

WCT Holdings Berhad

(9679 | WCTHG MK) Main | Construction

In Need of Job Wins

KEY INVESTMENT HIGHLIGHTS

- Slipped into red again with a core net loss of -RM13.5m in 3QFY23
- Construction segment recorded operating loss of -RM5m due to slower progress and lower margins
- Outstanding order book stands at RM3.04b with earnings visibility up to FY24, with no new jobs since FY22; Management actively tendering; MTR 12MP and Budget 2024 to aid in job flows
- Maintain NEUTRAL with unchanged TP of RM0.52

Below expectations. WCT Holdings Bhd (WCT) slipped into the red again in 3QFY23, recording a core net loss of -RM13.5m, as compared to a core net profit of RM7.5 in 3QFY22, dragged mainly by its sukuk payment of -RM24.2m during the quarter. At the PBT level, the group saw a -86.2%yoy to RM6.0m. For the 9MFY23, the group's core net loss was -RM8.6m, which was below ours and consensus expectations.

Engineering and construction. Revenue from the segment declined -0.5%yoy to RM349.3 in 3QFY23 and while it was the main revenue contributor to the group, it recorded an operating loss of -RM5.0m. This was likely due to the slower pace of construction projects, especially those in the final stages, coupled with lower margins.

Property development. Property development revenue grew +29.2%yoy to RM93.7m for the quarter, registering an operating profit of RM8.5m, an improvement over an operating loss of -RM3.3m in the same quarter last year. It had RM383m of total unbilled sales as at Sept-23 and RM215m unsold completed inventories.

Property investment and management. This segment was the main earnings anchor for the quarter, generating an operating profit of RM25.3m, a growth of +4.2%yoy. This came on the back of a stronger revenue by +15.4% to RM53.5m, attributable to higher occupancy and rental rates for its malls and hotels.

No new jobs in sight. The dry spell continues for WCT, with no new jobs in sight since FY22. Outstanding order book has depleted to RM3.04b and most of its projects are expected to be completed next year, save for the expansion of the Sapangar Bay container port and the Kota Bharu Airport extension, both of which are expected to be completed in 2025. The group has been actively bidding for jobs, with a tender book of RM12.0b.

Earnings estimates. We maintaining our earnings estimates for now, pending further guidance from management.

Target price. We maintain our TP of RM0.52, which is based on WCT's FY24F EPS of 5.3 sen pegged to a two-year mean PER of 9.9x.

Maintain NEUTRAL. We are maintaining our NEUTRAL recommendation on WCT. We opine that its depleting order book remains a concern for its future earnings outlook. Recall that management is

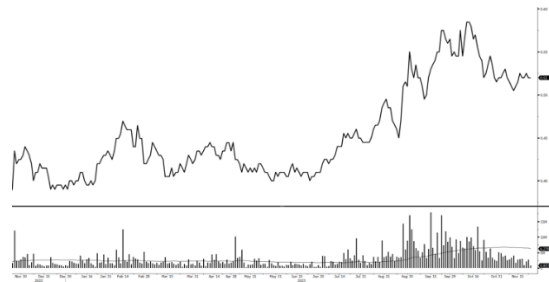
Maintain NEUTRAL

Unchanged Target Price: RM0.52

RETURN STATISTICS

Price @ 24 th Nov 2023 (RM)	0.52
Expected share price return (%)	+0.00
Expected dividend yield (%)	+0.96
Expected total return (%)	+0.96

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	-1.2
3 months	-8.0	12.4
12 months	31.6	36.0

INVESTMENT STATISTICS


FYE Dec	2023E	2024F	2025F
Revenue	1,873.3	1,967.0	2,254.1
Operating Profit	232.3	243.9	279.5
Profit Before Tax	159.2	167.2	191.6
Core PATAMI	49.3	74.8	67.6
Core EPS	3.5	5.3	4.8
DPS (sen)	0.5	0.5	0.5
Dividend Yield	1.0%	1.0%	1.0%

KEY STATISTICS

FBM KLCI	1,453.29
Issue shares (m)	1417.24
Estimated free float (%)	57.01
Market Capitalisation (RM'm)	736.96
52-wk price range	RM0.38-RM0.59
3-mth average daily volume (m)	6.30
3-mth average daily value (RM'm)	3.38
Top Shareholders (%)	
Dominion Nexus Sdn Bhd	18.15
Lim Siew Choon	7.42
CIMB Group Holdings Bhd	6.72

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shifting its strategy to focus on infrastructure projects, which we believe is the right move, considering the initiatives and allocations lined up in the Mid-Term Review of the 12th Malaysia Plan and Budget 2024. A potential boost to WCT could be the proposed RM1.3b Subang Airport Regeneration Plan, where it may emerge as the frontrunner, though more clarity is needed on the implementation of the project. 

