Wentel Engineering Holdings Berhad (WENTEL)

Thriving in a Trade Tension Headwinds

- **Wentel Engineering fabricates semi-finished metal products, parts, and assemblies, supported by CNC and coating facilities. Serving Malaysia, Singapore, and the US, its products cater to security screening, semiconductors, CNC machines and etc.**
- **We expect WENTEL's FY25F net profit to surge 52.4% to RM22.9m, driven by Raspiscan's >19% CAGR orders and stronger security equipment demand from stricter trade policies. Further growth in FY26–27F will be supported by the E&E segment expansion and increased capacity from its new production plant.**
- **We initiate coverage on WENTEL with a BUY recommendation and a target price of RM0.48, based on a 23.0x P/E on mid-FY26F EPS. The valuation is within the average forward and historical PE of 22.8x–47.6x, strong 13.4% net margins versus 5.9% industry average, and Tier-1 global client exposure driving backlog order growth.**

Investment Highlights

ASEAN ranks as China's top trade partner. Tariffs and embargoes derived from the ongoing trade war have made it far more expensive to export China-made goods to the Americans, and difficult for Chinese firms to acquire high value components — particularly those used in semiconductor manufacturing. In response, we note an increasing number of domestic Chinese firms adopting a trade diversifications strategy to diversify its export chain beyond US as reflected in its growing trade turnover between China and ASEAN countries, in which reached USD420.5bn in the first five months of 2025 — an increase of 9.1% YoY while surpassing EU and US in China's trade rankings.

A key beneficiary from the US-China tensions. Security screening equipment is one of WENTEL's largest markets, accounting for approximately 69.2% of its revenue in FY24. As such, the group stands to benefit from the rising demand for security screening equipment, which is expected to grow tremendously over the coming quarters as national governments tighten import inspection protocols and compliance requirements. Also, Malaysia, given its geopolitical neutrality, has emerged as one of the key beneficiaries of this "China + 1" diversification strategy as we note increased order volumes from WENTEL's E&E clients, driven by the reallocation of manufacturing activities to Malaysia.

OSI registered strong double-digit growth in backlog orders. From what we gathered, WENTEL's major customer, Rapiscan — a subsidiary of the US-based publicly listed company OSI Systems — has saw a strong and growing backlog order, registering a 19% CAGR from FY2019 to FY2024. OSI's recent contract wins include: i) a USD12m order in January 2025 for multiple units of the Eagle® M60 ZBx multi-energy, mobile cargo and vehicle inspection system, ii) a USD76m contract in March to provide airport screening solutions for a major international airport, iii) a USD17m deal to supply high-energy mobile cargo and vehicle inspection systems, and iv) a USD4m contract in April for patient monitoring solutions.

In expansion mode to fully capture growth opportunities. While OSI Systems already has a global presence, the Group is actively focused on expanding its international footprint, which in turn would provide the Group with to a lower labour and manufacturing costs, as well as enable OSI to reduce delivery times to customers. Besides that, OSI plans to service, upgrade, and replace its existing security screening systems — covering areas such as shipping containers, trucks, railcars, and air cargo shipments. This, in turn, would provide WENTEL with more business opportunities, as we understand WENTEL is the direct Tier-1 supplier for Rapiscan.

Company Initiation

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BUY

Share price	**RM0.315**
Target price	**RM0.480**
Previous TP	**-**
Capital upside	52.3%
Dividend return	-%
Total return	52.3%

Company profile

Principally involved in fabricating semi-finished metal products, parts, as well as assemblies, serving clients in Malaysia, Singapore and the United States.

Stock information	
Bursa Code	0298
Bloomberg ticker	WENTEL MK
Listing market	ACE
Share issued (m)	1,150
Market Cap (m)	373.8
Shariah compliant	YES

Major shareholders	**%**
Wong Kim & Long Sok	37.7
Wencor (M) Sdn Bhd	16.6

Earnings snapshot

FYE (May)	FY24	FY25f	FY26f
PATMI (m)	15.0	22.9	24.9
EPS (sen)	1.31	1.99	2.17
P/E (x)	24.9	16.3	15.0

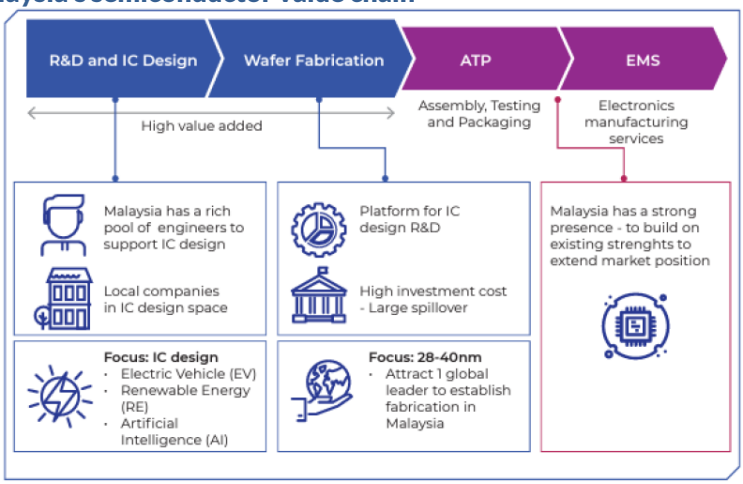
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Industry Outlook

Malaysia's New Industrial Masterplan (NIMP) 2030. The Malaysian government has announced the NIMP 2030 as a key component of the MADANI economic reforms. Under NIMP 2030, which aims to position Malaysia as an attractive alternative and a neutral party to capitalise on the ongoing US-China trade tensions.

Given that the E&E sector accounts for ~40% of Malaysia's manufacturing exports, with semiconductors making up around 60% of that, NIMP 2030 sets out to: i) tap into front-end manufacturing in IC design, and ii) attract MNCs to establish wafer fabrication facilities, with support from MITI, MIDA, MSIA, SIRIM, CREST, MIMOS, and etc.

Fig #1 Malaysia's semiconductor value chain



Source: NIMP 2030

RM110m worth of CapEx is to be utilized. In tandem with the growing demand in the E&E and security screening industries, WENTEL is expanding its production space through the use of IPO proceeds and internally generated funds by constructing a new plant with a built-up area of ~299,000 sq ft. Do note that WENTEL's current capacity stood at only ~114,000 sq ft.

With CapEx of ~RM110m, combined with the addition of CNC machines and notably ~500–1000 metal parts FA (First Article), we believe this will serve as a key catalyst for topline growth in the upcoming quarters, especially as WENTEL is currently operating at a utilisation rate of over 75%.

Fig #2 Progress of new manufacturing plant

As at end of January 2025



As at mid of June 2025



Source: Wentel Engineering Holdings Berhad

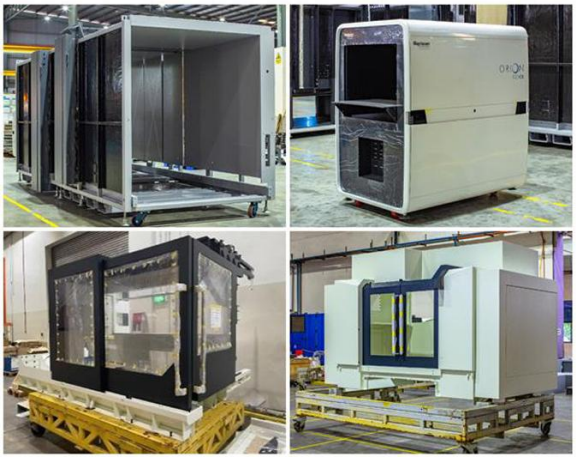
Company Overview

Established since the year 2000, Wentel Engineering Holdings Berhad (WENTEL) is principally involved in the fabrication of semi-finished metal products, fabrication of metal parts, and assembly of finished products, supported by in-house facilities such as CNC machines and other manufacturing equipment, as well as surface treatment and coating facilities.

WENTEL serves mainly three geographical markets, namely Malaysia, Singapore, and the United States. The manufactured goods are sold directly to customers, who are predominantly involved in security screening, semiconductor manufacturing, CNC machines, medical equipment, and other sectors.

i. **Fabrication of semifinished metal products & metal accessories (74.3% FY24 revenue).** The fabrication of semifinished metal products involves cutting, punching, bending, milling, welding, surface finishing, and joining individual pieces to form the metal products. The fabrication is mainly done using computer numerical control (CNC) milling and CNC manufacturing equipment such as CNC laser cutting, CNC turret punching, CNC bending, and CNC welding to achieve higher levels of accuracy.

