



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

**CONSTRUCTION**

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**Company Update**

Private Circulation Only

**TRC Synergy**

**BUY** **Maintain**  
**Price** **RM1.75**  
**Target** **RM2.86**

**Award – UniKL's New Campus**

TRC recently received an award from MARA for the construction of UniKL's new campus in Johor. Project value is 9.2% higher than initial estimates and its duration is shorter. However, given the recent sector uncertainty, we have cut our orderbook replenishment assumption. The net effect is a minimal impact to FY08-09 earnings which we project to grow by 63% and 20% respectively. Positive results for its O&G feasibility study would certainly provide more positive news flow. Our earnings multiplier has been cut from 12x to 11x on FD FY08 earnings, in line with our sector downgrade. Nonetheless, current levels are undemanding at 6.7x and 5.6x on FY08-09 earnings. BUY maintained with a > 60% upside.

**Award for UniKL campus.** It was recently announced on Bursa that TRC had received an award for the construction of UniKL's new campus in Pasir Gudang, Johor. The project was awarded by Majlis Amanah Rakyat (MARA) and is worth RM196.5m. Work will immediately commence upon site possession which is scheduled for the end of April. Duration of the project is 2 years following site possession.

**Marginally higher.** While we have already factored in the impact of the UniKL project, the final project value was 9.2% higher than management's initial guidance of RM180m. Initially, we had also assumed that the project will last for 3 years and impact FY08-10 numbers. Our projections are thus now adjusted to reflect the higher project value and shorter duration.

**KT Airport could be next.** Late last year, TRC announced that it had received a letter of intent for further upgrading works of the Kuala Terengganu Airport. We understand that project details are currently being finalized and an award could be expected soon. We assume the award will hold a value of RM220m and have imputed it into our forecasts. Other positive news flow would include positive results from its O&G feasibility study.

**Estimates adjusted.** Our forecasts have been adjusted for the higher project value of the UniKL project and its shorter duration (relative to our previous estimates). However, in light of the recent uncertainty surrounding the sector, we have reduced our orderbook replenishment assumptions, consistent with other stocks under our coverage. All in all, impact to our earnings projections is minimal. Also, we have cut our earnings multiple from 12x to 11x to in line with our overall sector downgrade. Our new TP after making these adjustments is RM2.86. BUY maintained, citing a 64% upside.

**Stock Profile/Statistics**

Bloomberg Ticker	TRC MK
KLCI	1225.71
Issued Share Capital (m)	140.99
Market Capitalisation (RMm)	246.72
52 week H   L Price (RM)	2.59   1.40
Average Volume (3m) '000	266.74
YTD Returns (%)	-0.78
Net gearing (x)	-0.54
Altman Z-Score	4.08
ROCE/WACC	0.78
Beta (x)	1.21
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	(14.22)	(9.27)
3m	(30.00)	(14.81)
6m	(14.63)	(4.63)
12m	(0.32)	4.14

**6-month Share Price Performance**



FYE Dec (RMm)	FY05	FY06	FY07	FY08f	FY09f
Turnover	141.8	225.7	422.1	716.3	827.6
EBITDA	8.8	24.8	51.4	74.0	85.6
Net Profit	(5.2)	10.5	29.5	48.1	57.6
% chg YoY	-12274%	301%	180%	63%	20%
Consensus EPS (sen)^	(2.8)	5.7	15.9	26.0	31.1
DPS (sen)^	-	1.2	4.0	6.5	9.3
Div Yield	0.0%	0.7%	2.3%	3.7%	5.3%
ROE	-4.2%	8.3%	16.7%	20.1%	20.8%
ROA	-1.8%	3.7%	9.0%	11.8%	11.9%
PER (x)	NA	30.7	11.0	6.7	5.6
P/BV (x)	2.7	2.5	1.5	1.3	1.1

**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	716.3	827.6
EBITDA	8.8	24.8	51.4	74.0	85.6
PBT	(4.8)	13.1	41.7	65.8	77.8
Net Profit	(5.2)	10.5	29.5	48.1	57.6
EPS (sen)	(2.8)	5.7	15.9	26.0	31.1
DPS (sen)	-	1.2	4.0	6.5	9.3
Margin					
EBITDA	6.2%	11.0%	12.2%	10.3%	10.3%
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%	20.8%
ROA	-1.8%	3.7%	9.0%	11.8%	11.9%
Balance Sheet					
Fixed Assets	39.4	41.7	57.8	47.9	44.9
Current Assets	232.6	247.5	305.5	404.1	471.3
Total Assets	272.0	289.1	363.3	452.0	516.2
Current Liabilities	106.0	114.3	93.4	142.6	161.4
Net Current Assets	126.6	133.2	212.1	261.5	309.9
LT Liabilities	44.7	43.0	47.8	52.5	57.7
Shareholders Funds	121.3	131.9	222.0	256.8	297.1

**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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Published and printed by :-

**OSK RESEARCH SDN. BHD. (206591-V)***(A wholly-owned subsidiary of OSK Holdings Berhad)*


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