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Industrial Sector

Overweight (↔)

1QCY25 Earnings Review: Outlook Positive Despite Mixed Results

- Overall results were mixed, with **SCGB** outperforming expectations, while **UUE** and **CBHB** underperformed.
- We expect qoq earnings growth in the coming quarter, supported by the resumption of construction activities following the festive holiday period and execution of robust order books.
- **TNB's** latest analyst briefing highlighted the signing of 5 ESAs for DC projects with a capacity of 666MW in 1QFY25. Additionally, another 10 ESAs for DC projects, with an average capacity of 150–200MW each, are expected to be signed by end-2025. This is expected to sustain strong demand for electrical substation construction, underground utility solutions, and electricity distribution equipment, benefiting our portfolio companies.
- We maintain our **OVERWEIGHT** recommendation on the Industrial sector and reiterate **BUY** calls on **CBHB** (TP: RM0.38), **SCGB** (TP: RM1.72), and **UUE** (TP: RM0.83).

Review. In 1QCY25, the three industrial companies under our coverage delivered mixed results. **SCGB** exceeded expectations, while **UUE** and **CBHB** were below expectations. **SCGB's** earnings beat was primarily driven by stronger-than-expected margins in the Power segment. In contrast, **UUE** and **CBHB** underperformed due to lower-than-expected revenue recognition from contracted projects, which was impacted by workflow disruptions.

In 1QCY25, **SCGB** posted a stellar qoq growth in core net profit (CNP), driven by higher sales of power cables and wires supported by strong demand from national utility. In contrast, **UUE** and **CBHB** reported lower CNP qoq. **UUE's** decline was due to softer revenue in its **UUE** segment, reflecting the slowdown of new HDD project rollouts in Singapore, as project awards were withheld ahead of the general election. **CBHB's** CNP decline was attributed to weaker performance in the M&E system segment, impacted by workflow disruptions during the festive holiday and lower recognition from projects either nearing completion or in early execution stages.

SCGB's core net profit (CNP) more than doubled year-on-year (yoy), driven by robust sales growth in power cables and wires (segmental revenue up 32.0% yoy) and margin expansion, supported by a favourable product mix and rising demand for high- and medium-voltage cables, which typically command better margins. No yoy comparison is available for **CBHB** that was only listed in early 2025. Meanwhile, **UUE's** earnings declined yoy, primarily due to the aforementioned challenges in Singapore.

Outlook. We expect all companies under our coverage to deliver qoq improvements in the coming quarter. Electrical contractors **CBHB** and **UUE** will benefit from the resumption of construction activities following the festive holiday downtime. Meanwhile, **SCGB's** earnings growth is supported by a robust orders in hand of RM1.3bn, with c.90% allocated to power cables, ensuring earnings visibility for up to a year.

TNB's latest analyst briefing highlighted the signing of 5 Electricity Supply Agreements (ESAs) for data centre (DC) projects with a combined maximum capacity of 666MW in 1QFY25. Additionally, another 10 ESAs for DC projects, with an average capacity of 150–200MW each, are expected to be signed by end-2025. This is expected to sustain strong demand for electrical substation construction, underground utility solutions, and electricity distribution equipment over the near to medium term, benefiting our portfolio companies.

Valuation & Recommendation. During 1QCY25, we maintained our **BUY** recommendations for all the stocks under coverage, post earnings revisions: we raised **SCGB's** target price to **RM1.72** (from RM1.42) and lowered **CBHB's** to **RM0.38** (from RM0.45) and **UUE's** to **RM0.83** (from RM1.10). We maintain our **OVERWEIGHT** stance on the Industrial sector, supported by robust long-term fundamentals and the ongoing momentum from economic digitalisation. Reiterate our **BUY** calls on **CBHB** (TP: RM0.38), **SCGB** (TP: RM1.72), and **UUE** (TP: RM0.83).

Earnings Wrap

Wednesday, 04 Jun, 2025

Earnings Summary

CY (RM m)	1QCY25	1QCY24	yoy (%)	4QCY24	qoq (%)	3MCY25	3MCY24	yoy (%)
Revenue	432.7	312.0	38.7	382.1	13.2	432.7	312.0	38.7
SCGB	390.8	312.0	25.2	336.1	16.3	390.8	312.0	25.2
^UUE	41.9	N/A	nm	46.1	(9.1)	41.9	N/A	nm
CBHB	36.4	N/A	nm	83.9	(56.5)	36.4	N/A	nm
Core net profit	37.7	13.6	176.5	42.4	(11.1)	37.7	13.6	113.7
SCGB	29.1	13.6	113.7	24.8	17.5	29.1	N/A	nm
^UUE	2.8	N/A	nm	7.3	(61.9)	2.8	N/A	nm
CBHB	5.8	N/A	nm	10.3	(43.9)	5.8	N/A	nm
Core PATMI margin (%)	8.7	4.4		11.1		6.7	4.4	
SCGB	7.4	4.4		7.4		7.4	N/A	
^UUE	6.7	N/A		15.9		6.7	N/A	
CBHB	15.8	N/A		12.2		15.8	N/A	

