Wentel Engineering Holdings Berhad

9M Earnings Above Expectations Despite Softer 3Q

Results Note – 3QFY26

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Summary

- **Earnings came in above expectations.** WENTEL's 3QFY26 core PAT fell 24.0% QoQ and 17.9% YoY to RM5.1m, bringing 9MFY26 core PAT to RM14.5m (-16.4% YoY). Nine-month earnings accounted for 82.3% of our FY26f forecast of RM17.6m and 79.1% of consensus' RM18.3m estimate. We deem the results above our expectations, with the positive deviation mainly attributable to lower-than-forecast operating expenses.

- **YoY.** Revenue declined 4.0% to RM36.9m, PBT fell 17.7% to RM6.7m and core PAT decreased 17.9% to RM5.1m. Lower deliveries of semi-finished metal products weighed on revenue. Gross profit margin eased to 27.1% from 28.0%, while higher administrative expenses and lower interest income further weighed on earnings. PAT margin narrowed to 13.8% from 16.1%.

- **QoQ.** Revenue slipped 0.9% from RM37.2m, while PBT fell 25.0% from RM8.9m and core PAT declined 24.0% from RM6.7m. The main driver was a swing from a RM1.49m net foreign exchange gain in 2QFY26 to a RM0.25m loss in 3QFY26. Gross profit margin also eased to 27.1% from 27.9% as direct labour and factory overhead costs increased.

- **YTD.** For 9MFY26, revenue increased 1.3% YoY to RM105.9m, although PBT declined 15.7% to RM19.3m and core PAT fell 16.4% to RM14.5m. Gross profit margin narrowed to 26.5% from 28.7%, largely reflecting an unfavourable product mix in 1QFY26. Higher administrative expenses and lower interest income also weighed on earnings, partly offset by a narrower net foreign exchange loss.

- **Dividend.** WENTEL declared a first interim single-tier dividend of 0.5 sen per share for FY26. The shares will trade ex-dividend on 10 December 2026, with payment scheduled for 23 December 2026.

- **Segmental performance.** Fabrication of semi-finished metal products remained the largest activity at RM22.5m (-27.4% YoY). Revenue from metal parts, which management links closely to semiconductor customers, rose 124.0% to RM12.6m, while assembly of finished products was broadly unchanged at RM1.8m. By geography, Malaysia revenue fell 15.6% to RM22.5m, Singapore revenue rose 17.4% to RM13.1m and US revenue increased to RM1.1m from RM0.5m.

- **Outlook.** We adopt a more cautious near-term view following the softer 3QFY26 performance. Management also takes a cautious view of 4QFY26, after lower deliveries of semi-finished metal products and higher direct labour and factory overhead costs weighed on 3Q results. While metal parts revenue grew strongly, a moderation in AI-related investment or changes in trade tariffs could affect semiconductor-related orders. WENTEL intends to raise utilisation of machinery added this year and control costs. Security-related equipment provides a more diversified revenue base, although softer air travel demand may temper growth. The proposed acquisition of two factories at Galaxy Industrial Park is expected to be completed by 1Q2029, subject to the remaining conditions.

BUY

Share price	**RM0.215**
Target price	**RM0.260**
Previous TP	**RM0.370**
Capital upside	20.9%
Dividend return	2.0%
Total return	22.9%

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)	247.3
52W High/Low	0.325 / 0.20
3-mth avg vol ('000)	505.1
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	-10.4	-28.3	-30.6
Relative	-8.3	-18.2	-27.4

Earnings snapshot

FYE (Dec)	FY25	FY26f	FY27f
PAT (m)	23.2	18.3	20.2
EPS (sen)	2.02	1.59	1.76
P/E (x)	10.7	13.5	12.2

Relative performance chart



Quarterly performance 3Q26

Quarterly performance

FYE Dec (RM m)	3QFY25	2QFY26	3QFY26	QoQ (%)	YoY (%)	9MFY25	9MFY26	YoY (%)
Revenue	38.4	37.2	*36.9*	*(0.9)*	(4.0)	104.5	*105.9*	1.3%
GP	10.8	10.4	*10.0*	*(3.7)*	(7.1)	30.0	*28.1*	-6.3%
PBT	8.1	8.9	*6.7*	*(25.0)*	(17.7)	22.9	*19.3*	-15.7%
PAT	6.2	6.7	*5.1*	*(24.0)*	(17.9)	17.3	*14.5*	-16.4%
Core PAT	6.2	6.7	*5.1*	*(24.0)*	(17.9)	17.3	*14.5*	-16.4%
Core EPS (sen)	0.54	0.58	*0.44*	*(24.0)*	(17.9)	1.51	*1.26*	-16.4%
PBT margin (%)	21.2	24.0	*18.2*			21.9	*18.2*	
Core PATMI margin (%)	16.1	17.9	13.8			16.6	13.7	

Source: WENTEL, M+ Research

Valuation & Recommendation

- **Forecast.** Following WENTEL's 3QFY26 results, we raise our FY26f–27f core PAT forecasts by 4.0% and 2.5% to RM18.3m and RM20.2m, respectively, and introduce an FY28f forecast of RM23.1m. The upgrades reflect lower operating expenses than assumed in our previous model, partly offset by more cautious revenue assumptions. Our FY26f forecast implies 4QFY26 core PAT of RM3.8m, below the RM5.1m recorded in 3QFY26. We have kept the revisions modest given uncertainty over technology-related orders, with security-related demand providing some support.

