

Research Team

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Recommendation:	BUY
Current Price:	RM0.43
Previous Target Price:	RM0.67
Target Price:	↔ RM0.67
Capital Upside/ Downside:	55.8%
Dividend Yield (%):	0.0%
Total Upside/ Downside	55.8%

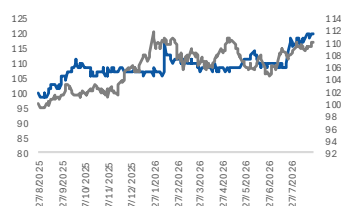
Stock information

Board	MAIN
Sector	ENERGY
Bursa / Bloomberg Code	0193 / KASB MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	2,185.1
Market Cap (RM' m)	928.7
52-Week Price Range (RM)	0.43-0.305
Beta (x)	0.4
Freefloat (%)	55.8
3M Average Volume (m)	5.6
3M Average Value (RM' m)	2.2

Top 3 Shareholders

	(%)
Lai Keng Onn	16.8
Stocqtech Sdn Bhd	7.3
Kumpulan Wang Persaraan	6.8

Share Price Performance



	1M	3M	12M
Absolute (%)	2.4	7.6	19.7
Relative (%)	0.3	4.5	8.7

Earnings Summary	FY25	FY26F	FY27F
Revenue (RM'm)	478	528	554
PATAMI (RM'm)	28	41	48
CNP (RM'm)	28	41	48
EPS - core (sen)	1.3	1.9	2.2
P/E(x)	33.3	22.3	19.3

KINERGY Advancement Berhad

Quiet Half Ahead of Q4 Ramp-Up

- KINERGY's 2QFY26 core net profit (CNP) came in at RM6.7m (-8.8% QoQ, -6.0% YoY), bringing 1HFY26 CNP to RM14.1m (+4.7% YoY), or 34% of our full-year forecast. We deem this in line, given the pronounced 4Q weighting from the Labuan gas engine milestone.
- The ramp is 4Q-loaded, driven by the Labuan 120MW gas engine arriving onshore from September, which triggers the single largest slug of cost and matching revenue recognition on the RM646.3m contract, with Sustainable Energy Solutions (SES) EPCC gross margin locked at 12% to 13%.
- Balance sheet strengthened materially, with net gearing halved to 0.25x (from 0.49x) and total liquid assets up 43.6% to RM168.8m, while the secured orderbook stood at RM1.14bn (2.4x FY25 revenue) against a RM3.08bn tender pipeline.
- Maintain BUY with an unchanged TP of RM0.67, based on 22.7x FY28F EPS of 2.94 sen.

Results are in line with expectations. After removing one-time disposal gains of RM1.96m (PPE), RM0.171m (investment properties) and RM0.197m (right-of-use assets), KINERGY's 2QFY26 core net profit (CNP) arrived at RM6.7m (-8.8% QoQ, -6.0% YoY), bringing 1HFY26 CNP to RM14.1m (+4.7% YoY), or 34% of our full-year FY26 forecast of RM41.2m. **We deem the results in line, given the strong 4Q weighting from the Labuan gas engine milestone.**

QoQ. Revenue rose 7.2% QoQ to RM109.4m, driven entirely by the SES segment (+23.6% QoQ to RM94.3m) on active execution of the specialised energy EPCC projects in Sabah and Labuan. This more than offset the Engineering Services segment (-41.7% QoQ to RM14.9m), where legacy M&E jobs reached end-stage cost recognition. Segment EBIT mirrored the same trend, with SES EBIT up 22.8% QoQ to RM13.6m (margin: 14.4%, vs 14.5% in 1QFY26) while Engineering EBIT fell 71.0% QoQ to RM0.3m (margin: 1.9%, vs 3.8%). Group EBIT improved 16.3% QoQ to RM13.9m and PBT margin expanded to 9.7% (from 8.4%), although CNP eased 8.8% QoQ to RM6.7m. The net read is mix rather than deterioration with SES execution carrying group revenue and EBITDA higher, while the end-stage roll-off in Engineering held CNP back.

