

RESULTS UPDATE

NEUTRAL (Maintained)

Closing Price	RM 9.00
Target Price	RM 9.11
Consensus Price	RM 10.13

Stock Return Information

KLCI	1,736.7
Expected share price return (%)	1.2
Expected dividend return (%)	1.4
Expected total return (%)	2.7

Key Statistics

Shariah Compliant	YES
Shares Outstanding (m)	880.4
Market Capitalisation (RMm)	7,923.5
52 Week High/Low Price	9.03/4.58
Avg Trading Volume (3-mth)	3,549,490
Est Free Float (%)	68.7
YTD Returns (%)	74.1
Beta (x)	0.7

Share Price Performance (%)

Price Change	Absolute	Relative
1 mth	12.08	11.13
3 mth	26.94	25.28
12 mth	95.57	86.54

Major Shareholders (%)

Palace Star	21.4
Sun Lead International Ltd	5.3
Employees Provident Fund Board	4.9

1-Year Share Price Performance



Analyst

Chloe Mak
makmw@berjayasecurities.com.my

KELINGTON GROUP

Robust Order Wins Support Growth Outlook

BLOOMBERG: KGRB MK | BURSA: KGB (0151)

KGB's 1HCY26 revenue and core PATAMI grew 11.3% and 20.5% respectively, supported by higher contributions across all business segments. While we maintain a constructive view on the long-term demand for the group's advanced engineering solutions, underpinned by the ongoing semiconductor investment upcycle across several newly penetrated markets, we believe its current valuation has largely reflected its strong earnings growth prospects following the recent share price rally. Hence, we maintain our **NEUTRAL** recommendation on KGB with an unchanged **TP** of **RM9.11**, based on an unchanged target PER of 35.0x pegged to our CY27F fully diluted EPS. Nevertheless, 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.

Within expectations. KGB's 1HCY26 revenue and core PATAMI accounted for 39.4% and 36.9% of our full year forecasts respectively. We deem the results to be broadly in line with our expectations, given the group's seasonality stronger earnings in 2HCY26.

Y-o-Y. Revenue increased 22.1% to RM344.4m in 2QCY26, from RM282.0m in the previous corresponding quarter, primarily driven by growth across all business segments. The Advanced Engineering segment grew 18.6% due to stronger project execution in Singapore and Taiwan, while the Advanced Industrial Infrastructure segment (formerly General Contracting) and Process Engineering segment improved 22.0% and 59.0% respectively, fuelled by the ramp-up of new contracts in Malaysia. Industrial Gases revenue also rose 10.4% on higher sales of liquid carbon dioxide (LCO₂). Correspondingly, PATAMI expanded 25.7% to RM41.3m, from RM32.9m, despite a lower gross profit margin of 20.2% (2QCY25: 23.0%), while a RM2.3m reversal of impairment relating to projects in Taiwan further supported profitability. Excluding foreign exchange movements and exceptional items, core PATAMI came in at RM37.7m, up 17.1% from RM32.2m.

Q-o-Q. Revenue grew 27.4% from the preceding quarter, while PATAMI climbed 36.0% on higher revenue recognition from ongoing projects in Singapore, Malaysia and Taiwan.

Dividend. The group declared a second interim dividend of 3.0 sen in 2QCY26 (2QCY25: 2.5 sen), bringing total dividends declared for 1HCY26 to 6.0 sen (1HCY25: 5.0 sen).

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	20.9	26.0
Core EPS growth (%)	86.8	19.4	21.4	21.7	24.8
PER (x)	50.8	48.4	44.0	43.1	34.6
DPS (sen)	4.0	8.0	13.0	13.0	13.0
Dividend yield (%)	0.4	0.9	1.4	1.4	1.4
ROE (%)	33.7	26.5	24.8	26.9	28.7
Net gearing ratio (x)	Net Cash	Net Cash	Net Cash	0.0	0.0
P/B (x)	17.1	12.8	10.9	11.6	9.9

Source: Company, Berjaya Research

Forecast. We maintain our CY26/CY27 earnings forecasts.

Outlook. KGB's growth prospects remain promising, underpinned by: 1) a sizeable orderbook, 2) a robust tender pipeline, and 3) the ongoing semiconductor investment upcycle. As at June 2026, the group's outstanding orderbook stood at RM2.04b (+6.3% Q-o-Q) with Advanced Engineering accounting for the majority (79%), followed by Advanced Industrial Infrastructure (13%) and Process Engineering (8%). The group secured RM1.23b of new orders in 1HCY26, while a further RM538.0m of contracts won in July-August 2026 brought total order wins to RM1.76b, representing 90.0% of our CY26 orderbook replenishment assumption of RM1.96b and providing stronger earnings visibility in the coming quarters.

Meanwhile, its tender book expanded 42.0% Q-o-Q to RM7.50b as at June 2026 with Singapore and India making up the largest shares at 48.8% and 28.1% respectively, which we believe should support continued orderbook replenishment. India remains a key growth market with the group continuing to strengthen its foothold through both project wins and capacity expansion. Following the US\$105.0m contract secured in March 2026 to deliver a turnkey gas distribution system for a semiconductor wafer fabrication facility in Gujarat, the group is investing US\$29.3m (c.RM120.0m) to develop an air separation plant in Maharashtra to expand its industrial gas business. To recap, the plant will be capable of producing up to 300 tonnes per day of oxygen, nitrogen and argon and is targeted for completion by 3Q2028. We believe this investment should strengthen the group's local capabilities and position it to capture further opportunities arising from India's growing semiconductor and industrial manufacturing ecosystem.

Table 2: Quarterly Results Comparison

CYE Dec (RM m)	2QCY26	2QCY25	YoY	1QCY26	QoQ	1HCY26	1HCY25	YoY
			%		%			%
Revenue	344.4	282.0	22.1	270.4	27.4	614.8	552.3	11.3
Gross profit	69.4	65.0	6.9	63.2	9.8	132.7	113.5	16.9
PBT	51.1	41.3	23.6	39.4	29.8	90.5	75.6	19.8
PATAMI	41.3	32.9	25.7	30.4	36.0	71.7	59.5	20.5
Core PATAMI	37.7	32.2	17.1	30.2	25.0	67.9	57.1	18.9
Core EPS (sen)	4.4	4.4	(0.2)	3.8	14.5	8.3	8.0	3.5
			ppt		ppt			ppt
GP margin (%)	20.2	23.0	(2.9)	23.4	(3.2)	21.6	20.6	1.0
PBT margin (%)	14.8	14.7	0.2	14.6	0.3	14.7	13.7	1.0
PATAMI margin (%)	12.0	11.7	0.3	11.2	0.8	11.7	10.8	0.9

Source: Company, Berjaya Research

Table 3: Segmental Revenue Breakdown

CYE Dec (RM m)	2QCY26	2QCY25	YoY	1QCY26	QoQ	1HCY26	1HCY25	YoY
			%		%			%
Advanced engineering	219.4	185.0	18.6	182.2	20.4	401.7	384.5	4.5
Process engineering	26.4	16.6	59.0	9.6	>100	36.0	25.8	39.8
Advanced industrial infrastructure*	65.0	53.3	22.0	46.2	40.9	111.2	78.9	41.0
Industrial gas	32.1	29.0	10.4	30.7	4.4	62.8	62.6	0.3
Equipment and materials	12.9	4.0	>100	7.3	77.1	20.1	13.0	54.8
Less: Consolidated Adjustments	(11.4)	(5.9)	92.1	(5.5)	>100	(16.9)	(12.5)	35.7

* formerly known as General Contracting

Source: Company, Berjaya Research

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Signed

Kenneth Leong Chee Kin
Head of Research
Berjaya Research Sdn Bhd

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		

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BERJAYA RESEARCH SDN. BHD.

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

[Registration No. 199701033506 (449005-X)]

West Wing, Level 13, Berjaya Times Square, No. 1, Jalan Imbi, 55100 Kuala Lumpur.

Tel: 03 2117 1888 | Website: www.paconline.com.my

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