

KELINGTON GROUP

(KGRB MK EQUITY, KELG.KL)

BUY

Price: RM8.62

Target Price (% return): RM12.30 (+43%)

52-week High/Low: RM9.25/RM4.69

Technology

Rationale for report: Company Update

Analyst (s)

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More to come

Kelington's largest ever RM1.8bil contract reinforces our investment thesis and, in our view, is unlikely to be the last major win this year. Beyond lifting our estimated order book to RM3.9bil, the award further validates the group's strong execution capabilities with repeat customers and enhances earnings visibility through 2029. With another ~RM3bil of potential memory-related projects still in the pipeline, we believe order book growth has further room to run. Despite this, the stock trades at a forward PE of 22x, which we view as undemanding given its multi-year earnings growth trajectory and superior order win rate.

- Kelington has secured its largest-ever contract, a US\$452mil (RM1.8bil) turnkey award for a wafer fab facility in Gujarat, India. The project will be executed over 30 months, with completion targeted by Feb 2029.
- Under the letter of award, the group will act as the main contractor, undertaking the design, installation, connection, testing and handover of manufacturing, laboratory and support tools, together with the associated tool-specific support systems. The provisional contract comprises US\$250mil (RM1.0bil) for Module 1 and US\$202mil (RM817mil) for Module 2, covering the installation of up to 886 tools across both modules.
- Importantly, this is a repeat award, underscoring its strong track record. Earlier this year, the group secured a RM455mil contract to provide the turnkey gas distribution system and gas purifier for the same customer.
- Following this win, we estimate Kelington's order book has expanded to RM3.9bil, keeping it firmly on track to achieve our RM4–5bil end-FY26 order book forecast. More importantly, the pipeline remains healthy, with three additional projects worth a combined ~RM3bil from memory customers expected to be awarded by year-end.
- Our FY27F/FY28F earnings are 17%/20% above consensus, reflecting our more bullish assumptions on order wins, as the tender pipeline is mainly derived from repeat customers. Yet, the stock trades at just a forward PE of 22x, which we believe does not fully reflect its strong earnings visibility, expanding order book and multi-year growth pipeline.

YE to December	FY25	FY26F	FY27F	FY28F
FD Core EPS (sen)	18.5	22.5	38.7	47.8
PE (x)	46.6	38.3	22.3	18.0

Source: Company, AmInvestment Bank Bhd.

VALUATION MATRIX

YE to December	FY24	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	1,272.2	1,273.6	1,684.5	3,002.4	3,759.1
Core net profit (RM mil)	127.8	159.0	193.0	332.0	409.9
FD Core EPS (sen)	14.9	18.5	22.5	38.7	47.8
FD Core EPS growth (%)	22.4	24.4	21.4	72.0	23.5
Consensus Net Profit (RM mil)	-	-	193.2	283.0	342.0
DPS (sen)	7.5	6.1	10.2	15.3	21.6
PE (x)	57.9	46.6	38.3	22.3	18.0
EV/EBITDA (x)	36.7	31.1	25.7	15.3	12.2
Div yield (%)	0.9	0.7	1.2	1.8	2.5
ROE (%)	30.8	27.8	25.1	32.5	33.2
Net Gearing (%)	nm	-	nm	nm	nm

Source: Company, AmInvestment Bank Bhd.

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