

INDUSTRIALS EQUITY RESEARCH

SBS TRANSIT LTD

SGX: S61

Bloomberg: SBUS:SP

ISIN code: SG1F58858209

Country: Singapore

Industry: Industrials

9 October 2026

RECOMMENDATION: HOLD

Current price: S\$3.69

Target price: S\$4.16

Issued shares: 312.6 million (31 December 2025)

Market capitalisation: S\$1,136.7 million

52-week range: S\$3.11 – S\$4.16

COMPANY DESCRIPTION

SBS Transit Ltd ("SBS") is Singapore's largest public bus operator and one of the two major rail operators in the country.

As of 2025, SBS operated approximately 207 bus routes with a fleet of over 3,300 buses and operated 81 train stations with a fleet of over 200 trains. The company employed around 9,627 staff. In terms of rail operations, SBS operates the Downtown Line, North-East Line, and the Sengkang and Punggol LRT systems. It is also set to operate the upcoming Jurong Region Line via a joint venture with RATP Dev, with operations expected to commence in mid-2028. SBS is a listed subsidiary of ComfortDelGro Corporation.

SUMMARY

For H1 FY2026 ended 30 June 2026, SBS's revenue rose by 5.3% to S\$785.6 million in H1 FY2026 from S\$745.9 million in H1 FY2025. Profit attributable to shareholders of the company fell by 5.6% to S\$29.4 million in H1 FY2026 from S\$31.1 million in H1 FY2025. Diluted Earnings Per Share ("EPS") fell by 5.6% to 9.38 cents in H1 FY2026 from 9.94 cents in H1 FY2025. In H1 FY2026, SBS declared an interim dividend of 8.45 cents per share and a special dividend of 15.97 cents per share, bringing total Dividend Per Share ("DPS") for the period to 24.42 cents.

RECOMMENDATION

SBS's bus revenue is expected to decline in H2 FY2026 following the expiry of the Tampines Bus Package in July 2026. Nevertheless, we expect rail revenue to remain resilient, supported by higher average fares and continued ridership growth. Looking ahead, we project net profit to increase further in FY2027, driven by stronger rail segment performance. Management has indicated that the growth in rail operations revenue, underpinned by the steady ridership growth and fare adjustments, is expected to offset the decline in bus segment revenue.

Based on the historical average P/E multiple of 14.69x and Trailing Twelve-Months ("TTM") diluted EPS of 18.97 cents, we estimate a target price of S\$2.79. Based on the historical average P/B multiple of 1.44x and Net Asset Value ("NAV") per share of S\$1.87, we estimate a target price of S\$2.69. Based on the historical average yield of 6.99% and current dividend yield of 17.63%, we estimate a target price of S\$9.31. By averaging the estimated target prices, we derive an overall target price of S\$4.93. The target price of S\$4.93 represents an upside potential of 33.6% from the current share price of S\$3.69.

Based on the peer average P/E multiple of 15.72x and TTM diluted EPS of 18.97 cents, we estimate a target price of S\$2.98. Based on the peer average P/B multiple of 0.86x and NAV per share of S\$1.87, we estimate a target price of S\$1.61. Based on the peer average yield of 5.58% and current dividend yield of 17.63%, we estimate a target price of S\$11.66. By averaging the estimated target prices, we derive an overall target price of S\$5.42. The target price of S\$5.42 represents an upside potential of 46.8% from the current share price of S\$3.69.

However, we believe these valuations may overstate SBS's fair value, as it is significantly influenced by the company's elevated dividend yield following the payment of sizeable special dividends. In our view, such generous dividend distributions are unlikely to be sustained over the long term, as continued payouts at current levels would place pressure on the company's cash reserves. Nevertheless, we note that the stock continues to be supported by strong investor demand for its attractive dividend yield. Accordingly, we believe SBS's 52-week high of S\$4.16 represents a more realistic target price, implying an upside potential of 12.7% from the current share price. Potential catalysts, including the award of new rail operating contracts, lower fuel and electricity costs, and higher-than-expected fare increases, could provide further support for the share price. Accordingly, we maintain our HOLD recommendation on SBS. However, downside risks include prolonged MRT disruptions, a prolonged Middle East conflict and rising manpower costs.

KEY FINANCIALS	Revenue	Earnings ⁽¹⁾	EPS ⁽²⁾	P/E	DPS	Dividend Yield	NAV per share	P/B
Year ended 31 December	(S\$ million)	(S\$ million)	(cents)	(x)	(cents)	(%)	(S\$)	(x)
2024 Actual	1,559.7	70.3	22.5	11.74	28.7	10.86%	2.2	1.21
2025 Actual	1,517.4	61.2	19.5	19.51	49.6	13.02%	2.3	1.65
2026 Projection	1,534.9	58.2	18.6	19.86	32.7	8.87%	1.9	1.97
2027 Projection	1,494.0	59.1	18.9	19.55	17.0	4.61%	-	-

Figures have been rounded. FY2026 & FY2027 P/E, P/B and dividend yield are based on the current share price of S\$3.69. FY2024 & FY2025 PE, PB and dividend yield are based on the share price the day after the release of their financial results (FY2024: S\$2.64, FY2025: S\$3.81).

⁽¹⁾ Profit after tax attributable to owners of the Company.

⁽²⁾ Earnings Per Share (diluted).

Source: SBS, FPA

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PRICE PERFORMANCE



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INDUSTRY OUTLOOK

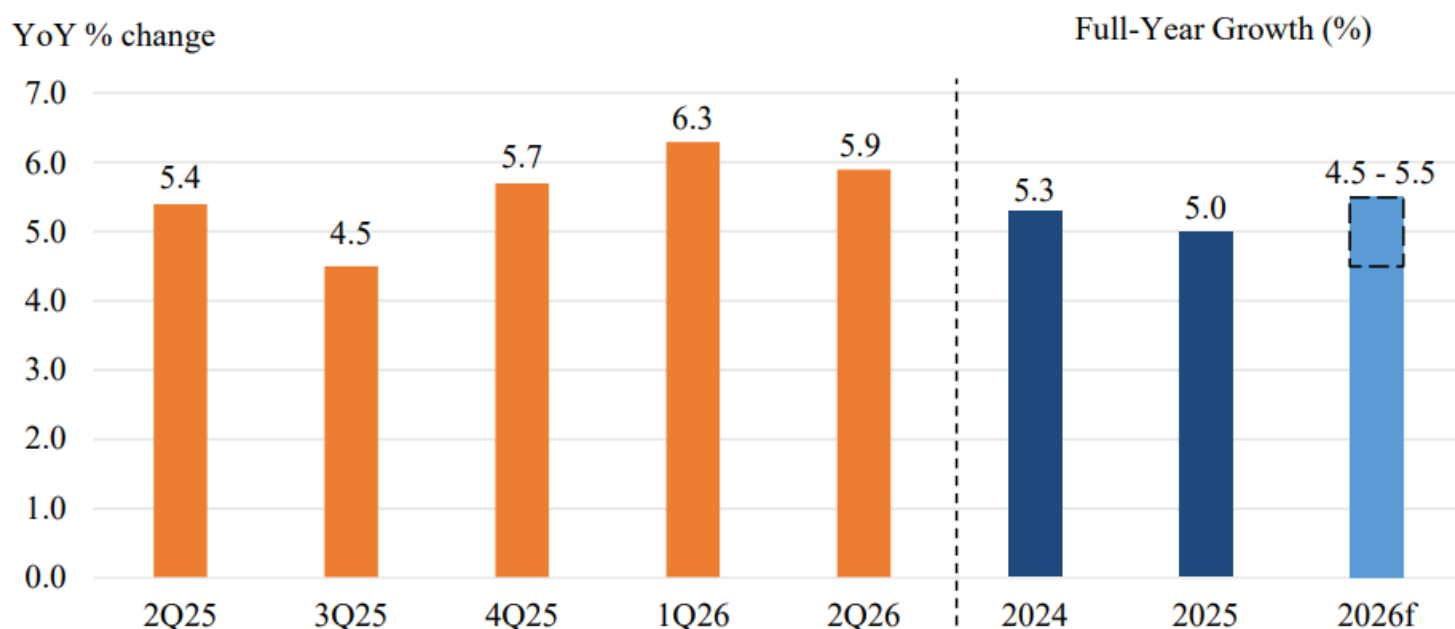
(I) SINGAPORE ECONOMY

On 11 August 2026, the Ministry of Trade and Industry ("MTI") reported that Singapore's economy expanded by 5.9% year-on-year ("y-o-y") in Q2 2026, moderating from the 6.3% y-o-y growth recorded in Q1 2026, as shown in **Exhibit 1**.

Economic growth in Q2 2026 was supported by the strong performance of the manufacturing, wholesale trade, and finance & insurance sectors. In particular, robust global demand for AI-related products drove growth in the electronics and precision engineering clusters within the manufacturing sector, as well as the machinery, equipment and supplies segment of the wholesale trade sector.

Meanwhile, expansion in the finance & insurance sector was underpinned by the banking segment, supported by strong credit growth and higher fee-generating activities. In contrast, the food & beverage services sector contracted, partly due to sustained outbound travel by local residents and lower visitor arrivals during the quarter.

Exhibit 1: Singapore Economic Y-o-Y Growth



Source: MTI, FPA

Looking ahead, MTI has upgraded its 2026 GDP growth forecast for Singapore to 4.5%-5.5%, from the previous range of 2.0%-4.0%. The upward revision reflects the better-than-expected performance of the Singapore economy in H1 2026, as well as an improved outlook for the remainder of the year, supported by the acceleration in global AI-related capital expenditure.

Separately, the Monetary Authority of Singapore's ("MAS") latest Survey of Professional Forecasters projects Singapore's GDP growth at 5.0% in 2026, moderating to 3.1% in 2027.

(II) UPCOMING TRAIN STATIONS & LINES

On 12 July 2026, the three new Circle Line ("CCL") Stage 6 stations, namely Keppel, Cantonment and Prince Edward Road, commenced operations, completing the Circle Line loop between HarbourFront and Marina Bay stations.

Other stations scheduled to commence operations in H2 2026 include Bedok South and Sungei Bedok stations on the Thomson-East Coast Line ("TEL"), as well as Xilin and Sungei Bedok stations on the Downtown Line ("DTL").

The upcoming stations are summarised in **Exhibit 2**.

