Malaysia

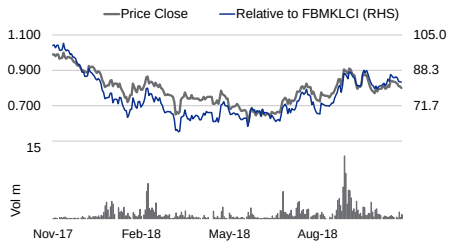
ADD *(no change)*

Consensus ratings*:	Buy 2	Hold 0	Sell 0
Current price:			RM0.80
Target price:	▶		RM1.26
Previous target:			RM1.26
Up/downside:			58.0%
CGS-CIMB / Consensus:			9.9%
Reuters:			AWCF.KL
Bloomberg:			AWCF MK
Market cap:			US$53.83m
			RM225.4m
Average daily turnover:			US$0.35m
			RM1.45m
Current shares o/s:			257.2m
Free float:			62.1%

Source: Bloomberg

Key changes in this note

- No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	1.9	2.6	-19.2
Relative (%)	1.8	9.6	-17.2

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

Analyst(s)



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AWC Berhad

1QFY19: Still going strong

- 1QFY6/19 net profit of RM6.1m in line at 21% of our and 23% of Bloomberg consensus full-year estimates; 1Q is a seasonally weaker quarter.
- 1QFY19 core net profit rose 49.4% yoy, on the back of: i) higher contribution from facilities division, and ii) lower depreciation charges.
- Maintain Add, with higher TP of RM1.26 (11.2x CY20F P/E).

1QFY6/19 core net profit rose 49.4% yoy: met expectations

1QFY6/19 revenue rose 3.5% yoy to RM68.5m, driven by higher contribution from the facilities division. 1QFY19 EBITDA margin waned to 14.2% (-0.7% pt yoy) owing to lower contribution from higher-margin segments (environment and engineering). 1QFY18 core net profit surged 49.4% yoy to RM4.1m, aided by a decrease in depreciation charges (-61.5% yoy) and lower tax rates (-1.0% pt yoy). Overall, 1QFY19 net profit was in line at 21% of our FY19 estimates. 1Q is typically a weaker quarter.

Facilities division still leading the way

The facilities division was the most profitable segment in 1QFY19, with PBT of RM5.6m (+14.7% yoy). This was mainly attributable to commencement of four new projects and its capital asset refurbishment programme (CARP). The environment division's 1QFY19 PBT declined 5.2% yoy to RM2.7m due to project delays. Meanwhile, the engineering division recorded 1QFY19 PBT of RM1.2m (>100% yoy) despite a 16.1% yoy decline in revenue, thanks to better cost control.

Contribution from TWS to commence in 2QFY19F

As its acquisition of a 60% stake in Trackwork & Supplies SB (TWS) was completed on 9 Oct, AWC will start consolidating TWS's earnings in 2QFY19F. Note that TWS has given AWC a profit guarantee -- minimum PAT of RM8m in FY9/18F and RM12m in FY9/19F (TWS has Sep FYE). Overall, we gather that AWC's orderbook remains healthy, at an estimated RM450m up to end-FY20F.

Proposed issuance of 1:5 free warrants to be completed in Dec

AWC recently proposed to issue 1 free warrant for every 5 existing shares. Assuming full exercise of all warrants, AWC's share base will grow 19.9% to 370.9m shares and it will raise up to RM51.3m (based on indicative exercise price of RM0.83/warrant). With a tenure of 5 years, the earliest the warrants can only be exercised into new AWC shares is three years from the date of issuance. The entitlement date will be fixed at a later date.

Maintain Add, with higher TP of RM1.26

We keep our FY19-21F EPS, Add call and TP of RM1.26 (11.2x CY20F P/E, a 10% discount to its bigger market cap peer UEM Edgenta's current P/E). We remain positive on AWC for its: i) defensive earnings, especially from facilities division, ii) undemanding valuation of 7.8x CY19F P/E, and iii) healthy balance sheet (1QFY19: net cash of RM23.4m). Higher contract wins by its environment division could re-rate the stock. Downside risks are contract execution delays and weaker orderbook replenishment.

