



### WCT HOLDINGS BERHAD

**Neutral**

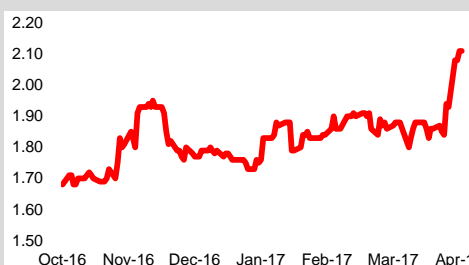
#### DESCRIPTION

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 RM2.00  
Current Price RM2.11  
Expected Return -5%

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

#### SHARE PRICE CHART



52 Week Range (RM) 1.41-2.14  
3-Month Average Vol ('000) 2,724.38

#### SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	13.4	19.9	26.3
Relative Returns	11.7	10.7	18.6

#### KEY STOCK DATA

Market Capitalisation (RMm)	2,649.5
No. of Shares (m)	1,255.7

#### MAJOR SHAREHOLDERS

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

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### Secures LRT3 Job Worth RM185.9m

WCT Holdings, via its subsidiary, WCT Berhad, received a Letter of Acceptance for LRT-3 related works in Klang worth RM185.9m. This smallish job is within our replenishment rate assumption of RM2bn for FY17 and hence, our earnings are kept unchanged at this point. With the recent price run, the stock has surpassed our SOTP-derived fair value of RM1.70. However, with the emergence of Tan Sri Desmond Lim as the new controlling shareholder, we now believe that there is a potential synergy especially for the property business in his group of companies. Hence, we reduce our discount from 30% to 20% attached to WCT's property development business and increase our SOTP-derived TP from RM1.70 to RM2.00. We maintain our **Neutral** recommendation.

§ **Scope of works.** The job, awarded by Prasarana Malaysia Berhad, is to undertake and complete "Package TD1 – construction and completion of Johan Setia Depot (Phase 1)" and associated works for the Light Rail Transit Line 3 (LRT3) from Bandar Utama in Petaling Jaya to Johan Setia in Klang. The depot is located next to the Johan Setia LRT station, the last one in this particular alignment. The scope of works for the Contract generally includes site investigation works, traffic and roads, safety, health and environmental management, site clearance, demolition and earthworks, sub-structure works, drainage works, road works, electrical and mechanical works. The job is expected to be completed within 18 months from now.

§ **Outstanding order book.** The new job is expected to increase its external outstanding order book to c.RM5bn, underpinning its construction earnings visibility for the next 2-3 years. Going forward, new jobs eyed include Pan Borneo Sabah, Kwasa Damansara and TRX.

#### 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)	13.6	41.4	21.3	18.8	15.7	
DPS (Sen)	2.0	2.0	2.0	2.0	2.0	
Dividend Yield (%)	0.9	0.9	0.9	0.9	0.9	

Source: Company, PublicInvest Research estimates

## 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
<b>Growth</b>					
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
<b>Total Assets</b>	<b>6,201.1</b>	<b>6,762.1</b>	<b>6,972.5</b>	<b>7,117.4</b>	<b>7,174.5</b>
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
<b>Total Liabilities</b>	<b>3,920.4</b>	<b>4,104.7</b>	<b>4,539.2</b>	<b>4,610.7</b>	<b>4,584.6</b>
Shareholders' Equity	2,280.7	2,657.4	2,433.3	2,506.8	2,589.9
<b>Total Equity and Liabilities</b>	<b>6,201.1</b>	<b>6,762.1</b>	<b>6,972.5</b>	<b>7,117.4</b>	<b>7,174.5</b>

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

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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