

### UBS ASEAN Conference meeting takeaway

#### ■ Event: UBS ASEAN Conference 2011 held from 6-8 September 2011

We are hosting Dato Teo Tong Kooi (CEO of WCT's China and Vietnam operations) and Mr Kenny Wong (Manager, Corporate Affairs) at our ASEAN Conference in Singapore. This is our second ASEAN conference and we bring together over 70 companies, industry experts and UBS analysts from six countries.

#### ■ Impact: meetings focused on medium-term growth strategy

Management focused its discussion mainly on its medium-term growth strategy, and spent some time discussing the potential of its property division. Management is targeting to change the earnings profile to 50% construction, 35% property development and 15% property investments by 2015, from 65%, 14% and 15%, respectively. Management is maintaining its RM2bn replenishment of order book guidance for construction, and remains confident that its outstanding order book is likely be sustained at around RM3-4bn.

#### ■ Action: maintain Buy, expects to win more projects

WCT is currently tendering for projects worth around RM8-9bn, with around RM6bn in the Gulf States. Domestically, it is still positive on the tenders for the MITI building (worth around RM300m) and the Sabah Dam. Management believes the recent project win for the civil works of the Vale Distribution Centre puts WCT in a strong position to win further projects from Vale.

#### ■ Valuation: maintain RM3.70 price target

We base our price target on our sum-of-the-parts valuation where we value the divisions using DCF and some property investments on book value. We maintain our Buy rating, and believe the stock looks attractive at 11.5x 2012E PE.

Highlights (RMm)	12/09	12/10	12/11E	12/12E	12/13E
Revenues	4,667	1,709	2,190	2,309	2,765
EBIT (UBS)	244	300	329	370	444
Net Income (UBS)	147	141	161	187	231
EPS (UBS, RM)	0.19	0.18	0.20	0.22	0.25
Net DPS (UBS, RM)	0.08	0.08	0.08	0.09	0.10

Profitability & Valuation	5-yr hist av.	12/10	12/11E	12/12E	12/13E
EBIT margin %	10.1	17.6	15.0	16.0	16.1
ROIC (EBIT) %	18.7	17.7	17.7	18.8	21.0
EV/EBITDA (core) x	6.7	7.1	6.1	5.4	4.6
PE (UBS) x	14.0	16.0	12.4	11.5	10.0
Net dividend yield %	4.2	2.6	3.2	3.5	4.0

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of RM2.52 on 05 Sep 2011 23:38 SGT

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## Global Equity Research

Malaysia

Heavy Construction

12-month rating **Buy**  
**Unchanged**

12m price target **RM3.70/US\$1.24**  
**Unchanged**

Price **RM2.52/US\$0.85**

RIC: WCTE.KL BBG: WCT MK

7 September 2011

#### Trading data (local/US\$)

52-wk range	RM3.54-2.52/US\$1.16-0.85
Market cap.	RM2.07bn/US\$0.69bn
Shares o/s	820m (ORD)
Free float	77%
Avg. daily volume ('000)	1,871
Avg. daily value (m)	RM5.5

#### Balance sheet data 12/11E

Shareholders' equity	RM1.35bn
P/BV (UBS)	1.5x
Net Cash (debt)	(RM0.40bn)

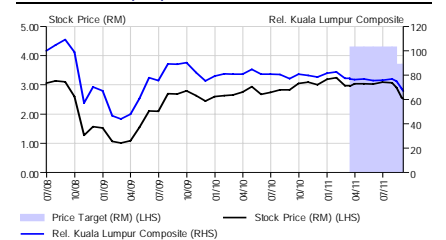
#### Forecast returns

Forecast price appreciation	+46.8%
Forecast dividend yield	3.3%
Forecast stock return	+50.1%
Market return assumption	8.8%
Forecast excess return	+41.3%

