Critical Holdings Berhad

(0291|CHB MK) Main| Industrial Products & Services

3 Stars

SHARIAH Compliant

Initiate with **BUY**

Target Price: **RM2.94**

Initiation Report

Transitioning into A Full-Fledged EPCC Player

Initiate with BUY. We initiate coverage on Critical Holdings Berhad with a **BUY** recommendation and a **TP** of **RM2.94** as we peg its FY28F EPS of 17.6 sen to a PER of 16.7x, which is +2SD above its three-year mean, which we believe is warranted by the structural change in the group's earnings and business profile as an EPCC provider alongside its migration from the ACE Market to the Main Market back in Oct-25. Its historical trading range largely reflected its positioning as a specialist MEP contractor with shorter duration projects. With sizeable projects underpinning earnings over the next two years, coupled with the potential for successful execution to strengthen its credentials for future large-scale EPCC opportunities, we believe Critical is entering a structurally higher earnings and growth trajectory that warrants a re-rating beyond its historical valuation range.

A record contract resets the scale of the company. The RM772.5m EPCC award in Jun-26 lifted Critical's outstanding order book to approximately RM1.06b. This is equivalent to 1.4x of our FY27F revenue projections and as large as the group's current market capitalisation of RM784.4m, providing strong earnings visibility over the next two years.

FY27 should mark the earnings inflection. We forecast revenue to almost triple to RM758.5m in FY27F as the RM152.6m cleanroom EPC project and RM772.5m industrial EPCC contract ramps up. Core earnings are expected to surge 2.7x to RM59.0m, from RM22.1m in FY26E.

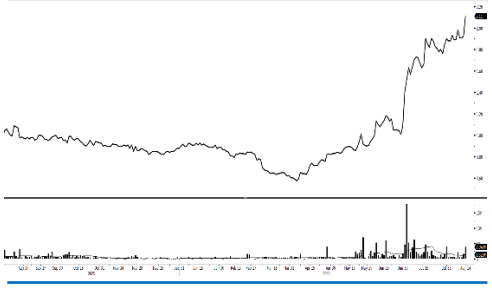
Moving up the EPCC chain. Critical is moving from executing individual mechanical, electrical and process-utility (MEP) packages towards taking responsibility for EPCC. Larger scopes allow it to capture more client spending and bid for substantially higher-value contracts. Successful delivery of the current anchor project would establish a track record that could support repeat turnkey work.

Scaling without a heavy balance-sheet burden. Critical's growth is primarily constrained by engineering and project-management capacity rather than physical assets, allowing the group to scale through additional technical headcount and its established subcontractor network without a commensurate increase in fixed-asset investment. Headcount has already doubled from 56 employees in FY23 to 113 currently, with management targeting 150 by FY27, which will provide the group with the capacity to support a substantially larger order book.

Net cash provides room for larger businesses. Critical enters its next growth phase from a position of financial strength, with RM84.4m of net cash and an ungeared balance sheet. This provides an important buffer as larger EPC/EPCC projects require more working capital to be tied up in procurement, contract assets and receivables, while also leaving the group with capacity to introduce project-related borrowings and banking facilities without immediately stretching its balance sheet. This financial flexibility could allow Critical to execute multiple sizeable projects concurrently over time.

RETURN STATISTICS	
Price @ 14 Aug 2026 (RM)	2.11
Expected share price return (%)	+39.3
Expected dividend yield (%)	+1.9
Expected total return (%)	+41.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	27.1	27.4
3 months	93.6	137.5
12 months	102.9	85.1

INVESTMENT STATISTICS

FYE JUN (RM'm)	2026E	2027F	2028F
Revenue	271.8	758.5	793.2
Gross Profit	44.5	98.2	109.7
PBT	29.8	79.7	88.4
Core PAT	22.1	59.0	65.4
Core EPS (sen)	5.9	15.9	17.6
DPS (sen)	1.9	4.0	4.4
Dividend Yield (%)	0.9	1.9	2.1

KEY STATISTICS	
FBM KLCI	1,727.39
Issued shares (m)	371.74
Estimated free float (%)	34.57
Market Capitalisation (RM'm)	784.37
52-wk price range	RM0.55 - RM2.13
3-mth average daily volume (m)	2.06
3-mth average daily value (RM'm)	3.00
Top Shareholders (%)	
Tcco Holdings Sdn Bhd	61.93
Kenanga Trust Management Bhd	1.84
KAF Investment Funds Bhd	1.80

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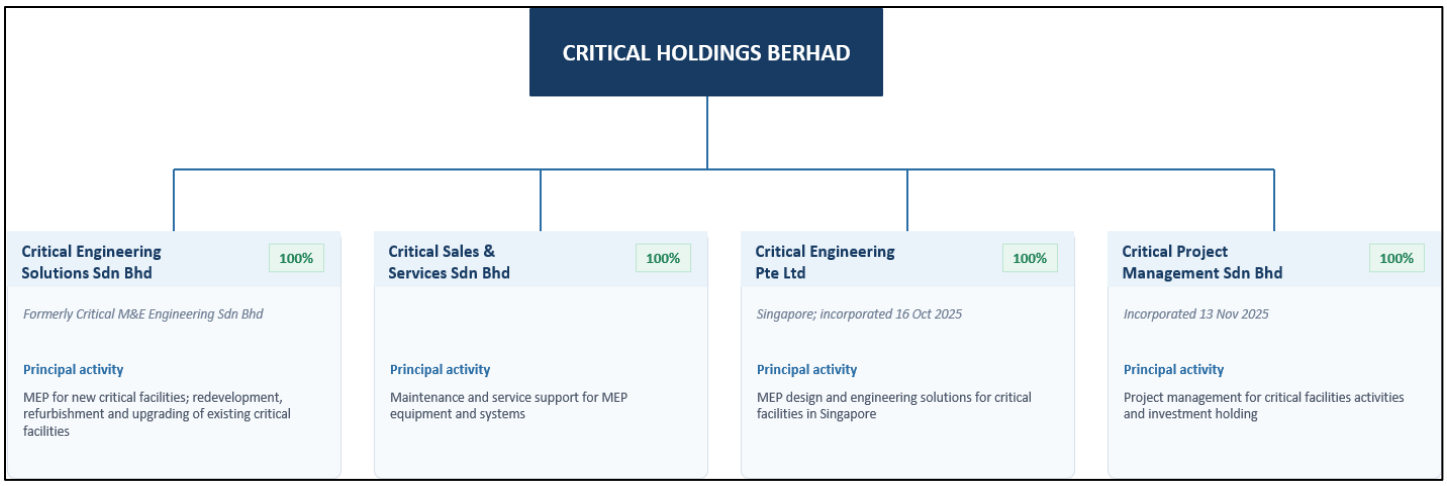
Maintenance conversion opportunities. While maintenance and services remain a small contributor today, the segment has grown at a 19.8% CAGR from FY20 to FY25 and provides recurring income alongside the group's project-based engineering business. Critical can provide preventive and scheduled maintenance, breakdown services and repairs for both systems it installed itself and third-party systems, with maintenance engagements typically ranging from three to 24 months. As the group's installed base expands through larger cleanroom, plantroom and data-centre projects, there is scope to convert a greater proportion of completed work into maintenance, refurbishment and upgrade opportunities.

Company and Business Overview

Specialist in critical facilities. Critical Holdings as the name suggests, is in the business of critical facility support for mission-critical facilities. It provides mechanical, electrical and process-utility (MEP) engineering solutions for plants and facilities where uptime, contamination control and technical compliance are important. Its end markets include semiconductor manufacturing, data centres, pharmaceuticals, medical facilities, telecommunications and other advanced manufacturing facilities, where system reliability, contamination control, temperature and humidity management, power quality and process-utility integrity are integral to customers' operations. The work is more specialised than general building construction because the systems must be integrated, tested and commissioned to the client's operating requirements.

Group structure. Critical Holdings is a relatively young company established in 2011, headquartered in Penang. Then known as Success Facility Management Sdn Bhd, it was renamed Critical M&E Engineering Sdn Bhd in Jan-14 after it was acquired by current CEO Tan Si Lim and COO Chow Chin Seang in Oct-13. The group's operating structure has historically been very lean with two main subsidiaries namely Critical Engineering Solutions Sdn Bhd (formerly known as Critical M&E Engineering Sdn Bhd) and Critical Sales & Services Sdn Bhd. It recently incorporated two more wholly-owned subsidiaries - Critical Engineering Pte Ltd in Singapore and Critical Project Management Sdn Bhd in Malaysia.

Figure 1: Critical Holdings group structure



Source: Company, MBSBR

Licenses and recognitions. Critical Engineering Solutions was registered with the Construction Industry Development Board (CIDB) as a Grade G7 contractor in Feb-14, which allows them to tender for projects with unlimited contract value throughout Malaysia.

One of the fastest Main Market graduates. The group went public on the Ace Market in Dec-23 and is one of the fastest companies to graduate to the Main Market following the transfer in Oct-25. Its proposal to transfer to the main board was made in Feb-25, just 14 months after its IPO. It is still owner/founder controlled via private vehicle TCCO Holdings Sdn Bhd which has a 61.9% stake. CEO Tan Si Lim and COO Chow Chin Seang each holds 50% in TCCO Holdings.

Business segments.

I. MEP Engineering Solutions

Critical provides end-to-end MEP solutions spanning design and build, project management, upgrading and refurbishment. Its in-house engineering team manages multidisciplinary works across plantrooms, cleanrooms and data centres, including value engineering, subcontractor and supplier coordination, quality and safety control, testing and commissioning. They are supported by an established network subcontractors and suppliers, enabling them to undertake projects of varying scale and complexity. Among the range of MEP systems that Critical has capabilities in are heating, ventilation and air conditioning/air conditioning and mechanical ventilation (HVAC/ACMV) systems; power/electrical systems; process utilities; fire detection and suppression; security; building automation and remote monitoring. This segment is the main revenue driver for the group.

I. MEP Maintenance and Services

This is a complementary business to MEP Engineering Solutions where Critical provides comprehensive maintenance and service support, including preventive and scheduled maintenance as well as breakdown service and repair, to ensure proper functioning of the existing MEP equipment and systems. Upon completion of some engineering solutions projects, the group is engaged to provide maintenance and services over three to 24 months or may be engaged for existing systems that were not installed by them. Some jobs are also ad-hoc and services are available round the clock.

Focus areas. MEP involves a very wide scope in terms of engineering and Critical's focus is in three niche areas, namely plantrooms, cleanrooms and data centres. It does not take on jobs for commercial, residential and mixed development projects.

Table 1: Critical facilities focus areas

	Plantroom	Cleanroom	Data Centre
Critical Facilities	Also known as a mechanical or boiler room. Dedicated area containing mechanical, electrical and process utility equipment	Controlled environment requiring low amount of airborne pollutants	Design optimal electrical and air-cooling distribution
	Job scope - Design and build, project management, supply, installation, testing, commissioning and maintenance - Contains air handling units, boilers, chillers and refrigeration units, water heaters and tanks, water pumps and pipework, gas pipework, sprinkler distribution piping and pumps, electrical equipment and control panel, switchgears, batteries, machinery for lifts, ducts and filters, and other HVAC equipment	Job scope - Design and build, facility planning, designing, supplying, construction, equipment installation, testing, verification and validation - Cleanroom expansion projects, redevelopment, refurbishment and upgrading of existing cleanrooms and their related equipment and systems	Job scope - Design and build, project management, supply, installation, testing and commissioning of data centre infrastructure facilities - Design considerations include electrical power source, battery monitoring systems, security monitoring systems, fire protection and mechanical systems for heat removal and air distribution
End Users	i) Semiconductor ii) Pharmaceutical iii) Telecommunications iv) Solar PV	i) Semiconductor ii) Medical devices iii) Pharmaceutical iv) Aerospace electronics v) Automotive electronics vi) Telecommunications	i) Data centre

Source: Company, MBSBR

New corporate office. The group, through its wholly-owned subsidiary Critical Project Management Sdn Bhd, had in Nov-25 entered into a sale and purchase agreement with Rimbaco Sdn Bhd to acquire two pieces of freehold land in Jelutong, Penang for RM11.5m. The two plots of land measure 2,425.6 sq m in total, which is to be utilised for the construction of a new operation office in future. The purchase price will be satisfied in cash and funded via internally generated funds while the construction for the new operation office will be funded via a combination of internally generated funds and external financing.

Financials

Snapshot of latest quarterly results. Critical's financial year ends in June. It recorded a core net profit of RM1.2m in 3QFY26 ending Mar-26, a reduction of -88.1%yoy. Sequentially, this was a reduction of -81.3%qoq. This came on the back of a lower revenue during the quarter at RM50.8m, a reduction of -47.9%yoy and -39.0%qoq. We are not too perturbed with the weaker performance as this is due to the differences in project mix, stages of completion and timing of revenue recognition of the projects. For the cumulative 9MFY26, core earnings came in at RM11.6m, a decline of -40.7%yoy on the back of a weaker revenue of RM203.1m (-7.1%yoy). Critical is expected to announce its FY26 results in the final week this month, where we project a -17.6% decline in core earnings to RM22.1m.

