

KELINGTON GROUP

Results Update

TRADING BUY

Current Price	RM 1.48
Target Price	RM 1.60
Consensus Price	RM 1.70

Stock Return Information

KLCI	1,487.87
Expected share price return (%)	8.1
Expected dividend return (%)	1.5
Expected total return (%)	9.6

Key Statistics

Shariah Compliant	YES
Bloomberg Ticker	KGRB MK
Masa Ticker / Stock Code	KGB/0151
Shares Issued (m)	643.0
Market Capitalisation (RM'm)	952
52 Week Hi/Lo Price (RM)	1.70/1.06
Avg Trading Volume (3-mth)	1,382,163
Est Free Float (%)	48.9
YTD Returns (%)	8.0
Beta (x)	0.78

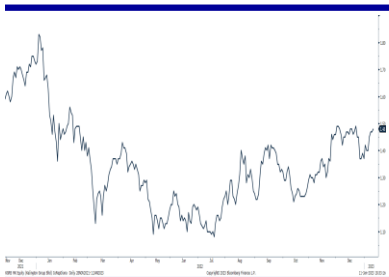
Share Price Performance (%)

Price change	Absolute	Relative
1 mth	2.07	1.35
3 mth	17.46	10.17
12 mth	-11.38	-6.49

Major Shareholders (%)

Palace Star	21.1
SUN Lead International Ltd	6.2

1-Year Share Price Performance



Analyst: Lai Yoon Hui, David

Email: davidlai@interpac.com.my

Second General Contracting Job In Sarawak

We upgrade Kelington Group Bhd's (KGB) target price to **RM1.60 (+RM0.14)** and maintain our **TRADING BUY** recommendation, where its target price is now pegged to a target PER of 22x to its CY23 EPS, from 20x, as KGB should continue to secure jobs beyond UHP projects in the semiconductor industry. We like KGB for its: 1) firm earnings growth potential, supported by increased job orders from the semiconductor industry, and 2) stable income stream from its LCO2 operations which could also help to shore up its dividend prospects. Key downside risks include: 1) project delays; and 3) slower-than-expected contract wins.

KGB won a contract worth approximately RM170m from a global supplier of microelectronic semiconductor solution's provider from Belgium. KGB will undertake the construction work which includes architectural and structural works, civil works, mechanical and electrical works, and other process utilities work for the integrated chips manufacturing facility at Sama Jaya Free Industrial Zone in Kuching, Sarawak.

KGB's first general contracting contract in Sarawak, secured in 2021, was also in Sama Jaya Free Industrial Zone and was to build new manufacturing facility and refurbishment of an existing facility for a memory chip client. However, general contracting works are estimated to secure upper single digit GP margin vs. mid double-digit margins for UHP projects.

The win is KGB's second major project in Sarawak with the project to commence in January 2023 and is expected to be completed by March 2024. The group's current outstanding orderbook stands at RM2.2b, providing earning visibility beyond 2024. We maintain our earnings estimate and CY23 orderbook replenishment target of RM800m as the project's earnings are already imputed in our CY23 forecast.

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	1032.4
EBITDA	36.7	29.3	50.8	76.7	78.4
EBITDA Margin (%)	9.7	7.4	9.9	7.7	7.6
PATAMI	24.4	17.0	29.0	51.9	47.0
PATAMI Margin (%)	6.4	4.3	5.6	5.2	4.5
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)	34.4	49.2	29.0	16.2	17.9
DPS (sen)	2.0	0.5	1.5	2.0	2.0
Dividend Yield (%)	1.5	0.4	1.2	1.5	1.5
ROE (%)	20.3	12.5	18.5	28.7	23.0
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	80.6	76.8
Price/Book Ratio (x)	5.4	5.0	4.4	3.6	3.2

Source: Company, Inter-Pacific

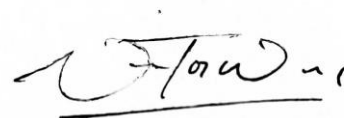
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(ii) As of Jan 11, 2023, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report: (a) Lai Yoon Hui: nil.

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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Inter-Pacific Research Sdn Bhd (449005-X)
West Wing, Level 13,
Berjaya Times Square,
No.1, Jalan Imbi,
55100 Kuala Lumpur
General Line : 03-2117 1888 Fax : 03-2142 7678