

RESULTS UPDATE

BUY (Maintained)

Closing Price	RM 7.32
Target Price	RM 9.11
Consensus Price	RM 7.31

Stock Return Information

KLCI	1,699.0
Expected share price return (%)	24.5
Expected dividend return (%)	1.8
Expected total return (%)	26.2

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	860.8
Market Capitalisation (RM m)	6,301.0
52 Week High/Low Price	7.67/3.29
Avg Trading Volume (3-mth)	4,007,620
Est Free Float (%)	67.1
YTD Returns (%)	41.6
Beta (x)	0.9

Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	14.73	16.80
3 mth	34.22	35.61
12 mth	117.86	95.35

Major Shareholders (%)

Palace Star	20.9
Sun Lead International Ltd	5.1
Employees Provident Fund Board	4.8

1-Year Share Price Performance



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KELINGTON GROUP

Spotlight On The Sizeable Tender Pipeline

BLOOMBERG: KGRB MK | BURSA: KGB (0151)

We deem KGB's 1QCY26 revenue and core PATAMI to be within expectations, despite only accounting for 21.2% and 20.0% of our full-year forecasts respectively, given the seasonally weaker quarter. In anticipation of a pick-up in work progress across all segments following the low-season period, we have revised upward our orderbook replenishment target, margin assumptions, and PE multiples to reflect KGB's strong earnings growth prospects that will be riding on the semiconductor capex expansion upcycle across several newly penetrated markets. We reiterated our **BUY** recommendation on KGB with a higher **TP** of **RM9.11 (+RM2.99)**, based on a higher target PER of 35.0x (from 28.0x) pegged to our revised CY27F fully diluted EPS. The target PER is justified, which is close to the average 2-year forward PER of 38.8x for local front-end semiconductor peers. We continue to like KGB for its: 1) firm earnings growth potential, supported by increased job orders from the semiconductor industry, 2) riding on the expansion of semiconductor fabrication plants in India and Japan, and 3) stable income stream from its LCO₂ operations which could also help to shore up its dividend payouts. Key downside risks include: 1) project delays, 2) inability to meet in-house orderbook replenishment assumption, and 3) lower utilisation rate of its LCO₂ plants.

Y-o-Y. Revenue came in largely flattish at RM270.4m, from RM270.3m in 1QCY25, due to seasonal slowdown and a shorter working period amid festive holidays in 1QCY26. Revenue contribution from the Advanced Industrial Infrastructure segment (formerly known as the General Contracting segment) jumped significantly by 80.5%, driven by the ramp-up of new contracts in Malaysia, while the Process Engineering segment (+4.9%) also recorded higher work progress in Malaysia, partially cushioning the softer revenue contribution from the Advanced Engineering segment (-8.7%). Revenue contribution from the Industrial Gases segment also declined 8.5% due to softer demand for certain traded specialty gases. Despite the seasonally weaker quarter, core PATAMI rose 21.1% to RM30.2m, from RM24.9m in 1QCY25, supported by improved GP margins across key projects.

Q-o-Q. Amid a seasonally weaker quarter, softer revenue contribution was recorded across most segments, except for the Industrial Gases segment, which posted a marginal 2.1% increase. Besides the weaker revenue performance in 1QCY26, the group's PAT margin also narrowed to 11.2%, from 13.1% in 4QCY25, mainly dragged by higher administrative expenses arising from operational expansion. As a result, core PATAMI fell 43.3% to RM30.2m, from RM53.2m in the preceding quarter.

Table 1: Historical Earnings and Forecasts

CYE Dec (RM m)	CY23	CY24	CY25	CY26(F)	CY27(F)
Revenue	1,614.4	1,272.2	1,274.9	1,560.3	1,864.6
EBITDA	152.0	178.1	210.8	256.2	316.9
EBITDA margin (%)	9.4	14.0	16.5	16.4	17.0
PBT	133.9	158.8	190.1	232.5	290.3
PATAMI	104.1	124.3	150.9	183.7	229.3
Core PATAMI	114.0	125.5	152.4	183.7	229.3
Core PATAMI margin (%)	7.1	9.9	12.0	11.8	12.3
Core EPS (sen)	17.7	18.6	20.5	23.3	29.1
Core earnings growth (%)	86.8	19.4	21.4	21.7	24.8
PER (x)	41.3	39.4	35.8	31.4	25.1
DPS (sen)	4.0	8.0	13.0	13.0	13.0
Dividend yield (%)	0.5	1.1	1.8	1.8	1.8
ROE (%)	33.7	26.5	24.8	26.4	27.9
Net gearing ratio (x)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
P/B (x)	13.9	10.4	8.9	8.3	7.0

Source: Company, Berjaya Research

Dividend. The group declared a first interim dividend of 3.0 sen in 1QCY26, compared to a 2.5 sen dividend declared in 1QCY25.

Forecast. We raised our CY26F/27F revenue forecasts by 12.5%/21.0% and earnings forecasts by 8.6%/17.1% after factoring in stronger job wins, quicker project recognition, and improved margin assumptions for the Advanced Engineering segment. Consequently, we also raised our CY26F/27F orderbook replenishment assumptions to RM1.96b/RM2.03b, from RM1.44b/RM1.45b.

Outlook. Outstanding orderbook stood at RM1.92b as at March 2026, with the Advanced Engineering segment accounting for 83% of the total, underpinning stronger earnings visibility and potential margin expansion in the coming quarters. Notably, India emerged as a key contributor, making up 28% of the orderbook following several contracts wins in early 2026. Including the RM176.0m worth of new contracts secured in April-May 2026, total new order wins reached RM966.0m, representing 67.3% of our previous CY26 orderbook replenishment assumption of RM1.44b.

Meanwhile, tenderbook stood at RM5.30b as at March 2026, with stronger opportunities concentrated in Singapore. In addition, the group is currently bidding for several major tenders across Japan, India, Singapore, and Malaysia worth a combined RM4.00b in April and May 2026, with outcomes expected by 4QCY26. Advanced Engineering projects continue to dominate the tender pipeline, reinforcing KGB's positioning within the semiconductor expansion cycle.

With a total tender pipeline of RM9.30b, we remain positive on KGB's prospects for further contract wins, supported by its established expertise in semiconductor fabs and longstanding relationships with clients in Singapore and India. We also remain positive on the longer-term semiconductor capex cycle in India and Japan, driven by: 1) [India's policy incentives and rising domestic electronics demand](#), and 2) [Japan's growing semiconductor investments to support AI, cloud computing, smartphones, and automotive electronics applications](#).

Table 2: Quarterly Results Comparison

CYE Dec (RM m)	1QCY26	1QCY25	YoY	4QCY25	QoQ
			%		%
Revenue	270.4	270.3	0.0	404.9	(33.2)
Gross Profit	63.2	48.6	30.2	87.7	(27.9)
PBT	39.4	34.2	15.1	62.2	(36.7)
PATAMI	30.4	26.7	13.8	50.5	(39.8)
Core PATAMI	30.2	24.9	21.1	53.2	(43.3)
Core EPS (sen)	3.8	3.6	7.9	6.9	(44.0)
			ppt		ppt
GP margin (%)	23.4	18.0	5.4	21.7	1.7
PBT margin (%)	14.6	12.7	1.9	15.4	(0.8)
Core PATAMI Margin (%)	11.2	9.2	1.9	13.1	(2.0)

Source: Company, Berjaya Research

Table 3: Segmental Breakdown

CYE Dec (RM m)	1QCY26	1QCY25	YoY	4QCY25	QoQ
			%		%
Advanced engineering	182.2	199.5	(8.7)	258.4	(29.5)
Process engineering	9.6	9.1	4.9	41.7	(77.0)
General contracting	46.2	25.6	80.5	69.7	(33.8)
Industrial gas	30.7	33.6	(8.5)	30.1	2.1
Equipment and materials	7.3	9.0	(19.6)	12.7	(42.8)
Less: Consolidated Adjustments	(5.5)	(6.5)	(15.5)	(7.7)	(27.9)

Source: Company, Berjaya Research

Table 4: Peers Comparison

Company	FYE	Price (RM) as at 26/5/2026	Market Capitalisation (RM m)	Target Price (RM)	Total Upside / Downside	PER (x)		Dividend Yield (%)	
						1-year Fwd	2-year Fwd	1-year Fwd	2-year Fwd
Kelington Group Bhd	Dec	7.32	6,456.0	9.11	26.2%	35.8	31.4	1.8	1.8
Frontken Corporation Bhd	Dec	4.85	8,792.7	5.30	10.3%	43.7	36.7	0.9	1.0
Inari Amerton Bhd	Jun	2.22	8,453.3	*1.96	-9.0%	41.9	33.6	2.3	2.7
Malaysia Pacific Industries Bhd	Jun	49.14	9,798.4	*43.55	-10.6%	49.5	39.2	0.7	0.8
Unisem (M) Bhd	Dec	5.10	8,226.7	*3.68	-26.3%	69.9	41.5	0.8	1.6
UWC Bhd	Jul	5.89	6,498.6	*5.57	-5.3%	67.7	43.0	0.1	0.1
Peers Average						54.5	38.8	1.0	1.2

Source: Bloomberg, Berjaya Research

*Based on Bloomberg consensus

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Signed

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Head of Research
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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		

Published by



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(Formerly known as Inter-Pacific Research Sdn. Bhd.)

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