

# Company Guide

## WCT Holdings Bhd



Version 9 | Bloomberg: WCTHG MK | Reuters: WCTE.KL  
Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

23 Apr 2018

### BUY (Upgrade from Hold)

Last Traded Price ( 20 Apr 2018): RM1.16 (KLCI : 1,887.75)  
Price Target 12-mth: RM1.76 (52% upside) (Prev RM1.73)  
Shariah Compliant: Yes

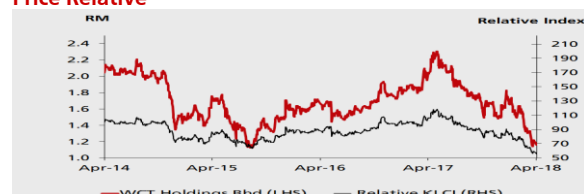
#### Analyst

Tjen San CHONG, CFA +60 3 26043972 tjensan@alliancedbs.com

#### What's New

- Trading at -2SD below mean PE and PBV, weaker property franchise and delay in degearing efforts are priced in
- Construction franchise stronger now vs 2015 when it traded at these levels
- Raising earnings to impute better margins and higher new orders
- Upgrade to BUY, new SOP-derived TP of RM1.76

#### Price Relative



#### Forecasts and Valuation

FY Dec (RMm)	2016A	2017A	2018F	2019F
Revenue	1,934	1,906	2,405	2,528
EBITDA	191	338	291	315
Pre-tax Profit	122	224	194	209
Net Profit	68.4	148	149	161
Net Pft (Pre Ex.)	68.4	155	149	161
Net Pft Gth (Pre-ex) (%)	(57.6)	126.1	(3.6)	8.0
EPS (sen)	4.83	10.5	10.5	11.4
EPS Pre Ex. (sen)	4.83	10.9	10.5	11.4
EPS Gth Pre Ex (%)	(64)	126	(4)	8
Diluted EPS (sen)	4.14	9.37	9.03	9.75
Net DPS (sen)	3.38	2.25	2.25	2.25
BV Per Share (sen)	195	222	228	235
PE (X)	24.0	11.1	11.0	10.2
PE Pre Ex. (X)	24.0	10.6	11.0	10.2
P/Cash Flow (X)	nm	nm	6.3	6.9
EV/EBITDA (X)	21.9	13.0	15.1	13.9
Net Div Yield (%)	2.9	1.9	1.9	1.9
P/Book Value (X)	0.6	0.5	0.5	0.5
Net Debt/Equity (X)	0.9	0.9	0.8	0.8
ROAE (%)	2.5	5.0	4.7	4.9
Earnings Rev (%):			8	11
Consensus EPS (sen):		N/A	11.1	12.4
Other Broker Recs:		B: 6	S: 2	H: 9

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P

### Underappreciated Construction Franchise

**Ideal entry point.** WCT is now trading at 10-11x FY18-19F PE, at a 34% discount to our SOP value and 53% discount to Tan Sri Desmond's cost of RM2.50/share. At this price, the valuation is also -2SD below its mean PE and BV, and has largely priced in its weaker property franchise and delay in degearing efforts.

**Where we differ?** The key concerns for WCT have been its weak property franchise and high gearing levels. We continue to believe its new shareholder can transform its property franchise, particularly for key strategic parcels which have strong transport connectivity such as its Overseas Union Garden (OUG) and Tun Razak Exchange (TRX) land bank but this may take time. We think the market has not fully appreciated its improving construction business which will continue to anchor its earnings. Its construction franchise is on a much stronger footing now as compared to 2015 when it traded at similar levels. At that point in time, its outstanding orderbook was just RM2bn (vs RM5.6bn currently) where new wins for FY13 and FY14 were just RM640m and RM994m respectively.

**Key catalysts.** With an already strong outstanding orderbook of c.RM5.6bn comprising mostly local engineering and infrastructure works, we believe the more important catalyst is earnings delivery. Besides this, faster-than-expected asset disposals to address its higher gearing levels and a revival in property sales are the other key re-rating catalysts. We expect earnings delivery to be intact given strong construction revenue visibility of two years.

#### Valuation:

We raise our rating to BUY (from Hold) and tweak our SOP-based TP to RM1.76. We value its construction business using PE, while its property development and property investment units are valued based on DCF and market value respectively.

#### Key Risks to Our View:

With a stronger construction orderbook and pipeline ahead, we think the key risk now is its higher net gearing and still weak property business.

#### At A Glance

Issued Capital (m shrs)	1,407
Mkt. Cap (RMm/US\$m)	1,632 / 419
Major Shareholders (%)	
Tan Sri Desmond Lim	19.8
EPF	8.7
Free Float (%)	44
3m Avg. Daily Val (US\$m)	0.99

ICB Industry : Industrials / Construction & Materials



**WHAT'S NEW****Underappreciated construction franchise**

**Attractive entry point** WCT's share price decline of 38% YTD places it at 10-11x FY18-19F PE and 34% discount to SOP. Upgrade rating to BUY, revised SOP-based TP to RM1.76

**Stronger construction franchise:** Its construction franchise is stronger now vs 2015 when it traded at these levels

**Raising earnings:** This is to factor in higher new orderbook replenishment and better margins

**Upgrade to BUY.** WCT's share price has fallen by some 38% YTD and is now trading at 10-11x FY18-19F PE (based on our revised earnings) and a 34% discount to our revised SOP value. This is -2SD below its mean PE and BV. We think the sell-down arose from concerns on its still high net gearing levels where there has been a delay in its REIT exercise, and still weak property business. While we acknowledge these concerns, we think this is overdone and the current valuations have priced in the delays.

