Wentel Engineering Holdings Berhad

Strong 2Q Rebound and 1H Earnings Above Expectations

Summary

- **Earnings beat with highest quarterly PAT since listing.** WENTEL's 2Q26 core PAT rose 145.6% QoQ and 32.9% YoY to RM6.7m, bringing 1H26 core PAT to RM9.4m (-15.6% YoY), accounting for 87.8% of our earlier FY26f core earnings forecast of RM10.7m and 40.3% of consensus' RM23.3m estimate. We deem the results above expectations, with the key beat coming from a stronger-than-expected gross margin, underpinned by a more favourable product mix and favourable foreign exchange movements.

- **YoY.** Revenue rose 6.8% YoY to RM37.2m, while PBT increased 33.9% YoY to RM8.9m and core PAT grew 32.9% YoY to RM6.7m. The stronger profitability was supported by an improvement in gross profit margin to 27.9% from 27.2%, alongside lower administrative expenses of RM2.0m versus RM3.3m previously, mainly due to favourable foreign exchange movements. As a result, core PAT margin expanded to 17.9% from 14.4% in 2QFY25.

- **QoQ.** Revenue increased 17.1% QoQ to RM37.2m from RM31.8m in 1QFY26, while PBT surged 142.6% QoQ to RM8.9m and core PAT more than doubled to RM6.7m. The sequential recovery was driven by higher revenue, an improvement in gross profit margin to 27.9% from 24.1%, and a swing to net foreign exchange gains from losses in the preceding quarter.

- **YTD.** For 1HFY26, revenue increased 4.4% YoY to RM69.0m, supported by higher contributions across all three business activities. However, core PAT declined 15.6% YoY to RM9.4m, while PBT fell 14.6% to RM12.6m. The weaker profitability was mainly due to a lower gross profit margin of 26.2% versus 29.0% in 1HFY25, reflecting an unfavourable product mix in 1Q26, alongside higher administrative expenses and lower interest income. This was partly mitigated by more favourable foreign exchange movements during the period.

- **Segmental performance.** All three business activities recorded YoY growth. Fabrication of semi-finished metal products remained the largest contributor at RM26.2m (+2.4% YoY), while fabrication of metal parts grew 21.2% YoY to RM8.5m and assembly of finished products rose 11.5% YoY to RM2.6m. By geography, Malaysia revenue increased 11.9% YoY to RM26.6m and the United States rose 28.3% to RM1.0m, partly offset by a 6.9% decline in Singapore to RM9.6m.

- **Outlook.** We remain positive on WENTEL's medium-term outlook, supported by healthy demand across its core customer segments and continued expansion of Malaysia's E&E and semiconductor ecosystem. Management highlighted E&E and semiconductor-related activities as an important growth area, while its security-related equipment business continues to provide a stable revenue base. Encouragingly, the stronger 2Q26 performance suggests that the weakness seen in 1Q26 was partly timing and product-mix related rather than structural. With the Group progressively expanding its manufacturing capabilities to support customers' increasing requirements, we believe WENTEL remains well-positioned for further growth, although earnings may remain sensitive to product mix, foreign exchange movements and external trade conditions.

Results Note – 2QFY26

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BUY (From Hold)

Share price	**RM0.310**
Target price	**RM0.370**
Previous TP	**RM0.230**
Capital upside	19.4%
Dividend return	-
Total return	19.4%

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)	356.5
52W High/Low	0.36 / 0.215
Est. Free float (%)	21.3
Beta (x)	1.0
3-mth avg vol ('000)	2339.5
Shariah compliant	Yes

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

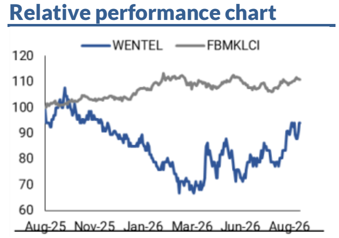
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	19.2	31.9	-6.1
Relative	17.2	27.6	-14.4

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PAT (m)	23.2	17.6	19.7
EPS (sen)	2.02	1.53	1.71
P/E (x)	13.6	18.0	16.1

Relative performance chart



Quarterly performance 2Q26

Quarterly performance								
FYE Dec (RM m)	**2QFY25**	**1QFY26**	**2QFY26**	**QoQ (%)**	**YoY (%)**	**1HFY25**	**1HFY26**	**YoY (%)**
Revenue	34.9	31.8	*37.2*	*17.1*	6.8	66.1	*69.0*	4.4%
GP	9.5	7.7	*10.4*	*35.7*	9.5	19.2	*18.1*	-5.9%
PBT	6.7	3.7	*8.9*	*142.6*	33.9	14.8	*12.6*	-14.6%
PAT	5.0	2.7	*6.7*	*145.6*	32.9	11.1	*9.4*	-15.6%
Core PAT	5.0	2.7	*6.7*	*145.6*	32.9	11.1	*9.4*	-15.6%
Core EPS (sen)	0.44	0.24	*0.58*	*145.6*	32.9	0.97	*0.82*	-15.6%
PBT margin (%)	19.1	11.6	*24.0*			22.4	*18.3*	
Core PATMI margin (%)	14.4	8.6	17.9			16.9	13.6	

Source: WENTEL, M+ Research

Valuation & Recommendation

- **Forecast.** Following the stronger-than-expected 2Q26 recovery, we raise our FY26f–27f core PAT forecasts by 63.5% and 66.0% to RM17.6m and RM19.7m, respectively. The revision primarily reflects our higher margin assumptions following the stronger 2Q26 earnings recovery. 1H26 core PAT of RM9.4m now accounts for 53.4% of our revised FY26f forecast. Nevertheless, we remain prudent on the sustainability of the recovery, given continued sensitivity to product mix and foreign exchange movements.

- **Upgrade to BUY with revised TP of RM0.37.** Following our earnings upgrades, we raise our target price to RM0.37 from RM0.23 and upgrade WENTEL to BUY. Our TP is derived by maintaining our 23x P/E multiple and applying it to mid-FY27f EPS of 1.62 sen. At the current share price of RM0.31, our revised TP implies 19.4% upside. We believe the improved earnings base and stronger visibility on margin normalisation warrant the upgrade, while retaining our existing valuation multiple.

- **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.

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