

19 March 2018 | Corporate Update

Wah Seong Corporation Berhad

Contract award from Basrah Gas Company

Maintain NEUTRAL

Unchanged Target Price (TP): RM1.58

INVESTMENT HIGHLIGHTS

- **Wah Seong Corp's (WSC) indirect unit was awarded with a contract by Basrah Gas Company valued at USD34.6m (equivalent to RM135.2m)**
- **The contract is for the design, packaging and sale of gas compressor packages and associated plant and site facilities**
- **The project is expected to commence in March 2018 and to be completed by end-2018**
- **This will increase the orderbook for WSC to RM2.94b**
- **Maintain NEUTRAL with unchanged TP of RM1.58**

WEIL awarded contract by Basrah Gas Company. The contract between WSC's indirect wholly-owned subsidiary, Wasco Engineering International Ltd (WEIL) and Basrah Gas Company is valued at USD34.6m (equivalent to RM135.2m, based on the exchange rate of RM3.9135). The contract is for the design, packaging and sale of gas compressor packages and associated plant and site facilities.

Scope of work. The contract involves the provision of gas compressors and process equipment such as tri-ethylene glycol (TEG) unit, fuel gas conditioning skid, pipe racks, slug catcher, knock out drum, vent stack, site facilities such as office and workshop containers, lighting, safety equipment, fire and gas detectors, power generators and air compressors. The engineering, detail design, procurement and packaging of the aforementioned process equipment is also included in the contract.

Timeline. The project is expected to commence in March 2018 and to be completed by end-2018.

Increased orderbook. With the inclusion of this project, the group's orderbook stands at RM2.94b (previously RM2.8b).


Impact on earnings. No changes made to earnings estimates as the project value is within our normal orderbook replenishment target for the group. Assuming a typical 10-12% pretax margin for such engineering works, this project could contribute approximately RM13-16m to the group during the project duration.

RETURN STATS

| | |
|------------------------------|--------------|
| Price (16 March 2018) | RM1.62 |
| Target Price | RM1.58 |
| Expected Share Price Return | -2.5% |
| Expected Dividend Yield | +1.8% |
| Expected Total Return | -0.7% |

STOCK INFO

| | |
|------------------------|-------------------------|
| KLCI | 1,846.39 |
| Bursa / Bloomberg | 5142 / WSC MK |
| Board / Sector | Main / Trading Services |
| Syariah Compliant | Yes |
| Issued shares (mil) | 772.8 |
| Market cap. (RM'm) | 1,291.9 |
| Price over NA | 1.67x |
| 52-wk price Range | RM0.87 – RM1.71 |
| Beta (against KLCI) | 1.79 |
| 3-mth Avg Daily Vol | 1.84m |
| 3-mth Avg Daily Value | RM2.67m |
| Major Shareholders (%) | |
| Wah Seong (M) Trading | 32.89 |
| Tan Kim Yeow Sdn Bhd | 6.96 |
| Skim ASB | 5.43 |
| Midwest Asia Sdn Bhd | 5.25 |

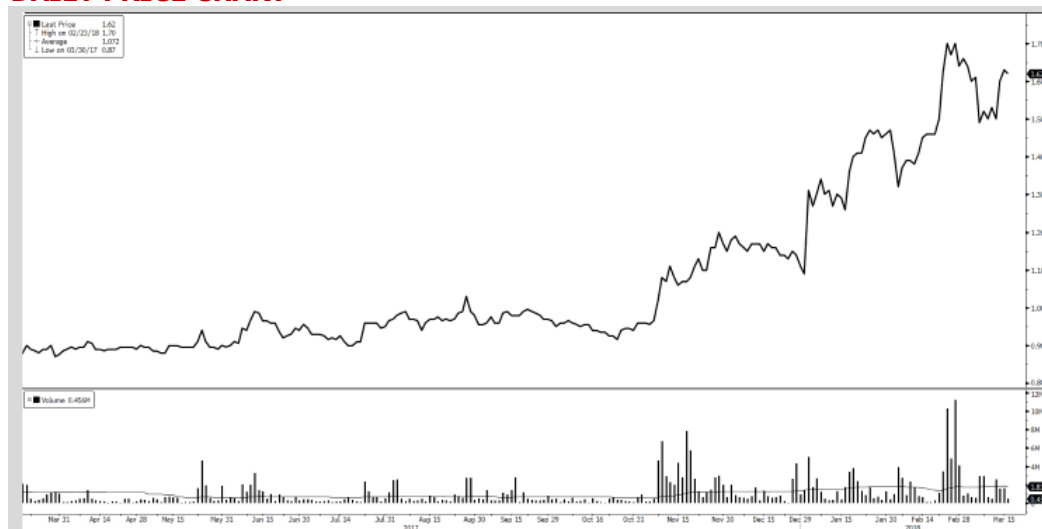
Maintain NEUTRAL. We maintain our **NEUTRAL** call on Wah Seong with an unchanged TP of **RM1.58** per share. Our TP is based on a EPS19 of 15.8sen pegged to an unchanged forward PER19 of 10x. 

INVESTMENT STATISTICS

| FYE Dec (RMm) | FY2015 | FY2016 | FY2017 | FY2018F | FY2019F |
|------------------------|---------|---------|---------|---------|---------|
| Revenue | 1,839.5 | 1,276.6 | 2,492.1 | 2,543.2 | 2,606.6 |
| Gross profit | 262.7 | 158.2 | 309.7 | 450.1 | 469.2 |
| Profit from operations | 41.8 | (149.9) | 159.5 | 178.9 | 189.8 |
| PBT | 35.7 | (225.9) | 122.6 | 152.1 | 164.2 |
| PAT | (11.9) | (234.6) | 114.6 | 121.7 | 131.4 |
| PATANCI | 9.5 | (228.3) | 113.0 | 115.6 | 122.2 |
| EPS (sen) | 1.2 | (29.5) | 14.6 | 15.0 | 15.8 |
| DPS (sen) | 3.0 | 1.0 | 1.6 | 2.2 | 2.8 |
| PER (x) | 132.8 | (5.5) | 11.1 | 10.8 | 10.2 |
| Dividend yield (%) | 1.9 | 0.6 | 1.0 | 1.3 | 1.8 |

Source: MIDFR

DAILY PRICE CHART



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Source: MIDFR, Company

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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. |