28.2%

02 December 2013

# Sunway Berhad

### Within expectations

**Period** 

3Q13 / 9M13

Actual vs. Expectations

At 73% of our full-year FY13 estimates, the 9M13 net profit of RM354m came in within our estimates but above consensus estimates at 82%. 9M13 sales of RM1.1b are on schedule to meeting our and the company's FY13E sales target of RM1.3b.

**Dividends** 

None as expected.

Key Results Highlights

- YoY, 9M13 core earnings increased by 37.6% mainly buoyed by a 19.7% YoY revenue growth. The improvement was mainly due to the stronger performance from the property development and construction segment, which the revenues and core earnings for both YoY jumped by 42.7%-30.1% and 50.2%-20.2%, respectively. The better results from property development were attributable to the increasing progress billings from on-going projects such as Sunway South Quay, Sunway Velocity and Sunway Nexis while the stronger construction results were due to stronger progress billings of the local infrastructure, building projects and precast concrete products. Despite the Pretax margin compressed by 1.6ppts, the core earnings margin improved by 1.3ppt due (i) the fall in other income by 33% was mostly mitigated by the 26% drop in finance cost and (ii) the lower tax bracket of 16.6% vs 19.3% for 9M12.
- Despite a 4.6% decline in revenue, core earnings were up by 12.3% QoQ. The revenue of property development division was marginally lower by 9.3% QoQ due to higher sales of Sunway Vivaldi in 2Q13. However, its core earnings QoQ were up by 12.3% as we saw core margin increased 10.9ppt due to the handing over of two completed property projects which helped softened QoQ weaknesses in other divisions.

Outlook

We remain positive on the company given its healthy unbilled sales of RM2.2b (effective RM1.8b) which provides up to 2 years earnings visibility. Meanwhile, we are looking forward to more new launches of on-going projects such as Sunway South Quay, Sunway Velocity and Sunway Nexis and new projects that include the Medini land next year.

Change to

 Maintaining earnings forecast of RM487m-RM495m for FY13-14E.

Rating

#### **Maintain OUTPERFORM**

In line with our sector call. Notably, the stock is trading near trough valuations at FY13-14E PER of 10.4x-9.2x and Fwd PBV of 1.0x-0.9x.

**Valuation** 

Maintain TP of RM3.08. Our TP is based on a 25% discount to our FD RNAV of RM3.36.

Risks

 Unable to meet sales targets. Sector risks, including negative policies.

## **OUTPERFORM** ↔

Price: RM2.65 t Price: RM3.08





Stock	Info	rmation

YTD stock price chg

Bloomberg Ticker	SWB MK Equity
Market Cap (RM m)	4,567.3
Issued shares	1,723.5
52-week range (H)	3.61
52-week range (L)	1.96
3-mth avg daily vol:	1,013,947
Free Float	31%
Beta	1.3

#### **Major Shareholders**

SUNGEI WAY CORP SDN	46.4%
YEAN TIH CHEAH	13.5%
GIC PRIVATE LIMITED	8.7%

#### **Summary Earnings Table**

FYE Dec (RM m)	2012A	2013E	2014E
Turnover	3,849	4,271	5,514
EBIT	322	551	713
PBT	723	671	734
Net Profit (NP)	530	487	495
Consensus (CNP)		399	457
Earnings Revision		-	-
Core EPS (sen)	30.8	22.6	23.0
Core EPS growth (%)	11.1	11.8	12.5
NDPS (sen)	6.0	9.2	7.2
BV/Share (RM)	2.08	2.71	2.95
PER (x)	8.6	11.7	11.5
Price/BV (x)	1.3	1.0	0.9
Net Gearing (x)	0.4	0.2	0.3
Dividend Yield (%)	2.3	3.5	2.7

