

# Sunway (SWB MK)

## Buys industrial land in KV

# HOLD

Share Price MYR 2.96  
 12m Price Target MYR 3.24 (+9%)  
 Previous Price Target MYR 3.31

### Expanding landbank in the central region

We are positive on Sunway's latest land acquisitions in Kelana Jaya and Subang. These are industrial land with development worth MYR210m in total GDV. We estimate they could churn out an annual net profit of MYR13m (+0.8sen EPS) from 2018 onwards. We maintain our earnings forecasts, MYR3.24 RNAV-based TP for now. HOLD.

### Buys land in Subang, Kelana Jaya

Sunway has entered into a few SPAs to purchase:

- 6.35 acres of leasehold land in Subang from Sunway Dimension Stones S/B, View2Pick S/B and Chen Yew Plastics S/B for a total MYR32.7m cash (average MYR118.3psf). The land will be jointly developed by a 80:20 (Sunway: View2Pick) JV company called Ekuiti Meranti S/B.
- 4.84 acres of freehold land in Sungei Way Free Industrial Zone, Kelana Jaya from Tamura Electronics S/B for MYR35.8m cash (or MYR169.95psf).

### New industrial developments with MYR210m in GDV

We are positive on the latest acquisitions given their fair pricing as compared to the current asking prices of MYR145psf (for Subang area) and MYR270-460psf (for Kelana Jaya area). The land will be developed into semi-D and terrace industrial units with an estimated total GDV of MYR210m (MYR110m for the Subang project, MYR100m for Kelana Jaya). The developments are slated to be launched by 2017, we understand.

### Impact on earnings

Assuming a pretax margin of 25% and development period of 3 years, we expect the two projects to churn out an annual net profit of MYR13m (+0.76sen EPS). We expect bottomline contributions from 2018 onwards, hence, we make no changes to our earnings forecasts for now. RNAV estimate is largely intact at MYR5.49.

FYE Dec (MYR m)	FY13A	FY14A	FY15E	FY16E	FY17E
Revenue	4,734	4,842	5,494	6,177	5,559
EBITDA	563	504	718	722	804
Core net profit	483	592	522	489	566
Core FDEPS (sen)	26.9	32.5	28.7	24.3	28.1
Core FDEPS growth(%)	(0.8)	20.7	(11.7)	(15.3)	15.8
Net DPS (sen)	10.0	11.0	35.1	8.1	8.4
Core FD P/E (x)	11.0	9.1	10.3	12.2	10.5
P/BV (x)	1.0	0.9	0.9	0.7	0.8
Net dividend yield (%)	3.4	3.7	11.8	2.7	2.9
ROAE (%)	10.9	10.5	8.8	7.6	7.9
ROAA (%)	4.9	4.9	4.0	3.5	3.8
EV/EBITDA (x)	10.4	15.6	10.9	11.4	11.9
Net debt/equity (%)	23.9	30.4	36.7	32.8	41.0
Consensus net profit	-	-	563	537	554
MKE vs. Consensus (%)	-	-	0.1	(9.0)	2.2

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### Statistics

Shariah status	Yes
52w high/low (MYR)	3.88/2.92
3m avg turnover (USDm)	0.8
Free float (%)	33.4
Issued shares (m)	1,732
Market capitalisation	MYR5.1B USD1.2B

### Major shareholders:

Sungei Way Corp. Sdn. Bhd.	49.8%
Permodalan Nasional Bhd.	7.2%
Employees Provident Fund	5.3%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	(1)	(3)	(9)
Relative to index (%)	(4)	(4)	(2)

Source: FactSet

Location of the new land in Kampung Baru Subang



Source: Company

Location of the new land in Kelana Jaya



Source: Company

## 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	433.5	128.0	213.9
Suncity Ipoh	65%	440.5	76.8	58.7	11.7
Sunway Integrated Resort	100%	14.9	9.3	8.3	1.1
Sunway Tower KL 1	100%	1.0	57.0	28.3	28.6
Sunway JB, Bukit Lenang	80%	64.8	84.7	134.5	(51.2)
Tmn Equine	100%	33.0	38.7	37.8	0.9
Sg Long Balakong	80%	111	140.2	21.8	94.8
Mont Putra Rawang	100%	163	49.7	35.1	14.6
Sunway Iskandar - Pendas, freehold	60%	1079	1410.2	596.6	347.1
<b>Sub-total:</b>					<b>661.6</b>
<b>2. Active developments - WACC: 10.5-13.1%</b>					
	<b>Stake</b>				<b>(MYR m)</b>
South Quay	60%				85.5
Sunway Cheras	100%				1.5
Sunway Damansara	60%				45.7
Sunway D' Mont Kiara	88%				5.4
Sunway Kayangan	100%				1.5
Sunway Duta	100%				23.7
Bangi	100%				5.1
Sunway Melawati	100%				28.7
Casa Kiara III	80%				11.7
Sunway Alam Suria	50%				3.4
Sunway Velocity	85%				173.3
Penang projects	100%				62.8
Wonderland Business Park, Australia	31%				9.0
Singapore Yi Shun	30%				6.1
Singapore Tampines	30%				11.2
Singapore Sembawang	100%				4.1
Thomson/Irrawady	30%				44.6
Mount Sophia	30%				40.1
Sunway Iskandar -leasehold (Medini)	51%				393.9
Kelana Jaya	100%				121.1
<b>Sub-total:</b>					<b>1,078.5</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 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 Hotel Hanoi	100%		14.1	45.8	(31.8)
<b>Sub-total:</b>					<b>72.8</b>
<b>4. Other businesses or assets</b>					
35.7% stake in SunREIT based on Maybank IB's MYR1.55 TP					178.0
Construction					1,660.2
Building material (10x 2015PER)					294.3
Trading (10x 2015PER)					391.4
<b>Grand total:</b>					<b>4,336.8</b>
Disposal gains - Sunway Hotel Georgetown, Wisma Sunway					22.9
Disposal gain - land sale at Medini project					17.5
Shareholders fund (MYR m) - Dec 2014					5,945.2
Warrants conversion (MYR2.50 exercise price; expiring Aug 2016)					724.0
<b>RNAV (MYR m)</b>					<b>11,046.5</b>
Number of shares (m shares) - post rights issue					1,723.5
Enlarged share capital post warrant					2,013.1
<b>FD RNAV/share (MYR) - post warrant</b>					<b>5.49</b>
<b>Target price (MYR)</b>					<b>3.24</b>

Source: Company, Maybank KE

FYE 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
<b>Key Metrics</b>					
P/E (reported) (x)	3.1	6.9	9.1	11.0	10.5
Core P/E (x)	9.7	8.6	9.8	11.0	10.5
Core FD P/E (x)	11.0	9.1	10.3	12.2	10.5
P/BV (x)	1.0	0.9	0.9	0.7	0.8
P/NTA (x)	0.9	0.9	0.8	0.7	0.8
Net dividend yield (%)	3.4	3.7	11.8	2.7	2.9
FCF yield (%)	23.4	15.0	1.6	nm	nm
EV/EBITDA (x)	10.4	15.6	10.9	11.4	11.9
EV/EBIT (x)	3.2	10.2	11.4	12.0	12.5

**INCOME STATEMENT (MYR m)**

Revenue	4,733.7	4,841.9	5,494.1	6,177.1	5,558.9
Gross profit	563.1	504.2	718.4	721.9	804.0
EBITDA	563.1	504.2	718.4	721.9	804.0
Depreciation	0.0	0.0	0.0	0.0	0.0
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	1,823.6	768.8	687.6	687.2	765.3
Net interest income / (exp)	(102.4)	(30.4)	(71.8)	(74.1)	(88.8)
Associates & JV	172.5	233.2	165.2	147.6	194.2
Exceptionals	0.7	0.0	41.5	0.0	0.0
Other pretax income	0.0	(2.7)	(2.7)	(2.7)	(2.7)
Pretax profit	1,894.3	968.8	819.8	758.0	867.9
Income tax	(120.9)	(148.0)	(199.0)	(189.5)	(217.0)
Minorities	(273.0)	(77.6)	(57.1)	(79.3)	(84.5)
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	1,500.5	743.2	563.8	489.2	566.4
Core net profit	482.7	591.7	522.3	489.2	566.4

**BALANCE SHEET (MYR m)**

Cash & Short Term Investments	1,519.1	1,978.2	1,615.2	1,498.4	761.3
Accounts receivable	1,402.6	1,719.9	1,719.9	1,719.9	1,719.9
Inventory	622.9	597.8	678.3	762.6	686.3
Property, Plant & Equip (net)	857.9	1,046.8	1,425.5	1,273.6	1,411.9
Intangible assets	319.9	319.4	319.4	319.4	319.4
Investment in Associates & JVs	2,284.0	2,481.0	2,619.0	2,619.0	2,619.0
Other assets	4,105.9	4,773.3	4,977.8	6,534.9	7,329.4
<b>Total assets</b>	<b>11,112.3</b>	<b>12,916.4</b>	<b>13,355.1</b>	<b>14,728.0</b>	<b>14,847.2</b>
ST interest bearing debt	1,804.9	2,282.9	2,282.9	2,282.9	2,282.9
Accounts payable	2,154.0	2,171.9	2,464.4	2,770.8	2,493.5
LT interest bearing debt	990.6	1,501.5	1,501.5	1,501.5	1,501.5
Other liabilities	511.0	626.0	623.0	623.0	623.0
<b>Total Liabilities</b>	<b>5,460.1</b>	<b>6,582.6</b>	<b>6,872.3</b>	<b>7,178.7</b>	<b>6,901.4</b>
Shareholders Equity	5,334.9	5,945.2	5,903.0	6,969.5	7,366.0
Minority Interest	317.3	388.7	579.8	579.8	579.8
<b>Total shareholder equity</b>	<b>5,652.2</b>	<b>6,333.9</b>	<b>6,482.8</b>	<b>7,549.3</b>	<b>7,945.8</b>
Perpetual securities	0.0	0.0	0.0	0.0	0.0
<b>Total liabilities and equity</b>	<b>11,112.3</b>	<b>12,916.4</b>	<b>13,355.1</b>	<b>14,728.0</b>	<b>14,847.2</b>

**CASH FLOW (MYR m)**

Pretax profit	1,894.3	968.8	819.8	758.0	867.9
Depreciation & amortisation	0.0	0.0	0.0	0.0	0.0
Adj net interest (income)/exp	198.3	273.7	(71.8)	(74.1)	(88.8)
Change in working capital	295.7	(91.4)	(500.0)	(900.0)	(900.0)
Cash taxes paid	(127.3)	(150.5)	(199.0)	(189.5)	(217.0)
Other operating cash flow	(1,167.4)	(231.3)	0.0	0.0	0.0
Cash flow from operations	1,093.6	769.4	79.4	(371.4)	(299.7)
Free cash flow	1,093.6	769.4	79.4	(371.4)	(299.7)
Dividends paid	(344.3)	(212.9)	(620.8)	(175.2)	(146.7)
Equity raised / (purchased)	727.5	41.6	0.0	724.0	0.0
Perpetual securities	0.0	0.0	0.0	0.0	0.0
Change in Debt	0.0	872.9	0.0	0.0	0.0
Perpetual securities distribution	0.0	0.0	0.0	0.0	0.0
Other invest/financing cash flow	(1,022.6)	(71.9)	178.5	(294.2)	(290.7)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>454.2</b>	<b>1,399.1</b>	<b>(362.9)</b>	<b>(116.8)</b>	<b>(737.2)</b>

FYE 31 Dec	FY13A	FY14A	FY15E	FY16E	FY17E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	22.1	2.3	13.5	12.4	(10.0)
EBITDA growth	5.2	(10.5)	42.5	0.5	11.4
EBIT growth	261.7	(57.8)	(10.6)	(0.1)	11.4
Pretax growth	160.1	(48.9)	(15.4)	(7.5)	14.5
Reported net profit growth	181.9	(50.5)	(24.1)	(13.2)	15.8
Core net profit growth	37.7	22.6	(11.7)	(6.3)	15.8
<b>Profitability ratios (%)</b>					
EBITDA margin	11.9	10.4	13.1	11.7	14.5
EBIT margin	38.5	15.9	12.5	11.1	13.8
Pretax profit margin	40.0	20.0	14.9	12.3	15.6
Payout ratio	10.5	25.6	nm	30.0	30.0
<b>DuPont analysis</b>					
Net profit margin (%)	31.7	15.4	10.3	7.9	10.2
Revenue/Assets (x)	0.4	0.4	0.4	0.4	0.4
Assets/Equity (x)	2.1	2.2	2.3	2.1	2.0
ROAE (%)	10.9	10.5	8.8	7.6	7.9
ROAA (%)	4.9	4.9	4.0	3.5	3.8
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	(1.8)	(12.8)	nm	nm	nm
Days receivable outstanding	106.6	116.1	112.7	100.2	111.4
Days inventory outstanding	53.9	50.7	nm	nm	nm
Days payables outstanding	162.2	179.5	nm	nm	nm
Dividend cover (x)	9.5	3.9	0.9	3.3	3.3
Current ratio (x)	1.2	1.4	1.3	1.6	1.6
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	2.0	2.0	1.9	2.1	2.2
Net debt/equity (%)	23.9	30.4	36.7	32.8	41.0
Net interest cover (x)	17.8	25.3	9.6	9.3	8.6
Debt/EBITDA (x)	5.0	7.5	5.3	5.2	4.7
Capex/revenue (%)	na	na	na	na	na
Net debt/ (net cash)	1,276.4	1,806.2	2,169.2	2,286.0	3,023.2

Source: Company; Maybank



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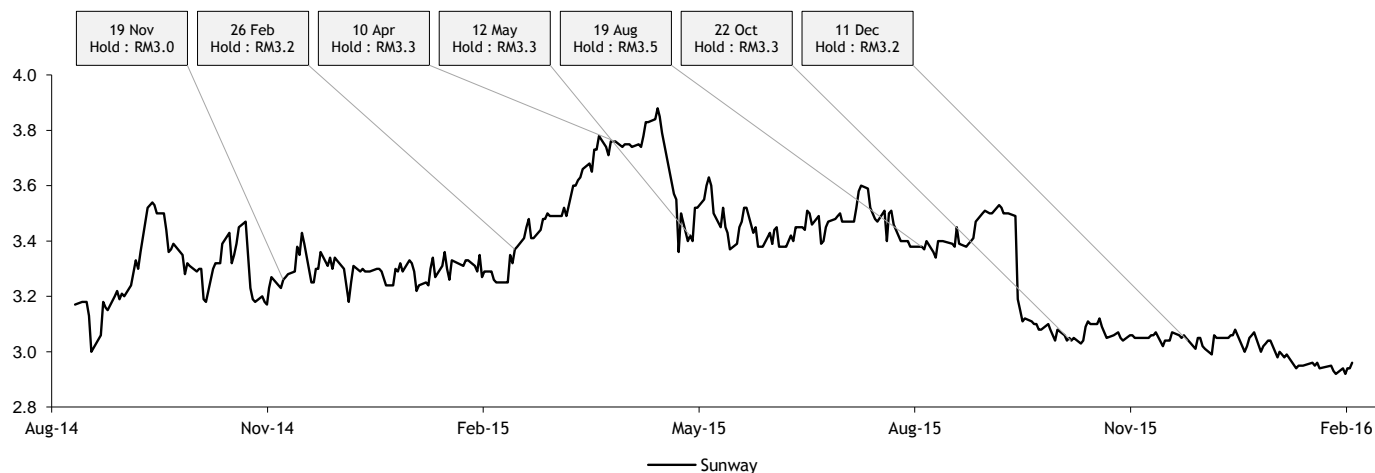
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## Historical recommendations and target price: Sunway (SWB MK)



### Definition of Ratings

Maybank Kim Eng Research uses the following rating system

<b>BUY</b>	Return is expected to be above 10% in the next 12 months (excluding dividends)
<b>HOLD</b>	Return is expected to be between - 10% to +10% in the next 12 months (excluding dividends)
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The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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