

## Research Team

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<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM0.26
Previous Target Price:	RM0.48
Target Price:	↓ RM0.39
Capital Upside/Downside:	50.0%
Dividend Yield (%)	0.0%
<b>Total Upside/Downside</b>	<b>50.0%</b>

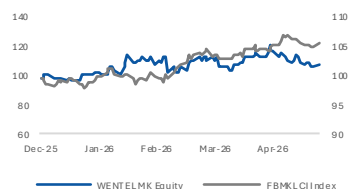
## Stock information

Board	ACE
Sector	Technology
Bursa / Bloomberg Code	0298 / WENTEL.MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	1,150.0
Market Cap (RM' m)	299.0
52-Week Price Range (RM)	0.36-0.215
Beta (x)	1.0
Freefloat (%)	22.4
3M Average Volume (m)	2.4
3M Average Value (RM' m)	0.6

## Top 3 Shareholders

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

## Share Price Performance



	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	2.0	2.0	-11.9
Relative (%)	2.7	3.9	-20.9

## Earnings summary

<b>FYE (Dec)</b>	<b>FY26F</b>	<b>FY27F</b>	<b>FY28F</b>
Revenue (RM'm)	151.3	169.6	185.8
PATAMI (RM'm)	19.0	22.2	24.2
CNP (RM'm)	19.0	22.2	24.2
EPS - core (sen)	1.6	1.9	2.1
P/E(x)	15.8	13.5	12.4

Source: Company, Apex Securities

## Wentel Engineering Holdings Berhad

## Margin squeeze on unfavourable product mix

- Wentel posted 1QFY26 core net profit of RM2.4m (-61% YoY, -65% QoQ), a significant miss at only 9% of our FY26F forecast of RM27.7m. The shortfall was driven by GP margin compression to 24.1% (1QFY25: 31.0%) from an unfavourable product mix skewed toward smaller-scale security machines, compounded by RM1.45m in realised forex losses.
- ETR rose to 26.2% (1QFY25: 24.5%) on non-recognition of deferred tax assets. Management guided that margins should improve from 2QFY26 on bigger-scale machine orders, while E&E order momentum is picking up.
- We slash FY26/27F core earnings by 31%/34% to RM19.0m/RM22.0m on lower margin assumptions and higher admin expenses. We also introduce FY28F earnings of RM24.2m and Maintain BUY with a lower TP of RM0.39 (from RM0.48), based on unchanged 20x PE multiple applied to rolled-forward FY27F EPS of 1.9 sen.

**Earnings Miss.** Wentel posted 1QFY26 core net profit of RM2.4m (-61% YoY, -65% QoQ), coming in at only 9% of our FY26F forecast of RM27.7m and 9% of consensus estimate of RM26.7m. 1QFY26 core earnings were arrived after excluding gain on disposal of PPE (RM0.07m) and unrealised forex gain (RM0.26m).

**QoQ.** Revenue fell 16.8% from the seasonally stronger 4QFY25, with declines across semi-finished products (-23.7%) and assembly (-9.1%), partially offset by a rebound in metal parts (+14.8% as E&E orders resumed). Core earnings plunged 65% QoQ as GP margin contracted sharply to 24.1% due to the smaller-scale product mix, compounded by a step-up in realised forex losses. The ETR also normalised to 26.2% versus an unusually low 5.7% in 4QFY25, which had benefited from deferred tax overprovision. Importantly, management guided that GP margins in 2QFY26 should improve from 1QFY26 levels, as the order book already reflects bigger-scale machine models from the E&E segment. E&E order momentum is also picking up - a positive signal for the metal parts segment, which is predominantly driven by E&E customers. Long-term, the Group maintains its target to grow E&E to 25-30% of revenue, which should be margin-accretive.

