

13 July 2018

WCT Holdings Bhd

Mall Contract in TRX

By Adrian Ng | adrian.ng@kenanga.com.my

Yesterday, WCT announced that they have received a letter of intent for the award of construction works on a proposed commercial development in Tun Razak Exchange (TRX) for RM555.0m. Neutral on the potential win. No changes to FY18-19E earnings. Maintain OUTPERFORM with an unchanged Target Price of RM1.35.

News. Yesterday, WCT announced that they have received a letter of intent for the award of construction works on a proposed commercial development in Tun Razak Exchange (TRX) from Lendlease Projects (M) Sdn Bhd (Lendlease) for a total consideration of RM555.0m. The scope of works is as follows; (i) construction of 4 levels of shopping complex, (ii) 3 levels of car park, (iii) 1 level open landscape with retail space and 1 information centre (future development), and also works in (iv) future development plot.

First for the year. This would be the first contract bagged by WCT. We are neutral on the potential contract award from Lendlease as it is still a letter of intent, despite having a separate preliminary works agreement so that WCT could start work on the land while finalising the contract value. Nonetheless, even if it materialises as a contract award, it is still within our order-book replenishment assumption of RM2.0b with no impact to our estimates. We expect the construction of the commercial complex to take up to 4 years.

Earnings unchanged. No changes to our FY18-19E core earnings, as the potential contract win is part of our order-book replenishment assumption.

Outlook. Its outstanding order-book currently stands at c.RM5.7b after factoring in the contract providing earnings visibility for the next 2.5-3.0 years. As for its property division, its unbilled sales stands at RM177.0m with less than 1-year visibility and management intends to continue with their re-pricing strategy to clear existing inventories amounting to GDV of RM624.0m.

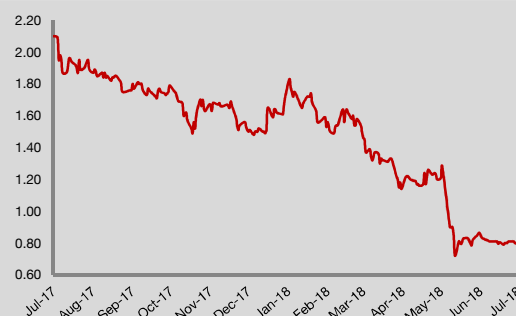
Maintain OUTPERFORM with an unchanged TP of RM1.35. We reiterate our OUTPERFORM call on the stock backed by promising outlook as mentioned above. Our current TP implies FY19E FD PER of 14.3x, below its 5-year average of 18.7x.

Risks to our call include: (i) lower-than-expected margins/order-book replenishment, and (ii) lower government spending on infrastructure projects.

OUTPERFORM ↔

Price : **RM0.830**
Target Price : **RM1.35** ↔

Share Price Performance



KLCI	1,703.57
YTD KLCI chg	-5.2%
YTD stock price chg	-48.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	WCTHG MK Equity
Market Cap (RM m)	1,152.0
Shares Outstanding	1,387.9
52-week range (H)	2.02
52-week range (L)	0.70
3-mth avg daily vol:	11,692,180
Free Float	65%
Beta	0.6

Major Shareholders

Dominion Nexus Sdn Bhd	17.8%
Lembaga Tabung Haji	8.8%
Employees Provident Fund Board	8.6%

Summary Earnings Table

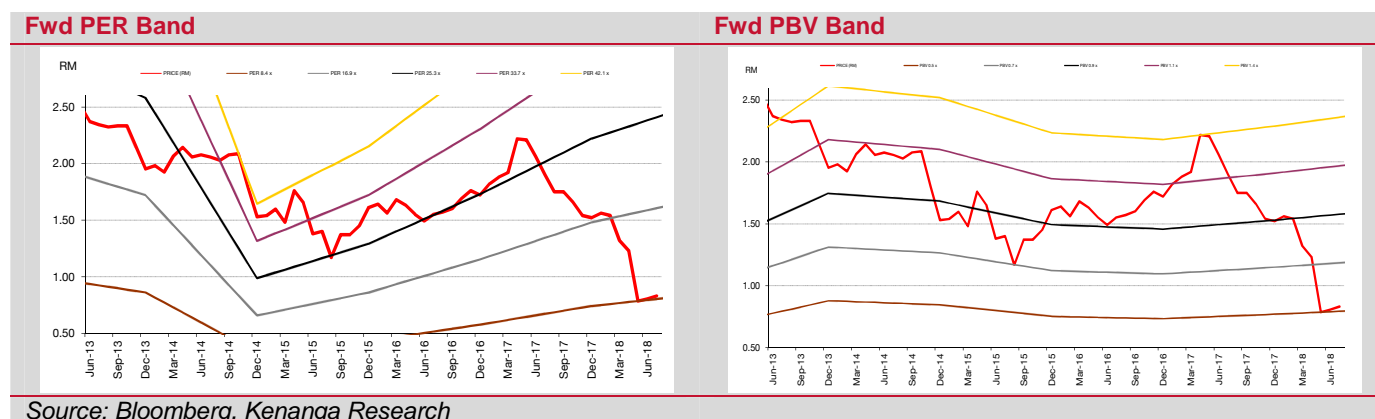
FYE Dec (RM m)	2017A	2018E	2019E
Turnover	1,905.9	2,302.7	2,621.7
EBIT	255.3	282.9	311.4
PBT	230.6	196.3	224.9
Net Profit (NP)	154.6	146.9	168.3
Core net profit	114.4	146.9	168.3
Consensus (NP)	n.a.	155.4	164.0
Earnings Revision	n.a.	n.a.	n.a.
Basic Core EPS	7.3	9.4	10.8
FD Core EPS (sen)	6.4	8.2	9.4
Core EPS growth (%)	35%	28%	15%
DPS (sen)	3.0	0.0	0.0
NTA/Share (RM)	1.61	1.69	1.78
Basic Core PER (x)	11.3	8.8	7.7
FD Core PER (x)	13.0	10.1	8.8
BVPS (RM)	1.61	1.69	1.78
Net Gearing (x)	0.8	0.7	0.7
Dividend Yield (%)	3.6	0.0	0.0



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Sum-of-parts valuation			
Segment	Stake	Method	Value (RMm)
Construction	100%	14x FY18 PER	1,851.0
Property development	100%	RNAV of 50% discount	598.1
Property investment -excl KLIA2 IC	Various	Book Value	473.9
KLIA2 Integrated complex	70%	DCF	435.9
Highway concession in India	30%	Book Value	128.3
Sub Total			3,487.1
Proceeds placement & Warrants E			740.5
Total			4,227.6
No of FD shares			1,789.6
SOP/share			2.09
Target Price (35% discount)			1.35
Implied FY19E PER (x)			11.3
Implied FY19E FD PER (x)			14.3

