

## RESULTS UPDATE

### BUY (Maintained)

Closing Price	RM 3.45
Target Price	RM 4.15
Consensus Price	RM 4.20

#### Stock Return Information

KLCI	1,508.4
Expected share price return (%)	20.3
Expected dividend return (%)	2.5
Expected total return (%)	22.8

#### Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	733.2
Market Capitalisation (RM m)	2,529.6
52 Week High/Low Price	3.71/2.60
Avg Trading Volume (3-mth)	1,688,548
Est Free Float (%)	71.9
YTD Returns (%)	(3.4)
Beta (x)	0.8

#### Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	1.47	3.68
3 mth	0.88	4.89
12 mth	9.52	15.06

#### Major Shareholders (%)

Palace Star	18.4
Aberdeen Group PLC	14.8
EPF	6.7

#### 1-Year Share Price Performance



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## KELINGTON GROUP

### Solid Growth Outlook

BLOOMBERG: KGRB MK | BURSA: KGB (0151)

KGB's earnings slowed in 1QCY25 due to softer revenue recognition, in line with seasonal trends. Encouragingly, the group secured RM390.0m in new contract wins during the quarter (+66.0% Y-o-Y), reflecting sustained strong order momentum, while the group's long-term outlook remains supported by a robust RM1.43b order book, an expanding c.RM5.0b tender pipeline as well as the continued growth of its high-margin Advanced Engineering segment (formerly known as UHP). With that, we maintain our **BUY** recommendation on KGB with the same **TP** of **RM4.15** by pegging an unchanged target PER of 21.0x 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 gases segment, and 3) stable income stream from its LCO<sub>2</sub> 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 LCO<sub>2</sub> plant.

**Within expectations.** KGB's 1QCY25 revenue and PATAMI accounted for 18.6% and 18.7% of our CY25 forecast respectively. We view the results as broadly in line with our expectations, given that the 1Q is seasonally weaker in terms of revenue recognition. This is also consistent with historical trends where 1Q typically contributes 15%–20% of full year earnings.

**Y-o-Y.** Revenue decreased 20.3% to RM270.3m in 1QCY25, from RM339.3m in the previous corresponding period, primarily due to a 47.3% drop in revenue from Malaysia as several major projects nearing completion led to a gradual reduction in revenue recognition, though Singapore operations posted a 7.7% increase, driven by higher contributions from Advanced Engineering projects. Despite the lower revenue, PATAMI improved 7.3% to RM26.6m, from RM24.8m, supported by a higher gross profit margin of 18.0%, up from 15.6% previously, benefitting from a better revenue mix, a more favourable project portfolio as well as stable contributions from the Industrial Gases segment.

**Q-o-Q.** Revenue declined 11.2% compared to the preceding quarter due to lower contributions from both Malaysia and Singapore, while PATAMI also dropped 33.3% with gross profit margin narrowing to 18.0%, from 22.2%, due to lower revenue recognition from higher-margin Advanced Engineering projects.

**Dividend.** KGB declared a first interim dividend of 2.5 sen per share for 1QCY25, higher than the 2.0 sen per share declared in 1QCY24.

**Forecast.** We maintain our CY25/CY26 earnings estimates.

**Table 1: Historical Earnings and Forecasts**

CYE Dec (RM m)	CY22	CY23	CY24	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
PAT	58.5	106.0	125.5	142.3	162.1
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)	7.6	14.2	16.8	19.4	22.1
Earnings growth (%)	92.5	86.8	18.2	15.7	13.9
PER (x)	45.4	24.3	20.6	17.8	15.6
DPS (sen)	2.5	4.0	8.0	8.5	8.5
Dividend yield (%)	0.7	1.2	2.3	2.5	2.5
ROE (%)	22.9	30.8	26.0	25.6	24.6
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	10.6	7.6	5.3	4.5	3.8

Source: Company, Inter-Pacific Research

**Outlook.** We remain optimistic on KGB's growth prospects, underpinned by an outstanding orderbook of RM1.43b as at 31 March, 2025 with high-margin Advanced Engineering projects amounting to 64.6% of its orderbook. The group's tender pipeline also remains robust despite ongoing trade uncertainties, standing at approximately RM5.0b as of mid-May. Notably, the European market leads with RM1.5b in tenders for Advanced Engineering projects in Germany. We believe this segment will continue to benefit from the global expansion of semiconductor wafer fabrication plants, driven by rising demand from artificial intelligence (AI) applications and data centres.

