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Recommendation:	BUY
Current Price:	RM0.395
Previous Target Price:	RM0.42
Target Price:	↑ RM0.48
Capital Upside/ Downside:	21.5%
Dividend Yield (%):	1.9%
Total Upside/ Downside	23.4%

Stock information

Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	0196 / QES MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	832.8
Market Cap (RM' m)	328.9
52-Week Price Range (RM)	0.52-0.34
Beta (x)	1.3
Free float (%)	41.8
3M Average Volume (m)	1.6
3M Average Value (RM' m)	0.6

Top 3 Shareholders (%)

Wa Capital Sdn Bhd	26.2
Liew Soo Keang	22.9
Chew Ne Weng	4.3

Share Price Performance



	1M	3M	12M
Absolute (%)	-10.2	-2.5	-15.1
Relative (%)	-8.7	-9.4	-22.6

Earnings summary

FYE (Dec)	FY25	FY26F	FY26F
Revenue (RM'm)	266.8	284.7	294.4
PATAMI (RM'm)	16.3	19.8	22.2
CNP (RM'm)	17.2	19.8	22.2
EPS - core (sen)	2.1	2.4	2.7
P/E(x)	19.2	16.6	14.9

Source: Company, Apex Securities

QES Group Berhad

Backloaded 4Q Performance Drives Earnings Beat

- QES reported 4Q25 core net profit of RM7.0m (+132% QoQ, +46% YoY), bringing its FY25's sum to RM17.2m (-6.6% YoY) – surpassing both our (129%) and street (114%) forecasts.
- Core earnings more than doubled QoQ, boosted by (i) stronger PBT contribution from Equipment distribution (+50%; likely stemmed from higher sales volume and better product mix) and (ii) narrowed loss before tax from Manufacturing segment (-70%; possibly arising from lumpy order deliveries of optical inspection systems for its key medtech customer).
- Raise our FY26/27F forecasts by 14%/22% after factoring in a higher GP margin assumption and upgrade to BUY rating (from HOLD) with a higher TP of RM0.48, based on an unchanged PE multiple of 20x FY26F EPS.

Earnings beat. QES reported 4Q25 core net profit of RM7.0m (+132% QoQ, +46% YoY), bringing its FY25's sum to RM17.2m (-6.6% YoY) – surpassing both our (129%) and street (114%) FY25F forecasts. The outperformance stemmed from better-than-expected contribution from both Equipment and Manufacturing divisions. 4Q25 results were arrived after adjusting for gain on disposal of PPE (-RM1.2m), gain on short-term investments (-RM0.2m), reversal of inventories written off (-0.4m), forex loss (RM1.8m), among others.

QoQ. Core earnings more than doubled (+132%), boosted by (i) stronger PBT contribution from Equipment distribution (+50%; likely stemmed from higher sales volume and better product mix) and (ii) narrowed pre-tax losses from Manufacturing segment (-70%; possibly arising from increased order deliveries of optical inspection systems for its key medtech customer).

YoY. Core bottom-line profit surged 46%, driven by a 47% increase in PBT within the Equipment segment, underpinned by a superior product mix and robust sales deliveries. However, this growth was partially offset by a 50% contraction in Manufacturing revenue. The decline, coupled with higher overhead expenses from the newly commissioned Batu Kawan plant and subdued sales volumes for automated handling systems, resulted in the Manufacturing segment slipping into a pre-tax loss of RM0.6m (vs PBT of RM3.5m in 4QFY24).

YTD. Despite higher pre-tax profit from its Equipment business (+42%), the group's core net profit shrunk by 7% as Manufacturing division slipped into pre-tax loss of RM8.1m (FY24: PBT of RM2.9m) due to higher cost base stemmed from the newly commissioned Batu Kawan plant coupled with weaker sales of automated handling system solutions.

