

Out think. Out perform.

Launches changed

Sunway has revised down its effective sales target to RM0.9bn in 2016 from RM1.1bn initially after changing its plan for new effective launches, cutting the figure down by nearly half to RM640m. Effective sales was RM638m for 9MFY16. Management remains cautious on the property market outlook but will continue to develop facilities to attract buyers to its Sunway Iskandar and Sunway Velocity projects. Maintain BUY with RM3.90 target, based on 30% discount to RNAV.

Keep Sunway Velocity office

Sunway decided to keep its Sunway Velocity Office with gross development value (GDV) of RM200m as a property investment asset instead of selling it. This is because of the long-term potential for appreciation, given that it is above the shopping mall and will be linked to the MRT Line 1 station, which will start operations by July 2017.

Deferred launches

Sunway deferred the launch of Sunway Geo Residences 3 with GDV of RM400m to next year as it plans to improve the pedestrian connectivity to the retail outlets and Sunway BRT. The launch of landed residences in Sunway Iskandar with GDV of RM400m was also deferred to next year as the Coastal Highway Southern Link will be opened in April 2016, reducing the travelling time to the Second Link to Singapore.

Continued investments in townships

The company plans to continue its investment of RM0.5-0.9bn p.a. in property investment assets and improving infrastructure to develop its townships. For its Sunway Iskandar project with GDV of RM30bn (comprise 61% of total GDV of RM49bn), the company will open the Sunway International School in January 2017. There are plans to develop lifestyle retail shops called Big Box to complement its new high-rise and landed residential units with GDV of RM580m to be launched in 2017.

Maintain BUY

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. It has planned more aggressive launches worth RM2bn in 2017 to drive earnings growth. Maintain BUY.

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 (%)	-	-	-
Affin/Consensus (x)	1.0	1.1	1.0

Source: Company, Affin Hwang estimates

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

Company Update

Sunway

SWB MK
Sector: Property

RM3.06 @ 13 October 2016

BUY (maintain)

Upside 27%

Price Target: RM3.90

Previous Target: RM3.90



Price Performance

	1M	3M	12M
Absolute	-2.2%	+2.0%	-0.6%
Rel to KLCI	-2.4%	+1.4%	+2.1%

Stock Data

Issued shares (m)	2,034.7
Mkt cap (RMm)/(US\$m)	6226.1/1483.1
Avg daily vol - 6mth (m)	1.0
52-wk range (RM)	2.87-3.24
Est free float	28.8%
BV per share (RM)	3.57
P/BV (x)	0.87
Net cash/ (debt) (RMm) (2Q16)	(3,138.86)
ROE (2016F)	9.0%
Derivatives	
Warr 2016 (SP:RM2.50)	
Shariah Compliant	Yes

Key Shareholders

Sungei Way Corp Sdn Bhd	56.2%
EPF	5.1%

Source: Affin Hwang, Bloomberg

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SWB – FINANCIAL SUMMARY

Profit & Loss Statement

FYE31 Dec (RMm)	2014	2015	2016E	2017E	2018E
Revenue	4,842	4,451	4,308	4,658	4,751
Operating expenses	(4,106)	(3,521)	(3,546)	(3,806)	(3,859)
EBITDA	736	930	763	852	892
Depreciation	(231)	(243)	(255)	(268)	(281)
EBIT	504	687	508	584	611
Net int inc/(exp)	(30)	(27)	(45)	(42)	(37)
Associates' contribution	233	270	264	282	288
Exceptional items	150	126	-	-	-
Pretax profit	960	929	726	824	862
Tax	(149)	(130)	(113)	(133)	(140)
Minority interest	(78)	(67)	(71)	(84)	(88)
Net profit	734	732	542	608	633
Core Net Profit	584	607	542	608	633

