



CSE Global Ltd.

(CSE SP/544.SI)

Fundamentals still stable

KGI Research / +65 6202 1191

- Top-line growth led by communications business.** CSE Global reported an improvement in topline growth for its communications business, rising from S\$113.6mn in 1H24, to S\$128.0mn in 1H25, representing a 12.7% YoY growth, but was partially offset by the company’s electrification and automation business, both of which declined marginally YoY. However, the company’s electrification business EBITDA saw a 14.4% growth YoY, helped by a one-off net gain on disposal of asset held for sale of S\$5.5mn.
- Acquisition of Chicago Communication to boost the company’s communication business.** With the recent acquisition of Chicago Communications, CSE Global have established a presence in four states for its Communications business in the United States of America, supporting its regional expansion strategy. While the acquisition cost was US\$8.5mn, the acquisition will expand the group’s communication businesses in the infrastructure industry where demand for increased connectivity and security is expected to grow.
- 1H25 Interim dividend.** CSE Global reported an interim dividend of 1.14 Scents in 1H25, lower compared to an interim dividend of 1.25 Scents in 1H24 a year ago. While dividends declined YoY, the company is intending to provide shareholders with more value through re-investing cash for the long-term growth of the company.
- 1H25 financial results.** The company reported total revenue of S\$440.9mn for 1H25, increasing by 2.8% YoY, compared to S\$428.9mn in 1H24. The growth was mainly attributed to strong growth in its communications business, which experienced a growth of 12.7% YoY. Net profit also rose by 8.5% YoY to S\$16.3mn, compared to S\$15.0mn in 1H24. The group’s EPS was 2.31 Scents in 1H25, the same compared to in 1H24.
- We change our recommendation to **UNDERPERFORM** and raise our 12-m target price (TP) to **S\$0.73**, considering recent run up.

Financials & Key Operating Statistics

YE Dec (S\$Millions)	2023	2024	2025F	2026F	2026F
Revenue	725.1	861.2	988.2	1,127.5	1,274.7
Net Income	22.5	26.4	41.6	48.2	56.2
EPS (cents)	3.66	3.91	5.88	6.83	7.95
EPS growth (%)	311.2%	6.8%	50.4%	16.1%	16.5%
DPS (Sing cents)	2.75	2.40	2.50	2.60	2.70
Div Yield (%)	6.4%	5.2%	5.4%	5.6%	5.8%
Net Profit Margin (%)	3.1%	3.1%	4.2%	4.3%	4.4%
Net Debt/ (Net Cash) Gearing (%)	48.0%	38.0%	35.4%	31.4%	26.3%
ROA (%)	3.8%	4.2%	6.1%	6.5%	7.0%
ROE (%)	10.4%	10.3%	14.8%	15.6%	16.2%

Source: KGI Research

Underperform - Company Update		Performance (Absolute)	
Price as of 4 Nov 25 (SGD)	0.850	1 Month (%)	14.1
12M TP (\$)	0.730	3 Month (%)	36.3
Previous TP (\$)	0.60	12 Month (%)	106.3
Upside, incl div (%)	-8.7%	Perf. vs STI Index (Red)	
Trading data Mkt Cap (\$mn) 328 Issued Shares (mn) 706 Vol - 3M Daily avg (mn) 3.1 Val - 3M Daily avg (\$mn) 1.4 Free Float (%) 73.1%			
Major Shareholders Temasek Holdings Pte. Ltd. 14.0% Lim Boon Kheng 3.5% DIMENSIONAL FUND ADV. 1.7%		Previous Recommendations 29-Nov-24 0.60	

Recurring businesses to sustain growth. In addition to providing clients with engineering solutions across different industries and different markets, CSE Global also provides their existing clients with other services, such as routine checks and maintenance for their infrastructures. This business model creates a layer of revenue drivers for the company, allowing it to derive recurring revenue from each project with their clients through maintenance and checks after the initial projects are completed, while simultaneously maintaining stable cash flow. The company’s recurring business makes up around 67% of the company’s revenue.

