



WCT HOLDINGS BERHAD

Neutral

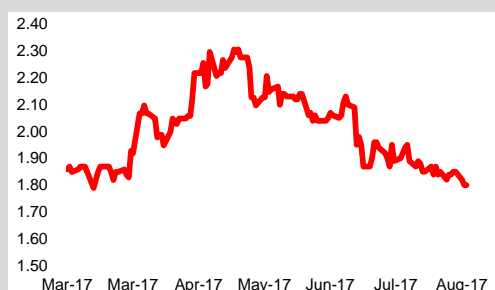
DESCRIPTION

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 RM1.80
Expected Return +11%

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

SHARE PRICE CHART



52 Week Range (RM) 1.53-2.48
3-Month Average Vol ('000) 1,552.8

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-4.8	-15.4	-4.2
Relative Returns	-4.4	-15.2	-7.8

KEY STOCK DATA

Market Capitalisation (RMm)	2,528.9
No. of Shares (m)	1,404.9

MAJOR SHAREHOLDERS

	%
Tan Sri Desmond Lim	17.6
EPF	8.0
Lembaga Tabung Haji	7.3

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Secures RM840m LRT3 Job

WCT Holdings, via its subsidiary, WCT Berhad, accepted a contract to complete "Package GS03" for the construction of guideway, stations, park and ride, ancillary buildings and other associated works for the Light Rail Transit Line 3 (LRT3) project from Bandar Utama to Johan Setia. The contract, valued at RM840m, is the Group's second LRT3 job and will increase its total job wins to-date to c.RM1bn. No change to our earnings estimates as this is within our job replenishment assumption of c.RM2bn. Separately, WCT announced that it will inject its land in the Tun Razak Exchange (TRX) into a JV company for RM200m. The value is lower than what WCT "paid" back in 2015 however. Pending more clarifications from management on this particular transaction, we maintain our **Neutral** recommendation with unchanged SOTP-derived TP of RM2.00.

§ **LRT3 job.** The new LRT contract is expected to be completed within 33 months from now. This contract is within Management's guidance for c.RM2bn new construction jobs in this financial year. With the new job, total new jobs secured so far are totaling c.RM1bn, with outstanding orderbook in excess of RM5bn on our estimates. Going forward, its tender book includes station packages of MRT2, Kwasa Damansara, Pan Borneo Sabah and high-rise/integrated building jobs. Also, WCT has submitted a bid for the KL-Klang bus rapid transit (BRT) project. We understand that there are five bidders for this build-operate-transfer (BOT) project valued at about RM2bn.

§ **TRX land transaction.** Injected at a value of RM200m, WCT will hold a 20% stake in the JV company, while CORE (Singapore) will own 65% with the remaining 15% by China Communications Construction Company (M). The said land price is lower than what WCT paid back in 2015 however. Recall that it "paid" RM223m for the parcel which it obtained through contract works done in 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	9.9
Operating Profit	241.2	120.9	259.3	279.2	314.2	1.1
Pre-tax Profit	261.8	122.0	173.5	188.7	228.2	0.4
Net Profit	209.4	68.4	117.4	151.2	181.3	1.1
EPS (Sen)	15.5	5.1	8.7	11.2	13.4	1.1
P/E (x)	13.6	41.4	21.3	16.5	13.8	
DPS (Sen)	2.0	-	3.0	3.0	4.0	
Dividend Yield (%)	0.9	-	1.6	1.6	2.2	

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	117.4	151.2	181.3
Growth					
Revenue (%)	0.5	15.9	11.1	3.2	4.1
Gross Profit (%)	27.0	-19.5	13.6	5.5	6.3
Net Profit	42.3	-67.3	10.5	28.9	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	794.2	711.4
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	7,108.5	7,165.6
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	2,497.8	2,581.0
Total Equity and Liabilities	6,201.1	6,762.1	6,972.5	7,108.5	7,165.6

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2015A	2016A	2017F	2018F	2019F
Book Value Per Share	1.8	2.1	1.7	1.7	1.8
NTA Per Share	1.8	2.1	1.7	1.7	1.8
EPS (Sen)	15.5	5.1	7.9	8.7	11.2
DPS (Sen)	2.0	2.0	3.0	3.0	3.0
Payout Ratio (%)	12.9	39.5	38.1	34.5	26.8
ROA (%)	3.1	1.8	2.4	1.5	1.6
ROE (%)	9.4	2.6	4.5	4.8	6.0

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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