# Mechanical, Electrical And Plumbing (MEP)

The Electrification Gold Rush

## Highlights

- The multi-year upcycle is driven by four structural themes: TNB grid investment, DC expansion, renewable energy integration and semiconductor investments. These underpin strong job visibility and growth prospects for M&E contractors and MEP players.
- Following the recent correction, sector valuations have eased from a peak of 23x to 15x 2027F PE. We view the pullback as an attractive accumulation opportunity, supported by our projected 30% sector core earnings CAGR over 2025-28. Stronger TNB contract flows, sustained hyperscaler investments and improving earnings delivery should reinforce investor confidence and provide catalysts for a further re-rating.
- Initiate coverage with OVERWEIGHT. We like MN Holdings (BUY/Target: RM4.62), HE Group (BUY/Target: RM1.38) and UUE Holdings (BUY/Target: RM0.95).

## Analysis

- **We project a robust three-year sector core earnings CAGR of 30%** Growth will be driven by sustained contract replenishment and stronger billings across four demand drivers. Tenaga Nasional's (TNB) RM42.8b Regulatory Period 4 (RP4) capex and potential RM47.2b under RP5 underpin grid-related awards. Beyond regulated spending, we estimate RM3.0b-3.8b of privately-funded data centre (DC) substation works and RM65.0b-80.0b of MEP fit-out opportunities in the next 3-5 years. Large scale solar 6 (LSS6) and the Corporate Renewable Energy Supply Scheme (CRESS) could generate another RM4b-5b of interconnection works, while semiconductor plant expansions and retrofits will broaden the addressable market.
- **Three picks, three ways to play the upcycle. MN Holdings (MN)** is a core, liquid grid proxy with DC and solar exposure, and backed by a RM1.9b orderbook and RM5b tenderbook. It offers 19.7% core earnings CAGR at 13x FY28F PE. **HE Group (HE)** is our high-growth alpha pick, with the highest earnings CAGR of 44.9%. It offers direct exposure to DC electrical fit-out and semiconductor recovery, but trades at just 11x PE. **UUE Holdings (UUE)** offers niche Malaysia–Singapore underground grid exposure and in-house HDPE manufacturing expansion, and has 31.5% earnings CAGR at 12x PE.

*Click here for **Full Report** dated 18 Nov 26*

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**OVERWEIGHT (Initiate Coverage)**

### Key Picks

| Company | Rec | Share Price (RM) | Target Price (RM) | Implied PE (x) | Upside to TP |
|---|---|---|---|---|---|
| MN Holdings | BUY | 2.70 | 4.62 | 22.0 | 71% |
| HE Group | BUY | 0.80 | 1.38 | 19.0 | 86% |
| UUE Holdings | BUY | 0.51 | 0.95 | 22.0 | 73% |

