

Cheeding Holdings Berhad

CheerRing For Growth

- **Founded in 1993, CHEEDING has a 32-year track record as an integrated power infrastructure solutions provider. It develops, maintains, and retrofits transmission towers through greenfield and brownfield projects, with revenue from two main streams: (i) EPCC services and (ii) transmission tower maintenance.**
- **Moving forward, we project the earnings to grow at CAGR of 15.2% over the next three years reaching to RM32.9m, RM38.5m, RM40.3m on the back of (i) robust order book of ~RM202.7m, providing a coverage ratio of ~1–1.5x, and (ii) TENAGA’s favourable capex rollout focused on improving the efficiency of the nation’s utilities industry.**
- **We assign a target P/E of 16.0x mid-FY27F EPS, translating to a fair value of RM0.72 per share. The assigned valuation takes into account several factors: (i) CHEEDING’s niche involvement in overhead infrastructure utilities, (ii) its long-term relationship with TENAGA, (iii) its healthy net profit margins and EPS growth relative to peers.**

Investment Merits

An expert in large-scale overhead utility work. Founded in 1993, CHEEDING boasts a remarkable 32-year track record as an integrated solutions provider in the power infrastructure utilities industry. The Company has 3 revenue streams. Firstly, EPCC and maintenance of overhead infra utilities, specialising in the development and maintenance of large-scale transmission towers used to distribute and transmit electrical energy across long distances. CHEEDING mainly focuses on constructing new transmission towers from the ground up (greenfield projects) and retrofitting existing towers (brownfield projects) to enhance the efficiency and sustainability of the towers. Meanwhile, it has other 2 segments such as (i) Engineering, Procurement, Construction, and Commissioning (EPCC) services for underground utilities, mainly trenching, pipe and cable laying, and (ii) substation engineering services.

A proxy of TENAGA’s CapEx rollout. In brief, CHEEDING’s strong EPCC and maintenance overhead infrastructure orderbook is underpinned by its stable and solid relationship with core clients like TENAGA National Berhad (TENAGA). In FY25 alone, TENAGA contributed almost 100% of CHEEDING’s topline. The company has maintained a longstanding relationship with TENAGA for over 16 years, with the total value of ongoing contracts awarded by them amounting to c.RM300.0m. With Malaysia’s peak electricity demand projected to exhibit a CAGR of 10–13% from 2020–2039, according to the Energy Commission, we expect an influx of contract opportunities from TENAGA, bolstering Peninsular Malaysia’s grid system; propelled by the NETR and the nation’s adoption of renewable energy, compounded by the data centre boom.

RP4 – Ripe for Multi-Year Growth. In line with these efforts, TENAGA plans to invest a total of RM90bn into Malaysia’s grid from 2025 to 2030, nearly double the RM46bn allocated for the period from 2018 to 2024. On the regulatory front, the upcoming RP4 (2025-2027) will see TENAGA once again stepping up its capex to maintain the security of power supply and meet the projected electricity demand growth of 1.6%-4.3%. This investment will also facilitate the nation’s energy transition. The anticipated higher capex from TENAGA is expected to present CHEEDING with numerous contract opportunities. CHEEDING possesses the capability to transmission towers either lattice pylon towers or monopole pylon towers with a proven track record in installing up to 500kV overhead transmission lines.

IPO Note – Not rated

Muhammad Nabil
muhammadnabil@msec.com.my
(603) 2201 2100

Non-Rated

Share price	RM0.36
Target price	RM0.72
Previous TP	-
Capital upside	100.0%
Dividend return	3.1%
Total return	103.1%

Company profile

Through its subsidiaries, CHEEDING delivers integrated utilities engineering solutions, including EPCC and maintenance of overhead, underground, and substation infrastructure. BC Services complements with design expertise. Supported by 206 employees, CHEEDING holds key accreditations as a CIDB G7 contractor, MOF-registered supplier, and TENAGA vendor, strengthening its industry positioning.

