

23 July 2014 | Corporate Update

WCT Holdings Berhad

RM342m job from Petronas

Reaffirm BUY

Unchanged Target Price (TP): RM2.88

INVESTMENT HIGHLIGHTS

- Secured RM341.9m job within RAPID.
- Outstanding order book boosted to RM2.31b.
- Maintain BUY with an unchanged TP of RM2.88 per share.

Secured RM341.9m job. WCT Holdings Berhad (WCTH), via its wholly-owned subsidiary, WCT Berhad had on 18th July 2014 has accepted a letter of award, worth RM341.9m from PETRONAS Refinery and Petrochemical Corporation Sdn Bhd for the provision of Package 20C1: Common Construction Access and Permanent Roads within the RAPID Site at Pengerang.

We are not surprised with the contract secured as we have already anticipated the possibility of WCTH winning some contracts within RAPID. We expect work on this package to commence from the date of the award, to be completed within two years-end. The work scope involves:

- The development and construction of all the common permanent and temporary roads, temporary drainage system, temporary drainage culverts, permanent bridges and road crossings, cable and utilities crossings, car and bus parking bay, Material Off Loading Facilities paving area, soil improvement works and post development works within RAPID Site;
- The maintenance of all roads, temporary drains and culverts, bridges throughout RAPID construction period;
- The maintenance of the Temporary Access Road within RAPID Site; and
- The maintenance of the Access Road outside RAPID Site and Haulage Road from Teluk Ramunia Wharf to RAPID Site boundary.

RM2.13b outstanding order book. With this new project, WCTH's outstanding external order book will rise by 19.1% to RM2.13b from RM1.79b. To-date, WCTH has replenished RM341.9m worth of contracts this year, accounting for 17.1% of our RM2.0b new jobs assumption in FY/CY14. Although WCTH's new order book had been dry in 1HCY14, we expect the Group to secure more packages or subcontracts within the RAPID site in 2HCY14 to drive its local job replenishment. Meanwhile, other potential catalysts are the RM1.0b civil works for the proposed Kwasa Damansara Township, the remaining six packages of RM2.2b West Coast Expressway and the RM1.0b Qatar roads, expressway and infrastructure projects.

RETURN STATS

Price (22 nd July 2014)	RM2.17
Target Price	RM2.88
Expected Share Price Return	+32.7%
Expected Dividend Yield	+4.6%
Expected Total Return	+37.3%

STOCK INFO


KLCI	1,871.36
Bursa / Bloomberg	9679 / WCTH MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	1,082.2
Par Value (RM)	0.50
Market cap. (RM'm)	2,348.5
Price over NTA	1.06x
52-wk price Range	RM1.99–RM2.57
Beta (against KLCI)	0.92x
3-mth Avg Daily Vol	0.64m
3-mth Avg Daily Value	RM1.42m
Major Shareholders:	
WCT Capital S/B	19.21%
EPF	10.55%
LTH	9.67%
AmanahRaya Trustees	8.14%
ASB	7.07%
KWAP	6.81%

INVESTMENT STATISTICS

FYE December	FY11	FY12	FY13	FY14F	FY15F
Revenue (RM'm)	1,538.6	1,560.4	1,672.4	2,208.8	2,251.8
EBIT (RM'm)	215.2	438.6	241.5	311.4	333.1
Pre-tax Profit (RM'm)	207.5	414.9	254.2	240.6	302.2
Net Profit (RM'm)	166.5	345.7	189.8	187.7	220.4
Net Profit Margin (%)	10.8	22.2	11.3	8.5	9.8
EPS (sen)	15.6	38.0	18.4	17.2	20.3
EPS growth	-25.0	143.6	-51.6	-6.5	18.0
PER (x)	13.2	6.2	11.1	12.6	10.7
Net Dividend (sen)	7.0	3.8	10.0	8.9	10.0
Net Dividend Yield (%)	3.4	1.6	4.9	4.1	4.6

Source: Company, MIDFR

Earnings unchanged. Contribution from this contract has already been captured in our job replenishment assumption for the current year and next. Assuming a net margin of 8%, we expect this project to contribute RM8.2m and 19.1m in FY14 and FY15 to WCTH's PBT. As we have already imputed the job wins in our forecast, we maintain our earnings' numbers.

Reaffirm BUY. At target price of RM2.88, the stock valuation remains attractive with significant share price upside potential. We reaffirm our BUY recommendation. We continue to like WCT for its buoyant property segment and its potential construction orderbook replenishment. 

SUM-OF-PARTS VALUATION

Segments	Effective Interest	Basis	Value (RM'm)
Construction	Various	FY14F PER of 10.1x	1,219.1
Concessions			
Indian Tollways	30.0%	DCF (WACC: 7.5%)	112.4
KLIA2 Integrated Complex	70.0%	DCF (WACC: 10%)	320.1
Property Development	Various	DCF (WACC: 10%)	1,114.4
Property Investment	Various	DCF (WACC: 10%)	570.1
Net Asset Value			3,336.1
Net debt			-432.0
Cash proceeds from warrants			393.1
Total			3,297.2
Enlarged share capital			1,143.8
SOP / share			2.88

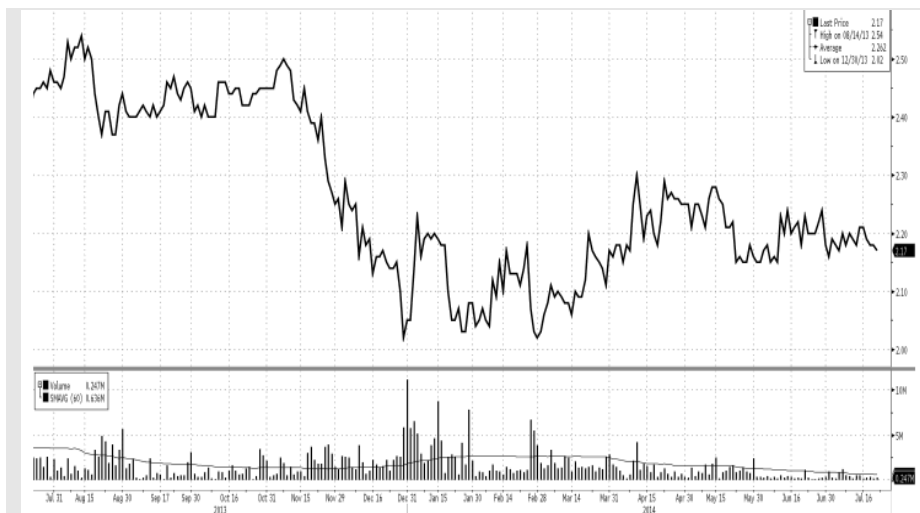
Source: Company, MIDFR

TARGET NEW PROPERTY LAUNCHES FOR 2014

Property Development	GDV (RM'm)
BBT: Shop and Serviced apartment	394.0
Bandar Parklands, Klang South	143.0
Laman Greenville, Bayuemas, Klang South	439.0
Skyz Jelutong, Bukit Jelutong, Shah Alam	146.0
Paradigm Residences, Kelana Jaya	483.0
A60, The Volt, Medini North, Iskandar	502.0
Paradigm Johor Bahru, Serviced apartment	193.0
One Medini Garden Villa	20.0
Total	2,320.0

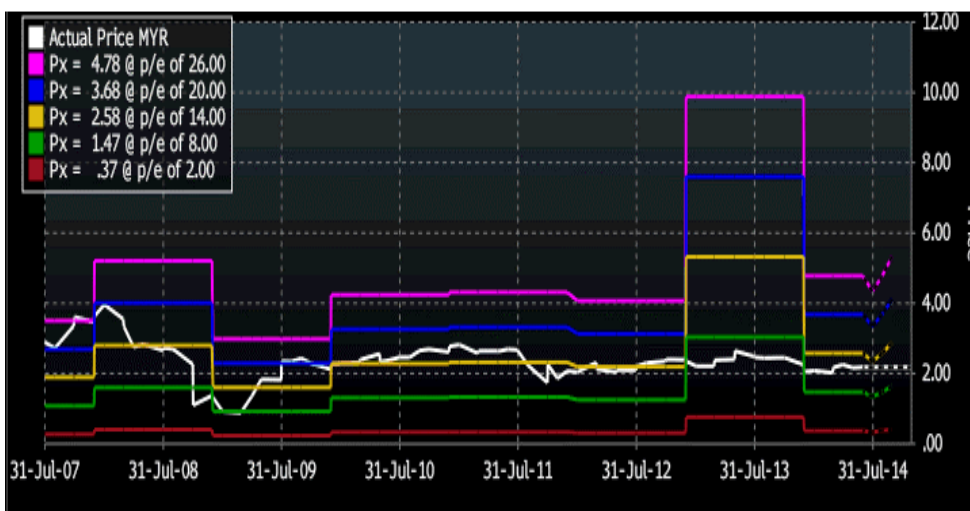
Source: Company, MIDFR

DAILY PRICE CHART



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Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected, by -15% or more, over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.