

### Sell (unchanged)

Share price: MYR2.65  
Target price: MYR2.52 (under review)

Wong Wei Sum, CFA  
weisum@maybank-ib.com  
(603) 2297 8679



#### Stock Information

**Description:** One of the leading property and construction groups in Malaysia. As at Sep 2013, it has unbilled sales of MYR1.8b (1.1x of our 2014 property revenue forecast) and outstanding construction orderbook of MYR3.7b (2.3x of our construction revenue forecasts).

Ticker:	SWB MK
Shares Issued (m):	1,723.5
Market Cap (MYR m):	4,567.3
3-mth Avg Daily Turnover (USD m):	0.93
KLCI:	1,812.72
Free float (%):	24.4

<b>Major Shareholders:</b>	%
SUNGEI WAY CORP SDN	46.4
YEAN TIH CHEAH	13.5
GIC PRIVATE LIMITED	8.7

#### Key Indicators

Net cash / (debt) (MYR m):	(1,287.1)
NTA/shr (MYR):	2.70
Net Gearing (x):	0.28

#### Historical Chart



#### Performance:

52-week High/Low	MYR3.614/MYR1.955				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	(5.4)	(3.6)	(26.7)	32.6	28.1
Relative (%)	(5.1)	(10.0)	(29.1)	19.9	20.8

## Sunway Bhd Uncertainties Ahead

**Maintain SELL.** Sunway's 9M13 core net profit of MYR325.4m (+38% YoY) came in above expectations. Management has expressed caution over the property market outlook over the next 6 months following the new property cooling measures at Budget 2014 and it intends to switch its focus to commercial properties in the Klang Valley. We are reviewing our earnings forecasts and MYR2.52 TP (0.58x P/RNAV; MYR4.34 RNAV) pending further details on 2014 new launches.

**Results above expectations.** 3Q13 core net profit of MYR124m (+32% YoY, 12% QoQ), lifted 9M13 earnings to MYR325m (+38% YoY), making up 81-86% of our and consensus full-year forecasts. We reckon the earnings gap was due to stronger-than-expected progress billings from property development. The YoY growth in earnings was mainly driven by: 1) MYR1.8b in unbilled sales achieved in 6M13 and 2) MYR4.2b outstanding construction orderbook as at Aug 13.

**Medini project is delayed to 1H14.** Sunway has raked in MYR836m in effective property sales in 9M13 or 76% of its MYR1.1b sales target for 2013. We think there is a chance for Sunway to exceed its target for 2013 given the strong take-up in the recent launch in Geo Residences thanks to attractive incentives offered (DIBS, 10% discount). Sunway has delayed the maiden launch of Sunway Medini Iskandar to 1H14 due to weaker sentiment on Iskandar Malaysia post-Budget 2014.

**Support from the construction division.** At end-Sep 2013, Sunway's outstanding order book was MYR3.7b (2.3x of our construction revenue forecasts), providing medium-term earnings visibility. This year, it has secured MYR2b worth of construction works, including the MYR526m KLCC and MYR452m bus rapid transit works.

**Cautious outlook.** We retain our cautious outlook on the property sector (especially on luxury properties) in view of the new cooling measures in Budget 2014. Property unbilled sales stood at MYR1.8b at end of 3Q13 (1.1x our FY14 revenue forecasts).

#### Sunway Berhad – Summary Earnings Table

Source: Maybank KE

FYE Dec (MYR m)	2011A	2012A	2013F	2014F	2015F
Revenue	3,738.9	3,876.8	3,987.8	4,519.7	4,677.9
EBITDA	397.7	535.1	531.2	634.8	723.8
Recurring Net Profit	327.1	350.6	401.5	455.2	553.9
Recurring Basic EPS (sen)	25.3	27.1	28.0	26.4	32.1
EPS growth (%)	5.1	7.2	3.1	(5.5)	21.7
DPS (sen)	0.0	6.0	5.6	5.3	6.4
BVPS (MYR)	2.33	2.75	3.30	2.96	3.22
PER	10.5	9.8	9.5	10.0	8.2
EV/EBITDA (x)	9.5	6.8	6.1	6.1	5.0
Div Yield (%)	0.0	2.3	2.1	2.0	2.4
P/BV(x)	1.1	1.0	0.8	0.9	0.8
Net Gearing (%)	49.6	45.2	16.8	12.9	7.5
ROE (%)	12.4	15.0	8.5	8.9	10.0
ROA (%)	4.7	6.1	4.0	4.0	4.8
Consensus Net Profit (MYR m)	-	-	386.9	446.2	498.6

