CIMB

WCT Holdings

3QFY14 RESULTS NOTE

WCTHG MK / WCTE.KL

Market Cap	Avg Daily Turnover	Free Float
US$619.2m	US$0.47m	60.2%
RM2,078m	RM1.55m	971.2 m shares

Current	RM1.91
Target	RM1.97
Prev. Target	RM2.32
Up/Downside	3.2%

STOCK RATING: ADD / **HOLD** / REDUCE

CIMB Analyst(s)

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	-8.1	-9.9	-19.9
Absolute	-8.6	-13.2	-19.1

Major shareholders	% held
WCT Capital	19.6
EPF	13.9
KWAP	6.2

Weighed down by property

WCT's annualised 9M14 core net profit made up 87% of our full-year forecast and 97% of consensus. The results were below expectations as 9M14 operating stats point to a subdued 4Q, weighed down by property. The improved job wins in 2H14 are unlikely to fully offset this due to the timing of progress billings. These reasons underpin our FY14-16 EPS forecast cuts. Even after a rollover to end-2015, our target price falls as we update for balance sheet items (still based on a 30% RNAV discount). Medium-term outlook looks more challenging for the group's Iskandar high-rise launches but this could be balanced by its ventures in the Klang Valley. Prospects for more sizeable jobs depend on its tenders in the Gulf region. Maintain Hold; switch to Gamuda.

9M14 below expectations

Annualised 9M14 core net profit formed 87% of our full-year forecast and 97% of consensus. The results were below expectations as 4Q is likely to be flat yoy at best, though construction should lead to slight qoq growth. The weak property sales were more pronounced in Medini, Iskandar, resulting in a 14% yoy decline in property revenue and a 47% drop in EBIT.

Property looks weak going into FY15 too

Initial indications were that the 47% decline in 9M14 property development EBIT was mainly reflective of the poor take-up for the recent launches of the group's high-rise commercial buildings, attributed also to the oversupply situation. The guidance for the launch of landed units in Rawang by end-15 could suggest subdued property sales in FY14-15. We expect more guidance during the results briefing tomorrow. We cut our FY14 property sales assumption from RM900m to RM600m.

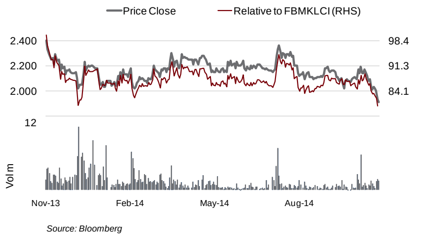
Domestic contract win target achieved

The good news is that the domestic contract wins (RM994m) have broadly met the group's and our target of RM1bn for FY14. There has yet to be any news about its tenders in Qatar for a c.RM1bn infrastructure project that has been on tender since early this year. A decision on this project could be FY15's story. The domestic outlook for job flow remains good but we believe WCT needs to aggressively target turnkey works as the subcontract segment remains competitive. We believe the group's chances of securing more infra works in Rapid and Tun Razak Exchange (TRX) are still fairly good.

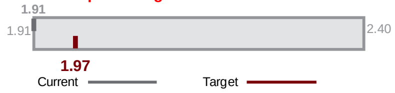
Results comparison

FYE Dec (RM m)	3QFY14	3QFY13	yoy % chg	qoq % chg	3QFY14 Cum	3QFY13 Cum	yoy % chg	Prev. FY14F	Comments
Revenue	471.1	418.5	*12.6*	*17.3*	1,339.8	1,392.0	*(3.7)*	2,157.2	Weak property sales in Medini, Iskandar
Operating costs	(446.5)	(354.1)	*26.1*	*27.9*	(1,201.2)	(1,213.8)	*(1)*	(1,863.9)	Correspondingly lower costs
EBIT	24.6	64.5	*(61.9)*	*(53.0)*	138.6	178.2	*(22.2)*	293.3	Below expectations
EBIT margin (%)	***5.2***	***15.4***	***(66.1)***	***(59.9)***	***10.3***	***12.8***	***(19.2)***	***13.6***	Below expectations
EBIT	24.6	64.5	*(61.9)*	*(53.0)*	138.6	178.2	*(22.2)*	340.3	
Interest expense	(14.7)	(17.1)	*(14.1)*	*(0.8)*	(44.6)	(47.7)	*(6.6)*	(60.6)	Borrowings stood at RM1.8n
Interest & invt inc	18.3	9.2	*98.3*	*371.6*	27.6	46.9	*(72.6)*	15.0	Cash stood at RM277m
Associates' contrib	4.2	3.3	*26.5*	*2.4*	12.9	11.4	*(125.7)*	9.5	Above expectations
Exceptionals	-	-	*nm*	*nm*	(2.9)	(8.6)	*1,669.5*	-	
Pretax profit	**32.4**	**59.9**	***(45.9)***	***(28.8)***	**134.6**	**188.8**	***(28.7)***	**257.2**	Signs point to a weak 4Q
Tax	(6.1)	(19.3)	*(69)*	*(6)*	(28.7)	(52.9)	*(45.8)*	(56.6)	In line
Tax rate (%)	18.7	32.3	*(42)*	*32*	21.3	28.0	*(24.0)*	22.0	In line
Minority interests	(0.5)	0.8	*(161.1)*	*(90)*	(5.7)	5.3	*(207.2)*	(41.6)	
Net profit	**25.8**	**41.3**	***(37.5)***	***(24.6)***	**100.2**	**141.2**	***(29.0)***	**159.0**	Annualised 9M14 core net profit made up
Core net profit	25.8	41.3	*(37.5)*	*(24.6)*	103.2	149.8	*(31.1)*	159.0	87% of our full-year forecast and 97% of
EPS (sen)	2.3	3.7	*(36.1)*	*(25.5)*	9.1	12.7	*(28.1)*	16.0	consensus
Core EPS (sen)	2.3	3.7	*(36.1)*	*(25.5)*	9.4	13.4	*(30.2)*	16.0	