Fig #3 Examples of semifinished metal products



Source: Wentel Engineering Holdings Berhad

Besides semi-finished parts, WENTEL also fabricates metal accessories for security screening equipment and CNC machines, such as tray return systems for scanning machines, coolant tanks for CNC machines, etc.

Fig #4 Examples of metal accessories



Left: Tray return system; Right: Coolant tank

Source: Wentel Engineering Holdings Berhad

ii. **Fabrication of metal parts (20.4% of FY24 revenue).** Furthermore, WENTEL uses CNC machines and other manufacturing equipment to fabricate metal parts, mainly using carbon steel, electro-galvanised steel, stainless steel, aluminium, and brass.

iii. **Assembly of finished products (5.3% of FY24 revenue).** Its assembly business segment involves joining workpieces with procured parts and other materials to produce finished products that are operational and ready for use.

Key Management Team

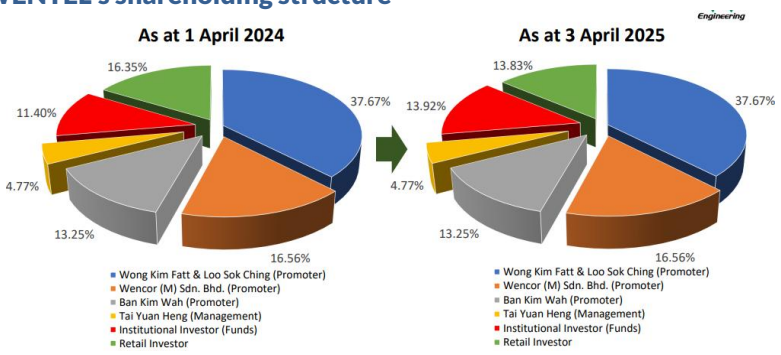
Mr Wong Chun Wei (Executive Director) – Responsible for overseeing corporate development, strategy, sales, and customer service for the Group.

Mr Chuah Chong Syn (Group Chief Executive Officer) – Responsible for overall business operations, including supply chain and production planning.

Mr Tai Yuan Heng (General Manager) – Overseeing the Group's daily production operations, responsible for managing operations and supervising production teams.

Mr Yap Yew Wei (Group Financial Controller) – Overseeing the Group's accounting, finance, internal controls, and administrative functions.

Fig #5 WENTEL's shareholding structure



Source: Wentel Engineering Holdings Berhad

Fig #6 WENTEL's SWOT Analysis

Strength	Weakness
• A physical presence in Singapore which provides WENTEL with an additional market to grow their business coverage. • Provides widerange of production facilities to meet the different needs of customers for fabriated semifinished metal products and metal parts.	• WENTEL is exposed to customer concentration risk, given that a large portion of its revenue is generated from a few major customers. • While the security screening equipment and E&E sectors are growing, WENTEL has limited production capacity, which restricts the number of orders it can deliver within a given time frame.
Opportunity	**Threat**
• The Malaysian New Industrial Master Plan 2030 (NIMP 2030) is expected to attract more MNCs to establish manufacturing plants in Malaysia, given its geopolitical neutrality within ASEAN. • Malaysia's growing FDI, particularly in the semiconductor and data centre space, should provide more business opportunities for WENTEL.	• Given the competitive landscape within the metal fabrication sector, if competitors offer lower prices for their services or products, this may result in customers shifting away from WENTEL. • Fluctuations in raw material prices, in compund with uncertainties over trade policies, could adversely affect its profit margins, given WENTEL is unable to pass on the additional costs to end customers.

Source: M+ Research

Financials

Revenue highlights. Following a downbeat performance in FY23 (net profit sank -31.1% to RM14.1m), marred by the cyclical nature of the technology industry that impacted all of the Group's segments, WENTEL responded with a modest uptick as net profit rose 6.6% to RM15.0m, reflecting its expanded customer base. Margins also improved, supported by lower input costs and healthy order volumes from WENTEL's customers.