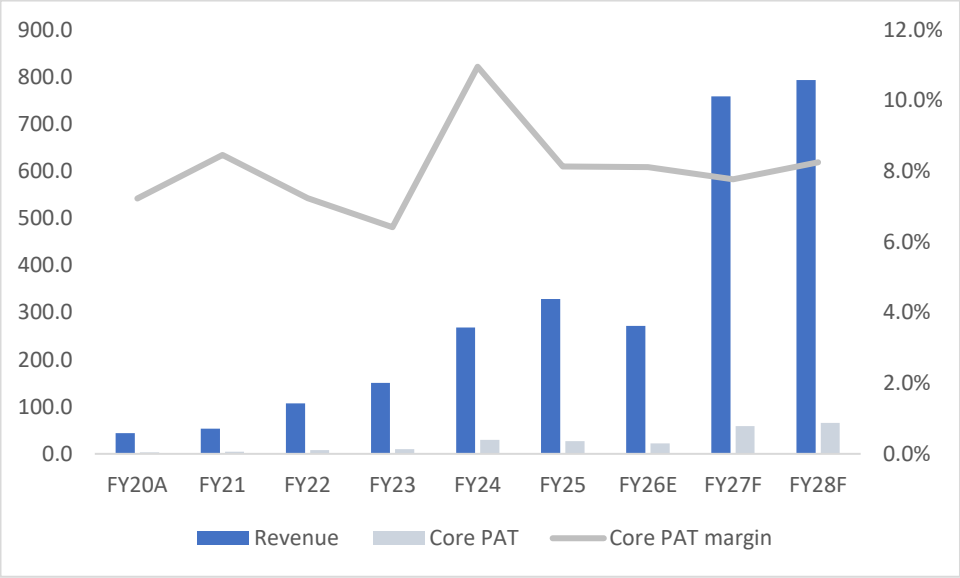
Table 2: Results snapshot

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**3Q26**	**2Q26**	**3Q25**	**QoQ**	**YoY**	**9MFY26**	**9MFY25**	**YoY**
Revenue	50.8	83.2	97.6	-39.0%	-47.9%	203.1	218.7	-7.1%
Cost of sales	(45.3)	(70.9)	(80.5)	-36.1%	-43.8%	(175.4)	(182.6)	-4.0%
Gross profit	5.6	12.4	17.1	-55.1%	-67.6%	27.7	36.1	-23.1%
Other operating income	0.6	0.7	0.5	-6.9%	32.2%	1.9	1.2	60.0%
Administrative expenses	(3.7)	(4.1)	(3.9)	-9.0%	-4.3%	(11.1)	(10.1)	10.1%
Other operating expenses	(0.2)	(0.2)	(0.3)	2.9%	-17.6%	(0.6)	(0.7)	-8.8%
Finance costs	(0.1)	(0.1)	(0.1)	54.3%	7.6%	(0.3)	(0.3)	-16.5%
Profit before tax	2.0	9.9	13.2	-79.8%	-84.9%	18.8	25.9	-27.5%
Tax	(0.8)	(2.1)	(3.2)	-61.9%	-74.7%	(4.6)	(6.3)	-27.0%
Reported net profit	1.2	7.8	10.1	-84.7%	-88.1%	14.2	19.6	-27.7%
Core net profit	1.2	6.4	10.1	-81.3%	-88.1%	11.6	19.6	-40.7%

Source: Company, MBSBR

FY27 marks the earnings inflection. We forecast a 2.7x growth in core earnings to RM59.0m in FY27, on the back of a stronger revenue of RM758.5m (2.8x), attributable to Critical's record high order book of RM1.06b. This is when its two new engineering, procurement and construction (EPC) contracts that were secured in May-26 and Jun-26 enter its full execution phase. This marks an important shift in Critical's role in the MEP space as it shifts from executing individual packages to being an integrated EPCC provider. Larger scopes allow it to capture more client spending and bid for substantially higher-value contracts. While EPCC projects may not necessarily command higher margins, the larger contract values should translate into higher absolute earnings.

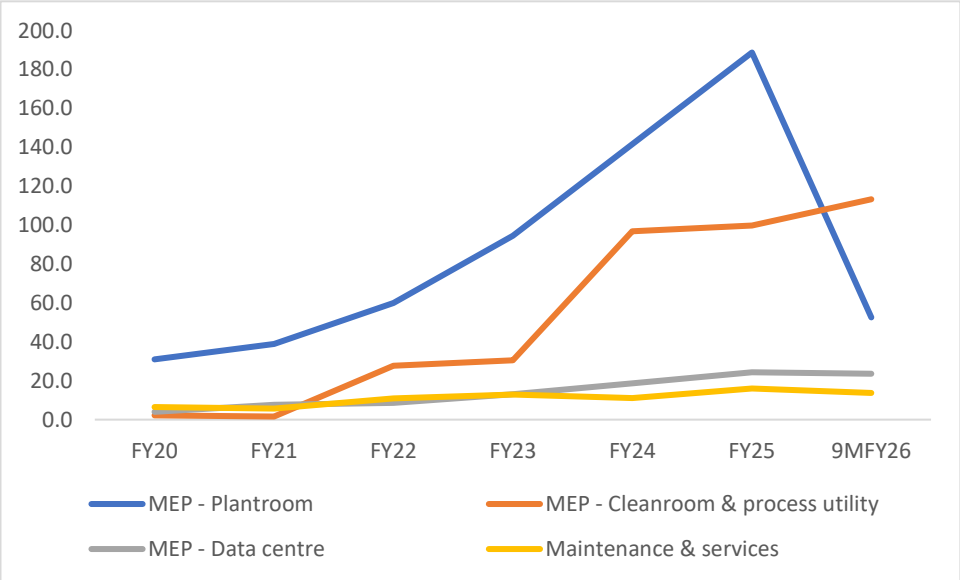
Figure 2: Critical's revenue, core PAT and core PAT margin



Source: Company, MBSBR

Segmental breakdown. MEP engineering and solutions is the main bread and butter for the group, making up over 90% of the annual revenue over the past three years. Under this segment, the main revenue contributor was consistently plantroom projects, followed by cleanroom and data centre jobs. In FY26, however, this shifted to cleanroom projects, followed by plantroom and the growing data centre jobs. Meanwhile, MEP maintenance and services, despite its minimal contribution to the group's revenue, provides some recurring income throughout the years and has grown at a CAGR of 19.8% from FY20 to FY25.

Figure 3: Segmental business revenue trend (RM'm)



Source: Company, MBSBR

Table 3: Segmental revenue breakdown (RM'm)

	FY20	FY21	FY22	FY23	FY24	FY25	9MFY26
MEP - Plantroom	31.0	38.9	60.0	94.6	141.7	188.8	52.5
MEP - Cleanroom & process utility	2.2	1.6	27.7	30.5	96.9	99.8	113.3
MEP - Data centre	4.0	7.6	8.7	13.0	18.7	24.4	23.7
Maintenance & services	6.5	5.7	10.9	12.9	11.0	16.0	13.7

Source: Company, MBSBR

Strong net cash position. Critical currently sits in net cash position at RM84.4m, putting them in a strong position when the larger projects start to ramp up when a much larger amount of working capital may be tied up in receivables, contract assets and procurement. As the balance sheet is currently ungeared, it gives the group capacity to introduce additional borrowings without stretching its balance sheet.

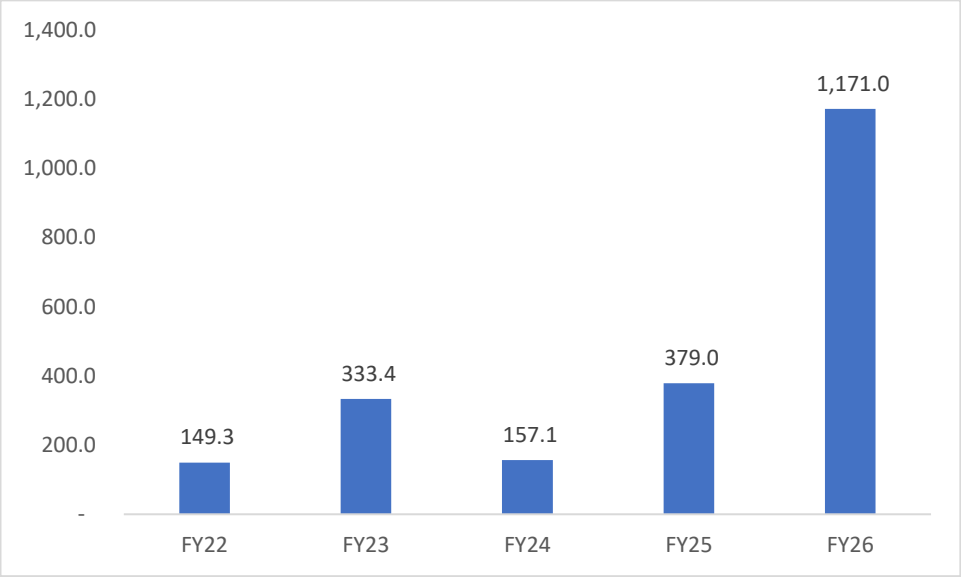
Dividend policy. Critical Holdings has a target dividend payout ratio of 25% of PAT each financial year. This translates to an FY27F dividend yield of 1.8%.

All-time high order book. As at Jun-26, Critical's outstanding order book is at an all-time high of RM1.06b, comprising plantroom (77.7%), cleanroom (16.8%), data centre (4.8%) and maintenance (0.7%) jobs which provide earnings visibility up to FY28. The bulk of the figure was lifted by the RM772.5m EPC contract for the development of a state-of-the-art industrial facility incorporating a high-technology Automated Storage and Retrieval System (ASRS) warehouse and supporting infrastructure in Kulim Hi-Tech Park that it secured on 15th June 2026. This is the single largest contract that the group has secured to date so far and the second EPC contract it has won. The first EPC contract was secured in May-26, a RM152.6m job for a new cleanroom architecture associated with MEP services at the Kulim Hi-Tech Park. Both EPC contracts were awarded by the same US-based MNC client.

Actively tendering for new jobs. Critical's active tender book stands at RM1.0b, about 90% of which are semiconductor-related jobs with the remaining 10% being data centre jobs. The group secured a total of RM1.17b of new projects in FY26. We do not expect this to be immediately repeated, particularly given the exceptional RM772.5m EPC award and the group's focus on executing its two sizeable EPC projects. With manpower currently representing the key capacity constraint, we believe management is likely to remain

selective in pursuing new work, while continuing to replenish its orderbook through projects in the range of RM30m to RM50m, which we understand are the sweet spot for Critical, alongside other larger EPCC opportunities. We view this positively, as disciplined execution should take precedence over maximising orderbook growth at this stage of Critical's transformation. Successful delivery of these projects would materially enhance its EPCC credentials and provide the reference track record needed to pursue larger and more complex contracts thereafter. Excluding the RM772.5m win, Critical's FY26 replenishment would have been RM398.5m, which is still a healthy +5.2% growth over FY25.

