

Sunway Bhd

SWB MK / SWAY.KL

➤ **Market Cap**
US\$1,041m
RM3,218m

➤ **Avg Daily Turnover**
US\$0.56m
RM1.73m

➤ **Free Float**
40.1%
1,289 m shares

Current **RM2.49**
Target **RM2.61**
Previous Target **RM2.42**
Up/downside **4.8%**

4QFY12 RESULTS NOTE

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

TRADING BUY **OUTPERFORM**

TRADING SELL **NEUTRAL**

UNDERPERFORM

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	4.2	6.4	-9.8
Absolute	4.2	8.3	-4.6

Major shareholders

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

Property anchors growth

Sunway's FY12 core net profit, making up 98% of our full-year number and exceeding consensus expectations by 4%, was generally in line, with property continuing to be the primary earnings driver. 2013 will be underpinned by RM1.3bn in targeted sales.

Our EPS forecasts are unchanged and we introduce our FY15 numbers. Although we continue to apply a 40% RNAV discount, our target price rises as we update for balance sheet items. We continue to rate Sunway a Neutral, as despite the deep value proposition from its massive land bank (60% of RNAV), elections risks could limit share price upside in the medium-term.

Property driven ➤

FY12 core earnings of RM351m made up 98% of our full-year forecast but exceeded consensus expectations by 4%. The in-line results were anchored by Sunway's property development segment (RM1.8bn in total sales exceeded its targeted RM1.3bn). Its property EBIT margin was strong; expanding from FY11's 23% to FY12's 34% and boosted by its Singapore property projects. The group's construction division was, however, a laggard: while revenue grew, EBIT margin slipped to 4.8% (5.2%: FY11) due to a one-off

provision. Its MRT contracts have not reached the profit recognition phase. The 6 sen interim single-tier DPS in 4Q12 was below our expected 9 sen for the full year. However we keep our DPS forecasts for now.

RM3.2bn order book ➤

Sunway's outstanding order book stands at RM3.2bn, of which 47% (RM1.5bn) comprise MRT and LRT works. After a total RM1.9bn in contract wins in 2012, potential new jobs in 1H13 could be limited given the low tender visibility. The group is targeting between RM500m and RM1bn worth of new jobs in 2013.

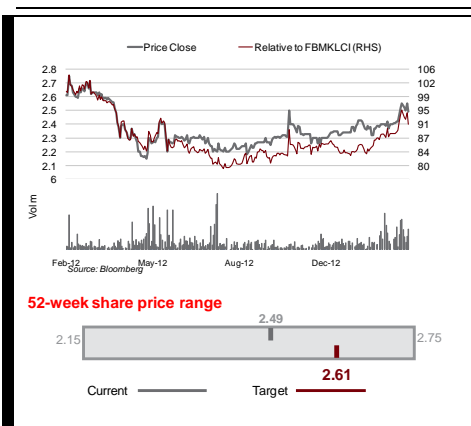
Deep value play muted ➤

Sunway's remaining land bank makes up 60% of its RNAV. While the recent land acquisitions in Iskandar reinforce the stock's deep value proposition, we think that this quality could be downplayed in view of the heightened election risks. Switch to WCT for stronger job flows.

Results comparison

FYE Dec (RM m)	4QFY12	4QFY11	yoy % chg	3QFY12	qq % chg	4QFY12 Cum	4QFY11 Cum	yoy % chg	Prev. FY12F	Comments
Revenue	1,198.9	921.4	30.1	867.0	38.3	3,876.8	3,691.7	5.0	3,825.5	Boosted by property investment
Operating costs	(991.2)	(762.4)	30.0	(761.6)	30.2	(3,572.7)	(3,378.2)	5.8	(3,324.8)	In line
EBIT	207.7	159.0	30.6	105.4	97.0	304.1	313.5	(3.0)	500.7	Decline in construction EBIT
EBIT margin (%)	17.3	17.3	0.4	12.2	42.5	7.8	8.5	(7.6)	13.1	Decline in construction EBIT margin
Interest expense	(20.8)	(23.0)	(9.4)	(29.9)	(30.4)	(104.6)	(80.9)	29.3	(142.5)	Borrowings stood at RM2.8bn
Interest & invt inc	4.1	7.3	(43.5)	10.5	(60.8)	27.1	27.5	(1.5)	33.8	Cash stood at RM1.1bn
Associates' contrib	99.6	(1.5)	6,601.4	56.1	77.4	301.2	185.6	62.3	121.2	Above expectations
Exceptionals	25.7	50.3	(48.9)	0.3	8,466.7	200.4	52.8	279.5	-	None expected
Pretax profit	316.3	192.1	64.7	142.4	122.1	728.2	498.5	46.1	513.2	Core pretax profit of RM523m
Tax	(55.8)	(40.3)	38.4	(32.4)	72.2	(128.5)	(69.6)	84.8	(118.4)	Broadly in line
Tax rate (%)	17.6	21.0	(16.0)	22.8	(22.4)	17.7	14.0	26.5	23.1	Lower than expected
Minority interests	(41.2)	(10.1)	308.0	(15.7)	161.6	(67.4)	(41.4)	62.6	(39.1)	Lower than expected
Net profit	219.3	141.7	54.8	94.3	132.6	532.3	387.5	37.4	355.7	FY12 core net profit made up 98% of our full year forecast and was 4%
Core net profit	114.1	100.8	13.2	94.0	21.4	350.5	327.1	7.1	355.7	
EPS (sen)	17.0	11.0	54.5	7.3	133.2	41.2	30.0	37.3	28.0	above consensus
Core EPS (sen)	8.8	7.8	13.0	7.3	21.7	27.1	25.3	7.1	28.0	

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	399.1	444.2	438.3
Core EPS (RM)	0.29	0.29	0.31	0.34	0.34
Core EPS Growth	(46.3%)	(0.3%)	8.2%	11.3%	(1.3%)
FD Core P/E (x)	8.97	9.28	8.58	7.65	7.50
DPS (RM)	-	0.060	0.098	0.098	0.098
Dividend Yield	0.00%	2.41%	3.92%	3.92%	3.92%
EV/EBITDA (x)	11.28	13.46	6.58	5.48	4.81
P/FCFE (x)	3.76	NA	8.98	39.02	21.57
Net Gearing	65.8%	48.1%	39.5%	28.0%	17.2%
P/BV (x)	1.15	0.94	0.82	0.72	0.64
Recurring ROE	13.7%	11.8%	10.8%	10.6%	9.2%
% Change In Core EPS Estimates			0%	0%	
CIMB/consensus EPS (x)			1.14	1.18	0.71

SOURCE: CIMB, COMPANY REPORTS

Figure 1: 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 (%)	
						CY2012	CY2013		CY2012	CY2013	CY2012	CY2013	CY2012	CY2013
Gamuda	GAM MK	Neutral	3.84	3.95	2,598	16.3	13.5	27.7%	4.09	3.85	25.0%	29.5%	2.9%	3.0%
IJM Corp Bhd	IJM MK	Neutral	5.13	5.27	2,295	17.7	14.9	29.4%	2.83	2.67	16.2%	18.5%	2.3%	2.5%
Malaysian Resources Corp	MRC MK	Neutral	1.29	1.33	579	22.7	29.3	8.4%	2.08	1.94	9.9%	6.8%	1.6%	4.0%
Muhibbah Engineering	MUHI MK	Neutral	0.82	0.94	107	5.3	5.0	34.1%	0.54	0.53	10.1%	10.7%	6.1%	6.1%
Mudajaya Group	MDJ MK	Trading Buy	2.45	2.93	431	5.8	5.7	16.1%	1.42	1.07	28.6%	21.3%	3.3%	3.7%
Sunway Bhd	SWB MK	Neutral	2.49	2.61	1,041	8.7	8.7	-15.4%	1.15	0.94	14.1%	11.7%	0.0%	2.4%
WCT Bhd	WCT MK	Trading Buy	2.21	2.58	714	13.2	11.4	15.6%	1.56	1.42	12.7%	12.9%	4.3%	3.2%
Malaysia average						16.7	14.3	27.0%	2.90	2.74	17.6%	19.6%	2.6%	3.0%
Adhi Karya	ADHI IJ	Outperform	2,575	2,800	480	25.5	21.9	20.5%	4.72	3.95	19.6%	19.7%	1.1%	1.2%
Pembangunan Perumahan	PTPP IJ	Outperform	920.0	1,100	461	18.5	14.6	26.6%	3.13	2.68	18.4%	19.4%	1.6%	1.6%
Total Bangun Persada	TOTL IJ	Outperform	1,110	1,120	391	30.4	20.6	45.7%	5.98	5.68	20.4%	28.2%	0.0%	0.0%
Wijaya Karya	WIKA IJ	Outperform	1,770	2,050	1,118	30.1	24.2	40.2%	5.15	4.48	15.5%	16.8%	0.6%	1.2%
Indonesia average						26.0	20.5	32.1%	4.64	4.03	17.6%	19.4%	0.8%	1.1%
CH. Karnchang	CK TB	Neutral	25.25	24.00	1,402	na	73.4	na	6.54	4.88	-54.3%	7.5%	1.4%	1.0%
Italian-Thai Development	ITD TB	Underperform	6.45	4.20	909	na	211.7	4.8%	3.36	3.31	-15.3%	1.6%	0.0%	0.0%
Sino-Thai Eng & Construction	STEC TB	Outperform	37.50	38.50	1,495	49.3	38.2	50.7%	7.89	7.24	18.5%	19.5%	0.6%	1.5%
Thailand average						na	60.8	79.7%	5.64	4.95	-18.7%	8.5%	0.7%	0.9%
Yongnam Holdings	YNH SP	Outperform	0.29	0.36	291	5.6	8.0	10.4%	1.23	1.11	24.8%	14.2%	3.5%	3.5%
Singapore average						5.6	8.0	10.4%	1.23	1.11	24.8%	14.2%	3.5%	3.5%
Average (all)						25.2	16.8	16.9%	2.94	2.59	12.0%	16.0%	1.7%	2.1%

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	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	200.0	60%	302.1
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	300.0	60%	24.5
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	100.0	65%	246.3
Wonderland Business Park	Sydney, Australia	65.5 ac	3,971,800.8	100.0	31%	123.1
Bukit Lenang - new land	Johor	64.0 ac	2,787,840.0	30.0	80%	66.9
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	25.0	100%	177.5
Melawati 2	Selangor	2.0 ac	87,120.0	20.0	100%	1.7
Tampines	Singapore	5.0 ac	217,800.0	732.0	30%	47.8
Sembawang	Singapore	0.8 ac	34,848.0	732.0	100%	25.5
Yuan Ching Road	Singapore	5.0 ac	217,800.0	610.0	30%	39.9
Pasir Ris Rise	Singapore	4.3 ac	187,308.0	600.0	30%	33.7
Medini land	Iskandar	691.0 ac	30,099,960.0	35.0	38%	400.3
New land Pendah North and South	Iskandar	779.2 ac	33,941,952.0	12.2	60%	248.5
New Land Novena	Singapore	1.7 ac	71,874.0	488.0	30%	10.5
Total value of properties						3,417.0
		Market cap (RM m)	Stake			
Sunway REIT		4,405.2	37%	1,616.7		
		FY14 Net profit (RM m)	Stake	P/E		
Construction		82.5	100%	13.3	1,097.0	
Quarry & Trading		65.9	100%	10.6	701.1	
Property investments					1,150.3	
Net current asset less dev. Properties					795.3	
Total borrowings					(2,746.9)	
FD no. of shares (m)					1,550.51	
FD RNAV (RM)						6,752.95
RNAV/share (RM)						4.36
Discount to RNAV						40%
Target price (RM)						2.61

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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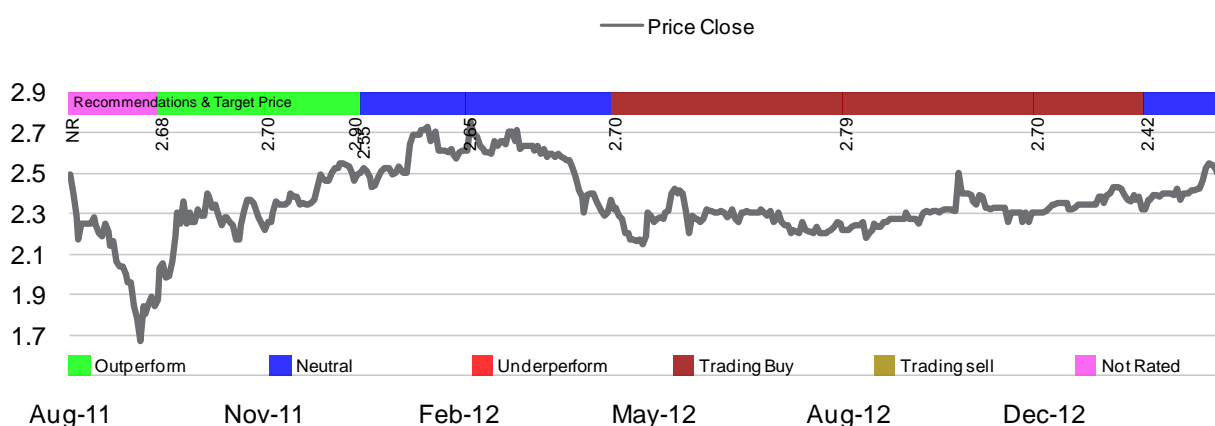
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Spitzer Chart for stock being researched (2 year data)



Distribution of stock ratings and investment banking clients for quarter ended on 31 January 2013		
918 companies under coverage		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy	52.6%	8.6%
Neutral	34.6%	4.2%
Underperform/Sell/Trading Sell	12.7%	8.4%

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, Korea 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

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.

Sector

OVERWEIGHT: 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.

NEUTRAL: 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.

UNDERWEIGHT: 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.

TRADING BUY: 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.

TRADING SELL: 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 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 2011.

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