

WCT Holdings Bhd

First LRT3 Job in the Bag

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Yesterday, WCT announced that they have bagged a LRT3 package, i.e. the Johan Setia depot works amounting to RM185.9m. We are neutral on the contract award as it is within our FY17E replenishment target of RM2.0b. No changes to our FY17-18E earnings. Maintain **UNDERPERFORM** with a higher SoP-driven Target Price of RM1.80 (previously, RM1.58).

First LRT3 award. The LRT3 Johan Setia depot works (LRT3 Package TD1) is the first contract award encompassing the construction and completion of Johan Setia Depot (Phase 1) and associated works for construction and completion of LRT3 from Bandar Utama to Johan Setia of which the scope of works includes site investigation works, traffic and roads, safety, health and environmental management, site clearance, demolition and earthworks, sub-structure works, drainage works, roadworks, electrical and mechanical works over the next 18 months.

Neutral on the win... This marks WCT's first win for the year and also the first contract award from the highly anticipated LRT3 project. However, we are neutral on the contract award as it is comfortably within our order-book replenishment assumption of RM2.0b for FY17. Nonetheless, assuming conservative pre-tax margins of 8%, this particular depot work is expected to contribute c.RM7.4m to its bottom-line per annum.

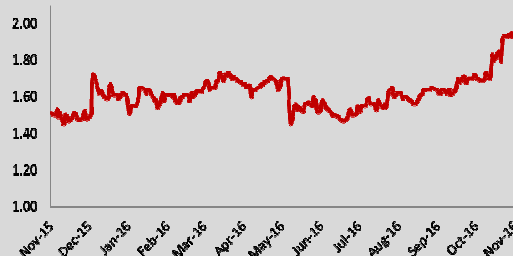
Outlook. This particular contract award brings its external outstanding order-book of c.RM5.0b to RM5.2b, providing earnings visibility for the next 2.5-3.0 years. While they have won the first of LRT3 works, we anticipate that they may bag more jobs from LRT3 on the viaduct packages in the medium-term. Other job prospects currently are underpinned by contracts from Kwasa Damansara and TRX, which are likely to flow in from FY17.

Maintain UNDERPERFORM. No changes to our UNDERPERFORM call, but upgraded our SoP-driven Target Price to RM1.80 (previously, RM1.58) after rolling forward our construction valuation base year to FY18E as we started rolling forward for the sector. We believe that WCT is still needed to strive hard to deliver its earnings and continue with its de-gearing exercise while restraining from undergoing more cash-calls after a recent placement exercise. That said, it is traded at fairly rich levels of 24.0x FY17E FD PER which is higher compared to the other big boys that are trading at an average of 20.2x. Hence, we continue to maintain our UNDERPERFORM call on the stock.

UNDERPERFORM ↔

Price: RM2.11
Target Price: RM1.80 ↑

Share Price Performance



KLCI	1,744.67
YTD KLCI chg	6.3%
YTD stock price chg	22.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	WCTHG MK Equity
Market Cap (RM m)	2,649.5
Issued shares	1,255.7
52-week range (H)	2.14
52-week range (L)	1.41
3-mth avg daily vol:	2,655,297
Free Float	63%
Beta	1.0

