

### Hold (unchanged)

Share price: MYR2.30  
Target price: MYR2.53 (from MYR2.54)

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#### Stock Information

**Description:** One of the leading property and construction groups in Malaysia. Property – 2,780 acres remaining landbank with MYR18.2b effective GDV; construction – MYR3.2b outstanding orderbook.

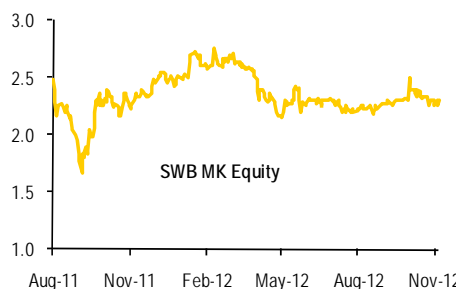
Ticker:	SWB MK
Shares Issued (m):	1,292.5
Market Cap (MYR m):	2,972.8
3-mth Avg Daily Turnover (USD m):	0.26
KLCI:	1,606.52
Free float (%):	47.4

<b>Major Shareholders:</b>	%
SUNGEI WAY CORP SDN	42.6
FOOK LING CHEAH	4.2

#### Key Indicators

ROE – annualised (%)	10.8
Net cash (MYR m):	(1,892.4)
NTA/shr (MYR):	2.57

#### Historical Chart



#### Performance:

52-week High/Low	MYR2.75/MYR2.12				
	1-mth	3-mth	6-mth	1-yr	YTD
Absolute (%)	(4.2)	2.2	1.8	-	(9.8)
Relative (%)	(0.2)	4.7	(0.2)	(11.2)	(14.8)

## Sunway Lacks A Re-rating Catalyst

**Below expectations.** Sunway's 9M12 results came in below our expectations but within consensus estimates. We lower our FY12/13/14 earnings forecasts by 2%/8%/8%. Our TP remains intact at MYR2.53 based on an unchanged 45% discount to RNAV. The lack of re-rating catalysts for Sunway and the overall sector, coupled with general election uncertainties, prompt us to reiterate our HOLD call on Sunway.

**Dragged by the property development division.** 3Q core net profit of MYR94.6m (+1% YoY, +22% QoQ) took 9M12 core earnings to MYR236.4m (+5% YoY), accounting for 67% of our and 71% of consensus estimates. We attribute the variance in earnings to slower progress billings. The 5% YoY growth in 9M earnings was due to better operating margins (+4ppt), offsetting the decline in revenue owing to weaker property sales and slower progress billings.

**On track to meet its sales target.** Sunway has locked in effective property sales of MYR1.06b in 9M12, on track to meet its MYR1.2b sales target for 2012. Key sales contributors include Sunway Velocity, South Quay and JV projects in Singapore. Most of Sunway's projects in Singapore, which are in the form of JVs, have seen strong demand with take-up rates of more than 90% to date (except for 71%-sold Lake Vista @ Yuan Ching). As at Sep 2012, unbilled sales remain healthy at MYR2.1b or 1.5x of our FY13 property revenue forecast.

**A good year for construction.** Job wins YTD amount to MYR1.7b. These include: 1) a MYR1.2b contract from the MRT project, 2) Sunway Velocity substructure works worth MYR429m and 3) MYR56.2m in foundation works from Tropicana Indah. As at Sep 2012, its outstanding order book is MYR3.2b, 2.2x our FY13 construction revenue forecast.

**Earnings adjustments.** We lower our earnings forecasts to factor in the delay in the launch of its project in China, and slower progress billings. Net gearing was 0.57x at end-3Q12 but should improve to 0.44-0.46x following the disposal of Sunway Medical Centre.

