Company Update Information Tech Services ▪ Singapore

CSE Global Ltd.

(CSE SP/544.SI)

Record order wins, deeper hyperscaler exposure and cleaner execution

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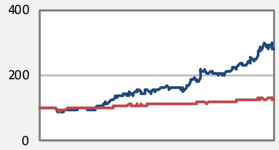
- **Record order momentum into FY26.** FY25 order intake exceeded S$1bn, lifting the order book to ~S$709m. Strong wins in electrification, LNG and data-centre infrastructure provide improved revenue visibility through FY26–27.
- **Electrification and data-centre demand accelerating.** Growth is increasingly driven by grid electrification and hyperscale data-centre power infrastructure. CSE's engineering capabilities position the group to capture structural investment in power reliability and energy transition projects.
- **Margins normalising after FY25 one-off charges.** FY25 EBITDA margin of 8.6% was weighed down by ~S$8m–9m of one-off items, including project provisions and automation-related write-offs. Excluding these items, underlying profitability remained resilient.
- **FY25 financial results.** Revenue increased to S$960.9mn (+11.6% YoY) driven by stronger contribution from the Electrification segment and continued execution of large infrastructure projects. Net profit rose to S$42.6mn (+61.4% YoY), reflecting operating leverage from higher revenue conversion and improved project mix. However, EBITDA margin moderated to 8.6%, impacted by one-off charges including ~S$5.4mn of project provisions and ~S$3mn of automation-related write-offs, which weighed on reported profitability. Excluding these items, underlying margins would have been closer to the group's medium-term target ~10%.

Financials & Key Operating Statistics					
YE Dec (S$'Millions)	**2024**	**2025**	**2026F**	**2027F**	**2028F**
Revenue	861.2	968.9	1,143.8	1,269.9	1,377.6
Net Income	26.4	37.5	65.8	79.4	87.1
EPS (cents)	3.91	5.26	8.55	10.31	11.31
EPS growth (%)	6.8%	34.5%	62.5%	20.6%	9.7%
DPS (Sing cents)	2.40	2.60	4.27	5.16	5.65
Div Yield (%)	1.9%	2.1%	3.4%	4.1%	4.5%
Net Profit Margin (%)	3.1%	3.9%	5.8%	6.3%	6.3%
Net Debt/ (Net Cash) Gearing (%)	38.0%	79.4%	57.7%	47.6%	37.8%
ROA (%)	4.2%	5.0%	7.9%	8.9%	9.2%
ROE (%)	10.3%	13.6%	21.3%	22.8%	22.2%

Source: Company data, KGI Research

Outperform - Company Update			
Price as of 9 Mar 26 (SGD)	1.240	**Performance (Absolute)**	
12M TP ($)	1.790	1 Month (%)	5.1
Previous TP ($)	1.08	3 Month (%)	38.6
Upside, incl div (%)	47.8%	12 Month (%)	178.4
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap ($mn)	898		
Issued Shares (mn)	724		
Vol - 3M Daily avg (mn)	7.2		
Val - 3M Daily avg ($mn)	8.2		
Free Float (%)	81.8%		
Major Shareholders		**Previous Recommendations**	
Temasek Holdings Pte. Ltd.	14.0%	10-Dec-25	1.08
Lim Boon Kheng	3.5%	29-Oct-25	0.78
DIMENSIONAL FUND ADV.	1.4%	29-Nov-24	0.60

Valuation & Action: We raise our 12-month TP to **S$1.79** from S$1.08 and maintain **OUTPERFORM**. Our revised valuation is based on a DCF with **8.4% WACC** and **2% terminal growth**.

The higher TP reflects stronger order visibility, improved revenue conversion from electrification and data-centre projects, and a normalisation of profitability following FY25 one-off charges. We expect EBITDA margins to exceed 10% from FY26 onward, supported by a richer project mix and improved operating leverage as revenue scales.

Risks: The company is exposed to currency translation risk and foreign exchange risk as it operates its business in several key markets, with its key market primarily in the United States, Australia and the United Kingdom.

Industry Outlook

Data-centre capex remains the central industry driver. The industry backdrop remains supportive for CSE's Electrification and Communications franchises. Management continues to frame its growth opportunity around urbanisation, electrification, decarbonisation and AI, with rising compute intensity lifting power density, redundancy requirements and network complexity inside data centres. This matters because CSE is positioned closer to the physical layer of the build cycle, where power systems, communications infrastructure and integration work remain mission critical.

Utility-style power complexity favours systems integrators with execution depth. As hyperscale and large enterprise facilities push for faster deployment, customers increasingly need integrated power distribution centres, electrical and control-system integration, advanced communications networks and ongoing maintenance under a single execution umbrella. We think this structurally favours scaled integrators such as CSE that can design, fabricate, install and support programmes across multiple geographies.