Exhibit 2: Upcoming Stations in 2026

MRT Line	Upcoming stations in 2026	Operator
Thomson-East Coast Line	Bedok South Sungei Bedok	SMRT
Downtown Line	Xilin Sungei Bedok	SBS

Source: LTA, FPA

The new stations are intended to bring Singapore closer to its Land Transport Master Plan 2040 target of having 8 in 10 households within a 10-minute walk of a train station by the 2030s.

Meanwhile, the Jurong Region Line ("JRL"), which will be operated by SBS Transit Ltd ("SBS") in partnership with French operator RATP Dev has experienced delays. Stage 1 of the line is now expected to open around mid-2028, pushed back from the original end-2027 timeline.

In contrast, Phase 1 of the Cross Island Line ("CRL") remains on track to commence operations in 2030, although the LTA has yet to appoint an operator for the line. Notably, SMRT Corporation ("SMRT") has been reported to be partnering China's Guangzhou Metro Group ("GMG") in a joint bid to operate the CRL when the LTA reopens the tender for the CRL.

(III) MANPOWER

On 3 June 2026, the LTA announced that the Singapore government would fund a S\$450 increase in monthly starting salaries and a S\$2,000 increase in sign-on bonuses for new Singaporean and permanent resident bus drivers from 1 January 2027. With these enhancements, local bus drivers could effectively earn S\$600 more per month during their first year of employment, raising average monthly earnings to above S\$4,000, including overtime pay, bonuses and allowances.

The move comes as the LTA and bus operators continue to expand and enhance bus services under the Bus Connectivity Enhancement Programme ("BCEP"), particularly in newer housing estates located further from MRT stations. Since the programme's launch in July 2024, connectivity has been improved through the introduction or extension of 33 bus routes and enhancements to more than 60 existing services. As such, a robust pipeline of bus captains will be required to support these ongoing connectivity initiatives.

To further strengthen the recruitment pipeline, the Singapore government is also encouraging taxi and private-hire vehicle drivers to consider careers in the bus industry. Eligible participants can enrol in a programme designed to facilitate this career switch. The programme includes on-the-job training and skills development in areas such as electric vehicle ("EV") diagnostics and bus interchange operations. These initiatives are intended to strengthen the pipeline of bus drivers and support the long-term sustainability of Singapore's public bus network.

(IV) FUEL & ELECTRICITY PRICES

On 28 September 2026, Straits Times reported that Singapore's headline inflation edged up to 2.3% year-on-year ("y-o-y") in August 2026 from 2.2% y-o-y in July. Notably, electricity & gas prices rose by 8.7% y-o-y in August, unchanged from the pace recorded in July.

Looking ahead, the Monetary Authority of Singapore ("MAS") expects energy-related costs to remain elevated. According to MAS, higher global energy prices have contributed to increases in electricity and gas tariffs, as well as transportation costs in Singapore.

Reflecting these trends, wholesale electricity prices in Singapore have risen in recent weeks amid ongoing tensions in the Middle East, which have contributed to volatility in global natural gas markets. The weekly Uniform Singapore Energy Price ("USEP"), a benchmark for wholesale electricity prices, reached S\$486.21 per megawatt-hour ("MWh") during the week of 13 to 19 September 2026, marking its highest level so far in 2026.

The increase in electricity prices is particularly significant given Singapore's reliance on imported natural gas, which accounts for approximately 95% of the country's electricity generation. Spot liquefied natural gas ("LNG") prices in Asia have more than doubled since late February 2026, resulting in higher fuel procurement costs for power generation companies. In addition, supply disruptions arising from the Middle East conflict have reportedly forced generation companies to source replacement fuel at higher costs, further increasing power generation expenses.

Similar cost pressures have also emerged in the transportation sector. Diesel prices have risen in recent weeks, with the Consumers Association of Singapore's Price Kaki app showing diesel prices at S\$4.07 per litre at major retailers, including Caltex, Esso and Shell, as at 22 September 2026. While this remains below the peak of S\$4.68 per litre recorded between April and May 2026, it represents the first notable increase following two months of relative price stability.

RECENT SHARE PRICE DEVELOPMENTS

Over the past year, SBS's share price rose by 14.2% to S\$3.69 on 9 October 2026 from S\$3.23 on 9 October 2025, as shown in **Exhibit 3**.

Exhibit 3: Share Price Performance (Last 12 Months)



Source: Investing.com, FPA

On 19 September 2025, LTA announced that the Tampines bus package will be awarded to GAS. SBS, the incumbent operator for Tampines, will hand over operations to GAS on 5 July 2026. Although SBS submitted a lower bid than GAS, the contract was awarded to GAS based on its highest overall score. GAS's proposal included initiatives aimed at enhancing the industry's capabilities for large-scale electric bus deployment. Share price fell by 2.7% to S\$3.24 on 22 September 2025 from S\$3.33 on 19 September 2025.

On 14 October 2025, the Public Transport Council ("PTC") announced that it would raise overall public fares by 5.0% after conducting its annual Fare Review Exercise. This fare hike is expected to increase SBS's annual revenue by S\$17.6 million. Share price rose by 0.9% to S\$3.23 on 15 October 2025 from S\$3.20 on 14 October 2025.

On 11 November 2025, SBS released its Q3 FY2025 business update. Revenue fell by 3.8% to S\$1,132.3 million in the first nine months of FY2025 from S\$1,177.5 million in the first nine months of FY2024. Net profit fell by 12.3% to S\$45.5 million in the first nine months of FY2025 from S\$51.9 million in the first nine months of FY2024. Share price fell by 0.9% to S\$3.22 on 12 November 2025 from S\$3.25 on 11 November 2025.

On 24 February 2026, SBS released its full-year FY2025 results. Revenue fell by 2.7% to S\$1,517.4 million in FY2025 from S\$1,559.7 million in FY2024. Net profit fell by 13.0% to S\$61.2 million in FY2025 from S\$70.3 million in FY2024. SBS proposed a final dividend of 8.66 cents and a special dividend of 31.99 cents for H2 FY2025. Share price rose by 10.8% to S\$3.81 on 25 February 2026 from S\$3.44 on 24 February 2026.

SBS's share price rose steadily to a 52-week high of S\$4.16 on 14 April 2026, supported by a sizeable dividend payout and the stock's attractive dividend yield, according to Business Times.

SBS's share price fell by 10.7% to S\$3.69 on 30 April 2026 from S\$4.13 on 29 April 2026, primarily due to the stock trading ex-dividend. The company declared a final dividend of 8.66 cents per share and a special dividend of 31.99 cents per share, amounting to a total dividend of 40.65 cents per share. As investors purchasing the stock on or after the ex-dividend date were no longer eligible for the dividend entitlement, the share price adjusted downwards to reflect the payout.

On 8 May 2026, SBS released its Q1 FY2026 business update. Revenue rose by 4.8% to S\$391.8 million in Q1 FY2026 from S\$373.8 million in Q1 FY2025. Profit after tax & minority interest fell by 2.2% to S\$15.6 million in Q1 FY2026 from S\$15.9 million in Q1 FY2025. Share price fell by 0.3% to S\$3.59 on 11 May 2026 from S\$3.60 on 8 May 2026.

On 16 July 2026, LTA announced that it had awarded the Serangoon-Eunos Bus Package to SMRT, ahead of competing bids from SBS and Tower Transit. The contract, with an estimated value of S\$599.5 million over a five-year term, will commence on 13 June 2027. SBS is the incumbent operator of the bus package. Following the announcement, share price fell by 1.4% from S\$3.69 on 16 July 2026 to S\$3.64 on 17 July 2026.

On 13 August 2026, SBS released its H1 FY2026 results. Revenue rose by 5.3% to S\$785.6 million in H1 FY2026 from S\$745.9 million in H1 FY2025. Net profit fell by 5.5% to S\$29.4 million in H1 FY2026 from S\$31.1 million in H1 FY2025. SBS proposed an interim dividend of 8.45 cents and a special dividend of 15.97 cents for H1 FY2026. Share price rose by 8.3% to S\$3.92 on 14 August 2026 from S\$3.62 on 13 August 2026.

SBS's share price fell by 7.2% to S\$3.61 on 20 August 2026 from S\$3.89 on 19 August 2026, primarily due to the stock trading-ex-dividend. The company declared an interim dividend of 8.45 cents per share and a special dividend of 15.97 cents per share, amounting to a total dividend of 24.42 cents per share. As investors purchasing the stock on or after the ex-dividend date were no longer eligible for the dividend entitlement, the share price adjusted downwards to reflect the payout.

On 29 September 2026, the PTC announced that it would raise overall public fares by 7.0% after conducting its annual Fare Review Exercise. This fare hike is expected to increase SBS's annual revenue by S\$26.9 million. Share price rose by 0.3% to S\$3.72 on 30 September 2026 from S\$3.71 on 29 September 2026.

FINANCIAL ANALYSIS

In this section, we will provide a review of SBS's financial performance for the half year ended 30 June 2026 (H1 FY2026).

(I) FINANCIAL REVIEW

Revenue:

SBS' revenue rose by 5.3% to S\$785.6 million in H1 FY2026 from S\$745.9 million in H1 FY2025, as shown in **Exhibit 4**.

Revenue from Public Transport Services rose by 5.8% to S\$757.2 million in H1 FY2026 from S\$715.6 million in H1 FY2025. The increase was mainly driven by higher bus service fees due to higher indexation, as well as higher rail revenue resulting from increased average fares and ridership. The increase in rail fares followed the Public Transport Council's ("PTC") fare review on 14 October 2025, which approved an overall fare increase of 5.0% with effect from 27 December 2025.

Revenue from Other Commercial Services fell by 6.2% to S\$28.4 million in H1 FY2026 from S\$30.3 million in H1 FY2025. The decrease was mainly attributable to lower advertising revenue.

Exhibit 4: Revenue (H1 FY2025 vs H1 FY2026)

S\$'000	Actual		H1 FY2025 vs H1 FY2026	
	H1 FY2025 (ended 30 Jun)	H1 FY2026 (ended 30 Jun)	Absolute Change	Change (%)
Public Transport Services	715,566	757,171	41,605	5.81%
Other Commercial Services	30,307	28,417	(1,890)	(6.24%)
Total Revenue	745,873	785,588	39,715	5.32%

Source: SBS, FPA

SBS's revenue from FY2021 to FY2025 is summarised in **Exhibit 5**.

