

WCT Holdings

WCTHG MK / WCTE.KL

FLASH NOTE

| | | |
|--|--|---|
| Market Cap US\$751.5m RM2,457m | Avg Daily Turnover US\$1.07m RM3.51m | Free Float 60.2% 971.2 m shares |
|--|--|---|

| | |
|--------------|--------|
| Current | RM2.26 |
| Target | RM2.35 |
| Prev. Target | RM2.24 |
| Up/Downside | 3.9% |

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)



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Share price info

| Share price perf. (%) | 1M | 3M | 12M |
|-----------------------|-----|-----|-------|
| Relative | 3.3 | 6 | -13.8 |
| Absolute | 4.6 | 9.2 | -4.7 |

| Major shareholders | % held |
|--------------------|--------|
| WCT Capital | 19.6 |
| EPF | 13.9 |
| KWAP | 6.2 |

Opening the Gateway

We visited KLIA2 last Friday. Overall, we are encouraged that Gateway, the retail mall at KLIA2, is set to begin operations in early May following a delay in the opening of the main terminal last year. WCT owns a 70% stake in Gateway, a 25-year concession. This is the group's third property investment asset, with c.RM10m-15m contribution p.a. to the bottomline. However, we see operating losses in the first three years due to depreciation. Gateway makes up 11.3% of RNAV. We raise RNAV as we revise the DCF value of Gateway, lowering WACC to 10% vs. 13% previously. This results in a higher target price, which is still pegged to a 30% RNAV discount. WCT's overall outlook mainly hinges on job flows, which have yet to recover. Maintain Hold.

What Happened »

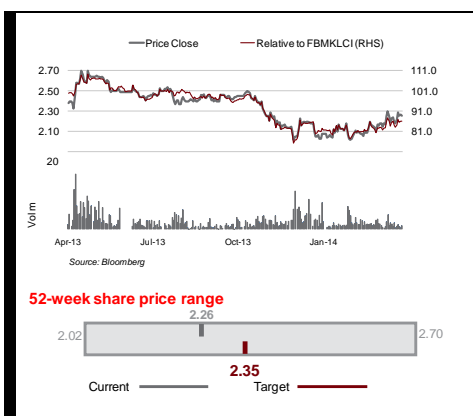
Visited KLIA2 Gateway. We visited Gateway, KLIA2's retail mall, which is 70% owned by WCT. WCT is the mall owner and operator with a concession of 25 years. The visit was in conjunction with KLIA2's open day last Friday.

What We Think »

WCT's third property investment asset. We are encouraged that Gateway is set to open on 2 May, following the delay in the completion of the main KLIA2 terminal since around mid-last year. Gateway represents WCT's third property investment asset after BBT Mall and Paradigm Mall. In our forecast, we have already conservatively estimated that Gateway would contribute c.RM10m-15m p.a. to net profit, based on the 350k sq ft NLA and average rental rate of RM20-22 psf. This on top of the existing estimated RM20m-25m contribution from WCT's existing retail malls. Gateway will likely open to the public at c.80% occupancy, with a tenancy mix similar to any urban/retail mall. Expectations are that the proportion will rise over time as the KLIA2 capacity of 45m passengers p.a. is roughly double that of the existing Low-Cost Carrier Terminal's (LCCT). See overleaf for images of Gateway.

What You Should Do »

Stay on the sidelines. The scheduled opening of Gateway at KLIA2 is a positive milestone, following the delay since last year. However, we do not expect the positive newsflow on KLIA2 to strongly re-rate the share price. Re-rating prospects still lie in the outlook for job flows, which has been relatively weak YTD, following the group's losing out on a tender for an infra project overseas. Replenishment prospects now focus on the domestic scene.



