

PP14767/09/2012(030761)

WCT Holdings Berhad

“New TRX job”

WCT Holdings Bhd (WCT) has grabbed its third contract wins in FY15 after securing RM70 million worth of construction jobs in Tun Razak Exchange (TRX) which will boost its external construction orderbook by 3% to RM2.67 billion. Assuming an FY16 EBIT margin assumption of 12%, we estimate the new contract may potentially contribute RM8 million to the group’s bottom line. Hence, WCT is a HOLD with a target price of RM1.43.

- **Detail of the awards.** WCT announced that its wholly-owned subsidiary, WCT Berhad has secured a letter of award (LOA) from 1MDB Real Estate Sdn Bhd for the proposed earthworks of lifestyle quarter for Phase 1 of mixed-use development in Kuala Lumpur International Financial District (TRX)) at Jalan Tun Razak. The contract is worth RM70.4 million with the scope of works comprising earthworks, rock probing and grouting works. The project is scheduled to be completed by November 2017.
- **Boost external orderbook by 5%.** WCT has successfully grabbed the second contract from TRX following the first award worth RM169 million secured in 2013. The new job wins has propelled WCT’s external orderbook by 3% to RM2.67 billion. Hence, we estimate the RM70 million contracts secured may potentially contribute RM8 million to the group’s EBIT, based on FY16 EBIT margin assumption of 12%.
- **YTD contract wins at RM1.0 billion.** YTD, WCT already snatched 3 project in 2015 with accumulated value of RM1.0 billion (Lusail: RM868 million, Kwasa Land: RM127 million and TRX: RM70 million), accounting 53% of management target of RM2.0 billion. Moving forward, WCT is aiming to replenish its construction orderbook further from some potential project including Petronas RAPID Civil Works, KL118, West Coast Expressway as well as work packages from LRT3 and KVMRT2.

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HOLD (TP: RM1.43)

Current Price (RM)	RM1.45
New Target Price (RM)	RM1.43
Previous Target Price (RM)	RM1.28
Previous Recommend.	HOLD
Upside To Target Price	-1%
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)	1,182
Market Cap (RM mn)	1,715
YTD Chg In Share Price	-4%
Beta (x)	1.11
52-week Hi/Lo (RM)	2.08 1.09
3M Average Volume (shrs)	1.71mn
Estimated Free Float	47%

Major Shareholders

WCT Capital	20%
LTH	10%

- **Earnings outlook.** We maintain our FY15 earnings forecast but revise upward our FY16 earnings projection by 3% as we expect healthy contract flow to boost WCT's orderbook next year. At this stage, FY15 and FY16 earnings are forecast to jump by 4% and 19% y-o-y respectively driven by i) higher work progress from local project in 2H2015 and ii) steady contribution from property investment division.
- **Valuation & recommendation.** We re-value WCT at RM1.43 based on 11x PER (average last 3-year PER) 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 Malaysia in the near term.

Table 1: Peers comparison (Calenderised)

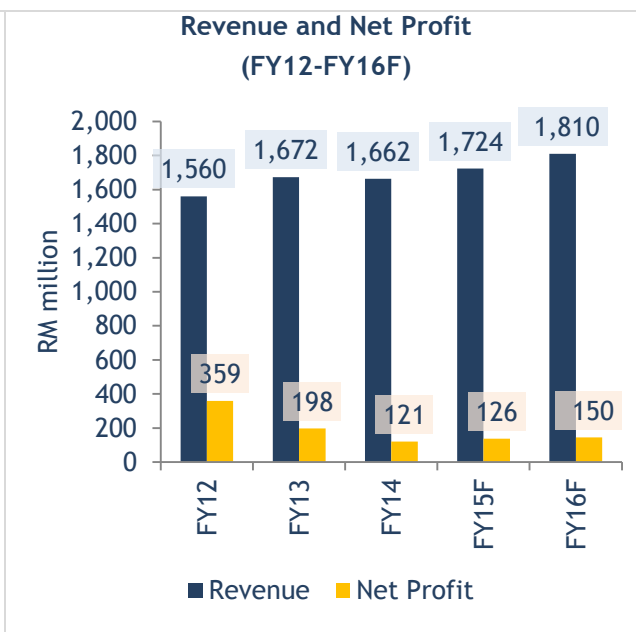
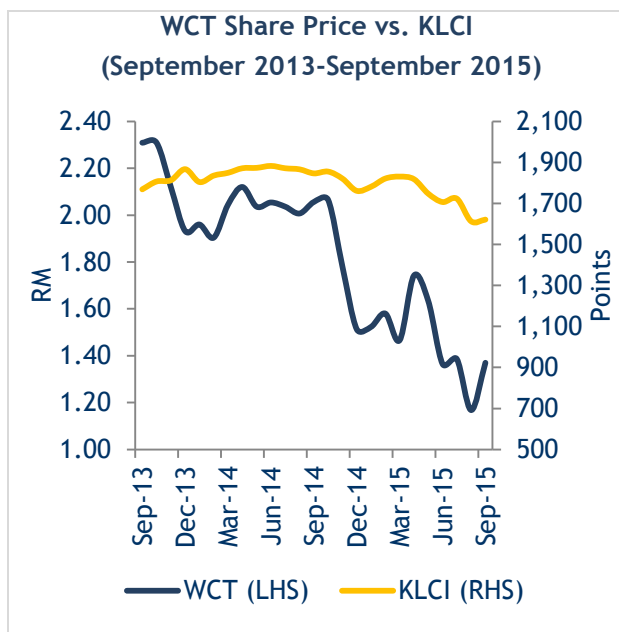
Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	3.28	40	46	17.0	14.6	1.3	1.2	6	2	3.74	Buy
GAMUDA	Jul	4.50	31	30	15.4	15.7	1.9	1.8	13	3	5.87	Buy
WCT	Dec	1.47	12	14	11.7	10.1	0.7	0.6	5	2	1.43	Hold
SCGB	Dec	1.20	10	10	11.3	12.2	3.7	3.1	NA	NA	1.40	Buy
BENALEC	Jun	0.58	2	5	17.0	12.6	0.8	0.7	-2	0	NR	NR
CREST BUILDER	Dec	1.01	7	8	15.3	12.4	NA	NA	6	4	NR	NR
EVERSENDAL	Dec	0.80	10	11	10.3	8.9	0.8	0.8	5	1	NR	NR
KIHLUN	Dec	1.30	15	16	8.7	8.1	0.9	0.8	10	3	NR	NR
MRCB	Dec	1.14	5	7	21.0	14.9	1.1	1.1	19	2	NR	NR
AZRB	Dec	0.65	5	7	12.7	9.1	NA	NA	4	3	NR	NR
YTL CORP	Jun	1.57	14	13	13.8	12.4	1.1	1.1	8	6	NR	NR
Average					14.0	11.9	1.4	1.3	8	3		

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	1,724	1,810
EBIT	468	303	203	259	281
PBT	415	254	151	190	199
Net profit	359	198	121	126	150
EPS (sen)	38	18	11	10	13
PBT margin	27%	15%	9%	11%	11%
Net profit margin	23%	12%	7%	7%	8%
PER (x)	6.2	12.8	15.2	11.3	9.4
P/BV (x)	1.2	1.1	0.8	0.7	0.6
DPS (sen)	7	7	6	6	6
Dividend yield	4%	4%	4%	4%	4%

Source: Bursa Malaysia, M&A Securities



Source: Bloomberg, M&A Securities

M&A Securities

STOCK RECOMMENDATIONS

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

SECTOR RECOMMENDATIONS

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

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