

Team Coverage

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Recommendation:	BUY
Current Price:	RM1.44
Previous Target Price:	RM2.00
Target Price:	↓ RM1.72
Capital Upside/ Downside:	19.4%
Dividend Yield (%):	6.3%
Total Upside/ Downside	25.7%

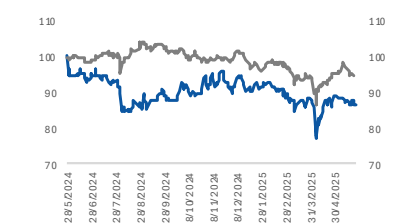
Stock information

Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	7231/ WELL MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	497.5
Market Cap (RM' m)	716.4
52-Week Price Range (RM)	1.789-1.27
Beta (x)	0.7
Free float (%)	69.8
3M Average Volume (m)	0.2
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 (%)	0.7	-4.0	-17.2
Relative (%)	0.6	-0.8	-12.2

Earnings summary

FYE Sep	FY24	FY25F	FY26F
Revenue (RM'm)	209.4	199.0	218.0
PATAMI (RM'm)	46.9	45.4	50.2
CNP (RM'm)	46.9	45.4	50.2
EPS - core (sen)	9.4	9.1	10.1
P/E(x)	15.3	15.8	14.3

Wellcall Holdings Bhd

Dragged By Weaker Demand

Executive Summary

- Wellcall's 2QFY25 core net profit of RM8.2m (-38.0% qoq, -30.3% yoy), bringing 6MFY25 core net profit to RM21.5m (-15.5% yoy) came below expectations, accounting for 39.4% of our and 38.8% of consensus full-year forecasts.
- 2QFY25 CNP fell 30.3% yoy, following a 10.2% revenue contraction, dragged by softening in demand of industrial rubber hose.
- Plant 3 expansion remains on track in Jun 2025 will boost total installed capacity by additional c.20% and is expected to contribute to overall production efficiency.
- Post earnings revision, we re-iterate BUY recommendation with lower target price of RM1.72, based on 17.0x P/E multiple pegged to revised FY26F EPS of 10.1 sen, ascribed with three-star ESG rating.

Results below expectations. 2QFY25 core net profit (CNP) came in at RM8.2m, bringing 6MFY25 CNP to RM21.5m (-15.5% yoy). The results came below expectations, representing only 39.4% of our estimates and 38.8% of consensus forecast respectively. The earnings miss was primarily attributable to lower-than-expected sales along with unfavourable USD/MYR rate and higher depreciation charges.

YoY. 2QFY25 CNP recorded a contraction of -30.3% yoy to RM8.2m, dragged down by weaker demand from the global slowdown in industrial rubber hose industry. Revenue for the quarter slipped -10.2% yoy to RM44.1m – the weakest since 2QFY22.

QoQ. 2QFY25 CNP (-38.0% qoq) stood at RM8.2m, pressured by an extended slowdown in demand from the low and medium pressure industrial rubber hose industry globally. Revenue for the quarter fell -9.5% qoq to RM44.1m.

Dividend. A second interim dividend of 1.8 sen/share, payable on 20 Jun 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. Cut our FY25F/FY26F CNP forecasts by 16.9%/14.4% respectively after revising for a weaker demand for industrial rubber hose market as global manufacturing activities remain sluggish and a slight contraction in margins assumption arising from the weaker USD/MYR exchange rate given that c.90% of sales are derived from export markets.

Valuation. Re-iterate our **BUY** recommendation on WELLCAL with a lower target price of **RM1.72** (from RM2.00), by pegging 17.0x P/E multiple to revised FY26F EPS of 10.1 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. Weaker-than-expected global demand.

Results Note

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Results Comparison

FYE Sep (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue	44.1	49.1	(10.2)	48.7	(9.5)	92.7	101.5	(8.7)	Softening in demand of industrial rubber hose led to both yoy and qoq decline
EBITDA	12.2	16.0	(23.5)	19.1	(36.0)	31.3	35.4	(11.6)	
Pre-tax profit	11.1	15.3	(27.7)	18.1	(38.8)	29.2	34.1	(14.4)	
Net profit	8.2	11.8	(30.3)	13.3	(38.0)	21.5	25.5	(15.5)	Impacted by lower revenue along with unrealised forex loss following the weaker USD/MYR rate
Core net profit	8.2	11.8	(30.3)	13.3	(38.0)	21.5	25.5	(15.5)	
Core EPS (sen)	1.7	2.4	(30.3)	2.7	(38.0)	4.3	5.1	(15.5)	
EBITDA margin (%)	27.7	32.6		39.2		33.8	34.9		
PBT margin (%)	25.1	31.2		37.2		31.5	33.6		
Core net profit margin (%)	18.7	24.1		27.3		23.2	25.1		

Source: Company, Apex Securities

Segmental Breakdown

FYE Sep (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue									
Export	40.3	45.2	(10.9)	44.5	(9.6)	84.8	93.2	(9.0)	
Local	3.8	3.9	(2.8)	4.2	(8.4)	8.0	8.4	(4.6)	
Total	44.1	49.1	(10.2)	48.7	(9.5)	92.7	101.5	(8.7)	
Profit before Tax									
Export	10.1	14.1	(28.2)	16.6	(38.9)	26.7	31.3	(14.8)	
Local	1.0	1.2	(21.2)	1.5	(37.9)	2.5	2.8	(10.6)	
Total	11.1	15.3	(27.7)	18.1	(38.8)	29.2	34.1	(14.4)	
PBT margin (%)									
Export	25.1%	31.2%		37.2%		31.5%	33.6%		
Local	25.2%	31.1%		37.2%		31.5%	33.6%		
Aggregate Total	25.1%	31.2%		37.2%		31.5%	33.6%		

Source: Company, Apex Securities

Results Note

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Financial Highlights

Income Statement

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	176.7	217.2	209.4	199.0	218.0
Gross Profit	56.4	86.1	82.6	74.6	81.7
EBITDA	45.4	78.1	67.7	64.7	70.8
Depreciation & Amortisation	-5.0	-4.9	-5.1	-6.7	-6.6
EBIT	40.4	73.2	62.5	58.0	64.2
Net Finance Income/ (Cost)	0.2	1.2	1.7	1.7	1.8
Associates & JV	-0.6	0.0	0.0	0.0	0.0
Pre-tax Profit	39.9	74.4	64.2	59.7	66.0
Tax	-11.5	-19.1	-17.3	-14.3	-15.8
Profit After Tax	28.4	55.3	46.9	45.4	50.2
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	28.4	55.3	46.9	45.4	50.2
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	28.4	55.3	46.9	45.4	50.2

Key Ratios

FYE Sep	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	5.7	11.1	9.4	9.1	10.1
P/E (x)	25.2	13.0	15.3	15.8	14.3
P/B (x)	5.8	5.1	5.0	4.8	4.7
EV/EBITDA (x)	17.2	10.1	11.6	12.2	11.2
DPS (sen)	7.0	8.2	8.5	8.0	9.0
Dividend Yield (%)	4.9%	5.7%	5.9%	5.6%	6.3%
EBITDA margin (%)	25.7%	36.0%	32.3%	32.5%	32.5%
EBIT margin (%)	22.8%	33.7%	29.9%	29.2%	29.5%
PBT margin (%)	22.6%	34.3%	30.7%	30.0%	30.3%
PAT margin (%)	16.1%	25.5%	22.4%	22.8%	23.0%
NP margin (%)	16.1%	25.5%	22.4%	22.8%	23.0%
CNP margin (%)	16.1%	25.5%	22.4%	22.8%	23.0%
ROE (%)	22.8%	39.5%	32.8%	30.5%	32.6%
ROA (%)	17.8%	31.5%	26.8%	25.2%	27.2%
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)	10.1	
P/E (x)	17.0	Long-term average
Fair Value (RM)	1.72	

Source: Company, Apex Securities

Balance Sheet

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	61.8	74.4	69.2	72.4	74.9
Receivables	15.9	18.0	19.0	21.8	23.9
Inventories	29.1	25.5	25.7	25.7	25.6
Other current assets	1.0	5.5	0.0	0.1	0.1
Total Current Assets	107.7	123.4	114.0	120.0	124.5
Fixed Assets	51.7	51.6	60.6	59.9	59.8
Intangibles	0.0	0.3	0.3	0.3	0.3
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Total Non-Current Assets	51.7	52.0	60.9	60.2	60.2
Short-term debt	0.0	0.0	0.0	0.0	0.0
Payables	27.8	24.5	24.8	23.9	24.3
Other current liabilities	2.4	6.5	3.1	3.1	3.1
Total Current Liabilities	30.2	31.1	27.9	26.9	27.3
Long-term debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	4.6	4.3	3.9	4.7	3.3
Total Non-Current Liabilities	4.6	4.3	3.9	4.7	3.3
Shareholder's equity	124.6	140.0	143.1	148.7	154.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	124.6	140.0	143.1	148.7	154.0

Cash Flow

FYE Sep (RM m)	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	39.9	74.4	64.2	59.7	66.0
Depreciation & amortisation	5.0	4.9	5.1	6.7	6.6
Changes in working capital	-4.0	-6.7	0.5	-1.3	-2.6
Others	-6.4	-17.7	-18.3	-18.3	-18.3
Operating cash flow	34.5	55.0	51.6	46.8	51.7
Net capex	-0.5	-5.3	-10.6	-6.0	-6.5
Others	0.1	2.7	2.2	2.2	2.2
Investing cash flow	-0.4	-2.6	-8.4	-3.8	-4.3
Dividends paid	-35.9	-39.8	-43.8	-39.8	-44.8
Others	0.0	0.0	0.0	0.0	0.0
Financing cash flow	-35.9	-39.8	-43.8	-39.8	-44.8
Net cash flow	-1.7	12.5	-0.6	3.1	2.5
Forex	1.9	0.1	-4.5	0.0	0.0
Others	0.0	-3.9	0.0	3.9	0.0
Beginning cash	61.6	61.8	70.5	65.3	72.4
Ending cash	61.8	70.5	65.3	72.4	74.9

Results Note

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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 + 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.

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

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As of **Thursday, 29 May, 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.