



CONSTRUCTION

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Stock Profile/Statistics

Bloomberg Ticker	TRC MK Equity
KLCI	1176.90
Issued Share Capital (m)	189.61
Market Capitalisation (RMm)	274.93
52 week H L Price (RM)	1.60 0.86
Average Volume (3m) '000	132.15
YTD Returns (%)	0.52
Net gearing (x)	-0.55
Altman Z-Score	3.76
ROCE/WACC	2.11
Beta (x)	0.73
Book Value/share (RM)	1.41

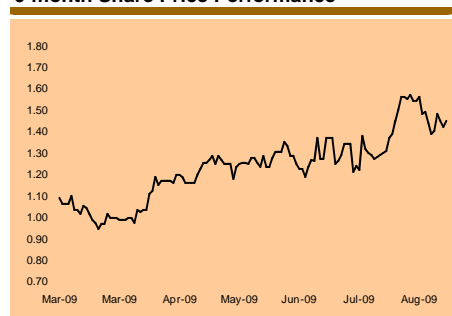
Major Shareholders (%)

TRC Capital SB	14.1
Kolektif Aman SB	13.9
Haji Mohd Zin Sufri	12.9

Share Performance (%)

Month	Absolute	Relative
1m	11.8	11.3
3m	14.4	0.1
6m	36.5	(2.9)
12m	8.6	(2.6)

6-month Share Price Performance



TRC is primarily involved in construction. It is also venturing into O&G via 26% associate, Petro Bru.

1H FY09 Results Review

Private Circulation Only

TRC Synergy

BUY	Maintain
Price	RM1.45
Target	RM1.74

No Surprises

TRC's 2Q FY09 earnings of RM11.5m (+13.7% q-o-q, +8.4% y-o-y) were within our expectations (+2.8%). We gather that the flow of higher margin jobs is gaining traction. We see TRC as a beneficiary of strong jobs flow in Sarawak and small job domestic pump priming. Another catalyst is approval for its O&G venture in Brunei. At 6x-7x PER multiples on FY09-11 earnings, we view the stock's valuations as undemanding. Maintain BUY, TP unchanged at RM1.74.

Within expectations. TRC's 2Q FY09 revenue came in at RM163.1m (-18% y-o-y) and earnings at RM11.5m (+8.4% y-o-y). Owing to the lower material prices witnessed this year vis-à-vis '08, 2Q margins were higher y-o-y, with EBIT and net amounts coming in at 9.6% and 7.1% (FY08 comparatives at 7.2% and 5.3%). In short, the annualised 1H results were within our expectations (+2.8%).

Quarterly improvement. From a q-o-q perspective, earnings jumped 13.7% although revenue declined by 9.5%. Over the same horizon, margins at all levels continued to expand (Q2 PBT margins at 9.2% v. 7.5% in Q1). We gather that the higher margins were mainly due to lower margins jobs being completed and more higher margin jobs (newer ones) being recognised.

More contracts. YTD, most of the domestic jobs awarded were small in size (average value=RM173m). We see TRC, as a beneficiary of small job pump priming, intends to focus heavily in Sarawak. It is the only peninsula-based company that holds a UPK Class A licence for Sarawak, which allows it to bid for state jobs. We are positive on the state's jobs flow, partially driven by the state elections to be held in the next 1.5 years.

O&G ventures. The findings on Petro Bru's (26% associate) feasibility study to operate a refinery and tank farm in Brunei have turned out to be positive. Petro Bru will soon be submitting a proposal to the Brunei government for approval (est. time ~6 months). If all goes well, we see TRC participating in some of the facility's support infrastructure.

Maintain BUY. As the results were within expectations, we are making no changes to our projections. At 6x-7x on FY09-11 earnings, we see value in TRC. Our RM1.74 TP is based on an average of: (i) 9x mid-CY10 earnings, and (ii) 1x P/BV. Maintain BUY.

FYE Dec (RMm)	FY07	FY08	FY09f	FY10f	FY11f
Turnover	422.2	740.7	656.4	573.7	557.6
EBITDA	51.4	71.8	68.1	69.7	71.4
Net Profit	30.0	45.6	42.1	43.1	43.7
% chg YoY	185.6%	51.9%	-7.8%	2.5%	1.5%
Consensus		-	47.8	43.0	34.5
EPS (sen)^	15.9	24.1	22.2	22.7	23.1
DPS (sen)^	14.1	8.1	6.7	6.8	6.9
Div Yield	9.7%	5.6%	4.6%	4.7%	4.8%
ROE	17.0%	18.6%	14.9%	13.8%	12.8%
ROA	8.9%	10.9%	9.0%	8.7%	8.3%
PER (x)	9.1	6.0	6.5	6.4	6.3
P/BV (x)	1.2	1.0	0.9	0.8	0.8

EARNINGS FORECAST**Quarter Results Table**

FYE Dec (RMm)	2QFY09	1QFY09	% chg	YTD FY09	YTD FY08	% chg
Turnover	163.1	180.2	-9.5%	343.3	336.2	2.1%
EBIT	15.6	14.7	6.4%	30.3	32.4	-6.3%
Net interest expense	(0.5)	(1.1)	-54.3%	(1.5)	(1.9)	-18.1%
Associates	(0.1)	(0.2)	-65.0%	(0.3)	(0.2)	68.6%
PBT	15.1	13.4	12.3%	28.5	30.3	-6.0%
Tax	(3.6)	(3.3)	8.2%	(6.9)	(7.7)	-10.9%
MI	-	-	-	-	-	-
Net Profit	11.5	10.1	13.7%	21.6	22.6	-4.3%
EPS (sen)	6.1	5.3		11.4	11.9	
Gross DPS (sen)	-	-		-	-	
EBIT margin	9.6%	8.1%		8.8%	9.6%	
NTA/share (RM)				1.52	1.41	

FYE Dec (RMm)	FY07	FY08	FY09f	FY10f	FY11f
Turnover	422.2	740.7	656.4	573.7	557.6
EBITDA	51.4	71.8	68.1	69.7	71.4
PBT	41.7	61.4	56.1	57.5	58.3
Net Profit	30.0	45.6	42.1	43.1	43.7
EPS (sen)	15.9	24.1	22.2	22.7	23.1
DPS (sen)	14.1	8.1	6.7	6.8	6.9
Margin					
EBITDA	12.2%	9.7%	10.4%	12.1%	12.8%
PBT	9.9%	8.3%	8.5%	10.0%	10.5%
Net Profit	7.1%	6.2%	6.4%	7.5%	7.8%
ROE	17.0%	18.6%	14.9%	13.8%	12.8%
ROA	8.9%	10.9%	9.0%	8.7%	8.3%
Balance Sheet					
Fixed Assets	57.1	84.4	87.4	90.4	93.4
Current Assets	326.6	371.9	394.0	416.8	451.5
Total Assets	383.7	456.3	481.4	507.2	544.9
Current Liabilities	110.3	181.5	176.4	171.2	177.3
Net Current Assets	216.3	190.4	217.6	245.6	274.2
LT Liabilities	50.8	8.0	8.7	9.6	10.5
Shareholders Funds	222.6	266.9	296.3	326.5	357.1

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