



WCT HOLDINGS BERHAD

Neutral

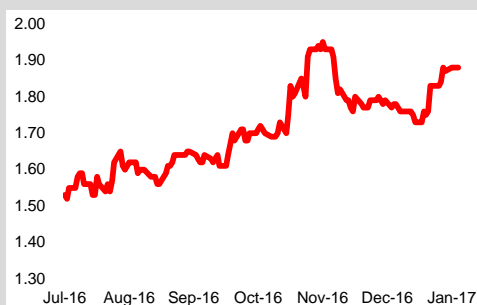
DESCRIPTION

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 RM1.70
Current Price RM1.88
Expected Return -10%

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

SHARE PRICE CHART



52 Week Range (RM) 1.41-1.98
3-Month Average Vol ('000) 4,072.7

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	5.0	9.9	24.5
Relative Returns	4.3	9.5	21.7

KEY STOCK DATA

Market Capitalisation (RMm)	2,357.1
No. of Shares (m)	1,243.8

MAJOR SHAREHOLDERS

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

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To Raise Capital via Placement

WCT Holdings (WCT) has proposed to place out up to 10% of its existing issued and paid-up share capital, or approximately 125m shares. The issue price of the placement shares will be fixed and announced later but the price may be fixed at a discount of not more than 10% to the five-day volume weighted average market price of WCT Shares immediately preceding the price-fixing date. The placement, using an illustrative price of RM1.70 (or 9.6% discount to last closing price), is estimated to raise up to RM212.5m and to be used to pare down debts and for working capital purposes. This move comes as a surprise and seemingly values the company a little too low considering, the current controlling shareholder, Tan Sri Desmond Lim purchased his 20% stake at an average price believed to be at RM2.50 less than 3 months ago. Furthermore, we had expected that the Group would dispose certain non-core assets to pare down its debt earlier. Our SOTP-derived TP remains unchanged at RM1.70 as we maintain our **Neutral** call for now.

§ **Placement to raise up to RM212.5m.** The proceeds raised will be used to pare down debts and for working capital purposes. Assuming the placement price at RM1.70 which will raise the RM212.5m, we understand that RM80m is earmarked to pare down debts (from 0.99x to 0.86x), RM130m for working capital and RM2.5m for placement expenses. Borrowings of the Group comprising among others, bank overdraft, revolving credit and term loan facilities stands at approximately RM1.02bn. The estimated interest savings based on the weighted average effective interest rate of 4.85% p.a. is approximately RM3.9m p.a.

§ **Working Capital.** c.60% of the gross proceeds will be used to fund some of the ongoing construction projects and property development projects of the Group which among others include (i) MRT2 project; (ii) Pan Borneo Highway (iii) RAPID (iv) Paradigm Mall, Johor Bahru; (v) The Lead Residence, Klang; and (vi) The Waltz Residence, Kuala Lumpur.

§ **Dilutive Exercise.** The placement, which will likely be priced below its net asset value, is a dilutive exercise. With c.20% of the shares crossed at RM2.50 per share less than 3 months ago, we are surprised by the move in placing out shares at such a steep discount though we acknowledge the above transaction was done at the shareholder level. This could however mean the disposal of its remaining non-core assets could take longer than expected, in our view.

KEY FORECAST TABLE

FYE Dec (RM m)	2014A	2015A	2016F	2017F	2018F	CAGR (%)
Revenue	1,662.2	1,667.9	2,245.7	2,495.7	2,576.4	9.2
Operating Profit	202.4	241.2	260.7	277.6	297.7	8.0
Pre-tax Profit	151.1	271.6	168.8	191.8	207.2	6.5
Net Profit	120.5	219.1	131.0	147.5	165.3	6.5
EPS (Sen)	8.9	16.2	9.7	10.9	12.2	6.5
P/E (x)	21.1	11.6	19.4	17.2	15.4	
DPS (Sen)	1.0	2.0	2.0	2.0	2.0	
Dividend Yield (%)	0.5	1.1	1.1	1.1	1.1	

Source: Company, PublicInvest Research estimates

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2014A	2015A	2016F	2017F	2018F
Revenue	1,662.2	1,667.9	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	-147.1	-185.8	-191.2
Operating Profit	202.4	297.6	260.7	277.6	297.7
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	168.8	191.8	207.2
Income Tax	-53.6	-49.2	-46.0	-49.7	0.0
Effective Tax Rate (%)	35.5	22.0	27.3	25.9	0.0
Minorities	1.8	2.8	1.7	7.8	0.0
Net Profit	120.5	219.1	131.0	147.5	165.3
Growth					
Revenue (%)	0.4	0.3	34.4	11.1	3.2
Gross Profit (%)	-16.6	27.0	37.5	13.6	5.5
Net Profit	-39.0	81.8	-23.6	12.5	12.1

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	1,014.1	824.4	749.3
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	6,986.1	7,138.7	7,203.5
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	2,446.9	2,528.0	2,619.0
Total Equity and Liabilities	6,201.1	6,587.9	6,986.1	7,138.7	7,203.5

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	9.7	10.9	12.2
DPS (Sen)	1.0	2.0	2.0	2.0	2.0
Payout Ratio (%)	11.2	12.3	20.6	18.4	16.4
ROA (%)	3.1	1.9	2.4	1.8	2.0
ROE (%)	5.4	7.4	5.5	6.0	6.4

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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