

Tan Sue Wen

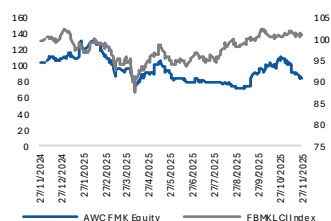
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Recommendation:	BUY
Current Price:	RM0.58
Previous Target Price:	RM0.92
Target Price:	RM0.72
Capital Upside/ Downside:	24.1%
Dividend Yield (%)	1.8%
Total Upside/ Downside	25.9%

Stock information	
Board	MAIN
Sector	Industrial
Bursa / Bloomberg Code	7579 / AWC FMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	339.4
Market Cap (RM' m)	196.8
52-Week Price Range (RM)	1.14-0.5
Beta (x)	2.1
Free float (%)	26.7
3M Average Volume (m)	1.3
3M Average Value (RM' m)	0.8

Top 3 Shareholders	(%)
K-Capital Sdn Bhd	24.9
Mohamed Nagoor Ahmad Kabeer Bin	8.4
Mastrack Sdn	4.3

Share Price Performance

	1M	3M	12M
Absolute (%)	-22.1	9.4	-30.5
Relative (%)	-22.3	7.4	-31.4

Earnings Summary	FY25	FY26F	FY27F
Revenue (RM'm)	412.4	430.7	447.7
PATAMI (RM'm)	24.9	27.2	31.2
CNP (RM'm)	23.0	27.2	31.2
EPS - core (sen)	6.8	8.0	9.2
P/E(x)	8.6	7.3	6.3

AWC Berhad

Earnings Miss on Facilities

- **1QFY26 CNP** came in at RM4.3m (-6.7% QoQ, -29.9% YoY), representing 12.5% of our full-year forecast and 16.1% of consensus. The results missed expectations, mainly due to slower-than-expected recovery in the Facilities segment.
- We cut our FY26F-FY28F earnings forecasts by 18.1-22.2%, reflecting more conservative margin assumptions for government-related contracts under the Facilities segment.
- Outstanding order book is estimated at RM787.8m, equivalent to 1.9x FY25 revenue.
- Maintain BUY with a revised TP of RM0.72 (from RM0.92), based on 9x FY26F EPS of 8.0 sen and supported by a three-star ESG rating.

Missed expectations. After adjusting for Eis (+RM0.2m), AWC's 1QFY26 core net profit (CNP) came in at RM4.3m (-6.7% QoQ, -29.9% YoY). This represents 12.5% of our full-year forecast and 16.1% of consensus estimate. The shortfall was primarily attributable to a slower-than-expected recovery in the Facilities segment.

QoQ. CNP slipped 6.7% mainly due to weaker contribution from the Environment division (segmental PBT -61.1%), as most projects in Malaysia and Singapore remain in the early phases of the S-curve with thinner margins. The Facilities division also remained muted due to the continuing drag from lower profitability on ongoing government contracts. The earnings weakness was partially offset by stronger growth in the Rail division (segmental PBT +434.3%) driven by a better product mix, while the Engineering division (segmental PBT +69%) benefited from higher revenue recognition with premium margins from ongoing Plumbing projects.

YoY. CNP contracted 29.9% mainly due to the absence of contribution from AWCS projects in the UAE and slower progress on projects that are still in the early phases under the Environment segment. This was reflected in PBT margins falling to 8.7% compared to 24.7% in 1QFY25. The other factors highlighted in the QoQ discussion also continued to weigh on overall performance.

Outlook. We expect earnings to gradually increase in the coming quarters, driven mainly by RM187.7m of AWCS projects in Malaysia and Singapore progressing into the accelerated S-curve phase under the Environment segment. Engineering should sustain robust performance, supported by RM83.6m in outstanding jobs and continued demand for data-centre-related plumbing works. Rail contribution is expected to remain stable, backed by active progress on projects within its RM43.3m order book. Meanwhile, the Facilities division is expected to recover from 1QCY26 onwards following the one-year extension at revised rates, which should further support the Group's earnings trajectory.

Order book. The Group's outstanding order book is estimated at RM787.8m (60.1% Facilities; 23.8% Environment; 10.6% Engineering; remainder from Rail), representing 1.9x FY25 revenue.

Earnings Revision. We have lowered the margin assumptions for the Facilities division, adopting a more conservative view on government-related contracts. As a result, earnings are revised by -21.7%/-22.2%/-18.1% for FY26F-FY28F.

Valuation. Following the earnings adjustment, we derive a new TP of **RM0.72** (from RM0.92), based on 9x FY26F EPS of 8.0 sen and supported by a three-star ESG rating. Maintain **BUY**. We like AWC for 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 RM1bn order book.

