

Hold (unchanged)

Share price: MYR2.49
Target price: MYR2.65 (from MYR2.54)

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Stock Information

Description: One of the leading property and construction groups in Malaysia. Property – 2,780 acres remaining landbank with MYR18.2b effective GDV; construction – MYR3.2b outstanding orderbook.

| | |
|-----------------------------------|----------|
| Ticker: | SWB MK |
| Shares Issued (m): | 1,292.5 |
| Market Cap (MYR m): | 3,218.3 |
| 3-mth Avg Daily Turnover (USD m): | 0.62 |
| KLCI: | 1,637.63 |
| Free float (%): | 47.4 |

| | |
|----------------------------|------|
| Major Shareholders: | % |
| SUNGEI WAY CORP SDN | 42.6 |
| FOOK LING CHEAH | 4.2 |

Key Indicators

| | |
|----------------------------|-----------|
| Net cash / (debt) (MYR m): | (1,606.7) |
| NTA/shr (MYR): | 2.75 |
| Net Gearing (x): | 0.45 |

Historical Chart



Performance:

52-week High/Low MYR2.75/MYR2.12

| | | | | | |
|--------------|-------|-------|-------|-------|-----|
| | 1-mth | 3-mth | 6-mth | 1-yr | YTD |
| Absolute (%) | 4.6 | 8.3 | 12.2 | (4.6) | 4.6 |
| Relative (%) | 4.6 | 6.3 | 12.7 | (8.9) | 7.7 |

Sunway

Results Track Expectations

Maintain HOLD. Sunway's FY12 results tracked our and consensus estimates. We raise our FY13/14 earnings forecasts by 5%/8% post actual FY12 results. Our TP is consequently raised to MYR2.65 (+4%), 45% discount to RNAV. We like Sunway's large exposure to the booming Iskandar Malaysia (IM) and as an alternative play to the soon-to be-listed Iskandar Waterfront Holdings. Accumulate on weakness.

Results in line. 4Q core net profit of MYR114m (+13% YoY, +21% QoQ) took FY12 core earnings to MYR351m (+7% YoY), accounting for 101-104% of our and consensus estimates. Earnings was mainly supported by the property development and quarry businesses as well as better operating margins (+9ppts). 4Q interim gross DPS was 6sen (single tier); above expectations.

Lower property sales target for FY13. Sunway has raked in effective property sales of MYR1.6b in FY12, 33% above its MYR1.2b target. Key contributors to sales included the Sunway Velocity, South Quay and JV projects in Singapore. It has, however, lowered its sales target for FY13 to MYR1.1b (-31% YoY, vs our forecast of MYR1.39b) due to fewer launches in Singapore. Its unbilled sales remain healthy at MYR2.4b at end-Dec 2013 (2x our FY13 property revenue forecast).

A fruitful year for construction. Sunway clinched new jobs worth MYR1.9b in FY12. These included: 1) an MRT contract worth MYR1.2b, 2) MYR429m in Sunway Velocity substructure works, and 3) MYR192m in construction works from Sunway University. As at Dec 2012, the group's outstanding order book stood at MYR3.2b, 1.9x our FY13 construction revenue forecast, providing short-term earnings visibility.

Earnings adjustments. We raise our earnings forecasts post actual FY12 results. Our RNAV is also raised to MYR4.82 (+20sen) to reflect the latest transacted prices at Medini for Medini Zone F, and a revised MYR1.60 TP (+6sen) for SunREIT. Net gearing improved to 0.45x at end-4Q12, from 0.57x post the disposal of Sunway Medical Centre to its REIT vehicle.

