


AmResearch
Company Report
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WCT ENGINEERING

(WCT MK, WCTE.KL)

10 July 2007

Clinches RM1.3bn Abu Dhabi F1 Circuit project
BUY

RM6.90

Target Price: Under Review

Rationale for report : Company update

YE to Dec	FY06	FY07F	FY08F	FY09F
FD Core EPS (sen)	28.4	26.4	40.7	46.6
FD Core PER (x)	17.6	26.1	16.9	14.8

**assuming full conversion of ICPS and CB issues into new WCT shares totaling 52m and 42m*

Source : AmResearch

- **WCT Engineering Bhd (“WCT”) announced that the group has been awarded the Abu Dhabi F1 Circuit project in Dubai, UAE.**
- **The project is to be undertaken via 50%-owned JV, Cebarco-WCT, and completed by 31 December 2008. Execution risk is mitigated via a strong JV partner in Cebarco, which jointly undertook the construction of the Bahrain F1 circuit with WCT.**
- **Total contract value is RM1.3bn, but excludes certain details (special electronics, mechanical, electrical/plumbing works, architectural finishes, site preparation and landscaping works). This implies more upside to the contract value, pending finalization of the scope and value of the excluded works.**
- **We are not surprised by this new construction win, given that WCT is no stranger to F1 track works. Prior to this, the group had constructed two out of the world’s four modern F1 circuits (i.e. Bahrain and Sepang).**
- **Including this new contract, total orderbook will balloon to circa RM6.0bn vs RM4.7bn currently. No change to our earnings estimates, as the project forms part of our new orderbook assumption of RM2bn for FY07F. So far, it has already delivered RM1.8bn worth of new contracts (including a RM500m civil job secured in March - Dubai World Central International Airport).**
- **More importantly, this lends credence to our bullish view on WCT’s growing pedigree in the Middle East, where construction capacity is currently tight. Including the Abu Dhabi F1 Circuit project, we understand that WCT is bidding for up to RM9bn of new jobs this year, a bulk of which comes from the Middle East.**
- **We will be reviewing our target price of RM7.25/share pending more updates from management. Nevertheless, valuations remain compelling at FD FY08F-09F PEs of 14x-16x against robust EPS CAGR of 33%.**
- **There is more scope for value enhancement on (i) continued contract deliverance; (ii) deepening market penetration into the Middle East; and (iii) crystallization of Vietnam property projects.**

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For AmResearch Sdn Bhd

 Azharuddin Nordin
Executive Director

Quick Take