



TRC Synergy Secures RM284m station package

News	 MRT Co announced that TRC Synergy (TRC) had been chosen to be the sub-contractor of Syarikat Muhibbah S/B* for the construction of the MRT station under "Package S1" worth RM284m.
Comments	 It is one of the station packages in viaduct Package V1 (RM1.0b) which was awarded to Syarikat Muhibbah in early May-12. The news caught us by surprise as we did not expect TRC to further top up its FY12E new order book replenishment from RM689m to RM973m. However, we remain neutral on the news as we expect the contribution to only materialise in FY13. Further, there have been delays in a few of its ongoing contracts, i.e. Dayabumi and Brunei International Airport. The contract value of RM284m above would be within our FY13 order book replenishment assumption of RM300m.
Outlook	 The outstanding order book currently stands at c. RM2.2b, which provides 3 years earnings visibility for the group. Going forward, as a UPK license holder in Sarawak, we believe that TRC stands a higher chance to secure SCORE based projects like roads and other infra works.
Forecast	 Nonetheless, we have lowered our FY12E net profit by 15% from RM18.2m to RM15.4m as we take into consideration of some of its project delays like the Dayabumi project. We expect the upcoming 2Q12 results to come in below ours and consensus estimates due to the delays in its LRT project. However, we believe the recognition of the project contribution will pick up pace from 2H12 onwards as the LRT project currently has been in full swing since June 2012.
Rating	 MAINTAIN OUTPERFORM The stock still have an attractive upside of 16% to our new TP of RM0.73 given the 22% discount on the assigned PER of 9x compared to its peers.
Valuation	 We lowered our target price by 11% from RM0.82 to RM0.73 based on 9x Fwd PER to its weighted average FY12-13E (25:75) EPS of 8.1 sen (previously at 12x on simple average of FY12-FY13E EPS of 6.7sen). We ascribed lower PE as we believe that the market has accounted the risk of further delays for TRC in executing its current order book.
Risks	 Price escalation in raw materials and labour

Price escalation in raw materials and labour costs.

OUTPERFORM ↔

Price: RM0.64 Target Price: **RM0.73** ↓

Share Price Performance



Stock Information

Bloomberg Ticker	TRC MK Equity
Market Cap (RM m)	304.8
Issued shares	476.2
52-week range (H)	0.82
52-week range (L)	0.54
3-mth avg daily vol:	364,937
Free Float	65%
Beta	1.4

Major Shareholders

TRC CAPITAL SDN	12.5%
KOLEKTIF AMAN SDN	12.3%
BIN HAJI MOHD ZIN	9.7%

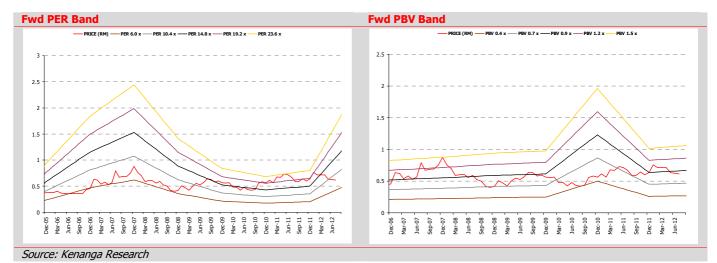
Summary Earnings Table

FYE Dec (RM m)	2011A	2012E	2013E
Revenue	400.8	411.4	793.1
Pretax profit	16.6	20.9	59.6
Net profit	13.0	15.4	44.1
Core Net profit	13.0	15.4	44.1
Consensus (NP)		23.2	39.4
EPS (sen)	2.9	3.4	9.7
EPS growth (%)	(21.4)	18.9	185.7
Net DPS (sen)	2.0	0.8	2.4
NTA/ share (RM)	1.6	1.7	1.8
Net gearing (x)	N.Cash	N.Cash	N.Cash
PER (x)	22.1	18.6	6.5
P/NTA (x)	0.4	0.4	0.4
Net div. yield (%)	3.2	1.3	3.8
EV/ EBITDA (x)	(7.0)	(4.6)	(2.0)
ROE (%)	4.2	4.7	11.9

