



WCT Holdings Bhd

Another Disappointing Quarter

TP: RM1.67 (-12.6%)

Last traded: RM1.91

SELL

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Review

- WCT's 9MFY14 net profit of RM100.2mn came in below expectations, accounted for 56.4% and 61.0% of our and consensus' forecasts respectively. The variance was largely due to lower-than-expected margins recorded by its construction and property development divisions.
- YoY, 9MFY14 core net profit plunged 40.1% to RM100.2mn. The lower bottom line was due to weaker performance of its construction and property development divisions. The 9M14 construction revenue was marginally higher (+1.5%) at RM949.4mn but the margin dropped by 6.7% pts to 9.1%. Meanwhile, the property development revenue dropped 15.5% to RM346.1mn while its margin eased from 19.9% to 17.3%.
- QoQ, despite the revenue jumped 17.3% to RM471.1mn, the net profit dropped 24.6% to RM25.8mn, mainly dragged by the property development division, which saw the segmental profit plunged 46.5% in 3Q14.

Impact

- We cut our FY14 to FY16 earnings forecast by 18.6% to 25.3% to reflect the lower margin recorded by its construction and property development divisions.

Outlook

- WCT's external construction order book as of 30 September 2014 stood at RM2.3bn, translating into 2.0x FY13 construction turnover. To date, it has secured RM994mn of new construction contracts versus our full year order book replenishment assumptions of RM1.5bn (vs RM2.0bn previously guided by the management).
- For its property division, WCT has cut its sales target for FY14 from RM1.2bn to RM617mn. YTD, it has recorded sales of RM497mn (including sales by options), with unbilled sales at RM589mn. We keep our FY14 property sales forecast unchanged at RM650mn.

Valuation

- With the revision in earnings, we cut the target price from RM2.19/share to **RM1.67/share**, based on unchanged 15x CY15 construction earnings and 10x CY15 property earnings. Given the operating environment remains challenging, we maintain our **SELL** call on **WCT**.

Share Information

Bloomberg Code	WCTHG MK
Stock Code	9679
Listing	Main Market
Share Cap (mn)	1087.8
Market Cap (RMmn)	2077.7
Par Value	0.50
52-wk Hi/Lo (RM)	2.40/1.91
12-mth Avg Daily Vol ('000 shrs)	1,410.8
Estimated Free Float (%)	34.8
Beta	0.97

Major Shareholders (%)

WCT Capital Sdn Bhd	- 19.30
Employees Provident Fund	- 10.07
Lembaga Tabung Haji	- 10.03
Amanahraya Trustees Bhd	- 8.18
Skim Amanah Saham Bumiputera	- 7.10
KWAP	- 6.92

Forecast Revision

	FY14	FY15
Forecast Revision (%)	(18.6)	(25.3)
Net profit (RMmn)	144.7	156.8
Consensus	164.3	189.1
TA's / Consensus (%)	88.1	82.9
Previous Rating	Sell (Maintained)	

Financial Indicators

	FY14	FY15
Net Debt / Equity (%)	39.5	41.4
CFPS (sen)	8.9	4.0
Price / CFPS (x)	21.6	48.0
ROA (%)	2.6	2.7
NTA/Share (RM)	2.0	1.9
Price/NTA (x)	1.0	1.0

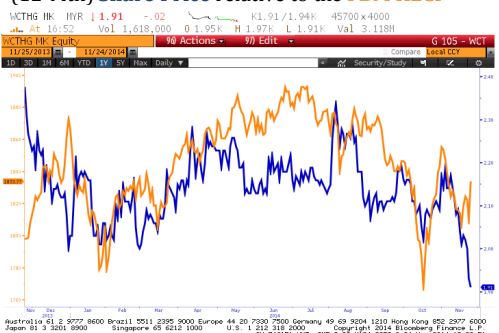
Scorecard

	% of FY	
vs TA	56.4	Below
vs Consensus	61.0	Below

Share Performance (%)

Price Change	WCT	FBM KLCI
1 mth	(8.6)	0.8
3 mth	(12.3)	(2.0)
6 mth	(10.3)	(1.9)
12 mth	(18.3)	2.2

