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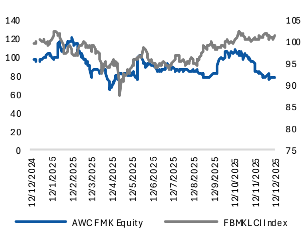
Recommendation:	**HOLD**
Current Price:	RM 0.58
Previous Target Price:	RM 0.72
Target Price: ↓	0.597
Capital Upside/ Downside:	2.9%
Dividend Yield (%):	1.5%
Total Upside/ Downside	**4.4%**

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)	0.995-0.5
Beta (x)	2.1
Free float (%)	26.7
3M Average Volume (m)	0.9
3M Average Value (RM' m)	0.5

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 (%)	-4.9	-1.7	-40.2
Relative (%)	-7.0	-9.5	-46.1

Earnings Summary	**FY25**	**FY26F**	**FY27F**
Revenue (RM'm)	412.4	416.1	432.0
PATAMI (RM'm)	24.9	22.6	26.1
CNP (RM'm)	23.0	22.6	26.1
EPS - core (sen)	6.8	6.6	7.7
P/E (x)	8.6	8.7	7.6

AWC Berhad

Earnings Miss on Environment.

- **AWC'S 2QFY26 CNP declined 2.3% qoq and 21.7% yoy to RM4.2m, bringing 6MFY26 CNP to RM8.6m (-26.1% yoy), representing 31.6% of our full-year forecast and 32.4% of consensus. The results missed expectations, mainly due to slower-than-expected recovery in the Environment segment.**
- **The Group declared an interim dividend of 0.5 sen in 2QFY26 (2QFY25: 0.75sen), bringing 1HFY26 DPS to 0.5 sen (1HFY25: 0.75 sen).**
- **We cut our FY26F-FY28F earnings forecasts by 17.1-15.5% reflecting more conservative margin assumptions for Rail and sustained softness in Middle East Environment Revenue.**

Outstanding order book is estimated at RM909m, equivalent to 2.2x FY25 revenue.

- **Downgrade to HOLD with a revised TP of RM0.60 (from RM0.72), based on 9x FY26F EPS of 6.6 sen and supported by a three-star ESG rating.**

Missed expectations. After adjusting for EIs (+RM0.2m), AWC's 2QFY26 core net profit (CNP) came in at RM6.2m (-2.3% QoQ, -21.7% YoY). This brings our 6MFY26 CNP to RM8.6m representing 31.6% of our full-year forecast and 32.4% of consensus estimate. The shortfall was primarily due to the prolonged softness in the Middle East market for the Environment division and a less favourable margin mix in the Rail division.

Interim Dividend Declared. The Group proposed an interim dividend of 0.5 sen per share in 2QFY26, bringing 1HFY26 DPS to 0.5 sen (1HFY25: 0.75 sen).

Material Litigation. Trackwork & Supplies Sdn. Bhd. (AWC's subsidiary) successfully secured a final arbitral award of RM2.16m plus 5% interest and RM0.3m in costs against Emrail Sdn. Bhd, for outstanding payments related to track restoration projects. Despite the dismissal of the respondent's jurisdictional objections, Emrail has since filed a High Court summons to set aside the award. While a successful recovery would strengthen liquidity, the potential impact remains deferred as the Group challenges the setting-aside application in court.

QoQ. CNP was relatively stable (-2.3%) as the Rail division saw a 67.5% decline in segmental PBT to RM0.3m, dragged down by lower project deliverables and a less favourable margin mix (20.6% vs 26.0% in 1QFY26). This was largely offset by a 154.3% surge in Facilities PBT to RM1.0m, driven by a 15.5% revenue increase from the healthcare segment. The Environment division's PBT improved 20.7% to RM3.9m as projects progressed despite stable revenue, while Engineering PBT rose 20.4% on higher HVAC project progress.

YoY. CNP contracted 21.7% from RM5.4m in 2QFY25, mainly due to (i) the sustained softness of contribution from AWCS projects in Abu Dhabi and Dubai amid slower progress on projects that are still in the early phases under the Environment Division, (ii) slump in Rail revenue (-63.8%) arising from lower order fulfilment. These declines were partially mitigated by the Engineering division, where PBT jumped 143.9% YoY to RM2.6m on the back of robust project progress in HVAC deliverables.

Outlook. We expect a significant earnings inflection point in 2HFY26 as revenue recognition from recently secured projects gains momentum, positioning the Group favourably for FY27. The Facilities division remains a bright spot following its concession extension at higher revised market rates and strategic expansion into high-technology FM. While the Middle East remains soft, the Environment segment's record-high RM224m order book and accelerating regulatory demand in Singapore provide a robust earnings floor. This is further bolstered by the Engineering division's order book growth as the plumbing segment continues to secure more high-value contracts. In addition, the Rail division's pivot toward stable, service-based recurring income and an increase of approximately 1.5x in order book QoQ to RM106m, collectively underpinned by a strengthened Group order book of RM909m makes the growth outlook cautiously optimistic.

Orderbook. The Group's outstanding orderbook reached RM909m, marking a robust 15% QoQ growth. This backlog represents 2.2x FY25 revenue, providing a solid earnings visibility. The portfolio is led by Facilities (52.9%), followed by Environment (25.5%) and Engineering (9.6%), with the remaining balance attributed to the Rail segment.

Earnings Revision. Following a change in analyst, we have reassessed the Group's near-term operational trajectory and have lowered our earnings forecasts for FY26F-FY28F by –17.1%, -16.4%, and –15.5% respectively. This revision accounts for more conservative margin estimates within the Rail division to reflect the current lower-margin product mix and lower order fulfilment. Additionally, the adjustment also reflects the short-term revenue decline in the Middle East environmental market, where project progress remains soft.

Valuation. We downgrade our recommendation to HOLD with a revised TP of **RM0.60** (from RM0.72) , based on 9x FY26F EPS of 6.6 sen with a three-star ESG rating. As a leading player in the automated waste collection market, AWC holds a dominant 90% market share in Malaysia and 40% in Singapore. The Group remains a defensive choice, underpinned by predictable cash flows from long-term concessions and an enlarged order book of RM909 million that provides clear earnings visibility. Despite the near-term headwinds in the Middle East, the Group offers stability through its diversified segments and an attractive dividend yield.

Risks. Failure to secure improved rates for government concession contracts under the IFM segment, continued softness in the Middle East affecting the Environment Division contributions, and failure to maintain margin resilience and lower orderbook replenishment in the Rail segment following recent declines in product mix profitability.

Results Comparison

FYE Jun (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)	Comments
Revenue	105.5	116.8	*(9.6)*	97.6	*8.1*	203.2	211.2	*(3.8)*	
COGS	(84.0)	(92.4)	*(9.1)*	(76.0)	*10.6*	(160.0)	(163.5)	*(2.1)*	
Gross profit	21.5	24.4	*(11.7)*	21.6	*(0.6)*	43.2	47.7	*(9.4)*	
Other operating income	0.3	1.2	*(71.5)*	0.6	*(43.7)*	1.0	2.1	*(53.2)*	
Other operating expenses	(15.6)	(16.5)	*(5.3)*	(16.3)	*(4.6)*	(31.9)	(32.2)	*(0.9)*	
EBITDA	**8.9**	**10.4**	***(14.1)***	**7.2**	***23.5***	**16.2**	**20.1**	***(19.6)***	
Depreciation	(2.7)	(1.3)	*106.2*	(1.3)	*102.6*	(4.0)	(2.6)	*51.3*	
EBIT	**6.3**	**9.1**	***(31.3)***	**5.9**	***5.9***	**12.2**	**17.5**	***(30.4)***	
Net Finance Costs	(0.3)	(0.6)	*(51.4)*	(0.3)	*(17.6)*	(0.6)	(1.2)	*(49.0)*	
Pre-tax profit	**6.0**	**8.5**	***(29.9)***	**5.6**	***7.3***	**11.6**	**16.3**	***(29.0)***	
Taxation and Zakat	(1.9)	(2.3)	*(14.8)*	(1.5)	*31.4*	(3.4)	(3.8)	*(9.6)*	
Profit-after tax	**4.0**	**6.3**	***(35.4)***	**4.1**	***(1.3)***	**8.2**	**12.5**	***(34.8)***	
(-) Minority interest	-	-	-	-	-	-	-	-	
PAT (-MI)	**4.0**	**6.3**	***(35.4)***	**4.1**	***(1.3)***	**8.2**	**12.5**	***(34.8)***	
Core net profit	**4.2**	**5.4**	***(21.7)***	**4.3**	***(2.3)***	**8.6**	**11.6**	***(26.1)***	*weaker profitability from Environmer*
Core EPS (sen)	1.3	1.7		1.3		2.6	3.6		
DPS (sen)	0.5	0.8		-		0.5	0.8		
EBITDA margin (%)	8.5	8.9		7.4		8.0	9.5		
PBT margin (%)	5.7	7.3		5.7		5.7	7.7		
Effective tax rate (%)	32.3	26.6		26.4		29.5	23.2		
Core net profit margin (%)	4.0	4.6		4.5		4.2	5.5		

Source: Company, Apex Securities

Segmental Breakdown

FYE Jun (RM m)	2QFY26	2QFY25	yoy (%)	1QFY26	qoq (%)	6MFY26	6MFY25	yoy (%)	Comments
Revenue Breakdown									
Facilities	62.1	61.4	*1.1*	53.7	*15.5*	115.8	115.4	*0.4*	
Environment	18.5	22.6	*(18.0)*	18.4	*0.3*	37.0	44.1	*(16.2)*	*Sustained Middle East Softness*
Engineering	29.5	22.0	*34.0*	24.9	*18.5*	54.5	41.9	*29.9*	*Higher HVAC Progress*
Investment holdings	6.2	5.3	*17.1*	4.3	*44.4*	10.4	9.5	*9.4*	
Rail	6.5	18.0	*(63.8)*	6.8	*(4.1)*	13.3	24.8	*(46.3)*	Lower Project Deliverables
(-) Elimination	(17.2)	(12.5)	*37.8*	(10.6)	*63.1*	(27.8)	(24.5)	*13.3*	
Total	**105.5**	**116.8**	***(9.6)***	**97.6**	***8.1***	**203.2**	**211.2**	***(3.8)***	
PBT Breakdown									
Facilities	1.0	0.8	*32.8*	0.4	*154.3*	1.4	1.0	*33.4*	most projects remained in early
Environment	3.9	5.6	*(31.3)*	3.2	*20.7*	7.1	10.9	*(35.4)*	execution phases
Engineering	2.6	1.1	*143.9*	2.2	*20.4*	4.8	3.2	*48.7*	
Investment holdings	4.1	3.3	*25.3*	2.7	*53.0*	6.8	5.8	*18.2*	
Rail	0.3	2.5	*(87.3)*	1.0	*(67.5)*	1.3	3.8	*(65.4)*	*declined due to lower margin mix*
Others	0.0	(0.0)	*nm*	(0.0)	*nm*	0.0	(0.0)	*nm*	
(-) Elimination	(5.9)	(4.8)	*25.1*	(3.9)	*52.7*	(9.8)	(8.5)	*15.6*	
Total	**6.0**	**8.5**	***(29.9)***	**5.6**	***7.9***	**11.6**	**16.3**	***(28.8)***	
PBT Margins									
Facilities	1.6%	1.2%		0.7%		1.2%	0.9%		
Environment	20.9%	24.9%		17.4%		19.1%	24.8%		
Engineering	8.9%	4.9%		8.7%		8.8%	7.7%		
Investment holdings	66.9%	62.5%		63.2%		65.4%	60.5%		
Rail	5.0%	14.1%		14.7%		9.9%	15.4%		
Total	**5.7%**	**7.3%**		**5.7%**		**5.7%**	**7.7%**		

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	**399.0**	**412.4**	**416.1**	**432.0**	**445.2**
Gross Profit	**83.8**	**91.3**	**99.1**	**112.5**	**126.8**
EBITDA	**38.8**	**40.3**	**39.3**	**43.2**	**46.0**
Depreciation & Amortisation	-5.8	-6.5	-7.8	-7.2	-6.4
EBIT	**33.0**	**33.8**	**31.5**	**36.1**	**39.6**
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**	**29.5**	**33.9**	**37.4**
Tax	-8.0	-7.0	-6.9	-7.9	-8.6
Profit After Tax	**24.3**	**24.9**	**22.6**	**26.1**	**28.8**
Minority Interest	4.8	0.0	0.0	0.0	0.0
Net Profit	**19.5**	**24.9**	**22.6**	**26.1**	**28.8**
Exceptionals	4.0	1.9	0.0	0.0	0.0
Core Net Profit	**15.4**	**23.0**	**22.6**	**26.1**	**28.8**

Key Ratios

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	4.5	6.8	6.6	7.7	8.5
P/E (x)	12.8	8.6	8.7	7.6	6.8
P/B (x)	0.9	0.9	0.8	0.7	0.7
EV/EBITDA (x)	5.4	5.8	6.7	6.4	6.4
DPS (sen)	1.0	1.3	0.9	1.0	1.1
Dividend Yield (%)	1.7%	2.2%	1.5%	1.7%	1.9%
EBITDA margin (%)	9.7%	9.8%	9.5%	10.0%	10.3%
EBIT margin (%)	8.3%	8.2%	7.6%	8.3%	8.9%
PBT margin (%)	8.1%	7.7%	7.1%	7.9%	8.4%
PAT margin (%)	6.1%	6.0%	5.4%	6.0%	6.5%
NP margin (%)	4.9%	6.0%	5.4%	6.0%	6.5%
CNP margin (%)	3.9%	5.6%	5.4%	6.0%	6.5%
ROE (%)	7.3%	10.1%	9.1%	9.6%	9.7%
ROA (%)	3.5%	5.3%	4.5%	4.8%	4.9%
Gearing (%)	50.5%	42.4%	47.5%	51.4%	54.6%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY26F
Core EPS (RM)	0.066
P/E multiple (x)	9.0
Fair Value (RM)	**0.60**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**0.60**

Source: Company, Apex Securities

Balance Sheet

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & short term balance	119.2	134.5	182.7	220.5	260.0
Receivables	157.6	143.3	147.6	152.1	156.6
Contract assets	51.1	47.6	62.4	64.8	66.8
Other current assets	48.4	43.0	42.8	42.5	42.2
Total Current Assets	**376.3**	**368.4**	**435.5**	**479.8**	**525.7**
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	47.2	55.9	64.8
Payables	1.5	80.0	79.2	76.7	73.2
Other current liabilities	121.6	28.7	55.3	57.2	58.8
Total Current Liabilities	**167.4**	**155.6**	**181.7**	**189.7**	**196.7**
Long-term debt	62.6	50.3	70.8	83.8	97.1
Other non-current liabilities	0.0	0.0	0.0	0.0	0.0
Total Non-Current Liabilities	**62.6**	**50.4**	**70.9**	**83.8**	**97.2**
Shareholder's equity	211.6	229.1	248.8	271.4	296.5
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	**211.6**	**229.1**	**248.8**	**271.4**	**296.5**

Cash Flow

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	**32.3**	**31.9**	**29.5**	**33.9**	**37.4**
Depreciation & amortisation	5.8	6.5	7.8	7.2	6.4
Changes in working capital	2.2	4.2	-5.1	-7.0	-8.0
Others	-8.1	-9.5	5.1	-8.1	-8.7
Operating cash flow	**32.2**	**33.1**	**37.3**	**26.0**	**27.0**
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	-2.9	-3.4	-3.7
Others	85.0	-9.2	20.8	21.6	22.3
Financing cash flow	**83.4**	**-13.4**	**17.9**	**18.2**	**18.5**
Net cash flow	**16.5**	**18.7**	**48.2**	**37.8**	**39.6**
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	170.6	208.3
Ending cash and cash equivalents	**109.2**	**122.4**	**170.6**	**208.3**	**247.9**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 1 and Scope 2 GHG emissions totalled 687.3m tCO2 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

As of **Tuesday, 24 Feb, 2026**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.