

Flash Note

Sunway Bhd

SWB MK
RM2.76

BUY (maintain)

Price Target: RM3.28 (↔)

Secures RM452m BRT contract – Sunway Line

Sunway secured RM452m BRT job – Sunway Line

Sunway announced that its wholly-owned subsidiary, Sunway Construction Sdn Bhd had on 11 March 2013 accepted the letter of award worth RM452.2m from Syarikat Prasarana Negara Berhad for the design, construction, completion and commissioning of guideway & halts, depot, park and ride, and mechanization of oxidation pond of the Bus Rapid Transit (“BRT”) – Sunway Line. The proposed BRT - Sunway Line is targeted to be completed within 24 months from the date of award.

The 5.4km BRT – Sunway Line to have 7 stations

The proposed BRT – Sunway Line will provide bus services on elevated tracks for visitors to Sunway Resort City and residents in Bandar Sunway and Subang Jaya. The 5.4km BRT – Sunway Line will link up key commercial areas in Bandar Sunway and Subang Jaya with 7 stations and it will be connected to the LRT and KTM Komuter stations. As part of Sunway’s corporate social responsibility initiatives, Sunway will additionally and separately contribute works estimated to cost approximately RM99m to the proposed BRT – Sunway Line.

Positive on the contract win

We are generally positive on the contract win: (i) the RM452m contract will raise Sunway’s construction outstanding orderbook to RM3.9bn (from RM3.4bn), thereby raising the division’s 2013-14 profit outlook; and (ii) the project will enhance the public accessibility to Bandar Sunway, thus increasing the visitorship/ traffic flow to Sunway Pyramid Shopping Mall, Sunway Lagoon Theme Park, and its offices and hotels in Bandar Sunway; and (iii) we expect the improved public transport will help to ease the traffic congestion in Bandar Sunway, resulting in better pricing and marketability for Sunway’s new properties launches in Bandar Sunway.

Maintain BUY with an unchanged TP of RM3.28

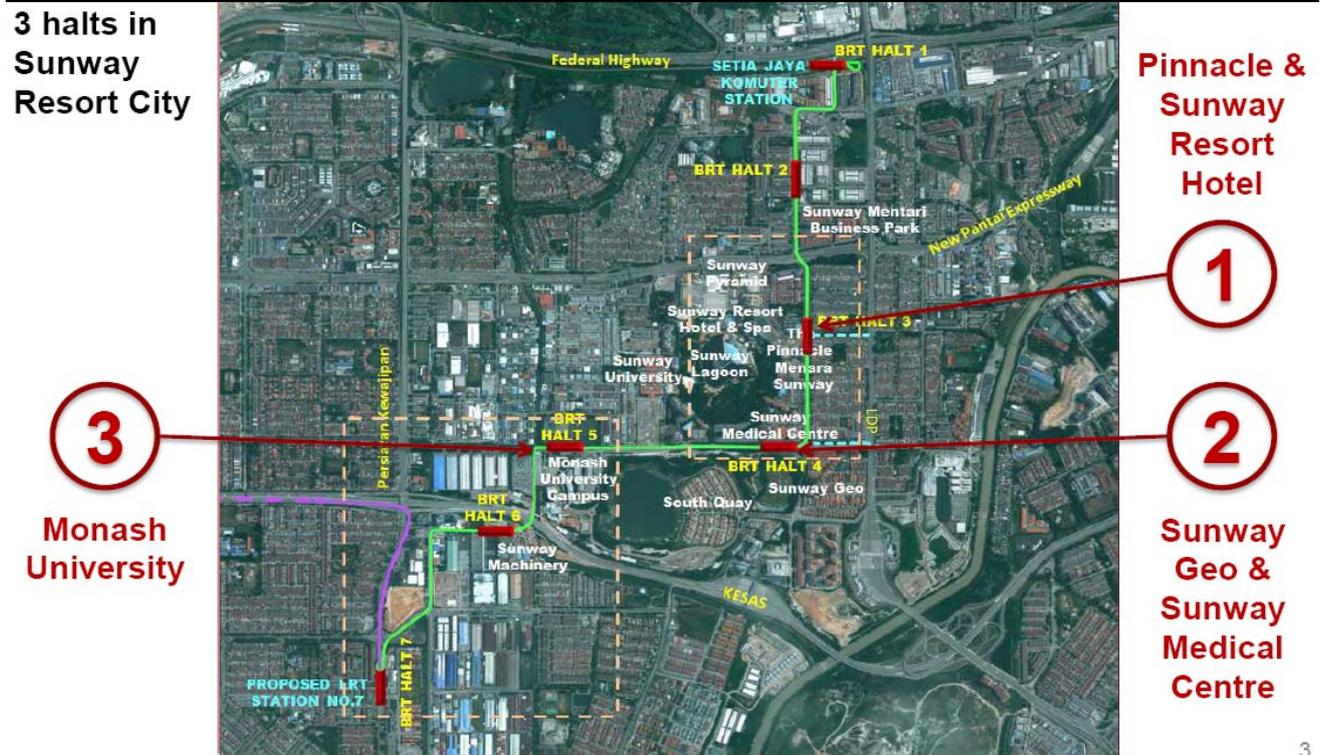
No change to our earnings forecast as we have imputed RM1bn construction contract wins for FY13. Maintain **BUY** with an unchanged TP of RM3.28 based on 30% discount to RNAV. We view Sunway as an attractive proxy to Iskandar: (i) Sunway trades at an attractive 9.5x CY13 EPS, substantially lower than UEM Land’s 22x CY13 EPS; (ii) Sunway’s low Iskandar land cost and favourable payment structure will ensure its long-term competitiveness; and (iii) Sunway’s share price has lagged other Iskandar-focused developers. Furthermore, we also like Sunway for its integrated real estate business model, strategic land bank in Klang Valley and Iskandar Malaysia, extensive experience in the construction sector and established international footprints.

Earnings & Valuation Summary

| FYE Dec (RMm) | 2011 | 2012 | 2013E | 2014E | 2015E |
|---------------------|---------|---------|---------|---------|---------|
| Revenue | 3,691.7 | 3,876.8 | 4,053.6 | 4,679.0 | 4,649.2 |
| EBITDA | 457.0 | 470.7 | 482.8 | 542.5 | 563.6 |
| Pretax profit | 498.5 | 728.2 | 540.3 | 608.5 | 678.2 |
| Net profit | 372.1 | 532.3 | 377.4 | 416.6 | 478.9 |
| EPS (sen) | 28.8 | 41.2 | 29.2 | 32.2 | 37.1 |
| PER (x) | 9.6 | 6.7 | 9.5 | 8.6 | 7.4 |
| Core net profit | 327.1 | 350.6 | 377.4 | 416.6 | 478.9 |
| Core EPS (sen) | 25.3 | 27.1 | 29.2 | 32.2 | 37.1 |
| Core EPS chg (%) | 14.3 | 7.2 | 7.7 | 10.4 | 15.0 |
| Core PER (x) | 10.9 | 10.2 | 9.5 | 8.6 | 7.4 |
| DPS (sen) | - | 6.0 | 7.0 | 8.0 | 8.0 |
| Dividend Yield (%) | - | 2.2 | 2.5 | 2.9 | 2.9 |
| EV/EBITDA (x) | 11.0 | 11.0 | 10.5 | 9.6 | 9.0 |
| Consensus profit | - | - | 376.8 | 424.8 | 515.4 |
| Affin/Consensus (x) | - | - | 1.0 | 0.9 | 0.9 |

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Fig 1: The proposed BRT – Sunway Line route



Source: Company

Fig 2: Artist's impression of BRT – Sunway Line Halt 3 (Pinnacle & Sunway Resort Hotel)



Source: Company

Equity Rating Structure and Definitions

| | |
|-------------------------------|---|
| BUY | Total return is expected to exceed +15% over a 12-month period |
| TRADING BUY (TR BUY) | Total return is expected to exceed +15% over a 3-month period due to short-term positive development, but fundamentals are not strong enough to warrant a Buy call. This is to cater to investors who are willing to take on higher risks |
| ADD | Total return is expected to be between 0% to +15% over a 12-month period |
| REDUCE | Total return is expected to be between 0% to -15% over a 12-month period |
| TRADING SELL (TR SELL) | Total return is expected to exceed -15% over a 3-month period due to short-term negative development, but fundamentals are strong enough to avoid a Sell call. This is to cater to investors who are willing to take on higher risks |
| SELL | Total return is expected to be below -15% over a 12-month period |
| NOT RATED | Affin Investment Bank does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation |
| OVERWEIGHT | Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months |
| NEUTRAL | Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months |
| UNDERWEIGHT | Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months |

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