



01 March 2012

TRC Synergy

FY11 results in line

TRC's FY11 net profit of RM13.5m came in within our expectation but below the street's estimates. The net profit accounted for 96% and 85% of ours and the street's full year FY11 forecast. TRC's revenue improved by 4% YoY while its net profit of RM13.5m was lower by 18% YoY. This was mainly due to further delays in the LRT extension construction works due to the slow process in the issuance of Development Order (D.O) by the state government. We are maintaining our Market Perform call with an unchanged Target Price of RM0.77 based on 12x PER on its FY12 EPS.

Within expectations. The net profit came in within our expectations but below the consensus number at 96% and 85% respectively. The revenue improved by 4% YoY from RM377m to RM392m while net profit was lower from RM16.5m to RM13.5m (-18%), YoY as a result of the slow work-in-progress on for the LRT extension works.

Weaker QoQ. TRC's 4Q11 pretax profit drop by 105% from the preceding quarter profit of RM4m due to the slow revenue recognition on its ongoing contracts. The EBITDA margin declined by 5% QoQ largely due to a higher operating cost incurred for the ongoing LRT extension works. We gathered that the progress is currently improving with more DOs having been issued and we expect TRC to catch up to at least a 30% work completion by 1H12.

Order book now stands at c. RM900m. Moving forward, with the current order book at c. RM900m (mainly backed by the Putrajaya project, Brunei Int. Airport project, Boustead project, Lumut jetty project and LRT project), we estimate that this will provide at least another 2-year earnings visibility to the group. Furthermore, we believe that TRC will be one of the beneficiaries for the ETP projects rollout, SCORE projects and MRT due to its strong record and experience in infrastructure works, particularly in government-related projects.

We are maintaining a Market Perform rating with an unchanged Target Price of RM0.77 based on 12x PER on its FY12 EPS.

MARKET PERFORM ↔

Price: **RM0.72**Target Price: **RM0.77** ↔

STOCK DATA

Bloomberg Ticker	TRC MK Equity	YTD price chg	12.6%
Market Cap	339.2	YTD KLCI chg	2.5%
Issued shares	474.4	Beta	1.3
52-week range (H)	0.82		
52-week range (L)	0.50		
3-mth avg daily vol.	1,527,058		
Free Float	65.4%		
Altman Z-score	2.8		

Major Shareholders

TRC CAPITAL SDN	12.6%
KOLEKTIF AMAN	12.3%
BIN HAJI MOHD	9.8%

AT A GLANCE

TRC SYNERGY BHD

Target Price (RM):	0.77	Maintain
Valuation:		
Current Price (RM):	0.72	

Action: Market Perform Maintain

Reason:

Basis of call:

Catalyst:

FYE31Dec RMm	2011	2012E	2013E
Turnover	391.3	581.2	555.9
Net Profit (NP)	13.5	29.3	24.8
Consensus (NP)		15.9	35.2

Earnings Revision:

Earnings Revision Rationale:

SHARE PRICE CHART



The Research Team

research@kenanga.com.my

Tel: 603-2713 2292

Results Highlights										
FY 31 Dec (RMm)	4Q10	1Q11	2Q11	3Q11	4Q11	QoQ %	YoY %	FY10	FY11	YoY %
Revenue	86.5	100.4	101.1	95.0	94.7	-0.3%	9.5%	376.6	391.2	3.9%
EBITDA	4.4	8.0	3.3	6.0	1.1	-82.2%	-75.8%	22.2	18.3	-17.7%
Pretax profit	5.0	7.9	2.9	4.2	(0.2)	-105.0%	-104.2%	23.5	14.8	-37.0%
Taxation	(1.3)	(2.0)	(0.4)	(1.7)	2.8	-265.5%	-310.9%	(7.0)	(1.3)	-81.6%
Minority Interest	-	-	-	-	-	n.m	n.m	0.0	0.0	n.m
Net Profit	3.7	5.9	2.5	2.6	2.6	-0.5%	-31.5%	16.5	13.5	-18.1%
EPS (sen)	2.4	3.8	1.6	1.7	1.7	-0.5%	-31.5%	9.2	8.8	-4.5%
EBITDA margin	5.1%	8.0%	3.2%	6.3%	1.1%			5.9%	4.7%	
PBT margin	5.8%	7.9%	2.8%	4.5%	-0.2%			6.2%	3.8%	
Net profit margin	4.3%	5.9%	2.5%	2.7%	2.7%			4.4%	3.5%	
Effective tax rate	26.0%	25.6%	12.5%	39.4%	1313.3%			29.7%	8.7%	

Source: Kenanga Research

Earnings Estimates						
FYE 31 Dec (RMm)	2008	2009	2010	2011	2012E	2013E
Revenue	739.6	533.5	376.6	391.3	581.2	555.9
Pretax profit	67.7	45.9	36.6	18.3	39.5	33.5
Net profit	51.6	40.6	27.1	13.5	29.3	24.8
Core Net profit	51.6	40.6	27.1	13.5	29.3	24.8
EPS (sen)	27.2	21.4	14.3	3.0	6.4	5.4
EPS growth (%)	75.0%	-21.3%	-33.3%	-79.2%	116.2%	-15.3%
Net DPS (sen)	-	-	-	-	-	-
NTA/ share (RM)	1.33	1.55	1.65	1.61	1.69	1.76
Net gearing (x)	Net cash	Net cash	Net cash	Net cash	Net cash	Net cash
PER (x)	2.6	3.4	5.0	24.2	11.2	13.2
P/NTA (x)	0.5	0.5	0.4	0.4	0.4	0.4
Net div. yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/ EBITDA (x)	(0.0)	(1.1)	(1.9)	(2.9)	(2.0)	(3.1)
ROE (%)	20.3%	13.8%	8.6%	4.4%	9.1%	7.4%

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.***

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

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



Chan Ken Yew
Associate Director