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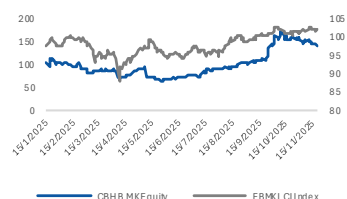
Recommendation:	HOLD
Current Price:	RM0.46
Previous Target Price:	RM0.60
Target Price:	↓ RM0.47
Capital Upside/ Downside:	2.2%
Dividend Yield (%):	0.0%
Total Upside/ Downside	2.2%

Stock information

Board	ACE
Sector	Industrial
Bursa / Bloomberg Code	0339 / CBHB MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	1,880.9
Market Cap (RM' m)	865.2
52-Week Price Range (RM)	0.57-0.2
Beta (x)	N/A
Free float (%)	26.7
3M Average Volume (m)	10.8
3M Average Value (RM' m)	5.0

Top 3 Shareholders

	(%)
Quay Holdings Sdn Bhd	72.8
Kaf Investment Funds	2.6
Lembaga Tabung Haji	2.3

Share Price Performance

	1M	3M	12M
Absolute (%)	-9.8	48.4	N/A
Relative (%)	-10.7	45.1	N/A

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	271.7	177.1	439.2
PATAMI (RM'm)	41.7	27.6	49.3
CNP (RM'm)	44.3	27.6	49.3
EPS - core (sen)	2.4	1.5	2.6
P/E(x)	19.5	31.3	17.5

CBH Engineering Holding Berhad

Below Expectations

- CBHB's 3QFY25 CNP came in at RM5.9m, bringing 9MFY25 CNP to RM21.6m after adjusting for RM6.7m in exceptional items. The results were below expectations at 56% of our forecast and 53% of consensus, mainly due to slower-than-expected revenue recognition.
- Earnings have been revised downward by 20.7-28.2% for FY25-FY27F, mainly due to adjustments in revenue recognition, with a larger portion of the existing order book now expected to spill over into FY26F-FY27F. We also lower our FY26F order book replenishment assumption to RM204m (from RM414m), as resources are likely to be prioritised for existing large contracts, potentially delaying the mobilisation of new projects.
- Following these revisions, the target price is lowered to RM0.47 (from RM0.60), based on 18x FY26F EPS of 2.6 sen and a three-star ESG rating. We downgrade the stock to HOLD (from BUY).

Below expectations. After adjusting for the expected credit loss reversal (-RM6.7m) and other exceptional items (-RM0.1m), CBHB's 3QFY25 core net profit stood at RM5.9m, bringing 9MFY25 CNP to RM21.6m. The results were below expectations, accounting for only 56% of our full-year forecast and 53% of consensus estimates. The shortfall was mainly due to slower-than-expected revenue recognition from ongoing contracted projects.

QoQ. 3QFY25 CNP declined 40.4%, mainly due to weaker contributions from the M&E Systems division as newly secured projects were still in the early design and engineering stages. This was in line with the 47.2% drop in overall revenue, with M&E Systems remaining the core contributor. Despite the softer topline, CNP margin improved by 2.4%-pts to 18.8%, supported by a more favourable project mix, particularly higher-margin private data centre (DC) substation works.

YoY. 3QFY25 CNP declined 33.9% mainly due 25.3% dip in revenue.

Outlook. Earnings are expected to improve in the coming quarters, supported by progressing works under the RM532.3m order book (c.2.0x FY25 revenue). About 11% is scheduled for completion by end-2025, which should lift earnings in the next quarter. Most of the recently secured contracts are still in early stages with thinner margins, and stronger recognition is only expected from FY26 onwards as these projects remain in the design phase. Order book replenishment is likely to regain traction in 2026, with YTD wins already reaching about 90% of management's internal target. The tender book remains healthy at RM730m, with around 80% comprising data centre projects, including 3 to 4 packages valued above RM100m each. The remaining 20% consists mainly of non-DC tenders, including close to RM100m of TNB-related works in Selangor.

Earnings revision. Given the slower-than-expected revenue recognition in FY25F, we expect the existing order book to be recognised largely in FY26F, with a smaller portion spilling over into FY27F. In addition, we believe CBHB may fall short of our earlier order book replenishment assumption for FY26F, as resources are likely to be prioritised for the execution of existing large contracts. Nevertheless, we think DC growth is inevitable, driven by ongoing digitalisation. As such, we are lowering our FY26F order book replenishment assumption to RM204m (from RM414m), while maintaining our FY27F assumption. Following these adjustments, our earnings forecasts are revised by -28.2%/-20.7%/-26.9% for FY25/26/27F, respectively.

Valuation & Recommendation. Post-earnings revision, we have lowered our TP to **RM0.47** (from RM0.60), based on 18x FY26F EPS of 2.6 sen and supported by a three-star ESG rating. We downgrade the stock to **HOLD** (from BUY), as we believe the share price is now fairly valued. Given the slower-than-expected revenue recognition, we view a key re-rating catalyst emerging only when the group demonstrates its ability to scale project execution without straining internal resources.

Risks. Policy risks. Inability to secure new contracts. Spike in raw material costs such as copper and steel.