SOURCE: CIMB, COMPANY REPORTS



52-week share price range



Financial Summary

	Dec-12A	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Revenue (RMm)	1,560	1,672	1,976	2,230	2,534
Operating EBITDA (RMm)	262.4	323.0	267.6	325.8	337.2
Net Profit (RMm)	364.6	197.5	134.9	170.4	182.5
Core EPS (RM)	0.19	0.24	0.14	0.18	0.19
Core EPS Growth	16.0%	22.2%	(41.4%)	26.3%	7.1%
FD Core P/E (x)	10.44	8.54	14.55	11.52	10.76
DPS (RM)	0.070	0.083	0.090	0.090	0.090
Dividend Yield	3.66%	4.32%	4.71%	4.71%	4.71%
EV/EBITDA (x)	9.53	8.23	9.94	8.20	7.95
P/FCFE (x)	15.75	9.18	6.94	8.39	8.45
Net Gearing	39.8%	29.9%	26.9%	23.3%	20.1%
P/BV (x)	1.02	1.09	1.03	0.92	0.82
ROE	11.8%	13.1%	7.7%	8.9%	8.5%
% Change In Core EPS Estimates			(15.1%)	(6.2%)	(2.8%)
CIMB/consensus EPS (x)			0.94	1.04	0.99

SOURCE: CIMB, COMPANY REPORTS

Figure 1: Segmental comparison

Revenue (RM'm)	**9M14**	**9M13**	**yoy**	**Notes**
Civil engineering & construction	1,252.8	1,078.2	16%	Acceleration in certification of works
Property development	352.8	409.5	-14%	Weak property sales in Medini, Iskandar
Property investment & holding	44.3	46.9	-6%	Driven by AEON Mall and BBT Mall
Total	**1,649.9**	**1,534.7**	**8%**	
EBIT	**9M14**	**9M13**	**yoy**	
Civil engineering & construction	86.6	121.8	-29%	Lower margins mainly for local jobs
Property development	59.8	81.5	-27%	Weak property sales in Medini, Iskandar
Property investment & holding	19.9	21.8	-9%	Driven by AEON Mall and BBT Mall
Total	166.3	225.1	-26%	
EBIT margin	**9M14**	**9M13**	**yoy**	
			(% pts)	
Civil engineering & construction	7%	11%	-4%	Margins likely to stay below 10% for FY14
Property development	17%	20%	-3%	Lower margin sales mix
Property investment & holding	45%	46%	-1%	Lumpy margins
Total	**10%**	**15%**	**-5%**	

**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)	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	70.00	100.0%	170.8
Bukit Jelutong Commercial Centre	2.3	50.00	100.0%	4.9
1 Medini Residences	11.0	35.00	100.0%	16.8
Medini Commercial	10.3	35.00	100.0%	15.7
Bandar Serendah, Ulu Selangor	39.0	10.00	100.0%	17.0
Rawang Land	437.5	35.00	100.0%	667.0
OUG - mixed development	56.8	45.00	100.0%	111.3
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	15.9	100.0%	1,658.4
Associated companies & investments				132.3
Net current assets less dev. properties				667.3
Total debt (3Q14)				(1,813.5)
Investment properties				659.0
Total RNAV				**3,484.3**
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				**4,643.9**
Enlarged no. of shares (m)				1,412.9
FD RNAV/share (RM)				**3.29**
RNAV discount				30%
Target price (RM)				**1.97**

SOURCES: CIMB, COMPANY REPORTS

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Profit & Loss

(RMm)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Total Net Revenues	**1,672**	**1,976**	**2,230**	**2,534**
Gross Profit	**441**	**1,976**	**2,230**	**2,534**
Operating EBITDA	**323**	**268**	**326**	**337**
Depreciation And Amortisation	(10)	(19)	(21)	(24)
Operating EBIT	**313**	**248**	**304**	**313**
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**	**212**	**268**	**277**
Exceptional Items	(44)	0	0	0
Pre-tax Profit	**254**	**212**	**268**	**277**
Taxation	(64)	(47)	(56)	(56)
Exceptional Income - post-tax				
Profit After Tax	**190**	**165**	**212**	**222**
Minority Interests	8	(31)	(42)	(39)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**197**	**135**	**170**	**183**
Recurring Net Profit	230	135	170	183
Fully Diluted Recurring Net Profit	**230**	**135**	**170**	**183**

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	1,307	1,475	1,675
Inventories	86	90	95	100
Total Other Current Assets	305	335	368	405
Total Current Assets	**3,358**	**3,146**	**3,422**	**3,738**
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	928	1,047	1,190
Other Current Liabilities	72	47	56	56
Total Current Liabilities	**1,886**	**1,615**	**1,723**	**1,846**
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**	**3,328**	**3,506**	**3,701**
Shareholders' Equity	1,700	1,809	2,020	2,262
Minority Interests	378	409	450	489
Total Equity	**2,078**	**2,217**	**2,470**	**2,751**

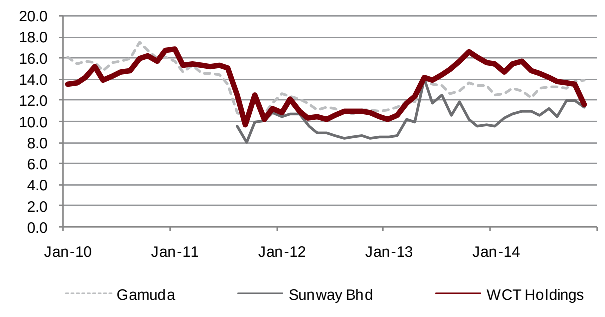
Cash Flow

(RMm)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
EBITDA	323.0	267.6	325.8	337.2
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(76.1)	55.6	(86.2)	(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)	(45.7)	(55.2)
Cashflow From Operations	**211.8**	**275.2**	**217.2**	**206.1**
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	(173.3)	(120.9)	(115.6)
Cash Flow From Financing	**93.3**	**(172.2)**	**(115.4)**	**(105.7)**
Total Cash Generated	267.9	67.3	70.7	74.2
Free Cashflow To Equity	**214.0**	**283.1**	**234.0**	**232.3**
Free Cashflow To Firm	**174.6**	**239.5**	**186.1**	**179.9**

Key Ratios

	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Revenue Growth	7.2%	18.2%	12.8%	13.6%
Operating EBITDA Growth	23.1%	(17.1%)	21.7%	3.5%
Operating EBITDA Margin	19.3%	13.5%	14.6%	13.3%
Net Cash Per Share (RM)	(0.64)	(0.62)	(0.59)	(0.57)
BVPS (RM)	1.75	1.86	2.08	2.33
Gross Interest Cover	4.63	4.10	4.92	4.97
Effective Tax Rate	25.4%	22.0%	20.9%	20.1%
Net Dividend Payout Ratio	33.7%	60.2%	47.6%	44.5%
Accounts Receivables Days	208.9	204.6	172.2	172.1
Inventory Days	23.7	N/A	N/A	N/A
Accounts Payables Days	268	N/A	N/A	N/A
ROIC (%)	13.4%	9.2%	10.9%	10.4%
ROCE (%)	8.88%	6.35%	7.29%	7.01%

12-month Forward 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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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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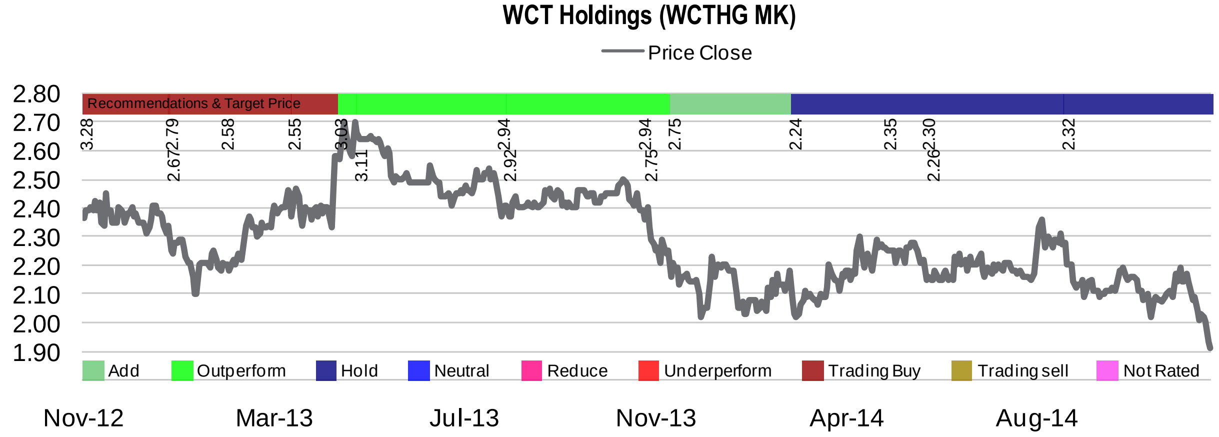
EFACustomRatingDist

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, **CENTEL** – 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.

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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.

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