

27 May 2015 | 1QFY15 Result Review

Sunway Berhad

Steady Earnings Delivery

INVESTMENT HIGHLIGHTS

- **1QFY15 earnings within expectation.**
- **1QFY15 Core Net Income grew +25%yoy.**
- **New sales of RM247m were within expectation.**
- **Maintain TRADING BUY with unchanged Target Price of RM3.86.**

1QFY15 earnings within expectation: Sunway Berhad (SUNWAY) 1QFY15's Core Net Income of RM129.4m was within expectation as it accounted for 23% of consensus full year estimate of RM571.7m and 23% of our estimate of RM557.7m. As expected, no dividends were announced in 1Q15 and this is in line with its historical practice.

1QFY15 Core Net Income grew +25%yoy: The strong surge in earnings was contributed by higher PBT from its construction division (+67%yoy to RM52.3m). Note that construction division benefited from local infrastructure projects and precast concrete product projects in Singapore. However, PBT in property division declined -17%yoy to RM56.9m due to slower progress billings from the local projects.

New sales of RM247m were within expectation: This makes up 15% of our New Sales target of RM1.65b for FY15. We deem this as broadly within expectation as 1Q is usually a slow quarter for SUNWAY.

Maintain TRADING BUY with TP of RM3.86. In view that its 1QFY15 earnings were within our expectation, we maintain our earnings forecast of RM558m for FY15. Also intact is our Target Price of RM3.86 which is based on 10% discount to RNAV. We continue to like SUNWAY as we expect positive sentiment on the stock in view of potential special dividend in the next 2 months. The amount should be in the range of 22.0 sen to 25.0 sen subject to the actual amount of proceeds to be raised from the Proposed Offer For Sale of Sunway Construction Group (SCG) shares.

Risks. Risks to our TRADING BUY call includes: i) lower than expected new sales from SUNWAY property division, ii) slower than expected orderbook replenishment of its construction division, and iii) lower than expected earnings from other business divisions which may impact its share price.

Maintain TRADING BUY

Unchanged Target Price: RM3.86

RETURN STATS	
Price (26 May 2015)	RM3.52
Target Price	RM3.86
Expected Share Price Return	+9.7%
Expected Dividend Yield	+3.2%
Expected Total Return	+12.9%

STOCK INFO	
KLCI	1,764.07
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	1,750.99
Par Value (RM)	1.00
Market cap. (RM'm)	6,163.48
Price over NA	1.02
52-wk price Range	RM2.91 - RM3.81
Beta (against KLCI)	0.82
3-mth Avg Daily Vol	2.10m
3-mth Avg Daily Value	RM7.58m
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	32.18	34.06
Core EPS (sen)	24.40	32.03	31.38	32.18	34.06
Net DPS (sen)	6.00	10.00	11.00	11.26	11.92
Net Dvd Yield	1.7%	2.8%	3.1%	3.2%	3.4%
Core PER	14.4	11.0	11.2	10.9	10.3
NTA/share (RM)	2.51	2.96	3.35	3.56	3.78
P/NTA	1.40	1.19	1.05	0.99	0.93
Core ROE	8.9%	9.9%	8.8%	8.6%	8.6%
Core ROA	12.2%	4.6%	4.2%	4.2%	4.3%

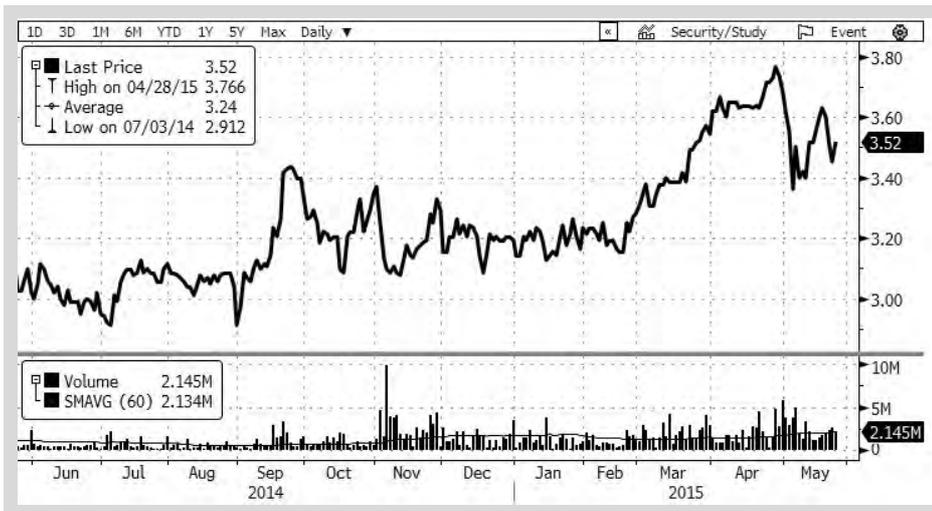
Source: Company, MIDF Research Forecast

SUNWAY: 1QFY15 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY15	%YoY	%QoQ	3MFY15	%YoY	
Revenue	1060.0	3%	-28%	1,060.0	3%	Mainly due to higher revenue from construction division (+5%yoy to RM375.3m).
Core EBIT	152.8	40%	-34%	152.8	40%	Core figure excludes one off gain (RM22.9m) from disposal of Sunway Hotel Georgetown and Wisma Sunway to Sunway REIT. Also, excluded was forex loss of RM5.6m.
Core PBT	176.4	25%	-34%	176.4	25%	
Net Income	146.5	41%	-53%	146.5	41%	
Core Net Income	129.4	25%	-25%	129.4	25%	Higher PBT from construction division (+67% to RM52.3m) but lower PBT from property division (-17% to RM56.9m). Construction division benefited from local infrastructure project and precast concrete products projects in Singapore
EPS (sen)	8.45	40%	-53%	8.45	40%	
Core EPS (sen)	7.47	25%	-25%	7.47	25%	Similar growth rate as Core Net Income and Core EPS
Net DPS (sen)	0.00	NA	NA	6.00	NA	
NTA/share (RM)	3.35	13%	3%	3.35	13%	
Net Gearing (x)	0.32	NA	NA	0.32	NA	
Core EBIT Margin	14.4%	NA	NA	14.4%	NA	
Core PBT Margin	16.6%	NA	NA	16.6%	NA	

Source: Company, MIDF Research Forecast

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	115.2	46%	1577.7
Pendas	Iskandar, Johor	1079	47,001,240	110.4	60%	3113.4
Sunway Lenang	Johor Bahru, Johor	71	3,091,453	93.5	80%	231.2
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						8822.1
		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)						-
Total RNAV						7685.9
No of shares (m)						1751.0
RNAV per share						4.39
Warrants, Exercise Price RM2.50						289.6
ESOS, Exercise Price RM2.80						132.8
Fully Diluted No Of Shares						2173.4
FD RNAV Per Share						4.04
Discount						10%
Target Price for SUNWAY Post SCG IPO						3.64
Minimum dividend						0.22
Total Value for SUNWAY Share						3.86

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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.