Wawasan Dengkil Holdings Bhd (DENGKIL)

Building Growth from the Ground Up

- **The Company specializes in earthworks and civil engineering solutions, primarily operating in Malaysia. It focuses on construction project management while strategically outsourcing most labour to subcontractors, serving property developers, government bodies, and the renewable energy sector.**
- **We project a 3-year earnings CAGR of 12.9%, with core PAT reaching RM12.0-15.7m. Growth is driven by the Company's plans to (i) expand in civil engineering and special trade work, (ii) strengthen construction capabilities, and (iii) leverage government initiatives like NETR, the Penang LRT project, and JSSEZ action plans.**
- **We assign a fair value of RM0.37 per share for DENGKIL, representing a 48.0% upside from the IPO price of RM0.25. This valuation is based on a P/E ratio of 14x, pegged to the FY26f EPS of 2.67 sen. While this P/E is lower than the forward and historical P/E range of 16.0x to 21.3x for its closest peers, the discount reflects DENGKIL's smaller market capitalization.**

Investment Highlights

Thriving earthworks and civil engineering solutions provider. The Company began its journey in 1997 as a proprietorship business under the name T-Force Enterprise, initially engaged in trading construction materials such as sand, earth, and stones before expanding into earthworks services. Additionally, the Company provides machinery and commercial vehicles for hire, offering equipment such as back pushers, bulldozers, compactors, excavators, and tipper trucks; serving niche markets in Malaysia, including property developers, property owners, GLCs, renewable energy developers, and contractors, commanding a 0.3% share of the local construction industry and 0.4% of the civil engineering works.

Optimized OpEx, ensuring stable margins. As of LPD, the Company owns 54 tipper trucks, 105 dump trucks, 67 excavators, 9 back pushers, 13 bulldozers, 20 compactors, 6 motor graders, 6 backhoes, 6 wheels loaders, and 1 mobile crane. While this enhances the Company's flexibility in executing infrastructure works and reduces reliance on third-party machinery and vehicle rentals, it also ensures a steady cash flow by leasing out unutilised machinery over the long term. By this, DENGKIL can also offer better economies of scale for subcontractors to tender for its projects, requiring them to provide only labour while the Company benefits from higher margins by supplying machinery to subcontractors or renting out unutilized assets.

Stable relationship with key clientele. DENGKIL's strong order book is backed by stable partnerships with three core clients: Gamuda Engineering Sdn Bhd, and Landasan Angsana Sdn Bhd (LASB). Over the past five years, these clients have awarded contracts totalling RM331.9m, covering both completed and ongoing projects. In FY21, Gamuda contributed over 17.1% of DENGKIL's top-line and maintains a diverse project pipeline across Malaysia in civil engineering and building construction. As a panel contractor for Gamuda, DENGKIL is well-positioned to leverage its growth trajectory, ensuring sustained order book visibility while reinforcing long-term business stability and expansion opportunities.

Future phases of existing projects likely in the bag. While the MRT3 project is delayed and expected to commence construction by 2027, we believe the Group can leverage its track record from the Central Spine Road Project and LRT Line 3 to secure more projects, such as the Penang LRT infrastructure and the JSSEZ action plan. We believe DENGKIL could tap into large-scale projects, including LRT, MRT, ART, or BRT systems

IPO Note – Not rated

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Non-Rated

Share price	**RM0.25**
Target price	**RM0.37**
Previous TP	-
Capital upside	48.0%
Dividend return	-
Total return	48.0%

Company profile

The Company is involved in earthworks and civil engineering solutions in Malaysia, focusing on project management while outsourcing labour to subcontractors. Additionally, it trades construction materials and rents out unused machinery.

