INTER-PACIFIC RESEARCH SDN. BHD.
(449005-X)
For Internal Circulation Only
KDN PP8927/07/2013(032977)

West Wing, Level 13,
Berjaya Times Square,
No 1, Jalan Imbi,
55100 Kuala Lumpur
Tel: (03) 21171888
Fax: (03) 21427678

AWC Bhd

PACING FOR GROWTH

RESULTS UPDATE

BUY

Current Price	**RM 1.02**
Target Price	**RM 1.26**
Consensus Price	**RM 1.21**

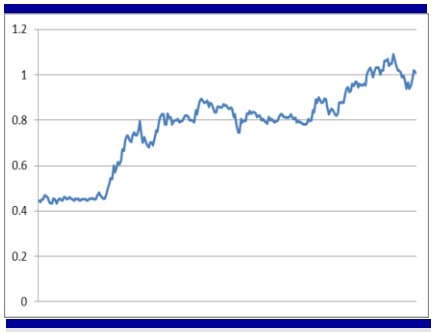
Key Statistics

Bloomberg Ticker	AWC MK
Masa Ticker / Stock Code	AWC/7579
Shares Issued (m)	259
Market Capitalisation (RM'm)	266
52 Week Hi/Lo Price (RM)	1.10/0.42
3 Mths Avg Vol (Shares)	3,790,650
Est Free Float (m)	138
YTD Returns (%)	107.6
Beta (x)	0.43

Major Shareholders (%)

Dato Ahmad Kabeer	30.4

1-Year Share Price Performance



Analyst: Research Team

Email: research@interpac.com.my

AWC earnings exceeded our expectation, hence we tweak our high forecast for FY17 and FY18 higher to reflect higher than expected revenue to be recognized in FY17. AWC remains resilient on the back of its sizeable order book of RM1.1b. We favor AWC for 1) its earnings visibility 2) an attractive PER valuation of 10.6x FY18 earnings 3) a well diversified earnings base. We assign a fair value of RM1.26 to AWC Bhd based on our sum of parts valuation. We have rolled over our earnings forecasts to FY18 and in the process upgraded our call to BUY and raised our target price to RM1.26.

- AWC 2QFY17 results came in above expectations. 6MFY17 PAT AND PATMI of RM15.8m and RM10.7m and represent 65% and 52% of our corresponding forecasts of RM25.3m RM20.2m for FY17. AWC's 2QFY17 PATAMI rose +39.6%YoY to RM7.6m vs RM5.4m in 2QFY17. Strong earnings growth came from higher revenue growth and margin expansion in the facilities and envoriment divisions. Margin expansion was due to better margins at the health care facilities division (Hospital Shah Alam, Selangor) and big ticket items delivered by the environment division.

- Management guided it is currently tendering circa ~RM400m worth of contracts (Engineering:- RM200m, Environment:-RM100m and Facilities:-RM100m). The delay in KL 118 tower project did not substantially affect AWC since the company will only recognize big ticket items for KL 118 at the end of FY18 and throughout FY19.

- AWC declared a first single-tier interim dividend of 1en/share for FY16. The company is currently in a net cash position of RM86.4m or 33sen/share, and this will allow the company to explore M&A opportunities.

Table 1 :Investment Highlights & Earnings Forecasts

FYE 30th Jun	FY14	FY15	FY16	FY17(F)	FY18(F)
Revenue (m)	119.5	128.0	249.3	303.4	333.4
PBT (m)	12.6	13.8	30.4	37.4	39.2
PAT (m)	8.8	12.6	23.9	28.8	30.1
PATAMI (m)	6.7	8.1	17.1	22.1	24.2
CORE EPS (sen)	2.5	3.1	6.5	8.4	9.2
EBITDA (m)	14.85	14.18	33.16	40.23	42.03
Earnings Growth (%)	46.1%	21.5%	111.9%	28.8%	9.7%
EBITDA Margin (%)	12.4%	11.1%	13.3%	13.3%	12.6%
PER (x)	38.8	31.9	15.1	11.7	10.6
DPS (sen)	0	0	2.5	2.5	2.5
Dividend Yield (%)	NA	NA	2.5%	2.5%	2.5%
ROE (%)	8.4%	8.8%	14%	16%	16%
ROA (%)	5.9%	8.3%	10.2%	10.6%	9.9%
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	3.26	2.81	2.16	1.91	1.69

