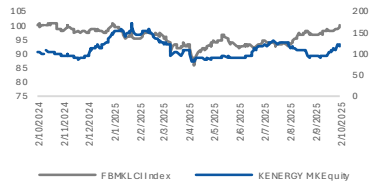
Tan Sue Wen
(603) 7890 8888 (ext 2093)
suewen.tan@apexsecurities.com.my

Recommendation:		BUY
Current Price:		RM 0.78
Previous Target Price:		NA
Target Price:	↑	RM 1.02
Capital Upside/ Downside:		30.8%
Dividend Yield (%):		1.6%
Total Upside/ Downside		32.4%

Stock information	
Board	ACE
Sector	Industrial
Bursa / Bloomberg Code	0307 / KENERGY MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	550.0
Market Cap (RM' m)	426.3
52-Week Price Range (RM)	0.965-0.465
Beta (x)	N/A
Free float (%)	26.7
3M Average Volume (m)	1.1
3M Average Value (RM' m)	0.8

Top 3 Shareholders	(%)
Lim Thou Lai	66.1
Urushart a Jamaah Sdn Bhd	2.5
Heng Siew Aun	2.0

Share Price Performance



	1M	3M	12M
Absolute (%)	31.4	6.9	32.5
Relative (%)	26.6	1.1	32.8

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	113.1	126.5	171.5
PATAMI (RM'm)	18.0	21.0	29.4
CNP (RM'm)	19.3	21.0	29.4
EPS - core (sen)	3.5	3.8	5.3
P/E(x)	22.1	20.3	14.5

Kawan Renergy Berhad

More Opportunities in the Pipeline

- **KENERGY, as exclusive distributor of Rolls-Royce gensets in Malaysia, is set to benefit as Tier-4 data centres drive demand for high-efficiency, rapid-response backup solutions.**
- **Near-term catalysts from cogeneration EPCC opportunities driven by rising energy efficiency and sector expansion. CHP systems (70-90% efficiency), compared to 40% for conventional gas power, are attractive to steam-intensive industries. The Group is currently negotiating several cogeneration contracts, with potential wins of up to RM100m, providing visible upside to earnings growth.**
- **KENERGY has close to RM350m in tender headroom (assuming a 10% performance bond), providing ample capacity to participate in large-scale industrial and renewable projects. We forecast order replenishment of RM150-260m for FY25-FY28, implying a 105.6% CAGR over FY24-FY27F.**
- **We initiate coverage on KENERGY with a BUY recommendation and a target price of RM1.02, by applying a 19x PER to our FY26F EPS of 5.3 sen.**

Key Investment Highlights

Riding the Data Centre Wave. KENERGY is the exclusive distributor of Rolls-Royce diesel gensets for data centres in Malaysia. Rolls-Royce gensets, widely used in mission-critical facilities, particularly Tier-4 data centres, offer high efficiency, rapid load response, and fuel flexibility, including HVO. As global OEMs face supply bottlenecks, Rolls-Royce is expected to increase its market share as hyperscale clients prioritise uptime. For context, backup power can account for 10-30% of the total build costs in a 10MW data centre. KENERGY is well positioned to capture multi-phase contracts from the growing data centre market, supported by the rising demand for Tier-4 compliant facilities.

Strategic Positioning in High-Growth Segments. KENERGY's near-term growth is expected to be driven primarily by EPCC opportunities in cogeneration (CHP), fuelled by increasing energy efficiency demands and the growth of energy-intensive sectors. CHP systems offer 70-90% efficiency, compared to around 40% for conventional gas power, making them highly attractive to steam-intensive industries such as chemicals, textiles, and food processing. KENERGY maintains a competitive edge, with 60% of components fabricated in-house, enabling cost efficiency, faster execution, and competitive pricing. Management is currently negotiating several cogeneration contracts, with potential wins of up to RM100m, providing significant upside to earnings growth.

Visible Order Book Replenishment. With a net cash position of RM34.9m and assuming a 10% performance bond requirement, KENERGY has c.RM350m in tender headroom, providing ample capacity to participate in large-scale industrial and renewable projects. Near-term replenishment is expected from a recovery in industrial process equipment and active tendering for CHP projects, alongside a gradual increase in orders for genset and Solar turbines solutions, driven by rising investment in Tier-4 data centres. We are adopting a conservative order replenishment forecast of RM150-260m for FY25-FY28, which implies a 105.6% CAGR over FY24-FY27F.

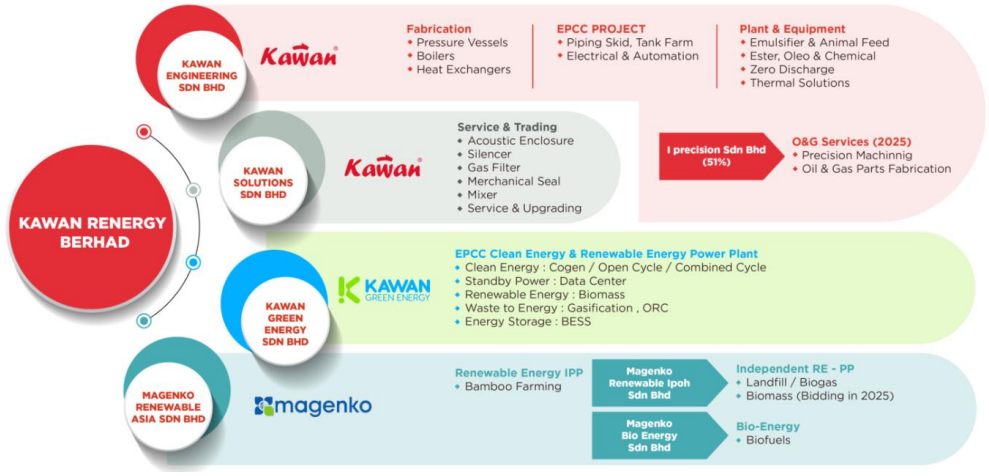
Opportunities in Power Plants. KENERGY is set to benefit from rising demand for Solar Turbines in open-cycle gas turbine (OCGT) plants amid Malaysia's electricity supply-demand imbalance. About 7.8GW of capacity is scheduled to retire by 2030. Assuming 15-20 new hyperscale data centres are built, this could add 3-4GW of demand (13-17% of current installed capacity). OCGTs are seen as a contingency solution as they can be commissioned within two years, offering faster deployment compared with CCGTs despite lower efficiency. A typical 100MW data centre would require an OCGT plant with four to five Solar Turbine units, driving strong order book visibility for KENERGY.

Valuation & Recommendation. We initiate coverage on **KENERGY** with a **BUY** recommendation and a target price of **RM1.02**, by applying a 19x PER to FY26F EPS of 5.3 sen.

Business Overview

KENERGY's operations are driven by two main segments: (i) Provision of engineering solutions and (ii) Others - power generation and electricity sales.

Figure 1: Corporate Overview



Source: Group

Provision of Engineering Solutions (98.3% of 9MFY25 revenue)

undertaken through subsidiaries Kawan Engineering and Kawan Green, encompassing the full project cycle, which begins with the assessment of client requirements and the preparation of designs, followed by in-house fabrication, installation at the site, and final commissioning. Engineering solutions are delivered under three categories:

(i) Industrial Process Equipment (51.5% of 9MFY25 revenue) involves the design and manufacture of pressure vessels, heat exchangers, boilers, and heaters. This division primarily serves in-house projects, with a smaller share sold externally to EPCC contractors and industrial end-users. Units are custom-built within three to six months, engineered to ASME and DOSH standards, and applied across industries such as food processing, oleochemicals, chemicals, utilities, and waste recovery, either as standalone units or integrated systems.

Figure 2: Product Offering under Industrial Process Equipment Segment

Source: Group

(ii) Industrial Process Plants (30.5% of 9MFY25 revenue) involve the design, fabrication, installation, and commissioning of integrated plant systems. Each plant is customised to meet specific product requirements, varying in terms of raw materials, process flows, and output capacities. Applications include food processing, oleochemical, chemical, and waste recovery facilities. The majority of the main components are manufactured in-house (see Figure 2), while auxiliary equipment such as motors, chillers, dryers, and vacuum pumps is sourced from third parties. Projects typically require 12 to 18 months for completion.

Figure 3: Product Offering under Industrial Process Plants Segment

Source: Group

(iii) Renewable Energy and Co-Generation Plants (16.3% of 9MFY25 revenue) were introduced in 2020 as part of KENERGY's expansion into the energy sector. The division undertakes the design, fabrication, installation, and commissioning of renewable plants using thermal sources such as heat, biogas, and biomass, as well as cogeneration plants that employ natural gas to generate both electricity and thermal energy. Projects are customised to client requirements, with typical completion timelines of 12-18 months.

