



## CONSTRUCTION

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### Stock Profile/Statistics

Bloomberg Ticker	TRC MK Equity
KLCI	894.07
Issued Share Capital (m)	189.46
Market Capitalisation (RMm)	225.46
52 week H   L Price (RM)	1.70   0.86
Average Volume (3m) '000	30.64
YTD Returns (%)	0.20
Net gearing (x)	-0.54
Altman Z-Score	3.64
ROCE/WACC	1.81
Beta (x)	0.85
Book Value/share (RM)	1.33

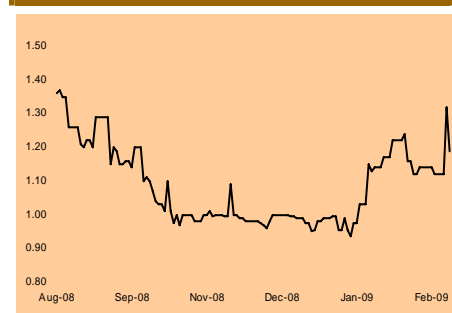
### Major Shareholders (%)

Yap Yon Tai	14.1
TRC Capital S/B	13.1
Kolektif Aman S/B	12.9

### Share Performance (%)

Month	Absolute	Relative
1m	12.8	(0.7)
3m	34.7	16.2
6m	(2.9)	6.2
12m	(20.5)	6.7

### 6-month Share Price Performance



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

## FY08 Results Review

Private Circulation Only

# TRC Synergy

<b>BUY</b>	<b>Maintain</b>
<b>Price</b>	<b>RM1.19</b>
<b>Target</b>	<b>RM1.59</b>

## A Good Finish

TRC's FY08 earnings grew 51.2% y-o-y and were within our expectations (-1.3% from our estimates). Margins were, however, down y-o-y on the higher material prices witnessed in FY08. Management continues to guide for RM500m worth of jobs in CY09. The catalysts are stronger jobs flow following the 2<sup>nd</sup> stimulus package and positive results from its O&G feasibility study. We are rolling over our earnings to FY09 at the same 7x multiplier. Maintain BUY with a target price of RM1.59.

**Within expectations.** Both FY08 revenue and earnings grew y-o-y by 75.2% and 51.2% respectively. Over a similar horizon, margins at all levels eroded, with EBIT and net figures coming in at 9% and 6.1% respectively. This was mainly due to higher material prices witnessed in FY08 compared with FY07. Overall, earnings were spot on with our forecast (-1.3% from our FY08 estimates).

**Quarterly perspective.** On a q-o-q perspective, revenue declined 20% while earnings plummeted 38%. We reckon this was mainly due to slower construction revenue recognition due to the festive seasons during Q4. Margins were rather stable q-o-q.

**New year, new job.** Earlier this year, TRC secured a RM218m job to construct a maritime college in Kuantan, Pahang. We understand that site possession has already taken place for the said job. Management continues to guide for a RM500m orderbook replenishment for CY09 vis-à-vis our latest assumption of RM350m (62% has been achieved). We believe that more small-mid scaled jobs will flow to TRC once the 2<sup>nd</sup> stimulus package is announced on March 10, '09. Its orderbook balance is estimated at about RM890m.

**Longer term catalyst.** TRC's 26% associate, PetroBru, is currently conducting a detailed feasibility study to operate a refinery which should be completed by mid-2009. If the 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.** We tweak downwards our FY09 numbers by 3.7%. While we project an 8.7% earnings growth for FY09, our FY10 figures indicate a 9% decline on the possibility that its RM890m ordebrook will not sustain growth into FY10. We are rolling over our earnings to FY09 at an unchanged 7x multiplier. Maintain BUY with a RM1.59 TP.

FYE Dec (RMm)	FY06	FY07	FY08	FY09f	FY10f
Turnover	225.7	422.2	739.6	554.0	505.1
EBITDA	24.8	51.4	71.8	77.0	71.0
Net Profit	10.5	30.0	45.4	50.2	45.7
% chg YoY	301.1%	185.6%	51.1%	10.5%	-9.0%
Consensus			45.9	50.0	40.6
EPS (sen)^	4.7	13.6	20.5	22.7	20.6
DPS (sen)^	1.0	1.0	2.6	4.5	4.1
Div Yield	0.8%	0.9%	2.2%	3.8%	3.5%
ROE	8.3%	17.0%	18.5%	18.4%	15.4%
ROA	3.7%	8.9%	10.9%	11.3%	9.9%
PER (x)	25.1	8.8	5.8	5.3	5.8
P/BV (x)	2.0	1.2	1.0	0.9	0.8

**EARNINGS FORECAST****Quarter Results Table**

<b>FYE Dec (RMm)</b>	<b>4QFY08</b>	<b>3QFY08</b>	<b>% chg</b>	<b>YTD FY08</b>	<b>YTD FY07</b>	<b>% chg</b>
Turnover	179.3	224.1	-20.0%	739.6	422.1	75.2%
EBIT	14.5	19.5	-25.7%	66.4	46.5	42.8%
Net interest expense	(1.7)	(1.1)	59.9%	(4.7)	(4.8)	-1.9%
Associates	(0.0)	(0.2)	-71.8%	(0.4)	-	0.0%
PBT	12.7	18.5	-31.0%	61.5	41.7	47.4%
Tax	(4.0)	(4.4)	-9.3%	(16.11)	(12.3)	31.4%
MI	-	-	0.0%	-	-	0.0%
Net Profit	8.8	14.1	-37.8%	45.4	29.5	54.1%
EPS (sen)	4.0	6.4		20.5	13.3	
Gross DPS (sen)	-	-		5.0	3.0	
EBIT margin	8.1%	8.7%		9.0%	11.0%	
NTA/share (RM)				1.2	1.0	

<b>FYE Dec (RMm)</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09f</b>	<b>FY10f</b>
Turnover	225.7	422.2	739.6	554.0	505.1
EBITDA	24.8	51.4	71.8	77.0	71.0
PBT	13.1	41.7	61.5	66.9	60.9
Net Profit	10.5	30.0	45.4	50.2	45.7
EPS (sen)	4.7	13.6	20.5	22.7	20.6
DPS (sen)	1.0	1.0	2.6	4.5	4.1
Margin					
EBITDA	11.0%	12.2%	9.7%	13.9%	14.1%
PBT	5.8%	9.9%	8.3%	12.1%	12.1%
Net Profit	4.7%	7.1%	6.1%	9.1%	9.0%
ROE	8.3%	17.0%	18.5%	18.4%	15.4%
ROA	3.7%	8.9%	10.9%	11.3%	9.9%
Balance Sheet					
Fixed Assets	41.7	57.1	85.9	63.2	62.2
Current Assets	247.5	326.6	361.1	377.7	415.7
Total Assets	289.1	383.7	447.1	440.9	477.8
Current Liabilities	114.3	110.3	171.9	150.3	149.9
Net Current Assets	133.2	216.3	189.2	227.4	265.8
LT Liabilities	43.0	50.8	7.8	12.1	12.9
Shareholders Funds	131.9	222.6	267.4	278.5	315.1

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