Kelington Group

Buy Then Win

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OUTPERFORM

Price : **RM1.27**
Target Price : **RM1.92**

Buy with 51% upside. Kelington Group Berhad (KGB) provides ultra-high purity gas delivery systems used in wafer foundries, which are currently being thrust into the limelight given record-high FDIs, imminent wafer shortages (thus requiring further expansions) and China's semiconductor localisation efforts. With Biden winning the US election, we believe sentiment overhang on SMIC and hence KGB is now cleared. In addition, we believe market is grossly underestimating KGB's earnings potential as the stock only trades at 15.6x Fwd. PER, significantly cheaper than peers' average of 30-58x. Initiate with OUTPERFORM and TP of RM1.92.

Biden wins, KGB wins? Recall that KGB's share price has been under pressure due to concerns of the US banning SMIC which is KGB's biggest ultra-high purity (UHP) gas client. Now with Biden winning the US presidential election, such sentiment overhang is cleared. More so as the Democrats have not gained full control of the Senate, making harsh policies on China tech companies difficult to be imposed. SMIC has more than tripled its capex budget from US$1.9b last year to US$6.7b in Aug 2020 for expansion as its existing capacities are already filled to the brim. Hence, KGB is primed to benefit from the massive expansion plan.

Record high FDIs to translate into jobs next year. Total investment in Penang almost tripled to a record high of RM16.9b in 2019, and momentum continued into 1H 2020 with RM9.1b. Notable foreign direct investment (FDI) include projects from Intel, Lam Research, Bosch, and B Braun. Typically, once FDIs are announced or approved, UHP gas contracts will be awarded in the next 1-2 years, which is happening currently. From our recent checks, KGB has already started winning jobs from such multinationals, and we believe there are more to come. Regionally, Digitimes also highlighted a severe wafer shortage of 20% next year, which signals that foundry expansion will continue, benefitting KGB.

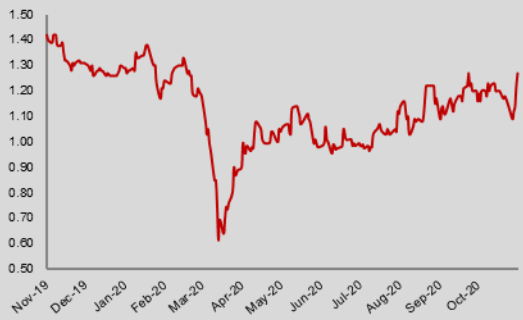
Orderbook at all-time high. Backed by prospects mentioned above, KGB's orderbook surged to a record high of RM386m (including RM61.8m awarded by SMIC recently) from RM258m at end-FY19. This means that there is a huge backlog of jobs for KGB to deliver as Covid-19 situation improves. Operations are fully back online in Malaysia, China and Taiwan, while its Singapore operation has recovered from 30% to 75% recently.

Earnings potential grossly underestimated. We believe KGB's earnings potential in FY21 is being underestimated by market, which is only looking at RM17.9m. To put things into perspective, KGB already achieved PAT of RM24.4m in FY19 even with ~RM1m start-up losses for its liquid CO2 plant and ~RM2m idling losses at Taiwan division. For FY21, we forecast the liquid CO2 plant to start generating RM3-4m profit, while Taiwan also swings into profit of RM2m. With its all-time high orderbook, we believe we too are still being conservative with our FY21E PAT of RM26.0m (+230% YoY).

Initiate with OUTPERFORM and Target Price of RM1.92, based on FY21E PER of 23.6x (+0.5SD from 3-year mean). The stock currently trades at FY21E PER of 15.6x, significantly cheaper than peers' average of 30-58x.

Risks to our call include: (i) Slower-than-expected revenue recognition due to Covid-19, (ii) downturn in semiconductor sales, and (iii) delay in liquid CO2 ramp up.

Share Price Performance



KLCI	1,519.6
YTD KLCI chg	2.1%
YTD stock price chg	0.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KGRB MK Equity
Market Cap (RM m)	409.7
Shares Outstanding	321.4
52-week range (H)	1.43
52-week range (L)	0.59
3-mth avg daily vol:	2,392,350
Free Float	53%
Beta	1.2

Major Shareholders

Palace Star	21.0%
Sun Lead International Ltd	6.2%
Kenanga Unit Trust	5.2%

Summary Earnings Table

FYE Dec (RM m)	2019A	2020E	2021E
Turnover	379.8	336.9	435.3
EBITDA	35.0	14.3	38.7
PBT	31.6	10.2	33.6
Net Profit (NP)	24.4	7.9	26.0
Consensus (NP)	n.a	7.7	17.9
Erng Revision	n.a	0%	0%
EPS (sen)	8.2	2.5	8.1
EPS growth (%)	8.0	-69.8	230.1
NDPS (sen)	2.0	0.6	2.0
BVPS (RM)	0.52	0.51	0.57
Price/BV (x)	2.3	2.5	2.2
PER (x)	14.8	51.6	15.6
Gearing (x)	0.2	0.2	0.2
ROA (%)	8.1	2.4	7.3
ROE (%)	15.7	4.9	14.3
Dividend Yield (%)	1.7	0.5	1.6

Riding on the "Made in China 2025" push…

China's semiconductor supply chain has been undergoing increasing pressure as the US administration conducts its relentless pursuit to rattle China's chip manufacturing capabilities, whether through limiting the sale of wafer fabrication equipment or restricting the use of crucial software and intellectual property rights for chip designing. The US administration is leveraging its heavy influence in the semiconductor supply chain to suffocate China's rapid advancement in the technology space, in hopes of curbing Huawei's 5G dominance around the world.

