

**BUY**  
**RM1.13**

Target Price: RM2.90

# TRC Synergy

## Another RM218m contract

**Stock data**

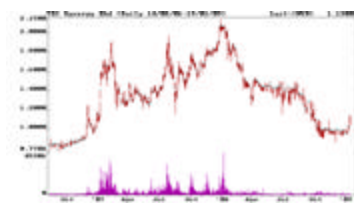
Market cap (RMm):	214.1
Issued shares (m):	189.5
52-week range:	RM0.86-RM2.02
3-mth avg daily volume:	62,712 shrs
Bloomberg code:	TRC MK
Syariah	Yes
YTD price chg:	13.6%
YTD KLCI chg:	1.5%
Est. free float:	24.8%
Major shareholders:	
Yap Yon Tai:	14.1%
TRC Capital S/B:	13.1%
Kolektif Aman S/B:	12.9%
Dato' HJ Sufri B. Hj:	10.1%
Mohd Zin:	
Lembaga Tabung Haji:	9.9%
Leong Kam Heng:	8.4%
Khoo Tew Choon:	6.7%

**Consensus**

FYE 31 Dec	2008E	2009E
Net profit (RMm):	45.9	48.9
EPS (sen):	22.0	23.6

**Forecast revision**

FYE 31 Dec	2008E	2009E
Previous net profit (RMm):	47.8	46.0
Revision (%)	-	10.2%
Revised net profit (RMm):	47.8	50.7

**Share price chart**

 Yeonzon Yeow Tel: 603-2713 2292  
 yeonzon@kenanga.com.my

- **Results speak for itself.** While other contractors are busy worrying about securing new contracts, TRC has secured yet another RM218m contract to build a training center for Malaysia Maritime Enforcement Agency in Kuantan, Pahang. The contract will commence from 28 January 2009 for two years ending 27 January 2011. We understand that the contract is on a turnkey basis which typically attracts higher profit margin.
- **Unbilled order book is now RM850m from RM650m** at end November 2008. This should comfortably fill its 2010 order book.
- **More contracts to come.** Given their track record in securing projects including three transport infrastructure contracts worth RM187.45m in the most difficult times in 3Q08, we believe that TRC has the ability to secure more technically challenged projects.
- **Strong competence in transport infrastructure especially marine related.** Given their expertise and also its fleet of specialised construction equipment for marine related engineering, TRC has a niche which very few contractors can undertake.
- **Continue to meet forecast and expectations.** TRC has continued to be able to meet our forecast every quarter. This is due to conservative guidance and its ability to maintain profit margin through managing building material prices and design-engineering enhancements which can save on time and quantity of building materials used.
- **Revising FY09 and FY10 net profit up by 10% and 45% to include the new contract secured.** The higher FY09E and FY10E EPS of 26.7sen and 23.6sen would translate to a low PER of 4.2x and 4.9x which is half of the large cap construction companies.
- **Maintain BUY with target price of RM2.90 (based on FY09 Fully Diluted EPS of 26.7 sen using the average PER of 11x for smaller construction companies.** Given its net cash of RM0.45 per share, the share is currently trading at attractive FY09E and FY10E PER of 4.2x and 4.8x respectively.

**Earnings Estimates**

FYE 31 Dec (RMm)	2006	2007	2008E	2009E	2010E
Total Revenue	226.5	422.1	753.7	766.2	713.5
EBITDA	30.7	56.5	79.9	83.3	75.6
EBITDA Margin	13.6%	13.4%	10.6%	10.9%	10.6%
Pretax Profit	13.1	41.7	64.7	68.5	60.4
<b>Net Profit</b>	<b>8.2</b>	<b>29.5</b>	<b>47.8</b>	<b>50.7</b>	<b>44.7</b>
Net Profit Growth (%)	257%	259%	62%	6%	-12%
EPS (sen)	4.3	15.5	25.2	26.7	23.6
EPS Growth (%)	257%	259%	62%	6%	-12%
GDPS (sen)	-	3.9	6.3	6.0	5.9
NTA/ share (RM)	1.4	1.4	1.7	2.0	2.2
Net Gearing	0.3	(0.3)	(0.3)	(0.2)	0.1
PER (x)	26.1	7.3	4.5	4.2	4.8
P/NTA (x)	0.8	0.8	0.7	0.6	0.5
Dividend Yield (%)	0.0%	3.6%	5.8%	5.5%	3.7%
EV/EBITDA	4.7	2.6	1.8	1.9	2.6
ROE (%)	6.2%	14.6%	20.1%	16.9%	10.4%

## Other Updates

- **Petrobru is progressing well.** With its detailed feasibility study expected to be completed in expected to be completed in May 2009, We are confident that the project will proceed ahead because the current low crude oil price would put further impetus to develop downstream petrochemical activities in Brunei to value add to its revenue.
- **Could yield possibly RM1b worth of infrastructure works.** Conservatively assuming that 10% of the cost of the USD3b refinery is infrastructure work, TRC would possibly be able to secure at least RM1b worth of contracts from this project providing work for 2010-2012. We have not included any of Petrbru contracts into our forecast.

---

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

---

Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia

Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: [www.kenangaresearch.com](http://www.kenangaresearch.com)



Yeonzon Yeow  
Head of Research