Critical Holdings Berhad

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

2 Stars

Another EPC in the Bag

Maintain **BUY**

Unchanged Target Price: **RM3.54**

Maintain BUY. We maintain our **BUY** recommendation on Critical Holdings Berhad with an unchanged **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.

Third EPC deal. Critical Holdings Berhad has secured its third EPC deal this year, after its wholly-owned subsidiary Critical Sales & Services Sdn Bhd bagged contracts worth RM65.0m from an MNC. The job scope involves the design and build, testing and commissioning of a new cleanroom production floor at the northern region of Malaysia. Thid is expected to be completed by Mar-27, indicating a fast-paced nature of the projects. Recall that its first two EPC contracts were for a cleanroom and an industrial facility for a US-based MNC in Kulim, secured in May and Jun-26 respectively.

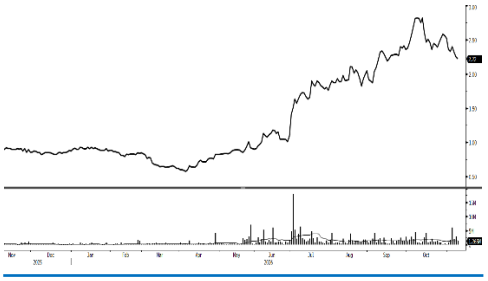
Strengthens FY27 earnings visibility. We are positive on the latest project win, which continues to demonstrate Critical's ability in moving up the EPCC supply chain allowing it to bid for substantially higher-value contracts. We view FY27 as the earnings inflection point for the group as its ongoing EPCC projects ramp up.

Strong order book. We estimate that Critical's outstanding order book has risen to RM1.13b, comprising mainly plantroom (69.4%) and cleanroom (20.5%) 232.1 projects. Data centre and maintenance jobs make up about 3.1% and 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 a single US MNC client is RM999.2m or 91.7% of the outstanding order book. 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.

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. Together with the RM74.1m VO that it received in last month, the group has secured RM139.1m of new jobs in FY27.

RETURN STATISTICS	
Price @ 11 Nov 2026 (RM)	2.22
Expected share price return (%)	+59.5
Expected dividend yield (%)	+1.8
Expected total return (%)	61.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-21.0	-20.8
3 months	-5.9	21.0
12 months	146.7	151.4

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	1,604.07
Issued shares (m)	371.74
Estimated free float (%)	40.55
Market Capitalisation (RM'm)	907.79
52-wk price range	RM0.55 - RM2.94
3-mth average daily volume (m)	1.55
3-mth average daily value (RM'm)	3.57
Top Shareholders (%)	
Tcco Holdings Sdn Bhd	61.93
Aham Asset Management Bhd	2.27
Kenanga Trust Management Bhd	1.84

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Earnings estimates and TP. We are making no changes to our earnings estimates as the replenishment is within our expectations. As such, we are also maintaining our TP at RM3.54, as we peg Critical's FY28EPS 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. Critical is expected to announce the results of its 1QFY27 ending Sep-26 on the 21st of Nov. We are expecting FY27 earnings to roughly triple, from RM21.4 in FY26.

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)	30.8	34.2	42.7	13.8	12.5
DPS (sen)	-	1.3	1.9	4.0	4.4
Dividend yield (%)	-	0.6	0.	1.8	2.0

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

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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