Exhibit 5: Revenue (FY2021 – FY2025)

S\$'000	Actual				
	FY2021	FY2022	FY2023	FY2024	FY2025
Public Transport Services	1,265,331	1,464,995	1,470,277	1,499,977	1,454,548
Other Commercial Services	45,511	50,316	56,859	59,751	62,802
Total Revenue	1,310,842	1,515,311	1,527,136	1,559,728	1,517,350
<i>Growth</i>		15.60%	0.78%	2.13%	(2.72%)

Source: SBS, FPA

Operating Profit:

Total operating costs rose by 5.6% to S\$751.6 million in H1 FY2026 from S\$711.8 million in H1 FY2025. The increase was primarily attributable to higher fuel and electricity costs, as well as higher staff costs, partially offset by lower depreciation and lower other operating costs.

As a result, operating profit fell by 0.3% to S\$34.0 million in H1 FY2026 from S\$34.1 million in H1 FY2025.

Operating margin contracted to 4.33% in H1 FY2026 from 4.57% in H1 FY2025.

A summary of operating profit for H1 FY2025 and H1 FY2026 is shown in **Exhibit 6**.

Exhibit 6: Operating Profit (H1 FY2025 vs H1 FY2026)

S\$'000	Actual		H1 FY2025 vs H1 FY2026	
	H1 FY2025 (ended 30 Jun)	H1 FY2026 (ended 30 Jun)	Absolute Change	Change (%)
Revenue	745,873	785,588	39,715	5.32%
Operating cost				
Staff costs	(381,226)	(390,257)	(9,031)	2.37%
Repair & maintenance costs	(89,074)	(94,734)	(5,660)	6.35%
Fuel & electricity costs	(101,113)	(138,040)	(36,927)	36.52%
Premises costs	(24,414)	(22,242)	2,172	(8.90%)
Depreciation expense	(41,731)	(35,958)	5,773	(13.83%)
Other operating costs	(74,209)	(70,367)	3,842	(5.18%)
Total operating costs	(711,767)	(751,598)	(39,831)	5.60%
Operating profit	34,106	33,990	(116)	(0.34%)
<i>Operating margin</i>	<i>4.57%</i>	<i>4.33%</i>	-	-

Source: SBS, FPA

From FY2021 to FY2025, operating margin rose to 4.49% in FY2025 from 4.09% in FY2021 as shown in **Exhibit 7**.

Exhibit 7: Operating Profit (FY2021 – FY2025)

S\$'000	Actual				
	FY2021	FY2022	FY2023	FY2024	FY2025
Revenue	1,310,842	1,515,311	1,527,136	1,559,728	1,517,350
Operating cost					
Staff costs	(625,554)	(735,928)	(737,646)	(756,740)	(765,596)
Repair & maintenance costs	(204,404)	(206,558)	(201,416)	(203,093)	(196,643)
Fuel & electricity costs	(148,703)	(259,288)	(281,551)	(262,063)	(204,342)
Premises costs	(47,063)	(56,226)	(44,716)	(51,747)	(53,899)
Depreciation expense	(105,340)	(93,991)	(92,618)	(87,158)	(82,507)
Other operating costs	(126,224)	(83,412)	(92,537)	(125,761)	(146,243)
Total operating costs	(1,257,288)	(1,435,403)	(1,450,484)	(1,486,562)	(1,449,230)
Operating profit	53,554	79,908	76,652	73,166	68,120
<i>Growth</i>		49.21%	(4.07%)	(4.55%)	(6.90%)
<i>Operating margin</i>	4.09%	5.27%	5.02%	4.69%	4.49%

Source: SBS, FPA

A breakdown of operating profit for Public Transport Services segment and the Other Commercial Services is shown in **Exhibit 8**.

Exhibit 8: Operating Profit for Public Transport Services & Other Commercial Services (FY2021 – FY2025)

S\$'000	Actual				
	FY2021	FY2022	FY2023	FY2024	FY2025
Public Transport Services revenue	1,265,331	1,464,995	1,470,277	1,499,977	1,454,548
Operating profit for Public Transport Services	30,978	50,753	40,192	53,756	45,143
<i>Operating margin</i>	2.45%	3.46%	2.73%	3.58%	3.10%
Other Commercial Services revenue	45,511	50,316	56,859	59,751	62,802
Operating profit for Other Commercial Services	22,576	29,155	36,460	19,410	22,977
<i>Operating margin</i>	49.61%	57.94%	64.12%	32.48%	36.59%
Total operating profit	53,554	79,908	76,652	73,166	68,120

Source: SBS, FPA

Profit before Tax:

Interest income fell by 57.4% to S\$1.7 million in H1 FY2026 from S\$4.1 million in H1 FY2025 as shown in **Exhibit 9**.

Finance costs fell by 51.3% to S\$193,000 in H1 FY2026 from S\$396,000 in H1 FY2025.

As a result, profit before tax fell by 6.0% to S\$35.5 million in H1 FY2026 from S\$37.8 million in H1 FY2025.

Exhibit 9: Profit before Tax (H1 FY2025 vs H1 FY2026)

S\$'000	Actual		H1 FY2025 vs H1 FY2026	
	H1 FY2025 (ended 30 Jun)	H1 FY2026 (ended 30 Jun)	Absolute Change	Change (%)
Operating profit	34,106	33,990	(116)	(0.34%)
Interest income	4,084	1,742	(2,342)	(57.35%)
Finance costs	(396)	(193)	203	(51.26%)
Profit before tax	37,794	35,539	(2,255)	(5.97%)

Source: SBS, FPA

We compared the effective interest rates for interest income and finance costs. As shown in **Exhibit 10**, the effective interest rate earned on short-term deposits and bank balances fell to 1.12% in H1 FY2026 from 2.40% in H1 FY2025. Similarly, the effective interest rate on finance costs declined to 5.49% in H1 FY2026 from 6.59% in H1 FY2025. The decline in both rates is consistent with the global interest rate easing cycle.

Exhibit 10: Effective Interest Rates for Interest Income & Finance Costs (H1 FY2025 vs H1 FY2026)

S\$'000	Actual		H1 FY2025 vs H1 FY2026	
	H1 FY2025 (ended 30 Jun)	H1 FY2026 (ended 30 Jun)	Absolute Change	Change (%)
Interest income	4,084	1,742	(2,342)	(57.35%)
Short-term deposits & bank balances	340,786	310,071	(30,715)	(9.01%)
<i>Effective interest rate (annualised)</i>	<i>2.40%</i>	<i>1.12%</i>	-	-
Finance costs	(396)	(193)	203	(51.26%)
Lease liabilities (Current + Non-current)	12,020	7,028	(4,992)	(41.53%)
<i>Effective interest rate (annualised)</i>	<i>(6.59%)</i>	<i>(5.49%)</i>	-	-

Source: SBS, FPA

Profit before tax from FY2021 to FY2025 is summarised in **Exhibit 11**.

Exhibit 11: Profit before Tax (FY2021 – FY2025)

S\$'000	Actual				
	FY2021	FY2022	FY2023	FY2024	FY2025
Operating profit	53,554	79,908	76,652	73,166	68,120
Interest income	291	4,524	12,834	11,065	6,447
Finance costs	(1,339)	(1,473)	(1,515)	(726)	(602)
Profit before tax	52,506	82,959	87,971	83,505	73,965

Source: SBS, FPA

Profit after Tax:

Profit after tax fell by 5.5% to S\$29.4 million in H1 FY2026 from S\$31.1 million in H1 FY2025, as shown in **Exhibit 12**.

Exhibit 12: Profit after Tax (H1 FY2025 vs H1 FY2026)

S\$'000	Actual		H1 FY2025 vs H1 FY2026	
	H1 FY2025 (ended 30 Jun)	H1 FY2026 (ended 30 Jun)	Absolute Change	Change (%)
Profit before tax	37,794	35,539	(2,255)	(5.97%)
Tax expense	(6,702)	(6,153)	549	(8.19%)
Profit after tax	31,092	29,386	(1,706)	(5.49%)
<i>Calculated tax rate</i>	<i>(17.73%)</i>	<i>(17.31%)</i>	-	-

Source: SBS, FPA

Profit after tax from FY2021 to FY2025 is summarised in **Exhibit 13**.

Exhibit 13: Profit after Tax (FY2021 – FY2025)

S\$'000	Actual				
	FY2021	FY2022	FY2023	FY2024	FY2025
Profit before tax	52,506	82,959	87,971	83,505	73,965
Tax expense	(872)	(14,937)	(18,895)	(13,204)	(12,771)
Profit after tax	51,634	68,022	69,076	70,301	61,194

Source: SBS, FPA

Profit attributable to Shareholders of the Company:

Profit attributable to shareholders of the company fell by 5.6% to S\$29.4 million in H1 FY2026 from S\$31.1 million in H1 FY2025, as shown in **Exhibit 14**.

Exhibit 14: Profit attributable to Shareholders of the Company (H1 FY2025 vs H1 FY2026)

S\$'000	Actual		H1 FY2025 vs H1 FY2026	
	H1 FY2025 (ended 30 Jun)	H1 FY2026 (ended 30 Jun)	Absolute Change	Change (%)
Profit after tax	31,092	29,386	(1,706)	(5.49%)
Less: Non-controlling interests	-	29	29	n.m.
Profit attributable to shareholders of the company	31,092	29,357	(1,735)	(5.58%)

Source: SBS, FPA

Profit attributable to shareholders of the company from FY2021 to FY2025 is summarised in **Exhibit 15**.

Exhibit 15: Profit attributable to Shareholders of the Company (FY2021 – FY2025)

S\$'000	Actual				
	FY2021	FY2022	FY2023	FY2024	FY2025
Profit after tax	51,634	68,022	69,076	70,301	61,194
Less: Non-controlling interests	-	-	-	-	(2)
Profit attributable to shareholders of the company	51,634	68,022	69,076	70,301	61,196

Source: SBS, FPA

Earnings per share (“EPS”):

Basic EPS fell by 5.5% to 9.40 cents in H1 FY2026 from 9.95 cents in H1 FY2025, as shown in **Exhibit 16**.

Diluted EPS fell by 5.6% to 9.38 cents in H1 FY2026 from 9.94 cents in H1 FY2025.

Exhibit 16: EPS (H1 FY2025 vs H1 FY2026)

S\$ cents	Actual		H1 FY2025 vs H1 FY2026	
	H1 FY2025 (ended 30 Jun)	H1 FY2026 (ended 30 Jun)	Absolute Change	Change (%)
Basic EPS	9.95	9.40	(0.55)	(5.53%)
Diluted EPS	9.94	9.38	(0.56)	(5.63%)

Source: SBS, FPA

EPS from FY2021 to FY2025 is summarised in **Exhibit 17**.

