Malaysia

ADD *(no change)*

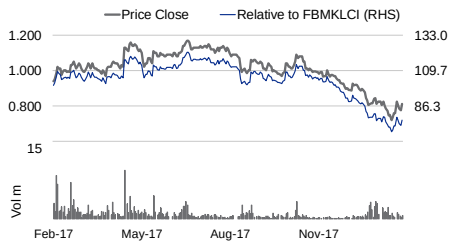
Consensus ratings*:	Buy 2	Hold 0	Sell 0

Current price:	RM0.81
Target price:	RM1.28
Previous target:	RM1.28
Up/downside:	57.7%
CGS-CIMB / Consensus:	0.6%
Reuters:	AWCF.KL
Bloomberg:	AWCF MK
Market cap:	US$55.64m
	RM217.9m
Average daily turnover:	US$0.14m
	RM0.56m
Current shares o/s:	256.0m
Free float:	62.1%

*Source: Bloomberg

Key changes in this note

No changes.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-0.6	-18.6	-13.8
Relative (%)	-1.9	-26.7	-23

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

AWC Berhad

Stronger 2HFY18 ahead

- Post AWC's 2QFY6/18 briefing, we are more positive on the prospects of its engineering and environment divisions and its potential venture into the rail business.
- Despite a stronger performance from facilities division, its 1HFY18 core net profit was flattish at RM8.8m (-0.2% yoy). This was due to weak results from other divisions.
- We expect AWC to record a stronger 2HFY18, driven by a pick-up in progress billings in both the engineering and environment divisions as well as better cost control.
- We are also positive on its potential plan to venture into the rail business segment. We believe it would likely to take the M&A route.
- No change to our Add call, as well as our SOP-based TP of RM1.28.

More positive after 2QFY18 results briefing

AWC's 2QFY6/18 results briefing was attended by around 15 analysts and fund managers. It was represented by its newly appointed CFO Mr. Richard Voon, who spoke in detail about: i) 1HFY18 results, ii) future prospects especially in engineering and environment divisions, and iii) potential venture into the rail business. We are more positive following the results briefing due to improved earnings prospects.

Lower revenue from engineering and environment divisions

1HFY18 revenue declined 5.7% yoy to RM134.6m due to lower contributions from environment and engineering divisions. This was mainly due to project delays in both the divisions. 1HFY18 EBITDA margin also waned to 11% (-3.4% pts yoy), following lower contributions from higher margin segments (environment and engineering). However, 1HFY18 core net profit was flat at RM8.8m (-0.2% yoy), as higher recognition from new facilities projects mitigated weaker contributions from the other two divisions in 1HFY18.

Facilities division led the way in 1HFY18

The facilities division recorded the highest PBT in 1HFY18 at RM 9.6m (+>100% yoy). This was mainly due to improved revenue contribution and better cost control. The facilities division's 1HFY18 revenue increased 10.4% yoy to RM75.5m, thanks to the commencement of four new projects in Putrajaya, as well as Capital Asset Refurbishment Programme (CARP). For CARP, we understand that AWC has recognised RM6m out of the RM140m contract (as of 2QFY18), with the remainder to be recognised up till 2025.

Stronger 2HFY18 ahead driven by faster progress billings

We are confident that AWC will record a stronger 2HFY18 ahead. This is driven by expectations of faster progress billings in 2HFY18, as we gathered that the group aims to overcome project delays in both environment and engineering divisions. Overall, outstanding orderbook stands at RM1.1bn, consisting of contracts in: facilities division (RM813.6m), engineering division (RM169.4m) and environment division (RM125.2m).

Potentially venturing into the rail segment

AWC highlighted its potential venture into the rail business, leveraging on its expertise in the facilities management segment and asset life cycle. In Jun 2017, AWC had appointed Mr. Mohan Kumar (formerly with UEMS Solutions Sdn Bhd) as the CEO of its rail division which it had set up in Mar 2017. We believe that AWC is likely to venture into this business unit via M&A activities. We are positive on this, as if it materialises, it would add a potential revenue stream to AWC and may provide synergies with existing divisions.

