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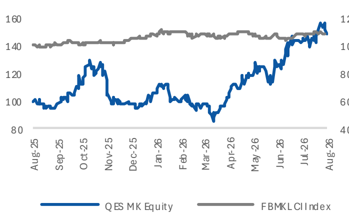
Recommendation:		BUY
Current Price:		RM 0.595
Previous Target Price:		RM 0.74
Target Price:	↑	RM 0.75
Capital Upside/Downside:		26.1%
Dividend Yield (%):		1.2%
Total Upside/Downside		**27.2%**

Stock information	
Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	0196 / QES MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	832.8
Market Cap (RM' m)	495.5
52-Week Price Range (RM)	0.62-0.34
Beta (x)	1.1
Free float (%)	65.3
3M Average Volume (m)	3.2
3M Average Value (RM' m)	1.7

Top 3 Shareholders	(%)
Wa Capital Sdn Bhd	26.2
Liew Soo Keang	2.8
Chew Ne Weng	2.5

Share Price Performance



	1M	3M	12M
Absolute (%)	3.5	22.7	48.8
Relative (%)	2.5	20.7	36.4

Earnings summary

FYE (Dec)	FY26F	FY27F	FY28F
Revenue (RM'm)	317.7	358.5	401.6
PATAMI (RM'm)	26.7	34.5	43.5
CNP (RM'm)	26.7	34.5	43.5
EPS - core (sen)	2.9	3.8	4.8
P/E (x)	20.4	15.8	12.5

Source: Company, Apex Securities

QES Group Berhad

Manufacturing Ignites the Upcycle, AETM Stake Exits

- **QES posted 1HFY26 core net profit of RM9.8m (+37.0% YoY), accounting for 37% of our FY26F and 42% of market consensus, which we deem in line given our expectation of stronger earnings in 2HFY26**
- **We remain bullish on QES's earnings trajectory into 2HFY26, underpinned by an accelerating AI/HPC-led semiconductor upcycle and China collaboration projects nearing finalisation that could yield meaningful contribution in FY27.**
- **We revised our core net profit forecast for FY26F/FY27F/FY28F to RM RM26.7m/RM34.5m/RM43.5m (previously: RM26.2m/RM33.7m/RM42.9m), mainly due to the AETM disposal rather than a change in operating view.**
- **Maintain BUY with a higher TP of RM 0.75 (previous TP: RM 0.74) based on 20x P/E applied to FY27F EPS of 3.76sen (previously 3.68sen), The revision mainly reflects the AETM disposal.**

Results Inline. QES reported a 2QFY26 core net profit of RM6.2m (+64.6% QoQ, +4.1% YoY), after adjusting for gain on short-term investment (-RM0.2m), write-down of inventories (RM0.3m), forex loss (RM0.1m), and net reversal on impairment of financial instruments (-RM1.0m). This brought 1HFY26 core net profit to RM9.8m (+37.0% YoY). While 1HFY26 earnings accounted for 37% of our FY26F forecast and 42% of consensus estimates, we deem the results in line, as we expect earnings momentum to be stronger in 2HFY26.

QoQ. Revenue rose 35.3% QoQ, driven by higher deliveries across Value Engineering (+19.7%) and Manufacturing (+147.8%), with Materials & Engineering Solutions revenue within the former surging 102.8% QoQ. Core net profit rose 72.0% QoQ to RM6.2m (1QFY26: RM3.6m), driven by higher revenue and gross profit, particularly from the strong ramp-up in the Manufacturing division.

YoY. Revenue increased marginally by 1.9% YoY to RM78.8m (2QFY25: RM77.4m), as Manufacturing division revenue expanded by 106.3% were partly cushioned by a decline of 15.4% in Equipment division. Core net profit rose by 4.1% to RM 6.2m (2QFY25: RM 5.9m) due to adjustment of exceptional items.

YTD. 1HFY26 revenue rose 11.4% YoY to RM137.1m, driven by higher products deliveries of SMS and Optical Inspection Systems, partially offset by lower deliveries of AHS and AMS. Core net profit was up 37.0% YoY to RM9.8m, mainly driven by higher revenue and expansion on gross profit margin from 25.2% to 27.2%.

