



WCT Holdings Bhd

Another Disappointing Quarter

TP: RM1.52 (-9.5%)

Last traded: RM1.68

SELL

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Review

- WCT's FY14 net profit of RM120.5mn came in below expectations, accounting for 83.3% and 81.6% of ours and consensus' forecasts respectively. The variance was largely due to lower-than-expected property revenue and weaker-than-expected construction margin.
- A final cash dividend of 1sen/share and a share dividend of 1 for 100 was declared (FY14: 6.21sen/share (comprising cash dividend 2.25sen/share + share dividend 2 for 100); FY13: 6.75sen/share).
- YoY, FY14 core net profit plunged 29.9% to RM120.5mn, due to weaker performance of its construction and property development divisions. Despite the FY14 construction revenue was marginally higher (+3.6%) at RM1210.6mn, the margin dropped by 5.6% pts to 7.8%. The weaker contribution from its property development division was attributed to lower segmental revenue which dropped 11.5% to RM391.7mn, and lower margin that eased from 21.2% to 18.8%.
- QoQ, the 4Q14 net profit declined by 21.5% to RM20.3mn as results of lower revenue (-31.6%) and lower construction margin (-3.6% pts to 2.8%).

Impact

- We cut our earnings forecasts for FY15 and FY16 by 8.7% and 9.0% respectively to reflect the lower-than-expected property sales recorded in 2014, as well as to make adjustment for the actual total construction jobs secured in 2014, amounting to RM994mn, against our previous order book replenishment assumption of RM1.5bn.

Outlook

- WCT carries an external construction order book of RM2.0bn, translating into 1.6x FY14 construction turnover.
- For its property division, WCT managed to record property sales of only RM461mn, versus management's target of RM617mn, and our assumption of RM650mn. It has set a property sales target of RM650mn for 2015, against our assumption of RM500mn. Unbilled sales stood at RM657mn.

Valuation

- With the revision in earnings, we cut the target price from RM1.67/share to **RM1.52**/share, based on unchanged 15x CY15 construction earnings and 10x CY15 property earnings. Given the challenging operating environment, we maintain our **SELL** call on **WCT**.

Share Information

Bloomberg Code	WCTHG MK
Stock Code	9679
Listing	Main Market
Share Cap (mn)	1076.8
Market Cap (RMmn)	1834.6
Par Value	0.50
52-wk Hi/Lo (RM)	2.35/1.38
12-mth Avg Daily Vol ('000 shrs)	1,103.1
Estimated Free Float (%)	34.8
Beta	1.13
Major Shareholders (%)	

WCT Capital Sdn Bhd	- 19.50
Employees Provident Fund	- 10.13
Lembaga Tabung Haji	- 9.30
Amanahraya Trustees Bhd	- 8.26
Skim Amanah Saham Bumiputera	- 7.18
KWAP	- 7.14

Forecast Revision

	FY15	FY16
Forecast Revision (%)	(8.7)	(9.0)
Net profit (RMmn)	143.2	148.0
Consensus	173.9	202.1
TA's / Consensus (%)	82.3	73.2
Previous Rating	Sell (Maintained)	

Financial Indicators

	FY15	FY16
Net Debt / Equity (%)	42.2	48.9
CFPS (sen)	3.0	(4.9)
Price / CFPS (x)	56.0	(34.3)
ROA (%)	2.5	2.5
NTA/Share (RM)	1.9	1.9
Price/NTA (x)	1.0	1.0

Scorecard

	% of FY	
vs TA	83.3	Below
vs Consensus	81.6	Below

Share Performance (%)

Price Change	WCT	FBM KLCI
1 mth	7.0	0.7
3 mth	(8.2)	(1.2)
6 mth	(22.9)	(2.5)
12 mth	(22.2)	(1.0)

