

Malaysia

September 18, 2018 - 6:57 PM

HOLD (no change)

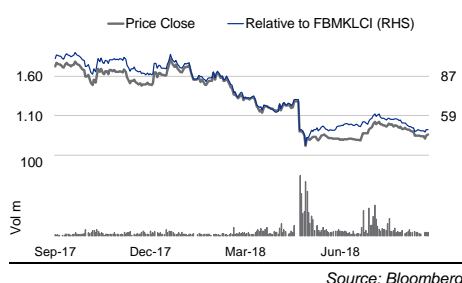
Consensus ratings*: Buy 5 Hold 6 Sell 4

Current price:	RM0.86
Target price:	RM0.89
Previous target:	RM0.89
Up/downside:	3.5%
CGS-CIMB / Consensus:	-7.8%
Reuters:	WCTE.KL
Bloomberg:	WCTHG MK
Market cap:	US\$287.2m
	RM1,189m
Average daily turnover:	US\$1.71m
	RM6.94m
Current shares o/s	1,258m
Free float:	62.3%

*Source: Bloomberg

Key financial forecasts

	Dec-18F	Dec-19F	Dec-20F
Net Profit (RMm)	115.9	149.2	167.5
Core EPS (RM)	0.09	0.12	0.13
Core EPS Growth	(25.0%)	28.7%	12.2%
FD Core P/E (x)	12.31	9.56	8.52
Recurring ROE	3.99%	5.53%	6.08%
P/BV (x)	0.41	0.40	0.39
DPS (RM)	0.028	0.047	0.053
Dividend Yield	3.21%	5.52%	6.19%



Price performance	1M	3M	12M
Absolute (%)	-11.8	6.2	-52.2
Relative (%)	-12.9	3.8	-53.5

Major shareholders	% held
Tan Sri Desmond Lim Siew Choon	19.7
Lembaga Tabung Haji	10.2
EPF	7.9

Analyst(s)

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WCT Holdings

Bumper RM1.8bn job from a related party

- WCT has won a RM1.8bn contract for Pavilion Damansara Heights (PDH).
- This is an RPT, which raises order book by 33% to RM7.2bn. This news is positive but not a major surprise as its in line with job targets for this year.
- Expect limited upside to share price from this win, mitigated by subdued property sales in 2H18F. Hold rating and TP retained (60% RNAV disc.).

RM1.8bn building contract from sister company

- WCT announced that it secured a RM1.8bn contract for parcel 1 of Pavilion Damansara Heights. The packages comprise 1) nine blocks of office towers and 2) three blocks of service apartments located on a podium block featuring a retail space. The superstructure construction works also cover mezzanine floors, lower ground floor and a basement car park.
- The contract was awarded by Impian Ekspresi Sdn Bhd (IESB), a unit under The Malton and Pavillion Groups, which are WCT's sister companies related to Executive Chairman Tan Sri Desmond Lim Siew Choon, who also owns a 20% stake in WCT following a buy-out in Nov 2016.
- Though this award is considered a related party transaction (RPT), the RM1.8bn job can, by far, be considered as a massive superstructure and building works contract for a commercial/retail and high-rise residential development located in a prime area of Damansara. Both Tan Sri Desmond and WCT's Group MD Dato' Lee Tuck Fook reside on the Board of IESB.
- The contract involves phase/parcel 1 of the Pavilion Damansara Heights masterplan; the contract is targeted to commence works this month (Sep) and is for a period of 38 months; 3 years and 2 months. WCT is only a contractor and does not own the project.

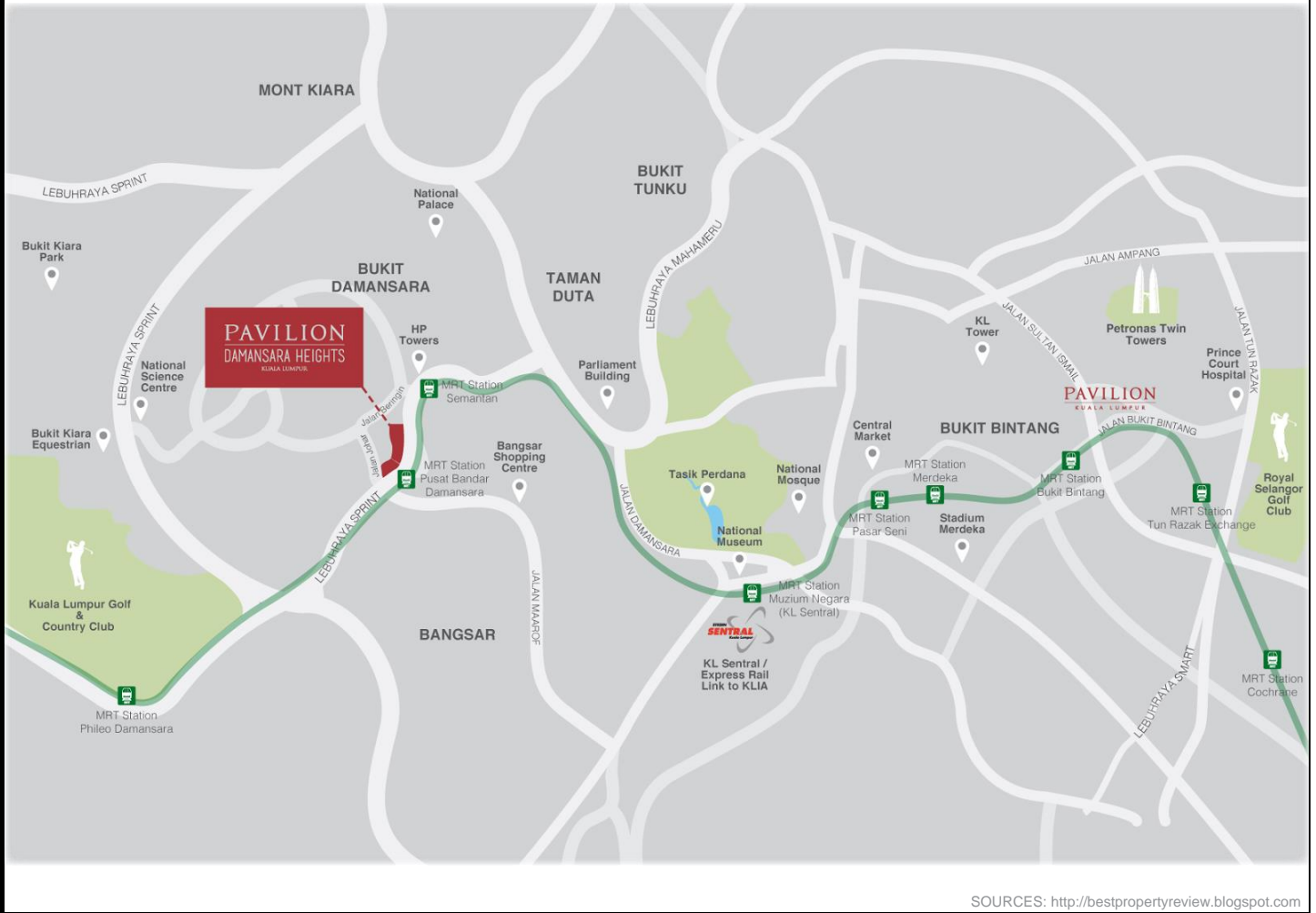
Background of Pavilion Damansara Heights (PDH)

- PDH is a JV between Pavilion Group (51%) and Canadian Pension Plan Investment Board (CPPIB; 49%). PDH is a mixed integrated development to be built on a 16-acre land located to the left of the Pusat Bandar Damansara MRT station (MRT Sg. Buloh-Kajang, SBK line) heading to Sg. Buloh.
- The development comprises 10 office blocks, of which eight are en bloc portions and two strata portions. Based on Star Online news in Sep 2017, seven of the en bloc units have been acquired. At the time, 70% of PDH had been sold.
- PDH will boast 1.5m sq ft of office space. The highest block is between 40 and 50 storeys high while the lowest is an 11-storey block with a net lettable area (NLA) of 75k sq ft. PDH is part of the bigger masterplan for the new Pusat Bandar Damansara (PBD), which covers a total area of 46 acres, shared with the Pavilion Group (via its 16-acre PDH) and other developers.
- The residential portion of PDH will offer 1,300 units. It was reported in Sep that the residential units range between 600 sq ft and 2,800 sq ft (average selling prices of RM1,800 psf to as much as RM2,500 psf at the time). As reported in the press in Sep 2017, PDH will have a combined gross development value (GDV) of RM9bn.

Positive but not a major surprise; Hold retained with unchanged TP

- This news is positive but not a major surprise as management had guided much earlier that the group was vying for as much as RM2bn wins from its sister company.
- This contract raises total YTD wins to RM2.3bn, 16% above WCT's RM2bn targeted in FY18F and 55% above our RM1.5bn assumed wins this year. Order book surges by 33%, boosted by this RPT job win, to RM7.2bn.
- FY18-20F EPS maintained as we expect the estimated RM30m-35m net profit p.a. with 5-6% net margin from the new contract to spill over into FY19F and make up for the weakness in property earnings.
- We expect limited upside to share price from this news as it is mitigated by the subdued property sales outlook. Maintain Hold with unchanged TP. Upside risk is more job wins. Downside risks; weaker sales and further delays in REIT plans.

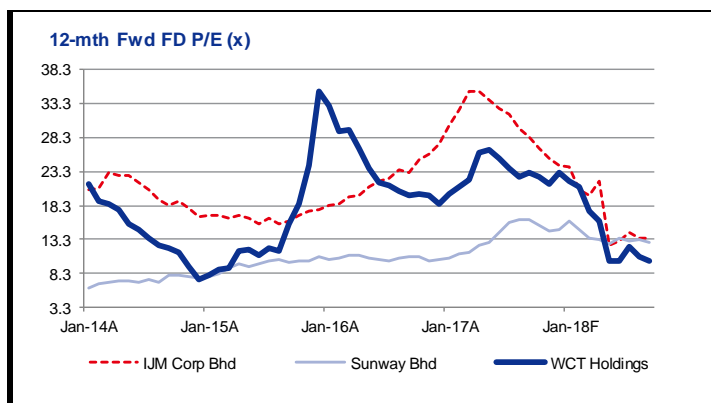
Figure 1: Location of PDH



BY THE NUMBERS

Profit & Loss				
(RMm)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	1,906	2,143	2,148	2,154
Gross Profit	348	316	343	358
Operating EBITDA	53	56	98	118
Depreciation And Amortisation	(22)	(28)	(31)	(33)
Operating EBIT	31	28	67	85
Financial Income/(Expense)	(39)	(48)	(49)	(49)
Pretax Income/(Loss) from Assoc.	20	12	12	13
Non-Operating Income/(Expense)	220	170	178	187
Profit Before Tax (pre-EI)	231	162	209	235
Exceptional Items	0	0	0	0
Pre-tax Profit	231	162	209	235
Taxation	(79)	(48)	(63)	(71)
Exceptional Income - post-tax				
Profit After Tax	152	113	146	165
Minority Interests	3	3	3	3
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	155	116	149	167
Recurring Net Profit	155	116	149	167
Fully Diluted Recurring Net Profit	155	116	149	167

Cash Flow				
(RMm)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	52.9	56.4	98.1	117.9
Cash Flow from Inv. & Assoc.				
Change In Working Capital	142.0	(466.8)	(28.0)	(29.1)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	78.7	79.5	80.3	81.1
Net Interest (Paid)/Received	(39.2)	(47.9)	(48.6)	(49.5)
Tax Paid	(78.7)	(48.5)	(62.7)	(70.5)
Cashflow From Operations	155.8	(427.3)	39.0	49.9
Capex	(38.7)	(46.9)	(42.8)	(44.9)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(172.5)	(163.9)	(155.7)	(147.9)
Other Investing Cashflow	34.3	30.9	27.8	25.0
Cash Flow From Investing	(176.9)	(179.9)	(170.7)	(167.7)
Debt Raised/(repaid)	303.0	(32.9)	(32.5)	(32.2)
Proceeds From Issue Of Shares	221.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(42.5)	(42.5)	(42.5)	(42.5)
Preferred Dividends				
Other Financing Cashflow	175.6	169.7	155.1	155.1
Cash Flow From Financing	657.0	94.4	80.1	80.4
Total Cash Generated	635.9	(512.8)	(51.6)	(37.4)
Free Cashflow To Equity	281.8	(640.0)	(164.2)	(150.0)
Free Cashflow To Firm	42.0	(541.1)	(64.0)	(48.2)



Balance Sheet				
(RMm)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	527	538	548	559
Total Debtors	1,528	1,512	1,497	1,482
Inventories	461	110	115	121
Total Other Current Assets	701	619	619	620
Total Current Assets	3,217	2,779	2,780	2,783
Fixed Assets	338	356	374	393
Total Investments	2,208	2,210	2,211	2,212
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	2,369	2,332	2,379	2,426
Total Non-current Assets	4,916	4,898	4,964	5,031
Short-term Debt	1,028	1,018	1,008	998
Current Portion of Long-Term Debt				
Total Creditors	1,209	1,248	1,288	1,329
Other Current Liabilities	11	11	11	11
Total Current Liabilities	2,248	2,276	2,306	2,337
Total Long-term Debt	2,257	2,235	2,212	2,190
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	429	433	437	441
Total Non-current Liabilities	2,686	2,667	2,649	2,632
Total Provisions	53	53	53	53
Total Liabilities	4,987	4,997	5,009	5,022
Shareholders' Equity	3,139	2,671	2,727	2,784
Minority Interests	8	8	8	8
Total Equity	3,147	2,679	2,736	2,792

Key Ratios				
	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	(1.4%)	12.4%	0.3%	0.3%
Operating EBITDA Growth	(56.1%)	6.6%	73.8%	20.3%
Operating EBITDA Margin	2.78%	2.63%	4.56%	5.47%
Net Cash Per Share (RM)	(2.19)	(2.16)	(2.12)	(2.09)
BVPS (RM)	2.49	2.12	2.17	2.21
Gross Interest Cover	0.49	0.42	0.99	1.22
Effective Tax Rate	34.1%	30.0%	30.0%	30.0%
Net Dividend Payout Ratio	19.8%	26.4%	20.5%	18.3%
Accounts Receivables Days	210.2	231.8	228.9	226.6
Inventory Days	69.47	57.07	22.78	24.10
Accounts Payables Days	205.4	195.6	205.8	215.7
ROIC (%)	0.53%	0.48%	1.32%	1.65%
ROCE (%)	4.46%	3.47%	4.41%	4.85%
Return On Average Assets	2.33%	1.87%	2.35%	2.57%

Key Drivers				
(RMm)	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Outstanding Orderbook	2,300	1,900	1,500	1,100
Order Book Depletion	1,900	1,900	1,900	1,900
Orderbook Replenishment	1,500	1,500	1,500	1,500
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (% main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% 2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (% 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2018		
1203 companies under coverage for quarter ended on 30 June 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	62.3%	4.5%
Hold	26.2%	2.5%
Reduce	9.3%	0.8%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BGP** – Excellent, Certified, **BPCG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – not available, n/a, **BH** – Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** – Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared,

GRAMMY - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.