



Sunway Berhad

Award of Bus Rapid Transit-Sunway Line

THIS REPORT IS STRICTLY FOR INTERNAL CIRCULATION ONLY*

TP: RM3.59 (+30.0%)

Last Traded: RM2.76

BUY

Thiam Chiann Wen

+603-20721277 ext:1664

cwthiam@ta.com.my

www.taonline.com.my

Bus Rapid Transit Contract worth RM452.5mn

Sunway secured a contract worth RM452.5mn from Prasarana for the design, construction, completion and commissioning of 1) Guideway & Halts; 2) Depot; 3) Park n Ride; and 4) Mechanisation of Oxidation Pond of the Bus Rapid Transit (BRT) – Sunway Line. The project duration is two year, targeting for completion by Mar-2015.

More details on the BRT

The elevated BRT-Sunway Line will provide eco-friendly bus services for visitors to Sunway Resort City and residents in Bandar Sunway and Subang Jaya. It is approximately 5.4km, which will link up key commercial areas in Bandar Sunway and Subang Jaya with 7 stations, connecting Bandar Kelana Jaya LRT Extension Line in USJ 6 and KTMB Setia Jaya Station near the Federal Highway – see **Appendix A1**. Based on the proposed alignment, there will be 3 halts in Sunway Resorts City - see **Appendix A2-A4**.

Supporting land value and property sales

According to announcement, Sunway will additionally and separately contribute works estimated to cost approximately RM99mn as part of its continuous corporate social responsibility (CSR) initiatives. Our back-of-the-envelope calculation suggests that the project is expected to produce a negative NPV, assuming 1) PBT margin of 6% and; 2) cash outflow of RM99mn over a period 24 months.

Although the project would generate negative NPV (including the CSR cost of RM99mn), we believe the project will enhance the transportation infrastructure system, which will help to ease traffic congestions in Bandar Sunway. In other words, this project is envisaged to benefit Sunway Group in term of supporting land value and property sales over the long term. Moreover, it will also help to generate foot traffic to Sunway Pyramid and attract more students to Sunway University and Monash University. Note that Sunway group has an undeveloped GDV of approximately RM4.9bn in Bandar Sunway, which is expected to benefit from this project.

Forecast

Assuming a PBT margin of 6%, this contract will contribute RM4.1-13.6mn to our FY13-15 earnings. However, we are keeping our earnings forecasts unchanged as the job win is part of our order book replenishment assumptions of RM1.1bn for year 2013. YTD, Sunway has secured new jobs worth RM497mn (external).

Valuation

To be conservative in our valuation, we do not factor in the potential land value enhancement from this project. As such, our SOP-derived target price is reduced to RM3.59/share from RM3.63/share previously due to the additional CSR costs. Maintain Buy on Sunway given a potential upside of 30%.

Share Information

Bloomberg Code	SWB MK
Stock Name	Sunway
Stock Code	5211
Listing	Main Market
Share Cap (mn)	1292.5
Market Cap (RMmn)	3567.3
Par Value	1.00
52-wk Hi/Lo (RM)	2.79/2.15
12-mth Avg Daily Vol ('000 shrs)	674.82
Estimated Free Float (%)	47.36
Beta	-
Major Shareholders (%)	Sungei Way Corp (42.55)

Forecast Revision

	FY13	FY14
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	361.1	428.3
Consensus	372.1	413.0
TA's / Consensus (%)	97.0	103.7
Previous Rating	Buy (Maintained)	

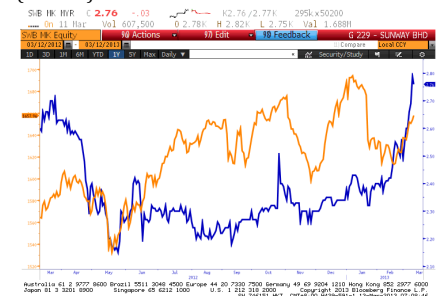
Financial Indicators

	FY13	FY14
Net Debt / Equity (%)	33.1	29.7
FCPS (sen)	28.1	8.4
Price / CFPS (x)	9.8	32.8
ROA (%)	4.0	4.5
NTA/Share (RM)	2.8	3.1
Price/NTA (x)	1.0	0.9

Share Performance (%)

Price Change	Sunway	FBM KLCI
1 mth	15.0	2.1
3 mth	17.4	0.5
6 mth	24.3	2.7
12 mth	6.2	6.0

