KELINGTON GROUP

Driving Core Business Through High-Value Tenders

BLOOMBERG: KGRB MK | BURSA: KGB (0151)

RESULTS UPDATE

NEUTRAL (Maintained)

Closing Price	**RM 5.55**
Target Price	**RM 6.03**
Consensus Price	**RM 6.19**

Stock Return Information

KLCI	1,618.8
Expected share price return (%)	13.1
Expected dividend return (%)	1.8
Expected total return (%)	15.0

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	777.5
Market Capitalisation (RM m)	4,144.0
52 Week High/Low Price	5.88/2.60
Avg Trading Volume (3-mth)	3,279,010
Est Free Float (%)	73.1
YTD Returns (%)	49.3
Beta (x)	0.9

Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	(4.82)	(4.94)
3 mth	8.11	7.25
12 mth	51.85	50.17

Major Shareholders (%)

Palace Star	17.4
Sun Lead International Ltd	5.1
Aberdeen Group Plc	5.0

1-Year Share Price Performance

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KGB's 9MCY25 revenue fell short of expectations, achieving only 60.8% of our previous full-year forecast, while earnings came within expectations at 70.0% of our full-year forecast. The revenue shortfall was primarily due to a slowdown in growth across all segments. Nevertheless, the group's earnings were supported by higher-margin projects and improved operational efficiency. Hence, we maintain our **NEUTRAL** recommendation on KGB with unchanged **TP** of **RM6.03** by pegging a target PER of 28.0x 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_2 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_2 plants.

Y-o-Y. Revenue grew 2.9% to RM316.4m in 3QCY25, from RM307.3m in 3QCY24, supported by stronger contributions from Malaysia projects under the General Contracting segment (+77.2% to RM53.6m) and a major project nearing completion under the Process Engineering segment (+35.0% to RM26.0m). Meanwhile, revenue from the Advanced Engineering segment declined 6.0% to RM204.8m, from RM217.8m in 3QCY24, as higher contributions from Singapore projects were insufficient to offset China projects that are nearing completion and transitioning into the handover phase. The Industrial Gases segment also fell 16.7% to RM33.6m, from RM40.3m in 3QCY24, due to weaker demand for certain specialty gases. Despite the modest revenue growth, PATAMI margin improved to 13.0%, driving PATAMI to RM41.1m in 3QCY25. The margin expansion was driven by: 1) a favourable product mix, 2) improved operational efficiency through lower administrative expenses, and 3) reduced financing costs.

Q-o-Q. Revenue rose 12.2%, driven by higher contributions across all segments, primarily supported by the commencement of several new projects in Singapore. The stronger topline flowed through to the bottom line, resulting in a 25.1% increase in PATAMI.

Dividend. The group declared a third interim dividend of 2.0 sen and a special interim dividend of 2.5 sen for 3QCY25, as compared to a 2.0 sen dividend declared in 3QCY24.

Forecast. We trimmed our revenue forecasts for CY25F/26F by 11.9%/11.7% after revising down our project recognition assumptions. We reduced our CY25F earnings forecast by 8.8%, while maintaining CY26F earnings forecast after raising our margin assumptions.

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	1,257.8	1,355.0
EBITDA	86.2	154.5	184.1	191.1	239.7
EBITDA Margin (%)	6.7	9.6	14.5	15.2	17.7
PBT	74.4	133.9	158.8	165.0	204.8
PAT	58.5	106.0	126.8	131.2	163.3
PATAMI	55.8	104.1	124.3	131.2	163.3
PATAMI Margin (%)	4.4	6.5	9.8	10.4	12.0
EPS (sen)	7.4	13.7	16.4	17.3	21.5
Earnings Growth (%)	92.5	86.8	19.4	5.5	24.5
PER (x)	75.5	40.4	33.9	32.1	25.8
DPS (sen)	2.5	4.0	8.0	10.0	10.0
Dividend Yield (%)	0.5	0.7	1.4	1.8	1.8
ROE (%)	22.9	30.8	26.3	24.8	26.5
Net Gearing Ratio	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	17.6	12.7	8.9	8.0	6.8

Source: Company, Berjaya Research

Outlook. The outstanding orderbook of KGB stood at RM1.6b as at 9MCY25, with the Advanced Engineering segment accounting for 69% of it. Despite a decline in the tenderbook to RM4.6b (from RM5.4b in 1HCY25) due to a tender withdrawal from the China and Hong Kong markets and a confirmed tender from Singapore, the outlook for KGB remains bright. We expect further opportunities within the RM4.6b tenderbook, particularly in the Indian market (41.6% of the tenderbook), following increased tenders from Customer T. Accordingly, we anticipate securing more contracts from Singapore, Germany, and India in CY26. Margin expansion is also expected in CY26, supported by: 1) high-margin Advanced Engineering projects, 2) the group's focus on delivering quality work, and 3) higher operating efficiency, which should contribute to stronger bottom-line growth.

For the Industrial Gases segment, revenue contribution is expected to continue declining. Nevertheless, the group is actively pursuing potential customers to partially offset the impact of a key customer ceasing operations in Malaysia. Additionally, the recent agreement to jointly develop a green hydrogen production hub in Selangor with two other parties and also offering solutions within the Bio-CNG supply chain to other clients, underscores KGB's expertise in sustainable engineering solutions.

Table 2: Quarterly Results Comparison

CYE Dec (RM m)	3QCY25	3QCY24	YoY	2QCY25	QoQ	9MCY25	9MCY24	YoY
			%		*%*			*%*
Revenue	316.4	307.3	*2.9*	282.0	*12.2*	868.7	967.8	*(10.2)*
Gross Profit	71.3	70.1	*1.7*	65.0	*9.7*	184.8	178.5	*3.5*
PBT	52.2	42.8	*22.0*	41.3	*26.4*	127.8	110.4	*15.8*
PATAMI	41.1	32.9	*25.0*	32.9	*25.1*	100.7	84.4	*19.3*
EPS (sen)	5.4	4.8	*12.4*	4.5	*20.5*	13.7	12.7	*8.2*
			ppt		*ppt*			*ppt*
GP margin (%)	22.5	22.8	*(0.3)*	23.0	*(0.5)*	21.3	18.4	*2.8*
PBT margin (%)	16.5	13.9	*2.6*	14.7	*1.9*	14.7	11.4	*3.3*
PATAMI margin (%)	13.0	10.7	*2.3*	11.7	*1.3*	11.6	8.7	*2.9*

Source: Company, Berjaya Research

Table 3: Segmental Revenue Breakdown

CYE Dec (RM m)	3QCY25	3QCY24	YoY	2QCY25	QoQ	9MCY25	9MCY24	YoY
			%		*%*			*%*
Advanced engineering	204.8	217.8	*(6.0)*	185.0	*10.7*	589.3	643.8	*(8.5)*
Process engineering	26.0	19.2	*35.0*	16.6	*56.3*	51.7	58.0	*(10.8)*
General contracting	53.6	30.2	*77.2*	53.3	*0.6*	132.5	150.2	*(11.8)*
Industrial gas	33.6	40.3	*(16.7)*	29.0	*15.7*	96.2	121.5	*(20.8)*
Equipment and materials	7.6	11.7	*(35.1)*	4.0	*91.3*	20.6	42.8	*(51.9)*
Less: Consolidated Adjustments	(9.2)	(12.0)	-	(5.9)	-	(21.6)	(48.5)	-
Total	**316.4**	**307.3**	2.9	**282.0**	12.2	**868.7**	**967.8**	(10.2)

Source: Company, Berjaya Research

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Signed

Kenneth Leong Chee Kin
Head of Research
Berjaya 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		

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