

29 February 2016 | 4QFY15 Results Review

Sunway Berhad

FY15 earnings better than expected

INVESTMENT HIGHLIGHTS

- **Core net income above expectations**
- **6.0 sen dividend announced**
- **Sales better than expected at RM1.2b**
- **Raising sales target to RM1.3b for FY16**
- **Maintain NEUTRAL with higher TP of RM3.25**

Core net income above expectations. Sunway Berhad (SUNWAY) FY15 core net income of RM590.7m was above expectations at 110% and 108% of our and consensus full year estimates respectively. The positive deviation came from stronger-than-expected earnings by property division in 4QFY15 as the recognition of some projects were faster than expected.

6.0 sen dividend announced. As expected, dividend of 6sen per share was declared, bringing its full year dividend to 37 sen per share (inclusive special dividend of 26sen per share).

Sales better than expected at RM1.2b. Sunway achieved sales of RM1.2b in FY15, ahead of management's and our sales target of RM1.0b. Looking ahead, management has set its sales target for FY16 at RM1.4b on the back of target property launches of RM1.6b. Unbilled sales stood at RM2.1b as of Dec-15.

Raising our sales target to RM1.3b for FY16. We are raising our new sales target for FY16 to RM1.3b from RM1.1b in view of the stronger-than-expected property sales achieved by Sunway in FY15. Nevertheless, our sales target of RM1.3b is lower than management sales target of RM1.4b considering the challenging outlook for property sector.


Maintain NEUTRAL with higher TP of RM3.25. In line with our FY16 sales estimate increase, we have raised our earnings forecast for FY16 by 8.7% to RM589m. Our Target Price is revised to RM3.25 (from RM3.20) as we move forward the recognition for some of its projects. Valuation method is unchanged based on 20% discount to RNAV. Outlook for Sunway is Neutral as positives from the robust construction division will be neutralised by the challenging outlook for property division.

Maintain NEUTRAL

Adjusted Target Price (TP): RM3.25
(previously RM3.20)

RETURN STATS	
Price (26 Feb 2016)	RM3.01
Target Price	RM3.25
Expected Share Price Return	+8.0%
Expected Dividend Yield	+4.0%
Expected Total Return	+12.0%

STOCK INFO	
KLCI	1663.44
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	1,799.5
Par Value (RM)	1.00
Market cap. (RM'm)	5,358.14
Price over NA	0.78
52-wk price Range	RM2.89 - RM3.52
Beta (against KLCI)	0.55
3-mth Avg Daily Vol	1.01m
3-mth Avg Daily Value	RM3.05m
Major Shareholders	
SUNGEI WAY CORP	55.06%
YEAN TIH CHEAH	13.09%
EPF	5.7%
Skim Amanah Saham Bumiputera	5.6%

Flattish core net income on-year. For full year FY15, core net profit came in at RM590.7m, flattish from core net profit of RM593.1m in prior year. In FY15, earnings contribution from construction, property investment, and quarry divisions were higher however were moderated by lower earnings contribution from property development and trading and manufacturing segments. Operating profit of construction division increased 22%yoy on higher profit recognition from local infrastructure projects. 

FYE Dec (RM'm, unless otherwise stated)	FY13A	FY14A	FY15A	FY16F	FY17F
Revenue	4721	4842	4451	4975	5393
Core EBIT	824	619	545	537	582
Core PBT	915	819	788	786	831
Net Income	1490	743	732	589	623
Core Net Income	505	593	591	589	623
EPS (sen)	94.51	43.09	41.77	34.00	35.95
Core EPS (sen)	32.03	34.39	33.69	34.00	35.95
Net DPS (sen)	10	11	38	12	12
Net Dvd Yield	3.3%	3.7%	12.6%	4.0%	4.1%
Core PER	9.4	8.8	8.9	8.9	8.4
NTA/share (RM)	2.96	3.35	3.55	3.81	4.24
P/NTA	1.02	0.90	0.85	0.79	0.71
Core ROE	9.9%	9.7%	9.0%	8.5%	8.5%
Core ROA	4.6%	4.6%	3.7%	3.6%	3.7%

INVESTMENT STATISTICS

Sunway: 4QFY15 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	4QFY15	%YoY	%QoQ	FY15	%YoY	
Revenue	1398.8	-5%	47%	4,451.3	-8%	
EBIT	259.3	-31%	118%	686.9	-11%	
Core PBT	249.1	-18%	35%	787.5	-4%	Exclude mainly RM111m fair value gain at associate level (Sunway REIT).
Net Income	214.7	-31%	61%	732.4	-1%	
Core Net Income	180.0	-13%	22%	590.7	0%	Better performance of construction, property investment, and quarry divisions were offset by lower earnings from property development and trading and manufacturing divisions.
EPS (sen)	12.04	-34%	60%	41.77	-3%	
Core EPS (sen)	10.10	-16%	21%	33.69	-2%	
Net DPS (sen)	6.00	0%	NA	37.00	336%	Inclusive special dividend of 26sen.
NTA/share (RM)	3.49	7%	-6%	3.55	9%	
Net Gearing (x)	0.50	NA	NA	0.50	NA	
EBIT Margin	18.5%	NA	NA	15.4%	NA	
Core PBT Margin	17.8%	NA	NA	17.7%	NA	

Source: Company, MIDF Research Estimate

DAILY PRICE CHART



Jessica Low Jze Tieng
 Jessica.low@midf.com.my
 03-2173 8391

Source: Bloomberg

SUNWAY RNAV

Landbank	Location	Size (Ac)	Size (Sq ft)	Price (RM/sqft)	Stake	Value (RM m)
Property Development - Malaysia						
Sunway South Quay	Bandar Sunway, Selangor	49	2,134,440	466.2	60%	597.0
Sunway Velocity	Kuala Lumpur	19	827,640	200	85%	140.7
Sunway Damansara	Petaling Jaya, Selangor	15	653,400	256	60%	100.4
Medini Iskandar	Iskandar, Johor	678	29,532,809	110.4	56%	1825.8
Daiwa JV	Iskandar, Johor	13	DCF @ WACC 10%		17%	7.0
Pendas	Iskandar, Johor	1079	47,001,240	102	60%	2876.5
Sunway Lenang	Johor Bahru, Johor	71	3,091,453	93.5	80%	231.2
Sunway Wellesley	Penang	60	2,613,600	50	100%	130.7
Paya Terubong	Penang	24	1,045,440	45	100%	47.0
Sunway Hillds	Penang	81	3,528,360	30	100%	107.3
Balik Pulau	Penang	29	1,263,240	23	100%	29.1
Sunway Cassia	Penang	7	304,920	25	100%	7.7
Sunway Semenyih	Ulu Langat, Selangor	508	22,141,548	25	100%	544.7
Kelana Jaya Land	Kelana Jaya, Selangor	17	740,084	394	100%	291.7
Property Development - Singapore						
Miltonia Residences	Yishun, Singapore	NA	DCF @ WACC 10%		30%	37.5
Arc	Tampines, Singapore	NA	DCF @ WACC 10%		30%	45.9

Lake Vista	Yuan Ching Road, Singapore	NA	DCF @ WACC 10%	30%	36.0	
Sea Esta	Pasir Ris, Singapore	NA	DCF @ WACC 10%	30%	35.3	
Royale Square	Novena MRT, Singapore	NA	DCF @ WACC 10%	30%	48.7	
Mount Sophia	Dhoby Ghaut MRT, Singapore	NA	DCF @ WACC 10%	30%	93.1	
Avant Parc	Sembawang	NA	DCF @ WACC 10%	100%	20.0	
Property Development - Other Countries						
Tianjin Eco City	Tianjin, China	91	DCF @ WACC 10%	60%	221.7	
Sunway Guanghao	Jianyin, China	4	DCF @ WACC 10%	65%	2.2	
Sunway OPUS Grand India	Hyderabad, India	24	DCF @ WACC 10%	50%	23.6	
Sunway MAK Signature Residence	Hyderabad, India	14	DCF @ WACC 10%	60%	9.1	
Wonderland Business Park	Sydney, Australia	66	DCF @ WACC 10%	45%	10.6	
Investment Property						
Monash University	Bandar Sunway, Selangor	12.0	916,640	NA	100%	300.0
Sunway Pinnacle	Bandar Sunway, Selangor	1.8	1,141,499	NA	100%	280.0
Sunway Velocity Shopping Mall	Kuala Lumpur	21.4	259,497	NA	100%	259.5
Sunway University Campus	Bandar Sunway, Selangor	12.4	704,577	NA	100%	255.0
Monash Residence Hostel	Bandar Sunway, Selangor	2.5	623,010	NA	100%	226.6
Total Value Of Properties					8841.6	
Stake						
Sunway REIT			34.5%		1721.7	
Sale of 70% stake in 13 acres land to Daiwa			56.0%		24.7	
Payment for Kelana Jaya land					-286.0	
Construction Division Asset			1297.8	51%	661.9	
Trading & Manufacturing Asset					415.1	
Quarry Division Asset					165.9	
Other Division Asset					1116.5	
Total Liabilities (excl. deferred tax liabilities)					-	
Total RNAV					7730.1	
No of shares (m)					1751.0	
RNAV per share					4.41	
Warrants, Exercise Price RM2.50					289.6	
ESOS, Exercise Price RM2.80					132.8	
Fully Diluted No Of Shares					2173.4	
FD RNAV Per Share					4.06	
Discount					20%	
Target Price for SUNWAY Post SCG IPO					3.25	

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.