

## WCT Holdings Bhd

### Mall Contract Win

By Adrian Ng | [adrian.ng@kenanga.com.my](mailto:adrian.ng@kenanga.com.my)

**Last Friday, WCT announced that its joint-venture with TSRCAP (51:49) had won a contract award from Merdeka 118, amounting to RM676.8m. Neutral on the win. No changes to FY18-19E earnings. Maintain OUTPERFORM with an unchanged Target Price of RM1.10.**

**News.** Its joint-venture with TSRCAP (51:49) had won a contract award from Merdeka Ventures Sdn Bhd or Merdeka 118, amounting to RM676.8m for the construction of a shopping complex near PNB118 tower. The scope of works includes the construction and completion of an 8-level shopping complex podium, including the architectural works for the basement, retail area, residential drop-off and core, tower link bridge and external works. The construction works would commence from 2<sup>nd</sup> January 2019, and is expected to complete within 30 months.

**A Christmas present.** This would be the third contract bagged by WCT bringing its total effective replenishment for the year to c.RM2.7b. While its replenishment for the year has exceeded our assumption of RM2.0b for 2018, we are still neutral on the win as it adds to our replenishment assumption of RM1.5b for 2019, at 47%. Should they are able to maintain the momentum in securing private projects with such high contract values; we might look to review our replenishment assumptions for 2019. Assuming pre-tax margin of 7% and based on its effective stake of 51%, the project is expected to contribute c.RM7.0m to its bottom-line per annum.

**Earnings unchanged.** No changes to our FY18-19E core earnings, as the contract win forms part of our order-book replenishment assumption.

**Outlook.** Its outstanding order-book currently stands at c.RM7.3b after factoring in the contract providing earnings visibility for the next 2.5-3.0 years. As for its property division, clearance of its inventories of RM865.0m remains a top priority for its management team, and we believe that it would be a re-rating catalyst for the company should they are able to clear more than 50% of the inventories.

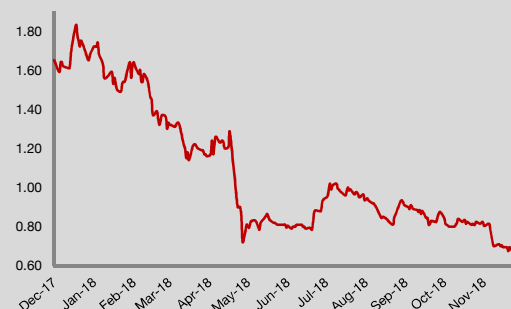
**Maintain OUTPERFORM** with no changes to our SoP-driven Target Price to RM1.10. We maintain our OUTPERFORM view for its improving order-book trajectory in challenging times, and we laud management for their iron will in performing a herculean task turning the company around especially for its property division. Our current TP implies FY19E PER of 10.5x, below with its 3-year -1.5SD levels closer to its through levels.

**Risks to our call include:** (i) lower-than-expected margins/order-book replenishment, and (ii) lower government spending on infrastructure projects.

## OUTPERFORM ↔

**Price :** RM0.675  
**Target Price :** RM1.10 ↔

### Share Price Performance



KLCI	1,670.28
YTD KLCI chg	-7.0%
YTD stock price chg	-58.3%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	WCTHG MK Equity
Market Cap (RM m)	931.9
Shares Outstanding	1,380.6
52-week range (H)	1.83
52-week range (L)	0.66
3-mth avg daily vol:	1,886,899
Free Float	64%
Beta	1.2

### Major Shareholders

Dominion Nexus Sdn Bhd	17.9%
Employees Provident Fund	8.9%
Lembaga Tabung Haji	8.9%

### Summary Earnings Table

FYE Dec (RM m)	2017A	2018E	2019E
Turnover	1896	2079	2718
EBIT	306	256	295
PBT	231	160	193
<b>Net Profit (NP)</b>	<b>155</b>	<b>122</b>	<b>147</b>
<b>Core net profit</b>	<b>114</b>	<b>122</b>	<b>147</b>
Consensus (NP)	n.a.	115	136
Earnings Revision	n.a.	0%	0%
Core EPS	8.1	8.7	10.5
Core EPS growth (%)	35%	7%	20%
NDPS (sen)	3.0	0.0	0.0
NTA per Share (RM)	2.2	2.3	2.4
Price to NTA (x)	0.3	0.3	0.3
PER (x)	8.3	7.8	6.5
Debt-to-Equity ratio (x)	1.0	1.0	1.0
Return on Asset (%)	1%	1%	2%
Return on Equity (%)	5%	4%	4%
Net Div. Yield (%)	4.4%	0.0%	0.0%

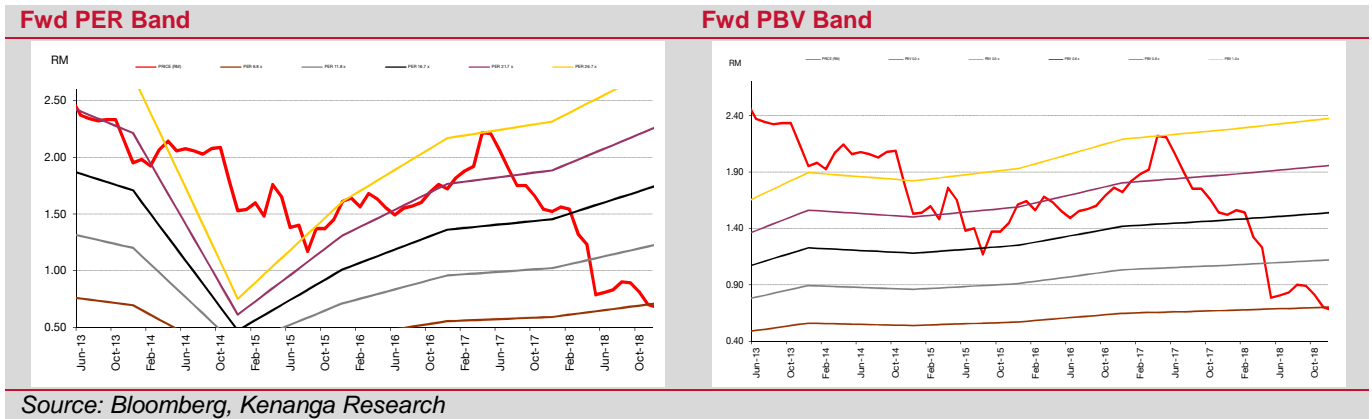
24 December 2018

Income Statement						Financial Data & Ratios					
FY Dec (RM'm)	2015A	2016A	2017A	2018E	2019E	FY Dec (RM'm)	2015A	2016A	2017A	2018E	2019E
Revenue	1662	1929	1896	2079	2718	<b>Growth (%)</b>					
EBITDA	105	154	320	275	324	Revenue	0%	16%	-2%	10%	31%
Depreciation	-8	-15	-14	-20	-29	EBITDA	72%	147%	207%	86%	118%
EBIT	97	140	306	256	295	EBIT	-29%	43%	119%	-16%	15%
Interest Expense	-28	-16	-35	-96	-102	Pre-tax Income	75%	-53%	89%	-31%	20%
Associates/JV	0	0	0	0	0	Net Income	70%	-67%	126%	-21%	20%
Exceptional Items	170	-16	40	0	0	Core Net Income	-22%	114%	35%	7%	20%
PBT	262	122	231	160	193	<b>Profitability (%)</b>					
Taxation	-55	-57	-79	-40	-48	EBITDA Margin	6%	8%	17%	13%	12%
MI/Perps	2	3	3	2	2	EBIT Margin	6%	7%	16%	12%	11%
Net Profit	209	68	155	122	147	PBT Margin	16%	6%	12%	8%	7%
Core Net Profit	40	85	114	122	147	Net Margin	13%	4%	8%	6%	5%
						Core Net Margin	2%	4%	6%	6%	5%
						Effective Tax Rate	-21%	-47%	-34%	-25%	-25%
						ROE	8%	2%	5%	4%	4%
						ROA	1%	1%	1%	1%	2%
						<b>DuPont Analysis</b>					
						Net margin (%)	13%	4%	8%	6%	5%
						Assets Turnover (x)	0.2	0.3	0.2	0.3	0.3
						Leverage Factor (x)	2.6	2.7	2.6	2.5	2.5
						ROE (%)	8%	2%	5%	4%	4%
						<b>Leverage</b>					
						Debt/Asset (x)	0.4	0.4	0.4	0.4	0.4
						Debt/Equity (x)	1.0	1.1	1.0	1.0	1.0
						Net Debt/(Cash)	2069.4	2527.1	2758.0	2640.5	2873.3
						Net Debt/Equity (x)	0.8	0.9	0.9	0.8	0.8
						<b>Valuations</b>					
						Core EPS (sen)	2.8	6.0	8.1	8.7	10.5
						FD Core EPS (sen)	2.8	6.0	8.1	8.7	10.5
						NDPS (sen)	2.5	0.0	3.0	0.0	0.0
						BV/share (RM)	1.86	1.96	2.23	2.32	2.42
						Core PER (x)	24.0	11.2	8.3	7.8	6.5
						FD Core PER (x)	24.0	11.2	8.3	7.8	6.5
						Net Div. Yield (%)	3.8%	0.0%	4.4%	0.0%	0.0%
						PBV (x)	0.4	0.3	0.3	0.3	0.3
						EV/EBITDA (x)	34.1	23.2	11.2	13.0	11.1

Source: Kenanga Research

Sum-of-parts valuation		
SoP	Valuation/Discount	Value (RM'm)
Construction	8.0	773.7
Property		1869.6
Property investment		1147.5
<b>Sub-total</b>		<b>3790.9</b>
Property RNAV Discount	75%	-1402.2
<b>Total</b>		<b>2388.7</b>
Shares Outstanding (m)		1406.9
SOP/share (RM)		1.70
<b>Target Price (35% Discount)</b>		<b>1.10</b>
<b>Implied FY19E PER (x)</b>		<b>10.5</b>

