



WCT HOLDINGS BERHAD

Neutral

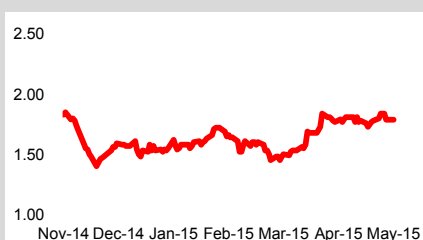
DESCRIPTION

Malaysian construction company with core businesses in civil engineering construction, property development and investment and management of properties and concession assets.

12-Month Target Price RM1.70
Current Price RM1.79
Expected Return -6%

Market Main
Sector Construction
Bursa Code 9679
Bloomberg Ticker WCTHG MK
Shariah-compliant Yes

SHARE PRICE CHART



52 Week Range (RM) RM1.37 – RM2.32
 3-Month Average Vol ('000) 1,544.2

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	1.6	8.2	-0.7
Relative Returns	6.4	12.2	2.4

KEY STOCK DATA

Market Capitalisation (RM m)	1,943.4
No. of Shares (m)	1,085.7

MAJOR SHAREHOLDERS

	%
WCT Capital SB	19.5
Employees Provident Fund	10.1
Lembaga Tabung Haji	9.3

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Within Expectations

WCT Holdings (WCT) netted RM33.2m (-17.2% YoY, +99.3% QoQ), which is deemed in line as we believe the billing especially from its construction business to gather pace in subsequent quarters. YTD, the 1Q net profit constituted 22% and 23% of our and consensus full year estimates. Operating margins for construction improved slightly from 5% to 7%. As for property, the operating margin recovered from 18% to 27%. No dividend was declared as expected.

- **YTD job replenishment of RM868m.** The Group secured the Lusail Development Project in the 1Q, which comprise of jobs such as construction and completion of Commercial Boulevard, LRT Stations and underground carpark. Total outstanding orderbook stood at RM3.6bn, of which c.RM1bn are internal jobs. Projects eyed this year include Warisan Merdeka, civil works at Kwasa Damansara land, West Coast Expressway and MRT2. We understand that the Group has submitted tenders worth some RM24bn, with RM18.7bn local bids and the rest from the Middle East.
- **New sales of RM127m in Q1.** Unbilled sales stood at RM658m and its sales target for FY15 is RM650m which will be coming from new launches worth RM705m, which among others include projects such as Bandar Parklands Medium Cost Apartments, Paradigm Residences, and Semi-Ds in Inanam, Sabah. Going forward, WCT has c.975 acres of undeveloped land with projected GDV of RM17.5bn to be developed in the next 10-15 years.
- **Maintain Neutral and RM1.70 TP.** Granted, the Group's jobs replenishment has regained its momentum which boosted its outstanding orderbook to a healthy level of RM3.6bn with recent job wins which should ensure earnings visibility for the near-term. However, the cash call signals that the proposed REIT could take longer than expected. Also, its investments in property business (landbanking and investment grade assets) are also taking longer time to monetize due to the current difficult trading environment.

KEY FORECAST TABLE

FYE Dec (RM m)	2013A	2014A	2015F	2016F	2017F	CAGR (%)
Revenue	1,655.0	1,662.2	2,120.6	2,251.2	2,451.2	8.2
Operating Profit	302.7	202.4	289.1	303.3	319.3	-1.1
Pre-tax Profit	254.2	151.1	193.4	201.4	223.5	8.2
Net Profit	197.5	120.5	150.6	156.4	173.0	8.2
EPS (Sen)	13.8	8.4	10.5	10.9	12.1	8.2
P/E (x)	12.2	20.0	16.0	15.4	13.9	
DPS (Sen)	9.5	1.0	3.0	3.0	4.0	
Dividend Yield (%)	5.7	0.6	1.8	1.8	2.4	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

