KJTS Group

Cooling Business Heating Up

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OUTPERFORM ↔

Price : **RM1.36**
Target Price : **RM2.12** ↔

KJTS's 9MFY25 results were in line with Kenanga's expectation driven by accelerating quarterly revenues in its cooling business especially, and cleaning services. We expect catalyst for its share price lie in maiden deals being concluded for the RM1.5b Stonepeak JV, which would validate its strategy to scale with lower outlay and acts as an earnings kicker in FY26. Aside one-off EPCC, this JV secures recurring income streams at mid-teens IRR. In addition, the EPS-accretive MUSB acquisition, also pending completion, provides another earnings uplift. We reaffirm our forecasts, TP of RM2.12 and OUTPERFORM call.

Within Kenanga's expectation. Its 9MFY25 core net profit of RM13.6m met 76% of our forecast but consensus expectation appears to be too bullish and deemed a miss at 58% of full-year forecast. Dividends per share of 0.4 sen was declared, which remains within expectation.

YoY, its 9MFY25 revenue surge of 51% was contributed primarily by its cooling energy segment (+88%) from EPCC at chilled water projects such as earlier-completed Centara Pattaya, followed by Centara Hua Hin which should generate recurring income from 2QFY26, and locally for KIP Malls (with one mall recently added to 8 malls). Cleaning services rose 23% YoY, helping to offset flat facilities management (-2% YoY).

QoQ, revenue (+32%) was propelled by Malaysia and Thai projects, with gross profit margin relatively stable at 23%. Thanks to other income growth (reflects consultancy business), PBT margin edged up 2 ppts to 14%. However, KJTS pencilled in higher effective tax rate (ETR) of 42%; upon tax incentive cessation, we project ETR at 25% ahead.

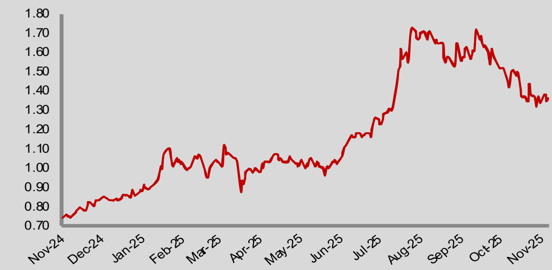
Outlook. Energy efficiency initiatives backed by NETR and the newly enacted Energy Efficiency and Conservation Act (EECA) is in focus, and we estimate a total addressable market of RM41b for Malaysia's cooling energy space. The Stonepeak JV unlocks RM1.5b capital where minimal equity outlay is required from KJTS to take on larger cooling projects in the region. Beyond short-term EPCC job wins, value is crystalized in the form of a 20-year recurring income stream via this JV. Exceeding the ~10% base project IRR in the JV, the bulk of the upside flows directly to KJTS's via its operational role. As we model that bulk of new projects via Stonepeak, this tie-up is worth up to RM1.40/share. Separately, its EPS-accretive MUSB deal is a strategic inroad for government-led deals, though the timeline for completion (long-stop date) has been extended to Feb 2026.

Forecasts. Maintained.

Valuations. TP of RM2.12 on SoP valuation is maintained, based on: (i) 16x FY26F PER for EPCC, and (ii) DCF for its concession assets. In September, KJTS announced its plans to issue new shares of up to 12.5% of its enlarged share base to meet the prerequisite for its Main Market transfer. Based on indicative price, the need to adjust for this and eligible ESOS exercised by 2026, FY26F EPS and TP may see a 13% dilution with TP of RM1.84, if materialized.

Investment thesis. We like KJTS for: (i) Malaysia's RM41b energy efficiency pie is an attractive avenue to grow its higher-margin recurring income concession base, (ii) the underappreciated 10% JV with Stonepeak, and (iii) MUSB paves the way for government asset transformation strategy. Maintain **OUTPERFORM**.

Share Price Performance



KLCI	1,617.46
YTD KLCI chg	-1.5%
YTD stock price chg	63.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KJTS MK Equity
Market Cap (RM m)	937.2
Shares Outstanding	689.1
52-week range (H)	1.73
52-week range (L)	0.74
3-mth avg. daily vol.	1,210,883
Free Float	42%
Beta	1.07

Major Shareholders

Wee Tah Poh	26.9%
Lee Kok Choon	26.9%
Deutsche Bank AG	6.5%

Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
Turnover	137.7	190.3	443.0
EBIT	10.8	26.3	44.0
PBT	10.6	26.0	43.6
Net Profit	**8.5**	**19.7**	**33.1**
Core PATAMI	**14.9**	**18.0**	**30.8**
Consensus (NP)	-	23.0	27.0
Earnings Revision	-	-	-
Core EPS (sen)	2.2	2.6	4.5
Core EPS Growth (%)	82.8	20.7	71.2
NDPS (sen)	0.3	0.5	0.9
NTA per Share (RM)	0.2	0.2	0.2
PER (x)	62.6	52.1	30.4
PBV (x)	8.2	8.9	6.3
Net Gearing (x)	(0.6)	0.1	0.0
Net Div. Yield (%)	0.2	0.4	0.7

Risks to our call include: (i) termination or delay risk from Stonepeak JV, (ii) rollback of government energy efficiency policy, and (iii) concession asset termination risk.

