

## Stock Snippet – TRC Synergy

Mr Yeo of TRC came to our office to give us an update on the company.

### The problems are now over

Back in 2011, its LRT extension project was delayed due to land acquisition issue. The fatal accident at LRT construction site back in April this year only led to 2 weeks suspension on its work but it would somehow affect their reputation. Fortunately, work has now recommenced and is expected to be completed by June 2015. Management believes forward earnings would not be bogged down by those previous incidences anymore.

### Earnings recovering

Management is expecting strong revenue growth this year underpinned by larger progress billing, particularly its Kelana Jaya LRT and Samalaju Port jobs. Management guided earnings of RM24m for FY'13 i.e. +41% growth as compared to FY'12 assuming normal effective tax rate. In the past, margin was being compressed by high construction cost as management did not foresee the rise of labor and material cost but going forward TRC will tender for jobs which offer more decent margin.

### Huge order book

TRC's unbilled order book balance stood at RM1.8bn, equivalent to 3.3x of FY12 construction revenue. Management is targeting to replenish its order book by RM500m this year. TRC has currently achieved 34% of its target by clinching RM170m contract for road construction job in SCORE that offer gross margin of 8-10% (higher compared to the projects in West Malaysia).

### Venturing into property development

TRC recently tied up with Pasarana to launch a rail-plus-property project at Ara Damansara with GDV RM850m which comprises hotels, office, service apartment and shopping mall. Pasarana will make available the land to TRC and in return, getting 20% gross development value in the form of part cash, part of shopping mall and part profit sharing. The project expected to be launched in 1Q2014 whereby the earnings contribution will also start to kick in. Management expects there will be a change in revenue contribution between construction and property development segment in FY'15 from 90:10 to 60:40.

### Summary

We believe blended margin would improve given that TRC is venturing into property development and very selective in tendering projects with minimum of 8% gross profit margin. Based on forward PER trading at 12x with EPS of 5sen, we reiterate our **MEDIUM TERM BUY** call on TRC.

### Summary

Share Price (RM)	0.605
52-Week Low/ High (RM)	0.68/ 0.50
Market Value (RM'm)	288.6
Shares Outstanding (RM0.10 par) (m)	477.0
Dividend Yield (%)	2.4
Return on Equity (%)	4.6
FY2013F EPS (sen)	5.1
P/E (x)	12.0

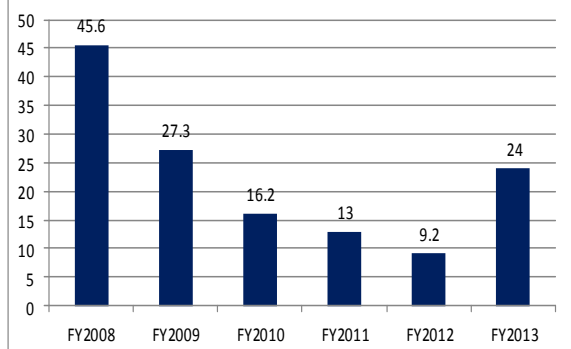
### Price and Volume (1 Year)



### Financial

	2008	2009	2010	2011	2012
Revenue (RM mil)	741	534	377	401	566
EPS (sen)	10.0	6.0	3.5	2.8	2.1
Dividend per share (sen)	1.9	1.3	1.6	1.5	1.5

### Profit After Tax (PAT)



Source: Company & PCM

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For Phillip Capital Management Sdn Bhd

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