Source: Company, Interpac

Table 2 :Quarterly Income Statement and Comparison

FYE 31st June (RM m)	2QFY17	2QFY16	YoY chg (%)	1QFY17	QoQ chg (%)	6MFY17	6MFY16	YTD chg (%)
Revenue	75.6	60.2	25.7	67.1	12.7	142.8	98.0	45.7
PBT	9.4	7.1	30.9	10.1	(7.3)	19.4	9.3	109.6
EBITDA	11.1	7.7	43.2	11.4	(2.9)	22.4	10.4	115.0
Tax Expenses	(1.8)	(1.7)	3.7	(1.9)	(3.5)	(3.7)	(2.2)	70.5
PAT	7.6	5.4	39.6	8.2	(8.2)	15.8	7.1	121.5
PATMI	5.2	3.7	39.3	5.4	(4.0)	10.7	5.0	113.1
PBT margin (%)	12.4	11.9	4.2	15.0	(17.8)	13.6	9.5	43.9
EBITDA margin (%)	14.6	12.8	14.0	17.0	(13.9)	15.7	10.7	47.6
PATMI margin (%)	6.9	6.2	10.8	8.1	(14.9)	7.5	5.1	46.3
EPS (sen)	3.1	0.7	379.8	3.7	(14.4)	3.6	1.7	113.1

Source: Company

FYE 31st June (RM m)	2QFY17	2QFY16	YoY chg (%)	1QFY17	QoQ chg (%)	6MFY17	6MFY16	YTD chg (%)
Revenue								
Facilities	29.7	22.8	30.3	29.1	2.2	58.7	44.2	32.9
Enviroment	17.2	19.4	(11.4)	16.4	5.1	33.6	28.4	18.2
Engineering	28.7	18.0	59.9	21.7	32.5	50.4	25.4	98.7
PBT								
Facilities	2.7	1.2	127.3	2.1	28.7	4.8	3.0	62.2
Enviroment	5.5	4.4	26.8	6.9	(20.1)	12.4	5.5	126.5
Engineering	1.7	1.8	<100	1.6	<100	3.3	1.8	79.7
PBT Margin								
Facilities	9.1%	5.2%	74.5	7.2%	26.0	8.2%	6.7%	7.9
Enviroment	32.1%	22.4%	43.1	42.3%	(24.0)	37.1%	19.3%	118.6
Engineering	5.9%	10.2%	<100	7.2%	>100	6.5%	7.2%	>100

Source: Company

Table 3 : Sum Of Parts Valuation

Sum of parts		RM mill	RM(sen)
Concession	FY17 PER 11x	115.07	0.44
Engineering	FY17 PER 10x	67.93	0.26
Environmental (51% owned subsidiary)	FY17 PER 11x	60.29	0.23
SOP per AWC share			0.93
Net Cash		86.4	0.33
No. of shares		261.75	
Fair Value			1.26

Source: Interpac

Ratings System

Ratings:	Description:
BUY	Total return is expected to exceed 15% in the next 12 months
NEUTRAL	Total return is expected to be between above –15% to 15% in the next 12 months
SELL	Total return is expected to be below -15% in the next 12 months

Abbreviation

Abbreviation	Definition	Abbreviation	Definition
PER	Price Earnings Ratio	CAGR	Compounded Annual Growth Rate
PEG	PER to Growth	CAPEX	Capital Expenditure
EPS	Earnings per Share	DPS	Dividend per Share
FYE	Financial Year End	ROA	Return on Asset
FY	Financial Year	ROE	Return on Equity
CY	Calendar Year	PBT	Profit Before Tax
MoM	Month-on-Month	PAT	Profit After Tax
QoQ	Quarter-on-Quarter	EV	Enterprise Value
YoY	Year-on-Year	EBIT	Earnings Before Interest And Tax
YTD	Year-to-Date	EBITDA	EBIT Depreciation &Amortisation
p.a.	Per Annum	WACC	Weighted Average Cost of Capital
DCF	Discounted Cash Flow	NTA	Net Tangible Asset
FCF	Free Cash Flow	BV	Book Value
NAV	Net Asset Value		

IMPORTANT: This report has been prepared from sources that are believed to be reliable but we do not hold ourselves responsible for its completeness and accuracy. All opinions and estimates in this report are subject to change without notice. We do not accept any liability that may arise from the use of information in this report. **Inter-Pacific Research SdnBhd** and or its associates may from time to time have interest and/or underwriting commitments in the company being reported. This report is for internal circulation only and the contents or any part thereof **cannot be reproduced** in any manner whatsoever except with the prior written consent of Inter-Pacific Research Sdn Bhd.

Published and Printed by:

Inter-Pacific Research SdnBhd (449005-X)
West Wing, Level 13,
Berjaya Times Square,
No.1, JalanImbi,
55100 Kuala Lumpur
General Line : 03-2117 1888 Fax : 03-2142 7678