YoY. Revenue grew 11.9% YoY to RM109.4m, again led by SES (+16.3% YoY to RM94.3m), while Engineering Services softened 9.9% YoY to RM14.9m. Operating leverage from the SES segment lifted group EBIT 33.0% YoY to RM13.9m (margin: 12.7%, vs 10.7%) and PBT 40.4% YoY to RM10.6m (margin: 9.7%, vs 7.7%), with SES EBIT margin expanding to 14.4% from 11.1%. CNP, however, eased 6.0% YoY to RM6.7m after excluding the one-off disposal gains. Cumulatively, 1HFY26 revenue rose 27.1% YoY to RM211.4m and CNP grew 4.7% YoY to RM14.1m.

YTD. 1HFY26 revenue rose 27.1% YoY to RM211.4m, driven by the SES segment (+47.9% YoY to RM170.7m), which now accounts for more than 80% of group revenue, partly offset by a softer Engineering Services segment (-20.2% YoY to RM40.4m). Nevertheless, core net profit up 4.7% YoY to RM14.1m after adjusting for one-off disposal gains of RM1.96m (PPE), RM0.171m (investment properties) and RM0.197m (right-of-use assets).

Outlook. We remain positive on KINERGY's earnings outlook. The 4QFY26 spike is a mid-project milestone rather than the end of contribution, as Labuan completion is guided for 2Q 2028, with the contract billed through 2027 and into 1HFY28. SES remains the group's engine, with 1HFY26 segment revenue up 47.9% YoY to RM170.7m and now accounting for more than 80% of group revenue, while the 28MW Zero-CAPEX portfolio continues to provide a recurring, concession-like income floor. Engineering Services, meanwhile, sits at a cyclical trough as legacy M&E work reaches end-stage recognition (1HFY26 revenue: -20.2% YoY to RM40.4m), though its tenderbook has recovered to RM383m on MEP and data centre-linked demand, which gives the orderbook the potential to replenish when these tenders convert.

Orderbook. KINERGY's secured orderbook stood at **RM1.14bn** as at 30 June 2026 (SES: RM1.05bn; Engineering: RM93m), **equivalent to 2.4x FY25 revenue**, against an active tender

pipeline of RM3.08bn (SES: RM2.70bn; Engineering: RM383m). The Sabah 300MW CCGT, the Petronas Gas 150MW EPCC and the PKNPK Perak pipeline are the next legs of conversion, with the 72MW Sipitang completion in December 2026 the main roll-off to backfill. We view the pace of conversion, rather than the size of the pipeline, as the key swing factor for the FY27 earnings baseline.

Balance sheet. Funding capacity has improved markedly, with net gearing halved to 0.25x (from 0.49x) and total liquid assets up 43.6% to RM168.8m (cash: RM107.8m), aided by the RM41.5m partial monetisation of Jati Cakerawala Sdn Bhd (51% control retained). This gives KINERGY headroom to fund the next phase of the PKNPK and PKB pipelines alongside larger solar, BESS and data centre-linked works, with NETR and CRESS supportive of the medium-term pipeline.

Earnings Revision. We keep our FY26F to FY28F CNP forecasts of RM41.2m, RM47.6m and RM64.2m unchanged. With Labuan now set for completion in 2Q 2028, the revenue recognition trail is stretched without changing the total contract value. Peak recognition still lands in 4QFY26 with the engine delivery, while the balance of mechanical, electrical and commissioning works now spans the full FY27 and into 1HFY28 instead of tailing off in early FY28, giving FY27 a fuller period of recognition than under the previous schedule. The main phasing risk is the engine arrival timing, where a late-4Q delivery could push part of the recognition into 1QFY27, a shift in timing rather than quantum, while margin risk on the two gas engine EPCCs is low given locked forex, material and sub-contractor costs. Our two-year CNP CAGR of 24.8% remains intact.

Valuation. Maintain **BUY** with an unchanged **TP of RM0.67**, derived by applying the sector peer average PE of 22.7x to our FY28F EPS of 2.94 sen, with a three-star ESG rating applied at a 0% premium/discount.

Risks. Slower orderbook replenishment and weaker SELCO award conversion; earnings concentration, input cost inflation for steel, copper and specialist electrical equipment on future awards.