*Source: Bloomberg, UOB Kay Hian*

### Three-Year Segment PE Band




*Source: Bloomberg, UOB Kay Hian*

### MEP Sector Three-year PE Band




*Source: Bloomberg, UOB Kay Hian*

### Peer Comparison

| Company | Ticker | Rec* | Price 17 Nov 26 (RM) | Target Price (RM) | Upside To TP (%) | Last Year End | PE 2025 (x) | PE 2026F (x) | PE 2027F (x) | Yield 2026F (%) | ROE 2026F (%) | Market Cap. (RMm) | Price/ NAV ps (x) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Power infrastructure** | | | | | | | | | | | | | |
| MN Holdings | MNHLDG MK | BUY | 2.70 | 4.62 | 71.1 | Jun-26 | 27.2 | 17.1 | 13.4 | 0.0 | 29.2 | 1899.9 | 3.9 |
| UUE | UUE MK | BUY | 0.51 | 0.95 | 86.3 | Feb-26 | 20.7 | 22.4 | 12.0 | 0.0 | 25.9 | 475.2 | 2.2 |
| CBH | CBHB MK | NR | 0.58 | n.a. | n.a. | Dec-25 | 22.7 | 11.9 | 10.1 | 0.0 | 30.3 | 1090.9 | 4.1 |
| Cheeding | CHEEDING MK | NR | 0.45 | n.a. | n.a. | Mar-26 | 10.9 | 9.4 | 8.5 | 0.0 | 24.5 | 358.8 | 2.7 |
| Jati Tinggi | JTGROUP MK | NR | 0.78 | n.a. | n.a. | Nov-25 | 30.6 | 13.0 | 8.8 | 0.0 | 20.8 | 345.5 | 3.5 |
| **MEP contractors** | | | | | | | | | | | | | |
| HE Group | HEGROUP MK | BUY | 0.80 | 1.38 | 72.5 | Dec-25 | 31.2 | 18.7 | 11.1 | 0.9 | 22.5 | 352.0 | 4.2 |
| Kee Ming | KEEMING MK | NR | 1.95 | n.a. | n.a. | Mar-26 | 44.5 | 22.1 | 14.4 | 0.0 | 39.9 | 633.8 | 9.3 |
| Critical Holdings | CHB MK | NR | 1.86 | n.a. | n.a. | Jun-26 | 30.3 | 19.4 | 12.2 | 0.0 | 31.6 | 760.6 | 6.6 |
| SSB8 | SSB8 MK | NR | 0.51 | n.a. | n.a. | Jun-26 | 21.1 | 14.3 | 11.1 | 0.0 | 38.7 | 1159.0 | 6.5 |
| ISF | ISF MK | NR | 0.70 | n.a. | n.a. | Dec-25 | 27.6 | 21.2 | 16.3 | 0.0 | 56.3 | 700.0 | 7.0 |
| **Mission critical power** | | | | | | | | | | | | | |
| EI Power | EIPOWER MK | NR | 0.615 | n.a. | n.a. | Dec-25 | 22.3 | 16.1 | 13.1 | 0.0 | 25.3 | 430.5 | 15.4 |

**Calendarised data*

** This report uses the closing prices of 17 Nov 26*

*Source: Bloomberg, UOB Kay Hian*

## MN Holdings (BUY/Target: RM4.62)

- **Multi-year grid capex underpins contract replenishment.** MN offers core exposure to Malaysia's power infrastructure upcycle, backed by its integrated underground utilities and HV substation capabilities. TNB's RM42.8b RP4 capex, followed by a potential RM47.2b under RP5, provides a multi-year job pipeline. We estimate RM22.4b of TNB spending over 2H26-2027, of which a 2-5% capture rate could translate into RM450m-1.1b of potential awards. The 500kV National Grid Backbone offers further upside through larger substation packages worth RM300-500m each, with seven 500kV projects that could be launched from 2027 onwards. Beyond TNB, repeat hyperscaler DC connections and LSS6/CRESS solar interconnection projects provide additional avenues for contract replenishment, supported by MN's established high voltage (HV) execution track record. We expect these opportunities to support our replenishment assumptions of RM1.3b/RM1.3b/RM1.4b for FY27-29 respectively.
- **RM1.9b orderbook anchors earnings visibility.** MN's RM1.9b orderbook (2.2x FY26 revenue) provides strong revenue visibility, while its RM5b tenderbook, comprising TNB (54%), DC (29%) and solar (8%) projects, provides strong earnings visibility and diversified replenishment opportunities. Of the 29% DC tender pipeline, around RM500m relates to Customer A, with the balance largely comprising one underground project and three new DC developments. Other MN customers are also expanding across multiple sites, which should lead to repeat project call-ups as each campus moves into subsequent phases. FY27 ytd contract wins amount to RM582.3m with four TNB projects, one DC and one solar.
- **Initiate coverage with a BUY rating and target price of RM4.62**. Our 12-month target price is based on 22x FY28F fully diluted EPS. We believe this premium is justified by MN's industry-leading position, sizeable orderbook, established HV engineering capabilities and entrenched relationships with TNB and DC customers. Trading at 13x FY28F PE (-1SD below its mean), MN offers an attractive valuation against our projected 19.7% core earnings CAGR over FY26-29, with sustained contract wins and earnings delivery providing scope for a re-rating.

### Key Financials

| Year to 30 Jun (RMm) | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|
| Net turnover | 540.4 | 871.0 | 1282.5 | 1486.4 | 1700.5 |
| EBITDA | 85.8 | 139.1 | 176.5 | 205.8 | 234.3 |
| Operating Profit | 82.7 | 135.9 | 172.6 | 201.3 | 229.1 |
| Net Profit | 47.7 | 91.7 | 131.1 | 153.3 | 175.6 |
| Net Profit (Adjusted) | 61.5 | 102.3 | 131.1 | 153.3 | 175.6 |
| EPS (sen) | 8.4 | 14.0 | 18.0 | 21.0 | 24.1 |
| PE (x) | 32.0 | 19.2 | 15.0 | 12.9 | 11.2 |
| P/B (x) | 9.1 | 4.6 | 3.4 | 2.6 | 2.1 |
| EV/EBITDA (x) | 19.2 | 10.3 | 7.7 | 6.0 | 4.6 |
| Dividend Yield (%) | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Net Margin (%) | 8.8 | 10.5 | 10.2 | 10.3 | 10.3 |
| Net Debt/(Cash) to Equity (%) | (62.8) | (85.4) | (77.7) | (79.9) | (81.8) |
| Interest Cover (x) | 47.9 | 119.3 | 123.0 | 143.4 | 163.2 |
| ROE (%) | 30.6 | 31.8 | 29.2 | 25.9 | 23.2 |
| Consensus Net Profit | | | 137.0 | 156.0 | 167.7 |
| UOBKH/Consensus (x) | | | 0.96 | 0.98 | 1.05 |

*Source: MN, UOB Kay Hian*

### MN Three-year PE Band




*Source: Bloomberg, UOB Kay Hian*

## HE Group (BUY/Target: RM1.38)

- **Hyperscaler expansion drives repeat DC opportunities.** HE offers direct exposure to DC electrical distribution and MEP fit-out, supported by continued hyperscaler investments and subsequent campus expansion phases. Notably, its existing Johor DC awards relate to initial development phases, positioning HE for follow-on contracts as campuses expand. Its familiarity with site requirements, technical specifications and commissioning

standards should strengthen its competitive edge in securing repeat orders. The maiden RM47m 275kV project further enhances its HV credentials, potentially opening doors to larger electrical packages.

- **Semiconductor recovery offers higher-margin opportunities.** Beyond DCs, semiconductor opportunities should gain traction from 2027 as manufacturers expand capacity and retrofit existing facilities, with such works typically commanding higher margins. The anticipated entry of a major Korean semiconductor player could further strengthen its pipeline, while integrated EPCC packages and CRESS-related projects offer longer-term upside.
- **RM387m orderbook provides earnings visibility into 1Q28.** HE's RM387m orderbook (3Q25: RM96m), equivalent to 3.2x 2025 revenue, provides earnings visibility into 2028, while its RM1.6b tenderbook, comprising DC (63%) and semiconductor opportunities, supports further replenishment. We assume contract wins of RM450m/RM400m/RM400m over 2026-28 respectively, supported by DC electrical infrastructure and semiconductor works.
- **Initiate coverage with BUY and a target price of RM1.38**, pegged to 19x 2027F PE, +1SD above its historical mean. We see HE as an undervalued gem within the sector, with three-year core earnings CAGR projected at 44.9%, underpinned by a record orderbook and the first full year of DC billing at scale in 2027. Notwithstanding this, HE is trading at just 11x 2027F PE, -2SD below sector's three-year mean, leaving room for a re-rating as execution translates into earnings delivery.

### Key Financials

| Year to 31 Dec (RMm) | 2024 | 2025 | 2026F | 2027F | 2028F |
|---|---|---|---|---|---|
| Net turnover | 206.9 | 123.3 | 247.7 | 385.0 | 410.0 |
| EBITDA | 21.4 | 14.9 | 23.8 | 43.1 | 46.1 |
| Operating Profit | 20.6 | 14.0 | 23.0 | 42.3 | 45.1 |
| Net Profit | 13.7 | 11.0 | 17.5 | 31.9 | 34.4 |
| Net Profit (Adjusted) | 16.1 | 11.3 | 17.5 | 31.9 | 34.4 |
| EPS (sen) | 3.7 | 2.6 | 4.0 | 7.3 | 7.8 |
| PE (x) | 21.8 | 31.2 | 20.1 | 11.0 | 10.2 |
| P/B (x) | 5.7 | 5.0 | 4.1 | 3.2 | 2.6 |
| EV/EBITDA (x) | 13.8 | 19.5 | 11.5 | 5.7 | 4.7 |
| Dividend Yield (%) | 0.6 | 1.3 | 1.0 | 1.8 | 2.0 |
| Net Margin (%) | 7.8 | 9.2 | 7.1 | 8.3 | 8.4 |
| Net Debt/(Cash) to Equity (%) | (91.4) | (86.4) | (91.6) | (96.0) | (97.2) |
| Interest Cover (x) | 34.2 | 16.3 | 92.4 | 138.1 | 147.4 |
| ROE (%) | 36.4 | 17.0 | 22.5 | 32.7 | 27.7 |
| Consensus Net Profit | | | 19.2 | 33.2 | 38.6 |
| UOBKH/Consensus (x) | | | 0.91 | 0.96 | 0.89 |

*Source: HE, UOB Kay Hian*

### HE PE Band Since Listing




*Source: Bloomberg, UOB Kay Hian*

## UUE Holdings (BUY/Target: RM0.95)

- **Benefitting from dual grid capex cycles.** UUE offers niche exposure to underground power infrastructure through its horizontal directional drilling (HDD) expertise and integrated high-density polyethylene (HDPE) pipe manufacturing. Domestically, TNB's accelerating grid investments and established 2+1-year contracting arrangements underpin recurring opportunities across underground distribution networks, DC connections and renewable energy infrastructure. Singapore provides a second growth engine, supported by SP PowerAssets' record S$1.38b capex and ongoing transmission network upgrades. Its planned expansion from 10 to 15 Singapore teams should support stronger execution capacity.
- **HDPE capacity expansion offers additional growth upside.** UUE's in-house HDPE manufacturing provides supply security and cost efficiencies, with 50% of production consumed internally. Utilisation improved to 60% in Sep 26 (from 50.2% in 6MFY27), with further headroom from its third

### UUE PE Band Since Listing




*Source: Bloomberg, UOB Kay Hian*

production line, which operated at just 19.3% utilisation. The new factory, targeted to commence operations in 1Q27, will initially house three production lines, with capacity for up to 9nine supporting future volume growth and third-party sales. The EGP substation JV offers another longer-term earnings catalyst.

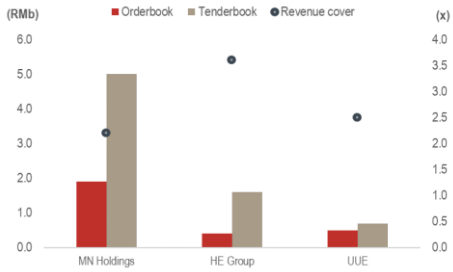
- **Stronger billings and Singapore mix to drive earnings inflection. This e**arnings inflection will be driven by stronger billings and higher-margin Singapore projects. UUE's RM512m orderbook (2.4x FY26 revenue) provides solid earnings visibility, while our assumed replenishment of RM200m/RM300m/RM300m over FY27-29 respectively supports continued growth. We project a 31.5% core earnings CAGR, driven by stronger project execution, a rising Singapore contribution and manufacturing expansion.
- **Initiate coverage with a BUY rating and target price of RM0.95,** based on a target PE of 22x on FY28F fully diluted EPS, +1SD above its historical mean. The premium is justified by UUE's established relationship with TNB, specialised contracting arrangements and niche expertise in Malaysia's structurally growing underground networks. Its exposure to SP PowerAssets' capex cycle further positions UUE as a proxy for grid investment across Malaysia and Singapore. We expect FY27 to mark an earnings inflection as its Singapore operations turn profitable. Trading at an undemanding 12x forward PE, UUE offers re-rating potential supported by strong earnings growth, superior net margins and sustained infrastructure spending.

