



CONSTRUCTION

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Stock Profile/Statistics

Bloomberg Ticker	TRC MK Equity
KLCI	1047.68
Issued Share Capital (m)	189.58
Market Capitalisation (RMm)	244.56
52 week H L Price (RM)	1.50 0.86
Average Volume (3m) '000	47.72
YTD Returns (%)	0.30
Net gearing (x)	-0.55
Altman Z-Score	3.40
ROCE/WACC	1.72
Beta (x)	0.90
Book Value/share (RM)	1.41

Major Shareholders (%)

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

Share Performance (%)

Month	Absolute	Relative
1m	4.9	(0.9)
3m	14.2	(2.9)
6m	32.3	9.9
12m	(11.5)	5.8

6-month Share Price Performance



TRC is primarily involved in construction. It is also venturing into O&G.

1Q FY09 Results Review

Private Circulation Only

TRC Synergy

BUY	Maintain
Price	RM1.29
Target	RM1.63

Marginally Weaker

TRC reported its 1QFY09 earnings at RM10m (-16% y-o-y) which disappointed us by 19% on an annualized basis. However, earnings came in stronger q-o-q (+15.5%) due to a lower effective tax rate. We maintain our view that TRC could potentially bag more small to mid-sized jobs under the stimulus package. Our FY09–10 estimates have been reduced by 16%–6%. We nonetheless, maintain our BUY rating on TRC with a RM1.63 TP.

Earnings weaker y-o-y. TRC's 1Q FY09 revenue grew by 31.2% y-o-y, however, earnings fell by 15.6% over the same period. Margins were lower y-o-y with EBIT and net amounts at 8.1% and 5.6% (1Q FY08 comparatives at 13.2% and 8.7%). This was mainly attributed to a higher proportion of its lower margin jobs being recognized for the period. All in all, earnings were 19.4% below our estimates (-15.4% below consensus).

Stronger numbers q-o-q. From a q-o-q perspective, revenue was rather flattish (+0.5%) but earnings came in higher at RM10.1m (+15.5%). Net margins also improved over the similar horizon, mainly due to a lower effective tax rate incurred (24.7% v. 31.1%).

Orderbook outlook. TRC's current orderbook balance is estimated at RM745. YTD, the company has managed to secure 1 job involving the construction of a maritime college in Kuantan worth RM218m. We assume another RM200m worth of jobs for FY09 and RM400m for FY10–11. Excluding the tunnelling portion of the interstate raw water transfer (RM1.3bn), most of the jobs awarded YTD were small to mid-sized ones. We believe TRC stands a good chance in bagging some of these jobs under the stimulus package.

O&G venture updates. Management has indicated that the detailed feasibility study to operate an O&G refinery (via 26% owned PetroBru) in Brunei is still ongoing. We understand that the Brunei government intends to spend some US\$0.5–1bn on the required infrastructure around the refinery area. We think TRC will benefit from this.

Maintain BUY. Given the weaker than expected results, we downgrade FY09 numbers by 16% (FY10 by -6%). Our RM1.63 TP (previously RM1.59, 7x FY09 earnings) is now based on an average of (i) 8x mid CY10 earnings and (ii) 1x current P/BV, reflecting its historical mean. TRC could potentially play catch up to its peers. Its current P/BV of 0.86x is undemanding, in our view. 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	8.0	6.7	6.8	6.9
Div Yield	10.9%	6.2%	5.2%	5.3%	5.4%
ROE	17.0%	18.6%	14.9%	13.8%	12.8%
ROA	8.9%	10.9%	9.0%	8.7%	8.3%
PER (x)	8.1	5.4	5.8	5.7	5.6
P/BV (x)	1.1	0.9	0.8	0.7	0.7

EARNINGS FORECAST

Quarter Results Table						
FYE Dec (RMm)	1QFY09	4QFY08	% chg	YTD FY09	YTD FY08	% chg
Turnover	180.2	179.3	0.5%	180.2	137.4	31.2%
EBIT	14.7	14.5	1.2%	14.7	(18.1)	-181.0%
Net interest expense	(1.1)	(1.7)	-39.1%	(1.1)	(1.1)	-5.4%
Associates	(0.2)	(0.0)	334.8%	(0.2)	(0.1)	66.7%
PBT	13.4	12.7	5.4%	13.4	16.9	-20.5%
Tax	(3.3)	(4.0)	-16.9%	(3.3)	(4.9)	-32.6%
MI	-	-	-	-	-	-
Net Profit	10.1	8.8	15.5%	10.1	12.0	-15.6%
EPS (sen)	5.3	4.6		5.3	6.3	
Gross DPS (sen)	-	-		-	-	
EBIT margin	8.1%	8.1%		8.1%	-13.2%	
NTA/share (RM)				1.46	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	8.0	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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