

Daily Focus

Malaysia Equity Research

25 November 2013

Comments

WCT; Buy; RM2.36

Price Target: RM3.35; WCT MK

Briefing highlights

WCT believes a realistic target for new wins for 2013 is RM1bn with YTD wins of RM670m. The balance will likely come from Putrajaya Parcel F building job. The total contract value is RM1.4-RM1.5bn but may be awarded to a few contractors. We also understand tenders for earthworks and foundation works for Zone 1 and 2 for Tun Razak Exchange will commence soon. Recall, WCT won RM169m worth of orders for Zone 3.

The Qatar infrastructure job worth RM1bn will likely be awarded early next year as the client has asked the contractors to resubmit some tenders. WCT's focus in the Middle East will remain in Qatar where it is seeing more infrastructure projects calling for prequalifications in the run up to the World Cup in 2022.

WCT is confident of meeting its RM775m property sales guidance for FY13F (YTD of RM462m). Although 3Q billings for property have been hampered by labour issues from its subcontractors, this is expected to pick up as WCT is now supplying labour directly to the subcontractors. Property sales are expected to accelerate also as two projects are expected to receive their advertising permits soon which have been delayed. These projects are Paradigm Residences (RM80m sales based on 40% booking rate) and Laman Greenville @ Klang South (RM130m sales based on 50% bookings).

WCT does not discount a listing of its property arm which we highlighted in our last report. But it believes a more appropriate time would be after it achieves a larger sustainable profit base.

We maintain our BUY rating and SOP-derived TP of RM3.35.

Highlights

Sunway REIT; Buy; RM1.30

Price Target: RM1.60; SREIT MK

Reinvigorating aging assets

Refurbishment to complete in 1QCY15; expected stable ROI provides upside to our estimates. Favouring mini-anchors and specialty stores is a boon; occupancy unlikely to be an issue. Maintain BUY with RM1.60 TP.

Jobstreet Corp; Buy; RM2.14

Price Target: RM2.45; JOBS MK

Philippines gaining traction

3Q13 net profit of RM16.3m is above expectations. Bottomline lifted by Singapore and Philippines operations. Declared third interim net DPS of 1.75 sen. Maintain BUY with DCF-based RM2.45 TP.

Kossan Rubber Industries; Buy; RM3.27

Price Target: RM3.60; KRI MK

Margins continue to improve

3Q13/9M13 results were within our and consensus expectations, led by improving margins. Declared 3.5 sen interim DPS. Maintain BUY and RM3.60 TP.

Pos Malaysia; Buy (under review); RM5.62

Price Target: RM5.60; POSM MK

Postal business growth on track

2QFY14 net profit of RM40m is in line. Bottomline earnings supported by growth in core postal business – mail and courier. Declared interim net DPS of 6 sen. Balance sheet is healthy with low borrowings and supported by high operating cash inflow.

QL Resources; Buy (under review); RM4.23

Price Target: RM4.05; QLG MK

Improvement in core businesses

2QFY14 net profit is below our full-year estimate. Reduce FY14-16 EPS by 6-9%. Premium valuation is justified on the back of 18% 3-year EPS CAGR and inelastic demand for its products.

Sector/Major Reports – Recently Published

Malaysia Budget 2014 – 28 October Narrowing the fiscal deficit

Lower subsidies and GST would improve Government finances but could crimp consumer spending and pose further challenges for consumer plays. Complete removal of sugar subsidies; relief for gaming companies and breweries. Property sector gets hit with higher gains tax and removal of developer financing schemes though worse was speculated. No delays for construction; West Coast Expressway and Southern double track proceeding.

Malaysia Property – 16 October Delicate balancing act (YEE Mei Hui)

Rising supply & weaker demand will dampen house price growth, more targeted government measures needed. Tight resources could be a limiting factor. Prefer township developers, conglomerates & investment asset owners: PavREIT, KLCC, WTM, E&O

Bursa Malaysia – 7 October Unleashing its potential (LIM Sue Lin/HON Seow Mee)

Upgrade to BUY with new DDM-based RM10.10 TP. Stock is a high conviction pick. Structural changes in fees and cost could lift FY15F earnings by 20%, TP to RM13.30 and yields to 5.5%. GST could be opportunity to spur retail participation that could lead to higher velocity and valuations.

Malaysia Utilities – 4 October The best has yet to come (June NG)

Unsustainable gas subsidy due to fiscal budget concern and rising costs from LNG imports. Higher gas price encourages volume and gas capex growth– Petgas is the most leveraged gas play. Power sector reform for regulated return, improving earnings visibility and better valuations for TNB. Expect sector re-rating on improving outlook and yield enhancement.

Malaysia

Daily Focus

Wired Daily

Today's Market Preview: Leading stock bellwethers on Wall Street climbed further last Friday – up by between 0.3% and 0.6% at the closing bell – as sentiment was boosted by strengthening economic data.

The stable external backdrop may pave the way for our Malaysian bourse to inch its way higher today. On the chart, the benchmark FBM KLCI could rise and test the psychological mark of 1,800 ahead.

Hoping to get a lift from the positive vibes today are stocks like: (a) BHIC, which has clinched a EPCC contract for a gas development project in Sarawak valued at RM108m; (b) Barakah, following the award of an oil & gas contract worth RM20m-RM25m; and (c) Hong Leong Industries, after reporting a 76% y-o-y net profit jump to RM36.1m in the Jul-Sep quarter.

Traders Spectrum – From the Chartroom

After jumping to as high as 1,814.73 last Wednesday, the FBM KLCI lost steam subsequently to settle at 1,794.52 on Friday, which represents a tiny week-on-week rise of 4.6-point or 0.3%.

As intermittent bargain-hunting activity kicks in to absorb persisting profit-taking pressures, our Malaysian bourse could remain in a sideways trading pattern for the time being. On the chart, the FBM KLCI will probably range-bound between its immediate support and resistance lines of 1,785 and 1,800 in the coming week.

Market Data

	Current	% Chng
FBMKLCI	1,795	-0.01
FBMEmas	12,495	0.04
FBM100	12,220	0.01
Daily Volume (m shrs)	1,502	
Daily Turnover (RMm)	1,691	
Daily Turnover (US\$m)	526	

Stock Picks – Big Caps

Company	Price (RM) 22-Nov	Target Price (RM)
Maybank	9.59	11.80
Hong Leong Bank	14.20	18.00
RHB Capital	7.49	9.20
MMC	2.90	4.95

Key Indices

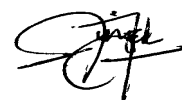
(%)	EPS Gth	Div Yield
2012A	13.4	3.2
2013F	6.3	3.0
2014F	9.9	3.1
(x)	PER	EV/EBITDA
2012A	18.2	10.9
2013F	17.1	10.4
2014F	15.6	9.6

Source: HwangDBS Vickers Research

Stock Picks – Small and Mid Caps

Company	Price (RM) 22-Nov	Target Price (RM)
WCT	2.36	3.35
Bursa Malaysia	8.09	10.10
Muhibbah Engineering	2.29	3.10
TA Enterprise	0.78	1.00

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