

# WCT Holdings Berhad

**TP: RM1.02 (+22.9%)**

*Secured Job at TRX Lifestyle Quarter*

*Last Traded: RM0.83*

**BUY**

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## Secured Building Works from Lendlease

Lendlease Projects (M) Sdn Bhd (LLPM) and WCT have executed a preliminary works agreement (PWA). It is a prelude to an execution of a trade contract to be carried out prior to 10 October 2018, for the following works intended to be awarded to WCT, comprising: i) four levels of Shopping Complex; ii) three levels of car park; iii) one level open landscape with retail space; and iv) one information centre at TRX Lifestyle Quarter, all for a lump sum of RM555.0mn.

Pursuant to the PWA, WCT shall proceed with certain preliminary works, which form part of the trade contract. WCT will be entitled to be paid up to a maximum of RM27.75mn for carrying preliminary works under the PWA.

## Our View

This is WCT's first construction job win in FY18. With this, the outstanding order book is estimated at RM5.1bn, which could last for another 3 to 4 years.

WCT had completed several shopping complex projects which include Bahrain City Centre, MyTown Shopping Centre, Bukit Tinggi Shopping Centre and The Curve Shopping Centre.

Assuming PBT margin of 7%, we expect this project to contribute a net profit of RM29.5mn, translating to EPS of 2.0sen throughout the contract period.

## Impact

Maintain our FY18 to FY20 earnings forecasts as the job win is within our FY18 order book replenishment assumption of RM1.5bn.

## Valuation

Maintain **BUY** call on WCT with an unchanged target price of **RM1.02**, based on 10x CY19 Earnings.

## Share Information

Bloomberg Code	WCTHG MK
Bursa	WCT
Stock Code	9679
Listing	Main Market
Share Cap (mn)	1387.9
Market Cap (RMmn)	1,152.0
52-wk Hi/Lo (RM)	1.99/0.695
12-mth Avg Daily Vol ('000 shrs)	4761.9
Estimated Free Float (%)	52.2
Beta	0.60

## Major Shareholders (%)

Dominion Nexus Sdn Bhd	17.81
Lembaga Tabung Haji	8.84
Employees Provident Fund	8.62
Skim Amanah Saham	5.71

## Forecast Revision

	FY18	FY19
Forecast Revision (%)	-	-
Net profit (RMmn)	146.9	150.1
Consensus	155.4	164.0
TA's / Consensus (%)	94.5	91.5
Previous Rating	Buy (Maintained)	

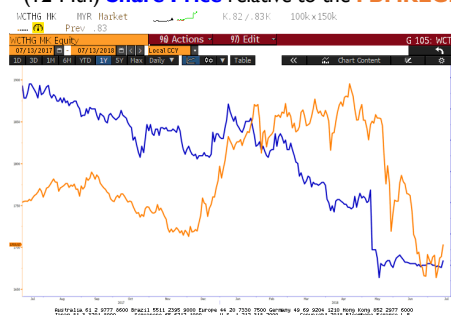
## Financial Indicators

	FY18	FY19
Net Debt / Equity (%)	65.9	61.2
CFPS (sen)	5.1	(3.3)
Price / CFPS (x)	16.3	(25.2)
ROA (%)	2.0	2.1
NTA/Share (RM)	2.2	2.2
Price/NTA (x)	0.4	0.4

## Share Performance (%)

Price Change	WCT	FBM KLCI
1 mth	1.8	(3.4)
3 mth	(30.8)	(8.8)
6 mth	(52.6)	(6.5)
12 mth	(57.4)	(2.9)

## (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

## Earnings Summary (RMmn)

### Profit & Loss (RMmn)

YE Dec 31	2016	2017	2018F	2019F	2020F
Revenue	1933.6	1905.9	2575.0	2408.6	2609.3
COGS	(1694.8)	(1578.2)	(2188.8)	(2047.3)	(2217.9)
Gross profit	238.8	327.7	386.3	361.3	391.4
EBITDA	197.5	327.7	251.0	236.2	247.4
Depr & Amort	(15.0)	(14.2)	(8.0)	(8.8)	(9.5)
EBIT	182.5	313.4	243.0	227.4	237.9
Finance cost	(61.5)	(63.2)	(78.8)	(66.0)	(62.8)
Associates	8.3	2.3	2.4	2.4	2.4
JV	(7.2)	(22.0)	32.0	39.0	41.0
Adj PBT	156.2	170.4	198.5	202.8	218.5
Tax	(56.8)	(78.7)	(45.7)	(46.7)	(50.2)
MI	3.2	2.7	(6.0)	(6.1)	(6.6)
Net profit	68.4	154.6	146.9	150.1	161.7
EI	(34.2)	60.3	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>102.6</b>	<b>94.4</b>	<b>146.9</b>	<b>150.1</b>	<b>161.7</b>

