

**Kenneth Leong**

(603) 7890 8888 (ext 2093)

[kennethleong@apexsecurities.com.my](mailto:kennethleong@apexsecurities.com.my)

<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 1.79</b>
<b>Previous Target Price:</b>	<b>RM 1.92</b>
<b>Target Price:</b>	<b>RM 2.04</b>
<b>Upside/Downside:</b>	<b>14.0%</b>

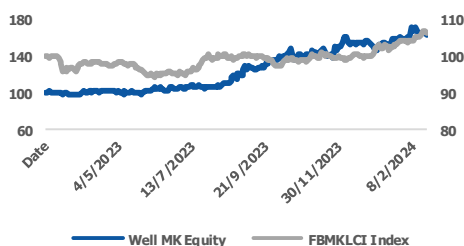
**Stock information**

Board	MAIN
Sector	Industrial Products
Bursa / Bloomberg Code	7231 / WELL MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆★
Bloomberg ESG Rating	N/A
Shares issued (m)	497.5
Market Cap (RM' m)	890.5
52-Week Price Range (RM)	1.87-1.103
Beta (x)	0.6
Free float (%)	73.3
3M Average Volume (m)	0.9
3M Average Value (RM' m)	1.4

**Top 3 Shareholders**

	(%)
MAXIMUM PERSPECTIVE SDN BH	11.3
Oversea-Chinese Banking Corp Ltd	10.0
UOB Kay Hian Hong Kong Ltd	8.0

**Share Price Performance**



	1M	3M	12M
Absolute (%)	4.1	16.9	56.6
Relative (%)	1.2	9.7	47.3

# Wellcall Holdings Berhad

## Broadly within expectations

### Summary

- **3MFY24 core net profit at RM13.7m came broadly within expectations, accounting to 24.3% of our core net profit forecast.**
- **Fluctuation in margins due to higher shipping cost and disruption in feedstock supply will be cushioned by gradual rising demand.**
- **Re-iterate our BUY recommendation on WELLCAL with a higher target price of RM2.04, by pegging 18.0x P/E multiple to FY24F EPS of 11.3 sen.**







### Results Review

- **Results review.** 1QFY24 core net profit climbed 69.7% yoy to RM13.7m, as a result of cost optimisation initiatives which resulted in improved productivity and efficiency in manufacturing process. Revenue for the quarter, however, was flat at RM52.4m (-0.3% yoy) as certain customers rescheduled deliveries. A first single tier interim dividend of 2.0 sen per share, payable on 21 March 2024 was declared.
- **Results broadly within expectations.** 3MFY24 core net profit at RM13.7m came broadly within expectations, accounting to 24.3% of our core net profit forecast at RM56.2m and was at 24.4% of consensus forecasted net profit of RM56.1m.
- **Operations Highlights.** In 1QFY24, export market remains as the biggest contributor at RM48.0m (91.5% of total revenue), while local market makes up to the remainder at RM4.4m (9.6% of total revenue). During the quarter, net margins has tapered slightly (<30% level), dragged by rising shipping costs. Still, orderbook remains healthy, supported by 2-3 months of revenue visibility. Meanwhile, cash level remains healthy at RM77.3m vs. RM60.6m in 4QFY23.
- **Industry Highlights.** Global industrial hose market remains fairly solid amid the improving demand. While nitrile price has turned stable in recent months, we expect prices to trend higher due to disruption in feedstock supply. Meanwhile, natural rubber price has ticked mildly higher in recent months.
- **Outlook.** Expansions remain on track with line expansion in Plant 3 is schedule for completion by June 2024. Demand is expected to improve from (i) oil & gas industry following higher CAPEX spending in both upstream and downstream, (ii) automobile industry with increasing usage of hoses for engine cooling system, brake oil carrier, fuel carrier and (iii) critical applications on the capability to withstand high temperatures and pressure.
- **Valuation.** Given that the reported earnings came within expectations, we kept our forecast unchanged. Re-iterate our **BUY** recommendation on WELLCAL with a higher target price of RM2.04, by pegging 18.0x P/E multiple to FY24F EPS of 11.3 sen. Revision of P/E multiple is in line with higher historical mean average.
- **Risk.** Fluctuation in raw material prices (rubber price). Exposure to foreign exchange risk given that majority of the sales are denominated in USD. Slower-than-expected plant expansion may dampen earnings growth prospects.

Monday, February 26, 2024

Company Results

Figure 1: Results Comparison

FYE Sep (RM m)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	3MFY23	3MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	52.4	52.6	(0.3)	58.3	(10.0)	52.6	52.4	(0.3)		Rescheduling of deliveries
EBITDA	19.4	12.7	53.1	23.9	(18.7)	12.7	19.4	53.1		
Pre-tax profit	18.8	11.8	59.9	23.1	(18.7)	11.8	18.8	59.9		
Net profit	13.7	8.1	69.7	17.9	(23.5)	8.1	13.7	69.7		
Core net profit	13.7	8.1	69.7	17.9	(23.5)	8.1	13.7	69.7		
Core EPS (sen)	2.7	1.6	69.7	3.6	(23.5)	1.6	2.7	69.7		Tempered by increasing logistics cost
EBITDA margin (%)	37.1	24.1		41.0		24.1	37.1			
PBT margin (%)	35.8	22.3		39.7		22.3	35.8			
Core PATMI margin (%)	26.1	15.3		30.7		15.3	26.1			

Source: Company, Apex Securities

Income Statement

FYE Sep (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Revenue</b>	<b>157.0</b>	<b>176.7</b>	<b>217.2</b>	<b>226.0</b>	<b>233.0</b>
<b>Gross Profit</b>	<b>56.6</b>	<b>56.4</b>	<b>90.0</b>	<b>90.4</b>	<b>93.2</b>
<b>EBITDA</b>	<b>46.7</b>	<b>45.4</b>	<b>77.6</b>	<b>78.0</b>	<b>80.4</b>
Depreciation & Amortisation	-5.4	-5.0	-4.9	-4.9	-4.8
<b>EBIT</b>	<b>41.3</b>	<b>40.4</b>	<b>72.7</b>	<b>73.1</b>	<b>75.6</b>
Net Finance Income/ (Cost)	0.1	0.2	1.7	1.9	2.3
Associates & JV	-0.7	-0.6	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>40.8</b>	<b>39.9</b>	<b>74.4</b>	<b>75.0</b>	<b>77.9</b>
Tax	-11.9	-11.5	-17.9	-18.7	-19.5
<b>Profit After Tax</b>	<b>28.9</b>	<b>28.4</b>	<b>56.5</b>	<b>56.2</b>	<b>58.4</b>
Minority Interest	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>28.9</b>	<b>28.4</b>	<b>56.5</b>	<b>56.2</b>	<b>58.4</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>28.9</b>	<b>28.4</b>	<b>56.5</b>	<b>56.2</b>	<b>58.4</b>

Key Ratios

FYE Sep (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	29.8%	25.7%	35.8%	34.5%	34.5%
EBIT margin	26.3%	22.8%	33.5%	32.3%	32.5%
PBT margin	26.0%	22.6%	34.2%	33.2%	33.4%
PAT margin	18.4%	16.1%	26.0%	24.9%	25.1%
NP margin	18.4%	16.1%	26.0%	24.9%	25.1%
Core NP margin	18.4%	16.1%	26.0%	24.9%	25.1%
ROE	22.7%	22.8%	40.0%	36.2%	34.1%
ROA	18.5%	17.8%	33.7%	30.8%	28.8%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Sep (RM m)	FY21	FY22	FY23	FY24F	FY25F
Total production lines	58.4	58.6	69.1	69.1	69.1
Average utilisation rate (%)	58.0%	62.4%	63.2%	63.2%	65.6%
Total production (linear meter)	33.9	36.6	43.7	43.7	45.4

Valuations

Valuations	FY24F
Core EPS (RM)	0.113
P/E multiple (x)	18.0
<b>Fair Value (RM)</b>	<b>2.04</b>

Source: Company, Apex Securities

Balance Sheet

FYE Sep (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	61.6	62.8	74.4	91.8	105.6
Receivables	14.6	15.9	11.7	12.4	16.0
Inventories	20.1	29.1	25.4	23.3	27.5
Other current assets	0.0	0.0	0.6	0.7	0.7
<b>Total Current Assets</b>	<b>96.3</b>	<b>107.7</b>	<b>112.1</b>	<b>128.2</b>	<b>149.8</b>
Fixed Assets	56.1	51.7	49.2	47.6	46.4
Intangibles	0.0	0.0	0.3	0.3	0.3
Other non-current assets	3.5	0.0	6.1	6.1	6.1
<b>Total Non-current assets</b>	<b>59.6</b>	<b>51.7</b>	<b>55.6</b>	<b>54.1</b>	<b>52.8</b>
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Payables	21.5	27.8	18.8	20.7	20.4
Other Current Liabilities	2.4	2.4	3.4	3.4	3.4
<b>Total Current Liabilities</b>	<b>23.9</b>	<b>30.2</b>	<b>22.2</b>	<b>24.2</b>	<b>23.9</b>
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	5.0	4.6	4.3	3.0	7.5
<b>Total Non-current Liabilities</b>	<b>5.0</b>	<b>4.6</b>	<b>4.3</b>	<b>3.0</b>	<b>7.5</b>
Shareholder's equity	127.1	124.6	141.2	155.1	171.2
Minority interest	0.0	0.0	0.0	0.0	0.0
<b>Equity</b>	<b>127.1</b>	<b>124.6</b>	<b>141.2</b>	<b>155.1</b>	<b>171.2</b>

Cash Flow

FYE Sep (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Pre-tax profit</b>	<b>40.8</b>	<b>39.9</b>	<b>74.4</b>	<b>75.0</b>	<b>77.9</b>
Depreciation & amortisation	5.4	5.0	4.9	4.9	4.8
Changes in working capital	-6.5	-4.0	-3.5	-1.3	-7.6
Others	-6.0	-6.4	-15.9	-15.9	-15.9
<b>Operating cash flow</b>	<b>-7.1</b>	<b>-5.4</b>	<b>-14.4</b>	<b>-12.2</b>	<b>-18.7</b>
Net capex	-0.8	-0.5	-8.9	-3.4	-3.5
Others	0.2	0.1	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-0.6</b>	<b>-0.4</b>	<b>-8.8</b>	<b>-3.4</b>	<b>-3.5</b>
Dividends paid	-27.9	-35.9	-39.8	-42.3	-42.3
Others	0.0	0.0	0.0	0.0	0.0
<b>Financing cash flow</b>	<b>-27.9</b>	<b>-35.9</b>	<b>-39.8</b>	<b>-42.3</b>	<b>-42.3</b>
<b>Net cash flow</b>	<b>-35.6</b>	<b>-41.7</b>	<b>-63.1</b>	<b>-57.9</b>	<b>-64.5</b>
Forex	0.3	2.9	0.4	0.4	0.4
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	56.1	61.6	62.8	74.4	91.8
<b>Ending cash</b>	<b>61.6</b>	<b>62.8</b>	<b>74.4</b>	<b>91.8</b>	<b>105.6</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

**APEX SECURITIES BHD**

**DEALING TEAM**

**RESEARCH TEAM**

**Head Office:**

6th Floor, Menara Apex,  
Off Jalan Semenyih,  
Bukit Mewah 43000 Kajang,  
Selangor Darul Ehsan, Malaysia

General Line: (603) 8736 1118

**Mutiara Damansara Office:**

5th Floor Menara UAC, 12, Jalan PJU 7/5,  
Mutiara Damansara,  
47800 Petaling Jaya,  
Selangor Darul Ehsan, Malaysia

General Line: (603) 7890 8899

**Head Office:**

Kong Ming Ming (ext 2002)  
Shirley Chang (ext 2026)  
Norisam Bojo (ext 2027)  
Ahmad Mujib (ext 2028)

**Institutional Dealing Team:**

Siti Nur Nadhirah (ext 2032)

**PJ Office:**

General Line: (603) 7620 1118  
Azfar Bin Abdul Aziz (Ext 822)

**Mutiara Damansara Office:**

Kenneth Leong (ext 2093)  
Lee Cherng Wee (ext 2067)  
Steven Chong (ext 2068)  
Jayden Tan (ext 2069)  
Aiman Kamil (ext 2071)

**RESEARCH RECOMMENDATION FRAMEWORK**

**STOCK RECOMMENDATIONS**

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.

**HOLD:** Total returns\* are expected to be within +10% to – 10% within the next 12 months.

**SELL:** Total returns\* are expected to be below -10% within the next 12 months.

**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.

**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.

\*Capital gain + dividend yield

**SECTOR RECOMMENDATIONS**

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.

**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

**DISCLAIMER**

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.