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Recommendation:	BUY
Current Price:	RM0.32
Previous Target Price:	RM0.41
Target Price:	↔ RM0.41
Capital Upside/Downside:	28.1%
Dividend Yield (%):	0.0%
Total Upside/Downside	28.1%

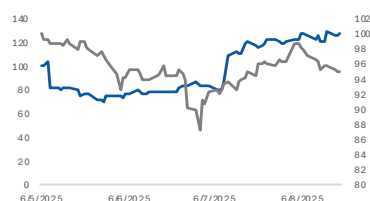
Stock information

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)	601.9
52-Week Price Range (RM)	0.38-0.2
Beta (x)	N/A
Free float (%)	26.7
3M Average Volume (m)	3.9
3M Average Value (RM' m)	1.1

Top 3 Shareholders

	(%)
Quay Holdings Sdn Bhd	73.0

Share Price Performance



	1M	3M	12M
Absolute (%)	12.3	42.2	N/A
Relative (%)	7.5	37.9	N/A

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	271.7	288.4	382.6
PATAMI (RM'm)	41.7	37.1	51.9
CNP (RM'm)	44.3	37.1	51.9
EPS - core (sen)	2.4	2.0	2.8
P/E(x)	13.2	15.7	11.2

CBH Engineering Holding Berhad

Post-results briefing takeaways

- **CBHB's outstanding order book of RM449.1m provides visibility over the next two financial years, supported by two large 275kV DC substation contracts (RM172m and RM194.7m). Substations now account for 92% of the order book, with management maintaining overall profit margin guidance of 15%.**
- **Tender book stands at RM827m (50% DC-related), with Johor dominating through large 275kV packages and Selangor focused on 132kV jobs (~RM100-130m). Management also highlighted rising traction in Negeri Sembilan, alongside potential projects in Perak and the Northern region.**
- **The Group has started bidding for TNB tenders (33kV/132kV, <RM100m) as part of its strategy to secure recurring revenue and reduce reliance on private sector DC projects.**
- **Maintain BUY recommendation with an unchanged target price of RM0.41, based on 15x FY26F EPS of 2.8sen and supported by a three-star ESG rating.**

We attended CBHB's 2QFY25 results briefing with the following key takeaways:

Solid 2QFY25 performance with stronger profitability. CBHB reported a solid 2QFY25, with revenue rising 63.8% YoY to RM59.7m, supported by the normalisation of construction activities post-festive downtime in 1QFY25 and stronger execution of ongoing projects. CNP surged 72.5% YoY to RM9.9m, with margin improving by 0.3%-pts to 16.6% on the back of higher contributions from high-voltage substation DC projects. Balance sheet remains healthy with low gearing of 0.01x and net cash of RM167.7m, giving ample headroom to support future project wins.

Order book provides strong earnings visibility. CBHB's outstanding order book stands at RM449.1m, representing ~1.7x FY24 revenue. Substations now contribute 92% of the order book, supported by two recently secured 275kV DC substation contracts valued at RM172.0m and RM194.7m, while smaller C&I projects in the range of RM3.9-18.0m provide supplementary contributions. Management continues to guide for a blended profit margin of 15% for the projects.

Tenderbook healthy at RM827m, where 50% is DC-related. With its current manpower of 75 employees in the project team, the Group is able to stretch its orderbook to ~RM600m without straining execution resources. Johor continues to dominate with large 275kV substation tenders (>RM200m), while Selangor's opportunities are mainly 132kV packages (~RM100-130m). Notably, management highlighted increasing traction in Negeri Sembilan, with additional opportunities expected in Perak and the Northern region. Any new wins will contribute modestly in FY25F, with bulk of the recognition expected in FY26F.

Strategic entry into TNB tenders. CBHB has recently ventured into TNB tenders (33kV/132kV, <RM100m), with a long-term aim of progressing towards the larger 275kV packages. While these projects typically command thinner margins compared to private DC jobs, management views participation as a strategic move to build recurring revenue streams and mitigate reliance on private-sector DC investments. We view this development positively, as it enhances earnings visibility while strengthening the Group's long-term orderbook sustainability.

DC cycle still on an uptrend. Management remains confident that Malaysia's DC demand has not peaked, citing sustained interest from global hyperscalers. We share this view, supported by [recent report](#) of 42 new DC projects approved in 2Q2025, reinforcing its role as the country's key digital hub. Based on our channel checks, the national pipeline currently stands at 522MW completed, 1,250MW under construction and 3,750MW planned, which we estimate could necessitate at least 35 new HV substations over the medium term. On this basis, we expect tender flows to remain robust into 2025-26, providing strong visibility for CBHB's growth trajectory.