- **Maintain BUY with revised TP of RM0.26.** We maintain BUY but lower our TP to RM0.26 from RM0.37 after rolling our valuation to full-year FY27f EPS of 1.76 sen and reducing our target P/E to 15x from 23x. The target multiple represents a 5.4% discount to the 15.9x median forward P/E of Coraza, CPE Technology, Ambest and UWC. The discount reflects WENTEL's smaller scale and uncertainty over technology-related orders, partly balanced by its security equipment business. At RM0.215 per share, our revised TP implies 20.9% upside.

- **Downside risks.** Risks include fluctuations in raw material and labour costs, foreign exchange volatility, reliance on key customers and industry cyclicality.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Cash	31.5	42.5	51.0	60.1	72.4
Receivables	26.9	34.3	27.1	30.5	33.5
Inventories	21.9	24.0	29.9	31.8	32.9
PPE	71.9	118.8	128.4	131.6	134.4
Others	61.8	12.8	7.8	7.8	7.8
Assets	**214.1**	**232.4**	**244.2**	**261.7**	**281.0**
Debts	6.4	3.5	2.1	2.1	2.1
Payables	20.4	19.2	19.9	22.2	24.3
Others	0.9	0.3	0.3	0.3	0.3
Liabilities	**27.7**	**23.0**	**22.3**	**24.6**	**26.6**
Shareholder's equity	186.5	209.4	221.9	237.1	254.4
Minority interest	-	-	-	-	-
Equity	**186.5**	**209.4**	**221.9**	**237.1**	**254.4**

Cash Flow Statement

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	20.7	29.1	24.4	26.8	30.6
Depreciation & amortis	4.5	4.8	6.1	6.8	7.2
Changes in working ca	(3.3)	(10.6)	2.0	(2.9)	(2.1)
Share of JV profits	-	-	-	-	-
Taxation	(5.8)	(5.9)	(6.1)	(6.6)	(7.5)
Others	1.7	(2.4)	(0.0)	(0.0)	(0.0)
Operating cash flow	**17.9**	**14.9**	**26.4**	**24.1**	**28.1**
Net capex	(24.2)	(51.0)	(15.7)	(10.0)	(10.0)
Others	(53.2)	52.5	5.0	-	-
Investing cash flow	**(77.4)**	**1.6**	**(10.6)**	**(10.0)**	**(10.0)**
Changes in borrowings	1.8	(2.8)	(1.5)	-	-
Issuance of shares	69.5	-	-	-	-
Dividends paid	-	-	(5.8)	(5.0)	(5.8)
Others	(3.6)	(0.6)	-	-	-
Financing cash flow	**67.8**	**(3.4)**	**(7.2)**	**(5.0)**	**(5.8)**
Net cash flow	**8.2**	**13.1**	**8.5**	**9.0**	**12.4**
Forex	0.3	0.3	-	-	-
Others	-	-	-	-	-
Beginning cash	18.6	31.5	42.5	51.0	60.1
Ending cash	31.5	42.5	51.0	60.1	72.4

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	**112.4**	**142.7**	**141.4**	**158.9**	**174.6**
EBITDA	22.6	32.5	29.9	33.0	37.1
EBIT	18.1	27.7	23.8	26.2	29.9
Net finance income/ (co	2.6	1.5	0.5	0.6	0.6
Associates & JV	-	-	-	-	-
Profit before tax	**20.7**	**29.1**	**24.4**	**26.8**	**30.6**
Tax	(5.8)	(5.9)	(6.1)	(6.6)	(7.5)
Net profit	**15.0**	**23.2**	**18.3**	**20.2**	**23.1**
Minority interest	-	-	-	-	-
Core earnings	**15.0**	**23.2**	**18.3**	**20.2**	**23.1**
Exceptional items	-	-	-	-	-
Reported earnings	15.0	23.2	18.3	20.2	23.1

Valuation & Ratios

FYE Dec (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Core EPS (sen)	1.3	2.0	1.6	1.8	2.0
P/E (x)	16.5	10.7	13.5	12.2	10.7
EV/EBITDA (x)	9.5	8.7	7.2	6.5	5.8
DPS (sen)	-	-	0.5	0.4	0.5
Dividend yield	-	-	0.0	0.0	0.0
BVPS (RM)	0.2	0.2	0.2	0.2	0.2
P/B (x)	1.3	1.5	1.1	1.0	1.0
EBITDA margin	0.2	0.2	0.2	0.2	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	0.2	0.1	0.1	0.1
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

Source: WENTEL, M+ Research

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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