

26 February 2014 | 4QFY13 Results Review

## WCT Holdings Berhad

**Maintain BUY**

**FY13 outpaced our conservative expectation**

**Unchanged Target Price (TP): RM2.88**

### INVESTMENT HIGHLIGHTS

- **FY13 earnings ahead of our conservative estimate by 16.9%.**
- **4QFY13 affected by slower billing and construction margin.**
- **Pending guidance from the management in a briefing later today, we make no changes to our forecast and reaffirm our BUY recommendation with an unchanged TP of RM2.88**

**FY13 beat our conservative estimate.** In 4QFY13, WCT posted revenue of RM280.4m (-26.2%yoy, -33.0%qoq) and earnings of RM53.9m (-77.3%yoy, 32.8%qoq). For the full year period, earnings was lower at RM189.8m (-46%yoy). Moreover, margins were compressed across all divisions with EBIT and net margins at 18.1% and 11.3% respectively (FY12 comparatives at 30.3% and 22.5%). We were expecting even inferior figures hence the overall results actually outpaced our expectations (+16.9%).

**4Q13 affected by slower billing and construction margin.** The on-year decline in 4QFY13 earnings, in our opinion, was attributable to slower progress billing of property development and thinner margin from civil engineering & construction works. Nonetheless, the reduction was partly offset by 16.9% higher revenue of RM232m from civil engineering & construction works. The overall lower on-year Group's earnings growth in FY13 was further exacerbated by a higher base effect following fair value gain of RM210.9m from investment properties in prior year.

**Still positive on job flow prospects.** Management is targeting some RM2b in new contract wins a year, with a 50:50 mix between Malaysia and the Middle East. Domestically, management appears to be keen on the West Coast Expressway construction package and Kwasa Damansara civil works. Apart from domestic jobs, it is also looking at earthworks, road and bridge works in the Gulf states worth RM1b.

**Full year dividend of 6.75sen.** The management did not declare any payout in the fourth quarter hence a full year dividend of 6.75sen per share which was declared earlier in 1H13.

**No change to forecasts.** We make no changes to our forecast pending guidance from the management in an analyst briefing later today.

**Maintain BUY.** We reiterate our BUY recommendation on WCT Holdings with an unchanged target price of RM2.88. We expect WCT's growth prospect will continue to be backed by its strong orderbook outstanding of more than RM2b and future property sales from its Bandar Bukit Tinggi Township and 1 Medini Residences.



RETURN STATS	
Price (25 <sup>th</sup> February 2014)	RM2.18
Target Price	RM2.88
Expected Share Price Return	+32.1%
Expected Dividend Yield	+4.1%
<b>Expected Total Return</b>	<b>+36.2%</b>

STOCK INFO	
KLCI	1,833.75
Bursa / Bloomberg	9679/ WCTH MK
Board / Sector	Main/ Construction
Syariah Compliant	Yes
Issued shares (mil)	1,092.5
Par Value (RM)	0.50
Market cap. (RM'm)	2,381.6
Price over NTA	1.11x
52-wk price Range	RM1.99–RM2.74
Beta (against KLCI)	1.04x
3-mth Avg Daily Vol	2.55m
3-mth Avg Daily Value	RM5.47m
Major Shareholders	
WCT Capital SB	19.03%
EPF	10.83%
LTH	9.41%
KWAP	6.23%

## INVESTMENT STATISTICS

FYE December	FY11	FY12	FY13	FY14F
Revenue (RM'm)	1,538.6	1,560.4	1,672.4	2,208.8
Pretax Profit (RM'm)	207.5	414.9	254.2	240.6
Net Profit (RM'm)	166.5	345.5	189.8	187.7
Net Margin (%)	10.8	22.1	11.3	8.5
EPS (sen)	18.0	38.0	18.4	17.2
EPS growth	-25.0	111.0	-51.5	-6.5
PER (x)	12.1	5.7	11.8	10.3
Net Dividend (sen)	7.0	7.0	6.8	8.9
Net Dividend Yield (%)	3.2	3.2	3.2	4.1