Maintain Add; TP unchanged at RM1.28

We make no changes to our earnings estimates. Our Add call and SOP-based RM1.28 TP remain unchanged. Moving forward, we expect AWC's share price to trend higher due to stronger earnings delivery in 2HFY18 and potential M&A activities. Downside risks are contract execution delays and slower-than-expected orderbook replenishment.

Financial Summary	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	249.3	296.1	313.9	331.0	355.5
Operating EBITDA (RMm)	31.90	45.94	42.29	44.78	47.67
Net Profit (RMm)	17.30	21.59	21.15	22.74	24.22
Core EPS (RM)	0.068	0.069	0.083	0.089	0.095
Core EPS Growth	89.8%	2.3%	19.6%	7.5%	6.5%
FD Core P/E (x)	11.99	11.72	9.80	9.12	8.56
DPS (RM)	0.025	0.020	0.025	0.030	0.035
Dividend Yield	3.09%	2.47%	3.09%	3.70%	4.32%
EV/EBITDA (x)	5.92	4.03	4.47	4.15	3.88
P/FCFE (x)	30.03	6.53	23.55	12.61	12.50
Net Gearing	(32.0%)	(34.6%)	(32.2%)	(33.7%)	(34.3%)
P/BV (x)	1.74	1.58	1.42	1.29	1.18
ROE	16.4%	14.1%	15.3%	14.8%	14.4%
CIMB/consensus EPS (x)			0.95	0.96	1.00

SOURCE: COMPANY DATA, CGS-CIMB FORECASTS

Analyst(s)

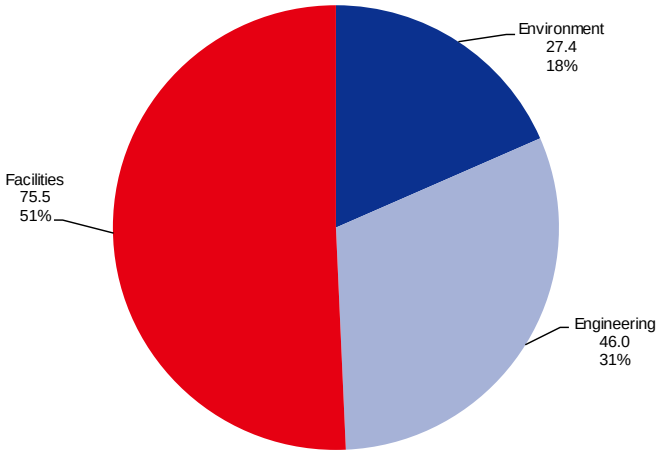


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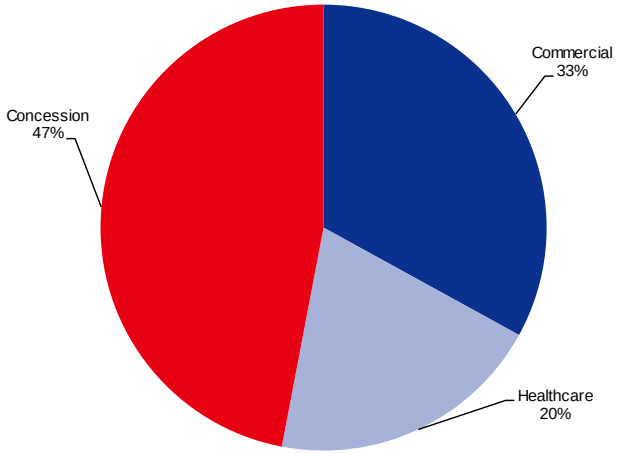
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Figure 1: 1HFY18 segmental revenue breakdown (RMm)



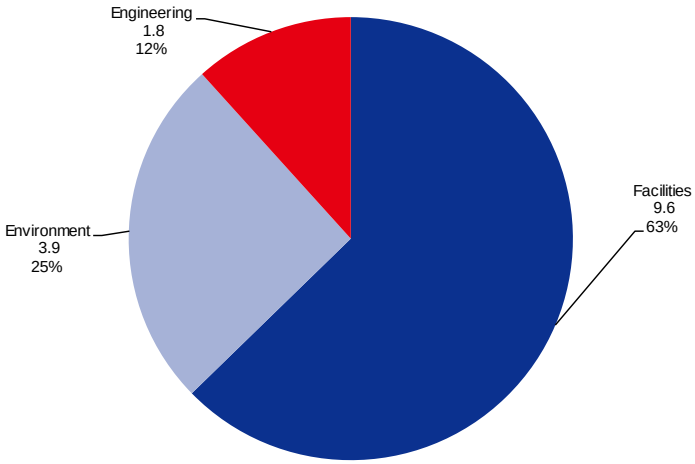
SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 2: 1HFY18 Facilities segment revenue breakdown



SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 3: 1HFY18 segmental profit before tax (RMm)



SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 4: SOP-based target price (CY19F)

Share capital (m)	256
CY19 EPS (sen)	9.2
Target P/E	11.2
Value of business (RM/share)	1.03
Net cash position (RM)	0.25
Target price (RM)	**1.28**

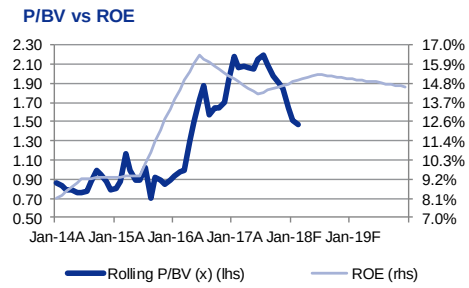
SOURCES: CIMB RESEARCH, COMPANY REPORTS

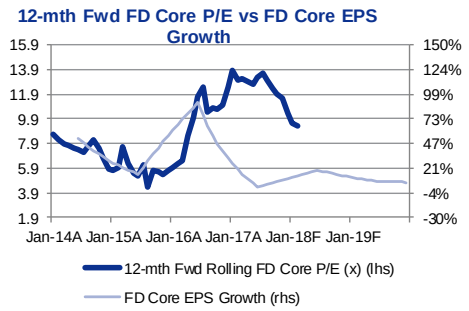
Figure 5: Sector comparison

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 (%)	
						CY18F	CY19F		CY18F	CY19F	CY18F	CY19F	CY18F	CY19F	CY18F	CY19F
Hartalega Holdings	HART MK	Hold	11.70	11.35	4,945	36.5	30.6	32.5%	9.39	8.25	26.9%	28.7%	26.4	22.0	1.5%	1.8%
Kossan Rubber Industries	KRI MK	Add	8.70	9.57	1,420	23.4	20.4	20.1%	4.36	3.94	19.2%	20.3%	14.3	12.4	2.1%	2.5%
Supermax Corp	SUCB MK	Hold	2.68	2.35	449	15.2	13.7	17.8%	1.50	1.39	9.9%	10.5%	10.5	9.7	2.0%	2.2%
Top Glove Corporation	TOPG MK	Add	9.92	10.00	3,181	27.1	22.2	19.1%	5.39	4.80	20.4%	22.8%	19.6	15.3	1.8%	2.2%
Karex Berhad	KAREX MK	Hold	1.12	1.44	287	31.2	21.8	3.7%	2.07	1.93	6.7%	9.2%	19.6	14.2	0.8%	1.1%
Riverstone Holdings	RSTON SP	Add	1.04	1.20	583	14.1	12.0	15.3%	3.06	2.62	23.4%	23.5%	10.1	8.5	2.8%	3.3%
AWC Berhad	AWCF MK	Add	0.81	1.28	56	9.4	8.8	10.8%	1.35	1.23	14.9%	14.6%	4.6	4.3	3.4%	4.0%
Daibochi Plastic & Packa	DPP MK	Reduce	2.37	2.02	198	22.2	20.3	21.8%	3.74	3.38	17.4%	17.5%	9.6	8.0	2.6%	2.7%
Wellcall Holdings	WELL MK	Hold	1.56	1.55	198	15.9	15.0	17.1%	6.11	5.24	40.9%	37.5%	11.2	10.3	3.9%	3.9%
Thong Guan Industries	TGI MK	Add	3.78	5.90	132	5.5	5.1	10.5%	0.88	0.78	16.9%	16.1%	4.6	3.9	3.0%	3.4%
Tomypak Holdings	TOMY MK	Reduce	0.98	0.74	105	14.7	13.8	22.8%	2.80	2.50	20.1%	19.2%	7.6	6.6	3.3%	3.3%
Oceancash Pacific Bhd	OCP MK	Add	0.58	0.93	33	10.1	8.6	14.4%	1.36	1.20	14.3%	14.9%	6.7	5.6	1.6%	1.7%
Weighted Average						**33.5**	**28.0**	**28.0%**	**7.5**	**6.7**	**26.3%**	**28.1%**	**23.5**	**19.4**	**2.1%**	**2.5%**

SOURCE: CIMB RESEARCH, COMPANY

BY THE NUMBERS





Profit & Loss

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	**249.3**	**296.1**	**313.9**	**331.0**	**355.5**
Gross Profit	**79.1**	**85.8**	**94.5**	**102.8**	**112.2**
Operating EBITDA	**31.9**	**45.9**	**42.3**	**44.8**	**47.7**
Depreciation And Amortisation	(1.8)	(6.5)	(6.5)	(6.6)	(6.7)
Operating EBIT	**30.1**	**39.5**	**35.8**	**38.2**	**41.0**
Financial Income/(Expense)	0.3	(0.4)	0.3	0.3	0.3
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)	**30.4**	**39.1**	**36.1**	**38.5**	**41.3**
Exceptional Items					
Pre-tax Profit	**30.4**	**39.1**	**36.1**	**38.5**	**41.3**
Taxation	(6.5)	(8.7)	(8.3)	(8.5)	(9.1)
Exceptional Income - post-tax					
Profit After Tax	**23.9**	**30.4**	**27.8**	**30.0**	**32.3**
Minority Interests	(6.6)	(8.8)	(6.6)	(7.3)	(8.0)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**17.3**	**21.6**	**21.2**	**22.7**	**24.2**
Recurring Net Profit	17.3	17.7	21.2	22.7	24.2
Fully Diluted Recurring Net Profit	**17.3**	**17.7**	**21.2**	**22.7**	**24.2**

Cash Flow

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	31.90	45.94	42.29	44.78	47.67
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(13.79)	20.53	(10.18)	(4.87)	(6.98)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	0.00	0.00	0.00	0.00	0.00
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	(6.50)	(8.23)	(8.30)	(8.47)	(9.10)
Cashflow From Operations	**11.61**	**58.24**	**23.81**	**31.44**	**31.59**
Capex	(3.50)	(26.50)	(15.00)	(15.00)	(15.00)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Investing	**(3.50)**	**(26.50)**	**(15.00)**	**(15.00)**	**(15.00)**
Debt Raised/(repaid)	(1.20)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(7.40)	(8.96)	(6.40)	(7.68)	(8.96)
Preferred Dividends					
Other Financing Cashflow	0.15	0.45	0.60	0.60	0.60
Cash Flow From Financing	**(8.45)**	**(8.51)**	**(5.80)**	**(7.08)**	**(8.36)**
Total Cash Generated	(0.34)	23.23	3.01	9.36	8.23
Free Cashflow To Equity	**6.91**	**31.74**	**8.81**	**16.44**	**16.59**
Free Cashflow To Firm	**8.11**	**31.74**	**8.81**	**16.44**	**16.59**

