


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: RM1.19
Up/downside: 59.5%
CIMB / Consensus: 5.2%


Reuters: AWC.F.KL
Bloomberg: AWC.F.MK
Market cap: US\$47.61m
RM192.9m

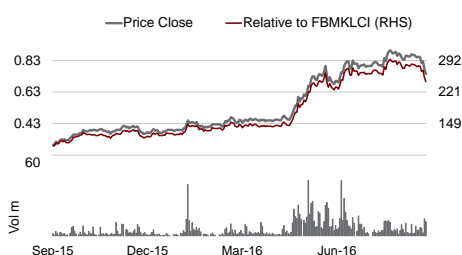
Average daily turnover: US\$1.49m
RM6.03m

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

* Source: Bloomberg

Key changes in this note

 No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-15.4	6.4	152.5
Relative (%)	-16.9	3.4	148.4

Major shareholders	% held
Dato' Ahmad Kabeer	34.0

AWC Berhad

Time to buy

- Recent share price correction is an excellent buying opportunity, in our view.
- Contract wins for high-margin STREAM and plumbing are potential re-rating catalysts.
- AWC now offers FY17-19 dividend yields of 5-6% with attractive valuations - FY17 P/E of 9.2x and ex-cash P/E of only 6.4x.
- AWC remains one of our top small-cap picks. Reiterate Add rating with an unchanged SOP-based target price.

Share price corrected 17% in past month

AWC's share price has corrected 17% in the past month. We believe this was due largely to the overall sell-down in small-cap stocks and to a lesser extent, the recent announcement of delay in commencement date for the Bandar Tasik Selatan (BTS) Bus Terminal maintenance contract.

BTS Bus Terminal delay

On 26 Aug, AWC announced that the government had deferred the starting date of the BTS maintenance contract pending the resolution of certain operational and technical issues between the government and the previous contractor. The contract was supposed to commence on 1 Sep 2016, for five years.

No change to FY17F EPS

We believe the BTS contract will commence in FY18. We originally imputed 10 months of profit contribution in FY17. Even without BTS, we believe that FY17 EPS will be achieved as we expect: 1) strong progress billings across all divisions from strong FY16 earnings to spill over in FY17, and 2) new contract wins to exceed our forecasts.

STREAM and facilities outperformed

Recall that in FY16, both STREAM and facilities divisions saw pretax profit more than double on yoy basis. Facilities benefited from the commencement of the Shah Alam hospital in 4Q and the commencement of the new concession rates. STREAM's revenues doubled yoy in FY16 as progress billings accelerated in Malaysia, Singapore and the Middle East.

What is the next catalyst?

We believe that the next contract wins will come from high-profile jobs in STREAM, and given the expected high margins, could be strong re-rating catalysts. Given the slew of high-rise office buildings coming up in the Klang Valley, we believe that private sector facilities maintenance contracts are in the pipeline. There is also strong synergistic potential to cross-sell projects between various divisions – STREAM, plumbing and rainwater.

Stock now offers FY17-19 dividend yields of 5-6%

AWC's net cash position stood at 18 sen at end-Jun 16, with little-to-no borrowings. AWC now offers FY17-19 yields of 5-6% and trades at FY17 ex-cash P/E of only 6.4x.

AWC remains one of our top small-cap picks.

We maintain our Add rating on AWC, with an unchanged SOP-based target price of RM1.19. AWC remains one of our top small-cap picks. 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-15A	Jun-16A	Jun-17F	Jun-18F	Jun-19F
Revenue (RMm)	128.0	249.3	278.2	294.8	305.8
Operating EBITDA (RMm)	14.15	31.90	37.09	41.20	43.75
Net Profit (RMm)	8.03	17.30	20.84	23.35	24.27
Core EPS (RM)	0.036	0.072	0.081	0.091	0.095
Core EPS Growth	15%	102%	13%	12%	4%
FD Core P/E (x)	20.92	10.36	9.15	8.17	7.86
DPS (RM)	-	0.025	0.035	0.040	0.045
Dividend Yield	0.00%	3.36%	4.70%	5.37%	6.04%
EV/EBITDA (x)	10.03	5.04	4.55	3.88	3.41
P/FCFE (x)	10.55	25.96	8.33	7.40	6.55
Net Gearing	(43.9%)	(32.0%)	(34.6%)	(39.4%)	(44.4%)
P/BV (x)	1.83	1.60	1.46	1.32	1.21
ROE	9.4%	16.4%	16.7%	17.0%	16.1%
CIMB/consensus EPS (x)			1.00	1.00	

