

"On track for another strong year"

Share price performance



	1M	3M	12M
Absolute (%)	8.4	35.4	36.2
Rel KLCI (%)	3.8	31.3	39.9

	BUY	HOLD	SELL
Consensus	5	-	-

Source: Bloomberg

Stock Data

Sector	Technology
Issued shares (m)	758.5
Mkt cap (RMm)/(US\$m)	3511.7/831.4
Avg daily vol - 6mth (m)	2.0
52-wk range (RM)	2.60-4.72
Est free float	72.5%
Stock Beta	0.81
Net cash/(debt)	349.4
ROE (2025E)	29.1%
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	17.9%
Abrdn plc	13.4%
Sun Lead	5.2%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

Kevin Low

T (603) 2146 7479

E kevin.low@affingroup.com

Kelington Group (KGRB MK)

BUY (maintain)

Up/Downside: +18%

Price Target: RM5.45

Previous Target (Rating): RM4.63 (BUY)

Focusing on the bottomline

- **6M25 core net profit grew 14% yoy, within our expectations**
- **Project mix and higher contribution from the higher-margin Advance Engineering segment driving margin expansion**
- **Maintain BUY with a higher 12-month TP of RM5.45**

6M25 core earnings rose 14%, results within our expectations

Kelington's 6M25 core net profit grew 14% yoy to RM59m, despite a decline in revenue (-16% yoy). Contribution from the higher-margin Advanced Engineering segment, which accounted for 70% of revenue (up from 65% a year ago), aided margin expansion. 6M25 EBITDA margin improved 2.9ppts yoy to 14.7%. That said, the Advance Engineering segment saw a slight decline in 6M25 revenue (-10% yoy), as a result of the completion of jobs. However, we believe this was only due to a timing difference as the project win momentum continued to be strong. For 6M25, new project wins amounted to RM549m (RM390m in 1Q25) while its outstanding order book stood at RM1.33bn (1Q25: RM1.43bn). Industrial gases, which accounted for 11% of revenue, saw a slight decline of 23% yoy due to softer demand for some specialty gases and project related work but sales of liquid carbon dioxide remained strong and grew compared to 6M24. Overall, 6M25 core net profit came in at 39% of our and the consensus' full-year forecasts. We deem this to be within expectations as 2H is typically seasonally stronger.

2Q25 margins expand qoq

Sequentially, 2Q25 revenue and core net profit improved by 4% and 18% respectively. Except for China, revenue was higher across most regions. The EBITDA margin further improved to 15.1% (+0.8ppt qoq). Management attributed this to its pursuit of higher-margin projects, although this was also due to the strong pipeline of opportunities, thus allowing the group to be selective in jobs undertaken.

Maintain BUY and higher TP of RM5.45

We make some housekeeping adjustments leading to 0.1-0.5% changes to our FY25-27E EPS. Our revised TP of RM5.45 (previously RM4.63) is based on a higher target P/E of 27x (previously 23x) on fully diluted 2026E EPS inclusive of its warrants. We believe the higher P/E target is largely justified by the strong growth and transformation in KGB's orderbook and hence earnings (KGB's revenue has grown 3x over 2020-2024 whilst its EBITDA margin doubled to 14.6%). KGB continues to benefit from deglobalization and is well-positioned to benefit from wafer fab new builds and onshoring activities globally. 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	1,272.2	1,248.4	1,424.1	1,562.5
EBITDA (RM m)	154.6	180.3	215.9	244.4	266.1
Pretax profit (RM m)	133.9	158.8	194.8	225.6	248.2
Net profit (RM m)	104.1	124.3	151.8	175.9	193.4
EPS (sen)	11.9	14.3	17.4	20.2	22.2
PER (x)	38.8	32.5	26.6	23.0	20.9
Core net profit (RM m)	105.3	127.7	151.8	175.9	193.4
Core EPS (sen)	12.1	14.6	17.4	20.2	22.2
Core EPS chg (%)	84.7	21.2	18.9	15.8	10.0
Core PER (x)	38.3	31.6	26.6	23.0	20.9
DPS (sen)	3.0	6.4	5.2	6.1	6.7
Dividend Yield (%)	0.7	1.4	1.1	1.3	1.4
EV/EBITDA (x)	25.5	21.1	17.3	14.9	13.3
Chg in EPS (%)			+0.5	+0.2	+0.1
Affin/Consensus (x)			1.0	1.0	1.0

