

PP14767/09/2012(030761)

## WCT Holdings Berhad

### “New Infrastructure Job at TRX”

WCT Holdings Bhd (WCT) has grabbed its fourth contract wins in FY15 after securing RM755 million worth of construction jobs in Tun Razak Exchange (TRX) which will boost its external construction orderbook by 28% to RM3.4 billion. At the same time, WCT also intends to acquire a 0.7ha of land within the TRX area with a purchase consideration of RM223 million (RM3,100 psf.). Hence, WCT is a HOLD with a target price of RM1.43.

- **New award from TRX.** WCT has secured a letter of award (LOA) from 1MDB Real Estate Sdn Bhd. (1MDBRE) for the proposed construction and completion of infrastructure and roadway works at the Tun Razak Exchange worth RM755 million. The contract sum will be paid via 3 milestone payments according to work done. In the same announcement, WCT has entered into a conditional sale and purchase agreement (SPA) with KLIFD sdn bhd (KLIFD), a wholly owned subsidiary of 1MDBRE, for the purchase of a plot of development land known as Plot 12 (B10.14-RT) forming part of Tun Razak Exchange District at a total purchase consideration of RM223 million.
- **Detail of the project.** The scope of works for the infrastructure and roadway project will comprise of; i) earthworks, ii) underground road structure, iii) installation of direct buried utilities, iv) at-grade roadway including mechanical and electrical works and v) elevated roadway, foundation and associated works. The contract will commence immediately on 21<sup>st</sup> October 2015 and estimated to be completed by September 2017.
- **Land acquisition.** The land acquisition is measuring approximately 0.7ha and the purchase consideration of RM223 million is equal to RM3,100 psf. WCT stated that the proposed development will comprise a tower block of high-end serviced apartments with

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### HOLD (TP: RM1.43)

Current Price (RM)	RM1.39
New Target Price (RM)	RM1.43
Previous Target Price (RM)	RM1.28
Previous Recommend.	HOLD
Upside To Target Price	3%
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%

complementary of retail components with estimated GDV of RM1.1 billion. The purchase consideration will be payable through a 10% deposit within 7 days from the date of SPA and the remaining balance will be paid via 3 equal tranches to be set off against part of each milestone payment under infrastructure project. The land purchase is expected to be completed by 4Q2017.

- **Boost external orderbook by 28%.** WCT has successfully grabbed its third contract from TRX since 2013. The new job wins has propelled WCT's external orderbook by 28% to RM3.4 billion. Hence, we estimate its new RM755 million contracts may potentially contribute between RM23 million-RM31 million per annum to the group's bottomline in FY16/FY17, based on conservative PBT margin assumption of 8%.
- **YTD contract wins at RM1.8 billion.** YTD, WCT already snatched 4 projects in 2015 with accumulated value of RM1.8 billion, accounting 91% 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.
- **Earnings outlook.** We maintain our FY15 and FY16 earnings forecast the new contract wins is within our assumption. 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 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)

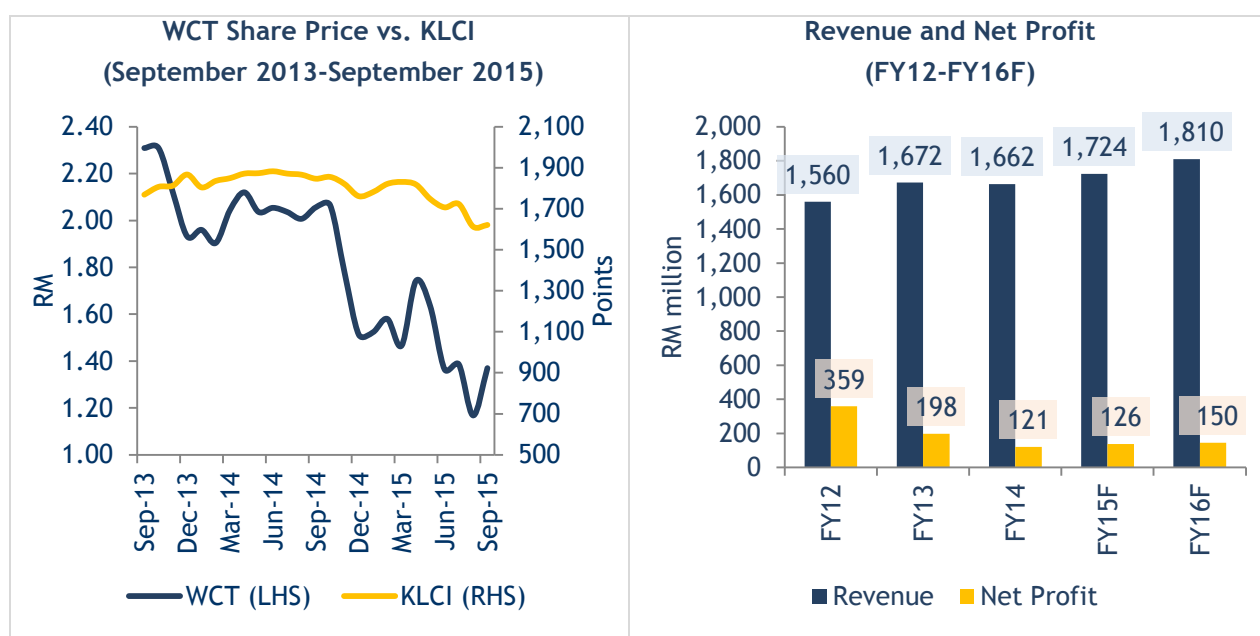
Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	3.29	40	46	17.0	14.6	1.3	1.2	6	2	3.74	Buy
GAMUDA	Jul	4.81	31	30	15.4	15.7	1.9	1.8	13	3	5.87	Buy
WCT	Dec	1.39	12	14	11.7	10.1	0.7	0.6	5	2	1.43	Hold
SCGB	Dec	1.25	10	10	11.3	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	0.83	10	11	10.3	8.9	0.8	0.8	5	1	NR	NR
KIMLUN	Dec	1.33	15	16	8.7	8.1	0.9	0.8	10	3	NR	NR
MRCB	Dec	1.22	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	1.51	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&amp;A Securities



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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