1QFY12 RESULTS UPDATE **8 December 2011**

AWC Berhad

Price :	RM0.26
Market Capitalization :	RM59.5mln
Market :	Main Market
Sector :	Trading/Services
Recommendation :	Hold

Bursa / Bloomberg Code: 7579 / AWCF MK
Stock is Shariah-compliant.

AWC: 1QFY12 results

FYE June		Quarter-on-Quarter		Year-on-Year	
(RM mln)	Sep 11	Jun 11	%chg	Sep 10	%chg
Turnover	25.9	49.8	-48.0%	35.9	-27.9%
Operating profit	1.8	6.8	-73.1%	4.4	-58.3%
Finance costs	(0.1)	0.2		(0.1)	
Pre-tax profit	1.7	7.0	-75.1%	4.3	-59.3%
Tax	(0.1)	(1.7)		(0.4)	
Net profit after MI	0.7	3.5	-79.1%	2.4	-69.2%
Reported EPS (sen)	0.3	1.5		1.0	
Op. profit margin	7.1%	13.6%		12.2%	
Pre-tax margin	6.7%	14.0%		11.9%	
Net profit margin	2.8%	7.0%		6.6%	
NTA/share (RM)	0.32				

1QFY12 Results Review

- AWC registered a weak set of 1QFY12 results, with net profit falling 79.1% q-o-q and 69.2% y-o-y to RM0.7 mln, on the back of 48% q-o-q and 27.9% y-o-y decline in revenue. With 1QFY12 net profit constituting only 8% of our FY12 projection, we consider the results below our expectations.

- The lackluster results were owing to lower contributions across all the business segments (Engineering, Technology and Environment) save for the Facilities division. The decline in performance was particularly severe in the Environment segment, which suffered 55% and 33% y-o-y drop in 1QFY12 turnover and segmental profit respectively. We note that Environment has historically been AWC's largest revenue and profit contributor. Facilities division was the sole performing division in 1QYF12 with a 23.4% y-o-y rise in turnover.

- In closer scrutiny, only the Environment and Facilities businesses contributed to the Group segmental profit as the Technology and Engineering divisions recorded losses on lower number of projects completed that were insufficient to cover overhead expenses.

- We understand the decrease in the 1QFY12 Environment turnover was due to delays in its two major ongoing projects in the Middle East – the Al Raha and Al Reem Island, as well as weaker overall demand in the Middle East in tandem with the slower economic growth in the region.

- Despite the weak 1QYF2 performance, we have decided to maintain our existing FY12 earnings estimate of RM8.8 mln in anticipation of activities to pick up gradually over the next few quarters. We shall revisit our projections upon the release of 2QFY12 results. At this juncture, earnings remain supported by the Group's orderbook that amounts to approximately RM160 mln, providing visibility for the next 12 months. We understand management is also bidding for approximately RM200 mln worth of projects with an average historical conversion (success) rate of about 20%. Furthermore, its steady and recurring income from the Facilities services should offer some sustainability to the income base.

- On another positive note, AWC's operations remain supported by a healthy balance sheet with BV/share of 32 sen and a net cash/share of 23 sen as at end-September 2011.

- As part of management efforts to strengthen its business prospects and income base, AWC has in September 2011 set up a subsidiary in India to provide comprehensive integrated facilities management services. We understand it is presently in discussions for some potential projects and could commence operations in 3QFY12. Apart from that, it is also planning to build and operate a one-megawatt solar farm by 1Q of 2012, leveraging on Tenaga Nasional's Feed-in-Tariff program for renewable energy. Further details on the solar farm, however, are not available at this juncture.

Recommendation

We maintain a **Hold** recommendation on AWC with an unchanged of **27 sen**, derived by ascribing a peer-benchmarked PER of 7x against our FY12 net profit projection. While AWC's business prospects remain challenging, we note that our fair value remains supported by the Group's net cash/share of 23 sen.

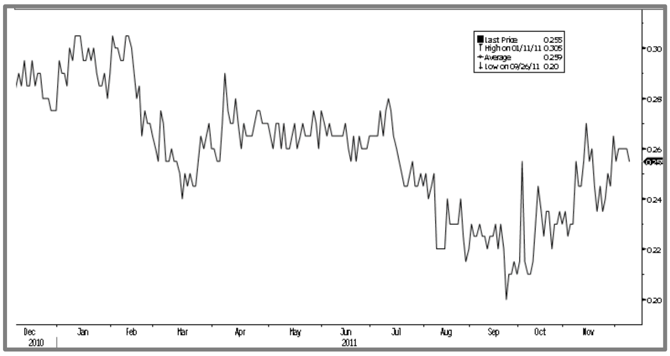
Per Share Data

FYE June	FY10	FY11	FY12f
Book Value (RM)	0.31	0.30	0.32
Cash Flow (sen)	6.6	4.7	5.2
Earnings (sen)	5.2	3.7	3.9
Gross Dividend (sen)	1.0	2.0	1.5
Payout Ratio (%)	14.5%	49.5%	39.0%
PER (x)	5.0	7.1	6.7
P/Cash Flow (x)	3.9	5.5	5.0
P/Book Value (x)	0.8	0.9	0.8
Dividend Yield (%)	3.8%	7.7%	5.8%
ROE (%)	17.0%	12.2%	12.1%
Net gearing (x)	Net cash	Net cash	Net cash

P&L Summary

FYE June (RM mln)	FY09	FY10	FY11	FY12f
Revenue	103.1	184.8	153.4	160.3
EBIT	7.4	27.4	16.6	18.0
Net Int Exp	(0.5)	(0.3)	(0.2)	(0.3)
Pre-tax Profit	6.8	27.1	16.4	17.7
Eff. Tax Rate	21.4%	18.4%	16.3%	16.5%
Net Profit after MI	3.2	11.8	8.2	8.8
EBIT Margin (%)	7.1%	14.8%	10.8%	11.2%
Pre-tax Margin (%)	6.6%	14.7%	10.7%	11.0%
Net Margin (%)	3.1%	6.4%	5.4%	5.5%

AWC's last 12-month share price chart



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RATING GUIDE

BUY	Price appreciation expected to exceed 10% within the next 12 months
SELL	Price depreciation expected to exceed 10% within the next 12 months
HOLD	Price movement expected to be between -10% and +10% over the next 12 months from current level

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