WCT HOLDINGS BERHAD: 3QFY22 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
	3QFY23	2QFY23	3QFY22	QoQ	YoY	9MFY23	9MFY22	YoY
Income Statement								
Revenue	496.6	424.5	470.0	17.0%	5.6%	1,325.7	1,635.9	-19.0%
Cost of sales	(438.4)	(358.6)	(388.0)	-22.3%	-13.0%	(1,137.0)	(1,383.8)	17.8%
Gross profit	58.1	65.8	82.0	-11.7%	-29.2%	188.7	252.1	-25.2%
Operating Expenses	(29.3)	(19.4)	(15.0)	-51.4%	-95.2%	(70.6)	(61.8)	-14.3%
Operating Profit	28.8	46.5	67.0	-38.0%	-57.0%	118.0	190.3	-38.0%
Finance Costs	(34.6)	(31.1)	(26.8)	-11.1%	-28.9%	(95.0)	(81.0)	-17.3%
Shares of JV & Assoc.	11.8	7.6	3.6	56.1%	231.4%	25.6	(1.4)	1946.5%
Profit Before Tax	6.0	22.9	43.8	-73.7%	-86.2%	48.6	108.0	-55.0%
Tax	4.0	(10.8)	(8.1)	137.2%	149.5%	(11.1)	38.8	-128.5%
Minority Interest	(0.7)	(0.8)	(1.0)	13.7%	29.3%	(2.3)	(2.9)	20.5%
Perps.	24.3	0.0	24.2	0	0.3%	48.1	48.2	-0.2%
PATAMI	(13.5)	13.0	12.5	-204.1%	-208.4%	(8.2)	101.5	-108.1%
Core Profit	(13.5)	12.9	7.5	-204.5%	-280.3%	(8.6)	31.7	-127.0%

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	1,699.7	2,102.4	1,873.3	1,967.0	2,254.1
Gross profit	121.5	259.5	281.8	250.2	266.3
Operating profit	431.7	223.3	232.3	243.9	279.5
Finance cost	(118.1)	(110.1)	(112.4)	(118.0)	(135.2)
Profit before tax	277.9	139.7	159.2	167.2	191.6
Tax	(137.9)	31.5	(35.0)	(36.8)	(42.2)
PATAMI	97.2	127.2	49.3	74.8	67.6
Core PATAMI	(49.4)	53.6	49.3	74.8	67.6

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
Fixed assets	339.8	364.3	327.9	331.1	337.8
Intangible assets	4,567.8	4,565.7	4,520.0	4,565.2	4,610.8
Non-current assets	4,907.6	4,930.0	4,847.9	4,896.3	4,948.6
Cash	283.7	234.7	305.0	318.7	336.6
Trade debtors	869.3	744.6	752.0	763.3	801.5
Current assets	3,310.4	3,338.8	3,099.1	3,193.3	3,402.5
Trade creditors	703.0	794.8	636.7	686.9	795.4
Short-term debt	1,741.3	1,629.8	1,548.3	1,470.9	1,456.0
Current liabilities	2,864.8	2,670.0	2,185.0	2,157.8	2,251.4
Long-term debt	1,097.1	1,167.8	1,229.7	1,294.9	1,363.5
Non-current liabilities	1,603.0	1,704.8	1,795.2	1,890.3	1,990.5
Share capital	3,212.8	3,212.8	3,212.8	3,212.8	3,212.8
Retained earnings	1,307.3	1,427.4	1,489.2	1,564.0	1,631.6
Equity	3,761.2	3,905.0	3,966.8	4,041.5	4,109.2

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	277.9	139.7	159.2	167.2	191.6
Operating cash flow	175.3	227.3	236.4	248.2	273.0
Capital expenditure	-26.8	-46.4	-43.7	-48.0	-52.8
Investing cash flow	-55.9	-48.9	-46.5	-51.1	-56.2
Debt raised/(repaid)	-118.2	-40.8	-56.2	-55.0	-65.0
Dividends paid	-	-7.1	-7.1	-7.1	-7.1
Financing cash flow	-347.0	-254.4	-249.3	-244.3	-239.4
Net cash flow	-227.6	-76.0	-59.4	-47.2	-22.6
Beginning cash flow	469.3	222.1	167.0	107.6	60.4
Forex differences	-19.6	20.9	-	-	-
Ending cash flow	222.1	167.0	107.6	60.4	37.8
Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	277.9	139.7	159.2	167.2	191.6

Profitability Margins	2021A	2022A	2023E	2024F	2025F
Gross profit margin	7.1%	12.3%	15.0%	12.7%	11.8%
Operating profit margin	25.4%	12.0%	12.4%	12.4%	12.4%
PBT margin	16.3%	8.0%	8.5%	8.5%	8.5%
PAT margin	5.7%	4.0%	2.6%	3.8%	3.0%
Core PAT margin	-2.9%	2.5%	2.6%	3.8%	3.0%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology