

15 December 2025

Technology | Equipment Maker

QES Group (QES MK)

Buy

Entering a New Growth Paradigm; Initiate BUY

Target Price (Return): MYR0.57 (+46%)
 Price (Market Cap): MYR0.39 (USD78.1m)
 ESG score: 3.0 (out of 4)
 Avg Daily Turnover (MYR/USD) 1.63m/0.39m

- **Initiate BUY with MYR0.57 TP (23x FY26F P/E, 40% discount to peer mean), 46% upside with c.2% FY26F yield.** QES Group is trading at a cheap 16x FY25F P/E – below the peer average, and vs a 3-year earnings CAGR of 15.6%. This chip production equipment/automated test equipment (SPE/ATE) player has exposure to the front-end equipment segment. Earnings growth from front-end and its manufacturing portfolio via MedTech contributions, material progress from China collaboration projects, and the chip upcycle should lead it towards a firm earnings recovery and growth in FY25-27F.
- **Semiconductor upcycle.** The global semiconductor industry remains firmly in a strong artificial intelligence (AI)-driven upcycle, with sales projected to reach USD772bn in 2025 and USD975bn in 2026. Geopolitical shifts related to the China Plus One and Vietnam Plus strategies, as well as South-East Asia's rise as a manufacturing hub, bodes well for QES, in view of its ASEAN exposure in capturing the growing demand for various equipment for diverse industry applications. Its MYR86m orderbook should grow in FY26, driven by the recovery in semiconductor demand, the ramp-up of medical technology (MedTech) manufacturing, and material contributions from China collaboration projects. Management remains committed to grow the manufacturing division, so that it accounts for over 30% of revenue by FY27.
- **MedTech – the new manufacturing growth engine.** QES has strategically expanded into the MedTech segment, supplying customised automated optical inspection (AOI) and automation solutions to a global medical device manufacturer. MedTech should become a key earnings driver from FY26 onwards, supported multiple confirmations and new orders to be delivered to the US and Ireland, which are expected to boost its manufacturing orderbook. Management targets annual deliveries of 8-10 MedTech tools, carrying an estimated GPM of 40-50%, at the higher quartile among the group's divisions.
- **Strategic China collaborations.** QES is re-entering the China market through three collaboration projects in X-ray, microscopy solutions, and wafer handling equipment, which management expects to become a significant growth driver over FY26-27. The group will leverage on the ready capacity at its Batu Kawan facility to support these initiatives. Two orders under the X-ray and microscopy projects are undergoing, with delivery targeted by 1H26, while the wafer handling project with a US-listed semiconductor company remains in the pipeline. Management anticipates a maiden revenue distribution from FY26, with potentially more substantial manufacturing earnings from FY27 onwards.
- **Key downside risks.** Earnings are exposed to order volatility across core segments, where delays or softer demand could disrupt revenue visibility. Escalation of input costs may compress margins, while the depreciation of the USD vs the MYR would further pressure earnings.

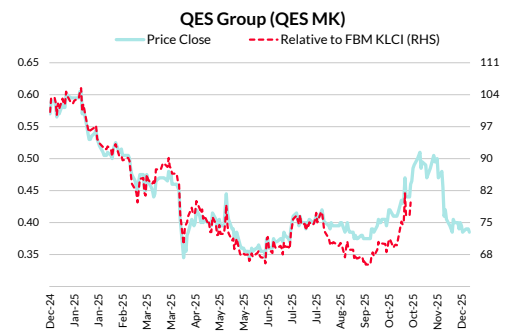
Analyst

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(35.3)	(22.2)	2.7	5.5	(32.5)
Relative	(33.7)	(22.2)	0.6	(0.6)	(33.4)
52-wk Price low/high (MYR)	0.35 – 0.61				



Source: Bloomberg

Forecasts and Valuation	Dec-23	Dec-24	Dec-25F	Dec-26F	Dec-27F
Total turnover (MYRm)	241	270	258	294	325
Recurring net profit (MYRm)	18	17	16	21	25
Recurring net profit growth (%)	(31.8)	(5.8)	(2.3)	26.6	22.4
Recurring P/E (x)	17.97	19.08	19.52	15.42	12.60
P/B (x)	1.8	1.7	1.6	1.5	1.4
P/CF (x)	26.74	13.22	11.21	15.26	11.04
Dividend Yield (%)	1.4	1.5	1.9	2.4	na
EV/EBITDA (x)	7.89	8.19	8.24	6.87	5.64
Return on average equity (%)	10.7	9.4	8.7	10.3	11.6
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Overall ESG Score: 3.0 (out of 4)

E Score: 3.0 (GOOD)

S Score: 3.0 (GOOD)

G Score: 3.0 (GOOD)

Please refer to the ESG analysis on the next page

This research report can also be found in MyBursa platform or via the link:

[Market Research and Analysis - MyBURSA](#)

Emissions And ESG

Trend analysis	Emissions (tCO ₂ e)	Dec-22	Dec-23	Dec-24
QES' total Scope 1 and 2 emissions decreased by 19% YoY, driven by lower electricity consumption and the increased use of solar energy.	Scope 1	-	53	61
	Scope 2	-	712	559
	Scope 3	-	-	17,059
	Total emissions	na	765	17,678

Source: Company data, RHB

Latest ESG-Related Developments

QES has installed about 233 kWp of solar panels and upgraded key facilities with energy-efficient LED lighting and inverter air-conditioning systems.

