

# 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

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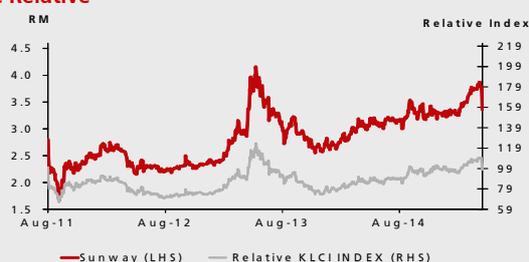
**HOLD RM3.40** KLCI : 1,805.49

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)	7.9	10.3	9.8	10.6
PE Pre Ex. (X)	9.9	10.3	9.8	10.6
P/Cash Flow (X)	7.6	7.8	9.2	10.0
EV/EBITDA (X)	8.4	8.3	7.9	8.1
Net Div Yield (%)	3.0	2.9	3.1	2.8
P/Book Value (X)	1.0	0.9	0.9	0.8
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

## Strategic acquisition

- **Proposed acquisition of 17-acre land in Kelana Jaya**
- **Potential RM1.8bn GDV mixed development to be launched in 2H16**
- **Maintain HOLD and RM3.80 TP**

**Landbank replenishment.** Sunway announced that it has entered into two sale & purchase agreements to acquire 5 parcels of land in Kelana Jaya for a total consideration of RM286m pursuant to an open tender, implying RM386.31psf bid price. The acquisitions are expected to be completed by 2H15.

**Strategic location.** The site at Kelana Jaya, located next to Western Digital in the Sungei Way Free Trade Zone, is within close vicinity to Kelab Golf Negara Subang with unobstructed views of two 18-hole golf courses. Also, it enjoys easy access to major highways including LDP, Federal Highway and NKVE. There is also a 15-acre retention pond next to the land, where the landscape can be improved by Sunway to enable additional recreational activities for its residents.

**Mixed development.** The proposed RM1.8bn mixed development (RM800psf ASP) will entail seven residential blocks with a commercial podium. The land cost will comprise 16% of its potential GDV, which is fair in our view. We believe the project will be well received given the reasonable pricing and its established brand name as some neighbouring projects have already been priced at ~RM1k psf.

**Maintain Hold.** With this proposed acquisition, Sunway's land bank will increase to 3,380 acres with RM50.8bn GDV. We continue to like Sunway for its superior and unrivalled 'build-own-operate' model, but maintain our Hold rating due to limited upside potential. We are retaining our RM3.80 TP, based on 10% discount to our SOP valuation of RM4.20.

**Location**



Source: Company

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**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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