

Team Coverage

(603) 7890 8888

research.dept@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM0.33
Previous Target Price:	N/A
Target Price:	RM0.45
Capital Upside/ Downside:	36.4%
Dividend Yield (%):	0.0%
Total Upside/ Downside	36.4%

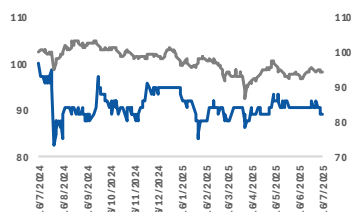
Stock information

Board	MAIN
Sector	Renewable Energy
Bursa / Bloomberg Code	0193 / KASB MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	2,127.2
Market Cap (RM' m)	691.4
52-Week Price Range (RM)	0.37-0.29
Beta (x)	0.4
Free float (%)	49.2
3M Average Volume (m)	7.2
3M Average Value (RM' m)	2.4

Top 3 Shareholders (%)

Lai Keng Onn	18.5
Stoqtech Sdn Bhd	7.5
Tong Kum Loong	7.4

Share Price Performance



	1M	3M	12M
Absolute (%)	-1.5	0.0	-11.0
Relative (%)	-1.9	-3.2	-5.1

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	244.8	381.0	506.0
PATAMI (RM'm)	24.0	40.5	49.4
CNP (RM'm)	21.6	40.5	49.4
EPS - core (sen)	1.1	2.0	2.5
P/E(x)	30.7	16.4	13.4

Kinergy Advancement Bhd

Growth On Track

- **KAB delivered robust core net profit growth of 27.1% yoy in 1QFY25, supported by reduction in administrative cost, consistent recurring income from its PPA assets, and higher revenue recognition from its SES and M&E EPCC segments.**
- **Following recent contract wins, KAB's order book has doubled qoq to RM1.4bn, providing solid revenue visibility for at least the next five years.**
- **KAB is actively expanding its RE footprint through a strategic partnership with PKNPk, for a 1.8GW pipeline comprising 29 projects across various solar and hydro assets, to strengthening its long-term recurring income opportunities.**
- **The strategic entry into the IPP segment through its stake in the TTPC power plant presents substantial upside, driven by opportunities for plant recommissioning and future capacity expansion amid Malaysia's growing power demand. Historically, this plant has contributed up to RM85m annually in PAT, potentially adding around RM33m to KAB's earnings upon recommissioning.**
- **We assign a fair value of RM0.45 based on 18x PER applied to FY26F EPS of 2.5 sen, along with a three-star ESG rating.**

Robust Earnings Growth. In 1QFY25, KAB registered a 27.1% yoy increase in core net profit to RM6.3m, driven by a 12.3% reduction in administrative costs, steady recurring income from PPA assets, and greater revenue recognition from both SES-related EPCC projects and M&E-related EPCC projects (each segmental revenue +72.6% yoy). Looking ahead, earnings visibility for the upcoming quarter remains strong, supported by (i) ongoing progress on the 52MWac Sipitang power plant project, which is expected to contribute about RM150m in FY25F, (ii) continued revenue recognition from SES-related EPCC projects, and (iii) stable recurring income from a portfolio of 12 renewable energy (RE) assets, which collectively generates RM13m annually, with the remaining PPAs ensuring long-term revenue for at least eight more years.

Orderbook and Tenderbook. Following recent contract wins, KAB's orderbook has expanded to RM1.4bn, translating into an orderbook-to-revenue cover of 5.6x relative to FY24 revenue. This marks a doubling of the orderbook qoq, driven by accelerated demand for sustainable energy solutions (SES). About 80% of the orderbook is derived from the SES segment, primarily solar EPCC projects, while the remaining portion is attributable to M&E engineering. KAB's tender pipeline remains robust at RM3.5bn, comprising multiple early-stage deals in data centre infrastructure, solar power plants, and conventional power assets. Historically, KAB has maintained a strong 50% tender win rate, underscoring confidence the Group's execution capabilities.

