

# WCT Holdings Berhad

Secures RM1.77bn Construction Job at Pavilion Damansara Heights

**TP: RM1.01 (+9.8%)**

Last Traded: RM0.92

**BUY**

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## Chunky Job Win

WCT has accepted a letter of award from Impian Ekspresi Sdn Bhd (IESB), for the construction and completion of superstructure works for a commercial development at Pavilion Damansara Heights, for a contract sum of RMI,774mn.

The scope of works includes the construction and completion of 9 blocks of office tower and 3 blocks of service apartment on a podium block comprising retail space, mezzanine floors and works to lower ground floor and basement car park.

The works are expected to commence in September 2018, and are expected to be completed within a period of 38 months.

This is considered a related party transaction as Tan Sri Lim, the Executive Chairman of WCT, has an indirect equity interest in IESB, and both Tan Sri Lim and Dato' Lee Tuck Fook, the Group Managing Director of WCT, sit on the Board of IESB. WCT had obtained shareholders' mandate at the most recent AGM, for the recurrent related party transaction.

## Our View

This is WCT's second construction job win in FY18, bringing the YTD job wins to RM2,329mn. With this, the outstanding order book is estimated at RM6.6bn, which could last the group for another 3 to 4 years.

Assuming an operating margin of 7%, we expect this project to contribute a net profit of RM94.4mn, or EPS of 6.7sen throughout the contract period.

## Impact

As the YTD construction job wins have exceeded our previous assumption of RM1.5bn for FY18, we raise the FY18 order book replenishment assumption to RM2,329mn to reflect the total amount of construction job wins YTD, and raise FY18/FY19/FY20 earnings forecasts by 0.3%/8.9%/5.7%.

## Valuation

We raise the target price from RM0.93 to **RM1.01**, based on unchanged 10x CY19 earnings. Maintain **BUY**.

## Share Information

Bloomberg Code	WCTHG MK
Bursa	WCT
Stock Code	9679
Listing	Main Market
Share Cap (mn)	1382.2
Market Cap (RMmn)	1,271.6
52-wk Hi/Lo (RM)	1.83/0.695
12-mth Avg Daily Vol ('000 shrs)	6266.8
Estimated Free Float (%)	49.0
Beta	0.91

## Major Shareholders (%)

Dominion Nexus Sdn Bhd	17.89
Lembaga Tabung Haji	8.88
Employees Provident Fund	7.99
Kumpulan Wang Persaraan	6.14
Skim Amanah Saham	5.74

## Forecast Revision

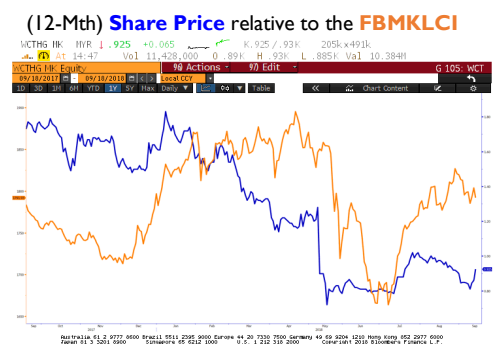
	FY18	FY19
Forecast Revision (%)	0.3	8.9
Net profit (RMmn)	107.3	148.4
Consensus	144.7	153.9
TA's / Consensus (%)	74.1	96.4
Previous Rating	Buy (Maintained)	

## Financial Indicators

	FY18	FY19
Net Debt / Equity (%)	68.0	63.2
CFPS (sen)	15.8	(3.4)
Price / CFPS (x)	5.8	(27.0)
ROA (%)	1.4	2.0
NTA/Share (RM)	2.1	2.1
Price/NTA (x)	0.4	0.4

## Share Performance (%)

Price Change	WCT	FBM KLCI
1 mth	(3.2)	0.5
3 mth	13.6	2.8
6 mth	(32.8)	(2.9)
12 mth	(46.8)	0.5



## Earnings Summary (RMmn)

Profit & Loss (RMmn)					
YE Dec 31	2016	2017	2018F	2019F	2020F
Revenue	1933.6	1905.9	2447.9	2583.8	2824.5
COGS	(1694.8)	(1578.2)	(2080.7)	(2196.2)	(2400.8)
Gross profit	238.8	327.7	367.2	387.6	423.7
EBITDA	197.5	327.7	297.0	285.4	297.6
Depr & Amort	(15.0)	(14.2)	(8.0)	(8.8)	(9.5)
EBIT	182.5	313.4	289.0	276.6	288.1
Finance cost	(61.5)	(63.2)	(105.1)	(88.5)	(84.5)
Associates	8.3	2.3	2.4	2.4	2.4
JV	(7.2)	(22.0)	2.0	10.0	15.0
Adj PBT	156.2	170.4	188.2	200.5	221.0
Tax	(56.8)	(78.7)	(75.3)	(46.1)	(50.8)
MI	3.2	2.7	(5.6)	(6.0)	(6.6)
Net profit	68.4	154.6	107.3	148.4	163.5
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>107.3</b>	<b>148.4</b>	<b>163.5</b>

## Cash Flow (RMmn)

YE Dec 31	2016	2017	2018F	2019F	2020F
PBT	122.0	230.6	188.2	200.5	221.0
Depr & Amort	15.0	14.2	8.0	8.8	9.5
Tax	(41.5)	(54.9)	(75.3)	(46.1)	(50.8)
Associate and JV	(1.0)	19.6	(2.4)	(2.4)	(2.4)
OP before w/cptchange	152.7	222.3	299.0	295.4	312.6
Other Operating CF (net)	(411.1)	(454.1)	100.2	(345.5)	(335.9)
<b>CFO</b>	<b>(163.9)</b>	<b>(22.2)</b>	<b>517.8</b>	<b>110.7</b>	<b>154.0</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	(336.5)	(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>(375.2)</b>	<b>(172.0)</b>	<b>(218.6)</b>
Change in cash	(79.9)	151.5	236.4	(52.9)	(94.6)
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>236.4</b>	<b>(52.9)</b>	<b>(94.6)</b>
Cash and bank balances	455.1	527.2	763.6	710.7	616.1
Adjustment	(119.1)	(86.1)	0.0	0.0	0.0
Cash & cash equivalent	336.0	441.1	763.6	710.7	616.1

## Balance Sheet (RMmn)

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	688.5	718.2	771.0
Deposits, cash and bank balances	455.1	527.2	763.6	710.7	616.1
Others	912.5	709.7	638.3	658.9	675.8
<b>ST Assets</b>	<b>2580.9</b>	<b>3224.6</b>	<b>2548.1</b>	<b>2575.1</b>	<b>2556.6</b>
<b>Total Assets</b>	<b>7340.4</b>	<b>8143.5</b>	<b>7450.9</b>	<b>7463.1</b>	<b>7467.4</b>
Trade and other payables	967.9	1216.5	786.2	816.0	868.7
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>1541.5</b>	<b>1489.5</b>	<b>1412.8</b>
LT Borrowings	2158.7	2257.1	2207.1	2157.1	2108.1
Others	579.2	481.4	473.3	465.2	457.1
<b>LT Liabilities</b>	<b>2737.9</b>	<b>2738.5</b>	<b>2680.4</b>	<b>2622.3</b>	<b>2565.2</b>
Share Cap	631.1	3210.1	3217.3	3224.5	3231.7
Reserves	(165.7)	(71.2)	(8.9)	93.0	210.0
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>3215.3</b>	<b>3331.6</b>	<b>3463.0</b>
MI	33.9	8.1	13.7	19.8	26.4
<b>Liabilities + Equities</b>	<b>7340.4</b>	<b>8143.5</b>	<b>7450.9</b>	<b>7463.1</b>	<b>7467.4</b>

## Ratio

YE Dec 31	2016	2017	2018F	2019F	2020F
EBITDA margin (%)	10.2	17.2	12.1	11.0	10.5
Core EPS (sen)	8.3	6.9	7.2	9.6	10.5
EPS Growth (%)	66.6	(17.0)	3.8	33.9	10.2
PER (x)	11.1	13.4	12.9	9.6	8.7
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	3.3	3.3	3.3	3.3
Net gearing (x)	0.9	0.9	0.7	0.6	0.6
ROE (%)	3.8	3.2	3.4	4.5	4.8
ROA (%)	1.4	1.2	1.4	2.0	2.2
NTA/share (RM)	2.2	2.2	2.1	2.1	2.2
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 Tuesday, September 18, 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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