

25 February 2009

BUY
RM1.19

Target Price: RM2.90

TRC Synergy

FY08 net profit within expectations
Stock data

Market cap (RMm) :	225.5
Issued shares (m):	189.5
52-week range:	RM0.86-RM1.70
3-mth avg daily volume:	59,379 shrs
Bloomberg code:	TRC MK
YTD price chg:	+19.6%
YTD KLCI chg:	+20%
Est. free float:	39.1%
Major shareholders:	
Yap Yon Tai:	14.1%
TRC Capital S/B:	13.1%
Kolektif Aman S/B:	12.9%
Dato' HJ Sufri B. Hj:	10.9%
Mohd Zin:	
Lembaga Tabung Haji:	9.9%

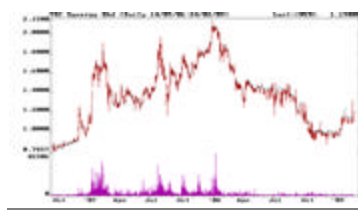
KLCI	FBM30	FBM70	Syariah	Hijrah
No	No	No	Yes	No

Consensus

FYE 31 Dec	2009E	2010E
Net profit (RMm):	50.0	40.6
EPS (sen):	26.3	21.2

Forecast revision

FYE 31 Dec	2009E	2010E
Previous Net profit (RMm):	50.7	44.7
Revision (%)	-	-

Share price chart

 Yeonzon Yeow Tel: 603-2713 2292
 yeonzon@kenanga.com.my

- **FY08 net profit of RM45.4m was within expectations at 95% and 99% of our full year estimates and consensus of RM47.8m and RM45.9m respectively.** One time losses from property division of RM6.2m resulted in erosion of EBITDA margin to 11.2% compared to 14.6% in FY07. Nevertheless, TRC was only slightly affected by the sharp increase in building material cost as it stocked up on building materials for an additional project it was confident on securing and commenced work given that they were already mobilised on site with an ongoing project.
- **YoY, FY08 net profit was 51% higher despite weaker EBITDA margin of 11.2%** given the strong topline growth of 75% as the company executed a larger orderbook on a tight schedule in FY08 .
- **4Q08 net profit RM8.8m was 38% lower QoQ** given the lower topline as TRC pace out its progress of works given the high building materials costs as it expected the price to be unsustainable given the rapid pace of the global slowdown.
- **YoY, 4Q08 was marginally 10% higher drive n entirely by a 47% higher topline.** Net profit could have been higher if not blunted by higher building material costs.
- **We are maintaining FY09 and FY10 forecast of RM50.7m and RM44.7m respectively. TRC has RM820m of unbilled order book** to be completed up to early 2010 which are all on track and within budget
- **Net cash of RM146.9m (77.5sen per share).** TRC managed to grow its net cash balance to RM146.9m from RM85.5m in 3Q08 given strong execution capability and careful selection of key government projects resulting in no delays in payments. In addition being design and build contracts, TRC has better control over any variations that the client wants to make.
- **Petrobru is developing positive .** TRC is positive on a final outcome from its feasibility study for Petrobru's oil refinery project in Brunei in 1H09. The low crude oil price will spur Brunei government build the refinery to value add on higher margins downstream activities and also spur other development in the country.
- **Maintain BUY with a target price of RM2.90 based on FY09 Fully Diluted EPS of 26.7 sen using the average PER of 11x for smaller construction companies.** The share is currently trading at attractive FY09E and FY10E PER of 4.5x and 5.0x respectively.

Results Highlights

FYE 31 Dec (RMm)	4Q08	1Q08	2Q08	3Q08	4Q09	FY08	FY07	QoQ %	YoY %	FYYoY%
Revenue	121.7	137.3	198.8	224.1	179.3	739.6	422.2	-20.0%	47.4%	75.2%
Cost of sales	(106.9)	(114.9)	(182.8)	(200.6)	(160.5)	(656.4)	(360.5)	-20.0%	50.2%	82.1%
EBITDA	14.8	22.4	16.1	23.5	18.8	83.2	61.7	-20.1%	27.1%	34.9%
EBITDA Margin (%)	12.1%	16.3%	8.1%	10.5%	10.5%	11.3%	14.6%			
Depreciation	(0.9)	(1.0)	(1.5)	(1.2)	(1.9)	(5.6)	(5.1)	65.5%	109.9%	9.9%
Operating Profit	13.8	21.4	14.6	22.3	16.8	77.6	56.6	-24.5%	21.6%	37.1%
Pretax Profit	11.5	16.9	13.4	18.5	12.7	61.5	41.7	-31.0%	10.7%	47.4%
Taxation	(3.5)	(4.9)	(2.8)	(4.4)	(4.0)	(16.1)	(11.7)	-9.3%	12.6%	37.8%
Minority Interest	-	-	-	-	-	-	-			
Net Profit	8.0	12.0	10.6	14.1	8.8	45.4	30.0	-37.8%	9.9%	51.1%
EPS	4.20	7.70	6.74	7.42	4.62	23.96	15.85	-37.8%	9.9%	51.1%

Results Review

QoQ (RMm)	4Q08	3Q08	Chg	Comments
Revenue	179.3	224.1	-20.0%	Higher billings for some contracts were completed in 3Q08. 4Q08 lower as East Coast projects delayed by Monsoon season
Pretax Profit	12.7	18.5	-31.0%	Lower topline and higher administrative expenses in finalizing year end budget
Net Profit	8.8	14.1	-37.8%	Higher tax rate as deferred tax and tax charged is adjusted

YoY (RMm)	FY08	FY07	Chg	Comments
Revenue	739.6	422.2	75.2%	Higher billings on execution of more contracts
EBITDA	82.9	61.7	34.3%	The one time loss of RM15.8m from property development division reduced EBITDA margin to 11.5% and some building material price increase was sustained
Net Profit	45.4	30.0	51.1%	Same as above.

Earnings Estimates

FYE 31 Dec (RMm)	2006	2007	2008	2009E	2010E
Total Revenue	226.5	422.1	739.6	766.2	713.5
EBITDA	30.7	56.5	83.2	83.3	75.6
EBITDA Margin	13.6%	13.4%	11.3%	10.9%	10.6%
Pretax Profit	13.1	41.7	61.5	68.5	60.4
Net Profit	8.2	29.5	45.4	50.7	44.7
Net Profit Growth (%)	257%	259%	54%	12%	-12%
EPS (sen)	4.3	15.5	24.0	26.7	23.6
EPS Growth (%)	257%	259%	54%	12%	-12%
GDPS (sen)	-	3.9	-	6.0	5.9
NTA/ share (RM)	1.4	1.4	1.8	2.0	2.3
Net Gearing	0.3	(0.3)	(0.3)	(0.2)	0.1
PER (x)	27.5	7.7	5.0	4.5	5.0
P/NTA (x)	0.8	0.8	0.7	0.6	0.5
Dividend Yield (%)	0.0%	3.3%	0.0%	5.0%	5.0%
EV/EBITDA	5.3	2.9	2.0	2.0	2.2
ROE (%)	6.2%	14.6%	18.4%	17.7%	14.0%

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KENANGA INVESTMENT BANK BERHAD (15678-H)

8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia

Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: www.kenangaresearch.com


Yeonzon Yeow
Head of Research