

24 August 2012

# WCT Berhad

## Johor land acquisition

# OUTPERFORM ↔

**Price: RM2.66**  
**Target Price: RM3.93 ↔**

**News**

- WCT announced that its 100%-owned subsidiary, WCT Hartanah Jaya Sdn Bhd had acquired a piece of land measuring 12.4 acres together with an abandoned shopping mall in Mukim Tebrau, Johor, from MBSB for a price consideration of RM180m.

**Comments**

- The abandoned shopping mall comprises of a 4-level retail podium and 2 levels of car parks above the podium. The mall is located along Jalan Skudai, 3km away from Tampoi, 8km radius within the PLUS North-South highway and about a 15km radius to Medini Iskandar.
- The land is earmarked for commercial development comprising of a shopping mall, one block of hotel (432 rooms), one tower of service apartment (216 units) and 6 levels of car parks with an estimated GDV of RM900m for the next 3 to 4 years.
- Based on our checks, the market price for the land surrounding the area is valued at RM180psf, which already makes up about 54% of the acquisition price. We opine that the price is fair considering its strategic location for commercial and residential developments.
- Assuming the development cost at 60% of the GDV, we expect WCT to fork out about RM540m (including RM83m worth of the existing building) to develop the land. With a 80:20 debt to equity ratio, we envisage that WCT will be able to finance the equity portion of RM108m for the next 3 to 4 years. As at June 2012, WCT's cash balance stood at RM893m.

**Outlook**

- Its construction division will remain as the main contribution to its earnings and we expect WCT to secure more construction contracts in the near term i.e. Petronas RAPID and TRX earthworks with a combined value of more than RM2.0b.

**Forecast**

- No changes in our FY12-13E estimates.

**Rating** **Maintain OUTPERFORM**

- We are maintaining our OUTPERFORM recommendation for WCT, which offers an attractive upside (+47%) from the current price.

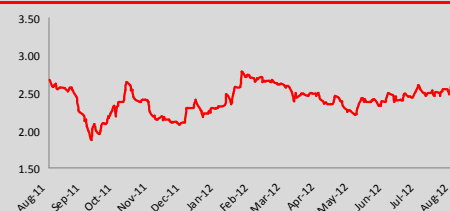
**Valuation**

- No change in our Target Price of RM3.93 which is based on SOP valuation.

**Risks**

- Delays in its ongoing projects and award of ETP based projects.

### Share Price Performance



KLCI	1651.61
YTD KLCI chg	7.9%
YTD stock price chg	11.8%

### Stock Information

Bloomberg Ticker	WCT MK Equity
Market Cap (RM m)	2,183.2
Issued shares	820.8
52-week range (H)	2.78
52-week range (L)	1.85
3-mth avg daily vol:	1,282,909
Free Float	59%
Beta	1.5

### Major Shareholders

WCT CAPITAL SDN BHD	19.7%
EMPLOYEES PROVIDENT	15.3%
KWAP	6.3%

### Summary Earnings Table

FYE Dec (RM m)	2011A	2012E	2013E
Turnover	1,538.6	2,167.5	2,997.2
EBIT	257.6	363.4	433.2
PBT	207.9	298.3	346.4
<b>Net Profit (NP)</b>	<b>163.1</b>	<b>177.9</b>	<b>234.8</b>
Consensus (NP)	-	184.0	220.9
Earnings Revision	n.m	2%	9%
EPS (sen)	20.7	22.5	29.7
EPS growth (%)	15.5%	9.1%	31.9%
DPS (sen)	7.8	8.6	11.3
NTA/Share (RM)	1.87	2.03	2.33
PER	12.9	11.8	8.9
Price/NTA (x)	1.4	1.3	1.1
Net Gearing (x)	0.4	0.4	0.4
Dividend Yield (%)	2.9	3.2	4.3

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## Income Statement

FY Dec (RM m)	2009A	2010A	2011A	2012E	2013E
Revenue	4,666.6	1,708.5	1,538.6	4,666.6	2,710.5
EBITDA	269.3	316.5	257.3	369.5	430.2
Depreciation	(25.1)	(16.3)	105.1	117.0	115.9
Operating Profit	379.8	346.2	296.9	436.9	500.5
Other Income	9.9	61.6	69.4	47.0	59.4
Interest Exp	(50.3)	(50.4)	(66.6)	(56.2)	(65.9)
Associate	17.2	7.8	16.8	13.9	12.8
E.I.	-	-	-	-	-
PBT	211.1	257.6	207.4	327.2	377.2
Taxation	4.8	(47.9)	(44.6)	(81.8)	(94.3)
Minority Interest	68.8	68.5	0.1	45.8	38.1
Net Profit	147.1	141.2	162.7	199.6	244.8

## Core Net Profit

## Balance Sheet

FY Dec (RM m)	2009A	2010A	2011A	2012E	2013E
PPE	415.2	292.1	277.1	379.7	320.3
Intangible Assets	-	1.0	2.0	3.0	4.0
Other FA	1,510.1	1,651.3	2,037.3	2,405.5	2,717.6
Inventories	113.7	74.4	51.4	75.1	100.4
Receivables	1,207.0	854.6	612.1	901.1	1,035.9
Other CA	1,232.5	1,680.0	1,580.7	1,471.5	1,109.2
Cash	713.5	1,162.4	788.7	1,169.8	713.5
Total Assets	4,478.5	4,552.4	4,558.5	5,233.0	5,283.4
Payables	1,318.2	802.5	540.9	540.9	544.9
ST Borrowings	206.7	505.4	466.1	466.1	272.8
Other ST Liability	282.7	229.5	403.2	230.3	268.8
LT Borrowings	791.7	1,127.4	917.8	1,582.7	1,514.8
Other LT Liability	392.3	357.1	476.2	457.6	479.5
Minorities Int.	233.0	275.2	282.6	283.1	285.5
<b>Net Assets</b>	<b>1,254.0</b>	<b>1,255.3</b>	<b>1,471.8</b>	<b>1,672.3</b>	<b>1,917.1</b>
Share Capital	388.9	393.5	402.6	402.6	402.6
Reserves	865.1	861.9	1,069.2	1,269.7	1,514.5
<b>Equity</b>	<b>1,254.0</b>	<b>1,255.4</b>	<b>1,471.8</b>	<b>1,672.3</b>	<b>1,917.1</b>

## Cashflow Statement

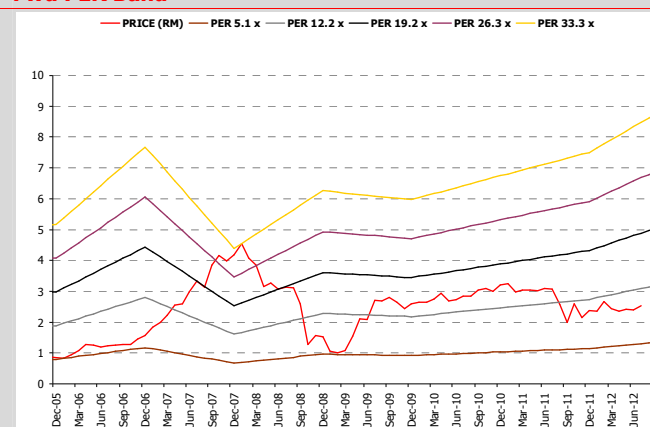
FY Dec (RM m)	2009A	2010A	2011A	2012E	2013E
Operating CF	247.5	12.6	146.2	247.5	363.8
Investing CF	(32.4)	(55.2)	(272.9)	(100.0)	(100.0)
Financing CF	(204.3)	562.3	(252.4)	(523.1)	(522.6)
Change In Cash	10.8	519.6	(379.1)	10.8	(258.9)
Free CF	199.7	(25.4)	(150.2)	199.7	263.8

Source: Kenanga Research

## Financial Data &amp; Ratios

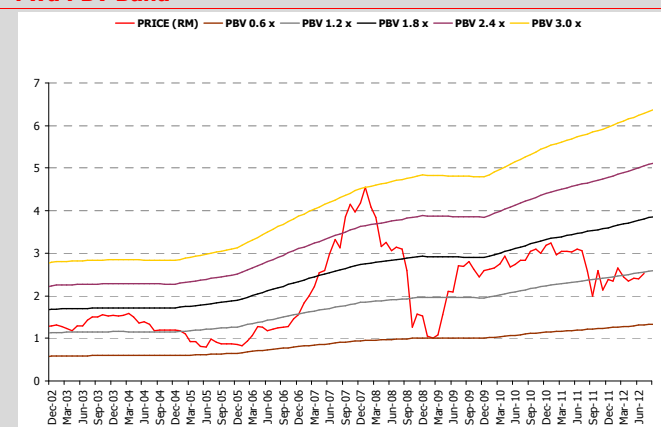
FY Dec (RMm)	2009A	2010A	2011A	2012E	2013E
<b>Growth</b>					
Turnover (%)	23%	-63%	-10%	-63%	-63%
EBITDA (%)	44%	18%	-19%	44%	16%
Operating Profit (%)	98%	-9%	-14%	47%	15%
PBT (%)	33%	22%	-19%	58%	15%
Net Profit (%)	44%	-4%	15%	23%	23%
<b>Profitability</b>					
EBITDA Margin	6%	19%	17%	6%	16%
Op Margin	8%	20%	19%	8%	18%
PBT Margin	5%	15%	13%	5%	14%
Net Margin	3%	8%	11%	3%	9%
Effective Tax Rate	-2%	19%	22%	25%	25%
ROA	3%	3%	4%	4%	5%
ROE	12%	11%	11%	12%	13%
<b>DuPont Analysis</b>					
Net Margin	3%	8%	11%	3%	9%
Assets Turnover (x)	1.0	0.4	0.3	1.0	0.5
Leverage Factor (x)	3.6	3.6	3.1	3.1	2.8
ROE (%)	12%	11%	11%	12%	13%
<b>Leverage</b>					
Debt/Asset (x)	0.2	0.4	0.3	0.4	0.3
Debt/Equity (x) Net	0.8	1.3	0.9	1.2	0.9
Cash/(Debt) Net Debt/Equity (x)	(284.9)	(470.5)	(595.2)	(284.9)	(284.9)
Valuations					
EPS (sen)	18.6	17.9	20.7	22.5	29.7
GDPS (sen)	7.5	7.5	7.8	8.6	11.3
NTA (RM)	1.61	1.60	1.87	2.03	2.33
PER (x)	14.3	14.9	12.9	11.8	8.9
Gross Div. Yield	3%	3%	3%	3%	4%
P/NTA (x)	1.6	1.7	1.4	1.3	1.1
EV/EBITDA (x)	8.1	4.9	7.0	5.2	4.1

## Fwd PER Band



Source: Kenanga Research

## Fwd PBV Band



**Stock Ratings are defined as follows:**

**Stock Recommendations**

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

**Sector Recommendations\*\*\***

- OVERWEIGHT : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

***\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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