#### EPS (UBS, RM)

	12/11E		12/10
	UBS	Cons.	Actual
Q1E	0.02	-	0.02
Q2E	0.08	0.09	0.07
Q3E	0.02	0.02	0.02
Q4E	0.08	0.08	0.07
12/11E	0.20	0.20	
12/12E	0.22	0.22	

#### Performance (RM)



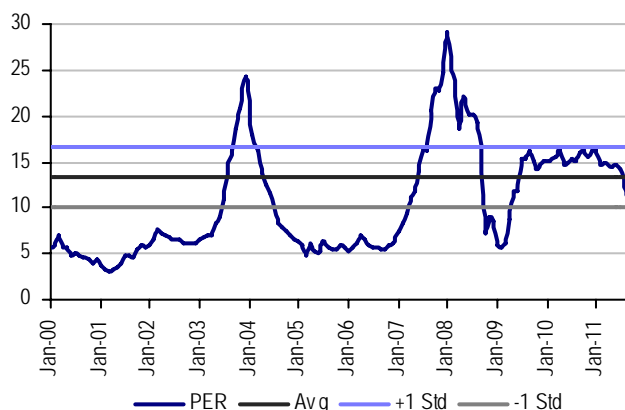
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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 6.

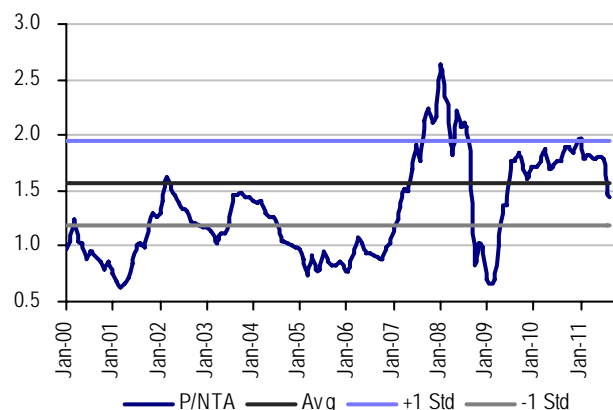
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Chart 1: 12-month forward PE



Source: UBS estimates

Chart 2: 12-month forward P/NTA



Source: UBS estimates

## Key takeaways

- Growth strategy:** Management articulated WCT's medium-term growth strategy and outlined five focus areas: 1) broadening the earnings base; 2) leveraging WCT's construction expertise; 3) sourcing quality land bank particularly strategic small parcels of land in the Klang Valley with high GDV potential; 4) growth in ownership of commercial properties; and 5) overseas expansion, particularly in China property and construction in the Gulf States.

Management is targeting to diversify its earnings and reduce its dependency on construction. In 2010, construction, property development and property investment contributed 65%, 14% and 15% of earnings, respectively. Management is targeting to change the earnings profile to 50% construction, 35% property development and 15% property investment by 2015.

Management is also excited about the property development prospects in China given China's urbanisation, but indicated WCT would focus on smaller second- or third-tier cities. It is looking at lots of around 30-50 acres, which would only likely contribute to earnings in 2013.

- Construction:** Management is maintaining its RM2bn replenishment of order book guidance and remains confident that its outstanding order book is likely be sustained at around RM3-4bn. WCT is tendering for projects worth around RM8-9bn, with around RM6bn in the Gulf States. Domestically, it is still positive on the tenders for the MITI building (worth around RM300m) and the Sabah Dam. Management believes the recent project win for the civil works of the Vale Distribution Centre puts the company in a strong position to win further projects from Vale. This project is worth RM115m and is for earthworks covering 300 acres. The total land area of the Vale Distribution Centre is 1,200 acres, and Vale is planning to invest a total of US\$2bn, including the cost of the plants. There is therefore significant potential for other works from Vale.
- Property:** Management continues to be positive on the property sector and is looking to add to its landbank, focussing on small parcels in the Klang

Valley. WCT will continue to launch within its Klang township and expects good take-up rates. Management expects the official launch of 1 Medini Residences at the end of this month. The initial take-up in the soft launch is 80%. Management remains confident of achieving the sales target of RM400m in 2011. H111 property sales were RM250m. Unbilled sales stood at RM330m as at June 2011.