Figure 4: FY22-FY26 orderbook replenishment (RM'm)



Source: Company, MBSBR

Table 4: Publicly announced project wins since listing in Dec-23

Project	Location	Client	Award date	Completion	RM'm
M&E fitout, cleanroom and interior design works for production and warehouse	Pasir Gudang, Johor	US-based MNC	30-Sep-24	Jan-25	82.0
M&E services for semiconductor plant	Batu Kawan, Penang	IJM Construction Sdn Bhd	14-Oct-24	Aug-25	62.5
M&E works, cleanroom and process utilities for new production floor lit-up	Undisclosed	US-based MNC	8-Aug-25	Nov-25	40.8
Mechanical systems for a data centre	Bukit Jalil, Selangor	Main-market listed construction company	11-Dec-25	Dec-26	40.8
Cleanroom production floor and MEP	Batu Kawan, Penang	US-based MNC	12-Feb-26	Jun-26	35.0
EPC for cleanroom and MEP	Kulim, Kedah	US-based MNC	11-May-26	Dec-26	152.6
EPC for industrial facility with ASRS warehouse and supporting infrastructure	Kulim, Kedah	US-based MNC	15-Jun-26	Dec-27	772.5

Source: Company, MBSBR

Ongoing workforce expansion. Critical has been progressively expanding its workforce as the size and complexity of its projects increase. It has doubled its headcount from 56 employees in FY23 to 113 to date. Management's target is to expand its workforce to 150 employees by FY27. This is important as the group's asset-light operating model means its principal internal capacity constraint is not machinery, but engineering and project management bandwidth. While subcontractors undertake a significant proportion of physical installation works, Critical remains responsible for design coordination, procurement, project management, quality and safety supervision, testing and commissioning.

Industry overview and key catalysts

Strong tech investment cycle. Critical is well-positioned to benefit from the infrastructure requirements arising from Malaysia's transition towards higher-value manufacturing and a more digital economy. The global backdrop remains supportive, with World Semiconductor Trade Statistics (WSTS) forecasting semiconductor sales to rise +89.9% to USD1.51t in 2026 and a further +26.6% to USD1.91t in 2027, while Semiconductor Equipment and Materials International (SEMI) expects semiconductor manufacturing equipment sales to increase +23.2% to USD165.9b in 2026 and reach USD229.5b by 2028. This subsequently creates demand for cleanrooms, plantrooms, cooling, electrical systems and process utilities, which Critical specialises in.

Table 5: WSTS forecast summary

Spring 2026	Amounts in USD'm			Y-o-Y Growth in %		
	2025	2026	2027	2025	2026	2027
Americas	**256,476**	**543,654**	**701,439**	31.4	112.0	29.0
Europe	**54,694**	**86,643**	**101,587**	6.7	58.4	17.2
Japan	**44,723**	**57,050**	**67,332**	-4.3	27.6	18.0
Asia Pacific	**439,747**	**823,900**	**1,043,326**	30.3	87.4	26.6
Total World	**795,640**	**1,511,248**	**1,913,683**	26.2	89.9	26.6
Discrete Semiconductors	**30,728**	**33,188**	**35,712**	-1.0	8.0	7.6
Optoelectronics	**43,042**	**44,218**	**46,436**	4.7	2.7	5.0
Sensors	**20,894**	**21,516**	**23,002**	10.4	3.0	6.9
Integrated Circuits	**700,975**	**1,412,326**	**1,808,533**	29.9	101.5	28.1
Analog	86,519	95,358	101,662	8.7	10.2	6.6
Micro	84,867	101,655	121,966	7.9	19.8	20.0
Logic	299,547	411,371	522,820	38.8	37.3	27.1
Memory	230,042	803,941	1,062,085	39.0	249.5	32.1
Total Products	**795,640**	**1,511,248**	**1,913,683**	26.2	89.9	26.6

Source: WSTS

NIMP and NSS. The New Industrial Master Plan 2030 (NIMP 2030) and the National Semiconductor Strategy (NSS) provide a structural policy underpinning Malaysia's move into more sophisticated manufacturing. NIMP 2030 targets areas including advanced wafer fabrication, IC design, specialty chemicals, pharmaceuticals, medical devices and the transformation of 3,000 factories into smart factories by 2030, while the NSS targets at least RM500b of semiconductor investments under Phase 1. The more complex the manufacturing environment, the greater the requirement for contamination control, high-purity utilities, precise temperature and humidity management, redundant electrical systems and integrated facility controls which increases the MEP opportunities for Critical.

Digitalisation agenda. Malaysia's digitalisation agenda is another growth avenue for Critical through continued investment in data centres and cloud infrastructure. Malaysia Digital 2030 (MD2030) which was launched in Jun-26, targets the digital economy contributing 30% of GDP by 2030, which should support continued demand for computing and digital infrastructure.

Second phase of DC growth. MIDA recorded RM38.9b of information and communications investments in 1QCY26, of which RM34.6b are across 33 projects related specifically to data centres and cloud computing. As at Mar-26, Tenaga Nasional had 36 data centre projects representing 4.5GW already in its system, on the back of a secured pipeline of 8.3GW. We believe this next phase of data centre growth could be particularly relevant for Critical as a larger proportion of spending shifts towards the technically intensive parts. MIDA has identified precision cooling, power infrastructure and engineering services as key areas for greater participation by Malaysian suppliers, while increasingly stringent sustainability requirements should raise the importance of efficient cooling, electrical and control systems. All these plays directly to Critical's existing capabilities and could help diversify Critical's current exposure to semiconductor-related projects.

Key Risks

Order book replenishment. Critical needs to consistently secure new projects to avoid a post-project revenue gap. The ability to sustain the enlarged earnings base will depend on the group's ability to secure meaningful job replenishments. The group's key end-markets such as semiconductors, advanced manufacturing and data centres remain attractive but are still exposed to their respective capex cycles and project timings. Delays in semiconductor capacity expansion, tighter data-centre approvals or infrastructure constraints such as power and water availability could defer tender opportunities.

Dependence on subcontractors and suppliers. As the group executes increasingly large and multidisciplinary contracts, it must ensure that subcontractors have sufficient manpower, technical capabilities and financial capacity to complete their respective scopes on schedule and to the required quality. Delays or defects caused by subcontractors may ultimately remain Critical's responsibility to the customer, potentially resulting in additional rectification costs, schedule overruns or reputational damage even where the underlying work has been outsourced.

Execution risk of projects. Execution risk becomes more pronounced as Critical moves into substantially larger EPCC projects. The RM772.5m contract is several times larger than the projects historically undertaken by the group and materially increases the complexity of project coordination, procurement, subcontractor management and commissioning. Any delay, rework, cost overrun or failure to meet contractual specifications could affect revenue recognition, margins and potential exposure to liquidated ascertained damages (LADs) arising from project delays. Larger EPCC projects also introduce greater margin risk as Critical assumes responsibility for a broader portion of the project value chain.

Project concentration risk. The RM772.5m EPCC contract now represents a particularly large share of the current order book, meaning a delay, cancellation, dispute or slowdown involving a single project could materially affect group earnings.

SWOT Analysis

Strengths

- **Specialist critical-facilities expertise.** Critical operates in technically demanding environments such as semiconductor plants, cleanrooms and data centres where reliability, contamination control and process-utility requirements create higher barriers to entry than conventional MEP works
- **Established customer relationships.** A high proportion of repeat customers and long-standing relationships with major clients support recurring tender opportunities and reduce the need to continuously establish new customer credentials
- **Growing track record in larger projects**. Moving up the value chain from smaller MEP packages into full EPCC scopes
- **Strong balance sheet.** A net cash position provides liquidity to support working-capital requirements, procurement, performance guarantees and potential borrowing capacity as larger projects ramp up

Weaknesses

- **High project concentration.** The RM772.5m EPCC contract represents a significant portion of the current order book, making group earnings highly dependent on the successful execution of a single project
- **Reliance on subcontractors.** Outsourcing provides scalability but reduces direct control over manpower availability, productivity, workmanship and project scheduling
- **Limited recurring earnings base.** Maintenance and service remain a small part of revenue, leaving the group dependent on project-based income that can be lumpy between quarters
- **Dependence on key personnel.** Customer relationships, technical knowledge and project experience remain concentrated among the founders and key senior management

Opportunities

- **Moving up the value chain.** Successful execution of the RM772.5m EPCC contract could enhance Critical's credibility and its ability to secure larger sized projects
- **Second phase of DC development.** Strong influx of data centre investments into Malaysia, evident from RM34.6b of investments approved by MIDA across 33 projects related specifically to data centres and cloud computing
- **MedTech and pharmaceutical.** Critical's cleanroom and process-utility capabilities can potentially be transferred into pharmaceuticals, medical devices, biotechnology and other controlled manufacturing environments
- **Regional expansion.** The establishment of Critical Engineering Pte Ltd provides a platform for pursuing Singapore and regional critical-facilities opportunities

Threats

- **Cost overruns.** Higher-than-anticipated equipment, material, subcontractor or labour costs could erode margins, particularly for projects where pricing has already been fixed
- **Subcontractor failure.** Financial distress, labour shortages, poor workmanship or delays among subcontractors could disrupt project schedules as Critical retains ultimate responsibility to customers
- **Increasing competition.** Critical's move into larger EPCC contracts brings it into more direct competition with larger and better-capitalised MEP and construction players
- **Sector cyclicality.** A downturn in global semiconductor demand, delay in data centre projects, customer capital expenditure could delay and reduce the pipeline of cleanroom and MEP opportunities

ESG overview

Environmental. Critical's asset-light business model results in a relatively modest direct environmental footprint, although emissions have increased alongside higher business activity. In FY25, Scope 1, Scope 2 and Scope 3 emissions rose to 49.6, 79.7 and 220.7 tonnes CO2e respectively, taking total reported emissions to 350.0 tonnes CO2e from 249.4 tonnes a year earlier. The group has committed to achieving net-zero carbon emissions by 2050 and has begun strengthening its disclosure framework, including independent verification of its GHG data under ISO 14064 standards. We see room for further improvement in environmental management as the company scales, particularly in waste tracking.

Social. The group recorded zero fatalities, zero recordable work-related injuries and a zero lost-time incident rate in FY25, while total training hours increased +3.8% to 1,450 hours. We view continued investment in technical training, staff retention and project-

management capabilities as essential to supporting the group's enlarged order book, although senior-level gender diversity remains relatively limited with female managers accounting for only 12.5% of management. Beyond its workforce, Critical emphasises local supplier engagement, employment creation and community development, while contributing RM35,800 to CSR programmes in FY25, mainly towards education and healthcare-related initiatives.

