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Cheeding eyes higher tender capacity following its ACE Market debut

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PETALING JAYA: Apex Securities has initiated coverage on Cheeding Holdings Bhd with a “buy” recommendation and a target price of 73 sen, ahead of its ACE Market debut.

It said as a main contractor to Tenaga Nasional Bhd (TNB), the group has delivered more than 20 national projects across Peninsular Malaysia.

Licensed up to 500 kilovolts, the highest voltage class in Malaysia, Cheeding holds a strong competitive moat and margin profile, especially in overhead projects where tower optimisation lowers costs, the research company said.

With demand anchored by Regulatory Period 4 grid expansion, and the Asean Power Grid (RM419bil) investment, 17,550 megawatts of capacity by 2040, transmission will remain the group's core earnings driver, with a segmental compounded

annual growth rate of 10.1% over financial years ended March 31, 2025 (FY25) to FY28.

Apex Securities noted that growth had recently been constrained by working capital and performance bond requirements, which tie up 10% to 15% of contract value.

According to the research house, post its initial public offering (IPO), Cheeding will raise RM51.5mil, with RM24.6mil for working capital and RM16.2mil for performance bonds, providing bidding headroom of RM324mil (1.6 times its RM202.7mil order book).

The research house said management targets order book capacity expansion to RM700mil to RM800mil post-IPO, enabling participation in larger packages, particularly underground and substation works.

Backed by a RM350mil tender book and

a 20% to 25% guided win rate, the IPO removes liquidity bottlenecks and supports multi-year growth, it added.

Additionally, Apex Securities forecasts the group's core earnings to grow by 12.2%, 14.7% and 17.9% on a year-on-year basis in FY26 to FY28, respectively, driven by progress billings from its RM202.7mil outstanding order book and its assumed annual replenishment of RM60mil to RM300mil.

In terms of risks, Apex Securities noted that Cheeding derives more than 90% of its revenue from TNB projects.

Any delays in project rollout, changes in procurement policies, or revisions to TNB's budget allocation could materially impact the group's revenue visibility and cash flow, it said.

It also noted that the group's growth is closely tied to the government's energy

transition agenda and TNB's regulated capital expenditure cycle.

“Any slowdown in public-sector infrastructure spending, regulatory shifts, or deferment of transmission-related investments could affect the pace of contract awards and revenue recognition.”

In terms of cost overrun risks, Apex Securities noted that most of Cheeding's contracts were fixed-price in nature.

As such, exposure to unforeseen cost escalations may not be recoverable, potentially leading to margin compression and adversely affecting overall profitability, it said.

Cheeding is principally involved in the engineering, procurement, construction and commissioning as well as maintenance of high voltage overhead transmission lines, underground cable systems, and substation engineering services.