

### Buy (unchanged)

Share price: MYR2.64  
Target price: MYR2.85 (under review)

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#### Stock Information

**Description:** Construction group with h interests in property development

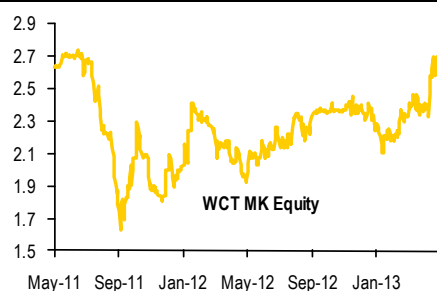
|                                   |          |
|-----------------------------------|----------|
| Ticker:                           | WCT MK   |
| Shares Issued (m):                | 1,092.2  |
| Market Cap (MYR m):               | 2,883.4  |
| 3-mth Avg Daily Turnover (USD m): | 2.98     |
| KLCI:                             | 1,783.88 |
| Free float (%):                   | 51.2     |

|                            |      |
|----------------------------|------|
| <b>Major Shareholders:</b> | %    |
| WCT CAPITAL SDN BHD        | 19.0 |
| EMPLOYEES PROVIDENT        | 11.4 |
| LEMBAGA TABUNG HAJI        | 7.3  |
| KUMPULAN WANG PERSAR       | 6.2  |

#### Key Indicators

|                            |         |
|----------------------------|---------|
| Net cash / (debt) (MYR m): | (746.3) |
| NTA/shr (MYR):             | 1.90    |
| Net gearing (x):           | 0.4     |

#### Historical Chart



#### Performance:

|                  |                  |       |       |      |      |
|------------------|------------------|-------|-------|------|------|
| 52-week High/Low | MYR2.74/MYR1.922 |       |       |      |      |
|                  | 1-mth            | 3-mth | 6-mth | 1-yr | YTD  |
| Absolute (%)     | 11.9             | 18.9  | 12.0  | 37.4 | 12.3 |
| Relative (%)     | 7.3              | 8.5   | 2.1   | 22.0 | 6.7  |

## WCT

### Surprises On The Upside

**Above expectations.** 1Q13 net profit of MYR43m (+8% YoY) included a MYR26.3m one-off accrual for prolongation, legal and other costs relating to a sub-contractor's claim for the Dukhan Highway contract. Excluding this and a forex gain of MYR6.6m, core net profit of MYR63m (+36% YoY) was above our expectation at 31% of our FY13 forecast of MYR206m before netting off the MYR26.3m. We maintain our earnings forecasts pending an analyst briefing today. Maintain BUY, but our TP is under review pending strong share price performance post-13GE.

**Strong showing at construction.** 1Q13 construction EBIT margin was stronger than expected at 19.9% (+2.6ppts YoY) before netting off MYR26.3m in accrual for prolongation, legal and other costs awarded by a Tribunal in favour of a sub-contractor's claim for the Dukhan Highway job in Qatar. This, we understand, was due to variation orders booked in the recent quarter, with normalised margins in the 12-13% range. Construction works recognition rose 27% YoY.

**Property in line.** At the property development division, EBIT margin also received a boost (+7.4ppts YoY to 22.6%), which we think could be due to the product mix which contains higher margin products. This, in turn, is likely to come from the Medini1 project in Johor. Progress billings rose a strong 124% YoY on record property sales of MYR666m in FY12, and another MYR120m, we understand, in FY13 YTD.

**Maintaining forecasts for now.** We estimate that WCT has secured MYR584m construction jobs YTD, lifting its outstanding order book to MYR3.1b, we estimate, as at end-Mar 2013. This should sustain the momentum in the next few quarters. Meanwhile, property development earnings should rise in the subsequent quarters due to strong locked-in sales to date. FY13 will also see a full-year contribution from Paradigm Mall and a one quarter impact from Gateway Mall at KLIA2 (expected opening in early-4Q13). We maintain our earnings forecasts for now.

**TP under review.** Our MYR2.85 TP is pegged to 13x FY13 core earnings plus a 20sen increment from the KLIA-IC concession. There is upside potential, pending an analyst briefing today.

