

Kelington Group

Order Momentum Extends

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KGB's 1HFY26 results were within expectations while its investment case is increasingly supported by stronger order book scalability and broader geographical expansion. Earnings visibility remains healthy, underpinned by a RM2.04b outstanding order book and a sizeable RM7.5b tender pipeline, with Singapore and India collectively accounting for c.77% of total opportunities. Key potential order book catalysts include Micron's 10B/10E expansion projects in Singapore and the >RM1b Indian logic-fab hook-up package. Management is targeting double-digit revenue growth in both FY26 and FY27, while a higher contribution from the higher value Advanced Engineering segment should help sustain margins despite continued competition for greenfield projects. We raise our FY26/FY27 earnings forecasts by 1.6%/12% and increase our TP to RM10.10 from RM9.05, based on an unchanged 37x FY27F PER.

KGB's 1HFY26 net profit rose 21% YoY to RM72m, in line with expectations, representing 37% of our and consensus' full-year forecast - within its historical 1H contribution range of 34%–41%. The Group declared a second interim dividend per share (DPS) of 3.0 sen, bringing its 1H DPS to 6.0 sen. Overall, the group's 1HFY26 performance remain resilient, with investment case increasingly shifting from earnings growth to order book scalability and geographic expansion.

YoY, 1HFY26 revenue was up by 11% to RM615m, while PBT and PAT rose 20% and 21% to RM91m and RM72m, respectively, supported by stronger project recognition across most operating markets and more favourable project margins. By segment, Advanced Engineering remained the largest revenue contributor (at 65%), supported by strong execution in Singapore, Taiwan and Germany. Process Engineering revenue rose 40% YoY to RM36.0m, driven by higher project activity in Malaysia, while Advanced Industrial Infrastructure grew 41% to RM111m on continued project progress in Malaysia. Industrial Gases revenue was broadly stable at RM63m, with resilient LCO2 demand offsetting softer demand for certain specialty gases.

QoQ, 2QFY26 rose 27% to RM344m, mainly driven by higher project recognition in Singapore, Malaysia and Taiwan. Correspondingly, PBT and PAT increased 30% and 36%, to RM51m and RM41m, respectively, supported by stronger project execution and higher profit contribution from ongoing projects.

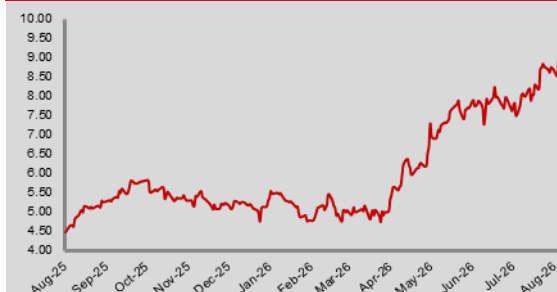
Outlook. The briefing reinforces a structurally stronger FY26–27 earnings outlook, underpinned by improving order book scalability and broader geographical diversification. More importantly, the key positive is not only the RM2.04b outstanding order book, but also the quality and depth of its RM7.5b tender pipeline. Singapore and India together account for nearly 77% of total tenders, with identifiable large opportunities including Micron's 10B/10E projects in Singapore and the >RM1b Indian logic-fab hook-up package, which could materially enhance FY27 earnings visibility if converted.

The tender book moderated to RM7.5b from the c.RM9b level indicated in May, mainly due to KGB's selective withdrawal from certain overseas tenders, including Micron Hiroshima, as management prioritised resources towards larger and strategically more attractive opportunities in Singapore and Malaysia. Hence, we view the moderation as deliberate tender rationalisation rather than weakening demand, with the end-June tender book still up 42% QoQ from RM5.3b

OUTPERFORM ↔

Price: **RM9.00**
Target Price: **RM10.10** ↑

Share Price Performance



KLCI 1,736.71
YTD KLCI chg 3.4%
YTD stock price chg 74.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KGRB MK Equity
Market Cap (RM m)	7,923.5
Shares Outstanding	880.4
52-week range (H)	9.00
52-week range (L)	4.63
3-mth avg. daily vol.	3,549,490
Free Float	69%
Beta	0.73