Exhibit 17: EPS (FY2021 – FY2025)

S\$ cents	Actual				
	FY2021	FY2022	FY2023	FY2024	FY2025
Basic EPS	16.56	21.81	22.15	22.52	19.59
Diluted EPS	16.56	21.81	22.15	22.48	19.53

Source: SBS, FPA

Dividend per share (“DPS”)

On 13 August 2026, SBS declared an interim dividend of 8.45 cents per share and a special dividend of 15.97 cents per share for H1 FY2026. The total dividend for H1 FY2026 amounted to 24.42 cents per ordinary share.

In FY2025, the Board reviewed the company’s cash position and upcoming cash requirements and determined that there was excess capital available for distribution. As a result, a special dividend was declared, leading to an unusually high total dividend payout for the year.

SBS’s dividend schedule is shown in **Exhibit 18**.

Exhibit 18: DPS Schedule (FY2022 – FY2026)

S\$ cents	Actual				
	FY2022	FY2023	FY2024	FY2025	FY2026
Interim dividend	5.45	5.58	5.58	8.95	8.45
Final dividend	5.45	5.58	14.69	8.66	NA
Special dividend	-	-	8.41	31.99	15.97
DPS	10.90	11.16	28.68	49.60	24.42

Source: SBS, FPA

According to SBS’s annual report, the company’s dividend policy is to distribute at least 50% of profit attributable to shareholders. The policy considers factors such as long-term shareholder value, cash availability, retained earnings, projected capital expenditure, and growth opportunities. Dividends are declared on a semi-annual basis.

In H1 FY2026, SBS reported a payout ratio of 260%, largely due to the payment of a special dividend. Excluding the special dividend, the payout ratio would have been approximately 90%.

A summary of SBS’s payout ratio between FY2022 and FY2026 is shown in **Exhibit 19**.

Exhibit 19: Payout Ratio (FY2022 – FY2026)

S\$ cents	Actual				
	FY2022	FY2023	FY2024	FY2025	H1 FY2026
Diluted EPS	21.81	22.15	22.48	19.53	9.38
DPS	10.90	11.16	28.68	49.60	24.42
<i>Payout ratio</i>	<i>49.98%</i>	<i>50.38%</i>	<i>127.58%</i>	<i>253.97%</i>	<i>260.34%</i>
DPS (less special dividend)	10.90	11.16	20.27	17.61	8.45
<i>Payout ratio (less special dividend)</i>	<i>49.98%</i>	<i>50.38%</i>	<i>90.17%</i>	<i>90.17%</i>	<i>90.09%</i>

Note: Payout ratio = DPS/EPS

Source: SBS, FPA

SBS's financial performance for H1 FY2025 and H1 FY2026 are summarised in **Exhibit 20**.

Exhibit 20: Financial Performance (H1 FY2025 vs H1 FY2026)

S\$'000	Actual		H1 FY2025 vs H1 FY2026	
	H1 FY2025 (ended 30 Jun)	H1 FY2026 (ended 30 Jun)	Absolute Change	Change (%)
Revenue	745,873	785,588	39,715	5.32%
Staff costs	(381,226)	(390,257)	(9,031)	2.37%
Repair & maintenance costs	(89,074)	(94,734)	(5,660)	6.35%
Fuel & electricity costs	(101,113)	(138,040)	(36,927)	36.52%
Premises costs	(24,414)	(22,242)	2,172	(8.90%)
Depreciation expense	(41,731)	(35,958)	5,773	(13.83%)
Other operating costs	(74,209)	(70,367)	3,842	(5.18%)
Total operating costs	(711,767)	(751,598)	(39,831)	5.60%
Operating profit	34,106	33,990	(116)	(0.34%)
Interest income	4,084	1,742	(2,342)	(57.35%)
Finance costs	(396)	(193)	203	(51.26%)
Profit before tax	37,794	35,539	(2,255)	(5.97%)
Tax expense	(6,702)	(6,153)	549	(8.19%)
Profit after tax	31,092	29,386	(1,706)	(5.49%)
Less: Non-controlling interest	-	29	29	n.m.
Profit attributable to shareholders of the company	31,092	29,357	(1,735)	(5.58%)
Basic EPS (cents)	9.95	9.40	(0.55)	(5.53%)
Diluted EPS (cents)	9.94	9.38	(0.56)	(5.63%)
DPS (cents)	8.95	24.42	15.47	172.85%
Payout ratio	90.04%	260.34%	-	-

Source: SBS, FPA

(II) CAPITAL MANAGEMENT

SBS's total assets declined by 9.2% to S\$992.8 million as at H1 FY2026 from S\$1,093.0 million as at H2 FY2025, mainly due to decreases in both current and non-current assets. The decline in current assets was primarily attributable to lower short-term deposits and bank balances following dividend payments. Meanwhile, the decrease in non-current assets was mainly due to the depreciation of vehicles, premises and equipment.

SBS's total liabilities decreased by 0.7% to S\$407.6 million as at H1 FY2026 from S\$410.4 million as at H2 FY2025, mainly due to lower non-current liabilities, partially offset by an increase in current liabilities. The decline in non-current liabilities was primarily attributable to lower lease liabilities and deferred tax liabilities.

Total equity attributable to shareholders fell by 14.3% to S\$585.2 million as at H1 FY2026 from S\$682.6 million as at H2 FY2025, mainly due to dividend payments during the period, partially offset by profits generated from operations.

A summary of SBS's balance sheet is shown in **Exhibit 21**.

Exhibit 21: Summary of SBS's Balance Sheet (H2 FY2025 vs H1 FY2026)

S\$'000	Actual		H2 FY2025 vs H1 FY2026	
	H2 FY2025 (ended 31 Dec)	H1 FY2026 (ended 30 Jun)	Absolute Change	Change (%)
Total assets	1,093,021	992,783	(100,238)	(9.17%)
Total liabilities	410,417	407,569	(2,848)	(0.69%)
Total equity / net assets	682,604	585,214	(97,390)	(14.27%)
Equity attributable to shareholders of the company	681,856	584,187	(97,669)	(14.32%)
Equity attributable to non-controlling interests	748	1,027	279	37.30%
No. of issued shares ('000)	312,583	313,134	-	-
NAV per share (S\$)	2.18	1.87	(0.31)	(14.22%)

Source: SBS, FPA

FINANCIAL PROJECTIONS

In this section, we will be providing our projections for SBS's revenue, earnings and dividend distribution for FY2026 & FY2027.

(I) REVENUE PROJECTION

Public Transport Services:

To project revenue for FY2026 and FY2027, we first estimated the bus and rail revenue components from the Public Transport Services segment and projected them separately.

We estimate bus revenue of S\$375 million in H1 FY2026 and S\$330 million in H2 FY2026. The lower revenue in H2 FY2026 is expected to be driven by the expiry of the Tampines Bus Package in July 2026, with operations subsequently transferred to Go-Ahead Singapore (as referenced on page 7).

In FY2027, we forecast bus revenue to decline further to S\$613 million, primarily due to the expiry of the Serangoon-Eunos Bus Package in June 2027, with operations subsequently transferred to SMRT (as referenced on page 8).

The explanation of the breakdown of bus revenue can be found in our initiation report (dated October 2025).

A summary of our projections for bus revenue is shown in **Exhibit 22**.

Exhibit 22: Estimated & Forecasted Bus Revenue (FY2026 – FY2027)

Operations	Estimated Revenue in H1 FY2026 (S\$'000)	Estimated Revenue in H2 FY2026 (S\$'000)	Estimated Revenue in FY2026 (S\$ millions)	Estimated Revenue in FY2027 (S\$ millions)
Seletar Bus Package	53	53	105	105
Bukit Merah Bus Package	48	48	95	95
Tampines Bus Package (only until H1 FY2026)	46	-	46	-
Sengkang - Hougang Bus Package	46	46	92	92
Bedok Bus Package	46	46	92	92
Serangoon - Eunos Bus Package (only until H1 FY2027)	46	46	92	46
Clementi Bus Package	46	46	92	92
Bishan - Toa Payoh Bus Package	46	46	92	92
Bus revenue	375	330	705	613

Source: SBS, FPA

We estimate rail revenue for H1 FY2026 at S\$381.7 million by deducting the estimated bus revenue from Public Transport Services revenue, as shown below:

$$\begin{aligned}
 \text{Rail revenue for H1 FY2026} &= \text{Public Transport Services revenue for H1 FY2026} - \text{Bus revenue for H1 FY2026} \\
 &= \text{S\$757.2 million} - \text{S\$375.4 million} \\
 &\approx \text{S\$381.7 million}
 \end{aligned}$$

We estimate rail revenue for H2 FY2026 to increase by 2.5%, based on our assumption that rail ridership and fare revenue will grow broadly in line with Singapore's GDP growth. Given the 2026 GDP growth forecast of 5.0% (as referenced on page 3), we apply a half-year growth assumption of 2.5% for H2 FY2026. Combined with our estimated bus revenue of S\$330 million (as shown in **Exhibit 22**), we project Public Transport Services revenue of S\$720.9 million for H2 FY2026, as shown below:

$$\begin{aligned}
 \text{Public Transport Services revenue for H2 FY2026} &= \text{Rail revenue for H2 FY2026} + \text{Bus revenue for H2 FY2026} \\
 &= (\text{S\$381.7 million} \times 102.5\%) + \text{S\$329.6 million} \\
 &\approx \text{S\$720.9 million}
 \end{aligned}$$

Public Transport Services revenue for FY2026 is calculated to be S\$1,478.0 million, combining H1 and H2 revenue as follows:

$$\begin{aligned}
 \text{Public Transport Services revenue for FY2026} &= \text{S\$757.2 million} + \text{S\$720.9 million} \\
 &\approx \text{S\$1,478.0 million}
 \end{aligned}$$

On 29 September 2026, the PTC announced an overall public transport fare increase of 7.0% following its annual Fare Review Exercise. According to the PTC, the fare adjustment is expected to increase SBS's annual revenue by S\$26.9 million. However, SBS is expected to contribute 30% of the revenue uplift, equivalent to approximately S\$8.07 million, to the Public Transport Fund.

Beyond the fare increase, we also expect rail revenue to benefit from underlying ridership growth. Accordingly, we assume rail revenue will grow in line with Singapore's GDP growth forecast of 3.1% in FY2027 (as referenced on page 3).

