AmInvestment Bank

Company report

James Ratnam
james-ratnam@ambankgroup.com
03-2036 2333

CONSTRUCTION

AWC

(AWCF MK EQUITY, AWCF.KL)

05 Dec 2016

In a sweet spot

BUY

(Initiation)

Rationale for report: Initiation

Price	RM0.85
Fair Value	RM1.32
52-week High/Low	RM0.92/RM0.36

Key Changes

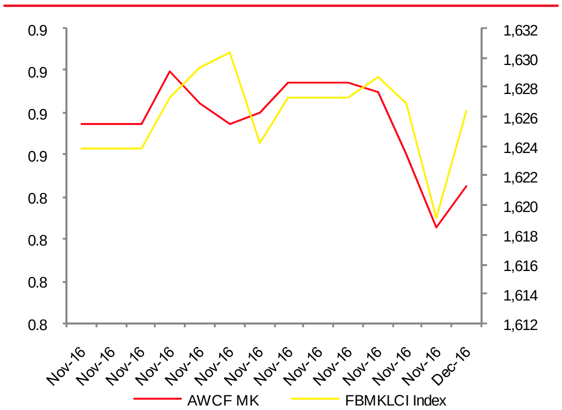
Fair value	Initiation
EPS	⬄

YE to Jun	FY16	FY17F	FY18F	FY19F
Revenue (RM mil)	248.5	311.7	363.1	428.4
Core net profit (RM mil)	22.5	25.5	28.0	31.4
FD Core EPS (sen)	8.6	9.7	10.7	12.0
FD Core EPS growth (%)	280.5	13.2	9.8	12.2
Consensus Net Profit (RM mil)	-	-	22.8	24.1
DPS (sen)	2.5	2.9	3.2	3.6
PE (x)	9.9	8.7	7.9	7.1
EV/EBITDA (x)	4.7	4.3	3.7	3.2
Div yield (%)	3.0	3.5	3.9	4.4
ROE (%)	16.3	19.9	19.1	18.8
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	261.5
Market Cap (RMmil)	222.3
Book Value (RM/share)	0.46
P/BV (x)	1.9
ROE (%)	16.3
Net Gearing (%)	-
Major Shareholders	K-Capital (30.7%)
	Tan Keng Hee (4.2%)
	Ahmad Kabeer (3.4%)
Free Float	46.5
Avg Daily Value (RMmil)	3.2

Price performance	3mth	6mth	12mth
Absolute (%)	5.6	23.7	134.0
Relative (%)	8.8	24.2	139.6



Investment Highlights

- **We initiate coverage on AWC Bhd (AWC) with a SOP-based target price of RM1.32. The stock is currently trading at a cheap 8.7x FY17 PER, and 7.8x ex-cash balance. At our target price, the stock would be valued at 13.5x. We believe this is not unreasonable, given its high ROE (14-15%), solid balance sheet and steady cash flow from the government concessions.**

- **We like AWC's business model. The concession business provides steady earnings. The Engineering and Environment divisions meanwhile are set to drive earnings growth ahead. The company is also cash rich (net cash accounts about 20% of market cap), raising the possibility of M&A and other capital management (share buyback and dividends) activities. We are projecting a sustained dividend payout annually, with attractive yield of 3-4%.**

- **We see the AWC's automated waste collection system (AWCS) under the proprietary brand name of 'STREAM' gaining traction as an alternative to conventional waste collection system, driven by rising awareness, restriction on foreign workers and better security. We are also positive on the acquisition of DD Techniche (DDT), which sells rainwater harvesting system. Some state governments already require mandatory installation of rainwater harvesting system in new buildings. It is also one of the criteria to attain green buildings certification.**

- **We estimate earnings to grow by 10-13% p.a. over the next 3 FYs. The Engineering division currently has an order book of approximately RM200mil. CY16 to-date, the Engineering division has secured a record RM112mil new jobs. Meanwhile, the Environment division has order book of RM110mil. Bulk of this order book will be realised in FY17/18.**

- **Some key risk factors are: 1) heavy reliance on the construction activity to secure jobs, 2) delay in construction work affecting progress billings, 3) reliance on key personnel, 4) new competitors (for AWCS and rainwater harvesting system) due to low barrier to entry.**

❑ ***Initiate coverage with a Buy & RM1.32 TP***

Initiate coverage on AWC

We initiate coverage on AWC Bhd (AWC) with a SOP-based target price of RM1.32. To value AWC, we have classified AWC's core business divisions into 2 groups, 1) concession (Facilities division), and 2) non-concessions, comprising Engineering and Environment divisions.

The concession business consists of contracts to maintain and refurbish *federal* government buildings in 3 states in P. Malaysia and the state of Sarawak. We value the concession business using DCF method (WACC = 8%), given the stable and predictable nature of its cash flow. We have assumed the federal government contracts will be extended for 5 years after the initial 10 years period expires. Similarly, we have assumed the Shah Alam Hospital concession will also be extended by 5 years after the initial 5 years contract expires.

For non-concession businesses, we use target PER multiple of 11x, benchmarked against small and mid-cap construction stocks, which are currently trading in the 9-13x range.

Hybrid of stable cash flow and earnings growth

We like AWC's business model. The concession business provide steady earnings. The revamped non-concession business, principally the Engineering and Environment divisions meanwhile are set to drive earnings growth ahead. The group has been shedding unprofitable assets and acquiring new businesses with solid growth potential. In 2012, the loss making IT business was disposed off. In Oct 2015, AWC acquired Qudotech S/B (QSB) and DD Techniche S/B (DDT) for RM26.5mil with a combination of cash and new shares.

QSB is a well established player in providing plumbing works to high-rise buildings. DDT on the other hand provides rainwater harvesting solutions. The acquisitions, combined with new facility management contracts propelled AWC's core earnings to RM22.5mil in FY16 from RM5.2mil in the preceding year.

Lean balance sheet with large net cash position

As at the end of FY16, cash holdings amounted to RM44.7mil, while total borrowings were only about RM1mil. To put it in perspective, the net cash holdings accounts for about 20% of the company's market cap. With substantial cash reserve, AWC is well positioned to expand further via acquisitions, as and when the opportunity arises. In addition, the management also has the mandate to undertake share buyback of up to 10% of the share capital, which will be positive to the share price in the long run.

Attractive 3-4% dividend yield

At present, AWC does not have a formal dividend policy. In FY14 and FY15, management had prudently held back from paying dividends, given that negotiation with the federal government on the extension of concession was still ongoing. However, with new concession agreements firmly in place, the group declared 2.5 sen/share dividend in FY16. We expect AWC to continue paying dividends annually, backed by healthy cash balance, low capex commitment (asset-light business model) and steady cash flow from the concessions. We have conservatively assumed a payout ratio of 30% in FY17/19. In comparison, the 2.5 sen/share paid in FY13 works out 38% payout ratio. At the current price, the dividend forecasts translate into an attractive 3-4% yield p.a.

Decent valuations

The stock is currently trading at a cheap 8.7x FY17 PER, and 7.8x ex-cash balance. At our target price, the stock would be valued at 13.5x, at the top of valuation range for other small and mid-cap stocks. We believe this is not unreasonable, given its high ROE (14-15%), solid balance sheet and steady cash flow from the government concessions.

EXHIBIT 1: AWC'S SOTP TABLE

Divisions	Value (RMm)	Value/share (RM)	Remarks
Facilities	107.2	0.41	DCF - WACC = 8%
Engineering & Environment	194.1	0.74	CY17 net profit. Target PER of 11x
Total	301.3	1.15	
Net (debts)/cash	43.8	0.17	Est. net cash at end-FY16
Equity value	**345.0**	**1.32**	
Shares outstanding (mil)	261.5		
Fair value (RM)	**1.32**		
Implied PER (FY17)	**13.5**		
Implied P/BV (FY17)	**2.5**		
Implied yield (FY17)	**2.2**		

Source: AmInvestment Bank Bhd

❑ *Business background*

AWC core businesses are classified into 3 divisions, 1) Facilities, 2) Engineering and, 3) Environment.

1. Facilities

The Facilities division provides total asset and integrated facilities management services. The division can be further classified into 3 sub-divisions, i) concessions, ii) commercial, and iii) healthcare.

i. Concessions. AWC's wholly owned subsidiary, Ambang Wira S/B owns the concession to manage, maintain, upkeep and provide support services for federal government buildings in the Southern Zone (Melaka, Negeri Sembilan and Johor) as well as Sarawak. This includes biomedical, facilities engineering maintenance services, security and cleaning services.

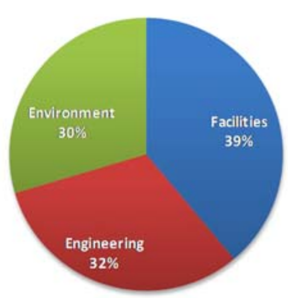
To recap, the original concession with the Malaysian government commenced on June 1, 1998 and expired on May 31, 2008. In July 2008, the concession was extended for a further 5 years, from June 1, 2008 to May 31, 2013. Since the expiry in May 2013, AWC continued to provided facilities services via interim contracts.

On March 7, 2015, AWC entered into a Privatisation Agreement with the Malaysian government for the provision of building maintenance and support services for the federal government buildings for a period of 10 years (Jan 1, 2016 to Dec 31, 2025). The agreement also provides coverage, for an additional fee, on future federal buildings constructed in the 2 zones. Simultaneously, AWC was also awarded the Critical Asset Refurbishment Programme (CARP). Under CARP, AWC will undertake the refurbishment of some critical assets deployed in the buildings. The refurbishment works will be carried out on assets that are already identified and in accordance with the timeline agreed. Note that the CARP is an entirely new concession, i.e. it is not part of the original agreement with the government in 1998-2013 period.

Under the new Privatisation Agreement, AWC will receive a fee of RM52mil p.a. for the first 5 years, followed by a step-up to RM59mil for the remaining 5 years. That works out to a total of RM555mil over the concession period. This amount is higher than the RM46mil AWC received in the previous concession agreement. As for CARP, the concession value is about RM14mil p.a. Hence, the total annual revenue from both concessions is about RM66mil in the first 5 years and RM73mil in the next 5 years.

ii. Commercial. Provides facilities management services to commercial buildings. Unlike the government concessions, commercial contracts are more short term in nature, typically about 1 - 3 years. Some of the existing maintenance contracts are for Bank Negara buildings, Menara Celcom, Herriot-Watt University in Putrajaya and Felda headquarter (nearby KLCC). In FY16, this sub-division contributed 29%, or RM28mil to the Facilities

EXHIBIT 2: REVENUE BREAKDOWN (FY16)

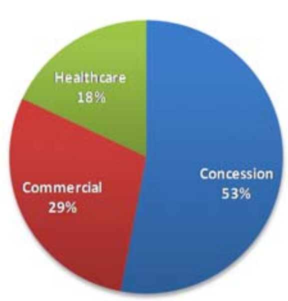


Source: Company, AmInvestment Bank Bhd

EXHIBIT 3: EBITDA BREAKDOWN (FY16)

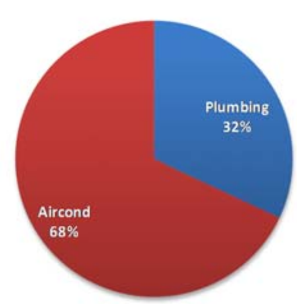
Source: Company, AmInvestment Bank Bhd

EXHIBIT 4: REVENUE BREAKDOWN (FACILITIES) - FY16



Source: Company, AmInvestment Bank Bhd

EXHIBIT 5: REVENUE BREAKDOWN (ENGINEERING) - FY16



Source: Company, AmInvestment Bank Bhd

division.

iii. Healthcare. Maintains all the state government clinics in the state of Johor (12 clinics at present) and the Cheras Rehabilitation Hospital. In March 2016, AWC secured the contract worth RM90mil (RM18mil p.a.) to maintain Shah Alam Hospital for a period of 5 years. In FY16, Healthcare accounted about 18% of the Facilities division revenue.

2. Engineering

The Engineering division can be broadly categorised into 2 sub-divisions, 1) M&E/BMS/HVAC, and 2) plumbing/ rainwater harvesting.

i. M&E/BMS/HVAC. Distributes several international brands of building control and engineering components for heating, ventilation & air-conditioning (HVAC). AWC acts as a contractor for the implementation of full air conditioning system for building and facilities. It also provides building management services (BMS).

ii. Plumbing/rainwater harvesting. Relatively a new business which the group ventured into via the acquisitions of Qudotech S/B (Qudotech) and DD Techniche S/B (DDT) in Oct 2015. The companies were acquired for a total consideration of RM26.5mil.

Qudotech is a major player in the plumbing industry in Malaysia with track record of over 10 years. It serves a niche market, mostly in cold/hot water and sanitary plumbing projects for hospitals, hotels, luxury condominiums. high-rise offices, hypermarket and factories in Malaysia.

DDT meanwhile specialises in design and installation of rainwater harvesting system. The system essentially collects and stores rainwater, which can be used for landscape irrigation, gardens and other uses. It also distributes both proprietary and non-proprietary rainwater harvesting products, such as filters, valves and high density polyethylene tanks. DDT is the sole distributor of 3P Technik rainwater harvesting products. The rainwater harvesting system is widely recognised as one of the components of green technology.

3. Environment

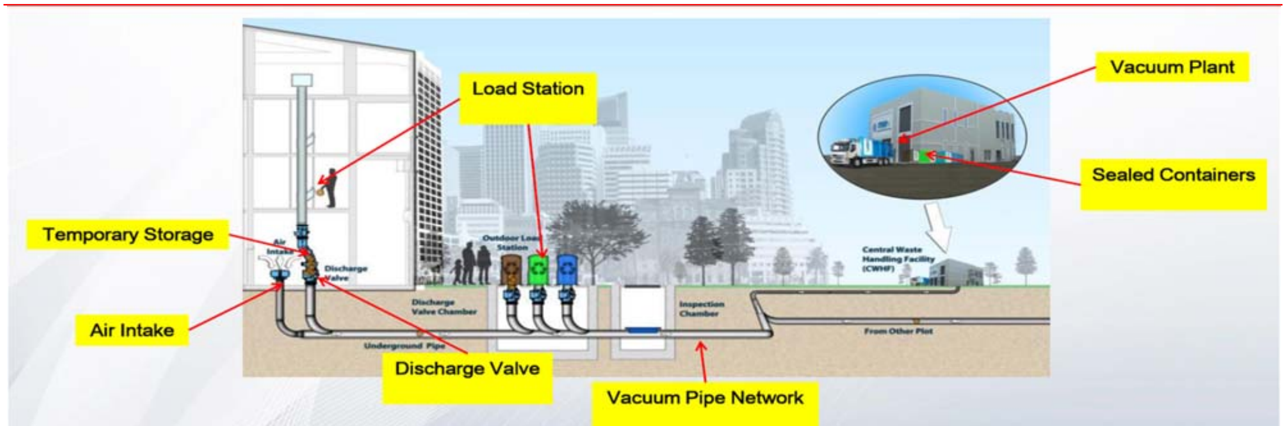
The Environment division's principal subsidiary is 51%-owned Nexaldes S/B, which design and supply the automated waste collection system (AWCS) under the proprietary brand name of 'STREAM'. This division is more geographically diversified, with significant exposure in Singapore, Hong Kong and the Middle East.

AWCS is an underground waste collection system using the gravity vacuum system. Waste from buildings are collected from one or more designated points, pumped through the underground tunnel to a centralised station. At the central station, the wastes are compressed and into a sealed container. Trucks then periodically collect the wastes for disposal. Unlike the conventional waste collection system, AWCS is not labour intensive. It is also clean and efficient with minimal risk of spillage. In the conventional system, given the open nature of collection process, waste spillage is a common thing, which could cause unpleasant smell and pest problems.

According to management, AWC had a lion's share of Malaysia's AWCS services (> 80%). Its closest competitor is the Sweden-based Envac Group. Envac is the inventor of the vacuum waste collection system.

Apart from design and installation, Nexaldes also offers operations & maintenance (O&M) if requested by the client. At present, the company only has 1 O&M contract, KLIA 2 which is operated on Build-Operate-Transfer (BOT) basis for 10 years. The contract value is RM40mil.

EXHIBIT 6: SCEHEMATIC DESCRIPTION OF AWCS



Source: AmInvestment Bank Bhd, Company

❑ *Earnings catalysts*

Stable earnings from concessions with new contribution from CARP

The signing of the Privatisation Agreement effectively ensures a stable stream of revenue and earnings to AWC for the next 10 years. CARP is a new addition which will contribute about RM14mil p.a. Apart from government concessions, the group is also expanding into the private sector, as reflected in the steadily growing revenue from the commercial sub-division. The maintenance services for healthcare sector typically offers more lucrative margin given that it requires high degree clean environment.

Another potential upside is the maintenance contract for Terminal Bersepadu Selatan (TBS). In June 2016, AWC was awarded the contract to maintain TBS for RM130mil over 5 years (until Aug 2021). The government however later deferred the contract award due to unspecified reasons. That said, if the contract eventually materialises, we estimate it could potentially enhance earnings by 4-5%.

We see STREAM becoming more mainstream

The AWCS technology was invented by Envac in 1961 and widely adopted in the developed countries as a clean and efficient method for waste collection. In Malaysia and other ASEAN countries however, the adoption is still relatively small. A key hurdle is the large upfront costs - depending on the coverage area, the cost to build STREAM could vary from RM2mil to 5mil. However, once built, the cost to maintain is relatively low, as the system is automated and requires much less human resources compared with the conventional method. There is also another advantage - since the centralised load stations are typically located at a distant outside of the main buildings, AWCS reduces security threats, particularly in the case of mass transport hubs such as airport, integrated bus/train stations etc.. At present, apart from KLIA 2, STREAM is also installed in Changi Airport Terminal 4.

In Malaysia, labour issues make AWCS an increasingly attractive substitute, in our view. The conventional waste collection industry employs mainly foreign workers, given that it is considered a low-skill, low-pay job. The Malaysian government on the other hand aims to reduce reliance on foreign workers (due to various socio-economic factors) and had even imposed a hiring freeze early this year. Only critical industries such as manufacturing, construction, plantation and furniture are allowed to hire new foreign workers. Other government policies, such as minimum wage and steep levy imposed on foreign workers (RM1,850 p.a. per worker in the services sector) will also make AWCS more competitive in the long run. AWC is well placed to capture any shift, in our view, given its market dominance in the country. At present, Envac has minimal presence in Malaysia.

In Singapore, the government had been, under the Housing and Development Board's (HDB) Greenprint project, converting HDB's flats waste collection system to AWCS. New HDB flats and those being refurbished are to be fitted with AWCS. According to management, Nexaldes and Envac each presently commands about 35% market share in Singapore.

In the Middle East, the Stream Environment S/B was awarded the project to install AWCS throughout the Al Raha Beach Development in Abu Dhabi. Al Raha is a waterfront city development with a total of 5.8mil Gross Floor Area (GFA), comprising hotels, marinas, high-end retails and commercial complexes. The development is divided into East and West Precincts. AWC owns the rights to supply and manage the STREAM system in the East Precinct. The main infrastructure work (underground tunnel) was completed in 2013. Any new buildings that erected on the precinct are required to be connected to this underground tunnel. Hence, the Al Raha project will continue to generate revenue for AWC going forward, that is whenever a new development projects are carried out there. According to management, Al Raha alone could potentially generate RM150mil revenue over next 10 years.

Rainwater harvesting - solid source of growth

We are also bullish on the prospect of DDT, which supplies rainwater harvesting system. 2 reasons why we are positive on the outlook:

1. Regulatory driver. The initial phase of the policy for rainwater harvesting in Malaysia was introduced in 1999 through the 'Guidelines for Installing a Rainwater Collection and Utilisation System'. The adoption however was slow, given that building owners are disincentivised by low water tariffs and the lack of regulations mandating the installation of rainwater harvesting system.

That said, the regulatory drive has been picking up in the past 5 years, due to rising environmental awareness as well as for practical reasons - to help mitigate the impact of regular water shortages and flash foods.

Since 2011, Perak, Selangor, Johor, Melaka, Kelantan and Perlis have made it mandatory to install rainwater harvesting system in commercial and industrial buildings, semi-detached houses and bungalows with a roof area equal or exceeding 100 sq m. Since 2014, local authorities in Selangor too made it mandatory to install rainwater harvesting system in all new residential buildings and any detached buildings with roof area over 100 sq m.

2. Green buildings come with tax benefits

The Malaysia Green Building Index (GBI) was introduced in May 2009 as a standard assessment method to certify green buildings. Commercial, offices and industrial buildings (residential excluded) that that are GBI certified are entitled for Investment Tax Allowance (ITA). The ITA incentive is available until Dec 31, 2020, and can be set-off against 70% of statutory income (balance can be carried forward).

The GBI rating is based on point system. There are 6 main criteria to which points will be awarded, as follows.

i. Energy efficiency
ii. Material & resources
iii. Water efficiency
iv. Indoor environment quality
v. Sustainable site planning & management

vi. Innovation

Water harvesting system is part of the Water efficiency criteria. For rainwater harvesting system, the qualifying capex (some items such as base gutters, consultant fees are not part of qualifying capex) is given 100% tax exemption.

Plumbing business picking up

In CY16 to-date, the Engineering division had secured about RM112mil new jobs (Exhibit 10 next page). The largest is RM62.0mil contract for provision of plumbing works at Merdeka PNB 118 (formerly known as KL 118). It also secured RM19.0mil for plumbing works at redevelopment project of the old MAS building in the Golden Triangle area.

As highlighted above, Qudotech is a major player in the plumbing industry, particularly in the premium buildings segment. It had participated in well-known projects such as the Signature Tower at TRX, Platinum Park, IB Tower and the luxurious Banyan Tree Signatures KL condominium. Qudotech is also a Grade G7 registered contractor, the highest grade available in Malaysia. It also has the Government Work Procurement Certificate, which allows it to participate in the procurement of government work and government related agencies.

- ***Earnings forecasts***

Inflection point in FY16

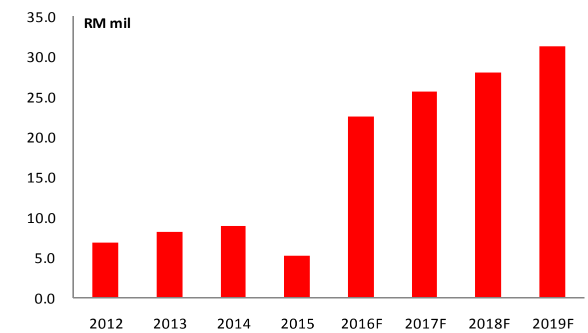
FY16 headline net profit jumped to RM17.1mil (+111.9%) while core net profit increased by more than 3x to RM22.5mil. The core net profit was adjusted for RM5.6mil (pre-tax) net allowance for impairment losses on receivables and RM1.6mil fair value loss on investment in JV entities. All main divisions reported higher earnings. The Facilities division benefited from the Privatisation Agreement with a higher maintenance fee as well as maiden contribution from the Shah Alam Hospital.

Meanwhile, Engineering division saw significant increase in profitability, due largely to completion of the acquisitions of Qudotech and DDT in Oct 2015. The Engineering divisions revenue rose to RM73.5mil from RM19.9mil in the preceding year. Correspondingly, normalised op. profit jumped to RM6.9mil from RM1.6mil in FY15. Similarly, the Environment division's revenue rose to RM73.5mil (FY15: RM34.2mi) and normalised op. profit jumped to RM22.9mil FY15: RM5.4mil).

We expect sustainable earnings growth ahead

We estimate earnings to grow by 10-13% p.a. over the next 3 FYs (refer to Exhibit 11 at page 8) . The key assumptions are as follows.

EXHIBIT 9: EARNINGS PICKING UP STRONGLY

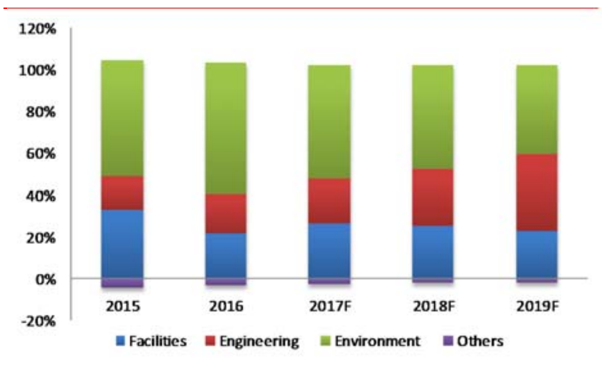


Source: Company, AmInvestment Bank Bhd

1. Facilities. For the government concessions, we assumed annual revenue of RM66mil p.a. (including CARP). We have also imputed the full year impact of Shah Alam Hospital maintenance contract from FY17 onwards. Revenue of the commercial sub-division is projected to grow by 20% in FY17/18 on the back of new maintenance contracts secured by the group. Margin wise, we assumed 9% for government concessions, 12% for Shah Alam Hospital and 7% for others.

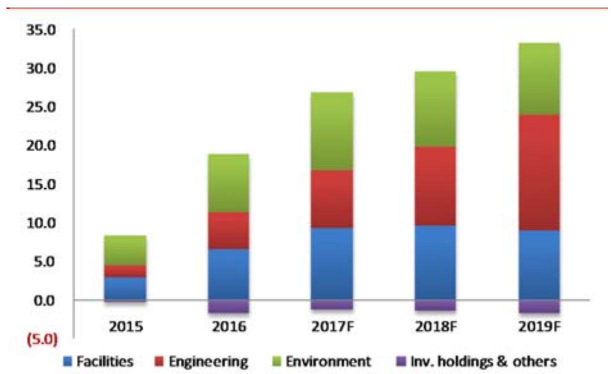
2. Engineering. The current order book stands at approximately RM200mil, with about RM100mil each for plumbing/rainwater harvesting and air-conditions. About 2/3 of the order book will be realised in FY17/18. We have assumed new contract wins of RM120mil in FY17, rising to RM130mil in FY18. This is not overly bullish as the group secured about RM112mil new job in CY16 to-date. We have assumed average op. margin of 9%, not far off from the 8.8% achieved in FY16.

EXHIBIT 7: BREAKDOWN OF EBIT



Source: Company, AmInvestment Bank Bhd

EXHIBIT 8: BREAKDOWN OF NET PROFIT



Source: Company, AmInvestment Bank Bhd

3. Environment. Outstanding jobs is about RM110mil, with a bulk of it will be realised in FY17/18. We assumed new order wins of RM40mil in FY17, rising to RM60mil in FY19. Environment division gives the best margin. However, there is substantial minority interest leakages since AWC only owns 51% of Nexaldes. Op. margin is assumed to remain at 31% throughout the forecast years.

EXHIBIT 10: CONTRACT WINS IN CY16 TO-DATE

Projects	Announcement date	Award party	Scope	Date commence	Completion	Amount (RM mil)
Cyberjaya Education Hub	July 26, 2016	Persada Mewah S/B	Aircond and mechanical ventilation services; Electrical & lightning protection services; Extra low voltage services	Immediate	Aug 17, 2017	12.7
Signature Tower, TRX	May 30, 2016	Mulia Property Development S/B	Supply, delivery, installation, commissioning & maintenance of Cold Water & Plumbing Works for Signature Tower	Immediate	Sept 15, 2018	18.2
MAS building redevelopment (PNB 1194)	Feb 2, 2016	Ahmad Zaki S/B	Provision for plumbing works	Immediate	End of 2017	19.0
KL 118	Jan 11, 2016	Samsung C&T Corp UEM Construction JV S/B	Provision for plumbing works	Nov 2, 2015	Dec 2, 2019	62.0
Total						111.8

Source: Company, AmInvestment Bank Bhd

❑ *Risk factors*

Some key risk factors are as follows.

1. Reliance on the construction sector. The outlook for the Engineering and Environment divisions is closely correlated to the construction sector's activity. Any major slow down in the construction sector would affect its ability to replenish order book.

2. Delay in construction work. This could be caused by delay in getting approval, shortages of manpower, disruption in raw material supply, change in management etc. The plumbing business particularly is back-loaded and therefore, any delay in the main construction work could have adverse impact on progress billings.

3. Reliance on key personnel. The balance 49% in Nexaldes is owned by Mr. Sri Skanda Rajah. Mr. Sri Skanda, together with Mr. Jason Gan are the founders of Nexaldes. At present, both of them oversee Nexaldes' operations and are instrumental to the company's business expansion. Hence, departure of these key personnel would have material impact on Nexaldes' outlook.

4. New competitors. There are only a few companies offering AWCS services in Malaysia and Singapore presently. Given the low barrier to entry, a growing market size will likely attract new competitors.

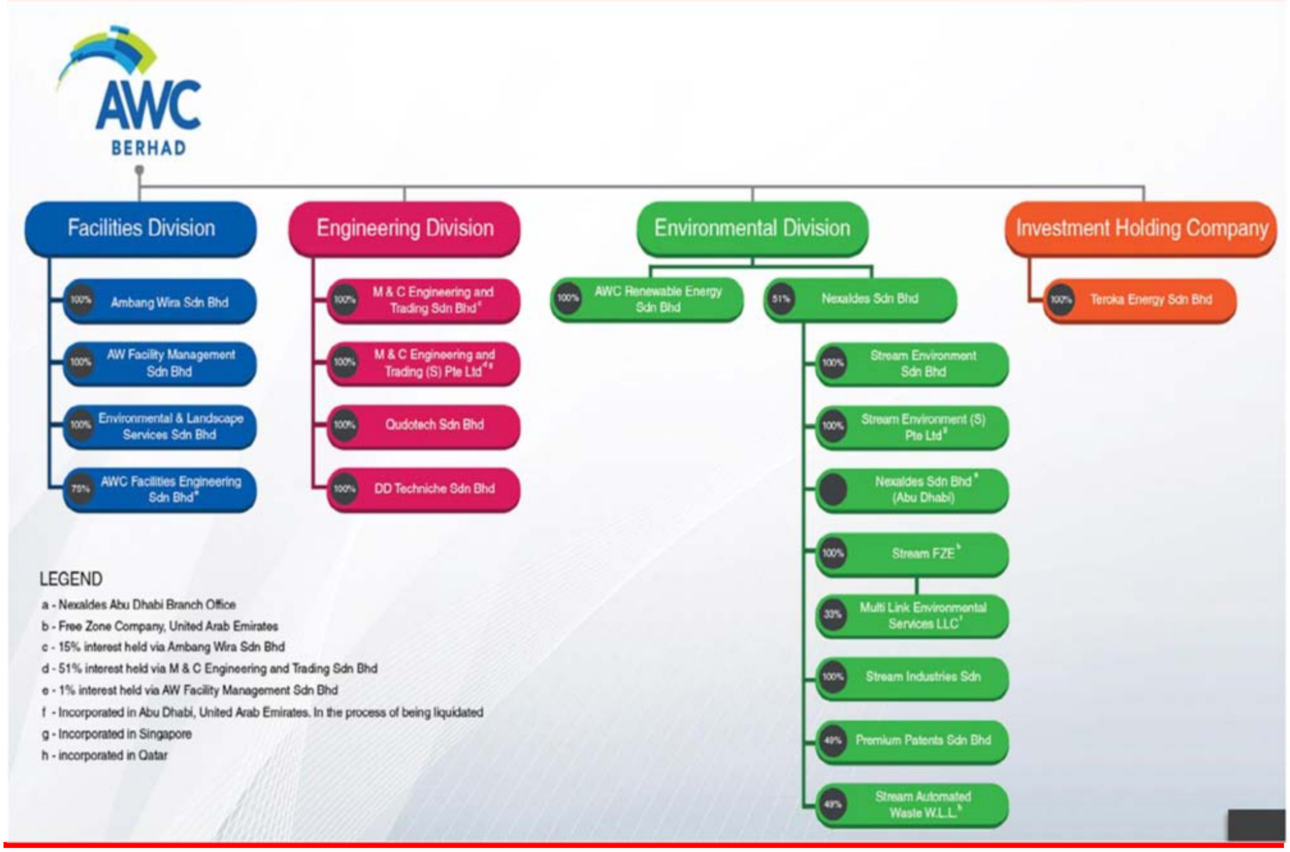
5. Legacy issues. The major shareholder, Dato' Ahmad Kabeer b. Mohamed Nagoor was previously the shareholder in several listed companies, whose stocks came under heavy speculative interests. We highlight however that Dato' Kabeer had since relinquished his shareholding in these companies. In addition, we do not think the legacy issue will have any bearing on AWC's brand and its operations.

EXHIBIT 11: EARNINSG FORECASTS & SEGMENTAL BREAKDOWN

FYE June 30 (RM mil)	2015	2016	2017F	2018F	2019F
Facilities:					
- government concessions	46.6	51.3	66.0	66.0	66.0
- healthcare & others	27.3	45.4	66.2	76.8	78.2
Engineering	19.9	78.3	104.0	144.0	212.0
Environment	34.2	73.5	75.5	76.3	72.3
Inv. holdings & others	0.1	0.0	0.0	0.0	0.0
Revenue	128.0	248.5	311.7	363.1	428.4
Facilities	3.9	8.7	12.3	13.2	13.4
Engineering	1.7	7.2	9.7	13.4	19.5
Environment	6.1	23.5	24.1	24.4	23.2
Inv. holdings & others	(0.4)	(1.1)	(1.0)	(1.0)	(1.0)
Normalised EBITDA	11.3	38.4	45.2	50.0	55.1
Facilities	(0.7)	(0.8)	(1.0)	(1.1)	(1.1)
Engineering	(0.1)	(0.3)	(0.4)	(0.4)	(0.4)
Environment	(0.7)	(0.6)	(0.7)	(0.7)	(0.8)
Inv. holdings & others	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Depreciation	(1.5)	(1.8)	(2.1)	(2.2)	(2.4)
Facilities	3.2	7.9	11.3	12.2	12.3
Engineering	1.6	6.9	9.4	13.0	19.1
Environment	5.4	22.9	23.4	23.6	22.4
Inv. holdings & others	(0.4)	(1.2)	(1.0)	(1.0)	(1.0)
Normalised EBIT	9.8	36.6	43.1	47.8	52.7
Facilities	0.1	0.2	0.1	(0.4)	(1.2)
Engineering	(0.0)	0.0	0.0	(0.1)	(0.2)
Environment	(0.1)	(0.1)	(0.1)	0.2	0.5
Inv. holdings & others	0.1	0.1	0.0	(0.1)	(0.5)
Net interest	0.1	0.3	0.1	(0.5)	(1.4)
Facilities	0.0	(0.5)	0.0	0.0	0.0
Engineering	0.3	(0.8)	0.0	0.0	0.0
Environment	2.6	(5.5)	0.0	0.0	0.0
Inv. holdings & others	0.0	0.0	0.0	0.0	0.0
Exceptional items	2.9	(6.7)	0.0	0.0	0.0
Facilities	3.3	7.7	11.4	11.8	11.0
Engineering	1.8	6.2	9.4	12.9	18.8
Environment	7.9	17.3	23.4	23.8	22.9
Inv. holdings & others	(0.4)	(1.1)	(1.0)	(1.1)	(1.5)
Pretax profit	12.8	30.1	43.2	47.3	51.3
Revenue (%)					
Facilities	57.7	38.9	42.4	39.3	33.7
Engineering	15.5	31.5	33.4	39.7	49.5
Environment	26.7	29.6	24.2	21.0	16.9
Others	0.1	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0
EBIT (%)					
Facilities	32.9	21.6	26.3	25.5	23.2
Engineering	16.3	18.9	21.7	27.1	36.2
Environment	55.1	62.7	54.3	49.5	42.5
Others	(4.3)	(3.2)	(2.3)	(2.1)	(1.9)
Total	100.0	100.0	100.0	100.0	100.0

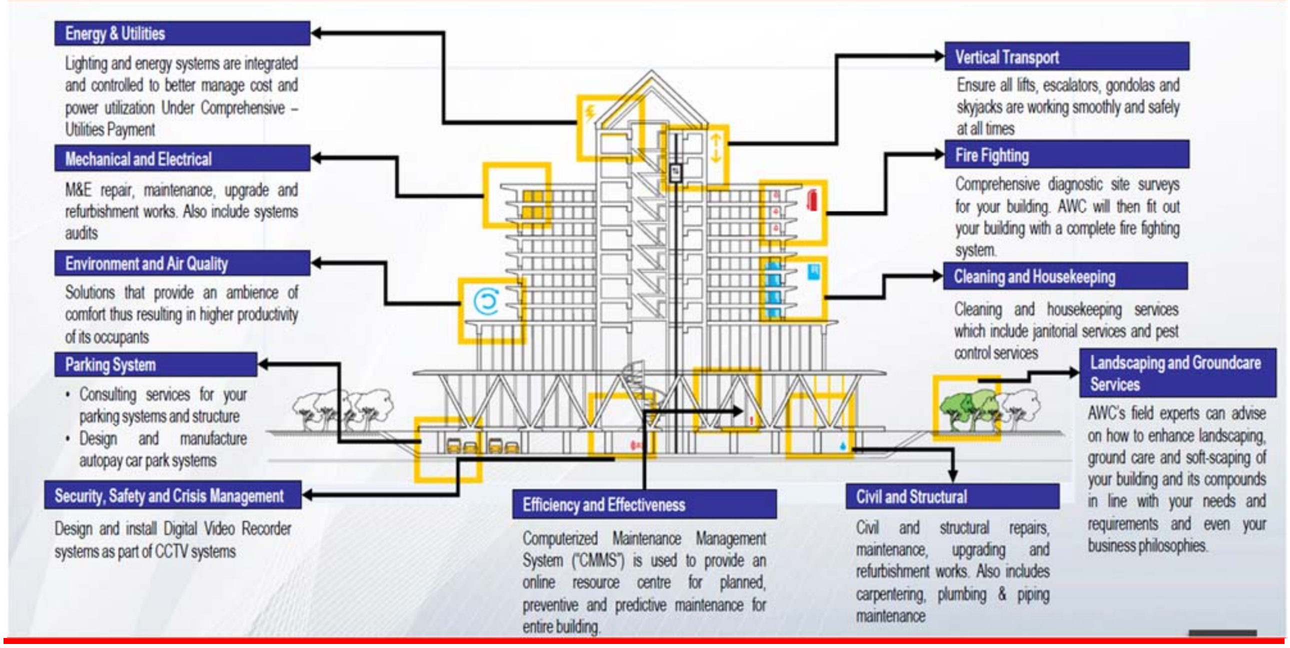
Source: Company, AmInvestment Bank Bhd

EXHIBIT 12: AWC'S CORPORATE STRUCTURE



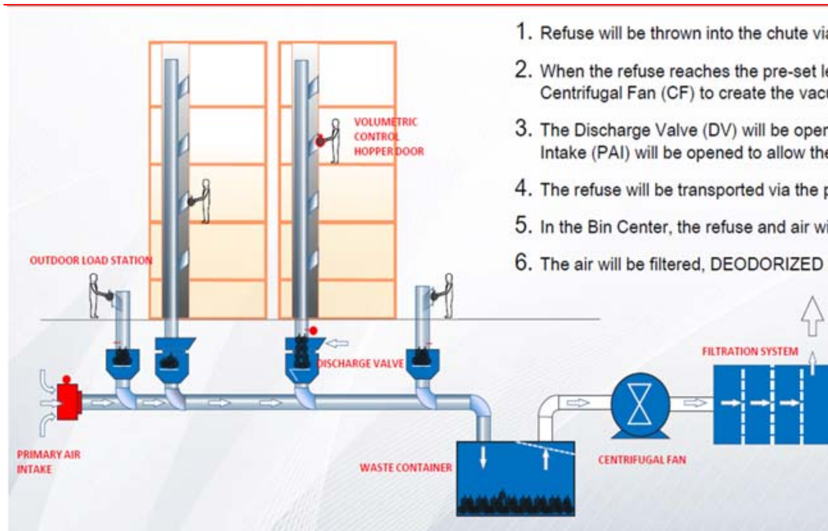
Source: Company, AmInvestment Bank Bhd

EXHIBIT 13: FACILITIES - SERVICE SCOPE



Source: Company, AmInvestment Bank Bhd

EXHIBIT 14: ENVIRONMENT - HOW GRAVITY VACUUM SYSTEM WORKS



1. Refuse will be thrown into the chute via Volumetric Control Hopper Door
2. When the refuse reaches the pre-set level, STREAM Control Centre (SCC) will trigger the Centrifugal Fan (CF) to create the vacuum and airflow inside the piping system.
3. The Discharge Valve (DV) will be opened to discharge the refuse to piping network. Primary Air Intake (PAI) will be opened to allow the air .
4. The refuse will be transported via the piping network to Bin Center in the speed of 20 – 25 m/s.
5. In the Bin Center, the refuse and air will be separated in the Waste Container or Waste Separator.
6. The air will be filtered, DEODORIZED and discharged.

Source: Company, AmInvestment Bank Bhd

EXHIBIT 15: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY15	FY16	FY17F	FY18F	FY19F
Revenue	128.0	248.5	311.7	363.1	428.4
EBITDA	11.3	38.3	45.3	50.2	55.3
Depreciation/Amortisation	(1.5)	(1.8)	(2.2)	(2.4)	(2.5)
Operating income (EBIT)	9.8	36.6	43.1	47.8	52.7
Other income & associates	0.1	-	-	-	-
Net interest	-	0.3	0.1	(0.5)	(1.5)
Exceptional items	2.9	(6.7)	-	-	-
Pretax profit	12.8	30.1	43.2	47.3	51.2
Taxation	(1.1)	(6.5)	(8.9)	(10.7)	(11.6)
Minorities/pref dividends	(3.6)	(6.5)	(8.9)	(8.6)	(8.2)
Net profit	8.1	17.1	25.5	28.0	31.4
Core net profit	5.2	22.5	25.5	28.0	31.4

Balance Sheet (RMmil, YE 30 Jun)	FY15	FY16	FY17F	FY18F	FY19F
Fixed assets	8.2	10.0	10.9	11.6	12.2
Intangible assets	6.0	28.2	28.0	27.9	27.8
Other long-term assets	5.8	4.8	4.8	4.8	4.8
Total non-current assets	19.9	43.0	43.7	44.4	44.8
Cash & equivalent	53.6	44.7	29.5	42.2	54.3
Stock	17.5	17.8	22.6	26.5	31.6
Trade debtors	59.5	127.1	159.4	185.7	219.1
Other current assets	2.5	2.4	2.4	2.4	2.4
Total current assets	133.1	192.1	213.9	256.9	307.4
Trade creditors	30.4	80.6	75.5	88.0	103.8
Short-term borrowings	1.8	0.3	0.6	1.7	3.3
Other current liabilities	0.6	2.4	2.4	2.4	2.4
Total current liabilities	32.8	83.4	78.6	92.1	109.6
Long-term borrowings	0.3	0.6	1.3	3.3	6.6
Other long-term liabilities	2.9	3.2	3.2	3.2	3.2
Total long-term liabilities	3.2	3.8	4.5	6.5	9.8
Shareholders' funds	91.6	119.0	136.8	156.4	178.4
Minority interests	25.4	28.8	37.7	46.2	54.5
BV/share (RM)	0.40	0.46	0.52	0.60	0.68

Cash Flow (RMmil, YE 30 Jun)	FY15	FY16	FY17F	FY18F	FY19F
Pretax profit	12.8	30.1	43.2	47.3	51.2
Depreciation/Amortisation	1.5	1.8	2.2	2.4	2.5
Net change in working capital	7.2	(34.9)	(42.2)	(17.8)	(22.7)
Others	(6.5)	1.9	(9.0)	(10.2)	(10.1)
Cash flow from operations	15.0	(1.2)	(5.7)	21.7	21.0
Capital expenditure	(1.5)	(2.4)	(3.0)	(3.0)	(3.0)
Net investments & sale of fixed assets	-	-	-	-	-
Others	3.2	(3.1)	0.1	(0.5)	(1.5)
Cash flow from investing	1.8	(5.5)	(2.9)	(3.5)	(4.5)
Debt raised/(repaid)	(0.9)	(1.2)	1.0	3.0	5.0
Equity raised/(repaid)	-	0.8	-	-	-
Dividends paid	(7.4)	(3.5)	(7.6)	(8.4)	(9.4)
Others	-	-	-	-	-
Cash flow from financing	(8.2)	(4.0)	(6.6)	(5.4)	(4.4)
Net cash flow	8.6	(10.6)	(15.2)	12.8	12.0
Net cash/(debt) b/f	43.4	53.6	44.7	29.5	42.2
Net cash/(debt) c/f	53.6	44.7	29.5	42.2	54.3

Key Ratios (YE 30 Jun)	FY15	FY16	FY17F	FY18F	FY19F
Revenue growth (%)	7.1	94.1	25.4	16.5	18.0
EBITDA growth (%)	(32.8)	238.8	18.2	10.7	10.2
Pretax margin (%)	10.0	12.1	13.9	13.0	12.0
Net profit margin (%)	6.3	6.9	8.2	7.7	7.3
Interest cover (x)	nm	nm	nm	98.7	35.3
Effective tax rate (%)	8.6	21.5	20.5	22.7	22.6
Dividend payout (%)	-	38.2	30.0	30.0	30.0
Debtors turnover (days)	190	137	168	173	172
Stock turnover (days)	41	26	24	25	25
Creditors turnover (days)	90	82	91	82	82

Source: Company, AmInvestment Bank Bhd estimates

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