Valuation & Action: We change our recommendation to **UNDERPERFORM** and raise our 12-M TP to **S\$0.73**, based on our Discounted Cash Flow (DCF), with a terminal growth rate of 2.0% and a WACC of 7.5%. Going forward, CSE Global’s strong business model positions the company well to capitalize on ongoing AI trends and reap benefits from them, driving future growth. The company’s continued robust order book and order intake resulted in recent run up of the stock. Early November company update will determine if re-rate is intact and any wobble will trigger consolidation. Our TP of S\$0.73 implies a 14.1% downside excluding dividends.

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.

Upbeat outlook

Rising data center demand to drive growth in electrification and communications. The surge in artificial intelligence (AI) investments by major technology companies is expected to underpin strong growth in CSE Global's electrification and communications businesses. Since late 2024, Big Tech firms have announced aggressive plans to scale AI-related capital expenditures, with market forecasts projecting total capex could reach an unprecedented US\$200bn in 2025.

This wave of investment is fueling robust demand for data centers, which form the backbone of AI-driven applications. As AI workloads grow more complex, data centers require higher power capacity and energy-efficient solutions—creating substantial opportunities for CSE Global's electrification and power systems offerings. In parallel, smaller enterprises are also expected to step up investments in AI infrastructure, further reinforcing the long-term growth trajectory of the sector. Leveraging its expertise in electrification and communications, CSE Global is well-positioned to support the development of next-generation data centers tailored to AI-driven technologies.

Growth momentum in the communications business. CSE Global has been expanding its communications footprint in the U.S. through strategic acquisitions:

- Chicago Communications (acquired for US\$8.5 million) provides sales, rental, installation, and maintenance of communications equipment across Illinois and Indiana. This acquisition expands CSE Global's presence to four U.S. states and strengthens its infrastructure communications capabilities amid rising demand for connectivity and security.
- RFC Wireless, a provider of advanced communication solutions including portable and mobile radios, wide-area networks, and infrastructure, extends CSE Global's reach into key industries such as public safety, utilities, and transportation. The acquisition also enhances recurring revenue potential through long-term service contracts, while creating opportunities for cross-selling.

In addition to these acquisitions, CSE Global recently secured a major U.S. data center contract for the engineering design, installation, and ongoing maintenance of advanced communications networks—further validating its competitive positioning in this space.

Collectively, these developments highlight CSE Global's successful execution in strengthening its communications business and capturing growth opportunities arising from the global AI and data center investment cycle.

Resilient order book. CSE Global reported an order book of S\$573.8 million in 1H25, down 17.1% YoY from S\$692.3 million in 1H24. The Group also recorded an order intake of S\$366.7 million, a slight YoY decline. The moderation in both order intake and order book was largely due to fewer new project wins in 1H25, as businesses adopted a more cautious stance amid U.S. macroeconomic uncertainties. Despite this slowdown, the Group's current order book provides a solid foundation to deliver a healthy performance in 2025. Looking ahead, order momentum is expected to improve as macroeconomic visibility increases, potentially supporting a recovery in new project activity.

Strong recurring revenue base. CSE Global continues to benefit from a robust recurring revenue stream, with flow business—including Brownfield and Small Greenfield Projects—accounting for 67% of total revenue. Over the long term, the Group aims to raise this mix to 70–80%, further strengthening cash flow visibility and earnings stability. The high proportion of recurring revenue also reflects CSE Global's operational strengths and execution capabilities, as satisfied clients increasingly opt for the Group's maintenance and service offerings post-project completion. This reinforces customer stickiness while underpinning predictable long-term cash generation.

Risks

Potential impact from U.S. economic uncertainty. The U.S. economic outlook remains highly volatile, shaped by escalating protectionist trade measures under the Trump administration. The U.S. Commerce Department recently imposed tariffs on over 400 steel and aluminum products, including key inputs such as wind turbines and heavy equipment. These measures build on a broader policy of a 10% tariff on goods from nearly all U.S. trading partners, while threats of a 50% tariff on certain imports from India—citing its trade with Russia—add further uncertainty. The rapid and unpredictable implementation of new duties has complicated supply chain planning and investment decisions for businesses globally.

The impact is already being felt across the global economy, with organizations such as the OECD and IMF revising down their 2025 growth forecasts, explicitly citing U.S. policy shifts as a key drag. This climate of unpredictability has also led companies to reduce long-term technology investments and spending commitments.

