WCT Holdings Bhd

Fresh Approval for Placement

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MARKET PERFORM ↔

Price :	**RM1.68**
Target Price :	**RM1.83 ↔**

Yesterday, WCT proposed to issue 140.0m new shares to raise funds as part of its de-gearing exercise. We are neutral on this new placement exercise which has always been part of management's de-gearing strategy. Furthermore, we believe that management would only proceed with the new placement in the event that its Warrants-D are not fully converted by year-end. No changes to FY17-18E core earnings. Maintain MP, TP: RM1.83.

News. Yesterday, WCT proposed a new placement of up to 10% of its existing issued and paid-up share capital, which entails the issuance of up to 140.0m new shares that would potentially raise RM235.2m based on its last closing price of RM1.68.

A renewal… We were not entirely surprised with WCT's move in applying for the approval in principle for the proposed new share placement as equity fund raising has always been part of WCT's de-gearing strategy. To recap, WCT made a proposal to issue 125.0m new shares in January and successfully placed out 100.5m shares with the remaining 24.5m shares unissued and the approval had since lapsed. Hence, management has now proposed for a new placement of up to 140.0m shares as a move to renew the lapsed placement.

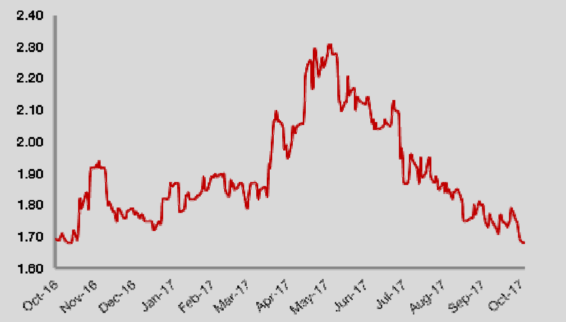
Preparing for a rainy day… We believe this fresh proposal for 140m shares which is substantially higher than the lapsed unissued 24.5m placement shares could be management's back-up plan to raise fund from the market in case the outstanding Warrants-D (122.7m shares, exercise price: RM1.71) that could raise up to c.RM210.0m upon conversion are not fully converted when they expire in December.

Earnings unchanged. No changes to our FY17-18E core earnings, pending for further clarity on the timeline of the placement exercise.

Outlook. Its outstanding order-book currently stands at c.RM6.0b 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 as we did not factor in the potential dilution from its newly proposed placement exercise pending clarity on the placement timeline given that the previous placement exercise had lapsed. 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.

Share Price Performance



KLCI	1,754.37
YTD KLCI chg	6.9%
YTD stock price chg	-2.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	WCTHG MK Equity
Market Cap (RM m)	2,363.2
Issued shares	1,406.7
52-week range (H)	2.48
52-week range (L)	1.65
3-mth avg daily vol:	1,350,729
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

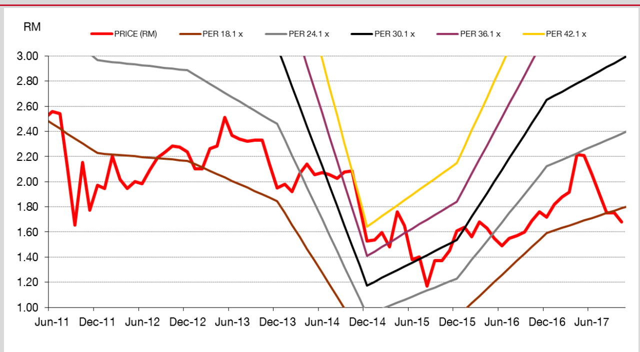
FYE Dec (RM m)	2016A	2017E	2018E
Turnover	1,933.6	1,958.2	2,302.7
EBIT	167.3	268.3	292.8
PBT	122.0	199.0	226.4
Net Profit (NP)	**68.4**	**149.0**	**169.4**
Core NP	**84.8**	**149.0**	**169.4**
Consensus (CNP)	n.a.	147.5	171.6
Earnings Revision	n.a.	n.a.	n.a.
FD Core EPS (sen)	5.1	8.9	10.1
Core EPS growth(%)	72%	76%	14%
NDPS (sen)	0.0	0.0	0.0
NTA/Share (RM)	1.65	1.74	1.84
FD Core PER (x)	41.1	18.9	16.6
BVPS (RM)	1.65	1.74	1.84
Net Gearing (x)	0.9	0.8	0.7
Dividend Yield (%)	0.0	0.0	0.0

Sum-of-parts valuation

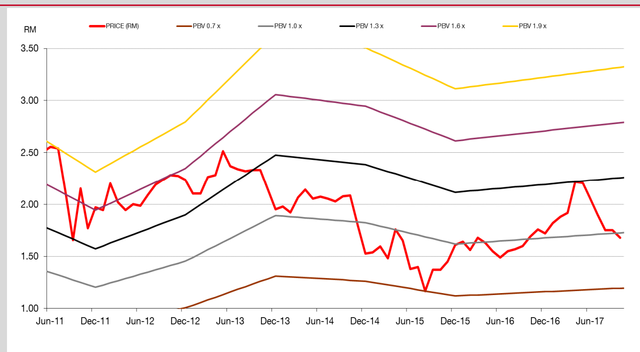
Segment	Stake	Method	Value (RMm)
Construction	100%	13x FY18 PER	1758.3
Property development	100%	RNAV of 50% discount	592.2
Property investment -excl KLIA2 IC	Various	Book Value	473.9
KLIA2 Integrated complex	70%	DCF	435.9
Highway concession in India	30%	Book Value	128.3
Sub Total			**3,388.5**
Proceed from warrants (C and D)			688.5
Total			**4077.0**
No of shares			1674.6
SOP/share			**2.43**
Target Price (20% discount)			**1.83**
Implied Basic PE (x)			**13.9**
Implied FD PE (x)			**18.5**

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

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Income Statement

FY Dec (RMm)	2014A	2015A	2016A	2017E	2018E
Revenue	1,654	1,668	1,934	1,958	2,303
EBITDA	152	241	167	268	293
Depreciation	-8	0	0	-13	-13
Operating Profit	144	241	167	255	280
Other Income	0	170	-16	0	0
Interest Exp	-20	-58	-46	-80	-77
Associate	0	88	1	23	23
Exceptionals	0	170	-16	0	0
PBT	149	272	122	199	226
Taxation	-28	-55	-57	-50	-57
Minority Interest	2	2	3	0	0
Net Profit	123	219	68	149	169
Core Net Profit	123	49	85	149	169

Balance Sheet

FY Dec (RMm)	2014A	2015A	2016A	2017E	2018E
PPE	1,965	1,929	1,385	1,933	1,899
Intangible asset	0	0	0	0	0
Other FA	1,513	1,513	3,323	3,323	3,323
Inventories	514	1,048	132	140	253
Receivables	877	883	827	537	632
Other CA	407	407	1,226	815	815
Cash	951	547	455	554	612
Total Assets	6,227	6,327	7,348	7,302	7,534
Payables	461	465	794	798	861
ST Borrowings	584	584	823	623	623
Other ST Liab.	595	595	196	196	196
LT Borrowings	1,846	1,846	2,159	2,159	2,159
Other LT Liability	453	453	579	579	579
Minorities Int.	53	50	34	34	35
Net Assets	**2,234**	**2,333**	**2,763**	**2,912**	**3,082**
Share Capital	2,720	2,720	2,942	2,942	2,942
Reserves	-486	-387	-179	-30	140
Total Equity	**2,234**	**2,333**	**2,763**	**2,912**	**3,082**

Cashflow Statement

FY Dec (RMm)	2014A	2015A	2016A	2017E	2018E
Operating CF	-75.8	-261.8	181.2	939.0	259.2
Investing CF	105.2	36.2	-1,266.3	-560.3	-12.9
Financing CF	400.3	-178.0	2,447.9	-279.5	-76.8
Change In Cash	429.8	-403.6	1,362.8	99.2	169.4
Free CF	-119.3	-170.7	781.4	428.5	302.8

Financial Data & Ratios

FY Dec (RMm)	2014A	2015A	2016A	2017E	2018E
Growth					
Turnover (%)	-	1%	16%	1%	18%
EBITDA (%)	-	59%	-31%	60%	9%
OP (%)	-	68%	-31%	53%	10%
PBT (%)	-	82%	-55%	63%	14%
CNP (%)	-	-60%	72%	76%	14%
Profitability (%)					
EBITDA Margin	9%	14%	9%	14%	13%
Operating Margin	9%	14%	9%	13%	12%
PBT Margin	9%	16%	6%	10%	10%
Net Margin	7%	3%	4%	8%	7%
Effective Tax Rate	19%	20%	47%	25%	25%
ROA	2%	1%	1%	2%	2%
ROE	6%	2%	3%	5%	5%
DuPont Analysis					
Net Margin (%)	7%	3%	4%	8%	7%
Assets T/o (x)	0.3	0.3	0.3	0.3	0.3
Leverage Fac. (x)	2.8	2.7	2.7	2.5	2.4
ROE (%)	6%	2%	3%	5%	5%
Leverage					
Debt/Asset (x)	0.6	0.5	0.5	0.5	0.5
Debt/Equity (x)	1.6	1.5	1.4	1.2	1.2
Net Cash/(Debt)	-1,480	-1,883	-2,527	-2,228	-2,170
Net Debt/Eq (x)	0.7	0.8	0.9	0.8	0.7
Valuations					
Core EPS (sen)	7.3	2.9	5.1	8.9	10.1
DPS (sen)	1.4	7.2	0.0	0.0	0.0
PER (x)	22.9	12.8	41.1	18.9	16.6
Net Div. Yield (%)	0.9	4.3	0.0	0.0	0.0
BVPS	1.3	1.4	1.7	1.7	1.8
P/B (x)	1.3	1.2	1.0	1.0	0.9

Source: Kenanga Research

Peer Comparison

CORE COVERAGE

NAME	Price (16/10/17) (RM)	Mkt Cap (RMm)	PER (x) Actual	PER (x) 1 Yr Fwd	PER (x) 2 Yr Fwd	Est. Div. Yld. (%)	Est. ROE (%)	P/BV (x)	Net Profit (RMm) Actual	Net Profit (RMm) 1 Yr Fwd	Net Profit (RMm) 2 Yr Fwd	1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
EVERSENDAI CORP BHD	0.90	697	-4.9	11.8	9.9	2%	6%	0.7	-140.3	58.9	70.0	-142%	19%	0.75	Underperform	55.7
GAMUDA BHD	5.18	12715	20.8	19.7	16.5	2%	10%	1.6	700.6	741.7	885.4	6%	19%	5.45	Market Perform	8.4
IJM CORP BHD	3.28	11900	22.0	20.3	18.1	2%	6%	1.2	539.1	585.8	656.1	9%	12%	3.48	Market Perform	2.5
KIMLUN CORP BHD	2.30	735	8.7	10.1	9.1	3%	12%	1.2	81.9	70.7	78.3	-14%	11%	2.27	Market Perform	10.6
MUHIBBAH ENGINEERING (M) BHD	2.84	1364	16.8	14.5	13.8	1%	11%	1.5	87.7	101.5	106.2	16%	5%	2.94	Market Perform	27.4
HOCK SENG LEE BERHAD	1.50	824	14.6	16.7	11.9	1%	7%	1.1	56.5	49.4	69	-13%	40%	1.40	Market Perform	-6.3
WCT HOLDINGS BHD	1.68	2363	33.2	18.9	16.6	2%	5%	1.0	84.8	149	169.4	76%	14%	1.83	Market Perform	-2.3
MITRAJAYA HOLDINGS BHD	0.83	651	6.4	8.9	7.3	6%	12%	0.9	97.3	70.5	85.4	-28%	21%	0.95	Market Perform	-25.0
SUNWAY CONSTRUCTION GROUP	2.27	2933	24.9	20.2	17.0	2%	25%	5.1	117.7	145.2	173.1	23%	19%	2.29	Market Perform	33.5
KERJAYA PROSPEK GROUP BHD	3.86	2174	21.8	17.2	14.7	1%	16%	2.7	100	126.7	148.1	27%	17%	3.30	Underperform	77.9
Average			16.4	15.8	13.5											

NOT RATED/ON OUR RADAR

NAME	Price (RM)	Mkt Cap (RMm)	PER (x) Actual	PER (x) 1 Yr Fwd	PER (x) 2 Yr Fwd	Est. Div. Yld. (%)	Est. ROE (%)	P/BV (x)	Net Profit (RMm) Actual	Net Profit (RMm) 1 Yr Fwd	Net Profit (RMm) 2 Yr Fwd	1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
MUDAJAYA	1.21	716	-2.5	17.0	12.4	n.a.	n.a.	n.a.	-264.9	38.5	52.9	-115%	37%	n.a.	Not Rated	33.0
PROTASCO	1.08	458	8.8	7.8	7.6	5%	14%	1.1	51.8	58.5	60.1	13%	3%	1.52	Trading Buy	-4.4
PINTARAS JAYA	3.94	651	36.3	15.3	12.8	5%	12%	1.9	17.8	42.2	50.6	137%	20%	4.2	Trading Buy	11.9
GABUNGAN AQRS	1.81	785	31.3	19.0	9.1	1%	12%	2.2	22.6	37.2	77.9	65%	109%	1.6	Not Rated	100.0
GADANG HOLDINGS	1.21	796	4.2	4.5	4.3	2%	29%	1.3	94.2	86.8	90.8	-8%	5%	2.44	Not Rated	15.2
AZRB	1.11	590	19.7	9.4	7.4	n.a.	15%	1.4	27.2	57.4	73	111%	27%	1.35	Trading Buy	74.8
TRC SYNERGY	0.80	382	12.8	11.6	14.5	3%	8%	0.9	29.9	32.9	26.3	10%	-20%	n.a.	Not Rated	109.2
BINA PURI	0.37	99	88.2	5.9	5.9	n.a.	n.a.	n.a.	1	14.9	14.9	1390%	0%	n.a.	Not Rated	-14.9
GKENT	3.27	1842	18.2	19.6	17.4	3%	21%	4.0	101.4	93.8	106	-7%	13%	2.8	Trading Buy	61.3
PESONA	0.54	372	17.5	9.9	7.2	4%	22%	2.2	20	35.3	48.5	77%	37%	0.485	Take Profit	-11.6
JAKS	1.30	636	0.8	9.2	6.7	0%	12%	1.1	736	61.933	85.433	-92%	38%	1.54	Not Rated	27.5
Average			21.4	11.7	9.6											

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.***

Published and printed by:

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