Earnings forecast. For FY25f, we reckon that WENTEL would be able to deliver another year of solid improvement, backed by the growing backlog orders from its major customer, Raspiscan, which recorded a healthy CAGR of >19.0% in FY21-24. This should reflect the growing demand for security screening equipment, driven by Trump's protectionist trade policies that are expected to result in more stringent import regulations at borders and airports.

As we note that the current production operates at a utilization rate of ~75%, we expect the bottom line to record an improvement of 52.4% to RM22.9m. For the following year, we expect further improvements in FY26f and FY27f, supported by organic growth in its E&E segments as well as better production capacity with the commencement of its new production plant.

Given that much of the CapEx of ~RM110m has already been spent on the new production plant and the purchase of machinery such as CNC machines, we foresee CapEx remaining minimal, with a base assumption of around RM5.0m from FY27f onwards. Thereafter, we expect gearing to remain healthy, supported by steady cash flows.

Valuations

Initiate Coverage. We initiate coverage on WENTEL with a **BUY** recommendation and a target price of RM0.48, based on a 23.0x P/E pegged to mid-FY26F EPS of 2.08 sen. We believe the assigned multiple is justified given that: i) local peers forward and historical average P/E ranges between 22.8x to 47.6x; ii) WENTEL achieves net margins of 13.4%, well above the local average of 5.9%; and iii) it has Tier-1 exposure to global market players, which command >20% market share and are currently expanding their geographical presence, resulting in positive spillover effects on WENTEL's backlog orders going forward.

Fig #7 Peers comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	P/B (x)	Forward P/E (x)	ROE (%)	NP Margin (%)
WENTEL ENGINEERING HOLDINGS BH	**ACE**	**Dec**	**0.32**	**362.3**	**17.6**	**1.9**	**15.8**	**11.3**	**13.4**
Coraza Integrated Technology B	ACE	Dec	0.48	234.7	27.9	1.8	19.0	6.5	4.0
UWC BHD	MAIN	Dec	2.29	2,525.6	95.2	5.5	NM	5.9	6.3
Sam Engineering & Equipment M	MAIN	Dec	4.20	2,843.3	30.9	2.0	28.0	6.4	6.2
SFP Tech Holdings Bhd	ACE	Dec	0.19	456.0	45.5	2.0	NM	4.7	7.1
Avg ex-WENTEL ENGINEERING HOLDINGS BH				**1,514.9**	**49.9**	**2.8**	**23.5**	**5.9**	**5.9**

*Source: M+ Research (*FY25, **FY26f)*

Investment Risks

Exposed to fluctuations in raw material prices. Therefore, any adverse movement in raw material prices and the potential inability to pass on the cost to customers may have a significant impact on the group's net profits.

Exposed to foreign exchange fluctuations. A portion of WENTEL's revenue and purchases are mostly in foreign currencies such as USD, SGD, Euro, and GBP. Hence, any adverse currency fluctuations going forward may affect the group's profitability.

Dependent on certain major customers. Any disruptions to the continuity of future orders from its major customers may have a significant adverse effect on the group's overall performance.

Industry cyclicality. Security screening equipment contributed ~69.2% of total revenue. Hence, a sudden drop in demand could result in reduced or cancelled orders or pricing pressure, negatively impacting future financial performance and margins.

ESG initiatives

Environmental. As at the LPD, we understand that WENTEL holds the ISO 14001:2015 Environmental Management System certification for its fabrication operations, under which WENTEL is mandated to comply with the relevant standards to ensure the continuous retention of the said certification._Besides that, WENTEL is committed that waste generated from its operations is properly managed and disposed.

Social. We understand that WENTEL arranges safety, health, and environment training for its employees on an annual basis to enhance their awareness of workplace safety and health._In addition, WENTEL also conducts monthly inspections on its schedules waste storage, chemical storage as well as emergency procedures to ensure workplace safety.

Governance As at the LPD, WENTEL has adopted, amongst others the following practices of the MCGG: i) >50% of its board are independent directors, ii) >30% of its board are woman directors, iii) its Audit and Risk Management Committee are solely independent directors, as well as iv) Non-Independent Non-Executive Chairman is not a member of any of its board committees.