Recognising that its fate is tied to the US administration's policies, the Chinese government (together with 26 other stakeholders) had on 22 Oct 2019 set up the "Big Fund Phase II" with an investment sum of RMB204b (US$29.8b) to further decouple itself from the US and become technologically self-sufficient. To recap, the "Big Fund Phase I" initiative managed to raise RMB138.72b (US$20.3b) back in 2014 and became the largest single industrial investment fund in China. From 2014 to 2017, the total capex of China's chip manufacturing sector doubled compared to the previous four years, thanks to investments in 77 new projects spread across 55 companies locally. Such move is in tandem with the "Made in China 2025" campaign. China plans to cover 70% of its local chip demand by 2025, a steep increase from its current capability of producing 20% of the chips it needs for the local tech industry.

Exhibit 1a: Global manufacturing capacity by location (%)

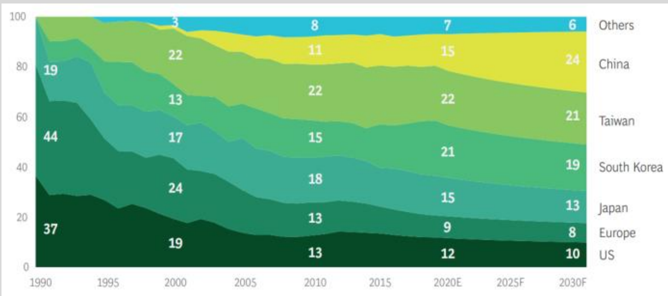
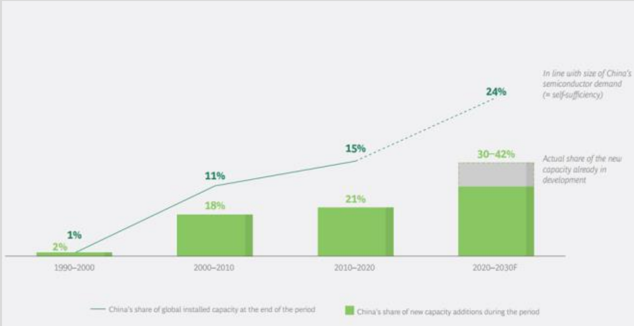


Exhibit 1b: China's share of global manufacturing capacity



Source: BCG, SIA

…as key customer increases capex >3.5x

China's largest wafer fabrication company, Semiconductor Manufacturing International Corporation (SMIC), has been revising its capex budget aggressively higher from US$3.1b earlier this year to US$4.3b in May 2020 (+39% vs initial budget), and then to US$6.7b in Aug 2020 (+116% vs initial budget) in response to the escalating US-China tech war. In comparison, the latest capex guidance is >3.5x higher than that of FY19 capex at US$1.9b.

In addition, SMIC has also formed a JV with the Beijing Economic-Technological Development Area Management Committee (BDAC) to build a plant in Beijing, capable of producing 12-inch wafers at a rate of 100,000 per month. The first-phase will incur an investment of US$7.6b where SMIC is expected to cover 51% of the cost. Capex for the JV is separated from the recently announced US$6.7b. While SMIC is stockpiling wafer fabrication equipment on an aggressive scale, we gather that the new purchases may not be fully deployed within the year. We believe that SMIC is pulling in equipment ahead of potential worsening US ban for capacity expansion 1-2 years down the road. Having secured SMIC as its largest UHP customer (accounting for 35% of order-book), KGB's job prospect is pretty much lined up.

Given that SMIC is partially stated-owned, it has strong financial backing from the "Big Fund Phase II". On top of that, SMIC had also on July 2020 raised RMB53.2b or US$7.8b (>2x 2019 revenue) via a secondary listing on the Shanghai stock exchange. SMIC share price tripled during its Shanghai debut and is currently trading at 210x Fwd. PER.

Exhibit 2a: UHP delivery system – Gas cabinet

Exhibit 2b: UHP delivery system – Valve panel

Source: Company

Record FDI in Penang to translate into jobs for FY21-FY22

Dubbed as the technology hub in Malaysia, Penang is home to >300 MNCs and >3,000 SMEs. The strategic location of Penang coupled with its well-planned infrastructure continues to attract foreign direct investments from the likes of US, Germany, Japan and Singapore.

