

Results Note

Sunway Bhd

SWB MK
RM2.49

ADD (maintain)

Price Target: RM2.78 (↑)



Price Performance

	1M	3M	12M
Absolute	+3.8%	+8.3%	-4.6%
Rel to KLCI	+3.1%	+6.5%	-8.6%

Stock Data

Issued shares (m)	1,292.5
Mkt cap (RMm)	3,218.3
Avg daily vol - 6mth (m)	0.56
52-wk range (RM)	2.12-2.75
Est free float	38.3%
NTA/share (RM)	2.51
P/NTA (x)	1.0
Net cash/(debt) (RMm)(4Q12)	(1,606)
ROE (FY13E)	9.4%
Derivatives	
Warr 2016 (WP:RM0.42, SP: RM2.80)	

Key Shareholders

Tan Sri Jeffrey Cheah	49.5%
GIC	12.2%

Earnings & Valuation Revisions

	13E	14E	15E
Prev EPS (sen)	25.3	25.6	-
Curr EPS (sen)	26.8	27.5	30.9
Chg (%)	+6.0	+7.3	-
Prev target price (RM)		2.55	
Curr target price (RM)		2.78	

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A good set of results

FY12 core net profit grew by 7% to RM351m, above expectations

Sunway's FY12 core net profit grew by 7% to RM350.6m on the back of a higher core PBT of RM527.8m (+18% yoy), partly offset by higher minority interest. Sunway's strong FY12 core PBT was mainly driven by higher contribution from the property development segment (+39% to RM310.6m) on strong new property sales, higher progress billings from local projects as well as higher associates/JCE contributions from its Singapore projects. The group's core net profit was inline with market expectations but 16% ahead of our forecast due to the stronger-than-expected property sales and profit contributions. Sunway has declared a single tier interim dividend of 6 sen for FY12 (no dividend in 2011).

Strong sequential growth

Sequentially, Sunway's 4Q12 core net profit grew by a strong 20.6% to RM114.1m on higher contributions from the property development and property investment segments. The group's property development segment reported a strong 4Q12 PBT of RM142m (+59% qoq) due to higher new sales, higher progressive billings from local projects and better profit contribution from Singapore projects. Sunway's property investment segment reported a higher PBT of RM47m (+127% qoq) due to seasonal factor – the leisure and hospitality division enjoyed higher visitorship and occupancy rate at year end due to the holiday season.

Respectable FY12 property sales of RM1.8bn

Sunway achieved a lower but still respectable FY12 property sales of RM1.8bn (-14% yoy). Key contributors to the strong sales include its projects in Singapore (RM571m), South Quay (RM350m), Sunway Velocity (RM258m), Sunway Melawati (RM116m), Sunway Damansara (RM79m) and others (RM459m). We estimate that 50% of Sunway's FY12 new property sales were from the new launches (RM1.3bn new launches in FY12) and the remaining 50% were from its older projects. As at end-December 2012, Sunway have a strong unbilled sales of RM2.8bn and construction outstanding orderbook of RM3.2bn.

Raising FY13-14 EPS by 6-7%, maintain ADD

We have raised our FY13-14 EPS forecast by 6-7%, imputing the stronger-than-expected FY12 property sales of RM1.8bn (vs our earlier forecast of RM1bn). We maintain our FY13 new property sales projection of RM1bn for now. We shall review our sales projection upon obtaining further details on Sunway's FY13 property launch pipeline, especially the timeline for its launching pipeline/ product mixed of its Johor projects. We have updated our RNAV computation and raised our RNAV-derived TP to RM2.78 (from RM2.55) based on an unchanged 40% discount to RNAV. Maintain **ADD**.

Earnings & Valuation Summary

FYE Dec (RMm)	2011	2012	2013E	2014E	2015E
Revenue	3,691.7	3,876.8	4,048.1	4,628.9	4,477.8
EBITDA	435.4	470.6	413.8	436.5	460.8
Pretax profit	498.5	728.2	441.6	458.6	507.8
Net profit	387.6	532.3	346.5	355.7	399.1
EPS (sen)	30.0	41.2	26.8	27.5	30.9
PER (x)	8.3	6.0	9.3	9.0	8.1
Core net profit	327.1	350.6	346.5	355.7	399.1
Core EPS (sen)	25.3	27.1	26.8	27.5	30.9
Core EPS chg (%)	0.6	7.2	(1.2)	2.7	12.2
Core PER (x)	9.8	9.2	9.3	9.0	8.1
DPS (sen)	-	6.0	7.0	8.0	8.0
Dividend Yield (%)	-	2.4	2.8	3.2	3.2
EV/EBITDA (x)	10.8	10.3	10.8	10.4	9.8
Consensus profit	-	-	371.7	415.8	-
Affin/Consensus (x)	-	-	0.9	0.9	-

Fig 1: Quarterly results comparison

FYE Dec (RMm)	4QFY11	3QFY12	4QFY12	QoQ % chg	YoY % chg	Comment
Revenue	921.4	867.0	1198.9	38.3	30.1	Higher revenue qoq on: (i) higher contributions from property development (+RM151m) driven by higher progressive billings from Sunway Nexis, Sunway Velocity and Sunway South Quay; and (ii) higher construction revenue (+RM93m) on higher progressive billings from local infrastructure and building works, as well as stronger sales contribution from precast products.
Op costs	(762.6)	(761.5)	(1089.0)	(43.0)	(42.8)	
EBIT	158.8	105.5	109.9	4.2	(30.8)	
<i>EBIT margin (%)</i>	<i>17.2</i>	<i>12.2</i>	<i>9.2</i>	<i>Nm</i>	<i>Nm</i>	Lower EBIT margin qoq due to one-off provisions for indirect taxes in India of RM8m, bonus provisions and the timing of recognition of MRT project.
Exceptional items	50.5	0.3	123.8	<i>nm</i>	<i>nm</i>	RM98m gain on disposal of medical centre to REIT and RM26m fair value gain from investment properties.
Int income	7.3	10.5	4.1	(60.8)	(43.5)	
Int expense	(23.0)	(29.9)	(20.8)	30.4	9.4	
Associates	(1.5)	56.1	99.3	77.1	>100	Stronger EBIT qoq on strong contribution from Singapore property projects.
Pretax profit	192.1	142.4	316.3	>100	64.7	
Tax	(40.3)	(32.4)	(55.8)	(72.2)	(38.4)	
<i>Tax rate (%)</i>	<i>21.0</i>	<i>22.8</i>	<i>17.6</i>	<i>Nm</i>	<i>Nm</i>	
MI	(10.1)	(15.7)	(41.2)	>(100)	>(100)	
Net profit	141.6	94.3	219.3	>100	54.8	
EPS (sen)	11.0	7.3	17.0	>100	54.8	
Core net profit	100.8	94.6	114.1	20.6	13.2	

Fig 2: Cumulative results comparison

FYE Dec (RMm)	FY11	FY12	YTD % chg	Comment
Revenue	3,691.7	3,876.8	5.0	
Op costs	(3,347.1)	(3,496.1)	(4.5)	
EBIT	344.6	380.6	10.4	
<i>EBIT margin (%)</i>	<i>9.3</i>	<i>9.8</i>	<i>Nm</i>	EBIT margin strengthened slightly to 9.8%.
Exceptional items	21.7	123.9	>100	RM98m gain on disposal of medical centre to REIT and RM26m fair value gain from investment properties.
Int income	27.5	27.1	(1.5)	
Int expense	(80.9)	(104.6)	(29.3)	
Associates	185.6	301.2	62.3	Associate earnings include fair value gains in relation to SunREIT amounted to RM77m and RM31m in FY12 and FY11 respectively. Property development associates & JCE reported stronger earnings on strong contributions from Singapore projects.
Pretax profit	498.5	728.2	46.1	
Tax	(69.6)	(128.5)	(84.8)	
<i>Tax rate (%)</i>	<i>14.0</i>	<i>17.7</i>	<i>Nm</i>	
MI	(41.4)	(67.4)	(62.6)	
Net profit	387.6	532.3	37.4	
EPS (cents)	30.0	41.2	37.4	
Core net profit	327.1	350.6	7.2	Inline with market but above our expectations.

Fig 3: Sunway's RNAV

Description					
Property Development	Stake	Acres	GDV (RMm)	NPV @ 8% (RMm)	Surplus (RMm)
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
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
Subtotal:		4,003	53,813	2,345	1,412.5
REIT	Stake		Book Value (RMm)	Mkt Value (RMm)	Surplus (RMm)
Sunway REIT @ RM1.51 per unit	36.5%		969.6	1,609.2	233.7
Subtotal:					233.7
Other business					RMm
Construction @ 12x FY13 PER					643.6
Other business @ 10x FY13 PER					608.5
Subtotal:					1,252.1
Total (RMm)					2,898.3
Shareholders' Fund @ Dec, 2012 (RMm)					3,558.4
Warrants conversion (RMm)					723.8
RNAV (RMm)					7,180.5
Enlarged shares base (m)					1551.0
Fully diluted RNAV per share (RM)					4.63
Discount (%)					40%
Fair value per share (RM)					2.78

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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