

PP14767/09/2012(030761)

## WCT Holdings Berhad

### “First Contract Wins in FY15”

WCT Holdings Bhd (WCT) grabbed the first contract wins in FY15 after securing RM1.2 billion construction jobs in Qatar which will boost its external construction orderbook by 42% to RM2.8 billion. The RM1.2 billion contracts secured in Qatar may potentially contribute RM67 million to the group’s EBIT, estimated for the entire contract period, based on EBIT margin assumption of 8%. Hence, WCT is a **HOLD** with target price of RM1.76.

- **Construction job in Qatar.** WCT Berhad, a wholly-owned subsidiary of WCT and its JV (70:30), Al-Ali Projects Co (W.L.L.) have accepted a contract worth RM1.2 billion from Lusail Real Estate Development on 8<sup>th</sup> March 2015. The project is involving the construction of commercial boulevard road D3, road A4, internal roads, utilities and underground car parks 2,3,4 and 5 for Lusail Development Project in Doha, Qatar. The project is scheduled for completion in 2Q17. However, the commencement date of the project was not announced yet.
- **Boost external orderbook by 42%.** We are positive on the new job wins in 2015 which could replenish the group’s external orderbook by 42% to RM2.8 billion. Hence, we estimate that the RM1.2 billion contracts secured in Qatar may potentially contribute RM67 million to the group’s EBIT, based on EBIT margin assumption of 8%.
- **Not too bullish on construction prospect.** Moving forward, WCT is tendering for RM22.8 billion worth of domestic contract including RM20 billion on Penang Transport Master Plan (PTMP). We are not too bullish on WCT’s prospect to secure a PDP role on PTMP as the group has no PDP experience and will be battling against the other domestic competitors including Gamuda. In addition, WCT is also preparing its bids for RAPID

Tuesday, March 10, 2015

### HOLD (TP: RM1.76)

Current Price (RM)	RM1.59
New Target Price (RM)	RM1.76
Previous Target Price (RM)	RM2.04
Previous Recommend.	HOLD
Upside To Target Price	10%
Dividend Yield (FY16)	4%

### Stock Code

Bloomberg	WCTHG MK
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### Stock & Market Data

Listing	MAIN MARKET
Sector	Construction
Shariah Compliance	Yes
Issued Shares (mn)	1,077
Market Cap (RM mn)	1,722
YTD Chg In Share Price	1%
Beta (x)	1.13
52-week Hi/Lo (RM)	2.34   1.38
3M Average Volume (shrs)	1.19mn
Estimated Free Float	35%

### Major Shareholders

WCT Capital	20%
LTH	10%

## Company Update - WCT Holdings Berhad

Pengerang civil works (RM1.0 billion) and sub-contract works on West Coast Expressway (RM1.0 billion).

- **Concern on Property outlook.** We reckon the contribution from the group's property division will continue to be soft in FY15 impacted by the weaker property market sentiment. Note that WCT recorded a weak property sales of RM461 million in FY14, 25% lower than FY14 targeted sales of RM617 million. Therefore, we opine that WCT's property outlook in FY15 will still remain challenging to meet the management's property sales target of RM650 million with RM894 million targeted for new property launches.
- **Change to forecast.** We maintain our earnings forecast as we already factored in the potential construction's contribution in FY15 and FY16. Nonetheless, FY15 and FY16 earnings are forecast to jump by 38% and 4% y-o-y respectively driven by i) steady construction jobs prospect backed by RM2.8 billion orderbook and ii) steady contribution from property investment division.
- **Valuation & recommendation.** We value WCT at RM1.76 and the stock is a **HOLD**. Key re-rating catalyst on the stock includes i) strong prospect of construction sector in Malaysia and ii) potential acquisition of landbank in Iskandar in the near term.

Table 1: Peers comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	7.23	48	54	14.6	12.9	1.3	1.3	12	2	7.50	Buy
GAMUDA	Jul	5.28	33	36	15.3	14.4	1.9	1.8	14	2	5.87	Buy
WCT	Dec	1.59	15	18	10.6	9.1	0.8	0.7	7	3	1.76	Hold
BENALEC	Jun	0.83	7	9	12.3	10.4	1.0	0.9	4	0	NR	NR
CREST BUILDER	Dec	1.18	11	NA	10.4	NA	0.4	NA	6	3	NR	NR
EVERSENDAL	Dec	0.75	7	10	9.0	6.4	0.5	0.5	1	2	NR	NR
KIMLUN	Dec	1.33	16	16	8.5	8.1	0.9	0.8	15	2	NR	NR
MRCB	Dec	1.29	7	10	19.7	13.8	1.2	1.1	9	1	NR	NR
AZRB	Dec	0.70	6	7	11.8	10.1	NA	NA	4	NA	NR	NR
YTL CORP	Jun	1.59	14	14	13.0	12.3	1.2	1.1	9	5	NR	NR
Average												

