

21 June 2024

WCT Holdings

Bags RM250m PLUS Expansion Job

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WCT has secured the RM250m PLUS Expressway Johor lane expansion contract, boosting its YTD job wins to RM750m, which is on track to surpass our full-year assumption. We raise our FY24-25F net profit forecasts by 15% and 46%, respectively, lift our TP by 33% to RM0.88 (from RM0.66) and maintain our OUTPERFORM call.

WCT has been awarded, by Projek Lebuhraya Usahasama Bhd, the PLUS Expressway Johor lane expansion contract worth RM249.7m. The scope of the contract is the construction of additional lanes on the Yong Peng (North) to Senai (North) stretch in Johor, over 36 months from Jun 2024.

The contract has boosted its YTD contract wins to RM750m, on track to surpass our FY24F job win assumption of RM1b (vs. the company's guidance for RM2b). With the latest addition, its outstanding order book now stands at RM3.2b.

Outlook. We believe WCT is poised for a better FY24 on the impending roll-out of various public infrastructure projects such as: (i) MRT3 (RM45b), (ii) Penang International Airport expansion project, (iii) Pan Borneo Sabah, (iv) Subang Airport Regeneration plan (RM3.7b), and (v) various government hospitals.

Forecasts. We raise our FY24-FY25F net profit forecasts by 15% and 54%, respectively, as we lift our FY24 job win assumption to RM1.5b (from RM1.0b) while keeping our FY25 assumption at RM1.5b.

Valuations. Correspondingly, we upgrade our SoP-derived TP by 33% to RM0.88 (see Page 3) from RM0.66 previously, also to reflect: (i) a 2x multiple increase in our PER valuation for all construction stocks to factor in the improved prospects for the roll-out of public infrastructure projects as the government gets cracking on fiscal policy reforms with the removal of diesel fuel subsidy rationalisation on 10 Jun 2024, (ii) our updated valuations for its property development and property investment businesses. (but we keep the discount to its RNAV at 85% vs. 55% for the property sector, to reflect the weak realisability of its GDV) There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

Investment case. We like WCT for: (i) the improved prospects of the local construction sector with the anticipated roll-out of public projects, and (ii) the rising occupancy and hence rental incomes, profitability and valuations for its malls and hotels post pandemic, thus, making the monetisation of these assets via a REIT more plausible. Maintain **OUTPERFORM**.

Risks to our call include: (i) a weak flow of construction jobs from both public and private sectors, (ii) a prolonged slowdown in the local property market, (iii) project cost overrun and liabilities arising from liquidated ascertained damages (LAD), and (iv) rising building material cost.

OUTPERFORM ↔

Price: RM0.765
Target Price: RM0.88 ↑

Share Price Performance



KLCI	1,592.69
YTD KLCI chg	9.5%
YTD stock price chg	54.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	WCTHG MK Equity
Market Cap (RM m)	1,084.2
Shares Outstanding	1,417.2
52-week range (H)	0.93
52-week range (L)	0.41
3-mth avg. daily vol.	16,243,270
Free Float	59%
Beta	1.1

Major Shareholders

Dominion Nexus Sdn	18.2%
Lim Choon Siew	7.4%
Amanah Saham Nasional	5.8%

Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Turnover	1727.3	1964.8	2216.2
EBIT	-48.3	264.9	296.7
PBT	-177.8	134.9	166.7
PAT	-209.4	88.8	109.4
Net profit	-254.1	41.2	61.8
Consensus (NP)		43.0	54.3
Earnings Revision (%)		+15.0	+45.9
EPS (sen)	-17.9	2.9	4.4
EPS Growth (%)	-342.9	>100%	50.1
NDPS (sen)	-	0.5	0.5
NTA per Share (RM)	2.04	2.07	2.11
PER (x)	-4.2	26.1	17.4
Price to NTA (x)	0.37	0.37	0.36
Net Gearing (x)	1.20	1.16	1.09
ROA (%)	-2.9	0.5	0.7
ROE (%)	-8.8	1.4	2.1
Net Div. Yield (%)	-	0.7	0.7



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WCT's Sum-of-Parts Valuation

Project	Remaining Landbank (acres)	Outstanding GDV (RM m)	NPV of Profit (RM m)
Landbanks			
W City OUG @ KL	41	3,360	97
W City JGCC @ JB	10	1,016	52
Mont Kiara KL	3	808	46
Bukit Tinggi 1,2,3 (Klang)	69	1,000	29
Medini Iskandar, Johor	39	300	14
Inaman Kota Kinabalu	29	0	0
	191	6,484	238
Unbilled Sales (as of Mar 2024)			731
Prop development NAV (FY23A)			2129
Total RNAV (RM m)			3098
Discount to RNAV			85%
Property development Discounted RNAV			465
Construction*			416
Equity Value of Property Investment			1,192
Perpetual Sukuk at Company Level			-820
SoP			1,253
Number of shares (m)			1,418
SOP/share (RM)			0.88

*12x FY25F PER

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
GAMUDA	OP	6.44	6.70	4.0%	17,843.2	Y	07/2024	40.2	50.6	29.7%	25.8%	17.7	14.2	1.5	10.0%	12.0	1.9%
IJM	OP	2.92	2.77	-5.1%	10,238.0	Y	03/2025	13.0	14.4	-8.3%	11.2%	32.1	34.2	1.1	5.2%	8.0	2.7%
KERJAYA	MP	1.79	1.90	6.1%	2,257.3	Y	12/2024	14.2	15.8	33.3%	11.3%	14.7	12.8	1.6	13.0%	10.0	5.6%
KIMLUN	MP	1.30	1.47	13.1%	459.4	Y	12/2024	11.9	14.7	493.0%	23.0%	13.1	11.2	0.6	5.5%	1.0	0.8%
SUNCON	OP	3.79	3.85	1.6%	4,886.7	Y	12/2024	14.0	20.4	19.4%	45.7%	29.8	28.5	4.9	19.1%	6.0	1.6%
WCT	OP	0.765	0.880	15.0%	1,084.2	Y	12/2024	2.9	4.4	-83.8%	50.0%	30.4	20.8	0.4	3.0%	0.5	0.7%
Sector Aggregate					36,768.7					43.7%	23.3%	18.1	14.7	1.3	7.3%		2.2%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating		
GENERAL	Earnings Sustainability & Quality	★	★	☆
	Corporate Social Responsibility	★	★	☆
	Management/Workforce Diversity	★	★	★
	Accessibility & Transparency	★	★	☆
	Corruption-Free Pledge	★	★	★
	Carbon-Neutral Initiatives	★	★	★
SPECIFIC	Migrant Worker Welfare	★	★	★
	Waste Disposal/Pollution Control	★	★	★
	Work Site Safety	★	★	★
	Environmentally Friendly Construction Technology	★	★	★
	Supply Chain Auditing	★	★	★
	Energy Efficiency	★	★	★
OVERALL		★	★	★

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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