

28 August 2015 | 2QFY15 Result Review

## Sunway Berhad

*Weak sales in 1HFY15*

### INVESTMENT HIGHLIGHTS

- **1HFY15 earnings within expectation.**
- **Stable Core Net Income growth of +13%yoy.**
- **Weak sales of RM478m in 1HFY15.**
- **FY15 sales estimate is reduced by 20% to RM1.31b.**
- **FY15 Core Net Income trimmed by 2% to RM547m**
- **Downgrade to NEUTRAL with lower Target Price of RM3.66.**

**1HFY15 earnings within expectation:** Sunway Berhad (SUNWAY) 1HFY15's Core Net Income (CNI) of RM267m was within expectation as it accounted for 47% of consensus FY15 estimate (RM572m) and 48% of our FY15 estimate of RM558m. As expected, dividend of 5.0 sen was announced.

**Stable Core Net Income growth of +13%yoy:** Construction division registered strong earnings growth (PBT +70%yoy to RM109m) as it benefited from delivery of local projects. However, the magnitude of the Group's CNI growth was limited due to lower PBT in property division (-24% to RM110m). Note that property division revenue declined 4%yoy to RM505m due to lower recognition from Malaysia and Singapore projects.

**Weak sales of RM478m in 1HFY15:** This makes up only 28% of management sales target of RM1.70b for FY15. It also came in below our estimate at 29% of our FY15 target of RM1.65b. Although SUNWAY has lined up launches of up to RM2.09b in 2HFY15 (from Sep onwards), we believe that the effective take up rate may be low due to potential delay in bank approvals for loan and challenging outlook for property sector currently. Accordingly, we have reduced our FY15 sales estimate by 20% to RM1.31b. FY16 sales numbers are also trimmed by 10% to RM1.49b.

**FY15 Core Net Income trimmed by 2% to RM547m.** Consequent to the lower sales estimate assumed for both FY15 and FY16, we are lowering our FY16 CNI forecast by 7% to RM556m.

**Downgrade to NEUTRAL with TP of RM3.66.** In view of the weak sales seen in 1HFY15 and the challenging outlook for the sector, we have widened our discount to RNAV to 15% (from 10%). Hence, our TP has been reduced to RM3.66 (from RM3.86). Downgrade to NEUTRAL as we expect minimal catalysts going forward after the special dividend (minimum 22.0 sen) gone ex.

## **Downgrade to NEUTRAL**

**Adjusted Target Price: RM3.66**  
(Previously RM3.86)

### RETURN STATS

Price (27 Aug 2015)	RM3.40
Target Price	RM3.66
Expected Share Price Return	+7.5%
Expected Dividend Yield	+3.3%
<b>Expected Total Return</b>	<b>+10.8%</b>

### STOCK INFO

KLCI	1601.70
Bursa / Bloomberg	5211 / SWB MK
Board / Sector	Main / Properties
Syariah Compliant	Yes
Issued shares (mil)	1757.70
Par Value (RM)	1.00
Market cap. (RM'm)	5,976.16
Price over NA	0.97
52-wk price Range	RM2.91 - RM3.81
Beta (against KLCI)	0.74
3-mth Avg Daily Vol	1.88m
3-mth Avg Daily Value	RM6.47m
<b>Major Shareholders</b>	
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	5144	5197
Core EBIT	719	824	567	530	535
Core PBT	716	915	767	730	741
Net Income	439	1490	743	547	556
Core Net Income	315	505	541	547	556
EPS (sen)	33.95	94.51	43.09	31.58	32.09
Core EPS (sen)	24.40	32.03	31.38	31.58	32.09
Net DPS (sen)	6.00	10.00	11.00	11.05	11.23
Net Dvd Yield	1.8%	2.9%	3.2%	3.3%	3.3%
Core PER	13.9	10.6	10.8	10.8	10.6
NTA/share (RM)	2.51	2.96	3.35	3.55	3.76
P/NTA	1.36	1.15	1.02	0.96	0.90
Core ROE	8.9%	9.9%	8.8%	8.4%	8.1%
Core ROA	12.2%	4.6%	4.2%	4.1%	4.1%

Source: Company, MIDF Research Forecast

## SUNWAY: 2QFY15 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY15	%YoY	%QoQ	6MFY15	%YoY	
Revenue	1041.5	-14%	-2%	2,101.5	-6%	Property division revenue declined 4%yoy to RM505m due to lower recognition from Malaysia and Singapore projects.
Core EBIT	139.0	4%	-18%	308.9	27%	
Core PBT	179.7	1%	1%	357.4	10%	Better PBT from construction division (+70%yoy to RM109m) but lower PBT in property division (-24% to RM110m). Construction division benefited from local projects.
Net Income	237.9	30%	62%	384.4	34%	
Core Net Income	136.7	8%	5%	267.4	13%	Exclude mainly RM111m fair value gain at associate level (Sunway REIT).
EPS (sen)	13.54	28%	60%	22.03	33%	
Core EPS (sen)	7.78	6%	3%	15.33	12%	Similar growth for Core Net Income and Core EPS.
Net DPS (sen)	5.00	0%	NA	5.00	0%	
NTA/share (RM)	3.39	12%	4%	3.39	12%	
Net Gearing (x)	0.35	NA	NA	0.35	NA	
Core EBIT Margin	13.3%	NA	NA	14.7%	NA	
Core PBT Margin	17.3%	NA	NA	17.0%	NA	

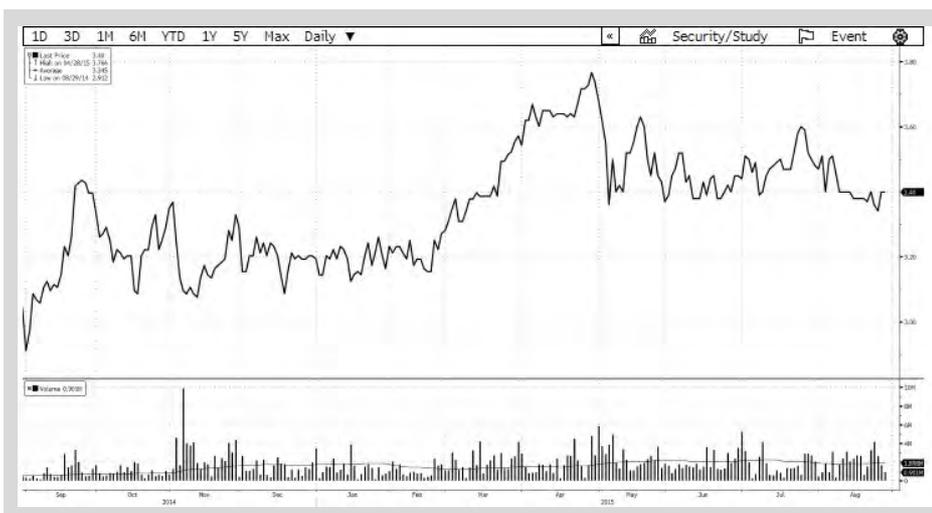
Source: Company, MIDF Research Forecast

## SUNWAY RNAV

Landbank	Location	Size (Ac)	Size (Sq ft)	Price (RM/sqft)	Stake	Value (RM m)
<b>Property Development - Malaysia</b>						
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	678	29,532,809	108	56%	1786.1
Daiwa JV	Iskandar, Johor	13	DCF @ WACC 10%		17%	7.0
Pendas	Iskandar, Johor	1079	47,001,240	102	60%	2876.5
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
<b>Property Development - Singapore</b>						
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
<b>Property Development - Other Countries</b>						
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
<b>Investment Property</b>						
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
<b>Total Value Of Properties</b>						<b>8800.7</b>

	Stake	1721.7
Sunway REIT	34.5%	7
Sale of 70% stake in 13 acres land to Daiwa	56.0%	24.7
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
<b>Total RNAV</b>		<b>7689.2</b>
No of shares (m)		1751.0
<b>RNAV per share</b>		<b>4.39</b>
Warrants, Exercise Price RM2.50		289.6
ESOS, Exercise Price RM2.80		132.8
Fully Diluted No Of Shares		2173.4
<b>FD RNAV Per Share</b>		<b>4.04</b>
Discount		15%
<b>Target Price for SUNWAY Post SCG IPO</b>		<b>3.44</b>
<b>Minimum dividend</b>		<b>0.22</b>
<b>Total Value for SUNWAY Share</b>		<b>3.66</b>

## DAILY PRICE CHART



Alan Lim, CFA  
 alan.lim@midf.com.my  
 03-2173 8464

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

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

### 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.