KJTS Group Berhad

Greater Clarity on 2H26 Outlook

Briefing Highlights

- **Post-results briefing highlights.** Following KJTS' 2Q26 results briefing, management expressed confidence that the strong revenue momentum seen in 2Q26 can be sustained into 2H26, with 3Q26 and 4Q26 revenue potentially matching or exceeding the RM88.2m achieved in 2Q26. This should be supported by continued progress on ongoing EPCC projects, as well as the conversion of completed projects into recurring income.

- **Pipeline remains robust.** Management highlighted a consolidated pipeline of above RM1.6bn, including c.RM700m of opportunities under the Stonepeak initiative that could be deployed over the next 1-2 years. The Group is also pursuing opportunities across data centres, hospitals and manufacturing, while broadening its offering beyond cooling.

M+ Global View

- **2H26 revenue momentum remains encouraging.** Management remains confident that 2H26 revenue can sustain or exceed the RM88.2m achieved in 2Q26, supported by continued EPCC progress across Thailand and Indonesia, alongside projects nearing completion that will transition into recurring income. We believe this provides greater comfort on KJTS' underlying earnings momentum heading into 2H26, although project timing remains a key consideration.

- **Recurring income transition gaining traction.** As completed EPCC projects progressively move into O&M, KJTS is building a more visible recurring earnings base while continuing to replenish its project pipeline. Management highlighted several projects nearing this transition, which we expect to provide a supportive earnings bridge into FY27f–28f. We believe the recent Centel wins further demonstrate KJTS' ability to convert project wins into longer-duration recurring income.

- **Medium-term growth runway remains intact.** Beyond its existing project pipeline, management's c.RM700m Stonepeak-related opportunity provides an additional avenue for growth, with one larger project already progressing beyond the ESCO audit stage. While conversion remains subject to project execution and award timing, we believe there is further scope to expand KJTS' recurring concession and Energy Services portfolio. We also see longer-term optionality from the Group's move towards Utilities-as-a-Service, particularly across data centre-related energy and water-efficiency solutions.

Valuation & Recommendation

- **Forecast.** We maintain our FY26f earnings forecast at RM26.6m, while raising our FY27f/FY28f earnings forecasts by 7.3%/7.2% to RM30.4m/RM33.4m, respectively. The revisions reflect improved visibility on the Group's recurring income pipeline, with management highlighting several projects nearing completion and progressively transitioning from EPCC to O&M. We believe this should support a stronger recurring earnings base in FY27f–28f, while continued project replenishment should sustain growth in Energy Services.

Company update

Research Team
research@msec.com.my
(603) 2201 2100

BUY

Share price	**RM1.13**
Target price	RM1.32
Previous TP	RM1.23
Capital upside	16.8%
Dividend return	-
Total return	16.8%

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)	780.5
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

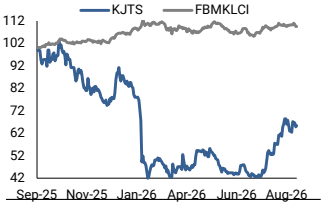
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	17.7	52.7	-32.3
Relative	18.4	48.9	-37.7

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PATMI (m)	26.6	30.4	33.4
EPS (sen)	3.86	4.41	4.84
P/E (x)	29.3	25.6	23.4

Relative performance chart



- **Reiterate BUY with higher TP of RM1.32.** Following the briefing, we have greater conviction in KJTS' earnings trajectory, underpinned by improved visibility on recurring income conversion and continued replenishment of its Energy Services pipeline. We raise our TP to RM1.32 from RM1.23, based on an unchanged 30x P/E multiple applied to our revised FY27f EPS of 4.41 sen, implying 16.8% upside.

- **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	101.3	137.2
Receivables	26.8	48.9	58.4	63.2	68.4
Inventories	0.1	0.1	0.2	0.3	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**	**275.8**	**315.8**
Debts	7.7	10.9	15.5	16.7	17.9
Payables	27.1	58.7	60.6	65.2	70.2
Others	1.2	2.1	2.1	2.1	2.1
Liabilities	**36.0**	**71.7**	**78.2**	**84.0**	**90.2**
Shareholder's equity	113.9	132.8	159.5	189.9	223.3
Minority interest	(0.2)	(0.1)	1.6	1.9	2.2
Equity	**113.7**	**132.7**	**161.1**	**191.8**	**225.6**

Cash Flow Statement

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	8.4	24.5	35.6	40.5	44.5
Depreciation & amortisation	1.6	2.3	2.8	4.1	5.1
Changes in working capital	(2.5)	9.6	(7.8)	(0.2)	(0.2)
Share of JV profits	-	-	-	-	-
Taxation	(2.0)	(6.4)	(8.5)	(9.7)	(10.7)
Others	(6.4)	(30.9)	5.0	(0.0)	(0.1)
Operating cash flow	**(0.9)**	**(0.9)**	**27.1**	**34.7**	**38.6**
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	1.2	1.3
Issuance of shares	-	-	-	-	-
Dividends paid	-	-	-	-	-
Others	50.4	50.2	-	-	-
Financing cash flow	**53.4**	**53.4**	**4.6**	**1.2**	**1.3**
Net cash flow	**53.6**	**53.6**	**15.0**	**28.3**	**35.9**
Forex	0.3	-	-	-	-
Others	-	-	-	-	-
Beginning cash	13.9	67.6	58.0	73.1	101.3
Ending cash	67.6	58.0	73.1	101.3	137.2

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	**137.7**	**212.5**	**304.6**	**329.4**	**356.5**
EBITDA	8.5	26.0	39.0	45.5	50.6
EBIT	6.9	23.7	36.3	41.4	45.5
Net finance income/ (cost)	(0.3)	(0.5)	(0.7)	(0.9)	(0.9)
Associates & JV	-	-	-	-	-
Profit before tax	**8.4**	**24.5**	**35.6**	**40.5**	**44.5**
Tax	(2.0)	(6.4)	(8.5)	(9.7)	(10.7)
Net profit	**8.3**	**18.1**	**27.1**	**30.8**	**33.8**
Minority interest	(0.2)	(0.1)	(0.4)	(0.3)	(0.4)
Core earnings	**8.1**	**18.0**	**26.6**	**30.4**	**33.4**
Exceptional items	-	-	-	-	-
Reported earnings	8.1	18.0	26.6	30.4	33.4

Valuation & Ratios

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Core EPS (sen)	1.2	2.6	3.9	4.4	4.8
P/E (x)	96.4	43.4	29.3	25.6	23.4
EV/EBITDA (x)	83.4	27.2	18.1	15.5	13.9
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)	6.9	5.9	4.9	4.1	3.5
EBITDA margin	6.1%	12.2%	12.8%	13.8%	14.2%
EBIT margin	5.0%	11.1%	11.9%	12.6%	12.8%
PBT margin	6.1%	11.6%	11.7%	12.3%	12.5%
Net margin	5.9%	8.5%	8.7%	9.2%	9.4%
ROE	9.9%	13.5%	18.2%	17.4%	16.2%
ROA	7.0%	8.8%	12.0%	11.8%	11.3%
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