



WCT HOLDINGS BERHAD

Neutral

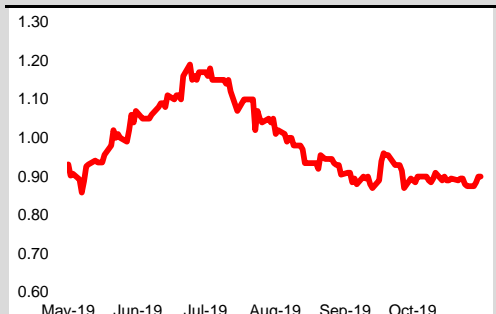
DESCRIPTION

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 RM0.91
Current Price RM0.90
Expected Return +1.1%

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

SHARE PRICE CHART



52 Week Range (RM) 0.65 -1.22
3-Month Average Vol ('000) 1,417.4

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	3.4	-13.5	-3.4
Relative Returns	-0.8	-14.2	-2.7

KEY STOCK DATA

Market Capitalisation (RMm) 1,269.0
No. of Shares (m) 1,410.0

MAJOR SHAREHOLDERS

	%
Tan Sri Desmond Lim	17.9
Employee Provident Fund	9.6
Urusharta Jamaah SB	8.6
Kumpulan Wang Persaraan	6.1
Permodalan Nasional Bhd	5.7

Nurzulaikha Azali

T 603 2268 3017

F 603 2268 3014

E nurzulaikha.azali@publicinvestbank.com.my

In-line With Expectations

WCT Holdings (WCT) reported a higher 3QFY19 core net profit of RM35.4m (>100.0% YoY) despite a lower revenue RM368.3m (-4.5% YoY). For 9MFY19, the Group reported lower core net profit of RM97.9m (-21.1% YTD), attributable to weaker recognition from the construction and property development divisions which saw cumulative revenue declining by 20.6% and 11.7% YoY respectively. The results are in line with our estimates however, accounting for 75% of full-year estimates, though above consensus at 90.7%. Earnings estimates are left unchanged. The Group has not secured any significant project thus far this year hence its orderbook depleting to RM5.6bn. We expect the Group to secure the Phase 2 of Pavilion Damansara project soon, likely by end of this year after it received the Letter of Intent end-August. Our **Neutral** rating and TP of RM0.91 is retained.

§ **Results highlight.** Cumulative 9M revenue contribution from the construction arm dropped by 20.6% YoY mainly due to completion of some infrastructure projects such as a RAPID project package and the LRT 3 depot, while other on-going projects have yet to reach optimal levels of progress (ie. MRT 2, LRT 3, Pavilion Damansara and PNB 118). In line with the lower revenue, segment profits slipped by 20.2%. WCT also reported lower revenue recognition from its property development segment by 11.7%. Operating profit for this segment slipped 6.9%.

§ **Depleting orderbook, but expects to secure one soon.** The Group has not secured any significant project thus far this year hence its orderbook depleting to c. RM5.6bn from >RM6.4bn in 1QFY19. Nevertheless, it has c. RM1bn worth of project to crystalize soon. This comes pursuant to the Group receiving a Letter of Intent from Jendela Mayang SB for the construction of Phase 2 of Pavilion Damansara Heights development. The contract is still subject to further negotiations and finalization of terms by both parties. With this project, WCT's balance orderbook is expected to jump to RM6.6bn, providing earnings visibility for the next 4 years. This project is expected to carry about 6% profit margin.

Tenderbook stands at about RM4.5bn (incl. RM1bn Phase 2 of Pavilion Damansara), comprising RM2.2bn of infrastructure-related projects particularly highways and RM2.3bn for building jobs consisting of office towers and retail malls in the Klang Valley area.