Earnings revision. We make no changes to our earnings forecasts as the near-term outlook remains within expectations.

Valuation & Recommendation. We maintain our **BUY** recommendation on CBHB with an unchanged TP of **RM0.41**, based on 15x FY26F EPS of 2.8 sen and supported by a three-star ESG rating. We remain positive on CBHB, given its (i) **strategic role as a proxy for Malaysia's rising power demand**, (ii) **established track record in delivering HV substations tailored for DC operators**, and (iii) **robust supplier relationships that enable cost-efficient procurement**.

Risks. High exposure to the DC sector, inability to secure new contracts, and unexpected project delays.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	208.0	271.7	288.4	382.6	455.3
Gross Profit	67.3	73.4	71.9	100.5	117.6
EBITDA	46.1	55.1	49.5	68.9	79.5
Depreciation & Amortisation	-0.7	-0.9	-1.4	-1.3	-1.4
EBIT	45.5	54.1	48.1	67.6	78.1
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	48.8	68.3	78.8
Tax	-12.9	-13.1	-11.7	-16.4	-18.9
Profit After Tax	33.0	41.7	37.1	51.9	59.9
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	33.0	41.7	37.1	51.9	59.9
Exceptionals	0.0	-2.5	0.0	0.0	0.0
Core Net Profit	33.0	44.3	37.1	51.9	59.9

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	1.8	2.4	2.0	2.8	3.2
P/E(x)	17.6	13.2	15.7	11.2	9.7
P/B(x)	7.4	5.9	2.7	2.1	1.8
EV/EBITDA (x)	11.9	9.9	13.4	9.6	8.8
DPS (sen)	0.6	0.9	0.0	0.0	0.0
Dividend Yield (%)	2.1%	2.9%	0.0%	0.0%	0.0%
EBITDA margin (%)	22.2%	20.3%	17.2%	18.0%	17.5%
EBIT margin (%)	21.9%	19.9%	16.7%	17.7%	17.2%
PBT margin (%)	22.1%	20.2%	16.9%	17.8%	17.3%
PAT margin (%)	15.9%	15.4%	12.9%	13.6%	13.2%
NP margin (%)	15.9%	15.4%	12.9%	13.6%	13.2%
CNP margin (%)	15.9%	16.3%	12.9%	13.6%	13.2%
ROE (%)	42.1%	44.6%	16.9%	19.1%	18.1%
ROA (%)	23.1%	27.7%	12.2%	13.6%	12.9%
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)	0.028
P/E multiple (x)	15.0
Fair Value (RM)	0.41
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.41

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash and bank balances	42.9	38.9	155.9	154.4	193.4
Receivables	46.6	38.7	75.8	98.7	118.2
Inventories	48.7	75.2	66.3	122.4	145.7
Other current assets	0.5	0.3	0.3	0.3	0.3
Total Current Assets	138.7	153.1	298.2	375.8	457.5
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	75.8	98.7	118.2
Other current liabilities	12.3	4.8	8.5	10.9	13.2
Total Current Liabilities	63.2	58.7	84.3	109.8	131.5
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	0.6
Total Non-Current Liabilities	1.2	1.7	0.4	0.5	0.6
Shareholder's equity	78.4	99.2	219.7	271.6	331.5
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	78.4	99.2	219.7	271.6	331.5

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	46.0	54.8	48.8	68.3	78.8
Depreciation & amortisation	0.7	0.9	1.4	1.3	1.4
Changes in working capital	-10.8	-21.6	-5.2	-54.7	-22.2
Others	0.4	-16.2	-12.4	-17.1	-19.6
Operating cash flow	36.2	18.0	32.5	-2.2	38.4
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	84.8	1.0	1.2
Financing cash flow	-20.7	-21.6	84.8	1.0	1.2
Net cash flow	18.0	-4.2	117.0	-1.5	39.1
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	144.4	142.9
Ending cash	31.6	27.4	144.4	142.9	182.0

Company Update

Friday, 22 Aug, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	Scope 1 and Scope 2 GHG emissions totalled 396.6m tCO ₂ e in 2024, 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 labour, and child labour.
Occupational Safety and Health	★★★	3 employees trained in 2024 to enhance workforce competence. No fatalities.
Labour Practices	★★★	Adheres to all relevant labour 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 organises 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

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As of **Friday, 22 Aug, 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.