

WCT Holdings Berhad

(9679 | WCTHG MK) Main | Construction

Secures Second New Project

KEY INVESTMENT HIGHLIGHTS

- **Second job win for FY24; RM214m contract from Kwasa Land**
- **Contract for common infra works and underpass at Kwasa Damansara Township Development**
- **RM463.7m of replenishments so far; 23.2% of FY24 target**
- **Proposed REIT setup to lighten balance sheet, pare down borrowings**
- **Maintain NEUTRAL with unchanged TP of RM0.97* (under review)**

Second win. WCT Holdings Bhd (WCT) has secured its second new contract this year after its wholly owned subsidiary WCT Bhd secured an RM214 construction contract from Kwasa Land Sdn Bhd, a wholly owned subsidiary of the EPF.

Project details. Under the contract (Work Package Contract 02), WCT will construct the common infrastructure works and a new vehicular underpass at the Kwasa Damansara Township Development. The works include site clearance, demolition works, earthworks, geotechnical works, road works, bridge structure, vehicular underpass structure, drainage works, water reticulation, sewerage works, Mechanical and Electrical works, river improvement and routine maintenance works. The project is expected to be completed by Jan-27 or within 30 months, starting from Aug-24.

Healthy flow of wins. This new project win came just less than a month after is secured the RM249.7m package for the construction of additional lanes for the North-South Expressway on the stretch from Yong Peng to Senai in Johor. These are positive developments for WCT after going through a hiatus for two years without any new jobs. The group's outstanding order book is estimated to be at RM3.41b currently. Its latest win brings its YTD replenishments to RM463.7m or 23.2% of our RM2.0b FY24 replenishment estimates. We believe other job wins may come from the Penang International Airport (PIA) expansion, Pan Borneo Sabah, other packages for the North-South Expressway expansion and potentially its first data centre project.

Earnings estimates. We maintain our earnings estimates as the job win is within expectation.

Target price. We maintain our **TP** at **RM0.97** for now, derived by pegging its FY25F EPS of 5.4 sen to a PER of 18x, which is +1SD above its 10-year mean.

Maintain NEUTRAL. While our TP represents a -12.6% downside over the next 12 months, which should suggest a sell, we are keeping to our **NEUTRAL** recommendation for now as we are putting our TP under review. While prospects remain bright for the construction sector for WCT to replenish more jobs, the recent rise in its share price by close to +90% since Jun-24, has stretched its valuations. The group had also recently

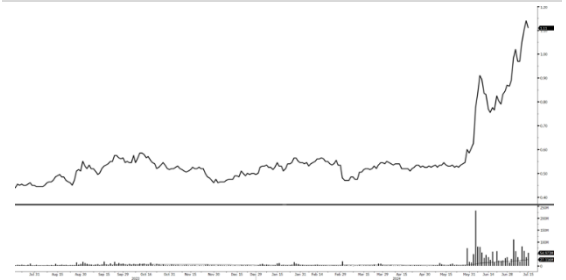
Maintain NEUTRAL

Unchanged Target Price: RM0.97*
(* Under Review)

RETURN STATISTICS

Price @ 15 th July 2024 (RM)	1.11
Expected share price return (%)	-12.6
Expected dividend yield (%)	+0.0
Expected total return (%)	-12.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	44.2	42.2
3 months	27.6	101.0
12 months	152.3	118.6

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	1,967.0	2,254.1	2276.7
Operating Profit	188.8	178.1	182.1
Profit Before Tax	167.2	191.6	195.8
Core PATAMI	66.9	76.6	79.7
Core EPS	4.7	5.4	5.6
DPS (sen)	0	0	0
Dividend Yield	-	-	-