Financial Summary	Jun-17A	Jun-18A	Jun-19F	Jun-20F	Jun-21F
Revenue (RMm)	296.1	304.0	372.6	404.5	446.4
Operating EBITDA (RMm)	45.49	34.72	53.37	59.84	64.77
Net Profit (RMm)	21.89	21.38	28.56	31.52	34.65
Core EPS (RM)	0.08	0.08	0.10	0.11	0.12
Core EPS Growth	14.1%	(0.7%)	27.3%	10.4%	9.9%
FD Core P/E (x)	10.37	10.45	8.21	7.44	6.77
DPS (RM)	0.010	0.005	0.010	0.010	0.010
Dividend Yield	1.25%	0.63%	1.25%	1.25%	1.25%
EV/EBITDA (x)	4.02	5.71	4.10	3.51	3.09
P/FCFE (x)	6.54	40.59	33.74	10.40	9.99
Net Gearing	(34.6%)	(32.4%)	(29.6%)	(32.9%)	(35.4%)
P/BV (x)	1.56	1.55	1.33	1.14	0.99
ROE	15.8%	14.9%	17.4%	16.5%	15.7%
CIMB/consensus EPS (x)			1.05	1.02	0.99

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

FYE Jun	1Q	1Q	yoy %	4Q	qoq %	Prev.	Comments
(RM m)	FY19	FY18	chg	FY18	chg	FY19F	
Revenue	68.5	66.2	*3.5*	94.2	*(27.3)*	372.6	1QFY19 revenue rose 3.5% yoy mainly due to higher contribution from facilities division
Operating costs	(58.8)	(56.4)	*4.3*	(88.4)	*(33.5)*	(319.2)	
EBITDA	9.7	9.8	*(1.2)*	5.8	*67.6*	53.4	
EBITDA margin (%)	14.2	14.8	*(0.7)*	6.1	*8.0*	14.3	FY18 EBITDA margins declined 3.5% pts yoy owing to lower contribution
Depn & amort.	(0.7)	(1.7)	*(61.5)*	(0.6)	*3.5*	(3.2)	from higher margin segments (environment and engineering)
EBIT	9.0	8.1	*11.6*	5.1	*75.5*	50.2	
Interest expense	(0.2)	(0.3)	*(26.7)*	(0.3)	*(37.5)*	-	
Interest & invt inc	0.3	0.2	*39.2*	1.3	*(75.3)*	1.4	Net cash of RM 23.4m as of 1QFY19
Associates' contrib	-	-	-	-	-	-	
Exceptionals	-	1.0	-	1.1	-	-	
Pretax profit	9.2	8.1	*13.6*	7.2	*27.2*	51.6	
Tax	(1.9)	(1.7)	*8.2*	(1.0)	*86.3*	(11.9)	
Tax rate (%)	20.4	21.4	*(1.0)*	13.9	*6.5*	23.0	Lower than statutory tax rate
Minority interests	(1.2)	(1.3)	*(4.3)*	(1.8)	*(32.3)*	(11.1)	
Net profit	**6.1**	**5.1**	*19.9*	**4.4**	*38.0*	**28.6**	
Core net profit	**6.1**	**4.1**	*49.4*	**3.3**	*84.3*	**28.6**	**Within expectations, at 21% of our FY19 estimates**
EPS (sen)	2.3	1.9	*23.8*	1.6	*42.5*	10.4	
Core EPS (sen)	2.3	1.5	*49.4*	1.2	*84.3*	10.4	Based on 267.6m outstanding shares

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Segmental revenue and profit before tax

Segmental revenue

FYE Dec	1Q	1Q	4Q	qoq %	yoy %	Comments
(RM m)	FY19	FY18	FY18	chg	chg	
Facilities	42.1	35.5	60.9	(30.9)	18.5	Commencement of new projects and CARP lead to a 18.5% yoy increase in 1QFY19
Environment	15.0	15.1	16.8	(10.7)	(0.9)	
Engineering	18.1	21.6	28.7	(36.7)	(16.1)	Project delays especially in the plumbing segment
Others	-	(14.3)	6.6	-	-	
Elimination	-	35.1	(18.8)	-	-	
Total Revenue	**68.5**	**66.2**	**94.2**	**(27.3)**	**3.5**	

Segmental profit before tax

FYE Dec	1Q	1Q	4Q	qoq %	yoy %	Comments
(RM m)	FY19	FY18	FY18	chg	chg	
Facilities	5.6	4.9	4.9	14.6	14.7	Better economies of scale, from increase in projects undertaken
Environment	2.7	2.9	4.1	(32.5)	(5.2)	
Engineering	1.2	0.1	(0.6)	>100	>100	Better cost management
Others	(0.4)	0.2	1.7	(>100)	(>100)	
Elimination	-	-	(2.8)	-	-	
Total PBT	**9.2**	**8.1**	**7.2**	**27.3**	**13.6**	

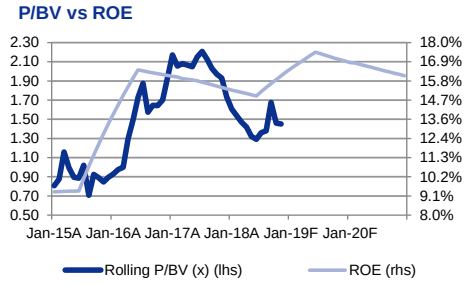
SOURCES: CGS-CIMB, COMPANY REPORTS

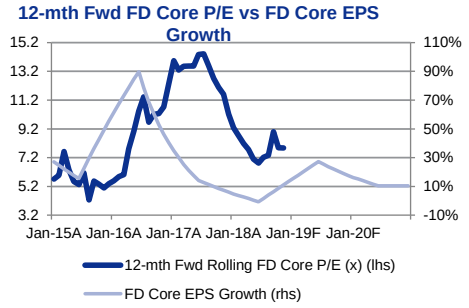
Figure 3: Valuation

Share capital (m)	293.1
CY20 EPS (sen)	11.3
Target P/E	11.2
Target price (RM)	**1.26**

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS





Profit & Loss

(RMm)	Jun-17A	Jun-18A	Jun-19F	Jun-20F	Jun-21F
Total Net Revenues	**296.1**	**304.0**	**372.6**	**404.5**	**446.4**
Gross Profit	**85.4**	**81.8**	**105.6**	**117.3**	**128.3**
Operating EBITDA	**45.5**	**34.7**	**53.4**	**59.8**	**64.8**
Depreciation And Amortisation	(6.5)	(2.6)	(3.2)	(3.5)	(3.5)
Operating EBIT	**39.0**	**32.1**	**50.2**	**56.4**	**61.3**
Financial Income/(Expense)	0.4	1.4	1.4	1.1	1.1
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)	**39.4**	**33.4**	**51.6**	**57.5**	**62.4**
Exceptional Items					
Pre-tax Profit	**39.4**	**33.4**	**51.6**	**57.5**	**62.4**
Taxation	(8.7)	(7.0)	(11.9)	(13.2)	(14.3)
Exceptional Income - post-tax					
Profit After Tax	**30.7**	**26.5**	**39.7**	**44.2**	**48.0**
Minority Interests	(8.8)	(5.1)	(11.1)	(12.7)	(13.4)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	**21.9**	**21.4**	**28.6**	**31.5**	**34.6**
Recurring Net Profit	19.7	21.0	28.6	31.5	34.6
Fully Diluted Recurring Net Profit	**19.7**	**21.0**	**28.6**	**31.5**	**34.6**

Cash Flow

(RMm)	Jun-17A	Jun-18A	Jun-19F	Jun-20F	Jun-21F
EBITDA	45.49	34.72	53.37	59.84	64.77
Cash Flow from Invt. & Assoc.					
Change In Working Capital	20.53	(7.34)	(19.56)	(9.07)	(11.97)
(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	(8.23)	(6.96)	(11.86)	(13.22)	(14.34)
Cashflow From Operations	**57.79**	**20.41**	**21.95**	**37.55**	**38.46**
Capex	(26.50)	(15.00)	(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	**(26.50)**	**(15.00)**	**(15.00)**	**(15.00)**	**(15.00)**
Debt Raised/(repaid)	0.00	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(8.96)	(1.47)	(2.93)	(2.93)	(2.93)
Preferred Dividends					
Other Financing Cashflow	0.45	0.60	0.60	0.60	0.60
Cash Flow From Financing	**(8.51)**	**(0.87)**	**(2.33)**	**(2.33)**	**(2.33)**
Total Cash Generated	22.78	4.55	4.62	20.21	21.13
Free Cashflow To Equity	**31.29**	**5.41**	**6.95**	**22.55**	**23.46**
Free Cashflow To Firm	**31.29**	**5.41**	**6.95**	**22.55**	**23.46**

