

Malaysia Result Snapshot Sunway Berhad

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DBS Group Research . Equity

1 Mar 2013

HOLD RM2.49 KLCI : 1,637.63

Price Target : 12-Month RM 2.55

Analyst

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Result Summary

FY Dec (RM m)	4Q 2012	4Q 2011	3Q 2012	% Chg y-o-y	% Chg q-o-q
P&L Items					
Turnover	1,198.9	921.4	867.0	30.1	38.3
Gross Profit	89.1	75.3	81.0	18.3	10.0
Opg Profit	5.7	54.3	81.0	(89.6)	(93.0)
EBITDA	227.8	166.9	162.2	36.5	40.5
Net Profit	219.3	141.6	94.3	54.8	132.6
Other Data					
Gross Margin (%)	7.4	8.2	9.3		
Opg Margin (%)	0.5	5.9	9.3		
Net Margin (%)	18.3	15.4	10.9		

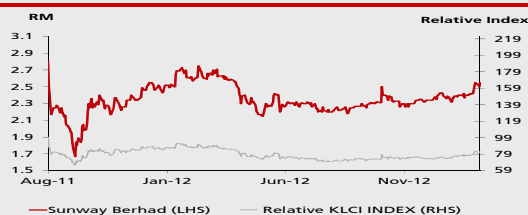
Financial Summary

FY Dec (RM m)	2011A	2012A	2013F	2014F
Turnover	3,692	3,877	4,525	4,469
Operating Profit	345	504	455	475
EBITDA	613	897	756	803
Net Pft (Pre Ex.)	367	532	382	408
EPS (sen)	23.7	27.1	29.6	31.6
EPS Pre Ex. (sen)	28.4	41.2	29.6	31.6
EPS Gth (%)	(2)	14	9	7
EPS Gth Pre Ex (%)	(46)	45	(28)	7
PE Pre Ex. (X)	8.8	6.1	8.4	7.9
EV/EBITDA (X)	8.2	5.7	6.4	6.1
Net Div Yield (%)	0.0	2.4	2.4	2.5
P/Book Value (X)	1.1	0.9	0.8	0.8
Net Debt/Equity (X)	0.4	0.4	0.3	0.3
ROAE (%)	10.9	10.7	10.3	10.1

At A Glance

Issued Capital (m shrs)	1,293
Mkt. Cap (RMm/US\$m)	3,218 / 1,038
Avg. Daily Vol.('000)	783

Price Relative



Source: Company, DBS Vickers

Affordable Iskandar proxy

- **4Q12 core profit of RM114m was within our and consensus expectations**
- **Strong earnings visibility supported by RM2.8bn unbilled property sales and RM3.2bn outstanding order book**
- **Declared 6 sen/share maiden interim single tier dividend, implying 2.4% net dividend yield**
- **Maintain HOLD rating and RM2.55 TP**

Highlights

No surprises in 4Q12. 4Q12 core profit came in at RM114m (+13.3% y-o-y; +21% q-o-q), taking FY12 core profit to RM350.2m, within expectations. Earnings were lifted by stronger property development and property investment: 4Q12 EBIT were RM141.3m (+92% y-o-y; +57% q-o-q) and RM63.3m (+13% y-o-y; +65% q-o-q), respectively. Property development was driven by higher progressive billings at Sunway Nexis, Sunway Velocity and Sunway South Quay. Property investment contribution grew as seasonality (increased visitorships at the Group's theme parks and higher hotel occupancy rates).

Maiden dividend. Sunway declared a maiden interim single tier dividend of 6 sen/share, implying 22% payout ratio and 2.4% net dividend yield based on current share price.

Our View

Strong earnings visibility. At end Dec12, Sunway had RM2.8bn unbilled property sales and a RM3.2bn outstanding construction order book. This will provide strong earnings visibility for about three years. Although the Group may not be able to launch Phase 1 of Medini Iskandar this year due to delays in obtaining relevant approvals, we expect earnings to be lifted by stronger contribution from the MRT and LRT projects, which account for 48% of the Group's construction order book.

Recommendation

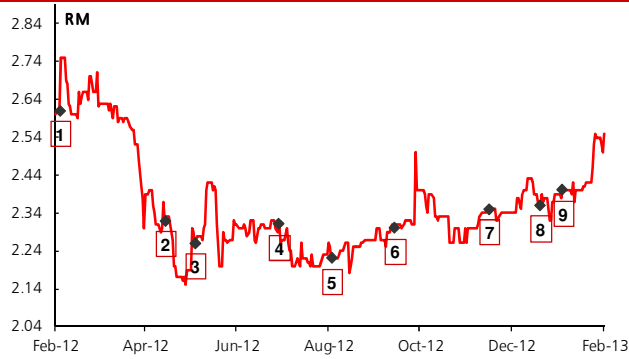
Maintain HOLD. Sunway is cheap at 8x FY13F PE, but there are limited rerating catalysts. Our SOP-based TP is intact at RM2.55. With the Eastern Pendas South acquisition, 48% of Sunway's landbank will be located in Johor. Johor will account for 59% of the Group's total GDV, making it an affordable Iskandar proxy. Unlocking value of its sizeable landbank especially in Iskandar, and MRT sites such as Sunway Nexis and Sunway Velocity, could be rerating catalysts.

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Sunway Berhad

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1:	01 Mar 12	2.61	3.30	Buy
2:	10 May 12	2.32	3.30	Buy
3:	30 May 12	2.26	3.00	Buy
4:	25 Jul 12	2.31	2.45	Hold
5:	29 Aug 12	2.22	2.45	Hold
6:	10 Oct 12	2.30	2.55	Hold
7:	12 Dec 12	2.35	2.55	Hold
8:	15 Jan 13	2.36	2.55	Hold
9:	30 Jan 13	2.40	2.55	Hold

Note : Share price and Target price are adjusted for corporate actions.

Source: DBS Vickers

DBSV recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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