The bright spot for the group is construction and this will continue to anchor its earnings. Its construction franchise is on a much stronger footing now as compared to 2015 when it traded at these levels. At that point in time, its outstanding orderbook was just RM2bn (vs RM5.6bn currently) where new wins for FY13 and FY14 were just RM640m and RM994m respectively.

**Raising earnings.** We raised our FY18-19F earnings by 8%/11% respectively to factor in a higher new orderbook replenishment of RM2bn per annum for FY18-19F (vs RM1.5bn-1.8bn previously). We also tweaked our margins upwards by half a percentage point to 6.5-7% for some of its key projects such as LRT 3 and MRT V204 given the better execution so far.

**Tweaking our SOP-derived TP.** We tweaked our SOP-derived TP higher to RM1.76 (from RM1.73 previously) to take into account:-

- i) Higher sustainable orderbook of RM5bn vs RM4.8bn previously;
- ii) Higher 50% discount for its property development business (vs 40% previously) given there has not been a meaningful recovery as yet;
- iii) 20% discount to its property investment portfolio (vs parity previously) as we think there will be delays in launching its REIT exercise with the on-going litigation with AEON.

- iv) Some adjustments to its shares outstanding as Warrant D has expired out of the money. We have accounted for the full dilution of Warrant E.

**Construction.** Stripping the effects of forex and impairment, WCT has delivered commendable construction earnings for the past four quarters of between RM35-52m per quarter with margins of 5-10%. Its current outstanding orderbook as at 31 December 2017 was RM5.6bn which provides more than 2x annual revenue visibility. Similar to the past two financial years, WCT is also guiding for RM2bn new orders for FY18F. There has been no new wins YTD but we are optimistic of some flows this quarter.

Given building jobs only constitutes 7% of its total outstanding orderbook, it will look to replenish more jobs from this segment. We understand there are sizeable jobs in the pipeline from its common shareholder, Tan Sri Desmond's other projects as well other government and private sector jobs. The more immediate project would be Pavilion Damansara Heights retail mall with an estimated total NLA of 1m sq. ft. Foundation works have commenced and award of the superstructure which WCT is eyeing could be done by 3Q18.

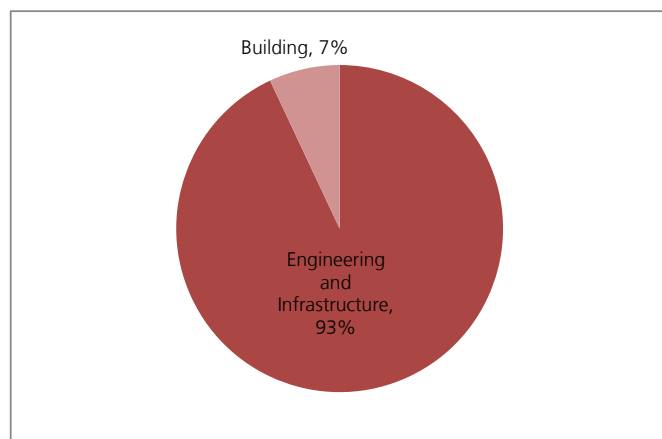
We also like WCT's chances to secure other infrastructure projects such as MRT 3, High Speed Rail, and Pan Borneo Sabah given its prior track record. We note that WCT possesses a local contractor license in Sabah and this precludes it from finding a local partner for the Pan Borneo Sabah project.

### WCT's current outstanding orderbook

	Outstanding (RMm)
RAPID, Johor (roads, civil & infra works)	360
TRX, KL (Infra & road works)	521
Pan Borneo Highway	859
MRT 2 V204 & 204	912
West Coast Expressway	196
LRT 3 TD1 (Johan Setia Depot)	141
LRT 3 GS 02 & GS03	1,468
Elevated Sprint Highway	212
Others	111
<b>Total - Local Civil &amp; Infra</b>	<b>4,780</b>
Police Quarters, Keramat	91
RAPID (U10), Facilities and Building	153
Others	17
<b>Total - Local Buildings</b>	<b>261</b>
Lusail, Qatar	455
<b>Total External Projects</b>	<b>5,496</b>
<b>Total Internal Projects</b>	<b>121</b>
<b>Grand Total</b>	<b>5,617</b>

Source: Company

### Majority of orderbook is infrastructure jobs



Source: Company

**Exiting Qatar; focus on local jobs.** WCT currently has one outstanding contract in Qatar which is the Lusail project. The outstanding amount is RM455m and forms 8% of its outstanding orderbook of RM5.6bn. In spite of the RM165m impairment made in 4Q17 for its Ministry of Interior (MOI) contract in Doha, Qatar, we understand this Lusail project is progressing well with prompt payments, time extension and additional variation order claims. WCT attributes to this to the presence of a local partner which was not the case for its MOI project. However, upon the completion of this project by year

end, it is looking to exit the Middle East completely and focus on local projects.

**Running down property inventory.** WCT registered property sales of RM305m in FY17 (vs RM63m in FY16). The target of achieving RM500m in sales by mid-2018 remains unchanged and the focus continues to be on clearing existing inventory which stands at RM550m (as 31 December 2017) from its completed projects. Its repricing strategy has worked best for its d'Laman Greenville project where the current outstanding inventory has fallen to RM60-70m from RM91m as at 31 December 2017.

