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Recommendation:	BUY
Current Price:	RM0.32
Previous Target Price:	N/A
Target Price:	RM0.50
Capital Upside/Downside:	56.3%
Dividend Yield (%):	0.0%
Total Upside/Downside	56.3%

Stock information	
Board	ACE
Sector	Technology
Bursa / Bloomberg Code	0298 / WENTEL MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,150.0
Market Cap (RM' m)	368.0
52-Week Price Range (RM)	0.36-0.21
Beta (x)	1.1
Free float (%)	22.4
3M Average Volume (m)	4.0
3M Average Value (RM' m)	1.3

Top 3 Shareholders	(%)
Fatt Wong Kim	36.8
Wentel Corp Sdn Bhd	16.4
Ban Kim Wah	13.3

Share Price Performance



	1M	3M	12M
Absolute (%)	-1.5	4.9	6.7
Relative (%)	-0.9	0.4	7.0

Earnings summary

FYE (Dec)	FY24	FY25F	FY26F
Revenue (RM'm)	112.4	135.2	158.0
PATAMI (RM'm)	15.0	24.2	28.6
CNP (RM'm)	20.2	24.2	28.6
EPS - core (sen)	1.8	2.1	2.5
P/E(x)	18.2	15.2	12.9

Source: Company, Apex Securities

Wentel Engineering Holdings Berhad

Scaling up for the next phase of growth

- Wentel is involved in the (i) fabrication of semifinished metal products, (ii) fabrication of metal parts and (iii) assembly of finished products, mainly serving security screening equipment, semiconductor manufacturing equipment and CNC machines manufacturers.
- We project FY25/26/27F core net profit to grow by 19.7%/18.3%/18.5% - representing a 3-year CAGR of 19%, driven by (i) a stellar 36% revenue CAGR from the E&E segment supported by successful qualification of an extensive NPI pipeline, (ii) steady 3-year CAGR of 13% in the security screening segment and (iii) additional capacity from Lot 815.
- We initiate coverage on Wentel with a BUY call and a target price of RM0.50, based on a 20x PE multiple on FY26F EPS of 2.5 sen. We like Wentel for its (i) favourable earnings growth trajectory, (ii) deepening exposure to the higher-margin E&E segment and (iii) undemanding valuation of 13x FY26F PE.

Key Investment Highlights

Structural demand growth for security screening systems. The global security screening market is set for steady growth, fuelled by rising air passenger volumes, expanding global trade as well as intensifying trade tensions and national security concerns, which have driven stricter inspection protocols globally. Additionally, consistent technology upgrades and replacement cycles aimed at improving detection precision serve as another key tailwind for Wentel. We project the Group's security screening segment to grow by 18%/12%/10% for FY25/26/27F, supported by improving order visibility from its two major customers. We view the segment's non-cyclical nature as a positive, offering earnings stability amid broader market volatility.

E&E segment emerging as a key growth engine. Wentel's E&E segment serves as a key growth driver for the Group. The E&E division currently contributes c.20% of total revenue, of which c.12% is derived from the fabrication of precision parts for front-end WFE OEMs and contract manufacturers. We expect the E&E contribution to record solid double-digit growth over the coming years, mainly driven by materialisation of ongoing NPI qualifications. Wentel currently has >1000 NPIs under assessment by its key customers. We forecast its E&E revenue contribution at RM27.9m/RM37.6m/RM50.3m for FY25/26/27F, representing 21%/24%/28% of the group's revenue over our forecast horizon.

New production facility to unlock next phase of growth. Wentel is constructing a new plant (Lot 815), featuring a total built-up area of c.300k sqft. Post-completion of Lot 815 by end-2025, Wentel will relocate its operations from Lot 58 to Lot 815, resulting in net addition of 170k sqft operational floor space from 164k sqft to 334k sqft, effectively doubling the Group's total production floor space. Wentel will commence operations of Lot 815 in 1H26. In our view, the additional capacity offers ample runway for revenue growth, supported by Wentel's enhanced capacity to meet increasing orders from security screening system customers as well as broaden its exposure and customer base in the E&E segment.

Attractive risk and reward profile. The Group is trading at an undemanding valuation of 13x our forecasted FY26F earnings, a discount to its precision engineering peers valued at an average of c.23x. We believe this discount reflects its relatively lower current revenue exposure to high-growth sectors such as semiconductors against its peers, as well as their established track records and deeper value-added engagements with front-end WFE OEMs. Nonetheless, we view its risk-reward profile as skewed favourably to the upside, with ample rerating potential as the Group delivers on earnings and proves successful in scaling its E&E segment.

Valuation. We initiate coverage on Wentel with a **BUY** call and a target price of **RM0.50**, based on a 20x PE multiple applied to FY26F EPS of 2.5 sen. We like Wentel for its (i) favourable earnings growth trajectory (3-year CAGR of 19% over FY25-27F), (ii) deepening exposure to the higher-margin E&E segment and (iii) undemanding valuation of c.13x FY26F PE.

Company background

Founded in 2000 and successfully listed on the ACE Market of Bursa Malaysia Securities Berhad on 6 Feb 2024, Wentel Engineering Holdings Berhad (Wentel) operates its businesses through two wholly-owned subsidiaries: Wentel Engineering Sdn Bhd (WESB) in Malaysia and Wentel Engineering Pte Ltd (WEPL) incorporated in Singapore. The Group’s principal business activities comprised of (i) fabrication of semifinished metal products, (ii) fabrication of metal parts and (iii) assembly of finished products.