Stock information

Bursa Code	CHEEDING
Bloomberg ticker	CHEEDING MK
Listing market	ACE
Share issued (m)	797.3
Market Cap (m)	287.0
Shariah compliant	YES

Major shareholders

Ng Kian Chai	68.1%
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Earnings snapshot

FYE (Mar)	FY25	FY26f	FY27f
PATMI (m)	26.3	32.9	38.5
EPS (sen)	3.30	4.13	4.82
P/E (x)	10.9	8.7	7.5

Timetable of IPO

Opening of application	12 September
Closing of application	23 September
Balloting of application	25 September
Allotment of the IPO shares	3 October
Listing on the MAIN market	7 October



Company Overview

Through its wholly-owned subsidiary, Pembinaan Bukit CHEEDING is mainly involved in providing infrastructure utilities engineering solutions. Its core activities include the Engineering, Procurement, Construction and Commissioning (EPCC) and maintenance of overhead infrastructure for utilities. In addition, it also undertakes the EPCC of underground infrastructure for utilities as well as substation engineering services. Its other subsidiary, BC Services, provides electrical and civil engineering-related services, mainly focusing on design works for projects carried out by Pembinaan Bukit CHEEDING.

As of the latest practicable date, CHEEDING has 206 employees under its Engineering Department as well as the Project, Safety and Environment Department, and holds notable accreditations including: (i) CIDB G7 contractor, (ii) registered MOF supplier and service provider, (iii) TENAGA vendor as supplier and service contractor, and iv) Energy Commission of Malaysia (Energy Commission) as a Class A Electrical Contractor.

The Company's business segments comprise the following:

- i. **EPCC and maintenance of overhead infrastructure for utilities (70.6% of FY25 revenue).** CHEEDING is mainly involved in the EPCC and maintenance of overhead infrastructure utilities, which are structures used in electric power transmission and distribution to carry electrical energy across long distances.
- ii. **EPCC of underground infrastructure utilities (22.6% of FY25 revenue).** CHEEDING undertakes works such as trenching, pipe and cable laying, structural works, and road restoration (mill and pave).
- iii. **Substation engineering services (6.8% of FY25 revenue).** It is mainly involved in the technical design and construction of primary equipment, such as circuit breakers, which produce, transmit, distribute, and use electric energy; within the primary bay of new or existing substations.

Fig #1 CHEEDING's business summary

Provision of utilities engineering solutions		
EPCC & maintenance of overhead infrastructure for utilities	EPCC of underground infrastructure for utilities	Substation Engineering services
Main Contractor / Subcontractor	Main Contractor	Main Contractor
FYE 2024: 99.88% FYE 2025: 70.58%	FYE 2024: Nil FYE 2025: 22.63%	FYE 2024: 0.12% FYE 2025: 6.79%
Our customers are primarily project owners. We are able to tender for various types of engineering works in Peninsular Malaysia's power infrastructure utilities market and of various contract sizes in the private and public sector.		
Peninsular Malaysia		

Source: CHEEDING Holdings Berhad



Fig #2 Example of overhead infrastructure utilities



Lattice pylon towers

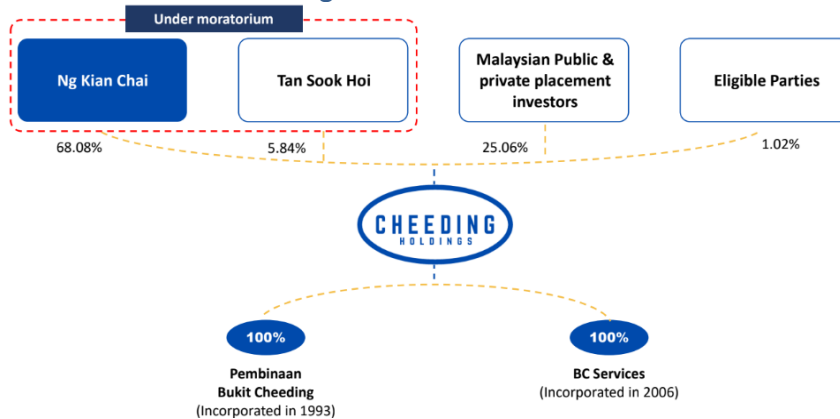


Monopole pylon towers

Source: CHEEDING Holdings Berhad

Led by experienced key senior management team. Led by its Managing Director, Ng Kian Chai, who brings with him ~42 years of experience in construction-related works; the management team is supported by (i) Ng Chai, responsible for overseeing human resources and CHEEDING’s administration, (ii) Ng Lam, overseeing utilities engineering services, and (iii) Ng Lam, acting as Project Director and leading the Engineering Department.

