

WCT Holdings (WCTHG MK)

Wins MYR134m job from MRT Corp

Maintain BUY

WCT won a police quarters redevelopment from MRT Corp worth MYR133m, raising outstanding orderbook by 3.5% to MYR4b. Further job wins could come from other infrastructure projects and TODs; job wins could exceed the 2016 MYR1b imputed in our model. Our earnings forecasts are unchanged. Potential earnings recovery and corporate exercises would re-rate the stock. BUY at unchanged MYR2.30 TP.

Won small work package from MRT Corp

WCT clinched the redevelopment of police quarters in Gombak, Selangor from MRT Corp (non-listed) worth MYR134m. The job scope covers design and build of a 20-storey police quarters and a 5-storey of podium carpark. The works are expected to complete in 28 months by 4Q 2018. This increases WCT's outstanding orderbook by 3.5% to MYR4b. Assuming a pretax profit margin of 6%, we forecast a net profit contribution of MYR6m (0.5sen EPS) into 2018.

Strong job win prospect

WCT is also eyeing the KVMRT 2 elevated viaduct packages from MRT Corp that would lift its orderbook significantly. Other potential job wins could come from other infrastructure projects (KVLRT 3, RAPID, Jalan Tun Razak traffic dispersal project, DASH, SUKE and Pan Borneo Highway Sarawak) and major transit-oriented developments or TODs (TRX and Kwasa Land).

Upside to earnings

Given its robust job win prospect, there is upside to our earnings estimates as we only imputed MYR1b 2016 total job wins. Our earnings forecasts are unchanged. Our MYR2.30 TP is SOP-based.

FYE Dec (MYR m)	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue	1,662	1,668	2,250	2,401	2,343
EBITDA	147	146	242	257	265
Core net profit	112	129	135	147	151
Core EPS (sen)	10.3	11.3	11.2	12.2	12.6
Core EPS growth (%)	(44.9)	9.6	(0.4)	8.7	3.1
Net DPS (sen)	6.2	4.2	4.2	4.2	4.2
Core P/E (x)	16.4	15.0	15.0	13.8	13.4
P/BV (x)	0.8	0.7	0.7	0.7	0.7
Net dividend yield (%)	3.7	2.5	2.5	2.5	2.5
ROAE (%)	5.1	5.3	5.1	5.3	5.3
ROAA (%)	1.9	2.0	1.9	2.0	2.0
EV/EBITDA (x)	21.6	27.1	16.8	16.1	15.6
Net debt/equity (%)	66.4	78.9	73.9	73.6	69.2
Consensus net profit	-	-	156	167	191
MKE vs. Consensus (%)	-	-	(13.7)	(12.5)	(20.9)

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BUY

Share Price	MYR 1.69
12m Price Target	MYR 2.30 (+36%)
Previous Price Target	MYR 2.30

Company Description

WCT engages in engineering and construction, property development and property investments.

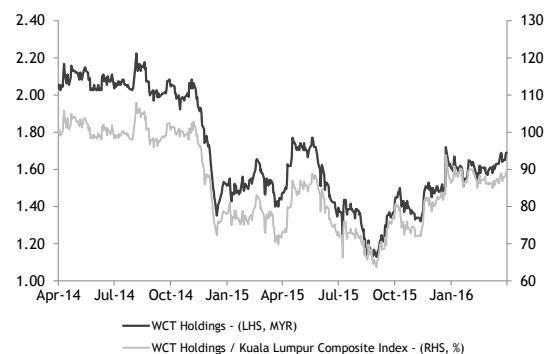
Statistics

Shariah status	Yes
52w high/low (MYR)	1.77/1.13
3m avg turnover (USDm)	1.0
Free float (%)	77.5
Issued shares (m)	1,257
Market capitalisation	MYR2.1B USD544M

Major shareholders:

