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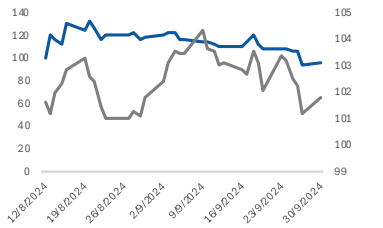
Recommendation:		BUY
Current Price:		RM 0.27
Previous Target Price:		RM 0.00
Target Price:	↑	RM 0.54
Capital Upside/Downside:		100.0%
Dividend Yield (%):		0.0%
Total Upside/Downside:		**100.0%**

Stock information	
Board	ACE
Sector	Industrial
Bursa / Bloomberg Code	0339 / CBHB MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,880.9
Market Cap (RM' m)	507.8
52-Week Price Range (RM)	0.38-0.265
Beta (x)	N/A
Free float (%)	26.7
3M Average Volume (m)	N/A
3M Average Value (RM' m)	N/A

Top 3 Shareholders	(%)
Quay Holdings Sdn Bhd	72.8

Share Price Performance



	1M	3M	12M
Absolute (%)	-19.4	N/A	N/A
Relative (%)	-18.3	N/A	N/A

CBH Engineering Holding Berhad

Your Trusted Engineering Solutions Partner

Executive Summary

- **With >30 years of experience in M&E engineering solutions, CBHB is well equipped with the capability to design and build HV substations, offering a comprehensive one-stop solutions.**
- **Future earnings growth will be driven by a strong tender book pipeline >RM600m. With a conservative historical success rate of 20%, potential wins could boost the order book to over RM300m, providing earnings visibility up to a year.**
- **We initiate coverage on CBHB with a BUY recommendation and a target price (TP) of RM0.54 pegged to 18.0x P/E ratio based on FY26F EPS of 3.0 sen and appraised with three-star ESG rating.**

Key Investment Highlights

Electrical Engineering Service Provider. CBH Engineering Holding Bhd (CBHB) has over 30 years of experience in M&E engineering solutions, with expertise in the design and construction of LV, MV, and HV substations, primarily serving the private sector. Track record includes the successful delivery of four HV substation projects (132kV/275kV) for data centre owners, along with three ongoing HV substation projects, bringing the total contract value to >RM600m. With its extensive HV substation experience, CBHB is strategically positioned to capitalise on the region's growing data center industry.

Data center job prospects remain strong. Demand for data centers in Malaysia is unlikely to slow down, driven by capex plans by hyperscalers (Amazon, Google, Microsoft, and Oracle) totalling over USD44bn in the coming years, with more than half targeted for Malaysia. We believe the progress is still intact, considering (i) Malaysia's strategic location where multiple submarine cables converge, and (ii) affordable water, electricity and land, making Malaysia an appealing alternative to Singapore for data centers investment in the region.

Potential orderbook replenishment over the near-term. CBHB's core net profit grew at a three-year CAGR of +131.2% from FY21 to FY24, thanks to strong billings from high-margin HV substation projects. Currently, CBHB holds a tender book of RM620m, of which about 90% deriving from substation projects. Assuming a conservative historical success rate of 20%, potential wins could boost CBHB's order book replenishment to more than RM250m by end-FY25F. Looking ahead, we are projecting an annual order book replenishment of c.RM300m in FY25F–FY26F. As of Dec 2024, unbilled orderbook stood at RM142.9m.

Superior profit margin. CBHB consistently delivers core net margins of 12-16%, outperforming industry peers driven by its (i) expertise in the design-and-build capabilities of HV substations, (ii) long-standing supplier relationships, and (iii) labour-light business model. We project a more conservative margin for HV substation projects due to the increasingly competitive landscape. Overall, we project earnings to grow at a 20.4% CAGR from FY24 to FY27F.

Valuation & Recommendation. We initiate coverage of CBHB with a **BUY** recommendation and a target price of RM0.54 by pegging 18.0x P/E ratio to FY26F EPS of 3.0 sen, along with a three-star ESG rating. CBHB's share price slump over past two months, attributable to the rollout of DeepSeek and the AI Diffusion Framework, was an unwarranted overreaction. We believe this is a good opportunity for accumulation as the stock trades at only 9x FY26 EPS, representing an 8% discount to the peers' weighted average PE of 9.8x.

Earnings Summary

FYE (Dec) Mn	FY23	FY24	FY25F	FY26F	FY27F
Revenue	208.0	271.7	347.2	403.3	456.8
EBITDA	46.1	55.1	64.5	75.2	85.2
Pre-tax profit	46.0	54.8	63.8	74.6	84.5
Net profit	33.0	41.7	48.5	56.7	64.2
Core net profit	33.0	44.3	48.5	56.7	64.2
Core EPS (sen)	1.8	2.4	2.6	3.0	3.4
P/E (x)	15.4	11.5	10.5	9.0	7.9
P/B (x)	6.5	5.1	2.2	1.8	1.4
EV/EBITDA (x)	11.9	9.9	10.3	8.9	8.5
Dividend Yield (%)	2.4%	3.3%	0.0%	0.0%	0.0%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

Company Background

Established in 1990, CBHB is regarded as one of the leading M&E service providers in Malaysia, primarily serving the private sector. CBHB's capabilities span the entire project lifecycle, from the design phase through to commissioning and the handover of electrical systems across all voltage levels. Over the years, the Group has expanded its expertise by undertaking more complex projects, including the design and construction of HV substations. The expansion of work scope helped CBHB to build a strong reputation for reliability and boast client retention, further solidifying its position in the field.

Business Overview

Business Model. CBHB engages in two business activities: (i) Electrical engineering services and (ii) Mechanical engineering services.

Business Activities

Principal business activities	**M&E engineering services**
Business segment	Electrical engineering services for power distribution systems and mechanical engineering services for building systems
Range of M&E services	Electrical engineering services comprising: • Electricity supply distribution works at substations • Electricity supply distribution works at end-user premises • LV electrical engineering works Mechanical engineering services comprising: • ACMV systems • Fire protection systems • Plumbing and sanitary systems • Renewable energy system
Type of buildings	• Substation • Industrial • Commercial • Residential
Principal market	Malaysia

Source: Company, Apex Securities

(i) **Electrical engineering** specifically in power distribution systems, involves a system that converts electricity from the national grid, usually at high voltage (HV) or medium (MV), into low voltage (LV) electricity.

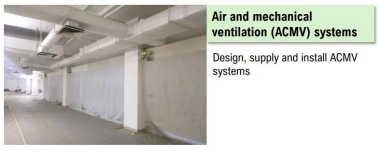
(ii) **Mechanical engineering**, integrated with electrical works, supports various building systems, including air conditioning and mechanical ventilation (ACMV), fire protection, plumbing and sanitation, as well as renewable energy (RE).

Mechanical and Electrical Systems

Electrical engineering for power distribution systems. CBHB is regarded as a specialist in electrical engineering solutions, focusing onto design, supply, installation, testing, and commissioning of equipment that controls the flow of electricity from supply substations to electrical systems in buildings and infrastructure. It also excels in the design and construction of commercial substations, particularly in the high-voltage (HV) segment (132kV/275kV), where power sourced from the National Grid is distributed according to the specific voltage requirements of customer facilities.

Mechanical engineering for building systems. Mechanical engineering is often integrated with electrical works to support building systems. Scope includes the design, supply, installation, testing, commissioning, and maintenance of systems for air conditioning and mechanical ventilation (ACMV), fire protection, plumbing and sanitation, as well as renewable energy (RE).

Mechanical Engineering Works Overview



Air and mechanical ventilation (ACMV) systems

Design, supply and install ACMV systems

Fire protection systems

Supply, install, test and commission of equipment, piping networks, appliances and fittings for fire protection systems

Plumbing and sanitary systems

Supply and install water supply sanitary and drainage systems, cold water supply systems, sanitary systems and rainwater drainage systems

Renewable energy systems

Design, supply, install, test and commission of solar photovoltaic systems

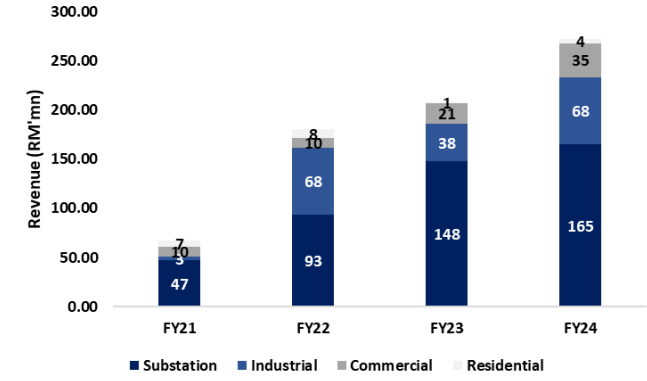
Source: Company

Revenue breakdowns. Due to the nature of the industry, mechanical and electrical (M&E) engineering works are often integrated. As a result, for revenue recognition purposes, they are combined and viewed as part of the M&E systems.

M&E systems. Comprised of activities from Electrical Engineering and Mechanical Engineering, as these are usually integrated with each other. It generally applies to new projects, which involve design, supply, installation, testing, and commissioning.
M&E maintenance. Type of income generated on demand, typically for existing facilities where maintenance services are requested.

For FY24, the majority of revenue is derived from M&E systems, with less than 1% coming from M&E maintenance. Substations contributed the largest share, accounting for 60.8% of total revenue, driven by high value of HV equipment, followed by industrial properties at 25.1%, commercial properties at 12.7%, and others at 1.4%.

Revenue Breakdown by Type of Property



Source: Company, Apex Securities

In HV substation projects, CBHB primarily serves as the main contractor for design-and-build, managing all aspects of the substation. This includes design, procurement of equipment, civil and structural works, installation, and commissioning. For labour-intensive tasks, CBHB outsources to third parties to preserve margins. Historically, CBHB has successfully completed six HV substations projects, with a total contract value of exceeding RM400m.

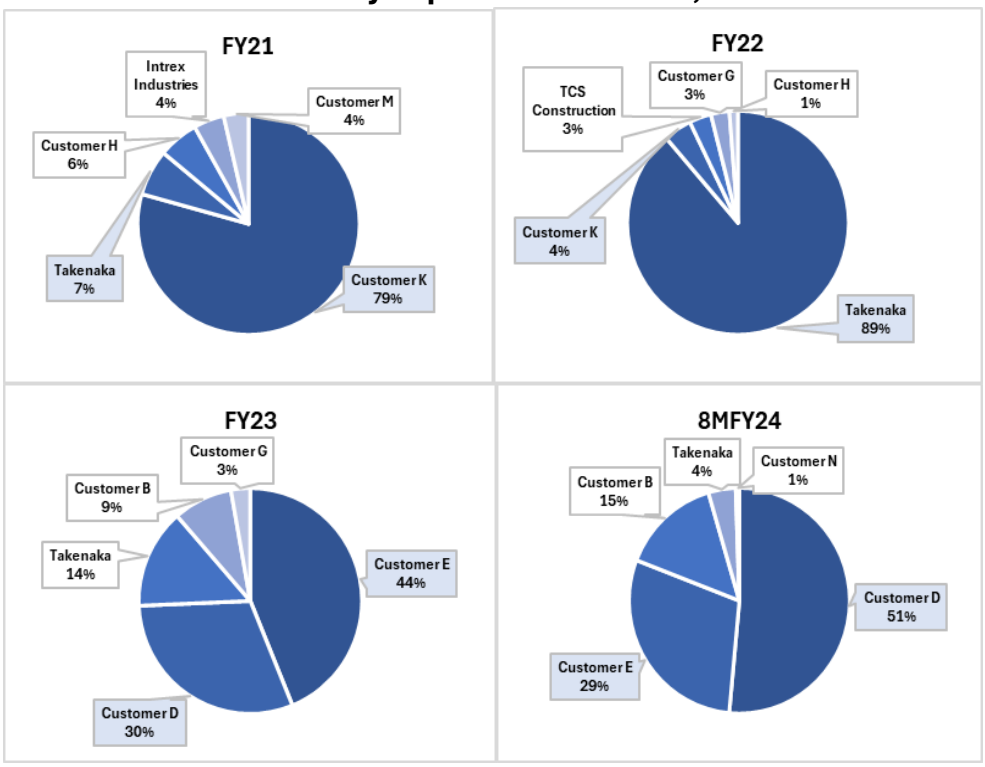
Completed Projects

Project details / scope	Customer	COD	Contract value
Electrical works	Customer G	Aug 16/Mar 23	21.4
Electrical works	Customer H	May 19/Oct 22	9.0
Electrical works	Takenaka	Jun 19/Dec 20	27.9
Electrical works	Customer I	Feb 20/Apr 24	4.6
Electrical works	Customer J	May 20/Dec 21	6.3
Electrical works	TCS	Aug 20/Oct 23	8.4
Electrical works	Takenaka	Oct 20/Mar 22	3.9
Supply and build phase 1a 275kv/33kv substation	Customer K	Jul 20/Nov 22	70.7
Design and built of a 275 kV substation and 33 kV/11 kV substation	Takenaka	Nov 21/May 23	93.0
Electrical works	Takenaka	Jan 22/May 23	77.9
Electrical works	Customer L	Jan 22/Aug 23	4.6
Design and built of a 275 kV substation, DC	Customer E	Nov 22/Nov 23	43.0
Design and built of a 275 kV substation, DC	Customer E	May 23/Dec 23	20.2
Electrical works	Customer A	Nov 19/July 24	5.5
Design and built of a 132 kV substation, DC	Customer E	Aug 23/July 24	68.2
Electrical works	Customer B	Sept 23/Nov 24	18.3
Electrical works	Customer C	Nov 23/Nov 24	4.1
		Total	**486.9**

Source: Prospectus, Apex Securities

CBHB primarily focuses on serving the private sector, where job flows are often secured through direct negotiations or private tenders. Thanks to its proven track record and ability to offer comprehensive one-stop solutions, CBHB is frequently reappointed by existing clients for facility upgrades, expansions, and new developments. Its client portfolio includes the well-known Japanese player Takenaka, with whom CBHB has maintained a two-decade relationship, ranking among its top two customers by revenue in FY21 and FY22. However, Since FY23, the landscape has shifted as CBHB expanded its involvement in HV substation projects. Consequently, Customer D and Customer E, both primarily focused on DC operations, have taken a larger slice of the pie.

