

Company Note

Malaysia

ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price: RM0.85
Target price:  RM1.19
Previous target: RM1.19
Up/downside: 39.8%
CIMB / Consensus: 5.2%

Reuters: AWC.F.KL
Bloomberg: AWC.F.MK
Market cap: US\$54.63m
RM220.1m

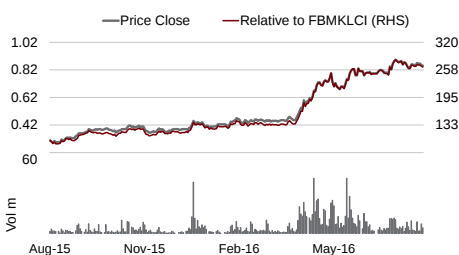
Average daily turnover: US\$1.63m
RM6.62m

Current shares o/s: 256.0m
Free float: 66.0%

* Source: Bloomberg

Key changes in this note

- ▶ Tweaked FY17-18 EPS forecasts for housekeeping.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-1.7	15.6	161.5
Relative (%)	-3.7	11.8	154.1

Major shareholders	% held
Dato' Ahmad Kabeer	34.0

Analyst(s)



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AWC Berhad

Smashing end to the year

- AWC's full-year net profit of RM17.2m smashed our RM15.1m estimate.
- All divisions contributed to the outperformance, in particular STREAM.
- Final DPS of 1 sen declared, bringing full-year DPS to 2.5 sen, above our estimate.
- Contract wins for STREAM and plumbing are potential re-rating catalysts.
- Maintain Add with an unchanged SOP-based target price. Key risks to the achievement of our target price include project execution and delays.

Strong finish in 4Q

4QFY06/16 net profit of RM6.5m (+12% qoq) brought full-year net profit to RM17.2m (US\$4.3m), 15% ahead of our estimate. All divisions delivered stellar performances. FY16 revenue came in 13% ahead of our forecast. The star performers were the environmental (STREAM) and facilities. Revenue was quite evenly split in 3Q between Facilities (45%), Engineering (33%) and Environment (30%). At the pretax profit level, Environment contributed 56%, followed by Facilities and Engineering (22% each).

STREAM and facilities outperformed

Both divisions saw pre-tax profit more than doubling on a yoy basis. Facilities benefited from the commencement of the Shah Alam hospital in 4Q as well as the commencement of the new concession rates. STREAM's revenues doubled yoy as progress billing accelerated in Malaysia, Singapore and the Middle East.

Final dividend of 1 sen declared

AWC declared a 1 sen final dividend in 4Q, bringing full-year DPS to 2.5 sen, i.e. above our 2 sen estimate. We raise our DPS estimates by 0.5 sen/share in FY17 and FY18. The stock now yields 4.1-4.7% in FY17-18. AWC's net cash position stood at 18 sen as at end-June 16, with little to no borrowings.

What is the next catalyst?

AWC has an estimated outstanding orderbook of c.RM500m up till FY18: 1) Facilities (RM260m), 2) STREAM (RM100m), 3) M&E/HVAC (RM60m) and 4) Plumbing (RM80m). We believe that contract wins in STREAM and Plumbing, given their high-margins, could be re-rating catalysts, as they would sustain earnings visibility in FY17-18. Given the slew of high-rise office buildings coming up in the Klang Valley, we believe that private sector facilities maintenance contracts are also in the pipeline.

Add maintained

We maintain our Add rating with an unchanged SOP-based target price of RM1.19, after tweaking our forecasts for housekeeping. The stock is attractively valued at 10.4x FY17F P/E and FY17F ex-cash P/E of 7.7x. 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.

