

WCT Holdings Berhad

Secure Elevated Highway Job in KL

TP: RM1.64 (+8.6%)

Last Traded: RM1.51

HOLD

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WCT has been awarded a project by Dewan Bandaraya Kuala Lumpur to undertake an elevated highway project from the junction of Sprint Highway/ Jalan Maarof to the junction of Sprint Highway/ Jalan Semantan and to alter the ingress/egress to Pusat Bandar Damansara.

The project has a contract sum of RM211.5mn, to be completed within a construction period of 30 months.

The scope of works includes site clearance and demolition works, earthworks, drainage works, pavement works, road furniture and miscellaneous, elevated flyover and reinforced earth wall, retaining wall, street lighting, environmental protection works, instrumentation monitoring works on existing MRT structure and elevated highway construction, traffic management plans and soil investigation.

We estimate that WCT has secured RM2.0bn of new jobs YTD, bringing its outstanding order book to about RM5.9bn, which could last for another 3 to 4 years.

Assuming a PBT margin of 6%, we expect this project to contribute a net profit of RM9.6mn, or EPS of 0.7sen throughout the contract period.

Impact

We adjust our FY17 order book replenishment to RM2.0bn to reflect the actual job wins YTD. As a result, we raise our FY18 and FY19 earnings forecasts by 1.5% and 3.4% respectively.

Valuation

Subsequently to earnings revision, we raise the target price from RM1.61 to **RM1.64**, based on unchanged 16x CY18 construction earnings and 10x CY18 property earnings. As the potential upside improved after the recent sell down in the stock, we upgrade the stock to **HOLD**.

Share Information

Bloomberg Code	WCTHG MK
Bursa	WCT
Stock Code	9679
Listing	Main Market
Share Cap (mn)	1406.8
Market Cap (RMmn)	2,124.3
52-wk Hi/Lo (RM)	2.48/1.49
12-mth Avg Daily Vol ('000 shrs)	2924.6
Estimated Free Float (%)	65.3
Beta	1.03

Major Shareholders (%)

Dominion Nexus Sdn Bhd	- 17.57
Employees Provident Fund	- 8.29
Lembaga Tabung Haji	- 7.97
KWAP	- 6.41
Skim Amanah Saham	- 5.64

Forecast Revision

	FY17	FY18
Forecast Revision (%)	-	1.5
Net profit (RMmn)	161.9	177.8
Consensus	149.0	170.6
TA's / Consensus (%)	108.6	104.2
Previous Rating	Sell (Upgraded)	

Financial Indicators

	FY17	FY18
Net Debt / Equity (%)	71.9	69.1
CFPS (sen)	12.0	1.6
Price / CFPS (x)	12.6	95.7
ROA (%)	2.3	2.5
NTA/Share (RM)	2.1	2.1
Price/NTA (x)	0.7	0.7

Share Performance (%)

Price Change	WCT	FBM KLCI
1 mth	(10.1)	(1.2)
3 mth	(16.6)	(3.4)
6 mth	(29.1)	(3.8)
12 mth	(15.1)	4.9

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Earnings Summary (RMmn)

Profit & Loss (RMmn)

YE Dec 31	2015	2016	2017F	2018F	2019F
Revenue	1667.9	1933.6	2753.3	2542.8	2368.8
COGS	(1475.6)	(1694.8)	(2230.1)	(2059.6)	(1895.0)
Gross profit	192.3	238.8	523.1	483.1	473.8
EBITDA	239.5	197.5	254.7	268.2	238.2
Depr & Amort	(8.1)	(15.0)	(7.7)	(9.0)	(10.3)
EBIT	231.4	182.5	247.0	259.2	227.9
Finance cost	(57.8)	(61.5)	(71.6)	(64.4)	(63.2)
Associates	9.2	8.3	8.3	8.4	8.5
J V	79.0	(7.2)	35.0	37.0	39.0
Adj PBT	111.9	156.2	218.8	240.2	212.2
Tax	(54.9)	(56.8)	(50.3)	(55.3)	(48.8)
MI	2.5	3.2	(6.6)	(7.2)	(6.4)
Core net profit	209.4	68.4	161.9	177.8	157.0
EI	149.9	(34.2)	0.0	0.0	0.0
Core Net Profit	59.5	102.6	161.9	177.8	157.0

Cash Flow (RMmn)