Stock information

Bursa Code	0347
Bloomberg ticker	DENGKIL MK
Listing market	ACE
Share issued (m)	540.1
Market Cap (m)	135.0
Shariah compliant	YES
MITI	YES

Major shareholders	**%**
T-Force	56.0
Lim Soon Yik	14.0

Earnings snapshot

FYE (Jun)	FY24	FY25f	FY26f
PATMI (m)	10.9	12.4	14.4
EPS (sen)	2.02	2.29	2.67
P/E (x)	12.4	10.9	9.4

Timetable of IPO

Opening of application	28 February
Closing of application	11 March
Balloting of application	13 March
Allotment of the IPO shares	21 March
Listing on the ACE market	25 March

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over the next 3–5 years; while also capitalize on its partnership as a panel contractor with Gamuda to strengthen its position in securing these opportunities.

Supportive government initiatives to sustain industry growth. Collectively, the 3rd Madani Budget, which prioritizes infrastructure, housing, and economic development, allocated approximately RM2.8bn for federal road maintenance, RM5.5bn for state roads and RM178m for streetlights and traffic systems. Additionally, we see the National Energy Transition Roadmap (NETR) as another opportunity for the Company to venture into, as building power plants requires specialized earthwork treatment which the Company able to capitalize on their track record and working capital.

Fig #1 Dengkil's ongoing projects

No	Project	Expected completion date	Contract sum (RM mil)	Remaining revenue to be recognised as at 28 Jan 2025 (RM mil)
1	Tanjong 12 Lot 68054 Project	Mar 2025	4.6	0.5
2	Central Spine Road Project	Aug 2026	146.2	125.6
3	KLCC Project	Mar 2025	5.9	4.0
4	Sungai Long Project	Apr 2030	168.0	123.1
5	LRT Line 3 Project	Mar 2025	123.0	19.5
6	UMW Package 14 Project	Feb 2025	17.4	16.4
7	Setia Alaman Project	Nov 2025	34.5	23.8
8	Nexus Cheras Project	Jul 2025	5.6	5.5
9	Setia Eco Park Project	Apr 2025	21.7	17.1
10	Semenyih PT37330 Project	Oct 2026	0.5	0.4
11	Cybersouth Project	Mar 2025	1.7	0.9
12	Cybersouth Avaland Project	Apr 2025	2.1	2.1
13	UMW Package 15 Project	Oct 2025	32.2	31.1
14	Avalton Melaka Project	Aug 2025	8.1	8.1
Total unbilled contract value (order book)			**~RM 571.5 million**	**~RM 378.1 mil**

Source: Wawasan Dengkil Holdings Berhad

Fig #2 DENGKIL's major projects



Source: Wawasan Dengkil Holdings Berhad

Strong order book providing earnings visibility. As of LPD, DENGKIL's outstanding construction order book stands at RM378.1m, representing an impressive 2x orderbook-to-coverage ratio of its FY24 revenue. The order book is primarily driven by Warisan Infra Sdn Bhd (WISB) and LASB, which together account for RM214.6m or 56.7% of the Company's unbilled order book. Looking ahead, we believe DENGKIL can sustain its growth, with an achievable tender success rate of around 10%, supported by a robust project pipeline from its clients.

Company Background

The Company is principally involved in providing earthworks and civil engineering solutions. It primarily operates in Malaysia, focusing on project management for construction projects while strategically outsourcing the majority of its labour to subcontractors, serving clients in property development, government bodies, and renewable energy sectors.

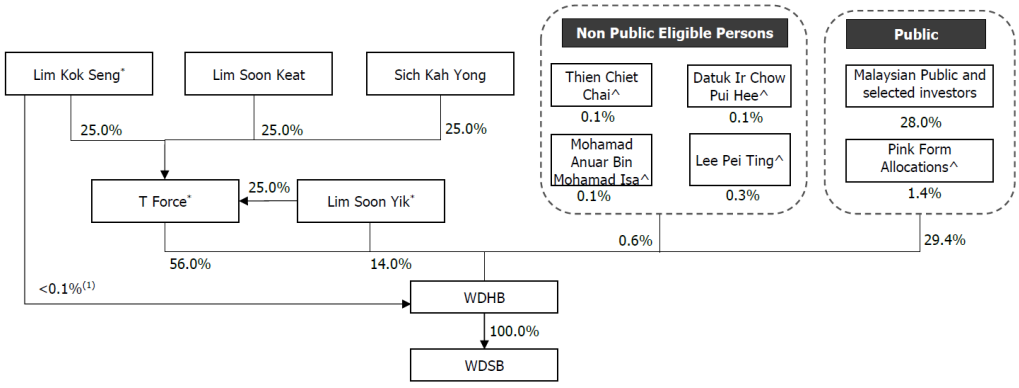
It is also involved in (i) trading construction materials such as sand, aggregate stone, crusher run, quarry dust, red earth, and topsoil, sourced from local suppliers, and (ii) hiring its machineries. While the Group generally prioritizes its machineries for its own projects, it will hire out unused machineries, with customers being liable for any damage during the hire period.