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



Source: Bloomberg

Earnings Summary

YE 31 Dec (RM mn)		FY12	FY13	FY14F	FY15F	FY16F
Revenue		1560.4	1672.4	1786.7	1572.5	1702.7
EBITDA		268.1	260.6	255.9	282.1	296.4
EBITDA margin	(%)	17.2	15.6	14.3	17.9	17.4
Pretax profit		209.7	228.5	190.4	211.9	219.7
Net profit		364.6	197.5	144.7	156.8	162.6
Core net profit		147.9	171.8	144.7	156.8	162.6
Core EPS*	(sen)	15.4	15.9	13.1	13.1	13.3
Diluted Core EPS*	(sen)	15.2	15.4	12.6	12.5	13.0
EPS Growth (Core)	(%)	(3.2)	1.3	(18.3)	(0.3)	3.7
PER	(x)	12.6	12.4	15.2	15.2	14.7
GDPS*^	(sen)	6.5	6.8	5.8	10.0	10.0
Div Yield#	(%)	3.4	3.5	4.0	5.2	5.2
ROE	(%)	21.4	9.8	6.3	6.7	6.8

*Adjusted for 3 for 20 bonus issue in December 2012

^Exclude distribution of treasury shares at the basis of 1 for 100 in Sep 14

#Including 1% of dividend yield arising from distribution of treasury shares on the basis 1 for 100 in Sep 14

3Q14 Results Analysis

YE 31 Dec (RMmn)		3Q13	2Q14	3Q14	QOQ%	YOY%	9MFY13	9MFY14	YOY%
Turnover		418.5	401.5	471.1	17.3	12.6	1392.0	1339.8	(3.7)
- Construction		269.3	260.3	362.1	39.1	34.5	935.5	949.4	1.5
- Property Dev		135.2	124.5	95.2	(23.5)	(29.6)	409.5	346.1	(15.5)
- Property Inv		14.0	16.7	13.8	(17.6)	(1.6)	46.9	44.3	(5.7)
Gross Profit		87.6	76.0	46.4	(39.0)	(47.0)	251.6	205.1	(18.5)
EBIT		73.7	56.2	42.9	(23.7)	(41.8)	251.4	166.3	(33.9)
- Construction		32.6	26.6	23.3	(12.5)	(28.6)	148.1	86.6	(41.5)
- Property Dev		35.0	23.5	12.6	(46.5)	(64.1)	81.5	59.8	(26.6)
- Property Inv		6.0	6.1	7.0	15.1	16.5	21.8	19.9	(8.8)
Net Int Inc/ (exp)		(17.1)	(14.8)	(14.7)	(0.8)	(14.1)	(47.7)	(44.6)	(6.6)
Associates		3.3	4.1	4.2	2.4	26.5	11.4	12.9	13.1
EI		0.0	0.0	0.0	na	na	(26.3)	0.0	(100.0)
PBT		59.9	45.5	32.4	(28.8)	(45.9)	188.8	134.6	(28.7)
Core PBT		59.9	45.5	32.4	(28.8)	(45.9)	215.1	134.6	(37.4)
Taxation		(19.3)	(6.4)	(6.1)	(5.8)	(68.7)	(52.9)	(28.7)	(45.8)
MI		0.8	(4.8)	(0.5)	(90.0)	(161.1)	5.3	(5.7)	(207.2)
Net Profit		41.3	34.3	25.8	(24.6)	(37.5)	141.2	100.2	(29.0)
Core Net Profit		41.3	34.3	25.8	(24.6)	(37.5)	167.5	100.2	(40.1)
Core EPS	(sen)	3.8	3.1	2.4	(24.5)	(37.3)	15.8	9.2	(41.9)
Diluted EPS (Core)	(sen)	3.7	3.1	2.3	(25.0)	(36.1)	15.3	9.1	(40.6)
GDPS	(sen)	0.0	1.3	0.0	(100.0)	na	3.5	1.3	(64.3)
EBIT Margin	(%)	17.6	14.0	9.1	(4.9)	(8.5)	18.1	12.4	(5.7)
- Construction	(%)	12.1	10.2	6.4	(3.8)	(5.7)	15.8	9.1	(6.7)
- Property Dev	(%)	25.9	18.9	13.2	(5.7)	(12.7)	19.9	17.3	(2.6)
- Property Inv	(%)	43.0	36.4	50.9	14.4	7.9	46.4	44.9	(1.5)
Adjusted PBT Margin	(%)	14.3	11.3	6.9	(4.5)	(7.4)	13.6	10.0	(3.5)
Core Net Margin	(%)	9.9	8.5	5.5	(3.1)	(4.4)	10.1	7.5	(2.7)
Tax Rate	(%)	32.3	14.1	18.7	4.6	(13.6)	28.0	21.3	(6.7)

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