Fig #3 CHEEDING’s shareholding structure



Source: CHEEDING Holdings Berhad



Fig #4 CHEEDING's SWOT Analysis

Strength	Weakness
<ul style="list-style-type: none"> • Proven track record in delivering overhead infrastructure utilities projects, with notable accreditations including CIDB G7 contractor, registered MOF supplier and service provider, and has a solid relationship with TENAGA. • TENAGA as its major customer faces minimal issues with cash receivables turnover. 	<ul style="list-style-type: none"> • Heavily dependent on its major customer, TENAGA. As of FY25, TENAGA alone accounts for ~99% of its topline. • We believe CHEEDING's inexperience in substation services is one of its weaknesses. However, a JV with local players could be a key strategy for CHEEDING to grow in this segment.
Opportunity	Threat
<ul style="list-style-type: none"> • TENAGA's RM20–21bn investments, renewable push, and major projects boost demand for generator rentals in grid construction and transmission. • Stands to benefit from rising FDI, particularly as global hyperscalers such as Google, Meta, and Amazon choose Malaysia as a data centre hub, driven by the country's lower utility and land costs. 	<ul style="list-style-type: none"> • We understand that CHEEDING deliver its utilities engineering solutions through tendering activities, hence revenue growth would solely depends on CHEEDING's ability to secure new projects. • Risk of early termination of its projects may adversely to its financial performance.

Source: M+ Research

Future Plans and Business Strategies

Expansion of utilities engineering services projects. The Company plans to leverage its track record in overhead utilities engineering by expanding into underground utilities and substation engineering projects; in line with these efforts, eight additional hires (two project managers and six project engineers) will be made over 12 months, funded via internally generated funds (RM0.73m).

Setting up a Design Department. CHEEDING intends to establish a Design Department, handling engineering surveys and design works internally, which in turn would reduce its reliance on outsourcing to third-party consultants and land surveyors; providing CHEEDING with greater control of the design process, enhance service offerings, and improve cost efficiency.

Strengthening internal capabilities. To secure larger-scale projects and position itself more favourably in tenders, the Company intends to capitalise on its licences, certifications, and proven track record in project delivery, safety, and quality. With this IPO listing, we believe the Company will benefit from stronger brand recognition, enhanced credibility in tendering, and an improved ability to attract skilled personnel.

Acquisition of machinery and equipment Approximately RM3.2m of IPO proceeds has been earmarked for machinery acquisitions within 24 months of listing, including five excavators (RM2.1m) and two cranes (RM1.1m). We believe these additions will strengthen the Company's operational capacity and simultaneously support its expansion into larger-scale utilities engineering projects.



Fig #5 Use of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Repayment of bank borrowings	2.3	4.5%	Within 6 months
Capital expenditure	3.2	6.2%	Within 24 months
Performance bond for future projects	16.2	31.4%	Within 24 months
Working capital	24.6	47.8%	Within 24 months
Estimated listing expenses	5.2	10.1%	Within 3 months
Total	51.5	100.0%	

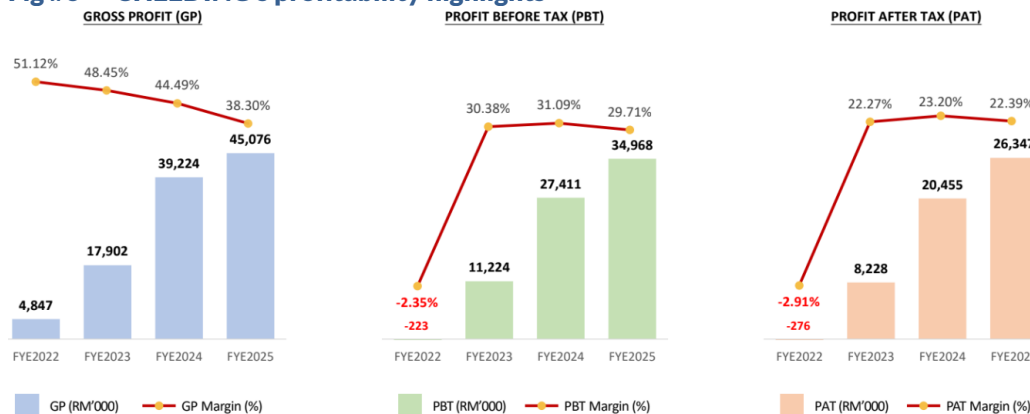
Source: CHEEDING Holdings Berhad

Financials

Financial highlights. CHEEDING's revenue grew robustly from RM9.5m in FY22 to RM117.7m in FY25, delivering a 3-year CAGR of 131.5%. This strong growth was primarily driven by higher contributions from TENAGA service contracts, alongside rising demand for both EPCC of overhead infrastructure utilities and underground infrastructure utilities. CHEEDING's cost of sales increased in line with total revenue, with a slight rise in the mix of subcontractor fees. Despite this, the Company consistently maintained PAT margins of ~22–23% throughout the Financial Years Under Review.