Outlook. We remain firmly constructive on 2HFY26F, with the AI-driven semiconductor super-cycle gathering pace across high-performance computing, data centre infrastructure, next-generation automotive and medical technology end-markets, further reinforced by structural supply chain shifts and accelerating ecosystem investment into ASEAN and Malaysia. QES is positioning to capture this demand: proceeds from the recent private placement are being channelled into its Class 1000 cleanroom expansion at the Group's BKIP facility, adding capacity ahead of the AI/semiconductor-driven ramp.

On 20 August 2026, QES Manufacturing Sdn Bhd, a wholly-owned subsidiary, disposed of its entire 30.00% equity interest (3,600,000 shares) in Applied Engineering Technology (M) Sdn Bhd (AETM) to Applied Engineering Technology, Inc. for a cash consideration of RM1.134m. We view this move **positively**, given the fact that AETM has been loss-making since its 2021 incorporation, and the exit removes a drag on Group earnings.

Earnings Revision. The revision is mainly due to the AETM disposal rather than a change in operating view. As such, we revised our core net profit forecast for FY26F/FY27F/FY28F to RM RM26.7m/RM34.5m/RM43.5m (previously RM 26.2m/RM33.7m/RM42.9m).

Valuation and Recommendation. We maintain our **BUY** call with a **higher TP of RM 0.75 (previous TP: RM 0.74)** based on 20x P/E applied to FY27F fully diluted EPS of 3.76sen (previously 3.68sen), alongside a three-star ESG rating.

Risks. Semiconductor capex slowdown, China JV execution risk, fluctuation in forex.

Results Comparison

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Revenue	78.8	77.4	*1.9*	58.3	*35.3*	137.1	123.1	*11.4*
Gross Profit	21.6	19.8	*8.8*	15.7	*37.1*	37.3	31.0	*20.4*
Pre-tax profit	9.6	6.2	*54.6*	5.4	*77.4*	15.1	7.7	*95.5*
Net profit	7.0	4.4	*58.2*	3.7	*89.6*	10.7	5.3	*100.3*
Core net profit	6.2	5.9	*4.1*	3.6	*72.0*	9.8	7.1	*37.0*
Core EPS (sen)	0.7	0.7	*4.1*	0.4	*72.0*	1.2	0.9	*37.0*
GP margin (%)	27.4	25.6		27.0		27.2	25.2	
PBT margin (%)	12.2	8.1		9.3		11.0	6.3	
Core net profit margin (%)	7.8	7.7		6.2		7.1	5.8	

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Revenue								
Equipment	54.7	64.6	*(15.4)*	47.9	*14.1*	102.6	102.5	*0.1*
Materials & Engineering Solutions	6.6	4.2	*55.5*	3.3	*102.8*	9.8	8.7	*12.8*
Manufacturing	17.5	8.5	*106.3*	7.1	*147.8*	24.6	11.9	*107.6*
Total	**78.8**	**77.4**	***1.9***	**58.3**	***35.3***	**137.1**	**123.1**	***11.3***
Profit before tax								
Equipment	7.6	8.5	*(10.8)*	7.7	*(1.5)*	15.3	13.9	*10.3*
Materials & Engineering Solutions	0.0	(0.4)	*nm*	(0.4)	*nm*	(0.3)	(0.4)	*(27.2)*
Manufacturing	2.3	(1.7)	*nm*	(1.5)	*nm*	0.8	(5.6)	*nm*
Total	**9.9**	**6.4**	***54.2***	**5.8**	***70.2***	**15.7**	**7.8**	***100.7***
PBT margin (%)								
Equipment	13.9%	13.2%		16.1%		14.9%	13.5%	
Materials & Engineering Solutions	0.7%	-9.6%		-11.2%		-3.2%	-5.0%	
Manufacturing	13.0%	-19.6%		-21.4%		3.1%	-47.1%	
Aggregate Total	**12.6%**	**8.3%**		**10.0%**		**11.5%**	**6.4%**	

Source: Company, Apex Securities

Geographical Breakdown

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Malaysia	39.7	28.7	*38.6*	21.4	*85.8*	61.1	46.2	*32.3*
Singapore	4.5	8.2	*(45.2)*	6.4	*(30.0)*	10.9	10.1	*8.1*
Vietnam	10.2	11.2	*(8.7)*	9.2	*11.4*	19.4	19.2	*1.1*
Philippines	6.5	9.7	*(33.0)*	6.4	*2.0*	12.9	16.9	*(23.9)*
Thailand	6.8	10.3	*(34.4)*	9.1	*(25.4)*	15.9	15.0	*6.0*
Indonesia	2.4	7.2	*(66.2)*	3.4	*(27.5)*	5.8	13.0	*(55.2)*
Other ASEAN	0.1	0.1	*(1.4)*	0.1	*141.7*	0.2	0.6	*(68.4)*
China	0.0	0.6	*(96.7)*	0.3	*(93.8)*	0.3	0.7	*(53.5)*
Others	8.5	1.2	*582.0*	2.0	*316.8*	10.5	1.3	*686.1*
Total	**78.8**	**77.4**	***1.9***	**58.3**	***35.3***	**137.1**	**123.1**	***11.3***

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Dec (RM m)	FY25A	FY26F	FY27F	FY28F	FY29F
Revenue	**267.0**	**317.7**	**358.5**	**401.6**	**440.8**
EBITDA	**32.2**	**50.4**	**61.8**	**74.7**	**86.1**
EBIT	**23.5**	**38.4**	**48.2**	**60.3**	**71.0**
PBT	**22.1**	**36.6**	**47.2**	**59.7**	**70.8**
Tax	(5.1)	(8.8)	(11.3)	(14.3)	(17.0)
Profit After Tax	**17.0**	**27.8**	**35.9**	**45.3**	**53.8**
Minority Interest	0.5	1.1	1.4	1.8	2.2
Net Profit	**16.5**	**26.7**	**34.5**	**43.5**	**51.7**
Exceptionals	0.2	-	-	-	-
Core Net Profit	**16.3**	**26.7**	**34.5**	**43.5**	**51.7**

Key Ratios

FYE Dec (RM m)	FY25A	FY26F	FY27F	FY28F	FY29F
Core EPS (sen)	1.95	2.91	3.76	4.75	5.64
P/E (x)	30.44x	20.43x	15.82x	12.52x	10.55x
BVPS (RM)	0.22	0.28	0.31	0.34	0.37
P/B (x)	2.73x	2.10x	1.94x	1.76x	1.59x
EV/EBITDA (x)	15.31x	9.78x	7.97x	6.59x	5.72x
DPS (sen)	0.75	1.11	1.50	1.90	2.26
Dividend Yield (%)	1.3%	1.9%	2.5%	3.2%	3.8%
EBITDA margin (%)	12.1%	15.9%	17.2%	18.6%	19.5%
EBIT margin (%)	8.8%	12.1%	13.4%	15.0%	16.1%
PBT margin (%)	8.3%	11.5%	13.2%	14.9%	16.1%
PAT margin (%)	6.4%	8.7%	10.0%	11.3%	12.2%
NP margin (%)	6.2%	8.4%	9.6%	10.8%	11.7%
CNP margin (%)	6.1%	8.4%	9.6%	10.8%	11.7%
ROE (%)	8.2%	10.3%	12.2%	14.1%	15.1%
ROA (%)	5.0%	6.7%	8.1%	9.5%	10.4%
Net gearing (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH

Valuations	FY27F
Core EPS (sen)	3.76
P/E multiple (x)	20.00x
Fair Value (RM)	0.75
ESG premium/discount	-
Implied Fair Value (RM)	**0.75**

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY25A	FY26F	FY27F	FY28F	FY29F
Cash & bank balances	113.0	142.8	156.6	181.1	212.7
Receivables	74.0	69.6	76.6	83.6	90.6
Inventories	31.2	59.9	64.7	70.0	74.5
Other current assets	1.0	0.6	0.6	0.6	0.6
Total Current Assets	**219.2**	**272.9**	**298.6**	**335.3**	**378.4**
PPE	85.2	106.2	108.6	106.1	102.0
Other non-current assets	20.3	18.8	18.5	18.2	17.9
Total Non-current assets	**105.5**	**125.0**	**127.1**	**124.3**	**119.9**
Short-term Debt	16.5	16.5	15.4	14.2	13.1
Payables	41.5	47.3	53.5	59.9	66.0
Other Current Liabilities	20.0	30.0	33.5	37.1	40.5
Total Current Liabilities	**78.0**	**93.8**	**102.3**	**111.3**	**119.6**
Long-term Debt	44.2	42.0	39.1	36.3	33.4
Other non-current liabilities	2.9	2.9	2.9	2.9	2.9
Total Non-current Liabiliti	**47.1**	**44.9**	**42.0**	**39.1**	**36.2**
Shareholder's equity	195.7	254.1	274.8	300.9	331.9
Minority interest	4.0	5.1	6.5	8.4	10.5
Total Equity	**199.7**	**259.2**	**281.3**	**309.3**	**342.4**

Cash Flow

FYE Dec (RM m)	FY25A	FY26F	FY27F	FY28F	FY29F
Pre-tax profit	**22.1**	**36.6**	**47.2**	**59.7**	**70.8**
Depreciation & amortisation	8.7	12.0	13.6	14.5	15.1
Changes in working capital	7.8	(8.6)	(2.2)	(2.2)	(2.0)
Tax paid	(5.5)	(8.8)	(11.3)	(14.3)	(17.0)
Others	(1.8)	2.7	1.4	1.1	0.7
Operating cash flow	**31.2**	**33.9**	**48.8**	**58.7**	**67.6**
Net capex	(16.6)	(32.4)	(15.4)	(11.4)	(10.4)
Others	1.1	2.0	1.6	1.7	2.0
Investing cash flow	**(15.5)**	**(30.4)**	**(13.8)**	**(9.7)**	**(8.4)**
Borrowings	6.5	(3.0)	(4.0)	(4.0)	(4.0)
Others	(8.3)	29.1	(16.3)	(19.8)	(22.8)
Financing cash flow	**(1.8)**	**26.1**	**(20.3)**	**(23.8)**	**(26.8)**
Net cash flow	13.9	29.7	14.7	25.3	32.4
Currency translation differences	-	-	-	-	-
Beginning cash & cash equivalent	77.6	91.5	121.2	135.8	161.1
Ending cash & cash equival	**91.5**	**121.2**	**135.8**	**161.1**	**193.5**
Fixed deposits & MMF	22.3	22.5	22.5	22.5	22.5
Cash and bank balances	**113.8**	**143.7**	**158.3**	**183.6**	**216.0**

KDN PP13226/06/2024 (035469)

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Total GHG emissions for FYE 2025 were recorded at 20,500.56 tCO2e
Waste & Effluent	★★★	Total waste generated in 2025 was 5.686 tonnes, with a recycling rate of 17.7%
Energy	★★★	Solar PV system generated 296,955 kWh, contributing 46.3% of total electricity consumption
Water	★★★	total volume of water used at the corporate headquarters was 3,047 m^3 in FYE 2025
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★★	Women representation on the Board stood at 33% in FYE 2025
Human Rights	★★★	Total training hours increased by 1.2% to 12,580.9 hours in FYE 2025, averaging 26.0 hours per employee
Occupational Safety and Health	★★	Work-related fatalities and the Lost Time Incident Rate (LTIR), both of which were zero for the year
Labour Practices	★★★	zero substantiated complaints concerning human rights violations in 2025

Governance

Ethical & Corporate Governance	★★★	Adhering to the Malaysian Code on Corporate Governance and conducting anti-corruption training for 100% of employees
Business Growth & Continuity	★★	long-term resilience through a structured risk management framework that includes emerging ESG risks
Product Innovation & Reliability	★★★	achieving high Customer Satisfaction Scores (CSAT) ranging from 98.43% to 99.14% across various service types

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

As of **Friday, 21 Aug, 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.