I. **Renewable Energy.** Bioenergy projects in Malaysia are primarily driven by government policies, particularly the Feed-in Tariff (FiT) framework. The economic feasibility of a project is determined by proximity to plantations or processing facilities and the ability to secure a reliable feedstock supply, as transportation costs can be substantial. CAPEX typically ranges between RM7-10m per MW. KENERGY provides integrated bioenergy solutions with higher operating efficiency, where project output can be channelled into the FiT framework to support customers in achieving stable, recurring income visibility.

II. **Cogeneration.** Use natural gas to produce both electricity and steam, achieving energy efficiency of 70-90%. CAPEX typically amounts to around RM7.5m per MW. The primary customer base includes steam-intensive industries such as chemicals, food processing, textiles, and oleochemicals. KENERGY has a niche capability to fabricate up to 60% of plant components in-house, which supports cost efficiency and provides greater control over project execution.

Distribution – Power Solutions

Genset Distribution. KENERGY has secured an exclusive distribution role for Rolls-Royce diesel gensets in the data centre segment in Malaysia. A genset, typically powered by diesel or gas, serves as a critical backup power source during grid outages. These units are often MW-scale, and a single data centre may require multiple gensets operating in parallel to achieve uptime levels of over 99.999% ("five-nines"). Rolls-Royce Power Systems offers Tier 4-compliant gensets that combine high fuel efficiency, rapid load response, and lower lifecycle emissions compared to mass-market alternatives. Proven reliability in mission-critical facilities such as airports, defence installations, hospitals, and data centres further distinguishes Rolls-Royce from its competitors.

Figure 4: Rolls Royce Diesel Generator Sets

Source: Group

With global OEMs facing supply bottlenecks and stretched lead times, Rolls-Royce is well-positioned to gain market share as developers prioritise reliability and fuel flexibility. As KENERGY is the sole distributor for Rolls-Royce gensets in Malaysia, it becomes the go-to supplier for

hyperscale data centre projects. This is particularly relevant as Tier-4 data centre investments accelerate in Malaysia, driving demand for high-spec mission-critical deployments.

For context, each large data centre project (10-50MW IT load) may require multiple gensets, with backup power alone amounting to hundreds of millions. Moreover, as data centre developments typically expand in phases, this creates multi-year contract opportunities for KENERGY, enabling it to capture a meaningful share of Malaysia's rapidly growing data centre build-out.

(v) Solar Turbines. KENERGY is also the distributor for Solar Turbines. These turbines are designed primarily for Open Cycle, Combine Cycle and CHP applications, delivering both electricity and useful heat to maximize overall efficiency. Solar Turbines are compact, modular, and fuel-flexible, with capacities typically ranging from c.3.5 MW to 38 MW per unit. They can be deployed as standalone units, as scalable power blocks, or as part of integrated combined cycle systems.

Figure 5: Solar Turbines

Source: Group

Solar Turbines are widely regarded as a sustainable power solution. They use advanced low-emission combustion technology that allows them to operate with single-digit nitrogen oxides (NOx) and carbon monoxide (CO) emissions, enabling customers to meet strict environmental standards without the need for additional exhaust treatment systems. They can also run on cleaner alternative fuels such as biogas, renewable natural gas, and even 100% hydrogen, making them highly adaptable to future energy needs. Another key advantage is their rapid start performance. The Centaur 40 model can reach full power in c.35 seconds, while the larger Titan models achieve full load in less than five minutes. This is significantly faster than conventional simple-cycle gas turbines, which typically require at least 10 to 30 minutes to reach full capacity, thereby ensuring a much quicker response to power demand.

The rapid growth of data centres is driving demand for on-site, high-efficiency power plants to achieve 99.999% uptime. Solar Turbines are well-positioned to capture this demand with modular units ranging from 6 to 38MW, scalable to beyond 100MW, combined with full load block acceptance and rapid start capability. Their ability to operate on biogas, renewable natural gas, and up to 100% hydrogen also supports operators' sustainability targets. We believe this trend will benefit KENERGY by strengthening its process plant and renewable energy solutions portfolio while supporting order book replenishment.

How Operations Work?

Projects begin with design and engineering by the Group's technical team, ensuring compliance with client specifications and regulatory standards such as ASME and DOSH. Once approved, the main components are fabricated in-house at the Group's factories in Ipoh. These components are then integrated with auxiliary equipment sourced from third parties, assembled into a complete system, and installed and commissioned at the customer's site to ensure that performance meets the agreed specifications. Upon completion, KENERGY provides maintenance services, generating a recurring revenue stream.

Others - Power Generation and Electricity Sales (1.7% of 9MFY25 revenue)

KENERGY participates in the electricity sales market through Magenko Renewable Ipoh, which operates a biomass facility in Ipoh that exports power to the grid under the FiT scheme until 2032. The plant currently runs on landfill gas capture, generating c.1.5MWh per day and contributing around RM0.2m in annual revenue. Due to site-related issues, the Group has placed on hold the utilisation of IPO proceeds that were originally earmarked for an anaerobic digestion system to process agricultural waste. In addition, through Magenko Bio Energy, the Group has outlined plans to construct a 2MW biomass facility at Factory 3 in Ipoh, which will use a diversified feedstock mix including empty fruit bunch (EFB), wood chips, and bamboo chips sourced from local suppliers. Total secured capacity currently stands at c.3.0MW, comprising 1.0MW operational and 2.0MW planned.

KENERGY will be the first in Malaysia to commercialise bamboo chips as a renewable feedstock for its upcoming 2MW biomass plant in Ipoh. Channel checks indicate that bamboo offers a higher energy yield, with a calorific value of 18-20 MJ/kg compared to traditional feedstocks such as EFB, which average 14-16 MJ/kg, due to its higher dry matter content. Bamboo also provides strong ESG credentials, being one of the fastest-growing plants, capable of regenerating naturally without replanting, and offering high carbon sequestration potential, making it an attractive "green" feedstock for future climate financing. However, commercial adoption remains limited as bamboo supply chains have yet to reach mass-commercial scale.

Plantation development and logistics remain key bottlenecks, with costs currently exceeding those of traditional feedstocks. For reference, EFB are priced at RM40-100 per tonne and palm kernel shells (PKS) at RM150-250 per tonne, while bamboo chips are estimated at RM180-250 per tonne depending on drying and transport requirements. Nonetheless, first movers such as KENERGY are poised to secure pivotal advantages in technical expertise, supply chain integration, and positioning for future biomass tenders as bamboo moves toward mainstream adoption.

In addition, KENERGY plans to expand its asset portfolio into cogeneration projects, where surplus electricity not consumed on-site can be exported to the grid, subject to licensing and access approvals. These projects are typically structured under build-operate-transfer (BOT) models with offtake agreements lasting up to 15 years, providing predictable cash flow once operational. However, we expect near-term growth to remain concentrated in the EPCC segment, while the asset-ownership model is likely to become more meaningful over the medium term, given the requirements for site readiness and significant financing commitments.

Cost Analysis. Raw materials accounted for the largest share of COGS at 47% in FY2023, reflecting the Group's reliance on steel, plates, tubes, and other inputs used in the fabrication of industrial process equipment and plant modules. According to DOSM data, the unit price index of steel fell 6.5% YoY to RM3,488 per metric tonne, driven by weaker construction activity, softer regional export demand, and elevated domestic inventories.

Global agencies such as MCI and the OECD expect steel prices to bottom in 2025, followed by a moderate recovery from 2026, supported by supply-demand consolidation. We have conducted a sensitivity analysis of GP margins against steel price fluctuations based on FY25F assumptions of RM50m in order book replenishment, with raw materials accounting for 50% of COGS and steel comprising 90% of that input.

Under this framework, every 5% change in steel prices from the base case is estimated to drive a corresponding ±1 percentage point movement in GP margin. This equates to an ±RM0.5m change in GP from the baseline forecast of RM12.5m (25% margin).

