



AmInvestment Bank

KELINGTON GROUP

(KGRB MK EQUITY, KELG.KL)

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Company Report

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Hold onto your seats

BUY

(Maintained)

Rationale for report: Company Result

Price	RM5.30
Target price	RM6.45
52-week High/Low	RM5.88/RM2.60

Key Changes

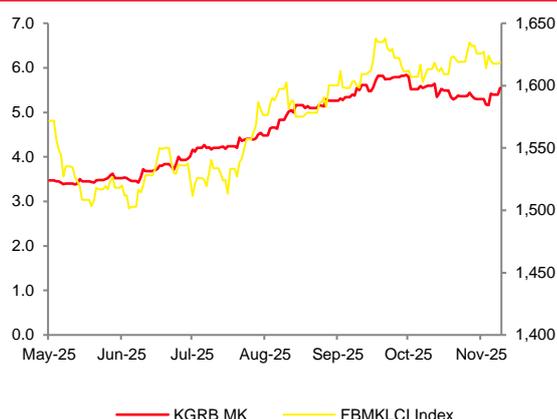
Target price	↕
EPS	↔

YE to December	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	1,272.2	1,463.8	2,030.0	2,336.3
Core net profit (RM mil)	127.8	146.5	195.4	224.1
FD Core EPS (sen)	14.7	16.8	22.4	25.7
FD Core EPS growth (%)	22.4	14.7	33.3	14.7
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	8.0	8.2	9.8	12.0
PE (x)	37.9	33.0	24.8	21.6
EV/EBITDA (x)	26.7	24.5	18.0	15.7
Div yield (%)	2.4	2.4	2.9	3.5
ROE (%)	30.8	28.7	27.7	24.3
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	871.9
Market Cap (RMmil)	4,839.1
Book Value (RM/Share)	0.65
P/BV (x)	8.5
ROE (%)	30.8
Net Gearing (%)	-
Major Shareholders	PALACE STAR (18.3%) Aberdeen Group Plc (14.7%) EPF (6.6%)
Free Float	71.9
Avg Daily Value (RMmil)	16.4

Price performance	3mth	6mth	12mth
Absolute (%)	14.9	63.2	55.9
Relative (%)	13.4	54.8	53.1



Investment Highlights

KGB slipped 3% post-results, a brief breather after a strong +50% run since our initiation. We view this as an appealing entry point rather than a sign of weakening fundamentals. What drives our conviction is how the narrative continues to build: management's push into new geographies is extending visibility into 2027 and M&A upside from a climbing net cash position. 3Q25 results displayed solid delivery, with earnings rising +34% QoQ and order book expanding +23% QoQ to RM1.6bil. We maintain BUY and lift TP to RM6.45/share (from RM6.00), with PEG still fair at ~1x.

- Raise TP to RM6.45.** This is based on an unchanged target PE of 25x. To capture a 12-month view, we roll forward our valuation base year to CY27. While current valuations sit above historical norms, we believe a rerating is underway. The company has earned this premium through strengthened visibility, solid execution and expanding regional presence. Its order book-to-revenue ratio now stands at 1.4x, reinforcing confidence in sustained growth.
- Delivering on expectations.** 9M25 core earnings rose 11% YoY to RM102mil, broadly in line at 70% of our and 69% of consensus forecasts. 3Q25 delivered a strong +34% QoQ rebound, reflecting the anticipated ramp-up in 2H project executions and we expect momentum to carry into 4Q25. Patami margin widened by 2.2ppt YoY, supported by stronger market opportunities that enabled the group to prioritise higher-value projects.
- Visibility extends to 2027.** Order book rose +23% QoQ to RM1.64bil, with the next key catalyst being the RM1.5bil German tender, for which results are expected by Jan 2026. New orders have already surpassed last year's full-year total (RM1.14bil in 9M25 vs RM1.01bil in FY24). While the tender book moderated 15% QoQ to RM4.6bil, this largely reflects projects either secured or dropped. We believe the pipeline remains robust as the group expands into new geographies. Opportunities in Japan are not yet captured in the tender book, and management is also actively pursuing prospects in France, Italy and Spain. With semiconductor fab opportunities of US\$125bil, we estimate its addressable market at US\$6.3bil.
- Cash pile offers strategic optionality.** Net cash has risen +28% YTD to RM293mil and is set to grow further with an additional RM130mil from warrants currently deep in the money (exercise price: RM1.38/share). A special dividend lifted payout to 68% this quarter. We conservatively assume a payout of 50%, implying a 3% yield. Beyond returns, management is exploring M&A opportunities in the US to tap onto reshoring trends — a move that could expand its future addressable market and add a new growth dimension.