**YoY.** Revenue edged up 1.8% YoY to RM31.8m, supported by semi-finished metal products (+3.6% to RM22.9m; security screening demand) and assembly (+27.7% to RM2.0m), but offset by a decline in metal parts (-8.6% to RM6.9m; mainly E&E-related) on softer CNC machine orders. By customer mix, the security industry took a larger revenue share while CNC contribution was notably softer. Geographically, Malaysia grew 12.0% to RM24.0m (75.4% of revenue) while Singapore contracted 22.2% to RM7.3m, reflecting lower E&E and CNC order flow. The key profitability drag was GP margin compression from 31.0% to 24.1% (-690bps), driven by an unfavourable product mix skewed toward smaller-scale security machines which carry lower margins. Admin expenses nearly doubled to RM4.4m (1QFY25: RM2.3m), of which c.RM1.44m was net forex losses (realised loss of RM1.45m partially offset by unrealised gain of RM0.26m), versus a negligible RM14k realised loss in 1QFY25 reflecting the MYR's continued appreciation against the USD. Other income also softened to RM0.5m (1QFY25: RM0.9m) on lower interest income. Collectively, PBT fell 54.5% YoY and core net profit declined 61% to RM2.4m.

**Balance Sheet.** Wentel maintained a healthy net cash position of RM46.1m (4.0 sen/share) with zero borrowings and net assets of RM212.2m. Inventories rose 7.8% QoQ to RM25.8m while trade receivables declined 4.7% to RM32.7m. PPE was reclassified with RM66.5m moved to investment properties (related to Lot 815). Capital commitments of RM49.4m remain outstanding, and the Group entered into a RM29.6m conditional acquisition for 2 factory units at Lot 813, Galaxy Industrial Park.

**Cash Flow.** Operating cashflow was muted at RM0.6m (1QFY25: RM1.4m), weighed down by a RM8.1m decrease in trade and other payables which offset the RM5.7m receivables collection.

Investing outflow of RM1.6m was driven by PPE additions. Net cash decreased RM1.5m during the quarter, though we think the weak operating cashflow is largely a timing issue from payables settlement rather than structural.

**Outlook.** We remain cautiously optimistic on Wentel's prospects despite the soft 1QFY26. Management has guided that GP margins should improve from 2QFY26 as the order book reflects bigger-scale CNC machines, while E&E order momentum is picking up. Encouragingly, precision engineering peers such as UMS and Coraza have reported strong results, suggesting a healthy demand backdrop across the broader E&E and semiconductor equipment supply chain - a positive read-across for Wentel as it scales its E&E exposure. The security industry continues to anchor the largest revenue share, with the Group maintaining its long-term target of growing E&E to 25–30% of total revenue. Geographically, Malaysia remains dominant at 75% of revenue, with Singapore's share expected to gradually increase. The new Lot 815 plant is expected to come on stream in 2H26, potentially doubling production capacity and providing the runway to meet rising orders from both security screening and E&E customers.

**Earnings Revision.** We slash our FY26/27F core net profit by 31%/34% to RM19.0m/RM22.0m respectively and introduce our FY28F earnings forecast of RM24.2m, primarily reflecting: (i) lower GP margin assumptions to account for the unfavourable product mix and near-term margin headwinds, (ii) higher admin expenses from Lot 815 depreciation, overhead ramp-up and elevated realised forex losses on the back of continued MYR appreciation. This is partly cushioned by the anticipated recovery in product mix from 2QFY26 onwards and Lot 815 capacity contribution from 2H26.

**Valuation.** Maintain BUY with a lower TP of **RM0.39 (from RM0.48)**, now based on a 20x PE multiple applied to **FY27F EPS of 1.9 sen** (previously pegged to FY26F). While the 1QFY26 results were disappointing, we view the margin squeeze as temporary and the long-term growth thesis remains intact, underpinned by: (i) doubling of production capacity via Lot 815, (ii) deepening exposure to the higher-margin E&E segment, and (iii) structural demand for security screening equipment. At the current share price, the stock trades at c.13.5x our revised FY27F earnings, which we view as undemanding despite short-term margin headwinds.