There is one firm launch in FY18F which is the Sapphire @ Paradigm PJ service apartments (GDV RM229m). This is a build and sell project which is currently 70% completed and scheduled to be fully completed in June 2018 and launched in 3Q18. It is also likely to launch the Paradigm Johor Bahru serviced apartments, comprising 263 units with a GDV of RM165m by 4Q18 given the Paradigm Mall Johor Bahru is doing better than expected and complements this project.

### WCT's completed inventory (@ 31 Dec 2017)

Project	Location	No of units	GDV (RMm)
d'Laman Greenville	Klang	42	91
Renai Jelutong	Shah Alam	161	105
Medini Signature	Medini	263	245
Azure	Kelana Jaya	70	109
<b>Total</b>			<b>550</b>

Source: Company

WCT is still assessing the development plans of Paradigm Garden City OUG given the close proximity to Pavilion Bukit Jalil which is also owned by Tan Sri Desmond. Phase 2 @ Paradigm Garden City OUG comprising 940 units with a GDV of RM1.045bn was initially targeted to be launched in 3Q18 but will likely be deferred to 4Q18 or 1Q19.

WCT still has a total of 950 acres of land with a potential GDV of RM26.5bn. The two largest projects are Paradigm Garden City (OUG) (GDV RM10.2bn) and Bandar Bukit Tinggi 1,2 and 3 Klang (GDV RM7.7bn).

**Committed to a REIT, likely in 2019.** WCT remains committed to launch its REIT. The initial timing was mid-2018 but this has been delayed given the outstanding legal suit with AEON. Recall, in November 2017, AEON filed a legal suit against WCT to prevent termination of the lease expiring on 23 November 2017. There was a court hearing on 17 April 2018 and some decision is expected by end of April 2018. We understand the main point of contention is not rental rates but the car park area which is owned and managed by WCT. WCT has plans to redevelop some of this area which may hinder the frontage of AEON's departmental store. In the event the court finds the case in favour of WCT and AEON

decides to exit the master lease agreement, WCT will manage the mall on its own.

Given the delay, WCT may look to include another asset which is Paradigm Mall Johor Bahru (total NLA of 1.3m sq. ft.). This will bring the total asset size of the REIT to RM2.2bn from RM1.2bn which just includes Paradigm PJ and AEON Mall. The mall's current occupancy rate is 85% but will reach 90% by June-18 given the committed tenancies. Footfall so far has been encouraging, hitting 80,000 during weekends. This has partly been driven by initiatives with bus operators from Singapore.

**Hence delay in degearing effort.** The delay in launching the REIT which was supposed to raise RM400m is a dampener to its degearing effort. Its other initiatives to degear its balance sheet are i) private placement of up to 140m new shares raising up to RM224m (based on placement price of RM1.60/share). Bursa Malaysia's approval for this placement will expires in July 2018 but WCT may apply for an extension if its share price stays at these levels; ii) disposal of idle land bank where it has signed three conditional SPAs in January and February 2018 to dispose of the land for a total amount of RM116m. The expected conclusion dates range from 2Q-4Q18.

#### WCT's balance sheet immediately post degearing plans

	RMm	Time frame
WCT's net debt @ 31 December 2017	2758.0	
WCT's net gearing (x)	0.88	
Sale of idle land	116	
Private placement (10%)	224	
Net debt after exercise	2418.0	
Net gearing after exercises (x)	0.77	

Source: Company

#### Subang Skypark acquisition may bring longer term value.

WCT is acquiring 60% equity interest in Subang Skypark Sdn Bhd (SSSB) for RM44.56m cash or P/BV of 2x. The business is principally involved in the development of commercial and aviation related infrastructure and facilities, comprising the following: -

- (i) the commercial retail area of the airport terminal in Sultan Abdul Aziz Shah Airport in Subang known as Subang Skypark Terminal 3. The total NLA is 100,000 sq. ft;
- (ii) a car park area spanning 11 acres;
- (iii) a business aviation centre; and
- (iv) a hangarage complex known as Skypark Regional Aviation Centre.

We believe the sweetener for this deal is the potential development of the car park into a mixed commercial development but plot ratios will likely be low. This may not be an issue given the likely plan is for a larger retail area, hotel and multi-storey car parks and not residential. Besides this, it also allows WCT to diversify into the ground handling for private aviation business as well as hangarage services which are complementary to the existing retail operations at Terminal 3. Connectivity is also expected to improve with the opening of a KTM Station at Subang Skypark.

**WCT's SOP Value**

Division	Stake %	Sub total RMm	SOP RMm
<b>Construction</b>	100		2586.7
<b>Property</b>			
Local Property			
Development projects			
BBT 2	100	104.2	
Bandar Parklands	100	310.1	
Skyz Jelutong	100	10.9	
Azure Residences	100	35.5	
d'Laman Greenville	100	35.2	
KK Sabah	100	23.5	
Iskandar	100	148.9	
Rawang	100	176.0	
OUG	100	453.9	
TRX	100	168.7	
Book value for development property		638.0	
Investment Property			
AEON Mall	100	441.9	
Paradigm - 680,000 sq ft mall and car parks	70	510.3	
Premier Hotel, BBT	100	100.0	
KLIA2	70	278.3	
Paradigm Mall JB	100	364.0	
Sub total - local property		2408.0	
Vietnam	67	0.0	
<b>Total - Property</b>			2408.0
<b>Tolls</b>			
Durgapur Expressway	30	63.9	
Panargarh-Palsit Expressway	30	89.5	
<b>Total - tolls</b>			153.4
Less net debt FY18F			-2735.8
Proceeds from warrants			499.2
<b>Total SOP</b>			2911.6
Fully diluted share base			1651.0
SOP/share (RM)			1.76

