

Malaysia Result Snapshot Sunway Berhad

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DBS Group Research . Equity

31 May 2013

HOLD RM4.00 KLCI : 1,774.92

Price Target : 12-Month RM 3.90 (Prev RM 2.55)

Analyst

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Result Summary

FY Dec (RM m)	1Q 2013	1Q 2012	4Q 2012	yoy chg	qoq chg
P&L Items					
Turnover	1,021.0	814.8	1,198.9	25.3	(14.8)
Gross Profit	74.3	44.3	89.1	67.7	(16.7)
Opg Profit	86.1	60.2	5.7	42.9	1,417.2
EBITDA	134.2	103.3	227.8	29.9	(41.1)
Net Profit	90.6	64.4	219.3	40.5	(58.7)
Other Data					
Gross Margin (%)	7.3	5.4	7.4		
Opg Margin (%)	8.4	7.4	0.5		
Net Margin (%)	8.9	7.9	18.3		

Financial Summary

FY Dec (RM m)	2012A	2013F	2014F	2015F
Turnover	3,877	4,524	4,635	4,734
Operating Profit	504	457	509	553
EBITDA	897	754	801	849
Net Pft (Pre Ex.)	532	380	407	429
EPS (sen)	27.1	29.4	31.5	33.2
EPS Pre Ex. (sen)	41.2	29.4	31.5	33.2
EPS Gth (%)	14	9	7	5
EPS Gth Pre Ex (%)	45	(29)	7	5
PE Pre Ex. (X)	9.7	13.6	12.7	12.1
EV/EBITDA (X)	7.9	9.0	8.5	8.6
Net Div Yield (%)	1.5	1.5	1.6	10.0
P/Book Value (X)	1.5	1.3	1.2	1.3
Net Debt/Equity (X)	0.4	0.3	0.3	0.3
ROAE (%)	10.7	10.2	10.1	10.3

At A Glance

Issued Capital (m shrs)	1,293
Mkt. Cap (RMm/US\$m)	5,170 / 1,679
Avg. Daily Vol. ('000)	1,631

Price Relative



Source: Company, DBS Vickers

Expected strong 1Q

- **1Q13 results in line, strong improvement in construction margins**
- **Strong orderbook and unbilled sales gives good earnings visibility**
- **Maintain HOLD with TP raised to RM3.90**

Highlights

1Q on the right track. Sunway Berhad (Sunway) registered a 1Q13 net profit of RM90.6m (+41% y-o-y, -59% q-o-q) – in line with our forecasts. Profits were mainly boosted by growth in the property development segment to RM56.3m (+35.9% y-o-y; -60.9 q-o-q), which was largely driven by strong unbilled sales of RM2.3bn (effective RM1.9bn) and contributions from its Singapore projects. 1Q13 property sales was RM238m (effective RM202m) which is below its full year target of RM1.3bn (RM1.1bn effective) when annualised. However, we still expect this to be largely met from more aggressive launches in 2H13. 1Q13 revenue and EBIT (including JCE) from construction rose 50.6% and 60% y-o-y to RM429.4m and RM27.3m underpinned by higher progress billing for the Pinewood, MRT and LRT projects. Consequently, EBIT margins also improved to 6.4% in 1Q13 (vs 4.7% in 4Q12).

Our View

Strong orderbook. Sunway's YTD contract wins have been an impressive RM1.5bn bringing its outstanding orderbook to RM4.4bn. This gives its strong earnings visibility for the next few years. Similarly its property development segment has RM2.3bn unbilled sales as at the end of 1Q, mainly comprising of its projects in Singapore, Sunway South Quay, Sunway Damansara and Sunway Velocity.

Maiden launch of Iskandar. Phase 1 of Iskandar Malaysia is scheduled to be launched by year-end with initial sales of RM350m. We expect take up rates to be strong in line with other Iskandar property projects.

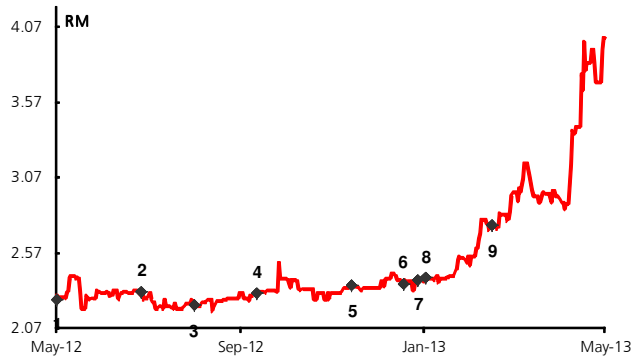
Recommendation

Maintain HOLD. We raised our TP to RM3.90 (10% discount to SOP) after imputing higher land values for its Iskandar landbank to be more in line with UEM Land while also factoring in our revised TP for Sunway REIT. The stock price has done well and valuations appear fair, trading at 14x and 1.2x FY13 PE and P/NTA respectively.

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Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1:	30 May 12	2.26	3.00	Buy
2:	25 Jul 12	2.31	2.45	Hold
3:	29 Aug 12	2.22	2.45	Hold
4:	10 Oct 12	2.30	2.55	Hold
5:	12 Dec 12	2.35	2.55	Hold
6:	15 Jan 13	2.36	2.55	Hold
7:	25 Jan 13	2.39	2.55	Hold
8:	30 Jan 13	2.40	2.55	Hold
9:	15 Mar 13	2.75	2.55	Hold

Note: Share price and Target price are adjusted for corporate actions.

Source: DBS Vickers

DBSV recommendations are based on Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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