



Sunway Berhad

Ended FY13 on a Strong Note

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TP: RM3.85 (+34.6%)

Last Traded: RM2.86

BUY

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Review

- Sunway Berhad's FY13 core net profit of RM482.7mn beat expectations. The outperformance was attributed to higher-than-expected progress billings and share of profit of associates and JVs.
- A second interim dividend of 5.0sen/share was declared, which brought the full year dividend per share (DPS) to 10sen. This was 67% higher than FY12's DPS of 6.0sen and it had exceeded our dividend forecast of 8sen/share.
- YoY, Sunway's FY13 revenue grew 14.6% to RM4.7bn, underpinned by better performance from the property development (+28.2%) and construction (+27.2%) divisions. However, the group's full-year core net profit advanced 37.6% YoY to RM482.7mn, largely due to lower net finance costs, and higher share of results of associates and JVs.
- QoQ, 4Q13 core net profit increased 26.6% on the back of 25.9% growth in revenue. The strong results were attributed to better performance across all the operating divisions.

Impact

- We raise our FY14 and FY15 earnings by 9.8% and 16.1% respectively after adjusting our progress billing assumptions. We continue to project the group to secure RM1.5bn and RM2.0bn new property sales for FY14 and FY15 respectively. However on the construction front, we raise our new job assumptions to RM1.5bn for FY14 and FY15 from RM1.1bn previously.

Briefing Highlights

- Sunway recorded new sales of RM747mn in 4Q13 (effective sales RM554mn), bringing its FY13 total new sales to RM1.8bn (effective sales: RM1.4bn). This has exceeded the group's internal sales target of RM1.3bn. The commendable sales in 4Q13 came mainly from its Serviced Residences at Sunway Geo@ Sunway South Quay and Medical Suites & Retail Shops at Royal Square @ Novena, Singapore (see **Figure 1**) that have garnered encouraging buying interests with a take up rate of 90% and 50% respectively. The increase in sales has boosted the group's unbilled amount to RM2.4bn (effective RM1.9bn) vs RM2.2bn (effective RM1.8bn) in 3Q, which will keep the group busy over the next two years.
- Sunway has lined up new launches worth RM1.9bn for 2014, comprising new residential launches within its on-going projects i.e Sunway Velocity and Sunway South Quay (see **Figure 2**). In addition, Sunway is expected to roll out its maiden project at Sunway Iskandar in 2Q14 with an estimated GDV of RM300mn, which features offices and serviced apartments. Over to the overseas front, the group plans to launch condominiums in Mount Sophia, Singapore and Tianjin, China.

Share Information

Bloomberg Code	SWB MK
Stock Name	Sunway
Stock Code	5211
Listing	Main Market
Share Cap (mn)	1723.5
Market Cap (RMmn)	4929.3
Par Value	1.00
52-wk Hi/Lo (RM)	3.61/2.61
12-mth Avg Daily Vol ('000 shrs)	1205.5
Estimated Free Float (%)	24.2
Beta	1.30

Major Shareholders (%)

Sungei Way Corp (46.4)

Forecast Revision

	FY14	FY15
Forecast Revision (%)	9.8	16.1
Net profit (RMmn)	523.4	559.6
Consensus	454.6	513.7
TA's / Consensus (%)	115.1	108.9
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY14	FY15
Net Debt / Equity (%)	27.2	20.3
FCPS (sen)	(3.7)	30.6
Price / CFPS (x)	(76.3)	9.4
ROA (%)	4.6	4.8
NTA/Share (RM)	3.1	3.3
Price/NTA (x)	0.9	0.9

SCORECARD

	% of FY	
vs TA	109.0	Above
vs Consensus	118.0	Above

Share Performance (%)

Price Change	Sunway	FBM KLCI
1 mth	5.9	1.5
3 mth	7.9	1.0
6 mth	1.1	6.0
12 mth	32.2	11.8