#### WCT- Summary Earnings Table

Source: Maybank KE

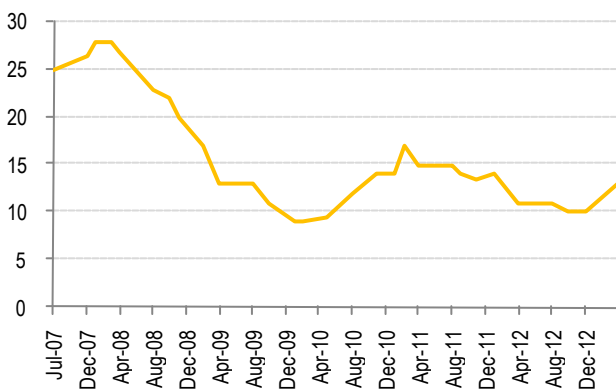
| FYE Dec (MYR m)              | 2010A   | 2011A   | 2012A   | 2013F   | 2014F   |
|------------------------------|---------|---------|---------|---------|---------|
| Revenue                      | 1,708.5 | 1,538.6 | 1,560.4 | 1,885.4 | 1,864.3 |
| EBITDA                       | 280.1   | 227.1   | 246.3   | 320.5   | 364.4   |
| Recurring Net Profit         | 156.9   | 146.6   | 167.1   | 205.9   | 208.1   |
| Recurring FD EPS (sen)       | 15.4    | 17.0    | 36.9    | 18.0    | 20.2    |
| FD EPS growth (%)            | (5.0)   | 10.3    | 116.9   | (51.3)  | 12.6    |
| DPS (sen)                    | 5.7     | 6.5     | 6.5     | 6.5     | 6.5     |
| BVPS (MYR)                   | 1.39    | 1.59    | 1.92    | 2.06    | 2.23    |
| FD PER (x)                   | 17.1    | 15.5    | 7.2     | 14.7    | 13.0    |
| EV/EBITDA (x)                | 16.3    | 20.1    | 18.6    | 14.3    | 12.5    |
| Div Yield (%)                | 2.1     | 2.5     | 2.5     | 2.5     | 2.5     |
| P/BV(x)                      | 1.9     | 1.7     | 1.4     | 1.3     | 1.2     |
| Net Gearing (%)              | 36.6    | 39.9    | 40.9    | 73.2    | 61.8    |
| ROE (%)                      | 12.0    | 11.2    | 20.1    | 9.2     | 9.9     |
| ROA (%)                      | 1.39    | 1.59    | 1.92    | 2.06    | 2.23    |
| Consensus Net Profit (MYR m) | -       | -       | -       | 198.5   | 239.4   |