Source: Kenanga Research



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Income Statement						Financial Data & Ratios					
FY Dec (RMm)	2015A	2016A	2017A	2018E	2019E	FY Dec (RMm)	2015A	2016A	2017A	2018E	2019E
Revenue	1,668	1,934	1,906	2,303	2,622	Growth					
EBITDA	241	167	255	283	311	Turnover (%)	-	16%	-1%	21%	14%
Depreciation	0	0	0	-13	-13	EBITDA (%)	-	-31%	53%	11%	10%
Operating Profit	241	167	255	270	299	OP (%)	-	-31%	53%	6%	11%
Other Income	170	-16	40	0	0	PBT (%)	-	-55%	89%	-15%	15%
Interest Exp	-58	-46	-63	-77	-77	CNP (%)	-	72%	35%	28%	15%
Associate	88	1	-20	3	3	Profitability (%)					
Exceptionals	170	-16	40	0	0	EBITDA Margin	14%	9%	13%	12%	12%
PBT	272	122	231	196	225	Operating Margin	14%	9%	13%	12%	11%
Taxation	-55	-57	-79	-49	-56	PBT Margin	16%	6%	12%	9%	9%
Minority Interest	2	3	3	0	0	Net Margin	3%	4%	6%	6%	6%
Net Profit	219	68	155	147	168	Effective Tax Rate	20%	47%	34%	25%	25%
Core Net Profit	49	85	114	147	168	ROA	1%	1%	2%	2%	2%
						ROE	2%	3%	4%	5%	5%
Balance Sheet						DuPont Analysis					
FY Dec (RMm)	2015A	2016A	2017A	2018E	2019E	Net Margin (%)	3%	4%	6%	6%	6%
PPE	1,929	1,385	1,925	1,883	1,858	Assets T/o (x)	0.3	0.3	0.3	0.3	0.3
Intangible asset	0	0	0	0	0	Leverage Fac. (x)	2.7	2.7	2.5	2.5	2.4
Other FA	1,513	3,323	3,323	3,323	3,323	ROE (%)	2%	3%	4%	5%	5%
Inventories	1,048	132	123	253	358	Leverage					
Receivables	883	827	523	632	719	Debt/Asset (x)	0.5	0.5	0.5	0.5	0.5
Other CA	407	1,226	815	815	815	Debt/Equity (x)	1.5	1.4	1.2	1.2	1.1
Cash	547	455	544	566	625	Net Cash/(Debt)	-1,883	-2,527	-2,238	-2,217	-2,157
Total Assets	6,327	7,348	7,253	7,472	7,698	Net Debt/Eq (x)	0.8	0.9	0.8	0.7	0.7
Payables	465	794	789	861	918	Valuations					
ST Borrowings	584	823	623	623	623	Core FD EPS (sen)	2.8	4.7	6.4	8.2	9.4
Other ST Liab.	595	196	196	196	196	DPS (sen)	6.7	1.3	3.0	0.0	0.0
LT Borrowings	1,846	2,159	2,159	2,159	2,159	FD PER (x)	6.8	21.7	9.6	10.1	8.8
Other LT Liability	453	579	579	579	579	Net Div. Yield (%)	8.1	1.5	3.6	0.0	0.0
Minorities Int.	50	34	31	31	32	BVPS	1.3	1.5	1.6	1.7	1.8
Net Assets	2,333	2,763	2,876	3,022	3,191	P/B (x)	0.6	0.5	0.5	0.5	0.5
Share Capital	2,720	2,942	2,942	2,942	2,942						
Reserves	-387	-179	-67	80	249						
Total Equity	2,333	2,763	2,876	3,022	3,191						
Cashflow Statement											
FY Dec (RMm)	2015A	2016A	2017A	2018E	2019E						
Operating CF	-261.8	181.2	934.4	236.5	257.8						
Investing CF	36.2	-1,266.3	-539.7	-12.8	-12.7						
Financing CF	-178.0	2,447.9	-305.7	-76.8	-76.8						
Change In Cash	-403.6	1,362.8	89.0	146.9	168.3						
Free CF	-170.7	781.4	473.4	272.8	301.4						