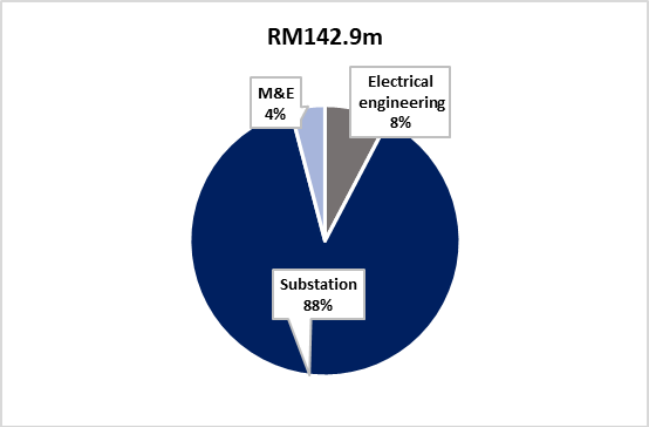
Revenue Contribution by Top Five Customers, FY21 to 8MFY24



Source: Prospectus, Apex Securities

As of 31 Dec 2024, CBHB's unbilled order book stood at RM142.9m, with c.88% derived from DC substation projects. Most of this amount is expected to be recognised in FY25F. In terms of tenders, the Group holds a total tender book up to RM620m, with nearly 90% of this related to substation projects. This includes callbacks from existing customers for upgrades and invitations from new customers for substation works. We understand that CBHB is focusing more on larger projects (e.g. contract values exceeding RM100m) to expand its market share. Applying its historical win rate of 20%, this could boost the order book to over RM300m by the end of 2025, providing earnings visibility over the next year. In our forecast, we assume an orderbook replenishment rate of c.RM300m per annum and believe this target is achievable given CBHB's strong track record in the DC space.

Orderbook Breakdown

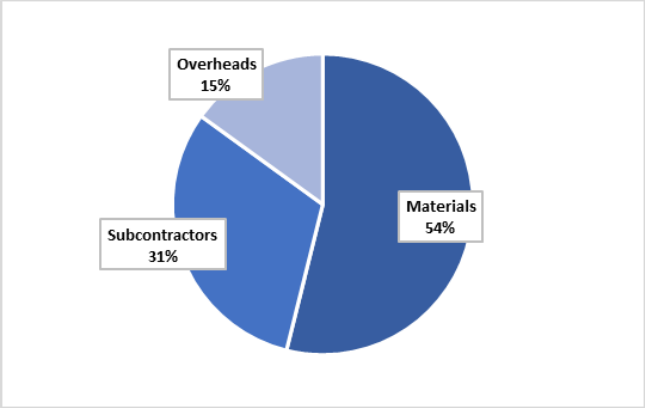


Source: Company, Apex Securities

Cost analysis. Given CBHB's role as the main contractor for HV substation projects, electrical equipment accounts for c.50% of the COGS, making up a significant portion of the total costs. This includes high-value components such as transformers, switchgears, switchboards, and AC/DC systems. Industry sources indicate that an HV power transformer can cost up to USD2.6m per unit, underscoring how expensive these critical components are.

Subcontractors represent the second largest cost at 30%, while the remaining 15% is allocated to overheads. As CBHB primarily focuses on the technical aspects, labour-intensive civil-related works are outsourced to third-party subcontractors to preserve its margins. This approach also accelerates project timeliness, as CBHB lacks the manpower to execute labour-intensive tasks such as M&E system installation. All work will be supervised and monitored by CBHB's project team. As of 8MFY24, CBHB has a total workforce of 120, with c.60% in project-related roles, 10% in engineering, 5% in management, and the remainder in general labour. CBHB plans to utilise proceeds from the IPO to hire 11 additional team members, expanding its project department to support future business growth.

COGS Breakdown as of 8MFY24



Source: Prospectus, Apex Securities

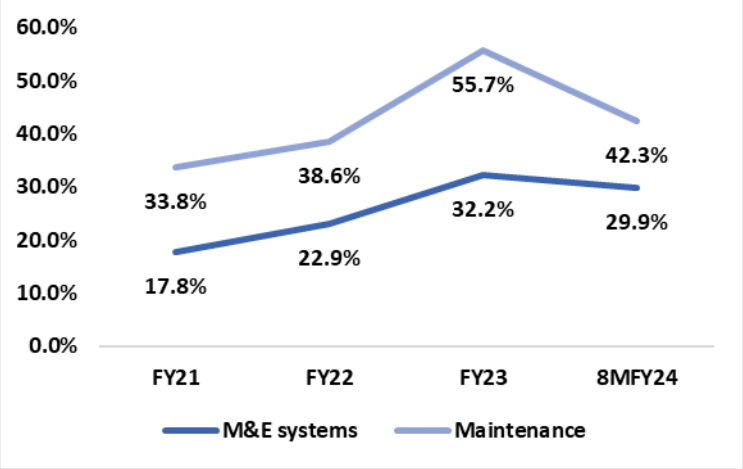
GP margins. Historically, CBHB has delivered GP margins exceeding 20%, significantly surpassing the industry average of c.10%.

i. **Expertise in HV Substations.** Given the complexity and precision required for HV substations, design is critical in ensuring optimal performance and reliability. CBHB specialises in the design and construction of HV consumer substations (132kV/275kV). Its meticulous design approach, highly skilled engineering workforce, and proven track record in project execution enable CBHB to secure projects with premium margins.

ii. **Procurements Strategy.** CBHB maintains strong, long-standing relationships with suppliers, enabling cost-efficient purchasing. CBHB has 178 approved suppliers of materials, allowing it to diversify its supply sources and select suppliers offering the most competitive prices. Notably, there is no escalation clause, meaning any additional costs will be borne by CBHB. Fortunately, CBHB has a sufficient buffer to absorb price fluctuations, supported by its robust GP margin.

iii. **Labour-light business model.** CBHB primarily focuses on the technical aspects, such as design, testing, commissioning and maintenance of M&E engineering projects, while labour-intensive tasks such as civil works, site preparation, piling, cable pulling, mechanical services, and other work requiring general labour are outsourced to third parties to preserve margins. All abovementioned tasks are performed under the supervision and monitoring of CBHB's project team. As date, CBHB have 54 approved subcontractors.

GP Margin, FY21 to 8MFY24



Source: Prospectus, Apex Securities

IPO Utilisation

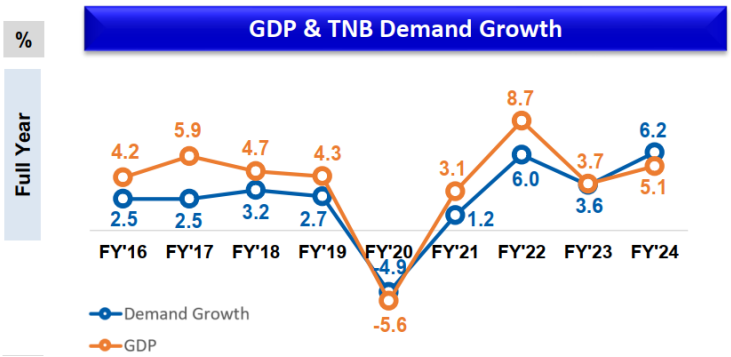
Details of Utilisation	Estimated time frame for utilisation	RM'm	(%)
Procurement of equipment and components for future projects	Within 36 months	38.5	46.1%
Payment to subcontractors for future projects	Within 24 months	18.5	22.1%
Bank guarantees for future projects	Within 24 months	17.3	20.7%
Recruitment of engineers and other personnel	Within 24 months	3.5	4.1%
Estimated listing expenses	Within 3 months	5.7	6.8%
Total		**83.4**	**100%**

Source: Company, Apex Securities

Industry Overview

Growing electricity demand. Malaysia's electricity demand has seen a steady increase, with a 8-year CAGR of 2.4%. 70% of this demand has been driven by the commercial and industrial sectors, nearly 30% by domestic consumption, and the remainder attributed to exports, mining and others. Previously, demand growth lagged behind GDP due to energy efficiency gains and a shift toward a service-based economy. However, since 2024, this gap has closed, with electricity demand now matching GDP growth, driven primarily by the rapid expansion of DCs.

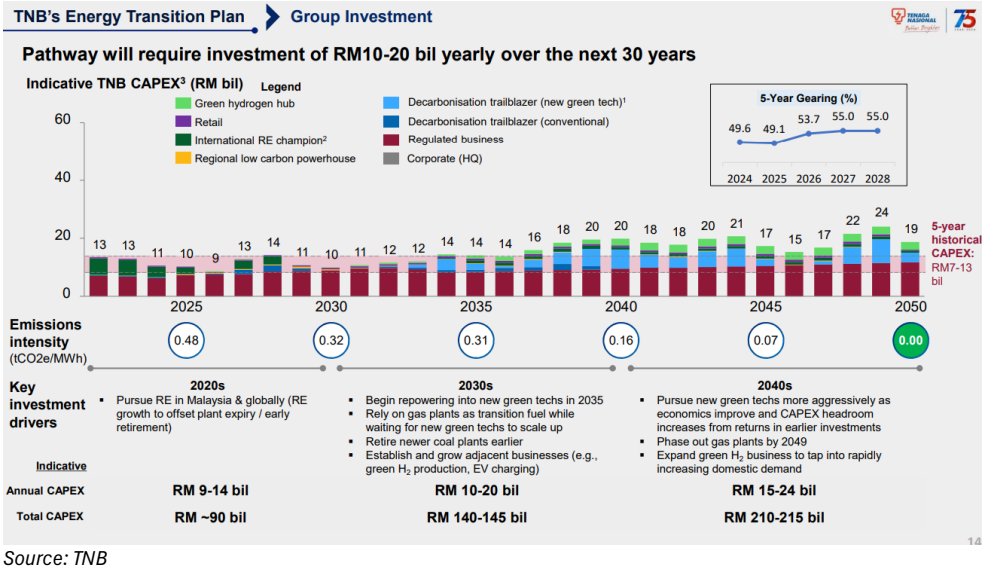
Electricity demand from 2017 to 2024



Source: TNB

TNB has revised its annual electricity demand growth projection to 3.5-4.5% for 2025–2030, up from the previous estimate of 1.0–2.0%. With this growth, TNB plans to invest RM90bn in Malaysia's grid over the same period, nearly doubling the RM46bn allocated between 2018 and 2024, to enhance and modernise its utility infrastructure.

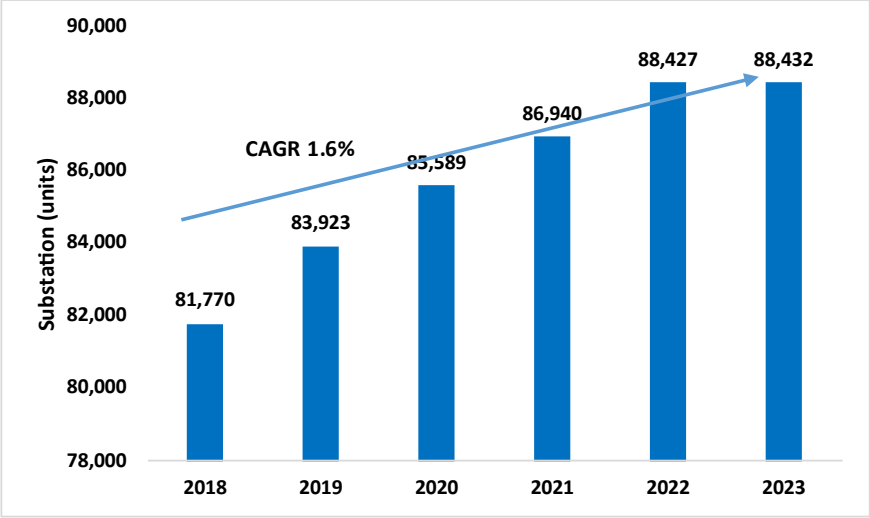
TNB's investment plan from 2025 to 2050



Source: TNB

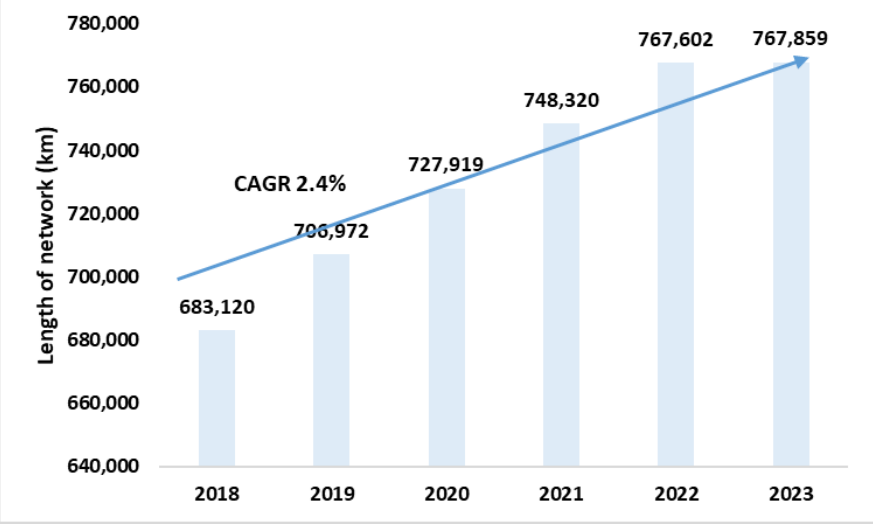
Growing power demand necessitates the expansion of power infrastructure to support increased power transmission and distribution. This is evident in the rising number of substations and the greater adoption of underground cables, both of which have expanded in tandem with the rising power demand.