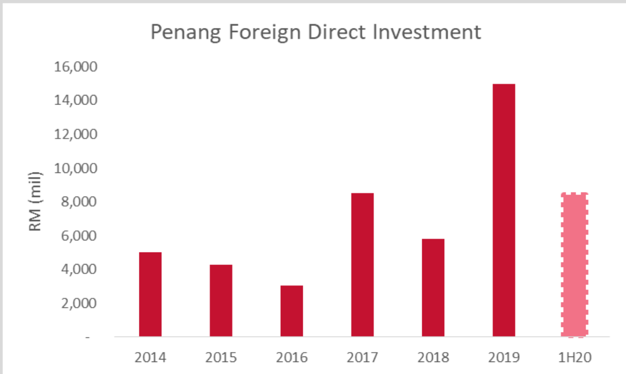
As of 2019, the approved manufacturing investments in Penang almost tripled, hitting a record high of RM16.9b. This accounts for 20% of Malaysia's 2019 manufacturing investment. Almost 90% of the RM16.9b were contributed by foreign direct investments (FDI) amounting to RM15b, placing Penang as the highest FDI state in Malaysia for 2019. According to the Malaysia Investment Development Authority (MIDA), these FDI involves 166 projects that are expected to create 18,886 new jobs in Penang.

The momentum continues as 1H 2020 recorded new investment of RM9.1b, representing 54% of 2019's figure. This year also saw MNCs such as Intel, Lam Research, Bosch, and B Braun announcing billion-ringgit plans to set up new plant in Penang as a result of trade diversion owing to the long standing US-China tension. In addition, recent news also indicated that foreign parties are in a bidding war for SilTerra Malaysia Sdn Bhd (SilTerra), a local loss-making wafer foundry. It has attracted bids from Germany's X-FAB, Taiwan's Foxconn, Beijing CGP Investment Co Ltd (via 40:60 consortium with DNex Bhd) and Green Packet Bhd.

Interestingly, most of the MNCs mentioned including SilTerra are KGB's existing clients (see Exhibit 4a). KGB has also recently secured jobs from Lam Research. Construction works for new plant typically take 1-2 years and UHP base build works are usually awarded midway, while UHP hook-up jobs are awarded after plant completion. Therefore, we believe the abundant FDIs will translate into jobs for KGB and keep the group busy in FY21-22.

Exhibit 3a: MNCs in Penang

Exhibit 3b: Penang Foreign Direct Investment (RM mil)



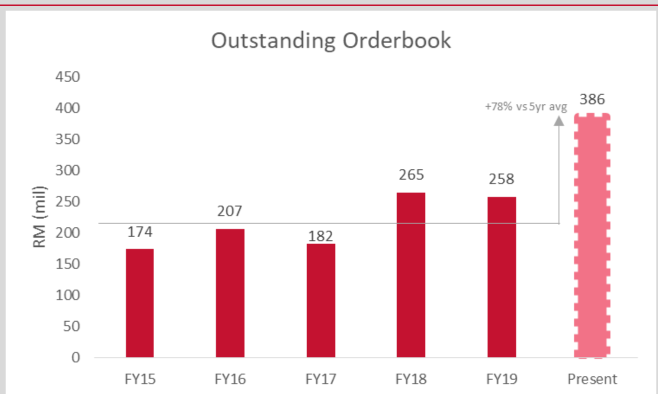
Source: InvestPenang

Orderbook at all-time high levels; to be recognised as lockdown restriction eases

Strict SOPs amid Covid-19 had KGB operating at minimum capacity. Its Singapore operation for instance was only operating at 30% until July 2020. Site progress was delayed and projects have been piling up due to limited workforce. Thankfully, orders were not cancelled and the group have continued to see new orders flowing in. As a result, its outstanding orderbook surged to a record high of RM386m (inclusive of the recent job award from SMIC in Aug 2020 worth RM61.8m). For comparison, its current orderbook is 78% higher than its average orderbook for the past 5 years. With the easing of lockdown restrictions, operations in China and Malaysia are back to 100% while its Singapore operation has resumed to 75% since mid-August and will gradually increase to 100%. This means that there is a massive backlog of jobs that KGB will have to fulfil urgently when things normalise next year. This makes KGB a good candidate as an economy re-opening play. In terms of orderbook breakdown, UHP makes up 72% while process engineering and general contracting contribute 15% and 13%, respectively.

Exhibit 4a: KGB's existing customers

Exhibit 4b: KGB orderbook



Source: Company

Consistent income stream from industrial gas.

The founder of KGB was the head engineer at Malaysia Oxygen Berhad (privatised; currently known as Linde Malaysia). Having the expertise with industrial gasses, the group decided in Nov 2017 to venture into food-grade liquid CO2 and have completed the construction of the plant in Kerteh, Terengganu in 2019. The plant commenced operation in October 2019, capable of an annual capacity of 50,000 MT of liquid CO2.

Currently, the group is supplying the liquid CO2 to re-fillers/cylinder trailers, F&B and consumers, mainly for food freezing and carbonated drinks. The plant has recovered from the MCO lockdown and is now running at pre-MCO levels of 50%. KGB targets to double the capacity in FY22 once utilisation rate approaches optimal level. Breakeven utilisation is at 30%, and anything beyond that flows directly to bottom line. Assuming an average utilisation rate of 70% in FY21, the industrial gas division would contribute approximately RM6m recurring income to the group. The group has also bought skid tanks for overseas transportation as it plans to target the export market too.