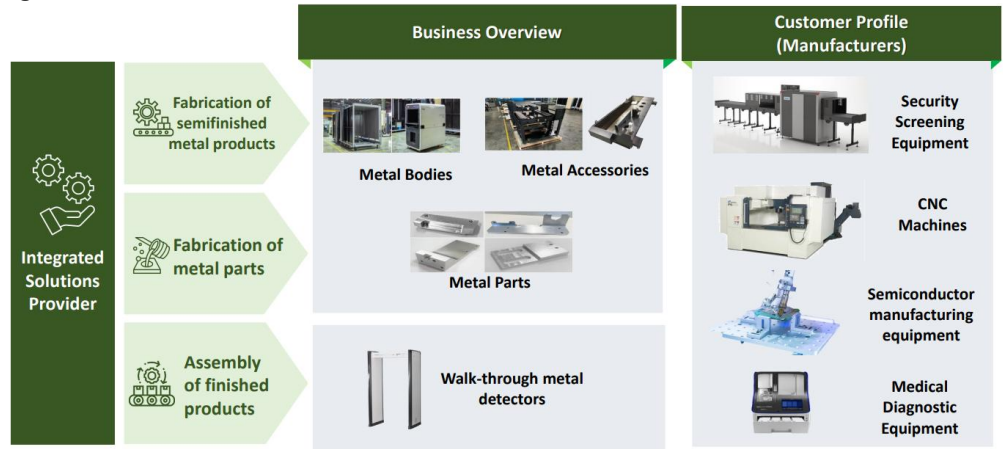
The Group serves a wide range of customer from various sectors, including manufacturers of security screening equipment, semiconductor manufacturing equipment, CNC machines, medical diagnostic equipment, among others. Currently, the Group run its operations from its existing office and manufacturing plants at Lot 11 and Lot 58 in Kawasan Perindustrian Larkin, Johor Bahru with a total built up area of approximately 164k sqft.

Figure 1: Corporate Structure



Source: Company

Figure 2: Business model



Source: Company

Business Overview

Fabrication of semifinished metal products (74.3% of FY24 revenue)

Wentel's bread and butter revolves around fabricating metal bodies and accessories through processes such as cutting, punching, bending, milling, welding, and surface finishing, before assembling individual components to form the products – targeting the security screening equipment and CNC machines. The metal accessories that Wentel fabricates for security screening equipment include parts for the tray return system — which automatically transfers, sorts, and returns trays to passengers after screening — as well as console tables that connect to the tray return system and serve as platforms where bags and luggage are placed for inspection. Meanwhile, Wentel produces metal accessories such as coolant tank and cyclone filter for CNC machines.

For metal body fabrication, Wentel supplies structural frameworks that support internal equipment and parts, while also forming the outer casing that defines a system or machine's shape and appearance. The Group offers value-add by installing various components, sensors and equipment in some of the metal bodies such as mechanical and electrical components (i.e. cooling fans, electrical wiring), fittings, conveyor belt system (for security screening machine). Nonetheless, these semifinished products are not yet fully-functioning systems, which will be shipped to customers or contract manufacturers for final hardware integration and system installations to form the finished operational products.

Figure 3: Examples of metal accessories



Left: Tray return system; Right: Coolant tank
Source: Company

Figure 4: Examples of fabricated metal bodies

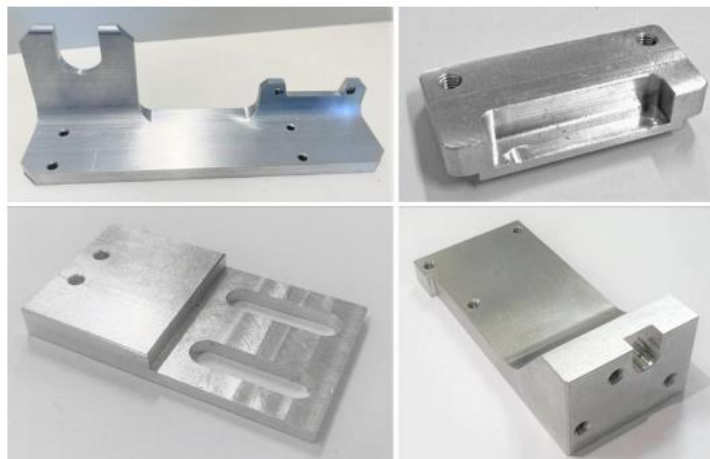


Source: Company

Fabrication of metal parts (20.4% of FY24 revenue)

Wentel's metal parts fabrication segment chiefly involves utilising CNC machines and other manufacturing equipment to produce metal parts as input materials such as metal blocks, plates, sheets, rods and bars for the manufacturing of equipment and machines by its customers. These metal parts are made of carbon steel, stainless steel, aluminium and brass. Additionally, some fabricated metal parts undergo surface treatment and coating for aesthetic purposes and corrosion resistance. **Semiconductor equipment manufacturers** are the main contributor to this segment, followed by minor contribution from **medical diagnostic equipment producers**. The metal parts sourced from these industries consist of support blocks, brackets, housings, panels and cover plates, among others.

Figure 5: Examples of fabricated metal parts



Source: Company

Assembly of finished products (5.3% of FY24 revenue)

Wentel's third business segment involves the assembly of walk-through metal detectors used for security screening applications. This is carried out through the integration of procured parts sourced from the customer's approved suppliers with aluminium plates fabricated internally. The in-house assembly process encompasses the installation of electrical, electronic, and mechanical components, along with electrical wiring, processing systems, and final testing of the finished products.

Figure 6: Assembled walk-through metal detectors



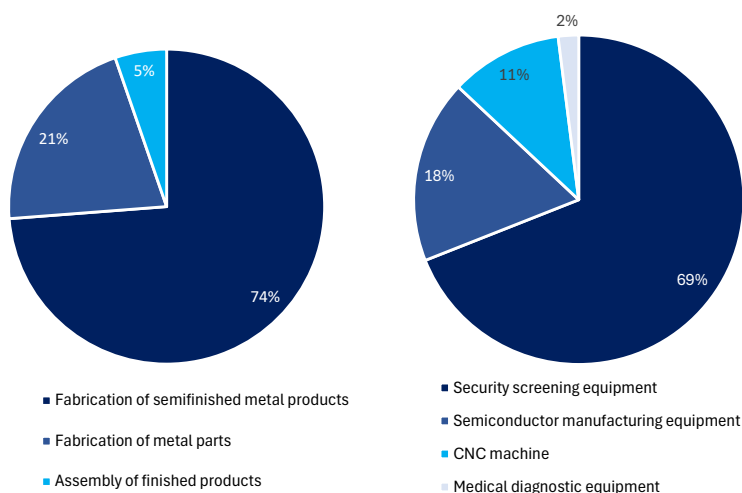
Source: Company

Revenue breakdown. In terms of business activity, the **fabrication of semifinished metal products** made up 74% of Wentel's total revenue in FY24, followed by **fabrication of metal parts** (21%) and **assembly of finished products** (5%).

