

UOBKH HIGHLIGHTS

WCT Holdings (WCTHG MK/HOLD/RM1.68/Target: RM1.90)

Briefing Highlights

WHAT'S NEW

- **WCT Holdings held an analysts' briefing post-2014 results.** Key takeaway is that its construction division could see some orderbook replenishment in the near term mainly from overseas projects. However, the group is guiding down expectations for the property division, especially for its high-rise developments in Medini. The company also discussed on the possible REITing of its investment properties in the near term.

COMMENTS

- **Construction orderbook could be boosted in the near term.** In 2014, WCT managed to secure about RM994m worth of jobs which includes the construction of the Cochrane Mall (RM652m) and the roadworks in the upcoming oil and gas hub Pengerang (RM342m). We understand from the company that it is still targeting to replenish its orderbook by RM1b in 2015 with one of the projects being a project in the middle east that could be Amongst the potential construction projects that could be won in the near term would include a RM2.3b.
- **Still targeting some construction job wins.** Currently, WCT has tenders submitted totalling about RM24.1b, which a bulk comes from the Penang Transportaion System (RM20b) contract. Other than that, we understand that the company is bidding for several other local projects in Malaysia, including smaller parcels of the Petronas RAPID Pengerang Civil Works (RM3b), infrastructure jobs in Tun Razak Exchange (RM100m-200m) and the construction of the KL118 (formerly known as Warisan Merdeka) which is valued at about RM1b. Also, the company is also targeting to bid for the smaller sections of roadworks for the West Coast Expressway.
- **Plans to REIT investment properties still ongoing.** During the analyst briefing, the company noted that plans to REIT its investment properties are still being explored. The investment properties that would most likely be involved include Paradigm Mall Kelana Jaya, Gateway @ KLIA2 and the BBT Shopping Mall in Klang, which we collectively value at about RM2.1b (or RM1.6b at WCT's net stake). We are in the view that the listing would only be attractive only if the Gateway@KLIA2 mall (worth RM924m) is bundled in together given the significant value of the asset. However, we understand that the company does not discount the possibility of it going ahead with the listing even without including the Gateway @ KLIA2 mall.
- **Targeting to sell RM650m worth of properties in 2015.** The company has set a 2015 sales target of RM650m, which will be underpinned by launches of Paradigm Residences Tower D(GDV: RM307m), landed developments in Kota Kinabalu (RM200m), and medium cost apartments in the Klang Valley totalling RM387m). We believe that the sales target could potentially be achieved given that most of the developments that are to be launched are priced affordably between RM180,000-250,000 per unit which we continue to see demand from.
- **Foreign shareholdings stood flat from 3Q14.** Foreign shareholdings stood flat at 10.74% as at 31 Jan 14. Other notable shareholding changes during the same period include: a) EPF decreasing its stake by 0.8%, and b) Kumpulan Wang Persaraan (KWAP) increasing its stake by 0.08%.
- **Maintain HOLD but lower our SOTP-based target price to RM1.90** (from RM2.35), after lowering our pegging of the construction PE from 13x to 10x.. Our target price represents a 12x 2016F PE – at par with its long-term average. Although the company is packed with property investment value, we believe the value would only be more appreciated once the company begins to show stronger earnings growth that is expected to come in 2016. A good entry price is RM1.70.

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