



# CSE Global Ltd.

(CSE SP/544.SI)

## Amazon Framework Sharpens Data Centre Growth Optionality

Chong Ting Shuo / 65 6202 1192 / tingshuo.chong@kgi.com

- Strategic warrants with Amazon.** CSE will issue 62,968,580 non-listed warrants to Amazon.com NV Investment Holdings LLC, each exercisable into one new share at S\$0.7671, a 7% discount to the S\$0.8245 VWAP on signing day. Full vesting occurs when qualifying payments cumulate to US\$1.5b before expiry on 9 Nov 2030. We view this as a structured commercial partnership that can scale with Amazon's spend in the electrification segment.
- Order momentum mix for 3Q25.** 3Q25 orders were S\$146.1 million. Year on year comparisons were pressured by FX and a high base, but Communications rose 24.2% year on year to S\$75.2 million and Electrification grew 20.2% year on year on an adjusted basis excluding two large 3Q24 contracts, pointing to improved underlying demand in CSE's data centre relevant stack. The 9M25 ending order book stood at S\$467.5 million as the group converted earlier megaproject wins into revenue. We see this as normalisation rather than the start of a downcycle.

### Financials & Key Operating Statistics

YE Dec (\$Millions)	2023	2024	2025F	2026F	2027F
Revenue	725.1	861.2	960.9	1,380.8	1,495.1
Net Income	22.5	26.4	42.6	63.0	68.9
EPS (cents)	3.66	3.91	5.53	8.18	8.95
EPS growth (%)	311.2%	6.8%	41.4%	48.0%	9.4%
DPS (Sing cents)	2.75	2.40	2.77	4.09	4.48
Div Yield (%)	6.4%	2.6%	3.0%	4.4%	4.8%
Net Profit Margin (%)	3.1%	3.1%	4.4%	4.6%	4.6%
Net Debt/ (Net Cash) Gearing (%)	48.0%	38.0%	33.4%	20.3%	7.5%
ROA (%)	3.8%	4.2%	6.2%	7.8%	8.0%
ROE (%)	10.4%	10.3%	15.4%	20.4%	20.1%

Source: KGI Research

Outperform - Company Update		Performance (Absolute)	
Price as of 9 Dec 25 (SGD)	0.910	1 Month (%)	11.0
12M TP (\$)	1.080	3 Month (%)	28.7
Previous TP (\$)	0.78	12 Month (%)	97.9
Upside, incl div (%)	21.7%		
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	659		
Issued Shares (mn)	724		
Vol - 3M Daily avg (mn)	8.1		
Val - 3M Daily avg (\$mn)	6.8		
Free Float (%)	81.8%		
Major Shareholders		Previous Recommendations	
Temasek Holdings Pte. Ltd.	14.0%	29-Oct-25	0.78
Lim Boon Kheng	3.5%	29-Nov-24	0.60
DIMENSIONAL FUND ADV.	1.7%		

**Valuation & Action:** We raise our 12-month TP to **S\$1.08** (fully diluted) from S\$0.73 and upgrade to **OUTPERFORM** from UNDERPERFORM. The revision reflects a step up in our base case from the newly announced Amazon linked warrant structure, where we now model a dedicated "Commercial Partnership" revenue stream alongside higher medium term Electrification growth, as well as resilient Communications order momentum.

Based on our refreshed DCF with 7.5% WACC and 2% terminal growth, the new assumptions yield a PT of S\$1.08, implying 18.8% upside from the current share price of S\$0.91. Our prior TP of S\$0.73 embedded the same DCF assumption with no explicit mega-customer uplift. We now probability-weight incremental revenue arising from Amazon-related qualifying payments that drive vesting. In our conservative run-rate assumption, CSE captures a fraction of the vesting ceiling that equates to roughly S\$60m–80m incremental annual revenue through 2026–2030, with 10% EBITDA margin and limited working-capital drag given flow business dynamics. Capitalizing S\$6m–8m incremental EBITDA at 10x and discounting yields S\$0.10–0.15 per share of value, which takes our TP to **S\$1.08**.

