KJTS Group Berhad

20-Year Centel Contracts Strengthen Earnings Visibility

Newsbreak

- **KJTS secures 20-year contracts with Centel.** KJTS, through its Thailand subsidiary KJTN Engineering, has entered into four agreements with wholly-owned subsidiaries of Central Plaza Hotel Public Company Limited (Centel) for retrofit works, opertation and maintenance (O&M) services and chilled water supply at four hotels in Thailand. The retrofit works are expected to commence in Sep 2026 and complete by Feb 2027, followed by 20 years of O&M and chilled water supply from Mar 2027 to Feb 2047. The agreements carry aggregate fixed fees of THB393.8m, equivalent to c.RM47.8m over 20 years, excluding variable fees based on chilled water supplied.

M+ Global View

- **Strengthening recurring revenue stream.** We view the latest contracts positively as they further expand KJTS' recurring Energy Services base. Based on the fixed fees alone, the four contracts should contribute c.RM2.0m of revenue in FY27f, assuming operations commence as scheduled in Mar 2027, and c.RM2.4m on a full-year basis from FY28f onwards. This excludes variable fees linked to chilled water consumption, which provide additional upside to our estimates.

- **Deepening Thailand customer relationships.** The latest awards further strengthen KJTS' Energy Services footprint in Thailand and deepen its relationship with Central Group. KJTN Engineering has an established working relationship with Centel, having previously undertaken three cooling projects for the group. We view the repeat wins positively, as they highlight KJTN Engineering's track record in delivering cooling projects and provide scope for further cross-selling opportunities within the customer base.

- **Favourable earnings mix shift.** The new contracts are supportive of KJTS' ongoing transition towards a larger Energy Services contribution, which accounted for 72.0% of Group revenue in 1H26 versus 56.5% in 1H25. We believe the combination of long-duration O&M income and chilled water supply should further improve earnings visibility, while the variable fee component provides scope for revenue upside as chilled water demand increases.

- **Upfront funding requirements.** KJTN will fund c.RM7.1m of retrofit works across the four hotels and is required to subsequently acquire c.RM4.1m of employer-funded retrofit works under the three DBO agreements, bringing its total funding requirement to c.RM11.2m. The commitments will be funded through internally generated funds and/or bank borrowings. While this requires upfront capital deployment, the investment underpins a 20-year stream of recurring O&M and chilled water income.

Valuation & Recommendation

- **Forecast.** We raise our FY26f/FY27f earnings forecasts by 33.2%/5.1% to RM26.6m/RM28.4m, respectively, and introduce our FY28f earnings estimate of RM31.2m. This implies a 3-year earnings CAGR of 20.1% over FY25-FY28f. The sharp upgrade to FY26f reflects the stronger-than-expected 1H26 earnings performance, underpinned by stronger Energy Services momentum and the ramp-up of recently

Company update

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BUY

Share price	**RM1.09**
Target price	**RM1.23**
Previous TP	**RM0.87**
Capital upside	12.8%
Dividend return	-
Total return	12.8%

Company profile

KJTS is principally involved in providing large-scale centralised cooling solutions, primarily for both greenfield and brownfield projects. Its complementary segments include facilities management and cleaning services.

Stock information

Bursa Code	0293
Bloomberg ticker	KJTS MK
Listing market	ACE
Share issued (m)	690.7
Market Cap (m)	752.8
52W High/Low	1.81 / 0.66
Est. Free float (%)	42.1
Beta (x)	0.9
3-mth avg vol ('000)	1472.5
Shariah compliant	Yes

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

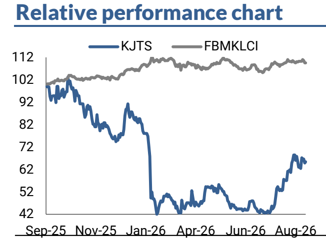
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	13.5	47.3	-34.7
Relative	14.7	44.2	-39.7

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PATMI (m)	18.0	26.6	28.4
EPS (sen)	2.60	3.86	4.11
P/E (x)	41.9	28.3	26.5

Relative performance chart



secured contracts, while the FY27f revision incorporates the higher earnings base and contribution from the latest Centel contracts.

