

Company Flash Note

WCT Holdings Bhd

Bloomberg: WCTHG MK | Reuters: WCTE.KL

Refer to important disclosures at the end of this report

Malaysia Equity Research

10 Mar 2015

HOLD RM1.59 KLCI : 1,791.74

Price Target : 12 months RM 1.90

Shariah Compliance : Yes

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (RM m)	2013A	2014A	2015F	2016F
Revenue	1,672	1,662	2,091	1,970
EBITDA	283	184	289	339
Pre-tax Profit	254	151	235	275
Net Profit	198	121	139	163
Net Pft (Pre Ex.)	198	121	139	163
EPS (sen)	15.6	9.5	11.0	12.9
EPS Pre Ex. (sen)	15.6	9.5	11.0	12.9
EPS Gth (%)	(53)	(39)	15	17
EPS Gth Pre Ex (%)	(53)	(39)	15	17
Diluted EPS (sen)	14.7	9.0	10.3	12.1
Net DPS (sen)	5.1	3.4	3.4	3.4
BV Per Share (sen)	174.4	176.3	184.3	194.3
PE (X)	10.2	16.7	14.5	12.4
PE Pre Ex. (X)	10.2	16.7	14.5	12.4
P/Cash Flow (X)	nm	nm	4.9	6.8
EV/EBITDA (X)	10.4	19.2	11.9	10.3
Net Div Yield (%)	3.2	2.1	2.1	2.1
P/Book Value (X)	0.9	0.9	0.9	0.8
Net Debt/Equity (X)	0.4	0.6	0.6	0.5
ROAE (%)	9.8	5.4	6.1	6.8

Source of all data: Company, AllianceDBS, Bloomberg Finance L.P

Back in business?

- **Long-awaited win in Qatar a sizeable contract, but margins are unexciting at 6-7%**
- **Expect a stronger 2015, but not enough to change our recommendation**
- **No change to earnings, HOLD rating and RM1.90 TP**

Getting the ball rolling. WCT, under a 70:30 unincorporated JV with Al-Ali Projects Co., has accepted a RM1.2bn contract from Lusail Real Estate Development Company for all works relating to Package B in Doha, Qatar. This will involve a Commercial Boulevard, internal roads, utilities, five small LRT stations, and four 2-storey underground car parks. Completion is expected in 2Q17. WCT also bid for package A but was not successful.

A strong start but Overall, the win is positive for WCT after a mediocre year in 2014 where it only achieved half of its RM2bn target. This contract is its first win for 2015, and takes total external orderbook to RM2.8bn. It is also its first win in the Middle East in more than two years. But we understand margins will be only 6-7%, a far cry from the 'heydays' of 10-15% for Middle East jobs. This is a reflection of stiffer competition, with the influx of European contractors. Still, there should be more jobs flows in Qatar with the impending World Cup in 2022.

No change to our view. This does not change our view on the stock and at best validates our HOLD rating and TP of RM1.90 (15% discount to SOP value). The RM850m win (70% stake) is within our new order win assumption of RM1.5bn for FY15F (WCT is still guiding for RM2bn). While we expect a stronger year for WCT in 2015 with higher contract wins, there will not be meaningful margin recovery. This is because it still lacks a local flagship project where it can better control costs, and has large exposure to lower-margin building jobs. Our preference remains IJM and Gamuda for exposure to the sector.

DISCLOSURE

Stock rating definitions

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date

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