Financial Summary

| | Dec-12A | Dec-13A | Dec-14F | Dec-15F | Dec-16F |
|--------------------------------|---------|---------|---------|---------|---------|
| Revenue (RMm) | 1,560 | 1,672 | 2,157 | 2,361 | 2,665 |
| Operating EBITDA (RMm) | 262.4 | 323.0 | 312.6 | 346.8 | 347.2 |
| Net Profit (RMm) | 364.6 | 197.5 | 159.0 | 181.7 | 187.9 |
| Core EPS (RM) | 0.19 | 0.24 | 0.16 | 0.19 | 0.19 |
| Core EPS Growth | 16.0% | 22.2% | (30.9%) | 14.3% | 3.4% |
| FD Core P/E (x) | 12.35 | 10.10 | 14.61 | 12.79 | 12.37 |
| DPS (RM) | 0.070 | 0.083 | 0.090 | 0.090 | 0.090 |
| Dividend Yield | 3.10% | 3.65% | 3.98% | 3.98% | 3.98% |
| EV/EBITDA (x) | 10.82 | 9.29 | 9.63 | 8.73 | 8.75 |
| P/FCFE (x) | 18.63 | 10.86 | 7.91 | 9.12 | 9.77 |
| Net Gearing | 39.8% | 29.9% | 26.6% | 23.1% | 19.9% |
| P/BV (x) | 1.21 | 1.29 | 1.20 | 1.08 | 0.97 |
| ROE | 11.8% | 13.1% | 9.0% | 9.4% | 8.8% |
| % Change In Core EPS Estimates | | | 0% | 0% | 0% |
| CIMB/consensus EPS (x) | | | 0.96 | 1.00 | 0.89 |

SOURCE: CIMB, COMPANY REPORTS

Figure 1: KLIA2 Integrated Complex / Gateway

| | |
|----------------------------|--|
| Project name | : KLIA2 Integrated Complex / Gateway |
| Project type | : Built-operate-transfer (BOT) |
| Award basis | : Open tender |
| Concession company | : Segi Astana Sdn Bhd |
| Shareholders | : WCT 70%, MAHB 30% |
| Construction cost | : RM530.3m |
| Completion target | : Dec 2012 (Started Jan-11) |
| Concession period | : 25 years from 1st Aug 11; extendable by 10 years |
| Main components | : Transportation hub, Commercial building (350k NLA), 6,000-bay car park |
| Concession debt-equity mix | : 80:20 |
| WCT's equity portion | : RM74.2m |
| NLA | : 350k sq ft |
| Rental benchmark | : RM10 psf |
| Estimated IRR | : 13% |

SOURCES: CIMB, COMPANY REPORTS

Figure 2: View of terminal upon exiting Gateway



SOURCE: CIMB RESEARCH, COMPANY

Figure 3: Entrance to departure terminal from Gateway



SOURCE: CIMB RESEARCH, COMPANY

Figure 4: View of the base of control tower from Gateway



SOURCE: CIMB RESEARCH, COMPANY

Figure 5: View of Tune hotels outside of Gateway



SOURCE: CIMB RESEARCH, COMPANY

Figure 6: Exterior of Gateway going into the retail shop area



SOURCE: CIMB RESEARCH, COMPANY

Figure 7: Short briefing by WCT before the tour



SOURCE: CIMB RESEARCH, COMPANY

Figure 8: RNAV

| Concessions | DCF value (RM m) | | WCT's stake | Value (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 | 126.8 | 70.00 | 100.0% | 386.7 |
| 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 | 43.00 | 100.0% | 819.5 |
| 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 |
| | 2015 PAT | P/E | | |
| Construction | 102.9 | 15.9 | 100.0% | 1,635.5 |
| Associated companies & investments | | | | 443.3 |
| Net current assets less dev. properties | | | | 1,233.9 |
| Total debt (4QFY13) | | | | (1,922.1) |
| Investment properties | | | | 653.0 |
| Total RNAV | | | | 4,370.3 |
| 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 | | | | 5,529.9 |
| Enlarged no. of shares (m) | | | | 1,412.9 |
| FD RNAV/share (RM) | | | | 3.91 |
| RNAV discount | | | | 30% |
| Target price (RM) | | | | 2.35 |

SOURCES: CIMB, COMPANY REPORTS

Profit & Loss

| (RMm) | Dec-13A | Dec-14F | Dec-15F | Dec-16F |
|---|--------------|--------------|--------------|--------------|
| Total Net Revenues | 1,672 | 2,157 | 2,361 | 2,665 |
| Gross Profit | 441 | 2,157 | 2,361 | 2,665 |
| Operating EBITDA | 323 | 313 | 347 | 347 |
| Depreciation And Amortisation | (10) | (19) | (21) | (24) |
| Operating EBIT | 313 | 293 | 325 | 323 |
| Financial Income/(Expense) | (34) | (46) | (46) | (47) |
| Pretax Income/(Loss) from Assoc. | 19 | 10 | 10 | 10 |
| Non-Operating Income/(Expense) | 0 | 0 | 0 | 0 |
| Profit Before Tax (pre-EI) | 298 | 257 | 289 | 287 |
| Exceptional Items | (44) | 0 | 0 | 0 |
| Pre-tax Profit | 254 | 257 | 289 | 287 |
| Taxation | (64) | (57) | (61) | (58) |
| Exceptional Income - post-tax | | | | |
| Profit After Tax | 190 | 201 | 228 | 229 |
| Minority Interests | 8 | (42) | (47) | (42) |
| Preferred Dividends | 0 | 0 | 0 | 0 |
| FX Gain/(Loss) - post tax | | | | |
| Other Adjustments - post-tax | | | | |
| Net Profit | 197 | 159 | 182 | 188 |
| Recurring Net Profit | 230 | 159 | 182 | 188 |
| Fully Diluted Recurring Net Profit | 230 | 159 | 182 | 188 |

Balance Sheet

| (RMm) | Dec-13A | Dec-14F | Dec-15F | Dec-16F |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Total Cash And Equivalents | 1,346 | 1,413 | 1,484 | 1,558 |
| Total Debtors | 1,622 | 1,427 | 1,561 | 1,762 |
| Inventories | 86 | 90 | 95 | 100 |
| Total Other Current Assets | 305 | 335 | 368 | 405 |
| Total Current Assets | 3,358 | 3,265 | 3,508 | 3,824 |
| Fixed Assets | 521 | 612 | 706 | 803 |
| Total Investments | 1,102 | 1,157 | 1,217 | 1,282 |
| Intangible Assets | 0 | 0 | 0 | 0 |
| Total Other Non-Current Assets | 631 | 631 | 631 | 631 |
| Total Non-current Assets | 2,254 | 2,400 | 2,554 | 2,715 |
| Short-term Debt | 662 | 640 | 619 | 600 |
| Current Portion of Long-Term Debt | | | | |
| Total Creditors | 1,152 | 1,013 | 1,109 | 1,252 |
| Other Current Liabilities | 72 | 57 | 61 | 58 |
| Total Current Liabilities | 1,886 | 1,710 | 1,789 | 1,910 |
| Total Long-term Debt | 1,305 | 1,370 | 1,439 | 1,511 |
| Hybrid Debt - Debt Component | | | | |
| Total Other Non-Current Liabilities | 332 | 332 | 332 | 332 |
| Total Non-current Liabilities | 1,637 | 1,702 | 1,771 | 1,843 |
| Total Provisions | 10 | 11 | 12 | 13 |
| Total Liabilities | 3,533 | 3,423 | 3,572 | 3,765 |
| Shareholders' Equity | 1,700 | 1,823 | 2,023 | 2,268 |
| Minority Interests | 378 | 420 | 466 | 508 |
| Total Equity | 2,078 | 2,243 | 2,490 | 2,776 |

