

WCT Holdings Berhad

(9679 | WCTHG MK) Main | Construction

Back in the Black

KEY INVESTMENT HIGHLIGHTS

- Returns to the black at RM16.1m in 1QFY24; within expectations
- Construction revenue down -5.8%yoy to RM286.6m due to slower progress but operating profit tripled to RM31.3m, partly due to reversal of accrued costs
- Outstanding order book at to RM2.95b; more than two years without external job wins
- Maintain NEUTRAL with revised TP of RM0.50

Within expectations. WCT Holdings Bhd (WCT) jumped back into the black with a core net profit of RM16.1m in 1QFY24, after two consecutive quarters in the red. This came in within our expectations but ahead of consensus, at 23.4% and 37.5% of full year estimates respectively.

Engineering and construction. Revenue from the segment declined -5.8%yoy to RM286.6m during the quarter due to slower construction progress, while it generated an operating profit of RM31.3m, tripling the amount in the same quarter last year. Part of this was due to a reversal of certain accrued costs.

Property development. Revenue rose 2.4x to RM117.8m while operating profit gained 1.7x to RM7.9m. This was primarily driven by stronger property sales of RM265m, as compared to RM103m in 1QFY23. Unsold inventories now stand at RM118m as WCT has been actively clearing them, which saw the reduction of -31.4%qoq. Total unbilled sales as at Mar-24 was RM731m. Management is targeting RM960m of property sales this year.

Property investment and management. This segment continued to improve, generating a revenue of RM63.0m (+21.2%yoy) and an operating profit of RM32.0m (+16.0%yoy), attributable to higher occupancy and rental rates for the group's malls.

In need of replenishment. It has been more than two years that WCT has not secured any new external projects. Its outstanding order book is now at RM2.95b, which was recently boosted with a RM500m internally awarded building job. Most of its ongoing projects would be completed by 2025. The group has been actively bidding for jobs, with a tender book of more than RM20.0b. Management has allocated more resources in order to secure new jobs, both in Malaysia and overseas.

Earnings estimates. We maintain our estimates as the results were within expectations.

Target price. We are revising our **TP** to **RM0.50** from RM0.49, as we roll forward our valuation base year to FY25, pegging its EPFS of 4.8 sen to a five-year mean PER of 10.5x.

Maintain NEUTRAL. We are maintaining our **NEUTRAL** recommendation on WCT. There is a desperate need for the group to secure new jobs. The expectation of a strong pipeline of jobs in 2HCY24

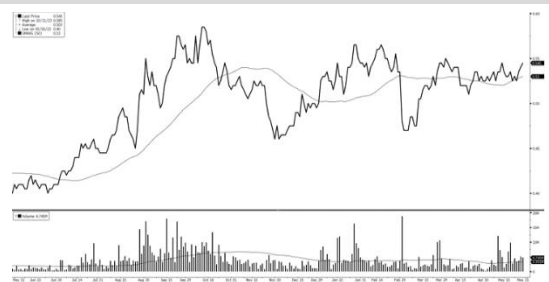
Maintain NEUTRAL

Revised Target Price: RM0.50
(Previously RM0.49)

RETURN STATISTICS

Price @ 29 th May 2024 (RM)	0.545
Expected share price return (%)	-8.3
Expected dividend yield (%)	+0.00
Expected total return (%)	-8.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.8	1.4
3 months	0.0	-1.6
12 months	34.6	17.8

INVESTMENT STATISTICS


FYE Dec	2024E	2025F	2026F
Revenue	1,967.0	2,254.1	2276.7
Operating Profit	188.8	178.1	182.1
Profit Before Tax	167.2	191.6	195.8
Core PATAMI	66.9	67.6	68.3
Core EPS	4.9	4.8	4.8
DPS (sen)	0	0	0
Dividend Yield	-	-	-

KEY STATISTICS

FBM KLCI	1,605.35
Issue shares (m)	1417.24
Estimated free float (%)	58.73
Market Capitalisation (RM'm)	772.39
52-wk price range	RM0.40-RM0.59
3-mth average daily volume (m)	3.29
3-mth average daily value (RM'm)	1.72
Top Shareholders (%)	
Dominion Nexus Sdn Bhd	18.15
Lim Siew Choon	7.42
Amanah Saham Nasional Bhd	5.82

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that will be driven by civil projects may aid WCT in terms of replenishments. We believe that the RM1.3b Subang Airport Regeneration Plan would provide WCT with an immediate boost to its order book, though more clarity is needed on the implementation of the project. 

WCT HOLDINGS BERHAD: 1QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results				
	1QFY24	4QFY23	1QFY23	QoQ	YoY
Income Statement					
Revenue	467.4	401.7	404.6	16.4%	15.5%
Cost of sales	(378.6)	(544.7)	(339.9)	30.5%	-11.4%
Gross profit	88.8	(143.0)	64.7	162.1%	37.2%
Operating Expenses	(17.5)	(53.2)	(22.0)	67.1%	20.3%
Operating Profit	71.2	(196.3)	42.7	136.3%	66.7%
Finance Costs	(38.3)	(34.4)	(29.3)	-11.4%	-31.0%
Shares of JV & Assoc.	14.1	4.3	6.2	231.5%	126.6%
Profit Before Tax	47.1	(226.4)	19.7	120.8%	138.8%
Tax	(7.8)	(20.6)	(4.3)	62.0%	-80.3%
Minority Interest	(0.9)	(1.0)	(0.7)	12.5%	-22.8%
Perps.	24.0	0.0	23.8	0	0.9%
PATAMI	16.1	(245.9)	(7.7)	106.6%	310.0%
Core Profit	16.1	(245.6)	(8.0)	106.6%	302.6%

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	2,102.4	1,727.3	1,967.0	2,254.1	2,276.7
Gross profit	259.5	45.7	243.9	279.5	284.6
Operating profit	223.3	(14.7)	188.8	214.1	216.3
Finance cost	(110.1)	(129.4)	(118.0)	(135.2)	(136.6)
Profit before tax	139.7	(177.8)	167.2	191.6	195.8
Tax	31.5	(31.6)	(36.8)	(42.2)	(43.1)
PATAMI	127.2	(254.1)	66.9	67.6	68.3
Core PATAMI	53.6	(254.1)	66.9	67.6	68.3

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Fixed assets	364.3	396.2	331.1	337.8	346.2
Intangible assets	4,565.7	4,520.0	4,565.2	4,610.8	4,726.1
Non-current assets	4,930.0	4,871.9	4,896.3	4,948.6	5,072.3
Cash	234.7	414.7	318.7	336.6	345.0
Trade debtors	744.6	788.5	763.3	801.5	821.5
Current assets	3,338.8	3,775.8	3,231.2	3,440.3	3,618.5
Trade creditors	794.8	111.9	686.9	795.4	815.3
Short-term debt	1,629.8	1,885.5	1,470.9	1,456.0	1,601.6
Current liabilities	2,670.0	3,246.1	2,157.8	2,251.4	2,416.9
Long-term debt	1,167.8	1,207.8	1,294.9	1,363.5	1,431.7
Non-current liabilities	1,704.8	1,714.7	1,890.3	1,990.5	2,058.7
Share capital	3,212.8	3,212.8	3,212.8	3,212.8	3,212.8
Retained earnings	1,427.4	1,171.5	1,564.0	1,631.6	1,699.9
Equity	3,905.0	3,686.9	4,079.4	4,147.0	4,215.3

Cash Flow (RM'm)	2022A	2023E	2024E	2025F	2026F
PBT	139.3	-177.8	-177.8	167.2	195.8
Operating cash flow	213.0	134.5	134.5	248.2	279.8
Capital expenditure	-44.0	-44.9	-44.9	-48.0	-54.1
Investing cash flow	-18.2	-15.1	-15.1	-51.1	-57.5
Debt raised/(repaid)	-40.8	248.1	248.1	-55.0	-65.0
Dividends paid	-7.1	-7.1	-7.1	-7.1	-
Financing cash flow	-254.4	11.9	11.9	-244.3	-246.6
Net cash flow	-59.6	131.3	131.3	-47.2	171.5
Beginning cash flow	222.1	183.4	183.4	324.5	254.7
Forex differences	20.9	9.8	9.8	-	-
Ending cash flow	183.4	324.5	324.5	277.3	426.2

Profitability Margins	2022A	2023E	2024E	2025F	2026F
Gross profit margin	12.3%	2.6%	12.4%	12.4%	12.5%
Operating profit margin	12.0%	-0.9%	9.6%	9.5%	9.5%
PBT margin	8.0%	-10.3%	8.5%	8.5%	8.6%
PAT margin	4.0%	-14.7%	3.4%	3.0%	3.0%
Core PAT margin	2.5%	-14.7%	3.4%	3.0%	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