

Research Team

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Recommendation:	↓	HOLD
Current Price:		RM0.505
Previous Target Price:		RM0.48
Target Price:	↑	RM0.54
Capital Upside/Downside:		6.9%
Dividend Yield (%):		1.4%
Total Upside/Downside		8.3%

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)	420.5
52-Week Price Range (RM)	0.52-0.34
Beta (x)	1.2
Free float (%)	41.8
3M Average Volume (m)	1.4
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 (%)	13.5	23.2	31.2
Relative (%)	14.0	25.7	17.6

Earnings summary

FYE (Dec)	FY26F	FY27F	FY28F
Revenue (RM'm)	266.8	294.4	304.6
PATAMI (RM'm)	16.3	22.2	23.2
CNP (RM'm)	17.2	22.2	23.2
EPS - core (sen)	2.1	2.7	2.8
P/E(x)	21.3	19.0	18.1

Source: Company, Apex Securities

QES Group Berhad

Quiet Q1 But Loud Catalysts Ahead

- QES reported 1QFY26 core net profit of RM3.6m (+201% YoY, -49% QoQ), at 18% of both our and consensus FY26F forecasts. Results are broadly in line given QES's H2-weighted earnings profile and seasonally softer Q1 from festive periods, with stronger quarters ahead supported by a 36% rise in contract liabilities.
- Post-results engagement yielded constructive takeaways: orderbook rose 11% to RM122m as at end-April, with manufacturing semiconductor orders surging to RM20m (from RM5m in Feb); two MOUs with Chinese equipment partners were signed in May; and Glenmarie utilisation improved to 65-70%. Management guided a ~RM300m revenue trajectory for FY26.
- We maintain FY26/27F core earnings forecasts of RM19.8m/RM22.2m on a conservative basis but acknowledge meaningful upside risk. Roll forward valuation to FY27F EPS and raise TP to RM0.54 (from RM0.48) on unchanged 20x PE. Downgrade to HOLD (from BUY) following the share price run-up to RM0.505, narrowing total upside to 8.3%.

Broadly in Line. QES reported 1QFY26 core net profit of RM3.6m, representing 18% of both our and consensus forecast. Although below the 25% quarterly run-rate, we deem results to be broadly in line given (i) QES's typical H2-weighted earnings profile (1QFY25 contributed just 9% of FY25 core NP) and (ii) Q1 being a seasonally softer quarter due to fewer working days from the Chinese New Year and Hari Raya festive periods. We also expect stronger earnings contribution in subsequent quarters, underpinned by the 36% increase in contract liabilities to RM23.2m, which reflects advance customer payments ahead of scheduled deliveries. Core results were arrived at after adjusting for gain on disposal of PPE (-RM0.2m), gain on short-term investments (-RM0.3m), inventories written back (-RM0.1m), unrealised forex loss (+RM0.4m), and net loss on impairment of financial instruments (+RM0.1m).

QoQ. Revenue and core net profit declined 23% and 49% QoQ to RM58.3m and RM3.6m respectively from the seasonally strong 4QFY25 (RM75.2m), with the decrease attributable to lower revenue from both Value Engineering (-RM14.1m) and Manufacturing (-RM2.8m). The QoQ softness is consistent with QES's lumpy revenue recognition pattern and fewer working days during the CNY and Hari Raya festive periods. Equipment revenue fell 21% to RM47.9m on lower product deliveries, while manufacturing eased 28% to RM7.1m as 4QFY25 had benefited from an outsized quantum of OIS deliveries to its key MedTech customer. Despite the revenue decline, GP margin held steady at 27.0% (4QFY25: 27.1%), suggesting a resilient product mix. PBT fell 40% to RM5.4m, in line with lower revenue and gross profit, though partially cushioned by lower foreign exchange losses. At the segment level, Equipment PBT declined 29% to RM7.7m, while Manufacturing losses widened to -RM1.5m from -RM0.6m in 4QFY25, reflecting normalisation of delivery volumes following the preceding quarter's elevated run-rate.

