

Sunway Berhad

Results Inline

By **Adrian Ng** | adrian.ng@kenanga.com.my; **Sarah Lim** | sarahlim@kenanga.com.my

MARKET PERFORM ↔

Price: RM3.40
Target Price: RM3.39 ↓

- Period** ■ 2Q15/1H15
- Actual vs. Expectations**
- SUNWAY's 1H15 core net profit of RM269.9m came in within expectations, accounting for 45% and 47% of our and consensus full-year estimates, respectively.
 - In terms of property sales, it registered sales of RM478m, which is still behind our and management's FY15E sales target of RM1.7b, as most of its launches are skewed towards 2H15.

- Dividends** ■ 5 sen single tier dividend declared, as expected.

- Key Results Highlights**
- **YoY**, Its 1H15 core net profit continued to improve by 14% to RM269.9m despite a slide in revenue (-6%), mainly driven by better EBIT margin of 14% (+3ppt), coupled with lower effective tax rate of 15% vis-à-vis 20% in 1H14. The improvement in EBITDA margin was mainly driven by better margin from its construction segment, as there is a reversal of over-elimination of intragroup profits in previous quarters.
 - **QoQ**, 2Q15 net profit of RM237.9m was higher by 62%, due to the revaluation gain from its property investment. Stripping off the one-off gain, its core net profit still grew by 3% to RM136.7m despite a slide in revenue (-2%).

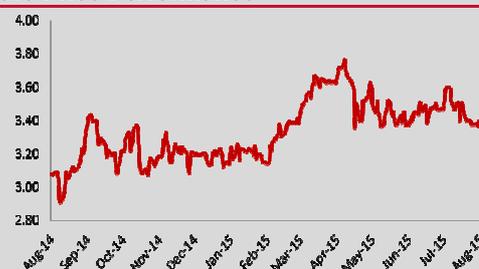
- Outlook**
- Its property unbilled sales and outstanding external construction orderbook remains fairly healthy at RM2.3b and RM1.4b, respectively, providing at least 1–1.5 years of visibility.
 - In 2H15, management still intends to launch RM2.1b worth of property projects of which 71% are from Malaysia and 29% from Singapore.

- Change to Forecasts**
- We adjusted our FY15-16E earnings lower by 5%-10% to RM578m-RM559m as we have factored in a higher MI arising from its construction division post its listing in July-15.

- Rating Valuation** **Maintain MARKET PERFORM**
- We continue to reiterate MARKET PERFORM on SUNWAY but with a lower Target Price of RM3.39 (previously, RM3.78) that is based on SoP, after factoring in its effective holding stake in SUNCON.

- Risks to Our Call**
- Weaker-than-expected property sales and construction orderbook replenishment.
 - Higher-than-expected sales and administrative costs.
 - Negative real estate policies.
 - Tighter lending environments.

Share Price Performance



KLCI	1,601.70
YTD KLCI chg	-9.1%
YTD stock price chg	6.5%

Stock Information

Bloomberg Ticker	SWB MK Equity
Market Cap (RM m)	5,976.2
Issued shares	1,757.7
52-week range (H)	3.81
52-week range (L)	2.91
3-mth avg daily vol:	1,901,464
Free Float	29%
Beta	0.7

Major Shareholders

SUNGEI WAY CORP SDN	51.6%
YEAN TIH CHEAH	13.2%
SKIM AMANAH SAHAM BU	5.7%

Summary Earnings Table

FYE Dec (RM m)	2014A	2015E	2016E
Turnover	4,842	5,159	5,378
EBIT	615	671	696
PBT	969	875	900
Net Profit (NP)	744	578	574
Core NP	592	578	559
Consensus (NP)	n.a.	572	581
Earnings Revision	n.a.	-5%	-10%
EPS (sen)	43.2	33.5	33.3
Core EPS (sen)	34.4	33.5	32.5
EPS growth (%)	-50%	-22%	-1%
NDPS (sen)	13.8	9.9	9.8
NTA/Share (RM)	2.91	3.26	3.53
Core PER (x)	7.9	10.1	10.2
Price/NTA (x)	1.2	1.0	1.0
Net Gearing (x)	0.3	0.2	0.2
Dividend Yield (%)	4.1%	2.9%	2.9%

28 August 2015

Sum-of-Parts						
	Stake	Value @ Stake RM'm	PER (x)	Discount (%)	Value RM'm	Assumptions
Property Development & Investment	100%	6,460	n.a	50%	3,230	(i) Property Dev: DCF of Future Profits @ 11% WACC, 18% net margin (ii) Property Inv: Zero surplus on Book Value
Sunway Reit	35%	1,782	n.a		1,782	SUNREIT TP RM1.76
Construction	56%	1,009	14		1,009	14x FY16E PER- pegged with the mid end of mid cap construction Fwd PERs of 12x-15x.
Quarry & Buildings Mat	100%	35	8		35	8x FY16E PER
Trading & manufacturing	100%	421	8		421	8x FY16E PER
Group Shareholders Funds					0	
Total SOP		9,706			6,476	
Adjustment for dilution					879	
TP (RM)					3.39	
Diluted no. of shares ('m)					2,168	

Source: Kenanga Research

Result Highlight									
FYE 31 Dec (RM'm)	2Q15	1Q15	QoQ%	2Q14	YoY%	1H15	1H14	YoY	
Revenue	1,041.5	1,060.0	-2%	1,204.6	-14%	2,101.5	2,230.3	-5.8%	
Op costs w/o depn/amort	(935.8)	(943.1)	-1%	(1,086.6)	-14%	-1,878.9	-2,019.2	-6.9%	
Other Op Income	33.8	36.5	-7%	16.2	109%	70.3	39.0	80.4%	
EBITDA	139.5	182.5	-24%	162.4	-14%	322.0	303.3	6.2%	
EBIT	139.5	153.4	-9%	134.2	4%	292.9	250.1	17.1%	
Net Interest	(9.3)	(11.4)	-18%	(10.2)	-9%	-20.7	-18.0	14.6%	
Associate & JCE	49.5	38.1	30%	53.1	-7%	87.6	93.5	-6.3%	
Fair Value Adjustments on IP	101.2	13.4	657%	56.5	79%	114.6	50.2	128.2%	
Pretax profit	280.9	193.5	45%	233.6	20%	474.4	375.8	26.2%	
Taxation	(33.1)	(36.1)	-8%	(44.9)	-26%	-69.2	-75.3	-8.2%	
Minority Interests	(9.9)	(10.9)	-9%	(6.2)	61%	-20.8	-14.0	49.2%	
Net profit	237.9	146.5	62%	182.5	30%	384.4	286.6	34.2%	
Core Net profit	136.7	133.2	3%	126.0	8%	269.9	236.4	14.2%	
EPS (sen)	13.8	8.5	62%	10.6	30%	22.3	16.6	34.2%	
Diluted EPS (sen)	6.3	6.1	3%	5.8	8%	12.4	10.9	14.2%	
NDPS (sen)	5.0	0.0		5.0		5.0	5.0		
NTA/share (RM)	3.4	3.3		3.0		3.37	3.03		
Net gearing/(cash) (x)	0.4	0.3		0.3		0.35	0.31		
EBITDA margin	13%	17%		13%		15%	14%		
EBIT margin	13%	14%		11%		14%	11%		
Pretax margin	27%	18%		19%		23%	17%		
Effective tax rate	12%	19%		19%		15%	20%		

