



MALAYSIA EQUITY
Investment Research
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CONSTRUCTION

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3M FY08 Results Review

Private Circulation Only

TRC Synergy

BUY	Maintain
Price	RM1.80
Target	RM2.87

Stock Profile/Statistics

Bloomberg Ticker	TRC MK Equity
KLCI	1274.24
Issued Share Capital (m)	157.29
Market Capitalisation (RMm)	283.12
52 week H L Price (RM)	2.59 1.40
Average Volume (3m) '000	116.57
YTD Returns (%)	-0.73
Net gearing (x)	-0.54
Altman Z-Score	3.74
ROCE/WACC	0.64
Beta (x)	1.23
Book Value/share (RM)	1.59

Major Shareholders (%)

Kolektif Aman SB	15.46
TRC Capital SB	15.46
Yap Yon Tai	12.77

Share Performance (%)

Month	Absolute	Relative
1m	1.12	2.80
3m	-11.33	-2.38
6m	-17.81	-10.21
12m	16.25	18.10

6-month Share Price Performance



Moving Along Well

With an 84% jump in earnings, TRC's results were well within our forecasts. On the back of our earnings growth projection of 60% and 17% for FY08 and FY09 respectively, current earnings multiples are undemanding at 6-7x. Catalysts on the upside include additional works on its existing jobs and promising results from its O&G feasibility study. Maintain BUY with a TP of RM2.87. Should we roll over our valuation to FY09, TP would be RM3.34.

Healthy start to the year. For 1Q08, TRC displayed an encouraging 88% increase in revenue while earnings on the other hand, were up 84%. Despite concerns of rising material costs, margins continue to remain healthy with PBT and net figures coming in at 12.3% and 8.7% respectively (FY07 comparatives at 12.9% and 8.9%). Compared to our projections, earnings were "right on the dot", with 1Q figures making up 24.9% of our forecast.

Orderbook replenishment remains good. Thus far into the year, TRC has managed to secure 2 contracts with a total value of approximately RM400m. To recap, the projects are the UniKL campus in Johor and upgrading works for the Kuala Terengganu Airport. At the current juncture, TRC's orderbook stands at RM1.7bn, of which, we estimate 70% remains outstanding. While there are concerns that a slowdown of awards will be seen in the sector, we reckon that TRC will be able to further grow its orderbook via additional works on its existing projects.

O&G – Initial study looks good. TRC's 26% associate Petro Bru (B) SB had previously contracted Wood Mackenzie to conduct an initial feasibility study on its proposed refinery and storage facility in Pulau Muara Besar, Brunei. According to management, results of the study appear promising. A detailed study is scheduled to be completed by end 2008. We understand that Petro Bru is currently in talks with some Chinese O&G players for them to take a stake in the facility. In our view, once construction of the refinery commences, TRC will get a slice of the job. According to Wood Mackenzie, total cost of the refinery is estimated at US\$3bn.

BUY maintained. We project a 60% and 17% growth for FY08 and FY09 respectively. Our BUY call is maintained with a TP of RM2.87 being a function of 11x FY08 earnings. Should we roll over our valuation to FY09 earnings, our TP will turn out to be RM3.34.

FYE Dec (RMm)	FY05	FY06	FY07	FY08f	FY09f
Turnover	141.8	225.7	422.2	636.4	730.8
EBITDA	8.8	24.8	51.4	73.9	84.5
Net Profit	(5.2)	10.5	30.0	48.1	56.1
% chg YoY	-12274%	301%	186%	60%	17%
Consensus EPS (sen)^	(2.8)	5.7	16.3	26.0	30.4
DPS (sen)^	-	1.2	4.1	6.5	7.6
Div Yield	0.0%	0.7%	2.3%	3.6%	4.2%
ROE	-4.2%	8.3%	17.0%	20.0%	20.1%
ROA	-1.8%	3.7%	8.9%	11.7%	11.9%
PER (x)	NA	31.6	11.1	6.9	5.9
P/BV (x)	2.7	2.5	1.5	1.3	1.1

Per share data assumes full conversion of ICLUS and warrants

EARNINGS FORECAST**Quarter Results Table**

FYE Dec (RMm)	3QFY07	2QFY07	% chg	YTD FY07	YTD FY06	% chg
Turnover	137.3	121.5	13.0%	137.3	73.0	88.1%
EBITDA	19.1	13.1	45.5%	19.1	13.2	44.6%
Depreciation	(1.0)	(1.2)	-20.1%	(1.0)	(2.1)	-53.5%
Interest expense	(1.1)	(0.4)	180.8%	(1.1)	(1.7)	-32.8%
Associates	(0.1)	(0.0)	3966.7%	(0.1)	-	NA
PBT	16.9	11.5	46.8%	16.9	9.5	78.6%
Tax	(4.9)	(4.1)	19.4%	(4.9)	(2.9)	66.9%
MI	-	-	NA	-	-	NA
Net Profit	12.0	7.4	62.1%	12.0	6.5	84.0%
EPS (sen)	6.5	4.0	62.1%	6.5	3.5	84.0%
Gross DPS (sen)	5.0	-	NA	5.0	-	NA
EBITDA margin	13.9%	10.8%	28.7%	13.9%	18.1%	-23.1%
NTA/share (RM)				1.3	1.2	6.2%

FYE Dec (RMm)	FY05	FY06	FY07	FY08f	FY09f
Turnover	141.8	225.7	422.2	636.4	730.8
EBITDA	8.8	24.8	51.4	73.9	84.5
PBT	(4.8)	13.1	41.7	65.9	76.9
Net Profit	(5.2)	10.5	30.0	48.1	56.1
EPS (sen)	(2.8)	5.7	16.3	26.0	30.4
DPS (sen)	-	1.2	4.1	6.5	7.6
Margin					
EBITDA	6.2%	11.0%	12.2%	11.6%	11.6%
PBT	-3.4%	5.8%	9.9%	10.4%	10.5%
Net Profit	-3.7%	4.7%	7.1%	7.6%	7.7%
ROE	-4.2%	8.3%	17.0%	20.0%	20.1%
ROA	-1.8%	3.7%	8.9%	11.7%	11.9%
Balance Sheet					
Fixed Assets	39.4	41.7	57.1	54.1	51.1
Current Assets	232.6	247.5	326.6	385.6	452.2
Total Assets	272.0	289.1	383.7	439.7	503.3
Current Liabilities	106.0	114.3	110.3	125.4	141.8
Net Current Assets	126.6	133.2	216.3	260.2	310.4
LT Liabilities	44.7	43.0	50.8	55.5	60.7
Shareholders Funds	121.3	131.9	222.6	258.7	300.8

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