Source : AllianceDBS; DBS Vickers

**CRITICAL DATA POINTS TO WATCH**

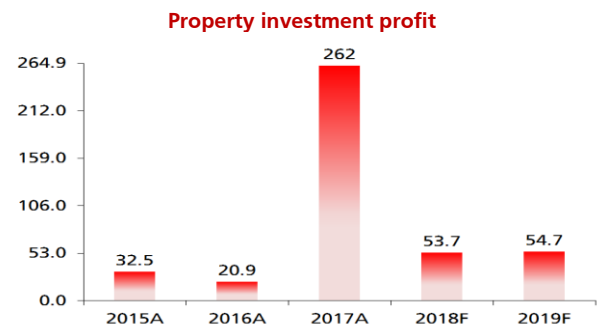
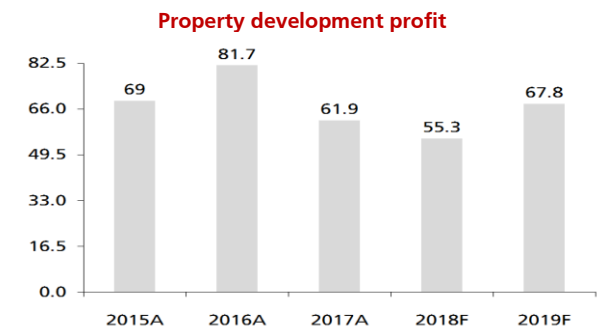
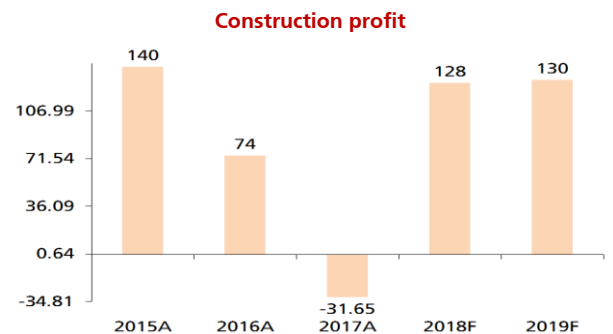
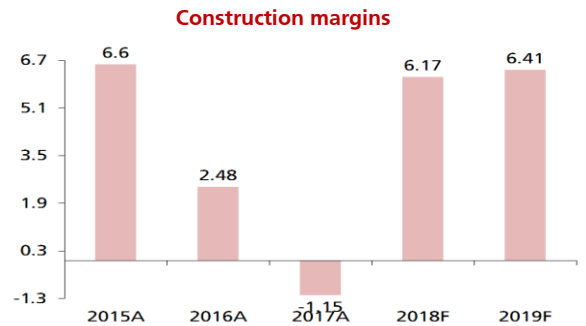
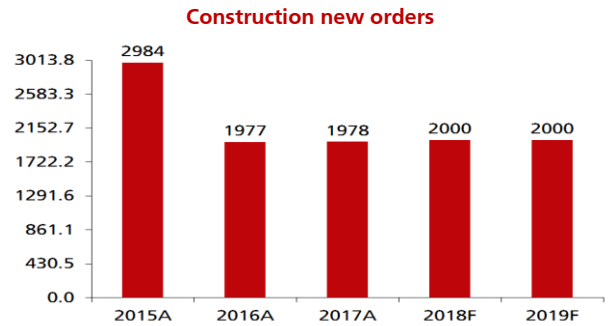
**Stronger construction franchise.** WCT’s construction division has an outstanding orderbook (including internal jobs) of c.RM5.6bn. We are encouraged that c.92% of its orderbook constitutes local engineering and infrastructure works, which offer more flexibility in margin accretion.

**New order wins of RM2bn for FY18F.** Similar to the past two financial years, WCT is also guiding for RM2bn new orders for FY18F. Given building jobs only constitutes 7% of its total outstanding orderbook, it will look to replenish more jobs from this segment. We understand there are sizeable jobs in the pipeline largely from its common shareholder, Tan Sri Desmond’s other projects. The more immediate project would be Pavilion Damansara Heights retail mall with an estimated total NLA of 1m sq. ft. We also like its chances for the slew of large scale infrastructure projects such as MRT 3, HSR, ECRL and Pan Borneo Sabah.

**Property sales.** WCT registered FY17 property sales of RM305m (vs RM63m in FY16). The target of achieving RM500m in sales by mid-2018 remains unchanged and the focus continues to be on clearing existing inventory which stands at RM550m (as 31 December 2017) from its completed projects. Its repricing strategy worked the best for its d’Laman Greenville project. WCT still has 950 acres of land in total with a potential GDV of RM26.5bn. The two largest projects are Paradigm Garden City (OUG) (GDV RM10.2bn) and Bandar Bukit Tinggi 1,2 and 3 Klang (GDV RM7.7bn).