End-market mix is shifting toward better-funded infrastructure spend. Beyond data centres, the Group continues to see opportunity in LNG, critical infrastructure, utilities and adjacent infrastructure programmes. Importantly, management has become more selective in where it wants to deploy capital and execution resources, reducing emphasis on municipal and lower-quality work in the U.S. while focusing on sectors with stronger budgets, better counterparties and higher repeat content. In our view, this should translate into a healthier backlog mix and less earnings volatility over time.

Company Outlook

FY2025 closed with a stronger-than-expected demand signal. CSE delivered FY2025 revenue of S$968.9m and EBITDA of S$83.5m, while net profit rose 42.3% to S$37.5m. More importantly, order intake reached a record S$1.03bn and the year-end order book stood at S$709.5m. We view this as the clearest evidence yet that the Group's pivot toward electrification and communications is working.

4Q2025 materially changed the earnings setup. The step-up in 4Q2025 order intake to S$514.7m was not just a volume event. The mix was also constructive, driven by stronger Electrification demand in the U.S., an extension to a current hyperscaler contract, and major LNG-related wins. This increases our conviction that FY2026 growth can outpace FY2025, particularly as a larger share of the backlog now sits in markets management is deliberately leaning into.

Amazon framework raises strategic optionality, not just near-term visibility. The Amazon transaction gives CSE more than a headline partner. The warrant structure is linked to commercial milestones and in our view acts as an alignment mechanism that could deepen CSE's participation in future data-centre builds. We do not need aggressive assumptions around this relationship to justify a higher TP. Even a measured uplift in wallet share improves our confidence in CSE's medium-term electrification revenue base.

Flow business remains an underappreciated stabiliser. FY2025 flow business accounted for 71% of group revenue versus 69% in FY2024. That matters because it provides a recurring operating base while large projects add step-ups in growth. We think this combination of repeat programme work and selective megaproject exposure is increasingly attractive. It supports better labour utilisation, improves factory and field-resource planning, and reduces the risk that earnings become overly dependent on one-off contract timing.

Business Updates

The FY2025 presentation highlighted a clearer segment hierarchy for the Group. Electrification remains the core growth engine, Communications is evolving into a meaningful second pillar, and Automation is being repositioned toward profitability and infrastructure-adjacent software and solutions.

Figure 1: Breakdown by segment

Segment	Revenue FY2025	YoY	EBITDA FY2025	YoY	Order intake FY2025	Order book FY2025
Electrification	S$507.0m	16.6%	S$45.7m	7.1%	S$593.4m	S$461.6m
Communications	S$261.7m	12.8%	S$26.0m	1.4%	S$266.4m	S$105.0m
Automation	S$200.2m	3.0%	S$11.7m	-15.1%	S$167.7m	S$142.9m

Source: KGI Research

Structural Margin Recovery from FY26 Driven by Project Mix and Scale

Our higher margin forecast rests on four factors. First, FY2025 margins were depressed by identifiable, mostly non-recurring items. Group gross margin absorbed S$5.4m of cost provisions in select Americas divisions, primarily linked to wastewater projects and revenue write-offs in certain automation jobs. At the segment level, Automation EBITDA was further hit by S$5.5m of plant, equipment and technical know-how write-offs, together with S$3.0m of automation revenue write-offs. Second, a meaningful amount of cost was front-loaded in FY2025 to support expansion, including higher labour, storage and facility expenses. We expect better absorption as the enlarged order base converts.

Mix and Discipline should do the Heavy Lifting

Third, the growth mix is improving. Electrification and Communications, which together generated nearly 79% of FY2025 revenue, are now tied more closely to data-centre, LNG and critical communications demand, while management is deliberately reducing exposure to lower-return municipal and renewables work. Fourth, the Group is running a more selective tendering and execution framework. As backlog mix improves and the business leans more heavily into repeatable programme work, we see a credible path for group EBITDA margin to move through 10% in FY2026 and hold around that level thereafter.

Valuation

Higher Valuation Driven by Improved Earnings Visibility

Record FY2025 order intake of S$1.03bn, with 4Q2025 orders of S$514.7m, provides a far stronger bridge into FY2026 than we had assumed previously. The data-centre growth vector has deepened meaningfully. CSE secured a major U.S. data-centre communications contract in 2Q2025, a US$143.5m (cS$186.3m) hyperscaler-related contract variation in Dec-25 and entered a strategic commercial arrangement with Amazon that should expand wallet share over time.

- **Electrification** wins have become larger and more concentrated in attractive end markets. CSE secured S$161.7m of major LNG electrification contracts in Dec-25 and management is explicitly prioritising electrification and communications while reducing exposure to lower-quality renewables and municipal markets.
- **Communications** has strengthened as a second growth leg through acquisitions and new programs. The acquisition of Chicago Communications expanded CSE's U.S. footprint to four states, while FY2025 communications orders included advanced networks for a major data centre.

Valuation Update: Incorporating Improved Margin and Growth Assumptions

Relative to our prior report, we now underwrite a faster ramp in Electrification and Communications revenue, assign greater value to the Group's data-centre programmes and strategic Amazon relationship, and assume margin recovery as FY2025 one-offs unwind. In other words, our target price is rising because we think the quality and longevity of future cash flows have improved, not because we are stretching terminal assumptions.

We raise our TP to **S$1.79** from S$1.08, based on the DCF with unchanged assumptions of **8.4% WACC** and **2.0% terminal growth**. The uplift comes from revising our explicit-period forecasts higher, reflecting stronger order conversion, a better end-market mix and a more durable margin profile.

Figure 2: Free Cash Flow Calculations (REVISED)

Free Cash Flow Calculation (S$'mn)	2024	2025	2026E	2027E	2028E	2029E	2030E
Earnings before Income Tax	35.7	45.9	80.5	97.1	106.5	113.4	128.6
Add: Interest	10.1	8.4	8.6	10.4	9.9	9.4	8.9
Operating Profit (EBIT)	44.1	54.6	90.9	107.1	116.0	122.2	137.0
Less: Tax	(11.4)	(10.0)	(16.6)	(19.6)	(21.2)	(22.4)	(25.1)
Add: Depreciation & Amortisation	27.7	28.9	25.7	24.2	23.2	22.5	22.2
Less: Changes in working capital	(24.3)	(130.4)	5.2	(27.1)	(23.1)	(16.2)	(18.4)
Less: Capital Expenditures	(20.8)	(28.6)	(22.9)	(24.6)	(26.0)	(27.0)	(28.1)
FCFF			82.2	60.0	68.9	79.2	87.7
Terminal Value							1,388.5
Total FCFF			82.2	60.0	68.9	79.2	1,476.2
Period			1.0	2.0	3.0	4.0	5.0
Discount Factor			0.9	0.9	0.8	0.7	0.7
PV FCFF			75.8	51.0	54.0	57.3	984.4

Source: KGI Research

Figure 3: Financial Valuation

Valuations (S$'mn)	
Discounted Cash Flow (DCF)	
Perpetual Growth Rate	2.0%
WACC	8.4%
Sum of PV FCFF	1,222.6
Plus: Net Debt	163.0
Less: Interest*(1-Tax)	(7.5)
Implied Equity Value	1,378.1
Total Shares Outstanding	770
Implied 12M-TP (S$)	1.79
Upside (%)	44.4%

