

WCT Holdings Bhd

Bags Pavilion Damansara Construction

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Yesterday, WCT announced that they have received a letter of award of construction works for Pavilion Damansara Heights worth RM1.8b. Neutral as there are no changes to FY18-19E earnings. Maintain **OUTPERFORM** with an unchanged Target Price of RM1.35.

News. Yesterday, WCT accepted a letter of award from Impian Ekspresi Sdn Bhd (IESB) for 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 (for Pavilion Damansara Heights) for a contract sum of approximately RM1.8b over 38 months.

The second for the year. This would be the second contract bagged by WCT, and we are positive with the contract award which would bring its year-to-date replenishment up to RM2.3b exceeding our target of RM2.0b by 16%. To recap, the first contract secured by WCT is the construction of a commercial complex, with an indicative value of RM555.0m based on a letter of intent from Lendlease. Currently, they are still waiting for a letter of award for that particular project as the project costs have yet to be finalised. Assuming pre-tax margin of 10%, the project would contribute c.RM42.0m per annum to its bottom-line.

Earnings unchanged. While its year-to-date replenishment might have exceeded our target of RM2.0b, we are keeping our FY18-19E earnings unchanged, as we have factored in minimal billing contributions from its first contract award in FY18 as the project costs have yet to be finalised and spill over to our FY19E replenishment target of RM1.5b.

Outlook. This latest contract win boosts its outstanding order-book to c.RM7.1b (previously, RM5.3b) providing earnings visibility for the next 2.5-3.0 years. As for its property division, its unbilled sales stands at RM161.0m with less than 1-year visibility and the management team intends to continue with its re-pricing strategy to clear existing inventories amounting to GDV of RM603.0m.

Maintain OUTPERFORM with an unchanged TP of RM1.35. We reiterate our OUTPERFORM call on the stock backed by improving outlook as mentioned above coupled with management's relentless effort to de-gear. 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 : **RM0.930**
Target Price : **RM1.35** ↔

Share Price Performance



KLCI	1,792.94
YTD KLCI chg	-0.2%
YTD stock price chg	-42.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	WCTHG MK Equity
Market Cap (RM m)	1,285.4
Shares Outstanding	1,382.2
52-week range (H)	1.83
52-week range (L)	0.70
3-mth avg daily vol:	8,100,589
Free Float	65%
Beta	0.9

Major Shareholders

Dominion Nexus Sdn Bhd	17.9%
Lembaga Tabung Haji	8.9%
Employees Provident Fund Board	8.0%

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.	145.1	154.8
Earnings Revision	n.a.	0%	0%
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)	12.5	9.7	8.5
FD Core PER (x)	14.5	11.3	9.9
BVPS (RM)	1.61	1.69	1.78
Net Gearing (x)	0.8	0.7	0.7
Dividend Yield (%)	3.3	0.0	0.0



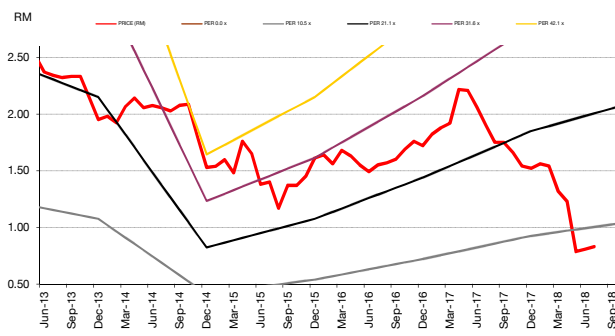
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Sum-of-parts valuation

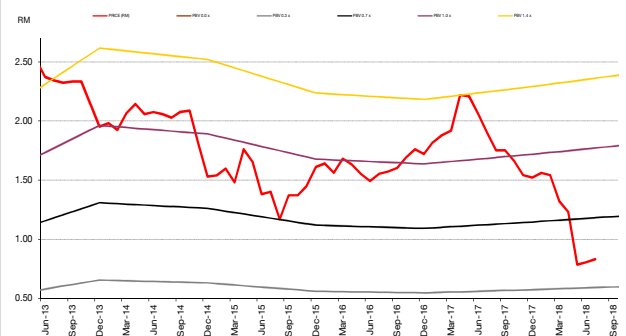
<u>Segment</u>	<u>Stake</u>	<u>Method</u>	<u>Value (RMm)</u>
Construction	100%	10x FY19 PER	1,582.1
Property development	100%	RNAV of 70% discount	379.0
Property investment -excl KLIA2 IC	Various	Book Value	473.9
KLIA2 Integrated complex	70%	DCF	435.9
Highway concession in India	30%	Book Value	128.3
Sub Total			2,999.2
Proceeds placement & Warrants E			740.5
Total			3,739.7
No of FD shares			1,789.6
SOP/share			2.09
Target Price (35% discount)			1.35
Implied Basic FY19E PER (x)			11.3
Implied FD FY19E PER (x)			14.3

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, 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											
FY Dec (RMm)	2015A	2016A	2017A	2018E	2019E	DuPont Analysis					
PPE	1,929	1,385	1,925	1,883	1,858	Net Margin (%)	3%	4%	6%	6%	6%
Intangible asset	0	0	0	0	0	Assets T/o (x)	0.3	0.3	0.3	0.3	0.3
Other FA	1,513	3,323	3,323	3,323	3,323	Leverage Fac. (x)	2.7	2.7	2.5	2.5	2.4
Inventories	1,048	132	123	253	358	ROE (%)	2%	3%	4%	5%	5%
Receivables	883	827	523	632	719	Leverage					
Other CA	407	1,226	815	815	815	Debt/Asset (x)	0.5	0.5	0.5	0.5	0.5
Cash	547	455	544	566	625	Debt/Equity (x)	1.5	1.4	1.2	1.2	1.1
Total Assets	6,327	7,348	7,253	7,472	7,698	Net Cash/(Debt)	-1,883	-2,527	-2,238	-2,217	-2,157
Payables	465	794	789	861	918	Net Debt/Eq (x)	0.8	0.9	0.8	0.7	0.7
ST Borrowings	584	823	623	623	623	Valuations					
Other ST Liab.	595	196	196	196	196	Core FD EPS (sen)	2.8	4.7	6.4	8.2	9.4
LT Borrowings	1,846	2,159	2,159	2,159	2,159	DPS (sen)	6.7	1.3	3.0	0.0	0.0
Other LT Liability	453	579	579	579	579	FD PER (x)	7.5	24.1	10.6	11.2	9.8
Minorities Int.	50	34	31	31	32	Net Div. Yield (%)	7.3	1.4	3.3	0.0	0.0
Net Assets	2,333	2,763	2,876	3,022	3,191	BVPS	1.3	1.5	1.6	1.7	1.8
Share Capital	2,720	2,942	2,942	2,942	2,942	P/B (x)	0.7	0.6	0.6	0.5	0.5
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																	
EVERSENDAI CORP BHD	0.685	535.0	N	12/2018	-4.1%	-4.3%	2.1%	0.9%	8.5	8.3	8.2	0.9	0.5	8.0%	0.0%	0.665	UP
GAMUDA BHD	3.42	8,440.7	Y	07/2018	20.0%	5.0%	14.9%	7.4%	12.0	10.5	9.8	1.1	1.1	10.4%	4.0%	4.30	OP
GEORGE KENT (MALAYSIA) BHD	1.35	751.5	Y	01/2019	21.8%	6.4%	13.3%	4.4%	4.1	3.6	3.4	1.3	1.1	32.0%	6.5%	2.20	OP
HOCK SENG LEE BERHAD	1.37	752.8	Y	12/2018	18.0%	18.6%	31.4%	17.7%	16.2	12.3	10.5	1.0	1.0	8.1%	1.6%	1.30	UP
IJM CORP BHD	1.77	6,426.7	Y	03/2019	11.9%	3.8%	12.4%	9.7%	15.6	13.9	12.7	0.7	0.7	4.8%	2.9%	2.15	OP
KERJAYA PROSPEK GROUP BHD	1.42	1,763.3	Y	12/2018	32.9%	7.9%	16.9%	6.1%	14.2	12.1	11.4	2.2	1.9	16.8%	2.2%	1.50	MP
KIMLUN CORP BHD	1.25	414.8	Y	12/2018	-9.5%	6.5%	-14.1%	7.4%	5.9	6.8	6.3	0.7	0.6	9.5%	3.7%	1.60	OP
MITRAJAYA HOLDINGS BHD	0.405	362.7	Y	12/2018	-16.4%	-9.9%	-28.5%	7.4%	5.1	7.2	6.7	0.5	0.5	6.8%	4.9%	0.395	UP
MUHIBBAH ENGINEERING (M) BHD	2.82	1,357.5	Y	12/2018	-24.4%	5.7%	28.2%	6.7%	11.0	8.6	8.1	1.3	1.2	14.8%	2.9%	4.15	OP
SUNWAY CONSTRUCTION GROUP BHD	1.76	2,274.4	Y	12/2018	11.9%	13.2%	11.6%	17.4%	17.0	15.3	13.0	4.1	3.7	25.6%	4.0%	1.80	UP
WCT HOLDINGS BHD	0.930	1,285.4	Y	12/2018	20.8%	13.9%	28.4%	14.6%	14.5	11.3	9.9	0.6	0.6	5.0%	0.0%	1.35	OP
Simple Average					7.5%	6.1%	10.6%	9.1%	11.3	10.0	9.1	1.3	1.2	12.9%	3.0%		
CONSENSUS ESTIMATES																	
AHMAD ZAKI RESOURCES BERHAD	0.420	223.3	Y	12/2018	N.A.	N.A.	N.A.	N.A.	7.6	N.A.	N.A.	0.5	N.A.	N.A.	N.A.	N.A.	SELL
BINA PURI HOLDINGS BHD	0.215	63.0	Y	12/2018	N.A.	N.A.	N.A.	N.A.	20.3	N.A.	N.A.	0.3	N.A.	N.A.	N.A.	N.A.	N.A.
GABUNGAN AQRS BHD	1.16	554.0	Y	12/2018	74.5%	17.0%	49.7%	31.1%	11.5	7.7	0.0	1.2	1.4	15.9%	67.9%	1.89	BUY
GADANG HOLDINGS BHD	0.695	459.9	Y	05/2019	19.0%	13.4%	10.0%	0.9%	4.8	4.4	0.0	0.7	0.6	13.7%	4.3%	1.00	BUY
JAKS RESOURCES BHD	0.950	518.6	Y	12/2018	90.5%	-22.4%	-38.5%	6.7%	4.1	6.7	0.0	0.6	0.7	10.7%	0.0%	1.50	BUY
MUDAJAYA GROUP BHD	0.455	268.4	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	2.39	396.4	Y	06/2019	68.1%	26.5%	78.2%	25.1%	26.3	14.7	0.1	1.2	1.3	8.5%	8.5%	2.45	NEUTRAL
PESONA METRO HOLDINGS	0.310	215.4	Y	12/2018	22.0%	19.3%	-25.9%	74.3%	11.2	15.2	0.0	1.2	1.1	8.3%	4.2%	0.325	SELL
PROTASCO BHD	0.375	185.6	Y	12/2018	-0.2%	8.4%	-35.8%	54.0%	6.6	10.3	0.0	0.5	0.5	4.5%	5.6%	0.450	SELL
TRC SYNERGY BHD	0.450	216.2	Y	12/2018	10.0%	15.2%	-7.0%	35.9%	7.2	7.7	0.0	0.5	0.5	6.7%	4.4%	0.490	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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