

WCT Berhad

Post 3QFY12 results analysts' briefing highlights - ALERT

We attended WCT's post 3QFY12 analysts' results briefing. We remain positive on upcoming construction project flows (delivered M\$1.9B YTD) and pipeline of property launches from M\$13.5B outstanding GDV. Maintain OW, we think elections risk is reflected in below historical average P/E at 11.3x.

- **Upcoming construction projects in 2013.** Outstanding construction order book of M\$3.8B (M\$3.2B external jobs). Gulf state projects account for 55%, balance in Malaysia. Competitive tender book stood at M\$3.5B. Targeting construction jobs as per Table 1 for 2013.
- **Pipeline of upcoming property launches.** New property sales of M\$68MM in 3Q (slower due to festive period). YTD new property sales is at M\$444MM, and management maintains FY12 target of M\$700MM. Upcoming launches in 4Q12 and 1H13 include:- 1) The Landmark @ BBT2 (M\$180MM GDV, 70% take-up since 15 Nov launch), 2) Medini Signature Condo @ Medini North, Iskandar Malaysia, The Ascent @ Paradigm PJ (SOHO and offices), 4) Bandar Parklands, and 5) d'Laman @ Klang South (56-acre land). Outstanding landbank total 1,076 acres, with M\$13.5B potential GDV over the next 10 years.
- **Gateway @ KLIA2 on track.** Tenant fit-outs to commence in Feb 2013. Leasing commenced in April with 40% of space leased-out, targeting 80% upon opening in 2Q 2013. This is one of WCT's investment properties that is scheduled to grow from 1.68MM sq ft NLA to 2.1MM by Q2 2013, and 3.87MM sq ft NLA with upcoming plans within own commercial developments.
- **Upcoming bonus and free warrants timeline, and reorganization.** Entitlement date to be announced on 23 Nov. Determination of Warrants-D exercise price in Dec 2012. Listing and quotation of bonus shares and Warrants-D in Dec 2012. Meanwhile, group reorganization to create a separate construction and property entity under WCT Holdings will be completed by end-Apr 2013 (EGM in Feb 2013, entitlement date of Apr 2013). We see this as a prelude for WCT to unlock the value of its property arm.

Overweight

WCTE.KL, WCT MK

Price: M\$2.72

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Construction

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Table 1: Construction contract targets for 2013

	Malaysia
1	Putrajaya Buildings (tendered)
2	Sabah Hospitals (tendered)
3	Media City (tendered)
4	Petronas RAPID Pengerang Civil Works - Phase 2
5	Kwasa Damansara Land Civil Works
6	Southern Double Track
7	West Coast Expressway
8	KK Water Supply Scheme
9	Langat 2 Treatment Plant
10	KL-JB High Speed Rail
11	Warisan Tower 118
	Penang traffic alleviation (tendered)
	Gulf States
1	Batinah Expressway, Oman (tendered)
3	Qatar roads and expressways
4	Qatar earthworks and infrastructure works
5	Government office buildings in Qatar

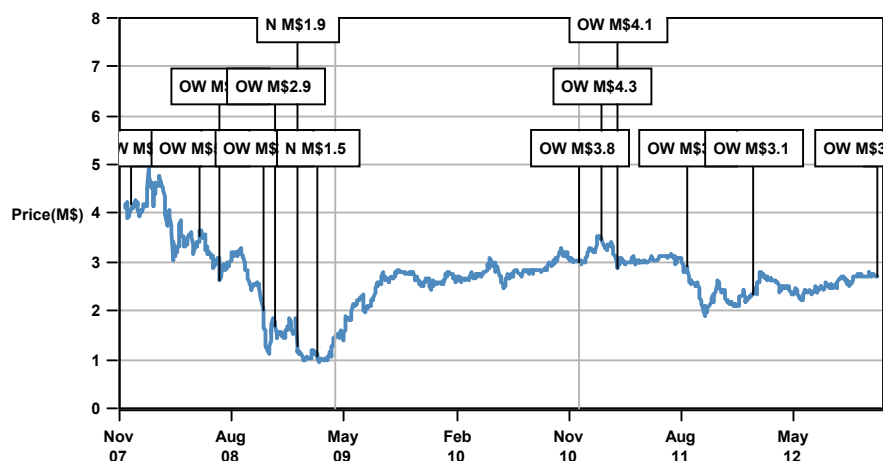
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WCT Berhad (WCTE.KL, WCT MK) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Nov 30, 2007.

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