As such we project rail revenue to increase to S\$823.9 million in FY2027 as follows:

$$\begin{aligned}
 \text{Rail revenue for FY2027} &= \text{S\$773.0 million} \times (1 + 3.1\%) + \text{S\$26.9 million} \\
 &= \text{S\$823.9 million}
 \end{aligned}$$

By combining our estimated bus revenue of S\$613 million (as shown in **Exhibit 22**) with projected rail revenue of S\$823.9 million, we forecast Public Transport Services revenue of S\$1,437.2 million in FY2027 as follows:

$$\begin{aligned}
 \text{Public Transport Services revenue for FY2027} &= \text{S\$613.3 million} + \text{S\$823.9 million} \\
 &\approx \text{S\$1,437.2 million}
 \end{aligned}$$

Our projections for Public Transport Services revenue are summarised in **Exhibit 23**.

Exhibit 23: Forecasted Public Transport Services Revenue for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Bus revenue	375,431	329,571	705,001	613,281
Rail revenue	381,740	381,740	763,481	790,381
Public Transport Services revenue	757,171	711,311	1,468,482	1,403,662

Source: SBS, FPA

Other Commercial Services:

In H1 FY2026, revenue from Other Commercial Services declined to S\$28.4 million due to lower advertising revenue. We project revenue from this segment to remain at the same level in H2 FY2026, resulting in an estimated FY2026 revenue of S\$56.8 million. We further project FY2027 revenue to remain broadly in line with FY2026.

Our projections are summarised in **Exhibit 24**.

Exhibit 24: Forecasted Other Commercial Services Revenue for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Other Commercial Services revenue	28,417	28,417	56,834	56,834

Source: SBS, FPA

Total revenue:

As a result, we project total revenue to reach S\$1,534.9 million in FY2026 and S\$1,494.0 million in FY2027 as shown in **Exhibit 25**.

Exhibit 25: Forecasted Revenue for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Public Transport Services revenue	757,171	720,855	1,478,026	1,437,169
Other Commercial Services revenue	28,417	28,417	56,834	56,834
Total revenue	785,588	749,272	1,534,860	1,494,003

Source: SBS, FPA

(II) EARNINGS PROJECTION**Staff costs:**

We assume that staff costs will remain at 49.68% of revenue in H2 FY2026 and FY2027, consistent with the proportion observed in H1 FY2026. Although staff costs are expected to decline following the expiry of the Tampines Bus Package in H1 FY2026 and the Serangoon–Eunos Bus Package in H1 FY2027, the cost ratio is likely to stay elevated.

As such, staff costs are projected to be S\$762.5 million in FY2026 and S\$742.2 million in FY2027.

Staff costs projections are summarised in **Exhibit 26**.

Exhibit 26: Forecasted Staff Costs for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Staff costs	(390,257)	(372,216)	(762,473)	(742,177)
% of revenue	(49.68%)	(49.68%)	(49.68%)	(49.68%)

Source: SBS, FPA

Repair & maintenance costs:

We assume repair & maintenance costs will remain at 12.06% of revenue in H2 FY2026 and FY2027, consistent with the proportion observed in H1 FY2026.

As such, repair & maintenance costs are projected to be S\$185.1 million in FY2026 and S\$180.2 million in FY2027.

Repair & maintenance costs projections are summarised in **Exhibit 27**.

Exhibit 27: Forecasted Repair & Maintenance Costs for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Repair & maintenance costs	(94,734)	(90,355)	(185,089)	(180,162)
% of revenue	(12.06%)	(12.06%)	(12.06%)	(12.06%)

Source: SBS, FPA

Fuel & electricity costs:

In H1 FY2026, fuel and electricity costs increased by 36.5% to S\$138.0 million. Management noted that elevated energy prices continue to pose a challenge to the business. Accordingly, we expect fuel and electricity costs to remain elevated in H2 FY2026 and FY2027.

Based on this assumption, we forecast fuel and electricity costs to remain at 17.57% of revenue in H2 FY2026 and FY2027, consistent with the ratio observed in H1 FY2026.

Fuel & electricity costs are projected to be S\$269.7 million in FY2026 and S\$262.5 million in FY2027.

Fuel & electricity costs projections are summarised in **Exhibit 28**.

Exhibit 28: Forecasted Fuel & Electricity Costs for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Fuel & electricity costs	(138,040)	(131,659)	(269,699)	(262,520)
% of revenue	(17.57%)	(17.57%)	(17.57%)	(17.57%)

Source: SBS, FPA

Premises costs:

We assume premises costs will remain at S\$22.2 million in H2 FY2026, consistent with the level observed in H1 FY2026. As such, we forecast premises costs of S\$44.5 million for FY2026 and expect them to remain broadly unchanged in FY2027.

Premises costs projections are summarised in **Exhibit 29**.

Exhibit 29: Forecasted Premises Costs for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Premises costs	(22,242)	(22,242)	(44,484)	(44,484)

Source: SBS, FPA

Depreciation expense:

We assume depreciation expense will remain at S\$36.0 million in H2 FY2026, consistent with the level observed in H1 FY2026. As such, we forecast depreciation expense of S\$71.9 million for FY2026 and expect it to remain broadly unchanged in FY2027.

Depreciation expense projections are summarised in **Exhibit 30**.

Exhibit 30: Forecasted Depreciation Expense for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Depreciation expense	(35,958)	(35,958)	(71,916)	(71,916)

Source: SBS, FPA

Other operating costs:

To forecast other operating costs, we first estimate operating profit. This allows us to work backwards to derive these costs, given the structure of the variable licence charge under the New Rail Financing Framework (“NRFF”) Version Two.

Under this framework, rail operators pay a higher variable licence charge in stronger operating years and a lower charge in weaker years, as the LTA shares revenue risk by capping SBS’s rail operating margin (EBIT) within a 3.5%–5% range. Since this mechanism applies only to rail revenue, projecting operating profit provides the basis for estimating other operating costs. Further explanation of NRFF Version Two can be found in our initiation report (dated October 2025).

We project operating profit for the rail segment by applying a 4.25% operating margin to rail revenue, representing the midpoint of the NRFF Version Two margin range of 3.5%–5%.

Operating profit for rail segment is estimated to be S\$32.9 million in FY2026 and S\$35.0 million in FY2027, as shown in **Exhibit 31**.

Exhibit 31: Forecasted Operating Profit for FY2026 and FY2027 (Rail Segment)

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Rail revenue	381,740	391,284	773,024	823,888
Operating profit for rail segment	16,224	16,630	32,854	35,015
<i>Operating margin</i>	4.25%	4.25%	4.25%	4.25%

Source: SBS, FPA

Next, we estimate operating profit for bus segment in H1 FY2026 as follows:

$$\begin{aligned}
 \text{Operating profit for bus segment in H1 FY2026} &= \text{Operating profit for Public Transport Services in H1 FY2026} - \text{Operating profit for rail segment in H1 FY2026} \\
 &= \$23.3 \text{ million} - \$16.2 \text{ million} \\
 &= \$7.1 \text{ million}
 \end{aligned}$$

We then estimate the operating margin for the bus segment in H1 FY2026 as follows:

$$\begin{aligned}
 \text{Operating margin for bus segment in H1 FY2026} &= \text{Operating profit for bus segment in H1 FY2026} \div \text{Bus revenue in H1 FY2026} \\
 &= \$7.1 \text{ million} \div \$375.4 \text{ million} \\
 &\approx 1.89\%
 \end{aligned}$$

We applied this 1.89% margin to the forecasted bus revenue for H2 FY2026 and FY2027 to derive the projected operating profit for the bus segment. Operating profit for the bus segment is projected to be S\$6.2 million in H2 FY2026, S\$13.3 million in FY2026 and S\$11.6 million in FY2027, as shown in **Exhibit 32**.

Exhibit 32: Forecasted Operating Profit for FY2026 and FY2027 (Bus Segment)

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Bus revenue	375,431	329,571	705,001	613,281
Operating profit for bus segment	7,080	6,215	13,295	11,566
<i>Operating margin</i>	1.89%	1.89%	1.89%	1.89%

Source: SBS, FPA

We then project operating profit for the Other Commercial Services segment by assuming an operating margin of 37.6% in H2 FY2026 and FY2027, consistent with the operating margin in H1 FY2026.

Operating profit for Other Commercial Services is projected to be S\$10.7 million in H2 FY2026, S\$21.4 million in FY2026 and S\$21.4 million in FY2027, as shown in **Exhibit 33**.

Exhibit 33: Forecasted Operating Profit for FY2026 and FY2027 (Other Commercial Services)

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Other Commercial Services revenue	28,417	28,417	56,834	56,834
Operating profit for Other Commercial Services	10,686	10,686	21,372	21,372
<i>Operating margin</i>	<i>37.60%</i>	<i>37.60%</i>	<i>37.60%</i>	<i>37.60%</i>

Source: SBS, FPA

As a result, total operating profit is projected to be S\$33.5 million in H2 FY2026, S\$67.5 million in FY2026 and S\$68.0 million in FY2027, as shown in **Exhibit 34**.

Despite forecasting lower revenue in FY2027, we expect operating profit to increase due to stronger performance from the rail segment. Higher rail revenue, supported by fare adjustments and continued ridership growth, is expected to more than offset the decline in bus revenue following the expiry of the Serangoon-Eunos Bus Package, resulting in higher profitability despite the lower revenue base.

Exhibit 34: Forecasted Operating Profit for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Operating profit for rail segment	16,224	16,630	32,854	35,015
Operating profit for bus segment	7,080	6,215	13,295	11,566
Operating profit for Public Transport Services	23,304	22,845	46,149	46,581
Operating profit for Other Commercial Services	10,686	10,686	21,372	21,372
Total operating profit	33,990	33,531	67,521	67,953

Source: SBS, FPA

With the projected operating profit for FY2026 and FY2027, we derive the corresponding other operating costs.

Other operating costs are projected to be S\$63.3 million in H2 FY2026, S\$133.7 million in FY2026 and S\$124.8 million in FY2027, as shown in **Exhibit 35**.

