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Local equities



The Edge, Malaysia

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Cheeding Holdings Bhd

Target price: **79 sen** **OUTPERFORM**



KENANGA RESEARCH (APRIL 6): Cheeding Holdings Bhd (KL:CHEEDING) is a pure-play transmission specialist on Bursa Malaysia with 500kV technical capability, a licence held by very few players. This positions the group as a strategic beneficiary of Tenaga Nasional Bhd's (KL:TENAGA) Regulatory Period 4 (RP4) cycle and the upcoming Asean Power Grid (APG) rollout. As a Tenaga-qualified "Green Lane" contractor, the group is also positioned to capture growth from the data centre trend.

Cheeding offers strong near-term earnings visibility, where about 54% of its RM184 million order book is scheduled for completion in FY27 (ended March 31). Together with a current -RM250 million tender pipeline, from which we expect another

Historical and forecast revenue

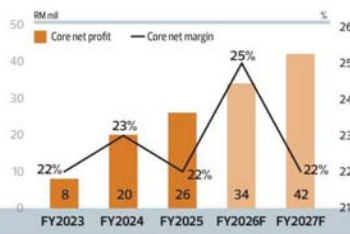


SOURCE: COMPANY, KENANGA RESEARCH

er RM50 million to RM62 million of jobs to be secured, this supports a 22% earnings growth outlook. Given the above, our target price, which is based on a PER of 15 times, is seen as well justified for this underappreciated backbone proxy.

Backed by a 19-year track record with Tenaga, Cheeding remains a key RP4 beneficiary, driving a two-year core net profit CAGR of 25%. Tenaga plans to allocate RM13 billion to transmission and distribution under RP4. Transmission is Cheeding's core earnings driver, contributing 69% to FY25 revenue. The surge in 275kV-500kV substation projects signals a sustained pipeline for tower works under RP4. Under RP4, Cheeding has secured RM60 million in transmission contracts year to date, doubling from the RP3 amount. With more than 20 projects completed in Peninsular Malaysia, Cheeding is well positioned to accelerate transmission roll-

Core net profit and margin



SOURCE: COMPANY, KENANGA RESEARCH

out under RP4, including growing its substation business.

Cheeding is benefiting from surging demand for underground utility solutions driven by Malaysia's data centre expansion. This shift is reflected by the fact that in its RM248 million tender book, 51% of projects are data centre-linked. Such contracts typically span only 12 months, facilitating faster earnings recognition versus standard utility projects. Currently contributing 29% to revenue, we expect this division to be a core growth engine, with underground engineering, procurement, construction and commissioning (EPCC) projected to deliver a higher CAGR of 29% from FY25 to FY27.

We initiate coverage on Cheeding with an "outperform" call and a target price based on 15 times FY27 EPS. We expect a maiden dividend payout of one sen.