

Malaysia Company Focus

WCT

Bloomberg: WCT MK | Reuters: WCTE.KL

DBS Group Research . Equity

28 Jul 2010

BUY RM2.75 KLCI : 1,351.82

(Upgrade from Fully Valued)

Price Target : 12 months RM 3.60 (Prev RM 2.25)

Reason for Report : Upgrading rating and TP

Potential Catalyst: Government pump priming, Middle East contracts

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Price Relative



Forecasts and Valuation

| FY Dec (RM m) | 2009A | 2010F | 2011F | 2012F |
|---------------------|-------|-------|-------|-------|
| Turnover | 4,667 | 2,132 | 2,322 | 2,023 |
| EBITDA | 259 | 267 | 318 | 310 |
| Pre-tax Profit | 211 | 198 | 241 | 228 |
| Net Profit | 147 | 152 | 177 | 183 |
| Net Pft (Pre Ex.) | 147 | 152 | 177 | 183 |
| EPS (sen) | 16.0 | 16.5 | 19.2 | 19.8 |
| EPS Pre Ex. (sen) | 16.0 | 16.5 | 19.2 | 19.8 |
| EPS Gth Pre Ex (%) | 45 | 3 | 16 | 3 |
| Diluted EPS (sen) | 16.0 | 16.5 | 19.2 | 19.8 |
| Net DPS (sen) | 7.5 | 7.5 | 7.5 | 7.5 |
| BV Per Share (sen) | 162.9 | 173.8 | 186.6 | 199.0 |
| PE (X) | 17.2 | 16.7 | 14.3 | 13.9 |
| PE Pre Ex. (X) | 17.2 | 16.7 | 14.3 | 13.9 |
| P/Cash Flow (X) | 14.7 | 12.7 | 11.0 | 10.4 |
| EV/EBITDA (X) | 11.8 | 11.5 | 9.7 | 9.6 |
| Net Div Yield (%) | 2.7 | 2.7 | 2.7 | 2.7 |
| P/Book Value (X) | 1.7 | 1.6 | 1.5 | 1.4 |
| Net Debt/Equity (X) | 0.2 | 0.2 | 0.1 | 0.1 |
| ROAE (%) | 12.1 | 11.3 | 11.9 | 11.1 |

| | | | |
|-----------------------------|------|------|------|
| Earnings Rev (%) : | 6.6 | 6.4 | 26.9 |
| Consensus EPS (sen): | 18.6 | 22.4 | 24.1 |

ICB Industry : Industrials

ICB Sector: Construction & Materials

Principal Business: Construction, property development and operation of toll roads

Source of all data: Company, DBS Vickers, Bloomberg

Unjustified construction laggard

- **Construction laggard, Bakun concerns overblown**
- **Most leveraged proxy to new wins, potential RRIM land participation with EPF's 21.6% stake**
- **Upgrade to BUY with new TP of RM3.60**

Upgrade to BUY, new TP RM3.60. We are upgrading our FV rating on WCT to BUY with a new SOP-derived TP of RM3.60. We also raise our earnings across the board by 6-27% to factor in higher new order wins and property rental income. Our rating upgrade is on the back of 3 reasons

Construction laggard. The stock has been a laggard vs its peers of Gamuda and IJM with premium PE valuations based on FY11 EPS reversing to a discount of 15-19%. This is largely on concerns for additional provisions for Bakun which is at the worst case scenario would be negligible. It is also relatively underowned by foreigners at 12% vs IJM and Gamuda of 37% and 33% respectively.

Most leveraged proxy to contract flows. Visibility of contract awards will improve in 2H10. WCT is the most leveraged proxy to contract wins with every RM500m of new orders raising our EPS by 7% vs IJM of 2% and Gamuda of 3%. Its RM2bn order win guidance will be met towards 4Q10 largely coming from the Sabah dam project and Middle East contracts. Its 2 key contract wins locally – LCCT EW1 and Medini infrastructure works both won via open tender partly from its competitive cost structure should put it on the map to bid for the remaining mega projects such as the LRT extensions and Langat 2 plant.