Total substation in Peninsular Malaysia from 2018 to 2023



Source: TNB, Apex Securities

Total length of network in Peninsular Malaysia from 2018 to 2023



Source: TNB, Apex Securities

What is substation? Facility in the electrical grid that receives electricity from power plants or transmission lines and modifies its voltage level, either stepping it up for efficient long-distance transmission or stepping it down for safe distribution to consumers.

Type of Substations. Substations in Malaysia are categorised into two main types: national grid substations and consumer substations. This discussion focuses on **consumer substations**, which is under CBHB's area of expertise. Consumer substations can be further divided into three categories: HV (275kV/132kV), MV (1kV to 35kV), and LV (below 1kV). Each substation project has different lead times, HV may range from 3-5 years, MV may take less than 2 years, and LV might take around a year.

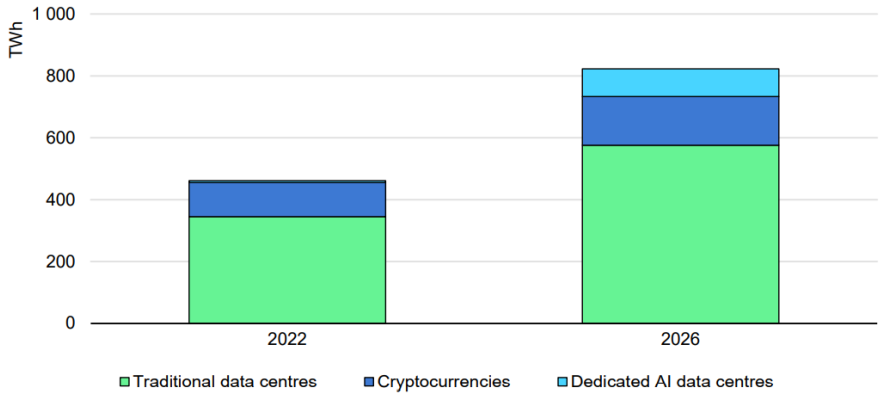
How It Begins? In most cases, project owners will issue tenders, invitations, or referrals from existing or prospective customers to engage electrical specialists for electrical engineering services. In addition to submitting proposals and project cost details, specialists are typically required to submit a tender bond. Once approved, the specialist will carry out the work in full adherence to the specified requirements, up until the final stage of testing and commissioning, before handing over the completed project.

CBHB's Position. Designing HV substations is a highly specialised process that demands technical expertise, regulatory compliance, and a strong commitment to safety and sustainability. CBHB stands out as a leading HV substation specialist, managing projects end-to-end, from design to execution. With four successfully completed projects and three more set for CY25, CBHB is strategically positioned to capitalise on rising demand, particularly in the DC sector, where HV infrastructure is vital for reliability and scalability.

DCs demand enormous power. Since 2021, Malaysia has attracted approximately RM90bn worth of DC investments from leading global cloud service providers, including AirTrunk, Amazon, Bridge, Microsoft, GDS, Yondr Group, Google, K2, Keppel, and Equinix. The influx is driven by several key factors: (i) Malaysia's strategic location at the heart of ASEAN, (ii) robust fibre connectivity, (iii) more affordable land prices compared to neighbouring Singapore, and (iv) favourable government policies.

Unlike most industries, DCs are massive energy consumers, running 24/7 at high redundancy to keep services up and avoid downtime. For example, a 100MW DC can produce enough power to run roughly 80,000 homes. International Energy Agency (IEA) estimates that ~40% of a DC's energy goes to computing, another 40% is used for cooling, and the remaining 20% powers other processes. AI-driven DCs are even more energy-intensive than traditional ones, as they are designed for high-performance parallel processing to handle more complex workloads. For example, OpenAI's ChatGPT uses 2.9 Wh per request, and with 9bn searches a day, that adds up to nearly 10 TWh of additional electricity each year, equivalent to capacity of c.1GW, or 3.9% of Peninsular Malaysia's installed capacity. IEA projects that the global AI industry's energy consumption will skyrocket ~~jumping~~ from 7.3 TWh in 2023 to 73 TWh by 2026, marking a tenfold increase.

Expected electricity demand from DCs from 2022 and 2026F.



Source: IEA

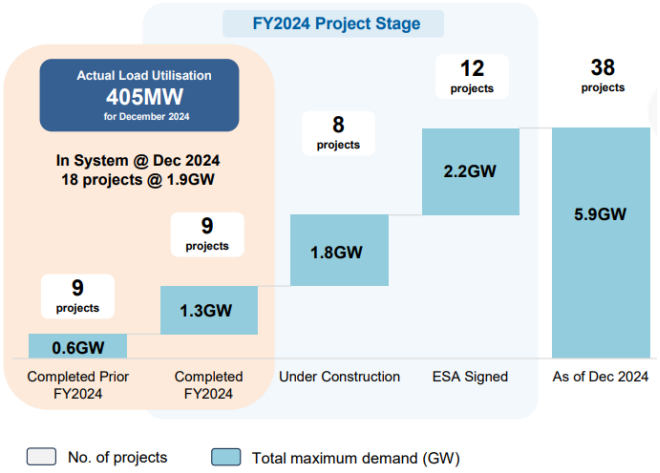
Malaysia's DC industry is primarily concentrated in Johor and Selangor, hosting ~60 facilities. Among these, Johor is rapidly emerging as a key DC hub in Malaysia, thanks to its availability of sizeable land bank for development along with close proximity to Singapore. According to DC Byte report dated Mar 2024, Johor's total IT capacity is nearly 1,600 MW, with around 20% already live or under construction, and the remaining 80% committed and in early planning stages. The report also notes that Bridge DCs is leading the market in live IT capacity, with 69% market share, with GDS Holdings coming in second at 23%.

DC Map in Malaysia

Source: Baxtel

According to TNB's latest analyst briefing, there are a total of 12 projects with maximum demand of 2.2GW with electricity supply agreement (ESA) signed but yet to be delivered by TNB, on top of the 1.9GW that has already been delivered. This reflects the strong demand for electricity from the rapidly growing data centre projects.

Total electricity supply to be delivered by TNB



Source: TNB

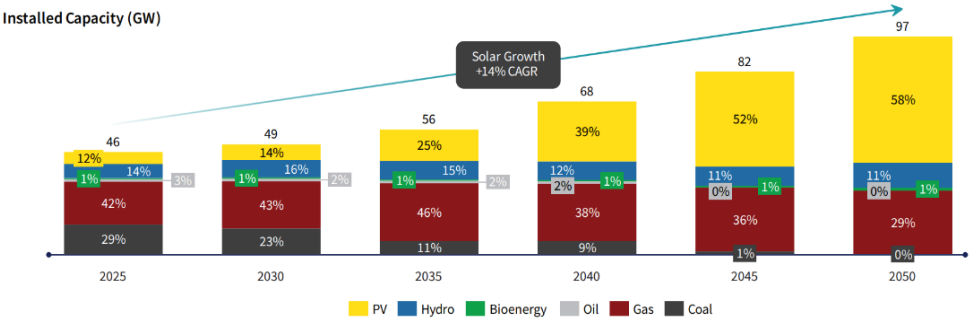
Many DCs are in their early stages, as many projects have yet to advance to the groundbreaking phase. Based on data from *The Edge*, a total of about 2.4 GW of DC projects has been announced. We believe these developments will likely be spread over three to five years rather than occurring all at once.

