

Team Coverage
(603) 7890 8888
research.dept@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 1.54
Previous Target Price:	RM 1.90
Target Price:	↑ RM 2.04
Capital Upside/Downside:	32.5%
Dividend Yield (%):	5.8%
Total Upside/Downside:	38.3%

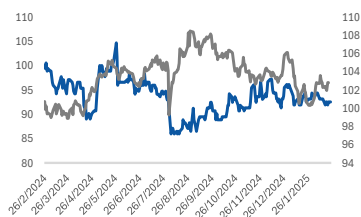
Stock information

Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	7231 / WELL MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	497.5
Market Cap (RM' m)	766.1
52-Week Price Range (RM)	1.789-1.421
Beta (x)	0.5
Free float (%)	69.8
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	9.8
Uob Kay Hian Hong Kong Ltd	8.0

Share Price Performance



	1M	3M	12M
Absolute (%)	0.0	-1.3	-13.4
Relative (%)	-1.1	-1.4	-15.7

Wellcall Holdings Bhd

Recovery towards pre-Red Sea crisis

Executive Summary

- Wellcall's 1QFY25 core net profit fell -2.8% yoy, but rose +69.6% qoq to RM13.3m, came within expectations, accounted to 23.9% and 25.1% of ours and consensus expectations respectively.
- Deferred orders from the Red Sea crisis have started to normalise which will result in stability in bottomline in subsequent quarters. However, while core net margins expansion will be capped by higher raw material prices.
- Re-iterate BUY recommendation with higher target price of RM2.04, based on 17.0x P/E multiple pegged to rolled-over FY26F EPS of 12.0 sen, ascribed with three-star ESG rating.

Results within expectations. 3MFY25 core net profit at RM13.3m (-2.8% yoy) came within expectations, accounting to 23.9% of our core net profit forecast at RM55.6m and was at 25.1% of consensus forecasted net profit of RM53.0m.

YoY. 2QFY24 core net profit recorded mild contraction of -2.8% yoy to RM13.3m, dragged down by weaker demand from the global slowdown in industrial rubber hose industry. Revenue for the quarter slipped -7.2% yoy to RM48.7m – the weakest since 4QFY22.

QoQ. Core net profit (+69.6% qoq) stood at RM13.3m, recovered back towards pre-Red Sea Crisis level as deferred shipments from recent quarters begun to normalise. Revenue for the quarter, however, slipped -48.7% qoq to RM48.7m.

Dividend. A first interim dividend of 2.0/share, payable on 21 Mar 2025 was declared.

Outlook. Production testing for line expansion (one advanced machine from Italy for mandrel line) in Plant 3 remains on track in Jun 2025. Upon completion of the expansion, total installed capacity is expected grow c.20% and is expected to contribute to overall production efficiency.

Earnings Revision. Given that the reported earnings are deemed within expectations, we kept our forecast unchanged.

Valuation. Re-iterate our **BUY** recommendation on WELLCAL with a higher target price of **RM2.04**, by pegging 17.0x P/E multiple to rolled-over FY26F EPS of 12.0 sen and ascribed with 0% ESG factored premium/discount based on three-star ESG rating.

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.

Earnings Summary

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	176.7	217.2	209.4	222.0	236.9
EBITDA	45.4	73.8	67.2	77.7	82.9
Pre-tax profit	39.9	70.5	64.2	74.1	79.7
Net profit	28.4	52.6	46.9	55.6	59.8
Core net profit	28.4	52.6	46.9	55.6	59.8
Core EPS (sen)	5.7	10.6	9.4	11.2	12.0
P/E (x)	27.0	14.6	16.3	13.8	12.8
P/B (x)	6.2	5.5	5.4	4.9	4.5
EV/EBITDA (x)	18.3	11.4	12.4	10.9	10.4
Dividend Yield (%)	4.5%	5.3%	5.5%	5.5%	5.8%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