As for industry mix, the Group derives a lion's share of its FY24 revenue (69%) from security screening equipment manufacturers, anchored by two of the largest US-based players globally — Rapiscan Group and Customer E. Meanwhile, the semiconductor manufacturing equipment (E&E) segment, which includes both front-end and back-end processes, contributes approximately 18% to Wentel's total revenue in FY24. Based on our channel checks, the top three customers account for about 80% of the E&E contribution, comprising (i) a Nasdaq-listed front-end wafer fab equipment (WFE) maker with significant operational presence in Singapore, (ii) Nasdaq-listed Singapore and US-headquartered back-end semiconductor and electronics assembly solutions provider, and (iii) a contract manufacturer with exposure to front-end WFE makers. Meanwhile, the CNC machine contributed 11% of FY24 revenue, supported by a single customer namely Makino Asia (a subsidiary of Japan-listed Makino Milling Machine Co), a leading Singapore-headquartered designer and manufacturer of high-precision CNC machines.

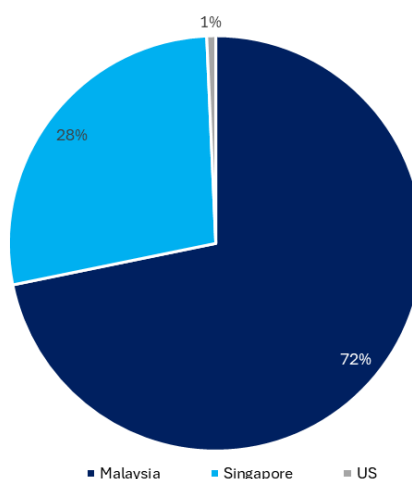
Geographically, Malaysia represents the chief contributor to the Group, representing 72% of its revenue mix – largely derived from supplying to manufacturing base of its security screening equipment customers in Johor. This is followed by its Singapore, which made up c.28% of its top line, formed by its sales to semiconductor equipment and CNC machine manufacturers based in Singapore. The US is minor contributor, accounted for less than 1% of total revenue. Wentel has a sales office in Singapore where it conducts sales and marketing and provide after sales services to customers based in Singapore.

Figure 7: FY24 revenue breakdown by business activity (LHS) and industry (RHS)



Source: Company

Figure 8: FY24 revenue breakdown by geography



Source: Company

IPO proceeds deployed for expansions. Currently, Wentel operates from its office and manufacturing plants located at Lot 11 and Lot 58, with a combined built-up area of approximately 164k sqft. The utilisation rate of its production facilities remains healthy at over 75%. However, the key bottleneck lies not in machine utilisation but in the limited floor space. The production lines for security equipment occupy a substantial portion of floor space due to the large physical size of the products, resulting in the constraint production area.

As such, Wentel is constructing a new manufacturing plant at Lot 815, situated on a freehold land parcel within Kawasan Perindustrian Selatan, Johor Bahru, measuring approximately 426k sqft. The new facility will feature a total built-up area of c.300k sqft, comprising two blocks of single-storey factories with a double-storey office and two blocks of workers' hostels (Figure 9). Post-completion of Lot 815, Wentel will relocate its operations in Lot 58 to Lot 815, resulting in net addition of 170k sqft operational floor space from 164k sqft to 334k sqft, effectively doubling the Group's total production floor space and capacity (Figure 10).

To recap, the total capex for the building is estimated to be c.RM68m. Bulk of which (c.RM60m) has been incurred as construction nears completion. RM40m of the total building capex was financed by its IPO proceeds. Meanwhile, the total cost of new machinery and equipment to be installed in Lot 815 will amount to c.RM42m, which will be deployed progressively as the Group gradually ramps its production over the next 2-3 years. Of this, RM25m from the IPO proceeds has been earmarked to part finance the machinery capex, which has yet to be utilised.

Figure 9: Built up area of new manufacturing plant (Lot 815)

Type of space	Built-up area (sqft)
Production area	130,673
Storage area	55,994
Office	28,643
Hostel and others*	84,391
Total	299,701

*built-up area for the hostel is c.31,674 sqft and the remaining 52,717 sqft is for lobby, canteen and common areas

Source: Company

Figure 10: Net changes to the Group's built-up area post completion of Lot 815

Area	Existing	New plant	Total post-relocation*	Net changes
	Built-up (sqft)			
Fabrication operations (incl. storage area and office)	164,121	215,310	334,111	169,990
Hostel and others		84,391	84,391	84,391
Total	164,121	299,701	418,502	254,381

*after excluding the built-up area of Lot 58 of approximately 45,320 sqft

Source: Company

Figure 11: Utilisation of proceeds from IPO

	Part finance the construction of new manufacturing plant		Part finance the purchase of new machinery and equipment		Estimated listing expenses		Total	
	31.03.2025	31.07.2025	31.03.2025	31.07.2025	31.03.2025	31.07.2025	31.03.2025	31.07.2025
Proposed Utilisation (RM'000)	40,000	40,000	25,032	25,032	6,000	6,000	71,032	71,032
Actual Utilisation (RM'000)	(26,895)	(40,663)	-	-	(5,337)	(5,337)	(32,232)	(46,000)
Reallocation (RM'000)	663	663	-	-	(663) ⁽¹⁾	(663) ⁽¹⁾	-	-
Balance to be utilised (RM'000)	13,768	-	25,032	25,032	-	-	38,800	25,032
Estimated timeframe for the utilisation upon listing	Completed		Extension of Time for additional 24 months until 5 August 2027		Completed			

(1) In view that the actual listing expenses were less than estimated, the surplus has been re-allocated to fund the construction of new manufacturing plant

Source: Company

Industry Overview

Security screening system demand buoyed by rising trade and security concerns. According to [Mordor Intelligence](#), the security screening market size is valued at USD9.9bn in 2025 and is projected to reach USD13.8bn by 2030, representing 6.8% CAGR over the forecasted period. The overall market expansion will be fuelled by global surge in terror activities and security threats as airport X-ray security plays a vital role in aviation safety by detecting weapons, explosives and other contraband items in passenger luggage and cargo. Furthermore, the expansion of air passenger traffic — expected to increase from 9.8bn in 2025 to over 12bn by 2030 ([ACI World](#)) — will further support demand, particularly in the APAC and Middle East regions where air travel growth remains robust. In addition to passenger-related systems, demand for air cargo security screening is projected to expand at a CAGR of 5.1%, rising from USD2.8bn in 2024 to over USD4.1bn by 2032, driven by the surge in international trade and growing emphasis on supply chain integrity. The continued expansion of cross-border e-commerce and global logistics networks has increased cargo throughput across major airports, prompting regulators and airport operators to invest in high-throughput screening technologies such as advanced CT scanners, explosive trace detection (ETD) systems, and automated inspection platforms.

