

Sunway Berhad (SWB MK)

Share Price: MYR3.21

MCap (USD): 1.7B

Malaysia

Target Price: MYR2.80 (-13%)

ADTV (USD): 1.0M

Property

HOLD

 (Unchanged)

Launching Iskandar project soon

- Management remains confident on its Iskandar Malaysia project.
- First phase of Sunway Iskandar project to launch by July 14.
- TP is unchanged at MYR2.80 (on 0.58x P/RNAV). HOLD.

What's New

We attended Sunway's analyst briefing, which was held at its Sunway Iskandar (SIK) sales gallery in Medini yesterday. Management revealed the key concept of its nature-inspired city living SIK project and focused on its high-rise integrated development - Citrine (phase 1 of SIK; MYR350m; leasehold; MYR550-700psf gross pricing). The project is slated to be launched by July 2014.

What's Our View

We were impressed by management's commitment and efforts in differentiating itself and creating a nature-inspired environment supported by six precincts i.e. Capital, MarketPlace, Riverside, Parkview, Seafront and Lakeview.

However, our concerns remain on the increasing competition from Chinese developers which could suppress the property value over the medium term due to the huge supply especially for high-rise integrated projects. The take-up rate for UEMS' Almas project at Puteri Harbour has been just 30% since Dec 2013. Meanwhile, to our surprise, Country Garden has started the massive reclamation for its Forest City project (luxury homes on a man-made island) near Pendas. We understand the project could involve 3,000-5,000 acres of reclaimed land.

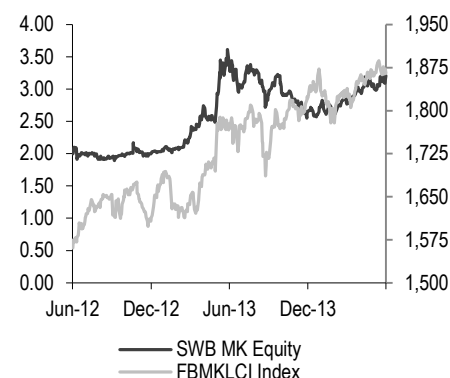
Sunway currently trades at 11x/1.0x PER/PBV, above its historical mean of 8.5x/0.8x. Sunway Iskandar accounts for 10% of our MYR4.83 RNAV estimate.

| FYE Dec (MYR m) | 2012A | 2013A | 2014F | 2015F | 2016F |
|------------------------|---------|---------|---------|---------|---------|
| Revenue | 3,876.8 | 4,733.7 | 5,542.6 | 6,010.2 | 6,064.7 |
| EBITDA | 535.1 | 563.1 | 666.7 | 727.3 | 677.7 |
| Core net profit | 350.6 | 482.7 | 500.5 | 516.3 | 504.2 |
| Core EPS (sen) | 27.1 | 30.6 | 29.0 | 30.0 | 27.7 |
| Core EPS growth (%) | 7.2 | 12.8 | (5.1) | 3.2 | (7.5) |
| Net DPS (sen) | 6.0 | 10.0 | 5.8 | 6.0 | 5.5 |
| BVPS (MYR) | 2.75 | 3.38 | 3.33 | 3.57 | 3.84 |
| Core P/E (x) | 11.8 | 10.5 | 11.1 | 10.7 | 11.6 |
| EV/EBITDA (x) | 8.2 | 8.8 | 8.4 | 7.9 | 8.1 |
| Net dividend yield (%) | 1.9 | 3.1 | 1.8 | 1.9 | 1.7 |
| P/BV (x) | 1.2 | 0.9 | 1.0 | 0.9 | 0.8 |
| Net debt/equity (%) | 45.2 | 23.9 | 25.5 | 26.2 | 14.5 |
| ROAE (%) | 15.0 | 28.1 | 8.7 | 8.4 | 7.2 |
| ROAA (%) | 6.1 | 13.5 | 4.2 | 4.1 | 3.8 |
| Chg in net profit (%) | - | - | 0.0 | 0.0 | 0.0 |

Key Data

| | |
|-----------------------|-----------|
| Shariah status | YES |
| 52w high/low (MYR) | 3.47/2.54 |
| Free float (%) | 22.4 |
| Issued shares (m) | 1,724 |
| Market capitalization | MYR5.5B |
| Major shareholders: | |
| SUNGEI WAY CORP SDN | 48.2% |
| YEAN TIH CHEAH | 13.5% |
| GIC PRIVATE LIMITED | 8.7% |

Share Price Performance



| | 1 Mth | 3 Mth | 12 Mth |
|-------------------------|-------|-------|--------|
| Absolute (%) | 4.2 | 14.2 | (5.3) |
| Relative to country (%) | 4.0 | 12.1 | (10.2) |

Maybank vs Market

| | Positive | Neutral | Negative |
|-------------------------|----------|-----------|----------|
| Market Recs | 8 | 3 | 2 |
| | Maybank | Consensus | % +/- |
| Target Price (MYR) | 2.80 | 3.48 | (19.5) |
| 2013 Net Profit (MYR m) | 501 | 494 | 1.3 |
| 2014 Net Profit (MYR m) | 516 | 535 | (3.5) |