Risks. Failure to secure improved rates for government concession contracts under the IFM segment, slower-than-expected order replenishment in the Environment segment, and potential delays in mega infrastructure projects that could weigh on Rail segment prospects.

Results Note

Friday, 28 Nov, 2025

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Results Comparison

FYE Jun (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	3MFY26	3MFY25	yoy (%)	Comments
Revenue	97.6	94.4	3.4	104.4	(6.5)	97.6	94.4	3.4	
COGS	(76.0)	(71.1)	6.9	(82.8)	(8.3)	(76.0)	(71.1)	6.9	
Gross profit	21.6	23.3	(7.1)	21.5	0.5	21.6	23.3	(7.1)	
Other operating income	0.6	0.8	(26.7)	2.5	(75.1)	0.6	0.8	(26.7)	
Other operating expenses	(16.3)	(15.8)	3.7	(16.2)	1.0	(16.3)	(15.8)	3.7	
EBITDA	7.2	9.7	(25.6)	10.4	(30.2)	7.2	9.7	(25.6)	
Depreciation	(1.3)	(1.3)	(1.7)	(2.5)	(47.8)	(1.3)	(1.3)	(1.7)	
EBIT	5.9	8.4	(29.4)	7.8	(24.5)	5.9	8.4	(29.4)	
Net Finance Costs	(0.3)	(0.6)	(46.8)	(0.1)	270.7	(0.3)	(0.6)	(46.8)	
Pre-tax profit	5.6	7.7	(28.0)	7.7	(28.0)	5.6	7.7	(28.0)	
Taxation and Zakat	(1.5)	(1.5)	(1.9)	(1.1)	36.2	(1.5)	(1.5)	(1.9)	
Profit-after tax	4.1	6.2	(34.2)	6.7	(38.5)	4.1	6.2	(34.2)	
(-) Minority interest	-	-	-	-	-	-	-	-	
PAT (-MI)	4.1	6.2	(34.2)	6.7	(38.5)	4.1	6.2	(34.2)	
Core net profit	4.3	6.2	(29.9)	4.7	(6.7)	4.3	6.2	(29.9)	weaker profitability from Environment
Core EPS (sen)	-	1.9		1.4		-	1.9		
DPS (sen)	-	-		0.5		-	-		
EBITDA margin (%)	7.4	10.3		9.9		7.4	10.3		
PBT margin (%)	5.7	8.2		7.4		5.7	8.2		
Effective tax rate (%)	26.4	19.4		13.9		26.4	19.4		
Core net profit margin (%)	4.5	6.6		4.5		4.5	6.6		

Source: Company, Apex Securities

Segmental Breakdown

FYE Jun (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	3MFY26	3MFY25	yoy (%)	Comments
Revenue Breakdown									
Facilities	53.7	53.9	(0.4)	53.1	1.3	53.7	53.9	(0.4)	
Environment	24.9	21.5	15.8	22.0	13.1	24.9	21.5	15.8	
Engineering	18.4	19.9	(7.2)	24.5	(24.7)	18.4	19.9	(7.2)	
Investment holdings	4.3	4.3	-	4.3	0.0	4.3	4.3	-	
Rail	6.8	6.8	0.1	12.5	(45.6)	6.8	6.8	0.1	
(-) Elimination	(10.6)	(12.0)	(12.2)	(12.0)	(11.9)	(10.6)	(12.0)	(12.2)	
Total	97.6	94.4	3.4	104.4	(6.5)	97.6	94.4	3.4	
PBT Breakdown									
Facilities	0.4	0.3	35.2	0.8	(49.0)	0.4	0.3	35.2	most projects remained in early execution
Environment	2.2	5.3	(59.0)	5.6	(61.1)	2.2	5.3	(59.0)	phases
Engineering	3.2	2.2	49.0	1.9	69.0	3.2	2.2	49.0	
Investment holdings	1.0	2.5	(60.6)	2.7	(64.0)	1.0	2.5	(60.6)	
Rail	2.7	1.3	112.3	0.5	434.3	2.7	1.3	112.3	benefitted from favourable product mix
Others	(0.0)	(0.0)	(64.3)	(0.0)	42.9	(0.0)	(0.0)	(64.3)	
(-) Elimination	(3.9)	(3.8)	3.7	(3.7)	4.6	(3.9)	(3.8)	3.7	
Total	5.6	7.7	(28.0)	7.7	(28.3)	5.6	7.7	(28.2)	
PBT Margins									
Facilities	0.7%	0.5%		1.4%		0.7%	0.5%		
Environment	8.7%	24.7%		25.4%		8.7%	24.7%		
Engineering	17.4%	10.8%		7.7%		17.4%	10.8%		
Investment holdings	22.9%	58.0%		63.5%		22.9%	58.0%		
Rail	39.7%	18.7%		4.0%		39.7%	18.7%		
Total	5.7%	8.2%		7.4%		5.7%	8.2%		

Source: Company, Apex Securities

Results Note

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Financial Highlights

Income Statement

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	399.0	412.4	430.7	447.7	461.4
Gross Profit	83.8	91.3	104.5	118.4	132.9
EBITDA	38.8	40.3	44.7	49.2	52.1
Depreciation & Amortisation	-5.8	-6.5	-7.8	-7.2	-6.4
EBIT	33.0	33.8	36.9	42.0	45.7
Net Finance Income/ (Cost)	-0.7	-1.9	-2.0	-2.1	-2.2
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	32.3	31.9	34.8	39.8	43.5
Tax	-8.0	-7.0	-7.7	-8.7	-9.4
Profit After Tax	24.3	24.9	27.2	31.2	34.1
Minority Interest	4.8	0.0	0.0	0.0	0.0
Net Profit	19.5	24.9	27.2	31.2	34.1
Exceptionals	4.0	1.9	0.0	0.0	0.0
Core Net Profit	15.4	23.0	27.2	31.2	34.1

Key Ratios

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	4.5	6.8	8.0	9.2	10.0
P/E(x)	12.8	8.6	7.3	6.3	5.8
P/B(x)	0.9	0.9	0.8	0.7	0.6
EV/EBITDA(x)	5.4	5.8	6.0	5.9	6.0
DPS (sen)	1.0	1.3	1.0	1.2	1.3
Dividend Yield (%)	1.7%	2.2%	1.8%	2.1%	2.2%
EBITDA margin (%)	9.7%	9.8%	10.4%	11.0%	11.3%
EBIT margin (%)	8.3%	8.2%	8.6%	9.4%	9.9%
PBT margin (%)	8.1%	7.7%	8.1%	8.9%	9.4%
PAT margin (%)	6.1%	6.0%	6.3%	7.0%	7.4%
NP margin (%)	4.9%	6.0%	6.3%	7.0%	7.4%
CNP margin (%)	3.9%	5.6%	6.3%	7.0%	7.4%
ROE (%)	7.3%	10.1%	10.8%	11.1%	11.0%
ROA (%)	3.5%	5.3%	5.3%	5.6%	5.6%
Gearing (%)	50.5%	42.4%	47.0%	50.4%	53.1%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY26F
Core EPS (RM)	0.080
P/E multiple (x)	9.0
Fair Value (RM)	0.72
ESG premium/ discount	0.0%
Implied Fair Value (RM)	0.72

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & short term balance	119.2	134.5	189.4	232.4	277.3
Receivables	157.6	143.3	147.6	152.1	156.6
Contract assets	51.1	47.6	64.6	67.2	69.2
Other current assets	48.4	43.0	42.8	42.5	42.2
Total Current Assets	376.3	368.4	444.4	494.1	545.3
Fixed Assets	19.1	18.9	18.1	18.0	18.2
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	46.2	47.8	47.7	47.1	46.5
Total Non-Current Assets	65.4	66.6	65.8	65.1	64.7
Short-term debt	44.4	46.9	47.5	56.5	65.7
Payables	1.5	80.0	81.6	79.0	75.6
Other current liabilities	121.6	28.7	57.0	59.1	60.7
Total Current Liabilities	167.4	155.6	186.1	194.6	202.0
Long-term debt	62.6	50.3	71.3	84.7	98.5
Other non-current liabilities	0.0	0.0	0.0	0.0	0.0
Total Non-Current Liabilities	62.6	50.4	71.3	84.7	98.6
Shareholder's equity	211.6	229.1	252.8	279.9	309.6
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	211.6	229.1	252.8	279.9	309.6

Cash Flow

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	32.3	31.9	34.8	39.8	43.5
Depreciation & amortisation	5.8	6.5	7.8	7.2	6.4
Changes in working capital	2.2	4.2	-2.8	-6.9	-8.0
Others	-8.1	-9.5	3.9	-8.9	-9.6
Operating cash flow	32.2	33.1	43.8	31.2	32.3
Capex	-3.8	-2.4	-4.0	-4.0	-4.0
Others	-95.3	1.4	-3.0	-2.5	-2.0
Investing cash flow	-99.1	-1.0	-7.0	-6.5	-6.0
Dividends paid	-1.7	-4.2	-3.5	-4.1	-4.4
Others	85.0	-9.2	21.5	22.4	23.1
Financing cash flow	83.4	-13.4	18.0	18.3	18.6
Net cash flow	16.5	18.7	54.8	43.0	44.9
Forex	-0.8	-5.6	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash and cash equivalents	93.5	109.2	122.4	177.2	220.2
Ending cash and cash equivalents	109.2	122.4	177.2	220.2	265.1

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 MCCG'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.