Major Shareholders

Dominion Nexus S/B	19.6%
Lembaga Tabung Haji	9.7%
Employees Provident Fund	7.6%

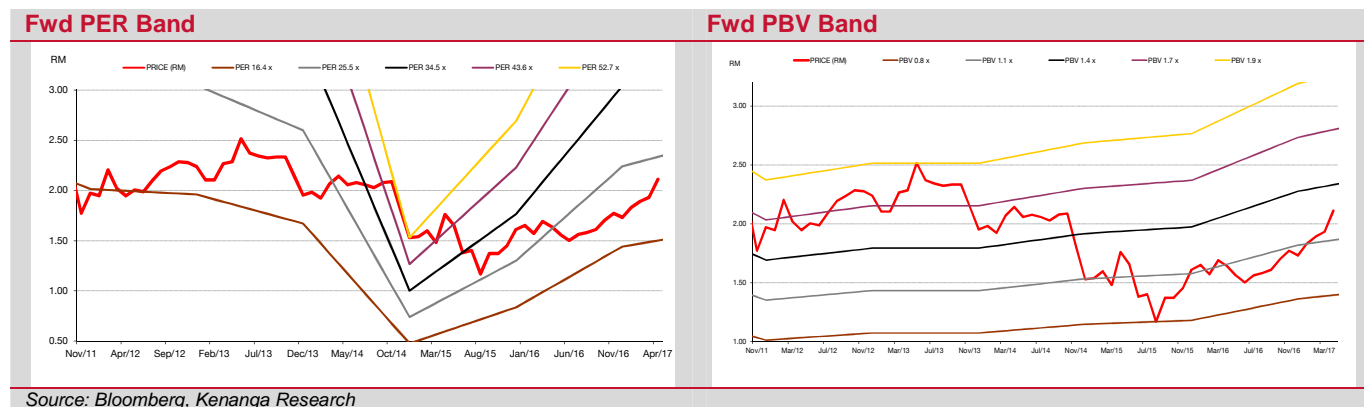
Summary Earnings Table

FY Dec (RM'm)	2016A	2017E	2018E
Turnover	1,933.6	1,958.2	2,302.7
EBIT	167.3	268.3	292.8
PBT	122.0	196.3	220.8
Net Profit (NP)	68.4	146.9	165.3
Core net profit	84.8	146.9	165.3
Consensus (NP)	n.a.	148.4	167.4
Earnings Revision	n.a.	n.a.	n.a.
FD Core EPS (sen)	5.1	8.8	9.9
Core EPS growth (%)	72%	73%	13%
DPS (sen)	0.0	3.1	3.5
NTA/Share (RM)	1.65	1.71	1.77
FD Core PER (x)	51.7	24.0	21.4
BVPS (RM)	1.65	1.71	1.77
Net Gearing (x)	0.9	0.9	0.9
Dividend Yield (%)	0.0	1.5	1.6

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Sum-of-parts valuation			
Segment	Stake	Method	Value (RMm)
Construction	100%	13x FY18 PER	1,758.3
Property development	100%	RNAV of 50% discount	542.7
Property investment -excl KLIA2 IC	Various	Book Value	473.9
KLIA2 Integrated complex	70%	DCF	435.9
Highway concession in India	30%	Book Value	128.3
Sub Total			3,339.0
Proceed from warrants (C and D)			688.5
Total			4,027.5
No of FD shares			1,674.6
SOP/share			2.41
Target Price (25% discount)			1.80
Implied Basic PE (x)			15.4
Implied FD PE (x)			20.6