Source: Company, Forecasts by MIDFR

## 4QFY13 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly Results			Cumulative		Comments
	4Q13	YoY	QoQ	12M13	YoY	
<b>Revenue</b>	<b>280.4</b>	<b>-26.2%</b>	<b>-33.0%</b>	<b>1,672.4</b>	<b>7.2%</b>	
<b>Gross profit</b>	<b>33.1</b>	<b>-65.0%</b>	<b>-62.2%</b>	<b>280.0</b>	<b>-18.9%</b>	
Other income	93.5	-58.6%	914.4%	140.4	-42.6%	
Other expenses	-25.6	269.3%	339.5%	-43.3	52.8%	
Admin expenses	-23.5	-27.0%	36.1%	-74.5	-15.4%	
<b>EBIT</b>	<b>77.5</b>	<b>-72.5%</b>	<b>5.2%</b>	<b>302.7</b>	<b>-36.1%</b>	
Finance costs	-19.9	5.2%	16.6%	-67.6	-1.8%	
Associates	2.0	-46.3%	-6.5%	12.1	-27.8%	
JVs	5.8	-910.0%	390.9%	7.1	-1048.7%	
<b>Pre-tax profit</b>	<b>65.4</b>	<b>-75.4%</b>	<b>9.2%</b>	<b>254.2</b>	<b>-39.6%</b>	
Taxation	-11.6	-58.9%	-40.2%	-64.5	-6.9%	
<b>PATAMI</b>	<b>53.9</b>	<b>-77.3%</b>	<b>32.8%</b>	<b>189.8</b>	<b>-46.0%</b>	
EPS (sen)	5.2	-79.6%	36.5%	18.4	-51.6%	
	<b>4Q13</b>	<b>+/- ppts</b>	<b>+/- ppts</b>	<b>12M13</b>	<b>+/- ppts</b>	
EBIT margin	27.7%	-46.4	10.0	18.1%	-12.2	
Pre-tax margin	23.3%	-46.5	9.0	15.2%	-11.8	
Net profit margin	19.2%	-43.2	9.5	11.3%	-11.2	
Effective tax rate	17.7%	7.1	-14.6	25.4%	8.9	

Segmental Breakdown						
Revenue	4Q13	YoY	QoQ	12M13	YoY	Comments
Civil eng. & construction	232.9	16.9%	-13.5%	1,168.4	15.4%	
Property development	32.9	-78.4%	-75.6%	442.5	-4.4%	
Property investment	14.5	-48.5%	3.8%	61.5	-27.6%	
<b>TOTAL</b>	<b>280.4</b>	<b>-26.2%</b>	<b>-33.0%</b>	<b>1,672.4</b>	<b>7.2%</b>	
EBIT	4Q13	YoY	QoQ	12M13	YoY	
Civil eng. & construction	7.5	-61.1%	-77.1%	129.3	11.8%	
Property development	12.1	-69.7%	-65.4%	93.6	-20.3%	
Property investment	58.0	-73.9%	862.7%	79.7	-66.8%	
<b>TOTAL</b>	<b>77.5</b>	<b>-72.5%</b>	<b>5.2%</b>	<b>302.7</b>	<b>-36.1%</b>	
EBIT Margin	4Q13	+/- ppts	+/- ppts	12M13	+/- ppts	
Civil eng. & construction	2.8%	-4.2	-7.5	13.8%	-0.4	
Property development	4.5%	-10.1	-6.5	10.0%	-4.4	
Property investment	21.5%	-59.7	19.6	8.5%	-21.0	

Source: Company, MIDFR

## SUM-OF-PARTS VALUATION

Segments	Effective Interest	Basis	Market Value
Construction	Various	FY14F PER of 10.1x	1,219.1
<b>Concessions</b>			
Indian Tollways	30.0%	DCF (WACC: 7.5%)	112.4
KLIA2 Integrated Complex	70.0%	DCF (WACC: 10%)	320.1
Property Development	Various	DCF (WACC: 10%)	1,114.4
Property Investment	Various	DCF (WACC: 10%)	570.1
<b>Net Asset Value</b>			<b>3,336.1</b>
Net debt			-432.0
Cash proceeds from warrants			393.1
<b>Total</b>			<b>3,297.2</b>
Enlarged share capital			1,143.8
<b>SOP / share</b>			<b>2.88</b>

Source: Forecasts by MIDFR

## DAILY PRICE CHART



Syed Muhammed Kifni | Hafiz Hassan  
 mohd.hafiz@midf.com.my  
 03-2772 1668

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected, by -15% or more, over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.