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HLIB starts coverage on TRC Synergy, target price 40 sen

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KUALA LUMPUR (July 5): Hong Leong IB Research has initiated coverage on TRC Synergy Bhd at 32.5 sen with a Buy recommendation and target price (TP) of 40 sen based on SOP calculation with a deep 50% discount; reflecting small cap status and heavy public sector reliance.

In a note on Tuesday (July 5), the research house said job opportunities are poised for an inflection buoyed by MRT3 to which it considers TRC a strong contender due to: (i) Bumi contractor status, (ii) extensive track record in mega railway projects spanning stations, viaducts and depots and (iii) healthy balance sheet (net cash).

“TRC’s market cap trades at a -15% discount to its net cash position (1QFY22), we believe the market has ascribed a negative value to TRC’s real estate assets which we think is unwarranted.

“Going forward, we are forecasting uninspiring FY22 and FY23 earnings before picking up by 31.8% y-o-y in FY24.

“This will be primarily be driven by contract wins from the upcoming MRT3 project,” it said.

HLIB said it has factored in construction contract wins of RM800 million in FY22 as well as RM500 million in both FY23 and FY24.

“Nonetheless, billings recognition will only pick up meaningfully starting 2024 due to the “S-curve”. All in for the period FY22f-24f our forecast suggests profit CAGR of 5.9%,” it said.