

## WCT Holdings Berhad

(9679 | WCTHG MK) Main | Construction

### WCT to Set Up Paradigm REIT

#### KEY INVESTMENT HIGHLIGHTS

- WCT proposes disposal of 3 malls to upcoming Paradigm REIT for RM2.44b
- Paradigm REIT to fund purchase via cash from MTN issuance and 1.60b new units
- WCT expected to hold about 60.7% stake in Paradigm REIT
- Maintain NEUTRAL with unchanged TP of RM0.97

**Proposed disposal of 3 malls to REIT.** More details have emerged on WCT Holdings Berhad's plans to set up and list a REIT, which will be known as Paradigm REIT. For this purpose, the group is proposing a disposal of three of its shopping malls to the REIT for RM2.44b. These are the Bukit Tinggi Shopping Centre in Klang (master leased to AEON), Paradigm Mall Petaling Jaya and Paradigm Mall Johor Bahru. See Table 1 below for further details.

**Disposal consideration.** Subject to approval from the Securities Commission (SC), WCT's subsidiaries and JV company that own the three malls will each enter into a sale and purchase agreement with RHB Trustee, acting on behalf of Paradigm REIT as the purchaser, after its proposed establishment. Paradigm REIT will fund the purchases via the issuance of 1.60b new units at RM1 per unit and a cash consideration of RM837m, which will be funded via the issuance of medium-term notes (MTNs) under an MTN programme that will be established by a special purpose vehicle that will be wholly owned by Paradigm REIT.

**Listing of Paradigm REIT.** An application will be made to Bursa Securities for the listing and quotation for the new units on the Main Market. Of the 1.60b units, 560m units or 35% will be made available for sale whereby up to 305.3m units (19.1%) are for institutional offering and up to 254.7m units (15.9%) for retail offering. We estimate that WCT's effective stake in Paradigm REIT would be 60.7%. This will be summarised in Table 2 below. Application to the relevant authorities for the proposals are expected to be submitted within two months and the timeframe for completion is expected to be by 1QCY25.

**Management of the REIT.** The proposed management company of Paradigm REIT is Paradigm REIT Management Sdn Bhd (formerly known as WCT REIT Management Sdn Bhd), an 80% jointly controlled entity under WCT. The proposed property manager is Henry Butcher Malaysia (Mont Kiara) Sdn Bhd.

**Use of proceeds.** The cash proceeds from the proposed mall disposals and the proposed offering from Paradigm REIT (assuming issue price of RM1 per unit) would come up to RM1.40b, of which RM838.0m will be used to repay WCT's borrowings within 12 months and RM533.2m to repay the borrowings of Gemilang Waras Sdn Bhd and WCT Hartanah Jaya Sdn Bhd, both indirect wholly owned subsidiaries of WCT.

**Maintain NEUTRAL**
**Unchanged Target Price: RM0.97**

#### RETURN STATISTICS

Price @ 18 <sup>th</sup> Sep 2024 (RM)	1.03
Expected share price return (%)	-5.8
Expected dividend yield (%)	+0.0
Expected total return (%)	-5.8

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.9	-4.1
3 months	18.4	31.9
12 months	92.5	69.0

#### 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	1,660.59
Issue shares (m)	1417.24
Estimated free float (%)	60.94
Market Capitalisation (RM'm)	1,542.15
52-wk price range	RM0.45-RM1.35
3-mth average daily volume (m)	33.13
3-mth average daily value (RM'm)	34.29
Top Shareholders (%)	
Dominion Nexus Sdn Bhd	17.18
Lim Siew Choon	7.02
Amanah Saham Nasional Bhd	5.51

**Analyst**
**Royce Tan Seng Hooi**
[royce.tan@midf.com.my](mailto:royce.tan@midf.com.my)

03-2173 8461

**Earnings estimates.** We maintain our projections at this juncture pending further clarity on the issue price that will be determined at a later date and the timeline.

**Target price.** We maintain our **TP** at **RM0.97**, 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.** We are maintaining our **NEUTRAL** recommendation on WCT, but we expect this recent development to generate some trading interest. We believe the REIT plan is a good opportunity for the group to lighten its balance sheet and reduce its debts. The pro forma effects of the proposals as laid out in the bourse filing yesterday showed that WCT will be able to slash its net gearing from 0.72x to 0.33x. WCT will still be able to benefit from the three malls through the dividends that can be expected from the proposed Paradigm REIT and the fees from management services. On the construction front, we believe the prospects remain healthy for the group to secure new jobs. 

**Table 1: WCT Holdings' retail malls**

	Bukit Tinggi Shopping Centre (AEON)	Paradigm Mall, Petaling Jaya	Paradigm Mall, Johor Bahru
Occupancy rate	100%	97.7%	98.2%
Opening year	2007	2012	2017
Retail lettable area	1,000,950 sq ft	680,177 sq ft	1,291,165 sq ft
No. of car parks	3,294	3,214	3,385
Carrying value as at 31 December 2023	RM609.5m	RM620.0m	RM1.14b
Market value as at valuation date (June 2024)	RM680.0m	RM600.0m	RM1.16b
WCT ownership	100%	70% JV	100%
Vendor	Gemilang Waras Sdn Bhd	Jelas Puri Sdn Bhd	WCT Hartanah Jaya Sdn Bhd

