Company Flash Note

Malaysia

September 13, 2016 - 6:58 PM

ADD *(no change)*

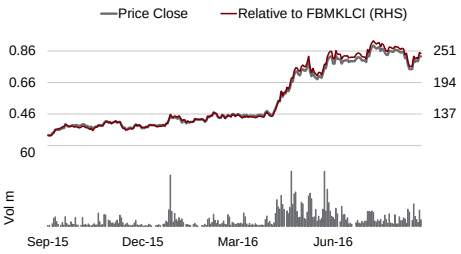
Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price:	RM0.83
Target price:	RM1.19
Previous target:	RM1.19
Up/downside:	44.1%
CIMB / Consensus:	5.2%
Reuters:	AWCF.KL
Bloomberg:	AWCF MK
Market cap:	US$51.70m
	RM213.7m
Average daily turnover:	US$1.38m
	RM5.59m
Current shares o/s	256.0m
Free float:	66.0%

* Source: Bloomberg

Key financial forecasts

	Jun-17F	Jun-18F	Jun-19F
Net Profit (RMm)	20.84	23.35	24.27
Core EPS (RM)	0.081	0.091	0.095
Core EPS Growth	13.2%	12.1%	3.9%
FD Core P/E (x)	10.14	9.04	8.70
Recurring ROE	16.7%	17.0%	16.1%
P/BV (x)	1.61	1.47	1.34
DPS (RM)	0.035	0.040	0.045
Dividend Yield	4.24%	4.85%	5.45%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.2	10	150
Relative (%)	-2.1	7.8	144.8

Major shareholders	% held
Dato' Ahmad Kabeer	34.0

Analyst(s)

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AWC Berhad

Mega wins for STREAM

- AWC announced that its environment unit STREAM has been awarded three contracts worth RM28m (US$7m).
- These awards open up new cross-selling opportunities and new markets
- Maintain Add with an unchanged EPS and SOP-based target price.

STREAM wins in India, Taiwan and KL

- AWC announced that its environmental division, STREAM, has been awarded three contracts with a cumulative value of RM28m (US$7m). The contracts are 1) RM9.5m (US$2.4m) for an industrial township in the Delhi Mumbai Industrial Corridor, 2) RM7.8m (US$2.0m) for a new inflight catering facility in Taoyuan International Airport, Taiwan, which is a unit of SATS Singapore, and 3) RM10.2m (US$2.6m) for the solid waste management for KL118 tower, the tallest building in Malaysia

New markets opening up

- The contracts came as a positive surprise. We expect these high-profile wins to open up new market opportunities for STREAM. This is also STREAM's first contract win in India. The SATS win in Taiwan creates new opportunities for STREAM for other SATS locations (more than 20 worldwide).

Synergistic cross-selling opportunities

- Recall that QDT (AWC's plumbing division) won a RM62m plumbing contract for KL118 in Jan 2016. The STREAM win is testimony to the synergistic potential to cross-sell projects between various divisions – STREAM, plumbing and rainwater. This is AWC's first cross-selling win and augurs well for the group as we have not imputed any synergistic value or contracts in our forecasts and valuations.

No change to EPS forecasts

- We had assumed RM20m in new contract wins for STREAM in FY17 and these contracts worth RM28m already surpass our full-year estimate. They bring STREAM's outstanding orderbook to an estimated RM130m. Any new wins going forward will result in EPS upgrades.

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. AWC now offers FY17-19F yields of 4-5% and trades at an FY17 ex-cash P/E of only 7.4x.

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

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Profit & Loss

(RMm)	Jun-16A	Jun-17F	Jun-18F	Jun-19F
Total Net Revenues	**249.3**	**278.2**	**294.8**	**305.8**
Gross Profit	**79.1**	**78.8**	**87.2**	**94.5**
Operating EBITDA	**31.9**	**37.1**	**41.2**	**43.8**
Depreciation And Amortisation	(1.8)	(1.7)	(1.8)	(1.9)
Operating EBIT	**30.1**	**35.4**	**39.4**	**41.9**
Financial Income/(Expense)	0.3	0.4	0.5	0.5
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**30.4**	**35.8**	**39.9**	**42.4**
Exceptional Items				
Pre-tax Profit	**30.4**	**35.8**	**39.9**	**42.4**
Taxation	(6.5)	(8.2)	(9.2)	(10.0)
Exceptional Income - post-tax				
Profit After Tax	**23.9**	**27.6**	**30.8**	**32.4**
Minority Interests	(6.6)	(6.7)	(7.4)	(8.1)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**17.3**	**20.8**	**23.4**	**24.3**
Recurring Net Profit	17.3	20.8	23.4	24.3
Fully Diluted Recurring Net Profit	**17.3**	**20.8**	**23.4**	**24.3**

Balance Sheet

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

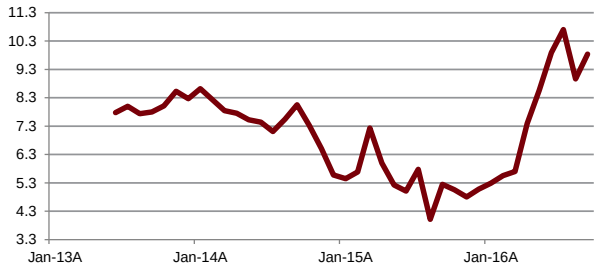
Cash Flow

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

Key Ratios

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

12-mth Fwd FD P/E (x) - AWC Berhad



Key Drivers

	Jun-16A	Jun-17F	Jun-18F	Jun-19F
ASP (% chg, main prod./serv.)	6.5%	13.0%	0.0%	0.0%
Unit sales grth (%, main prod./serv.)	52.1%	19.1%	7.0%	7.0%
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,main)	N/A	N/A	N/A	N/A
Unit raw mat ASP (%chg,2ndary)	N/A	N/A	N/A	N/A

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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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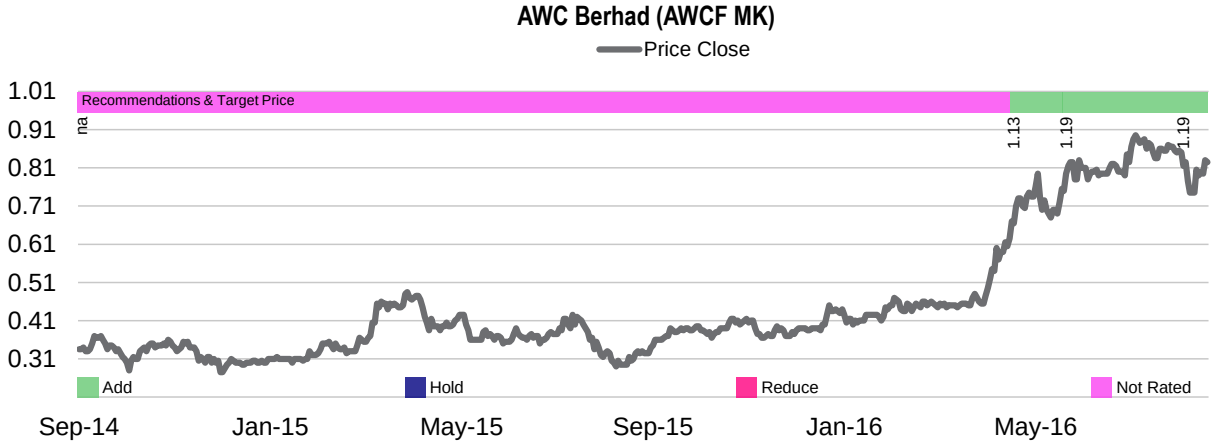
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2016 1574 companies under coverage for quarter ended on 30 June 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	56.5%	7.1%
Hold	32.2%	2.9%
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, MTLS – 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, TASCO – 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.