Results Note

Monday, 24 Feb, 2025

Results Comparison

FYE Sep (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue	48.7	52.4	(7.2)	56.7	(14.1)	48.7	52.4	(7.2)	Slowdown in global industrial rubber hose industry
EBITDA	19.1	19.4	(1.7)	12.8	49.4	19.1	19.4	(1.7)	
Pre-tax profit	18.1	18.8	(3.6)	11.9	51.7	18.1	18.8	(3.6)	
Net profit	13.3	13.7	(2.8)	7.8	69.9	13.3	13.7	(2.8)	
Core net profit	13.3	13.7	(2.8)	7.8	69.9	13.3	13.7	(2.8)	
Core EPS (sen)	2.7	2.7	(2.8)	1.6	69.9	2.7	2.7	(2.8)	
EBITDA margin (%)	39.2	37.1		22.6		39.2	37.1		
PBT margin (%)	37.2	35.8		21.1		37.2	35.8		
Core net profit margin (%)	27.3	26.1		13.8		27.3	26.1		

Source: Company, Apex Securities

Segmental Breakdown

FYE Sep (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)
Revenue								
Export	44.5	48.0	(7.3)	51.5	(13.6)	44.5	48.0	(7.3)
Local	4.2	4.4	(6.2)	5.1	(18.9)	4.2	4.4	(6.2)
Total	48.7	52.4	(7.2)	56.7	(14.1)	48.7	52.4	(7.2)
Profit before Tax								
Export	16.6	17.2	(3.7)	10.9	52.4	16.6	17.2	(3.7)
Local	1.5	1.6	(2.6)	1.1	44.1	1.5	1.6	(2.6)
Total	18.1	18.8	(3.6)	11.9	51.7	18.1	18.8	(3.6)
PBT margin (%)								
Export	37.2%	35.8%	51.4%	21.1%	-385.0%	37.2%	35.8%	
Local	37.2%	35.8%	41.6%	20.9%	-233.8%	37.2%	35.8%	
Aggregate Total	37.2%	35.8%	50.7%	21.1%	-366.7%	37.2%	35.8%	

Source: Company, Apex Securities

Results Note

Monday, 24 Feb, 2025

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	0.0	0.0	0.0	0.0
Core Net Profit	28.4	52.6	46.9	55.6	59.8

Key Ratios

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	5.7	10.6	9.4	11.2	12.0
P/E (x)	27.0	14.6	16.3	13.8	12.8
P/B (x)	6.2	5.5	5.4	4.9	4.5
EV/EBITDA (x)	18.3	11.4	12.4	10.9	10.4
DPS (sen)	7.0	8.2	8.5	8.5	9.0
Dividend Yield (%)	4.5%	5.3%	5.5%	5.5%	5.8%
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%
CNP margin (%)	16.1%	24.2%	22.4%	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%
Gearing (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY26F	Valuation methodology
EPS (sen)	12.0	
P/E (x)	17.0	2-year historical average
Fair Value (RM)	2.04	

Source: Company, Apex Securities

Balance Sheet

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	62.8	74.4	69.2	79.2	94.6
Receivables	15.9	18.0	8.2	9.1	9.7
Inventories	29.1	25.5	25.7	28.9	28.1
Other current assets	0.0	5.5	3.7	3.3	3.6
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
Total 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

Results Note

Monday, 24 Feb, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★	Implementing sustainable logistics practices to reduce Scope 3 emissions from transportation and distribution
Waste & Effluent	★★	Prioritises waste reduction and sustainable resource, promotes the “Reduce, Reuse, Recycle” principle
Energy	★★★	Upgrading to energy-efficient machinery and LED lighting across operations
Water	★★★	Installing water recycling systems for production processes to enhance reuse and minimise freshwater consumption
Compliance	★★★	Conducting regular environmental impact assessments and engaging third-party auditors to monitor and validate environmental performance

Social

Diversity	★★★	Dedicated to fostering a diverse, equitable, and inclusive workplace by actively promotes gender diversity, especially in leadership roles
Human Rights	★★★	No substantiated complaints related to human rights violations in FY24
Occupational Safety and Health	★★★	Zero cases of fatality
Labour Practices	★★★	Adopts fair labour practices, promoting work-life balance, and offering opportunities for career growth and development

Governance

CSR Strategy	★★★	Contributed >RM32,000 in FY24 to eight different organisations and a temple in FY24
Management	★★★	27.3% female board composition, 4/11 composition of Independent Directors
Stakeholders	★★★	Regularly maintain constructive channels of communication through both formal and informal to key stakeholders group

Overall ESG Scoring: ★★★

Recommendation Framework:

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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.

As of **Monday, 24 Feb, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.