Financial Summary	Jun-15A	Jun-16A	Jun-17F	Jun-18F	Jun-19F
Revenue (RMm)	128.0	249.3	278.2	294.8	305.8
Operating EBITDA (RMm)	14.15	31.90	37.09	41.20	43.75
Net Profit (RMm)	8.03	17.30	20.84	23.35	24.27
Core EPS (RM)	0.036	0.072	0.081	0.091	0.095
Core EPS Growth	15%	102%	13%	12%	4%
FD Core P/E (x)	23.87	11.83	10.44	9.32	8.96
DPS (RM)	-	0.025	0.035	0.040	0.045
Dividend Yield	0.00%	2.94%	4.12%	4.71%	5.29%
EV/EBITDA (x)	11.70	5.84	5.27	4.54	4.02
P/FCFE (x)	12.04	29.62	9.51	8.45	7.47
Net Gearing	(43.9%)	(32.0%)	(34.6%)	(39.4%)	(44.4%)
P/BV (x)	2.09	1.83	1.66	1.51	1.38
ROE	9.4%	16.4%	16.7%	17.0%	16.1%
% Change In Core EPS Estimates			(0.013%)	(0.012%)	
CIMB/consensus EPS (x)			1.00	1.00	

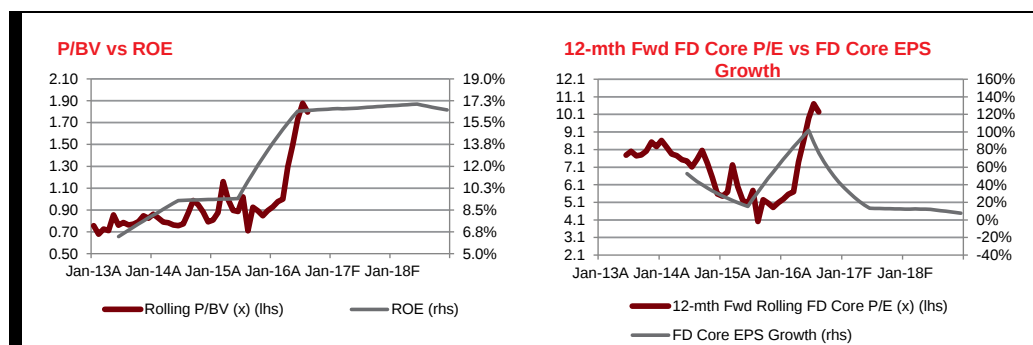
SOURCE: COMPANY DATA, CIMB FORECASTS

Figure 1: Results comparison

FYE Jun (RM m)	4QFY16	4QFY15	yoy %	3QFY16	qoq%	4QFY16	4QFY15	Prev.	Comments
			chg		chg	Cum	Cum	FY16F	
Revenue	76.0	33.7	125.5	75.3	0.9	249.3	128.0	221.0	Concession rate increase, Shah Alam hospital and STREAM progress billings
Cost of sales	(63.1)	(31.5)	100.3	(68.9)	(8.4)	(217.5)	(114.1)	(192.0)	
EBITDA	12.9	2.2	486.4	6.4	101.6	31.8	13.9	29.0	
EBITDA margin (%)	17.0	6.5		8.5	99.7	12.8	10.9	13.1	
Depreciation	(0.7)	(0.4)	75.0	(0.7)	0.0	(1.8)	(1.1)	(1.6)	
EBIT	12.2	1.8	577.8	5.7	114.0	30.0	12.8	27.4	
Net interest expense	0.0	0.4	(100.0)	0.0	#DIV/0!	0.3	0.0	0.1	
Pretax profit	12.2	2.2	454.5	5.4	125.9	30.3	12.8	27.5	
Tax	(2.6)	0.0	#DIV/0!	(1.8)	44.4	(6.5)	(1.1)	(6.3)	
Tax rate (%)	21.3	0.0		33.3	(36.1)	21.5	8.6	22.9	
Minority interests	(3.1)	(0.1)		(1.3)		(6.6)	(3.6)	(6.1)	
Net profit	6.5	2.1	209.5	5.8	12.1	17.2	8.1	15.1	
Core net profit	6.5	2.1	209.5	5.8		17.2	8.1	15.1	Above expectations at 115% of full-year forecast
EPS (sen)	2.5	0.8	209.5	2.3		6.7	3.2	8.2	
Core EPS (sen)	2.5	0.8	209.5	2.3		6.7	3.2	8.2	

