



AmInvestment Bank

Company report

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WCT HOLDINGS

(WCTHG MK EQUITY, WCTE.KL)

CONSTRUCTION

28 Apr 2017

Maiden Mont Kiara property foray

HOLD

(Maintained)

Rationale for report: Company update

Price	RM2.13
Fair Value	RM1.88
52-week High/Low	RM2.15/RM1.41

Key Changes

Fair value	↕
EPS	↕

YE to Dec	FY16	FY17F	FY18F	FY19F
Revenue (RM mil)	1,933.6	2,069.2	2,086.9	2,272.2
Core net profit (RM mil)	100.1	120.4	134.3	158.6
FD Core EPS (sen)	8.1	8.8	9.5	10.9
FD Core EPS growth (%)	45.4	7.8	8.6	13.9
Consensus Net Profit (RM mil)	-	148.6	167.7	185.4
DPS (sen)	-	2.0	2.0	2.0
PE (x)	26.1	24.3	22.3	19.6
EV/EBITDA (x)	28.1	20.2	18.7	16.6
Div yield (%)	-	0.9	0.9	0.9
ROE (%)	2.5	4.1	4.3	4.9
Net Gearing (%)	91.4	77.3	74.1	69.7

Stock and Financial Data

Shares Outstanding (million)	1,249.2
Market Cap (RMmil)	2,660.8
Book Value (RM/share)	2.21
P/BV (x)	1.0
ROE (%)	2.5
Net Gearing (%)	91.4

Major Shareholders	Tan Sri Desmond Lim (19.7%) Lembaga Tabung Haji (10.2%) EPF (7.9%)
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Free Float	38.5
Avg Daily Value (RMmil)	5.7

Price performance	3mth	6mth	12mth
Absolute (%)	16.4	25.3	30.7
Relative (%)	11.0	18.3	25.1



Investment Highlights

- We maintain our forecasts, FV of RM1.88 based on sum of parts (SOP) (Exhibit 1) and HOLD call, following WCT's first foray into property development in the Mont Kiara area.
- WCT has subscribed to a 99.98% stake in a shell company called Kekal Kirana Sdn Bhd (KKSD) for a nominal sum of about RM1,000. KKSD has signed an S&P agreement with a third-party private company called Wealthway Resources Sdn Bhd for the acquisition of a freehold land plot measuring 3.14 acres on the western side of Changkat Duta Kiara in Mont Kiara, KL, for RM80mil cash. KKSD has already obtained a development order from the KL City Hall for the development of 336 serviced apartments and four villas on the land. KKSD intends to revise the development plan to 408 serviced apartments with an estimated GDV of RM600mil.
- The land's price tag of RM585 psf is at a premium to the asking prices of RM400-500 psf for similar land plots in the same area. We believe the premium could be justifiable given that the land comes with a ready development order.
- We estimate that the acquisition will increase WCT's net debt and gearing of RM2.35bil and 0.80x (post the recent shares placement), to RM2.43bil and 0.83x respectively, which is not significant.
- We believe the acquisition will not have any immediate impact on WCT's earnings given the soft property market, coupled with the oversupply situation in the Mont Kiara area at present. However, it should boost WCT's property earnings profile over the long term, as it helps to expand its product range to include the upmarket segment, in addition to its bread-and-butter township and integrated property projects.
- We maintain our view that WCT will ultimately be turned into the flagship PLC of new controlling shareholder Tan Sri Desmond Lim, via the injection of Malton (a sister company of WCT, with its prized asset being Pavilion Bukit Jalil) and Lim's private business ventures including Pavilion Kuala Lumpur and Pavilion Damansara Heights. This could potentially double WCT's market capitalisation to above RM4bil. However, the devil is in the details. We believe it is premature to tell if the exercise will be value-enhancing to WCT's existing shareholders, as that depends largely on the structure and pricing of the assets and new shares to be issued pursuant to the corporate exercise.