**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 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 around US\$200 billion in 2025. This wave of investment is fuelling robust demand for data centres, which form the backbone of AI driven applications. As AI workloads grow more complex, data centres require higher power capacity and more 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. Electrification already contributes more than half of group revenue and has been the key growth engine in recent years, supported by major contracts in data centres and energy transition infrastructure. Leveraging its expertise in Electrification and Communications, and supported by the Amazon framework, CSE Global is well positioned to support the development of next generation data centres and mission critical infrastructure tailored to AI driven technologies. Our updated forecasts assume about 10% annual Electrification revenue growth (excluding Amazon-related Partnership) over the medium term, versus mid-single digit previously.

**Growth momentum in the Communications business.** CSE Global has been expanding its Communications footprint in the United States and other developed markets primarily through strategic acquisitions rather than organic branch upsizing. 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 and creates opportunities for cross selling.

In addition to these bolts on deals, CSE Global recently secured a major U.S. data centre contract for the engineering

design, installation and ongoing maintenance of advanced communications networks, further validating its competitive positioning in this space. Management continues to actively screen for further acquisitions in the U.S. critical communications market to deepen scale, expand geographic coverage and add specialised capabilities, and we expect acquisitions to remain the main driver of Communications growth ahead of organic expansion. 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 centre investment cycle.

**Order book normalising after strong execution.** CSE Global reported an outstanding order book of S\$573.8 million in 1H25, before working this down to S\$467.5 million by the end of 9M25 as several Electrification and Communications projects moved into the revenue recognition phase. The group also recorded order intake of S\$366.7 million over 9M25, a slight year on year decline that reflected fewer large project wins in the period. We see the softer intake as a pause rather than a structural rollover. The current backlog still provides solid visibility into 2026, and we expect order momentum to improve as macro visibility stabilises and as CSE begins to book more work under the Amazon framework and adjacent data centre projects.

**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.

## Valuation

We remain constructive on CSE Global's business model and medium-term earnings outlook. Its ongoing expansion in Electrification and acquisition led build out in Communications, alongside structural AI and data centre capex trends, should support multi-year growth. Our updated DCF valuation, based on a 7.5% WACC and 2% terminal growth rate, now incorporates a dedicated Amazon commercial partnership revenue segment of US\$300 million per year from FY26 to FY30 at a ~10% EBITDA margin, as well as an uplift in Electrification growth assumptions to about 10% per annum. On this basis we derive a twelve-month TP of **S\$1.08 (fully diluted)**, which implies **18.8%** upside from the current share price of **S\$0.91**.

We upgrade our recommendation to **OUTPERFORM**. With the Amazon framework materially strengthening CSE's strategic positioning and offering meaningful upside to revenue and EBITDA, we think CSE will succeed in converting the framework into more sustainable, high-quality orders that far outweigh the dilutive impact of full warrant exercise.

Table 1: Revenue Forecast (REVISED)

Revenue Segment Forecast (S\$m)	2023	2024	2025E	2026E	2027E	2028E	2029E
<b>Electrification</b>	334.5	434.8	500.0	570.0	638.4	708.6	786.6
<i>YoY Growth (%)</i>	-	30%	15%	14%	12%	11%	11%
<b>Communications</b>	220.5	232.0	241.3	258.2	278.9	292.8	307.5
<i>YoY Growth (%)</i>	-	5%	4%	7%	8%	5%	5%
<b>Automation</b>	170.0	194.4	219.6	252.6	277.8	300.1	321.1
<i>YoY Growth (%)</i>	-	14%	13%	15%	10%	8%	7%
<b>Commercial Partnership</b>	-	-	-	300.0	300.0	300.0	300.0
<b>Total</b>	725.1	861.2	960.9	1,380.8	1,495.1	1,601.5	1,715.1

Source: KGI Research

Table 2: Free Cash Flow Calculations (REVISED)

Free Cash Flow Calculation (\$'mn)	2023	2024	2025E	2026E	2027E	2028E	2029E
Earnings before Income Tax	29.6	35.7	56.0	82.9	90.7	98.0	105.8
Add: Interest	10.1	8.4	6.4	6.0	5.4	4.8	4.1
Operating Profit (EBIT)	39.7	44.1	62.5	88.9	96.1	102.8	109.9
Less: Tax	(9.5)	(11.4)	(15.0)	(21.3)	(23.1)	(24.7)	(26.4)
Add: Depreciation & Amortisation	23.9	27.7	22.5	26.5	27.5	28.4	29.4
Less: Changes in working capital	5.7	(24.3)	(16.1)	1.8	6.6	10.5	(10.6)
Less: Capital Expenditures	(18.8)	(20.8)	(23.2)	(29.8)	(31.6)	(33.3)	(35.1)
FCFF			30.7	66.1	75.6	83.7	67.2
Terminal Value							1,246.3
Total FCFF			30.7	66.1	75.6	83.7	1,313.5
Period			1.0	2.0	3.0	4.0	5.0
Discount Factor			0.9	0.9	0.8	0.7	0.7
<b>PV FCFF</b>			28.6	57.2	60.8	62.7	914.9

