DATE: 9 November 2023

PUBLICATION: The Star

WEBSITE: https://www.thestar.com.my/business/business-news/2023/11/09/trc-synergy-targets-rm31bil-in-new-projects

TRC Synergy targets RM3.1bil in new projects

TA Research said the company's robust balance sheet with strong net cash of RM320mil would help the group to sail through all near-term headwinds.

PETALING JAYA: With prices of construction materials now more manageable and an easing of labour shortages, TRC Synergy Bhd has become more aggressive in tendering for jobs.

Research houses expect the company to sign on for RM3.1bil worth of jobs from the Mass Rapid Transit 3 (MRT3) project while also proceeding with phase 2 of the Ara Sentral mixed-use property development.

However, its property and hotel businesses in Australia remain lacklustre, said TA Research.

The company's tender book currently stands at around RM5bil, mainly comprising a work package (CMC301) from the MRT3 project and two work packages from the Kuching Urban Transportation System (KUTS) project in Sarawak.

The contract value for the CMC301 work package is estimated to be around RM3.1bil, and TA Research said the actual job award could be as early as next month since the tender validity of the MRT3 project is set to expire by the end of December 2023.

TRC Synergy's management revealed that the total estimated contract value for the two work packages from the KUTS project could be around RM1.2bil, and the tender outcome was expected to be in first quarter (1Q) 2024.

Hong Leong Investment Bank (HLIB) Research said TRC Synergy's unbilled order book stands at RM480mil, translating to 0.8 times cover on the company's financial year 2022 (FY22) construction revenue. The company secured two projects in FY23 year-to-date worth about RM40mil.

Based on its quarterly run rate, the current orderbook could cover slightly more than three quarters.

On its property business, the construction of second phase of Ara Sentral with a gross development value of RM500mil is slated to commence in 4Q23, and management expects to launch the project in 2024.

Phase 2 is a mixed development consisting retail units and serviced apartments. Approximately RM60mil-RM70mil will be used to complete substructure works.

HLIB Research added that the company's joint venture in Australia continues to face challenges due to higher interest rates and strict lending conditions.

The research house cut its FY23, FY24, and FY25 earnings by minus 32.4%, minus 2.2%, and minus 2.1%, respectively.

TA Research said it maintained its FY23 to FY25 earnings forecasts and target price (TP) at 43 sen a share on the company.

It also maintained its “buy” call on the stock and said the company’s robust balance sheet with strong net cash of RM320mil would help the group to sail through all near-term headwinds.

HLIB Research downgraded the stock to a “hold” from a “buy” with an unchanged TP of 38 sen a share after rolling over to FY24.