Cash Flow

| (RMm) | Dec-13A | Dec-14F | Dec-15F | Dec-16F |
|----------------------------------|---------------|----------------|----------------|----------------|
| EBITDA | 323.0 | 312.6 | 346.8 | 347.2 |
| Cash Flow from Inv. & Assoc. | | | | |
| Change In Working Capital | (76.1) | 21.3 | (76.7) | (99.3) |
| (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 | (58.4) | (71.4) | (55.6) | (59.8) |
| Cashflow From Operations | 211.8 | 285.8 | 237.8 | 211.4 |
| Capex | (88.4) | (91.1) | (91.1) | (91.1) |
| Disposals Of FAs/subsidiaries | 51.2 | 55.4 | 59.9 | 64.9 |
| 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 | (37.2) | (35.7) | (31.1) | (26.2) |
| Debt Raised/(repaid) | 39.3 | 43.6 | 47.9 | 52.4 |
| 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 | 96.4 | (183.9) | (141.4) | (121.0) |
| Cash Flow From Financing | 93.3 | (182.8) | (136.0) | (111.1) |
| Total Cash Generated | 267.9 | 67.3 | 70.6 | 74.2 |
| Free Cashflow To Equity | 214.0 | 293.7 | 254.6 | 237.7 |
| Free Cashflow To Firm | 174.6 | 250.1 | 206.6 | 185.3 |

Key Ratios

| | Dec-13A | Dec-14F | Dec-15F | Dec-16F |
|---------------------------|---------|---------|---------|---------|
| Revenue Growth | 7.2% | 29.0% | 9.4% | 12.9% |
| Operating EBITDA Growth | 23.1% | (3.2%) | 10.9% | 0.1% |
| Operating EBITDA Margin | 19.3% | 14.5% | 14.7% | 13.0% |
| Net Cash Per Share (RM) | (0.64) | (0.62) | (0.59) | (0.57) |
| BVPS (RM) | 1.75 | 1.88 | 2.08 | 2.34 |
| Gross Interest Cover | 4.63 | 4.84 | 5.26 | 5.13 |
| Effective Tax Rate | 25.4% | 22.0% | 21.0% | 20.1% |
| Net Dividend Payout Ratio | 33.7% | 51.1% | 44.7% | 43.2% |
| Accounts Receivables Days | 208.9 | 195.1 | 174.7 | 172.6 |
| Inventory Days | 23.7 | N/A | N/A | N/A |
| Accounts Payables Days | 268 | N/A | N/A | N/A |
| ROIC (%) | 13.4% | 10.9% | 11.6% | 10.6% |
| ROCE (%) | 8.88% | 7.41% | 7.73% | 7.19% |

Rolling FD P/E (x)



Key Drivers

| (RMm) | Dec-13A | Dec-14F | Dec-15F | Dec-16F |
|--|---------|---------|---------|---------|
| Outstanding Orderbook | 2,543 | 3,043 | 2,843 | 2,843 |
| Order Book Depletion | 1,000 | 1,000 | 1,000 | 1,000 |
| Orderbook Replenishment | 1,500 | 800 | 1,000 | 1,000 |
| 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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| | | | | | |
|---------------------|----------|-----------|-----------|-------------|------------------|
| 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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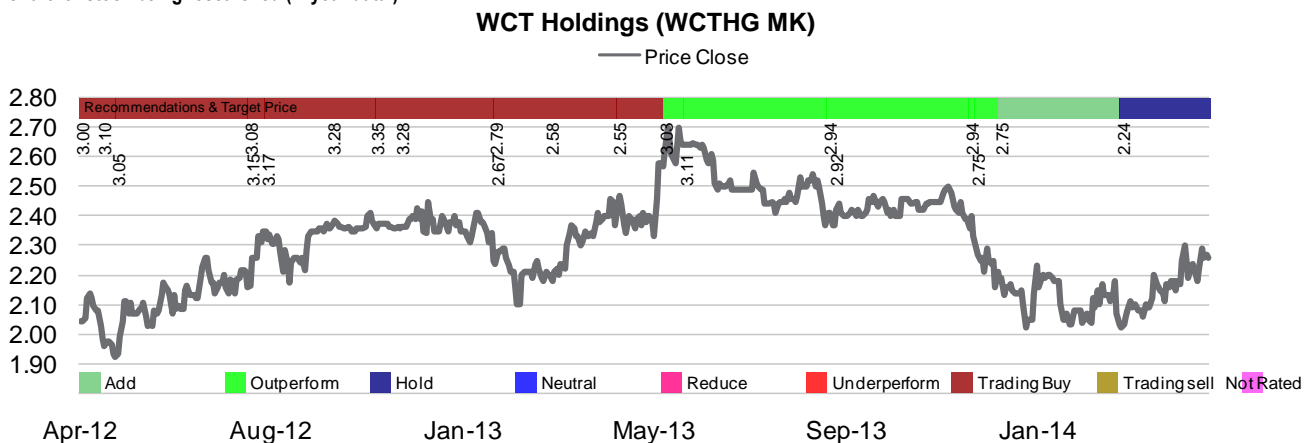
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2014
1358 companies under coverage for quarter ended on 31 March 2014

