



## WCT Bhd

Paradigm, Welcome to JB!

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**TP: RM3.67 (+38.0%)**

Last traded: RM2.66

**BUY**

TA Research Team Coverage	+603-2072-1277 ext:1635	benghooi@ta.com.my	www.taonline.com.my
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The Paradigm Mall, PJ, is swamped with shoppers after its successful opening 2 months ago. We see the management of WCT Berhad (WCT) replicating the Paradigm PJ mixed development plan for a mixed development in Johor Bahru after the company has announced a land acquisition deal in Johor Bahru.

### About the Land Acquisition

WCT Hartanah Jaya Sdn Bhd, a wholly owned unit of WCT, after succeeding in the public tender, has entered into a conditional sale and purchase agreement with Idaman Usahamas Sdn Bhd, a wholly owned unit of Malaysia Building Society Berhad, for the acquisition of a freehold commercial land in Johor Bahru, measuring approximately 12.38 acres together with an abandoned shopping mall comprising a 4 level retail podium block and 2 levels of car parks (previously known as Kemayan City Mall and was subsequently renamed B8 Mall), all of which will be acquired free from all encumbrances and with vacant possession, for a total purchase consideration of RM180mn which will be financed via internally-generated funds and/ or borrowings.

The land is situated on Jalan Skudai, approximately 10km North-West of Johor Bahru, 3km North-West of Tampoi and 4km South-East of Skudai. It is easily accessible via the North-South Expressway, Malaysia-Singapore Second Link and Pasir Gudang Highway. Two institutions of higher learning, namely Universiti Teknologi Malaysia and Southern University College are located within the same district. (See Appendix 1)

The acquisition is expected to be completed by the 1Q2013.

### About the Proposed Mixed Development

The management has a mixed development plan with GDV of RM900mn which comprises:

- 4 levels of podium shopping mall with approximate gross floor area of 1.1mn sq ft and approximate net floor area of 770k sq ft. (refurbishment of existing structure)
- 1 tower block of hotel (432 rooms)
- 1 tower block of service apartment (216 units)
- 6 levels of car parks on top of retail podium (3,400 bays)

We gather that the mall is expected to be completed by end of 2014 while the hotel and service apartment on top of the retail podium will be completed at a later stage.

### Impact

We are positive on the land acquisition deal and the proposed mixed development. It will enable WCT to increase its land bank to further establish its position in property development and increasing its investment property portfolio to provide long term recurring rental income. Furthermore, the subject property is located within matured city of Johor Bahru.

### Share Information

Bloomberg Code	WCT MK
Stock Code	9679
Listing	Main Market
Share Cap (mn)	820.8
Market Cap (RMmn)	2183.2
Par Value	0.50
52-wk Hi/Lo (RM)	2.78/1.85
12-mth Avg Daily Vol ('000 shrs)	1,429.3
Estimated Free Float (%)	51.44
Beta	1.52

### Major Shareholders (%)

WCT Capital Sdn Bhd	- 19.69
Employees Provident Fund	- 15.26
KWAP	- 6.26
Lembaga Tabung Haji	- 5.34

### Forecast Revision

	FY12	FY13
Forecast Revision (%)	-	-
Net profit (RMm)	191.0	243.5
Consensus	184.0	220.9
TA's / Consensus (%)	103.8	110.2
Previous Rating	Buy (Maintained)	

### Financial Indicators

	FY12	FY13
Net Debt / Equity (%)	32.0	26.8
CFPS (sen)	15.8	11.7
Price / CFPS (x)	16.8	22.6
ROA (%)	4.2	5.0
NTA/Share (RM)	2.0	2.2
Price/NTA (x)	1.3	1.2

### Share Performance (%)

Price Change	WCT	FBM KLCI
1 mth	6.4	1.2
3 mth	16.2	6.7
6 mth	(0.7)	6.0
12 mth	2.3	12.4

### (12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

As the land deal has yet to be completed, we expect earnings contribution from the development to begin in 2015. We maintain earnings forecast for FY13-14.

### Valuation

No change to target price of RM3.67/share based on 14x CY13 construction earnings and 10x CY13 property earnings. Maintain **BUY** call with potential upside of 38.0%.

### Earnings Summary

YE 31 Dec (RM mn)	FY10	FY11	FY12F	FY13F	FY14F
Revenue	1695.8	1538.6	1863.1	2410.9	2871.9
EBITDA	313.7	261.7	300.8	395.9	463.8
EBITDA margin (%)	18.5	17.0	16.1	16.4	16.2
Pretax profit	257.3	207.5	255.5	347.9	413.1
Net profit	141.2	162.4	191.0	243.5	289.1
EPS (sen)	17.8	20.2	23.7	30.2	35.9
EPS Growth (Core) (%)	(5.4)	14.0	17.3	27.5	18.7
PER (x)	14.0	12.3	11.2	8.8	7.4
GDPS (sen)	10.0	9.5	10.0	10.0	10.0
Div Yield (%)	4.0	3.8	3.8	3.8	3.8
EV/EBITDA (x)	7.2	9.8	8.8	6.6	5.5
ROE (%)	11.0	11.9	11.9	13.6	14.4

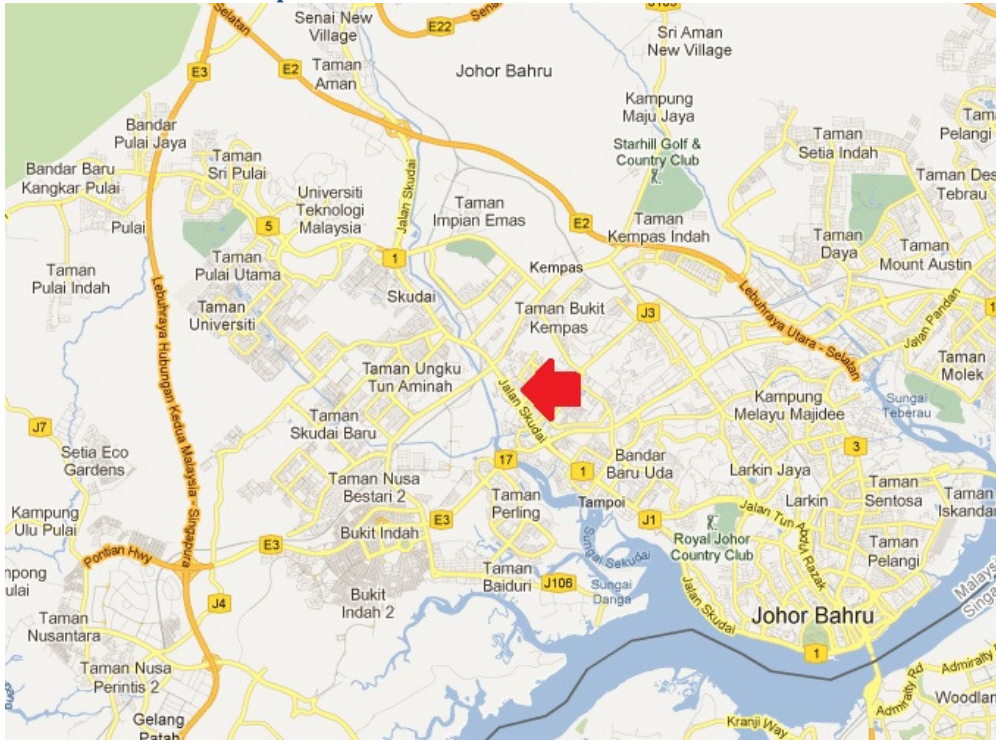
### Appendix 1

#### Exhibit 1: Development Perspective



Source: WCT

**Exhibit 2: Location Maps**



Source: WCT, TA Research



Source: WCT, TA Research

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for TA SECURITIES HOLDINGS BERHAD(14948-M)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)  
Kaladher Govindan – Head of Research