It has also introduced recycling stations on every office floor, and conducted interactive workshops to educate employees on effective waste segregation.

The group also developed educational videos and posters to raise awareness of proper recycling practices and correct waste disposal.

ESG Unbundled

Overall ESG Score: 3.0 (out of 4)

Last Updated: 31 December 2024

E Score: 3.0 (GOOD)

QES does not engage in activities with a direct or significant impact on natural resources in the course of its operations. Nevertheless, the group recognises the risks of climate change and has taken active steps to reduce its carbon footprint. It targets a 20% reduction in Scope 2 emissions by 2026, through further adoption of renewable energy and energy-efficient technologies.

S Score: 3.0 (GOOD)

The group prioritises employee well-being and a safe work environment, with regular inspections and training. It promotes open communication and team collaboration. It also supports social causes through active participation in events like the Pink Charity Run, Orchid Run & Ride, and Jog for Hope.

G Score: 3.0 (GOOD)

QES meets Bursa Malaysia's governance requirements, with 50% independent and 33% female board members. It ensures transparent, timely disclosures and strong shareholder protection, guided by sound governance and compliance practices.

Investment Thesis

Semiconductor upcycle

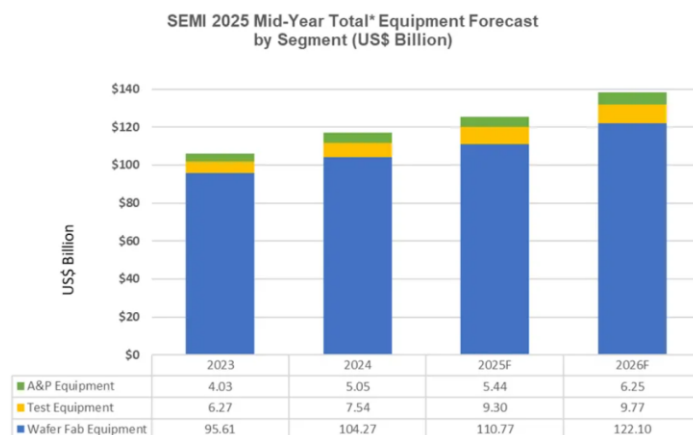
The global semiconductor industry is rebounding strongly after the 2023 downturn, with World Semiconductor Trade Statistics (WSTS) projecting sales of USD772.2bn in 2025 (+22.5% YoY) and USD975.4bn (+26.3% YoY) in 2026. Growth is driven by the logic and memory segments, fueled by AI applications and strong demand in computing and data centres. Fabrication (fab) capacity is expanding rapidly, supported by aggressive capital investments, with record-level fab equipment spending in 2024 expected to remain elevated through 2026. SEMI forecasts 50 new fabs coming online in 2025-2026, driving demand for upgraded inspection, handling, and assembly equipment to support the new chip cycle.

Regionally, the Asia-Pacific is emerging as a key semiconductor hub as supply chains diversify beyond China and Taiwan, and as South-East Asia is gaining prominence as a production hub and an innovation center. According to IMARC Group, the regional semiconductor market was valued at USD23.9bn in 2024, and this figure is projected to exceed USD55bn by 2033, representing a 9-year CAGR of 8.9%. Malaysia and Vietnam are leading in high-value manufacturing, Singapore focuses on advanced R&D, while Thailand, Indonesia, and the Philippines are strengthening their chip assembly and component production capabilities. This regional expansion plays to QES' strength, as the company has a solid foothold in Malaysia and Vietnam, enabling it to effectively supply machinery and solutions to a growing pool of semiconductor customers.

Figure 1: Global semiconductor market (USDbn)

Figure 2: Total equipment forecasts by segment (USDbn)

Autumn 2025	Amounts in US\$M			Year on Year Growth in %		
	2024	2025	2026	2024	2025	2026
Americas	195,123	251,926	338,574	45.2	29.1	34.4
Europe	51,250	54,127	60,429	-8.1	5.6	11.6
Japan	46,739	44,835	50,164	0.0	-4.1	11.9
Asia Pacific	337,437	421,354	526,293	16.4	24.9	24.9
Total World - \$M	630,549	772,243	975,460	19.7	22.5	26.3
Discrete Semiconductors	31,026	30,900	33,436	-12.7	-0.4	8.2
Optoelectronics	41,095	42,597	45,020	-4.8	3.7	5.7
Sensors	18,923	20,894	22,713	-4.1	10.4	8.7
Integrated Circuits	539,505	677,852	874,291	25.9	25.6	29.0
Analog	79,588	85,552	91,988	-2.0	7.5	7.5
Micro	78,633	84,839	96,620	3.0	7.9	13.9
Logic	215,768	295,892	390,863	20.8	37.1	32.1
Memory	165,516	211,568	294,821	79.3	27.8	39.4
Total Products - \$M	630,549	772,243	975,460	19.7	22.5	26.3



Source: WSTS

Source: SEMI Equipment Market Data Subscription Jul 2025

Geopolitical dynamics. QES is strategically positioned to capitalise on the ongoing US-China trade tensions, since countries like Malaysia are increasingly viewed as strategic alternatives under the China Plus One and Vietnam Plus One diversification strategies. We see a significant wave of trade diversion benefiting South-East Asia, as global manufacturers accelerate their China Plus One strategies in response to the supply-chain risk and high tariff. Given that QES has a strong base customer base in key ASEAN region manufacturing hubs like Thailand, Vietnam and Philippines, this has presented a unique opportunity for the company, but also underscores its potential to position itself as a regional manufacturing hub through collaborations or joint ventures with Western and Chinese companies. Consequently, this strategic rebound has made customers relocate their existing production or adding incremental production lines within ASEAN to diversify supply chain exposure. QES is already seeing effects of the shift, with increasing enquiries and higher orders being secured.