### Cash Flow (RMmn)

YE Dec 31	2016	2017	2018F	2019F	2020F
PBT	122.0	230.6	198.5	202.8	218.5
Depr & Amort	15.0	14.2	8.0	8.8	9.5
Tax	(41.5)	(54.9)	(45.7)	(46.7)	(50.2)
Associate and JV	(1.0)	19.6	(2.4)	(2.4)	(2.4)
OP before w/cpt change	152.7	222.3	283.0	275.2	288.4
Other Operating CF (net)	(411.1)	(454.1)	116.2	(325.3)	(311.7)
<b>CFO</b>	<b>(163.9)</b>	<b>(22.2)</b>	<b>557.7</b>	<b>112.5</b>	<b>152.1</b>
Capex	(59.1)	(117.7)	(39.6)	(41.6)	(30.0)
Others	(179.4)	(105.6)	133.3	50.0	0.0
<b>CFI</b>	<b>(238.6)</b>	<b>(223.3)</b>	<b>93.7</b>	<b>8.4</b>	<b>(30.0)</b>
Net Addition/(Rpmt)	243.6	18.3	(536.5)	(131.8)	(178.4)
Dividend Paid	(25.0)	0.0	(45.0)	(46.5)	(46.5)
Others	104.0	378.7	6.3	6.3	6.3
<b>CFF</b>	<b>322.6</b>	<b>397.0</b>	<b>(575.2)</b>	<b>(172.0)</b>	<b>(218.6)</b>
Change in cash	(79.9)	151.5	76.3	(51.1)	(96.5)
Forex	17.4	-46.4	0.0	0.0	0.0
<b>Net Cash Flow</b>	<b>(62.5)</b>	<b>105.1</b>	<b>76.3</b>	<b>(51.1)</b>	<b>(96.5)</b>
Cash and bank balances	455.1	527.2	603.5	552.4	455.8
Adjustment	(119.1)	(86.1)	0.0	0.0	0.0
Cash & cash equivalent	336.0	441.1	603.5	552.4	455.8

### Balance Sheet (RMm)

YE Dec 31	2016	2017	2018F	2019F	2020F
Fixed Assets	328.3	341.0	372.6	405.4	425.8
Land held for property development	1437.4	1554.0	1504.0	1454.0	1454.0
Associates + JV	650.9	614.0	616.4	618.8	621.2
Investment Properties	1124.8	1594.4	1594.4	1594.4	1594.4
Others	1218.0	815.5	815.5	815.5	815.5
<b>LT Assets</b>	<b>4759.5</b>	<b>4918.9</b>	<b>4902.8</b>	<b>4888.0</b>	<b>4910.8</b>
Inventories	132.0	461.2	457.8	487.3	493.7
Trade and other receivables	1081.3	1526.5	716.3	679.8	723.8
Deposits, cash and bank balances	455.1	527.2	603.5	552.4	455.8
Others	912.5	709.7	638.3	658.9	675.8
<b>ST Assets</b>	<b>2580.9</b>	<b>3224.6</b>	<b>2415.9</b>	<b>2378.4</b>	<b>2349.2</b>
<b>Total Assets</b>	<b>7340.4</b>	<b>8143.5</b>	<b>7318.7</b>	<b>7266.4</b>	<b>7260.0</b>

Trade and other payables	967.9	1216.5	814.0	777.6	821.6
ST Borrowings	823.5	1028.0	741.6	659.8	530.4
Others	13.1	13.7	13.7	13.7	13.7
<b>ST Liabilities</b>	<b>1804.5</b>	<b>2258.3</b>	<b>1569.4</b>	<b>1451.1</b>	<b>1365.7</b>
LT Borrowings	2158.7	2257.1	2007.1	1957.1	1908.1
Others	579.2	481.4	473.3	465.2	457.1
<b>LT Liabilities</b>	<b>2737.9</b>	<b>2738.5</b>	<b>2480.4</b>	<b>2422.3</b>	<b>2365.2</b>
Share Cap	631.1	3210.1	3217.3	3224.5	3231.7
Reserves	(165.7)	(71.2)	30.7	134.3	249.5
Share Premium	2311.0	0.0	7.2	14.4	21.6
Treasury shares	(12.2)	(0.4)	(0.4)	(0.4)	(0.4)
<b>Shareholder's Funds</b>	<b>2764.1</b>	<b>3138.6</b>	<b>3254.9</b>	<b>3372.9</b>	<b>3502.4</b>
MI	33.9	8.1	14.0	20.1	26.7
<b>Liabilities + Equities</b>	<b>7340.4</b>	<b>8143.5</b>	<b>7318.7</b>	<b>7266.4</b>	<b>7260.0</b>

### Ratio

YE Dec 31	2016	2017	2018F	2019F	2020F
EBITDA margin (%)	10.2	17.2	9.7	9.8	9.5
Core EPS (sen)	8.3	6.9	9.8	9.7	10.4
EPS Growth (%)	66.6	(17.0)	42.1	(1.1)	7.7
PER (x)	10.0	12.0	8.5	8.6	8.0
GDPS (sen)	0.0	3.0	3.0	3.0	3.0
Share dividend (%)	0.6	0.0	0.0	0.0	0.0
Div Yield (%)#	0.6	3.6	3.6	3.6	3.6
Net gearing (x)	0.9	0.9	0.7	0.6	0.6
ROE (%)	3.8	3.2	4.6	4.5	4.7
ROA (%)	1.4	1.2	2.0	2.1	2.2
NTA/share (RM)	2.2	2.2	2.2	2.2	2.3
P/NTA (x)	0.4	0.4	0.4	0.4	0.4

#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 Friday, July 13, 2018, the analyst, Ooi Beng Hooi, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

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