

“Commendable growth”

Share price performance



	1M	3M	12M
Absolute (%)	-3.5	-5.5	35.5
Rel KLCI (%)	-4.3	-4.5	32.2

	BUY	HOLD	SELL
Consensus	4	-	-

Source: Bloomberg

Stock Data

Sector	Technology
Issued shares (m)	720.6
Mkt cap (RMm)/(US\$m)	2363.6/533.8
Avg daily vol - 6mth (m)	1.4
52-wk range (RM)	2.34-3.71
Est free float	71.0%
Stock Beta	0.58
Net cash/(debt)	184.98
ROE (2024E)	31.6%
Derivatives	Yes
Shariah Compliant	Yes
FTSE4Good Constituent	Yes
FBM Emas (Top 200)	Top 25%
ESG Rank	
ESG Risk Rating	N/A

Key Shareholders

Palace Star	18.8%
Abrdn plc	6.1%
Sun Lead	5.5%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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Kelington Group (KGRB MK)

BUY (maintain)

Up/Downside: +23%

Price Target: RM4.03

Previous Target (Rating): RM4.03 (BUY)

Ending the year on a good note

- **FY24 core net profit grew 22% yoy, within our expectations**
- **The sequential decline in 4Q24 revenue and core net profit was mainly due to timing of revenue recognition**
- **Maintain BUY and 12-month TP of RM4.03**

FY24 core earnings rose 22%, results within our expectations

Kelington's FY24 core net profit grew 22% yoy to RM126m, despite lower revenue (-21% yoy), given the i) favorable project mix due to the shift in focus from general contracting to UHP projects, which are typically smaller in contract size but command higher margins, and ii) the growth from its higher-margin industrial gas segment. The lower revenue was mainly due to the abovementioned shift in project mix focus and the timing gap between the completion or nearing completion of existing major projects and the start of new projects in Singapore and Malaysia. Geographically, Malaysia remains the largest revenue contributor, accounting for 40% of group revenue in FY24, followed by China (30%) and Singapore (26%). Revenue from industrial gas division rose 27% yoy to RM145m in FY24, driven by higher sales of LCO2 and other gases, and the commencement of its second LCO2 plant in end-1Q24. Overall, the results were within our expectations, accounting for 104% of our estimates (at 106% of street's).

Decline in 4Q24 due to timing of revenue recognition

Sequentially, 4Q24 revenue and core net profit declined 1% and 12% respectively, as the revenue growth in China (+20%) that was driven by the large UHP projects secured in 2H23 and 1H24 on the back of the strong demand in the region, was offset by the lower contributions from operations in Malaysia (-12%) due to the aforementioned timing of the revenue recognition given the nature of the business. The group has secured new contract wins of RM101m in 4Q24, bringing the full year new contract wins to RM1.1bn (flat yoy). The group's total outstanding order book stands at RM1.27bn, though contracted 3% yoy as last year's outstanding orderbook was backed by large-sized general contracting jobs which command lower margins as compared to UHP projects.

Maintain BUY and TP of RM4.03

We maintain our earnings forecasts and BUY rating on Kelington with an unchanged TP of RM4.03 (based on 23x target P/E on 2025E). Our valuation has factored in full warrants conversion. We look forward to the briefing for more updates on the record-high tender book of RM2.62bn the group shared in its previous quarter briefing, of which Germany and HK make up the largest portion at 57% of the pie as it partners with a Taiwanese company for a new wafer fab in Germany. Key risks: project execution, recession impacting semiconductor capex and weak demand for industrial gas.

