CSE Global (CSE SP)

Houston Site Visit: Operations Intact And Growing Customer Breadth

BUY (Maintained)

Share Price	S$1.22
Target Price	S$1.79
Upside	+46.7%

Analyst(s)
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Highlights

- We visited W-Industries' headquarters and facilities in Houston, Texas and came back with a positive view on CSE's long-term strategy.
- Champions facility is operating at around 75% utilisation, constrained by copper supply rather than demand, which we expect to ease by 1H27.
- Maintain BUY with a target price of S$1.79, pegged to 19.4x 2027F PE.

Analysis

- **Positive view reinforced.** We visited W-Industries' Americas headquarters and facilities in Houston, Texas, and came back with a more positive view on CSE Global's (CSE) long-term strategy.
- **Proving it on the factory floor.** Across the four suppliers Amazon works with, CSE ranks number one on quality per defect rate. Additionally, beyond Amazon, W-Industries is an active supplier to several cloud operators at varying levels of commercial engagement, and early-stage conversations also underway with at least one AI lab. Looking ahead, we see new potential customers in this category and expect AWS revenue concentration to reduce over time. We have not factored this into our estimates.
- **Constrained by copper, not demand.** From our observations, the Champions facility, a 241,000sf contract manufacturing plant producing power distribution rooms for AWS, is running at approximately 75% utilisation. The constraint is due to a shortage of electrical copper rather than demand, operating three production lines out of four. We expect this to ease by 1H27 and note that AWS has been constructive on cost pass-through. W-Industries is also investing in in-house copper processing to improve availability and margin over time.
- **Ignore the noise in Singapore.** Management teams across the three facilities appeared stable, with production showing no signs of disruption. We continue to watch the pace of the Lead Independent Director and Audit and Risk Committee chairman appointments as the primary governance catalyst. The ongoing strategic review also remains a watch point, where any strategic transaction may lead to upside to our target price.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	861	969	1,126	1,227	1,300
EBITDA	72	68	83	92	96
Operating profit	54	50	57	64	68
Net profit (rep./act.)	26	37	41	45	48
Net profit (adj.)	37	37	41	45	48
EPS (S$ cent)	5.4	5.3	5.7	6.3	6.7
PE (x)	22.4	23.2	21.3	19.4	18.2
P/B (x)	3.4	3.2	3.0	2.8	2.6
EV/EBITDA (x)	14.9	15.8	12.9	11.6	11.1
Dividend yield (%)	2.0	2.1	2.3	2.6	2.7
Net margin (%)	3.1	3.9	3.6	3.7	3.7
Net debt/(cash) to equity (%)	28.2	59.2	60.5	57.0	51.6
Interest cover (x)	8.6	7.8	11.2	12.0	12.5
ROE (%)	11.2	14.1	14.3	14.6	14.4
Consensus net profit (S$m)	-	-	45	53	48
UOBKH/Consensus (x)	-	-	0.90	0.85	1.00

Source: CSE, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Information Technology
Bloomberg ticker:	CSE SP
Shares issued (m):	729.2
Market cap (S$m):	889.7
Market cap (US$m):	689.6
3-mth avg daily t'over (US$m):	15.9

Price Performance (%)

52-week high/low S$1.91/S$0.62

1mth	3mth	6mth	1yr	YTD
(6.9)	(10.3)	14.0	83.5	23.9

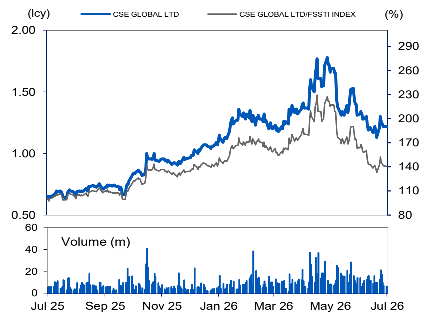
Major Shareholders

	%
Temasek Hldgs	23.8

Balance Sheet Metrics

FY26 NAV/Share (S$)	0.41
FY26 Net Debt/Share (S$)	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.

