

12 May 2015 | Corporate Update

Sunway Berhad

Landbanking In Kelana Jaya

INVESTMENT HIGHLIGHTS

- **SUNWAY is buying 5 pieces of land in Kelana Jaya for RM286m.**
- **Land to be developed into mixed development with GDV of RM1.8b.**
- **Valuation of RM386 per sq ft is fair.**
- **Impact on earnings only from FY17 onwards.**
- **Maintain TRADING BUY with Target Price of RM3.86.**

Landbanking at Kelana Jaya. Sunway Berhad (SUNWAY) has entered into agreements to acquire in total 5 pieces of land in Kelana Jaya. Total land size is 17.0 acres (or 740,342 sqft) and the total price is RM286.0m. The purchase price is based on the conclusion of an open tender bidding and the effective valuation works out to be RM386 per sq ft. The purchase will be funded by a mixture of debts and internally generated funds.

Strategically located just next to Western Digital. The land is easily accessible from LDP, Federal Highway, NKVE and other local roads. It is situated next to Western Digital in the Sungei Way Free Trade Zone. It is also surrounded by a 15-acre water retention pond in which will be beautified by SUNWAY. Nearby public transport systems is Setia Jaya KTM and BRT station. Lastly, the land location is only 10 minutes from Subang Airport.

To be developed into mixed development with GDV of RM1.8b. SUNWAY is proposing a mixed development comprising service apartments and retail shops (GDV RM1.8b). There will be seven residential blocks with a commercial podium with estimated selling price of RM800 per sqft. Based on the plot ratio of 4 times on the land, total built up area will be 3.0m sqft. The first launch is expected to be in 2HFY16 and the development period is expected to be around 5 years.

Valuation is fair. The valuation of RM386 per sq ft is fair in our view as it is close to the selling price of RM365 per sq ft for Kelana Jaya leasehold commercial land. The slight premium of 6% is likely to be due to the additional land (Land 5) which is freehold in tenure and the scarcity of available sizable lands in Kelana Jaya.

Impact on earnings only from FY17 onwards. As the project is expected to be launched only in 2H16, we expect earnings to start to kick in only from FY17 onwards. Hence, we maintain our earnings forecast for both FY15 and FY16.

Maintain TRADING BUY

Unchanged Target Price: RM3.86

RETURN STATS	
Price (11 May 2015)	3.40
Target Price	3.86
Expected Share Price Return	+13.5%
Expected Dividend Yield	+3.3%
Expected Total Return	+16.8%

STOCK INFO	
KLCI	1,805.49
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	1,747.66
Par Value (RM)	1.00
Market cap. (RM'm)	5,942.05
Price over NA	0.99
52-wk price Range	RM2.89 - RM3.81
Beta (against KLCI)	0.81
3-mth Avg Daily Vol	1.96m
3-mth Avg Daily Value	RM7.09m
Major Shareholders	
SUNGEI WAY CORP	50.1%
YEAN TIH CHEAH	13.4%

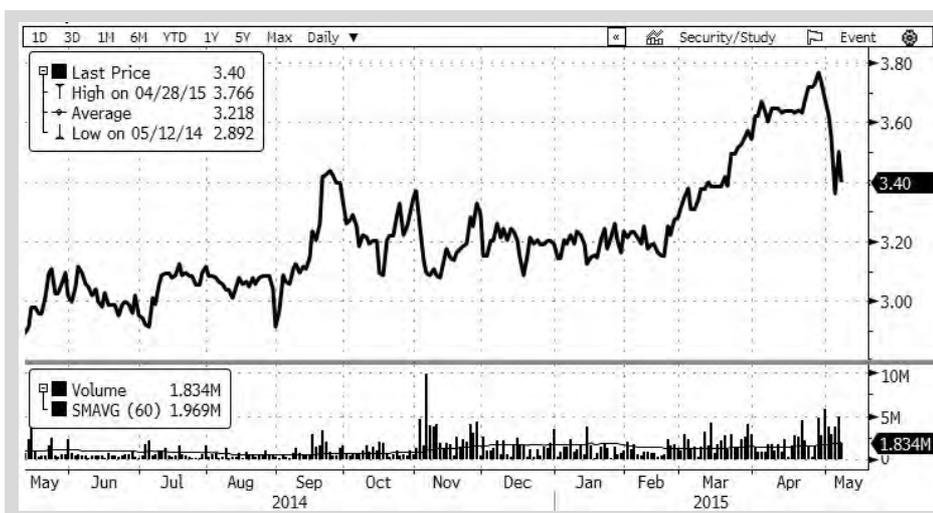
INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY12	FY13	FY14	FY15F	FY16F
Revenue	4129	4721	4842	5278	5700
Core EBIT	719	824	567	544	587
Core PBT	716	915	767	744	787
Net Income	439	1490	743	558	590
Core Net Income	315	505	541	558	590
EPS (sen)	33.95	94.51	43.09	32.28	34.17
Core EPS (sen)	24.40	32.03	31.38	32.28	34.17
Net DPS (sen)	6.00	10.00	11.00	11.30	11.96
Net Dvd Yield	1.8%	2.9%	3.2%	3.3%	3.5%
Core PER	13.9	10.6	10.8	10.5	10.0
NTA/share (RM)	2.51	2.91	3.26	3.47	3.69
P/NTA	1.36	1.17	1.04	0.98	0.92
Core ROE	8.9%	10.1%	9.1%	8.8%	8.8%
Core ROA	12.2%	4.6%	4.2%	4.2%	4.3%

