrochemicals have been negatively affected by broader headwinds, with the chemicals sector registering an overall decline in its production over the past few years. EDB data showed that petrochemicals registered an average month-on-month (MoM) growth of -0.7% since October 2023, with the chemicals sector having an average MoM growth of -0.2% during the same period.

Exhibit 12: Industrial production of Singapore's chemicals sector and its component groups



Source: OCBC Group Research, EDB Singapore
Note: 2019 is used as a base with a value of 100

Alongside these headwinds, large petrochemical companies in Singapore have been restructuring to boost profitability. In May 2024, Shell announced its intention to sell its Bukom refinery to a joint venture between PT Chandra Asri and Glencore to reduce carbon footprint and focus on profitable businesses, with the sale being completed in April 2025. Similarly, ExxonMobil's restructuring will see 10-15% of its Singaporean workforce go by end 2027.

While Nordic may face some headwinds as petrochemical services form 15% of its total revenue based on 9M25 results, we believe that Nordic's diversification in other industries through its various subsidiaries would be able to mitigate its impact, making it more manageable for the firm should the downturn in petrochemicals continues in the longer term or worsen.

3) Inorganic Growth Risks

While we note that inorganic growth is a net asset to Nordic if it is done strategically, there is also a risk that the acquisition could be more of a liability than asset to the firm in the longer term. While difficult to assess, acquisitions that do not produce improvement in revenue due to lack of competitiveness, or those that incur persistent high costs due to inefficiencies can lead to low productivity and profitability in the long run. These acquisitions would then drag the firm's performance, leading to a net negative situation where a premium was paid to acquire the company but for little return.

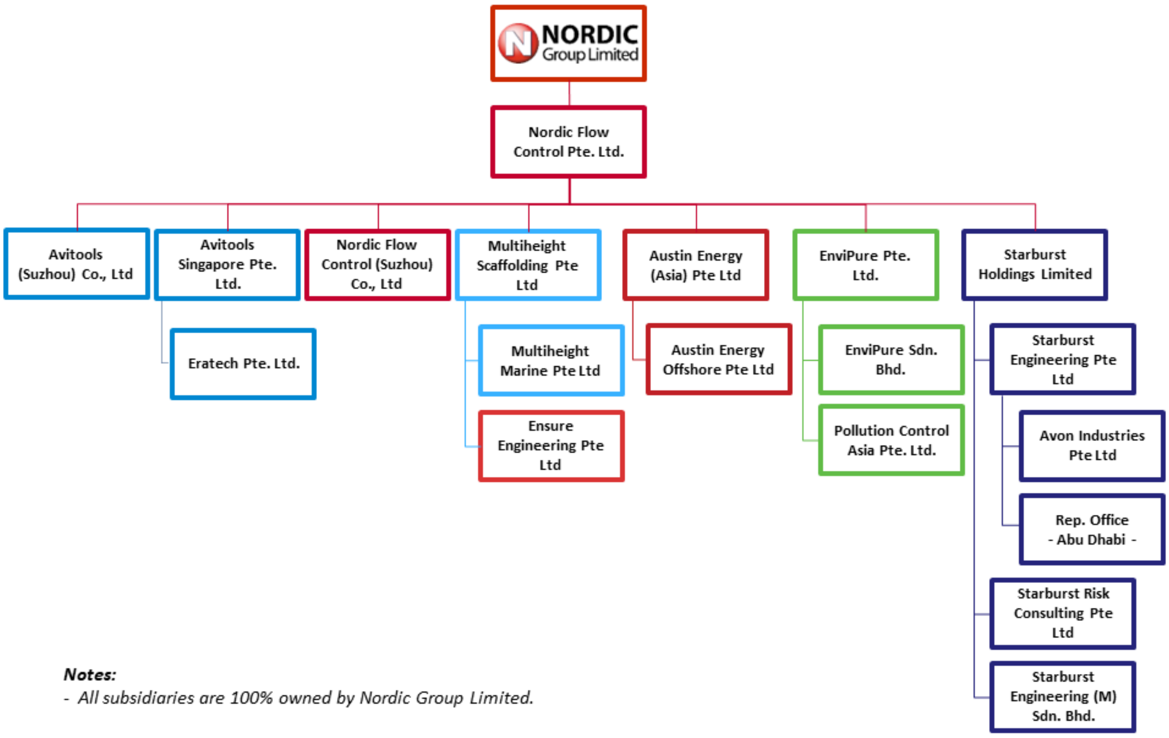
This can place stress on the company's cash position, as acquisitions typically requires taking on debt. Although Nordic has been primarily a cash generating business, unproductive acquisitions can lead to sizeable opportunity costs as it takes time to assess their productivity and is generally difficult to unwind. That being said, Nordic's past history of acquisitions has been largely accretive for its revenue based on our prior analysis, and together with its leadership's emphasis on prudence, risk management, and strategic decision-making, we believe that such risks are mitigated.