SOURCE: CGS-CIMB RESEARCH, COMPANY DATA

BY THE NUMBERS… cont'd

Balance Sheet

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	48.2	58.6	61.5	71.8	81.0
Total Debtors	120.6	91.5	103.2	108.8	116.9
Inventories	18.1	38.1	43.0	45.3	48.7
Total Other Current Assets	2.5	2.1	2.1	2.1	2.1
Total Current Assets	**189.4**	**190.3**	**209.8**	**228.1**	**248.6**
Fixed Assets	10.0	38.7	47.4	54.7	61.8
Total Investments	2.8	2.8	2.8	2.8	2.8
Intangible Assets	28.1	28.1	28.1	28.1	28.1
Total Other Non-Current Assets	1.6	1.6	1.6	1.6	1.6
Total Non-current Assets	**42.5**	**71.2**	**79.9**	**87.2**	**94.3**
Short-term Debt	0.2	0.2	0.2	0.2	0.2
Current Portion of Long-Term Debt					
Total Creditors	78.3	89.7	96.2	99.3	103.7
Other Current Liabilities	1.8	1.8	1.8	1.8	1.8
Total Current Liabilities	**80.3**	**91.7**	**98.2**	**101.3**	**105.7**
Total Long-term Debt	0.7	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	2.7
Total Non-current Liabilities	**3.4**	**3.4**	**3.4**	**3.4**	**3.4**
Total Provisions	0.2	0.2	0.2	0.2	0.2
Total Liabilities	**83.9**	**95.3**	**101.8**	**104.9**	**109.3**
Shareholders' Equity	119.1	131.0	145.7	160.8	176.0
Minority Interests	28.9	35.6	42.3	49.6	57.6
Total Equity	**148.0**	**166.6**	**188.0**	**210.4**	**233.7**

Key Ratios

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	94.7%	18.8%	6.0%	5.4%	7.4%
Operating EBITDA Growth	126%	44%	(8%)	6%	6%
Operating EBITDA Margin	12.8%	15.5%	13.5%	13.5%	13.4%
Net Cash Per Share (RM)	0.18	0.23	0.24	0.28	0.31
BVPS (RM)	0.47	0.51	0.57	0.63	0.69
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	21.4%	22.3%	23.0%	22.0%	22.0%
Net Dividend Payout Ratio	26.9%	16.9%	21.7%	24.6%	26.9%
Accounts Receivables Days	132.2	130.7	113.2	116.9	116.2
Inventory Days	38.31	48.77	67.46	70.67	70.73
Accounts Payables Days	64.11	77.40	89.05	93.28	93.37
ROIC (%)	45.9%	39.2%	32.9%	30.0%	29.4%
ROCE (%)	22.6%	24.7%	20.2%	19.2%	18.5%
Return On Average Assets	15.6%	16.0%	13.0%	12.6%	12.5%

Key Drivers

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
ASP (% chg, main prod./serv.)	6.5%	13.0%	0.0%	0.0%	0.0%
Unit sales grth (%, main prod./serv.)	52.1%	19.1%	7.0%	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: CGS-CIMB RESEARCH, COMPANY DATA

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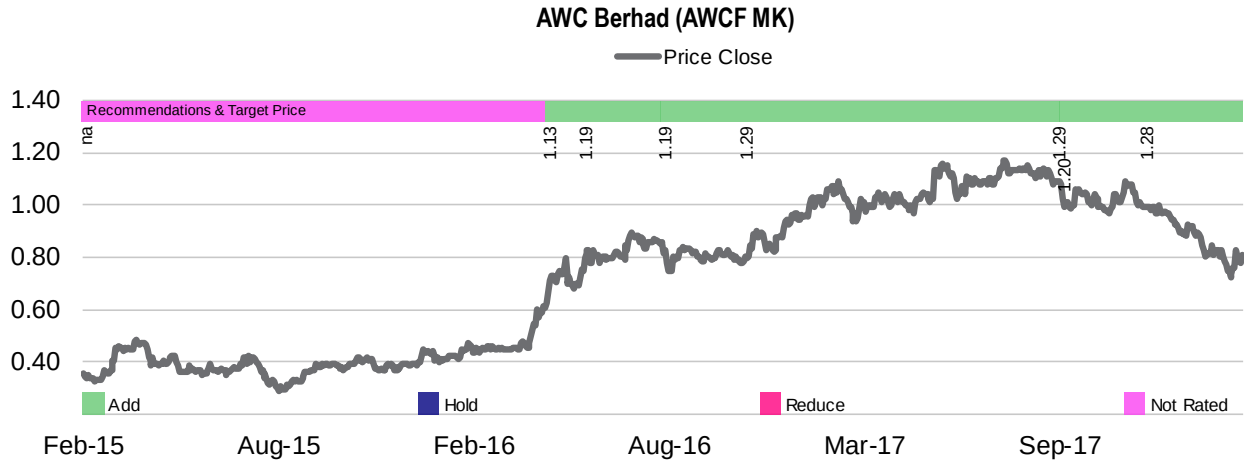
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Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

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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.

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