KEY FORECAST TABLE

FYE Dec (RM m)	2017F	2018A	2019F	2020F	2021F	CAGR (%)
Revenue	2,004.9	2,333.4	2,297.9	2,329.0	2,365.4	(1.3)
Operating Profit	401.6	323.5	247.3	252.0	258.4	(0.1)
Pre-tax Profit	318.8	154.8	161.4	170.6	181.6	1.1
Net Profit	228.2	111.8	130.4	137.4	145.8	5.6
Core Net Profit	224.2	133.8	130.4	137.4	145.8	5.6
EPS (Sen)	16.7	8.0	9.7	10.2	10.8	5.6
P/E (x)	5.4	11.2	9.3	8.8	8.3	
DPS (Sen)	3.0	0.0	2.0	2.0	2.0	
Dividend Yield (%)	3.3	0.0	2.2	2.2	2.2	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

<u>FYE Dec</u> <u>(RM m)</u>	<u>3Q19</u>	<u>3Q18</u>	<u>2Q19</u>	<u>QoQ</u> <u>chg</u> <u>(%)</u>	<u>YoY</u> <u>chg</u> <u>(%)</u>	<u>YTD</u> <u>FY19</u>	<u>YTD</u> <u>FY18</u>	<u>YTD</u> <u>chg</u> <u>(%)</u>
Revenue	368.3	385.8	450.1	-18.2	-4.5	1333.0	1595.5	-16.4
Cost of sales	-275.1	-332.5	-351.3	-21.7	-17.3	-1022.1	-1311.8	-22.1
Gross profit	93.2	53.3	98.8	-5.7	74.7	310.9	283.7	9.6
Other income	15.7	57.0	10.7	45.9	-72.5	41.1	82.1	-50.0
Other expenses	-54.7	-41.5	-40.7	34.1	31.7	-131.7	-115.0	14.5
Operating profit	54.2	68.9	68.8	-21.2	-21.3	220.3	250.7	-12.2
Finance costs	-37.3	-39.8	-38.3	-2.8	-6.4	-113.5	-100.2	13.3
Share of results of associates & JV	-5.5	1.3	7.7	-171.8	-516.5	2.8	-2.1	-231.8
Pre-tax profit	11.4	30.4	38.2	-70.1	-62.5	109.6	148.4	-26.2
Tax	0.2	-8.7	-16.7	-101.1	-102.1	-37.7	-49.4	-23.7
Net profit	11.6	21.7	21.5	-46.1	-46.5	71.9	99.0	-27.4
Minority interest	1.7	3.1	1.2	44.0	-44.6	4.5	5.3	-16.4
PATAMI	13.3	24.8	22.7	-41.3	-46.3	76.3	104.3	-26.8
<i>Exceptional items</i>	22.1	21.8	0.2	11362.2	1.3	21.5	19.7	9.6
Core net profit	35.4	3.0	22.9	54.9	1095.1	97.9	124.0	-21.1
EPS	1.0	1.8	1.6	-41.7	-46.9	5.5	7.4	-25.8
<u>Margins (%):</u>								
Gross profit	25.3	13.8	21.9			23.3	17.8	
Pre-tax profit	3.1	7.9	8.5			8.2	9.3	
Core net profit	9.6	0.8	5.1			7.3	7.8	

Source: Company, PublicInvest Research

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2017A	2018A	2019F	2020F	2021F
Revenue	2,004.9	2,333.4	2,297.9	2,329.0	2,365.4
Gross Profit	408.3	377.4	330.8	375.1	420.7
Operating expenses	-287.2	-304.8	-83.5	-123.2	-162.3
Operating Profit	401.6	323.5	247.3	252.0	258.4
Other Gains / (Losses)	-19.6	-33.0	17.8	18.4	18.9
Finance Costs	-63.1	-135.7	-103.8	-99.8	-95.7
Pre-tax Profit	318.8	154.8	161.4	170.6	181.6
Income Tax	-93.3	-104.7	-38.7	-40.9	-43.6
Effective Tax Rate (%)	29.3	67.7	24.0	24.0	24.0
Minorities	2.7	61.6	7.8	7.8	7.8
Net Profit	228.2	111.8	130.4	137.4	145.8
Growth					
Revenue (%)	15.9	16.4	-1.5	1.4	1.6
Gross Profit (%)	-19.5	-7.5	-12.3	13.4	12.1
Net Profit	-67.3	-51.0	16.7	5.4	6.1

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2017F	2018A	2019F	2020F	2021F
Property, Plant & Equipment	341.0	365.2	451.1	498.8	546.4
Cash and Cash Equivalents	527.2	400.9	744.8	673.4	694.8
Receivables	1,526.5	2,480.3	1,521.9	1,542.4	1,566.5
Other Assets	5,785.0	5,467.2	4,198.2	4,213.0	4,230.6
Total Assets	8,179.7	8,713.6	6,916.0	6,927.6	7,038.3
Payables	1,671.2	1,669.4	1,170.1	1,186.0	1,204.5
Borrowings	3,285.2	3,659.1	2,261.7	2,172.3	2,083.0
Tax payable	7.5	12.6	35.4	35.4	35.4
Other Liabilities	69.6	206.0	809.4	817.9	828.0
Total Liabilities	5,033.5	5,547.1	4,276.6	4,211.6	4,150.8
Shareholders' Equity	3,146.1	3,166.5	2,639.3	2,715.9	2,887.5
Total Equity and Liabilities	8,179.7	8,713.6	6,916.0	6,927.6	7,038.3

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2017F	2018A	2019F	2020F	2021F
Book Value Per Share	2.3	2.3	1.9	2.0	2.1
NTA Per Share	5.9	6.2	5.0	5.0	5.1
EPS (Sen)	16.7	8.0	9.7	10.2	10.8
DPS (Sen)	2.0	0.0	2.0	2.0	2.0
Payout Ratio (%)	23.0	0.0	20.7	19.7	18.5
ROA (%)	2.8	1.4	1.9	2.0	2.1
ROE (%)	7.3	3.6	4.9	5.1	5.0

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.

DISCLAIMER

This document has been prepared solely for information and private circulation only. It is for distribution under such circumstances as may be permitted by applicable law. The information contained herein is prepared from data and sources believed to be reliable at the time of issue of this document. The views/opinions expressed herein are subject to change without notice and solely reflects the personal views of the analyst(s) acting in his/her capacity as employee of Public Investment Bank Berhad ("PIVB"). PIVB does not make any guarantee, representations or warranty neither expressed or implied nor accepts any responsibility or liability as to its fairness liability adequacy, completeness or correctness of any such information and opinion contained herein. No reliance upon such statement or usage by the addressee/anyone shall give rise to any claim/liability for loss of damage against PIVB, Public Bank Berhad, its affiliates and related companies, directors, officers, connected persons/employees, associates or agents.

This document is not and should not be construed or considered as an offer, recommendation, invitation or a solicitation of an offer to purchase or subscribe or sell any securities, related investments or financial instruments. Any recommendation in this document does not have regards to the specific investment objectives, financial situation, risk profile and particular needs of any specific persons who receive it. We encourage the addressee of this document to independently evaluate the merits of the information contained herein, consider their own investment objectives, financial situation, particular needs, risks and legal profiles, seek the advice of their, amongst others, tax, accounting, legal, business professionals and financial advisers before participating in any transaction in respect of any of the securities of the company(ies) covered in this document.

PIVB, Public Bank Berhad, our affiliates and related companies, directors, officers, connected persons/employees, associates or agents may own or have positions in the securities of the company(ies) covered in this document or any securities related thereto and may from time to time add or dispose of, or may be materially interested in, any such securities. Further PIVB, Public Bank Berhad, our affiliates and related companies, associates or agents do and/or seek to do business with the company(ies) covered in this document and may from time to time act as market maker or have assumed an underwriting commitment in the securities of such company(ies), may sell them or buy them from customers on a principal basis, may have or intend to accommodate credit facilities or other banking services and may also perform or seek to perform investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment advisory or other services from any entity mentioned in this document. The analyst(s) and associate analyst(s) principally responsible for the preparation of this document may participate in the solicitation of businesses described aforesaid and would receive compensation based upon various factors, including the quality of research, investor client feedback, stock pickings and performance of his/her recommendation and competitive factors. The analyst(s) and associate analyst(s) may also receive compensation or benefit (including gift and company/issuer-sponsored and paid trips in line with the Bank's policies) in executing his/her duties. Hence, the addressee or any persons reviewing this document should be aware of the foregoing, amongst others, may give rise to real or potential conflicts of interest.

Published and printed by:
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