Source: Kenanga Research



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Income Statement						Financial Data & Ratios						
FY Dec (RMm)	2014A	2015A	2016E	2017E	2018E	FY Dec (RMm)	2014A	2015A	2016E	2017E	2018E	
Revenue	1,654	1,668	1,934	1,958	2,303	Growth						
EBITDA	152	241	167	268	293	Turnover (%)		1%	16%	1%	18%	
Depreciation	-8	0	0	-13	-13	EBITDA (%)		59%	-31%	60%	9%	
Operating Profit	144	241	167	255	280	OP (%)		68%	-31%	53%	10%	
Other Income	0	170	-16	0	0	PBT (%)		82%	-55%	61%	13%	
Interest Exp	-20	-58	-46	-82	-82	CNP (%)		-60%	72%	73%	13%	
Associate	0	88	1	23	23	Profitability (%)						
Exceptionals	0	170	-16	0	0	EBITDA Margin		9%	14%	9%	14%	13%
PBT	149	272	122	196	221	Operating Margin		9%	14%	9%	13%	12%
Taxation	-28	-55	-57	-49	-55	PBT Margin		9%	16%	6%	10%	10%
Minority Interest	2	2	3	0	0	Net Margin		7%	3%	4%	8%	7%
Net Profit	123	219	68	147	165	Effective Tax Rate		19%	20%	47%	25%	25%
Core Net Profit	123	49	85	147	165	ROA		2%	1%	1%	2%	2%
						ROE		6%	2%	3%	5%	6%
Balance Sheet												
FY Dec (RMm)	2014A	2015A	2016E	2017E	2018E	DuPont Analysis						
PPE	1,965	1,929	1,385	1,933	1,899	Net Margin (%)		7%	3%	4%	8%	7%
Intangible asset	0	0	0	0	0	Assets T/o (x)		0.3	0.3	0.3	0.3	0.3
Other FA	1,513	1,513	3,323	3,323	3,323	Leverage Fac. (x)		2.8	2.7	2.7	2.6	2.6
Inventories	514	1,048	132	140	253	ROE (%)		6%	2%	3%	5%	6%
Receivables	877	883	827	838	985	Leverage						
Other CA	407	407	1,226	815	815	Debt/Asset (x)		0.6	0.5	0.5	0.5	0.5
Cash	951	547	455	400	344	Debt/Equity (x)		1.6	1.5	1.4	1.3	1.3
Total Assets	6,227	6,327	7,348	7,449	7,619	Net Cash/(Debt)		-1,480	-1,883	-2,527	2,582	2,639
Payables	461	465	794	798	861	Net Debt/Eq (x)		0.7	0.8	0.9	0.9	0.9
ST Borrowings	584	584	823	823	823	Valuations						
Other ST Liab.	595	595	196	196	196	Core EPS (sen)		7.3	2.9	5.1	8.8	9.9
LT Borrowings	1,846	1,846	2,159	2,159	2,159	DPS (sen)		1.4	7.2	0.0	3.1	3.5
Other LT Liability	453	453	579	579	579	PER (x)		28.7	16.1	51.7	24.0	21.4
Minorities Int.	53	50	34	34	34	Net Div. Yield (%)		0.7	3.4	0.0	1.5	1.6
Net Assets	2,234	2,333	2,763	2,859	2,966	BVPS		1.3	1.4	1.7	1.7	1.8
Share Capital	2,720	2,720	2,942	2,942	2,942	P/B (x)		1.6	1.5	1.3	1.2	1.2
Reserves	-486	-387	-179	-83	24							
Total Equity	2,234	2,333	2,763	2,859	2,966							
Cashflow Statement												
FY Dec (RMm)	2014A	2015A	2016E	2017E	2018E							
Operating CF	-75.8	-261.8	181.2	639.3	260.6							
Investing CF	105.2	36.2	-1,266.3	-560.3	-12.9							
Financing CF	400.3	-178.0	2,447.9	-133.7	-140.2							
Change In Cash	429.8	-403.6	1,362.8	-54.7	107.4							
Free CF	-119.3	-170.7	781.4	128.1	302.8							