Outstanding orderbook. Its order book stands at MYR86m as of Oct 2025, reflecting an early recovery across the semiconductor value chain and initial traction from MedTech and China projects. With semiconductor demand stabilising and new programmes progressing, management anticipates a significant orderbook value in FY26, driven by the recovery in demand for semiconductors, ramp-up of MedTech manufacturing, and material contributions from China collaboration projects. Early signs of the semiconductor demand recovery have emerged in Malaysia, with QES securing USD775k of orders for two machines from a Singapore-based advanced packaging customer after a period of inactivity.

Despite the semiconductor downturn, its distribution division continued to deliver MYR227m in turnover in FY24, implying a 5-year revenue CAGR of 10.5% - thereby underscoring the segment's role as a stable earnings driver. We expect its orderbook to undergo a stronger revenue growth momentum, supported by earnings growth from front-end and the manufacturing portfolio via MedTech contributions, material contributions from the China collaboration projects and semiconductor upcycle recovery.

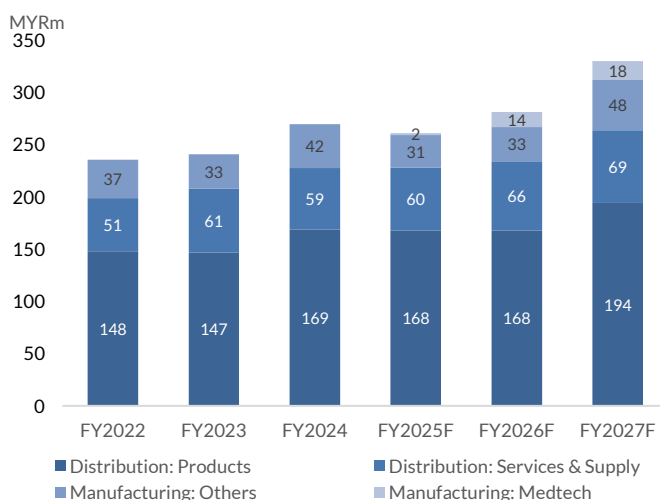
MedTech – a growth engine for its manufacturing unit

QES has strategically expanded into the MedTech space by supplying customised AOI and automation solutions to global medical device manufacturers. The MedTech segment is characterised by highly specialised, precision-driven production equipment, with higher technical entry barriers that will significantly limit competition and support structurally higher margins compared to conventional industrial automation. The group has progressively allocated 30% of the floorspace in its newly completed Batu Kawan manufacturing facility to support the expansion of its MedTech business. QES captured the project ahead of two locally listed competitors, through its advanced software solutions with embedded AI features. The first MedTech production unit is scheduled to commence operations in 1H26, with the system fully assembled and qualified in Penang.

The Asia-Pacific's MedTech landscape is entering a new structural growth phase, underpinned by demographic change, accelerating digital health adoption, and rising regional investment. According to Statista, the value of the Asia-Pacific MedTech market is projected to reach USD16.3bn in 2025 and expand further to USD18.6bn by 2029, reflecting a 5-year CAGR of 7.18%. Within ASEAN, Singapore, Malaysia, Thailand, Vietnam, and Indonesia are emerging as critical MedTech manufacturing and innovation hubs – supported by strong ecosystems for medical device production, healthcare innovation, and digital transformation. Post-pandemic, the industry is also undergoing a strategic shift towards supply-chain diversification, particularly in the US and Europe, as medical device original equipment manufacturers seek to mitigate geopolitical and logistics risks. This has driven new factory investments and production line upgrades across multiple regions, which directly align with QES's current customer pipeline in the US, and Ireland.

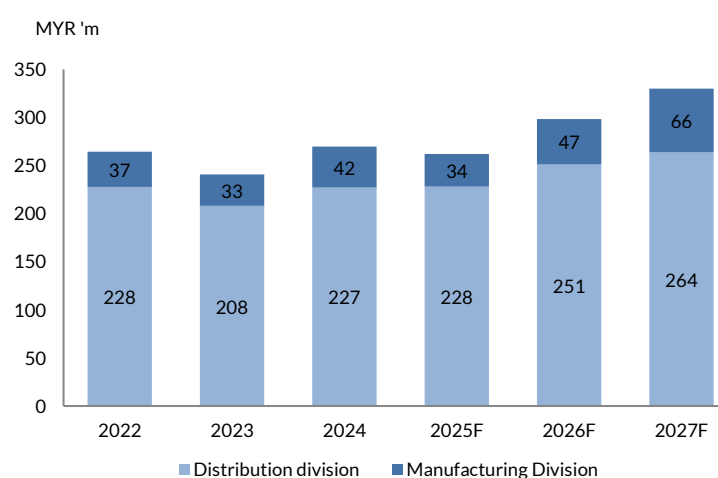
MedTech is positioned to become a key earnings driver beginning FY26, underpinned by the manufacturing expansion under the SMS (in-house development software for smart manufacturing) series. The group has already secured multiple confirmed orders, with one order in production in Penang for delivery by 4Q25, and two additional AOI-based systems from customers in the US and Ireland, finalised in October-November. Management is conservatively targeting the delivery of 8-10 MedTech tools pa, with an ASP of approximately MYR1-2m/tool. The segment carries an estimated gross margin of 40-50%, the highest across the group's business divisions. Based on the initial batch of secured projects, management expects the MedTech segment to contribute approximately MYR13-15m in profit in FY26.

