

Malaysia

ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0

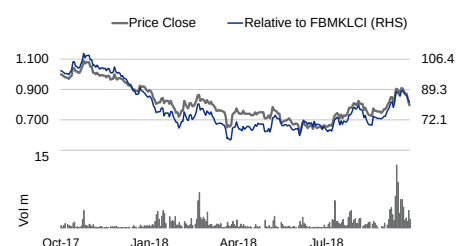
Current price:	RM0.80
Target price:	RM1.26
Previous target:	RM1.26
Up/downside:	59.0%
CGS-CIMB / Consensus:	9.9%

Reuters:	AWCF.KL
Bloomberg:	AWCF MK
Market cap:	US\$53.75m
	RM223.5m
Average daily turnover:	US\$0.37m
	RM1.54m
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 (%)	5.3	22.3	-20.1
Relative (%)	10.4	21.1	-17.3

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)



Walter AW

T (60) 3 2261 9093

E walter.aw@cimb.com

AWC Berhad

AWC lands in Lion City

- We hosted AWC on a one-day NDR in Singapore on Friday, 5 Oct 2018.
- AWC is bullish about FY19F due to: i) contribution from TWS, ii) stronger earnings from engineering division, and iii) higher order book replenishment.
- We keep our Add call with a target price of RM1.26.

One-day NDR in Singapore

We hosted a one-day non-deal roadshow (NDR) in Singapore on Friday, 5 Oct 2018, for AWC's management to meet institutional investors. The company met six fund managers. AWC was represented by its Chief Financial Officer, Richard Voon, and Vice-President, Hisham Najmuddeen, who is in charge of special projects and investments.

Stronger facilities segment offset by weak engineering results

AWC stated that FY6/18 net profit declined 1% yoy, as stronger results from its facilities division (FY18 PBT growth for this segment was 100%+ yoy) was offset by weak results from the engineering division (FY18 PBT decline by 75.4% yoy). The decline in profitability of its engineering business was owing to cost overruns from air-conditioning projects (most of these have since been completed) and unforeseen delays in certain projects.

AWC still upbeat on TWS's prospects

AWC reiterated that it remains upbeat about Trackwork and Supplies' (TWS) prospects. To recap, AWC recently received shareholders' approval to acquire a 60% stake in TWS for RM43.5m. Despite cancellation and/or deferment of major rail projects in Malaysia, AWC is confident that TWS is well positioned to benefit from rail projects that have not been cancelled. We gather from AWC that TWS has an outstanding order book of RM70m, and tender book of RM900m, which excludes any contribution from cancelled projects.

Expecting stronger results in FY19F

We are confident that AWC would deliver stronger results in FY19F. While most of its engineering projects that faced cost overruns have been completed, we believe the group will also benefit from full-year contribution from new projects secured by the facilities management segment in FY18. AWC will also start consolidating TWS's earnings in 2QFY19F. Note that TWS has given AWC a profit guarantee to deliver PAT of at least RM8m in FY9/18F and RM12m in FY9/19F (TWS has a Sep FYE).

Maintain Add

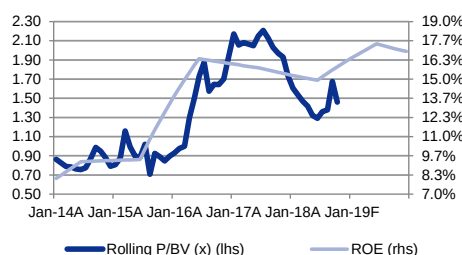
Maintain Add. Our TP of RM1.26 is based on 11.2x CY19F P/E, at a 10% discount to its biggest market cap peer, UEM Edgenta's (UEME MK, Not Rated) current CY19F P/E. We find AWC attractive given: i) it is trading at 8.7x CY19F P/E, at a 15% discount to its historical 5-year mean of 10.1x, ii) its healthy balance sheet (RM44.4m net cash position as at 4QFY18), and iii) strong earnings prospects. Key downside risks: contract execution delays and/or cost overruns in sizeable projects.

Financial Summary	Jun-16A	Jun-17A	Jun-18A	Jun-19F	Jun-20F
Revenue (RMm)	249.3	296.1	304.0	372.6	404.5
Operating EBITDA (RMm)	31.90	45.49	34.72	53.37	59.84
Net Profit (RMm)	17.30	21.89	21.38	28.56	31.52
Core EPS (RM)	0.07	0.08	0.08	0.10	0.11
Core EPS Growth	89.8%	14.1%	(0.7%)	27.3%	10.4%
FD Core P/E (x)	11.76	10.31	10.38	8.16	7.39
DPS (RM)	0.025	0.010	0.005	0.010	0.010
Dividend Yield	3.14%	1.26%	0.63%	1.26%	1.26%
EV/EBITDA (x)	5.80	3.99	5.67	4.07	3.49
P/FCFE (x)	29.47	6.50	40.34	33.53	10.34
Net Gearing	(32.0%)	(34.6%)	(32.4%)	(29.6%)	(32.9%)
P/BV (x)	1.71	1.55	1.54	1.32	1.14
ROE	16.4%	15.8%	14.9%	17.4%	16.5%
CIMB/consensus EPS (x)				1.05	1.02

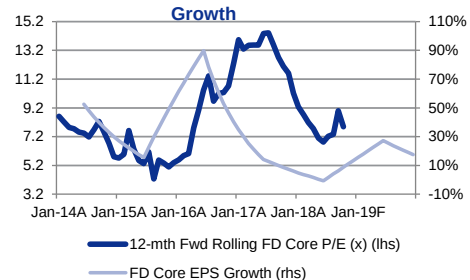
SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

P/BV vs ROE



12-mth Fwd FD Core P/E vs FD Core EPS Growth



Profit & Loss

(RMm)	Jun-16A	Jun-17A	Jun-18A	Jun-19F	Jun-20F
Total Net Revenues	249.3	296.1	304.0	372.6	404.5
Gross Profit	79.1	85.4	81.8	105.6	117.3
Operating EBITDA	31.9	45.5	34.7	53.4	59.8
Depreciation And Amortisation	(1.8)	(6.5)	(2.6)	(3.2)	(3.5)
Operating EBIT	30.1	39.0	32.1	50.2	56.4
Financial Income/(Expense)	0.3	0.4	1.4	1.4	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)	30.4	39.4	33.4	51.6	57.5
Exceptional Items					
Pre-tax Profit	30.4	39.4	33.4	51.6	57.5
Taxation	(6.5)	(8.7)	(7.0)	(11.9)	(13.2)
Exceptional Income - post-tax					
Profit After Tax	23.9	30.7	26.5	39.7	44.2
Minority Interests	(6.6)	(8.8)	(5.1)	(11.1)	(12.7)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	17.3	21.9	21.4	28.6	31.5
Recurring Net Profit	17.3	19.7	21.0	28.6	31.5
Fully Diluted Recurring Net Profit	17.3	19.7	21.0	28.6	31.5

Cash Flow

(RMm)	Jun-16A	Jun-17A	Jun-18A	Jun-19F	Jun-20F
EBITDA	31.90	45.49	34.72	53.37	59.84
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(13.79)	20.53	(7.34)	(19.56)	(9.07)
(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	(6.50)	(8.23)	(6.96)	(11.86)	(13.22)
Cashflow From Operations	11.61	57.79	20.41	21.95	37.55
Capex	(3.50)	(26.50)	(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	(3.50)	(26.50)	(15.00)	(15.00)	(15.00)
Debt Raised/(repaid)	(1.20)	0.00	0.00	0.00	0.00
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(7.40)	(8.96)	(1.47)	(2.93)	(2.93)
Preferred Dividends					
Other Financing Cashflow	0.15	0.45	0.60	0.60	0.60
Cash Flow From Financing	(8.45)	(8.51)	(0.87)	(2.33)	(2.33)
Total Cash Generated	(0.34)	22.78	4.55	4.62	20.21
Free Cashflow To Equity	6.91	31.29	5.41	6.95	22.55
Free Cashflow To Firm	8.11	31.29	5.41	6.95	22.55

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Jun-16A	Jun-17A	Jun-18A	Jun-19F	Jun-20F
Total Cash And Equivalents	48.2	58.6	63.1	68.6	89.7
Total Debtors	120.6	91.5	99.9	122.5	133.0
Inventories	18.1	38.1	41.6	51.0	55.4
Total Other Current Assets	2.5	2.1	2.1	2.1	2.1
Total Current Assets	189.4	190.3	206.7	244.2	280.2
Fixed Assets	10.0	38.7	52.4	64.2	75.7
Total Investments	2.8	2.8	2.8	2.8	2.8
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	42.5	71.2	84.9	96.7	108.2
Short-term Debt	0.2	0.2	0.2	0.2	0.2
Current Portion of Long-Term Debt					
Total Creditors	78.3	89.7	94.4	106.8	112.5
Other Current Liabilities	1.8	1.8	1.8	1.8	1.8
Total Current Liabilities	80.3	91.7	96.4	108.8	114.6
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	83.9	95.3	100.0	112.4	118.1
Shareholders' Equity	119.1	131.0	150.9	176.5	205.1
Minority Interests	28.9	35.6	40.7	51.9	64.6
Total Equity	148.0	166.6	191.6	228.4	269.7

Key Ratios

	Jun-16A	Jun-17A	Jun-18A	Jun-19F	Jun-20F
Revenue Growth	94.7%	18.8%	2.6%	22.6%	8.5%
Operating EBITDA Growth	126%	43%	(24%)	54%	12%
Operating EBITDA Margin	12.8%	15.4%	11.4%	14.3%	14.8%
Net Cash Per Share (RM)	0.18	0.23	0.21	0.23	0.30
BVPS (RM)	0.47	0.51	0.51	0.60	0.70
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	21.4%	22.1%	20.8%	23.0%	23.0%
Net Dividend Payout Ratio	26.9%	8.4%	5.2%	7.3%	6.6%
Accounts Receivables Days	132.2	130.7	114.9	108.9	115.6
Inventory Days	38.31	48.67	65.52	63.34	67.83
Accounts Payables Days	64.11	77.24	86.48	83.61	89.54
ROIC (%)	45.9%	38.7%	29.6%	38.8%	35.0%
ROCE (%)	22.6%	24.9%	18.6%	24.4%	23.0%
Return On Average Assets	15.6%	15.8%	11.6%	15.9%	15.5%

Key Drivers

	Jun-16A	Jun-17A	Jun-18A	Jun-19F	Jun-20F
ASP (% chg, main prod./serv.)	6.5%	13.0%	0.0%	0.0%	0.0%
Unit sales grth (% , main prod./serv.)	52.1%	19.1%	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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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. CGS-CIMB Thailand 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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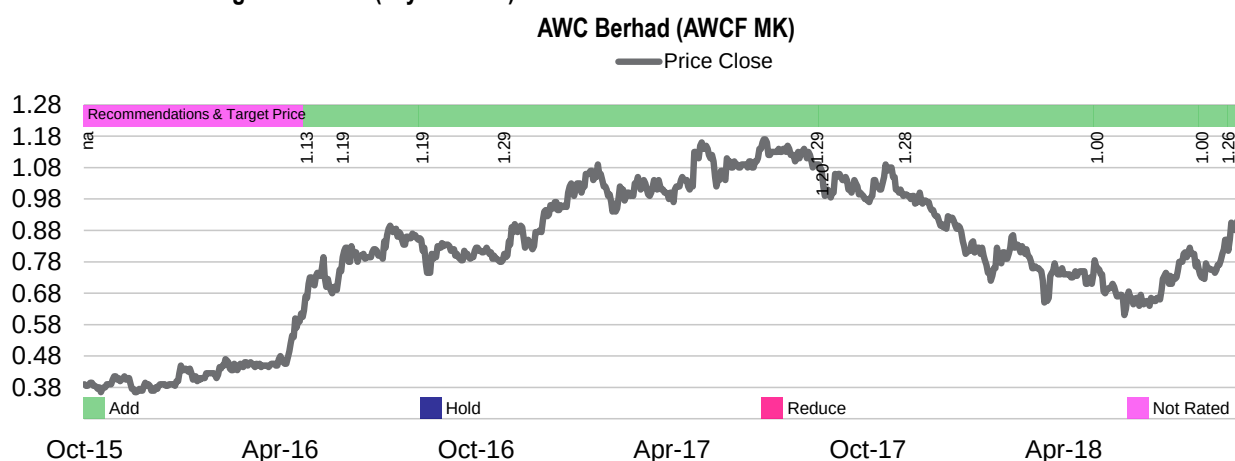
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2018		
759 companies under coverage for quarter ended on 30 September 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	60.5%	4.2%
Hold	25.8%	2.4%
Reduce	13.7%	0.4%

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 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, **TIPIP** – 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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- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

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.