Company Flash Note

Malaysia

May 31, 2016 - 7:44 AM

ADD *(no change)*

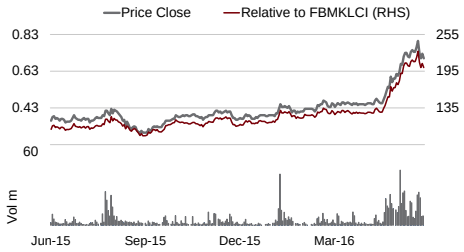
Consensus ratings*: Buy 1 Hold 0 Sell 0

Current price:	RM0.70
Target price:	RM1.13
Previous target:	RM1.13
Up/downside:	60.9%
CIMB / Consensus:	-0.3%
Reuters:	AWCF.KL
Bloomberg:	AWCF MK
Market cap:	US$43.58m
	RM179.4m
Average daily turnover:	US$1.33m
	RM5.32m
Current shares o/s	256.0m
Free float:	66.0%

* Source: Bloomberg

Key financial forecasts

	Jun-16F	Jun-17F	Jun-18F
Net Profit (RMm)	15.05	19.34	21.56
Core EPS (RM)	0.063	0.076	0.084
Core EPS Growth	75.6%	20.8%	11.5%
FD Core P/E (x)	11.19	9.27	8.31
Recurring ROE	15.6%	17.9%	17.8%
P/BV (x)	1.77	1.57	1.40
DPS (RM)	0.020	0.025	0.030
Dividend Yield	2.86%	3.57%	4.29%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	18.6	60.9	94.4
Relative (%)	21.2	62.4	101.1

Major shareholders	% held
Dato' Ahmad Kabeer	34.0

Analyst(s)

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AWC Berhad

Plumbing TRX

- AWC wins RM18.15m plumbing contract in TRX.
- This is a positive surprise and improves AWC's earnings visibility in FY06/17-18.
- Maintain EPS forecasts and Add rating, with an unchanged SOP-based target price. Potential catalysts are special dividends and more contract wins.

QDT wins plumbing works for Signature Tower, TRX

- AWC's plumbing subsidiary, QDT, was awarded an RM18.15m (US$4.4m) plumbing contract for Signature Tower at the Tun Razak Exchange (TRX). Signature Tower is being developed by the Mulia Group of Indonesia and will be TRX's tallest building. The building is a Prime Grade A office tower comprising a 92-storey office tower with a five-storey office annex.

A positive surprise

- This is a positive surprise to us and improves AWC's earnings visibility in FY17-18. The 28-month contract will commence immediately, with a targeted completion date of 15 Sep 2018. We had assumed RM20m in contract wins for QDT in FY06/17 in our EPS forecasts. This win means that 90% of our contract win estimate has been fulfilled. As the job commences immediately, there is scope for upside surprises to earnings in FY17 if QDT wins more jobs.

Firing on all cylinders

- We view the recent pullback in AWC's share price as an excellent buying opportunity. The strong 3Q16 results, special dividends and the high-profile TRX contract win for Signature Tower are expected to boost AWC's execution credibility in the eyes of investors. AWC also recently secured a 3-year RM7m maintenance contract for Menara Felda.

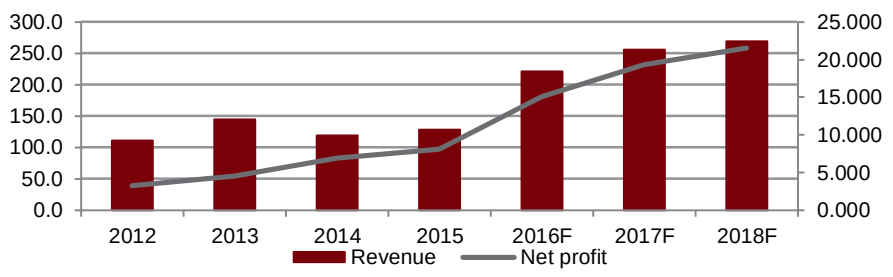
QDT and STREAM are high-margin businesses

- Apart from the concession business, QDT and STREAM are highly profitable businesses for AWC given the niche markets they operate in respectively. We estimate QDT's pretax margins to be 15% and STREAM's 22%. AWC has an estimated tenderbook of c.RM400m (US$98m) across the various divisions: 1) facilities (RM120m), 2) STREAM (RM90m), 3) M&E/HVAC (RM150M), and 4) plumbing (RM30m).

