

16 August 2012

# TRC Synergy

## Secures RM284m station package

# OUTPERFORM ↔

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

- 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 costs.

### Share Price Performance



KLCI	1653.78
YTD KLCI chg	8.0%
YTD stock price chg	0.8%

### 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
<b>Net profit</b>	<b>13.0</b>	<b>15.4</b>	<b>44.1</b>
<b>Core Net profit</b>	<b>13.0</b>	<b>15.4</b>	<b>44.1</b>
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

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**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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