

Brian Chin Haoyan

(603) 7890 8888 (ext 2064)

brianchin@apexsecurities.com.my

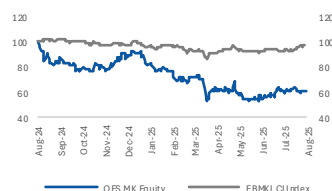
Recommendation:	HOLD
Current Price:	RM0.455
Previous Target Price:	RM0.42
Target Price:	↔ RM0.42
Capital Upside/Downside:	-7.7%
Dividend Yield (%):	1.0%
Total Upside/Downside	-6.6%

Stock information

Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	0196 / QES MK
Syariah Compliant	Yes
ESG Rating	***
Shares issued (m)	833.3
Market Cap (RM'm)	379.2
52-Week Price Range (RM)	0.62-0.34
Beta (x)	1.3
Free float (%)	41.8
3M Average Volume (m)	3.3
3M Average Value (RM'm)	1.5

Top 3 Shareholders

	(%)
Wa Capital Sdn Bhd	26.2
Liew Soo Keang	22.9
Chew Ne Weng	4.1

Share Price Performance

	1M	3M	12M
Absolute (%)	3.4	15.2	-12.5
Relative (%)	3.0	13.1	-13.0

Earnings summary

FYE (Dec)	FY24	FY25F	FY26F
Revenue (RM'm)	269.6	272.7	281.8
PATAMI (RM'm)	17.3	13.3	17.4
CNP (RM'm)	18.4	13.3	17.4
EPS - core (sen)	2.1	1.6	2.1
P/E(x)	21.9	28.6	21.8

Source: Company, Apex Securities

QES Group Berhad

Earnings miss as margins under strain

- QES recorded 3Q25 core profit of RM3.0m (-49% QoQ, -41% YoY), bringing its 9MFY25's sum to RM10.2m (-25% YoY) – falling short of both our (71%) and street's (68%) forecasts. The shortfall was driven by higher-than-expected overheads, which resulted in a margin miss.
- CNP declined 41% YoY/25% YTD, mainly due to (i) lower gross profit margin stemming from cost pressure and increased competition, and (ii) wider losses in the Manufacturing division amid subdued plant utilisation and higher operating expenses for the new Batu Kawan plant.
- Following the change in covering analyst, we have revamped our model and reintroduced with FY25F/26F forecasts of RM13.3m/17.4m (adjustment of -8%/-24% vs previous forecasts). We also introduce FY27F earnings at RM18.2m.
- Keep HOLD rating with an unchanged TP of RM0.42, based on a revised PE multiple of 20x FY26F EPS (from 15x).

Earnings miss. QES recorded disappointing 3Q25 core net profit of RM3.0m (-49% QoQ, -41% YoY), bringing its 9MFY25's sum to RM10.2m (-25% YoY) – falling short of both our (71%) and street's (68%) FY25F forecasts. 3Q25 results were arrived after excluding net EIs of RM0.7m, comprising gain on PPE disposal (RM0.6m), gain on short-term investments (RM0.3m), net forex loss (-RM0.1m), among others. The earnings shortfall was driven by higher-than-expected overheads, which resulted in a notable margin miss.

QoQ. Core earnings slumped 49%, dragged by weaker Group revenue (-11%; lower equipment distribution sales as the fulfilment of delayed deliveries in 2Q25 created a high base). Additionally, QES saw net margin compression (-330bps QoQ) no thanks to mounting losses in the Manufacturing division as overhead costs crept in for the new Batu Kawan plant ahead of its operational commencement at end-September.

YoY/YTD. Revenue improved (+17% YoY, +5% YTD) on the back of higher contributions from the Equipment distribution segment. However, core net profit declined 41% YoY/25% YTD, mainly due to (i) lower gross profit margin stemming from cost pressure and increased competition, and (ii) wider losses in the Manufacturing division amid subdued plant utilisation and higher operating expenses for the new Batu Kawan plant.

Outlook. The Manufacturing segment still inked red as overhead costs continue to creep in for the new Batu Kawan plant, which obtained its CCC and commercial operations at end-Sep. Although plant utilisation rate remains subdued, we expect this segment to gradually improve in the coming quarters on the back of ongoing demand recovery for semiconductor back-end equipment. We understand management is exploring opportunities to penetrate into the vast (though competitive) Chinese market via collaboration with local partners. The Group's outstanding orderbook remained stable at RM86m (flattish vs end-Jul), comprising RM71m for equipment distribution and RM15m from manufacturing division.

Earnings Revision. Following the change in covering analyst, we have revamped our financial model and reintroduced FY25F/26F earnings of RM13.3m/17.4m, representing an adjustment of -8%/-24% against our previous forecasts. The revisions primarily reflect the weaker-than-expected 3Q25 performance, which prompted a recalibration of margin assumptions and operating cost run-rates. We also introduce our FY27F earnings of RM18.2m.