#### Sunway – Summary Earnings Table

FYE Dec (MYR m)	2010A	2011A	2012F	2013F	2014F
Revenue	3,134.5	3,738.9	3,463.9	3,869.5	4,622.7
EBITDA	-	400.7	438.0	493.7	610.6
Recurring Net Profit	310.2	325.6	344.8	380.5	418.4
Recurring Basic EPS (cents)	24.1	25.2	26.7	29.4	32.4
EPS growth (%)	-	4.6	5.9	10.3	10.0
DPS (cents)	-	0.0	5.3	5.9	6.5
PER	9.6	9.1	8.6	7.8	7.1
EV/EBITDA (x)	-	8.3	6.9	4.6	3.2
Div Yield (%)	-	0.0	2.3	2.6	2.8
P/BV(x)	-	1.0	0.9	0.8	0.7
Net Gearing (%)	57.0	49.6	35.9	11.5	3.2
ROE (%)	-	12.4	10.6	14.0	10.4
ROA (%)	-	4.7	4.2	5.9	4.3
Consensus Net Profit (MYR m)	-	-	334.7	372.9	412.1
Earnings Revision (%)	-	-	(2.3)	(7.8)	(7.6)

Source: Maybank KE

Table 1: Quarterly summary table – Sunway

FY Dec (RM m)	Quarterly					Cumulative			Comments
	3Q12	3Q11	% YoY	2Q12	% QoQ	9M12	9M11	%YoY	
<b>Revenue</b>	<b>867.0</b>	<b>934.0</b>	<b>(7.2)</b>	<b>996.1</b>	<b>(13.0)</b>	<b>2,677.8</b>	<b>2,770.3</b>	<b>(3.3)</b>	YoY decline in 9M12 profit was due to the property development segment.
- Property development	176.6	229.7	(23.1)	188.6	(6.4)	525.4	669.3	(21.5)	YoY decline was due to slower progress billings and take-up rates. Effective sales were MYR1.06b as at Sep 2012, whilst effective unbilled sales were MYR2.1b (or 1.5x of our 2013 property revenue forecasts).
- Property investment	148.2	134.3	10.3	143.7	3.2	422.4	360.5	17.2	YoY increase was due to contributions from new assets i.e. Sunway Putra Hotel and Monash U Residence.
- Construction	267.3	305.1	(12.4)	388.3	(31.2)	914.6	968.7	(5.6)	YoY decline was due to lower progress billings as well as the completion of Legoland in Johor in early 3Q12.
- Trading	143.3	143.5	(0.1)	145.0	(1.2)	436.0	416.7	4.6	
- Quarry	53.8	47.5	13.3	48.5	10.8	139.7	135.8	2.8	
- Investment Holdings	0.4	0.2	75.8	0.1	>+100	0.7	2.4	(71.1)	
- Others	77.3	73.7	4.8	81.7	(5.4)	239.1	216.8	10.3	
<b>EBIT</b>	<b>106.1</b>	<b>64.2</b>	<b>65.4</b>	<b>104.2</b>	<b>1.8</b>	<b>270.7</b>	<b>165.3</b>	<b>63.7</b>	
- Property development	53.0	29.9	76.9	27.8	90.5	98.9	63.2	56.6	YoY improvement was due to better operating margin (+9.4ppt YoY) thanks to higher contributions from better margin products like Sunway Velocity and Sunway South Quay.
- Property investment	19.3	28.7	(32.8)	37.5	(48.6)	78.0	71.6	9.0	YoY and QoQ decline in 3Q12 EBIT was due to poorer hotel performance owing to fasting month, refurbishment activities and provisions for doubtful debts made for a business in the leisure division.
- Construction	18.3	16.4	11.5	17.6	3.8	43.3	28.3	53.1	YoY improvement was due to better operating margin (+2ppt YoY) and the writeback of previous provisions made for a project in Trinidad and Tobago.
- Trading	11.7	11.4	2.3	12.7	(8.0)	36.7	36.6	0.2	
- Quarry	3.4	3.5	(1.7)	2.9	18.7	7.2	7.2	(0.5)	
- Investment Holdings	(5.9)	(20.9)	(71.7)	(1.1)	>+100	(11.9)	(41.4)	(71.2)	
- Others	6.4	(4.9)	>-100	6.8	(6.8)	18.5	(0.1)	>-100	
Finance costs	(19.4)	(18.2)	6.8	(22.8)	(14.6)	(60.8)	(37.7)	61.2	
Other income	56.1	56.7	(1.0)	111.6	(49.7)	210.5	197.7	6.5	
<b>Profit before tax</b>	<b>142.4</b>	<b>90.7</b>	<b>57.0</b>	<b>193.1</b>	<b>(26.3)</b>	<b>420.5</b>	<b>317.0</b>	<b>32.7</b>	
<b>Profit before tax-EI</b>	<b>142.7</b>	<b>115.5</b>	<b>23.5</b>	<b>107.9</b>	<b>32.2</b>	<b>335.3</b>	<b>304.1</b>	<b>10.3</b>	
Taxation	(32.4)	(18.7)	73.0	(30.3)	6.8	(81.2)	(39.7)	>+100	
Minority interest	(15.7)	(2.8)	>+100	(8.5)	85.7	(26.2)	(31.3)	(16.5)	
<b>Net profit</b>	<b>94.3</b>	<b>69.2</b>	<b>36.2</b>	<b>154.3</b>	<b>(38.9)</b>	<b>313.1</b>	<b>245.9</b>	<b>27.3</b>	
<b>Net profit ex-EI</b>	<b>94.6</b>	<b>94.0</b>	<b>0.6</b>	<b>77.6</b>	<b>21.9</b>	<b>236.4</b>	<b>226.3</b>	<b>4.5</b>	Below our expectation but within consensus estimates.
Exceptional item (net)	0.3	24.8	(98.8)	(76.7)	(100.4)	(76.6)	(19.6)	>+100	
	<b>3Q12</b>	<b>3Q11</b>	<b>+/- ppt</b>	<b>2Q12</b>	<b>+/- ppt</b>	<b>9M12</b>	<b>9M11</b>	<b>+/- ppt</b>	
EBIT margin (%)	12.2	6.9	5.4	10.5	1.8	10.1	6.0	4.1	
- Property development	30.0	13.0	17.0	14.7	15.2	18.8	9.4	9.4	
- Property investment	13.0	21.4	(8.4)	26.1	(13.1)	18.5	19.9	(1.4)	
- Construction	6.9	5.4	1.5	4.5	2.3	4.7	2.9	1.8	
- Trading	8.1	7.9	0.2	8.7	(0.6)	8.4	8.8	(0.4)	
- Quarry	6.3	7.3	(1.0)	5.9	0.4	5.2	5.3	(0.2)	
- Investment Holdings	-	-	-	-	-	-	-	-	
- Others	8.2	(6.6)	14.8	8.3	(0.1)	7.7	(0.1)	7.8	
PBT margin (%) - ex EI	16.5	12.4	4.1	10.8	5.6	12.5	11.0	1.5	
Tax rate (%)	22.8	20.6	2.1	15.7	7.0	19.3	12.5	6.8	

Sources: Company, Maybank KE

Table 1: Sunway Bhd's RNAV estimates

1. Landbank - MARKET VALUE	Stake	Acres	MV (MYR m)	BV (MYR m)	Surplus (MYR m)
Sunway Semenyih	70%	398.1	107.5	128.0	(14.3)
Suncity Ipoh	65%	899.2	60.6	58.7	1.2
Sunway Integrated Resort	100%	18.5	11.6	8.3	3.3
Sunway Tower KL 1	100%	1.0	57.0	28.3	28.6
Sunway JB, Bukit Lenang	80%	64.0	141.3	134.5	5.4
Tmn Equine	100%	33.0	38.7	37.8	0.9
Sg Long Balakong	80%	111	28.3	21.8	5.2
Mont Putra Rawang	100%	163	37.5	35.1	2.4
Medini Iskandar	38%	691	744.4	744.4	0.0
<b>Sub-total:</b>					<b>32.8</b>
<b>2. Development projects - DCF (WACC: 10.5-11.5%)</b>	<b>Stake</b>				<b>(MYR m)</b>
Casa Kiara 2	78%				0.7
South Quay	60%				244.3
Sunway Cheras	100%				1.9
Sunway Damansara	60%				71.1
Sunway D' Mont Kiara	88%				24.6
Sunway Monterez	100%				0.0
Sunway Kayangan	100%				3.6
Sunway Duta	100%				31.0
Bangi	100%				6.2
Sunway Melawati	100%				52.1
Casa Kiara III	80%				15.0
Sunway SPK	50%				0.0
Sunway Palazzio	50%				0.0
Sunway Alam Suria	50%				5.7
Sunway Velocity	50%				120.9
Penang projects	100%				125.6
Sunway Guanghao, China	65%				2.0
Tianjin Eco City, China	60%				100.0
Wonderland Business Park, Australia	31%				11.0
Singapore Yi Shun	30%				19.8
Singapore Tampines	30%				23.7
Singapore Yuan Ching Road	30%				20.0
Singapore Sembawang	100%				5.8
Vacanza @ East, Singapore	30%				14.8
Singapore The Peak @ Toa Payoh	30%				9.4
Singapore Pasir Ris	30%				19.5
<b>Sub-total:</b>					<b>928.5</b>
<b>3. Investment properties - MARKET VALUE</b>	<b>Stake</b>		<b>MV (MYR m)</b>	<b>BV (MYR m)</b>	<b>Surplus (MYR m)</b>
Monash University Campus	100%		158.0	158.0	0.0
Sunway University College	100%		150.0	150.0	0.0
Sunway Giza (shopping mall)	60%		42.4	42.4	0.0
Sunway Hotel Georgetown	100%		17.8	62.2	(44.4)
Sunway Hotel Phnom Penh	52.5%		15.7	21.7	(3.1)
Sunway Lagoon Theme Park	100%		165.0	59.1	105.9
Lost World of Tambun	65%		38.7	36.0	1.8
Sunway Medical Centre ^	92%		310.0	161.2	137.1
Sunway Hotel Hanoi	100%		14.1	45.8	(31.8)
<b>Sub-total:</b>					<b>165.5</b>
<b>4. Other businesses or assets</b>					
33.8% stake in SunREIT based on Maybank IB's MYR1.54 TP					632.9
Construction (10x 2013PER)					718.4
Building material (10x 2013PER)					241.5
Trading (10x 2013PER)					401.6
<b>Grand total:</b>					<b>3,121.1</b>
Shareholders fund (MYR m) - Dec 2012					3,259.2
Warrants conversion (MYR2.80 exercise price; expiring 2016)					723.8
<b>RNAV (MYR m)</b>					<b>7,104.0</b>
Number of shares (m shares)					1,292.5
Enlarge share capital post warrant conversion					1,546.3
<b>FD RNAV/share (MYR)</b>					<b>4.59</b>
<b>Target price (MYR) - 45% discount</b>					<b>2.53</b>

^ 92.1% stake; including MYR0.6m other expenses

Source: Company, Maybank KE

## INCOME STATEMENT (MYR)

FY Dec	2011A	2012F	2013F	2014F
Revenue	3,738.9	3,463.9	3,869.5	4,622.7
EBITDA	400.7	438.0	493.7	610.6
Depreciation & Amortisation	(29.6)	(31.0)	(33.0)	(35.1)
<b>Operating Profit</b>	<b>371.1</b>	<b>407.1</b>	<b>460.7</b>	<b>575.5</b>
Associate	109.8	73.3	73.1	80.5
JV companies	89.4	75.6	55.6	1.0
Interest (Exp)/Inc	(55.5)	(40.4)	(25.5)	(19.5)
Exceptional Items	44.1	0.0	0.0	0.0
Pre-Tax Profit	507.0	515.6	563.9	637.5
Tax	(98.8)	(132.0)	(144.4)	(163.2)
Minority Interest	(38.5)	(38.8)	(39.0)	(55.9)
<b>Net Profit</b>	<b>369.7</b>	<b>344.8</b>	<b>380.5</b>	<b>418.4</b>
<b>Net Profit Ex. EI</b>	<b>325.6</b>	<b>344.8</b>	<b>380.5</b>	<b>418.4</b>
Revenue Growth %	19.3	(7.4)	11.7	19.5
EBITDA Growth (%)	-	9.3	12.7	23.7
EBIT Growth (%)	(37.3)	9.7	13.2	24.9
Net Profit ex-EI Growth (%)	5.0	5.9	10.3	10.0
Tax Rate %	19.5	25.6	25.6	25.6

## CASH FLOW (MYR m)

FY Dec	2011A	2012F	2013F	2014F
Profit before taxation	326.9	515.6	701.0	637.5
Depreciation	0.0	30.4	32.5	34.5
Net interest	136.6	62.3	62.3	(19.5)
Working capital change	0.0	0.0	0.0	0.0
Cash tax paid	(140.3)	(132.0)	(144.4)	(163.2)
Others	0.0	0.0	0.0	0.0
<b>Cash flow from operations</b>	<b>323.2</b>	<b>476.3</b>	<b>651.4</b>	<b>489.3</b>
Capex	(261.8)	(200.0)	(200.0)	(200.0)
Disposal/(purchase)	7.9	21.9	346.8	0.0
Others	(36.7)	75.7	78.1	83.2
<b>Cash flow from investing</b>	<b>(290.6)</b>	<b>(102.4)</b>	<b>224.9</b>	<b>(116.8)</b>
Debt raised/(repaid)	908.0	0.0	0.0	0.0
Equity raised/(repaid)	(947.3)	0.0	0.0	0.0
Dividends (paid)	(5.1)	0.0	(69.0)	(76.1)
Others	(71.6)	(62.3)	(62.3)	0.0
<b>Cash flow from financing</b>	<b>(116.0)</b>	<b>(62.3)</b>	<b>(131.2)</b>	<b>(76.1)</b>
Change in cash	(83.4)	311.7	745.1	296.4

Source: Company, Maybank KE

## BALANCE SHEET (MYR m)

FY Dec	2011A	2012F	2013F	2014F
Fixed Assets	1,888.8	1,958.4	1,865.2	1,999.8
Other LT Assets	2,887.5	2,808.7	2,722.5	2,589.5
Cash/ST Investments	783.6	1,095.3	1,840.4	2,136.7
Other Current Assets	2,255.6	2,275.5	2,388.7	2,928.7
<b>Total Assets</b>	<b>7,815.4</b>	<b>8,137.8</b>	<b>8,816.8</b>	<b>9,654.7</b>
ST Debt	301.4	301.4	301.4	301.4
Other Current Liabilities	1,958.5	1,552.7	1,731.2	2,062.8
LT Debt	1,963.2	1,963.4	1,963.4	1,963.4
Other LT Liabilities	278.0	730.1	789.0	960.6
Minority Interest	331.2	331.2	331.2	331.2
Shareholders' Equity	2,983.3	3,259.2	3,700.6	4,035.4
<b>Total Capital</b>	<b>7,815.4</b>	<b>8,137.8</b>	<b>8,816.8</b>	<b>9,654.7</b>
Share Capital (RM 'm)	1,292.5	1,292.5	1,292.5	1,292.5
Net Debt/ (Cash)	1,481.0	1,169.3	424.2	127.8
Working Capital	779.3	1,516.7	2,196.4	2,701.3
Gross Gearing %	75.9	69.5	61.2	56.1
Net Gearing %	49.6	35.9	11.5	3.2

## RATES &amp; RATIOS

FY Dec	2011A	2012F	2013F	2014F
EBITDA Margin %	10.7	12.6	12.8	13.2
Op. Profit Margin %	9.9	11.8	11.9	12.5
Net Profit Margin %	9.9	10.0	13.4	9.1
ROE %	12.4	10.6	14.0	10.4
ROA %	4.7	4.2	5.9	4.3
Net Margin Ex. EI %	8.7	10.0	9.8	9.1
Dividend Cover (x)	-	5.0	5.0	5.0
Interest Cover (x)	6.7	10.1	18.1	29.5
Asset Turnover (x)	2.1	2.3	2.3	2.1
Asset/Debt (x)	3.5	3.6	3.9	4.3
Debt/ EBITDA (x)	5.7	5.2	4.6	3.7
Debt/ Market Cap (x)	0.8	0.8	0.8	0.8
EV/EBITDA (x)	8.3	6.9	4.6	3.2

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