Still cheap at 9.3x FY17 P/E; 4.7x ex-cash P/E

- We maintain our Add rating on AWC with an unchanged SOP-based target price of RM1.13. The stock is attractively valued at 9.3x FY17 P/E and FY17F ex-cash P/E of 4.7x. Key risks to the achievement of our target price include project execution and delays.

Figure 1: Net profit to take off from FY16 (RM m)



SOURCES: CIMB, COMPANY REPORTS

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Profit & Loss

(RMm)	Jun-15A	Jun-16F	Jun-17F	Jun-18F
Total Net Revenues	**128.0**	**221.0**	**256.5**	**268.8**
Gross Profit	**40.9**	**66.8**	**76.8**	**84.9**
Operating EBITDA	**14.1**	**29.0**	**35.1**	**38.9**
Depreciation And Amortisation	(1.5)	(1.6)	(1.7)	(1.8)
Operating EBIT	**12.7**	**27.4**	**33.4**	**37.1**
Financial Income/(Expense)	0.1	0.2	0.4	0.5
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)	**12.8**	**27.5**	**33.9**	**37.6**
Exceptional Items				
Pre-tax Profit	**12.8**	**27.5**	**33.9**	**37.6**
Taxation	(1.1)	(6.3)	(7.8)	(8.7)
Exceptional Income - post-tax				
Profit After Tax	**11.7**	**21.2**	**26.1**	**29.0**
Minority Interests	(3.6)	(6.1)	(6.7)	(7.4)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**8.0**	**15.1**	**19.3**	**21.6**
Recurring Net Profit	8.0	15.1	19.3	21.6
Fully Diluted Recurring Net Profit	**8.0**	**15.1**	**19.3**	**21.6**

Balance Sheet

(RMm)	Jun-15A	Jun-16F	Jun-17F	Jun-18F
Total Cash And Equivalents	53.6	60.5	70.3	88.4
Total Debtors	59.5	72.7	84.3	88.4
Inventories	17.5	30.3	35.1	36.8
Total Other Current Assets	2.5	2.5	2.5	2.5
Total Current Assets	**133.1**	**165.9**	**192.2**	**216.0**
Fixed Assets	8.2	9.1	8.9	8.6
Total Investments	2.8	2.8	2.8	2.8
Intangible Assets	5.9	5.9	5.9	5.9
Total Other Non-Current Assets	3.0	3.0	3.0	3.0
Total Non-current Assets	**19.9**	**20.8**	**20.6**	**20.3**
Short-term Debt	1.8	0.3	0.3	0.3
Current Portion of Long-Term Debt				
Total Creditors	30.4	49.7	56.1	58.3
Other Current Liabilities	0.6	0.6	0.6	0.6
Total Current Liabilities	**32.8**	**50.5**	**57.0**	**59.2**
Total Long-term Debt	0.3	0.3	0.3	0.3
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	2.5	2.5	2.5	2.5
Total Non-current Liabilities	**2.8**	**2.8**	**2.8**	**2.8**
Total Provisions	0.4	0.4	0.4	0.4
Total Liabilities	**36.0**	**53.8**	**60.2**	**62.4**
Shareholders' Equity	91.6	101.5	114.5	128.3
Minority Interests	25.4	31.5	38.2	45.6
Total Equity	**117.0**	**133.0**	**152.7**	**174.0**