Source: Bloomberg, M&A Securities

Table 2: Financial Forecast

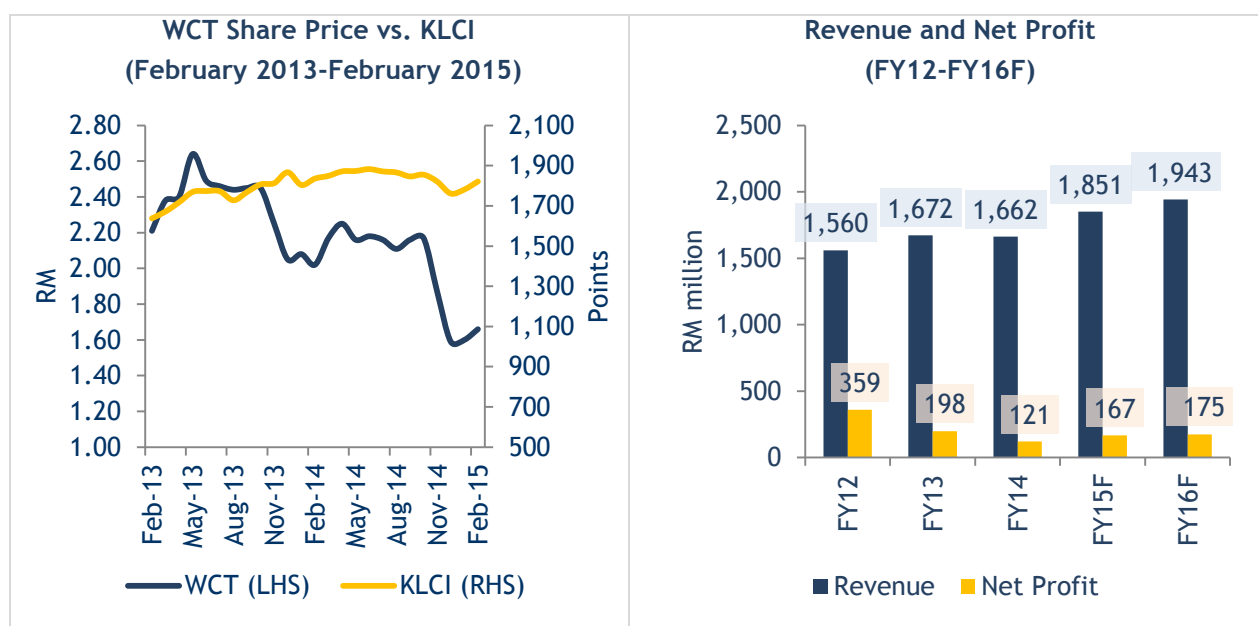
YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	1,560	1,672	1,662	1,851	1,943
EBIT	468	303	203	278	301
PBT	415	254	151	204	214
Net profit	359	198	121	167	175
EPS (sen)	38	18	11	16	16
PBT margin	27%	15%	9%	11%	11%
Net profit margin	23%	12%	7%	9%	9%
PER (x)	6.2	12.8	15.2	10.9	10.3
P/BV (x)	1.2	1.1	0.8	0.8	0.7
DPS (sen)	7	7	6	7	7
Dividend yield	4%	4%	4%	4%	4%

Source: Bursa Malaysia, M&A Securities

Table 3: Construction's External Order book (December 2014)

Description	Value (RM mil)
<b>Overseas</b>	
Government Administration Office, Qatar	338
New Doha International Airport, Qatar	2
<b>Local</b>	
PLUS Widening	141
RAPID	335
Tun Razak Exchange	36
MyTown Shopping Centre	649
Kota Kinabalu Medical Centre	69
Putrajaya Commercial Office	279
Ministry of International Trade (MITI)	102
Jusco Melaka	30
Others	15
<b>Total External Order Book</b>	<b>1,996</b>

Source: WCT



Source: Bloomberg, M&amp;A Securities

# M&A Securities

## STOCK RECOMMENDATIONS

<b>BUY</b>	Share price is expected to be $\geq +10\%$ over the next 12 months.
<b>TRADING BUY</b>	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
<b>HOLD</b>	Share price is expected to be between $-10\%$ and $+10\%$ over the next 12 months.
<b>SELL</b>	Share price is expected to be $\geq -10\%$ over the next 12 months.

## SECTOR RECOMMENDATIONS

<b>OVERWEIGHT</b>	The sector is expected to outperform the FBM KLCI over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform the FBM KLCI over the next 12 months.

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