

UOBKH HIGHLIGHTS

WCT Holdings (WCT MK/BUY/RM0.83/Target: RM1.12)**Bags RM555m Job From Lendlease**

WHAT'S NEW

WCT Holdings has secured a contract from Lendlease Projects Sdn Bhd to develop a mixed commercial property project called TRX Lifestyle Quarter in Tun Razak Exchange worth RM555m. The mixed commercial development comprises a 4-storey shopping complex, 3-storey car park, one level of open landscape with retail space and an information centre. Meanwhile, WCT is subject to the terms of a preliminary works agreement executed with Lendlease which includes the procurement of performance bonds and the relevant insurance, commencement of mobilisation activities, mobilisation of project staff, plants and equipment, and sending of notification to local authorities; WCT will be entitled to up to a maximum of RM28m for carrying out preliminary works.

COMMENTS

- **Contract win came in within expectations.** To date, this is the first job secured by WCT, representing one-third of our RM1.5b replenishment target for the year. We expect WCT to secure more jobs in 2H18, predominantly local building jobs which are related to existing projects (ie TRX).
- **Project to contribute RM40m profit in 2018-21.** Assuming a 7% net margin, we estimate this project would contribute RM8m, RM12m, RM12m and RM8m in net profits in 2018-21 respectively.
- **New job lifts outstanding orderbook to approximately RM5.1b**, implying an orderbook cover of 3.6x 2017 construction revenue. Key jobs in orderbook include: a) LRT3 (RM1.4b), b) TRX (RM1b) c) MRT2 (RM880m), and d) PBH Sarawak (RM830m).
- No change to earnings forecasts as we had assumed a RM1.5b orderbook replenishment for 2018.

RECOMMENDATION

- **Maintain BUY and target price of RM1.12.** The job win is pertinent as the stock's highly depressed valuation has not imputed much option value of WCT clinching significant contracts post election. This, coupled with its strong orderbook and the recent job wins, will help the company sustain earnings in the medium term. Our target price is based on a 20% discount to our SOTP valuation of RM1.40/share and implies 9.5x 2019F PE (historical mean PE: 15x).

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