



AmInvestment Bank

## Company report

## WCT HOLDINGS

(WCTHG MK EQUITY, WCTE.KL)

20 Sep 2017

## Bagging RM199.5mil MRT station job

HOLD

(Maintained)

Joshua Ng

ng-chin-yuing@ambankgroup.com

03-2036 2293

Rationale for report: Company update

Price RM1.77  
Fair Value RM1.91  
52-week High/Low RM2.48/RM1.58

## 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	134.2	147.3	170.9
FD Core EPS (sen)	8.1	9.5	10.2	11.5
FD Core EPS growth (%)	45.4	17.0	7.5	12.5
Consensus Net Profit (RM mil)	-	147.1	170.2	186.6
DPS (sen)	-	2.0	2.0	2.0
PE (x)	21.7	18.6	17.3	15.4
EV/EBITDA (x)	25.7	18.1	16.7	14.9
Div yield (%)	-	1.1	1.1	1.1
ROE (%)	2.5	4.6	4.7	5.2
Net Gearing (%)	91.4	76.9	73.2	68.5

## Stock and Financial Data

Shares Outstanding (million)	1,249.2
Market Cap (RMmil)	2,211.1
Book Value (RM/share)	2.21
P/BV (x)	0.8
ROE (%)	2.5
Net Gearing (%)	91.4
Major Shareholders	Tan Sri Desmond Lim (19.7%) Lembaga Tabung Haji (10.2%) EPF (7.9%)
Free Float	38.5
Avg Daily Value (RMmil)	2.7

Price performance	3mth	6mth	12mth
Absolute (%)	(14.1)	(5.3)	8.6
Relative (%)	(13.5)	(7.0)	0.9



## Investment Highlights

- We raise our FY17-19F forecasts by 3% each, FV by 3% as well to RM1.91 (from RM1.88) based on sum of its parts (SOP) (Exhibit 1), but maintain our HOLD call.
- WCT has been awarded by MRT Co an MRT station package (Package S204 – Kuchai Lama and Taman Niaga Emas) worth RM199.5mil. The latest job will not increase WCT's YTD job wins of RM1.05bil and its outstanding construction order book of RM5.36bil (Exhibit 2), as it forms part of an MRT viaduct package (Package V204 – from Bandar Malaysia South Portal to Kampung Muhibbah) worth RM896.4mil that WCT secured from MRT Co in Nov 2016.
- The key difference is, instead of earning an attendance fee amounting to typically 1-2% of the contract value (if the station package were to be awarded by MRT Co to a third-party contractor, also known as nominated subcontractor, and WCT's role were to be supervising the subcontractor), WCT, now as the actual contractor for the stations, will earn construction margins we believe in the high single digit.
- We therefore raise the overall margins from Package V204 to 8% from 6% previously, resulting in the above-mentioned earnings upgrades. We view the latest development positively.
- We maintain our view that WCT will ultimately be turned into the flagship PLC of Tan Sri Desmond Lim (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, 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

<b>Property development</b>		
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
<b>Property investment</b>		
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	
<b>Construction</b>		
Net debt	1,555	13x FY18F net profit
Proceeds from warrant/ESOS conversion	-2,349	Post private placement
	814	Outstanding and new warrants
	3,411	
Enlarged share base (m shares)	1,788	
<b>FV (RM/share)</b>	<b>1.91</b>	

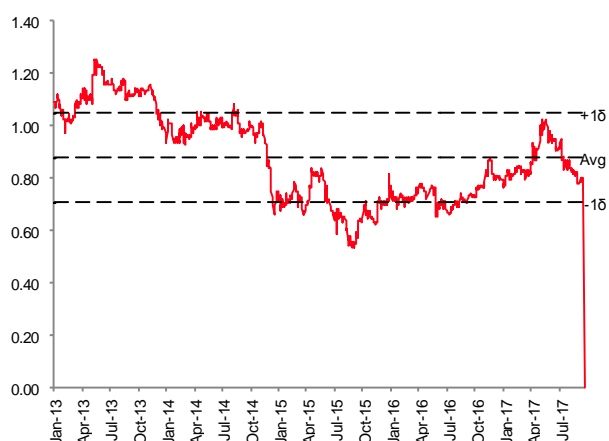
Source: Company, AmlInvestment Bank Bhd

## EXHIBIT 2: OUTSTANDING ORDER BOOK

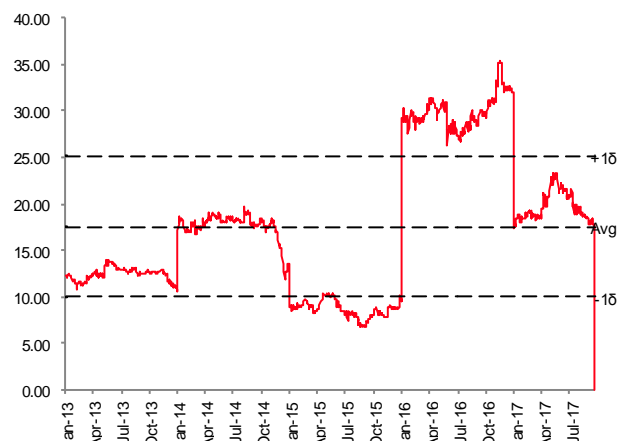
Project	Outstanding Value (RMmil)
Pan Borneo Sarawak	905
Package V204, MRT2	880
Package GS03, LRT3	840
RAPID	763
TRX	656
Lusail development, Qatar	526
West Coast Expressway	227
Johan Setia Depot, LRT3	184
Internal works	136
Police quarters redevelopment, Gombak	111
Others	133
<b>Total</b>	<b>5,361</b>

