



WCT HOLDINGS BERHAD

Neutral

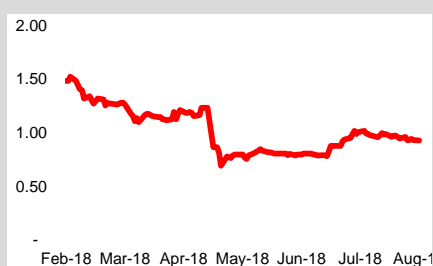
DESCRIPTION

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 RM1.00
Current Price RM0.92
Expected Return +26%

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

SHARE PRICE CHART



52 Week Range (RM) 0.70-1.84
3-Month Average Vol ('000) 9,058.1

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-5.6	18.0	-40.2
Relative Returns	-10.0	11.3	-39.9

KEY STOCK DATA

Market Capitalisation (RMm) 1,272.3
No. of Shares (m) 1,382.9

MAJOR SHAREHOLDERS

	%
Tan Sri Desmond Lim	17.6
EPF	8.9
Lembaga Tabung Haji	8.7

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Lifted by Land Sales

WCT Holdings (WCT) delivered 2QFY18 net profit of RM43.8m (+14.0% QoQ, +106.1% YoY) which was above our and consensus expectations. YTD, the Group's net profit of RM82.2m constituted c.54% and 52% of our and consensus full year net profit estimates primarily due to land sale gains. Our FY18 earnings estimate is adjusted upwards by c.10% to account for the said gain. With the recent contract win for a mixed development project from Lendlease (RM555m contract value), we believe WCT Holdings is still eyeing more building jobs to meet its jobs replenishment target of RM2bn in FY18. Outstanding orderbook is now estimated in excess of RM5bn. All told, maintain **Neutral** with unchanged target price of RM1.00, at a 30% discount to our SOTP valuations.

§ **Construction revenue up 50% YoY.** Engineering and construction business continued to drive the Group's revenue growth. Contributing c.73% to the Group, total revenue saw an increase of 50% YoY to RM932m, mainly driven by local infrastructure jobs. Correspondingly, construction operating profit was also higher at RM98m (+85% YoY). Property division's revenue was lower at RM192m (-6% YoY) due to lack of property launches. However, property operating profit rose 81% YoY to RM47m, which we believe was due to gain from land sale for a parcel of land measuring 202,313 square meters in Bandar Serendah. Elsewhere, property investment and management saw its revenue and operating profit rise markedly higher to RM86m and RM33m respectively with contributions from Paradigm Mall Johor Bahru kicking-in since November 2017.

§ **More building jobs eyed.** Recently, the Group secured a building job from Lendlease Projects (M) Sdn Bhd for the proposed commercial mixed development on Plot 1 within the Tun Razak Exchange (TRX) which has a contract sum of RM555m. We understand that the other possible new job eyed by the Group is the building job at Pavilion Damansara Heights to meet its target of new jobs replenishment of RM2bn in FY18. Outstanding orderbook is now estimated in excess of RM5.0bn, ensuring revenue visibility for the next 2-3 years. We understand that the Group has tenders submitted or pending submission for building jobs amounting to c.RM4.9bn and civil & infrastructure jobs totaling RM1.7bn in the last briefing.

KEY FORECAST TABLE

FYE Dec (RM m)	2016A	2017F	2018F	2019F	2020F	CAGR (%)
Revenue	1,933.6	2,495.7	2,576.4	2,682.4	2,683.5	8.5
Operating Profit	120.9	259.3	299.2	314.2	314.6	27.0
Pre-tax Profit	122.0	173.5	208.7	228.2	233.2	17.6
Net Profit	68.4	117.4	166.4	181.3	185.0	28.2
EPS (Sen)	5.1	8.7	12.3	13.4	13.7	28.2
P/E (x)	18.2	10.6	7.5	6.9	6.7	
DPS (Sen)	2.0	2.0	2.0	2.0	2.0	
Dividend Yield (%)	2.2	2.2	2.2	2.2	2.2	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<u>FYE Dec (RM m)</u>	<u>2Q18</u>	<u>2Q17</u>	<u>1Q18</u>	<u>QoQ chg (%)</u>	<u>YoY chg (%)</u>	<u>YTD FY18</u>	<u>YTD FY17</u>	<u>YoY chg (%)</u>
Revenue	669.9	382.8	539.8	24.1	75.0	1209.7	855.7	41.4
Cost of sales	-546.8	-303.6	-442.2	23.7	80.1	-989.0	-718.4	37.7
Gross profit	123.1	79.2	97.6	26.1	55.4	220.7	137.3	60.8
Other income	10.9	1.0	14.1	-22.3	1009.3	25.1	15.5	61.8
Other expenses	-37.7	-34.3	-29.2	29.0	9.9	-66.9	-57.8	15.7
Operating profit	96.4	45.9	82.5	16.8	109.9	178.9	95.0	88.4
Finance costs	-29.0	-13.5	-25.1	15.6	114.3	-54.1	-25.8	109.6
Share of results of associates	-1.2	5.8	-2.9	-59.2	-120.4	-3.3	13.5	-124.7
Pre-tax profit	66.2	38.2	55.3	19.7	73.4	121.5	82.7	46.9
Tax	-24.5	-16.9	-17	44.1	44.9	-41.5	-31.0	34.0
Net profit	41.7	21.3	38.3	8.8	96.0	80.0	51.7	54.6
PATAMI	43.8	21.2	38.4	14.0	106.1	82.2	54.1	51.9

Source: Company, PublicInvest Research

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2016A	2017A	2018F	2019F	2020F
Revenue	1,933.6	2,495.7	2,576.4	2,682.4	2,683.5
Gross Profit	238.8	463.4	488.9	519.9	530.9
Operating expenses	-117.9	-204.1	-189.7	-205.7	-216.3
Operating Profit	120.9	259.3	299.2	314.2	314.6
Other Gains / (Losses)	109.3	16.8	17.3	17.8	18.4
Finance Costs	-108.2	-102.6	-107.8	-103.8	-99.8
Pre-tax Profit	122.0	173.5	208.7	228.2	233.2
Income Tax	-32.7	-41.6	-50.1	-54.8	-56.0
Effective Tax Rate (%)	26.8	24.0	24.0	24.0	24.0
Minorities	2.8	1.7	7.8	7.8	7.8
Net Profit	68.4	117.4	166.4	181.3	185.0
Growth					
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)	2016A	2017F	2018F	2019F	2020F
Property, Plant & Equipment	288.4	319.6	361.1	404.5	449.6
Cash and Cash Equivalents	524.3	1,000.4	794.2	719.7	641.9
Receivables	1,155.9	1,487.3	1,652.9	1,706.3	1,776.5
Other Assets	4,793.5	4,165.1	4,300.3	4,343.5	4,400.4
Total Assets	6,762.1	6,972.5	7,108.5	7,174.0	7,268.5
Payables	1,457.5	1,143.6	1,270.9	1,312.0	1,365.9
Borrowings	2,593.2	2,565.2	2,440.5	2,351.1	2,261.7
Tax payable	9.2	35.4	35.4	35.4	35.4
Other Liabilities	44.7	795.0	863.9	886.1	915.3
Total Liabilities	4,104.7	4,539.2	4,610.7	4,584.6	4,578.4
Shareholders' Equity	2,657.4	2,433.3	2,497.8	2,589.4	2,690.1
Total Equity and Liabilities	6,762.1	6,972.5	7,108.5	7,174.0	7,268.5

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2016A	2017F	2018F	2019F	2020F
Book Value Per Share	1.9	1.7	1.8	1.8	1.9
NTA Per Share	1.9	1.7	1.8	1.8	1.9
EPS (Sen)	5.1	8.7	12.3	13.4	13.7
DPS (Sen)	2.0	2.0	2.0	2.0	2.0
Payout Ratio (%)	39.5	23.0	16.2	14.9	14.6
ROA (%)	1.8	2.4	1.5	1.6	2.2
ROE (%)	2.6	4.9	6.8	7.1	7.0

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

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

SECTOR

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

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