KJTS Group Berhad

Results Note – 2QFY26

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Energy Services Drives Earnings Acceleration

Summary

- **Earnings surprise.** KJTS posted 2Q26 core PATMI of RM8.1m (+75.4% QoQ, +79.3% YoY), lifting 1H26 core PATMI to RM12.7m (+45.2% YoY). The results exceeded expectations, accounting for 63.4%/61.0% of our/consensus FY26f earnings forecasts of RM20.0m/RM20.8m, respectively. The positive variance was mainly driven by stronger-than-expected revenue recognition from the Energy Services segment following the commencement of recently secured contracts.

- **QoQ**. Revenue surged 57.7% to RM88.2m, driven by a 95.7% increase in Energy Services revenue to RM68.7m following the commencement of recently secured contracts. This more than offset a 6.2% decline in Integrated Facilities Management revenue to RM19.5m following the expiry of several cleaning services contracts. PBT and core PATMI consequently rose 79.1% and 75.4%, respectively, supported by new Energy Services contracts carrying higher gross profit margins, despite higher administrative expenses. PBT and core PATMI margins improved by 1.6 ppts and 1.0 ppt, respectively.

- **YoY.** Revenue more than doubled to RM88.2m, driven mainly by stronger Energy Services contributions, which accounted for 77.9% of Group revenue versus 55.3% in 2Q25. PBT surged 110.4%, supported by higher gross profit contributions from new Energy Services contracts with relatively higher contract values. Core PATMI rose 79.3% despite a higher ETR of 24.3% versus 15.4% in 2Q25.

- **YTD.** 1H26 revenue expanded 59.0% to RM144.1m, while PBT rose at a faster 75.9% to RM17.7m, reflecting the increasing contribution from the Energy Services segment, which accounted for 72.0% of Group revenue versus 56.5% in 1H25. Core PATMI rose 45.2% to RM12.7m, with earnings growth moderated by a higher ETR of 26.3% versus 12.6% in 1H25.

- **Outlook.** We continue to like KJTS, underpinned by tailwinds such as (i) structural demand for energy-efficient cooling infrastructure from Malaysia's energy transition policy, (ii) MIDA's RM92.8bn of approved investments including RM34.6bn across data centre and cloud-computing projects which suggests forward demand visibility, and (iii) the iHandal acquisition, which broadens KJTS' energy-services platform into heat-recovery solutions while creating cross-selling opportunities and supporting the expansion of its recurring income base.

Quarterly performance 2Q26

Quarterly performance FYE Dec (RM m)	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1HFY25	1HFY26	YoY (%)
Revenue	44.1	55.9	88.2	*57.7*	*100.1*	90.6	144.1	*59.0*
EBIT	5.6	6.5	11.4	*75.2*	*105.9*	10.1	18.0	*77.4*
PBT	5.4	6.3	11.3	*79.1*	*110.4*	10.1	17.7	*75.9*
Core PAT	4.5	4.6	8.1	*75.4*	*79.3*	8.7	12.7	*45.2*
Reported PAT	4.5	4.6	8.1	*75.4*	*79.3*	8.7	12.7	*45.2*
Core EPS (sen)	0.7	0.7	1.2	*75.4*	*79.3*	1.3	1.8	*45.2*
EBIT margin (%)	12.6	11.7	13.0			11.2	12.5	
PBT margin (%)	12.2	11.3	12.9			11.1	12.3	
Core PATMI margin (%)	10.2	8.2	9.2			9.6	8.8	

Source: KJTS Group Berhad, M+Global Research

Under Review

Share price	**RM1.12**
Target price	**RM0.87**
Previous TP	**RM0.87**
Capital upside	-22.3%
Dividend return	-
Total return	-22.3%

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)	690.7
Market Cap (m)	773.6
52W High/Low	1.81 / 0.66
Est. Free float (%)	42.1
Beta (x)	0.9
3-mth avg vol ('000)	1425.9
Shariah compliant	Yes

Major shareholders	%
Wee Tah Poh	26.8
Lee Kok Choon	26.8
Deutche Bank AG	6.5

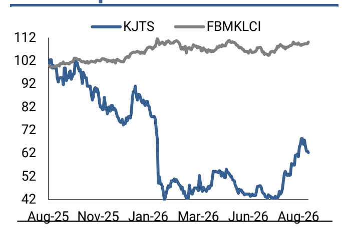
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	28.0	52.4	-34.1
Relative	25.9	47.4	-40.0

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PAT (m)	18.0	20.0	27.0
EPS (sen)	2.61	2.90	3.92
P/E (x)	43.0	38.7	28.7

Relative performance chart



Valuation & Recommendation

- **Forecast.** Maintained. Despite the earnings beat, we make no changes to our FY26f–27f earnings forecasts at this juncture, pending further guidance from the upcoming results briefing.

- **Valuation under review; maintain TP of RM0.87 for now.** We retain our TP of RM0.87 at this juncture, pending further clarity from the upcoming results briefing on the sustainability of the stronger earnings momentum, contract recognition profile and medium-term earnings outlook. Given the stronger-than-expected 1H26 performance, we believe there is scope to revisit both our earnings assumptions and valuation base following the briefing.

- **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.

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