In FY25, CHEEDING's total revenue increased by 33.48% to RM117.7m from RM88.2m in FYE 2024, driven mainly by stronger contributions across all business segments. The EPCC segment grew by RM20.0m, supported by the commencement of the Kulim Project and higher revenue from ongoing projects such as Ayer Tawar and Kampung Gajah, partially offset by lower contributions from projects like Kedah, Kedah 2 and Tapah, which are nearing completion. Its other two segments, substation engineering and maintenance of overhead services, also grew modestly alongside its major segment.

Fig #6 CHEEDING's profitability highlights



Source: CHEEDING Holdings Berhad

Earnings forecast. For FY26F, we reckon that CHEEDING will be able to deliver another year of solid improvement, backed by (i) a strong order book of ~RM202.7m, providing a coverage ratio of ~1–1.5x, of which we estimate ~66–70% should be recognised by FY26f, with most of the balance carried into FY27f, and (ii) TENAGA's favourable capex rollout focused on improving the efficiency of the nation's utilities industry.

Hence, we project a robust 15.2% core net profit CAGR for CHEEDING over FY26-28F. Note that our core net profit excludes one-off income/expenses, such as IPO fees. In addition to strong earnings CAGR, we have pencilled in CHEEDING to post normalized gross margins of ~39% and net margins of ~22%, assuming fewer outsourcing activities with the pursuit of proceeds and increased working capital.



Valuations

We assign a target P/E of 16.0x mid-FY27f EPS, translating to a fair value of RM0.72 per share. The assigned valuation takes into account several factors: (i) CHEEDING's niche involvement in overhead infrastructure utilities, (ii) its long-term relationship with TENAGA, which provides healthy cash flow as reflected in its low receivable turnover, and (iii) its healthy net profit margins and EPS growth relative to peers.

We do not rule out the possibility of a rerating catalyst of CHEEDING to 17.5-19x as (i) higher demand in data center may contribute to TENAGA increasing CapEx of its power grid network going forward and (ii) ongoing execution in NETR projects which will require more power transmission network, translating to stronger earnings potential for CHEEDING.

Fig #7 Peers' comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	EPS Growth (%)	ROE (%)	NP Margin (%)
Cheeding Holdings Bhd	ACE	Mac	0.36	287.0	10.9	8.7	25.0	56.7	22.4
MN Holdings Bhd	ACE	Dec	1.78	1,164.6	19.3	18.4	5.3	31.0	9.0
UUE Holdings Bhd	ACE	Dec	0.81	492.7	17.9	17.6	1.5	26.1	13.5
Jati Tinggi Group Bhd	ACE	Dec	0.63	269.4	25.1	NM	NM	18.5	7.6
CBH Engineering Holding Bhd	ACE	Dec	0.37	686.5	17.5	16.6	5.8	NM	15.4
Powerwell Holdings Bhd	ACE	Dec	0.57	330.9	15.2	NM	NM	23.2	13.7
Avg ex-Cheeding Holdings Bhd				588.8	19.0	17.5	4.2	24.7	11.8

Source: M+ Research (*FY25, **FY26f)

Investment Risks

Customer concentration risk. Heavy reliance on TENAGA, contributing up to ~98–99% of revenue; hence, any reduction in TNB's capex or contract awards could materially impact performance.

Project-based revenue model. Dependence on continuously winning new projects. No guarantee of continuous contract wins or similar commercial terms; an order book decline would affect revenue sustainability.

Defect liability. CHEEDING is liable for repairing or rectifying project defects within 12–36 months post-completion at its own cost, potentially impacting profitability, cash flow, and reputation.

Management dependency. CHEEDING relies on its Managing Director, Executive Director, and key senior management. Sudden loss without succession planning could disrupt operations.

ESG initiatives

Environmental (E)

The Group integrates sustainability into its operations through certifications, compliance, and resource efficiency:

- Environmental Management System: Certified under ISO 14001:2015 (valid until June 2026), driving waste reduction, energy efficiency, and cost savings.
- Regulatory Compliance: Adheres to the Environmental Quality Act 1974 (and 2024 amendment), supported by monthly monitoring programmes, annual legal registers, and certified environmental officers.
- Waste Management: Construction waste, mainly steel and concrete, is sorted, monitored, and disposed of in compliance with regulations to minimise wastage.



