EQUITY FOCUS

Aseambankers (15938-H)
MALAYSIA EQUITY RESEARCH
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17 September 2007

WCT Engineering

Strong Buy
(unchanged)

Bags two more major contracts

TP: RM7.65
Current Price: RM6.45

Description: Construction group with interests in property development and toll concessions in India.

Catalyst: Ninth Malaysia Plan, construction boom in the Gulf States, new market expansion.

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- **WCT has been awarded two contracts for government office building works in Putrajaya, totalling RM456.8m in value.**
- **This would be WCT's fourth major project win for the year, lifting its outstanding construction order book to RM4.47b.**
- **No change to earnings forecasts, having incorporated potential project wins earlier. Maintain Strong Buy with a RM7.65 TP (unchanged).**

Another feather in its cap. WCT Engineering has been awarded two contracts worth RM456.8m by Putrajaya Holdings Sdn Bhd, for government office building works in Putrajaya. The scope of works comprise the design-and-build of two office towers at Lots 4G8 and 4G9, Precinct 4, and involve structural, civil, architectural, mechanical, electrical, plumbing, interior design, landscape, external works, utilities and a self-generated chilled water plant. The construction period is over 28 months and works are expected to be completed by Jan 2010. Payment from Putrajaya Holdings will be made on a progressive basis.

Lifting outstanding construction order book to RM4.47b. This would be WCT's fourth major project win for the year, after: i) Dubai World Central International Airport (stormwater drainage and sewerage system) (AED487m or RM486m), secured in a joint venture (JV) with Arabtec Engineering Services LLC; ii) Formula 1 Circuit in Abu Dhabi, UAE (AED1.299b or RM1.3b) secured by its JV company, Cebarco-WCT WLL; and iii) hotel fit-out works for the Bahrain City Centre project (indicative RM270m), secured by Cebarco-WCT WLL. This level of unbilled works should provide for strong earnings growth into 2008.

Maintain Strong Buy. Assuming a gross margin of 5%, we expect these two new contracts to contribute some RM17m in net profit, to be recognised in 2008-09. We maintain our earnings forecasts which had incorporated potential project wins. Our target price is also unchanged at RM7.65, which pegs WCT to 13x PER on mid-2009 basic EPS, and also implies a fully diluted PER of 15x. We remain positive on WCT, a potential beneficiary of more 9MP construction jobs, and together with strong partners in the Middle East, should benefit from new workflows there.

WCT Engineering – Summary Earnings Table

FYE Dec (RM m)	2005A	2006A	2007F	2008F	2009F
Turnover	816.2	1369.8	1918.2	2731.9	2566.4
EBITDA	152.1	196.9	225.4	289.6	324.8
Pretax Profit	129.2	149.8	174.4	235.8	267.9
Net Profit Ex. EI	84.3	88.1	122.5	166.3	184.1
Basic EPS (sen) Ex. EI	31.2	31.0	42.4	56.9	62.9
Basic EPS growth (%)	97.6	3.0	36.5	34.2	10.7
Basic PE (x)	20.6	20.8	15.2	11.3	10.3
FD EPS (sen)	-	-	39.6	48.6	53.3
FD PER (x)	-	-	16.3	13.3	12.1
EV/EBITDA (x)	17.2	13.3	11.6	9.0	8.0
DPS (Sen)	11.3	11.3	11.3	11.3	11.3
Div Yield (%)	1.7	1.7	1.7	1.7	1.7
ROAE (%)	16.9	15.6	18.7	21.1	19.6
Book Value (RM)	1.88	2.08	2.45	2.93	3.48
P/Book Value (x)	3.4	3.1	2.6	2.2	1.9

Source: Aseambankers

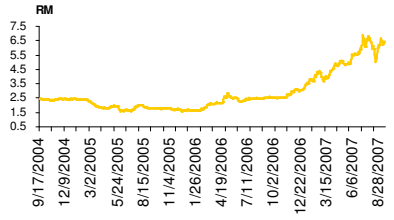
Stock Information:

Ticker:	WCT MK
Closing Price:	RM6.45
KLCI:	1289.5
Sector:	Construction
Syariah Compliance:	Yes
Shares Issued (m):	292.6
Market Cap (RM m):	1,887.1
3-mth Avg Daily Volume (m):	1.0

Major Shareholders:

WCT Capital	26.98%
EPF Board	13.36%

Price Chart (RM6.45)



Price Performance:

52-week High/Low RM7.10/RM2.48

1-mth	3-mth	6-mth	1-yr	YTD
29.5	17.0	65.4	150.0	106.7

WCTE: Outstanding Construction Order Book

Projects	Outstanding (RM m)	Expected completion
Local civil engineering and infrastructure		
Kota Kinabalu International Airport upgrading	579	2009
Kajang-Seremban Highway	290	2008
Kudat Water Supply Scheme	93	2007
Bakun Dam	33	2007
Sub-total	***995***	
	(22% of total)	
Local building works		
Putrajaya Government Complex, Lots 4G8 &4G9 #	457	2010
UiTM Campus, Kuala Selangor	411	2009
AEON Shopping Centre in Klang	183	2007
Tijani 2 Luxury Apartments, Bukit Tunku	134	2008
Putrajaya Government Complex, Plot 3C4	51	Completed
Others	61	
Sub-total	***1,297***	
	(29% of total)	
Overseas		
Abu Dhabi F1 Circuit #	650	2008
New Doha International Airport, Qatar	600	2008
Bahrain City Centre, Bahrain	359	2008
Dubai World Central International Airport (stormwater) #	236	2008
Dukhan Highway, Qatar	191	2008
Bahrain City Center hotel fit-out works #	135	2008
Durat Al-Bahrain	6	2007
Sub-total	***2,177***	
	(49% of total)	
Total	**4,469**	

 # Secured in 2007
Source: Company, Aseambankers

Definition of Ratings

Aseambankers uses the following rating system:

STRONG BUY	Total return is expected to exceed 20% in the next 12 months; high conviction call
BUY	Total return is expected to be above 10% in the next 12 months
HOLD	Total return is expected to be between above 0% to 10% in the next 12 months
FULLY VALUED	Total return is expected to be between -10% and 0% in the next 12 months
SELL	Total return is expected to be below -10% in the next 12 months
TRADING BUY	Total return is expected to be between 10-20% in the next 6 months arising from positive newsflow e.g. mergers and acquisition, corporate restructuring, and potential of obtaining new projects. However, the upside may or may not be sustainable

Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

Some common terms abbreviated in this report (where they appear):

Adex = Advertising Expenditure
BV = Book Value
CAGR = Compounded Annual Growth Rate
Capex = Capital Expenditure
CY = Calendar Year
DCF = Discounted Cashflow
DPS = Dividend Per Share
EBIT = Earnings Before Interest And Tax
EBITDA = EBIT, Depreciation And Amortisation
EPS = Earnings Per Share
EV = Enterprise Value
FCF = Free Cashflow
FV = Fair Value
FY = Financial Year
FYE = Financial Year End
MoM = Month-On-Month
NAV = Net Asset Value
NTA = Net Tangible Asset
P = Price
P.A. = Per Annum
PAT = Profit After Tax
PBT = Profit Before Tax
PE = Price Earnings
PEG = PE Ratio To Growth
PER = PE Ratio
QoQ = Quarter-On-Quarter
ROA = Return On Asset
ROE = Return On Equity
ROSF = Return On Shareholders' Funds
WACC = Weighted Average Cost Of Capital
YoY = Year-On-Year
YTD = Year-To-Date

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