

TRC Synergy Berhad		Price:	RM2.02
		Market Capitalisation:	RM282.4mn
		Board:	Main Board
		Sector:	Construction
Stock Code:	5054	Recommendation:	Buy

Key Stock Statistics	FY07	FY08F	FY09F
Basic EPS (sen)	21.3	23.3	25.7
P/E on EPS (x)	9.5	8.7	7.9
Dividend/Share (sen)	5.3	7.5	8.2
NTA/Share (RM)	1.59	1.77	1.99
Book Value/Share	1.59	1.77	1.99
Issued Capital (m shares)	139.8	139.8	139.8
52-weeks Share Price Range (RM)	1.40 -2.59		

Major Shareholders:	%
Kolektif Aman Sdn Bhd	18.2
TRC Capital Sdn Bhd	18.2
Dato' Haji Sufri Bin Haji Mohd Zin	12.9*
Lembaga Tabung Angkatan Tentera	6.1

*36.45% deemed interest by virtue of shareholdings in Kolektif Aman and TRC Capital

Per Share Data	FY06	FY07	FY08F	FY09F
Year-end 31 Dec				
Book Value (RM)	1.43	1.59	1.77	1.99
Cash Flow (sen)	16.7	86.4	29.2	31.4
Earnings (sen)	11.4	21.3	23.3	25.7
Dividend (sen)	2.8	6.7	9.3	10.3
Payout Ratio (%)	25.0	25.0	25.0	25.0
PER (x)	17.7	9.5	8.7	7.9
P/Cash Flow (x)	12.1	2.3	6.9	6.4
P/Book Value (x)	1.4	1.3	1.1	1.0
Dividend Yield (%)	1.4	3.3	4.6	5.1
ROE (%)	8.0	13.4	13.2	12.9
Net Gearing (%)	35.9	n.c.	n.c.	n.c.

n.c. = net cash

P&L Analysis (RMm)	FY06	FY07	FY08F	FY09F
Year-end Dec				
Revenue	226.5	422.1	467.9	499.8
Operating Profit	20.4	46.5	48.3	50.7
Depreciation	(5.0)	(4.9)	(4.9)	(4.9)
Net Interest Expense	(5.0)	(3.0)	0.3	0.8
Pre-tax profit	13.1	42.2	47.8	50.6
Effective Tax Rate (%) (19.8)	(29.5)	(25.0)	(25.0)	(25.0)
Net Profit	10.5	29.8	32.6	35.9
Operating Margin (%)	9.0	11.0	10.3	10.1
Pre-tax margin (%)	5.8	10.0	10.2	10.1
Net margin (%)	4.6	7.1	7.0	7.2

Share Price Chart



1. 4QFY07 Results Highlights:

Year ended Dec 31	4QFY07 RMmn	4QFY06 RMmn	Chg %
Revenue	121.5	54.4	123.3
Operating Profit	11.9	3.5	235.8
Interest Expense	(0.4)	(1.7)	
Pre-tax Profit	11.5	1.9	514.6
Net Profit	7.4	2.8	160.7
Operating Margin (%)	9.8	6.5	
Pre-tax Margin (%)	9.5	3.4	
Net Margin (%)	6.1	5.2	

TRC Synergy Bhd (TRCS)'s 4QFY07 results reflect the Group's success in building up a strong order book of around RM1.6bn, with the bulk of projects secured from late 2006 onwards.

Maintain Buy Recommendation, given TRCS' strong earnings visibility over the next 2 years and a healthy net cash position to leverage on securing higher value contracts. At RM2.02, the stock is presently trading at 8.7x and 7.9x earnings for FY08 and FY09 respectively. On a fully diluted basis, PERs are undemanding at 10.7x FY08 and 9.8x FY09 earnings.

2. 12MFY07 Results Review

	12MFY07 RMmn	12MFY06 RMmn	Chg %
Revenue	422.1	225.7	87.0
Operating Profit	46.5	20.4	128.3
Interest expense	(4.8)	(7.3)	(34.4)
Pre-tax Profit	41.7	13.1	218.3
Net Profit	29.5	10.5	180.1
Operating Margin (%)	11.0	9.0	
Pre-tax Margin (%)	9.9	5.8	
Net-Margin (%)	7.0	4.7	

Results within expectations. Turnover increased 120% y-o-y but declined marginally by 3.5% q-o-q to RM121.5mn, taking turnover for the 12mFY07 to RM422mn, within our expectations. The surge in revenue growth was attributed higher progressive billings of key projects which had commenced in FY06 and as well as from new projects coming on-stream in FY07. Correspondingly 4QFY07 pre-tax profits increased significantly to RM11.5mn compared to RM1.9mn in 4QFY06, taking profits for 12mFY07 to RM41.7mn. The improvement in margins y-o-y was attributed to cost efficiency measures implemented to mitigate the rising cost of raw materials. At the net level, profits came in at RM7.4mn, taking net profits for 12mFY07 to RM29.5mn.

No dividends were declared for 4QFY06.

Balance Sheet

TRCS ended FY07 with a net cash position of RM116.8mn (vs. net debt RM45mn in FY06) following the Group's rights issue during the year and cash inflows from an enlarged order book. On a fully diluted basis (assuming full conversion of ICULS and warrant) TRCS' share capital would increase to around 185mn shares from around 139mn shares currently.

Earnings Outlook and Recommendation

The group's order book of an estimated RM1.6bn (unbilled est. RM950mn) provides earnings visibility over the next 2 years. New projects on board in recent months include a RM115mn construction of government quarters in Putrajaya and another project pending for further upgrading works on Kuala Terengganu airport. Maintain Buy Recommendation.

Investment ratings:

Buy (generally >10% upside over the next 12 months)

Hold (generally negative 10% downside to positive 10% upside over the next 12 months)

Sell (generally >10% downside over the next 12 months)

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