

## RESULTS UPDATE

### BUY (Maintained)

<b>Closing Price</b>	<b>RM 4.63</b>
<b>Target Price</b>	<b>RM 5.38</b>
<b>Consensus Price</b>	<b>RM 4.88</b>

#### Stock Return Information

KLCI	1,592.9
Expected share price return (%)	16.2
Expected dividend return (%)	2.2
Expected total return (%)	18.4

#### Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	758.5
Market Capitalisation (RM m)	3,511.7
52 Week High/Low Price	4.83/2.60
Avg Trading Volume (3-mth)	2,189,485
Est Free Float (%)	72.5
YTD Returns (%)	35.0
Beta (x)	0.8

#### Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	10.24	5.40
3 mth	36.58	32.27
12 mth	43.79	46.76

#### Major Shareholders (%)

Palace Star	18.4
Aberdeen Group PLC	14.8
EPF	6.7

#### 1-Year Share Price Performance



#### Analyst

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## KELINGTON GROUP

### Strong Tender Pipeline Unlocks New Opportunities

BLOOMBERG: KGRB MK | BURSA: KGB (0151)

KGB's 1HCY25 revenue and earnings came in below expectations, accounting for only 38.1%/41.8% of our previous full-year forecast. The shortfall was mainly due to a project transition phase in the Advanced Engineering segment which is the group's key revenue contributor. Nevertheless, we remain optimistic on KGB prospects, underpinned by: 1) the project transition phase, which is expected to conclude by 2Q2025, 2) its sizeable tenderbook pipeline from Germany, India and potentially Japan, and 3) margin expansion that is expected to beef up bottom line. With that, we maintain our **BUY** recommendation on KGB with higher **TP of RM5.38 (+RM0.88)** by pegging an upwardly revised target PER of 25.0x (from 21.0x) to our CY26F 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> plants.

**Y-o-Y.** Revenue in 2QCY25 decreased by 12.2% to RM282.0m, from RM321.3m, on weakness across most of its business segments. The drop was mainly due to: 1) lower revenue recognition in the Advanced Engineering segment due to timing differences in project recognition, and 2) weaker sales contributions from the Industrial Gas segment on softer demand. On a positive note, the improvement in the Singapore market partially cushioned the revenue decline in the Advanced Engineering segment with contributions from the completion of several projects in 2QCY25. The General Contracting segment, however, was the only segment to record positive revenue growth, supported by recognition from newly awarded projects in Malaysia. Despite the weaker revenue, margin expansion from a more favorable project mix lifted PATAMI margin to 11.7% (from 8.3% in 2QCY24) and resulted in a 23.3% increase in PATAMI to RM32.9m.

**Q-o-Q.** Revenue growth was at 4.3% in 2QCY25, driven by contributions from the Process Engineering and General Contracting segments, which helped offset lower revenue recognition from the Advanced Engineering and Industrial Gas segments. KGB delivered a double-digit PATAMI margin in 2QCY25, marking a recovery from the seasonally weaker 1QCY25.

**Dividend.** The group declared a second interim dividend of 2.5 sen vs. 2.0 sen dividend declared in 2QCY24.

**Table 1: Historical Earnings and Forecasts**

CYE Dec (RM m)	CY22	CY23	CY24	CY25(F)	CY26(F)
Revenue	1,278.8	1,614.4	1,272.2	1,427.8	1,534.2
EBITDA	86.2	154.5	184.1	212.6	240.3
EBITDA margin (%)	6.7	9.6	14.5	14.9	15.7
PBT	74.4	133.9	158.8	181.0	204.9
PAT	58.5	106.0	126.8	143.9	163.3
PATAMI	55.8	104.1	124.3	143.9	163.3
PATAMI margin (%)	4.4	6.5	9.8	10.1	10.6
EPS (sen)	7.4	13.7	16.4	19.0	21.5
Earnings growth (%)	92.5	86.8	19.4	15.7	13.5
PER (x)	63.0	33.7	28.2	24.4	21.5
DPS (sen)	2.5	4.0	8.0	10.0	10.0
Dividend yield (%)	0.5	0.9	1.7	2.2	2.2
ROE (%)	22.9	30.8	26.3	26.6	26.0
Net gearing ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	14.7	10.6	7.4	6.5	5.6

Source: Company, Berjaya Research

**Forecast.** We trim our CY25 revenue forecast by 1.5% on housekeeping adjustments and expect revenue recognition to normalise in the upcoming quarters. However, we raise our CY25 PATAMI forecast by 1.1% on improved margin assumptions. Meanwhile, we made a slight upward revision to our CY26 revenue and PATAMI forecasts by 0.3%/0.7%.