In our view, rising trade protectionism and the reciprocal tariffs imposed by the Trump Administration are also supporting demand for cargo screening equipment by prompting stricter customs inspections and end-use verification requirements. Additionally, the US Customs and Border Protection (CBP) has enhanced enforcement by eliminating the de minimis duty-free exemption (previously applicable to goods valued below USD800) as of August 2025. This follows a near 900% surge in low-value shipments over the past decade (from 130m in 2015 to 1.36bn in 2024). The de minimis exemption was criticised for enabling unfair trade practices that disadvantaged American businesses and also raised national security concerns as the sharp rise in small parcels made it harder to intercept illicit items such as fentanyl, counterfeit goods, and other restricted materials. The removal of this exemption now requires full customs declarations for all imports, reinforcing the need for efficient, AI-driven cargo screening and X-ray systems to manage the higher inspection load.

Overall, we opine that the security screening equipment market would remain on a steady growth trajectory over the near-to-medium term, supported by an expanding addressable market owing to rising air traffic and global trade volumes. The structural demand is also reinforced by heightened trade tensions and national security concerns, which necessitate tighter inspection protocols. Moreover, technology upgrades and replacement cycles aimed at enhancing detection accuracy and combating sophisticated smuggling techniques also provide further tailwinds for the industry. We note that the security screening market is dominated by only a handful of players, including Leidos Holdings, Smiths Detection, Rapiscan Group, and Nuctech Company Limited.

Figure 12: Key drivers for security screening market

DRIVER	(-) % IMPACT ON CAGR FORECAST	GEOGRAPHIC RELEVANCE	IMPACT TIMELINE
Upsurge in terror activities and security threats globally	+1.8%	Global, with heightened focus on Middle East and Africa	Medium term (2-4 years)
Regulatory mandates for aviation and border security	+1.2%	North America and Europe, expanding to Asia-Pacific	Short term (≤ 2 years)
Technological advancements in AI-powered automated threat detection	+0.8%	Global, led by North America and Europe	Long term (≥ 4 years)
Integration of millimeter-wave imaging with 5G infrastructure	+0.6%	APAC core, spill-over to North America and Europe	Medium term (2-4 years)
Contactless passenger-flow solutions post-pandemic	+0.5%	Global, with early adoption in North America and Europe	Short term (≤ 2 years)
Drone-borne contraband driving vertical screening adoption	+0.3%	Border regions globally, concentrated in North America and Middle East	Medium term (2-4 years)

Source: Mordor Intelligence

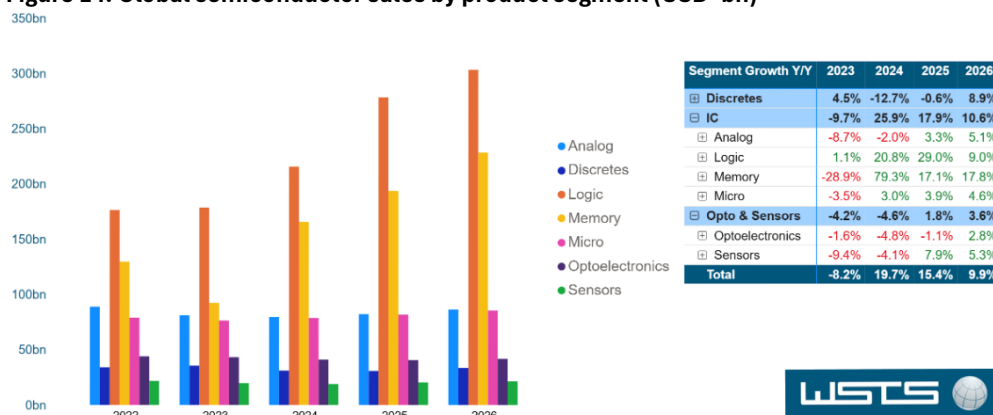
Global semiconductor billings upcycle spurred by AI bonanza... According to [World Semiconductor Trade Statistics](#) (WSTS), the global semiconductor billings reached USD346bn in 1H25 is expected to arrive at USD726bn for the full-year 2025 figure, representing an annual increase of 15% in 2025. The gain was led by strong double-digit expansion in the Logic (+37%) and Memory (+20%) segments as compute-hungry AI applications boost demand for AI accelerators and HBM chips. With the global semiconductor market set to expand by another 10% in 2026, we reckon the sustained sales momentum would continue generating positive spillover effects across the semiconductor value chain, particularly for semiconductor front-end WFE players and back-end supporting equipment producers acting as the suppliers of “picks and shovels” that enable leading chipmakers to ramp up advanced process technologies and packaging capabilities to meet escalating AI-driven demand.

Figure 13: Global semiconductor market (USD' bn)



Source: WSTS

Figure 14: Global semiconductor sales by product segment (USD' bn)