Valuation

To value Nordic, we applied a P/E multiple of 11.3x to our forecasted FY26 EPS of 5.24 Singapore cents, resulting in a fair value estimate of SGD0.59 In deriving our valuation multiple, we used historical trailing P/E data over the past 10 years as no consensus estimates were available. Our ascribed P/E multiple is in-line with Nordic's 10Y average. A closer observation of Nordic's historical P/E shows that it has been trading below its mean since 2022, which was when the firm started to experience contractions to its revenue post the pandemic. However, against a backdrop of resilient macroeconomic conditions, moderating inflation, broader recovery in certain aspects of the industrials sector and consequent growth in forecasted earnings for Nordic in FY26, we believe Nordic can close the gap and trade closer to its historical P/E multiple. Re-rating catalysts include increased momentum in order wins and continued improving sentiment over Singapore small and mid-cap (SMID) stocks, underpinned by capital market reforms. Initiate coverage on Nordic with a BUY rating, with an attractive upside potential of 37%. Nordic also offers a decent FY26 dividend yield of 4.9%, based on our forecast and share price of SGD0.43.

Appendix A: Company Structure

Exhibit 13: Group structure



Source: Company; as at 26 November 2025

The Group comprises of seven main subsidiaries which are held under Nordic Flow Control. Some of these main subsidiaries also hold smaller subsidiaries, such as Avitools and Starburst Holdings, as shown in exhibit 13 above. Exhibit 13 below provides a detailed description of their services, with the different shading for subsidiaries under the same cluster.

Exhibit 13: Nordic's subsidiaries and primary business

Subsidiary	Description
Nordic Flow Control Pte. Ltd.	Integration, assembly, trading, importing, and exporting of hydraulic systems and marine components
Avitools (Suzhou) Co., Ltd	Engineering works and manufacturing of aircraft components and hydraulic actuators for the marine, oil and gas industry
Nordic Flow Control (Suzhou) Co., Ltd	Integration, assembly, trading, importing and exporting of hydraulic systems and marine components
Multiheight Scaffolding Pte Ltd	Scaffolding works for refinery, marine and construction industries and sales and rental of tubular frames and aluminium scaffolds
Multiheight Marine Pte Ltd	Repairing ships, tankers, and other ocean going vessels and providing scaffolding works
Ensure Engineering Pte Ltd	Chemical and engineering activities for marine, manufacturing, refineries, utilities and petrochemical industries
Envipure Pte. Ltd.	Providers of facilities engineering services, undertaking projects for air pollution control systems, water and wastewater treatment systems
Envipure Sdn Bhd	Integration, assembly, trading, importing and exporting of hydraulic systems and marine components
Pollution Control Pte Ltd	Manufacture and repair of marine engine and ship parts and scaffolding works
Starburst Holdings Limited	Dormant
Starburst Engineering Pte Ltd	Design, fabrication, installation and maintenance of anti-ricochet ballistic protection systems for shooting ranges and tactical training mock-ups
Starburst Risk Consulting Pte Ltd	Dormant
Starburst Engineering (M) Sdn Bhd	Struck off on 8 August 2024
Avon Industries Pte Ltd	Design, fabrication, installation and maintenance of fuel refuelling hydrants and systems for refuelling and dispensing
Avitools Singapore Pte Ltd	Manufacturing of precision components and electromechanical assembly business
Eratech Pte Ltd	Provision of precision machining and turnkey manufacturing services
Austin Energy (Asia) Pte Ltd	Provision of construction, scaffolding, insulation, painting and fireproofing services
Austin Energy Offshore Pte Ltd	Building construction specialist (insulation and fireproofing) contractor in process plan construction and general wholesale trade

