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AmlInvest upgrades Jati Tinggi's earnings outlook

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KUALA LUMPUR: Malaysia's data centre boom remains a key growth driver, with the market expected to grow 20–25% annually to about US\$16 billion (RM63 billion) by 2031, boosting demand for infrastructure.

AmlInvestment Bank Bhd (AmlInvest) said this is already showing up in contractors' order books, with Jati Tinggi Group Bhd's tenders reaching roughly RM2.2 billion.

However, the research firms said the industry may struggle to keep up, as listed mechanical and electrical (M&E) firms generated only about RM1.1 billion in revenue in 2025, pointing to a gap between demand and available capacity.

To recap, Jati Tinggi recently acquired a 51% stake in Reflex Pipe

Sdn Bhd for RM6.12 million, an earnings accretive acquisition.

This marks its entry into polyethylene pipe manufacturing, strengthening its vertical integration within infrastructure projects, particularly in underground utilities.

"We have upgraded our FY26/27 earnings for Jati Tinggi by about 8–10%," AmlInvest said in a note.

The research firm said the expansion of Tenaga Nasional Bhd's (TNB) power grid is expected to support Jati Tinggi's core business, as higher global energy prices push countries to speed up the shift to renewable energy.

This transition, the firm said, requires major upgrades to power grids, driving more investment.

"TNB has allocated RM42.9 billion for grid upgrades under its 2025–27 plan. Jati Tinggi is well positioned to benefit, with 93% of its current order book coming from TNB-related projects," AmlInvest said.

For background, Jati Tinggi is a provider of utility engineering services, with 99.5% of its revenue derived from core offerings in overhead and underground energy transmission infrastructure.

The company's scope of work includes the procurement, supply, installation, construction, laying, and 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 EPCC for substations 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.

AmlInvest noted that Jati Tinggi 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 RM35 billion grid capex, a surging order book, and margin recovery underway, the research firm

said Jati Tinggi is well-positioned for multi-year earnings growth.

"We value Jati Tinggi using a price-to-earnings (P/E) approach, reflecting its strong growth outlook. Based on a 15 times forecast earnings multiple for 2027, we maintain a 'Buy' call with a target price of RM1 per share.

"This is slightly above the sector average, supported by the company's strong expected earnings growth of about 88%," AmlInvest said.

However, AmlInvest cautioned that Jati Tinggi, like other construction firms, is sensitive to raw material costs.

"Cables – its main cost item, accounting for about 59% of expenses including subcontractor fees—are sourced primarily from a key supplier Power Cables Malaysia."