Results Note

Thursday, 20 Nov, 2025

Results Comparison

FYE Dec (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9M FY25	9M FY24	yoy (%)	Comments
Revenue	315	42.2	(25.3)	59.7	(47.2)	127.6	187.8	(32.0)	slower project progress
COGS	(216)	(29.5)	(26.6)	(43.3)	(50.1)	(90.7)	(132.9)	(31.8)	
Gross profit	9.9	12.7	(22.3)	16.3	(39.6)	37.0	54.9	(32.7)	
Other income	0.1	0.0	234.5	0.1	(27.6)	0.3	0.3	12.9	
Administrative expenses	(3.9)	(3.5)	12.0	(3.6)	9.6	(112)	(10.9)	2.5	
Other expenses	6.7	(0.3)	nm	(0.0)	nm	6.7	(4.1)	nm	
EBITDA	12.8	9.2	38.5	13.2	(3.6)	33.4	41.1	(18.7)	
Depreciation	-	(0.2)	(100.0)	(0.3)	(100.0)	(0.6)	(0.9)	(32.8)	
EBIT	12.8	9.0	42.0	12.9	(1.2)	32.8	40.1	(18.3)	
Net Finance Costs	11	0.1	677.5	10	9.5	2.5	0.5	372.9	
Profit Before Tax (PBT)	13.8	9.1	516	13.9	(0.5)	35.2	40.7	(13.3)	
Taxation	(13)	(0.4)	1915	(4.1)	(68.2)	(7.2)	(9.6)	(25.2)	
Profit-after tax	12.5	8.7	44.4	9.8	27.8	28.1	31.1	(9.6)	
(-) Minority interest	(0.0)	-	nm	-	nm	(0.0)	-	nm	
PAT (-MI)	12.6	8.7	44.7	9.8	28.0	28.1	31.1	(9.5)	
Core net profit	5.9	8.9	(33.9)	9.9	(40.4)	21.6	35.4	(39.0)	tied to EIs including RM 6.7m ECL reversal
Core EPS (sen)	0.3	0.6		0.5		1.1	-		
DPS (sen)	-	-		-		-	-		
EBITDA margin (%)	40.5	21.8		22.2		26.2	21.9		
PBT margin (%)	43.9	21.6		23.3		27.6	21.6		
Effective tax rate (%)	9.4	4.9		29.4		20.4	23.6		
Core PATMI margin (%)	18.8	21.2		16.6		16.9	18.8		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9M FY25	9M FY24	yoy (%)	Comments
Revenue									
M&E Systems	315	42.2	(25.4)	59.4	(47.0)	127.4	187.4	(32.0)	slower progress from major ongoing
M&E Maintenance	0.0	-	nm	0.2	(93.4)	0.3	0.4	(32.7)	projects and limited contribution from newly
Total	31.5	42.2	(25.3)	59.7	(47.2)	127.6	187.8	(32.0)	secured jobs

Source: Company, Apex Securities

Results Note

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Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	208.0	271.7	177.1	439.2	473.1
Gross Profit	67.3	73.4	48.2	102.8	108.4
EBITDA	46.1	55.1	37.0	65.6	68.5
Depreciation & Amortisation	-0.7	-0.9	-1.4	-1.3	-1.4
EBIT	45.5	54.1	35.6	64.2	67.1
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	36.4	64.9	67.8
Tax	-12.9	-13.1	-8.7	-15.6	-16.3
Profit After Tax	33.0	41.7	27.6	49.3	51.6
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	33.0	41.7	27.6	49.3	51.6
Exceptionals	0.0	-2.5	0.0	0.0	0.0
Core Net Profit	33.0	44.3	27.6	49.3	51.6

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	1.8	2.4	1.5	2.6	2.7
P/E(x)	26.2	19.5	31.3	17.5	16.8
P/B (x)	11.0	8.7	4.1	3.3	2.8
EV/EBITDA (x)	11.9	9.9	18.3	9.6	9.9
DPS (sen)	0.6	0.9	0.0	0.0	0.0
Dividend Yield (%)	1.4%	1.9%	0.0%	0.0%	0.0%
EBITDA margin (%)	22.2%	20.3%	20.9%	14.9%	14.5%
EBIT margin (%)	21.9%	19.9%	20.1%	14.6%	14.2%
PBT margin (%)	22.1%	20.2%	20.5%	14.8%	14.3%
PAT margin (%)	15.9%	15.4%	15.6%	11.2%	10.9%
NP margin (%)	15.9%	15.4%	15.6%	11.2%	10.9%
CNP margin (%)	15.9%	16.3%	15.6%	11.2%	10.9%
ROE (%)	42.1%	44.6%	13.1%	19.0%	16.6%
ROA (%)	23.1%	27.7%	10.5%	12.7%	11.4%
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)	0.026
P/E multiple (x)	18.0
Fair Value (RM)	0.47
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.47

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash and bank balances	42.9	38.9	169.8	124.7	167.3
Receivables	46.6	38.7	45.1	117.7	127.6
Inventories	48.7	75.2	40.7	140.5	151.4
Other current assets	0.5	0.3	0.3	0.3	0.3
Total Current Assets	138.7	153.1	255.9	383.2	446.6
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	45.1	117.7	127.6
Other current liabilities	12.3	4.8	6.3	11.4	13.2
Total Current Liabilities	63.2	58.7	51.5	129.2	141.0
Long-term debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	1.2	1.7	0.3	0.5	0.6
Total Non-Current Liabilities	1.2	1.7	0.3	0.5	0.6
Shareholder's equity	78.4	99.2	210.2	259.6	311.2
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	78.4	99.2	210.2	259.6	311.2

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	46.0	54.8	36.4	64.9	67.8
Depreciation & amortisation	0.7	0.9	1.4	1.3	1.4
Changes in working capital	-10.8	-21.6	18.7	-95.9	-10.4
Others	0.4	-16.2	-9.4	-16.3	-17.0
Operating cash flow	36.2	18.0	47.0	-45.9	41.8
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	84.2	1.2	1.3
Financing cash flow	-20.7	-21.6	84.2	1.2	1.3
Net cash flow	18.0	-4.2	130.9	-45.1	42.6
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	158.4	113.3
Ending cash	31.6	27.4	158.4	113.3	155.9

Results Note

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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 MCGG'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

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(a) nil.