Social (S)

The Group places emphasis on workplace safety, labour practices, and stakeholder engagement:

- **Health & Safety:** Guided by ISO 45001:2018 and OSHA regulations, supported by a Health & Safety Committee, weekly site inspections, safety trainings, and hazard risk assessments.
- **Human Rights & Labour:** Ensures equitable wages and benefits, prohibits child labour and discrimination, provides safe working conditions, and accommodates foreign workers in line with employment laws.
- **Diversity & Inclusion:** Promotes equal opportunities regardless of gender, age, ethnicity, or religion, recognising employees as key drivers of growth.

Governance (G)

The Group emphasises integrity, transparency, and strong governance oversight:

- **Board Diversity:** Aligns with MCG principles with 4 out of 6 independent directors and 4 out of 6 female directors, enhancing decision-making effectiveness.
- **Transparency & Reporting:** Engages independent auditors to ensure timely, accurate financial reporting and accountability.
- **Anti-Corruption:** Maintains a zero-tolerance stance, with policies aligned to the Malaysian Anti-Corruption Commission Act 2009.



Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet						Income Statement					
FYE Mar (RM m)	FY24	FY25	FY26f	FY27f	FY28f	FYE Mar (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Cash	3	32	69	91	119	Revenue	88	118	149	174	183
Receivables	17	21	24	29	30	EBITDA	30	37	45	53	56
Inventories	-	-	-	-	-	EBIT	27	35	43	50	53
PPE	9	11	11	13	14	Net finance income/ (cost)	0	0	0	0	0
Others	35	30	30	30	30	Associates & JV	-	-	-	-	-
Assets	64	94	134	163	193	Profit before tax	27	35	43	51	53
Debts	4	3	2	2	1	Tax	(7)	(9)	(10)	(12)	(13)
Payables	4	5	5	6	6	Net profit	20	26	33	38	40
Others	13	36	36	36	36	Minority interest	-	-	-	-	-
Liabilities	21	44	42	43	43	Core earnings	20	26	33	38	40
Shareholder's equity	43	50	91	120	150	Exceptional items	-	-	-	-	-
Minority interest	-	-	-	-	-	Reported earnings	20	26	33	38	40
Equity	43	50	91	120	150						

Cash Flow Statement						Valuation & Ratios					
FYE Mar (RM m)	FY24	FY25	FY26f	FY27f	FY28f	FYE Mar (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	27	35	43	51	53	Core EPS (sen)	2.6	3.3	4.1	4.8	5.1
Depreciation & amortisation	2	2	2	2	3	P/E (x)	14.0	10.9	8.7	7.5	7.1
Changes in working capital	10	6	9	5	2	EV/EBITDA (x)	9.6	7.8	6.3	5.4	5.1
Share of JV profits	-	-	-	-	-	DPS (sen)	0.6	2.3	1.0	1.2	1.3
Taxation	(7)	(9)	(10)	(12)	(13)	Dividend yield	1.7%	6.4%	2.9%	3.3%	3.5%
Others	(16)	10	11	(8)	(3)	BVPS (RM)	0.05	0.06	0.11	0.15	0.19
Operating cash flow	17	44	54	38	42	P/B (x)	6.7	5.7	3.1	2.4	1.9
Net capex	(4)	(4)	(5)	(5)	(4)	EBITDA margin	33.5%	31.0%	30.4%	30.3%	30.3%
Others	1	0	-	-	-	EBIT margin	31.0%	29.4%	29.0%	28.9%	28.7%
Investing cash flow	(3)	(3)	(5)	(5)	(4)	PBT margin	31.1%	29.7%	29.1%	29.0%	28.9%
Changes in borrowings	1	(1)	(2)	(0)	(0)	Net margin	23.2%	22.4%	22.1%	22.1%	21.9%
Issuance of shares	-	-	27	-	-	ROE	58.8%	56.7%	53.7%	36.4%	29.8%
Dividends paid	(5)	(19)	(8)	(10)	(10)	ROA	39.6%	33.4%	33.9%	25.9%	22.6%
Others	(7)	11	-	-	-	Net gearing	2.6%	CASH	CASH	CASH	CASH
Financing cash flow	(12)	(8)	16	(10)	(10)						
Net cash flow	2	32	66	23	28						
Forex	0	0	-	-	-						
Others	-	-	-	-	-						
Beginning cash	1	3	3	69	91						
Ending cash	3	32	69	91	119						

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Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