Table 1: Quarterly summary table – Sunway

FY Dec (RM m)	Quarterly					Cumulative			Comments
	3Q13	3Q12	% YoY	2Q13	% QoQ	9M13	9M12	%YoY	
<b>Revenue</b>	<b>1,066.1</b>	<b>867.0</b>	<b>23.0</b>	<b>1,118.0</b>	<b>(4.6)</b>	<b>3,205.2</b>	<b>2,677.8</b>	<b>19.7</b>	9M13: YoY growth was mainly driven by property development and construction businesses.
- Property development	260.3	176.6	47.4	286.9	(9.3)	749.9	525.4	42.7	9M13: YoY growth was due to stronger sales and progress billings.  Sunway has locked in MYR836m in effective property sales in 9M13, meeting 76% of its effective sales target of MYR1.1b for 2013.  Unbilled sales were MYR1.8b or 1.1x of our 2014 property revenue forecast.
- Property investment	137.1	148.2	(7.5)	141.8	(3.3)	412.4	422.4	(2.4)	9M13: YoY decline was due to lower contributions from: 1) Sunway Putra Place which has been closed for refurbishment works since end-Apr 2013 and 2) the hotel business due to slower corporate activities.
- Construction	376.5	267.3	40.9	372.8	1.0	1,178.7	914.6	28.9	9M13: YoY growth was supported by the KVMRT job. As end-Sep 2013, Sunway's outstanding orderbook was MYR3.7b.
- Trading	151.9	143.3	6.0	171.6	(11.4)	453.1	436.0	3.9	9M13: YoY growth was due to better sales volume from the heavy equipment division.
- Quarry	47.1	53.8	(12.5)	55.8	(15.6)	147.2	139.7	5.4	9M13: YoY growth was due to stronger sales volume.
- Invt Holdings	(1.1)	0.4	>-100	(2.2)	(52.3)	(0.3)	0.7	>-100	
- Others	94.3	77.3	21.9	91.4	3.1	264.2	239.1	10.5	9M13: YoY growth was due to better performance from the healthcare and building material units.
<b>EBIT</b>	<b>74.9</b>	<b>106.1</b>	<b>(29.4)</b>	<b>116.6</b>	<b>(35.8)</b>	<b>277.5</b>	<b>270.7</b>	<b>2.5</b>	
- Property development	62.0	53.0	17.1	44.3	39.9	131.9	98.9	33.3	
- Property investment	21.8	19.3	13.1	28.6	(23.6)	72.6	78.0	(7.0)	
- Construction	15.4	18.3	(15.9)	15.7	(1.9)	58.4	43.3	34.9	
- Trading	11.7	11.7	0.2	15.6	(25.1)	36.3	36.7	(1.0)	
- Quarry	5.2	3.4	52.7	6.9	(24.2)	16.8	7.2	>+100	
- Invt Holdings	(46.4)	(5.9)	>+100	(2.5)	>+100	(53.9)	(11.9)	>+100	
- Others	5.1	6.4	(20.0)	8.0	(36.6)	15.4	18.5	(16.6)	
Finance costs	(6.3)	(19.4)	(67.8)	(12.6)	(50.3)	(30.5)	(60.8)	(49.8)	Sunway's net gearing dropped to 0.28x, from 0.54x in end-2Q13 post the completion of a rights issue in Aug 2013 (MYR732m in proceeds; issue price at MYR1.70).
Other income	8.2	56.4	(85.4)	168.2	(95.1)	224.6	210.5	6.7	Stronger profit recognition from its Singapore JV projects.
Profit before tax	118.2	142.4	(17.0)	212.5	(44.4)	453.2	420.5	7.8	
<b>Profit before tax-EI</b>	<b>159.4</b>	<b>142.7</b>	<b>11.7</b>	<b>152.9</b>	<b>4.2</b>	<b>434.5</b>	<b>335.3</b>	<b>29.6</b>	
Taxation	(16.6)	(32.4)	(48.8)	(32.5)	(48.9)	(75.4)	(81.2)	(7.2)	
Minority interest	(8.5)	(15.7)	(46.3)	(9.7)	(12.9)	(23.8)	(26.2)	(9.1)	
<b>Net profit</b>	<b>93.1</b>	<b>94.3</b>	<b>(1.2)</b>	<b>170.3</b>	<b>(45.3)</b>	<b>354.0</b>	<b>313.1</b>	<b>13.1</b>	
<b>Net profit ex-EI</b>	<b>124.4</b>	<b>94.6</b>	<b>31.5</b>	<b>110.7</b>	<b>12.4</b>	<b>325.4</b>	<b>236.4</b>	<b>37.6</b>	Above expectations, accounting for 81% of our and 86% of consensus full-year estimates.
Exceptional item (pretax)	(41.2)	0.3	>-100	59.6	>-100	18.7	85.1	(78.0)	The MYR41.2m one-off loss was largely due to MYR39.7m expenses for ESOS option granted in early Sep 2013.

