AWC Berhad

Company Update

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Raising Forecasts as Data Centre Momentum Accelerates

Summary

- **Earnings recap.** As highlighted in our previous report, AWC's FY26 core PAT came in at RM20.1m (-19.3% YoY), within expectations at 104.1%/101.3% of our/consensus forecasts. Reported PAT was higher at RM26.4m (+6.2% YoY), mainly due to a RM6.3m impairment reversal in 4QFY26. Moving forward, earnings momentum should remain supported by its expanding data centre pipeline and RM847.4m outstanding order book.

- **Data centre momentum accelerating.** Data centre subcontracts under the Engineering segment have reached an all-time high order book of RM100.0m. Moving forward, management conservatively projects RM100.0m–120.0m in annual order book replenishment across FY27f and FY28f, anchored primarily by plumbing and air-conditioning packages for regional data centre developments.

- **Concession and healthcare visibility intact.** Management remains optimistic about securing its government facilities maintenance concession extension, which is expected to contribute ~RM70.0m in FY27f despite no official update from relevant authorities yet. Furthermore, hospital support and maintenance services across three major healthcare facilities (Hospital Shah Alam, National Cancer Institute Putrajaya, and Hospital Orang Asli Gombak) are anticipated to continue seamlessly, contributing RM50.0m–60.0m in revenue for FY27f.

- **Strategic pivot toward India in Environment segment.** Amid persistent geopolitical headwinds in the Middle East, management is shifting its Environment division's growth focus toward major public infrastructure tenders in India, specifically smart cities and airports. Consequently, short-to-medium term segment performance will rely on Malaysia, Singapore, and India as key drivers while awaiting operational recovery in the Middle East.

- **Penang LRT subcontract opportunities starting CY27.** While viewing the rail systems contract award for the Penang LRT project positively, management expects tangible earnings contributions to materialize starting CY27 when specialized subcontract packages (track works, depot equipment, and maintenance systems) open for bidding. In the interim, AWC maintains a healthy existing rail order book of RM72.1m, supported by ongoing works such as the Prasarana Ampang Line conductor rail replacement.

M+ Global View

- Following the 4QFY26 results briefing, we maintain a cautiously optimistic stance on AWC. Growth is set to be strongly anchored by the Engineering division, where expanding data centre exposure in plumbing and HVAC systems provides strong earnings quality and replenishment momentum, supported by management's RM100.0m–120.0m annual order book replenishment guidance for FY27f–FY28f.

- We view AWC's pivot to target Indian smart cities and airport projects as strategic hedge against Middle East geopolitical project delays. While initial earnings contributions from India remain subject to tender execution, domestic execution in

BUY

Share price	RM0.520
Target price	RM0.650
Previous TP	RM0.590
Capital upside	25.0%
Dividend return	-
Total return	25.0%

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)	222.4
52W High/Low	0.785 / 0.430
Est. Free float (%)	40.2
Beta (x)	1.7
3-mth avg vol ('000)	622.0
Shariah compliant	Yes

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

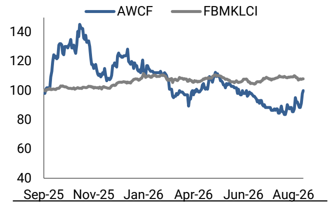
Share price vs. KLCI (%)

Hist. return	1M	3M	12M
Absolute	11.8	-1.0	-1.9
Relative	13.2	-3.2	-9.2

Earnings snapshot

FYE (Jun)	FY26	FY27f	FY28f
PAT (m)	20.1	27.8	29.4
EPS (sen)	4.7	6.5	6.9
P/E (x)	11.1	8.0	7.6

Relative performance chart



Malaysia and Singapore should continue to buffer the Environment division's base earnings.

- The anticipated extensions for both the facilities maintenance concession (~RM70.0m) and hospital support services (RM50.0m–60.0m) will ensure solid recurring revenue visibility for the Facilities segment in FY27f. Meanwhile, potential rail subcontract rollouts for the Penang LRT in CY27 provide longer-term upside to the group's RM72.1m existing rail order book.

