

"YTD orderbook wins of RM1.76bn already surpassed FY25's RM1.25bn"

Share price performance



	1M	6M	12M
Absolute (%)	15.7	75.4	93.1
Rel KLCI (%)	14.7	77.1	76.6

	BUY	HOLD	SELL
Consensus	5	1	0

Source: Bloomberg

Stock Data

Sector	Technology
Issued shares (m)	880.4
MCap (RMm/US\$m)	7,924/1,959
Avg daily vol (m)	24.3
52-wk range (RM)	4.6-9.0
Est free float	68.7%
Stock Beta	1.13
Net cash/(debt)	375.75
ROE (CY26E)	31.3
Derivatives	Yes
Shariah Compliant	Yes
FTSE4Good	Yes
Constituent	
FBM EMAS (Top)	Top 25%
ESG Rank	

Key Shareholders

PALACE STAR	21.4%
SUN Lead	5.3%
Employees Provident	4.9%

Source: Bloomberg, Affin Hwang, Bursa Malaysia, ESG Risk Rating Powered by Sustainalytics
*Full ESG commentary inside

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Kelington (KGRB MK)

BUY (maintain)

Up/Downside: +20%

Price Target: RM10.80

Previous Target (Rating): RM8.88 (Buy)

Record orderbook sets the stage for stronger 2H26

- 2Q26 results were seasonally weaker but within expectations, as we expect earnings to strengthen in 2H26 as project execution accelerates
- YTD orderbook wins reached RM1.76bn as at August, while the tenderbook has increased to an estimated RM8.5-9.5bn
- Reiterate BUY with a higher 12-month TP of RM10.80

Within expectations; stronger 2H26 anticipated

Kelington reported 2Q26 core profit of RM39.2m (+23% qoq, +22% yoy), bringing 1H26 core profit to RM70.9m (+24% yoy) and accounting for 35%/36% of our/consensus full-year forecasts. We deem the results as within expectations, as 1H is seasonally softer and historically contributes c.35-40% of full-year earnings. We expect earnings to strengthen in 2H26 as project execution accelerates, with management expecting the historical 40:60 revenue split between 1H and 2H to broadly persist in FY26. 1H26 earnings grew 24% yoy, driven by a 13% increase in Technology and Process Solution revenue (formerly the Engineering segment) from higher revenue recognition of ongoing projects and more favourable project margins, which lifted EBITDA margin by 1.3ppts. Similarly, 2Q26 earnings grew qoq and yoy from stronger revenue and profit contribution from ongoing projects. The Group declared a higher second interim dividend of 3.0 sen (2Q25: 2.5 sen).

Record orderbook with sizeable contract awards ahead

Kelington secured RM436m orderbook wins in 2Q26, lifting its end-June orderbook to a record RM2.04bn (1Q26: RM1.92bn). Another RM538m was secured in July-August, bringing YTD wins to RM1.76bn, already surpassing FY25's RM1.25bn. Tenderbook expanded 42% qoq to RM7.5bn as at end-June and has since increased to an estimated RM8.5-9.5bn. Looking ahead, we believe Kelington could secure at least 2 more major contracts worth c.RM2bn by year-end. Meanwhile, Industrial Gas should remain stable, supported by improving LCO₂ utilisation, while the Maharashtra ASU and other opportunities are unlikely to contribute meaningfully in the near-term as they are still at early-development stages. During the briefing, management guided that they are targeting double-digit revenue growth in FY26 and FY27. Management is confident the company has sufficient capacity to support this growth, following c.10% increase in its workforce.

Maintain BUY with a higher 12-month TP of RM10.80

Given that YTD wins of RM1.76bn have already exceeded our previous FY26 order-replenishment assumption, we raise our FY26-28E replenishment assumptions to RM3.0bn/3.0bn/3.5bn from RM1.6bn/1.8bn/2.0bn. Consequently, we increase our FY26-28E earnings forecasts by 1%/20%/30%. We reiterate BUY with a higher 12-month TP of RM10.80 (from RM8.88), based on an unchanged 33x FY27E PER. We remain positive on Kelington's long-term prospects, underpinned by onshoring demand and rising global investments in advanced semiconductor capacity. Key downside risks: (i) project-execution delays, (ii) slowdown in semiconductor capex; (iii) weaker Industrial Gas demand.

