

Malaysia
ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	RM0.73
Target price:	RM1.00
Previous target:	RM1.00
Up/downside:	36.3%
CGS-CIMB / Consensus:	-2.4%

Reuters:	AWCF.KL
Bloomberg:	AWCF MK
Market cap:	US\$47.90m
	RM196.8m
Average daily turnover:	US\$0.15m
	RM0.63m
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 (%)	-0.7	6.6	-33
Relative (%)	-3.5	0.8	-35.6

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)

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AWC Berhad

Facilities division to lead the way

- We came away from AWC's FY6/18 briefing feeling positive on the back of its strong prospects, especially in its facilities division and clarity on its proposed acquisition.
- FY18 core net profit rose 6.4% yoy to RM21m, after stripping out net one-off gains of RM0.4m. This was mainly driven by higher contribution from the facilities division.
- The current tenderbook stands at RM2.3bn, with a conservative win rate of 10%.
- Completion of its acquisition of a 60% stake in Trackwork is slated by Oct 2018. It remains optimistic of Trackwork prospects despite uncertainties in the rail industry.
- Maintain Add, with an unchanged TP of RM1.00.

Remain positive post-4QFY6/18 results briefing

AWC's 4QFY6/18 results briefing was attended by about 15 analysts and fund managers. The group was represented by its Chief Financial Officer (CFO) Mr. Richard Voon. He spoke mainly on: i) full-year FY18 results, ii) growth prospects in all three divisions, and iii) its proposed acquisition of a 60% stake in Trackwork.

FY18 core net profit growth of 6.4% yoy driven by facilities division

AWC's CFO clarified that FY18 core net profit rose by 6.4% yoy (vs. 1% yoy decline on net profit level) after stripping out a net gain of RM0.4m. This was driven by stronger contribution from facilities division (FY18 PBT more than doubled to RM19.5m), which offset weak results from the engineering (FY18 PBT: 75.4% yoy) and environment divisions (FY18 PBT: 41.2% yoy). We gathered that both divisions faced project delays, while the engineering division's performance was further aggravated by cost overruns.

Stronger results ahead

AWC is confident of achieving stronger results from all three divisions, with fewer delays in the engineering and environment divisions' projects. We also gathered that most engineering projects that faced cost overruns have been completed. For its facilities division, AWC will continue to drive earnings through its existing contracts as well as winning more new contracts. It expects to recognise more earnings from its ongoing Critical Asset Refurbishment Programme (CARP) under the facilities division.

Outstanding order book remains healthy at an estimated RM965m

As at 30 Jun 2018, AWC's total outstanding order book stands at RM965m for the next seven years. We gathered that bulk of the total outstanding order book is made up by the facilities division (65-70%), while projects from the engineering and environment divisions comprise the remainder. In addition, we understand that the group currently has a tender book amounting to RM2.3bn. The group is confident of at least achieving a conservative win rate of 10%, which will further grow its order book size.

Acquisition of Trackwork to be completed by early Oct 18

AWC is confident of completing the proposed acquisition of a 60% stake in Trackwork & Supplies SB for RM43.5m by early Oct 18. Despite cancellation and/or deferment of major rail projects in the country, AWC believes that Trackwork's prospects remain bright as it could benefit from possible upgrading and rehabilitation works for existing rail systems in Malaysia if these major rail projects are cancelled. Note that we have yet to incorporate any earnings contributions from this proposed acquisition.

Maintain Add, with an unchanged TP of RM1.00

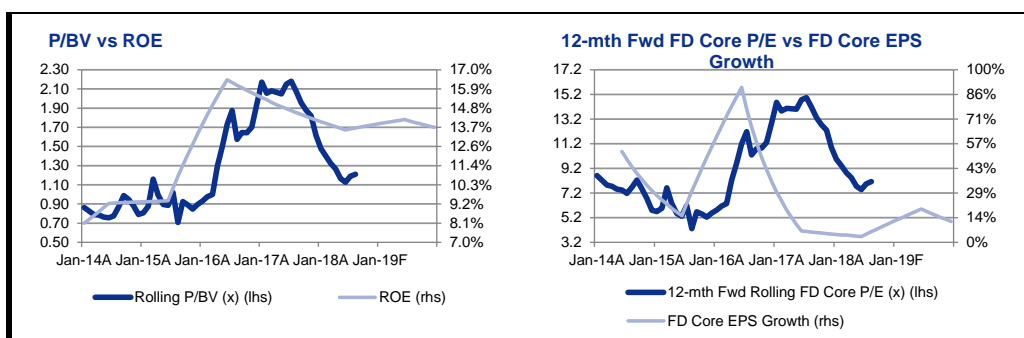
Our earnings estimates are intact. Our Add call and TP of RM1.00 (11.2x CY19 P/E, a 10% discount to UEM Edgenta current P/E) remain unchanged. Moving forward, AWC's share price should trend higher given a healthy balance sheet (net cash of RM44.4m) and expectations of stronger earnings delivery. Downside risks are contract execution delays and slower-than-expected order book replenishment.

Financial Summary

	Jun-16A	Jun-17A	Jun-18A	Jun-19F	Jun-20F
Revenue (RMm)	249.3	296.1	304.0	327.6	348.2
Operating EBITDA (RMm)	31.90	45.94	34.72	40.22	42.27
Net Profit (RMm)	17.30	22.34	21.38	22.74	24.22
Core EPS (RM)	0.068	0.072	0.074	0.089	0.095
Core EPS Growth	89.8%	6.6%	3.4%	19.3%	6.5%
FD Core P/E (x)	10.80	10.13	9.80	8.22	7.72
DPS (RM)	0.025	0.010	0.005	0.010	0.010
Dividend Yield	3.42%	1.37%	0.68%	1.37%	1.37%
EV/EBITDA (x)	5.28	3.59	4.76	4.08	3.79
P/FCFE (x)	27.06	5.89	34.54	19.58	15.59
Net Gearing	(32.0%)	(34.6%)	(32.5%)	(32.3%)	(33.0%)
P/BV (x)	1.57	1.43	1.24	1.09	0.97
ROE	16.4%	14.7%	13.5%	14.1%	13.3%
CIMB/consensus EPS (x)				1.00	1.00

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Jun-16A	Jun-17A	Jun-18A	Jun-19F	Jun-20F
Total Net Revenues	249.3	296.1	304.0	327.6	348.2
Gross Profit	79.1	85.8	81.8	92.6	100.2
Operating EBITDA	31.9	45.9	34.7	40.2	42.3
Depreciation And Amortisation	(1.8)	(6.5)	(2.6)	(2.7)	(2.7)
Operating EBIT	30.1	39.5	32.1	37.5	39.6
Financial Income/(Expense)	0.3	0.4	1.4	1.4	1.4
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	39.9	33.4	38.9	40.9
Exceptional Items					
Pre-tax Profit	30.4	39.9	33.4	38.9	40.9
Taxation	(6.5)	(8.7)	(7.0)	(8.9)	(9.4)
Exceptional Income - post-tax					
Profit After Tax	23.9	31.1	26.5	29.9	31.5
Minority Interests	(6.6)	(8.8)	(5.1)	(7.2)	(7.3)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	17.3	22.3	21.4	22.7	24.2
Recurring Net Profit	17.3	18.4	19.1	22.7	24.2
Fully Diluted Recurring Net Profit	17.3	18.4	19.1	22.7	24.2

Cash Flow

(RMm)	Jun-16A	Jun-17A	Jun-18A	Jun-19F	Jun-20F
EBITDA	31.90	45.94	34.72	40.22	42.27
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(13.79)	20.53	(7.34)	(6.74)	(5.87)
(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)	(8.94)	(9.41)
Cashflow From Operations	11.61	58.24	20.41	24.54	26.99
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)	(1.28)	(2.56)	(2.56)
Preferred Dividends					
Other Financing Cashflow	0.15	0.45	0.60	0.60	0.60
Cash Flow From Financing	(8.45)	(8.51)	(0.68)	(1.96)	(1.96)
Total Cash Generated	(0.34)	23.23	4.73	7.58	10.03
Free Cashflow To Equity	6.91	31.74	5.41	9.54	11.99
Free Cashflow To Firm	8.11	31.74	5.41	9.54	11.99

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	63.2	71.8	82.7
Total Debtors	120.6	91.5	99.9	107.7	114.5
Inventories	18.1	38.1	41.6	44.9	47.7
Total Other Current Assets	2.5	2.1	2.1	2.1	2.1
Total Current Assets	189.4	190.3	206.9	226.4	247.0
Fixed Assets	10.0	38.7	52.4	64.6	76.9
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	97.1	109.4
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	98.6	102.4
Other Current Liabilities	1.8	1.8	1.8	1.8	1.8
Total Current Liabilities	80.3	91.7	96.4	100.7	104.4
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	104.2	108.0
Shareholders' Equity	119.1	131.0	151.1	171.3	192.9
Minority Interests	28.9	35.6	40.7	47.9	55.2
Total Equity	148.0	166.6	191.8	219.2	248.1

Key Ratios

	Jun-16A	Jun-17A	Jun-18A	Jun-19F	Jun-20F
Revenue Growth	94.7%	18.8%	2.6%	7.8%	6.3%
Operating EBITDA Growth	126%	44%	(24%)	16%	5%
Operating EBITDA Margin	12.8%	15.5%	11.4%	12.3%	12.1%
Net Cash Per Share (RM)	0.18	0.23	0.24	0.28	0.32
BVPS (RM)	0.47	0.51	0.59	0.67	0.75
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	21.4%	21.9%	20.8%	23.0%	23.0%
Net Dividend Payout Ratio	26.9%	8.2%	4.5%	8.1%	7.6%
Accounts Receivables Days	132.2	130.7	114.9	115.7	116.8
Inventory Days	38.31	48.77	65.52	67.17	68.30
Accounts Payables Days	64.11	77.40	86.48	88.67	90.16
ROIC (%)	45.9%	39.2%	29.6%	29.0%	26.6%
ROCE (%)	22.6%	25.2%	18.6%	18.8%	17.4%
Return On Average Assets	15.6%	16.0%	11.6%	12.2%	11.6%

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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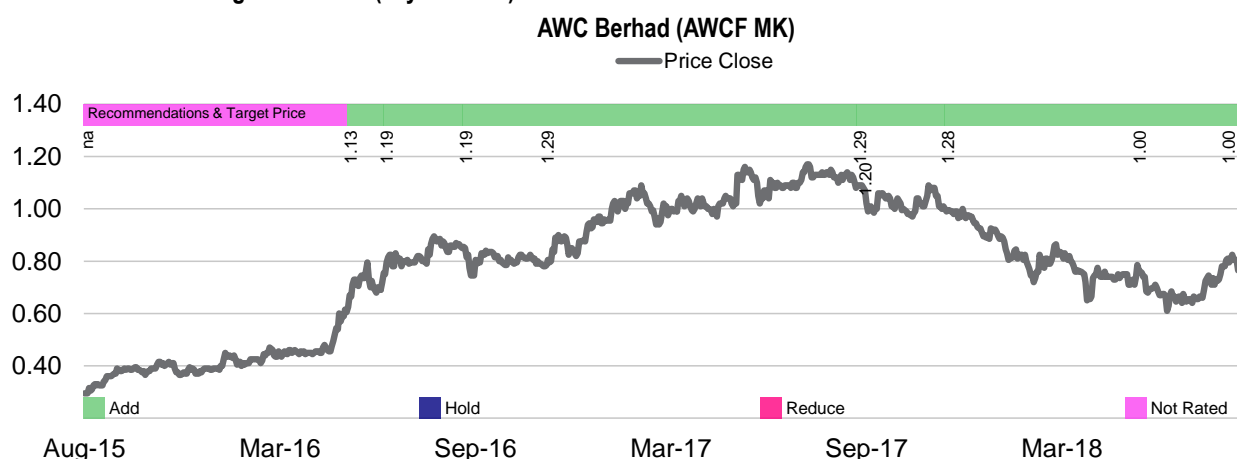
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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2018		
1203 companies under coverage for quarter ended on 30 June 2018		
	Rating Distribution (%)	Investment Banking clients (%)
Add	62.3%	4.5%
Hold	26.2%	2.5%
Reduce	9.3%	0.8%

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, **TPIPP** – 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.