Figure 3: Segmental revenue breakdown



Source: Company data, RHB

Figure 4: Revenue breakdown



Source: Company data, RHB

Strategic China collaborations

QES is re-entering the China market via three collaboration projects covering X-ray inspection systems, microscopy solutions, and wafer handling equipment, which management expects to become a meaningful growth driver from FY26-27 onwards. The group has secured two confirmed product orders under the X-ray and microscopy projects, and both are targeted to materialise by 1H26. The third project, involving wafer handling equipment with a US-listed semiconductor company, remains under active pipeline discussions.

X-ray and microscopy solutions. X-ray inspection systems orders have ramped up, with production and delivery aligned for revenue recognition in 1H26. Microscopy systems have also received initial orders but remain at a pre-commercial fine-tuning stage, with ongoing engineering adjustments and specification refinements prior to a full market release.

Wafer handling equipment. QES and its partners have committed to a RM10m cleanroom co-investment, structured as 30% Class 1000 and 70% Class 10000 facilities. The investment is split 50:50, implying MYR5m in net capex for QES. Management expects this project to generate recurring repeat orders, with high customer stickiness following tool qualification. Meaningful revenue contributions are expected from FY27 onwards, subject to successful qualification.

Utilising its Batu Kawan facility. QES' Batu Kawan manufacturing facility in Penang is a 2-acre development acquired in 2021, with construction commencing in 2024 at a total capex of MYR40m. The two-storey plant is targeted to be operational by 3Q25. The facility will double QES' existing manufacturing floor space relative to Glenmarie. The group will utilise excess capacity at the Batu Kawan plant to support these China projects. Current utilisation at Batu Kawan stands at 10–20%, vs 50-60% at Glenmarie. At Batu Kawan, 30% of floor space is allocated to MedTech, 30% is rented to a JV entity, and the remaining capacity is reserved for China collaborations. If China order inflows exceed available capacity, management is actively evaluating an additional manufacturing site.

As part of its China re-entry, QES has completed a full system architecture redesign, including next-generation hardware components and upgraded control software. This technology revamp is nearing completion and will form the core platform for China market penetration from FY26. Beyond the current three projects, QES is also evaluating additional collaborations with China-listed companies for new equipment product lines. Management expects initial China-related distribution contributions from FY26, with meaningful manufacturing-led earnings from FY27 onward. As utilisation at the Batu Kawan facility ramps up post-FY26, operating leverage is expected to drive stronger earnings contribution from the China segment into FY27-28.

Demand-led recovery; trading at an undemanding valuation

With a current forward valuation of 22x FY26F P/E, QES is trading below the peer average of 37-45x – an undemanding level for a growing automated test equipment (ATE) player that has exposure to the front-end equipment segment. We believe the stability of its distribution business serves as a counter-cyclical factor against the semiconductor cycle, and is a strong cash flow generator that complements its growing manufacturing division.

Our FV of MYR0.57 is based on a target FY26F P/E of 23x, supported by a 3-year earnings CAGR of 15.6% on the back of a strong orderbook – anchored by contributions from the new MedTech manufacturing programmes, incremental revenue from the China projects, and improving semiconductor sector visibility.

The target P/E is at a c.40% discount to comparable peers, given QES' smaller market capitalisation and lower-margin contributions from the distribution division.

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Figure 5: Peer comparison

Company	Country	FYE	Mkt Cap (USDm)	Price		P/E (x)		Div. Y (%)		ROE (%)		EV/ EBITDA		NP Growth (%)		PEG
				12-Dec-25	Actual	1 Yr Fwd	2 Yr Fwd	1 Yr Fwd	1 Yr Fwd	1 Yr Fwd	1 Yr Fwd	1 Yr Fwd	1 Yr Fwd	2 Yr Fwd		
				(Local Currency)												
QES Group	MA	Dec	79.4	0.39	20.9	22.5	18.5	1.3	24.0	9.4	-6.8	21.3	0.9			
Local Peers																
ViTrox Corp	MA	Dec	1965.4	4.25	99.3	60.7	43.9	0.5	24.3	43.3	63.5	38.5	1.1			
Greatech	MA	Dec	995.0	1.62	29.3	34.8	23.4	0.1	24.3	23.5	-15.9	49.2	0.5			
Pentamaster Corp	MA	Dec	663.7	3.82	46.5	41.7	32.5	0.6	24.3	23.3	11.4	28.4	1.1			
Mi Technovation	MA	Dec	630.1	2.90	42.3	25.4	22.1	1.6	24.3	15.7	66.1	15.1	1.5			
TT Vision Holdings	MA	Dec	23.4	0.20	28.1	-17.9	488.1	na	24.2	na	-256.9	-103.7	na			
Elsoft Research	MA	Dec	31.7	0.23	65.5	62.6	14.8	8.9	24.1	18.0	4.7	323.9	0.0			
Aemulus Holdings	MA	Sep	31.2	0.19	33.6	na	na	na	na	na	na	na	na			
MMS Ventures	MA	Dec	18.0	0.38	-128.0	na	na	na	na	na	na	na	na			
VisDynamics Holdings	MA	Oct	12.6	0.20	-7.5	na	na	na	na	na	na	na	na			
THMY Group	MA	Mar	195.2	0.90	87.5	53.9	37.6	na	24.3	38.5	62.4	43.3	0.9			
Mkt. Cap Weighted Avg.			1255.1		64.8	45.6	35.9	0.6	24.0	30.7	34.9	36.8	1.0			
Simple Avg.			456.6		29.6	37.3	94.6	2.3	24.3	27.1	-9.3	56.4	0.9			