Valuation & Recommendation

- **Forecast.** Following stronger traction across the Engineering segment alongside an improving overall operational outlook, anchored by data centre momentum, anticipated facilities concession renewals, and strategic regional expansion, we upgraded our FY27f and FY28f core PAT forecasts by 10.3% and 5.8%, from RM25.2m and RM27.8m to RM27.8m and RM29.4m, respectively. Meanwhile, we also introduced our FY29 forecasts.

- **Maintained BUY with a higher TP of RM0.65.** We maintain our Buy recommendation with a higher TP of RM0.65 (from RM0.59). The target price is derived based on a P/E ratio of 10.0x pegged to our revised FY27f fully-diluted EPS of 6.50 sen.

- **Downside risks.** Risks to our recommendation include (i) failure to renew the government's concession contract and (ii) continued delays in Middle East project progress.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Jun (RM m)	FY25	FY26	FY27f	FY28f	FY29f
Cash	134	122	114	138	165
Receivables	142	145	182	191	202
Inventories	27	30	34	36	38
PPE	19	19	20	20	20
Others	107	94	107	107	107
Assets	**428**	**410**	**458**	**493**	**533**
Debts	97	72	72	73	74
Payables	83	72	106	111	117
Others	19	16	19	19	19
Liabilities	**199**	**159**	**197**	**202**	**210**
Shareholder's equity	229	250	261	291	323
Minority interest	-	-	-	-	-
Equity	**229**	**250**	**261**	**291**	**323**

Cash Flow Statement

FYE Jun (RM m)	FY25	FY26	FY27f	FY28f	FY29f
Profit before taxation	32	28	37	39	41
Depreciation & amortisation	-	-	-	-	-
Changes in working capital	10	(18)	(26)	(6)	(7)
Share of JV profits	-	-	-	-	-
Taxation	(7)	(8)	(9)	(9)	(10)
Others	(7)	14	(12)	-	1
Operating cash flow	**28**	**16**	**(10)**	**24**	**26**
Net capex	(3)	(3)	-	-	-
Others	7	4	-	-	-
Investing cash flow	**4**	**1**	**-**	**-**	**-**
Changes in borrowings	(10)	(25)	0	0	1
Issuance of shares	3	2	-	-	-
Dividends paid	-	(3)	-	-	-
Others	(5)	1	-	-	-
Financing cash flow	**(12)**	**(26)**	**0**	**0**	**1**
Net cash flow	**20**	**(9)**	**(10)**	**24**	**27**
Forex	(1)	(4)	-	-	-
Others	(5)	1	-	-	-
Beginning cash	119	134	124	114	138
Ending cash	134	122	114	138	165

Income Statement

FYE Jun (RM m)	FY25	FY26	FY27f	FY28f	FY29f
Revenue	**412**	**445**	**504**	**530**	**560**
EBITDA	34	30	38	40	43
EBIT	34	30	38	40	43
Net finance income/ (co	(2)	(2)	(1)	(1)	(1)
Associates & JV	-	-	-	-	-
Profit before tax	**32**	**28**	**37**	**39**	**41**
Tax	(7)	(8)	(9)	(9)	(10)
Net profit	**25**	**20**	**28**	**29**	**31**
Minority interest	-	-	-	-	-
Core earnings	**25**	**20**	**28**	**29**	**31**
Exceptional items	-	6	-	-	-
Reported earnings	25	26	28	29	31

Valuation & Ratios

FYE Jun (RM m)	FY25	FY26	FY27f	FY28f	FY29f
Core EPS (sen)	5.8	4.7	6.5	6.9	7.3
P/E (x)	8.9	11.1	8.0	7.6	7.1
EV/EBITDA (x)	1.9	2.1	1.7	1.6	1.5
DPS (sen)	-	0.8	-	-	-
Dividend yield	-	0.0	-	-	-
BVPS (RM)	0.5	0.6	0.6	0.7	0.8
P/B (x)	1.0	0.9	0.9	0.8	0.7
EBITDA margin	8.2%	6.7%	7.5%	7.5%	7.6%
EBIT margin	8.2%	6.7%	7.5%	7.5%	7.6%
PBT margin	7.7%	6.4%	7.3%	7.3%	7.4%
Net margin	6.0%	4.5%	5.5%	5.5%	5.6%
ROE	11.3%	8.4%	11.2%	10.7%	10.2%
ROA	5.7%	4.8%	6.4%	6.2%	6.1%
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