

## Sunway Bhd


SWB MK / SWAY.KL

## 2QFY13 RESULTS NOTE

▶ **Market Cap**  
**US\$1,421m**  
 RM4,740m

▶ **Avg Daily Turnover**  
**US\$1.27m**  
 RM4.04m

▶ **Free Float**  
**40.1%**  
 1,723 m shares

Current **RM2.75**  
 Target **RM3.25**   
 Prev. Target **RM3.70**  
 Up/Downside **18.2%**

**SHORT TERM (3 MTH)** **LONG TERM**

TRADING BUY	<b>OUTPERFORM</b>
TRADING SELL	NEUTRAL
	UNDERPERFORM

### CIMB Analyst(s)



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### Share price info

Share price perf. (%)	1M	3M	12M
Relative	-10.4	-15.4	40.1
Absolute	-16.7	-20.9	42.6

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

# Jobs making a comeback

*Annualised 1H13 core net profit was 1-2% above our and consensus' full-year numbers. The results were above expectations due to over estimated tax rates, while 2H's results should be better. 2H's job flows should be good. The share price correction presents a good entry point.*

Lower tax rates drive our FY13-15 EPS upgrades. But our target price (based on a 20% RNAV discount) is reduced as we update for balance sheet items. Maintain Outperform as the stock should continue to benefit from the Iskandar newsflow, with added catalysts from job wins and new land acquisitions. The stock's real value is anchored by its huge land bank and longer-term prospects in Iskandar.

### No surprises in 2Q13 ▶

Annualised 1H13 core net profit was 1-2% above our and consensus' full-year estimates. While 2H is a seasonally-stronger period, the results outperformance was also due to lower-than-expected tax rates. There were no major surprises from segmental results. Property and construction were the key revenue drivers, underpinned by YTD effective property sales of RM492m and the rapid recovery in job wins in the past 12 months. Improvements in the group's EBIT margin in 1H

should sustain in 2H. The interim single-tier DPS of 5 sen was in line.

### Property prospects ▶

Domestically, property sales prospects remain bright, with RM1.3bn of sales (70% local, 30% in Singapore) targeted for FY13, backed by RM1.8bn of unbilled sales. There has yet to be any maiden sales in Iskandar but the RM1.5bn launch GDV targeted for FY13 includes RM500m from Medini, with its first launch intended in Dec 13.

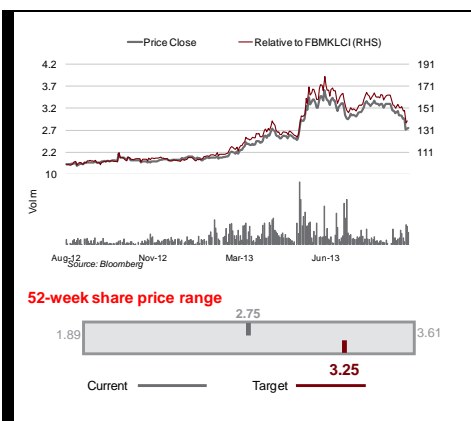
### Strong job flows YTD ▶

An outstanding order book of RM4.2bn has further upside from potentially new jobs in 2H13. The RM283m urban wellness centre project won recently marked Sunway's fifth contract in Iskandar, bringing total job wins YTD to RM1.8bn. The group could win 1-2 more jobs in the coming months given the RM500m-800m targeted wins in 2H. Sunway is also a strong contender for new MRT jobs.

