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Wednesday, 26 Nov, 2025

Malacca Securities
Building Wealth Together

Wentel Engineering Holdings Berhad

Earnings Momentum Remains Intact

Results Note – 3QFY25

Muhammad Nabil
muhammadnabil@msec.com.my
(603) 2201 2100

Summary

- **Again, earnings were in line with our expectations.** WENTEL registered a 3Q25 core PAT of RM6.2m (+23.1% QoQ, +80.8% YoY), bringing 9MFY25 core PAT to RM17.3m (+106.0%). All in all, the results met 75.0% of both our and street FY25F estimates – deemed in line with our expectations, with another stellar earnings result anticipated in the upcoming quarter on the back of growing demand surrounding its fabrication of semi-metal finished products. Hence, we remain positive on WENTEL's prospects as we project core earnings to grow at a 23.1% CAGR for FY25–27f.

- **YoY.** On a YoY basis, WENTEL's revenue increased by 32.8%, supported by higher contributions from the fabrication of semi-finished metal products (+47.9%) and assembly of finished products (+4.5%), which offset the decline in the fabrication of metal parts (-9.8%). Core PAT notably rose by 80.8% in 3Q25, from RM3.4m in 3Q24 to RM6.2m in 3Q25.

- **QoQ.** Again, WENTEL registered double-digit QoQ revenue growth, rising to RM38.4m from RM34.9m, driven by the abovementioned factors. Similarly, core PAT increased by 23.1% due to i) lower OpEx, which declined by 11.3%, as well as ii) a favourable mix ordered by customers, which resulted in better gross and net margins.

- **Segmental performance.** All in all, Malaysia registered stellar growth (+12.4% QoQ, +27.9% YoY), as did Singapore (+8.0% QoQ, +42.6% YoY), given its positioning as a Tier-1 supplier to Rapiscan, a direct subsidiary of OSI Systems. Moreover, the latter provided healthy revenue guidance of 9–12% (USD1.8–1.9bn) for FY26F. Given WENTEL demonstrate its ability to ramp its capacity through the new production capacity next year, we believe this alone provides ample room for revenue growth.

- **Outlook.** Motor Intelligence projected the Security Screening industry to reach USD13.0bn by 2030, from USD9.3bn in 2025, growing at a CAGR of 6.8%, driven by sustained government procurement programs, recovery in aviation traffic, as well as rising geopolitical tensions — all in all creates natural demand for advanced detection equipment, to which WENTEL is largely exposed. Moreover, we think the upcoming Lot 815, doubling its current production capacity, would further unlock growth for WENTEL, with its E&E segment gaining traction. For perspective, WENTEL is exposed to front-end WFE OEMs, with >1,000 NPIs under assessment.

Quarterly performance 3Q25

Quarterly performance

FYE Jun (RM m)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	28.9	34.9	38.4	*10.2*	*32.8*	83.5	104.5	*25.2*
EBIT	3.8	6.7	8.2	*21.7*	*116.4*	10.8	23.0	*112.6*
PBT	4.5	6.7	8.1	*22.1*	*79.8*	12.4	22.9	*85.0*
Core PAT	3.4	5.0	6.2	*23.1*	*80.8*	8.4	17.3	*106.0*
Reported PAT	3.4	5.0	6.2	*23.1*	*80.8*	8.4	17.3	*106.0*
Core EPS (sen)	0.3	0.4	0.5	*23.1*	*80.8*	0.7	1.5	*106.0*
EBIT margin (%)	13.1	19.3	21.3			13.0	22.0	
PBT margin (%)	15.7	19.1	21.2			14.8	21.9	
Core PATMI margin (%)	11.8	14.4	16.1			10.1	16.6	

Source: WENTEL, M+ Research

BUY

Share price	**RM0.305**
Target price	RM0.480
Previous TP	RM0.480
Capital upside	57.4%
Dividend return	-
Total return	57.4%

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)	1150.0
Market Cap (m)	373.8
52W High/Low	0.365 / 0.21
Est. Free float (%)	22.1
Beta (x)	N/A
3-mth avg vol ('000)	2430.6
Shariah compliant	Yes

Major shareholders	%
Wong Kim Fatt & Loo Sok Ching	37.7
Wencor (M) Sdn Bhd	16.6

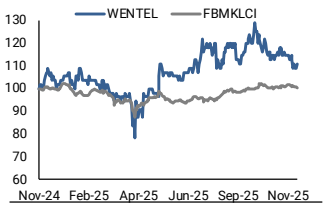
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-3.2	-6.2	7.0
Relative	-3.1	-7.9	6.4

Earnings snapshot

FYE (Dec)	FY24	FY25f	FY26f
PAT (m)	15.0	22.9	24.9
EPS (sen)	1.31	1.99	2.17
P/E (x)	24.9	16.3	15.8

Relative performance chart



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Valuation & Recommendation

- **Forecast.** Maintained
- **Maintained BUY recommendation with an unchanged target price of RM0.48.** We maintain BUY recommendation on WENTEL with an unchanged target price of RM0.48, derived on P/E multiples of 23x to mid-FY26f of 2.08 sen.
- **Downside risks.** Risks to our recommendation include: (i) fluctuations in raw material prices; (ii) foreign exchange volatility, as a portion of revenue and purchases are denominated in foreign currencies; (iii) heavy reliance on certain key customers; and (iv) industry cyclicality.

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