

06 October 2017

# WCT Holdings Bhd

## Hat-trick!

 By Adrian Ng | [adrian.ng@kenanga.com.my](mailto:adrian.ng@kenanga.com.my)

Yesterday, WCT announced that they have bagged its third LRT3 job, i.e. Package GS02 amounting to RM640.0m with a completion timeline of 35 months. We are neutral on the job win as it is still within our FY17E order-book replenishment assumptions of RM2.0b. No changes to FY17-18E earnings. **Maintain MARKET PERFORM** with an unchanged SoP-driven Target Price of RM1.83.

**Hat-trick!** This contract award of RM640.0m marks the third LRT3 job secured to-date by WCT, and we observed that WCT is one of the very few contractors who has secured multiple packages from LRT3. Previously, WCT won two packages, i.e. Package TD1 (RM185.9m) and Package GS03 (RM840.0m). This particular package GS02 is another guide way package similar to GS03 whereby WCT is required to complete the construction of guide way, stations, park and ride, ancillary buildings and other associated works from Bandar Utama to Johan Setia within 35 months.

**Neutral on win...** While it is commendable that WCT is able to bag multiple contract awards from LRT3 alone amounting to c.RM1.7b, we are neutral on the recent win of RM640.0m as it has no impact to our FY17-18E earnings given that it is still within our order-book replenishment assumptions of RM2.0b for FY17. Post win, we have a remaining order-book replenishment assumption of RM360.0m for FY17. Assuming pre-tax margins of 8%, this particular win will contribute RM13.2m to its bottom-line per annum.

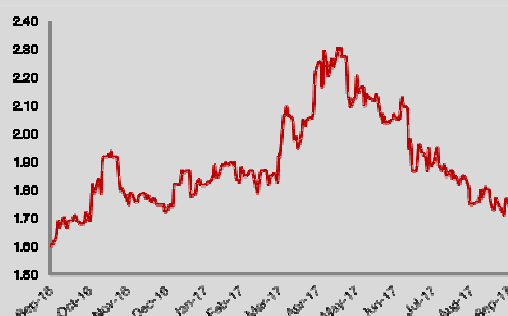
**Outlook.** Its outstanding order-book is raised to c.RM6.0b from c.RM5.4b after the above contract award, providing earnings visibility for the next 2.5-3.0 years. As for its property division, its unbilled sales stands at RM487.0m with 1.5 years visibility and management intend to continue with their 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. 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 : **RM1.75**  
 Target Price : **RM1.83** ↔

## Share Price Performance



KLCI	1,759.09
YTD KLCI chg	7.1%
YTD stock price chg	1.8%

## Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	WCTHG MK Equity
Market Cap (RM m)	2,461.7
Issued shares	1,406.7
52-week range (H)	2.48
52-week range (L)	1.62
3-mth avg daily vol:	1,330,702
Free Float	67%
Beta	0.9

## Major Shareholders

Dominion Nexus Sdn Bhd	17.6%
Employees Provident Fund	8.1%
Lembaga Tabung Haji	7.1%

