

AWC Berhad

Softer 1HFY26 Caused By Slower Projects Progress

Summary

- **Earnings below expectation.** AWC registered a 2Q26 core PAT of RM4.0m (-1.3% QoQ, -35.4% YoY), bringing the 1HFY26 core PAT to RM8.2m (-34.8% YoY). The results came in below expectations, accounting for 29.9% and 30.9% of our and consensus estimates, respectively. The key deviations include (i) lower-than-expected revenue registered in both the Environmental and Rail divisions, and (ii) higher-than-expected effective tax rate.
- **YoY.** AWC's 2QFY26 revenue decreased 9.6% YoY to RM105.5m, mainly dragged by the Environmental (-18.0%) and Rail (-63.8%) divisions. Meanwhile, core PAT saw a 34.2% decline to RM4.0m, mainly due to slower Environmental project progress in the Middle East and lower order fulfilment and project deliverables in the Rail division.
- **QoQ.** However, revenue strengthened 8.1% QoQ, led by the improvements in the Facilities (+15.5%) and Engineering (+18.5%) divisions, while the Environment division saw a marginal uptick of 0.3%. Gain was also partially offset by the decline in Rail (-4.1%) division. Core PAT decreased slightly from RM4.1m in 1Q26 to RM4.0m in 2Q26 due to higher taxation (32% vs 25%).
- **YTD.** For 1HFY26, AWC registered a cumulative revenue of RM203.2m, a 3.8% YoY lower compared to RM211.2m in 1HFY25, while core PAT reduced 34.8% from RM12.5m to RM8.2m, no thanks to slower revenue growth from both Environmental and Rail segments, as well as higher effective tax rate (23% vs 29%).
- **Dragged by both Environmental and Rail Divisions.** The Environmental division recorded a revenue slowdown of 16.2% in 1HFY26, mainly due to the slower project progress in Abu Dhabi and Dubai. Meanwhile, the Rail division saw a large reduction of 46.3% in 1HFY26, caused by the lower order fulfilment and project deliverables.
- **Outlook.** Despite the weaker 2Q26 performance, we believe the overall outlook remains positive for AWC, underpinned by its healthy order book of RM909m as at 31 December 2025, which strengthened significantly from RM528m in 30 September 2025, providing earnings visibility for the group for at least the next 24 months. However, projects progress remains as the key moving forward, particularly from projects in Abu Dhabi and Dubai, and we expect these projects to recover in 2HFY26 onwards, thus creating a stronger 2HFY26.

Quarterly performance 2QFY26

Quarterly performance								
FYE Jun (RM m)	2QFY25	1QFY26	2QFY26	QoQ (%)	YoY (%)	1HFY25	1HFY26	YoY (%)
Revenue	116.8	97.6	105.5	8.1	(9.6)	211.2	203.2	(3.8)
EBIT	9.1	5.9	6.3	5.9	(31.3)	17.5	12.2	(30.4)
PBT	8.5	5.6	6.0	7.3	(29.9)	16.3	11.6	(29.0)
Core PAT	6.3	4.1	4.0	(1.3)	(35.4)	12.5	8.2	(34.8)
Reported PAT	6.3	4.1	4.0	(1.3)	(35.4)	12.5	8.2	(34.8)
Core EPS (sen)	1.5	1.0	0.9	(1.3)	(35.4)	2.9	1.9	(34.8)
EBIT margin (%)	7.8	6.1	5.9			8.3	6.0	
PBT margin (%)	7.3	5.7	5.7			7.7	5.7	
Core PATMI margin (%)	5.4	4.2	3.8			5.9	4.0	

Source: AWC, M+ Global Research

Results Note – 2QFY26

Kieran Lim
kieranlim@msec.com.my
(603) 2201 2100

SELL (from Buy)

Share price	RM0.580
Target price	RM0.520
Previous TP	RM0.660
Capital upside	-10.3%
Dividend return	-
Total return	-10.3%

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)	248.1
52W High/Low	0.995 / 0.500
Est. Free float (%)	42.0
Beta (x)	2.1
3-mth avg vol ('000)	898.2
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 (%)

	1M	3M	12M
Hist. return			
Absolute	-4.9	-4.1	-42.0
Relative	-7.0	-11.7	-47.7

Earnings snapshot

FYE (Jun)	FY25	FY26f	FY27f
PAT (m)	24.9	19.3	25.2
EPS (sen)	5.8	4.5	5.9
P/E (x)	10.0	12.9	9.8

Relative performance chart



JOIN OUR OFFICIAL TELEGRAM
TO GET THE LATEST MARKET UPDATES

Valuation & Recommendation

- **Forecast.** As projects in the Middle East continue to exhibit slower progress, and overall core PAT came in below our estimates, we have revised our core PAT forecasts downwards by 29%, 14%, and 15% for FY26–28f, adjusted from RM27.2m, RM29.5m, and RM32.6m to RM19.3m, RM25.2m, and RM27.8m, respectively.
- **Downgraded to SELL (from Buy) with a lower TP of RM0.52.** Following the reduction in our earnings forecast for AWC, we have downgraded our recommendation from Buy to Sell, with a lower target price of RM0.52. This target price is based on a P/E ratio of 10.0x, pegged to a mid-FY27f fully-diluted EPS of 5.20 sen. Nevertheless, we believe AWC may benefit from re-rating catalysts once Middle East projects begin to show a stronger recovery in progress.
- **Downside risks.** Risks to our recommendation include (i) failure to renew government's Concession contract and (ii) continued slowdown in the Middle East projects progress.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Jun (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Cash	119	134	124	139	158
Receivables	158	142	139	153	159
Inventories	29	27	26	29	30
PPE	19	19	20	20	20
Others	116	107	107	107	107
Assets	442	428	417	448	474
Debts	107	97	84	82	78
Payables	91	83	81	89	91
Others	32	19	19	19	19
Liabilities	230	199	184	190	188
Shareholder's equity	212	229	233	258	286
Minority interest	-	-	-	-	-
Equity	212	229	233	258	286

Income Statement

FYE Jun (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Revenue	399	412	385	425	440
EBITDA	33	34	27	34	38
EBIT	33	34	27	34	38
Net finance income/ (co)	(1)	(2)	(2)	(1)	(1)
Associates & JV	-	-	-	-	-
Profit before tax	32	32	25	33	37
Tax	(8)	(7)	(6)	(8)	(9)
Net profit	24	25	19	25	28
Minority interest	(5)	-	-	-	-
Core earnings	19	25	19	25	28
Exceptional items	-	-	-	-	-
Reported earnings	19	25	19	25	28

Valuation & Ratios

FYE Jun (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Core EPS (sen)	4.6	5.8	4.5	5.9	6.5
P/E (x)	13.1	10.2	13.2	10.1	9.2
EV/EBITDA (x)	2.9	2.9	3.6	2.8	2.6
DPS (sen)	2.3	-	-	-	-
Dividend yield	3.9%	-	-	-	-
BVPS (RM)	0.5	0.5	0.5	0.6	0.7
P/B (x)	1.2	1.1	1.1	1.0	0.9
EBITDA margin	8.3%	8.2%	7.1%	8.1%	8.5%
EBIT margin	8.3%	8.2%	7.1%	8.1%	8.5%
PBT margin	8.1%	7.7%	6.6%	7.8%	8.3%
Net margin	4.9%	6.0%	5.0%	5.9%	6.3%
ROE	8.9%	11.3%	8.6%	10.3%	10.2%
ROA	4.4%	5.7%	4.5%	5.8%	6.0%
Net gearing	CASH	CASH	CASH	CASH	CASH

Cash Flow Statement

FYE Jun (RM m)	FY24	FY25	FY26f	FY27f	FY28f
Profit before taxation	32	32	25	33	37
Depreciation & amortisation	-	-	-	-	-
Changes in working capital	5	10	11	(9)	(4)
Share of JV profits	-	-	-	-	-
Taxation	(8)	(7)	(6)	(8)	(9)
Others	2	(7)	-	-	-
Operating cash flow	32	28	30	16	24
Net capex	(3)	(3)	-	-	-
Others	(96)	7	-	-	-
Investing cash flow	(99)	4	-	-	-
Changes in borrowings	82	(10)	(13)	(2)	(4)
Issuance of shares	7	3	2	-	-
Dividends paid	(10)	-	-	-	-
Others	5	(5)	-	-	-
Financing cash flow	83	(12)	(11)	(2)	(4)
Net cash flow	17	20	5	14	20
Forex	(1)	(1)	-	-	-
Others	-	-	-	-	-
Beginning cash	119	119	119	124	139
Ending cash	119	134	124	139	158

Source: M+ Research



Disclaimer

Research analyst(s) of MSSB whom produced this report hereby certifies that the views expressed in this report accurately reflect his/her personal opinions about all of the subject corporation(s) and securities in this report. He/She does not carry out, whether for himself/herself or on behalf of MSSB or any other persons did not receive and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. As of the report date, the analyst whom prepared this report does not have any interest in the following securities covered in this report, unless otherwise stated.

This report has been prepared by research analyst(s) of MSSB pursuant to the Research Incentive Program under Bursa Research Incentive Scheme Plus ("Bursa RISE+") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaim any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report.

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