Results Highlights

FYE Dec (RM m)	3Q25	2Q25	QoQ	3Q24	YoY	9M25	9M24	YoY
Revenue	58.0	44.1	32%	33.5	73%	148.6	98.7	51%
COGS	-44.5	-33.7	32%	-23.3	91%	-112.8	-71.6	58%
GP	**13.5**	**10.4**	**30%**	**10.2**	**32%**	**35.8**	**27.2**	**32%**
Other Income	3.1	2.1	48%	0.5	464%	5.7	2.4	140%
Admin expenses*	-8.2	-6.9	19%	-8.2	0%	-22.8	-22.8	0%
Changes on impairment of contract assets	0.0	0.0	N.A.	0.0	N.A.	0.0	0.0	233%
EBIT	**8.4**	**5.6**	**51%**	**2.6**	**226%**	**18.8**	**6.8**	**177%**
Finance costs	-0.2	-0.2	15%	-0.1	99%	-0.5	-0.3	95%
Share of profit of an associate	0.0	0.0	N.A.	0.0	900%	0.0	0.2	-89%
PBT	**8.2**	**5.4**	**53%**	**2.5**	**231%**	**18.3**	**6.7**	**174%**
Tax	-3.4	-0.8	315%	-0.7	429%	-4.7	-2.1	125%
Non-controlling Interests	0.2	0.1	261%	-0.2	N.A.	0.2	-0.3	N.A.
Net Profit	**4.8**	**4.6**	**5%**	**1.8**	**161%**	**13.6**	**4.6**	**197%**
Core Net Profit	**4.6**	**4.5**	**2%**	**3.6**	**27%**	**13.3**	**10.8**	**24%**
GP Margin	23%	24%		30%		24%	28%	
Operating Margin	14%	13%		8%		13%	7%	
PBT Margin	14%	12%		7%		12%	7%	
Net Margin	8%	10%		5%		9%	5%	
Core Net Margin	8%	10%		11%		9%	5%	
Effective Tax Rate	42%	15%		26%		26%	31%	

**1H24 includes RM4.3m listing expenses*
Source: Company, Kenanga Research

Segmental Breakdown

External Revenue (RM m)	3Q25	2Q25	QoQ	3Q24	YoY	9M25	9M24	YoY
Cooling Energy	35.5	24.4	46%	15.2	134%	86.7	46.2	88%
Facilities Management	4.5	2.6	75%	3.4	33%	10.1	10.3	-2%
Cleaning Services	18.0	17.1	5%	14.9	20%	51.9	42.2	23%
Total Revenue	**58.0**	**44.1**	**32%**	**33.5**	**73%**	**148.6**	**98.7**	**51%**

Source: Company, Kenanga Research

Exhibit 1: Sum-of-Parts (SoP) Valuation

Business/Asset	Stake	Value (RM m)	Basis
EPCC		224.0	16x FY26F PER
Centara Grand Beach Resort & Villas Hua Hin, Thailand	49%	5.6	DCF with a discount rate of 5.9%
7 KIPMall (Under KIP Reit)	100%	17.0	DCF with a discount rate of 5.9%
MUSB	100%	145.4	DCF with a discount rate of 5.9%
Centara Grand Mirage Beach Resort Pattaya, Thailand	49%	1.0	DCF with a discount rate of 5.9%
Menara Takaful Malaysia in Kuala Lumpur	100%	1.2	DCF with a discount rate of 5.9%
Centara Grand Hotel at Central World in Bangkok, Thailand	49%	1.0	DCF with a discount rate of 5.9%
Other Assets		85.6	DCF with a discount rate of 5.9%
Stonepeak Potential		965.3	
Net (Debt) / Cash		12.2	
Asset Valuation		**1,458.3**	
Number of Shares (m shares)		688.8	
TP (RM/share)		**2.12**	

Source: Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
KJTS GROUP BHD	OP	1.36	2.12	55.9%	937.2	Y	12/2025	2.3	4.0	20.8%	71.1%	57.9	33.9	9.9	16.4%	0.5	0.4%
PEKAT GROUP BHD	OP	1.60	1.68	5.0%	1,130.0	Y	12/2025	7.2	8.5	109.0%	17.5%	22.2	18.9	3.9	24.0%	0.0	0.0%
SAMAIDEN GROUP BHD	OP	1.49	2.08	39.6%	743.7	Y	06/2026	6.9	8.4	24.0%	21.6%	21.5	17.7	6.0	29.8%	0.0	0.0%
SOLARVEST HOLDINGS BHD	OP	3.04	3.45	13.5%	2,855.5	Y	03/2026	10.3	14.3	51.9%	39.2%	29.5	21.2	6.0	22.7%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.200	0.470	135.0%	200.2	Y	09/2025	1.3	2.0	-29.3%	53.8%	15.4	10.0	2.5	19.1%	0.0	0.0%
Sector Aggregate					**5,866.7**					**41.4%**	**35.0%**	**31.2**	**23.1**	**5.7**	**22.4%**		**0.1%**

Source: Kenanga Research

**Note that Sunview numbers based on Bloomberg consensus*

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Energy Efficiency	★	★	☆		
	Cybersecurity & Data Privacy	★	★	★		
	Effluent/Waste Management	★	★			
	Ethical Practices	★	★	★		
	Supply Chain Management	★	★	★		
	Corporate Disclosure	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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