

Technical perspective: Poised to retest RM0.465-0.50 levels after a positive triangle breakout

October 13, 2016

TRC (RM0.425/Vol:46k)

DAILY CHART: POSITIVE TRIANGLE BREAKOUT



Source: HLeBroking

- **Values resurface.** After hitting a 52-week high of RM0.525 (28 May), TRC's share prices corrected 29.5% to a low of RM0.37 (1 June) before recovering to close at RM0.425 yesterday. Currently, valuations remain undemanding at 8.6x FY17 P/E (42% below its peers) and 0.56x P/B (35% below its 10-year average of 0.86x), supported by strong earnings CAGR of 23% from FY16-18 and outstanding orderbook in excess of RM1.1bn (a cover ratio of 1.5x on FY15 construction revenue).
- **Scope of works.** Key job wins recently include development of new Kuala Lumpur Air Traffic Control Centre, 2 packages from MRT Corp (construction and completion of Pasar Seni Paid Link and renovation and conservation works to Block A & C Bangunan Sultan Abdul Samad) and Pan Borneo Highway. Going forward, TRC is actively bidding a total tender book over RM1bn jobs, which includes LRT3, MRT2 rail links and other highways such as SUKE and DASH.
- **Value in Ara Damansara project.** The impending launch of the long-awaited GDV RM1bn Ara Damansara mixed development project (consists of a retail podium, offices, hotel, apartments and SOHO) by 1H17 could be a rerating catalyst. Given that the development will be centred around the upcoming LRT station, we expect encouraging take up rates.
- **Positive triangle breakout.** The uptrend from Jan 2016 remains intact following the positive triangle breakout from the RM0.475 high (17 Aug) recently, which may reignite further buying interest, supported by upticks in technical indicators.
- A decisive breakout above RM0.44 (13 Sep high) will lift prices towards RM0.465 (61.8% FR) and our LT target at RM0.50 psychological barrier. Major supports are near RM0.405 (23.6% FR) and RM0.40 psychological levels. Cut loss at RM0.39.

PEERS COMPARISON (SMALLCAP DEVELOPERS)

| STOCKS | FYE | Issued shrs (mil) | Price RM | Mkt cap (RM'm) | EPS (sen) | Remarks (x) | P/E (x) |
|-------------------------|--------|-------------------|----------|----------------|-----------|--------------------|--------------------|
| TRC | 31-Dec | 480 | 0.425 | 204 | 5.0 | based on FY16e | 8.6 |
| AZRB | 31-Mar | 484 | 0.625 | 302 | 4.5 | Annualised 1HEPS16 | 13.9 |
| BENALEC | | 812 | 0.395 | 321 | 3.7 | FY3/17E | 10.7 |
| BPURI | 01-Apr | 243 | 0.435 | 106 | 1.6 | Annualised 1HEPS16 | 27.2 |
| GBGAQRS | | 391 | 0.910 | 356 | 8.5 | FY12/31E | 10.7 |
| FAJAR | 02-Apr | 363 | 0.515 | 187 | 3.5 | Based on FY6/16 | 14.7 |
| PESONA | 31-Jul | 655 | 0.410 | 268 | 3.6 | Annualised 1HEPS16 | 11.4 |
| Average vs peers | | | | | | | 14.8 -41.9% |

Source: Bursa, Bloomberg

Sia Ket Ee

Kesia@hlib.hongleong.com.my

03-21681071

Risk Profile



FIG1: Financials and technical snapshots

| | |
|-------------------------------|----------------------|
| Daily RSI | Inching up |
| Daily Slow stochastic | Bullish |
| Daily MACD | Inching up |
| 52-w High/Low | 0.525/0.335 |
| BVPS (RM) | RM0.75 |
| P/BV (x) | 0.56 |
| Average volume | 1M (180k); 3M (585k) |
| Price performance: 1-d/1-wk | 1.2%/1.2% |
| S1/S2 (RM) | 0.405/0.40 |
| R1/R2 (RM) | 0.44/0.465 |
| LT technical objective (RM) | 0.50 |
| Stop loss (RM) | 0.39 |
| HLIB target price (RM) | N/A |
| Bloomberg target price (RM) | 0.50 |
| Upside to LT technical target | 7.5 sen (+17.6%) |
| Downside to stop loss | -3.5 sen (-8.2%) |
| Trading period (max) | 4 weeks |

Source: HLIB, Bloomberg

EARNINGS SUMMARY

| | FYE 31 Dec | FY14 | FY15 | FY16e | FY17e | FY18e |
|----------------|------------|-------|-------|-------|-------|-------|
| Revenue (RM'm) | 815 | 768 | 844 | 915 | 1,012 | |
| PATAMI (RM'm) | 3.5 | 30.4 | 17.5 | 23.8 | 26.8 | |
| Shares (m) | 480.5 | 480.5 | 480.5 | 480.5 | 480.5 | |
| EPS (RM) | 0.7 | 6.3 | 3.6 | 5.0 | 5.6 | |
| GDPS (sen) | - | 0.65 | 1.0 | 1.0 | 1.0 | |
| P/E (x) | 58.3 | 6.7 | 11.7 | 8.6 | 7.6 | |
| DY (%) | - | 1.5 | 2.4 | 2.4 | 2.4 | |

Source: Bloomberg

Disclaimer

The information contained in this report is based on data obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, is made as to the accuracy, adequacy, completeness or reliability of the info or opinions in the report.

Accordingly, neither Hong Leong Investment Bank Berhad nor any of its related companies and associates nor person connected to it accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the info or opinions in this publication.

Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Hong Leong Investment Bank Berhad has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the info contained in this report and seek independent financial, legal or other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represent a personal recommendation to you.

Under no circumstances should this report be considered as an offer to sell or a solicitation of any offer to buy any securities referred to herein.

Hong Leong Investment Bank Berhad and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, is under copyright to Hong Leong Investment Bank Berhad. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to, websites. Hong Leong Investment Bank Berhad takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Hong Leong Investment Bank Berhad own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Hong Leong Investment Bank Berhad website shall be at your own risk.

1. As of 13 October 2016, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

(a) -.

2. As of 13 October 2016, the analyst, Sia Ket Ee, who prepared this report, has interest in the following securities covered in this report:

(a) -.

Published & Printed by
Hong Leong Investment Bank Berhad (10209-W)
 Level 23, Menara HLA
 No. 3, Jalan Kia Peng
 50450 Kuala Lumpur
 Tel 603 2168 1168 / 603 2710 1168
 Fax 603 2161 3880

Equity rating definitions

| | |
|---------------------|--|
| BUY | Positive recommendation of stock under coverage. Expected absolute return of more than +10% over 12-months, with low risk of sustained downside. |
| TRADING BUY | Positive recommendation of stock not under coverage. Expected absolute return of more than +10% over 6-months. Situational or arbitrage trading opportunity. |
| HOLD | Neutral recommendation of stock under coverage. Expected absolute return between -10% and +10% over 12-months, with low risk of sustained downside. |
| TRADING SELL | Negative recommendation of stock not under coverage. Expected absolute return of less than -10% over 6-months. Situational or arbitrage trading opportunity. |
| SELL | Negative recommendation of stock under coverage. High risk of negative absolute return of more than -10% over 12-months. |
| NOT RATED | No research coverage, and report is intended purely for informational purposes. |

Industry rating definitions

| | |
|--------------------|--|
| OVERWEIGHT | The sector, based on weighted market capitalization, is expected to have absolute return of more than +5% over 12-months. |
| NEUTRAL | The sector, based on weighted market capitalization, is expected to have absolute return between -5% and +5% over 12-months. |
| UNDERWEIGHT | The sector, based on weighted market capitalization, is expected to have absolute return of less than -5% over 12-months. |