Exhibit 5a: Liquid CO2 plant

Exhibit 5b: Skid tanks

Source: Company

Valuation

We initiate coverage on Kelington Group Berhad (KGB) with an **OUTPERFORM** recommendation and **a target price of RM1.92**, representing an upside of 51%. Our valuation based on FY21E PER of 23.6x (+0.5SD above its 3-year mean), considering its very niche market proposition and it being a direct proxy to SMIC. We forecast FY21E CNP to jump 230% on the back of: (i) 3.5x capex increase by its key customer – SMIC, (ii) all time high orderbook of RM386m to be delivered urgently as lockdown eases, and (iii) lucrative venture into the industrial gasses segment which will translate into margin expansion. The group is also in talks with Tsinghua Unigroup (51% major shareholder of YMTC – largest memory player in China) for UHP contracts. KGB's tender-book stands at RM900m.

The record high FDIs in Penang for 2019 coupled with KGB's strong network with the tech players should translate into more jobs for the group, keeping it busy in FY21-22. Construction works for new plant typically take 1-2 years and UHP base build works are usually awarded midway, while UHP hook-up jobs are awarded after plant completion. The group has even secured jobs from Lam Research who had earlier this year set aside RM1b to build a plant in Penang.

KGB is currently trading at FY21E PER of 15.6x vs peers' average of 30x-58x based on Bloomberg consensus. We believe that KGB's current cheap valuation serves as a good selection for maintaining exposure in the tech space. Its peers include the likes of Air Liquide, Linde, Air Products & Chemicals, PNC Process Systems, Taiyo Nippon Sanso and Shanghai GenTech. For a local comparison with similar investment angle, Frontken Corporation who is also involved in a very niche market (providing cleaning services for equipment) and having exposure to TSMC is currently trading at 36x FY21E PER (based on Bloomberg consensus).

Financial performance

Kelington Group has recorded a respectable revenue growth of 15% CAGR for the past five years from FY14 to FY19, thanks to its growing presence in the semiconductor space. Net profit grew at 36% CAGR during the same period. However, we expect FY20E revenue to dip 11% and net profit to drop 68% due slower recognition as the Covid-19 lockdown hindered site progress.

Beyond that, we expect revenue to record RM435.3m (+29% YoY) owing to its orderbook which has surged to an all-time high of RM386m as orders were piling up during the Covid-19 lockdown coupled with a healthy inflow of new orders from SMIC. In tandem with China's goal to be technologically self-sufficient, SMIC (KGB's key customer) has revised its capex upwards twice this year to US$6.7b (>3.5x 2019's capex). Besides that, Penang's record high investment of RM16.9b in 2019 is expected to translate into meaningful job wins for KGB given its strong relationship with big tech names in the area. Therefore, we estimate FY21E CNP to jump 230% to RM26.0m.

KGB has been paying out dividend beyond its 25% dividend policy. Going forward, we are using 25% payout as the base case.

Exhibit 6a: Revenue

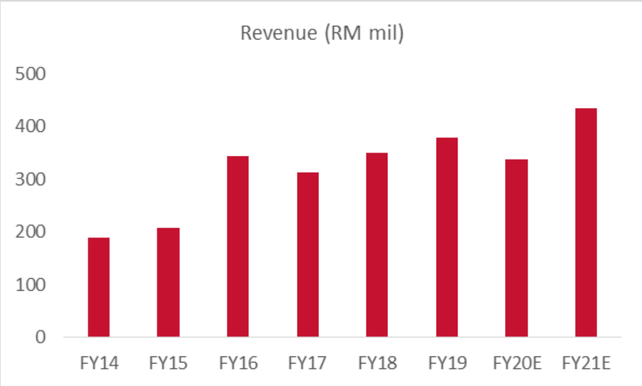
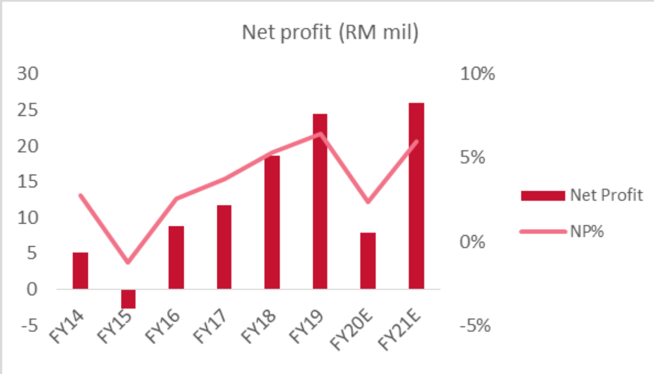


