



WCT Holdings Bhd

Acquiring Lands in Serendah

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TP: RM2.19 (+4.8%)

Last traded: RM2.09

SELL

Acquires 221 acres of freehold lands in Serendah

WCT has entered into a conditional sale and purchase agreement (SPA) with Matad Sdn Bhd to acquire 4 pieces of freehold lands totaling of 221 acres, located in Seksyen 20, Bandar Serendah, Selangor Darul Ehsan, for a consideration of RM115.4mn. (See Appendix)

The SPA is conditional upon the prior approval or non-objection of the Economic Planning Unit of the Prime Minister's Department being obtained whether unconditionally or subject to conditions acceptable to WCT and Matad within 3 months from the date of this SPA.

Management has yet to come up with development plans but the lands are intended for a mixed-development project.

Our View

No public information is available on any recent land transactions that is directly comparable to this proposed land acquisition. There were also no indication as to the potential GDV for this development disclosed in the company announcement.

However, comparing this acquisition to the Serai land, i.e. a 724 acres of leasehold land near Rawang, which was acquired by Gamuda middle last year for RM620mn or RM19.65psf, we deem WCT's purchase consideration of RM12psf to be fair. Note that the lands to be acquired by WCT is located about 12km further North along the North-South Expressway, and within 10 minutes' drive from the Serai land.

Additionally, we foresee the lands to be acquired to enhance the value of WCT's existing 468 acres of land in Serendah as they are adjacent to each other. Based on previous guidances from the management, the existing 468 acres of Serendah land owned by WCT has a projected GDV of RM1.2bn. Applying the same ratio of GDV per acre to the land to be acquired, the purchase consideration of RM115.4mn works out to be about 20% of the potential GDV, which we deem reasonable. Given the lands to be acquired have frontage facing the North-South Expressway, it may be designated for commercial development to optimize the GDV value.

The acquisition, which will be fully satisfied in cash, is expected to raise the group's net gearing from 0.59x (as of 30 June 2014) to 0.64x, which we think is still manageable.

Impact

No change to our earnings forecasts pending completion of the land acquisition as well as further clarification and details by the management on the proposed development on the said lands.

Share Information

Bloomberg Code	WCTHG MK
Stock Code	9679
Listing	Main Market
Share Cap (mn)	1089.9
Market Cap (RMmn)	2277.9
Par Value	0.50
52-wk Hi/Low (RM)	2.57/1.97
12-mth Avg Daily Vol ('000 shrs)	1,444.7
Estimated Free Float (%)	34.9
Beta	0.92

Major Shareholders (%)

WCT Capital Sdn Bhd	- 19.26
Employees Provident Fund	- 10.58
Lembaga Tabung Haji	- 9.99
Amanahraya Trustees Bhd	- 8.16
Skim Amanah Saham Bumiputera	- 7.09
KWAP	- 6.49

Forecast Revision

	FY14	FY15
Forecast Revision (%)	-	-
Net profit (RMmn)	177.8	209.9
Consensus	164.1	189.1
TA's / Consensus (%)	108.3	111.0
Previous Rating	Hold (Maintained)	

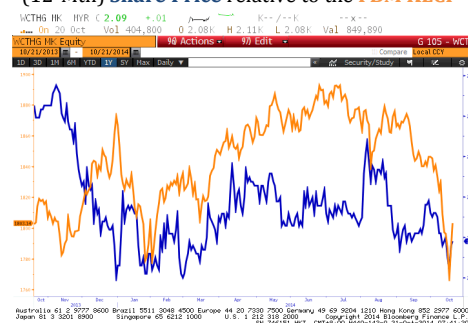
Financial Indicators

	FY14	FY15
Net Debt / Equity (%)	37.4	36.5
CFPS (sen)	11.9	8.1
Price / CFPS (x)	17.6	25.8
ROA (%)	3.2	3.6
NTA/Share (RM)	2.0	1.9
Price/NTA (x)	1.0	1.1

Share Performance (%)

Price Change	WCT	FBM KLCI
1 mth	(0.9)	(2.5)
3 mth	(3.2)	(3.5)
6 mth	(4.9)	(3.2)
12 mth	(13.8)	0.0

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



Source: Bloomberg

Valuation

We maintain our target price at **RM2.19/share** based on 14x CY15 construction earnings and 10x CY15 property earnings. Maintain **SELL** call on WCT.

