

Outthink. Outperform.

## Above expectation

Sunway's 2015 core earnings of RM607m came in above our and street estimates. Earnings in 4Q15 fell yoy on lower revenue and slight margin contraction. Revenue was dragged down by lower contribution from construction segment on higher internal elimination. Maintain BUY with an unchanged TP of RM3.90.

### 2015 core earnings came in above our expectation

In 4Q15, Sunway reported a core net profit of RM180m (-13.3% yoy), taking 2015 core earnings to RM606.8m (+3.8% yoy). This came in 17% above our expectation. The drop in 4Q15 earnings were in tandem with the 5.3% drop in revenue and 2.1ppt contraction in EBITDA margin. Sunway declared a final dividend of 6 sen taking full-year payout to 49 sen (including special dividend of 26 sen and dividend-in-specie of 12 sen)

### Revenue was dragged down by construction segment

The lower yoy 4Q15 revenue was due to lower contribution from the construction segment – higher intra-group elimination on consolidation as well as lower contribution from the property development division due to fewer ongoing projects under development.

### Unbilled sales remain high at RM1.5bn

In 2015, Sunway achieved effective property sales of RM912m which were generated from various projects in different locations including; Velocity, Montana, South Quay, and Eastwood. Effective unbilled sales stood at RM1.5bn as at end-2015 (2014 was higher at RM1.9bn). Meanwhile, total outstanding construction order book stood at RM3.7bn as at end-Dec 2015 with total replenishment of RM2.6bn (RM1.1bn as at end-2014).

### Maintain BUY with an unchanged TP of RM3.90

Our FY16 and FY17 earnings forecast are slightly tweaked after updating FY15 earnings. We maintain our BUY rating and TP of RM3.90 (based on 30% discount to RNAV). We continue to like Sunway for its strategic property land bank, extensive experience in the construction sector, and inexpensive valuation of 0.7x P/RNAV. Risk to recommendation include; i) sharper-than-expected slowdown in the domestic property market; ii) prolonged oversupply within the Johor region, iii) lower-than-expected construction contract wins.

### Earnings & Valuation Summary

FYE 31 Dec	2014	2015	2016E	2017E	2018E
Revenue (RMm)	4,841.9	4,451.3	4,308.3	4,658.3	4,750.8
EBITDA (RMm)	735.6	929.8	762.6	852.3	892.2
Pretax profit (RMm)	960.2	929.2	726.4	824.4	861.6
Net profit (RMm)	734.0	732.4	541.9	608.2	632.9
EPS (sen)	42.5	42.3	31.3	35.1	36.6
PER (x)	7.1	7.1	9.6	8.6	8.2
Core net profit (RMm)	583.9	606.8	541.9	608.2	632.9
Core EPS (sen)	33.8	35.1	31.3	35.1	36.6
Core EPS growth (%)	5.6	3.7	(10.7)	12.2	4.1
Core PER (x)	8.9	8.6	9.6	8.6	8.2
Net DPS (sen)	11.0	49.0	10.0	11.0	11.0
Dividend Yield (%)	3.7	16.3	3.3	3.7	3.7
EV/EBITDA (x)	9.5	7.8	9.0	7.9	7.2
Chg in EPS (%)			2.9	3.1	-
Affin/Consensus (x)			1.0	1.1	1.1

Source: Company, Affin Hwang estimates

Affin Hwang Investment Bank Bhd (14389-U)  
 (Formerly known as HwangDBS Investment Bank Bhd)

## Results Note

# Sunway

SWB MK  
 Sector: Property

RM3.01 @ 26 February 2014

**BUY (maintain)**

Upside 28%

**Price Target: RM3.90**

Previous Target: RM3.90



## Price Performance

	1M	3M	12M
Absolute	+2.4%	-1.6%	-0.5%
Rel to KLCI	+0.1%	-0.5%	+9.0%

## Stock Data

Issued shares (m)	1,780.1
Mkt cap (RMm)/(US\$m)	5,358.1/1,273.1
Avg daily vol - 6mth (m)	1.2
52-wk range (RM)	2.89-3.53
Est free float	6.3%
BV per share (RM)	3.84
P/BV (x)	0.78
Net cash/ (debt) (RMm) (4Q15)	(3,262)
ROE (2016F)	8.2%
Derivatives	
Warr 2016 (SP:RM2.50)	
Shariah Compliant	Yes

## Key Shareholders

Sungei Way Corp Sdn Bhd	55.1%
Yean Tin Cheah	13.1%

Source: Affin Hwang, Bloomberg

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Fig 1: Results Comparison

FYE 31 Dec (RMm)	4Q15	QoQ % chg	YoY % chg	2015	YoY % chg	Comment
Revenue	1398.8	47.1	(5.3)	4,451.3	(2.3)	Dragged down by lower contribution from construction segment
Op costs	(1177.4)	41.5	(2.9)	(3891.0)	(1.5)	
<b>EBIT</b>	<b>221.3</b>	<b>86.5</b>	<b>(16.5)</b>	<b>560.3</b>	<b>(7.7)</b>	
<i>EBIT margin (%)</i>	15.8	3.3ppt	2.1ppt	12.6	0.1ppt	
Int expense	(45.3)	72.5	106.2	(124.5)	57.8	Total debt stood at RM4.4bn (+7% yoy)
Int and other income	23.6	(43.9)	60.0	97.8	102.0	
Associates	49.6	57.2	11.0	269.9	15.8	
El	34.7	nm	nm	125.6	(16.3)	Fair value gain from annual revaluation of Sunway REITs properties
<b>Pretax profit</b>	<b>283.8</b>	<b>66.0</b>	<b>(30.4)</b>	<b>929.2</b>	<b>(3.2)</b>	
<b>Core pretax</b>	<b>249.1</b>	<b>50.1</b>	<b>(17.6)</b>	<b>803.6</b>	<b>(0.8)</b>	
Tax	(29.2)	(8.1)	(42.6)	(129.8)	(12.3)	Lower due to deferred taxation
<i>Tax rate (%)</i>	10.3	n.m	n.m	14.0	n.m	
MI	(40.0)	548.2	(9.1)	(67.0)	(13.7)	
<b>Net profit</b>	<b>214.7</b>	<b>61.4</b>	<b>(31.4)</b>	<b>732.4</b>	<b>(0.3)</b>	
EPS (sen)	12.0	59.7	(33.6)	41.8	(3.1)	
<b>Core net profit</b>	<b>180.0</b>	<b>40.5</b>	<b>(13.3)</b>	<b>606.8</b>	<b>3.8</b>	17% above our forecast

Source: Affin Hwang, Company data

**Equity Rating Structure and Definitions**


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<b>BUY</b>	Total return is expected to exceed +10% over a 12-month period
<b>HOLD</b>	Total return is expected to be between -5% and +10% over a 12-month period
<b>SELL</b>	Total return is expected to be below -5% over a 12-month period
<b>NOT RATED</b>	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

*The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.*

<b>OVERWEIGHT</b>	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
<b>NEUTRAL</b>	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
<b>UNDERWEIGHT</b>	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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