

Malaysia

ADD (no change)

Consensus ratings*: Buy 3 Hold 4 Sell 8

Current price: RM0.99
Target price: RM1.15
Previous target: RM1.15
Up/downside: 16.2%
CGS-CIMB / Consensus: 30.6%

Reuters: WCTE.KL
Bloomberg: WCTHG MK
Market cap: US\$332.0m
RM1,396m
Average daily turnover: US\$1.00m
RM4.15m
Current shares o/s: 1,420m
Free float: 62.3%

*Source: Bloomberg

Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-13.9	8.8	7.6
Relative (%)	-10.4	9.5	19.8

Major shareholders	% held
Tan Sri Desmond Lim Siew Choon	19.7
EPF	9.5
Urusharta Jamaah Sdn Bhd	8.6

Analyst(s)



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WCT Holdings

Contract LOI beefs up construction outlook

- 1H19 was above expectations; property investment EBIT was stronger-than-expected, offsetting weak property sales and construction billings.
- An added positive surprise was the RM1bn LOI for Paradigm Damansara Heights which would bump up order book by 15% to RM7.5bn.
- Maintain Add and TP; Job win sweetener is positive for the share price.

1H19 results above expectations despite weaker earnings yoy

WCT's core net profit fell 20% yoy, weighed by property development and construction divisions but partially mitigated by strong contribution from the property investment division. The weaker sales of completed units and slow construction billings for new contracts were largely expected. Despite the weaker 1H19 core net profit, overall results were above expectations, at 58-59% of our and Bloomberg consensus full-year estimates. The property investment arm was the outperformer due to higher occupancy and rental income. The absence of dividends in 1H19 was within expectations.

Property investment earnings surged 37% in 1H19

EBIT contribution from property investment constituted a larger 30% of 1H19 EBIT vs. 20% in 1H18. Segment revenue grew 18% yoy in 1H19 thanks to improved occupancy of the new Paradigm JB Mall and higher rental income from Aeon BBT Mall. EBIT surged 37% yoy with a higher EBIT margin of 46% in 1H19 (1H18: 40%). For the property development segment, and stripping out the RM30m land sale gain in 1Q19, core EBIT margin stood at 10.9% vs. 25% in 1H18. The construction division booked an EBIT margin of 9% in 1H19, slightly lower than the 10% in 1H18 (see figure 2).

Bumper RM1bn contract LOI for Pavilion Damansara Heights

Results aside, the positive development is that WCT announced that it has secured a letter of intent (LOI) for a RM1bn contract for Pavilion Damansara Heights development (Parcel 2) from JMSB Sdn Bhd. Pending further negotiations on contract terms and the official award, we estimate this job (despite a related party contract) would raise outstanding order book by 15% to RM7.5bn. We view the contract award positively, in view of the current construction land landscape of fewer large-scale job rollouts. We retain FY19-21F EPS pending more details from tomorrow's results briefing.

Add retained with unchanged TP

Maintain Add and TP (unchanged 40% RNAV discount). We believe the announcement of the RM1bn contract win would be positive for the share price. While the actual timing of the tenders for the East Coast Rail Link (ECRL) project remains uncertain, we expect WCT to emerge as among the contenders for the Sarawak Coastal Road that may award contracts in 2H19F/1H20F. Also, the potential launch of the group's REIT for selected investment assets in 2H19F could also catalyse the share price. Downside risks are weaker property earnings and slow tender rollout for new rail projects.

Financial Summary	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue (RMm)	2,005	2,334	2,273	2,332	2,392
Operating EBITDA (RMm)	121.1	73.0	233.5	231.7	244.9
Net Profit (RMm)	228.2	111.8	107.1	115.1	127.0
Core EPS (RM)	0.17	0.08	0.08	0.08	0.09
Core EPS Growth	214%	(55%)	(1%)	7%	10%
FD Core P/E (x)	5.63	12.56	14.21	14.23	12.90
DPS (RM)	0.030	0.017	0.023	0.024	0.027
Dividend Yield	3.03%	1.73%	2.29%	2.46%	2.71%
EV/EBITDA (x)	32.70	61.16	18.93	18.88	17.67
P/FCFE (x)	41.32	7.14	NA	3.88	3.91
Net Gearing	88%	103%	138%	133%	128%
P/BV (x)	0.45	0.44	0.60	0.58	0.57
ROE	7.73%	3.43%	3.86%	4.83%	5.20%
CGS-CIMB/Consensus EPS (x)			1.06	1.04	1.04

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Dec (RM m)	2QFY19	2QFY18	yoy %	1QFY19	qoq %	2QFY19	2QFY18	yoy %	Prev.	
			chg		chg	Cum	Cum	chg	FY19F	Comments
Revenue	450.1	669.9	(32.8)	514.6	(12.5)	964.8	1,209.7	(20.2)	2,273.2	Slower billings for construction and weaker
Operating costs	(382.8)	(570.2)	(32.9)	(433.0)	(11.6)	(801.1)	(1,029.0)	(22)	(2,039.7)	property sales
EBITDA	67.4	99.7	(32.4)	81.7	(17.5)	163.7	180.7	(9.4)	233.5	
EBITDA margin (%)	15.0	14.9	0.5	15.9	(5.7)	17.0	14.9	13.6	10.3	
Depn & amort.	(5.0)	(7.2)	(31.2)	(4.4)	12.6	(9.4)	(9.6)	(3.0)	(30.8)	
EBIT	62.4	92.5	(32.5)	77.3	(19.2)	154.3	171.0	(9.8)	207.7	
Interest expense	(38.3)	(32.2)	19.1	(37.9)	1.0	(76.2)	(60.4)	26.2	(135.2)	Borrowings stood at RM3.6bn
Interest & invt inc	6.4	5.4	18.6	20.0	(68.1)	11.7	10.9	(23.1)	19.1	Cash stood at RM449m
Associates' contrib	7.7	(1.2)	718.9	0.6	>100	8.4	(3.5)	129.0	2.6	
Exceptionals	0.2	2.7	(91.7)	30.7	(99.3)	1.0	2.2	4,399.8	-	
Pretax profit	38.2	64.5	(40.8)	60.0	(36.4)	98.2	118.0	(16.8)	141.5	RM30m land sale gain in 1Q19
Tax	(16.7)	(24.1)	(31)	(21.2)	(21)	(37.9)	(40.7)	(6.9)	(42.5)	
Tax rate (%)	43.7	37.4	17	35.3	24	38.6	34.5	11.9	30.0	
Minority interests	1.2	2.1	(42.4)	1.5	(20)	2.7	2.2	24.3	8.0	
Net profit	22.7	42.5	(46.5)	40.3	(43.7)	63.0	79.5	(20.7)	107.1	1H19 core net profit made up 58-59% of ours
Core net profit	22.5	39.7	(43.5)	9.6	134.3	62.0	77.3	(19.8)	107.1	and consensus full-year forecast
EPS (sen)	1.6	3.0	(46.0)	2.9	(44.2)	4.6	5.6	(19.3)	8.0	
Core EPS (sen)	1.6	2.8	(42.9)	0.7	132.4	4.48	5.5	(18.4)	8.0	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 2: Segmental comparison

Revenue (RM m)	2Q19	2Q18	yoy	Notes
Civil engineering & construction	791.0	1,015.8	-22%	Completion of existing contracts; new jobs in early stages of construction
Property development	137.0	192.4	-29%	Boosted by the sale of an undeveloped land
Property investment & holding	107.8	91.3	18%	Improved occupancy of Paradigm Mall JB and higher rental income for AEON BBT Mall
Elimination	(71.0)	(89.9)	-21%	
Total	964.8	1,209.7	-20%	
*EBIT	2Q19	2Q18	yoy	
Civil engineering & construction	71.3	98.2	-27%	Completion of existing contracts; new jobs in early stages of construction
Property development	44.9	47.2	-5%	RM30m land sale gain in 1Q19; Core EBIT: RM14.9m
Property investment & holding	49.9	36.5	37%	Improved occupancy of Paradigm Mall JB and higher rental income for AEON BBT Mall
Total	166.1	181.9	-9%	
EBIT margin	2Q19	2Q18	yoy	
			(% pts)	
Civil engineering & construction	9%	10%	-1%	Also impacted by LRT 3 cost rationalisation
Property development	33%	25%	8%	Core property EBIT margin of 10.9% in 1H19
Property investment & holding	46%	40%	6%	Stronger contribution from Paradigm Mall JB and AEON BBT Mall
Total	17%	15%	2%	

*EBIT excludes share of associates and JV

SOURCES: CGS-CIMB SECURITIES, COMPANY REPORTS

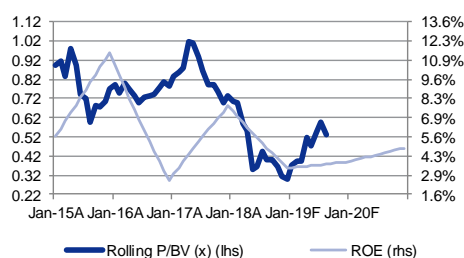
Figure 3: RNAV

	DCF value	Stake	Value
	(RM m)	(%)	(RM m)
PPH, India	230.1	30%	69.0
DE, India	147.3	30%	44.2
KLIA2 Integrated Complex (25-year, 13% WACC)	717.7	70%	501.4
	Acre/sq ft	RM/psf	Stake (%)
Bandar Bukit Tinggi 1	16.9	50.0	100.0%
Bandar Bukit Tinggi 2	35.2	50.0	100.0%
Bandar Bukit Tinggi 3	75.0	50.0	100.0%
56-acre new land near BBT 3	56.0	50.0	100.0%
Medini Commercial	10.3	30.0	100.0%
Bandar Serendah, Ulu Selangor	39.0	25.0	100.0%
Rawang Land	523.7	17.0	100.0%
OUG - mixed development	70.0	60.0	100.0%
Johor land acquisition (Jalan Skudai)	12.4	35.0	100.0%
New land in Medini	18.1	30.0	100.0%
Kota Kinabalu land	22.0	20.0	100.0%
Serendah land	39.0	20.0	100.0%
	2020 PAT	P/E	
Construction	83.8	15.0	1,257.3
Associated companies & investments			592.4
Net current assets less dev. Properties			776.1
Total debt			(3,645.4)
Investment properties			1,972.5
Total RNAV			2,688.8
No. of shares			1,417.3
No. of outstanding warrants (WE)			234.0
Proceeds from warrants (WE)			486.7
ESOS outstanding			19.1
Proceeds from ESOS			39.9
Fully diluted RNAV			3,175.5
FD no. of shares			1,651.3
FD RNAV/share (RM)			1.92
RNAV discount			40.0%
Target price (RM)			1.15

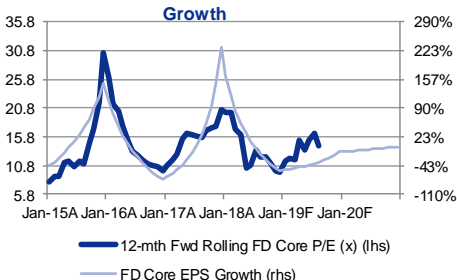
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Net Revenues	2,005	2,334	2,273	2,332	2,392
Gross Profit	408	378	378	380	401
Operating EBITDA	121	73	234	232	245
Depreciation And Amortisation	(22)	(29)	(31)	(33)	(36)
Operating EBIT	99	44	203	198	209
Financial Income/(Expense)	(43)	(114)	(116)	(113)	(122)
Pretax Income/(Loss) from Assoc.	(20)	(33)	(3)	(2)	(2)
Non-Operating Income/(Expense)	283	248	57	69	83
Profit Before Tax (pre-EI)	319	145	142	152	168
Exceptional Items	0	10		0	0
Pre-tax Profit	319	155	142	152	168
Taxation	(93)	(105)	(42)	(46)	(51)
Exceptional Income - post-tax					
Profit After Tax	225	50	99	107	118
Minority Interests	3	62	8	9	9
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	228	112	107	115	127
Recurring Net Profit	228	109	107	115	127
Fully Diluted Recurring Net Profit	228	109	107	115	127

Cash Flow

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
EBITDA	121.1	73.0	233.5	231.7	244.9
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(597.0)	(264.6)	(896.7)	(36.3)	(36.5)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	584.7	367.7	371.4	375.1	378.8
Net Interest (Paid)/Received	(42.9)	(114.2)	(116.1)	(113.4)	(121.6)
Tax Paid	(93.3)	(104.7)	(42.5)	(45.7)	(50.5)
Cashflow From Operations	(27.4)	(42.8)	(450.3)	411.4	415.1
Capex	(112.2)	(38.2)	(35.2)	(36.7)	(36.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.4	(92.1)	0.0	0.0	0.0
Other Investing Cashflow	(111.5)	103.4	93.0	83.7	75.4
Cash Flow From Investing	(223.3)	(27.0)	57.8	47.0	39.4
Debt Raised/(repaid)	281.8	261.1	(36.6)	(36.2)	(35.9)
Proceeds From Issue Of Shares	266.6	0.7	0.0	0.0	0.0
Shares Repurchased	0.0	(29.7)	0.0	0.0	0.0
Dividends Paid	(40.2)	(42.3)	(42.5)	(42.5)	(42.5)
Preferred Dividends					
Other Financing Cashflow	(113.7)	(173.4)	471.6	(379.5)	(380.4)
Cash Flow From Financing	394.6	16.3	392.5	(458.2)	(458.8)
Total Cash Generated	143.9	(53.4)	0.0	0.2	(4.2)
Free Cashflow To Equity	31.1	191.3	(429.1)	422.2	418.7
Free Cashflow To Firm	(187.6)	65.9	(257.3)	591.9	597.2

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Cash And Equivalents	527	401	409	417	426
Total Debtors	1,526	1,689	1,672	1,655	1,638
Inventories	461	518	115	121	127
Total Other Current Assets	627	655	202	203	203
Total Current Assets	3,142	3,263	2,398	2,396	2,395
Fixed Assets	341	361	379	398	418
Total Investments	2,208	2,387	2,389	2,391	2,392
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	2,488	2,702	2,716	2,770	2,825
Total Non-current Assets	5,037	5,450	5,484	5,559	5,636
Short-term Debt	1,028	926	917	908	899
Current Portion of Long-Term Debt					
Total Creditors	1,243	1,243	1,284	1,327	1,371
Other Current Liabilities	14	15	15	15	15
Total Current Liabilities	2,285	2,183	2,215	2,249	2,285
Total Long-term Debt	2,257	2,732	2,705	2,677	2,651
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	428	534	539	544	550
Total Non-current Liabilities	2,685	3,265	3,243	3,222	3,200
Total Provisions	63	98	98	98	98
Total Liabilities	5,034	5,547	5,557	5,569	5,583
Shareholders' Equity	3,138	3,193	2,352	2,413	2,474
Minority Interests	8	(27)	(27)	(27)	(27)
Total Equity	3,146	3,166	2,326	2,386	2,447

Key Ratios

	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Revenue Growth	3.7%	16.4%	(2.6%)	2.6%	2.6%
Operating EBITDA Growth	0%	(40%)	220%	(1%)	6%
Operating EBITDA Margin	6.0%	3.1%	10.3%	9.9%	10.2%
Net Cash Per Share (RM)	(1.94)	(2.29)	(2.26)	(2.23)	(2.20)
BVPS (RM)	2.21	2.25	1.66	1.70	1.74
Gross Interest Cover	1.56	0.33	1.50	1.49	1.46
Effective Tax Rate	29.3%	67.6%	30.0%	30.0%	30.0%
Net Dividend Payout Ratio	12.7%	29.8%	28.6%	26.6%	24.1%
Accounts Receivables Days	200.4	226.5	243.1	235.2	226.4
Inventory Days	67.80	91.41	61.03	22.19	22.77
Accounts Payables Days	204.1	188.8	202.6	205.3	208.6
ROIC (%)	1.72%	0.76%	3.13%	3.77%	3.95%
ROCE (%)	6.52%	4.68%	4.31%	4.75%	5.14%
Return On Average Assets	3.30%	1.45%	2.20%	2.38%	2.57%

Key Drivers

(RMm)	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Outstanding Orderbook	2,300	6,427	5,727	5,027	4,327
Order Book Depletion	1,900	1,900	1,900	1,900	1,900
Orderbook Replenishment	1,500	2,700	1,200	1,200	1,200
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Malaysia	CGS-CIMB Securities Sdn. Bhd. (formerly known as Jupiter Securities Sdn. Bhd.)	Securities Commission Malaysia
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Thailand	CGS-CIMB Securities (Thailand) Co. Ltd.	Securities and Exchange Commission Thailand

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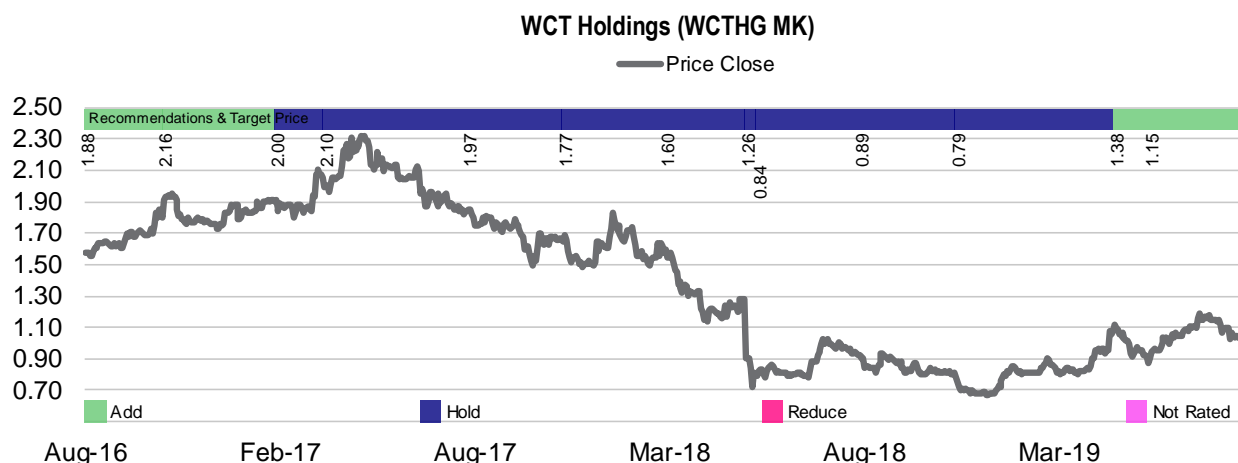
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	Rating Distribution (%)	Investment Banking clients (%)
Add	57.9%	4.2%
Hold	26.5%	1.8%
Reduce	15.5%	0.4%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** – Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** – Good, Declared, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **DELTA** – Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HREIT** – Excellent, Certified, **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – not available, n/a, **JWD** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTG** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **OSP** – not available, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PR9** – not available, n/a, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **S** – Very Good, n/a, **SAMART** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** – Good, n/a, **SPALI** – Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, Declared, **TMB** – Excellent, Certified, **TNR** – Very Good, Declared, **TOP** – Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Very Good, Certified, **WORK** – Good, n/a.

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- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
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The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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