Source: Company, AmlInvestment 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	252.4	272.0	302.3
Depreciation/Amortisation	(8.1)	(15.0)	(11.0)	(11.4)	(12.0)
Operating income (EBIT)	138.7	169.6	241.3	260.5	290.3
Other income & associates	24.5	30.4	27.1	27.1	27.1
Net interest	(57.8)	(46.3)	(78.0)	(74.8)	(73.8)
Exceptional items	156.4	(31.7)	-	-	-
<b>Pretax profit</b>	<b>261.8</b>	<b>122.0</b>	<b>190.4</b>	<b>212.8</b>	<b>243.6</b>
Taxation	(54.9)	(56.8)	(52.5)	(57.1)	(62.7)
Minorities/pref dividends	2.5	3.2	(3.7)	(8.4)	(10.0)
<b>Net profit</b>	<b>209.4</b>	<b>68.4</b>	<b>134.2</b>	<b>147.3</b>	<b>170.9</b>
Core net profit	52.9	100.1	134.2	147.3	170.9
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	4,407.1	4,434.2	4,461.3
<b>Total non-current assets</b>	<b>4,188.8</b>	<b>4,708.4</b>	<b>4,824.4</b>	<b>4,940.0</b>	<b>5,055.0</b>
Cash & equivalent	523.8	455.1	634.3	654.0	699.5
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
<b>Total current assets</b>	<b>2,563.0</b>	<b>2,640.1</b>	<b>2,819.4</b>	<b>2,839.0</b>	<b>2,884.5</b>
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
<b>Total current liabilities</b>	<b>1,466.0</b>	<b>1,813.5</b>	<b>1,813.5</b>	<b>1,813.5</b>	<b>1,813.5</b>
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
<b>Total long-term liabilities</b>	<b>2,638.7</b>	<b>2,737.6</b>	<b>2,737.6</b>	<b>2,737.6</b>	<b>2,737.6</b>
<b>Shareholders' funds</b>	<b>2,610.3</b>	<b>2,763.4</b>	<b>3,055.1</b>	<b>3,182.0</b>	<b>3,332.5</b>
Minority interests	36.8	33.9	37.5	45.9	55.9
BV/share (RM)	2.10	2.21	2.25	2.34	2.45
Cash Flow (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Pretax profit	261.8	122.0	190.4	212.8	243.6
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	(1.6)	(9.4)	(109.4)
<b>Cash flow from operations</b>	<b>(428.6)</b>	<b>(117.6)</b>	<b>199.9</b>	<b>214.9</b>	<b>146.2</b>
Capital expenditure	(145.8)	(276.6)	(100.0)	(100.0)	(100.0)
Net investments & sale of fixed assets	-	-	-	-	-
Others	(49.5)	38.1	-	-	-
<b>Cash flow from investing</b>	<b>(195.3)</b>	<b>(238.6)</b>	<b>(100.0)</b>	<b>(100.0)</b>	<b>(100.0)</b>
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)	(78.0)	(74.8)	(73.8)
<b>Cash flow from financing</b>	<b>97.3</b>	<b>321.3</b>	<b>79.4</b>	<b>(95.2)</b>	<b>(94.2)</b>
<b>Net cash flow</b>	<b>(526.6)</b>	<b>(34.8)</b>	<b>179.3</b>	<b>19.7</b>	<b>(48.0)</b>
<b>Net cash/(debt) b/f</b>	<b>944.5</b>	<b>398.5</b>	<b>334.7</b>	<b>514.0</b>	<b>533.6</b>
<b>Net cash/(debt) c/f</b>	<b>456.3</b>	<b>381.0</b>	<b>514.0</b>	<b>533.6</b>	<b>485.7</b>
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	36.7	7.8	11.2
Pretax margin (%)	15.7	6.3	9.2	10.2	10.7
Net profit margin (%)	12.6	3.5	6.5	7.1	7.5
Interest cover (x)	2.4	3.7	3.1	3.5	3.9
Effective tax rate (%)	21.0	46.6	27.6	26.8	25.7
Dividend payout (%)	22.9	-	15.2	13.9	12.0
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

**DISCLOSURE AND DISCLAIMER**

This report is prepared for information purposes only and it is issued by AmlInvestment Bank Berhad ("AmlInvestment") without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmlInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmlInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmlInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmlInvestment's views as of this date and are subject to change without notice. Notwithstanding that, AmlInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmlInvestment's affiliates and/or related corporations (collectively, "AmBank Group").

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmlInvestment's prior written consent. AmlInvestment, AmBank Group and its respective directors, officers, employees and agents ("Relevant Person") accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmlInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.