## Key Financials

| Year to 28 Feb (RMm) | FY25 | FY26 | FY27F | FY28F | FY29F |
|---|---|---|---|---|---|
| Net Turnover | 170.0 | 209.0 | 290.0 | 322.6 | 350.8 |
| EBITDA | 36.5 | 23.7 | 62.8 | 71.9 | 78.7 |
| Operating Profit | 32.1 | 18.7 | 56.5 | 64.3 | 69.7 |
| Net Profit | 23.0 | 9.0 | 39.8 | 44.5 | 48.3 |
| Net Profit (Adjusted) | 23.0 | 21.3 | 39.8 | 44.5 | 48.3 |
| EPS (sen) | 2.5 | 2.3 | 4.4 | 4.9 | 5.3 |
| PE (x) | 23.0 | 24.8 | 13.3 | 11.8 | 10.9 |
| P/B (x) | 4.1 | 3.5 | 2.7 | 2.1 | 1.7 |
| EV/EBITDA (x) | 12.9 | 20.2 | 7.8 | 6.4 | 5.9 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Margin (%) | 13.5 | 10.2 | 13.7 | 13.8 | 13.8 |
| Net Debt/(Cash) to Equity (%) | -5.1 | -22.8 | -11.1 | 6.4 | 18.3 |
| Interest Cover (x) | 16.5 | 8.0 | 15.1 | 11.7 | 10.8 |
| ROE (%) | 26.1 | 17.2 | 25.9 | 22.8 | 20.0 |
| Consensus Net Profit | | | 39.6 | 44.1 | 47.8 |
| UOBKH/Consensus (x) | | | 1.00 | 1.01 | 1.01 |

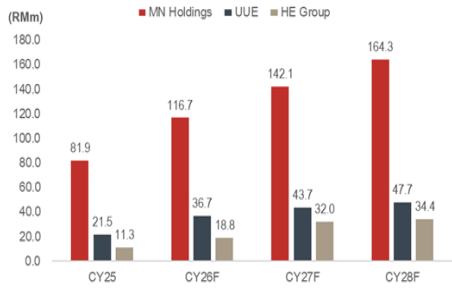
*Source: UUE, Bloomberg, UOB Kay Hian*

## Segment Orderbook, Tenderbook And Revenue Cover




*Source: Respective companies, UOB Kay Hian*

## Core Earnings Forecasts For MN, UUE And HE




*Source: Respective companies, UOB Kay Hian*

## Fair Value Range For Stock Under Our Coverage

| Company | UOB Target Price (RM) | Ascribed PE | -1SD (RM) | Mean (RM) | +1SD (RM) | +2SD (RM) | Comment |
|---|---|---|---|---|---|---|---|
| | | | | | | | +2SD: 24x PE |
| MN Holdings | **4.62** | 22x FY28F PE (10% discount to +2SD of 24x) | 2.73 | 3.36 | 4.20 | 5.04 | +1SD: 20x PE |
| | | | | | | | Mean: 16x PE |
| | | | | | | | -1SD: 13x PE |
| | | | | | | | |
| | | | | | | | +2SD: 26x PE |
| HE Group | **1.38** | 19x 2027F PE (+1SD above its mean) | 0.36 | 0.87 | 1.38 | 1.89 | +1SD: 19x PE |
| | | | | | | | Mean: 12x PE |
| | | | | | | | -1SD: 5x PE |
| | | | | | | | |
| | | | | | | | +2SD: 28x PE |
| UUE Holdings | **0.95** | | 0.56 | 0.78 | 0.99 | 1.21 | +1SD: 23x PE |
| | | 22x FY28F PE (+1SD above its mean) | | | | | Mean: 18x PE |
| | | | | | | | -1SD: 13x PE |

*Source: Respective companies, UOB Kay Hian*

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