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AWC Bhd

RESULTS UPDATE

BUY

Current Price	**RM 0.99**
Target Price	**RM 1.26**
Consensus Price	**RM 1.21**

EARNINGS VISIBILITY INTACT

Despite a bump in its earnings growth trend, we believe earnings will normalize in the following quarters. We continue to favor AWC for its 1) earnings visibility till FY19 2) attractive PER valuation of 10.9x FY18 earnings 3) well diversified earnings base. Thus, after introducing FY19 estimates, we are upgrading our call to BUY and are revising our fair value to RM1.26 from RM1.18 based on a sum of parts valuation due to the buildup of its cash holdings to RM66.9mil.

- AWC's 1QFY17 PAT was 23%YoY and 21.8%MoM at RM6.3m, representing 21% and 23% respectively of ours and consensus earnings forecast. The subdued earnings was driven by lower contribution from the enviromental and engineering segments largely due to project delays and a one-off margin compression. We are confident earnings will catch up in the coming quarters as previously experienced in FY17.

- Going forward, the company's earnings growth will be supported by RM130m in new projects in Putraya, recognized over a period of 5 years. Order book visibility till FY19 remains buoyant, envisaged at RM634m (Facilities Management: RM403m; Engineering: RM136m and Enviroment: RM94m). We reckon its facilities management division will be the key earnings driver for AWC drawn from higher magin jobs and stringent cost control.

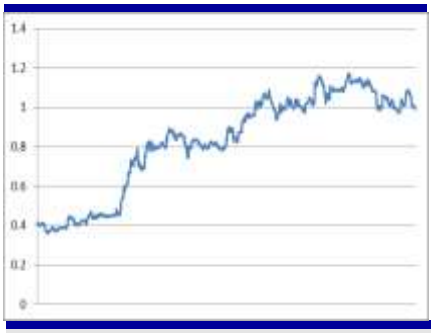
Key Statistics

Bloomberg Ticker	AWC MK
Masa Ticker / Stock Code	AWC/7579
Shares Issued (m)	263
Market Capitalisation (RM'm)	264
52 Week Hi/Lo Price (RM)	1.18/0.815
3 Mths Avg Vol (Shares)	644,769
Est Free Float (m)	121.7
YTD Returns (%)	5.29
Beta (x)	-0.05

Major Shareholders (%)

Dato Ahmad Kabeer	30.4

1-Year Share Price Performance



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Table 1: Investment Highlights & Earnings Forecasts

FYE 30th Jun	FY15	FY16	FY17	FY18(F)	FY19(F)
Revenue (m)	128.0	249.3	299.6	329.6	366.0
PBT (m)	13.8	30.4	39.5	38.9	42.1
PAT (m)	12.6	23.9	28.5	29.9	32.3
PATAMI (m)	8.1	17.1	21.8	23.9	25.4
CORE EPS (sen)	3.1	6.5	8.3	9.1	9.7
EBITDA (m)	14.18	33.16	42.28	41.68	44.87
Earnings Growth (%)	21.5%	111.9%	27.3%	9.8%	6.3%
EBITDA Margin (%)	11.1%	13.3%	14.1%	12.6%	12.3%
PER (x)	32.4	15.3	12.0	10.9	10.3
DPS (sen)	0	2.5	2.0	2.0	2.0
Dividend Yield (%)	NA	2.5%	2.0%	2.0%	2.0%
ROE (%)	8.8%	14%	15%	15%	14%
ROA (%)	8.3%	10.2%	11.6%	9.7%	9.3%
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	2.86	2.20	1.86	1.64	1.46

Source: Interpac

Table 2 :Quarterly Income Statement and Comparison

FYE 31st June (RM m)	1QFY18	1QFY17	YoY chg (%)	4QFY17	QoQ chg (%)
Revenue	66.2	67.1	(1.4)	86.0	(23.0)
PBT	8.1	10.1	(20.2)	10.4	(22.9)
EBITDA	9.8	11.4	(13.8)	12.0	(18.5)
Tax Expenses	(1.7)	(1.9)	(7.5)	(2.3)	(26.4)
PAT	6.3	8.2	(23.0)	8.1	(21.8)
PATMI	5.1	5.4	(6.7)	5.3	(4.8)
PBT margin (%)	12.2	15.0	(19.0)	12.2	0.2
EBITDA margin (%)	14.8	17.0	(12.6)	14.0	5.9
PATMI margin (%)	7.7	8.1	(5.4)	6.2	23.7
EPS (sen)	2.9	2.1	39.6	3.7	(21.3)

Source: Company

Table 3 : Operational Segment Information

FYE 31st June (RM m)	1QFY18	1QFY17	YoY chg (%)	4QFY17	QoQ chg (%)
Revenue					
Facilities	31.3	29.1	7.7	27.7	12.9
Environment	15.1	16.4	(7.8)	21.1	(28.6)
Engineering	19.8	21.7	(8.6)	37.1	(46.6)
PBT					
Facilities	6.8	2.1	222.8	2.1	218.9
Environment	2.9	6.9	(58.2)	6.3	(54.1)
Engineering	-1.5	1.6	(193.3)	3.3	(144.5)
PBT Margin					
Facilities	21.7%	7.2%	199.9	7.7%	182.4
Environment	19.2%	42.3%	(54.7)	29.8%	(35.8)
Engineering	-7.4%	7.2%	(202.1)	8.8%	(183.3)

Source: Company

Chart 1 :Quarterly Revenue and Earnings (RM m)



Source: Company

Table 4 : Sum-of-Parts Valuation

Sum of parts		RM mill	RM(sen)
Concession	FY18 PER 10x	112.39	0.43
Engineering	FY18 PER 10x	67.93	0.26
Environmental (51% owned subsidiary)	FY18 PER 10x	60.29	0.23
SOP per AWC share			0.92
Net Cash	92.2		0.35
No. of shares	261.75		
Fair Value			1.27

Source: Interpac

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(ii) As of November 23, 2017, the analyst(s) who prepared this report, and the associate(s), has / have an interest in the securities (which may include but not limited to shares, warrants, call warrants and/or any other derivatives) in the following company or companies covered or recommended in this report: (a) Lai Yoon Hui: nil.

Signed



Pong Teng Siew
Director
Inter-Pacific Research Sdn Bhd

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		

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