Sources: Company, Maybank KE

Table 1: Quarterly summary table – Sunway (continued)

	Quarterly					Cumulative		
	3Q13	3Q12	+/- ppt	2Q13	+/- ppt	9M13	9M12	+/- ppt
EBIT margin (%)	7.0	12.2	(5.2)	10.4	(3.4)	8.7	10.1	(1.4)
- Property development	23.8	30.0	(6.2)	15.5	8.4	17.6	18.8	(1.2)
- Property investment	15.9	13.0	2.9	20.2	(4.2)	17.6	18.5	(0.9)
- Construction	4.1	6.9	(2.8)	4.2	(0.1)	5.0	4.7	0.2
- Trading	7.7	8.1	(0.4)	9.1	(1.4)	8.0	8.4	(0.4)
- Quarry	11.1	6.3	4.7	12.3	(1.2)	11.4	5.2	6.3
- Others	5.4	8.2	(2.8)	8.8	(3.4)	5.8	7.7	(1.9)
PBT margin (%) - ex EI	15.0	16.5	(1.5)	13.7	1.3	13.6	12.5	1.0
Tax rate (%)	14.0	22.8	(8.7)	15.3	(1.2)	16.6	19.3	(2.7)

Sources: Company, Maybank KE

## 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	45%	691	1204.0	745.3	206.4
Pendas	60%	1079	1880.2	596.6	770.2
<b>Sub-total:</b>					<b>1006.9</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 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	85%				179.9
Penang projects	100%				125.6
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%				6.8
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>925.0</b>
<b>3. Investment properties - MARKET VALUE</b>	<b>Stake</b>		<b>MV (MYR m)</b>	<b>BV (MYR m)</b>	<b>Surplus (MYR m)</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>					
34.3% stake in SunREIT based on Maybank IB's MYR1.42 TP					432.1
Construction (10x 2013PER)					718.4
Building material (10x 2013PER)					241.5
Trading (10x 2013PER)					368.7
<b>Grand total:</b>					<b>3,721.1</b>
Shareholders fund (MYR m) - Dec 2012					3,558.4
Warrants conversion (MYR2.50 exercise price; expiring Aug 2016)					724.0
Rights issue proceeds (MYR1.70 issue price)					732.5
<b>RNAV (MYR m)</b>					<b>8,736.0</b>
Number of shares (m shares) - post rights issue					1,723.5
Enlarged share capital post warrant					2,013.1
<b>FD RNAV/share (MYR) - post warrant</b>					<b>4.34</b>
<b>Target price (MYR) – 0.58x P/RNAV (historical mean)</b>					<b>2.52</b>

Source: Company, Maybank KE

## INCOME STATEMENT (MYR m)

FY Dec	2012A	2013F	2014F	2015F
Revenue	3,876.8	3,987.8	4,519.7	4,677.9
EBITDA	535.1	531.2	634.8	723.8
Depreciation & Amortisation	(31.0)	(24.7)	(27.0)	(30.8)
<b>Operating Profit</b>	<b>504.2</b>	<b>506.4</b>	<b>607.8</b>	<b>693.0</b>
Associate	152.3	73.1	80.5	87.1
JV companies	149.3	59.5	69.2	109.0
Interest (Exp)/Inc	(77.5)	(36.6)	(33.8)	(28.9)
Exceptional Items	0.0	0.0	0.0	0.0
Pre-Tax Profit	728.2	602.4	723.8	860.2
Tax	(128.5)	(150.6)	(180.9)	(215.1)
Minority Interest	(67.4)	(50.3)	(87.6)	(91.3)
<b>Net Profit</b>	<b>532.3</b>	<b>401.5</b>	<b>455.2</b>	<b>553.9</b>
<b>Net Profit Ex. EI</b>	<b>350.6</b>	<b>401.5</b>	<b>455.2</b>	<b>553.9</b>
Revenue Growth %	3.7	2.9	13.3	3.5
EBITDA Growth (%)	34.5	(0.7)	19.5	14.0
EBIT Growth (%)	35.8	0.5	20.0	14.0
Net Profit ex-EI Growth (%)	7.2	14.5	13.4	21.7
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	3,265.2	3,202.4	3,027.0
Cash/ST Investments	1,140.2	1,949.3	2,087.7	2,331.9
Other Current Assets	2,674.1	3,016.0	4,061.9	3,958.0
<b>Total Assets</b>	<b>8,744.9</b>	<b>10,111.0</b>	<b>11,359.0</b>	<b>11,454.0</b>
ST Debt	782.7	782.7	782.7	782.7
Other Current Liabilities	1,636.1	1,682.1	1,902.3	1,967.8
LT Debt	1,964.2	1,964.2	1,964.2	1,964.2
Other LT Liabilities	493.5	622.8	1,286.5	872.9
Minority Interest	310.0	310.0	310.0	310.0
Shareholders' Equity	3,558.4	4,749.2	5,113.3	5,556.4
<b>Total Capital</b>	<b>8,744.9</b>	<b>10,111.0</b>	<b>11,359.0</b>	<b>11,454.0</b>
Share Capital (RM 'm)	1,292.5	1,723.4	1,723.4	1,723.4
Net Debt/ (Cash)	1,606.7	797.6	659.2	415.0
Working Capital	1,395.5	2,500.5	3,464.6	3,539.3
Gross Gearing %	77.2	57.8	53.7	49.4
Net Gearing %	45.2	16.8	12.9	7.5

## CASH FLOW (MYR m)

FY Dec	2012A	2013F	2014F	2015F
Profit before taxation	355.8	602.4	723.8	860.2
Depreciation	0.0	24.2	26.5	30.3
Net interest receipts/(payments)	(71.8)	75.5	(33.8)	(28.9)
Working capital change	0.0	0.0	0.0	0.0
Cash tax paid	(92.8)	(150.6)	(180.9)	(215.1)
Others	0.0	0.0	0.0	0.0
<b>Cash flow from operations</b>	<b>191.2</b>	<b>551.6</b>	<b>535.5</b>	<b>646.5</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	732.5	0.0	0.0
Dividends (paid)	(38.9)	(77.6)	(80.3)	(91.0)
Others	0.0	(75.5)	0.0	0.0
<b>Cash flow from financing</b>	<b>362.5</b>	<b>579.4</b>	<b>(80.3)</b>	<b>(91.0)</b>
Change in cash	275.2	809.1	138.4	244.2

## RATES &amp; RATIOS

FY Dec	2012A	2013F	2014F	2015F
EBITDA Margin %	13.8	13.3	14.0	15.5
Op. Profit Margin %	13.0	12.7	13.4	14.8
Net Profit Margin %	13.7	10.1	10.1	11.8
ROE %	15.0	8.5	8.9	10.0
ROA %	6.1	4.0	4.0	4.8
Net Margin Ex. EI %	9.0	10.1	10.1	11.8
Dividend Cover (x)	4.5	5.0	5.0	5.0
Interest Cover (x)	6.5	13.9	18.0	24.0
Asset Turnover (x)	2.3	2.5	2.5	2.4
Asset/Debt (x)	3.2	3.7	4.1	4.2
Debt/ EBITDA (x)	5.1	5.2	4.3	3.8
Debt/ Market Cap (x)	0.8	0.7	0.6	0.6
EV/EBITDA (x)	6.8	6.1	6.1	5.0

Source: Company, Maybank KE



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BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
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
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EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
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 **Malaysia**

**Maybank Investment Bank Berhad**  
(A Participating Organisation of  
Bursa Malaysia Securities Berhad)  
33rd Floor, Menara Maybank,  
100 Jalan Tun Perak,  
50050 Kuala Lumpur  
Tel: (603) 2059 1888;  
Fax: (603) 2078 4194

Stockbroking Business:  
Level 8, Tower C, Dataran Maybank,  
No.1, Jalan Maarof  
59000 Kuala Lumpur  
Tel: (603) 2297 8888  
Fax: (603) 2282 5136

 **Philippines**

**Maybank ATR Kim Eng Securities  
Inc.**  
17/F, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines 1200

Tel: (63) 2 849 8888  
Fax: (63) 2 848 5738

 **South Asia Sales Trading**

Kevin FOY  
kevinfoy@maybank-ke.com.sg  
Tel: (65) 6336-5157  
US Toll Free: 1-866-406-7447

 **Singapore**

**Maybank Kim Eng Securities Pte Ltd  
Maybank Kim Eng Research Pte Ltd**  
9 Temasek Boulevard  
#39-00 Suntec Tower 2  
Singapore 038989

Tel: (65) 6336 9090  
Fax: (65) 6339 6003

 **Hong Kong**

**Kim Eng Securities (HK) Ltd**  
Level 30,  
Three Pacific Place,  
1 Queen's Road East,  
Hong Kong

Tel: (852) 2268 0800  
Fax: (852) 2877 0104

 **Thailand**

**Maybank Kim Eng Securities  
(Thailand) Public Company  
Limited**  
999/9 The Offices at Central World,  
20<sup>th</sup> - 21<sup>st</sup> Floor,  
Rama 1 Road Pathumwan,  
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)  
Tel: (66) 2 658 6801 (research)

 **North Asia Sales Trading**

Alex TSUN  
alextsun@kimeng.com.hk  
Tel: (852) 2268 0228  
US Toll Free: 1 877 837 7635

 **London**

**Maybank Kim Eng Securities  
(London) Ltd**  
6/F, 20 St. Dunstan's Hill  
London EC3R 8HY, UK

Tel: (44) 20 7621 9298  
Dealers' Tel: (44) 20 7626 2828  
Fax: (44) 20 7283 6674

 **Indonesia**

**PT Maybank Kim Eng Securities**  
Plaza Bapindo  
Citibank Tower 17<sup>th</sup> Floor  
Jl Jend. Sudirman Kav. 54-55  
Jakarta 12190, Indonesia

Tel: (62) 21 2557 1188  
Fax: (62) 21 2557 1189

 **Vietnam**

*In association with*  
**Maybank Kim Eng Securities JSC**  
1st Floor, 255 Tran Hung Dao St.  
District 1  
Ho Chi Minh City, Vietnam

Tel : (84) 844 555 888  
Fax : (84) 838 38 66 39

 **New York**

**Maybank Kim Eng Securities  
USA Inc**  
777 Third Avenue, 21st Floor  
New York, NY 10017, U.S.A.

Tel: (212) 688 8886  
Fax: (212) 688 3500

 **India**

**Kim Eng Securities India Pvt Ltd**  
2nd Floor, The International 16,  
Maharishi Karve Road,  
Churchgate Station,  
Mumbai City - 400 020, India

Tel: (91).22.6623.2600  
Fax: (91).22.6623.2604

 **Saudi Arabia**

*In association with*  
**Anfaal Capital**  
Villa 47, Tujjar Jeddah  
Prince Mohammed bin Abdulaziz  
Street P.O. Box 126575  
Jeddah 21352

Tel: (966) 2 6068686  
Fax: (966) 26068787