

# WCT Holdings Bhd

## Second LRT3 Job in the Bag

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Yesterday, WCT announced the following; (i) letter of acceptance of RM840.0m LRT3 job, and (ii) proposed joint-investment with Chinese parties to develop TRX. While we are neutral on the contract award as it is within our FY17E replenishment target of RM2.0b, we are positive on the proposed joint-investment with Chinese parties as it would lighten its balance sheet. Maintain MARKETPERFORM with an unchanged SoP-driven Target Price of RM1.83.

**Second LRT3 job.** This RM840.0m cojob. This is the LRT3 project involves the construction works for guideway, stations, park and ride, ancillary buildings and other associated works from Bandar Utama to Johan Setia with a construction timeline of 33 months from the day of award.

**Neutral on the win...** This marks WCT's second win for the year as well as the second contract award from the highly anticipated LRT3 project. However, the contract award has neutral impact on eaa neutral earnings within our order-book replenish as ent assumption of RM2.0b for FY17. Nonetheless, assuming conservative pre-tax margins of 8%, this particular depot work is expected to contribute c.RM18.3m to its bottom-line per annum.

**JVs Chinese on TRX.** Separately, WCT also announced a proposed joint investment with CORE (Singapore) TRX Investment Pte. Ltd. (CORE SPV) and China Communications Construction Company (M) Sdn Bhd to undertake the development in Tun Razak Exchange (TRX), which is currently wholly owned by WCT. Based on its proposal, WCT will raise RM200.0m worth of funds from the proposed joint-investment from the Chinese parties, which will be used to pare down WCT's gearing. We are positive on the proposed joint-investment as WCT's 2Q17 net gearing will lighten from 0.86x to 0.79x from the funds raised.

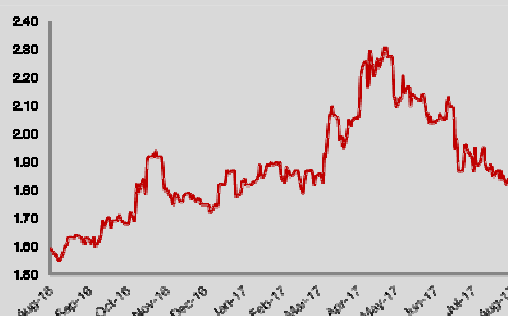
**Outlook.** Its outstanding order book stands at c.RM5.4b after the above contract award, providing earnings visibility for the next 2.5-3.0 years. Remaining order-book replenishment assumptions have been reduced to RM1.0b. As for its property division, its unbilled sales stands at RM487.0m with 1.5 years visibility and management intend to continue with their re-pricing strategy to clear its existing inventories amounting to GDV of RM644.0m.

**Maintain MARKET PERFORM** with an unchanged SoP-driven Target Price of RM1.83, in view of its steady earnings performance coupled with a lighter balance sheet and improving prospects of the company. Share price has also retreated by 22% from the peak. Our TP implies FY18E PER of 18.5x in line with the big boys range of 18.0-20.0x, which we are comfortable with especially for concession owners.

## MARKET PERFORM ↔

Price : RM1.80  
Target Price : RM1.83 ↔

### Share Price Performance



KLCI 1,761.14  
YTD KLCI chg 7.3%  
YTD stock price chg 4.7%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	WCTHG MK Equity
Market Cap (RM m)	2,528.9
Issued shares	1,404.9
52-week range (H)	2.48
52-week range (L)	1.53
3-mth avg daily vol:	1,529,932
Free Float	67%
Beta	1.0

### Major Shareholders

Dominion Nexus SdnBhd	17.6%
Employees Provident Fund	8.0%
Lembaga Tabung Haji	7.2%

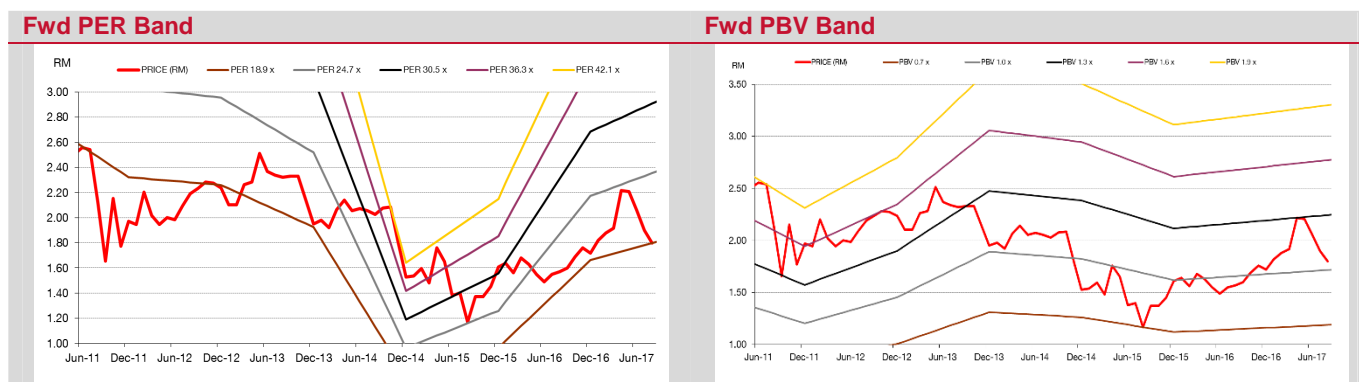
### Summary Earnings Table

FYE 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	199.0	226.4
Net Profit (NP)	68.4	149.0	169.4
Core NP	84.8	149.0	169.4
Consensus (CNP)	n.a.	148.5	170.5
Earnings Revision	n.a.	n.a.	n.a.
FD Core EPS (sen)	5.1	8.9	10.1
Core EPS growth(%)	5.1	8.9	10.1
NDPS (sen)	72%	76%	14%
NTA/Share (RM)	0.0	0.0	0.0
FD Core PER (x)	1.65	1.74	1.84
BVPS (RM)	44.1	20.2	17.8
Net Gearing (x)	44.1	20.2	17.8
Dividend Yield (%)	1.65	1.74	1.84

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Sum-of-parts valuation			
Segment	Stake	Method	Value (RMm)
Construction	100%	13x FY18 PER	1758.3
Property development	100%	RNAV of 50% discount	592.2
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
<b>Sub Total</b>			<b>3,388.5</b>
Proceed from warrants (C and D)			688.5
<b>Total</b>			<b>4077.0</b>
No of FD shares			1674.6
<b>SOP/share</b>			<b>2.43</b>
<b>Target Price (20% discount)</b>			<b>1.83</b>
<b>Implied Basic PE (x)</b>			<b>13.9</b>
<b>Implied FD PE (x)</b>			<b>18.5</b>

