

21 October 2014 | Corporate Update

WCT Holdings Berhad

Acquiring another piece of land in Bandar Serendah

Reaffirm BUY

Unchanged Target Price (TP): RM2.59

INVESTMENT HIGHLIGHTS

- **Acquiring 220.74 acres of Bandar Serendah land which is adjacent to its existing land.**
- **The proposed acquisition is expected to contribute positively to WCT Holdings Bhd's (WCTH) earnings in the long term.**
- **At this juncture, we maintain our earnings forecasts.**
- **We reaffirm our BUY recommendation with an unchanged TP of RM2.59.**

Acquiring 220.74 acres of Bandar Serendah land for RM115.4m.

WCTH, via its wholly-owned subsidiary WCT Land Sdn Bhd, has entered into a conditional sale and purchase agreement (SPA) with Matad Sdn Bhd (Matad) to acquire four (4) pieces of vacant freehold lands (the lands) measuring approximately 220.74 acres located in Seksyen 20, Bandar Serendah, Selangor (see Appendix). Purchase consideration for the lands is RM115.4m.

Our view. We deem the purchase price of RM115.4m or RM12psf for the lands as fair. This is based on the comparison to the transactions of lands in the vicinity. Mah Sing, for instance, paid RM16psf to acquire lands for the development of M Residence 3 in Rawang last year. We opine that it is a strategic move by WCTH to acquire the lands as they are adjacent to its existing lands in Bandar Serendah. The lands will increase its existing land banks in Bandar Serendah to a size of 682.4 acres in total. Also, it will raise the Group's total undeveloped land banks to 985.2 acres.

Strategic move. We understand its existing land bank in Bandar Serendah will be developed as an integrated township with a potential Gross Development Value (GDV) of RM1.2b. The Group is likely to replicate the similar concept of its successful Bandar Bukit Tinggi Township for its development in Bandar Serendah. However, the Group has yet to disclose the estimated GDV as well as the expected development mix of the lands. We believe that the proposed acquisition will contribute positively to WCTH's earnings in the long term. The lands are strategically accessible via North-South Highway hence creating a very good connectivity.

Funding the acquisition internally. The acquisition of the lands will be internally funded and is expected to complete within three (3) months. We understand a sum of RM11.5m or 10% of the purchase price will be payable to Matad upon the execution of the SPA and the remaining RM103.8m on the completion date.

RETURN STATS	
Price (20 October 2014)	RM2.09
Target Price	RM2.59
Expected Share Price Return	+23.9%
Expected Dividend Yield	+4.3%
Expected Total Return	+28.2%

STOCK INFO	
KLCI	1,803.14
Bursa / Bloomberg	9679 / WCTH MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	1,089.9
Par Value (RM)	0.50
Market cap. (RM'm)	2,277.9
Price over NTA	1.03x
52-wk price Range	RM1.97–RM2.50
Beta (against KLCI)	0.92x
3-mth Avg Daily Vol	0.83m
3-mth Avg Daily Value	RM1.83m
Major Shareholders:	
WCT Capital S/B	19.26%
EPF	10.53%
LTH	9.99%
AmanahRaya Trustees	8.16%
ASB	7.09%
KWAP	6.49%

INVESTMENT STATISTICS


FYE December	FY11	FY12	FY13	FY14F	FY15F
Revenue (RM'm)	1,538.6	1,560.4	1,672.4	2,208.8	2,251.8
EBIT (RM'm)	215.2	438.6	241.5	311.4	333.1
Pre-tax Profit (RM'm)	207.5	414.9	254.2	240.6	302.2
Net Profit (RM'm)	166.5	345.7	189.8	187.7	220.4
Net Profit Margin (%)	10.8	22.2	11.3	8.5	9.8
EPS (sen)	15.6	38.0	18.4	17.2	20.3
EPS growth	-25.0	143.6	-51.6	-6.5	18.0
PER (x)	13.2	6.2	11.1	12.2	10.3
Net Dividend (sen)	7.0	3.8	10.0	8.9	10.0
Net Dividend Yield (%)	3.4	1.6	4.9	4.3	4.8

Source: Company, MIDFR

Currently, WCTH has cash in hand of RM428.7m and stable net gearing of 0.6 times to finance the acquisition of the lands. Net gearing is expected to remain healthy at 0.65 times post acquisition.

VALUATION AND RECOMMENDATION

Earnings unchanged. At this juncture, we make no changes to our earnings forecasts as the proposed mixed development project on the lands is still at a preliminary stage and will only have material impact on earnings in the long-term.

Reaffirm BUY with a cautious view. With two months left to the year, there is heightened uncertainty over the Group's ability to secure another RM1.65b worth of jobs in order to meet its construction order book target. As such, we will review WCTH's construction order book replenishment and our earnings forecasts in the upcoming 3QFY14 results which will be released next month. 

SUM-OF-PARTS VALUATION

Segments	Effective Interest	Method	Market Value
Construction	Various	FY14F PER of 10.1x	1,219.1
Concessions			
Indian Tollways	30.0%	DCF (WACC: 7.5%)	112.4
KLIA2 Integrated Complex	70.0%	DCF (WACC: 10%)	320.1
Property Development	Various	DCF (WACC: 10%)	1,114.4
Property Investment	Various	DCF (WACC: 10%)	570.1
Net Asset Value			3,336.1
Net debt			-432.0
Cash proceeds from warrants			393.1
Total			3,297.2
Enlarged share capital			1,143.8
SOP / share			2.88
Discount			10%
SOP / share			2.59

Source: Company, MIDFR

EXTERNAL CONSTRUCTION ORDERBOOK

Gulf States		Malaysia: Engineering & Infrastructure		Malaysia: Building		Total (RM'm)
	RM'm		RM'm		RM'm	
Government Admin Office in Qatar	354.0	PLUS Widening	290.0	KK Medical Centre	147.0	
New Doha International Airport in Qatar	2.0	Tun Razak Exchange	152.0	Putrajaya Commercial Office	291.0	
		RAPID - Common construction access & permanent road	342.0	Ministry of International Trade (MITI)	215.0	
		Others	4.0	Jusco Melaka - AEON	30.0	
				UITM	36.0	
				Others	13.0	
Total	356.0		788.0		732.0	1,876.0*

*As at end of June 2014

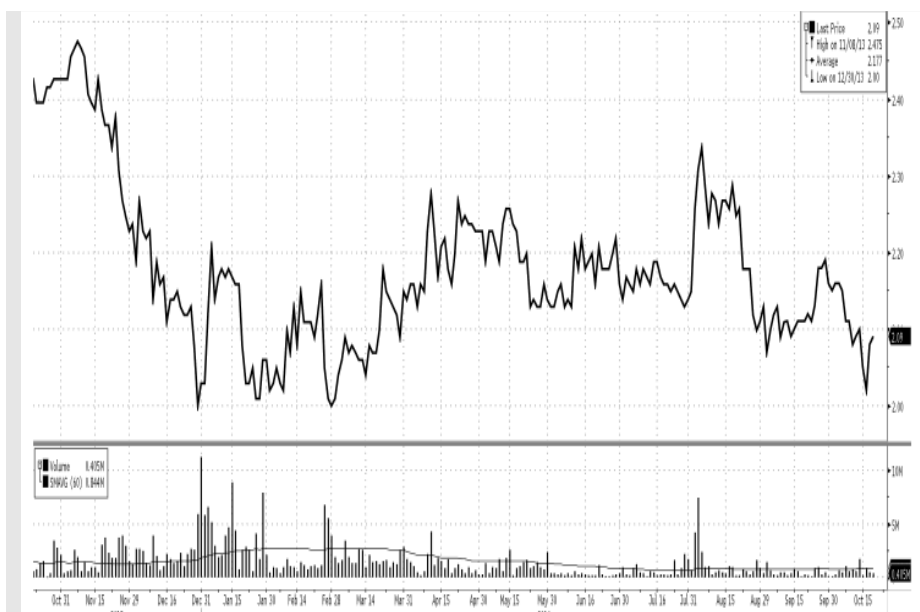
Source: Company, MIDFR

TENDERS SUBMITTED

Tenders Submitted	Approximate Project Value (RM'm)
Local projects	3,101
Overseas projects	1,500
Total	4,601
Tenders Under Preparation	Approximate Project Value (RM'm)
Local projects	220
Overseas projects	1,300
Total	1,502

Source: Company, MIDFR

DAILY PRICE CHART



Syed Muhammed Kifni | Hafiz Hassan
mohd.hafiz@midf.com.my
03-2772 1668

APPENDIX



Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected, by -15% or more, over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.