

12 March 2013 | Corporate Update

Sunway Berhad

Wins BRT job as expected; stock valuation to improve on sentiment

Maintain BUY

**Revised Target Price (TP): RM3.50
(previously RM2.96)**

INVESTMENT HIGHLIGHTS

- Wins RM453m BRT job on PPP with Prasarana
- Completion in 24 months, Sunway to contribute RM99m in works, under CSR
- Target price increased to reflect lower discount to SOP valuation on better sentiment towards property

Bus Rapid Transit: In a public-private partnership (PPP), Sunway Berhad (Sunway) has been awarded contracts worth RM452.5m from Syarikat Prasarana Negara Berhad (Prasarana) for the Design, Construction, Completion and Commissioning of: 1) Guideway & Halts; 2) Depot; 3) Park n Ride; and 4) Mechanization of Oxidation Pond of the Bus Rapid Transit (BRT) - Sunway Line (refer to appendix).

Bus on elevated track: The BRT- Sunway Line will provide eco-friendly bus services connecting the future station of the LRT extension and Setia Jaya KTM station. At a length of approximately 5.4 km, the BRT will link up key commercial areas in Bandar Sunway and Subang Jaya through 7 stations.

Social responsibility: In addition to funding from Prasarana, Sunway will additionally and separately contribute works estimated to cost approximately RM99.0m as part of its continuous corporate social responsibility initiative. The BRT-Sunway Line is targeted to be completed within 24 months from the date of award. We are maintaining our earnings forecast at current juncture as including the BRT-Sunway Line job, the year-to-date order book replenishment of RM947m is still within our forecast. Apart from that, we have not factored any earnings upon commissioning of the BRT (pending details).

Better connectivity: Even after the RM99m contribution, the project will still benefit Sunway. Connectivity will improve as the LRT extension and KTM currently do not serve Sunway City. The property segment will benefit as one of the stations is located at Sunway South Quay, an on-going projects in Sunway City. Apart from that, other segments like property investment, leisure (Sunway Lagoon Theme Park) and education (Monash University) will also benefit from enhanced connectivity.

Valuation: We are revising upwards our target price to RM3.50 by ascribing lower discount of 30%(previously 40%) to the SOP of Sunway. Recently property stocks had perform well due to strong news flow of the property market, infrastructure (High Speed Rail and RTS Johor-Singapore) and Iskandar Malaysia (Private joint venture and G-2-G projects). We are reducing the discount as we believe sentiment towards Sunway is improving.

RETURN STATS	
Price (11 Mar 13)	2.76
Target Price	3.50
Expected Share Price Return	26.81%
Expected Dividend Yield	2.18%
Expected Total Return	+28.99%

STOCK INFO	
KLCI	1657.96
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main/ Property
Syariah Compliant	YES
Issued shares (mil)	1292.50
Par Value (RM)	1.00
Market cap. (RM'm)	3567.30
Price over NA	1.00x
52-wk price Range	RM2.15 -2.79
Beta (against KLCI)	NA
3-mth Avg Daily Vol	0.93m
3-mth Avg Daily Value	RM 2.26m
Major Shareholders	
Sungei Way Corp SB	42.6%
Cheah Fook Ling	4.2%
Jef-San	1.8%

INVESTMENT STATISTICS

FY Dec	FY11	FY12	FY13F	FY14F
Revenue (RM'm)	3,691.7	3,876.8	4,386.2	4,723.5
EBITDA (RM'm)	366.2	504.2	500.8	535.1
Pretax Profit (RM'm)	498.5	729.1	607.2	680.0
Net Profit (RM'm)	372.1	350.6	388.2	417.0
Net Profit Margin (%)	10.1	9.0	8.9	8.8
EPS (sen)	28.8	27.1	30.0	32.3
EPS Growth (%)	(45.7)	(5.8)	10.7	7.4
DPS(sen)	-	5.4	6.0	6.5
Dividend Yield (%)	-	2.0	2.2	2.3