<u>FYE Dec (RM m)</u>	<u>1QFY15</u>	<u>1QFY14</u>	<u>4QFY14</u>	<u>QoQ chg</u> <u>(%)</u>	<u>YoY chg</u> <u>(%)</u>	<u>YTD</u> <u>FY15</u>	<u>YTD</u> <u>FY14</u>	<u>YoY chg</u> <u>(%)</u>	<u>Comments</u>
Revenue	351.6	467.2	322.4	9.0	-24.7	351.6	467.2	-24.7	
Cost of sales	-296.7	-384.5	-293.9	0.9	-22.8	-296.7	-384.5	-22.8	
Gross profit	54.9	82.7	28.5	92.7	-33.6	54.9	82.7	-33.6	
Other income	21.6	5.5	41.4	-47.9	294.9	21.6	5.5	294.9	
Other expenses	-17.2	-21.0	-33.8	-49.1	-17.9	-17.2	-21.0	-17.9	
Operating profit	59.3	67.2	36.1	64.0	-11.8	59.3	67.2	-11.8	
Finance costs	-20.0	-15.1	-22.1	-9.6	32.5	-20.0	-15.1	32.5	
Share of results of associates	3.5	4.6	2.5	38.8	-24.2	3.5	4.6	-24.2	
Pre-tax profit	42.7	56.7	16.5	158.5	-24.6	42.7	56.7	-24.6	
Tax	-9.4	-16.2	0.2	-4970.5	-42.0	-9.4	-16.2	-42.0	
Net profit	33.3	40.5	16.7	99.3	-17.7	33.3	40.5	-17.7	
PATAMI	33.2	40.1	20.3	63.7	-17.2	33.2	40.1	-17.2	

Source: Company, PublicInvest Research

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2013A	2014A	2015F	2016F	2017F
Revenue	1,655.0	1,662.2	2,120.6	2,251.2	2,451.2
Gross Profit	280.0	233.6	376.4	408.8	455.1
Operating expenses	22.7	-31.2	-87.2	-105.5	-135.8
Operating Profit	302.7	202.4	289.1	303.3	319.3
Other Gains / (Losses)	19.2	60.3	22.5	10.7	12.0
Finance Costs	-67.6	-111.5	-118.2	-112.6	-107.8
Pre-tax Profit	254.2	151.1	193.4	201.4	223.5
Income Tax	-64.5	-46.4	-48.3	-53.6	21.7
Effective Tax Rate (%)	25.4	30.7	25.0	26.6	-9.7
Minorities	7.8	3.5	3.3	3.2	7.8
Net Profit	197.5	120.5	150.6	156.4	173.0
Growth					
Revenue (%)	15.4	15.4	0.4	27.6	6.2
Gross Profit (%)	19.4	19.4	34.4	8.6	-6.8
Net Profit	20.9	20.9	-39.0	8.6	3.9

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2013A	2014A	2015F	2016F	2017F
Property, Plant & Equipment	271.7	237.4	276.8	317.3	359.0
Cash and Cash Equivalents	973.4	950.8	1,150.1	1,016.4	861.7
Receivables	990.8	1,022.2	1,404.4	1,490.9	1,623.4
Other Assets	3,298.8	3,990.7	4,097.7	4,168.1	4,276.1
Total Assets	5,534.6	6,201.1	6,929.0	6,992.8	7,120.2
Payables	842.7	862.1	1,079.8	1,146.3	1,248.2
Borrowings	1,922.1	2,430.5	2,689.9	2,565.2	2,440.5
Tax payable	41.5	37.8	35.4	35.4	35.4
Other Liabilities	471.9	589.9	760.5	796.5	851.6
Total Liabilities	3,278.3	3,920.4	4,565.6	4,543.4	4,575.7
Shareholders' Equity	2,256.4	2,280.7	2,363.5	2,449.5	2,544.7
Total Equity and Liabilities	5,534.6	6,201.1	6,929.1	6,992.9	7,120.4

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2013A	2014A	2015F	2016F	2017F
Book Value Per Share	2.0	2.1	2.1	2.2	2.3
NTA Per Share	2.0	2.1	2.1	2.2	2.3
EPS (Sen)	13.8	8.4	10.5	10.9	12.1
DPS (Sen)	9.5	1.0	3.0	3.0	4.0
Payout Ratio (%)	68.9	11.9	28.5	27.5	33.1
ROA (%)	6.3	3.1	1.8	2.1	2.1
ROE (%)	9.0	5.4	6.5	6.5	6.9

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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