Figure 6: KENERGY's GP Margins Sensitivity Analysis

Steel Price Change (%) \ GP margin (%)	13	23.0%	24.0%	**25.0%**	26.0%	27.0%	28.0%
-20%	11.2	11.6	12.1	12.6	13.1	13.6	
-15%	11.2	11.7	12.2	12.7	13.2	13.7	
-10%	11.3	11.8	12.3	12.8	13.3	13.8	
-5%	11.4	11.9	12.4	12.9	13.4	13.9	
0%	11.5	12.0	12.5	13.0	13.5	14.0	
5%	11.6	12.1	12.6	13.1	13.6	14.1	
10%	11.7	12.2	12.7	13.2	13.7	14.2	
15%	11.8	12.3	12.8	13.3	13.8	14.3	
20%	11.8	12.4	12.9	13.4	13.9	14.4	

Source: Group, Apex Securities

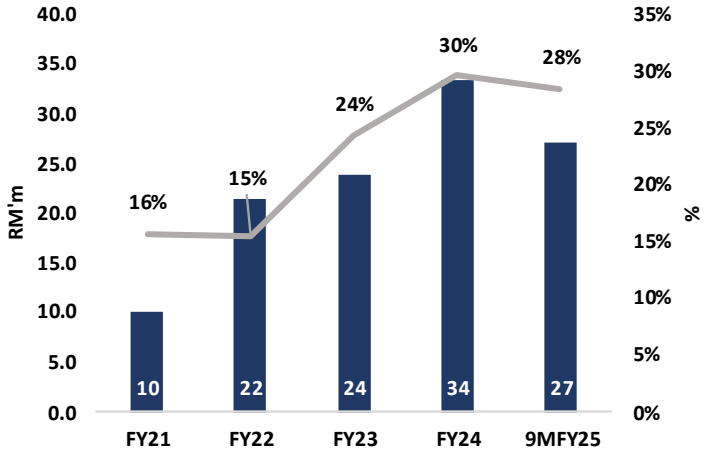
Figure 7: KENERGY's GP Margins Changes in % From Base Case Assumption

Steel Price Change (%) \ GP margin (%)	0	23.0%	24.0%	**25.0%**	26.0%	27.0%	28.0%
-20%	-11%	-7%	-3%	1%	5%	9%	
-15%	-10%	-6%	-2%	2%	6%	9%	
-10%	-9%	-5%	-2%	2%	6%	10%	
-5%	-9%	-5%	-1%	3%	7%	11%	
0%	-8%	-4%	0%	4%	8%	12%	
5%	-7%	-3%	1%	5%	9%	13%	
10%	-7%	-3%	1%	6%	10%	14%	
15%	-6%	-2%	2%	6%	10%	15%	
20%	-5%	-1%	3%	7%	11%	15%	

Source: Group, Apex Securities

Subcontractors and outsourced services account for the second-largest cost component at c.20%, as activities such as electrical installation, site civil works, and other specialised services are typically contracted out to maintain efficiency and ensure timely project delivery. Staff-related costs represent the third-largest component at about 10% of COGS, covering the technical team, welders, and project personnel involved in engineering and fabrication. The remaining 17% is attributed to consumables, logistics, depreciation, and other project-related expenses.

Figure 8: GP (LHS)-and GP Margin (RHS) from FY21 to 9MFY25



Source: Group, Apex Securities

Over the past three years, KENERGY has recorded gross profit margins ranging from 15.5% to 24.4%. We believe the following factors have enabled the Group to sustain strong margins while competing in the industrial process equipment and renewable energy EPCC space:

I. **Proven track record.** With over 28 years of operational history and strong quality assurance, KENERGY has built a reputation for delivering critical process solutions, particularly high-pressure industrial components. This track record supports recurring

business and allows the Group to secure most projects through direct negotiation, sustaining margins above those of open-tender contracts.

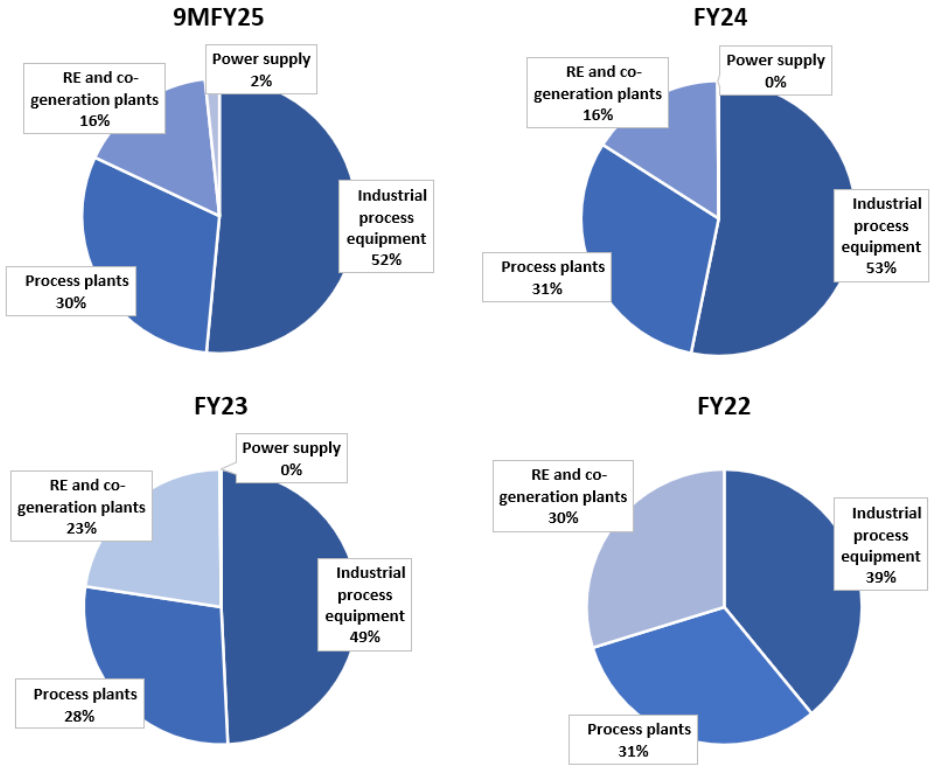
II. **Favourable Project Mix.** The Group has diversified beyond conventional industrial process equipment into higher-value projects, such as renewable energy and co-generation plants, which generally deliver stronger margins. These projects involve greater technical complexity, requiring the integration of boilers, turbines, heat recovery systems, and safety controls, enabling the Group to capture more value than from basic fabrication work.

III. **In-House Manufacturing Advantage.** The Group owns three factories in Ipoh equipped with machining, welding, and testing facilities, enabling the in-house fabrication of up to 60% of EPCC components. This reduces reliance on third parties and provides a structural cost advantage. The Ipoh base also offers a sustainable cost edge compared to operating in the Klang Valley, supported by lower land and labour costs.

IV. **Favourable steel price trend.** Steel and metal plates typically account for more than half of total project costs. Channel checks indicate that global Hot Rolled Coil (HRC) prices fell by c.61%, from a record peak of US$1,275/tonne in 2022 to US$605/tonne in December 2023, and further to US$496/tonne in December 2024. We believe this downtrend in steel prices significantly contributed to the Group's gross profit margin improvement, which expanded from 15.5% in FY2022 to 30% in FY2024.

V. **Quality and Certification Standards.** The Group's products comply with international standards such as ASME U, U2, H, and S Stamp Certification Marks, R Symbol, NB Mark, ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018. These credentials provide access to regulated export markets and safety-sensitive industries, where customers are willing to pay a premium for compliance and quality assurance.

Figure 9: Revenue Breakdown by Segment

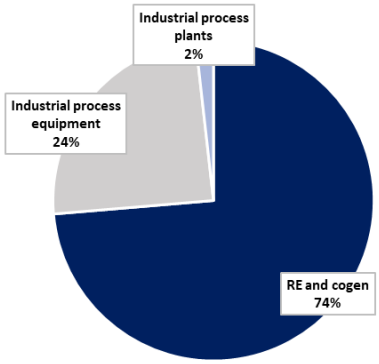


Source: Group, Apex Securities

Order Book and Tender Book. As of 31 July 2025, the total order book stood at RM112.0m, equivalent to one year of FY24 revenue. Of this, 73.6% was contributed by the renewable energy and co-generation segment, 24.5% by the industrial process equipment segment, and the remaining 1.9% by the industrial process plants segment. The tender book remains healthy at

RM400-500m, with the majority of opportunities coming from the renewable energy and co-generation segment.

Figure 10: Order Book by Segment as of 31 July 2025



Source: Group, Apex Securities

Figure 11: IPO Proceeds (As of 31 July 2025).

Utilisation of proceeds	Estimated time frame for utilisation	RM'm (%)
Business expansion		
Investment into a new 2MW power	Within 36 months	5.0 (0.0%)
Improvement of Bercham Plant out	Within 15 months	2.5 (0.0%)
Purchase of additional machinery	Within 12 months	0.5 (100.0%)
Working Capital	Within 24 months	15.0 (55.7%)
Repayment of bank borrowings	Within 3 months	5.0 (100.0%)
Estimated listing expenses	Within 1 months	4.0 (100.0%)
	Total	33 (48.0%)

Source: Group, Apex Securities

Industry Overview

Food Processing Industry. According to MIDA, the food processing industry in Malaysia is a vital component of the manufacturing sector, contributing c.7.4% of GDP and serving as a key link between agriculture and consumer markets. Industry growth is supported by rising urbanisation, higher disposable incomes, and increasing demand for convenience foods, health-focused products, and halal-certified exports. These trends drive ongoing investment in boilers, pressure vessels, heat exchangers, and integrated processing systems to enhance efficiency, quality, and regulatory compliance.

