

Malaysia

Results Review 22 November 2013

Buy (unchanged)

Share price: MYR2.39

Target price: MYR3.00 (unchanged)

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Stock Information

<u>Description</u>: Construction group with interests in property development and property investment

Ticker:	WCTHG MK
Shares Issued (m):	1,092.5
Market Cap (MYR m):	2,611.0
3-mth Avg Daily Turnover (USD m):	1.07
KLCI:	1,794.65
Free float (%):	55.1
Major Shareholders:	%
WCT CAPITAL SDN BHD	19.0
EMPLOYEES PROVIDENT	12.0
LEMBAGA TABUNG HAJI	7.2
KUMPULAN WANG PERSAR	5.0

Historical Chart



Performance: 52-week High/Low MYR2.74/MYR2.0					
Absolute (%) Relative (%)	1-mth (1.2) (0.7)	3-mth (0.4) (3.3)	6-mth (9.5) (10.7)	1-yr 1.4 (9.2)	YTD 1.7 (4.6)

WCT Holdings

Laggard Construction Play

In line. WCT's core 9M13 net profit was MYR159m (+24% YoY), after adjusting for forex gains of MYR20.2m, a one-off sub-contractor claim of MYR26.3m for the Dukhan Highway contract and a MYR12m one-off expenses at property division. 9M13 core results were in line, meeting 76% of our full-year forecast but above consensus, at 82%. WCT has re-rating potential with the opening of KLIA2 which would be positive for its Gateway@KLIA2, and given its strong outstanding construction orderbook, strategic property landbank and growing recurring income from property investments. Its share price has however lagged behind its construction peers. Reiterate BUY at an unchanged MYR3.00 TP.

Flattish 3Q13. Group EBIT was flattish QoQ (-2%) as stronger showing at property development (+90%) offset the lower construction (-30%) and property investment EBITs (-43%). Ex- one-offs, 3Q13 property EBIT improved 38% QoQ mainly on 9ppt QoQ higher EBIT margin although progress billings declined 16% QoQ. EBIT contribution from construction was weaker QoQ due to lumpy contracts recognition in 2Q13. Construction contributed 44% of total 3Q13 EBIT. 3Q13 property investment EBIT was down potentially due to maiden recognition of operating costs at KLIA-IC.

9M13 still stronger 9M13 group EBIT grew 17% YoY on stronger showing at all divisions. Property development EBIT grew 21% YoY (ex- one-offs) on robust progress billings (+15% YoY), driven by record property sales of MYR666m in FY12, and another MYR225m in 1H13. Meanwhile, property EBIT margins nudged down by 2ppt YoY in 9M13.

Strong orderbook replenishment prospects. Locally, WCT is eyeing subcontracts from the West Coast Expressway that would be shovel-ready in early-2014. Albeit delay in Qatar projects award, crystalisation of the MYR1b tender would replenish WCT's construction orderbook significantly. With the estimated MYR511m job wins YTD, we estimate WCT's outstanding order book at MYR2.6b (end-Sep 13). Our MYR3.00 TP is pegged to 14x FY14 PER plus a 20sen increment from Gateway@KLIA2. There is re-rating potential with the opening of the KLIA2, now confirmed in May 2014, which would be positive for its Gateway@KLIA2 which it has a 70% stake together with MAHB.

WCT Holdings – Summary Earnings Table Source: Maybank Ki						
FYE Dec (MYR m) Revenue EBITDA Recurring Net Profit Recurring Basic EPS (sen) EPS growth (%)	2011A 1,538.6 227.1 146.6 17.0	2012A 1,560.4 246.3 167.1 36.9 116.9	2013F 1,885.4 298.9 208.6 18.2 (50.7)	2014F 1,614.3 333.8 208.2 19.4 6.6	2015F 1,928.7 369.4 234.3 21.3 9.8	
DPS (sen) BVPS (MYR)	6.5 1.59	6.5 1.92	6.5 2.05	6.5 2.20	6.5 2.37	
PER EV/EBITDA (x) Div Yield (%) P/BV(x)	14.0 19.0 2.7 1.5	6.5 17.5 2.7 1.2	13.1 14.4 2.7 1.2	12.3 12.9 2.7 1.1	11.2 11.7 2.7 1.0	
Net Gearing (%) ROE (%) ROA (%) Consensus Net Profit (MYR m)	39.9 11.2 3.6	40.9 20.1 7.4	35.0 8.5 3.3 194.4	27.8 9.0 3.8 <i>233.3</i>	19.6 9.4 4.3 <i>273.5</i>	

