

"Record margins spurred by favourable environment"

Share price performance



	1M	3M	12M
Absolute (%)	-0.9	14.9	55.9
Rel KLCI (%)	-1.2	13.4	53.1

	BUY	HOLD	SELL
Consensus	4	2	-

Source: Bloomberg

Stock Data

Sector	Technology
Issued shares (m)	777.5
Mkt cap (RMm)/(US\$m)	4315/1042
Avg daily vol - 6mth (m)	2.6
52-wk range (RM)	2.60-5.88
Est free float	73.1%
Stock Beta	0.88
Net cash/(debt)	300.9
ROE (2026E)	31.5%
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	17.4%
Sun Lead	5.1%
Abrdn plc	5.0%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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Kelington Group (KGRB MK)

BUY (maintain)

Up/Downside: +20%

Price Target: RM6.65

Previous Target (Rating): RM5.45 (BUY)

Margin expansion despite growing orderbook

- **3Q25 EBITDA margin at 18.3% is a record high. 9M25 DPS of 9 sen exceeds our forecast; we raise our DPS forecast**
- **9M25 results within expectations, expect a stronger 4Q25 backed by its growing orderbook of RM1.64bn (6M25: RM1.33bn)**
- **Maintain BUY with a higher 12-month TP of RM6.65**

3Q25 core profit jumps 35% qoq

Sequentially, 3Q25 revenue and core net profit improved by 12% and 35% respectively driven by improvement across all geographical regions. Because of the revenue mix and operating leverage, the EBITDA margin further improved to 18.3% (+2.5ppt qoq). We think that countries undergoing onshoring activities are providing Kelington with opportunities and this also allows management to cherry pick the jobs undertaken and focus on higher-margin projects.

9M25 core earnings rose 13% yoy, results within our expectations

Kelington's 9M25 core net profit grew 12.5% yoy to RM102m aided by margin expansion as revenue fell (-10% yoy). The 9M25 EBITDA margin improved 2.5ppts yoy to 16.2% underpinned by stronger revenue contribution from the higher-margin Advanced Engineering segment, which accounted for 68% of revenue (up from 67% a year ago). New project wins amounted to RM591m for 3Q25 (RM159m in 2Q25) and RM1.1bn for 9M25 (RM999m for 9M24). Outstanding order book thus rose to RM1.64bn (2Q25: RM1.33bn). Overall, 9M25 core net profit came in at 67% of our and consensus' full-year forecasts which we deem as within expectations as we anticipate 4Q to be stronger, against its larger orderbook.

Maintain BUY with higher 12-month TP of RM6.65

KGB's stock price and PE multiples have continued to re-rate over the past 12 months, which we believe was underpinned by KGB's strong orderbook and hence its earnings outlook and also propped by the strong sentiment on the overall tech sector. We remain positive on KGB's long-term prospects which continue to be underpinned by deglobalization as it is well-positioned to benefit from wafer fab new builds and onshoring activities globally. Reflecting KGB's likely strong revenue growth and margin expansion, we raise our target P/E to 33x (previously 27x) and lift our TP to RM6.65 on fully diluted 2026E EPS inclusive of its warrants. We deem the higher target PE as fair given that we have ascribed higher PE multiples for leaders in their respective market segments like Frontken (43x; FRCB MK, RM4.28, BUY) and Vitrox (55x; VITRO MK, RM4.32, BUY). 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	1,249.4	1,425.2	1,563.6
EBITDA (RM m)	154.6	180.3	216.2	244.7	266.5
Pretax profit (RM m)	133.9	158.8	195.1	225.6	247.6
Net profit (RM m)	104.1	124.3	152.1	175.8	193.0
EPS (sen)	11.9	14.3	17.4	20.2	22.1
PER (x)	46.5	38.9	31.8	27.5	25.1
Core net profit (RM m)	105.3	127.7	152.1	175.8	193.0
Core EPS (sen)	12.1	14.6	17.4	20.2	22.1
Core EPS chg (%)	84.7	21.2	19.1	15.6	9.8
Core PER (x)	45.9	37.9	31.8	27.5	25.1
DPS (sen)	4.0	8.0	11.3	13.1	14.4
Dividend Yield (%)	0.7	1.4	2.0	2.4	2.6
EV/EBITDA (x)	30.7	25.5	21.2	18.7	17.0
Chg in EPS (%)			+0.2	-0.0	-0.2
Affin/Consensus (x)			1.03	0.97	0.93

Source: Company, Affin Hwang estimates

Fig 1: Results Comparison

FYE 31 Dec (RMm)	3Q24	2Q25	3Q25	QoQ	YoY	9M24	9M25	YoY	Comments
				% chg	% chg			% chg	
Revenue	307.3	282.0	316.4	12.2	2.9	967.8	868.7	(10.2)	Weaker due to the timing differences of revenue recognition for projects
Op costs	(252.4)	(237.6)	(258.5)	8.8	2.4	(834.8)	(727.6)	(12.8)	
EBITDA	54.9	44.4	57.9	30.3	5.3	133.0	141.0	6.1	
<i>EBITDA margin (%)</i>	<i>17.9</i>	<i>15.8</i>	<i>18.3</i>	<i>2.5ppt</i>	<i>0.4ppt</i>	<i>13.7</i>	<i>16.2</i>	<i>2.5ppt</i>	Margin improvement due to revenue mix as focus remained on higher-margin UHP projects
Deprn and amort	(5.1)	(4.0)	(4.0)	-1.2	-22.1	(12.3)	(11.9)	(3.4)	
EBIT	49.8	40.4	53.9	33.4	8.2	120.7	129.1	7.0	
<i>EBIT margin (%)</i>	<i>16.2</i>	<i>14.3</i>	<i>17.0</i>	<i>2.7ppt</i>	<i>0.8ppt</i>	<i>12.5</i>	<i>14.9</i>	<i>2.4ppt</i>	
Int expense	(2.4)	(2.2)	(1.9)	-12.0	-20.9	(7.2)	(6.2)	(13.3)	
Int and other inc	1.3	2.1	2.2	5.0	68.0	3.3	6.3	92.6	
EI	(5.9)	1.0	(2.0)	-307.3	-66.4	(6.4)	(1.4)	(77.4)	Mainly unrealised forex gain/(loss)
Pretax profit	42.8	41.3	52.2	26.4	22.0	110.4	127.8	15.8	
Core pretax	48.8	40.4	54.2	34.3	11.2	116.8	129.2	10.7	
Tax	(9.2)	(8.5)	(11.1)	31.3	20.3	(24.0)	(27.1)	13.1	
<i>Tax rate (%)</i>	<i>21.5</i>	<i>20.5</i>	<i>21.2</i>	<i>0.8ppt</i>	<i>-0.3ppt</i>	<i>21.7</i>	<i>21.2</i>	<i>-0.5ppt</i>	
MI	(0.7)	(0.0)	0.0	-100.0	-100.0	(2.0)	0.0	(100.2)	
Net profit/(loss)	32.9	32.9	41.1	25.1	25.0	84.4	100.7	19.3	
EPS (sen)	3.8	3.8	4.7	25.1	25.0	9.7	11.5	19.3	
Core net profit	38.9	31.9	43.1	35.1	11.0	90.8	102.1	12.5	Within expectations at 67% and 69% 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

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