

Malaysia

HOLD (no change)

Consensus ratings*: Buy 4 Hold 5 Sell 6

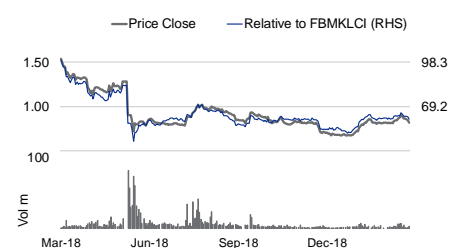
Current price:	RM0.82
Target price:	RM0.79
Previous target:	RM0.79
Up/downside:	-3.1%
CGS-CIMB / Consensus:	-5.8%

Reuters:	WCTE.KL
Bloomberg:	WCTHG MK
Market cap:	US\$276.2m
	RM1,125m
Average daily turnover:	US\$0.37m
	RM1.51m
Current shares o/s:	1,258m
Free float:	62.3%

*Source: Bloomberg

Key changes in this note

➤ No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.6	16.4	-47.1
Relative (%)	-0.4	15.2	-38.5

Major shareholders

	% held
Tan Sri Desmond Lim Siew Choon	19.7
Lembaga Tabung Haji	10.2
EPF	7.9

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WCT Holdings

Targeting RM1bn job wins in 2019

- WCT targets RM1bn total contract wins in 2019, 63% lower than the RM2.7bn achieved in 2018. The group is cautious about job outlook this year.
- REIT plans remain on the cards but approvals only likely by end-2019.
- We foresee limited catalysts ahead. Maintain Hold with unchanged TP.

Contract win updates: RM2.7bn total wins in 2018

During the post-4Q18 results briefing, management updated that, in Dec 2018, it secured a RM677m contract via a JV with TSR Bina to build a shopping complex podium and related works at Merdeka 118 tower. This brought total contract wins for 2018 to RM2.7bn, lifting total outstanding order book to RM6.5bn as at end-2018, or 2.8x order book-revenue cover. Engineering and infrastructure projects make up 57% of order book. The balance 43% are building contracts. Overall, no major surprises from the briefing.

More cautious job win prospects; RM1bn targeted win for 2019

The group clarified that visibility of new tenders for government jobs has been subdued while there has been no new government tender contracts since end-2018. Currently, the group targets RM1bn total new contracts in 2019, 63% lower than the total wins last year. The new tender outlook hinges on the federal government's decision on the East Coast Rail Link (ECRL) in April, in our view.

2018's RM146m property sales entirely from inventory

The property sales outlook remained subdued, with no new property launches in 2018. In 4Q18, total new property sales of a mere RM23m was the worst quarterly new sales recorded in 2018 (-54% qoq), bringing 2018's total property sales to RM146m and which was entirely from its lower margin inventory. Total unbilled sales of RM118m will provide some earnings visibility in 2019 while new inventory sales in the coming quarters in FY19F is backed by RM950m worth of unsold completed stock as at end-Feb 19. WCT's RM300m new property sales target in 2019 has downside risks, in our view.

Still working on the REIT initiative

It would take another six months or likely till end-2019 for WCT to achieve the necessary regulatory approvals for the planned REIT exercise for its retail malls and hotels. At this juncture, the group has appointed advisors for its consultation with the Securities Commission (SC). Total est. asset value for its four investment assets is RM2bn. It said that, assuming a 25% public spread, the listing exercise would raise RM400m in new money. WCT targets to deconsolidate c.RM300m in total debts from the REIT move.

Hold retained with unchanged TP

Following the kitchen-sinking move on FY18 results, WCT's key earnings driver in FY19F is its high construction order book but a downside risk is its weak property sales outlook. Hold retained due to limited catalysts. TP of RM0.79 remains pegged to 60% RNAV discount. Upside risk is stronger job wins, downside risks is weak earnings.

Financial Summary

	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (RMm)	2,334	2,273	2,332	2,392
Operating EBITDA (RMm)	73.0	238.5	236.7	249.9
Net Profit (RMm)	111.8	115.1	123.0	139.5
Core EPS (RM)	0.09	0.09	0.10	0.11
Core EPS Growth	(52.4%)	5.9%	6.9%	13.4%
FD Core P/E (x)	12.44	11.74	10.99	9.69
DPS (RM)	0.017	0.027	0.029	0.033
Dividend Yield	2.10%	3.37%	3.60%	4.08%
EV/EBITDA (x)	55.95	16.94	16.87	15.79
P/FCFE (x)	7.07	NA	3.14	3.13
Net Gearing	103%	138%	133%	128%
P/BV (x)	0.32	0.44	0.42	0.41
ROE	3.43%	4.15%	5.16%	5.71%
% Change In Core EPS Estimates		0%	0%	0%
CIMB/consensus EPS (x)		0.97	0.97	