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Segmental Breakdown								
	3Q13	2Q13	QoQ	3Q12	YoY	9M13	9M12	YoY
Revenue								
Property Development	260.4	286.9	-9.3%	176.7	47.4%	749.9	525.4	42.7%
Property Investment	143.7	157.5	-8.8%	167.3	-14.1%	439.9	480.3	-8.4%
Construction	440.1	461.4	-4.6%	349.7	25.9%	1330.8	1023.2	30.1%
Trading & Manufacturing	233.0	171.6	35.8%	170.9	36.3%	567.4	522.0	8.7%
Quarry	49.4	55.8	-11.5%	54.4	-9.3%	150.4	143.6	4.8%
Investment Holdings	127.3	39.0	226.6%	20.4	525.2%	253.4	64.5	293.1%
Others	107.8	94.6	13.9%	92.8	16.2%	288.3	280.7	2.7%
Eliminations	-295.5	-148.7	98.7%	-165.1	79.0%	-575.0	-361.8	58.9%
TOTAL	1066.1	1118.0	-4.6%	867.0	23.0%	3205.2	2677.8	19.7%
CORE PATAMI								
Property Development	72.4	48.6	49.1%	50.6	43.0%	165.6	110.2	50.2%
Property Investment	18.6	26.8	-30.5%	21.2	-12.4%	62.0	65.6	-5.5%
Construction	9.5	12.6	-24.1%	14.4	-33.9%	42.9	35.7	20.2%
Trading & Manufacturing	8.4	10.7	-22.1%	8.6	-3.1%	25.3	27.4	-7.7%
Quarry	3.9	4.7	-16.6%	0.1	4481.2%	12.1	0.2	4819.6%
Investment Holdings	4.1	-1.2	-424.8%	-5.0	-181.0%	-0.4	-15.0	-97.0%
Others	7.5	8.7	-13.3%	4.6	64.6%	17.9	12.1	47.7%
Eliminations	0.0	0.0	-	0.0	-	0.0	0.0	-
TOTAL	124.4	110.7	12.3%	94.6	31.5%	325.4	236.4	37.6%
CORE PATAMI Margin								
Property Development	27.8%	16.9%		28.7%		22.1%	21.0%	
Property Investment	12.9%	17.0%		12.7%		14.1%	13.7%	
Construction	2.2%	2.7%		4.1%		3.2%	3.5%	
Trading & Manufacturing	3.6%	6.2%		5.0%		4.5%	5.3%	
Quarry	7.9%	8.4%		0.2%		8.0%	0.2%	
Investment Holdings	3.2%	-3.2%		-24.6%		-0.2%	-23.2%	
Others	7.0%	9.2%		4.9%		6.2%	4.3%	
Eliminations	0.0%	0.0%		0.0%		0.0%	0.0%	
TOTAL	11.7%	9.9%		10.9%		10.2%	8.8%	

Source: Company

FYE 31 Dec (RM'm)	3Q13	2Q13	QoQ%	3Q12	YoY%	9M13	9M12	YoY
Revenue	1,066.1	1,118.0	-4.6	867.0	23.0	3,205.2	2,677.8	19.7
Op costs w/o depn/amort	-1,027.3	-1,053.3	-2.5	-809.3	26.9	-3,051.3	-2,544.3	19.9
Other Op Income	10.0	22.9	-56.5	25.1	-60.3	44.7	67.2	-33.5
EBITDA	48.9	87.7	-44.3	82.8	-41.0	198.6	200.7	-1.0
Net interest	-6.3	-12.6	-50.3	-19.4	-67.8	-30.5	-60.8	-49.8
Pretax profit	118.2	212.5	-44.4	142.4	-17.0	453.2	420.5	7.8
Taxation	-16.6	-32.5	-48.9	-32.4	-48.8	-75.4	-81.2	-7.2
Minority Interests	-8.5	-9.7	-12.9	-15.7	-46.3	-23.8	-26.2	-9.1
Net profit	93.1	170.3	-45.3	94.3	-1.2	354.0	313.1	13.1
Core Net Profit	124.4	110.5	12.6	94.6	31.6	325.2	236.5	37.6
EPS (sen)	5.4	9.9	-45.3	5.5	-1.2	20.5	18.2	13.1
Diluted EPS (sen)	5.7	5.1	12.6	4.4	31.6	15.0	10.9	37.6
NDPS (sen)	-	5.0	-	-	-	5.0	-	
NTA/share (RM)	2.5	2.0		1.7		2.51	1.73	
Net gearing/(cash) (x)	0.3	0.5		0.6		0.28	0.57	
EBITDA margin	4.6	7.8		9.5		6.2	7.5	
Pretax margin	11.1	19.0		16.4		14.1	15.7	
Effective tax rate	14.0	15.3		22.8		16.6	19.3	