Source: Company, MIDF Research Forecast

Maintain TRADING BUY with TP of RM3.86. We continue to like SUNWAY as we expect positive sentiment on the stock in view of potential special dividend in the next 3 months. The amount should be in the range of 22.0 sen to 25.0 sen subject to proceeds to be raised from the Proposed Offer For Sale of Sunway Construction Group (SCG) shares. We have factored in the potential development project in Kelana Jaya into our RNAV estimate. However, in view that our NPV estimate for the project of RM292m is close to the RM286m paid by SUNWAY, we leave our RNAV estimate unchanged. We maintain our TP at RM3.86 based on 10% discount to RNAV. 

DAILY PRICE CHART



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SUNWAY RNAV

Landbank	Location	Size (Ac)	Size (Sq ft)	Price (RM/sqft)	Stake	Value (RM m)
Property Development - Malaysia						
Sunway South Quay	Bandar Sunway, Selangor	49	2,134,440	466.2	60%	597.0
Sunway Velocity	Kuala Lumpur	19	827,640	200	85%	140.7
Sunway Damansara	Petaling Jaya, Selangor	15	653,400	256	60%	100.4
Medini Iskandar	Iskandar, Johor	691	30,099,960	114	46%	1561.3
Pendas	Iskandar, Johor	1079	47,001,240	108	60%	3045.7
Sunway Lenang	Johor Bahru, Johor	71	3,091,453	88	80%	217.6
Sunway Wellesley	Penang	60	2,613,600	50	100%	130.7
Paya Terubong	Penang	24	1,045,440	45	100%	47.0
Sunway Hillds	Penang	81	3,528,360	30	100%	107.3
Balik Pulau	Penang	29	1,263,240	23	100%	29.1
Sunway Cassia	Penang	7	304,920	25	100%	7.7
Sunway Semenyih	Ulu Langat, Selangor	508	22,141,548	25	100%	544.7
Kelana Jaya Land	Kelana Jaya, Selangor	17	740,084	394	100%	291.7
Property Development - Singapore						
Miltonia Residences	Yishun, Singapore	NA	DCF @ WACC 10%		30%	37.4
Arc	Tampines, Singapore	NA	DCF @ WACC 10%		30%	45.8
Lake Vista	Yuan Ching Road, Singapore	NA	DCF @ WACC 10%		30%	36.0
Sea Esta	Pasir Ris, Singapore	NA	DCF @ WACC 10%		30%	35.3
Royale Square	Novena MRT, Singapore	NA	DCF @ WACC 10%		30%	48.6
Mount Sophia	Dhoby Ghaut MRT, Singapore	NA	DCF @ WACC 10%		30%	92.9
Avant Parc	Sembawang	NA	DCF @ WACC 10%		100%	19.9
Property Development - Other Countries						
Tianjin Eco City	Tianjin, China	91	DCF @ WACC 10%		60%	221.1
Sunway Guanghao	Jianyin, China	4	DCF @ WACC 10%		65%	2.2
Sunway OPUS Grand India	Hyderabad, India	24	DCF @ WACC 10%		50%	23.5
Sunway MAK Signature Residence	Hyderabad, India	14	DCF @ WACC 10%		60%	9.1
Wonderland Business Park	Sydney, Australia	66	DCF @ WACC 10%		45%	10.6
Investment Property						
Monash University	Bandar Sunway, Selangor	12.0	916,640	NA	100%	300.0
Sunway Pinnacle	Bandar Sunway, Selangor	1.8	1,141,499	NA	100%	280.0
Sunway Velocity Shopping Mall	Kuala Lumpur	21.4	259,497	NA	100%	259.5
Sunway University Campus	Bandar Sunway, Selangor	12.4	704,577	NA	100%	255.0
Monash Residence Hostel	Bandar Sunway, Selangor	2.5	623,010	NA	100%	226.6
Total Value Of Properties						8724.4

	Stake	
Sunway REIT	34.5%	1721.7
Payment for Kelana Jaya land		-286.0
Construction Division Asset	1297.8	51% 661.9
Trading & Manufacturing Asset		415.1
Quarry Division Asset		165.9
Other Division Asset		1116.5
Total Liabilities (excl. deferred tax liabilities)		- 4931.3
Total RNAV		7588.2
No of shares (m)		1722.9
RNAV per share		4.40
Warrants, Exercise Price RM2.50		289.6
ESOS, Exercise Price RM2.80		132.8
Fully Diluted No Of Shares		2145.3
FD RNAV Per Share		4.05
Discount		10%
Target Price for SUNWAY Post SCG IPO		3.64
Minimum dividend		0.22
Total Value for SUNWAY Share		3.86

Location of the land



Source: Company

Picture of the land



Source: Company

Details on the 5 pieces of land

Land No	Size (sq ft)	Type	Plot Ratio	Price (RM m)	Tenure
1	722,689	Commercial	4		
2	2379	Commercial	4		
3	797	Commercial	4		
4	5769	Commercial	4	282.6	99 years
5	8708	Residential	4	3.4	Freehold
Total	740,342			286.0	

Source: Company, MIDF Research Compilation

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.