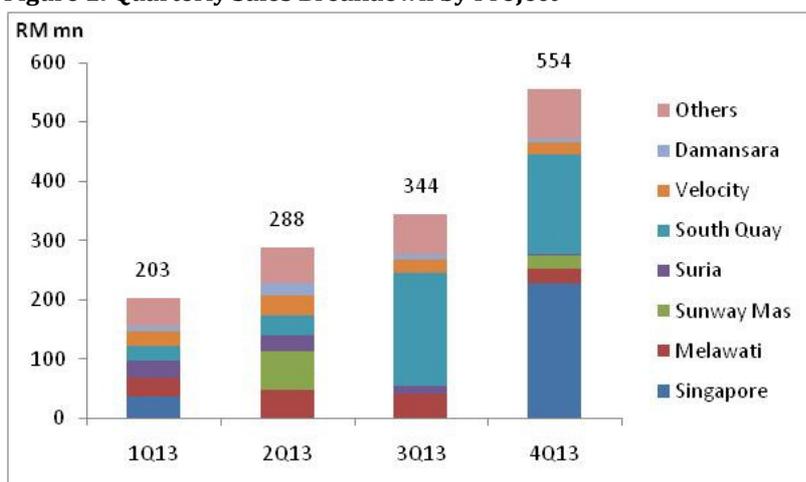
(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

- Management targets new sales of RM1.8bn in 2014 (effective: RM1.3bn). We are encouraged by the group's strategies to have a portfolio of projects that spread across Klang Valley, Johor, Singapore and China, to minimize project concentration risk (see **Figure 3**). This year, we also see higher composition of products which are priced below the RM1mn mark (82% of total new launches) (see **Figure 4**), as compared with last year's 50% of the total launches. We believe the new sales target is achievable, considering the group's track record of achieving 70-80% take up rate for its new launches and favourable product mix that cater to the more resilient mid-end market.

Figure 1: Quarterly Sales Breakdown by Project



Source: Sunway, TA Research

- On the construction front, Sunway has secured new jobs worth RM2.2bn mainly consists of civil and building contracts in FY13 (see **Figure 5**). These jobs have boosted its order book to RM3.9bn, providing more than a year's earnings visibility for the group's construction division (external orderbook at 1.9x our projected FY14 construction revenue). Riding on various infrastructure projects under the Economic Transformation Programme and 10th Malaysia Plan projects, management aims to sustain its orderbook replenishment momentum and is confident to secure job worth RM2.5bn in 2014 (including internal orders).

Valuation

- We maintain our **Buy** recommendation on Sunway with a revised SOP-derived target price of RM3.85/share (from RM3.71/share) after factoring the change in earnings projections and reported balance sheet numbers.

Figure 2: Key Launches for 2014

Project	GDV (RM mn)
Sunway Velocity Residences	250
Sunway South Quay Serviced Apartment	200
Citrine, Sunway Iskandar	300
Sunway Wellesley, Penang	100
Mount Sophia, Singapore (effective)	600
Tianjin	200
Total	1650

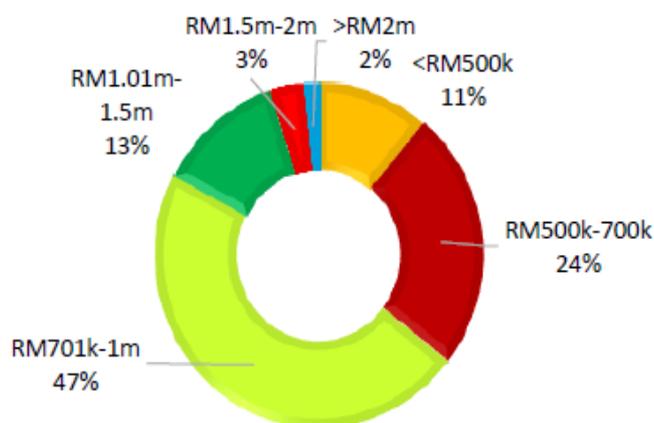
Source: Sunway, TA Research

Figure 3: Distribution of launches



Source: Sunway, TA Research

Figure 4: Product Pricing Breakdown



Source: Sunway, TA Research

Figure 5: Construction orderbook replenishment FY13

Project	Contract Sum (RM mn)
Internal	
Sunway University Academyn Block	192
Sunway Putra Place	258
Sunway Pyramid 3	203
External	
Legoland Water Park	45
BRT - Sunway Line	452
KLCC NEC	304
KLCC Package 2	222
Urban Wellness Centre	283
Precast	200
Total	2159

