Malacca Securities
Building Wealth Together

AWC Berhad

Stronger Working Capital for Future Growth Purposes

Company update

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Newsbreak

- AWC Berhad announced a series of corporate proposals, including (i) a bonus issue of warrants, (ii) establishment of an employees' share option scheme (ESOS), and (iii) an authority for share buy-back of up to 10% of its existing issued shares.
- AWC will issue free warrants on the basis of one warrant for every four existing shares held. The warrants will carry a five-year tenure, and if fully exercised at an assumed exercise price of RM0.93 per share, representing a 23.9% premium to AWC's five-day volume-weighted average price of RM0.75 up to 31 October 2025, the company could potentially raise up to RM78.9m in proceeds. Funds raised from the exercise will be utilised to support AWC's working capital requirements.
- Concurrently, the company proposed to establish an ESOS of up to 15% of its total issued share capital (excluding treasury shares) to reward, retain, and motivate eligible directors and employees of AWC and its subsidiaries.
- In addition, AWC has also proposed a share buy-back authority of up to 10% of its existing issued shares, which will enable the company to repurchase its own shares from the open market.
- The proposed bonus issue of warrants, ESOS, and share buy-back authority are subject to shareholders' approval at an extraordinary general meeting (EGM) to be convened at a later date.

M+ Global View

- We view these proposals as neutral to mildly positive in the near term. While the issuance of warrants and ESOS could result in a potential shares dilution of approximately c.20 %, based on the full exercise of both instruments and also a 10% share buyback over AWC's current issued share base of 339.4m. Nevertheless, the proposals are expected to strengthen the company's balance sheet by potentially raising over RM78.9m in new working capital and providing greater financial flexibility to support future growth initiatives.

Valuation & Recommendation

- **Forecast.** Unchanged. We will reassess our earnings assumptions and make the necessary revisions upon the release of upcoming 1QFY26 results. Nevertheless, we remain positive on the outlook for AWC, given its recent continuous contracts wins, including a facilities management contract for TM's data centre.

- **Maintained HOLD with a lower TP of RM0.660 (from RM0.805).** Following the dilution of shares from 339.4m to 427.6m, we maintain our Hold recommendation with a lower TP of RM0.660. The target price is derived based on a P/E ratio of 10.0x pegged to mid-FY27f fully-diluted EPS of 6.58 sen (from 8.05 sen).

HOLD

Share price	**RM0.720**
Target price	**RM0.660**
Previous TP	**RM0.805**
Capital upside	-8.3%
Dividend return	-
Total return	-8.3%

Company profile

AWC Berhad is an engineering group specialising in integrated facilities management, including building maintenance, automated waste collection, M&E engineering, and rail-related works, serving clients across Malaysia, Singapore, and the Middle East.

Stock information

Bursa Code	7579
Bloomberg ticker	AWCF MK
Listing market	MAIN
Share issued (m)	427.7
Market Cap (m)	307.9
52W High/Low	1.14 / 0.50
Est. Free float (%)	41.2
Beta (x)	2.1
3-mth avg vol ('000)	1046.3
Shariah compliant	Yes

Major shareholders	%
K-Capital Sdn. Bhd.	25.3
Dato' Ahmad Kabeer Bin	6.2
Mohamed Nagoor Mastrack Sdn Bhd	4.4

Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	3.6	27.4	-12.2
Relative	4.2	18.7	-12.7

Earnings snapshot

FYE (Jun)	FY25	FY26f	FY27f
PATMI (m)	24.9	27.1	29.2
EPS (sen)	5.8	6.3	7.6
P/E (x)	12.4	11.4	10.6

Relative performance chart



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FV Calculation

	Basic	Fully Diluted
FY26f projected after tax earnings (RM'm)	25.7	25.7
+ Interest savings		2.0
Adjusted FY26f after tax earnings (RM'm)	25.7	27.7
Number of shares as at LPD	339.4	339.4
-10% Share buyback		33.9
+Warrants		76.4
+ESOS		45.8
Number of fully diluted shares (m)	339.4	427.6
EPS (sen)	7.6	6.3
Fair Value (sen)	**80.5**	**65.8**

Source: M+ Research

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Jun (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Cash	119	134	132	149	173
Receivables	158	142	155	166	174
Inventories	29	27	29	31	32
PPE	19	19	20	20	20
Others	116	107	107	107	107
Assets	**442**	**428**	**443**	**474**	**506**
Debts	107	97	93	89	85
Payables	91	83	90	96	100
Others	32	19	19	19	19
Liabilities	**230**	**199**	**202**	**204**	**204**
Shareholder's equity	212	229	241	270	302
Minority interest	-	-	-	-	-
Equity	**212**	**229**	**241**	**270**	**302**

Cash Flow Statement

FYE Jun (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	32	32	36	38	43
Depreciation & amortis	-	-	-	-	-
Changes in working cap	5	10	2	(7)	(5)
Share of JV profits	-	-	-	-	-
Taxation	(8)	(7)	(9)	(9)	(10)
Others	2	(7)	-	-	-
Operating cash flow	**32**	**28**	**29**	**22**	**27**
Net capex	(3)	(3)	-	-	-
Others	(96)	7	-	-	-
Investing cash flow	**(99)**	**4**	**-**	**-**	**-**
Changes in borrowings	82	(10)	(4)	(4)	(4)
Issuance of shares	7	3	2	-	-
Dividends paid	(10)	-	-	-	-
Others	5	(5)	-	-	-
Financing cash flow	**83**	**(12)**	**(2)**	**(4)**	**(4)**
Net cash flow	**17**	**20**	**13**	**18**	**23**
Forex	(1)	(1)	-	-	-
Others	-	-	-	-	-
Beginning cash	119	119	119	132	149
Ending cash	119	134	132	149	173

Source: M+ Research

Income Statement

FYE Jun (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	**399**	**414**	**428**	**460**	**481**
EBITDA	33	34	36	40	44
EBIT	33	34	36	40	44
Net finance income/ (co	(1)	(2)	0	(2)	(1)
Associates & JV	-	-	-	-	-
Profit before tax	**32**	**32**	**36**	**38**	**43**
Tax	(8)	(7)	(9)	(9)	(10)
Net profit	**24**	**25**	**27**	**29**	**32**
Minority interest	(5)	-	-	-	-
Core earnings	**19**	**25**	**27**	**29**	**32**
Exceptional items	-	-	-	-	-
Reported earnings	19	25	27	29	32

Valuation & Ratios

FYE Jun (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Core EPS (sen)	4.6	5.8	6.3	6.8	7.6
P/E (x)	15.8	12.4	11.4	10.6	9.5
EV/EBITDA (x)	4.4	4.3	4.1	3.6	3.3
DPS (sen)	2.3	-	-	-	-
Dividend yield	3.2%	-	-	-	-
BVPS (RM)	0.5	0.5	0.6	0.6	0.7
P/B (x)	1.5	1.3	1.3	1.1	1.0
EBITDA margin	8.3%	8.1%	8.3%	8.7%	9.1%
EBIT margin	8.3%	8.1%	8.3%	8.7%	9.1%
PBT margin	8.1%	7.7%	8.3%	8.3%	8.8%
Net margin	4.9%	6.0%	6.3%	6.3%	6.7%
ROE	8.9%	11.3%	11.9%	11.4%	11.3%
ROA	4.4%	5.7%	6.2%	6.4%	6.6%
Net gearing	CASH	CASH	CASH	CASH	CASH

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(a) nil.

Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned