CSE Global (CSE SP)

Positive Highlights From Meeting Reinforce Growth Outlook

Highlights

- Key takeaways from our recent meeting with management suggest that CSE's outlook remains positive, with more DC contract wins expected by end-26 as well as strong potential for more contracts from the second hyperscaler.
- We still expect stronger 2H26 margins as start-up costs normalise and operating efficiency improves. Credit risk is low given CSE's exposure to established hyperscalers and US government end-users.
- Maintain BUY with a target price of S$1.79. CSE currently trades at 15x 2027F PE, around its long-term mean despite having commendable growth.

Analysis

- **Key highlights from management meeting.** CSE Global (CSE) highlighted that existing data centre (DC) contracts remain intact, with continued opportunities for new project wins. Management remains optimistic about continued order momentum, with further contract wins expected in 4Q26 as major customers finalise their projects for the following year. CSE's DC exposure to US government end-users provides some insulation against funding risks, given their relatively low credit risk and long-term project commitments. CSE has also commenced work with a second hyperscaler, presenting further growth opportunities as it expands its presence in the US DC market.
- **S$254.8m in new US electrification contract wins.** CSE has secured three major US electrification contracts worth a combined S$254.8m in Aug and Sep 26, comprising: a) a S$64.3m contract accounted in Aug 26 for the design and manufacture of power distribution centres (PDC), together with the integration of electrical and control systems, for the Cheyenne Power Hub project in the US, and b) two additional contracts worth S$190.5m in Sep 26 for works on the Calcasieu Pass 2 (CP2) LNG project in Louisiana and a follow-on order for the Cheyenne Power Hub project. These contracts will be executed progressively between 2026 and 2028.
- **Strong contract wins support orderbook and revenue visibility.** The S$254.8m in new contract wins is equivalent to approximately 41% of CSE's S$620m orderbook as at end-1H26, reflecting sustained order momentum and strong demand for its electrification solutions. Management expects further order wins in 4Q26, as major US customers typically finalise their project requirements for the following year during this period. With project deliveries extending into 2028, we expect these new contracts to provide greater medium-term revenue visibility and support CSE's growth prospects.
- **Capacity expansion to accommodate demand.** CSE plans to expand production capacity further in 2027 to accommodate growing demand from hyperscalers, favouring leased facilities to preserve capital. Meanwhile, communications should continue to provide stable contributions, while automation is expected to recover as costs related to the wind-down of water and wastewater projects normalise.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	861	969	1,126	1,227	1,300
EBITDA	72	68	82	92	96
Operating profit	54	50	56	64	68
Net profit (rep./act.)	26	37	40	45	48
Net profit (adj.)	37	37	40	45	48
EPS (S$ cent)	5.4	5.3	5.6	6.3	6.7
PE (x)	17.6	18.3	17.1	15.3	14.3
P/B (x)	2.7	2.5	2.4	2.2	2.0
EV/EBITDA (x)	12.3	13.1	10.8	9.6	9.2
Dividend yield (%)	2.5	2.7	3.0	3.3	3.5
Net margin (%)	3.1	3.9	3.5	3.7	3.7
Net debt/(cash) to equity (%)	28.2	59.2	61.0	57.5	52.0
Interest cover (x)	8.6	7.8	11.0	12.0	12.5
ROE (%)	11.2	14.1	14.0	14.6	14.5
Consensus net profit (S$m)	-	-	38	50	58
UOBKH/Consensus (x)	-	-	1.05	0.89	0.82

Source: CSE, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	S$0.96
Target Price	S$1.79
Upside	86.5%

Stock Data

Sector	Information Technology
Bloomberg ticker	CSE SP
Shares issued (m)	731.1
Market cap (S$m)	701.8
Market cap (US$m)	548.5
3-mth avg daily t'over (US$m)	7.5

Price Performance (%)

52-week high/low				S$1.91/S$0.665
1mth	3mth	6mth	1yr	YTD
(21.3)	(18.6)	(27.8)	35.2	(2.5)

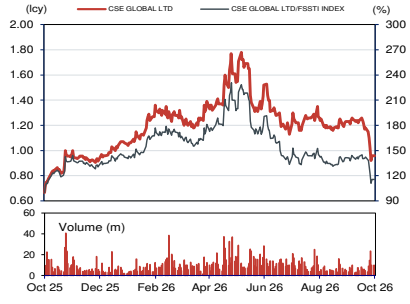
Major Shareholders (%)

Temasek Hldgs	23.6

Balance Sheet Metrics

FY26 NAV/Share (US$)	0.41
FY26 Net Debt/Share (US$)	0.25

Price Chart



Source: Bloomberg

Company Description

CSE Global provides systems integration and information technology solutions, computer network systems, and industrial automation. The company also designs, manufactures, and installs management information systems. CSE Global develops, manufactures, and sells electronic and micro processor monitoring equipment.