Exhibit 6b: Net Profit



Source: Company

Exhibit 7a: Segmental breakdown

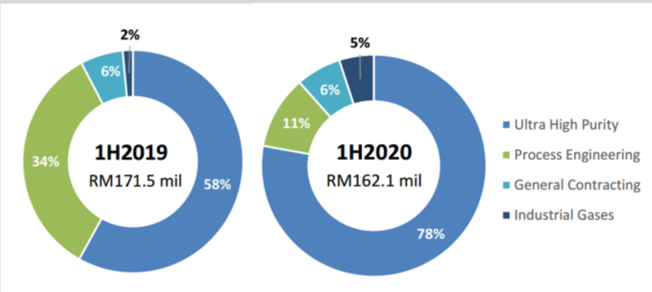
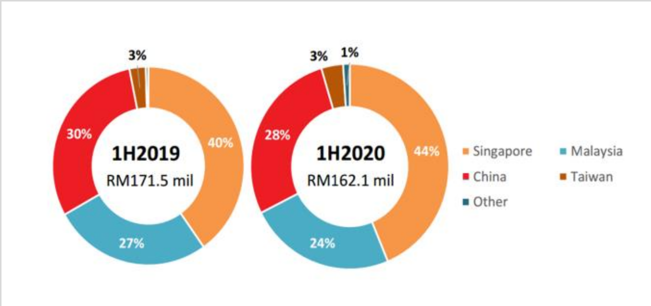


Exhibit 7b: Geographical breakdown



Source: Company

Risks

Key risk includes:

(i) Slower-than-expected revenue recognition owing to Covid-19 that may hinder execution.

(ii) Downturn in semiconductor sales.

(iii) Delay in liquid CO_2 ramp up which could be a drag to the group.

(iv) Termination of contracts or lack of contract replenishments.

However, we believe these risks are more than accounted for. At current share price, we believe KGB is severally undervalued owing to its unique position as a close proxy to SMIC.

Company Background

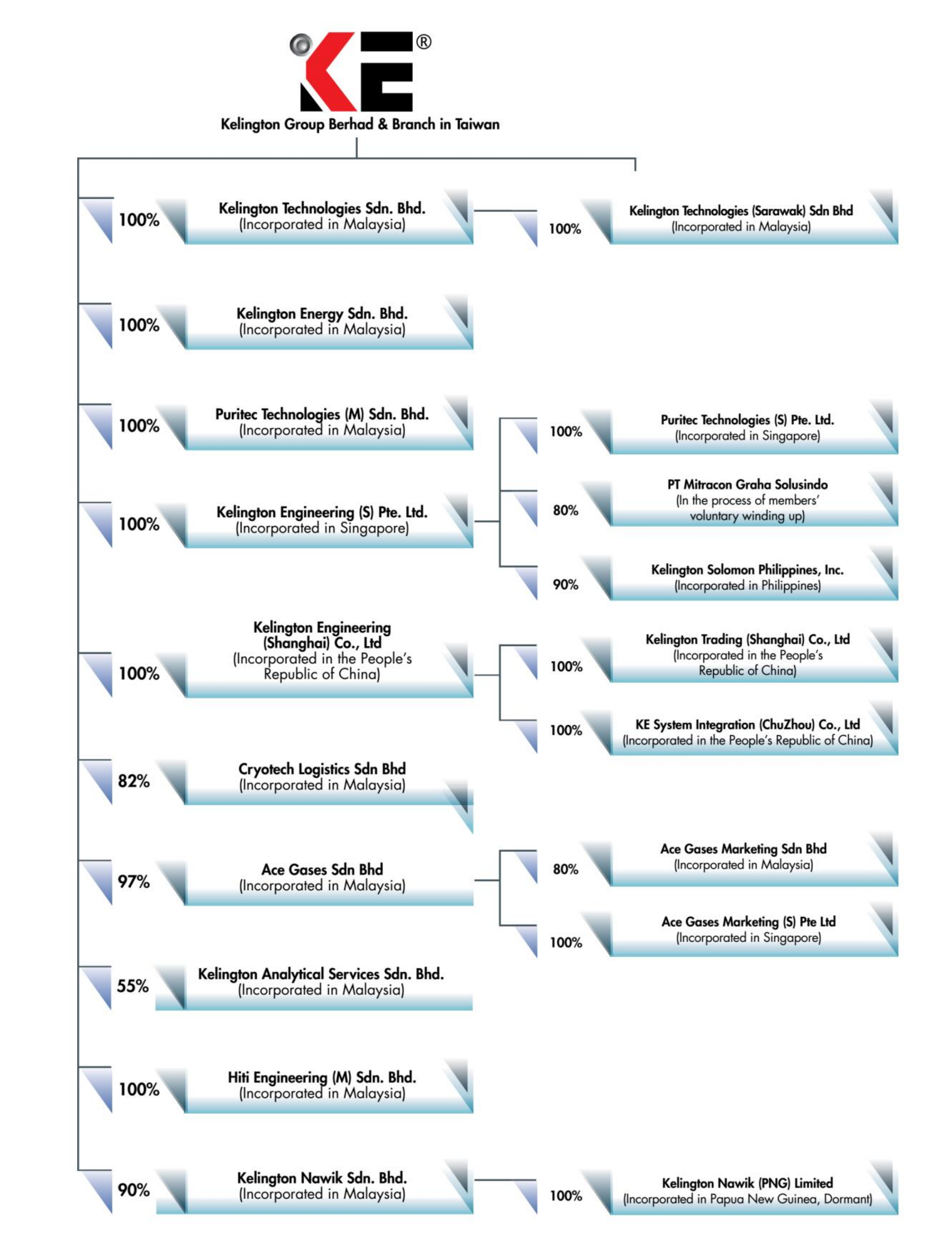
Kelington Group is involved in four main segments, namely UHP, process engineering, general contracting and industrial gases. As of 1H 2020, UHP makes up 78% of group revenue while process engineering and general contracting contributed 11% and 6%, respectively. Industrial gases is a fairly new segment which was established late 2019 and currently contributes 5% to group revenue.

