Corporate Update

WCT Holdings Berhad

(9679 | WCTHG MK) Main | Construction

4 Stars | SHARIAH Compliant | FTSE4Good

Maintain **BUY**

Revised Target Price **RM0.95** (from RM0.97)

1QFY25 Results Review

Property Strength Cushions Slower Construction Pace

Maintain BUY. We are maintaining our **BUY** call on WCT with a revised **target price** of **RM0.95**, rolling forward our valuation year to FY26F with an EPS of 5.6 sen, pegged to a PER of 17x, which is in line with its two-year mean. We are also keeping our earnings estimates unchanged in view of the seasonally slower construction pace in 1QFY25, despite full-year core estimates coming in below our expectations. We expect earnings contributions to strengthen over subsequent quarters. There is a strong need for WCT to secure new jobs. The expectation of a strong pipeline of jobs in 2HCY25 that will be driven by civil projects such as the Penang International Airport expansion may aid WCT in terms of replenishment. Additionally, the group's Paradigm REIT listing, comprising three retail malls, which is scheduled to be listed on the main market of Bursa Malaysia on 10 Jun 2025 is expected to unlock asset value and enhance financial flexibility by raising funds to pare down its high borrowings, which stood at RM3.11b as of Mar-25 (net gearing: 0.82x). The group's resilient performance in property-related segments, supported by stable rental income, robust mall occupancy rates, and healthy unbilled sales, provides a strong earnings anchor while awaiting a pick-up in construction activity.

Below expectations. WCT Holdings Bhd (WCT) revenue rose +1.0%yoy to RM472.1m in 1QFY25 while its core net profit fell by -24.6%yoy, recording RM12.2m in the quarter albeit staying in the black for the second consecutive quarter. This came in below our expectations yet within consensus, at 16.0% and 20.1% of full year estimates respectively.

Engineering and construction. Revenue for the segment declined -21.5%yoy to RM224.9m in 1QFY25 due to lower construction revenue recognition as several projects neared completion, while operating profit also fell by ~4.4x yoy to RM7.1m. This decline was mainly attributable to slower construction pace in the quarter. Revenue for this segment continued to be the group's main contributor of revenue, accounting for 47.6% of cumulative 3MFY24 revenue.

Property development. Revenue rose +48.8%yoy to RM175.3m while operating profit gained 3.7x yoy to RM29.5m. This was primarily driven by higher sales and billings in the quarter of RM206.0m as well as land sales totalling RM36.0m, which contributed RM21.0m to operating profit. Unsold inventories as at Mar-25 stood at RM18.0m as WCT has been actively clearing them, which saw the reduction of -21.7%qoq. Total unbilled sales as at Mar-25 was RM1.15b with management targeting RM1.09b of property sales this year.

Property investment and management. This segment continued to be the group's main bottom line contributor with a 1QFY25 operating profit of RM36.9m (+15.3%yoy) on the back of a stronger revenue of RM71.9m (+14.1%yoy), attributable to higher occupancy and rental rates for its malls and higher contribution from hotels. All its retail malls except Subang Skypark have current occupancy rate of above 95% with the latter at 82% as at Mar-25.

RETURN STATISTICS	
Price @ 27 May 2025 (RM)	0.69
Expected share price return (%)	+37.7
Expected dividend yield (%)	+0.0
Expected total return (%)	+37.7

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.0	5.9
3months	2.2	-9.7
12 months	29.0	36.9

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	2,254.1	2,276.7	2,299.4
Operating Profit	214.1	216.3	216.1
Profit Before Tax	191.6	195.8	195.5
Core Net Profit	76.6	79.7	80.5
Core EPS (sen)	5.4	5.6	5.7
DPS (sen)	0	0	0
Dividend Yield	-	-	-

KEY STATISTICS	
FBM KLCI	1,526.16
Issued shares (m)	1558.90
Estimated free float (%)	62.48
Market Capitalisation (RM'm)	1,075.64
52-wk price range	RM0.52 - RM1.35
3-mth average daily volume (m)	8.81
3-mth average daily value (RM'm)	5.73
Top Shareholders (%)	
DOMINION NEXUS SDN	16.50
Lim Choon Siew	9.80
Amanah Saham Nasional Bhd	6.74

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RM2.50b order book. The group's outstanding order book stands at RM2.50b as at Mar-25, with strong earnings visibility up to FY27. We expect a large portion of this to be recognised by FY26 stemming from the completion of Pavillion Damansara Heights phase 1 and 2. Although the group is actively bidding for jobs, with a tender book of more than RM13.0b (RM12.0b comprising civil & infrastructure works and RM1.0b of building works), there has been a lack of external projects secured in recent years. Management has allocated more resources in order to secure new jobs, both in Malaysia and overseas. We believe future job wins may come from the Penang International Airport (PIA) expansion, other packages for the North-South Expressway expansion and potentially its first data centre project.

WCT HOLDINGS BERHAD : 1QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**1QFY25**	**4QFY24**	**1QFY24**	**QoQ**	**YoY**	**3MFY25**	**3MFY24**	**YoY**
Revenue	472.1	542.6	467.4	**-13.0%**	**1.0%**	472.1	467.4	**1.0%**
Cost of sales	(376.7)	(521.5)	(378.6)	**27.8%**	**0.5%**	(376.7)	(378.6)	**0.5%**
Gross profit	95.4	21.2	88.8	**>100%**	**7.5%**	95.4	88.8	**7.5%**
Operating Expenses	(21.9)	3.1	(17.5)	**->100%**	**-25.1%**	(21.9)	(17.5)	**-25.1%**
Operating Profit	73.5	24.3	71.2	**202.6%**	**3.1%**	73.5	71.2	**3.1%**
Finance Costs	(45.8)	(44.9)	(38.3)	**-2.2%**	**-19.6%**	(45.8)	(38.3)	**-19.6%**
Shares of JV & Assoc.	5.7	9.0	14.1	**-36.4%**	**-59.6%**	5.7	14.1	**-59.6%**
Profit Before Tax	33.4	(11.6)	47.1	**>100%**	**-29.1%**	33.4	28.1	**-29.1%**
Tax	(7.8)	68.1	(7.8)	**->100%**	**0.4%**	(7.8)	(4.7)	**0.4%**
Minority Interest	(0.7)	(0.8)	(0.9)	**8.6%**	**21.0%**	(0.7)	(0.9)	**21.0%**
Perps.	14.3	0.0	24.0	**0**	**-40.4%**	14.3	24.0	**-40.4%**
PATAMI	12.0	57.3	16.1	**-79.1%**	**-25.9%**	12.0	0.3	**-25.9%**
Core Profit	12.2	56.3	16.2	**-78.3%**	**-24.6%**	13.0	0.4	**-24.6%**

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	1,727.3	1,834.0	2,254.1	2,276.7	2,299.4
Gross profit	45.7	307.9	279.5	284.6	285.1
Operating profit	(78.2)	381.9	214.1	216.3	216.1
Finance cost	(129.4)	(158.0)	(135.2)	(136.6)	(135.7)
Profit before tax	(177.8)	274.1	191.6	195.8	195.5
Tax	(31.6)	47.2	(3.6)	(3.7)	(0.4)
PATAMI	(254.1)	277.9	76.6	79.7	80.5
Core PATAMI	(254.1)	92.2	76.6	79.7	80.5
Balance Sheet (RM'm)	**2023A**	**2024A**	**2025E**	**2026F**	**2027F**
Fixed assets	396.2	385.8	337.8	346.2	354.9
Intangible assets	4,475.7	2,847.4	4,610.8	4,726.1	4,844.2
Non-current assets	**4,871.9**	**3,233.2**	**4,948.6**	**5,072.3**	**5,199.1**
Cash	414.7	567.4	336.6	345.0	353.6
Trade debtors	752.2	636.9	801.5	821.5	842.1
Current assets	**3,795.7**	**4,068.0**	**3,147.4**	**3,337.0**	**3,542.8**
Trade creditors	1,075.3	1,092.7	795.4	815.3	835.7
Short-term debt	1,635.5	2,730.5	1,456.0	1,601.6	1,761.8
Current liabilities	**3,016.0**	**4,101.5**	**2,251.4**	**2,416.9**	**2,597.4**
Long-term debt	1,457.8	847.1	1,363.5	1,431.7	1,503.3
Non-current liabilities	**1,964.7**	**1,205.0**	**1,990.5**	**2,058.7**	**2,130.3**
Share capital	3,212.8	3,337.1	3,212.8	3,212.8	3,212.8
Retained earnings	1,171.5	1,447.9	1,524.6	1,604.2	1,684.7
Equity	**3,686.9**	**3,777.5**	**3,854.1**	**3,933.8**	**4,014.3**

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	**-177.8**	**274.1**	**191.6**	**195.8**	**195.5**
Operating cash flow	**134.0**	**85.1**	**273.0**	**279.8**	**286.8**
Capital expenditure	-51.6	-23.6	-52.8	-54.1	-55.5
Investing cash flow	**11.8**	**-34.3**	**-56.2**	**-57.5**	**-58.9**
Debt raised/(repaid)	218.1	176.6	-65.0	-65.0	-65.0
Dividends paid	-7.1	-1.5	-	-	-
Financing cash flow	**11.9**	**81.5**	**-239.4**	**-246.6**	**-254.0**
Net cash flow	**157.7**	**132.3**	**-22.6**	**-24.3**	**-26.0**
Beginning cash flow	**157.0**	**324.5**	**462.4**	**439.8**	**415.5**
Forex differences	9.8	5.5	-	-	-
Ending cash flow	**324.5**	**462.4**	**439.8**	**415.5**	**389.5**

Profitability Ratios (%)	2023A	2024A	2025E	2026F	2027F
Gross profit margin	2.6%	16.8%	12.4%	12.5%	12.4%
Operating profit margin	-4.5%	20.8%	9.5%	9.5%	9.4%
PBT margin	-10.3%	14.9%	8.5%	8.6%	8.5%
PAT margin	-14.7%	15.2%	3.4%	3.5%	3.5%
Core PAT margin	-14.7%	4.2%	3.4%	3.5%	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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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