

HLIB Research

PP 9484/12/2012 (031413)

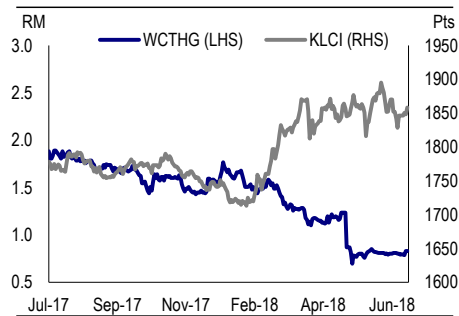
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HOLD (Maintain)

Target Price: RM0.78
Previously: RM0.78
Current Price: RM0.83

Capital upside	-6.0%
Dividend yield	4.9%
Expected total return	-1.1%

Sector coverage: Construction

Company description: WCT is involved in construction, property development and owns malls such as the Paradigm chain and Gateway@klia2.

Share price


Historical return (%)	1M	3M	12M
Absolute	1.8	-30.8	-57.4
Relative	5.4	-24.1	-56.2

Stock information

Bloomberg ticker	WCTHG MK
Bursa code	9679
Issued shares (m)	1,388
Market capitalisation (RM m)	1,152
3-mth average volume ('000)	11,687
SC Shariah compliant	Yes

Major shareholders

Dominion Nexus SB	17.8%
LTH	8.8%
EPF	8.6%

Earnings summary

FYE (Dec)	FY17	FY18f	FY19f
PATMI - core (RM m)	139	144	162
EPS - core (sen)	9.8	10.2	11.5
P/E (x)	8.4	8.1	7.2

WCT Holdings

Construction job win in TRX

WCT has secured RM550m contract for construction of shopping mall complex and car parks for Lendlease Projects (M) Sdn Bhd in Tun Razak Exchange (TRX). The works are scheduled to be completed within 2 years. With the latest job win, orderbook is now estimated at RM5.0bn, implying a cover ratio of 3.6x. We remain cautious on the macro job flow outlook following the new government's review on mega projects. Forecast unchanged as we take a conservative stance. Maintain HOLD with unchanged SOP-drive TP of RM0.78.

NEWSBREAK

Bags new contract. WCT announced that it has been awarded RM555m contract from Lendlease Projects (M) Sdn Bhd on works (superstructure, façade and blockworks) for the project known as the "Proposed Commercial Mixed Development on Plot 1 comprising: (i) 4 levels of shopping complex, (ii) 3 levels of car park, (iii) 1 level open landscape with retail space and 1 information centre and (iv) future development plot on Lot PT 157, Seksyen 67, Jalan Tun Razak/ Jalan Davis, Bandaraya Kuala Lumpur. This contract is for the construction of shopping mall that is develop by Lend Lease at Tun Razak Exchange (TRX). We understand that duration of the work is c.2 years.

HLIB's VIEW

First construction job win. This is the first construction job win for the company YTD. This brings WCT's orderbook to c.RM5.0bn which translates to a healthy cover of c.3.6x on FY17 construction revenue.

Cautious on job flow outlook. While this contract win is positive, we remain cautious on the overall macro job flow outlook. This follows from the new government's move to put all mega projects under review which would inevitably result to project rollout delays or an outright cancellation.

Forecast. Although YTD job wins of RM550m has exceeded our full year assumption of RM500m, we leave our forecast unchanged as we take a conservative stance given the less than sanguine macro job flow outlook.

Maintain HOLD, TP: RM0.78. Maintain HOLD rating and SOP-driven TP of RM0.78. While valuations are turning attractive following the post GE14 sell off, we remain cautious on the slowing macro job flow outlook.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec (RM m)	FY16	FY17	FY18F	FY19F	FY20F
Cash	455	527	749	676	620
Receivables	2,549	2,700	2,489	2,627	2,543
Inventories	132	461	281	259	241
PPE	328	341	351	361	371
Investment properties	1,125	1,594	1,674	1,758	1,846
Associates & JVs	651	614	614	614	614
Others	2,100	1,905	1,938	1,971	2,005
Assets	7,340	8,143	8,097	8,266	8,240
Debts	2,982	3,285	3,235	3,185	3,135
Payables	1,510	1,651	1,559	1,679	1,593
Others	50	61	62	63	64
Liabilities	4,542	4,997	4,856	4,927	4,791
Shareholder's equity	2,764	3,139	3,225	3,322	3,432
Minority interest	34	8	16	17	17
Equity	2,798	3,147	3,241	3,339	3,449