KEY STATISTICS


FBM KLCI	1,629.82
Issue shares (m)	1417.24
Estimated free float (%)	58.73
Market Capitalisation (RM'm)	1,573.13
52-wk price range	RM0.43-RM1.19
3-mth average daily volume (m)	26.72
3-mth average daily value (RM'm)	22.47
Top Shareholders (%)	
Dominion Nexus Sdn Bhd	18.15
Lim Siew Choon	7.42
Amanah Saham Nasional Bhd	5.82

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announced its proposal to set up and list a REIT on the Main Market of Bursa Malaysia, which we believe will include its five retail malls. Apart from allowing WCT to unlock the value of its malls, the group will also be able to raise funds to pare down its borrowings. With total borrowings of RM3.15b as at 31st March 2024, the group has a high net gearing of 74.5%. This will place WCT in better financial standing in anticipation of upcoming mega projects in the country. 

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	2,102.4	1,727.3	1,967.0	2,254.1	2,276.7
Gross profit	259.5	45.7	243.9	279.5	284.6
Operating profit	223.3	(14.7)	188.8	214.1	216.3
Finance cost	(110.1)	(129.4)	(118.0)	(135.2)	(136.6)
Profit before tax	139.7	(177.8)	167.2	191.6	195.8
Tax	31.5	(31.6)	(36.8)	(42.2)	(43.1)
PATAMI	127.2	(254.1)	66.9	76.6	79.7
Core PATAMI	53.6	(254.1)	66.9	76.6	79.7

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
Fixed assets	364.3	396.2	331.1	337.8	346.2
Intangible assets	4,565.7	4,520.0	4,565.2	4,610.8	4,726.1
Non-current assets	4,930.0	4,871.9	4,896.3	4,948.6	5,072.3
Cash	234.7	414.7	318.7	336.6	345.0
Trade debtors	744.6	788.5	763.3	801.5	821.5
Current assets	3,338.8	3,775.8	3,231.2	3,440.3	3,618.5
Trade creditors	794.8	111.9	686.9	795.4	815.3
Short-term debt	1,629.8	1,885.5	1,470.9	1,456.0	1,601.6
Current liabilities	2,670.0	3,246.1	2,157.8	2,251.4	2,416.9
Long-term debt	1,167.8	1,207.8	1,294.9	1,363.5	1,431.7
Non-current liabilities	1,704.8	1,714.7	1,890.3	1,990.5	2,058.7
Share capital	3,212.8	3,212.8	3,212.8	3,212.8	3,212.8
Retained earnings	1,427.4	1,171.5	1,564.0	1,631.6	1,699.9
Equity	3,905.0	3,686.9	4,079.4	4,147.0	4,215.3

Cash Flow (RM'm)	2022A	2023E	2024E	2025F	2026F
PBT	139.3	-177.8	-177.8	167.2	195.8
Operating cash flow	213.0	134.5	134.5	248.2	279.8
Capital expenditure	-44.0	-44.9	-44.9	-48.0	-54.1
Investing cash flow	-18.2	-15.1	-15.1	-51.1	-57.5
Debt raised/(repaid)	-40.8	248.1	248.1	-55.0	-65.0
Dividends paid	-7.1	-7.1	-7.1	-7.1	-
Financing cash flow	-254.4	11.9	11.9	-244.3	-246.6
Net cash flow	-59.6	131.3	131.3	-47.2	171.5
Beginning cash flow	222.1	183.4	183.4	324.5	254.7
Forex differences	20.9	9.8	9.8	-	-
Ending cash flow	183.4	324.5	324.5	277.3	426.2

Profitability Margins	2022A	2023E	2024E	2025F	2026F
Gross profit margin	12.3%	2.6%	12.4%	12.4%	12.5%
Operating profit margin	12.0%	-0.9%	9.6%	9.5%	9.5%
PBT margin	8.0%	-10.3%	8.5%	8.5%	8.6%
PAT margin	4.0%	-14.7%	3.4%	3.4%	3.5%
Core PAT margin	2.5%	-14.7%	3.4%	3.4%	3.5%

Source: Bloomberg, 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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology