

WCT Holdings Bhd

Results In Line

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1Q19 CNP of RM39.6m makes up 27%/36% of our/consensus full-year estimates. It is within our expectation but came in above consensus which we believe could be due to the latter not including land sales assumption. We expect earnings to normalise in coming quarters. No dividends declared as expected. No changes to FY19-20E earnings. Maintain UP with an unchanged SoP-driven TP of RM0.850.

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Results' highlight. 1Q19 CNP remains flat amid 5% YoY decline in revenue, cushioned by its property development and property investment division, which registered growth in operating profit by 334% and 84%, respectively. The growth in property development division was driven by land sale, while its property investment benefited from higher occupancy in Paradigm JB and better rental rates from Bukit Tinggi Shopping mall in Klang. QoQ, 1Q19 revenue decreased by 30% but CNP increased by 75%, driven by sale of undeveloped land.

Outlook. Its outstanding order-book currently stands at c.RM6.0b providing earnings visibility for the next 2.5-3.0 years. The final costs of LRT3 and MRT2 are expected to be finalised soon which if materialised would be a positive factor for its construction division as they can then resume work in full swing.

Estimates maintained. Post results, no changes to our FY19-20E earnings for now. However, we might look to review our estimates post a results' briefing.

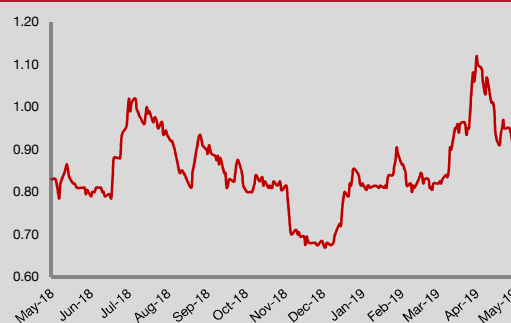
Maintain UNDERPERFORM with an unchanged SoP-driven Target Price of RM0.850, as we believe any potential positives for the stock is already priced in. Our current TP implies FY20E PER of 7.8x, within our ascribed multiple range of 6-11x for contractors. Its implied multiple of 7.8x is at the lower-end of the band, mainly due to our more conservative view on its property division on account of the weak market sentiment.

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

UNDERPERFORM ↔

Price : RM0.910
Target Price : RM0.850 ↔

Share Price Performance



KLCI 1,601.35
YTD KLCI chg -5.3%
YTD stock price chg 34.8%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker WCTHG MK Equity
Market Cap (RM m) 1,257.1
Shares Outstanding 1,381.5
52-week range (H) 1.16
52-week range (L) 0.66
3-mth avg daily vol: 5,075,904
Free Float 64%
Beta 1.3

Major Shareholders

Dominion Nexus Sdn Bhd 17.9%
Employees Provident Fund Board 9.2%
Urusharta Jamaah Sdn Bhd 8.6%

Summary Earnings Table

FYE Dec (RM m)	2018A	2019E	2020E
Turnover	2333	2718	2832
EBIT	340	295	304
PBT	155	193	202
Net Profit	112	147	154
Core PATAMI	128	147	154
Consensus (NP)	n.a.	107	118
Earnings Revision	n.a.	0%	0%
Core EPS (sen)	9.1	10.5	10.9
Core EPS growth (%)	12%	15%	5%
NDPS (sen)	1.7	0.0	0.0
NTA per Share (RM)	2.3	2.4	2.5
Price to NTA (x)	0.4	0.4	0.4
PER (x)	10.0	8.7	8.3
Debt-to-Equity ratio (x)	1.0	1.0	0.9
Return on Asset (%)	2%	2%	2%
Return on Equity (%)	3%	4%	4%
Net Div. Yield (%)	1.8%	0.0%	0.0%



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Result Highlight

	1Q19	4Q18	QoQ	1Q18	YoY
FYE Dec (RM'm)					
Turnover	514.6	737.9	-30%	539.8	-5%
EBIT	96.6	96.4	0%	83.9	15%
Interest inc/(exp)	-37.9	-44.9	-16%	-25.1	51%
Associates/JV	0.6	-31.1	n.m.	-2.2	n.m.
Admin/Others	-37.9	-199.9	-81%	-29.2	30%
Exceptional items	0.0	-19.7	n.m.	0.0	n.m.
Forex gain/(loss)	0.7	0.6	17%	-1.4	-154%
Pretax profit	60.0	1.2	4720%	55.3	9%
Taxation	-21.2	-54.1	-61%	-17.0	25%
Deferred tax	0.0	0.0	n.m.	0.0	n.m.
Profit after tax	38.8	-52.8	n.m.	38.3	1%
Minority interest	1.5	56.3	-97%	0.1	1649%
PATAMI	40.3	3.5	1055%	38.4	5%
Core PATAMI	39.6	22.6	75%	39.8	0%
DPS (sen)	0.0	1.7		0.0	
EBIT margin	18.8%	13.1%		15.5%	
Pretax margin	11.7%	0.2%		10.2%	
NP margin	11.7%	0.2%		10.2%	
CNP margin	7.7%	3.1%		7.4%	
EPS (sen)	2.9	0.2		2.7	
Core EPS(sen)	2.9	1.6		2.8	
BV/share (RM)	2.3	2.3		2.2	
Net gearing (x)	0.99	1.05		0.95	
Effective tax	35%	4344%		31%	

Source: Company, Kenanga Research

Segmental Breakdown

	1Q19	4Q18	QoQ	1Q18	YoY
External Revenue					
Construction	377.7	643.6	-41%	445.8	-15%
Property Development	85.3	29.9	185%	55.5	54%
Property Investment	51.6	64.4	-20%	38.4	34%
EBIT Segmentation					
Construction	33.1	20.6	61%	59.2	-44%
Property Development	36.9	-14.3	n.m.	8.5	334%
Property Investment	27.3	71.0	-61%	14.9	84%
EBIT margins					
Construction	9%	3%		13%	
Property Development	43%	-48%		15%	
Property Investment	53%	110%		39%	

Source: Company, Kenanga Research

Sum-of-parts valuation

SoP	Valuation/Discount	Value (RM'm)
Construction	8.0	793.9
Property		1020.2
Property investment		1147.5
Sub-total		2961.7
Property RNAV Discount	75%	-765.1
Property investment Discount	30%	-344.3
Total		1852.3
Shares Outstanding (m)		1406.9
SOP/share (RM)		1.30
Target Price (35% Discount)		0.850
Implied FY20E PER (x)		7.8

Source: Kenanga Research

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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 (%)	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.	1-Yr. Fwd.		
STOCKS UNDER COVERAGE																	
EVERSENDAL CORP BHD	0.395	308.5	Y	12/2019	-7.3%	-3.2%	-10.9%	-2.1%	4.9	5.5	5.6	0.3	0.3	5.6%	0.0%	0.490	MP
GAMUDA BHD	3.24	7,999.1	Y	07/2019	-20.8%	0.3%	-27.7%	1.3%	9.8	13.5	13.3	1.1	1.0	7.7%	3.7%	2.85	UP
GEORGE KENT (MALAYSIA) BHD	1.03	554.8	Y	01/2020	14.4%	-0.3%	4.9%	33.1%	7.3	7.0	5.2	1.2	1.1	16.0%	4.8%	1.15	UP
HOCK SENG LEE BERHAD	1.39	763.8	Y	12/2019	18.7%	15.6%	31.6%	10.3%	14.2	10.8	9.8	1.0	0.9	8.8%	1.9%	1.40	MP
IJM CORP BHD	1.89	6,853.1	Y	03/2019	9.6%	5.1%	-10.9%	26.7%	16.7	18.7	14.8	0.7	0.7	3.8%	2.7%	1.80	UP
KERJAYA PROSPEK GROUP BHD	1.19	1,467.5	Y	12/2019	28.3%	-4.4%	11.5%	1.9%	10.7	9.6	9.4	1.5	1.4	14.9%	2.5%	1.20	UP
KIMLUN CORP BHD	1.33	441.4	Y	12/2019	6.0%	-5.2%	-1.2%	2.5%	7.0	7.1	6.9	0.7	0.6	9.0%	2.7%	1.35	MP
MITRAJAYA HOLDINGS BHD	0.370	329.2	Y	12/2019	-4.7%	-7.3%	1.8%	-8.4%	9.9	9.7	10.6	0.4	0.4	4.0%	4.1%	0.245	UP
MUHIKBAH ENGINEERING (M) BHD	2.70	1,301.5	Y	12/2019	-5.8%	3.8%	-2.5%	4.7%	8.0	8.2	7.9	1.2	1.0	14.8%	2.6%	3.20	OP
SUNWAY CONSTRUCTION GROUP BHD	1.89	2,442.3	Y	12/2019	-6.1%	21.9%	-12.2%	22.3%	17.5	20.0	16.3	4.0	3.7	19.4%	2.9%	1.40	UP
WCT HOLDINGS BHD	0.910	1,257.1	Y	12/2019	16.5%	4.2%	15.0%	4.7%	10.0	8.7	8.3	0.4	0.4	4.4%	0.0%	0.850	UP
Simple Average					4.4%	2.8%	-0.1%	8.8%	10.5	10.8	9.8	1.1	1.0	9.9%	2.5%		
CONSENSUS ESTIMATES																	
AHMAD ZAKI RESOURCES BERHAD	0.380	227.3	Y	12/2019	N.A.	N.A.	N.A.	N.A.	15.5	N.A.	N.A.	0.5	N.A.	N.A.	N.A.	N.A.	SELL
BINA PURI HOLDINGS BHD	0.175	66.7	Y	06/2019	N.A.	N.A.	N.A.	N.A.	128.3	N.A.	N.A.	0.3	N.A.	N.A.	N.A.	N.A.	SELL
GABUNGAN AQRS BHD	1.21	596.8	Y	12/2019	24.2%	27.3%	27.6%	27.4%	9.8	7.6	0.0	1.2	1.3	16.0%	4.8%	1.72	BUY
GADANG HOLDINGS BHD	0.800	529.4	Y	05/2019	11.8%	15.6%	-33.0%	15.9%	5.5	8.2	0.0	0.7	N.A.	8.8%	2.9%	0.890	NEUTRAL
JAKS RESOURCES BHD	0.710	456.6	Y	12/2019	74.4%	-48.7%	655.6%	-21.2%	30.2	4.0	0.0	0.5	0.5	12.6%	0.0%	0.875	BUY
MUDAJAYA GROUP BHD	0.270	159.3	Y	12/2019	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	0.6	N.A.	N.A.	N.A.	N.A.	SELL
PINTARAS JAYA BHD	2.48	411.3	Y	06/2019	224.3%	-2.7%	135.7%	-6.5%	26.5	11.2	0.1	1.3	1.3	11.5%	7.6%	2.56	NEUTRAL
PESONA METRO HOLDINGS	0.225	156.4	Y	12/2019	12.1%	9.5%	131.5%	-0.5%	18.9	8.2	0.0	1.0	N.A.	10.3%	4.4%	0.260	BUY
PROTASCO BHD	0.235	114.4	Y	12/2019	-1.4%	7.9%	365.8%	31.2%	N.A.	8.7	0.0	0.3	0.3	3.6%	6.0%	0.185	SELL
TRC SYNERGY BHD	0.690	331.5	Y	12/2019	18.3%	16.0%	67.3%	24.4%	15.9	9.5	0.0	0.8	0.8	8.2%	3.5%	0.750	BUY

Source: Bloomberg, Kenanga Research

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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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