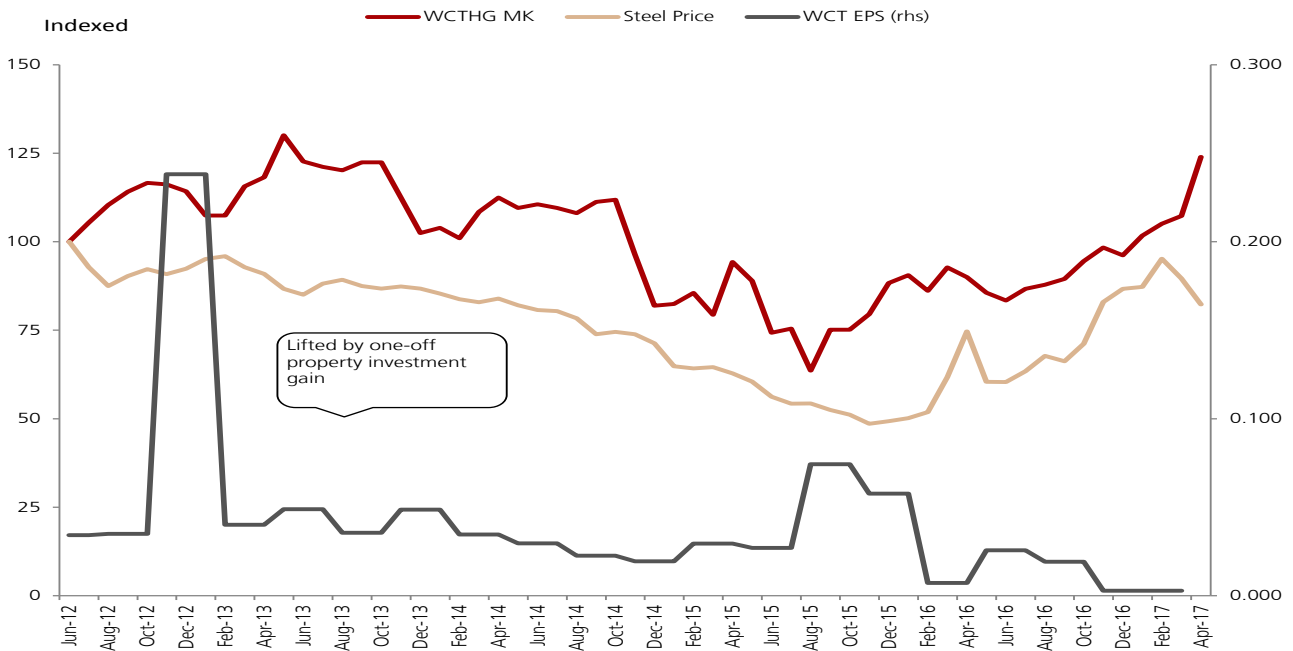
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**Delay in degearing efforts.** The delay in launching the REIT which was supposed to raise RM400m is a dampener to its degearing effort. Its other initiatives to degear its balance sheet are i) private placement of up to 140m new shares raising up to RM224m; ii) disposal of idle land bank where it has signed three conditional SPAs in January and February 2018 to dispose of land for a total RM116m. The expected conclusion dates range from 2Q-4Q18.



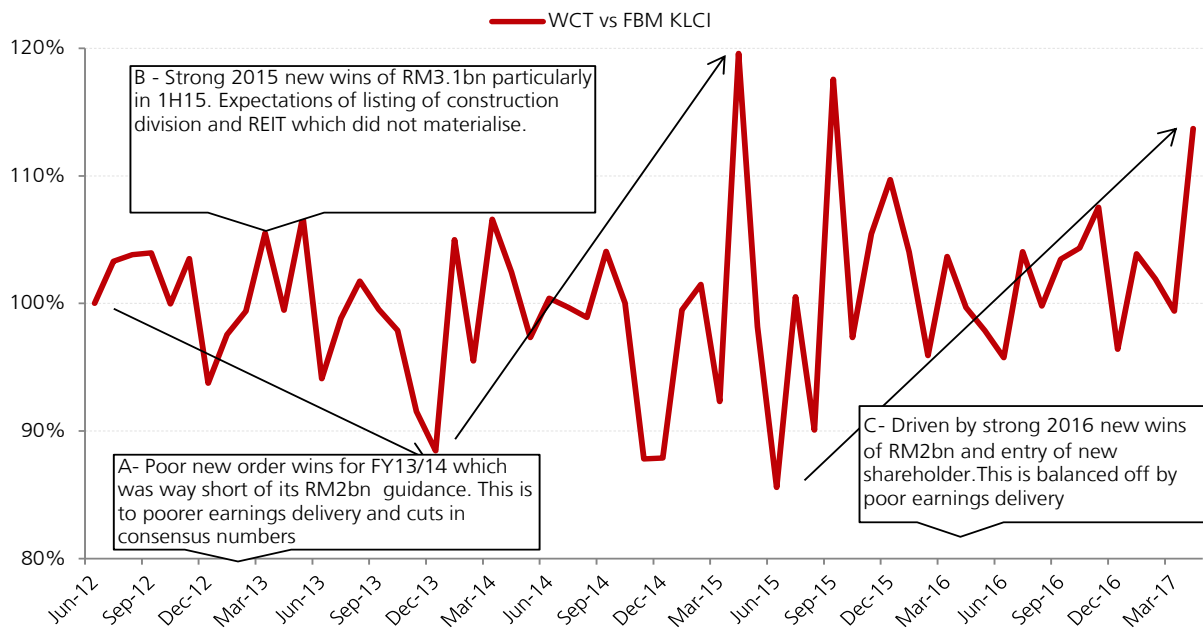
Source: Company, AllianceDBS

**Appendix 1: A look at Company's listed history – what drives its share price?**  
**WCT's share price performance vs KLCI, Steel price and EPS**



Source: Company, AllianceDBS, DBSVI

**WCT's share price performance vs Key Newsflow (Contract Wins)** EPS check text in box A. Incomplete



Source: Company, AllianceDBS, DBSVI

The critical factors for WCT are contract wins and more recently, anticipation of major corporate exercises.

