APEX SECURITIES 鼎峰证券有限公司

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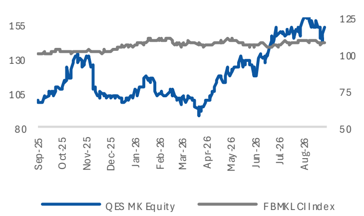
Recommendation:		BUY
Current Price:		RM 0.565
Previous Target Price:		RM 0.75
Target Price:	↔	RM 0.75
Capital Upside/Downside:		32.7%
Dividend Yield (%):		2.0%
Total Upside/Downside		**34.7%**

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)	470.5
52-Week Price Range (RM)	0.62-0.34
Beta (x)	1.3
Free float (%)	65.3
3M Average Volume (m)	3.4
3M Average Value (RM' m)	1.9

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 (%)	-2.6	25.6	48.7
Relative (%)	-1.4	22.7	37.6

Earnings summary

FYE (Dec)	FY26F	FY27F	FY28F
Revenue (RM'm)	317.7	358.5	401.6
PATAMI (RM'm)	26.7	34.4	43.4
CNP (RM'm)	26.7	34.4	43.4
EPS - core (sen)	2.9	3.8	4.7
P/E (x)	19.4	15.1	11.9

Source: Company, Apex Securities

QES Group Berhad

QES Expands Its Footprint with Singapore Asset Buy for Regional Growth

- **QES is expanding its Singapore operating footprint, with its 70%-owned subsidiary, QES (Singapore) Pte Ltd, acquiring two freehold B1 clean-industrial units at Space Nova for SGD5.5m (RM17.5m). The premises will support additional operating and demo-room capacity for its scientific instruments business.**
- **We view the acquisition positively as a capacity-enabling investment, positioning QSG ahead of anticipated business and market expansion while alleviating existing space constraints. However, with vacant possession only expected by 30 June 2029, we see limited near-term earnings contribution.**
- **QES has ample balance sheet headroom to fund the acquisition. FY26F cash and fixed deposits of RM142.5m versus borrowings of RM61.6m leave the Group in a net cash position, while our model continues to show net cash throughout the forecast period.**
- **We maintain BUY and our RM0.75 TP, based on 20x P/E applied to FY27F EPS of 3.75 sen (previously 3.76 sen). FY26F/FY27F/FY28F core net profit estimates are trimmed marginally to RM26.7m/RM34.4m/RM43.4m, mainly reflecting higher finance costs from the acquisition.**

The Acquisition. On 8 September 2026, QES (Singapore) Pte Ltd, a subsidiary held 70% by QES (Asia-Pacific) Sdn Bhd, entered into a Sale and Purchase Agreement with JVA Nir Pte Ltd (an unrelated third-party developer) to acquire two freehold Clean Industrial (B1) office units, Unit #05-04 (160 sqm) and Unit #05-05 (154 sqm), at Space Nova, 21 New Industrial Road, Singapore, for a total purchase price of SGD5.5m (approximately RM17.5m at SGD1:RM3.1971).

Funding & payment schedule. The consideration is funded 90% by new bank borrowings (~RM15.7m) and 10% by internally generated funds (RM1.8m). Payment follows a construction-milestone schedule typical of an off-plan purchase: 20% within 8 weeks of the Option (inclusive of the 5% booking deposit of RM0.9m already paid on 7 August 2026), a further 45% across seven construction-progress milestones (foundation through to car park/roads/drains completion), 25% on issuance of the Temporary Occupation Permit, and a final 10% on legal completion, due no later than 3 years after vacant possession.

Our View. We view the acquisition **positively**, supported by QSG's anticipated business growth in product and market expansion and the need to pre-empt bottlenecks from limited physical operating space, including demo-room capacity for customer visits. The units also offer long-term operating cash flow improvement from eliminating rental expense once QSG relocates into owned space, and in our view are strategically located with potential for value appreciation over time. That said, we flag this as a long-dated commitment, as the building is still under construction, with vacant possession only guaranteed by 30 June 2029 and legal completion by 30 June 2032.

Healthy balance sheet provides sufficient funding headroom. QES remains in a comfortable financial position despite the acquisition, with FY26F cash and fixed deposits of **RM142.5m** against total borrowings of **RM61.6m**, translating into **net cash of c.RM80.9m**. While the acquisition will be 90%-funded through bank borrowings, the staggered payment schedule limits the immediate funding requirement, with total borrowings projected to rise gradually to **RM60.7m by FY29F**. Importantly, our model still maintains a net cash position throughout the forecast period, with gearing peaking at only **0.24x in FY26F** before declining thereafter. We therefore see **ample balance sheet capacity to fund the acquisition while continuing to support QES's ongoing expansion and working capital requirements**.

Earnings Revision. FY26F/FY27F/FY28F core net profit forecasts are trimmed marginally to **RM26.7m/RM34.4m/RM43.4m**, from **RM26.7m/RM34.5m/RM43.5m** previously, mainly reflecting **higher finance costs arising from the acquisition**.

Valuation and Recommendation. We maintain our **BUY** call with an unchanged **TP of RM 0.75** based on 20x P/E applied to a lower FY27F EPS of 3.75sen (previously 3.76sen), The revision of lower EPS mainly reflects the higher finance cost arising from the acquisition.

Risks. Semiconductor capex slowdown, fluctuation in forex, interest rate risk.

Earnings Summary

FYE Dec (RM m)	FY25A	FY26F	FY27F	FY28F	FY29F
Revenue	267.0	317.7	358.5	401.6	440.8
EBITDA	32.2	50.5	62.2	75.3	87.0
Pre-tax profit	22.1	36.6	47.1	59.4	70.5
Net profit	16.5	26.7	34.4	43.4	51.4
Core net profit	16.3	26.7	34.4	43.4	51.4
Core EPS (sen)	2.0	2.9	3.8	4.7	5.6
P/E (x)	28.9x	19.4x	15.1x	11.9x	10.1x
P/B (x)	2.6x	2.0x	1.8x	1.7x	1.5x
EV/EBITDA (x)	14.5x	9.2x	7.5x	6.2x	5.3x
Dividend Yield (%)	1.3%	2.0%	2.7%	3.4%	4.0%
Net Gearing (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH

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**	**50.5**	**62.2**	**75.3**	**87.0**
EBIT	**23.5**	**38.4**	**48.2**	**60.3**	**71.0**
PBT	**22.1**	**36.6**	**47.1**	**59.4**	**70.5**
Tax	(5.1)	(8.8)	(11.3)	(14.3)	(16.9)
Profit After Tax	**17.0**	**27.8**	**35.8**	**45.2**	**53.5**
Minority Interest	0.5	1.1	1.4	1.8	2.1
Net Profit	**16.5**	**26.7**	**34.4**	**43.4**	**51.4**
Exceptionals	0.2	-	-	-	-
Core Net Profit	**16.3**	**26.7**	**34.4**	**43.4**	**51.4**

Key Ratios

FYE Dec (RM m)	FY25A	FY26F	FY27F	FY28F	FY29F
Core EPS (sen)	1.95	2.91	3.75	4.73	5.61
P/E (x)	28.90x	19.40x	15.06x	11.94x	10.07x
BVPS (RM)	0.22	0.28	0.31	0.34	0.37
P/B (x)	2.59x	2.00x	1.84x	1.67x	1.51x
EV/EBITDA (x)	14.46x	9.21x	7.48x	6.18x	5.35x
DPS (sen)	0.75	1.11	1.50	1.89	2.24
Dividend Yield (%)	1.3%	2.0%	2.7%	3.4%	4.0%
EBITDA margin (%)	12.1%	15.9%	17.3%	18.7%	19.7%
EBIT margin (%)	8.8%	12.1%	13.4%	15.0%	16.1%
PBT margin (%)	8.3%	11.5%	13.1%	14.8%	16.0%
PAT margin (%)	6.4%	8.7%	10.0%	11.2%	12.1%
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%	14.0%	15.0%
ROA (%)	5.0%	6.7%	8.0%	9.3%	10.0%
Net gearing (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH

Valuations	FY27F
Core EPS (sen)	3.75
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	142.5	156.4	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**	**272.6**	**298.4**	**335.3**	**378.4**
PPE	85.2	109.6	114.2	113.8	115.8
Other non-current assets	20.3	18.8	18.5	18.2	17.9
Total Non-current assets	**105.5**	**128.4**	**132.7**	**132.0**	**133.7**
Short-term Debt	16.5	17.4	16.9	16.4	17.1
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**	**94.6**	**103.8**	**113.5**	**123.6**
Long-term Debt	44.2	44.3	43.1	41.9	43.6
Other non-current liabilities	2.9	2.9	2.9	2.9	2.9
Total Non-current Liabilities	**47.1**	**47.1**	**45.9**	**44.8**	**46.4**
Shareholder's equity	195.7	254.1	274.7	300.8	331.6
Minority interest	4.0	5.1	6.5	8.3	10.5
Total Equity	**199.7**	**259.2**	**281.3**	**309.1**	**342.1**

Cash Flow

FYE Dec (RM m)	FY25A	FY26F	FY27F	FY28F	FY29F
Pre-tax profit	**22.1**	**36.6**	**47.1**	**59.4**	**70.5**
Depreciation & amortisation	8.7	12.1	14.0	15.0	16.0
Changes in working capital	7.8	(8.6)	(2.2)	(2.2)	(2.0)
Tax paid	(5.5)	(8.8)	(11.3)	(14.3)	(16.9)
Others	(1.8)	2.7	1.6	1.4	1.0
Operating cash flow	**31.2**	**34.1**	**49.2**	**59.3**	**68.6**
Net capex	(16.6)	(35.9)	(18.0)	(14.0)	(17.4)
Others	1.1	2.0	1.6	1.7	2.0
Investing cash flow	**(15.5)**	**(33.9)**	**(16.5)**	**(12.3)**	**(15.4)**
Borrowings	6.5	0.1	(1.6)	(1.6)	2.3
Others	(8.3)	29.1	(16.4)	(19.9)	(23.1)
Financing cash flow	**(1.8)**	**29.3**	**(18.0)**	**(21.6)**	**(20.8)**
Net cash flow	13.9	29.5	14.7	25.5	32.4
Currency translation differences	-	-	-	-	-
Beginning cash & cash equivalent	77.6	91.5	120.9	135.6	161.1
Ending cash & cash equivalent	**91.5**	**120.9**	**135.6**	**161.1**	**193.5**
Fixed deposits & MMF	22.3	22.5	22.5	22.5	22.5
Cash and bank balances	**113.8**	**143.4**	**158.1**	**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 tCO_2e
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 **Wednesday, 09 Sep, 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.