WCT: Results Summary Table

	Quarterly					Cumulative			
FY Dec (MYR m)	3Q13	3Q12	% YoY	2Q13	% QoQ	9M13	9M12	% YoY	
Turnover	418.5	441.8	(5.3)	482.5	(13.3)	1,392.0	1,180.2	17.9	
EBIT	73.7	70.3	4.8	75.4	(2.3)	225.1	192.0	17.3	
Interest expense	(17.1)	(19.2)	(10.8)	(15.9)	7.3	(47.7)	(49.9)	(4.5)	
Associates	3.3	4.4	(25.0)	4.1	(19.3)	11.4	13.1	(12.9)	
Pre-tax profits	59.9	55.6	7.8	63.6	(5.8)	188.8	155.1	21.7	
Tax	(19.3)	(18.4)	5.2	(10.1)	92.1	(52.9)	(41.1)	28.7	
Minority Interests	0.8	3.2	(75.4)	3.2	(75.5)	5.3	5.9	(10.6)	
Net profit	41.3	40.4	2.4	56.7	(27.1)	141.2	119.9	17.8	
Net profit (ex-forex, ex-EL)	38.4	53.3	(28.0)	52.9	(27.4)	159.3	128.7	23.8	
	3Q13	3Q12	+/- ppt	2Q13	+/- ppt	9M13	9M12	+/- ppt	
EBIT margin (%)	17.6	15.9	1.7	15.6	2.0	16.2	16.3	(0.1)	
Pretax margin (%)	14.3	12.6	1.7	13.2	1.1	13.6	13.1	0.4	
Tax rate (%)	32.3	33.1	(0.8)	15.8	16.5	28.0	26.5	1.5	
	5		(515)						
Revenue:	3Q13	3Q12	% YoY	2Q13	% QoQ	9M13	9M12	% YoY	
Construction	269.3	273.9	(1.7)	318.6	(15.5)	935.5	813.1	15.0	
Property devt	135.2	144.0	(6.1)	150.3	(10.0)	409.5	310.3	32.0	
Property investment	14.0	24.0	(41.5)	13.6	3.1	46.9	56.8	(17.3)	
Total	418.5	441.8	(5.3)	482.5	(13.3)	1,392.0	1,180.2	17.9	
EBIT									
Construction	32.6	18.4	77.2	46.4	(29.8)	121.8	96.5	26.3	
Property devt	35.0	41.6	(15.8)	18.4	90.2	81.5	77.5	5.2	
Property investment	6.0	10.3	(41.7)	10.6	(43.0)	21.8	18.0	21.1	
Total	73.7	70.3	4.8	75.4	(2.3)	225.1	192.0	17.3	
EBIT margin (%)	3Q13	3Q12	+/- ppt	2Q13	+/- ppt	9M13	9M12	+/- ppt	
Construction	12.1	6.7	5.4	14.6	(2.5)	13.0	11.9	1.2	
Property devt	25.9	28.9	(3.0)	12.3	13.7	19.9	25.0	(5.1)	
Property investment	43.0	43.1	(0.1)	77.7	(34.7)	46.4	31.7	14.7	
Total	17.6	15.9	1.7	15.6	2.0	16.2	16.3	(0.1)	

Sources: Company, Maybank KE

WCT: Foreign shareholding (17% @ Oct 2013; +7ppts YTD)



