

JATI TINGGI

(JTGROUP MK EQUITY, JTGROUP.KL)

BUY

(MAINTAINED)

Price: RM0.75

Target Price (% return): RM1.00 (33%)

52-week High/Low: RM0.81/RM0.44

Construction

Rationale for report: Company Update

Turning Promise into Profits

Following Jati Tinggi's post-results briefing, we raise our FY26F–FY28F PATAMI forecasts by 14%/0.9%/0.6%, respectively, to reflect stronger revenue visibility from the enlarged orderbook and the earnings contribution from Roflex. We adopt a more conservative GP margin assumptions, reflecting rising raw material costs. We maintain our BUY call and unchanged TP of RM1.00, based on 15x FY27F P/E.

- **Maintain BUY on JT with an unchanged TP of RM1.00, based on 15x FY27F PE.** Our target multiple is in line with the KLCON Index's five-year average forward P/E. The upward earnings revision is underpinned by stronger revenue visibility. At the same time, we refrain from extrapolating the exceptionally strong Q2FY26 margins, reflecting our prudent stance on the Group's future earnings.
- **Raise earnings forecasts following stronger execution.** JT delivered Q2FY26 PATAMI of RM9.3mil (YoY: +399.5%; QoQ: +478.4%). This lifted 1HFY26 PATAMI to RM10.9mil, which exceeded our previous FY26F PATAMI forecast of RM19.6mil by ~11.2% on an annualised basis. The stronger-than-expected results were primarily driven by higher-than-anticipated ASPs at Roflex. Consequently, we raise our FY26F/FY27F/FY28F PATAMI forecasts by 14%/0.9%/0.6%, respectively.
- **Adopting a more conservative margin outlook.** We revise our revenue forecasts upward, supported by resilient order book replenishment of RM332.6m in 1HFY26, surpassing our initial estimates. However, we are lowering our gross profit margin assumptions across FY26F to FY28F to reflect rising raw material costs. Nevertheless, there remains potential upside to our earnings forecasts should raw material prices moderate from current levels.
- **Robust orderbook and substation pipeline underpin long-term growth.** JT's unbilled orderbook has increased to RM880mil, providing three years of earnings visibility. Importantly, management indicated that its current workforce of around 180 employees is capable of supporting projects with a total value of up to RM1.5bil, providing ample execution capacity to take on additional contract wins.

Analyst (s)

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Key Changes

Target Price: 
EPS: 

Stock and Financial Data

Shares Outstanding (million)	431.0
Market Cap (RMmil)	323.3
Book Value (RM/Share)	0.23
P/BV (x)	3.3
ROE (%)	8.5
Net Gearing (%)	-
Free Float	27.6
Avg Daily Value (RMmil)	0.8

Major Shareholders

Broad River Cap	(46.4%)
Dato Seri Lim Yeong Seong	(12.5%)
Chin Jiunn Shyong	(3.9%)

Price performance	3mth	6mth	12mth
Absolute(%)	37.6	29.3	59.6
Relative(%)	37.7	30.9	41.4

Source: Jati Tinggi, AmInvestment Bank Bhd.

YE to Nov	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	195.0	414.4	471.3	553.8
Core net profit (RM mil)	10.9	22.3	29.2	33.3
FD Core EPS (sen)	2.5	5.2	6.8	7.7
FD Core EPS growth (%)	400.3	105.1	30.5	14.1
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	0.7	1.6	2.0	2.3
PE (x)	29.7	14.5	11.1	9.7
EV/EBITDA (x)	19.3	10.8	8.7	7.8
Div yield (%)	0.9	2.1	2.7	3.1
ROE (%)	8.5	18.7	19.4	18.6
Net Gearing (%)	nm	27.6	25.8	25.9

Source: Jati Tinggi, AmInvestment Bank Bhd.