# WCT Berhad

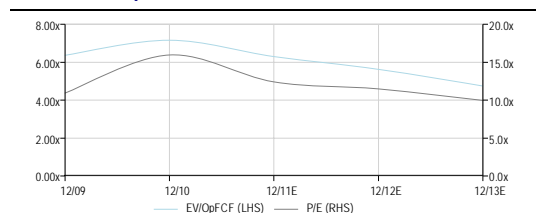
Income statement (RMm)	12/06	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Revenues	1,400	2,782	3,795	4,667	1,709	2,190	28.2	2,309	5.4	2,765	19.8
Operating expenses (ex depn)	(1,198)	(2,490)	(3,606)	(4,345)	(1,373)	(1,817)	32.4	(1,880)	3.4	(2,243)	19.3
EBITDA (UBS)	225	353	256	331	398	437	10.0	497	13.6	593	19.4
Depreciation	(52)	(52)	(74)	(87)	(98)	(108)	10.6	(127)	17.4	(149)	17.9
Operating income (EBIT, UBS)	173	301	182	244	300	329	9.9	370	12.4	444	19.9
Other income & associates	4	10	21	17	8	9	10.0	9	10.0	10	10.0
Net interest	(27)	(27)	(44)	(50)	(50)	(47)	-5.7	(42)	-12.5	(36)	-14.0
Abnormal items (pre-tax)	0	0	0	0	0	0	-	0	-	0	-
Profit before tax	150	284	159	211	257	291	12.9	338	16.4	418	23.8
Tax	(35)	(54)	(13)	5	(48)	(52)	9.2	(61)	16.4	(75)	23.8
Profit after tax	115	229	146	216	209	238	13.8	277	16.4	343	23.8
Abnormal items (post-tax)	0	0	0	0	0	0	-	0	-	0	-
Minorities / pref dividends	(27)	(81)	(44)	(69)	(68)	(78)	13.8	(90)	16.4	(112)	23.8
Net income (local GAAP)	88	148	102	147	141	161	13.8	187	16.4	231	23.8
Net Income (UBS)	88	148	102	147	141	161	13.8	187	16.4	231	23.8
Tax rate (%)	23	19	8	0	19	18	-3.3	18	0.0	18	0.0
Pre-abnormal tax rate (%)	24	20	9	0	19	19	-3.4	19	-0.2	18	-0.3
Per share (RM)	12/06	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
EPS (local GAAP)	0.15	0.23	0.13	0.19	0.18	0.20	-3.0	0.22	1.4	0.25	23.8
EPS (UBS)	0.15	0.23	0.13	0.19	0.18	0.20	13.4	0.22	8.0	0.25	15.4
Net DPS	0.11	0.09	0.07	0.08	0.08	0.08	8.3	0.09	8.0	0.10	15.4
Cash EPS	0.25	0.31	0.23	0.30	0.30	0.34	12.1	0.37	8.4	0.42	13.2
BVPS	1.02	1.47	1.42	1.53	1.53	1.70	11.8	1.59	-6.6	1.74	9.5
Balance sheet (RMm)	12/06	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Net tangible fixed assets	366	322	373	415	292	294	0.5	329	11.9	345	5.0
Net intangible fixed assets	0	0	0	0	0	0	-	0	-	0	-
Net working capital (incl. other assets)	519	998	1,797	1,558	1,916	2,007	4.8	2,109	5.1	2,245	6.5
Other liabilities	(17)	(76)	(600)	(392)	(397)	(397)	0.0	(397)	0.0	(397)	0.0
Operating invested capital	868	1,244	1,570	1,581	1,811	1,904	5.1	2,041	7.2	2,193	7.5
Investments	159	156	177	191	186	194	4.6	204	4.9	214	5.1
Total capital employed	1,027	1,400	1,748	1,772	1,997	2,098	5.1	2,245	7.0	2,408	7.3
Shareholders' equity	593	889	1,165	1,254	1,251	1,347	7.7	1,454	7.9	1,593	9.5
Minority interests	163	279	169	233	276	354	28.1	445	25.5	556	25.2
Total equity	756	1,168	1,334	1,487	1,527	1,701	11.4	1,898	11.6	2,149	13.2
Net debt / (cash)	271	232	414	285	470	397	-15.5	346	-12.8	259	-25.3
Other debt-deemed items	0	0	0	0	0	0	-	0	-	0	-
Total capital employed	1,027	1,400	1,748	1,772	1,997	2,098	5.1	2,245	7.0	2,408	7.3
Cash flow (RMm)	12/06	12/07	12/08	12/09	12/10	12/11E	% ch	12/12E	% ch	12/13E	% ch
Operating income (EBIT, UBS)	173	301	182	244	300	329	9.9	370	12.4	444	19.9
Depreciation	52	52	74	87	98	108	10.6	127	17.4	149	17.9
Net change in working capital	84	(94)	(131)	(3)	(273)	(13)	-95.2	(14)	3.3	(31)	125.2
Other (operating)	(62)	(35)	(126)	(38)	(71)	(78)	10.0	(88)	13.6	(106)	19.4
Operating cash flow (pre tax/interest)	247	223	(2)	290	54	346	543.9	395	14.0	457	15.7
Net interest received / (paid)	(26)	(37)	(35)	(37)	(36)	(47)	30.1	(42)	-12.5	(36)	-14.0
Dividends paid	(23)	(33)	(55)	(56)	(59)	(64)	8.73	(80)	24.79	(93)	15.43
Tax paid	(33)	(58)	(32)	(6)	(4)	(52)	1137.5	(61)	16.4	(75)	23.8
Capital expenditure	(228)	(96)	(97)	(33)	(7)	(109)	1368.4	(162)	47.6	(166)	2.6
Net (acquisitions) / disposals	(49)	0	(4)	0	(54)	0	-	0	-	0	-
Other	(157)	215	543	(9)	0	0	-	0	-	0	-
Share issues	0	0	0	0	11	0	-	0	-	0	-
Cash flow (inc)/dec in net debt	(268)	214	318	150	(97)	73	-	51	-30.4	88	72.4
FX / non cash items	48	(175)	(500)	(21)	(88)	0	-	0	-	0	-
Balance sheet (inc)/dec in net debt	(220)	39	(181)	129	(185)	73	-	51	-30.4	88	72.4
Core EBITDA	225	353	256	331	398	437	10.0	497	13.6	593	19.4
Maintenance capital expenditure	(23)	(10)	(10)	(3)	(1)	(11)	1368.4	(16)	47.6	(17)	2.6
Maintenance net working capital	(3)	(3)	(4)	(2)	(4)	(5)	12.8	(5)	12.6	(6)	16.1
Operating free cash flow, pre-tax	200	340	242	326	393	422	7.4	476	12.8	571	20.0