Source: Company, Forecasts by MIDFR

YTD Order Book Replenishment	RM 'm
Legoland Water Park	45
Sunway University New Academic Block	192
Sunway Putra Place	258
BRT-Sunway Line	452
Total	947

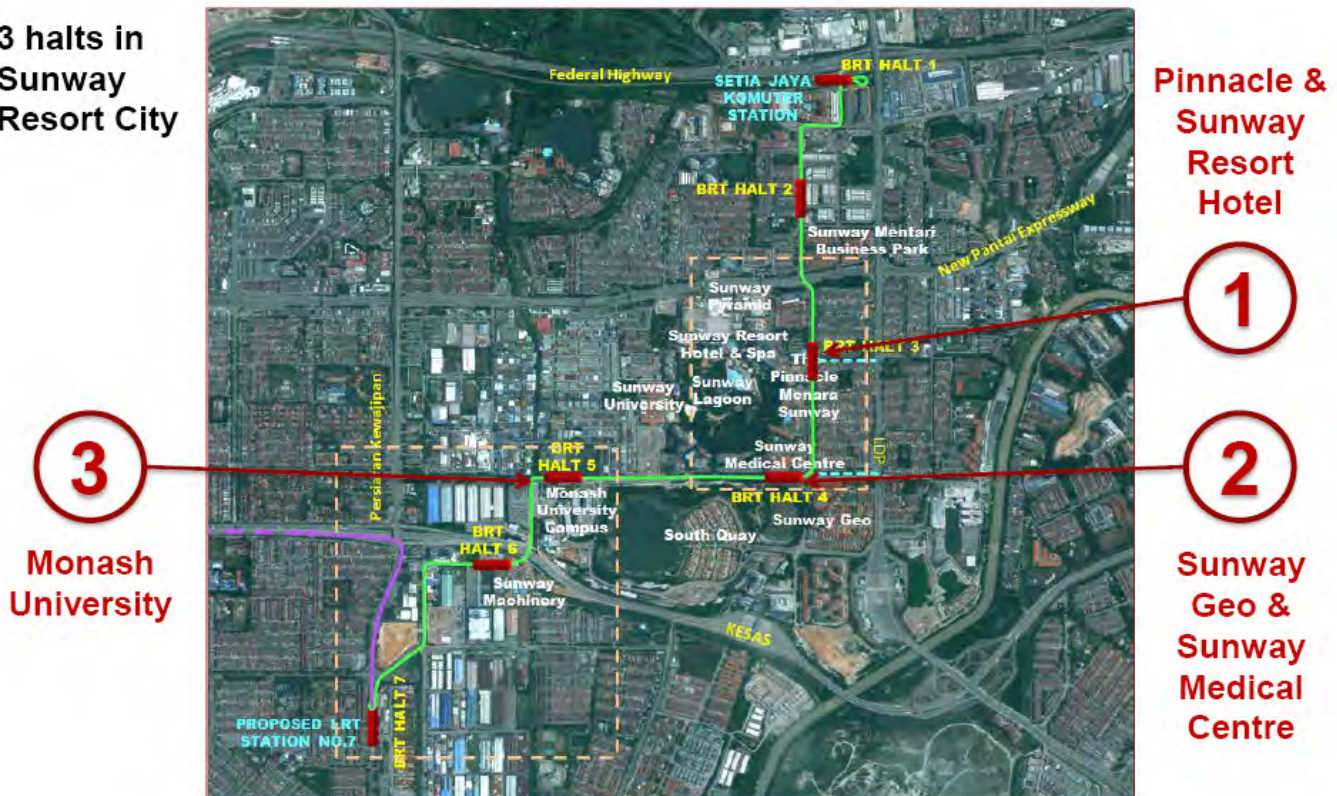
DAILY PRICE CHART



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Appendix

3 halts in Sunway Resort City



Pinnacle & Sunway Resort Hotel

1

2

Sunway Geo & Sunway Medical Centre

3

Monash University

Outstanding orderbook		
Infrastructure	Contract Sum (RM'm)	Oustanding (RM'm)
MRT Package V4 (Sec 17 to Semantan)	1173	1137
LRT Kelana Jaya Line Extension (Pacage B)	569	355
BRT Sunway Line	452	452
Johor		
Pinewood Iskandar Malaysia Studios Sdn Bhd	309	182
BioXcell – Central Facilities Utility	109	25
Legoland Water Park	45	45
Others		
UiTM campus expansion	200	89
Precinct 1, Putrajaya (Hotel & Office)	159	6
Others	551	358
Internal		
Sunway Velocity Mall (Substructure)	291	219
Sunway Velocity Phase 2 (Substructure)	179	98
Sunway Velocity (Shop Offices & Apartment)	230	120
The Pinnacle (Superstructure)	175	136
Sunway University New Academic Block	192	192
Sunway Putra Place	258	258
Singapore		
Precast	469	219
Total	5361	3891

Sum-of-parts (SOP) Valuation

Developments	Shareholding (%)	Remaining GDV (RM'm)	Effective GDV (RM'm)	Net Present Value (RM'm)
Selangor/KL				
Sunway Damansara	60%	825.5	495.3	51.3
Sunway South Quay	60%	3,892.7	2,335.6	179.4
Sunway Kayangan	60%	21.6	13.0	1.3
Sunway Semenyih	70%	728.6	510.0	41.7
Sunway Cheras	100%	16.8	16.8	1.7
Sunway Duta	60%	120.0	72.0	7.7
Sunway Melawati	100%	554.9	554.9	48.4
Sunway Alam Suria	100%	60.1	30.0	3.0
Sunway integrated resort	100%	660.1	660.1	51.4
Casa Kiara III	80%	230.0	184.0	20.1
Sunway Velocity	59%	3,063.1	1,807.2	135.6
Sunway Tower KL 1	100%	240.0	240.0	25.4
Bangi				
Melawati 2	100%	43.0	43.0	3.9
Taman Equine	100%	250.0	250.0	21.3
Sg Long, Balakong	80%	277.0	221.6	18.9
Mont Putra	100%	156.0	156.0	17.6
Ipoh				
Sunway City Ipoh	65%	285.8	185.8	15.4
Penang				
Sunway City Penang	100%	173.7	173.7	17.4
Sunway Grand	100%	37.6	37.6	3.9
Sungai Ara, New Land	100%	840.7	840.7	70.5
Bukit Mertajam, New Land	100%	149.6	149.6	14.4
Johor				
Bukit Lenang, New Land	80%	932.0	745.6	50.1
Medini Living	60%	12,000.0	7,200.0	341.3
Western Pendas South	60%	12,000.0	7,200.0	389.2
Eastern Pendas South	60%	6,000.0	3,600.0	196.1
Singapore				
Tampines, Singapore	30%	1,070.0	321.0	34.0
Sembawang, Singapore	100%	75.0	75.0	7.9
Yuan Ching Road, Singapore	30%	828.0	248.4	26.3
Parcel 826	30%	867.0	260.1	27.5
Novena	30%	2,286.8	686.0	62.8
China				
Sunway Guanghao	65%	66.8	26.0	2.9
Tianjin Eco City	60%	5,343.9	3,206.3	206.2
India				
Sunway OPUS Grand India	50%	702.4	351.2	41.6
Sunway MAK Signature Residence	60%	181.2	108.7	13.5
Australia				
Wonderland Business Park (Sydney)	45%	441.0	134.9	13.0
TOTAL				
		55,479.8	33,199.2	2,168.1
	Stake	Method	Multiplier	NPV
REITS_MIDF Valuation	37%	DCF	-	700.0
Construction		PER	13.0	730.9
Trading and manufacturing		PER	10.0	345.0
Quarry		PER	10.0	39.5
Total				3,983.5
shareholder funds				2,983.3
warrant proceeds at RM2.80 per share				723.8
Total SOP				
				7,690.6
Enlarged shares with full warrant conversion				
				1,551.0
FD SOP	30%			3.50

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.