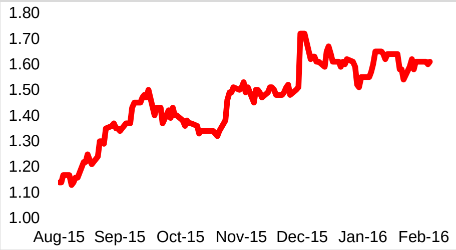
WCT HOLDINGS BERHAD ***Outperform***

DESCRIPTION

Malaysian construction company with core businesses in civil engineering construction, property development and investment and management of properties and concession assets.

12-Month Target Price	RM1.80
Current Price	RM1.61
Expected Return	11%
Market	Main
Sector	Construction
Bursa Code	9679
Bloomberg Ticker	WCTHG MK
Shariah-Compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	1.10-1.78
3-Month Average Vol ('000)	2,194.2

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	3.2	6.0	39.2
Relative Returns	1.8	6.9	34.5

KEY STOCK DATA

Market Capitalisation (RMm)	1933.9
No. of Shares (m)	1,193.9

MAJOR SHAREHOLDERS

	%
WCT Capital SB	19.7
Lembaga Tabung Haji	10.1
Employees Provident Fund	7.20

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Within Expectations

WCT Holdings (WCT) registered 4QFY15 net profit of RM68.9m (-19.8% QoQ, +203.5% YoY) mainly due to one-off revaluation gain of RM58m. Stripping out one-offs, the Group's full year net profit was within our expectations but above consensus estimates. The FY15 net profit of RM161m constituted 94% and 145% of our and consensus estimates. With the recent flurry of job wins, the Group's outstanding orderbook is c.RM4.8bn. After a record breaking year in 2015 (c.RM3.1bn worth of jobs secured), WCT is hopeful that it could add another RM2bn in 2016, with RM1.6bn expected locally and the rest from the Middle East. A final dividend of 2.0sen was declared. Maintain ***Outperform*** with SOTP-derived TP of RM1.80.

- **Job replenishment momentum to continue.** After a record breaking year in 2015 (c.RM3.1bn worth of jobs secured), WCT is hopeful that it could add another RM2bn in 2016, with RM1.6bn expected locally and the rest from the Middle East. We understand that it will focus on infrastructure jobs which traditionally have higher margins. Among the key jobs eyed are RAPID Pengerang civil works (c.RM300m), TRX infrastructure and buildings (c.RM800m), Kwasa Damansara civil and infrastructure works, KL118 infrastructure, Southern Double Track, Pan Borneo highway, LRT3 and MRT2 rail works. Outstanding orderbook as at Nov 2015 stood at RM5.3bn, with c.RM0.9bn internal works.
- **Property sales.** For FY16, the Group is targeting to sell RM600m worth of properties, with maiden launch of its OUG mixed development project i.e. The Paradigm Gardens City. The first project in OUG is a residential tower, "R2" with an estimated GDV of RM300m or c.RM850psf. WCT might unveil another residential block i.e. "R4" in Q416 if the demand is good. We understand that its 60-acre OUG land will have 8 blocks consisting condominiums, offices and a mall. Tentative NLA for the OUG mall is 1.8m sf with targeted completion in 2019. Elsewhere, we understand that WCT is enlarging its landbank in OUG via a land swap but details are still sketchy at this juncture. Unbilled sales now stand at RM599m.
- **Maintain Outperform** with unchanged SOTP-derived TP of RM1.80. With the potential value to be unlocked from reorganization, we believe the re-rating catalysts are on the cards. Elsewhere, the arbitration claim of AED1.15bn or c.RM1.3bn would potentially add another RM0.95/share to our SOTP valuations. Earnings are kept unchanged.

KEY FORECAST TABLE

FYE Dec (RM m)	2013A	2014A	2015A	2016F	2017F	CAGR (%)
Revenue	1,655.0	1,662.2	1,667.9	2,245.7	2,495.7	8.6
Operating Profit	302.7	202.4	241.2	297.0	318.0	1.0
Pre-tax Profit	254.2	151.1	271.6	205.1	232.1	(1.8)
Net Profit	197.5	120.5	219.1	158.6	178.1	(2.1)
EPS (Sen)	14.6	8.9	16.2	11.7	13.2	(2.1)
P/E (x)	11.0	18.0	9.9	13.7	12.2	
DPS (Sen)	9.5	1.0	2.0	3.0	3.0	
Dividend Yield (%)	5.9	0.6	1.2	1.9	1.9	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

FYE Dec (RM m)	4Q15	4Q14	3Q15	QoQ chg (%)	YoY chg (%)	YTD FY15	YTD FY14	YoY chg (%)
Revenue	522.2	322.4	371.8	40.4	62.0	1667.9	1662.2	0.3
Cost of sales	-480.6	-293.9	-313.4	53.3	63.5	-1467.2	-1428.6	2.7
Gross profit	**41.6**	**28.5**	**58.4**	-28.7	46.0	**200.8**	**233.6**	-14.1
Other income	-4.3	33.3	89.3	-104.8	-112.9	146.8	60.9	140.8
Other expenses	-29.2	-33.8	-27.5	6.0	-13.7	-106.4	-100.2	6.1
Operating profit	**8.2**	**28.0**	**120.2**	-93.2	-70.8	**241.2**	**194.3**	24.1
Finance costs	2.9	-15.7	-21.3	-113.6	-118.5	-57.8	-60.2	-4.0
Share of results of associates	73.0	2.1	2.0	3551.0	3299.4	88.2	15.4	473.4
Pre-tax profit	**84.1**	**14.9**	**100.9**	-16.7	466.0	**271.6**	**149.5**	81.7
Tax	-15.4	0.2	-15.3	0.7	-8079.3	-54.9	-28.5	92.9
Net profit	68.7	15.0	85.7	-19.8	356.8	216.6	121.0	79.1
PATAMI	**68.9**	**22.7**	**85.9**	**-19.8**	203.5	**219.1**	**122.9**	78.3

Source: Company, PublicInvest Research

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2013A	2014A	2015A	2016F	2017F
Revenue	1,655.0	1,662.2	1,667.9	2,245.7	2,495.7
Gross Profit	280.0	233.6	296.6	407.8	463.4
Operating expenses	22.7	-31.2	1.0	-110.8	-145.5
Operating Profit	302.7	202.4	297.6	297.0	318.0
Other Gains / (Losses)	19.2	40.3	82.2	10.7	22.0
Finance Costs	-67.6	-91.5	-108.2	-102.6	-107.8
Pre-tax Profit	254.2	151.1	271.6	205.1	232.1
Income Tax	-64.5	-53.6	-49.2	-55.7	-59.9
Effective Tax Rate (%)	25.4	35.5	18.1	27.2	25.8
Minorities	7.8	1.8	2.8	1.7	7.8
Net Profit	197.5	120.5	219.1	158.6	178.1
Growth					
Revenue (%)	15.4	0.4	0.3	34.6	11.1
Gross Profit (%)	19.4	-16.6	27.0	37.5	13.6
Net Profit	20.9	-39.0	81.8	-27.6	12.3

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2013A	2014A	2015A	2016F	2017F
Property, Plant & Equipment	271.7	237.4	288.4	319.6	361.1
Cash and Cash Equivalents	973.4	950.8	524.3	1,029.3	856.5
Receivables	990.8	1,022.2	1,155.9	1,487.3	1,652.9
Other Assets	3,298.8	3,990.7	4,793.5	4,165.1	4,300.3
Total Assets	**5,534.6**	**6,201.1**	**6,762.1**	**7,001.3**	**7,170.7**
Payables	842.7	862.1	1,457.5	1,143.6	1,270.9
Borrowings	1,922.1	2,430.5	2,593.2	2,565.2	2,440.5
Tax payable	41.5	37.8	9.2	35.4	35.4
Other Liabilities	471.9	589.9	44.7	795.0	863.9
Total Liabilities	**3,278.3**	**3,920.4**	**4,104.7**	**4,539.2**	**4,610.7**
Shareholders' Equity	2,256.4	2,280.7	2,657.4	2,462.1	2,560.1
Total Equity and Liabilities	**5,534.6**	**6,201.1**	**6,762.1**	**7,001.3**	**7,170.7**

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2013A	2014A	2015A	2016F	2017F
Book Value Per Share	1.8	1.9	2.2	2.0	2.1
NTA Per Share	1.8	1.9	2.2	2.0	2.1
EPS (Sen)	14.6	8.9	16.2	11.7	13.2
DPS (Sen)	9.5	1.0	2.0	3.0	3.0
Payout Ratio (%)	65.0	11.2	12.3	25.5	22.8
ROA (%)	6.3	3.1	1.8	2.4	2.2
ROE (%)	9.0	5.4	8.4	6.6	7.1

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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