

Malaysia Company Flash Note

Sunway

Bloomberg: SWB MK | Reuters: SWAY.KL

Refer to important disclosures at the end of this report

DBS Group Research . Equity

10 Apr 2015

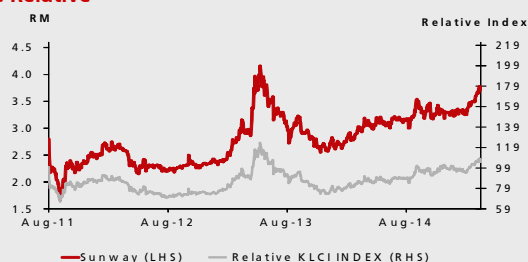
BUY RM3.76 KLCI : 1,849.39

Price Target : 12-Month RM 3.80

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (RM m)	2014A	2015F	2016F	2017F
Revenue	4,842	5,361	5,943	5,236
EBITDA	962	949	1,000	969
Pre-tax Profit	969	719	753	717
Net Profit	743	569	597	552
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)
Diluted EPS (sen)	37.0	28.3	29.7	27.5
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)	8.7	11.4	10.9	11.7
PE Pre Ex. (X)	11.0	11.4	10.9	11.7
P/Cash Flow (X)	8.4	8.6	10.2	11.1
EV/EBITDA (X)	9.0	9.0	8.5	8.8
Net Div Yield (%)	2.7	2.6	2.8	2.6
P/Book Value (X)	1.1	1.0	1.0	0.9
Net Debt/Equity (X)	0.3	0.2	0.2	0.2
ROAE (%)	13.2	9.3	9.1	7.9

Source of all data: Company, AllianceDBS, Bloomberg Finance L.P

Beefing up trading arm

- Proposed acquisition of two hardware trading companies for RM138m
- Synergistic acquisition to expand market share and offer cross-selling opportunities
- Rating and TP under review

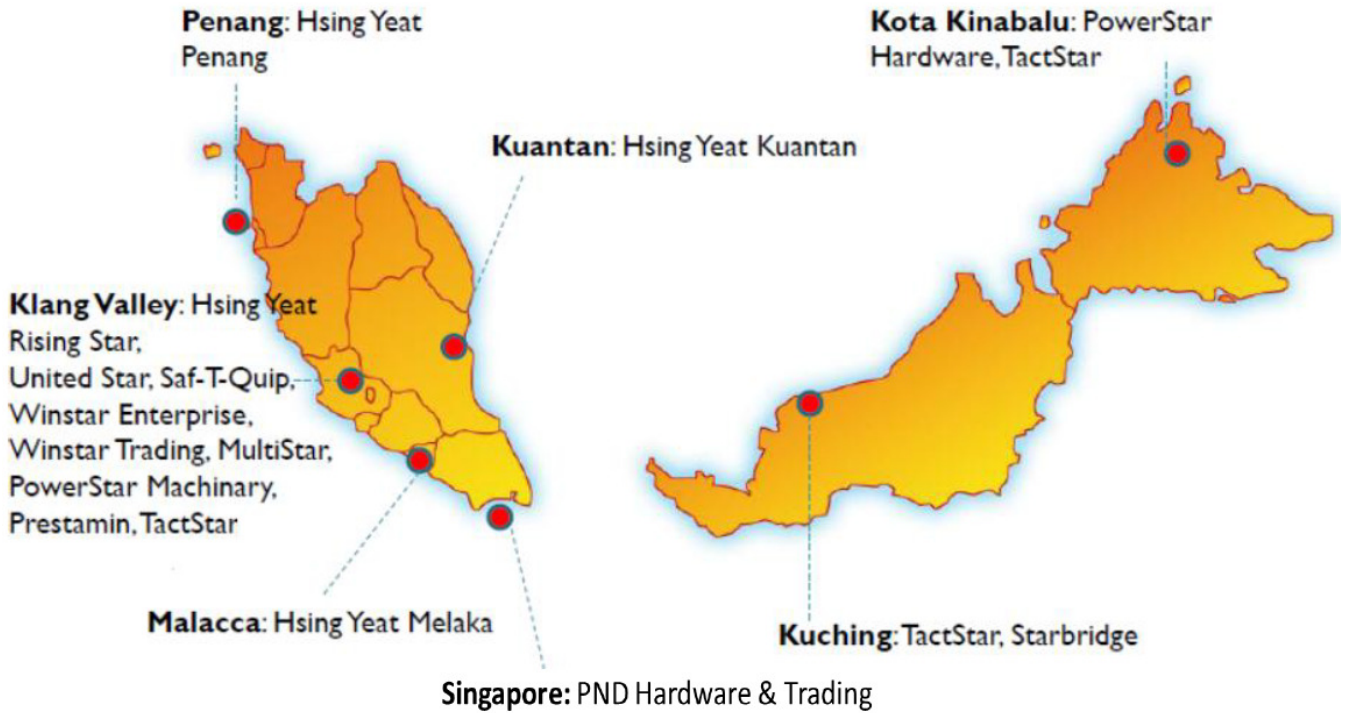
Synergistic acquisition. Sunway is proposing to acquire Winstar Trading Sdn Bhd (Winstar) and PND Hardware & Trading Pte Ltd (PND) for RM130.9m and SGD\$2.6m, respectively. The acquisitions will be completed in 3 tranches whereby Sunway will first acquire 60% stakes (expected to be completed by 2Q15) in the companies, followed by an additional 20% each by 2Q17 and 2Q18.

