

28 August 2018 | 6MFY18 Results Review

## WCT Holdings Berhad

### Encouraging Results From Construction Billings

**Maintain BUY**

Unchanged Target Price (TP): RM1.47


#### INVESTMENT HIGHLIGHTS

- **6MFY18 results encouraging**
- **Earnings recovered**
- **FYE18/FYE19 Earnings forecasts unvaried**
- **Maintain BUY recommendation with a TP of RM1.47**

**6MFY18 results encouraging.** WCT's 6MFY18 earnings of RM82.1m (+52% YoY) came in within ours and consensus' expectations at 50.4% and 52.8% of full year estimates respectively. Furthermore, revenue grew +41.0%YoY to RM1.2bn. The increased revenue is influenced by higher billings recognition.

**Earnings recovered.** The positive growth of revenue coupled with improved net margin of 6.8% means WCT is currently going full throttle to complete its projects. Despite its compressed share price, we are keen to observe WCT's improvement as earnings gain momentum. Going forward, we reckon the Subang Skypark project would be an exciting project to embark on for WCT in the near term.

**Earnings forecasts unvaried.** With its orderbook standing at an estimated RM4.5b, we reiterate our view that earnings will be recuperated in upcoming quarters due longer project timeline such as Pan Borneo Highway, TRX and upcoming Subang Skypark Terminal.

**Recommendation.** We maintain our BUY recommendation with SOP-based TP of **RM1.47** per share. Notably, WCT is trading at price-to-book ratio of 0.43x and an earnings yield of 12%, implying an attractive opportunity to increase exposure. 

RETURN STATS	
Price (27 Aug 2018)	RM0.92
Target Price	RM1.47
Expected Share Price Return	+59.7%
Expected Dividend Yield	+0.8%
<b>Expected Total Return</b>	<b>+60.5%</b>

STOCK INFO	
KLCI	1,811.6
Bursa / Bloomberg	9679/ WCTHG MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	1382.9
Market cap. (RM'm)	1,279.2
Price over NA	0.41
52-wk price Range	RM0.69– RM1.84
Beta (against KLCI)	0.87
3-mth Avg Daily Vol	8.52m
3-mth Avg Daily Value	RM7.83m
Major Shareholders (%)	
Dominion Nexus	17.88
LTH	8.87
EPF	7.92
KWAP	6.13

## SOP VALUATION

Segments	Basis	Value (RM'm)	Per share (RM)
Engineering & construction	DCF Valuation (6.5%)	1,533.2	0.86
<b>Concessions</b>			
Indian Tollways	DCF valuation (WACC: 8%)	117.5	0.07
KLIA2 Gateway Mall	DCF valuation (WACC: 10%)	328.5	0.18
<b>Property Development</b>			
On-going & undeveloped landbanks	NPV @ 9% of Market Value	1,350.0	0.76
<b>Property Investment</b>			
BT Mall, Paradigm Mall & Premiere Hotel	DCF valuation (WACC: 9.5%)	1,210.0	0.68
Landbank	Market Value	600.0	0.34
<b>Total SOP</b>		<b>4,539.2</b>	<b>2.88</b>
Net debt		-2,527.0	-1.41
Total SOP			<b>1.47</b>
			<b>1.47</b>
Enlarged share capital (mil)			1,788.0

Source: MIDFR

## INVESTMENT STATISTICS

	FY15	FY16	FY17	FY18E	FY19F
Revenue	1,854.10	1,933.6	1,905.80	1,750.0	1,600.0
PBT	256.2	122.0	230.6	211.7	196.8
PATAMI	216.6	65.1	154.6	162.6	144.0
FD EPS	18.1	5.5	11.29	9.1	8.1
EPS growth (%)	78.9	-100.3	205.6	-38.5	-11.0
PER (x)	5.1	16.8	8.1	10.1	11.4
Dividend (sen)	5	0.0	1.8	1.1	1.1
Dividend Yield (%)	3.5	1.1	1.1	0.8	0.8

Source: MIDFR

## DAILY PRICE CHART



**Fadhli Dzulkifly**  
 abdul.fadhli@midf.com.my  
 03-2772 8462

Source: Bloomberg, MIDFR

## 6MFY18 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly Results					Cumulative		
	2Q18	1Q18	2Q17	QoQ	YoY	6M18	6M17	YoY
<b>Revenue</b>	<b>669.9</b>	<b>539.7</b>	<b>382.8</b>	<b>24%</b>	<b>75%</b>	<b>1,209.6</b>	<b>855.6</b>	<b>41%</b>
<b>Gross profit</b>	<b>123.1</b>	<b>97.6</b>	<b>79.2</b>	<b>26%</b>	<b>55%</b>	<b>220.7</b>	<b>137.2</b>	<b>61%</b>
Other income	10.9	14.1	0.9	-23%	1111%	25.0	15.5	61%
Other expenses	-7.7	-2.4	-5.3	221%	45%	-10.2	-8.2	24%
Admin expenses	-29.9	-26.7	-28.9	12%	3%	-56.7	-49.5	15%
Finance costs	-29.0	-25.0	-13.5	16%	215%	-54.0	-25.7	110%
Associates	-0.9	0.7	0.8	-229%	-93%	-0.2	2.4	-108%
JVs	-0.2	-2.8	4.9	-92%	-129%	-3.1	11.1	-128%
<b>PBT</b>	<b>41.6</b>	<b>55.2</b>	<b>21.2</b>	<b>-25%</b>	<b>96%</b>	<b>79.9</b>	<b>51.7</b>	<b>55%</b>
Taxation	-24.4	-16.9	-16.9	44%	44%	-41.4	-30.9	34%
<b>PATAMI</b>	<b>43.7</b>	<b>38.3</b>	<b>21.2</b>	<b>14%</b>	<b>106%</b>	<b>82.1</b>	<b>54.0</b>	<b>52%</b>
EPS (sen)	<b>3.1</b>	<b>2.7</b>	<b>1.5</b>	14%	106%	<b>5.8</b>	<b>4.1</b>	43%
	<b>2Q18</b>	<b>1Q18</b>	<b>2Q17</b>	<b>+/- ppts</b>	<b>+/- ppts</b>	<b>6M18</b>	<b>6M17</b>	<b>+/- ppts</b>
Gross profit	18.4%	18.1%	20.7%	0.003	-0.023	18.2%	16.0%	2.2
Pre-tax margin	6.2%	10.2%	5.5%	-0.040	0.007	6.6%	6.0%	0.6
Net profit margin	6.5%	7.1%	5.5%	-0.006	0.010	6.8%	6.3%	0.5
Effective tax rate	58.7%	30.6%	79.7%	0.280	-0.211	51.8%	59.8%	-8.0

Source: MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% 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.