Corporate Update

WCT Holdings Berhad

(9679 | WCTHG MK) Main | Construction

2QFY25 Results Review

Weaker Construction, Stronger Property Contribution

Maintain BUY. We are revising our earnings estimates for FY25E/FY26F/FY27F by -14.5%/-17.1%/-11.2% respectively to account for the weaker-than-expected earnings. We are maintaining our **BUY** call on WCT with a revised **target price** of **RM0.93**, based on our lower FY26F EPS of 4.67 sen, pegged to a PER of 20x, which is +1SD above its seven-year mean. We expect earnings contributions to gain momentum in the coming quarters, underpinned by progressive recognition from its recently secured North-South Expressway additional lane contract as well as phase 1 and 2 of the Pavilion Damansara Heights development. 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 was listed on the main market of Bursa Malaysia on 10 Jun 2025 has unlocked asset value and enhanced financial flexibility by paring down its high borrowings, which stood at RM1.78b as of Jun-25 (compared to RM3.01b as at Dec-24). The group's net gearing ratio has also significantly declined to 0.47x as at Jun-25 from 0.80x as at Dec-24.

Below expectations. WCT Holdings Bhd's (WCT) revenue rose +46.9%yoy to RM552.8m in 2QFY25 while its core net profit fell by -48.2%yoy to RM16.1m. The increase in revenue was mainly driven by improved performance of the property development segment while the decrease in bottom line can be attributed to higher admin and interest expenses, as well as lower associate profits. The cumulative 1HFY25 core net profit came in at RM28.3m (-40.1%yoy), which was below our expectations and consensus, at 36.9% and 40.5% of full year estimates respectively.

Engineering and construction. Revenue for the segment increased by +32.8%yoy to RM247.7m in 2QFY25, while operating profit fell by ~5.3x yoy to RM2.10m. This decline in operating profit was mainly attributable to slower construction pace in the quarter as well as lower margins recognised as some of the group's higher margin projects neared completion. There was also a notable decrease in margins from 6.0% in 2QFY24 to 0.85% in 2QFY25. Revenue for this segment continued to be the group's main contributor of revenue, accounting for 45.0% of cumulative 6MFY24 revenue. We expect stronger progress billings in the coming quarters as the newer projects accelerate.

Property development. This segment was the group's main bottom line contributor with a quarterly operating profit of RM46.4m (>+100%yoy) on the back of a stronger revenue of RM241.4m (+90.5%yoy). This was primarily driven by higher sales and billings in the quarter of RM156.0m as well as land sales. Unsold inventories as at Jun-25 stood at RM17.0m as WCT has been actively clearing them, which saw the reduction of -5.56%qoq. Total unbilled sales as at Jun-25 was RM1.04b with management targeting RM1.09b of property sales for FY25.

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Maintain **BUY**

Revised Target Price **RM0.93**
(from RM0.95)

RETURN STATISTICS	
Price @ 26th Aug 2025 (RM)	0.82
Expected share price return (%)	+13.4
Expected dividend yield (%)	+0.0
Expected total return (%)	+13.4

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.2	3.9
3months	30.2	14.5
12 months	-23.4	-20.6

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	1,925.7	1,945.0	2,042.2
Operating Profit	182.9	184.8	192.0
Profit Before Tax	163.7	167.3	173.6
Core Net Profit	65.5	66.1	71.5
Core EPS (sen)	4.6	4.7	5.0
DPS (sen)	0	0	0
Dividend Yield	-	-	-

KEY STATISTICS

FBM KLCI	1,581.59
Issued shares (m)	1558.90
Estimated free float (%)	72.58
Market Capitalisation (RM'm)	1,278.30
52-wk price range	RM0.55 - RM1.14
3-mth average daily volume (m)	6.04
3-mth average daily value (RM'm)	4.63
Top Shareholders (%)	
Dominion Nexus Sdn Bhd	16.50
Amanah Saham Nasional Bhd	9.44
Lim Choon Siew	3.75

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Property investment and management. This segment recorded a 2QFY25 operating profit of RM20.5m (-36.3%yoy) despite a marginally stronger revenue of RM63.7m (+0.95%yoy). The higher revenue was attributable to higher contributions from hotels, as well as the group's aviation division, while the bottom line decrease was due to the Paradigm REIT listing expense, amounting to RM13.4m. Operating profit margins also encountered a decline, from 51.0% in 2QFY24 to 32.2% in 2QFY25. All its retail malls except Subang Skypark have a current occupancy rate of above 95% with the latter at 87% as at Jun-25.

RM2.60b order book. The group's outstanding order book stands at RM2.60b as at Jun-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, as well as the recently secured North-South Expressway additional lane project which amounts to RM365.2m. Year-to-date, the group has secured over one-third of its FY25 order book replenishment target of RM1.0b. Although the group is actively bidding for jobs, with a tender book of more than RM11.0b (RM10.0b 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 expect a stronger pipeline in 2HCY25, with potential awards stemming from airport, data centre, and road projects – especially with the government's ongoing emphasis on transport and public infrastructure upgrades through the 13th Malaysia Plan.

WCT HOLDINGS BERHAD : 2QFY25 RESULTS SUMMARY

All in RM'm unless stated otherwise	Quarterly Results					Cumulative		
Income Statement	**2QFY25**	**1QFY25**	**2QFY24**	**QoQ**	**YoY**	**6MFY25**	**6MFY24**	**YoY**
Revenue	552.8	472.1	376.3	**17.1%**	**46.9%**	1,024.9	843.7	**21.5%**
Cost of sales	(444.0)	(376.7)	(299.4)	**-17.8%**	**-48.3%**	(820.7)	(678.1)	**-21.0%**
Gross profit	108.8	95.4	76.9	**14.1%**	**41.5%**	204.2	165.7	**23.3%**
Operating Expenses	(39.8)	(21.9)	(17.4)	**-81.7%**	**->100%**	(61.7)	(34.9)	**-77.0%**
Operating Profit	69.0	73.5	59.5	**-6.1%**	**15.8%**	142.5	130.8	**8.9%**
Finance Costs	(44.3)	(45.8)	(35.9)	**3.3%**	**-23.5%**	(90.1)	(74.2)	**-21.5%**
Shares of JV & Assoc.	4.1	5.7	14.6	**-27.8%**	**-71.8%**	9.8	28.7	**-65.8%**
Profit Before Tax	28.8	33.4	38.3	**-13.6%**	**-24.7%**	62.2	85.3	**-27.2%**
Tax	(12.1)	(7.8)	(8.1)	**-55.9%**	**-48.8%**	(19.9)	(16.0)	**-24.7%**
Minority Interest	(0.2)	(0.7)	(1.1)	**70.7%**	**81.9%**	(0.9)	(2.0)	**55.2%**
Perps.	1.6	14.3	0.0	**-89.0%**	**0.0%**	15.9	24.0	**-33.8%**
PATAMI	15.3	12.0	31.3	**28.0%**	**-51.0%**	27.3	47.4	**-42.5%**
Core Profit	16.1	12.2	31.0	**31.5%**	**-48.2%**	28.3	47.2	**-40.1%**

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	1,727.3	1,834.0	1,925.7	1,945.0	2,042.2
Gross profit	45.7	307.9	238.8	243.1	253.2
Operating profit	(78.2)	381.9	182.9	184.8	192.0
Finance cost	(129.4)	(158.0)	(115.5)	(116.7)	(120.5)
Profit before tax	(177.8)	274.1	163.7	167.3	173.6
Tax	(31.6)	47.2	(3.1)	(3.2)	(3.3)
PATAMI	(254.1)	277.9	65.5	66.1	71.5
Core PATAMI	(254.1)	92.2	65.5	66.1	71.5
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**	**163.7**	**167.3**	**173.6**
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%	3.4%	3.5%
Core PAT margin	-14.7%	4.2%	3.4%	3.4%	3.5%

Source: Bloomberg, MBSBR

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MBSB INVESTMENT BANK (formerly known 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