YoY. Revenue and core net profit surged 27% and 201% YoY to RM58.3m and RM3.6m respectively, driven by broad-based growth across both Value Engineering (+21%) and Manufacturing (+111%). Within Value Engineering, Equipment revenue rose 26% to RM47.9m, underpinned by stronger product deliveries and continued ASEAN momentum, particularly Thailand (+96%) and Singapore (+240%). Services and spare parts revenue dipped 8% to RM13.5m, though remains a resilient recurring income stream supported by the group's c.17.5k unit installed base. Manufacturing revenue more than doubled to RM7.1m on higher OIS and SMS deliveries to MedTech customers. GP margin expanded 260bp to 27.0% (1QFY25: 24.4%) on a favourable product mix, with Equipment gross margins sustaining at approximately 30% following a shift toward higher-specification products. At the segment level, Equipment PBT rose 44% to RM7.7m, while Manufacturing losses narrowed 61% to -RM1.5m (1QFY25: -RM3.9m), reflecting improving utilisation and MedTech traction. Materials & Engineering Solutions slipped into a PBT loss of -RM0.4m (1QFY25: breakeven) likely on lower project-based deliveries.

Balance Sheet. Net cash strengthened to RM64.1m (31 Dec 2025: RM52.4m), comprising RM103.4m cash and RM22.6m fixed deposits, net of RM61.9m borrowings. Receivables fell 19% to RM60.2m (efficient collections). Contract liabilities rose 36% to RM23.2m, signalling forward order visibility. Inventories increased 29% to RM40.2m, reflecting pre-staging for deliveries.

Cashflow. Cash rose RM12.7m to RM103.4m despite paying RM6.2m in dividends. The favourable cash generation was underpinned by a RM13.8m reduction in trade receivables and RM6.2m increase in contract liabilities from advance customer payments, partly offset by a RM9.0m inventory build-up ahead of scheduled deliveries. Net borrowings were broadly stable at RM61.9m (31 Dec 2025: RM60.6m).

Outlook. The near-term outlook has turned more constructive following our post-results engagement with management. Total group orderbook as at end-April 2026 stood at RM122m (Value Engineering: RM85m; Manufacturing: RM37m), up 11% from RM110m in February 2026. Notably, the Manufacturing orderbook composition has shifted materially, with semiconductor orders now at RM20m (vs RM5m in Feb 2026) and MedTech at RM17m - signalling that the long-awaited semiconductor equipment recovery is gaining traction. Two MOUs with Chinese equipment partners were signed in May 2026, a significant milestone for the China +1 collaboration strategy, though BKIP breakeven is now expected in FY27/28 as renovations to meet partners' specifications will require time. Glenmarie utilisation has improved to 65-70% (from ~60% in March), further corroborating the semiconductor recovery thesis. On Value Engineering, management is optimistic on improving semiconductor conditions and growing exposure to full automation projects, with good orders secured from ASEAN and India, the latter representing a new geographic growth vector. Management expressed comfort with a revenue trajectory of approximately RM300m for FY26, above our estimate of RM284.7m.

Forecasts. We make no changes to our FY26/27F core earnings forecasts of RM19.8m/RM22.2m. While management's commentary was constructive with a stronger orderbook of RM122m, revenue trajectory of ~RM300m, and signed China MOUs, we prefer to maintain a conservative stance given that (i) 1QFY26 core NP of RM3.6m came in below the 25% quarterly run-rate, reflecting some execution risk; and (ii) BKIP breakeven has been pushed out slightly to FY27/28, as renovations and build-up to meet China partners' specifications will require time. That said, we acknowledge meaningful upside risk to our forecasts, particularly if the semiconductor order recovery sustains (manufacturing semiconductor backlog surged to RM20m from RM5m in Feb), Glenmarie utilisation continues improving beyond 65-70%, and the China collaborations materialise on schedule.

Valuation. We roll forward our valuation basis to FY27F and raise our **TP to RM0.54** (from RM0.48), based on an unchanged 20x PE multiple applied to FY27F EPS of 2.66 sen. The roll-forward is justified by improved earnings visibility following the orderbook recovery, signed China MOUs, and early signs of semiconductor upcycle. However, following the recent share price run-up to RM0.505 (from RM0.375 at the time of our prior report), we downgrade our recommendation to HOLD (from BUY), as total upside narrows to 8.3% (comprising 6.9% capital upside and 1.4% dividend yield). At current prices, the stock trades at 21.3x FY26F and 19.0x FY27F core PE. While we remain positive on QES's medium-term prospects underpinned by the China MOU signings, recovering semiconductor orderbook, and improving Glenmarie utilisation - we believe much of the near-term upside is now reflected in the share price. **Re-rating catalysts that could warrant a re-upgrade include** Manufacturing turning profitable (FY27/28), strong Q2-2H26 recovery, initial China collaboration revenue (FY27), continued ASEAN and India order momentum, and further semiconductor upcycle-driven utilisation improvement.

