

Company Flash Note

Malaysia

October 10, 2017 - 7:02 PM

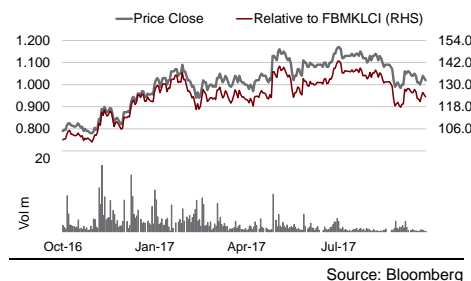
ADD (no change)

Consensus ratings*:	Buy 1	Hold 1	Sell 0
Current price:	RM1.02		
Target price:	RM1.20		
Previous target:	RM1.20		
Up/downside:	17.4%		
CIMB / Consensus:	0.6%		
Reuters:	AWCF.KL		
Bloomberg:	AWCF MK		
Market cap:	US\$63.83m		
	RM269.3m		
Average daily turnover:	US\$0.18m		
	RM0.78m		
Current shares o/s	256.0m		
Free float:	62.1%		

*Source: Bloomberg

Key financial forecasts

	Jun-17A	Jun-18F	Jun-19F
Net Profit (RMm)	21.59	21.15	22.74
Core EPS (RM)	0.069	0.083	0.089
Core EPS Growth	2.3%	19.6%	7.5%
FD Core P/E (x)	14.76	12.34	11.48
Recurring ROE	14.1%	15.3%	14.8%
P/BV (x)	1.99	1.79	1.62
DPS (RM)	0.020	0.025	0.030
Dividend Yield	1.96%	2.45%	2.94%



Price performance	1M	3M	12M
Absolute (%)	3	-10.5	29.1
Relative (%)	4.1	-10.7	23.3

Major shareholders

	% held
K-Capital Sdn Bhd	30.7
Ignatius Luke Jr Tan Keng Hee	4.2
Ahmad Kabeer bin Mohamed Nagoor	3.0

Analyst(s)

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AWC Berhad

Mutual termination of a RM130m contract

- AWC announced that its RM130m facilities management contract with the government has been mutually terminated; the reason was not specified.
- Minimal changes to our orderbook assumptions; cumulative value of its four recent contract wins sufficient to offset the value of the rescinded contract.
- Orderbook still healthy. Maintain Add.

Mutual termination of a RM130m contract

- AWC announced that its wholly-owned subsidiary Ambang Wira Sdn Bhd and the Malaysian government have entered into a mutual termination agreement (MTA) to terminate a RM130m contract award. The reason for the termination was not specified.
- This contract, awarded to Ambang Wira on 9 Jun 2016, was for the facilities management of Terminal Bersepadu Selatan (TBS) in Bandar Tasik Selatan, Kuala Lumpur over a 5-year period -- from 1 Sep 2016 to 31 Aug 2021.
- Under the MTA, any payments made to date will be deemed as the full and final settlement of payment for all works performed. However, AWC has not received any payment as no work has been conducted since the contract was awarded.

Not a major surprise as a deferment notice was issued previously

- This did not come entirely as a surprise to us given that AWC had on 26 Aug 2016 announced the deferment of the project's commencement. We gather that this deferment was due to issues with the previous contractor of TBS.

Recent contract wins sufficient to offset this contract termination

- Recently, AWC was awarded four contracts with a total value of RM131.4m. All four contracts are for facilities management works, similar to the rescinded contract for TBS. We previously did not account for these contract wins in our estimates to provide a buffer for any potential deferments or cancellations.
- Given that the value of the four contracts is sufficient to offset the loss of the TBS contract mentioned above, there are minimal changes to our orderbook assumptions. Hence, there is no material impact on our earnings estimates.