Results Comparison

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Revenue	109.4	97.7	11.9	102.0	7.2	211.4	166.3	27.1
EBIT	13.9	10.5	33.0	12.0	16.3	25.9	19.9	30.2
Pre-tax profit	10.6	7.6	40.4	8.6	23.7	19.2	14.6	31.5
Net profit	9.1	6.4	41.2	7.4	22.7	16.5	12.6	31.0
Core net profit	6.7	7.2	(6.0)	7.4	(8.8)	14.1	13.5	4.7
Core EPS (sen)	0.3	0.3	(6.0)	0.4	(8.8)	0.7	0.6	4.7
EBITDA margin (%)	12.7	10.7		11.7		12.2	12.0	
PBT margin (%)	9.7	7.7		8.4		9.1	8.8	
Core PATMI margin (%)	6.1	7.3		7.2		6.7	8.1	

Source: Company, Apex Securities

Results Note

Thursday, 27 Aug, 2026

Segmental Breakdown

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Revenue Breakdowns								
Engineering	14.9	16.5	(9.9)	25.5	(41.7)	40.4	50.6	(20.2)
SES	94.3	81.1	16.3	76.3	23.6	170.7	115.4	47.9
Others	0.2	0.1	129.1	0.2	(2.2)	0.4	0.2	57.8
Adjustment	-	-	-	-	-	-	-	-
Total	109.4	97.7	11.9	102.0	7.2	211.4	166.3	27.1
EBIT Breakdowns								
Engineering	0.3	1.2	(77.6)	1.0	(71.0)	1.2	2.6	(51.8)
SES	13.6	9.0	51.8	11.1	22.8	24.7	17.4	41.8
Others	0.0	0.2	(95.8)	(0.1)	nm	(0.1)	(0.1)	(43.6)
Adjustment	-	-	-	-	-	-	-	-
Total	13.9	10.5	33.0	12.0	16.3	25.9	19.9	30.2
EBIT margin (%)								
Engineering	1.9%	7.5%		3.8%		3.1%	5.1%	
SES	14.4%	11.1%		14.5%		14.5%	15.1%	
Others	5.5%	303.8%		-48.1%		-21.6%	-60.3%	
Adjustment	0.0%	0.0%		0.0%		0.0%	0.0%	
Total	12.7%	10.7%		11.7%		12.2%	12.0%	

Source: Company, Apex Securities

Results Note

Thursday, 27 Aug, 2026

Financial Highlights

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	220	478	528	554	650
EBITDA	30	66	74	83	103
Depreciation & Amortisation	-13	-13	-12	-12	-12
EBIT	17	52	62	71	91
Finance Costs	-10	-12	-8	-8	-7
Associates & JV	0	-1	0	0	0
Pre-tax Profit	7	39	54	63	84
Tax	-9	-12	-13	-15	-20
Profit After Tax	-1	28	41	48	64
Minority Interest	-1	0	0	0	0
Net Profit	-1	28	41	48	64
Exceptionals	2	0	0	0	0
Core Net Profit	2	28	41	48	64

Key Ratios

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	0.1	1.3	1.9	2.2	2.9
P/E (x)	586.8	33.3	22.3	19.3	14.3
P/B (x)	4.2	3.4	2.9	2.5	2.2
EV/EBITDA (x)	33.6	15.9	14.1	12.5	10.0
DPS (sen)	0.00	0.00	0.00	0.00	0.00
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA margin (%)	13.8%	13.7%	14.1%	15.0%	15.9%
EBIT margin (%)	7.7%	11.0%	11.8%	12.8%	14.0%
PBT margin (%)	3.4%	8.2%	10.3%	11.3%	13.0%
PAT margin (%)	-0.6%	5.8%	7.8%	8.6%	9.9%
NP margin (%)	-0.4%	5.8%	7.8%	8.6%	9.9%
CNP margin (%)	0.7%	5.8%	7.8%	8.6%	9.9%
ROE (%)	0.7%	10.1%	13.1%	13.2%	15.1%
ROA (%)	0.3%	3.9%	5.3%	6.0%	7.5%
Gearing (%)	82.7%	90.5%	76.1%	64.0%	52.5%
Net gearing (%)	47.2%	47.3%	39.9%	32.5%	25.8%

Valuations

	FY28
Core EPS (RM)	2.94
P/E multiple (x)	22.7
Fair Value (RM)	0.67
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.67