Results Note

Monday, 25 May, 2026

Earnings Summary

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	269.6	272.7	266.8	294.4	304.6
Gross Profit	68.1	65.4	66.8	78.0	80.7
Pre-tax profit	24.7	18.7	22.0	30.2	316
Net profit	17.3	13.3	16.3	22.2	23.2
Core net profit	18.4	13.3	17.2	22.2	23.2
Core EPS (sen)	2.2	16	2.1	2.7	2.8
P/E (x)	24.3	318	213	19.0	18.1
P/B (x)	2.2	2.2	2.0	19	1.7
Dividend Yield (%)	14%	19%	18%	2.0%	2.1%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

Results Comparison

FYE Dec (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	3MFY26	3MFY25	yoy (%)
Revenue	58.3	45.8	27.3	75.2	(22.5)	58.3	45.8	27.3
Gross Profit	15.7	11.2	40.9	20.3	(22.7)	15.7	11.2	40.9
Pre-tax profit	5.4	1.5	267.7	9.1	(40.2)	5.4	1.5	267.7
Net profit	3.7	0.9	303.8	7.3	(49.4)	3.7	0.9	303.8
Core net profit	3.6	1.2	200.9	7.0	(48.6)	3.6	1.2	200.9
Core EPS (sen)	0.4	0.1	200.9	0.8	(48.6)	0.4	0.1	200.9
GP margin (%)	27.0	24.4		27.1		27.0	24.4	
PBT margin (%)	9.3	3.2		12.1		9.3	3.2	
Core net profit margin (%)	6.2	2.6		9.3		6.2	2.6	

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	3MFY26	3MFY25	yoy (%)
Revenue								
Equipment	47.9	37.9	26.4	60.4	(20.6)	47.9	37.9	26.4
Materials & Engineering Solutions	3.3	4.5	(27.6)	4.9	(33.5)	3.3	4.5	(27.6)
Manufacturing	7.1	3.4	110.7	9.9	(28.5)	7.1	3.4	110.7
Total	58.3	45.8	27.3	75.2	(22.5)	58.3	45.8	27.3
Profit before tax								
Equipment	7.7	5.4	43.7	10.9	(29.4)	7.7	5.4	43.7
Materials & Engineering Solutions	(0.4)	(0.0)	1,200.0	(0.4)	(7.6)	(0.4)	(0.0)	1,200.0
Manufacturing	(1.5)	(3.9)	nm	(0.6)	160.7	(1.5)	(3.9)	(61.3)
Total	5.8	1.4	313.3	9.9	(41.4)	5.8	1.4	313.3
PBT margin (%)								
Equipment	16.1%	14.1%		18.1%		16.1%	14.1%	
Materials & Engineering Solutions	-11.2%	-0.6%		-8.1%		-11.2%	-0.6%	
Manufacturing	-21.4%	-116.8%		-5.9%		-21.4%	-116.8%	
Aggregate Total	10.0%	3.1%		13.2%		10.0%	3.1%	