Source: Kenanga Research

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Peer Comparison

CORE COVERAGE

NAME	Price (23/2/17)	Mkt Cap (RMm)	PER (x)			Est. Div. Yld. (%)	Est. ROE (%)	P/BV (x)	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
	(RM)		Actual	1 Yr Fwd	2 Yr Fwd				Actual	1 Yr Fwd	2 Yr Fwd					
EVERSENDAI CORP BHD	0.71	549.5	-3.9	15.1	13.1	0.0	3.6	0.6	-140.3	36.4	41.8	-125.9	14.8	0.42	Underperform	23.48
GAMUDA BHD	5.20	12620.7	20.0	17.7	16.9	2.3	9.8	1.7	626.1	709.5	741.7	13.3	4.5	5.45	Market Perform	8.79
IJM CORP BHD	3.50	12646.8	25.0	22.7	20.4	1.7	5.9	1.3	499.9	549.5	612.0	9.9	11.4	3.51	Market Perform	9.37
KIMLUN CORP BHD	2.22	688.8	8.3	9.6	8.7	2.6	12.1	1.2	82.2	70.7	78.3	-14.0	10.7	2.27	Market Perform	6.73
MUHIBBAH ENGINEERING (M) BHD	2.90	1393.0	15.7	13.6	13.0	1.3	11.2	1.5	87.7	101.5	106.2	15.7	4.6	2.74	Market Perform	30.04
HOCK SENG LEE BERHAD	1.69	928.7	16.5	13.1	11.2	1.5	9.3	1.2	56.4	70.7	83.1	25.4	17.5	1.42	Underperform	5.62
NAIM HOLDINGS BERHAD	1.53	362.5	-18.0	9.7	8.5	2.6	2.8	0.3	-20.1	37.5	42.6	-286.7	13.7	1.38	Underperform	-19.47
WCT HOLDINGS BHD	2.11	2649.5	41.7	24.1	21.4	0.0	5.0	1.2	84.8	146.9	165.3	73.2	12.5	1.80	Underperform	21.97
MITRAJAYA HOLDINGS BHD	1.36	910.4	10.5	10.0	10.4	3.7	16.1	1.6	97.3	102.1	98.6	4.9	-3.4	1.49	Outperform	7.94
SUNWAY CONSTRUCTION GROUP	1.81	2340.1	19.9	16.1	15.9	2.2	25.0	4.0	117.7	145.2	146.9	23.4	1.2	1.77	Market Perform	6.47
KERJAYA PROSPEK GROUP BHD	2.79	1432.4	15.8	12.5	10.8	2.5	15.5	1.9	100.0	125.9	146.3	25.9	16.2	3.10	Outperform	28.57
<i>Average</i>				13.8	14.9	13.7										

NOT RATED/ON OUR RADAR

NAME	Price	Mkt Cap (RMm)	PER (x)			Est. Div. Yld. (%)	Est. ROE (%)	P/BV (x)	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
	(RM)		Actual	1 Yr Fwd	2 Yr Fwd				Actual	1 Yr Fwd	2 Yr Fwd					
MUDAJAYA	1.21	651.5	-2.5	17.0	12.4	2.1	3.3	0.6	-264.9	38.5	52.9	-114.5	37.5	n.a.	Not Rated	32.97
PROTASCO	1.09	462.4	8.5	6.3	6.3	6.4	17.0	1.1	44.4	59.8	60.1	34.8	0.5	1.52	Trading Buy	-3.54
PINTARAS JAYA	3.59	588.0	32.9	13.9	11.6	5.6	12.5	1.7	17.8	42.2	50.6	137.3	19.9	4.20	Trading Buy	1.99
GABUNGAN AQRS	1.32	515.3	22.8	13.4	9.5	0.0	1.1	0.1	22.6	38.5	54.2	70.4	40.9	n.a.	Not Rated	45.86
GADANG HOLDINGS	1.34	874.7	8.2	8.9	8.5	2.9	18.0	1.6	94.2	86.8	90.8	-7.9	4.6	2.44	Not Rated	27.62
AZRB	1.05	506.2	19.5	17.5	n.a.	1.9	n.a.	n.a.	26.0	29.0	n.a.	11.6	n.a.	n.a.	Not Rated	65.35
TRC SYNERGY	0.61	293.1	9.8	8.9	11.1	1.6	8.6	0.8	29.9	32.9	26.3	10.2	-20.1	n.a.	Not Rated	60.53
BINA PURI	0.44	111.5	100.6	7.0	7.0	n.a.	n.a.	n.a.	1.0	14.9	14.9	1328.6	0.0	n.a.	Not Rated	1.15
GKENT	4.37	1641.0	16.2	17.5	15.5	1.9	21.9	3.8	101.4	93.8	106.0	-7.5	13.0	2.80	Trading Buy	43.75
PESONA	0.73	485.4	23.9	13.5	9.9	2.1	23.4	3.2	20.0	35.3	48.5	76.2	37.4	0.485	Take Profit	20.66
<i>Average</i>				26.7	12.0	10.1										

Source: Kenanga Research

06 April 2017

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	:A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
MARKET PERFORM	:A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERPERFORM	:A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

OVERWEIGHT	:A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
NEUTRAL	:A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	:A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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