Transition into an IPP. To recap, a pivotal step in KAB's transformation into an energy solutions provider was the acquisition of a 47.5% equity stake in Jati Cakerawala Sdn Bhd for RM35m. The deal has provided KAB an effective 38% indirect stake in the repowering of Teknologi Tenaga Perlis Consortium Sdn Bhd's (TTPC) 650MW power plant in Perlis, marking the Group's maiden entry into the IPP sector. The plant is currently seeking a short-term PPA extension. Approval is highly likely given the government's commitment in maintaining a healthy reserve margin amid surging electricity demand from data centres and the scheduled expiry of c.8.8GWac of fossil fuel plants' PPAs/SLAs by 2030. Historically, the plant has generated up to RM85m in PAT annually, which could deliver an incremental RM33m to KAB's bottom line upon recommissioning. Furthermore, KAB is exploring the potential for redevelopment and expansion to a capacity of around 1,200MWac, leveraging its strategic location near transmission lines and the PGU III gas pipeline. While our forecast has yet to incorporate these developments pending regulatory approvals, we believe these catalysts would drive a positive re-rating of KAB's valuation.

More potential RE projects in the pipeline. KAB is aggressively expanding its RE portfolio, reinforcing its role as a leading SES provider in Malaysia. In February 2025, KAB announced a

strategic collaboration with Perbadanan Kemajuan Negeri Perak (PKNPk) to explore 29 RE projects, boasting a combined capacity exceeding 1.8GW. This initiative aligns with the state's sustainability goals under the Perak Sejahtera 2030 framework, leveraging KAB's expertise in innovative energy solutions to enhance Perak's energy resilience and support national RE targets. Planned projects include a mix of floating solar, ground-mounted solar, and small-scale hydropower solutions, designed to meet the rising demand for clean energy, particularly from data centre operators prioritising ESG agendas. While the newly launched GET scheme is currently more cost-competitive and expected to attract early offtakers, we view CRESS as the long-term solution for multinational corporations, offering the security of 8–20-year PPAs to hedge against energy price volatility.

Earnings forecasts. Maintained.

Valuation & Recommendation. We assign a fair value of **RM0.45**, based on 18x FY26F EPS of 2.5 sen and a three-star ESG rating. We like on KAB for its (i) stable recurring income backed by its 12-asset RE portfolio with at least eight years of remaining PPA duration, (ii) extensive track record as a one-stop energy solutions provider and (iii) strategic entry into the IPP sector, offering a positive re-rating potential.

Risks. Heavy reliance on government initiatives, inability to secure new contracts, rising construction cost.

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	199.3	244.8	381.0	506.0	687.9
Gross Profit	41.4	54.4	81.0	98.7	112.6
EBITDA	41.0	51.5	77.5	94.6	107.8
Depreciation & Amortisation	-5.5	-11.5	-12.4	-13.3	-14.2
EBIT	35.5	40.0	65.1	81.3	93.5
Net Finance Income/ (Cost)	-5.4	-8.8	-12.8	-17.6	-13.1
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	30.1	31.3	52.3	63.7	80.5
Tax	-1.6	-6.8	-11.3	-13.7	-17.4
Profit After Tax	28.6	24.5	41.0	49.9	63.1
Minority Interest	0.2	0.5	0.5	0.5	0.5
Net Profit	28.4	24.0	40.5	49.4	62.6
Exceptionals	3.2	2.4	0.0	0.0	0.0
Core Net Profit	25.2	21.6	40.5	49.4	62.6

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	1.3	1.1	2.0	2.5	3.1
P/E(x)	26.4	30.7	16.4	13.4	10.6
P/B(x)	3.1	2.4	2.1	1.8	1.5
EV/EBITDA(x)	15.6	11.7	8.3	7.7	6.3
DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA margin (%)	20.6%	21.0%	20.3%	18.7%	15.7%
EBIT margin (%)	17.8%	16.3%	17.1%	16.1%	13.6%
PBTmargin (%)	15.1%	12.8%	13.7%	12.6%	11.7%
PATmargin (%)	14.3%	10.0%	10.8%	9.9%	9.2%
NP margin (%)	14.2%	9.8%	10.6%	9.8%	9.1%
CNP margin (%)	12.6%	8.8%	10.6%	9.8%	9.1%
ROE(%)	11.9%	7.8%	12.7%	13.4%	14.5%
ROA (%)	5.8%	4.1%	5.8%	5.2%	6.4%
Gearing (%)	43.1%	52.3%	61.8%	73.8%	57.6%
Net gearing (%)	12.9%	23.2%	7.4%	Net Cash	Net Cash

Valuations

	FY26F
Core EPS (sen)	2.5
P/E multiple (x)	18.0
Fair Value (RM)	0.45
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.45

