

26 February 2026

Kelington Group

Breaking Record and Resilient

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KGB's FY25 results came in within expectations, with a record-high net profit, supported by firm margins and stronger project mix. Operationally, order momentum stayed healthy with RM1.25b new wins and RM1.38b outstanding order book, underpinned by strength in Advanced Engineering, and Singapore project ramp-up. We remain positive on the outlook given ongoing semiconductor capex and KGB's expansion into new geographies (including Europe), while maintaining FY26 forecasts. We also introduce FY27 estimates, and keeping our TP of RM6.15 (based on unchanged FY26F PER of 30x) ahead of a briefing today.

KGB ended FY25 with another record-high net profit of RM151m (+22% YoY), which was in line with both our expectation and consensus. The Group's gross profit margin remained firm at 21.7% in 4QFY25, bringing full-year FY25 gross margin to 21.4%. The Group also continued to reward shareholders, declaring an additional 1.5 sen special dividend on top of its regular 2.5 sen interim dividend. This lifted FY25 DPS to 13.0 sen (vs. 8.0 sen in FY24), in line with our expectation.

YoY, revenue was broadly flat at RM1.27b, supported by the ramp-up of new projects in Singapore, which partly offset weaker contributions from Malaysia and China due to a timing gap between the completion of existing projects and the commencement of new jobs. Order momentum, however, remained healthy, backed by RM1.25b of new contract wins during the year. The Advanced Engineering segment (formerly UHP) continued to anchor the Group, contributing 66% of total revenue, broadly unchanged from FY24. By geography, Malaysia remained the largest contributor at 36% of revenue, while Singapore revenue grew 35% YoY to RM284m, driven by stronger Advanced Engineering activity. Meanwhile, the industrial gases segment softened amid project tapering and weaker demand. Despite the flattish top line, net profit increased 21% YoY to RM151m, with net profit margin improving to 11.9% (vs. 9.8% in FY24), mainly driven by the Group's strategy of prioritising projects with stronger margin potential.

QoQ, 4QFY25 revenue rose 28%, driven by stronger billings from Malaysia and Singapore as newly secured projects were ramped up. Gross profit margin stayed firm at 21.7% (vs. 22.5% in the preceding quarter), underpinned by a richer project mix. The combination of higher revenue and tighter cost control lifted PBT and PAT by 19% and 23%, respectively.

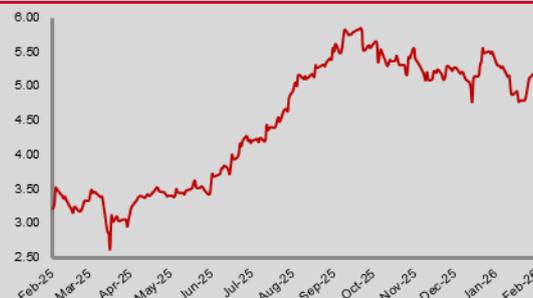
Outlook. The group's outlook continued to stays positive, supported by rising global semiconductor capex driven by advanced logic, memory and AI chips. KGB is engaging customers on expansion plans and bidding for advanced fabs worldwide, while prioritising higher complexity and better margin projects. Geographic expansion is progressing, with its first win in Dresden marking its entry into Europe, with more projects expected through 2027. With RM1.25b new wins in FY25 and an outstanding order book of RM1.38b, KGB is well positioned for further growth.

Forecasts. We maintain our FY26 forecasts, as the results came in within expectations, and take this opportunity to introduce our FY27 estimates.

OUTPERFORM ↔

Price: RM5.12
Target Price: RM6.15 ↔

Share Price Performance



KLCI	1,747.81
YTD KLCI chg	4.0%
YTD stock price chg	-1.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KGRB MK EQUITY
Market Cap (RM m)	4,017.8
Shares Outstanding	784.7
52-week range (H)	5.86
52-week range (L)	2.59
3-mth avg. daily vol.	2,410,756
Free Float	73%
Beta	1.0

