



## CONSTRUCTION

Jeremy Goh  
+60 (3) 9207 7600  
jeremy.goh@osk.com.my

### Stock Profile/Statistics

Bloomberg Ticker	TRC MK Equity
KLCI	890.28
Issued Share Capital (m)	189.46
Market Capitalisation (RMm)	214.09
52 week H   L Price (RM)	2.02   0.86
Average Volume (3m) '000	54.10
YTD Returns (%)	0.14
Net gearing (x)	-0.54
Altman Z-Score	3.64
ROCE/WACC	1.63
Beta (x)	0.94
Book Value/share (RM)	1.33

### Major Shareholders (%)

Yap Yon Tai	14.1
TRC Capital SB	13.1
Kolektif Aman SB	12.8

### Share Performance (%)

Month	Absolute	Relative
1m	15.9	14.1
3m	15.9	15.4
6m	(15.8)	4.5
12m	(42.6)	(9.8)

### 6-month Share Price Performance



TRC is primarily involved in construction and is also venturing into O&G.

## Company Update

Private Circulation Only

# TRC Synergy

<b>BUY</b>	<b>Maintain</b>
<b>Price Target</b>	<b>RM1.13</b>
<b>Target</b>	<b>RM1.55</b>

## A Good Start to 2009

TRC informed Bursa Malaysia yesterday that it had received a RM218m job to construct a maritime college in Kuantan, Pahang. This boosts TRC's orderbook to about RM800m. The company's forward catalysts include a strong flow of jobs, improving margins and positive results from its O&G feasibility study. Our estimates are unchanged and we maintain a BUY with a target price of RM1.55.

**Starting off well.** Yesterday TRC announced on Bursa that it had been awarded a RM218m job from the Public Works Department. The project involves building a maritime college in Kuantan, Pahang. The site possession is expected to take place by the end of the month and the job is scheduled for completion by January 2011. We understand that the job was secured on a selective tender basis.

**Healthy orderbook.** TRC's current orderbook balance stands at approximately RM800m after taking into account this recent job. We like TRC for its strong orderbook replenishment. To recap, the company managed to secure > RM500m worth of jobs in FY08. Management has guided for an orderbook replenishment of RM500m for FY09 but our assumptions are more conservative at RM300m. The possibility of beating our assumptions is high as this recent job already fulfils 73% of our FY09 target.

**Improving margins.** We believe margins are likely to improve moving into FY09 as (i) raw material prices have come off from the peak, (ii) some Variation of Price (VOP) claims for FY08 are likely to be received in FY09, and (iii) loss provisions on its development side had been fully provided for in FY08.

**Boost by mid-2010.** TRC's 26% associate PetroBru is currently conducting a detailed feasibility study to operate a refinery which should be completed by mid-2009. If results prove viable, construction of the infrastructure portion should commence by mid-2010. The infrastructure portion is estimated to be worth at least US\$500m.

**Maintain BUY.** There are minimal changes to our earnings forecast as we had already accounted for this job via our orderbook replenishment assumption. The stock's valuations at 5x-6x FY08-10 earnings are rather undemanding, in our view. Our RM1.55 TP is based on a 7x multiplier to its 12-mth rolling earnings. Maintain BUY.

FYE Dec (RMm)	FY06	FY07	FY08f	FY09f	FY10f
Turnover	225.7	422.2	637.5	677.1	548.3
EBITDA	24.8	51.4	71.0	78.1	66.2
Net Profit	10.5	30.0	46.0	52.1	43.3
% chg YoY	301.1%	185.6%	53.0%	13.4%	-16.9%
Consensus EPS (sen)^	4.7	13.6	20.8	23.5	19.5
DPS (sen)^	1.0	3.4	5.2	5.9	4.9
Div Yield	0.9%	3.0%	4.6%	5.2%	4.3%
ROE	8.3%	17.0%	19.2%	18.8%	13.9%
ROA	3.7%	8.9%	11.2%	11.2%	8.6%
PER (x)	23.8	8.3	5.4	4.8	5.8
P/BV (x)	1.9	1.1	1.0	0.8	0.8

**EARNINGS FORECAST**

<b>FYE Dec (RMm)</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08f</b>	<b>FY09f</b>	<b>FY10f</b>
Turnover	225.7	422.2	637.5	677.1	548.3
EBITDA	24.8	51.4	71.0	78.1	66.2
PBT	13.1	41.7	63.0	70.4	58.5
Net Profit	10.5	30.0	46.0	52.1	43.3
EPS (sen)	4.7	13.6	20.8	23.5	19.5
DPS (sen)	1.0	3.4	5.2	5.9	4.9
Margin					
EBITDA	11.0%	12.2%	11.1%	11.5%	12.1%
PBT	5.8%	9.9%	9.9%	10.4%	10.7%
Net Profit	4.7%	7.1%	7.2%	7.7%	7.9%
ROE	8.3%	17.0%	19.2%	18.8%	13.9%
ROA	3.7%	8.9%	11.2%	11.2%	8.6%
Balance Sheet					
Fixed Assets	41.7	57.1	54.1	51.1	50.1
Current Assets	247.5	326.6	384.7	440.1	463.9
Total Assets	289.1	383.7	438.7	491.1	514.0
Current Liabilities	114.3	110.3	126.1	134.3	119.0
Net Current Assets	133.2	216.3	258.5	305.8	345.0
LT Liabilities	43.0	50.8	55.5	60.7	66.4
Shareholders Funds	131.9	222.6	257.1	296.2	328.6

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Chris Eng

Kuala Lumpur	Hong Kong	Singapore	Jakarta	Shanghai
<b>Malaysia Research Office</b> OSK Research Sdn. Bhd. 6 <sup>th</sup> Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Malaysia Tel : +(60) 3 9207 7688 Fax : +(60) 3 2175 3202	<b>Hong Kong Office</b> OSK Securities Hong Kong Ltd. 1201-1203, 12/F, World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : + (852) 2525 1118 Fax : + (852) 2537 1332	<b>Singapore Office</b> DMG & Partners Securities Pte. Ltd. #22-01 Ocean Towers 20 Raffles Place Singapore 048620 Tel : +(65) 6438 8810 Fax : +(65) 6535 4809	<b>Jakarta Office</b> PT OSK Nusadana Securities Indonesia Plaza Lippo, 14 <sup>th</sup> Floor, Jl. Jend. Sudirman Kav. 25. Jakarta 12920 Indonesia Tel : + (6221) 520 4599 Fax : + (6221) 520 4505	<b>Shanghai Office</b> OSK (China) Investment Advisory Co. Ltd Room 6506, Plaza 66 No. 1266 West Nanjing Road 200040, Shanghai China Tel : +(8621) 6288 9611 Fax : + (8621) 6288 9633