KJTS Group Berhad

Results Note – 1QFY26

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Tax Drag Caps Otherwise Resilient 1Q26

Summary

- **Broadly in-line.** KJTS registered 1Q26 core PATMI of RM4.6m (-5.5% QoQ, +8.9% YoY), accounting for 23.0%/21.4% of our/consensus FY26f earnings estimates of RM20.0m/RM21.5m, respectively. We deem the results broadly in-line, as the shortfall against the straight-line run-rate was not significant, while earnings remained resilient despite lower sequential revenue recognition from completed EPCC projects in the preceding quarter.

- **QoQ**. Revenue declined by 12.3% QoQ to RM55.9m, mainly due to lower contribution from both Energy Services and Integrated Facilities Management. The decline in Energy Services was largely attributable to the completion of several EPCC projects in 4Q25, while Integrated Facilities Management was affected by the expiry of several cleaning services contracts towards end-2025. As a result, core PATMI slipped 5.5% QoQ to RM4.6m. Nevertheless, profitability held up relatively well, with core PATMI margin improving to 8.2% from 7.6%, helped by lower administrative expenses.

- **YoY.** KJTS delivered a stronger quarter, with revenue rising 20.1% YoY to RM55.9m, driven mainly by higher contribution from Energy Services and a growing customer base under Integrated Facilities Management. PBT rose 35.9% YoY to RM6.3m, supported by better gross profit contribution from recent energy services contracts with relatively higher contract values. However, core PATMI grew at a more modest pace of 8.9% YoY to RM4.6m, mainly due to a higher effective tax rate of 30.0% compared with 9.3% in 1Q25.

- **Outlook.** We remain positive on KJTS' medium-term prospects, underpinned by structural demand for energy-efficient infrastructure, sustainable cooling solutions and facility management services. The group is well positioned to benefit from Malaysia's low-carbon transition, the NETR, and rising demand from data centre-related infrastructure. Also, the acquisition of iHandal should strengthen KJTS' energy efficiency and heat recovery capabilities, while the novation of KIPMall concession projects to Lestari supports its asset-light model and recurring income base.

Valuation & Recommendation

- **Forecast.** Maintained. We make no changes to our FY26–27f earnings forecasts, as 1Q26 results were broadly in-line with our expectations.

- **Upgrade to BUY with an unchanged TP of RM0.87.** Following the recent share price weakness to RM0.77, we upgrade KJTS to BUY from HOLD, as the stock now offers a more attractive upside of c.13.0% to our unchanged TP of RM0.87. Our TP is derived from a 30x P/E multiple pegged to our FY26F EPS of 2.91 sen. While 1Q26 earnings were broadly in-line, we remain positive on KJTS' medium-term growth prospects, supported by its recurring income base, asset-light strategy, iHandal acquisition, and potential upside from sustainable cooling and data centre-related infrastructure projects. Current valuation now provides a more reasonable entry point, in our view.

- **Downside risks.** Risks to our recommendation include: (i) KJTS's inability to replenish its orderbook; (ii) changes in TNB's tariff policies; and (iii) potential contract terminations from its customers.

BUY (from Hold)

Share price	**RM0.77**
Target price	**RM0.87**
Previous TP	**RM0.87**
Capital upside	13.0%
Dividend return	-
Total return	13.0%

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)	690.6
Market Cap (m)	531.8
52W High/Low	1.81 / 0.66
Est. Free float (%)	42.1
Beta (x)	0.9
3-mth avg vol ('000)	1098.7
Shariah compliant	Yes

Major shareholders	**%**
Wee Tah Poh	26.9
Lee Kok Choon	26.9
Deutche Bank AG	6.5

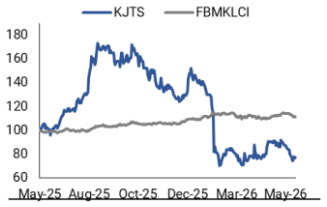
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-14.9	-4.3	-23.0
Relative	-14.3	-2.5	-30.9

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PAT (m)	18.0	20.0	27.0
EPS (sen)	2.61	2.91	3.92
P/E (x)	29.5	26.5	19.7

Relative performance chart



Quarterly performance 1Q26

Quarterly performance

FYE Dec (RM m)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
Revenue	46.6	63.8	55.9	*(12.3)*	*20.1*
PBT	4.7	6.5	6.3	*(2.4)*	*35.9*
PAT	4.2	4.8	4.4	*(6.7)*	*4.9*
Core PATMI	4.2	4.9	4.6	*(5.5)*	*8.9*
Reported PATMI	4.2	4.9	4.6	*(5.5)*	*8.9*
Core EPS (sen)	0.6	0.7	0.7	*(5.5)*	*8.9*
PBT margin (%)	10.0	10.2	11.3		
Core PATMI margin (%)	9.1	7.6	8.2		

Source: KJTS Group Berhad, M+Global Research

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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