Source: Company, Apex Securities

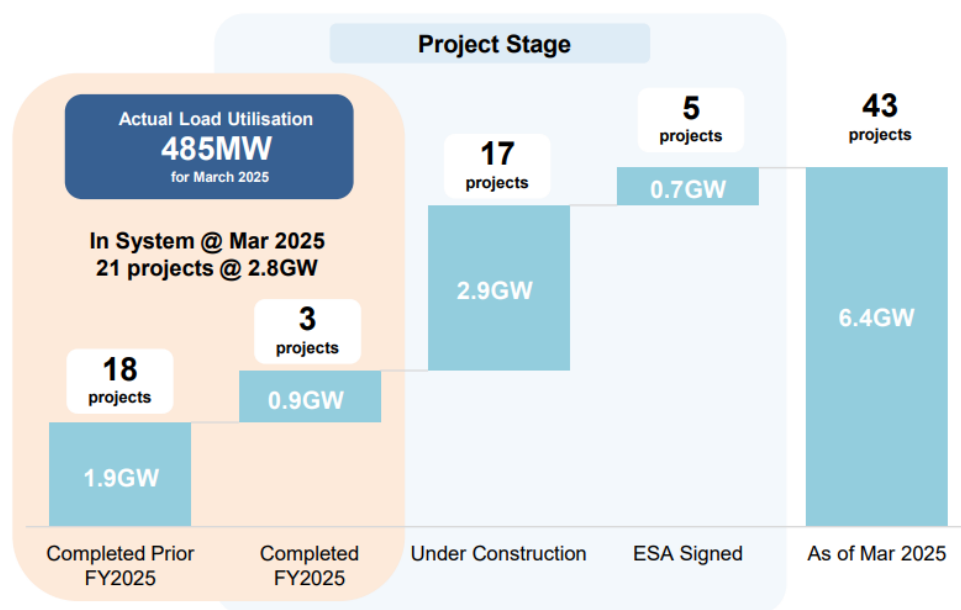
^ refers to Dec, Jan, Feb

Total Orders in Hand Summary (RM' m)

Company	Dec-24	Mar-24	Latest
SCGB	1300	1200	1200
UUE	252	212	240
CBHB	143	140	140
Total	1695	1552	1580

Source: Apex Securities

1QFY2025 Data Centres Development



☐ No. of projects ☒ Total maximum demand (GW)

Source: TNB

Earnings Wrap

Wednesday, 04 Jun, 2025

Company	FYE	Market Cap (RM m)	Rec.	Price (RM) ^	TP (RM)	Potential Upside	P/E (x)		Div Yield (%)		ESG Rating
							CY25	CY26	CY25	CY26	
Electrical contractors											
CBH Engineering Holding Bhd	Dec	413.8	Buy	0.22	0.38	72.7%	11.2	8.7	0.0	0.0	★★★
*MN Holdings Bhd	Jun	747.8	N/A	1.29	1.72	33.6%	13.5	11.8	0.1	0.1	N/A
*HE Group Bhd	Dec	105.6	N/A	0.24	0.45	87.5%	8.9	6.5	2.1	2.9	N/A
Average							11.2	9.0	0.7	1.0	
M&E											
CBH Engineering Holding Bhd	Dec	413.8	Buy	0.22	0.38	72.7%	11.2	8.7	0.0	0.0	★★★
*Critical Holdings Bhd	Jun	286.2	N/A	0.77	1.62	110.4%	8.9	8.1	2.9	3.1	N/A
*HE Group Bhd	Dec	105.6	N/A	0.24	0.45	87.5%	8.9	6.5	2.1	2.9	N/A
Average							9.7	7.8	1.6	2.0	
Underground Utilities											
UUE Holdings Bhd	Feb	428.8	Buy	0.705	0.83	17.7%	15.8	13.2	0.0	0.0	★★★
*MN Holdings Bhd	Jun	747.8	N/A	1.29	1.72	33.6%	13.5	11.8	0.1	0.1	N/A
Average							14.7	12.5	0.1	0.0	
Cables and Wires											
Southern Cable Group Bhd	Dec	1180.4	Buy	1.25	1.72	37.6%	12.8	11.7	1.2	1.4	★★★
*OSK Group Bhd	Dec	3588.1	N/A	1.74	3	72.4%	6.2	6.0	4.9	5.2	N/A
Average							9.5	8.8	3.0	3.3	

* Based on Bloomberg consensus

Source: ApexSecurities

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

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As of **Wednesday, 04 Jun, 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.
