



WCT HOLDINGS BERHAD

Neutral

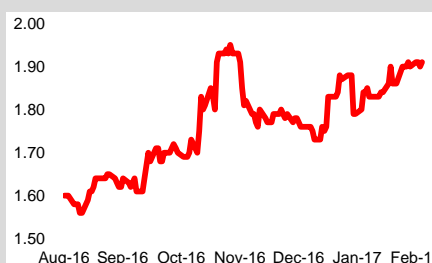
DESCRIPTION

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 RM1.91
Current Price RM1.70
Expected Return -11%

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

SHARE PRICE CHART



52 Week Range (RM) 1.41-1.98
3-Month Average Vol ('000) 2,496.3

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	6.1	-0.5	17.3
Relative Returns	3.8	-1.5	18.3

KEY STOCK DATA

Market Capitalisation (RMm)	2,397.0
No. of Shares (m)	1,255.0

MAJOR SHAREHOLDERS

	%
Tan Sri Desmond Lim	19.7
Lembaga Tabung Haji	10.1
Employees Provident Fund	8.1

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In Line

WCT Holdings (WCT)'s 4QFY16 net profit came in at RM3.5m (-85.4% QoQ, -94.1% YoY), which was due to trade receivable finance cost under FRS 139, fair value losses of a joint venture and unrealized FX differences. YTD, stripping out those one-offs, the Group's annual net profit was RM100.1m, which was within our expectations but below consensus at 95% and 86% full year estimates respectively. Our SOTP-derived TP remains unchanged at RM1.70, and we maintain our **Neutral** call.

§ **Construction continues to drive earnings.** The Group had secured a few chunky projects last year, which among others include the Pan Borneo Highway while also recently bagging an MRT2-related contract. Outstanding orderbook is estimated at c.RM5.0bn. To recap, its job replenishment target for FY16 is RM2bn, with RM1.6bn expected locally and the rest from the Middle East. Going forward, among the key jobs eyed are RAPID Pengerang civil works (c.RM300m), TRX infrastructure and building works (c.RM800m), Kwasa Damansara civil and infrastructure works, KL118 infrastructure, Southern Double Track and LRT3.

§ **Property still subdued.** The Group's new sales are expected to be driven by the new mixed development in OUG. To recap, the first project in OUG is a residential tower, "R2" with an estimated GDV of RM300m or c.RM850psf. As reported earlier, WCT might unveil another residential block i.e. "R4" in 4Q16 if the demand is good. We understand that its 60-acre OUG land will have 8 blocks consisting of condominiums, offices and a mall. Also, it expects the opening of Paradigm Mall in Johor Bahru and New World Hotel in Paradigm, Kelana Jaya in 2017.

KEY FORECAST TABLE

FYE Dec (RM m)	2015A	2016A	2017F	2018F	2019F	CAGR (%)
Revenue	1,667.9	1,933.6	2,495.7	2,576.4	2,682.4	12.6
Operating Profit	241.2	120.9	259.3	279.2	314.2	6.8
Pre-tax Profit	261.8	122.0	173.5	188.7	228.2	-3.5
Net Profit	209.4	68.4	133.6	151.2	181.3	-3.5
EPS (Sen)	15.5	5.1	9.9	11.2	13.4	-3.5
P/E (x)	12.3	37.5	19.2	17.0	14.2	
DPS (Sen)	2.0	2.0	2.0	2.0	2.0	
Dividend Yield (%)	1.1	1.1	1.1	1.1	1.1	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

FYE Dec (RM m)	4Q16	4Q15	3Q16	QoQ chg (%)	YoY chg (%)	YTD FY16	YTD FY15	YoY chg (%)
Revenue	453.2	522.2	414.4	9.4	-13.2	1933.6	1667.9	15.9
Cost of sales	-389.2	-489.0	-364.8	6.7	-20.4	-1694.8	-1475.6	14.9
Gross profit	64.0	33.2	49.6	29.0	92.6	238.8	192.3	24.2
Other income	35.0	-4.8	7.9	342.7	-826.0	46.7	146.5	-68.1
Other expenses	-51.0	-29.9	-21.7	134.8	70.2	-118.2	-107.5	10.0
Operating profit	48.0	-1.6	35.8	34.0	-3193.6	167.3	231.4	-27.7
Finance costs	-12.8	2.9	-7.3	75.7	-542.4	-46.3	-57.8	-19.9
Share of results of associates	-23.8	73.0	7.2	-430.4	-132.6	1.0	88.2	-98.8
Pre-tax profit	11.4	74.4	35.6	-68.1	-84.7	122.0	261.8	-53.4
Tax	-13.2	-15.4	-10.8	22.2	-14.3	-56.8	-54.9	3.5
Net profit	-1.9	59.0	24.9	-107.5	-103.2	65.2	206.9	-68.5
PATAMI	3.5	59.2	24.0	-85.4	-94.1	68.4	209.4	-67.3

Source: Company, PublicInvest Research

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2015A	2016A	2017F	2018F	2019F
Revenue	1,667.9	1,933.6	2,495.7	2,576.4	2,682.4
Gross Profit	296.6	238.8	463.4	488.9	519.9
Operating expenses	1.0	-117.9	-204.1	-209.7	-205.7
Operating Profit	297.6	120.9	259.3	279.2	314.2
Other Gains / (Losses)	55.8	109.3	16.8	17.3	17.8
Finance Costs	-91.5	-108.2	-102.6	-107.8	-103.8
Pre-tax Profit	261.8	122.0	173.5	188.7	228.2
Income Tax	-53.6	-32.7	-41.6	-45.3	-54.8
Effective Tax Rate (%)	20.5	26.8	24.0	24.0	24.0
Minorities	1.8	2.8	1.7	7.8	7.8
Net Profit	209.4	68.4	133.6	151.2	181.3

Growth

Revenue (%)	0.5	15.9	29.1	3.2	4.1
Gross Profit (%)	27.0	-19.5	94.1	5.5	6.3
Net Profit	42.3	-67.3	95.3	13.2	19.9

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2015A	2016A	2017F	2018F	2019F
Property, Plant & Equipment	237.4	288.4	319.6	361.1	404.5
Cash and Cash Equivalents	950.8	524.3	1,000.4	803.1	720.3
Receivables	1,022.2	1,155.9	1,487.3	1,652.9	1,706.3
Other Assets	3,990.7	4,793.5	4,165.1	4,300.3	4,343.5
Total Assets	6,201.1	6,762.1	6,972.5	7,117.4	7,174.5
Payables	862.1	1,457.5	1,143.6	1,270.9	1,312.0
Borrowings	2,430.5	2,593.2	2,565.2	2,440.5	2,351.1
Tax payable	37.8	9.2	35.4	35.4	35.4
Other Liabilities	589.9	44.7	795.0	863.9	886.1
Total Liabilities	3,920.4	4,104.7	4,539.2	4,610.7	4,584.6
Shareholders' Equity	2,280.7	2,657.4	2,433.3	2,506.8	2,589.9
Total Equity and Liabilities	6,201.1	6,762.1	6,972.5	7,117.4	7,174.5

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2015A	2016A	2017F	2018F	2019F
Book Value Per Share	1.8	2.1	1.9	2.0	2.0
NTA Per Share	1.8	2.1	1.9	2.0	2.0
EPS (Sen)	15.5	5.1	9.9	11.2	13.4
DPS (Sen)	2.0	2.0	2.0	2.0	2.0
Payout Ratio (%)	12.9	39.5	20.2	17.9	14.9
ROA (%)	3.1	1.8	2.4	1.5	1.8
ROE (%)	9.4	2.6	5.6	6.2	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 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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