Financial Statements

Profit & Loss	2012	2013	2014F	2015F	2016F
Revenue	1560.4	1655.0	1786.7	1860.0	1922.4
COGS	(1237.3)	(1374.9)	(1465.1)	(1506.6)	(1557.1)
Gross profit	323.0	280.0	321.6	353.4	365.3
EBITDA	474.3	312.6	299.4	353.9	368.1
Depreciation	(6.5)	(9.9)	(6.4)	(7.5)	(8.6)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	467.8	302.7	293.0	346.4	359.5
Finance cost	(68.9)	(67.6)	(71.3)	(75.1)	(80.6)
Associates	16.8	12.1	12.2	12.4	12.5
PBT	414.9	254.2	234.0	283.6	291.4
Tax	(69.2)	(64.5)	(49.1)	(65.2)	(67.0)
MI	13.2	7.8	(7.0)	(8.5)	(8.7)
Net profit	358.9	197.5	177.8	209.9	215.7

Cash Flow	2012	2013	2014F	2015F	2016F
PBT	414.9	254.2	234.0	283.6	291.4
Depr & Amort	6.5	9.9	6.4	7.5	8.6
Tax	(52.2)	(64.4)	(45.4)	(60.8)	(62.7)
Associate and JV	(16.8)	(12.1)	(12.2)	(12.4)	(12.5)
OP before w/cpt change	241.8	189.4	299.4	353.9	368.1
Other Operating CF (net)	(504.0)	(925.6)	(132.8)	(246.5)	(387.5)
CFO	90.3	(548.5)	349.3	325.3	205.5

Capex	(48.4)	(50.6)	(53.2)	(55.8)	(58.6)
Others	(146.5)	(188.6)	(159.9)	(168.3)	(137.3)
CFI	(194.9)	(239.3)	(213.0)	(224.1)	(195.9)

Net Addition/Rpmt	461.1	418.0	107.6	150.8	68.6
Dividend Paid	(61.8)	(72.9)	(63.7)	(120.0)	(122.0)
Others	7.8	249.0	0.0	0.0	0.0
CFF	407.1	594.1	43.9	30.8	(53.4)

Net Cash Flow	302.5	(193.7)	180.2	132.0	(43.8)
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Balance Sheet	2012	2013	2014F	2015F	2016F
Fixed Assets	276.2	271.7	318.4	366.7	416.7
Land held for property development	388.5	640.4	673.4	706.4	739.4
Associates + JV	207.2	443.3	455.5	467.9	480.4
Investment Properties	1311.5	653.0	776.2	910.7	1028.5
Others	679.4	854.8	880.3	807.1	801.5
LT Assets	2862.7	2863.1	3103.8	3258.9	3466.5
Inventories	73.9	75.6	24.1	24.8	25.6
Trade and other receivables	977.1	990.8	675.6	696.8	715.9
Deposits, cash and bank balances	1077.7	973.4	1153.6	1285.6	1241.8
Others	395.6	631.7	635.4	636.2	622.7
ST Assets	2524.3	2671.5	2488.7	2643.3	2606.0

Total Assets	5387.0	5534.6	5592.5	5902.2	6072.5
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Trade and other payables	1083.4	842.7	668.1	724.2	719.2
ST Borrowings	930.7	369.1	357.8	384.1	333.0
Others	15.8	19.5	23.2	27.6	31.9
ST Liabilities	2029.9	1231.2	1049.1	1135.9	1084.1

LT Borrowings	893.3	1553.1	1668.2	1788.7	1902.1
Others	596.4	493.9	485.6	476.4	468.3
LT Liabilities	1489.8	2047.0	2153.8	2265.1	2370.4

Share Cap	475.8	546.2	558.3	571.5	585.9
Reserves	940.6	(515.9)	(401.8)	(311.9)	(218.2)
Share Premium	394.1	2174.0	2174.0	2174.0	2174.0
Shareholder's Funds	1810.5	2204.3	2330.5	2433.6	2541.7
MI	57.0	52.1	59.1	67.6	76.3

Liabilities + Equities	5387.0	5534.6	5592.5	5902.2	6072.5
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Ratios	2012	2013	2014F	2015F	2016F
EBITDA margin (%)	11.4	10.9	10.8	11.3	11.5
Core EPS (sen)	16.3	16.0	16.0	17.5	17.7
Diluted EPS (sen)	15.6	15.6	15.5	16.8	17.3
EPS Growth (%)	(3.2)	1.3	0.4	8.6	2.7
PER (x)	13.8	13.6	13.5	12.4	12.1
GDPS (sen)	6.5	6.8	5.8	10.0	10.0
Div Yield (%)	3.1	3.2	3.8	4.8	4.8

Net cash (RMm)	(746.3)	(948.7)	(872.3)	(887.1)	(993.2)
Net gearing (x)	0.4	0.4	0.4	0.4	0.4
ROE (%)	19.8	9.0	7.6	8.6	8.5
ROA (%)	6.7	3.6	3.2	3.6	3.6
NTA (RM)	1.8	2.0	2.0	1.9	2.0
P/NTA (x)	1.2	1.0	1.0	1.1	1.0

APPENDIX

Location of Lot 4455, 4456, 27506 & 27504



Legend



Source: Company

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