

# Malaysia Company Focus

## Sunway

Bloomberg: SWB MK | Reuters: SWAY.KL

Refer to important disclosures at the end of this report

DBS Group Research . Equity

26 Feb 2015

### BUY RM3.32 KLCI : 1,815.86

**Price Target :** 12-Month RM 3.80

**Reason for Report :** 4Q14 results

**Potential Catalyst:** Strong property sales and huge construction order win

**Where we differ:** In line

#### Analyst

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#### Result Summary

FY Dec (RM m)	4Q 2014	4Q 2013	3Q 2014	yoy % chg	qoq % chg
<b>P&amp;L Items</b>					
Turnover	1,477.5	1,329.9	1,134.0	11.1	30.3
Gross Profit	161.7	107.4	131.6	50.5	22.9
Opg Profit	263.5	205.1	157.5	28.5	67.3
EBITDA	341.5	306.6	196.0	11.4	74.2
Net Profit	313.0	1,128.6	143.7	(72.3)	117.8
<b>Other Data</b>					
Gross Margin (%)	10.9	8.1	11.6		
Opg Margin (%)	17.8	15.4	13.9		
Net Margin (%)	21.2	84.9	12.7		

#### Financial Summary

FY Dec (RM m)	2014A	2015F	2016F	2017F
Turnover	4,842	5,361	5,943	5,236
Operating Profit	615	675	706	685
EBITDA	962	949	1,000	969
Net Pft (Pre Ex.)	592	569	597	552
EPS (sen)	43.1	33.0	34.6	32.0
EPS Pre Ex. (sen)	34.3	33.0	34.6	32.0
EPS Gth (%)	(50)	(23)	5	(7)
EPS Gth Pre Ex (%)	22	(4)	5	(7)
Net DPS (sen)	10.3	9.9	10.4	9.6
BV Per Share (sen)	344.9	368.0	392.3	414.7
PE (X)	7.7	10.1	9.6	10.4
PE Pre Ex. (X)	9.7	10.1	9.6	10.4
EV/EBITDA (X)	8.2	8.2	7.7	8.0
Net Div Yield (%)	3.1	3.0	3.1	2.9
P/Book Value (X)	1.0	0.9	0.8	0.8
Net Debt/Equity (X)	0.3	0.2	0.2	0.2
ROAE (%)	13.2	9.3	9.1	7.9

#### At A Glance

Issued Capital (m shrs)	1,723
Mkt. Cap (RMm/US\$m)	5,719 / 1,576
Avg. Daily Vol.('000)	1,237

**ICB Industry :** Real Estate

**ICB Sector:** Real Estate Investment & Services

**Principal Business:** Sunway Bhd is a property development and construction company. The Company's other business segments include quarrying and building materials trading and manufacturing, hospitality, leisure, and healthcare.

*Source: Company, AllianceDBS, Bloomberg Finance L.P.*

### Impressive 4Q14

- **4Q14 results beat expectations**
- **Strong earnings visibility supported by unbilled sales and construction order book**
- **6 sen DPS declared, taking FY14 DPS to 11 sen**
- **Maintain BUY and RM3.80 TP**

#### Highlights

##### Stellar performance

- Sunway reported 4Q14 core earnings of RM206m (+38% q-o-q, +30% y-o-y) after stripping out RM107m exceptional items which were largely due to FV gains on investment properties. This takes FY14 core profit to RM592m (+22% y-o-y) which exceeded our expectations. The strong 4Q14 result was attributable to the better-than-expected performance from its key divisions, namely property development, construction and property investment.
- Core EBIT margin increased to 17.8%, compared to 13.9% in 3Q14 and 15.4% in 4Q13 due to the improved performances across its business segments.

##### Continues to reward shareholders

- Sunway declared 6 sen second interim DPS during the quarter, taking FY14 DPS to 11 sen. This translates into 32% payout of its core earnings. Meanwhile, balance sheet remains healthy with 30% net gearing.

#### Outlook

##### Strong earnings visibility

- Sunway's construction order book remains strong at RM3bn (1.4x of FY15F construction revenue), while unbilled sales at its property segment stand at RM2.5bn (1.7x of FY15 property revenue). It will be launching RM2bn worth of projects in FY15, including Sophia Hills@Singapore (RM600m GDV), Sunway South Quay condo (RM300m) and Sunway Iskandar landed homes (RM300m).

##### Bumper dividend from Sunway Construction IPO

- Sunway Construction Group Berhad (SunCon) may be listed by June. The IPO price is yet to be fixed but we estimate SunCon to be worth RM1.5bn assuming RM100m profit in FY14 and 15x PE. This could prompt the payment of special cash dividends of RM395m (~23sen/share) to Sunway's shareholders, in addition to free SunCon shares which could be worth 12sen/share. This suggests ~10% yield for Sunway shareholders.

**Sunway**

**Valuation**

Our TP of RM3.80 is based on 10% discount to our SOP valuation of RM4.20.

**Risks**

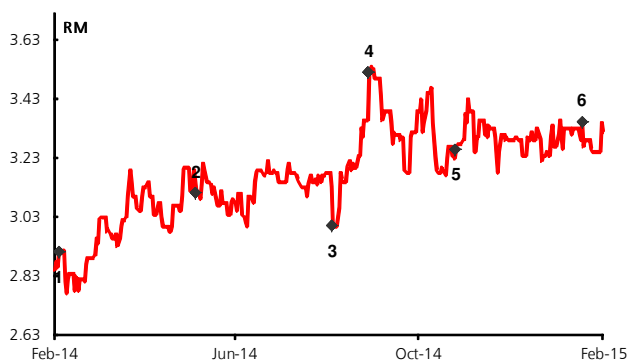
**Delay in contract awards**

- Construction job wins had been slow in FY14 and Sunway could be affected by slowing tenders for new contracts.

**Slowdown in property**

- Given various tightening property policies in Malaysia, demand for property (residential and commercial) could be lower in the near-future.

**Target Price & Ratings History**



S.No.	Date	Closing Price	Target Price	Rating
1:	28 Feb 14	2.91	3.50	Buy
2:	30 May 14	3.11	3.50	Buy
3:	29 Aug 14	3.00	3.90	Buy
4:	22 Sep 14	3.52	3.90	Buy
5:	19 Nov 14	3.26	3.90	Buy
6:	11 Feb 15	3.35	3.80	Buy

*Note: Share price and Target price are adjusted for corporate actions.*

Source: AllianceDBS

AllianceDBS recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

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