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Wentel Engineering Holdings Berhad

FX Swing Flatters the Headline, Core Margins Stay Under Pressure

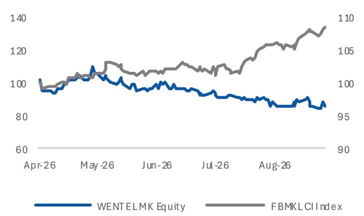
Recommendation:		BUY
Current Price:		RM 0.31
Previous Target Price:		RM 0.39
Target Price:	↔	RM 0.39
Capital Upside/Downside:		24.6%
Dividend Yield (%):		0.0%
Total Upside/Downside		**24.6%**

Stock information

Board	ACE
Sector	Industrial
Bursa / Bloomberg Code	0298 / WENTEL MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	1,150.0
Market Cap (RM' m)	356.5
52-Week Price Range (RM)	0.36-0.215
Beta (x)	1.0
Free float (%)	21.3
3M Average Volume (m)	2.4
3M Average Value (RM' m)	0.6

Top 3 Shareholders	(%)
Fatt Wong Kim	36.0
Wentel Corp Sdn Bhd	16.4
Ban Kim Wah	13.3

Share Price Performance



	1M	3M	12M
Absolute (%)	19.2	24.0	-4.6
Relative (%)	17.2	20.0	-13.1

Earnings summary

FYE (Dec)	FY25A	FY26F	FY27F
Revenue (RM'm)	142.7	151.3	169.6
PATAMI (RM'm)	23.0	19.0	22.2
CNP (RM'm)	25.7	19.0	22.2
EPS - core (sen)	2.2	1.6	1.9
P/E (x)	13.9	18.8	16.1

Source: Company, Apex Securities

- **WENTEL's 1HFY26 core net profit declined 24.6% YoY to RM9.3m, broadly in line with our FY26F forecast at 49% but below consensus expectations at 40%.**
- **We remain optimistic into 2HFY26, underpinned by Malaysia's resilient manufacturing and E&E export momentum and steady demand for the Group's security-related equipment, though product mix and forex volatility keep near-term margins uneven.**
- **We maintain our FY26F/FY27F/FY28F core net profit forecasts of RM19.0m/RM22.2m/RM24.2m, respectively.**
- **Maintain BUY with an unchanged TP of RM0.39, based on P/E of 20.2x applied to FY27F core EPS of 1.9sen.**

Results Inline. WENTEL's 2QFY26 core net profit of RM5.2m, after adjusting for a forex gain of RM1.5m, brought 1HFY26 core net profit to RM9.3m (-24.6% YoY), **in line with expectations**, accounting for 49% of our FY26F core net profit forecast but below 40.0% of consensus estimate.

QoQ. Revenue rose 17.1% QoQ to RM37.2m from RM31.8m in 1QFY26, driven by broad-based growth across all three business activities. 2QFY26 core net profit rose a more modest 24.7% QoQ to RM5.2m from RM4.2m in 1QFY26, reflecting the QoQ margin recovery as product mix normalised after a softer first quarter.

YoY. Revenue increased 6.8% YoY to RM37.2m from RM34.9m, with growth across all three business activities. Core net profit, however, declined 16.5% YoY to RM5.2m (2QFY25: RM6.2m), driven almost entirely by a favourable swing in net forex position, from a net loss of RM1.19m in 2QFY25 to a net gain of RM1.49m in 2QFY26.

YTD. For 1HFY26, revenue rose 4.4% YoY to RM69.0m from RM66.1m, trailing the stronger standalone 2QFY26 growth pace as 1QFY26 revenue was held back by softer fabrication of semi-finished metal product deliveries. Core net profit declined 24.6% YoY to RM9.3m, mainly due to lower gross profit, higher administrative expenses and lower interest income.

Outlook. We remain **constructive on the 2HFY26 outlook**, supported by resilient Malaysian E&E momentum and steady demand for its security-related equipment. The new Lot 815 plant remains on track to commence operations by 4QFY26, pending licence approval from the authorities, and is expected to **double the Group's production capacity once fully utilised**. Meanwhile, the Group is progressing with the **RM29.6m acquisition of two factories at Galaxy Industrial Park**, alongside **RM49.4m in approved capex** for new plant and machinery. These investments highlight the Group's ongoing capacity expansion to capture expected E&E and metal fabrication demand, although the higher overheads associated with the expansion are also contributing to **near-term pressure on core margins**.

Earnings Revision. Our FY26F/FY27F/FY28F core net profit forecasts remain unchanged at **RM19.0m/RM22.2m/RM24.2m**, respectively.

Valuation & Recommendation. We maintain our **BUY** call with an unchanged **TP of RM0.39** based on a P/E of 20.2x applied to FY27F core EPS of 1.9sen. We continue to like WENTEL as 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.

Risks. FX volatility, slowdown in the Group's expansion plan, reliance on major customers' contribution.

