

Sunway Bhd

SWB MK / SWAY.KL

➤ **Market Cap**
US\$1,587m
 RM5,721m

➤ **Avg Daily Turnover**
US\$1.17m
 RM4.10m

➤ **Free Float**
33.1%
 1,723 m shares

Current **RM3.32**
 Target **RM4.00**
 Prev. Target **RM3.90**
 Up/Downside **20.5%**

4QFY14 RESULTS NOTE

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)



Sharizan ROSELY

T (60) 3 2261 9077

E sharizan.rosely@cimb.com

Share price info

Share price perf. (%)	1M	3M	12M
Relative	0.8	-0.6	17.5
Absolute	1.5	-1.8	16.5
Major shareholders		% held	
Tan Sri Jeffrey Cheah & family			55.4
JP Morgan Chase & Co.			5.8
EPF			5.7

Yet another blistering year

Sunway's FY14 core net profit was 19% above our forecast and 22% above consensus. This was because we had underestimated the surge in property investment and associate incomes. Higher margins for the construction segment were largely in line, driven by strong job wins of RM1.1bn in FY14. We raise our FY15-16 EPS forecasts accordingly. Our target price rises as we update for balance sheet items; it is still pegged to a 20% RNAV discount. Sunway's key catalyst in the medium term is the listing of Sunway Construction, which should reward Sunway Berhad's shareholders with an estimated 20-30sen/share of special dividends (6-9% yield ex-normal dividends). Other likely catalysts are job wins. Maintain Add.

FY14 above expectations ➤

FY14 core net profit was 19% above our full-year forecast and 22% above consensus. The main deviation came from higher-than-expected associate and investment incomes. Property development and construction registered steady growth yoy, while the marked improvement in construction pretax margins (+3%pts) was within our expectations. Sunway achieved RM1.7bn worth of total property sales in FY14 (FY13: RM1.8bn) with RM2.5bn unbilled sales as at end-14. Full-year DPS of 11 sen was above our forecast of 10 sen.

Steady growth from FY15 ➤

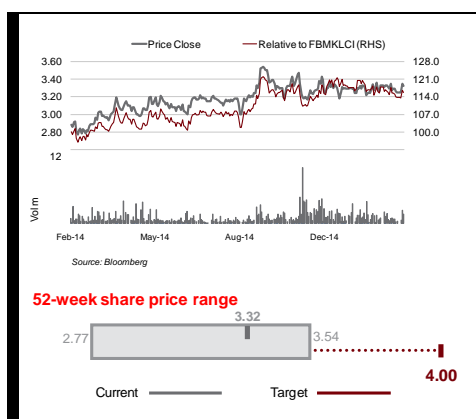
Sunway's operating performance should show steady growth in construction margins in FY15 (RM3bn outstanding order book, RM1.1bn total wins in FY14), while property development should continue to benefit from a higher-margin sales mix despite weaker billings (30% pretax margin in FY14). We still expect new orders worth RM1.5-2bn in both FY15 and FY16 (the group targets to achieve between RM1bn and RM2bn worth of new jobs this year), supported by the rollout of MRT 2 and other domestic building projects. The group won one of the sizeable above-ground works for MRT 1.

Go for the bumper dividends in 2H15 ➤

We believe the potential special DPS of 20-30 sen is intact, as the listing of Sunway Construction is still on the cards. We expect this to materialise in FY15 (listing likely by mid-15). Sunway offers a potential FY15 dividend yield of 6-9%, excluding normal dividends.

FYE Dec (RM m)	4QFY14	4QFY13	yoy %	qoq %	4QFY14	4QFY13	yoy %	Prev.	
			chg	chg	Cum	Cum	chg	FY14F	Comments
Revenue	1,477.5	1,329.9	11.1	30.3	4,841.9	4,721.3	2.6	4,474.8	Driven by property investment
Operating costs	(1,233.8)	(1,181.3)	4.4	26.3	(4,209.7)	(4,149.3)	1.5	(3,844.4)	Manageable cost levels
EBIT	243.7	148.6	64.0	54.8	632.2	572.0	10.5	630.4	In line
EBIT margin (%)	16.5	11.2	47.6	18.8	13.1	12.1	7.8	14.1	Broadly in line
Interest expense	(21.9)	(27.5)	(20.4)	33.7	(78.9)	(138.0)	(42.8)	(113.2)	Borrowings stood at RM3.8bn
Interest & invt inc	14.7	5.1	190.3	31.2	48.4	37.6	29.0	28.8	Cash stood at RM1.9bn
Associates' contrib	44.7	101.5	(56.0)	16.0	260.2	190.6	36.5	120.1	Driven by Singapore property sales
Exceptionals	126.6	1,026.5	(87.7)	2,360.7	106.9	1,238.2	(91.4)	-	ESOS and fair value gains
Pretax profit	407.8	1,254.2	(67.5)	120.2	968.8	1,900.4	(49.0)	660.0	Strong property investment income
Tax	(50.8)	(61.6)	(17.5)	132.8	(148.0)	(137.0)	8.0	(121.7)	
Tax rate (%)	12.5	4.9	153.6	5.7	15.3	7.2	111.8	18.4	
Minority interests	(44.0)	(63.9)	(31.2)	123.1	(77.6)	(273.0)	(71.6)	(46.2)	Above
Net profit	313.0	1,128.6	(72.3)	117.8	743.2	1,490.4	(50.1)	498.1	FY14 core net profit was 19% above
Core net profit	206.1	158.5	30.1	38.1	591.7	483.9	22.3	498.1	our full-year forecast and 22% above
EPS (sen)	18.1	65.5	(72.3)	128.5	43.1	94.5	(54.4)	29.0	consensus
Core EPS (sen)	11.9	9.2	29.7	44.8	34.3	30.7	11.8	29.0	

SOURCE: CIMB, COMPANY REPORTS



Financial Summary

	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue (RMm)	4,721	4,842	4,962	5,029	5,183
Operating EBITDA (RMm)	664.4	588.8	479.2	541.2	564.4
Net Profit (RMm)	1,490	743	610	634	653
Core EPS (RM)	0.28	0.34	0.35	0.37	0.38
Core EPS Growth	31.2%	22.3%	3.0%	4.0%	3.0%
FD Core P/E (x)	12.32	10.00	9.71	9.18	8.76
DPS (RM)	0.10	0.11	0.11	0.12	0.13
Dividend Yield	3.01%	3.31%	3.31%	3.61%	3.92%
EV/EBITDA (x)	9.66	11.69	13.84	12.32	11.48
P/FCFE (x)	13.17	49.13	47.24	23.62	20.00
Net Gearing	31.5%	36.0%	35.0%	36.5%	33.3%
P/BV (x)	1.07	0.96	1.00	0.98	0.92
ROE	11.1%	10.5%	10.4%	11.0%	10.8%
% Change In Core EPS Estimates			18.0%	20.9%	
CIMB/consensus EPS (x)			1.18	1.20	1.05

SOURCE: CIMB, COMPANY REPORTS

Figure 1: Segmental breakdown (excluding eliminations)

	FY14	FY13	yoy Comments
Revenue			
Property development	1,198.4	1,167.2	3% Higher billings from Sunway Velocity and Sunway Damansara
Property investment	806.9	612.5	32% Higher revenue from leisure and hospitality
Construction	1,892.5	1,841.3	3% RM3bn outstanding order book; RM1.1m total wins in FY14
Trading & Manufacturing	786.9	782.2	1% Driven by construction activities
Quarry	240.6	203.3	18% Benefitted from pick up in construction activities
Investment holdings	369.1	309.0	19% Lumpy contributions
Others	512.0	413.8	24% Relatively stable numbers
Total	5,806.3	5,329.3	9%
	FY14	FY13	yoy
Pretax profit			
Property development	360.6	347.5	4% Higher billings from Sunway Velocity and Sunway Damansara
Property investment	327.2	127.3	157% Higher revenue from leisure and hospitality
Construction	137.4	80.1	72% Driven by strong job wins throughout 2014
Trading & Manufacturing	35.3	43.2	-18% Weaker pricing in FY14
Quarry	37.0	21.9	69% Orders picking up
Investment holdings	28.1	8.9	214% Lumpy contributions
Others	43.2	32.1	35% Stable numbers
Total	968.8	661.1	47%
	FY14	FY13	yoy
			%pts
Pretax margin			
Property development	30%	30%	0% Higher margin sales mix
Property investment	41%	21%	20% Boosted by hospitality segment and rental from Monash Campus
Construction	7%	4%	3% Sustainable at 7-8%
Trading & Manufacturing	4%	6%	-1% Greater mix of lower-margin products
Quarry	15%	11%	5% Orders picking up
Investment holdings	8%	3%	5% Lumpy contributions
Others	8%	8%	1% Stable numbers
Total	17%	12%	4%

