UOBKayHian

Company – Results | Singapore

Monday, 17 August 2026

CSE Global (CSE SP)

1H26: Earnings Impacted by One-Offs; 2H26 Earnings To Be Stronger

Highlights

- 1H26 adjusted net profit fell 12.4% yoy to S$13.9m, making up 34% of our forecast, largely due to one-offs, and remains in line with our expectations.
- CSE's operating momentum remains intact, with revenue up 27% yoy, order intake rising 28% yoy to S$470m, and a robust orderbook of S$620m.
- Maintain BUY with an unchanged target price of S$1.79. We expect 2H26 earnings to ramp up as its new facility reaches steady-state.

1H26 Results

Year to 31 Dec (S$m)	1H26	1H25	yoy%
Revenue	561.5	440.9	27.4
Gross profit	133.7	123.0	8.8
Gross profit margin (%)	23.8	27.9	(4.1) ppt
Net profit	13.2	16.2	(19.3)
Adjusted Net Profit*	13.9	15.9	(12.4)
Core net margin (%)	2.5	3.6	(1.1) ppt
Order intake	470.2	366.7	28.3
Order book	620.4	573.8	8.1

**1H26 adjusted net profit excluded non-recurring item: one-off irrecoverable tax of S$1.3m, offset by gain on disposal of a business and a 21% equity interest in a subsidiary of S$0.5m.*

Source: CSE, UOB Kay Hian

Analysis

- **Revenue in line, earnings missed due to one-offs.** CSE Global's (CSE) 1H26 revenue rose 27.4% yoy to S$561.5m, representing 50% of our full-year forecast, led by the electrification segment's US data centre project delivery. Adjusted net profit fell 12.4% yoy to S$13.9m, making up 34% of our full-year forecast. This was due to several factors including a mix shift toward lower-margin data centre projects, S$2.4m startup costs incurred for the new Champion facility, S$6.7m of the electrification segment's greenfield project overruns and S$5.3m of water/wastewater wind-down costs, impacting gross margins, which compressed 4.1ppt to 23.8% in 1H26. Adjusted EBITDA rose 7% yoy, while adjusted EBITDA margins eased 1.4 ppt to 7.4%.
- **Momentum in order intake; expects stronger orders in 2H26.** 1H26 order intake jumped 28% yoy to S$470m. Momentum was largely driven by electrification demand in the US despite a slowdown in 2Q26 (compared with 1Q26) which was due to a timing difference arising from the replacement of a purchase order, with the new purchase order expected to be received in 3Q26. We expect CSE's order intake to be stronger in 2H26. Orderbook remains robust at S$620m (+8% yoy), providing a healthy earnings growth outlook.

Key Financials

Year to 31 Dec (S$m)	2024	2025	2026F	2027F	2028F
Net turnover	861	969	1,126	1,227	1,300
EBITDA	72	68	82	92	96
Operating profit	54	50	56	64	68
Net profit (rep./act.)	26	37	40	45	48
Net profit (adj.)	37	37	40	45	48
EPS (S$ cent)	5.4	5.3	5.6	6.3	6.7
PE (x)	22.8	23.6	22.2	19.7	18.5
P/B (x)	3.4	3.3	3.0	2.8	2.6
EV/EBITDA (x)	15.1	16.1	13.3	11.7	11.3
Dividend yield (%)	1.9	2.1	2.3	2.5	2.7
Net margin (%)	3.1	3.9	3.5	3.7	3.7
Net debt/(cash) to equity (%)	28.2	59.2	61.0	57.5	52.0
Interest cover (x)	8.6	7.8	11.0	12.0	12.5
ROE (%)	11.2	14.1	14.0	14.6	14.5
Consensus net profit (S$m)	-	-	45	53	48
UOBKH/Consensus (x)	-	-	0.88	0.85	1.00

Source: CSE, Bloomberg, UOB Kay Hian

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BUY (Maintained)	
Share Price	S$1.24
Target Price	S$1.79
Upside	44.4%

Stock Data

Sector	Information Technology
Bloomberg ticker	CSE SP
Shares issued (m)	729.2
Market cap (S$m)	904.3
Market cap (US$m)	707.0
3-mth avg daily t'over (US$m)	13.3

Price Performance (%)

52-week high/low				S$1.91/S$0.62
1mth	3mth	6mth	1yr	YTD
4.2	(29.9)	0.0	90.8	25.9

Major Shareholders (%)

Temasek Hldgs	23.8

Balance Sheet Metrics

FY26 NAV/Share (US$)	0.41
FY26 Net Debt/Share (US$)	0.25

Price Chart

Source: Bloomberg

Company Description

CSE Global provides systems integration and information technology solutions, computer network systems, and industrial automation. The company also designs, manufactures, and installs management information systems. CSE Global develops, manufactures, and sells electronic and micro processor monitoring equipment.

