

19 September 2018 | Corporate Update

WCT Holdings Berhad

Bagged contract worth RM1.8b

INVESTMENT HIGHLIGHTS

- **WCT has accepted the award for construction of mixed development project issued by Impian Ekspressi Sdn Bhd**
- **Scope includes the construction of nine blocks of office tower and three blocks of service apartment**
- **Outstanding construction order book increased to RM6.8b**
- **Maintain BUY with adjusted target price of RM1.13 per share**

Secured RM1.8b job. WCT Berhad, a wholly owned subsidiary of the Company has accepted the Letter of Award issued by Impian Ekspressi Sdn Bhd. amounting to RM1.8bn. The job is set for the construction and completion, for parts of the Pavilion Damansara Heights commercial development plan.

Scope. We noted that the works involved the construction and completion of superstructure and substructure works. That includes nine blocks of office tower and three blocks of service apartment on a podium block. The podium block comprises the retail space, mezzanine floors and works to lower ground floor and basement carpark.

Duration. The duration of the job is 38 months and expected to commence in September 2018. Based on this timeline, the entire project is scheduled to complete by October 2021.

Orderbook increased to over RM6.8b. Based on the group's outstanding order book (announced in 2QFY18), we expect the figure to increase to RM6.8b (+36.0%) following the acceptance of this new contract.

Impact on earnings. We recall that the segment continued to be the main contributor (73.0%) of revenue, owing its strong order book. While this project sends positive signals to future earnings accretion, our long-term outlook remains influenced by the industry-wide sentiment. We noted that industries-wide uncertainties are pronounced thus casting a long shadow on the prospect to clinch sizeable projects in the future.

Maintain BUY

**Adjusted Target Price(TP): RM1.13
(from: RM1.47)**

RETURN STATS

Price (18 Sep 2018)	RM0.93
Target Price	RM1.13
Expected Share Price Return	+22.2%
Expected Dividend Yield	+0.8%
Expected Total Return	+23.0%

STOCK INFO

KLCI	1,792.9
Bursa / Bloomberg	9679 / WCTHG MK
Board / Sector	Main/ Construction
Syariah Compliant	Yes
Issued shares (mil)	1,382.9
Market cap. (RM'm)	1,285.4
Price over NA	0.45
52-wk price Range	RM0.70 – RM1.83
Beta (against KLCI)	0.91
3-mth Avg Daily Vol	8.32m
3-mth Avg Daily Value	RM7.74m
Major Shareholders	
Dominion Nexus	17.89%
LTH	8.88%
EPF	7.99%
KWAP	6.14%

Recommendation. Given that view, we believe that adjustment to TP is befitting. Accordingly, maintain our **BUY** recommendation albeit adjusting our **TP** lower to **RM1.13** by ascribing FY19EPS to PE of 14.0x which is within our construction sector's average, to provide comfort for hard landing or earnings blip in the future.

INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FYE18	FYE19
Revenue	1,854.10	1,933.6	1,905.80	1,750.0	1,600.0
PBT	256.2	122.0	230.6	211.7	196.8
PATAMI	216.6	65.1	154.6	162.6	144.0
FD EPS	18.1	5.5	11.29	9.1	8.1
EPS growth (%)	78.9	-100.3	205.6	-38.5	-11.0
PER (x)	5.1	16.9	8.2	10.2	11.5
Dividend (sen)	5	0.0	1.8	1.1	1.1
Dividend Yield (%)	3.5	1.1	1.1	0.8	0.8

Source: Company, MIDF Research

DAILY PRICE CHART



Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.