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Malacca Securities
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AWC Berhad

Started FY26 On A Weaker Note

Results Note – 1QFY26

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Summary

- **Earnings below expectation.** AWC registered a 1Q26 core PAT of RM4.1m (-38.4% QoQ, -34.2% YoY). The results came in below expectations, accounting for 16.5% and 15.2% of our and consensus estimates, respectively. The key deviations include (i) lower-than-expected revenue registered in the environmental project segment, (ii) higher-than-expected cost of sales and (iii) higher-than-expected effective tax rate.

- **YoY.** AWC's revenue increased 3.4% YoY to RM97.6m, mainly led by the Engineering (+25.4%) division, while other divisions showed softer revenue. Meanwhile, core PAT saw a 34.2% decline to RM4.1m, mainly due to slower Environmental project progress in the Middle East and lower margin mix in the Rail division.

- **QoQ.** Revenue softened 6.5% QoQ, dragged by the reductions in Rail (-45.6%) and Environment (-16.3%) divisions, while Facilities and Engineering divisions saw a marginal uptick of 1.3% and 1.7% respectively. Meanwhile, core PAT saw a reduction of 38.4%, from RM6.7m in 4Q25 to RM4.1m in 1Q26 due to higher trade receivables recovery in 4QFY25 for both Facilities and Environmental divisions.

- **Engineering Division outperformed.** The Engineering division recorded a revenue growth of 1.7% QoQ and 25.4% YoY in 1Q26, thanks to higher project progress from its Plumbing segment.

- **Slowdown in Environment Division.** The Environmental division recorded a revenue decline of 16.3% QoQ and 14.3% YoY in 1Q26, attributed to lower project progress in the Malaysia and Singapore regions, as well as a slowdown in the Middle East. Nevertheless, following a more stable geopolitical environment in the Middle East, we anticipate these projects to recover and progress faster, contributing to a backloaded effect in FY26.

- **Outlook.** We believe the overall outlook remains positive for AWC, underpinned by its healthy order book of RM528m as of 30 September 2025, with an additional RM272.9m in contracts announced subsequent to the quarter end, providing earnings visibility for the group. Meanwhile, despite the slowdown in project progress within the Environmental division, particularly from projects in Abu Dhabi and Dubai, we expect these projects to recover in FY26 following a stabilised geopolitical environment, thus creating a backloaded effect.

Quarterly performance 1Q26

Quarterly performance FYE Jun (RM m)	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)
Revenue	94.4	104.4	97.6	*(6.5)*	*3.4*
EBIT	8.4	7.8	5.9	*(24.5)*	*(29.4)*
PBT	7.7	7.7	5.6	*(28.0)*	*(28.0)*
Core PAT	6.2	6.7	4.1	*(38.4)*	*(34.2)*
Reported PAT	6.2	6.7	4.1	*(38.4)*	*(34.2)*
Core EPS (sen)	1.5	1.6	1.0	*(38.4)*	*(34.2)*
EBIT margin (%)	8.9	7.5	6.1		
PBT margin (%)	8.2	7.4	5.7		
Core PATMI margin (%)	6.6	6.4	4.2		

Source: AWC, M+ Research

BUY (from Hold)

Share price	**RM0.580**
Target price	**RM0.660**
Previous TP	**RM0.660**
Capital upside	13.8%
Dividend return	-
Total return	13.8%

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)	248.1
52W High/Low	1.140 / 0.500
Est. Free float (%)	42.1
Beta (x)	2.1
3-mth avg vol ('000)	1272.1
Shariah compliant	Yes

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

Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	-22.1	9.4	-30.5
Relative	-22.3	7.4	-31.4

Earnings snapshot

FYE (Jun)	FY25	FY26f	FY27f
PAT (m)	24.9	27.1	29.2
EPS (sen)	5.8	6.3	6.8
P/E (x)	10.0	9.1	8.5

Relative performance chart



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Valuation & Recommendation

- **Forecast.** Maintained. Although 1Q26 core PAT accounts for only 16.5% of our estimate, we maintain our core PAT forecast of RM27.1m–32.3m for FY26–28, as we expect Middle East projects to recover in the subsequent quarters of FY26, leading to a backloaded earnings contribution.

- **Upgraded to BUY (from Hold) with an unchanged TP of RM0.660.** As the share price deteriorated ahead of the quarterly results, providing a greater capital upside, we upgraded our recommendation from Hold to Buy on AWC with the same target price 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.

- **Downside risks.** Risks to our recommendation include (i) failure to renew government's Concession contract and (ii) continued slowdown in the Middle East caused by geopolitical risks. A more competitive environment in providing its Environmental services in Singapore and Engineering services in Malaysia will also possibly affect AWC's market share moving forward.

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 & amortisation	-	-	-	-	-
Changes in working capital	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

Income Statement

FYE Jun (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	**399**	**412**	**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)	12.7	10.0	9.1	8.5	7.7
EV/EBITDA (x)	2.6	2.5	2.4	2.1	2.0
DPS (sen)	2.3	-	-	-	-
Dividend yield	4.0%	-	-	-	-
BVPS (RM)	0.5	0.5	0.6	0.6	0.7
P/B (x)	1.2	1.1	1.0	0.9	0.8
EBITDA margin	8.3%	8.2%	8.3%	8.7%	9.1%
EBIT margin	8.3%	8.2%	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

Source: M+ Research

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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