- **UHP:** The group design and builds delivery systems for the transmission of ultra-high purity gasses from source to equipment to waste disposal. These gasses (i.e. nitrogen, hydrogen, argon, helium, oxygen and carbon dioxide) are usually stored in a temperature and pressures regulated facility and are transmitted through pipelines to the equipment. The use of gas purification and abatement technologies are critical to ensure that gases fed into the UHP delivery system are of specified purity level, while the waste gases produced as a result are treated accordingly prior to disposal. Semiconductor players use these gasses for photolithography and etching process. UHP delivery systems are done in two phases, the base build and hook-up. For instance, the construction of a new plant typically take 1-2 years and UHP base build works are usually awarded midway, while UHP hook-up jobs are awarded after plant completion when the equipment is shipped in and installed.
- **Process engineering:** The group engineers and constructs mechanical and electrical systems that support industrial processes across many sectors. This includes customised skid fabrications to large scale plant constructions. The group provides end-to-end process engineering services encompassing design, fabrication and maintenance. Some of its previous projects include the construction of spherical ball tanks for Samsung Electronics in Suzhou, installation of gas plant piping and design of purifier for Samsung Electronics in Xi'an, installation of a liquifier unit equipment for Air Liquide in Melaka and turnkey demolition and re-construction of spray tower for KLK in Rawang.
- **General contracting:** The group provides planning and design, site analysis, budget planning and execution of construction. It has been involved in building core infrastructure such as underground pipelines, plant construction, water and electrical systems for the likes of BASF Petronas Chemical, KL Kepong and PR1MA. The group also has experience with constructing clean rooms which requires precision planning along with exact design parameters due to its stringent requirements
- **Industrial gasses:** The main contributor in this segment is the manufacturing for liquid CO2 which is catered to the F&B market for food freezing and carbonate drinks. KGB is also involved in the trading of gasses (i.e. helium, xenon, krypton and diborane) but contribution is still negligible.

Exhibit 8: Business segments

Source: Company

Exhibit 9: Company Structure



Source: Company

Income Statement

Financial Data & Ratios

Management profile

1. **Ir. Gan Hung Keng** is the company founder, Executive Director and Chairman of the Company since 14 February 2000 and assumed the role of CEO with effect from 1 September 2009. He graduated with a Bachelor of Chemical & Process Engineering degree from Universiti Kebangsaan Malaysia, Malaysia. He is also a Professional Engineer on the Board of Engineers, Malaysia. He served in Malaysian Oxygen Berhad (MOX) for four years before moving to Eastern Oxygen Berhad as the Project Manager for the Ultra Clean System. Through the various positions held, he acquired expertise in the detailed designing of all gas delivery system (inert and hazardous gases) for semiconductor wafer fabrication and flat panel display plants, engineering and construction management of large scale and fast track project for gas and chemical related projects, and general management of a business unit and a company.

2. **Ong Weng Leong** has been a Director of the Company since 22 November 2004. He was appointed as the General Manager on 1 August 2005 and assumed the role of COO with effect from 1 September 2009. He graduated in 1992 with a Bachelor of Chemical Engineering degree from Universiti Teknologi Malaysia, Malaysia. He also received a Master in Business Administration from the University of Bath, United Kingdom in 2002. He began taking up managerial roles in 1996 while at MOX as the Production Manager after which he became the Operations Manager from 1998 to 2000, responsible for managing plant operations located in the central and east coast regions. Later in 2000, he was promoted to National Engineering Manager at MOX which he carried out for three years until 2004 where he was promoted to the National Sales Manager (Electronics) at MOX. Soon after that, he joined the Company in 2004 as the General Manager. Throughout his years' experience at MOX and KGB in management roles, he acquired expertise in detailed designing of all gas system ranging from gas production plants to the supply stations of customers and engineering construction management of industrial gas related project

3. **Jong Yu Huat** was appointed the Chief Financial Officer of the Group in 2010. He has been with the Company since June 2003. He obtained his professional qualification from the Chartered Institute of Management Accountants (CIMA) since 1999. He is a Chartered Accountant and a member of the Malaysian Institute of Accountants (MIA) since 2008. He has more than 20 years of experience in accounting, auditing, taxation, corporate fiancé and general management. His main roles include leading the accounts and finance department; implementing system control, financial budgeting and administrative matters.

