

Research Team

(603) 7890 8888

[research\\_dept@apexsecurities.com.my](mailto:research_dept@apexsecurities.com.my)

<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM0.375
Previous Target Price:	RM0.48
Target Price:	↔ RM0.48
Capital Upside/ Downside:	28.0%
Dividend Yield (%):	2.0%
<b>Total Upside/ Downside</b>	<b>30.0%</b>

**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)	312.3
52-Week Price Range (RM)	0.52-0.34
Beta (x)	1.3
Free float (%)	41.8
3M Average Volume (m)	1.3
3M Average Value (RM' m)	0.5

**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 (%)	-5.1	-3.8	-20.2
Relative (%)	-2.6	-7.0	-28.1

**Earnings summary**

FYE (Dec)	FY25	FY26F	FY27F
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	16.0	14.3

Source: Company, Apex Securities

# QES Group Berhad

## Post-Site Visit Takeaways

### Executive Summary

- We recently conducted a post-results site visit to QES Group's Shah Alam (Glenmarie) facility, gathering updates on utilisation, orderbook, and strategic initiatives.
- Key takeaways: orderbook recovered to RM110m with Manufacturing dominated by MedTech OIS orders (~RM23m); Glenmarie at ~60% utilisation (peak ~90%) with early semiconductor recovery signs; Batu Kawan at ~30% utilisation; and China partnerships underway expected to absorb ~40% of BKIP capacity with expected FY27 revenue contribution.
- We maintain our BUY recommendation with an unchanged target price of RM0.48 based on 20.0x PER applied to FY26F EPS of 2.37 sen along with three-star ESG rating.

We came away from our site visit to QES Group's Shah Alam (Glenmarie) facility with a more constructive view of its prospects.

**Results Recap.** FY25 revenue remained relatively stable at **RM266.8m** (-1.0% YoY), as steady growth in Equipment Distribution (+12.2%) was offset by a sharp decline in Manufacturing AHS deliveries (-27.7% yoy). Core net profit (CNP) was **RM17.2m** (-6.6% YoY), significantly beating expectations, coming in at **129%** of our estimates and **114%** of consensus due to a record 4Q. 4QFY25 CNP surged to RM7.0m (+132% QoQ, +46% YoY), driven by a superior product mix in Equipment and narrowing Manufacturing losses (-RM0.6m). FY25 GP margin remained stable at 25.0%, though Manufacturing PBT fell to a loss of RM8.1m (FY24: RM2.9m PBT) following the commissioning of the Batu Kawan facility. The near-term outlook is becoming increasingly constructive, supported by robust equipment sales, continuous growth in MedTech-related manufacturing deliveries and narrowing losses from the Batu Kawan facility.

**Orderbook.** Total group orderbook as of **February 2026** stands at **RM110m** (Value Engineering: RM82m; Manufacturing: RM28m), recovering from the **RM86m** trough recorded in July 2025, with conversion timelines of 2–4 months and 3–4 months respectively. Critically, **~RM23m** of the Manufacturing orderbook relates to MedTech SMS orders, with only ~RM5m from semiconductor equipment: a marked shift from FY24 when AHS semiconductor orders dominated. Management expects MedTech momentum to continue following a recent customer qualification. The OIS series also acts as a natural cyclical hedge, with customers pivoting to lower-cost OIS products during semiconductor downturns. Any recovery in the bulkier AMS (advanced wafer metrology) series would represent further upside to our estimates.

**Plant Utilisation.** Shah Alam (Glenmarie) is running at ~60% utilisation, down from a peak of ~90%, driven by declining semiconductor IC demand. As the facility has no MedTech exposure, Glenmarie's recovery is closely tied to the semiconductor upcycle - management noted early signs of order recovery, which is encouraging. Batu Kawan (BKIP) is at **~30% utilisation** and expected to remain loss-making through FY26, representing the primary drag on Manufacturing earnings. The two plants serve clearly differentiated profiles with Glenmarie leveraged to the semi recovery and BKIP purpose-built for MedTech automated inspection, both plants should deliver meaningful operating leverage as utilisation improves.

**China Collaboration Strategy.** Management is in active discussions with Chinese equipment companies for project-based manufacturing collaborations, a "China Plus One" strategy leveraging QES's ASEAN footprint to bring Chinese equipment technology into Southeast Asian semiconductor markets. One partner is particularly noteworthy, specialising in advanced packaging equipment, a higher-specification and faster-growing segment driven by AI chip demand. A successful collaboration would represent a meaningful step-up in QES's product positioning. The collaborations start at smaller scales before scaling up. Once materialised, management expects these projects to utilise approximately **40% of BKIP's capacity**, which would be transformative for utilisation and a key

catalyst toward Manufacturing profitability. Revenue contribution is expected in FY27, and we treat this as upside optionality not modelled in our base case.