KDN PP13226/06/2024 (035469)

Results Comparison

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	1HFY26	1HFY25	yoy (%)
Revenue	37.2	34.9	*6.8*	31.8	*17.1*	69.0	66.1	*4.4*
EBITDA	10.4	7.5	*39.0*	5.1	*102.8*	15.5	16.4	*(5.4)*
Operating profit	9.0	6.7	*33.2*	3.7	*140.8*	12.7	14.9	*(14.8)*
Profit before tax	8.9	6.7	*33.9*	3.7	*142.6*	12.6	14.8	*(14.6)*
Profit after tax	6.7	5.0	*32.9*	2.7	*145.6*	9.4	11.1	*(15.6)*
Reported PATAMI	6.7	5.0	*32.9*	2.7	*145.6*	9.4	11.1	*(15.6)*
Core PATAMI	5.2	6.2	*(16.5)*	4.2	*24.7*	9.3	12.4	*(24.6)*
Core EPS (sen)	0.5	0.5	*(16.5)*	0.4	*24.7*	0.8	1.1	*(24.6)*
EBIT margin	24%	19%		12%		18%	23%	
PBT margin	24%	19%		12%		18%	22%	
Core net profit margin	14%	18%		13%		14%	19%	

Source: Company, Apex Securities

Revenue breakdown

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Fabrication of semi-finished metal products	26.2	25.6	*2.4*	22.9	*14.4*	49.1	47.7	*2.9*
Fabrication of metal parts	8.5	7.0	*21.2*	6.9	*22.9*	15.3	14.5	*5.7*
Assembly of finished products	2.6	2.3	*11.5*	2.0	*28.7*	4.5	3.8	*18.0*
Total	**37.2**	**34.9**	*6.8*	**31.8**	*17.1*	**69.0**	**66.1**	*4.4*

Source: Company, Apex Securities

Geographical Breakdown

FYE Dec (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)
Malaysia	26.6	23.8	*11.9*	24.0	*11.0*	50.5	45.1	*12.0*
Singapore	9.6	10.5	*(7.7)*	7.3	*32.2*	16.9	19.8	*(14.6)*
US	0.9	0.8	*21.4*	0.5	*70.2*	1.5	1.2	*20.2*
Total	37.1	35.0	*6.2*	31.8	*16.8*	68.9	66.2	*4.1*

Source: Company, Apex Securities

KDN PP13226/06/2024 (035469)

Financial Highlights

Income Statement

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

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)	17.6	13.9	18.8	16.1	14.7
BVPS	0.16	0.18	0.20	0.22	0.24
P/B (x)	1.9	1.7	1.6	1.4	1.3
EV/EBITDA (x)	13.9	10.2	10.1	8.6	8.0
DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Gross margin (%)	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 (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH

Assumptions

	FY24	FY25A	FY26F	FY27F	FY28F
RM/USD	4.57	4.30	4.03	4.00	4.00

Revenue mix by customer group

	FY24	FY25A	FY26F	FY27F	FY28F
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)	20.2
Fair Value (RM)	**0.39**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**0.39**

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
Total Current Assets	142.2	113.9	120.8	136.5	154.3
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
Total Non-current assets	71.9	118.8	131.3	137.3	143.0
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
Total Current Liabilities	23.3	21.6	21.3	21.7	21.6
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
Total Non-current Liabiliti	4.4	1.7	2.5	1.7	1.0
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
Total Equity	186.5	209.3	228.3	250.5	274.7

Cash Flow

FYE Dec (RM m)	FY24	FY25A	FY26F	FY27F	FY28F
Pre-tax profit	20.8	29.0	24.9	29.2	31.8
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
Operating cash flow	15.3	11.4	26.7	24.4	28.2
Net capex	-26.9	-51.4	-20.0	-15.0	-15.0
Others	-47.8	56.2	0.0	0.0	0.0
Investing cash flow	-74.7	4.8	-20.0	-15.0	-15.0
Borrowings	-1.5	-3.2	1.5	-1.5	-1.5
Others	69.1	0.1	0.0	0.0	0.0
Financing cash flow	67.6	-3.1	1.5	-1.5	-1.5
Net cash flow	8.2	13.1	8.2	7.9	11.7
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
Ending cash & cash equivale	34.6	47.6	55.7	63.6	75.3
Fixed deposits	-3.0	-5.0	-5.0	-5.0	-5.0
Cash and bank balances	31.5	42.5	50.7	58.6	70.3

Source: Company, Apex Securities

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 2 emissions 6,384.92 tCO2e in FY25
Waste & Effluent	★★★	A total of 33.23 tonnes of hazardous and non-hazardous waste were recycled in FY25
Energy	★★★	24.0% of total electricity was derived from renewable sources, including a solar PV system in Taiwan and a Power Purchase Agreement (PPA) in Malaysia
Water	★★★	Water consumption 30,647 m^3in FY25

Social

Diversity	★★★	The workforce consists of 63% male and 37% female employees. The Board consists of 25% female directors (2 out of 8)
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	0.14 per 200,000 hours worked, with 1 reported injury incident
Labour Practices	★★★	Completed 9,150.5 total training hours, averaging 16.4 hours (approximately 2 days) per employee in FY25

Governance

Supply Chain	★★★	77% of spending was on local suppliers
Management	★★	100% of employees (except certain support roles) received training on anti-bribery and corruption policies
Human Rights	★★★	0 substantiated complaints concerning human rights violations

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, 28 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.