KJTS Group

Acquires 71% Stake in IHSB

OUTPERFORM ↔

Price : **RM0.76**

Target Price : **RM1.30** ↔

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KJTS has acquired a 71% stake in iHandal Holdings Sdn. Bhd. (IHSB) for RM10m to integrate heat recovery technology and expand its energy efficiency solutions. We view the acquisition as fair, implying a valuation of c.10-24x PER based on historical peak performance. Management remains confident that IHSB can achieve a turnaround. Assuming FY24 revenue is sustained and synergies from heat recovery integration improve KJTS's PAT margin to 15%, this could add c.18 sen to our valuation at a 10x PER. Earnings forecasts are maintained pending further clarification of the deal. Maintain TP of RM1.30 based on our sum-of-parts (SoP) valuation. Maintain OUTPERFORM.

RM10m for 71% stake in IHSB. KJTS Group Berhad's wholly owned subsidiary, KJ Technical Services Sdn. Bhd., has entered into a Share Sale and Purchase Agreement (SSPA) to acquire a 71% stake in iHandal Holdings Sdn. Bhd. (IHSB) for RM10m. The acquisition is expected to be completed by 2Q2026. Strategically, the acquisition allows KJTS to integrate heat recovery technology and expand its energy efficiency solutions. The deal also includes an earn-out arrangement tied to IHSB's post-completion financial performance. The acquisition will be fully funded via internally generated funds. IHSB is currently loss-making, mainly due to higher financing costs from RCPS issuance and the timing of project revenue recognition.

iHandal Holdings Sdn. Bhd. Founded in 2009, specialises in energy efficiency and heat recovery systems, with its proprietary HeatFuse™ technology deployed in over 200 hotels across Southeast Asia, including Malaysia, Singapore, Indonesia, Thailand, Vietnam, and the Philippines. The company primarily serves the hospitality and manufacturing sectors.

Our take. Based on the past five years' filed accounts, IHSB recorded PAT of c.RM0.6m and RM1.4m in profitable years, implying a valuation of c.10-24x PER. The valuation appears fair given historically erratic earnings, while the earn-out arrangement helps mitigate the risk of overpaying. Management remains confident that IHSB can achieve a turnaround in the near term. Assuming FY24 revenue is sustained and synergies from heat recovery integration improve KJTS's PAT margin from 10% to 15%, PAT could reach up to RM3m, which would add c.18 sen to our valuation at 10x PER.

Exhibit 1: IHSB Historical Financials (FY20-FY24)

	FY20	FY21	FY22	FY23	FY24
Revenue (RM m)	9.3	3.4	13.5	11.9	19.8
PBT (RM m)	1.8	-2.1	1.1	-3.0	-0.8
PAT (RM m)	1.4	-1.8	0.6	-3.2	-1.2
PAT Margins (%)	15%	-53%	5%	-27%	-6%

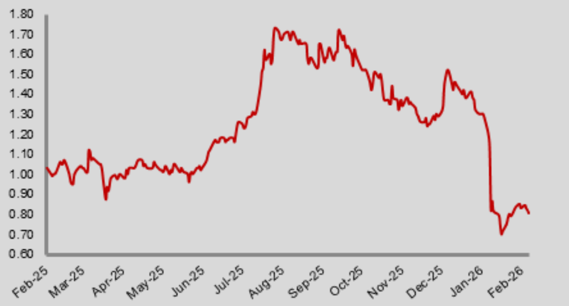
Source: SSM filings

Forecasts. Maintained pending further details of the acquisition.

Valuations. Maintain TP of RM1.30 based on our SoP valuation. (see Exhibit 1) premised on: (i) 16x FY27F PER for EPCC, (ii) DCF for its concession assets, and (iii) Stonepeak's potential factored in at RM0.80/share.

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

Share Price Performance



KLCI	1,713.20
YTD KLCI chg	2.0%
YTD stock price chg	-47.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KJTS MK EQUITY
Market Cap (RM m)	524.8
Shares Outstanding	690.5
52-week range (H)	1.81
52-week range (L)	0.67
3-mth avg. daily vol.	1,618,389
Free Float	42%
Beta	0.9

Major Shareholders

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

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	212.4	220.8	254.8
EBIT	25.4	14.3	33.4
PBT	24.8	31.4	36.1
Net Profit	**18.3**	**23.8**	**27.3**
Core PATAMI	**18.2**	**21.5**	**25.8**
Consensus (NP)	-	35.0	45.0
Earnings Revision	-	-	-
Core EPS (sen)	1.2	2.6	3.1
Core EPS Growth (%)	124.8	18.3	19.9
NDPS (sen)	0.4	0.6	0.7
NTA per Share (RM)	0.2	0.2	0.3
PER (x)	64.6	28.8	24.7
PBV (x)	4.6	3.9	2.9
Net Gearing (x)	(0.1)	0.0	(0.1)
Net Div. Yield (%)	1.1	0.8	1.0

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

Exhibit 2: Sum-of-Parts (SoP) Valuation

Business/Asset	Stake	Value (RM m)	Basis
EPCC		326.7	16x FY27F PER
Centara Grand Beach Resort & Villas Hua Hin, Thailand	49%	4.9	DCF with a discount rate of 5.9%
8 KIPMall (Under KIP Reit)	100%	25.2	DCF with a discount rate of 5.9%
Centara Grand Mirage Beach Resort Pattaya, Thailand	49%	0.9	DCF with a discount rate of 5.9%
Menara Takaful Malaysia in Kuala Lumpur	100%	1.1	DCF with a discount rate of 5.9%
Centara Grand Hotel at Central World in Bangkok, Thailand	49%	0.8	DCF with a discount rate of 5.9%
Other Assets		81.7	DCF with a discount rate of 5.9%
Stonepeak Potential		559.0	
Net (Debt) / Cash		16.5	
Asset Valuation		**914.0**	
Number of Shares (m shares)		700.7	
TP (RM/share)		**1.30**	

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	0.760	1.30	71.1%	524.8	Y	12/2026	3.1	3.7	18.1%	20.0%	24.8	20.6	2.9	15.1%	61.5	0.8%
PEKAT GROUP BHD	OP	1.29	1.72	33.3%	911.1	Y	12/2026	8.5	9.2	22.4%	7.3%	15.1	14.1	2.3	18.6%	0.0	0.0%
SAMAIDEN GROUP BHD	OP	1.02	1.94	90.2%	513.1	Y	06/2026	6.3	7.5	21.3%	18.8%	16.1	13.6	2.5	17.4%	110.0	1.1%
SOLARVEST HOLDINGS BHD	OP	2.02	3.45	70.8%	1,921.0	Y	03/2026	10.3	14.3	51.9%	39.2%	19.6	14.1	4.0	22.7%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.180	0.470	161.1%	180.1	Y	09/2026	1.3	2.0	-29.3%	53.8%	13.9	9.0	2.3	19.1%	0.0	0.0%
SECTOR AGGREGATE					**4,050.2**					**25.4%**	**26.1%**	**20.3**	**16.1**	**2.8**	**18.6%**		**0.4%**

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.***

Published by:

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