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CBH banks on green tech

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CBH Engineering Holding Bhd will continue to focus on data centre, industrial and commercial projects, while exploring strategic utility opportunities.

Managing director Cheah Boon Hwa says the solutions provider for the electrical, mechanical, civil and structural engineering sectors has a RM530mil order book, which provides solid earnings visibility over the next two years.

"By leveraging on our experience in high-voltage electrical works, we are also exploring strategic utility projects, such as high-voltage transmission works and substation works across Peninsular and East Malaysia," he tells *Starbiz* 7.

Cheah says the engineering as well as mechanical and electrical engineering (M&E) industries' outlook in Malaysia remains strong, driven by ongoing investments in infrastructure, data centres and renewable energy.

"The government's focus on sustainability, green technology and digital transformation continues to open up new opportunities," he says.

As such, the company, which made its debut on the ACE Market in January, is well-positioned to capitalise on the trend by leveraging its capabilities in high-specification M&E projects, particularly in data centres, Cheah says.

"Our strategy is to deepen our presence in these fast-growing sectors while strengthening partnerships with developers and technology asset operators and owners to deliver integrated, val-

ue-driven solutions," he says.

He adds that the company's current project margins are within the industry average range, though they vary depending on project scale and complexity.

"We are continuously improving profitability by streamlining procurement processes, adopting efficient project management tools, and selectively bidding by focusing on higher-value, technically demanding jobs.

"We are also enhancing in-house engineering capabilities to offer our clients value engineering proposals and to reduce reliance on subcontractors and improve cost efficiency which, in turn, supports better margins and stronger overall performance."

Cheah says shareholders can look forward to a period of steady growth, supported by a strong order book, disciplined project execution and expanding presence in high growth sectors like the data centre and renewable energy sectors.

"As we continue to scale, we aim to strengthen our market position and reward shareholders through sustainable performance and consider future dividends. We remain focused on delivering consistent financial performance, improving profitability, and enhancing shareholder value.

"Beyond financials, we are committed to strengthening our environmental, social, and governance practices, creating long-term benefits for all stakeholders," Cheah adds.

Increasing costs and competition

He says the company, which

■ **Company aims to deepen presence in fast-growing sectors**

■ **Current order book gives it earnings visibility of two years**

■ **Analysts are divided on stock potential, with some saying it is overvalued**

recently acquired a piece of freehold land in Klang, does not plan to acquire more land as it has enough to meet requirements.

"The recent land purchase was to support long-term operational needs, including establishing our own facilities and enhancing efficiency in line with our expansion strategy."

It was financed using internal funds and bank borrowings.

"Our focus now is to optimise the existing land to support growth and operations."

The main challenges for CBH include rising material costs, skilled labour shortages and increasing competition in the M&E and high-voltage sectors.

"Additionally, the data centre segment demands extremely high reliability and technical standards, requiring continuous upskilling and stringent quality control.

"However, we mitigate these risks through early strategic procurement planning, long-term supplier relationships and continuous workforce development," Cheah says.

Another key challenge is consistency in project delivery amid tight schedules.

"To overcome this, we invest in project management systems and training to enhance project monitoring and delivery, ensuring on-time and high-quality execution."

In its recent report to clients on the company, Public Investment Bank's research unit says it remains positive on CBH's growth prospects, supported by its healthy tender pipeline and favourable sector tailwinds.

Major hyperscalers such as Google and Microsoft have made significant land acquisitions across key Malaysian states, underscoring their long-term commitment to Malaysia's data centre ecosystem, it adds.

"This private-sector investment will be complemented by public investment in Sovereign AI Cloud and national AI research centres. CBH is strategically positioned to benefit from these initiatives," the research house says.

It has reiterated its "outperform" call with a higher target price of 62 sen for the CBH stock, based on circa 17 times financial year ending Dec 31, 2026 or FY26 earnings per share.

Public Investment says given the sustained momentum in Malaysia's data centre industry, driven by foreign hyperscaler investments, it expects data centres to remain CBH's primary growth catalyst over the next few years.

Conversely, non-data centre tenders have shown signs of moderation, though CBH continues to pursue opportunities with Tenaga Nasional Bhd and other clients to diversify its earnings base, it adds.

TA Securities, meanwhile, has downgraded the CBH stock to "hold" from an earlier "buy", stating that the stock's recent run-up has fully priced in its near-term catalysts.

CBH made a net profit of RM15.8mil for the six months ended June 30 on revenue of RM96.1mil for the same period. At last look, its shares were at 52.5 sen apiece, valuing the entire company at RM988mil.