WCT Capital	17.3%
Lembaga Tabung Haji	9.0%
Employees Provident Fund	7.7%

Price Performance



	-1M	-3M	-12M
Absolute (%)	8	5	15
Relative to index (%)	4	3	23

Source: FactSet

FYE 31 Dec	FY14A	FY15A	FY16E	FY17E	FY18E
Key Metrics					
P/E (reported) (x)	15.3	8.8	15.0	13.8	13.4
Core P/E (x)	16.4	15.0	15.0	13.8	13.4
P/BV (x)	0.8	0.7	0.7	0.7	0.7
P/NTA (x)	0.8	0.8	0.7	0.7	0.7
Net dividend yield (%)	3.7	2.5	2.5	2.5	2.5
FCF yield (%)	nm	nm	5.8	3.2	4.8
EV/EBITDA (x)	21.6	27.1	16.8	16.1	15.6
EV/EBIT (x)	22.9	28.7	17.4	16.7	16.2

INCOME STATEMENT (MYR m)

Revenue	1,662.2	1,667.9	2,250.2	2,400.5	2,342.6
Gross profit	225.4	192.7	262.4	280.0	272.6
EBITDA	147.5	145.7	242.0	256.9	264.9
Depreciation	(8.2)	(8.1)	(8.5)	(8.9)	(9.3)
EBIT	139.3	137.6	233.5	248.0	255.6
Net interest income / (exp)	(27.1)	(44.1)	(75.7)	(74.2)	(75.0)
Associates & JV	15.4	88.2	25.3	28.0	30.0
Exceptionals	23.5	89.8	0.0	0.0	0.0
Pretax profit	151.1	271.6	183.1	201.9	210.6
Income tax	(28.5)	(54.9)	(41.9)	(46.0)	(47.8)
Minorities	(2.1)	2.5	(6.4)	(9.4)	(11.7)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	120.5	219.1	134.8	146.5	151.1
Core net profit	112.3	129.3	134.8	146.5	151.1

BALANCE SHEET (MYR m)

Cash & Short Term Investments	950.8	524.3	494.0	332.2	249.9
Accounts receivable	1,022.2	1,155.9	1,672.3	1,784.0	1,740.9
Inventory	90.7	153.9	110.0	117.3	114.5
Property, Plant & Equip (net)	237.4	288.4	429.9	571.0	711.7
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	527.7	664.0	673.7	683.9	694.6
Other assets	3,372.2	3,975.6	3,975.6	3,975.6	3,975.6
Total assets	6,201.1	6,762.1	7,355.5	7,463.9	7,487.1
ST interest bearing debt	584.1	520.4	420.4	320.4	220.4
Accounts payable	1,025.0	936.3	1,538.7	1,641.5	1,601.9
LT interest bearing debt	1,846.4	2,072.8	2,072.8	2,072.8	2,072.8
Other liabilities	465.0	575.0	575.0	575.0	575.0
Total Liabilities	3,920.4	4,104.7	4,607.0	4,609.8	4,470.2
Shareholders Equity	2,227.9	2,620.6	2,705.2	2,801.6	2,952.7
Minority Interest	52.8	36.8	43.2	52.6	64.2
Total shareholder equity	2,280.7	2,657.4	2,748.4	2,854.1	3,016.9
Total liabilities and equity	6,201.1	6,762.1	7,355.5	7,463.9	7,487.1

CASH FLOW (MYR m)

Pretax profit	151.1	271.6	183.1	201.9	210.6
Depreciation & amortisation	8.2	8.1	8.5	8.9	9.3
Adj net interest (income)/exp	27.1	44.1	75.7	74.2	75.0
Change in working capital	(586.9)	(823.6)	41.9	(24.7)	1.1
Cash taxes paid	(28.5)	(54.9)	(41.9)	(46.0)	(47.8)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	(429.0)	(554.9)	267.3	214.2	248.1
Capex	(71.2)	(59.1)	(150.0)	(150.0)	(150.0)
Free cash flow	(500.2)	(613.9)	117.3	64.2	98.1
Dividends paid	(48.8)	(50.2)	(50.2)	(50.2)	0.0
Equity raised / (purchased)	(50.4)	0.0	0.0	0.0	0.0
Change in Debt	498.3	162.7	(100.0)	(100.0)	(100.0)
Other invest/financing cash flow	170.0	16.1	(75.7)	(74.2)	(75.0)
Net cash flow	68.9	(485.3)	(108.6)	(160.2)	(76.8)