EXHIBIT 1: SOP VALUATION

Property development		
Bandar Bukit Tinggi, Klang	632	121 acres, RM120 psf
Rawang, Selangor	459	659 acres, RM16 psf
Kota Kinabalu, Sabah	48	22 acres, RM50 psf
Serendah, Selangor	27	39 acres, RM16 psf
Medini, Iskandar	507	39 acres, RM300 psf
OUG, Kuala Lumpur	1,053	60 acres, RM400 psf
Johor Bahru, Johor	209	12 acres, RM400 psf
TRX, Kuala Lumpur	223	2 acres, RM3,100 psf
RNAV	3,159	
RNAV after discount	2,369	25% discount
Property investment		
Equity in property JVs	503	70%-owned Paradigm development in Petaling Jaya and 70%-owned Gateway@KLIA2
BBT Shopping Mall, Klang	442	NBV
Premiere Hotel, Bandar Bukit Tinggi	77	NBV
	1,022	
Construction		
	1,511	13x FY18F net profit
Net debt	-2,349	Post private placement
Proceeds from warrant/ESOS conversion	814	Outstanding and new warrants
	3,367	
Enlarged share base (m shares)	1,788	
FV (RM/share)	1.88	

Source: Company, AmInvestment Bank Bhd

EXHIBIT 2: OUTSTANDING ORDER BOOK

Project	Outstanding Value (RMmil)
RAPID	990
Pan Borneo Sarawak	944
Package V204, MRT2	893
TRX	717
Lusail development, Qatar	605
Gov administrative office, Qatar	324
West Coast Expressway	257
Internal works	232
Johan Setia Depot, LRT3	186
Police quarters redevelopment, Gombak	119
Kwasa Damansara	61
MyTown Shopping Centre	50
Others	95
Total	5,473

