

Sunway (SWB MK)

Property- Real Estate
Market Cap: USD1,651m

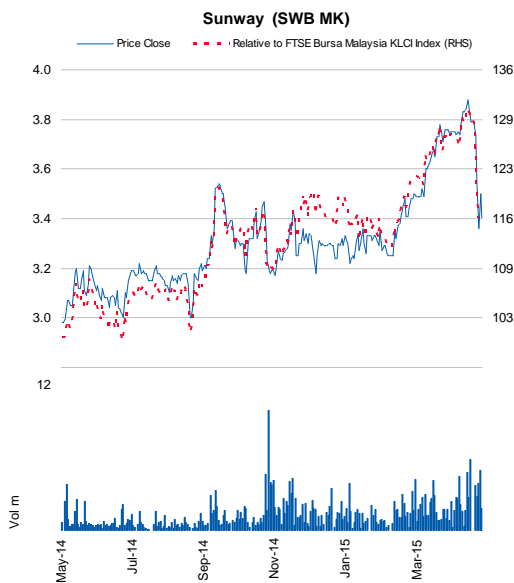
Buy (Maintained)

Target Price: MYR4.10

Price: MYR3.40

New Land In Petaling Jaya

Macro
Risks
Growth
Value



Source: Bloomberg

Avg Turnover (MYR/USD)	6.66m/1.83m
Cons. Upside (%)	12.4
Upside (%)	20.6
52-wk Price low/high (MYR)	2.98 - 3.88
Free float (%)	39
Share outstanding (m)	1,748
Shareholders (%)	
Tan Sri Dato' Jeffrey Cheah	55.4
Employees' Provident Fund	5.7

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	3.3	(9.6)	1.5	6.9	13.3
Relative	0.8	(7.5)	1.2	8.0	16.6

Shariah compliant

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Sunway acquires 17 acres of prime leasehold land in Kelana Jaya that brings a GDV of MYR1.8bn. Maintain BUY with a revised TP of MYR4.10 (21% upside), after we impute the incremental value and adjust for the entitlement of dividend-in-specie. The recent share price correction suggests that investors could have overlooked the lumpy special cash dividend post the listing of Sunway Construction.

- ◆ **Buys prime land in Petaling Jaya (PJ).** Sunway announced its acquisition of 17 acres of land in Kelana Jaya, PJ, at a purchase consideration of MYR286m. The acquisition will be funded via bank borrowings and/or internal funds.
- ◆ **Reasonable valuations.** The purchase consideration translates into land cost of MYR386 psf, which is deemed reasonable after taking into account the commercial status of the land (mainly leasehold) and 4x plot ratio. The site is easily accessible via Damansara-Puchong Highway (LDP) and Federal Highway, and adjacent to a 15-acre water retention pond and the scenic Kelab Golf Negara Subang – which has two 18-hole golf courses. It is within close proximity to Sunway Resort City and Mah Sing's (MSGB MK, NEUTRAL, TP: MYR2.18) Icon City as well as WCT's (WCTHG MK, BUY, TP: MYR1.75) Paradigm Mall. Sunway will develop the land into a mixed development, comprising seven residential blocks with a commercial podium. Based on an indicative ASP of MYR800 psf, the project will bring a GDV of MYR1.8bn over a development period of five years.
- ◆ **Forecasts.** We keep our earnings forecasts unchanged as the impact on FY17 earnings should be rather minimal assuming the project is launched in late FY16.
- ◆ **Maintain BUY with a revised TP of MYR4.10.** We maintain a BUY rating on Sunway. We still believe there is further upside to share price even after the ex-date (on 6 May) for dividend-in-specie, as the component of special cash dividend post the listing of Sunway Construction could be quite attractive at about 25-28 sen per share. After we impute the incremental value from this land parcel in Kelana Jaya and adjust for the entitlement of dividend-in-specie, our TP is revised to MYR4.10 (from MYR4.18), based on SOP valuation.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (MYRm)	4,734	4,842	4,982	5,071	5,569
Reported net profit (MYRm)	1,500	743	589	590	634
Recurring net profit (MYRm)	483	592	589	590	634
Recurring net profit growth (%)	37.7	22.6	(0.5)	0.2	7.5
Recurring EPS (MYR)	0.32	0.34	0.34	0.34	0.36
DPS (MYR)	0.10	0.11	0.11	0.11	0.12
Recurring P/E (x)	10.6	9.9	10.1	10.1	9.5
P/B (x)	0.96	0.99	0.93	0.89	0.84
Dividend Yield (%)	2.9	3.2	3.2	3.2	3.5
Return on average equity (%)	33.7	13.2	9.6	9.0	9.1
Return on average assets (%)	15.1	6.2	4.4	4.2	4.3
Net debt to equity (%)	22.6	28.5	29.9	24.3	26.5
Our vs consensus EPS (adjusted) (%)			7.0	5.1	5.0