**Value Engineering Division.** The Value Engineering division (formerly Distribution) remains the earnings backbone of QES. FY25 revenue grew 3.9% YoY to RM236.2m, with ASEAN revenues surging 28.7% to RM159.2m (59.7% of group revenue, up from 45.8%), reducing reliance on the Malaysia semiconductor market which fell 28.3% YoY. ASEAN growth was broad-based: Philippines +97.6%, Thailand +33.6%, Singapore +30.7%, and Indonesia +20.0%. Within the division, QS Instruments (QSI) focuses on test, inspection and measurement equipment for segments like automotive, metal, and palm oil industries remains a standout performer, holding approximately 70% domestic market share across all three sectors. The segment generates high-quality recurring income from maintenance and spare parts providing counter-cyclical resilience. Group-wide, equipment gross margin expanded to approximately **30%** in 4QFY25 on a favourable mix shift, with recurring income at approximately **RM61.7m** (c.23% of group revenue), underpinned by over **17,480** installed units (c.7,000 active) — expected to surpass **18,000** by end-FY26. The 'Value Engineering' rebrand reflects management's intent to deepen customised automation solutions, supportive of further margin expansion.

**Forex and Logistics.** Approximately **30%** of FY25 group revenue (~RM80m) was USD-denominated. Based on **USD/MYR 3.95**, management's sensitivity analysis suggests FY26 revenue of approximately **RM292–300m**, broadly consistent with our FY26F estimate of **RM284.7m** and underpinning our FY26F PATMI forecast of **RM19.8m**. On FX risk, QES benefits from natural hedging as a portion of its cost base is also USD-denominated, with the finance team managing residual exposure through financial instruments. Separately, not all customer orders are on FOB terms, and negotiations are underway to revise shipping arrangements given elevated geopolitical risks from the Iran conflict and Red Sea freight uncertainty.

**Earnings maintained.** We make no changes to our earnings forecasts following the site visit, having already raised our FY26/27F CNP estimates **14%/22% to RM19.8m/RM22.2m** in our post-results note dated 27 February 2026. The site visit takeaways are broadly consistent with our existing assumptions, and we remain comfortable with our FY26F CNP margin estimate of 7.0% and FY27F of 7.5%.

**Valuation & Recommendation.** We maintain our **BUY** recommendation and unchanged target price of **RM0.48**, based on 20x FY26F EPS of **2.37 sen** with no ESG premium. The ascribed multiple represents +0.5 standard deviations above QES's five-year mean PER, at a discount to the average FY26F PE of 34.7x among ATE peers (MI, ViTrox, Pentamaster, Greatech), which we believe is appropriate given QES's smaller scale and still-developing Manufacturing franchise. At current prices, the stock trades at 17.0x FY26F and 13.9x FY27F earnings, with total upside of **30%** including a **2.0%** dividend yield. Re-rating catalysts over the next **12–18** months include Manufacturing turning profitable, initial China collaboration revenue deliveries in FY27, and continued ASEAN Value Engineering momentum.

**Figure 1: Results Comparison**

**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: Apex Securities, Company

**Figure 2: Orderbook Snapshot – Feb 2026**

Division	Feb-26 Orderbook (RM m)	Delivery Timeline	Commentary
Value Engineering (Distribution)	RM 82m	2–4 months	Semiconductor customers recovering; automotive/metal resilient
Manufacturing	RM 28m	3–4 months	~RM23m MedTech (SMS); ~RM5m semiconductor
<b>Total Group</b>	<b>RM 110m</b>	<b>–</b>	<b>Up from RM86m in Jul-25; recovering trend</b>

Source: Apex Securities, Company

**Figure 3: Manufacturing Plants Overview**

Facility	Location	Utilisation Rate	Commentary
Shah Alam HQ (Glenmarie)	Shah Alam, Selangor	~60%	Primary manufacturing hub; semiconductor IC exposure declining; peak utilisation ~90%; recovery dependent on semicon upcycle
Batu Kawan (BKIP)	Penang, Malaysia	~30%	CCC received Sep-25; MedTech SMS ramp underway; still loss-making in FY26

Source: Apex Securities, Company

**Figure 4: Value Engineering Division Metrics**

Metric	FY24	FY25	Change	Commentary
Division Revenue (RM m)	227.3	236.2	+3.9%	Renamed from Distribution to Value Engineering
ASEAN Revenue (RM m)	123.7	159.2	+28.7%	Now 59.7% of group (FY24: 45.8%)
Malaysia Revenue (RM m)	134.5	96.4	-28.3%	Semiconductor IC decline; still largest single market
Equipment GP Margin	~24%	~30%	+~6pp	4QFY25 exit rate; mix shift to higher-spec equipment
Recurring Income (RM m)	58.8	61.7	+4.9%	~23% of group revenue; spare parts & maintenance
Installed Base (units)	16,036	17,480	+8.9%	~7,000 active units generating recurring revenue
QSI Domestic Market Share	–	~70%	–	Eg : Automotive, metal & palm oil sectors