Fig #3 DENGKIL's business summary

Business segment	Provision of construction services	Trading of construction materials	Provision of machineries and commercial vehicles for hire
Activities	✓Provision of earthworks ✓Provision of civil engineering services	✓Buying and selling of construction materials such as: • Sand i.e. coarse sand and fine sand; • Stone i.e. aggregate stone, crusher run and quarry dust; and • earth i.e. red earth and topsoil	✓Providing machineries for hire such as: • back pusher; • bulldozer; • compactor; • excavator; and • others ✓Providing commercial vehicles for hire such as: • tipper truck
Principal market in FYE 2023 and FPE 2024	Malaysia		
Target customers	➢ Property developers ➢ Property owners ➢ Government linked companies or bodies ➢ Renewable energy developers ➢ Contractors	➢ Contractors ➢ Concrete batching plant owners	➢ Suppliers of construction materials ➢ Contractors
Revenue breakdown in FYE 2023	• RM92.97 million • 75.3% of total	• RM21.44 million • 17.3% of total	• RM9.09 million • 7.4% of total
Revenue breakdown in FPE 2024	• RM81.92 million • 86.5% of total	• RM9.79 million • 10.3% of total	• RM3.05 million • 3.2% of total

Source: Wawasan Dengkil Holdings Berhad

Fig #4 DENGKIL's structure post listing



Source: Wawasan Dengkil Holdings Berhad

Fig #5 Corporate Milestones

Year	Milestones
2005 - 2007	WDSB was registered as a G5 contractor with CIDB under categories B04 (Building general works) and CE21 (General civil engineering works). WDSB expanded into civil engineering services, focusing on roadworks and drainage works through its earthwork activities.
2008 - 2014	WDSB focused on expanding its trading of construction materials and machinery/commercial vehicle hire businesses. WDSB was registered as a G7 contractor with CIDB under categories B04 (Building general works) and CE21 (General civil engineering works).
2015 - 2020	Secured its first major earthworks project, the UMW Bandar Serendah Project, with a contract value of RM29.4m from UMW Corp Sdn Bhd. On 30 December 2020, WDSB acquired 30% equity interest in LASB for RM1.5m, allowing the Company to undertake secure more projects.
2021 - 2022	Awarded the ISO 9001:2015 and ISO 37001:2016 certification for the provision of earthworks, civil engineering services, and trading of construction materials. WDSB secured major projects: a RM146.2m contract for the Central Spine Road Project and a RM168.0m contract for the Sungai Long Project, its largest project to date.
2023 - 2024	Disposed of its entire 30% shareholding in LASB to Mat Sani Bin Jasli for RM3.0m to convert LASB into a 100% Bumiputera company for future project tendering. Became a holder of the SPKK with a G7 contractor registration in the B (Building Construction), CE (Civil Engineering), and ME (Mechanical and Electrical) categories.

Source: Wawasan Dengkil Holdings Berhad

Fig #6 DENGKIL's accrediations



Source: Wawasan Dengkil Holdings Berhad

Future Plans and Business Strategies

Continued expansion within the civil engineering and special trade work market. The Company intends to expand its presence in the local civil engineering and special trade work market, focusing on large-scale projects in residential, commercial, and industrial property development, highways, and utilities, while also capitalizing on the National Energy Transition for solar infrastructure work; aims to participate in tenders valued at more than RM100.0m.