New Champions Park Facility Servicing AWS (241,000sf)

Source: UOB Kay Hian

- **Riding the largest LNG capacity wave in history.** The macro backdrop for LNG is the strongest it has been in years, and CSE is well positioned to benefit. The US Energy Information Administration (EIA) forecasts US LNG exports rising 18.5% yoy to an average of 17b cubic feet per day (ft3/d) in 2026 and a further 9% yoy to 18.5b ft3/d in 2027 as five new export projects ramp up. The International Energy Agency (IEA) has described the current 2025-2030 build cycle as the largest LNG capacity wave in the history of the market. Supply disruptions at key Middle Eastern export facilities have added further urgency to US LNG procurement, driving terminal utilisation rates even higher before new capacity comes online. Against this backdrop, W-Industries is the incumbent electrification and integrated systems contractor for the largest active US LNG export developer. We expect CSE to benefit from the strong macro pipeline and see margin expansion.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of S$1.79,** based on 29x 2027F PE (+2.0SD to mean). This reflects CSE's re-rating from its historical 15x mean, driven by the data centre electrification narrative and strong order intake. We believe the premium is justified by the Amazon warrant relationship and its robust S$716m orderbook.
- At S$1.22, the stock trades at around 19x 2027F PE, a meaningful discount to our multiple and in our view, a level that underprices the data centre growth story. While governance continues to be an overhang, it is resolvable and the business fundamentals have not changed.

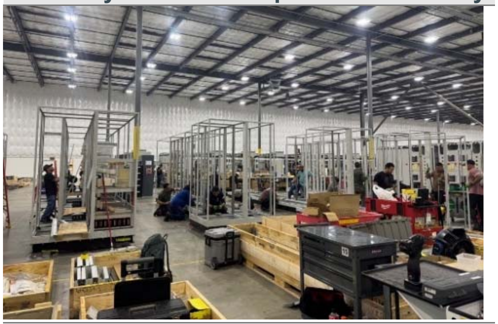
Earnings Revision/Risk

- No earnings revision.

Share Price Catalyst

- Appointment of a replacement Lead ID, reconstituting ARC and NC leadership.
- New hyperscaler or large LNG contract announcements.
- EPS-accretive acquisitions or strategic partnerships.

Assembly Line In Champions Park Facility



Source: UOB Kay Hian

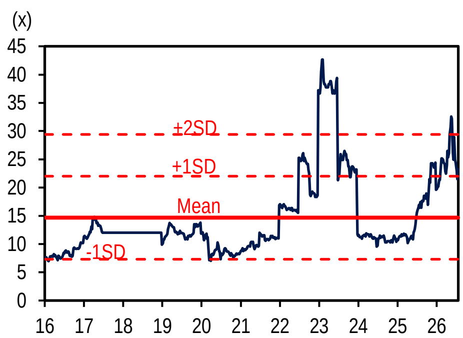
Workers Wiring A Switchgear At Gears Road Facility

Source: UOB Kay Hian

LNG Project

Source: UOB Kay Hian

Historical PE Band



Source: Bloomberg

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	82.7	92.4	96.2
Deprec. & amort.	17.2	25.2	28.6	28.6
EBIT	50.4	57.4	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	50.0	56.1	59.9
Tax	(8.4)	(9.1)	(11.2)	(12.0)
Minorities	(0.0)	0.0	0.0	0.0
Net profit	37.5	40.9	44.9	47.9
Net profit (adj.)	37.5	40.9	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	29.7	26.7	31.4
Other current assets	458.8	530.2	575.9	609.6
Total assets	757.5	817.1	860.2	900.2
ST debt	205.2	205.2	205.2	205.2
Other current liabilities	221.2	259.3	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	296.7	320.1	344.4
Minority interest	0.1	0.9	0.9	0.9
Total liabilities & equity	757.5	817.1	860.2	900.3

Cash Flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	(67.2)	41.5	59.0	70.2
Pre-tax profit	45.9	50.0	56.1	59.9
Tax	(14.1)	(9.1)	(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)	(36.3)	(26.2)	(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)	(15.4)	(1.8)	5.8
Beginning cash & cash equivalent	57.4	46.2	29.7	26.7
Changes due to forex impact	(1.1)	(1.1)	(1.1)	(1.1)
Ending cash & cash equivalent	46.2	29.7	26.7	31.4

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	7.0	7.3	7.5	7.4
Pre-tax margin	4.7	4.4	4.6	4.6
Net margin	3.9	3.6	3.7	3.7
ROA	5.4	5.2	5.4	5.4
ROE	14.1	14.3	14.6	14.4
Growth				
Turnover	12.5	16.2	9.0	5.9
EBITDA	(6.1)	22.3	11.8	4.1
Pre-tax profit	28.7	8.9	12.2	6.8
Net profit	42.3	9.0	9.8	6.8
Net profit (adj.)	2.0	9.0	9.8	6.8
EPS	(3.6)	9.0	9.8	6.8
Leverage				
Debt to total capital	43.2	41.3	39.5	37.7
Debt to equity	75.9	70.5	65.4	60.7
Net debt/(cash) to equity	59.2	60.5	57.0	51.6
Interest cover (x)	7.8	11.2	12.0	12.5