Sunway – Summary Earnings Table

Source: Maybank KE

| FYE Dec (MYR m) | 2011A | 2012A | 2013F | 2014F | 2015F |
|------------------------------|---------|---------|---------|---------|---------|
| Revenue | 3,738.9 | 3,876.8 | 3,928.0 | 4,453.7 | 4,712.8 |
| EBITDA | 397.7 | 535.1 | 530.0 | 632.7 | 701.1 |
| Recurring Net Profit | 327.1 | 350.6 | 395.8 | 449.5 | 520.0 |
| Recurring Basic EPS (sen) | 25.3 | 27.1 | 30.6 | 34.8 | 40.2 |
| EPS growth (%) | 5.1 | 7.2 | 12.9 | 13.6 | 15.7 |
| DPS (sen) | 0.0 | 6.0 | 6.1 | 7.0 | 8.0 |
| BVPS (MYR) | 2.33 | 2.75 | 3.10 | 3.38 | 3.70 |
| PER | 9.8 | 9.2 | 8.1 | 7.2 | 6.2 |
| EV/EBITDA (x) | 9.0 | 6.5 | 6.4 | 5.2 | 4.4 |
| Div Yield (%) | 0.0 | 2.4 | 2.5 | 2.8 | 3.2 |
| P/BV(x) | 1.1 | 0.9 | 0.8 | 0.7 | 0.7 |
| Net Gearing (%) | 49.6 | 45.2 | 38.3 | 32.5 | 25.6 |
| ROE (%) | 12.4 | 15.0 | 9.9 | 10.3 | 10.9 |
| ROA (%) | 4.7 | 6.1 | 4.3 | 4.3 | 4.9 |
| Consensus Net Profit (MYR m) | - | - | 367.1 | 403.9 | - |
| Earnings Revision (%) | - | - | 4.6 | 7.6 | New |

