

RESULTS UPDATE

BUY (Maintained)

Closing Price RM 3.52
Target Price RM 4.15
Consensus Price RM 4.07

Stock Return Information

KLCI	1,586.6
Expected share price return (%)	17.9
Expected dividend return (%)	2.3
Expected total return (%)	20.2

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	720.6
Market Capitalisation (RM m)	2,536.5
52 Week High/Low Price	3.71/2.34
Avg Trading Volume (3-mth)	1,292,083
Est Free Float (%)	71.0
YTD Returns (%)	(1.4)
Beta (x)	0.6

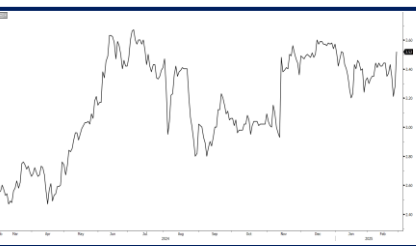
Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	5.39	3.48
3 mth	0.86	1.34
12 mth	38.04	35.77

Major Shareholders (%)

Palace Star	18.8
ABRDN	6.1
SUN Lead International Ltd	5.5

1-Year Share Price Performance



Analyst

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KELINGTON GROUP

Shining Brighter on Higher Margins and Tender Book

BLOOMBERG: KGRB MK | BURSA: KGB (0151)

KGB's CY24 earnings exceeded our expectations, mainly attributed to margin expansion from the UHP and Industrial Gases segments as well as an improvement in operational efficiency. We raised our CY25 earnings estimates by 7.4% on higher margins contribution. Aside from introducing our CY26 forecasts, we also expect an orderbook replenishment of RM1.2b in CY25 and we maintain our **BUY** call with a higher **TP** of **RM4.15 (+RM0.13)** by pegging an unchanged 21.0x target PER to our CY25F EPS. We continue to like KGB for its: 1) firm earnings growth potential, supported by increased job orders from the semiconductor industry, 2) overseas expansion of its industrial gas segment, and 3) stable income stream from its LCO₂ operations which could also help to shore up its dividend payouts. Key downside risks include: 1) project delays, 2) slower-than-expected contract wins, and 3) lower utilisation rate of its LCO₂ plant.

Earnings exceeds expectation. CY24 revenue met our expectations by making up 97.1% of our full year forecast while net profit surpassed our expectation by making up 111.9% of our full year forecast, mainly attributed to higher margins contribution from the Industrial Gases and UHP segments.

Y-o-Y. Revenue decreased by 36.4% to RM304.3m in 4QCY24, from RM478.8m in 4QCY23, mainly due to: 1) major projects under the UHP segment (-29.5%) in Singapore were either completed or near the completion stage, and 2) slower project progress in the General Contracting segment (-78.0%) in Malaysia. Still, the Industrial Gases segment stood out from the other segments to record a 15.9% growth to RM34.3m in 4QCY24 on resilient demand for LCO₂ in the local and export markets. PATAMI increased to RM38.7m in 4QCY24, from RM36.6m in 4QCY23 on expanding margin from the Industrial Gases segment.

Q-o-Q. Revenue decreased slightly by 1.0% as the increase in revenue contribution from the Equipment and Materials segment as well as the Process Engineering segments were offset by the UHP, General Contracting, and Industrial Gases segments. PATAMI, however, jumped by 17.4% on a reversal of impairment and the inclusion of RM6.7m in unrealised forex loss recorded in 3QCY24.

Dividend. The group declared a third interim dividend of 2.0 sen per share vs. 2.5 sen per share in 4QCY23.

Table 1: Historical Earnings and Forecasts

CYE Dec (RM m)	CY22	CY23	CY24(A)	CY25(F)	CY26(F)
Revenue	1,278.8	1,614.4	1,272.1	1,450.0	1,530.0
EBITDA	86.2	154.5	188.5	212.1	240.4
EBITDA margin (%)	6.7	9.6	14.8	14.6	15.7
PBT	74.4	133.9	158.4	179.0	203.4
PBT margin (%)	5.8	8.3	12.4	12.3	13.3
PATAMI	55.8	104.1	123.1	142.3	162.1
PATAMI margin (%)	4.4	6.5	9.7	9.8	10.6
EPS (sen)	7.7	14.5	17.1	19.8	22.5
Earnings growth (%)	92.5	86.8	18.2	15.7	13.9
PER (x)	45.5	24.4	20.6	17.8	15.6
DPS (sen)	2.5	4.0	8.0	8.2	8.2
Dividend yield (%)	0.7	1.1	2.3	2.3	2.3
ROE (%)	22.9	30.8	26.0	25.5	24.6
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	10.6	7.6	5.4	4.6	3.8

Source: Company, Inter-Pacific Research

Forecasts. We revised our CY25 revenue forecast down by 4.6% on potentially slower-than-expected project progress but raised our CY25 earnings by 7.4% after taking into account higher margin assumptions.

Outlook. The group concluded CY24 by securing RM1.1b worth of new orders along with securing a further RM230.0m in contracts in January and February 2025. As of 4QCY24, the group's outstanding order book stands at RM1.27b, with the UHP segment accounting for 71.0% of the total. German and Singapore projects dominate the RM4.2b tender book as of 4QCY24, reflecting the continued strength of the semiconductor market in Europe and Southeast Asia. In terms of business expansion plan, the group is: 1) in the process of establishing a subsidiary in Thailand to cater the growing demand for fab expansion in the country, and 2) tendering for UHP projects and aiming to be a first mover in the Indian market.

In the Industrial Gases segment, LCO₂ Plants 1 and 2 operated at an overall utilisation rate of 60.0% in CY24. Revenue contribution from this segment is expected to increase in CY25 as higher utilisation rates follow the resolution of power supply issues, maintaining its position as the group's second-largest revenue stream.

Looking forward, KGB's outlook remains strong, driven by: 1) potentially higher winning rate in securing German and Singapore projects, 2) participating in few data centres projects in Malaysia by leveraging its mechanical engineering expertise, 3) higher revenue contribution from the Industrial Gases segment on resilient LCO₂ demand, and 4) exploring business opportunities in CCUS solutions as well as UHP projects in Thailand and Indian markets.

Table 2: Quarterly Results Comparison

CYE Dec (RM m)	4QCY24	4QCY23	YoY	3QCY24	QoQ	CY24	CY23	YoY
			%		%			%
Revenue	304.3	478.8	(36.4)	307.3	(1.0)	1,272.1	1,614.4	(21.2)
Gross Profit	67.7	86.2	(21.5)	70.1	(3.4)	246.2	229.5	7.3
PBT	48.0	47.8	0.4	42.8	12.0	158.4	133.9	18.3
PATAMI	38.7	36.6	5.6	32.9	17.4	123.1	104.1	18.2
EPS (sen)	5.5	5.8	(4.1)	4.8	14.4	18.2	16.2	12.8
			ppt		ppt			ppt
GP margin (%)	30.4	25.9	4.5	31.3	(0.8)	30.8	24.0	6.9
PBT margin (%)	20.4	19.0	1.4	20.9	(0.5)	20.6	17.4	3.2
PATAMI margin (%)	17.3	15.0	2.3	17.4	(0.0)	17.4	14.0	3.4

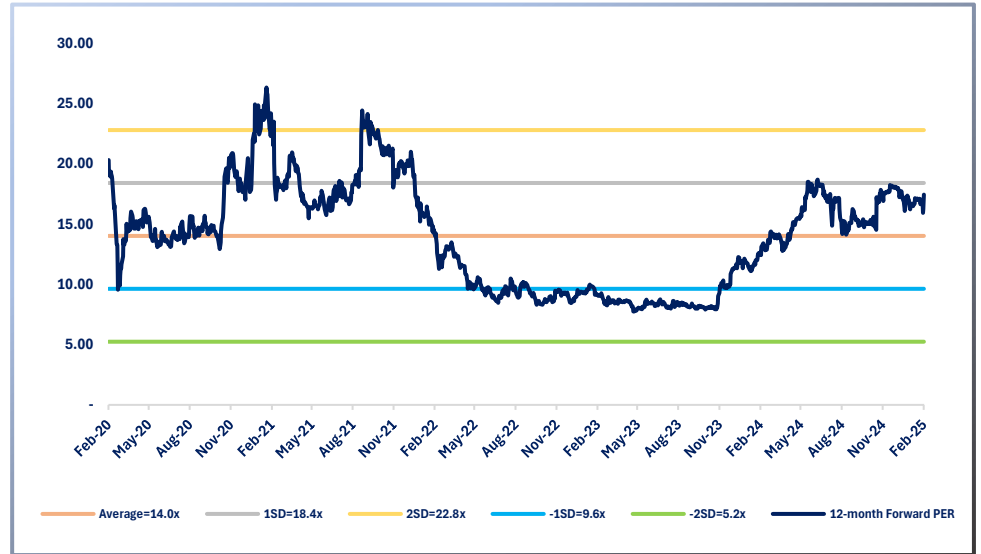
Source: Company, Inter-Pacific Research

Table 3: Segmental Revenue Breakdown

CYE Dec (RM m)	4QCY24	4QCY23	YoY	3QCY24	QoQ	CY24	CY23	YoY
			%		%			%
Revenue			%		%			%
Ultra high purity	209.0	296.3	(29.5)	216.2	(3.3)	852.8	1,023.4	(16.7)
Process engineering	27.5	32.4	(15.0)	19.2	42.9	85.5	123.9	(31.0)
General contracting	23.6	107.3	(78.0)	32.8	(28.1)	184.6	360.3	(48.8)
Industrial gas	34.3	29.6	15.9	39.4	(12.8)	145.0	114.0	27.3
Equipment and materials	27.4	56.8	(51.8)	11.7	134.8	70.1	107.3	(34.6)
Services	-	-	-	-	-	-	0.5	(100.0)
Less: Consolidated Adjustments	(17.5)	(43.6)	-	(12.0)	-	(66.0)	(114.9)	-
Total	304.3	478.8	(36.4)	307.3	(1.0)	1,272.1	1,614.4	(21.2)

Source: Company, Inter-Pacific Research

Figure 1: Kelington Group's 12-Month Forward PER



Source: Bloomberg, Inter-Pacific Research

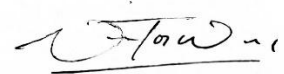
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Signed



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

Stock Ratings are defined as follows:

Stock Recommendations

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

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		

Published by



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