Source: Bloomberg, RHB

Financial Overview

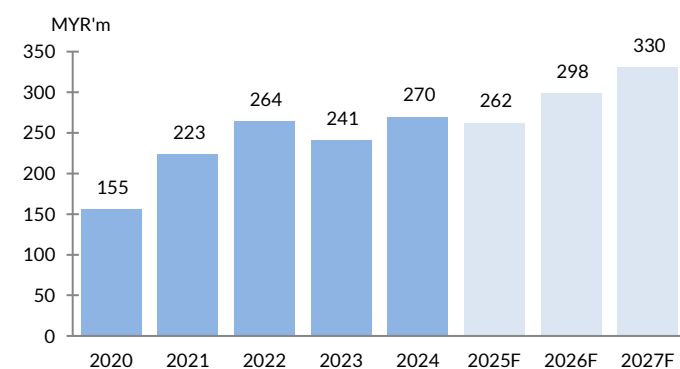
Results highlights. QES' 9MFY25 results reported a revenue of MYR191.6m (+4.8% YoY) driven by higher revenue generated from the distribution division, which recorded higher equipment deliveries. This offset the softer performance in the manufacturing division from the decrease in deliveries of automated handling systems (AHS) despite an increase in advanced wafer metrology system (AMS), SMS, optical inspection systems (OIS) and AOI. However, profit before tax fell to MYR12.9m (-11% YoY), mainly attributable to higher operating expenses incurred.

Figure 6: 9MFY25 results

FYE Dec (MYRm)	3Q24	2Q25	3Q25	QoQ (%)	YoY (%)	9MFY24	9MFY25	YoY (%)
Revenue	58.4	77.4	68.5	-11.4	17.4	182.8	191.6	4.8
Distribution	50.8	68.9	59.7	-13.3	17.5	160.6	171.0	6.5
Manufacturing	7.5	8.5	8.8	3.5	16.9	22.2	20.7	-7.0
EBITDA	6.1	9.2	8.1	-11.6	33.2	22.1	21.7	-2.0
EBITDA margin (%)	10%	12%	12%			12%	11%	
Depreciation	(2.1)	(2.2)	(2.5)	-10.0	-20.1	(5.7)	(7.0)	-22.0
EBIT	4.0	6.9	5.6	-18.6	39.8	16.4	14.7	-10.4
EBIT Margin (%)	7%	9%	8%			9%	8%	
Finance Costs	(0.5)	(0.5)	(0.6)	-18.8	-10.6	(1.5)	(1.5)	-0.3
Pretax profit	2.8	6.2	5.1	-17.5	82.2	14.4	12.9	-10.6
Pretax margin (%)	5%	8%	8%			8%	7%	
Distribution	4.5	8.1	7.0	-13.4	55.3	15.6	20.4	31.2
Manufacturing	7.5	8.5	8.8	3.5	16.9	22.2	20.7	-7.0
Investment holdings/Adjustment	(0.7)	(0.2)	0.0	120.5	105.6	(0.7)	(0.1)	87.6
Tax	(1.6)	(1.9)	(1.5)	17.8	5.0	(4.7)	(4.0)	16.1
Effective tax rate (%)	57%	30%	30%			33%	31%	
Minority interest	0.0	0.1	0.1	80.8	422.2	0.5	0.2	-61.1
Net Profit	1.2	4.4	3.7	-16.2	200.5	10.1	9.1	-10.4
El/Others	(1.9)	0.2	0.9	385.1	148.9	0.6	1.3	103.7
Core Profit	3.2	4.2	2.8	-34.7	-12.7	9.5	7.8	-17.8
Core net margin (%)	5%	5%	4%			5%	4%	

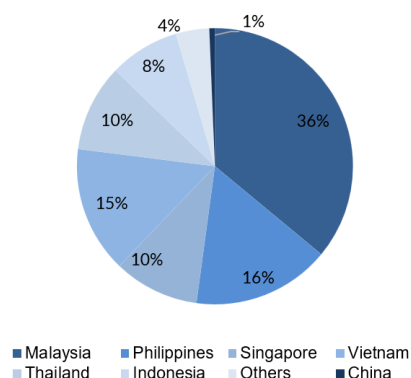
Source: Company data

Figure 7: Revenue trend



Source: Company data, RHB

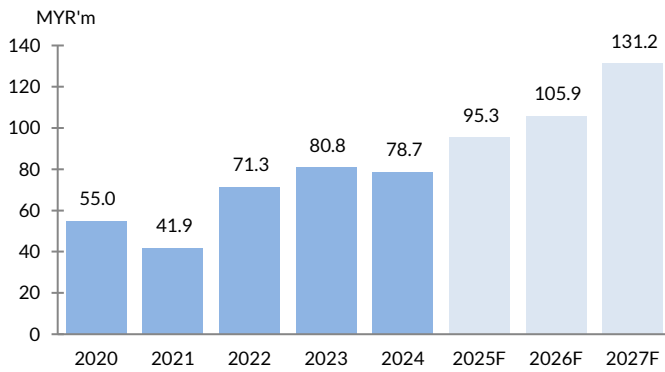
Figure 8: 9M25 Geographical revenue breakdown