EXHIBIT 1: 3Q25 RESULTS SUMMARY

FYE Dec	3Q25	3Q24	% YoY	2Q25	% QoQ	9M25	9M24	% YoY
Revenue	316	307	2.9	282	12.2	869	968	-10.2
EBITDA	56	55	1.7	45	25.1	140	133	5.2
Depreciation and amortisation	-4	-5	22.1	-4	1.3	-12	-12	3.4
EBIT	52	50	4.1	41	27.7	128	120	6.0
Finance income	2	1	68.0	2	13.4	6	3	87.8
Finance cost	-2	-2	20.9	-2	12.0	-6	-7	13.3
El	0	-6	96.3	1	nm	0	-6	nm
Profit before tax	52	43	22.0	42	25.7	128	110	16.0
Tax	-11	-9	-20.3	-8	-31.3	-27	-24	-13.1
MI	0	-1	nm	0	nm	0	-2	nm
Net profit	41	34	22.5	33	24.3	101	86	16.8
Core net profit	41	39	5.8	32	28.6	101	91	11.0
EPS (sen)	5.4	4.8	12.4	4.5	20.4	0	0	8.1
DPS (sen)	4.0	2.0	100.0	2.5	60.0	0	0	50.0
Profitability ratios (%)								
Ebitda margin	17.7	18.0	-0.2	15.9	1.8	16.1	13.7	2.4
Ebit margin	16.5	16.3	0.2	14.5	2.0	14.7	12.4	2.3
Pbt margin	16.5	13.9	2.6	14.7	1.8	14.7	11.4	3.3
Tax rate	21.2	21.5	-0.3	20.3	0.9	21.2	21.7	-0.5
Net profit margin	13.1	12.7	0.3	11.4	1.7	11.6	9.4	2.2

Source: Kelington, AmlInvestment Bank

EXHIBIT 2: 3Q25 REVENUE BREAKDOWN

FYE Dec	3Q25	3Q24	% YoY	2Q25	% QoQ	9M25	9M24	% YoY
Revenue								
UHP/Advanced Engineering	205	216	-5.3	185	10.7	589	644	-8.5
Process engineering	26	19	35.0	17	56.3	52	58	-10.8
General contracting	54	33	63.4	53	0.6	132	161	-17.7
Industrial gases	34	39	-14.7	29	15.7	96	111	-13.1
Equipment and materials	8	12	-35.1	4	91.3	21	43	-51.8
Geography								
Malaysia	119	122	-2.2	109	8.8	308	397	-22.5
China	59	79	-25.2	58	2.5	217	284	-23.4
Singapore	118	88	33.9	100	18.3	294	241	21.7
Taiwan	9	11	-10.5	7	41.2	20	19	8.3
Others	11	8	33.8	9	25.8	29	26	9.6
Orderbook (bil)	1.64	1.45	13.1	1.33	23.3	1.64	1.45	13.1
Tenderbook (bil)	4.60	2.62	75.6	5.40	-14.8	4.60	2.62	75.6