Major Shareholders

Palace Star	17.3%
Employees Provident	5.6%
Sun Lead Internation	5.1%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	1,274	1,575	1,678
EBIT	191	241	257
PBT	190	240	257
Net Profit	151	186	199
Consensus	-	189	212
Earnings Revision	-	-	NEW
EPS (sen)	20.3	20.5	21.9
EPS Growth (%)	10.1	1.0	6.8
NDPS (sen)	13.0	13.0	13.0
BV/Share (RM)	0.8	0.9	1.0
Core PER (x)	25.2	25.0	23.4
P/BV (x)	6.2	5.7	5.2
Gearing (x)	-0.3	-0.4	-0.5
Dvd Yield (%)	2.5%	2.5%	2.5%

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Valuations. TP is maintained at RM6.15, based on an unchanged targeted FY26F PER of 30x, in line with +1SD of KLTECH's 5-year forward PER. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4)

Investment case. We like KGB for: (i) it being a direct proxy to the front-end wafer fab expansion, (ii) strong earnings visibility supported by an outstanding order book exceeding RM1.6b and a robust tender book of over RM4b (as of 9MFY25), (iii) its strong foothold in multiple markets, i.e. Malaysia, Singapore and China, and (iv) its progressive margin expansion. Maintain **OUTPERFORM**.

Risks to our call include: (i) a slowdown in wafer fab investment, (ii) worsening Sino-US chip war, and (iii) low utilisation of its LCO2 plants.

Results Highlights								
FYE Dec (RM m)	4Q25	3Q25	QoQ Chg	4Q24	YoY Chg	FY25	FY24	YoY Chg
Turnover	404.9	316.4	28.0%	304.4	33.0%	1,273.6	1,272.2	0.1%
Gross Profit	87.7	71.3	23.0%	66.3	32.3%	272.5	244.8	11.3%
EBITDA	64.6	56.5	14.3%	52.6	22.7%	207.1	182.5	13.4%
EBIT	60.4	52.6	14.8%	50.2	20.2%	191.0	167.8	13.8%
PBT/(LPT)	62.2	52.2	19.1%	48.4	28.6%	190.0	158.8	19.7%
Taxation	(11.7)	(11.1)	5.6%	(8.0)	45.7%	(38.8)	(32.0)	21.3%
MI	(0.1)	0.0	NA	(0.4)	NA	(0.1)	(2.4)	NA
Net Profit	50.4	41.1	22.6%	39.9	26.2%	151.1	124.3	21.5%
Core EPS (sen)	6.5	5.4	19.8%	5.7	13.9%	20.2	18.4	9.9%
DPS (sen)	4.0	4.0	0.0%	2.0	100.0%	13.0	8.0	62.5%
Gross Margin	21.7%	22.5%		21.8%		21.4%	19.2%	
EBITDA Margin	15.9%	17.9%		17.3%		16.3%	14.3%	
EBIT Margin	14.9%	16.6%		16.5%		15.0%	13.2%	
PBT Margin	15.4%	16.5%		15.9%		14.9%	12.5%	
NP Margin	12.5%	13.0%		13.1%		11.9%	9.8%	
Tax Rate	-18.8%	-21.2%		-16.6%		-20.4%	-20.2%	

Source: Kenanga Research

Geographical Breakdown								
FYE Dec (RM m)	4Q25	3Q25	QoQ Chg	4Q24	YoY Chg	FY25	FY24	YoY Chg
Malaysia	144.2	119.0	21.3%	106.9	34.9%	452.3	504.3	-10.3%
China	66.9	59.0	13.5%	94.3	-29.0%	284.4	378.2	-24.8%
Singapore	154.7	118.0	31.1%	90.0	71.9%	448.5	331.3	35.3%
Others	39.0	20.4	91.0%	13.0	199.2%	88.4	58.3	51.6%
TOTAL REV.	404.9	316.4	28.0%	304.3	33.1%	1,273.6	1,272.1	0.1%
Malaysia	36%	38%		35%		36%	40%	
China	17%	19%		31%		22%	30%	
Singapore	38%	37%		30%		35%	26%	
Others	10%	6%		4%		7%	5%	

Source: Kenanga Research

Segmental Breakdown								
FYE: Dec (RM m)	4Q25	3Q25	QoQ Chg	4Q24	YoY Chg	FY25	FY24	YoY Chg
UHP/Advanced Engineering	258.3	203.4	27.0%	209.0	23.6%	843.1	852.8	-1.1%
Process Engineering	41.7	26.0	60.7%	27.5	51.7%	93.4	85.5	9.3%
General Contracting	69.7	53.6	30.1%	31.5	121.6%	202.2	184.6	9.5%
Industrial Gas	35.2	33.4	5.4%	36.3	-3.3%	134.8	149.2	-9.7%
TOTAL REV.	404.9	316.4	28.0%	304.3	33.1%	1,273.6	1,272.1	0.1%
UHP	64%	64%		69%		66%	67%	
Process Engineering	10%	8%		9%		7%	7%	
General Contracting	17%	17%		10%		16%	15%	
Industrial Gas	9%	11%		12%		11%	12%	

Source: Kenanga Research

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Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 25 Feb. (RM)	Target Price (RM)	Upside	Mkt Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) – Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net. Div. Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
D&O GREEN TECHNOLOGIES BHD	MP	0.510	0.810	58.8%	632.1	Y	12/2025	1.1	2.7	-66.1%	149.3%	47.2	18.9	0.9	-19.5%	1.0	2.0%
INARI AMERTRON BHD	OP	1.50	2.20	46.7%	5,707.7	Y	06/2026	6.8	7.6	1.5%	10.9%	22.0	19.8	2.1	9.3%	7.0	4.7%
KELINGTON GROUP BHD	OP	5.12	6.15	20.1%	4,017.8	Y	12/2026	20.5	21.9	23.4%	6.8%	25.0	23.4	5.7	26.1%	13.0	2.5%
LGMS BHD	MP	0.495	0.650	31.3%	225.7	Y	12/2026	2.2	2.7	-18.7%	23.0%	22.6	18.4	2.3	10.3%	2.0	4.0%
M'SIAN PACIFIC INDUSTRIES BHD	MP	32.00	35.30	10.3%	6,380.7	Y	06/2026	104.4	120.3	35.2%	15.2%	30.6	26.6	2.9	9.7%	35.0	1.1%
NATIONGATE HOLDINGS BHD	OP	1.01	1.15	13.9%	2,285.3	Y	12/2026	6.7	6.4	-13.7%	-4.3%	15.2	15.8	2.2	15.9%	2.0	2.0%
OPPSTAR BHD	MP	0.270	0.280	3.7%	173.2	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	27.4	1.4	-8.0%	0.0	0.0%
P.I.E. INDUSTRIAL BHD	MP	1.70	2.54	49.4%	652.9	Y	12/2025	7.9	14.8	-42.7%	86.5%	21.5	11.5	1.0	4.7%	0.0	0.0%
SKP RESOURCES BHD	MP	0.510	0.530	3.9%	796.8	Y	03/2026	5.7	4.4	-24.4%	-22.5%	9.0	11.6	0.7	8.0%	0.0	0.0%
UNISEM (M) BHD	UP	3.18	2.22	-30.2%	5,129.6	Y	12/2026	7.6	9.2	94.1%	21.8%	42.0	34.5	2.4	5.8%	6.0	1.9%
UWC BHD	OP	4.22	4.38	3.8%	4,654.2	Y	07/2026	10.0	13.9	172.6%	38.8%	42.1	30.4	7.8	22.6%	0.0	0.0%
PENTAMASTER CORP BHD	OP	3.23	4.25	31.6%	2,297.6	Y	12/2026	12.1	13.1	39.0%	8.1%	26.7	24.7	2.7	10.4%	2.0	0.6%
INFOMINA BHD	OP	1.19	1.90	59.7%	715.5	Y	05/2026	5.6	7.6	60.7%	34.8%	21.1	15.7	3.6	18.3%	1.0	0.8%
Simple Average					33,669.0					13.9%	15.5%	26.1	22.6	2.7	8.7%		1.5%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Corporate Social Responsibility	★	★	★	☆	
	Management/Workforce Diversity	★	★	☆		
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★	★	
SPECIFIC	Foreign Worker Welfare	★	★	★		
	Supply Chain Auditing	★	★	★	☆	
	Waste Disposal / Pollution Control	★	★	★		
	Energy Efficiency	★	★	★		
	Work Site Safety	★	★	★		
	Digital Transformation	★	★	☆		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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