- **Interim dividend declared.** An interim dividend of 0.91 S cents/share was declared (1H25: 1.14 S cents), in line with management's previous guidance of a 50% payout ratio. Operating cash flow also turned positive at S$15.9m (1H25: outflow S$27.4m) on better working capital management.
- **1H26 segment performance:** Electrification remains the growth engine.
  a) **Electrification grew 64% yoy** (2Q26: +18% qoq) to S$283.0m, driven by data centre and LNG projects in the Americas. Adjusted EBITDA rose 27.0% yoy to S$25.4m, while margin fell to 9.0% (1H25: 11.6%) on mix shift and the new US facility's ramp-up costs (S$2.4m).
  b) **Communications grew 9% yoy** (2Q26: +3% qoq) to S$139.4m, on Australia/New Zealand strength. Adjusted EBITDA increased 2.9% yoy to S$11.6m, while margin declined 0.5ppt to 8.3%.
  c) **Automation remained stable, declining marginally by 0.5% yoy** (2Q26: +9% yoy) to S$139.1m. However, adjusted EBITDA fell 41.6% yoy to S$4.5m on costs relating to the wind-down of water and wastewater projects (S$5.3m), and margin declined 2.3 ppt to 3.2%.
  d) This translates to a total revenue growth of 27% (2Q26: +12% qoq).
- **Leverage build slowed as cash flow turned positive.** Cash flow turned positive at +S$15.9m (1H25: S$27.4m outflow) on lower contract assets and stronger collections. Net debt rose to S$170.6m (Dec 25: S$163.0m) on higher borrowings for expansion, but gearing held broadly steady at 0.58x (Dec 25: 0.59x), with net debt to EBITDA at 2.0x, a marked slowdown from 2025's gearing jump from 0.28x to 0.59x.
- **Near-term headwinds have passed; expect a recovery in 2H26.** We have taken into account 1H26 being a softer period yoy due to rising material costs, start-up costs for the new 241,000sf electrification facility and close-outs of municipal projects in the renewables sector. We expect to see a recovery in 2H26 as the new facility reaches steady-state, start-up costs normalise and the S$620m orderbook converts into revenue.
- **Growing flow business.** CSE's flow business strengthened significantly in 1H2026, rising 41.5% yoy to S$446.2m and accounting for 79% of total project revenue, up from 72% in 1H25. This highlights CSE's growing exposure to recurring and repeat business, providing greater revenue visibility and resilience.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of S$1.79,** based on an unchanged 29x 2027F PE (+1.5 SD to mean). This reflects CSE's re-rating from its historical 15x mean, driven by the data centre electrification narrative and strong order intake. We believe the premium is justified by the Amazon warrant relationship and its robust S$620m orderbook.
- At S$1.23, the stock trades at around 19x 2027F PE, a meaningful discount to our multiple and in our view, a level that underprices the data centre growth story. While governance continues to be an overhang, it is resolvable and the business fundamentals have not changed.

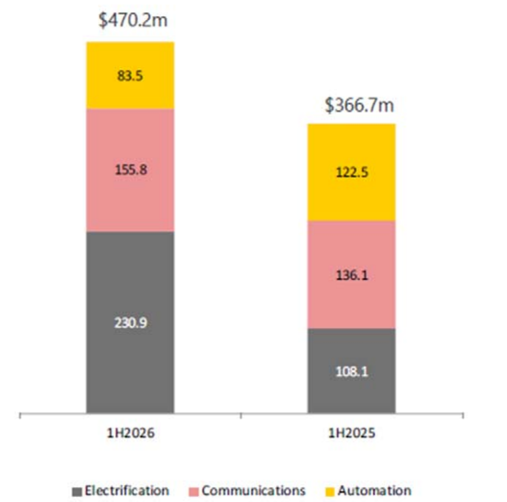
Earnings Revision/Risk

- We trim our 2026 earnings forecast by 2% to better incorporate the impact of the startup costs incurred for the new Champion facility, the electrification segment's greenfield project overruns and water/wastewater projects wind-down costs.

Share Price Catalyst

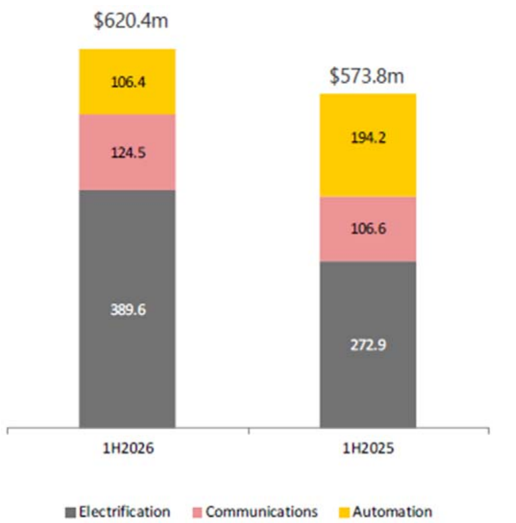
- New hyperscaler or large LNG contract announcements.
- EPS-accretive acquisitions or strategic partnerships.

