


**AmResearch**
**Company report**

# SUNWAY BHD

(SWB MK, SWAY.KL)

20 March 2013

*Construction division keeps up strong start to the year*
**HOLD**

Thomas Soon

soon-guan-chuan@ambankgroup.com

+603 2036 2300

Price: RM2.74

Fair Value: RM2.60

*Rationale for report : Company Update*

YE to Dec	FY12	FY13F	FY14F	FY15F
Core EPS (Sen)	27.1	50.4	63.9	75.6
PE (X)	10.1	5.4	4.3	3.6

Source : AmResearch

Quick Take

- We maintain our HOLD recommendation on Sunway Bhd for now, with an unchanged fair value of RM2.60/share based on our SOP valuation.
- Sunway yesterday announced that its sub-subsidiary Sunway Construction Sdn Bhd (SunCon) had on 18 March 2013 accepted a letter of award worth RM304mil from Cititower Sdn Bhd for the development of the North East Car Park (NEC), underneath the KLCC Park, and associated works (package 1).
- Cititower is a JV between KLCC (Holdings) Sdn Bhd and QD Asia Pasific Ltd. The works are part of a proposed mixed development at Persiaran KLCC, Kuala Lumpur City Centre.
- The scope of works includes excavation, construction and installation of diaphragm walls, foundation and piling, and construction of 6 levels of basement car park.
- The contract is expected to start upon site possession at a later date, for completion in 178 weeks. Contributions to earnings will kick-in from FY13F onwards, until FY16F.
- This latest contract brings its outstanding order book to RM4.2bil (3.3x FY12 construction revenue), with the YTD replenishment totalling RM1.25bil.
- This comes in the heel of its recent acceptance of a letter of award worth about RM452.5mil from Syarikat Prasarana Negara Bhd (Prasarana) for the proposed Bus Rapid Transit (BRT) - Sunway Line (BRT-Sunway Line).
- Going forward, Sunway's earnings would be driven by the strong outstanding order book and property unbilled sales of RM2.4bil (2.6x property development turnover), providing solid earnings visibility in the medium term.
- The group plans to launch about RM1.5bil worth of properties for FY13F with a sales target of RM1.3bil. This appears conservative compared to other property players.
- Sunway is also seen as a beneficiary of the rapid developments within Iskandar Malaysia in Southern Johor. We are relooking at our numbers and maintain our forecasts for now, pending a meeting with the company.

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AmResearch Sdn Bhd (335015-P)  
 (A member of the AmInvestment Bank Group)  
 15th Floor Bangunan AmBank Group  
 55 Jalan Raja Chulan  
 50200 Kuala Lumpur  
 Tel: (03)2070-2444 (research)  
 Fax: (03)2078-3162

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For AmResearch Sdn Bhd

 Benny Chew  
 Managing Director

TABLE 1 : VALUATION MATRIX

YE to Dec	FY11	FY12	FY13F	FY14F	FY15F
Revenue (RMmil)	3,691.7	3,876.8	3,317.3	4,017.5	5,146.0
Core net profit (RMmil)	343.5	350.6	651.8	825.4	977.5
EPS (Sen)	26.6	27.1	50.4	63.9	75.6
EPS growth (%)	n/a	2.1	85.9	26.6	18.3
Consensus EPS (Sen)	n/a	n/a	n/a	n/a	n/a
DPS (Sen)	6.0	8.2	10.1	12.8	15.1
PE (x)	10.3	10.1	5.4	4.3	3.6
EV/EBITDA (x)	8.7	6.6	3.8	2.4	1.5
Div yield (%)	2.2	3.0	3.7	4.7	5.5
ROE (%)	25.7	16.2	16.8	17.8	17.7
Net Gearing (%)	30.6	29.3	15.7	6.4	n/a

Source : Company, AmResearch estimates