# Cheeding Holdings

## Awaiting Grid Wins

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**OUTPERFORM ↔**

| | |
|---|---|
| **Price :** | **RM0.67** |
| **Target Price :** | **RM0.79** ↔ |

**CHEEDING's FY26 results beat expectations, driven by faster-than-expected contribution from overhead line projects and stronger margins from cost savings and variation orders. While 4QFY26 earnings softened QoQ due to festive-related workflow disruption, margins remained resilient, with GP margin expanding to 52.9%. Near-term earnings visibility remains supported by its RM164.6m order book, while its c.RM303.0m tender book provides room for further replenishment. CHEEDING should continue to benefit from TNB's RM43.0b grid modernisation cycle under RP4, supported by its 500kV licence, the highest voltage class in Malaysia. TP is maintained at RM0.79 based on 18x FY27F EPS.**

**Beats expectations.** CHEEDING reported FY26 CNP of RM40m, representing 115% of our forecast. The outperformance was mainly driven by faster-than-expected contribution from its overhead line segments. Core results were arrived at after adjusting for unrealised forex loss (-RM0.6m) and gain on disposal of PPE (-RM0.01m).

**QoQ,** CNP declined 31% to RM10m, mainly attributable to lower revenue derived from EPCC of overhead infrastructure for utilities as festive periods disrupted workflow. Despite the revenue decline, GP margin expanded to 53% (3QFY26: 52%), reflecting cost savings from minimised tower build requirements and variation orders awarded. As a result, CNP margin expanded 0.5 pts to 35%.

**YTD.** FY26 CNP improved 52% YoY to RM40m despite a 6% decline in revenue to RM111m, mainly due to: (i) cost savings from minimised tower build requirements, (ii) variation orders leading to margin expansion, and (iii) higher other income mainly attributable to higher interest income following the IPO proceeds. In addition, FY26 administrative expenses were higher mainly due to one-off listing expenses of RM4m. As a result, CNP margin expanded 13.6 pts to 36%.

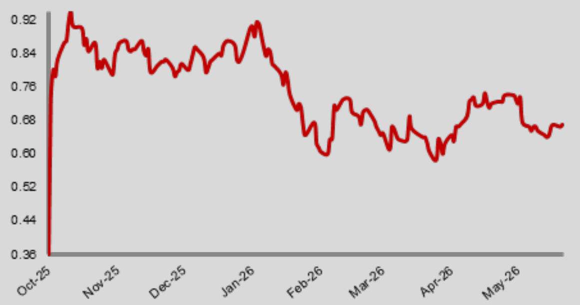
**Outlook.** We expect the coming quarters to remain resilient, supported by the progressive burn-down of the existing order book of RM165m. The current tender book stands at c.RM303m, comprising 36% from OH projects, 57% from UUE, and the remainder from a mix of other segments. Looking ahead, the Group should continue to benefit from TNB's RM43b grid modernisation and transmission infrastructure investment under RP4, including annual capex of RM18b for CY26. CHEEDING's 500kV licence, the highest voltage class in Malaysia, further strengthens its ability to secure HV overhead line projects.

**Forecasts.** Despite the quarterly outperformance, we maintain our order win assumptions and await further clarity on new job wins before making any upward revisions. We have updated our full-year figures and introduced FY28 earnings of RM44m.

**Valuations.** TP is maintained at RM0.79 based on 18x FY27F EPS, after incorporating annual report figures and a 3% ESG premium.

**Investment case**. We like CHEEDING for its: (i) **rare 500kV licence**, the highest voltage class and a prerequisite for backbone upgrades and ASEAN Power Grid corridors, (ii) **integrated EPCC coverage** across overhead, underground, and substation segments, (iii) **proven track record** of delivering over 20 national infrastructure projects, and (iv) **strong core net margins** (>20%) well above sector averages, supported by its focus on high-margin overhead transmission and asset-light model.

### Share Price Performance




| | |
|---|---|
| KLCI | 1,699.02 |
| YTD KLCI chg | 1.1% |
| YTD stock price chg | -18.3% |

### Stock Information

| | |
|---|---|
| Shariah Compliant | Yes |
| Bloomberg Ticker | CHEEDING MK Equity |
| Market Cap (RM m) | 534.2 |
| Shares Outstanding | 797.3 |
| 52-week range (H) | 0.94 |
| 52-week range (L) | 0.36 |
| 3-mth avg. daily vol. | 1,711,403 |
| Free Float | 37% |
| Beta | N/A |

### Major Shareholders

| | |
|---|---|
| Chai Ng Kian | 62.4% |
| Norges Bank | 2.3% |
| Shein Ng Lam | 0.1% |