1H26 Order Intake



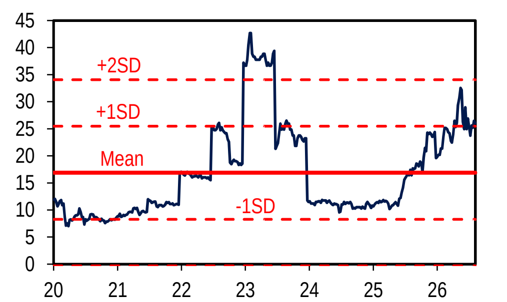
Source: CSE

1H26 Orderbook



Source: CSE

Long-term Historical PE Band



Source: Bloomberg, UOB Kay Hian

Profit & loss

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Net turnover	968.9	1,125.7	1,226.9	1,299.8
EBITDA	67.6	81.5	92.4	96.2
Deprec. & amort.	17.2	25.2	28.6	28.6
EBIT	50.4	56.3	63.8	67.6
Total other non-operating income	4.2	0.0	(0.0)	0.0
Associate contributions	(0.0)	0.0	0.0	0.0
Net interest income/(expense)	(8.6)	(7.4)	(7.7)	(7.7)
Pre-tax profit	45.9	48.9	56.1	59.9
Tax	(8.4)	(8.9)	(11.2)	(12.0)
Minorities	(0.0)	0.0	0.0	0.0
Net profit	37.5	39.9	44.9	47.9
Net profit (adj.)	37.5	39.9	44.9	47.9

Balance Sheet

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Fixed assets	67.2	100.3	105.4	111.9
Other LT assets	185.4	157.0	152.1	147.3
Cash/ST investment	46.2	28.9	25.8	30.5
Other current assets	458.8	530.3	575.9	609.6
Total assets	757.5	816.5	859.2	899.3
ST debt	205.2	205.2	205.2	205.2
Other current liabilities	221.2	259.6	278.8	294.6
LT debt	4.0	4.0	4.0	4.0
Other LT liabilities	51.6	51.2	51.2	51.2
Shareholders' equity	275.5	295.7	319.2	343.5
Minority interest	0.1	0.9	0.9	0.9
Total liabilities & equity	757.5	816.6	859.2	899.3

Cash flow

Year to 31 Dec (S$m)	2025	2026F	2027F	2028F
Operating	(67.2)	40.7	58.8	70.2
Pre-tax profit	45.9	48.9	56.1	59.9
Tax	(14.1)	(8.9)	(11.2)	(12.0)
Deprec. & amort.	17.2	25.2	28.6	28.6
Associates	(0.0)	0.0	0.0	0.0
Working capital changes	(130.4)	(36.1)	(26.4)	(17.9)
Non-cash items	2.8	0.0	0.0	0.0
Other operating cashflows	11.3	11.7	11.7	11.7
Investing	(0.2)	(38.3)	(40.4)	(42.0)
Capex (growth)	(28.5)	(26.6)	(28.8)	(30.3)
Investment	0.0	0.0	0.0	0.0
Proceeds from sale of assets	1.2	0.0	0.0	0.0
Others	27.1	(11.7)	(11.7)	(11.7)
Financing	57.3	(18.5)	(20.3)	(22.5)
Dividend payments	(7.5)	(18.5)	(20.3)	(22.5)
Proceeds from borrowings	81.4	0.0	0.0	0.0
Loan repayment	(14.3)	0.0	0.0	0.0
Others/interest paid	(2.3)	0.0	0.0	0.0
Net cash inflow (outflow)	(10.1)	(16.1)	(2.0)	5.8
Beginning cash & cash equivalent	57.4	46.2	28.9	25.8
Changes due to forex impact	(1.1)	(1.1)	(1.1)	(1.1)
Ending cash & cash equivalent	46.2	28.9	25.8	30.5

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	7.0	7.2	7.5	7.4
Pre-tax margin	4.7	4.3	4.6	4.6
Net margin	3.9	3.5	3.7	3.7
ROA	5.4	5.1	5.4	5.4
ROE	14.1	14.0	14.6	14.5
Growth				
Turnover	12.5	16.2	9.0	5.9
EBITDA	(6.1)	20.6	13.3	4.1
Pre-tax profit	28.7	6.4	14.8	6.8
Net profit	42.3	6.5	12.4	6.8
Net profit (adj.)	2.0	6.5	12.4	6.8
EPS	(3.6)	6.5	12.4	6.8
Leverage				
Debt to total capital	43.2	41.4	39.5	37.8
Debt to equity	75.9	70.7	65.5	60.9
Net debt/(cash) to equity	59.2	61.0	57.5	52.0
Interest cover (x)	7.8	11.0	12.0	12.5