

WCT Holdings Bhd

Dwindling construction order book

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We attended the 1Q14 results briefing conducted by the management and below are the key takeaways from the briefing.

Expecting more new construction jobs in FY14

The management has set construction order book replenishment target of RM2bn for FY14, maintaining the same amount as for FY13. However, the order book replenishment was slower-than-expected with only RM670mn of new construction contracts was secured in FY13, and to date, WCT has yet to secure any new construction job in FY14.

Potential job wins in the near future include: i) work package(s) for West Coast Expressway in the open tender category, which worth more than RM2bn in total, ii) Kwasa Damansara Land civil works with estimated contract sum of RM1bn in total, iii) civil works for Petronas RAPID Pengerang with estimated contract amount of RM400mn, and iv) some Putrajaya building works. For overseas projects, WCT is keen to participate in some highway projects, civil works as well as building works, mainly focuses in Qatar.

We believe new construction jobs for this year are more likely to be secured only in 2H14 and we maintain our order book replenishment assumptions of RM1.5bn for FY14.

Targeting RM1.2bn of property sales target for FY14

For FY14, the management has set a property sales target of RM1.2bn. This is supported by the scheduled property launches worth about RM2.3bn (see exhibit 2). As of 31 March 2014, the unbilled sales stood at RM533mn (see exhibit 3).

However, as the sentiment in property market has turned more cautious after various cooling measures being implemented by the government and BNM, we are keeping for property sales forecast of RM750mn for FY14.

Currently WCT has land bank totaling 2,045 acres, with an estimated total GDV of RM18.5bn. to be developed over a period of 10 years (see exhibit 4).

Gateway@KLIA2 well received

At the opening on 2 May 2014, its property investment Gateway@KLIA2 has secured about 80% tenancy out of about 200 commercial lots available, with average monthly rental rate of about RM23/psf. Footfall is encouraging at 80k a day. With that, Gateway@KLIA2 is expected to contribute about RM5mn to the group's bottom line this year.

Forecast

We perform some housekeeping to our earnings model and tweak our earnings forecasts for FY14 to FY16 lower by 1.3% to 3.4%.

TP: RM2.31_(+7.4%)

Last traded: RM2.15

HOLD

Share Information

Bloomberg Code	WCTHG MK
Stock Code	9679
Listing	Main Market
Share Cap (mn)	1085.2
Market Cap (RMmn)	2333.2
Par Value	0.50
52-wk Hi/Lo (RM)	2.72/1.99
12-mth Avg Daily Vol ('000 shrs)	1,855.4
Estimated Free Float (%)	32.1
Beta	0.97

Major Shareholders (%)

WCT Capital Sdn Bhd - 19.16
Employees Provident Fund - 10.66
Lembaga Tabung Haji - 9.42
Amanahraya Trustees Bhd - 8.12
Skim Amanah Saham Bumiputera - 6.98
KWAP - 6.94
OCBC - 5.78

Forecast Revision

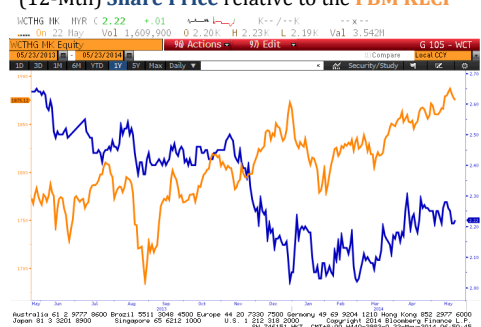
Forecast Revision	FY14	FY15
Forecast Revision (%)	(1.3)	(3.4)
Net profit (RMm)	212.4	221.1
Consensus	194.7	215.4
TA's / Consensus (%)	109.1	102.6
Previous Rating	Hold (Maintained)	

Financial Indicators

Financial indicators	FY14	FY15
Net Debt / Equity (%)	32.9	30.5
CFPS (sen)	23.6	11.5
Price / CFPS (x)	9.1	18.6
ROA (%)	3.8	3.8
NTA/Share (RM)	2.0	1.9
Price/NTA (x)	1.1	1.1

Share Performance (%)

Price Change	WCT	FBM KLCI
1 mth	(4.9)	0.1
3 mth	1.9	2.1
6 mth	(8.9)	4.2
12 mth	(18.6)	5.4

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

Source: Bloomberg.