Based on the rule of thumb, assuming a power factor of 0.9, a 275kV substation can supply up to 100 MW or more. While a 132kV substation can also support up to 100 MW, this typically requires multiple parallel interconnections to ensure reliable power delivery. However, these figures may vary depending on the IT loads of the DCs, as higher loads may require more power.

Apex in-house view. We believe the demand for HV substations will remain strong, driven by the rapid growth of global hyperscalers and DC operators in Malaysia. The rise of AI and high-performance GPU servers, which consume 2-3x more power than traditional servers, highlights the need for a massive increase in power capacity. We see CBHB is well positioned in a sweet spot to capitalise onto the influx of opportunities, backed by its proven track record in executing HV substation projects. CBHB successfully completed up to four HV substation projects, with three more currently ongoing.

National Energy Transition Roadmap (NETR). To meet Malaysia's growing electricity demand, the government launched the National Energy Transition Roadmap (NETR) on 23 Aug 2023. This initiative aims to achieve net-zero emissions by shifting to clean energy. As part of the plan, RM420bn will be invested in grid infrastructure to reach 70% renewable energy capacity by 2050.

Projected power mix 2050

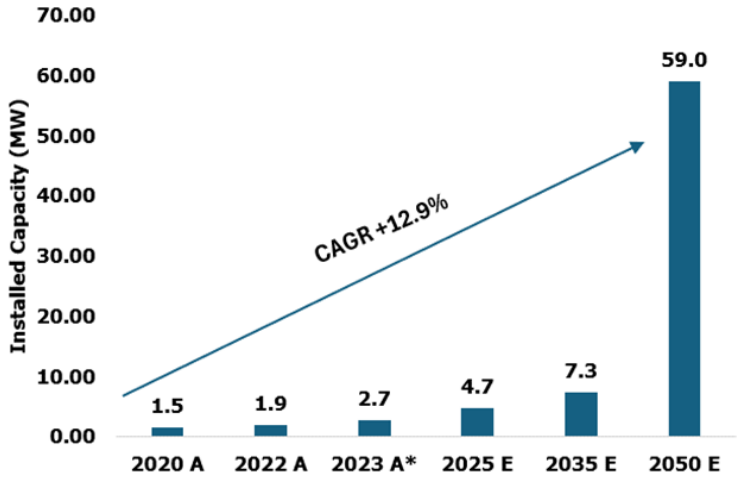


Source: NETR

One of the key aspects highlighted is Malaysia's immense solar PV potential of 269GW, accounting for over 92% of the country's total 290GW of identified renewable energy resources. Malaysia's strategic location near the equator, with its dense solar radiation, leads to high energy output per square meter. Our analysis shows that to meet the 70% RE target by 2050, starting in 2025, annual RE installations need to more than double to 2.2GW per year until 2050. Solar power, expected to account for 58% of the capacity mix, will be a crucial component in achieving this target.

With abundant potential, solar energy remains a key driver of Malaysia's energy transition. Solar farms are typically built in rural areas (due to lower land costs), and the generated power is transmitted through substations (33kV to 132kV) to step up the voltage and connect to the grid.

Malaysia Historical and Target Solar Installed



Source: MyRER, NETR, Apex Securities
2023 A as at Aug 2023.*

Apex in-house view. We see RE as another catalyst for the growing demand for substations, assuming large-scale RE projects continue to roll out to meet Malaysia's ambitious energy goals. According to industry sources, RE EPCCs have begun sourcing HV 132Kv cables for connecting 50MW solar farms to substations. This highlights that the demand for 33kV~132kV substations is likely to rise in tandem with the growing demand for HV cables.

With the recent allocation of the LSS5 quota, totalling 2.0GW, six solar farms have been awarded 100MW each, alongside two projects awarded up to 300MW each. In addition to the 2.0GW LSS5+ quota, the substantial scale of development is expected to drive increased demand for 33kV to 132kV substations, which are essential for integrating large volumes of solar energy into the national grid at the appropriate voltage levels. We believe this growing trend will position CBHB favorably as a specialist in design and construction across all voltage levels.

Investment Highlights

Electrical Engineering Service Provider. CBHB has more than 30 years of experience in M&E engineering solutions, with expertise in the design and construction of LV, MV, and HV substations, primarily serving the private sector. In recent years, CBHB has successfully delivered four HV substation projects (132kV/275kV) for data centre (DC) owners. Thanks to its extensive expertise in HV substations, CBHB continues to secure high-value projects, including three ongoing HV substation projects, bringing the total contract value of completed and ongoing projects to >RM600m. With its strong track record in the HV substation sector, CBHB is well-positioned to capitalise on the region's expanding DC industry, which demands complex substation designs to ensure a stable and highly redundant electricity supply for operations.

Potential orderbook replenishment over the near-term. CBHB is experiencing early signs of growth, as demand for HV substations from DC owners has led to a doubling of its earnings to RM44.3m in FY24, reflecting a three-year CAGR of +131.2%. Driven by strong execution in HV substations projects, CBHB is receiving more tender invitations from DC owners, with its tender book now reaching RM620m, of which 90% is related to substations. Even with a conservative historical success rate of 20%, potential contract wins from this tender pipeline could boost CBHB's order book to over RM250m by the end of FY25F. Looking ahead, we are projecting an annual order book replenishment rate of c.RM300m in FY25F–FY26F, premised to CBHB's strong historical track record. As of Dec 2024, unbilled orderbook stood at RM142.9m.

Superior profit margin. CBHB has consistently achieved core net margins of between 12-16%, outperforming industry peers. This is driven by its (i) expertise in the design-and-build capabilities of HV substations, hence commanding superior margins, (ii) long-standing supplier relationships that enables cost-efficient procurement, and (iii) labour-light business model, which subcontracts all labour-intensive work. We project a more conservative margin for HV substation projects due to the increasingly competitive landscape. Overall, we project core net profit to grow at a three-year CAGR of 20.4% from FY24 to FY27F.

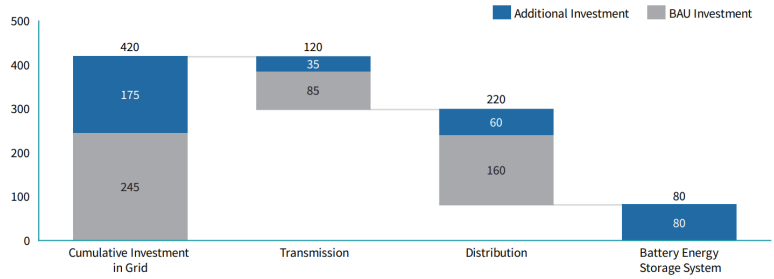
Ramping up capacity. CBHB plans to utilise RM77.7m (93.2%) of the IPO funds for working capital to support its business growth. This funding will address the financial demands of performance bonds (5–10% of the total project value) and mitigate cash flow mismatches during project execution. Of this amount, RM3.5m is allocated to enhance its project capacity by expanding its workforce with skilled professionals. We believe this expansion will enable improved order fulfilment, positioning CBHB to better manage larger-scale projects.

Data center job prospects remain strong. We understand CBHB's high exposure to data centre development has raised investors' concerns regarding its growth trajectory. However, our checks show that there is no slowdown in existing DCs projects, with construction even accelerating. We believe demand for DCs in Malaysia is unlikely to slow down, driven by the robust capex plans from hyperscalers (Amazon, Google, Microsoft, and Oracle) totalling over USD44bn in the coming years, with more than half of this investment targeted for Malaysia. The growth trajectory remains intact, considering (i) Malaysia's strategic location near Singapore, and (ii) affordable electricity, water and land, which are key components needed for cooling and power in DCs, the low-cost business environment and abundant resources make Malaysia an appealing option for hyperscalers to set up regional DC hubs in the region. Note that the

ruling to cap 7% exposure to Tier-2 countries for the deployment of AI chips has yet to be finalized, with a decision expected in May. This leaves room for potential revisions or modifications to the current AI chip export restrictions.

Not just about DCs. Based on the NETR, the capex required for grid development between 2023 and 2050 amounts to RM420bn, with 29% allocated for transmission, 52% for distribution, and the remainder for BESS. This aligns with TNB's recent upsize in capex for RP4 (+29% from RP3). As a G7-certified contractor by TNB, CBHB is qualified to tender for national substation projects across all voltage levels. In addition, the rising demand for RE is expected to drive greater demand for 33kV-to-132kV substations, as large-scale RE projects typically require these substations to step up power before integrating it into the national grid. Backed by a proven track record in substation execution, we believe these developments present further growth opportunities for CBHB to capitalise on, expanding its market share in the industry.

Projected Power System Cumulative Investments



Source: NETR

Financial Highlights

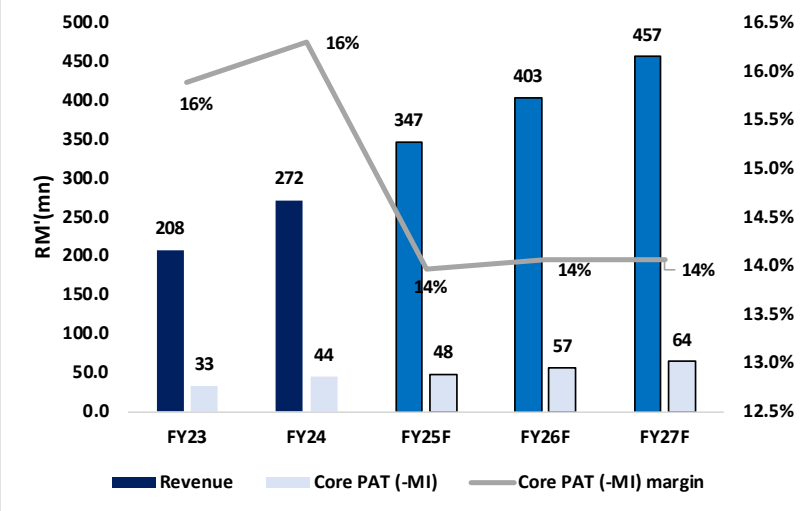
CBHB has demonstrated impressive financial growth, achieving a three-year CAGR of 131.2%, with core net profit rising from RM3.6m in FY21 to RM44.3m in FY24. Growth was largely attributed to the successful execution of several high-value substation projects with lucrative margins. Consequently, CBHB's core net margins jumped to 16.3%, up from a single-digit 5.3% in FY21. As for the balance sheet, CBHB maintains a strong financial position with a healthy cash reserve of RM38.8m and a gross gearing ratio of 0.03x as of FY24.

While CBHB does not have a fixed dividend policy, it keeps a net cash position because of the nature of its business. We do not expect any dividend payouts in the near future, as the Group's main focus for the next 24 months will be executing its expansion plans, which require additional cash for working capital purposes.

Earnings outlook. Looking ahead, we project CBHB's core earnings to grow by 9.5% yoy in FY25F to RM48.5m, mainly driven by progress billings from its existing order book of RM142.9m, alongside assumed order book replenishment of c.RM300m per annum. Our assumption accounts for progress billings expected to be distributed over two years, with normalised GP margins anticipated moving forward due to increasingly competitive landscape.

FY26F-FY27F: We project CBHB's core earnings to grow by 17.0%/13.3% yoy to RM56.7m/RM64.2m respectively, mainly driven by: i) new contract wins for design-build substations, which yield higher margins, ii) ongoing progress billings from the existing order book, and iii) sustained growth in M&E services.

Revenue, earnings and margin from FY22 to FY27F



Source: Company, Apex Securities

Valuation & Recommendation

Initiation Coverage. We initiate coverage of CBHB with a **BUY** recommendation and a target price of **RM0.54** by pegging 18.0x P/E ratio to FY26F EPS of 3.0 sen, along with a three-star ESG rating. We believe that the P/E multiple premium over general MEP peers is justified given **(i) CBHB's strong design-and-build capabilities for HV substations, (ii) robust supplier relationships that enables cost-efficient procurement, (iii) and long-standing client relationships, positioning the Group as the preferred contractor.** CBHB's share price slump over past two months, attributable to the rollout of DeepSeek and the AI Diffusion Framework, was an unwarranted overreaction. At the current share price (last close RM0.27), we believe it is a good opportunity for accumulation, as the stock trades at only 9x FY26 EPS, representing a 8% discount to the peers' weighted average PE of 9.8x.

Peers Comparison

CBHB's closest listed peers in the field include MN Holdings, HE Group, and Critical Holdings. In terms of HV substations, the closest peers are MN Holdings. HE Group primarily focuses on distribution substations (MV, ranging up to 33 kV or lower), while Critical Holdings has no substation exposure, concentrating instead on M&E solutions.

Peers comparison

Company	FYE	Price (RM) as at 5Mar25	P/E (x) FY25F	P/E (x) FY26F	Dividend Yield (%)	Target Price (RM)	Potental Upside	ESG Rating
CBH Engineering Holding	Dec	0.27	10.5	9.0	0.00	0.54	1.0	★★★
HE Group Bhd	Dec	0.32	7.6	5.8	1.25	N/A	N/A	N/A
MN Holdings Bhd	Jun	1.02	12.1	11.1	0.15	N/A	N/A	N/A
Critical Holdings Bhd	Jun	0.82	3.9	9.1	1.59	N/A	N/A	N/A

Peers P/E (x) based on Bloomberg consensus estimates*
Source: Bloomberg, Apex Securities

Investment Risk

Highly dependent on the power industry. Substation-related works are the primary driver of the company's earnings, any slowdown in capex rollout within the power sector could significantly impact the company's potential job opportunities.

Dependence on main contractors. HV projects are secured through invited tenders from main contractors. Any adverse changes in these relationships could have a material impact on CBHB's financial performance. Note that CBHB has started tendering projects directly with project owners.

Unexpected project delays. Any unexpected project delays may trigger a domino effect on the entire project timeline, which could result in penalties.

Financial Highlights

Income Statement

FYE (Dec) Mn	FY23	FY24	FY25F	FY26F	FY27F
Revenue	**208.0**	**271.7**	**347.2**	**403.3**	**456.8**
Gross Profit	**67.3**	**73.4**	**82.4**	**97.7**	**110.7**
EBITDA	**46.1**	**55.1**	**64.5**	**75.2**	**85.2**
Depreciation & Amortisation	-0.7	-0.9	-1.4	-1.3	-1.4
EBIT	**45.5**	**54.1**	**63.1**	**73.9**	**83.8**
Net Finance Income/ (Cost)	0.5	0.7	0.7	0.7	0.7
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	**46.0**	**54.8**	**63.8**	**74.6**	**84.5**
Tax	-12.9	-13.1	-15.3	-17.9	-20.3
Profit After Tax	**33.0**	**41.7**	**48.5**	**56.7**	**64.2**
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	**33.0**	**41.7**	**48.5**	**56.7**	**64.2**
Exceptionals	0.0	-2.5	0.0	0.0	0.0
Core Net Profit	**33.0**	**44.3**	**48.5**	**56.7**	**64.2**

Key Ratios

FYE (Dec) Mn	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	1.8	2.4	2.6	3.0	3.4
P/E (x)	15.4	11.5	10.5	9.0	7.9
P/B (x)	6.5	5.1	2.2	1.8	1.4
EV/EBITDA (x)	11.9	9.9	10.3	8.9	8.5
DPS (sen)	0.6	0.9	0.0	0.0	0.0
Dividend Yield (%)	2.4%	3.3%	0.0%	0.0%	0.0%
EBITDA margin (%)	22.2%	20.3%	18.6%	18.7%	18.6%
EBIT margin (%)	21.9%	19.9%	18.2%	18.3%	18.3%
PBT margin (%)	22.1%	20.2%	18.4%	18.5%	18.5%
PAT margin (%)	15.9%	15.4%	14.0%	14.1%	14.1%
NP margin (%)	15.9%	15.4%	14.0%	14.1%	14.1%
CNP margin (%)	15.9%	16.3%	14.0%	14.1%	14.1%
ROE (%)	42.1%	44.6%	21.0%	19.7%	18.2%
ROA (%)	23.1%	27.7%	14.5%	13.9%	13.2%
Gearing (%)	0.0%	0.1%	0.0%	0.0%	0.0%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY26F
Core EPS (RM)	0.030
P/E multiple (x)	18.0
Fair Value (RM)	**0.54**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**0.54**

Source: Company, Apex Securities

Balance Sheet

FYE (Dec) Mn	FY23	FY24	FY25F	FY26F	FY27F
Cash	42.9	38.9	154.9	164.6	213.9
Receivables	46.6	38.7	92.7	106.9	121.1
Contract assets	48.7	75.2	79.8	129.0	146.2
Other current assets	0.5	0.3	0.3	0.3	0.3
Total Current Assets	**138.7**	**153.1**	**327.7**	**400.9**	**481.4**
Fixed Assets	2.2	3.6	3.3	3.1	3.2
Intangibles	0.0	1.0	2.0	3.0	4.0
Other non-current assets	2.0	1.9	0.9	-0.1	-1.1
Total Non-Current Assets	**4.2**	**6.5**	**6.2**	**6.1**	**6.1**
Short-term debt	0.0	0.1	0.1	0.1	0.1
Payables	50.9	53.8	92.7	106.9	121.1
Other current liabilities	12.3	4.8	9.6	11.6	13.6
Total Current Liabilities	**63.2**	**58.7**	**102.4**	**118.6**	**134.8**
Long-term debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	1.2	1.7	0.4	0.5	0.7
Total Non-Current Liabilities	**1.2**	**1.7**	**0.4**	**0.5**	**0.7**
Shareholder's equity	78.4	99.2	231.1	287.8	352.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	**78.4**	**99.2**	**231.1**	**287.8**	**352.0**

Cash Flow

FYE (Dec) Mn	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	**46.0**	**54.8**	**63.8**	**74.6**	**84.5**
Depreciation & amortisation	0.6	0.9	1.4	1.3	1.4
Changes in working capital	-10.8	-21.6	-17.9	-48.4	-16.3
Others	0.4	-16.2	-16.0	-18.6	-21.0
Operating cash flow	**36.2**	**18.0**	**31.3**	**9.0**	**48.5**
Capex	-0.3	-1.0	-1.1	-1.2	-1.4
Others	2.9	0.5	0.8	0.8	0.9
Investing cash flow	**2.6**	**-0.6**	**-0.3**	**-0.4**	**-0.5**
Dividends paid	-12.1	-21.0	0.0	0.0	0.0
Others	-8.6	-0.6	85.1	1.1	1.2
Financing cash flow	**-20.7**	**-21.6**	**85.1**	**1.1**	**1.2**
Net cash flow	**18.0**	**-4.2**	**116.1**	**9.7**	**49.2**
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	13.6	31.6	27.4	143.5	153.2
Ending cash	**31.6**	**27.4**	**143.5**	**153.2**	**202.4**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	Scope 1 and Scope 2 GHG emissions totalled 396.6m tCO2 e in 2023, marking a 46% yoy decreased from 2023.
Waste & Effluent	★★★	3R (Reduce, Reuse, Recycle) initiative was implemented, with 3R bins placed in each office.
Energy	★★	Energy consumption increased by 66% in FY24.
Water	★★★	Reduced water consumption by 7%, from 0.48m^3 in the previous year to 0.45m^3.
Compliance	★★★	The Group complies with all local and international environmental regulations.

Social

Diversity	★★★	Female representation at 22% in the workforce and 57% at the management level, higher than the MCCG's recommended 30% female directors on the Board.
Human Rights	★★★	Enforces strict policies against human trafficking, forced labor, and child labor.
Occupational Safety and Health	★★★	3 employees trained in 2024 to enhance workforce competence. No fatalities.
Labour Practices	★★★	Adheres to all relevant labor laws.

Governance

CSR Strategy	★★★	Actively engaged with communities, contributing RM66.4k (+72% yoy) to various initiatives.
Management	★★★	Among the board members, 57% (4 out of 6) were female, while 36% (4 out of 11) were independent directors.
Stakeholders	★★★	Regularly organizes corporate events and holds an annual general meeting (AGM) for investors.

Overall ESG Scoring: ★★★

Recommendation Framework:
BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
*Capital gain + dividend yield

Sector Recommendations:
OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:
★★★★★ : Appraised with 3% premium to fundamental fair value
★★★★ : Appraised with 1% premium to fundamental fair value
★★★ : Appraised with 0% premium/discount to fundamental fair value
★★ : Appraised with -1% discount to fundamental fair value
★ : Appraised with -5% discount to fundamental fair value

As of **Thursday, 06 Mar, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.