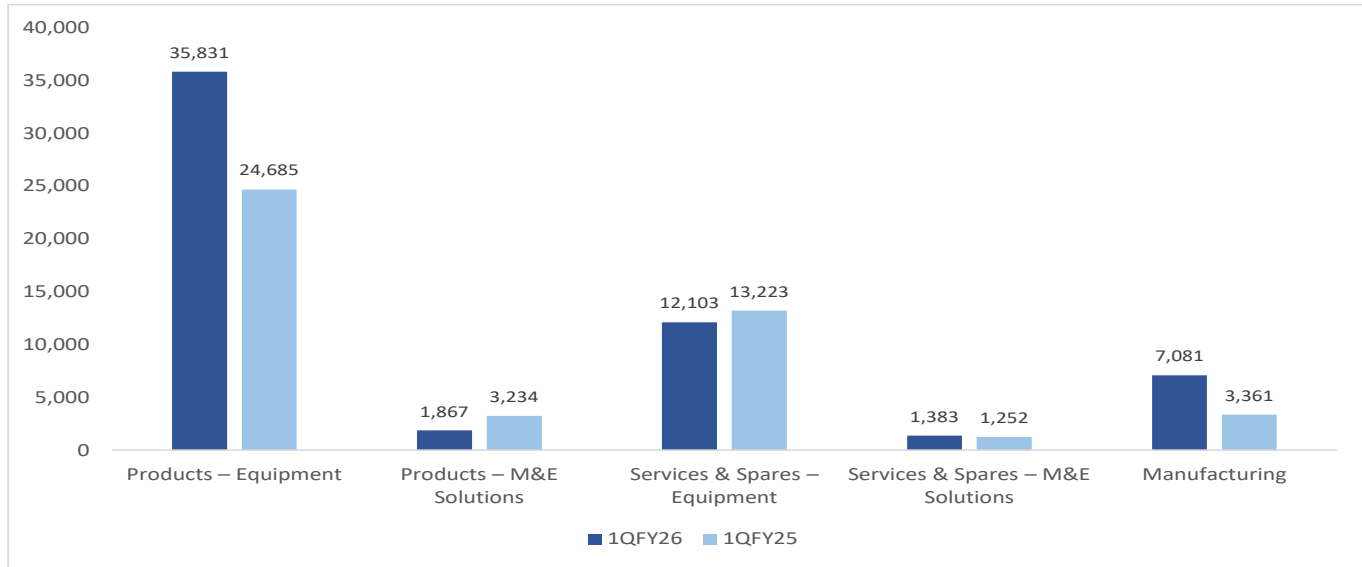
Source: Company, Apex Securities

Geographical Breakdown

FYE Dec (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	3MFY26	3MFY25	yoy (%)
Malaysia	21.4	17.5	22.1	27.8	(23.2)	21.4	17.5	22.1
Singapore	6.4	1.9	239.6	10.1	(36.5)	6.4	1.9	239.6
Vietnam	9.2	8.0	14.7	12.2	(24.9)	9.2	8.0	14.7
Philippines	6.4	7.2	(11.6)	8.6	(26.0)	6.4	7.2	(11.6)
Thailand	9.1	4.7	95.8	8.9	2.7	9.1	4.7	95.8
Indonesia	3.4	5.7	(41.3)	4.7	(28.6)	3.4	5.7	(41.3)
Other ASEAN	0.1	0.5	(88.0)	0.2	(70.1)	0.1	0.5	(88.0)
China	0.3	0.1	139.3	0.6	(44.2)	0.3	0.1	139.3
Others	2.0	0.1	2,058.5	2.0	0.7	2.0	0.1	2,058.5
Total	58.3	45.8	27.3	75.2	(22.5)	58.3	45.8	27.3

Source: Company, Apex Securities

Figure 1: Revenue by Segment 1QFY26 vs 1QFY25 (RM'000)



Source: Company, Apex Securities

Results Note

Monday, 25 May, 2026

Financial Highlights

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	269.6	272.7	284.7	294.4	304.6
Gross Profit	68.1	65.4	74.0	78.0	80.7
Operating profit	26.2	20.3	28.4	31.5	32.9
Finance costs	-1.1	-1.1	-1.0	-1.1	-1.1
Associates & JV	-0.5	-0.5	-0.4	-0.2	-0.2
Pre-tax Profit	24.7	18.7	27.0	30.2	31.6
Tax	-7.6	-5.1	-7.0	-7.9	-8.2
Profit After Tax	17.1	13.7	20.0	22.4	23.4
Minority Interest	-0.2	0.4	0.2	0.2	0.2
Net Profit	17.3	13.3	19.8	22.2	23.2
Exceptionals	1.1	0.0	0.0	0.0	0.0
Core Net Profit	18.4	13.3	19.8	22.2	23.2