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Jun-15A	Jun-16A	Jun-17F	Jun-18F	Jun-19F
Total Net Revenues	128.0	249.3	278.2	294.8	305.8
Gross Profit	40.9	79.1	78.8	87.2	94.5
Operating EBITDA	14.1	31.9	37.1	41.2	43.8
Depreciation And Amortisation	(1.5)	(1.8)	(1.7)	(1.8)	(1.9)
Operating EBIT	12.7	30.1	35.4	39.4	41.9
Financial Income/(Expense)	0.1	0.3	0.4	0.5	0.5
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)	12.8	30.4	35.8	39.9	42.4
Exceptional Items					
Pre-tax Profit	12.8	30.4	35.8	39.9	42.4
Taxation	(1.1)	(6.5)	(8.2)	(9.2)	(10.0)
Exceptional Income - post-tax					
Profit After Tax	11.7	23.9	27.6	30.8	32.4
Minority Interests	(3.6)	(6.6)	(6.7)	(7.4)	(8.1)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	8.0	17.3	20.8	23.4	24.3
Recurring Net Profit	8.0	17.3	20.8	23.4	24.3
Fully Diluted Recurring Net Profit	8.0	17.3	20.8	23.4	24.3

Cash Flow

(RMm)	Jun-15A	Jun-16A	Jun-17F	Jun-18F	Jun-19F
EBITDA	14.15	31.90	37.09	41.20	43.75
Cash Flow from Inv. & Assoc.					
Change In Working Capital	5.83	-13.79	20.53	-4.75	-3.13
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	-2.40	0.00	0.00	0.00	0.00
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00	0.00
Tax Paid	-2.59	-6.50	-8.23	-9.19	-9.98
Cashflow From Operations	14.99	11.61	49.39	27.26	30.64
Capex	-1.46	-3.50	-26.50	-1.50	-1.50
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	3.24	0.00	0.00	0.00	0.00
Cash Flow From Investing	1.78	-3.50	-26.50	-1.50	-1.50
Debt Raised/(repaid)	-0.86	-1.20	0.00	0.00	0.00
Proceeds From Issue Of Shares					
Shares Repurchased	0.00				
Dividends Paid	-7.35	-7.40	-8.96	-10.24	-11.52
Preferred Dividends					
Other Financing Cashflow	0.00	0.15	0.45	0.60	0.60
Cash Flow From Financing	-8.21	-8.45	-8.51	-9.64	-10.92
Total Cash Generated	8.57	-0.34	14.38	16.12	18.22
Free Cashflow To Equity	15.92	6.91	22.89	25.76	29.14
Free Cashflow To Firm	16.77	8.11	22.89	25.76	29.14

BY THE NUMBERS

Balance Sheet

(RMm)	Jun-15A	Jun-16A	Jun-17F	Jun-18F	Jun-19F
Total Cash And Equivalents	53.6	48.2	58.6	74.6	93.8
Total Debtors	59.5	120.6	91.5	96.9	100.5
Inventories	17.5	18.1	38.1	40.4	41.9
Total Other Current Assets	2.5	2.5	2.5	2.6	2.6
Total Current Assets	133.1	189.4	190.7	214.5	238.8
Fixed Assets	8.2	10.0	38.7	38.4	38.0
Total Investments	2.8	2.8	2.8	2.8	2.8
Intangible Assets	5.9	28.1	28.1	28.1	28.1
Total Other Non-Current Assets	3.0	1.6	1.6	1.6	1.6
Total Non-current Assets	19.9	42.5	71.2	70.9	70.5
Short-term Debt	1.8	0.2	0.2	0.2	0.2
Current Portion of Long-Term Debt					
Total Creditors	30.4	78.3	89.7	92.7	94.7
Other Current Liabilities	0.6	1.8	1.8	1.8	1.8
Total Current Liabilities	32.8	80.3	91.7	94.8	96.7
Total Long-term Debt	0.3	0.7	0.7	0.7	0.7
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	2.5	2.7	2.7	2.7	2.7
Total Non-current Liabilities	2.8	3.4	3.4	3.4	3.4
Total Provisions	0.4	0.2	0.2	0.2	0.2
Total Liabilities	36.0	83.9	95.3	98.3	100.3
Shareholders' Equity	91.6	119.1	131.0	144.1	157.8
Minority Interests	25.4	28.9	35.6	43.0	51.2
Total Equity	117.0	148.0	166.6	187.1	209.0

