

# Malaysia Result Snapshot

## TRC Synergy

Bloomberg: TRC | Reuters: TRCG.KL

DBS Group Research . Equity

28 May 2008

**Came as expected**

**BUY RM1.80**  
Price Target : RM 2.95

Reporting Period	Performance	Mkt Cap	FY	EPS (sen)	EPS Gth Pre-Ex (%)	EPS Revision	PE (x)	PBV (x)	Net Dividend Yield (%)
1Q 2008	In line	RM283m US\$87.3m	2008F 2009F	33.5 39.4	40 18	- -	5.4 4.6	1.0 0.8	4.1 5.1

### Result Summary

FY Dec (RM m)	1Q2007	1Q2008	yoy chg
<b>P&amp;L Items</b>			
Sales	73.0	137.3	88.1
Gross Profit	15.2	22.4	47.6
EBIT	11.1	18.1	63.2
Pretax Profit	9.5	16.9	78.6
Net Profit	6.5	12.0	84.0
EPS (sen)	5.3	8.5	
EBIT Margin (%)	15.2	13.2	
<b>BS &amp; CF Items</b>			
Capex	1.7	5.2	
Net Cash/(Debt)	16.3	87.7	

### Price Relative



Source: Company, DBS Vickers

### Comment on Results

TRC Synergy's 1Q08 net profit came in at RM12.0m, up by 84% y-o-y backed by higher contribution from ongoing major projects. However, EBIT margin fell by 2.0 ppt to 13.2% possibly due to higher building material costs. On a quarterly basis, net profit grew by 62%, while EBIT margin expanded by 3.4 ppt. TRC's 1Q08 net profit was in line with our estimates.

We believe the Group has been able to sustain decent construction margins, despite rising material prices, largely due to its high proportion of negotiated contracts such as the Kuala Terengganu Airport. 5 out of its 8 major projects were secured on a negotiated basis. Going forward, the Government's decision to allow variations on contract value for design and build projects because of higher steel price allows the Group to better manage its costs.

### Recommendation

Despite potential delays in the Ninth Malaysia Plan, TRC managed to secure two Letter of Awards i.e. (i) University Kuala Lumpur project (RM197m contract value) and (ii) the extension of Kuala Terengganu airport project (RM202m contract value). Both projects were secured in Apr 2008.

These projects bring estimated outstanding orderbook to c.RM1.0b. We expect these projects have priced in the current high price of building materials. Valuations are undemanding at 5.4x FY08 EPS and 4.6x FY09 EPS. We maintain Buy with a RM2.95 price target, based on 10x FY09F EPS.

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DBSV recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**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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