

WCT Bhd

WCT MK / WCTE.KL

➤ **Market Cap**
US\$709.0m
RM2,196m

➤ **Avg Daily Turnover**
US\$1.44m
RM4.40m

➤ **Free Float**
60.2%
971.2 m shares

Current **RM2.20**
Target **RM2.58**
Previous Target **RM2.67**
Up/downside **17.3%**

4QFY12 RESULTS NOTE

SHORT TERM (3 MTH) **LONG TERM**
TRADING BUY **OUTPERFORM**
TRADING SELL **NEUTRAL**
UNDERPERFORM

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	-3.3	-7.8	-10
Absolute	-3.9	-7	-5.6
Major shareholders		% held	
WCT Capital		19.6	
EPF		13.9	
KWAP		6.2	

Revved up by revaluation gains

4Q12's RM211m property revaluation gain was a positive surprise. FY12 core earnings, which strip it out, were largely in line, at 95% of our forecast and 97% of consensus. With new jobs making progress, the drop in construction profits should reverse in the coming quarters.

Though our EPS numbers are unchanged and we continue to value the stock at a 40% discount to RNAV, we trim our target price as we update the balance sheet items. WCT remains a Trading Buy rather than an Outperform because of election risks. Potential domestic contract awards backed by its RM3.5bn tender book and more land acquisitions are likely catalysts. WCT remains one of our top sector picks.

Revaluation gain in 4Q12 ➤

FY12's strong net profit of RM365m included a RM211m property revaluation gain relating largely to the group's recently opened Paradigm Mall. This was a positive surprise as the earlier guidance on the revaluation gain was much lower. Stripping out the gain and 4Q's forex losses, we get an FY12 core net profit of RM167m, which was in line, at 95-97% of our and consensus numbers. FY12 EBIT margin of 14.7% would have been higher if not

for the 1% pt erosion of construction EBIT margin. The 29% decline in FY12 construction EBIT reflects depleting jobs, which should recover in the coming quarters due to new projects (RM1.9bn secured in 2012) 4Q's 3.25 sen single-tier DPS brings the full-year total to 7 sen, which was no surprise.

Large tender book ➤

WCT has a tender book of RM3.5bn which comprises mostly local jobs. On the group's radar are a Sabah hospital job (RM700m-800m), the Putrajaya building (RM300m) and Media City which is the new national broadcasting centre (RM400m).

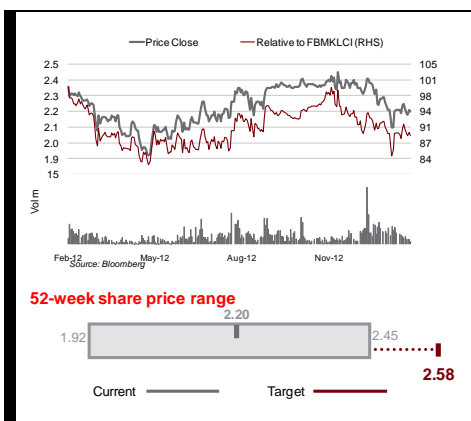
Likely catalysts in 1H13 ➤

Though we expect 2H13 to be the timeframe for major construction projects to make significant headway, 1H13 could still offer good newsflow for WCT. More landbanking news could be in the offing, supporting likely newsflow on contract wins.

