

WCT Bhd

WCT MK / WCTE.KL

► **Market Cap**
US\$954.3m
RM2,883m

► **Avg Daily Turnover**
US\$3.02m
RM9.20m

► **Free Float**
60.2%
971.2 m shares

Current **RM2.64**
Target **RM3.11**
Prev. Target **RM3.03**
Up/Downside **17.7%**

1QFY13 RESULTS NOTE

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

CIMB Analyst



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Share price info

Share price perf. (%)	1M	3M	12M
Relative	7.4	9.5	22.1
Absolute	11.9	19.5	37.4
Major shareholders		% held	
WCT Capital		19.6	
EPF		13.9	
KWAP		6.2	

All three pillars fire up in 1Q

Stronger future quarters meant that WCT's 1Q13 results were in line even though annualised 1Q core earnings made up only 90% of our full-year forecast (98% of consensus). Property was the star.

We raise our target price as we update the balance sheet items while keeping our valuation basis of 30% discount to RNAV. WCT's order flow prospects are anchored by RM1.5bn worth of potential wins. We reiterate our Outperform rating as newsflow on contracts is likely to spark further re-rating in 2H13 while new recurring income and property ventures should add new dimensions to its earnings theme.

A decent 1Q ►

WCT's annualised 1Q13 core net profit amounted to 90% of our full-year forecast and 98% of consensus numbers. The performance was in line as we expect stronger future quarters, fuelled by all the group's divisions. In 1Q13, property development revenue surged 124% because of more aggressive launches, particularly at BBT and Medini. This drove the overall 44% yoy growth in group revenue. Construction margins slipped slightly due to the impact of an arbitration loss.

Domestic drivers ►

WCT has a domestic tender book of RM3bn. On its radar are earthwork infrastructure work for the RRI land (RM1bn) and more earthwork packages for the Tun Razak Exchange. New tender opportunities could emerge from the rollout of MRT 2 & 3 and the group could also pursue the KL-Singapore HSR project. The recent cancellation of a RM1bn highway job in Oman and the group's 49% share of arbitration losses for the Dukhan highway are not major issues, in our view. The group could re-tender for the Oman highway job and also tender for RM3bn worth of other new projects in the Gulf region, mainly in Qatar.

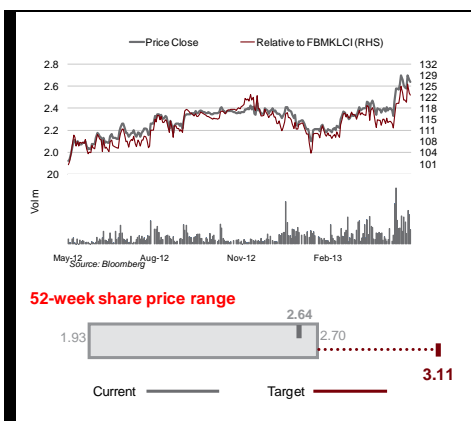
Laggard, could catch up ►

The stock remains a laggard, rising 12% YTD compared to an average of 31% for the stocks under our coverage. It could play catch-up given strong momentum for high-beta plays post general elections.

Results comparison

FYE Dec (RM m)	1QFY13	1QFY12	yoy %	4QFY12	qoq %	Prev.	
			chg		chg	FY13F	Comments
Revenue	490.9	341.6	43.7	380.2	29.1	2,802.6	Driven by all divisions
Operating costs	(422.5)	(286.3)	47.6	(324.8)	30.1	(2,440.3)	Correspondingly lower costs
EBIT	68.4	55.3	24	55.4	23.6	362.3	Broadly in line
EBIT margin (%)	13.9	16.2	(14)	14.6	(4.3)	12.9	Broadly in line, driven by property
Interest expense	(14.7)	(15.4)	(4.7)	(18.9)	(22.5)	(59.5)	Borrowings stood at RM1.4bn
Interest & invt inc	7.6	6.9	10.2	226.1	(96.6)	14.2	Cash down 38% to RM668m
Associates' contrib	4.0	4.8	(17.6)	3.0	32.9	9.1	Above expectations
Exceptionals	-	-	nm	197.4	(100.0)	(26.2)	Dukhan Highway arbitration loss
Pretax profit	65.4	51.6	26.6	265.5	(75.4)	299.9	In line
Tax	(23.5)	(11.8)	99	(28.1)	(16)	(71.7)	
Tax rate (%)	36.0	22.9	57	10.6	240	23.9	Below
Minority interests	1.4	0.3	429	7.2	(81)	(36.7)	Above
Net profit	43.2	40.0	7.9	244.7	(82.4)	191.4	Annualised 1Q13 core net profit made up
Core net profit	43.2	40.0	7.9	44.7	(8.7)	217.6	90% of our full year forecast and 98% of
EPS (sen)	4.3	4.3	(0.7)	25.8	(83.5)	20.0	consensus

SOURCE: CIMB, COMPANY REPORTS



Financial Summary

	Dec-11A	Dec-12A	Dec-13F	Dec-14F	Dec-15F
Revenue (RMm)	1,539	1,560	2,803	3,357	3,661
Operating EBITDA (RMm)	209.9	262.4	379.5	420.6	441.8
Net Profit (RMm)	162.4	364.6	191.4	243.2	258.1
Core EPS (RM)	0.17	0.19	0.22	0.25	0.27
Core EPS Growth	(1.8%)	16.0%	12.2%	15.1%	6.1%
FD Core P/E (x)	16.03	14.43	12.85	11.16	10.51
DPS (RM)	0.095	0.070	0.083	0.090	0.090
Dividend Yield	3.60%	2.65%	3.13%	3.41%	3.41%
EV/EBITDA (x)	15.99	12.80	8.87	8.03	7.67
P/FCFE (x)	26.70	21.77	13.31	11.26	8.84
Net Gearing	40.0%	34.9%	28.9%	24.4%	21.2%
P/BV (x)	1.87	1.69	1.44	1.26	1.14
Recurring ROE	12.4%	13.0%	12.8%	12.8%	12.0%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.09	1.18	1.00

SOURCE: CIMB, COMPANY REPORTS

Figure 1: Segmental comparison

Revenue (RM'm)	1Q13	1Q12	yoy Notes
Civil engineering & construction	371.1	276.6	34% Depleting overseas jobs and timing of new jobs
Property development	124.0	55.3	124% Driven by sales from BBT and in 1 Medini
Property investment & holding	19.3	13.2	47% Driven by AEON Mall and BBT Mall
Total	514.5	345.1	49%
EBIT	1Q13	1Q12	yoy
Civil engineering & construction	42.8	47.3	-9% Impacted by RM26.2m arbitration loss for Dukhan Highway
Property development	28.0	8.5	229% Higher margin sales mix
Property investment & holding	5.2	6.4	-19% Stable contribution
Total	76.1	62.2	22%
EBIT margin	1Q13	1Q12	yoy
			(% pts)
Civil engineering & construction	12%	17%	-6% Margin will expand as new job progresses
Property development	23%	15%	7% Should improve to c.25% with new launches in FY13
Property investment & holding	27%	48%	-22% Lumpy margins; should improve in coming quarters
Total	15%	18%	-3%

*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	35.00	100.0%	667.0
Platinum Plaza (HCMC)	22.2	70.00	67.0%	45.4
OUG - mixed development	56.8	45.00	100.0%	111.3
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	172.8	15.6	100.0%	2,695.4
Dukhan Highway arbitration (49% share)				(26.2)
Associated companies & investments				488.3
Net current assets less dev. properties				464.9
Total debt (1QFY13)				(1,407.8)
Investment properties				590.8
Total RNAV				5,114.5
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				6,274.1
Enlarged no. of shares (m)				1,412.9
FD RNAV/share (RM)				4.44
RNAV discount				30%
Target price (RM)				3.11

