

Wentel Engineering Holdings Berhad (0298)



Firing on All Cylinders

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BUY ↔

TP: RM 0.48 (+60%) ↔

Current Share Price: RM 0.30

Valuation

Our target price is based on:

FY26F with unchanged PE of 20x, lower than its peers' forward PE of 27x, given the smaller market size than its peers and different exposure to semiconductor industry.

Update Report

Growth

Investment Horizon : 12 months

Outlook

We remain positive on Wentel's outlook, which is aligned with our assumptions. Demand within the security segment remains stable, contributing 66% of total 9MFY25 revenue and recording a 15% YoY increase. This growth is driven by cross-border activities as governments upgrade checkpoints with CT scanners and AI-enabled detection due to stricter regulations, alongside resilient airport travel necessitating equipment upgrades. Meanwhile, the Electrical & Electronic (E&E) and Machining segments also continued to expand, growing 28% and 99% YoY in 9MFY25, respectively, supported by the semiconductor market's gradual recovery and trade diversion. The group continues to secure New Product Innovations (NPIs) from customers, which we expect to transition into mass production, driving higher revenue in our forecasts. Construction of the new plant (Lot 815) was recently completed. The group targets obtaining the Certificate of Completion and Compliance (CCC) in 1HCY26, with operations commencing in end 2QCY26/early 3QCY26. This facility is essential to cater to future demand and new customers, providing necessary floor space as the current utilization rate stands at 75% (nearing the optimal rate of 85%).

Recommendation

We maintain our forecasts, BUY call, and target price of RM0.48, anchored to an unchanged 20x FY26F PE, reflecting a more pronounced earnings growth outlook.

Key Assumption

Revenue Growth	Unchanged				
	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Security segment	-12%	19%	15%	15%	20%
Electrical & Electronic segment	-35%	38%	45%	45%	45%

Financial Exhibits

FYE 31 Dec	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Revenue (RMm)	98.8	112.4	134.0	162.3	203.8
EBITDA (RMm)	20.4	25.5	35.1	43.0	53.3
Pretax profit (RMm)	18.8	20.8	30.1	36.4	45.8
Net profit (RMm)	14.1	15.0	22.9	27.6	34.8
EPS (sen)	1.2	1.4	2.0	2.5	3.1
PER (x)	24.9	21.8	15.3	12.2	9.8
Core net profit (RMm)	13.8	19.6	22.9	27.6	34.8
Core EPS (sen)	1.2	1.8	2.0	2.5	3.1
Core EPS growth (%)	(32.7)	50.1	11.1	25.0	24.0
Core PER (x)	25.4	16.9	15.3	12.2	9.8
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	13.8	8.1	11.0	11.7	12.8
P/BV (x)	3.4	1.9	1.7	1.5	1.3

Investment Risk

- Customer concentration risk. More than 65% of the Group's revenue, particularly from security screening and only two customers. Any reduction in orders, pricing renegotiations, or loss of key clients may materially affect the Group's revenue and earnings, potentially leading to a significant financial downturn.
- Industry cyclicality. Wentel is exposed to cyclical end-markets such as semiconductors and E&E, which are subject to global demand fluctuations, inventory adjustment, and investment cycles. A downturn in the semiconductor industry, like that seen in 2023 or a slower-than-expected recovery in 2024, can lead to lower capacity utilization and deferred customer orders.
- Execution risk from capacity expansion. The Group's ongoing expansion involves constructing new manufacturing plants and acquiring new equipment, which carries execution risks. Delays in project completion, cost overruns, or failure to scale up production as planned could negatively impact future earnings and return on investment.
- Labour and skilled talent constraints. The precision engineering sector relies heavily on skilled technicians and engineers. Malaysia's manufacturing sector faces an ongoing shortage of technical workforce, which could affect production efficiency and quality, particularly during rapid capacity growth phases

Peer Comparison

Name	Last price	Market Cap	FYE	Earnings Growth			PE		Div. Yield	ROE
				1-yr Fwd	2-yr Fwd	Hist.	1-yr Fwd	2-yr Fwd	1-yr Fwd	Hist.
Malaysia (RM'mn)										
CORAZA INTEGRATED TECHNOLOGY	0.54	269.3	12/2025	239.2	5.4	17.4	19.5	16.0	0.0	11.7
CPE TECHNOLOGY BHD	0.535	362.5	06/2026	-24.2	50.0	14.8	20.0	13.5	1.3	7.6
UWC BHD	4	4400.5	07/2026	142.0	35.6	108.4	44.8	33.3	0.2	8.9
SAM ENGINEERING & EQUIPMENT	3.73	2511.6	03/2026	-24.5	37.6	29.8	36.0	26.5	0.6	6.2
Simple Avg				83.1	32.1	42.6	30.1	22.3	0.5	8.6
US (USD'mn)										
OSI SYSTEMS INC	265.85	4513.6	06/2026	11.4	10.4	30.1	25.5	23.3	0.0	17.6
WENTEL ENGINEERING HOLDINGS	0.29	333.5	12/2025	57.0	19.3	13.9	13.8	11.6	0.0	12.5

As at 11 December 2025. Based on Bloomberg consensus.

Sensitivity Analysis

Case 1 : Changes in revenue growth against earnings margin to derive earnings

Revenue base of RM112mn in FY24.

Profit margin of FY25F is 17.1%

Revenue growth (%) / profit margin (%)	15.5%	16.0%	16.5%	17.0%	17.5%	18.0%
5	18.3	18.9	19.5	20.1	20.7	21.2
10	19.2	19.8	20.4	21.0	21.6	22.3
15	20.0	20.7	21.3	22.0	22.6	23.3
20	20.9	21.6	22.3	22.9	23.6	24.3
25	21.8	22.5	23.2	23.9	24.6	25.3
30	22.7	23.4	24.1	24.8	25.6	26.3

Case 2 : Changes in net profit against PE to derive target price

Net profit of FY27F is RM27.6mn.

Net profit (RMmn) / PE (x)	17	18	19	20	21	22	23
24.6	0.36	0.39	0.41	0.43	0.45	0.47	0.49
25.6	0.38	0.40	0.42	0.45	0.47	0.49	0.51
26.6	0.39	0.42	0.44	0.46	0.49	0.51	0.53
27.6	0.41	0.43	0.46	0.48	0.50	0.53	0.55
28.6	0.42	0.45	0.47	0.50	0.52	0.55	0.57
29.6	0.44	0.46	0.49	0.51	0.54	0.57	0.59

Financial Exhibits

Income statement

FYE 31 Dec (RMmn)	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Revenue	98.8	112.4	134.0	162.3	203.8
Operating expenses	(5.7)	(10.6)	(7.1)	(8.0)	(11.0)
EBITDA	20.4	25.5	35.1	43.0	53.3
Depreciation	(1.3)	(4.5)	(4.7)	(6.3)	(7.2)
EBIT	19.1	21.0	30.4	36.7	46.1
Net int income/(expense)	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)
Exceptional gains /(losses)	(0.3)	(4.6)	0.0	0.0	0.0
Associates' contribution	0.0	0.0	0.0	0.0	0.0
Pretax profit	18.8	20.8	30.1	36.4	45.8
Tax	(4.7)	(5.8)	(7.2)	(8.7)	(11.0)
Minority interest	0.0	0.0	0.0	0.0	0.0
Net profit	14.1	15.0	22.9	27.6	34.8
Core net profit	13.8	19.6	22.9	27.6	34.8

Balance Sheet Statement

FYE 31 Dec (RMmn)	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Fixed assets	42.8	67.0	70.3	72.0	71.8
Other long term assets	1.5	4.9	-	-	-
Total non-current assets	44.3	71.9	70.3	72.0	71.8
Cash and equivalents	18.6	31.5	46.2	61.6	81.3
Inventories	15.5	21.9	26.2	31.9	39.8
Receivables	20.8	26.9	31.9	38.7	48.6
Other current assets	18.3	61.8	47.8	47.8	47.8
Total current assets	73.3	142.2	152.2	180.0	217.5
Payables	6.6	7.1	8.5	10.3	12.9
Short term borrowings	1.5	1.4	1.4	1.4	1.4
Other current liabilities	6.0	14.7	-	-	-
Total current liabilities	14.1	23.3	9.9	11.7	14.3
Long term borrowings	1.4	3.5	3.5	3.5	3.5
Other long term liabilities	0.2	0.9	-	-	-
Total long term liab.	1.6	4.4	3.5	3.5	3.5
Shareholders' Funds	101.9	186.5	209.1	236.7	271.5
Minority Interest	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

FYE 31 Dec (RMmn)	FY2023A	FY2024A	FY2025F	FY2026F	FY2027F
Pretax Profit	18.8	20.8	30.1	36.4	45.8
Depreciation & amortisation	1.3	4.5	4.7	6.3	7.2
Working capital changes	(0.3)	(1.8)	(7.9)	(10.6)	(15.2)
Others	(2.7)	(8.2)	(7.2)	(8.7)	(11.0)
C/F from operation	17.2	15.3	19.6	23.4	26.7
Capex	(19.2)	(26.9)	(8.0)	(8.0)	(7.0)
Others	(3.6)	(47.7)	0.0	0.0	0.0
C/F from investing	(22.7)	(74.7)	(8.0)	(8.0)	(7.0)
Debt raised/(repaid)	(1.5)	(1.5)	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	(2.2)	69.1	0.0	0.0	0.0
C/F from financing	(3.7)	67.6	0.0	0.0	0.0
Net change in cash flow	(9.2)	8.2	11.6	15.4	19.7
Free Cash Flow	(2.0)	(11.7)	11.6	15.4	19.7



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Equity:

BUY: Total stock return expected to exceed +15% over 12-month period

HOLD: Total stock return to be between -15% and +15% over a 12-month period

SELL: Total stock return expected to below -15% over a 12-month period

TRADING BUY: Total stock return expected to exceed +10% over 6-month period

TRADING SELL: Total stock return expected to below -10% over a 6-month period