

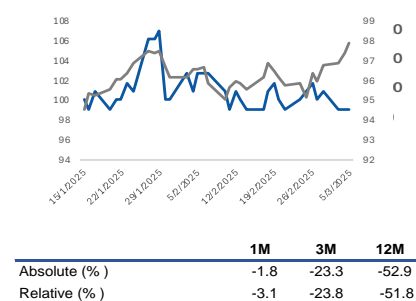
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Recommendation:	BUY
Current Price:	RM 0.56
Previous Target Price:	RM 0.00
Target Price:	RM 0.78
Capital Upside/Downside:	39.3%
Dividend Yield (%):	2.0%
Total Upside/Downside:	41.3%

Stock information	
Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	7579 / AWC MF MK
Syariah Compliant	Yes
ESG Rating	***
Shares issued (m)	335.3
Market Cap (RM' m)	187.8
52-Week Price Range (RM)	1.23-0.55
Beta (x)	1.8
Free float (%)	26.7
3M Average Volume (m)	0.5
3M Average Value (RM' m)	0.3

Top 3 Shareholders	(%)
K-Capital Sdn Bhd	25.1
Mohamed Nagoor Ahmad Kabeer Bin	8.3
Mastrack Sdn	4.3

Share Price Performance



Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	399.0	417.5	331.1
PATAMI (RM'm)	19.5	22.2	33.1
CNP (RM'm)	15.4	22.2	33.1
EPS - core (sen)	4.5	6.5	9.7
P/E (x)	12.6	8.7	5.9

AWC Berhad

Specialist Service Provider

- AWC is expected to deliver a sharp earnings uplift in FY26F, with Group core earnings projected to rise to RM33.1m (+48.9% yoy), driven by the turnaround of previously loss-making government concession contracts. Management is actively re-tendering expiring contracts at improved rates, while concurrently expanding its higher-margin non-concession segment. The Group's two-decade track record in managing public sector contracts supports our view that it remains well-positioned to secure favourable terms and rebuild its recurring income base.
- While STREAM has begun exploring growth opportunities in the Middle East, we expect near-term contributions to remain concentrated in Malaysia and Singapore, where AWC commands ~90% and 40% market share respectively. Macro uncertainty and slower decision cycles abroad may delay project rollouts, leaving domestic and regional execution as the key revenue drivers over the next 12-18 months.
- We continue to see strength in the engineering and rail divisions, with incremental contributions from data centre MEP works (under engineering) driving order book visibility. These projects carry structurally better margins due to their technical complexity and critical reliability. Supported by a favourable segment mix, we forecast Group core earnings to grow at a CAGR of 34.9% over FY25-27F.
- We initiate coverage on AWC with a BUY recommendation and a TP of RM0.78 based on 8x FY26F EPS of 9.7sen and appraised with a three-star ESG rating.

Key Investment Highlights

Structural Turn in Progress. AWC's government concession contracts are undergoing a structural reset, following the expiry of legacy agreements that had previously suppressed margins. To recap, several of the Group's concession contracts were signed at fixed rates that did not reflect rising cost pressures, resulting in periodic losses. With renewal discussions underway, management has proposed a stepped-up fee structure comprising RM50m for the first 10 years, RM51m for the following 5 years, and RM60m for the subsequent 13 years. This revised structure is intended to better accommodate cost inflation and lifecycle asset requirements. Further value enhancement could be realised through the potential adoption of the Comprehensive Asset Replacement Programme (CARP), which would formalise lifecycle capital expenditure recovery into the contract framework. Concurrently, AWC is actively expanding its non-concession portfolio, which contributed c.50% of segmental PBT in FY24. These contracts generally offer higher margins and shorter durations, allowing for faster capital rotation and improved commercial agility. In parallel, the Group is participating in new tenders under the Hospital Support Services (HSS) and Maintenance, Engineering, Electrical and Technical (MEET) programmes, both of which are expected to support the replenishment of the Group's recurring income base. We forecast Group core net profit to rise to RM37.9m by FY27F, translating into a three-year CAGR of 34.9%, driven by margin normalisation from renewed concessions and continued contribution from the expanding non-concession segment.

Stream Division, Patience Pays Off. STREAM continues to dominate Malaysia's Automated Waste Collection System (AWCS) segment with an estimated 90% market share and maintains a strong presence in Singapore with around 40% share. STREAM is currently engaged with the federal government on pilot initiatives under the Perumahan Madani programme, which aims to enhance waste collection efficiency through broader system adoption. Channel checks suggest AWCS typically accounts for ~1% of development cost, applying a mid-range RM6m per project, Malaysia's 106,236 new residential units in 2024 imply a recurring addressable market of roughly RM127m/year. Even in the absence of a full mandate, partial adoption at scale could improve revenue visibility and support long-term growth. STREAM is also widening its footprint to hospitals, transport hubs and airports in Singapore, while pursuing early opportunities in the UAE. However, macro headwinds and lengthy approvals are likely to stretch UAE execution timelines, limiting near-term order-book replenishment. Reflecting this,

we adopt a conservative stance and project a -0.5% CAGR in STREAM's segmental PBT over FY25-27F.

Leveraging Infrastructure Spend. AWC's engineering division is expected to benefit from the government's push for infrastructure upgrades under the National Energy Transition Roadmap (NETR), which allocates RM7bn for retrofitting energy-inefficient government buildings. Market checks indicate that 60-70% of public buildings are still non-compliant with modern energy standards, presenting a sizeable pipeline of addressable projects. Beyond government-related works, the division is also well-positioned to tap into the accelerating rollout of hyperscale data centres across Malaysia. Based on an annual capacity addition of 700MW, an average build cost of RM20m/MW, and a 2% plumbing work scope, we estimate a plumbing-related market opportunity of c.RM30m/year. Incorporating a conservative 7% annual revenue growth assumption, we forecast an incremental contribution of roughly RM0.4m/year to the Group's earnings from this division over FY25-27F.

Mega Projects in the Pipeline. AWC's rail division is currently bidding for systems work packages worth between RM300m and RM400m under the RM2bn Penang LRT Mutiara Line. This comes on the back of its proven delivery track record in major urban rail projects such as MRT1 and MRT2, as well as existing long-term maintenance contracts with KTMB and Prasarana. Looking ahead, the division is targeting substantially larger contracts under upcoming national infrastructure projects, including MRT3 and the Kuala Lumpur-Singapore High-Speed Rail (HSR), both of which are expected to offer sizeable contract scopes. These pipeline opportunities present potential upside to our base case, which currently assumes a moderate 3% CAGR in rail segmental PBT from FY25F to FY27F, supported by steady contributions from existing maintenance jobs and active participation in new tenders.

Valuation & Recommendation. We initiate coverage of AWC with a **BUY** recommendation and a target price of **RM0.78** based on 8x FY26F EPS of 9.7sen and appraised with a three-star ESG rating. The applied multiple reflects a 30% discount to the one-year average PE ratio of 12x to reflect AWC's diversified conglomerate structure, a profile that mitigates earnings volatility but moderates the growth scalability.

