



WCT HOLDINGS BERHAD

Trading Buy

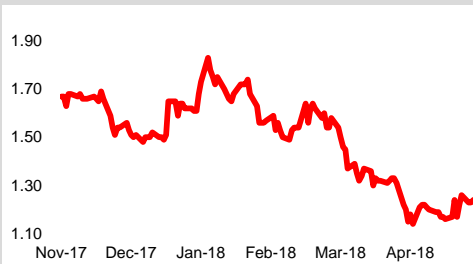
DESCRIPTION

Malaysian construction company with core businesses in civil engineering construction, property development and investment and management of properties and concession assets.

12-Month Target Price RM1.50
Current Price RM1.23
Expected Return +22%

Market Main
Sector Construction
Bursa Code 9679
Bloomberg Ticker WCTHG MK
Shariah-Compliant Yes

SHARE PRICE CHART



52 Week Range (RM) 1.13-2.48
3-Month Average Vol ('000) 3,503.4

SHARE PRICE PERFORMANCE

Table with 4 columns: Metric, 1M, 3M, 6M. Rows: Absolute Returns, Relative Returns.

KEY STOCK DATA

Table with 2 columns: Metric, Value. Rows: Market Capitalisation (RMm), No. of Shares (m).

MAJOR SHAREHOLDERS

Table with 2 columns: Shareholder Name, Percentage. Rows: Tan Sri Desmond Lim, EPF, Lembaga Tabung Haji.

Tan Siang Hing
T 603 2268 3016
F 603 2268 3014
E tan.sianghing@publicinvestbank.com.my

Eyeing More Building Jobs

A recent meeting with management revealed that WCT Holdings is eyeing more building jobs, which among others include the new malls at the Tun Razak Exchange (TRX) and Pavilion Damansara Heights to meet its target of new jobs replenishment of RM2bn in FY18.

Construction earnings underpinned by RM5.6bn outstanding orderbook. The Group's impairment of RM165m in 4Q17 was disappointing, but we understand that the risk of further impairments is low at this juncture.

As for new jobs, management is eyeing a few building jobs this year with eyes on the new malls at Pavilion Damansara Heights and TRX. Foundation works for Pavilion Damansara Heights have already been awarded to Econpile for RM570m.

Property launches in 2H2018. With no new projects unveiled in 2017, the Group plans to launch few new projects in 2H2018. The projects among others include the built-then-sell project i.e. Sapphire @ Paradigm PJ serviced apartments.

Degearing exercise. Management is planning to dispose more non-core landbank worth c.RM200m located mainly in Sungai Buaya and Klang by end-2018. So far this year, it has signed three conditional sales and purchase agreements for land disposals totaling RM116m.

Premiere Hotel which is currently hitting a snag due to legal suit by AEON Mall. The listing is now only likely to happen in 2019, subject to market conditions. The other wild card is the award of WCT's arbitration proceeding against client Meydan Group LLC in relation to the cancellation of the Nad Al Sheba Racecourse project in Dubai, UAE. Hearing for the award, we understand, is slated to happen soon but we doubt there will be any decision made for the award of Arab Emirates Dirham or AED1.15bn (RM1.22bn) anytime in the immediate term. Separately, more cash is also expected from selling of its remaining property inventory (c.RM550m) and built-then-sell project i.e. Sapphire @ Paradigm PJ (RM229m).

§ **Subang Skypark.** Back in April, WCT proposed to acquire a 60% stake in Subang Skypark Sdn Bhd (Subang Skypark) for RM44.6m cash. Subang Skypark holds the concession to operate the commercial/retail area, a car park area, a business aviation centre as well as a "hangarage" complex in Subang Skypark Terminal 3, Sultan Abdul Aziz Shah Airport in Subang. We understand that impact to earnings will be minimal in the near term, but WCT intends to spend RM200-300m to build a new car park with retail space as well as enhancing the existing retail space (c.100k sf NLA) that would add value to its new investment. Subang Skypark has c.50 years lease remaining.

