# KJTS Group Berhad (KJTS)

## Powering Profits Through Efficiency

- **KJTS, established in 1984, is an integrated building support services provider, specialising in large-scale centralised cooling systems via greenfield and brownfield projects. Its cooling energy segment generates revenue from EPCC services and long-term Cooling Energy Management Services contracts.**
- **We project KJTS to reach a 54.2% earnings CAGR in FY25-27f, driven by (i) cooling energy contract wins, (ii) MUSB acquisition, (iii) supportive government initiatives, and (iv) rising data centre demand and FDIs.**
- **We initiate KJTS with a BUY and a target price of RM1.90, pegged to 45x FY26F EPS. While the valuation is at a premium to its peers, we believe it is justified supported by strong net income growth potential of 54.2% CAGR, coupled with strong earnings visibility from its 5-to-20-year recurring contracts (~75% of FY24 revenue contribution), riding along the utility segment's growth under several government initiatives like NETR and NIMP.**

## Investment Highlights

**KJTS's value propositions.** Founded in 1984, KJTS brings 41 years of experience as a one-stop solutions provider of building support services. KJTS focuses on designing and constructing both greenfield and brownfield projects, to operational management that meets client needs, whilst ensuring energy efficiency and ease of operation. We like its customer-centric approach, given that it offers an upfront CapEx per project in exchange for a fixed fee throughout the tenure period, typically ranging from 5 to 20 years. Not only does this reflect KJTS's confidence in its assets and delivering its value, but we also believe this is what sets KJTS apart from its competitors — as building owners benefit from having only KJTS manages the full cycle of their cooling systems without the need to engage separate parties for operations and maintenance.

**The MUSB acquisition, a feather in KJTS's cap.** The revival of MUSB embarks a strategic step in realizing the government's asset transformation strategy, with KJTS exclusively securing ~153MW for electricity supply as well as capitalizing on its expertise in district cooling solutions in KL Sentral. As a rule, this would translate to an annuity of ~RM8–10m p.a. post-retrofit, implying a forward acquisition PE of ~8–9x.

**StonePeak JV for KJTS to undertake larger projects.** Moreover, assuming a debt-to-equity ratio of ~80:20–70:30, KJTS would only need to inject ~RM30–45m into the RM1.5bn StonePeak JV, providing more quality assets that complement its cooling solutions while also enabling it to undertake larger high-CapEx projects. In our view, this would also have a spillover effect on its other segments, as historically, KJTS has successfully cross-sold its services to customers after initially providing services in a single segment.

**Malaysia's NETR, KJTS's Edge.** The Malaysian government has also introduced the National Energy Transition Roadmap (NETR) as a key component of the MADANI economy, supporting the realisation of broader economic reforms. The rollout involves ~RM6bn in investments to enhance energy efficiency, with Prime Minister Dato' Seri Anwar Ibrahim noting that it will include major retrofitting works on government buildings. This may require the development of ESCO initiatives aimed at connecting SME ESCOs with government-related projects. In our view, KJTS is well-positioned to capitalise on this opportunity as a certified ESCO, enabling it to undertake (i) energy audits and (ii) energy performance contracts. To add, this would also offer KJTS a high-

Company Initiation

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**BUY**

| | |
|---|---|
| **Share price** | RM1.56 |
| **Target price** | RM1.90 |
| **Previous TP** | - |
| Capital upside | 21.8% |
| Dividend return | 0.0% |
| Total return | 21.8% |

**Company profile**

KJTS is principally involved in providing large-scale centralised cooling system solutions, majorly in greenfield as well as brownfield projects. Its complementary segments are facilities management as well as cleaning services.

**Stock information**

| | |
|---|---|
| Bursa Code | 0293 |
| Bloomberg ticker | KJTS MK |
| Listing market | ACE |
| Share issued (m) | 688.8 |
| Market Cap (m) | 1074.5 |
| Shariah compliant | YES |

| **Major shareholders** | **%** |
|---|---|
| Wee Tah Poh | 26.9 |
| Lee Kok Choon | 26.9 |
| Deutsche Bank AG | 6.5 |

**Earnings snapshot**

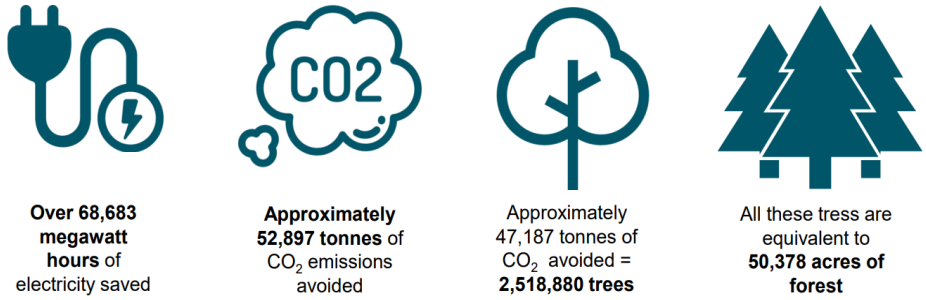
| FYE (Dec) | FY24 | FY25f | FY26f |
|---|---|---|---|
| PATMI (m) | 8.1 | 15.1 | 29.1 |
| EPS (sen) | 1.18 | 2.20 | 4.23 |
| P/E (x) | 132.6 | 71.0 | 36.9 |

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margin recurring income base through its district cooling services, with a competitive advantage as the sole listed pure-play in this segment.

**A key proxy to ESG power play.** The surge in demand for cooling systems, which is expected to triple by 2050 as alluded to by the International Energy Agency (IEA), makes energy consumption a key ESG priority, an area where we believe KJTS is strongly positioned. To add, air conditioners and even electric fans typically account for 20% of a building's total electricity use, or around 10% of global electricity consumption. Hence, we view KJTS as uniquely, geographically well-positioned to support energy efficiency, given that the company has notably reduced ~68 KMWh of electricity and around ~52K MT of CO2 emissions through projects completed between January 2017 and December 2024. Furthermore, given that KJTS is a certified MyHijau organisation, we believe the company should benefit from the government's tax incentives.

**Fig #1 KJTS's solutions' positive impact on the environment**




*Source: KJTS Company Berhad*

**The DCs bang.** Malaysia is emerging as a data centre hub in Southeast Asia and beyond, driven by surging demand for cloud computing and artificial intelligence. In our view, Malaysia's key advantages over other ASEAN countries have attracted significant data centre investments from MNCs and global hyperscalers such as Microsoft, Google, Amazon, and ByteDance. Besides Malaysia's industrial land prices and utility tariffs are among the lowest in the region, in which industrial land costs only ~USD50/sqm compared to the regional average of ~USD150/sqm, while Malaysia's industrial tariff is the third-lowest in ASEAN at USD0.50/cubic meter, versus the regional average of USD0.60/cubic meter, with Vietnam and Indonesia offering slightly lower rates.

It is also worth noting that Malaysia is connected to 25 submarine cables through six cable landing stations. These include the Asia Submarine-cable Express (ASE), Asia-America Gateway (AAG), Asia Link Cable (ALC, 2026), Asia Pacific Gateway (APG), Batam Dumai Melaka (BDM) Cable System, and Batam-Rengit Cable System (BRCS). This robust submarine cable infrastructure is crucial for ensuring high-speed and reliable global connectivity. And although Singapore lifted its data centre moratorium in 2022 and plans to add another 300MW of capacity in the near term, Malaysia retains a significant advantage with over 3,000MW of capacity in the pipeline through 2030. We believe this competitive edge could attract more global hyperscale MNCs, with Johor poised to be one of the major beneficiaries.

To put the icing on the cake, given that: (i) robust ESAs signed in the first half of 2025, (ii) substantial RP4 CapEx utilisation for utility works, and (iii) the anticipated rollout of RP5 following RP4 implementation, we believe that Malaysia's data centre pipeline will remain strong despite electricity tariffs hike, which could easily translate to increase utility costs for these hyperscalers by 10–14%. The abovementioned would likely push these hyperscalers toward adopting more energy-efficient solutions, position KJTS well with its key offerings as we believe it is unlikely that hyperscalers would reverse its DCs construction at this stage. While it is still early for KJTS in this segment, the company

has already secured EPCC and maintenance contracts from Sunway Engie at Sedenak Tech Park and in Selangor, both with similar job scopes post its IPO listing in early 2024.

## Company Overview

Founded in 1984, KJTS boasts a remarkable 41-year track record as an integrated provider of building support services. The company specializes in developing and managing large-scale centralized cooling energy systems. KJTS mainly focuses on constructing new chiller plants and district cooling systems (DCS) from the ground up (greenfield projects).

Additionally, KJTS specializes in retrofitting existing systems (brownfield projects) to enhance efficiency and sustainability. This cooling energy segment has two revenue streams: i) Engineering, Procurement, Construction, and Commissioning services (EPC), and ii) Provision of Cooling Energy Management Services (CEMS).

**Cooling energy segment (47.7% of FY24).** Under this segment, KJTS provides centralized cooling energy, ensuring comfort for occupants of large commercial and industrial buildings through:

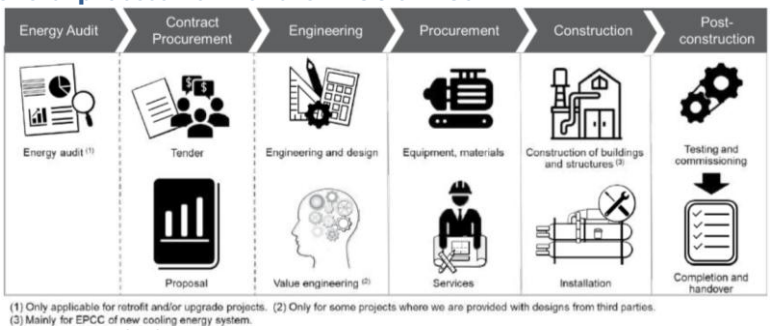
a. **Engineering, Procurement, Construction, and services (EPCC).** KJTS enters into an EPCC contract, where the CapEx is fully borne by its clients. Revenue is recognized on a billing basis; accordance to stages of project completion.

b. **Provision of Cooling Energy Management Services (CEMS).** Within the CEMS segment, KJTS operates under two models:

   i. **Design-Build-Operate (DBO)**, where the CapEx is fully funded by customers for EPCC works, and KJTS assumes the role of operator upon project completion.

   ii. **Retrofit-Operate-Transfer (ROT)** or **Build-Operate-Transfer (BOT)**, where the CapEx is fully funded by KJTS, which then receives payment on an annuity basis over the operation period.

**Fig #2 General process flow for the EPCC of DCS**



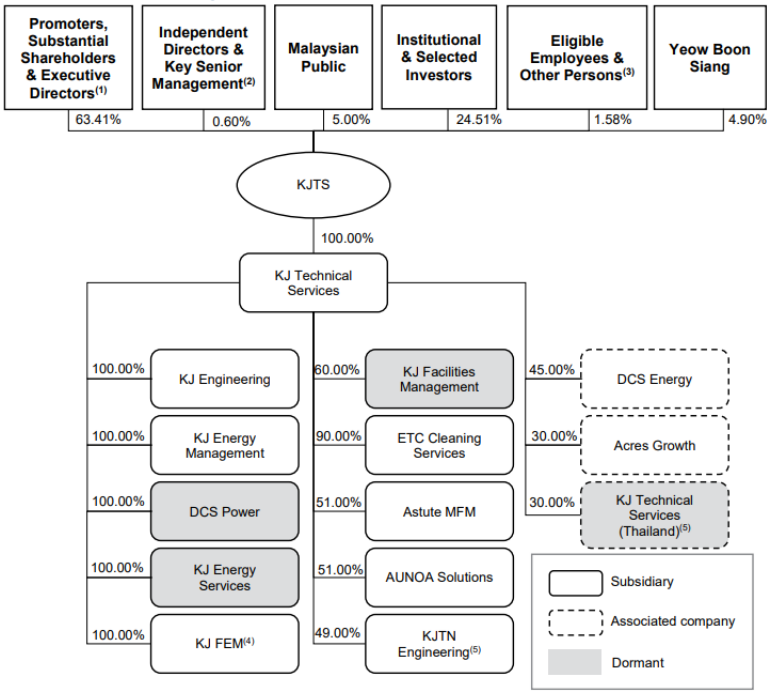

*Source: KJTS Company Berhad*

In addition to cooling energy systems, it has two other business segments: facilities management (FM) and cleaning services.

**Facilities management (42.3% of FY24).** Under this segment, KJTS focuses on maintenance work through Mobile FM, where its personnel are stationed at clients' premises upon request, and Static FM, where personnel are stationed at clients' premises throughout the contract period.

**Cleaning services (10.0% of FY24).** KJTS specializes in cleaning services for commercial and industrial buildings, including specialized cleaning for cleanrooms in manufacturing plants, theme parks, and others.

**Fig #3 KJTS's shareholding structure**




*Source: KJTS Company Berhad*

**Fig #4 Corporate milestones**

| Year | Milestones |
|---|---|
| 1984 - 1997 | KJE acquired by a French energy conglomerate, one of the biggest energy services in the world.<br>KJE successfully secured its first EPCC contract for a District Cooling System (DCS). |
| 2003 - 2006 | KJE secured its first cooling energy performance contract from one of Kuala Lumpur's biggest malls.<br>KJE completed KLCC phase 2 and received Energy Efficiency Awards. |
| 2008 - 2014 | KJE supplied its first Total Facilities Management in addition to its Cooling Energy Management in Penang.<br>KJTS S/B has a management restructure via a buyout from the French Energy Conglomerate. |
| 2015 - 2017 | KJTS S/B extends its suppling of Energy and Facilities Management to various sectors and fields.<br>KJTS S/B has been certified with MyHijau Mark and as an Energy Service Company (ESCO) by the Energy Commission Malaysia. |
| 2018 - 2020 | ETC Cleaning Services commenced business operations.<br>KJTS S/B regionally extends and expands its base to Singapore and Thailand.<br>KJTS S/B successfully integrate its management system within the Company and achieves ISO Company Certification. |
| 2024 - 2025 | Listed on Ace Market Bursa Malaysia.<br>KJTS Expands Energy-Efficient Cooling Capabilities with Strategic Acquisition of Malakaoff Utilities.<br>KJTS Company Berhad and Stonepeak confirm a joint venture targeting an investment of up to RM1.5bn in cooling assets in Malaysia. |

*Source: KJTS Company Berhad*

**Fig #5 KJTS's SWOT analysis**

| Strength | Weakness |
|---|---|
| • Ability to cross-sell complementary building support services to existing customers.<br>• Long-term CEMS contracts ensuring a recurring revenue stream. | • Heavily dependence on subcontractors and external procurement.<br>• Vulnerable to investment slowdowns in Malaysia and Sinfapore's property and construction sectors. |
| **Opportunity** | **Threat** |
| • Supportive policy initiatives under the NETR.<br>• Inceasing global ESG awareness driving carbon footprint reduction and energy efficiency adoption.<br>• Government-led efforts to boost demand for energy-efficiecnt cooling services and producsts. | • Risk of contract breaches by customers.<br>• Instensifying competition from other players in the energy-cooling segment.<br>• Lower emphasis on adopting energy efficiency practices. |

## Substantial Shareholders & Key Senior Management

**Wong Nai Chien (Chief Operating Officer)**. With over 20 years of experience in engineering, contracts, and procurement, Wong Nai has held senior roles in KJ Engineering and related businesses. At present, Wong is the COO, responsible for overseeing projects, tenders, procurement, as well as cost management.

**Sarmila A/P Muniandy (Chief Financial Oficer)**. With over 15 years of experience, Sarmila has held progressive roles from Audit Executive to Accounts Manager across KJ Technical Services, related entities. At present, Sarmila is responsible in overseeing the Company's financial operations, reporting, and strategy.

**Adrian Lim Hock Heng (Head of Project Department)**. A registered Professional Technologist and member of both IET and IEM, with over 20 years of experience in engineering and project management. He now leads the Project Department, managing project delivery and cost oversight across the Company.

**Yap Yew Cheong (Head of Engineering Department)**. With more than 20 years' experience in engineering roles across Malaysia and Australia, he joined KJ Engineering in 2011 and now leads as Head of Engineering Department, managing audits, technical support, and project implementation efforts across the Company.

## Financials

**Financial highlight.** KJTS reported a 14.9% YoY increase in FY24 revenue to RM137.8m (FY23: RM119.9m), marking a 4-year topline CAGR of 16.9%. This growth was supported by higher contributions from EPCC of cooling energy systems, primarily driven by progress billings from new projects. In tandem with the revenue increase, net profit grew at a 4-year CAGR of over 11.0%, reaching RM8.3m (FY20: RM5.4m). In terms of segmentation, the cooling energy segment remained the main contributor (47.7% of FY24 revenue), recording a 17.4% YoY growth for the period, reflecting stronger demand for energy-efficient cooling solutions.

**Earnings forecasts.** We project KJTS to deliver a solid 54.2% earnings CAGR over FY25-27F, underpinned by robust contributions from its cooling energy segment. While the

order book and tender book were not disclosed, we believe growth will be driven by new contract wins in the cooling energy segment, further bolstered by its recent MUSB acquisition. Although the StonePeak JV has not been factored into our forecast, we believe KJTS's steady cash position will enable it to fund its clients CapEx for upcoming projects, further driving the growth.

We also see KJTS as a key beneficiary of favourable government initiatives such as NETR and the ESG push, while standing to benefit from rising FDI in the data centre sector. In tandem, we pencil in gross profit margins to improve to 31.1%/32.8%/32.9% in FY25-27F, supported by the commendable blended margins post-MUSB acquisition and the progressive build-up of high-margin recurring income streams.

## Valuations

We initiate coverage on KJTS with a **BUY** rating and a target price of RM1.90. Our valuation is derived by pegging a 45x P/E to the FY26F EPS of 4.23 sen, implying a **+21.8%** upside from the current price of RM1.56. While the assigned multiple is a premium relatively to selected solar-related stocks' trailing up until three-year forward P/E averages, we believe KJTS it is justified given that:

1. **Robust EPS growth relatively to its local peers.** We selected solar-related stocks as our benchmark given there isn't direct comparable listed peers locally. Notably, Bloomberg consensus of 2-year EPS growth for local peers years averages 27.2%, while our projections for KJTS point to a robust 92.5% growth.

2. **A proxy to government push towards national energy roadmap.** We believe KJTS's end-to-end cooling energy solutions serves niche exposure to energy efficiency space, which is in our view, in line with the government's push under the National Energy Transition Roadmap (NETR).

3. **Recurring income with contract tenures spanning from 5-20 years.** Substantial portion of KJTS's business dedicated to recurring revenue streams, which provides a solid foundation for future earnings visibility. Do note that as of FY24, these recurring segments represent 75% of the overall revenue mix.

### Fig #6 Peers comparison

| Company | Market Group | FYE | Price (RM) | Market Cap (RM'm) | P/E (x) | Forward P/E (x) | EPS Growth (%) | ROE (%) | NP Margin (%) |
|---|---|---|---|---|---|---|---|---|---|
| **KJTS Group Bhd** | **ACE** | **Dec** | **1.56** | **1,074.5** | **80.2** | **33.2** | **92.5** | **11.7** | **5.9** |
| Pekat Group Bhd | ACE | Dec | 1.56 | 1,006.2 | 33.2 | 21.1 | 9.5 | 19.5 | 7.7 |
| Samaiden Group Bhd | MAIN | Dec | 1.19 | 535.7 | 26.8 | NM | NM | 14.3 | 7.1 |
| Solarvest Holdings Bhd | MAIN | Dec | 2.48 | 2,004.8 | 34.0 | 26.4 | 16 | 17.7 | 9.7 |
| Sunview Group Bhd | ACE | Dec | 0.43 | 241.3 | 16.1 | 17.0 | NM | 4.0 | 2.8 |
| Swift Energy Technology Sdn Bh | ACE | Dec | 0.27 | 275.2 | 12.2 | 13.8 | 20 | 33.9 | 15.2 |
| Cypark Resources Bhd | MAIN | Dec | 0.87 | 711.7 | NM | 28.8 | 63.3 | (0.9) | (3.8) |
| **Avg ex-KJTS Group Bhd** | | | | **795.8** | **24.5** | **21.4** | **27.2** | **14.7** | **6.4** |