The Research Team research@kenanga.com.my +603 2713 2292

Income Statemen	t					Financial Data & Ra	atios				
FY Dec (RM m)	2009A	2010A	2011A	2012E	2013E	FY Dec (RM m)	2009A	2010A	2011A	2012E	2013E
Revenue	533.8	376.7	400.8	411.4	793.1	Growth (%)					
EBITDA	45.9	29.0	15.6	26.7	65.4	Turnover		(29.4)	6.40	2.65	92.80
Depreciation	(4.7)	(5.1)	(5.3)	(5.3)	(5.3)	EBITDA		(36.9)	(46.26)	71.31	145.29
Operating Profit	41.2	23.9	10.3	21.4	60.1	Operating Profit		(42.0)	(57.0)	108.1	181.3
Other Income	7.9	6.8	8.6	5.0	5.0	PBT		(34.4)	(29.6)	26.0	185.7
Interest Exp	(4.8)	(0.3)	7.0	0.0	0.0	Core Net Profit		(32.2)	(21.4)	18.9	185.7
Associate	(0.5)	(0.0)	(0.7)	(0.5)	(0.5)			(0212)	()	1015	1001/
Exc. Items	0.0	0.0	0.0	0.0	0.0	Profitability (%)					
PBT	35.9	23.5	16.6	20.9	59.6	EBITDA Margin	8.6	7.7	3.9	6.5	8.2
Taxation	(11.5)	(7.0)	(3.6)	(5.4)	(15.5)	Operating Margin	7.7	6.3	2.6	5.2	7.6
Minority Interest	0.0	0.0	0.0	0.0	0.0	PBT Margin	6.7	6.2	4.1	5.1	7.5
Net Profit	24.4	16.5	13.0	15.4	44.1	Core Net Margin	4.6	4.4	3.2	3.8	5.6
Core Net Profit	24.4	16.5	13.0	15.4	44.1	Effective Tax Rate	32.1	29.7	21.6	26.0	26.0
Core Net Pront	24.4	10.5	13.0	15.4	44.1	ROA	5.3	3.6	21.0	3.3	7.5
Balance Sheet						ROE	5.5 8.5	5.5	4.2	4.7	11.9
	2009A	2010A	2011A	2012E	2013E	ROL	0.5	5.5	4.2	4.7	11.9
FY Dec (RM m) Fixed Assets	2009A 19.1	2010A	2011A	20126	20136	DuBent Analysis					
	19.1	21.0	25.4	23.4	23.4	DuPont Analysis					
Intangible	0.0	0.0	0.0	0.0	0.0		1.0		2.2	2.0	ГС
Assets	0.0	0.0	0.0	0.0	0.0	Net Margin (%)	4.6	4.4	3.2	3.8	5.6
Other FA	74.6	91.7	104.4	92.3	92.3	Assets Turnover (x)	1.2	0.8	0.9	0.9	1.3
Inventories	2.6	1.2	1.9	1.7	3.4	Leverage Factor (x)	1.6	1.5	1.4	1.5	1.6
Receivables	130.1	113.1	121.8	116.2	224.1	ROE (%)	8.5	5.5	4.2	4.7	11.9
Other CA	24.9	29.8	64.2	39.6	44.3	·					
Cash	200.9	200.7	129.3	201.6	201.8	Leverage					
Total Assets	463.0	458.1	444.9	474.8	589.2	Debt/Asset (x)	0.0	0.0	0.0	0.0	0.0
						Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
Payables	87.6	75.1	91.8	79.3	153.8	Net Cash/(Debt)	(21.2)	(546.5)	(27.1)	(78.0)	(78.1)
ST Borrowings Other ST	2.7	0.4	4.6	2.6	2.6	Net Debt/Equity (x)	(0.7)	(0.7)	(0.4)	(0.6)	(0.5)
Liability	79.2	83.2	37.7	66.7	62.5						
LT Borrowings	6.4	0.0	0.0	0.0	02.5	Valuations					
Other LT	0.4	0.0	0.0	0.0	0.0	valuations					
Liability	0.8	1.2	1.3	1.3	1.3	EPS (sen)	21.4	14.3	2.9	3.4	9.7
Minorities Int.	0.0	0.0	0.0	0.0	0.0	Core EPS (sen)	21.4	14.3	2.9	3.4	9.7
Net Assets	286.4	298.2	309.6	325.0	369.1	GDPS (sen)	0.0	0.0	0.0	0.0	0.0
						NTA (RM)	1.5	1.7	1.6	1.7	1.8
Share Capital	191.3	192.7	236.7	236.7	236.7	PER (x)	2.9	4.4	22.1	18.6	6.5
						Gross Div. Yield					
Reserves	95.0	105.5	72.9	88.3	132.4	(%)	0.0	0.0	0.0	0.0	0.0
Equity	286.3	298.2	309.6	325.0	369.1	P/NTA (x)	0.4	0.4	0.4	0.4	0.4
						EV/EBITDA (x)	(1.4)	(2.3)	(7.0)	(4.6)	(2.0)
Cashflow Stateme	-										
FY Dec (RM m)	2009A	2010A	2011A	2012E	2013E						
Operating CF	29.7	19.4	(66.2)	63.9	0.3						
Investing CF	(2.6)	(18.1)	(12.5)	11.6	23.4						
Financing CF	(4.8)	(9.0)	11.2	(2.0)	0.0						
Change In Cash	22.3	(7.8)	(67.5)	73.5	23.6						
Free CF	27.1	1.3	(78.7)	75.6	23.6						

Source: Kenanga Research



Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM :	A particular stock's Expected Total Return is MORE than 10% (an approximation to the
	5-year annualised Total Return of FBMKLCI of 10.2%).
MARKET PERFORM:	A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERPERFORM :	A particular stock's Expected Total Return is LESS than 3% (an approximation to the
	12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

OVERWEIGHT	:	A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
NEUTRAL	:	A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	:	A particular stock's Expected Total Return is LESS than 3% (an approximation to the
		12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

***Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.

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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: <u>www.kenangaresearch.com</u>

Chan Ken Yew Associate Director