Source: Company, AmInvestment Bank Bhd

EXHIBIT 3: PB BAND CHART

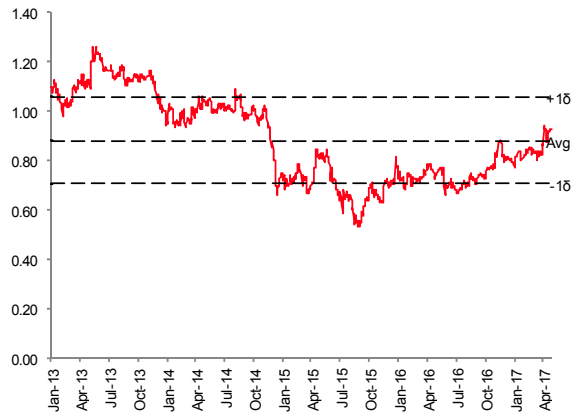


EXHIBIT 4: PE BAND CHART

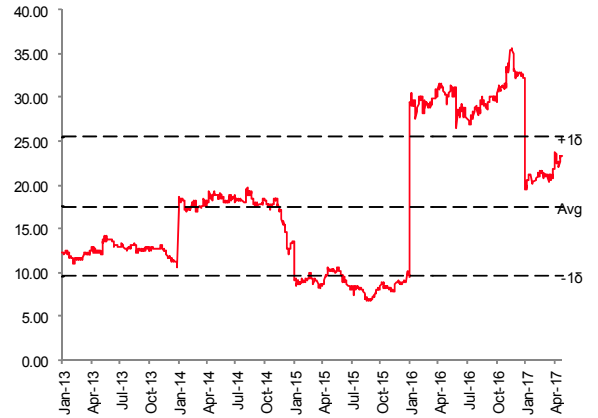


EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue	1,667.9	1,933.6	2,069.2	2,086.9	2,272.2
EBITDA	146.7	184.6	247.9	267.5	297.8
Depreciation/Amortisation	(8.1)	(15.0)	(11.0)	(11.4)	(12.0)
Operating income (EBIT)	138.7	169.6	236.8	256.0	285.8
Other income & associates	24.5	30.4	17.8	18.7	19.6
Net interest	(57.8)	(46.3)	(78.1)	(75.0)	(74.1)
Exceptional items	156.4	(31.7)	-	-	-
Pretax profit	261.8	122.0	176.6	199.7	231.2
Taxation	(54.9)	(56.8)	(52.5)	(57.1)	(62.6)
Minorities/pref dividends	2.5	3.2	(3.7)	(8.4)	(10.0)
Net profit	209.4	68.4	120.4	134.3	158.6
Core net profit	52.9	100.1	120.4	134.3	158.6
Balance Sheet (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Fixed assets	288.4	328.3	417.2	505.8	593.8
Intangible assets	-	-	-	-	-
Other long-term assets	3,900.4	4,380.1	4,397.9	4,416.5	4,436.1
Total non-current assets	4,188.8	4,708.4	4,815.1	4,922.3	5,029.8
Cash & equivalent	523.8	455.1	629.8	644.8	685.5
Stock	153.9	132.0	132.0	132.0	132.0
Trade debtors	1,292.8	1,352.3	1,352.3	1,352.3	1,352.3
Other current assets	592.6	700.8	700.8	700.8	700.8
Total current assets	2,563.0	2,640.1	2,814.8	2,829.8	2,870.6
Trade creditors	936.8	980.8	980.8	980.8	980.8
Short-term borrowings	520.4	823.5	823.5	823.5	823.5
Other current liabilities	8.9	9.3	9.3	9.3	9.3
Total current liabilities	1,466.0	1,813.5	1,813.5	1,813.5	1,813.5
Long-term borrowings	2,072.8	2,158.7	2,158.7	2,158.7	2,158.7
Other long-term liabilities	565.8	578.9	578.9	578.9	578.9
Total long-term liabilities	2,638.7	2,737.6	2,737.6	2,737.6	2,737.6
Shareholders' funds	2,610.3	2,763.4	3,041.3	3,155.1	3,293.4
Minority interests	36.8	33.9	37.5	45.9	55.9
BV/share (RM)	2.10	2.21	2.24	2.32	2.42
Cash Flow (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Pretax profit	261.8	122.0	176.6	199.7	231.2
Depreciation/Amortisation	8.1	15.0	11.0	11.4	12.0
Net change in working capital	(530.8)	(274.5)	-	-	-
Others	(167.7)	19.9	7.8	(0.7)	(117.2)
Cash flow from operations	(428.6)	(117.6)	195.4	210.4	126.0
Capital expenditure	(145.8)	(276.6)	(100.0)	(100.0)	(100.0)
Net investments & sale of fixed assets	-	-	-	-	-
Others	(49.5)	38.1	-	-	-
Cash flow from investing	(195.3)	(238.6)	(100.0)	(100.0)	(100.0)
Debt raised/(repaid)	142.0	381.2	-	-	-
Equity raised/(repaid)	108.3	92.6	177.8	-	-
Dividends paid	(22.6)	(25.0)	(20.4)	(20.4)	(20.4)
Others	(130.5)	(127.5)	(78.1)	(75.0)	(74.1)
Cash flow from financing	97.3	321.3	79.4	(95.4)	(94.5)
Net cash flow	(526.6)	(34.8)	174.7	15.0	(68.5)
Net cash/(debt) b/f	944.5	398.5	334.7	509.4	524.4
Net cash/(debt) c/f	456.3	381.0	509.4	524.4	456.0
Key Ratios (YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue growth (%)	0.3	15.9	7.0	0.9	8.9
EBITDA growth (%)	(10.7)	25.8	34.3	7.9	11.3
Pretax margin (%)	15.7	6.3	8.5	9.6	10.2
Net profit margin (%)	12.6	3.5	5.8	6.4	7.0
Interest cover (x)	2.4	3.7	3.0	3.4	3.9
Effective tax rate (%)	21.0	46.6	29.7	28.6	27.1
Dividend payout (%)	22.9	-	17.0	15.2	12.9
Debtors turnover (days)	283	255	239	237	217
Stock turnover (days)	38	35	35	35	35
Creditors turnover (days)	234	260	259	259	259

Source: Company, AmlInvestment Bank Bhd estimates

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