Source: Kenanga Research



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24 December 2018

## Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld(%) 1-Yr. Fwd.	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.				
<b>STOCKS UNDER COVERAGE</b>																		
EVERSENDAL CORP BHD	0.585	456.9	Y	12/2018	-7.7%	-6.4%	-13.0%	-6.1%	6.7	7.7	8.1	0.7	0.4	6.9%	0.0%	0.505	UP	
GAMUDA BHD	2.22	5,479.1	Y	07/2019	-20.8%	0.3%	-27.7%	1.2%	6.7	9.3	9.1	0.7	0.7	7.7%	5.4%	3.05	OP	
GEORGE KENT (MALAYSIA) BHD	0.815	441.7	Y	01/2019	-24.1%	5.3%	-45.1%	9.7%	3.4	6.1	5.6	1.0	0.9	15.0%	6.1%	0.845	MP	
HOCK SENG LEE BERHAD	1.33	730.9	Y	12/2018	18.0%	18.6%	31.3%	17.7%	15.7	12.0	10.2	1.0	0.9	8.1%	1.7%	1.30	MP	
IJM CORP BHD	1.56	5,657.2	Y	03/2019	10.1%	4.7%	9.8%	9.8%	13.8	12.5	11.4	0.6	0.6	4.7%	3.1%	1.85	MP	
KERJAYA PROSPEK GROUP BHD	1.00	1,236.1	Y	12/2018	32.9%	7.9%	16.9%	6.1%	10.0	8.5	8.0	1.5	1.4	16.8%	3.1%	1.40	OP	
KIMLUN CORP BHD	1.05	348.5	Y	12/2018	-3.8%	5.8%	-24.5%	1.3%	4.9	6.5	6.4	0.6	0.5	8.4%	3.8%	1.15	MP	
MITRAJAYA HOLDINGS BHD	0.240	212.4	Y	12/2018	-28.0%	-1.7%	-46.6%	10.9%	3.0	5.7	5.1	0.3	0.3	5.2%	6.3%	0.290	UP	
MUHIBBAH ENGINEERING (M) BHD	2.72	1,310.1	Y	12/2018	-24.4%	5.7%	28.2%	6.7%	10.6	8.3	7.8	1.3	1.2	14.8%	2.6%	4.15	OP	
SUNWAY CONSTRUCTION GROUP BHD	1.31	1,692.8	Y	12/2018	11.6%	1.4%	3.7%	-3.1%	12.7	12.2	12.6	3.1	2.8	24.0%	5.3%	1.30	UP	
WCT HOLDINGS BHD	0.675	931.9	Y	12/2018	9.6%	30.7%	6.7%	20.5%	8.3	7.8	6.5	0.3	0.3	3.8%	0.0%	1.10	OP	
<b>Simple Average</b>					<b>-2.4%</b>	<b>6.6%</b>	<b>-5.5%</b>	<b>6.8%</b>	<b>8.7</b>	<b>8.8</b>	<b>8.3</b>	<b>1.0</b>	<b>0.9</b>	<b>10.5%</b>	<b>3.4%</b>			
<b>CONSENSUS ESTIMATES</b>																		
AHMAD ZAKI RESOURCES BERHAD	0.295	176.4	Y	12/2018	N.A.	N.A.	N.A.	N.A.	6.0	N.A.	N.A.	0.6	N.A.	N.A.	N.A.	N.A.	SELL	
BINA PURI HOLDINGS BHD	0.175	59.3	Y	12/2018	N.A.	N.A.	N.A.	N.A.	19.1	N.A.	N.A.	0.2	N.A.	N.A.	N.A.	N.A.	SELL	
GABUNGAN AQRS BHD	0.700	334.3	Y	12/2018	64.4%	19.4%	48.0%	30.5%	7.0	4.7	0.0	0.7	0.9	17.2%	7.1%	1.73	BUY	
GADANG HOLDINGS BHD	0.495	327.6	Y	05/2019	12.7%	11.4%	-4.3%	-2.9%	3.4	3.5	0.0	0.5	0.4	10.5%	5.7%	0.775	BUY	
JAKS RESOURCES BHD	0.475	259.3	Y	12/2018	38.1%	10.2%	-62.4%	69.7%	2.0	5.4	0.0	0.3	0.4	6.7%	0.0%	0.775	BUY	
MUDAJAYA GROUP BHD	0.290	171.1	Y	12/2018	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	1.6	N.A.	N.A.	N.A.	N.A.	SELL	
PINTARAS JAYA BHD	2.45	406.4	Y	06/2019	115.0%	1.5%	91.4%	1.7%	26.2	13.7	0.1	1.2	1.3	9.1%	8.3%	2.43	NEUTRAL	
PESONA METRO HOLDINGS	0.180	125.1	Y	12/2018	22.8%	16.5%	-25.9%	84.5%	6.5	8.8	0.0	0.7	N.A.	10.3%	8.3%	0.280	BUY	
PROTASCO BHD	0.200	98.7	Y	12/2018	-15.0%	8.7%	-102.5%	4.8%	3.5	N.A.	0.0	0.3	0.3	-0.2%	4.5%	0.190	SELL	
TRC SYNERGY BHD	0.510	245.1	Y	12/2018	4.6%	19.4%	-30.3%	39.9%	8.1	11.6	0.0	0.6	0.6	5.1%	3.9%	0.620	NEUTRAL	

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.**

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**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 12, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)



Chan Ken Yew  
Head of Research