

Sunway Bhd

SWB MK / SWAY.KL

Market Cap
US\$1,417m
RM4,567m

Avg Daily Turnover
US\$0.89m
RM2.85m

Free Float
40.1%
1,723 m shares

Current **RM2.65**
Target **RM3.11**
Prev. Target **RM3.25**
Up/Downside **17.4%**

3QFY13 RESULTS NOTE

SHORT TERM (3MTH) LONG TERM
TRADING BUY **OUTPERFORM**
TRADING SELL NEUTRAL
UNDERPERFORM

CIMB Analyst(s)



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Share price info

| Share price perf. (%) | 1M | 3M | 12M |
|-----------------------|------|------|------|
| Relative | -5.8 | -10 | 19.8 |
| Absolute | -6 | -3.6 | 32.6 |

| Major shareholders | % held |
|---|--------|
| Tan Sri Jeffrey Cheah | 47.7 |
| Government of Singapore Investment Corp | 12.2 |

Catalysts shifts to construction

Sunway's annualised 9M13 core net profit was 6% above our full-year forecast and 9% above consensus. The results were above expectations as we had underestimated the associates' contribution. Sunway's fundamentals are good, with improved earnings prospects for construction in the medium term. Maintain Outperform.

We raise our FY13-15 EPS forecasts. Although we roll over to an end-2014 valuation, our RNAV/share drops by 4.4% as we update our balance sheet items and impute SunReits's lower market value. Our target price is lowered, still based on a 20% RNAV discount. The catalysts now shift to construction, with order book growth driven by domestic jobs. The stock's deep value continues to be supported by its huge land bank.

Construction and property drivers

Sunway's annualised 9M13 core net profit was 6% above our full-year forecast and 9% above consensus. The results were above expectations largely due to the stronger-than-expected associates' contribution (Singapore property ventures). 4Q13 net profit is likely to be stronger, driven by healthy effective unbilled property sales of RM1.8bn. 9M13 total revenue rose by 20%, thanks to the 30-48%

growth in property development and construction revenue. 9M13 EBIT margin was 7.7%, up 2.4% yoy, supported by the steady 5-29% margins for the construction and property segments. The absence of dividends in 3Q13 was no surprise.

Property strategy intact

Domestically, Sunway's property sales target of RM1.3bn could be exceeded, given its strong unbilled sales. Total launches amounted to RM1.7bn at end-Nov 2013, including RM555m from Novena in Singapore. We expect this to mitigate the earnings risks from the likely "cooling-off" period for the Iskandar property sector, which is expected to materialise in 2H14 earnings.

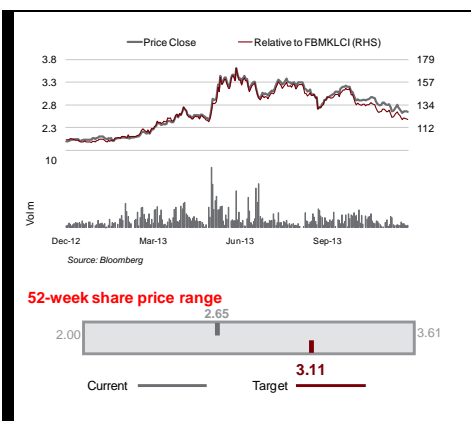
Construction in play

Sunway's outstanding order book of RM3.7bn (RM2bn total wins YTD) is the highest in our construction universe. We expect further upside from domestic building jobs in 1H14.

Results comparison

| FYE Dec (RM m) | 3QFY13 | 3QFY12 | yoy % | qoq % | 3QFY13 | 3QFY12 | yoy % | Prev. | |
|------------------------|--------------|--------------|---------------|---------------|--------------|--------------|-------------|--------------|--|
| | | | chg | chg | Cum | Cum | chg | FY13F | Comments |
| Revenue | 1,066.1 | 867.0 | 23.0 | (4.6) | 3,205.2 | 2,677.8 | 19.7 | 4,106.1 | Driven by property and construction |
| Operating costs | (947.6) | (776.1) | 22.1 | (10.7) | (2,959.6) | (2,536.3) | 16.7 | (3,545.6) | Cost management |
| EBIT | 118.5 | 90.8 | 30.4 | 108.6 | 245.6 | 141.5 | 73.6 | 560.6 | 2H will be stronger |
| EBIT margin (%) | 11.1 | 10.5 | 6.1 | 118.7 | 7.7 | 5.3 | 45.0 | 13.7 | In line |
| Interest expense | (18.6) | (29.9) | (38.0) | (11.5) | (61.7) | (83.8) | (26.4) | (126.6) | Borrowings stood at RM2.7bn |
| Interest & invt inc | 10.0 | 25.1 | (60.2) | 19.6 | 44.7 | 67.2 | (33.5) | 28.8 | Cash stood at RM1.4bn |
| Associates' contrib | 49.4 | 56.1 | (11.8) | (54.5) | 205.9 | 210.5 | (2.2) | 116.9 | Strong property sales in Singapore |
| Exceptionals | (41.2) | 0.3 | nm | (169.1) | 18.7 | 85.1 | (78.0) | - | Fair value gains and ESOS charge |
| Pretax profit | 118.2 | 142.4 | (17.0) | (44.4) | 453.2 | 420.5 | 7.8 | 579.7 | Driven by property and construction |
| Tax | (16.6) | (32.4) | (48.8) | (48.9) | (75.4) | (81.2) | (7.2) | (134.3) | Below |
| Tax rate (%) | 14.0 | 22.8 | (38.3) | (8.1) | 16.6 | 19.3 | (13.9) | 23.2 | Below |
| Minority interests | (8.5) | (15.7) | (46.3) | (12.9) | (23.8) | (26.2) | (9.1) | (446.3) | Lower than expected |
| Net profit | 93.1 | 94.3 | (1.2) | (45.3) | 354.0 | 313.1 | 13.1 | 410.5 | Annualised 9M13 core net profit was 6% |
| Core net profit | 124.4 | 94.0 | 32.4 | 12.4 | 325.4 | 236.2 | 37.8 | 410.5 | above our forecast and 9% above |
| EPS (sen) | 5.8 | 7.3 | (20.3) | (55.9) | 25.3 | 24.2 | 4.6 | 24.0 | consensus |
| Core EPS (sen) | 7.8 | 7.3 | 6.8 | (9.4) | 23.3 | 18.3 | 27.4 | 31.0 | |

SOURCE: CIMB, COMPANY REPORTS



Financial Summary

| | Dec-11A | Dec-12A | Dec-13F | Dec-14F | Dec-15F |
|--------------------------------|---------|---------|---------|---------|---------|
| Revenue (RMm) | 3,739 | 3,877 | 4,106 | 4,479 | 4,514 |
| Operating EBITDA (RMm) | 378.9 | 295.6 | 580.7 | 626.0 | 612.3 |
| Net Profit (RMm) | 369.7 | 532.3 | 433.3 | 476.7 | 479.2 |
| Core EPS (RM) | 0.21 | 0.21 | 0.25 | 0.28 | 0.28 |
| Core EPS Growth | (41.9%) | (0.3%) | 17.5% | 10.0% | 0.5% |
| FD Core P/E (x) | 13.15 | 13.00 | 10.98 | 9.91 | 9.86 |
| DPS (RM) | 0.00 | 0.45 | 0.07 | 0.07 | 0.07 |
| Dividend Yield | 0.0% | 16.9% | 2.8% | 2.8% | 2.8% |
| EV/EBITDA (x) | 14.86 | 18.05 | 8.85 | 7.54 | 6.85 |
| P/FCFE (x) | 5.51 | NA | 12.48 | 37.18 | 21.74 |
| Net Gearing | 65.8% | 48.1% | 38.4% | 26.3% | 15.0% |
| P/BV (x) | 1.63 | 1.33 | 1.15 | 1.00 | 0.89 |
| ROE | 13.7% | 11.8% | 11.7% | 11.2% | 9.9% |
| % Change In Core EPS Estimates | | | 5.56% | 5.73% | 3.08% |
| CIMB/consensus EPS (x) | | | 1.09 | 1.11 | 1.03 |