*Source: M+ Research (*FY25, **FY26f)*

## Investment Risks

**Contract renewal and order book risk.** KJTS's growth is dependent on timely securing of new EPCC and recurrent service contracts to replenish its order book. Non-renewal of key recurrent contracts or inability in winning new projects could result in revenue shortfalls, underutilisation of resources, and weakened financial performance.

**Contract termination and execution risk.** The Company faces risks of early termination or suspension of contracts, which may lead to unrecovered capital and foregone revenues. Project delays due to site conditions, supply chain disruptions, and etc could further incur liquidated damages, cost overruns, and reputational harm.

**Cost overrun and margin compression risk.** Actual operating costs of cooling energy services or EPCC projects may exceed budgeted levels due to inefficiencies, maintenance, or material and labour cost inflation. As most contracts are fixed-price or tariff-linked, higher costs may compress margins or result in losses.

**Electricity tariff fluctuation risk.** Cooling energy revenues are partly pegged to electricity tariffs. A decline in electricity rates would directly lower chilled water tariffs and reduce revenue, potentially outweighing any operating cost savings.

## ESG Initiatives

**Environmental.** KJTS integrates decarbonisation and energy efficiency in its building support services, leveraging its in-house energy management systems. Between 2017 and 2023, KJTS's projects saved ~52,441 MWh of electricity and avoided ~32,619 tonnes of $CO_2$ emission.

**Social.** The Company fosters a safe, inclusive, and productive workplace with strong i) HSE governance, ii) diversity and non-discrimination policies, as well as iii) structured employee benefits. Also, its investments in enhancing workers' capabilities are totalling to ~RM0.25m with 4,609 training hours provided.

**Governance.** KJTS enforces anti-corruption measures which is aligned with the Malaysian Anti-Corruption Commission Act and has established a whistleblowing channel. Also, the Company comply with the principle of fair competition and transaction integrity in all its business interaction; creating a harmonious business environment.

## Financial Forecast

*All items in (RM m) unless otherwise stated*

**Balance Sheet**

| FYE Dec (RM m) | FY23 | FY24 | FY25f | FY26f | FY27f |
|---|---|---|---|---|---|
| Cash | 14 | 68 | 76 | 102 | 134 |
| Receivables | 22 | 27 | 41 | 68 | 70 |
| Inventories | 0 | 0 | 0 | 0 | 0 |
| PPE | 3 | 6 | 15 | 23 | 21 |
| Others | 41 | 49 | 49 | 49 | 49 |
| **Assets** | **81** | **150** | **182** | **243** | **275** |
| | | | | | |
| Debts | 5 | 8 | 10 | 17 | 17 |
| Payables | 25 | 27 | 40 | 65 | 67 |
| Others | 1 | 1 | 1 | 1 | 1 |
| **Liabilities** | **31** | **36** | **51** | **83** | **85** |
| | | | | | |
| Shareholder's equity | 50 | 114 | 129 | 158 | 188 |
| Minority interest | (0) | (0) | 1 | 2 | 2 |
| **Equity** | **50** | **114** | **130** | **160** | **190** |

