

Landbanking in Kelana Jaya

First Look

Acquires 17 acres of land for MYR286mn for MYR380 psf

- Sunway announced the acquisition of ~17 acres of land in Kelana Jaya, Kuala Lumpur, near the intersection of Federal Highway and LDP Highway. The acquisition cost is MYR286mn (~MYR 380 psf), with mostly leasehold tenure until 2106.
- The land will be used for a mixed development project, comprising seven residential blocks with a commercial podium, with views of the adjacent lake. With a plot ratio of four, efficiency ratio of 75%, and ASP of MYR800 psf, the estimated GDV of the land is MYR1.8bn, as per company estimates.
- The first phase of the project will be launched in 2H16, with a development period of ~5 years in total.

Fair price to pay for ready-to-launch land

- With a cost of land-to-GDV ratio of ~16%, we think it is a fair price to pay for the land, with the benefits of connectivity (highways, Sunway BRT Line), view (Subang Golf Course, adjacent lake) and being located in a mature populated area.
- The project should also benefit from management's knowledge of the surrounding market dynamics, due to its proximity to Bandar Sunway.
- We maintain our Buy rating on Sunway, currently trading at 12x 2015F P/E (EPS: 28 sen) – which is our defensive pick amongst Malaysia property developers, due to its stable REIT and construction divisions. We believe the stock can continue to re-rate in the run up to the proposed listing of SunCon (estimated by July-2015 as per management), after which the shareholders of Sunway stand to gain a special dividend of ~30sen/share, as per our calculations.

Global Markets Research

11 May 2015

Rating Remains	Buy
Target price Remains	MYR 4.20
Closing price 11 May 2015	MYR 3.40

Research analysts

Malaysia Property

Tushar Mohata, CFA - NSM
tushar.mohata@nomura.com
+603 2027 6895

Alpa Aggarwal - NSFSP
alpa.aggarwal@nomura.com
+91 22 305 32250

Fig. 1: Location of land



Source: Company data

Fig. 2: Site photo



Source: Company data

Appendix A-1

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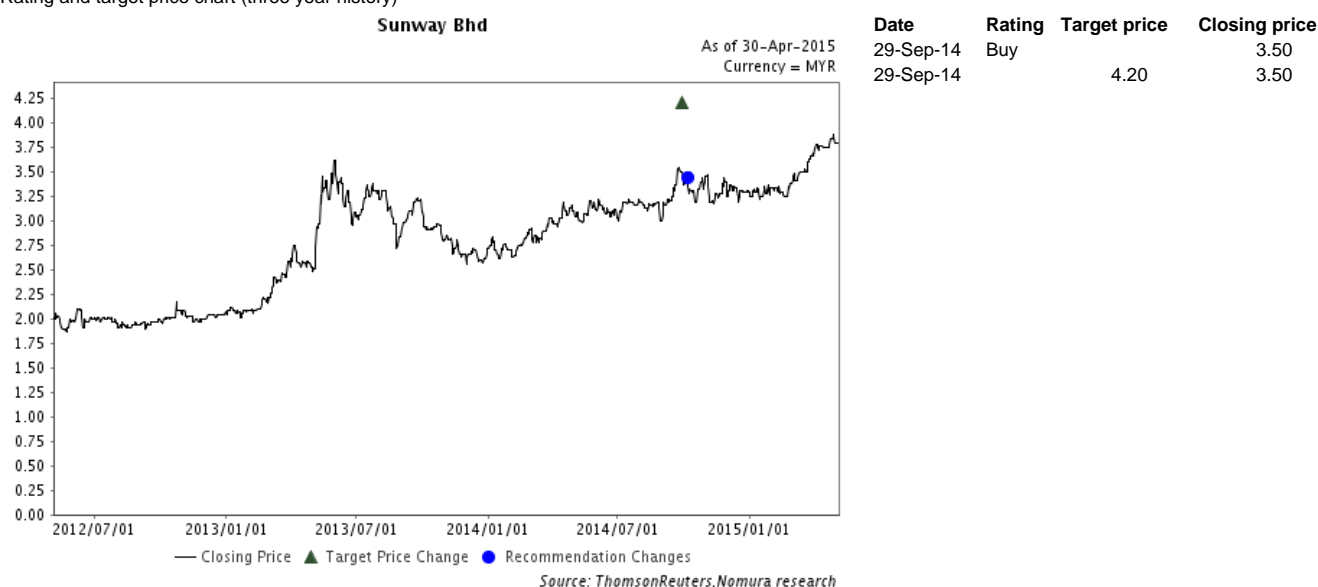
Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Sunway Bhd	SWB MK	MYR 3.40	11-May-2015	Buy	N/A	

Sunway Bhd (SWB MK)

MYR 3.40 (11-May-2015) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology We value the group based on SOTP-derived RNAV. We value the property development business using DCF of future profits from all the projects and unbilled sales. We use a discount rate (cost of equity) of 10.1% for Malaysia, 11.1% for Singapore, 16.4% for China, 12.9% for India and 12.1% for Australia projects. To that we add the book value of property development to get the NAV from property development business. We value construction business at 15x FY15F P/E which is Malaysia's construction sector average multiple. The REIT arm of property investment is valued at market value while the non-REIT assets are valued at carrying value. We value other businesses at 10x FY15F P/E (historical average). We sum the values from all business to get the group's RNAV and add cash from warrants and ESOS to get fully diluted RNAV of MYR11.6bn. To that we ascribe a 40% discount to the property development and non-REIT investment RNAV. Using fully diluted shares of 2bn and applying a discount of 40%, we derive our TP of MYR4.20. Our TP values the company at 13x FY15F P/E and 1.2x P/B. The benchmark index for the stock is MSCI Malaysia.

Risks that may impede the achievement of the target price Downside risks: 1) any project delays or disappointing take-up rates could dent our earnings forecasts; 2) a failure of the company to meet its sales targets or pass on cost increases to customers; 3) further weakening of Iskandar sentiment; 4) failure to meet construction orderbook targets or list division; 5) failure of Sunway Putra Mall to get tenancy targets; and 6) any contractions in GDP growth or unexpected government policy measures to curb sentiment in the property sector are downside risks to our call.

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