



**MALAYSIA EQUITY**  
Investment Research  
*Daily News*

**CONSTRUCTION**

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**Company Update**

Private Circulation Only

**TRC Synergy**

<b>BUY</b>	<b>Maintain</b>
<b>Price</b>	<b>RM1.83</b>
<b>Target</b>	<b>RM2.86</b>

**Secured Another**

The RM202m award for the KT Airport upgrading work does not come in as a surprise to us. Project value is however slightly below our estimates and the duration is longer. After making the necessary adjustments, impact to earnings remains minimal. Having secured 2 projects post election, we feel that TRC is doing rather well in light of the sector uncertainty. Our projections indicate a 63% and 21% earnings growth for FY08-09. As previously mentioned, our earnings multiplier has been cut from 12x to 11x inline with our sector downgrade. Current valuations are undemanding at 7.0x and 5.8x FY08-09 earnings. No changes to TP. BUY call.

**A 2<sup>nd</sup> from KT Airport.** Last Friday, TRC announced that it had received an award for the upgrading works of the Kuala Terengganu (KT) Airport – Package 4 (a). The project value stands at RM202m and was awarded by Jabatan Kerja Raya (JKR). To avoid confusion, TRC is already engaging in some upgrading works at the same airport (RM150m outstanding). This award is on top of what it had previously secured.

**Some details.** The project will mainly involve a further extension of the runway to enable the landing of wide bodied planes. It is said the project will require some land reclamation works since the runway will be extended into the sea. In our view, it is likely that the land reclamation works will be subcontracted. The project will involve an additional 1km of runway. According to management, works have already commenced 2 months ago. As such, they expect the first billing to be relatively higher than usual. According to airport data, passenger volume for KT Airport makes up <1% of total volume.

**Already factored in.** This announcement does not come in as a surprise to us. While we have factored this project into our forecasts, there are some minor deviations from our assumptions. The actual value was 8.2% lower than our projection of RM220m and the duration of 2 years is longer than our assumption of 1.5 years. Nonetheless, after making the necessary adjustments, impact to bottomline remains minimal.

**Doing well post election.** While many have feared of slowdown in project awards, this is the 2<sup>nd</sup> award TRC has received post election. Just last week, the company had received an RM197m award for the construction of a campus in Johor. We estimate that its current orderbook balance stands at RM1.2bn, which should last TRC for another 2 years.

**Stock Profile/Statistics**

Bloomberg Ticker	TRC MK
KLCI	1246.79
Issued Share Capital (m)	140.99
Market Capitalisation (RMm)	258.00
52 week H   L Price (RM)	2.59   1.40
Average Volume (3m) '000	191.77
YTD Returns (%)	-0.70
Net gearing (x)	-0.54
Altman Z-Score	4.08
ROCE/WACC	0.74
Beta (x)	1.23
Book Value/share (RM)	1.59

**Major Shareholders (%)**

Kolektif Aman SB	17.3
TRC Capital	17.3
Dato Sri Sufri	12.2

**Share Performance (%)**

Month	Absolute	Relative
1m	(0.54)	(4.17)
3m	(26.51)	(8.97)
6m	(9.41)	(0.56)
12m	13.84	20.01

**6-month Share Price Performance**



FYE Dec (RMm)	FY05	FY06	FY07	FY08f	FY09f
Turnover	141.8	225.7	422.1	716.1	831.2
EBITDA	8.8	24.8	51.4	73.9	86.0
Net Profit	(5.2)	10.5	29.5	48.0	57.9
% chg YoY	-12274%	301%	180%	63%	21%
Consensus					
EPS (sen)^	(2.8)	5.7	15.9	26.0	31.3
DPS (sen)^	-	1.2	4.0	6.5	9.4
Div Yield	0.0%	0.7%	2.2%	3.6%	5.1%
ROE	-4.2%	8.3%	16.7%	20.1%	20.9%
ROA	-1.8%	3.7%	9.0%	11.8%	12.0%
PER (x)	NA	32.1	11.5	7.0	5.8
P/BV (x)	2.8	2.6	1.5	1.3	1.1

Note: EPS assumes full conversion of ICLUS and warrants.

**EARNINGS FORECAST**

<b>FYE Dec (RMm)</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08f</b>	<b>FY09f</b>
Turnover	141.8	225.7	422.1	716.1	831.2
EBITDA	8.8	24.8	51.4	73.9	86.0
PBT	(4.8)	13.1	41.7	65.8	78.3
Net Profit	(5.2)	10.5	29.5	48.0	57.9
EPS (sen)	(2.8)	5.7	15.9	26.0	31.3
DPS (sen)	-	1.2	4.0	6.5	9.4
Margin					
EBITDA	6.2%	11.0%	12.2%	10.3%	10.4%
PBT	-3.4%	5.8%	9.9%	9.2%	9.4%
Net Profit	-3.7%	4.7%	7.0%	6.7%	7.0%
ROE	-4.2%	8.3%	16.7%	20.1%	20.9%
ROA	-1.8%	3.7%	9.0%	11.8%	12.0%
Balance Sheet					
Fixed Assets	39.4	41.7	57.8	47.9	44.9
Current Assets	232.6	247.5	305.5	404.1	472.0
Total Assets	272.0	289.1	363.3	451.9	516.9
Current Liabilities	106.0	114.3	93.4	142.6	161.9
Net Current Assets	126.6	133.2	212.1	261.5	310.2
LT Liabilities	44.7	43.0	47.8	52.5	57.7
Shareholders Funds	121.3	131.9	222.0	256.8	297.3

**OSK Research Guide to Investment Ratings****Buy:** Share price may exceed 10% over the next 12 months**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months**Take Profit:** Target price has been attained. Look to accumulate at lower levels**Sell:** Share price may fall by more than 10% over the next 12 months**Not Rated:** Stock is not within regular research coverage

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