WCT Holdings

1QFY26 Result Below

OUTPERFORM ↔

Price: **RM0.44**

Target Price: **RM0.95** ↓

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WCT delivered yet another disappointing set of results, with 1QFY26 core profit of RM3.6m making up only 6% of our FY26 forecast. This was dragged by persistent construction losses on slower project progress and legacy contracts. Consequently, we trim our FY26 and FY27 earnings forecasts by 14% and 6%, respectively, and lower our TP to RM0.95 (from RM1.13). Maintain OUTPERFORM for its recovery potential on earnings and infrastructure jobs.

1QFY26 results below. WCT's 1QFY26 core profit of RM3.6m came in below expectations, accounting for only 6% and 5% of our and consensus FY26 estimates, respectively. This was primarily dragged by the construction division, which remained in the red due to slower progress on projects nearing completion, including several legacy contracts. As expected, no dividend was declared for the quarter.

Sequential earnings dragged by higher Sukuk interest. QoQ, 1QFY26 core profit plummeted to RM3.6m from RM15.8m in 4QFY25, while revenue fell marginally by 4%. The sharp sequential earnings decline was largely exacerbated by higher Sukuk interest of RM14.6m in 1QFY26 compared to RM1.6m in 4QFY25. Meanwhile, the construction segment continued to post operating losses, albeit at a narrower quantum of RM5.4m vs. RM8.3m in 4QFY25. The lower revenue was mainly driven by weaker property development contribution, which slid 27% QoQ. 1QFY26 property sales reduced to RM69m from RM97m in 4QFY25.

YoY results hit by construction losses. YoY, 1QFY26 core profit plunged 70% from RM12.0m in 1QFY25 on the back of a 6% decline in revenue. The weaker performance was due to the construction division slipping into an operating loss of RM5.4m against an operating profit of RM7.1m in 1QFY25. On the other hand, the contraction in topline was primarily due to lower property investment revenue (-35% YoY) following the listing of **PARADIGM (Not Rated)**, which is now equity-accounted at the associate level. Consequently, share of associate results surged to RM14.5m from just RM0.6m in 1QFY25.

Outlook. We believe WCT is poised for a brighter earnings outlook, on the impending roll-out of various public infrastructure projects such as: (i) Penang International Airport expansion project (terminal building), (ii) Pan Borneo Sabah Highway Phase 2, (iii) Subang Airport Regeneration plan, (iv) Penang Mutiara LRT – System package, and (v) various government hospitals. Furthermore, the de-gearing exercise should strengthen its balance sheet, enabling growth in its property development segment through value-enhancing projects.

As at Mar 2026, its outstanding order book stood at RM1.91b from RM2.14b three months ago, while its tender book stands at >RM14b currently, comprising mainly civil and infrastructure works both locally and abroad. In property development, it achieved RM69m sales in 1QFY26 with unbilled sales of RM1.02b. WCT currently has four ongoing property development projects. These unbilled sales should help sustain near-term property development earnings.

Forecasts. We lower our FY26 job win assumption to RM1.2b (from RM1.5b) following a slow YTD order book replenishment of only RM153m. However, we maintain our RM1.5b job win assumption for FY27. Consequently, we trim our FY26 and FY27 earnings forecasts by 14% and 6%, respectively. We continue to project no dividend payout for both years.

Valuations. Accordingly, we lower our SoP-derived target price (TP) to RM0.95 (from RM1.13; see Page 3), following the rollover of our

Share Price Performance

KLCI	1,699.02
YTD KLCI chg	1.1%
YTD stock price chg	-24.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	WCTHG MK
Market Cap (RM m)	685.9
Shares Outstanding	1,558.9
52-week range (H)	0.89
52-week range (L)	0.36
3-mth avg. daily vol.	12,572,140
Free Float	73%
Beta	1.9

Major Shareholders

Dominion Nexus Sdn Bhd	16.5%
Amanah Saham Nasional	9.4%
Vanguard Group Inc	3.9%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	1973.0	2491.4	2550.7
EBIT	266.1	286.5	300.4
PBT	117.1	156.5	170.4
PAT	77.4	102.8	111.8
Net Profit	47.8	55.2	64.2
Core Profit	53.7	55.2	64.2
Consensus (NP)	-	66.7	77.3
Earnings Revision (%)	-	-13.7	-6.4
EPS (sen)	3.8	3.9	4.5
EPS Growth (%)	>100.0	2.9	16.3
NDPS (sen)	-	-	-
NTA per Share (RM)	2.37	2.41	2.46
PER (x)	13.1	11.3	9.7
Price to NTA (x)	0.19	0.18	0.18
Net Gearing (x)	1.05	0.92	0.81
ROA (%)	0.6	0.8	0.9
ROE (%)	1.6	1.6	1.8
Net Div. Yield (%)	-	-	1

valuation base-year to FY27. This reflects: (i) maintained 8x PER for construction business on FY27F earnings (rolled over from FY26F), and (ii) a 70% discount (from 75% discount) to updated property RNAV which remains at the steeper end of our coverage spectrum to reflect the low realisability of WCT's GDV. No ESG adjustment has been made to our TP, consistent with our 3-star rating as appraised by us (see Page 5).

Investment case. We continue to like WCT for the improved prospects of the local construction sector on the back of anticipated public infrastructure project rollouts, alongside a recovery in construction margins as low-margin legacy contracts are at the tail-end of completion. Furthermore, we see a potential valuation re-rating driven by a lower risk premium as WCT repairs its balance sheet. This deleveraging narrative is strongly supported by the successful listing of PARADIGM in Jun 2025, as well as ongoing potential land disposals. We maintain our OUTPERFORM rating.

Risks to our call include: (i) weak flow of construction jobs from public and private sectors, (ii) prolonged slowdown in the local property market, (iii) project cost overrun and liabilities arising from liquidated ascertained damages (LAD), and (iv) rising building material cost.

Income Statement

FYE Dec (RM m)	1Q FY26	4Q FY25	QoQ Chg	1Q FY25	YoY Chg	3M FY26	3M FY25	YoY Chg
Revenue	445.3	465.5	-4%	472.1	-6%	445.3	472.1	-6%
Operating profit	31.2	26.7	17%	73.5	-58%	31.2	73.5	-58%
Finance cost	-30.1	-30.6	-2%	-45.8	-34%	-30.1	-45.8	-34%
Associates	14.5	25.0	-42%	0.6	2348%	14.5	0.6	2348%
JV	12.9	5.8	122%	5.1	152%	12.9	5.1	152%
EI	0.0	-5.8	N/A	-0.1	N/A	0.0	-0.1	N/A
PBT	28.5	26.8	6%	33.4	-15%	28.5	33.4	-15%
Tax	-10.5	-16.4	-36%	-7.8	34%	-10.5	-7.8	34%
PAT	18.0	10.4	73%	25.6	-29%	18.0	25.6	-29%
Minority interests	-0.8	-1.1	-33%	-0.7	7%	-0.8	-0.7	7%
Perpetual sukuk	14.2	1.6	800%	14.3	-1%	14.2	14.3	-1%
Net Profit	4.6	10.0	-54%	12.0	-62%	4.6	12.0	-62%
Core Profit	4.6	15.8	-71%	12.0	-62%	4.6	12.0	-62%
DPS (sen)	0.0	0.0	N/A	0.0	N/A	0.0	0.0	N/A
EPS (sen)	0.3	1.1	-71%	0.8	-62%	0.3	0.8	-62%
EBIT margin	7.0%	5.7%		15.6%		7.0%	15.6%	
PBT margin	6.4%	5.8%		7.1%		6.4%	7.1%	
Net margin	1.0%	2.1%		2.5%		1.0%	2.5%	
Core margin	1.0%	3.4%		2.5%		1.0%	2.5%	
Effective tax	36.7%	61.2%		23.3%		36.7%	23.3%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE Dec (RM m)	1Q FY26	4Q FY25	QoQ Chg	1Q FY25	YoY Chg	3M FY26	3M FY25	YoY Chg
Revenue								
Engineering and Construction	246.3	203.9	21%	224.9	10%	246.3	224.9	10%
Property Development	152.2	209.8	-27%	175.3	-13%	152.2	175.3	-13%
Property Investment	46.9	51.7	-9%	71.9	-35%	46.9	71.9	-35%
Total	**445.3**	**465.5**	-4%	**472.1**	-6%	**445.3**	**472.1**	-6%
Operating Profit								
Engineering and Construction	-5.4	-8.3	-34%	7.1	N/M	-5.4	7.1	N/M
Property Development	27.6	32.8	-16%	29.4	-6%	27.6	29.4	-6%
Property Investment	9.1	2.2	315%	36.9	-75%	9.1	36.9	-75%
Total	**31.2**	**26.7**	17%	**73.5**	-58%	**31.2**	**73.5**	-58%
Operating margins								
Engineering and Construction	-2.2%	-4.1%		3.2%		-2.2%	3.2%	
Property Development	18.1%	15.6%		16.8%		18.1%	16.8%	
Property Investment	19.3%	4.2%		51.3%		19.3%	51.3%	
Total	**7.0%**	**5.7%**		**15.6%**		**7.0%**	**15.6%**	

Source: Company, Kenanga Research

WCT's Sum-of-Parts Valuation

Segment	Value (RM m)	Valuation Basis
Construction	126.0	8x FY27F PER
Property Development	1,083.5	70% discount to RNAV
Property Investment	173.5	FCFF @ 7% discount rate
PARADIGM	844.4	60.7% equity stake @ market price and a 10% holding company discount
Net Debt	-750.0	Estimated FY27F
	1,477.5	
Issued Shares	1,558.9	
Target Price (RM)	**RM0.95**	

RNAV of WCT's Property Development Projects

Project	Remaining Landbank (acres)	Outstanding GDV (RM m)	NPV of Profit (RM m)
Land Banks			
W City OUG @ KL	33	2,704	78
W City JGCC @ JB	24	2,438	125
Sungai Buloh	2	539	30
Bukit Tinggi 1,2,3 (Klang)	58	841	24
Medini Iskandar, Johor	39	300	14
Inaman Kota Kinabalu	29	0	0
	185	**6,822**	**272**
Unbilled Sales (as of Dec 2025)			**1,017**
Prop development NAV (FY25A)			**2,323.0**
Total RNAV (RM m)			**3,611.7**
Discount to RNAV			70%
Property development Discounted RNAV			**1,084**

Source: Company, Kenanga Research

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																	
GAMUDA	OP	4.25	5.30	24.7%	25,332.0	Y	07/2026	17.8	23.4	5.3%	31.3%	23.8	18.2	2.0	8.5%	10.0	2.4%
IJM	OP	2.15	3.40	58.1%	7,536.1	Y	03/2026	14.4	15.9	11.8%	10.1%	14.9	13.5	0.7	5.1%	8.0	3.7%
KERJAYA	OP	2.22	2.85	28.4%	2,788.4	Y	12/2026	16.7	18.9	29.8%	13.2%	13.3	11.7	2.3	17.8%	12.0	5.4%
KIMLUN	OP	1.03	1.50	45.6%	400.4	Y	12/2026	21.8	20.3	70.1%	-6.8%	4.7	5.1	0.5	10.3%	2.0	1.9%
SUNCON	OP	7.50	7.76	3.5%	9,969.9	Y	12/2026	32.0	33.6	0.3%	5.1%	23.5	22.3	9.1	38.9%	47.2	6.3%
WCT	OP	0.440	0.950	115.9%	685.9	Y	12/2026	3.5	4.1	2.9%	16.3%	12.4	10.7	0.2	1.6%	0.0	0.0%
Sector Aggregate					**46,712.8**					**9.0%**	**18.5%**	**19.8**	**16.7**	**1.6**	**7.9%**		**3.3%**

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	Migrant Worker Welfare	★	★	★		
	Waste Disposal/Pollution Control	★	★	★		
	Work Site Safety	★	★	★		
	Environmentally Friendly Construction Technology	★	★	★		
	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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