Minimal changes to orderbook assumptions; orderbook still healthy

- As at 1 Jul 2017, AWC's total outstanding orderbook stood at almost RM1.1bn, with RM537m up to end-FY19F.
- Concessions, which are mainly long-term contracts ranging from three to 10 years, account for the bulk of the total outstanding orderbook at RM600m-700m, while projects from the engineering and environment divisions make up the remainder.

No change to our EPS forecasts; maintain Add

- We maintain our Add call and SOP-based target price of RM1.20.
- Potential re-rating catalysts are more contracts wins, especially by its STREAM automated waste collection system and plumbing divisions, which generate higher margins than facilities management works.
- Downside risks to our call are contract execution delays and weaker-than-expected orderbook replenishment.

Figure 1: Latest contract updates

Type	Announcement Date	Description of works	Type of Works	Contract Period	Duration (years)	Contract Value (RMm)
Contract Win	19-Sep-17	Facilities maintenance of Palace of Justice,	Facilities management	1 Oct-17 to 30 Sep-22	5	24.4
Contract Win	25-Aug-17	Facilities maintenance of buildings under Ministry of Communications and Multimedia Malaysia	Facilities management	1 Sep-2017 to 31 Aug-22	5	31.7
Contract Win	15-Aug-17	Facilities maintenance of buildings under Ministry of Rural and Regional Development Malaysia	Facilities management	16 Aug-2017 to 15 Aug-22	5	32.9
Contract Win	31-Jul-17	Facilities maintenance of buildings under Ministry of Foreign Affairs	Facilities management	1 Aug-17 to 31 Jul-22	5	42.4
Sum of 4 facilities management contracts recently awarded						131.4
Contract cancellation	9-Oct-17	Facilities maintenance of Terminal Bersepadu Selatan (TBS)	Facilities management	1 Sep-2016 to 31 Aug-2021	5	130.0
Net change in orderbook						1.4

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Sector comparisons

Company	Bloomberg Ticker	Recom.	Share price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
						CY17	CY18		CY17	CY18	CY17	CY18	CY17	CY18	CY17	CY18
Hartalega Holdings	HART MK	Hold	6.90	7.06	2,692	26.8	17.6	8.2%	6.2	5.5	21.3%	22.3%	22.2	18.4	1.4%	1.7%
Kossan Rubber Industries	KRI MK	Add	6.92	7.55	1,046	22.1	17.4	1.7%	3.8	3.5	20.7%	21.1%	13.7	11.1	2.0%	2.9%
Supermax Corp	SUCB MK	Hold	1.78	1.74	279	15.1	12.3	2.9%	1.1	1.0	7.3%	8.5%	9.7	8.8	2.0%	2.4%
Top Glove Corporation	TOPG MK	Hold	5.65	5.75	1,674	21.0	18.7	0.5%	3.5	3.2	17.5%	17.7%	13.8	12.3	2.4%	2.7%
Karex Berhad	KAREX MK	Hold	1.58	1.40	374	41.1	31.5	3.7%	3.0	2.8	7.6%	9.3%	26.5	20.3	0.6%	0.8%
Riverstone Holdings	RSTON SP	Add	1.04	1.20	562	17.8	14.7	2.2%	3.7	3.2	21.9%	23.4%	12.1	9.8	2.2%	2.7%
AWC Berhad	AWCF MK	Add	1.03	1.20	64	13.6	12.0	18.7%	1.9	1.7	20.7%	21.1%	5.6	5.7	2.2%	2.7%
Daibochi Plastic & Packa	DPP MK	Reduce	2.18	1.48	169	27.3	20.6	10.3%	3.7	3.3	13.7%	17.0%	11.7	8.8	2.1%	2.9%
Wellcall Holdings	WELL MK	Hold	1.31	2.23	154	11.2	8.9	2.1%	4.0	3.4	37.7%	41.6%	7.2	5.7	5.4%	5.4%
Thong Guan Industries	TGI MK	Add	4.37	5.72	137	12.5	11.6	18.4%	1.1	1.0	14.5%	16.9%	6.7	4.8	3.6%	4.7%
Tomypak Holdings	TOMY MK	Reduce	0.95	0.75	94	16.5	12.4	0.8%	2.6	2.3	16.1%	19.9%	8.9	6.6	2.2%	2.2%
Oceancash Pacific Bhd	OCP MK	Add	0.68	0.88	36	12.6	10.6	13.0%	1.8	1.6	14.8%	15.6%	8.7	7.2	1.2%	1.3%
Weighted Average						23.5	17.7	4.7%	4.4	3.9	19.1%	20.0%	16.8	13.9	1.9%	2.3%

SOURCES: CIMB, COMPANY REPORTS

Figure 3: SOP valuation

Share capital (m)	256
CY18 EPS (sen)	8.6
Target P/E	11.2
Value of business (RM/share)	0.96
Net cash position (RM)	0.24
Target price (RM)	1.20

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F
Total Net Revenues	249.3	296.1	313.9	331.0
Gross Profit	79.1	85.8	94.5	102.8
Operating EBITDA	31.9	45.9	42.3	44.8
Depreciation And Amortisation	(1.8)	(6.5)	(6.5)	(6.6)
Operating EBIT	30.1	39.5	35.8	38.2
Financial Income/(Expense)	0.3	(0.4)	0.3	0.3
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	39.1	36.1	38.5
Exceptional Items				
Pre-tax Profit	30.4	39.1	36.1	38.5
Taxation	(6.5)	(8.7)	(8.3)	(8.5)
Exceptional Income - post-tax				
Profit After Tax	23.9	30.4	27.8	30.0
Minority Interests	(6.6)	(8.8)	(6.6)	(7.3)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	17.3	21.6	21.2	22.7
Recurring Net Profit	17.3	17.7	21.2	22.7
Fully Diluted Recurring Net Profit	17.3	17.7	21.2	22.7

Balance Sheet

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F
Total Cash And Equivalents	48.2	58.6	61.5	71.8
Total Debtors	120.6	91.5	103.2	108.8
Inventories	18.1	38.1	43.0	45.3
Total Other Current Assets	2.5	2.1	2.1	2.1
Total Current Assets	189.4	190.3	209.8	228.1
Fixed Assets	10.0	38.7	47.4	54.7
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	79.9	87.2
Short-term Debt	0.2	0.2	0.2	0.2
Current Portion of Long-Term Debt				
Total Creditors	78.3	89.7	96.2	99.3
Other Current Liabilities	1.8	1.8	1.8	1.8
Total Current Liabilities	80.3	91.7	98.2	101.3
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	101.8	104.9
Shareholders' Equity	119.1	131.0	145.7	160.8
Minority Interests	28.9	35.6	42.3	49.6
Total Equity	148.0	166.6	188.0	210.4

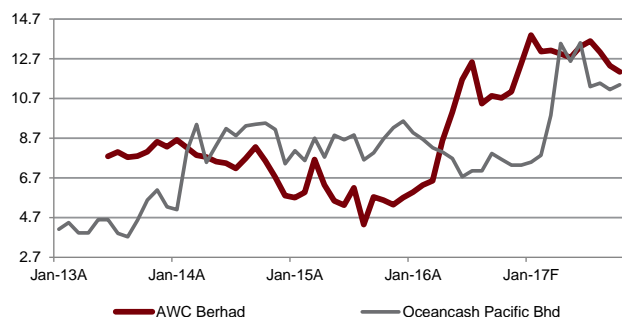
Cash Flow

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F
EBITDA	31.90	45.94	42.29	44.78
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(13.79)	20.53	(10.18)	(4.87)
(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)	(8.30)	(8.47)
Cashflow From Operations	11.61	58.24	23.81	31.44
Capex	(3.50)	(26.50)	(15.00)	(15.00)
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)	(15.00)	(15.00)
Debt Raised/(repaid)	(1.20)	0.00	0.00	0.00
Proceeds From Issue Of Shares				
Shares Repurchased				
Dividends Paid	(7.40)	(8.96)	(6.40)	(7.68)
Preferred Dividends				
Other Financing Cashflow	0.15	0.45	0.60	0.60
Cash Flow From Financing	(8.45)	(8.51)	(5.80)	(7.08)
Total Cash Generated	(0.34)	23.23	3.01	9.36
Free Cashflow To Equity	6.91	31.74	8.81	16.44
Free Cashflow To Firm	8.11	31.74	8.81	16.44

Key Ratios

	Jun-16A	Jun-17A	Jun-18F	Jun-19F
Revenue Growth	94.7%	18.8%	6.0%	5.4%
Operating EBITDA Growth	126%	44%	(8%)	6%
Operating EBITDA Margin	12.8%	15.5%	13.5%	13.5%
Net Cash Per Share (RM)	0.18	0.23	0.24	0.28
BVPS (RM)	0.47	0.51	0.57	0.63
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	21.4%	22.3%	23.0%	22.0%
Net Dividend Payout Ratio	26.9%	16.9%	21.7%	24.6%
Accounts Receivables Days	132.2	130.7	113.2	116.9
Inventory Days	38.31	48.77	67.46	70.67
Accounts Payables Days	64.11	77.40	89.05	93.28
ROIC (%)	45.9%	39.2%	32.9%	30.0%
ROCE (%)	22.6%	24.7%	20.2%	19.2%
Return On Average Assets	15.6%	16.0%	13.0%	12.6%

12-mth Fwd FD P/E (x)



Key Drivers

	Jun-16A	Jun-17A	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

SOURCE: CIMB RESEARCH, COMPANY DATA

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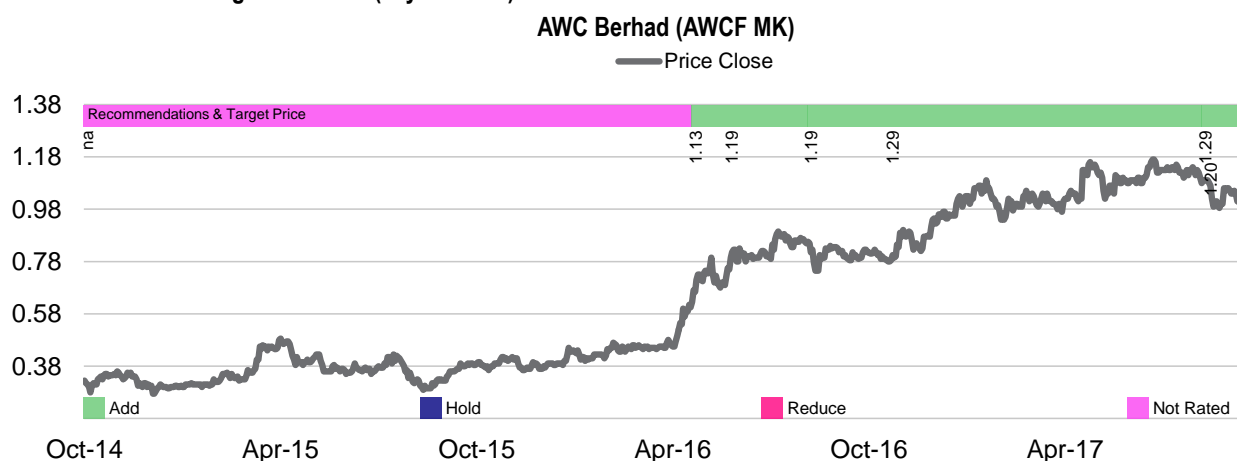
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1285 companies under coverage for quarter ended on 30 September 2017		
	Rating Distribution (%)	Investment Banking clients (%)
Add	53.5%	4.3%
Hold	35.9%	2.6%
Reduce	9.7%	0.2%

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 2016, Anti-Corruption 2016

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- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

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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.