

KELINGTON GROUP

Results Update

BUY

Current Price	RM 1.11
Target Price	RM 1.45
Consensus Price	RM 1.61

Stock Return Information

KLCI	1,531.30
Expected share price return (%)	30.6
Expected dividend return (%)	1.3
Expected total return (%)	31.9

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	KGRB MK
Masa Ticker / Stock Code	KGB/0151
Shares Issued (m)	643.0
Market Capitalisation (RM'm)	727
52 Week Hi/Lo Price (RM)	1.88/0.95
Avg Trading Volume (3-mth)	1,820,389
Est Free Float (%)	46.9
YTD Returns (%)	-34.3
Beta (x)	0.57

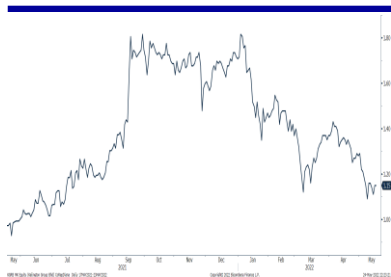
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-13.74	-10.05
3 mth	-19.29	-15.49
12 mth	13.00	15.95

Major Shareholders (%)

Palace Star	21.1
SUN Lead International Ltd	6.2

1-Year Share Price Performance



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RM1.2b Orderbook In Hand

We reiterate our **BUY** recommendation and retain our TP of **RM1.45**, derived from a lower target PER valuation of 22x to our CY22 EPS. We like KGB for its: 1) firm earnings growth potential, supported by increased job orders from the semiconductor industry, and 2) stable new income stream from its LCO2 operations which could also help to shore up its dividend prospects. Key downside risks include: 1) slower-than-expected contract wins, and 2) project hiccups.

Within expectation 1QCY22 PATAMI came in at 20% and 19% of ours and consensus expectation. We deem the earnings to be within expectation as 1QCY22 has fewer working days due to the festive season, and we expect job progression to pick up in the subsequent quarters.

Y-o-Y 1QCY22 PATAMI increased by 49.7% Y-o-Y, driven by higher project progression in UHP and general contracting, where the projects are located in Singapore, China and Malaysia.

Q-o-Q PATAMI rose marginally by 2.5% Q-o-Q despite 1Q traditionally the softer quarter.

Earnings estimate We maintain our CY22/23 earnings estimate, with an expected earnings growth of 32% and 6.0% respectively.

Outlook KGB's orderbook stands at RM1.2b in 1QCY22 vs. RM1.06b in 4QCY21 and has replenished RM347m worth of new projects, accounting to 47% our RM750m estimate for CY22. The group's future growth is underpinned by its robust orderbook from the semiconductor industry that is propelled by advancements in 5G technology, Internet of Things, increasing demand for storage data and emergence of electric vehicles. KGB guided that its UHP projects in China as progressing with little impediments despite the lockdowns as the group has sufficient materials and stocks for the projects to continue.

Table 1: Financial highlights & earnings forecasts

FYE Dec (RM m)	CY19	CY20	CY21	CY22(F)	CY23(F)
Revenue	379.8	389.8	517.7	665.6	611.9
EBITDA	36.7	23.6	49.8	68.8	71.0
EBITDA Margin (%)	9.7	6.0	9.6	10.3	11.6
PATAMI	24.4	17.1	31.8	42.1	44.7
PATAMI Margin (%)	6.4	4.4	6.1	6.3	7.3
EPS (sen)	3.8	2.7	4.9	6.5	6.9
Earnings Growth (%)	30.9	(29.9)	86.0	32.3	6.2
PER (x)	30.1	43.0	23.1	17.5	16.5
DPS (sen)	2.0	0.5	1.5	1.5	1.5
Dividend Yield (%)	1.8	0.4	1.3	1.3	1.3
ROE (%)	20.3	11.9	20.5	30.8	29.8
ROA (%)	10.4	5.7	11.0	15.7	15.9
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	4.7	4.4	3.9	4.0	3.7

Source: Company, Inter-Pacific

Table 2: Quarterly Income Statement and Comparison

FYE Dec (RM m)	1QCY22	1QCY21	YoY chg (%)	4QCY21	QoQ chg (%)
Revenue	173.3	104.8	65.4	177.0	(2.1)
Gross Profit	23.7	14.6	62.4	27.9	(14.8)
GP margin	13.7	13.9	(1.8)	15.7	(13.0)
EBITDA	12.9	8.5	52.0	11.3	13.7
EBITDA margin (%)	7.4	8.1	(8.1)	6.4	16.1
PBT	11.1	6.7	64.9	10.5	6.2
PBT margin (%)	6.4	6.4	(0.3)	5.9	8.5
PATAMI	8.3	5.5	49.7	8.1	2.5
PAT margin (%)	4.8	5.3	(9.4)	4.6	4.6
EPS (sen)	1.3	0.9	49.7	1.3	2.5

Source: Company

Table 3: Operating division

FYE Dec (RM m)	1QCY22	1QCY21	YoY chg (%)	4QCY21	QoQ chg (%)
Ultra high purity	112.6	68.9	63.4	108.1	4.2
Process engineering	12.0	9.6	23.9	22.8	(47.5)
General contracting	38.4	16.2	136.1	37.4	2.6
Industrial gas	9.9	8.8	12.0	10.6	(6.9)
Manufacturing & Trading	0.2	0.9	(75.4)	1.0	(77.3)
Services	0.3	0.3	2.0	0.3	12.4
Total	173.3	104.8	65.4	180.1	(6.8)

Source: Company

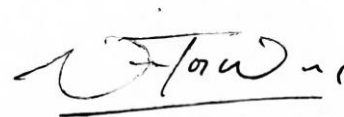
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Signed



Victor Wan Kum Seng
Head of Research
Inter-Pacific Research Sdn Bhd

Ratings System

Ratings:	Description:
BUY	Total return is expected to exceed 15% in the next 12 months
TRADING BUY	Total return is expected to exceed 10% in the next 3 months
NEUTRAL	Total return is expected to be between -15% to 15% in the next 12 months
SELL	Total return is expected to be below 15% in the next 12 months
TRADING SELL	Total return is expected to be below 10% in the next 3 months
NOT RATED	The stock is not within regular research coverage

Abbreviation

Abbreviation	Definition	Abbreviation	Definition
PER	Price Earnings Ratio	CAGR	Compounded Annual Growth Rate
PEG	PER to Growth	CAPEX	Capital Expenditure
EPS	Earnings per Share	DPS	Dividend per Share
FYE	Financial Year End	ROA	Return on Asset
FY	Financial Year	ROE	Return on Equity
CY	Calendar Year	PBT	Profit Before Tax
MoM	Month-on-Month	PAT	Profit After Tax
QoQ	Quarter-on-Quarter	EV	Enterprise Value
YoY	Year-on-Year	EBIT	Earnings Before Interest And Tax
YTD	Year-to-Date	EBITDA	EBIT Depreciation & Amortisation
p.a.	Per Annum	WACC	Weighted Average Cost of Capital
DCF	Discounted Cash Flow	NTA	Net Tangible Asset
FCF	Free Cash Flow	BV	Book Value
NAV	Net Asset Value		

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