

# 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

12 May 2015

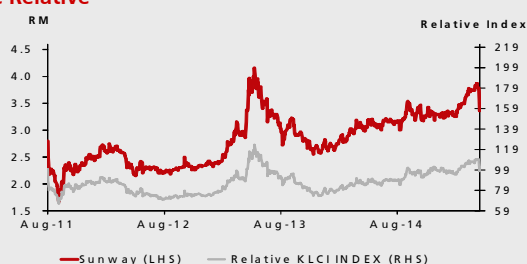
**HOLD RM3.40** KLCI : 1,805.49

Price Target : 12-Month RM 3.80

### Analyst

QUAH He Wei, CFA +603 2604 3966  
hewei@alliancedbs.com

### 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

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*

#### GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by AllianceDBS Research Sdn Bhd ("ADBSR") (formerly known as HwangDBS Vickers Research Sdn Bhd), a subsidiary of Alliance Investment Bank Berhad ("AIBB") and an associate of DBS Vickers Securities Holdings Pte Ltd ("DBSVH"). This report is solely intended for the clients of DBS Bank Ltd and DBS Vickers Securities (Singapore) Pte Ltd, its respective connected and associated corporations and affiliates (collectively, the "DBS Vickers Group") only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of ADBSR.

The research set out in this report is based on information obtained from sources believed to be reliable and ADBSR, its holding company AIBB, their respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "Alliance Bank Group") do not make any representation or warranty as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The Alliance Bank Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The Alliance Bank Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The Alliance Bank Group may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other banking services for these companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed and it may not contain all material information concerning the company (or companies) referred to in this report.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the Alliance Bank Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a U.S.-registered broker-dealer, does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months.

#### ANALYST CERTIFICATION


The research analyst primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst also certifies that no part of his/her compensation was, is, or will be, directly, or indirectly, related to specific recommendations or views expressed in this report. As of the date the report is published, the analyst and his/her spouse and/or relatives who are financially dependent on the analyst, do not hold interests in the securities recommended in this report ("interest" includes direct or indirect ownership of securities).

#### COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), their subsidiaries and/or other affiliates do not have a proprietary position in the securities recommended in this report as of 8 May 2015.
2. DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates may beneficially own a total of 1% of any class of common equity securities of the company mentioned as of 12 May 2015.
3. **Compensation for investment banking services:**  
DBS Bank Ltd., DBSVS, DBSVUSA, their subsidiaries and/or other affiliates may have received compensation, within the past 12 months, and within the next 3 months may receive or intends to seek compensation for investment banking services from the company mentioned.

DBSVUSA does not have its own investment banking or research department, nor has it participated in any investment banking transaction as a manager or co-manager in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

**RESTRICTIONS ON DISTRIBUTION**

<b>General</b>	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
<b>Australia</b>	This report is being distributed in Australia by DBS Bank Ltd. ("DBS") or DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS"), both of which are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
<b>Hong Kong</b>	This report is being distributed in Hong Kong by DBS Vickers (Hong Kong) Limited which is licensed and regulated by the Hong Kong Securities and Futures Commission.
<b>Indonesia</b>	This report is being distributed in Indonesia by PT DBS Vickers Securities Indonesia.
<b>Malaysia</b>	This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR") (formerly known as HwangDBS Vickers Research Sdn Bhd). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.   Wong Ming Tek, Executive Director, ADBSR
<b>Singapore</b>	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
<b>Thailand</b>	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd. Research reports distributed are only intended for institutional clients only and no other person may act upon it.
<b>United Kingdom</b>	This report is being distributed in the UK by DBS Vickers Securities (UK) Ltd, who is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
<b>Dubai</b>	This research report is being distributed in The Dubai International Financial Centre ("DIFC") by DBS Bank Ltd., (DIFC Branch) having its office at PO Box 506538, 3 <sup>rd</sup> Floor, Building 3, East Wing, Gate Precinct, Dubai International Financial Centre (DIFC), Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
<b>United States</b>	Neither this report nor any copy hereof may be taken or distributed into the United States or to any U.S. person except in compliance with any applicable U.S. laws and regulations. It is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
<b>Other jurisdictions</b>	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

**AllianceDBS Research Sdn Bhd** (128540 U)  
(formerly known as HwangDBS Vickers Research Sdn Bhd)  
19<sup>th</sup> Floor, Menara Multi-Purpose, Capital Square,  
8 Jalan Munshi Abdullah 50100  
Kuala Lumpur, Malaysia.

Tel.: +603 2604 3333 Fax: +603 2604 3921 email : general@alliancedbs.com