

KELINGTON GROUP

Results Update

BUY

Current Price	RM 1.24
Target Price	RM 1.67
Consensus Price	RM 1.72

Stock Return Information

KLCI	1,489.80
Expected share price return (%)	34.7
Expected dividend return (%)	1.6
Expected total return (%)	36.3

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	KGRB MK
Masa Ticker / Stock Code	KGB/0151
Shares Issued (m)	643.0
Market Capitalisation (RM'm)	797
52 Week Hi/Lo Price (RM)	1.88/1.06
Avg Trading Volume (3-mth)	1,294,541
Est Free Float (%)	48.9
YTD Returns (%)	-27.9
Beta (x)	1.06

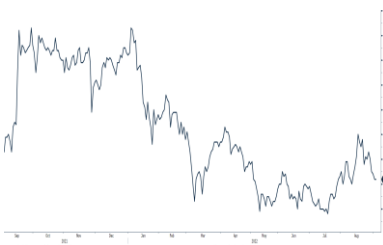
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	-3.88	-3.09
3 mth	-0.80	2.32
12 mth	-10.79	-4.99

Major Shareholders (%)

Palace Star	21.1
SUN Lead International Ltd	6.2

1-Year Share Price Performance



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RM330m Win Lifts Orderbook Wins To A Record High

We maintain our **BUY** recommendation with a higher TP of **RM1.67 (+RM0.09)**, as we peg our higher CY23 earnings estimate to an unchanged target PER of 23x (+1.0x STDEV to its 5-years PER mean). 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) project delays, 2) trade receivables impairments, and 3) slower-than-expected contract wins.

Kulim's site: KGB clinched a UHP project from a distinguish semiconductor solution provider in the automotive, industrial power control, power & sensor systems, and connected secure systems. The project is worth RM330m for the work on bulk and specialty gas system distribution. The project, located in Kulim, Kedah, will commence in September 2022 and completed by September 2024. The contract is expected contribute positively to KGB's earnings in CY22-24.

Record orderbook: Inclusive of the latest win, KGB has replenished RM1.28b worth of orders YTD, surpassing our expectations of RM1.1b once again, and beating its previous year's total of RM1.19b. We raise our CY22/23 orderbook replenishment target to RM1.35b/RM800m from RM1.1b/RM660m.

Earnings estimate We revised our CY23 earnings upward by 11% to RM46.9m following the latest win.

Outlook KGB's earnings prospect remains buoyant, backed by an orderbook of RM1.87b, which will be recognised throughout CY22-24. Most of its projects are expected to be billed within the next 2 years. While the memory segment end customers may slow their expansion, China's foundry is likely to fill in the gap, where China's largest chip maker has announced last week, its plan for a US\$7.5b plant for a new 12-inch foundry production line in Tianjin. The 4th expansion will have a production capacity of 100,000 12-inch wafers per month, serving process nodes between 28nm and 180nm.

Table 1: Financial highlights & earnings forecasts

FYE Dec (RM m)	CY19	CY20	CY21	CY22(F)	CY23(F)
Revenue	379.8	394.6	514.6	993.6	882.4
EBITDA	36.7	29.3	50.8	76.7	75.3
EBITDA Margin (%)	9.7	7.4	9.9	7.7	8.5
PATAMI	24.4	17.0	29.0	51.9	46.9
PATAMI Margin (%)	6.4	4.3	5.6	5.2	5.3
EPS (sen)	3.8	2.6	4.5	8.0	7.3
Earnings Growth (%)	30.9	(30.2)	69.9	79.4	-9.6
PER (x)	33.6	48.1	28.3	15.8	17.5
DPS (sen)	2.0	0.5	1.5	2.0	2.0
Dividend Yield (%)	1.6	0.4	1.2	1.6	1.6
ROE (%)	20.3	12.5	18.5	28.7	23.0
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	80.59	43.57
Price/Book Ratio (x)	5.3	4.9	4.3	3.6	3.1

Source: Company, Inter-Pacific

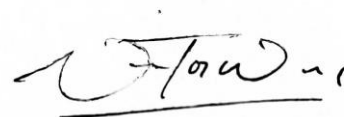
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Signed



Victor Wan Kum Seng
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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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