For Period A, WCT's weak share price performance was a result of poor new order win replenishment which fell significantly short of expectations (FY13's RM670m and FY14 of RM994m were short of its broad guidance of RM2bn per annum). This is led to substantial earnings cuts for both years.

For Period B, the strong share price performance was driven by robust new contract wins of RM3.1bn and anticipation of a few corporate exercises (listing of construction unit and REIT) which did not materialise.

For Period C, the share price outperformance was a factor of contract wins of RM2bn in FY16 as well as the entry of new shareholder Tan Sri Desmond Lim which acquired 19.7% of WCT from the founding shareholders at a 43% premium (RM2.50/share) to the then current market price.



**Balance Sheet:**

**Balance sheet to be de-gearred.** WCT is a net debt position of RM2.8bn (net gearing of 0.9x) as at 31 December 2017. WCT is looking at various options to address this: i) asset and land disposal; ii) private placement; iii) listing of REIT.

**Share Price Drivers:**

**Stronger contract flows.** WCT appears to be very aggressive in bidding for new contracts. Total tenderbook is estimated at RM2.8bn and WCT is guiding for a similar RM2bn of new wins this year.

**Property sales to remain challenging.** WCT registered FY17 property sales of RM305m. The target of achieving RM500m in sales by mid-2018 remains unchanged and the focus continues to be on clearing existing inventory which currently stands at RM550m from completed projects.

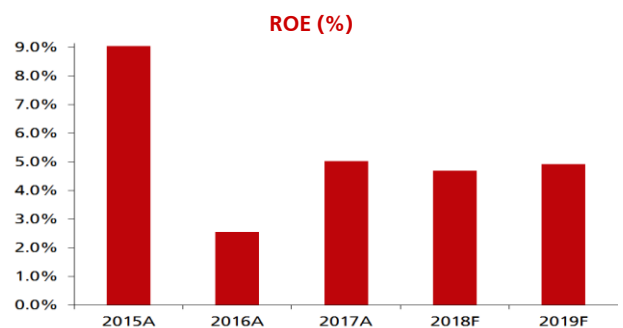
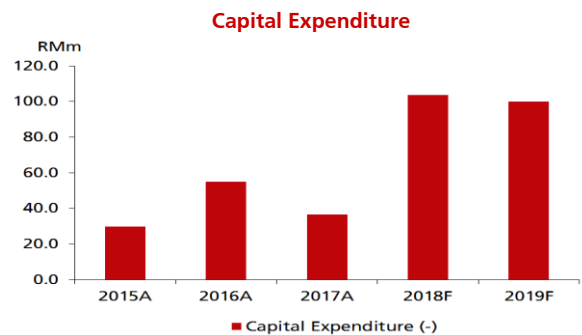
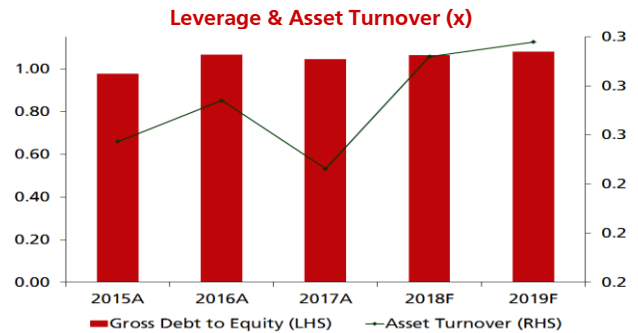
**Special dividends?** Investors hoping for a bumper special dividend from the successful arbitration for the Dubai race course project will be disappointed. The timeline for completion is expected to be long (two years) while WCT's capex requirements over the next few years are high given the expansion of its retail malls. The arbitral tribunal under the Dubai International Arbitration Centre (DIAC) has ruled in favour of the group in a dispute with the Meydan Group. The total amount to be paid is AED1.1bn (c.RM1.2bn) for work done, repayment of performance bond, loss of profit, damages and interest, arbitration fees and legal costs. The carrying value of performance security deposits and receivables under dispute in WCT's books was c.AED318m (RM330m). Hence, this will translate into a net gain of RM860m or RM0.47/share.

**Key Risks:**

**High gearing levels.** WCT's expansion of its mall business over the years has resulted in higher debt levels. It has put in a plan to degear its balance sheet. The most significant would be the launch of its REIT removing some RM650m of consolidated debt from its balance sheet.

**Company Background**

WCT is primarily involved in construction, property development and property investment. Its construction division is involved in a wide array of civil infrastructure and building works. The property division has developments in the Klang Valley, Iskandar Malaysia and Sabah. WCT also owns three malls and a hotel as part of its property investment assets.



Source: Company, AllianceDBS

**Key Assumptions**

FY Dec	2015A	2016A	2017A	2018F	2019F
Construction new orders	2,984	1,977	1,978	2,000	2,000
Construction margins	6.60	2.48	(1.2)	6.17	6.41
Construction profit	140	74.0	(31.7)	128	130
Property development profit	69.0	81.7	61.9	55.3	67.8
Property investment profit	32.5	20.9	262	53.7	54.7

**Segmental Breakdown**

FY Dec	2015A	2016A	2017A	2018F	2019F
<b>Revenues (RMm)</b>					
Construction	2,117	2,984	2,750	2,073	2,036
Property Development	336	309	611	374	430
Property Investment	61.1	61.8	83.7	157	163
Others	(846)	(1,421)	(1,539)	(200)	(100.0)
<b>Total</b>	<b>1,668</b>	<b>1,934</b>	<b>1,906</b>	<b>2,405</b>	<b>2,528</b>
<b>Pretax profit (RMm)</b>					
Construction	140	74.0	(31.7)	128	130
Property Development	69.0	81.7	61.9	55.3	67.8
Property Investment	32.5	20.9	262	53.7	54.7
Others	30.4	(54.5)	(62.0)	(42.6)	(43.9)
<b>Total</b>	<b>272</b>	<b>122</b>	<b>231</b>	<b>194</b>	<b>209</b>
<b>Pretax Margins (%)</b>					
Construction	6.6	2.5	(1.2)	6.2	6.4
Property Development	20.5	26.4	10.1	14.8	15.8
Property Investment	53.2	33.9	313.5	34.1	33.6
<b>Total</b>	<b>16.3</b>	<b>6.3</b>	<b>12.1</b>	<b>8.1</b>	<b>8.3</b>

**Income Statement (RMm)**

FY Dec	2015A	2016A	2017A	2018F	2019F
Revenue	1,668	1,934	1,906	2,405	2,528
Cost of Goods Sold	(1,467)	(1,695)	(1,558)	(1,792)	(1,887)
<b>Gross Profit</b>	<b>201</b>	<b>239</b>	<b>348</b>	<b>613</b>	<b>641</b>
Other Opng (Exp)/Inc	(287)	(175)	(567)	(366)	(377)
<b>Operating Profit</b>	<b>207</b>	<b>157</b>	<b>301</b>	<b>247</b>	<b>265</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	30.2	1.03	(19.6)	1.25	1.37
Net Interest (Exp)/Inc	(23.9)	(36.1)	(51.2)	(53.9)	(57.2)
Exceptional Gain/(Loss)	58.0	0.0	(6.3)	0.0	0.0
<b>Pre-tax Profit</b>	<b>272</b>	<b>122</b>	<b>224</b>	<b>194</b>	<b>209</b>
Tax	(54.9)	(56.8)	(78.7)	(48.6)	(52.3)
Minority Interest	2.49	3.21	2.71	3.38	4.23
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>219</b>	<b>68.4</b>	<b>148</b>	<b>149</b>	<b>161</b>
Net Profit before Except.	161	68.4	155	149	161
EBITDA	234	191	338	291	315
<b>Growth</b>					
Revenue Gth (%)	0.3	15.9	(1.4)	26.2	5.1
EBITDA Gth (%)	27.0	(18.2)	76.5	(13.9)	8.1
Opg Profit Gth (%)	32.2	(24.2)	91.9	(18.1)	7.3
Net Profit Gth (Pre-ex) (%)	33.7	(57.6)	126.1	(3.6)	8.0
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	12.0	12.4	18.2	25.5	25.4
Opg Profit Margin (%)	12.4	8.1	15.8	10.3	10.5
Net Profit Margin (%)	13.1	3.5	7.8	6.2	6.4
ROAE (%)	9.0	2.5	5.0	4.7	4.9
ROA (%)	3.4	1.0	1.9	1.8	1.9
ROCE (%)	3.0	1.4	2.9	2.6	2.7
Div Payout Ratio (%)	18.5	69.8	21.5	21.4	19.8
Net Interest Cover (x)	8.7	4.3	5.9	4.6	4.6

Source: Company, AllianceDBS

**Quarterly / Interim Income Statement (RMm)**

FY Dec	4Q2016	1Q2017	2Q2017	3Q2017	4Q2017
Revenue	453	473	383	470	579
Cost of Goods Sold	(389)	(415)	(304)	(366)	(481)
<b>Gross Profit</b>	<b>64.0</b>	<b>58.4</b>	<b>79.5</b>	<b>103</b>	<b>98.0</b>
Other Oper. (Exp)/Inc	(16.0)	(9.0)	(33.3)	(27.3)	43.8
<b>Operating Profit</b>	<b>48.0</b>	<b>49.4</b>	<b>46.3</b>	<b>76.1</b>	<b>142</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	(23.8)	7.75	5.78	4.04	(37.2)
Net Interest (Exp)/Inc	(12.8)	(12.3)	(13.5)	(14.3)	(23.1)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	(25.9)
<b>Pre-tax Profit</b>	<b>11.4</b>	<b>44.8</b>	<b>38.5</b>	<b>65.8</b>	<b>55.6</b>
Tax	(13.2)	(14.1)	(17.0)	(25.3)	(22.3)
Minority Interest	0.0	2.37	0.0	0.26	0.0
<b>Net Profit</b>	<b>3.51</b>	<b>33.1</b>	<b>21.5</b>	<b>40.8</b>	<b>33.3</b>
Net profit bef Except.	3.51	33.1	21.5	40.8	59.2
EBITDA	24.2	57.1	52.0	80.1	105

**Growth**

Revenue Gth (%)	9.4	4.5	(19.0)	22.6	23.3
EBITDA Gth (%)	(43.6)	136.0	(8.9)	54.0	30.5
Opg Profit Gth (%)	34.4	2.8	(6.3)	64.5	86.4
Net Profit Gth (Pre-ex) (%)	(85.9)	842.7	(35.0)	89.7	45.1