Earnings & Valuation Summary

FYE 31 Dec	2023	2024	2025E	2026E	2027E
Revenue (RM m)	1,614.4	1,272.1	1,805.6	2,066.1	2,257.6
EBITDA (RM m)	153.2	179.9	214.7	245.4	264.1
Pretax profit (RM m)	133.9	158.4	195.8	228.3	247.5
Net profit (RM m)	104.1	123.1	151.8	177.1	191.9
EPS (sen)	12.0	14.2	17.5	20.4	22.1
PER (x)	27.3	23.1	18.7	16.1	14.8
Core net profit (RM m)	104.0	126.4	151.8	177.1	191.9
Core EPS (sen)	12.0	14.6	17.5	20.4	22.1
Core EPS chg (%)	77.2	21.5	20.1	16.6	8.4
Core PER (x)	27.3	22.5	18.7	16.1	14.8
DPS (sen)	3.0	3.5	4.4	5.1	5.5
Dividend Yield (%)	0.9	1.1	1.3	1.6	1.7
EV/EBITDA (x)	17.9	14.7	12.0	10.1	9.0

Chg in EPS (%)	-	-	-	-	New
Affin/Consensus (x)	-	-	1.1	1.0	N/A

Source: Company, Affin Hwang estimates

Fig 1: Results Comparison

FYE 31 Dec (RMm)	4Q23	3Q24	4Q24	QoQ % chg	YoY % chg	FY2023	FY2024	YoY % chg	Comments
Revenue	478.8	307.3	304.3	-1.0	-36.4	1,614.4	1,272.1	(21.2)	Due to the shift in project mix focus to higher-margin UHP projects and the timing of revenue recognition for projects in Singapore and Malaysia
Op costs	(425.2)	(251.6)	(258.2)	2.6	-39.3	(1,461.2)	(1,092.2)	(25.3)	
EBITDA	53.6	55.7	46.1	-17.2	-13.9	153.2	179.9	17.4	
<i>EBITDA margin (%)</i>	<i>11.2</i>	<i>18.1</i>	<i>15.2</i>	<i>-3ppt</i>	<i>4ppt</i>	<i>9.5</i>	<i>14.1</i>	<i>4.7ppt</i>	
Depn and amort	(4.1)	(5.1)	(2.4)	-52.4	-41.2	(11.0)	(14.7)	33.7	
EBIT	49.4	50.6	43.7	-13.7	-11.6	142.2	165.2	16.1	
<i>EBIT margin (%)</i>	<i>10.3</i>	<i>16.5</i>	<i>14.4</i>	<i>-2.1ppt</i>	<i>4ppt</i>	<i>8.8</i>	<i>13.0</i>	<i>4.2ppt</i>	
Int expense	(2.9)	(2.4)	(2.3)	-4.3	-21.8	(11.0)	(9.5)	(13.4)	
Int and other inc	1.1	1.3	2.7	100.2	137.9	2.5	5.9	141.4	
EI	0.2	(6.7)	3.9	-158.2	1985.1	0.2	(3.3)	(2115.9)	Mainly unrealised forex gain/(loss)
Pretax profit	47.8	42.8	48.0	12.0	0.4	133.9	158.4	18.3	
Core pretax	47.6	49.6	44.1	-11.1	-7.5	133.7	161.7	20.9	
Tax	(10.7)	(9.2)	(8.9)	-3.8	-17.2	(27.9)	(32.8)	17.8	
<i>Tax rate (%)</i>	<i>22.4</i>	<i>21.5</i>	<i>18.5</i>	<i>-3.1ppt</i>	<i>-3.9ppt</i>	<i>20.8</i>	<i>20.7</i>	<i>-0.1ppt</i>	
MI	0.1	(0.7)	0.4	(165.7)	252.4	(1.9)	2.4	(229.7)	
Net profit/(loss)	37.2	32.9	38.7	17.4	3.9	104.1	123.1	18.2	
EPS (sen)	4.3	3.8	4.5	17.4	3.9	12.0	14.2	18.2	
Core net profit	37.0	39.7	34.7	-12.4	-6.2	104.0	126.4	21.5	Within our expectations at 104% of our estimates (at 106% of street's).

Source: Affin Hwang, Company



Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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