Source: Company, OCBC Group Research

Appendix B: Management Team

Nordic Group operates with the Executive Chairman (Chairman) Mr Chang Yeh Hong being responsible for key strategic decisions of the Group. The current board of directors has five members, including the Chairman and three independent directors, while its senior management comprise 14 members, who are mainly the Chief Executive Officers (CEO) or Chief Operating Officers (COO) of the subsidiaries. The CEOs and COOs of the various subsidies are primarily responsible for operational demands of their organisations. Exhibit 14 below illustrates some of its key personnel.

Exhibit 14: Nordic Group's Key Personnel and Roles

Name (Role)	Responsibilities
Mr Chang Yeh Hong (Executive Chairman)	Mr Chang has been the Group's Chairman since 8 April 2010 and is responsible for the Group's strategic decisions, like its positioning and business expansion. He has more than 18 years of experience in banking, which includes serving as managing director with Citibank from 1999 to 2000 and global head of a product group with Standard Chartered Bank from 2000 to 2002, before taking on an executive role with Nordic in 2004. He also holds a Bachelor of Arts degree majoring in Economics from the National University of Singapore and has completed the Standard Chartered International Management Programme in INSEAD Fountainbleau, France and the Business Financial Management Programme with Manchester Business School, United Kingdom.
Ms Teo Ling Ling Dorcas (Executive Director & CEO, Nordic Flow Control)	Ms Teo is responsible for the overall operations, sales, business development, and profit and loss management of Nordic Flow Control. She was appointed to the board in June 2010 and has more than 25 years of experience in marine and offshore valve remote control industry, where she served in organisations like Tyco Flow Control Pte Ltd from 1994 to 2003. She holds a Bachelor of Commerce degree with major studies in Management from the University of Western Sydney, a Diploma in Sales and Marketing from the Marketing Institute of Singapore, and a Diploma in Electric Engineering from Singapore Polytechnic.
Ms Chia Meng Ru (Group Chief Financial Officer)	Ms Chia is responsible for the Group's back-office functions, like finance, human resource, payroll, legal and compliance, office administration and information technology. She was appointed in August 2017 and supports the Chairman in the Group's strategic business planning process by participating in major investment decisions through providing financing options and optimal structuring of projects. Prior to joining, she was an audit partner at RSM Chio Lim LLP. She also holds a Bachelor of Accountancy (Honours) from Nanyang Technological University and is a member of the Institute of Singapore Chartered Accountants and a Fellow Member of Chartered Accountants Australia and New Zealand.

