WCT Holdings Berhad

(9679 | WCTHG MK) Main | Construction

Maintain BUY

Improving prospects

***Unchanged* Target Price: RM0.57**

KEY INVESTMENT HIGHLIGHTS

- **FY22 core earnings rebounded to RM53.6m, coming in slightly above ours and consensus' estimates**
- **Construction profits almost doubled to RM42m**
- **Property investment and management earnings remains strong with PBT growth of +44.5% to RM89.3m**
- **Property development PBT shrunk from RM61.8m to RM23.9m, due to impairment of unsold properties and lower profits from sale of vacant lands**
- **Maintain BUY with an unchanged TP of RM0.57, pending earnings call with management**

Above expectations. WCT Holdings Berhad (WCT) registered a core net profit of RM21.9m in 4QFY22, a decline of -56.4%yoy. As for the group's cumulative FY22, core earnings rebounded back int to the black at RM53.6m, as compared to a loss of -RM49.4m. This was slightly above our expectations by 6.1% and above consensus estimates by 16.1%.

Stronger engineering and construction numbers. Revenue from the segment climbed +19.2% to RM1.47b in FY22 while operating profit almost doubled to RM42.0m, after stripping off the RM282.1m favourable settlement of arbitral awards.

Property development. Revenue grew +42.3% to RM451.5m but operating profit shrunk from RM61.8m in FY21 to RM23.9m in FY22. The higher revenue was attributable to the sales of vacant land of RM214m. The decline in bottom line was due to impairment of unsold completed properties and lower profits recognised from the disposal of vacant lands.

Property investment and management. The normalisation of business activities pushed the segment's revenue higher by +21.3% to RM184.5m, delivering a 2.4 times higher operating profit of RM157.4m. Removing the fair value adjustment effect on its investment property brings the bottom line to RM89.3m, which was still a +44.5% increase.

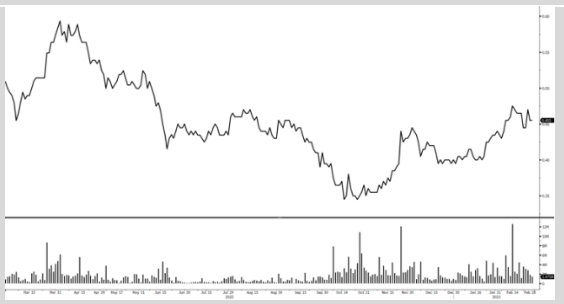
Earnings estimates. We are maintaining our earnings projections for now pending further guidance from management in post-earnings briefing today.

Target price. Likewise, we are retaining our TP of RM0.57 which was derived by pegging a five-year historical mean PER of 10.8x to the group's FY23F EPS of 5.3 sen.

Maintain BUY. The reopening of the economy has worked out favourably for WCT. We expect management to be able to maintain their margins into FY23. The recently tabled Budget 2023 also provides various jobs in the pipeline that should provide opportunities for order book replenishment. We maintain our **BUY** recommendation on WCT.

RETURN STATISTICS	
Price @ 27th Feb 2023 (RM)	**0.455**
Expected share price return (%)	**+25.27**
Expected dividend yield (%)	**0.88**
Expected total return (%)	**+32.56**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	5.8	8.9
3 months	13.8	9.3
12 months	-10.8	-2.4

KEY STATISTICS	
FBM KLCI	1,455.50
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆
Issue shares (m)	1417.24
Estimated free float (%)	55.36
Market Capitalisation (RM'm)	644.84
52-wk price range	RM0.34 - RM0.61
Beta vs FBM KLCI (x)	0.85
3-mth average daily volume (m)	2.48
3-mth average daily value (RM'm)	1.07
Top Shareholders (%)	
Dominion Nexus Sdn Bhd	18.15
Lim Siew Choon	7.42
Amanah Saham Nasional Bhd	5.82

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INVESTMENT STATISTICS

Annual Standardized (All in RM'm, unless otherwise stated)	2020A	2021A	2022E	2023F	2024F
Revenue	1,704.6	1,699.67	2,102.41	2,297.9	2,435.7
Cost of sales	(1,421.5)	(1,579.60)	(1,842.94)	(1,930.7)	(2,097.3)
Gross profit	283.1	121.48	259.47	367.2	338.4
Operating Profit	86.0	431.71	223.26	263.37	279.51
Finance Costs	-119.8	(118.13)	(110.11)	-137.9	-146.1
Profit Before Tax	-144.9	277.88	139.73	195.3	207.0
Tax	-34.8	(137.91)	31.55	-43.0	-45.6
PATAMI	-213.6	97.25	127.16	91.9	97.4
Core Profit	-230.8	(49.39)	53.60	74.34	78.89
Core EPS (sen)	-16	-3.5	3.8	5.3	5.6
DPS (sen)	0.0	0.5	0.5	0.5	0.5

Source: Company, MIDFR

WCT HOLDINGS BHD: 4QFY22 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**Q422**	**Q322**	**Q421**	**QoQ**	**YoY**	**FY22**	**FY21**	**YoY**
Revenue	466.5	470.0	368.0	**-1%**	**27%**	2,102.4	1,699.7	**24%**
Cost of sales	(459.1)	(388.0)	(502.4)	**-18%**	**9%**	(1,842.9)	(1,579.6)	**-17%**
Gross profit	7.3	82.0	(132.9)	**-91%**	**>+100%**	259.5	121.5	**>+100%**
Operating Expenses	25.6	(15.0)	323.5	**>+100%**	**-92%**	(36.2)	310.2	**-112%**
Operating Profit	32.9	67.0	190.6	**-51%**	**-83%**	223.3	431.7	**-48%**
Finance Costs	(29.1)	(26.8)	(29.3)	**-9%**	**1%**	(110.1)	(118.1)	**7%**
Shares of JV & Assoc.	28.0	3.6	(11.5)	**>+100%**	**>+100%**	26.6	(34.3)	**>+100%**
Profit Before Tax	31.7	43.8	148.3	**-27%**	**-79%**	139.7	277.9	**-50%**
Tax	(7.3)	(8.1)	(98.4)	**10%**	**93%**	31.5	(137.9)	**>+100%**
Perps.	(1.2)	(1.0)	(1.0)	**-13%**	**-13%**	(4.1)	(5.3)	**23%**
PATAMI	-	24.2	-	**0**	**0**	48.2	48.0	**0%**
Core Profit	25.6	12.5	51.0	**>+100%**	**-50%**	127.2	97.2	**31%**

Source: Company, 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 *rise* 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 *fall* 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