

AWC Bhd

RESULTS UPDATE

NEUTRAL

Current Price RM 0.88
Target Price RM 1.00
Consensus Price RM 1.29

Key Statistics

Bloomberg Ticker	AWC MK
Masa Ticker / Stock Code	AWC/7579
Shares Issued (m)	259
Market Capitalisation (RM'm)	221
52 Week Hi/Lo Price (RM)	0.91/0.35
3 Mths Avg Vol (Shares)	3,963,702
Est Free Float (m)	121
YTD Returns (%)	123
Beta (x)	0.45

Major Shareholders (%)

Dato Ahmad Kabeer	33.7
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STERLING CONSISTENCY

AWC's earnings remain resilient on the back of its sizable order book of RM1.2b. We like AWC for its 1) earnings visibility 2) an attractive PER valuation of 9.4x FY18 earnings 3) a well-diversified earnings base. We assigned AWC Bhd a fair value of RM1.00 based on our sum of parts valuation. However, we have downgraded our call to NEUTRAL due to richer valuation leaving limited upside potential.

◆ Results in line

AWC 1QFY17 results came in within expectations, representing 27% of our FYE30th Jun2017 PATAMI forecast of RM20.2m. All three divisions recorded higher earnings coming from higher revenue. However PATAMI was down 6.4%QoQ due to lower revenue recognition.

◆ EBITDA up QoQ and YoY

The Environmental Division boosted overall margins due to certain projects which involved high value big ticket items. EBITDA margin jumped 17% from the previous corresponding quarter of 7.2% and the recent quarter's 13.9%.

◆ Slower pickup in Facility Division; positive contribution from Engineering Division

The Facility Division recorded higher revenue QoQ as well as YoY from additional work secured. However the division recorded lower earnings QoQ due to higher cost recognition in respect of continuing projects. The Engineering Division returned to black, boosted by the higher value of works recognised from its plumbing division.

1-Year Share Price Performance



Analyst: Research Team

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Table 1 :Investment Highlights & Earnings Forecasts

FYE 30th Jun	FY14	FY15	FY16	FY17(F)	FY18(F)
Revenue (m)	119.5	128.0	249.3	263.4	288.4
PBT (m)	12.6	13.8	30.4	33.0	36.0
PAT (m)	8.8	12.6	23.9	25.3	27.7
PATAMI (m)	6.7	8.1	17.1	20.2	22.2
CORE EPS (sen)	2.5	3.1	6.5	7.7	8.5
EBITDA (m)	14.85	14.18	33.16	35.77	38.85
Earnings Growth (%)	46.1%	21.5%	111.9%	18.1%	9.6%
EBITDA Margin (%)	12.4%	11.1%	13.3%	13.6%	13.5%
PER (x)	34.6	28.5	13.4	11.4	10.4
DPS (sen)	0	0	2.5	2.5	2.5
Dividend Yield (%)	NA	NA	2.8%	2.8%	2.8%
ROE (%)	8.4%	8.8%	14%	15%	15%
ROA (%)	5.9%	8.3%	10.2%	10.0%	9.8%
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	2.92	2.51	1.93	1.73	1.55

Source: Company, Interpac

Table 2 :Quarterly Income Statement and Comparison

FYE 30th June (RM m)	1QFY17	1QFY16	YoY chg (%)	4QFY16	QoQ chg (%)
Revenue	67.1	37.8	77.5	76.0	(11.7)
PBT	10.1	2.1	374.0	12.2	(17.4)
EBITDA	11.4	2.7	318.3	10.6	7.6
Tax Expenses	(1.9)	(0.4)	350.1	(2.6)	(28.6)
PATMI	5.4	1.3	333.7	6.5	(16.2)
PBT margin (%)	15.0	5.6	167.0	16.1	(6.5)
EBITDA margin (%)	17.0	7.2	135.7	13.9	21.8
PATMI margin (%)	8.1	3.3	144.3	8.5	(5.1)
EPS (sen)	3.1	0.7	379.8	3.7	(14.4)

Source: Company

Table 3: Segment Information

FYE 30th June (RM m)	1QFY17	1QFY16	YoY chg (%)	4QFY16	QoQ chg (%)
Revenue					
Facilities	29.1	21.4	35.7	26.9	8
Environment	16.4	9	82	20.5	-20.3
Engineering	21.7	7.4	192.8	28.6	-24
PBT					
Facilities	2.1	1.8	18.6	5.8	-63.5
Environment	6.9	1.1	508.7	7.1	-2.7
Engineering	1.6	0	<100	-0.4	<100
PBT Margin					
Facilities	7.2%	8.3%	-12.6	21.4%	-66.2
Environment	42.3%	12.6%	234.4	34.6%	22.1
Engineering	7.2%	-0.2%	<100	-1.3%	>100

Table 4: Sum Of Parts Valuation

Sum of parts		RM mill	RM(sen)
Concession	FY17 PER 11.2x	96.54	0.37
Engineering	FY17 PER 10x	65.16	0.25
Environmental (51% owned subsidiary)	FY17 PER 10x	51.93	0.20
Net Cash		49.3	0.19
SOP per AWC share			1.00

Source: Interpac

Ratings System

Ratings:	Description:
BUY	Total return is expected to exceed 15% in the next 12 months
NEUTRAL	Total return is expected to be between above –15% to 15% in the next 12 months
SELL	Total return is expected to be below -15% in the next 12 months

Abbreviation

Abbreviation	Definition	Abbreviation	Definition
PER	Price Earnings Ratio	CAGR	Compounded Annual Growth Rate
PEG	PER to Growth	CAPEX	Capital Expenditure
EPS	Earnings per Share	DPS	Dividend per Share
FYE	Financial Year End	ROA	Return on Asset
FY	Financial Year	ROE	Return on Equity
CY	Calendar Year	PBT	Profit Before Tax
MoM	Month-on-Month	PAT	Profit After Tax
QoQ	Quarter-on-Quarter	EV	Enterprise Value
YoY	Year-on-Year	EBIT	Earnings Before Interest And Tax
YTD	Year-to-Date	EBITDA	EBIT Depreciation & Amortisation
p.a.	Per Annum	WACC	Weighted Average Cost of Capital
DCF	Discounted Cash Flow	NTA	Net Tangible Asset
FCF	Free Cash Flow	BV	Book Value
NAV	Net Asset Value		

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