SOURCES: CIMB, COMPANY REPORTS

Figure 2: RNAV

Type	Location	Size/units	Area (sq ft)	Price	Stake	Value
						RM m
Completed buildings						
Sunway Lagoon Theme Park	Petaling, Selangor	59.9 ac	728,326	200.0	100%	145.7
Sunway Hotel Georgetown	Penang	240.0 units	0	150,000.0	100%	36.0
Monash University Sunway Campus	Petaling, Selangor	12.0 ac	754,000	220.0	100%	165.9
Sunway University College	Petaling, Selangor	12.4 ac	615,983	220.0	100%	135.5
Sunway Giza	Sunway Damansara, Selangor	1.4 ac	98,000	500.0	60%	29.4
Lost World of Tambun	Tambun, Perak	39.8 ac	728,326	80.0	65%	37.9
Sunway Hotel Phnom Penh	Phnom Penh, Cambodia	138.0 units	125,313	300,000.0	53%	21.7
Sunway Hotel Hanoi	Hanoi, Vietnam	142.0 units	9,365	300,000.0	100%	42.6
On going developments						
Sunway City Penang	Seberang Perai, Penang	15.8 ac	210,394.8	100.0	100%	21.0
Sunway Grand	Penang	3.8 ac	768,767.9	100.0	100%	76.9
Sg. Ara - new land	Penang	68.3 ac	3,484,800.0	13.0	100%	45.3
Bukit Mertajam - new land	Penang	17.8 ac	7,729,724.0	12.0	100%	92.8
Sunway Damansara	Petaling, Selangor	18.2 ac	1,048,489.2	120.0	60%	75.5
Sunway City Ipoh	Ipoh, Perak	899.2 ac	32,666,515.2	3.0	65%	63.7
Sunway Velocity	Kuala Lumpur	19.5 ac	984,456.0	150.0	50%	73.8
Sunway Tower KL 1	Kuala Lumpur	1.0 ac	43,560.0	1,000.0	100%	43.6
Sunway Kayangan	Bukit Raja, Selangor	5.4 ac	367,646.4	40.0	100%	14.7
Sunway Integrated Resort	Petaling, Selangor	18.5 ac	845,064.0	100.0	100%	84.5
Sunway Semenyih	Ulu Langat, Selangor	398.1 ac	17,341,671.6	5.0	100%	86.7
Sunway Cheras	Selangor	6.9 ac	301,870.8	25.0	100%	7.5
Sunway South Quay	Bandar Sunway, Selangor	52.4 ac	2,517,768.0	350.0	60%	528.7
Casa Kiara III	Sri Hartamas, KL	2.8 ac	130,680.0	180.0	80%	18.8
Sunway Duta	Kuala Lumpur	3.2 ac	136,342.8	350.0	60%	28.6
Sunway Melawati	Setapak, KL	30.6 ac	1,427,896.8	35.0	100%	50.0
Sunway Alam Suria	Shah Alam, Selangor	14.1 ac	1,045,440.0	40.0	50%	20.9
Sunway OPUS Grand India	Hyderabad, India	23.8 ac	1,524,600.0	20.0	50%	15.2
Sunway MAK Signature Residence	Hyderabad, India	14.0 ac	609,840.0	20.0	60%	7.3
Sunway Guanghao	Jianyin, China	3.7 ac	740,520.0	80.0	39%	23.1
Tianjin Eco City	Tianjin, China	90.9 ac	3,789,720.0	92.0	65%	226.6
Wonderland Business Park	Sydney, Australia	65.5 ac	3,971,800.8	95.0	31%	117.0
Bukit Lenang - new land	Johor	64.0 ac	2,787,840.0	40.0	80%	89.2
Taman Equine	Selangor	33.0 ac	1,437,480.0	20.0	100%	28.7
Bangi	Selangor	3.0 ac	130,680.0	10.0	100%	1.3
Sg. Long	Balakong	111.0 ac	4,835,160.0	25.0	80%	96.7
Mont Putra	Selangor	163.0 ac	7,100,280.0	25.0	100%	177.5
Melawati 2	Selangor	2.0 ac	87,120.0	20.0	100%	1.7
Tampines	Singapore	5.0 ac	217,800.0	750.0	30%	49.0
Sembawang	Singapore	0.8 ac	34,848.0	975.0	100%	34.0
Yuan Ching Road	Singapore	5.0 ac	217,800.0	750.0	30%	49.0
Pasir Ris Rise	Singapore	4.3 ac	187,308.0	780.0	30%	43.8
Medini land	Iskandar	691.0 ac	30,099,960.0	35.0	38%	400.3
Pendas land	Iskandar	1,079.2 ac	47,009,952.0	35.0	60%	987.2
New Land Novena	Singapore	1.7 ac	71,874.0	500.0	30%	10.8
Penang Land (4 plots)	Penang	989.9 ac	43,118,737.2	25.0	100%	1078.0
Total value of properties						5,384.3
		Market cap	Stake			
		Rm m				
Sunway REIT		4,814.0	37%			1,766.7
		FY16 Net profit	Stake	P/E		
		RM m				
Construction		104.7	100%	15.0		1,569.9
Quarry & Trading		70.8	100%	12.0		849.5
Property investments (4Q14)						2,029.3
Associates and JCE's						1,508.0
Total borrowings (4Q14)						(3,784.4)
FD RNAV (RM)						10,043.39
RNAV/share (RM)						5.00
Discount to RNAV						20%
Target price (RM)						4.00