## Summary Earnings Table

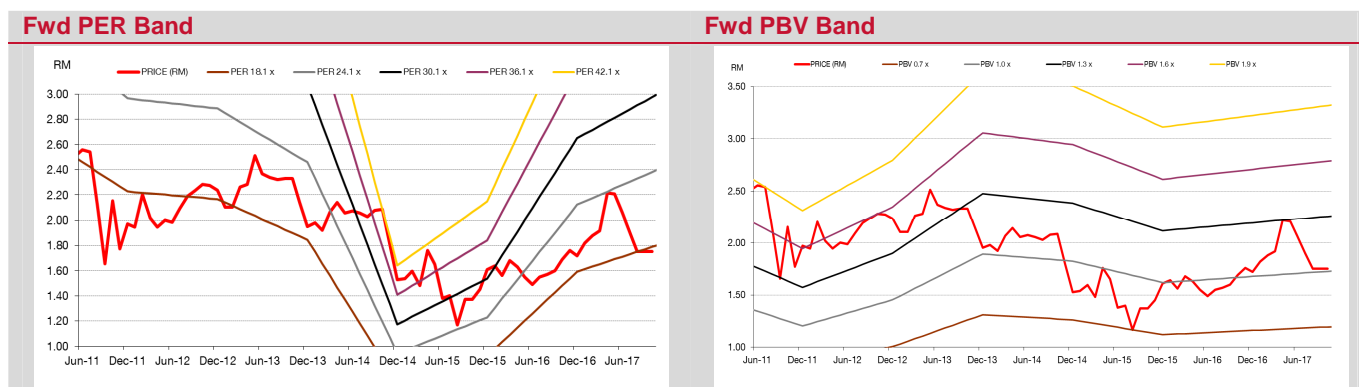
FYE Dec (RM m)	2016A	2017E	2018E
Turnover	1,933.6	1,958.2	2,302.7
EBIT	167.3	268.3	292.8
PBT	122.0	199.0	226.4
<b>Net Profit (NP)</b>	<b>68.4</b>	<b>149.0</b>	<b>169.4</b>
<b>Core NP</b>	<b>84.8</b>	<b>149.0</b>	<b>169.4</b>
Consensus (CNP)	n.a.	148.5	170.5
Earnings Revision	n.a.	n.a.	n.a.
FD Core EPS (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)	42.9	19.7	17.3
Net Gearing (x)	42.9	19.7	17.3
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 (5/10/17)	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	0.89	693	-4.9	11.7	9.8	2%	6%	0.7	-140.3	58.9	70.0	-142%	19%	0.75	Underperform	54.8
GAMUDA BHD	5.25	12886	21.1	20.0	16.7	2%	10%	1.6	700.6	741.7	885.4	6%	19%	5.45	Market Perform	9.8
IJM CORP BHD	3.24	11755	21.7	20.0	17.9	2%	6%	1.2	539.1	585.8	656.1	9%	12%	3.48	Market Perform	1.2
KIMLUN CORP BHD	2.24	716	8.5	9.8	8.9	3%	12%	1.2	81.9	70.7	78.3	-14%	11%	2.27	Market Perform	7.7
MUHIBBAH ENGINEERING (M) BHD	2.78	1335	16.4	14.2	13.6	1%	11%	1.5	87.7	101.5	106.2	16%	5%	2.94	Market Perform	24.7
HOCK SENG LEE BERHAD	1.46	802	14.2	16.2	11.6	2%	7%	1.1	56.5	49.4	69	-13%	40%	1.40	Market Perform	-8.8
WCT HOLDINGS BHD	1.75	2462	34.6	19.7	17.3	2%	5%	1.0	84.8	149	169.4	76%	14%	1.83	Market Perform	1.8
MITRAJAYA HOLDINGS BHD	1.03	710	8.0	11.0	9.6	5%	10%	1.1	97.3	70.5	80.5	-28%	14%	1.20	Market Perform	-18.3
SUNWAY CONSTRUCTION GROUP	2.30	2972	25.3	20.5	17.2	2%	25%	5.1	117.7	145.2	173.1	23%	19%	2.29	Market Perform	35.3
KERJAYA PROSPEK GROUP BHD	3.80	2140	21.4	16.9	14.5	1%	16%	2.6	100	126.7	148.1	27%	17%	3.30	Underperform	75.1
Average			16.6	16.0	13.7											
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	1.14	674	-2.3	16.0	11.6	n.a.	n.a.	n.a.	-264.9	38.5	52.9	-115%	37%	n.a.	Not Rated	25.3
PROTASCO	1.07	454	8.7	7.7	7.5	6%	14%	1.1	51.8	58.5	60.1	13%	3%	1.52	Trading Buy	-5.3
PINTARAS JAYA	4.03	665	37.1	15.7	13.1	5%	12%	1.9	17.8	42.2	50.6	137%	20%	4.2	Trading Buy	14.5
GABUNGAN AQRS	1.71	734	29.5	17.9	8.6	1%	11%	2.0	22.6	37.2	77.9	65%	109%	1.6	Not Rated	89.0
GADANG HOLDINGS	1.24	816	8.5	9.3	8.9	2%	14%	1.3	94.2	86.8	90.8	-8%	5%	2.44	Not Rated	18.1
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	0.80	384	12.9	11.7	14.6	3%	8%	0.9	29.9	32.9	26.3	10%	-20%	n.a.	Not Rated	110.5
BINA PURI	0.35	93	83.5	5.6	5.6	n.a.	n.a.	n.a.	1	14.9	14.9	1390%	0%	n.a.	Not Rated	-19.5
GKENT	3.15	1774	17.5	18.9	16.7	3%	21%	3.9	101.4	93.8	106	-7%	13%	2.8	Trading Buy	55.4
PESONA	0.52	344	16.9	9.6	7.0	4%	22%	2.1	20	35.3	48.5	77%	37%	0.485	Take Profit	-14.9
JAKS	1.28	622	0.8	9.1	6.6	0%	12%	1.1	736	61.933	85.433	-92%	38%	1.54	Not Rated	25.5
Average			21.2	11.9	9.8											

Source: Bloomberg, Kenanga Research

**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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**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 12, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)



Chan Ken Yew  
Head of Research