Source: Company, Kenanga Research

28 August 2015

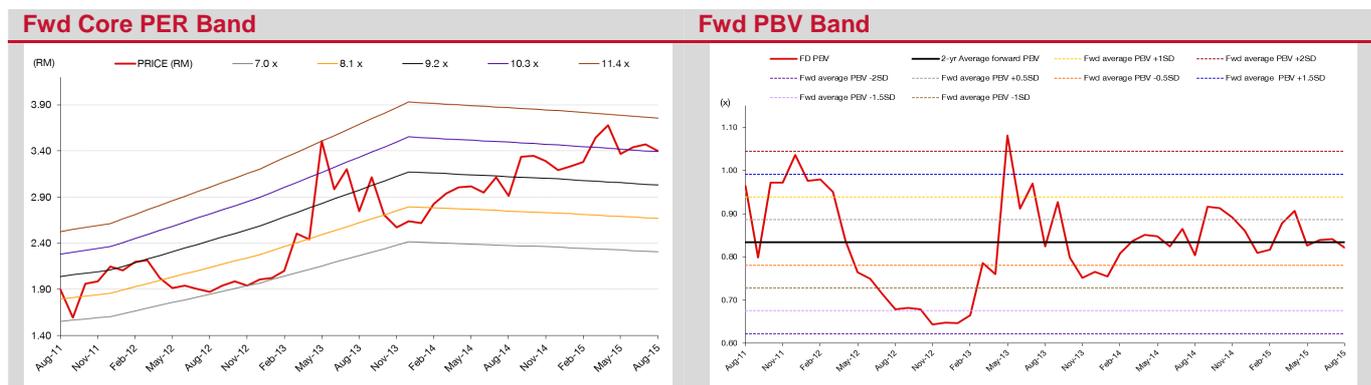
Segmental Breakdown								
	2Q15	1Q15	QoQ	2Q14	YoY	1H15	1H14	YoY
Revenue								
Property Development	324.2	180.7	79%	301.7	7%	504.9	524.1	-3.7%
Property Investment	176.6	168.2	5%	155.4	14%	344.8	291.8	18.1%
Construction	500.2	496.1	1%	466.9	7%	996.3	903.9	10.2%
Trading & Manufacturing	157.4	228.2	-31%	233.5	-33%	385.6	382.5	0.8%
Quarry	64.8	54.6	19%	56.2	15%	119.4	107.5	11.1%
Investment Holdings	191.1	88.1	117%	147.9	29%	279.3	205.5	35.9%
Others	145.0	154.5	-6%	128.8	13%	299.5	242.7	23.4%
Eliminations	-517.7	-310.4	67%	-285.8	81%	-828.1	-427.5	93.7%
TOTAL	1041.5	1060.0	-2%	1204.6	-14%	2101.5	2230.3	-5.8%
Operating Profit								
Property Development	36.7	40.0	-8%	58.0	-37%	76.8	110.1	-30.3%
Property Investment	28.5	44.4	-36%	26.7	7%	72.9	46.7	56.0%
Construction	56.0	52.9	6%	25.7	118%	108.9	56.7	92.2%
Trading & Manufacturing	0.7	14.1	-95%	11.0	-94%	14.8	20.1	-26.3%
Quarry	15.5	7.6	105%	9.2	69%	23.1	13.6	69.7%
Investment Holdings	-9.1	-7.0	30%	-7.4	22%	-16.1	-17.8	-9.9%
Others	10.7	17.9	-40%	11.0	-3%	28.6	14.3	99.7%
Eliminations	0.0	0.0	n.a.	0.0	n.a.	0.0	0.0	n.a.
TOTAL	139.0	169.9	-18%	134.0	4%	308.9	243.6	26.8%
Operating Margin								
Property Development	11%	22%		19%		15%	21%	
Property Investment	16%	26%		17%		21%	16%	
Construction	11%	11%		5%		11%	6%	
Trading & Manufacturing	0%	6%		5%		4%	5%	
Quarry	24%	14%		16%		19%	13%	
Investment Holdings	-5%	-8%		-5%		-6%	-9%	
Others	7%	12%		9%		10%	6%	

Source: Company, Kenanga Research

28 August 2015

Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E	FY Dec (RM m)	2012A	2013A	2014A	2015E	2016E
Revenue	3849	4734	4842	5159	5378	Growth (%)					
EBITDA	417	915	729	793	828	Revenue	4.3	23.0	2.3	6.6	4.2
Depreciation	-95	-109	-114	-122	-131	EBITDA	-2.4	119.5	-20.3	8.7	4.4
EBIT	322	806	615	671	696	EBIT	-0.2	150.5	-23.7	9.1	3.8
Interest Expense	-100	-138	-79	-85	-96	Pre-tax Income	45.0	162.0	-48.8	-9.7	2.9
Investing	23	36	48	49	56	Net Income	36.8	183.0	-50.4	-22.3	-0.8
Associate/JCE	296	172	233	240	244	Core Net Profit	-1.1	37.7	22.7	-2.4	-3.2
Exceptionals/FV	182	1018	152	0	0	Profitability (%)					
PBT	723	1894	969	875	900	EBITDA Margin	10.8	19.3	15.1	15.4	15.4
Taxation	-125	-121	-148	-195	-201	EBIT Margin	8.4	17.0	12.7	13.0	13.0
Minority Interest	-67	-273	-78	-102	-140	PBT Margin	18.8	40.0	20.0	17.0	16.7
Net Profit	530	1500	744	578	574	Net Margin	13.8	31.7	15.4	11.2	10.7
Core Net Profit	350	483	592	578	559	Core Net Margin	9.1	10.2	12.2	11.2	10.4
						Effective Tax Rate	-17.3	-22.6	-22.3	-22.3	-22.3
						ROE	16.1	33.6	13.2	9.4	8.7
						ROA	6.3	14.9	6.2	4.3	3.9
						DuPont Analysis					
						Net margin (%)	13.8	31.7	15.4	11.2	10.7
						Assets Turnover (x)	0.5	0.5	0.4	0.4	0.4
						Leverage Factor (x)	2.5	2.3	2.1	2.2	2.2
						ROE (%)	16.1	33.6	13.2	9.4	8.7
						Leverage					
						Debt/Asset (x)	0.30	0.25	0.29	0.30	0.31
						Debt/Equity (x)	0.76	0.52	0.64	0.66	0.70
						Net Debt/(Cash)	1.6	1.3	1.8	1.5	1.7
						Net Debt/Equity (x)	0.39	0.24	0.30	0.23	0.24
						Valuations					
						EPS (sen)	30.8	87.1	43.2	33.5	33.3
						Core EPS	20.3	28.0	34.4	33.5	32.5
						NDPS (sen)	6.0	10.0	13.8	9.9	9.8
						BV/share (RM)	2.08	3.10	3.45	3.71	3.97
						Core PER (x)	11.1	3.9	7.9	10.1	10.2
						Net Div. Yield (%)	1.8%	2.9%	4.1%	2.9%	2.9%
						PBV (x)	1.6	1.1	1.0	0.9	0.9
						EV/EBITDA (x)	17.8	7.8	10.5	9.2	9.1

Source: Kenanga Research



Source: Bloomberg, Kenanga Research

28 August 2015

Peer Comparison

NAME	Price (27/8/15)	Mkt Cap (RMm)	PER (x)			Est. NDiv. Yld. (%)	Historical ROE (%)	P/BV (x)	Net Profit (RMm)			FY15/16 NP Growth (%)	FY16/17 NP Growth (%)	Target Price (RM)	Rating
	(RM)		FY14/15	FY15/16	FY16/17				FY14/15	FY15/16	FY16/17				
DEVELOPERS UNDER COVERAGE															
S P SETIA BHD*	3.05	7,915	21.4	11.0	9.7	4.5%	7.1%	1.2	361.0	701.5	795.6	94.3%	13.4%	3.95	OUTPERFORM
IOI PROPERTIES GROUP BHD*	1.93	7,269	13.8	13.2	13.0	3.1%	3.9%	0.5	528.6	552.4	563.1	4.5%	1.9%	2.00	MARKET PERFORM
UEM SUNRISE BHD*	0.82	3,721	8.6	10.8	9.6	3.0%	7.8%	0.6	479.9	385.6	434.3	-19.7%	12.6%	0.95	MARKET PERFORM
SUNWAY BHD	3.40	5,976	7.9	10.1	10.2	2.9%	13.2%	0.9	592.2	578.0	559.4	-2.4%	-3.2%	3.39	MARKET PERFORM
MAH SING GROUP BHD^	1.42	3,421	10.0	9.1	8.8	4.5%	16.1%	1.1	339.2	372.4	388.6	9.8%	4.3%	1.47	MARKET PERFORM
ECO WORLD DEVELOPMENT GROUP BHD	1.27	3,003	418.5	80.5	18.1	0.0%	2.2%	1.0	7.2	37.3	165.5	419.8%	343.8%	2.05	OUTPERFORM
UOA DEVELOPMENT BHD*	1.88	2,857	9.6	9.6	8.9	6.9%	12.2%	0.9	279.1	281.7	301.6	0.9%	7.1%	2.10	MARKET PERFORM
MALAYSIAN RESOURCES CORP BHD	0.84	1,501	10.3	21.9	22.3	1.4%	2.6%	0.8	29.1	34.0	62.1	17.1%	82.3%	0.81	UNDER PERFORM
KSL HOLDINGS BHD	1.34	1,311	4.2	4.7	4.3	8.5%	15.3%	0.7	252.0	272.3	300.1	8.1%	10.2%	2.15	OUTPERFORM
TROPICANA CORP BHD	0.88	1,270	3.2	5.1	7.4	3.5%	11.9%	0.4	304.5	189.5	131.5	-37.7%	-30.6%	0.98	MARKET PERFORM
MATRIX CONCEPTS HOLDINGS BHD	2.26	1,243	7.6	7.2	7.0	6.2%	29.5%	1.7	182.6	190.2	198.0	4.1%	4.1%	2.46	MARKET PERFORM
CRESCENDO CORPORATION BHD*	1.89	430	10.0	9.7	9.4	4.1%	18.4%	0.5	43.3	44.5	45.7	2.7%	2.9%	2.46	MARKET PERFORM
HUA YANG BHD	1.78	470	4.3	4.2	4.1	7.4%	25.9%	0.9	110.6	111.6	115.2	0.9%	3.3%	2.20	OUTPERFORM
CREST BUILDER HOLDINGS BHD	0.98	167	11.7	10.3	8.3	2.4%	8.9%	0.4	13.9	15.7	19.5	13.1%	23.8%	1.10	MARKET PERFORM
CONSENSUS NUMBERS															
IGB CORPORATION BHD	2.63	3,511	16.6	14.4	13.0	2.9%	5.2%	0.8	211.6	244.3	271.0	15.5%	10.9%	4.10	NEUTRAL
YNH PROPERTY BHD	1.69	674	29.2	9.9	8.2	2.5%	3.9%	0.8	23.1	67.8	81.8	193.7%	20.6%	1.58	SELL
GLOMAC BHD	0.74	538	6.2	5.7	5.1	6.2%	9.5%	0.6	87.0	94.5	106.1	8.6%	12.3%	0.95	BUY
PARAMOUNT CORP BHD	1.48	625	10.0	8.7	8.2	5.4%	8.2%	0.7	62.6	71.8	76.0	14.7%	5.9%	2.30	BUY
TAMBUN INDAH LAND BHD	1.33	564	5.6	5.3	4.9	6.2%	28.0%	1.3	99.9	106.0	115.7	6.1%	9.2%	1.69	BUY

* Core NP and Core PER

** Crescendo per share data is based on non-Fully Diluted

^ Last price and TP is Ex-rights and Ex-Bonus.

Source: Kenanga Research

28 August 2015

Stock Ratings are defined as follows:**Stock Recommendations**

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

- OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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KENANGA INVESTMENT BANK BERHAD (15678-H)

8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: www.kenanga.com.my



Chan Ken Yew
Head of Research