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

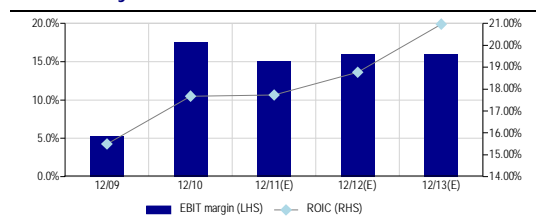
## Company profile

WCT Berhad was founded as WCT Earthworks and Building Contractors in 1981 and was listed on the main board of the Kuala Lumpur Stock Exchange in 1999. The company has evolved from a construction company to a diverse business group involved in civil works and construction, property development and property investment (asset management). In 2010, construction represented the largest proportion of profit from operations at 60%, followed by property development at 23%.

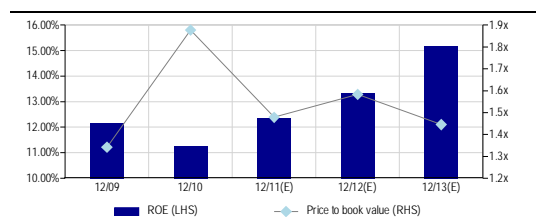
## Value (EV/OpFCF & P/E)



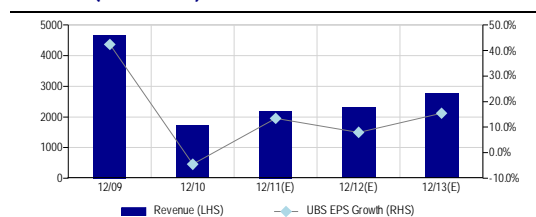
## Profitability



## ROE v Price to book value



## Growth (UBS EPS)



Valuation (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
P/E (local GAAP)	14.2	11.0	16.1	14.6	14.4	11.7
P/E (UBS)	14.0	10.9	16.0	12.4	11.5	10.0
P/CEPS	8.8	6.9	9.4	7.4	6.8	6.0
Net dividend yield (%)	4.2	3.7	2.6	3.2	3.5	4.0
P/BV	1.7	1.3	1.9	1.5	1.6	1.4
EV/revenue (core)	0.7	0.4	1.6	1.2	1.2	1.0
EV/EBITDA (core)	6.7	6.3	7.1	6.1	5.4	4.6
EV/EBIT (core)	8.7	8.5	9.4	8.1	7.2	6.1
EV/OpFCF (core)	7.0	6.4	7.2	6.3	5.6	4.8
EV/op. invested capital	1.6	1.3	1.7	1.4	1.4	1.3

Enterprise value (RMm)	12/09	12/10	12/11E	12/12E	12/13E
Average market cap	1,683	2,348	2,067	2,067	2,067
+ minority interests	233	276	354	445	556
+ average net debt (cash)	349	377	433	372	302
+ pension obligations and other	0	0	0	0	0
- non-core asset value	(191)	(186)	(194)	(204)	(214)
Core enterprise value	2,074	2,816	2,660	2,679	2,711

Growth (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Revenue	5.1	23.0	-63.4	28.2	5.4	19.8
EBITDA (UBS)	15.3	29.6	19.9	10.0	13.6	19.4
EBIT (UBS)	14.8	34.1	22.8	9.9	12.4	19.9
EPS (UBS)	3.7	42.4	-4.5	13.4	8.0	15.4
Cash EPS	5.3	31.9	1.4	12.1	8.4	13.2
Net DPS	-8.9	6.0	0.0	8.3	8.0	15.4
BVPS	10.7	7.6	-0.3	11.8	-6.6	9.5

Margins (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBITDA / revenue	13.2	7.1	23.3	20.0	21.5	21.5
EBIT / revenue	10.1	5.2	17.6	15.0	16.0	16.1
Net profit (UBS) / revenue	5.1	3.2	8.3	7.3	8.1	8.4

Return on capital (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBIT ROIC (UBS)	18.7	15.5	17.7	17.7	18.8	21.0
ROIC post tax	-	15.5	14.3	14.4	15.3	17.1
Net ROE	13.8	12.2	11.3	12.4	13.3	15.2

Coverage ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
EBIT / net interest	6.8	5.2	6.1	7.1	9.1	12.7
Dividend cover (UBS EPS)	2.2	2.5	2.4	2.5	2.5	2.5
Div. payout ratio (% UBS EPS)	48.8	40.0	41.9	40.0	40.0	40.0
Net debt / EBITDA	1.1	0.9	1.2	0.9	0.7	0.4