Valuation

We roll forward our valuation base year to 2015 and arrive at a revised target price of **RM2.31/share**, based on unchanged 14x CY15 construction earnings and 10x CY15 property earnings. With potential return of 12.1% inclusive of estimated 4.7% of dividend yield, we maintain our **HOLD** call on **WCT**.

Earnings Summary

YE 31 Dec (RM mn)	FY12	FY13	FY14F	FY15F	FY16F
Revenue	1560.4	1672.4	2003.0	1890.0	1971.9
EBITDA	268.1	260.6	344.9	369.0	385.8
EBITDA margin (%)	17.2	15.6	17.2	19.5	19.6
Pretax profit	209.7	228.5	279.4	298.7	310.8
Net profit	364.6	197.5	212.4	221.1	230.0
Core net profit (sen)	147.9	171.8	212.4	221.1	230.0
Core EPS* (sen)	15.4	15.9	19.2	18.4	19.2
Diluted Core EPS* (sen)	15.2	15.4	18.5	17.7	18.4
EPS Growth (Core) (%)	(3.2)	1.3	19.9	(4.2)	4.0
PER (sen)	14.1	14.0	11.6	12.2	11.7
GDPS* (%)	6.5	6.8	8.0	10.0	10.0
Div Yield (x)	3.0	3.1	3.7	4.7	4.7
ROE	21.4	9.8	9.1	9.1	9.1

*Adjusted for 3 for 20 bonus issue in December 2012

Appendix

Exhibit 1: Outstanding Order Book

Project	Outstanding value (RMmn)
Overseas	
Government Administrative Office, Qatar	479
New Doha Intl Airport Qatar	2
Total for Overseas (27%)	481
Local	
Civil Engineering & Infrastructure	
PLUS widening	310
Vale Industrial Civil Works	4
Tun Razak Exchange	157
Others	15
Sub-Total (27%)	486
Building	
KK Medical Centre & Riverson	203
Putrajaya Commercial Office	308
MITI Headquarters	231
Tuaran Hospital, Sabah	6
Others	70
Sub-Total (46%)	818
Total for Local (73%)	1304
Total for External (100%)	1785
Internal	
Property investment	
Kelana Jaya	177
Johor Bahru	553
Property development	
Kelana Jaya	81
Johor Bahru	98
1 Medini High-rise	361
Sub-Total	1279
Est. outstanding order book as at 31 December 13	3055

Source: WCT, TA Research

Exhibit 2: New launches scheduled in 2014

Project	GDV (RMmn)
BBT2 – Shop + Serviced apartment	394
Bandar Parklands, Klang South	143
Laman Greenville @ Klang South	439
Skyz Jelutong @ Bukit Jelutong, Shah Alam	146
Paradigm Residences, Kelana Jaya	483
A60, The Volt, Medini North, Iskandar Malaysia	502
Paradigm Johor Bahru, Serviced apartment, Johor	193
One Medini Garden Villa	20
TOTAL	2320

Source: WCT, TA Research

Exhibit 3: Ongoing Property Development

Project	Land Area (acre)	Land Developed (acre)	Total GDV (RM mn)	Sales (RM mn)	Billing (RM mn)
Bandar Bukit Tinggi 1	347	330	2,196	1,120	1,120
Bandar Bukit Tinggi 2	562	527	2,671	1,493	1,411
Bandar Parklands	427	352	4,382	1,177	1,109
d'Banyan Residency	22	22	269	258	253
1 Medini Residency	11	11	778	494	116
TOTAL	1,369	1,242	10,296	4,542	4,009

Source: WCT, TA Research

Exhibit 4: Land Bank with Potential GDP

Location	Land Bank (acre)	Outstanding Land (acre)	Projected Development Value (RM mn)
<u>Integrated Township</u>			
Bandar Bukit Tinggi, Klang	1,336	126	5,228
Rawang, Selangor	468	468	1,200
<u>Luxury Homes</u>			
D'Laman, Klang South	56	56	450
Inanam, Kota Kinabalu	22	22	200
<u>Industrial</u>			
Bandar Serendah, Selangor	39	39	270
<u>Mixed-Commercial</u>			
Paradigm Petaling Jaya	14	8	700
Medini Business District, Iskandar Malaysia	21	21	2,600
Bukit Jelutong, Shah Alam	2.3	2.3	120
A60 - Medini North, Iskandar Malaysia	18	18	1,500
OUG, Kuala Lumpur	57	57	4,900
Jalan Skudai, Johor Bahru	12	12	1,300
TOTAL	2,045	829	18,468

Source: WCT, TA Research

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