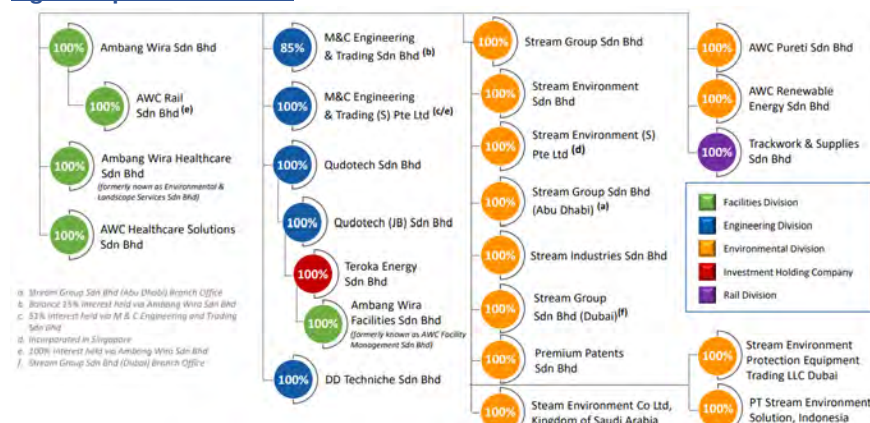
Company Background

AWC Berhad was listed on the Second Board of the Kuala Lumpur Stock Exchange (KLSE) in September 2003 via a reverse takeover of Trans Capital Holdings Berhad. Initially operating as AWC Facility Solutions Berhad, the Group established itself as a key service provider to Federal Government buildings after securing a 10+5-year concession to maintain Common User Buildings in the Southern Zone and Sarawak through its Integrated Facilities Management (IFM) division. The Group also provided mechanical and electrical (M&E) engineering services for high-rise developments.

AWC diversified in 2004 into environmental technology by acquiring a 51% stake in Nexaldes Sdn Bhd (now STREAM), a pioneer in automated pneumatic waste collection. The expansion continued in 2006 with the acquisition of Infinite QL Sdn Bhd, specialising in micro-electronics for building security. A leadership change in 2007 saw Azmir Merican appointed Group CEO to drive operational streamlining and a renewed focus on core business segments. As part of this strategy, AWC divested from non-core subsidiaries and expanded STREAM's operations through JVs in the Middle East.

In May 2013, Dato' Ahmad Kabeer bin Mohamed Nagoor took over as Group CEO. Under his tenure, AWC entered the rail sector in 2018 by acquiring a 60% stake in Trackwork & Supplies Sdn Bhd. By 2023, both STREAM and Trackwork became wholly owned subsidiaries, consolidating the Group's position in environmental technology and rail infrastructure solutions.

Fig 1: Corporate Structure



Source: Company

Business Overview

Business Model. AWC's operations framework is structured around four core business units: (i) IFM, (ii) Environment, (iii) Engineering, and (iv) Rail.

Fig 2: Business Activities



Source: Company, Apex Securities

IFM (6.1% of 9MFY25 PBT)

AWC's IFM division provides comprehensive facilities management solutions across office, commercial, industrial, residential, and administrative buildings. Its client portfolio spans public sector agencies, commercial entities, and healthcare institutions. Key services include facilities and biomedical engineering maintenance, cleaning, linen and laundry management, healthcare waste disposal, landscaping, and pest control.

The Group gained early traction in the public sector following the award of a 10+1-year Federal Government concession to maintain 31 government buildings across the Southern Zone (Johor, Malacca, Negeri Sembilan) and Sarawak. Valued at RM555m (c.RM59m annually), the concession has been a key contributor to AWC's recurring income stream since its commencement in 2016.

To strengthen earnings resilience and reduce dependency on long-term concessions, AWC has strategically expanded into commercial and healthcare-related contracts. These non-concession contracts now account for over 50% of the segment's revenue and are typically structured on shorter tenures of one to five years. Notable clients include Hospital Rehabilitasi Cheras, Hospital Shah Alam, the National Institute of Health, the National Cancer Institute, Hospital Orang Asli Gombak, and various Klinik Kesihatan in Johor and Perak.

In addition, AWC is undertaking the Critical Asset Refurbishment Programme (CARP), a 10-year concession valued at RM145m, expiring in December 2025. The programme involves the systematic replacement of ageing mechanical and electrical (M&E) infrastructure in federal buildings, further reinforcing the Group's capabilities in government-linked asset enhancement.

Fig 3: Notable IFM Project Track Record



Source: Company, Apex Securities

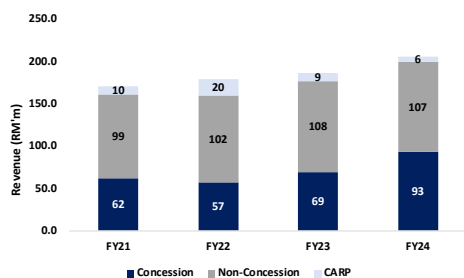
Despite steady revenue contribution, profitability in the IFM segment remains under pressure. Fixed-pricing mechanisms across concession and commercial contracts have constrained AWC's ability to pass on rising costs. Labour-related expenses have increased significantly following Malaysia's minimum wage adjustments from RM1,200 in 2020 to RM1,700 in 2025.

A large portion of contracts are scheduled to expire between 2025 and 2027. This includes the 10-year Federal Government concession and the Hospital Shah Alam contract, both ending in December 2025. Other expiries during this period include the loss-making Hospital Orang Asli Gombak, as well as contracts for the National Institute of Health (December 2026), PSK Perak (September 2027), and the National Cancer Institute (November 2027).

The government concession is expected to undergo a competitive retendering process, typically requiring six months for evaluation and award. AWC has submitted a proposal for a new 27-year concession with a stepped-up fee structure: RM50m annually for the first 10 years, RM51m for the next five years, and RM60m for the final 13 years. The revised structure better reflects higher operating costs and could be further enhanced by the inclusion of the CARP programme.

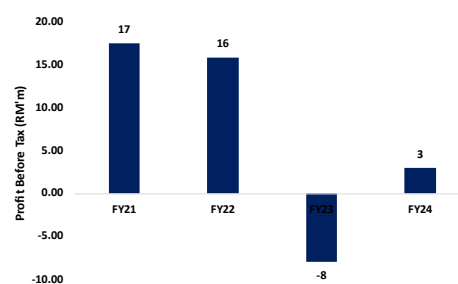
Given its operational track record, AWC is well-positioned to secure the concession renewal on improved terms, potentially supporting margin recovery from 2H26 onwards. Management is also prioritising growth in the non-concession segment, which offers higher margins and a broader project base. Profitability is expected to improve as loss-making contracts lapse, and new projects are secured at revised pricing. As of 30 June 2025, the Facilities Division order book stood at RM270.3m, equivalent to 1.3x FY24 segment revenue.

