


Company Flash Note

Malaysia

May 30, 2017 - 11:18 PM

HOLD (no change)

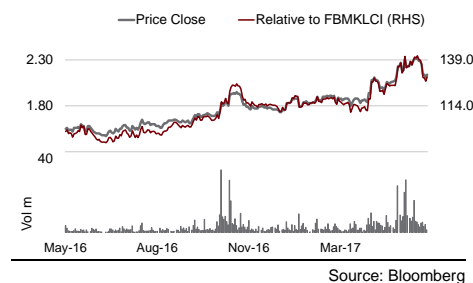
Consensus ratings*: Buy 4 Hold 11 Sell 4

Current price: RM2.14
Target price:  RM2.10
Previous target: RM2.10
Up/downside: -1.9%
CIMB / Consensus: 7.2%

Reuters: WCTE.KL
Bloomberg: WCTHG MK
Market cap: US\$696.9m
RM2,977m
Average daily turnover: US\$2.44m
RM10.63m
Current shares o/s 1,258m
Free float: 62.3%
*Source: Bloomberg

Key financial forecasts

	Dec-17F	Dec-18F	Dec-19F
Net Profit (RMm)	136.5	141.6	153.6
Core EPS (RM)	0.11	0.11	0.12
Core EPS Growth	99.7%	3.7%	8.5%
FD Core P/E (x)	26.00	25.07	23.11
Recurring ROE	4.74%	4.67%	4.96%
P/BV (x)	0.90	0.88	0.86
DPS (RM)	0.043	0.045	0.049
Dividend Yield	2.03%	2.10%	2.28%



Price performance	1M	3M	12M
Absolute (%)	-4	13.2	47.6
Relative (%)	-3.8	9	39.8

Major shareholders	% held
Tan Sri Desmond Lim Siew Choon	19.7
Lembaga Tabung Haji	10.2
EPF	7.9

Analyst(s)

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WCT Holdings

Staying the course

- WCT targets to win RM2bn-3bn worth of contracts in 2017; LRT 3 could be sizeable.
- WCT is still aiming for RM500m in property sales in 2017 via aggressively selling unsold stock with a lower margin. Property outlook remains challenging in 2H17.
- Overall de-gearing strategies intact. WCT is looking to announce its own "WCT REIT" deal by mid-2017.

Increasingly active in domestic tenders

- During the post-1Q17 results briefing, management reiterated its bullish stance of meeting its RM2bn-3bn total contract wins in FY17 vs. our more conservative target of RM1.5bn. Tender activities have been gaining momentum. WCT's total jobs being tendered amount to over RM10bn. It is looking to ink MOUs/strategic alliances with undisclosed China top contractors for certain building/infra projects domestically.
- We believe that if WCT secures two LRT 3 packages in 2Q17, the combined values could be sizeable. Also, the group clarified that it is tendering for the KL-Klang Bus Rapid Transit (BRT) via a consortium. This is a private finance initiative (PFI)/concession contract and would require an equity outlay. We earlier estimated BRT to be worth RM1bn-2bn.

Focus on higher margin domestic contracts

- Construction EBIT margin of 4% as at 1Q17 may have further upside as billings for infra-type jobs (87% of RM4.8bn outstanding order book) gain momentum in the coming quarters. 89% of total outstanding order book comprises domestic jobs with higher margins. Management is less keen on Gulf state/Middle East jobs and will focus its resources locally.

Still aiming for RM500m in property sales in 2017

- Total 1Q17 property sales stood at RM49m (RM196m if annualised) with unbilled sales at RM487m. To meet its unchanged RM500m property sales target this year, the group will be more aggressive in its repricing strategy on unsold stock and could roll-out discounts on other developments with relatively lower land cost. As at Mar 17, unsold inventory stood at over RM1bn in GDV which would yield pretax margin of 10-15% vs. 20% for new launches. There will be no new launches this year.
- The repricing strategy has shown some impact on the sales of d'Laman Greenville in Klang South (RM543m GDV) where it generated c.RM170m sales in Jan-May following a 15% effective drop in selling prices.

De-gearing initiatives unchanged – REIT deal by mid-2017

- After totalling the placement proceeds (including RM50m from the 2nd tranche to be issued in 2H17) of RM228m with the RM272m from the full exercise of warrant D by Dec 17, WCT would have raised RM500m from the equity market.
- Separately, the REIT plans are now more focused on creating WCT's own REIT vehicle, which would raise up to RM400m in net proceeds by listing Paradigm PJ, AEON Mall, and Premiere Hotel in Klang with a combined market value of RM1.1bn. An announcement is targeted by mid-2017.
- The group aims to sell selected idle land bank within the next 12 months, mainly the 608-acre land in Sungai Buaya in Selangor (supposed to be a township) and the 89-acre Serendah industrial land. The combined land bank sales could raise as much as RM500m.

Status quo with no major surprises; maintain Hold

- We came away from the briefing feeling optimistic about job wins as newsflow could pick up in 2H17 driven by LRT 3. However, we are still concerned about likely downside to property sales and margins. We retain our Hold call and target price (30% discount to RNAV). Upside risk is larger value contract wins. Downside risks are weaker quarterly earnings and delayed contract awards.

Figure 1: WCT's list of tenders submitted/pending submission

Local - civil & infrastructure	> RM5bn
- LRT 3	
- MRT 2	
- BRT KL-Klang	
Local building works	> RM3.5bn
- Office towers	
- Highrise residential towers	
- Retail malls and hotel	
Overseas projects - building works	> RM1.8bn
Total	> RM10bn
WCT's target value of job wins in 2017	RM2-3bn

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Sector comparison

Company	Bloomberg Ticker	Reco m.	Price	Target Price	Market Cap (US\$m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
			(local curr)	(local curr)		CY2016	CY2017		CY2016	CY2017	CY2016	CY2017	CY2018	CY2016	CY2017	CY2016	CY2017
Gamuda	GAM MK	Add	RM5.33	RM5.98	3,042	12.0	11.0	6.4%	1.85	1.82	9.6%	10.1%	11.2%	20.3	15.6	2.3%	2.3%
IJM Corp Bhd	IJM MK	Add	RM3.48	RM3.87	2,947	18.3	18.4	-3.6%	1.63	1.69	8.5%	9.0%	9.4%	18.8	19.2	1.7%	1.6%
Malaysian Resources Corp	MRC MK	Hold	RM1.41	RM1.42	721	10.6	25.5	-9.9%	0.97	0.98	12.3%	3.7%	4.6%	14.8	19.0	0.8%	0.7%
Muhibbah Engineering	MUHI MK	Add	RM2.87	RM3.09	323	12.8	11.9	14.8%	1.38	1.30	11.7%	11.2%	12.2%	8.5	4.2	2.4%	1.5%
Salcon	SALC MK	Hold	RM0.63	RM0.67	95	38.0	19.4	62.7%	0.87	0.86	2.1%	4.5%	4.8%	na	4.1	0.0%	3.1%
Sunway Bhd	SWB MK	Add	RM3.59	RM3.91	1,711	12.4	12.8	-13.7%	0.98	1.22	9.1%	8.3%	9.9%	17.5	16.2	1.9%	1.7%
WCT Holdings	WCTHG MK	Hold	RM2.14	RM2.10	697	39.4	19.7	-23.4%	0.97	0.90	2.7%	4.7%	4.7%	40.2	40.7	0.0%	1.1%
YTL Corporation	YTL MK	Hold	RM1.52	RM1.56	3,748	92.2	20.8	na	1.13	1.17	1.2%	5.5%	8.9%	13.9	11.0	5.2%	4.8%
Average						14.1	14.5	2.3%	1.63	1.63	9.6%	8.9%	9.7%	18.0	16.0	1.9%	1.9%

SOURCE: CIMB RESEARCH, COMPANY

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Net Revenues	1,934	2,138	2,143	2,148
Gross Profit	239	342	346	352
Operating EBITDA	121	123	126	132
Depreciation And Amortisation	(15)	(26)	(28)	(31)
Operating EBIT	106	97	98	101
Financial Income/(Expense)	(31)	(47)	(48)	(49)
Pretax Income/(Loss) from Assoc.	1	11	12	12
Non-Operating Income/(Expense)	46	162	170	178
Profit Before Tax (pre-EI)	122	222	232	243
Exceptional Items	0	0	0	0
Pre-tax Profit	122	222	232	243
Taxation	(57)	(47)	(48)	(48)
Exceptional Income - post-tax				
Profit After Tax	65	176	183	195
Minority Interests	3	(39)	(42)	(42)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	68	137	142	154
Recurring Net Profit	68	137	142	154
Fully Diluted Recurring Net Profit	68	137	142	154

Balance Sheet

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Total Cash And Equivalents	455	464	473	483
Total Debtors	1,082	1,071	1,061	1,050
Inventories	132	105	110	115
Total Other Current Assets	972	973	974	974
Total Current Assets	2,641	2,613	2,618	2,623
Fixed Assets	328	346	363	382
Total Investments	1,776	1,776	1,777	1,779
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	2,604	2,656	2,710	2,764
Total Non-current Assets	4,708	4,778	4,850	4,924
Short-term Debt	823	815	807	799
Current Portion of Long-Term Debt				
Total Creditors	977	1,009	1,042	1,076
Other Current Liabilities	13	13	13	13
Total Current Liabilities	1,814	1,837	1,862	1,888
Total Long-term Debt	2,159	1,943	1,923	1,904
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	538	538	544	549
Total Non-current Liabilities	2,697	2,481	2,467	2,453
Total Provisions	41	41	41	41
Total Liabilities	4,551	4,359	4,370	4,382
Shareholders' Equity	2,763	2,998	3,064	3,130
Minority Interests	34	34	35	35
Total Equity	2,797	3,032	3,098	3,165

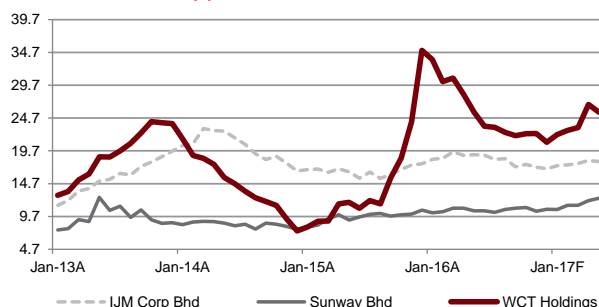
Cash Flow

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
EBITDA	120.6	122.8	126.4	132.1
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(274.5)	(51.5)	(20.1)	(20.9)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	77.9	78.7	79.5	80.3
Net Interest (Paid)/Received	(31.2)	(47.2)	(47.9)	(48.6)
Tax Paid	(56.8)	(46.7)	(48.4)	(47.9)
Cashflow From Operations	(163.9)	56.1	89.5	94.9
Capex	(55.1)	(38.7)	(46.9)	(42.8)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/Investments	(221.6)	(172.5)	(163.9)	(155.7)
Other Investing Cashflow	38.1	34.3	30.9	27.8
Cash Flow From Investing	(238.5)	(176.9)	(179.9)	(170.7)
Debt Raised/(repaid)	381.2	(224.1)	(27.6)	(27.3)
Proceeds From Issue Of Shares	92.6	221.0	0.0	0.0
Shares Repurchased	(1.4)	0.0	0.0	0.0
Dividends Paid	(25.0)	(42.5)	(42.5)	(42.5)
Preferred Dividends				
Other Financing Cashflow	(131.6)	175.6	169.7	155.1
Cash Flow From Financing	315.8	130.0	99.6	85.3
Total Cash Generated	(86.6)	9.1	9.3	9.5
Free Cashflow To Equity	(21.2)	(345.0)	(117.9)	(103.1)
Free Cashflow To Firm	(356.1)	(56.3)	(24.3)	(8.1)

Key Ratios

	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Revenue Growth	15.9%	10.6%	0.2%	0.3%
Operating EBITDA Growth	35.9%	1.8%	2.9%	4.5%
Operating EBITDA Margin	6.24%	5.74%	5.90%	6.15%
Net Cash Per Share (RM)	(2.01)	(1.82)	(1.79)	(1.76)
BVPS (RM)	2.20	2.38	2.44	2.49
Gross Interest Cover	2.28	1.50	1.48	1.49
Effective Tax Rate	46.6%	21.0%	20.9%	19.7%
Net Dividend Payout Ratio	NA	22.4%	21.6%	19.9%
Accounts Receivables Days	166.3	140.5	138.8	137.1
Inventory Days	30.86	24.04	21.80	22.89
Accounts Payables Days	167.8	164.5	171.1	177.9
ROIC (%)	2.03%	1.69%	1.71%	1.75%
ROCE (%)	3.01%	4.74%	4.89%	5.07%
Return On Average Assets	1.24%	2.84%	2.93%	3.07%

12-mth Fwd FD P/E (x)



Key Drivers

(RMm)	Dec-16A	Dec-17F	Dec-18F	Dec-19F
Outstanding Orderbook	2,700	2,300	1,900	1,500
Order Book Depletion	1,900	1,900	1,900	1,900
Orderbook Replenishment	1,500	1,500	1,500	1,500
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

SOURCE: CIMB RESEARCH, COMPANY DATA

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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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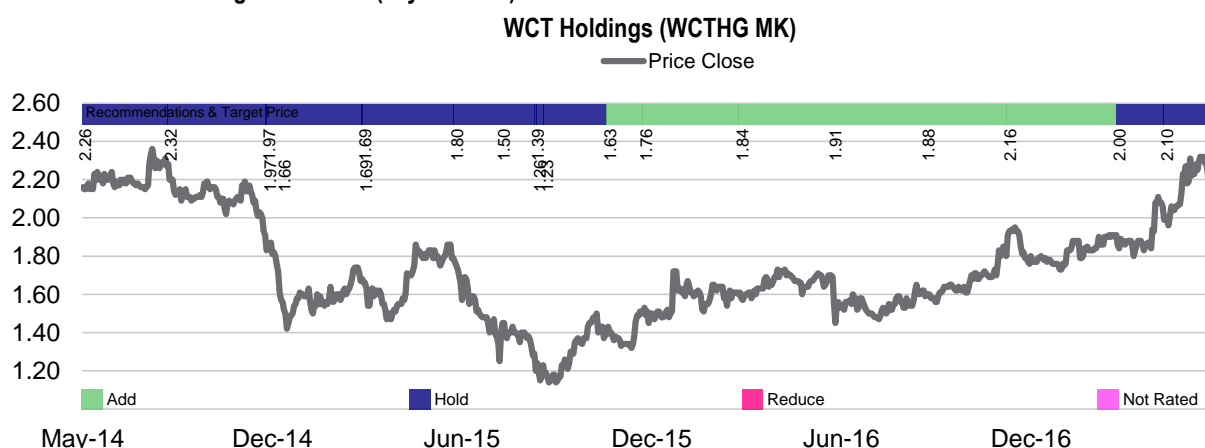
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2017

1244 companies under coverage for quarter ended on 31 March 2017

	Rating Distribution (%)	Investment Banking clients (%)
Add	55.9%	5.2%
Hold	30.0%	1.6%
Reduce	10.4%	0.3%

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 2016, Anti-Corruption 2016.

AAV – Very Good, n/a, **ADVANC** – Very Good, Certified, **AEONTS** – Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Very Good, Declared, **AOT** – Excellent, Declared, **AP** – Very Good, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – not available, Declared, **BCP** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, Declared, **BEC** – Good, n/a, **BH** – Good, Declared, **BIGC** – Excellent, Declared, **BJC** – Good, n/a, **BLA** – Very Good, Certified, **BPP** – not available, n/a, **BTS** – Excellent, Certified, **CBG** – Good, n/a, **CCET** – not available, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** – Excellent, Certified, **DELTA** – Excellent, Declared, **DEMCO** – Excellent, Certified, **DTAC** – Excellent, Certified, **EA** – Very Good, Declared, **ECL** – Good, Certified, **EGCO** – Excellent, Certified, **EPG** – Good, n/a, **GFPT** – Excellent, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** – Excellent, n/a, **GUNKUL** – Very Good, Declared,

HANA - Excellent, Certified, **HMPRO** - Excellent, Declared, **ICHI** - Very Good, Declared, **INTUCH** - Excellent, Certified, **ITD** - Good, n/a, **IVL** - Excellent, Certified, **JAS** - not available, Declared, **JASIF** - not available, n/a, **JUBILE** - Good, Declared, **KAMART** - not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** - Good, Certified, **KKP** - Excellent, Certified, **KSL** - Very Good, Declared, **KTB** - Excellent, Certified, **KTC** - Excellent, Certified, **LH** - Very Good, n/a, **LPN** - Excellent, Declared, **M** - Very Good, Declared, **MAJOR** - Good, n/a, **MAKRO** - Good, Declared, **MALEE** - Very Good, Declared, **MBKET** - Very Good, Certified, **MC** - Very Good, Declared, **MCOT** - Excellent, Declared, **MEGA** - Very Good, Declared, **MINT** - Excellent, Certified, **MTLS** - Very Good, Declared, **NYT** - Excellent, n/a, **OISHI** - Very Good, n/a, **PLANB** - Very Good, Declared, **PSH** - not available, n/a, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** - Excellent, Declared, **RATCH** - Excellent, Certified, **ROBINS** - Very Good, Declared, **RS** - Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** - Excellent, Certified, **SAWAD** - Good, n/a, **SC** - Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** - not available, n/a, **SCC** - Excellent, Certified, **SCN** - Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** - Good, n/a, **SPALI** - Excellent, Declared, **SPRC** - Very Good, Declared, **STA** - Very Good, Declared, **STEC** - Excellent, n/a, **SVI** - Excellent, Certified, **TASCO** - Very Good, Declared, **TCAP** - Excellent, Certified, **THAI** - Very Good, Declared, **THANI** - Very Good, Certified, **THCOM** - Excellent, Certified, **THRE** - Very Good, Certified, **THREL** - Very Good, Certified, **TICON** - Very Good, Declared, **TISCO** - Excellent, Certified, **TK** - Very Good, n/a, **TKN** - Good, n/a, **TMB** - Excellent, Certified, **TOP** - Excellent, Certified, **TPCH** - Good, n/a, **TIPIP** - not available, n/a, **TRUE** - Very Good, Declared, **TTW** - Very Good, Declared, **TU** - Excellent, Declared, **UNIQ** - not available, Declared, **VGI** - Excellent, Declared, **WHA** - not available, Declared, **WHART** - not available, n/a, **WORK** - not available, n/a.

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- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

CIMB Recommendation Framework

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.