Exhibit 10: Board of directors

IR. GAN HUNG KENG
age 56, Malaysian, Male
Chairman/CEO
Length of Service: 20 years & 2 months

ONG WENG LEONG
age 52, Malaysian, Male
Executive Director/COO
Length of Service : 15 years & 5 months

CHAN THIAN KIAT
age 64, Malaysian, Male
Senior Independent Non-Executive Director
Length of Service: 10 years & 7 months

TAN CHUAN YONG
age 64, Malaysian, Male
Senior Independent Non-Executive Director
Length of Service: 10 years & 7 months

VICE ADMIRAL (RETIRED) DATUK HAJI JAMIL BIN HAJI OSMAN
Age 62, Malaysian, Male
Independent Non-Executive Director
Length of Service : 7 years & 10 months

SOO YUIT WENG
Age 52, Malaysian, Male
Independent Non-Executive Director
Length of Service : 7 years & 3 months

NG LEE KUAN
Age 54, Malaysian, Female
Independent Non-Executive Director
Length of Service : 6 months

SOH TONG HWA
Age 67, Malaysian, Male
Non Independent Non-Executive Director
Length of Service : 6 months

CHAM TECK KUANG
Age 63, Singaporean, Male
Non Independent Non-Executive Director
Length of Service : 6 months

HU KEQIN
Age 59, Singaporean, Male
Non Independent Non-Executive Director
Length of Service : 6 months

Source: Company

FY Dec (RM m)	2017A	2018A	2019A	2020E	2021E
Revenue	313.3	350.0	379.8	336.9	435.3
EBITDA	19.2	29.0	35.0	14.3	38.7
Depre & Amor	-1.3	-3.1	-2.1	-2.8	-3.8
Operating Profit	17.9	25.9	32.9	11.5	34.9
Other Income	2.1	0.9	5.3	2.6	3.4
Interest Exp	-0.8	-0.9	-1.3	-1.3	-1.3
Associate	0.0	0.0	0.0	0.0	0.0
PBT	17.2	25.0	31.6	10.2	33.6
Taxation	-5.6	-6.7	-7.7	-2.5	-8.2
Minority Interest	-0.2	-0.3	-0.5	-0.2	-0.5
PATAMI	11.8	18.6	24.4	7.9	26.0
Core PATAMI	11.8	18.6	24.4	7.9	26.0

Balance Sheet

FY Dec (RM m)	2017A	2018A	2019A	2020E	2021E
Fixed Assets	15.5	24.7	53.0	70.1	96.4
Intangible Assets	6.3	6.3	6.4	6.4	6.4
Other FA	0.0	0.0	4.3	4.3	4.3
Inventories	1.0	0.2	0.6	0.5	0.6
Receivables	81.2	81.4	90.9	80.7	104.2
Other CA	78.3	88.0	91.0	91.0	91.0
Cash	47.5	42.9	57.0	69.9	51.6
Total Assets	**229.9**	**243.5**	**303.1**	**322.8**	**354.4**
Payables	93.6	77.8	71.6	67.0	82.3
ST Borrowings	27.9	15.6	12.1	12.1	12.1
Other ST Liability	27.4	32.3	37.9	56.2	53.4
LT Borrowings	2.3	1.5	23.3	23.3	23.3
Other LT Liability	0.2	0.1	2.6	2.6	2.6
Net Assets	**78.5**	**116.2**	**155.5**	**161.6**	**180.7**
Shr. Equity	78.2	116.1	155.3	161.7	181.2
Mnrt. Interest	0.2	0.1	0.3	-0.1	-0.5
Total Equity	**78.5**	**116.2**	**155.5**	**161.6**	**180.7**

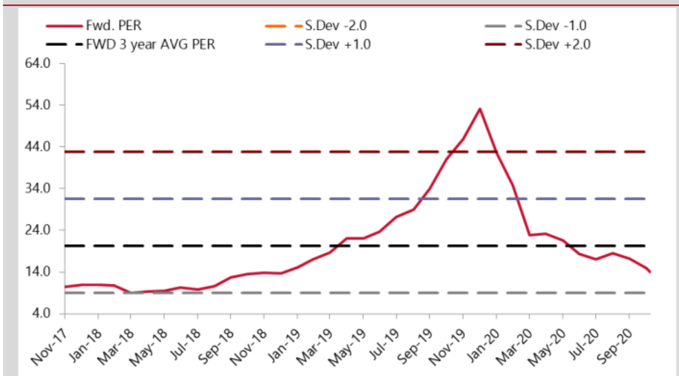
Cashflow Statement

FY Dec (RM m)	2017A	2018A	2019A	2020E	2021E
Operating CF	23.2	8.4	20.0	18.3	14.2
Investing CF	-13.4	-12.1	-35.2	-20.0	-30.0
Financing CF	5.4	6.7	31.7	3.6	-2.5