Source: Company data, RHB

Figure 1: Location of the land



Source: Company

Figure 2: Site view



Source: Company

Figure 3: Sunway's RNAV

Developments	Remaining Landbank (acre)	Remaining GDV (MYR m)	Effective stake	NPV @ 11%
Selangor/KL				
Sunway Damansara	15.36	1,691.28	60%	114.6
Sunway South Quay	42.17	3,296.66	60%	213.2
Sunway Monterezh	5.36	43.67	60%	2.9
Sunway Semenyih	398.11	728.59	70%	45.3
Sunway Cheras	5.97	16.82	100%	1.2
Sunway Duta	3.16	120.00	60%	5.0
Sunway Montana	1.99	55.51	100%	5.7
Sunway Alam Suria	0.65	12.00	100%	1.1
Sunway Resort City	14.9	660	100%	56.3
Casa Kiara III	2.88	210.00	80%	15.8
Sunway Velocity	17.94	2,858.98	85%	233.7
Sunway Tower KL 1	1.00	240.00	100%	17.5
Bangi	3.00	59.00	100%	5.5
Melawati	2.00	43.00	100%	3.7
Sg Long	111.00	277.00	80%	17.6
Mont Putra, Rawang	163.00	156.00	100%	12.4
Kelana Jaya	17.00	1,800.00	100%	113.4
Perak				
Sunway City Ipoh	440.5	1,048.38	65%	65.5
Penang				
Sunway Hills	80.70	849.00	100%	65.3
Sunway Cassia, Batu Maung	6.62	74.00	100%	7.0
Sunway Wellesley, Bukit Mertajam	63.00	845.00	100%	78.7
Paya Terubong	24.46	1,500.00	100%	116.4
Sunway Tunas, Balik Pulau	9.00	60.00	100%	6.2
Sunway Betong, Balik Pulau	19.87	110.00	100%	11.3
S'pore				
Mount Sophia	5.87	2,137.20	30%	74.6
Sembawang, Singapore	0.77	75.00	100%	9.2
Royal Square @ Novena	1.65	2,287.50	30%	79.9
Johor				
Bukit Lenang	64.79	698.40	80%	65.0
Medini	691.00	12,000.00	60%	594.3
Pendas	1,079.07	18,000.00	60%	694.2
China				
Sunway Guanghao	3.73	66.78	65%	4.2
Tianjin Eco City	24.00	1,300.00	60%	59.5
India				
Sunway OPUS Grand India	23.80	702.36	50%	19.9
Sunway MAK Signature Residence (JV with M.A.K Builders)	14.00	181.22	60%	6.5
Australia				
Wonderland Business Park (Sydney)	48.40	378.10	45%	9.2
Unbilled sales				336.0
TOTAL	3,406.75	54,581.52		3,167.74

