

20 May 2026

WASCO

Middle East Conflicts Hit Earnings

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WASCO's 1QFY26 results were below expectations due to the disruptions in Middle East and some project deferment. FY26 appears to be turning out as a tough year for the group as it expects to still grapple with Middle East-related supply chain hiccups until the US-Iran situation de-escalates. We cut FY26F/FY27F earnings to account for slower job wins and recognition. SoP-TP is trimmed to RM1.32 from RM1.45 as a result. Maintain OUTPERFORM.

WASCO's 1QFY26 core profit of RM11.1m came in below our (10%), and consensus (9%), expectation, due to disruptions in supply chain in the Middle East as well as deferment of certain projects.

YoY, 1QFY26 revenue declined 37% primarily due to deferment in jobs (both pipe coating and engineering) and supply chain disruptions for the oil & gas division. Bioenergy revenue also declined YoY due to lower number of steam turbines delivered. Core profit declined 61% as EBIT margin declined YoY possibly due to higher costs.

QoQ, revenue declined 24% as well due to similar reasons as well. Core profit declined significantly by 80% as EBIT margins across both oil & gas and bio energy divisions declined significantly.

Outlook. The group's order book declined from RM2.8b in 4QFY25 to RM2.6b, implying new secured orders of RM200m, slow by the group's historical standards. We believe that the Middle East disruption (15% of total order book) will also be felt in coming 2QFY26 results as the Straits of Hormuz remains closed and gradually improve if our base assumption of a gradual reopening start in 2HFY26 comes to pass. Nevertheless, FY26 would be a challenging year for the group. In FY27 onwards, however, things appear to be rosier and both engineering and pipe coating businesses might benefit from a potential capex ramp-up in upstream globally amid rising awareness on energy security. Hence, we maintain our bullish view on the group in the longer run.

Forecasts. We cut FY26F/FY27F earnings after we adjust our order book assumption from RM2.9b to RM2.6b for both forecast years in view of potential slowdown in job awards due to supply disruptions.

Valuations. As a result, our TP is cut by 9% to RM1.32 (from RM1.45) as we rolled our valuation base to FY27F. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

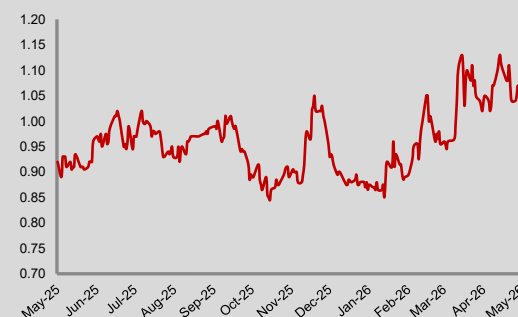
Investment case. We like WASCO for: (i) its strong pipe coating market position as one of the global top pipe coating players, (ii) its exposure in bioenergy division which could rerate the group due to favourable bioenergy valuations post IPO, and (iii) its ESG business exposure which includes bioenergy 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 : **RM1.10**
Target Price : **RM1.32** ↓

Share Price Performance



KLCI	1,727.27
YTD KLCI chg	2.8%
YTD stock price chg	25.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	WSC MK Equity
Market Cap (RM m)	851.7
Shares Outstanding	774.3
52-week range (H)	1.17
52-week range (L)	0.82
3-mth avg. daily vol:	2,716,139
Free Float	42%
Beta	0.7

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	2285.6	2525.8
EBIT	247.6	151.3	179.8
PBT	198.1	104.0	128.0
Net Profit (NP)	160.5	80.1	98.6
Core NP	128.1	80.1	98.6
Consensus CNP	-	121.0	135.0
Earnings Revision (%)	-	-18.1	-14.2
Core EPS (sen)	20.7	10.3	12.7
C. EPS Growth (%)	-13.1	-50.1	23.0
DPS (sen)	7.0	6.2	7.6
BVPS (RM)	1.2	1.3	1.4
Core PER (x)	5.3	10.6	8.6
Price/BV (x)	0.9	0.9	0.8
Net Gearing (x)	0.2	0.3	0.2
Div. Yield (%)	6.4	5.6	6.9

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Segmental breakdown

	1Q FY26	4Q FY25	Q-o-Q	1Q FY25	Y-o-Y
Revenue					
Oil & Gas	396.9	524.9	-24.4%	657.4	-39.6%
Bioenergy	54.4	68.0	-20.0%	61.4	-11.5%
Others	7.1	10.0	-29.0%	6.9	3.6%
Total	451.2	592.4	-23.8%	719.3	-37.3%
EBIT					
Oil & Gas	22.8	69.5	-67.2%	51.8	-56.0%
Bioenergy	5.0	13.1	-61.9%	6.9	-27.2%
Others	(10.4)	(5.8)	78.7%	(6.3)	64.7%
Total	17.4	76.8	-77.4%	52.4	-66.8%
Oil & Gas	5.7%	13.2%		7.9%	
Bioenergy	9.2%	19.3%		11.2%	
Others	-146.5%	-58.3%		-92.2%	
Total	3.9%	13.0%		7.3%	

Source: Kenanga Research

Sum-of-Parts Valuation

	RM m	Valuation Metric
Pipe coating & fabrication	877.16	10x FY27F PER
Bioenergy services (boilers & steam turbines)	143.45	13x FY27F PER (88.9% stake assumed for pre-IPO exercise)
Total	1,020.61	
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.				
Stocks Under Coverage																	
BUMI ARMADA BHD	OP	0.370	0.410	10.8%	2,193.4	Y	12/2026	4.7	4.5	-14.8%	-3.7%	7.9	8.2	0.5	6.1%	95.0	256.8%
DAYANG ENTERPRISE HLDGS BHD	OP	1.91	2.45	28.3%	2,211.3	Y	12/2026	16.1	18.8	7.8%	17.0%	11.9	10.2	1.1	9.8%	11.0	5.8%
DIALOG GROUP BHD	OP	2.16	2.63	21.8%	12,188.2	Y	06/2026	10.4	11.8	31.4%	12.8%	20.7	18.4	2.0	9.9%	5.0	2.3%
LIANSON FLEET GROUP BHG	OP	1.76	2.40	36.4%	2,052.5	Y	12/2026	20.6	27.3	142.4%	32.3%	8.5	6.4	1.1	13.2%	400.0	227.3%
KEYFIELD INTERNATIONAL	OP	1.61	2.00	24.2%	1,300.3	Y	12/2026	10.2	18.0	-25.6%	76.1%	15.8	9.0	1.6	10.5%	6.0	3.7%
MISC BHD	OP	8.20	8.60	4.9%	36,602.7	Y	12/2026	47.3	49.5	-0.4%	4.6%	17.3	16.6	1.1	6.2%	36.0	4.4%
PETRONAS CHEMICALS GROUP	OP	5.64	4.90	-13.1%	45,120.0	Y	12/2026	4.0	4.1	-48.7%	0.6%	139.5	138.7	1.2	0.9%	2.0	0.4%
PETRONAS DAGANGAN BHD	MP	19.20	21.20	10.4%	19,074.3	Y	12/2026	116.9	116.5	5.7%	-0.4%	16.4	16.5	3.1	19.1%	94.0	4.9%
UZMA BHD	OP	0.445	0.700	57.3%	268.6	Y	06/2026	14.8	15.9	6.9%	7.5%	3.0	2.8	0.2	8.5%	0.0	0.0%
VELESTO ENERGY BHD	MP	0.330	0.320	-3.0%	2,726.4	Y	12/2026	1.7	2.1	3.7%	18.1%	18.8	15.8	1.1	7.5%	2.0	6.1%
WASCO BHD	OP	1.10	1.32	20.0%	851.7	Y	12/2026	10.3	12.7	-15.7%	6.4%	10.6	8.6	6.4	11.3%	6.0	5.5%
YINSON HOLDINGS BHD	OP	1.97	2.84	44.2%	5,757.1	N	01/2027	16.6	20.4	20.3%	22.3%	11.8	9.7	1.2	10.1%	6.0	3.0%
SECTOR AGGREGATE					130,346.5					26.4%	7.8%	22.4	20.8	1.7	9.4%		43.3%

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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