### Results comparison

FYE Dec (RM m)	2QFY13	2QFY12	yoy %	qoq %	2QFY13	2QFY12	yoy %	Prev.	
			chg	chg	Cum	Cum	chg	FY13F	Comments
Revenue	1,118.0	996.1	12.2	9.5	2,139.1	1,810.9	18.1	4,106.1	Driven by property and construction
Operating costs	(1,061.2)	(976.9)	8.6	13.5	(1,996.1)	(1,731.2)	15.3	(3,545.6)	Cost management
EBIT	56.8	19.2	196.5	(34.0)	143.0	79.6	79.6	560.6	2H will be stronger
EBIT margin (%)	5.1	1.9	164.2	(39.7)	6.7	4.4	52.1	13.7	
Interest expense	(21.0)	(29.7)	(29.5)	(5.4)	(43.1)	(53.9)	(19.9)	(126.6)	Borrowings stood at RM3bn
Interest & invt inc	8.4	7.0	19.7	(20.5)	18.9	12.5	50.8	28.8	Proforma post-rights cash of RM1.7bn
Associates' contrib	108.7	111.6	(2.6)	127.1	156.5	154.4	1.3	116.9	Strong property sales in Singapore
Exceptionals	59.6	85.2	(30.0)	>100	59.8	85.4	(30.0)	-	None expected
Pretax profit	212.5	193.1	10.0	73.4	335.0	278.0	20.5	579.7	Boosted by fair value gains
Tax	(32.5)	(30.3)	7.0	23.2	(58.8)	(48.8)	20.4	(134.3)	Below
Tax rate (%)	15.3	15.7	(2.8)	(29.0)	17.6	17.6	(0.1)	23.2	Below
Minority interests	(9.7)	(8.5)	14.5	72.6	(15.3)	(10.4)	47.0	(446.3)	Lower than expected
Net profit	170.3	154.3	10.4	88.1	260.9	218.8	19.3	399.1	Annualised 1H13 core net profit was
Core net profit	110.7	69.1	60.2	22.6	201.1	141.9	41.7	399.1	1-2% above ours and consensus
EPS (sen)	13.2	11.9	10.4	88.0	21.2	16.9	25.2	31.0	full-year forecasts

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	410.5	450.9	464.9
Core EPS (RM)	0.21	0.21	0.24	0.26	0.27
Core EPS Growth	(41.9%)	(0.3%)	11.3%	9.8%	3.1%
FD Core P/E (x)	13.65	13.49	12.03	10.87	10.54
DPS (RM)	0.00	0.45	0.07	0.07	0.07
Dividend Yield	0.0%	16.3%	2.7%	2.7%	2.7%
EV/EBITDA (x)	15.32	18.63	9.19	7.90	7.23
P/FCFE (x)	5.72	NA	12.95	56.32	24.94
Net Gearing	65.8%	48.1%	39.1%	27.6%	16.3%
P/BV (x)	1.70	1.38	1.20	1.05	0.93
Recurring ROE	13.7%	11.8%	11.1%	10.7%	9.7%
% Change In Core EPS Estimates			2.85%	1.51%	6.07%
CIMB/consensus EPS (x)			1.04	1.03	0.94

SOURCE: CIMB, COMPANY REPORTS

### Figure 1: Segmental breakdown (excluding eliminations)

	1H13	1H12	yoy Comments
<b>Revenue</b>			
Property development	489.6	348.8	40% Driven by RM492m effective property sales in 1H13
Property investment	296.3	313.1	-5% Off peak season hotels and theme parks
Construction	890.8	673.5	32% Strong jobs flows YTD with outstanding order book of RM4.2bn
Trading & Manufacturing	334.4	351.1	-5% Seasonal weakness
Quarry	101.1	89.2	13% Benefitted from pick up in construction activities
Investment holdings	126.1	44.1	186% Lumpy contributions
Others	180.4	187.9	-4% Relatively stable numbers
<b>Total</b>	<b>2,418.6</b>	<b>2,007.6</b>	<b>20%</b>
<b>Pretax profit</b>			
Property development	126.7	79.3	60% Boosted by contributions from Singapore
Property investment	118.1	143.8	-18% Off peak season for hotels and theme parks
Construction	46.1	28.9	59% Backed by RM1.8bn worth of total jobs secured YTD
Trading & Manufacturing	23.0	23.4	-2% Greater mix of lower margin products
Quarry	11.8	3.6	230% Orders picking up
Investment holdings	(3.3)	(11.0)	-70% Lumpy contributions
Others	12.6	10.1	24% Stable numbers
<b>Total</b>	<b>335.0</b>	<b>278.0</b>	<b>20%</b>
<b>%pts</b>			
<b>Pretax margin</b>			
Property development	26%	23%	3% Boosted by contributions from Singapore
Property investment	40%	46%	-6% Should be stable at these levels
Construction	5%	4%	1% Margins should stabilise around 5-6%
Trading & Manufacturing	7%	7%	0% Greater mix of lower margin products
Quarry	12%	4%	8% Orders picking up
Investment holdings	-3%	-25%	22% Lumpy contributions
Others	7%	5%	2% Stable numbers
<b>Total</b>	<b>14%</b>	<b>14%</b>	<b>0%</b>

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
<b>On going developments</b>						
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	6.0	65%	127.4
Sunway Velocity	Kuala Lumpur	19.5 ac	984,456.0	200.0	50%	98.4
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	6.0	100%	104.1
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	300.0	60%	453.2
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	Jiayin, 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	40.0	100%	284.0
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	45.0	38%	514.7
Pendas land	Iskandar	1,079.2 ac	47,009,952.0	45.0	60%	1269.3
New Land Novena	Singapore	1.7 ac	71,874.0	500.0	30%	10.8
Total value of properties						4,828.3
		<b>Market cap</b>	<b>Stake</b>			
		<b>Rm m</b>				
Sunway REIT		3,797.9	37%			1,393.8
		<b>FY14 Net profit</b>	<b>Stake</b>	<b>P/E</b>		
		<b>RM m</b>				
Construction		87.6	100%	15.6		1,365.8
Quarry & Trading		65.9	100%	12.5		822.4
Property investments						1,400.5
Net current asset less dev. Properties (2Q13)						(325.5)
Total borrowings (2Q13)						(3,015.7)
Cash (2Q13)						985.8
Total RNAV						7,455.4
No. of shares (m)						1,722.6
<b>FD RNAV (RM)</b>						<b>8,175.35</b>
<b>RNAV/share (RM)</b>						<b>4.07</b>
Discount to RNAV						20%
<b>Target price (RM)</b>						<b>3.25</b>

SOURCES: CIMB, COMPANY REPORTS

**Figure 3: Sector Comparisons**

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
						CY2013	CY2014		CY2013	CY2014	CY2013	CY2014	CY2013	CY2014
Gamuda	GAM MK	Outperform	4.49	5.60	3,066	15.7	14.1	14.0%	4.50	4.07	29.6%	30.3%	2.5%	2.6%
IJM Corp Bhd	IJM MK	Outperform	5.49	6.43	2,311	16.9	14.2	12.0%	2.85	2.80	17.4%	20.4%	2.4%	2.6%
Malaysian Resources Corp	MRC MK	Neutral	1.44	1.59	599	32.7	61.0	-22.0%	2.17	2.05	6.8%	3.6%	3.6%	1.7%
Muhibbah Engineering	MUHI MK	Outperform	2.15	3.18	267	na	11.7	11.2%	1.40	1.35	-16.0%	11.8%	1.2%	1.4%
Mudajaya Group	MDJ MK	Outperform	2.57	3.02	418	5.9	7.2	-2.5%	1.13	0.93	21.3%	14.8%	3.5%	3.9%
Sunway Bhd	SWB MK	Outperform	2.75	3.25	1,421	12.8	11.5	3.8%	1.38	1.20	11.7%	11.6%	16.3%	2.7%
WCT Holdings	WCTHG MK	Outperform	2.42	2.92	793	12.5	11.1	11.5%	1.55	1.32	12.9%	13.3%	2.9%	3.4%
Benalec Holdings	BHB MK	Trading Buy	1.18	1.68	285	13.5	14.2	-9.4%	1.74	1.44	14.8%	11.3%	1.3%	0.8%
<b>Malaysia average</b>						<b>19.7</b>	<b>15.2</b>	<b>11.0%</b>	<b>3.15</b>	<b>3.00</b>	<b>16.4%</b>	<b>20.6%</b>	<b>2.5%</b>	<b>2.4%</b>
Adhi Karya	ADHI IJ	Neutral	1,990	3,300	318	16.9	9.9	34.7%	3.05	2.42	20.5%	28.0%	1.4%	1.6%
Pembangunan Perumahan	PTPP IJ	Outperform	1,010	1,800	434	15.8	10.9	27.6%	2.95	2.43	21.0%	25.1%	1.5%	1.9%
Total Bangun Persada	TOTL IJ	Outperform	700.0	1,350	212	13.6	11.0	26.8%	3.62	3.10	28.4%	31.0%	6.3%	4.4%
Wijaya Karya	WIKA IJ	Outperform	1,700	2,700	927	22.4	16.7	33.3%	3.98	3.67	20.6%	24.7%	1.3%	1.8%
<b>Indonesia average</b>						<b>18.3</b>	<b>13.0</b>	<b>31.3%</b>	<b>3.48</b>	<b>3.02</b>	<b>21.6%</b>	<b>26.1%</b>	<b>1.9%</b>	<b>2.1%</b>
CH. Kanchang	CK TB	Outperform	18.80	33.60	962	54.7	27.3	na	3.63	1.85	7.5%	9.1%	1.9%	4.8%
Italian-Thai Development	ITD TB	Underperform	4.12	8.00	620	62.5	20.6	na	1.98	1.84	3.2%	9.1%	0.0%	1.2%
Sino-Thai Eng & Construction	STEC TB	Outperform	17.90	34.00	845	18.2	15.4	26.6%	3.45	3.40	19.5%	22.5%	3.1%	1.8%
<b>Thailand average</b>						<b>34.6</b>	<b>20.4</b>	<b>na</b>	<b>2.97</b>	<b>2.21</b>	<b>9.1%</b>	<b>12.3%</b>	<b>1.8%</b>	<b>2.9%</b>
Yongnam Holdings	YNH SP	Underperform	0.24	0.28	237	6.9	7.1	-2.3%	0.94	0.86	13.8%	13.0%	4.2%	4.2%
<b>Singapore average</b>						<b>6.9</b>	<b>7.1</b>	<b>-2.3%</b>	<b>0.94</b>	<b>0.86</b>	<b>13.8%</b>	<b>13.0%</b>	<b>4.2%</b>	<b>4.2%</b>
<b>Average (all)</b>						<b>17.6</b>	<b>14.1</b>	<b>24.4%</b>	<b>2.48</b>	<b>2.18</b>	<b>15.0%</b>	<b>16.8%</b>	<b>3.9%</b>	<b>2.5%</b>

SOURCES: CIMB, COMPANY REPORTS

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<b>Description:</b>		Excellent	Very Good	Good	N/A

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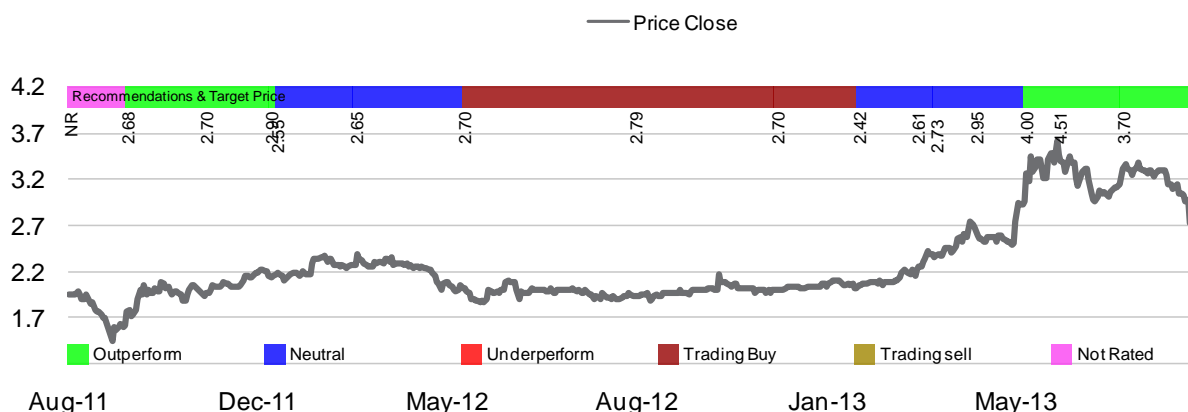
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**Spitzer Chart for stock being researched ( 2 year data )**



Distribution of stock ratings and investment banking clients for quarter ended on 31 July 2013		
1189 companies under coverage		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy	51.8%	7.5%
Neutral	33.5%	4.6%
Underperform/Sell/Trading Sell	14.8%	5.6%

**Recommendation Framework #1 \***

**Stock**

**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 5% 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 5% or more over the next 3 months.

**Sector**

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.

**TRADING BUY:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.

**TRADING SELL:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index 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.

Recommendation Framework #2 \*\*

Stock	Sector
<b>OUTPERFORM:</b> Expected positive total returns of 10% or more over the next 12 months.	<b>OVERWEIGHT:</b> The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 12 months.
<b>NEUTRAL:</b> Expected total returns of between -10% and +10% over the next 12 months.	<b>NEUTRAL:</b> The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +10% (or better) or -10% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +10% to -10%; both over the next 12 months.
<b>UNDERPERFORM:</b> Expected negative total returns of 10% or more over the next 12 months.	<b>UNDERWEIGHT:</b> The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 12 months.
<b>TRADING BUY:</b> Expected positive total returns of 10% or more over the next 3 months.	<b>TRADING BUY:</b> The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 3 months.
<b>TRADING SELL:</b> Expected negative total returns of 10% or more over the next 3 months.	<b>TRADING SELL:</b> The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse 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.