In the Industrial Gases segment, demand for LCO<sub>2</sub> remains stable, particularly from the food and beverage sector. Meanwhile, the group is actively exploring business opportunities in Carbon Capture, Utilisation and Storage (CCUS) solutions, aiming to leverage its expertise in capturing and purifying industrial CO<sub>2</sub> emissions. In May, KGB signed an MoU with Masteel and UTAR to jointly conduct a feasibility study on CO<sub>2</sub> capture technologies for steel manufacturing, where the group will contribute its technical expertise in CO<sub>2</sub> capture and storage solutions. Backed by regulatory support such as Malaysia's carbon tax roadmap and the National Energy Transition Roadmap (NETR), the group is well-positioned to tap into long-term growth opportunities in this emerging sector.

**Table 2: Quarterly Results Comparison**

CYE Dec (RM m)	1QCY25	1QCY24	YoY	4QCY24	QoQ
			%		%
Revenue	270.3	339.3	(20.3)	304.4	(11.2)
Gross profit	48.6	52.9	(8.3)	67.7	(28.3)
PBT	34.2	32.7	4.5	48.4	(29.3)
PAT	26.6	25.6	3.9	40.4	(34.0)
PATAMI	26.6	24.8	7.3	39.9	(33.3)
			ppt		ppt
GP margin (%)	18.0	15.6	2.4	22.2	(4.3)
PBT margin (%)	12.7	9.6	3.0	15.9	(3.2)
PAT margin (%)	9.9	7.6	2.3	13.3	(3.4)
PATAMI margin (%)	9.9	7.3	2.5	13.1	(3.3)

Source: Company, Inter-Pacific Research

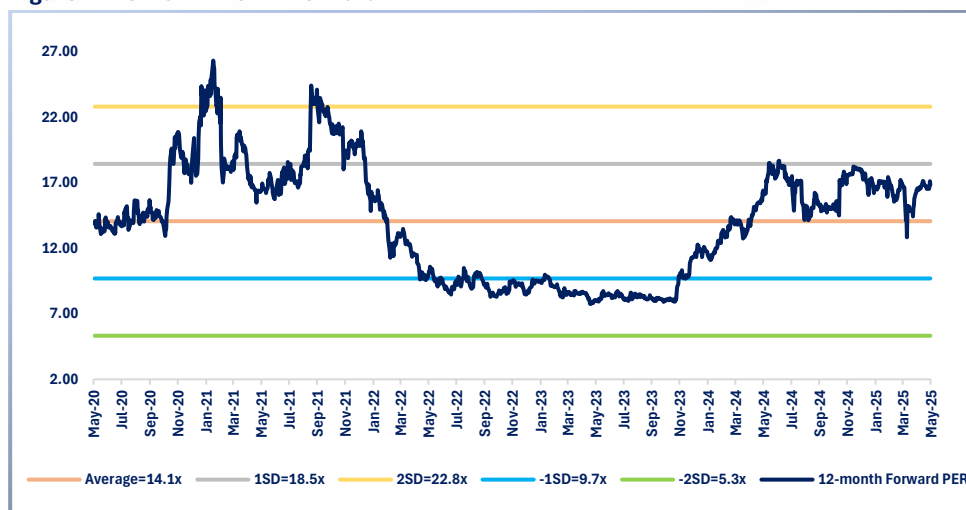
**Table 3: Segmental Revenue Breakdown**

CYE Dec (RM m)	1QCY25	1QCY24	YoY	4QCY24	QoQ
			%		%
Advanced Engineering *	199.5	205.5	(2.9)	209.0	(4.5)
Process Engineering	9.1	21.4	(57.2)	27.5	(66.7)
General Contracting	25.6	70.0	(63.5)	23.6	8.4
Equipment and Materials	9.0	16.2	(44.1)	27.4	(67.0)
Industrial Gases	33.6	44.3	(24.1)	34.3	(2.2)
Less: Consolidated Adjustments	(6.5)	(18.1)	-	(17.5)	-
<b>Total</b>	<b>270.3</b>	<b>339.3</b>	<b>(20.3)</b>	<b>304.3</b>	<b>(11.2)</b>

\*Ultra-High Purity (UHP) segment has been renamed to Advanced Engineering to better reflect the expanded scope of offerings.

Source: Company, Inter-Pacific Research

**Figure 1: KGB's 12-Month Forward PER**



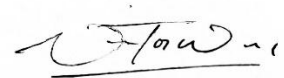
Source: Bloomberg, Inter-Pacific Research

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**Signed****Victor Wan Kum Seng**

Head of Research

Inter-Pacific Research Sdn Bhd

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

**Abbreviation**

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

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