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MARKET DATELINE
MALAYSIA EQUITY
Investment Research

News Update

Sunway Berhad

BRT – A Value Enhancement For The Township

Sunway has been awarded a Bus Rapid Transit (BRT) contract valued at RM452.5m. Additionally, Sunway will contribute works estimated at RM99m as part of its infra cost for the property development at South Quay. Sunway will not only gain from the 7-8% margin from the construction contract, but the BRT will also add value to the Bandar Sunway properties as connectivity within the township will improve.

BUY ↔

Target	RM3.25
Previous	RM3.25
Price	RM2.76

Property

Stock Statistics

Bloomberg Ticker	SWB MK
Market Cap	RM3,567.3m
	USD1,169.6m
52 wk H/L price	2.82 2.12
3m ADT	RM1.5m
YTD Returns	16.0%
Beta (x)	N.A.

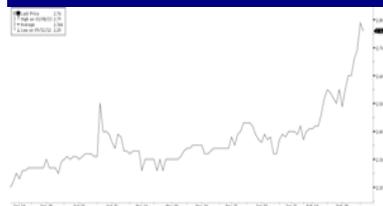
Major Shareholders (%)

Tan Sri Dato' Seri Dr Jeffrey Cheah	48.0
GIC	12.0

Share Price Performance (%)

Month	Absolute	Relative
1m	+14.5	+12.7
3m	+17.5	+16.3
6m	+25.5	+22.2
12m	+6.2	+1.9

6-month Share Price Performance



Source: Bloomberg

- ◆ **The BRT contract from Prasarana.** The BRT is 5.4km long, and the contract covers the design, construction, completion and commission of the development, targeted to be completed within 24 months. It has three halts within the Sunway Resort City – Pinnacle & Sunway Resort Hotel, Sunway GEO & Sunway Medical Centre, and Monash University. The concept is to allow visitors to the Sunway Resort City and residents in Bandar Sunway and Subang Jaya to enjoy eco-friendly bus services on elevated tracks in order to avoid the usual traffic on the roads within the township.
- ◆ **Orderbook raised to RM3.9bn.** Including this BRT contract, Sunway has successfully secured RM947m construction works thus far this year. This has also raised the current outstanding orderbook to RM3.89bn, out of which, RM1.1bn comes from the MRT contract. We expect construction earnings to come in stronger this year as the MRT and LRT works progress, along with other in-house and Iskandar construction jobs.
- ◆ **Forecasts.** Unchanged, as the contract secured YTD is within our orderbook assumption of RM1.5bn for FY13.
- ◆ **Investment case.** We maintain our Buy rating on the stock. Our fair value is kept at RM3.25, based on 30% discount to RNAV. We like the stock for its strategic landbank exposure in Iskandar as well as prudent landbanking efforts. The strong news flow in Iskandar will also help in re-rating the stock. Sunway is our top pick for the property sector.

Forecasts and Valuations	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Total turnover (RMm)	3,134.5	3,738.9	3,876.8	4,446.4	5,292.4
Recurring net profit (RMm)	325.0	325.6	350.6	382.8	453.8
Recurring net profit growth (%)	-	0.2	7.7	9.2	18.5
Core EPS (sen)	25.2	25.2	27.1	29.6	35.1
Core EPS growth (%)	-	(0.1)	7.7	9.2	18.5
DPS (sen)	0.0	0.0	6.0	6.5	7.0
Dividend Yield (%)	0.0	0.0	2.2	2.4	2.5
Core P/E (x)	10.9	11.0	10.2	9.3	7.9
Return on average equity (%)	12.5	13.2	16.3	10.3	11.2
P/B (x)	1.4	1.2	1.0	0.9	0.8
EV/EBITDA (x)	5.9	13.7	10.6	15.4	16.2
Net debt to equity (x)	0.6	0.5	0.5	0.6	0.6
RHB vs consensus EPS (%)				4.3	12.5

