

Company Note

I Malaysia

ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price: RM0.75
 Target price:  RM1.19
 Previous target: RM1.13
 Up/downside: 58.2%
 CIMB / Consensus: 5.0%

Reuters: AWCF.KL
 Bloomberg: AWCF MK
 Market cap: US\$47.39m
 RM192.5m

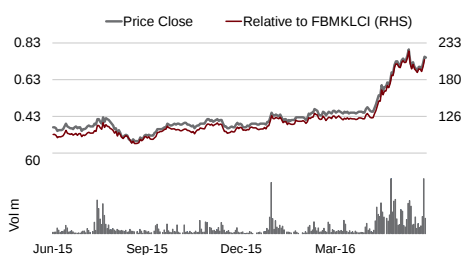
Average daily turnover: US\$1.54m
 RM6.24m

Current shares o/s: 256.0m
 Free float: 66.0%

* Source: Bloomberg

Key changes in this note

- ▶ FY17F EPS raised by 8%
- ▶ FY18F EPS increased by 8%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	12.8	68.5	108.3
Relative (%)	11.2	70.2	112.4

Major shareholders	% held
Dato' Ahmad Kabeer	34.0

AWC Berhad

Scores RM130m facilities win

- AWC wins a five-year RM130m facilities management contract for the Bandar Tasik Selatan integrated bus terminal.
- A positive surprise; we had not imputed any new contract wins for the facilities unit.
- We raise our FY17-18F EPS forecasts by 8%.
- Our SOP-based target price is raised to RM1.19.
- The new contract wins and special dividends are potential re-rating catalysts. Maintain Add.

Facilities scores big with a RM130m win

AWC announced a RM130m facilities management contract win for the Terminal Bersepadu Selatan (TBS), an integrated bus terminal in Bandar Tasik Selatan, Kuala Lumpur. The contract is for a duration of five years commencing on 1 Sep 2016.

What is TBS?

TBS is the main long-distance bus terminal in Kuala Lumpur. It is integrated with the Bandar Tasik Selatan Rail Interchange Station, forming a 24-hour integrated transportation hub. TBS was built to relieve the heavily congested Puduraya Bus Terminal located in the city centre.

Another positive surprise

The announcement came as a positive surprise as we had not imputed any new contract wins for the facilities division. As a result, we raise our FY17-18F EPS forecasts by 8%. FY6/17 will see the impact of 10 months of revenue and earnings contribution.

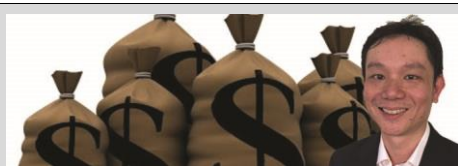
Truly firing on all cylinders

This win comes fresh on the heels of the Tun Razak Exchange (TRX) contract win by its plumbing division last week, meaning that all divisions have become growth engines. We had previously assumed that the facilities division was merely a low-growth steady-state cash cow for the group. With its strong niche and relationships with government-linked entities, this unit could surprise on the upside in the medium term with more contract wins in the commercial and healthcare divisions.

Raise target price

We maintain our Add rating with a higher SOP-based target price of RM1.19, after factoring in our upgraded earnings forecasts. The stock is attractively valued at 9.2x FY17F P/E and FY17F ex-cash P/E of 6.5x. Key risks to the achievement of our target price include project execution and delays. Potential re-rating catalysts are more contract wins and special dividends.

Analyst(s)



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Financial Summary	Jun-14A	Jun-15A	Jun-16F	Jun-17F	Jun-18F
Revenue (RMm)	119.5	128.0	221.0	278.2	294.8
Operating EBITDA (RMm)	14.86	14.15	28.95	37.10	41.21
Net Profit (RMm)	6.95	8.03	15.05	20.84	23.36
Core EPS (RM)	0.031	0.036	0.063	0.081	0.091
Core EPS Growth	52.6%	15.5%	75.6%	30.2%	12.1%
FD Core P/E (x)	24.32	21.06	11.99	9.21	8.22
DPS (RM)	-	-	0.020	0.025	0.030
Dividend Yield	0.00%	0.00%	2.67%	3.33%	4.00%
EV/EBITDA (x)	10.53	10.11	5.39	4.66	3.93
P/FCFE (x)	NA	10.62	15.11	17.33	7.45
Net Gearing	(37.8%)	(43.9%)	(42.1%)	(37.1%)	(42.8%)
P/BV (x)	2.14	1.85	1.89	1.66	1.46
ROE	9.3%	9.4%	15.6%	19.2%	18.9%
% Change In Core EPS Estimates			0.00%	7.77%	8.36%
CIMB/consensus EPS (x)			0.99	1.07	1.09

SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: Earnings revision

FYE June (RMm)	Previous		New		Change	
	FY17F	FY18F	FY17F	FY18F	FY17F	FY18F
Turnover	256.5	268.8	278.2	294.8	8%	10%
EBIT	33.4	37.1	35.4	39.4	6%	6%
Net profit	19.3	21.6	20.8	23.4	8%	8%

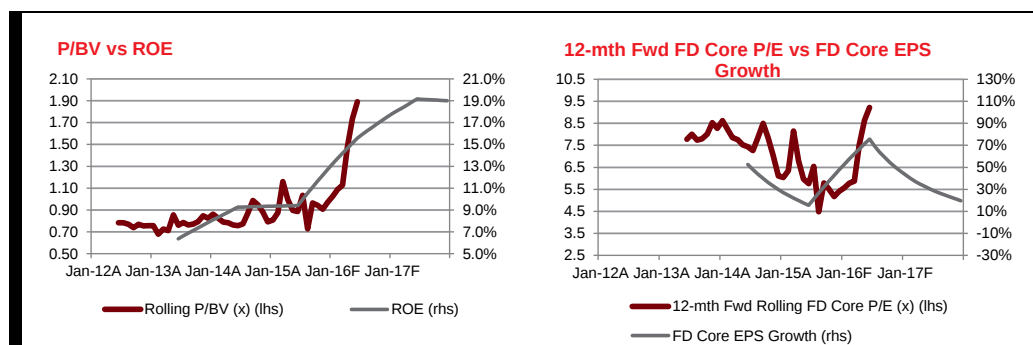
SOURCES: CIMB, COMPANY REPORTS

Figure 2: SOP-based target price

Share capital (m)	256
CY17 EPS (sen)	8.6
Target P/E	11.2
Value of business (RM/share)	0.96
Net cash per share	0.22
Target price	1.19

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Jun-14A	Jun-15A	Jun-16F	Jun-17F	Jun-18F
Total Net Revenues	119.5	128.0	221.0	278.2	294.8
Gross Profit	41.4	40.9	66.8	78.8	87.2
Operating EBITDA	14.9	14.1	29.0	37.1	41.2
Depreciation And Amortisation	(1.6)	(1.5)	(1.6)	(1.7)	(1.8)
Operating EBIT	13.2	12.7	27.4	35.4	39.4
Financial Income/(Expense)	0.5	0.1	0.2	0.4	0.5
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	13.8	12.8	27.5	35.8	40.0
Exceptional Items					
Pre-tax Profit	13.8	12.8	27.5	35.8	40.0
Taxation	(3.8)	(1.1)	(6.3)	(8.2)	(9.2)
Exceptional Income - post-tax					
Profit After Tax	10.0	11.7	21.2	27.6	30.8
Minority Interests	(3.0)	(3.6)	(6.1)	(6.7)	(7.4)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	7.0	8.0	15.1	20.8	23.4
Recurring Net Profit	7.0	8.0	15.1	20.8	23.4
Fully Diluted Recurring Net Profit	7.0	8.0	15.1	20.8	23.4

Cash Flow

(RMm)	Jun-14A	Jun-15A	Jun-16F	Jun-17F	Jun-18F
EBITDA	14.86	14.15	28.95	37.10	41.21
Cash Flow from Inv. & Assoc.					
Change In Working Capital	-32.98	5.83	-6.67	-16.28	-4.75
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	0.90	-2.40	0.00	0.00	0.00
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	-3.66	-2.59	-6.33	-8.24	-9.19
Cashflow From Operations	-20.87	14.99	15.96	12.58	27.27
Capex	-0.76	-1.46	-2.50	-1.50	-1.50
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	0.53	3.24	0.00	0.00	0.00
Cash Flow From Investing	-0.23	1.78	-2.50	-1.50	-1.50
Debt Raised/(repaid)	-2.07	-0.86	-1.51	0.00	0.00
Proceeds From Issue Of Shares					
Shares Repurchased	0.00	0.00			
Dividends Paid	0.00	-7.35	-5.12	-6.40	-7.68
Preferred Dividends					
Other Financing Cashflow	0.00	0.00	0.15	0.45	0.60
Cash Flow From Financing	-2.07	-8.21	-6.48	-5.95	-7.08
Total Cash Generated	-23.17	8.57	6.98	5.13	18.69
Free Cashflow To Equity	-23.17	15.92	11.95	11.08	25.77
Free Cashflow To Firm	-21.10	16.77	13.46	11.08	25.77

BY THE NUMBERS

Balance Sheet

(RMm)	Jun-14A	Jun-15A	Jun-16F	Jun-17F	Jun-18F
Total Cash And Equivalents	43.4	53.6	56.6	57.8	76.5
Total Debtors	74.0	59.5	72.7	91.5	96.9
Inventories	11.4	17.5	30.3	38.1	40.4
Total Other Current Assets	2.9	2.5	2.5	2.5	2.5
Total Current Assets	131.6	133.1	162.0	189.8	216.2
Fixed Assets	6.8	8.2	13.0	16.7	16.4
Total Investments	1.9	2.8	2.8	2.8	2.8
Intangible Assets	5.9	5.9	5.9	5.9	5.9
Total Other Non-Current Assets	2.1	3.0	3.0	3.0	3.0
Total Non-current Assets	16.7	19.9	24.7	28.4	28.1
Short-term Debt	1.1	1.8	0.3	0.3	0.3
Current Portion of Long-Term Debt					
Total Creditors	32.9	30.4	49.7	60.0	63.0
Other Current Liabilities	2.9	0.6	0.6	0.6	0.6
Total Current Liabilities	36.9	32.8	50.5	60.9	63.9
Total Long-term Debt	1.9	0.3	0.3	0.3	0.3
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2.5	2.5	2.5	2.5	2.5
Total Non-current Liabilities	4.4	2.8	2.8	2.8	2.8
Total Provisions	0.2	0.4	0.4	0.4	0.4
Total Liabilities	41.5	36.0	53.8	64.1	67.1
Shareholders' Equity	79.0	91.6	101.5	116.0	131.6
Minority Interests	27.8	25.4	31.5	38.2	45.6
Total Equity	106.8	117.0	133.0	154.2	177.3

Key Ratios

	Jun-14A	Jun-15A	Jun-16F	Jun-17F	Jun-18F
Revenue Growth	(17.6%)	7.1%	72.7%	25.9%	6.0%
Operating EBITDA Growth	30%	(5%)	105%	28%	11%
Operating EBITDA Margin	12.4%	11.0%	13.1%	13.3%	14.0%
Net Cash Per Share (RM)	0.18	0.23	0.22	0.22	0.30
BVPS (RM)	0.35	0.41	0.40	0.45	0.51
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	27.6%	8.7%	23.0%	23.0%	23.0%
Net Dividend Payout Ratio	NA	NA	24.0%	22.0%	23.6%
Accounts Receivables Days	193.9	190.3	109.4	107.7	116.6
Inventory Days	53.05	60.56	56.71	62.59	68.99
Accounts Payables Days	90.70	89.65	71.98	82.62	91.07
ROIC (%)	35.6%	18.9%	41.7%	45.9%	40.6%
ROCE (%)	13.1%	11.1%	21.7%	24.8%	24.0%
Return On Average Assets	8.7%	8.4%	16.1%	17.5%	17.0%

Key Drivers

	Jun-14A	Jun-15A	Jun-16F	Jun-17F	Jun-18F
ASP (% chg, main prod./serv.)	0.0%	0.0%	6.5%	13.0%	0.0%
Unit sales grth (% , main prod./serv.)	-17.6%	7.1%	52.1%	19.1%	7.0%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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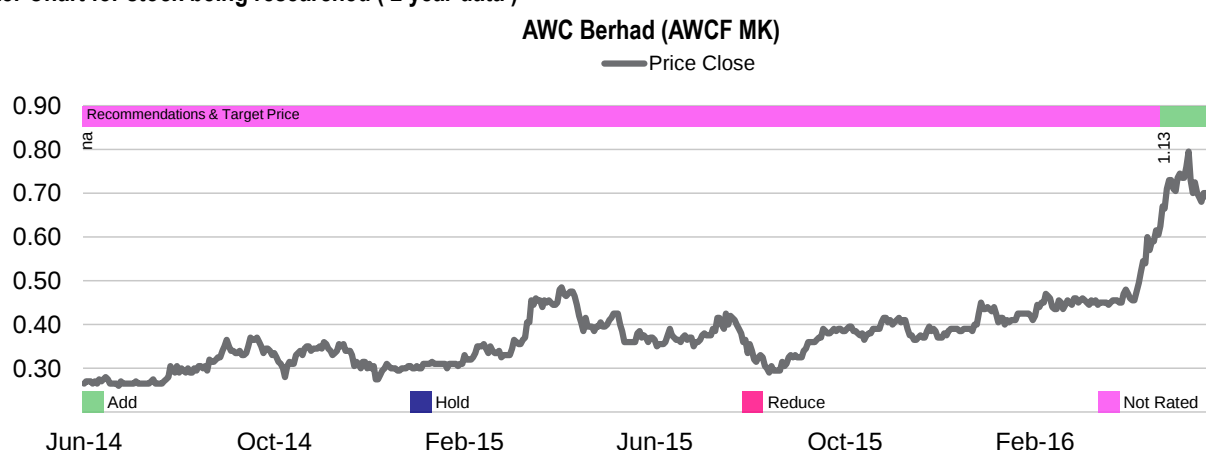
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2016		
1539 companies under coverage for quarter ended on 31 March 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	59.2%	6.9%
Hold	30.9%	3.1%
Reduce	8.7%	0.5%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2015, Anti-Corruption Progress Indicator 2015.

AAV – Very Good, 3B, ADVANC – Excellent, 3A, AEONTS – Good, 1, AMATA – Very Good, 2, ANAN – Very Good, 3A, AOT – Very Good, 2, AP – Good, 3A, ASK – Very Good, 3B, ASP – Very Good, 4, BANPU – Very Good, 4, BAY – Very Good, 4, BBL – Very Good, 4, BCH – not available, no progress, BCP – Excellent, 5, BEM – not available, no progress, BDMS – Very Good, 3B, BEAUTY – Good, 2, BEC – Good, 3B, BH – Good, 2, BIGC – Excellent, 3A, BJC – Good, 1, BLA – Very Good, 4, 1, BTS – Excellent, 3A, CBG – Good, 1, CCET – not available, 1, CENTEL – Very Good, 3A, CHG – Good, 3B, CK – Excellent, 3B, COL – Very Good, 3A, CPALL – Good, 3A, CPF – Very Good, 3A, CPN – Excellent, 5, DELTA – Very Good, 3A, DEMCO – Very Good, 3A, DTAC – Excellent, 3A, EA – not available, 3A, ECL – Good, 4, EGCO – Excellent, 4, EPG – not available, 3B, GFPT – Very Good, 3A, GLOBAL – Very Good, 2, GLOW – Good, 3A, GPSC – not available, 3B, GRAMMY – Excellent, 3B, GUNKUL – Very Good, 1, HANA – Excellent, 4, HMPRO – Excellent, 3A, ICHI – Very Good, 3A, INTUCH – Excellent, 4, ITD – Good, 1, IVL – Excellent, 4, JAS – not available, 3A, JASIF – not available, no progress, JUBILE – Good, 3A, KAMART – not available, no progress, KBANK – Excellent, 4, KCE – Excellent, 4, KGI – Good, 4, KKP – Excellent, 4, KSL – Very Good, 2, KTB – Excellent, 4, KTC – Very Good, 3A, LH – Very Good, 3B, LPN – Excellent, 3A, M – Good, 2, MAJOR – Good, 1, MAKRO – Good, 3A, MALEE – not available, 2, MBKET – Good, 2, MC – Very Good, 3A, MCOT – Excellent, 3A, MEGA – Very Good, 2, MINT – Excellent, 3A, MTLN – Good, 2, NYT – Good, no progress, OISHI – Very Good, 3B, PLANB – Good, 3B, PS – Excellent, 3A, PSL – Excellent, 4, PTT – Excellent, 5, PTTEP – Excellent, 4, PTTGC – Excellent, 5, QH – Very Good, 2, RATCH – Excellent, 3A, ROBINS – Excellent, 3A, RS – Very Good, 1, SMART – Excellent, 3B, SAPPE – Good, 3B, SAT – Excellent, 5, SAWAD – Good, 1, SC – Excellent, 3B, SCB – Excellent, 4, SCBLIF – not available, no progress, SCC – Excellent, 5, SCN – Good, 1, SCCC – Good, 3A, SIM – Excellent, 3B, SIRI – Good, 1, SPALI – Excellent, 3A, SPRC – not available, no progress, STA – Very Good, 1, STEC – Very Good, 3B, SVI – Very Good, 3A, TASCOT – Very Good, 3A, TCAP – Very Good, 4, THAI – Very Good, 3A, THANI – Very Good, 5, THCOM – Excellent, 4, THRE – Very Good, 3A, THREL – Very Good, 3A, TICON – Very Good, 3A, TISCO – Excellent, 4, TK – Very Good, 3B, TKN – not available, no progress, TMB – Excellent, 4, TPCH – Good, 3B, TOP – Excellent, 5, TRUE – Very Good, 2, TTW – Very Good, 2, TU – Very Good, 3A, UNIQ – not available, 2, VGI – Excellent, 3A, WHA – Good, 3A, WORK – not available, no progress.

Comprises level 1 to 5 as follows:

Level 1: Committed

Level 2: Declared

Level 3: Established (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)

Level 4: Certified

Level 5: Extended.

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Add The stock's total return is expected to exceed 10% over the next 12 months.

Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.

Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.

Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.

Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.