Leveraging on EPF for property. Third, we think its property arm could surprise on the upside with spill over from the 3,400 acres RRIM land project given EPF owns 21.6% in WCT, the second highest for contractors after MRCB. This will not be a first JV as EPF has a 30% stake in its Paradigm Plaza project. Assuming WCT is able to clinch 1/16 of the 3,400 acres of RRIM land, this could lift our SOP value by 16%. Other catalysts are sooner-than-expected launch for its Platinum Plaza project in District 1, HCMC Vietnam and en-bloc sales of its offices in Paradigm.

At A Glance

| | |
|------------------------------|-------------|
| Issued Capital (m shrs) | 783 |
| Mkt. Cap (RMm/US\$m) | 2,154 / 674 |
| Major Shareholders | |
| WCT Capital (%) | 25.0 |
| Employees Provident Fund (%) | 21.6 |
| Free Float (%) | 61.4 |
| Avg. Daily Vol. ('000) | 1,881 |

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Upgrade to BUY, raising SOP-derived TP to RM3.60

We upgrade our FV rating on WCT to BUY with a new SOP-derived TP of RM3.60. The stock has been laggard vs its peers of IJM and Gamuda while its premium PE valuations has reversed to a discount of 15-19% based on FY11 earnings. Please see Chart 1 for WCT's relative share price performance vs its peers and KLCI over a 3-month period.

Our new SOP value of RM3.60 factors in the following

- i) rolling over our base year to FY11;
- ii) a higher construction target PE multiple of 14x vs 12x previously. This is still at a discount to our target construction PE for IJM and Gamuda of 16x due to its seemingly less established presence locally;
- iii) Additional RM840m (RM0.91/share) in new property NAV coming from its Paradigm project and Platinum Plaza project in Vietnam. For Paradigm, we are assuming it is retaining its 1m GFA mall and valuing it at RM700 psf. For the 4 office towers with a GFA of 1.4m sq ft, we are assuming it will be sold. We have done a NPV of development profits using a discount rate of 10% assuming a GDV of c. RM1bn and profit margin of 28%. For Vietnam, we have done a NPV of development profits using a discount rate of 13% assuming a conservative GDV of US\$700m.
- iv) Higher capital value of RM595m from its 1m sf AEON Mall in Klang based on a NPV of lease income over 25 years at a discount rate of 10% plus the projected increase in land value over the lease horizon. This is the conservative as it values the mall at just RM595 psf inclusive of 5,000 car parks which is at a steep discount to Sunway Pyramid mall of RM1,365 psf and MidValley Mega Mall of RM1,050 psf.

We also raise our FY10-FY12 earnings by 6-27% to factor in :-

- i) higher orderbook assumptions of RM2bn for FY11 as we expect WCT to clinch their fair share of the mega projects locally and to capitalize on improving contract flows in the Middle East. Our orderbook assumptions for FY10 and FY12 are unchanged at RM2bn and RM1bn respectively.
- ii) Higher rental income of from AEON mall for FY10-FY12.

Bakun provisions overblown

WCT is holding on to its view that there should not be any more provisions in relation to the Bakun hydroelectric dam project. It went to the extent of making an official announcement on Bursa.

WCT has a 7.7% stake in the Malaysia-China Hydro JV consortium (MCHJV), the JV company which is building the dam. The rationale is that the MCHJV accounts until 30 June 2009 showed no further losses apart from a provision of RM358m (WCT's 7.7% stake RM28m) in 2004 and in 2006 the government also approved RM700m of additional costs which included the earlier RM358m. The MCHJV construction progress has already reached 96-97% of completion.

WCT also explained there should not be any LADs as this project is peculiar and had no fixed completion or sectional completion dates. Hence, if Sime Darby's claim that an additional RM450m cost overrun was incurred; a cash call would have to be called at the JV level. There have been on-going meetings with Sime Darby together with other consortium members and subcontractors but nothing conclusive was resolved as yet.

We estimate the worst case scenario is a provision of 2.5 sen/share which is for cost incurred for work done to date at the JV level but has not been approved by the government.

Construction franchise gaining more respect locally

Prior to the cancellation of its RM4.6bn Dubai race course project in December 2008, WCT was riding high and was comfortably positioned as Malaysia's construction proxy to the oil-rich Middle East. It has managed to reinvent itself since and clinched several high profile projects locally via open tender such as the RM766m Medini Iskandar infrastructure works and RM363m LCCT earthworks (EW1).

WCT is guiding the market for RM2bn of new orders by end-2010 with an equal split coming from Malaysia and Middle East. So far, it has only clinched RM111m which is its 50% share of Bahrain City Centre Fit-Out works. Its current external orderbook is RM2.1bn We understand there are 4 projects being negotiated in Abu Dhabi and Qatar collectively worth RM2bn. Of which, 2 are more advanced. The Abu Dhabi projects will be done jointly with long time partner Cebarco while in Qatar there is a new JV partner.

On the local front, the key catalyst is the formalisation of a letter of award for the KK 3 Water Scheme water supply project in Sabah worth in total RM2.8bn. We understand there are on-going meetings with the Minister and State where WCT is hopeful of clinching at the onset at least

RM1bn of the works before the end-2010. As this is a larger size project but on smaller scale as compared to the Pahang Selangor Water Transfer project, the balance may be awarded to WCT in 2011.

WCT is also been prequalified for the RM7-8bn LRT extensions and RM5bn Langat 2 water treatment plant. A potential surprise could come from a transport hub project for the LCCT.

Please see Figure 1 for a breakdown of its current outstanding orderbook

Table 1: Current outstanding orderbook

| | RMm |
|-----------------------------|------|
| Current orderbook | |
| Middle East projects | 321 |
| BCC Hotel Fit Out | 302 |
| Yas Marina Royal Yacht Club | 24 |
| Durkhan highway | 11 |
| Local | |
| LCCT EW1 | 265 |
| Medini Iskandar | 617 |
| KKIA | 42 |
| Bakun Hydro Dam | 84 |
| Kudat Water Supply | 6 |
| Putrajaya Lot 4G9 | 169 |
| Putrajaya Lot 4G8 | 132 |
| AEON Melaka | 28 |
| UiTM Campus | 36 |
| Tijani 2 Condos | 23 |
| Others | 43 |
| Total | 2103 |

Source: DBS Vickers

Most leveraged proxy to contract flows

In our view, contract flows will accelerate in 2H10 with the 10MP already setting the foundation. WCT is the most leveraged proxy to capitalize on new order wins vs Gamuda and IJM. For every RM500m increase in new order wins will raise our FY11 earnings by 7% vs IJM of 2% and Gamuda of 3%. In terms of construction contribution to FY11 earnings, WCT is 49% vs IJM of 23% and Gamuda of 55% while for percentage of SOP value coming from construction, WCT is 37% vs IJM of 23% and Gamuda of 45%. Please see Table 2.

Table 2 : Most leveraged to new contract wins

| | WCT | IJM | Gamuda |
|--|-----|-----|--------|
| % increase in FY12 EPS assuming RM500m additional wins | 7 | 2 | 3 |
| % of FY11 earnings from construction | 49 | 23 | 55 |
| % of SOP value from construction | 37 | 23 | 45 |

Source: DBS Vickers

Property arm could surprise

Sales at its maturing township in Bandar Bukit Tinggi/Bandar Parklands have been resilient at RM3.5m per week. For its 1 Medini Residences project in Iskandar, the maiden launch will involve 300 units of apartments priced at US\$150 psf. With pricing comparable to the Klang Valley and in a State where landed property is preferred and cheaper, this project is largely for the foreign market. WCT has marketed 100 out of the 300 units in the Middle East and has received preliminary bookings for 47 units.

Its Paradigm project in Kelana Jaya, which is a WCT-EPF JV project comprising of 1.0m sq ft GFA shopping mall and 1.4m sq ft GFA of office towers are progressing as planned. The mall is slated to open in November 2011 and based on an average rental rate of RM9 psf could generate yearly revenue of RM73m, nearly triple of AEON mall's revenue. This is based on a NLA of 680,000 sq ft. The mall will open for leasing in August 2010 and is expected to secure a few anchor tenants by then. The en-bloc purchase of some of the office towers will be after the opening of the mall to capitalize on the full capital value.

With EPF's 21.6% stake in WCT, the second highest in a contractor/developer after MRCB, we think WCT has a high probability of clinching a substantial portion of the RRIM land. Based on our scenario of WCT clinching 1/16 of the total development of RRIM land of 3,400 acres or 213 acres, land utilization of 60%, plot ratio of 3x, ASP of RM300 psf which are similar assumptions we used for MRCB, this could enhance our SOP value by 16% or RM0.58/share. EPF's 30% stake in its Paradigm project in Kelana Jaya may lend some weight in its involvement in the RRIM land.

Figure 1: Assumptions assuming RRIM land

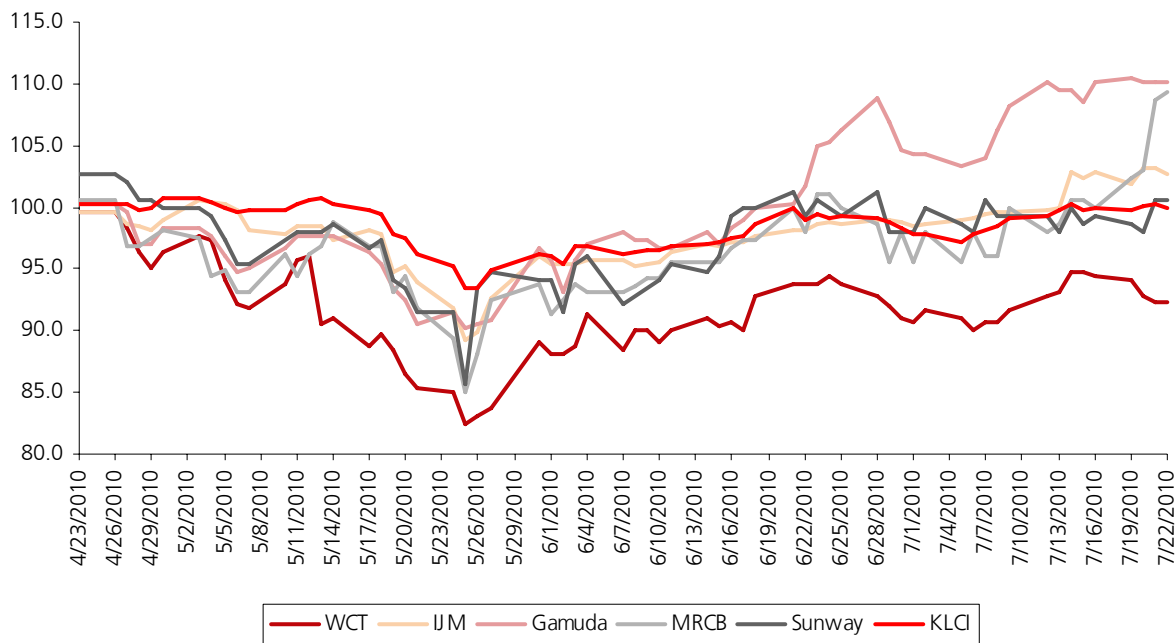
| | |
|--|------------|
| Acres | 212.5 |
| Plot ratio (x) | 3 |
| GFA (sq ft) | 27,769,500 |
| NLA (sq ft) | 16,661,700 |
| ASP (RM psf) | 300 |
| GDV (RMbn) | 4,999 |
| Margins (%) | 20 |
| Development duration (years) | 10 |
| Construction cost (RM psf) | 180 |
| BEV/PSF (RM) | 243 |
| NPV of development profits (RMm) | 536 |
| Discount rate | 10% |
| % increase in SOP value | 16 |
| increase in SOP value on a per share basis | 58 |

Source: DBS Vickers

2Q results preview

2Q10 results are due out on 19 August. We expect 2Q10 net profit to be relatively flat from 1Q10's RM35m bringing 1H10 net profit to RM70m. This accounts for 46% of our revised FY10F net profit implying a stronger 2H. We expect 2Q10 to show higher recognition of profits for newer projects such as LCCT EW1 and Medini infrastructure. This is in spite of more normalized construction margins of 5-6% vs 11.8% in 1Q10 which was due to writeback of profits from Abu Dhabi F1. Given its rather lean cost structure, we understand that WCT is reaping better margins than the 5% guided for these newer contracts.

Chart 1: WCT has underperformed the KLCI and other construction stocks – 3 Month Period



Source: DBS Vickers

SOP Value

| Division | Stake % | Sub total RMm | SOP RMm | SOP/share Basis RM/share |
|--|---------|---------------|---------|-----------------------------------|
| Construction | 100 | | 1235.8 | 1.34 PE |
| Property | | | | |
| Local Property | | | | |
| Development projects | | | | |
| Bandar Bukit Tinggi 2 | 100 | 64.1 | | NPV of profits |
| Bandar Parklands | 100 | 137.1 | | NPV of profits |
| Kota Kinabalu | 100 | 43.4 | | NPV of profits |
| BBT One Commercial | 100 | 26.9 | | NPV of profits |
| Paradigm - 4 Towers of 1.8m sq ft | 70 | 241.6 | | NPV of profits |
| Book value for development property | | 394.2 | | |
| Investment Property | | | | |
| AEON Mall | 100 | 595.0 | | NPV of lease income over 25 years |
| Paradigm - 680,000 sq ft mall and car parks | 70 | 420.7 | | Market value |
| Sub total - local property | 100 | 1923.2 | | |
| Vietnam | 67 | 177.7 | | NPV of profits |
| Total - Property | | | 2100.8 | 2.28 |
| Tolls | | | | |
| Durgapur Expressway | 30 | 63.9 | | DCF |
| Panargarh-Palsit Expressway | 30 | 89.5 | | DCF |
| Swarna Tollway | 21.6 | 100.8 | | |
| Total - tolls | | | 254.2 | 0.28 |
| Less net debt FY11 | | | -246.4 | -0.27 |
| Total SOP | | | 3344.4 | |
| Fully diluted number of shares outstanding (m) | | | 921.4 | |
| SOP/share (RM) | | | 3.63 | |

Source: DBS Vickers

Sector Comparison

| Company | Price | Target | Rating | Diluted P/E (x) | | Mkt cap | Est. Order Bk | Mkt cap/ ord bk | Net tangible asset | P/NTA |
|----------------|-------|--------|--------------|-----------------|------|---------|---------------|-----------------|--------------------|-------|
| | (RM) | (RM) | | CY10 | CY11 | (RMb) | (RMb) | (x) | (RM) | (x) |
| Gamuda | 3.36 | 4.35 | Buy | 22.0 | 17.7 | 6.8 | 4.7 | 1.4 | 1.37 | 2.5 |
| IJM | 5.11 | 6.00 | Buy | 19.1 | 17.0 | 6.8 | 3.9 | 1.7 | 3.86 | 1.3 |
| WCT | 2.75 | 3.60 | Buy | 16.7 | 14.3 | 2.1 | 2.1 | 1.0 | 1.63 | 1.7 |
| MRCB | 1.72 | 2.25 | Buy | 46.5 | 36.6 | 2.3 | 2.6 | 0.9 | 0.69 | 2.5 |
| Sunway | 1.59 | 2.10 | Buy | 11.0 | 9.7 | 1.0 | 2.5 | 0.4 | 1.07 | 1.5 |
| TRC Synergy | 1.08 | 0.94 | Fully Valued | | | | 0.4 | | 1.65 | 0.7 |
| | | | | 12.0 | 11.5 | 0.2 | | 0.4 | | |
| Average | | | | 21.2 | 17.8 | | | 1.0 | | 1.7 |

Source: DBS Vickers, Company

Note: Gamuda's orderbook represents its executable portion only

Income Statement (RM m)

| FY Dec | 2009A | 2010F | 2011F | 2012F |
|---------------------------|------------|------------|------------|------------|
| Turnover | 4,667 | 2,132 | 2,322 | 2,023 |
| Cost of Goods Sold | (4,314) | (1,880) | (2,022) | (1,734) |
| Gross Profit | 352 | 252 | 300 | 289 |
| Other Opng (Exp)/Inc | (136) | (41) | (49) | (55) |
| Operating Profit | 217 | 211 | 251 | 234 |
| Other Non Opng (Exp)/Inc | 0 | 0 | 0 | 0 |
| Associates & JV Inc | 17 | 9 | 13 | 16 |
| Net Interest (Exp)/Inc | (23) | (22) | (22) | (22) |
| Exceptional Gain/(Loss) | 0 | 0 | 0 | 0 |
| Pre-tax Profit | 211 | 198 | 241 | 228 |
| Tax | 5 | (24) | (31) | (26) |
| Minority Interest | (69) | (22) | (34) | (19) |
| Preference Dividend | 0 | 0 | 0 | 0 |
| Net Profit | 147 | 152 | 177 | 183 |
| Net Profit before Except. | 147 | 152 | 177 | 183 |
| EBITDA | 259 | 267 | 318 | 310 |
| Sales Gth (%) | 25.7 | (54.3) | 8.9 | (12.9) |
| EBITDA Gth (%) | 62.0 | 3.0 | 18.9 | (2.4) |
| Opg Profit Gth (%) | 39.9 | (3.0) | 19.3 | (6.8) |
| Net Profit Gth (%) | 45.2 | 3.3 | 16.5 | 3.2 |
| Effective Tax Rate (%) | N/A | 11.9 | 12.8 | 11.5 |

