KJTS Group Berhad

Hyperscale Win Amid DC Jitters

Newsbreak

- **Secures RM48.0m hyperscale data centre subcontract.** KJTS' wholly-owned subsidiary, KJ Technical Services Sdn Bhd, has signed a subcontract with Gamuda Engineering Sdn Bhd (GESB) for the mechanical works package of a hyperscale data centre in Port Dickson. The facility is being built for a multinational technology company headquartered in the US.

- **Full mechanical scope over two phases.** The package covers the engineering, procurement, manufacture, delivery, installation, supervision, testing and commissioning, maintenance and servicing of the mechanical systems. Phase 1 is due for substantial completion on 22 October 2027 and Phase 2 on 21 January 2028.

M+ Global View

- **Meaningful addition to the order book.** The RM48.0m contract equals 15.8% of our FY26f revenue and 14.6% of our FY27f revenue. It also makes up 24.0% of our RM200m order book replenishment assumption. We expect the bulk of the billings in FY27f, with the remainder in 1QFY28f. That should keep EPCC revenue strong while completed projects move into recurring O&M income.

- **Entry into Gamuda's hyperscale supply chain.** We see the win as a vote of confidence in KJTS' mechanical and cooling engineering capabilities from a tier-1 main contractor. GESB has won four hyperscale data centre construction contracts in Port Dickson this year, worth a combined c.RM7.0bn. This gives KJTS a credible base to bid for follow-on mechanical packages within the same development, subject to execution on this first contract.

- **DC sentiment under pressure, but fundamentals intact.** Data centre-related stocks on Bursa Malaysia have sold off recently. The triggers were tighter US licensing requirements on advanced AI chip exports to overseas data centres, including Malaysia, and the Government's signal that it will discourage new data centre development. Sentiment is likely to stay fragile in the near term. However, this contract has already been awarded and the end-client is a US-headquartered hyperscaler. In our view, the policy risk weighs more heavily on future project approvals and on developments that rely on Chinese demand than on contracted US hyperscaler projects such as this one.

- **Remain constructive on the DC play.** KJTS' data centre exposure sits on top of a growing recurring income base, as completed EPCC projects move into O&M. This makes it less sensitive to swings in DC sentiment than pure-play contractors. We believe the recent share price weakness does not reflect improving earnings visibility from (i) recurring income conversion, (ii) the c.RM700m Stonepeak-related opportunity pipeline and (iii) new data centre-related packages such as this one.

Company update

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BUY

Share price	**RM0.98**
Target price	RM1.32
Previous TP	RM1.32
Capital upside	34.7%
Dividend return	-
Total return	34.7%

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)	676.9
52W High/Low	1.55 / 0.66
Est. Free float (%)	42.1
Beta (x)	0.9
3-mth avg vol ('000)	1449.0
Shariah compliant	Yes

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

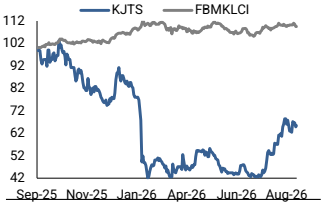
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	16.0	-13.3	-28.5
Relative	18.5	-3.8	-26.0

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PATMI (m)	18.0	26.6	30.4
EPS (sen)	2.60	3.86	4.41
P/E (x)	37.6	25.4	22.2

Relative performance chart



Valuation & Recommendation

- **Forecast.** We maintain our earnings forecast as the contract win falls within our order book replenishment assumptions.

- **Maintain BUY with an unchanged TP of RM1.32.** Our TP applies an unchanged 30x P/E to FY27f EPS of 4.41 sen, implying 34.7% upside. After the recent selldown, valuation looks undemanding at 22.2x FY27f P/E, or 20.3x FY28f P/E. That is a sizeable discount to our 30x target multiple for a business with improving recurring income visibility and a pipeline of above RM1.6bn. We see the weakness in DC-related names as an opportunity to accumulate.

- **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)	83.6	37.6	25.4	22.2	20.3
EV/EBITDA (x)	71.2	23.2	15.4	13.2	11.9
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)	5.9	5.1	4.2	3.6	3.0
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