

## Flash Note

## Sunway Bhd

SWB MK  
RM2.74

BUY (maintain)

Price Target: RM3.28 (↔)

## Securing RM304m of KLCC North East Car Park contract

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Sunway announced that its wholly-owned subsidiary Sunway Construction Sdn Bhd had on 18 March 2013 secured a RM304m contract from Cititower Sdn Bhd (a JV between KLCC (Holdings) Sdn Bhd and QD Asia Pasific Ltd) for the construction and completion of the North East Car Park underneath KLCC Park and its associated works.

## Scope of work

Sunway's scope of work include excavation works, construction and installation of diaphragm wall, foundation and piling works, construction of a 6 level basement car park and its associated works. The proposed project has a construction period of 178 weeks upon handling over of site possession which is to be determined later.

## Positive on contract win, maintain earnings forecast

We are positive on the contract win. The KLCC North East Car Park contract is Sunway's 4<sup>th</sup> major contract win thus far this year. All in, the group had secured RM1.06bn of construction contracts. Adding in the KLCC car park contract, Sunway now have a strong outstanding construction orderbook of RM4.2bn (inclusive of RM1bn of internal/ related parties works). No change in our earnings forecast for now – imputed in our earnings forecast of Sunway securing RM1bn of new construction contracts in 2013. We forecast the construction division to contribute around 14-15% of Sunway's FY13 net profit and every additional RM200m contract win (based on our prevailing margins assumption) will enhance Sunway's FY13-14 net profit by 1-1.5%.

## Maintain BUY with an unchanged TP of RM3.28

We maintain our **BUY** rating and TP of RM3.28 on Sunway, based on a 30% discount to RNAV. We view Sunway as an attractive proxy to Iskandar Malaysia. We believe that the positive developments in Iskandar Malaysia, recent re-rating of Iskandar-focused developers and the potential listing of Iskandar Waterfront Holdings, will re-rate Sunway's share price closer to RNAV.

## Earnings &amp; 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)	(45.6)	43.1	(29.1)	10.4	15.0
Core net profit	9.5	6.7	9.4	8.5	7.4
Core EPS (sen)	327.1	350.6	377.4	416.6	478.9
Core EPS chg (%)	25.3	27.1	29.2	32.2	37.1
Core PER (x)	10.8	10.1	9.4	8.5	7.4
DPS (sen)	-	6.0	7.0	8.0	8.0
Dividend Yield (%)	-	2.2	2.6	2.9	2.9
EV/EBITDA (x)	10.9	10.9	10.5	9.6	8.9
Consensus profit	-	-	384.9	425.5	507.8
Affin/Consensus (x)	-	-	1.0	1.0	0.9

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Fig 1: KLCC masterplan



Source: KLCCP

**Fig 2: Sunway's RNAV**

<b>Description</b>					
<b>Property Development</b>	<b>Stake</b>	<b>Acres</b>	<b>GDV (RMm)</b>	<b>NPV @ 8% (RMm)</b>	<b>Surplus (RMm)</b>
Sunway South Quay	60%	52.0	3,893.0	241.8	145.1
Sunway Velocity	50%	22.0	3,191.0	198.2	99.1
Damansara	60%	18.0	826.0	69.0	41.4
Melawati	100%	31.0	555.0	34.5	34.5
Sunway Towers KL	100%	1.0	240.0	21.5	21.5
Taman Duta	60%	3.0	120.0	11.6	7.0
Casa Kiara	80%	3.0	230.0	20.6	16.5
Johor	80%	64.0	932.0	80.8	64.6
Penang Grp	100%	108.0	1,202.0	77.7	77.7
Semenyih	70%	398.0	729.0	43.2	30.2
Ipoh	65%	899.0	286.0	17.8	11.5
Taman Equine	100%	33.0	250.0	15.5	15.5
Bangi	100%	3.0	59.0	3.7	3.7
Melawati 2	100%	2.0	43.0	2.7	2.7
Sg Long	80%	111.0	277.0	17.9	14.3
Mont Putra	100%	163.0	156.0	11.8	11.8
Johor - Medini + Pedas	60%	1,770.0	30,000.0	937.0	562.2
Others (Malaysia)	77%	12.0	38.0	2.2	1.7
Yishun, Singapore	30%	7.0	851.0	56.9	17.1
Tampines, Singapore	30%	5.0	1,070.0	71.6	21.5
Yuan Ching Road, Singapore	30%	5.0	828.0	55.4	16.6
Novena, Singapore	30%	1.7	2,196.0	204.6	61.4
Pasir Ris, Singapore	30%	4.3	861.6	83.3	25.0
Sembawang, Singapore	100%	0.8	75.0	2.6	2.6
Tianjin, China	60%	102.0	5,000.0	214.0	128.4
Jiangyin, China	39%	17.0	454.0	5.3	2.0
Opus, India	50%	35.0	745.0	56.2	28.1
MAK, India	60%	14.0	181.0	15.7	9.4
Australia	31%	91.0	612.0	38.0	11.8
Sri Lanka	65%	1.0	250.0	21.7	14.1
<b>Subtotal:</b>		<b>4,009</b>	<b>56,871</b>	<b>2,632</b>	<b>1,498.8</b>
<b>REIT</b>	<b>Stake</b>		<b>Book Value (RMm)</b>	<b>Mkt Value (RMm)</b>	<b>Surplus (RMm)</b>
Sunway REIT @ RM1.51 per unit	36.5%		969.6	1,609.2	233.7
<b>Subtotal:</b>					<b>233.7</b>
<b>Other business</b>					<b>RMm</b>
Construction @ 12x FY13 PER					643.6
Other business @ 10x FY13 PER					608.5
<b>Subtotal:</b>					<b>1,252.1</b>
<b>Total (RMm)</b>					<b>2,984.6</b>
Shareholders' Fund @ Dec, 2012 (RMm)					3,558.4
Warrants conversion (RMm)					723.8
RNAV (RMm)					7,266.8
Enlarged shares base (m)					1551.0
Fully diluted RNAV per share (RM)					4.69
Discount (%)					30%
Fair value per share (RM)					3.28

## Equity Rating Structure and Definitions

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<b>BUY</b>	Total return is expected to exceed +15% over a 12-month period
<b>TRADING BUY (TR BUY)</b>	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
<b>ADD</b>	Total return is expected to be between 0% to +15% over a 12-month period
<b>REDUCE</b>	Total return is expected to be between 0% to -15% over a 12-month period
<b>TRADING SELL (TR SELL)</b>	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
<b>SELL</b>	Total return is expected to be below -15% over a 12-month period
<b>NOT RATED</b>	Affin Investment Bank does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation
<b>OVERWEIGHT</b>	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
<b>NEUTRAL</b>	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
<b>UNDERWEIGHT</b>	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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