SOURCES: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Net Revenues	4,842	4,962	5,029	5,183
Gross Profit	4,842	4,962	5,029	5,183
Operating EBITDA	589	479	541	564
Depreciation And Amortisation	(114)	(113)	(112)	(118)
Operating EBIT	475	366	429	447
Financial Income/(Expense)	(30)	(65)	(43)	(20)
Pretax Income/(Loss) from Assoc.	260	273	279	284
Non-Operating Income/(Expense)	265	238	214	193
Profit Before Tax (pre-EI)	969	812	880	904
Exceptional Items	0	0	0	0
Pre-tax Profit	969	812	880	904
Taxation	(148)	(125)	(167)	(170)
Exceptional Income - post-tax				
Profit After Tax	821	687	712	733
Minority Interests	(78)	(77)	(78)	(81)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	743	610	634	653
Recurring Net Profit	592	610	634	653
Fully Diluted Recurring Net Profit	592	610	634	653

Balance Sheet

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Cash And Equivalents	2,022	2,042	1,842	1,824
Total Debtors	1,787	1,769	1,786	1,752
Inventories	598	716	726	748
Total Other Current Assets	1,772	1,282	1,329	1,386
Total Current Assets	6,179	5,810	5,684	5,711
Fixed Assets	1,047	990	1,011	1,036
Total Investments	1,510	1,943	2,152	2,365
Intangible Assets	319	319	319	319
Total Other Non-Current Assets	3,861	3,900	3,939	4,018
Total Non-current Assets	6,737	7,152	7,421	7,739
Short-term Debt	2,283	2,260	2,215	2,171
Current Portion of Long-Term Debt	0			
Total Creditors	2,172	2,237	2,215	2,170
Other Current Liabilities	21	21	21	21
Total Current Liabilities	4,476	4,518	4,450	4,362
Total Long-term Debt	1,502	1,487	1,501	1,471
Hybrid Debt - Debt Component	0			
Total Other Non-Current Liabilities	522	522	522	522
Total Non-current Liabilities	2,024	2,009	2,024	1,994
Total Provisions	83	81	81	81
Total Liabilities	6,583	6,608	6,555	6,436
Shareholders' Equity	5,945	5,727	5,843	6,226
Minority Interests	389	628	706	786
Total Equity	6,334	6,354	6,549	7,013

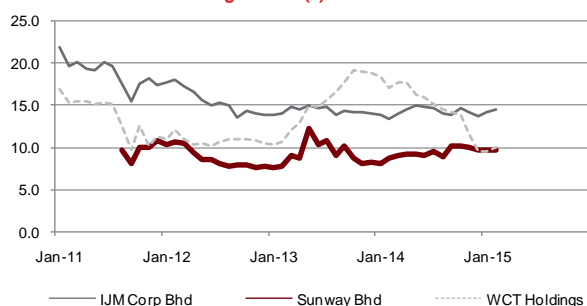
Cash Flow

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
EBITDA	588.8	479.2	541.2	564.4
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(93.6)	(112.4)	(50.5)	(67.0)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.0	0.0	0.0	0.0
Net Interest (Paid)/Received	(78.9)	(100.8)	(90.7)	(81.7)
Tax Paid	(121.7)	(125.5)	(167.5)	(170.5)
Cashflow From Operations	294.6	140.4	232.5	245.3
Capex	(20.0)	(20.0)	(20.0)	(20.0)
Disposals Of FAs/subsidiaries	160.9	237.3	243.0	248.9
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	140.9	217.3	223.0	228.9
Debt Raised/(repaid)	(315.0)	(232.4)	(209.2)	(188.3)
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(125.6)	(125.6)	(125.6)	(125.6)
Preferred Dividends				
Other Financing Cashflow	534.6	20.2	(320.5)	(178.3)
Cash Flow From Financing	93.9	(337.9)	(655.4)	(492.2)
Total Cash Generated	529.4	19.8	(199.8)	(18.0)
Free Cashflow To Equity	120.5	125.3	246.4	286.0
Free Cashflow To Firm	514.3	458.5	546.3	555.9

Key Ratios

	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue Growth	2.6%	2.5%	1.3%	3.1%
Operating EBITDA Growth	(11%)	(19%)	13%	4%
Operating EBITDA Margin	12.2%	9.7%	10.8%	10.9%
Net Cash Per Share (RM)	(1.32)	(1.29)	(1.39)	(1.36)
BVPS (RM)	3.45	3.32	3.39	3.61
Gross Interest Cover	6.02	3.63	4.73	5.47
Effective Tax Rate	15.3%	15.5%	19.0%	18.9%
Net Dividend Payout Ratio	16.9%	20.6%	19.8%	19.2%
Accounts Receivables Days	119.7	125.9	124.5	119.9
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	7.7%	5.1%	6.4%	6.5%
ROCE (%)	5.31%	3.75%	4.43%	4.60%

12-month Forward Rolling FD P/E (x)



Key Drivers

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Outstanding Orderbook	3,000	2,700	2,900	2,600
Order Book Depletion	N/A	1,800	1,800	1,800
Orderbook Replenishment	1,500	2,000	1,500	1,500
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod./serv)	N/A	N/A	N/A	N/A
Util. rate (% ,2ndary prod./serv)	N/A	N/A	N/A	N/A

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Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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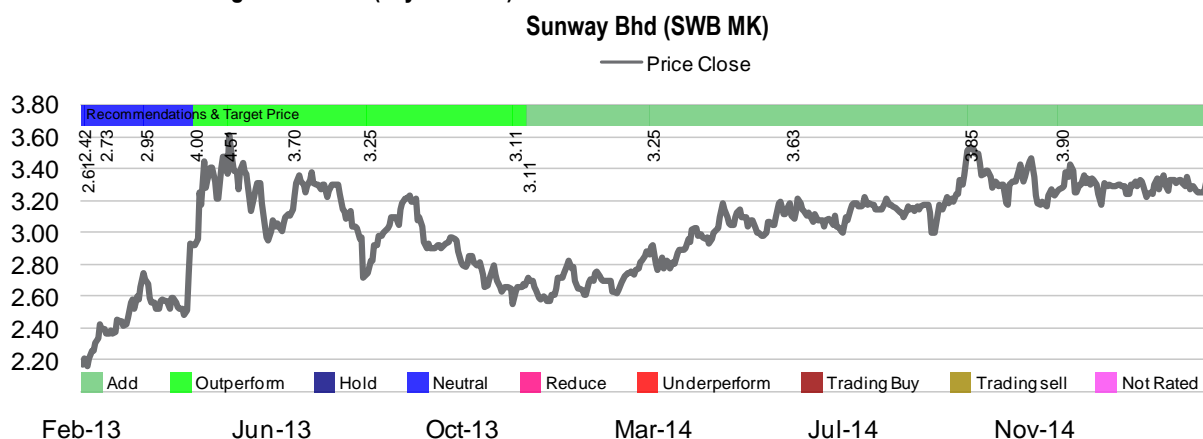
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2014		
1586 companies under coverage for quarter ended on 31 December 2014		
	Rating Distribution (%)	Investment Banking clients (%)
Add	58.4%	6.0%
Hold	29.4%	4.3%
Reduce	12.2%	1.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2014.

AAV – Very Good, **ADVANC** – Very Good, **AEONTS** – not available, **AMATA** - Good, **ANAN** – Very Good, **AOT** – Very Good, **AP** - Good, **ASK** – Very Good, **ASP** – Very Good, **BANPU** – Very Good, **BAY** – Very Good, **BBL** – Very Good, **BCH** – not available, **BCP** - Excellent, **BEAUTY** – Good, **BEC** - Good, **BECL** – Very Good, **BGH** - not available, **BH** - Good, **BIGC** - Very Good, **BJC** – Good, **BLA** – Very Good, **BMCL** - Very Good, **BTS** - Excellent, **CCET** – Good, **CENTEL** – Very Good, **CHG** – not available, **CK** – Very Good, **CPALL** – not available, **CPF** – Very Good, **CPN** - Excellent, **DELTA** - Very Good, **DEMCO** – Good, **DTAC** – Very Good, **EA** - Good, **ECL** – not available, **EGCO** - Excellent, **GFPT** - Very Good, **GLOBAL** - Good, **GLOW** - Good, **GRAMMY** - Excellent, **HANA** - Excellent, **HEMRAJ** – Very Good, **HMPRO** - Very Good, **ICHI** - not available, **INTUCH** - Excellent, **ITD** – Good, **IVL** - Excellent, **JAS** – not available, **JUBILE** – not available, **KAMART** – not available, **KBANK** - Excellent, **KCE** - Very Good, **KGI** – Good, **KKP** – Excellent, **KTB** - Excellent, **KTC** – Good, **LH** - Very Good, **LPN** – Very Good, **M** - not available, **MAJOR** - Good, **MAKRO** – Good, **MBKET** – Good, **MC** – Very Good, **MCOT** – Very Good, **MEGA** – Good, **MINT** - Excellent, **OFM** – Very Good, **OISHI** – Good, **PS** – Very Good, **PSL** - Excellent, **PTT** - Excellent, **PTTEP** - Excellent, **PTTGC** - Excellent, **QH** – Very Good, **RATCH** – Very Good, **ROBINS** – Very Good, **RS** – Very Good, **SAMART** - Excellent, **SAPPE** - not available, **SAT** – Excellent, **SAWAD** – not available, **SC** – Excellent, **SCB** - Excellent, **SCBLIF** – Good, **SCC** – Very Good, **SCCC** - Good, **SIM** - Excellent, **SIRI** - Good, **SPALI** - Excellent, **STA** – Very Good, **STEC** - Good, **SVI** – Very Good, **TASCO** – Good, **TCAP** – Very Good, **THAI** – Very Good, **THANI** – Very Good, **THCOM** – Very Good, **THRE** – not available, **THREL** – Good, **TICON** – Good, **TISCO** - Excellent, **TK** – Very Good, **TMB** - Excellent, **TOP** - Excellent, **TRUE** – Very Good, **TTW** – Very Good, **TUF** - Good, **VGI** – Very Good, **WORK** – not available.

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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