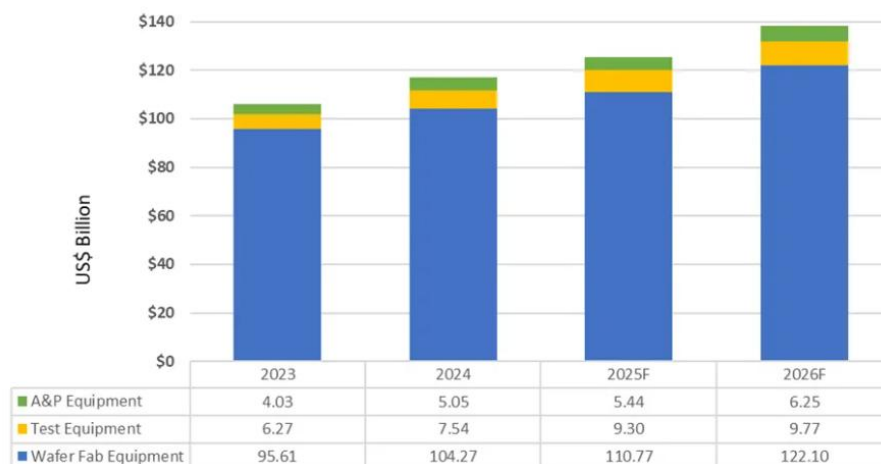


Source: WSTS

...catapulting semiconductor equipment spending. Based on [SEMI's](#) forecasts, the global sales of front-end WFE are projected to grow 6.2% YoY to clinch a record high of USD110.8bn in 2025. Given the ongoing expansion drive of advanced nodes foundries and memory makers to satisfy the insatiable demand for AI infrastructures, the WFE billings is set to mark another 10% growth to reach USD122.1bn. The optimism is consistent with Lam Research's (one of the world's largest front-end WFE maker) 3Q25 earnings call, where management raised its global WFE spending forecast to USD105bn in 2025 (from USD100bn) due to sustained China demand and stronger-than-expected HBM related investments. Despite anticipation of decline in China sales due to US export restrictions and earlier front-loading, Lam believes this sets up for another robust year for WFE spending in 2026 especially in memory applications. Every USD100bn in incremental AI DC investment will result in USD8bn in WFE spending, more than half of which as guided by management is coming from memory (Enterprise SSDs and HBM), as guided by Lam.

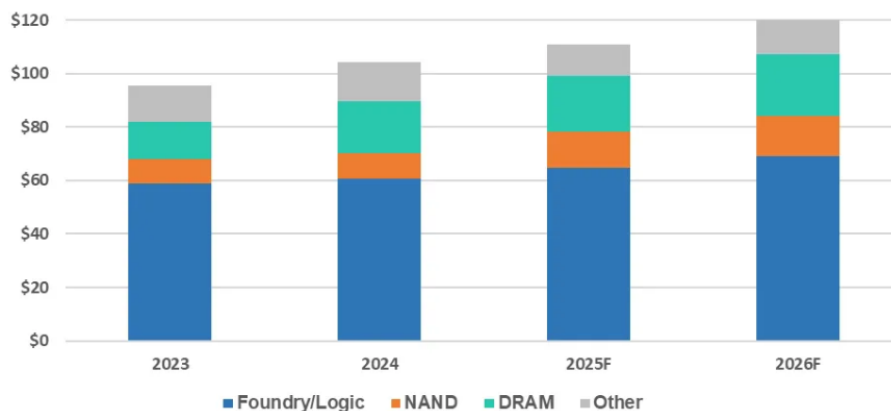
The back-end equipment space shares the optimism as semiconductor test equipment sales are forecast to gain 23.2% to USD9.3bn in 2025 and rise a further 5% to a new record of USD9.8bn in 2026. Meanwhile, assembly and packaging (A&P) equipment sales will grow by 7.7% to USD5.4bn in 2025 and accelerate by 15% to USD6.25bn in 2026. Growth in the back-end segment is led by adoption of advanced packaging technologies and HBM integration to support AI accelerators as packaging structures become increasingly complex and thicker to accommodate multi-die stacking and enhanced thermal performance. This, in turn, is fuelling the demand for assembly, inspection, and test equipment with greater precision and throughput requirements.

Figure 15: SEMI 2025 Mid-year semiconductor equipment forecast by segment (USD' bn)



Source: SEMI

Figure 16: SEMI 2025 Mid-year semiconductor equipment forecast by application (USD' bn)



Source: SEMI

Rising automation demand bolsters CNC machinery market. A CNC (Computer Numerical Control) machine is a computer-controlled manufacturing tool used to automate and precisely control machining operations such as cutting, drilling, grinding or turning raw materials (i.e. metal) into finished parts. CNC machines form the backbone of modern precision manufacturing, enabling high-volume and high-accuracy and complex geometry production serving key industries such as automotive, aerospace & defence, industrial automation, semiconductor and medical industries. Aided by increasing demand for mass manufacturing and customisation across industries, the global CNC machine tool market is expected to enjoy a steady growth trajectory of 5.8% from USD82.5bn in 2024 to hit USD122.4bn in 2025 ([The Insight Partners](#)). Technological advancements are also a major growth driver, with the integration of AI and real-time monitoring systems enhancing efficiency and reducing human error. Furthermore, the shift from 3-axis machines to high-precision multi-axis systems (4-, 5-, and 6-axis) enables manufacturers to produce increasingly complex part designs with greater accuracy and efficiency — a capability that is especially critical for semiconductor equipment parts and aerospace components that demand extreme precision. As such, this transition will also continue to catalyse the expansion of the CNC machine market.

Investment Highlights

Structural demand growth for security screening systems

As highlighted above, the global security screening market is set for steady growth, underpinned by rising air passenger volumes, expanding global trade, and increasingly stringent security and regulatory requirements. Structural demand is further reinforced by intensifying trade tensions and national security concerns, which have driven stricter inspection protocols worldwide. Additionally, ongoing technology upgrades and replacement cycles aimed at improving detection precision and addressing sophisticated smuggling methods serve as another key tailwind for Wentel. Against this backdrop, we project Wentel's security screening segment to grow by 18%/12%/10% for FY25/26/27F, supported by improving order visibility from its two major customers. We view the segment's non-cyclical nature as a positive, offering earnings stability amid broader market volatility. Notably, the global market is dominated by a handful of players, including Leidos Holdings, Smiths Detection, Rapiscan Group, and Nuctech Company Limited with Wentel serving as a key supplier to two leading US-based security screening system providers.

New production facility to unlock next phase of growth

We gathered the construction of the Lot 815 will be physically completed by end of 2025 and commence operations in 1H26, subject to obtaining the necessary certifications. In addition to relocating existing machinery from Lot 58, Wentel plans to progressively equip the facility with new machines and equipment on a staggered basis. We estimate the facility's production to reach c.50% utilisation rate by 2027 and exceed 70% by 2028. In our view, the doubling of production floor space provides ample runway for revenue growth, supported by Wentel's enhanced capacity to cater to increasing orders from security screening system customers, as well as broaden its exposure and customer base within the E&E segment. With the additionally capacity, we reckon Wentel is well-positioned to deliver double-digit revenue and earnings growth over our forecast horizon as the Group ramps up its production for Lot 815.

Based on our estimates, the new building will add c.RM1.4m of depreciation expenses p.a. Meanwhile, new machineries will add about RM1.0m in the first year of operations (2026) and will rise to around RM4m by 2028, depending on the pace of machinery installation. We view the overhead impact as manageable, as the anticipated double-digit revenue growth in 2026 and 2027 stemmed from the strong order visibility and expanding new product introductions (NPI) pipeline, coupled with better gross margin profile (improved product mix) should offset the higher overhead base. Moreover, we understand that the new plant could yield some cost savings resulting from better operating efficiency.