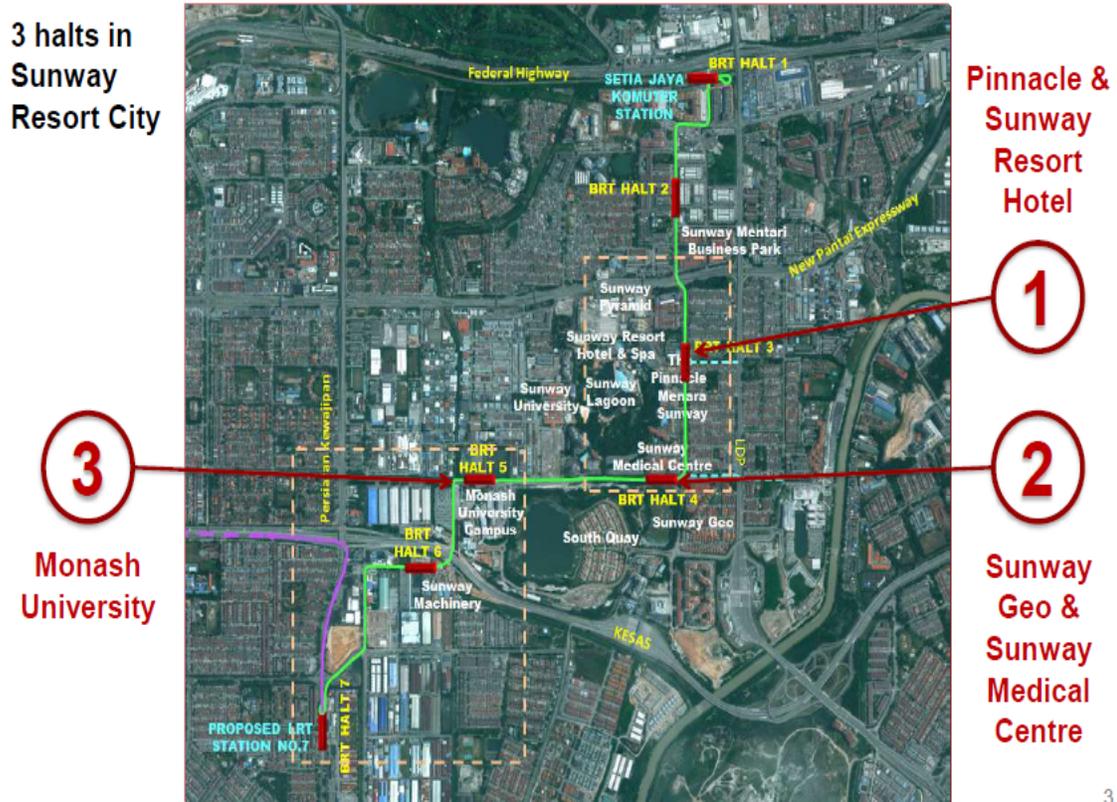
Source: Company data, RHBRI estimates

FINANCIAL

Profit & Loss (RMm)	Dec-10	Dec-11	Dec-12	Dec-13F	Dec-14F
Turnover	3,134.5	3,738.9	3,876.8	4,446.4	5,292.4
EBITDA	697.6	438.4	574.7	476.4	510.8
<i>EBITDA margin (%)</i>	<i>22.3</i>	<i>11.7</i>	<i>14.8</i>	<i>10.7</i>	<i>9.7</i>
Depreciation & amortisation	(105.5)	(67.3)	(70.6)	(74.4)	(80.9)
EBIT	592.1	371.1	504.2	402.0	429.9
<i>EBIT margin (%)</i>	<i>18.9</i>	<i>9.9</i>	<i>13.0</i>	<i>9.0</i>	<i>8.1</i>
Net Interest	(74.2)	(55.5)	(77.5)	(98.9)	(106.7)
Associates	218.1	199.2	301.2	312.6	406.4
Exceptional items	363.2	44.1	181.7	0.0	0.0
Pretax Profit	717.3	507.0	728.2	722.3	856.3
<i>Pretax margin (%)</i>	<i>22.9</i>	<i>13.6</i>	<i>18.8</i>	<i>16.2</i>	<i>16.2</i>
Tax	280.2	(98.8)	(128.5)	(180.6)	(214.1)
PAT	997.5	408.2	599.7	541.7	642.2
Minorities	(309.2)	(38.5)	(67.4)	(158.9)	(188.4)
Net Profit	325.0	325.6	350.6	382.8	453.8
<i>Net Profit margin (%)</i>	<i>10.4</i>	<i>8.7</i>	<i>9.0</i>	<i>8.6</i>	<i>8.6</i>

Source: Company data, RHBRI estimates

Figure 1: Proposed route of the BRT



Source: Company

Table 1: SOP valuations

Landbank	Size (acres)	GDV (RM mil)	Equity interest	NPV @ 12% (RM mil)	
Malaysia					
Sunway South Quay	52	3,893	60%	96.16	
Sunway Velocity	22	2,000	50%	49.20	
Sunway Damansara	18	826	60%	32.39	
Sunway Semenyih	398	729	70%	25.81	
Integrated Resorts	18	660	100%	40.09	
Melawati	31	555	100%	31.81	
Sunway Tower 1	1	240	100%	15.44	
Casa Kiara 3	3	230	80%	11.83	
Suria	14	60	100%	4.11	
Taman Duta	3	120	60%	4.64	
Penang	108	1,202	100%	72.95	
Bukit Lenang JB	64	932	80%	32.87	
Iskandar Pendas I	779.07	10,000	60%	176.00	
Iskandar Pendas II	300	5,000	60%	147.61	
Sunway Iskandar	691	10,000	60%	193.25	
Ipoh	899	286	65%	7.65	
Others	12	38	77%	1.35	
Taman Equine	33	250	100%	12.71	
Bangi	3	59	100%	2.65	
Melawati 2	2	43	100%	1.93	
Sg Long Balakong	111	277	80%	9.38	
Mont Putra	163	156	100%	6.60	
Overseas					
Opus, India	35	750	50%	3.29	
MAK, India	14	134	60%	0.83	
Guanghao, China	17	450	65%	3.03	
Tianjin, China	102	5,000	60%	26.36	
Australia	91	612	31%	6.93	
Yishun, Singapore	7	851	30%	18.59	
Tampines, Singapore	5	1,070	30%	23.37	
Yuan Ching Rd, Singapore	5	828	30%	18.08	
Sembawang, Singapore	0.77	75	100%	7.28	
Thomson/Irrawaddy	1.65	2,288	30%	58.71	
Sri Lanka	1	250	65%	1.52	
Pasir Ris, Singapore	4.3	893	30%	24.63	
Unbilled sales				180.00	
Subtotal				1,349.07	
Investment properties	EBITDA	MV	Book value	Equity	Net surplus
	(RM mil)	(RM mil)	(RM mil)	interest	(RM mil)
Monash University Campus	13.4	200.0	200.0	100%	0.0
Sunway University College	9.5	153.0	153.0	100%	0.0
Sunway Hotel Georgetown	2.3	60.0	60.0	100%	0.0
Sunway Medical Centre	17.0	310.0	160.2	78%	0.0
Sunway Hotel Phnom Penh	3.0	17	17.0	53%	0.0
Sunway Hotel Hanoi	0.1	12.0	12.0	100%	0.0
Sunway Giza	1.1	42.7	42.7	60%	0.0
Subtotal					0.0
Other divisions	MV	Book value	FY13 EPS	PE target	Equity value surplus
	(RM mil)	(RM mil)	(sen)	(x)	(RM mil)
Construction			0.14	10	944.41
34% Sunway REIT	1,510.5	82.0			628.54
Subtotal					1,572.95
Total					2,922.02
Shareholders' equity					3,558.40
Total RNAV					6,480.42
Share base (mil)					1,292.51
No. of warrants					258.50
Warrants conversion @ RM2.80					723.80
Total SOP value					7,204.22
Enlarged share base (mil)					1,551.01
Fully diluted RNAV per share					4.64
Discount					30%
Fair value (RM)					3.25

RECOMMENDATION HISTORY

Date	Recommendation	Target Price	Price
2013-7-3	Buy	3.25	2.66
2013-1-3	Buy	3.25	2.49
2013-1-25	Buy	3.18	2.37
2012-12-5	Buy	3.08	2.30
2012-11-29	Buy	2.98	2.30
2012-10-9	Buy	2.98	2.30
2012-8-29	Buy	2.94	2.35
2012-8-8	Buy	2.94	2.21

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Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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