Outlook. We expect a moderate improvement in sales volume for Distribution segment in FY26, backed by a demand upcycle for semiconductor back-end equipment and HDD-related components, alongside a gradual recovery in the automotive market. We also anticipate losses in the Manufacturing segment to narrow in FY26, driven by improving utilization rates at the new Batu Kawan plant, given the positive traction from new test handler equipment for a key MedTech customer. Nonetheless, the group's margin trajectory may be tempered by forex headwinds stemming from the appreciation of the RM against the USD.

Earnings Revision. We increase our FY26/27F forecasts by 14%/22% after factoring in a higher GP margin assumption for Distribution and Manufacturing segments.

Valuation. Post earnings adjustments, we upgrade to **BUY** rating (from HOLD) with a higher TP of **RM0.48**, based on an unchanged PE multiple of 20x FY26F EPS 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).

Results Note

Friday, 27 Feb, 2026

Results Comparison

FYE Dec (RM m)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	12MFY25	12MFY24	yoy (%)
Revenue	75.2	86.8	(13.4)	68.5	9.7	266.8	269.6	(1.0)
Gross Profit	20.3	21.3	(4.7)	15.4	31.7	66.8	68.1	(1.9)
Pre-tax profit	9.1	10.3	(12.0)	5.1	76.7	21.9	24.7	(11.2)
Net profit	7.3	7.2	1.3	3.7	96.8	16.4	17.3	(5.4)
Core net profit	7.0	4.8	46.1	3.0	131.5	17.2	18.4	(6.6)
Core EPS (sen)	0.8	0.6	46.1	0.4	131.5	2.1	2.2	(6.6)
GP margin (%)	27.1	24.6		22.5		25.0	25.3	
PBT margin (%)	12.1	11.9		7.5		8.2	9.2	
Core net profit margin (%)	9.3	5.5		4.4		6.4	6.8	

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	4QFY25	4QFY24	yoy (%)	3QFY25	qoq (%)	12MFY25	12MFY24	yoy (%)
Revenue								
Equipment	60.4	57.9	4.4	55.4	9.1	218.3	198.7	9.9
Materials & Engineering Solutions	4.9	8.8	(44.7)	4.3	12.6	18.0	28.5	(37.1)
Manufacturing	9.9	20.1	(50.7)	8.8	12.5	30.6	42.3	(27.8)
Total	75.2	86.8	(13.4)	68.5	9.7	266.8	269.6	(1.0)
Profit before tax								
Equipment	10.9	7.4	46.7	7.2	50.7	32.0	22.5	42.2
Materials & Engineering Solutions	(0.4)	0.4	nm	(0.2)	75.9	(1.1)	0.9	nm
Manufacturing	(0.6)	3.5	nm	(1.9)	(69.6)	(8.1)	2.9	nm
Total	9.9	11.3	(11.8)	5.1	94.8	22.9	26.3	(13.1)
PBT margin (%)								
Equipment	18.1%	12.9%		13.1%		14.7%	11.3%	
Materials & Engineering Solutions	-8.1%	4.1%		-5.2%		-5.9%	3.0%	
Manufacturing	-5.9%	17.2%		-21.8%		-26.5%	7.0%	
Aggregate Total	13.2%	13.0%		7.4%		8.6%	9.8%	

Source: Company, Apex Securities

Earnings Summary

FYE Sep (RM m)	FY23	FY24	FY25	FY26F	FY27F
Revenue	240.7	269.6	266.8	284.7	294.4
Gross Profit	60.9	68.1	66.8	74.0	78.0
Pre-tax profit	25.6	24.7	22.0	27.0	30.2
Net profit	18.5	17.3	16.3	19.8	22.2
Core net profit	15.9	18.4	17.2	19.8	22.2
Core EPS (sen)	19	2.2	2.1	2.4	2.7
P/E (x)	17.8	19.0	19.2	16.6	14.9
P/B (x)	18	18	17	16	15
Dividend Yield (%)	2.5%	14%	19%	18%	2.0%
Net Gearing (%)	Net Cash				

Source: Company, Apex Securities

Results Note

Friday, 27 Feb, 2026

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

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As of Friday, 27 Feb, 2026, 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.