Figure 17: Progress of new manufacturing plant as at mid-Aug 2025



Source: Company

E&E segment emerging as a key growth engine

In addition to its core security screening systems business, Wentel's E&E segment serves as a key growth driver for the Group. Currently, the E&E division contributes approximately 20% of total revenue, of which around 12% is derived from the fabrication of precision parts for front-end WFE OEMs and contract manufacturers, while the balance is attributed to back-end semiconductor equipment makers. We expect the E&E contribution to record a solid double-digit growth over the coming years, mainly driven by materialisation of ongoing NPI qualifications. We understand the Group currently has >1000 NPIs under assessment by its key customers, the bulk of which are for the E&E segment (particularly its front-end OEM customer). We forecast its E&E revenue contribution at RM27.9m/RM37.6m/RM50.3m for FY25/26/27F, representing 21%/24%/28% of the Group's revenue over our forecast horizon. We believe the expansion of the E&E segment will be margin accretive given the stringent precision requirements of semiconductor components. Over the longer term, Wentel targets to achieve a 50% revenue contribution from its E&E segment.

Moreover, the macro-environment is supportive of its E&E business as broad-based expansion of the addressable market for semiconductor WFE and back-end equipment will generate positive spill-over effect to Wentel via increasing order flow from its key E&E customers, in our view. Singapore, where its E&E business is concentrated in, is witnessing a slew of wafer fab investments, including (i) USD5bn by UMC to build a new 300mm fab, (ii) USD4bn expansion of Fab 11 by GlobalFoundries, (iii) Micron's USD7bn investment on a new HBM packaging facility and (iv) USD7.8bn 300mm fab by VSMC (a JV between Vanguard International Semiconductor and NXP). These major investments are expected to bolster order flows for the semiconductor equipment manufacturers based in Singapore, which in turn should benefit precision engineering players like Wentel that supply high-precision components to this ecosystem.

Diversified revenue mix cushions cyclical risks

The security screening segment forms a substantial and stable revenue base (c.68%), which we view as less cyclical and more resilient to economic fluctuations. Its long-term organic growth is supported by continuous technological upgrades, replacement demand, rising international trade, and tighter customs enforcement. Meanwhile, the E&E and CNC machinery segments, contributing c.30% of total revenue operate in distinctly different industries and are inherently more cyclical in nature. Nonetheless, the E&E segment is poised for rapid expansion, serving as Wentel's key growth driver in the coming years. Overall, we believe this contrasting industry exposure provides a natural hedge, where weakness in one segment can be mitigated by resilience in the other, thereby smoothing out the Group's overall earnings volatility.

Undemanding valuation offers favourable risk and reward ratio

The Group is trading at an undemanding valuation of 13x our forecasted FY26F earnings — a discount to its precision engineering peers valued at about 23x. We believe this discount partly reflects its relatively lower current revenue exposure to high-growth sectors such as semiconductors, compared to peers like UWC (NR) and SAMEE (NR), as well as their more established track records and deeper value-added engagements with front-end WFE OEMs. Nevertheless, given Wentel's cheap valuation and growing foothold in the semiconductor (E&E) space from a low base, we see its risk-reward profile as skewed favourably to the upside, with ample room for rerating once the Group demonstrates tangible progress in expanding its exposure to this structurally high-growth segment.

Financial Highlights

Historical performance. In FY23, Wentel's core earnings fell 37% YoY to RM12.9m, largely weighed down by a sharp 36% decline in its E&E segment revenue to RM14.8m, reflecting the cyclical slowdown in the semiconductor industry and softer equipment capex. Revenue from the security screening segment also contracted a moderate 12% to RM65.2m, which we believe was due to short-term inventory adjustments following a stellar performance in FY22.

In FY24, Wentel's core bottom line rebounded strongly to a record RM20.2m (+57% YoY), primarily led by resurgence of E&E revenue (+37% YoY) as recovery of the semiconductor sector gathered pace, coupled with rising exposure to front-end WFE customer base. Additionally, security screening segment delivered a solid 19% revenue growth to RM77.6m, a record high surpassing FY22's level, led by recovery in orders by key customers thanks to heightened investments in AI-powered security solutions to enhance safety and compliance, as well as the continued expansion in global travel and cross-border activity.

1HFY25 results review. Wentel's 1HFY25 top line rose 21% YoY, mainly boosted by higher revenue from fabrication of metal parts at RM14.5m (+52% YoY; lifted by increasing sales volume to its front-end WFE customers) and fabrication of semi-finished metal products at RM47.7m (+15% YoY; driven by ongoing demand upcycle for cargo screening equipment in view of stronger customs enforcement to address the expanded US tariff scope and rising concerns over illegal and unregulated goods). Further buoyed by net margin expansion of c.248bps YoY resulting from improved operating leverage and better product mix (E&E commands better margins), the Group's core net profit rose 40% in 1HFY25 to RM12.4m.