Results comparison

FYE Dec (RM m)	4QFY12	4QFY11	yoy %	3QFY12	qoq %	4QFY12	4QFY11	yoy %	Prev.	
			chg		chg	Cum	Cum	chg	FY12F	Comments
Revenue	380.2	485.1	(21.6)	441.8	(13.9)	1,560.4	1,538.6	1.4	2,219.1	Driven by property dev't and inv.
Operating costs	(324.8)	(464.9)	(30.1)	(367.6)	(11.6)	(1,331)	(1,350.3)	(1)	(1,907.0)	Correspondingly lower costs
EBIT	55.4	20.2	174	74.2	(25.4)	228.9	188.3	21.6	312.1	Broadly in line
EBIT margin (%)	14.6	4.2	250	16.8	(13.3)	14.7	12.2	19.9	14.1	Broadly in line, driven by property
Interest expense	(18.9)	(15.3)	23.8	(19.2)	(1.1)	(68.9)	(66.7)	3.3	(58.5)	Borrowings stood at RM1.8bn
Interest & invt inc	226.1	42.8	427.8	(3.9)	nm	244.6	67.6	(76.3)	13.6	Cash up 17% to RM1bn
Associates' contrib	3.0	6.5	(53.9)	4.4	(32.6)	16.0	18.3	976.7	8.6	Above expectations
Exceptionals	197.4	-	nm	(0.0)	nm	197.4	-	nm	-	RM211m revaluation gain in 4Q12
Pretax profit	265.5	54.2	390.1	55.6	377.7	420.7	207.5	102.7	269.8	RM223m if exclude revaluation gain
Tax	(28.1)	(6.3)	348	(18.4)	53	(69.2)	(41.0)	68.7	(59.4)	and forex losses
Tax rate (%)	10.6	11.6	(9)	33.1	(68)	16.5	19.8	(16.8)	22.0	Below; revaluation surplus not subject to tax
Minority interests	7.2	3.6	101	3.2	129	13.2	(0.5)	2,700.6	(33.8)	Above
Net profit	244.7	51.5	375.0	40.4	506.3	364.6	166.0	119.6	176.7	FY12 core net profit made up 95% of
Core net profit	47.3	51.5	(8.2)	40.4	17.1	167.2	166.0	0.7	176.7	our forecast and 97% of consensus
EPS (sen)	25.8	5.6	364.7	4.9	425.3	38.6	18.0	114.7	22.0	
Core EPS (sen)	5.0	5.6	(10.2)	4.9	1.5	17.7	18.0	(1.5)	22.0	

SOURCE: CIMB, COMPANY REPORTS



Financial Summary

	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
Revenue (RMm)	1,539	1,560	2,853	3,457	3,811
Operating EBITDA (RMm)	209.9	262.4	384.5	426.6	448.8
Net Profit (RMm)	162.4	364.6	221.5	247.9	263.6
Core EPS (RM)	0.17	0.19	0.23	0.26	0.27
Core EPS Growth	(1.8%)	16.0%	17.6%	11.9%	6.3%
FD Core P/E (x)	13.36	12.02	10.21	9.12	8.58
DPS (RM)	0.095	0.070	0.083	0.090	0.090
Dividend Yield	4.32%	3.18%	3.75%	4.09%	4.09%
EV/EBITDA (x)	13.96	11.17	7.64	6.91	6.60
P/FCFE (x)	22.25	18.14	11.34	9.56	7.46
Net Gearing	40.0%	34.9%	28.8%	24.2%	21.0%
P/BV (x)	1.55	1.41	1.20	1.04	0.94
Recurring ROE	12.4%	13.0%	13.4%	13.0%	12.2%
% Change In Core EPS Estimates			0%	0%	
CIMB/consensus EPS (x)			0.98	1.00	

SOURCE: CIMB, COMPANY REPORTS

Figure 1: Segmental comparison

Revenue (RM'm)	4Q12	4Q11	yoy	FY12	FY11	yoy Notes
Civil engineering & construction	631.0	881.2	-28%	1,649.6	1,951.3	-15% Depleting overseas jobs and timing of new jobs
Property development	283.2	117.4	141%	593.5	304.5	95% Driven by sales from BBT and in 1 Medini
Property investment & holding	28.2	14.7	92%	85.0	52.3	62% Driven by AEON Mall and BBT Mall
Total	942.4	1,013.3	-7%	2,328.1	2,308.1	1%
EBIT	4Q12	4Q11	yoy	FY12	FY11	yoy
Civil engineering & construction	19.2	24.5	-22%	115.7	163.5	-29% Depleting overseas jobs and timing of new jobs
Property development	40.0	16.9	136%	117.5	54.9	114% Boost by revaluation gain
Property investment & holding	222.4	21.7	927%	240.4	37.4	542% Boost by revaluation gain
Total	281.5	63.1	346%	473.5	255.9	85%
EBIT margin	4Q12	4Q11	yoy	FY12	FY11	yoy
			(% pts)			(% pts)
Civil engineering & construction	3%	3%	0%	7%	8%	-1% Margin will expand as new job progresses
Property development	14%	14%	0%	20%	18%	2% Should improve to c.25% with new launches in FY13
Property investment & holding	788%	147%	641%	283%	72%	211% Lumpy margins; should improve in coming quarters
Total	30%	6%	24%	20%	11%	9%

