

20 March 2013 | Corporate Update

## Sunway Berhad

Mixed development contract in KLCC

**Maintain BUY**

**Unchanged Target Price (TP): RM3.50**

### INVESTMENT HIGHLIGHTS

- **Contract worth RM304m for the carpark of a new mixed development at KLCC**
- **RM1.25b orderbook replenishment, on-track to meet target**
- **Outstanding orderbook increased to RM4.2b**

**Package 1 of KLCC extension:** Sunway Berhad (Sunway) has accepted a letter of award worth RM304m from Cititower Sdn Bhd (a joint venture company between KLCC (Holdings) Sdn Bhd and QD Asia Pacific Ltd) for "package 1: construction and completion of North East Car Park (NEC)" underneath KLCC Park and associated works for the proposed Lot 185, Lot 167(K) and Lot 176 mixed development at Persiaran KLCC, Kuala Lumpur City Centre.

**KLCC extension:** We understand that Lot 185 and Lot 167 (K) are mixed developments with a 4 storey retail building. The retail component will be connected to Suria KLCC, while the parking area will be connected to the existing underground link at Suria KLCC.

**Extended construction period:** The scope of works for the contract include excavation works, construction and installation of diaphragm wall, foundation and piling works, construction of 6 levels basement car park and its associated works. The project is expected to commence upon handing over of site possession which is to be determined later, with a construction period of 178 weeks. Assuming 7% pre-tax margin, the contract will contribute about RM21.3m over the next 3.7 years.

**Strong orderbook replenishment:** Year-to-date, Sunway has secured contracts worth RM1.25b. Excluding internal job, orderbook replenishment of RM800m is still very encouraging. External contracts of RM800m accounted for 53% of their full year orderbook replenishment target.

**Valuation:** We are maintaining our target price of RM3.50 by ascribing a discount of 30% to the SOP of Sunway. Property stocks have been performing well recently due to strong news flow emanating from the property market, infrastructure (High Speed Rail and RTS Johor-Singapore) and Iskandar Malaysia (Private joint venture and G-2-G projects). We award of the contracts will sustain positive sentiments towards Sunway.



RETURN STATS	
Price (19 Mar 13)	2.74
Target Price	3.50
Expected Share Price Return	27.74%
Expected Dividend Yield	2.19%
<b>Expected Total Return</b>	<b>+29.93%</b>

STOCK INFO	
KLCI	1625.46
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)	3541.50
Price over NA	1.00x
52-wk price Range	RM2.15 -2.79
Beta (against KLCI)	NA
3-mth Avg Daily Vol	0.97m
3-mth Avg Daily Value	RM 2.40m
Major Shareholders	
Sungei Way Corp SB	42.6%
Cheah Fook Ling	4.2%
Jef-San	1.8%

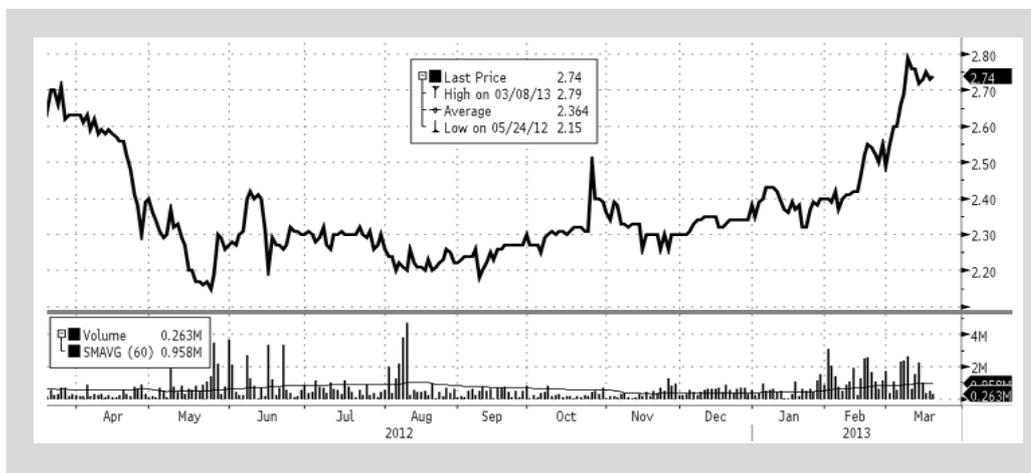
## INVESTMENT STATISTICS

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	2.4

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
KLCC NEC	304
Total	1,251
*Internal job	

## DAILY PRICE CHART



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## Appendix

<b>Oustanding orderbook</b>		
<b>Infrastructure</b>	<b>Contract Sum (RM'm)</b>	<b>Oustanding (RM'm)</b>
MRT Package V4 (Sec 17 to Semantan)	1173	1137
LRT Kelana Jaya Line Extension (Pacage B)	569	355
BRT Sunway Line	452	452
<b>Johor</b>		
Pinewood Iskandar Malaysia Studios Sdn Bhd	309	182
BioXcell – Central Facilities Utility	109	25
Legoland Water Park	45	45
<b>Others</b>		
UiTM campus expansion	200	89
Precinct 1, Putrajaya (Hotel & Office)	159	6
KLCC NEC	304	304
Others	551	358
<b>Internal</b>		
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
<b>Singapore</b>		
Precast	469	219
<b>Total</b>	<b>5665</b>	<b>4195</b>

## Sum-of-parts (SOP) Valuation

Developments	Shareholding (%)	Remaining GDV (RM'm)	Effective GDV (RM'm)	Net Present Value (RM'm)
<b>Selangor/KL</b>				
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
<b>Bangi</b>				
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
<b>Ipoh</b>				
Sunway City Ipoh	65%	285.8	185.8	15.4
<b>Penang</b>				
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
<b>Johor</b>				
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
<b>Singapore</b>				
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
<b>China</b>				
Sunway Guanghao	65%	66.8	26.0	2.9
Tianjin Eco City	60%	5,343.9	3,206.3	206.2
<b>India</b>				
Sunway OPUS Grand India	50%	702.4	351.2	41.6
Sunway MAK Signature Residence	60%	181.2	108.7	13.5
<b>Australia</b>				
Wonderland Business Park (Sydney)	45%	441.0	134.9	13.0
<b>TOTAL</b>				
		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
<b>Total</b>				
shareholder funds				3,983.5
warrant proceeds at RM2.80 per share				2,983.3
				723.8
<b>Total SOP</b>				
				7,690.6
<b>Enlarged shares with full warrant conversion</b>				
				1,551.0
<b>FD SOP</b>				
	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.