Cash Flow Statement

FYE Dec (RM m)	FY16	FY17	FY18F	FY19F	FY20F
Profit before taxation	154	215	190	215	243
Depreciation & amortisation	15	14	15	15	-
Changes in working capital	118	(526)	299	5	15
Taxation	(57)	(79)	(46)	(53)	(61)
Others	(394)	354	(103)	(115)	(105)
CFO	(164)	(22)	354	66	92
Net capex	(55)	(27)	(25)	(25)	(25)
Others	(229)	(196)	-	-	-
CFI	(284)	(223)	(25)	(25)	(25)
Changes in borrowings	389	303	(50)	(50)	(50)
Dividends paid	(12)	(42)	(58)	(65)	(73)
Others	(55)	136	-	-	-
CFF	323	397	(108)	(115)	(123)
Net cash flow	(125)	152	222	(73)	(55)
Forex	17	(46)	-	-	-
Others	39	(33)	-	-	-
Beginning cash	524	455	527	749	676
Ending cash	455	527	749	676	620

Income Statement

FYE Dec (RM m)	FY16	FY17	FY18F	FY19F	FY20F
Revenue	1,934	1,906	2,000	2,210	2,083
EBITDA	185	289	248	272	284
EBIT	170	274	233	257	284
Finance cost	(46)	(63)	(65)	(64)	(63)
Associates & JV	30	3	22	22	22
Profit before tax	154	215	190	215	243
Tax	(57)	(79)	(46)	(53)	(61)
Net profit	97	136	144	162	182
Minority interest	3	3	-	-	-
PATMI (core)	100	139	144	162	182
Exceptionals	(32)	39	-	-	-
PATMI (reported)	68	177	144	162	182

Valuation & Ratios

FYE Dec (RM m)	FY16	FY17	FY18F	FY19F	FY20F
Core EPS (sen)	7.1	9.8	10.2	11.5	12.9
P/E (x)	11.7	8.4	8.1	7.2	6.4
EV/EBITDA (x)	22.5	14.4	16.7	15.2	14.6
DPS (sen)	0.8	3.0	4.1	4.6	5.2
Dividend yield	1.0%	3.6%	4.9%	5.6%	6.2%
BVPS (RM)	1.96	2.23	2.29	2.36	2.44
P/B (x)	0.4	0.4	0.4	0.4	0.3
EBITDA margin	9.5%	15.1%	12.4%	12.3%	13.6%
EBIT margin	8.8%	14.4%	11.6%	11.6%	13.6%
PBT margin	7.9%	11.3%	9.5%	9.7%	11.7%
Net margin	5.2%	7.3%	7.2%	7.3%	8.7%
ROE	3.7%	4.7%	4.5%	5.0%	5.4%
ROA	1.4%	1.8%	1.8%	2.0%	2.2%
Net gearing	102.4%	87.9%	77.1%	75.5%	73.3%

Assumptions

FYE Dec (RM m)	FY16	FY17	FY18F	FY19F	FY20F
Contracts secured	1,417	1,877	500	500	800
Property sales	281	305	300	300	300

Figure #1 **WCT SOP valuation**

SOP Component	RM/m	Multiplier/ WACC	WCT's Share	FD Per Share
FY18 earnings (ex. JV)	124	10.0	1,239	0.75
Gateway@klia2 based on DCF	84	7.0%	59	0.04
Paradigm Mall based on cap rate	329	7.0%	231	0.14
Premiere Hotel Klang based on DCF	145	10.0%	145	0.09
Undeveloped surplus land value at 75% discount			409	0.25
Cash proceeds from Warrants E			491	0.30
Sum of Parts (SOP) Value			2,573	1.56
Discount applied		50%	(1,287)	(0.78)
Target price			1,287	0.78

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Published & printed by:

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Stock rating definitions

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +15% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result to a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating definitions

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.