Source: Kelington, AmlInvestment Bank

EXHIBIT 3: ORDERBOOK BREAKDOWN



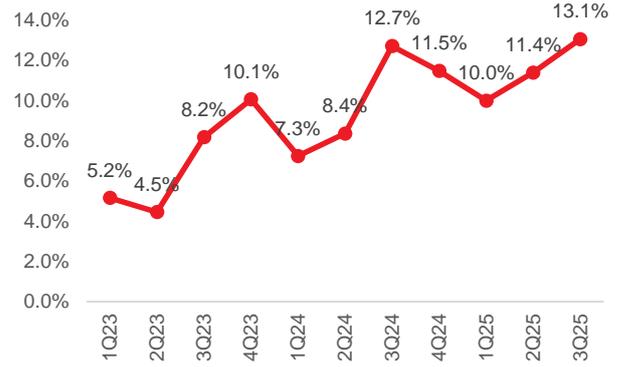
Source: Kelington, AmlInvestment Bank

EXHIBIT 4: NEW ORDERS SECURED



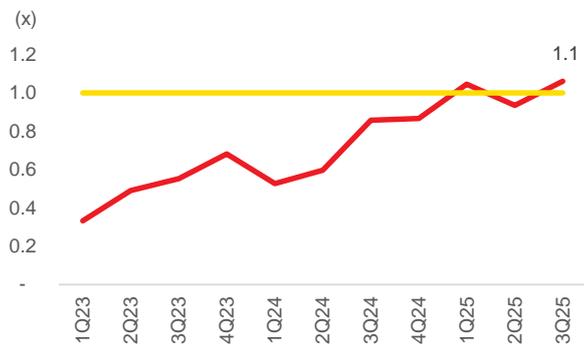
Source: Kelington, AmlInvestment Bank

EXHIBIT 5: PATAMI GROWTH



Source: Kelington, AmlInvestment Bank

EXHIBIT 6: BOOK-TO-BILL RATIO



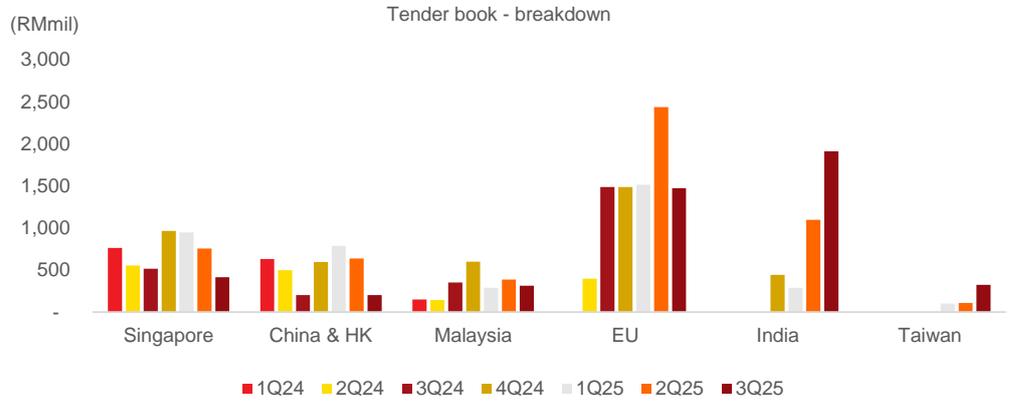
Source: Kelington, AmlInvestment Bank

EXHIBIT 7: TENDERBOOK



Source: Kelington, AmlInvestment Bank

EXHIBIT 8: TENDERBOOK BREAKDOWN



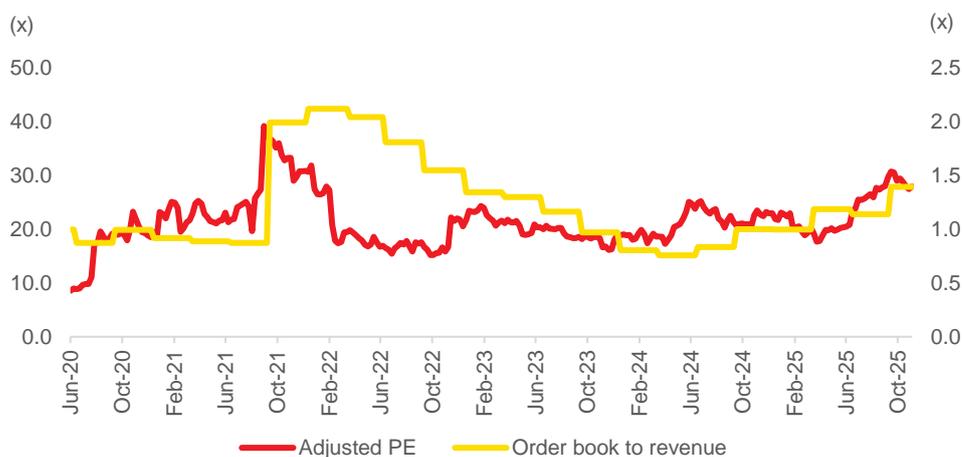
Source: Kelington, AmlInvestment Bank

EXHIBIT 9: 5-YEAR FORWARD PE



Source: Kelington, AmlInvestment Bank

EXHIBIT 10: PE DRIVEN BY EARNINGS VISIBILITY



Source: Kelington, AmlInvestment Bank

EXHIBIT 11: VALUATIONS

Target PE (x)	25x
CY27 EPS	24.1sen
12-month target price	RM6.45 (from RM6.01)

