



Sunway Berhad

Buying Land in Kelana Jaya

TP: RM4.30 (+26.4%)

Last Traded: RM3.40

Buy

THIS REPORT IS STRICTLY FOR INTERNAL CIRCULATION ONLY*

Thiam Chiann Wen

Tel: +603-2167 9615

cwthiam@ta.com.my

www.taonline.com.my

Acquiring 17-acres land in Kelana Jaya for RM286mn (or RM386psf)

Sunway has proposed to acquire 5 parcels of land totaling 17 acres in Kelana Jaya for a combined RM286mn or RM386psf. The acquisitions will be funded via internally generated funds and borrowings.

The land, situated next to Western Digital in the Sungei Way Free Trade Zone, is strategically located within the prime area of Petaling Jaya, Sunway Resort City and Subang Jaya. In terms of connectivity, it is easily accessible via an underpass on Lebuhraya Damansara-Puchong (LDP), Federal Highway via Jalan Majlis and local road to New Klang Valley Expressway and the Subang Airport. In addition, it is located approximately 600 meters from the Setia Jaya KTM and BRT- Sunway Line stations which provide residents access to public transportation networks to Kuala Lumpur City Center, Subang Jaya, Sunway Resort City, Shah Alam and Klang – see **Appendix 1 - 2**.

RM1.8bn Mixed-development

The land will be developed into a mixed development, comprising 7 blocks of service apartments with a commercial podium. To be developed over a span of approximately 5 years, the proposed development is expected to generate a potential GDV of RM1.8bn. First phase of the project, which will feature serviced apartment with an indicative selling price of RM800psf, is targeted for launch in 2H2016.

Land cost is 16% of GDV

Being a growing hotspot in Petaling Jaya, Kelana Jaya has seen the influx of developers along the LDP stretch and land prices have risen significantly – see **Table 1**. We believe the acquisition cost is reasonable given that the land cost represents 16% of the total GDV. Meanwhile, if we compare the acquisition price of RM386psf to RM450psf that Gamuda paid to acquire freehold land in the vicinity 3 years ago, the price tag appears attractive.

Table 1: Historical Land Acquisition in Kelana Jaya

Year	Developer	Land Size (acre)	Tenure	Price (RM mn)	Price (RM psf)	Project Name
2004	Glomac	4.17	Freehold	27.4	150	Dataran Glomac
2005	WCT	12.90	Leasehold	83.0	147	The Paradigm
2006	Crest Builder	1.89	Leasehold	7.2	90	Tierra Crest
2010	Mah Sing	19.60	Leasehold	89.0	104	Icon City
2012	Gamuda	4.86	Freehold	95.0	450	High Park Suite
2015	Sunway	17.00	Leasehold	286.0	386	-

Source: Bursa Malaysia, Media Reports

Share Information

Bloomberg Code	SWB MK
Stock Name	Sunway
Stock Code	5211
Listing	Main Market
Share Cap (mn)	1747.7
Market Cap (RMmn)	5942.0
Par Value	1.00
52-wk Hi/Lo (RM)	3.814/2.892
12-mth Avg Daily Vol ('000 shrs)	1347.36
Estimated Free Float (%)	24.4
Beta	0.8

Major Shareholders (%)

Sungei Way Corp (50.2)

Forecast Revision

	FY15	FY16
Forecast Revision (%)	0.0	0.0
Net profit (RMm)	585.9	569.6
Consensus	540.9	554.1
TA's / Consensus (%)	108.3	102.8
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY15	FY16
Net Debt / Equity (%)	23.8	15.3
FCPS (sen)	50.4	38.6
Price / CFPS (x)	6.6	8.6
ROA (%)	4.4	4.1
NTA/Share (RM)	3.5	3.7
Price/NTA (x)	1.0	0.9

Share Performance (%)

Price Change	Sunway	FBM KLCI
1 mth	(6.8)	(2.1)
3 mth	7.1	0.9
6 mth	10.5	(0.6)
12 mth	17.6	(3.2)

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

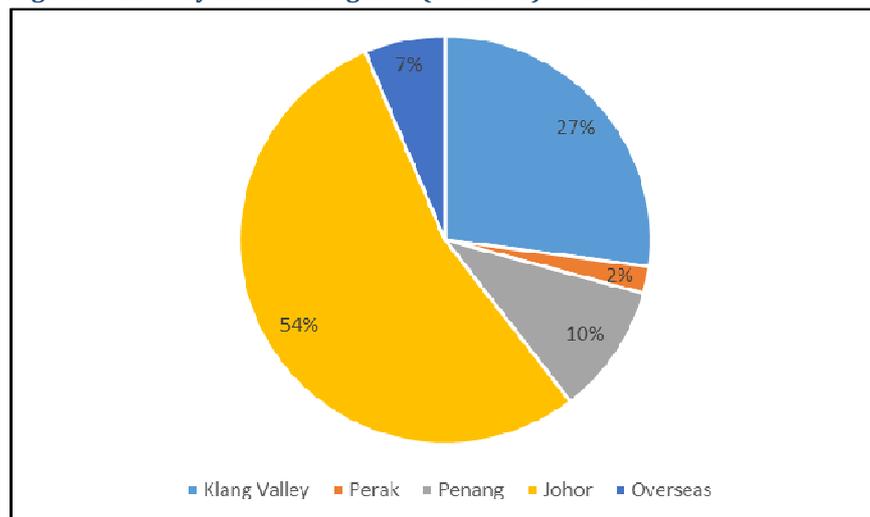


Source: Bloomberg

Positive on the deal

The land will increase the group's outstanding GDV (effective) by 5.9% to RM32.1bn – see **Figure 1**. We are positive on the land acquisition as it will further expand the group's land bank in Klang Valley, which is also in line with its objective to replenish land bank in strategic location which is ready for immediate launch. As lingering concerns about property oversupply situation in Iskandar Malaysia, we see Sunway's recent land acquisition in Penang (announced in Dec 2013, GDV RM1.5bn) and Kelana Jaya as a strategic move to diversify its concentration risk in Johor. 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.

Figure 1: Sunway Outstanding GDV (effective) RM32.1bn



Source: Sunway

Impact

No change to our FY15-16 earnings estimates. However, we raise FY17 earnings by 2.5%, assuming the official launch in mid-16 with progress billing to start from FY17 onwards.

Valuation

Factoring in the land acquisition, our SOP-derived target is revised higher to RM4.30/share (from RM4.24/share previously). Sunway's share price has retreated 6.3% since it has gone adjusted for SunCon share distribution on 6 May (1 free SCG share for every 10 Sunway shares held). Nevertheless, we maintain our **Buy** recommendation on Sunway as the group is expected to distribute the proceeds from sale of SunCon shares as special cash dividends of estimated 22sen/share (on top of our forecasted normal dividend of 11 sen).

Appendix 1: Location



Source: Sunway

Appendix 2: Site Photo



Source: Sunway

FYE Dec	2013	2014	2015F	2016F	2017F
Profit and Loss (RM'mn)					
Revenue	4,721.4	4,841.9	5,368.0	5,532.5	5,360.8
EBITDA	642.8	655.8	822.3	875.5	861.9
Depreciation	(49.7)	(60.1)	(69.9)	(69.4)	(68.9)
Amortisation	(1.0)	(0.9)	(0.9)	(0.8)	(0.8)
EBIT	592.1	594.8	751.5	805.3	792.2
Finance cost	(102.4)	(30.4)	(49.2)	(47.9)	(46.6)
Associate & JV	172.5	233.2	107.4	131.3	131.7
EI	1,006.5	171.2	456.8	0.0	0.0
PBT	1,900.4	968.8	1,272.4	902.4	894.9
Tax	(120.9)	(148.0)	(162.4)	(179.6)	(178.2)
MI	(273.0)	(77.6)	(150.4)	(153.1)	(118.7)
Net profit	1,490.4	743.2	959.7	569.6	598.1
Core profit	483.9	591.7	585.9	569.6	598.1
Core EPS (sen)	28.1	34.2	33.9	32.9	34.6
DPS (sen)	10.0	11.0	33.0	11.0	11.0

Cash Flow (RM'mn)	2013	2014	2015F	2016F	2017F
PBT	1,900.4	968.8	1,272.4	902.4	894.9
Depr & Amort	50.7	61.0	70.8	70.2	69.6
Change in working assets	300.8	(56.2)	(30.7)	(20.6)	6.1
Tax	(120.9)	(148.0)	(162.4)	(179.6)	(178.2)
Others	(244.7)	(151.0)	(365.2)	(20.5)	(15.9)
CFO	1,886.2	674.5	784.9	751.8	776.6
Capex	(707.0)	(60.0)	(346.0)	(60.0)	(60.0)
Property Inv	(329.0)	(324.0)	(24.0)	(24.0)	(24.0)
CFI	(1,036.0)	(384.0)	(370.0)	(84.0)	(84.0)
Net Addition/Rpmt	70.0	(100.0)	(100.0)	(100.0)	(100.0)
Dividend Paid	(172.4)	(190.4)	(571.1)	(190.4)	(190.4)
Others	732.9	20.8	0.0	0.0	0.0
CFF	630.6	(269.5)	(671.1)	(290.4)	(290.4)
Change in cash	1,480.8	21.0	(256.1)	377.4	402.3
FCF/share	49.3	16.8	24.0	38.6	40.0

Assumptions (RM mn)	2013	2014	2015F	2016F	2017F
New Property Sales	1,400.0	1,486.1	1,530.6	1,997.5	2,372.3
Property Margins (%)	18.3	23.1	23.7	23.2	22.9
Orderbook Replenishment	2,200.0	170.0	1,500.0	1,500.0	1,500.0
Construction margins (%)	5.0	8.1	7.2	7.0	6.9

FYE Dec	2013	2014	2015F	2016F	2017F
Balance Sheet (RM'mn)					
PPE	866.2	1,046.8	1,218.2	1,208.8	1,199.9
Land held for dev	886.8	529.2	529.2	529.2	529.2
Associate & JV	2,304.9	2,481.0	2,494.1	2,514.7	2,530.6
Investment Properties	1,803.0	2,189.6	2,213.6	2,237.6	2,261.6
Goodwill	319.4	319.4	319.4	319.4	319.4
Others	73.0	171.4	170.6	169.8	169.0
LT Assets	6,253.3	6,737.4	6,945.1	6,979.5	7,009.7
Property dev. Cost	1,175.0	1,772.5	1,772.5	1,772.5	1,772.5
Inventories	615.8	597.8	676.5	712.4	690.3
Trade & other receivables	1,525.5	1,719.9	1,867.8	1,940.2	1,880.0
Cash & Cash equivalent	1,448.8	1,978.2	2,178.8	2,556.3	2,958.5
Others	83.1	110.6	110.6	110.6	110.6
ST Assets	4,848.3	6,179.0	6,606.2	7,091.9	7,411.9
Total Assets	11,101.6	12,916.4	13,551.3	14,071.4	14,421.6
Trade and other payables	2,051.8	2,171.9	2,367.8	2,455.5	2,379.3
ST Borrowings	2,000.7	2,282.9	2,232.9	2,182.9	2,132.9
Others	21.5	20.8	20.8	20.8	20.8
ST Liabilities	4,074.0	4,475.6	4,621.5	4,659.2	4,533.0
LT Borrowings	859.6	1,501.5	1,451.5	1,401.5	1,351.5
Others	522.8	605.5	605.5	605.5	605.5
LT Liabilities	1,382.3	2,107.0	2,057.0	2,007.0	1,957.0
Share Cap	1,723.5	1,730.6	1,730.6	1,730.6	1,730.6
Reserves	3,604.8	4,214.6	4,603.2	4,982.5	5,390.2
Shareholder's Funds	5,328.3	5,945.2	6,333.8	6,713.1	7,120.8
MI	316.9	388.7	539.0	692.1	810.8
Liabilities + Equities	11,101.6	12,916.4	13,551.3	14,071.4	14,421.6

Ratios	2013	2014	2015F	2016F	2017F
EPS Growth (%)	57.3	21.8	(1.0)	(2.8)	5.0
PER (x)	12.1	9.9	10.0	10.3	9.8
GDPS (sen)	10.0	11.0	33.0	11.0	11.0
Div Yield (%)	2.9	3.2	9.7	3.2	3.2
Net cash (RMm)	(1,411.5)	(1,806.2)	(1,505.6)	(1,028.2)	(525.9)
Net gearing (x)	0.3	0.3	0.2	0.2	0.1
ROE (%)	11.3	10.5	9.5	8.7	8.6
ROA (%)	4.1	4.9	4.4	4.1	4.2
NTA/share (RM)	2.9	3.3	3.5	3.7	3.9
P/NTA (x)	1.2	1.0	1.0	0.9	0.9

RNAV Table

SOP Valuation	% Shareholdings	Effective land size (acres)	Effective GDV (RM'mn)	NPV (RM'mn)
Project				
Selangor/KL				
Sunway Damansara	60%	9.2	1014.8	74.5
Sunway South Quay	60%	31.2	2393.8	123.5
Sunway Monterez	60%	3.2	26.2	2.6
Sunway Semenyih	70%	278.7	510.0	32.8
Sunway Cheras	100%	6.0	16.8	1.7
Sunway Duta	60%	1.9	72.0	5.2
Sunway Montana	100%	2.0	55.5	4.0
Sunway Alam Suria	100%	0.7	12.0	0.0
Sunway Resort City	100%	14.9	660.1	42.5
Casa Kiara III	80%	2.3	168.0	16.7
Sunway Velocity	85%	15.2	2430.1	117.7
Sunway Tower KL 1	100%	1.0	240.0	23.8
Bangi	100%	3.0	59.0	4.8
Melawati	100%	2.0	43.0	3.5
Sg Long	80%	88.8	221.6	18.0
Mont Putra, Rawang	100%	163.0	156.0	12.7
Kelana Jaya Land	100%	17.0	1800.0	118.5
Perak				
Sunway City Ipoh	65%	581.6	681.4	49.7
Penang				
Sunway City Penang	100%	15.9	171.7	13.9
Sunway Grand	100%	11.9	186.0	15.1
Sungai Ara	100%	56.1	849.2	68.9
Bukit Mertajam	100%	42.3	694.1	56.3
Paya Terubong Land	100%	24.5	1500.0	94.9
Singapore				
Novena	30%	0.5	672.5	46.6
Sembawang	100%	0.8	75.0	4.4
Mount Sophia	30%	1.8	616.8	45.9
Johor				
Bukit Lenang	80%	70.4	745.6	56.2
Medini	38%	262.6	4560.0	257.5
Pendas	60%	647.4	10800.0	461.1
China				
Sunway Guanghao	65%	2.4	43.4	3.2
Tianjin Eco City	60%	54.5	3206.3	106.7
India				
Sunway OPUS Grand India	50%	11.9	351.2	20.9
Sunway MAK Signature Residence	60%	8.4	108.7	6.9
Australia				
Wonderland Business Park (Sydney)	45%	21.8	170.1	10.8
TOTAL		2411.5	31394.3	1921.5
Current unbilled sales			1900	172.9
Sub-total				2094.4

	Effective stake (%)	Book value (RM'mn)	Est. fair value (RM'mn)	Difference (RM'mn)
Investment in Sunway REIT (less 20% holding company discount)	34.60	1365.65	1759.2	314.8
Investment in SCG (less 20% holding company discount)	55.80	349.08	1046.3	557.7
Total surplus				2966.9
Estimated new NTA				4957.2
Total revised enterprised value				7924.1
Conversion of warrants @ RM2.50				724.3
SOP valuation (RM mn)				8648.5
Fully Diluted Share Base (mn shares)				2013.19
Fair Value (RM/Share)				4.30

Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

for TA SECURITIES HOLDINGS BERHAD^(14948-M)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

Kaladher Govindan – Head of Research