Governance. In FY25, Critical established a Sustainability Committee led by the COO to oversee the integration of sustainability considerations into group strategy and operations, while health and safety, anti-corruption and data privacy/security were identified as its three highest-priority sustainability matters. We see this as increasingly important as Critical takes on larger EPCC contracts, which involve greater exposure to procurement, subcontractor appointments, variation orders, claims and project-level financial controls. Continued strengthening of internal controls, commercial governance and oversight of subcontractors should therefore be important in ensuring that the rapid increase in project scale does not outpace the group's governance and risk-management capabilities.

Company Leadership

Ir Tan Si Lim – Executive Director/CEO

- Aged 49
- Bachelor of Engineering (Mechanical), Universiti Putra Malaysia
- MBA, Nottingham Trent University
- Member of The Institution of Engineers, Malaysia
- Professional Engineer of the Board of Engineers Malaysia
- ASEAN Chartered Professional Engineer

Ir Chow Chin Seang – Executive Director/COO

- Aged 51
- Bachelor of Mechanical Engineering (Manufacturing), Universiti Teknologi Malaysia
- MBA, Nottingham Trent University
- Member of The Institution of Engineers, Malaysia
- Professional Engineer of the Board of Engineers Malaysia
- Member of the American Society of Heating, Refrigerating and Air Conditioning Engineers, Inc
- ASEAN Chartered Professional Engineer

Alice Ooi Ley Ching – Financial Controller

- Aged 44
- BSc (Hons) in Applied Accounting, University
- Member of the Association of Chartered Certified Accountants (ACCA)
- Member of the Malaysian Institute of Accountants (MIA)

Yang Chee Wan – General Manager (Design & Engineering)

- Aged 46
- Bachelor of Computer Science, Universiti Putra Malaysia
- Responsible for design and value engineering and project management activities

Albert Ng Teik Hoe – General Manager (Project)

- Aged 44
- Advanced Diploma in Technology (Mechanical and Manufacturing Engineering), TAR College
- Responsible for planning and managing the implementation of MEP Engineering Solutions

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	**268.29**	**328.92**	**271.81**	**758.52**	**793.24**
Gross profit	49.24	49.56	44.48	98.15	109.74
PBT	29.38	37.09	29.80	79.67	88.43
Taxation	-10.07	-9.13	-7.75	-20.71	-22.99
PAT	19.30	27.96	22.05	58.96	65.44
Core earnings	**29.40**	**26.75**	**22.05**	**58.96**	**65.44**
EPS (sen)	7.9	7.2	5.9	15.9	17.6
PER (x)	26.7	29.3	35.6	13.3	12.0
DPS (sen)	-	1.3	1.9	4.0	4.4
Dividend yield (%)	-	0.6	0.9	1.9	2.1

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	19.30	27.96	22.05	58.96	65.44
Depreciation	0.7	0.7	1.5	2.2	2.5
Change in NWC	-9.7	22.3	10.0	7.8	-5.9
Operating cash flow	**21.4**	**42.1**	**32.3**	**57.5**	**46.7**
Capital expenditure	-0.5	-0.4	-14.5	-4.0	-4.0
Investing cash flow	**-2.7**	**-1.1**	**-13.3**	**-4.0**	**-4.0**
Debt raised/(repaid)	-0.9	-0.5	-1.6	-0.5	-0.5
Dividends paid	-	-4.8	-7.1	-14.9	-16.4
Financing cash flow	23.8	-5.3	-8.7	-15.4	-16.9
Net cash flow	**42.5**	**35.7**	**10.3**	**38.1**	**25.8**
Beginning cash flow	**8.0**	**50.5**	**86.2**	**96.5**	**134.6**
Ending cash flow	**50.5**	**86.2**	**96.5**	**134.6**	**160.4**

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
PPE & ROU	2.0	2.6	19.6	21.4	22.9
Investment properties	3.3	4.0	4.0	4.0	4.0
Non-current assets	**5.4**	**8.4**	**25.4**	**27.2**	**28.7**
Trade receivables	71.9	77.7	75.0	149.0	138.9
Cash & bank balances	54.8	87.4	96.6	143.7	173.7
Current assets	**146.9**	**197.3**	**192.8**	**335.4**	**349.2**
Long-term debt	2.2	2.1	3.2	2.7	2.2
Non-current liabilities	**3.0**	**3.3**	**4.4**	**3.9**	**3.4**
Short-term debt	1.0	1.1	1.0	2.7	2.8
Trade payables	77.1	100.1	92.0	185.3	168.5
Current liabilities	**83.3**	**113.3**	**75.3**	**209.1**	**187.9**
Equity	**66.0**	**89.1**	**107.1**	**149.6**	**186.6**

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
GP margin	18.4	15.1	16.4	12.9	13.8
PBT margin	11.0	11.3	11.0	10.5	11.2
PAT margin	7.2	8.5	7.1	7.8	8.3
Core PAT margin	11.0	8.1	8.1	7.8	8.3

Source: Bloomberg, MBSBR

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X)

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MBSB INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology