

24 March 2016 | Corporate update

## Wah Seong Corporation Berhad

### Pipe-coating gig in Mexico

**Maintain NEUTRAL**

**Revised Target Price (TP): RM0.80**  
(previously RM0.85)

#### INVESTMENT HIGHLIGHTS

- **Wah Seong Corp's (WSC) 49-51% JV Bayou Wasco Insulation was awarded a sub-contract pipe-coating job**
- **The value of the job is worth USD74m**
- **The project entails the provision of insulation coating protecting for deep water, offshore insulation in GoM**
- **Maintain NEUTRAL with a revised TP of RM0.80 per share**


**Details of project.** WSC's wholly-owned unit Wasco UK via its 49-51% joint venture company Bayou Wasco Insulation LLC clinched a USD75m sub-contract for the provision of insulation coating protection for deep water, offshore insulation project in the Gulf of Mexico.

**Bayou Wasco Insulation** is a joint venture between Wasco and Aegion Corp based in New Liberia, Louisiana U.S.A. The company provides offshore insulation services to customers in the Gulf of Mexico, Central America and the Caribbean. Wasco hold a 49% stake in the JV company providing expertise in the insulation while leveraging on its partner's expertise in operational, sales and logistics.

**Services by Bayou Wasco Insulation.** Commissioned in 2013, the company provides full thermal insulation coating services for offshore flow assurance including polyurethane foam and synthetic polypropylene.

**Impact on earnings.** We continue to believe that WSC's orderbook replenishment will continue to be under pressure. As such, we are reducing our orderbook replenishment further to RM1.5b from RM1.7b previously. We are reducing our FY16 earnings estimates by -5.4%.

**Orderbook.** WSC's current orderbook as at December 2015 is RM0.894b (from RM0.974b as at September 2015). RM483m of the orderbook comprises of jobs from the oil and gas segment, RM259m from the renewable energy segment and RM152m from the industrial trading and services segment.

**Maintain NEUTRAL.** We are maintaining our **NEUTRAL** stance on WSC with a revised TP of **RM0.80 per share**. We believe that the company's orderbook will continue to be under pressure for the foreseeable future, limiting its upside potential. Our TP is based on an unchanged PER16 of 9x pegged to EPS16 of 8.9en. 

RETURN STATS	
Price (23 March 2016)	RM0.75
Target Price	RM0.80
Expected Share Price Return	+6.7%
Expected Dividend Yield	+3.9%
<b>Expected Total Return</b>	<b>+10.6%</b>

STOCK INFO	
KLCI	1,724.55
Bursa / Bloomberg	5142 / WSC MK
Board / Sector	Main / Trading Services
Syariah Compliant	Yes
Issued shares (mil)	772.8
Par Value (RM)	0.50
Market cap. (RM'm)	579.6
Price over NA	0.50x
52-wk price Range	RM0.715 – RM1.45
Beta (against KLCI)	0.96
3-mth Avg Daily Vol	0.63m
3-mth Avg Daily Value	RM0.52m
Major Shareholders (%)	
Wah Seong (M) Trading	32.89
Chan Cheu Leong	7.84
EPF	6.27
Midwest Asia S/B	5.24
Tan Kim Yeow	5.07

## INVESTMENT STATISTICS

FYE Dec	FY13	FY14	FY15	FY16F	FY17F
Revenue (RM m)	1,779.40	2,438.60	1,839.50	1,976.00	1,967.70
EBIT (RM m)	83.3	219.4	41.8	136.7	126.4
Pretax Profit (RM m)	64.3	198.5	35.7	108.7	98.4
Net Profit (RM m)	32.3	125.6	9.5	72.7	65.8
EPS (sen)	4.2	16.3	1.2	9.4	8.5
EPS growth (%)	-38.8	287.1	-92.5	669.6	-9.5
PER(x)	17.9	4.6	61.5	8.0	8.8
Net Dividend (sen)	4	5	3	3	2
Net Dividend Yield (%)	5.3	6.7	4.0	3.9	2.7

Source: MIDFR

## DAILY PRICE CHART



Aaron Tan Wei Min  
aaron.tan@midf.com.my  
03-2772 1650

Source: MIDFR, Company

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.