### Earnings Summary

FYE Dec (RM m)	FY24	FY25A	FY26F	FY27F	FY28F
Revenue	112.4	142.7	151.3	169.6	185.8
EBITDA	23.8	32.3	32.4	38.2	41.2
Pre-tax profit	20.8	29.0	24.9	29.2	31.8
Net profit	15.0	23.0	19.0	22.2	24.2
Core net profit	20.2	25.7	19.0	22.2	24.2
Core EPS (sen)	1.8	2.2	1.6	1.9	2.1
P/E (x)	14.8	11.6	15.8	13.5	12.4
P/B (x)	1.6	1.4	1.3	1.2	1.1
EV/EBITDA (x)	11.4	8.4	8.4	7.1	6.6
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Net Gearing (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH

Source: Company, Apex Securities

# Results Note

Tuesday, 26 May, 2026

## Results Comparison

FYE Dec (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	1QFY26	1QFY25	yoy (%)
Revenue	31.8	31.2	1.8	38.2	(16.8)	31.8	31.2	1.8
EBITDA	5.1	8.9	(42.6)	7.0	(27.1)	5.1	8.9	(42.6)
Operating profit	3.7	8.2	(54.4)	6.3	(40.5)	3.7	8.2	(54.4)
Profit before tax	3.7	8.1	(54.5)	6.1	(39.2)	3.7	8.1	(54.5)
Profit after tax	2.7	6.1	(55.5)	5.7	(52.4)	2.7	6.1	(55.5)
Reported PATAMI	2.7	6.1	(55.5)	5.7	(52.4)	2.7	6.1	(55.5)
Core PATAMI	2.4	6.2	(61.2)	6.9	(65.1)	2.4	6.2	(61.2)
Core EPS (sen)	0.2	0.5	(61.2)	0.6	(65.1)	0.2	0.5	(61.2)
EBIT margin	12%	26%		16%		12%	26%	
PBT margin	12%	26%		16%		12%	26%	
Core net profit margin	8%	20%		18%		8%	20%	

Source: Company, Apex Securities

## Revenue breakdown

FYE Dec (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	3MFY26	3MFY25	yoy (%)
<b>Segmental breakdown</b>								
Fabrication of semi-finished metal products	30.0	20.9	43.4	31.0	(3.1)	108.7	83.5	30.2
Fabrication of metal parts	6.0	7.2	(16.4)	5.6	7.1	26.1	22.9	13.9
Assembly of finished products	2.2	0.8	166.5	1.9	18.1	7.9	6.0	32.2
<b>Geographical breakdown</b>								
Malaysia	28.5	18.7	52.1	26.7	6.6	100.3	80.7	24.3
Singapore	9.2	9.9	(6.6)	11.1	(16.7)	40.2	30.9	29.9
US	0.5	0.3	53.7	0.5	(7.2)	2.3	0.8	173.5

Source: Company, Apex Securities

## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY24	FY25A	FY26F	FY27F	FY28F
<b>Revenue</b>	<b>112.4</b>	<b>142.7</b>	<b>151.3</b>	<b>169.6</b>	<b>185.8</b>
<b>Gross Profit</b>	<b>31.6</b>	<b>40.3</b>	<b>39.3</b>	<b>44.1</b>	<b>48.3</b>
<b>EBITDA</b>	<b>23.8</b>	<b>32.3</b>	<b>32.4</b>	<b>38.2</b>	<b>41.2</b>
<b>EBIT</b>	<b>21.0</b>	<b>29.4</b>	<b>24.9</b>	<b>29.3</b>	<b>31.8</b>
<b>PBT</b>	<b>20.8</b>	<b>29.0</b>	<b>24.9</b>	<b>29.2</b>	<b>31.8</b>
Tax	-5.8	-5.9	-6.0	-7.0	-7.6
<b>Profit After Tax</b>	<b>15.0</b>	<b>23.0</b>	<b>19.0</b>	<b>22.2</b>	<b>24.2</b>
Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>15.0</b>	<b>23.0</b>	<b>19.0</b>	<b>22.2</b>	<b>24.2</b>
Exceptionals	5.2	2.7	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>20.2</b>	<b>25.7</b>	<b>19.0</b>	<b>22.2</b>	<b>24.2</b>

