

28 February 2013

Kelington Group

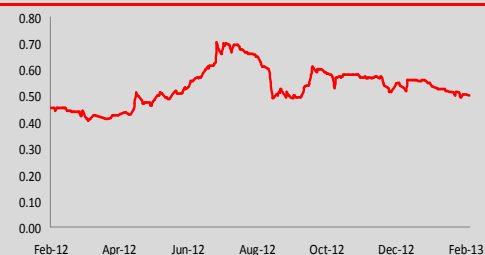
FY12 results within expectations

- | | |
|--------------------------------|---|
| Period | <ul style="list-style-type: none"> FY12/4Q12 |
| Actual vs. Expectations | <ul style="list-style-type: none"> The group's FY12 earnings of RM6.0m came in within expectations, accounting for 96.7% and 95.2% of our and the consensus full-year estimates respectively. |
| Dividend | <ul style="list-style-type: none"> No dividend was announced during the quarter, which was below expectations. |
| Key Result Highlights | <ul style="list-style-type: none"> YoY, the group's FY12 revenue decreased by 16.6% due to the decent growth in its Malaysia operation (+30.2%) thanks to the revenue contribution from its newly acquired subsidiary, Puritec Technologies (M) Sdn Bhd although this was offset partially by the timing differences between completed projects and the delays in the commencement of its new projects, particularly in its Taiwan, China and Singaporean operations. Meanwhile, the net profit declined by 30.8% dragged down by the higher administrative expenses incurred (personnel costs and integration costs of its newly acquired subsidiary, Puritec Technologies (S) Pte Ltd in 1H12). This has also resulted in a fall in the PBT margin, which registered a 1.1ppts compression to 5.9%. QoQ, the 4QFY12 revenue soared by 48.3% thanks to the progressive recognition of the group's ongoing projects based on the stage of completion milestones in the quarter. However, at the EBIT level, the EBIT only grew by 18.1% despite the decent growth at the top line. This was due to a lower EBIT margin on the back of a higher cost of sales. |
| Outlook | <ul style="list-style-type: none"> While we are sanguine on the group's outstanding order book of RM51.6m (as of to date), which is deemed to be relatively decent, we maintain our cautious stance as we believe that the current economic uncertainties could weigh on the earnings momentum of the group. |
| Change to Forecasts | <ul style="list-style-type: none"> We have trimmed our FY13 net profit forecast by 1% to RM10.3m after fine-tuning our numbers. We have also introduced our FY14 earnings estimates. |
| Rating | Maintain MARKET PERFORM |
| Valuation | <ul style="list-style-type: none"> We are maintaining our TP of RM0.53, which implies a 9.0x FY13 PER (close to a-0.5SD level below its historical 3-year mean). |
| Risks | <ul style="list-style-type: none"> Fluctuation in foreign currencies. Cyclical sector. Delays in new projects. |

MARKET PERFORM ↔

Price: RM0.50
Target Price: RM0.53 ↔

Share Price Performance



KLCI	1,624.14
YTD KLCI chg	-3.8%
YTD stock price chg	-5.7%

Stock Information

Bloomberg Ticker	KGRB MK Equity
Market Cap (RM m)	79.8
Issued shares	159.5
52-week range (H)	0.73
52-week range (L)	0.42
3-mth avg daily vol:	28,455
Free Float	28%
Beta	0.8

Major Shareholders

PALACE STAR	47.1%
LTAT	12.5%
SKY WALKER GROUP L	11.9%

Summary Earnings Table

FYE Dec (RM m)	2012A	2013E	2014E
Turnover	116.4	146.9	158.6
EBITDA	8.5	13.2	14.1
PBT	6.9	11.4	12.4
Net Profit (NP)	6.0	10.3	11.2
Consensus (NP)	-	10.6	11.6
Earnings Revision	-	-1%	-
EPS (sen)	5.6	6.4	7.0
EPS growth (%)	-30.8	69.9	9.2
GDPS (sen)	0.0	2.6	2.8
NTA/Share (RM)	0.5	0.4	0.4
PER	8.9	7.8	7.1
Price/NTA (x)	1.0	1.3	1.2
Dividend Yield (%)	0.0	5.1	5.6

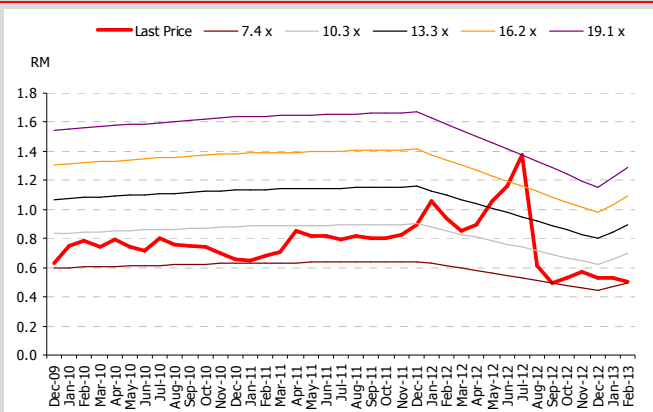
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Result Highlight

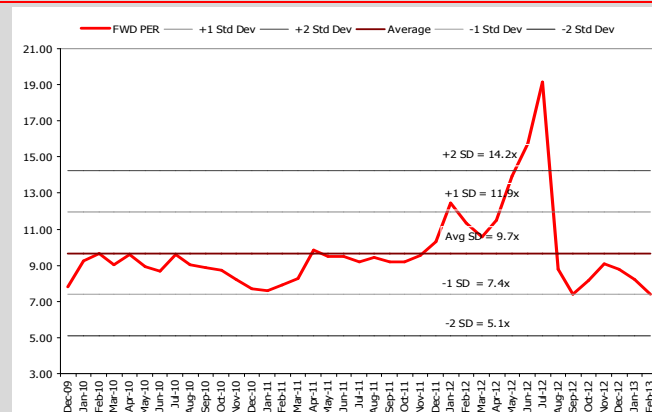
	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM'm)	FY12	FY12	Chg	FY11	Chg	FY12	FY11	Chg
Turnover	39.2	26.4	48.3%	45.3	-13.5%	116.4	139.6	-16.6%
EBIT	2.4	2.0	18.1%	3.5	-31.7%	7.3	9.9	-25.8%
PBT	2.2	1.9	10.9%	3.4	-37.3%	6.9	9.8	-29.4%
Taxation	-0.1	-0.4	69.6%	-0.4	66.8%	-0.9	-1.0	-17.2%
Net profit	2.0	1.5	32.5%	3.1	-33.7%	6.0	8.7	-30.8%
EPS (sen)	1.5	1.2	23.3%	3.9	-61.7%	5.6	11.1	-49.2%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	6.1%	7.6%		7.7%		6.3%	7.1%	
Pretax margin	5.5%	7.3%		7.6%		5.9%	7.0%	
NP margin	5.2%	5.8%		6.8%		5.2%	6.3%	
Effective tax rate	5.8%	21.2%		11.0%		12.5%	10.7%	

Source: Company, Kenanga Research

Fwd PER Band



Fwd PER SD



Source: Bloomberg, Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
(An approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%)
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3%
(An approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate)

Sector Recommendations***

- OVERWEIGHT : A particular stock's Expected Total Return is MORE than 10%
(An approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%)
NEUTRAL : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%
UNDERWEIGHT : A particular stock's Expected Total Return is LESS than 3%
(An approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate)

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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