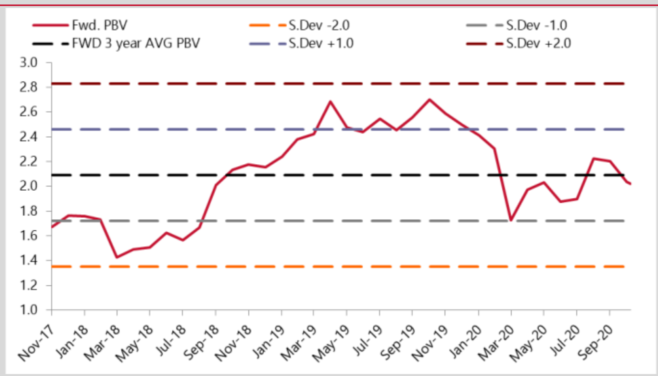
FY Dec	2017A	2018A	2019A	2020E	2021E
Growth (%)					
Turnover	-27.1	11.7	8.5	-11.3	29.2
EBITDA	-67.5	50.8	20.7	-59.0	169.9
Operating Profit	-43.9	44.6	26.9	-65.0	203.8
PBT	-42.0	45.7	26.3	-67.8	230.1
Adj Net Profit	-24.2	58.2	30.9	-67.8	230.1
Profitability (%)					
EBITDA Margin	6.1	8.3	9.2	4.3	8.9
Operating Margin	5.7	7.4	8.7	3.4	8.0
PBT Margin	5.5	7.1	8.3	3.0	7.7
Core Net Margin	3.8	5.3	6.4	2.3	6.0
Effective Tax Rate	32.8	26.8	24.3	24.3	24.3
ROA	6.1	5.1	7.7	8.1	2.4
ROE	15.1	16.1	15.7	4.9	14.3
DuPont Analysis					
Net Margin (%)	3.8	5.3	6.4	2.3	6.0
Assets Turnover (x)	1.4	1.4	1.3	1.0	1.2
Leverage Factor (x)	2.9	2.1	1.9	2.0	2.0
ROE (%)	15.1	16.1	15.7	4.7	14.3
Leverage					
Debt/Asset (x)	0.1	0.1	0.1	0.1	0.1
Debt/Equity (x)	0.4	0.1	0.2	0.2	0.2
Net (Cash)/Debt	-17.3	-25.8	-21.6	-35.8	-16.0
Net Debt/Equity (x)	-0.2	-0.2	-0.1	-0.2	-0.1
Valuations					
Core EPS (sen)	5.2	7.6	8.2	2.5	8.1
DPS (sen)	0.0	0.0	2.0	0.6	2.0
BVPS (RM)	0.3	0.5	0.5	0.5	0.6
PER (x)	24.6	16.8	15.6	51.6	15.6
Div. Yield (%)	0.0	0.0	1.6	0.5	1.6
P/BV (x)	3.7	2.7	2.4	2.5	2.2
EV/EBITDA (x)	14.2	9.9	10.2	25.9	10.1

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

Malaysian Technology Peers Comparison

Name	Last Price (RM)	Mkt Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
D&O GREEN TECHNOLOGIES BHD	1.26	1,440.0	Y	12/2019	0.0%	14.2%	-2.5%	56.7%	28.6	29.7	18.9	2.8	2.5	13.0%	1.1%	1.20	OP
INARI AMERTRON BHD	2.68	8,790.0	Y	06/2020	37.4%	24.9%	66.7%	25.1%	54.8	33.3	26.7	7.1	7.0	21.6%	2.5%	3.14	OP
JHM CONSOLIDATION BHD	1.86	1,043.5	Y	12/2020	5.9%	24.7%	3.6%	58.2%	23.8	22.9	14.5	3.6	3.0	13.1%	1.6%	2.00	OP
KELINGTON GROUP BHD	1.27	409.7	Y	12/2020	-11.3%	29.2%	-67.8%	230.0%	15.6	53.7	15.6	2.4	2.5	4.9%	0.5%	1.92	OP
KESM INDUSTRIES BHD	9.25	397.8	Y	07/2020	14.6%	5.3%	19158%	34.2%	3768	19.6	14.6	1.0	1.0	5.0%	1.1%	8.60	MP
MALAYSIAN PACIFIC INDUSTRIES BHD	23.78	4,992.9	Y	06/2020	8.0%	8.0%	16.0%	11.0%	19.5	16.7	15.1	1.7	1.8	11.8%	1.9%	18.80	OP
P.I.E. INDUSTRIAL BHD	1.98	760.4	Y	12/2020	13.5%	13.5%	24.3%	15.0%	15.5	36.3	14.6	1.3	1.2	3.5%	1.4%	1.45	MP
SKP RESOURCES BHD	1.89	2,363.8	Y	03/2020	23.7%	9.7%	67.3%	20.7%	27.5	16.4	13.6	3.3	3.0	18.0%	3.0%	1.83	OP
UNISEM (M) BHD	6.09	4,470.4	Y	12/2020	9.0%	17.6%	71.9%	47.7%	49.7	28.9	19.6	2.4	2.2	7.8%	1.4%	5.15	OP

Source: Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

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

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