The Malaysian processed food market is projected to grow at a CAGR of 6.4% from 2025 to 2031, with overall food revenues expected to reach US$61.4bn in 2025, supported by the recovery of tourism and strong export demand. At the same time, automation and digitalisation are emerging as critical enablers as manufacturers modernise plants to address labour shortages and meet rising consumer expectations for quality and safety. Malaysia's positioning as a global halal hub and its strategic ASEAN location further strengthen export opportunities, particularly in palm oil derivatives, specialty foods, and value-added products. Policy incentives, including the Green Investment Tax Allowance (GITA), also encourage processors to adopt energy-efficient and low-carbon facilities.

KENERGY is well positioned to capitalise on rising demand in the food processing sector. Leveraging its EPCC capabilities, the Group delivers customised process equipment and turnkey food processing plants, including edible oil refining and palm kernel cake systems. By integrating renewable energy solutions such as biomass and biogas with in-house fabrication, KENERGY provides clients with efficiency gains, cost savings, and regulatory compliance, further strengthening its position in Malaysia's evolving food processing landscape.

Waste Recovery Industry. Malaysia generates about 39,000 tonnes of municipal solid waste daily, of which more than 30% is food waste. At the current pace, landfill capacity could be exhausted by 2050. The waste recovery industry, which covers recycling, waste-to-energy (WtE) and resource recovery, is increasingly important as part of Malaysia's sustainability and green growth agenda. Growth is supported by stricter environmental regulations, circular economy initiatives and national frameworks such as the National Energy Transition Roadmap (NETR) and the New Industrial Master Plan 2030 (NIMP 2030).

Under NETR, the biomass clustering initiative promotes the use of palm oil mill effluent (POME) for biogas production, supporting Malaysia's target of c.700MW biogas capacity by 2030. Sabah and Sarawak, which together account for more than 50% of national CPO output, have been identified as priority sites for scaling up bioenergy plants.

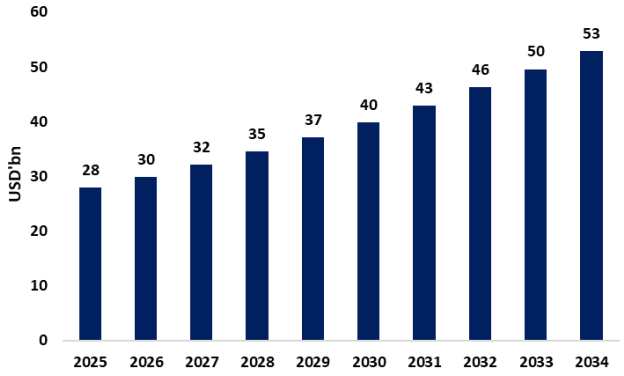
Under NIMP2030, the "Push for Net Zero" mission embeds industrial decarbonisation and circular economy adoption as core priorities, compelling manufacturers to transition towards renewable and clean energy sources. The framework integrates the Circular Economy Policy Framework (CEPF) and Extended Producer Responsibility (EPR), which incentivise industries to recover and repurpose waste streams as inputs for production. Collectively, these measures strengthen the investment case for bioenergy plants as a compliance pathway for industries to achieve ESG standards and maintain global competitiveness.

Despite government initiatives, Malaysia's waste management infrastructure remains underdeveloped, with only 5% of waste recycled compared to 70-80% in leading Asian cities. This is due to the limited adoption of advanced technologies and the high capital cost of WtE plants, estimated at RM4.6-8.4m/MW, which continue to constrain scalability. We believe KENERGY is relatively insulated from these challenges, as its in-house fabrication capabilities help mitigate expenses by reducing reliance on imported equipment.

Oleochemical and Chemical Processing Industry. The oleochemical and chemical processing industry is a cornerstone of Malaysia's manufacturing sector, leveraging the country's position as the world's second-largest palm oil producer. Oleochemicals convert oils and fats into derivatives such as fatty acids, alcohols and glycerine, while chemical processing extends to petrochemicals, speciality chemicals and advanced materials. The sector is expanding in line with global demand for sustainable and bio-based products, supported by the New Industrial Master Plan 2030 (NIMP 2030) and the 13th Malaysia Plan, which prioritise high-value chemicals and green growth.

The Malaysian oleochemicals market, valued at USD1.3bn in 2023, is projected to reach USD2.2bn by 2030, while exports totalled RM37.2bn in 2022, reinforcing Malaysia's role as a global leader. At the global level, the oleochemicals market is forecast to expand at a 7.3% CAGR through 2034, reflecting strong demand in personal care, detergents and industrial applications. Technological advancements in green chemistry and bio-based processes, together with policy incentives such as the Green Investment Tax Allowance (GITA), are expected to further enhance industry competitiveness.

Figure 12: Oleochemicals Market Size Forecast from 2025 to 2034

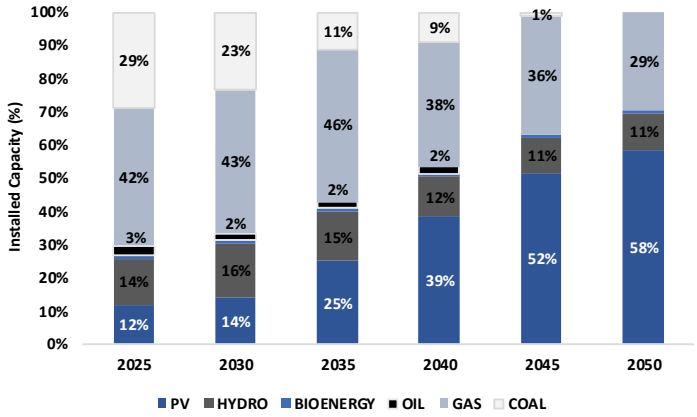


Source: Precedence, Apex Securities

KENERGY is well positioned to capitalise on these opportunities. The Group provides EPCC services for oleochemical and chemical plants, supported by in-house fabrication capacity and renewable energy integration. Its turnkey solutions in process equipment, waste recovery and energy efficiency align with global sustainability drivers, enabling clients to lower costs, meet compliance requirements and strengthen export competitiveness.

Biogas Industry. The biogas industry in Malaysia, which focuses on converting organic waste such as palm oil mill effluent (POME) into methane for energy, is a growing segment of the renewable energy sector. With more than 100m tonnes of biomass generated annually from palm oil, the country has significant potential to scale biogas as a waste-to-energy solution. This supports national targets under the NETR for 40% renewable energy by 2035 and net-zero emissions by 2050. As of 2023, Malaysia's installed biogas capacity was 124MW, compared to the 736MW target by 2030, reflecting both opportunities for expansion and current structural constraints.

Figure 13: Breakdown of Energy Sources for Installed Capacity Mix (2025-2050)



Source: NETR

Technological advancements, including anaerobic digestion and upgrading biogas into biomethane, are improving system efficiency and creating pathways for exportable products such as bio-compressed natural gas (bio-CNG). Regional initiatives, including ASEAN's 1,065MW biogas target by 2025, further support cross-border collaboration and trade opportunities. In Malaysia, biogas projects are supported by the Feed-in Tariff (FiT) mechanism, which historically offered rates of 31-45 sen/kWh and now stands at c.28-34 sen/kWh including incentives, providing a steady revenue framework for operators.

KENERGY is well positioned to capitalise on the growth of the biogas industry. Through its subsidiaries, the Group delivers EPCC services for biogas plants, leveraging in-house fabrication capabilities and expertise in renewable energy integration. Its 1.2MW Bercham landfill biogas facility demonstrates proven execution capability and generates recurring revenue under the FiT scheme. The successful RM33m IPO in May 2024 has further strengthened the Group's financial capacity to pursue larger-scale projects. By providing turnkey biogas solutions, particularly POME-based systems in palm-rich regions such as Sabah and Sarawak, KENERGY is strategically placed to capture NETR-driven opportunities while helping clients access policy incentives and achieve emissions reduction targets.

Cogeneration Industry. The cogeneration industry in Malaysia, which focuses on combined heat and power (CHP) systems that simultaneously generate electricity and useful heat, is an integral component of the renewable energy and industrial sectors. Malaysia's abundant palm oil biomass and natural gas resources provide a strong foundation for cogeneration applications, particularly in palm oil mills and manufacturing plants. This aligns with national targets under the NETR to achieve 40% renewable energy by 2035 and net-zero emissions by

2050. As of 2025, installed cogeneration capacity is c.1.5GW, primarily gas-based, highlighting significant opportunities for further expansion.

Rising electricity demand, particularly from energy-intensive sectors such as data centres, is expected to drive an additional 6-8GW of gas-fired capacity by 2030, with CHP elements increasingly integrated. Globally, the cogeneration market supports Asia-Pacific bioenergy goals, targeting 1.4GW of combined biomass and biogas capacity by 2050. In Malaysia, technological advancements such as hybrid cogeneration with biomass co-firing and hydrogen blends are improving efficiency levels to as high as 70-90%.

