

WCT Holdings

WCTHG MK / WCTE.KL

Market Cap
US\$501.7m
RM1,809m

Avg Daily Turnover
US\$0.56m
RM1.96m

Free Float
60.2%
971.2 m shares

Current **RM1.68**
Target **RM1.69**
Prev. Target **RM1.69**
Up/Downside **0.5%**

FLASH NOTE

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)



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Share price info

Share price perf. (%)	1M	3M	12M
Relative	6.3	-7.0	-21.9
Absolute	7.0	-8.2	-22.9
Major shareholders		% held	
WCT Capital		19.6	
EPF		13.9	
KWAP		6.2	

Light at the end of the tunnel?

WCT was yet again optimistic about the construction outlook during its post-4Q14 results briefing. However, the difference between now and 3Q is a potential revival in the tenders in the Gulf region. We stated this as the wild card (in 3Q) and would be more convicted about the Gulf-story once real progress is made. The negative takeaway, which was not surprising at all, was the still-cautious property market outlook. This mainly drives the cuts in our FY15-17 EPS forecasts. Our target price is intact as we update for balances in the landbank: still pegged to a 40% RNAV discount. All eyes would be on the construction side in the coming months. Maintain Hold. We recommend switching to Muhibbah Engineering, our preferred small/mid-cap pick.

What Happened

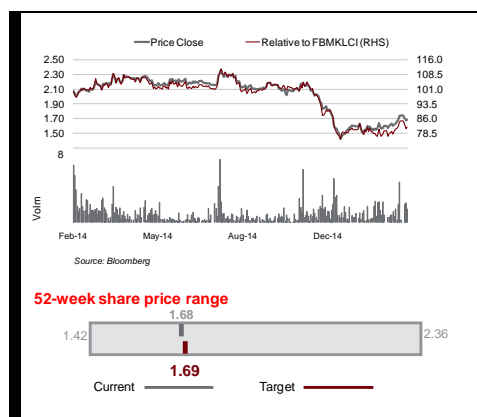
WCT held its post-results briefing today. Management was represented by Head of Corporate Finance Mr Chong Kian Fah. Key points: 1) Property market remains challenging for 2015. Sales in Medini Iskandar remain weak with selected upcoming launches in the Klang Valley. 2) Management targets RM600m-650m total sales in 2015, 3) Total tender book still looks good, with some likely external recoveries in tender prospects in Qatar, and 4) RM2bn targeted total new order book for 2015 is intact, equally split between domestic market and the Gulf region. 5) A potential REIT exercise is still in the exploratory stage; with management still aiming for a clearer deal structure by end-2015.

What We Think

At this juncture, we do not think management is too bullish about its RM2bn new order book target though we maintain ours at RM1.5bn for 2015. The good news is WCT is retendering for the RM400m-500m subcontract works for the West Coast Expressway (WCE) given the change in package structure, and is vying for a subcontract job in Rapid. It is also tendering for the RM3bn KL118 tower via a JV with Middle East player Arabtec, mentioned at the previous briefing. The still-cautious property development outlook prompted us to cut our property sales assumptions by 15-20% to RM500m-650m total property sales p.a.. Our earnings outlook is more conservative now, with upside coming in only from a strong recovery in construction. At the current order book of RM3bn with no replenishments, we estimate that WCT can hit RM120m-130m in total group net profit, suggesting that FY15 earnings are unlikely to decline.

What You Should Do

Stay on the side lines pending a likely recovery in tender newsflow.



Financial Summary

	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue (RMm)	1,672	1,662	2,030	2,284	2,528
Operating EBITDA (RMm)	323.0	95.8	228.4	238.3	254.0
Net Profit (RMm)	197.5	120.5	145.6	159.8	175.2
Core EPS (RM)	0.24	0.11	0.15	0.16	0.18
Core EPS Growth	22.2%	(51.7%)	31.0%	9.8%	9.6%
FD Core P/E (x)	7.51	15.54	11.86	10.81	9.86
DPS (RM)	0.083	0.062	0.065	0.070	0.075
Dividend Yield	4.91%	3.70%	3.87%	4.17%	4.46%
EV/EBITDA (x)	7.76	31.65	11.42	11.46	10.88
P/FCFE (x)	8.07	15.52	9.89	12.09	10.34
Net Gearing	42.0%	64.9%	45.7%	52.9%	54.0%
P/BV (x)	0.74	0.73	0.67	0.70	0.69
ROE	11.4%	5.0%	6.3%	6.7%	7.5%
% Change In Core EPS Estimates			(14.6%)	(12.4%)	(7.1%)
CIMB/consensus EPS (x)			0.99	0.94	0.98

