

24 December 2018 | Corporate Update

WCT Holdings Berhad

Merdeka 118 Shopping Mall Contract

Maintain BUY

Unchanged Target Price(TP): RM1.05

INVESTMENT HIGHLIGHTS

- **WCT Berhad, together with TSR Bina, has secured RM676.8m job from PNB Merdeka Ventures**
- **The contract covers the main contract work for a 8-storey Phase 2 shopping complex project**
- **The construction works include the development of eight level shopping complex podiums, architectural works for the basement, retail area, residential drop-off and core, tower link bridge as well as external works**
- **Works are to commence early January 2019, with scheduled completion in June 2021**
- **No changes to estimates at this juncture**
- **Maintain BUY with an unchanged TP of RM1.05**

Secured RM676.8m job. WCT Berhad, jointly together with TSR Bina Sdn Bhd (a wholly owned subsidiary of TSR Capital Berhad), has accepted and executed the Letter of Acceptance issued by PNB Merdeka Ventures Sdn Bhd. The contract sum amounted to RM676.8m, which covers the main contract work for an 8-storey Phase 2 shopping complex project.

Scope. The works involved the construction and completion of superstructure and substructure works. That includes the eight level shopping complex podiums, architectural works for the basement, retail area, residential drop-off and core, tower link bridge as well as external works. This development forms part of the integrated development undertaken by PNB Merdeka Venture Sdn Bhd known as Merdeka 118, which comprises the PNB 118 Tower, the Park Hyatt Hotel and an observation deck.

Construction works are expected to commence early January 2019 and scheduled to complete within two and a half years from the commencement thereof. Based on this timeline, the entire project is set to complete by June 2021.

A JV Company is set to be formed between WCT and TSR Bina, prior to the job's commencement on the basis of 51:49 (WCT:TSR). On consolidated basis, the contract win implies an addition of RM345.2m to WCT Berhad order book. Consequently, we arrive to an approximate sum of RM6.3b (based on 3QFY18 announcement) of outstanding order book following the RM2.6b worth of construction wins in 2018.

RETURN STATS

Price (21 Dec 2018)	RM0.68
Target Price	RM1.05
Expected Share Price Return	+54.4%
Expected Dividend Yield	+0.6%
Expected Total Return	+55.0%

STOCK INFO

KLCI	1,670.3
Bursa / Bloomberg	9679 / WCTHG MK
Board / Sector	Main/ Construction
Syariah Compliant	Yes
Issued shares (mil)	1,380.6
Market cap. (RM'm)	931.9
Price over NA	0.29
52-wk price Range	RM0.66 – RM1.83
Beta (against KLCI)	1.21
3-mth Avg Daily Vol	1.88m
3-mth Avg Daily Value	RM1.54m
Major Shareholders	
Dominion Nexus	17.91%
EPF	8.92%
LTH	8.89%
KWAP	6.15%

Impact to earnings. We are positive on the contract award, as it has surpassed our replenishment target in 2018 of RM2b by 30%. Despite the improved construction earnings prospect, we maintain our estimates for FY19F-20F. This is on the account that the estimated RM10-12m net profit annually (7-9% net margin) will have to compensate for the down-cycle in its property business. Recall that for 9MFY18, revenue from property segment dipped -35.2%yoy, primarily due to low take-up rate of existing stock units.

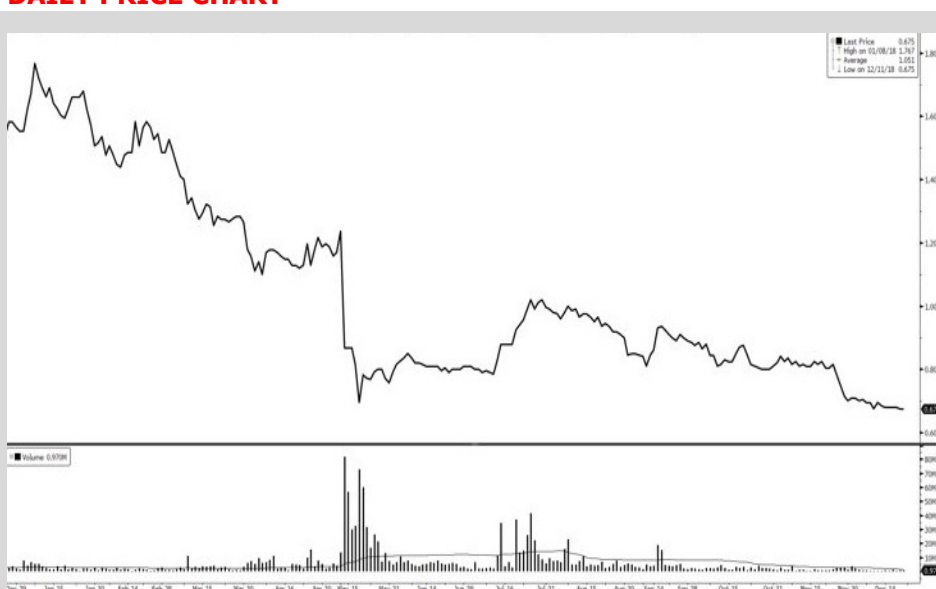
Recommendation. We maintain our **BUY** recommendation on WCT Berhad with an unchanged TP of RM1.05, pegging its FY19EPS to PE of 13.0x. It is notable that WCT is trading at price-to-book ratio (PBR) of 0.29x, implying an attractive opportunity to increase exposure. Risks to our call include 1) the delay in construction works, and 2) lower than expected contribution from its property segment.

INVESTMENT STATISTICS

FYE Dec	FY13	FY14	FY15	FY16	FY17	FYE18	FYE19
Revenue	1,655.00	1,662.20	1,854.10	1,933.6	1,905.80	2,279.2	2,420.0
PBT	254.2	151.1	256.2	122.0	230.6	182.3	193.6
PATAMI	153.8	111.1	216.6	65.1	154.6	140.6	144.0
FD EPS	10.9	7.8	15.3	4.6	10.9	7.9	8.1
EPS growth (%)	-8.2	-27.8	95.0	-69.9	137.5	-27.5	2.4
PER (x)	6.3	8.7	4.5	14.9	6.3	8.7	8.5
Dividend (sen)	6.8	2.5	5	19.1	1.8	1.1	1.1
Dividend Yield (%)	2.9	1.2	3.5	1.1	1.1	0.6	0.6

Source: Company, MIDF Research

DAILY PRICE CHART



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Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.