

27 February 2018 | FY17 Results Review

## WCT Holdings Berhad

### Improvement in Earnings Beckons


#### INVESTMENT HIGHLIGHTS

- **FY17 result met target**
- **New World Hotel and Paradigm Mall, Johor Bahru could rejuvenate income stream**
- **Maintain earnings forecast**
- **Nevertheless, we upgrade our recommendation to NEUTRAL with a TP of RM1.47 per share**

**FY17 results met target.** WCT's FY17 PATAMI of RM154.6m (+137.0% YoY) went met ours and consensus' expectations, meeting 95.0% and 100% of full year estimates respectively. Compared to FY16's revenue of RM1.93bn, FY17's revenue narrowed to RM1.91bn (-1.0%YoY). The FY17 revenue is in line with our estimates impacted by unwavering higher progress billings. Notably, WCT's FY17's receivables amounted to RM1.52bn indicating a positive undertone for FYE18.

**New World Hotel and Paradigm Mall, Johor Bahru rejuvenated WCT's income stream.** We have predicted that that the opening of New World Hotel, Petaling Jaya and Paradigm Mall, Johor Bahru would rejuvenate income streams to the property segment and provide better tenancy profiles to its property portfolio. Thus, for property development's operating profit has shown an increase from FY16's RM108.2m to FY17's RM120.8m (+11.6%YoY)

**Maintain earnings forecasts.** We are adamant in maintaining our forecast for FYE18/FYE19 on the assumption that suppressed earnings will be balanced out by progress billings and improved contribution from Paradigm Mall, Johor Bahru in addition to its our estimated unbilled orderbook of c.RM5.5bn.

**Recommendation.** Altogether, we upgrade our recommendation to NEUTRAL with SOP-based TP of RM1.47 per share. 

**Upgrade to NEUTRAL**  
**Unchanged Target Price (TP): RM1.47**

RETURN STATS	
Price (26 Feb 2017)	RM1.58
Target Price	RM1.47
Expected Share Price Return	-7.5%
Expected Dividend Yield	+1.1%
<b>Expected Total Return</b>	<b>-6.4%</b>

STOCK INFO	
KLCI	1,860.8
Bursa / Bloomberg	9679/ WCTHG MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	1406.7
Market cap. (RM'm)	2222.84
Price over NA	0.65
52-wk price Range	RM1.46– RM2.47
Beta (against KLCI)	0.89
3-mth Avg Daily Vol	2.64m
3-mth Avg Daily Value	RM4.24m
Major Shareholders (%)	
Dominion Nexus	17.57
EPF	8.81
LTH	8.19
KWAP	6.27

## 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>			
AEON BT, 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

FYE Dec	FY14	FY15	FY16	FY17	FYE18	FYE19
Revenue	1,662.20	1,854.10	1,933.6	1,905.80	1,750.0	1,600.0
PBT	151.1	256.2	122.0	230.6	211.7	196.8
PATAMI	111.1	216.6	65.1	154.6	162.6	144.0
FD EPS	10.1	18.1	5.5	11.27	9.1	8.1
EPS growth (%)	-26.6	78.9	-100.3	105.282	-38.5	-11.0
PER (x)	15.6	8.7	28.8	14.0	17.4	19.5
Dividend (sen)	2.5	5	0.0	1.8	1.1	1.1
Dividend Yield (%)	1.2	3.5	1.1	1.1	1.4	1.4

Source: MIDFR

## DAILY PRICE CHART



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Source: Bloomberg, MIDFR

## FY17 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly Results					Cumulative		
	4Q17	3Q17	4Q16	QoQ	YoY	12M17	12M16	YoY
<b>Revenue</b>	<b>579.3</b>	<b>469.7</b>	<b>453.1</b>	<b>23%</b>	<b>28%</b>	<b>1905.8</b>	<b>1933.6</b>	<b>-1%</b>
<b>Gross profit</b>	<b>98.0</b>	<b>103.3</b>	<b>63.9</b>	<b>-5%</b>	<b>53%</b>	<b>-1558.2</b>	<b>238.8</b>	<b>-753%</b>
Other income	248.6	11.4	34.9	2081%	612%	260.4	46.6	459%
Other expenses	-174.9	-12.1	-31.7	1345%	452%	-199.4	-45.6	337%
Admin expenses	-29.9	-26.6	-19.2	12%	56%	-95.2	-72.5	31%
Finance costs	-23.0	-14.2	-12.8	62%	180%	-63.1	-46.3	36%
Associates	0.4	-0.5	2.1	-180%	-103%	2.3	8.2	-72%
JVs	-37.6	4.5	-25.8	-936%	-1890%	-21.9	-7.2	204%
<b>PBT</b>	<b>81.4</b>	<b>65.8</b>	<b>11.3</b>	<b>24%</b>	<b>620%</b>	<b>230.6</b>	<b>122.0</b>	<b>89%</b>
Taxation	22.3	-25.3	-13.2	-188%	-269%	-78.7	-56.8	39%
<b>PATAMI</b>	<b>59.2</b>	<b>40.7</b>	<b>3.5</b>	<b>45%</b>	<b>1591%</b>	<b>154.6</b>	<b>65.1</b>	<b>137%</b>
EPS (sen)	<b>4.2</b>	<b>2.9</b>	0.2	47%	1995%	<b>11.3</b>	5.5	106%
	<b>4Q17</b>	<b>3Q17</b>	<b>4Q16</b>	<b>+/- ppts</b>	<b>+/- ppts</b>	<b>12M17</b>	<b>12M16</b>	<b>+/- ppts</b>
Gross profit	16.9%	22.0%	14.1%	-0.051	0.028	-81.8%	12.4%	-94.1
Pre-tax margin	14.1%	14.0%	2.5%	0.000	0.116	12.1%	6.3%	5.8
Net profit margin	10.2%	8.7%	0.8%	0.016	0.094	8.1%	3.4%	4.7
Effective tax rate	-27.4%	38.4%	116.8%	-0.658	-1.442	34.1%	46.6%	-12.4

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.