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash and bank balances	78	118	114	114	114
Receivables	66	151	162	170	199
Inventories	0	0	1	1	1
Other current assets	121	189	264	277	323
Total Current Assets	265	458	540	561	636
Fixed Assets	156	136	127	118	109
Intangibles	4	3	3	3	3
Other non-current assets	33	108	108	108	108
Total Non-current assets	193	248	239	230	220
Short-term Debt	80	131	131	131	131
Payables	37	43	66	69	81
Other Current Liabilities	13	135	149	117	112
Total Current Liabilities	129	308	346	316	323
Long-term Debt	102	116	108	100	93
Other non-current liabilities	7	10	12	13	15
Total Non-current Liabilities	110	126	120	114	108
Shareholder's equity	218	270	312	359	423
Minority interest	2	2	2	2	2
Equity	220	272	313	361	425

Cash Flow

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	7	39	54	63	84
Depreciation & amortisation	13	13	12	12	12
Changes in working capital	-100	-61	-109	-15	-47
Others	-9	-4	-11	-13	-18
Operating cash flow	-88	-12	-54	46	31
Net capex	-4	-3	-3	-3	-3
Others	-2	-43	0	0	0
Investing cash flow	-6	-46	-3	-3	-3
Changes in borrowings	62	69	53	-43	-28
Issuance of shares	46	35	0	0	0
Dividends paid	0	0	0	0	0
Others	-17	-16	0	0	0
Financing cash flow	90	88	53	-43	-28
Net cash flow	-3	30	-4	0	0
Forex	6	-4	0	0	0
Others	0	0	0	0	0
Beginning cash	9	11	38	34	34
Ending cash	11	38	34	34	34
Add: Deposits with licensed bank	53	69	69	69	69
Add: Bank overdraft	14	12	12	12	12
Cash and bank balances	78	118	114	114	114

Source: Company, Apex Securities

Results Note

Thursday, 27 Aug, 2026

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Absolute emissions increased in FY2025, but emission intensity improved to 2.91 tCO2e/RM m of revenue (FY2024: 3.31). Targets are to cut Scope 1 and 2 emissions by 42% by 2030 and 90% by 2050.
Waste & Effluent	★★★	The Group generated 10.30 metric tonnes of waste in FY2025, of which 6.73 tonnes were directed to disposal. HQ recycling rate improved to 21%, from approximately 10% in FY2024.
Energy	★★★	Electricity generation fell to 86.8m kWh in FY2025 (FY2024: 94.3m kWh) due to lower hydropower output, displacing 66,614 tCO2e. Own energy consumption rose to 1.3m kWh on wider project coverage.
Water	★★★	Water consumption of 2.50 megalitres in FY2025, up from 0.78 megalitres, reflecting expanded project site operations.
Compliance	★★★	Zero non-compliance fines or penalties in FY2025, with certification to ISO 9001, 14001, 45001 and 37001.

Social

Diversity	★★★	Board women representation of 37.50% exceeds the Group's 33.30% Board target, though group-wide female representation eased to 26.60% (FY2024: 26.90%), below its 30% target.
Human Rights	★★★	Zero substantiated complaints on human rights or discrimination in FY2025, supported by a formal grievance and whistleblowing mechanism escalating to the Board or Audit Committee.
Occupational Safety and Health	★★★	Zero fatalities and a zero lost-time injury rate across employees and contractors in FY2025, with an average of 9.79 training hours per employee.
Labour Practices	★★★	100% local hiring for HQ operations in FY2025, with employment practices aligned to applicable labour laws across operating jurisdictions.

Governance

CSR Strategy	★★★	Invested RM296,131.66 in community initiatives in FY2025, reaching 2,508 beneficiaries, alongside 146 trees planted.
Management	★★★	Board is 50% independent (four of eight), with a fully independent Audit Committee. Two Independent Directors exceed the MCGG's nine-year tenure guidance. No corruption incidents were reported in FY2025.
Stakeholders	★★★	Formal engagement across investors, employees, suppliers and communities, with 100% of new suppliers screened for ESG compliance and 99.19% of procurement spend directed to local suppliers.

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

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As of **Thursday, 27 Aug, 2026**, 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.