Balance Sheet Statement

FYE31 Dec (RMm)	2014	2015	2016E	2017E	2018E
Fixed assets	3,766	4,373	4,468	4,550	4,619
Other long term assets	2,972	3,072	3,172	3,272	3,372
Total non-curr assets	6,737	7,445	7,639	7,822	7,990
Cash and equivalents	1,978	1,012	814	1,008	1,264
Stocks	598	549	531	574	586
Debtors	1,720	1,341	1,298	1,404	1,432
Other current assets	1,883	1,495	1,417	1,528	1,628
Total current assets	6,179	4,398	4,061	4,515	4,909
Creditors	2,172	1,856	1,874	2,009	2,042
Short term borrowings	2,283	2,000	1,400	1,400	1,400
Other current liabilities	21	21	21	21	21
Total current liab	4,476	3,877	3,295	3,430	3,462
Long term borrowings	1,502	1,100	1,100	1,100	1,100
Other long term liabilities	605	605	605	605	605
Total long term liab	2,107	1,705	1,705	1,705	1,705
Shareholders' Funds	5,945	5,830	6,198	6,616	7,059
Minority Interest	389	456	527	611	699

Cash Flow Statement

FYE31 Dec (RMm)	2014	2015	2016E	2017E	2018E
Profit before tax	960	929	726	824	862
Depreciation & amortization	231	243	255	268	281
Working capital changes	(822)	500	157	(125)	(106)
Associates' contribution	(233)	(270)	(264)	(282)	(288)
Others	633	(152)	(113)	(133)	(140)
Cash flow from operation	769	1,250	762	552	609
Capex	(777)	(850)	(350)	(350)	(350)
Disposal/(purchases)	-	-	-	-	-
Others	(67)	170	164	182	188
Cash flow from investing	(844)	(680)	(186)	(168)	(162)
Debt raised/(repaid)	989	(684)	(600)	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(213)	(848)	(173)	(190)	(190)
Others	(181)	-	-	-	-
Cash flow from financing	595	(1,532)	(773)	(190)	(190)
Net change in cash flow	520	(962)	(198)	194	256
Free Cash Flow	(8)	400	412	202	259

Source: Affin Hwang, Company data

Key Financial Ratios and Margins

FYE31 Dec (RMm)	2014	2015	2016E	2017E	2018E
Growth					
Revenue (%)	2.6	(8.1)	(3.2)	8.1	2.0
EBITDA (%)	20.9	26.4	(18.0)	11.8	4.7
Core net profit (%)	21.0	3.9	(10.7)	12.2	4.1
Profitability					
EBITDA margin (%)	15.2	20.9	17.7	18.3	18.8
PBT margin (%)	19.8	20.9	16.9	17.7	18.1
Net profit margin (%)	15.2	16.5	12.6	13.1	13.3
Effective tax rate (%)	15.5	14.0	15.6	16.1	16.3
ROA (%)	6.1	5.9	4.6	5.1	5.0
Core ROE (%)	10.4	10.3	9.0	9.5	9.3
ROCE (%)	5.6	7.4	5.8	6.6	6.5
Dividend payout ratio (%)	25.9	115.8	31.9	31.3	30.1
Liquidity					
Current ratio (x)	1.4	1.1	1.2	1.3	1.4
Op. cash flow (RMm)	769	1,250	762	552	609
Free cashflow (RMm)	(8)	400	412	202	259
FCF/share (sen)	(0.5)	23.1	23.8	11.7	14.9
Asset management					
Debtors turnover (days)	129.7	110.0	110.0	110.0	110.0
Stock turnover (days)	45.1	45.0	45.0	45.0	45.0
Creditors turnover (days)	182.8	180.0	180.0	180.0	180.0
Capital structure					
Net gearing (%)	30.4	35.8	27.2	22.5	17.5
Interest cover (x)	24.2	34.9	17.1	20.2	23.9

Quarterly Profit & Loss

FYE31 Dec (RMm)	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16
Revenue	1,042	951	1,399	1,069	1,156
Operating expenses	(1,003)	(832)	(1,177)	(919)	(1,016)
EBITDA	38	119	221	150	140
Depreciation	-	-	-	-	-
EBIT	38	119	221	150	140
Net int income/(expense)	(9)	16	(22)	(16)	(16)
Associates' contribution	151	32	50	43	58
Exceptional items	101	5	35	-	22
Pretax profit	281	171	284	176	204
Tax	(33)	(32)	(29)	(33)	(24)
Minority interest	(10)	(6)	(40)	(41)	(26)
Net profit	238	133	215	102	154
Core net profit	137	128	180	102	133
Margins (%)					
EBITDA	3.7	12.5	15.8	14.0	12.1
PBT	27.0	18.0	20.3	16.5	17.6
Net profit	22.8	14.0	15.3	9.6	13.4

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	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.

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