


AmResearch
Company report

SUNWAY BHD

(SWB MK, SWAY.KL)

18 December 2013

Wins bid for Ayer Itam land

BUY

Price: RM2.64

Fair Value: RM3.05

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Rationale for report : Company Update

| YE to Dec | FY12 | FY13F | FY14F | FY15F |
|----------------|------|-------|-------|-------|
| Core EPS (Sen) | 23.7 | 23.5 | 26.2 | 30.0 |
| PE (X) | 11.2 | 11.2 | 10.1 | 8.8 |

Source : AmResearch

- We maintain our BUY on Sunway with a fair value of RM3.05/share - a 5% discount to our SOP value of RM3.21/share.
- Sunway group is buying four contiguous parcels of freehold land in Ayer Itam, Penang measuring a total of 24.458 acres for RM267.42mil cash or at RM251/sq ft, with a potential GDV of RM1.5bil. Based on the proposed gross floor area of 2.56mil sq ft (plot ratio at 2.4x), the land cost amounts to RM105/sq ft.
- The group was successful in bidding for the four parcels, along with the buildings, plant nurseries and other structures erected thereon, from C. H. Williams Talhar & Wong, the agent for Luxor Precision Sdn Bhd, which in turn is a subsidiary of Lee Rubber Company (Pte) Ltd.
- The minimum reserve price was fixed at RM200/sq ft. They will enter into an SPA within 14 days from the date of the notice of acceptance on 14 Dec 2013. We believe the purchase consideration is in line with land prices on the island, with parcels at Gurney approaching RM300/sq ft.
- We maintain our forecasts for now. The acquisition is expected to be completed within three months. The proposed project, which consists of commercial shops, SOHO and high-rise residential units (70% residential & 30% commercial), could have a medium-term development potential – with the first launches possibly by mid-2015. The entire development could run for a period of 7 years.
- Assuming an efficiency ratio of 0.85x, and construction cost at RM400/sq ft, operating profit would work out to be ~RM119mil, for a margin of 17%.
- In the meantime, Sunway says its full-year FY13F sales are expected to close at RM1.8bil, mirroring 2012's performance, while effective sales are also expected to be maintained at RM1.4bil. It also targets to sell RM1.8bil (effective RM1.3bil) worth of properties for FY14F, with launches totaling RM2.3bil (effective RM1.7bil), on the back of strategic launches in multiple geographic areas and the maiden Sunway Iskandar launch in 1Q14.
- At the operating level, we expect property development and construction to account for 42% and 21% of profit, respectively, in FY13F vs. 50% and 10% previously in FY12. We maintain our numbers and our call for Sunway.

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For AmResearch Sdn Bhd

 Benny Chew
 Managing Director

Quick Take

TABLE 1 : VALUATION MATRIX

| YE to Dec | FY11 | FY12 | FY13F | FY14F | FY15F |
|-------------------------|---------|---------|---------|---------|---------|
| Revenue (RMmil) | 3,691.7 | 3,849.2 | 3,989.1 | 4,333.9 | 4,807.2 |
| Core net profit (RMmil) | 327.0 | 351.0 | 404.8 | 452.2 | 516.7 |
| EPS (Sen) | 22.0 | 23.7 | 23.5 | 26.2 | 30.0 |
| EPS growth (%) | 14.3 | 7.3 | n/a | 11.7 | 14.3 |
| Consensus EPS (Sen) | n/a | n/a | n/a | n/a | n/a |
| DPS (Sen) | 0.0 | 6.0 | 5.0 | 5.0 | 5.5 |
| PE (x) | 12.0 | 11.2 | 11.2 | 10.1 | 8.8 |
| EV/EBITDA (x) | 9.0 | 8.1 | 6.6 | 5.8 | 4.7 |
| Div yield (%) | 0.0 | 2.3 | 1.9 | 1.9 | 2.1 |
| ROE (%) | 11.9 | 16.1 | 9.8 | 9.3 | 9.8 |
| Net Gearing (%) | 30.6 | 28.8 | 10.1 | 7.5 | 3.4 |

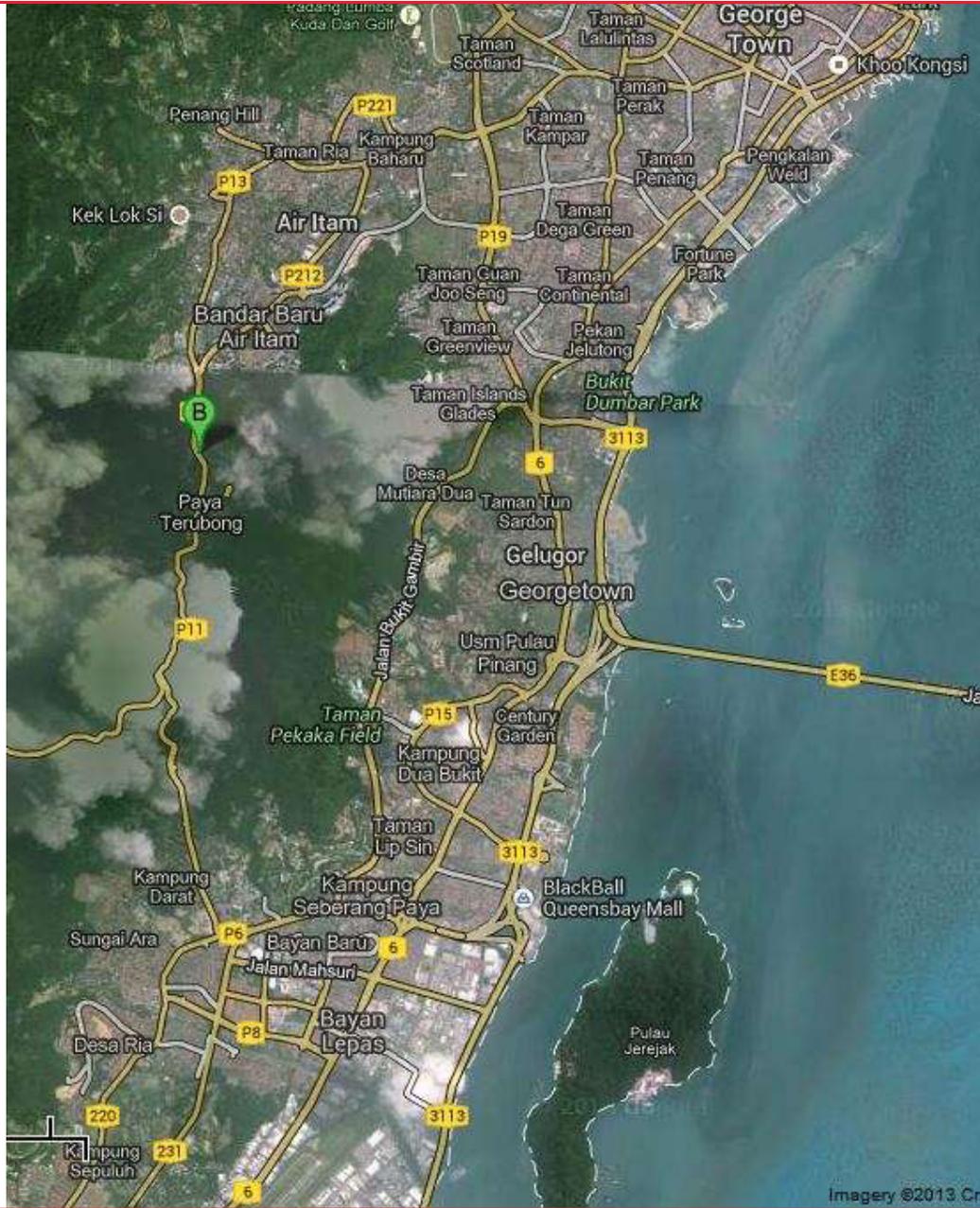
Source : Company, AmResearch estimates

PICTURE 1: THE ONLY SOLID STRUCTURE ON THE AYER ITAM LAND



Source: Company

PICTURE 2: STRATEGICALLY LOCATED



Source: Company