Source: KGI Research

Table 3: Financial Valuation

Valuations (\$'mn)	
Discounted Cash Flow (DCF)	
Perpetual Growth Rate	2.0%
WACC	7.5%
Sum of PV FCFF	1,124.2
Plus: Net Debt	285.1
Less: Interest*(1-Tax)	(7.1)
Implied Equity Value	831.9
Total Shares Outstanding	770
Implied 12M-TP (\$)	1.08
Upside (%)	18.8%

Source: KGI Research

## Financial Summary

FYE December (\$Millions)					
Income Statement	2023	2024	2025F	2026F	2027F
<b>Revenue</b>	<b>725.1</b>	<b>861.2</b>	<b>960.9</b>	<b>1,380.8</b>	<b>1,495.1</b>
Cost of Sales	(525.2)	(620.0)	(691.8)	(994.1)	(1,076.4)
<b>Gross Profit</b>	<b>199.9</b>	<b>241.2</b>	<b>269.1</b>	<b>386.7</b>	<b>418.7</b>
Administrative Expenses	(143.5)	(168.9)	(188.5)	(270.9)	(293.3)
Selling and Distribution Expenses	(9.3)	(11.3)	(12.7)	(18.2)	(19.7)
Other Expenses	(8.7)	(6.7)	(7.4)	(10.7)	(11.6)
<b>Operating Profit</b>	<b>38.4</b>	<b>54.2</b>	<b>60.5</b>	<b>86.9</b>	<b>94.1</b>
Finance Costs and Others	(8.8)	(18.5)	(4.5)	(4.0)	(3.4)
<b>Profit before tax</b>	<b>29.6</b>	<b>35.7</b>	<b>56.0</b>	<b>82.9</b>	<b>90.7</b>
Income tax expense	(7.1)	(9.2)	(13.4)	(19.9)	(21.8)
<b>Net Income</b>	<b>22.5</b>	<b>26.4</b>	<b>42.6</b>	<b>63.0</b>	<b>68.9</b>
Balance Sheet	2023	2024	2025F	2026F	2027F
Contract Assets	124.8	121.2	134.3	192.9	208.9
Inventories	70.8	58.7	85.3	122.6	132.7
Trade and other receivables	153.0	167.3	184.3	189.1	184.3
Other Current Assets	13.0	35.2	35.2	40.0	41.3
Cash and bank balances	39.4	57.4	50.4	69.0	94.4
<b>Total current assets</b>	<b>401.0</b>	<b>439.7</b>	<b>489.5</b>	<b>613.6</b>	<b>661.7</b>
Property, Plant, and Equipment	70.3	54.1	59.1	66.4	74.2
Rights-to-use assets	26.2	23.5	24.1	24.5	24.8
Intangible assets	93.4	107.4	102.5	98.1	94.1
Other non-current assets	7.4	7.9	7.9	7.9	7.9
<b>Total non-current assets</b>	<b>197.4</b>	<b>192.9</b>	<b>193.6</b>	<b>196.9</b>	<b>201.0</b>
<b>Total assets</b>	<b>598.4</b>	<b>632.6</b>	<b>683.1</b>	<b>810.5</b>	<b>862.7</b>
Contract Liabilities	96.7	85.7	103.7	149.0	161.3
Trade payables and accruals	127.0	119.5	142.2	204.3	221.2
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
<b>Total current liabilities</b>	<b>334.9</b>	<b>332.9</b>	<b>363.6</b>	<b>461.0</b>	<b>480.2</b>
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
<b>Total non-current liabilities</b>	<b>47.4</b>	<b>43.7</b>	<b>42.2</b>	<b>40.7</b>	<b>39.2</b>
<b>Total liabilities</b>	<b>382.3</b>	<b>376.6</b>	<b>405.8</b>	<b>501.7</b>	<b>519.4</b>
Share capital	131.9	166.4	166.4	166.4	166.4
Revenue reserve	102.6	110.1	131.4	162.9	197.4