Table 1: Quarterly summary table – Sunway

| FY Dec (MYR m) | Quarterly | | | | | Cumulative | | | Comments |
|--------------------------|--------------|--------------|----------------|--------------|-----------------|--------------|--------------|-----------------|--|
| | 4Q12 | 4Q11 | % YoY | 3Q12 | % QoQ | 2012 | 2011 | %YoY | |
| Revenue | 1,198.9 | 921.4 | 30.1 | 867.0 | 38.3 | 3,876.8 | 3,738.9 | 3.7 | Improvement in all divisions. |
| - Property development | 397.9 | 243.9 | 63.1 | 176.6 | >+100 | 923.2 | 913.3 | 1.1 | YoY growth was due to higher progress billings from Sunway Nexis, Sunway Velocity and Sunway South Quay. Sunway has locked in MYR1.6b in effective sales or 33% above its sales target for FY12. Unbilled sales remain healthy at MYR2.4b or 2x of our FY13 property revenue forecasts. |
| - Property investment | 168.5 | 161.2 | 4.5 | 148.2 | 13.7 | 590.9 | 521.7 | 13.3 | YoY growth was driven by additional revenue from Monash U Residence, additional REIT management fees from the Sunway Medical Center acquisition and stronger contributions from Sunway Putra Hotel. |
| - Construction | 360.3 | 292.8 | 23.1 | 267.3 | 34.8 | 1,274.9 | 1,261.5 | 1.1 | Higher progress billings but partly offset by higher elimination of intra-group construction revenue due to timing difference. |
| - Trading | 122.7 | 136.4 | (10.1) | 143.3 | (14.4) | 558.7 | 553.2 | 1.0 | QoQ decline was due to lower contributions from its overseas markets. |
| - Quarry | 57.2 | 48.6 | 17.6 | 53.8 | 6.3 | 196.9 | 184.5 | 6.7 | YoY growth was due to higher selling prices. |
| - Inv Holdings | 6.3 | 0.5 | >+100 | 0.4 | >+100 | 7.0 | 2.9 | >+100 | |
| - Others | 86.0 | 85.1 | 1.1 | 77.3 | 11.3 | 325.1 | 301.9 | 7.7 | |
| EBIT | 233.5 | 208.8 | 11.8 | 106.1 | >+100 | 504.2 | 165.3 | >+100 | |
| - Property development | 88.7 | 65.5 | 35.6 | 53.0 | 67.5 | 187.6 | 128.6 | 45.9 | YoY improvement was also due to better operating margin (+6.2ppt YoY) |
| - Property investment | 59.6 | 86.4 | (31.1) | 19.3 | >+100 | 137.6 | 158.0 | (12.9) | Excl. FV gains, core EBIT grew by 9%. |
| - Construction | (2.4) | 23.7 | >-100 | 18.3 | >-100 | 40.9 | 52.0 | (21.3) | YoY decline was due to one-off provisions for indirect taxes in India of MYR7.7m and bonus provisions. Key infrastructure project like the MRT has not reached profit recognition stage. |
| - Trading | 10.5 | 13.7 | (22.9) | 11.7 | (9.6) | 47.2 | 50.3 | (6.0) | |
| - Quarry | 5.0 | 1.2 | >+100 | 3.4 | 45.6 | 12.2 | 8.4 | 44.8 | YoY growth was also due to better operating margin (+1.6ppt YoY) |
| - Inv Holdings | (24.1) | 1.9 | >-100 | (5.9) | >+100 | (36.0) | (39.5) | (8.9) | The loss was due to further impairment provisions by Sunway Global in China. |
| - Others | 96.2 | 13.5 | >+100 | 6.4 | >+100 | 114.7 | 13.3 | >+100 | |
| Finance costs | (16.7) | (15.7) | 6.4 | (19.4) | (14.0) | (77.5) | (53.4) | 45.1 | Net gearing improved to 0.45x from 0.57x due to the sale of Sunway Medical Centre. |
| Other income | 99.3 | (1.5) | >-100 | 56.1 | 77.1 | 309.7 | 196.1 | 57.9 | YoY growth was due to stronger progress billings from its Singapore projects. |
| Profit before tax | 316.3 | 192.1 | 64.7 | 142.4 | >+100 | 728.2 | 509.0 | 43.1 | |
| Pretax profit -EI | 192.5 | 141.6 | 35.9 | 142.7 | 34.9 | 527.8 | 445.7 | 18.4 | |
| Taxation | (55.8) | (40.3) | 38.4 | (32.4) | 72.2 | (128.5) | (80.0) | 60.6 | |
| Minority interest | (41.2) | (10.1) | >+100 | (15.7) | >+100 | (67.4) | (41.4) | 62.6 | |
| Net profit | 219.3 | 141.6 | 54.8 | 94.3 | >+100 | 532.3 | 387.6 | 37.4 | |
| Net profit ex-EI | 114.1 | 100.8 | 13.2 | 94.6 | 20.6 | 350.6 | 327.1 | 7.2 | |
| EI (pretax) | 123.8 | 50.5 | >+100 | 0.3 | >+100 | 200.4 | 52.8 | >+100 | |
| | 4Q12 | 4Q11 | +/- ppt | 3Q12 | +/- ppt | 2012 | 2011 | +/- ppt | |
| EBIT margin (%) | 19.5 | 21.2 | (1.8) | 12.2 | 7.2 | 13.0 | 4.4 | 8.6 | |
| - Prop dev | 22.3 | 26.8 | (4.5) | 30.0 | (7.7) | 20.3 | 14.1 | 6.2 | |
| - Pro inv | 35.4 | 53.6 | (18.3) | 13.0 | 22.3 | 23.3 | 30.3 | (7.0) | |
| - Construction | (0.7) | 8.1 | (8.8) | 6.9 | (7.5) | 3.2 | 4.1 | (0.9) | |
| - Trading | 8.6 | 10.0 | (1.4) | 8.1 | 0.5 | 8.5 | 9.1 | (0.6) | |
| - Quarry | 8.7 | 2.4 | 6.3 | 6.3 | 2.3 | 6.2 | 4.5 | 1.6 | |
| PBT margin (%) | 16.1 | 14.6 | 1.4 | 16.5 | (0.4) | 13.6 | 11.9 | 1.7 | |
| Tax rate (%) | 17.6 | 21.0 | (3.4) | 22.8 | (5.1) | 17.7 | 15.7 | 1.9 | |

