HLIB Retail Research
PP 9484/12/2012 (031413)

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KGB: On a solid footing

KGB: Pending a downtrend line breakout

Collection range: RM1.65-1.68-1.74
Upside targets: RM1.83-1.88-1.92
Cut loss: RM1.60

Technical Risk Profile

Technical snapshots

Stock code	KGB/0151
Last price (RM)	1.70
52Wk High/ Low (RM)	1.88/0.765
Outlook (2-4 weeks)	Pending symmetrical triangle breakout
Volume (m)	1.35
Average Volumes 20D (m)	2.65
*Upside reward (%)	11%
*Downside risk (%)	-4%
HLIB Research TP (RM)	-
Bloomberg TP (RM)	2.01

Source: HLIB, Bloomberg

Note:
1. Upside reward calculation: Mid-point upside (RM1.87)/ mid-point collection (RM 1.68)
2. Downside risk: Cut loss (RM1.60)/ Mid-point collection (RM1.68)

Earnings summary					
FYE 31 Dec	FY18	FY19	FY20	FY21E	FY22E
Revenue (RM'm)	350.0	379.8	394.6	520.0	743.4
Core PATMI (RM'm)	18.6	24.4	17.5	29.5	42.0
Issued Share (RM'm)	645.2	645.2	645.2	645.2	645.2
EPS (sen)	2.9	3.8	2.7	4.6	6.5
Dividend (sen)	0.9	1.0	0.8	1.5	1.7
P/E (x)	58.8	44.9	62.7	37.2	26.1
Yield (%)	0.5%	0.6%	0.4%	0.9%	1.0%

Sources: Bloomberg

Ultra-high purity gas provider. Listed since 2009, Kelington Group Berhad (KGB) is mainly engaged in providing Ultra High Purity (UHP) gas to the electronics and semiconductor industry. Over the years, the Group has expanded its exposure to include turnkey engineering services and industrial gasses business. The group derived 71% of its revenue from its UHP divisions in FY20, whilst Process Engineering (12%), General Contracting (11%), and Industries Gasses (6%) accounted for the rest. Overall, Malaysia, China, and Singapore dominated 94% of its topline in FY20.

Riding on the fab expansion plans. With chips shortage showing no signs of abating, we expect more fab expansions in the pipeline and KGB is well-positioned to tap into more UHP jobs, as chip foundry investment sweeping across Asia (source), especially in China and Singapore where majority of KGB's UHP projects are located in. Interestingly, this started to reflect from its all-time high outstanding order-book amounting to RM979m as at Oct-21 (FY2020: RM490m).

Industry gas division to cater into F&B. To recap, KGB commenced its liquid carbon dioxide (LCO2) plant in Kemaman, Terengganu on the 23 Oct 2019 with a total capacity of 50,000 tonnes of LCO2 pa. Over the years, the plant utilization rate plant had gradually picked up from 20% (FY2019) to 50% (1HFY2021) within 15 months of operations. As the group is in the final stage of securing the Halal Certification from JAKIM to start the qualification process for the F&B industry, this is expected to drive its LCO2 plant utilization rate to greater heights (CO2 is widely used in F&B business i.e. manufacture of carbonated drinks and food freezing etc.).

Pending for a downtrend line breakout. Technically, KGB is pending for a downtrend line breakout. A successful breakout above its downtrend line resistance (RM1.74) will spur the prices to challenge its previous high of RM1.88 (30 Sept) territories. Cut lost at RM1.61.

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HOLD	Expected absolute return of -10% to +10% over the next 12 months.
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