**Outlook.** We maintain our bullish outlook on KGB, underpinned by its resilient orderbook of RM1.33b as at 1HCY25, with the Advanced Engineering segment (RM882.0m) dominating its orders. The group is also equipped with a sizeable tenderbook of RM5.4b, led by Europe at RM2.4b, followed by India at RM1.1b. We believe the recently secured German semiconductor hook-up project worth RM146.0m–RM244.0m (in early August 2025) will drive its Advanced Engineering segment growth over the next two years, with further upside potential should the German client ramps up capacity by 2027. Meanwhile, India's tenderbook surged to RM1.1b (from RM292.0m in 1QCY25), and the group has successfully incorporated a Japan subsidiary, enabling participation in new tenders. Overall, we see KGB benefitting from market share gains in Europe, India, and Japan, as the U.S.-China semiconductor restrictions could weigh on growth prospects in China.

Across the Industrial Gases segment, the group registered an overall utilisation rate of 63% at its LCO<sub>2</sub> plants. While only minimal revenue growth is expected for this segment in CY25, resilient demand from Indonesia is likely to cushion softer demand from Australia and New Zealand, alongside ASP adjustments for LCO<sub>2</sub>.

Table 2: Quarterly Results Comparison

CYE Dec (RM m)	2QCY25	2QCY24	YoY	1QCY25	QoQ	1HCY25	1HCY24	YoY
			%		%			%
Revenue	282.0	321.2	(12.2)	270.3	4.3	552.3	660.5	(16.4)
Gross Profit	65.0	55.5	17.1	48.6	33.7	113.5	108.4	4.7
PBT	41.3	34.8	18.7	34.2	20.8	75.6	67.6	11.8
PATAMI	32.9	26.7	23.3	26.7	23.2	59.6	51.5	15.7
EPS (sen)	4.5	4.0	12.9	3.8	18.0	8.2	7.8	5.2
			ppt		ppt			ppt
GP margin (%)	23.0	17.3	5.8	18.0	5.1	20.6	16.4	4.1
PBT margin (%)	14.7	10.8	3.8	12.7	2.0	13.7	10.2	3.5
PATAMI margin (%)	11.7	8.3	3.4	9.9	1.8	10.8	7.8	3.0

Source: Company, Berjaya Research

Table 3: Segmental Revenue Breakdown

CYE Dec (RM m)	2QCY25	2QCY24	YoY	1QCY25	QoQ	1HCY25	1HCY24	YoY
			%		%			%
Advanced engineering	185.0	220.4	(16.1)	199.5	(7.2)	384.5	426.0	(9.7)
Process engineering	16.6	17.4	(4.6)	9.1	81.7	25.8	38.8	(33.6)
General contracting	53.3	49.9	6.7	25.6	108.5	78.9	120.0	(34.3)
Industrial gas	29.0	36.9	(21.3)	33.6	(13.5)	62.6	81.2	(22.8)
Equipment and materials	4.0	15.0	(73.5)	9.0	(56.1)	13.0	31.1	(58.2)
Less: Consolidated Adjustments	(5.9)	(18.4)	-	(6.5)	-	(12.5)	(36.5)	-
Total	282.0	321.2	(12.2)	270.3	4.3	552.3	660.5	(16.4)

Source: Company, Berjaya Research

Figure 1: KGB's 12-Month Forward PER



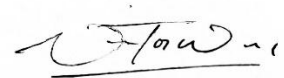
Source: Bloomberg, Berjaya Research

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**Signed**

**Victor Wan Kum Seng**  
Executive Director  
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#### Stock Recommendations

<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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