Source: AmlInvestment Bank

EXHIBIT 12: FINANCIAL DATA

Income Statement (RMmil, YE 31 December)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1,614.4	1,272.2	1,463.8	2,030.0	2,336.3
EBITDA	153.6	180.2	195.4	252.8	286.6
Depreciation/Amortisation	(11.0)	(14.7)	(15.1)	(16.6)	(18.9)
Operating income (EBIT)	142.6	165.5	180.2	236.2	267.7
Other income & associates	(0.3)	(3.6)	-	-	-
Net interest	(8.4)	(3.3)	2.9	8.0	12.4
Exceptional items	(0.3)	(3.6)	-	-	-
Pretax profit	133.9	158.6	183.2	244.2	280.2
Taxation	(27.9)	(32.0)	(36.6)	(48.8)	(56.0)
Minorities/pref dividends	(1.9)	(2.4)	-	-	-
Net profit	104.1	124.2	146.5	195.4	224.1
Core net profit	104.4	127.8	146.5	195.4	224.1
Balance Sheet (RMmil, YE 31 December)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	175.5	214.1	232.0	261.1	294.8
Intangible assets	7.2	6.8	6.8	6.8	6.8
Other long-term assets	1.3	2.3	2.3	2.3	2.3
Total non-current assets	184.1	223.2	241.1	270.2	303.9
Cash & equivalent	233.1	203.0	154.4	343.5	380.1
Stock	25.5	19.8	22.8	31.6	36.3
Trade debtors	432.9	341.4	392.8	544.7	626.9
Other current assets	195.8	362.8	362.8	362.8	362.8
Total current assets	887.3	927.0	932.7	1,282.6	1,406.2
Trade creditors	274.5	245.8	282.8	392.2	451.4
Short-term borrowings	123.3	104.9	53.7	28.7	16.4
Other current liabilities	266.5	234.9	234.9	234.9	234.9
Total current liabilities	664.4	585.6	571.4	655.8	702.7
Long-term borrowings	58.2	76.3	39.0	20.8	11.8
Other long-term liabilities	10.4	15.0	15.0	15.0	15.0
Total long-term liabilities	68.6	91.3	54.0	35.8	26.9
Shareholders' funds	332.6	473.3	548.3	861.2	980.5
Minority interests	5.8	0.1	0.1	0.1	0.1
BV/share (RM)	0.50	0.65	0.63	0.99	1.12
Cash Flow (RMmil, YE 31 December)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	133.9	158.6	183.2	244.2	280.2
Depreciation/Amortisation	11.0	14.7	15.1	16.6	18.9
Net change in working capital	30.1	33.0	12.2	35.7	93.1
Others	(0.5)	(37.6)	(69.2)	(143.9)	(189.3)
Cash flow from operations	174.6	168.7	141.4	152.6	202.8
Capital expenditure	(69.2)	(48.5)	(29.3)	(40.6)	(46.7)
Net investments & sale of fixed assets	1.1	-	-	-	-
Others	-	(24.0)	-	-	-
Cash flow from investing	(68.1)	(72.5)	(29.3)	(40.6)	(46.7)
Debt raised/(repaid)	(75.4)	(1.3)	(92.1)	(48.4)	(27.1)
Equity raised/(repaid)	-	83.8	-	203.0	-
Dividends paid	(19.3)	(58.2)	(71.5)	(85.5)	(104.9)
Others	(9.6)	(15.5)	2.9	8.0	12.4
Cash flow from financing	(104.3)	8.8	(160.7)	77.1	(119.5)
Net cash flow	2.1	105.0	(48.6)	189.2	36.6
Net cash/(debt) b/f	229.5	237.3	-	-	-
Net cash/(debt) c/f	237.4	357.6	(48.6)	189.2	36.6
Key Ratios (YE 31 December)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	26.2	(21.2)	15.1	38.7	15.1
EBITDA growth (%)	69.4	17.3	8.4	29.4	13.4
Pretax margin (%)	8.3	12.5	12.5	12.0	12.0
Net profit margin (%)	6.5	9.8	10.0	9.6	9.6
Interest cover (x)	16.9	50.6	nm	nm	nm
Effective tax rate (%)	20.8	20.2	20.0	20.0	20.0
Dividend payout (%)	18.5	46.8	48.8	43.7	46.8
Debtors turnover (days)	100	111	92	84	92
Stock turnover (days)	5	6	5	5	5
Creditors turnover (days)	61	75	66	61	66

Source: Company, AmlInvestment Bank Bhd estimates

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