*Revenue and EBIT excludes elimination

SOURCES: CIMB, COMPANY REPORTS

Figure 2: 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)	504.1		70.0%	352.9
Property - land	Acres/m sq ft	RM/psf		
Bandar Bukit Tinggi 1	16.9	60.00	100.0%	44.2
Bandar Bukit Tinggi 2	40.2	60.00	100.0%	105.0
Bandar Bukit Tinggi 3	175.8	80.00	100.0%	612.7
56-acre new land near BBT 3	56.0	60.00	100.0%	146.4
Bukit Jelutong Commercial Centre	2.3	50.00	100.0%	4.9
1 Medini Residences	11.0	40.00	100.0%	19.2
Medini Commercial	10.3	40.00	100.0%	17.9
Bandar Serendah, Ulu Selangor	39.0	10.00	100.0%	17.0
Rawang Land	437.5	50.00	100.0%	952.9
Platinum Plaza (HCMC)	22.2	70.00	67.0%	45.4
OUG - mixed development	56.8	50.00	100.0%	123.7
Johor land acquisition (Jalan Skudai)	12.4	40.00	100.0%	21.6
New Land in Medini	18.1	40.00	100.0%	31.5
	2014 PAT	P/E		
Construction	179.2	13.3	100.0%	2,383.6
Associated companies & investments				207.5
Net current assets less dev. properties				227.1
Total debt (4QFY12)				(1,824.0)
Investment properties				1,311.5
Total RNAV				4,913.1
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				6,072.7
Enlarged no. of shares (m)				1,412.9
FD RNAV/share (RM)				4.30
RNAV discount				40%
Target price (RM)				2.58

SOURCES: CIMB, COMPANY REPORTS

Figure 3: Sector Comparisons

Company	Bloomberg Ticker	Recom.	Price	Target Price	Market Cap (US\$ m)	Core P/E (x)		3-year EPS	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
			(local curr)	(local curr)		CY2012	CY2013	CAGR (%)	CY2012	CY2013	CY2012	CY2013	CY2012	CY2013
Gamuda	GAM MK	Neutral	3.82	3.95	2,575	16.2	13.4	27.7%	4.07	3.83	25.0%	29.5%	2.9%	3.0%
IJM Corp Bhd	IJM MK	Neutral	5.13	5.10	2,287	17.7	14.9	29.2%	2.83	2.67	16.2%	18.5%	2.3%	2.5%
Malaysian Resources Corp	MRC MK	Neutral	1.28	1.35	573	22.6	25.6	8.3%	2.06	1.92	9.9%	7.7%	1.6%	2.0%
Muhibbah Engineering	MUHI MK	Neutral	0.81	0.94	106	5.3	5.0	34.1%	0.54	0.53	10.1%	10.7%	6.1%	6.2%
Mudajaya Group	MDJ MK	Trading Buy	2.40	2.93	421	5.7	5.6	16.1%	1.39	1.05	28.6%	21.3%	3.3%	3.8%
Sunway Bhd	SWB MK	Neutral	2.52	2.42	1,050	8.8	9.1	-15.3%	1.16	0.95	14.1%	11.3%	0.0%	3.6%
WCT Bhd	WCT MK	Trading Buy	2.20	2.58	708	13.2	11.3	15.5%	1.55	1.41	12.7%	12.9%	3.4%	31.8%
Malaysia average						16.6	14.2	27.0%	2.89	2.73	17.6%	19.8%	2.6%	2.8%
Adhi Karya	ADHI IJ	Outperform	2,475	2,800	459	24.5	21.0	20.5%	4.53	3.79	19.6%	19.7%	1.1%	1.2%
Pembangunan Perumahan	PTPP IJ	Outperform	900.0	1,100	449	18.1	14.2	26.6%	3.06	2.63	18.4%	19.4%	1.6%	1.7%
Total Bangun Persada	TOTL IJ	Outperform	1,090	1,120	383	29.8	20.3	45.7%	5.87	5.57	20.4%	28.2%	0.0%	0.0%
Wijaya Karya	WIKA IJ	Outperform	1,650	2,050	1,038	28.1	22.6	40.2%	4.80	4.18	15.5%	16.8%	0.7%	1.3%
Indonesia average						24.8	19.6	32.1%	4.43	3.84	17.6%	19.4%	0.8%	1.1%
CH. Karnchang	CK TB	Neutral	25.25	24.00	1,398	na	73.4	na	6.54	4.88	-54.3%	7.5%	1.4%	1.0%
Italian-Thai Development	ITD TB	Underperform	6.65	4.20	935	na	218.3	4.8%	3.46	3.41	-15.3%	1.6%	0.0%	0.0%
Sino-Thai Eng & Construction	STEC TB	Outperform	34.25	38.50	1,362	45.0	34.9	50.7%	7.21	6.61	18.5%	19.5%	0.6%	1.6%
Thailand average						na	59.2	79.7%	5.49	4.82	-18.7%	8.5%	0.8%	1.0%
Yongnam Holdings	YNH SP	Outperform	0.28	0.33	286	5.5	8.3	12.3%	1.20	1.08	24.8%	13.4%	3.6%	2.1%
Singapore average						5.5	8.3	12.3%	1.20	1.08	24.8%	13.4%	3.6%	2.1%
Average (all)						24.8	16.6	16.8%	2.89	2.54	12.0%	16.0%	1.7%	3.5%

SOURCES: CIMB, COMPANY REPORTS

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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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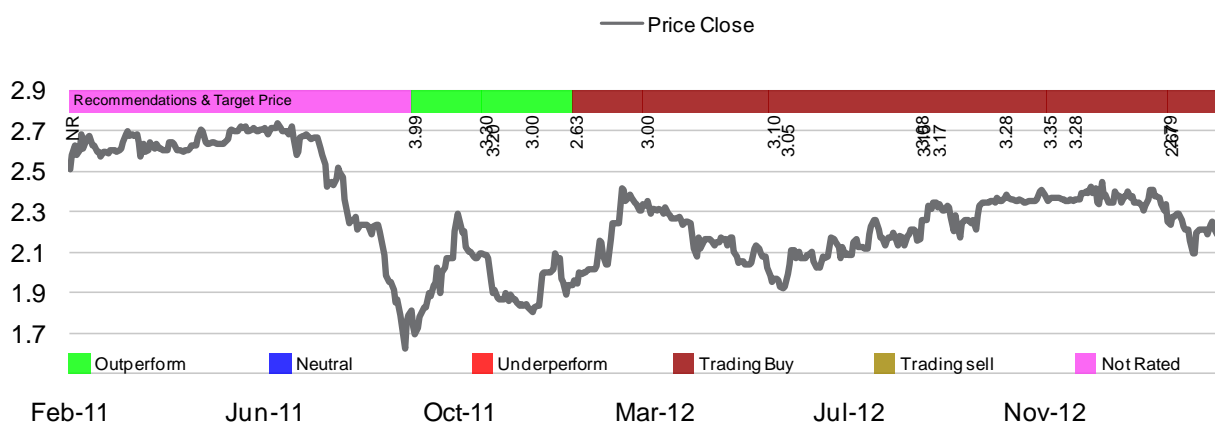
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Spitzer Chart for stock being researched (2 year data)



Distribution of stock ratings and investment banking clients for quarter ended on 31 January 2013		
918 companies under coverage		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy	52.6%	8.6%
Neutral	34.6%	4.2%
Underperform/Sell/Trading Sell	12.7%	8.4%

Recommendation Framework #1 *

Stock

OUTPERFORM: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.

NEUTRAL: The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.

UNDERPERFORM: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.

TRADING BUY: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.

TRADING SELL: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.

Sector

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.

TRADING BUY: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.

TRADING SELL: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

* This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Korea Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

Recommendation Framework #2 **

Stock

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.

Sector

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +10% (or better) or -10% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +10% to -10%; both over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 12 months.

TRADING BUY: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 3 months.

TRADING SELL: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 3 months.

*** This framework only applies to stocks listed on the Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2011.

AAV – not available, ADVANC - Excellent, AMATA - Very Good, AOT - Excellent, AP - Very Good, BANPU - Excellent, BAY - Excellent, BBL - Excellent, BCH - Good, BEC - Very Good, BECL - Very Good, BGH - not available, BH - Very Good, BIGC - Very Good, BTS - Very Good, CCET - Good, CK - Very Good, CPALL - Very Good, CPF - Very Good, CPN - Excellent, DELTA - Very Good, DTAC - Very Good, GLOBAL - not available, GLOW - Very Good, GRAMMY – Excellent, HANA - Very Good, HEMRAJ - Excellent, HMPRO - Very Good, INTUCH – Very Good, ITD - Good, IVL - Very Good, JAS – Very Good, KAMART – not available, KBANK - Excellent, KK - Excellent, KTB - Excellent, LH - Very Good, LPN - Excellent, MAJOR - Very Good, MCOT - Excellent, MINT - Very Good, PS - Excellent, PSL - Excellent, PTT - Excellent, PTTGC - not available, PTTEP - Excellent, QH - Excellent, RATCH - Excellent, ROBINS - Excellent, RS - Excellent, SC – Excellent, SCB - Excellent, SCC - Excellent, SCCC - Very Good, SIRI - Very Good, SPALI - Very Good, STA - Very Good, STEC - Very Good, TCAP - Very Good, THAI - Very Good, THCOM – Very Good, TISCO - Excellent, TMB - Excellent, TOP - Excellent, TRUE - Very Good, TUF - Very Good, WORK - Good.