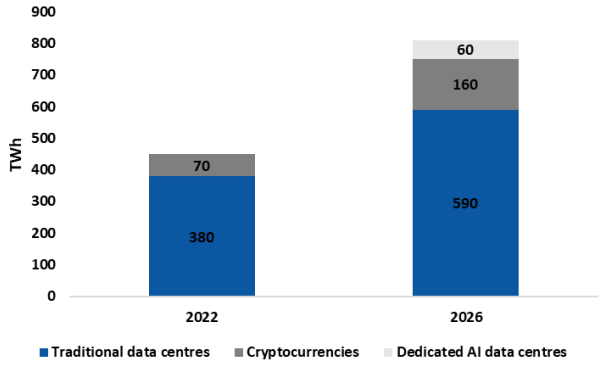
However, the sector continues to face challenges. High upfront capital costs of RM4.6-6.3m per MW for gas-based systems, fluctuating fuel prices, and the requirement for co-located heat and power demand constrain scalability. Inconsistent policy enforcement, standby grid charges, and emissions compliance further add to industry hurdles.

KENERGY provides EPCC services for cogeneration facilities, supported by in-house fabrication and renewable integration expertise. The RM38.8m gas turbine cogeneration contract awarded in July 2025 highlights its delivery capability. By integrating renewables into cogeneration plants, the Group is aligned with NETR's decarbonisation targets and positioned to secure opportunities in industrial clusters and palm oil-rich regions.

DCs demand enormous power. As of March 31, 2025, Malaysia had approved RM144.4bn in data centre investment projects across the country between 2021 and Q1 2025 under the DESAC scheme. This amount includes investments by leading global cloud service providers such as AirTrunk, Amazon, Bridge, Microsoft, GDS, Yondr Group, Google, K2, Keppel, and Equinix. The influx is driven by several key factors: (i) Malaysia's strategic location at the heart of ASEAN, (ii) robust fibre connectivity, (iii) more affordable land prices compared to neighbouring Singapore, and (iv) favourable government policies.

Unlike most industries, DCs are massive energy consumers, running 24/7 at high redundancy to keep services up and avoid downtime. For example, a 100MW DC can produce enough power to run roughly 80,000 homes. International Energy Agency (IEA) estimates that ~40% of a DC's energy goes to computing, another 40% is used for cooling, and the remaining 20% powers other processes. AI-driven DCs are even more energy-intensive than traditional ones, as they are designed for high-performance parallel processing to handle more complex workloads. For example, OpenAI's ChatGPT uses 2.9Wh per request, with 9bn searches daily, this translates to nearly 10TWh of additional electricity annually, which equivalent to the capacity of roughly 1GW, or 3.9% of Peninsular Malaysia's installed capacity. The IEA projects that the global AI industry's energy consumption will surge from 7.3TWh in 2023 to 73TWh by 2026, representing a tenfold increase.

Figure 14: Expected electricity demand from DCs from 2022 and 2026F.



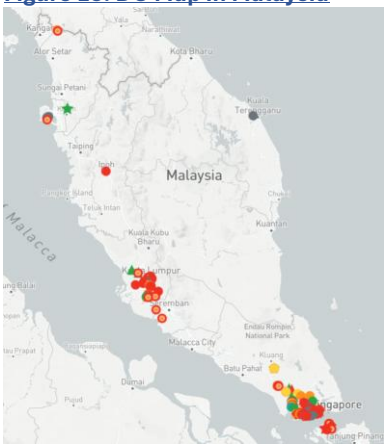
Source: IEA

Malaysia's DC industry is primarily concentrated in Johor and Selangor, hosting more than 100 facilities. Among these, Johor is rapidly emerging as a key DC hub in Malaysia, thanks to its

availability of sizeable land bank for development along with close proximity to Singapore. According to DC Byte report dated Mar 2024, Johor's total IT capacity is nearly 1,600MW, with around 20% already live or under construction, and the remaining 80% committed and in early planning stages. The report also notes that Bridge DCs is leading the market in live IT capacity, with 69% market share, with GDS Holdings coming in second at 23%.

Malaysia's DC industry remains concentrated in Johor and Selangor, which together account for c.100 facilities nationwide. Johor is increasingly recognised as the principal hub for DC development, benefiting from substantial land availability and its proximity to Singapore. As a result, Johor Bahru has attained an installed capacity of c.1.4GW, placing it on par with Singapore's DC market. Selangor continues to attract considerable DC investment, leveraging its strong infrastructure and connectivity to Johor. Other regions, including Ipoh, Kedah, and Terengganu, are also beginning to gain momentum as emerging destinations for DC expansion. On a national basis, Malaysia's total DC capacity, encompassing both existing and planned facilities, is expected to reach nearly 4GW by the end of 2025. Johor and Selangor are anticipated to contribute the largest shares to this total, given their roles as the central pillars of growth in the country's DC sector.

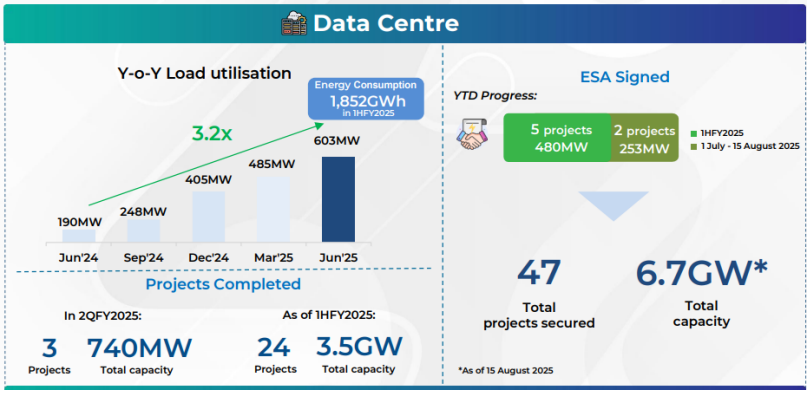
Figure 15: DC Map in Malaysia



Source: Baxtel

According to TNB's latest analyst briefing, electricity demand from Malaysia's data centre sector continues to accelerate. A total of 47 projects with 6.7GW of maximum demand have secured electricity supply agreements (ESA). Of this, 24 projects totalling 3.5GW have already been delivered as at 1HFY2025, including 3 projects (740MW) completed in 2QFY2025. The balance of 3.2GW remains under execution, reflecting the sizeable pipeline of upcoming connections. In addition, a further 7 projects (733MW) were signed between January and mid-August 2025, underscoring the sustained inflow of new demand.

Figure 16: Total electricity supply to be delivered by TNB



Source: TNB

Malaysia's total installed capacity stands at 23,912MW, with coal and gas accounting for c.80% of the generation mix. Structural supply pressures are emerging, as c.7,761MW of capacity will retire by 2030 and a further 7,535MW will expire beyond 2030. In total, 15,296MW will need replacement or extension within the next decade. This represents a significant challenge as coal and gas remain the backbone of Malaysia's baseload generation. A single facility typically requires 50-200MW of continuous power. Assuming 15-20 new hyperscale facilities by 2030, incremental demand could reach 2-3GW, equivalent to 13-17% of current national capacity.

Figure 17: Malaysia Power Plant PPA Expiry Timeline

PPA/SLA Expiry Year	Name	Fuel	Type	Capacity (MW)
2026 Feb	Kuala Langat Power Plant Sdn. Bhd. (KLPP)	Gas	CCGT	675
2027 Jun	Segari Energy Ventures Sdn Bhd	Gas	CCGT	1303
2027 Aug	S.J Cameron Highlands	Water	Hydro	250
2028 Aug	S.J Tuanku Jaafar, Port Dickson	Gas	CCGT PD1	703
2029 Jul	Kapar Energy Ventures Sdn Bhd	Gas	Conventional Thermal	578
2029 Jul	Kapar Energy Ventures Sdn Bhd	Coal	Thermal (U3-U6)	1474
2030 Jan	S.J Tuanku Jaafar, Port Dickson	Gas	CCGT PD2	708
2030 Aug	TNB Janamanjung Sdn Bhd (M123)	Coal	Thermal	2070
2031 Sep	Tanjung Bin Power Sdn Bhd	Coal	Thermal	2100
2033 Dec	Jimah Energy Ventures Sdn Bhd	Coal	Thermal	1400
2036 Feb	TNB Prai Sdn Bhd	Gas	CCGT	1071
2037 Feb	TNB Connaught Bridge Sdn Bhd	Gas	CCGT	375
2037 Aug	S.J Pergau	Water	Hydro	600
2038 May	Pengerang Power Sdn Bhd	Gas	CCGT	600
2038 Dec	JSLS (Quantum Solar Park Melaka)	Solar	Solar	50
2038 Dec	MCLS (Quantum Solar Park Terengganu)	Solar	Solar	50
2039 Oct	GBLS (UiTM Solar Power Sdn Bhd)	Solar	Solar	50
2039 Nov	BDLS (Gading Kencana Development)	Solar	Solar	30
2039 Nov	SPLS (TNB Sepang Solar Sdn Bhd)	Solar	Solar	50
2039 Nov	SSLS (Sinar Kamiri Sdn Bhd)	Solar	Solar	49
2039 Dec	GNLS (Quantum Solar Park Kedah)	Solar	Solar	50
2040 Jan	CHLS (Solar Management Seremban)	Solar	Solar	50
2040 Mar	TNB Janamanjung Sdn Bhd (M4)	Coal	Thermal	1010
Total				**15296**

Source: TNB

The combination of expiring capacity and rising baseload requirements raises concerns over the adequacy of utility supply. Large-scale generation projects such as combined-cycle gas turbine plants (CCGT) typically require 4-6 years from planning to commissioning, while major grid reinforcements often take longer. Renewable additions under the National Energy Transition Roadmap will diversify supply, but their intermittent nature makes them less suited to the continuous 24/7 load profile of data centres.

Similar precedents have already emerged in the United States, where grid interconnection delays and reliability concerns have driven operators to self-build gas-fired plants. In Texas, several hyperscale developers are planning dedicated natural gas power stations, with individual projects sized up to 1,200MW, to bypass utility bottlenecks and ensure immediate capacity. These are expected to rely primarily on open-cycle gas turbine (OCGT) technology, which offers shorter build times and rapid deployment despite lower efficiency. In Pennsylvania, the retired Homer City coal site is being redeveloped into a data centre campus supported by up to 4.5GW of new gas-fired generation, designed as a combined-cycle gas turbine (CCGT) facility to provide long-term, high-efficiency baseload supply. In Ohio, filings have been made for a 120MW OCGT plant to power a single hyperscale site, while energy majors such as ExxonMobil have announced plans for a 1.5GW CCGT plant dedicated exclusively to data centre loads. These cases highlight the willingness of data centre operators to invest in both open-cycle and combined-cycle gas turbines to secure 99.999% uptime when utility supply is constrained.

We see a similar risk emerging in Malaysia, with a combined 15GW of power plant capacity scheduled to retire by 2040. With utility supply likely to face structural bottlenecks, data centre operators may adopt the U.S. playbook of building on-site gas plants to guarantee reliability. This creates a direct opportunity for KENERGY, as its Solar Turbines portfolio includes modular OCGT

and CCGT solutions ranging from 6-38MW per unit, scalable beyond 100MW when multiple modules are deployed. Solar Turbines also provide higher efficiency, lower emissions, and rapid start capability compared with conventional OCGTs, positioning KENERGY to capture both near-term bridge power demand and longer-term prime power projects in Malaysia's evolving data centre landscape.

Investment Highlights

Vertical Integration Model. KENERGY specialises in industrial process equipment, EPCC services for process plants, and renewable energy solutions, including biomass, biogas, and cogeneration facilities. Its vertical integration is a key competitive advantage, with up to 60% of components, including industrial boilers, process equipment, and fire systems, fabricated in-house. This capability enhances cost efficiency and accelerates project delivery. With over 28 years of industry experience, KENERGY has built a strong client base, including Gas Malaysia, and is recognised as a trusted partner for large-scale energy and industrial projects.

Riding the Data Centre Wave. KENERGY is the exclusive distribution partner for Rolls-Royce diesel gensets in the data centre space. Rolls-Royce gensets are widely adopted in mission-critical facilities such as data centres, owing to their high efficiency, rapid load response, and ability to run on sustainable fuels like HVO, offering superior reliability compared to mass-market brands. With industry consolidation driven by capacity bottlenecks from mass-market suppliers, demand for Rolls-Royce diesel gensets is expected to rise, especially as Tier-4 operators prioritise uptime guarantees. This supply-demand gap presents a significant addressable market for KENERGY, particularly as large data centre projects often involve multi-phase contracts. For instance, a 10MW data centre requiring backup power could incur substantial equipment costs, with gensets and associated infrastructure (fuel tanks, switchgear, enclosures) accounting for 10-30% of the overall build cost. KENERGY is well-positioned to capitalise on robust order book replenishment, driven by Malaysia's rapidly expanding data centre infrastructure market.

Specialist in Cogeneration Solutions. KENERGY is well-positioned to capture the growing demand for EPCC services in cogeneration, driven by increasing energy efficiency requirements and the expansion of energy-intensive sectors. CHP systems, which deliver efficiencies of 70-90% compared to around 40% for conventional gas power, are particularly attractive to steam-hungry industries such as petrochemicals, food processing, and agro-processing, where excess steam can be converted into additional electricity. In addition to its EPCC services, KENERGY is shifting towards building recurring income streams through its BOT asset ownership model, including the steam-sale model. With BOT tenors expected to be up to five years for steam and over ten years for electricity, these projects offer predictable cash flow for KENERGY over the medium term. Furthermore, KENERGY benefits from the Green Investment Tax Allowance (GITA), which provides a 70% tax allowance over five years, making its CHP projects even more attractive from an investment perspective. Management is currently negotiating several cogeneration deals, with the potential to replenish up to RM100m.

Visible Order Book Replenishment. While order intake slowed in recent quarters due to tariff uncertainty, clarity has now been achieved with duties fixed at 19% (down from the proposed 24%), restoring sentiment and paving the way for a recovery in KENERGY's order book replenishment as developers resume their investment plans. With a net cash position of RM34.9m and assuming a 10% performance bond requirement, KENERGY has close to RM350m in tender headroom, providing substantial capacity to participate in large-scale industrial and renewable projects. Near-term replenishment is expected from industrial equipment recovery, active CHP tenders (up to RM100m per project), and rising genset demand driven by Tier-4 data centre investments. We adopt a conservative order replenishment forecast of RM150-260m for FY25-FY27, implying a 105.6% CAGR over FY24-FY27F. An additional RM50m in order replenishment could lift our base earnings by 32%, based on our sensitivity analysis, underscoring strong upside potential.

Opportunities in Power Plants. Hyperscale data centre investments in Peninsular Malaysia are accelerating. Malaysia's installed capacity is 23.9GW, with a combined 7.8GW of power plant capacity scheduled for retirement by 2030. On the demand side, each hyperscale facility requires 50-200MW of continuous load. Assuming 15-20 new facilities by 2030, incremental demand could reach 3-4GW, equivalent to 13-17% of current national capacity. This raise concerns over supply adequacy, particularly as new combined-cycle gas turbine (CCGT) plants typically take 4-6 years to construct. As a faster alternative, data centre operators are likely to adopt the US model by deploying on-site open-cycle gas turbine (OCGT) plants, which can be commissioned within two years despite lower efficiency. For context, a 100MW data centre would typically require an OCGT plant comprising four to five Solar Turbine units (20-30MW each), with an estimated total installed cost of RM200-250m per facility. As a distributor of Solar Turbines, KENERGY stands to capture this demand, particularly as Solar's modular solutions are preferred for their higher efficiency, lower emissions, and rapid start-up compared with conventional OCGTs. Beyond near-term bridge power, the same technology is also applicable to CCGT and cogeneration projects, positioning KENERGY for multi-year order book growth across both industrial and renewable energy markets.

Financial Highlights

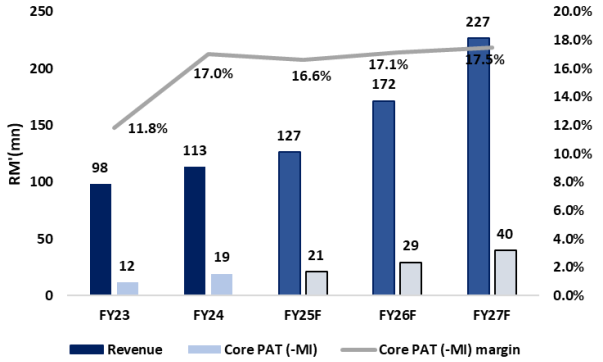
KENERGY delivered stronger results, with 9MFY25 revenue rising 28.9% YoY to RM95.3m and core net profit up 16.3% YoY to RM17.6m. The improvement was primarily driven by accelerated revenue recognition from industrial process equipment and plant projects. PBT stood at RM22.8m (+13.5% YoY), with margins moderating slightly to 23.9% (9MFY24: 27.2%), mainly due to a higher proportion of lower-margin projects and increased depreciation from newly acquired machinery for precision machining and fabrication facilities. KENERGY maintains a healthy balance sheet with a net cash position, while gross gearing remains minimal at 0.04x.

While KENERGY does not have a formal dividend policy, we expect the Group to maintain a payout ratio of about 24%, in line with FY24, supported by its strong cash position.

Earnings outlook. Looking ahead, we project KENERGY's core earnings to grow 9.1% YoY in FY25F to RM21.0m, supported by billings from its RM112.0m order book and an assumed replenishment of RM155m. Growth will primarily come from recurring industrial clients in chemicals, oleochemicals, and food processing, along with initial contributions from premium genset and co-generation projects. We model project recognition over a two-year cycle, with a larger share expected in the second year.

FY26F-FY27F: We forecast core earnings to increase by 39.9% in FY26F and 34.7% in FY27F, reaching RM29.4m and RM39.6m, respectively. This growth will be driven by new contract wins in co-generation and premium genset solutions, supported by rising data centre investments and industrial efficiency mandates. Additional growth will come from carry-over billings from the FY25F replenishment cycle, with upside potential from larger-scale projects as the Group leverages its stronger balance sheet and partnerships with Rolls-Royce and Solar Turbines.

Figure 18: Revenue, Earnings and Margin from FY23 to FY27F



Source: Group, Apex Securities

Scenario Analysis. Under our FY25F assumptions, every RM50m increase in order book replenishment could increase KENERGY's earnings by c.32%, based on a profit margin of 16.6%. Conversely, a shortfall in replenishment of the same magnitude would result in a similar degree of earnings downside.

Figures 19 & 20: FY25F Earnings Sensitivity Analysis (LHS) and Earnings Changes in % from Base Case assumption (RHS)

Order replenishment FY25F (RM'm) \ Profit margin (%)	23	15.6%	16.1%	16.6%	17.1%	17.6%	18.1%
	55	8	8	8	8	9	9
	105	15	15	16	16	17	17
	155	22	22	**23**	24	25	25
	205	29	30	31	32	32	33
	255	36	37	38	39	40	42
	305	43	44	46	47	48	50
	355	50	51	53	55	56	58
	405	57	59	61	62	64	66
	455	64	66	68	70	72	74

Order replenishment FY25F (RM'm) \ Profit margin (%)	3%	15.6%	16.1%	16.6%	17.1%	17.6%	18.1%
	55	-67%	-66%	-65%	-63%	-62%	-61%
	105	-36%	-34%	-32%	-30%	-28%	-26%
	155	-6%	-3%	**0%**	3%	6%	9%
	205	24%	28%	32%	36%	40%	44%
	255	55%	60%	65%	69%	74%	79%
	305	85%	91%	97%	103%	109%	115%
	355	115%	122%	129%	136%	143%	150%
	405	146%	153%	161%	169%	177%	185%
	455	176%	185%	194%	202%	211%	220%

Source: Group, Apex Securities

Figures 21 & 22: FY26F Earnings Sensitivity Analysis (LHS) and Earnings changes in % from Base Case assumption (RHS)

Order replenishment FY26F (RM'm) \ Profit margin (%)	32	16.1%	16.6%	17.1%	17.6%	18.1%	18.6%
	110	16	16	17	17	18	18
	160	23	24	25	25	26	27
	210	30	31	**32**	33	34	35
	260	38	39	40	41	42	44
	310	45	46	48	49	50	52
	360	52	54	55	57	59	60
	410	59	61	63	65	67	69
	460	67	69	71	73	75	77
	510	74	76	78	81	83	85

Order replenishment FY26F (RM'm) \ Profit margin (%)	0%	16.1%	16.6%	17.1%	17.6%	18.1%	18.6%
	110	-51%	-49%	-48%	-46%	-45%	-43%
	160	-28%	-26%	-24%	-22%	-19%	-17%
	210	-6%	-3%	**0%**	3%	6%	9%
	260	17%	20%	24%	27%	31%	35%
	310	39%	43%	48%	52%	56%	61%
	360	61%	66%	71%	76%	81%	86%
	410	84%	90%	95%	101%	107%	112%
	460	106%	113%	119%	125%	132%	138%
	510	129%	136%	143%	150%	157%	164%

Source: Group, Apex Securities

Figures 23 & 24: FY27F Earnings Sensitivity Analysis (LHS) and Earnings changes in % from Base Case assumption (RHS)

Order replenishment FY27F (RM'm) \ Profit margin (%)	42	16.5%	17.0%	17.5%	18.0%	18.5%	19.0%
	165	25	24	24	25	26	28
	215	35	34	34	35	37	40
	265	47	45	**45**	47	49	52
	315	60	58	58	60	62	67
	365	74	72	72	74	77	82
	415	90	88	88	90	93	99
	465	107	105	105	107	111	117
	515	125	123	123	125	130	137
	565	145	142	142	145	150	158

Order replenishment FY27F (RM'm) \ Profit margin (%)	0%	16.5%	17.0%	17.5%	18.0%	18.5%	19.0%
	165	-46%	-48%	-48%	-46%	-43%	-38%
	215	-23%	-25%	-25%	-23%	-19%	-12%
	265	3%	0%	**0%**	3%	8%	16%
	315	31%	28%	28%	31%	38%	47%
	365	63%	59%	59%	63%	70%	81%
	415	98%	94%	94%	98%	106%	118%
	465	136%	131%	131%	136%	145%	159%
	515	176%	171%	171%	176%	186%	202%
	565	220%	214%	214%	220%	231%	248%

Source: Group, Apex Securities

Valuation & Recommendation

Initiation Coverage. We initiate coverage on KENERGY with a **BUY** call and a target price of **RM1.02**, derived from 19x P/E applied to FY26F EPS of 5.3sen, alongside a three-star ESG rating. We adopt a P/E-based valuation as the Group's asset-ownership contributions remain relatively small and will revisit our methodology once its asset base expands.

In our view, a 19x multiple is justified given KENERGY's (i) two core business pillars in industrial niche solutions, offering strong growth potential, (ii) up to 60% in-house component fabrication, driving cost efficiency, (iii) proven track record and established customer base, enabling the Group to secure repeat orders and direct contracts, and (iv) distribution roles for Rolls-Royce gensets and Solar Turbines, providing exposure to the accelerating data centre wave.

Peers Comparison

KENERGY does not have any direct listed peers. The closest comparables are BM Greentech Berhad, which is primarily engaged in biomass boiler manufacturing, and Kinergy Advancement Berhad, which has business exposure in cogeneration as part of its sustainable energy solutions portfolio.

Company	FYE	Market Cap (RM m)	Rec.	Price (RM) as at 2Oct25	TP (RM)	Potental Upside	P/E (x)		Div Yield (%)		ESG Rating
							FY25F	FY26	FY25F	FY26	
Kawan Renergy Bhd	Oct	426.3	Buy	0.78	1.02	31.0%	20.4	14.6	1.2	1.6	★★★
*BM Greentech	Mar	1114.2	N/A	1.62	2.15	32.7%	18.0	16.9	1.5	1.7	N/A
*Kinergy Advancement Berhad	Dec	808.5	N/A	0.37	0.45	21.6%	18.5	14.8	N/A	N/A	N/A
Average							**19.0**	**15.4**	**1.3**	**1.7**	

** Based on Bloomberg consensus*

Source: Apex Securities

Investment Risks

Exposure to Raw Material Volatility. Steel and metal plates account for more than 50% of project costs. A sharp increase in raw material prices could erode margins and affect profitability, given the competitive nature of EPCC contracts.

Order Replenishment Risk. The Group's revenue is dependent on the timely replenishment of its order book. Any slowdown in contract awards from recurring clients or weaker tender success could lead to earnings volatility, especially considering its reliance on project-based income.

Regulatory Reliance. Growth is closely tied to government policies such as FiT quotas, GITA incentives, and NETR targets. Delays in quota allocation, tariff revisions, or policy shifts towards other renewable energy technologies could disrupt project pipelines and earnings visibility.

Results Comparison

FYE (Oct) Mn	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)
Revenue	35.1	31.8	*10.1*	30.9	*13.3*	95.3	74.0	*28.9*
COGS	(23.0)	(20.1)	*14.0*	(23.4)	*(2.0)*	(68.2)	(48.6)	*40.3*
Grossprofit	12.1	11.7	*3.4*	7.5	*60.8*	27.2	25.4	*7.1*
Other income	0.2	0.0	*397.5*	0.6	*(65.0)*	1.1	0.2	*365.1*
Administrative expenses	(2.2)	(3.1)	*(28.2)*	(2.4)	*(8.2)*	(6.1)	(5.4)	*13.3*
Other expenses	(0.2)	(0.4)	*(37.1)*	(0.0)	*713.3*	(0.3)	(0.6)	*(52.3)*
EBITDA	**11.3**	**9.1**	***24.6***	**6.7**	***68.7***	**25.3**	**22.1**	***14.4***
Depreciation	(1.5)	(0.8)	*81.7*	(1.1)	*41.1*	(3.4)	(2.5)	*37.3*
EBIT	**9.8**	**8.3**	***18.9***	**5.7**	***73.9***	**21.9**	**19.6**	***11.5***
Net Finance Costs	0.3	0.1	*85.9*	0.3	*(5.6)*	0.9	0.5	*95.7*
Profit Before Tax (PBT)	**10.1**	**8.4**	*20.0*	**5.9**	*70.3*	**22.8**	**20.1**	***13.5***
Taxation	(3.0)	(3.1)	*(3.9)*	(1.2)	*149.8*	(6.0)	(6.2)	*(2.8)*
Profit-after tax	**7.1**	**5.3**	***34.0***	**4.7**	***50.3***	**16.8**	**13.9**	***20.7***
(-) Minority interest	-	-	-	(0.1)	*(100.0)*	(0.1)	-	*nm*
PAT (-MI)	**7.1**	**5.3**	***34.0***	**4.9**	***45.7***	**16.9**	**13.9**	***21.7***
Core net profit	**7.3**	**6.5**	***12.4***	**5.6**	***29.3***	**17.6**	**15.1**	***16.3***
Core EPS (sen)	1.3	1.2		1.0		3.2	2.7	
DPS (sen)	-	-		1.3		1.3	-	
EBITDA margin (%)	32.4	28.6		21.7		26.5	29.9	
PBT margin (%)	28.8	26.4		19.2		23.9	27.2	
Effective tax rate (%)	29.5	36.9		20.1		26.4	30.8	
Core PATMI margin (%)	20.7	20.3		18.1		18.4	20.4	

Source: Company, Apex Securities

Segmental Breakdown

FYE (Oct) Mn	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)
Revenue Breakdown								
Industrial processequipment	18.9	17.9	*5.7*	15.8	*20.1*	49.1	40.6	*20.9*
Industrial processplants	6.8	10.8	*(37.2)*	8.2	*(16.4)*	29.0	19.2	*51.1*
Renewable energy and co-generation plants	8.0	3.0	*165.4*	6.7	*19.5*	15.6	14.0	*11.3*
Others	1.3	0.0	*3,060.0*	0.3	*315.8*	1.6	0.1	*1,128.5*
Total	**35.1**	**31.8**	***10.1***	**30.9**	***13.3***	**95.3**	**74.0**	***28.9***

Financial Highlights

Income Statement

FYE (Oct) Mn	FY23	FY24	FY25F	FY26F	FY27F
Revenue	**98.4**	**113.1**	**126.5**	**171.5**	**226.5**
Gross Profit	**24.0**	**33.5**	**36.3**	**50.9**	**68.3**
EBITDA	**21.5**	**28.9**	**33.0**	**44.4**	**58.0**
Depreciation & Amortisation	-2.9	-3.3	-5.5	-5.4	-5.4
EBIT	**18.6**	**25.6**	**27.5**	**39.0**	**52.6**
Net Finance Income/ (Cost)	0.3	0.9	1.6	2.0	2.6
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	**18.9**	**26.5**	**29.1**	**41.0**	**55.2**
Tax	-5.6	-8.5	-8.2	-11.5	-15.5
Profit After Tax	**13.3**	**18.0**	**20.9**	**29.5**	**39.7**
Minority Interest	0.0	0.0	-0.1	0.1	0.1
Net Profit	**13.3**	**18.0**	**21.0**	**29.4**	**39.6**
Exceptionals	1.7	-1.2	0.0	0.0	0.0
Core Net Profit	**11.6**	**19.3**	**21.0**	**29.4**	**39.6**

Key Ratios

FYE (Oct) Mn	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	2.1	3.5	3.8	5.3	7.2
P/E (x)	36.7	22.1	20.3	14.5	10.8
P/B (x)	8.0	4.6	3.9	3.2	2.6
EV/EBITDA (x)	21.4	16.7	15.1	11.5	9.2
DPS (sen)	0.0	1.3	0.9	1.3	1.7
Dividend Yield (%)	0.0%	1.6%	1.2%	1.6%	2.2%
EBITDA margin (%)	21.9%	25.6%	26.1%	25.9%	25.6%
EBIT margin (%)	18.9%	22.7%	21.8%	22.7%	23.2%
PBT margin (%)	19.2%	23.4%	23.0%	23.9%	24.4%
PAT margin (%)	13.5%	15.9%	16.5%	17.2%	17.5%
NP margin (%)	13.5%	15.9%	16.6%	17.1%	17.5%
CNP margin (%)	11.8%	17.0%	16.6%	17.1%	17.5%
ROE (%)	21.7%	20.6%	19.2%	22.3%	24.4%
ROA (%)	10.8%	15.1%	13.2%	15.0%	16.4%
Gearing (%)	20.1%	2.2%	3.1%	3.9%	4.5%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY26F
Core EPS (RM)	0.053
P/E multiple (x)	19.0
Fair Value (RM)	**1.02**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**1.02**

Source: Company, Apex Securities

Balance Sheet

FYE (Oct) Mn	FY23	FY24	FY25F	FY26F	FY27F
Cash and bank balances	44.7	57.3	76.9	89.9	114.2
Receivables	22.8	25.3	32.4	46.2	55.8
Inventories	2.5	1.8	2.5	3.6	4.5
Other current assets	15.4	22.9	19.1	29.2	39.5
Total Current Assets	**85.4**	**107.3**	**130.9**	**168.8**	**214.0**
Fixed Assets	22.3	20.2	28.3	27.6	27.8
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Total Non-Current Assets	**22.3**	**20.2**	**28.3**	**27.6**	**27.8**
Short-term debt	4.4	1.6	2.0	2.9	4.2
Payables	12.5	14.7	22.4	24.2	33.4
Other current liabilities	29.9	16.6	23.4	34.6	38.1
Total Current Liabilities	**46.9**	**32.9**	**47.8**	**61.7**	**75.7**
Long-term debt	6.3	0.5	1.4	2.2	3.2
Other non-current liabilities	1.2	0.7	0.7	0.7	0.7
Total Non-Current Liabilities	**7.5**	**1.2**	**2.1**	**2.9**	**3.8**
Shareholder'sequity	53.4	93.4	109.5	131.9	162.1
Minority interest	0.0	0.0	-0.1	0.0	0.1
Total Equity	**53.4**	**93.4**	**109.4**	**131.9**	**162.2**

Cash Flow

FYE (Oct) Mn	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	**18.9**	**26.5**	**29.1**	**41.0**	**55.2**
Depreciation & amortisation	2.9	3.3	5.5	5.4	5.4
Changes in working capital	5.3	-21.3	10.5	-12.0	-8.0
Others	-7.2	-7.3	-8.1	-11.4	-15.4
Operating cash flow	**19.9**	**1.3**	**37.0**	**22.9**	**37.2**
Capex	-3.6	-1.5	-13.6	-4.6	-5.6
Others	-3.1	0.6	0.0	0.0	0.0
Investing cash flow	**-6.7**	**-0.9**	**-13.6**	**-4.6**	**-5.6**
Dividends paid	-13.0	-10.0	-5.0	-7.0	-9.4
Others	-2.5	22.1	1.2	1.6	2.2
Financing cash flow	**-15.5**	**12.1**	**-3.8**	**-5.3**	**-7.2**
Net cash flow	**-2.3**	**12.5**	**19.6**	**12.9**	**24.3**
Forex	1.7	-0.1	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	39.8	39.1	51.6	71.2	84.1
Ending cash	**39.1**	**51.6**	**71.2**	**84.1**	**108.4**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Ensuring adherence to regulatory requirements for gas emissions.
Waste & Effluent	★★★	Complies with regulatory requirements for scheduled waste and industrial effluent management.
Energy	★★★	Focuses on minimising carbon footprint, improving efficiency and adopting circular economy principles.
Water	★★★	Maintains compliance with all water-related environmental standards.
Compliance	★★★	The Group complies with all local and international environmental regulations.

Social

Diversity	★★★	Female representation stands at 22% of the workforce and 43% at the management level, meeting the MCCG's recommendation of at least 30% female directors on the Board.
Human Rights	★★★	Enforces strict policies against human trafficking, forced labour and child labour.
Occupational Safety and Health	★★★	A total of 664 training hours were conducted. No fatalities were reported, and the Lost Time Incident Rate was reduced to 0.3.
Labour Practices	★★★	Fully adheres to all relevant labour laws.

Governance

CSR Strategy	★★★	Actively engages with communities, contributing RM85,960 to various initiatives.
Management	★★★	Of the seven board members, 43% (3 out of 7) are female and 57% (4 out of 7) are independent directors.
Stakeholders	★★★	Regularly engages stakeholders through corporate events and annual general meetings (AGMs).

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

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

As of **Thursday, 02 Oct, 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.