KEY FORECAST TABLE

FYE Dec (RM m)	2016A	2017A	2018F	2019F	2020F	CAGR (%)
Revenue	1,933.6	1,905.9	2,576.4	2,682.4	2,683.5	6.8
Operating Profit	182.5	313.4	279.2	314.2	314.6	11.5
Pre-tax Profit	122.0	230.6	188.7	228.3	233.2	13.8
Net Profit	68.4	154.6	151.2	181.3	185.0	22.0
EPS (Sen)	5.1	11.4	11.2	13.4	13.7	22.0
P/E (x)	24.1	10.8	11.0	9.2	9.0	
DPS (Sen)	3.0	3.0	3.0	3.0	3.0	
Dividend Yield (%)	2.4	2.4	2.4	2.4	2.4	

Source: Company, PublicInvest Research estimates

Table 1: Outstanding Orderbook

Project	Expected Completion	Outstanding (RMm)
RAPID	2018	360
TRX	2018	521
Pan Borneo Highway	2020	859
MRT2 V204 & S204	2022	912
WCE	2019	196
LRT3 TD1	2018	141
LRT3 GS03 & GS02	2020	1468
Elevated SPRINT Highway	2020	212
Others		111
Total - Local infra & civil		4780
Police Quarters	2018	91
RAPID-Utilities, interconnecting & offsite	2018	153
Others		17
Total - Local buildings		261
Lusail Project, Qatar	2018	455
Total External Projects		5496
Total Internal Projects		121
Grand Total		5617

Source: Company, PublicInvest Research

Table 2: Sum-of-the-parts

	Attributed Value (RM m)	Value/share (RM)	Comments
Construction	1377.9	0.97	14x P/E
Development projects	971.3	0.69	50% discount RNAV
Investment properties	2728.4	1.93	Book value
net cash / (debt)	-2757.9	-1.95	
FD Value / share		1.6	
Target price after 10% holding company discount		1.5	

Source: Company, PublicInvest Research

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2016A	2017A	2018F	2019F	2020F
Revenue	1,933.6	1,905.9	2,576.4	2,682.4	2,683.5
Gross Profit	244.1	347.7	488.9	519.9	530.9
Operating expenses	-61.6	-34.2	-209.7	-205.7	-216.3
Operating Profit	182.5	313.4	279.2	314.2	314.6
Other Gains / (Losses)	1.0	-19.6	17.3	17.9	18.4
Finance Costs	-61.5	-63.2	-107.8	-103.8	-99.8
Pre-tax Profit	122.0	230.6	188.7	228.3	233.2
Income Tax	-56.8	-78.7	-45.3	-54.8	-56.0
Effective Tax Rate (%)	46.6	34.1	24.0	24.0	24.0
Minorities	3.2	2.7	7.8	7.8	7.8
Net Profit	68.4	154.6	151.2	181.3	185.0
Growth					
Revenue (%)	0.5	15.9	11.1	3.2	4.1
Gross Profit (%)	27.0	-19.5	13.6	5.5	6.3
Net Profit	42.3	-67.3	10.5	28.9	19.9

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2016A	2017A	2018F	2019F	2020F
Property, Plant & Equipment	320.9	364.4	407.8	453.0	500.3
Cash and Cash Equivalents	1,103.6	1,038.1	707.7	629.9	596.1
Receivables	1,280.6	1,262.2	1,706.3	1,776.5	1,777.2
Other Assets	4,001.5	3,980.5	4,343.5	4,400.4	4,400.4
Total Assets	6,706.6	6,645.2	7,165.3	7,259.8	7,274.0
Payables	984.6	970.5	1,312.0	1,365.9	1,366.5
Borrowings	2,565.2	2,440.5	2,351.1	2,261.7	2,172.3
Tax payable	35.4	35.4	35.4	35.4	35.4
Other Liabilities	709.0	701.3	886.1	915.3	915.6
Total Liabilities	4,294.2	4,147.7	4,584.6	4,578.4	4,489.9
Shareholders' Equity	2,412.5	2,497.5	2,580.7	2,681.4	2,784.2
Total Equity and Liabilities	6,706.7	6,645.2	7,165.3	7,259.8	7,274.0

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2016A	2017A	2018F	2019F	2020F
Book Value Per Share	1.7	1.7	1.8	1.9	1.9
NTA Per Share	1.7	1.7	1.8	1.9	1.9
EPS (Sen)	5.1	11.4	11.2	13.4	13.7
DPS (Sen)	3.0	3.0	3.0	3.0	3.0
Payout Ratio (%)	59.3	26.2	26.8	22.4	21.9
ROA (%)	2.5	1.0	2.1	2.0	2.4
ROE (%)	2.9	6.3	6.0	6.9	6.8

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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Published and printed by:
PUBLIC INVESTMENT BANK BERHAD (20027-W)
9th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
T 603 2268 3000
F 603 2268 3014
Dealing Line 603 2268 3129