Sunway Berhad

The Five Pillars of Sustainability…

OUTPERFORM

Price: RM2.74

Target Price: RM3.58

Initiating Coverage on SUNWAY with an OUTPERFORM recommendation and a TP of RM3.58 based on our SoP valuation, which provides a total return of 32%. The TP valuation is at a 25% discount to the property sector which is inline with our industry average of 27%. We like SUNWAY for: (i) its cheap landbanks, (ii) low sales base compared to other large cap developers, (iii) has the second largest exposure to Iskandar region where we have a bullish outlook, (iv) the third largest market capitalisation developer with strong branding and experience and a full value chain from construction, property development to investment properties, (v) one of the top contractors with an outstanding order book of RM3.9b, (vi) company's plan to spin off more assets to SUNREIT, the third largest retail-based MREIT in town by market cap, in three-years time, and (vii) undemanding valuation of 10.7x-8.7x and 1.0x-0.9x for its FY13-15E PER and PBV vs. the industry average of 14.6x-12.4x and 1.4x, respectively.

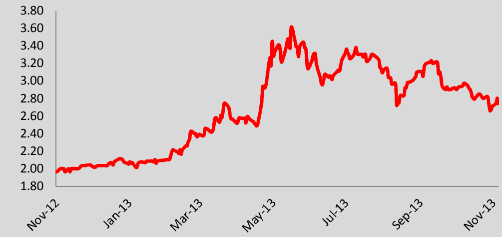
Huge property pipeline with strong branding. The group has garnered global recognition from its flagship development in the 800-acre land in Sunway Resort City. It has a total GDV of RM55b and effective GDV of RM32b, which is still relatively huge vs. its market cap of RM4.6b, while also implying that it has the second largest GDV compared to MAHSING (RM25b) and IJMLAND (RM39b). Sunway's land cost is very low being only 3%-6% of its GDV, which would mean higher than average development margins. It will also enjoy low sales base effect (FY14-15E sales of RM1.5b-RM2.5b), offering more room for growth compared to its big-cap peers.

One of the top-notch contractors with an outstanding order book of RM3.9b. The management targets to replenish RM1.5b worth of contracts per annum. Although this division is not as lucrative as the other divisions, it would help to maximize the synergy within the group, especially as regards to its property development arm with the key advantage of transfer pricing and hence maximizing profits within the group. Coupled with its technical know-how, being the first in Malaysia to introduce Virtual Design and Construction (see overleaf for further details), it allows the company to secure all types of private and government projects because of the advantage in cost and time control. As for the next 10 years, its orderbook replenishment prospects will be driven by the remaining ETP and 10MP projects.

More asset unlocking activities. SUNWAY has been expanding its commercial asset base to create steady income streams for both SUNWAY and SUNREIT. Currently, there are ten properties under SUNREIT with an estimated asset value of RM5b while SUNWAY also directly holds a few of the education-related properties, malls, hotel and theme parks. Meanwhile, the company is in the midst of expanding Sunway Pyramid and developing the three reit-able assets namely The Pinnacle, Sunway VeloCity Shopping Mall and Sunway University New Academic Block with a combined NLA of 2.2m sq ft. These assets are potentials for future injection into SUNREIT to unlock the value of the asset at the group level in the next three- to four-year time.

Forecasting FY13E, FY14E, and 15E core earnings of RM440m, RM495m and RM543m respectively, driven by: (i) FY13E-15E construction order book replenishments of RM1.5b-RM2.0b, (ii) FY13E-15E property sales of RM1.3b-RM2.5b, and (iii) recurring income from investment properties, REIT, trading & manufacturing and quarry. The risks to our estimates are weaker property demand, construction order book replenishments, negative regulations and project financing issues.

Share Price Performance



KLCI	1,798.69
YTD KLCI chg	6.5%
YTD stock price chg	32.5%

Stock Information

Bloomberg Ticker	SWB MK Equity
Market Cap (RM m)	4,722.5
Issued shares	1,723.5
52-week range (H)	3.61
52-week range (L)	1.96
3-mth avg daily vol:	1,144,117
Free Float	31%
Beta	1.3

Major Shareholders

SUNGEI WAY CORP SDN	46.4%
YEAN TIH CHEAH	13.5%
GIC PRIVATE LIMITED	8.7%

Summary Earnings Table

FYE Dec (RM m)	2012A	2013E	2014E
Turnover	3849	4271	5514
EBIT	322	551	713
PBT	723	671	734
Net Profit (NP)	530	487	495
Core NP	394	440	495
Consensus (NP)		394	454
Earnings Revision		-	-
Core EPS (sen)	22.9	25.6	28.8
EPS growth (%)	11	12	12
DPS (sen)	6.0	9.2	7.2
NTA/Share (RM)	2.08	2.71	2.95
Core PER	12.0	10.7	9.5
Price/NTA (x)	1.3	1.0	0.9
Net Gearing (x)	0.39	0.18	0.25
Dividend Yield (%)	2.2	3.3	2.6

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1. Investment Merit

Initiate coverage on Sunway Berhad (SUNWAY) with OUTPERFORM and TP of RM3.58 based on our SoP valuation, which still offers an attractive return of 32%. We like SUNWAY for: (i) its cheap landbanks, (ii) low sales base compared to other large cap developers, (iii) has the second largest exposure to Iskandar region where we have a bullish outlook, (iv) the third largest market capitalisation developer with strong branding and experience and a full value chain from construction, property development to investment properties, (v) one of the top contractors with an outstanding order book of RM3.9b, (vi) company's plan to spin off more assets to SUNREIT, the third largest retail-based MREIT in town by market cap, in three-years time, and (vii) undemanding valuation of 10.7x-8.7x and 1.0x-0.9x for its FY13-15E PER and PBV vs. the industry average of 14.6x-12.4x and 1.4x, respectively.

Property Development

Third largest Market Cap developer. SUNWAY is one of the most visible listed developers in Malaysia, followed by UEM Sunrise and SP Setia. Its sheer size provides good shares trading liquidity, which meets many institutional funds' mandates. This enables the group to embark on large and longer-term developments such as in Nusajaya and the region given the capital intensiveness of infrastructure required.

Owner of prime landbanks in matured areas. SUNWAY has 3,834 acres of landbank which carries a total GDV of RM55b and effective GDV of RM33b. Most of its landbank are located in Johor (55%) followed by Klang Valley (20%), China (10%) and Singapore (10%). Landbanks in prime areas are harder to come by these days as land cost has escalated tremendously given the run-up in property values over the last few years. In Klang Valley, SUNWAY has landbanks in Sunway Resort City (Sunway South Quay: effective GDV of RM2.2b), Taman Maluri (Sunway Velocity: effective GDV: RM2.4b) and Kota Damansara (Sunway Damansara with effective GDV of RM1.0b, which is near the MRT station and Tropicana Garden), to name a few. These projects can reap high sales within a short period of time as these are matured developments with good connectivity, which naturally attract upgraders in the area. Penang is also one of the star property performers in Malaysia due to the scarcity of landbanks in Penang Island and rapid industrial growth in the mainland. SUNWAY has some RM1.8b GDV worth of GDV in Penang over 120-acre landbank, of which more than half is located in the Penang Island. Thus, the projects should fare well, assuming mid to high end pricing given the robust Penang island property demand.

Strong earnings visibility of more than ten years. SUNWAY has a total remaining effective GDV of RM32b, which is relatively substantial vs. its market cap of RM4.7b as compared to other developers. We believe it could last the company a good ten years assuming revenue growth of about 20% p.a. This provides significantly longer-term growth prospects than the other bigger developers which are already operating on a 'high base' in terms of topline/sales and have earnings visibilities of only up to 6-7 years assuming similar aggressive topline growth.

Higher sales growth momentum given its low base effect. SUNWAY's internal FY13E target is RM1.3b sales based on new launches worth GDV of RM1.5b, which is on par with FY12 launches of RM1.3b and lower than FY11 launches of RM2.4b. The lower launch value in FY13E is because there was more overseas projects in FY11-12 with higher GDV as compared to the local projects. Meanwhile, FY13 launches are lower than its peers such as UEM SUNRISE (RM3.0b), SPSETIA (Malaysia sales of c. RM4.6b) and IJMLAND (RM2.2b). We are also estimating FY13E property sales of RM1.37b based on the guided new launches of RM1.5b and other on-going projects from FY12; sales will be driven by projects like Sunway South Quay, Sunway Velocity, Bukit Lenang and etc. As for FY14, we are projecting RM1.5b sales based on new launches with GDV of RM2.0b, which represent YoY growth of 23% and 34% respectively. The strong growth will continue to be driven by the on-going projects as mentioned above as well as new project launches such as Medini, Mount Sophia in Singapore and etc.

Sunway's GDV still have ample upsides. We believe the GDV assumptions are conservative given the remaining GDV of RM55b (effective GDV of RM32b) which implies a GDV extraction rate of RM14.5m/ac, which is still at the lower spectrum of other bigger developers assumptions of RM16m/ac-RM538m/ac. Same goes for GDV/Mkt Cap; SUNWAY is still relatively better with the ratio of 11.7x as compared to the industry average ratio of 11.4x.

Iskandar Exposure, Total GDV vs. Market Cap

	Total GDV RM'b	Iskandar / Johor %	Others %	Mkt Cap RM'b	GDV/Mkt Cap (x)
UEMSUNRISE	81	75	25	9.7	8.4
SUNWAY	**55**	**55**	**45**	**4.7**	**11.7**
TROPICANA	70	36	64	1.5	46.7
HUA YANG	4	18	82	0.6	6.7
IJMLAND	39	14	86	3.9	10.0
MAH SING	25	28	72	3.0	8.3
SPSETIA	105	9	91	7.6	13.8
UOA	16	0	100	2.7	5.9
CRESCENDO	7	100	0	0.7	10.0
SCIENTEX	4.8	90	10	1.3	3.7
Weighted Average					**11.4**

Source: Companies, Bloomberg, Kenanga Research

Second largest Iskandar exposure amongst the big-cap developers. In terms of total GDV, SUNWAY has 40% exposure to Iskandar and we are still relatively bullish on developers with sizable exposures in the area. We believe the region will continue to be the main engine of growth for developers as the pace of property demand has grown exponentially there due to strong G2G tie-ups between Singapore and Malaysia. A few property measures were put in place by the Johor state government and the Budget-2014, but we believe these are meant to rein escalating property prices which if left unchecked, will be unsustainable in the long run.

Banking on its lower entry costs… SUNWAY's current projects in Johor are largely on a joint-venture basis. It has 1858-acre land while the land costs are relatively low; at Pendas (RM12psf) and Medini (RM14psf) as compared to the recent transacted land values of RM35-134psf in the areas, i.e. lower holding costs for the group, and Sunway's land cost is very low being only 3%-6% of its GDV, which would mean higher than average development margins. This is especially so when its stake in the Medini's JV will eventually climb from the current level of 46% (previously 38%) to 60% (it is allowed to increase the stake within 54 months after the lease purchase agreement date). It also provides them more pricing flexibility in combating the recent cooling measures put in place.

Subscription schedule of shares in Semerah Cahaya – the joint venture company for Medini land

	Stake	**Price**
The lease purchase agreement date ("LPA")	38%	RM745m
The next 54 months after LPA	Remaining 22%	RM198m
Total	**60%**	**RM943m**
Final effective investment value on the land		RM31.33psf
Current Exposure	46%	RM27.23psf

Source: Kenanga Research

…and strategic JV partners. It is evident that SUNWAY has benefited from its JV partner, Khazanah Nasional Bhd, Malaysia's investment arm, and expect this relationship to generate more positive synergies. While Medini land cost is fully settled by means of its JV with Khazanah, its Pendas land payment terms are attractive as it is staggered and deferred over a period of 120 months. This means less strain on its cashflow and land holding cost while it can match income to cost once launches take place. We believe Khazanah has opted for SUNWAY due to their Sunway Resort City experience while SUNWAY is one of the few large developers with in-house infrastructure capabilities and proven track records. Bandar Sunway is reaping the fruits of their labour, especially through spinning off its investment properties to REIT.

Best of both worlds. With the combination of both Medini and Pendas land, it has c.1,800 acres (68% for the integrated township development and 32% for open spaces for parks, greenery), implying a low-density development on the back of a 1.0x plot ratio. This will likely attract foreigners from high-density cities like Singapore. Given the low density, we still expect decent margins given that GDV to land cost is low at 3%-6%. These two projects provide flexibility in earnings drivers because the company would be able to cover a good mix of products and cater for different groups of buyers, i.e. foreigners or high-end markets and locally driven affordable market.

Differentiation

	Medini	**Pendas**
Size (acre)	691	1079
Cost (RM psf)	31.33*	12.69
Tenure	129 year lease	Freehold
GDV (RM 'b)	12	18
Development period (year)	10	15
Plot ratio (x)	1	1
Incentives		
Foreign capital restriction	No	Yes
Bumi quota Waiver	Yes	No
Low Cost Housing Waiver	Yes	No
6 Services Sector Special Tax Incentives	Yes	No
Real Estate Foreigner Quota Waiver	Yes	No

**The price represents the final effective investment value on the land*

Source: Kenanga Research

Johor landbanks have strong connectivity! Notably, its landbanks are located next to the Second-Link Highway towards the Tuas direction. Additionally, there is a strong possibility that the Coastal Highway may cut through these landbanks which will link the landbanks directly to the city center and potentially, UEMSUNRISE's Gerbang Nusajaya. This will be a major driving force of demand for residentials in the area.

Landed residentials will always be in demand. Notably, most of their landbanks in Johor are largely earmarked for landed residentials, which will continue to see sustainable demand, particularly those in prime locations or those with strong connectivity. It will also serve as a decent hedge against inflation in light of rising land and replacement costs, particularly if they are foreign buyers (e.g. Singaporeans) or Malaysians working in Singapore, as well as, locals. This is mainly due to the scarcity of landed properties in Singapore, which are mainly the primary preserve for Singapore citizen and the pricing there are multiple folds as compared to Malaysia. Apart from UEM Sunrise, SUNWAY is one of the few developers owning sizable land in Medini and Pendas with total land area of 1,770 acres and GDV of RM30b. These projects should enjoy strong demand and capital upsides given the lower land costs, as well as, the opportunity of replicating another award-winning world-class township here. It also has another 88-acre land in Plentong, Johor namely Bukit Lenang, which is about 15 minutes' drive to Johor Bahru and CIQ complex; it is largely catered for high-end market with selling prices of >RM1m/unit.

Flexible target markets in Johor. This is because the Medini area is not restricted by Bumi quotas and low-cost housing requirements whereas the Pendas area still conforms to the usual requirements; this means Medini has fewer restrictions and expects quicker take-up rates and better margins. We also understand that Medini is unlikely to be affected by the new foreign buyers' threshold of RM1m/unit meaning their strata residentials will increase in popularity since this may be the only area unaffected by that measure; meanwhile, their landed residential products will likely be priced above RM1m/unit. Pendas will be targeted at local buyers and believe it will be priced lower than their Medini project whose target markets are largely locals or Malaysians working in Singapore. (Refer to Risks section for more details on impact from Budget-2014 measures).

The first phase of Medini will likely be launched in Dec 2013. It will be an integrated development which comprises of serviced apartment and offices attached above c.40 units of retail lots with total GDV ranging between RM400m and RM500m. Since Medini may likely be exempted from the foreign buyers' floor price of RM1m/unit and retail lots are in strong demand given the lack of supply, we believe the take-up rates should fare well. Launches of landed properties will likely kick-off in 1H14. Meanwhile, the management has yet to decide on the development of Pendas - the land still remains brownfield at this juncture.

Attractive valuation points. Although they are the third largest developer by market cap, SUNWAY's FY13E-14E PER or PBV valuations are still relatively cheaper than its peers. The company is currently trading at FY14E Fwd PER and PBV of 9.8x and 0.9x, which is attractive vis-à-vis most developers with >RM1b market capitalisation like UEMSUNRISE, SPSETIA, IJMLAND, etc., which are averaging at 12.4x Fwd PERs and 1.4x Fwd PBV. Although the group has other businesses like construction and property investment, its largest core earnings driver is still property which contributed 58% to the core earnings in FY12. Additionally, its GDV to Market Cap ratio of 11.7x is the highest among the Johor based developers compared to UEMSUNRISE (8.4x), CRESCENDO (10.0x) and SCIENTEX (3.7x). Its dividend yield is also comparable to its peer average as well.

Peer comparison

NAME	Price (20/11/13)	Mkt Cap	PER (x)			Est. NDiv. Yld.	Historical ROE	P/BV
	(RM)	(RMm)	FY12/13	FY13/14	FY14/15	(%)	(%)	(x)
UEM Sunrise	2.23	9,699	21.5	17.6	14.7	1.1%	8.8%	1.8
SP Setia	3.09	7,597	19.3	18.2	15.4	2.4%	10.5%	1.4
Sunway Bhd	2.74	4722	12.0	10.7	9.5	3.3%	16.1%	**1.0**
IJM Land*	2.52	3,928	18.2	12.3	9.8	2.0%	8.5%	1.3
UOA Development*	2.02	2,706	8.5	7.8	6.1	6.4%	15.5%	1.2
Mah Sing Group	2.18	3,027	10.7	8.9	7.3	4.2%	19.9%	1.6
Weighted Average (>RM1b mkt cap)			**16.5**	**14.6**	**12.4**	**2.6%**	**11.9%**	**1.4**

Source: Company, Kenanga Research

World-class brand name with overseas exposures. SUNWAY has garnered global recognition from its flagship development over the 800-acre land in Sunway Integrated Resort City, which comprises of world-class facilities that attract 40m visitors every year. Meanwhile, this is further enhanced by the overseas property developments. The company has more than RM4.7b GDV in the developed and developing countries such as Singapore, Australia, China and India. However, almost all of its overseas projects are joint-ventures, either with local parties or reputable player such as Hoi Hup Realty (based in Singapore), SSTEC (the master developer of the Tianjin Eco-City, which is a 50:50 JV between a Chinese Consortium led by Tianjin TEDA investment holding Co., Ltd and a Singapore Consortium led by the Keppel Group). Hence, it has mitigated a significant amount of execution or cross-country risks, which have been a proven formula as its major projects have achieved 100% take-up rate shortly after launch.

Monetizing local landbanks. The management emphasizes that their focus will mainly be on monetizing the local landbank in the near to medium term, i.e. ongoing projects in Klang Valley and the new projects in Johor. New overseas project is Mount Sophia in Singapore for the meantime, with effective GDV of RM641m while ongoing projects will be Novena in Singapore (effective GDV of RM713m). Hence, we do not expect any major overseas contribution these next few years which would also likely avoid the impact from the recent volatile fluctuation of currency rate.

Property Investment

A diversified REIT which leans on retail. Property investment division includes the management of retail and commercial assets either directly by subsidiaries of SUNWAY or through 34.4% owned SUNREIT worth c.RM5b in total asset value. From SUNREIT, we expect a steady cash dividend stream of RM78.4m-RM79.5m over FY13E-14E to SUNWAY from its stake of 34.4%, which would be handy for their property development working capital needs, such as infrastructure and earthworks for Medini and Pendas. The majority of these assets are located within Sunway Integrated Resort City, a successful integrated township mix which attracts 36m visitors annually, containing 15k student population and a large catchment of 500k population from the township as well as nearby Subang Jaya. The well-diversified portfolio comprises malls, office buildings and education campuses located at key residential areas such as Bandar Sunway, Kota Damansara and Pusat Bandar Seberang Jaya, as well as, penetrating city centre areas such as Jalan Putra (next to PWTC) and Taman Maluri, Cheras. **We have coverage of SUNREIT with MARKET PERFORM call and TP of RM1.36**.

Second largest core earnings contributor to the group and yet more to come. The property investment division is the second largest core earnings contributor after property development, which contributed c.51% to the core profits in FY12, excluding the revaluation gains. In FY12 alone, SUNWAY enjoyed RM97.8m of disposal gains from sale of Sunway Medical Center. This was the result of continuous efforts of developing quality and sustainable products and townships. Its crown jewels are mainly its retail malls which SUNWAY has put in a lot of Asset Enhancement Initiatives to enhance the popularity of the malls by bringing in new tenants with established or innovative brands. Moreover, the group will continue to develop more products with recurring revenue such as the upcoming mall at Sunway Velocity, office building – The Pinnacle and new academic block at Bandar Sunway, which would add on another 2.2m sf on top of the existing NLA of 3.7m sf.

An avenue of unlocking its property investment assets. SUNWAY has been expanding its commercial asset base to create steady income streams for both SUNWAY, as well as, SUNREIT. Currently, there are ten properties under SUNREIT with an estimated asset value of RM5b while SUNWAY also directly holds some education-related properties, malls, hotel and theme parks. Meanwhile, the company is in the midst of expanding Sunway Pyramid by adding an additional 20,000sf of NLA for Oasis Boulevard 5, and Sunway Pyramid 3 with NLA of 220k sf which will be completed by end-CY14 (70,000sf of lettable retail space and the remaining is a four-star integrated hotel). It is also developing the three REIT-able assets namely The Pinnacle, Sunway VeloCity Shopping Mall and Sunway University New Academic Block with a combined NLA of 2.2m sqft. Meanwhile, SUNWAY (excluding SUNREIT assets) has c.RM3.0b worth of investment properties in its books that are Reit-able. However, the key criteria for assets being injected into SUNREIT are: (i) acquisitions must be yield accretive post unit base dilutions from raising new funding, (ii) have organic growth opportunities, and (iii) relatively stable income over long periods. Furthermore, **SUNREIT has the first right of refusal to acquire properties from SUNWAY**. Indicated assets that will be injected into the REIT are as follows:

Total asset pipeline

Completed Project	Market Value	Detail
Sunway University	RM192m as at Dec 2012	615,000 sf NLA
Monash University	RM227m as at Dec 2012	754,000 sf NLA
Sunway Giza	~RM50m as at Dec 2012	98,000 sf NLA

Under Construction	GDV	Detail
The Pinnacle	RM350m	560,000 sf NLA
Sunway Velocity	RM1,600m	1,000,000 sf NLA
Sunway Pyramid 3	RM500m	220,000 sf NLA

Total Pipeline Assets	Size (sf)
NLA of retail assets	1,318,000
NLA of office assets	560,000
NLA of other assets	1,369,000

Source: Company

Construction

SUNWAY is one of the top-notch outliers among the contractors as the division is able to capitalize on other divisions, such as its building material division, to maximize the synergy within the company. Moreover, its property development subsidiary will provide recurring streams of jobs to the division. Although the internal projects are eliminated at inter-company levels, the company has the competitive advantage of reduced transfer pricing over its peers which will help maximize the profits of the group, especially the property development division. SUNWAY has a good track record in this segment with a diversified pool of clientele in the government and private sector. For example, the company manages to secure an adequate amount of infrastructure order book from the government and the booming Johor projects given its tie-up with Khazanah. Over the years, SUNWAY has completed a number of iconic projects, including the KLCC, Sunway Pyramid Shopping Mall, Legoland in Johor and Rihan Heights in Abu Dhabi.

Technical know-how. SUNWAY also capitalizes on its technical know-how to secure more projects. They can offer lower bid prices but yet reap slightly better margins as compared to peers. The company achieves this by introducing the widely used system in western countries namely Virtual Design and Construction (VDC). Currently, SUNWAY is the first and only contractor which has this 5D technology in Malaysia that includes: (i) the 3D Building Information Modelling (BIM), (ii) the 4D project planning, scheduling and calculating progress in physical development and timeline, and (iii) the 5D automated quantities take-off, accurate cost estimation and real time cost control.

Sizeable outstanding order book of RM3.9b. Its outstanding order book now stands at RM3.9b, out of the total contract value of RM6.1b; 71% are external jobs and the remaining goes to the subsidiaries. We estimate this sizeable order book will last for c.2 years. The company aims to maintain this orderbook size with a replenishment rate of about RM2.0b p.a. including approximately 20% of internal orders, which is how it has met its target YTD. Hence, we have faith in SUNWAY that it will be able to keep the ball-rolling to achieve its role as a revenue engine as this division is the highest revenue contributor to group.

Construction order book

Project	Total contract value RM'm	Outstanding order book RM'm	Expected completion date
Infrastructure			
MRT Package V4 (Sec 17 to Semantan)	1173	895	4Q16
LRT Kelana Jaya Line Extension (Package B)	569	268	2Q14
BRT Sunway Line	452	403	2Q14
Johor			
Urban Wellness Centre	283	283	4Q15
Pinewood Iskandar Malaysia Studios S/B	309	34	3Q13
BioXcell - Central Facilities Utility	109	13	3Q13
Legoland Water Park	45	11	4Q13
Others			
UiTM campus expansion	200	27	3Q13
KLCC NEC	304	301	4Q16
KLCC Package 2 Substructure	222	222	2Q15
Others	443	291	
Internal			
Sunway Velocity Mall (Substructure)	291	167	3Q14
Sunway Velocity Phase 2 (Substructure)	179	70	1Q14
Sunway Velocity (Shop Offices & Aprtment)	230	67	3Q13
The Pinnacle (Superstructure)	175	57	1Q14
Sunway University New Academic Block	192	191	2Q15
Sunway Putra Place	258	209	2Q15
Singapore			
Precast	715	359	
Total	**6149**	**3868**	

Source: the Company

More infrastructure opportunities to go! Although the construction division is not as lucrative versus the property development division in terms of margins, it would provide the company strong cashflows to undertake projects with a long gestation period in its property development/investment division. Given its skill set and competitive advantage, SUNWAY has managed to secure all types of private and government projects in the past year, which has increased its visibility significant when compared to other construction big boys. Hence, we foresee more opportunities of order book replenishment coming from the remaining ETP and 10MP projects such as the railway infrastructure as SUNWAY is one of the main contenders for the MRT project. We understand that the Government will continue to expand and upgrade the country's railway tracks which include MRT2 and MRT3, KL-Singapore High Speed Railway, Southern Double Track Gemas-JB, KVDT upgrades, LRT3 extensions, East Coast Region Railway, Johor-Singapore RTS and KL Monorail extension with more than RM100b worth of contracts.

Tendering for more buildings works. Management also highlighted that the company will also continue to tender for more building works in Malaysia. Currently, SUNWAY is tendering for the proposed Malaysian Anti-Corruption Commission building in Putrajaya, which is believed to worth more than RM500m. We also gather there will be more extension works to be done at KLCC. Hence, we believe that SUNWAY has high chances of winning this bid due to its track record of completing few of the KLCC construction works.

2. Outlook & Risks

Property Development

More landbanking? The company will continue its overseas ventures through JVs, such as the recent award of a parcel of land in Mount Sophia, Singapore, which is a JV project with Hoi Hup Realty Pte Ltd from Singapore. Nevertheless, it also emphasized that the focus in the coming years will mainly be the domestic front. Due to the scarcity of prime land, the company will continue its effort to explore more pocket landbank in the existing region if pricing is reasonable either in Klang Valley, Penang and etc.

Hike in RPGT and abolishment of DIBS may weaken sales temporarily, but we expect this to be short-lived. In the Budget 2014, RPGT had been raised from 15% for the first 2 years from purchase date and 10% for the 3rd – 5th year to 30% for the first 3 years from purchase date and 20% and 15% for the 4th and 5th year respectively. However, SUNWAY's projects are mainly high-rise residential and commercial titled properties and thus, the impact will be less severe as it takes 4-5 years to complete construction. We think that investors may have to consider holdings on for a slightly longer term, although one should bear in mind that the low interest rate environment is still conducive for buyers while the man on the street typically opts for properties as a hedge to inflation as they lack other viable investment alternatives.

Overall, **we think that the RPGT hikes will have the least effect on new launches**, i.e. developers, and will weed our speculators in the secondary market, particular those trying to take advantage of the discounted prices in the secondary market compared to the primary market. Meanwhile, the Government has also proposed to abolish DIBS scheme in the recent Budget 2014. We believe there may be some sales pressure on developers such as SUNWAY with >90% exposure to DIBS in the short term. Nonetheless, we do expect demand to resume in light of inflationary factors (e.g. GST, subsidy rationalization) thereafter, particularly as the banking liquidity to the sector is still favorable whilst we expect SUNWAY to come out with more innovative marketing schemes to sell their projects. We also reckon this has already been largely priced-in pre-Budget-2014 announcements. Nevertheless, we believe developers with high exposure to DIBS will likely offer higher rebates and will come out with more innovative incentives for buyers in the absence of DIBS. We do not deny there may be a slight slow down in demand for developers with high exposures to DIBS although we do expect demand to resume prior implementation of upcoming inflationary factors (e.g. GST, subsidy rationalisation).

High exposure to Iskandar Johor could mean short-term pains, but medium to longer term prospects remains intact. Currently, 40% of SUNWAY's landbank is in Johor, which means major sales should be coming from Johor next year. Given the recent raising of foreign buyers' floor prices to RM1m/unit from RM500m/unit and 2% levy on foreigners who buy properties in the state effective from 1st May 2014 onwards, it would affect those smaller units (typically high rises) in Johor. Nevertheless, SUNWAY's on-going project at Bukit Lenang is selling above RM1m/unit and the company's plan for next year will mainly focus on its Medini land instead of Pendas. In terms of levy on foreign buyers, we view it positively given: (i) the actual levy is lower than the earlier expectations of 4%-5%, which was guided by the State Executive Councillor for Housing and Local Government, and (ii) the actual levy is lower than the recent idea by Penang government to impose 3% levy on foreign property buyers. The Penang levy is unofficial as yet and is being considered at the moment; however, if it does come into effect, Johor properties would be slightly more attractive. The current levy for foreigners in Johor is RM10k/unit as compared to a 2% levy on a property worth RM2m which is only RM40k in absolute terms and at these pricing levels, we believe the differential will not be significant to such high-end buyers. In short, SUNWAY is unlikely to be affected due to: (i) most of its products are above a million ringgit, (ii) Medini will unlikely be affected by the new floor prices for foreign buyers, which means the demand in Medini will likely surge as these are the only areas that foreigners can buy properties below RM1m/unit. The recent Budget-2014 proposed measures (e.g. 30% RPGT for foreigners for the first 5 year holding period) may be a deterrent in the short run to foreign buyers. However, we believe this sentiment will not be long-lived; we expect house prices in Malaysia to continue appreciating due to increasing land costs and higher replacement costs arising from subsidy rationalizations and implementation of the 6% GST on 1-Apr-2015. This will be more so the case in Johor, especially given the prospects of economic drivers likes Pengerang's Oil & Gas activities and the Singapore-Johor Rail Transit System (RTS).

Notably, **Singapore's property cooling measures are far more severe than Johor** given high stamp duties and holding costs (refer to our Property Sector report, 28/10/13). We also believe locals and Malaysians working in Singapore will take this opportunity to accumulate properties in Johor. The measures put in place in Malaysia/Johor will ensure more stable prices which will ensure more sustainable demand over a longer period of time. Despite the proposed measurements, we anticipate that SUNWAY will benefit from its Medini projects as Medini is a special economic zone and will likely be exempted from the new floor prices for foreign buyers. Hence, we believe SUNWAY will still benefit from: (i) continuous interest in Iskandar Malaysia properties, (ii) the Johor-Singapore RTS outcome, whose feasibility study should be known by Nov to Dec 2013, (iii) Medini Iskandar's listing by 1H14 and IWH's listing next year, (iv) more G2G agreements with Singapore, (v) increasing FDIs e.g. O&G plays in Pengerang and Tanjung Piai, and (vi) Greater Klang Valley to benefit from the KL-Singapore high-speed rail train news, TRX, Circle-Line MRT and RRI land awards.

Panic buying before GST implementation which will more than neutralize negative measures. We also highlighted in our recent property sector report (dated 28/10/13) that if GST is implemented in April-2015, we anticipate pre-implementation 'panic buying' in 2014, assuming no major changes in the banking sector liquidity towards the sector. Similar experiences form other countries such as Canada and New Zealand had seen such trends in anticipation of future cost push inflations on property prices. This will also be beneficial to SUNWAY's 2014 sales, as its financing terms, quality and goodies could be attractive than many developers in town. Hence, we also expect SUNWAY to front-load their launches in 2014 on the back of higher demand which will be a big booster to future earnings.

Macro economic and sector risks. This includes overall property down-cycles, tightening of banking liquidity, sharp interest rate hikes, negative real estate policies, global economic slow-downs, etc. economic uncertainties or a global slowdown contagion effect may slow down demand significantly. This will have negative implications on cash flow for developers doing medium to long term integrated projects. The group will be particularly sensitive to any changes in the Iskandar landscape, which is dependent on the G2G relationship between Singapore and Malaysia.

Constructions

Our construction analyst maintains an OVERWEIGHT call on the construction sector given: (i) the anticipation of the increasing news flows in the near term i.e. Cabinet approving the RM25b KVMRT Line 2, conclusion of the RM6.0b WCE highway's financing, feasibility study completion on High-Speed Rail, Langat 2 treatment plant tender, award of PPP/PFI projects, (ii) development of the M&A activities i.e. Selangor water assets, highways infrastructure, (iii) commitment from the Government to implement the "high impact but low import content" projects despite potential review of some mega projects due to weak fiscal position, and (iv) undemanding valuation of big caps contractors.

Value for money projects – MRT – likely to benefit SUNWAY. Due to its fiscal position, the Government focuses mainly on the "value-for-money spending initiatives" in the Budget 2014. Hence, we believe the Government will continue the MRT project which in turn would potentially benefit SUNWAY as the company has been prequalified for MRT elevated tracks, stations & depot packages to secure further MRT contracts.

Delays in awarding of construction contracts. We are aware that the government may delay some of the projects due to the urgency to address the country's fiscal position (i.e. narrowing surplus of current account, rising national debts, fiscal deficit position). Nonetheless, our economist is of the view that the government will not delay some of the high-impact projects, which will yield high multiplier effects such as KVMRT. In fact, the government has recently pointed that the KVMRT project will not be postponed.

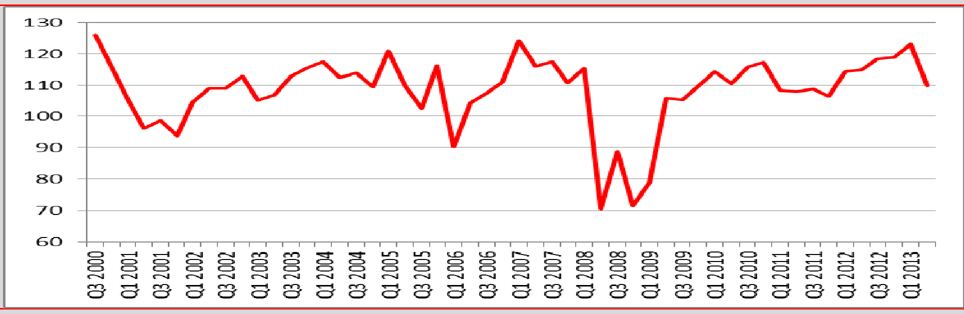
Potential of cost overruns. The current landscape can be precarious for contractors as we have plenty of inflationary factors, which are on the way e.g. GST and subsidy rationalization. The contracts are expected to be fixed while building materials are not. However, SUNWAY's in-house building material division would be one of its key advantages over the competitors as the company can preserve more due to lower transfer of pricing.

Property Investment

Lack of catalysts. The asset acquisition environment has been extremely quiet over 2013. We believe this is highly due to the low cap rate environment of 5%-6% (vs. 7%-8% previously) which is a mismatch against MREITs asset NPI yields. We understand that SUNREIT has been eyeing acquisitions even from third parties of up to RM7.0b over the next 3-4 years, but nothing is firmed up as yet. Nevertheless, SUNWAY does not have any asset injection plan at the moment as the reit-able assets are still at an immature stage and SUNWAY will reconsider injection nearer to 2016-2017.

Retail organic growth under threat? We believe there may be weaknesses with future organic growth rates for retail MREITs (6%-9% p.a.) such as CMMT and SUNREIT. Retailers are facing stiff competition, which has resulted in higher A&P costs, limiting their ability to keep-up with rising rents brought about by the series of REIT-ing activities and IPOs over the last few years. We will be monitoring the situation closely as we have yet to factor this impact into our earnings. As for office spaces, we do expect flattish organic growth due to the supply glut in the Klang Valley while industrial spaces are unlikely to capture any short-term upswing in rates as leases are longer termed (5-10 years). However, Sunway REIT can look forward to new income streams from the delivery of Sunway Putra Mall, which is slated to be completed by Feb 2015, and we expect RM7.5m-RM51.5 of additional total revenue for FY15-FY16E, which represents 1.8%-10.0% of the REITs to total gross revenue, which has already been built into our estimates.

Consumer Sentiment



Source: CEIC

More sensitive to consumer sentiment. As retail spaces are its largest component of the property investment segment (61%), the potential growth will be highly correlated to their retail tenants' business, which in turn depends on the consumer sentiment. Generally, retail segments would be the hardest hit by inflationary pressures arising from the subsidy rationalisation program and GST implementation. However, while the government continues its effort to attract tourists, this would help to cushion the slowdown in sales from the domestic front. As shown in the consumer sentiment chart, the index has peaked in 1Q13 and dropped in the 2Q13.

3. Financial Analysis

Steady and Productive. Historically, SUNWAY has proven track records way before the merger of SunCity and Sunway Holdings with 5-year Core NP CAGR of 14%. Excluding one-off items, the group was able to maintain stable ROE ranging between 8% and 11% in the past four years which were relatively better than construction based developers like IJM Corp record of 6% to 8%. In 1H13, SUNWAY registered revenue growth of 18.1% YoY and earnings of 19.2% YoY buoyed mainly by the stronger performance from the property development and construction divisions. The better performance was mainly due to stronger sales achieved from the recent launched projects and higher progress billings from local projects such as Sunway South Quay, Sunway Damansara and Sunway Velocity as well as higher contribution from Singapore projects.

We project core net profit growth of 10%-12% p.a. for FY13-15E, mainly driven by the property development and property investment division with total contribution of 82%-83% of operating profits. In terms of revenue, construction will account for c.39% of revenue, the highest contribution among the divisions.

i) On the property development front, we are targeting strong FY14E sales growth of 23% YoY to RM1.5b despite a negative growth of 29% for FY13E (RM1.3b). The sales decline in FY13E is mainly due to lower launches in FY12-13 as compared to FY11. We have estimated new launches of RM1.5b, RM2.1b and RM2.4b for FY13E-15E with a conservative average take-up rate of 40%-50%. FY14E-15E will continue to be driven by on-going projects (e.g. Sunway Damansara, Sunway South Quay and Sunway Velocity) and new projects from Johor. Unbilled sales of RM2.2b provides close to three years visibility for the development division.

ii) With regards to its investment properties division, we have not imputed for any new asset at this juncture. However, our assumptions are as follows: (i) Retail and office: 5% and 1% organic growth assumptions, respectively, (ii) Hospitality: we have assumed a 3.0% in the annual room rate with the occupancy rates increasing incrementally by 1% each year.

iii) In terms of construction, we have imputed in orderbook replenishment of RM1.5b p.a. which led to c.RM2.7b orderbook for both FY14-15E.

Returning to a comfortable zone after rights issue. To recap, SUNWAY has just completed its 1:3 rights issue on 13 August 2013 with issue price of RM1.70. There were additional 430.9m new shares and c.RM733m cash from the exercise. This has pared down net gearing from 0.54x to 0.29x or below our comfortable net gearing ceiling of 0.5x-0.6x. We reckon that it would not have any significant debt repayments due in the near term. As a result, we expect FY13E-15E net gearing to hover around 0.2x-0.3x. Meanwhile, the company recently proposed the issuance of commercial papers/ medium-term notes of up to RM2.0b in nominal value. These proceeds will mainly be used to repay all amounts outstanding under the existing commercial paper/medium-term note programme of up to RM500m and to finance investment activities, capital expenditure, working capital, repayment existing/future borrowings and other corporate purposes. We reckon that the impact of the amount is insignificant and net gearing for FY14E (assuming the proposal will be done in next year) would likely increase from 0.24x to 0.25x.

5. Valuation/Recommendation

A good time to enter? Since property stocks have peaked in May 2013, after the post-GE rally, SUNWAY's share price has declined 19.3% to the YTD lowest at RM2.92 while the KLPRP has only fallen by 12.2% to the YTD lowest at 1,335.3 in June. Although both KLPRP and SUNWAY prices have edged-up slightly by 1.6%-1.3% from their YTD lowest points, we believe there is more room for recovery. It is also trading at near trough valuations in terms of Fwd PER and PBV.

Initiating coverage on SUNWAY with an OUTPERFORM and TP of RM3.58. Our TP is derived from our SOP valuation, which implies a total return of 32% including a 7.0 sen DPS. Our TP implies FY13E-15E PBV of 1.3x-1.1x and PER of 14.0x-11.4x which are still lower than the industry average of 14.6x-12.4x and 1.4x respectively. The stock is currently trading at FY13E-15E PER and PBV of 10.7x-8.7x and 1.0x-0.9x respectively which we find undemanding as compared to the other big players. This is mainly because SUNWAY's PBV is relatively lower than most of its peers ranging between 1.1x-1.7x while its PER is close to IJM Land's levels even though SUNWAY's market capitalisation is slightly bigger than IJM Land.

Our TP is based on:

i) The property development division is based on a 25% discount to our RNAV which is inline with our sector's weighted average discount of 27%. Our RNAV is derived from a 10% WACC to DCF future development profits based on net margins of 19%.

ii) Assumed a 12x FY14E PER to construction division, which is on par with mid to big cap construction peers ranging from 12x-15x.

iii) Assumed zero surpluses on its holdings investment property valuations.

iv) Value of SUNREIT based on our in-house target price of RM1.36 which is derived from the FY14E NDPU of 6.9sen based on a targeted net yield of 5.1%.

v) Assumed an 8x FY14E PER to the quarry, building material, trading and manufacturing divisions, which is on par with small-mid cap manufacturers.

vi) 289m of warrants and 155m of ESOS are accounted for our FD RNAV per share for the dilution impact at the price of RM2.50 per share and RM0.95 per share respectively. We also assume 1% interest saving from the warrants.

SOP Table

Segments	Value RM'm	Stake (%)	FY14E PER (x)	Discount (%)	Discounted Value RM'm
Property Development	6,048	100%	n.a	20%	4,536
Construction	650	100%	10	0%	650
Sunway Reit	1.365	34%	n.a	0%	1,365
Quarry & Buildings Mat	30	100%	8	0%	30
Trading & manufacturing	295	100%	7.9	0%	295
Reitable assets	0	0%	n.a	0%	0
Total RNAV					6,876
RNAV per share (RM)					3.99
No of paid-up shares ('m)					1,723
Dilution impact					879
FD RNAV per share (RM)					**3.58**
Diluted no. of shares ('m)					2,168

Source: Kenanga Research

FD RNAV

Projects	Stake	Duration (assumed) Years	Effective Remaining GDV (RM'm)	Effective Remaining Net Profit (RM'm)	WACC (%)	DCF Value (RM m)
Penang						
Sunway City Penang	100%	3	172	32	10%	27
Sunway Grand	100%	3	80	15	10%	12
Sungai Ara, Bayan Lepas	100%	4	849	159	10%	126
Bukit Mertajam	100%	3	694	130	10%	108
Johor						
Bukit Lenang	80%	6	559	105	10%	76
Sunway Iskandar	46%	10	5,520	1,035	10%	636
Pendas	60%	15	10,800	2,025	10%	1,027
Perak						
Sunway City Ipoh	65%	8	681	128	10%	85
Klang Valley						
Sunway Damansara	60%	6	1,015	190	10%	138
Sunway South Quay	60%	8	2,170	407	10%	271
Sunway Monterez	60%	4	26	5	10%	4
Sunway Semenyih	70%	8	510	96	10%	64
Sunway Cheras	100%	4	17	3	10%	2
Sunway Duta	60%	4	72	14	10%	11
Sunway Montana	100%	4	56	10	10%	8
Sunway Alam Suria	100%	3	12	2	10%	2
Sunway Resort City	100%	7	660	124	10%	86
Casa Kiara III	80%	4	168	32	10%	25
Sunway Velocity	85%	7	2,430	456	10%	317
Sunway Tower KL 1	100%	4	240	45	10%	36
Bangi	100%	3	59	11	10%	9
Melawati 2	100%	3	43	8	10%	7
Sg Long, Balakong	80%	5	222	42	10%	32
Mont Putra	100%	7	156	29	10%	20
Singapore						
Novena	30%	3	714	134	10%	111
Sembawang, Singapore	100%	2	75	14	10%	12
Mount Sophia	30%	5	641	120	10%	83
China						
Sunway Guanghao	65%	2	43	8	10%	7
Tianjin Eco City	60%	7	3,206	601	10%	418
India						
Sunway OPUS Grand India	50%	5	351	66	10%	50
Sunway MAK Signature Residence	60%	5	109	20	10%	15
Australia						
Wonderland Business Park (Sydney)	45%	7	170	32	10%	22
Total Unbilled Sales	various	various	2,200	413	10%	358
Revised Asset Value						**4,206**
NTA (at 31/Dec/12)						1842
RNAV						**6048**

Source: Kenanga Research

7. Appendix

Company background

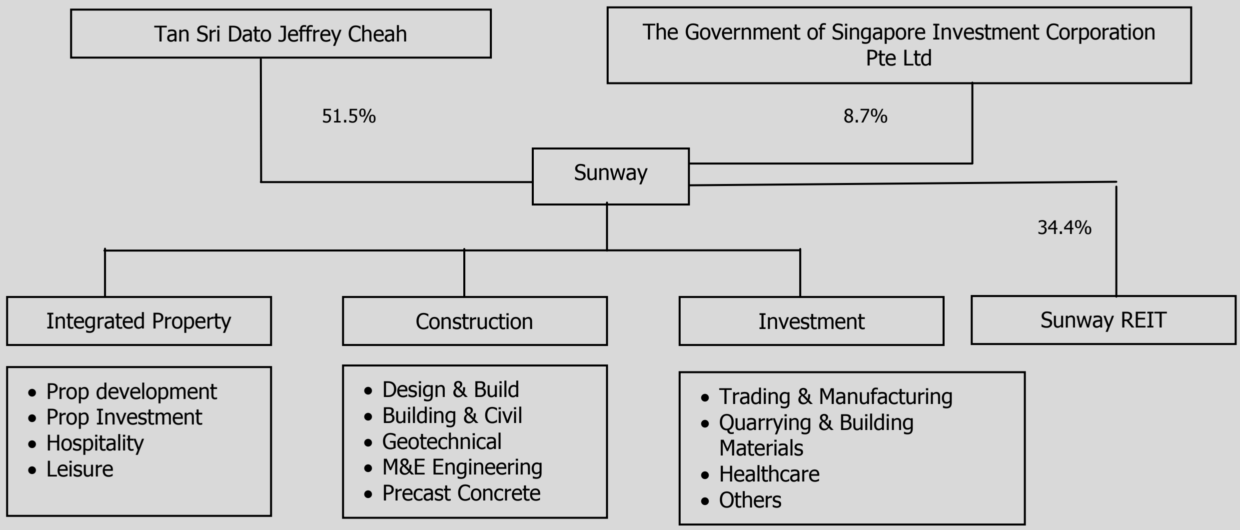
Sunway Berhad, formerly Alpha Sunrise Sdn Bhd, was formed in 2011, as a result of a merger between Sunway City Berhad (Sunway City), an integrated property developer, and Sunway Holdings Berhad, a construction specialist. The company is engaged in property, construction and other business divisions such as quarrying and building materials, trading and manufacturing, hospitality, and leisure. In its construction business, it offers designing and building services in the fields of building construction, civil engineering, infrastructure, mechanical and electrical engineering, machinery and site equipment rental, precast, foundation and piling, and stone materials.

In 2010, Sunway City listed and injected some of its most valuable properties into Sunway real estate investment trust (REIT). At present, Sunway Berhad owns 34.4% in Sunway (REIT), which is managed by its subsidiary Sunway REIT Management Sdn Bhd. Sunway REIT owns a portfolio of retail and commercial properties such as Avenue Wisdom Sdn Bhd, acquired on November 3, 2011 and Sunway Mall Sdn Bhd, which was acquired by Sunway City Sdn Bhd (Sunway Berhad's wholly owned subsidiary) on November 16, 2011.

Sunway's Property Development division had, over the years, developed landmark projects such as Kiara Hills, Sunway Palazzio, Sunway SPK Damansara, Sunway Rahman Putera, Sunway Vivaldi and Sunway Kinrara. Sunway's recent developments mostly include larger integrated developments in Sunway South Quay, Sunway Damansara, Sunway Velocity and Sunway City Ipoh.

As at October 2013, the Property Development division has an undeveloped land bank of 3,834 acres (including the land in Medini Iskandar) with an estimated Gross Development Value of RM55.6 billion. The Group intends to develop this sizeable land bank to enhance its position as a leading community master developer. Sunway has also moved into China by developing integrated cities in Tianjin, China and closer to home in Iskandar Malaysia.

Sunway Organisation Chart



Source: Company

Table : Board of Directors

Names	Designation
Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling	Executive Chairman/ Non-Independent Executive Director
Datuk Seri Razman M Hashim	Deputy Executive Chairman/Non-Independent Executive Director
Dato' Chew Chee Kin	President/Non-Independent Executive Director
Sarena Cheah Yean Tih	Executive Director/ Non-Independent Executive Director
Datuk Low Seng Kuan	Independent Non-Executive Director
Wong Chin Mun	Independent Non-Executive Director
Lim Swe Guan	Independent Non-Executive Director

Source: Company

On-Going and New Projects

Klang Valley

Sunway Damansara (GDV: RM3500m) has a total land area of 41.31 acres and is one of the major integrated developments in the Klang Valley with front road exposure to Persiaran Surian & Jalan PJU 5/1A and easy access to major highways namely NKVE, LDP & SPRINT. There will be an upcoming MRT station less than 100m away.

Nexis Retail is a leasehold property consisting of 49 units of 3-storey retail shops and has a take up rate of 95% with a direct Link Bridge to proposed MRT station. Every floor has retail units - Ground & first floor fronting onto a covered boulevard, second floor fronting onto the LOHAS (green) deck.

Nexis Office is a leasehold property consisting of 113 with 13-storeys of office suits. Nexis office consists of Business club facilities – conference room, meeting rooms and a multipurpose area. The property has a take up rate of 99% and a direct Link Bridge to the proposed MRT station.

Nexis SOHO is a 20-storey leasehold SoHo property consisting of 147 units with sizes of 872 – 936 sqf for the Standard unit and 1,636 – 1,690sqf Duplex unit and has a take up rate of 79% prime features. include Ample parking with approximately 1,300 ground and basement parking bays and design espouses LOHAS (Lifestyles of Health and Sustainability) principles.

Sunway Velocity (GDV: RM3600m) with total land area of 23.06 acres. There is easy access to good transportation networks as there are two upcoming MRT stations (100m away), and two existing LRT stations, buses and taxis.

V-Designer Office with a take up rate of 90%. The standard unit is 678 – 1,136 sqf while the Duplex unit is 1,200 –1,297sqf. Overall, there are 288 units (Phase 3C1 of V Retail & V office) (12 units Retail Shop & 276 units Designer Office)

V-Retail and Office (112 units of office suites (First phase of office)) has a take up rate of 97%.

V-Residences is a 18 storey freehold residence with 264 units of service apartments. The residence has an environmental deck and the convenience of F&B outlets and shopping for residents. Currently the take up rate is 93%.

Sunway South Quay (GDV: RM5200m) with total land area of 88.45 acres. Located in Bandar Sunway, Sunway South Quay is an integrated township with a captivating 28-acre lake. The upcoming Sunway Geo will be the next retail haven for the residents. To the convenience of its residents, amenities such as Education, Hospitality, Healthcare, Shopping and Leisure, are a stone throw away. What makes this development even more attractive is its accessibility via six major highways with two direct linkages to Sunway South Quay, Malaysia's first proposed elevated Bus Rapid Transit (BRT) – Sunway Line connecting Sunway South Quay to Setia Jaya KTM station and future USJ6 LRT station, free shuttle bus connecting Sunway South Quay to nearby amenities and an elevated canopy walk.

Geo Retail Shops consist of 31 units of 3-storey Retail Shops (4,500 sqf – 12,500 sqf), with a take up rate of 90%.

Geo Flexi Office consists of 228 units of Flexi Suites (462 - 2,321 sqf) with a take up rate of 83%.

A'Marine are leasehold condominiums with 242 units, measuring 1,426 sqf – 1,932 sqf and a take up rate of 92%.

Bayrocks are leasehold Lakeside Garden Villas with only 77 unit measuring 6,469sf- 6,757sf and a land size area of 7,152 sf- 11, 346sf. The current take up rate of 70%.

La Costa are leasehold condominiums with 377 units and a built up area of 1,302 sqf – 3,226 sqf with a take up rate of 84%

Sunway Montana (GDV: RM500m) located in Desa Melawati is a 14-acre private forest with a skywalk, well-planned for premium healthy living. 25% of the development is green with an extensive landscape and facilities consisting of 57 units of 3-storey Courtyard Villas (3,584 – 3,674 sqf) and 50 units of 3-storey Semi-Detached Home (4,166 – 4,340 sqf). This location provides convenient access to major highways: Middle Ring Road II (MRR2) and Duta-Ulu Kelang Expressway (DUKE).

Ipoh, Perak

Suncity Ipoh (GDV: RM1700m) is the largest integrated township in Perak with total land area of 1346.86 acres. It hosts 'The Banjaran Hotsprings Retreat' and 'The Lost World of Tambun', a renowned theme park and petting zoo. Nearby amenities include The Sunway College Ipoh, a Go-Kart station in Extreme Park, The Lost World Hotel and Giant Hyper mart. Sunway City Ipoh is also home to over 1,300 residential, commercial and light industrial units in the span of less than 10 years. Located less than 20km from the Ipoh town, SCI is well-connected to Penang and Kuala Lumpur via a network of major highways, namely the North-South highway which has a direct access to SCI.

Johor

Bkt Lenang, Johor (GDV: RM900m) is sitting on 88-acre of freehold land. It is a residential development with clubhouse, bungalow and semi-D homes within a gated and guarded community. The first phase was launched in July 2013 with a GDV of RM200m consisting of 84 units of semi-ds and 28 units of bungalows with land size ranging from 2943sf to 5090sf and pricing per unit ranging from RM1.8m to RM4.2m.

Medini (GDV: RM12000m) is the closest integrated development to Singapore, located five minutes from the Second Link. Furthermore, it is only 40 minutes from Changi Airport, Singapore, 30 minutes from the Central Business District in Singapore and 25 minutes to the Senai International Airport in Johor Baru. It has a total land area of 691 acres. The land has a 129 year lease, and is targeted to be completed in 10 years. First phase of Medini will likely to be launched in Dec 2013. It will be an integrated development which comprises of serviced apartment and offices attached above c. 40 units of retail lots with total GDV ranging between RM400m and RM500m. Landed properties will come in later in 1H14. Meanwhile, the management has yet decided on the development of Pendas which the land still remains brownfield at this juncture.

Pendas (GDV: RM18000m) with total land area of 1079 acres bought for a purchase consideration of up to RM596.6m (RM12.69psf), which consist of land bought in three parts, Medni Eatern, Pendas South (300acres), Medini Western, Pendas South (366.3acres) and Pendas North (412.8acres). The land is to be developed over the next 15 to 17 years through a joint venture company between Sunway City Sdn Bhd and Iskandar Asset Sdn bhd (IASB), known as Harmony Impulse Sdn Bhd.

Singapore

Novena (GDV: SGD915m) with total land area of 1.65 acres consist of Med. Suites (60%) Hotel (30%) and Retail (10%). The development which is a joint venture between Sunway Bhd and Hoi Hup, 30:70, known as Hoi Hup Sunway JV id expected to be launched in Q3 this year.

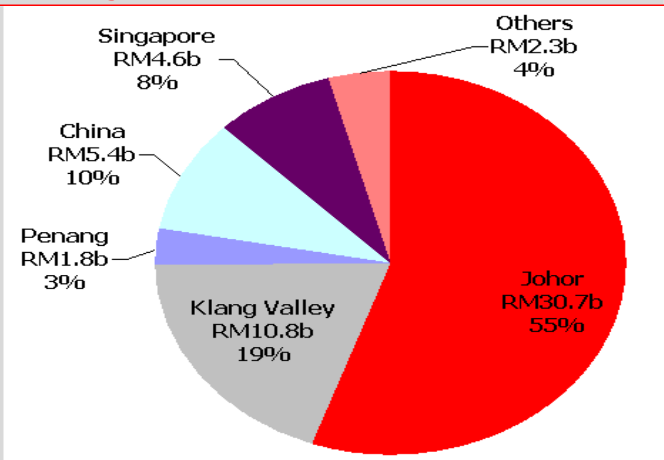
Mount Sophia (GDV: SGD822m) was the most recent tender awarded to the company. The project is a 51:30:19 joint venture between Hoi Hup, SUNWAY and S C Wong. It will be a low rise condominium with 487 units and expected to be launched in 2014.

China

Tianjin (GDV: RM5300m) with total land area of 91 acres. The project is a 60:40 joint venture between Sunway Bhd and SSTEC referred to as the Tianjin Project, China. There will be a total of 5000 units and the development period will take 5 to 7 years.

Strategic Locations
Remaining Landbank

Remaining Landbank



Total Landbank (ac)	3834
Total GDV (RM'b):	55.6
Effective GDV (RM'b)	32.5
Development Period	Up to 15years

**this chart is calculated based on Gross GDV. Hence, the numbers may differ from the write-up that are calculated based on effective GDV.*

Sources: Company

Landbanks in Iskandar Malaysia

Pendas Johor | **Medini Iskandar**

Pendas Johor

Landbank	
Location:	Pendas Johor
Land size (ac):	1079
Potential GDV (RM'b):	RM18b over 15 years
Type	Mixed integrated development
Tenure	Freehold
Land Cost	RM596.6m (RM12.69psf)

Johor

Landbank	
Location:	Medini Iskandar
Land size (ac):	691
GDV (RM'b):	RM12b over 10 years
Potential development	Mixed integrated development
Tenure	129 year lease
Land Cost	• 99 yr lease: RM 745.3m • 30 yr lease ext: RM74.5m (10%) • RM24.73psf

Sources: Company

Sunway Integrated Resort City

Sunway Integrated Resort City

Sources: Company

Sunway Integrated Resort City (SIRC) is Sunway Berhad's flagship township, consisting of a shopping mall, hotel, office, theme park, education institute and medical centre all managed and owned by Sunway Berhad and Sunway REIT. To date, SIRC attracts over 30 million visitors a year. Landmark properties within SIRC include Sunway Pyramid Shopping Mall, Pyramid Tower Hotel, Sunway Resort Hotel and Spa, Menara Sunway, Sunway Medical Centre, Sunway South Quay, Sunway Lagoon, Sunway University, and Monash University. There is no direct competition within SIRC given that Sunway Bhd is the sole developer in the area. SIRC is now 27 years old and offers a unique proposition as Sunway Berhad's new developments will be able to leverage off SIRC.

Integrated Property

Investment Properties Under Development

The Pinnacle @ Bandar Sunway

The Pinnacle @ Bandar Sunway

Under Development	
Location:	Bandar Sunway, Selangor
GDV (RM'b):	0.35
Type	25-storey Grade A Office Building
NLA	560 k sqf
Car Parks	1000
Expected Completion	end-2013/early-2014

Sources: Company

Sunway VeloCity Shopping Mall

Sunway VeloCity @ Kuala Lumpur

Under Development	
Location:	Kuala Lumpur
GDV (RM'b):	1.6
Type	Shopping mall
NLA	1000 k sqf
Car Parks	2210
Expected Completion	end-2015

Sources: Company

Sunway Pyramid 3

Sunway Pyramid 3 @ Bandar Sunway

Under Development	
Location:	Bandar Sunway, Selangor
GDV (RM'b):	0.5
Type	Hotel & Shopping Mall Extension
NLA	220 k sqf
Car Parks	1027
Expected Completion	mid-2015

Sources: Company

Sunway University New Academic Block

Bandar Sunway

Under Development	
Location:	Bandar Sunway, Selangor
GDV (RM'b):	0.3
Type	12-storey Academic Block
NLA	670 k sqf
Car Parks	900
Expected Completion	mid-2015

Sources: Company

Property Development Sales Status

SPK 3 Harmoni

SPK 3 Harmoni

Location:	Damansara, Kuala Lumpur
GDV (RM'm):	188
Type	3-storey Town House
Take up	99%

Sources: Company

SPK 3 Harmoni is a joint-venture development between Sunway City Berhad and Sharikat Permodalan Kebangsaan Berhad. The Garden Homes development is built on freehold land, facing a 70 ft. wide linear landscaped garden, and consists of a clubhouse with a swimming pool. Other amenities in the area include shopping centres, - Sunway Giza, The Curve, IKEA, Tesco, One Utama Shopping Centre, Golf Course, Tropicana Golf & Country Resort, Rahman Putra Golf & Country Club, and SEGi University College.

Sunway Nexis @ Sunway Damansara

Sunway Nexis

Location:	Retail	Office	SOHO	**Total**
GDV (RM'm):	301	107	119	527
Units	42	113	147	302
Take up	95%	99%	79%	-
Unbilled Sales(RM'm):	158	64	58	280

Sources: Company

Sunway Nexis is a 5.83-acre leasehold commercial development consisting of three-storey retail shops with sizes ranging from 4,133 to 8,718 sqf, 13-storey office suites with sizes ranging from 925 to 1,636 sqf, and a 20-storey flexi office block. Sunway Nexis @ Dataran Sunway will be located near the upcoming My Rapid Transit (MRT) station.

Rymba Hills

Rymba Hills

Location:	Petaling Jaya, Selangor
GDV (RM'm):	300
Type	3-storey Forest Villas
Take up	80%
Unbilled Sales (RM'm)	-

Sources: Company

Rymba Hills, is a joint venture with the Selangor State Development Corp (PKNS). It consists of 80 units of three-storey leasehold villas on 19.72 acres in Sunway Damansara, Petaling Jaya, including a 6.5-acre private forest park. The villas have standard lot sizes of 45 x 90 ft, and gross built-ups ranging from 4,442 to 4,650 sqf. Gross prices range from RM4.0m to RM4.9m per unit. Rymba Hills also have nature trails, meditation pavilions and exercise par courses. Its location is strategic as it is located near colleges, hypermarkets, lifestyle neighbourhoods (such as Sunway Giza), commercial areas (Dataran Sunway) and shopping malls such as 1 Utama and The Curve. It is accessible via Damansara-Puchong Highway (LDP) and New Klang Valley Expressway (NKVE).

A'Marine

A'Marine

Location:	Sunway South Quay
GDV (RM'm):	240
Units	242
Type	Lakeside Condominiums
Take up	92%
Unbilled Sales(RM'm)	43

Sources: Company

Sunway A'Marine is a leasehold condominium comprising of 242 units with a built up area ranging from 1,426 sqf – 1,932 sqf sprawling over two 25-storey towers on a 7 acre land. There are 105 and 137 units housed within Tower 1 and 2 respectively. The project is expected to be completed in June 2013. There is a 1.5 km promenade surrounding the lake with jogging track and landscape furniture for residents to stroll and jog. Adding to that, there is a 77-foot luxury yacht named the South Quay Princess anchored by the side of the lake. It is available for lease by the residents to host parties and business meetings.

Sunway Velocity

Sunway Velocity

Location:	Retail	Office	S.Apts
GDV (RM'm):	52	121	245
Units	12	113	237
Take up	100%	95%	93%
Unbilled Sales(RM'm):		155	

Sources: Company

Sunway Velocity is a self-contained integrated mixed development, strategically located within 3.8km of Kuala Lumpur and spanning across 23 acres of prime freehold land. This master development integrates five main world class components - V Retail, V Office V Residence, V Boulevard and V Garden, which essentially is a place to shop, dine work and unwind, to provide a hassle-free living experience where everything is within reach in one destination.

La Costa

La Costa Sunway South Quay

Location:	
GDV (RM'm):	403
Units	377
Type	Condo
Take up	84%
Unbilled Sales(RM'm)	182

Sources: Company

La Costa is lakefront condominiums featuring 4 towers fronting a 28-acre serene lake, its very own private sandy beach pool and 4 themed sky gardens for the residents. There are 4 blocks of built up leasehold condominiums ranging from 1302sqf to 3226sqf. The area is within reach from the NPE, KESAS, Federal Hihway, NKVE, LDP and a 7 minutes' drive from the Seri Setia KTM station.

Vacanza @ East

Vacanza @ East

Location:	Singapore
GDV (SGD'm):	470
Units	473
Type	High Rise Private Development
Take up	100%
Unbilled Sales(RM'm)	54

Sources: Company

Vacanza @ East is a freehold condominium development and a JV by Sunway and Hoi Hup in Singapore. This condo is 12 storeys tall, comprises of 473 units and is expected to be completed in 2014. Vacanza @ East is relatively close to Kembangan MRT Station, and there are also schools in the vicinity such as Telok Kurau Primary, East Coast Primary School, and Ping Yi Secondary School. Residents can drive down to the nearby Katong Shopping Centre or Parkwat Parade for amenities such as supermarkets, restaurants and eating establishments, banks, and boutique shops.

Miltonia Residences

Sunway Velocity

Location:	Singapore
GDV (SGD'm):	370
Units	410
Type	Low Rise Private Development
Take up	100%
Unbilled Sales(RM'm)	109

Sources: Company

Miltonia Residences is a 99 year leasehold condominium development and is located beside the Orchid Golf and Country Club, Miltonia Close, Yishun Avenue 1, Singapore. It consists of 410 residential and 1 shop unit. It is a resort themed condominium with a spectacular view of the golf course and the lower Seletar Reservoir and equipped with great facilities and lush landscaping. Residents can rely on North Point Shopping Centre and Safra Yishun Country Club for amenities such as supermarkets, restaurants, banks, boutique shops, and more.

Arc@Tampines

Arc@Tampines

Location:	
GDV (SGD'm):	465
Units	574
Type	Executive Condo
Take up	100%
Unbilled Sales(RM'm)	86

Sources: Company

Arc at Tampines is a 99-year leasehold executive condominium development located at Tampines Avenue 8, Singapore, district 18. It stands 16 storeys tall and comprises a total of 574 residential units. Arc at Tampines is just a few minutes ride to Tampines MRT Station. Nearby amenities include Tampines Mall, Tampines One and Century Square that house retail shops, supermarkets, restaurants, banks, and more.

Yi Fang Cheng

Sunway Velocity

Location:	
GDV (RM'm):	403
Units	1,171
Type	Condo
Take up	80%
Unbilled Sales(SGD'm)	-

Sources: Company

Yi Fang Cheng is Sunway's maiden project in Jiangyin has been well received with all six blocks of condominiums launched and achieving an overall take up rate of 80%.

Property Investment

Shopping Mall

Sunway Giza

Location:	Sunway Damansara
Intro	3-storey neighbourhood mall
NLA	98 k sqf
Occ rate	100%
Outlets	66
Opening	Dec 2009

Sources: Company

Sunway Giza is a 6.17 acre neighbourhood specialty shopping, leisure and entertainment haven that comprises 48 units of retail space, 98,000 sqf of lettable prime retail space, and a 3-storey lifestyle neighbourhood mall with a 800-bay basement car park. The project was completed in December 2009 for RM141m by Sunway Damansara Sdn. Bhd. This outfit is highly visible from the mainroad along Persiaran Surian & Persiaran Mahogani. There has also been a proposed LRT station to be built within vicinity (to be implemented by Syarikat Prasarana Negara Berhad).

Education Building

Name	Sunway Univesity College	Monash University Sunway Campus
Location:	Bandar Sunway	
Intro	Malaysia only township with two tertiary education institutes	
NLA	615 k sqf	754 k sqf
Occ rate	100%	100%
Capacity	10,000 students	10,000 students
Opening	Dec 1992	Feb 2007

Sources: Company

Sunway Hotel, Georgetown

Location	Georgetown, Penang
Rooms	241 rooms, 4 star hotel
Occ rate	69%
Room rates	RM123

Sources: Company

Sunway Hotel, Phnom Penh

Location	Phnom Penh, Cambodia
Rooms	138 rooms, 4 star hotel
Occ rate	68%
Room rates	USD 59

Sources: Company

Sunway Hotel, Hanoi

Location	Hanoi, Vietnam
Rooms	145 rooms, 4 star hotel
Occ rate	67%
Room rates	USD 53

Sources: Company

Sunway Lagoon

Location	Bandar Sunway
Area (ac)	60
Intro	Malaysia's first and largest Premier water theme park
Visitorship	Over 1.1million per year

Sources: Company

Lost World of Tambun

Location	Tambun, Ipoh, Perak
Area (ac)	40
Intro	First themed water park that provides hot springs in Malaysia
Visitorship	Over 500 k per year

Sources: Company

Income Statement

FY Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Revenue	3692	3849	4271	5514	6008
EBITDA	427	417	655	826	955
Depreciation	-105	-95	-104	-113	-122
Operating Profit	322	322	551	713	832
Interest Exp	-81	-100	-110	-115	-121
Investing income	28	23	57	48	37
Associate/JCE	186	296	112	88	103
Exceptional/FV	44	182	60	0	0
PBT	499	723	671	734	852
Taxation	-70	-125	-149	-163	-190
Minority Interest	-41	-67	-34	-75	-120
Net Profit	388	530	487	495	543
Core Net Profit	354	394	440	495	543

Balance Sheet

FY Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Fixed Assets	2866.8	2646.1	3097.2	3730.1	4510.7
Intangible Assets	326.5	318.1	318.1	318.1	318.1
Other FA	1365.8	1589.7	1589.7	1589.7	1589.7
Inventories	451.8	650.3	721.5	846.0	983.9
Receivables	1451.7	2127.5	2360.4	3047.6	3320.6
Other CA	604.3	492.8	492.8	492.8	492.8
Cash	776.7	1158.9	1986.5	1740.0	1473.1
Total Assets	7843.6	8983.5	10566.2	11764.3	12688.9
Payables	1647.1	1771.8	1914.8	2482.8	2676.5
ST Borrowings	311.0	1764.8	1944.9	1944.9	1944.9
Other ST Liability	52.7	39.6	38.5	39.1	38.3
LT Borrowings	1914.9	972.2	1070.8	1223.7	1384.5
Other LT Liability	573.6	477.6	504.2	502.9	513.4
Minorities Int.	327.3	380.9	415.3	490.6	610.3
Net Assets	**3016.9**	**3576.6**	**4677.7**	**5080.3**	**5521.1**
Share Capital	1292.5	1292.5	1723.4	1723.4	1723.4
Reserves	1724.4	2284.1	2954.3	3356.9	3797.8
Equity	**3016.9**	**3576.6**	**4677.7**	**5080.3**	**5521.1**

Cashflow Statement

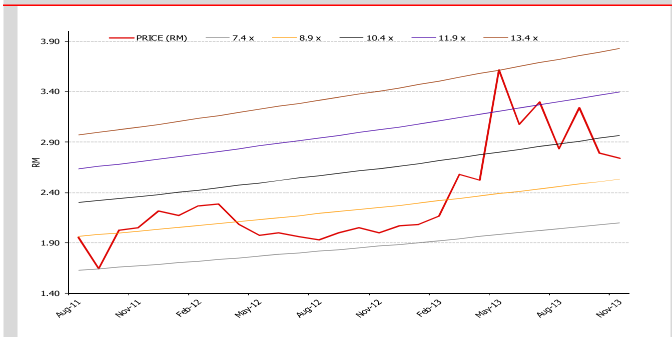
FY Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Operating CF	399.0	389.7	608.5	607.0	737.2
Investing CF	-292.9	-369.8	-641.6	-815.9	-945.6
Financing CF	-196.3	274.1	743.8	-86.2	-95.9
Change In Cash	-90.2	293.9	710.7	-295.1	-304.3
Free CF	172.4	-43.5	648.0	664.6	812.9

Financial Data & Ratios

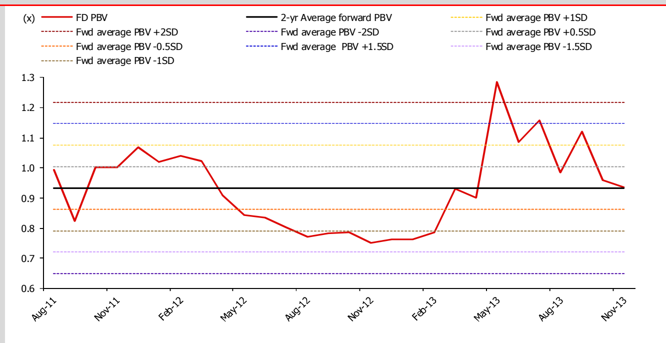
FY Dec (RM m)	2011A	2012A	2013E	2014E	2015E
Growth					
Turnover (%)	19.0	4.3	10.9	29.1	9.0
EBITDA (%)	-36.8	-2.4	57.2	26.1	15.5
Operating Profit (%)	-45.4	-0.2	71.3	29.4	16.7
PBT (%)	-30.4	45.0	-7.2	9.5	16.0
Core Net Profit (%)	n.a.	11.1	11.8	12.5	9.5
Profitability (%)					
EBITDA Margin	11.6	10.8	15.3	15.0	15.9
Operating Margin	8.7	8.4	12.9	12.9	13.9
PBT Margin	13.5	18.8	15.7	13.3	14.2
Core Net Margin	9.6	10.2	10.3	9.0	9.0
Effective Tax Rate	-14.0	-17.3	-22.3	-22.3	-22.3
ROA	11.9	16.1	11.8	10.2	10.3
ROE	5.2	6.3	5.0	4.4	4.4
DuPont Analysis					
Net Margin (%)	10.5	13.8	11.4	9.0	9.0
Assets Turnover (x)	0.5	0.5	0.4	0.5	0.5
Leverage Factor (x)	2.3	2.6	2.4	2.3	2.3
ROE (%)	11.9	16.1	11.8	10.2	10.3
Leverage					
Debt/Asset (x)	0.28	0.30	0.29	0.27	0.26
Debt/Equity (x)	0.74	0.77	0.64	0.62	0.60
Net Cash/(Debt)	1.4	1.6	1.0	1.4	1.9
Net Debt/Equity (x)	0.37	0.39	0.18	0.25	0.30
Valuations					
EPS (sen)	22.5	30.8	22.6	23.0	25.2
Core EPS (sen)	20.6	22.9	25.5	28.8	31.5
NDPS (sen)	n.a	6.0	9.2	7.2	7.9
NTA (RM)	1.75	2.08	2.71	2.95	3.20
Core PER (x)	13.3	12.0	10.7	9.5	8.7
Net Div. Yield (%)	0.0	2.2	3.3	2.6	2.9
P/NTA (x)	1.6	1.3	1.0	0.9	0.9
EV/EBITDA (x)	14.4	15.1	8.8	7.4	6.9

Source: Kenanga Research

Fwd PER Band



Fwd PBV Band



Source: Kenanga Research

NAME	Price (20/11/13) (RM)	Mkt Cap (RMm)	PER (x) FY12/13	PER (x) FY13/14	PER (x) FY14/15	Est. NDiv. Yld. (%)	Historical ROE (%)	P/BV (x)	Net Profit (RMm) FY12/13	Net Profit (RMm) FY13/14	Net Profit (RMm) FY14/15	FY12/13 NP Growth (%)	FY13/14 NP Growth (%)	Target Price (RM)	Rating
DEVELOPERS UNDER COVERAGE															
UEM Sunrise	2.23	9,699	21.5	17.6	14.7	1.1%	8.8%	1.7	448.4	549.6	656.3	22.6%	19.4%	3.05	OUTPERFORM
SP Setia	3.09	7,597	19.3	18.2	15.4	2.4%	10.5%	1.4	393.8	418.1	494.8	6.2%	18.3%	3.60	MARKET PERFORM
Sunway Berhad	2.74	4722	12.0	10.7	9.5	3.3%	16.1%	1.0	393.9	440.3	495.5	11.8%	12.5%	3.58	OUTPERFORM
IJM Land*	2.52	3,928	18.2	12.3	9.8	2.0%	8.5%	1.2	196.1	289.3	365.6	47.6%	26.4%	3.60	OUTPERFORM
Mah Sing Group	2.18	3,027	10.7	8.9	7.3	4.2%	19.9%	1.6	230.6	275.5	335.5	19.5%	21.8%	2.56	OUTPERFORM
UOA Development*	2.02	2,706	8.5	8.4	7.4	6.4%	15.4%	1.1	301.3	306.9	346.0	1.9%	12.7%	2.10	MARKET PERFORM
Scientex Berhad	5.45	1,205	11.4	8.1	6.9	4.3%	17.5%	1.7	110.3	155.0	182.8	40.5%	17.9%	6.28	OUTPERFORM
Crescendo	3.21	731	15.5	10.9	8.8	4.7%	9.7%	1.4	55.7	80.2	100.0	43.9%	24.7%	4.00	OUTPERFORM
Hua Yang	2.16	570	8.1	7.4	5.1	4.1%	23.5%	1.4	70.5	77.5	112.0	10.0%	44.5%	2.91	OUTPERFORM
Hunza Properties*	2.35	495	21.8	21.1	17.8	1.9%	26.7%	0.6	19.7	20.3	24.0	3.1%	18.5%	2.40	MARKET PERFORM
** Core NP and Core PER*															
CONSENSUS NUMBERS															
BERJAYA LAND BHD	0.82	4,056	31.6	81.5	50.9	n.a.	2.4%	0.8	128.4	49.8	79.6	-61.2%	60.0%	0.93	BUY
SUNWAY BHD	2.74	4,722	7.1	12.0	11.0	2.3%	16.4%	1.1	665.5	393.0	430.9	-41.0%	9.6%	3.55	BUY
IGB CORPORATION BHD	2.71	3,705	22.0	17.7	17.2	2.7%	4.6%	0.9	168.7	209.2	216.0	24.0%	3.3%	3.82	NEUTRAL
YNH PROPERTY BHD	1.77	745	15.3	12.2	11.1	2.3%	5.7%	0.9	48.6	61.1	67.4	25.6%	10.3%	2.01	NEUTRAL
YTL LAND & DEVELOPMENT BHD	0.97	804	35.3	51.1	44.1	n.a.	2.6%	0.8	22.8	15.8	18.2	-30.9%	15.8%	1.40	NEUTRAL
GLOMAC BHD	1.11	807	7.7	5.4	5.2	5.1%	13.3%	1.0	105.2	149.0	154.8	41.6%	3.9%	1.30	BUY
KSL HOLDINGS BHD	1.98	765	3.9	4.7	4.9	2.5%	17.7%	0.6	195.9	163.4	157.3	-16.6%	-3.8%	2.28	NEUTRAL
PARAMOUNT CORP BHD	1.54	520	9.7	9.1	8.1	5.8%	7.7%	0.7	53.7	57.4	64.2	7.0%	11.8%	1.71	BUY
IVORY PROPERTIES GROUP BHD	0.62	276	49.2	n.a.	8.9	n.a.	10.5%	0.7	5.6	n.a.	31.2	n.a.	n.a.	n.a.	BUY
TAMBUN INDAH LAND BHD	1.45	490	8.5	8.9	6.9	5.4%	21.3%	1.9	57.7	55.1	71.0	-4.4%	28.8%	1.88	BUY

Source: Kenanga Research

Constructions Peer Comparisons

NAME	Price (RM)	Weightage	Mkt Cap (RMm)	PER (x) Actual	PER (x) 1 Yr Fwd	PER (x) 2 Yr Fwd	Est. Div. Yld. (%)	Est. ROE (%)	P/BV (x)	Net Profit (RMm) Actual	Net Profit (RMm) 1 Yr Fwd	Net Profit (RMm) 2 Yr Fwd	1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
BENALEC HOLDINGS BHD	1.09	2.35	879.2	15.2	10.2	9.5	4.2	15.9	1.6	57.7	86.6	92.1	50.1	6.4	1.94	MARKETPERFORM	-21.58
EVERSENDAI CORP BHD	1.41	2.92	1091.3	9.5	10.3	8.3	1.3	11.3	1.2	115.4	106.0	130.9	-8.1	23.5	1.52	MARKETPERFORM	6.02
GAMUDA BHD	4.81	29.40	10998.6	20.3	17.0	14.5	2.5	13.6	2.3	541.4	646.9	758.0	19.5	17.2	5.30	OUTPERFORM	32.14
IJM CORP BHD	5.74	21.65	8098.6	19.2	16.7	13.3	2.6	8.1	1.4	420.9	484.6	609.7	15.1	25.8	6.51	OUTPERFORM	15.26
KIMLUN CORP BHD	1.90	1.22	456.9	9.3	10.8	8.9	3.1	12.0	1.3	49.2	42.4	51.6	-13.8	21.7	1.93	MARKETPERFORM	36.69
MALAYSIAN RESOURCES CORP BHD	1.41	6.22	2328.3	38.8	74.4	36.1	1.3	3.3	2.5	60.0	31.3	64.5	-47.8	106.1	1.59	MARKETPERFORM	-9.03
MMC CORP BHD	2.90	23.60	8830.7	33.7	29.5	20.5	1.3	3.2	0.9	261.8	299.1	430.7	14.2	44.0	2.67	MARKETPERFORM	10.27
MUHIBBAH ENGINEERING (M) BHD	2.32	2.62	979.2	-10.5	12.3	11.3	0.8	14.5	1.8	-93.2	79.4	86.9	-185.2	9.4	3.00	OUTPERFORM	181.21
NAIM HOLDINGS BERHAD	3.69	2.34	874.3	9.3	9.1	6.8	3.0	10.6	1.0	94.0	96.1	128.2	2.2	33.4	4.45	OUTPERFORM	109.66
TRC SYNERGY BHD	0.56	0.71	264.8	26.0	9.2	7.0	3.6	8.1	0.7	10.2	28.7	37.9	181.4	32.1	0.75	OUTPERFORM	-2.63
WCT HOLDINGS BHD	2.39	6.98	2611.0	16.3	14.4	12.1	4.1	8.3	1.2	160.2	180.7	216.3	12.8	19.7	2.50	MARKETPERFORM	1.70

Source: Kenanga Research

NAME	Price (20/11/13) (RM)	Mkt Cap (RMm)	PER (x) FY12/13	FY13/14	FY14/15	Est. NDiv. Yld. (%)	Historical ROE (%)	P/BV (x)	Net Profit (RMm) FY12/13	FY13/14	FY14/15	FY13/14 NP Growth (%)	FY14/15 NP Growth (%)	Target Price (RM)	Rating
M-REIT & PROPERTY INVESTMENT UNDER COVERAGE															
KLCCSS *	6.10	11,013	31.0	18.2	15.8	4.3%	19.7%	1.0	355.6	606.5	698.8	71%	15%	6.12	UNDERPERFORM
Sunway REIT*	1.32	3,856	16.3	16.8	16.0	5.2%	11.2%	1.0	218.8	211.7	223.1	-3%	5%	1.36	MARKET PERFORM
CapitaMalls (M) Trust*	1.50	2,659	19.3	18.0	17.0	5.0%	12.3%	1.3	137.1	147.4	155.6	8%	6%	1.60	MARKET PERFORM
Axis REIT*	3.32	1,524	19.1	16.9	16.1	5.3%	10.7%	1.5	79.7	90.0	94.9	13%	5%	3.41	MARKET PERFORM
** Core NP and Core PER*															
CONSENSUS NUMBERS															
IGB REIT	1.27	4,347	n.a.	21.2	19.8	5.4%	n.a.	n.a.	n.a.	205.4	219.0	n.a.	7%	1.35	NEUTRAL
PAVILION REIT	1.33	4,003	6.3	18.7	17.5	5.5%	n.a.	1.2	631.7	213.7	228.7	-66%	7%	1.52	NEUTRAL
STARHILL REAL ESTATE INVESTM	1.02	1,351	24.2	11.3	11.3	8.8%	3.9%	1.0	55.8	119.2	119.2	114%	0%	n.a.	BUY
AL-HADHARAH BOUSTEAD REIT	2.07	1,298	17.0	23.0	18.8	4.3%	6.8%	1.1	76.2	56.4	69.0	-26%	22%	n.a.	SELL
AL-'AQAR KPJ REIT	1.35	940	14.5	15.5	14.5	6.1%	8.3%	1.2	65.0	60.6	64.7	-7%	7%	1.70	NEUTRAL
AMANAHRAYA REIT	1.01	579	11.7	12.9	12.8	7.6%	8.2%	1.0	49.5	44.7	45.3	-10%	1%	0.95	BUY
AMFIRST REAL ESTATE INVESTM	1.02	700	12.7	12.8	12.8	6.9%	6.6%	0.8	55.3	54.9	54.9	-1%	0%	n.a.	BUY
HEKTAR REAL ESTATE INVESTMEN	1.56	625	10.0	14.2	13.6	6.4%	11.4%	1.0	62.6	44.1	46.1	-30%	5%	1.46	BUY
QUILL CAPITA TRUST	1.18	460	11.6	13.1	12.3	7.3%	7.7%	0.9	39.5	35.1	37.5	-11%	7%	1.21	NEUTRAL
TOWER REAL ESTATE	1.53	429	6.2	12.8	11.8	7.2%	14.4%	0.8	69.8	33.7	36.5	-52%	8%	n.a.	BUY
UOA REIT	1.47	622	8.2	13.4	13.4	6.8%	12.0%	1.0	75.4	46.5	46.5	-38%	0%	n.a.	BUY
ATRIUM REAL ESTATE INVESTMEN	1.30	158	6.6	14.4	14.4	6.9%	16.8%	1.1	24.2	11.0	11.0	-55%	0%	n.a.	BUY

Source: Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	:	A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
MARKET PERFORM	:	A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERPERFORM	:	A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

OVERWEIGHT	:	A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
NEUTRAL	:	A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	:	A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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