

### Buy (unchanged)

Share price: MYR3.88  
 Target price: MYR4.26 (unchanged)

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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 – MYR4.4b outstanding orderbook.

Ticker:	SWB MK
Shares Issued (m):	1,292.5
Market Cap (MYR m):	5,014.9
3-mth Avg Daily Turnover (USD m):	1.65
KLCI:	1,774.92
Free float (%):	32.9

<b>Major Shareholders:</b>	%
SUNGEI WAY CORP SDN	44.5
GOVT OF SINGAPORE IN	12.2

#### Historical Chart



#### Performance:

52-week High/Low	MYR4.08/MYR2.17				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	33.8	52.2	68.7	71.7	63.0
Relative (%)	30.5	42.9	58.3	59.0	57.9

## Sunway

### Earnings On Track

**Maintain BUY.** Sunway's 1Q13 core net profit of MYR90.3m was in line. Healthy unbilled property sales of MYR1.9b and an outstanding construction order book of MYR4.4b provide medium-term earnings visibility. We maintain our earnings forecasts and MYR4.26 TP based on 0.8x P/RNAV (0.1x above 0.7x historical peak). We like Sunway's large exposure to the booming Iskandar Malaysia (IM) and as an alternative play to the upcoming Iskandar Waterfront Holdings IPO.

**Results tracking expectations.** 1Q13 core net profit of MYR90.3m (+41% YoY, -21% QoQ) made up 23-24% of our and consensus full-year estimates. YoY growth in earnings was due to: 1) higher progress billings (+27% YoY) on MYR1.6b in property sales in FY12, 2) 66% YoY higher construction works recognition as it benefitted from strong order inflows which lifted the outstanding order book to MYR3.2b (end-2012), and 3) a better group operating margin of 8.4% (+10bps). 1Q is seasonally a weaker quarter than 4Q.

**Better property sales in 2H13?** Sunway locked in effective property sales of MYR202m in 1Q13, accounting for just 18% of its MYR1.1b sales target for 2013. Sales (especially for luxury properties) should pick up post the 13GE on MYR1.3b of new launches in 2H including the development in Novena, Singapore, as well as Sunway Geo and Lenang Heights in IM. Unbilled sales remain healthy at MYR1.9b as at end-Mar 2013 (1.8x our FY13 property revenue forecast).

**Strong construction orders.** Sunway has won MYR1.5b jobs YTD, including a MYR526m KLCC job, a MYR452m job for the Bus Rapid Transit Sunway Line and the MYR258m refurbishment of Sunway Putra Place. At MYR4.4b, its outstanding order book is 2.7x our FY13 construction revenue forecast, providing 2-3 years earnings visibility.

**Re-rating potential.** In deriving our TP, we attach a premium to Sunway's historical peak valuation to reflect the re-rating of IM stocks. Land at IM should continue to appreciate on rising foreign investment and job opportunities as well as better connectivity via the proposed JB-Singapore Rapid Transit System. As one of the largest piling providers in Malaysia, Sunway could also gain from growing infrastructure spend.

#### Sunway Bhd – 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	15.3	14.3	12.7	11.2	9.6
EV/EBITDA (x)	13.5	9.8	9.8	8.0	6.9
Div Yield (%)	0.0	1.5	1.6	1.8	2.1
P/BV(x)	1.7	1.4	1.3	1.1	1.0
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)	-	-	380.6	430.5	477.9

