

12 March 2026

KJTS Group Heats Up and Cools Down

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We attended KJTS's post-results briefing and came away with greater clarity on its outlook. Thailand operation's earnings contribution could be potentially double, supported by growing demand for energy-efficient solutions. The proposed iHandal acquisition includes a RM3m annual profit guarantee for three years, implying an acquisition valuation of 4.8x PER, a steep discount to the 12-15x PER typically commanded by engineering peers. On the Stonepeak partnership, management indicated that 1-2 district cooling projects valued at between RM100m-RM150m each could be secured over the medium term. The Group is also pursuing a RM300m district cooling opportunity for a major healthcare development in Batu Kawan (not factored in our numbers). Reflecting the profit guarantee, earnings forecasts are raised by 5% for FY26 and 8% for FY27. We derive a new TP of RM1.37 (from RM1.30) after factoring in the iHandal acquisition, based on SoP valuation. **Maintain OUTPERFORM.**

We attended KJTS's post-results briefing yesterday and below are the key takeaways:

Demand remains strong from Thailand and Singapore. In Thailand, contribution is expected to increase which has the potential to double over time, supported by growing traction for energy-efficient solutions. Following the successful completion of projects at Centara Hotels & Resorts, the pipeline has broadened to include a new shopping mall, hospitals, and high-rise developments. Meanwhile, in Singapore, the introduction of the MEES/MEI compliance framework imposes penalties on non-compliant buildings, effectively turning energy efficiency into a non-discretionary expense for asset owners. As a result, demand for energy-efficient solutions is expected to rise, positioning the Group as a natural beneficiary of this regulatory push.

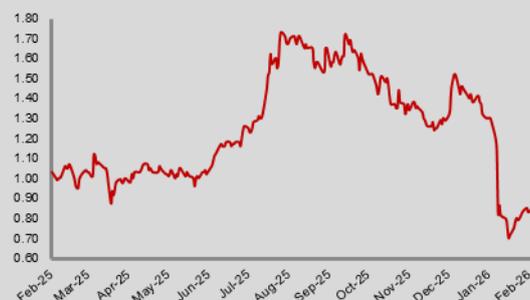
Steep-discount acquisition of iHandal. In our earlier note dated 6 March, we highlighted iHandal in which KJTS has acquired a majority stake exhibited erratic profitability over the past five years, drawing PER estimate of 10x-24x. We now learnt that the profit guarantee on the deal comes up to RM3m per year for three years, which implies a valuation of just 4.8x PER, a steep discount to the 12-15x PER that engineering companies typically command. Strategically, iHandal's patented Heatfuse technology can be integrated with utility systems, positioning KJTS as a one-stop solution for industrial heating and cooling efficiency. This creates strong cross-selling opportunities into both existing and potential customers. Management highlighted that iHandal's recent losses were mainly attributable to high financing costs from RCPS funding, which carries higher costs than conventional bank borrowings. With KJTS's stronger balance sheet and funding profile, management expects the business to deliver healthier returns going forward. We also note that the deal includes a call option allowing the owner to increase his stake up to 49%, which helps retain and acts as an incentivise to perform.

Stonepeak development. Management is eyeing securing 1-2 major district cooling projects, each valued at RM100-150m in the medium term. These are expected to be greenfield or brownfield developments, potentially involving GLIC-owned assets. Under the partnership structure, Stonepeak will fund the CAPEX, while the Group will execute the EPCC and manage the long-term operations. Stonepeak holds a first right of refusal on projects and will recoup its investment with a target IRR. The long-term recurring income typically represents c.30%-60% of the contract value, subject to the asset design. Any contract wins would provide multi-year earnings visibility.

OUTPERFORM ↔

Price : **RM0.76**
Target Price : **RM1.37** ↑

Share Price Performance



KLCI 1,708.78
YTD KLCI chg 1.7%
YTD stock price chg -51.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KJTS MK EQUITY
Market Cap (RM m)	490.3
Shares Outstanding	690.5
52-week range (H)	1.81
52-week range (L)	0.66
3-mth avg. daily vol.	1,652,584
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	227.3	268.5
EBIT	25.4	41.8	66.8
PBT	24.8	39.7	52.6
Net Profit	18.3	25.3	30.4
Core PATAMI	18.2	22.6	28.0
Consensus (NP)		27.5	36.0
Earnings Revision	0%	5%	8%
Core EPS (sen)	1.2	2.6	3.2
Core EPS Growth (%)	124.8	24.1	23.7
NDPS (sen)	0.4	0.6	0.8
NTA per Share (RM)	0.2	0.2	0.3
PER (x)	64.6	28.8	23.6
PBV (x)	4.6	3.9	3.0
Net Gearing (x)	(0.1)	0.1	(0.1)
Net Div. Yield (%)	0.5	0.8	1.1

12 March 2026

Hospital Development. Following the recent contract win of RM14m in Cengild Specialist Hospital, the Group continues to strengthen its presence in the healthcare segment. The Group is currently eyeing a major district cooling project for a prominent healthcare development in Batu Kawan, with a total estimated value of RM300m. This is expected to encompass multiple hospital projects, each valued at c.RM10m-RM20m. The deal is expected to be finalised in the foreseeable future, which would provide an additional income stream at the Group level.

Forecasts. We have factored in the RM3m annual profit guarantee from iHandal for three financial years. As a result, we raise our earnings forecasts by 5% for FY26F and 8% for FY27F.

Valuations. A new TP of **RM1.37** (from RM1.30) is derived after factoring in the RM3m profit guarantee from the iHandal acquisition and equity value based on our SoP valuation (see Exhibit 1). This is premised on: (i) 16x FY27F PER for EPCC, (ii) DCF valuation for concession assets, (iii) Stonepeak's potential valued at RM0.80/share, and (iv) 10x FY27F PER for the iHandal acquisition. Maintain **OUTPERFORM**.

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		258.2	16x FY27F PER
iHandal	71%	21.4	10x 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		6.5	
Asset Valuation		959.6	
Number of Shares (m shares)		700.7	
TP (RM/share)		1.37	

Source: Kenanga Research

12 March 2026

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.				
Stocks Under Coverage																	
KJTS GROUP BHD	OP	0.710	1.37	93.0%	490.3	Y	12/2026	3.2	4.0	24.2%	23.9%	22.0	17.8	2.2	12.1%	6.0	0.9%
PEKAT GROUP BHD	OP	1.28	1.72	34.4%	904.5	Y	12/2026	8.5	9.2	22.4%	7.3%	15.0	14.0	2.3	18.6%	0.0	0.0%
SAMAIDEN GROUP BHD	OP	0.960	1.94	102.1%	483.3	Y	06/2026	6.3	7.5	21.3%	18.8%	15.2	12.8	2.4	17.4%	11.0	0.1%
SOLARVEST HOLDINGS BHD	OP	2.07	3.45	66.7%	1,968.9	Y	03/2026	10.3	14.3	51.9%	39.2%	20.1	14.4	4.1	22.7%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.170	0.470	176.5%	170.1	Y	09/2026	1.3	2.0	-29.3%	53.8%	13.1	8.5	2.2	19.1%	0.0	0.0%
SECTOR AGGREGATE					4,017.1												
										26.1%	26.5%	20.0	15.8	2.6	18.0%		0.2%

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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