Enhancing internal capabilities to support construction works. The Company intends to allocate RM7.6m in the pursuant of proceeds, acquiring additional construction machinery and commercial vehicles to support its future expansion in earthworks and road construction. The intended purchases will include (i) 5 large excavators (RM3.8m), (ii) 1 mobile crane (RM0.6m), and (iii) 10 dump trucks (RM3.2m).

Pursuing the ISO 14001 certification. The Company intends to establish an environmental management system aligned with international standards by pursuing ISO 14001 certification, ensuring compliance with environmental laws, promoting good governance, and improving waste management on project sites. By this, the Company plans to engage an external consultant, at an estimated cost of RM30K, which will be funded internally.

Fig #7 Use of proceeds

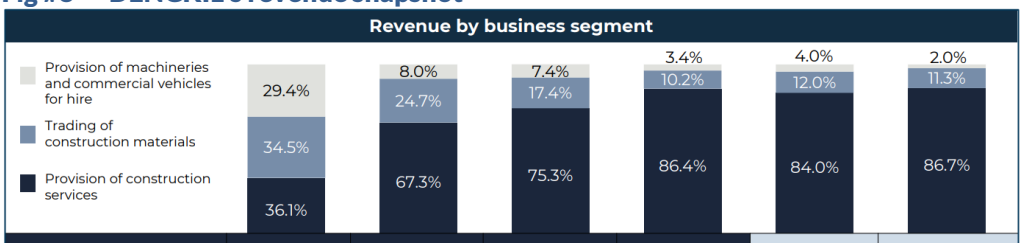
Use of proceeds	RM'm	%	Estimated time frame
Purchase of machineries and commercial vehicles	7.6	28.1	Within 12 months
Project working capital	9.9	36.5	Within 12 months
General working capital	1.4	5.3	Within 12 months
Repayment of bank borrowings	3.9	14.2	Within 6 months
Office renovations	0.3	1.1	Within 12 months
Estimated listing expenses	4.0	14.8	Within 1 month
Total	27.0	100.0	

Source: Wawasan Dengkil Holdings Berhad

Financials

Revenue highlights. The group reported a 52.7% YoY growth in FY24 revenue to RM188.5m. This growth was primarily driven by a higher contribution from the provision of construction services segment, as the Company recognized a greater percentage of project completion. This segment remained the largest, contributing 75.3% and 86.4% of total revenue in FY23 and FY24, respectively. Core earnings stood at RM10.9m.

Fig #8 DENGKIL's revenue snapshot



GP margin	FYE 2021	FYE 2022*	FYE 2023	FYE 2024	FPE 2024	FPE 2025
Provision of machineries and commercial vehicles for hire	32.7%	0.4%	6.6%	6.8%	5.5%	7.4%
Trading of construction materials	12.9%	9.8%	11.4%	19.1%	18.7%	16.4%
Provision of construction services	11.4%	10.0%	14.7%	13.8%	14.8%	15.0%

Source: Wawasan Dengkil Holdings Berhad

Earnings forecasts. Moving forward, we project 3-year earnings CAGR of 12.9%, with core PAT expected to reach RM12.0m, RM14.0m, and RM15.7m over the next three years. This growth will be largely supported by the Company's plans to (i) continue expanding within the civil engineering and special trade work market, (ii) strengthen its key capabilities in construction works, and (iii) leverage various government initiatives, including NETR, the Penang LRT project, and JSSEZ action plans.