Key Ratios

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Core EPS (sen)	2.1	1.6	2.4	2.7	2.8
P/E (x)	24.3	31.8	21.3	19.0	18.1
P/B (x)	2.2	2.2	2.0	1.9	1.7
DPS (sen)	0.6	0.8	0.7	0.8	0.8
Dividend Yield (%)	1.4%	1.9%	1.8%	2.0%	2.1%
GP margin (%)	25.3%	24.0%	26.0%	26.5%	26.5%
Operating margin (%)	9.7%	7.4%	10.0%	10.7%	10.8%
PBT margin (%)	9.2%	6.9%	9.5%	10.3%	10.4%
PAT margin (%)	6.3%	5.0%	7.0%	7.6%	7.7%
NP margin (%)	6.4%	4.9%	7.0%	7.5%	7.6%
CNP margin (%)	6.8%	4.9%	7.0%	7.5%	7.6%
ROE (%)	9.8%	6.8%	9.5%	9.8%	9.6%
ROA (%)	5.8%	4.2%	6.1%	6.6%	6.7%
Gearing (%)	29.3%	25.6%	20.0%	15.1%	10.8%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

	FY27F
Core EPS (RM)	0.027
P/E multiple (x)	20.0
Fair Value (RM)	0.54
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.54

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	78.7	79.9	83.8	90.2	97.2
Receivables	86.1	87.1	90.9	94.0	97.3
Inventories	30.7	31.5	32.1	32.9	34.1
Other current assets	22.6	22.6	22.6	22.6	22.6
Total Current Assets	218.1	221.2	229.5	239.8	251.2
Fixed Assets	77.1	77.8	76.5	75.3	74.3
Intangibles	10.3	10.3	10.3	10.3	10.3
Other non-current assets	8.7	8.7	8.7	8.7	8.7
Total Non-current assets	96.0	96.8	95.4	94.3	93.2
Short-term Debt	18.4	15.9	11.9	7.9	3.9
Payables	50.8	52.2	53.1	54.5	56.4
Other Current Liabilities	17.2	17.2	17.2	17.2	17.2
Total Current Liabilities	86.4	85.4	82.2	79.7	77.5
Long-term Debt	36.6	34.1	30.1	26.1	22.1
Other non-current liabilities	3.1	3.1	3.1	3.1	3.1
Total Non-current Liabilities	39.7	37.2	33.2	29.2	25.2
Shareholder's equity	184.1	191.1	205.0	220.5	236.8
Minority interest	3.9	4.3	4.5	4.7	4.9
Equity	188.0	195.4	209.5	225.2	241.7

Cash Flow

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	25.6	18.7	27.0	30.2	31.6
Depreciation & amortisation	6.4	9.2	9.3	9.2	9.0
Changes in working capital	-3.6	-0.4	-3.5	-2.5	-2.5
Income tax paid	-6.1	-5.1	-7.0	-7.9	-8.2
Others	2.4	0.0	0.0	0.0	0.0
Operating cash flow	24.3	22.5	25.9	29.0	30.0
Net capex	-15.4	-10.0	-8.0	-8.0	-8.0
Others	0.7	0.0	0.0	0.0	0.0
Investing cash flow	-14.8	-10.0	-8.0	-8.0	-8.0
Dividends paid	-6.3	-6.3	-5.9	-6.6	-7.0
Borrowings	-2.0	-5.0	-8.0	-8.0	-8.0
Others	-2.8	0.0	0.0	0.0	0.0
Financing cash flow	-11.1	-11.3	-13.9	-14.6	-15.0
Net cash flow	-1.5	1.2	3.9	6.3	7.0
Forex	-1.6	0.0	0.0	0.0	0.0
Beginning cash	80.7	77.6	78.8	82.7	89.1
Ending cash	77.6	78.8	82.7	89.1	96.1
Bank overdraft	1.1	1.1	1.1	1.1	1.1
Cash and Bank balance	78.7	79.9	83.8	90.2	97.2

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	★★★	Board: 6 directors — 33.33% women (2F/4M), ethnic mix 3 Malay / 2 Chinese / 1 Indian. 50% INEDs (3 of 6). Meets MCCC 30% female board target. Dr. Gunasegaran Muthusamy (appointed Jul 2024) and Pn. Wan Fatimah Suriani Binti Ibrahim (appointed Sep 2024) added as INEDs. Adnan redesignated NINEC (May 2024).
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	★★★	SC oversees ESG, chaired by GMD (designated sustainability person, Step Up Practice 4.5 Adopted); ARMC (renamed from AC, Sept 2024) with 3 INEDs; climate risks embedded in investment decisions and KPIs; sustainability KPIs in Key Management performance evaluation; ERM framework in place; 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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(a) nil.