WCT Holdings Berhad

(9679 | WCTHG MK) Main | Construction

Awaiting Longer-Term Prospects

Maintain **NEUTRAL**

Unchanged **Target Price: RM0.97**

KEY INVESTMENT HIGHLIGHTS

- **Core earnings sank into the red at –RM11.3m, a decrease of –136.3%qoq**
- **Slower construction progress led to –24.57%yoy lower segment revenue for 9MFY24 of RM700m compared to RM928m for 9MFY23, but profit margins improved by 3.1%**
- **Outstanding order book at RM2.93b; with a tender book of >13b**
- **Maintain NEUTRAL with an unchanged TP of RM0.97**

Below expectations. WCT Holdings Bhd (WCT) bottom line improved during the quarter by +16.7%yoy, though still in the red at -RM11.3m in 3QFY24. This was after excluding an RM184m net gain after tax arising from the remeasurement of interest in a jointly controlled entity. Cumulative 9MFY24 core earnings however did increase by +335.3%yoy. Meanwhile, the cumulative 9MFY24 bottom line rebounded to RM20.1m, from a loss of -RM8.6m during the same period last year. This makes up only 30% and 30.3% of ours and consensus' full-year projections.

Engineering and construction. Revenue for the segment declined -24.57%yoy to RM700m in 9MFY24 mainly due to slower construction progress, while operating profit came in +94.44%yoy higher at RM35m, with a notable improvement in margins to 5.0% from 1.9% in the same period last year. We expect stronger progress billings in the coming quarters as newer projects accelerate.

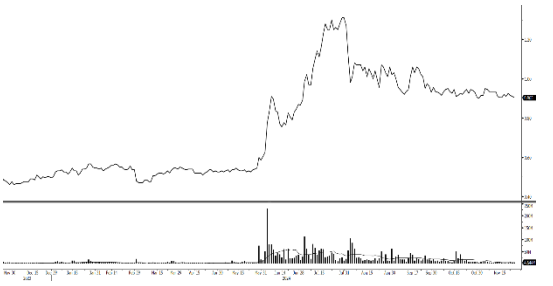
Property development. 9MFY24 revenue for the segment rose +60.0%yoy to RM384m, delivering an operating profit of RM37m, an increase of +48.0%yoy, attributable to the higher sales and billing of properties. Total unbilled sales as at Nov-24 was RM1,046m while unsold completed inventories stood at RM98m as at Sep-2024.

Property investment and management. This segment continued to be the group's main bottom line contributor with a 9MFY24 operating profit of RM284m (+273.68%yoy) on the back of a stronger 9MFY24 revenue of RM197m (+24.7%yoy), attributable to higher occupancy and rental rates for its malls and higher contribution from hotels. There is however, a non-core profit arising from a net gain after tax on remeasurement of interest in a jointly controlled entity, amounting to approximately RM184m.

The group's outstanding order book stands at RM2.93b, with strong earnings visibility up to FY27. WCT has made some progress this year in terms of jobs replenishment after a two-year hiatus. The group is actively bidding for jobs, with a tender book of more than RM13.0b. Management has allocated more resources in order to secure new jobs, both in Malaysia and overseas. Five ongoing projects are due for completion in 2024 with a value of RM142m. Year-to-date, it has secured RM463.7m of new jobs or 23.2% of the RM2.0b replenishment target. We believe future job wins may come from the Penang International Airport (PIA)

RETURN STATISTICS	
Price @ 26th Nov 2024 (RM)	0.905
Expected share price return (%)	+7.2
Expected dividend yield (%)	+0.0
Expected total return (%)	**+7.2**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.2	-3.3
3 months	-2.7	-12.8
12 months	81.0	63.5

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	1,750.6	2,254.1	2276.7
Operating Profit	188.8	178.1	182.1
Profit Before Tax	167.2	191.6	195.8
Core PATAMI	60.1	76.6	79.7
Core EPS	4.7	5.4	5.6
DPS (sen)	0	0	0
Dividend Yield	-	-	-

KEY STATISTICS	
FBM KLCI	1,603.15
Issue shares (m)	1417.24
Estimated free float (%)	62.48
Market Capitalisation (RM'm)	1,410.80
52-wk price range	RM0.45 RM1.35
3-mth average daily volume (m)	14.79
3-mth average daily value (RM'm)	14.40
Top Shareholders (%)	
Dominion Nexus Sdn Bhd	16.50
Lim Siew Choon	6.74
Amanah Saham Nasional Bhd	5.29

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expansion, Pan Borneo Sabah, other packages for the North-South Expressway expansion and potentially its first data centre project.

Earnings estimates. We slash our FY24E earnings estimates by -10.2% to RM60.1m to account for the weaker than expected performance in FY24 but maintain our FY25/26 estimates for now.

Target price. We maintain our **TP** at **RM0.97**, derived by pegging its FY25F EPS of 5.4 sen to a PER of 18x, which is +1SD above its 10-year mean.

Maintain NEUTRAL. We are maintaining our **NEUTRAL** recommendation on WCT. While prospects remain bright for the construction sector for WCT to replenish more jobs, the recent rise in its share price by close to +80% since Jun-24, has stretched its valuations for a fair bit. The group had also recently announced its proposal to set up and list a REIT on the Main Market of Bursa Malaysia, which will comprise three of its retail malls. Apart from allowing WCT to unlock the value of its malls, the group will also be able to raise funds to pare down its borrowings. With total borrowings of RM3.48b as at 30 Sep 2024, the group has a high net gearing of 82%.

WCT HOLDINGS BERHAD: 3QFY24 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**Q324**	**Q224**	**Q323**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Revenue	437.5	376.3	496.6	**16.2%**	**-11.9%**	1,281.2	1,325.7	**-3.4%**
Cost of sales	(351.6)	(299.4)	(438.4)	**-17.4%**	**19.8%**	(1,029.7)	(1,137.0)	**9.4%**
Gross profit	85.8	76.9	58.1	**11.6%**	**47.7%**	251.5	188.7	**33.3%**
Operating Expenses	139.2	(17.4)	(29.3)	**902.1%**	**575.1%**	104.4	(70.6)	**247.7%**
Operating Profit	225.1	59.5	28.8	**278.0%**	**681.1%**	355.8	118.0	**201.5%**
Finance Costs	(39.0)	(35.9)	(34.6)	**-8.6%**	**-12.6%**	(113.2)	(95.0)	**-19.1%**
Shares of JV & Assoc.	14.3	14.6	11.8	**-2.1%**	**20.9%**	43.0	25.6	**67.9%**
Profit Before Tax	200.4	38.3	6.0	**423.6%**	**3230.1%**	266.7	48.6	**448.4%**
Tax	(5.0)	(8.1)	4.0	**38.4%**	**-225.7%**	(17.8)	(11.1)	**-60.8%**
Minority Interest	(0.6)	(1.1)	(0.7)	**43.6%**	**11.1%**	(2.7)	(2.3)	**-16.9%**
Perps.	22.8	0.0	24.3	**0**	**-6.2%**	46.8	48.1	**-2.7%**
PATAMI	173.2	31.3	(13.5)	**453.9%**	**1379.0%**	204.8	(8.2)	**2589.2%**
Core Profit	(11.3)	31.0	(13.5)	**-136.3%**	**16.7%**	20.1	(8.6)	**335.3%**

FINANCIAL SUMMARY

Income Statement (RM'm)	**2022A**	**2023A**	**2024E**	**2025F**	**2026F**
Revenue	2,102.4	1,727.3	1,750.6	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)	60.1	76.6	79.7
Core PATAMI	53.6	(254.1)	60.1	76.6	79.7

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%	3.4%	3.5%
Core PAT margin	2.5%	-14.7%	3.4%	3.4%	3.5%

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 *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