



## Sunway Berhad

A Solid Start

**TP: RM4.30 (+22.0%)**

Last Traded: RM3.52

**BUY**

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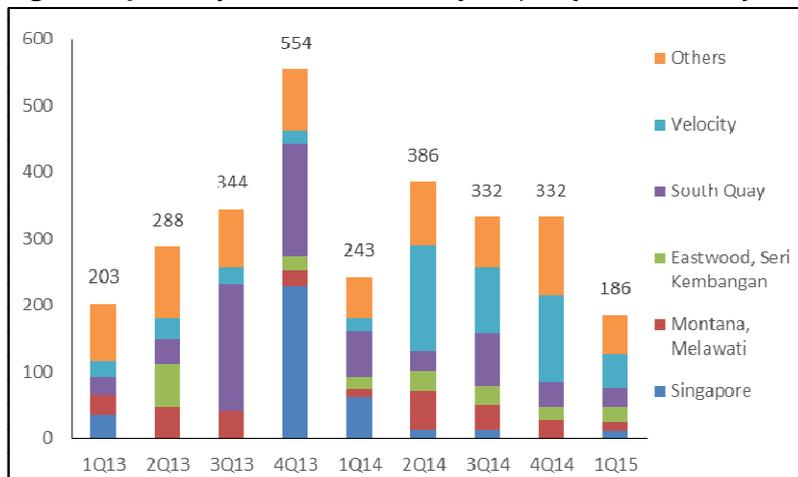
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### Review

- Excluding the gains of RM22.9mn from disposals of Sunway Hotel Georgetown and Wisma Sunway, Sunway Berhad's 1Q15 normalised net profit of RM123.6mn came in within expectations, accounting for 21% and 25% of our and consensus full-year forecasts respectively.
- Sunway's 1Q15 normalised net profit advanced 12.1% YoY to RM123.6mn, underpinned by revenue growth of 3.3% and PBT margin expansion of 1.6ppt. Segmental wise, construction division posted decent results with revenue and PBT increased by 29% and 67% respectively. We believe the better performance was attributed to higher progress billing from infrastructure projects i.e the MRT, LRT and BRT Sunway Line. Moreover, the construction margin has also improved significantly by 5ppt, as the construction works has moved to an advanced stage.
- QoQ, 1Q15 normalised net profit fell 40%, as the immediate preceding quarter saw a lumpy revenue recognition from Sunway Nexis project in Sunway Damansara following its completion in 4Q14. The property investment division also reported weaker results mainly due to seasonal factors as the leisure and hospitality business usually generate their peak earnings in the 4Q.
- Sunway reported new sales of RM247mn (effective RM186mn, - 29% YoY) in 1Q15. Key contributors to 1Q15 sales are Sunway Geo Serviced Residences 2 @ Sunway South Quay, Serviced Apartments, retail shops & offices @ Sunway Velocity, and Sunway Eastwood (see **Figure 1**). Unbilled sales remained healthy at RM2.5bn (effective RM1.8bn), which will keep the group busy over the next two years.

**Figure 1: Quarterly Sales Breakdown by Project (effective sales)**



Source: Sunway, TA Research

### Share Information

Bloomberg Code	SWB MK
Stock Name	Sunway
Stock Code	5211
Listing	Main Market
Share Cap (mn)	1723.1
Market Cap (RMmn)	6163.5
Par Value	1.00
52-wk Hi/Lo (RM)	3.81/2.912
12-mth Avg Daily Vol ('000 shrs)	1373.4
Estimated Free Float (%)	24.2
Beta	0.80
<b>Major Shareholders (%)</b>	Sungei Way Corp (50.1)

### Forecast Revision

	FY15	FY16
Forecast Revision (%)	0.0	0.0
Net profit (RMmn)	585.9	569.6
Consensus	571.9	582.6
TA's / Consensus (%)	102.5	97.8
Previous Rating	Buy (Maintained)	

### Financial Indicators

	FY15	FY16
Net Debt / Equity (%)	23.8	15.3
FCPS (sen)	50.4	38.6
Price / CFPS (x)	7.0	9.1
ROA (%)	4.4	4.1
NTA/Share (RM)	3.5	3.7
Price/NTA (x)	1.0	1.0

### SCORECARD

	% of FY	
vs TA	21.0	Within
vs Consensus	25.0	Within

### Share Performance (%)

Price Change	Sunway	FBM KLCI
1 mth	(5.6)	(5.1)
3 mth	7.3	(3.1)
6 mth	7.0	(3.6)
12 mth	16.2	(5.5)

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



Source: Bloomberg

### Impact

- No change to FY15-17 earnings forecasts.

## Outlook

- Despite only securing new sales of RM247mn in 1Q15, management has maintained its sales target of RM1.7bn in 2015 (effective: RM1.2bn), as the RM2.0bn worth of new properties are now scheduled for launch in 2H15. Key new launches in the Klang Valley include Sunway Velocity, Sunway Damansara and Sunway South Quay. Down south, Sunway is expected to roll out landed properties at Sunway Iskandar in 3Q15 with an estimated GDV of RM300mn. Over to Singapore, the group plans to launch condominiums @ Sophia Hills in 2H (effective GDV: RM600mn). Nevertheless, we maintain our FY15 sales assumptions of RM1.5bn, largely to factor in current weak market sentiment. We also do not rule out the possibility that the group will hold the launches of commercial projects (Velocity & Nexis Retail) until 4Q15, given commercial properties are subjected to GST and may experience weak response.
- On the construction front, management aims to sustain its orderbook replenishment momentum and is confident to secure jobs worth RM2.0bn in 2015, which are likely to comprise some building jobs. In addition, Sunway is one of the 6 companies (MMC-Gamuda, MRCB-George Kent JV, UEM Group, Naza TTDI, Sunway, WCT-Alloy MTD Group JV), who have been shortlisted for the role of project delivery partner (PDP) by Prasarana for the development of LRT 3. Given Sunway's track record in LRT, MRT and BRT, we believe Sunway is one of the strong contenders for the PDP role.

## Valuation

- We maintain our **Buy** recommendation on Sunway with an unchanged SOP-derived target price of RM4.30/share. We expect the estimated special cash dividends of 22sen/share arising from the proceeds from sale of SunCon shares to support the current share price. Note that the listing of SunCon is on track by end-July.

**Figure 2: Planned launches for FY15**

Project	GDV (RM mn)
Serene Villas, Sunway City Ipoh	50
Condo & Townhouses, Sunway Wellesley Penang	100
Nexis Retail, Sunway Damansara	250
Sunway Velocity Shops & Offices	150
Sunway South Quay Condominium	300
Sunway Iskandar Landed	300
Sophia Hills, Singapore (effective GDV)	600
Others	200
<b>Total</b>	<b>1950</b>

Source: Sunway, TA Research

**Figure 3: Outstanding Order book**

Project	RM'mn
<b>Infrastructure</b>	
MRT Package V4	502
LRT Kelana Jaya Line Extension	129
BRT Sunway Line	62
<b>Johor</b>	
Urban Wellness	113
Coastal Highway Southern Link	165
<b>Others</b>	
KLCC NEC	215
KLCC Package 2	113
Others	61
<b>Foreign</b>	
Singapore - precast	359
<b>Total External Orderbook</b>	<b>1719</b>
<b>Other in-house jobs</b>	
Sunway Velocity 2 mall	223
Sunway University New Academic Block	8
Sunway Pyramid 3	105
Sunway Geo Retail Shops & Flexi Suites	129
Sunway Medical Centre Phase 3	157
Sunway Iskandar - Citrine Svc Apt	171
Others	247
<b>Total Orderbook</b>	<b>2760</b>

Source: Sunway, TA Research

## Earnings Summary

YE Dec 31 (RM'mn)	2013	2014	2015F	2016F	2017F
Revenue	4721.4	4841.9	5368.0	5532.5	5360.8
EBITDA	642.8	655.8	822.3	875.5	861.9
EBITDA margin (%)	13.6	13.5	15.3	15.8	16.1
Pretax profit - adj	662.2	797.6	815.6	902.4	894.9
Reported Net profit	1490.4	743.2	959.7	569.6	598.1
Net profit -adj	483.9	591.7	585.9	569.6	598.1
EPS (sen)	30.6	34.2	33.9	32.9	34.6
EPS - adj (sen)	28.1	34.2	33.9	32.9	34.6
EPS Growth (Core) (%)	57.3	21.8	-1.0	-2.8	5.0
PER (x)	12.5	10.3	10.4	10.7	10.2
GDPS (sen)	10.0	11.0	33.0	11.0	11.0
Div Yield (%)	2.8	3.1	9.4	3.1	3.1
ROE (%)	11.3	10.5	9.5	8.7	8.6

## 1Q15 Results analysis

<b>YE 31 Dec (RM'mn)</b>		<b>1Q14</b>	<b>4Q14</b>	<b>1Q15</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>
<b>Revenue</b>		<b>1025.7</b>	<b>1477.5</b>	<b>1060.0</b>	<b>(28.3)</b>	<b>3.3</b>
<i>Property Development</i>		222.3	496.3	180.7	(63.6)	(18.7)
<i>Property Investment</i>		136.2	160.4	139.3	(13.2)	2.2
<i>Construction</i>		358.7	478.0	375.3	(21.5)	4.6
<i>Trading &amp; Manufacturing</i>		149.0	168.9	191.9	13.6	28.8
<i>Quarry</i>		48.3	74.5	53.8	(27.8)	11.4
<i>Others</i>		111.2	99.4	119.0	19.7	7.0
EBIT		109.6	216.3	169.9	(21.4)	55.0
Gain on derivative		(0.0)	(2.8)	(3.2)	14.2	nm
Finance income		10.2	14.7	14.6	(1.1)	43.2
Finance costs		(18.0)	(22.0)	(26.0)	18.0	44.2
Associates		20.1	22.9	20.6	(10.0)	2.3
JV		20.3	21.8	17.6	(19.5)	(13.7)
Disposal / Fair Value Gains		(6.3)	106.9	22.9	(78.6)	nm
PBT		142.2	407.8	193.5	(52.6)	36.1
<b>Normalised PBT</b>		<b>148.5</b>	<b>281.2</b>	<b>170.6</b>	<b>(39.3)</b>	<b>14.9</b>
<i>Property Development</i>		68.9	118.3	56.9	(51.9)	(17.4)
<i>Property Investment</i>		25.1	51.0	20.1	(60.6)	(19.8)
<i>Construction</i>		31.3	61.2	52.2	(14.6)	67.1
<i>Trading &amp; Manufacturing</i>		8.3	8.2	12.7	55.5	52.9
<i>Quarry</i>		4.7	16.8	7.7	(54.1)	64.6
<i>Others</i>		10.3	25.8	(2.0)	>100	>100
Tax		(30.4)	(50.8)	(36.1)	(29.0)	18.5
MI		(7.8)	(44.0)	(10.9)	(75.3)	40.1
<i>Net profit</i>		104.0	313.0	146.5	(53.2)	40.9
Normalised net profit		110.3	206.1	123.6	(40.0)	12.1
Reported EPS	(sen)	6.0	18.1	8.5	(53.4)	40.1
Adj EPS	(sen)	6.4	11.9	7.1	(40.2)	11.5
DPS	(sen)	0.0	6.0	0.0	nm	0.0
EBIT margin	(%)	10.7	14.6	16.0	1.4	5.3
<b>PBT margin</b>	<b>(%)</b>	<b>14.5</b>	<b>19.0</b>	<b>16.1</b>	<b>(2.9)</b>	<b>1.6</b>
<i>Property Development</i>	(%)	31.0	23.8	31.5	7.7	0.5
<i>Property Investment</i>	(%)	18.4	31.8	14.4	(17.4)	(4.0)
<i>Construction</i>	(%)	8.7	12.8	13.9	1.1	5.2
<i>Trading &amp; Manufacturing</i>	(%)	5.6	4.9	6.6	1.8	1.0
<i>Quarry</i>	(%)	9.7	22.6	14.3	(8.2)	4.6
<i>Others</i>	(%)	9.2	25.9	(1.7)	(27.6)	(10.9)
Net margin	(%)	10.8	13.9	11.7	(2.3)	0.9
Effective tax rate	(%)	20.5	18.1	21.1	3.1	0.6

## SOP Valuation

SOP Valuation	% Shareholdings	Effective land size (acres)	Effective GDV (RM'mn)	NPV (RM'mn)
<b>Project</b>				
<b>Selangor/KL</b>				
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
<b>Perak</b>				
Sunway City Ipoh	65%	581.6	681.4	49.7
<b>Penang</b>				
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
<b>Singapore</b>				
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
<b>Johor</b>				
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
<b>China</b>				
Sunway Guanghao	65%	2.4	43.4	3.2
Tianjin Eco City	60%	54.5	3206.3	106.7
<b>India</b>				
Sunway OPUS Grand India	50%	11.9	351.2	20.9
Sunway MAK Signature Residence	60%	8.4	108.7	6.9
<b>Australia</b>				
Wonderland Business Park (Sydney)	45%	21.8	170.1	10.8
TOTAL		2411.5	31394.3	1921.5
Current unbilled sales			1800	172.9
<b>Sub-total</b>				<b>2094.4</b>
	Effective stake (%)	Book value (RM'mn)	Est. fair value (RM'mn)	Difference (RM'mn)
Investment in Sunway REIT (less 20% holding company discount)	34.60	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
<b>Fair Value (RM/Share)</b>				<b>4.30</b>

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