

The Star

WCT shares rise after award of Qatar project

By izwan idris

SHARES in WCT Engineering Bhd ended higher yesterday after the group announced late on Tuesday that it and its joint-venture partner, Gamuda Bhd, have secured a major highway upgrade work in Qatar.

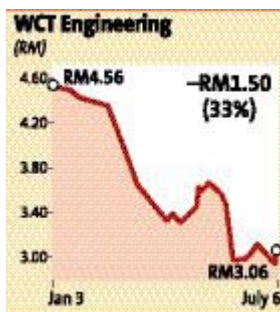
Analysts said the RM794mil contract was a major achievement for the two companies, both in terms of orderbook enhancement and overseas expansion success.

"The (contract) award should help improve sentiment. We expect a mild re-rating (for Gamuda and WCT) in line with our earnings upgrades," Mayban Securities said in a research note yesterday.

WCT's share price has under-performed its peers on the main board, having lost 32% year-to-date compared with the construction index's 12% decline during the same period.

Analysts said investors had been more comfortable buying into larger capitalised stocks like Gamuda and IJM Corp Bhd amid weak sentiment on construction-related issues.

They also attributed the dismal performance of WCT shares to lack of investor interest despite the company's healthy financial position and undemanding valuations.



WCT reported improved earnings per share of 18.63 sen for the first quarter ended March 31, from 17.55 sen a year earlier.

The counter gained four sen to RM3.06 yesterday while Gamuda rose eight sen to RM4.40.

Mayban Securities said the Qatar project would boost WCT's forward earnings by between 4.9% and 11.2% over the next two to three years, but the impact would be marginal for Gamuda owing to the company's much larger base.

WCT's 49% stake in the joint venture is estimated by analysts to be worth RM384mil.

Most analysts expect the project to generate a decent profit margin of around 10% of the contract value, which works out to about RM40mil for each company.

Mayban Securities, however, has a more conservative 5% net profit margin estimate, citing intense competition in the construction market in the Middle East.

Meanwhile, Avenue Securities has maintained an “outperform” rating on WCT with a target price of RM6.30, or at 8.7 times its forward earnings estimate.

The research house, however, has not made any changes to WCT's earnings forecast as it expects the company to secure RM700mil worth of new contracts this year.

So far, WCT had clinched jobs worth RM550mil to RM600mil, which includes the Qatar project, it said.

The Middle East is the second largest overseas market for local contractors after India.

WCT has established a good reputation in the region with the successful completion of the F1 racing circuit in Bahrain.