Source: KGI Research

Financial Summary

FYE December (S$'Millions)					
Income Statement	**2024**	**2025**	**2026F**	**2027F**	**2028F**
Revenue	**861.2**	**968.9**	**1,143.8**	**1,269.9**	**1,377.6**
Cost of Sales	(620.0)	(707.0)	(823.5)	(914.3)	(991.9)
Gross Profit	**241.2**	**261.9**	**320.3**	**355.6**	**385.7**
Administrative Expenses	(168.9)	(194.8)	(211.6)	(228.6)	(248.0)
Selling and Distribution Expenses	(11.3)	(11.2)	(13.2)	(14.7)	(15.9)
Other Expenses	(6.7)	(5.5)	(6.5)	(7.2)	(7.8)
Operating Profit	**54.2**	**50.4**	**88.9**	**105.1**	**114.0**
Finance Costs and Others	(7.9)	(7.9)	(8.4)	(7.9)	(7.5)
Profit before tax	**46.3**	**42.5**	**80.5**	**97.1**	**106.5**
Income tax expense	(9.2)	(8.4)	(14.7)	(17.8)	(19.5)
Net Income	**37.1**	**34.1**	**65.8**	**79.4**	**87.1**
Balance Sheet	**2024**	**2025**	**2026F**	**2027F**	**2028F**
Contract Assets	121.2	188.8	183.0	203.1	220.3
Inventories	58.7	92.8	93.6	104.0	112.8
Trade and other receivables	167.3	165.8	196.6	218.3	236.8
Other Current Assets	35.2	11.5	13.1	14.5	15.7
Cash and bank balances	57.4	46.2	97.0	97.7	103.8
Total current assets	**439.7**	**505.0**	**583.3**	**637.6**	**689.5**
Property, Plant, and Equipment	54.1	67.2	75.4	84.5	94.4
Rights-to-use assets	23.5	46.0	39.5	35.1	32.0
Intangible assets	107.4	108.1	103.7	99.4	95.4
Other non-current assets	7.9	31.2	31.2	31.2	31.2
Total non-current assets	**192.9**	**252.6**	**249.8**	**250.2**	**253.0**
Total assets	**632.6**	**757.5**	**833.1**	**887.8**	**942.5**
Contract Liabilities	85.7	31.7	68.3	75.9	82.3
Trade payables and accruals	119.5	176.3	172.2	191.2	207.5
Lease liabilities	10.2	10.8	10.8	10.8	10.8
Loans and borrowings	108.9	205.2	195.2	185.2	175.2
Other current liabilities	8.6	2.4	2.4	2.4	2.4
Total current liabilities	**332.9**	**426.4**	**449.1**	**465.6**	**478.2**
Lease Liabilities	15.0	44.8	44.8	44.8	44.8
Loans and borrowings	20.6	4.0	24.0	22.5	21.0
Other non-current liabilities	8.2	6.8	6.8	6.8	6.8
Total non-current liabilities	**43.7**	**55.6**	**75.6**	**74.1**	**72.6**
Total liabilities	**376.6**	**482.0**	**524.7**	**539.7**	**550.8**
Share capital	166.4	175.2	175.2	175.2	175.2
Revenue reserve	110.1	131.4	164.3	203.9	247.5
Treasury Shares & Other reserves	(20.5)	(31.1)	(31.1)	(31.1)	(31.1)
Equity attributable to owners of the parent	**256.0**	**275.5**	**308.4**	**348.0**	**391.6**
Non-controlling interests	0.0	0.1	0.1	0.1	0.1
Total Equity	**256.0**	**275.5**	**308.4**	**348.1**	**391.6**
Total Liabilities and Equity	**632.6**	**757.5**	**833.1**	**887.8**	**942.5**
Cash Flow	**2024**	**2025**	**2026F**	**2027F**	**2028F**
Profit Before Income Tax	**35.7**	**45.9**	**80.5**	**97.1**	**106.5**
Depreciation & Amort.	27.7	28.9	25.7	24.2	23.2
Other Operating Cash Flows Adjustments	8.4	8.3	10.4	9.9	9.4
Operating cash flows before WC changes	**71.8**	**83.1**	**116.6**	**131.2**	**139.2**
Change in working capital	(24.3)	(130.4)	5.2	(27.1)	(23.1)
Cash Generated from Operations	**47.5**	**(47.2)**	**121.8**	**104.2**	**116.1**
Interest Paid	(7.8)	(6.2)	(11.0)	(10.5)	(10.1)
Interest Received	0.6	0.3	0.6	0.6	0.6
Income tax paid	(7.2)	(14.1)	(14.7)	(17.8)	(19.5)
Cash flows from operations	**33.1**	**(67.2)**	**96.7**	**76.5**	**87.1**
Capital expenditure	(20.8)	(28.6)	(22.9)	(24.6)	(26.0)
Other investing cashflow	(12.5)	28.3	–	–	–
Cash flows from investing	**(33.3)**	**(0.2)**	**(22.9)**	**(24.6)**	**(26.0)**
Dividends paid to equity owners	(7.6)	(7.5)	(32.9)	(39.7)	(43.5)
Net of Proceeds & Repayment from borrowings	14.6	81.4	10.0	(11.5)	(11.5)
Net proceeds from issuance of ordinary shares	23.2	–	–	–	–
Other financing cashflow	(11.0)	(16.6)	–	–	–
Cash flows from financing	**19.3**	**57.3**	**(22.9)**	**(51.2)**	**(55.0)**
Net increase in cash	**19.1**	**(10.1)**	**50.9**	**0.7**	**6.1**
Cash and Cash Balance BOP	38.4	57.4	46.2	97.0	97.7
Effects of foreign exchange rate changes, net	(0.1)	(1.1)	–	–	–
Cash and Cash Balance EOP	**57.4**	**46.2**	**97.0**	**97.7**	**103.8**
KEY RATIOS	**2024**	**2025**	**2026F**	**2027F**	**2028F**
DPS (SGD cents)	2.40	2.60	4.27	5.16	5.65
Dividend yield (%)	1.9%	2.1%	3.4%	4.2%	4.6%
NAV per share (S$)	0.36	0.38	0.40	0.45	0.51
Price/NAV (x)	3.42	3.26	3.09	2.74	2.44
Profitability					
EBITDA Margin (%)	9.5%	8.6%	10.2%	10.3%	10.1%
Net Profit Margin (%)	3.1%	3.9%	5.8%	6.3%	6.3%
ROE (%)	10.3%	13.6%	21.3%	22.8%	22.2%
ROA (%)	4.2%	5.0%	7.9%	8.9%	9.2%
Financial Structure					
Interest Coverage Ratio (ICR)	3.0	4.2	6.3	8.2	9.6
Net Debt/ (Net Cash) Gearing Ratio (%)	38.0%	79.4%	57.7%	47.6%	37.8%

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