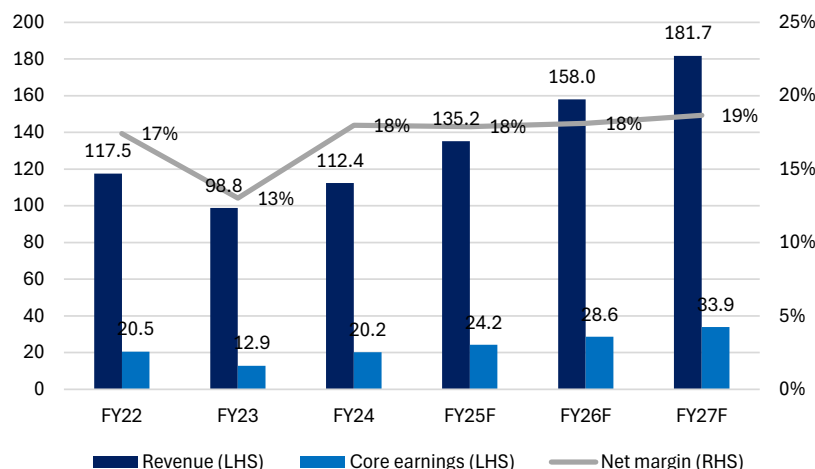
Figure 18: 1HFY25 results comparison

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	1HFY25	1HFY24	yoy (%)
Revenue	34.9	28.8	21.2	31.2	11.7	66.1	54.6	21.1
EBITDA	8.2	7.2	14.4	8.9	(7.9)	16.4	13.2	23.6
Operating profit	6.7	6.0	13.0	8.2	(17.5)	14.9	12.0	23.8
Profit before tax	6.7	5.9	12.7	8.1	(17.6)	14.8	7.9	88.0
Profit after tax	5.0	4.5	12.5	6.1	(17.8)	11.1	5.0	123.3
Reported PATAMI	5.0	4.5	12.5	6.1	(17.8)	11.1	5.0	123.3
Core PATAMI	6.2	4.5	37.5	6.2	0.5	12.4	8.9	39.6
Core EPS (sen)	0.5	0.4	37.5	0.5	0.5	1.1	0.8	39.6
EBIT margin	19%	21%		26%		23%	22%	
PBT margin	19%	21%		26%		22%	14%	
Core net profit margin	18%	16%		20%		19%	16%	

Source: Company, Apex Securities

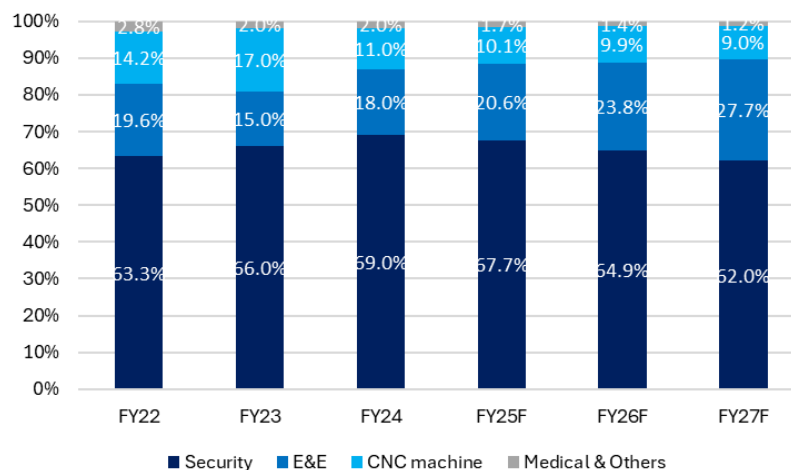
Earnings outlook. We project FY25/26/27F core net profit to grow by 19.7%/18.3%/18.5%, representing a 3-year CAGR of 19%. The core earnings growth will be driven by (i) a stellar 36% revenue CAGR from the E&E segment for the corresponding period supported by successful qualification of an extensive NPI pipeline for its key E&E customers, (ii) a steady 3-year revenue CAGR of 13% from the security screening segment on the back of tightening border restrictions and technological advancements and (iii) additional capacity from Lot 815 to meet the increasing demand from both security system and E&E divisions.

Figure 19: Financial performance and earnings forecast



Source: Apex Securities, Company

Figure 20: Revenue composition by end markets



Source: Apex Securities, Company

Balance sheet. As of 30 June 2025, Wentel maintained a healthy net cash position of RM69.8m (end-FY24: RM83.9m), equivalent to 6 sen per share. The strong balance sheet is underpinned by consistent positive operating cash flow and IPO proceeds of RM71.0m raised in FY24, the bulk of which have been channelled toward the construction of its new manufacturing facility, Lot 815. Over the next 2–3 years, part of its cash reserves will be allocated for the purchase of new machinery and equipment for Lot 815, funded through a mix of remaining IPO proceeds and internally generated funds. The Group has yet to declare dividends since listing, and we expect payouts to remain minimal in the next 1–2 years as management prioritises capacity expansion.

Forex sensitivity analysis. c.65% and c.10% of the Group's revenue is denominated in USD and SGD, respectively, with the balance in RM, making its profitability considerably sensitive to forex movements, especially against the USD. Our RM/USD assumptions for FY25/26/27F stand at 4.30/4.20/4.20. Based on FY26F as the reference point, we estimate a 10% fluctuation (up or down) in MYR/USD would impact core net profit by a magnitude of about RM1.7m or $\pm 6.4\%$.

Valuation & Recommendation

Initiating Coverage. We initiate coverage on Wentel with a **BUY call** and a target price of **RM0.50**, based on a 20x FY26F EPS of 2.5 sen, and ascribing a three-star ESG rating. We favour Wentel for its (i) favourable earnings growth trajectory (3-year CAGR of 19% over FY25-27F) backed by the capacity expansion from its new production facility, (ii) deepening exposure to the higher-margin E&E segment, particularly front-end WFE customers and (iii) undemanding valuation of 13x FY26F PE, which limits downside risk and offers ample room for rerating should the Group deliver on earnings and successfully scale its E&E segment. Our target multiple of 20x represents a 13% discount to the sector average forward PER of 23x for Bursa-listed precision machining and metal-fabrication peers, a reasonable adjustment reflecting Wentel's shorter listed track record and relatively smaller exposure to advanced front-end semiconductor and medical sectors.

Figure 21: Peers comparison

Stock	Mkt Cap	Price	Rating	TP (RM)	Potential Upside	FYE	P/E (x)		Div yield (%)	
							FY25	FY26	FY25	FY26
Wentel Eng.	368	0.32	BUY	0.50	56%	DEC	15.2	12.9	NA	NA
Precision Engineering peers										
UWC*	4,456	4.04	NR	NR	NA	JUL	45.9	33.9	0.2%	0.3%
UMS Integration	3,524	4.96	NR	NR	NA	DEC	23.0	19.3	1.0%	1.1%
SAM Eng.*	3,297	4.87	NR	NR	NA	MAR	36.6	31.0	0.6%	0.7%
Northeast Group	525	0.71	NR	NR	NA	SEP	24.5	18.7	NA	NA
CPE Technology*	520	0.78	NR	NR	NA	JUN	19.9	18.9	1.3%	1.3%
Coraza	284	0.58	NR	NR	NA	DEC	21.3	16.0	0.0%	0.0%
Average (excl. Wentel)							28.5	23.0	0.6%	0.7%

Source: Bloomberg, Apex Securities

*refers to FY26 and FY27

Investment Risk

High forex exposure. Majority of the Group's revenue is denominated in USD while earnings are reported in RM. This exposes the Group to foreign exchange volatility, with financial performance at risk in the event of a sharp appreciation of the RM against the USD.

