

Equity Beat

25 February 2010

FY09 Results Review

WCT Berhad

Impressive FY09 Results
Maintain BUY
Unchanged Target Price (TP): RM3.30

- **WCT FY09 results were above our expectation with net profit and turnover exceeded 13% and 23% of our full year forecast on the back of stronger Construction & Engineering division that grew 27% yoy.**
- **We are maintaining our FY10 forecast and introducing FY11 net profit of +12%yoy, backed by its growing orderbook of more than RM5b.**
- **We reiterate our BUY call with a target price of RM3.30 based on P/NTA of 2x. Together with dividend yield of 3.4%, the stock offers a 12-month potential total returns of 28%.**

STOCK INFO

Price (19 Aug 09)	RM2.65	KLCI	1,270.78
Issued shares (mil)	778.05	Bursa / Bloomberg	9679/WCT MK
Par Value (RM)	1.00	Board / Sector	Main / construction
Market cap. (RM'm)	RM2,061.8	Syariah Compliant	Yes
Price over NTA	1.65		
52-wk price Range	RM2.86–0.93	Major Shareholders	
Beta (against KLCI)	1.83	EPF	23.21%
3-mth Avg Daily Vol	2.0m	WCT Capital S/B	20.77%
3-mth Avg Daily Value	RM5.2 m	Kumpulan Persaaran	6.34%

Profit above expectation. WCT recorded a net profit of RM215.9m for FY09, 13% above MIDF forecast. Meanwhile, full year turnover was 23% higher than our forecast. Year-on-year, WCT posted an increase in turnover of 23% and 50% in net profit, thanks to the higher construction activities in 2H09.

Full year dividend of 10 sen. Management announced a final dividend of 5 sen, translating into total dividend of 10 sen for FY09 (FY08: 9.5 sen).


E&C enjoys good performance in 09. In terms of WCT's segmental breakdown, it posted increase in revenue from its civil engineering & construction (E&C) division by 27%yoy. As expected, revenue contribution from its property division was lower yoy due to the sluggish property market. In FY09, E&C contributed 96.7% to the turnover while the remaining came from its property development (2.7%) and property investment (0.6%).

RM1.7b orderbook in 2009. WCT landed a windfall in 2009 as it secured RM1.7b projects, 50:50 ratio contributions between local and overseas jobs. It secured New Doha International Airport (NDIA) (RM703.4m), Abu Dhabi F1 additional works (RM229.3m), infrastructure works in Medini, Iskandar (RM344.7m) and LCCT earthworks (EW1) (RM350m). In total, WCT secured an outstanding orderbook of more than RM5b, with RM2.865b already in the bag. Moving forward, WCT is eyeing the second earthworks (EW2) for the new LCCT which could involve the runway portion, the Klang Valley LRT extension/upgrade, IWTS and possibly other infrastructure works in Iskandar.

Reiterate BUY call. We are forecast FY11 net profit of RM350.5m as the company is expected to receive between RM1.5-2.0b contracts yearly. Target price of RM3.30, suggests a potential upside of more than 28% (including

FYE 31 Dec	FY08A	FY09	FY10F	FY11F
Revenue (RM'm)	3,795.5	4,666.6	3,982.50	4,380.8
EBIT (RM'm)	146.1	234.5	345.9	350.5
Pretax Profit (RM'm)	158.8	211.1	372.7	394.3
Net Profit (RM'm)	101.8	284.7	310.6	350.5
EPS (sen)	13.08	36.60	39.9	45.04
EPS growth (%)	-30.9	179.7	9.0	12.9
PER(x)	20.1	6.4	6.6	5.9
Net Dividend (sen)	7.1	7.5	9.0	9.0
Net Dividend Yield (%)	2.7	2.8	3.4	3.4

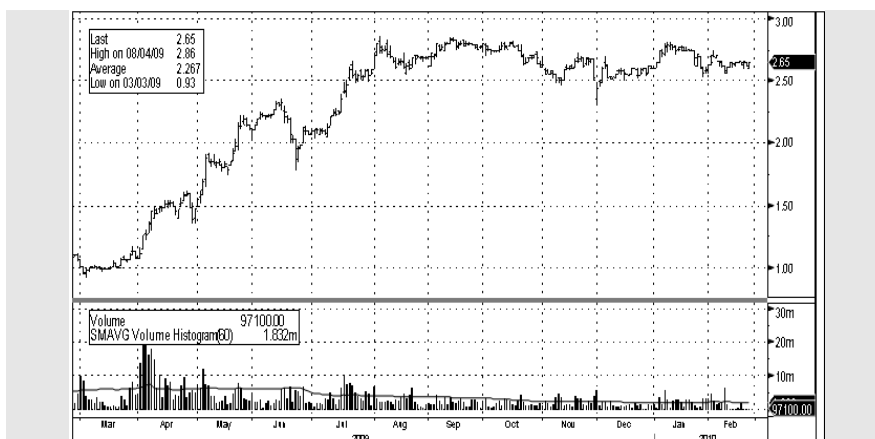
Source: Company, Forecasts by MIDFR

dividend yield of 3.4%) from its current share price of RM2.65, in view of its growing orderbook size. 

WCT Berhad: 4Q09 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly Results			Cumulative		Comments
	4Q09	%YoY	%QoQ	FY09	%YoY	
Revenue	1207.6	9.0%	-8.0%	4,666.6	22.5%	Higher yoy revenue mainly attributable to the construction division activities
Operating costs	-1176.8	0.7%	-5.6%	-4432.1	20.0%	Increase in operating expenses as a result of roll out of more construction projects yoy
EBIT	30.8	>100%	-53.4%	234.5	103.4%	Realisation of better profit margins from completion of existing projects yoy
Interest cost	-10.7	-75.6%	-11.6%	-50.3	14.8%	
Invt income	-7.7	-111.5%	87.8%	9.7	-85.5%	
Associate profit	5.0	-21.9%	28.2%	17.2	-16.3%	
Pretax profit	17.4	>100%	-67.7%	211.1	32.9%	
Tax	8.5	46.6%	>100	4.8	>100%	
Minority Int	-6.7	<i>n.m</i>	-8.0%	68.8	<i>n.m</i>	
Net profit	19.2	>100%	-5.6%	284.7	50.0%	Lower qoq mainly due to lower construction activities in 4Q as compared to 3Q. However, net profit jumped by 50% yoy, backed by overall improved construction earnings
		<i>+/- ppts</i>	<i>+/- ppts</i>		<i>+/- ppts</i>	
Pretax margin (%)	1.4%	-1.5	-0.9	4.52%	0.1	

DAILY PRICE CHART



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

OVERWEIGHT	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.
UNDERWEIGHT	The sector is expected to underperform the overall market over the next 12 months.