Fig #9 Financial Highlights

Financial Highlights

FYE June (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	123.5	188.5	201.2	211.9	226.1
EBITDA	21.9	31.8	32.6	35.4	37.8
EBIT	11.2	18.1	19.0	21.0	22.8
PBT	9.7	15.3	16.3	19.0	21.2
PAT	6.8	10.9	12.4	14.4	16.1
PATMI – Core	6.8	10.9	12.4	14.4	16.1
% change YoY – Core PATM	184.1%	61.4%	13.6%	16.4%	11.8%
Core EPS (sen)	1.25	2.02	2.29	2.67	2.98
P/E (x)	20.0	12.4	10.9	9.4	8.4
DPS (sen)	-	-	-	-	-
Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
BVPS (RM/share)	0.10	0.12	0.20	0.22	0.25
P/B (x)	2.5	2.0	1.3	1.1	1.0
ROE (%)	13.3%	18.0%	14.3%	12.6%	12.5%
Net Gearing (%)	0.1	0.1	CASH	CASH	CASH

M+ Research

Valuations

We assign a fair value of RM0.37 per share for DENGKIL, representing a 48.0% upside from the IPO price of RM0.25. This valuation is based on a P/E ratio of 14x, pegged to the FY26f EPS of 2.67 sen. While this multiple is lower than the forward and historical P/E range of 15.5x to 20.7x for its closest peers, the discount reflects DENGKIL's smaller market capitalization.

Fig #10 Peer comparison

Ticker		Name	Weight (%)	Shares	Price	BEst P/E BF12M	P/E
▪ Construction & Engineering (44 members)			94.742273	41,413.730863		15.46	20.72
GAM	MK	Gamuda Bhd	43.682523	5,703.875474	4.1000	16.85	24.62
IJM	MK	IJM Corp Bhd	13.558451	3,647.566120	1.9900	12.85	12.03
SCGB	MK	Sunway Construction Group Bhd	9.877472	1,292.911010	4.0900	19.57	28.25
KPG	MK	Kerjaya Prospek Group Bhd	4.947068	1,267.207766	2.0900	13.14	16.47
BNASTRA	MK	Binastra Corp Bhd	3.542682	1,090.006600	1.7400	14.16	20.67
AME	MK	AME Elite Consortium Bhd	1.998511	640.672649	1.6700	9.67	13.08
WCTHG	MK	WCT Holdings Bhd	1.864690	1,559.814471	0.6400	14.18	3.36
EKO	MK	Ekovest BHD	1.495555	2,965.410802	0.2700	--	--
AZAMJAYA	MK	Azam Jaya Bhd	0.943290	500.000000	1.0100	12.20	39.45
MUHI	MK	Muhibbah Engineering M Bhd	0.901171	730.986818	0.6600	7.37	6.58
ECON	MK	Econpile Holdings Bhd	0.820802	1,417.500025	0.3100	24.72	--
MLG	MK	MGB Bhd	0.718346	591.652605	0.6500	5.65	6.40
EVSD	MK	Eversendai Corp Bhd	0.663857	781.105000	0.4550	--	25.14
KITACON	MK	KUMPULAN KITACON Bhd	0.663105	500.000000	0.7100	5.46	9.76
VARIA	MK	Varia BHD	0.601861	432.500000	0.7450	--	71.87
KICB	MK	Kimlun Corp Bhd	0.594075	353.382716	0.9000	7.02	6.32
GDB	MK	GDB Holdings Bhd	0.525347	937.500000	0.3000	--	10.49
MDJ	MK	Mudajaya Group Bhd	0.521194	2,657.397503	0.1050	--	2.69

Source: Bloomberg, M+ Research

Investment risks

Dependent on registration and licenses. Inability to maintain or renew its certificates of registration with the CIDB, the Company will be restricted or prohibited from providing its services, thereby adversely affecting its business and financial position.

Non-recurring projects. The Company may not be able secure new projects, as it derives most of its revenue from non-recurring, project-by-project contracts, with many projects awarded on a potentially one-off basis.

Inability to complete projects in a reliable and timely basis. Failure to deliver contractual work on time may negatively impact the Company's reputation, business, financial condition, and operational results.

Dependent on key senior management. Discontinuation of service of the key senior management may disrupt key decision making within Wawasan Dengkil Holdings's business operations.

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BUY	The share price is expected to appreciate more than 10% over the next 12 months
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SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned