

WCT Holdings Berhad

(9679 | WCTHG MK) Main | Construction

Significant improvement in property segment

KEY INVESTMENT HIGHLIGHTS

- **Earnings within our expectation**
- **E&C segment remained as key contributor**
- **Property segment revenue jumped +36%yoy to RM347m in FY19**
- **Maintain BUY with unchanged TP of RM0.88**

Earnings within our expectation. In FY19, WCT topline dropped -21.9%yoy to RM1794.1m. In tandem, the FY19 earnings declined -16.9%yoy to RM88.8m. The bottom line figure was within our expectation at 103.7% of full year estimate, but lagged consensus at 92.3%.

Engineering and Construction (E&C) segment remained as key contributor. Notably, E&C contributed 57% to the Group's revenue, underpinned by its healthy current order book which stood at over RM5b – comprising a mix of civil and infrastructure works and building construction jobs. This segment posted revenue of RM1,244m in FY19, dropped by -32.6%yoy from RM1,846m in FY18. We note that the contraction in revenue was due to lower contribution as a result of certain recently completed projects as well as those which are at the tail end.

For property segment, revenue jumped +36.1%yoy to RM347m in FY19. Higher contribution from property segment was underpinned by higher revenue and profits from the sale of undeveloped lands in FY19 of RM118m and RM91m respectively. Moreover, sales of property units for FY19 jumped +120.5% to RM322m compared to the year before. It is also worth noting that WCT's property development division launched two projects for sale in FY19 with a total gross development value (GDV) of RM259m. The projects launched are (1) The Aronia Apartmnets, a Rumah Selangorku project in Bandar Parklands, Klang – comprising 320 units of affordable apartments, and (2) Paradigm Residence in Johor Bahru – comprising 263 units of residential apartments.

Earning forecast unchanged. Post FY19 financial results, we make no adjustments to our FY20 forecast as the earnings were in line with our expectation.

Maintain BUY

Unchanged Target Price: RM0.88

RETURN STATISTICS

Price @ 26 st Feb 2020 (RM)	RM0.71
Expected share price return (%)	+23.78
Expected dividend yield (%)	+1.69
Expected total return (%)	+25.47

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-11.25	-6.64
3 months	-18.39	-13.55
12 months	-16.28	-3.75

KEY STATISTICS

FBM KLCI	1495.19
Syariah compliant	Yes
Issue shares (m)	1408.3
Estimated free float (%)	47.8
Market Capitalisation (RM'm)	996.48
52-wk price range	RM0.68 - RM1.22
Beta vs FBM KLCI (x)	1.2
Monthly velocity (%)	11.0
Monthly volatility (%)	33.1
3-mth average daily volume (m)	2.34
3-mth average daily value (RM'm)	1.84
Top Shareholders (%)	
DOMINION NEXUS SDN	17.97
URUSHARTA JAMAAH SDN	8.62
Employees Provident Fund Board	7.09

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Reaffirm BUY with unchanged TP of RM0.88 pegging the FY20EPS at 11x. Moving forward, we understand from WCT that project execution will continue to be their main focus in order to ensure sustainability in revenue and profits. Moreover, WCT shall also pursue further opportunities for new construction jobs to replenish its order book. We maintain our **BUY** call on the stock with a **TP** of **RM0.88**.

INVESTMENT STATISTICS

FYE Dec	FY16	FY17	FY18	FY19	FY20F
Revenue	1933.6	1905.8	2333.4	1794.1	2298.0
PBT	122.0	230.6	154.8	126.6	160.9
PATAMI	65.1	154.6	111.8	88.8	110.3
EPS (Sen)	4.6	10.9	8.1	6.3	8.0
EPS Growth (%)	-69.9	137.5	-25.8	-21.7	26.0
PER (x)	19.6	8.2	11.1	11.2	8.9
Dividend (sen)	19.1	1.8	NA	1.1	1.2
Dividend Yield (%)	1.1	1.1	NA	1.5	1.7

Source: Company, MIDFR

4QFY19 RESULTS REVIEW

FYE Dec (RM'm)	Quarterly Results					Cumulative		
	4Q19	4Q18	3Q19	YoY	QoQ	12M19	12M18	YoY
Revenue	461.0	701.2	368.3	-34.3%	25.2%	1794.1	2296.7	-21.9%
Gross profit	131.5	92.1	93.2	42.9%	41.1%	442.4	375.7	17.7%
Other income	15.6	168.7	15.7	-90.8%	-0.6%	56.7	250.8	-77.4%
Other expenses	-25.5	-155.3	-24.2	-83.6%	5.2%	-66.5	-184.2	-63.9%
Admin expenses	-33.2	-35.6	-30.4	-6.8%	9.2%	-123.9	-121.8	1.8%
Finance costs	-31.5	-38.7	-37.3	-18.6%	-15.6%	-145.0	-138.9	4.4%
Associates	0.2	6.3	1.4	-97.6%	-89.0%	2.9	7.2	-59.9%
JVs	-40.1	-37.2	-6.9	7.7%	480.8%	-40.0	-40.3	-0.6%
PBT	17.0	0.3	11.4	5912.4%	49.2%	126.6	148.7	-14.9%
Taxation	-7.0	-54.1	0.2	-87.0%	-3885.4%	-44.7	-103.5	-56.8%
PATAMI	12.5	2.5	13.3	393.8%	-6.3%	88.8	106.8	-16.9%
EPS (sen)	0.9	0.2	1.0	388.9%	-7.4%	6.3	7.6	-16.8%
	4Q19	4Q18	3Q19	+/- ppts	+/- ppts	12M19	12M18	+/- ppts
Gross profit	28.5%	13.1%	25.3%	15.4	3.2	24.7%	16.4%	8.3
Pre-tax margin	3.7%	0.0%	3.1%	3.7	0.6	7.1%	6.5%	0.6
Net profit margin	2.7%	0.4%	3.6%	2.3	-0.9	5.0%	4.7%	0.3
Effective tax rate	41.2%	19108.5%	-1.6%	-19067.3	42.8	35.3%	69.6%	-34.3

Source: Company, 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.