- **Reinstate BUY with a higher TP of RM1.23 from RM0.87,** implying 12.8% upside, derived from an unchanged 30x P/E multiple applied to our FY27f EPS of 4.11 sen, rolled over from our previous valuation based on FY26f EPS.

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

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Cash	67.6	58.0	73.1	98.6	132.2
Receivables	26.8	48.9	58.4	60.0	64.9
Inventories	0.1	0.1	0.2	0.2	0.3
PPE	5.8	6.5	16.7	20.1	19.0
Others	49.5	90.9	90.9	90.9	90.9
Assets	**149.7**	**204.4**	**239.3**	**269.9**	**307.3**
Debts	7.7	10.9	15.5	15.9	17.1
Payables	27.1	58.7	60.6	62.2	66.9
Others	1.2	2.1	2.1	2.1	2.1
Liabilities	**36.0**	**71.7**	**78.2**	**80.1**	**86.1**
Shareholder's equity	113.9	132.8	159.5	187.9	219.0
Minority interest	(0.2)	(0.1)	1.6	1.9	2.2
Equity	**113.7**	**132.7**	**161.1**	**189.7**	**221.2**

Cash Flow Statement

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	8.4	24.5	35.6	37.7	41.5
Depreciation & amortisation	1.6	2.3	2.8	4.1	5.1
Changes in working capital	(2.5)	9.6	(7.8)	(0.1)	(0.2)
Share of JV profits	-	-	-	-	-
Taxation	(2.0)	(6.4)	(8.5)	(9.1)	(10.0)
Others	(6.4)	(30.9)	5.0	(0.0)	(0.1)
Operating cash flow	**(0.9)**	**(0.9)**	**27.1**	**32.7**	**36.4**
Net capex	(2.8)	-	(16.6)	(7.6)	(4.0)
Others	3.9	1.1	-	-	-
Investing cash flow	**1.1**	**1.1**	**(16.6)**	**(7.6)**	**(4.0)**
Changes in borrowings	3.1	3.2	4.6	0.4	1.2
Issuance of shares	-	-	-	-	-
Dividends paid	-	-	-	-	-
Others	50.4	50.2	-	-	-
Financing cash flow	**53.4**	**53.4**	**4.6**	**0.4**	**1.2**
Net cash flow	**53.6**	**53.6**	**15.0**	**25.5**	**33.6**
Forex	0.3	-	-	-	-
Others	-	-	-	-	-
Beginning cash	13.9	67.6	58.0	73.1	98.6
Ending cash	67.6	58.0	73.1	98.6	132.2

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	**137.7**	**212.5**	**304.6**	**313.0**	**338.6**
EBITDA	8.5	26.0	39.0	42.7	47.6
EBIT	6.9	23.7	36.3	38.6	42.4
Net finance income/ (cost)	(0.3)	(0.5)	(0.7)	(0.8)	(0.9)
Associates & JV	-	-	-	-	-
Profit before tax	**8.4**	**24.5**	**35.6**	**37.7**	**41.5**
Tax	(2.0)	(6.4)	(8.5)	(9.1)	(10.0)
Net profit	**8.3**	**18.1**	**27.1**	**28.7**	**31.6**
Minority interest	(0.2)	(0.1)	(0.4)	(0.3)	(0.4)
Core earnings	**8.1**	**18.0**	**26.6**	**28.4**	**31.2**
Exceptional items	-	-	-	-	-
Reported earnings	8.1	18.0	26.6	28.4	31.2

Valuation & Ratios

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Core EPS (sen)	1.2	2.6	3.9	4.1	4.5
P/E (x)	92.9	41.9	28.3	26.5	24.2
EV/EBITDA (x)	80.2	26.1	17.4	15.9	14.2
DPS (sen)	-	-	-	-	-
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
BVPS (RM)	0.16	0.19	0.23	0.27	0.32
P/B (x)	6.6	5.7	4.7	4.0	3.4
EBITDA margin	6.1%	12.2%	12.8%	13.6%	14.0%
EBIT margin	5.0%	11.1%	11.9%	12.3%	12.5%
PBT margin	6.1%	11.6%	11.7%	12.1%	12.3%
Net margin	5.9%	8.5%	8.7%	9.1%	9.2%
ROE	9.9%	13.5%	18.2%	16.3%	15.3%
ROA	7.0%	8.8%	12.0%	11.1%	10.8%
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