

PP14767/09/2012(030761)

WCT Holdings Berhad

“Bags EPCC Works for RAPID”

WCT Holdings Bhd (WCT) has grabbed its sixth contract wins in FY15 after securing RM316 million worth of construction jobs from Petronas which will boost its external construction orderbook by 9% to RM3.9 billion. Assuming a PBT margin assumption of 8%, we estimate the new contract may potentially contribute a total of RM25 million to the group’s FY16-FY18 bottom line. Hence, WCT is a BUY with a new target price of RM1.62.

- Detail of the awards.** WCT has secured a letter of award (LOA) from PRPC Utilities and Facilities Sdn. Bhd., a subsidiary of Petronas for engineering, procurement, construction and commissioning (EPCC) of substations (275KV, 33KV & 11KV), field auxiliary rooms, operator shelter building and local control building (Package 14-1702). The contract is worth RM316 million with the scope of works comprising earthworks, environmental protection of the site and surroundings, piling and foundation works, architectural works, architectural modelling works, building structural works, building services works, civil and external works and health, safety and environmental design. The contract is estimated to be completed by 4Q2018.
- Boost external orderbook by 9%.** We are encouraged on the group’s new job wins in 2015 which could replenish the group’s external orderbook by 9% to RM3.9 billion. Hence, we estimate that the RM316 million contracts secured from Petronas may potentially contribute RM25 million to the group’s bottom line, based on conservative PBT margin assumption of 8% (i.e. FY16-FY18).
- YTD contract wins at RM2.4 billion.** YTD, WCT already snatched 6 projects in 2015 with accumulated value of RM2.4 billion (Lusail development project: RM868 million, Kwasa Damansara township development: RM127 million, TRX-mixed development: RM70 million, TRX-

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BUY (TP: RM1.62)

Current Price (RM)	RM1.32
New Target Price (RM)	RM1.62
Previous Target Price (RM)	RM1.43
Previous Recommend.	HOLD
Upside To Target Price	23%
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)	1,194
Market Cap (RM mn)	1,576
YTD Chg In Share Price	-13%
Beta (x)	1.04
52-week Hi/Lo (RM)	2.03 1.09
3M Average Volume (shrs)	1.83mn
Estimated Free Float	48%

Major Shareholders

WCT Capital	20%
LTH	10%

Company Update - WCT Holdings Berhad

infrastructure and roadway works: RM755 million, Petronas' civil and infrastructure works: RM267 million and Petronas' EPCC works: RM316). Moving forward, WCT is aiming to replenish its construction orderbook further from some potential projects including RAPID, West Coast Expressway and Pan-Borneo highway.

- **Earnings outlook.** We maintain our FY15 and FY16 earnings forecast as the new contract wins is within our assumption of RM2.5 billion of contract wins in 2015. At this stage, FY15 and FY16 earnings are forecast to jump by 4% and 29% 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 RM1.62 based on 12x PER (average last 3-year PER) and the stock call remains a **BUY**. 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)

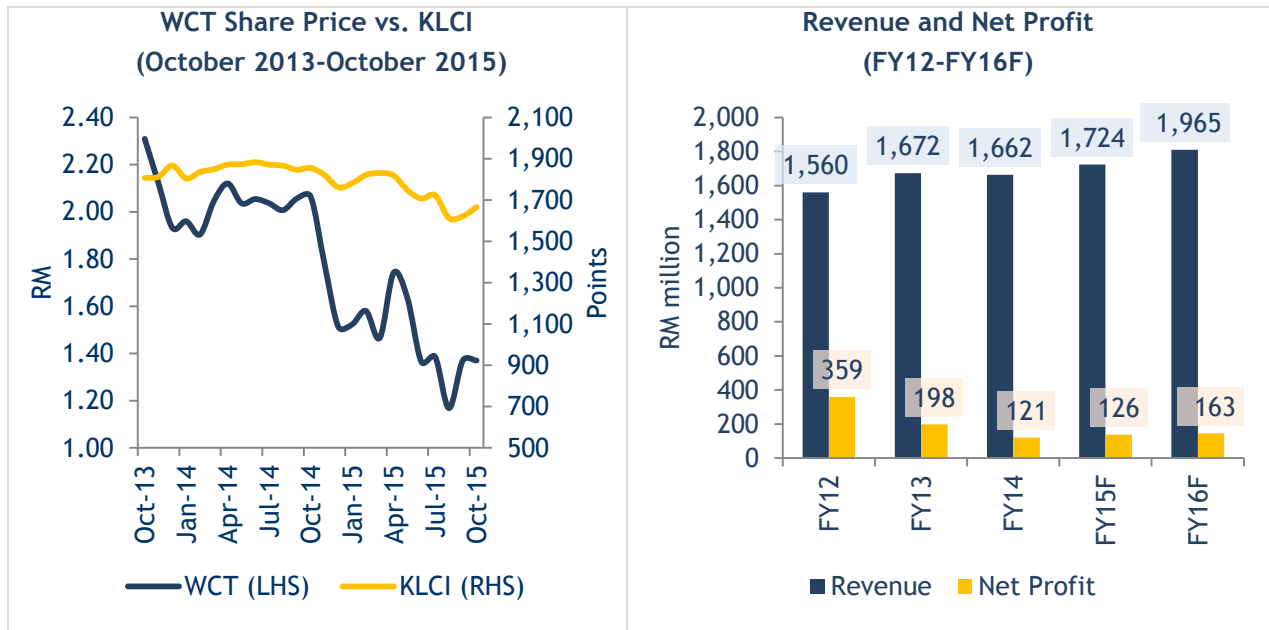
Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	3.24	19	22	16.7	15.3	1.4	1.3	9	2	3.74	Buy
GAMUDA	Jul	4.48	28	29	16.0	15.6	1.7	1.6	12	3	5.80	Buy
WCT	Dec	1.32	10	13	13.3	10.9	0.7	0.7	5	1	1.62	Buy
SCGB	Dec	1.28	10	10	12.9	12.7	3.9	3.3	NA	NA	1.40	Buy
BENALEC	Jun	0.59	0.04	0.1	9.1	7.7	1.0	1.1	1	1	NR	NR
CREST BUILDER	Dec	0.99	7	8	14.6	11.8	NA	NA	6	4	NR	NR
EVERSENDAL	Dec	0.82	8	10	9.3	7.9	0.6	0.6	6	2	NR	NR
KIAMLUN	Dec	1.32	16	17	8.0	7.8	0.9	0.8	12	3	NR	NR
MRCB	Dec	1.48	4	7	34.1	20.5	1.2	1.2	15	2	NR	NR
AZRB	Dec	0.66	NA	NA	NA	NA	NA	NA	5	3	NR	NR
YTL CORP	Jun	1.47	11	13	13.5	11.8	1.1	1.0	7	6	NR	NR
Average					14.8	12.2	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	1,965
EBIT	468	303	203	259	305
PBT	415	254	151	190	216
Net profit	359	198	121	126	163
EPS (sen)	38	18	11	11	14
PBT margin	27%	15%	9%	11%	11%
Net profit margin	23%	12%	7%	7%	8%
PER (x)	6.2	12.8	15.2	12.9	10.0
P/BV (x)	1.2	1.1	0.8	0.7	0.7
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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