



### WCT HOLDINGS BERHAD

**Neutral**

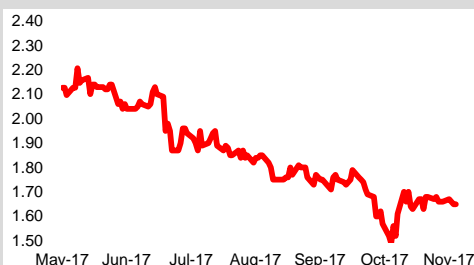
#### DESCRIPTION

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** RM1.80  
**Current Price** RM1.65  
**Expected Return** +9%

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

#### SHARE PRICE CHART



52 Week Range (RM) 1.49-2.48  
 3-Month Average Vol ('000) 2,287.4

#### SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	5.1	-10.3	-27.5
Relative Returns	9.7	-7.8	-24.4

#### KEY STOCK DATA

Market Capitalisation (RMm)	2,321.1
No. of Shares (m)	1,406.7

#### MAJOR SHAREHOLDERS

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

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### Above Expectations

WCT Holdings (WCT) registered a net profit of RM40.8m (+89.7% QoQ, +70.2% YoY) in 3QFY17 which was a tad above our expectations but below consensus. YTD, the Group's net profit came in at RM95.3m (+47% YoY), which constituted 81% and 65% of our and consensus full year estimates. Construction earnings came in stronger than expected. As such, we adjust our margin assumption for FY17, resulting in earnings raised by c.10%. All told, we have lowered our TP for the stock from RM2.00 to RM1.80 however, after accounting for recent share placement exercise (assuming indicative share placement price of RM1.73) and changes to market value of its property assets. Maintain **Neutral**.

§ **Better showing from construction.** Again, the key profit contributor is the engineering and construction division which delivered RM99.6m (+191% YoY) or c.58% of total operating profit. As expected, property division continued to be weak, with operating profit dropping c.25% to RM48.0m. Property investment was steady with its operating profit rising 16% YoY to RM24.1m.

§ **Healthy order book.** The Group has secured c.RM1.8bn worth of new jobs YTD, which we estimate has increased its outstanding orderbook to c.RM6bn as at August. We understand it has submitted tenders worth more than RM6bn and we believe it should be on track to meet its replenishment target of RM2bn annually. Going forward, new construction-related jobs eyed include the Pan Borneo Sabah highway, LRT3 (other packages) and works in Kwasa Damansara and Tun Razak Exchange (TRX). As for property, sales target for FY17 is RM500m. The new sales are expected mainly from its unsold inventories which is said to have GDV of over RM1bn. Margins, however, are expected to be lower due to its re-pricing strategy to make its properties more competitive in the soft market currently.

#### KEY FORECAST TABLE

FYE Dec (RM m)	2015A	2016A	2017F	2018F	2019F	CAGR (%)
Revenue	1,671.3	2,245.7	2,495.7	2,576.4	2,682.4	9.9
Operating Profit	297.6	228.1	274.3	279.2	314.2	1.1
Pre-tax Profit	223.3	136.2	188.5	188.7	228.2	0.4
Net Profit	171.5	106.2	128.8	151.2	181.3	1.1
EPS (Sen)	12.7	7.9	9.5	11.2	13.4	1.1
P/E (x)	14.6	23.5	19.4	16.5	13.8	
DPS (Sen)	3.0	3.0	3.0	3.0	4.0	
Dividend Yield (%)	1.8	1.8	1.8	1.8	2.4	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<b>FYE Dec (RM m)</b>	<b>3Q17</b>	<b>3Q16</b>	<b>2Q17</b>	<b>QoQ Chg (%)</b>	<b>YoY Chg (%)</b>	<b>YTD FY17</b>	<b>YTD FY16</b>	<b>YoY Chg (%)</b>
Revenue	469.8	414.4	383.3	22.6	13.4	1326.5	1480.4	-10.4
Cost of sales	-366.4	-362.8	-303.8	20.6	1.0	-1076.9	-1302.2	-17.3
<b>Gross profit</b>	<b>103.4</b>	<b>51.6</b>	<b>79.5</b>	30.0	100.4	249.6	178.3	40.0
Other income	11.5	5.9	-4.0	-387.4	94.5	11.8	10.8	9.7
Other expenses	-38.8	-21.8	-29.3	32.6	78.1	-89.8	-69.8	28.7
<b>Operating profit</b>	<b>76.1</b>	<b>35.7</b>	<b>46.2</b>	64.5	113.1	<b>171.7</b>	<b>119.3</b>	43.9
Finance costs	-14.3	-7.3	-13.5	5.8	96.6	-40.1	-33.5	19.7
Share of results of associates	4.0	7.2	5.8	-30.1	-44.0	17.6	24.8	-29.2
<b>Pre-tax profit</b>	<b>65.8</b>	<b>35.6</b>	<b>38.5</b>	71.0	84.7	149.2	110.6	34.8
Tax	-25.3	-10.8	-17.0	49.0	134.8	-56.4	-43.6	29.4
<b>Net profit</b>	<b>40.8</b>	<b>24.0</b>	<b>21.5</b>	89.7	70.2	95.3	64.9	47.0

Source: Company, PublicInvest Research

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Dec (RM m)	2015A	2016A	2017F	2018F	2019F
Revenue	1,671.3	2,245.7	2,495.7	2,576.4	2,682.4
Gross Profit	296.6	407.8	443.4	488.9	519.9
Operating expenses	1.0	-179.7	-169.1	-209.7	-205.7
Operating Profit	297.6	228.1	274.3	279.2	314.2
Other Gains / (Losses)	17.2	16.3	16.8	17.3	17.8
Finance Costs	-91.5	-108.2	-102.6	-107.8	-103.8
Pre-tax Profit	223.3	136.2	188.5	188.7	228.2
Income Tax	-53.6	-32.7	-45.2	-45.3	-54.8
Effective Tax Rate (%)	24.0	24.0	24.0	24.0	24.0
Minorities	1.8	2.8	1.7	7.8	7.8
Net Profit	171.5	106.2	128.8	151.2	181.3
<b>Growth</b>					
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	279.0	319.6	361.1	404.5	449.6
Cash and Cash Equivalents	1,348.4	1,000.4	799.4	717.6	639.8
Receivables	1,106.9	1,487.3	1,652.9	1,706.3	1,776.5
Other Assets	3,853.6	4,165.1	4,301.4	4,343.5	4,400.4
<b>Total Assets</b>	<b>6,587.9</b>	<b>6,972.5</b>	<b>7,114.8</b>	<b>7,171.9</b>	<b>7,266.4</b>
Payables	851.1	1,143.6	1,270.9	1,312.0	1,365.9
Borrowings	2,689.9	2,565.2	2,440.5	2,351.1	2,261.7
Tax payable	35.4	35.4	35.4	35.4	35.4
Other Liabilities	636.7	795.0	863.9	886.1	915.3
<b>Total Liabilities</b>	<b>4,213.0</b>	<b>4,539.2</b>	<b>4,610.7</b>	<b>4,584.6</b>	<b>4,578.4</b>
Shareholders' Equity	2,374.9	2,433.3	2,504.1	2,587.3	2,688.0
<b>Total Equity and Liabilities</b>	<b>6,587.9</b>	<b>6,972.5</b>	<b>7,114.8</b>	<b>7,171.9</b>	<b>7,266.4</b>

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

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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