Sources: Company, Maybank KE

Table 2: Sunway Bhd's RNAV estimates

| 1. Landbank - MARKET VALUE | Stake | Acres | MV (MYR m) | BV (MYR m) | Surplus (MYR m) |
|---|--------------|--------------|-------------------|-------------------|------------------------|
| Sunway Semenyih | 70% | 398.1 | 107.5 | 128.0 | (14.3) |
| Suncity Ipoh | 65% | 894.7 | 60.3 | 58.7 | 1.0 |
| Sunway Integrated Resort | 100% | 14.9 | 9.3 | 8.3 | 1.1 |
| Sunway Tower KL 1 | 100% | 1.0 | 57.0 | 28.3 | 28.6 |
| Sunway JB, Bukit Lenang | 80% | 88.0 | 141.3 | 134.5 | 5.4 |
| Tmn Equine | 100% | 33.0 | 38.7 | 37.8 | 0.9 |
| Sg Long Balakong | 80% | 111 | 28.3 | 21.8 | 5.2 |
| Mont Putra Rawang | 100% | 163 | 37.5 | 35.1 | 2.4 |
| Medini Iskandar | 38% | 691 | 1053.5 | 745.3 | 117.1 |
| Pendas | 60% | 1079 | 596.6 | 596.6 | 0.0 |
| Sub-total: | | | | | 147.4 |
| 2. Development projects - DCF | | | | | |
| (WACC: 10.5-11.5%) | Stake | | | | (MYR m) |
| Casa Kiara 2 | 78% | | | | 0.7 |
| South Quay | 60% | | | | 244.3 |
| Sunway Cheras | 100% | | | | 1.9 |
| Sunway Damansara | 60% | | | | 71.1 |
| Sunway D' Mont Kiara | 88% | | | | 24.6 |
| Sunway Monterez | 100% | | | | 0.0 |
| Sunway Kayangan | 100% | | | | 3.6 |
| Sunway Duta | 100% | | | | 31.0 |
| Bangi | 100% | | | | 6.1 |
| Sunway Melawati | 100% | | | | 51.9 |
| Casa Kiara III | 80% | | | | 15.0 |
| Sunway SPK | 50% | | | | 0.0 |
| Sunway Palazzio | 50% | | | | 0.0 |
| Sunway Alam Suria | 50% | | | | 5.7 |
| Sunway Velocity | 50% | | | | 120.9 |
| Penang projects | 100% | | | | 125.6 |
| Sunway Guanghao, China | 65% | | | | 2.0 |
| Tianjin Eco City, China | 60% | | | | 100.0 |
| Wonderland Business Park, Australia | 31% | | | | 11.0 |
| Singapore Yi Shun | 30% | | | | 19.8 |
| Singapore Tampines | 30% | | | | 23.0 |
| Singapore Yuan Ching Road | 30% | | | | 19.6 |
| Singapore Sembawang | 100% | | | | 5.8 |
| Vacanza @ East, Singapore | 30% | | | | 14.8 |
| Singapore The Peak @ Toa Payoh | 30% | | | | 9.4 |
| Singapore Pasir Ris | 30% | | | | 19.5 |
| Thomson/Irrawady | 30% | | | | 39.9 |
| Sub-total: | | | | | 967.0 |
| 3. Investment properties - MARKET VALUE | Stake | | MV (MYR m) | BV (MYR m) | Surplus (MYR m) |
| Monash University Campus | 100% | | 158.0 | 158.0 | 0.0 |
| Sunway University College | 100% | | 150.0 | 150.0 | 0.0 |
| Sunway Giza (shopping mall) | 60% | | 42.4 | 42.4 | 0.0 |
| Sunway Hotel Georgetown | 100% | | 17.8 | 62.2 | (44.4) |
| Sunway Hotel Phnom Penh | 52.5% | | 15.7 | 21.7 | (3.1) |
| Sunway Lagoon Theme Park | 100% | | 165.0 | 59.1 | 105.9 |
| Lost World of Tambun | 65% | | 38.7 | 36.0 | 1.8 |
| Sunway Hotel Hanoi | 100% | | 14.1 | 45.8 | (31.8) |
| Sub-total: | | | | | 28.4 |
| 4. Other businesses or assets | | | | | |
| 33.8% stake in SunREIT based on Maybank IB's MYR1.60 TP | | | | | 691.9 |
| Construction (10x 2013PER) | | | | | 718.4 |
| Building material (10x 2013PER) | | | | | 241.5 |
| Trading (10x 2013PER) | | | | | 368.7 |
| Grand total: | | | | | 3,163.3 |
| Shareholders fund (MYR m) - Dec 2012 | | | | | 3,558.4 |
| Warrants conversion (MYR2.80 exercise price; expiring 2016) | | | | | 723.8 |
| RNAV (MYR m) | | | | | 7,445.5 |
| Number of shares (m shares) | | | | | 1,292.5 |
| Enlarge share capital post warrant conversion | | | | | 1,546.3 |
| FD RNAV/share (MYR) | | | | | 4.82 |
| Target price (MYR) - 45% discount | | | | | 2.65 |

Source: Company, Maybank KE

INCOME STATEMENT (MYR m)

| FY Dec | 2012A | 2013F | 2014F | 2015F |
|-----------------------------|--------------|--------------|--------------|--------------|
| Revenue | 3,876.8 | 3,928.0 | 4,453.7 | 4,712.8 |
| EBITDA | 535.1 | 530.0 | 632.7 | 701.1 |
| Depreciation & Amortisation | (31.0) | (24.7) | (27.0) | (30.8) |
| Operating Profit | 504.2 | 505.3 | 605.7 | 670.3 |
| Associate | 152.3 | 73.1 | 80.5 | 87.1 |
| JV companies | 149.3 | 66.0 | 76.5 | 101.1 |
| Interest (Exp)/Inc | (77.5) | (51.3) | (49.0) | (45.1) |
| Exceptional Items | 0.0 | 0.0 | 0.0 | 0.0 |
| Pre-Tax Profit | 728.2 | 593.0 | 713.7 | 813.3 |
| Tax | (128.5) | (148.3) | (178.4) | (203.3) |
| Minority Interest | (67.4) | (49.0) | (85.8) | (89.9) |
| Net Profit | 532.3 | 395.8 | 449.5 | 520.0 |
| Net Profit Ex. EI | 350.6 | 395.8 | 449.5 | 520.0 |
| Revenue Growth % | 3.7 | 1.3 | 13.4 | 5.8 |
| EBITDA Growth (%) | 34.5 | (0.9) | 19.4 | 10.8 |
| EBIT Growth (%) | 35.8 | 0.2 | 19.9 | 10.7 |
| Net Profit ex-EI Growth (%) | 7.2 | 12.9 | 13.6 | 15.7 |
| Tax Rate % | 17.7 | 25.0 | 25.0 | 25.0 |

BALANCE SHEET (MYR m)

| FY Dec | 2012A | 2013F | 2014F | 2015F |
|---------------------------|----------------|----------------|-----------------|-----------------|
| Fixed Assets | 1,965.3 | 1,880.5 | 2,007.0 | 2,137.3 |
| Other LT Assets | 2,965.2 | 3,271.4 | 3,215.4 | 3,034.6 |
| Cash/ST Investments | 1,140.2 | 1,209.8 | 1,326.6 | 1,520.5 |
| Other Current Assets | 2,674.1 | 2,944.1 | 3,983.7 | 4,017.5 |
| Total Assets | 8,744.9 | 9,305.8 | 10,532.6 | 10,709.8 |
| ST Debt | 782.7 | 782.7 | 782.7 | 782.7 |
| Other Current Liabilities | 1,636.1 | 1,657.3 | 1,875.0 | 1,982.2 |
| LT Debt | 1,964.2 | 1,964.2 | 1,964.2 | 1,964.2 |
| Other LT Liabilities | 493.5 | 579.5 | 1,229.1 | 882.9 |
| Minority Interest | 310.0 | 310.0 | 310.0 | 310.0 |
| Shareholders' Equity | 3,558.4 | 4,012.1 | 4,371.7 | 4,787.7 |
| Total Capital | 8,744.9 | 9,305.8 | 10,532.6 | 10,709.8 |
| Share Capital (RM 'm) | 1,292.5 | 1,292.5 | 1,292.5 | 1,292.5 |
| Net Debt/ (Cash) | 1,606.7 | 1,537.1 | 1,420.4 | 1,226.5 |
| Working Capital | 1,395.5 | 1,713.9 | 2,652.5 | 2,773.0 |
| Gross Gearing % | 77.2 | 68.5 | 62.8 | 57.4 |
| Net Gearing % | 45.2 | 38.3 | 32.5 | 25.6 |

CASH FLOW (MYR m)

| FY Dec | 2012A | 2013F | 2014F | 2015F |
|----------------------------------|----------------|----------------|----------------|----------------|
| Profit before taxation | 355.8 | 593.0 | 713.7 | 813.3 |
| Depreciation | 0.0 | 24.2 | 26.5 | 30.3 |
| Net interest receipts/(payments) | (71.8) | 75.5 | (49.0) | (45.1) |
| Working capital change | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash tax paid | (92.8) | (148.3) | (178.4) | (203.3) |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash flow from operations | 191.2 | 544.5 | 512.8 | 595.1 |
| Capex | (465.5) | (400.0) | (400.0) | (400.0) |
| Disposal/(purchase) | 317.4 | 0.0 | 0.0 | 0.0 |
| Others | (130.5) | 78.1 | 83.2 | 88.7 |
| Cash flow from investing | (278.5) | (321.9) | (316.8) | (311.3) |
| Debt raised/(repaid) | 401.5 | 0.0 | 0.0 | 0.0 |
| Equity raised/(repaid) | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends (paid) | (38.9) | (77.6) | (79.2) | (89.9) |
| Others | 0.0 | (75.5) | 0.0 | 0.0 |
| Cash flow from financing | 362.5 | (153.1) | (79.2) | (89.9) |
| Change in cash | 275.2 | 69.6 | 116.8 | 193.9 |

RATES & RATIOS

| FY Dec | 2012A | 2013F | 2014F | 2015F |
|----------------------|-------|-------|-------|-------|
| EBITDA Margin % | 13.8 | 13.5 | 14.2 | 14.9 |
| Op. Profit Margin % | 13.0 | 12.9 | 13.6 | 14.2 |
| Net Profit Margin % | 13.7 | 10.1 | 10.1 | 11.0 |
| ROE % | 15.0 | 9.9 | 10.3 | 10.9 |
| ROA % | 6.1 | 4.3 | 4.3 | 4.9 |
| Net Margin Ex. EI % | 9.0 | 10.1 | 10.1 | 11.0 |
| Dividend Cover (x) | 4.5 | 5.0 | 5.0 | 5.0 |
| Interest Cover (x) | 6.5 | 9.8 | 12.4 | 14.9 |
| Asset Turnover (x) | 2.3 | 2.4 | 2.4 | 2.3 |
| Asset/Debt (x) | 3.2 | 3.4 | 3.8 | 3.9 |
| Debt/ EBITDA (x) | 5.1 | 5.2 | 4.3 | 3.9 |
| Debt/ Market Cap (x) | 0.9 | 0.9 | 0.9 | 0.9 |
| EV/EBITDA (x) | 6.5 | 6.4 | 5.2 | 4.4 |

Source: Company, Maybank KE

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Malaysia

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| CAGR = Compounded Annual Growth Rate | FY = Financial Year | PER = PE Ratio |
| Capex = Capital Expenditure | FYE = Financial Year End | QoQ = Quarter-On-Quarter |
| CY = Calendar Year | MoM = Month-On-Month | ROA = Return On Asset |
| DCF = Discounted Cashflow | NAV = Net Asset Value | ROE = Return On Equity |
| DPS = Dividend Per Share | NTA = Net Tangible Asset | ROSF = Return On Shareholders' Funds |
| EBIT = Earnings Before Interest And Tax | P = Price | WACC = Weighted Average Cost Of Capital |
| EBITDA = EBIT, Depreciation And Amortisation | P.A. = Per Annum | YoY = Year-On-Year |
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