Corporate Update| Thursday, 01 December 2022

WCT Holdings Berhad

(9679 | WCTHG MK) Main | Construction

Maintain BUY

Seeking strong job wins

***Unchanged* Target Price: RM0.57**

KEY INVESTMENT HIGHLIGHTS

- **Outstanding order book of RM3.81b, no wins so far in FY22**
- **Tender book at RM9b, with bids submitted for hospital, flood mitigation project and MRT3**
- **Property inventory cleared to raise cash; management to focus on new projects with better margins**
- **Retail malls performance improved with relaxation of Covid-19 restrictions**
- **Maintain BUY with unchanged TP of RM0.57**

No job wins yet in FY22. WCT needs to strive twice as hard for jobs replenishment next year as it will likely end FY22 without any new wins, therefore failing to meet its RM1b replenishment target. The group's outstanding order book stood at RM3.81b as at Sep 30, providing earnings visibility until FY24. Out of this, RM1.32b are local civil and infrastructure projects and RM2.49b are local buildings' projects. Tender book stands at RM9b, as WCT has submitted bids for hospital, and flood mitigation projects among others, including package CMC301 of the MRT3, which the group estimated to be about RM3b. It is bidding for the contract via a JV with an unlisted Bumiputra outfit that has undertaken MRT1 and MRT2 related jobs.

Clearing property inventory. The quarterly operating loss of -RM3.3m for the property development segment was attributable to WCT's inventory clearing activities to generate cash for its working capital. Properties were sold at low margins and some were insufficient to cover its overhead. Management wanted to monetise the unsold inventories and focus on new projects that will carry better margins. The segment is still expected to post an operating loss next quarter, albeit at a reduced amount. Year-to-date, WCT has cleared RM141m GDV worth of unsold inventories and now has RM365m remaining. In terms of land bank for future development, WCT has 214 acres as at June 30, broken down into 189 acres for mixed development and 25 acres for residential.

Malls maintains strong performance. The relaxation of Covid-19 restrictions and increased flight frequencies saw WCT's retail malls maintaining its steady performance with a slight improvement in occupancy rates. The Bukit Tinggi Shopping Centre maintained its 100% occupancy rate; Paradigm Mall PJ remained at 97% while Paradigm Mall JB improved from 88% to 90%. The Subang Skypark also saw an improvement from 79% to 81%. The only decliner was gateway@klia2 from 82% to 80%. This gave the segment a +27.9%yoy increase in operating profit to RM24.3m for the quarter, on the back of a +16.1%yoy increase in revenue to RM46.4m.

Earnings estimates. We are maintaining our earnings estimates for FY22E-FY24F.

Target price. We retain our **TP of RM0.57**, derived by pegging a five-year historical mean PER of 10.8x to the group's FY23F EPS of 5.3 sen.

RETURN STATISTICS	
Price @ 30th Nov 2022 (RM)	**0.43**
Expected share price return (%)	**+32.56**
Expected dividend yield (%)	**0.00**
Expected total return (%)	**+32.56**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	17.8	15.6
3 months	4.9	1.6
12 months	-20.4	-19.0

KEY STATISTICS	
FBM KLCI	1,488.80
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆
Issue shares (m)	1417.24
Estimated free float (%)	55.36
Market Capitalisation (RM'm)	609.41
52-wk price range	RM0.34 - RM0.61
Beta vs FBM KLCI (x)	0.75
3-mth average daily volume (m)	2.30
3-mth average daily value (RM'm)	0.87
Top Shareholders (%)	
Dominion Nexus Sdn Bhd	18.15
Lim Siew Choon	7.42
Amanah Saham Nasional Bhd	5.82

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Maintain BUY. Despite our concerns over its zero project win year-to-date, we still remain positive on WCT's prospects as it remains a strong contender and major beneficiary for the continuation of government jobs, which we believe will be focussed on hospitals, flood mitigation projects, schools and basic infrastructures. WCT has a rather extensive portfolio building government buildings, hospitals and infrastructures. All factors considered, we are maintaining our **BUY** recommendation on WCT.

INVESTMENT STATISTICS

Annual Standardized (All in RM'm unless otherwise stated)	2020A	2021A	2022E	2023F	2024F
Revenue	1,704.6	1,752.6	2,265.90	2,297.9	2,435.7
Cost of sales	(1,421.5)	(1,631.1)	(1,903.53)	(1,930.7)	(2,097.3)
Gross profit	283.1	121.5	362.37	367.2	338.4
Operating Profit	86.0	458.5	249.25	263.37	279.51
Finance Costs	-119.8	-146.3	(135.95)	-137.9	-146.1
Profit Before Tax	-144.9	277.9	181.27	195.3	207.0
Tax	-34.8	-137.8	(39.88)	-43.0	-45.6
PATAMI	-213.6	97.3	113.30	91.9	97.4
Core Profit	-230.8	-48.7	50.51	74.34	78.89
Core EPS	-16	-3.5	3.6	5.3	5.6
DPS	0.00	0.00	0.00	0.00	0.00

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 *rise* 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 *fall* 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