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS… cont'd

Balance Sheet

(RMm)	Jun-17A	Jun-18A	Jun-19F	Jun-20F	Jun-21F
Total Cash And Equivalents	58.6	63.1	68.6	89.7	111.8
Total Debtors	91.5	99.9	122.5	133.0	146.8
Inventories	38.1	41.6	51.0	55.4	61.2
Total Other Current Assets	2.1	2.1	2.1	2.1	2.1
Total Current Assets	**190.3**	**206.7**	**244.2**	**280.2**	**321.8**
Fixed Assets	38.7	52.4	64.2	75.7	87.2
Total Investments	2.8	2.8	2.8	2.8	0.8
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	**71.2**	**84.9**	**96.7**	**108.2**	**117.7**
Short-term Debt	0.2	0.2	0.2	0.2	0.2
Current Portion of Long-Term Debt					
Total Creditors	89.7	94.4	106.8	112.5	120.1
Other Current Liabilities	1.8	1.8	1.8	1.8	1.8
Total Current Liabilities	**91.7**	**96.4**	**108.8**	**114.6**	**122.2**
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	**95.3**	**100.0**	**112.4**	**118.1**	**125.7**
Shareholders' Equity	131.0	150.9	176.5	205.1	236.8
Minority Interests	35.6	40.7	51.9	64.6	76.8
Total Equity	**166.6**	**191.6**	**228.4**	**269.7**	**313.6**

Key Ratios

	Jun-17A	Jun-18A	Jun-19F	Jun-20F	Jun-21F
Revenue Growth	18.8%	2.6%	22.6%	8.5%	10.4%
Operating EBITDA Growth	42.6%	(23.7%)	53.7%	12.1%	8.2%
Operating EBITDA Margin	15.4%	11.4%	14.3%	14.8%	14.5%
Net Cash Per Share (RM)	0.23	0.21	0.23	0.30	0.38
BVPS (RM)	0.51	0.51	0.60	0.70	0.81
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	22.1%	20.8%	23.0%	23.0%	23.0%
Net Dividend Payout Ratio	8.37%	5.17%	7.25%	6.55%	5.98%
Accounts Receivables Days	130.7	114.9	108.9	115.6	114.4
Inventory Days	48.67	65.52	63.34	67.83	66.86
Accounts Payables Days	77.24	86.48	83.61	89.54	88.26
ROIC (%)	38.7%	29.6%	38.8%	35.0%	33.7%
ROCE (%)	24.9%	18.6%	24.4%	23.0%	21.3%
Return On Average Assets	15.8%	11.6%	15.9%	15.5%	14.8%

Key Drivers

	Jun-17A	Jun-18A	Jun-19F	Jun-20F	Jun-21F
ASP (% chg, main prod./serv.)	13.0%	0.0%	0.0%	0.0%	0.0%
Unit sales grth (%, main prod./serv.)	19.1%	7.0%	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

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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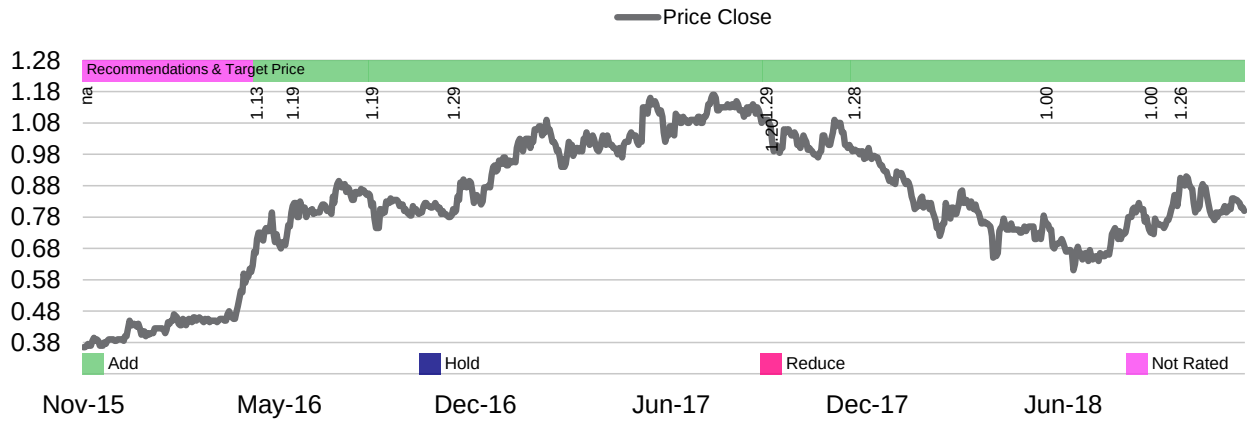
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Add	60.5%	4.2%
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Reduce	13.7%	0.4%

Spitzer Chart for stock being researched (2 year data)

AWC Berhad (AWCF MK)



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

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

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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.
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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.

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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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