YE Dec 31	2015	2016	2017F	2018F	2019F
PBT	261.8	122.0	218.8	240.2	212.2
Depr & Amort	8.1	15.0	7.7	9.0	10.3
Tax	(60.8)	(41.5)	(50.3)	(55.3)	(48.8)
Associate and J V	(88.2)	(1.0)	(8.3)	(8.4)	(8.5)
OP before w/cpt change	105.1	152.7	289.7	305.2	277.2
Other Operating CF (net)	(712.4)	(411.1)	(153.3)	(334.1)	(219.3)
CFO	(486.4)	(163.9)	304.2	156.7	223.1
Capex	(24.3)	(59.1)	(62.1)	(65.2)	(68.5)
Others	(171.0)	(179.4)	(67.8)	(67.8)	(67.8)
CFI	(195.3)	(238.6)	(129.9)	(133.0)	(136.3)

Net Addition/(Rpmt)	142.0	383.0	(300.0)	(50.0)	(50.0)
Dividend Paid	(22.6)	(25.0)	(43.5)	(45.0)	(46.5)
Others	(22.1)	(35.4)	184.1	6.3	6.3
CFF	97.3	322.6	(159.4)	(88.7)	(90.2)

Change in cash	(584.4)	(79.9)	14.9	(65.0)	(3.3)
Forex	38.4	17.4	0.0	0.0	0.0
Net Cash Flow	(546.0)	(62.5)	14.9	(65.0)	(3.3)

Cash and bank balances	523.8	455.1	470.0	405.0	401.6
Adjustment	(125.3)	(119.1)	0.0	0.0	0.0
Cash & cash equivalent	398.5	336.0	470.0	405.0	401.6

Balance Sheet (RMmn)

YE Dec 31	2015	2016	2017F	2018F	2019F
Fixed Assets	288.4	328.3	382.7	438.9	497.0
Land held for property development	1130.2	1437.4	1387.4	1337.4	1287.4
Associates + J V	664.0	650.9	659.3	667.7	676.2
Investment Properties	883.0	1124.8	1242.6	1360.4	1478.2
Others	1083.2	1218.0	1218.0	1218.0	1218.0
LT Assets	4048.9	4759.5	4890.0	5022.4	5156.9
Inventories	153.9	132.0	98.0	102.0	97.0
Trade and other receivables	1142.5	1081.3	851.8	805.7	767.5
Deposits, cash and bank balances	523.8	455.1	470.0	405.0	401.6
Others	882.8	912.5	858.4	883.3	830.4
ST Assets	2703.0	2580.9	2278.2	2195.9	2096.5

Total Assets	6751.8	7340.4	7168.2	7218.3	7253.4
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Trade and other payables	933.1	967.9	786.6	740.5	702.4
ST Borrowings	520.4	823.5	823.5	823.5	823.5
Others	12.5	13.1	13.1	13.1	13.1
ST Liabilities	1466.0	1804.5	1623.2	1577.1	1538.9

LT Borrowings	2072.8	2158.7	1858.7	1808.7	1758.7
Others	565.8	579.2	571.1	563.0	554.9
LT Liabilities	2638.7	2737.9	2429.8	2371.7	2313.6

Share Cap	600.4	631.1	816.1	823.3	830.5
Reserves	(207.9)	(165.7)	(47.3)	85.5	196.0
Share Premium	2228.5	2311.0	2318.2	2325.4	2332.6
Treasury shares	(10.8)	(12.2)	(12.2)	(12.2)	(12.2)
Shareholder's Funds	2610.3	2764.1	3074.7	3221.9	3346.8
MI	36.8	33.9	40.4	47.6	54.0

Liabilities + Equities	6751.8	7340.4	7168.2	7218.3	7253.4
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Ratio

YE Dec 31	2015	2016	2017F	2018F	2019F
EBITDA margin (%)	14.4	10.2	9.3	10.5	10.1
Core EPS (sen)	5.0	8.3	11.2	11.9	10.1
Diluted core EPS (sen)	4.9	8.2	11.2	11.9	10.1
EPS Growth (%)	(42.8)	66.6	34.5	6.2	(14.5)
PER (x)	30.5	18.2	13.5	12.7	14.9
GDPS (sen)	3.0	0.0	3.0	3.0	3.0
Share dividend (%)	1.0	0.0	0.0	0.0	0.0
Div Yield (%)#	3.0	0.6	2.0	2.0	2.0

Net cash (RMmn)	(2069.4)	(2527.1)	(2212.2)	(2227.2)	(2180.6)
Net gearing (x)	0.8	0.9	0.7	0.7	0.7
ROE (%)	2.5	3.8	5.5	5.6	4.8
ROA (%)	0.9	1.4	2.3	2.5	2.2
NTA/share (RM)	2.2	2.2	2.1	2.1	2.2
P/NTA (x)	0.7	0.7	0.7	0.7	0.7

#Including dividend yield arising from distribution of treasury shares

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Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

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As of Monday, December 11, 2017, the analyst, Ooi Beng Hooi, who prepared this report, has interest in the following securities covered in this report:
(a) nil

Kaladher Govindan – Head of Research

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