

26 February 2026

WASCO

Engineering Beat

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WASCO's FY25 earnings came above expectations due to stronger-than-expected oil & gas division's margin. DPS was also above expectations (42% payout). Overall, core profit declined due to lower activities in both oil & gas and bioenergy division. Orderbook expanded as well in the quarter mostly from engineering jobs (FPSO module business), which partially aligns with our thesis of engineering anchoring orderbook recovery. We raise FY26F earnings by 10% to account for higher engineering margins. SoP-TP is raised to RM1.32 after rolling forward valuation to FY27F. Maintain **OUTPERFORM**.

WASCO's FY25 core profit of RM128m (after excluding EI of RM1.2m net write-off of inventory, RM26.5m reversal gain on receivables and RM7.2m reversal of impairment on JV) came above our (131%), and consensus (126%), expectation, due to stronger-than-expected engineering margins in the oil & gas division (many projects were completed with profit back loaded). DPS of RM0.04/share were declared (full-year of RM0.07), higher than our expectation of RM0.05/share.

YoY, FY25 revenue declined 18% primarily due to decline in oil & gas division revenue due to lower work orders recognised. Core profit declined 31% due to persistent losses from its associate (PENERGY (NOT RATED) and lower bioenergy margins.

QoQ's revenue was flattish. However, its core profit doubled as the oil & gas division margins improved significantly as more lumpy project profits were recognised in 4QFY25 as projects reached the tail-end stage. Bioenergy margins improved sequentially as well due to more favourable product mix.

Outlook. The group's orderbook improved from RM2.6b in 3QFY25 to RM2.8b in 3QFY25, implying a RM790m win in the quarter. We believe that the increase in engineering contract wins (due to increased demand from FPSO jobs and some were secured during the quarter) could potentially ramp up its orderbook further in the coming quarters. Nevertheless, we do not expect the engineering project margins to be repeated in FY26 as it now executes an orderbook with more early-stage projects.

Forecasts. We raise FY26F earnings by 10% to account for higher engineering margins (8% from 6% previously).

Valuations. We raise our TP by 13% to RM1.32 (from RM1.17) and rolled our valuation to FY27F. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

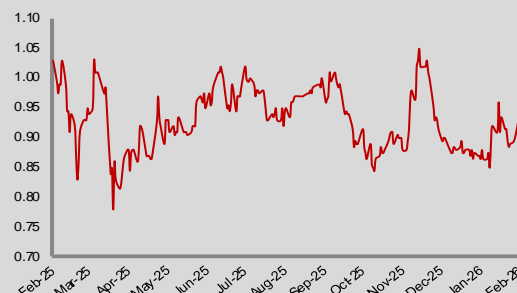
Investment case. We like WASCO for: (i) strong pipe coating market position as one of the global top pipe coating players, (ii) its exposure in bioenergy division which could rerate the group due to favourable bioenergy valuations post IPO, and (iii) its ESG business exposure which includes bioenergy business. Maintain **OUTPERFORM**.

Risks to our call include: (i) delays and cost overruns from poor project execution, (ii) slow orderbook replenishment, and (iii) surge in opex due to an inflationary cost environment.

OUTPERFORM ↔

Price : **RM0.96**
Target Price : **RM1.32** ↑

Share Price Performance



KLCI	1,747.81
YTD KLCI chg	4.0%
YTD stock price chg	8.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	WSC MK Equity
Market Cap (RM m)	743.3
Shares Outstanding	774.3
52-week range (H)	1.09
52-week range (L)	0.78
3-mth avg. daily vol:	1,152,468
Free Float	42%
Beta	0.9

Major Shareholders

Wah Seong Malaya	30.9%
Tan Kim Yeow Sdn Bhd	8.6%
Urusharta Jamaah Sdn	5.7%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Revenue	2605.4	2729.3	2880.1
EBIT	247.6	194.3	205.0
PBT	198.1	140.1	149.1
Net Profit (NP)	160.5	108.0	114.9
Core NP	128.1	108.0	114.9
Consensus CNP	-	101.6	109.6
Earnings Revision (%)	-	+10.3	-
Core EPS (sen)	20.7	13.9	14.8
C. EPS Growth (%)	-13.1	-32.7	6.4
DPS (sen)	7.0	5.6	5.9
BVPS (RM)	1.2	1.3	1.5
Core PER (x)	4.6	6.9	6.5
Price/BV (x)	0.8	0.7	0.7
Net Gearing (x)	0.2	0.3	0.2
Div. Yield (%)	7.3	5.8	6.2

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Results Highlights

FYE Dec (RM m)	4Q	3Q	Q-o-Q	4Q	Y-o-Y			Y-o-Y
	FY25	FY25		FY24		FY25	FY24	
Revenue	592.4	599.9	-1.3%	984.4	-39.8%	2,605.4	3,184.5	-18.2%
EBIT	80.9	43.7	85.2%	117.1	-30.9%	215.1	275.6	-21.9%
Finance Costs	(8.6)	(8.9)	-4.0%	(11.8)	-27.4%	(37.6)	(51.2)	-26.6%
Associates & JVs	(0.5)	(0.2)	115.7%	1.9	-126.3%	(11.9)	28.0	-142.5%
EI	-	7.8	-100.0%	(55.6)	-100.0%	32.4	(31.6)	-202.5%
Profit before tax	71.9	42.3	69.7%	51.6	39.4%	198.1	220.7	-10.3%
Tax expense	(14.5)	(8.2)	77.7%	(11.4)	27.2%	(39.7)	(54.6)	-27.2%
Non-controlling interest	(0.8)	0.5	-266.5%	(4.9)	-83.1%	2.2	(13.0)	-117.1%
Net profit	56.5	34.7	63.1%	35.3	60.2%	160.5	153.2	4.8%
Core net profit	56.5	26.8	110.5%	90.9	-37.8%	128.1	184.8	-30.7%
Core EPS	7.3	3.5	110.5%	11.7	-37.8%	16.5	23.9	-30.7%
EBITDA margin	13.7%	7.3%		11.9%		8.3%	8.7%	
PBT margin	12.1%	7.1%		5.2%		7.6%	6.9%	
Net margin	9.5%	5.8%		3.6%		6.2%	4.8%	
Core net margin	9.5%	4.5%		9.2%		4.9%	5.8%	
Effective tax rate	-20.2%	-19.3%		22.2%		20.1%	24.7%	

Source: Kenanga Research

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Segmental breakdown

	4Q	3Q	Q-o-Q	4Q	Y-o-Y			Y-o-Y
	FY25	FY25		FY24		FY25	FY24	
Revenue								
Oil & Gas	524.9	527.3	-0.5%	857.1	-38.8%	2,339.3	2,637.9	-11.3%
Bioenergy	68.0	72.3	-6.0%	75.2	-9.6%	266.5	276.7	-3.7%
Others	10.0	6.3	59.6%	14.8	-32.3%	28.9	29.3	-1.4%
Total	592.4	599.9	-1.3%	947.1	-37.5%	2,605.4	3,184.5	-18.2%
EBIT								
Oil & Gas	69.5	38.0	82.9%	81.5	-14.8%	195.7	183.8	6.5%
Bioenergy	13.1	9.7	34.9%	9.7	35.6%	36.9	69.4	-46.9%
Others	(5.8)	(19.8)	-70.6%	(29.7)	-80.4%	(13.0)	(15.2)	-14.1%
Total	76.8	27.9	175.4%	61.5	25.0%	219.5	238.0	-7.8%
Oil & Gas	13.2%	7.2%		9.5%		8.4%	7.0%	
Bioenergy	19.3%	13.5%		12.9%		13.8%	25.1%	
Others	-58.3%	-316.8%		-201.4%		-45.1%	-51.8%	
Total	13.0%	4.6%		6.5%		8.4%	7.5%	

Source: Kenanga Research

Sum-of-Parts Valuation

	<u>RM m</u>	<u>Valuation Metric</u>
Pipe coating & fabrication	900.70	9x FY27F PER
Bioenergy services (boilers & steam turbines)	123.34	13x FY27F PER (88.9% stake assumed for pre-IPO exercise)
Total	1,024.04	
Number of shares (mil)	774.89	
SoP-value per share (RM)	1.32	

Source: Company, Kenanga Research

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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	0.315	0.450	42.9%	1,867.3	Y	12/2025	6.1	5.4	-45.7%	-10.9%	5.2	5.8	0.4	7.6%	0.0	0.0%
DAYANG ENTERPRISE HLDGS BHD	MP	1.87	1.60	-14.4%	2,165.0	Y	12/2026	16.1	18.8	7.8%	17.0%	11.6	9.9	1.1	9.8%	11.0	5.9%
DIALOG GROUP BHD	OP	1.82	2.28	25.3%	10,269.7	Y	06/2026	10.4	11.4	31.4%	9.7%	17.5	15.9	1.7	9.9%	5.0	2.7%
LIANSON FLEET GROUP BHG	OP	1.99	2.40	20.6%	2,320.4	Y	12/2025	8.7	10.3	0.0%	18.7%	23.0	19.4	2.2	11.9%	0.0	0.0%
KEYFIELD INTERNATIONAL	MP	1.51	1.60	6.0%	1,218.8	Y	12/2026	14.0	17.5	-49.6%	24.3%	10.8	8.6	1.6	15.6%	6.0	4.0%
MISC BHD	OP	8.10	8.60	6.2%	36,156.3	Y	12/2026	47.3	49.5	-0.4%	4.6%	17.1	16.4	1.0	6.2%	36.0	4.4%
PETRONAS CHEMICALS GROUP	OP	3.18	4.10	28.9%	25,440.0	Y	12/2026	4.0	4.1	-48.7%	0.6%	78.7	78.2	0.7	0.9%	2.0	0.6%
PETRONAS DAGANGAN BHD	MP	21.96	21.20	-3.5%	21,816.2	Y	12/2026	116.9	116.5	5.7%	-0.4%	18.8	18.9	3.5	19.1%	94.0	4.3%
VELESTO ENERGY BHD	MP	0.315	0.320	1.6%	2,587.9	Y	12/2026	2.0	2.1	-21.5%	7.3%	15.9	14.8	0.9	6.1%	3.0	9.5%
WASCO BHD	OP	0.960	1.32	37.5%	743.3	Y	12/2026	1.5	1.7	-41.5%	9.4%	62.9	57.5	6.0	10.1%	5.0	5.2%
YINSON HOLDINGS BHD	OP	2.37	2.84	19.8%	6,926.0	N	01/2026	16.6	20.4	20.3%	22.3%	14.2	11.6	1.4	10.1%	6.0	2.5%
SECTOR AGGREGATE					111,749.2							19.1	18.1	1.7	9.8%		3.3%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★			
	Community Investment	★	★			
	Workers Safety & Wellbeing	★	★	★	★	
	Corporate Governance	★	★	★	★	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Transition to Low-Carbon Future	★	★			
	Conservation & Biodiversity	★	★	★		
	Effluent/Waste Management	★	★			
	Water Management	★	★	★		
	Supply Chain Management	★	★	★		
	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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