

**13 December 2013**
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**12-month upside potential**

Previous target	0.71
Target price	0.69
Current price (as at 12 Dec)	0.54
Capital upside (%)	27.8
Net dividends (%)	2.8
Total return (%)	30.6

**Key stock information**

Syariah-compliant?	Yes
Market Cap (RM m)	257.6
Shares outstanding (m)	477.1
Free float (%)	36.8
52-week high / low (RM)	0.66 / 0.51
3-mth avg volume ('000)	150.7
3-mth avg turnover (RM m)	0.1

**Share price performance**

	1M	3M	6M
Absolute (%)	-3.6	-6.1	-10.0
Relative (%)	-5.6	-9.3	-13.5

**Share price chart**


Source: Bloomberg

**Major shareholders**

	%
TRC Capital SB	12.5
Kolektif Aman SB	12.3
Dato' Sri Sufri Bin Mohd Zin	9.7
Dato' Leong Kam Heng	9.5
Lembaga Tabung Haji	9.4

### Set for an earnings rebound

We recently met up with management of TRC, which guided that it is gunning for RM400-500m in new jobs for next year. Driven its developments in Ara Damansara (RM1bn) and Johor (RM90m), property contribution is set to increase. Our earnings is adjusted downward but TRADING BUY retained (TP: RM0.69) as we continue to like TRC as an earnings rebound play (CAGR: 65%) and potential beneficiary of increased *Bumi*-contracts.

#### Gunning for a stronger 2014

- Management acknowledges that orderbook replenishment has been rather slow with only the Nanga Merit access road job (RM170m) secured this year. This compares to its initial target of RM350m.
- Nonetheless, we take comfort in the group's still sizable orderbook balance of RM1.58bn (3QFY13), which translates to a healthy orderbook to revenue ratio of 3.5x (based on FY12 construction revenue).
- Management is looking to be more aggressive in 2014 and is targeting to achieve RM400-500m in new job wins. A new contract award could come in as soon as 1Q14 with value exceeding RM100m.
- TRC's focus will remain on government contracts, its related entities or GLCs. Some of the projects eyed on include the Prolintas highways (i.e. DASH and SUKE), wharf works for Bintulu Port and additional works for the Seppangar Bay submarine base. It has also submitted various PFI-type suggestions to the government for implementation.
- In Sarawak, TRC is also bidding for the Samalaju Port wharf package. The 5 wharfs are understood to be collectively worth RM2bn. TRC is undertaking the port's interim facilities (RM194m), which is 70% done and scheduled for completion by year end.
- On its existing jobs, progress on the Kelana LRT is back on full swing after hiccups in Aug following an accident and stop work order. The job is now 42% done and should be on track for completion in 1Q16. MRT works are progressing on track with the depot (RM459m) and S1 stations (RM284m) being 15% and 12% completed, respectively.

#### Property booster

- Property has never really been a key driver of TRC with revenue contribution over the last 2 years at a mere 4-8%. This division is however set to play a stronger role with 2 key developments in the pipeline, which we have not factored into our earnings.
- TRC's development in Ara Damansara (GDV: RM1bn) will comprise 5 apartment blocks, 1 office block, mall (NLA: 100k sq ft) and retail podium. This will be developed over 5 years with the first launch targeted for 2Q-3Q14. We reckon that the development will be well received given its strategic location surrounding the Kelana LRT line station 2 currently under construction. Indicative pricing is at RM600psf for unit sizes at 600-1100 sq ft.
- TRC will also be launching 2 blocks of apartments (GDV: RM90m) early next year in Permas Jaya, Johor. Pricing is at RM350-400 psf (unit sizes at 1000-1200 sq ft), which looks attractive when compared to runaway prices at Iskandar. Management said that it has received bookings for almost the entire Phase 1 (high rise block).

#### Impact on earnings

- We leave our FY13 earnings unchanged but cut FY14-15 by 2.4% and 11.4% as we lower our new job wins target from RM500m to RM400m p.a., reflecting the lower end of management's target range.

#### Valuation and recommendation

- Following our earnings adjustments, our TP is reduced slightly from RM0.71 to RM0.69 which is still based on 10x FY14 earnings.
- Maintain TRADING BUY as we like TRC as an earnings rebound play (3 year CAGR: 65%) and potential beneficiary of increased *Bumi*-contract awards.