Source: Company data, RHB

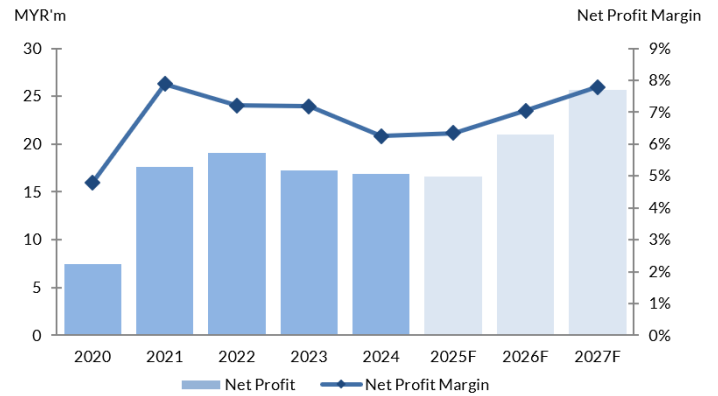
Balance sheet/cash flow. The company recorded a net cash position of MYR87.9m as at 9M25, and we expect it to remain in a net cash position in our forecasts post completion of the new manufacturing plant in Batu Kawan. Over the past three years, its ROE ranged between 9% and 12%, and we expect the number to be within the historical range in FY25F-27F. While QES has yet to establish an official dividend policy, it declared a DPS of 1 sen for FY24, yielding 1.5% at current share price. We believe there is ample headroom for a dividend payout to reward shareholders in FY25F given its strong cash flow generation post-expansion of the manufacturing plant.

Figure 9: Net cash balance



Source: Company data, RHB

Figure 10: Core profit trend



Source: Company data, RHB

Earnings forecasts. We are projecting a 3-year earnings CAGR of 16.8%, driven by strengthening fundamentals across both the manufacturing and distribution segments. This growth is underpinned by: i) A healthy and expanding orderbook, ii) increasing exposure to the front-end semiconductor segment, iii) rising manufacturing contributions from the MedTech division beginning FY26, and iv) incremental revenue from the group’s China collaboration projects. The distribution division should continue to grow, with strong recurring income with its diverse clientele and product range in semiconductor, electrical & electronics (E&E), and automotive customers.

QES’ manufacturing cost structure comprises 54% materials and 45% manpower, while its distribution COGS is more materials-driven (74%), with c.20% manpower as at 1H25. We expect manufacturing gross margins to remain at 44-45%, supported by a growing mix of higher-value products and reduced exposure to lower-margin legacy lines. Distribution margins are also expected to stay resilient at 20-21% in FY25F–27F as QES transitions further towards total-solution offerings.

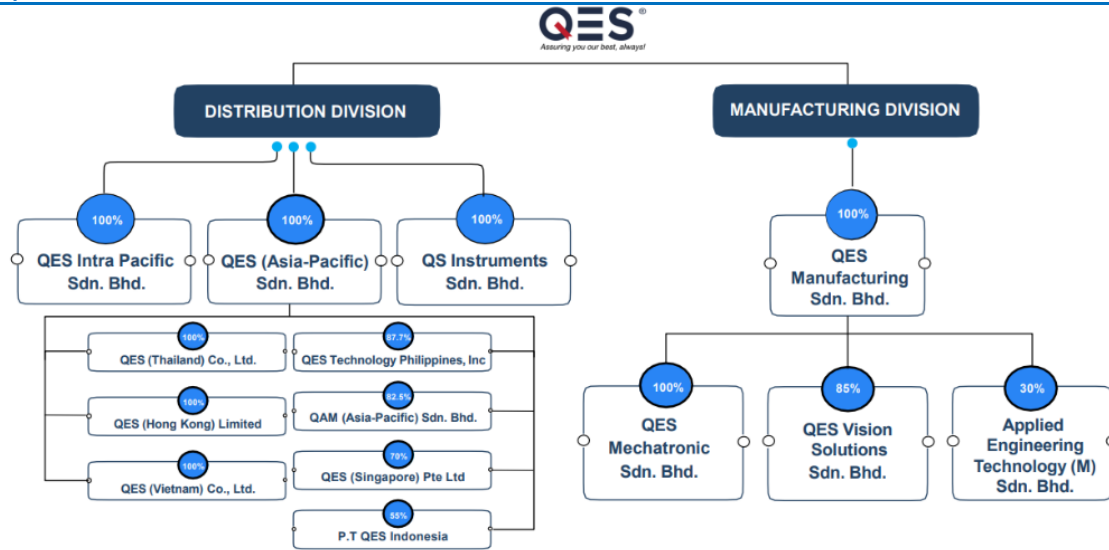
The new semiconductor upcycle is expected to accelerate its growth and capex spending into FY26F and FY27F, providing ample business opportunities given the increasing demand and complexity of semiconductor products and applications. Meanwhile, the new Batu Kawan facility enhances the group’s ability to scale – providing additional capacity to accommodate larger manufacturing programmes, including MedTech systems and China-related projects. This positions QES to take on higher-value contracts and deepen its move up the technology value chain, supporting sustained earnings expansion ahead.