Source: Bloomberg; Maybank

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Sunway Iskandar project



Source: Company

Artist impression - Citrine (MYR350m in GDV; service apartments, offices, retail units) at the LakeView precinct



Source: Company

Emerald lake at Sunway Iskandar



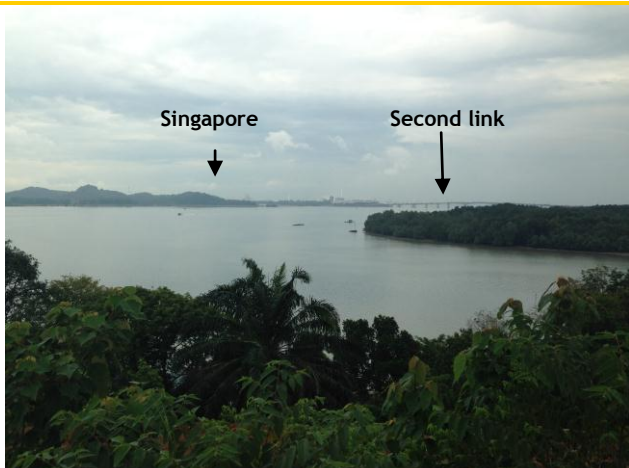
Source: Maybank KE

Model of Citrine project at sales gallery



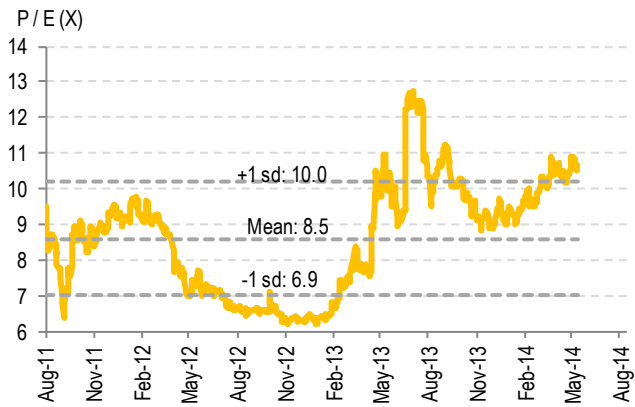
Source: Maybank KE

Sea front view from Sunway Iskandar project



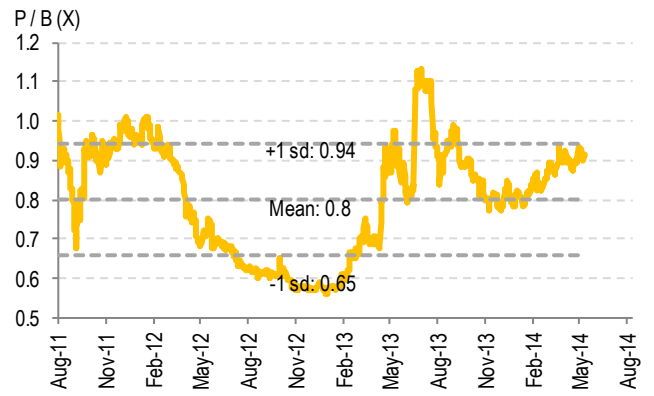
Source: Maybank KE

Historical PER band



Source: Maybank KE

Historical PBV band



Source: Maybank KE

INCOME STATEMENT (MYR)

| FY Dec | 2013A | 2014F | 2015F | 2016F |
|-----------------------------|----------------|--------------|--------------|--------------|
| Revenue | 4,733.7 | 5,542.6 | 6,010.2 | 6,064.7 |
| EBITDA | 563.1 | 666.7 | 727.3 | 677.7 |
| Depreciation & Amortisation | (24.7) | (27.0) | (30.8) | (34.7) |
| Operating Profit | 1,823.6 | 639.7 | 696.5 | 643.0 |
| Associate | 13.2 | 80.5 | 87.1 | 90.0 |
| JV companies | 159.3 | 103.7 | 49.1 | 60.1 |
| Interest (Exp)/Inc | (102.4) | (50.3) | (53.2) | (41.3) |
| Exceptional Items | 0.7 | 0.0 | 0.0 | 0.0 |
| Pre-Tax Profit | 1,894.3 | 773.6 | 779.5 | 751.7 |
| Tax | (120.9) | (193.4) | (194.9) | (187.9) |
| Minority Interest | (273.0) | (79.7) | (68.3) | (59.6) |
| Net Profit | 1,500.5 | 500.5 | 516.3 | 504.2 |
| Net Profit Ex. EI | 482.7 | 500.5 | 516.3 | 504.2 |
| Revenue Growth % | 22.1 | 17.1 | 8.4 | 0.9 |
| EBITDA Growth (%) | 5.2 | 18.4 | 9.1 | (6.8) |
| EBIT Growth (%) | 261.7 | (64.9) | 8.9 | (7.7) |
| Net Profit ex-EI Growth (%) | 37.7 | 3.7 | 3.2 | (2.3) |
| Tax Rate % | 6.4 | 25.0 | 25.0 | 25.0 |