**Cash Flow Statement**

| FYE Dec (RM m) | FY23 | FY24 | FY25f | FY26f | FY27f |
|---|---|---|---|---|---|
| Profit before taxation | 9 | 8 | 20 | 39 | 40 |
| Depreciation & amortisation | 1 | 2 | 3 | 5 | 7 |
| Changes in working capital | (3) | (2) | (1) | (2) | (0) |
| Share of JV profits | - | - | - | - | - |
| Taxation | (2) | (2) | (5) | (9) | (10) |
| Others | (6) | (6) | 2 | (0) | (1) |
| **Operating cash flow** | **1** | **(1)** | **19** | **32** | **36** |
| | | | | | |
| Net capex | (1) | (3) | (13) | (13) | (4) |
| Others | 0 | 4 | - | - | - |
| **Investing cash flow** | **(1)** | **1** | **(13)** | **(13)** | **(4)** |
| | | | | | |
| Changes in borrowings | (1) | 3 | 2 | 6 | 0 |
| Issuance of shares | 0 | - | - | - | - |
| Dividends paid | (3) | - | - | - | - |
| Others | 8 | 50 | - | - | - |
| **Financing cash flow** | **5** | **53** | **2** | **6** | **0** |
| | | | | | |
| **Net cash flow** | **4** | **54** | **9** | **26** | **32** |
| Forex | (0) | 0 | - | - | - |
| Others | - | - | - | - | - |
| Beginning cash | 10 | 14 | 68 | 76 | 102 |
| Ending cash | 14 | 68 | 76 | 102 | 134 |

**Income Statement**

| FYE Dec (RM m) | FY23 | FY24 | FY25f | FY26f | FY27f |
|---|---|---|---|---|---|
| **Revenue** | **120** | **138** | **212** | **355** | **365** |
| EBITDA | 11 | 8 | 24 | 45 | 48 |
| EBIT | 9 | 7 | 21 | 40 | 41 |
| Net finance income/ (cost) | (0) | (0) | (0) | (1) | (1) |
| Associates & JV | - | - | - | - | - |
| **Profit before tax** | **9** | **8** | **20** | **39** | **40** |
| Tax | (2) | (2) | (5) | (9) | (10) |
| **Net profit** | **7** | **8** | **15** | **30** | **30** |
| Minority interest | 1 | (0) | (0) | (1) | (0) |
| **Core earnings** | **8** | **8** | **15** | **29** | **30** |
| Exceptional items | - | - | - | - | - |
| Reported earnings | 8 | 8 | 15 | 29 | 30 |

**Valuation & Ratios**

| FYE Dec (RM m) | FY23 | FY24 | FY25f | FY26f | FY27f |
|---|---|---|---|---|---|
| Core EPS (sen) | 1.2 | 1.2 | 2.2 | 4.2 | 4.4 |
| P/E (x) | 132.2 | 132.6 | 71.0 | 36.9 | 35.8 |
| EV/EBITDA (x) | 93.8 | 118.2 | 42.5 | 22.3 | 20.9 |
| DPS (sen) | - | - | - | - | - |
| Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| BVPS (RM) | 0.07 | 0.17 | 0.19 | 0.23 | 0.27 |
| P/B (x) | 21.4 | 9.4 | 8.3 | 6.8 | 5.7 |
| | | | | | |
| EBITDA margin | 8.9% | 6.1% | 11.1% | 12.6% | 13.1% |
| EBIT margin | 7.7% | 5.0% | 9.7% | 11.2% | 11.3% |
| PBT margin | 7.5% | 6.1% | 9.5% | 11.0% | 11.0% |
| Net margin | 6.8% | 5.9% | 7.1% | 8.2% | 8.2% |
| | | | | | |
| ROE | 18.9% | 9.9% | 12.5% | 20.3% | 17.3% |
| ROA | 11.1% | 7.0% | 9.1% | 13.7% | 11.6% |
| Net gearing | CASH | CASH | CASH | CASH | CASH |

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## Stock recommendation guide

| | |
|---|---|
| **BUY** | The share price is expected to appreciate more than 10% over the next 12 months |
| **HOLD** | The stock price is expected to range between -10% and +10% over the next 12 months |
| **SELL** | The share price is expected to fall more than 10% over the next 12 months |
| **TRADING BUY** | The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months |
| **TRADING SELL** | The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months |
| **NOT RATED** | No recommendation is assigned |