Earnings and Valuation Summary

FYE 31 Dec (RMm)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMm)	1,272.2	1,274.9	1,968.1	2,684.3	2,949.5
EBITDA (RMm)	179.1	215.2	283.4	385.9	424.6
Pretax profit (RMm)	158.8	190.1	265.2	369.7	409.4
Net profit (RMm)	124.3	150.9	206.6	288.1	319.0
EPS (sen)	17.4	19.4	23.5	32.7	36.2
PER (x)	51.8	46.4	38.3	27.5	24.8
Core net profit	126.5	160.7	206.6	288.1	319.0
Core EPS (sen)	17.7	20.7	23.5	32.7	36.2
Core EPS growth (%)	20.1	27.1	28.6	39.4	10.7
Core PER (x)	51.0	43.6	38.3	27.5	24.8
Net DPS (sen)	8.0	13.0	13.0	15.0	15.0
Dividend yield (%)	0.9	1.4	1.4	1.7	1.7
EV/EBITDA (x)	42.9	35.9	27.1	19.7	17.6
Chg in EPS (%)			0.7	20.1	29.4
Affin/Consensus (x)			1.1	1.1	1.1

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE Dec (RMm)	2Q25	1Q26	2Q26	QoQ % chg	YoY % chg	6M25	6M26	YoY % chg	Comments
Revenue	282.0	270.4	344.4	27.4	22.1	552.3	614.8	11.3	Higher revenue recognition from ongoing projects
Op costs	(237.3)	(225.3)	(291.2)	29.2	22.7	(471.0)	(516.4)	9.7	
EBITDA	44.7	45.2	53.2	17.9	19.2	81.3	98.4	21.0	
<i>EBITDA margin (%)</i>	<i>15.8</i>	<i>16.7</i>	<i>15.5</i>	<i>-1.2ppts</i>	<i>-0.4ppts</i>	<i>14.7</i>	<i>16.0</i>	<i>1.3ppts</i>	2Q26 margin contracted due to unfavourable mix
Depn and amort	(4.0)	(4.6)	(4.8)	4.8	20.6	(7.9)	(9.4)	19.0	
EBIT	40.7	40.5	48.4	19.4	19.1	73.4	89.0	21.2	
<i>EBIT margin (%)</i>	<i>14.4</i>	<i>15.0</i>	<i>14.1</i>	<i>-0.9ppts</i>	<i>-0.4ppts</i>	<i>13.3</i>	<i>14.5</i>	<i>1.2ppts</i>	
Int expense	(2.2)	(1.9)	(1.8)	-4.8	-14.8	(4.3)	(3.8)	-12.4	
Int and other inc	2.1	2.1	2.3	10.2	10.0	4.1	4.5	8.9	
Associates and JVs	0.0	0.0	0.0	NM	NM	0.0	0.0	NM	
EI	0.7	(1.3)	2.2	-NM	209.4	2.4	0.9	-64.0	RM2.4m reversal of impairment in 2Q26
Pretax profit	41.3	39.4	51.1	29.8	23.6	75.6	90.5	19.8	
Tax	(8.5)	(9.0)	(9.7)	8.5	15.2	(16.0)	(18.7)	16.9	
<i>Tax rate (%)</i>	<i>20.5</i>	<i>22.8</i>	<i>19.1</i>	<i>-3.8ppts</i>	<i>-1.4ppts</i>	<i>21.2</i>	<i>20.7</i>	<i>-0.5ppts</i>	
MI	0.0	(0.0)	(0.0)	NM	NM	0.0	(0.0)	NM	
Net profit	32.9	30.4	41.3	36.0	25.7	59.5	71.7	20.5	
EPS (sen)	4.5	3.9	4.8	24.8	7.2	8.2	8.8	6.6	
Core profit	32.2	31.7	39.2	23.4	21.7	57.2	70.9	24.0	Within expectations at 35%/36% of our/Street estimates

Source: Affin Hwang, Company

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

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

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