SOURCES: CIMB RESEARCH, COMPANY REPORTS

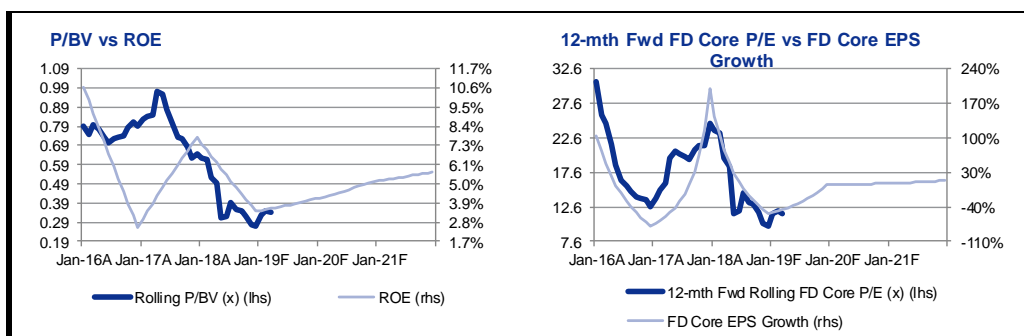
Figure 1: Breakdown of outstanding order book YTD

			Outstanding value	
Domestic civil and infrastructure	Scope	Location	(RM m)	Completion
Petronas RAPID project	Roads, civil and infra works	Pengerang, Johor	40	2018
Tun Razak Exchange (TRX)	Infra and road works	Kuala Lumpur	169	2019
Pan Borneo Highway (PBH)	66km; Sg. Arip to Bintulu Airport Junction	Sarawak	700	2020
MRT SSP Line (MRT 2)	V204, S204; Viaduct and stations	Bandar M'sia South-Kampung Muhibbah	693	2022
West Coast Expressway (WCE)	SAE Interchange to NKVE/FHRZ Interchange	West Coast, Klang	156	2019
LRT 3	TD1; Johan Setia depot	Klang	34	2018
LRT 3	GS03, GS02; Guideway, stations, park & ride etc	Klang	1,364	2020
Elevated highway	Civil works	Sprint Highway; Jalan Maarof-Semantan	164	2020
Others	Various	Various	1	
Sub-total			3,321	

			Outstanding value	
Domestic building works	Scope	Location	(RM m)	Completion
Police quarters	Building works	Taman Keramat	16	2018
Petronas RAPID project	Utilities, interconnecting and off site facilities	Pengerang, Johor	16	2018
Tun Razak Exchange (TRX)	Landlease Mall; Package TP02 superstructure	Kuala Lumpur	528	2020
Pavillion Damansara Heights (PBH)	Superstructure, basement and buildings	Pusat Bandar Damansara	1,751	2021
Retail Mall, Merdeka 118 (51%)	8 level shopping complex podium	Kuala Lumpur	345	
Sub-total			2,656	

			Outstanding value	
Overseas	Scope	Location	(RM m)	Completion
Lusail project	Infrastructure and building	Qatar	353	2019
Internal projects (domestic)			97	
Total			6,427	

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	2,334	2,273	2,332	2,392
Gross Profit	378	383	385	406
Operating EBITDA	73	239	237	250
Depreciation And Amortisation	(29)	(31)	(33)	(36)
Operating EBIT	44	208	203	214
Financial Income/(Expense)	(114)	(110)	(107)	(109)
Pretax Income/(Loss) from Assoc.	(33)	(3)	(2)	(2)
Non-Operating Income/(Expense)	248	57	69	83
Profit Before Tax (pre-EI)	145	153	164	186
Exceptional Items	10		0	0
Pre-tax Profit	155	153	164	186
Taxation	(105)	(46)	(49)	(56)
Exceptional Income - post-tax				
Profit After Tax	50	107	115	131
Minority Interests	62	8	9	9
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	112	115	123	140
Recurring Net Profit	109	115	123	140
Fully Diluted Recurring Net Profit	109	115	123	140

Cash Flow

(RMm)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	73.0	238.5	236.7	249.9
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(264.6)	(896.7)	(36.3)	(36.5)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	367.7	371.4	375.1	378.8
Net Interest (Paid)/Received	(114.2)	(109.6)	(107.1)	(108.6)
Tax Paid	(104.7)	(45.9)	(49.1)	(55.9)
Cashflow From Operations	(42.8)	(442.3)	419.4	427.7
Capex	(38.2)	(35.2)	(36.7)	(36.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(92.1)	0.0	0.0	0.0
Other Investing Cashflow	103.4	93.0	83.7	75.4
Cash Flow From Investing	(27.0)	57.8	47.0	39.4
Debt Raised/(repaid)	261.1	(36.6)	(36.2)	(35.9)
Proceeds From Issue Of Shares	0.7	0.0	0.0	0.0
Shares Repurchased	(29.7)	0.0	0.0	0.0
Dividends Paid	(42.3)	(42.5)	(42.5)	(42.5)
Preferred Dividends				
Other Financing Cashflow	(173.4)	471.6	(379.5)	(380.4)
Cash Flow From Financing	16.3	392.5	(458.2)	(458.8)
Total Cash Generated	(53.4)	8.0	8.2	8.3
Free Cashflow To Equity	191.3	(421.1)	430.1	431.2
Free Cashflow To Firm	65.9	(255.7)	593.5	596.8

