

27 February 2026

Kelington Group

Winning With Discipline

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We came away from KGB's post-4QFY25 results briefing reassured on its outlook, as management reiterated its "bottom line over top line" strategy, underpinned by disciplined project selection and a stable margin profile. Order momentum remains healthy, supported by a strong outstanding orderbook of RM1.38b as at end-FY25 and a solid RM4.6b tenderbook skewed towards Europe and India. Management guided for another strong FY26, targeting double-digit reported net profit growth and FY26 new wins of RM1.5b–RM2.0b (vs. our forecast of RM1.8b), without relying on a single mega project. We maintain our FY26–27F forecasts and keep our TP at RM6.15, based on an unchanged FY26F PER of 30x.

We came away from KGB's post-4QFY25 results briefing reassured of its promising outlook. The key takeaways are as follow:

- Prioritise bottom-line expansion with stable margins.** Management reiterated that FY25 marked another record year for profitability, underscoring its "bottom line over top line" strategy through disciplined project selection. FY25 gross profit margin strengthened to 21.4% (FY24: 19.2%; 4QFY25: 21.7%), driven by a more favourable project mix and a continued tilt towards higher-margin Advanced Engineering (UHP) work, lifting net margin to c.12%. Looking ahead, management was clear that a c.20% GP margin is a comfortable and sustainable level, with further upside largely mix-driven rather than price-led.
- Orderbook momentum intact; mix tilting to Advanced Engineering.** Earnings visibility remains supported by a strong outstanding orderbook of RM1.38b as at end-FY25, led by Singapore (RM438m; 32%) and Malaysia (RM431m; 31%), followed by China (RM344m; 25%), Germany (RM137m; 10%) and Taiwan (RM26m; 2%). By segment, Advanced Engineering continues to anchor the book at RM973m (71%), with General Contracting at RM242m (18%) and Process Engineering at RM161m (12%). While the orderbook is expected to ease slightly QoQ due to normal project execution, management stressed it remains higher YoY and highlighted RM100m of new wins secured in Jan–Feb 2026, with further conversions expected in 2Q/3Q as several large tenders progress.
- Tender book largely unchanged, but pipeline remains robust.** The total tender book was steady at RM4.6b as at end-4QFY25 versus the preceding quarter, with the pipeline skewed towards Europe (RM1.54b; 33%) and India (27%), followed by Malaysia (20%), Singapore (10%), China (8%) and Taiwan (3%). Europe is mainly driven by Taiwan-partner related opportunities and potential IDM conversion, although KGB reiterated it will remain selective and walk away from packages that do not meet its margin threshold (c.20%). India is anchored by Tata Electronics, with an initial c.RM40m win secured in early 2026 and larger packages still under negotiation, while Singapore tenders are largely Micron-driven and Malaysia's pipeline is supported by a sizeable packaging-related tender.
- Aiming for another record year.** KGB guided for a strong FY26, targeting double-digit growth in reported net profit (including FX and other adjustments). On order wins, they aim to surpass FY25's RM1.25b, with an indicative FY26 target range of RM1.5b–RM2.0b (vs. our RM1.8b assumption). Management also emphasised a preference to under-guide rather than over-promise, and noted that achieving the target is not reliant on a single mega project, given multiple tenders that can collectively contribute to the total.

OUTPERFORM ↔

Price : **RM5.21**
Target Price : **RM6.15** ↔

Share Price Performance



KLCI	1,740.94
YTD KLCI chg	3.6%
YTD stock price chg	0.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KGRB MK EQUITY
Market Cap (RM m)	4,088.4
Shares Outstanding	784.7
52-week range (H)	5.86
52-week range (L)	2.59
3-mth avg. daily vol.	2,410,756
Free Float	73%
Beta	1.0

Major Shareholders

Palace Star	17.3%
Employees Provident	5.6%
Sun Lead Internation	5.1%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	1,274	1,575	1,678
EBIT	191	241	257
PBT	190	240	257
Net Profit	151	186	199
Consensus	-	186	206
Earnings Revision (%)	-	-	-
EPS (sen)	20.3	20.5	21.9
EPS Growth (%)	10.1	1.0	6.8
NDPS (sen)	13.0	13.0	13.0
BV/Share (RM)	0.8	0.9	1.0
Core PER (x)	25.7	25.4	23.8
P/BV (x)	6.3	5.8	5.3
Gearing (x)	-0.3	-0.4	-0.5
Dvd Yield (%)	2.5	2.5	2.5

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Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 26 Feb. (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	0.495	0.810	63.6%	613.5	Y	12/2025	1.1	2.7	-66.1%	149.3%	45.8	18.4	0.8	-19.5%	1.0	2.0%
INARI AMERTRON BHD	OP	1.51	2.20	45.7%	5,745.7	Y	06/2026	6.8	7.6	1.5%	10.9%	22.1	20.0	2.1	9.3%	7.0	4.6%
KELINGTON GROUP BHD	OP	5.21	6.15	18.0%	4,088.4	Y	12/2026	20.5	21.9	23.4%	6.8%	25.4	23.8	5.8	26.1%	13.0	2.5%
LGMS BHD	MP	0.515	0.650	26.2%	234.8	Y	12/2026	2.2	2.7	-18.7%	23.0%	23.5	19.1	2.4	10.3%	2.0	3.9%
M'SIAN PACIFIC INDUSTRIES BHD	MP	32.14	35.30	9.8%	6,408.7	Y	06/2026	104.4	120.3	35.2%	15.2%	30.8	26.7	2.9	9.7%	35.0	1.1%
NATIONGATE HOLDINGS BHD	MP	0.895	0.850	-5.0%	2,025.1	Y	12/2026	4.7	5.7	7.8%	21.1%	19.0	15.7	1.9	10.2%	2.0	2.2%
OPPSTAR BHD	MP	0.260	0.280	7.7%	166.8	Y	03/2026	(1.6)	1.0	-184.7%	-40.0%	N.A.	26.4	1.3	-8.0%	0.0	0.0%
P.I.E. INDUSTRIAL BHD	MP	1.64	2.54	54.9%	629.8	Y	12/2025	7.9	14.8	-42.7%	86.5%	20.7	11.1	0.9	4.7%	0.0	0.0%
SKP RESOURCES BHD	MP	0.505	0.530	5.0%	789.0	Y	03/2026	5.7	4.4	-24.4%	-22.5%	8.9	11.5	0.7	8.0%	0.0	0.0%
UNISEM (M) BHD	UP	3.17	2.22	-30.0%	5,113.5	Y	12/2026	7.6	9.2	94.1%	21.8%	41.9	34.4	2.4	5.8%	6.0	1.9%
UWC BHD	OP	4.11	4.38	6.6%	4,533.9	Y	07/2026	10.0	13.9	172.6%	38.8%	41.0	29.6	7.6	22.6%	0.0	0.0%
PENTAMASTER CORP BHD	OP	3.22	4.25	32.0%	2,290.4	Y	12/2026	12.1	13.1	39.0%	8.1%	26.6	24.6	2.7	10.4%	2.0	0.6%
INFOMINA BHD	OP	1.20	1.90	58.3%	721.5	Y	05/2026	5.6	7.6	60.7%	34.8%	21.3	15.8	3.6	18.3%	1.0	0.8%
Simple Average					33,361.1					17.9%	18.4%	26.8	22.6	2.7	8.3%		1.5%

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	★	
SPECIFIC	Technology & Innovation	★	★	☆		
	Supply Chain Management	★	★	★	☆	
	Energy Efficiency	★	★	★		
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Ethical Practices	★	★	★		
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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