

# QES Group Berhad (0196)

## Orderbook Momentum Accelerates

Bloomberg Ticker: QES MK | Investment Horizon: 12 Months

### Recommendation

We reiterate HOLD call with unchanged target price of RM0.505, based on unchanged FY26F PE of 20x, reflecting a more pronounced earnings growth outlook.

### Outlook

Post-briefing, we remain optimistic about QES's outlook, underpinned by stronger demand from both value engineering and manufacturing divisions as the semiconductor and MedTech sectors recover.

The orderbook improved 13% QoQ to RM122mn as of April 2026 from RM108mn in January 2026, which is primarily dominated by the value engineering division (70%) and the manufacturing division (30%). Notably, the manufacturing orderbook surged 54% in April versus January 2026, driven by strong demand from MedTech customers. This is significant as the manufacturing division delivers better margins compared to the value engineering division, which we believe will drive stronger earnings relative to our forecast.

HQ utilization rates also improved to 70-75% currently from 50% in 1QCY26, enabling more manufacturing projects to come onstream. Meanwhile, Batu Kawan Plant A is currently at 30-35% utilization for MedTech production, with the remaining floor space allocated to the two Chinese collaboration partners.

The MedTech segment will continue to grow as customers expand regionally and launch new products. We understand that QES is seeing greater revenue contribution in 2Q and 3Q26 as they deliver more machines to customers. We expect to have better order visibility as MedTech customers tend to be sticky with suppliers and require additional equipment when launching new products.

QES signed two MOUs with Chinese collaboration partners, Company X and Unicom Technology Group. Company X manufactures wafer fabrication front-end and advanced packaging equipment. Company X will occupy part of the Batu Kawan plant's floor space, with QES investing an additional RM18mn in capex to build a Class 1,000 cleanroom for future production. QES will serve as contract manufacturer for Company X, localizing the manufacturing of front-end semiconductor equipment through technology transfer from Company X and joint development of advanced packaging equipment. Meanwhile, Unicom Technology Group manufactures X-ray and photon emission microscopes. Both parties can leverage each other's strengths in semiconductor inspection technology to penetrate the ASEAN and China markets. Any revenue contribution from both partners will only materialise in FY27F.

### Forecast

We keep our FY26F-FY28F forecast earnings unchanged.

### Investment Risk to our Call

(i) Customer concentration risk, (ii) industry cyclicality, (iii) execution risk from capacity expansion, and (iv) labour and skilled talent constraints.

**HOLD** ↔

Target Price: RM0.505 (+1%) ↔

Current Share Price: RM0.50

Main Market  
Industrial Products & Services

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### Company Overview

QES is an integrated solutions provider of test, measurement, and inspection equipment, serving as a critical partner to high-growth technology sectors such as the semiconductor, electronics, and automotive industries.

### Stock Information

Market Cap (RM'mn)	420.5
Issued Shares (mn)	832.8
52W High (RM)	0.52
52W Low (RM)	0.34
Estimated Free Float (%)	41.8
Beta vs FBM KLCI	1.3
3-month Average Vol. (mn)	1.2
Shariah Compliant	Yes

### Consensus

	FY25A	FY26F	FY27F
EPS (sen)	2.0	2.3	2.7
TP (RM)	High	Mean	Low
	0.57	0.51	0.47
Ratings	Buy	Hold	Sell
	4	0	0

Category	Score	Materiality	Weighted Score
Environmental	16	30%	1.0
Social	28	35%	2.0
Governance	37	35%	2.6
Total	85	100%	5.6

## Key Assumption

Revenue Growth	Actual		Unchanged Forecast		
	FY24	FY25	FY26F	FY27F	FY28F
Value engineering	9%	4%	10%	10%	10%
Manufacturing	30%	-28%	15%	15%	10%

## Key Financial Metrics

FYE 31 Dec	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	269.6	266.8	295.3	326.6	359.1
EBITDA (RM'mn)	32.7	32.3	39.2	44.0	49.6
Pretax profit (RM'mn)	24.7	21.9	30.4	35.1	40.7
Net profit (RM'mn)	17.3	16.3	21.0	24.3	28.2
EPS (sen)	2.1	2.0	2.5	2.9	3.4
PER (x)	19.5	20.5	16.4	14.1	12.1
Core net profit (RM'mn)	17.4	17.9	21.0	24.3	28.2
Core EPS (sen)	2.1	2.1	2.5	2.9	3.4
Core EPS growth (%)	(4.5)	0.0	19.0	16.0	17.2
Core PER (x)	19.5	19.5	16.4	14.1	12.1
Net DPS (sen)	0.55	0.75	0.75	0.75	0.75
Dividend Yield (%)	1.3	1.8	1.8	1.8	1.8
ROE (%)	9.5	9.1	10.0	10.6	11.2
P/BV (x)	1.8	1.7	1.6	1.5	1.3

## Financial Exhibits

### Income statement

FYE 31 Dec (RMmn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	269.6	266.8	295.3	326.6	359.1
Operating expenses	(236.9)	(234.5)	(256.1)	(282.5)	(309.6)
<b>EBITDA</b>	<b>32.7</b>	<b>32.3</b>	<b>39.2</b>	<b>44.0</b>	<b>49.6</b>
Depreciation	(6.4)	(7.3)	(6.5)	(6.5)	(6.5)
<b>EBIT</b>	<b>26.2</b>	<b>25.1</b>	<b>32.8</b>	<b>37.6</b>	<b>43.1</b>
Net int income/(expense)	(1.1)	(1.1)	(2.4)	(2.4)	(2.4)
Exceptional gains /(losses)	0.0	(1.5)	0.0	0.0	0.0
Associates' contribution	(0.5)	(0.6)	0.0	0.0	0.0
<b>Pretax profit</b>	<b>24.7</b>	<b>21.9</b>	<b>30.4</b>	<b>35.1</b>	<b>40.7</b>
Tax	(7.6)	(5.1)	(9.1)	(10.5)	(12.2)
Minority interest	(0.2)	0.5	0.2	0.2	0.3
<b>Net profit</b>	<b>17.3</b>	<b>16.3</b>	<b>21.0</b>	<b>24.3</b>	<b>28.2</b>
<b>Core net profit</b>	<b>17.3</b>	<b>17.8</b>	<b>21.0</b>	<b>24.3</b>	<b>28.2</b>

### Balance Sheet Statement

FYE 31 Dec (RMmn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	77.1	85.2	77.5	77.7	78.8
Other long term assets	19.0	20.3	29.6	29.1	29.1
<b>Total non-current assets</b>	<b>96.0</b>	<b>105.5</b>	<b>107.1</b>	<b>106.8</b>	<b>108.0</b>
Cash and equivalents	78.7	90.7	95.6	108.3	123.1
Inventories	30.7	31.2	38.5	42.3	46.2
Receivables	86.1	73.8	92.0	100.4	111.1
Other current assets	22.6	23.4	-	-	-
<b>Total current assets</b>	<b>218.1</b>	<b>219.1</b>	<b>226.1</b>	<b>251.0</b>	<b>280.5</b>
Payables	50.8	41.2	55.2	60.3	66.0
Short term borrowings	18.4	16.5	16.5	16.5	16.5
Other current liabilities	17.2	20.0	2.0	2.9	5.4
<b>Total current liabilities</b>	<b>86.4</b>	<b>77.7</b>	<b>73.6</b>	<b>79.7</b>	<b>87.9</b>
Long term borrowings	36.6	44.2	44.2	44.2	44.2
Other long term liabilities	3.1	2.9	0.4	0.4	0.4
<b>Total long term liab.</b>	<b>39.7</b>	<b>47.1</b>	<b>44.6</b>	<b>44.6</b>	<b>44.6</b>
<b>Shareholders' Funds</b>	<b>184.1</b>	<b>195.7</b>	<b>210.7</b>	<b>229.0</b>	<b>251.2</b>
<b>Minority Interest</b>	<b>3.9</b>	<b>4.1</b>	<b>4.3</b>	<b>4.6</b>	<b>4.9</b>

### Cash Flow Statement

FYE 31 May (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	24.7	21.9	30.4	35.1	40.7
Depreciation & amortisation	5.7	6.6	5.8	5.8	5.8
Working capital changes	(3.6)	0.2	(11.5)	(7.1)	(8.9)
Cash tax paid	(6.3)	(7.9)	(9.1)	(10.5)	(12.2)
Others	3.7	6.0	0.7	0.7	0.7
<b>C/F from operation</b>	<b>24.3</b>	<b>26.8</b>	<b>16.2</b>	<b>23.9</b>	<b>26.1</b>
Capex	(15.5)	(5.8)	(5.0)	(5.0)	(5.0)
Others	0.8	3.3	0.0	0.0	0.0
<b>C/F from investing</b>	<b>(14.8)</b>	<b>(2.4)</b>	<b>(5.0)</b>	<b>(5.0)</b>	<b>(5.0)</b>
Debt raised/(repaid)	(2.0)	(3.2)	0.0	0.0	0.0
Dividends paid	(6.3)	(2.5)	(6.3)	(6.3)	(6.3)
Others	(2.8)	(3.4)	0.0	0.0	0.0
<b>C/F from financing</b>	<b>(11.1)</b>	<b>(9.1)</b>	<b>(6.3)</b>	<b>(6.3)</b>	<b>(6.3)</b>
<b>Net change in cash flow</b>	<b>(1.5)</b>	<b>15.2</b>	<b>4.9</b>	<b>12.7</b>	<b>14.8</b>
<b>Free Cash Flow</b>	<b>8.7</b>	<b>21.0</b>	<b>11.2</b>	<b>18.9</b>	<b>21.1</b>



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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

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

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