Source: Apex Securities, Company

**Figure 5: WPS3800 – Wafer Packing System Equipment**



Source: Apex Securities, Company

**Figure 6: PWB200V – Post Wire Bonding Equipment**



Source: Apex Securities, Company

**Figure 7: Peer Comparison**

Stock	Mkt Cap	Price	Rating	TP (RM)	Potential upside	FYE	P/E (x)		P/B (x)		Yield (%)	
							FY26	FY27	FY26	FY27	FY26	FY27
QES Group	312	0.38	BUY	0.48	26.3%	DEC	17.0	13.9	1.7	1.3	1.6%	1.9%
<b>Equipment Peers</b>												
ViTrox Corp	8,122	4.29	BUY	5.30	23.5%	DEC	42.9	36.1	6.4	5.7	0.6%	0.7%
Greatech	4,576	1.82	NR	NR	NA	DEC	26.0	22.8	3.8	3.4	0.1%	0.2%
Pentamaster	2,049	2.88	NR	NR	NA	DEC	25.0	20.6	2.4	2.2	0.8%	0.8%
THMY Group*	884	1.00	NR	NR	NA	MAR	58.5	41.5	12.4	10.0	NA	NA
Mi Technovation	2,515	2.84	BUY	4.20	47.9%	DEC	20.9	18.9	2.3	2.1	1.8%	2.0%
<b>Simple Average</b>							<b>34.7</b>	<b>28.0</b>	<b>5.5</b>	<b>4.7</b>	<b>0.8%</b>	<b>0.9%</b>

\*refers to FY27 & FY28

Source: Apex Securities, Company

\*refers to FY27 & FY28

## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Revenue	240.7	269.6	272.7	284.7	294.4
Gross Profit	60.9	68.1	65.4	74.0	78.0
Operating profit	26.6	26.2	20.3	28.4	31.5
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	27.0	30.2
Tax	-6.4	-7.6	-5.1	-7.0	-7.9
Profit After Tax	19.2	17.1	13.7	20.0	22.4
Minority Interest	0.7	-0.2	0.4	0.2	0.2
Net Profit	18.5	17.3	13.3	19.8	22.2
Exceptionals	-2.5	1.1	0.0	0.0	0.0
Core Net Profit	15.9	18.4	13.3	19.8	22.2

### Key Ratios

FYE Dec	FY23	FY24	FY25	FY26F	FY27F
Core EPS (sen)	2.2	2.1	1.6	2.4	2.7
P/E (x)	17.2	18.3	23.9	16.0	14.3
P/B (x)	1.8	1.7	1.6	1.5	1.4
DPS (sen)	1.0	0.6	0.8	0.7	0.8
Dividend Yield (%)	2.6%	1.4%	2.0%	1.9%	2.1%
GP margin (%)	25.3%	25.3%	24.0%	26.0%	26.5%
Operating margin (%)	11.1%	9.7%	7.4%	10.0%	10.7%
PBT margin (%)	10.6%	9.2%	6.9%	9.5%	10.3%
PAT margin (%)	8.0%	6.3%	5.0%	7.0%	7.6%
NP margin (%)	7.7%	6.4%	4.9%	7.0%	7.5%
CNP margin (%)	6.6%	6.8%	4.9%	7.0%	7.5%
ROE (%)	8.9%	9.8%	6.8%	9.5%	9.8%
ROA (%)	5.8%	5.8%	4.2%	6.1%	6.6%
Gearing (%)	19.3%	27.7%	25.6%	20.0%	15.1%
Net gearing (%)	Net Cash				

### Valuations

	FY26F
Core EPS (RM)	0.024
P/E multiple (x)	20.0
Fair Value (RM)	0.48
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.48

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Cash	80.8	78.7	79.9	83.8	90.2
Receivables	69.3	85.8	87.1	90.9	94.0
Inventories	35.2	30.7	31.5	32.1	32.9
Other current assets	23.6	22.9	22.6	22.6	22.6
Total Current Assets	208.9	218.1	221.2	229.5	239.8
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	53.1	54.5
Other Current Liabilities	15.5	17.4	17.2	17.2	17.2
Total Current Liabilities	75.5	86.4	85.4	82.2	79.7
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	191.1	205.0	220.5
Minority interest	4.3	3.9	4.3	4.5	4.7
Equity	178.4	188.0	195.4	209.5	225.2

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25	FY26F	FY27F
Pre-tax profit	25.6	25.6	18.7	27.0	30.2
Depreciation & amortisation	5.2	6.4	9.2	9.3	9.2
Changes in working capital	17.8	-3.6	-0.4	-3.5	-2.5
Income tax paid	-5.8	-6.1	-5.1	-7.0	-7.9
Others	-33.8	2.4	0.0	0.0	0.0
Operating cash flow	8.8	24.3	22.5	25.9	29.0
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	-6.3	-5.9	-6.6
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	-11.3	-13.9	-14.6
Net cash flow	5.7	-1.5	1.2	3.9	6.3
Forex	0.9	-1.6	0.0	0.0	0.0
Beginning cash	70.9	80.7	77.6	78.8	82.7
Ending cash	80.7	77.6	78.8	82.7	89.1
Bank overdraft	0.1	1.1	1.1	1.1	1.1
Cash and Bank balance	80.8	78.7	79.9	83.8	90.2

## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★★	Disclosed Scope 1, 2, and 3 GHG emissions (17,678 tCO <sub>2</sub> 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

### 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 **Tuesday, 17 Mar, 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.