Exhibit 35: Forecasted Other Operating Costs for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Revenue	785,588	749,272	1,534,860	1,494,003
Less:				
Staff costs	(390,257)	(372,216)	(762,473)	(742,177)
Repair & maintenance costs	(94,734)	(90,355)	(185,089)	(180,162)
Fuel & electricity costs	(138,040)	(131,659)	(269,699)	(262,520)
Premises costs	(22,242)	(22,242)	(44,484)	(44,484)
Depreciation expense	(35,958)	(35,958)	(71,916)	(71,916)
Less: Operating profit	33,990	33,531	67,521	67,953
Other operating costs	(70,367)	(63,311)	(133,678)	(124,792)

Source: SBS, FPA

Profit before tax:

On 16 September 2026, the U.S. Federal Reserve ("Fed") raised interest rates by 25 basis points to a target range of 3.75%–4.00%. Morgan Stanley¹'s economists expect two 25-basis-point rate hikes in December 2026 and March 2027. Accordingly, we assume the policy rate will increase to 4.00%–4.25% in December 2026 and further to 4.25%–4.50% in March 2027.

A summary of the projected federal funds rate is shown in **Exhibit 36**.

Exhibit 36: Estimated Federal Funds Rate

	Lower bound	Upper bound	Average Rate		Lower bound	Upper bound	Average Rate		Lower bound	Upper bound	Average Rate
Jan 2025	4.25%	4.50%	4.38%	Jan 2026	3.50%	3.75%	3.63%	Jan 2027	4.00%	4.25%	4.13%
Feb 2025	4.25%	4.50%	4.38%	Feb 2026	3.50%	3.75%	3.63%	Feb 2027	4.00%	4.25%	4.13%
Mar 2025	4.25%	4.50%	4.38%	Mar 2026	3.50%	3.75%	3.63%	Mar 2027	4.25%	4.50%	4.38%
Apr 2025	4.25%	4.50%	4.38%	Apr 2026	3.50%	3.75%	3.63%	Apr 2027	4.25%	4.50%	4.38%
May 2025	4.25%	4.50%	4.38%	May 2026	3.50%	3.75%	3.63%	May 2027	4.25%	4.50%	4.38%
Jun 2025	4.25%	4.50%	4.38%	Jun 2026	3.50%	3.75%	3.63%	Jun 2027	4.25%	4.50%	4.38%
Jul 2025	4.25%	4.50%	4.38%	Jul 2026	3.50%	3.75%	3.63%	Jul 2027	4.25%	4.50%	4.38%
Aug 2025	4.25%	4.50%	4.38%	Aug 2026	3.50%	3.75%	3.63%	Aug 2027	4.25%	4.50%	4.38%
Sept 2025	4.00%	4.25%	4.13%	Sept 2026	3.75%	4.00%	3.88%	Sept 2027	4.25%	4.50%	4.38%
Oct 2025	3.75%	4.00%	3.88%	Oct 2026	3.75%	4.00%	3.88%	Oct 2027	4.25%	4.50%	4.38%
Nov 2025	3.75%	4.00%	3.88%	Nov 2026	3.75%	4.00%	3.88%	Nov 2027	4.25%	4.50%	4.38%
Dec 2025	3.50%	3.75%	3.63%	Dec 2026	4.00%	4.25%	4.13%	Dec 2027	4.25%	4.50%	4.38%
2025	-	-	4.21%	2026	-	-	3.73%	2027	-	-	4.33%

Source: Federal Reserve Bank of St. Louis, FPA estimates

We then calculated the proportion of decline it could have on the Fed Funds Rate as shown in **Exhibit 37**.

Exhibit 37: Forecasted Average Fed Funds Rate for FY2026 & FY2027

	H1 FY2026	H2 FY2026	FY2026	FY2027
Average Fed Funds Rate	3.63%	3.83%	3.73%	4.33%
Proportion of (decline)/increase		5.75%		16.20%

Source: US Federal Reserve, FPA

¹ Morgan Stanley is a global investment bank.

We assume SBS's effective interest rate will increase in line with any changes in the Fed Funds Rate. We also project short-term deposits and bank balances to continue declining in H2 FY2026 and FY2027. In H1 FY2026, short-term deposits and bank balances decreased by S\$74.3 million, primarily due to dividend payments. Assuming a similar decline in H2 FY2026, we forecast a total reduction of S\$148.5 million for FY2026.

However, we do not project a further decline in cash balances in FY2027, as we do not expect SBS to continue paying outsized dividends that materially erode its cash reserves. Accordingly, we forecast short-term deposits and bank balances to remain broadly in line with FY2026 levels, as shown in **Exhibit 38**.

Exhibit 38: Projected Cash Balances for FY2026 and FY2027

S\$'000	Forecast		
	H2 FY2026	FY2026	FY2027
Short-term deposits & bank balances (beginning of period)	310,071	384,323	235,819
Net decrease in cash and cash equivalents	(74,252)	(148,504)	-
Short-term deposits & bank balances (end of period)	235,819	235,819	235,819

Source: SBS, FPA

Based on these assumptions, interest income is projected to be S\$1.4 million in H2 FY2026, S\$3.1 million in FY2026 and S\$3.7 million in FY2027, as shown in **Exhibit 39**.

Exhibit 39: Forecasted Interest Income for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Interest income	1,742	1,401	3,143	3,652
Short-term deposits & bank balances	310,071	235,819	235,819	235,819
Effective interest rate (annualised)	1.12%	1.19%	1.33%	1.55%
<i>Proportion of (decline)/increase</i>		5.75%		16.20%

Source: SBS, FPA

We project finance costs to remain at H1 FY2026 levels in H2 FY2026. Accordingly, finance costs are forecast at S\$386,000 for FY2026 and are expected to remain broadly stable in FY2027, as shown in **Exhibit 40**.

Exhibit 40: Forecasted Finance Costs for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Finance costs	(193)	(193)	(386)	(386)

Source: SBS, FPA

As a result, profit before tax is projected to be S\$70.3 million in FY2026 and S\$71.2 million in FY2027, as shown in **Exhibit 41**.

Despite the decline in revenue in FY2027, profit before tax is projected to be higher, supported by increased interest income.

Exhibit 41: Forecasted Profit Before Tax for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Operating profit	33,990	33,531	67,521	67,953
Interest income	1,742	1,401	3,143	3,652
Finance costs	(193)	(193)	(386)	(386)
Profit before tax	35,539	34,739	70,278	71,219

Source: SBS, FPA

Profit after tax:

We assume a tax rate of 17% for FY2026 and FY2027, in line with Singapore's corporate income tax rate. Profit after tax is projected to be S\$58.2 million in FY2026 and S\$59.1 million in FY2027 as shown in **Exhibit 42**.

Exhibit 42: Forecasted Profit after Tax for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Profit before tax	35,539	34,739	70,278	71,219
Tax expense	(6,153)	(5,906)	(12,059)	(12,107)
Profit after tax	29,386	28,833	58,219	59,112
<i>Effective tax rate</i>	<i>(17.31%)</i>	<i>(17.00%)</i>	<i>(17.16%)</i>	<i>(17.00%)</i>

Source: SBS, FPA

Profit attributable to shareholders of the company:

We assume profit attributable to non-controlling interests ("NCI") will remain at 0.1% of profit after tax in H2 FY2026, consistent with the proportion recorded in H1 FY2026. Accordingly, we project profit attributable to NCI of S\$57,000 for FY2026.

We further assume profit attributable to NCI will remain at 0.1% of profit after tax in FY2027, resulting in projected profit attributable to NCI of S\$58,000.

After accounting for NCI, we forecast profit attributable to shareholders of S\$58.2 million in FY2026 and S\$59.1 million in FY2027, as shown in **Exhibit 43**.

Exhibit 43: Forecasted Profit Attributable to Shareholder of the Company for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
(A) Profit attributable to Non-Controlling Interest ("NCI")	29	28	57	58
(B) Profit after tax	29,386	28,833	58,219	59,112
A as a % of B	0.10%	0.10%	0.10%	0.10%
Profit after tax	29,386	28,833	58,219	59,112
Less: Profit attributable to NCI	29	28	57	58
Profit attributable to shareholders of the company	29,357	28,805	58,162	59,053

Source: SBS, FPA

EPS:

Based on the profit attributable to shareholders in H1 FY2026 and the reported basic and diluted EPS, we derive the weighted average number of shares outstanding and assume it remains unchanged in H2 FY2026 and FY2027. Accordingly, we forecast basic EPS of 9.22 cents in H2 FY2026, 18.62 cents in FY2026 and 18.91 cents in FY2027, while diluted EPS is projected at 9.20 cents, 18.58 cents and 18.87 cents, respectively, as shown in **Exhibit 44**.

Exhibit 44: Forecasted EPS for FY2026 and FY2027

S\$'000	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Profit attributable to shareholders of the company	29,357	28,805	58,162	59,053
Weighted average number of ordinary shares for basic EPS ('000)	312,309	312,309	312,309	312,309
Basic EPS (cents)	9.40	9.22	18.62	18.91
Weighted average number of ordinary shares for diluted EPS ('000)	312,974	312,974	312,974	312,974
Diluted EPS (cents)	9.38	9.20	18.58	18.87

Source: SBS, FPA

DPS:

SBS targets a minimum dividend payout ratio of 50%. Excluding the special dividend of 15.97 cents per share, the payout ratio in H1 FY2026 was approximately 90%. As we do not expect the company to declare further special dividends, we assume a payout ratio of 90% for H2 FY2026, in line with the level recorded in H1 FY2026.

Based on this assumption, we forecast a DPS of 8.30 cents for H2 FY2026, bringing total ordinary dividends for FY2026 to 16.75 cents per share. We further assume that the 90% payout ratio will be maintained in FY2027, resulting in a projected DPS of 17.00 cents.

While SBS may continue to distribute excess capital on an ad hoc basis, we do not expect special dividends to become a recurring feature of its dividend policy, as sustained special dividend payments could weaken the company's cash position over time.

After incorporating the special dividend of 15.97 cents per share declared in H1 FY2026, we project total DPS for FY2026 to be 32.72 cents per share. For FY2027, in the absence of any assumed special dividends, total DPS is projected at 17.00 cents per share. Our projections are summarised in **Exhibit 45**.

Exhibit 45: Forecasted DPS for FY2026 and FY2027

S\$ cents	Actual	Forecast		
	H1 FY2026	H2 FY2026	FY2026	FY2027
Diluted EPS	9.38	9.20	18.58	18.87
DPS (excluding special dividend)	8.45	8.30	16.75	17.00
Payout ratio	90.09%	90.18%	90.13%	90.10%
Add: special dividend	15.97	-	15.97	-
DPS	24.42	8.30	32.72	17.00

Note: Payout ratio = DPS/EPS

Source: SBS, FPA

Our projections are summarised in **Exhibit 46**.