Source: Company, OCBC Group Research

Appendix C: Corporate History

Year	Milestone
2023	Acquisition of Avon Industries Pte Ltd for SGD5m.
2022	Acquisition of Eratech Ptd Ltd (Eratech) for SGD10m, and the acquisition of Starburst Engineering Pte Ltd and subsidiaries of Starburst Holdings Limited (Starburst) for SGD59.1m. Eratech doubles down on the precision engineering business, while Starburst diversifies the Group into the defence sector.
2019	Acquisition of Envipure Pte Ltd and subsidiaries of Envipure Group (Envipure) for SGD14.8m to expand into air and water engineering services.
2017	Acquisition of Ensure Engineering Pte Ltd (Ensure) to diversify into maintenance services segment while expanding clientele to government agencies.
2015	Acquisition of Austin Energy (Asia) Pte Ltd (Austin Energy) to diversify into insulation services and forge synergistic partnership with Nordic's scaffolding division. Started to also offer sheet metal fabrication services.
2014	Expanded product offerings under the systems integration division, via adding automation and navigation systems to the product line.
2012	Purchased property at 5 Kwong Min Road.
2011	Acquisition of Multiheight Scaffolding Pte Ltd (Multiheight) to diversify into the scaffolding services business and expanded the range of products and services to new customers in the onshore oil and gas sector.
2010	Listed on the mainboard of Singapore Exchange (SGX) and started to offer a more comprehensive range of engineering, procurement, installation, and conversion services.
2009	Incorporated Nordic Flow Control (Suzhou) Co., Ltd (Nordic Suzhou), and received type approval certificate from Germanischer Lloyd for the Nordic Multi-Functional Automation Systems (NORMAS).
2006	Achieved breakthrough in the Chinese market through deployment of Nordic staff to undertake sales and marketing activities.
2004	Set up Avitools (Suzhou) Co., Ltd (Avitools Suzhou) and representative offices in Shanghai and South Korea. Also, clinched first Korean contract from STX shipbuilding Co., ltd, supplying tank gauging systems.
2003	Transformed into a provider of ship automation solutions to vessels and made first contract with China Shipbuilding Trading Co. (International) Ltd, supplying valve remote control systems to vessels in Wenchong Shipyard.
1998	Incorporated Nordic Flow Control Pte Ltd (Nordic Flow Control), starting off as a service agent for marine control systems and providing after sales services to end users.

Source: Company, OCBC Group Research

Appendix D: Starburst's Offerings

Product	Description
Training Facilities Design	Offers two main services, design and build, and build to design. The former entails their team designing and delivering effective anti-ricochet ballistic protection systems for firearms training facilities, while the latter focuses on delivering the required ballistic protection systems in line with provided specifications.
Anti Ricochet Lining Products	Offers a list of proprietary anti-ricochet ballistic protection materials, like panels, pavers, and concrete.
Ballistic Fit-Outs	Designs, fabricates, and installs bullet containment and catcher systems at indoor and outdoor live firearm shooting ranges. Improvement and upgrading services to existing ranges are also offered.
Modular Training Range	Offers prefabricated modules which serve as firing ranges. The module is fully functional as a 25m, 50m, and 100m live firing range, and can be customised through addition or removal of modules at a later stage.
Range Maintenance	Offers service and maintenance programmes to customers for completed firearm shooting ranges and tactical training mock-ups.
Tactical Training Mock-ups	Design, fabrication, and installation of tactical training mock-up facilities to provide simulations based on customer requirements. It may include live firearms or non-live firearms training and can include simulations integrated with system controls.
Security and Detention Facilities	Design, fabrication, and installation of ballistic protection and security systems for various facilities, including high security detention facilities. Some services include provision of security doors, windows, frames, padding, electronic systems integration.
Structural and Architectural Steel Works	Provision of structural and architectural fabrication services, such as precision designs.

Source: Company

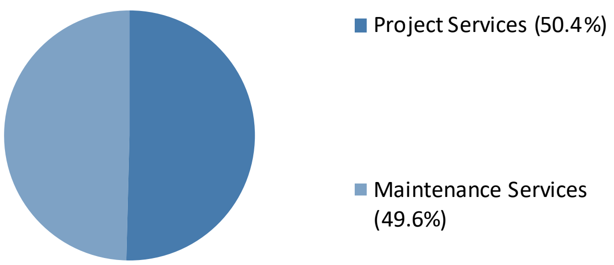
Company overview (as of 31 December 2024)

Company description

Nordic Group Limited is a provider of industrial services and solutions across a variety of sectors, comprised of seven main wholly owned subsidiaries. Apart from its primary business in Singapore, Nordic also has a presence in 18 jurisdictions globally. Its largest service segments are structural engineering and construction services, precision engineering, petrochemical and environmental services, cleanroom, air and water services, and systems integration, which together comprise 85% of its revenue. It has clients from 12 different industries, such as defence, marine, aerospace, and semiconductor, and engages both public and private organisations through its main business offering which are maintenance and project services.

FY24 Revenue Breakdown

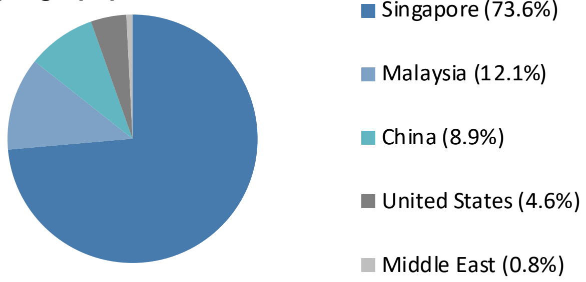
By segment



Source: Company

FY24 Revenue Breakdown

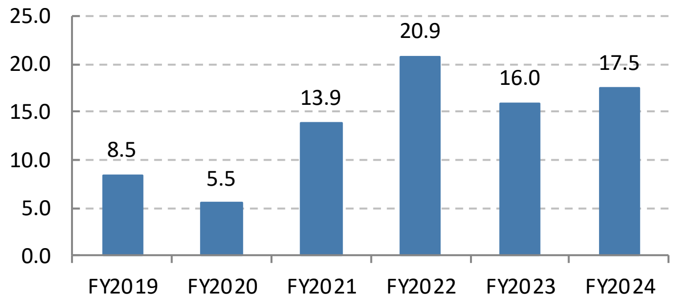
By geography



Source: Company

Net income trend

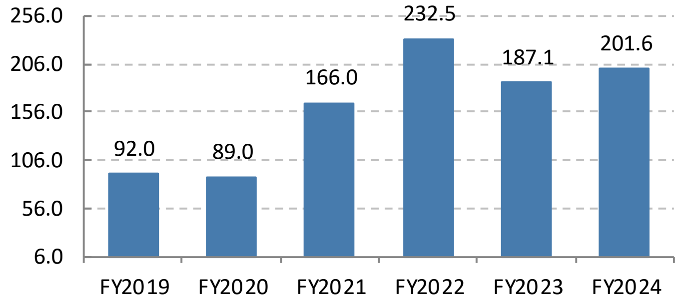
SGD m



Source: Company

Order Book

SGD m



Source: Company

Company financials

Income statement Year Ended 31 Dec (SGD m)	FY23	FY24	FY25E	FY26E
Revenue	160.6	158.4	167.9	179.3
Gross profit	36.4	36.7	38.6	41.2
Administrative expenses	-15.6	-14.6	-15.1	-16.1
Depreciation and amortisation	-5.1	-5.8	-4.6	-4.0
EBITDA	27.5	28.6	28.3	29.4
Finance costs	-3.6	-3.9	-2.2	-2.4
Interest income	0.8	1.3	1.2	1.0
Earnings before tax	19.6	20.2	22.6	24.0
Income tax	-3.6	-2.7	-2.9	-3.1
Net income	16.0	17.5	19.7	20.8

Balance sheet As at 31 Dec (SGD m)	FY23	FY24	FY25E	FY26E
Trade receivables	48.2	45.8	49.4	52.7
Inventories	21.9	17.3	21.9	23.4
Cash and cash equivalents	73.7	43.4	39.7	49.0
Total current assets	170.1	143.5	160.2	174.3
PPE	43.7	41.7	38.7	36.4
Total assets	265.6	234.8	249.2	261.6
Total debt	96.0	59.8	53.1	61.9
Trade payables	33.6	28.7	40.7	33.1
Total liabilities	148.1	105.0	108.0	108.3
Total equity and liabilities	265.6	234.8	249.2	261.6

Key rates & ratios	FY23	FY24	FY25E	FY26E
DPS (S cents)	1.6	1.8	2.0	2.1
Debt to equity (x)	0.8	0.5	0.4	0.4
Dividend yield (%)	5.3	4.1	4.6	4.9
P/E (x)	10.8	9.8	8.7	8.2
P/B (x)	1.5	1.3	1.2	1.1
Net profit margin (%)	9.9	11.1	11.7	11.6
Interest coverage ratio (x)	6.2	5.9	10.7	10.6
Net gearing (%)	18.9	12.6	9.5	8.4
ROE (%)	14.0	14.2	14.5	14.2
ROA (%)	6.3	7.0	8.1	8.2

Sources: Company, OCBC Group Research

Analyst Declaration

The analyst(s) who wrote this report and/or his or her respective connected persons hold financial interests in the following above-mentioned issuers or companies as at the time of the publication of this report: *[Nil]*

The analyst(s) does not receive compensation directly or indirectly related to the inclusion of specific recommendations or views in this report.