### Key Ratios

FYE Dec (RM m)	FY24	FY25A	FY26F	FY27F	FY28F
Core EPS (sen)	1.8	2.2	1.6	1.9	2.1
P/E(x)	14.8	11.6	15.8	13.5	12.4
BVPS	0.16	0.18	0.20	0.22	0.24
P/B(x)	1.6	1.4	1.3	1.2	1.1
EV/EBITDA(x)	11.4	8.4	8.4	7.1	6.6
DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Grossmargin (%)	28.1%	28.2%	26.0%	26.0%	26.0%
EBITDA margin (%)	21.1%	22.6%	21.4%	22.6%	22.2%
EBIT margin (%)	18.7%	20.6%	16.5%	17.3%	17.1%
PBT margin (%)	18.0%	18.0%	16.5%	17.2%	17.1%
PAT margin (%)	13.4%	16.1%	12.5%	13.1%	13.0%
NP margin (%)	13.4%	16.1%	12.5%	13.1%	13.0%
CNP margin (%)	18.0%	18.0%	12.5%	13.1%	13.0%
ROE (%)	10.8%	12.3%	8.3%	8.9%	8.8%
ROA (%)	9.4%	11.1%	7.5%	8.1%	8.1%
Net gearing (%)		NETCASH	NETCASH	NETCASH	NETCASH

### Assumptions

RM/USD	4.57	4.30	4.03	4.00	4.00
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### Revenue mix by customer group

Security	69%	68%	66%	64%	63%
E&E	18%	21%	23%	25%	27%
CNC machine	11%	10%	10%	9%	9%
Medical & Others	2%	2%	1%	1%	1%

### Valuations

	FY27F
Core EPS (sen)	1.9
P/E multiple (x)	20.0
<b>Fair Value (RM)</b>	<b>0.39</b>
ESG premium/discount	0.0%
<b>Implied Fair Value (RM)</b>	<b>0.39</b>

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY24	FY25A	FY26F	FY27F	FY28F
Cash & bank balances	31.5	42.5	50.7	58.6	70.3
Receivables	28.6	40.9	42.9	47.3	51.2
Inventories	21.9	24.0	20.6	24.1	26.3
Other current assets	60.2	6.5	6.5	6.5	6.5
<b>Total Current Assets</b>	<b>142.2</b>	<b>113.9</b>	<b>120.8</b>	<b>136.5</b>	<b>154.3</b>
PPE	67.0	115.3	127.8	133.9	139.5
Other non-current assets	4.9	3.4	3.4	3.4	3.4
<b>Total Non-current assets</b>	<b>71.9</b>	<b>118.8</b>	<b>131.3</b>	<b>137.3</b>	<b>143.0</b>
Short-term Debt	1.4	0.0	0.8	0.0	-0.8
Payables	20.4	19.2	18.1	19.2	19.9
Other Current Liabilities	1.4	2.4	2.4	2.4	2.4
<b>Total Current Liabilities</b>	<b>23.3</b>	<b>21.6</b>	<b>21.3</b>	<b>21.7</b>	<b>21.6</b>
Long-term Debt	0.0	0.0	0.8	0.0	-0.8
Other non-current liabilities	4.4	1.7	1.7	1.7	1.7
<b>Total Non-current Liabilities</b>	<b>4.4</b>	<b>1.7</b>	<b>2.5</b>	<b>1.7</b>	<b>1.0</b>
Shareholder's equity	186.5	209.3	228.3	250.5	274.7
Minority interest	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>186.5</b>	<b>209.3</b>	<b>228.3</b>	<b>250.5</b>	<b>274.7</b>