| | Rating Distribution (%) | Investment Banking clients (%) |
|---------------------------------------|-------------------------|--------------------------------|
| Outperform/Buy/Trading Buy/Add | 52.6% | 5.9% |
| Neutral/Hold | 31.7% | 5.4% |
| Underperform/Sell/Trading Sell/Reduce | 15.7% | 5.2% |

Spitzer Chart for stock being researched (2 year data)



As at the time of publishing this report CIMB is phasing in an absolute recommendation structure for stocks (Framework #1). Please refer to all frameworks for a definition of any recommendations stated in this report.

CIMB Recommendation Framework #1

| 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. |

CIMB Stock Recommendation Framework #2 *

| | |
|--------------|---|
| 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 3% 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 3% or more 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.
CIMB Research Pte Ltd (Co. Reg. No. 198701620M)

CIMB Stock Recommendation Framework #3 **

| | |
|---------------------|--|
| 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. |

**** 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 2013.

AAV – Good, **ADVANC** - Excellent, **AMATA** - Very Good, **ANAN** – Good, **AOT** - Excellent, **AP** - Very Good, **BANPU** - Excellent, **BAY** - Excellent, **BBL** - Excellent, **BCH** – Good, **BCP** - Excellent, **BEC** - Very Good, **BGH** - not available, **BJC** – Very Good, **BH** - Very Good, **BIGC** - Very Good, **BTS** - Excellent, **CCET** – Very Good, **CENTEL** – Very Good, **CK** - Excellent, **CPALL** - Very Good, **CPF** – Excellent, **CPN** - Excellent, **DELTA** - Very Good, **DTAC** - Excellent, **EGCO** – Excellent, **GLOBAL** - Good, **GLOW** - Very Good, **GRAMMY** – Excellent, **HANA** - Excellent, **HEMRAJ** - Excellent, **HMPRO** - Very Good, **INTUCH** – Excellent, **ITD** – Very Good, **IVL** - Excellent, **JAS** – Very Good, **KAMART** – not available, **KBANK** - Excellent, **KKP** – Excellent, **KTB** - Excellent, **LH** - Very Good, **LPN** - Excellent, **MAJOR** – Very Good, **MAKRO** – Very Good, **MCOT** - Excellent, **MINT** - Excellent, **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** – Very Good, **SPALI** - Excellent, **STA** - Good, **STEC** - Very Good, **TCAP** - Excellent, **THAI** - Excellent, **THCOM** – Excellent, **TICON** – Very Good, **TISCO** - Excellent, **TMB** - Excellent, **TOP** - Excellent, **TRUE** - Excellent, **TTW** – Excellent, **TUF** - Very Good, **VGI** – Excellent, **WORK** – Good.