

AWC Bhd

RESULTS UPDATE

BUY

Current Price RM 0.80
Target Price RM 1.22
Consensus Price RM 1.15

Key Statistics

Bloomberg Ticker	AWC MK
Masa Ticker / Stock Code	AWC/7579
Shares Issued (m)	285
Market Capitalisation (RM'm)	225
52 Week Hi/Lo Price (RM)	1.04/0.60
3 Mths Avg Vol (Shares)	1,863,159
Est Free Float (m)	131.6
YTD Returns (%)	-8.9
Beta (x)	1.11

Major Shareholders (%)

K-Capital Sdn Bhd	29.37
EPF	6.60

EARNINGS UPBEAT

WE maintain BUY with a target price of RM1.22, based on Sum-Of-Parts valuation that suggests an upside potential of 50%. 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. AWC is poised to benefit from cost-saving measures from the government. We like AWC for its 1) Earnings visibility 2) an attractive PER valuation versus its peers 3) A net cash position. Potential downside risks are 1) revision of concession contracts; 2) project delays.

◆ An Outperforming Facilities Division

AWC registered a earnings growth of 20% YoY and 38.1%QoQ respectively with 1QFY19's PATAMI of RM6.1m, owing to higher contribution from its facilities and engineering division. Lower costs, the acquisition of Trackwork and impairments made in respect of inventories and trade receivables in the previous year were key attributes for higher 1QFY19 results. 1QFY19 earnings of RM6.1m represents 21% and 23% of ours and consensus forecasts, lower than expected due to slower revenue recognition from the environmental division. The company declared a final single interim dividend of 0.5 sen/share, with the share to be traded ex-dividend on 11 Dec 2018.

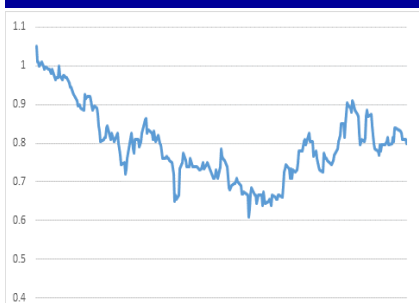
Going forward, AWC's future earnings will be supported by its concession projects in the Facilities Division. The company is expected to review its air condition division for a possible restructuring, while the plumbing division is expected to catch up, with PNB 118 contract revenues coming in up ahead.

Table 1 :Investment Highlights & Earnings Forecasts

FYE 30 th Jun	FY16	FY17	FY18	FY19(F)	FY20(F)
Revenue (m)	249.3	296.5	304.0	351.7	380.8
PBT (m)	30.4	38.7	33.9	49.9	35.5
PAT (m)	23.8	30.9	27.0	38.2	39.3
PATAMI (m)	17.1	21.6	21.7	28.2	29.5
CORE EPS (sen)	6.0	7.6	7.6	9.9	10.4
EBITDA (m)	32.89	42.24	32.72	52.72	38.34
Earnings Growth (%)	111.9%	26.1%	0.3%	30.0%	4.9%
EBITDA Margin (%)	13.2%	14.2%	10.8%	15.0%	10.1%
PER (x)	13.4	10.6	10.6	8.1	7.8
DPS (sen)	2.5	1.0	0.5	0.5	0.5
Dividend Yield (%)	3.1%	1.2%	0.6%	0.6%	0.6%
ROE (%)	14%	15%	13%	14%	13%
ROA (%)	10.2%	12.2%	9.8%	11.3%	10.4%
Net Gearing Ratio (%)	NET CASH	NET CASH	NET CASH	NET CASH	NET CASH
Price/Book Ratio (x)	1.93	1.63	1.37	1.12	0.98

Source: Company, Inter-Pacific

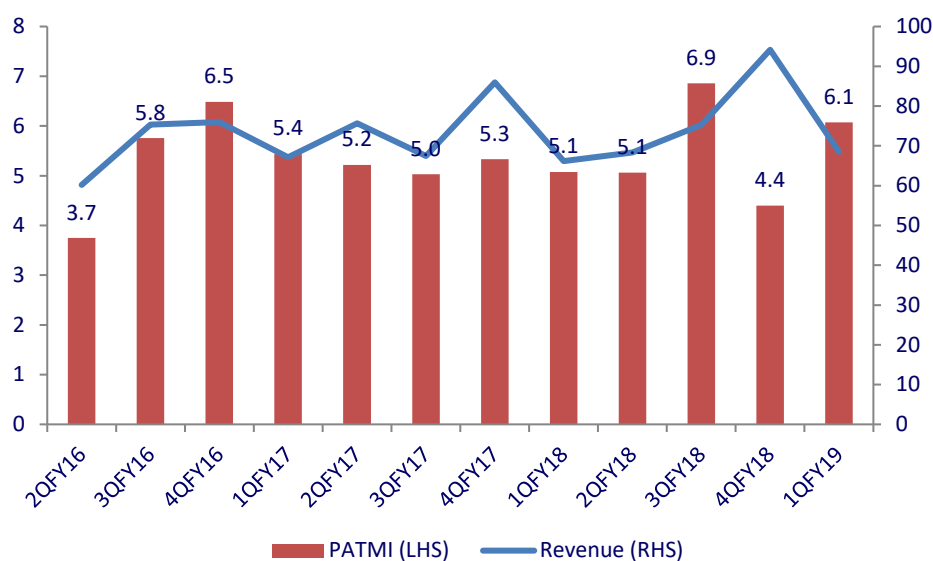
1-Year Share Price Performance



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Illustration 1 : AWC Quarterly Results (RM m)



Source: Company

Table 2 : Quarterly Income Statement and YoY/QoQ Comparisons

FYE 31 st June (RM m)	1QFY19	1QFY18	YoY chg (%)	4QFY18	QoQ chg (%)
Revenue	68.5	68.4	0.2	94.2	(27.3)
PBT	9.2	7.0	30.5	7.2	27.2
EBITDA	9.7	7.4	31.9	6.9	40.8
Tax Expenses	(1.9)	(1.6)	20.0	(1.0)	86.3
PAT	7.3	5.5	33.5	6.2	17.7
PATMI	6.1	5.1	20.0	4.4	38.1
PBT margin (%)	13.4	10.3	30.2	7.6	74.9
EBITDA margin (%)	14.2	10.8	31.6	7.3	93.5
PATMI margin (%)	8.9	7.4	19.7	4.7	89.8
EPS (sen)	2.1	1.8	20.0	1.5	38.1

Source: Company

Table 3 : Sum-of-Parts Valuation

Sum-of-Parts		RM m	RM(sen)
Concession	FY19 PER 15x	182.7	0.63
Engineering	FY19 PER 9x	31.8	0.11
Environmental (51% owned subsidiary)	FY19 PER 9x	48.2	0.16
Trackwork	FY19 PER 7.5x	90.0	0.32
SOP per AWC share			1.22
No. of shares			

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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