Sources: Company, Maybank KE

WCT: One-year forward rolling PER



Sources: Bloomberg, Maybank KE

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INCOME STATEMENT (MYR m)					BALANCE SHEET (MYR m)				
FY Dec	2012A	2013F	2014F	2015F	FY Dec	2012A	2013F	2014F	2015F
Turnover	1,560.4	1,885.4	1,614.3	1,928.7	Fixed Assets	276.2	299.4	322.2	344.7
EBITDA	246.3	298.9	333.8	369.4	Other LT Assets	2,547.8	2,904.6	2,923.3	2,943.9
Depreciation & Amortisation	(6.5)	(6.8)	(7.2)	(7.5)	Cash/ST Investments	1,077.7	764.6	676.5	631.9
Operating Profit	239.7	292.1	326.6	361.8	Other Current Assets	1,430.4	1,638.9	1,442.7	1,666.1
Associates	16.8	16.9	17.7	18.6	Total Assets	5,332.2	5,607.5	5,364.7	5,586.5
Interest (Exp)/Inc	(48.8)	(46.0)	(41.3)	(37.7)					
Exceptional Items	211.0	0.0	0.0	0.0	ST Debt	930.7	730.7	630.7	530.7
Pre-Tax Profit	420.7	263.0	303.0	342.7	Other Current Liabilities	1,046.6	1,269.5	1,050.8	1,267.0
Tax	(69.2)	(69.8)	(75.8)	(85.7)	LT Debt	890.1	790.1	690.1	590.1
Minority Interest	13.2	(10.8)	(19.1)	(22.7)	Other LT Liabilities	591.6	591.6	591.6	591.6
Net Profit	364.6	182.3	208.2	234.3	Minority Interest	57.0	67.8	86.9	109.6
Recurring Net Profit	167.1	208.6	208.2	234.3	Shareholders' Equity	1,816.2	2,157.8	2,314.6	2,497.5
					Total Liabilities-Capital	5,332.2	5,607.5	5,364.7	5,586.5
Revenue Growth %	1.4	20.8	(14.4)	19.5					
EBITDA Growth (%)	8.4	21.4	11.7	10.6	Share Capital (m)	946.5	1,052.0	1,052.0	1,052.0
EBIT Growth (%)	10.0	21.8	11.8	10.8	Net Debt	743.1	756.2	644.3	488.9
Net Profit Growth (%)	119.6	(50.0)	14.2	12.5	Working Capital	399.6	385.2	407.7	414.9
Recurring Net Profit Growth (%)	14.0	24.8	(0.2)	12.5	Gross Gearing %	100.3	70.5	57.1	44.9
Tax Rate %	33.5	26.5	25.0	25.0					
CASH FLOW (MYR m)					RATES & RATIOS				
FY Dec	2012A	2013F	2014F	2015F	FY Dec	2012A	2013F	2014F	2015F
Profit after taxation	420.7	263.0	303.0	342.7	EBITDA Margin %	15.8	15.9	20.7	19.2
Depreciation	6.5	6.8	7.2	7.5	Op. Profit Margin %	15.4	15.5	20.2	18.8
Net interest receipts/(payments)	(42.9)	46.0	41.3	37.7	Net Profit Margin %	23.4	9.7	12.9	12.1
Working capital change	17.0	14.3	(22.5)	(7.2)	ROE %	20.1	8.5	9.0	9.4
Cash tax paid	(51.0)	(69.8)	(75.8)	(85.7)	ROA %	7.4	3.3	3.8	4.3
Others (incl'd exceptional items)	(156.3)	0.0	0.0	0.0	Net Margin Ex. El %	10.7	11.1	12.9	12.1
Cash flow from operations	194.0	260.3	253.3	295.1	Dividend Cover (x)	30.1	28.2	24.7	21.9
Capex	(9.1)	(30.0)	(30.0)	(30.0)	Interest Cover (x)	9.2	6.4	7.9	9.6
Disposal/(purchase)	0.0	0.0	0.0	0.0	Asset Turnover (x)	0.3	0.3	0.3	0.3
Others	(260.5)	(325.2)	0.0	0.0	Asset/Debt (x)	2.9	3.7	4.1	5.0
Cash flow from investing	(269.6)	(355.2)	(30.0)	(30.0)	Debtors Turn (days)	160.7	150.0	150.0	150.0
Debt raised/(repaid)	424.5	(300.0)	(200.0)	(200.0)	Creditors Turn (days)	182.3	180.0	180.0	180.0
Equity raised/(repaid)	40.4	210.7	1.0	1.0	Inventory Turn (days)	17.4	18.6	22.7	18.5
Dividends (paid)	(61.8)	(51.4)	(51.4)	(51.4)	Net Gearing (x)	0.4	0.4	0.3	0.2
Interest payments	(68.9)	(65.1)	(59.4)	(54.9)	Debt/ EBITDA (x)	7.4	5.1	4.0	3.0
Others	68.9	0.0	0.0	0.0	Debt/ Market Cap (x)	0.7	0.5	0.5	0.4
Cash flow from financing	403.1	(205.8)	(309.8)	(305.3)	EV/EBITDA (x)	18.6	15.3	13.7	12.4
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Source: Company, Maybank KE

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Adex = Advertising Expenditure FCF = Free Cashflow PE = Price Earnings
BV = Book Value FV = Fair Value PEG = PE Ratio To Growth

CAGR = Compounded Annual Growth Rate FY = Financial Year PER = PE Ratio
Capex = Capital Expenditure FYE = Financial Year End QoQ = Quarter-On-Quarter
CY = Calendar Year MoM = Month-On-Month ROA = Return On Asset
DCF = Discounted Cashflow NAV = Net Asset Value ROE = Return On Equity

DPS = Dividend Per Share

NTA = Net Tangible Asset

ROSF = Return On Shareholders' Funds

EBIT = Earnings Before Interest And Tax

P = Price

WACC = Weighted Average Cost Of Capital

EBITDA = EBIT, Depreciation And Amortisation

P.A. = Per Annum

YoY = Year-On-Year

EPS = Earnings Per Share

PAT = Profit After Tax

YTD = Year-To-Date

EV = Enterprise Value

PBT = Profit Before Tax

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