



AmInvestment Bank

Company report

WCT HOLDINGS

(WCTHG MK EQUITY, WCTE.KL)

17 Oct 2017

A second placement of new shares within a year

HOLD

(Maintained)

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Rationale for report: Company update

Price RM1.75
Fair Value RM1.91
52-week High/Low RM2.48/RM1.62

Key Changes

Fair value ⇌
EPS ⇌

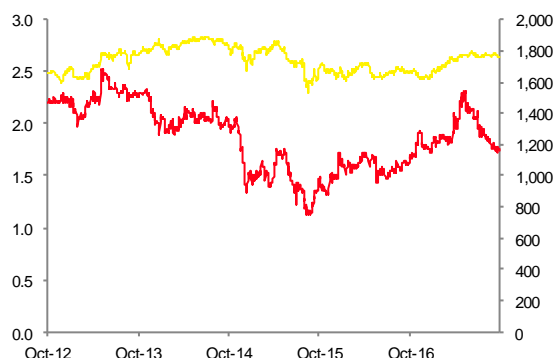
YE to Dec	FY16	FY17F	FY18F	FY19F
Revenue (RM mil)	1,933.6	2,069.2	2,086.9	2,272.2
Core net profit (RM mil)	100.1	134.2	147.3	170.9
FD Core EPS (sen)	6.0	7.5	8.2	9.6
FD Core EPS growth (%)	nm	26.1	9.7	16.0
Consensus Net Profit (RM mil)	-	147.4	170.5	187.1
DPS (sen)	-	2.0	2.0	2.0
PE (x)	29.2	23.3	21.3	18.2
EV/EBITDA (x)	25.5	18.0	16.6	14.8
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)	1,415.4
Market Cap (RMmil)	2,477.0
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)	2.5

Price performance	3mth	6mth	12mth
Absolute (%)	(17.1)	(16.6)	5.4
Relative (%)	(16.6)	(17.2)	(0.3)



— WCTHG MK — FBMKLCI Index

Investment Highlights

- We maintain our forecasts, FV of RM1.91 based on sum of parts (SOP) (Exhibit 1) and HOLD call.
- WCT has proposed a private placement of up to 140mil new shares, translating to about 10% of its existing paid-up share capital, at an indicative issue price of RM1.73/share. WCT expects to raise RM240.2mil net proceeds from the exercise, of which RM100mil is earmarked for debt repayment while the balance RM140.2mil for working capital purposes.
- This is the second private placement WCT has undertaken this year. Recall, WCT in Jan 2017 proposed a private placement of up to 125mil new shares. In April 2017, it managed to place out 100.5mil new shares at an issue price of RM1.77/share, raising gross proceeds of RM178mil. However, it failed to place out the remaining 24.5mil new shares before the approval lapsed.
- We believe that WCT is not offering much comfort to investors by coming to the market for funds, twice, in less than a year.
- Based on our estimates, the proceeds will reduce WCT's net debt and gearing of RM2.6bil and 0.86x as at end-1HFY17, to RM2.4bil and 0.72x respectively.
- Also, based on our calculation, the new shares will only dilute our existing FY18F FD EPS forecast by 2% from 8.24sen to 8.11sen. This because: (1) the new shares will only increase WCT's existing FD share base by 7.8% (even though they will increase WCT's paid-up share capital by 10%); and (2) there will be interest savings from the proceeds.
- We maintain our view that WCT will ultimately be turned into the flagship PLC of Tan Sri Desmond 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

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

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
Package GS02, LRT3	640
Lusail development, Qatar	526
West Coast Expressway	227
Johan Setia Depot, LRT3	184
Internal works	136
Police quarters redevelopment, Gombak	111
Others	133
Total	6,001

Source: Company, AmlInvestment Bank Bhd

EXHIBIT 3: PB BAND CHART

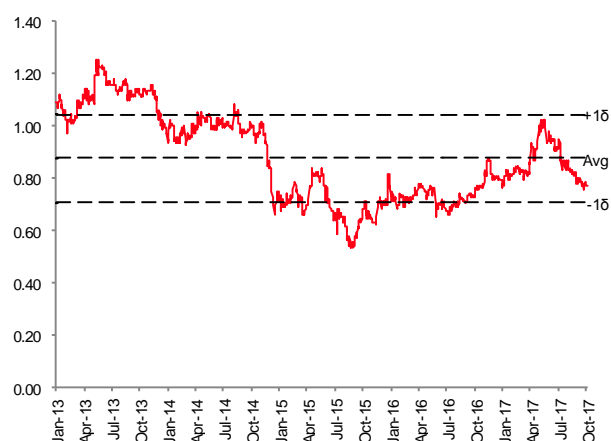


EXHIBIT 4: PE BAND CHART

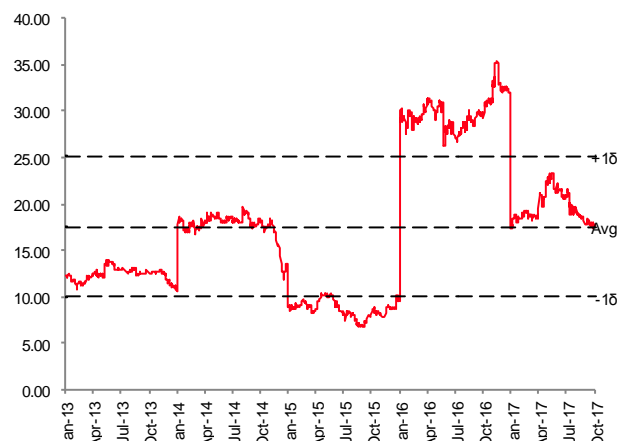


EXHIBIT 5: FINANCIAL DATA

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)	-	-	-
Pretax profit	261.8	122.0	190.4	212.8	243.6
Taxation	(54.9)	(56.8)	(52.5)	(57.1)	(62.7)
Minorities/pref dividends	2.5	3.2	(3.7)	(8.4)	(10.0)
Net profit	209.4	68.4	134.2	147.3	170.9
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
Total non-current assets	4,188.8	4,708.4	4,824.4	4,940.0	5,055.0
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
Total current assets	2,563.0	2,640.1	2,819.4	2,839.0	2,884.5
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
Total current liabilities	1,466.0	1,813.5	1,813.5	1,813.5	1,813.5
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
Total long-term liabilities	2,638.7	2,737.6	2,737.6	2,737.6	2,737.6
Shareholders' funds	2,610.3	2,763.4	3,055.1	3,182.0	3,332.5
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)
Cash flow from operations	(428.6)	(117.6)	199.9	214.9	146.2
Capital expenditure	(145.8)	(276.6)	(100.0)	(100.0)	(100.0)
Net investments & sale of fixed assets	-	-	-	-	-
Others	(49.5)	38.1	-	-	-
Cash flow from investing	(195.3)	(238.6)	(100.0)	(100.0)	(100.0)
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)
Cash flow from financing	97.3	321.3	79.4	(95.2)	(94.2)
Net cash flow	(526.6)	(34.8)	179.3	19.7	(48.0)
Net cash/(debt) b/f	944.5	398.5	334.7	514.0	533.6
Net cash/(debt) c/f	456.3	381.0	514.0	533.6	485.7
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

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