Valuation. Post earnings adjustments, we maintain our **HOLD** rating with an unchanged TP of **RM0.42**, based on a revised PE multiple of 20x FY26F EPS (from 15x) and no ESG premium. The ascribed multiple represents +0.5SD above its 5-year mean and a discount to the average FY26F PE of 30x among ATE peers (MI, ViTrox, Pentamaster and Greatech).

Risks. Slower-than-expected utilisation ramp at the Batu Kawan plant, rising competition within the ATE space, and uncertainties surrounding US semiconductor trade policies.

Results Note

Wednesday, 19 Nov, 2025

Results Comparison

FYE Dec (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)
Revenue	68.5	58.4	17.4	77.4	(11.4)	191.6	182.8	4.8
Gross Profit	15.4	16.1	(4.3)	19.8	(22.1)	46.4	46.7	(0.7)
Pre-tax profit	5.1	2.8	82.2	6.2	(17.5)	12.9	14.4	(10.6)
Net profit	3.7	1.2	204.9	4.4	(16.2)	9.1	10.1	(10.2)
Core net profit	3.0	5.1	(41.2)	5.9	(49.1)	10.2	13.6	(25.2)
Core EPS (sen)	0.4	0.6	(41.2)	0.7	(49.1)	1.2	1.6	(25.2)
GP margin (%)	22.5	27.6		25.6		24.2	25.6	
PBT margin (%)	7.5	4.8		8.1		6.7	7.9	
Core net profit margin (%)	4.4	8.8		7.7		5.3	7.4	

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	3QFY25	3QFY24	yoy (%)	2QFY25	qoq (%)	9MFY25	9MFY24	yoy (%)
Revenue								
Equipment	55.4	45.7	21.2	64.6	(14.3)	157.9	140.9	12.1
Materials & Engineering Solutions	4.3	5.1	(15.7)	4.2	2.4	13.1	19.7	(33.6)
Manufacturing	8.8	7.5	16.9	8.5	3.5	20.7	22.2	(7.0)
Total	68.5	58.4	17.4	77.4	(11.4)	191.6	182.8	4.8
Profit before tax								
Equipment	7.2	5.1	41.1	8.5	(14.9)	21.1	15.1	40.0
Materials & Engineering Solutions	(0.2)	(0.6)	(63.5)	(0.4)	nm	(0.7)	0.5	nm
Manufacturing	(1.9)	(1.0)	nm	(1.7)	nm	(7.5)	(0.5)	1,349.4
Total	5.1	3.5	44.1	6.4	(20.6)	12.9	15.1	(14.1)
PBT margin (%)								
Equipment	13.1%	11.2%		13.2%		13.4%	10.7%	
Materials & Engineering Solutions	-5.2%	-11.9%		-9.6%		-5.1%	2.6%	
Manufacturing	-21.8%	-13.0%		-19.6%		-36.3%	-2.3%	
Aggregate Total	7.4%	6.1%		8.3%		6.8%	8.2%	

Source: Company, Apex Securities

Results Note

Wednesday, 19 Nov, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	240.7	269.6	272.7	281.8	291.4
Gross Profit	60.9	68.1	65.4	70.4	72.3
Operating profit	26.6	26.2	20.3	25.2	26.1
Finance costs	-0.8	-1.1	-1.1	-1.0	-1.1
Associates & JV	-0.2	-0.5	-0.5	-0.4	-0.2
Pre-tax Profit	25.6	24.7	18.7	23.8	24.8
Tax	-6.4	-7.6	-5.1	-6.2	-6.5
Profit After Tax	19.2	17.1	13.7	17.6	18.4
Minority Interest	0.7	-0.2	0.4	0.2	0.2
Net Profit	18.5	17.3	13.3	17.4	18.2
Exceptionals	-2.5	1.1	0.0	0.0	0.0
Core Net Profit	15.9	18.4	13.3	17.4	18.2

Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Core EPS (sen)	2.2	2.1	1.6	2.1	2.2
P/E (x)	20.6	21.9	28.6	21.8	20.9
P/B (x)	2.1	2.0	1.9	1.8	1.7
DPS (sen)	1.0	0.6	0.5	0.6	0.7
Dividend Yield (%)	2.2%	1.2%	1.0%	1.4%	1.4%
GP margin (%)	25.3%	25.3%	24.0%	25.0%	24.8%
Operating margin (%)	11.1%	9.7%	7.4%	9.0%	9.0%
PBT margin (%)	10.6%	9.2%	6.9%	8.5%	8.5%
PAT margin (%)	8.0%	6.3%	5.0%	6.3%	6.3%
NP margin (%)	7.7%	6.4%	4.9%	6.2%	6.2%
CNP margin (%)	6.6%	6.8%	4.9%	6.2%	6.2%
ROE (%)	8.9%	9.8%	6.7%	8.3%	8.2%
ROA (%)	5.8%	5.8%	4.1%	5.4%	5.5%
Gearing (%)	19.3%	27.7%	25.3%	20.0%	15.2%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY26F
Core EPS (RM)	0.021
P/E multiple (x)	20.0
Fair Value (RM)	0.42
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.42

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	80.8	78.7	82.2	85.5	89.3
Receivables	69.3	85.8	87.1	90.0	93.1
Inventories	35.2	30.7	31.5	32.2	33.4
Other current assets	23.6	22.9	22.6	22.6	22.6
Total Current Assets	208.9	218.1	223.5	230.2	238.3
Fixed Assets	45.0	73.7	77.8	76.5	75.3
Intangibles	10.5	10.3	10.3	10.3	10.3
Other non-current assets	11.5	12.0	8.7	8.7	8.7
Total Non-current assets	66.9	96.0	96.8	95.4	94.3
Short-term Debt	16.7	17.7	15.9	11.9	7.9
Payables	43.3	51.3	52.2	53.2	55.2
Other Current Liabilities	15.5	17.4	17.2	17.2	17.2
Total Current Liabilities	75.5	86.4	85.4	82.4	80.4
Long-term Debt	17.7	34.4	34.1	30.1	26.1
Other non-current liabilities	4.2	5.3	3.1	3.1	3.1
Total Non-current Liabilities	22.0	39.7	37.2	33.2	29.2
Shareholder's equity	174.1	184.1	193.4	205.6	218.3
Minority interest	4.3	3.9	4.3	4.5	4.7
Equity	178.4	188.0	197.7	210.1	223.0

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	25.6	25.6	18.7	23.8	24.8
Depreciation & amortisation	5.2	6.4	9.2	9.3	9.2
Changes in working capital	17.8	-3.6	-0.4	-2.5	-2.3
Income tax paid	-5.8	-6.1	-5.1	-6.2	-6.5
Others	-33.8	2.4	0.0	0.0	0.0
Operating cash flow	8.8	24.3	22.5	24.5	25.3
Net capex	-6.3	-15.4	-10.0	-8.0	-8.0
Others	-8.5	0.7	0.0	0.0	0.0
Investing cash flow	-5.5	-14.8	-10.0	-8.0	-8.0
Dividends paid	-4.4	-6.3	-4.0	-5.2	-5.5
Borrowings	9.3	-2.0	-5.0	-8.0	-8.0
Others	0.0	-2.8	0.0	0.0	0.0
Financing cash flow	2.4	-11.1	-9.0	-13.2	-13.5
Net cash flow	5.7	-1.5	3.5	3.2	3.8
Forex	0.9	-1.6	0.0	0.0	0.0
Beginning cash	70.9	80.7	77.6	81.1	84.3
Ending cash	80.7	77.6	81.1	84.3	88.1
Bank overdraft	0.1	1.1	1.1	1.1	1.1
Cash and Bank balance	80.8	78.7	82.2	85.5	89.3

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Disclosed Scope 1, 2, and 3 GHG emissions (17,678 tCO ₂ e in total); 19% YoY emission reduction achieved; Board-led oversight under Sustainability Steering Committee (SSC); aligned with TCFD and IFRS S2 frameworks.
Waste & Effluent	★★★	Waste segregation, recycling stations, and education programs implemented; 10.41 tonnes total waste generated, of which 9.42 tonnes disposed and 0.99 tonnes recycled; zero environmental fines.
Energy	★★★	Reduced electricity use by 21.5% yoy; installed solar panels generating 254,762 kWh; inverter air-conditioning, LED lighting, and energy conservation culture in place.
Water	★★★	Water usage reduced by 11.2%; rainwater harvesting system installed; no industrial discharge; zero non-compliance incidents.
Compliance	★★★	ISO 14001 certified; fully compliant with regulations; no environmental penalties reported.

Social

Diversity	★★★	Gender diversity across the workforce; policies promoting inclusivity and equal opportunities.
Human Rights	★★★	Adherence to ethical labor practices with a focus on non-discrimination and fair employment policies.
Occupational Safety and Health	★★★	Zero fatalities and lost-time injuries; 228 staff trained in safety; Emergency Response Team of 42 trained members; comprehensive OHSE policy in place
Labour Practices	★★★	12,429 training hours conducted; ESOS and flexible benefits in place; low staff turnover; no temporary or contract staff

Governance

CSR Strategy	★★★	RM13,950 in community sponsorships; 700 beneficiaries; 81 employee volunteers; blood donation drives and inclusive sports programs.
Management	★★★	SSC oversees ESG; regular board updates; climate risks embedded in investment decisions and KPIs; committed to continuous disclosure alignment.
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

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of **Wednesday, 19 Nov, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.