Major Shareholders

PALACE STAR	21.4%
SUN Lead Internation	5.3%
EPF	4.9%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	1,274	1,673	1,983
EBIT	191	250	314
PBT	190	250	315
Net Profit	151	197	249
Consensus	-	196	264
Earnings Revision	-	+1.6%	+12.3%
EPS (sen)	20.3	21.7	27.3
EPS Growth (%)	10.1	6.9	26.0
NDPS (sen)	13.0	15.0	15.0
BV/Share (RM)	0.8	0.9	1.0
Core PER (x)	44.4	41.5	32.9
P/BV (x)	10.9	10.2	8.9
Gearing (x)	-0.3	-0.4	-0.4
Dvd Yield (%)	1.4%	1.7%	1.7%

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Meanwhile, management is targeting double-digit revenue growth in both FY26 and FY27, supported by stronger project execution and continued order replenishment. Management also believes its current workforce and contractor ecosystem are sufficiently scalable to accommodate higher execution volumes, with some newly secured projects carrying 6–18 months execution periods, providing further earnings visibility into FY27.

On margins, management remains constructive but measured. The continued shift towards higher-value Advanced Engineering/UHP work should support a healthier earnings mix, with 1HFY26 net margin improving to 11.7% from 10.8% a year earlier. That said, management highlighted that new greenfield tenders remain competitive, while repeat jobs, expansion works and variation orders at existing customer sites typically carry better margins

Forecasts. We raised our FY26/FY27 earnings forecasts by 1.6% and 12% to RM197m and RM249m, respectively, after lifting our revenue assumptions and higher GP margin assumptions (24% vs. 23%).

Valuations. We raise our TP to RM10.10 from RM9.05 previously, based on unchanged FY27 PER of 37x, a 10% discount to the local semiconductor front-end peers' (UWC, Frontken and Vitrox) average FY27 PER of 41.3x. There is no adjustment to our TP based on ESG given a 3-star rating as appraise by us (see Page 5).

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 RM2.0b and a robust tender book of over RM7b (as of 1H26), (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)	2Q26	1Q26	QoQ Chg	2Q25	YoY Chg	6M26	6M25	YoY Chg
Turnover	344.4	270.4	27.4%	282.0	22.1%	614.8	552.3	11.3%
Gross Profit	69.4	63.2	9.8%	65.0	6.9%	132.7	113.5	16.9%
EBITDA	55.4	45.8	20.9%	47.7	16.1%	101.3	86.0	17.8%
EBIT	50.6	41.2	22.7%	43.7	15.7%	91.8	78.0	17.7%
PBT/(LPT)	51.1	39.4	29.8%	41.3	23.6%	90.5	75.6	19.8%
Taxation	(9.7)	(9.0)	8.5%	(8.5)	15.2%	(18.7)	(16.0)	16.9%
MI	(0.0)	(0.0)	NA	0.0	NA	(0.0)	0.0	NA
Net Profit	41.3	30.4	36.0%	32.9	25.7%	71.7	59.5	20.5%
Core EPS (sen)	4.8	3.9	24.7%	4.5	7.1%	8.7	8.2	5.9%
DPS (sen)	3.0	3.0	0.0%	2.5	20.0%	6.0	5.0	20.0%
Gross Margin	20.2%	23.4%		23.0%		21.6%	20.6%	
EBITDA Margin	16.1%	17.0%		16.9%		16.5%	15.6%	
EBIT Margin	14.7%	15.2%		15.5%		14.9%	14.1%	
PBT Margin	14.8%	14.6%		14.7%		14.7%	13.7%	
NP Margin	12.0%	11.2%		11.7%		11.7%	10.8%	
Tax Rate	-19.1%	-22.8%		-20.5%		-20.7%	-21.2%	

Source: Kenanga Research

Geographical Breakdown								
FYE Dec (RM m)	2Q26	1Q26	QoQ Chg	2Q25	YoY Chg	6M26	6M25	YoY Chg
Malaysia	123.2	85.2	44.5%	109.3	12.7%	208.4	189.2	10.2%
China	43.3	49.1	-11.8%	57.5	-24.7%	92.5	158.5	-41.7%
Singapore	141.9	108.1	31.2%	99.8	42.2%	250.0	175.7	42.3%
Others	36.1	27.9	29.2%	15.4	133.7%	64.0	28.9	121.3%
TOTAL REV.	344.4	270.4	27.4%	282.0	22.1%	614.8	552.3	11.3%
Malaysia	36%	32%		39%		34%	34%	
China	13%	18%		20%		15%	29%	
Singapore	41%	40%		35%		41%	32%	
Others	10%	10%		5%		10%	5%	