**Margins**

Gross Margins (%)	14.1	12.3	20.8	22.0	16.9
Opg Profit Margins (%)	10.6	10.4	12.1	16.2	24.5
Net Profit Margins (%)	0.8	7.0	5.6	8.7	5.7

**Balance Sheet (RMm)**

FY Dec	2015A	2016A	2017A	2018F	2019F
Net Fixed Assets	1,434	1,714	1,892	1,952	2,002
Invt in Associates & JVs	664	651	614	615	617
Other LT Assets	1,966	2,344	2,410	2,410	2,410
Cash & ST Invt	665	456	528	700	847
Inventory	695	825	792	932	963
Debtors	1,156	1,082	1,528	1,362	1,424
Other Current Assets	183	278	371	371	371
<b>Total Assets</b>	<b>6,762</b>	<b>7,348</b>	<b>8,134</b>	<b>8,341</b>	<b>8,632</b>
ST Debt	520	823	1,028	1,028	1,028
Creditor	936	977	1,209	1,185	1,233
Other Current Liab	9.24	13.1	10.9	10.9	10.9
LT Debt	2,073	2,159	2,257	2,407	2,557
Other LT Liabilities	566	579	482	482	482
Shareholder's Equity	2,621	2,763	3,139	3,224	3,321
Minority Interests	36.8	33.9	8.09	4.71	0.48
<b>Total Cap. &amp; Liab.</b>	<b>6,762</b>	<b>7,348</b>	<b>8,134</b>	<b>8,341</b>	<b>8,632</b>
Non-Cash Wkg. Capital	1,088	1,195	1,470	1,469	1,514
Net Cash/(Debt)	(1,928)	(2,526)	(2,757)	(2,735)	(2,738)
Debtors Turn (avg days)	238.3	211.2	249.9	219.3	201.1
Creditors Turn (avg days)	248.5	210.3	262.2	249.9	240.2
Inventory Turn (avg days)	152.1	167.0	193.8	179.9	188.2
Asset Turnover (x)	0.3	0.3	0.2	0.3	0.3
Current Ratio (x)	1.8	1.5	1.4	1.5	1.6
Quick Ratio (x)	1.2	0.8	0.9	0.9	1.0
Net Debt/Equity (X)	0.7	0.9	0.9	0.8	0.8
Net Debt/Equity ex MI (X)	0.7	0.9	0.9	0.8	0.8
Capex to Debt (%)	1.1	1.8	1.1	3.0	2.8
Z-Score (X)	1.1	1.0	1.0	1.1	1.1

Source: Company, AllianceDBS

## Cash Flow Statement (RMm)

FY Dec	2015A	2016A	2017A	2018F	2019F
Pre-Tax Profit	272	122	231	194	209
Dep. & Amort.	26.7	34.3	36.5	44.2	49.8
Tax Paid	(60.4)	(44.5)	(54.9)	(48.6)	(52.3)
Assoc. & JV Inc/(loss)	(30.2)	(1.0)	19.6	(1.3)	(1.4)
Chg in Wkg.Cap.	(531)	(274)	(269)	0.93	(44.6)
Other Operating CF	(231)	(0.3)	(43.8)	69.5	76.1
<b>Net Operating CF</b>	<b>(554)</b>	<b>(164)</b>	<b>(81.4)</b>	<b>259</b>	<b>237</b>
Capital Exp.(net)	(29.7)	(55.1)	(36.6)	(104)	(100.0)
Other Invt.(net)	0.0	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	(106)	(183)	(82.6)	0.0	0.0
<b>Net Investing CF</b>	<b>(136)</b>	<b>(239)</b>	<b>(119)</b>	<b>(104)</b>	<b>(100.0)</b>
Div Paid	(22.6)	(25.0)	0.0	(63.7)	(63.7)
Chg in Gross Debt	142	381	285	150	150
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(57.8)	(46.3)	(63.2)	(69.5)	(76.1)
<b>Net Financing CF</b>	<b>61.6</b>	<b>310</b>	<b>222</b>	<b>16.8</b>	<b>10.2</b>
Currency Adjustments	202	23.3	50.9	0.0	0.0
Chg in Cash	(427)	(69.3)	72.1	172	147
Opg CFPS (sen)	(1.9)	7.81	13.3	18.2	19.9
Free CFPS (sen)	(48.6)	(15.5)	(8.3)	11.0	9.66

Source: Company, AllianceDBS

## Target Price &amp; Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	27 Apr 17	2.12	1.99	HOLD
2:	28 Apr 17	2.22	1.99	HOLD
3:	30 May 17	2.13	1.99	HOLD
4:	24 Aug 17	1.85	1.90	HOLD
5:	28 Aug 17	1.82	1.90	HOLD
6:	06 Oct 17	1.79	1.90	HOLD
7:	10 Nov 17	1.68	1.84	HOLD
8:	23 Nov 17	1.69	1.84	HOLD
9:	27 Feb 18	1.60	1.73	HOLD
10:	28 Feb 18	1.54	1.73	HOLD

Source: AllianceDBS

Analyst: Tjen San CHONG

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**DISCLOSURE**

**Stock rating definitions**

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

**Commonly used abbreviations**

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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Wong Ming Tek, Executive Director

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**AllianceDBS Research Sdn Bhd (128540 U)**

19th Floor, Menara Multi-Purpose, Capital Square, 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

Tel.: +603 2604 3333 Fax: +603 2604 3921 email : general@alliancedbs.com