

## WCT Holdings Berhad

(9679 | WCTHG MK) Main | Construction

### Slipped into the red

#### KEY INVESTMENT HIGHLIGHTS

- **Earnings slipped into the red**
- **Engineering and construction segment remains subdued**
- **Revenue of property investment and management segment down -7.7%yoy to RM48m**
- **Earnings estimates revised lower**
- **Downgrade to NEUTRAL (from BUY) with revised TP of RM0.52 (from RM0.64)**

**Earnings slipped into the red.** In 1QFY20, WCT registered topline of RM363.08 (-29.5%yoy) from RM514.65m in the year before. At PATAMI level, it recorded a net loss of -RM0.02m (>-100%yoy) from RM40.32m in the previous year. The bottomline figure was below both our and consensus expectations.

**Engineering and construction segment remains subdued.** E&C segment represented for 67% of WCT's total revenue, underpinned by its current order book which stood at over RM6.2b – including the latest job award, i.e. RM1.2b superstructure for Pavilion Damansara Heights (Parcel 2). This segment posted -36.2%yoy lower revenue of RM241m in 1QFY20 from RM378m in 1QFY19. The decline was on the back of (1) slower work progress for some construction projects, and (2) the revision in the expected margin of certain projects.

**Revenue of property investment and management segment down -7.7%yoy to RM48m in 1QFY19 compared to RM52m in the previous year.** Lower contribution from the segment was due to the lower contribution from retail mall and hotel operations.

**Earnings estimates revised lower.** Post 1QFY20 financial results, we revised down our FY20 and FY21 earnings forecasts by -45.2% and -15.2% due to earnings underperformance in the review quarter.

**Downgrade to NEUTRAL (from BUY) with revised TP of RM0.52 (from RM0.64).** We adjusted our TP lower to RM0.52 due to WCT's worse-than-expected latest performance. The new target price was arrived after pegging a PE multiple of 11x to WCT's FY21EPS (note that we roll forward our valuation base year to FY21). We downgrade our BUY call on the stock to **NEUTRAL** with a **TP** of **RM0.52** (previously RM0.64).

### Downgrade to NEUTRAL

(from BUY)

### Adjusted Target Price: RM0.52

(from 0.64)

#### RETURN STATISTICS

Price @ 25 <sup>th</sup> June 2020 (RM)	RM0.50
Expected share price return (%)	3.20
Expected dividend yield (%)	2.40
<b>Expected total return (%)</b>	<b>5.60</b>

#### SHARE PRICE CHART



#### KEY STATISTICS

FBM KLCI	1,489.20
Syariah compliant	Yes
Issue shares (m)	1403.49
Estimated free float (%)	49.08
Market Capitalisation (RM'm)	690.94
52-wk price range	RM0.24 - RM1.22
Beta vs FBM KLCI (x)	2.04
Monthly velocity (%)	2.54
Monthly volatility (%)	27.69
3-mth average daily volume (m)	10.18
3-mth average daily value (RM'm)	4.92
Top Shareholders (%)	
DOMINION NEXUS SDN	18.06
Amanah Saham Nasional Bhd	8.81
Kumpulan Wang Persaraan Dipperbadan	6.20

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## INVESTMENT STATISTICS

FYE Dec	FY16	FY17	FY18	FY19	FY20F	FY21F
Revenue	1933.6	1905.8	2333.4	1794.1	1809.7	1976.7
PBT	122.0	230.6	154.8	126.6	135.9	167.3
PATAMI	65.1	154.6	111.8	-27.6	30.7	66.1
EPS (Sen)	4.6	10.9	8.1	-2.0	2.2	4.7
EPS Growth (%)	-69.9	137.5	-25.8	-124.2	-211.3	115.2
PER (x)	19.6	8.2	11.1	-25.5	22.9	10.7
Dividend (sen)	19.1	1.8	NA	1.1	1.2	1.3
Dividend Yield (%)	1.1	1.1	NA	2.2	2.4	2.5

Source: Company, MIDFR

## 1QFY20 Results Review

FYE Dec (RM'm)	Quarterly Results					Cumulative		
	1QFY20	1QFY19	4QFY19	YoY	QoQ	3MFY20	3MFY19	YoY
<b>Revenue</b>	<b>363.08</b>	<b>514.65</b>	<b>461.04</b>	<b>-29.5%</b>	<b>-21.2%</b>	<b>363.08</b>	<b>514.65</b>	<b>-29.5%</b>
<b>Gross profit</b>	<b>82.82</b>	<b>118.93</b>	<b>131.49</b>	<b>-30.4%</b>	<b>-37.0%</b>	<b>82.82</b>	<b>118.93</b>	<b>-30.4%</b>
Other income	11.23	14.66	15.59	-23.4%	-28.0%	11.23	14.66	-23.4%
Other expenses	-14.30	-7.37	-25.50	94.0%	-43.9%	-14.30	-7.37	94.0%
Admin expenses	-26.85	-28.93	-33.20	-7.2%	-19.1%	-26.85	-28.93	-7.2%
Finance costs	-32.57	-37.92	-31.46	-14.1%	3.5%	-32.57	-37.92	-14.1%
Associates	3.60	-1.24	0.15	-390.5%	2297.3%	3.60	-1.24	-390.5%
JVs	1.49	1.88	-40.07	-20.6%	-103.7%	1.49	1.88	-20.6%
<b>PBT</b>	<b>25.41</b>	<b>60.00</b>	<b>17.02</b>	<b>-57.7%</b>	<b>49.3%</b>	<b>25.41</b>	<b>60.00</b>	<b>-57.7%</b>
Taxation	-8.57	-21.19	-7.00	-59.6%	22.3%	-8.57	-21.19	-59.6%
<b>PATAMI</b>	<b>-0.02</b>	<b>40.32</b>	<b>-103.97</b>	<b>-100.0%</b>	<b>-100.0%</b>	<b>-0.02</b>	<b>40.32</b>	<b>-100.0%</b>
EPS (sen)	0.00	2.92	0.88	-100.0%	-100.0%	0.00	2.92	-100.0%
	<b>1QFY20</b>	<b>1QFY19</b>	<b>4QFY19</b>	<b>+/- ppts</b>	<b>+/- ppts</b>	<b>3MFY20</b>	<b>3MFY19</b>	<b>+/- ppts</b>
Gross profit	22.8%	23.1%	28.5%	-0.3	-5.7	22.8%	23.1%	-0.3
Pre-tax margin	7.0%	11.7%	3.7%	-4.7	3.3	7.0%	11.7%	-4.7
Net profit margin	0.0%	7.8%	-22.6%	-7.8	22.5	0.0%	7.8%	-7.8
Effective tax rate	33.7%	35.3%	41.2%	-1.6	-7.4	33.7%	35.3%	-1.6

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	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

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.