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)		CY2013	CY2014	CAGR (%)	CY2013	CY2014	CY2013	CY2014	CY2013	CY2014
Gamuda	GAM MK	Outperform	4.92	5.60	3,585	17.6	15.8	15.0%	4.93	4.45	28.9%	29.5%	2.3%	2.4%
IJM Corp Bhd	IJM MK	Outperform	5.77	6.74	2,657	16.7	14.7	15.5%	3.00	2.95	18.5%	20.0%	2.3%	2.4%
Malaysian Resources Corp	MRC MK	Outperform	1.75	1.90	804	39.7	28.8	7.6%	2.63	2.42	6.8%	8.7%	3.0%	1.7%
Muhibbah Engineering	MUHI MK	Outperform	1.38	1.56	186	na	7.5	11.2%	0.90	0.87	-16.0%	11.8%	1.8%	2.2%
Mudajaya Group	MDJ MK	Outperform	2.75	3.25	494	6.4	6.9	8.0%	1.20	0.97	21.3%	15.4%	3.3%	3.6%
Sunway Bhd	SWB MK	Outperform	3.82	4.00	1,634	13.4	12.3	7.1%	1.44	1.25	11.7%	10.7%	1.6%	2.6%
WCT Bhd	WCT MK	Outperform	2.64	3.11	954	13.6	12.1	14.9%	1.69	1.44	12.9%	12.8%	2.7%	3.1%
Malaysia average						20.9	15.7	14.4%	3.37	3.18	16.6%	20.7%	2.4%	2.3%
Adhi Karya	ADHI IJ	Neutral	3,500	3,300	645	29.8	17.3	36.8%	5.37	4.26	20.5%	27.3%	0.8%	0.9%
Pembangunan Perumahan	PTPP IJ	Outperform	1,570	1,600	778	24.5	18.7	25.5%	4.59	3.86	21.0%	22.4%	0.9%	1.2%
Total Bangun Persada	TOTL IJ	Outperform	1,220	1,350	426	23.7	19.2	29.0%	6.31	5.40	28.4%	30.2%	3.6%	2.5%
Wijaya Karya	WIKA IJ	Outperform	2,625	2,550	1,641	34.6	25.9	36.8%	6.15	5.67	20.6%	23.9%	0.9%	1.2%
Indonesia average						29.3	21.4	32.9%	5.59	4.87	21.6%	24.8%	1.2%	1.3%
CH. Karnchang	CK TB	Neutral	28.50	29.00	1,581	82.9	43.2	na	5.50	3.45	7.5%	9.7%	0.9%	3.2%
Italian-Thai Development	ITD TB	Underperform	9.00	8.00	1,267	136.5	45.0	na	4.32	4.03	3.2%	9.1%	0.0%	0.6%
Sino-Thai Eng & Construction	STEC TB	Outperform	25.75	34.00	1,318	26.2	22.1	28.6%	4.97	4.89	19.5%	22.0%	2.1%	0.1%
Thailand average						57.4	34.1	na	4.92	4.00	9.1%	12.7%	0.9%	1.4%
Yongnam Holdings	YNH SP	Outperform	0.35	0.36	351	10.1	6.7	6.7%	1.36	1.17	13.8%	19.0%	2.9%	2.9%
Singapore average						10.1	6.7	6.7%	1.36	1.17	13.8%	19.0%	2.9%	2.9%
Average (all)						22.1	17.5	29.5%	3.13	2.78	15.1%	16.7%	1.8%	2.0%

SOURCES: CIMB, COMPANY REPORTS

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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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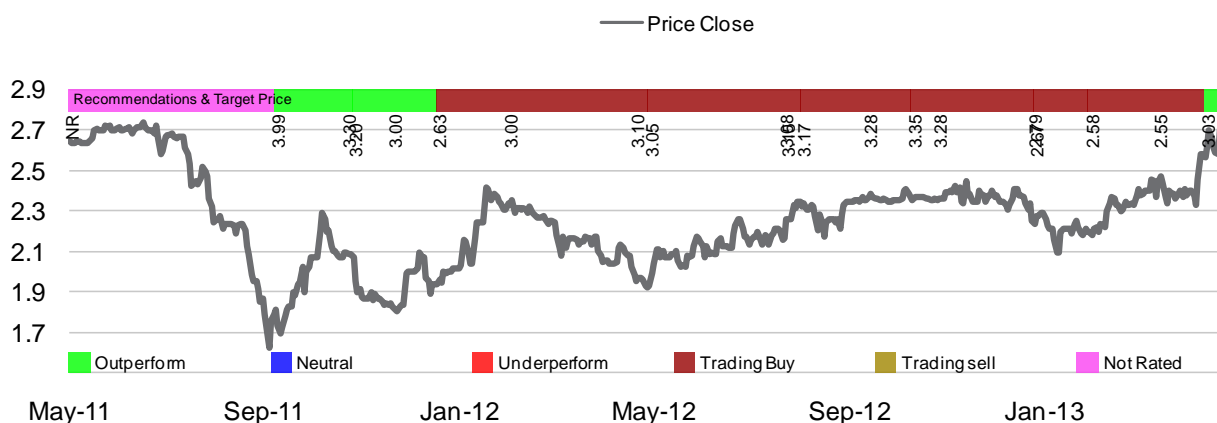
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Spitzer Chart for stock being researched (2 year data)



Distribution of stock ratings and investment banking clients for quarter ended on 30 April 2013		
1002 companies under coverage		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy	51.4%	7.8%
Neutral	35.1%	4.7%
Underperform/Sell/Trading Sell	13.5%	4.9%

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, 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.

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Recommendation Framework #2 **

Stock

Sector

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.

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 Korea Exchange, 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 2012.

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