

08 June 2026

Cheeding Holdings

Keep an eye

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We recently met with CHEEDING and came away more positive on its earnings resilience and growth prospects. Current order book stood at RM164m, with up to 70% scheduled for recognition in FY27. Versus our results note which we had tender book at RM303m, we learnt that the current tender book has risen to RM431m, with the majority of awards expected in Q3-Q4CY26, thus providing meaningful replenishment. Beyond that, the Group is also eyeing the 500kV backbone project, which has a target completion by 2030, necessitating tenders ahead for a sufficient delivery window. Near-term focus includes tender contract flows and successful execution of its first EPCC substation project. Maintain Outperform with an unchanged TP of RM0.79.

Margin resilience driven by stronger engineering execution & VOs. CNP margin surged to 36% in FY26, above the three-year average of 28%. This was driven by: (i) a RM4m VO recognized in Q4FY26 for a Kedah transmission project and (ii) cost savings on the Air Tawar and Kampung Gajah OH projects via optimized tower quantities and foundation redesign. Going forward, management expects FY27 margins to normalize to 20-28% due to project mix shifts, including higher contribution from lower-margin UUE projects in line with rising TNB demand. Despite this, we believe near-term margins could remain resilient, supported by a secured RM2m VO from the Cyberjaya project to be recognized in Q1FY27 and continued burn-out of the existing RM164m order book. Several existing projects are also requesting VOs, which could further uplift margins. Notably, recent material cost hikes have no impact on margins as the Group has locked in pricing via early purchase orders with suppliers.

Tender momentum picking up. Current tender book stood at RM431m, comprising 70% UUE, 25% OH, and 5% mixed segment projects. Tender activity was slow in early Q1CY26 due to festive disruptions but has since resumed from March 2026 onwards. TNB has rolled out more UUE projects of late. This segment attracts more players and the intensified competition potentially pressures win rates and margins. The majority of active tenders are valid until 3Q to 4QCY26, suggesting awards should roll out within that timeframe.

500kV backbone a key long-term catalyst. The 500kV backbone project involves a roughly 1,000km alignment from Terengganu to Johor, with target completion by 2030. Given the substantial scope and remaining timeline, management expects the tenders to open as early as 2026 to ensure a sufficient delivery window. Assuming RM10m/km, this represents a RM10bn job opportunity, offering substantial order book replenishment for the Group. Based on our channel checks, only four financially qualified players, including CHEEDING, are capable of bidding for this scope, positioning the Group strongly for this long-term growth driver.

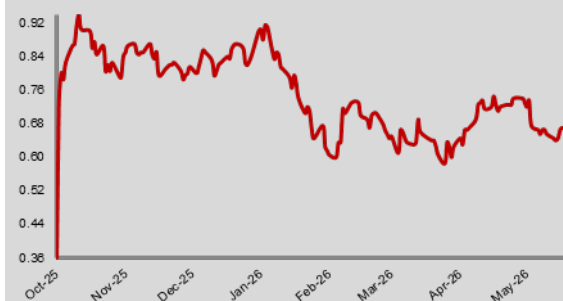
EPCC substation entry to unlock new growth avenue. The Group is currently seeking formal qualification from TNB for substation EPCC. Once successful, this will represent a new addressable market. For now, to penetrate this segment, which is highly demanded by TNB, CHEEDING has teamed up with Orasco Engineering to bid for substation EPCC works. The partnership has secured the Genting Sempah project, valued at RM13m, with CHEEDING holding a 60% stake. The project is contractually scheduled for completion by June 2027, with potential for early completion.

Forecasts. We maintain our order win assumptions for now, awaiting

OUTPERFORM ↔

Price : **RM0.68**
Target Price : **RM0.79** ↔

Share Price Performance



KLCI	1,693.43
YTD KLCI chg	0.8%
YTD stock price chg	-16.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	CHEEDING MK Equity
Market Cap (RM m)	546.1
Shares Outstanding	797.3
52-week range (H)	0.94
52-week range (L)	0.36
3-mth avg. daily vol.	1,710,812
Free Float	37%
Beta	N/A

Major Shareholders

Ng Kian Chai	62.4%
Norges Bank	2.3%
Ng Lam Shein	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

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further clarity on new job wins before considering any upward revisions in light of the positive revision in tender book.

Valuations. TP remains at **RM0.79**, based on 18x FY27F EPS 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 **APG** 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**.

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.

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliance	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	0.685	0.790	15.3%	546.1	Y	03/2027	5.1	5.6	1.2%	8.8%	13.4	12.3	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	0.725	1.34	84.8%	500.7	Y	12/2026	3.0	3.7	17.0%	21.6%	23.9	19.6	2.2	11.8%	0.6	0.8%
PEKAT GROUP BHD	OP	1.65	1.91	15.8%	1,168.7	Y	12/2026	8.7	10.0	24.4%	14.4%	19.0	16.6	2.8	18.6%	0.0	0.0%
SAMAIDEN GROUP BHD	OP	1.34	1.94	44.8%	741.0	Y	06/2026	6.3	7.5	21.3%	18.8%	21.2	17.8	3.3	17.4%	1.1	0.8%
SOLARVEST HOLDINGS BHD	OP	3.00	3.36	12.0%	2,864.7	Y	03/2027	13.8	15.4	29.1%	11.6%	21.7	19.5	2.9	14.8%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.160	0.470	193.8%	160.1	Y	09/2026	1.3	2.0	-29.3%	53.8%	12.3	8.0	2.0	19.1%	0.0	0.0%
SECTOR AGGREGATE					6,292.0					16.3%	16.6%	21.4	18.4	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

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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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