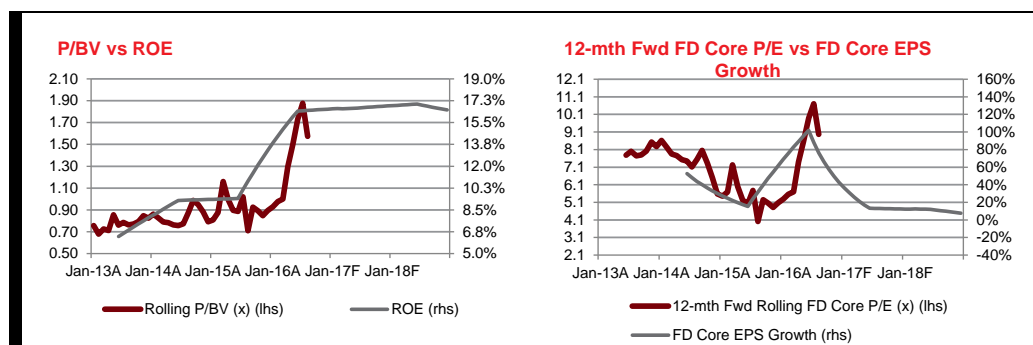
SOURCE: COMPANY DATA, CIMB FORECASTS


Figure 1: 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
FY17F Net cash per share	0.23
Target price	1.19

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Jun-15A	Jun-16A	Jun-17F	Jun-18F	Jun-19F
Total Net Revenues	128.0	249.3	278.2	294.8	305.8
Gross Profit	40.9	79.1	78.8	87.2	94.5
Operating EBITDA	14.1	31.9	37.1	41.2	43.8
Depreciation And Amortisation	(1.5)	(1.8)	(1.7)	(1.8)	(1.9)
Operating EBIT	12.7	30.1	35.4	39.4	41.9
Financial Income/(Expense)	0.1	0.3	0.4	0.5	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)	12.8	30.4	35.8	39.9	42.4
Exceptional Items					
Pre-tax Profit	12.8	30.4	35.8	39.9	42.4
Taxation	(1.1)	(6.5)	(8.2)	(9.2)	(10.0)
Exceptional Income - post-tax					
Profit After Tax	11.7	23.9	27.6	30.8	32.4
Minority Interests	(3.6)	(6.6)	(6.7)	(7.4)	(8.1)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	8.0	17.3	20.8	23.4	24.3
Recurring Net Profit	8.0	17.3	20.8	23.4	24.3
Fully Diluted Recurring Net Profit	8.0	17.3	20.8	23.4	24.3

Cash Flow

(RMm)	Jun-15A	Jun-16A	Jun-17F	Jun-18F	Jun-19F
EBITDA	14.15	31.90	37.09	41.20	43.75
Cash Flow from Inv. & Assoc.					
Change In Working Capital	5.83	-13.79	20.53	-4.75	-3.13
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	-2.40	0.00	0.00	0.00	0.00
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	-2.59	-6.50	-8.23	-9.19	-9.98
Cashflow From Operations	14.99	11.61	49.39	27.26	30.64
Capex	-1.46	-3.50	-26.50	-1.50	-1.50
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	3.24	0.00	0.00	0.00	0.00
Cash Flow From Investing	1.78	-3.50	-26.50	-1.50	-1.50
Debt Raised/(repaid)	-0.86	-1.20	0.00	0.00	0.00
Proceeds From Issue Of Shares					
Shares Repurchased	0.00				
Dividends Paid	-7.35	-7.40	-8.96	-10.24	-11.52
Preferred Dividends					
Other Financing Cashflow	0.00	0.15	0.45	0.60	0.60
Cash Flow From Financing	-8.21	-8.45	-8.51	-9.64	-10.92
Total Cash Generated	8.57	-0.34	14.38	16.12	18.22
Free Cashflow To Equity	15.92	6.91	22.89	25.76	29.14
Free Cashflow To Firm	16.77	8.11	22.89	25.76	29.14

BY THE NUMBERS

Balance Sheet

(RMm)	Jun-15A	Jun-16A	Jun-17F	Jun-18F	Jun-19F
Total Cash And Equivalents	53.6	48.2	58.6	74.6	93.8
Total Debtors	59.5	120.6	91.5	96.9	100.5
Inventories	17.5	18.1	38.1	40.4	41.9
Total Other Current Assets	2.5	2.5	2.5	2.6	2.6
Total Current Assets	133.1	189.4	190.7	214.5	238.8
Fixed Assets	8.2	10.0	38.7	38.4	38.0
Total Investments	2.8	2.8	2.8	2.8	2.8
Intangible Assets	5.9	28.1	28.1	28.1	28.1
Total Other Non-Current Assets	3.0	1.6	1.6	1.6	1.6
Total Non-current Assets	19.9	42.5	71.2	70.9	70.5
Short-term Debt	1.8	0.2	0.2	0.2	0.2
Current Portion of Long-Term Debt					
Total Creditors	30.4	78.3	89.7	92.7	94.7
Other Current Liabilities	0.6	1.8	1.8	1.8	1.8
Total Current Liabilities	32.8	80.3	91.7	94.8	96.7
Total Long-term Debt	0.3	0.7	0.7	0.7	0.7
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2.5	2.7	2.7	2.7	2.7
Total Non-current Liabilities	2.8	3.4	3.4	3.4	3.4
Total Provisions	0.4	0.2	0.2	0.2	0.2
Total Liabilities	36.0	83.9	95.3	98.3	100.3
Shareholders' Equity	91.6	119.1	131.0	144.1	157.8
Minority Interests	25.4	28.9	35.6	43.0	51.2
Total Equity	117.0	148.0	166.6	187.1	209.0

Key Ratios

	Jun-15A	Jun-16A	Jun-17F	Jun-18F	Jun-19F
Revenue Growth	7.1%	94.7%	11.6%	6.0%	3.7%
Operating EBITDA Growth	(5%)	126%	16%	11%	6%
Operating EBITDA Margin	11.0%	12.8%	13.3%	14.0%	14.3%
Net Cash Per Share (RM)	0.23	0.18	0.23	0.29	0.36
BVPS (RM)	0.41	0.47	0.51	0.56	0.62
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	8.7%	21.4%	23.0%	23.0%	23.5%
Net Dividend Payout Ratio	NA	26.9%	30.8%	31.5%	33.6%
Accounts Receivables Days	190.3	132.2	139.1	116.6	117.8
Inventory Days	60.56	38.31	51.44	68.99	71.06
Accounts Payables Days	89.65	64.11	81.64	91.07	93.79
ROIC (%)	18.9%	45.9%	35.1%	36.2%	36.9%
ROCE (%)	11.1%	22.6%	22.6%	22.5%	21.3%
Return On Average Assets	8.4%	15.6%	14.3%	14.4%	14.1%

Key Drivers

	Jun-15A	Jun-16A	Jun-17F	Jun-18F	Jun-19F
ASP (% chg, main prod./serv.)	0.0%	6.5%	13.0%	0.0%	0.0%
Unit sales grth (% , main prod./serv.)	7.1%	52.1%	19.1%	7.0%	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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Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

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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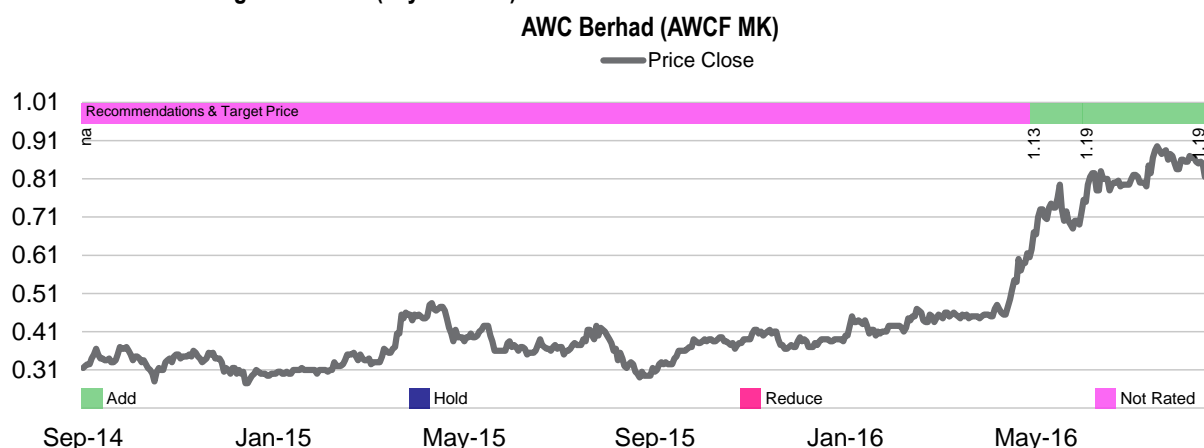
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2016		
1574 companies under coverage for quarter ended on 30 June 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	56.5%	7.1%
Hold	32.2%	2.9%
Reduce	9.8%	0.6%

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, 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.

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.

CIMB Recommendation Framework

Stock Ratings

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.