## SNAPSHOT OF FINANCIAL AND VALUATION METRICS

Figure 1 : Key financial data

FYE 31 Dec	FY11	FY12	FY13F	FY14F	FY15F
Revenue (RM m)	400.8	566.1	706.3	868.8	972.4
EBITDA (RM m)	15.6	23.8	38.1	50.9	63.2
EBIT (RM m)	10.3	18.2	32.0	44.3	56.2
Pretax profit (RM m)	16.6	22.8	32.3	44.6	56.4
Reported net profit (RM m)	13.0	9.2	23.9	33.0	41.7
Core net profit (RM m)	13.0	9.2	23.9	33.0	41.7
EPS (sen)	2.7	1.9	5.0	6.9	8.7
Core EPS (sen)	2.7	1.9	5.0	6.9	8.7
Alliance / Consensus (%)			97.9	95.9	84.8
Core EPS growth (%)	(19.8)	(28.9)	158.8	38.2	26.4
P/E (x)	19.8	27.9	10.8	7.8	6.2
EV/EBITDA (x)	19.7	12.9	8.1	6.0	4.9
ROE (%)	4.2	2.9	7.2	9.3	10.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Net DPS (sen)	1.5	1.5	1.5	2.1	2.6
Net dividend yield (%)	2.8	2.8	2.8	3.8	4.9
BV/share (RM)	0.65	0.66	0.69	0.74	0.80
P/B (x)	0.8	0.8	0.8	0.7	0.7

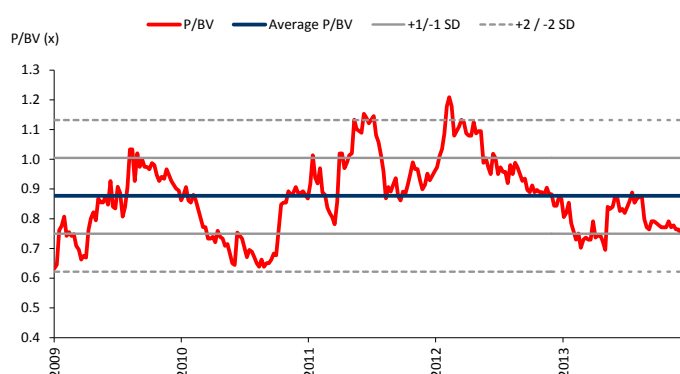
Source: Alliance Research, Bloomberg

Figure 2 : Rolling 12-month forward P/E trend



Source: Alliance Research, Bloomberg

Figure 3 : Rolling 12-month forward P/B trend



Source: Alliance Research, Bloomberg

Figure 4 : Peer comparison

Company	Call	Target price (RM)	Share price (RM)	Mkt Cap (RM m)	EPS Growth (%)		P/E (x)		P/BV (x)		ROE (%)		Net Dividend Yield (%)	
					CY13	CY14	CY13	CY14	CY13	CY14	CY13	CY14	CY13	CY14
Gamuda	Buy	5.66	4.54	10,404.6	13.9	12.3	15.4	13.7	2.1	1.9	13.2	14.8	2.7	2.9
IJM Corporation	Neutral	6.08	5.80	8,188.0	26.5	10.7	15.5	14.0	1.4	1.3	8.9	9.2	2.6	2.9
WCT Holdings	T Buy	2.88	2.18	2,381.6	40.1	8.2	11.5	10.6	1.2	1.2	10.9	11.0	3.5	3.8
Mudajaya Group	T Buy	3.26	2.84	1,540.4	-26.6	22.8	8.8	7.2	1.2	1.1	14.0	15.2	2.8	3.5
Eversendai Corporation	Neutral	1.17	1.16	897.8	-47.3	39.3	14.8	10.6	1.1	1.0	7.1	9.2	1.0	1.4
Kimlun Corp	Sell	1.78	1.89	454.5	-39.4	43.2	15.2	10.6	1.5	1.4	10.0	12.9	1.3	1.9
Ahmad Zaki Resources	Buy	1.15	0.95	260.3	-48.1	128.9	26.9	11.7	1.2	1.1	4.5	9.4	0.4	0.9
TRC Synergy	T Buy	0.69	0.54	257.6	158.8	38.2	10.8	7.8	0.8	0.7	7.2	9.3	2.8	3.8
Average					7.6	14.6	14.3	12.5	1.6	1.5	11.1	12.2	2.6	2.9

Source: Alliance Research, Bloomberg

Share price date: 12 Dec 2013

**Figure 5 : Earnings revision**

	<b>FY13F</b>	<b>FY14F</b>	<b>FY15F</b>
Previous EPS	5.01	7.09	9.87
Revised EPS	5.01	6.92	8.74
% change	0.0%	-2.4%	-11.4%

Source: Alliance Research

**Figure 6 : Orderbook balance as at 3QFY13**

<b>Contract</b>	<b>Value</b>	<b>Balance</b>	<b>Finish</b>
Kelana LRT-A extension	950	550	Jan-2016
Brunei Airport modernisation	319	150	Nov-2014
Lumut Jetty upgrading	51	10	Jul-2013
Dayabumi renovation, KL	36	13	Dec-2013
MRT SBK line, Sg Buloh depot	459	388	Feb-2016
Samalaju Port interim facilities	194	60	Dec-2013
MRT SBK line stations (Package S1)	284	250	Feb-2015
Nanga Merit access road (Package 1)	170	155	Jan-2016
<b>Orderbook balance as of 3QFY13</b>		<b>1,576</b>	

Source: TRC Synergy



## TRC Synergy

## Financial Summary

Price Date: 12 Dec 2013

## Balance Sheet

FYE Dec	FY11	FY12	FY13F	FY14F	FY15F
PPE	23.4	38.7	42.7	46.1	49.1
Intangibles	0.0	0.0	0.0	0.0	0.0
Inventories	1.9	1.9	2.6	3.2	3.6
Receivables	175.6	340.9	309.6	357.1	399.6
Other assets	114.8	127.5	118.5	130.0	141.6
Deposit, bank and cash	129.3	124.0	182.2	186.4	183.2
<b>Assets</b>	<b>444.9</b>	<b>633.1</b>	<b>655.6</b>	<b>722.8</b>	<b>777.1</b>
	-	-	-	-	-
LT borrowings	-	27.6	24.2	24.2	24.2
ST borrowings	4.6	87.3	82.9	78.7	74.8
Payables	129.5	199.8	211.7	260.0	288.9
Other liabilities	1.3	5.2	6.8	6.9	6.8
<b>Liabilities</b>	<b>135.4</b>	<b>319.8</b>	<b>325.6</b>	<b>369.8</b>	<b>394.8</b>
	-	-	-	-	-
Share capital	233.9	238.1	238.1	238.1	238.1
Reserves	75.7	75.1	91.8	114.9	144.1
<b>Shareholder's equity</b>	<b>309.6</b>	<b>313.2</b>	<b>330.0</b>	<b>353.1</b>	<b>382.3</b>
MI	-	-	-	-	-
<b>Equity</b>	<b>309.6</b>	<b>313.2</b>	<b>330.0</b>	<b>353.1</b>	<b>382.3</b>
	-	-	-	-	-
<b>Equity and Liabilities</b>	<b>444.9</b>	<b>633.1</b>	<b>655.6</b>	<b>722.8</b>	<b>777.1</b>

## Cash Flow Statement

FYE Dec	FY11	FY12	FY13F	FY14F	FY15F
Profit before taxation	16.6	22.8	32.3	44.6	56.4
Depreciation & amortisation	5.3	5.6	6.1	6.6	7.0
Changes in working capital	(72.5)	(95.0)	42.4	0.2	(13.9)
Net interest received/ (paid)	6.6	4.4	0.3	0.3	0.2
Tax paid	(3.6)	(13.6)	(8.4)	(11.6)	(14.7)
Others	(6.8)	(15.2)	-	-	-
<b>Operating Cash Flow</b>	<b>(54.3)</b>	<b>(90.9)</b>	<b>72.7</b>	<b>40.1</b>	<b>35.0</b>
	-	-	-	-	-
Capex	(7.1)	(21.0)	(10.0)	(10.0)	(10.0)
Others	(12.4)	(0.1)	(12.7)	(12.4)	(12.2)
<b>Investing Cash Flow</b>	<b>(19.4)</b>	<b>(21.1)</b>	<b>(22.7)</b>	<b>(22.4)</b>	<b>(22.2)</b>
	-	-	-	-	-
Issuance of shares	43.4	3.6	-	-	-
Changes in borrowings	4.2	110.3	(7.8)	(4.1)	(3.9)
Dividends paid	(7.3)	(7.1)	(7.2)	(9.9)	(12.5)
Others	(56.7)	(15.3)	-	-	-
<b>Financing Cash Flow</b>	<b>(16.4)</b>	<b>91.4</b>	<b>(14.9)</b>	<b>(14.0)</b>	<b>(16.5)</b>
	-	-	-	-	-
Net cash flow	(90.1)	(20.6)	35.1	3.6	(3.6)
Forex	0.3	0.6	-	-	-
Others	18.4	14.7	-	-	-
Beginning cash	200.7	129.3	124.0	182.2	186.4
<b>Ending cash</b>	<b>129.3</b>	<b>124.0</b>	<b>182.2</b>	<b>186.4</b>	<b>183.2</b>

## Income Statement

FYE Dec	FY11	FY12	FY13F	FY14F	FY15F
Revenue	400.8	566.1	706.3	868.8	972.4
EBITDA	15.6	23.8	38.1	50.9	63.2
Depn & amort	(5.3)	(5.6)	(6.1)	(6.6)	(7.0)
Net interest income	6.6	4.4	0.3	0.3	0.2
Associates & JV	(0.3)	0.2	-	-	-
EI	-	-	-	-	-
<b>Pretax profit</b>	<b>16.6</b>	<b>22.8</b>	<b>32.3</b>	<b>44.6</b>	<b>56.4</b>
Taxation	(3.6)	(13.6)	(8.4)	(11.6)	(14.7)
MI	-	-	-	-	-
<b>Net profit</b>	<b>13.0</b>	<b>9.2</b>	<b>23.9</b>	<b>33.0</b>	<b>41.7</b>
<b>Core net profit</b>	<b>13.0</b>	<b>9.2</b>	<b>23.9</b>	<b>33.0</b>	<b>41.7</b>

## Key Statistics &amp; Ratios

FYE Dec	FY11	FY12	FY13F	FY14F	FY15F
<b>Growth</b>					
Revenue	6.4%	41.3%	24.8%	23.0%	11.9%
EBITDA	-36.0%	52.7%	59.9%	33.6%	24.1%
Pretax profit	-28.1%	38.0%	41.3%	38.2%	26.4%
Net profit	-19.8%	-28.9%	158.8%	38.2%	26.4%
Core EPS	-19.8%	-28.9%	158.8%	38.2%	26.4%

## Profitability

EBITDA margin	3.9%	4.2%	5.4%	5.9%	6.5%
Net profit margin	3.2%	1.6%	3.4%	3.8%	4.3%
Effective tax rate	21.6%	59.6%	26.0%	26.0%	26.0%
ROA	2.9%	1.5%	3.6%	4.6%	5.4%
ROE	4.2%	2.9%	7.2%	9.3%	10.9%

## Leverage

Debt/ Assets (x)	0.0	0.2	0.2	0.1	0.1
Debt/ Equity (x)	0.0	0.4	0.3	0.3	0.3
(Net debt)/ equity (x)	Net cash	Net cash	Net cash	Net cash	Net cash

## Key Drivers

FYE Dec	FY11	FY12	FY13F	FY14F	FY15F
New job wins (RM/m)	497	973	400	400	400

## Valuation

FYE Dec	FY11	FY12	FY13F	FY14F	FY15F
EPS (sen)	2.7	1.9	5.0	6.9	8.7
Core EPS (sen)	2.7	1.9	5.0	6.9	8.7
P/E (x)	19.8	27.9	10.8	7.8	6.2
EV/ EBITDA (x)	19.7	12.9	8.1	6.0	4.9
Net DPS (sen)	1.5	1.5	1.5	2.1	2.6
Yield	2.8%	2.8%	2.8%	3.8%	4.9%
BV per share (RM)	0.65	0.66	0.69	0.74	0.80
P/BV (x)	0.8	0.8	0.8	0.7	0.7



## DISCLOSURE

### Stock rating definitions

- Strong buy - High conviction buy with expected 12-month total return (including dividends) of 30% or more
- Buy - Expected 12-month total return of 15% or more
- Neutral - Expected 12-month total return between -15% and 15%
- Sell - Expected 12-month total return of -15% or less
- Trading buy - Expected 3-month total return of 15% or more arising from positive newsflow. However, upside may not be sustainable

### Sector rating definitions

- Overweight - Industry expected to outperform the market over the next 12 months
- Neutral - Industry expected to perform in-line with the market over the next 12 months
- Underweight - Industry expected to underperform the market over the next 12 months

### Commonly used abbreviations

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date



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