

TOPLINE

ST Engineering's Vincent Chong is ready for the next lap

To see the group as a mere defence proxy cashing in on conflict misses the plot entirely. BY JUDE CHAN

IT IS easy to look at ST Engineering's rising share price and assume that the defence contractor is simply riding a wave of global instability amid growing military budgets and heightened geopolitical tensions. Indeed, ST Engineering is currently the best performer among the Straits Times Index (STI) blue-chip stocks in the year to date.

The stock has generated a total return – with dividends reinvested – of 28.4 per cent since the start of 2026, extending the strong momentum it built up last year. This dwarfs the 7.1 per cent total return of the STI over the same period.

But to see ST Engineering as a mere defence proxy cashing in on conflict misses the plot entirely.

"The defence business is core to us," said ST Engineering group president and chief executive officer Vincent Chong. "But two-thirds of our group revenue comes from very strong global businesses in our commercial aerospace and smart city domains."

The real engine behind the group's record operating profit and S\$33.2 billion order book, Chong noted, was built years ago.

The actual heavy lifting started during the darkest, quietest days of the Covid-19 pandemic, when the company decided to rip up its playbook and completely rewire how it does business.

The Covid crucible

For a company that drew a large chunk of its group revenue from aviation and aerospace, the Covid-19 pandemic – during which aeroplanes were grounded and borders shut – was a brutal period.

But instead of going into survival mode – hoarding cash and cutting costs to the bone – ST Engineering went the other way and started a massive structural pivot.

It tore down the old internal walls separating its land, sea, air and electronics divisions, and reorganised itself into customer-centric units.

"During Covid, we made a conscious decision to proceed with our reorganisational changes because we want to be ready when the market recovers," Chong recalled. "We also invested in new capacities for aerospace in the depth of Covid, so that we can be ready for the upturn."

It was a big gamble that paid off. When the skies reopened and the global economy restarted, the group hit the ground running.



After a decade at the helm, ST Engineering chief Vincent Chong believes "the best is yet to come" for the group.

It brought in S\$18.7 billion in new contracts in 2025. Recently, it announced an additional S\$4.8 billion in new contracts for the first quarter of 2026 alone.

This first-quarter haul added immense weight to an already bulging order book and provided clear revenue visibility.

Flying high

Bearing the most fruit from ST Engineering's Covid-era restructuring might be the commercial aerospace division, which secured S\$1.7 billion of the new first-quarter contracts.

Instead of just fixing planes – the group remains a leader in airframe maintenance, repair and overhaul – it has moved upstream and now also manufactures the parts that go into them.

Through acquisitions, it is a key original equipment manufacturer for engine nacelles – the aerodynamic casings that house jet engines – specifically for the popular Leap-1A engines.

This shift from mechanic to manufacturer changes the profit profile entirely.

Operating expenses as a ratio of revenue dropped to an all-time low of 10.2 per cent in 2025, down from 10.6 per cent the year prior and about 13 per cent some years ago.

"We do expect improvements in

Ebit (earnings before interest and taxes) margins," Chong said.

The way he sees it, successful execution of ST Engineering's strategy not only means pushing for topline growth, but also looking at the group's productivity and efficiency.

The goal is to carve out another S\$1 billion in cost savings over the five-year period from 2024 to 2029, purely to stay ahead of inflation. "We have our target of about S\$200 million a year; and every year, we have been beating those targets," Chong said.

Even as a defence contractor – Chong prefers the term "strategic defence partner" – ST Engineering plays a different game.

In the first quarter of 2026, it secured S\$2.4 billion for its defence and public security segment. This includes its entry into the Qatar defence market with a 315 million euro (S\$470 million) deal, and a S\$600 million subcontract to build eight patrol vessels for the Kuwait navy.

Under ST Engineering's asset-light model, it designs the ships, build a few in Singapore, and partners local yards to build the rest. This keeps capital costs low and fosters local goodwill.

Wiring S-E Asia and beyond

While aerospace and defence grab

the flashy headlines, the urban solutions segment is quietly building up the bank.

"Today, roughly about 50 per cent of the world population live in urban cities. Through 2050, about two-thirds of the projected growth in world population will be in urban cities," Chong pointed out.

In the first quarter of 2026, the urban solutions and satcom segment brought in S\$700 million, snagging deals for passenger information systems for Taiwan's Kaohsiung MRT Yellow Line and smart road projects in the Middle East.

The group is exporting its smart mobility and traffic management systems – honed on the congested streets of Singapore – to places such as Bangkok and the Middle East. It upgraded its status in Taiwan from a subcontractor to a tier one prime contractor for major rail projects.

For investors worried about lumpy defence contracts, this segment offers steady, predictable growth. Referring to major mobility projects, Chong is highly optimistic, saying: "By 2028, those revenues will double (from 2024 levels). By 2030, they will triple."

The pivot, though, has seen some bumps. The group took a massive S\$689 million impairment hit recently on its satellite communication unit, battered by the sud-

den rise of low-earth orbit satellites.

Even as underlying profit for the full year ended December climbed 21 per cent to a record S\$850.8 million, from S\$702.3 million in FY2024, the impairment slashed FY2025 earnings to S\$462.8 million. Full-year revenue was up 9 per cent to S\$12.3 billion.

Chong is pragmatic but determined. "We are evaluating strategic options," he said. "But at the same time, we are also doubling down on our turnaround efforts."

Meanwhile, the group is also reinforcing its commitment to earth observation satellites, designing and launching its own systems to sell the valuable data collected. "With the formation of the National Space Agency of Singapore, we believe that the growth trajectory will continue," Chong said.

To power all this, ST Engineering is undergoing a quiet talent revolution. It employs about 2,000 artificial intelligence engineers. Chong plans to increase that to 5,000 in the next five years. The company uses AI as a force multiplier in its engineering and defence products.

When a company builds ships, fixes jet engines and designs smart toll gates, the market usually slaps it with a conglomerate discount. People assume these large empires are bloated and wasteful.

Chong rejects the label flat out. "We are not a conglomerate per se, because conglomerates typically have businesses that run on their own with no particular synergies between them."

He points to a shared group technology office creating dual-use tech modules. An AI algorithm developed for a military command centre can be tweaked to manage a smart city's power grid.

To ensure that these divisions talk to each other, ST Engineering rewards collaborations financially. Senior leaders face peer appraisals based on how well they work across units.

After a decade at the helm, Chong looks at his order book and the group's target to hit S\$17 billion in revenue by 2029 with quiet confidence. The heavy lifting of the 2020 pivot is done: the machine is built; now, it is time for execution.

"The best is yet to come for ST Engineering," Chong said. "I really think so."

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