Critical Holdings Berhad

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

2 Stars

VO for Cleanroom Project

Maintain **BUY**

Revised Target Price: **RM3.54**

(from RM2.94)

Maintain BUY. We maintain our **BUY** recommendation on Critical Holdings Berhad with a revised **TP** of **RM3.54** as we peg its FY28F EPS of 17.7 sen to a PER of 20x, which is +2SD above its three-year mean. 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.

VO for existing cleanroom project. Critical Holdings Berhad has secured an additional RM74.1m in contract value following a variation in the scope of works for a cleanroom project that it had earlier secured in May-26. This is a +48.6% increase in the contract value to RM226.7m from the original amount of RM152.6m for a new cleanroom architecture associated with mechanical, electrical and process utilities (MEP) services at the Kulim Hi-Tech Park. The client's name remained undisclosed, described as a renowned-US based MNC supplying wafer fabrication equipment and services to the semiconductor industry.

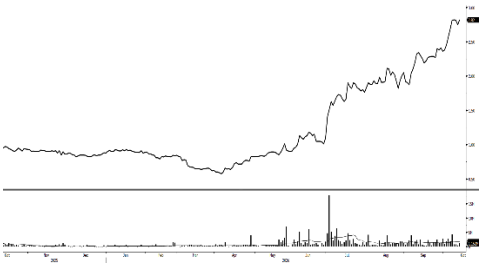
Strengthens FY27 earnings visibility. As the other terms and conditions of the contract remains unchanged, we expect this to lift FY27F earnings by a further RM6.7m (+11.4%). We are positive on the variation order as it further strengthens Critical Holdings' relationship with a key customer. Recall that the group also secured a RM772.5m EPCC contract from the same customer in Jun-26. Together, these two contracts now carry a combined value of approximately RM999.2m. While this increases customer concentration risk, we view it as a natural consequence of Critical's early expansion into larger-scale EPCC projects. We expect this concentration risk to gradually moderate as Critical builds its EPCC track record, broadens its customer base and secures more sizeable contracts from other clients.

Strong order book. We estimate that Critical's outstanding order book has risen to RM1.06b, comprising mainly plantroom (74.0%) and cleanroom (21.9%) projects. Data centre and maintenance jobs make up about 3.5% and 0.7% respectively. The bulk of the figure is made up of 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. Together with the May-26 EPC contract and the VO, the total order book from the US MNC client is RM999.2m or 91.7% of the outstanding order book.

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

RETURN STATISTICS	
Price @ 13 Oct 2026 (RM)	2.82
Expected share price return (%)	+25.5
Expected dividend yield (%)	+1.4
Expected total return (%)	26.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	22.6	28.2
3 months	19.5	78.9
12 months	195.3	193.1

INVESTMENT STATISTICS

FYE JUN (RM'm)	2026A	2027E	2028F
Revenue	305.8	860.1	880.7
Gross Profit	43.7	110.1	119.6
PBT	30.4	88.8	97.7
Core PAT	21.4	65.7	72.3
Core EPS (sen)	5.2	16.1	17.7
DPS (sen)	1.9	4.0	4.4
Dividend Yield (%)	1.0	1.4	1.6

KEY STATISTICS	
FBM KLCI	1,623.35
Issued shares (m)	408.91
Estimated free float (%)	40.55
Market Capitalisation (RM'm)	1,153.13
52-wk price range	RM0.55 - RM2.94
3-mth average daily volume (m)	1.53
3-mth average daily value (RM'm)	3.23
Top Shareholders (%)	
Tcco Holdings Sdn Bhd	56.30
KAF Investment Funds Bhd	5.65
Hong Leong Co Malaysia Bhd	2.20

Analyst
Royce Tan Seng Hooi
royce.tan@mbsb.com

projects in the range of RM30m to RM50m, which we understand are the sweet spot for Critical, alongside other larger EPCC opportunities.

Earnings estimates and TP. We raise our earnings estimates for FY27E/FY28F by +11.4%/+10.6% after incorporating the new VO and revising our order book replenishment targets from RM350m/RM500m to RM450m/RM550m respectively. As such, we are also revising our TP to RM3.54 from RM2.94 previously as we peg the group's revised EPS of 17.7 sen to a PER of 20x, which is +2SD above its three-year mean. We believe this is justified by the structural change in the group's earnings and business profile as an EPCC provider.

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026A	2027E	2028F
Revenue	**268.3**	**328.9**	**305.8**	**860.1**	**880.7**
Gross profit	49.2	49.6	43.7	110.1	119.6
PBT	29.4	37.09	30.4	88.8	97.7
Taxation	-10.1	-9.1	-8.0	-23.1	-25.4
PAT	19.3	28.0	22.3	65.7	72.3
Core earnings	**29.4**	**26.8**	**21.4**	**65.7**	**72.3**
EPS (sen)	7.2	6.5	5.2	16.1	17.7
PER (x)	39.2	43.4	54.2	17.5	15.9
DPS (sen)	-	1.3	1.9	4.0	4.4
Dividend yield (%)	-	0.5	1.0	1.4	1.6

Cash Flow (RM'm)	2024A	2025A	2026A	2027E	2028F
PBT	19.30	27.96	30.4	88.8	97.7
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	2026A	2027E	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	2026A	2027E	2028F
GP margin	18.4	15.1	14.3	12.8	13.6
PBT margin	11.0	11.3	9.9	10.3	11.1
PAT margin	7.2	8.5	7.3	7.6	8.2
Core PAT margin	11.0	8.1	7.0	7.6	8.2

Source: Bloomberg, MBSBR

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

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

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