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	401	409	417	426
Total Debtors	1,689	1,672	1,655	1,638
Inventories	518	115	121	127
Total Other Current Assets	655	202	203	203
Total Current Assets	3,263	2,398	2,396	2,395
Fixed Assets	361	379	398	418
Total Investments	2,387	2,389	2,391	2,392
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	2,702	2,716	2,770	2,825
Total Non-current Assets	5,450	5,484	5,559	5,636
Short-term Debt	926	917	908	899
Current Portion of Long-Term Debt				
Total Creditors	1,243	1,284	1,327	1,371
Other Current Liabilities	15	15	15	15
Total Current Liabilities	2,183	2,215	2,249	2,285
Total Long-term Debt	2,732	2,705	2,677	2,651
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	534	539	544	550
Total Non-current Liabilities	3,265	3,243	3,222	3,200
Total Provisions	98	98	98	98
Total Liabilities	5,547	5,557	5,569	5,583
Shareholders' Equity	3,193	2,352	2,413	2,474
Minority Interests	(27)	(27)	(27)	(27)
Total Equity	3,166	2,326	2,386	2,447

Key Ratios

	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	16.4%	(2.6%)	2.6%	2.6%
Operating EBITDA Growth	(40%)	227%	(1%)	6%
Operating EBITDA Margin	3.1%	10.5%	10.2%	10.4%
Net Cash Per Share (RM)	(2.59)	(2.55)	(2.52)	(2.48)
BVPS (RM)	2.54	1.87	1.92	1.97
Gross Interest Cover	0.33	1.61	1.60	1.65
Effective Tax Rate	67.6%	30.0%	30.0%	30.0%
Net Dividend Payout Ratio	29.8%	26.6%	24.9%	21.9%
Accounts Receivables Days	226.5	243.1	235.2	226.4
Inventory Days	91.41	61.19	22.24	22.82
Accounts Payables Days	188.8	203.2	205.8	209.1
ROIC (%)	0.76%	3.20%	3.87%	4.05%
ROCE (%)	4.68%	4.38%	4.83%	5.23%
Return On Average Assets	1.45%	2.24%	2.42%	2.61%

Key Drivers

(RMm)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Outstanding Orderbook	6,427	5,727	5,027	4,327
Order Book Depletion	1,900	1,900	1,900	1,900
Orderbook Replenishment	2,700	1,200	1,200	1,200
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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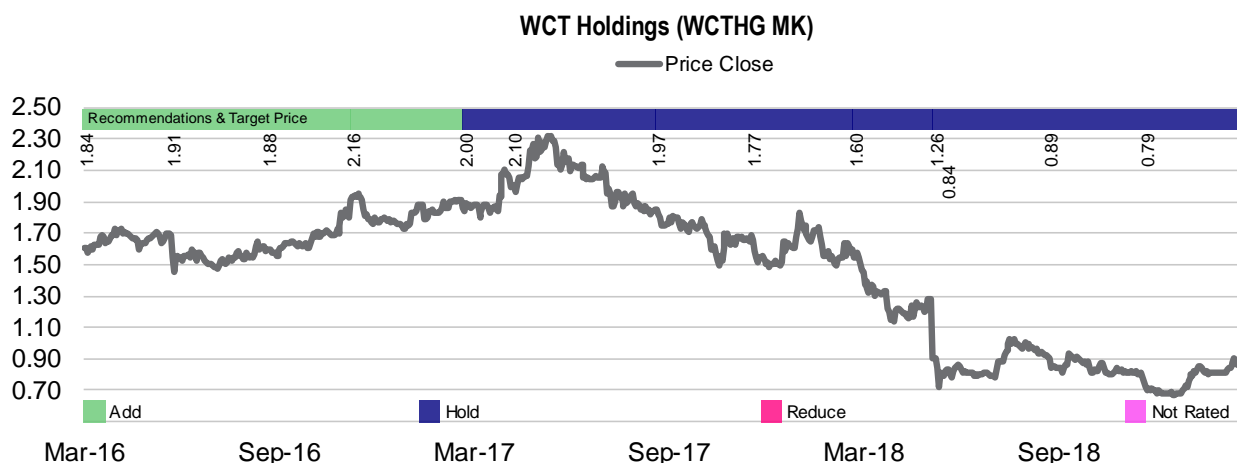
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2018		
758 companies under coverage for quarter ended on 31 December 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

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- Companies certified by CAC

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Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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