Source: Sunway, TA Research

Figure 6: Outstanding Order book

Project	RM'mn
Infrastrucutre	
MRT Package V4	800
LRT Kelana Jaya Line Extension	314
* BRT Sunway Line	341
Johor	
* Urban Wellness	263
Pinewood Studios	10
Others	
UiTEM Campus Expansion	11
* KLCC NEC	282
* KLCC Package 2	195
Others	398
Foreign	
Singapore - precast	507
Total External Orderbook	3121
Other in-house jobs	
Sunway Velocity Mall (Substructure)	140
Sunway Velocity Phase 2 (Substructure)	50
Sunway Velocity (Shop offices & Apartment)	38
The Pinnacle (Superstructure)	23
Sunway University New Academic Block	167
Sunway Putra Place	187
Sunway Pyramid 3	189
Total Orderbook	3915

* denotes external jobs secured in 2013

Source: Sunway, TA Research

Earnings Summary

YE Dec 31 (RM'mn)	2011	2012	2013E	2014F	2015F
Revenue	3691.7	3876.8	4733.7	5029.5	5334.8
EBITDA	454.0	583.3	521.6	700.0	729.9
EBITDA margin (%)	12.3	15.0	11.0	13.9	13.7
Pretax profit	443.9	546.4	661.1	705.0	745.1
Net profit	369.7	532.3	1500.5	523.4	559.6
Net profit -adj	325.6	350.5	482.7	523.4	559.6
EPS (sen)	25.2	27.1	30.6	30.4	32.5
EPS - adj (sen)	18.9	20.3	28.0	30.4	32.5
EPS Growth (Core) (%)	0.8	7.7	37.7	8.4	6.9
PER (x)	15.1	14.1	10.2	9.4	8.8
GDPS (sen)	0.0	4.5	10.0	11.5	12.0
Div Yield (%)	0.0	1.6	3.5	4.0	4.2
ROE (%)	11.6	10.7	11.3	9.5	9.6

* 2011 and 2012 numbers were based on audited results

4Q13 Results analysis

YE 31 Dec (RM'mn)	4Q12	3Q13	4Q13	QoQ (%)	YoY (%)	FY12	FY13	YoY (%)
Revenue	1241.8	1066.1	1342.2	25.9	8.1	4128.8	4733.7	14.6
Adj EBIT	139.5	74.9	207.5	>100	48.8	754.5	805.8	6.8
Gain on derivative	0.3	0.1	0.4	>100	55.6	0.4	0.7	86.3
Finance income	0.1	12.3	3.2	(74.2)	>-100	24.2	35.6	47.4
Finance costs	(33.7)	(18.6)	(27.6)	49.0	(17.9)	(172.1)	(138.1)	(19.8)
Associates	0.7	19.1	13.4	(29.6)	1791.6	0.6	13.2	>100
JV	72.8	30.3	69.9	130.5	(4.0)	144.0	159.3	10.6
EI	32.4	41.4	981.3	>100	>100	88.1	1017.8	>100
PBT	212.1	118.2	1248.1	>100	>100	839.7	1894.3	125.6
Core PBT	189.0	159.4	226.7	42.2	19.9	524.4	661.1	26.1
Tax	(44.1)	(16.6)	(45.5)	173.9	3.0	(115.4)	(120.9)	4.8
MI	(21.4)	(8.5)	(63.9)	nm	nm	(285.5)	(273.0)	(4.4)
Net profit	146.6	93.1	1138.8	>100	>100	438.8	1500.5	>100
Core net profit	114.2	124.4	157.5	26.6	37.9	350.7	482.7	37.6
Reported EPS (sen)	9.9	5.8	66.1	1037.2	567.4	29.9	95.2	>100
Adj EPS (sen)	7.8	7.8	9.1	17.7	17.2	23.9	30.6	28.0
DPS (sen)	6.0	0.0	5.0	nm	(16.7)	6.0	10.0	66.7
EBIT margin (%)	11.2	7.0	15.5	8.4	4.2	18.3	17.0	(1.3)
PBT margin (%)	15.2	15.0	16.9	1.9	1.7	12.7	14.0	1.3
Net margin (%)	9.2	11.7	11.7	0.1	2.5	8.5	10.2	1.7
Effective tax rate (%)	23.4	10.4	20.1	9.6	(3.3)	22.0	18.3	(3.7)

* FY12 numbers were restated

Figure 7: SOP Valuation

SOP Valuation	% Shareholdings	Effective land size (acres)	Effective GDV (RM'mn)	NPV (RM'mn)
Project				
Selangor/KL				
Sunway Damansara	60%	9.2	1014.8	76.5
Sunway South Quay	60%	31.2	2393.8	108.7
Sunway Monterez	60%	3.2	26.2	2.3
Sunway Semenyih	70%	278.7	510.0	28.6
Sunway Cheras	100%	6.0	16.8	1.5
Sunway Duta	60%	1.9	72.0	4.6
Sunway Montana	100%	2.0	55.5	3.5
Sunway Alam Suria	100%	0.7	12.0	0.8
Sunway Resort City	100%	14.9	660.1	37.0
Casa Kiara III	80%	2.3	168.0	14.5
Sunway Velocity	85%	15.2	2430.1	123.2
Sunway Tower KL 1	100%	1.0	240.0	20.7
Bangi	100%	3.0	59.0	5.3
Melawati	100%	2.0	43.0	3.8
Sg Long	80%	88.8	221.6	19.8
Mont Putra, Rawang	100%	163.0	156.0	13.9
Perak				
Sunway City Ipoh	65%	581.6	681.4	34.8
Penang				
Sunway City Penang	100%	15.9	171.7	15.3
Sunway Grand	100%	11.9	186.0	16.6
Sungai Ara	100%	56.1	849.2	75.7
Bukit Mertajam	100%	42.3	694.1	61.9
Paya Terubong Land	100%	24.5	1500.0	89.5
Singapore				
Novena	30%	0.5	672.5	58.3
Sembawang	100%	0.8	75.0	6.2
Mount Sophia	30%	1.8	616.8	39.9
Johor				
Bukit Lenang	80%	70.4	745.6	50.8
Medini	38%	262.6	4560.0	238.8
Pendas	60%	647.4	10800.0	374.2
China				
Sunway Guanghao	65%	2.4	43.4	2.8
Tianjin Eco City	60%	54.5	3206.3	80.3
India				
Sunway OPUS Grand India	50%	11.9	351.2	18.2
Sunway MAK Signature Residence	60%	8.4	108.7	6.0
Australia				
Wonderland Business Park (Sydney)	45%	21.8	170.1	9.4
TOTAL		2411.5	31394.3	1643.0
Current unbilled sales			1800	189.0
Sub-total				1831.98

Construction	Effective stake (%)	Balance of works (RM'mn)	NPV
Pinewood Studios	100.00	10.00	0.50
Kelana Line - Package B	100.00	314.00	15.70
UiTM campus expansion & KLCC link bridge	100.00	11.00	0.55
Singapore - Precast	100.00	507.00	14.70
KVMRT - V4 Section 17	100.00	800.00	28.00
BRT Sunway Line	100.00	341.00	-40.00
KLCC NEC	100.00	282.00	14.10
KLCC Package 2	100.00	195.00	9.75
Urban Wellness	100.00	398.00	19.90
Other	100.00	274.00	8.49
Sub-total			71.70

	Effective stake (%)	Book value (RM'mn)	Est. fair value (RM'mn)	Difference (RM'mn)
Investment in Sunway REIT (less 20% holding company discount)	34.30	1353.81	1494.78	112.8
Total surplus				2016.5
Total NTA				5015.0
Total revised enterprised value				7031.4
Conversion of warrants @ RM2.50				724.3
SOP valuation (RM mn)				7755.8
Fully Diluted Share Base (mn shares)				2013.2
Fair Value (RM/Share)				3.85

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