

Malaysia Result Snapshot

TRC Synergy

Bloomberg: TRC MK | Reuters: TRCG.KL

DBS Group Research . Equity

25 Feb 2009

FY08 target exceeded

HOLD RM1.19

Price Target : RM 1.30

Reporting Period	Performance	Mkt Cap	FY	EPS (sen)	EPS Gth Pre-Ex (%)	EPS Revision	PE (x)	PBV (x)	Net Dividend Yield (%)
4Q 2008	Above	RM225m	2008A	31.0	89	-	3.8	0.9	3.5
		US\$61.7m	2009F	18.7	(40)	-	6.4	0.8	3.9
			2010F	19.9	7	-	6.0	0.8	4.2

Result Summary

FY Dec (RM m)	4Q2007	4Q2008	% Chg y-o-y
P&L Items			
Sales	121.5	179.3	47.6
Gross Profit	13.7	16.8	22.9
EBIT	11.9	14.5	21.9
Exceptional Gain/(Loss)	0.0	0.0	-
Pretax Profit	11.5	12.7	10.7
Net Profit	7.4	8.8	18.5
Gross Margin (%)	11.3	9.4	
BS & CF Items			
Capex	5.6	13.6	>100
Net Cash/(Debt)	119.9	146.9	22.5

Price Relative



Comment on Results

4Q08 net profit grew 19% y-o-y to RM9m, led by billings for ongoing projects. Revenue grew 48% to RM179m, while EBIT margin narrowed 1.7 ppt to 8%. Meanwhile, FY08 net profit surged 51% to RM45m, surpassing our forecast by 6%. Q-o-q, 4Q08 net profit fell 38% as revenue fell 20%. The Group has a healthy balance sheet with RM147m net cash.

Recommendation

We are optimistic about the local construction sector, as we expect pump priming efforts to accelerate in 2009. The Government has allocated RM4b for construction activities under the RM7b stimulus plan announced in Nov 2008. The RM7b had reportedly been distributed to the various ministries, who have until year end to spend the money. We also foresee improvements to construction sector margins, as building material prices have corrected sharply.

We are maintaining our FY09-10F earnings, as we believe that the Group's c. RM860m outstanding orderbook is sufficient to generate income stream for the next two years. Maintain Hold and target price of RM1.30, based on 6.5x FY10F PE.

ANALYST: Malaysia Research Team +603 2711 2222
general@hwangdbsvickers.com.my

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DBS VICKERS SECURITIES

4Q08 Results Summary

P&L (RMm)	4Q08	4Q07	% chg y-o-y	3Q08	% chg q-o-q	Comments
Revenue	179.3	121.5	47.6	224.1	(20.0)	Supported by progress billings on key projects such as the Sepanggar Bay Submarine Base project, upgrading of the Kuala Terengganu airport and construction of the Sibubawang/Assam/Seredang road.
Cost of sales	(162.5)	(107.8)	50.7	(201.8)	(19.5)	
Gross profit	16.8	13.7	22.9	22.3	(24.5)	
Other opg income	2.3	1.7	35.6	1.2	84.1	
Administration exp	(4.6)	(3.5)	32.5	(4.0)	14.6	
Opg profit	14.5	11.9	21.9	19.5	(25.7)	
Finance costs	(1.7)	(0.4)	>100	(1.1)	59.7	
Associates	(0.0)	(0.0)		(0.2)		
Gain on disposal	-	-		0.2		Gain on disposal of a subsidiary.
PBT	12.7	11.5	10.7	18.5	(31.0)	
Tax	(4.0)	(4.1)	(3.2)	(4.4)	(9.3)	
Net profit	8.8	7.4	18.5	14.1	(37.8)	
<i>EBIT margins (%)</i>	<i>8.1</i>	<i>9.8</i>	<i>1.7</i>	<i>8.7</i>		
<i>Effective tax rate (%)</i>	<i>31.3</i>	<i>35.8</i>		<i>23.8</i>		

Source: Company, DBS Vickers

FY08 Results Summary

P&L (RMm)	FY08	FY07	% chg y-o-y	Comments
Revenue	739.6	422.2	75.2	Improved results led by a few new major projects that started in FY08.
Cost of sales	(662.0)	(365.6)	81.1	
Gross profit	77.6	56.6	37.1	
Other opg income	7.3	5.7	27.8	
Administration exp	(18.5)	(15.8)	17.1	
Opg profit	66.4	46.5	42.8	
Finance costs	(4.7)	(4.8)	(1.6)	
Associates	(0.4)	(0.0)	n.m	
Gain on disposal	0.2	-		Gain on disposal of a subsidiary.
PBT	61.5	41.7	47.4	
Tax	(16.1)	(11.7)	37.8	
Net profit	45.4	30.0	85.2	
<i>EBIT margins (%)</i>	<i>9.0</i>	<i>11.0</i>		
<i>Effective tax rate (%)</i>	<i>26.2</i>	<i>28.0</i>		

Source: Company, DBS Vickers

Cashflow summary

FY Dec (RMm)	4Q08	3Q08	2Q08	FY08A	FY09F	FY10F
Profit before tax	12.7	18.5	13.4	61.5	62.2	66.3
Depreciation & amortization	3.2	1.2	1.5	5.4	8.1	9.1
Associates & JV		-	(0.1)	0.4		
Tax paid	(0.9)	(8.3)	(2.2)	(18.7)	(15.5)	(16.6)
Forex loss	(9.1)	(5.2)	14.3	-		
Other non-cash adjustment	3.8	5.3	(14.8)	0.4	-	-
Changes in non-cash working cap	40.3	12.7	(14.7)	13.0	(5.7)	(6.0)
Cashflow from operations	50.0	24.1	(2.5)	62.1	49.0	52.8
			-			
Net capex	(9.3)	5.0	(6.0)	(13.6)	(15.2)	(15.2)
Cashflow from investing ^	8.0	5.0	(23.4)	(31.0)	(15.2)	(15.2)
			-			
Cashflow from financing ^	(25.7)	(3.9)	15.5	(11.0)	(11.7)	(12.4)
			-			
Net change in cash	32.4	25.3	(10.4)	20.0	22.0	25.1

Source: Company, DBS Vickers

DBSV recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (0-15% total return over the next 12 months for small caps, 0-10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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DBS Vickers Research (Singapore) Pte Ltd – 8 Cross Street, #02-01 PWC Building, Singapore 048424
 Tel. 65-6533 9688, Fax: 65-6226 8048
 Company Regn. No. 198600295W