Company Overview

Company background

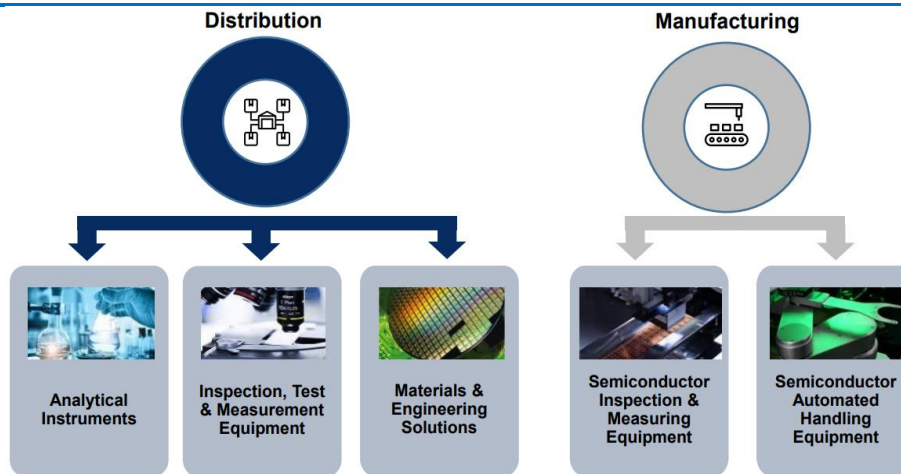
QES specialises in distributing inspection, testing, and measurement equipment, as well as providing materials and engineering solutions. It also manufactures optical inspection and automated equipment, with a focus on the semiconductor sector. The group operates direct distribution networks in Malaysia, Indonesia, Vietnam, Hong Kong, Singapore, Thailand, and the Philippines through its subsidiaries. It serves a wide range of industries which include but are not limited to E&E, semiconductor, automotive industry, mining, smartphone and others.

Figure 11: Group structure



Source: Company data

Figure 12: Business segments



Source: Company data

An established distributor for reputable brands

QES has 30 years of experience as a one-stop specialist in manufacturing, distribution, and services of test, inspection, and measuring equipment, materials, and engineering solutions. Having represented reputable brands of equipment throughout its history of operations, the group has established itself as a distributor for many reputable brands – some of which it has carried for more than a decade, ie Hitachi High-Tech Science Corporation (since 1997) and Spectro Analytical Instruments (since 1999). From Nikon, Rigaku, to Spectro, the diversity of brands carried allows QES to provide a comprehensive range of quality products to its customers, enabling the group to be one of the preferred equipment distributors that is able to fulfil various customers' needs.

Such factors, together with a dedicated after-sales support service team and wide network of sales channel partners, have helped QES to serve over 3,800 customers with 13,000 units of equipment sold throughout South-East Asia. The majority of its customers are multi-national corporations from diversified market segments – E&E, metal, automotive, and semiconductor. With its regional wide network of sales partners, QES is able to better understand its customers’ needs and provide better products and services to them.

Figure 13: Brands of equipment in QES distribution list



Source: Company data

QES started in 1991 when Chew Ne Weng, together with his business partners at the time, ventured into the distribution and provision of services for inspection, test, and measurement equipment to the E&E and automotive industries. Subsequently, the group moved into the distribution of materials and engineering solutions for the semiconductor industry. By 1998, it had ventured into the manufacturing of optical inspection and automated handling equipment – focusing primarily on the semiconductor industry.

Via its own subsidiaries, and appointed local distributors and dealers, QES now has a presence across most of the ASEAN region as well as Hong Kong. The distribution division contributed 76.6% of revenue in FY23, with the remainder coming from the manufacturing division.

Under the distribution division, QES diversified from metrology products to scientific-analytical instruments and the material business of semiconductor test and assembly. The group has established a strong partnership with suppliers and distributors from all over the world. Some of the international brands that it carries include Hitachi High-Tech Science Corp, Spectro Analytical Instruments, Nikon, and Rigaku. In addition, it offers installation and after-sales services, as well as upgrading services such as the integration of jigs, fixtures, and software to meet customers’ requirements.

As for its manufacturing division, QES is involved in the manufacture and sale of optical inspection and automated handling equipment. These machines are typically used in various stages of wafer fabrication including sorting, post wafer probing, back grinding, labelling, post dicing, post wire bond, packaging, and transfer processes. Since 2014, QES is also licensed by US-based Chapman Instruments to manufacture, market, distribute, and sell the latter’s advanced wafer measurement system. Chapman Instruments is essentially involved in the designing, marketing, and support of optical and non-contact instruments for topographical measurements of critical surfaces.

Figure 14: Key shareholders

Key Shareholders	Position	%
WA Capital	218,000,000	26.2
Keang Liew Soo	190,751,105	22.9
Norges Bank	35,509,994	4.3

Source: Bloomberg

Figure 15: Examples of manufacturing products

	<p>Wafer packing system</p> <p>Designed to handle 8" & 12" wafer packing & unpacking processes from various types of shipping carriers, canisters, and wafer jars. Built with the height sensor for picking up and placing accuracy of wafers and vision sensor to differentiate between interleaf paper, spacer and wafer.</p>		<p>Wafer stocker and sorting system</p> <p>Automated sorter and stocker system for 6" & 8" wafer with multiple load ports, integrated with wafer mapping sensors. The key functions include the lot validation, sorting, disposal, storage, and retrieval of wafer.</p>
	<p>Post-probing inspection system</p> <p>Bright-field inspection for 8" & 12" patterned wafer. High accuracy and programmable XY stage is driven by the linear motor.</p>		<p>1st optical inspection system</p> <p>Designed for 8" & 12" wafer inspection. Capable to run with various type of wafer map format.</p>
	<p>Post-wire bond inspection system</p> <p>High-speed 2D vision inspection for lead frame and substrate. Detection capability is inclusive of die placement defect, surface defect, wire-related defect, and epoxy-related defect.</p>		<p>Post-die attach inspection system</p> <p>High-speed 2D vision inspection for insulated-gate bipolar transistor (IGBT) and metal oxide-semiconductor field-effect transistor (MOSFET). The standard system covers auto load/unload, device ID reading, inspection, and physical reject module.</p>
	<p>Wafer surface measurement system</p> <p>Designed for 6" & 8" wafer surface measurement. Single-load port and equipped with Cleanroom Standard ISO Class 1 Hirata 3-Axis single-arm robot.</p>		<p>Post-molding inspection system</p> <p>High-speed 2D vision inspection for molded lead frame. Configurable input/output loader for stacked magazine.</p>
	<p>Semiconductor moulding machine</p> <p>Designed to meet a wide range of needs for high quality, including connections to IoT devices, as well as resin sealing for consumer ICs, automotive ICs, and passive components through thorough dust protection.</p>		<p>Equipment software (SECS/GEM)</p> <p>EIGEMBox is a unique product that adds SECS/GEM capability to your existing equipment without any hardware or software installation.</p>
	<p>Semiconductor elemental analysis</p> <p>Thickness, composition, defect identification, and sizing of films and structures on blanket and patterned wafers.</p>		<p>Plasma cleaning & etching system</p> <p>With maximum uniformity, superior gas and RF distribution, a proprietary controlling software and compliance to CE and SEMI international standards.</p>

Source: Company data

Key Risks

Order visibility and market demand. The slowdown in overall demand in the semiconductor space, and/or trade wars could affect capex-spending activities and impact the flow of orders.

Execution risk for new products. Growth could be undermined if there is a delay or hiccup in the commercialisation of new products.

Loss of key management personnel. The loss of key personnel members that have extensive knowledge and experience in the business may adversely affect the group's ability to maintain or improve its business performance.

Escalation of input costs. Escalation of the costs for staff and raw materials will continue to weigh on the group's performance. Failure to pass through the additional raw material costs and an ineffective cost control mechanism may result in margin compression.

Labour shortage. The group's revenue and profitability depend on production output and may be impacted by labour shortage situation.

USD/MYR rates. Majority of ASP and revenue base are quoted in USD terms, and a significant depreciation of USD against MYR could potentially undermine margins. Based on management's disclosure and our estimates, a 10% depreciation of the USD against the functional currency would reduce QES' earnings estimate (and TP) by 9-10%, *ceteris paribus*. A 10% appreciation of USD would have the opposite effect.

Competition. The world's test and measurement market is highly fragmented and competitive. The group faces competitors that are generally multi-national corporations and distributors in the regions where it distributes equipment. Rivals may compete with the group in terms of pricing, product range, and service quality.

Key Management

Adnan Zainol, Non-Independent and Non-Executive Chairman. Adnan brings over two decades of extensive banking and financial management experience to his current role. His expertise is further strengthened by his work in general management consulting from 2004 to 2007, when he advised organisations on fundraising initiatives and cash flow optimisation.

Chew Ne Weng, Group Managing Director/President. Chew oversees the group's overall strategic direction and operations, including the formulation and execution of technical and financial policies, development of business plans across operating units, and implementation of the group's quality management systems.

Liew Soo Keang, Group Executive Director. Liew joined QES (Penang) in 1997 as Operations Director, leading business development initiatives in the northern region. In 2000, he expanded his regional responsibilities when he was appointed to the Board of Directors of QES (Asia-Pacific), further strengthening the group's strategic presence across the region.

Maznida Mokhtar, Independent Non-Executive Director. Maznida brings over 30 years of experience in tax research, business operations management, international training and innovation program development, as well as information processing – contributing significantly to strategic and operational excellence within the organisations.

Wan Fatimah Suriani Ibrahim, Independent Non-Executive Director. Wan Fatimah qualified as a chartered certified accountant with Tenon Group, a national accounting firm, and in 2003 moved to an Australian finance company expanding into Europe, where she established the organisation's reporting systems and internal controls.

Recommendation Chart



Date	Recommendation	Target Price	Price
2024-08-16	Not Rated	na	0.67
2022-11-10	Not Rated	na	0.47
2019-11-15	Not Rated	na	0.25
2018-02-21	Not Rated	na	na

Source: RHB, Bloomberg

Source: RHB, Bloomberg

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
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Not Rated:	Stock is not within regular research coverage

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