

Company Note

I Malaysia

ADD (no change)

Consensus ratings: Buy 1 Hold 0 Sell 0

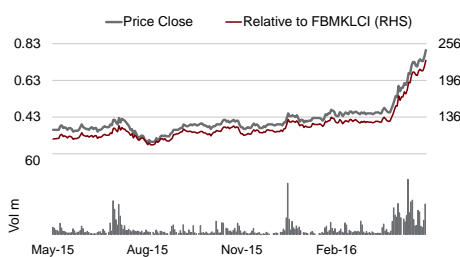
Current price: RM0.80
 Target price: RM1.13
 Previous target: RM1.13
 Up/downside: 41.7%
 CIMB / Consensus: -0.3%

Reuters: AWC.F.KL
 Bloomberg: AWC.F.MK
 Market cap: US\$49.44m
 RM203.7m

Average daily turnover: US\$1.19m
 RM4.75m
 Current shares o/s: 256.0m
 Free float: 66.0%

Key changes in this note

No changes



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	52.9	72.8	106.5
Relative (%)	58.3	75.1	115.6

Major shareholders	% held
Dato' Ahmad Kabeer	34.0

AWC Berhad

Surprise 1.5 sen special dividend

- We deem 9MFY06/16 core net profit of RM10.8m in line at 72% of our full-year estimate, as we expect an equally strong 4Q.
- 3Q net profit of RM5.8m was up 56% qoq and exceeded 1H16 net profit of RM5m.
- A 1.5 sen special dividend was declared, a positive surprise.
- A potential re-rating catalyst are new contract wins at STREAM and DDT.
- We maintain our Add recommendation, with a SOP-based target price of RM1.13.

Spectacular 3Q

3Q net profit of RM5.8m (US\$1.4m) exceeded the entire 1H16 net profit of RM5m (US\$1.2m) and was up 56% qoq due to: 1) a concession rate increase since Jan 16; 2) new facilities contracts (Shah Alam hospital and Menara Felda); and 3) strong progress billings at STREAM, as some projects saw the installation of big-ticket equipment. Revenue was quite evenly split in 3Q between Facilities, Environment and Engineering. At the pretax profit level, Environment contributed 50%, followed by Facilities and Engineering (25% each).

Special dividend a positive surprise

We were positively surprised by a 1.5sen special dividend declared in 3Q. This validates our investment thesis that once the concession was renewed, AWC would be in a position to pay special dividends. We believe that going forward, AWC might even commence quarterly dividends, which would be another potential re-rating catalyst. AWC's net cash position stood at 19 sen as at end-March 16, with little to no borrowings

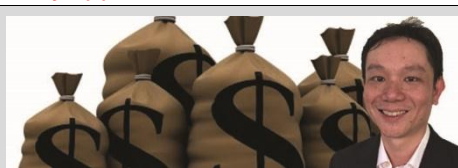
What is the next catalyst?

AWC has an estimated tenderbook of c.RM400m: 1) Facilities: RM120m, 2) STREAM (RM90m), 3) M&E/HVAC (RM150m) and 4) Plumbing (RM50m). We believe that contract wins in STREAM and Plumbing, given their high-margins, could be re-rating catalysts, as they would sustain earnings visibility over the next two years. Given the slew of high-rise office buildings coming up in the Klang Valley, we believe that private sector facilities maintenance contracts are also in the pipeline.

Still attractively valued

We maintain our Add rating on AWC with an unchanged SOP-based target price of RM1.13. We value AWC's business at a CY17F P/E of 11x, a 10% small-cap and liquidity discount to UEM Edgenta. Net cash per share of 19 sen represents 24% of AWC's market capitalisation. The stock is still attractively valued, at 10.5x FY17F EPS and FY17F ex-cash P/E of 7.0x. Key risks to the achievement of our target price include project execution and delays.

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	256.5	268.8
Operating EBITDA (RMm)	14.86	14.15	28.95	35.15	38.87
Net Profit (RMm)	6.95	8.03	15.05	19.34	21.56
Core EPS (RM)	0.031	0.036	0.063	0.076	0.084
Core EPS Growth	52.6%	15.5%	75.6%	20.8%	11.5%
FD Core P/E (x)	25.77	22.32	12.71	10.53	9.44
DPS (RM)	-	-	0.020	0.025	0.030
Dividend Yield	0.00%	0.00%	2.52%	3.14%	3.77%
EV/EBITDA (x)	11.21	10.82	5.63	4.90	4.15
P/FCFE (x)	NA	11.26	16.02	12.92	8.07
Net Gearing	(37.8%)	(43.9%)	(45.0%)	(45.6%)	(50.4%)
P/BV (x)	2.27	1.96	2.00	1.78	1.59
ROE	9.3%	9.4%	15.6%	17.9%	17.8%
CIMB/consensus EPS (x)			0.99	0.99	1.00

SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: Results Comparison

FYE Jun (RM m)	3QFY16	3QFY15	yoy %	2QFY16	qoq%	3QFY16	3QFY15	Prev.	Comments
			chg		chg	Cum	Cum	FY16F	
Revenue	75.3	31.0	142.9	60.2	25.1	173.3	94.0	221.0	Concession rate increase, Shah Alam hospital and STREAM progress billings
Cost of sales	(68.9)	(29.2)	136.0	(52.4)	31.5	(153.3)	(82.3)	(192.0)	
EBITDA	6.4	1.8	255.6	7.8	(17.9)	20.0	11.7	29.0	
EBITDA margin (%)	8.5	5.8		13.0	(34.4)	11.5	12.4	13.1	
Depreciation	(0.7)	(0.4)	75.0	(0.8)	(12.5)	(2.1)	(1.2)	(1.6)	
EBIT	5.7	1.4	307.1	7.0	(18.6)	17.9	10.5	27.4	
Net interest expense	0.0	0.0	#DIV/0!	0.2	(100.0)	0.3	0.0	0.1	
Pretax profit	5.4	1.4	285.7	7.1	(23.9)	18.1	10.5	27.5	
Tax	(1.8)	(0.6)	200.0	(1.7)	5.9	(3.9)	(1.4)	(6.3)	
Tax rate (%)	33.3	42.9		#DIV/0!		21.5	13.3	22.9	
Minority interests	(1.3)	(0.2)		(1.7)		(3.5)	(3.6)	(6.1)	
Net profit	5.8	0.6	866.7	3.7	56.8	10.8	5.6	15.1	
Core net profit	5.8	0.6	866.7	3.7		10.8	5.6	15.1	In line at 72% of full-year forecast
EPS (sen)	2.3	0.2	866.7	1.4		4.2	2.2	8.2	
Core EPS (sen)	2.3	0.2	866.7	1.4		4.2	2.2	8.2	

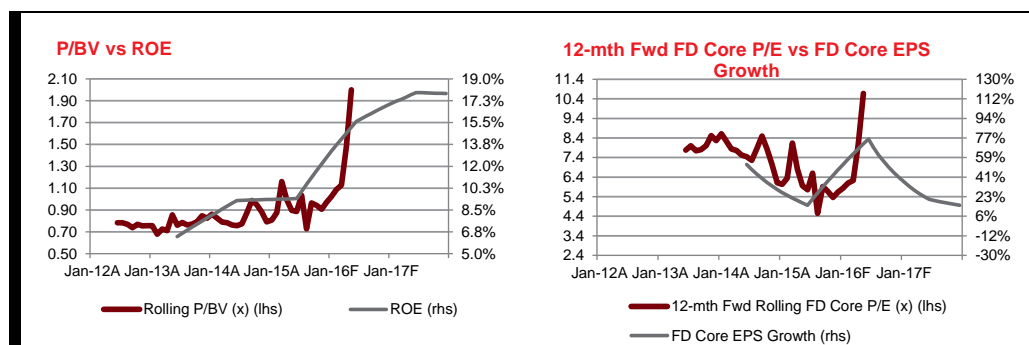
SOURCES: CIMB, COMPANY REPORTS

Figure 2: SOP-based target price

Share capital (m)	256
CY17 EPS (sen)	8.0
Target P/E	11.2
Value of business (RM/share)	0.89
Net cash per share	0.24
Target price	1.13

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	256.5	268.8
Gross Profit	41.4	40.9	66.8	76.8	84.9
Operating EBITDA	14.9	14.1	29.0	35.1	38.9
Depreciation And Amortisation	(1.6)	(1.5)	(1.6)	(1.7)	(1.8)
Operating EBIT	13.2	12.7	27.4	33.4	37.1
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	33.9	37.6
Exceptional Items					
Pre-tax Profit	13.8	12.8	27.5	33.9	37.6
Taxation	(3.8)	(1.1)	(6.3)	(7.8)	(8.7)
Exceptional Income - post-tax					
Profit After Tax	10.0	11.7	21.2	26.1	29.0
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	19.3	21.6
Recurring Net Profit	7.0	8.0	15.1	19.3	21.6
Fully Diluted Recurring Net Profit	7.0	8.0	15.1	19.3	21.6

Cash Flow

(RMm)	Jun-14A	Jun-15A	Jun-16F	Jun-17F	Jun-18F
EBITDA	14.86	14.15	28.95	35.15	38.87
Cash Flow from Inv. & Assoc.					
Change In Working Capital	-32.98	5.83	-6.67	-10.11	-3.51
(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	-7.79	-8.65
Cashflow From Operations	-20.87	14.99	15.96	17.25	26.71
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	9.80	18.13
Free Cashflow To Equity	-23.17	15.92	11.95	15.75	25.21
Free Cashflow To Firm	-21.10	16.77	13.46	15.75	25.21

BY THE NUMBERS

Balance Sheet

(RMm)	Jun-14A	Jun-15A	Jun-16F	Jun-17F	Jun-18F
Total Cash And Equivalents	43.4	53.6	60.5	70.3	88.4
Total Debtors	74.0	59.5	72.7	84.3	88.4
Inventories	11.4	17.5	30.3	35.1	36.8
Total Other Current Assets	2.9	2.5	2.5	2.5	2.5
Total Current Assets	131.6	133.1	165.9	192.2	216.0
Fixed Assets	6.8	8.2	9.1	8.9	8.6
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	20.8	20.6	20.3
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	56.1	58.3
Other Current Liabilities	2.9	0.6	0.6	0.6	0.6
Total Current Liabilities	36.9	32.8	50.5	57.0	59.2
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	60.2	62.4
Shareholders' Equity	79.0	91.6	101.5	114.5	128.3
Minority Interests	27.8	25.4	31.5	38.2	45.6
Total Equity	106.8	117.0	133.0	152.7	174.0

Key Ratios

	Jun-14A	Jun-15A	Jun-16F	Jun-17F	Jun-18F
Revenue Growth	(17.6%)	7.1%	72.7%	16.1%	4.8%
Operating EBITDA Growth	30%	(5%)	105%	21%	11%
Operating EBITDA Margin	12.4%	11.0%	13.1%	13.7%	14.5%
Net Cash Per Share (RM)	0.18	0.23	0.23	0.27	0.34
BVPS (RM)	0.35	0.41	0.40	0.45	0.50
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%	23.6%	25.4%
Accounts Receivables Days	193.9	190.3	109.4	111.7	117.2
Inventory Days	53.05	60.56	56.71	66.45	71.39
Accounts Payables Days	90.70	89.65	71.98	87.71	94.23
ROIC (%)	35.6%	18.9%	41.7%	45.7%	44.6%
ROCE (%)	13.1%	11.1%	21.7%	23.5%	22.9%
Return On Average Assets	8.7%	8.4%	16.1%	16.7%	16.5%

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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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)

AWC Berhad (AWCF MK)



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, SAMART – 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.

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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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Definition:

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.