Exhibit 46: Forecasted Financial Performance for FY2026 and FY2027

S\$'000	Actual			Forecast	
	FY2023	FY2024	FY2025	FY2026	FY2027
Revenue	1,527,136	1,559,728	1,517,350	1,534,860	1,494,003
Staff costs	(737,646)	(756,740)	(765,596)	(762,473)	(742,177)
Repair & maintenance costs	(201,416)	(203,093)	(196,643)	(185,089)	(180,162)
Fuel & electricity costs	(281,551)	(262,063)	(204,342)	(269,699)	(262,520)
Premises costs	(44,716)	(51,747)	(53,899)	(44,484)	(44,484)
Depreciation expense	(92,618)	(87,158)	(82,507)	(71,916)	(71,916)
Other operating costs	(92,537)	(125,761)	(146,243)	(133,678)	(124,792)
Total operating costs	(1,450,484)	(1,486,562)	(1,449,230)	(1,467,339)	(1,426,050)
Operating profit	76,652	73,166	68,120	67,521	67,953
Interest income	12,834	11,065	6,447	3,143	3,652
Finance costs	(1,515)	(726)	(602)	(386)	(386)
Profit before tax	87,971	83,505	73,965	70,278	71,219
Tax expense	(18,895)	(13,204)	(12,771)	(12,059)	(12,107)
Profit after tax	69,076	70,301	61,194	58,219	59,112
Less: Non-controlling interest	-	-	(2)	57	58
Profit attributable to shareholders of the company	69,076	70,301	61,196	58,162	59,053
Basic EPS (cents)	22.15	22.52	19.59	18.62	18.91
Diluted EPS (cents)	22.15	22.48	19.53	18.58	18.87
DPS (cents)	11.16	28.68	49.60	32.72	17.00
Payout ratio	50.38%	127.58%	253.97%	176.07%	90.10%

Source: SBS, FPA

VALUATION ANALYSIS

(I) PEER COMPARISON ANALYSIS

We performed a peer comparison analysis to review how SBS is faring against industry peers in terms of current valuation metrics. We selected peer companies that are like SBS in terms of industry and business operations. Then, we compared SBS against its peers in terms of P/E multiple, P/B multiple and dividend yield.

Below, we list the selected peer companies to compare with SBS (along with a brief description of each company) as follows:

i. Singapore Airlines Ltd. (“SIA”; SGX:C6L)

SIA, together with subsidiaries, provide passenger and cargo air transportation services internationally. It also provides aircraft maintenance services, including technical and non-technical handling at the airport; line maintenance services; maintenance, repair, and overhaul of aircraft and cabin components/systems; repair and overhaul of hydromechanical equipment; aviation insurance; and airframe maintenance and overhaul services, as well as manufactures aircraft cabin equipment and tooling for the aerospace industry.

ii. ComfortDelGro Corporation Ltd. (“CDG”; SGX:C52)

CDG is a multi-modal transport operator with diverse businesses including taxi, bus, rail, car rental & leasing, automotive engineering & maintenance services, vehicle inspection & testing, driver training, insurance brokerage, and outdoor advertising. CDG operates across Singapore and internationally in countries such as the UK, Australia, China, and Malaysia. Its listed subsidiaries on the Singapore Exchange include SBS and VICOM Ltd.

iii. MTR Corporation Ltd. (“MTR”; HKEX:0066)

MTR is a Hong Kong-based rail operator. It runs an extensive metro network in Hong Kong, including the Airport Express and Light Rail, and has expanded internationally with operations in cities like Beijing, Shenzhen, Melbourne, Sydney, and Stockholm. MTR also has a strong property development arm, leveraging its “rail plus property” model to generate income from residential and commercial projects near its stations.

iv. Transport International Holdings Ltd. (“TIH”; HKEX:0062)

TIH is a public transport operator in Hong Kong and Mainland China. It is the holding company of Kowloon Motor Bus Company (1933) Limited, Long Win Bus Company Limited, and several non-franchised transport providers. TIH also has business interests in property holdings and development in Hong Kong.

The results of our peer comparison analysis are shown in **Exhibit 47**.

Exhibit 47: Peer Comparison Analysis

Company	Currency	Stock Symbol	Price (S\$) as at 09 Oct '26	Market Cap (S\$ million)	Diluted EPS (cents) ⁽¹⁾	P/E	DPS (cents) ⁽²⁾	Dividend Yield (%)	NAV per share (S\$) ⁽³⁾	P/B
SBS Transit	SGD	S61	3.69	1,137	18.97	19.45	65.07	17.63%	1.87	1.97
Peer companies:										
SIA	SGD	C6L	6.58	20,720	29.70	22.15	37.00	5.62%	5.26	1.25
ComfortDelGro	SGD	C52	1.26	2,707	9.67	13.03	8.50	6.75%	1.21	1.04
MTR Corporation Ltd. ⁽⁴⁾	SGD	0066	5.18	32,224	59.89	8.64	21.38	4.13%	5.82	0.89
Transport International Holdings Ltd. ⁽⁴⁾	SGD	0062	1.40	751	7.34	19.07	8.16	5.83%	5.19	0.27
Peer average:		-	-	-	-	15.72	-	5.58%	-	0.86

(1) & (2) Trailing Twelve-Months ("TTM"). (3) Most recent financial statement. (4) Converted from Hong Kong Dollars ("HKD") to SGD using HKD to SGD exchange rate of 1:0.1632 as at 9 October 2026 from Yahoo Finance.

Source: HKEX, SGX Stock Screener, respective companies, FPA

(a) P/E multiple

Based on the results in **Exhibit 47**, SBS is currently trading at a P/E multiple of 19.45x which is higher than the peer average P/E of 15.72x. This suggests that SBS is overvalued at the current share price. Adopting a relative valuation approach, we estimate a target price of S\$2.98 if SBS is to trade at the peer average P/E of 15.72x as follows:

$$\begin{aligned}
 \text{Estimated target price (P/E multiple)} &= \text{Peer average P/E} \times \text{TTM diluted EPS} \\
 &= 15.72 \times \text{S\$0.1897} \\
 &\approx \text{S\$2.98}
 \end{aligned}$$

The estimated target price of S\$2.98 represents a downside potential of 19.2% from the current share price of S\$3.69.

(b) P/B multiple

Based on the results in **Exhibit 47**, SBS is currently trading at a P/B multiple of 1.97x which is higher than the peer average P/B of 0.86x. This suggests that SBS is overvalued at the current share price. Adopting a relative valuation approach, we estimate a target price of S\$1.61 if SBS is to trade at the peer average P/B of 0.86x as follows:

$$\begin{aligned}
 \text{Estimated target price (P/B multiple)} &= \text{Peer average P/B} \times \text{NAV per share} \\
 &= 0.86 \times \text{S\$1.87} \\
 &\approx \text{S\$1.61}
 \end{aligned}$$

The estimated target price of S\$1.61 represents a downside potential of 56.3% from the current share price of S\$3.69.

(c) Dividend yield

Based on the results in **Exhibit 47**, SBS's current dividend yield of 17.63% is more attractive than the peer average yield of 5.58%, which suggests that SBS is undervalued at the current share price. Adopting a relative valuation approach, we estimate a target price of S\$11.66 if SBS is to trade at the peer average yield of 5.58% as follows:

$$\begin{aligned}
 \text{Estimated target price (Dividend yield)} &= \frac{\text{Current yield}}{\text{Peer average yield}} \times \text{Current share price} \\
 &= \frac{17.63\%}{5.58\%} \times \text{S\$3.69} \\
 &\approx \text{S\$11.66}
 \end{aligned}$$

The estimated target price of S\$11.66 represents an upside potential of 215.9% from the current share price of S\$3.69.

(d) Target price

From our analysis, SBS seems to be overvalued in terms of its P/E and P/B multiple but undervalued in terms of its dividend yield. By averaging target prices based on P/E multiple, P/B multiple and dividend yield, we derive an overall target price of S\$5.42 as follows:

$$\begin{aligned}
 \text{Target price} &= \frac{1}{3} \times [\text{Estimated target price (P/E multiple)} + \text{Estimated target price (P/B multiple)} + \\
 &\quad \text{Estimated target price (Dividend yield)}] \\
 &= \frac{1}{3} \times [\text{S\$2.98} + \text{S\$1.61} + \text{S\$11.66}] \\
 &\approx \text{S\$5.42}
 \end{aligned}$$

The overall target price of S\$5.42 represents an upside potential of 46.8% from the current share price of S\$3.69.

(II) VALUATION ANALYSIS (BASED ON HISTORICAL P/E MULTIPLE, P/B MULTIPLE & YIELD)

We also performed a valuation analysis using SBS's historical P/E multiple, PB multiple and dividend yield over the past six financial years (H1 FY2021 – H1 FY2026) as shown in **Exhibit 48**.

Exhibit 48: Historical Share Price and Valuation Metrics

Period	Results release date	Share price (S\$) ⁽¹⁾	Diluted EPS (cents)	TTM EPS (cents)	P/E multiple	DPS (cents)	TTM DPS (cents)	Dividend yield	Payout ratio (TTM)	NAV per share (S\$)	P/B multiple
H1 FY2026	13 Aug '26	3.92	9.38	18.97	20.66x	24.42	65.07	16.60%	343.02%	1.87	2.10x
H2 FY2025	24 Feb '26	3.81	9.59	19.53	19.51x	40.65	49.60	13.02%	253.97%	2.18	1.75x
H1 FY2025	11 Aug '25	3.24	9.94	21.63	14.98x	8.95	32.05	9.89%	148.17%	2.17	1.49x
H2 FY2024	25 Feb '25	2.64	11.69	22.48	11.74x	23.10	28.68	10.86%	127.58%	2.30	1.15x
H1 FY2024	13 Aug '24	2.47	10.79	21.79	11.34x	5.58	11.16	4.52%	51.22%	2.24	1.10x
H2 FY2023	27 Feb '24	2.66	11.00	22.15	12.01x	5.58	11.16	4.20%	50.38%	2.19	1.21x
H1 FY2023	14 Aug '23	2.61	11.15	21.85	11.95x	5.58	11.03	4.23%	50.48%	2.13	1.23x
H2 FY2022	22 Feb '23	2.69	10.70	21.81	12.33x	5.45	10.90	4.05%	49.98%	2.07	1.30x
H1 FY2022	10 Aug '22	2.87	11.11	15.97	17.97x	5.45	7.90	2.75%	49.47%	2.02	1.42x
H2 FY2021	23 Feb '22	2.91	4.86	16.56	17.57x	2.45	8.20	2.82%	49.52%	1.93	1.51x
H1 FY2021	12 Aug '21	3.05	11.70	26.57	11.48x	5.75	12.05	3.95%	45.35%	1.94	1.57x
Maximum					20.66x				16.60%		
Minimum					11.34x				2.75%		
Average (excl. values ≤ 0)					14.69x				6.99%		

(1) Share price based on the next day after results release date.

Source: SBS, Yahoo! Finance, FPA

(a) P/E multiple

As shown in **Exhibit 48**, SBS's historical average P/E multiple was 14.69x which is lower than its current P/E multiple of 19.45x. This suggests that SBS is overvalued at the current share price. Based on the historical average P/E multiple of 14.69x and TTM diluted EPS of 18.97 cents, we estimate a target price of S\$2.79 as follows:

$$\begin{aligned}
 \text{Estimated Target Price} &= \text{Historical Average P/E} \times \text{TTM diluted EPS} \\
 &= 14.69 \times \text{S\$}0.1897 \\
 &\approx \text{S\$}2.79
 \end{aligned}$$

The target price of S\$2.79 represents a downside potential of 24.5% from the current share price of S\$3.69.

(b) P/B multiple

As shown in **Exhibit 48**, SBS's historical average P/B multiple was 1.44x which is lower than its current P/B multiple of 1.97x. This suggests that SBS is overvalued at the current share price. Based on the historical average P/B multiple of 1.44x and NAV per share of S\$1.87 in H1 FY2026, we estimate a target price of S\$2.69 as follows:

$$\begin{aligned}\text{Estimated Target Price} &= \text{Historical Average P/B} \times \text{NAV per share} \\ &= 1.44 \times \text{S\$1.87} \\ &\approx \text{S\$2.69}\end{aligned}$$

The target price of S\$2.69 represents a downside potential of 27.1% from the current share price of S\$3.69.

(c) Dividend yield

As shown in **Exhibit 48**, SBS's historical average yield was 6.99%, which is more attractive than the current yield of 17.63%. This suggests that SBS is undervalued at the current share price. Based on the historical average dividend yield of 6.99% and current yield of 17.63%, we estimate a target price of S\$9.31 as follows:

$$\begin{aligned}\text{Estimated Target Price} &= \frac{\text{Current yield}}{\text{Historical average yield}} \times \text{Current share price} \\ &= \frac{17.63\%}{6.99\%} \times \text{S\$3.69} \\ &\approx \text{S\$9.31}\end{aligned}$$

The target price of S\$9.31 represents an upside potential of 152.3% from the current share price of S\$3.69.

(d) Target price

From our analysis, SBS seems to be overvalued in terms of its historical average P/E, P/B multiple but undervalued in terms of its dividend yield. By averaging our estimated target prices based on historical average P/E multiple, P/B multiple and yield, we derive a target price of S\$4.93 as follows:

$$\begin{aligned}\text{Target price} &= \frac{1}{3} \times [\text{Estimated target price (Historical P/E multiple)} + \text{Estimated target price (Historical P/B multiple)} + \text{Estimated target price (Historical dividend yield)}] \\ &= \frac{1}{3} \times [\text{S\$2.79} + \text{S\$2.69} + \text{S\$9.31}] \\ &\approx \text{S\$4.93}\end{aligned}$$

The target price of S\$4.93 represents an upside potential of 152.3% from the current share price of S\$3.69.

POTENTIAL CATALYSTS

(I) SECURING OF CROSS ISLAND LINE CONTRACT

The CRL is Singapore's eighth MRT line. It will serve existing and future developments in the eastern, western, and north-eastern corridors, connecting major hubs such as Jurong Lake District, Punggol Digital District, and the Changi region. The line will be constructed in three phases, with Phase 1 targeted for completion by 2030.

In May 2023, the LTA called for tenders to operate both the JRL and the CRL, inviting SMRT and SBS to submit bids. LTA awarded the JRL contract to SBS but has yet to award the CRL contract, citing that the tenderers' proposals did not adequately address the uncertainties of operating the line when service begins in six years. LTA will select the CRL operator at a later stage.

If the tender is reopened and SBS wins the bid, it could increase SBS's revenue, though this would only be realized once the line becomes operational, earliest by 2030. Nevertheless, investors may begin pricing in the potential upside ahead of operations.

(II) LOWER FUEL AND ELECTRICITY COSTS

SBS's fuel and electricity costs rose sharply in H1 FY2026, likely driven by elevated energy prices stemming from the ongoing conflict in the Middle East. The increase in energy costs weighed on profitability during the period.

Looking ahead, a de-escalation of geopolitical tensions could lead to lower energy prices, thereby reducing fuel and electricity costs and supporting earnings growth.

(III) HIGHER-THAN-EXPECTED FARE INCREASES

On 29 September 2026, the PTC announced an overall public transport fare increase of 7.0%, which is expected to increase SBS's annual revenue by S\$26.9 million.

Looking ahead, a larger-than-expected fare increase in the 2027 Fare Review Exercise could provide further upside to SBS's revenue and earnings, with the benefits likely to be reflected from FY2028 onwards.

INVESTMENT RECOMMENDATION

SBS's bus revenue is expected to decline in H2 FY2026 following the expiry of the Tampines Bus Package in July 2026. Nevertheless, we expect rail revenue to remain resilient, supported by higher average fares and continued ridership growth. Looking ahead, we project net profit to increase further in FY2027, driven by stronger rail segment performance. Management has indicated that the growth in rail operations revenue, underpinned by the steady ridership growth and fare adjustments, is expected to offset the decline in bus segment revenue.

Based on the historical average P/E multiple of 14.69x and TTM diluted EPS of 18.97 cents, we estimate a target price of S\$2.79. Based on the historical average P/B multiple of 1.44x and NAV per share of S\$1.87, we estimate a target price of S\$2.69. Based on the historical average yield of 6.99% and current dividend yield of 17.63%, we estimate a target price of S\$9.31. By averaging the estimated target prices, we derive an overall target price of S\$4.93 as follows:

$$\begin{aligned}
 \text{Target price} &= \frac{1}{3} \times [\text{Estimated target price (Historical P/E multiple)} + \text{Estimated target price (Historical P/B multiple)} + \text{Estimated target price (Historical dividend yield)}] \\
 &= \frac{1}{3} \times [\text{S\$2.79} + \text{S\$2.69} + \text{S\$9.31}] \\
 &\approx \text{S\$4.93}
 \end{aligned}$$

The target price of S\$4.93 represents an upside potential of 33.6% from the current share price of S\$3.69.

Based on the peer average P/E multiple of 15.72x and TTM diluted EPS of 18.97 cents, we estimate a target price of S\$2.98. Based on the peer average P/B multiple of 0.86x and NAV per share of S\$1.87, we estimate a target price of S\$1.61. Based on the peer average yield of 5.58% and current dividend yield of 17.63%, we estimate a target price of S\$11.66. By averaging the estimated target prices, we derive an overall target price of S\$5.42 as follows:

$$\begin{aligned}
 \text{Target price} &= \frac{1}{3} \times [\text{Estimated target price (P/E multiple)} + \text{Estimated target price (P/B multiple)} + \text{Estimated target price (Dividend yield)}] \\
 &= \frac{1}{3} \times [\text{S\$2.98} + \text{S\$1.61} + \text{S\$11.66}] \\
 &\approx \text{S\$5.42}
 \end{aligned}$$

The target price of S\$5.42 represents an upside potential of 46.8% from the current share price of S\$3.69. However, we believe these valuations may overstate SBS's fair value, as it is significantly influenced by the company's elevated dividend yield following the payment of sizeable special dividends.

In our view, such generous dividend distributions are unlikely to be sustained over the long term, as continued payouts at current levels would place pressure on the company's cash reserves.

Nevertheless, we note that the stock continues to be supported by strong investor demand for its attractive dividend yield. Accordingly, we believe SBS's 52-week high of S\$4.16 represents a more realistic target price, implying an upside potential of 12.7% from the current share price.

Potential catalysts, including the award of new rail operating contracts, lower fuel and electricity costs, and higher-than-expected fare increases, could provide further support for the share price. Accordingly, we maintain our HOLD recommendation on SBS.

However, there are risks to our target price which we discuss on the next page.

RISKS TO TARGET PRICE

(I) PROLONGED MRT DISRUPTION

On 25 September 2024, a dislodged axle box caused the wheels of a train to fall off the track, damaging the East-West Line between Jurong East and Buona Vista stations. The disruption lasted six days, from 24 to 30 September. During this period, SMRT bore the cost of repairs and provided free bridging buses, regular bus services, and shuttle train services at the affected stations. The total cost amounted to over S\$10 million.

As a result of the disruption, LTA imposed a financial penalty of S\$2.4 million on SMRT.

Should a similar incident occur on SBS's rail network, which comprises the Downtown Line, North East Line and Sengkang-Punggol LRT, the company could incur significant repair and recovery costs, while also facing potential regulatory penalties which would affect earnings.

(II) PROLONGED MIDDLE EAST CONFLICT

The 2026 global oil and energy crisis, triggered by the conflict between the United States and Iran, began in late February 2026 and has persisted for more than seven months with no clear resolution in sight. The conflict has contributed to elevated oil and energy prices, affecting businesses and consumers globally.

Given the uncertain geopolitical environment, energy prices may remain elevated over the near to medium term. This could result in sustained pressure on SBS's fuel and electricity costs, which rose sharply in H1 FY2026. Management has also highlighted elevated energy prices as an ongoing challenge and maintained a cautious outlook for the remainder of the financial year.

Should energy prices remain elevated for a prolonged period, SBS could face continued cost pressures, which may weigh on profitability and earnings.

(III) MANPOWER COSTS

Management has highlighted the tight labour market as an ongoing challenge. This is underscored by recent government initiatives to attract more bus captains, including enhanced sign-on bonuses, amid a weakening recruitment pipeline.

The need for such measures suggests that labour shortages within the public transport sector may be becoming increasingly acute. If SBS is required to offer further wage increases and employment incentives to attract and retain workers, manpower costs could rise significantly. As staff costs represent a major component of SBS's operating expenses, sustained cost inflation could place considerable pressure on operating margins and profitability, ultimately weighing on earnings.

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