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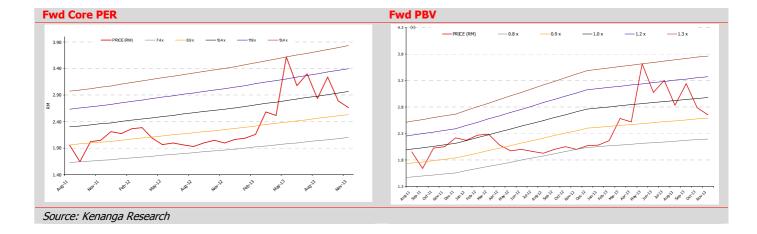
Sunway Berhad 02 December 2013

NAME	Price	Mkt		PER (x)		Est.			Ne	et Profit (RM	lm)				Rating
	(29/11/13)	Сар				NDiv. Yld.	Historical ROE	P/BV				FY12/13 NP Growth	FY13/14 NP Growth	Target Price	
	(RM)	(RMm)	FY12/13	FY13/14	FY14/15	(%)	(%)	(x)	FY12/13	FY13/14	FY14/15	(%)	(%)	(RM)	
DEVELOPERS UNDER COVERAGE															
UEM Sunrise	2.30	10,004	22.2	15.5	17.2	0.9%	8.8%	1.7	448.4	644.4	577.8	43.7%	-10.3%	2.76	OUTPERFORM
SP Setia	2.85	7,007	17.8	16.8	14.2	2.6%	10.5%	1.2	393.8	418.1	494.8	6.2%	18.3%	3.60	MARKET PERFOR
Sunway Berhad	2.65	4567	11.6	10.4	9.2	3.5%	16.1%	1.0	393.9	440.3	495.5	11.8%	12.5%	3.08	OUTPERFORM
IJM Land*	2.60	4,053	20.7	13.9	11.0	1.9%	8.5%	1.2	196.1	292.6	368.8	49.3%	26.0%	3.15	OUTPERFORM
Mah Sing Group	2.21	3,068	10.8	9.1	7.4	4.2%	19.9%	1.6	230.6	275.5	335.5	19.5%	21.8%	2.56	OUTPERFORM
UOA Development*	1.99	2,666	8.4	8.2	7.3	6.5%	15.4%	1.0	301.3	306.9	346.0	1.9%	12.7%	2.10	MARKET PERFOR
Scientex Berhad	5.61	1,241	11.7	8.3	7.1	4.2%	17.5%	1.8	110.3	155.0	182.8	40.5%	17.9%	6.28	OUTPERFORM
Crescendo	3.06	696	14.8	10.4	8.4	4.9%	9.7%	1.3	55.7	80.2	100.0	43.9%	24.7%	4.00	OUTPERFORM
Hua Yang	2.13	562	8.0	7.3	5.0	4.1%	23.5%	1.4	70.5	77.5	112.0	10.0%	44.5%	2.91	OUTPERFORM
Hunza Properties*	2.31	487	23.4	29.8	22.5	1.3%	26.7%	0.6	19.8	15.6	20.6	-21.5%	32.3%	2.15	UNDERPERFORM
* Core NP and Core PER															
CONSENSUS NUMBERS															
BERJAYA LAND BHD	0.83	4,130	32.2	83.0	51.9	n.a.	2.4%	0.8	128.4	49.8	79.6	-61.2%	60.0%	0.93	BUY
IGB CORPORATION BHD	2.71	3,699	19.6	17.7	17.2	2.7%	4.6%	0.9	189.2	208.8	215.6	10.4%	3.3%	3.82	NEUTRAL
YNH PROPERTY BHD	1.75	737	15.6	12.5	10.9	2.3%	5.7%	0.9	47.2	59.0	67.4	25.0%	14.3%	1.78	NEUTRAL
YTL LAND & DEVELOPMENT BHD	0.96	792	31.7	50.3	43.4	n.a.	2.6%	0.8	25.0	15.8	18.2	-36.9%	15.8%	1.40	BUY
GLOMAC BHD	1.09	792	7,5	5.3	5.1	5.2%	13.3%	0.9	105.2	149.0	154.8	41.6%	3.9%	1.30	BUY
KSL HOLDINGS BHD	2.05	792	3.6	4.3	4.9	1.5%	17.7%	0.6	221.9	185.5	160.4	-16.4%	-13.5%	2.38	BUY
PARAMOUNT CORP BHD	1.53	517	9.8	9.0	8.1	5.9%	7.7%	0.7	52.7	57.4	64.2	8.9%	11.8%	1.71	BUY
IVORY PROPERTIES GROUP BHD	0.62	274	48.4	n.a.	8.8	n.a.	10.5%	0.7	5.7	n.a.	31.2	n.a.	n.a.!	n.a.	BUY
TAMBUN INDAH LAND BHD	1.42	558	8.3	8.7	6.8	5.5%	21.3%	1.9	67.0	64.1	82.6	-4.4%	28.8%	1.88	BUY
Source: Kenanga Research															