Source: Kenanga Research

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Peer Comparison

Name	Last Price	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
STOCKS UNDER COVERAGE																	
EVERSENDAL CORP BHD	0.940	734.1	N	12/2018	1.8%	-5.7%	14.1%	-2.2%	10.6	9.3	9.5	0.8	0.7	7.8%	1.9%	0.720	UP
GAMUDA BHD	3.38	8,341.8	Y	07/2018	20.0%	5.0%	14.8%	13.1%	13.6	11.8	10.5	2.1	2.1	17.7%	3.6%	4.35	OP
GEORGE KENT (MALAYSIA) BHD	1.29	721.5	Y	01/2019	21.8%	6.4%	13.3%	4.4%	3.9	3.4	3.3	1.2	1.0	32.0%	6.8%	2.20	OP
HOCK SENG LEE BERHAD	1.40	769.3	Y	12/2018	31.5%	13.7%	48.3%	12.7%	17.5	11.8	10.5	1.1	1.1	9.4%	1.8%	1.40	MP
IJM CORP BHD	1.81	6,571.9	Y	03/2019	11.9%	1.8%	16.3%	8.0%	15.9	13.6	12.6	0.7	0.7	4.9%	2.9%	2.20	OP
KERJAYA PROSPEK GROUP BHD	1.48	1,838.1	Y	12/2018	32.9%	7.9%	22.8%	8.6%	6.7	5.5	5.0	1.0	0.9	17.6%	2.1%	1.60	MP
KIMLUN CORP BHD	1.31	420.0	Y	12/2018	-3.2%	9.0%	-0.3%	2.9%	5.8	5.8	5.7	0.7	0.6	11.3%	4.1%	1.80	OP
MITRAJAYA HOLDINGS BHD	0.480	429.9	Y	12/2018	-3.6%	-6.6%	19.9%	-12.9%	6.4	5.3	6.1	0.6	0.5	10.7%	4.2%	0.475	MP
MUHIBBAH ENGINEERING (M) BHD	2.88	1,383.4	Y	12/2018	-24.4%	5.7%	28.2%	6.7%	11.3	8.8	8.2	1.4	1.2	14.8%	2.8%	4.15	OP
SUNWAY CONSTRUCTION GROUP BH	1.80	2,326.0	Y	12/2018	0.1%	43.8%	31.3%	9.5%	17.4	13.2	12.1	4.7	4.0	32.6%	3.9%	1.95	MP
WCT HOLDINGS BHD	0.830	1,152.0	Y	12/2018	20.8%	13.9%	28.4%	14.6%	12.1	9.5	8.3	0.5	0.5	5.0%	0.0%	1.35	OP
Simple Average					3.8%	12.3%	21.7%	4.9%	11.0	8.9	8.3	1.3	1.2	14.9%	3.0%		
CONSENSUS ESTIMATES																	
AHMAD ZAKI RESOURCES BERHAD	0.385	204.7	Y	12/2018	N.A.	N.A.	N.A.	N.A.	7.0	N.A.	N.A.	0.4	N.A.	N.A.	N.A.	N.A.	N.A.
BINA PURI HOLDINGS BHD	0.240	69.0	Y	12/2018	N.A.	N.A.	N.A.	N.A.	22.3	N.A.	N.A.	0.3	N.A.	N.A.	N.A.	N.A.	N.A.
GABUNGAN AQRS BHD	1.23	559.5	Y	12/2018	77.5%	21.0%	48.7%	30.0%	11.6	7.8	0.0	1.2	1.5	1577.8%	2.5%	1.88	BUY
GADANG HOLDINGS BHD	0.680	450.0	Y	05/2018	21.6%	28.7%	-6.0%	15.4%	4.5	4.8	0.0	0.7	0.6	1370.0%	4.0%	1.04	BUY
JAKS RESOURCES BHD	1.28	698.8	Y	12/2018	90.5%	-22.4%	-38.5%	6.7%	5.5	9.0	0.0	0.9	0.9	1070.0%	0.0%	1.60	BUY
MUDAJAYA GROUP BHD	0.490	289.0	Y	12/2018	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	0.5	N.A.	N.A.	N.A.	N.A.	N.A.
PINTARAS JAYA BHD	2.56	424.6	Y	06/2018	-41.5%	49.6%	-47.4%	43.3%	11.7	22.3	0.1	1.3	1.3	582.5%	7.8%	2.85	NEUTRAL
PESONA METRO HOLDINGS	0.275	191.1	Y	12/2018	27.4%	2.5%	-3.0%	37.6%	10.0	10.3	0.0	1.2	1.0	1050.0%	4.7%	0.280	SELL
PROTASCO BHD	0.470	232.6	Y	12/2018	3.8%	11.1%	10.6%	16.3%	8.3	7.5	0.0	0.6	0.6	772.5%	7.4%	0.540	SELL
TRC SYNERGY BHD	0.440	211.4	Y	12/2018	17.2%	15.4%	16.7%	29.6%	7.0	6.0	0.0	0.5	0.5	840.0%	4.5%	0.510	NEUTRAL

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Level 12, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my



Chan Ken Yew
Head of Research