Investment properties	EBITDA (MYR m)	Market value (MYR m)	Book value (MYR m)	Equity interest	Net surplus (MYR m)
Monash University Campus	17	299.5	299.5	100%	0
Monash U Residence	15	226.6	226.6	100%	0
Sunway University College	10	255.0	255.0	100%	0
Sunway Hotel Georgetown	4	74.0	37.6	100%	36.4
Sunway Hotel Phnom Penh	2	17.3	17.3	53%	0
Sunway Hotel Hanoi	2	8.8	8.8	100%	0
Sunway Giza	5	55.1	55.1	60%	0
Sunway Pinnacle	N/A	280.0	280.0	100%	0
Wisma Sunway	4	60.0	59.1	100%	0.9

Other divisions	Market value (MYR m)	Book value (MYR m)	Est. FY15 earnings (MYR m)	PE target (x)	Equity value surplus (MYR m)
34% Sunway REIT	1,663.3	1,479.0			184.32
Others			110	6.5	715.00
Total					4,104.35
Shareholders' equity (ex cons.)					5,545.20
ESOS proceeds					551.52
Warrants conversion @ MYR2.50					723.48
Total RNAV (ex cons.)					10,924.55
Discount to RNAV					30%
Discounted RNAV					7,647.19
SCG's listing (based on 13x PE and MYR120m PATMI)					1,560.00
SOP value					9,207.19
Share base (mil)					1,723.52
No. of warrants					289.39
ESOS					172.35
Enlarged share base (mil)					2,185.27
Value per share (MYR)					4.21
Minus: Dividend-in-specie @ MYR1.10 indicative price					0.11
Target price (MYR)					4.10

Source: RHB

Financial Exhibits

Profit & Loss (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover	4,734	4,842	4,982	5,071	5,569
Cost of sales	(3,382)	(3,504)	(3,636)	(3,711)	(4,073)
Gross profit	1,352	1,337	1,346	1,359	1,496
Gen & admin expenses	(698)	(717)	(747)	(761)	(863)
Other operating costs	1,170	148	152	158	153
Operating profit	1,824	769	751	756	785
Operating EBITDA	1,914	885	876	891	924
Depreciation of fixed assets	(91)	(116)	(125)	(134)	(139)
Operating EBIT	1,824	769	751	756	785
Net income from investments	172	233	202	298	326
Interest income	36	48	52	54	57
Interest expense	(138)	(79)	(86)	(89)	(90)
Other non-recurring income	1	(3)	(3)	(3)	(3)
Pre-tax profit	1,894	969	916	1,017	1,075
Taxation	(121)	(148)	(229)	(254)	(269)
Minority interests	(273)	(78)	(98)	(173)	(172)
Profit after tax & minorities	1,500	743	589	590	634
Reported net profit	1,500	743	589	590	634
Recurring net profit	483	592	589	590	634

Source: Company data, RHB

Cash flow (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Operating profit	1,824	769	751	756	785
Depreciation & amortisation	91	116	125	134	139
Change in working capital	(148)	(822)	(197)	310	51
Other operating cash flow	(449)	212	267	268	269
Operating cash flow	1,317	275	946	1,468	1,245
Interest received	36	48	52	54	57
Interest paid	(138)	(79)	(86)	(89)	(90)
Tax paid	(121)	(148)	(229)	(254)	(269)
Cash flow from operations	1,094	97	683	1,179	943
Capex	(780)	(691)	(256)	(270)	(578)
Other investing cash flow	(502)	118	(200)	(200)	(200)
Cash flow from investing activities	(1,282)	(573)	(456)	(470)	(778)
Dividends paid	(490)	(238)	(192)	(194)	(213)
Proceeds from issue of shares	766	105	-	-	-
Increase in debt	49	989	-	-	-
Other financing cash flow	(189)	(108)	(103)	(102)	(101)
Cash flow from financing activities	135	748	(295)	(296)	(314)
Cash at beginning of period	1,140	1,519	1,978	1,962	2,257
Total cash generated	(53)	271	(68)	414	(150)
Forex effects	210				
Implied cash at end of period	1,297	1,790	1,910	2,376	2,107

Source: Company data, RHB

Financial Exhibits

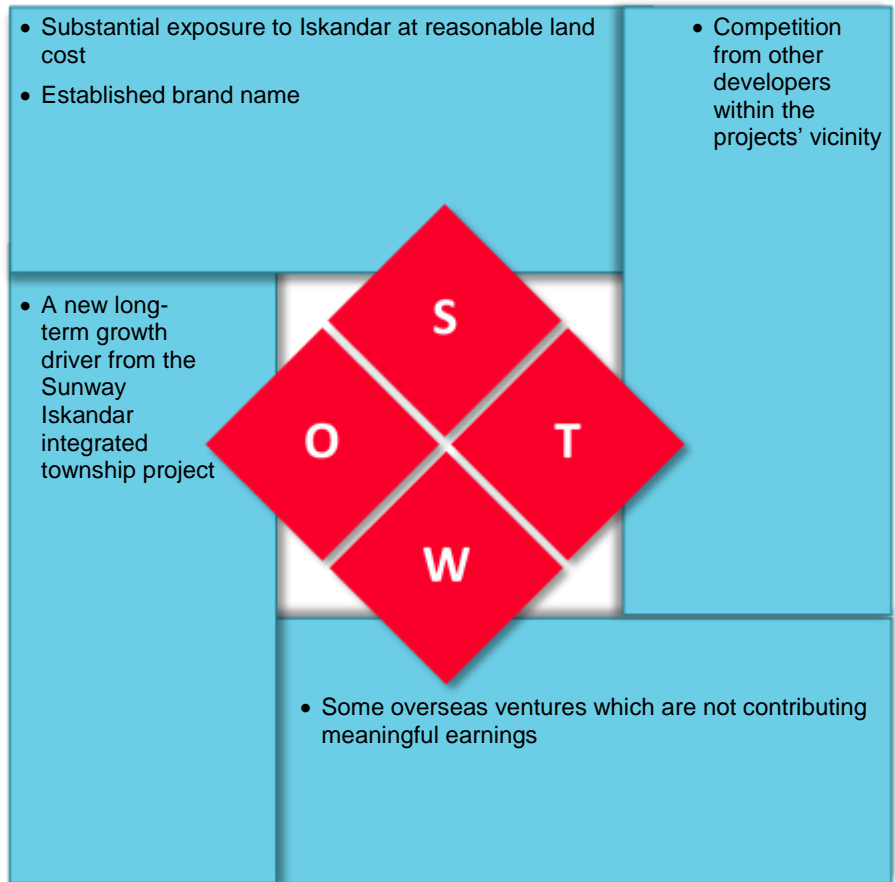
Balance Sheet (MYRm)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total cash and equivalents	1,519	1,978	1,962	2,257	2,053
Inventories	1,899	2,370	2,525	2,362	2,441
Accounts receivable	1,403	1,720	1,843	1,736	1,831
Other current assets	63	111	111	111	111
Total current assets	4,883	6,179	6,440	6,466	6,436
Tangible fixed assets	5,834	6,257	6,387	6,523	6,963
Intangible assets	320	319	319	319	319
Total other assets	75	161	563	1,061	1,587
Total non-current assets	6,229	6,737	7,270	7,904	8,869
Total assets	11,112	12,916	13,710	14,370	15,305
Short-term debt	1,805	2,283	2,283	2,283	2,283
Accounts payable	2,154	2,172	2,252	2,292	2,517
Other current liabilities	24	21	21	21	21
Total current liabilities	3,983	4,476	4,556	4,596	4,821
Total long-term debt	991	1,502	1,720	1,770	1,886
Other liabilities	486	605	605	605	605
Total non-current liabilities	1,477	2,107	2,326	2,376	2,492
Total liabilities	5,460	6,583	6,881	6,972	7,313
Share capital	1,724	1,731	1,731	1,731	1,731
Retained earnings reserve	1,896	2,457	2,855	3,251	3,672
Other reserves	1,716	1,757	1,757	1,757	1,757
Shareholders' equity	5,335	5,945	6,342	6,739	7,160
Minority interests	317	389	487	660	832
Other equity	-	0	-	-	-
Total equity	5,652	6,334	6,829	7,399	7,992
Total liabilities & equity	11,112	12,916	13,710	14,370	15,305

Source: Company data, RHB

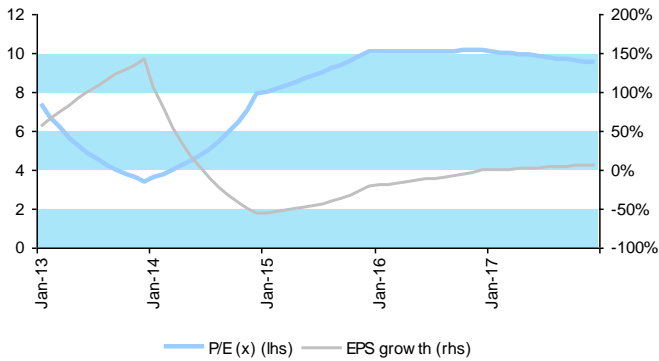
Key Ratios (MYR)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Revenue growth (%)	22.1	2.3	2.9	1.8	9.8
Operating profit growth (%)	261.7	(57.8)	(2.4)	0.8	3.8
Net profit growth (%)	181.9	(50.5)	(20.8)	0.2	7.5
EPS growth (%)	141.6	(56.7)	(21.6)	(0.8)	6.4
BVPS growth (%)	28.5	(2.6)	5.6	5.2	5.2
Operating margin (%)	38.5	15.9	15.1	14.9	14.1
Net profit margin (%)	31.7	15.4	11.8	11.6	11.4
Return on average assets (%)	15.1	6.2	4.4	4.2	4.3
Return on average equity (%)	33.7	13.2	9.6	9.0	9.1
Net debt to equity (%)	22.6	28.5	29.9	24.3	26.5
DPS	0.10	0.11	0.11	0.11	0.12
Recurrent cash flow per share	0.73	0.06	0.39	0.67	0.53

Source: Company data, RHB

SWOT Analysis

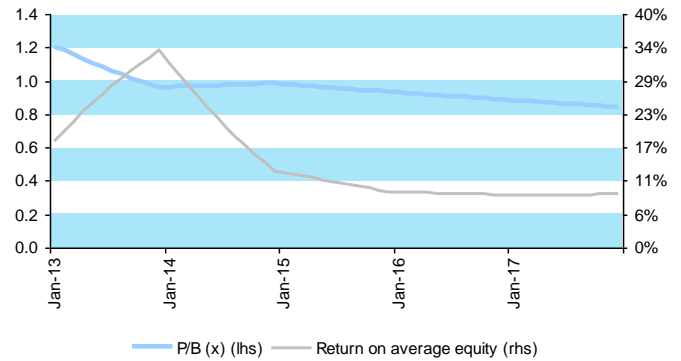


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

Company Profile

Sunway Bhd is a well-known developer in the Klang Valley. Its flagship project – Bandar Sunway is a well-established integrated township. The company has successfully transformed a mining land to a matured residential and commercial cluster.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-03-19	Buy	4.18	3.52
2015-02-25	Buy	3.90	3.32
2014-11-19	Buy	3.90	3.26
2014-09-22	Buy	3.90	3.52
2014-08-29	Buy	3.60	3.00
2014-05-29	Buy	3.60	3.19
2014-02-28	Buy	3.33	2.91
2013-12-18	Buy	3.33	2.59
2013-12-02	Buy	3.30	2.55
2013-09-18	Buy	3.55	3.05

Source : RHB, Bloomberg

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Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

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