



WCT HOLDINGS BERHAD

Outperform

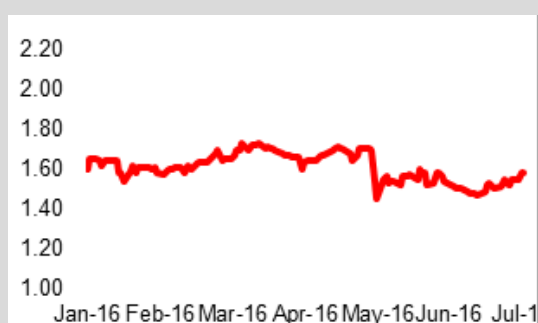
DESCRIPTION

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 RM1.58
Expected Return 14.0%

Market Main
Sector Construction
Bursa Code 9679
Bloomberg Ticker WCTHG MK
Shariah-Compliant Yes

SHARE PRICE CHART



52 Week Range (RM) 1.10-1.76
3-Month Average Vol ('000) 1,520.9

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	0.6	-5.4	1.3
Relative Returns	0.9	0.6	-0.2

KEY STOCK DATA

Market Capitalisation (RMm)	1,973.7
No. of Shares (m)	1,249.2

MAJOR SHAREHOLDERS

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

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Secures Rm1.29bn Pan Borneo Job

WCT Holdings Berhad, via its joint-venture with KKB Engineering Berhad, secured one of the Pan Borneo packages worth RM1.29bn. This job win, which is the Group's first in FY16, is expected to take 51 months from now to complete. WCT owns 30% of the JV, with the remaining owned by KKB Engineering Berhad. As such, its net stake of c.RM390m is within our replenishment rate of RM2bn p.a. for the Group. This job win is estimated to raise the Group's outstanding orderbook to RM4.8bn, ensuring earnings visibly for the next few years. Maintain **Outperform** with SOP-derived TP of RM1.80.

§ **RM1.29bn Pan Borneo Package.** The scope of works, among others includes upgrading of Pan Borneo Highway in Sarawak which involving Phase 1, spanning from Sungai Arip Bridge to Bintulu Airport junction. The works are including piling works, civil works which includes demolition & site clearance, earthworks, geotechnical works, drainage work, roads & pavings, road furniture and other miscellaneous works.

§ **C.RM4.8bn outstanding orderbook.** With the new job win, the Group's outstanding orderbook is estimated at RM4.8bn. To recap, the Group is expected to clinch jobs worth RM2bn in 2016, with RM1.6bn expected locally and the rest from the Middle East. Going forward, other 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, LRT3 and MRT2 rail works.

§ **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 (RMm)	2014A	2015A	2016F	2017F	2018F	CAGR (%)
Revenue	1,662.2	1,671.3	2,245.7	2,495.7	2,576.4	9.2
Operating Profit	202.4	297.6	297.0	318.0	340.2	10.9
Pre-tax Profit	151.1	223.3	205.1	232.1	249.7	10.6
Net Profit	120.5	171.5	158.6	178.1	197.6	10.4
EPS (Sen)	8.9	12.7	11.7	13.2	14.6	10.4
P/E (x)	17.8	12.4	13.5	12.0	10.8	
DPS (Sen)	1.0	3.0	3.0	3.0	3.0	
Dividend Yield (%)	0.6	1.9	1.9	1.9	1.9	

Source: Company, PublicInvest Research estimates

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2014A	2015A	2016F	2017F	2018F
Revenue	1,662.2	1,671.3	2,245.7	2,495.7	2,576.4
Gross Profit	233.6	296.6	407.8	463.4	488.9
Operating expenses	-31.2	1.0	-110.8	-145.5	-148.7
Operating Profit	202.4	297.6	297.0	318.0	340.2
Other Gains / (Losses)	40.3	33.9	10.7	22.0	-90.5
Finance Costs	-91.5	-108.2	-102.6	-107.8	0.0
Pre-tax Profit	151.1	223.3	205.1	232.1	249.7
Income Tax	-53.6	-49.2	-55.7	-59.9	0.0
Effective Tax Rate (%)	35.5	22.0	27.2	25.8	0.0
Minorities	1.8	2.8	1.7	7.8	0.0
Net Profit	120.5	171.5	158.6	178.1	197.6
Growth					
Revenue (%)	0.4	0.5	34.4	11.1	3.2
Gross Profit (%)	-16.6	27.0	37.5	13.6	5.5
Net Profit	-39.0	42.3	-7.5	12.3	10.9

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2014A	2015A	2016F	2017F	2018F
Property, Plant & Equipment	237.4	279.0	319.6	361.1	404.5
Cash and Cash Equivalents	950.8	1,348.4	1,029.3	856.5	799.1
Receivables	1,022.2	1,106.9	1,487.3	1,652.9	1,706.3
Other Assets	3,990.7	3,853.6	4,165.1	4,300.3	4,343.5
Total Assets	6,201.1	6,587.9	7,001.3	7,170.7	7,253.3
Payables	862.1	851.1	1,143.6	1,270.9	1,312.0
Borrowings	2,430.5	2,689.9	2,565.2	2,440.5	2,351.1
Tax payable	37.8	35.4	35.4	35.4	35.4
Other Liabilities	589.9	636.7	795.0	863.9	886.1
Total Liabilities	3,920.4	4,213.0	4,539.2	4,610.7	4,584.6
Shareholders' Equity	2,280.7	2,374.9	2,462.1	2,560.1	2,668.7
Total Equity and Liabilities	6,201.1	6,587.9	7,001.3	7,170.7	7,253.3

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2014A	2015A	2016F	2017F	2018F
Book Value Per Share	1.8	1.9	1.9	2.0	2.1
NTA Per Share	1.8	1.9	1.9	2.0	2.1
EPS (Sen)	8.9	12.7	11.7	13.2	14.6
DPS (Sen)	1.0	3.0	3.0	3.0	3.0
Payout Ratio (%)	11.2	23.6	25.5	22.8	20.5
ROA (%)	3.1	1.9	2.4	2.2	2.4
ROE (%)	5.4	7.4	6.6	7.1	7.6

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 12 months.
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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