Cash Flow Statement (RM m)

| FY Dec | 2009A | 2010F | 2011F | 2012F |
|-------------------------|--------------|--------------|--------------|--------------|
| Pre-Tax Profit | 211 | 198 | 241 | 228 |
| Dep. & Amort. | 42 | 57 | 66 | 76 |
| Tax Paid | (6) | (24) | (31) | (26) |
| Assoc. & JV Inc/(loss) | (17) | (9) | (13) | (16) |
| Chg in Wkg.Cap. | (17) | (42) | (61) | 22 |
| Other Operating CF | 65 | 55 | 62 | 69 |
| Net Operating CF | 279 | 235 | 265 | 353 |
| Capital Exp.(net) | (76) | (150) | (156) | (161) |
| Other Invt.(net) | 0 | 0 | 0 | 0 |
| Invt in Assoc. & JV | 0 | 0 | 0 | 0 |
| Div from Assoc & JV | 0 | 0 | 0 | 0 |
| Other Investing CF | 4 | 0 | 0 | 0 |
| Net Investing CF | (73) | (150) | (156) | (161) |
| Div Paid | (55) | (60) | (63) | (65) |
| Chg in Gross Debt | (151) | 80 | 80 | 80 |
| Capital Issues | 44 | 42 | 42 | 42 |
| Other Financing CF | (76) | (55) | (62) | (69) |
| Net Financing CF | (238) | 7 | (2) | (12) |
| Net Cashflow | (32) | 91 | 107 | 180 |

Quarterly / Interim Income Statement (RM m)

| FY Dec | 2Q2009 | 3Q2009 | 4Q2009 | 1Q2010 |
|--------------------------|------------|-----------|-----------|-----------|
| Turnover | 1,178 | 1,312 | 1,208 | 400 |
| Cost of Goods Sold | (1,070) | (1,226) | (1,124) | (331) |
| Gross Profit | 108 | 86 | 83 | 69 |
| Other Oper. (Exp)/Inc | (29) | (24) | (60) | (9) |
| Operating Profit | 79 | 62 | 23 | 60 |
| Other Non Opng (Exp)/Inc | 0 | 0 | 0 | 0 |
| Associates & JV Inc | 4 | 4 | 5 | 2 |
| Net Interest (Exp)/Inc | (13) | (12) | (11) | (12) |
| Exceptional Gain/(Loss) | 0 | 0 | 0 | 0 |
| Pre-tax Profit | 71 | 54 | 17 | 51 |
| Tax | 2 | (5) | 9 | (13) |
| Minority Interest | (31) | (15) | 7 | (3) |
| Net Profit | 42 | 33 | 33 | 35 |
| Net profit bef Except. | 42 | 33 | 33 | 35 |
| Sales Gth (%) | 21.6 | 11.4 | (8.0) | (66.9) |
| Opg Profit Gth (%) | (0.5) | (21.6) | (62.8) | 161.4 |
| Net Profit Gth (%) | 7.0 | (20.5) | (2.5) | 7.4 |
| Gross Margins (%) | 9.2 | 6.6 | 6.9 | 17.2 |
| Opg Profit Margins (%) | 6.7 | 4.7 | 1.9 | 15.1 |
| Net Profit Margins (%) | 3.6 | 2.5 | 2.7 | 8.7 |

Balance Sheet (RM m)

| FY Dec | 2009A | 2010F | 2011F | 2012F |
|-------------------------------|--------------|--------------|--------------|--------------|
| Net Fixed Assets | 603 | 696 | 785 | 871 |
| Invt in Associates & JVs | 204 | 214 | 226 | 242 |
| Other LT Assets | 455 | 455 | 455 | 455 |
| Cash & ST Invt | 714 | 805 | 913 | 1,093 |
| Inventory | 344 | 319 | 327 | 314 |
| Debtors | 2,148 | 1,516 | 1,632 | 1,524 |
| Other Current Assets | 5 | 5 | 5 | 5 |
| Total Assets | 4,473 | 4,010 | 4,343 | 4,502 |
| ST Debt | 206 | 206 | 206 | 206 |
| Other Current Liab | 1,955 | 1,256 | 1,319 | 1,219 |
| LT Debt | 792 | 872 | 952 | 1,032 |
| Other LT Liabilities | 9 | 9 | 9 | 9 |
| Shareholder's Equity | 1,277 | 1,411 | 1,567 | 1,727 |
| Minority Interests | 233 | 255 | 289 | 308 |
| Total Cap. & Liab. | 4,473 | 4,010 | 4,343 | 4,502 |
| Non-Cash Wkg. Capital | 543 | 584 | 646 | 624 |
| Net Cash/(Debt) | (285) | (273) | (245) | (146) |

Rates & Ratio

| FY Dec | 2009A | 2010F | 2011F | 2012F |
|---------------------------|--------|--------|--------|--------|
| Gross Margins (%) | 7.6 | 11.8 | 12.9 | 14.3 |
| Opg Profit Margin (%) | 4.6 | 9.9 | 10.8 | 11.6 |
| Net Profit Margin (%) | 3.2 | 7.1 | 7.6 | 9.0 |
| ROAE (%) | 12.1 | 11.3 | 11.9 | 11.1 |
| ROA (%) | 3.3 | 3.6 | 4.2 | 4.1 |
| ROCE (%) | 8.3 | 7.0 | 7.6 | 6.6 |
| Div Payout Ratio (%) | 40.0 | 40.1 | 35.6 | 35.7 |
| Net Interest Cover (x) | 9.4 | 9.6 | 11.2 | 10.6 |
| Asset Turnover (x) | 1.1 | 0.5 | 0.6 | 0.5 |
| Debtors Turn (avg days) | 162.8 | 313.7 | 247.5 | 284.7 |
| Creditors Turn (avg days) | 153.5 | 321.2 | 240.2 | 279.3 |
| Inventory Turn (avg days) | 28.1 | 66.3 | 60.2 | 70.6 |
| Current Ratio (x) | 1.5 | 1.8 | 1.9 | 2.1 |
| Quick Ratio (x) | 1.3 | 1.6 | 1.7 | 1.8 |
| Net Debt/Equity (X) | 0.2 | 0.2 | 0.1 | 0.1 |
| Net Debt/Equity ex MI (X) | 0.2 | 0.2 | 0.2 | 0.1 |
| Capex to Debt (%) | 7.6 | 13.9 | 13.4 | 13.0 |
| Z-Score (X) | 1.5 | 2.0 | 1.9 | 1.9 |
| N. Cash/(Debt)PS (sen) | (36.3) | (33.7) | (29.2) | (16.8) |
| Opg CFPS (sen) | 32.1 | 30.0 | 35.4 | 35.9 |
| Free CFPS (sen) | 22.0 | 9.2 | 11.9 | 20.8 |

Segmental Breakdown / Key Assumptions

| FY Dec | 2009A | 2010F | 2011F | 2012F |
|-----------------------------|--------------|--------------|--------------|--------------|
| Revenues (RM m) | | | | |
| Construction | 5,016 | 1,751 | 1,824 | 1,583 |
| Property | 171 | 256 | 374 | 315 |
| Trading | 0 | 124 | 124 | 124 |
| Others | (521) | 0 | 0 | 0 |
| Total | 4,667 | 2,132 | 2,322 | 2,023 |
| Pretax profit (RM m) | | | | |
| Construction | 304 | 121 | 118 | 123 |
| Property | 45 | 83 | 127 | 104 |
| Trading | 0 | 6 | 6 | 6 |
| Others | (139) | (13) | (10) | (6) |
| Total | 211 | 198 | 241 | 228 |
| Pretax Margins (%) | | | | |
| Construction | 6.1 | 6.9 | 6.5 | 7.8 |
| Property | 26.4 | 32.4 | 34.0 | 33.1 |
| Trading | N/A | 5.1 | 5.1 | 5.1 |
| Total | 4.5 | 9.3 | 10.4 | 11.3 |
| Key Assumptions | | | | |
| New order wins | | 2,000.0 | 2,000.0 | 1,500.0 |

Source: Company, DBS Vickers

DBSV recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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