Source: Kenanga Research

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Segmental Breakdown								
FYE: Dec (RM m)	2Q26	1Q26	QoQ Chg	2Q25	YoY Chg	6M26	6M25	YoY Chg
UHP/Advanced Engineering	219.4	182.2	20.4%	184.2	19.1%	401.6	381.5	5.3%
Process Engineering	26.4	9.6	175.3%	16.6	59.0%	36.0	25.8	39.8%
General Contracting	64.8	46.1	40.3%	53.3	21.5%	110.9	78.9	40.6%
Industrial Gas	33.9	32.5	4.4%	27.9	21.6%	66.3	66.1	0.3%
TOTAL REV.	344.4	270.4	27.4%	282.0	22.1%	614.8	552.3	11.3%
UHP	64%	67%		65%		65%	69%	
Process Engineering	8%	4%		6%		6%	5%	
General Contracting	19%	17%		19%		18%	14%	
Industrial Gas	10%	12%		10%		11%	12%	

Source: Kenanga Research

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Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 20 Aug (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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
D&O GREEN TECHNOLOGIES BHD	MP	0.365	0.440	20.5%	452.4	Y	12/2026	(2.6)	2.0	-385.8%	-0.3%	N.A.	18.3	0.8	-16.6%	1.0	2.7%
FRONTKEN BHD	OP	5.12	5.72	11.7%	9,282.2	Y	12/2026	12.3	15.2	27.3%	22.9%	41.5	33.8	7.2	18.5%	4.0	0.8%
INARI AMERTRON BHD	OP	2.22	2.72	22.5%	8,525.8	Y	06/2026	4.8	8.0	-28.1%	64.6%	45.9	27.9	3.1	5.9%	5.0	2.3%
KELINGTON GROUP BHD	OP	9.00	10.10	12.2%	7,923.5	Y	12/2026	21.7	27.3	30.6%	26.0%	41.5	32.9	10.2	27.8%	15.0	1.7%
LGMS BHD	OP	0.490	0.600	22.4%	223.4	Y	12/2026	2.2	3.0	-2.0%	38.0%	22.3	16.2	1.8	8.0%	2.0	4.1%
M'SIAN PACIFIC INDUSTRIES BHD	MP	45.30	43.70	-3.5%	9,032.7	Y	06/2027	104.7	134.1	35.6%	28.0%	43.3	33.8	4.1	9.7%	40.0	0.9%
NATIONGATE HOLDINGS BHD	OP	1.39	2.14	54.0%	3,144.3	Y	12/2026	1.8	10.3	-58.0%	462.4%	75.7	13.5	3.1	4.1%	2.0	1.4%
OPPSTAR BHD	UP	0.665	0.430	-35.3%	429.9	Y	03/2027	1.2	2.0	-50.9%	58.2%	53.9	34.1	3.3	6.3%	0.0	0.0%
P.I.E. INDUSTRIAL BHD	MP	1.50	1.51	0.7%	576.1	Y	12/2026	5.9	8.4	0.4%	42.3%	25.4	17.8	0.9	3.5%	0.0	0.0%
SKP RESOURCES BHD	UP	0.295	0.270	-8.5%	450.4	Y	03/2027	2.5	3.5	-19.4%	42.0%	11.9	8.4	0.4	3.7%	0.0	0.0%
SKYECHIP BHD	OP	3.12	3.64	16.7%	5,603.5	Y	03/2027	3.6	4.6	34.8%	25.4%	85.7	68.3	10.4	18.4%	70.0	22.4%
UNISEM (M) BHD	UP	4.24	3.81	-10.1%	7,270.4	Y	12/2026	5.6	11.7	44.4%	107.5%	75.3	36.3	3.1	3.5%	0.0	0.0%
UWC BHD	OP	6.89	7.00	1.6%	7,605.3	Y	07/2026	8.6	15.9	132.3%	86.3%	80.5	43.2	13.3	18.0%	0.0	0.0%
PENTAMASTER CORP BHD	MP	5.35	5.60	4.7%	3,805.5	Y	12/2026	11.9	15.7	36.8%	31.6%	44.9	34.1	4.4	10.3%	2.0	0.4%
INFOMINA BHD	OP	1.55	1.90	22.6%	927.2	Y	05/2027	7.6	8.5	30.2%	11.6%	20.4	18.3	4.8	25.8%	3.0	1.9%
Simple Average					65,252.8					10.3%	62.9%	51.7	31.7	4.7	9.8%		2.6%

Source: Kenanga Research

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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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