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	64.0	81.0	173.6	326.2	262.0
Receivables	81.9	114.8	124.0	144.7	135.0
Contract assets	50.5	69.2	114.3	151.8	206.4
Other current assets	3.8	0.5	0.5	0.5	0.5
Total Current Assets	200.2	265.5	412.4	623.1	603.8
Fixed Assets	187.8	181.3	212.9	252.4	301.6
Intangibles	20.6	20.1	20.1	20.1	20.1
Other non-current assets	27.3	54.3	54.8	55.9	55.4
Total Non-Current Assets	235.6	255.7	287.8	328.4	377.1
Short-term debt	22.7	39.2	42.9	57.4	75.2
Payables	44.7	47.3	56.3	75.5	43.7
Other current liabilities	74.5	36.8	112.1	213.1	233.5
Total Current Liabilities	141.9	123.4	211.3	346.0	352.3
Long-term debt	68.7	106.1	154.2	215.0	173.7
Other non-current liabilities	13.2	13.8	15.7	21.8	22.9
Total Non-Current Liabilities	81.9	119.9	170.0	236.7	196.6
Shareholder's equity	209.0	274.3	314.9	364.3	426.9
Minority interest	3.0	3.6	4.1	4.6	5.0
Total Equity	212.0	277.9	319.0	368.9	431.9

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	30.1	31.3	52.3	63.7	80.5
Depreciation & amortisation	5.5	11.5	12.4	13.3	14.2
Changes in working capital	-11.8	-72.0	7.0	41.0	-9.3
Others	-22.0	-3.2	-11.3	-13.7	-17.4
Operating cash flow	1.8	-32.5	60.4	104.2	68.0
Capex	-12.8	-3.7	-44.0	-52.8	-63.4
Others	-4.9	-2.0	0.0	0.0	0.0
Investing cash flow	-17.7	-5.7	-44.0	-52.8	-63.4
Dividends paid	0.0	1.0	2.0	3.0	4.0
Others	24.0	38.8	74.2	98.2	-72.8
Financing cash flow	24.0	39.8	76.2	101.2	-68.8
Net cash flow	8.2	1.6	92.6	152.6	-64.2
Others	0.4	5.2	0.0	0.0	0.0
Beginning cash	0.1	8.6	15.5	108.0	260.7
Ending cash	8.6	15.5	108.0	260.7	196.5

ESG Matrix Framework:**Environment**

Parameters	Rating	Comments
Climate	★★★★	In FY23, Scope 1 emissions were 68 tCO ₂ e and Scope 2 emissions were 531 tCO ₂ e. Total GHG emissions dropped to 782 tCO ₂ e, down 71% vs FY21.
Waste & Effluent	★★★★	Environmental compliance fully met with no violations in FY23.
Energy	★★★★	Net energy consumption turned negative in FY23 due to significant renewable generation (e.g. hydro 55.8m kWh)
Water	★★★★	Water use reduced by 10.2% to 738 m ³ in FY23 vs FY22, exceeding their 5% reduction target
Compliance	★★★★	In compliance with local and international environmental regulations

Social

Diversity	★★	Female board representation is low (2 out of 9), limited gender diversity data on broader workforce
Human Rights	★★★★	Adopts and enforces a Code of Ethics and Conduct; no violations reported
Occupational Safety and Health	★★★★	Zero work-related injuries, fatalities, or lost-time incidents reported in FY23 across 200,000 hours worked.
Labour Practices	★★★★	Adheres to all relevant labor laws

Governance

CSR Strategy	★★★★	In FY23, KAB contributed RM52,039.85 in donations and recorded 188 hours of employee volunteer work.
Management	★★	The board comprises eight members, with 4 Independent Non-Executive Directors (INEDs). Only 2 out of 9 total directors are women
Stakeholders	★★★★	Regularly organises corporate events and holds an annual general meeting (AGM) for investors

Overall ESG Scoring: ★★★**Recommendation Framework:****BUY:** Total returns* are expected to exceed 10% within the next 12 months.**HOLD:** Total returns* are expected to be within +10% to – 10% within the next 12 months.**SELL:** Total returns* are expected to be below -10% within the next 12 months.**TRADING BUY:** Total returns* are expected to exceed 10% within the next 3 months.**TRADING SELL:** Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.**ESG Rating Framework:**

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of **Wednesday, 16 Jul, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.