Table 1: Quarterly summary table – Sunway

FY Dec (RM m)	Quarterly					Comments
	1Q13	1Q12	% YoY	4Q12	% QoQ	
<b>Revenue</b>	<b>1,021.0</b>	<b>922.4</b>	<b>10.7</b>	<b>1,198.9</b>	<b>(14.8)</b>	YoY growth was due to improvement at all divisions, except for the trading division.  QoQ decline was due to lower property sales and property investment revenue as well as quarry revenue.
- Property development	202.7	160.1	26.6	397.9	(49.1)	YoY growth was due to higher progress billings from Sunway South Quay, Sunway Damansara, Sunway Velocity and Sunway Montana and better take-up rates.  QoQ decline was mainly due to the completion of the Jiang Yin project in 4Q12 and seasonally weaker progress billings.  Sunway has locked in MYR202m in effective sales or 18% of its sales target of MYR1.1b for FY13.  Unbilled sales remain healthy at MYR1.9b or 1.8x of our FY13 property revenue forecasts.
- Property investment	133.5	130.5	2.3	168.5	(20.8)	Seasonally weaker QoQ.
- Construction	429.4	259.0	65.8	360.3	19.2	YoY growth was due to higher progressive billings from local infrastructure (MRT and LRT projects) and building (Pinewood) works as well as stronger sales contribution from precast products.  YTD, Sunway has an outstanding construction order book of MYR4.4b, 2.7x our FY13 construction revenue forecasts.
- Trading	129.6	147.7	(12.2)	122.7	5.6	YoY decline was due to the slowdown in demand from overseas markets i.e. Australia and Indonesia.
- Quarry	44.3	37.4	18.7	57.2	(22.5)	YoY growth was due to stronger sales volume and better selling prices. QoQ decline was due to seasonal factors.
- Investment Holdings	3.0	0.1	>+100	6.3	(51.8)	
- Others	78.5	80.0	(1.9)	86.0	(8.8)	YoY decline was due lower patient admissions in its hospital during the festive season.
<b>EBIT</b>	<b>86.1</b>	<b>209.8</b>	<b>(59.0)</b>	<b>233.5</b>	<b>(63.1)</b>	
- Property development	25.5	18.1	40.6	88.7	(71.3)	YoY improvement was also due to better operating margin (+1.3ppt YoY). QoQ decline was due to a change in product mix. Operating margin was down 9.7ppts.
- Property investment	22.1	21.2	4.6	59.6	(62.8)	
- Construction	27.3	7.4	>+100	(2.4)	>-100	
- Trading	9.0	12.4	(26.8)	10.5	(14.2)	
- Quarry	4.8	0.9	>+100	5.0	(3.8)	
- Investment Holdings	(5.0)	(4.9)	3.6	(24.1)	(79.1)	
- Others	2.3	5.3	(56.3)	96.2	(97.6)	
Finance costs	(11.7)	(15.7)	(25.8)	(16.7)	(30.3)	Sunway's net gearing stood at 0.47x as at Mar 2013, from 0.45x in end-Dec 2012.
Other income	48.2	(1.5)	>100	99.3	(51.5)	
Profit before tax	122.5	84.9	44.3	316.3	(61.3)	
<b>Profit before tax-EI</b>	<b>122.2</b>	<b>84.7</b>	<b>44.3</b>	<b>192.5</b>	<b>(36.5)</b>	
Taxation	(26.3)	(18.5)	42.4	(55.8)	(52.8)	
Minority interest	(5.6)	(2.0)	>+100	(41.2)	(86.3)	
Net profit	90.6	64.4	40.5	219.3	(58.7)	In line, accounting for 23-24% of our and consensus full-year estimates.
<b>Net profit ex-EI</b>	<b>90.3</b>	<b>64.2</b>	<b>40.7</b>	<b>114.1</b>	<b>(20.9)</b>	
EI (pretax)	0.3	(0.2)	>+100	123.8	(99.8)	
	1Q13	1Q12	+/- ppt	4Q12	+/- ppt	
EBIT margin (%)	8.4	7.4	1.0	19.5	(11.0)	
- Property development	12.6	11.3	1.3	22.3	(9.7)	
- Property investment	16.6	16.2	0.4	35.4	(18.8)	
- Construction	6.4	2.8	3.5	(0.7)	7.0	
- Trading	7.0	8.4	(1.4)	8.6	(1.6)	
- Quarry	10.8	2.5	8.3	8.7	2.1	
- Investment Holdings	(165.5)	(4,295.6)	>+100	(382.0)	>+100	
- Others	3.0	6.7	(3.7)	111.8	(108.8)	
PBT margin (%) - ex EI	12.0	10.4	1.6	16.1	(4.1)	
Tax rate (%)	21.5	21.8	(0.3)	17.6	3.9	

Sources: Company, Maybank KE

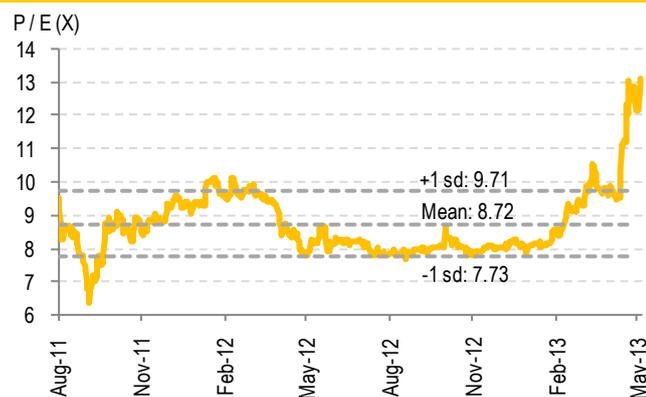
Table 2: Sunway Bhd's RNAV estimates

Source: Company, Maybank KE

	Stake	Acres	MV (MYRm)	BV (MYRm)	Surplus (MYRm)
<b>1. Landbank - MARKET VALUE</b>					
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	1204.0	745.3	174.3
Pendas	60%	1079	1880.2	596.6	770.2
<b>Sub-total:</b>					<b>974.8</b>
<b>2. Development projects - DCF (WACC: 10.5-11.5%)</b>					
	<b>Stake</b>				<b>(MYR m)</b>
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 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
<b>Sub-total:</b>					<b>967.0</b>
<b>3. Investment properties - MARKET VALUE</b>					
	<b>Stake</b>		<b>MV (MYRm)</b>	<b>BV (MYRm)</b>	<b>Surplus (MYRm)</b>
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)
<b>Sub-total:</b>					<b>28.4</b>
<b>4. Other businesses or assets</b>					
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
<b>Grand total:</b>					<b>3,990.7</b>
Shareholders fund (MYR m) - Dec 2012					3,558.4
Warrants conversion (MYR2.80 exercise price; expiring 2016)					723.8
Rights issue proceeds					732.4
<b>RNAV (MYR m)</b>					<b>8,272.9</b>
<b>RNAV (MYR m) - including rights issue</b>					<b>9,005.3</b>
Number of shares (m shares)					1,292.5
Enlarge share capital post warrant conversion					1,551.0
Enlarge share capital post warrant conversion and rights issue					1,981.8
<b>FD RNAV/share (MYR) - post warrant</b>					<b>5.33</b>
<b>FD RNAV/share (MYR) - post warrant and rights</b>					<b>4.54</b>
<b>Target price (MYR) - 20% discount (post warrant)</b>					<b>4.26</b>
<b>Target price (MYR) - 20% discount (post warrant + rights)</b>					<b>3.64</b>

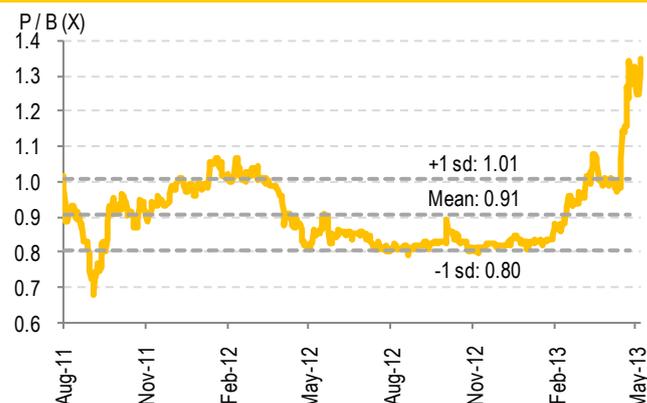
^ 92.1% stake; including MYR0.6m other expenses

Chart 1a: Sunway 1-year forward PER



Source: Maybank KE

Chart 1b: Sunway 1-year forward PBV



Source: 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)
<b>Operating Profit</b>	<b>504.2</b>	<b>505.3</b>	<b>605.7</b>	<b>670.3</b>
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)
<b>Net Profit</b>	<b>532.3</b>	<b>395.8</b>	<b>449.5</b>	<b>520.0</b>
<b>Net Profit Ex. EI</b>	<b>350.6</b>	<b>395.8</b>	<b>449.5</b>	<b>520.0</b>
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
<b>Total Assets</b>	<b>8,744.9</b>	<b>9,305.8</b>	<b>10,532.6</b>	<b>10,709.8</b>
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
<b>Total Capital</b>	<b>8,744.9</b>	<b>9,305.8</b>	<b>10,532.6</b>	<b>10,709.8</b>
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
<b>Cash flow from operations</b>	<b>191.2</b>	<b>544.5</b>	<b>512.8</b>	<b>595.1</b>
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
<b>Cash flow from investing</b>	<b>(278.5)</b>	<b>(321.9)</b>	<b>(316.8)</b>	<b>(311.3)</b>
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
<b>Cash flow from financing</b>	<b>362.5</b>	<b>(153.1)</b>	<b>(79.2)</b>	<b>(89.9)</b>
Change in cash	275.2	69.6	116.8	193.9

## RATES &amp; 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)	0.5	0.5	0.5	0.5
EV/EBITDA (x)	9.8	9.8	8.0	6.9

Source: Company, Maybank KE

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CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
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