### Cash Flow

FYE Dec (RM m)	FY24	FY25A	FY26F	FY27F	FY28F
<b>Pre-tax profit</b>	<b>20.8</b>	<b>29.0</b>	<b>24.9</b>	<b>29.2</b>	<b>31.8</b>
Depreciation & amortisation	2.7	2.9	7.5	8.9	9.4
Changes in working capital	-1.8	-15.2	0.2	-6.8	-5.3
Tax paid	-5.1	-6.0	-6.0	-7.0	-7.6
Others	-1.4	0.6	0.0	0.0	0.0
<b>Operating cash flow</b>	<b>15.3</b>	<b>11.4</b>	<b>26.7</b>	<b>24.4</b>	<b>28.2</b>
Net capex	-26.9	-51.4	-20.0	-15.0	-15.0
Others	-47.8	56.2	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-74.7</b>	<b>4.8</b>	<b>-20.0</b>	<b>-15.0</b>	<b>-15.0</b>
Borrowings	-1.5	-3.2	1.5	-1.5	-1.5
Others	69.1	0.1	0.0	0.0	0.0
<b>Financing cash flow</b>	<b>67.6</b>	<b>-3.1</b>	<b>1.5</b>	<b>-1.5</b>	<b>-1.5</b>
<b>Net cash flow</b>	<b>8.2</b>	<b>13.1</b>	<b>8.2</b>	<b>7.9</b>	<b>11.7</b>
Currency translation differences	-0.3	-0.1	0.0	0.0	0.0
Beginning cash & cash equivalent	26.7	34.6	47.6	55.7	63.6
<b>Ending cash &amp; cash equivalent</b>	<b>34.6</b>	<b>47.6</b>	<b>55.7</b>	<b>63.6</b>	<b>75.3</b>
Fixed deposits	-3.0	-5.0	-5.0	-5.0	-5.0
<b>Cash and bank balances</b>	<b>31.5</b>	<b>42.5</b>	<b>50.7</b>	<b>58.6</b>	<b>70.3</b>

## ESG Matrix Framework:

### Environment

Parameters	Rating	Comments
Climate	★★★	Total GHG emissions: 3,331 tCO <sub>2</sub> e in FY25 (Scope 1: 300, Scope 2: 2,745, Scope 3: 286). Scope 2 emissions increased from 1,140 tCO <sub>2</sub> e in FY24 to 2,745 tCO <sub>2</sub> e in FY25.
Waste & Effluent	★★★	Total waste generated 309.82 metric tonnes in FY25, 61% recycled (diverted from disposal)
Energy	★★★	Energy consumption reduced from 8,135.82 MWh to 5,500.45 MWh in FY25
Water	★★★	Water consumption fell 43.3% yoy to 16.28 megalitres in FY25
Compliance	★★★	Full compliance with local and international environmental regulations. ISO 14001:2015 certified (audited by Global Compliance Certification, accredited by JAS-ANZ).

### Social

Diversity	★★★	Board: 40% female (2/5 directors). Gender Diversity Policy adopted at Board and Senior Management level. 73% of employees age below 40
Human Rights	★★★	Code of Ethics and Conduct adopted with anti-bribery and anti-corruption requirements. Whistleblowing Policy adopted
Occupational Safety and Health	★★	2,161 hours of OSH trainings completed, 16 lost time incidents in FY25
Labour Practices	★★★	Pay scale based on prevailing industry market rates as stipulated by the Minimum Wages Order (RM1,700 effective Feb 2025)

### Governance

CSR Strategy	★★★	Sustainability Policy adopted. ARMC oversees sustainability implementation. Board takes responsibility for sustainability governance (Practice 4.1–4.4 applied)
Management	★★	5 board members, 2/5 female (40%), 3/5 Independent Directors. Chairman/CEO separation. ARMC fully independent (Step Up 9.4 adopted). No director exceeds 9-year tenure
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 Tuesday, 26 May, 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.