(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

Earnings Summary

YE Dec 31 (RM'mn)	2011	2012	2013F	2014F	2015F
Revenue	3691.7	3876.8	3783.7	4126.8	4351.6
EBITDA	454.0	583.3	547.1	628.6	879.0
EBITDA margin (%)	12.3	15.0	14.5	15.2	20.2
Pretax profit	443.9	519.8	498.2	590.9	843.5
Net profit	369.7	532.3	509.9	428.3	593.7
Net profit -adj	325.6	323.9	361.1	428.3	593.7
EPS (sen)	28.6	41.2	39.4	33.1	45.9
EPS - adj (sen)	25.2	25.1	27.9	33.1	45.9
EPS Growth (Core) (%)	0.7	(0.5)	11.5	18.6	38.6
PER (x)	11.0	11.0	9.9	8.3	6.0
GDPS (sen)	0.0	6.0	6.0	6.0	7.0
Div Yield (%)	0.0	2.2	2.2	2.2	2.5
EV/EBITDA (x)	11.1	8.9	8.9	7.7	4.9
ROE (%)	11.6	9.9	9.6	10.3	12.9

Table 1: Outstanding orderbook

Project	RM'mn
Local	
MRT Package V4	1137
LRT Kelana Jaya Line Extension	355
BRT Sunway Line	452
Pinewood Studios	182
UiTM campus expansion	89
Precinct 1, Putrajaya	6
BioXcell - Central Facilities Utility	25
Legoland Water Park	45
Others	358
Foreign	
Singapore - precast	219
Total	2868
Other in-house jobs	
Sunway Velocity Mall (Substructure)	219
Sunway Velocity Phase 2 (Substructure)	98
Sunway Velocity (Shop offices & Apartment)	120
The Pinnacle (Superstructure)	136
Sunway University New Academic Block	192
Sunway Putra Place	258

Source: Sunway & TA Research

Table 2: RNAV

	Equity stake (%)	Land size (acres)	Effective GDV (RM'mn)	NPV (RM'mn)
SOP Valuation				
Sunway Damansara	60.00	18.20	495.00	24.75
Sunway Iskandar	60.00	691.00	12000.00	120.00
Sunway South Quay	60.00	52.40	2336.00	105.12
Sunway Kayangan	60.00	5.40	13.00	0.78
Sunway Semenyih	70.00	398.10	510.00	30.60
Sunway Cheras	100.00	6.90	17.00	1.02
Sunway Duta	60.00	3.20	72.00	4.32
Sunway Melawati	100.00	30.60	555.00	33.30
Sunway Alam Suria	100.00	14.10	60.00	3.60
Sunway Integrated Resort	100.00	18.50	660.00	39.60
Casa Kiara III	80.00	2.90	184.00	11.04
Sunway Velocity	59.00	19.50	1807.00	108.42
Sunway Tower KL1	100.00	1.00	240.00	14.40
Sunway City Ipoh	65.00	899.20	186.00	11.16
Sunway City Penang	100.00	15.80	174.00	10.44
Sunway Grand	100.00	3.80	38.00	2.28
Sg. Ara	100.00	68.30	841.00	50.46
Bukit Mertajam	100.00	17.80	150.00	9.00
Bukit Lenang	80.00	64.00	746.00	44.76
From Sunway Holdings				
Bangi	100.00	3.00	59.00	2.95
Melawati	100.00	2.00	43.00	2.15
Taman Equine	100.00	33.00	250.00	12.50
Sg. Long, Balakong	80.00	111.00	222.00	11.10
Mont Putra	100.00	163.00	156.00	7.80
Overseas				
Sunway Guanghao	65.00	3.70	43.00	2.15
Tianhin Eco City	60.00	90.90	3206.00	105.80
Sunway OPUS Grand India	50.00	23.80	351.00	17.55
Sunway MAK Signature residence	60.00	14.00	109.00	5.45
Wonderland Business Park, Sydney	45.00	65.50	198.00	9.90
From Sunway Holdings				
Tampines, Singapore	30.00	5.00	321.00	16.05
Sembawang, Singapore	100.00	0.80	75.00	3.75
Yuan Ching Road, Singapore	30.00	5.00	248.00	11.16
Jalan Loyang Besar/Pasir Ris Rise	30.00	4.30	690.00	31.05
Unbilled sales				168.70
Sub-total				1033.11
Construction				
	Effective stake (%)		Balance of works (RM'mn)	NPV
Pinewood Studios	100.00		182.00	10.74
Kelana Line - Package B	100.00		355.00	20.24
Bio-Xcell - Central facilities utility	100.00		25.00	1.42
UiTM campus expansion & KLCC link bridge	100.00		89.00	5.16
3-star Hotel & Office tower@ Precinct 1	100.00		6.00	0.39
Singapore - Precast	100.00		219.00	6.35
KVMRT - V4 Section 17	100.00		1137.00	39.80
Legoland Water Park	100.00		45.00	2.66
BRT Sunway Line	100.00		452.00	-69.24
Other	100.00		358.00	11.10
Sub-total				28.60
Investment in Sunway REIT (less 20% holding company discount)				
	Effective stake (%)	Book value (RM'mn)	Est. fair value (RM'mn)	Difference (RM'mn)
Investment in Sunway REIT (less 20% holding company discount)	34.30	1048.08	1723.98	540.72
Total surplus				1602.43
Total NTA				3239.68
Total revised enterprised value				4842.11
Conversion of warrants @ RM2.80				723.80
SOP valuation				5565.91
Enlarged share cap (mil shares)				1551.01
Fair value (RM/share)				3.59

Appendix A1: BTS-Sunway Line Route Map

3 halts in Sunway Resort City

3
Monash University



Pinnacle & Sunway Resort Hotel

1

2

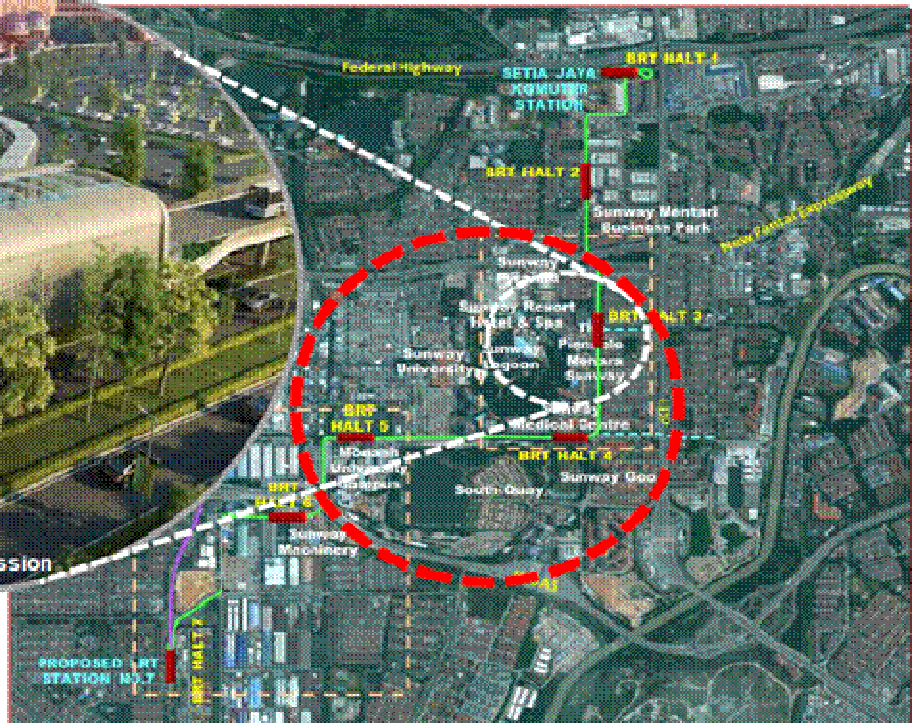
Sunway Geo & Sunway Medical Centre

Source: Sunway & TA Research

Appendix A2: BTS-Sunway Line Route Map

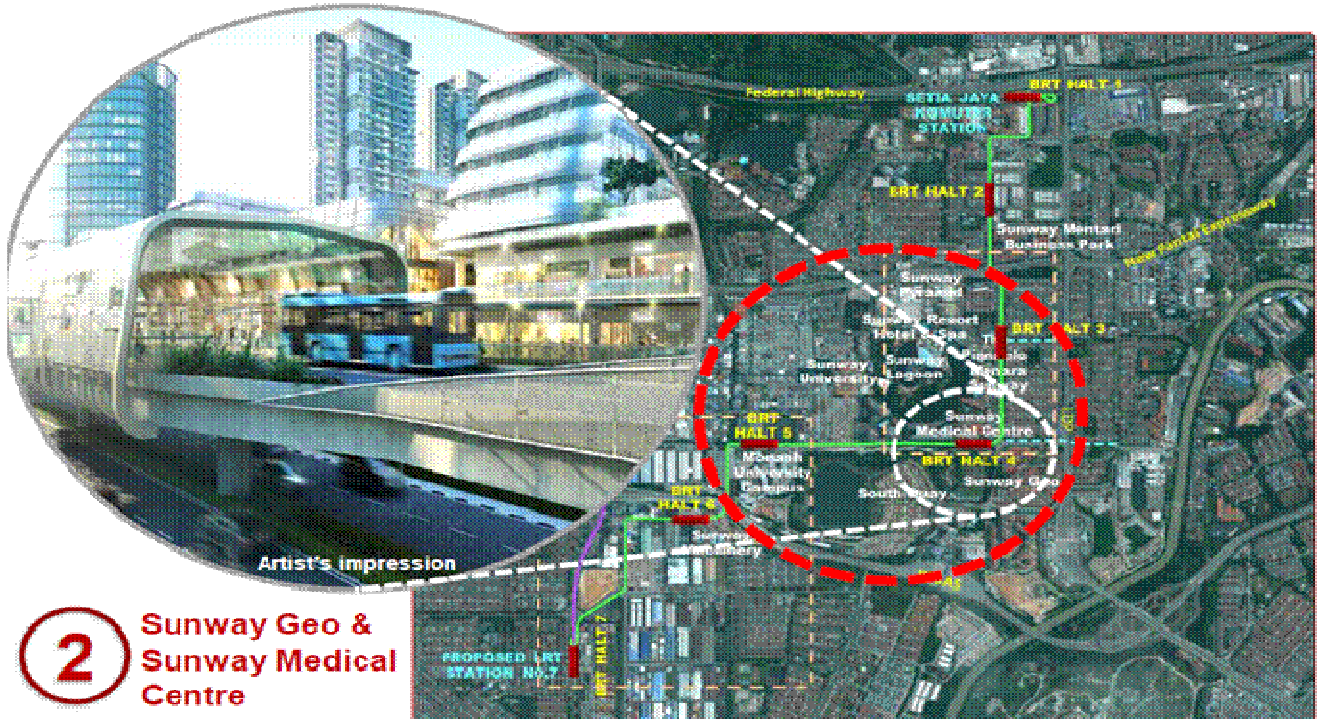


1 Pinnacle & Sunway Resort Hotel



Source: Sunway & TA Research

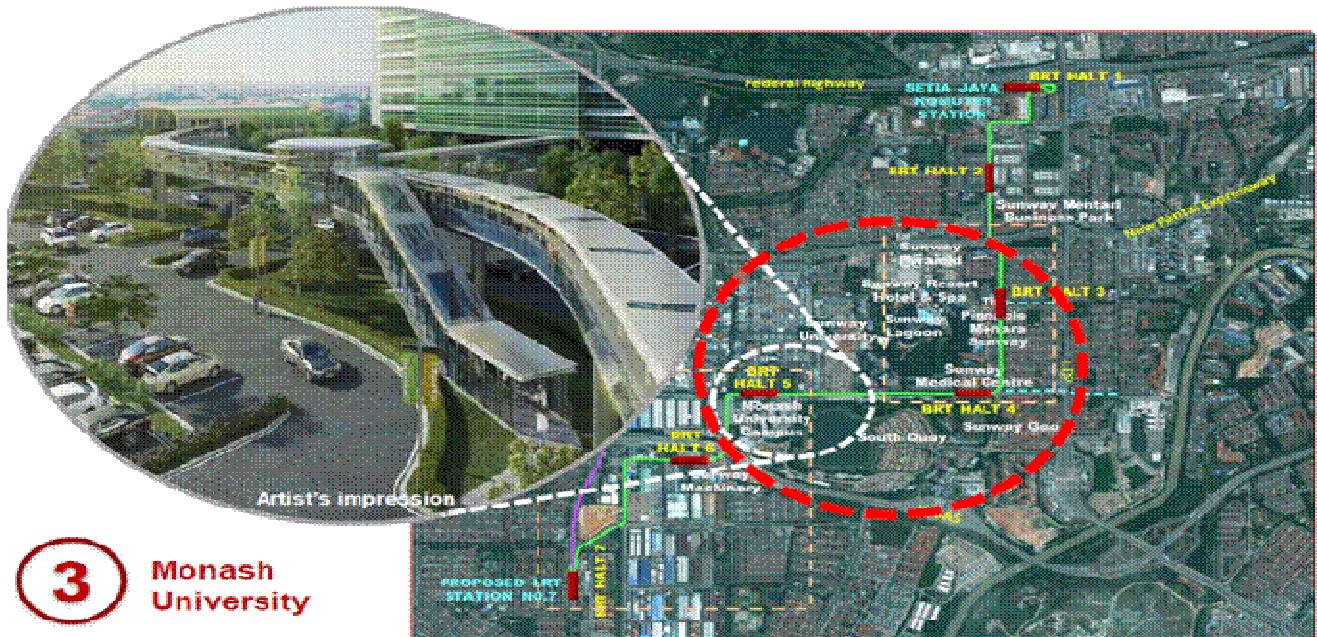
Appendix A3: BTS-Sunway Line Route Map



2 Sunway Geo & Sunway Medical Centre

Source: Sunway & TA Research

Appendix A4: BTS-Sunway Line Route Map



3 Monash University

Source: Sunway & TA Research

Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

for TA SECURITIES HOLDINGS BERHAD(14948-M)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Kaladher Govindan – Head of Research