FYE 31 Dec	FY14A	FY15A	FY16E	FY17E	FY18E
Key Ratios					
Growth ratios (%)					
Revenue growth	0.4	0.3	34.9	6.7	(2.4)
EBITDA growth	(47.8)	(1.2)	66.1	6.2	3.1
EBIT growth	(48.9)	(1.2)	69.7	6.2	3.1
Pretax growth	(40.6)	79.7	(32.6)	10.3	4.3
Reported net profit growth	(39.0)	81.8	(38.5)	8.7	3.1
Core net profit growth	(44.0)	15.1	4.3	8.7	3.1
Profitability ratios (%)					
EBITDA margin	8.9	8.7	10.8	10.7	11.3
EBIT margin	8.4	8.2	10.4	10.3	10.9
Pretax profit margin	9.1	16.3	8.1	8.4	9.0
Payout ratio	56.2	21.9	37.2	34.2	33.2
DuPont analysis					
Net profit margin (%)	7.3	13.1	6.0	6.1	6.4
Revenue/Assets (x)	0.3	0.2	0.3	0.3	0.3
Assets/Equity (x)	2.8	2.6	2.7	2.7	2.5
ROAE (%)	5.1	5.3	5.1	5.3	5.3
ROAA (%)	1.9	2.0	1.9	2.0	2.0
Liquidity & Efficiency					
Cash conversion cycle	15.5	25.6	26.0	8.5	9.0
Days receivable outstanding	228.6	235.1	226.2	259.2	270.8
Days inventory outstanding	20.8	29.8	23.9	19.3	20.2
Days payables outstanding	234.0	239.3	224.1	270.0	282.0
Dividend cover (x)	1.8	4.6	2.7	2.9	3.0
Current ratio (x)	1.7	1.8	1.6	1.6	1.6
Leverage & Expense Analysis					
Asset/Liability (x)	1.6	1.6	1.6	1.6	1.7
Net debt/equity (%)	66.4	78.9	73.9	73.6	69.2
Net interest cover (x)	5.1	3.1	3.1	3.3	3.4
Debt/EBITDA (x)	16.5	17.8	10.3	9.3	8.7
Capex/revenue (%)	4.3	3.5	6.7	6.2	6.4
Net debt/ (net cash)	1,479.7	2,068.9	1,999.2	2,061.1	2,043.4

Source: Company; Maybank

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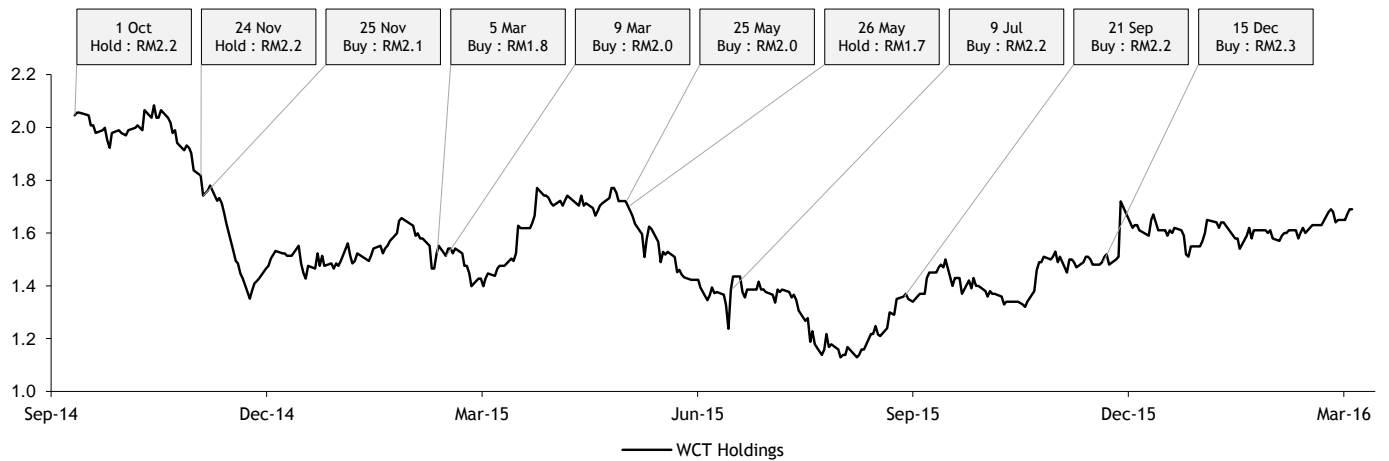
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