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Income Statemer	nt					Financial Data & Ra	atios				
FY Dec (RM m) Revenue	<b>2011A</b> 3692	<b>2012A</b> 3849	<b>2013E</b> 4271	<b>2014E</b> 5514	<b>2015E</b> 6008	FY Dec (RM m) Growth	2011A	2012A	2013E	2014E	2015
EBITDA	427	417	655	826	955	Turnover (%)	19.0	4.3	10.9	29.1	9.0
Depreciation	-105	-95	-104	-113	-122	EBITDA (%)	-36.8	-2.4	57.2	26.1	15.5
Operating Profit	322	322	551	713	832	Operating Profit (%)	-45.4	-0.2	71.3	29.4	16.7
Interest Exp	-81	-100	-110	-115	-121	PBT (%)	-30.4	45.0	-7.2	9.4	16.0
Investing income	28	23	57	48	37	Core Net Profit (%)	-43.4	36.8	-8.2	1.6	9.5
Associate/JCE	186	296	112	88	103	00.0 1100 110110 (70)	.5	30.0	0.2		5.5
Exceptional/FV	44	182	60	0	0	Profitability (%)					
PBT	499	723	671	734	851	EBITDA Margin	11.6	10.8	15.3	15.0	15.9
Taxation	-70	-125	-149	-163	-190	Operating Margin	8.7	8.4	12.9	12.9	13.9
Minority Interest	-41	-67	-34	-75	-120	PBT Margin	13.5	18.8	15.7	13.3	14.2
Net Profit	388	530	487	495	542	Core Net Margin	9.6	10.2	10.3	9.0	9.0
Core Net Profit	354	394	440	495	542	Effective Tax Rate	-14.0	-17.3	-22.3	-22.3	-22.3
Core Net Profit						ROA				10.2	
Palanco Choot							11.9 5.2	16.1 6.3	11.8 5.0	4.4	10.3
Balance Sheet	20111	20124	20125	20145	204 55	ROE	5.2	0.3	5.0	4.4	4.4
FY Dec (RM m)	<b>2011A</b> 2866.8	<b>2012A</b> 2646.1	<b>2013E</b> 3097.2	<b>2014E</b> 3730.1	<b>2015E</b> 4510.7						
Fixed Assets	326.5	318.1	318.1	318.1	318.1	DuPont Analysis					
Intangible Assets	1365.8	1589.7	1589.7	1589.7	1589.7	Net Margin (%)	10.5	13.8	11.4	9.0	9.0
Other FA	451.8	650.3	721.5	846.0	983.9	Assets Turnover (x)	0.5	0.5	0.4	0.5	0.5
Inventories	1451.7	2127.5	2360.4	3047.6	3320.6	Leverage Factor (x)	2.3	2.6	2.4	2.3	2.3
Receivables						ROE (%)	11.9	16.1	11.8	10.2	10.3
Other CA	604.3	492.8	492.8	492.8	492.8						
Cash	776.7	1158.9	1986.5	1740.0	1473.1	Leverage					
Total Assets	7843.6	8983.5	10566.2	11764.3	12688.9	Debt/Asset (x)	0.28	0.30	0.29	0.27	0.26
						Debt/Equity (x)	0.74	0.77	0.64	0.63	0.61
Payables	1647.1	1771.8	1914.8	2482.8	2676.5	Net Cash/(Debt)	1.4	1.6	1.0	1.5	1.9
ST Borrowings	311.0	1764.8	1944.9	1944.9	1944.9	Net Debt/Equity (x)	0.37	0.39	0.18	0.25	0.31
Other ST Liability	52.7	39.6	38.5	39.1	38.3						
LT Borrowings	1914.9	972.2	1070.8	1223.7	1384.5	Valuations					
Other LT Liability	573.6	477.6	504.2	502.9	513.4	EPS (sen)	22.5	30.8	22.6	23.0	25.2
Minorities Int.	327.3	380.9	415.3	490.6	610.3	Core EPS (sen)	20.6	22.9	25.5	28.8	31.5
Net Assets	3016.9	3576.6	4677.7	5080.3	5521.1	NDPS (sen)	n.a	6.0	9.2	7.2	7.9
						NTA (RM)	1.75	2.08	2.71	2.95	3.20
Share Capital	1292.5	1292.5	1723.4	1723.4	1723.4	PER (x)	11.8	8.6	11.7	11.5	10.5
Reserves	1724.4	2284.1	2954.3	3356.9	3797.8	Net Div. Yield (%)	0.0%	2.3%	3.5%	2.7%	3.0%
Equity	3016.9	3576.6	4677.7	5080.3	5521.1	P/NTA (x)	1.5	1.3	1.0	0.9	0.8
						EV/EBITDA (x)	14.1	14.7	8.5	7.3	6.7
Cashflow Statem	ent										
FY Dec (RM m)	2011A	2012A	2013E	2014E	2015E						
Operating CF	399.0	389.7	608.5	607.0	737.2						
Investing CF	-292.9	-369.8	-641.6	-815.9	-945.6						
Financing CF	-196.3	274.1	743.8	-86.2	-95.9						
Change In Cash	-90.2	293.9	710.7	-295.1	-304.3						
Free CF	172.4	-43.5	648.0	664.6	812.9						
TICC CI	1/2.7	тэ.э	0.10.0	007.0	012.5						



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#### Stock Ratings are defined as follows:

#### **Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the

5-year annualised Total Return of FBMKLCI of 10.2%).

MARKET PERFORM: A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.

UNDERPERFORM: A particular stock's Expected Total Return is LESS than 3% (an approximation to the

12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

#### Sector Recommendations\*\*\*

OVERWEIGHT: A particular stock's Expected Total Return is MORE than 10% (an approximation to the

5-year annualised Total Return of FBMKLCI of 10.2%).

NEUTRAL : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.

UNDERWEIGHT : A particular stock's Expected Total Return is LESS than 3% (an approximation to the

12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.

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