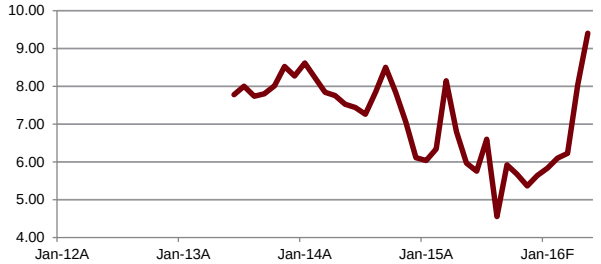
Cash Flow

(RMm)	Jun-15A	Jun-16F	Jun-17F	Jun-18F
EBITDA	14.15	28.95	35.15	38.87
Cash Flow from Invt. & Assoc.				
Change In Working Capital	5.83	-6.67	-10.11	-3.51
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	-2.40	0.00	0.00	0.00
Net Interest (Paid)/Received	0.00	0.00	0.00	0.00
Tax Paid	-2.59	-6.33	-7.79	-8.65
Cashflow From Operations	**14.99**	**15.96**	**17.25**	**26.71**
Capex	-1.46	-2.50	-1.50	-1.50
Disposals Of FAs/subsidiaries				
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	3.24	0.00	0.00	0.00
Cash Flow From Investing	**1.78**	**-2.50**	**-1.50**	**-1.50**
Debt Raised/(repaid)	-0.86	-1.51	0.00	0.00
Proceeds From Issue Of Shares				
Shares Repurchased	0.00			
Dividends Paid	-7.35	-5.12	-6.40	-7.68
Preferred Dividends				
Other Financing Cashflow	0.00	0.15	0.45	0.60
Cash Flow From Financing	**-8.21**	**-6.48**	**-5.95**	**-7.08**
Total Cash Generated	8.57	6.98	9.80	18.13
Free Cashflow To Equity	**15.92**	**11.95**	**15.75**	**25.21**
Free Cashflow To Firm	**16.77**	**13.46**	**15.75**	**25.21**

Key Ratios

	Jun-15A	Jun-16F	Jun-17F	Jun-18F
Revenue Growth	7.1%	72.7%	16.1%	4.8%
Operating EBITDA Growth	(5%)	105%	21%	11%
Operating EBITDA Margin	11.0%	13.1%	13.7%	14.5%
Net Cash Per Share (RM)	0.23	0.23	0.27	0.34
BVPS (RM)	0.41	0.40	0.45	0.50
Gross Interest Cover	N/A	N/A	N/A	N/A
Effective Tax Rate	8.7%	23.0%	23.0%	23.0%
Net Dividend Payout Ratio	NA	24.0%	23.6%	25.4%
Accounts Receivables Days	190.3	109.4	111.7	117.2
Inventory Days	60.56	56.71	66.45	71.39
Accounts Payables Days	89.65	71.98	87.71	94.23
ROIC (%)	18.9%	41.7%	45.7%	44.6%
ROCE (%)	11.1%	21.7%	23.5%	22.9%
Return On Average Assets	8.4%	16.1%	16.7%	16.5%

12-mth Fwd FD P/E (x) - AWC Berhad



Key Drivers

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

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(d) MAS Notice on Recommendation on Investment Products [Notice No. FAA-N16];

(e) Section 36 (obligation on disclosure of interest in securities), and

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

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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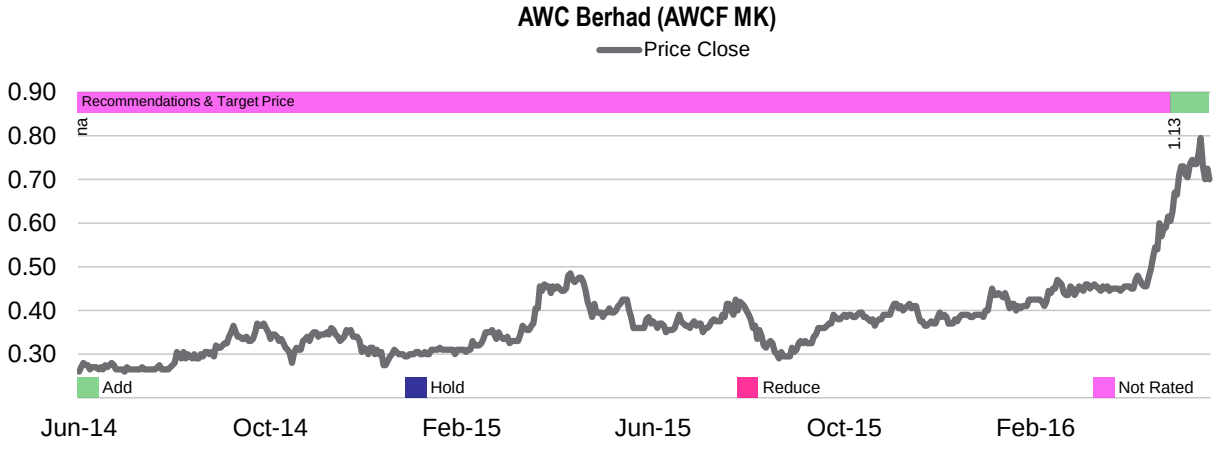
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2016 1539 companies under coverage for quarter ended on 31 March 2016		
	Rating Distribution (%)	Investment Banking clients (%)
Add	59.2%	6.9%
Hold	30.9%	3.1%
Reduce	8.7%	0.5%

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, TASCO – 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.

Comprises level 1 to 5 as follows:
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

Stock Ratings	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.