KJTS Group Berhad

Cleanroom Win Broadens Recurring Base

Newsbreak

- **RM37.4m semiconductor cleaning contract.** KJTS' wholly-owned subsidiary, ETC Cleaning Services Sdn Bhd, has entered into a RM37.4m frame agreement with a Germany-headquartered multinational semiconductor company. ETC will provide cleaning services at the client's manufacturing facility in Malaysia for an initial three years, commencing 1 February 2027.

- **Full-site scope.** The services cover various facilities across the manufacturing complex: production cleanrooms, non-cleanroom production areas, offices, laboratories, the café, canteens, common areas, toilets, car parks and external areas. ETC will also deploy site management personnel and handle operational management, cleaning consumables, sanitary bin services and related cleaning maintenance.

M+Global View

- **A meaningful win for the Cleaning segment.** We are positive on the contract, as securing a multinational semiconductor client lifts the quality of KJTS' customer base. It also strengthens the Group's recurring income, balancing the project-driven nature of its Cooling Energy segment. Assuming the contract value is spread evenly over three years, the contract adds c.RM12.5m in annual revenue, equivalent to c.18% of FY25 Cleaning Services revenue. We expect c.RM11.4m to be recognised in FY27f, with full-year contributions from FY28f onward.

- **Specialised scope supports renewal prospects.** Cleanroom cleaning involves strict contamination control and a lengthy client qualification process, which raises switching costs and improves the likelihood of renewal at the end of the initial term. The win also deepens KJTS' foothold in Malaysia's semiconductor sector, where an expanding manufacturing base should sustain demand for specialised facility services.

- **Contract momentum building.** This is KJTS' third consecutive contract announcement in a week, following the two GESB data centre subcontracts worth RM116.0m. It comes ahead of the Group's 9MFY26 results today. KJTS is also understood to be pursuing c.RM100m of data centre O&M and specialised semiconductor cleaning opportunities, leaving room for further wins across its segments.

Valuation & Recommendation

- **Forecast.** Maintained, as this win falls within our expectations.

- **Maintain BUY with an unchanged TP of RM1.44,** based on 30x P/E applied to FY27f EPS of 4.79 sen. At 19.8x FY27f P/E, valuation remains undemanding given KJTS' improving earnings visibility.

Company update

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BUY

Share price	**RM0.95**
Target price	RM1.44
Previous TP	RM1.44
Capital upside	51.6%
Dividend return	-
Total return	51.6%

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)	652.7
52W High/Low	1.55 / 0.66
Est. Free float (%)	42.1
Beta (x)	1.0
3-mth avg vol ('000)	1417.5
Shariah compliant	Yes

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

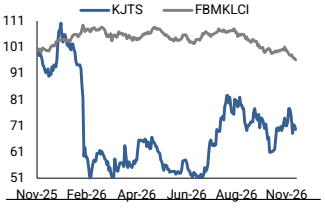
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	3.3	-10.0	-31.5
Relative	6.6	0.1	-29.3

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PATMI (m)	18.0	27.6	33.1
EPS (sen)	2.60	3.99	4.79
P/E (x)	36.5	23.8	19.8

Relative performance chart



- **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	74.4	105.9	144.8
Receivables	26.8	48.9	60.0	67.4	73.0
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**	**242.2**	**284.6**	**327.9**
Debts	7.7	10.9	15.9	17.7	19.1
Payables	27.1	58.7	62.2	69.3	74.6
Others	1.2	2.1	2.1	2.1	2.1
Liabilities	**36.0**	**71.7**	**80.2**	**89.1**	**95.8**
Shareholder's equity	113.9	132.8	160.4	193.6	229.9
Minority interest	(0.2)	(0.1)	1.6	1.9	2.3
Equity	**113.7**	**132.7**	**162.0**	**195.5**	**232.2**

Cash Flow Statement

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	8.4	24.5	36.9	44.1	48.4
Depreciation & amortisation	1.6	2.3	2.8	4.1	5.1
Changes in working capital	(2.5)	9.6	(7.8)	(0.3)	(0.3)
Share of JV profits	-	-	-	-	-
Taxation	(2.0)	(6.4)	(8.8)	(10.6)	(11.6)
Others	(6.4)	(30.9)	5.0	(0.0)	(0.1)
Operating cash flow	**(0.9)**	**(0.9)**	**28.0**	**37.3**	**41.6**
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	5.0	1.8	1.4
Issuance of shares	-	-	-	-	-
Dividends paid	-	-	-	-	-
Others	50.4	50.2	-	-	-
Financing cash flow	**53.4**	**53.4**	**5.0**	**1.8**	**1.4**
Net cash flow	**53.6**	**53.6**	**16.3**	**31.5**	**38.9**
Forex	0.3	-	-	-	-
Others	-	-	-	-	-
Beginning cash	13.9	67.6	58.0	74.4	105.9
Ending cash	67.6	58.0	74.4	105.9	144.8

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	**137.7**	**212.5**	**312.9**	**351.3**	**380.4**
EBITDA	8.5	26.0	40.3	49.1	54.6
EBIT	6.9	23.7	37.6	45.0	49.5
Net finance income/ (cost)	(0.3)	(0.5)	(0.7)	(0.9)	(1.0)
Associates & JV	-	-	-	-	-
Profit before tax	**8.4**	**24.5**	**36.9**	**44.1**	**48.4**
Tax	(2.0)	(6.4)	(8.8)	(10.6)	(11.6)
Net profit	**8.3**	**18.1**	**28.0**	**33.5**	**36.8**
Minority interest	(0.2)	(0.1)	(0.4)	(0.4)	(0.5)
Core earnings	**8.1**	**18.0**	**27.6**	**33.1**	**36.3**
Exceptional items	-	-	-	-	-
Reported earnings	8.1	18.0	27.6	33.1	36.3

Valuation & Ratios

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Core EPS (sen)	1.2	2.6	4.0	4.8	5.3
P/E (x)	81.0	36.5	23.8	19.8	18.1
EV/EBITDA (x)	68.7	22.4	14.4	11.8	10.6
DPS (sen)	-	-	-	-	-
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%
BVPS (RM)	0.16	0.19	0.23	0.28	0.33
P/B (x)	5.8	4.9	4.1	3.4	2.9
EBITDA margin	6.1%	12.2%	12.9%	14.0%	14.3%
EBIT margin	5.0%	11.1%	12.0%	12.8%	13.0%
PBT margin	6.1%	11.6%	11.8%	12.5%	12.7%
Net margin	5.9%	8.5%	8.8%	9.4%	9.6%
ROE	9.9%	13.5%	18.8%	18.7%	17.2%
ROA	7.0%	8.8%	12.4%	12.6%	11.9%
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