Source: Kenanga Research



Source: Bloomberg, Kenanga Research

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Income Statement						Financial Data & Ratios					
FY Dec (RMm)	2014A	2015A	2016A	2017E	2018E	FY Dec (RMm)	2014A	2015A	2016A	2017E	2018E
Revenue	1,654	1,668	1,934	1,958	2,303	<b>Growth</b>					
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	<b>Profitability (%)</b>					
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%
<b>Balance Sheet</b>						ROE	6%	2%	3%	5%	6%
FY Dec (RMm)	2014A	2015A	2016A	2017E	2018E	<b>DuPont Analysis</b>					
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	<b>Leverage</b>					
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	<b>Valuations</b>					
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)	29.0	16.3	52.2	24.3	21.6
Minorities Int.	53	50	34	34	34	Net Div. Yield (%)	0.7	3.4	0.0	1.4	1.6
<b>Net Assets</b>	<b>2,234</b>	<b>2,333</b>	<b>2,763</b>	<b>2,859</b>	<b>2,966</b>	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						
<b>Total Equity</b>	<b>2,234</b>	<b>2,333</b>	<b>2,763</b>	<b>2,859</b>	<b>2,966</b>						
<b>Cashflow Statement</b>											
FY Dec (RMm)	2014A	2015A	2016A	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	2,448	-133.7	-140.2						
Change In Cash	429.8	-403.6	1,363	-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 (29/8/17)	Mkt Cap	PER (x)			Est. Div. Yld.	Est. ROE	P/BV	Net Profit (RMm)			1 Yr Fwd NP Growth	2 Yr Fwd NP Growth	Target Price	Rating	YTD (%)
	(RM)	(RMm)	Actual	1 Yr Fwd	2 Yr Fwd	(%)	(%)	(x)	Actual	1 Yr Fwd	2 Yr Fwd	(%)	(%)	(RM)		
EVERSENDAI CORP BHD	1.15	891	-6.3	15.1	12.7	1%	6%	1.0	-140.3	58.9	70.0	-142%	19%	0.75	Underperform	100.0
GAMUDA BHD	5.39	13221	30.4	21.4	20.5	2%	10%	1.8	499.3	709.5	741.7	42%	5%	5.45	Market Perform	12.8
IJM CORP BHD	3.35	12153	22.5	20.7	18.5	2%	6%	1.2	539.1	585.8	656.1	9%	12%	3.48	Market Perform	4.7
KIMLUN CORP BHD	2.16	690	8.2	9.5	8.6	3%	12%	1.1	81.9	70.7	78.3	-14%	11%	2.27	Market Perform	3.8
MUHIBBAH ENGINEERING (M) BHD	2.85	1369	16.8	14.5	13.9	1%	11%	1.5	87.7	101.5	106.2	16%	5%	2.94	Market Perform	27.8
HOCK SENG LEE BERHAD	1.45	797	14.1	16.1	11.5	2%	7%	1.1	56.5	49.4	69.0	-13%	40%	1.40	Market Perform	-9.4
WCT HOLDINGS BHD	1.80	2529	35.5	20.2	17.8	2%	5%	1.1	84.8	149	169.4	76%	14%	1.83	Market Perform	4.7
MITRAJAYA HOLDINGS BHD	1.16	799	9.0	12.4	10.9	4%	10%	1.3	97.3	70.5	80.5	-28%	14%	1.20	Underperform	-7.9
SUNWAY CONSTRUCTION GROUP	2.20	2843	24.2	19.6	19.4	2%	25%	4.9	117.7	145.2	146.9	23%	1%	2.00	Underperform	29.4
KERJAYA PROSPEK GROUP BHD	3.62	2028	20.4	16.1	13.8	1%	16%	2.5	100	126.7	148.1	27%	17%	3.30	Underperform	66.8
Average			17.5	16.6	14.7											
NOT RATED/ON OUR RADAR																
NAME	Price	Mkt Cap	PER (x)			Est. Div. Yld.	Est. ROE	P/BV	Net Profit (RMm)			1 Yr Fwd NP Growth	2 Yr Fwd NP Growth	Target Price	Rating	YTD (%)
	(RM)	(RMm)	Actual	1 Yr Fwd	2 Yr Fwd	(%)	(%)	(x)	Actual	1 Yr Fwd	2 Yr Fwd	(%)	(%)	(RM)		
MUDAJAYA	1.05	565	-2.1	14.7	10.7	n.a.	n.a.	n.a.	-264.9	38.5	52.9	-115%	37%	n.a.	Not Rated	15.4
PROTASCO	1.02	433	8.3	7.4	7.2	6%	14%	1.1	51.8	58.5	60.1	13%	3%	1.52	Trading Buy	-9.7
PINTARAS JAYA	4.06	670	37.2	15.7	13.1	5%	12%	1.9	17.8	42.2	50.6	137%	20%	4.2	Trading Buy	15.3
GABUNGAN AQRS	1.68	721	29.0	17.6	8.4	1%	11%	2.0	22.6	37.2	77.9	65%	109%	1.6	Not Rated	85.6
GADANG HOLDINGS	1.25	822	8.6	9.3	8.9	2%	14%	1.3	94.2	86.8	90.8	-8%	5%	2.44	Not Rated	19.0
AZRB	1.12	595	19.9	9.4	7.4	n.a.	15%	1.4	27.2	57.4	73	111%	27%	1.35	Trading Buy	76.4
TRC SYNERGY	0.81	387	12.9	11.8	14.7	2%	8%	0.9	29.9	32.9	26.3	10%	-20%	n.a.	Not Rated	111.8
BINA PURI	0.35	92	82.3	5.5	5.5	n.a.	n.a.	n.a.	1	14.9	14.9	1390%	0%	n.a.	Not Rated	-20.7
GKENT	2.77	1560	15.4	16.6	14.7	3%	21%	3.4	101.4	93.8	106	-7%	13%	2.8	Trading Buy	36.7
PESONA	0.59	390	19.2	10.9	7.9	4%	22%	2.4	20	35.3	48.5	77%	37%	0.485	Take Profit	-3.3
JAKS	1.33	641	0.8	9.4	6.8	0%	12%	1.1	736	61.933	85.433	-92%	38%	1.54	Not Rated	30.4
Average			21.0	11.7	9.6											

Source: Bloomberg, Kenanga Research

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

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

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

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