Treasury Shares & Other reserves	(18.4)	(20.5)	(20.5)	(20.5)	(20.5)
<b>Equity attributable to owners of the parent</b>	<b>216.1</b>	<b>256.0</b>	<b>277.3</b>	<b>308.8</b>	<b>343.2</b>
Non-controlling interests	(0.1)	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>216.1</b>	<b>256.0</b>	<b>277.3</b>	<b>308.8</b>	<b>343.3</b>
<b>Total Liabilities and Equity</b>	<b>598.4</b>	<b>632.6</b>	<b>683.1</b>	<b>810.5</b>	<b>862.7</b>
Cash Flow	2023	2024	2025F	2026F	2027F
<b>Profit Before Income Tax</b>	<b>29.6</b>	<b>35.7</b>	<b>56.0</b>	<b>82.9</b>	<b>90.7</b>
Depreciation & Amort.	23.9	27.7	22.5	26.5	27.5
Other Operating Cash Flows Adjustments	12.8	8.4	6.4	6.0	5.4
<b>Operating cash flows before WC changes</b>	<b>66.3</b>	<b>71.8</b>	<b>84.9</b>	<b>115.4</b>	<b>123.6</b>
Change in working capital	5.7	(24.3)	(16.1)	1.8	6.6
<b>Cash Generated from Operations</b>	<b>72.0</b>	<b>47.5</b>	<b>68.9</b>	<b>117.2</b>	<b>130.2</b>
Interest Paid	(9.9)	(7.8)	(7.2)	(6.6)	(6.0)
Interest Received	0.4	0.6	0.7	0.6	0.6
Income tax paid	(6.6)	(7.2)	(13.4)	(19.9)	(21.8)
<b>Cash flows from operations</b>	<b>55.9</b>	<b>33.1</b>	<b>49.0</b>	<b>91.3</b>	<b>103.1</b>
Capital expenditure	(18.8)	(20.8)	(23.2)	(29.8)	(31.6)
Other investing cashflow	(5.6)	(12.5)	-	-	-
<b>Cash flows from investing</b>	<b>(24.4)</b>	<b>(33.3)</b>	<b>(23.2)</b>	<b>(29.8)</b>	<b>(31.6)</b>
Dividends paid to equity owners	(16.9)	(7.6)	(21.3)	(31.5)	(34.5)
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)	-	-	-
<b>Cash flows from financing</b>	<b>(16.8)</b>	<b>19.3</b>	<b>(32.8)</b>	<b>(43.0)</b>	<b>(46.0)</b>
<b>Net increase in cash</b>	<b>14.7</b>	<b>19.1</b>	<b>(7.0)</b>	<b>18.5</b>	<b>25.5</b>
Cash and Cash Balance BOP	24.1	38.4	57.4	50.4	69.0
Effects of foreign exchange rate changes, net	(0.4)	(0.1)	-	-	-
<b>Cash and Cash Balance EOP</b>	<b>38.4</b>	<b>57.4</b>	<b>50.4</b>	<b>69.0</b>	<b>94.4</b>
KEY RATIOS	2023	2024	2025F	2026F	2027F
DPS (SGD cents)	2.75	2.40	2.77	4.09	4.48
Dividend yield (%)	6.4%	2.6%	3.0%	4.4%	4.8%
NAV per share (S\$)	0.35	0.36	0.36	0.40	0.45
Price/NAV (x)	1.22	2.55	2.57	2.31	2.07
<b>Profitability</b>					
EBITDA Margin (%)	8.8%	9.5%	8.8%	8.4%	8.3%
Net Profit Margin (%)	3.1%	3.1%	4.4%	4.6%	4.6%
ROE (%)	10.4%	10.3%	15.4%	20.4%	20.1%
ROA (%)	3.8%	4.2%	6.2%	7.8%	8.0%
<b>Financial Structure</b>					
Interest Coverage Ratio (ICR)	1.8	3.0	6.8	11.6	14.1
Net Debt/ (Net Cash) Gearing Ratio (%)	48.0%	38.0%	33.4%	20.3%	7.5%

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