CSE Global (CSE SP)

3Q26: Strong Order Momentum; Margin Recovery Expected In 2H26

Highlights

- 9M26 revenue grew 26.6% yoy to S$884.6m, forming 78.6% of our 2026 forecast, driven by strong US electrification demand.
- 3Q26 order intake surged 197.7% yoy to S$434.9m, lifting the orderbook to S$728.5m, with a healthy project pipeline supporting future growth.
- Maintain BUY with a 27% lower target price of S$1.30, based on 21x 2027F PE (+1SD). Margin recovery is expected for 2H26 as capacity utilisation ramps up.

3Q26 Results

Year to 31 Dec (S$m)	3Q26	3Q25	yoy%	2Q26	qoq%
Revenue	**323.2**	**257.7**	**25.4**	**296.2**	**9.1**
Electrification segment	187.6	132.8	41.3	136.7	37.2
Communications segment	64.5	61.7	4.5	70.7	(8.8)
Automation segment	71.1	63.2	12.5	88.7	(19.8)
New orders received	**434.9**	**146.1**	**197.7**	**199.1**	**118.4**
Electrification segment	320.3	30.9	923.6	63.9	401.3
Communications segment	63.3	75.2	(15.8)	78.9	(19.8)
Automation segment	51.3	40.0	28.3	56.2	(8.7)
Outstanding orders	**728.5**	**467.5**	**55.8**	**620.4**	**17.4**

Source: CSE, UOB Kay Hian

Analysis

- **Revenue in line, driven by strong Electrification performance.** CSE Global (CSE) reported 3Q26 revenue of S$323.2m (+25.4% yoy, +9.1% qoq), bringing 9M26 revenue to S$884.6m (+26.6% yoy), or 78.6% of our 2026 forecast. Electrification remained the key driver, with revenue rising 41.2% yoy to S$187.6m (58.1% of group revenue), supported by major US data centre projects. Communications revenue grew 4.5% yoy to S$64.5m on stronger Australia and New Zealand contributions, while Automation revenue rose 12.4% yoy to S$71.1m on higher Americas project revenue.
- **Strong order intake drives orderbook growth.** CSE's 3Q26 order intake surged 197.7% yoy and 118.4% qoq to S$434.9m, driven by strong US electrification demand. Electrification orders jumped 937.0% yoy to S$320.3m, accounting for 73.6% of new orders. Notable wins include the Cheyenne Power Hub and CP2 LNG projects, worth S$254.8m, with execution expected over 2026-28. 9M26 order intake rose 76.5% yoy to S$905.1m, while the outstanding orderbook grew 55.8% yoy to S$728.5m. Continued opportunities in hyperscale data centres, LNG and power infrastructure, supported by AWS-related projects, provide strong revenue visibility.

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)	15.7	16.3	15.3	13.6	12.7
P/B (x)	2.4	2.2	2.1	1.9	1.8
EV/EBITDA (x)	11.2	11.9	9.9	8.7	8.4
Dividend yield (%)	2.8	3.0	3.3	3.7	3.9
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$0.86
Target Price	S$1.30
Upside	51.0%
Previous TP	S$1.79

Stock Data

GICS sector	Information Technology
Bloomberg ticker:	CSE SP
Shares issued (m):	731.1
Market Cap (S$m):	625.1
Market cap (US$m):	485.6
3-mth avg t'over (US$m):	7.0

Price Performance (%)

52-week high/low				S$1.91/S$0.81
1mth	3mth	6mth	1yr	YTD
(22.3)	(33.7)	(49.4)	(11.4)	(13.2)

Major Shareholders (%)

Temasek Hldgs	23.8

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.

- **Margin recovery expected for 2H26.** We expect 2H26 net margin to improve hoh as start-up costs for the new champion facility should moderate from higher capacity utilisation and improved cost efficiency.
- **Electrification remains the key growth driver.** CSE continues to benefit from strong US demand for hyperscale data centres, LNG and power infrastructure projects. The new Champion facility, which commenced operations in Jun 26, has supported higher project volumes and the execution of major contracts. Management is exploring further capacity expansion to meet growing demand, supported by an estimated US$1.5b AWS programme over five years. Meanwhile, CSE is reducing its exposure to lower-margin renewables and municipal projects to improve profitability.
- **Communications expansion and Automation restructuring remain key priorities.** CSE continues to strengthen its US communications presence following the acquisition of SEI Wireless Solutions in Jul 26, expanding its capabilities in mission-critical communications and security solutions. The group is also targeting opportunities among government and data centre customers. Meanwhile, Automation is focused on improving US profitability through facility consolidation and the wind-down of legacy projects, while prioritising traditional oil and gas operations and exploring opportunities in cybersecurity and AI technology.
- **Recurring flow business provides revenue resilience.** Approximately 80% of CSE's revenue is derived from its recurring and repeat flow business, supported by a customer base comprising around 90% repeat customers, with some relationships spanning over 30 years. This provides a stable revenue base alongside larger project contracts, helping to improve earnings visibility and resilience.

Valuation/Recommendation

- **Maintain BUY with a 27.4% lower target price of S$1.30** (previously S$1.79), based on a revised 21x 2027F PE (+1SD to mean), down from 29x (+1.5SD). The lower valuation multiple reflects the general sector derating. The premium to its historical mean remains supported by strong US data centre electrification demand and a robust S$728.5m orderbook.

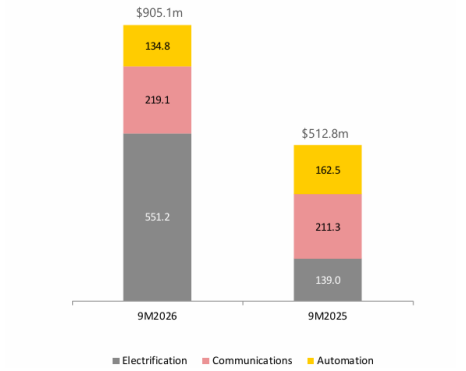
Earnings Revision/Risk

- We make no changes to our earnings and revenue forecasts.

Share Price Catalyst

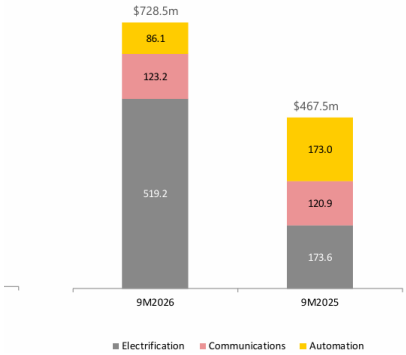
- Further hyperscaler data centre, LNG and power infrastructure contract wins in the US.
- Faster-than-expected ramp-up of the Champion facility, supporting margin recovery and earnings growth.
- EPS-accretive acquisitions or strategic partnerships.

9M26 Order Intake



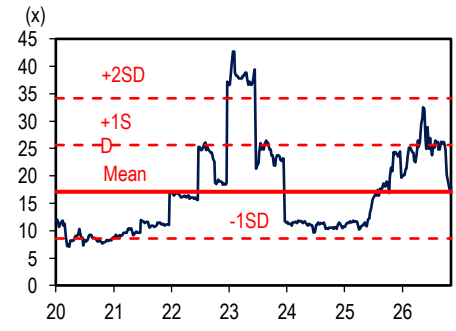
Source: CSE, UOB Kay Hian

9M26 Orderbook



Source: CSE, UOB Kay Hian

Long-Term Historical PE Band



Source: Bloomberg, 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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