

AWC Bhd

Results UPDATE

BUY

Current Price RM 0.74
Target Price RM 1.04
Consensus Price RM 1.05

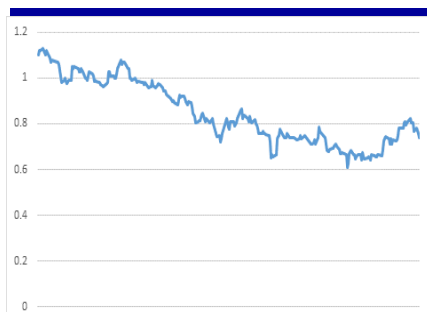
Key Statistics

Bloomberg Ticker	AWC MK
Masa Ticker / Stock Code	AWC/7579
Shares Issued (m)	269
Market Capitalisation (RM'm)	196
52 Week Hi/Lo Price (RM)	1.10/0.60
3 Mths Avg Vol (Shares)	1,064,454
Est Free Float (m)	122.9
YTD Returns (%)	-0.155
Beta (x)	0.92

Major Shareholders (%)

K-Capital Sdn Bhd	30.69
EPF	6.40

1-Year Share Price Performance



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A FLAT YEAR

We reiterate BUY with a fair value of RM1.04. The company is deeply under-appreciated where stock valuation is currently trading below valuations for GFM and UEM Edgenta, possibly largely due to a lackluster orderbook replenishment. The change in government will not impede facility management business sentiments. Instead, AWC is poised to benefit from cost-tightening measures. Potential downside risks are 1) revision of concession contracts; 2) project delays.

◆ Dragged down by project delays

AWC 4QFY17's PATAMI of RM4.4m, clocked in at -18% and -35.9% YoY and QoQ respectively, mainly due to project delays in the engineering and environmental division, resulting in cost overrun and impairments made in inventories and trade receivables of RM1.68m in total. The company's FY18 core earnings of RM21.4m represents 89% and 96% of ours and consensus forecasts, slightly slower than expected due to project delays in the engineering and environmental segments. The company declared a final single interim dividend of 0.5 sen/share.

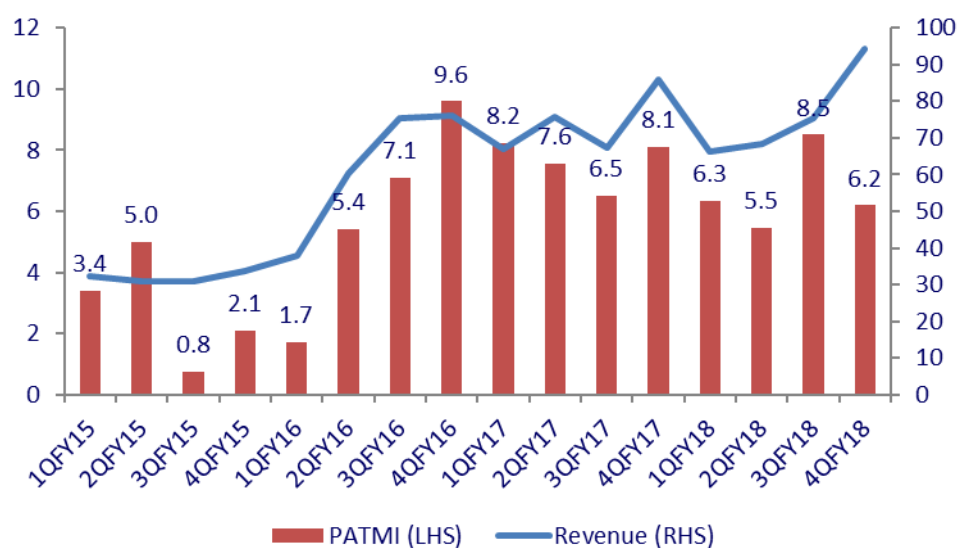
Going forward, AWC's future earnings will be supported by its concession projects in the Facilities division even if there are further project delays at the Plumbing and Environmental division. The acquisition of Trackwork is expected to be completed by 3QCY18. Our current forecast excludes earnings contribution from the acquisition.

Table 1 :Investment Highlights & Earnings Forecasts

FYE 30th Jun	FY16	FY17	FY18	FY19(F)	FY20(F)
Revenue (m)	249.3	299.6	329.6	348.4	380.8
PBT (m)	30.4	39.5	33.4	42.6	43.8
PAT (m)	23.8	28.5	29.9	32.8	33.6
PATAMI (m)	17.1	21.6	21.4	25.1	26.7
CORE EPS (sen)	6.4	8.0	7.9	9.3	9.9
EBITDA (m)	32.89	43.13	32.72	45.40	46.59
Earnings Growth (%)	111.9%	26.1%	-1.0%	17.3%	6.4%
EBITDA Margin (%)	13.2%	14.4%	9.9%	13.0%	12.2%
PER (x)	11.6	9.2	9.3	7.9	7.5
DPS (sen)	2.5	1.0	0.5	2.0	2.0
Dividend Yield (%)	3.4%	1.4%	0.7%	2.7%	2.7%
ROE (%)	14%	15%	13%	14%	13%
ROA (%)	10.2%	11.3%	10.8%	12.2%	13.7%
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	0.223
Price/Book Ratio (x)	1.67	1.41	1.22	1.08	0.97

Source: Company, Inter-Pacific

Illustration 1 : AWC Quarterly Results (RM m)



Source: Company

Table 2 :Quarterly Income Statement and YoY/QoQ Comparisons

FYE 31st June (RM m)	4QFY18	4QFY17	YoY chg (%)	3QFY18	QoQ chg (%)	FY18	FY17	YTD chg (%)
Revenue	94.2	75.6	24.5	75.3	25.1	304.0	296.5	2.5
PBT	7.2	9.4	(23.2)	11.2	(35.7)	33.4	38.7	(13.5)
EBITDA	6.9	11.1	(37.7)	11.7	(41.0)	35.7	45.5	(21.5)
Tax Expenses	(1.0)	(1.8)	(44.3)	(2.7)	(62.5)	(7.0)	7.8	(189.8)
PAT	6.2	7.6	(18.0)	8.5	(27.3)	26.5	30.9	(14.3)
PATMI	4.4	5.2	(15.7)	6.9	(35.9)	21.4	22.0	(2.9)
PBT margin (%)	7.6	12.4	(38.3)	14.9	(48.6)	11.0	13.0	(15.6)
EBITDA margin (%)	7.3	14.6	(50.0)	15.5	(52.9)	11.8	15.3	(23.4)
PATMI margin (%)	4.7	6.9	(32.3)	9.1	(48.7)	7.0	7.4	(5.2)
EPS (sen)	2.8	2.4	16.0	3.6	(21.3)	8.0	8.2	(2.9)

Source: Company

Table 3 : Sum-of-Parts Valuation

Sum of parts		RM m	RM (sen)
Concession	FY19 PER 15x	207.4	0.77
Engineering	FY19 PER 9x	31.8	0.12
Environmental (51% owned subsidiary)	FY19 PER 9x	70.7	0.26
SOP per AWC share			1.15
No. of shares (m)	269		
Fair Value	10% discount		1.04

Source: Company

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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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