## WCT: Results Summary Table

| FY Dec (MYR m)                      | Quarterly    |              |                |              |                |
|-------------------------------------|--------------|--------------|----------------|--------------|----------------|
|                                     | 1Q13         | 1Q12         | % YoY          | 4Q12         | % QoQ          |
| Turnover                            | 490.9        | 341.6        | 43.7           | 380.2        | 29.1           |
| EBIT                                | 76.1         | 62.2         | 22.3           | 281.5        | (73.0)         |
| Interest expense                    | (14.7)       | (15.4)       | (4.7)          | (18.9)       | (22.5)         |
| Associates                          | 4.0          | 4.8          | (17.6)         | 3.0          | 32.9           |
| <b>Pre-tax profits</b>              | <b>65.4</b>  | <b>51.6</b>  | <b>26.6</b>    | <b>265.5</b> | <b>(75.4)</b>  |
| Tax                                 | (23.5)       | (11.8)       | 98.9           | (28.1)       | (16.3)         |
| Minority Interests                  | 1.4          | 0.3          | 429.4          | 7.2          | (81.3)         |
| <b>Net profit</b>                   | <b>43.2</b>  | <b>40.0</b>  | <b>7.9</b>     | <b>244.7</b> | <b>(82.4)</b>  |
| <b>Net profit (ex-forex, ex-EI)</b> | <b>62.9</b>  | <b>46.2</b>  | <b>36.1</b>    | <b>38.5</b>  | <b>63.6</b>    |
|                                     | <b>1Q13</b>  | <b>1Q12</b>  | <b>+/- ppt</b> | <b>4Q12</b>  | <b>+/- ppt</b> |
| EBIT margin (%)                     | 15.5         | 18.2         | (2.7)          | 74.0         | (58.6)         |
| Pretax margin (%)                   | 13.3         | 15.1         | (1.8)          | 69.8         | (56.5)         |
| Tax rate (%)                        | 36.0         | 22.9         | 13.1           | 10.6         | 25.4           |
| <b>Revenue:</b>                     | <b>1Q13</b>  | <b>1Q12</b>  | <b>% YoY</b>   | <b>4Q12</b>  | <b>% QoQ</b>   |
| Construction                        | 347.6        | 273.0        | 27.3           | 199.3        | 74.5           |
| Property devt                       | 124.0        | 55.3         | 124.1          | 152.7        | (18.8)         |
| Property investment                 | 19.3         | 13.2         | 46.7           | 28.2         | (31.5)         |
| <b>Total</b>                        | <b>490.9</b> | <b>341.6</b> | <b>43.7</b>    | <b>380.2</b> | <b>29.1</b>    |
| <b>EBIT</b>                         |              |              |                |              |                |
| Construction                        | 42.8         | 47.3         | (9.4)          | 19.2         | 123.2          |
| Property devt                       | 28.0         | 8.5          | 228.6          | 40.0         | (29.8)         |
| Property investment                 | 5.2          | 6.4          | (18.6)         | 11.4         | (54.2)         |
| <b>Total</b>                        | <b>76.1</b>  | <b>62.2</b>  | <b>22.3</b>    | <b>70.5</b>  | <b>7.9</b>     |
| <b>EBIT margin (%)</b>              | <b>1Q13</b>  | <b>1Q12</b>  | <b>+/- ppt</b> | <b>4Q12</b>  | <b>+/- ppt</b> |
| Construction                        | 12.3         | 17.3         | (5.0)          | 9.6          | 2.7            |
| Property devt                       | 22.6         | 15.4         | 7.2            | 26.2         | (3.6)          |
| Property investment                 | 26.9         | 48.4         | NM             | 40.3         | (13.4)         |
| <b>Total</b>                        | <b>15.5</b>  | <b>18.2</b>  | <b>(2.7)</b>   | <b>18.5</b>  | <b>(3.1)</b>   |

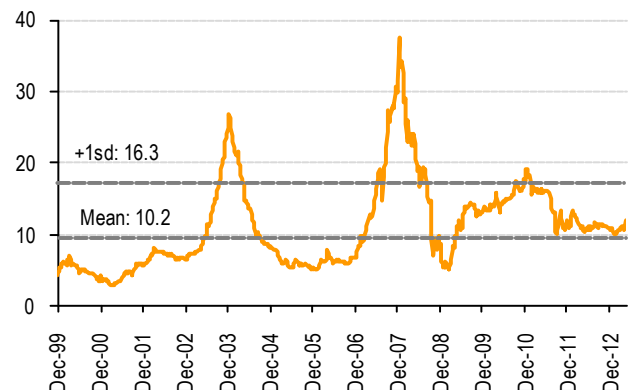
Sources: Company, Maybank KE

## WCT: Foreign shareholding (13% @ Mar 2013; +3ppts YTD)



Sources: Company, Maybank KE

## WCT: One-year forward rolling PER



Sources: Bloomberg, Maybank KE

**INCOME STATEMENT (MYR m)**

| FY Dec                          | 2011A        | 2012A        | 2013F        | 2014F        |
|---------------------------------|--------------|--------------|--------------|--------------|
| Turnover                        | 1,538.6      | 1,560.4      | 1,885.4      | 1,864.3      |
| EBITDA                          | 227.1        | 246.3        | 320.5        | 364.4        |
| Depreciation & Amortisation     | (9.1)        | (6.5)        | (6.8)        | (7.2)        |
| Operating Profit                | 218.0        | 239.7        | 313.7        | 357.2        |
| Associates                      | 16.8         | 16.8         | 16.9         | 17.7         |
| Interest (Exp)/Inc              | (44.1)       | (48.8)       | (65.7)       | (68.8)       |
| Exceptional Items               | 14.0         | 211.0        | 0.0          | 0.0          |
| <b>Pre-Tax Profit</b>           | <b>207.5</b> | <b>420.7</b> | <b>264.9</b> | <b>306.1</b> |
| Tax                             | (41.0)       | (69.2)       | (70.3)       | (76.5)       |
| Minority Interest               | (0.5)        | 13.2         | (15.0)       | (21.5)       |
| <b>Net Profit</b>               | <b>166.0</b> | <b>364.6</b> | <b>179.6</b> | <b>208.1</b> |
| <b>Recurring Net Profit</b>     | <b>146.6</b> | <b>167.1</b> | <b>205.9</b> | <b>208.1</b> |
| Revenue Growth %                | (9.9)        | 1.4          | 20.8         | (1.1)        |
| EBITDA Growth (%)               | (18.9)       | 8.4          | 30.2         | 13.7         |
| EBIT Growth (%)                 | (17.3)       | 10.0         | 30.8         | 13.9         |
| Net Profit Growth (%)           | 10.4         | 119.6        | (50.7)       | 15.9         |
| Recurring Net Profit Growth (%) | (6.6)        | 14.0         | 23.2         | 1.1          |
| Tax Rate %                      | 21.4         | 33.5         | 26.5         | 25.0         |

**BALANCE SHEET (MYR m)**

| FY Dec                           | 2011A          | 2012A          | 2013F          | 2014F          |
|----------------------------------|----------------|----------------|----------------|----------------|
| Fixed Assets                     | 270.3          | 276.2          | 299.4          | 322.2          |
| Other LT Assets                  | 1,911.2        | 2,547.8        | 3,361.6        | 3,380.3        |
| Cash/ST Investments              | 790.0          | 1,077.7        | 794.1          | 716.2          |
| Other Current Assets             | 1,598.1        | 1,430.4        | 1,637.7        | 1,620.1        |
| <b>Total Assets</b>              | <b>4,569.6</b> | <b>5,332.2</b> | <b>6,092.8</b> | <b>6,038.8</b> |
| ST Debt                          | 466.1          | 930.7          | 1,430.7        | 1,330.7        |
| Other Current Liabilities        | 965.5          | 1,046.6        | 1,258.9        | 1,221.5        |
| LT Debt                          | 913.1          | 890.1          | 790.1          | 690.1          |
| Other LT Liabilities             | 465.9          | 591.6          | 591.6          | 591.6          |
| Minority Interest                | 282.6          | 57.0           | 72.0           | 93.4           |
| Shareholders' Equity             | 1,476.4        | 1,816.2        | 1,949.5        | 2,111.4        |
| <b>Total Liabilities-Capital</b> | <b>4,569.6</b> | <b>5,332.2</b> | <b>6,092.8</b> | <b>6,038.8</b> |
| Share Capital (m)                | 805.2          | 823.0          | 823.0          | 823.0          |
| Net Debt                         | 1,039.1        | 743.1          | 1,426.7        | 1,304.6        |
| Working Capital                  | 639.3          | 399.6          | 394.7          | 414.4          |
| Gross Gearing %                  | 93.4           | 100.3          | 113.9          | 95.7           |

**CASH FLOW (MYR m)**

| FY Dec                            | 2011A          | 2012A          | 2013F          | 2014F          |
|-----------------------------------|----------------|----------------|----------------|----------------|
| Profit after taxation             | 207.5          | 420.7          | 264.9          | 306.1          |
| Depreciation                      | 9.1            | 6.5            | 6.8            | 7.2            |
| Net interest receipts/(payments)  | (28.2)         | (42.9)         | 65.7           | 68.8           |
| Working capital change            | (118.4)        | 17.0           | 4.9            | (19.7)         |
| Cash tax paid                     | (32.8)         | (51.0)         | (70.3)         | (76.5)         |
| Others (incl'd exceptional items) | (17.6)         | (156.3)        | 0.0            | 0.0            |
| <b>Cash flow from operations</b>  | <b>19.8</b>    | <b>194.0</b>   | <b>272.0</b>   | <b>285.8</b>   |
| Capex                             | 8.1            | (9.1)          | (30.0)         | (30.0)         |
| Disposal/(purchase)               | 0.0            | 0.0            | 0.0            | 0.0            |
| Others                            | (164.0)        | (260.5)        | (795.9)        | 0.0            |
| <b>Cash flow from investing</b>   | <b>(155.9)</b> | <b>(269.6)</b> | <b>(825.9)</b> | <b>(30.0)</b>  |
| Debt raised/(repaid)              | (278.5)        | 424.5          | 400.0          | (200.0)        |
| Equity raised/(repaid)            | 86.4           | 40.4           | 1.0            | 1.0            |
| Dividends (paid)                  | (60.4)         | (61.8)         | (46.2)         | (46.2)         |
| Interest payments                 | 0.0            | (68.9)         | (84.7)         | (86.9)         |
| Others                            | (0.4)          | 68.9           | 0.0            | 0.0            |
| <b>Cash flow from financing</b>   | <b>(252.9)</b> | <b>403.1</b>   | <b>270.0</b>   | <b>(332.1)</b> |
| Change in cash                    | (389.0)        | 327.5          | (283.9)        | (76.3)         |

**RATES & RATIOS**

| FY Dec                | 2011A | 2012A | 2013F | 2014F |
|-----------------------|-------|-------|-------|-------|
| EBITDA Margin %       | 14.8  | 15.8  | 17.0  | 19.5  |
| Op. Profit Margin %   | 14.2  | 15.4  | 16.6  | 19.2  |
| Net Profit Margin %   | 10.8  | 23.4  | 9.5   | 11.2  |
| ROE %                 | 11.2  | 20.1  | 9.2   | 9.9   |
| ROA %                 | 3.6   | 7.4   | 3.1   | 3.4   |
| Net Margin Ex. EI %   | 9.5   | 10.7  | 10.9  | 11.2  |
| Dividend Cover (x)    | 34.6  | 30.1  | 25.7  | 22.2  |
| Interest Cover (x)    | 5.3   | 9.2   | 4.8   | 5.2   |
| Asset Turnover (x)    | 0.3   | 0.3   | 0.3   | 0.3   |
| Asset/Debt (x)        | 3.3   | 2.9   | 2.7   | 3.0   |
| Debtors Turn (days)   | 150.4 | 160.7 | 150.0 | 150.0 |
| Creditors Turn (days) | 156.5 | 182.3 | 180.0 | 180.0 |
| Inventory Turn (days) | 17.5  | 17.4  | 18.8  | 20.7  |
| Net Gearing (x)       | 0.4   | 0.4   | 0.7   | 0.6   |
| Debt/ EBITDA (x)      | 6.1   | 7.4   | 6.9   | 5.5   |
| Debt/ Market Cap (x)  | 0.5   | 0.7   | 0.8   | 0.7   |
| EV/EBITDA (x)         | 20.1  | 18.6  | 14.3  | 12.5  |

Sources: Company, Maybank KE



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|             |   |
|-------------|---|
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|  |                          |   |
|--|--------------------------|---|
| Adex = Advertising Expenditure               | FCF = Free Cashflow      | PE = Price Earnings                     |
| BV = Book Value                              | FV = Fair Value          | PEG = PE Ratio To Growth                |
| CAGR = Compounded Annual Growth Rate         | FY = Financial Year      | PER = PE Ratio                          |
| Capex = Capital Expenditure                  | FYE = Financial Year End | QoQ = Quarter-On-Quarter                |
| CY = Calendar Year                           | MoM = Month-On-Month     | ROA = Return On Asset                   |
| DCF = Discounted Cashflow                    | NAV = Net Asset Value    | ROE = Return On Equity                  |
| DPS = Dividend Per Share                     | NTA = Net Tangible Asset | ROSF = Return On Shareholders' Funds    |
| EBIT = Earnings Before Interest And Tax      | P = Price                | WACC = Weighted Average Cost Of Capital |
| EBITDA = EBIT, Depreciation And Amortisation | P.A. = Per Annum         | YoY = Year-On-Year                      |
| EPS = Earnings Per Share                     | PAT = Profit After Tax   | YTD = Year-To-Date                      |
| EV = Enterprise Value                        | PBT = Profit Before Tax  |   |

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