Price Chart

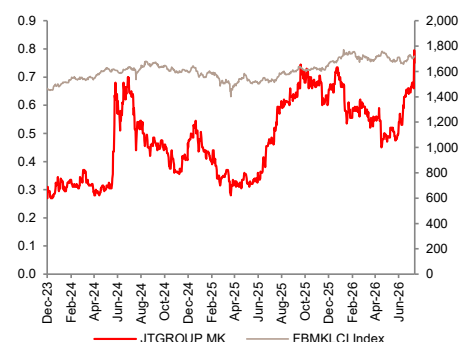


EXHIBIT 1: CHANGES TO EARNINGS

RMmil	FY26			FY27			FY28		
	Old	New	%	Old	New	%	Old	New	%
Revenue	384.0	414.4	7.9%	402.3	471.3	17.1%	471.0	553.8	17.6%
Gross Profit	38.3	43.9	14.5%	51.4	53.4	3.9%	56.0	59.5	6.2%
PATAMI	19.6	22.3	14.0%	28.9	29.2	0.9%	33.1	33.3	0.6%
EPS	4.6	5.2	12.7%	6.7	6.8	1.0%	7.7	7.7	0.3%

EXHIBIT 2: CHANGES TO GROSS PROFIT MARGIN ASSUMPTION

	FY26			FY27			FY28		
	Old	New	%	Old	New	%	Old	New	%
Group ex-Roflex	10.3%	9.8%	-5.3%	10.7%	10.6%	-1.1%	N/A	9.9%	N/A
Group	10.6%	10.6%	-0.1%	12.7%	11.3%	-10.8%	11.8%	10.7%	-9.0%

Company Profile

Jati Tinggi is primarily a utilities engineering services provider, with 80.7% of its revenue derived from core offerings in overhead and underground energy transmission infrastructure engineering solutions. The company's scope of work includes the procurement, supply, installation, construction, laying, relocation, testing, inspection, repair, and maintenance of energy transmission systems. Additionally, Jati Tinggi is involved in project planning, mapping, and the management of technical aspects across its engineering engagements.

Other services include the provision of substation EPCC services, such as design and project management of indoor and outdoor high-voltage electrical substations. The company also engages in the trading of equipment for substations, as well as the inspection and maintenance of street lighting equipment.

Investment Thesis and Catalysts

JT offers a compelling growth story backed by a strong track record in power infrastructure, proprietary tech-driven execution, and experienced leadership. With structural tailwinds from TNB's RM35bil grid capex, a surging order book, and margin recovery underway, JT is well-positioned for multi-year earnings growth.

Valuation Methodology

We adopt a P/E valuation approach for JT, which we find suitable given its robust growth trajectory supported by strong industry tailwinds. We assign a 15x FY27F P/E multiple, leading to a target price of RM1.00 per share. This valuation sits in line with the 5-year average forward P/E of KLCON Index.

Our selected multiple also aligns JT with its closest peers (construction companies with data centre exposure and small cap construction companies). At this level, investors are offered access to high-growth potential at a fair valuation, making JT a compelling proposition within the small-cap construction space.

Risk Factors

Client concentration risk: Contracts have historically been dependent on three key clients who are main contractors to TNB. While JT is actively pursuing main contractor roles, damage to this relationship may lead to a meaningful decline business prospect.

Key management risk: Continued contract wins are dependent on the expertise and proven track records of JT's key management team, namely, Managing Director Dato' Seri Lim and Executive Director / COO Chin Jiunn Shyong.

Reliance on subcontractors: Subcontracted services (HDD, installation, piping, and cable laying works) make up c.35% of COGS. As these subcontractors have no direct contractual relationship with our clients, any underperformance, delays, and quality issues resulting from subcontracted work will fall under JT's responsibility.

Raw materials sensitivity & key supplier risk: In line with the broader construction industry, JT's profitability is sensitive to the cost of materials. In particular, cables which historically make up between c.59% of purchases + subcontractor fees; cables are supplied by Power Cables Malaysia, JT's key supplier.

EXHIBIT 1: VALUATIONS

Target PE (x)	15x
FY27 EPS	6.8 sen
12-month target price	RM1.00*

*May not add up due to rounding

Source: AmInvestment Bank

Financial Summary

Income Statement (RMmil)

YE to Nov	FY24	FY25	FY26F	FY27F	FY28F
Revenue	128.0	195.0	414.4	471.3	553.8
EBITDA	18.1	15.3	32.9	41.2	46.6
Depreciation/Amortisation	(0.8)	(0.9)	(0.8)	(1.8)	(2.3)
Operating income (EBIT)	17.4	14.4	32.1	39.3	44.3
Other income & associates	(3.7)	-	-	-	-
Net interest	(2.0)	(2.4)	(1.6)	(1.6)	(1.6)
Exceptional items	-	-	-	-	-
Pretax profit	11.6	11.9	30.5	37.7	42.7
Taxation	(3.5)	(3.7)	(7.7)	(9.9)	(11.3)
Minorities/pref dividends	-	-	(2.0)	(2.3)	(2.6)
Net profit	8.1	8.2	20.8	25.5	28.7
Core net profit	2.2	10.9	22.3	29.2	33.3

Balance Sheet (RMmil)

YE to Nov	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	2.4	4.2	8.4	11.5	14.3
Intangible assets	-	-	-	-	-
Other long-term assets	-	-	-	-	-
Total non-current assets	2.4	4.2	8.4	11.5	14.3
Cash & equivalent	20.6	78.4	19.0	15.8	9.8
Stock	0.5	10.5	23.2	26.2	31.0
Trade debtors	99.2	130.9	278.2	316.4	371.8
Other current assets	14.1	-	-	-	-
Total current assets	134.4	219.8	320.4	358.4	412.5
Trade creditors	44.0	73.5	162.6	183.4	217.0
Short-term borrowings	22.2	49.5	49.5	49.5	49.5
Other current liabilities	3.8	1.4	1.4	1.4	1.4
Total current liabilities	70.0	124.4	213.5	234.3	267.8
Long-term borrowings	0.4	0.3	0.3	0.3	0.3
Other long-term liabilities	0.7	1.6	1.6	1.6	1.6
Total long-term liabilities	1.0	1.8	1.8	1.8	1.8
Shareholders' funds	65.7	96.1	111.4	131.5	154.5
Minority interests	-	1.7	2.0	2.3	2.6
BV/share (RM)	0.15	0.23	0.26	0.31	0.36

Cash Flow (RMmil)

YE to Nov	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	11.6	11.9	30.5	37.7	42.7
Depreciation/Amortisation	0.8	0.9	0.8	1.8	2.3
Net change in working capital	(37.1)	(1.2)	(70.9)	(20.4)	(26.6)
Others	(1.9)	1.5	(6.1)	(6.3)	(6.8)
Cash flow from operations	(26.6)	13.2	(45.8)	12.9	11.6
Capital expenditure	(0.1)	(0.9)	(5.0)	(5.0)	(5.0)
Net investments & sale of fixed assets	-	-	-	-	-
Others	7.6	(0.5)	-	-	-
Cash flow from investing	7.5	(1.4)	(5.0)	(5.0)	(5.0)
Debt raised/(repaid)	(8.3)	28.0	(12.0)	(19.8)	(22.6)
Equity raised/(repaid)	17.1	19.6	-	-	-
Dividends paid	-	-	6.7	8.7	10.0
Others	(2.9)	(2.1)	-	-	-
Cash flow from financing	5.9	45.4	(5.3)	(11.1)	(12.6)
Net cash flow	(13.2)	57.1	(56.1)	(3.2)	(6.1)
Net cash/(debt) b/f	19.0	5.8	62.9	6.9	3.7
Net cash/(debt) c/f	5.8	62.9	6.9	3.7	(2.4)

Key Ratios

YE to Nov	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	11.3	52.3	112.5	13.7	17.5
EBITDA growth (%)	145.5	(15.8)	115.3	25.2	13.2
Pretax margin (%)	9.1	6.1	7.4	8.0	7.7
Net profit margin (%)	6.3	4.2	5.0	5.4	5.2
Interest cover (x)	8.7	6.0	19.9	24.3	27.4
Effective tax rate (%)	30.2	31.3	25.2	26.3	26.6
Dividend payout (%)	35.7	36.7	32.2	34.3	34.8
Debtors turnover (days)	148	160	160	160	160
Stock turnover (days)	2	23	23	23	23
Creditors turnover (days)	283	245	245	245	245

Source: Company, AmInvestment Bank Bhd.

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