The analyst(s) or his/her associate confirms that he or she does not serve on the board or in trustee positions of the issuers/ companies covered within this research report, and the issuers/ companies or other third parties have not provided or agreed to provide any compensation or other benefits to the analyst(s) in connection with this report.

This report is solely for information purposes and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein or to participate in any particular trading or investment strategy. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this report is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this report may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This report may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, it should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. In the event that you choose not to seek advice from a financial adviser, you should consider whether the investment product mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OCBC Investment Research Private Limited ("OIR"), OCBC Securities Private Limited ("OSPL") and their respective related companies, their respective directors and/or employees (collectively "Related Persons") may or might have in the future, interests in the investment products or the issuers mentioned herein. Such interests include effecting transactions in such investment products, and providing broking, investment banking and other financial or securities related services to such issuers as well as other parties generally. OCBC Bank and its Related Persons may also be related to, and receive fees from, providers of such investment products. There may be conflicts of interest between OCBC Bank, BOS, OIR, OSPL or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OCBC Bank and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement. This report is intended for your sole use and information. By accepting this report, you agree that you shall not share, communicate, distribute, deliver a copy of or otherwise disclose in any way all or any part of this report or any information contained herein (such report, part thereof and information, "Relevant Materials") to any person or entity (including, without limitation, any overseas office, affiliate, parent entity, subsidiary entity or related entity) (any such person or entity, a "Relevant Entity") in breach of any law, rule, regulation, guidance or similar. In particular, you agree not to share, communicate, distribute, deliver or otherwise disclose any Relevant Materials to any Relevant Entity that is subject to the Markets in Financial Instruments Directive (2014/65/EU) ("MiFID") and the EU's Markets in Financial Instruments Regulation (600/2014) ("MiFIR") (together referred to as "MiFID II"), or any part thereof, as implemented in any jurisdiction. No member of the OCBC Group shall be liable or responsible for the compliance by you or any Relevant Entity with any law, rule, regulation, guidance or similar (including, without limitation, MiFID II, as implemented in any jurisdiction).

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OIR, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

Co.Reg.no.: 193200032W

Disclaimers

This material is being made available to you through an arrangement between Bank of Singapore Limited (Co Reg. No.: 197700866R) (the "Bank") and Oversea-Chinese Banking Corporation Limited ("OCBC Bank") (Co Reg. No.: 193200032W). The Bank and OCBC Bank shall not be responsible or liable for any loss (whether direct, indirect or consequential) that may arise from, or in connection with, any use of or reliance on any information contained in or derived from this material, or any omission from this material, other than where such loss is caused solely by the Bank's or OCBC Bank's wilful default or gross negligence.

Please refer to https://www.bankofsingapore.com/Disclaimers_and_Disclosures.html for cross-border marketing disclaimers and disclosures.

RATINGS AND RECOMMENDATIONS:

- OCBC Group Research's technical comments and recommendations are short-term and trading oriented.
- OCBC Group Research's fundamental views and ratings (Buy, Hold, Sell) are medium-term calls within a 12-month investment horizon.
- As a guide, OCBC Group Research's BUY rating indicates total expected returns (excluding dividends) in excess of 10% based on the current price; a HOLD rating indicates total expected returns (excluding dividends) within +10% and -5%; a SELL rating indicates total expected returns (excluding dividends) less than -5%. For REITs and Business Trusts, total expected returns including dividends apply.
- For companies with market capitalisation of S$150m and below, OCBC Group Research's BUY rating indicates total expected returns (excluding dividends) in excess of 30%; a HOLD rating indicates total expected returns (excluding dividends) within a +/-30% range; a SELL rating indicates total expected returns (excluding dividends) less than -30%. For REITs and Business Trusts, total expected returns including dividends apply.