

TRC Synergy Berhad

Eying for the MRT3 Project

TP: RM0.43 (+19.4%)

Last Traded: RM0.36

Buy (ESG: ★★★)

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Review

- Stripping out the exceptional foreign exchange net gain amounting to RM8.2mn, TRC's 1H FY23 core profit of RM4.2mn came in at 24.3% and 23.8% of ours and consensus' full-year estimate, respectively. We deem the results to be within expectations as we expect the earnings to be largely back-end loaded, given that the group historically reported stronger 2H.
- YoY, 1H FY23 core profit dropped 30.6% to RM4.2mn, although revenue was 8.6% higher at RM407.5mn. The weaker bottom line was largely attributed to higher administrative and tax expenses. Meanwhile, the revenue growth was mainly contributed by the property development division.
- QoQ, 2Q FY23 core profit fell 62.8% to RM1.1mn, despite revenue being 84.0% higher at RM264.0mn. The softer earnings performance was mainly due to higher operating loss incurred by the hotel operation as well as higher administrative expenses.
- Its net cash position increased further from RM241.1mn a quarter ago to RM320.0mn.

Impact

- Maintain our FY23 to FY25 earnings forecasts.

Outlook

- The group's current outstanding construction order book is around RM0.5bn, translating to about 0.8x FY22 construction revenue. The group is still eyeing the MRT3 project as a near-term boost to its order book. Meanwhile, the group will launch Phase 2 of the Ara Sentral project with an estimated GDV of around RM500.0mn soon.

Valuation

- No change to our target price of **RM0.43**, based on unchanged 8x CY24 earnings. Maintain **Buy** on TRC.

Share Information

| | |
|----------------------------------|-------------|
| Bloomberg Code | TRC MK |
| Stock Code | 5054 |
| Listing | Main Market |
| Share Cap (mn) | 480.5 |
| Market Cap (RMmn) | 173.0 |
| 52-wk Hi/Lo (RM) | 0.38/0.295 |
| 12-mth Avg Daily Vol ('000 shrs) | 171.5 |
| Estimated Free Float (%) | 32.2 |
| Beta | 0.4 |

Major Shareholders (%)

| | |
|---|-------|
| Kolektif Aman Sdn Bhd | 13.8% |
| TRC Capital Sdn Bhd | 12.6% |
| Tan Sri Dato' Sri Sufri Bin Hj Mohd Zin | 10.7% |

Forecast Revision

| | FY23 | FY24 |
|-----------------------|------------------|-------|
| Forecast Revision (%) | 0.0 | 0.0 |
| Net profit (RMm) | 17.3 | 23.3 |
| Consensus | 17.7 | 21.3 |
| TA's / Consensus (%) | 97.9 | 109.6 |
| Previous Rating | Buy (Maintained) | |
| Consensus TP (RM) | 0.38 | |

Scorecard (%)

| | % of FY | |
|--------------|---------|--------|
| vs TA | 24.3 | Within |
| vs Consensus | 23.8 | Within |

Financial Indicators

| | FY23 | FY24 |
|------------------|----------|----------|
| Net Gearing (%) | Net cash | Net cash |
| CFPS (sen) | 26.4 | 3.9 |
| Price / CFPS (x) | 1.4 | 9.2 |
| ROA (%) | 1.5 | 1.8 |
| NTA/Share (sen) | 1.1 | 1.2 |
| Price/NTA (x) | 0.3 | 0.3 |

Share Performance (%)

| Price Change | TRC | FBM KLCI |
|--------------|------|----------|
| 1 mth | 2.9 | 0.1 |
| 3 mth | 12.5 | 3.9 |
| 6 mth | 9.1 | (0.2) |
| 12 mth | 5.9 | (4.0) |

