



## Sunway Berhad

Strengthening Foothold in Penang

**TP: RM3.71 (+40.4%)**

Last Traded: RM2.64

Buy

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Thiam Chiann Wen

+603-2167-9615 ext:9615

cwthiam@ta.com.my

www.taonline.com.my

### Won Land Tender in Penang Island

Sunway has won a tender bid of 4 parcels of freehold land in Penang Island, measuring approximately 24.5 acres for a total tender sum of RM267.5mn (or RM251psf). Sunway's bid represents a 26% premium over the minimum reserve price which was fixed at RM200psf.

### Prime Location

The land is strategically located within the prime Area of Penang Island and is surrounded by tourism spots as well as established townships. It is located near Kek Lok Si Temple and the lower train station to Penang Hill Resort. The site has good access to various parts of Penang Island, as it is connected to Georgetown via Jalan Air Itam to the East, and to the Free Trade Zone area of Bayan Lepas and the Penang Bridge in the west through Jalan Relau – see **Appendix 1- 2**.

### RM1.5bn Mixed Development

The land is slated for a mixed development (overall mix of 70% residential and 30% commercial), featuring commercial shops, SoHo and high-rise residential units. The project GDV is estimated at RM1.5bn with a development period of 7 years. We gather that maiden launch is targeted by mid 2015.

### Reasonable Acquisition Price

Comparing the acquisition price of RM251psf to RM110psf that 1MDB paid to Farlim Group to acquire 3 parcels of freehold land in Bandar Air Itam measuring 23.5 acres (based on effective ownership of lands), the price tag appears expensive. However, we believe the group has priced in future land value appreciation given the scarcity of prime land in Penang Island. As the development will take 7 years to complete, we expect the project to ride on new major infrastructure projects comprising of three roads and an undersea tunnel.

In addition, the land cost represents 18% of the total GDV, which we think is fair given that land cost typically makes up 20-25% of GDV in Penang Island. We believe that funding the acquisition is not an issue given Sunway's balance sheet is healthy with 0.3x net gearing ratio and cash balance of RM1.4bn.

### Positive on the deal

The land will increase the group's outstanding GDV (effective) by 4.7% to RM33.1bn. All in, we are positive on the land acquisition as it will further strengthen the group's presence in Penang. Note that this is Sunway's first major development in the Penang Island. In addition, this project will be a potential boost to Sunway's construction orders book if the civil works were to be awarded to Sunway's construction arm.

### Impact

According to management, the project is ready for launch by mid 2015. As such, we are maintaining our earnings projections for FY13-15, assuming the progress billing to start from FY16 onwards.

### Share Information

Bloomberg Code	SWB MK
Stock Name	Sunway
Stock Code	5211
Listing	Main Market
Share Cap (mn)	1723.5
Market Cap (RMmn)	4550.1
Par Value	1.00
52-wk Hi/Lo (RM)	3.61/1.96
12-mth Avg Daily Vol ('000 shrs)	1299.40
Estimated Free Float (%)	24.42
Beta	1.40

### Major Shareholders (%)

Sungei Way Corp (46.4)

### Forecast Revision

	FY13	FY14
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	443.6	476.6
Consensus	409.8	455.9
TA's / Consensus (%)	108.2	104.5
Previous Rating	Buy (Maintained)	

### Financial Indicators

	FY13	FY14
Net Debt / Equity (%)	23.4	21.7
FCPS (sen)	(3.6)	9.5
Price / CFPS (x)	(72.3)	27.9
ROA (%)	4.7	4.6
NTA/Share (RM)	2.5	2.7
Price/NTA (x)	1.1	1.0

### Share Performance (%)

Price Change	Sunway	FBM KLCI
1 mth	(3.6)	3.3
3 mth	(13.4)	4.5
6 mth	(19.4)	4.3
12 mth	31.0	11.5

### (12-Mth) Share Price relative to the FBM KLCI



### Valuation

Factoring in the land acquisition, our SOP-derived target is revised higher to RM3.71/share (from RM3.66/share previous). We reiterate our Buy recommendation as we continue to like Sunway for its 1) clear earnings visibility underpinned by strong unbilled sales and construction order book; 2) large presence in Iskandar Malaysia should continue drawing investors' interest; and 3) the group's construction expertise should benefit from various domestic infrastructure works in the pipeline. Its relatively low land cost in Medini Iskandar coupled with favourable payment terms should be able to minimize the overall project risks

### Earnings Summary

YE Dec 31 (RM'mn)	2011	2012	2013F	2014F	2015F
Revenue	3691.7	3876.8	4272.5	4650.7	4458.6
EBITDA	454.0	583.3	589.7	647.3	642.0
EBITDA margin (%)	12.3	15.0	13.8	13.9	14.4
Pretax profit	443.9	546.4	581.0	644.0	649.2
Net profit	369.7	532.3	443.6	476.6	481.8
Net profit -adj	325.6	350.5	443.6	476.6	481.8
EPS (sen)	25.2	27.1	25.7	27.7	28.0
EPS - adj (sen)	18.9	20.3	25.7	27.7	28.0
EPS Growth (Core) (%)	0.8	7.7	26.5	7.4	1.1
PER (x)	14.0	13.0	10.3	9.5	9.4
GDPS (sen)	0.0	4.5	8.0	9.0	10.0
Div Yield (%)	0.0	2.3	3.0	3.4	3.8
ROE (%)	11.6	10.7	10.9	10.0	9.5

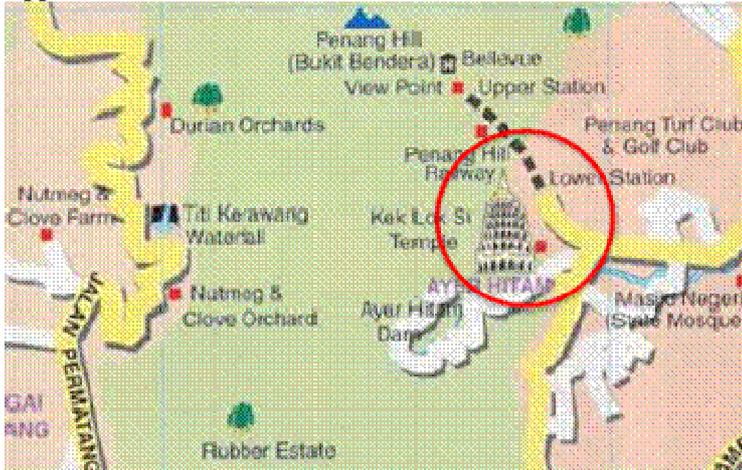
### Appendix 1: Site Location

Subject Land



Source: Sunway, TA Research

**Appendix 2: Site Location**



- Strategically located within the vibrant center of Penang Island.
- Surrounded by tourism spots and matured residential townships.
- Located near Kek Lok Si Temple and the lower Train Station to Penang Hill Resort.
- Linked to Georgetown via Jalan Air Itam to the East, and to the FTZ area of Bayan Lepas and the Penang Bridge in the west through Jalan Relau.

Source: Sunway, TA Research

## RNAV Table

SOP Valuation	% Shareholdings	Effective land size (acres)	Effective GDV (RM'mn)	NPV (RM'mn)
<b>Selangor/KL</b>				
Sunway Damansara	60%	9.2	1014.8	85.0
Sunway South Quay	60%	31.2	2393.8	135.1
Sunway Monterez	60%	3.2	26.2	2.3
Sunway Semenyih	70%	278.7	510.0	28.6
Sunway Cheras	100%	6.0	16.8	1.5
Sunway Duta	60%	1.9	72.0	4.6
Sunway Montana	100%	2.0	55.5	3.5
Sunway Alam Suria	100%	0.7	12.0	0.8
Sunway Resort City	100%	14.9	660.1	37.0
Casa Kiara III	80%	2.3	168.0	14.5
Sunway Velocity	85%	15.2	2430.1	164.2
Sunway Tower KL 1	100%	1.0	240.0	20.7
Bangi	100%	3.0	59.0	5.3
Melawati	100%	2.0	43.0	3.8
Sg Long	80%	88.8	221.6	19.8
Mont Putra, Rawang	100%	163.0	156.0	13.9
<b>Perak</b>				
Sunway City Ipoh	65%	581.6	681.4	34.8
<b>Penang</b>				
Sunway City Penang	100%	15.9	171.7	15.3
Sunway Grand	100%	11.9	186.0	16.6
Sungai Ara	100%	56.1	849.2	75.7
Bukit Mertajam	100%	42.3	694.1	61.9
<b>Paya Terubong Land</b>				
Singapore				
Novena	30%	0.5	672.5	64.8
Sembawang	100%	0.8	75.0	7.7
Mount Sophia	30%	1.8	616.8	39.9
<b>Johor</b>				
Bukit Lenang	80%	70.4	745.6	63.5
Medini	38%	262.6	4560.0	298.5
Pendas	60%	647.4	10800.0	614.8
<b>China</b>				
Sunway Guanghao	65%	2.4	43.4	2.8
Tianjin Eco City	60%	54.5	3206.3	100.4
<b>India</b>				
Sunway OPUS Grand India	50%	11.9	351.2	18.2
Sunway MAK Signature Residence	60%	8.4	108.7	6.0
<b>Australia</b>				
Wonderland Business Park (Sydney)	45%	21.8	170.1	9.4
TOTAL		2411.5	31394.3	2060.0
Current unbilled sales			1800	243.0
<b>Sub-total</b>				<b>2303.0</b>

Construction	Effective stake (%)	Balance of works (RM'mn)	NPV
Pinewood Studios	100.0	24.0	1.4
Kelana Line - Package B	100.0	268.0	15.3
Bio-Xcell - Central facilities utility	100.0	10.0	0.6
UiTM campus expansion & KLCC link bridge	100.0	21.0	1.2
Singapore - Precast	100.0	351.0	10.2
KVMRT - V4 Section 17	100.0	868.0	30.4
Legoland Water Park	100.0	3.0	0.2
BRT Sunway Line	100.0	402.0	-48.0
KLCC NEC	100.0	296.0	17.5
KLCC Package 2	100.0	222.0	13.1
Urban Wellness	100.0	283.0	16.7
Other	100.0	274.0	8.5
<b>Sub-total</b>			<b>67.0</b>

	Effective stake (%)	Book value (RM'mn)	Est. fair value (RM'mn)	Difference (RM'mn)
Investment in Sunway REIT (less 20% holding company discount)	34.30	1048.1	1544.6	397.2
Total surplus				2767.2
Total NTA				3972.2
Total revised enterprised value				6739.4
Conversion of warrants @ RM2.50				724.3
SOP valuation (RM mn)				7463.7
Fully Diluted Share Base (mn shares)				2013.2
<b>Fair Value (RM/Share)</b>				<b>3.71</b>

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(A Participating Organisation of Bursa Malaysia Securities Berhad)  
Kaladher Govindan – Head of Research