



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	RM1.75
Expected Return	+14%

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

SHARE PRICE CHART



52 Week Range (RM)	1.65-2.48
3-Month Average Vol ('000)	1,349.7

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-0.6	-17.1	-16.6
Relative Returns	0.2	-17.3	-16.3

KEY STOCK DATA

Market Capitalisation (RMm)	2,461.7
No. of Shares (m)	1,406.7

MAJOR SHAREHOLDERS

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

Tan Siang Hing

T 603 2268 3016

F 603 2268 3014

E tan.sianghing@publicinvestbank.com.my

Another LRT3 Job

WCT Holdings Berhad received its third package for LRT3 yesterday with contract sum of RM640.0m. Recap that the Group had earlier secured 2 packages under LRT3, namely Package TD1 – construction and completion of Johan Setia Depot (Phase 1) and associated works for a contract sum of RM185.9m in April 2017 as well as Package GS03 – construction and completion of guideway, stations, park and ride, ancillary buildings and other associated works for a contract sum of RM840.0m in August 2017. New jobs from LRT3 this year alone are already totaling RM1.7bn, within our job replenishment assumption of RM2bn. Hence, earnings estimates are kept unchanged. We maintain our **Neutral** recommendation with unchanged SOTP-derived TP of RM2.00.

§ **Third LRT3 package in the bag.** The RM640m job is to undertake and complete “Package GS02” which is for the construction and completion of guideway, stations, park and ride, ancillary buildings and other associated works for construction and completion of Light Rail Transit Line 3 (“LRT3”) from Bandar Utama to Johan Setia”. The scope of works, among others, include the construction of a guideway from Merchant Square to Suria Damansara, stretching 2.9 kilometres long with 2 stations and it is adjoining to the guideway under Package GS03 which continues from Suria Damansara to Temasya Glenmarie, stretching 2.8 kilometres, making it a total length of approximately 5.7 kilometres with 4 stations under Package GS02 and Package GS03. The project is expected to take up to 35 months to complete. The new job is estimated to increase the Group’s outstanding orderbook to c.RM6bn, ensuring earnings visibility for the next 3-4 years.

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)	11.3	34.3	20.1	15.6	13.1	
DPS (Sen)	2.0	-	3.0	3.0	4.0	
Dividend Yield (%)	1.1	-	1.7	1.7	2.3	

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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PUBLIC INVESTMENT BANK BERHAD (20027-W)
9th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur
T 603 2268 3000
F 603 2268 3014
Dealing Line 603 2268 3129