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Table 1: Earnings Summary (RMmn)

| FYE Dec (RMmn) | 2021 | 2022 | 2023F | 2024F | 2025F |
|----------------------|-------|-------|-------|-------|-------|
| Revenue | 762.1 | 678.4 | 690.0 | 715.0 | 760.0 |
| EBITDA | 38.4 | 58.3 | 27.2 | 36.9 | 39.9 |
| EBITDA margin (%) | 5.0 | 8.6 | 3.9 | 5.2 | 5.2 |
| EBIT | 20.2 | 43.7 | 13.3 | 22.1 | 24.2 |
| Reported PBT | 24.2 | 58.5 | 19.0 | 28.6 | 30.9 |
| Core PBT | 24.7 | 18.6 | 19.0 | 28.6 | 30.9 |
| Reported net profit | 20.7 | 53.3 | 17.3 | 23.3 | 25.0 |
| Core profit | 21.1 | 13.4 | 17.3 | 23.3 | 25.0 |
| Core EPS (sen) | 4.5 | 2.8 | 3.6 | 4.9 | 5.2 |
| PER (x) | 8.0 | 12.7 | 10.0 | 7.4 | 6.9 |
| Gross dividend (sen) | 1.2 | 1.2 | 1.4 | 1.5 | 1.5 |
| Dividend yield (%) | 3.3 | 3.3 | 3.9 | 4.2 | 4.2 |
| ROE (%) | 4.8 | 2.8 | 3.3 | 4.2 | 4.3 |

Table 2: 2QFY23 Results Analysis (RMmn)

| FYE Dec | 2Q22 | 1Q23 | 2Q23 | QoQ (%) | YoY (%) | 6MFY22 | 6MFY23 | YoY (%) |
|------------------------|-------|-------|-------|----------|----------|--------|--------|----------|
| Revenue | 198.7 | 143.5 | 264.0 | 84.0 | 32.9 | 375.1 | 407.5 | 8.6 |
| Operating profit | 4.2 | 4.6 | 9.4 | 104.3 | 123.5 | 10.1 | 14.0 | 38.6 |
| Finance cost | (1.6) | (1.7) | (1.9) | 11.1 | 16.4 | (3.2) | (3.5) | 12.1 |
| Share of results of JV | (0.2) | (0.4) | 0.6 | <(100.0) | <(100.0) | (0.4) | 0.2 | <(100.0) |
| Profit before taxation | 3.5 | 4.8 | 11.0 | 131.0 | 218.6 | 8.8 | 15.8 | 79.0 |
| Core PBT | 4.9 | 5.3 | 2.3 | (57.6) | (53.7) | 5.1 | 7.6 | 49.6 |
| Income tax expense | (0.0) | (2.1) | (1.1) | (48.6) | >100.0 | 1.1 | (3.2) | <(100.0) |
| Net profit | 3.4 | 2.7 | 9.9 | 272.2 | 187.9 | 9.9 | 12.6 | 27.0 |
| Core net profit | 4.8 | 3.1 | 1.1 | (62.8) | (76.0) | 6.1 | 4.2 | (30.6) |
| Reported EPS (sen) | 0.7 | 0.5 | 2.1 | 296.2 | 200.0 | 2.1 | 2.6 | 26.4 |
| Core EPS (sen) | 1.0 | 0.7 | 0.2 | (62.8) | (76.0) | 1.3 | 0.9 | (30.6) |
| Dividend (sen) | 0.0 | 0.0 | 0.0 | na | na | 0.0 | 0.0 | na |
| Margin (%): | | | | | | | | |
| - Operating | 2.1 | 3.2 | 3.6 | 0.4 | 1.4 | 2.7 | 3.4 | 0.7 |
| - Core PBT | 2.5 | 3.7 | 0.9 | (2.9) | (1.6) | 1.4 | 1.9 | 0.5 |
| - PAT | 2.4 | 2.1 | 0.4 | (1.7) | (2.0) | 1.6 | 1.0 | (0.6) |
| - Effective tax rate | 0.2 | 44.0 | 9.8 | (34.2) | 9.6 | (12.5) | 20.1 | 32.7 |

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Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

ESG Scoring & Guideline

| | Environmental | Social | Governance | Average |
|----------------|---|---|--|---------|
| Scoring | ★★★ | ★★★ | ★★★ | ★★★ |
| Remark | Noted visible efforts in reducing wastes through proper materials management. | The group has set up Yayasan TRC, a charitable arm that mainly focuses on corporate social responsibilities. The group is committed to offer employee training and development. | The board is represented by 55.6% independent directors. Relevant policies and procedures have been established to govern the group. | |

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.
★★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions.
★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions.
★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient.
★ (<20%) : Minimal or no integration of ESG factors in operations and management.

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As of Friday, September 01, 2023, the analyst, Chan Mun Chun, who prepared this report, has interest in the following securities covered in this report:
(a) nil

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