- **Near-term outlook remains resilient despite AI funding concerns.** The recent sell-off in AI-related stocks has raised concerns over rising financing costs, potential DC oversupply and slower hyperscaler capital expenditure, which could weigh on future demand for CSE's electrification solutions. We believe CSE's existing orderbook provides a degree of insulation from near-term market uncertainties, supported by its focus on established hyperscalers and end-customers with long-term commitments. While a prolonged slowdown in DC investments remains a risk to future order intake, we expect CSE's near-term operating momentum to remain intact.
- **Operating efficiency expected to improve in 2H26.** CSE's operating performance is expected to strengthen in 2H26 as the temporary cost pressures experienced in 1H26 gradually ease. Start-up costs at the Champion Park facility should normalise as operations ramp up towards steady-state, while the completion of water/wastewater project wind-downs should reduce additional cost pressures. Alongside improving project execution and continued demand for electrification solutions, these developments should support stronger operating margins and profitability in 2H26.
- **Electrification remains the key growth driver.** CSE's electrification segment continues to anchor its growth outlook, supported by increasing investments in US DC and LNG infrastructure. The segment recorded a robust revenue growth of 64% yoy in 1H26, significantly outpacing the communications and automation segments. CSE is focusing on financially strong hyperscalers, with AWS switchboards and electrical distribution centres (EDC) for a second hyperscaler underpinning growth. We expect the electrification segment to remain the group's main earnings growth driver, supported by sustained infrastructure demand, recent contract wins and the ramp-up of its Champion Park facility.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of S$1.79,** based on an unchanged 29x 2027F PE (+1.5 SD to mean). This reflects potential re-rating from its historical 17x mean, driven by the DC electrification narrative and strong order intake. We believe the premium is justified by the Amazon warrant relationship, strong order momentum following S$254.8m in recent contract wins, and improving medium-term earnings visibility.
- At S$0.96, the stock trades at around 15x 2027F PE, which is a meaningful discount to peers and underprices the DC growth story.

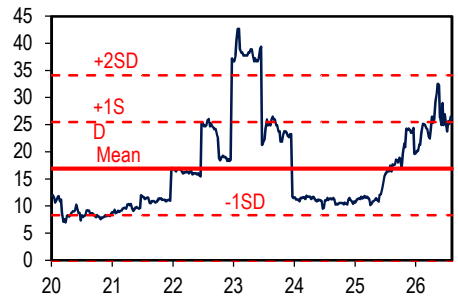
Earnings Revision/Risk

- We make no changes to our earnings forecasts.

Share Price Catalyst

- Further improvements in corporate governance and board oversight.
- New hyperscaler or large LNG contract announcements.
- EPS-accretive acquisitions or strategic partnerships.

Long-term Historical PE Band



Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Trading Curr (lcy)	Price @ 16-Oct-26 (lcy)	Market Cap (US$m)	PE 2026 (x)	PE 2027 (x)	P/B 2026 (x)	P/B 2027 (x)	Yield 2026 (%)	ROE 2026 (%)
US Peers										
Eaton Corp Plc	ETN US	US$	391.25	151,962	28.9	24.4	7.0	6.2	1.1	23.5
Powell Industries Inc	POWL US	US$	165.14	6,016	30.7	24.0	7.5	5.8	0.6	27.1
Average					**29.8**	**24.2**	**7.2**	**6.0**	**0.9**	**25.3**
Malaysia Peers										
MN Holdings Bhd	MNHLDG MK	RM	3.83	653	26.8	21.5	6.6	6.4	0.0	31.9
KJTS Group Bhd	KJTS MK	RM	0.84	142	24.7	17.1	4.2	2.8	0.8	18.1
Powerwell Holdings Bhd	PWRWELL MK	RM	1.16	165	18.1	15.5	7.0	5.1	1.8	27.2
Jati Tinggi Group Bhd	JTGROUP MK	RM	1.19	129	20.2	13.2	4.3	3.4	0.8	20.8
Cloudpoint Technology Bhd	CLOUDPT MK	RM	0.495	64	20.6	16.0	2.6	2.5	2.4	14.3
OCK Group Bhd	OCK MK	RM	0.43	112	9.9	9.1	0.7	0.7	1.1	7.5
Average					**20.1**	**15.4**	**4.3**	**3.5**	**1.2**	**20.0**

Source: UOB Kay Hian

Profit & loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	**968.9**	**1,125.7**	**1,226.9**	**1,299.8**
EBITDA	67.6	81.5	92.4	96.2
Deprec. & amort.	17.2	25.2	28.6	28.6
EBIT	50.4	56.3	63.8	67.6
Total other non-operating income	4.2	0.0	(0.0)	0.0
Associate contributions	(0.0)	0.0	0.0	0.0
Net interest income/(expense)	(8.6)	(7.4)	(7.7)	(7.7)
Pre-tax profit	**45.9**	**48.9**	**56.1**	**59.9**
Tax	(8.4)	(8.9)	(11.2)	(12.0)
Minorities	(0.0)	0.0	0.0	0.0
Net profit	**37.5**	**39.9**	**44.9**	**47.9**
Net profit (adj.)	37.5	39.9	44.9	47.9

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Fixed assets	67.2	100.3	105.4	111.9
Other LT assets	185.4	157.0	152.1	147.3
Cash/ST investment	46.2	28.9	25.8	30.5
Other current assets	458.8	530.3	575.9	609.6
Total assets	**757.5**	**816.5**	**859.2**	**899.3**
ST debt	205.2	205.2	205.2	205.2
Other current liabilities	221.2	259.6	278.8	294.6
LT debt	4.0	4.0	4.0	4.0
Other LT liabilities	51.6	51.2	51.2	51.2
Shareholders' equity	275.5	295.7	319.2	343.5
Minority interest	0.1	0.9	0.9	0.9
Total liabilities & equity	**757.5**	**816.6**	**859.2**	**899.3**

Cash flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	**(67.2)**	**40.7**	**58.8**	**70.2**
Pre-tax profit	45.9	48.9	56.1	59.9
Tax	(14.1)	(8.9)	(11.2)	(12.0)
Deprec. & amort.	17.2	25.2	28.6	28.6
Associates	(0.0)	0.0	0.0	0.0
Working capital changes	(130.4)	(36.1)	(26.4)	(17.9)
Non-cash items	2.8	0.0	0.0	0.0
Other operating cashflows	11.3	11.7	11.7	11.7
Investing	**(0.2)**	**(38.3)**	**(40.4)**	**(42.0)**
Capex (growth)	(28.5)	(26.6)	(28.8)	(30.3)
Investment	0.0	0.0	0.0	0.0
Proceeds from sale of assets	1.2	0.0	0.0	0.0
Others	27.1	(11.7)	(11.7)	(11.7)
Financing	**57.3**	**(18.5)**	**(20.3)**	**(22.5)**
Dividend payments	(7.5)	(18.5)	(20.3)	(22.5)
Proceeds from borrowings	81.4	0.0	0.0	0.0
Loan repayment	(14.3)	0.0	0.0	0.0
Others/interest paid	(2.3)	0.0	0.0	0.0
Net cash inflow (outflow)	**(10.1)**	**(16.1)**	**(2.0)**	**5.8**
Beginning cash & cash equivalent	**57.4**	**46.2**	**28.9**	**25.8**
Changes due to forex impact	(1.1)	(1.1)	(1.1)	(1.1)
Ending cash & cash equivalent	**46.2**	**28.9**	**25.8**	**30.5**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	7.0	7.2	7.5	7.4
Pre-tax margin	4.7	4.3	4.6	4.6
Net margin	3.9	3.5	3.7	3.7
ROA	5.4	5.1	5.4	5.4
ROE	14.1	14.0	14.6	14.5
Growth				
Turnover	12.5	16.2	9.0	5.9
EBITDA	(6.1)	20.6	13.3	4.1
Pre-tax profit	28.7	6.4	14.8	6.8
Net profit	42.3	6.5	12.4	6.8
Net profit (adj.)	2.0	6.5	12.4	6.8
EPS	(3.6)	6.5	12.4	6.8
Leverage				
Debt to total capital	43.2	41.4	39.5	37.8
Debt to equity	75.9	70.7	65.5	60.9
Net debt/(cash) to equity	59.2	61.0	57.5	52.0
Interest cover (x)	7.8	11.0	12.0	12.5

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