

25 October 2023

Wasco Berhad

Bags RM162m Pre-Fab Job in Africa

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WASCO has been awarded by Schneider Electric a pre-fabricated building job in Africa worth RM161.8m. We are positive on the latest contract that has boosted its YTD job wins to c.RM1b (on track to meet our full-year assumption of RM1.5b) and its outstanding order book to RM4b. We maintain our forecasts, TP of RM0.89 and UNDERPERFORM call.

WASCO has been awarded a contract by Schneider Electric France for the supply of pre-fabricated buildings for a project in Africa valued at RM161.8m. The job is expected to be completed within 17 months

We are positive on the latest contract that has boosted its YTD job wins to RM1b (on track to meet our full-year assumption of RM1.5b) and its outstanding order book to RM4b. Assuming about ~10% net margin for the job (engineering and fabrication jobs typically fall within this range) it implies an average net earnings impact per year of some ~RM11.3m.

We believe the execution risks for the job will be manageable given its past experience in fabrication-related jobs and the complexity of the job is deemed to be lesser compared to the FPSO topside module job awarded back in FY22.

Forecasts. Maintained.

We also keep our TP of RM0.89 pegged to an unchanged 9x FY24F PER, in line with the average valuation of its closest global peer Shawcor. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

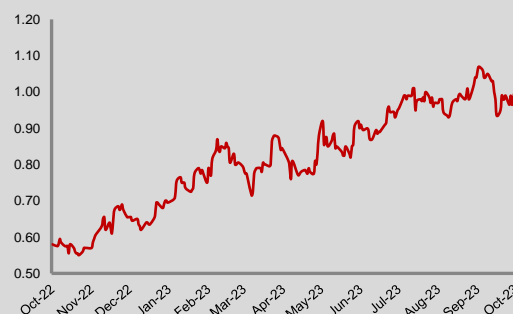
Overall, our call is mainly due to: (i) cost pressures on operations due to ongoing supply chain challenges (ii) earnings growth already largely priced in by the recent strong move in its share price leading its FY24 P/E to 9.9x and (iii) geopolitical factors. Maintain **UNDERPERFORM**.

Risks to our call include: (i) stronger-than-expected project margins, (ii) larger-than-expected order book replenishment, and (iii) sharp uptick in crude oil prices.

UNDERPERFORM ↔

Price : **RM0.995**
Target Price : **RM0.89** ↔

Share Price Performance



KLCI 1,435.65
YTD KLCI chg -4.0%
YTD stock price chg 60.5%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker WSC MK Equity
Market Cap (RM m) 770.3
Shares outstanding 774.3
52-week range (H) 1.05
52-week range (L) 0.55
3-mth avg daily vol: 278,375
Free Float 30%
Beta 1.1

Major Shareholders

Wah Seong (M) Trading 33.0%
Tan Kim Yeow Sdn Bhd 7.0%
Midvest Asia Sdn Bhd 5.4%

Summary Earnings Table

FY Dec (RM m)	2022A	2023F	2024F
Revenue	2610.0	2193.4	2586.4
EBIT	280.1	145.6	198.0
PBT	216.1	100.8	145.7
Net Profit (NP)	115.3	53.7	77.7
Core Net Profit	74.4	53.7	77.7
Consensus (NP)		65.0	75.8
Earnings Revision (%)		-5.7	3.7
Core EPS (sen)	12.0	6.9	10.0
CNP growth (%)	-186.2	-42.0	44.7
DPS (sen)	0.0	0.0	0.0
BV/Share (RM)	0.88	0.95	1.05
Core PER (x)	8.3	14.3	9.9
P/BV (x)	1.1	1.0	0.9
Gearing (x)	1.0	0.8	0.6
Dividend Yield (%)	0.0	0.0	0.0

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BUMI ARMADA BHD	OP	0.555	0.600	8.1%	3,287.1	N	12/2023	11.0	13.6	-15.4%	23.6%	5.0	4.1	0.6	11.8%	0.0	0.0%
DIALOG GROUP BHD	OP	2.17	3.10	42.9%	12,244.4	Y	06/2024	9.9	10.3	11.6%	3.9%	21.9	21.1	1.9	8.9%	3.0	1.4%
MISC BHD	MP	7.19	7.60	5.7%	32,094.3	Y	12/2023	57.5	55.0	8.1%	-4.3%	12.5	13.1	0.8	6.8%	33.0	4.6%
PETRONAS CHEMICALS GROUP BHD	UP	7.15	6.20	-13.3%	57,200.0	Y	12/2023	25.0	43.2	-69.0%	72.9%	28.6	16.6	1.4	5.0%	12.0	1.7%
PETRONAS DAGANGAN BHD	MP	22.42	24.90	11.1%	22,273.2	Y	12/2023	106.0	92.6	41.3%	-12.6%	21.2	24.2	3.9	18.3%	106.0	4.7%
PETRON MALAYSIA REFINING & MARKETING BHD	MP	4.54	4.65	2.4%	1,225.8	Y	12/2023	103.0	97.8	-7.6%	-5.0%	4.4	4.6	0.5	11.9%	21.0	4.6%
UZMA BHD	OP	0.740	1.05	41.9%	286.6	Y	06/2024	10.2	10.5	1.3%	2.5%	7.3	7.1	0.5	7.6%	0.0	0.0%
VELESTO ENERGY BHD	UP	0.260	0.190	-26.9%	2,136.1	Y	12/2023	0.6	1.3	-45.8%	104.6%	41.2	20.2	0.9	2.2%	0.0	0.0%
WASCO BHD	UP	0.995	0.890	-10.6%	770.4	Y	12/2023	6.9	9.9	-31.6%	43.4%	14.4	10.0	1.2	8.8%	0.0	0.0%
YINSON HOLDINGS BHD	OP	2.40	3.79	57.9%	6,976.2	N	01/2024	29.0	29.9	13.7%	3.0%	8.3	8.0	1.4	18.4%	2.0	0.8%
Simple Average					140,659.1					-31.5%	18.2%	17.1	14.5	1.3	9.9%		1.8%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★			
	Corporate Social Responsibility	★	★			
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★			
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Diversification from pure O&G	★	★	★		
	Emission Targets and Climate Goals	★	★	★		
	Occupational Health and Safety	★	★	★	★	
	Pollution control	★	★	★		
	Supply chain auditing	★	★			
	Energy efficiency	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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