SOURCE: CIMB, COMPANY REPORTS

Figure 1: RNAV

Concessions	DCF value		WCT's stake	Value
	(RM m)			(RM m)
PPH, India	230.1		30.0%	69.0
DE, India	147.3		30.0%	44.2
KLIA2 Integrated Complex (25-year, 13% WACC)	717.7		70.0%	502.4
Property - land	Acres	RM/psf		
Bandar Bukit Tinggi 1	16.9	60.00	100.0%	44.2
Bandar Bukit Tinggi 2	35.2	60.00	100.0%	91.9
Bandar Bukit Tinggi 3	75.0	60.00	100.0%	196.0
56-acre new land near BBT 3	56.0	60.00	100.0%	146.4
1 Medini Residences	11.0	30.00	100.0%	14.4
Medini Commercial	10.3	30.00	100.0%	13.5
Bandar Serendah, Ulu Selangor	39.0	10.00	100.0%	17.0
Rawang Land	468.0	20.00	100.0%	407.7
OUG - mixed development	56.8	40.00	100.0%	99.0
Johor land acquisition (Jalan Skudai)	12.4	30.00	100.0%	16.2
New land in Medini	18.1	30.00	100.0%	23.7
	2016 PAT	P/E		
Construction	104.3	15.0	100.0%	1,564.5
Associated companies & investments				527.7
Net current assets less dev. properties				681.2
Total debt (4Q14)				(2,430.5)
Investment properties				737.8
Total RNAV				2,818.4
No. of shares (m)				951.6
No. of outstanding warrants (WB) (m)				139.3
Proceeds from warrants (WB)				348.3
No. of outstanding warrants (WC) (m)				157.2
Proceeds from warrants (WC)				432.3
No. of outstanding warrants (WD) (m)				164.8
Proceeds from warrants (WD)				379.0
Fully-diluted RNAV				3,977.9
Enlarged no. of shares (m)				1,412.9
FD RNAV/share (RM)				2.82
RNAV discount				40%
Target price (RM)				1.69

SOURCES: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Net Revenues	1,662	2,030	2,284	2,528
Gross Profit	234	366	376	392
Operating EBITDA	96	228	238	254
Depreciation And Amortisation	(8)	(21)	(24)	(26)
Operating EBIT	88	207	215	228
Financial Income/(Expense)	(21)	(46)	(47)	(47)
Pretax Income/(Loss) from Assoc.	15	10	10	11
Non-Operating Income/(Expense)	69	73	76	80
Profit Before Tax (pre-EI)	151	243	255	272
Exceptional Items	0	0	0	0
Pre-tax Profit	151	243	255	272
Taxation	(28)	(56)	(56)	(57)
Exceptional Income - post-tax				
Profit After Tax	123	187	199	214
Minority Interests	(2)	(42)	(39)	(39)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	121	146	160	175
Recurring Net Profit	111	146	160	175
Fully Diluted Recurring Net Profit	111	146	160	175

Balance Sheet

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Cash And Equivalents	951	903	849	866
Total Debtors	1,022	1,030	984	974
Inventories	91	95	100	105
Total Other Current Assets	655	368	405	446
Total Current Assets	2,719	2,396	2,338	2,391
Fixed Assets	237	248	253	270
Total Investments	1,266	1,342	1,349	1,357
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	1,980	1,940	1,959	1,999
Total Non-current Assets	3,483	3,530	3,562	3,625
Short-term Debt	584	596	600	581
Current Portion of Long-Term Debt				
Total Creditors	1,025	1,034	1,025	1,059
Other Current Liabilities	13	13	13	13
Total Current Liabilities	1,622	1,643	1,638	1,654
Total Long-term Debt	1,846	1,439	1,511	1,586
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	416	332	332	332
Total Non-current Liabilities	2,263	1,771	1,843	1,918
Total Provisions	35	35	35	35
Total Liabilities	3,920	3,449	3,516	3,607
Shareholders' Equity	2,228	2,425	2,331	2,355
Minority Interests	53	53	53	54
Total Equity	2,281	2,477	2,384	2,409

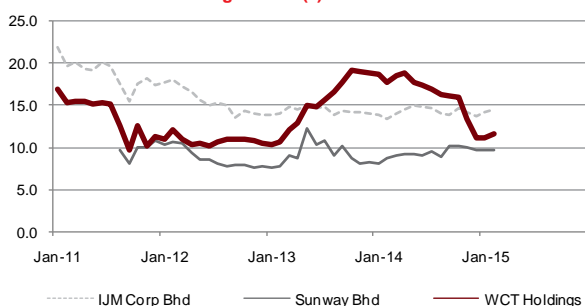
Cash Flow

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
EBITDA	95.8	228.4	238.3	254.0
Cash Flow from Inv. & Assoc.				
Change In Working Capital	55.6	(48.2)	(89.8)	(91.9)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	23.3	23.3	23.3	23.3
Net Interest (Paid)/Received	0.0	0.0	0.0	0.0
Tax Paid	(71.4)	(45.7)	(55.2)	(54.7)
Cashflow From Operations	103.3	157.8	116.7	130.8
Capex	(91.1)	(91.1)	(91.1)	(91.1)
Disposals Of FAs/subsidiaries	55.4	59.9	64.9	70.3
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	(35.7)	(31.1)	(26.2)	(20.8)
Debt Raised/(repaid)	43.6	47.9	52.4	57.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(42.5)	(42.5)	(42.5)	(42.5)
Preferred Dividends				
Other Financing Cashflow	(91.3)	(179.6)	(154.6)	(107.5)
Cash Flow From Financing	(90.2)	(174.2)	(144.7)	(93.0)
Total Cash Generated	(22.6)	(47.5)	(54.2)	17.0
Free Cashflow To Equity	111.2	174.6	142.9	166.9
Free Cashflow To Firm	67.6	126.6	90.5	110.0

Key Ratios

	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue Growth	(0.6%)	22.1%	12.5%	10.7%
Operating EBITDA Growth	(70%)	138%	4%	7%
Operating EBITDA Margin	5.8%	11.3%	10.4%	10.0%
Net Cash Per Share (RM)	(1.52)	(1.16)	(1.30)	(1.34)
BVPS (RM)	2.29	2.50	2.40	2.42
Gross Interest Cover	1.45	3.35	3.40	3.53
Effective Tax Rate	18.8%	23.1%	21.9%	21.1%
Net Dividend Payout Ratio	67.4%	55.8%	50.8%	46.3%
Accounts Receivables Days	173.9	158.4	138.3	120.8
Inventory Days	21.27	20.36	18.67	17.46
Accounts Payables Days	188.8	190.1	166.2	150.2
ROIC (%)	2.3%	5.1%	5.9%	6.2%
ROCE (%)	4.38%	6.35%	6.77%	7.12%

12-month Forward Rolling FD P/E (x)



Key Drivers

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Outstanding Orderbook	3,000	3,100	2,700	2,300
Order Book Depletion	1,934	1,900	1,900	1,900
Orderbook Replenishment	994	2,000	1,500	1,500
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (% main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (% 2ndary prod./serv.)	N/A	N/A	N/A	N/A

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Corporate Governance Report:

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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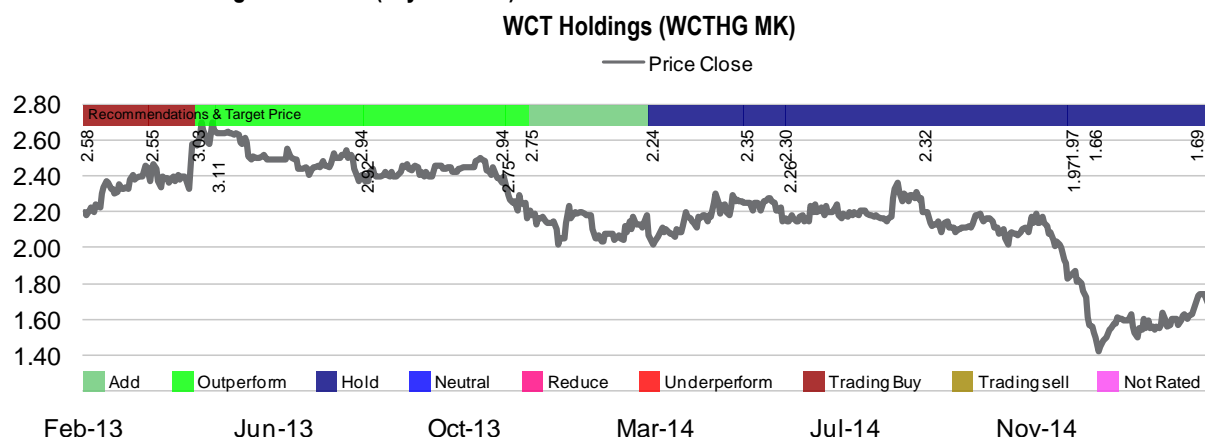
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2014		
1586 companies under coverage for quarter ended on 31 December 2014		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	6.0%
Hold	29.4%	4.3%
Reduce	12.2%	1.0%

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 2014.

AAV – Very Good, **ADVANC** – Very Good, **AEONTS** – not available, **AMATA** - Good, **ANAN** – Very Good, **AOT** – Very Good, **AP** - Good, **ASK** – Very Good, **ASP** – Very Good, **BANPU** – Very Good, **BAY** – Very Good, **BBL** – Very Good, **BCH** – not available, **BCP** - Excellent, **BEAUTY** – Good, **BEC** - Good, **BECL** – Very Good, **BGH** - not available, **BH** - Good, **BIGC** - Very Good, **BJC** – Good, **BLA** – Very Good, **BMCL** - Very Good, **BTS** - Excellent, **CCET** – Good, **CENDEL** – Very Good, **CHG** – not available, **CK** – Very Good, **CPALL** – not available, **CPF** – Very Good, **CPN** - Excellent, **DELTA** - Very Good, **DEMCO** – Good, **DTAC** – Very Good, **EA** - Good, **ECL** – not available, **EGCO** - Excellent, **GFPT** - Very Good, **GLOBAL** - Good, **GLOW** - Good, **GRAMMY** - Excellent, **HANA** - Excellent, **HEMRAJ** – Very Good, **HMPRO** - Very Good, **ICHI** - not available, **INTUCH** - Excellent, **ITD** – Good, **IVL** - Excellent, **JAS** – not available, **JUBILE** – not available, **KAMART** – not available, **KBANK** - Excellent, **KCE** - Very Good, **KGI** – Good, **KKP** – Excellent, **KTB** - Excellent, **KTC** – Good, **LH** - Very Good, **LPN** – Very Good, **M** - not available, **MAJOR** - Good, **MAKRO** – Good, **MBKET** – Good, **MC** – Very Good, **MCOT** – Very Good, **MEGA** – Good, **MINT** - Excellent, **OFM** – Very Good, **OISHI** – Good, **PS** – Very Good, **PSL** - Excellent, **PTT** - Excellent, **PTTEP** - Excellent, **PTTGC** - Excellent, **QH** – Very Good, **RATCH** – Very Good, **ROBINS** – Very Good, **RS** – Very Good, **SAMART** - Excellent, **SAPPE** - not available, **SAT** – Excellent, **SAWAD** – not available, **SC** – Excellent, **SCB** - Excellent, **SCBLIF** – Good, **SCC** – Very Good, **SCCC** - Good, **SIM** - Excellent, **SIRI** - Good, **SPALI** - Excellent, **STA** – Very Good, **STEC** - Good, **SVI** – Very Good, **TASCO** – Good, **TCAP** – Very Good, **THAI** – Very Good, **THANI** – Very Good, **THCOM** – Very Good, **THRE** – not available, **THREL** – Good, **TICON** – Good, **TISCO** - Excellent, **TK** – Very Good, **TMB** - Excellent, **TOP** - Excellent, **TRUE** – Very Good, **TTW** – Very Good, **TUF** - Good, **VGI** – Very Good, **WORK** – not available.

CIMB Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

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.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

**Prior to December 2013 CIMB recommendation framework for stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange were based on a stock's total return relative to the relevant benchmarks total return. Outperform: expected to exceed by 5% or more over the next 12 months. Neutral: expected to be within +/-5% over the next 12 months. Underperform: expected to be below by 5% or more over the next 12 months. Trading Buy: expected to exceed by 3% or more over the next 3 months. Trading Sell: expected to be below by 3% or more over the next 3 months. For stocks listed on Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Outperform: Expected positive total returns of 10% or more over the next 12 months. Neutral: Expected total returns of between -10% and +10% over the next 12 months. Underperform: Expected negative total returns of 10% or more over the next 12 months. Trading Buy: Expected positive total returns of 10% or more over the next 3 months. Trading Sell: Expected negative total returns of 10% or more over the next 3 months.*