BALANCE SHEET (MYR m)

| FY Dec | 2013A | 2014F | 2015F | 2016F |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
| Fixed Assets | 2,670.4 | 2,821.7 | 2,951.9 | 3,086.1 |
| Other LT Assets | 3,558.5 | 3,499.8 | 3,338.7 | 3,219.1 |
| Cash/ST Investments | 1,519.1 | 1,330.8 | 1,183.7 | 1,780.8 |
| Other Current Assets | 3,364.3 | 4,228.5 | 5,032.3 | 5,293.6 |
| Total Assets | 11,112.3 | 11,880.7 | 12,506.6 | 13,379.6 |
| ST Debt | 1,804.9 | 1,804.9 | 1,804.9 | 1,804.9 |
| Other Current Liabilities | 2,178.1 | 2,546.2 | 2,759.0 | 2,783.8 |
| LT Debt | 990.6 | 990.6 | 990.6 | 990.6 |
| Other LT Liabilities | 486.5 | 486.5 | 486.5 | 486.5 |
| Minority Interest | 317.3 | 317.3 | 317.3 | 317.3 |
| Shareholders' Equity | 5,334.9 | 5,735.3 | 6,148.3 | 6,996.5 |
| Total Capital | 11,112.3 | 11,880.7 | 12,506.6 | 13,379.6 |
| Share Capital (RM 'm) | 1,723.5 | 1,723.5 | 1,723.5 | 2,013.1 |
| Net Debt/ (Cash) | 1,276.4 | 1,464.7 | 1,611.8 | 1,014.7 |
| Working Capital | 900.4 | 1,208.2 | 1,652.0 | 2,485.7 |
| Gross Gearing % | 52.4 | 48.7 | 45.5 | 40.0 |
| Net Gearing % | 23.9 | 25.5 | 26.2 | 14.5 |

CASH FLOW (MYR m)

| FY Dec | 2013A | 2014F | 2015F | 2016F |
|----------------------------------|----------------|----------------|----------------|----------------|
| Profit before taxation | 1,894.3 | 773.6 | 779.5 | 751.7 |
| Depreciation | 0.0 | 26.5 | 30.3 | 34.2 |
| Net interest | 198.3 | (50.3) | (53.2) | (41.3) |
| Working capital change | 295.7 | 0.0 | 0.0 | 0.0 |
| Cash tax paid | (127.3) | (193.4) | (194.9) | (187.9) |
| Others | (1,167.4) | 0.0 | 0.0 | 0.0 |
| Cash flow from operations | 1,093.6 | 556.4 | 561.7 | 556.7 |
| Capex | (670.2) | (670.2) | (670.2) | (670.2) |
| Disposal/(purchase) | 38.2 | 0.0 | 0.0 | 0.0 |
| Others | (273.0) | 83.2 | 88.7 | 91.8 |
| Cash flow from investing | (905.1) | (587.1) | (581.5) | (578.5) |
| Debt raised/(repaid) | (130.3) | 0.0 | 0.0 | 0.0 |
| Equity raised/(repaid) | 727.5 | 0.0 | 0.0 | 724.0 |
| Dividends (paid) | (344.3) | (157.7) | (100.1) | (103.3) |
| Others | (117.5) | 0.0 | 0.0 | 0.0 |
| Cash flow from financing | 135.4 | (157.7) | (100.1) | 620.8 |
| Change in cash | 323.9 | (188.3) | (120.0) | 599.1 |

RATES & RATIOS

| FY Dec | 2013A | 2014F | 2015F | 2016F |
|----------------------|-------|-------|-------|-------|
| EBITDA Margin % | 11.9 | 12.0 | 12.1 | 11.2 |
| Op. Profit Margin % | 38.5 | 11.5 | 11.6 | 10.6 |
| Net Profit Margin % | 31.7 | 9.0 | 8.6 | 8.3 |
| ROE % | 28.1 | 8.7 | 8.4 | 7.2 |
| ROA % | 13.5 | 4.2 | 4.1 | 3.8 |
| Net Margin Ex. EI % | 10.2 | 9.0 | 8.6 | 8.3 |
| Dividend Cover (x) | 3.1 | 5.0 | 5.0 | 5.0 |
| Interest Cover (x) | 17.8 | 12.7 | 13.1 | 15.6 |
| Asset Turnover (x) | 2.3 | 2.1 | 2.1 | 2.2 |
| Asset/Debt (x) | 4.0 | 4.3 | 4.5 | 4.8 |
| Debt/ EBITDA (x) | 5.0 | 4.2 | 3.8 | 4.1 |
| Debt/ Market Cap (x) | 0.6 | 0.5 | 0.5 | 0.5 |
| EV/EBITDA (x) | 8.8 | 8.4 | 7.9 | 8.1 |

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