

*"Global onshoring demand driving record margins"*

### Share price performance



	1M	3M	12M
Absolute (%)	-6.1	-4.9	60.0
Rel KLCI (%)	-7.6	-12.3	43.5

	BUY	HOLD	SELL
Consensus	4	2	-

Source: Bloomberg

### Stock Data

Sector	Technology
Issued shares (m)	784.7
Mkt cap (RMm)/(US\$m)	4017.8/1032.1
Avg daily vol - 6mth (m)	2.9
52-wk range (RM)	2.59-5.86
Est free float	73.4%
Stock Beta	0.97
Net cash/(debt)	292.62
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	17.3%
Vanguard	5.5%
AIA	5.0%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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## Kelington Group (KGRB MK)

**BUY (maintain)**

Up/Downside: +30%

**Price Target: RM6.65**

Previous Target (Rating): RM6.65 (BUY)

### Earnings beat supported by record margins; Maintain BUY

- **4QFY25 core profit beat expectations due to stronger-than-expected contributions from the Engineering segment and record margins**
- **4QFY25 EBITDA margin expanded to a record 19.2%, supported by robust onshoring demand that allows Kelington to be selective in high-margin jobs**
- **No change to earnings forecasts pending analyst briefing. Maintain BUY with an unchanged 12-month TP of RM6.65**

### Earnings beat; Another special dividend declared

Excluding warranty costs provisions (RM9.1m), net forex losses (RM6.5m), net impairment reversals (RM3.7m), and other adjustments (RM0.1m), 4QFY25 core net profit came in at RM62.3m (+50% qoq, +70% yoy). This lifted FY25 core net profit to RM160.9m (+27% yoy). The results exceeded expectations, coming in at 106% of our full-year forecast and 110% of consensus estimates, driven primarily by stronger-than-expected contributions from the Engineering segment and record margins. Kelington declared a 4.0 sen dividend for the quarter (including a 1.5 sen special dividend), versus 2.0 sen in 4QFY24. This brings FY25 DPS to 13.0 sen, implying a 2.5% dividend yield.

### Engineering drives earnings growth

4QFY25 earnings growth on both a qoq and yoy basis was driven by the Engineering segment (revenue +31% qoq and +34% yoy), more than offsetting weaker performance in the Industrial Gas segment (revenue -10% qoq, -13% yoy) due to softer demand for specialty gas trading. Despite a higher Engineering revenue mix which typically carries lower margins, 4QFY25 EBITDA margin expanded to a record 19.2% (FY24: 14.1%), supported by robust onshoring-related demand that continues to allow Kelington to be selective in job intake and prioritise higher-margin, technically complex projects. By geography, 4QFY25 revenue grew 33% yoy, driven by stronger contributions from Malaysia (general contracting) and Singapore (advanced engineering projects), while Germany accounted for 5% of total revenue following Kelington's maiden project win in September 2025, marking an initial foothold in Europe. New project wins in 4QFY25 came in at c.RM110m (vs c.RM591m in 3QFY25), lifting FY25 total wins to RM1.3bn (FY24: RM1.1bn), with the outstanding order book easing to RM1.38bn (3QFY25: RM1.64bn).

### Maintain BUY and an unchanged TP of RM6.65

No changes to our FY26–27E earnings forecasts, pending further clarity from the analyst briefing. We also introduce FY28E earnings of RM209.2m (+8% yoy). Reiterate **BUY** with an unchanged TP of **RM6.65**, based on 33x FY26E EPS. We remain positive on Kelington's long-term growth outlook, underpinned by deglobalisation, supply-chain reconfiguration, and rising geopolitical and trade frictions. The Group is well-positioned to benefit from wafer-fab new builds and onshoring investments globally, supported by its strong execution track record and technical capabilities. Key risks: project execution, recession impacting semiconductor capex and weak demand for industrial gas.

### Earnings & Valuation Summary

FYE 31 Dec	2024	2025	2026E	2027E	2028E
Revenue (RM m)	1,272.2	1,273.6	1,425.2	1,563.6	1,704.8
EBITDA (RM m)	179.1	215.2	244.7	266.5	287.4
Pretax profit (RM m)	158.8	190.0	225.6	247.6	268.5
Net profit (RM m)	124.3	151.1	175.8	193.0	209.2
EPS (sen)	18.4	20.3	20.2	22.1	24.0
PER (x)	27.8	25.2	25.4	23.1	21.3
Core net profit (RM m)	126.5	160.9	175.8	193.0	209.2
Core EPS (sen)	14.5	18.5	20.2	22.1	24.0
Core EPS chg (%)	20.1	27.2	9.3	9.8	8.4
Core PER (x)	35.3	27.7	25.4	23.1	21.3
DPS (sen)	8.0	13.0	13.1	14.4	15.6
Dividend Yield (%)	1.6	2.5	2.6	2.8	3.0
EV/EBITDA (x)	23.6	19.6	17.1	15.6	14.3

Chg in EPS (%)	-	-	NEW
Affin/Consensus (x)	0.93	0.91	N/A

Source: Company, Affin Hwang estimates

Fig 1: Results Comparison

FYE 31 Dec (RMm)	4Q24	3Q25	4Q25	QoQ % chg	YoY % chg	FY24	FY25	YoY % chg	Comments
Revenue	304.4	316.4	404.9	28.0	33.0	1,272.2	1,273.6	0.1	Strong 4Q25 revenue due to Engineering
Op costs	(257.2)	(260.2)	(327.2)	25.7	27.2	(1,093.1)	(1,058.4)	(3.2)	
<b>EBITDA</b>	<b>47.2</b>	<b>56.2</b>	<b>77.7</b>	<b>38.4</b>	<b>64.7</b>	<b>179.1</b>	<b>215.2</b>	<b>20.2</b>	
<i>EBITDA margin (%)</i>	<i>15.5</i>	<i>17.8</i>	<i>19.2</i>	<i>1.4ppt</i>	<i>3.7ppt</i>	<i>14.1</i>	<i>16.9</i>	<i>2.8ppt</i>	Margin improved from better revenue mix
Depn and amort	(2.4)	(4.0)	(4.2)	6.4	73.9	(14.7)	(16.1)	9.3	
<b>EBIT</b>	<b>44.8</b>	<b>52.2</b>	<b>73.5</b>	<b>40.9</b>	<b>64.2</b>	<b>164.3</b>	<b>199.1</b>	<b>21.2</b>	
<i>EBIT margin (%)</i>	<i>14.7</i>	<i>16.5</i>	<i>18.2</i>	<i>1.7ppt</i>	<i>3.4ppt</i>	<i>12.9</i>	<i>15.6</i>	<i>2.7ppt</i>	
Int expense	(2.2)	(1.9)	(1.8)	-4.4	-18.0	(9.4)	(8.0)	(14.4)	
Int and other inc	2.7	2.2	2.4	7.5	-9.8	5.9	8.7	46.8	
EI	3.2	(0.3)	(11.9)	4039.4	-473.8	(2.1)	(9.8)	361.3	4Q25 EI includes RM9.1m provision of warranty
<b>Pretax profit</b>	<b>48.4</b>	<b>52.2</b>	<b>62.2</b>	<b>19.1</b>	<b>28.6</b>	<b>158.8</b>	<b>190.0</b>	<b>19.7</b>	
<b>Core pretax</b>	<b>45.2</b>	<b>52.5</b>	<b>74.1</b>	<b>41.1</b>	<b>63.9</b>	<b>160.9</b>	<b>199.8</b>	<b>24.2</b>	
Tax	(8.0)	(11.1)	(11.7)	5.6	45.7	(32.0)	(38.8)	21.3	
<i>Tax rate (%)</i>	<i>16.6</i>	<i>21.2</i>	<i>18.8</i>	<i>-2.4ppt</i>	<i>2.2ppt</i>	<i>20.2</i>	<i>20.4</i>	<i>0.3ppt</i>	
MI	(0.4)	0.0	(0.1)	n.m.	-80.9	(2.4)	(0.1)	(97.0)	
<b>Net profit/(loss)</b>	<b>39.9</b>	<b>41.1</b>	<b>50.4</b>	<b>22.6</b>	<b>26.2</b>	<b>124.3</b>	<b>151.1</b>	<b>21.5</b>	
EPS (sen)	5.7	4.7	6.5	38.0	13.9	18.4	20.3	10.1	
<b>Core net profit</b>	<b>36.8</b>	<b>41.4</b>	<b>62.3</b>	<b>50.4</b>	<b>69.5</b>	<b>126.5</b>	<b>160.9</b>	<b>27.2</b>	Above expectations at 106% and 110% of our and street's FY25E estimates

Source: Affin Hwang, Company



## Important Disclosures and Disclaimer

### Equity Rating Structure and Definitions

<b>BUY</b>	Total return is expected to exceed +10% over a 12-month period
<b>HOLD</b>	Total return is expected to be between -5% and +10% over a 12-month period
<b>SELL</b>	Total return is expected to be below -5% over a 12-month period
<b>NOT RATED</b>	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.*

<b>OVERWEIGHT</b>	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
<b>NEUTRAL</b>	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
<b>UNDERWEIGHT</b>	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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