Financial Highlights

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Cash	18.6	31.5	41.3	44.6	67.0
Receivables	20.8	26.9	27.4	32.8	37.3
Inventories	15.5	21.9	19.5	23.8	27.0
PPE	44.3	71.9	82.6	97.4	97.1
Others	18.3	61.8	61.8	61.8	61.8
Assets	**117.6**	**214.1**	**232.6**	**260.3**	**290.2**
Debts	4.5	6.4	5.4	4.3	3.4
Payables	11.2	20.4	17.0	20.8	23.7
Others	-	0.9	0.9	0.9	0.9
Liabilities	**15.7**	**27.7**	**23.3**	**26.0**	**27.9**
Shareholder's equity	101.9	186.5	209.4	234.3	262.4
Minority interest	-	-	-	-	-
Equity	**101.9**	**186.5**	**209.4**	**234.3**	**262.4**

Cash Flow Statement

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Profit before taxation	18.8	20.7	30.1	32.8	36.9
Depreciation & amortis	5.2	4.5	6.2	7.2	7.8
Changes in working ca	(0.2)	(3.3)	(1.4)	(5.9)	(4.9)
Share of JV profits	-	-	-	-	-
Taxation	(4.7)	(5.8)	(7.2)	(7.9)	(8.9)
Others	(1.8)	1.7	-	-	-
Operating cash flow	**17.3**	**17.9**	**27.7**	**26.2**	**30.9**
Net capex	(18.5)	(24.2)	(19.4)	(19.4)	(5.0)
Others	(4.6)	(53.2)	-	-	-
Investing cash flow	**(23.1)**	**(77.4)**	**(19.4)**	**(19.4)**	**(5.0)**
Changes in borrowings	(2.7)	1.8	(1.0)	(1.0)	(1.0)
Issuance of shares	0.1	69.5	-	-	-
Dividends paid	-	-	-	-	-
Others	(0.9)	(3.6)	-	-	-
Financing cash flow	**(3.4)**	**67.8**	**(1.0)**	**(1.0)**	**(1.0)**
Net cash flow	**(9.2)**	**8.2**	**9.8**	**3.3**	**22.4**
Forex	3.7	0.3	-	-	-
Others	(9.4)	-	-	-	-
Beginning cash	33.7	18.6	31.5	41.3	44.6
Ending cash	18.6	31.5	41.3	44.6	67.0

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	**98.8**	**112.4**	**125.0**	**149.5**	**170.1**
EBITDA	23.9	22.6	33.8	37.4	42.1
EBIT	18.7	18.1	27.6	30.2	34.3
Net finance income/ (co	0.2	2.6	2.6	2.6	2.6
Associates & JV	-	-	-	-	-
Profit before tax	**18.8**	**20.7**	**30.1**	**32.8**	**36.9**
Tax	(4.7)	(5.8)	(7.2)	(7.9)	(8.9)
Net profit	**14.1**	**15.0**	**22.9**	**24.9**	**28.0**
Minority interest	-	-	-	-	-
Core earnings	**14.1**	**15.0**	**22.9**	**24.9**	**28.0**
Exceptional items	-	-	-	-	-
Reported earnings	14.1	15.0	22.9	24.9	28.0

Valuation & Ratios

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Core EPS (sen)	1.2	1.3	2.0	2.2	2.4
P/E (x)	26.5	24.9	16.3	15.0	13.3
EV/EBITDA (x)	14.3	15.1	10.1	9.1	8.1
DPS (sen)	-	-	-	-	-
Dividend yield	-	-	-	-	-
BVPS (RM)	0.1	0.2	0.2	0.2	0.2
P/B (x)	3.7	2.0	1.8	1.6	1.4
EBITDA margin	0.2	0.2	0.3	0.3	0.2
EBIT margin	0.2	0.2	0.2	0.2	0.2
PBT margin	0.2	0.2	0.2	0.2	0.2
Net margin	0.1	0.1	0.2	0.2	0.2
ROE	0.1	0.1	0.1	0.1	0.1
ROA	0.1	0.1	0.1	0.1	0.1
Net gearing	CASH	CASH	CASH	CASH	CASH

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Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

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