(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

Earnings Summary

YE 31 Dec (RM mn)		FY13	FY14	FY15F	FY16F	FY17F
Revenue		1672.4	1662.2	1427.1	1518.9	1665.0
EBITDA		260.6	210.7	263.7	276.6	276.3
EBITDA margin	(%)	15.6	12.7	18.5	18.2	16.6
Pretax profit		228.5	151.1	193.4	199.9	196.2
Net profit		197.5	120.5	143.2	148.0	145.2
Core net profit		171.8	120.5	143.2	148.0	145.2
Core EPS	(sen)	15.9	11.0	11.9	12.1	11.9
Diluted Core EPS	(sen)	15.4	11.0	11.5	11.8	11.6
EPS Growth (Core)	(%)	1.3	(28.6)	4.1	3.4	(1.9)
PER	(x)	10.9	15.3	14.7	14.2	14.5
GDPS	(sen)	6.8	6.2	6.0	6.0	6.0
Div Yield	(%)	4.0	3.7	3.6	3.6	3.6
ROE	(%)	9.8	5.4	6.0	6.0	5.7

4Q14 Results Analysis

YE 31 Dec (RMmn)		4Q13	3Q14	4Q14	QOQ%	YOY%	FY13	FY14	YOY%
Turnover		280.4	471.1	322.4	(31.6)	15.0	1672.4	1662.2	(0.6)
- Construction		232.9	362.1	261.1	(27.9)	12.1	1168.4	1210.6	3.6
- Property Dev		32.9	95.2	45.6	(52.1)	38.5	442.5	391.7	(11.5)
- Property Inv		14.5	13.8	15.7	13.5	7.6	61.5	59.9	(2.6)
Gross Profit		33.1	46.4	28.5	(38.6)	(13.9)	284.7	233.6	(17.9)
EBIT		25.5	42.9	36.1	(15.7)	41.6	277.0	202.4	(26.9)
- Construction		7.5	23.3	7.3	(68.7)	(2.2)	155.6	93.9	(39.6)
- Property Dev		12.1	12.6	13.7	9.3	13.4	93.6	73.5	(21.5)
- Property Inv		6.0	7.0	15.1	115.6	153.5	27.7	35.0	26.1
Net Int Inc/ (exp)		(19.9)	(14.7)	(22.2)	51.3	11.4	(67.6)	(66.8)	(1.3)
Associates		7.8	4.2	2.5	(40.3)	(68.0)	19.2	15.4	(19.9)
EI		52.0	0.0	0.0	na	(100.0)	25.7	0.0	(100.0)
PBT		65.4	32.4	16.5	(48.9)	(74.7)	254.2	151.1	(40.6)
Core PBT		13.4	32.4	16.5	(48.9)	23.2	228.5	151.1	(33.9)
Taxation		(11.6)	(6.1)	0.2	(103.2)	(101.7)	(64.5)	(28.5)	(55.8)
MI		2.5	(0.5)	3.6	(852.3)	42.7	7.8	(2.1)	(127.1)
Net Profit		56.4	25.8	20.3	(21.5)	(64.0)	197.5	120.5	(39.0)
Core Net Profit		4.4	25.8	20.3	(21.5)	365.4	171.8	120.5	(29.9)
Core EPS	(sen)	0.1	2.4	1.9	(21.5)	2315.6	15.9	11.0	(30.5)
Diluted EPS (Core)	(sen)	0.1	2.3	1.9	(20.9)	2366.7	15.4	11.0	(28.9)
GDPS	(sen)	3.3	0.0	1.0	na	(69.2)	6.8	2.3	(66.7)
EBIT Margin	(%)	9.1	9.1	11.2	% pts	% pts	16.6	12.2	% pts
- Construction	(%)	3.2	6.4	2.8	(3.6)	(0.4)	13.3	7.8	(5.6)
- Property Dev	(%)	36.8	13.2	30.1	16.9	(6.7)	21.2	18.8	(2.4)
- Property Inv	(%)	41.0	50.9	96.6	45.7	55.6	45.1	58.4	13.3
Adjusted PBT Margir	(%)	4.8	6.9	5.1	(1.7)	0.3	15.2	9.1	(6.1)
Core Net Margin	(%)	1.6	5.5	6.3	0.8	4.7	11.8	7.3	(4.6)
Tax Rate	(%)	17.7	18.7	(1.2)	(19.9)	(18.8)	25.4	18.8	(6.5)

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