Tariff risks and geopolitical uncertainties. Escalating US-China geopolitical tensions, particularly surrounding the semiconductor and electronics sectors, could weigh on global investment sentiment and dampen equipment demand. Also, any escalation in US tariff measures may adversely affect Wentel's profitability via slower order flow from its E&E customers.

Customer concentration risk. Wentel remains exposed to customer concentration risk, as over 60% of its revenue is derived from the security screening systems segment, which is supported by only two major customers. As such, the Group's performance could be adversely impacted by the loss of any one of these key customers within the segment.

Initiation Coverage

Friday, 07 Nov, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	98.8	112.4	135.2	158.0	181.7
Gross Profit	24.8	31.6	40.6	49.0	58.1
EBITDA	22.5	23.8	35.3	43.6	52.1
EBIT	19.2	21.0	31.9	37.8	44.9
PBT	18.8	20.8	31.8	37.6	44.6
Tax	-4.7	-5.8	-7.6	-9.0	-10.7
Profit After Tax	14.1	15.0	24.2	28.6	33.9
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	14.1	15.0	24.2	28.6	33.9
Exceptionals	-1.2	5.2	0.0	0.0	0.0
Core Net Profit	12.9	20.2	24.2	28.6	33.9

Key Ratios

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Core EPS (sen)	1.1	1.8	2.1	2.5	2.9
P/E (x)	28.6	18.2	15.2	12.9	10.9
BVPS	0.09	0.16	0.18	0.21	0.24
P/B (x)	3.6	2.0	1.7	1.5	1.3
EV/EBITDA (x)	15.1	14.3	9.7	7.8	6.5
DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Gross margin (%)	25.2%	28.1%	30.0%	31.0%	32.0%
EBITDA margin (%)	22.8%	21.1%	26.1%	27.6%	28.6%
EBIT margin (%)	19.5%	18.7%	23.6%	23.9%	24.7%
PBT margin (%)	13.0%	18.0%	23.5%	23.8%	24.6%
PAT margin (%)	14.3%	13.4%	17.9%	18.1%	18.7%
NP margin (%)	14.3%	13.4%	17.9%	18.1%	18.7%
CNP margin (%)	13.0%	18.0%	17.9%	18.1%	18.7%
ROE (%)	12.6%	10.8%	11.5%	12.0%	12.4%
ROA (%)	10.9%	9.4%	9.9%	10.4%	10.9%
Net gearing (%)	NET CASH NET CASH NET CASH NET CASH NET CASH				

Assumptions

RMUSD	4.56	4.57	4.30	4.20	4.20
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Revenue mix by customer group

Security	66%	69%	68%	65%	62%
E&E	15%	18%	21%	24%	28%
CNC machine	17%	11%	10%	10%	9%
Medical & Others	2%	2%	2%	1%	1%

Valuations

	FY26F
Core EPS (sen)	2.5
P/E multiple (x)	20.0
Fair Value (RM)	0.50
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.50

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & bank balances	18.6	31.5	22.8	29.1	43.1
Receivables	24.7	28.6	34.0	39.5	45.2
Inventories	15.5	21.9	33.5	39.6	47.0
Other current assets	14.5	60.2	60.2	60.2	60.2
Total Current Assets	73.3	142.2	150.5	168.4	195.4
PPE	42.8	67.0	88.6	102.9	110.7
Other non-current assets	1.5	4.9	4.9	4.9	4.9
Total Non-current assets	44.3	71.9	93.6	107.8	115.6
Short-term Debt	1.5	1.4	2.4	3.2	2.4
Payables	11.2	20.4	24.2	26.2	28.6
Other Current Liabilities	1.4	1.4	1.4	1.4	1.4
Total Current Liabilities	14.1	23.3	28.0	30.8	32.4
Long-term Debt	1.4	0.0	1.0	1.8	1.0
Other non-current liabilities	0.2	4.4	4.4	4.4	4.4
Total Non-current Liabilities	1.6	4.4	5.4	6.1	5.4
Shareholder's equity	101.9	186.5	210.7	239.3	273.2
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	101.9	186.5	210.7	239.3	273.2

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	18.8	20.8	31.8	37.6	44.6
Depreciation & amortisation	3.3	2.7	3.3	5.8	7.2
Changes in working capital	-0.3	-1.8	-13.3	-9.6	-10.6
Tax paid	-6.1	-5.1	-7.6	-9.0	-10.7
Others	1.5	-1.4	0.0	0.0	0.0
Operating cash flow	17.2	15.3	14.3	24.8	30.5
Net capex	-19.0	-26.9	-25.0	-20.0	-15.0
Others	-3.7	-47.8	0.0	0.0	0.0
Investing cash flow	-22.7	-74.7	-25.0	-20.0	-15.0
Borrowings	-1.5	-1.5	2.0	1.5	-1.5
Others	-2.2	69.1	0.0	0.0	0.0
Financing cash flow	-3.7	67.6	2.0	1.5	-1.5
Net cash flow	-9.2	8.2	-8.7	6.3	14.0
Currency translation differences	0.1	-0.3	0.0	0.0	0.0
Beginning cash & cash equivalent	35.8	26.7	34.6	25.8	32.1
Ending cash & cash equivalent	26.7	34.6	25.8	32.1	46.1
Fixed deposits	-8.0	-3.0	-3.0	-3.0	-3.0
Cash and bank balances	18.6	31.5	22.8	29.1	43.1

Initiation Coverage

Friday, 07 Nov, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 2 emissions rose 7.4% yoy to 6.7m/kg in FY23
Waste & Effluent	★★★	Co2 emissions reduced from 3.0m kg in FY21 to 2.5m kg in FY23
Energy	★★★	Energy consumption reduced from 8,014,556 kWh to 7,810,114 kWh
Water	★★★	Water consumption rose 5.4% yoy to 112,658m3 in FY23
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★★	73% of average employees age below 40, 21% of employees are female
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	292 hours of OSH trainings completed, one worksite incidence in FY23
Labour Practices	★★★	Pay scale based on prevailing industry market rates as stipulated by the Act 732 National Wages Consultative Council Act

Governance

CSR Strategy	★★★	Donation to Sekolah Semangat Maju and participated in the Pesta Makanan Amal 2023
Management	★★	Average board members age @ 53, 2/9 female board composition, 4/9 Independent Directors
Stakeholders	★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.