

Malaysia Result Snapshot

TRC Synergy

Bloomberg: TRC MK | Reuters: TRCG.KL

DBS Group Research . Equity

14 Nov 2008

Steadily reaching target

HOLD RM1.09

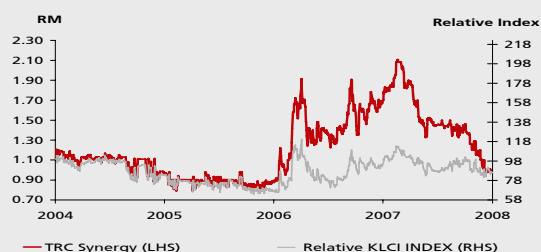
Price Target : RM 1.30

Reporting Period	Performance	Mkt Cap	FY	EPS (sen)	EPS Gth Pre-Ex (%)	EPS Revision	PE (x)	PBV (x)	Net Dividend Yield (%)
3Q 2008	Inline	RM207m	2007A	24.4	114	-	4.5	0.6	1.7
		US\$57.1m	2008F	16.7	(31)	-	6.5	0.9	3.8
			2009F	18.6	11	-	5.9	0.8	4.3

Result Summary

FY Dec (RM m)	3Q2007	3Q2008	% Chg y-o-y
P&L Items			
Sales	126.0	224.1	77.9
Gross Profit	10.5	22.3	112.0
EBIT	9.0	19.5	116.1
Exceptional Gain/(Loss)	-	0.2	N/A
Pretax Profit	7.7	18.5	136.4
Net Profit	5.4	14.1	161.8
EPS (sen)	6.8	7.2	
Gross Margin (%)	8.4	10.0	
BS & CF Items			
Capex	5.8	5.9	1.7
Net Cash/(Debt)	66.5	85.6	28.7

Price Relative



Source: Company, DBS Vickers

Comment on Results

3Q08 net profit almost tripled y-o-y to RM14.1m (3Q07: RM5.4m), led by a stronger order book. This included RM0.2m disposal gain on a subsidiary. Revenue grew 78% y-o-y to RM224.1m, while EBIT margin inched up by 1.5 ppt y-o-y to 8.7% partly due to lower prices of building materials during the quarter. Q-o-q, net profit and revenue grew 33% and 13%, respectively. 9M08 net profit of RM36.6m was within our and market expectations.

The Group's balance sheet remains strong with net cash of RM85.6m. Its unbilled order book stands at RM890m.

Recommendation

We understand that TRC will seek higher contract values for government jobs through the variation of price (VOP) mechanism. This will likely be captured in FY09F earnings. Meanwhile, associate company PetroBru (B) Sdn Bhd is conducting a detailed feasibility study on its oil refinery project in Pulau Muara Besar, Brunei. We expect construction to commence in 2010, in which TRC will be involved in infrastructure works.

Going forward, TRC is a potential beneficiary of the Government's pump-priming efforts. The Group proposed a share buyback of up to 10% of its issued and paid-up share capital. Our target price of RM1.30 is pegged to 7.0x FY09F EPS. Maintain Hold. The Group is currently trading at 5.9 FY09F EPS and 0.8x FY09F NTA.

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (0-15% total return over the next 12 months for small caps, 0-10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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