Efficiency ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Revenue / op. invested capital	2.2	3.0	1.0	1.2	1.2	1.3
Revenue / fixed assets	8.4	11.8	4.8	7.5	7.4	8.2
Revenue / net working capital	10.0	14.8	5.3	5.0	4.7	4.9

Investment ratios (x)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
OpFCF / EBIT	1.3	1.3	1.3	1.3	1.3	1.3
Capex / revenue (%)	3.2	0.7	0.4	5.0	7.0	6.0
Capex / depreciation	1.3	0.4	0.1	1.0	1.3	1.1

Capital structure (%)	5Yr Avg	12/09	12/10	12/11E	12/12E	12/13E
Net debt / total equity	32.4	22.7	37.6	29.5	23.8	16.2
Net debt / (net debt + equity)	24.5	18.5	27.3	22.8	19.2	14.0
Net debt (core) / EV	14.0	16.8	13.4	16.3	13.9	11.2

Source: Company accounts, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items.

Valuations: based on an average share price that year, (E): based on a share price of RM2.52 on 05 Sep 2011 23:38 SGT Market cap(E) may include forecast share issues/buybacks.

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## ■ Statement of Risk

The main risk to our earnings estimates, price targets and rating for WCT Berhad are any abrupt changes of new construction job flows that could affect sentiment and delays in construction progress. Other risks are raw material prices and labour costs, which are key drivers for construction margins.

## ■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

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### UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage <sup>1</sup>	IB Services <sup>2</sup>
Buy	Buy	54%	39%
Neutral	Hold/Neutral	39%	35%
Sell	Sell	7%	14%
UBS Short-Term Rating	Rating Category	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Buy	less than 1%	33%
Sell	Sell	less than 1%	25%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 30 June 2011.

### UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

## KEY DEFINITIONS

**Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

**Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

**Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

**Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

**Equity Price Targets** have an investment horizon of 12 months.

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**UK and European Investment Fund ratings and definitions are:** Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

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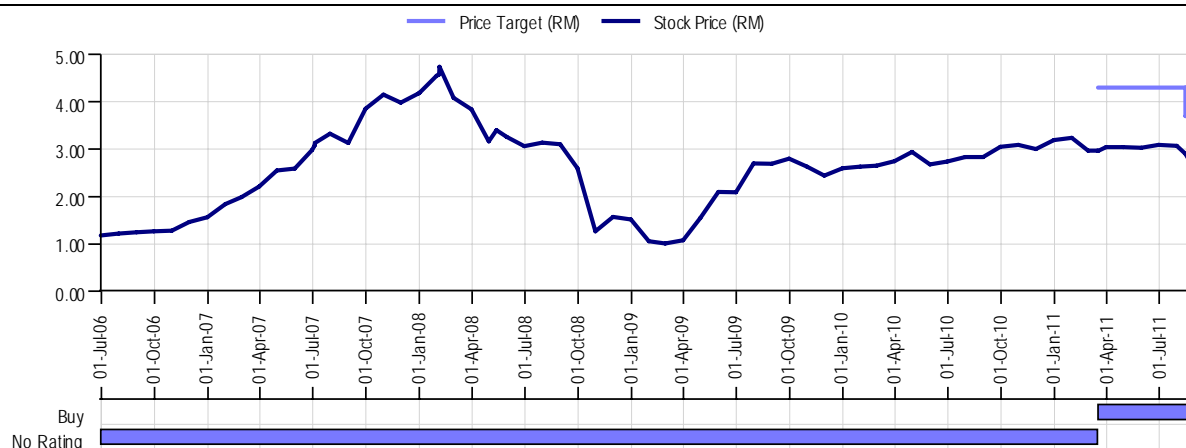
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
WCT Berhad	WCTE.KL	Buy	N/A	RM2.56	06 Sep 2011

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

## WCT Berhad (RM)



Source: UBS; as of 06 Sep 2011



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