

Tan Sue Wen

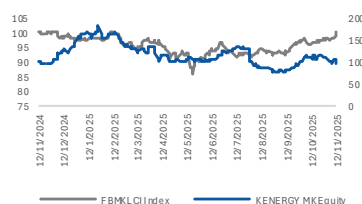
(603) 7890 8888 (ext 2095)

suewen.tan@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 0.66
Previous Target Price:	1.02
Target Price:	↔ RM 1.02
Capital Upside/ Downside:	54.5%
Dividend Yield (%):	1.9%
Total Upside/ Downside	56.5%

Stock information	
Board	ACE
Sector	Industrial
Bursa / Bloomberg Code	0307 / KENERGYMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	550.0
Market Cap (RM' m)	363.0
52-Week Price Range (RM)	0.965-0.465
Beta (x)	N/A
Free float (%)	26.7
3M Average Volume (m)	1.3
3M Average Value (RM' m)	0.9

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

Share Price Performance

	1M	3M	12M
Absolute (%)	-14.3	1.5	24.5
Relative (%)	-15.4	-1.6	22.1

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)	18.9	17.3	12.4

Kawan Renergy Berhad

Post-Site Visit Takeaways

- **Orderbook replenishment will be driven by its RM800m tender pipeline, supported by steady demand for co-generation and power-related projects.**
- **Near-term growth is expected to be driven by the generator set power segment, supported by market consolidation and rising reliability requirements from Tier-4 data-centre operators.**
- **The strategic collaboration with Solar Turbines positions KENERGY to capture new opportunities as demand for on-site generation continues to expand.**
- **Current capacity allows the company to execute projects exceeding c.RM100m in cumulative value, with flexibility to scale up to c.RM200m through qualified subcontractors under KENERGY's supervision.**
- **Maintain BUY recommendation with an unchanged target price of RM1.02, based on 19x FY26F EPS of 5.3sen.**

We came away from our site visit to KENERGY's Factories 1 and 3 in Ipoh, Perak, feeling more reassured in the Group's operational capabilities and growth prospects. Key highlights are as follows:

Strong Order Book and Robust Tender Pipeline. KENERGY's outstanding order book is estimated at c.RM124.8m, with about 70% contributed by renewable-energy and co-generation projects, 25% from industrial process equipment, and the remainder from industrial-plant works. Near-term orderbook replenishment will be driven by its RM800m tender pipeline, supported by steady demand for co-generation and power-related projects. As the authorised distributor and integration partner for Rolls-Royce MTU engines in Malaysia, KENERGY is well positioned to capitalise on rising demand from Tier-4 data-centre developments. MTU generator sets are known for their high performance and reliability, sustaining load factors of up to c.85% vs c.70% for standard industrial engines while maintaining 99.999% uptime, enabling operators to achieve high reliability with fewer units, which in turn optimises space utilisation and reduces overall project costs. As the generator set market continues to consolidate amid supply constraints, we anticipate a steady increase in demand for the MTU systems.

Strategic Partnership with Solar Turbines. KENERGY's partnership with Solar Turbines Inc., a subsidiary of Caterpillar, strengthens its foothold in gas-turbine-based co-generation and prime-power systems that are increasingly adopted by data-centre and industrial clients seeking reliable, high-efficiency power. Solar Turbines' modular units, ranging from 1MW to 30MW, are engineered for high operational efficiency and rapid start-up capability, making them well suited for continuous-duty applications in small- to mid-scale developments. These systems can also operate as small gas-fired power plants in open-cycle gas turbine (OCGT) or combined-cycle gas turbine (CCGT) configurations, providing developers with reliable on-site generation solutions that enhance energy security. We believe KENERGY's early involvement, including an ongoing close-to-RM40m co-generation project and growing client interest, positions the Group to capture new opportunities as demand for on-site generation continues to expand.

Integrated Execution Model. KENERGY's strength lies in delivering highly customised, project-specific solutions, with up to 60% of components for major projects fabricated in-house, ensuring tighter control over cost, quality, and delivery timelines. The Group operates three certified fabrication plants spanning more than 150,000sq ft, supported by about 120 personnel, including 40 engineers across mechanical, process, and design disciplines. Current capacity enables the company to execute three to four concurrent mid-sized projects (c.RM100m cumulative value) and scale up to c.RM200m through qualified subcontractors under KENERGY's supervision. These capabilities enable KENERGY to deliver complex, high-specification systems reliably for global OEMs such as Solar Turbines and Rolls-Royce MTU systems, while capturing larger opportunities in Malaysia's expanding power and energy infrastructure market.

Earnings Revision. We maintain our earnings forecasts, as recent developments remain within our existing assumptions.

Valuation. Maintain our **BUY** recommendation on KENERGY with an unchanged TP of **RM1.02**, based on 19x FY26F EPS of 5.3sen. We remain positive on the Group's outlook, supported by: (i) **up to 60% in-house component fabrication**, enhancing cost control and project execution; and (ii) **distribution status for Rolls-Royce generation sets and Solar Turbines**, providing exposure to the accelerating data centre investment cycle and growing mission-critical power opportunities.

Risks. Rising steel and metal plate prices and slower-than-expected order book replenishment.

Company Update

Friday, 14 Nov, 2025

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)	31.3	18.9	17.3	12.4	9.2
P/B(x)	6.8	3.9	3.3	2.8	2.2
EV/ EBITDA (x)	18.5	14.5	13.2	10.1	8.1
DPS (sen)	0.0	1.3	0.9	1.3	1.7
Dividend Yield (%)	0.0%	1.9%	1.4%	1.9%	2.6%
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's equity	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 MCGG'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 + 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 **Friday, 14 Nov, 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.