SOURCE: CIMB, COMPANY REPORTS

Figure 1: Segmental breakdown (excluding eliminations)

| | 9M13 | 9M12 | yoy Comments |
|-------------------------|----------------|----------------|--|
| Revenue | | | |
| Property development | 749.9 | 525.4 | 43% Driven by RM836m effective property sales in 9M13 |
| Property investment | 439.9 | 480.3 | -8% Off peak season hotels and theme parks |
| Construction | 1,330.8 | 1,023.2 | 30% Strong jobs flows YTD with outstanding order book of RM3.7bn |
| Trading & Manufacturing | 567.4 | 522.0 | 9% Driven by construction activities |
| Quarry | 150.4 | 143.6 | 5% Benefitted from pick up in construction activities |
| Investment holdings | 253.4 | 64.5 | 293% Lumpy contributions |
| Others | 288.3 | 280.7 | 3% Relatively stable numbers |
| Total | 3,780.2 | 3,039.7 | 24% |
| | 9M13 | 9M12 | yoy |
| Pretax profit | | | |
| Property development | 216.8 | 168.5 | 29% Boosted by contributions from Singapore |
| Property investment | 142.9 | 164.5 | -13% Off peak season for hotels and theme parks |
| Construction | 61.7 | 48.0 | 29% Backed by RM2bn worth of total jobs secured YTD |
| Trading & Manufacturing | 33.8 | 33.9 | 0% Greater mix of lower margin products |
| Quarry | 17.1 | 7.1 | 140% Orders picking up |
| Investment holdings | (39.1) | (18.0) | 118% Lumpy contributions |
| Others | 20.0 | 16.4 | 22% Stable numbers |
| Total | 453.2 | 420.5 | 8% |
| | 9M13 | 9M12 | yoy |
| | | | %pts |
| Pretax margin | | | |
| Property development | 29% | 32% | -3% Finalisation of certain completed projects |
| Property investment | 32% | 34% | -2% Should be stable around these levels |
| Construction | 5% | 5% | 0% Margins should stabilise around 5-6% |
| Trading & Manufacturing | 6% | 6% | -1% Greater mix of lower margin products |
| Quarry | 11% | 5% | 6% Orders picking up |
| Investment holdings | -15% | -28% | 12% Lumpy contributions |
| Others | 7% | 6% | 1% Stable numbers |
| Total | 12% | 14% | -2% |

SOURCES: CIMB, COMPANY REPORTS

Figure 2: RNAV

| Type | Location | Size/units | Area (sq ft) | Price | Stake | Value |
|---|----------------------------|------------------------|--------------|------------|-------|-----------------|
| | | | | | | RM m |
| Completed buildings | | | | | | |
| Sunway Lagoon Theme Park | Petaling, Selangor | 59.9 ac | 728,326 | 200.0 | 100% | 145.7 |
| Sunway Hotel Georgetown | Penang | 240.0 units | 0 | 150,000.0 | 100% | 36.0 |
| Monash University Sunway Campus | Petaling, Selangor | 12.0 ac | 754,000 | 220.0 | 100% | 165.9 |
| Sunway University College | Petaling, Selangor | 12.4 ac | 615,983 | 220.0 | 100% | 135.5 |
| Sunway Giza | Sunway Damansara, Selangor | 1.4 ac | 98,000 | 500.0 | 60% | 29.4 |
| Lost World of Tambun | Tambun, Perak | 39.8 ac | 728,326 | 80.0 | 65% | 37.9 |
| Sunway Hotel Phnom Penh | Phnom Penh, Cambodia | 138.0 units | 125,313 | 300,000.0 | 53% | 21.7 |
| Sunway Hotel Hanoi | Hanoi, Vietnam | 142.0 units | 9,365 | 300,000.0 | 100% | 42.6 |
| On going developments | | | | | | |
| Sunway City Penang | Seberang Perai, Penang | 15.8 ac | 210,394.8 | 100.0 | 100% | 21.0 |
| Sunway Grand | Penang | 3.8 ac | 768,767.9 | 100.0 | 100% | 76.9 |
| Sg. Ara - new land | Penang | 68.3 ac | 3,484,800.0 | 13.0 | 100% | 45.3 |
| Bukit Mertajam - new land | Penang | 17.8 ac | 7,729,724.0 | 12.0 | 100% | 92.8 |
| Sunway Damansara | Petaling, Selangor | 18.2 ac | 1,048,489.2 | 120.0 | 60% | 75.5 |
| Sunway City Ipoh | Ipoh, Perak | 899.2 ac | 32,666,515.2 | 3.0 | 65% | 63.7 |
| Sunway Velocity | Kuala Lumpur | 19.5 ac | 984,456.0 | 150.0 | 50% | 73.8 |
| Sunway Tower KL 1 | Kuala Lumpur | 1.0 ac | 43,560.0 | 1,000.0 | 100% | 43.6 |
| Sunway Kayangan | Bukit Raja, Selangor | 5.4 ac | 367,646.4 | 40.0 | 100% | 14.7 |
| Sunway Integrated Resort | Petaling, Selangor | 18.5 ac | 845,064.0 | 100.0 | 100% | 84.5 |
| Sunway Semenyih | Ulu Langat, Selangor | 398.1 ac | 17,341,671.6 | 5.0 | 100% | 86.7 |
| Sunway Cheras | Selangor | 6.9 ac | 301,870.8 | 25.0 | 100% | 7.5 |
| Sunway South Quay | Bandar Sunway, Selangor | 52.4 ac | 2,517,768.0 | 350.0 | 60% | 528.7 |
| Casa Kiara III | Sri Hartamas, KL | 2.8 ac | 130,680.0 | 180.0 | 80% | 18.8 |
| Sunway Duta | Kuala Lumpur | 3.2 ac | 136,342.8 | 350.0 | 60% | 28.6 |
| Sunway Melawati | Setapak, KL | 30.6 ac | 1,427,896.8 | 35.0 | 100% | 50.0 |
| Sunway Alam Suria | Shah Alam, Selangor | 14.1 ac | 1,045,440.0 | 40.0 | 50% | 20.9 |
| Sunway OPUS Grand India | Hyderabad, India | 23.8 ac | 1,524,600.0 | 20.0 | 50% | 15.2 |
| Sunway MAK Signature Residence | Hyderabad, India | 14.0 ac | 609,840.0 | 20.0 | 60% | 7.3 |
| Sunway Guanghao | Jianyin, China | 3.7 ac | 740,520.0 | 80.0 | 39% | 23.1 |
| Tianjin Eco City | Tianjin, China | 90.9 ac | 3,789,720.0 | 90.0 | 65% | 221.7 |
| Wonderland Business Park | Sydney, Australia | 65.5 ac | 3,971,800.8 | 90.0 | 31% | 110.8 |
| Bukit Lenang - new land | Johor | 64.0 ac | 2,787,840.0 | 40.0 | 80% | 89.2 |
| Taman Equine | Selangor | 33.0 ac | 1,437,480.0 | 20.0 | 100% | 28.7 |
| Bangi | Selangor | 3.0 ac | 130,680.0 | 10.0 | 100% | 1.3 |
| Sg. Long | Balakong | 111.0 ac | 4,835,160.0 | 25.0 | 80% | 96.7 |
| Mont Putra | Selangor | 163.0 ac | 7,100,280.0 | 35.0 | 100% | 248.5 |
| Melawati 2 | Selangor | 2.0 ac | 87,120.0 | 20.0 | 100% | 1.7 |
| Tampines | Singapore | 5.0 ac | 217,800.0 | 750.0 | 30% | 49.0 |
| Sembawang | Singapore | 0.8 ac | 34,848.0 | 975.0 | 100% | 34.0 |
| Yuan Ching Road | Singapore | 5.0 ac | 217,800.0 | 750.0 | 30% | 49.0 |
| Pasir Ris Rise | Singapore | 4.3 ac | 187,308.0 | 780.0 | 30% | 43.8 |
| Medini land | Iskandar | 691.0 ac | 30,099,960.0 | 40.0 | 38% | 457.5 |
| Pendas land | Iskandar | 1,079.2 ac | 47,009,952.0 | 40.0 | 60% | 1128.2 |
| New Land Novena | Singapore | 1.7 ac | 71,874.0 | 500.0 | 30% | 10.8 |
| Total value of properties | | | | | | 4,564.5 |
| | | Market cap | Stake | | | |
| | | Rm m | | | | |
| Sunway REIT | | 3,683.4 | 37% | | | 1,351.8 |
| | | FY15 Net profit | Stake | P/E | | |
| | | RM m | | | | |
| Construction | | 95.0 | 100% | 15.9 | | 1,511.0 |
| Quarry & Trading | | 56.6 | 100% | 12.7 | | 720.2 |
| Property investments | | | | | | 1,494.8 |
| Net current asset less dev. Properties (3Q13) | | | | | | 139.9 |
| Total borrowings (3Q13) | | | | | | (2,681.5) |
| Total RNAV | | | | | | 7,100.7 |
| No. of shares (m) | | | | | | 1,722.6 |
| FD RNAV (RM) | | | | | | 7,820.74 |
| RNAV/share (RM) | | | | | | 3.89 |
| Discount to RNAV | | | | | | 20% |
| Target price (RM) | | | | | | 3.11 |

SOURCES: CIMB, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

| | | | | | |
|---------------------|----------|-----------|-----------|-------------|------------------|
| Score Range: | 90 – 100 | 80 – 89 | 70 – 79 | Below 70 or | No Survey Result |
| Description: | | Excellent | Very Good | Good | N/A |

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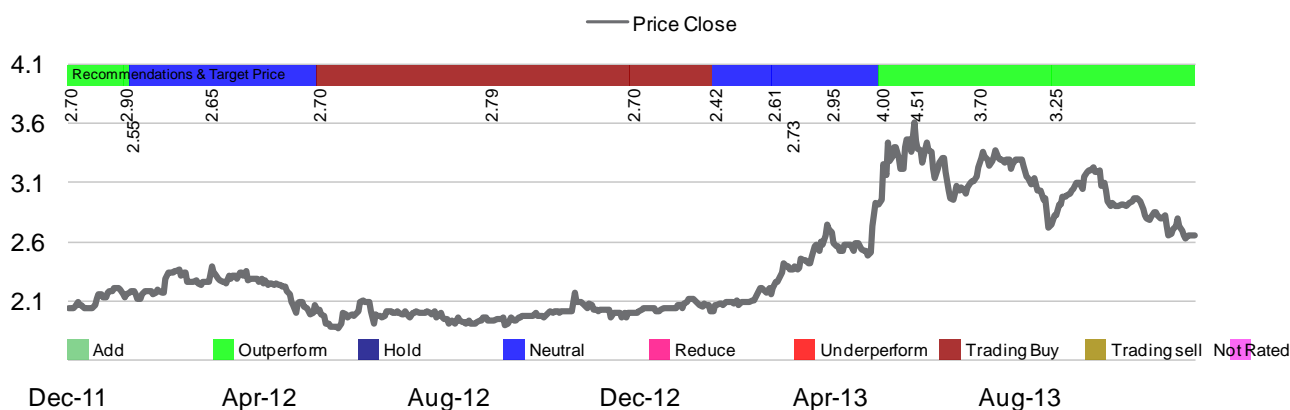
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Spitzer Chart for stock being researched (2 year data)



| Distribution of stock ratings and investment banking clients for quarter ended on 31 October 2013 | | |
|---|-------------------------|--------------------------------|
| 1251 companies under coverage for quarter ended on 31 October 2013 | | |
| | Rating Distribution (%) | Investment Banking clients (%) |
| Outperform/Buy/Trading Buy/Add | 49.8% | 7.1% |
| Neutral/Hold | 34.0% | 5.7% |
| Underperform/Sell/Trading Sell/Reduce | 16.2% | 4.6% |

As at the time of publishing this report CIMB is phasing in an absolute recommendation structure for stocks (Framework #1). Please refer to all frameworks for a definition of any recommendations stated in this report.

CIMB Recommendation Framework #1

| Stock Ratings | Definition |
|---------------|---|
| Add | The stock's total return is expected to exceed 10% over the next 12 months. |
| Hold | The stock's total return is expected to be between 0% and positive 10% over the next 12 months. |
| Reduce | The stock's total return is expected to fall below 0% or more over the next 12 months. |

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock.

Stock price targets have an investment horizon of 12 months.

| Sector Ratings | Definition |
|--------------------|--|
| Overweight | An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation. |
| Neutral | A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation. |
| Underweight | An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation. |

| Country Ratings | Definition |
|--------------------|--|
| Overweight | An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark. |
| Neutral | A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark. |
| Underweight | An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark. |

CIMB Stock Recommendation Framework #2 *

| | |
|-------------------|---|
| Outperform | The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months. |
| Neutral | The stock's total return is expected to be within +/-5% of a relevant benchmark's total return. |

| | |
|---------------------|---|
| Underperform | The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months. |
| Trading Buy | The stock's total return is expected to exceed a relevant benchmark's total return by 3% or more over the next 3 months. |
| Trading Sell | The stock's total return is expected to be below a relevant benchmark's total return by 3% or more over the next 3 months. |

** This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.
CIMB Research Pte Ltd (Co. Reg. No. 198701620M)*

CIMB Stock Recommendation Framework #3 **

| | |
|---------------------|--|
| Outperform | Expected positive total returns of 10% or more over the next 12 months. |
| Neutral | Expected total returns of between -10% and +10% over the next 12 months. |
| Underperform | Expected negative total returns of 10% or more over the next 12 months. |
| Trading Buy | Expected positive total returns of 10% or more over the next 3 months. |
| Trading Sell | Expected negative total returns of 10% or more over the next 3 months. |

*** This framework only applies to stocks listed on the Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*

Corporate Governance Report of Thai Listed Companies (CGR), CG Rating by the Thai Institute of Directors Association (IOD) in 2012.

AAV – not available, **ADVANC** - Excellent, **AEONTS** – Good, **AMATA** - Very Good, **ANAN** – not available, **AOT** - Excellent, **AP** - Very Good, **BANPU** - Excellent, **BAY** - Excellent, **BBL** - Excellent, **BCH** – not available, **BCP** - Excellent, **BEC** - Very Good, **BGH** - not available, **BJC** – Very Good, **BH** - Very Good, **BIGC** - Very Good, **BTS** - Excellent, **CCET** - Good, **CENTEL** – Very Good, **CK** - Very Good, **CPALL** - Very Good, **CPF** - Very Good, **CPN** - Excellent, **DELTA** - Very Good, **DTAC** - Very Good, **EGCO** – Excellent, **ERW** – Excellent, **GLOBAL** - Good, **GLOW** - Very Good, **GRAMMY** – Excellent, **HANA** - Very Good, **HEMRAJ** - Excellent, **HMPRO** - Very Good, **INTUCH** – Very Good, **ITD** – Very Good, **IVL** - Very Good, **JAS** – Very Good, **KAMART** – not available, **KBANK** - Excellent, **KK** – Excellent, **KTB** - Excellent, **LH** - Very Good, **LPN** - Excellent, **MAJOR** - Good, **MAKRO** – Very Good, **MCOT** - Excellent, **MINT** - Very Good, **PS** - Excellent, **PSL** - Excellent, **PTT** - Excellent, **PTTGC** - Excellent, **PTTEP** - Excellent, **QH** - Excellent, **RATCH** - Excellent, **ROBINS** - Excellent, **RS** – Excellent, **SAMART** – Excellent, **SC** – Excellent, **SCB** - Excellent, **SCC** - Excellent, **SCCC** - Very Good, **SIRI** - Good, **SPALI** - Very Good, **SRICHA** – not available, **SSI** – not available, **STA** - Good, **STEC** - Very Good, **TCAP** - Very Good, **THAI** - Excellent, **THCOM** – Very Good, **TICON** – Very Good, **TISCO** - Excellent, **TMB** - Excellent, **TOP** - Excellent, **TRUE** - Very Good, **TTW** – Very Good, **TUF** - Very Good, **VGI** – not available, **WORK** – Good.