Source: Company, Affin Hwang estimates

Fig 1: Results Comparison

FYE 31 Dec (RMm)	2Q24	1Q25	2Q25	QoQ	YoY	6M24	6M25	YoY	Comments
				% chg	% chg			% chg	
Revenue	321.2	270.3	282.0	4.3	-12.2	660.5	552.3	(16.4)	Weaker due to the timing differences of revenue recognition for projects
Op costs	(281.2)	(231.6)	(239.5)	3.4	-14.9	(582.4)	(471.0)	(19.1)	
EBITDA	40.0	38.7	42.5	9.8	6.5	78.0	81.3	4.1	
<i>EBITDA margin (%)</i>	<i>12.4</i>	<i>14.3</i>	<i>15.1</i>	<i>0.8ppt</i>	<i>2.6ppt</i>	<i>11.8</i>	<i>14.7</i>	<i>2.9ppt</i>	Focus remains on higher-margin UHP projects
Depn and amort	(3.7)	(3.9)	0.0	-100.0	-100.0	(7.2)	(3.9)	(45.7)	
EBIT	36.3	34.8	42.5	-21.9	0.8	70.8	77.3	9.2	
<i>EBIT margin (%)</i>	<i>11.3</i>	<i>12.9</i>	<i>15.1</i>	<i>-1.8ppt</i>	<i>2.7ppt</i>	<i>10.7</i>	<i>14.0</i>	<i>3.3ppt</i>	
Int expense	(2.4)	(2.2)	(2.2)	0.6	-8.8	(4.8)	(4.3)	(9.5)	
Int and other inc	1.1	2.0	0.0	-100.0	-100.0	2.0	2.0	0.6	
EI	(0.2)	(0.4)	1.0	-336.6	-550.0	(0.4)	0.6	(228.7)	Mainly unrealised forex gain/(loss)
Pretax profit	34.8	34.2	41.3	20.8	18.7	67.6	75.6	11.8	
Core pretax	35.1	34.6	40.4	16.6	15.2	68.0	75.0	10.3	
Tax	(7.7)	(7.6)	(8.5)	-14.7	6.9	(14.7)	(16.0)	8.6	
<i>Tax rate (%)</i>	<i>22.0</i>	<i>22.1</i>	<i>20.5</i>	<i>-1.7ppt</i>	<i>-1.6ppt</i>	<i>21.8</i>	<i>21.2</i>	<i>-0.6ppt</i>	
MI	(0.5)	0.0	(0.0)	-125.0	-99.8	(1.3)	0.0	(100.2)	
Net profit/(loss)	26.7	26.6	32.9	23.4	23.3	51.5	59.5	15.6	
EPS (sen)	3.1	3.1	3.8	23.4	23.3	5.9	6.8	15.6	
Core net profit	26.9	27.1	31.9	18.0	18.8	51.9	59.0	13.6	Within our expectations at 39% of our and street's FY25 estimates

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

This report is intended for information purposes only and has been prepared by Affin Hwang Investment Bank Berhad (14389-U) ("the Company") based on sources believed to be reliable and is not to be taken in substitution for the exercise of your judgment. You should obtain independent financial, legal, tax or such other professional advice, when making your independent appraisal, assessment, review and evaluation of the company/entity covered in this report, and the extent of the risk involved in doing so, before investing or participating in any of the securities or investment strategies or transactions discussed in this report. However, such sources have not been independently verified by the Company, and as such the Company does not give any guarantee, representation or warranty (expressed or implied) as to the adequacy, accuracy, reliability or completeness of the information and/or opinion provided or rendered in this report. Facts, information, estimates, views and/or opinion presented in this report have not been reviewed by, may not reflect information known to, and may present a differing view expressed by other business units within the Company, including investment banking personnel and the same are subject to change without notice. Reports issued by the Company, are prepared in accordance with the Company's policies for managing conflicts of interest. Under no circumstances shall the Company, be liable in any manner whatsoever for any consequences (including but are not limited to any direct, indirect or consequential losses, loss of profit and damages) arising from the use of or reliance on the information and/or opinion provided or rendered in this report. Under no circumstances shall this report be construed as an offer to sell or a solicitation of an offer to buy any securities. The Company its directors, its employees and their respective associates may have positions or financial interest in the securities mentioned therein. The Company, its directors, its employees and their respective associates may further act as market maker, may have assumed an underwriting commitment, deal with such securities, may also perform or seek to perform investment banking services, advisory and other services relating to the subject company/entity, and may also make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report. The Company, its directors, its employees and their respective associates, may provide, or have provided in the past 12 months investment banking, corporate finance or other services and may receive, or may have received compensation for the services provided from the subject company/entity covered in this report. No part of the research analyst's compensation or benefit was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. Employees of the Company may serve as a board member of the subject company/entity covered in this report.

Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

Copyright © 2023 Sustainability. All rights reserved.

This report contains information developed by Sustainability. Such information and data are proprietary of Sustainability and/or its third-party suppliers (Third-Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at <https://www.sustainability.com/legal-disclaimers>.

This report, or any portion thereof may not be reprinted, sold or redistributed without the written consent of the Company.

This report is printed and published by:
Affin Hwang Investment Bank Berhad (14389-U)
A Participating Organisation of Bursa Malaysia Securities Berhad

Level 32, Menara AFFIN,
Lingkaran TRX,
55188 Kuala Lumpur, Malaysia.

T : + 603 2142 3700
F : + 603 2146 7630
ahib.researchteam@affingroup.com

www.affinhwang.com