Attractive valuation. There is a profit guarantee for FY15-17 of RM15m p.a. and SG\$0.25m p.a. for Winstar and PND, respectively, implying good prospects for the hardware trading business. This translates to 8.7x PE for Winstar and 10.4x for PND. Given that both companies are market leaders with over 30 years of experience in the wholesale hardware market with extensive distribution networks and customer bases, the acquisitions will complement Sunway's trading and manufacturing division.

No change in earnings. We maintain our earnings forecast for now as Sunway's 60% stake in Winstar and PND will only increase our FY16 earnings by 1.6%. The listing of Sunway Construction Group Berhad by Jun15 remains the next re-rating catalyst for the Group, given the potential 9% yield (special cash dividend + free Sunway Construction shares). Nevertheless, our rating is under review as share price has rallied 14% since our last update in Feb15 and is now close to our TP.

Sunway

Winstar and PND network of branches



Source: Company

Brands distributed

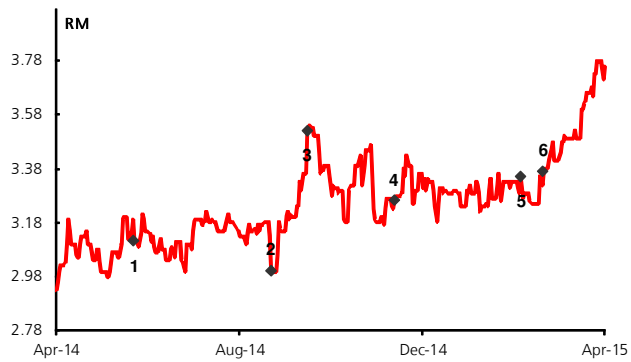
Sole & Exclusive Distributor	WD-40	Araldite	BAHCO	PSICUT
Exclusive Distributor on certain products	KDS	NORTON		
Exclusive in Hardware Market	3M	PAPER MATE	OSRAM	Sharpie
Authorize Distributor	BOSCH	SKIL	GP Batteries	STANLEY
		CIGWELD		

Own brands

WINSIR	SOBAR	ODEON
CYBER	BK BLACK KNIGHT	Starweld
Buick Vigo	NIETZ	CELONI
Galaxy	SANIX PREMIUM	Picasaf
	Bintangaya	HAPPY SUN 開心太陽

Source: Company

Target Price & Ratings History



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

S.No.	Date	Closing Price	Target Price	Rating
1:	30 May 14	3.11	3.50	Buy
2:	29 Aug 14	3.00	3.90	Buy
3:	22 Sep 14	3.52	3.90	Buy
4:	19 Nov 14	3.26	3.90	Buy
5:	11 Feb 15	3.35	3.80	Buy
6:	26 Feb 15	3.37	3.80	Buy

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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