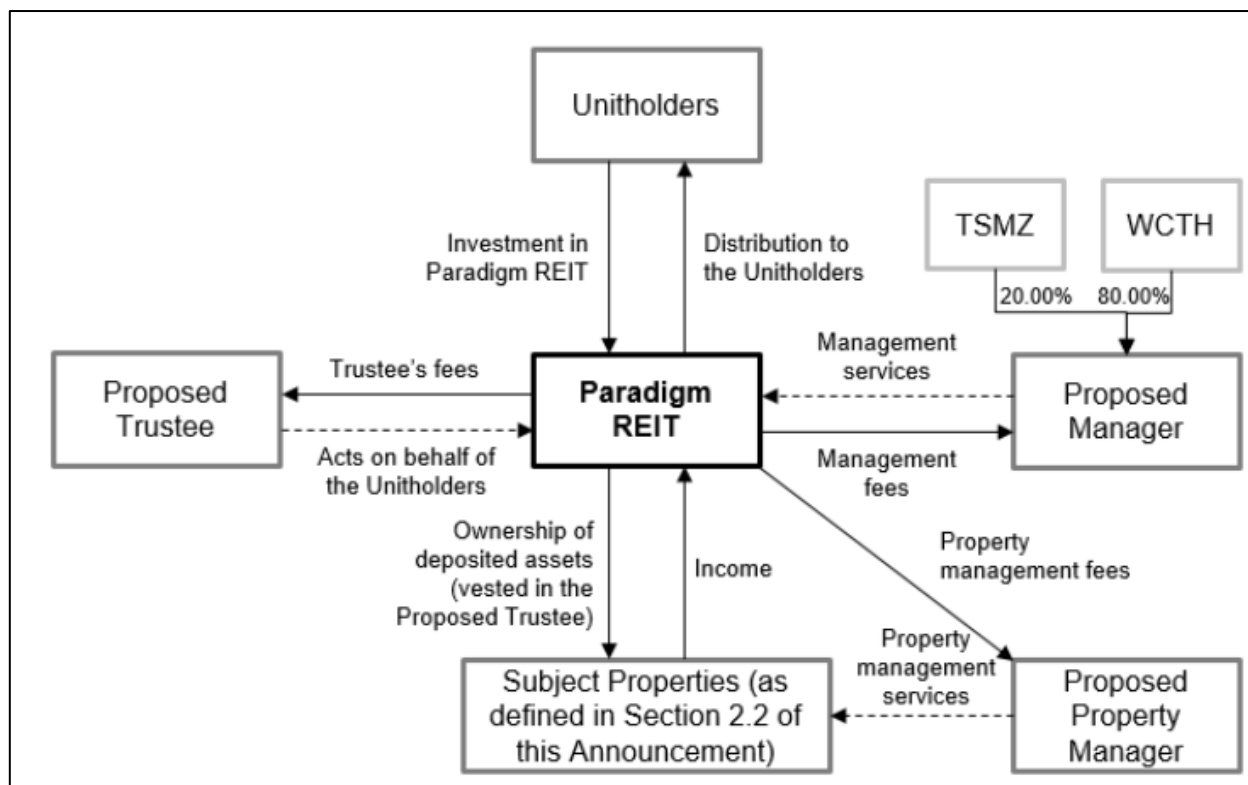
Source: Company

**Table 2: Disposal settlement and WCT's stake in Paradigm REIT**

Property	Vendor	Valuation/ Disposal consideration (RM'm)	Cash settlement (RM'm)	Issuance of new Paradigm REIT units (RM'm)	WCT's stake in Paradigm REIT (%)	Note
Bukit Tinggi Shopping Centre	Gemilang Waras Sdn Bhd	680.0	330.0	350.0	21.9	Gemilang Waras will nominate WCT to receive all new units
Paradigm Mall Petaling Jaya	Jelas Puri Sdn Bhd	600.0	370.0	230.0	10.0	WCT's effective stake from 70% equity interest in Jelas Puri
Paradigm Mall Johor Bahru	WCT Hartanah Jaya Sdn Bhd	1157.0	137.0	1020.0	28.8	WCT Hartanah will nominate WCT to receive 460m new units
<b>Total</b>					<b>60.7</b>	

Source: Company, MIDFR

## Appendix: Structure of Paradigm REIT



Source: Company, MIDFR

## 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
<b>Non-current assets</b>	<b>4,930.0</b>	<b>4,871.9</b>	<b>4,896.3</b>	<b>4,948.6</b>	<b>5,072.3</b>
Cash	234.7	414.7	318.7	336.6	345.0
Trade debtors	744.6	788.5	763.3	801.5	821.5
<b>Current assets</b>	<b>3,338.8</b>	<b>3,775.8</b>	<b>3,231.2</b>	<b>3,440.3</b>	<b>3,618.5</b>
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
<b>Current liabilities</b>	<b>2,670.0</b>	<b>3,246.1</b>	<b>2,157.8</b>	<b>2,251.4</b>	<b>2,416.9</b>
Long-term debt	1,167.8	1,207.8	1,294.9	1,363.5	1,431.7
<b>Non-current liabilities</b>	<b>1,704.8</b>	<b>1,714.7</b>	<b>1,890.3</b>	<b>1,990.5</b>	<b>2,058.7</b>
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
<b>Equity</b>	<b>3,905.0</b>	<b>3,686.9</b>	<b>4,079.4</b>	<b>4,147.0</b>	<b>4,215.3</b>

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

<b>Profitability Margins</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).  
(Bank Pelaburan)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

### 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