

HE Group (HEGROUP MK)

A Diversified MEP Player; Scaling Up On DC And Semiconductor Demand

Highlights

- HE's orderbook reached a record RM441m following RM416m in ytd wins across seven projects, lifting orderbook coverage to 3.6x 2025 revenue and providing visibility through 1Q28.
- The RM1.6b tender book is around 60% DC-related, and Phase 1 incumbency positions HE for subsequent phases across six-phase campuses. Semiconductor capex upcycle and CRESS renewable projects offer further growth legs.
- Following a relatively quiet 2025, progressive billing on the orderbook should drive a 50-60% EPS growth to RM16m-18m in 2026. This implies 27-30x 2026F PE, broadly in line with peers.

Analysis

- Record orderbook...** Following its largest-ever RM124m data centre (DC) contract win in 23 Sept, HE Group's (HE) outstanding orderbook rose to RM441m, a new record high. Ytd contract wins have reached RM416m across seven projects, highlighting the rapid scale-up following the group's strategic pivot towards DCs. 2025 was a relatively quiet year as HE repositioned the business, securing its maiden DC project in Cyberjaya before the two larger packages in Johor in 2026. The tender book remains sizeable at RM1.6b, with around 60% DC-related across six projects. Management remains positive on DC demand despite potential regulatory tightening, noting that the broader project pipeline remains intact.
- ...provides visibility through 2028, with further campus phases offering upside.** The current RM441m orderbook translates to 3.6x 2025 revenue cover, with contracted projects scheduled for completion by 1Q28. With more projects entering the progressive billing phase, management expects a sustained quarterly revenue run rate of RM50m-60m in 2H26; this implies an estimated 2026 revenue of RM180m-200m (1H26: RM72.4m). Importantly, current DC awards cover only the first phase of client campuses planned across six phases, with full build-out targeted by 2029 based on clients' current plans. Phase 1 incumbency positions HE to secure subsequent phases, supporting continued orderbook replenishment and extending earnings visibility beyond the current project cycle.

Key Financials

Year to 31 Dec (RMm)	2021	2022	2023	2024	2025
Net turnover	100.5	107.6	204.2	206.9	123.3
EBITDA	6.2	9.0	16.0	18.9	14.7
Operating profit	6.1	8.7	15.4	18.2	13.8
Net profit (rep./act.)	4.1	6.2	11.0	13.7	11.0
Net profit (adj.)	4.1	6.2	11.0	13.7	11.0
EPS	0.9	1.4	2.5	3.1	2.5
PE	118.1	79.2	44.6	35.7	44.3
P/B	38.4	30.7	18.2	7.9	6.9
EV/EBITDA	78.5	54.3	29.1	22.8	29.1
Dividend yield	0.0	0.0	0.0	0.4	0.4
Net margin	4.1	5.7	5.4	6.6	9.0
Net debt/(cash) to equity	12.6	2.8	(79.7)	(91.4)	(86.4)
Interest cover	9.7	10.4	16.9	30.1	16.1
ROE	32.5	38.8	40.8	22.1	15.6

Source: HE Group, UOB Kay Hian

Analyst(s)

Lee Cai Yu

caiyu@uobkh.com

+603 2147 1916

NOT RATED

Share Price	RM1.11
Target Price	n.a.
Upside	n.a.

Stock Data

Sector	Industrials
Bloomberg ticker	HEGROUP MK
Shares issued (m)	440.0
Market cap {{{Curr}}}m	484.0
Market cap (US\$m)	118.6
3-mth avg daily t'over (US\$m)	1.3

Price Performance (%)

52-week high/low		RM1.13/RM0.28		
1mth	3mth	6mth	1yr	YTD
17.5	88.1	282.8	152.3	204.1

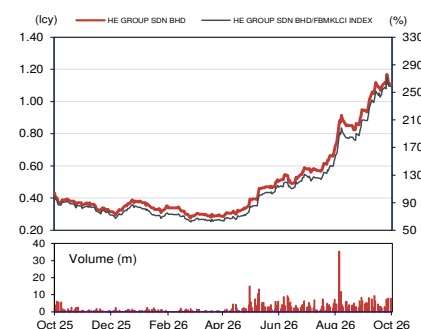
Major Shareholders (%)

Haw Chee Seng	21.8
Eng Choon Leong	15.4
Hexatech Energy Cons	4.9

Balance Sheet Metrics

FY25 NAV/Share (RM)	0.16
FY25 Net Debt/Share (RM)	0.14

Price Chart



Source: Bloomberg

Company Description

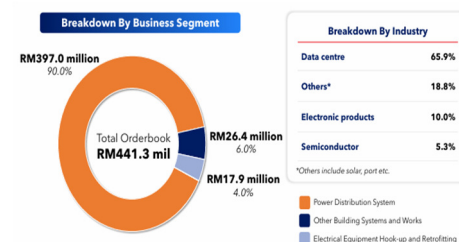
Mechanical & electrical engineering services provider focusing on power distribution systems for end-user premises such as industrial plants and substations, covering design, supply, installation, testing and commissioning of HV, MV, LV and ELV systems.

- **275kV job broadens its electrical infrastructure capabilities.** HE's RM47m job win, while relatively small, provides an opportunity to build its track record in high-voltage (275kV) electrical works and strengthen its credentials for a broader pool of DC-related projects. This could also pave the way for future opportunities in more complex electrical infrastructure works.
- **Semiconductor capex upcycle adds another growth driver.** Beyond DCs, HE is seeing opportunities from the local semiconductor industry, including expansion and retrofitting works for existing and new clients. With semiconductor players operating at full capacity and planning further expansions, management expects a stronger flow of semiconductor-related contracts in 2027. While these projects are generally smaller in value than DC contracts, retrofitting works offer higher margins. The anticipated entry of a major Korean semiconductor player could further strengthen HE's project pipeline over the medium term.
- **CRESS offers a potential growth catalyst through existing DC relationships.** Management is exploring opportunities under the Corporate Renewable Energy Supply Scheme (CRESS) to help DC clients meet renewable energy requirements. The 30% renewable energy requirement could imply around 1.8GW of renewable supply demand against around 6GW of DC capacity approved by the Data Centre Task Force. HE's existing DC relationships provide a potential entry point into renewable energy supply, with successful project conversion offering an incremental earnings stream and share price catalyst.
- **Building systems could pave the way for larger EPCC packages.** HE has also undertaken non-core civil and structural and architectural works, including a recent project for a port operator. Management views these projects as a stepping stone towards offering broader engineering, procurement, construction and commissioning (EPCC) packages that bundle electrical, mechanical, external and building works. This would enable HE to diversify its service offerings, secure higher-value contracts and expand its addressable market, while strengthening its in-house engineering capabilities to support its next phase of expansion.

Valuation/Recommendation

- **Not rated.** Net cash stood at RM56.6m as at Jun 26 (12% of HE's market cap), leaving room for working capital needs as DC orderbook scales up. Based on an indicative 2026 revenue of RM180m-200m and a 9% net profit margin, in line with 2025, net profit could reach RM16m-18m, implying a 2026F PE of 27-30x, broadly in line with peers. The valuation appears reasonable given the anticipated 50-60% EPS growth in 2026, underpinned by the ramp-up in DC project execution, with further growth opportunities from semiconductor capex and subsequent DC campus phases.

Outstanding Orderbook



Source: HE Group

Ytd Contract Wins

RM416.6 mil		7	Jan 2026 – Oct 2026		
Total contract value		Projects secured	Visibility up to 2028		
No.	Project	Description	Location	Contract value (RM* mil)	Contract tenure
1	Data centre	Main electrical works	Johor	124.0	Sep 2026 – Mar 2028
2	Data centre	Main electrical works	Johor	102.0	Jun 2026 – Sep 2027
3	132kV/33kV substation	Construction	Selangor	86.0	May 2026 – Oct 2027
4	Data centre	Supply and installation of 275kV electrical works	Johor	47.0	TBA*
5	Advanced NAND flash memory products manufacturer	Power distribution works	Malaysia	25.0	Sep 2026 – Jan 2027
6	Advanced NAND flash memory products manufacturer	Power distribution works	Malaysia	20.0	May 2026 – Nov 2026
7	Electronics products manufacturer	Power distribution works	Malaysia	12.6	Jan 2026 – Nov 2026

Source: HE Group

Profit & Loss

Year to 31 Dec (RMm)	2022	2023	2024	2025
Net turnover	107.6	204.2	206.9	123.3
EBITDA	9.0	16.0	18.9	14.7
Deprec. & amort.	(0.3)	(0.7)	(0.7)	(0.8)
EBIT	8.7	15.4	18.2	13.8
Associates	N.A.	N.A.	N.A.	N.A.
Net interest income/(expense)	(0.7)	(0.6)	0.8	1.0
Pre-tax profit	8.0	14.8	19.0	14.9
Tax	(1.8)	(3.9)	(5.3)	(3.8)
Minorities	0.0	0.0	0.0	0.0
Net profit	6.2	11.0	13.7	11.0
Net profit (adj.)	6.2	11.0	13.7	11.0

Cash Flow

Year to 31 Dec (RMm)	2022	2023	2024	2025
Operating	8.8	14.1	13.8	6.6
Pre-tax profit	8.0	14.8	19.0	14.9
Tax	(2.1)	(3.0)	(4.6)	(5.3)
Deprec. & amort.	0.3	0.7	0.7	0.8
Working Capital Changes	(4.9)	(29.5)	16.1	(2.7)
Other operating cashflows	7.4	31.1	(17.3)	(1.2)
Investing	(0.2)	3.3	1.5	(1.0)
Capex (growth)	(0.3)	(0.6)	(0.4)	(0.3)
Investments	0.0	0.0	0.0	0.0
Proceeds from Sale of Assets	0.0	4.3	0.0	0.0
Others	0.1	(0.4)	1.9	(0.7)
Financing	(0.7)	(9.0)	19.8	(3.8)
Dividend payments	(3.0)	0.0	(1.8)	(2.0)
Proceed from Borrowings	17.4	3.5	0.0	0.0
Loan repayment	(14.1)	(11.4)	(0.3)	(0.4)
Others/interest paid	(1.0)	(1.2)	(2.4)	(1.4)
Net cash inflow (outflow)	7.9	8.3	35.2	1.8
Beginning cash & cash equivalent	(0.4)	7.5	15.9	51.1
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	7.5	15.9	51.1	52.8

Balance Sheet

Year to 31 Dec (RMm)	2022	2023	2024	2025
Fixed assets	1.9	3.1	3.6	3.5
Other LT assets	1.2	2.0	2.0	2.0
Cash/ST investment	9.0	22.9	57.7	62.3
Other current assets	77.2	65.1	47.8	46.3
Total assets	89.3	93.1	111.2	114.1
ST debt	8.7	0.3	0.4	0.6
Other current liabilities	63.3	63.6	46.7	40.9
LT debt	0.7	1.2	0.8	0.4
Other LT liabilities	0.6	1.2	1.5	1.3
Shareholders' equity	15.9	26.8	61.9	70.9
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	89.3	93.1	111.2	114.1

Key Metric

Year to 31 Dec (%)	2022	2023	2024	2025
Profitability				
EBITDA margin	8.4	7.9	9.1	11.9
Pre-tax margin	7.4	7.3	9.2	12.1
Net margin	5.7	5.4	6.6	9.0
ROA	6.9	11.8	12.3	9.7
ROE	38.8	40.8	22.1	15.6
Growth				
Turnover	7.1	89.8	1.3	(40.4)
EBITDA	44.4	78.0	17.9	(22.3)
Pre-tax profit	45.7	85.7	28.0	(21.5)
Net profit	49.2	77.7	24.8	(19.3)
Net profit (adj.)	49.2	77.7	24.8	(19.3)
EPS	49.2	77.7	24.8	(19.3)
Leverage				
Debt to total capital	10.5	1.6	1.1	0.9
Debt to equity	59.2	5.7	1.9	1.4
Net debt/(cash) to equity	2.8	(79.7)	(91.4)	(86.4)
Interest cover	10.4	16.9	30.1	16.1

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at [this link](#) or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."