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Corporate News Flash

TRC Synergy

Another Home Run

THE BUZZ

TRC announced yesterday that it had won two housing packages from Putrajaya Holdings SB worth a total of RM38.1m. The packages consist of the following:

- 14 units of 2-storey terrace houses and 14 units of 2-storey semi-Ds at Sub Precint 14-3, Putrajaya
- 72 units of 2-storey terrace houses at Sub Precint 14-6A, Putrajaya

OUR TAKE

Beating the replenishment target. This new contract win is not entirely surprising as TRC has quite a good track record with Putrajaya Holdings. Including this recent project, we estimate TRC's job wins YTD to stand at RM523.2m, which surpasses our full-year target of RM500m. With strong job wins this year, we expect to see accelerated revenue recognition in FY12 to drive earnings. Apart from those contracts secured this year, its Kelana LRT-A extension (RM950m) is also expected to gain momentum in FY12 after a long awaited delay, as issues with the development orders (DO) are expected to be resolved early next year.

Strong MRT contender. We maintain our view that TRC is a strong contender for the MRT (SBK line) elevated works worth ~RM12bn. Packages V5 and V6 (RM500-600m each) are expected to be awarded in 1Q12, and TRC is bidding for both of them. Besides having experience in the Kelana LRT-A extension, it is the only contractor that was prequalified for all packages, in both the open and *Bumiputera* portions, for the MRT.

Still a turnaround play. While TRC's results have been disappointing so far this year, we maintain our view that it is poised for an earnings turnaround in FY12. Although we have an 80.6% earnings growth forecast for FY12, we think that this has the potential to surprise on the upside if works on its orderbook move faster than expected. We maintain our TRADING BUY rating with a FV of RM0.76 (26.4% upside), based on fully diluted RNAV which incorporates 10x FY12 earnings.

FYE Dec (RMm)	FY09	FY10	FY11f	FY12f	FY13f
Revenue	533.8	376.7	441.3	612.8	737.3
Net Profit	27.3	16.2	15.7	28.4	38.3
% chg y-o-y	-40.2%	-40.7%	-3.0%	80.6%	34.9%
Consensus			22.8	35.2	43.9
EPS (sen)	5.8	3.5	3.4	6.1	8.2
DPS (sen)	1.5	1.7	1.0	1.8	2.5
Dividend yield (%)	2.4%	2.8%	1.7%	3.0%	4.1%
ROE (%)	9.9%	5.5%	5.2%	8.9%	11.2%
ROA (%)	5.9%	3.5%	3.4%	5.5%	6.6%
PER (x)	10.4	17.5	18.0	10.0	7.4
BV/share (RM)	0.61	0.64	0.66	0.70	0.76
P/BV (x)	1.0	0.9	0.9	0.9	0.8
EV/ EBITDA (x)	3.1	4.9	4.8	3.1	2.4

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