### Summary Earnings Table

| FYE Mar (RM m) | 2026A | 2027F | 2028F |
|---|---|---|---|
| Turnover | 110.7 | 189.5 | 227.5 |
| Operating Profit | 50.4 | 51.3 | 56.0 |
| Profit Before Tax | 48.0 | 52.7 | 57.4 |
| **Net Profit** | **39.9** | **40.1** | **43.7** |
| **Core Net Profit** | **39.9** | **40.1** | **43.7** |
| Consensus (NP) | | | |
| Earnings Revision | | | |
| Core EPS (sen) | 5.0 | 5.0 | 5.5 |
| Core EPS Growth (%) | 51.3 | 0.5 | 9.0 |
| NDPS (sen) | 0.0 | 1.3 | 1.4 |
| NTA per Share (RM) | 0.2 | 0.2 | 0.3 |
| PER (x) | 13.4 | 13.3 | 12.2 |
| PBV (x) | 4.0 | 3.0 | 2.3 |
| Net Gearing (x) | (0.8) | (0.7) | (0.7) |
| Net Div. Yield (%) | 0.0 | 1.9 | 2.0 |

**Risks to our call include**: (i) customer concentration risk, (ii) dependency on regulated infrastructure spending, (iii) project execution and delay risk and (iv) fixed-price contract risk.

## Results Highlights

| **FYE Mar (RM m)** | **4Q26** | **3Q26** | **QoQ** | **4Q25** | **YoY** | **FY26** | **FY25** | **YoY** |
|---|---|---|---|---|---|---|---|---|
| Revenue | 29 | 41 | -30% | *nm* | *nm* | 111 | 118 | -6% |
| Cost of sales | -14 | -20 | -32% | *nm* | *nm* | -49 | -73 | -33% |
| **Gross Profit** | **15** | **21** | **-29%** | ***nm*** | ***nm*** | **62** | **45** | **38%** |
| Other income | 0 | 0 | 439% | *nm* | *nm* | 1 | 0 | 105% |
| Administrative expenses | -3 | -7 | -52% | *nm* | *nm* | -16 | -11 | 49% |
| **Operating Profit** | **12** | **15** | **-17%** | ***nm*** | ***nm*** | **47** | **35** | **35%** |
| Finance Income | 1 | 1 | -111% | *nm* | *nm* | 2 | 1 | -127% |
| Finance costs | 0 | 0 | N.A. | *nm* | *nm* | 0 | 0 | N.A. |
| **Profit before tax** | **13** | **15** | **-16%** | ***nm*** | ***nm*** | **48** | **35** | **37%** |
| Tax expense | -3 | -5 | -39% | *nm* | *nm* | -13 | -9 | 48% |
| **Net Profit** | **10** | **10** | **-6%** | ***nm*** | ***nm*** | **35** | **26** | **34%** |
| **Core Net Profit** | **10** | **14** | **-31%** | ***nm*** | ***nm*** | **40** | **26** | **50%** |
| | | | | | | | | |
| GP Margin | 53% | 52% | | *nm* | | 56% | 38% | |
| Operating Margin | 42% | 35% | | *nm* | | 42% | 29% | |
| PBT Margin | 44% | 36% | | *nm* | | 43% | 30% | |
| Net Margin | 34% | 25% | | *nm* | | 32% | 22% | |
| Core Net Margin | 34% | 35% | | *nm* | | 36% | 22% | |
| Effective tax rate | 23% | 31% | | *nm* | | 27% | 25% | |

*Source: Company, Kenanga Research*

## Segmental Breakdown

| **Revenue Breakdowns** | **4Q26** | **3Q26** | **QoQ** | **4Q25** | **YoY** | **FY26** | **FY25** | **YoY** |
|---|---|---|---|---|---|---|---|---|
| OH | 18.1 | 29.4 | -38% | *nm* | *nm* | 87.7 | 81.1 | 8% |
| UUE | 10.8 | 12.0 | -10% | *nm* | *nm* | 23.0 | 26.6 | -14% |
| Substation | 0.0 | 0.0 | N.A. | *nm* | *nm* | 0.0 | 8.0 | -100% |
| Others | 0.0 | 0.0 | N.A. | *nm* | *nm* | 0.0 | 1.9 | -100% |
| **Total Revenue** | **28.9** | **41.4** | **-30%** | ***nm*** | ***nm*** | **110.7** | **117.7** | **-6%** |

*Source: Company, Kenanga Research*

## Peer Table Comparison

| Name | Rating | Last Price (RM) | Target Price (RM) | Upside | Market Cap (RM m) | Shariah Compliant | Current FYE | Core EPS (sen) | | Core EPS Growth | | PER (x) - Core Earnings | | PBV (x) | ROE | Net. Div. (sen) | Net Div Yld |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 2-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. |
| **Stocks Under Coverage** | | | | | | | | | | | | | | | | | |
| CHEEDING HOLDINGS BHD | OP | 0.670 | 0.790 | 17.9% | 534.2 | Y | 03/2027 | 5.1 | 5.6 | 1.2% | 8.8% | 13.1 | 12.1 | 3.0 | 25.8% | 1.3 | 1.9% |
| KAWAN RENERGY BHD | OP | 0.565 | 0.730 | 29.2% | 310.8 | Y | 10/2026 | 4.8 | 6.1 | 11.9% | 27.8% | 11.8 | 9.2 | 2.2 | 20.7% | 1.4 | 2.5% |
| KJTS GROUP BHD | OP | 0.750 | 1.34 | 78.7% | 518.0 | Y | 12/2026 | 3.0 | 3.7 | 17.0% | 21.6% | 24.7 | 20.3 | 2.2 | 11.8% | 0.6 | 0.8% |
| PEKAT GROUP BHD | OP | 1.60 | 1.91 | 19.4% | 1,133.3 | Y | 12/2026 | 8.7 | 10.0 | 24.4% | 14.4% | 18.4 | 16.1 | 2.7 | 18.6% | 0.0 | 0.0% |
| SAMAIDEN GROUP BHD | OP | 1.24 | 1.94 | 56.5% | 676.1 | Y | 06/2026 | 6.3 | 7.5 | 21.3% | 18.8% | 19.6 | 16.5 | 3.1 | 17.4% | 1.1 | 0.9% |
| SOLARVEST HOLDINGS BHD | OP | 2.85 | 3.36 | 17.9% | 2,721.4 | Y | 03/2027 | 13.8 | 15.4 | 29.1% | 11.6% | 20.6 | 18.5 | 2.8 | 14.8% | 0.0 | 0.0% |
| SWIFT ENERGY TECHNOLOGY BHD | OP | 0.165 | 0.470 | 184.8% | 165.1 | Y | 09/2026 | 1.3 | 2.0 | -29.3% | 53.8% | 12.7 | 8.3 | 2.1 | 19.1% | 0.0 | 0.0% |
| **SECTOR AGGREGATE** | | | | | **6,058.8** | | | | | **16.3%** | **16.6%** | **20.6** | **17.7** | **2.6** | **18.3%** | | **0.9%** |

*Source: Kenanga Research*

**Stock ESG Ratings:**

**Sustainability-Related Opportunities**

I. **Transition to Renewable Energy**: CHEEDING is positioned to benefit from Malaysia's National Energy Transition Roadmap (NETR), specifically through government schemes like the Corporate Renewable Energy Supply Scheme (CRESS) and solar power plant quotas (Package A and B) which drive demand for substation and grid infrastructure.

II. **Infrastructure Modernization**: As an EPCC provider for Tenaga Nasional Berhad (TNB), CHEEDING is strategically aligned with the national grid's upgrading requirements necessary for integrating renewable energy.

**Sustainability Related Risks and Disclosure Gaps**

I. **Labor Relations Risk**: About 70% of the workforce consists of foreign nationals. While accommodations are certified by the Department of Labour, its high reliance on foreign labour carries potential "Social" (S) risk regarding evolving international labour standards and recruitment practices.

## ESG Rating

| Criterion | Rating | | | | |
|---|---|---|---|---|---|
| Environmental Impacts of Project Development | ★ | ★ | ★ | | |
| Structural Integrity & Safety | ★ | ★ | ★ | | |
| Workforce Health & Safety | ★ | ★ | ★ | | |
| Climate Change Impacts on Project Design | ★ | | | | |
| Business Ethics | ★ | ★ | ★ | | |
| **OVERALL** | ★ | ★ | ★ | | |

| | |
|---|---|
| ☆ | denotes half-star |
| ★ | -5% discount to TP |
| ★★ | -3% discount to TP |
| ★★★ | TP unchanged |
| ★★★★ | +3% premium to TP |
| ★★★★★ | +5% premium to TP |

## Stock Ratings are defined as follows:

**Stock Recommendations**

| | |
|---|---|
| OUTPERFORM | : A particular stock's Expected Total Return is MORE than 10% |
| MARKET PERFORM | : A particular stock's Expected Total Return is WITHIN the range of -5% to 10% |
| UNDERPERFORM | : A particular stock's Expected Total Return is LESS than -5% |

**Sector Recommendations*****

| | |
|---|---|
| OVERWEIGHT | : A particular sector's Expected Total Return is MORE than 10% |
| NEUTRAL | : A particular sector's Expected Total Return is WITHIN the range of -5% to 10% |
| UNDERWEIGHT | : A particular sector's Expected Total Return is LESS than -5% |

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***



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