Fig 4: Revenue breakdown of IFM division



Source: Company, Apex Securities

Fig 5: PBT of IFM division



Source: Company, Apex Securities

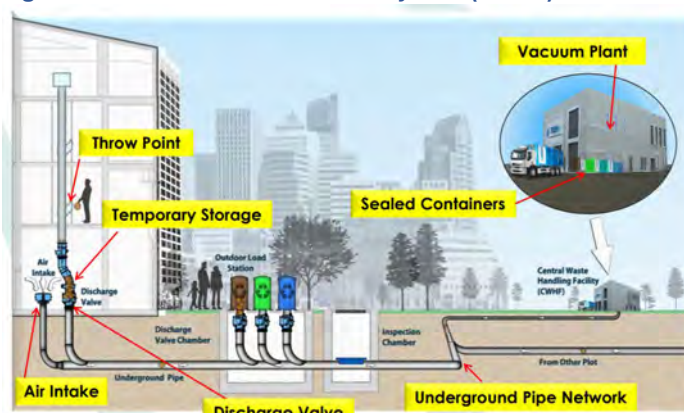
Environment (71.8% of 9MFY25 PBT)

The **Environment** division is led by Stream Group, which designs, supplies, installs, tests, and commissions automated pneumatic waste collection systems (AWCS) under its proprietary STREAM brand. These systems transport municipal solid waste via underground or surface pipelines to a central facility, where the waste is compacted and containerised for onward disposal. STREAM's AWCS has been deployed in residential and commercial buildings, hospitals, and medical centres. The Group also provides operations and maintenance (O&M) services, supporting a recurring income stream.

STREAM is one of the few regional players with technical capability and a proven track record in pneumatic waste collection systems (PWCS), alongside global peers such as Envac (Sweden) and MariMatic (Finland). It holds an estimated 90% market share in Malaysia and ~40% in Singapore. Other international markets include the Middle East, China, Taiwan, Hong Kong, and India.

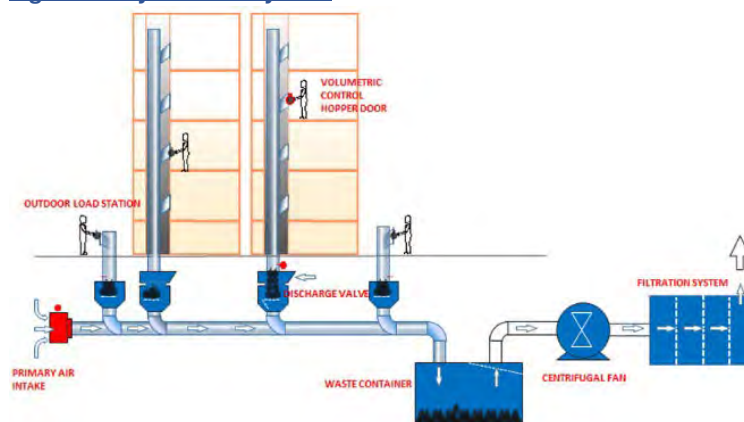
A key differentiator is its patented Waste Shuttle system, which improves operational efficiency and reduces AWCS energy usage by c.70%. This innovation has supported growth in high-value markets such as Singapore, where STREAM has extended its solutions to include hospital linen handling systems. In Malaysia, Batu Kawan township serves as a pilot for AWS deployment, backed by government incentives. The success of this initiative could pave the way for broader adoption across future township developments.

Fig 6: Pneumatic Waste Collection System (PWCS)



Source: Company

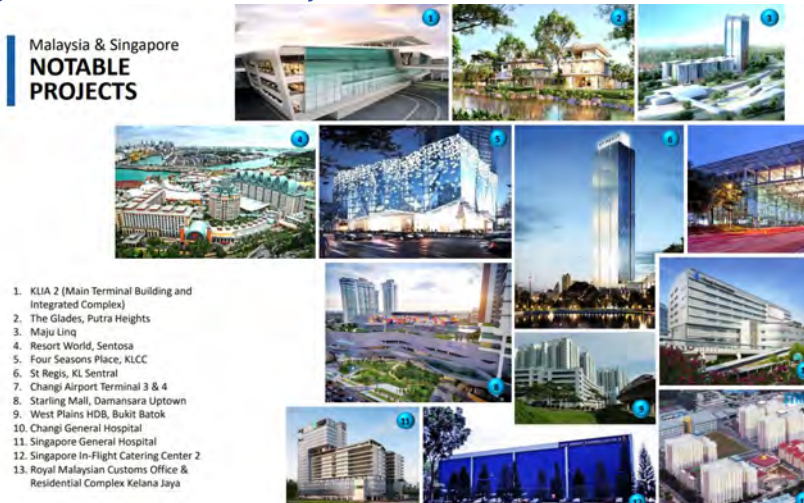
Fig 7: Gravity Vacuum System



Source: Company

1. Refuse will be thrown into the chute via Volumetric Control Hopper Door.
2. When the refuse reach to the pre-set level, STREAM Control Centre will trigger the Centrifugal Fan to create the vacuum and airflow inside the piping system.
3. The Discharge Valve will be opened to discharge the refuse to piping network. Primary Air Intake will be opened to allow the air.
4. The refuse will be transported via the piping network to Bin Center in the speed of 20~25 m/s.
5. In the Bin Center, the refuse and air will be separated in the Waste Container by a fine screen.
6. The air will be filtered, DEODORIZED and discharged.

Fig 8: Notable Environment Project Track Record

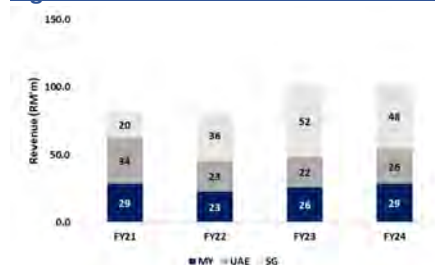


Source: Company

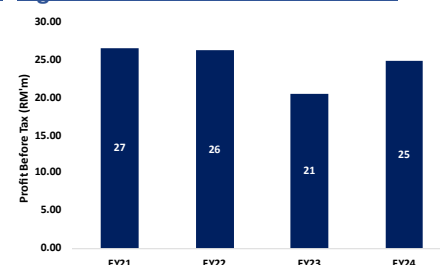
Over the past three financial years, Stream has consistently reported PBT of c.RM24m, maintaining its position as the Group's main earnings contributor. As of 30 June 2025, Stream's order book stood at RM178.5m, representing 1.7x segmental revenue for FY24. The majority of the order book is derived from projects in Malaysia and Singapore, as well as O&M contracts, which are typically secured for one to two years and command higher margins.

AWC's active tender book stands at c.RM60m, with a historical win rate of around 50% across core markets including Malaysia, Singapore, and the Middle East. Management maintains a positive outlook on the healthcare sector, particularly hospital-related infrastructure in Singapore and China, where the Group is leveraging its execution track record. The current tender pipeline excludes larger-scale AWCS opportunities in Saudi Arabia (NEOM), where development costs are estimated to exceed USD8.8tn. Given the scope and complexity of these projects, contribution to the order book and earnings is expected over a longer horizon.

Fig 9: Environment division's revenue breakdown **Fig 10: PBT of Environment division**



Source: Company, Apex Securities



Source: Company, Apex Securities

Engineering (21.1% of 9MFY25 PBT)

This division operates across two core subsectors: (i) **Plumbing** and (ii) **Air conditioning**.

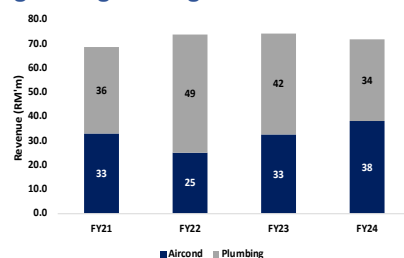
Plumbing. Activities are anchored by subsidiaries Qudotech and DD Techniche. Qudotech, a CIDB G7-certified contractor, specialises in cold and hot water systems and sanitary plumbing works for hospitals, airports, hotels, condominiums, and commercial buildings. Key completed projects include PNB 118, PNB 1194, Signature Tower at TRX, and The Astaka Johor.

DD Techniche focuses on rainwater and greywater harvesting systems, serving residential, institutional, and commercial clients. Notable projects include KLIA2 and The Astaka Iskandar. As a MYHijau-registered provider, its systems qualify for the Green Investment Tax Allowance (GITA), offering clients both environmental and fiscal benefits.

Air conditioning by M&C Engineering, with expertise in HVAC systems, electrical distribution, lighting, and building management systems. The business supports full project lifecycle execution for both new developments and retrofits, including critical infrastructure such as data centres in Malaysia and Singapore.

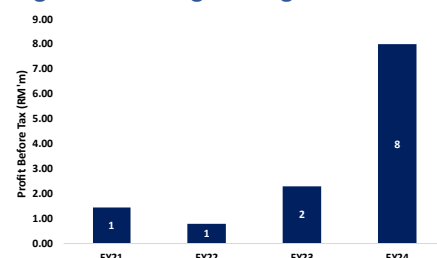
Historically, the engineering division has contributed c.RM1m in PBT annually. In FY24, PBT rose sharply by 247.8% yoy to RM8m, driven by favourable product mix and strong execution. Growth was led by the Singapore air-conditioning segment and higher demand for rainwater harvesting and siphonic systems. The positive momentum is expected to continue into FY25, supported by rising demand from data centre construction. As of 30 June 2025, the Engineering Division's order book stood at RM96.1m, equivalent to 1.3x the segment's FY24 revenue.

Fig 11: Engineering division's revenue breakdown



Source: Company, Apex Securities

Fig 12: PBT of Engineering division



Source: Company, Apex Securities

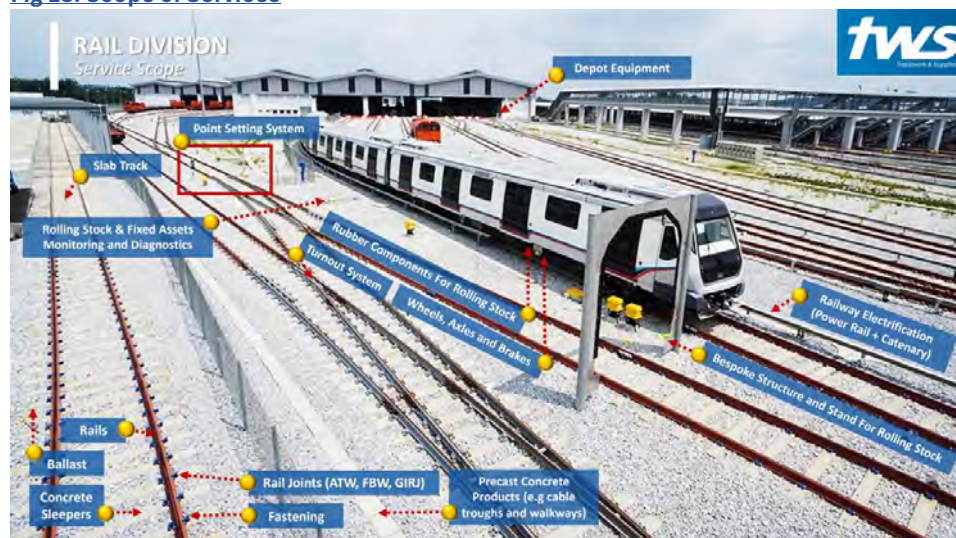
Rail (20.1% of 9MFY25 PBT)

The **Rail division** was established following AWC's acquisition of a 60% stake in Trackwork & Supplies in 2018, with full ownership completed in 2023. AWC Rail, incorporated in March 2017, complements Trackwork's operations and strengthens the Group's presence in the rail infrastructure segment.

The division supplies essential railway materials, including tamping machines, rolling stock, power rails, and associated components. It is a registered vendor with key agencies such as the Ministry of Finance (MOF) and Keretapi Tanah Melayu Berhad (KTM), and maintains active relationships with major industry players, including Prasarana Malaysia Berhad, MRT Corporation (MRT Corp), and Express Rail Link Sdn Bhd (ERL). In addition to supplying activities, the division provides refurbishment and maintenance services for rolling stock and railway systems, enabling it to offer integrated solutions across the rail project lifecycle.

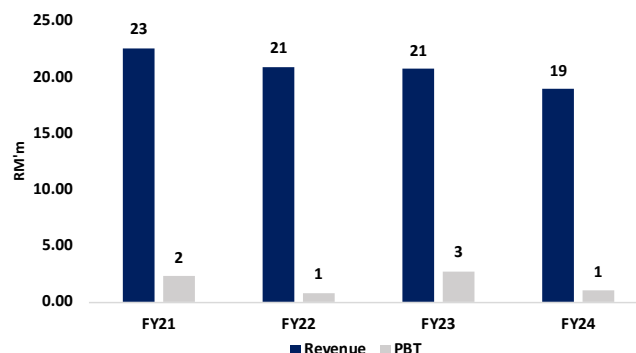
Profit performance in the rail division has fluctuated over the past four years, largely reflecting its dependence on the timing of national government infrastructure projects. Given the limited number of players in this sector, the division is favourably positioned to benefit from the anticipated launch of major projects such as MRT3, Penang LRT, and the Kuala Lumpur-Singapore High-Speed Rail (HSR). As of 30 June 2025, the rail division's order book stood at RM50.8m, representing 2.7x its segmental revenue for FY24.

Fig 13: Scope of Services



Source: Company

Fig 14: Revenue and PBT of Rail division



Source: Company, Apex Securities

Industry Overview

Environment. Conventional waste collection systems face long-standing challenges related to inefficiency, hygiene, and urban congestion. Traffic delays frequently disrupt scheduled waste collection, while manual handling increases exposure to odours, pests, and health risks. In contrast, automated pneumatic waste collection systems (AWCS) offer a more efficient and hygienic solution by transporting waste through underground vacuum pipelines to a centralised facility, reducing truck movement and limiting human contact.

Channel checks suggest the global AWCS market was valued at USD275.9m in 2021 and is projected to grow to USD557.5m by 2030, representing a CAGR of 11.9% over 2022–2030. Growth is supported by increasing land use constraints in urban areas, rising adoption of automation to meet decarbonisation goals, and policy momentum towards circular economy frameworks and advanced waste infrastructure.

Malaysia. Adoption of automated waste collection systems (AWCS) is gaining traction among Malaysian property developers across both affordable and high-end residential projects. This reflects a strategic push to improve development competitiveness, supported by policy frameworks such as the National Solid Waste Management Policy (NSWMP) and the National Strategic Plan (NSP), which prioritise waste reduction, recycling, and disposal efficiency. STREAM currently commands an estimated 90% market share in Malaysia and serves prominent clients including Mah Sing, SP Setia, and SkyWorld. The Group is typically involved from the early planning phase of new developments. With Budget 2025 allocating resources towards affordable housing and urban renewal programmes, the residential project pipeline is expected to remain robust, supporting further growth in domestic AWCS deployment.

Singapore. PWCS adoption is more advanced in Singapore, largely driven by land constraints and regulatory mandates. Since April 2018, all new non-landed private residential developments with 500 units or more are required to implement PWCS. This was reinforced by the Environmental Public Health (Amendment) Bill in October 2018, which made PWCS mandatory in designated areas. STREAM holds c.20% market share in Singapore, competing alongside four other key players. The upcoming launch of 24 new private residential projects and three Executive Condominium (EC) developments in 2025 is expected to support continued demand for PWCS. This will likely reinforce STREAM's positioning and contribute to long-term growth in the region.

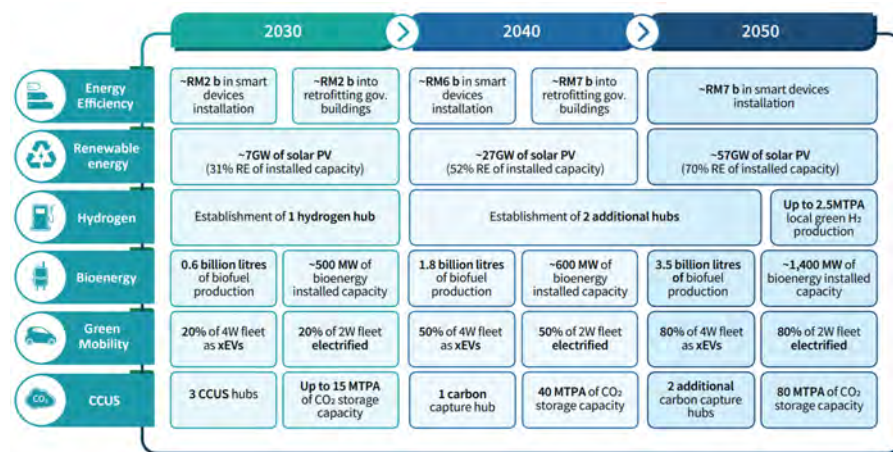
Middle East. STREAM has maintained a consistent presence in the Middle East since securing infrastructure contracts for Al Reem Island and Al Raha Beach in 2008–2009, both of which were completed by 2011–2012. The Al Raha Beach Development remains ongoing, with ~10 subplots tendered annually from a remaining pool of 100 subplots, valued between AED80m and AED150m. Given STREAM's established execution track record, the Group is well-positioned to secure additional packages from future phases.

AWC is also actively pursuing opportunities in NEOM, a flagship smart city development under Saudi Vision 2030. Located in Tabuk, Saudi Arabia, NEOM spans approximately 170km and carries an estimated development cost of USD500bn. By comparison, Al Raha Beach covers 5.8sq km along an 11km coastline, making NEOM over 4,500x larger by land area. With infrastructure development at NEOM expected to accelerate ahead of the 2034 FIFA World Cup, STREAM is targeting vacuum waste collection system installations as a strategic entry point. Early participation could unlock further opportunities across multiple phases of the project.

Engineering. According to Siemens, buildings account for 40% of global energy consumption, yet 80% of commercial floor space remains unmanaged by smart technologies. HVAC systems alone contribute up to 70% of a building's total energy usage, indicating a large addressable market for energy-efficient (EE) upgrades.

In Malaysia, the National Energy Transition Roadmap (NETR) outlines RM13bn in funding through 2040, including RM7bn earmarked for retrofitting government buildings. Data indicates that 60–70% of existing government assets are energy inefficient, with Building Energy Index (BEI) values exceeding 200. The average BEI for office buildings in Malaysia currently stands at 210, reinforcing the urgency for targeted retrofits. This highlights significant growth potential for the adoption of smart HVAC and energy-efficient technologies, with clear implications for both cost savings and emissions reduction.

Fig 15: Summary of NETR



Source: NETR

Fig 16: Star Rating Framework for Office Buildings by BEI Range

Star Rating	BEI range for office building
5	BEI ≤ 100
4	100 < BEI ≤ 130
3	130 < BEI ≤ 160
2	160 < BEI ≤ 250
1	BEI > 250

Source: ST

Major construction players, including Gamuda, IJM, and SunCon, are actively capitalising on the rising demand for data centres (DCs) in Malaysia. The sector is supported by committed investments from leading US hyperscalers. YTD, total announced investments exceed USD17bn, comprising AWS (USD6.2bn), Oracle (over USD6.5bn), Google (USD2bn), and Microsoft (USD2.2bn). The recently launched AI Action Plan has improved policy clarity and reinforced the structural demand outlook for AI and cloud infrastructure, underscoring sector resilience.

Assuming a conservative project cost of RM20m per MW and 700MW of new capacity added annually, plumbing opportunities are estimated at RM30m per year, assuming a 2% share for plumbing works. DC-related construction projects typically offer higher margins and faster execution timelines relative to conventional property developments, presenting a favourable demand environment for mechanical, electrical, and plumbing (MEP) service providers. AWC has demonstrated early success in securing DC-related contracts, validating its execution capabilities in this specialised segment. These projects are expected to make meaningful contributions to financial performance and further strengthen AWC's long-term growth prospects in the sector.

Facilities management. A total of 148 concession-based hospitals under the Hospital Support Services (HSS) program will see their contracts expire in December 2025, opening the door to competitive tenders. These hospitals are currently maintained by players including Radicare, Medivest, UEM Edgenta, Faber Medi-Serve (a subsidiary of UEM Edgenta), One Medicare (associate of UEM Edgenta), and Sedafiat (associate of UEM Edgenta). With the expiry of existing contracts, AWC is expected to participate in the upcoming tenders. Given the scale and long-term nature of these opportunities, any successful bids could offer meaningful upside for the Group.

Additionally, AWC is targeting new business under the Medical Equipment Enhancement Tenure (MEET) programme, which covers maintenance for Ministry of Health (MOH) clinics. The 2024 national budget allocates RM150m for 403 clinics, representing a 47% increase from the initial allocation. With tenders for the East Coast region anticipated to open shortly, AWC's track record in managing five non-concession hospitals positions it favourably to capture additional awards and expand its footprint in the sector.

AWC currently holds an RM555m government concession to maintain 31 federal buildings in the Southern Zone, which is set to expire in December 2025. The contract is expected to enter a formal tender process, typically requiring six months for evaluation. Management has proposed a stepped-up fee structure of RM50m annually for the first 10 years, RM51m for the following five years, and RM60m for the final 13 years, to reflect rising operating costs. The inclusion of the Critical Asset Refurbishment Programme (CARP) could further enhance the total contract value. Given AWC's longstanding track record managing these assets, the company is well-positioned to secure the renewal on favourable terms, supporting a recovery in segment profitability from 2H2026.

Rail. Earlier this year, Package 1 of the Penang LRT Mutiara Line project was awarded, with the system contract expected to be finalised by 2H24. Based on the contract value of RM8.3bn, AWC is targeting RM300-400m in contracts related to track works, grinding, and depot maintenance equipment within a total package estimated at RM2bn. The overall cost of the Penang LRT project stands at c.RM13bn, with remaining segments projected to be around RM5bn, presenting significant opportunities for the sector. Leveraging its proven track record in delivering MRT1, MRT2, and the Ampang LRT line, AWC is well-positioned as a strong contender for upcoming works on the project.

Investment Highlights

Structural Turn in Progress. About 30-40% of AWC's segmental revenue is derived from an RM555m federal concession contract to maintain 31 government buildings, which is scheduled to expire in December 2025. The re-tendering process is expected to commence by the end of 2025 and marks a structural reset for the Facilities segment. Historically, earnings were impacted by margin compression arising from fixed-fee structures that restricted the pass-through of rising labour and input costs. To address this, AWC has proposed a stepped-up fee model comprising RM50m per annum for the first 10 years, RM51m for the subsequent five years, and RM60m for the final 13 years. This is intended to better reflect inflationary cost pressures and long-term asset lifecycle needs. Additional value could be realised through the inclusion of Critical Asset Refurbishment Programme (CARP) components. Given AWC's longstanding track record managing government assets, the Group is well-positioned to

secure renewal on improved commercial terms, which would support a recovery in segmental profitability from FY26F onwards.

At the same time, AWC continues to expand its non-concession portfolio, which contributed c.50% of segmental PBT in FY24. These contracts typically range from one to five years and are awarded by private hospitals, offering higher margins and greater pricing flexibility. The Group is actively bidding for new opportunities under the Hospital Support Services (HSS) programme, where 148 hospital-based concessions are scheduled to expire by end-2025. With a consistent history of HSS contract wins, AWC is favourably positioned for the upcoming tender cycle.

Additional growth is expected under the Medical Equipment Enhancement Tenure (MEET) programme, which covers the maintenance of Ministry of Health (MOH) clinics. Budget 2024 allocated RM150m for 403 clinics, with 296 already in implementation as of mid-2024. AWC is particularly focused on the East Coast region, where each MEET package is estimated to be worth c.RM500m. New contract wins across HSS and MEET would enhance operating scale, improve income visibility, and support stronger segment performance. As such, we forecast AWC's core net profit to reach RM37.9m by FY27F, representing a three-year CAGR of 34.9%. Growth is expected to be driven primarily by the turnaround of previously loss-making concession contracts, with the Facilities segment PBT projected to increase from RM1.3m in FY25F to RM13.3m in FY26F, providing a material uplift to overall Group profitability.

Stream Division, Patience Pays Off. The Environment segment remained AWC's largest earnings contributor, accounting for 69% of Group PBT as of 9MFY25. STREAM delivered a stable annual PBT of c.RM25m over the past four financial years, supported by its dominant position in the Automated Waste Collection System (AWCS) market, with an estimated 90% share in Malaysia and 40% in Singapore.

In Malaysia, STREAM is collaborating with government stakeholders on early-stage initiatives such as the Perumahan Madani programme, which aims to enhance waste collection efficiency through broader system adoption. The successful installation of AWCS in Batu Kawan township serves as proof of concept and positions STREAM well for further deployment in public infrastructure projects. While the government has yet to mandate AWCS adoption, a nationwide requirement for AWCS implementation in new high-rise or public developments would institutionalise demand and create a stable, recurring earnings base. Malaysia recorded 106,236 new residential units in 2024 (+21% yoy), a large share of which were high-rise. Assuming AWCS systems account for 1% of total development cost and applying a mid-range estimate of RM6m per project, this would imply a potential addressable market of RM127m annually. Even absent a full mandate, partial adoption at scale could improve revenue visibility and support long-term growth. In Singapore, STREAM continues to diversify AWCS applications beyond residential and commercial buildings into hospitals, transport hubs, airports, and brownfield retrofits including public housing projects, thereby strengthening its regional position and broadening its revenue streams.

Looking beyond its core markets, STREAM is actively pursuing longer-term growth opportunities in the Middle East. In Saudi Arabia, the Group is targeting potential involvement in the NEOM smart-city project, a 170km linear development with an estimated land area 4,500x larger than its prior Al Raha Beach engagement. STREAM's execution history in the region, including Al Reem Island and Al Raha Beach, enhances its credentials for participation. However, given NEOM's scale and complexity, alongside macroeconomic headwinds and protracted approval processes, meaningful contributions from this region are expected to have a long lead time.

We believe near-term earnings will remain primarily driven by Malaysia and Singapore, as macro headwinds and prolonged approval processes are likely to extend UAE execution timelines, limiting near-term order-book replenishment. We adopt a conservative stance and project a -0.5% CAGR in STREAM's segmental PBT over FY25-27F, mainly due to lower order-

book replenishment in the UAE, which typically offers better margins. The segment's current tender book stands at c.RM60m, predominantly from Malaysia and Singapore, with a historical win rate of around 50%. Successful entry into the NEOM project could deliver significant upside to our forecasts.

Leveraging Infrastructure Spend. AWC is expected to benefit from the implementation of the National Energy Transition Roadmap (NETR), under which the Malaysian government has allocated RM7bn for the retrofitting of public buildings. Channel checks indicate that 60% to 70% of these buildings are energy inefficient, with upgrade scopes typically involving mechanical and plumbing systems. Given AWC's track record in large-scale high-rise developments and its established position in premium plumbing solutions, the Group is well positioned to capture a share of this retrofit pipeline. In addition, sustained investment by global hyperscalers in Malaysia continues to drive demand for mechanical, electrical, and plumbing (MEP) services, particularly in the data centre segment. Based on an estimated 700MW of new capacity annually, with a build cost of RM20m per MW and a 2% plumbing scope allocation, this translates to ~RM30m in addressable market value per year. Assuming a conservative 7% revenue growth for the Engineering Division, this is expected to contribute around RM0.4m in incremental earnings annually to Group performance. As of 30 June 2025, the Engineering Division held an outstanding order book of RM96.1m, equivalent to 1.3x FY24 revenue, providing strong short- to medium-term visibility.

Mega Projects in the Pipeline. AWC's rail division is currently bidding for systems contracts worth between RM300m and RM400m under the RM2b Penang LRT Mutiara Line project. The scope includes track installation, rail grinding, and depot maintenance systems. Backed by a strong delivery record on MRT1 and MRT2, as well as long-standing relationships with key operators such as Keretapi Tanah Melayu Berhad and Prasarana, AWC is well-positioned to benefit from the ongoing rollout of national rail infrastructure projects. Beyond the Penang LRT, the division is actively pursuing contract opportunities in larger-scale developments, including MRT3 and the Kuala Lumpur-Singapore High-Speed Rail. Both projects are expected to offer significantly larger contract values and could support an expanded pipeline of works over the medium term. We project a 3% CAGR in segmental PBT from FY25F to FY27F, supported by contributions from existing maintenance contracts and active participation in new tenders. Any major contract wins would represent upside to our base case. As of 30 June 2025, the division's outstanding order book stood at RM50.8m, equivalent to 2.7x its FY24 segmental revenue, providing healthy earnings visibility over the medium term.

Financial Highlights

AWC's CNP underperformed between FY21 and FY24, dropping to RM15.4m in FY24 and marking a three-year CAGR of -29.8%. The decline was primarily due to the lack of timely new project inflows and rising input costs, which led to margin compression across various segments.

Environment Division's PBT has declined at a CAGR of 3.8% over the past three years, primarily due to slower new project commencements both locally and in key overseas markets such as Singapore and Abu Dhabi, as well as rising costs and impairment losses on receivables.

Among all segments, the **Facilities Division** experienced the greatest decline in profitability, with segmental profit before tax (PBT) turning from PBT of RM16.4m in FY21 to a loss before tax (LBT) of RM7.9m in FY23, before experiencing another turnaround to a PBT of RM3.0m in FY24. This decline was driven by weaker performance in non-concessionaire projects, recurring impairments on receivables, higher energy costs, and wage pressures following the implementation of the Minimum Wage Order 2022.

Meanwhile, the **Rail Division** continued to report lumpy financial performance, given its high dependency on the timing and scale of national government project rollouts. In FY23, the division recorded a segmental LBT of RM2.0m, driven by fewer large-scale contracts, an

unfavourable product mix with lower-margin supply contracts, and impairment losses on receivables, before rebounding to a PBT of RM4.5m in FY24.

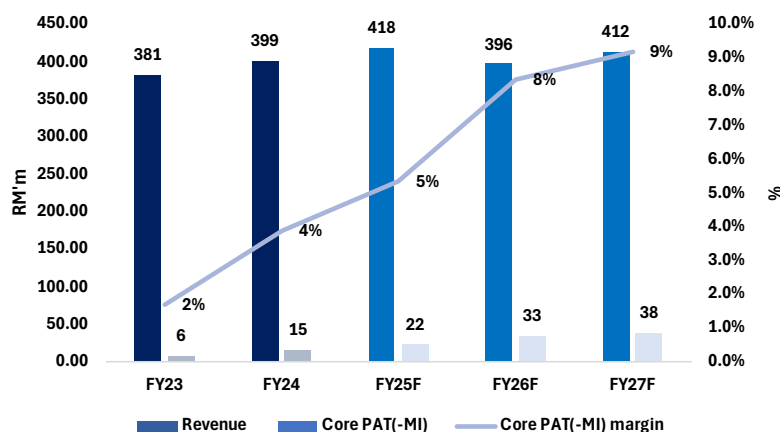
The **Engineering Division** recorded a significant turnaround, shifting from a LBT of RM15.6m in FY20 to a PBT of RM3.0m in FY21, and further improving to RM8.3m by FY24. This recovery was driven by robust demand for higher-margin solutions and successful project delivery in both the plumbing and air-conditioning segments.

Earnings outlook. Looking ahead, AWC's CNP is expected to surge 44.1% yoy in FY25F to RM22.2m, driven by the full consolidation of the Environment segment, continued recovery in the Facilities segment as higher-margin non-concessionaire business expands, and sustained earnings momentum from the Rail segment on the back of ongoing project execution.

FY26F-FY27F: AWC's CNP is projected to increase by 48.9% and 14.4% yoy to RM33.1m and RM37.9m in FY26F and FY27F respectively. Key drivers include (i) improved Facilities segment performance, as the product mix transitions toward higher-margin non-concessionaire projects following the expiry of government concessionaire contracts in December 2025, (ii) sustained earnings momentum in the Rail segment, supported by potential contract wins related to MRT3 and (iii) elevated activity in the Engineering segment, reflecting increased demand for data centre construction. Our projections exclude potential contract awards in Abu Dhabi, which could provide additional upside to our forecasts.

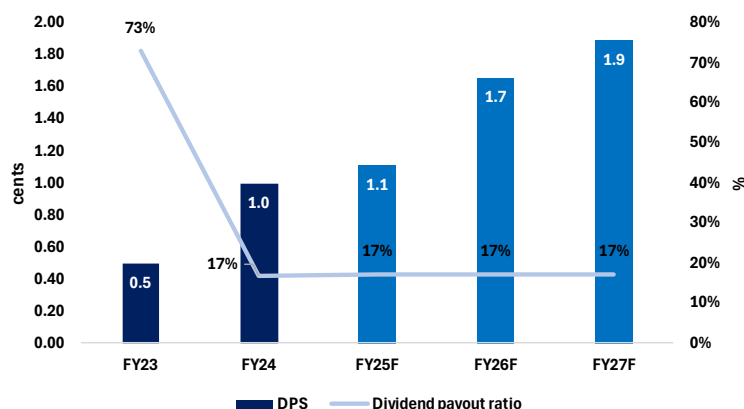
AWC does not have a formal dividend policy and continues to maintain a net cash position in line with its strategic objectives. However, in view of its healthy cash flow profile, we have assumed a 17% payout ratio from FY24 onwards in our forecasts to reflect the potential for future dividend distributions. As of 30 June 2025, AWC holds an orderbook of RM595.7m, representing 1.5x FY24 revenue.

Fig 17: Revenue, earnings and margin from FY23 to FY27F



Source: Company, Apex Securities

Fig 18: DPS and dividend payout ratio from FY23 to FY27F



Source: Company, Apex Securities

Sensitivity Analysis

Foreign Exchange Sensitivity Analysis. Given that the Environment segment is the main earnings contributor and Singapore is expected to account for a substantial portion of segmental revenue, we believe SGD represents the primary currency risk for the Group. Assuming all other factors remain constant, a 5% fluctuation in the SGD is estimated to impact the Group's bottom line by c. +/- 1.4% over the FY25F-FY27F period.

Fig 19: Earnings (RM m) Based on Sensitivity to SGD/MYR Exchange Rate and Profit Margin

		Profit margin (%)						
		4	7.0%	8.5%	10.0%	11.5%	13.0%	14.5%
SGD/MYR	3.40	3.0	3.6	4.3	4.9	5.5	6.2	
	3.45	3.0	3.7	4.3	5.0	5.6	6.3	
	3.50	3.1	3.7	4.4	5.0	5.7	6.3	
	3.55	3.1	3.8	4.4	5.1	5.8	6.4	
	3.60	3.2	3.8	4.5	5.2	5.9	6.5	
	3.65	3.2	3.9	4.6	5.2	5.9	6.6	
	3.70	3.2	3.9	4.6	5.3	6.0	6.7	
	3.75	3.3	4.0	4.7	5.4	6.1	6.8	
	3.80	3.3	4.0	4.8	5.5	6.2	6.9	

Source: Company, Apex Securities

Fig 20: Percentage Change in Earnings Based on Sensitivity to SGD/MYR Exchange Rate and Profit Margin

		Profit margin (%)						
		4	7.0%	8.5%	10.0%	11.5%	13.0%	14.5%
SGD/MYR	3.40	-32%	-17%	-3%	12%	26%	41%	
	3.45	-31%	-16%	-1%	13%	28%	43%	
	3.50	-30%	-15%	0%	15%	30%	45%	
	3.55	-29%	-14%	1%	17%	32%	47%	
	3.60	-28%	-13%	3%	18%	34%	49%	
	3.65	-27%	-11%	4%	20%	36%	51%	
	3.70	-26%	-10%	6%	22%	37%	53%	
	3.75	-25%	-9%	7%	23%	39%	55%	
	3.80	-24%	-8%	9%	25%	41%	57%	

Source: Company, Apex Securities

Valuation & Recommendation

Initiation Coverage. We initiate coverage on AWC with a **BUY** recommendation and a target price of **RM0.78**, based on 8x P/E applied to FY26F EPS of 9.7sen and supported by a three-star ESG rating. The applied multiple reflects a 30% discount to the one-year PE band average of

12x P/E to account for AWC's diversified conglomerate structure. We like AWC because of its (i) **leading AWS system market share** (90% in Malaysia, 40% in Singapore), (ii) **predictable cash flows** from both concessionaire and non-concessionaire segments, and (iii) **promising growth prospects** from untapped projects in Abu Dhabi, which collectively represent a potential order book of RM1bn.

Fig 21: AWC 1-year Historical PER



Source: Company, Apex Securities

Peers Comparison

There are no direct peers for AWC due to its uniquely diversified business model and the lack of analyst coverage for most comparable segmental players.

Investment Risk

Cost overruns. Rising variable costs, such as labour costs under lump-sum and fixed-price contracts, especially in the Integrated Facilities Management division, could erode project margins and reduce profitability.

Project delays. Unexpected delays in mega-project rollouts may lower demand for AWC's services, negatively impacting revenue and earnings.

Lower-than-expected replenishment orders. Failure to secure major contracts, such as those in Nusantara or Neom, or technical issues during execution could jeopardize AWC's growth prospects and financial performance.

Initiation Coverage

Monday, 11 Aug, 2025

BURSA RISE+

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Financial Highlights

Income Statement

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	381.3	399.0	417.5	396.1	412.5
Gross Profit	79.3	83.8	96.4	124.2	140.9
EBITDA	17.5	38.8	38.2	51.2	56.4
Depreciation & Amortisation	-5.1	-5.8	-9.1	-8.1	-7.2
EBIT	12.4	33.0	29.1	43.1	49.2
Net Finance Income/ (Cost)	1.4	-0.7	-0.8	-0.8	-0.8
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	13.8	32.3	28.3	42.3	48.4
Tax	-3.0	-8.0	-6.1	-9.2	-10.5
Profit After Tax	10.8	24.3	22.2	33.1	37.9
Minority Interest	8.6	4.8	0.0	0.0	0.0
Net Profit	2.2	19.5	22.2	33.1	37.9
Exceptionals	-13.0	4.0	0.0	0.0	0.0
Core Net Profit	15.2	15.4	22.2	33.1	37.9

Key Ratios

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	4.5	4.5	6.5	9.7	11.1
P/E (x)	12.6	12.3	8.6	5.7	5.0
P/B (x)	0.6	0.9	0.8	0.7	0.7
EV/EBITDA (x)	20.4	5.2	5.5	4.8	4.8
DPS (sen)	0.5	1.0	1.1	1.7	1.9
Dividend Yield (%)	0.9%	1.8%	2.0%	3.0%	3.4%
EBITDA margin (%)	4.6%	9.7%	9.1%	12.9%	13.7%
EBIT margin (%)	3.3%	8.3%	7.0%	10.9%	11.9%
PBT margin (%)	3.6%	8.1%	6.8%	10.7%	11.7%
PAT margin (%)	2.8%	6.1%	5.3%	8.4%	9.2%
NP margin (%)	0.6%	4.9%	5.3%	8.4%	9.2%
CNP margin (%)	4.0%	3.9%	5.3%	8.4%	9.2%
ROE (%)	5.1%	7.3%	9.7%	12.9%	13.1%
ROA (%)	3.4%	3.5%	5.0%	6.7%	6.9%
Gearing (%)	8.4%	50.5%	37.4%	38.0%	41.0%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

	FY26F
Core EPS (RM)	0.097
P/E multiple (x)	8.0
Fair Value (RM)	0.78
ESG premium/discount	0.0%
Implied Fair Value (RM)	0.78

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	119.5	119.2	107.0	153.3	197.6
Receivables	158.8	157.6	165.4	173.7	182.4
Contract assets	46.1	51.1	62.6	57.4	57.7
Other current assets	53.3	48.4	48.1	50.4	52.9
Total Current Assets	377.6	376.3	383.1	434.8	490.6
Fixed Assets	17.8	19.1	13.8	12.1	10.9
Intangibles	0.0	1.0	2.0	3.0	4.0
Other non-current assets	48.0	45.2	44.0	42.6	41.2
Total Non-Current Assets	65.9	65.4	59.8	57.7	56.1
Short-term debt	22.1	44.4	34.4	39.2	47.4
Payables	1.4	1.5	3.2	2.7	2.7
Other current liabilities	120.1	121.6	123.5	134.3	136.3
Total Current Liabilities	143.6	167.4	161.1	176.2	186.5
Long-term debt	2.9	62.6	51.6	58.8	71.1
Other non-current liabilities	0.4	0.0	0.0	0.0	0.0
Total Non-Current Liabilities	3.2	62.6	51.7	58.8	71.2
Shareholder's equity	223.8	211.6	230.1	257.6	289.0
Minority interest	72.9	0.0	0.0	0.0	0.0
Total Equity	296.6	211.6	230.1	257.6	289.0

Cash Flow

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	13.8	32.3	28.3	42.3	48.4
Depreciation & amortisation	5.1	5.8	9.1	8.1	7.2
Changes in working capital	-19.4	2.2	-6.1	-8.8	-8.7
Others	4.2	-8.1	-15.8	4.0	-11.7
Operating cash flow	3.7	32.2	15.5	45.7	35.2
Capex	-3.2	-3.8	0.0	-3.0	-3.0
Others	5.2	-95.3	-3.5	-3.0	-2.5
Investing cash flow	2.1	-99.1	-3.5	-6.0	-5.5
Dividends paid	-6.4	-1.7	-3.8	-5.6	-6.4
Others	-1.1	85.0	-20.5	12.3	21.0
Financing cash flow	-7.5	83.4	-24.2	6.6	14.6
Net cash flow	-1.7	16.5	-12.3	46.3	44.3
Forex	0.4	-0.8	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	94.8	93.5	109.2	96.9	143.3
Ending cash	93.5	109.2	96.9	143.3	187.5

Initiation Coverage

Monday, 11 Aug, 2025

BURSA RISE+

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ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 1 and Scope 2 GHG emissions totalled 687.3m tCO ₂ e in 2024, marking a 0.7% yoy decreased from 2023.
Waste & Effluent	★★★	Waste management aligns with industry standards and regulatory requirements as well as minimise environmental impact.
Energy	★★★	Energy consumption decreased by 0.9% in FY24.
Water	★★★	Increased water consumption by 5%, from 1.0m ³ in the previous year to 1.1m ³ .
Compliance	★★★	The Group complies with all local and international environmental regulations.

Social

Diversity	★★	Female representation at 24% in the workforce and 8% at the management level, below than the MCGG's recommended 30% female directors on the Board.
Human Rights	★★★	Enforces strict policies against human trafficking, forced labor, and child labor.
Occupational Safety and Health	★★★	5326 numbers trained in 2024 to enhance workforce competence. No fatalities.
Labour Practices	★★★	Adheres to all relevant labour laws.

Governance

CSR Strategy	★★★★	Actively engaged with communities, contributing RM147k (+26.2% yoy) to various initiatives.
Management	★★	Among the board members, 8% (1 out of 12) were female, while 33% (4 out of 12) were independent directors
Stakeholders	★★★	Regularly organizes corporate events and holds an annual general meeting (AGM) for investors.

Overall ESG Scoring: ★★★

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to -10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to -10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.