

**BUY**  
**RM1.29**

Target Price: RM2.90

# TRC Synergy

**1Q09 net profit within expectations**
**Stock data**

Market cap (RMm) :	242.7			
Issued shares (m):	189.6			
52-week range:	RM0.86-RM1.50			
3-mth avg daily volume:	47,566 shrs			
Bloomberg code:	TRC MK			
YTD price chg:	+28.6%			
YTD KLCI chg:	+19.5%			
Est. free float:	+39.4%			
Major shareholders:				
TRC Capital S/B	14.1%			
Kolektif Aman S/B:	12.9%			
Dato' HJ Sufri B. Hj	10.9%			
Mohd Zin:				
Lembaga Tabung Haji:	9.9%			
Leong Kam Heng:	9.8%			
KLCI	FBM30	FBM70	Syariah	Hijrah
No	No	No	Yes	No

**Consensus**

FYE 31 Dec	2009E	2010E
Net profit (RMm):	47.8	43.0
EPS (sen):	22.8	20.2

**Forecast revision**

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

**Share price chart**

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- **1Q09 net profit of RM10.1m was within expectations at 20% and 21% of our full year estimates and consensus of RM50.0m and RM47.8m respectively.** TRC pushed ahead through the shorter quarter taking advantage of the lower material cost bought on cash terms and availability of labor.
- **YoY, 1Q09 net profit was 15.6% lower on weaker EBITDA margin of 11.2%.** 1Q08 had more recognition of higher margin infrastructure projects compared to building jobs in 1Q09 resulted in the higher margins. However, tax rate was also higher at 29.1% in 1Q08 as a result of non-tax deductible expenses.
- **QoQ, 1Q09 net profit was 15.5% higher on the back of improved margin and lower tax rate and depreciation.** The fourth is usually when adjustments are made to provisions, taxes and actual amount paid for finalisation of accounts.
- **We are maintaining FY09 and FY10 forecast of RM50.7m and RM44.7m respectively. TRC has RM640m of unbilled order book** to be completed up to early 2010 which are all on track and within budget
- **Net cash of RM88.7m (46.8 sen per share from 77.5 per share; RM146.9m as at 31 December 2008).** Cash balance was RM158.8m (from RM220.4m in 4Q09). The drawdown of the cash balance ties-up with increased in receivables.
- **Petrobru is close to fruition.** The final detailed feasibility study for the Petrobru oil refinery is ready and presentation to the Brunei government will be soon. After which, we believe a quick decision will be forthcoming in order to commence work as soon as possible. Given that the China is eagerly acquiring energy resources to ensure future supply and reserve, we expect that it will be a win-win situation for Brunei and Petrobru if the Chinese petroleum companies were to get involve in this project.
- **More domestic projects bidding.** Despite having their plate full with contracts currently, TRC continues to bid for government contracts and the award of the RM218m Maritime Enforcement Agency Training Center in January 2009 reflects that the company remains competitive
- **Maintain BUY with a target price of RM2.90 based on FY09 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 4.8x and 5.5x respectively.

**Results Highlights**

FYE 31 Dec (RMm)	1Q08	2Q08	3Q08	4Q08	1Q09	QoQ %	YoY %
Revenue	137.3	198.8	224.1	179.3	180.2	0.5%	31.2%
Cost of sales	(114.9)	(182.8)	(200.6)	(160.5)	(158.7)	-1.2%	38.0%
EBITDA	22.4	16.1	23.5	18.8	21.5	14.7%	-4.0%
EBITDA Margin (%)	16.3%	8.1%	10.5%	10.5%	11.9%		
Depreciation	(1.0)	(1.5)	(1.2)	(1.9)	(1.3)	-35.2%	28.2%
Operating Profit	21.4	14.6	22.3	16.8	20.3	20.4%	-5.5%
Pretax Profit	16.9	13.4	18.5	12.7	13.4	5.4%	-20.5%
Taxation	(4.9)	(2.8)	(4.4)	(4.0)	(3.3)	-16.8%	-32.5%
Minority Interest	-	-	-	-	-		
Net Profit	12.0	10.6	14.1	8.8	10.1	15.5%	-15.6%
EPS	6.32	5.60	7.42	4.62	5.33	15.5%	-15.6%

## Results Review

QoQ (RMm)	1Q09	1Q08	Chg	Comments
Revenue	180.2	137.3	31.2%	Higher billings as TRC pushes ahead full steam taking advantage of lower building material costs
EBITDA	21.5	22.4	-4.0%	Lower EBITDA margin on the back of higher combination of infrastructure projects which have higher margin
Net Profit	10.1	12.0	-15.6%	Same as above.

YoY (RMm)	1Q09	4Q08	Chg	Comments
Revenue	180.2	179.3	0.5%	Continued progress of work throughout the festive 1Q season.
EBITDA	21.5	18.8	-4.0%	Better EBITDA margins from lower building material costs
Net Profit	10.1	8.8	-15.6%	Lower tax rate.

## 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)	29.8	8.3	5.4	4.8	5.5
P/NTA (x)	0.9	0.9	0.7	0.6	0.6
Dividend Yield (%)	0.0%	3.0%	0.0%	4.6%	4.6%
EV/EBITDA	6.0	3.2	2.2	2.2	2.4
ROE (%)	6.2%	14.6%	18.4%	17.7%	14.0%

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