Exposure to the United States. CSE Global is particularly exposed to these macroeconomic headwinds, as its Americas segment (primarily the U.S.) contributed 66.9% of Group

revenue in 1H25. A decline in business confidence linked to trade tensions and policy volatility could directly weigh on demand for its services in the oil & gas and infrastructure

sectors. Additionally, cost-conscious customers may defer or scale back on maintenance and service contracts, posing risks even to the Group's recurring revenue streams.

Valuation

We remain optimistic about CSE Global's business model going forward. Its ongoing expansion efforts to increase its service capabilities, alongside growing global trends, especially in artificial intelligence, is bound to support and boost the growth of the company. We adjust to an **UNDERPERFORM** recommendation and increase our TP to **\$0.73**, representing a downside of **14.1%** excluding dividends based on a Discounted Cash Flow (DCF) valuation, with a terminal growth rate of 2% and a WACC of 7.5%.

Table 1: Free Cash Flow Calculations

Free Cash Flow Calculation (\$'mn)	2023	2024E	2025E	2026E	2027E	2028E	2028E
Earnings before Income Tax	29.6	35.7	48.7	51.0	54.7	58.0	61.5
Add: Interest	10.1	8.4	7.8	7.8	6.7	6.0	5.3
Operating Profit (EBIT)	39.7	44.1	56.5	58.8	61.4	64.0	66.8
Less: Tax	(9.5)	(11.4)	(13.5)	(14.1)	(14.7)	(15.4)	(16.0)
Add: Depreciation & Amortisation	23.9	27.7	14.4	14.5	14.6	14.8	15.0
Less: Changes in working capital	5.7	(24.3)	19.8	(5.5)	(6.1)	(6.3)	(6.6)
Less: Capital Expenditures	(18.8)	(20.8)	(14.1)	(14.7)	(15.3)	(16.0)	(16.7)
FCFF			63.0	39.0	39.9	41.2	42.6
Terminal Value							789.2
Total FCFF			63.0	39.0	39.9	41.2	831.7
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			58.6	33.8	32.1	30.9	579.3

Source: KGI Research

Table 2: Financial Valuation

Valuations (\$'mn)	
Discounted Cash Flow (DCF)	
Perpetual Growth Rate	2.0%
WACC	7.5%
Sum of PV FCFF	734.7
Plus: Net Debt	285.1
Less: Interest*(1-Tax)	(0.4)
Implied Equity Value	449.1
Total Shares Outstanding	615
Implied 12M-TP (\$)	0.73
Upside (%)	-14.1%

Source: KGI Research

Financial Summary

FYE December (S\$Millions)					
	2023	2024	2025F	2026F	2027F
Income Statement					
Revenue	725.1	861.2	988.2	1,127.5	1,274.7
Cost of Sales	(525.2)	(620.0)	(711.5)	(811.7)	(917.7)
Gross Profit	199.9	241.2	276.7	315.7	357.0
Administrative Expenses	(143.5)	(168.9)	(193.9)	(221.2)	(250.1)
Selling and Distribution Expenses	(9.3)	(11.3)	(13.0)	(14.9)	(16.8)
Other Expenses	(8.7)	(6.7)	(7.7)	(8.7)	(9.9)
Operating Profit	38.4	54.2	62.2	71.0	80.2
Finance Costs and Others	(8.8)	(18.5)	(7.5)	(7.5)	(6.3)
Profit before tax	29.6	35.7	54.7	63.5	74.0
Income tax expense	(7.1)	(9.2)	(13.1)	(15.2)	(17.7)
Net Income	22.5	26.4	41.6	48.2	56.2
Balance Sheet					
Contract Assets	124.8	121.2	145.0	165.5	187.1
Inventories	70.8	58.7	74.3	84.8	95.8
Trade and other receivables	153.0	167.3	191.1	218.0	246.5
Other Current Assets	13.0	35.2	35.5	37.1	38.8
Cash and bank balances	39.4	57.4	44.1	34.3	28.9
Total current assets	401.0	439.7	490.1	539.7	597.0
Property, Plant, and Equipment	70.3	54.1	61.0	68.9	77.8
Rights-to-use assets	26.2	23.5	23.5	23.5	23.5
Intangible assets	93.4	107.4	102.5	98.0	93.8
Other non-current assets	7.4	7.9	7.9	7.9	7.9
Total non-current assets	197.4	192.9	194.9	198.2	203.0
Total assets	598.4	632.6	685.0	737.9	800.0
Contract Liabilities	96.7	85.7	98.5	112.4	127.0
Trade payables and accruals	127.0	119.5	146.6	167.2	189.1
Lease liabilities	8.4	10.2	10.2	10.2	10.2
Loans and borrowings	95.9	108.9	98.9	88.9	78.9
Other current liabilities	6.9	8.6	8.6	8.6	8.6
Total current liabilities	334.9	332.9	362.8	387.3	413.8
Lease Liabilities	19.4	15.0	15.0	15.0	15.0
Loans and borrowings	19.5	20.6	19.1	17.6	16.1
Other non-current liabilities	8.5	8.2	8.2	8.2	8.2
Total non-current liabilities	47.4	43.7	42.2	40.7	39.2
Total liabilities	382.3	376.6	405.0	428.0	453.0
Share capital	131.9	166.4	166.4	166.4	166.4
Revenue reserve	102.6	110.1	134.1	164.0	201.1
Treasury Shares & Other reserves	(18.4)	(20.5)	(20.5)	(20.5)	(20.5)
Equity attributable to owners of the parent	216.1	256.0	279.9	309.8	346.9
Non-controlling interests	(0.1)	0.0	0.0	0.0	0.0
Total Equity	216.1	256.0	280.0	309.9	347.0
Total Liabilities and Equity	598.4	632.6	685.0	737.9	800.0
Cash Flow					
Profit Before Income Tax	29.6	35.7	54.7	63.5	74.0
Depreciation & Amort.	23.9	27.7	18.5	20.1	21.8
Other Operating Cash Flows Adjustments	12.8	8.4	7.8	7.8	6.7
Operating cash flows before WC changes	66.3	71.8	81.0	91.4	102.4
Change in working capital	5.7	(24.3)	(23.7)	(24.9)	(26.3)
Cash Generated from Operations	72.0	47.5	57.4	66.5	76.1
Interest Paid	(9.9)	(7.8)	(8.5)	(8.4)	(7.3)
Interest Received	0.4	0.6	0.7	0.6	0.6
Income tax paid	(6.6)	(7.2)	(13.1)	(15.2)	(17.7)
Cash flows from operations	55.9	33.1	36.4	43.5	51.7
Capital expenditure	(18.8)	(20.8)	(20.6)	(23.4)	(26.5)
Other investing cashflow	(5.6)	(12.5)	-	-	-
Cash flows from investing	(24.4)	(33.3)	(20.6)	(23.4)	(26.5)
Dividends paid to equity owners	(16.9)	(7.6)	(17.6)	(18.3)	(19.1)
Net of Proceeds & Repayment from borrowings	8.2	14.6	(11.5)	(11.5)	(11.5)
Net proceeds from issuance of ordinary shares	-	23.2	-	-	-
Other financing cashflow	(8.1)	(11.0)	-	-	-
Cash flows from financing	(16.8)	19.3	(29.1)	(29.8)	(30.6)
Net increase in cash	14.7	19.1	(13.3)	(9.8)	(5.4)
Cash and Cash Balance BOP	24.1	38.4	57.4	44.1	34.3
Effects of foreign exchange rate changes, net	(0.4)	(0.1)	-	-	-
Cash and Cash Balance EOP	38.4	57.4	44.1	34.3	28.9
KEY RATIOS					
DPS (SGD cents)	2.75	2.40	2.50	2.60	2.70
Dividend yield (%)	6.4%	5.2%	5.4%	5.6%	5.8%
NAV per share (S\$)	0.35	0.36	0.40	0.44	0.49
Price/NAV (x)	1.22	1.28	1.17	1.06	0.95
Profitability					
EBITDA Margin (%)	8.8%	8.3%	8.2%	8.1%	8.0%
Net Profit Margin (%)	3.1%	3.1%	4.2%	4.3%	4.4%
ROE (%)	10.4%	10.3%	14.8%	15.6%	16.2%
ROA (%)	3.8%	4.2%	6.1%	6.5%	7.0%
Financial Structure					
Interest Coverage Ratio (ICR)	1.8	3.0	5.4	6.5	9.2
Net Debt/ (Net Cash) Gearing Ratio (%)	48.0%	38.0%	35.4%	31.4%	26.3%

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Rating	Definition
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