

## WCT Holdings Berhad

(9679 | WCTHG MK) Main | Construction

**Maintain BUY**

### Received LOA for RM1.2b job

**Unchanged Target Price: RM0.64**

#### KEY INVESTMENT HIGHLIGHTS

- **WCT announced superstructure job award for Pavilion Damansara Heights (Parcel 2)**
- **The contract carries a value worth RM1.2b**
- **Project completion duration is 42 months**
- **No changes to our earnings estimates**
- **Reaffirm BUY with unchanged TP of RM0.64**

#### WCT announced superstructure job award for Pavilion

**Damansara Heights (Parcel 2).** To recap, on 14 September 2018, WCT secured a contract worth RM1.77 billion from Impian Ekspresi Sdn Bhd for the construction and completion of Pavilion Damansara Heights (Parcel 1) commercial development project which comprises (i) 9 blocks of office tower and 3 blocks of service apartment on a podium block comprising 4 retail space floors with one lower ground floor, (ii) one mezzanine floor, and (iii) eight basement car park floors. A year after, on 27<sup>th</sup> August 2019, the Group accepted a Letter of Intent (LOI) from Jendela Mayang Sdn Bhd (JMSB) for Pavilion Damansara Heights (Parcel 2). Yesterday, based on Bursa Announcement dated 19<sup>th</sup> March 2020, the Group has accepted a Letter of Award (LOA) from JMSB. Under the LOA, WCT is to undertake superstructure works of the Pavilion Damansara Heights (Parcel 2) mixed development which comprises part of the proposed integrated commercial and residential development.

**The contract carries a value worth RM1.2b.** This is the first contract clinched by WCT this year. We note that as of the end February 2020, the group's order book stood at RM5b. The new contract award will add another RM1.2b which expands the group's order book to RM6.2b. We think that this is a good start to the year for WCT because the group secured only RM119m worth of new contracts in the previous year (and RM2.67b in the year before).

**Job scope.** The scope of works under the contract shall encompass the execution and completion of (i) 1 block of 32 storey office and hotel on a podium block comprising retail space, (ii) mezzanine floors and works to lower ground floor and basement car park, (iii) 2 blocks of residential tower, (iv) hard and soft landscape works and external works (including road and drainage, water reticulation, sewerage), and (v) a MRT link bridge.

#### RETURN STATISTICS

Price @ 19 <sup>st</sup> March 2020 (RM)	RM0.26
Expected share price return (%)	+145.83
Expected dividend yield (%)	+4.61
<b>Expected total return (%)</b>	<b>+150.44</b>

#### SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-64.67	-55.53
3 months	-69.54	-60.91
12 months	-66.63	-53.92


#### KEY STATISTICS

FBM KLCI	1,219.7
Syariah compliant	Yes
Issue shares (m)	1,403.49
Estimated free float (%)	49.05
Market Capitalisation (RM'm)	370.60
52-wk price range	RM0.24 - RM1.22
Beta vs FBM KLCI (x)	1.70
Monthly velocity (%)	11.02
Monthly volatility (%)	33.08
3-mth average daily volume (m)	4.09
3-mth average daily value (RM'm)	2.45
Top Shareholders (%)	
DOMINION NEXUS SDN	18.03
Urusharta Jamaah Sdn Bhd	7.76
Employees Provident Fund Board	6.27

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**Duration of contract.** The estimated completion period of the Pavilion Damansara Heights project is 42 months. As for the scheduled commencement date, the project is slated to start in May 2020.

**Earnings estimates.** We make no changes to our earnings estimates as the value of new job secured is within our contract replenishment assumptions.

**Reaffirm BUY with unchanged TP of RM0.64.** We opine this new project win will help to improve investor sentiments towards WCT after it received an unfavourable final award ruling in an arbitration case on 15<sup>th</sup> March 2020. The downside risk to our call is a delay in the commencement of the job clinched due to ongoing coronavirus pandemic. We maintain our BUY on WCT with an unchanged TP RM0.64 pegging its FY20EPS to PE of 8x. 

## INVESTMENT STATISTICS

FYE July	FY16	FY17	FY18	FY19	FY20F	FY21F
Revenue	1933.6	1905.8	2333.4	1794.1	1169.7	1796.6
PBT	122.0	230.6	154.8	126.6	81.9	170.7
PATAMI	65.1	154.6	111.8	-27.6	56.1	78.0
EPS (Sen)	4.6	10.9	8.1	-2.0	4.0	5.5
EPS Growth (%)	-69.9	137.5	-25.8	-124.2	-303.2	38.9
PER (x)	19.6	8.2	11.1	-21.4	10.5	7.6
Dividend (sen)	19.1	1.8	NA	1.1	1.2	1.5
Dividend Yield (%)	1.1	1.1	NA	2.6	2.9	3.5

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.