

Kenneth Leong

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Recommendation: BUY

Current Price:	RM 1.60
Previous Target Price:	RM 1.90
Target Price:	↔ RM 1.90
Upside/Downside:	18.8%

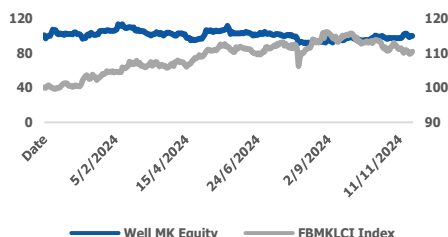
Stock information

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)	796.0
52-Week Price Range (RM)	1.87-1.43
Beta (x)	0.4
Free float (%)	73.3
3M Average Volume (m)	0.1
3M Average Value (RM' m)	0.2

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 (%)	3.9	8.1	0.6
Relative (%)	5.0	11.9	-8.9

Wellcall Holdings Berhad

In-line with expectations

Summary

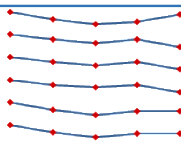
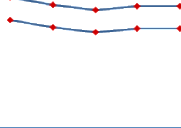
- **WELLCAL's 4QFY24 core net profit fell -24.6% yoy and -3.0% qoq to RM13.2m (after adjusting for unrealised forex losses of RM5.4m), bringing 12MFY24 core net profit at RM52.1m (-7.3% yoy) which came in line at 97.5% and 98.2% of ours and consensus expectations respectively.**
- **With more favourable exchange rate and stability in material prices, we expect better operational landscape which potentially translate to improve margins and bottomline in upcoming quarter.**
- **Re-iterate our BUY recommendation on WELLCAL with unchanged target price of RM1.90, based on 17.0x P/E multiple pegged to FY25F EPS of 11.2 sen.**

Results Review

- **Results review.** 4QFY24 core net profit (CNP) fell -24.6% yoy and -3.0% qoq to RM13.2m (after adjusting for unrealised forex losses of RM5.4m), dragged down by higher operational expenses as well as higher effective tax rate at 34.5% vis-à-vis 22.7% in the previous corresponding quarter. Revenue for the quarter stood at RM56.7m (-2.8% yoy, +10.6% qoq). A single tier interim dividend of 1.2 sen per share along with a special interim dividend of 1.0 sen per share (both payable on 20 Dec 2024) was declared.
- **Within expectations.** 12MFY24 core net profit at RM52.1m (-7.3% yoy) accounted to 97.5% of our core net profit forecast at RM53.4m and was at 98.2% of consensus forecasted core net profit of RM53.0m.
- **Operations Highlights.** In 4QFY24, export market remains as the biggest contributor at RM51.5m (90.9% of total revenue), while local market makes up to the remainder at RM5.1m (9.1% of total revenue). Meanwhile, cash level remains healthy at RM69.3m vs. RM77.5m in 3QFY24.
- **Industry Highlights.** Nitrile price normalised in recent months at USD0.92/kg in November 2024 vs. USD0.99/kg in August 2024 in tandem with the lower Butadiene prices. However, natural rubber price remained elevated at USD1.53/kg in November vs. USD1.41/kg in August 2024 as demand remain strong. Looking ahead, we expect prices to stabilise amid the downward pressure in crude oil prices along with improving supply dynamics, while natural gas price softens
- **Outlook.** Expansion of Plant 3 (scheduled end-2024) was delayed with production to take place only in mid-2025. Meanwhile, deferred orders stemmed from the Red Sea crisis may continue to normalise in subsequent quarters. With more favourable exchange rate and stability in material prices, we expect better operational landscape which potentially translate to improve margins and bottomline in upcoming quarter. Still, we opine that net margins are expected remain below the 30% threshold.

- **Valuation.** No changes to our earnings forecast. We re-iterate our **BUY** recommendation on WELLCAL with an unchanged target price of **RM1.90**, based on 17.0x P/E multiple pegged to FY25F EPS of 11.2 sen.
- **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.

Figure 1: Results Comparison

FYE Sep (RM m)	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	12MFY23	12MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	56.7	58.3	(2.8)	51.2	10.6	217.2	209.4	(3.6)		Improved qoq on progressive recognition of deferred orders
EBITDA	12.8	23.9	(46.5)	18.9	(32.5)	77.6	67.2	(13.5)		
Pre-tax profit	11.9	23.1	(48.4)	18.2	(34.3)	74.4	64.2	(13.6)		
Net profit	7.8	17.9	(56.2)	13.6	(42.5)	56.5	46.9	(17.0)		
Core net profit	13.2	17.5	(24.6)	13.6	(3.0)	56.1	52.1	(7.3)		
Core EPS (sen)	2.7	3.5	(24.6)	2.7	(3.0)	11.3	10.5	(7.3)		Margins squeeze by higher staff and utilities cost
EBITDA margin (%)	22.6	41.0		37.0		35.8	32.1			
PBT margin (%)	21.1	39.7		35.5		34.2	30.7			
Core PATMI margin (%)	23.3	30.0		26.6		25.9	24.9			

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	176.7	217.2	209.4	222.0	236.9
Gross Profit	56.4	86.1	82.6	88.8	94.8
EBITDA	45.4	73.8	67.2	77.7	82.9
Depreciation & Amortisation	-5.0	-4.9	-5.1	-5.5	-5.6
EBIT	40.4	68.8	62.0	72.2	77.3
Net Finance Income/ (Cost)	0.2	1.7	2.2	1.9	2.4
Associates & JV	-0.6	0.0	0.0	0.0	0.0
Pre-tax Profit	39.9	70.5	64.2	74.1	79.7
Tax	-11.5	-17.9	-17.3	-18.5	-19.9
Profit After Tax	28.4	52.6	46.9	55.6	59.8
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	28.4	52.6	46.9	55.6	59.8
Exceptionals	0.0	-0.4	5.2	0.0	0.0
Core Net Profit	28.4	52.3	52.1	55.6	59.8

Key Ratios

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
P/E (x)	28.0	15.2	15.3	14.3	13.3
EBITDA margin	25.7%	34.0%	32.1%	35.0%	35.0%
EBIT margin	22.8%	31.7%	29.6%	32.5%	32.6%
PBT margin	22.6%	32.5%	30.7%	33.4%	33.7%
PAT margin	16.1%	24.2%	22.4%	25.0%	25.2%
NP margin	16.1%	24.2%	22.4%	25.0%	25.2%
Core NP margin	16.1%	24.1%	24.9%	25.0%	25.2%
ROE	22.8%	37.6%	32.8%	35.6%	34.9%
ROA	17.8%	30.0%	28.0%	30.4%	30.0%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Average containers/month	90-100	100-120	100-120	110-130	110-130

Valuations

	FY25F
Core EPS (RM)	0.112
P/E multiple (x)	17.0
Fair Value (RM)	1.90

Source: Company, Apex Securities

Balance Sheet

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	62.8	74.4	69.2	79.2	94.6
Cash	15.9	18.0	8.2	9.1	9.7
Receivables	29.1	25.5	25.7	28.9	28.1
Inventories	0.0	5.5	3.7	3.3	3.6
Other current assets	107.7	123.4	106.8	120.6	136.0
Total Current Assets	107.7	123.4	106.8	120.6	136.0
Fixed Assets	51.7	49.2	50.0	51.1	52.6
Intangibles	0.0	0.3	0.3	0.3	0.3
Other non-current assets	0.0	2.5	10.6	10.6	10.6
Total Non-current assets	51.7	52.0	60.9	62.1	63.5
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Payables	27.8	24.5	18.9	19.6	21.5
Other Current Liabilities	2.4	6.5	1.8	1.8	1.8
Total Current Liabilities	30.2	31.1	20.7	21.3	23.3
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	4.6	4.3	3.9	4.9	4.8
Total Non-current Liabilities	4.6	4.3	3.9	4.9	4.8
Shareholder's equity	124.6	140.0	143.1	156.4	171.4
Minority interest	0.0	0.0	0.0	0.0	0.0
Equity	124.6	140.0	143.1	156.4	171.4

Cash flow

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	39.9	70.5	64.2	74.1	79.7
Depreciation & amortisation	5.0	4.9	5.1	5.5	5.6
Changes in working capital	-4.0	-6.7	4.4	-4.7	-2.1
Others	-6.4	-11.4	-16.0	-16.0	-16.0
Operating cash flow	34.5	57.4	57.8	58.9	67.3
Net capex	-0.5	-5.7	-14.0	-6.7	-7.1
Others	0.1	0.0	0.0	0.0	0.0
Investing cash flow	-0.4	-5.7	-14.0	-6.7	-7.1
Dividends paid	-35.9	-39.8	-43.8	-42.3	-44.8
Others	0.0	0.0	0.0	0.0	0.0
Financing cash flow	-35.9	-39.8	-43.8	-42.3	-44.8
Net cash flow	-1.7	11.8	0.0	10.0	15.4
Forex	2.9	-0.2	-5.2	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	61.6	62.8	74.4	69.2	79.2
Ending cash	62.8	74.4	69.2	79.2	94.6

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
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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

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.

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