Key Ratios

	Jun-15A	Jun-16A	Jun-17F	Jun-18F	Jun-19F
Revenue Growth	7.1%	94.7%	11.6%	6.0%	3.7%
Operating EBITDA Growth	(5%)	126%	16%	11%	6%
Operating EBITDA Margin	11.0%	12.8%	13.3%	14.0%	14.3%
Net Cash Per Share (RM)	0.23	0.18	0.23	0.29	0.36
BVPS (RM)	0.41	0.47	0.51	0.56	0.62
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	8.7%	21.4%	23.0%	23.0%	23.5%
Net Dividend Payout Ratio	NA	26.9%	30.8%	31.5%	33.6%
Accounts Receivables Days	190.3	132.2	139.1	116.6	117.8
Inventory Days	60.56	38.31	51.44	68.99	71.06
Accounts Payables Days	89.65	64.11	81.64	91.07	93.79
ROIC (%)	18.9%	45.9%	35.1%	36.2%	36.9%
ROCE (%)	11.1%	22.6%	22.6%	22.5%	21.3%
Return On Average Assets	8.4%	15.6%	14.3%	14.4%	14.1%

Key Drivers

	Jun-15A	Jun-16A	Jun-17F	Jun-18F	Jun-19F
ASP (% chg, main prod./serv.)	0.0%	6.5%	13.0%	0.0%	0.0%
Unit sales grth (% , main prod./serv.)	7.1%	52.1%	19.1%	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: CIMB RESEARCH, COMPANY DATA

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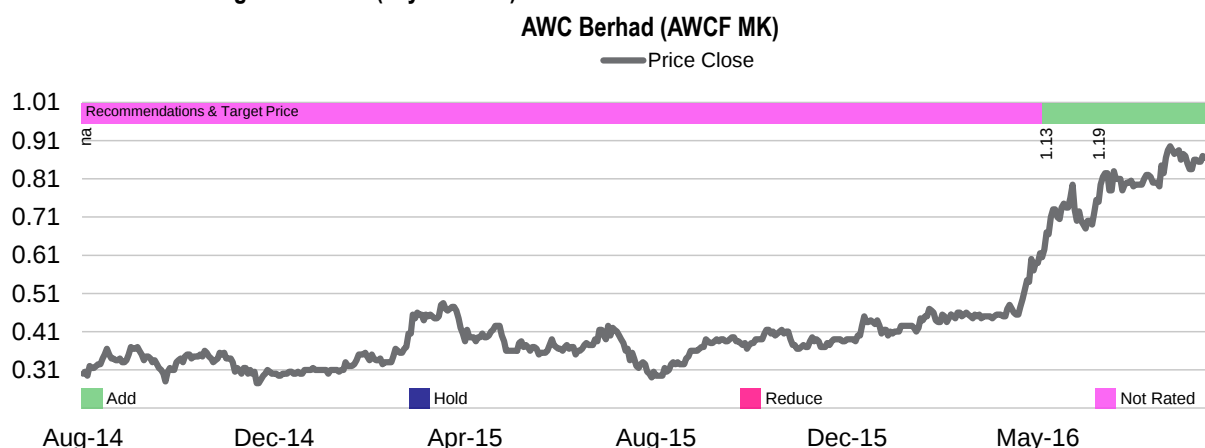
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2016		
1574 companies under coverage for quarter ended on 30 June 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	56.5%	7.1%
Hold	32.2%	2.9%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

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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

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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.